

Cathay Financial Holding Co., Ltd. and Subsidiaries

Unaudited Consolidated Financial Statements

As of March 31, 2008 and 2009

With Independent Auditors' Review Report

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. These consolidated financial statements do not include additional disclosure information that is required for Chinese-language reports under the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies. If there is any conflict between these consolidated financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language consolidated financial statements shall prevail.

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English Translation of Report Originally Issued in Chinese
Independent Auditors' Review Report

To: Board of Directors
Cathay Financial Holding Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. (the "Company") and its subsidiaries ("Subsidiaries") as of March 31, 2008 and 2009 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the three-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a review report based on our review.

We conducted our reviews in accordance with generally accepted auditing standards No. 36 "Review of Financial Statements" in the Republic of China. A review of interim financial information consists principally of applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Base on our review, we are not aware of any material modifications that should be made to the consolidated financial statements as of and for the three-month periods ended March 31, 2008 and 2009 in order for them to be in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and generally accepted accounting principles in the Republic of China.

Ernst & Young
Taipei, Taiwan
The Republic of China
April 22, 2009

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdiction. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Unaudited consolidated balance sheets
As of March 31, 2008 and 2009
(Expressed in thousands of dollars)

	Notes	March 31, 2008		March 31, 2009	
		NT \$	US \$	NT \$	US \$
Assets					
Cash and cash equivalents	2, 4	\$441,086,893	\$14,523,770	\$381,298,599	\$11,257,709
Due from the Central Bank and call loans to banks		59,979,986	1,974,975	50,032,494	1,477,192
Financial assets at fair value through profit or loss	2, 5	164,614,320	5,420,294	199,372,923	5,886,416
Securities purchased under agreements to resell		25,309,930	833,386	21,953,760	648,177
Receivables -net		81,939,768	2,698,050	95,759,498	2,827,266
Loans -net	2, 6	1,313,227,619	43,240,949	1,327,021,100	39,179,838
Available-for-sale financial assets -net	2, 7	452,543,971	14,901,020	495,944,956	14,642,603
Held-to-maturity financial assets -net	2, 8	552,989,667	18,208,418	634,309,487	18,727,768
Investments under equity method	2, 9	3,079,285	101,392	2,744,959	81,044
Other financial assets -net	2, 10	46,047,739	1,516,224	44,271,128	1,307,090
Investments in debt securities with no active market		104,451,280	3,439,291	155,336,613	4,586,260
Separate account products assets		261,198,020	8,600,527	195,958,451	5,785,605
Investments in real estate	2, 11	106,393,300	3,503,237	114,962,276	3,394,221
Property and equipment -net		40,268,435	1,325,928	40,388,822	1,192,466
Goodwill and intangible assets -net	2, 13	7,390,405	243,346	7,767,257	229,325
Other assets -net		67,315,792	2,216,523	57,490,207	1,697,378
Total assets		\$3,727,836,410	\$122,747,330	\$3,824,612,530	\$112,920,358
Liabilities & stockholders' equity					
Liabilities					
Due to the Central Bank and call loans from banks		\$67,231,050	\$2,213,732	\$41,238,695	\$1,217,558
Bankers acceptances and funds borrowed		1,520,250	50,058	1,695,850	50,069
Financial liabilities at fair value through profit or loss	2, 14	63,816,818	2,101,311	63,891,171	1,886,365
Securities sold under agreements to repurchase	5, 7	25,550,539	841,309	12,528,782	369,908
Payables		44,719,350	1,472,484	31,024,375	915,984
Deposits	15	1,029,938,255	33,913,015	1,123,836,664	33,180,888
Bonds payable	16	18,212,705	599,694	39,129,566	1,155,287
Reserve for operations and liabilities	2, 17	1,995,716,535	65,713,419	2,145,976,192	63,359,202
Other financial liabilities	2, 18	487,622	16,056	460,398	13,593
Separate account products liabilities		261,198,020	8,600,527	195,958,451	5,785,605
Other liabilities		7,074,761	232,952	11,050,695	326,268
Total liabilities		3,515,465,905	115,754,557	3,666,790,839	108,260,727
Stockholders' Equity attributable to equity holders of the parent					
Stock					
Common stock	19	92,770,192	3,054,665	97,375,372	2,874,974
Capital surplus	20	81,971,213	2,699,085	81,971,213	2,420,172
Retained earnings	21				
Legal reserve		9,245,862	304,441	12,320,672	363,764
Unappropriated retained earnings		29,601,961	974,711	12,074,524	356,496
Other stockholders' equity					
Land revaluation increment		2,106	69	2,106	62
Cumulative conversion adjustments		(265,997)	(8,759)	385,873	11,393
Unrealized gains or losses on financial instruments		362,369	11,932	(45,502,766)	(1,343,453)
Treasury stock	2, 22	(4,140,047)	(136,320)	(4,140,047)	(122,234)
Net loss not yet recognized as net pension cost		(3,107)	(102)	(270,687)	(7,992)
Total stockholder's equity attributable to equity holders of the parent		209,544,552	6,899,722	154,216,260	4,553,182
Minority interest		2,825,953	93,051	3,605,431	106,449
Total stockholders' equity		212,370,505	6,992,773	157,821,691	4,659,631
Total liabilities and stockholders' equity		\$3,727,836,410	\$122,747,330	\$3,824,612,530	\$112,920,358

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2008 and 2009 were NT\$30.37 and NT\$33.87 to US\$1.00, respectively)

The accompanying notes are an integral part of these consolidated financial statements.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Unaudited consolidated statements of income
For the three months ended March 31, 2008 and 2009
(Expressed in thousands of dollars, except earning per share)

	Notes	January 1 ~ March 31, 2008		January 1 ~ March 31, 2009			
		NT \$	US \$	NT \$	US \$		
Interest income	2	\$28,928,267	\$952,528	\$26,676,083	\$787,602		
Less: Interest expenses	2	(5,277,621)	(173,778)	(3,568,005)	(105,344)		
Net interest income		23,650,646	778,750	23,108,078	682,258		
Net income other than interest							
Net commission and handling fee		3,559,907	117,218	2,116,710	62,495		
Net premiums from insurance business		22,071,500	726,753	57,113,406	1,686,253		
Gains (losses) on financial assets and liabilities at fair value through profit or loss		12,245,589	403,213	(20,162,561)	(595,293)		
Realized gains on available-for-sale financial assets		13,551,954	446,228	672,353	19,851		
Realized (losses) gains on held-to-maturity financial assets		(150,496)	(4,955)	1,961,229	57,905		
Gains on investments under equity method		92,166	3,035	73,458	2,169		
Gains on investments in real estate		1,323,324	43,574	1,440,617	42,534		
(Losses) gains on foreign exchange		(42,105,515)	(1,386,418)	24,122,475	712,208		
Impairment losses		(36,953)	(1,217)	(42,254)	(1,248)		
Provision for premiums reserve		(29,103,303)	(958,291)	(68,903,386)	(2,034,349)		
Net other non-interest losses		(2,251,837)	(74,147)	(1,986,963)	(58,664)		
Total income		2,846,982	93,743	19,513,162	576,119		
Bad debt expenses		(352,033)	(11,592)	(775,862)	(22,907)		
Operating expenses							
Personnel expenses		(10,419,920)	(343,099)	(9,962,747)	(294,147)		
Depreciation and amortizations expenses		(865,998)	(28,515)	(963,185)	(28,438)		
Other general and administration expenses		(2,037,263)	(67,081)	(1,916,619)	(56,587)		
Loss (income) from continuing operations before income taxes		(10,828,232)	(356,544)	5,894,749	174,040		
Income taxes benefit (expense)	2, 24	4,850,250	159,706	(866,862)	(25,593)		
Loss (income) from continuing operations after income taxes		(5,977,982)	(196,838)	5,027,887	148,447		
Consolidated net loss (income)		<u>\$ (5,977,982)</u>	<u>\$ (196,838)</u>	<u>\$ 5,027,887</u>	<u>\$ 148,447</u>		
Include:							
Parent company		\$ (5,976,002)	\$ (196,773)	\$ 5,014,384	\$ 148,048		
Minority interest		(1,980)	(65)	13,503	399		
Consolidated net loss (income)		<u>\$ (5,977,982)</u>	<u>\$ (196,838)</u>	<u>\$ 5,027,887</u>	<u>\$ 148,447</u>		
Earnings per share (expressed in dollars) :							
Primary earnings per share:	25						
		Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes
Loss (income) from continuing operations		<u>\$ (1.12)</u>	<u>\$ (0.62)</u>	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>	<u>\$ 0.61</u>	<u>\$ 0.52</u>
Consolidated net loss (income)		<u>\$ (1.12)</u>	<u>\$ (0.62)</u>	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>	<u>\$ 0.61</u>	<u>\$ 0.52</u>

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2008 and 2009 were NT\$30.37 and NT\$33.87 to US\$1.00, respectively)

The accompanying notes are an integral part of these consolidated financial statements.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
 Unaudited consolidated statements of changes in stockholders' equity
 For the three months ended March 31, 2008 and 2009
 (Expressed in thousands of dollars)

Summary	Stock		Retained earnings						Other stockholders' equity										Total			
	Common stock		Capital surplus		Legal reserve		Unappropriated retained earnings		Land revaluation increment		Cumulative conversion adjustments		Unrealized gains or losses on financial instruments		Treasury stock		Net loss not yet recognized as net pension cost				Minority interest	
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Balance on January 1, 2008	\$92,770,192	\$3,054,665	\$81,971,213	\$2,699,085	\$9,245,862	\$304,441	\$35,577,963	\$1,171,484	\$2,106	\$69	\$183,766	\$6,051	\$10,955,521	\$360,735	\$(4,140,047)	\$(136,320)	\$(3,107)	\$(102)	\$3,326,309	\$109,526	\$229,889,778	\$7,569,634
Minority interest																			(498,376)	(16,410)	(498,376)	(16,410)
Cumulative conversion adjustments											(449,763)	(14,810)									(449,763)	(14,810)
Unrealized losses of financial instruments													(10,593,152)	(348,803)							(10,593,152)	(348,803)
Consolidated net loss for the three months ended March 31, 2008							(5,976,002)	(196,773)											(1,980)	(65)	(5,977,982)	(196,838)
Balance on March 31, 2008	\$92,770,192	\$3,054,665	\$81,971,213	\$2,699,085	\$9,245,862	\$304,441	\$29,601,961	\$974,711	\$2,106	\$69	\$(265,997)	\$(8,759)	\$362,369	\$11,932	\$(4,140,047)	\$(136,320)	\$(3,107)	\$(102)	\$2,825,953	\$93,051	\$212,370,505	\$6,992,773
Balance on January 1, 2009	\$97,375,372	\$2,874,974	\$81,971,213	\$2,420,172	\$12,320,672	\$363,764	\$7,060,140	\$208,448	\$2,106	\$62	\$344,257	\$10,164	\$(52,309,533)	\$(1,544,421)	\$(4,140,047)	\$(122,234)	\$(270,687)	\$(7,992)	\$3,145,462	\$92,868	\$145,498,955	\$4,295,805
Minority interest																			446,466	13,182	446,466	13,182
Cumulative conversion adjustments											41,616	1,229									41,616	1,229
Unrealized gains of financial instruments													6,806,767	200,968							6,806,767	200,968
Consolidated net income for the three months ended March 31, 2009							5,014,384	148,048											13,503	399	5,027,887	148,447
Balance on March 31, 2009	\$97,375,372	\$2,874,974	\$81,971,213	\$2,420,172	\$12,320,672	\$363,764	\$12,074,524	\$356,496	\$2,106	\$62	\$385,873	\$11,393	\$(45,502,766)	\$(1,343,453)	\$(4,140,047)	\$(122,234)	\$(270,687)	\$(7,992)	\$3,605,431	\$106,449	\$157,821,691	\$4,659,631

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2009 and 2008 were NTS\$0.37 and NTS\$33.87 to US\$1.00, respectively)

The accompanying notes are an integral part of these consolidated financial statements.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Unaudited consolidated statements of cash flows
For the three months ended March 31, 2008 and 2009
(Expressed in thousands of dollars)

	January 1 ~ March 31, 2008		January 1 ~ March 31, 2009	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Consolidated net (loss) income	\$(5,977,982)	\$(196,838)	\$5,027,887	\$148,447
Adjustments:				
Income and other adjustments with no cash flow effects				
Depreciation and amortization expenses	865,998	28,515	963,185	28,438
Investment income recognized by equity method (more) less than cash dividends received	(92,166)	(3,035)	96,128	2,838
Bad debt expenses	352,033	11,592	775,862	22,907
Provision for premiums reserve from insurance business	29,103,303	958,291	68,903,386	2,034,349
Gain on disposal of property and equipment	(15,052)	(496)	(40,987)	(1,210)
Impairment loss	36,953	1,217	42,254	1,248
Other adjustments	987,360	32,511	(28,128)	(831)
Decrease (increase) on operating assets and liabilities				
Increase in receivables	(1,556,947)	(51,266)	(10,079,141)	(297,583)
Increase in deferred income tax assets	(6,735,612)	(221,785)	(3,121,581)	(92,164)
Increase in financial assets at fair value through profit or loss	(29,868,184)	(983,476)	(72,458,923)	(2,139,325)
Decrease (increase) in other financial assets	358,512	11,805	(352,351)	(10,403)
Increase in other assets	(3,260,670)	(107,365)	(3,328,948)	(98,286)
Increase (decrease) in payables	15,794,646	520,074	(5,471,361)	(161,540)
Increase (decrease) in financial liabilities at fair value through profit or loss	3,914,828	128,904	(9,309,423)	(274,858)
(Decrease) increase in deferred income tax liabilities	(61,824)	(2,036)	3,821,615	112,832
(Decrease) increase in other financial liabilities	(81,099)	(2,670)	482	14
Decrease in other liabilities	(2,098,161)	(69,087)	(572,807)	(16,912)
Net cash provided by (used in) operating activities	1,665,936	54,855	(25,132,851)	(742,039)
Cash flows from investing activities				
Decrease in restricted assets	2,430,000	80,013	83,000	2,451
(Increase) decrease in loans	(6,947,111)	(228,749)	35,715,868	1,054,499
Increase in due from the Central Bank and call loans to banks	(1,089,434)	(35,872)	(2,358,358)	(69,630)
Decrease (increase) in available-for-sale financial assets	10,166,355	334,750	(4,570,826)	(134,952)
Decrease in held-to-maturity financial assets	35,119,073	1,156,374	18,701,113	552,144
Increase in investments under equity method	(2,105)	(69)	-	-
Increase investments in real estate	(113,924)	(3,751)	(5,752,854)	(169,851)
Acquisition of property and equipment	(108,732)	(3,580)	(355,867)	(10,507)
Increase in securities purchased under agreements to resell	(6,891,882)	(226,931)	(10,358,660)	(305,836)
Decrease (increase) in other financial assets	22,089,100	727,333	(31,158,487)	(919,944)
(Increase) decrease in other assets	(408,067)	(13,437)	1,007,663	29,751
Net cash provided by investing activities	54,243,273	1,786,081	952,592	28,125
Cash flows from financing activities				
Decrease in due to the Central Bank and call loans from banks	(6,319,123)	(208,071)	(21,865,260)	(645,564)
Increase in deposits	2,987,236	98,361	32,979,093	973,696
Increase (decrease) in securities sold under agreements to repurchase	10,915,115	359,405	(7,995,807)	(236,073)
(Decrease) increase in banker's acceptances and funds borrowed	(103,950)	(3,423)	260,386	7,688
(Decrease) increase in bonds payable	(339,132)	(11,167)	263,588	7,782
Decrease in other financial liabilities	(2,211,912)	(72,832)	(47,439)	(1,401)
Increase in other liabilities	31,056	1,023	166,878	4,927
Increase in minority stockholders	-	-	495,375	14,626
Net cash provided by financing activities	4,959,290	163,296	4,256,814	125,681
Effects of exchange rate changes	(1,368,908)	(45,075)	235,242	6,946
Increase (decrease) in cash and cash equivalents	59,499,591	1,959,157	(19,688,203)	(581,287)
Cash and cash equivalents at the beginning of period	381,587,302	12,564,613	400,986,802	11,838,996
Cash and cash equivalents at the end of period	\$441,086,893	\$14,523,770	\$381,298,599	\$11,257,709
Supplemental disclosure of cash flows information				
Interest paid during the period (excluding capitalized interest)	\$4,766,669	\$156,953	\$3,651,436	\$107,807
Income tax paid	\$309,194	\$10,181	\$527,915	\$15,587

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2008 and 2009 were NT\$30.37 and NT\$33.87 to US\$1.00, respectively.)

The accompanying notes are an integral part of these consolidated financial statements.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
(Expressed in thousands of dollars except
for share and per share data and unless otherwise stated)
March 31, 2008 and 2009

1. Organization and business scope

On December 31, 2001, Cathay Life Insurance Co., Ltd. (“Cathay Life”) was reincorporated as Cathay Financial Holding Co., Ltd. (the “Company”) through stock conversion pursuant to the provisions of the Republic of China (“ROC”) Financial Holding Company Act (“Financial Holding Company Act”) and its shares were listed on the Taiwan Stock Exchange Corporation (TSE) on the same day. On April 22, 2002, Cathay Century Insurance Co., Ltd. (“Cathay Century”) and Cathay United Bank Co., Ltd. (“Cathay United Bank”) became subsidiaries of the Company through stock conversion approved by the government. On December 18, 2002, United World Chinese Commercial Bank Co., Ltd. (“UWCCB”) also became a subsidiary of the Company through stock conversion approved by the government. UWCCB and Cathay United Bank merged on October 27, 2003, in accordance with the relevant laws and regulations. UWCCB was the surviving company and was re-named to Cathay United Bank Co., Ltd. (“Cathay United Bank”). On May 12, 2004 the Company established Cathay Securities Corporation (“Cathay Securities”) as a wholly owned subsidiary. On June 30, 2005, the Company has invested Lucky Bank, Inc. (“Lucky Bank”) which was approved as a strategic investment by the Financial Supervisory Commission, Executive Yuan. Lucky Bank became a subsidiary of the Company by stock conversion on August 25, 2006. Cathay United Bank absorption merged with Lucky Bank on January 1, 2007. Cathay United Bank acquired specific assets, liabilities, and business of China United Trust & Investment Corporation (“CUTIC”) on December 29, 2007 to improve competitiveness. Since July 29, 2003, the Company listed a portion of its common shares on the Luxembourg Stock Exchange (LSE) in the form of Global Depositary Shares (GDSs). The Company mainly engages in financial holding business activities. As of March 31, 2008 and 2009, the total numbers of the employees of the Company and Subsidiaries were 39,405 and 42,283, respectively.

As of and for the three months ended March 31, 2008 and 2009, the consolidated financial statements include the following entities:

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousand of dollars except for share and per share date and unless otherwise stated)

Investor	Investee	Business	2008.3.31 Ownership interest	2009.3.31 Ownership interest	Notes
The Company	Cathay Life	Life insurance	100.00%	100.00%	Cathay Life was incorporated in Taiwan on October 23, 1962 under the provisions of the ROC Company Act (the "Company Act").
The Company	Cathay United Bank	Commercial banking operations	100.00%	100.00%	UWCCB was enfranchised by the ROC government on January 4, 1975. On October 27, 2003, UWCCB was merged with the former Cathay United Bank which was dissolved after the merger; the merged entity was renamed Cathay United Bank. The new Cathay United Bank absorption merged with Lucky Bank on January 1, 2007.
The Company	Cathay Century	Property and casualty insurance	100.00%	100.00%	Cathay Century was incorporated in Taiwan on July 19, 1993, under the provisions of the Company Act. Cathay Century changed its name from "Tong Tai Insurance Co., Ltd." to "Cathay Century Insurance Co., Ltd." on August 2, 2002.

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousand of dollars except for share and per share date and unless otherwise stated)

Investor	Investee	Business	2008.3.31 Ownership interest	2009.3.31 Ownership interest	Notes
The Company	Cathay Securities	Securities	100.00%	100.00%	Cathay Securities was incorporated on May 12, 2004, under the Company Act. The securities department and the securities agent (Taipei branch) of Cathay United Bank were transferred to Cathay Securities using operating assignment along with its business, assets and liabilities. The assignment date was August 13, 2004.
The Company	Cathay Pacific Venture Capital Co., Ltd. (“Cathay Pacific Venture”)	Venture capital investment	100.00%	100.00%	Cathay Pacific Venture was incorporated on April 16, 2003, under the Company Act.
The Company、Cathay Life、Cathay United Bank、Cathay Century	Cathay Venture Capital Co., Ltd. (“Cathay Venture”)	Venture capital investment	67.00%	67.00%	Cathay Venture was incorporated on September 13, 2000, under the Company Act.
The Company	Cathay II Venture Capital Co., Ltd. (“Cathay II Venture”)	Venture capital investment	100.00%	100.00%	Cathay II Venture was incorporated on April 12, 2004, under the Company Act.
Cathay Life	Cathay Life Insurance Company (Shanghai) (“Cathay Life (Shanghai)”)	Life insurance	50.00%	50.00%	Cathay Life (Shanghai) was incorporated on December 29, 2004. Cathay Life and China Eastern Airlines Corporation Limited each owns 50% interest in Cathay Life (Shanghai).

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousand of dollars except for share and per share date and unless otherwise stated)

Investor	Investee	Business	2008.3.31 Ownership interest	2009.3.31 Ownership interest	Notes
Cathay Life 、 Cathay Venture	Symphox Information Co., Ltd. (“Symphox Information”)	Type II telecom service, data processing service, information supply service	100.00%	100.00%	Symphox Information was incorporated on December 12, 1999, under the Company Act. Cathay Life and Cathay Venture own 60.12% and 39.88% interest in Symphox Information, respectively.
Cathay Life	Cathay Life Insurance (Vietnam) Co., Ltd. (“Cathay Life (Vietnam)”)	Life insurance	100.00%	100.00%	Cathay Life (Vietnam) was incorporated on November 21, 2007.
Cathay Life 、 Cathay Century	Cathay Insurance Company Limited. (Shanghai) (“Cathay Century (Shanghai)”)	Property and casualty insurance	-	100.00%	Cathay Century (Shanghai) was incorporated on August 26, 2008. Cathay Life and Cathay Century each owns 50% interest of Cathay Century (Shanghai).
Cathay United Bank	Indovina Bank Limited (“Indovina Bank”)	Wholesale banking	50.00%	50.00%	Indovina Bank was incorporated in Vietnam on October 29, 1992. Cathay United Bank and Vietinbank each owns 50% interest of Indovina Bank.

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Investor	Investee	Business	2008.3.31 Ownership interest	2009.3.31 Ownership interest	Notes
Cathay Securities	Cathay Futures Corp. (“Cathay Futures”)	Futures related business	99.99%	99.99%	Cathay Futures, former Seaward Futures Agency Co., Ltd., was incorporated on December 29, 1993 under the Company Act and renamed to Seaward Futures Corp. on March 6, 1998. On December 24, 2003, Seaward Futures Corp. changed its name to Cathay Futures Corp. On February 10, 2006, Cathay United Bank sold all the stocks of Cathay Futures to Cathay Securities.

As of and for the three months ended March 31, 2008 and 2009, the consolidated financial statements excluded the following subsidiaries due to the respective total assets and operating revenues were considered immaterial to the Company.

Investor	Investee	Business	2008.3.31 Ownership interest	2009.3.31 Ownership interest	Notes
The Company	Cathay Capital Management Inc., (“Cathay Capital Management”)	Management consultant	100.00%	100.00%	Cathay Capital Management was incorporated on June 12, 2000.
Cathay life	Cathay Insurance (Bermuda) Co., Ltd. (“Cathay Insurance (Bermuda)”)	Reinsurance	100.00%	100.00%	Cathay Insurance (Bermuda) was incorporated on January 24, 2000.

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Investor	Investee	Business	2008.3.31 Ownership interest	2009.3.31 Ownership interest	Notes
Cathay life	Cathay Securities Investment Consulting Co., Ltd. (“Cathay Securities Investment Consulting”)	Securities investment research analysis	100.00%	100.00%	Cathay Securities Investment Consulting was incorporated on November 25, 2002.
Cathay United Bank	Cathay Life Insurance Agent Co., Ltd. (“Cathay Life Insurance Agent”)	Life insurance agent	100.00%	100.00%	Cathay Life Insurance Agent was incorporated on March 23, 2000.
Cathay United Bank	Cathay Property Insurance Agent Co., Ltd (“Cathay Property Insurance Agent”)	Property insurance agent	100.00%	100.00%	Cathay Property Insurance Agent was incorporated on March 23, 2000.
Cathay United Bank	Seaward Card Co., Ltd. (“Seaward Card”)	Credit card service	100.00%	100.00%	Seaward Card was incorporated on April 9, 1999.

2. Summary of significant accounting policies

The financial statements were prepared in accordance with requirements of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies and generally accepted accounting principles. A summary of significant accounting policies is as follows:

(1) Principles of consolidation

- A. In accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, the preparation of consolidated financial statements should comply with the Statements of Financial Accounting Standards of Republic of China (“ROC SFAS”) No. 7, except for subsidiaries in the industries of banking, insurance and securities which are required to be consolidated.

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- B. All significant inter-company transactions were eliminated in the consolidated financial statements.

(2) Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in values from fluctuations of interest rates. Cash and cash equivalents include cash on hand, unrestricted bank deposits, checks for clearance, due from commercial banks and all other highly liquid investments with maturities of less than three months.

(3) Financial assets and financial liabilities

In accordance with the ROC SFAS No.34 “Accounting for Financial Instruments”, “Guidelines Governing the Preparation of Financial Reports by Securities Issuers” and “Guidelines Governing the Preparation of Financial Reports by Financial Holding Company”, financial assets are categorized as “financial assets at fair value through profit or loss”, “held-to-maturity financial assets”, “investments in debt securities with no active market”, “available-for-sale financial assets”, “derivative financial assets for hedging” or “financial assets carried at cost”. Upon initial recognition, financial assets are measured at fair value, plus in some cases, transaction costs that are directly attributable to the acquisition or issue of the financial assets. Financial liabilities are categorized as “financial liabilities at fair value through profit or loss”, “derivative financial liabilities for hedging”, or “financial liabilities carried at cost”.

The Company and its subsidiaries purchase and sell their financial assets in a “regular way”. “Regular way” purchases or sales are transactions that require the delivery of assets within the period established by regulation or convention in the marketplace.

A. Financial assets or liabilities at fair value through profit or loss

Financial assets or liabilities at fair value through profit or loss include financial assets or liabilities held for trading or financial assets or liabilities designated as at fair value through profit or loss. Such assets or liabilities are measured at fair value with changes in fair value recognized in profit or loss.

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Apart from derivatives and financial instruments designated as at fair value through profit or loss, financial instruments may be reclassified out of the fair value through profit or loss category if the financial instruments are no longer held for the purpose of selling or repurchasing them in the near term, and the following requirements are met:

- a. Financial asset that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss category if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- b. Financial instruments that would not have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss category only in rare circumstances.

The financial instrument shall be reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in profit or loss shall not be reversed. The fair value of the financial instrument on the date of reclassification becomes its new cost or amortized cost, as applicable.

Financial instrument shall not be reclassified into the fair value through profit or loss category after initial recognition.

B. Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity financial assets when the Company has both the intention and ability to hold to maturity. Such investments are subsequently measured at amortized cost. Gains and losses from changes in fair values are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization process. The amortized cost is computed as the cost (amount initially recognized) minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the cost and the maturity amount, and less any impairment loss or amount unrecoverable. The calculation of effective interest rate includes all fees and points paid or received between parties, transaction costs and all other premiums and discounts.

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C. Investments in debt securities with no active market

Investments in debt securities with no active market are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains or losses from changes in fair values are recognized when investments in debt securities with no active market are derecognized, impaired, or amortized.

D. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or not classified in any of the three preceding categories. Gain or losses on available-for-sale financial assets shall be recognized in equity until the assets are derecognized, except for impairment losses and foreign exchange gains or losses upon translation of the assets. When the financial asset is derecognized, at which time the cumulative gains or losses previously recognized in equity shall be recognized in profit or loss.

Available-for-sale financial asset that would have met the definition of loans and receivables may be reclassified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity. Upon reclassification, the fair value on the date of reclassification becomes its new cost or amortized cost, as applicable. Any previous gain or loss on the asset that has been recognized in stockholders' equity shall be amortized over the remaining life of the asset.

E. Derivative financial assets or liabilities for hedging

Derivative financial assets or liabilities for hedging are derivative financial assets or liabilities that have been designated as hedging instruments and meet the criteria for hedge accounting. These assets or liabilities are measured at fair value.

F. Financial assets carried at cost

Financial assets measured at cost are investments not measured at fair value because fair value cannot be reliably measured. They are either holdings in non-listed companies or emerging stocks, which have no significant influence or derivative assets that are linked to and must be settled by delivery of the above-mentioned equity instruments. If there is objective evidence that an impairment loss has been incurred on the investment, an impairment loss will be recognized. Such impairment loss shall not be reversed.

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G. Financial liabilities

The financial liabilities of the Company and its subsidiaries are subsequently measured at amortized cost after initial recognition, except for “financial liabilities at fair value through profit or loss” and “derivative financial liabilities for hedging”, which are both measured at fair value

The fair value of investments is determined by reference to the close price at the balance sheet date for listed shares, the net asset value for open-ended funds, the quoted price by the Taiwan Gre Tai Securities Market for bond. Valuation techniques for debt securities with no active market, hybrid instruments and derivative instruments.

(4) Derecognition of financial assets and liabilities

A. Derecognition of financial assets

A financial asset (or a portion of the asset) is derecognized when the control over the asset (or a portion of the asset) is surrendered. Transferring or surrendering control over a financial asset (or a portion of the asset) in exchange of consideration received is deemed a sale.

If a transfer of financial asset does not meet the criteria for a sale, the transfer is accounted for as a borrowing with collateral.

B. Derecognition of financial liabilities

A financial liability (or a portion) is derecognized when the obligation under the liability agreement is discharged or cancelled or expires.

Where an existing financial liability is replaced by another one from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognized in the current period income statement.

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(5) Accounting for impairment of financial assets

The Company and Subsidiaries assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired.

A. Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurs after the impairment is recognized, the previously recognized impairment loss is reversed by adjusting an allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed what its amortized cost would have been had the impairment not been recognized at the reversal date.

B. Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, then the amount of the loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss can not be reversed.

C. Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss but through equity. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

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(6) Derivative financial instruments

The Company and Subsidiaries enter into derivative financial instrument transactions such as forward foreign exchange, interest rate swap, cross-currency swap, option and futures to hedge its risks associated with interest rates and foreign currency fluctuations. These derivative financial instruments are initially recognized at fair value on the date of which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss for the period.

For the purpose of hedge accounting, hedges are classified as:

- A. Fair value hedges: to hedge the exposure to changes in the fair value of a recognized asset or liability.
- B. Cash flow hedges: to hedge the exposure to variability in cash flows that is both attributable to a particular risk associated with a recognized asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction, and could affect profit or loss.
- C. Hedge of a net investment in a foreign operation: to hedge the exchange rate variability risk for a net investment in a foreign operation.

At the inception of a hedge relationship, the Company and Subsidiaries formally designate and document hedge relationship to which the Company and Subsidiaries wish to apply hedge accounting, the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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Hedges in compliance with hedge accounting requirements are accounted for as follows:

A. Fair value hedges

Fair value hedges are hedges of the Company's exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk which could impact profit or loss. The carrying amount of the fair value hedged item is adjusted for gains and losses attributable to the risk being hedged and the underlying derivative is remeasured at fair value. Gains or losses from both are recognized in profit or loss.

For fair value hedge relating to items carried at amortized cost, the adjustment to carrying value is amortized through profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortized to profit or loss.

Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

The Company and Subsidiaries discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation.

Hedging instruments are subsequently measured at fair value and the gains (losses) resulting from the exchange rate changes are recognized in current period profit or loss in accordance with the ROC SFAS No.14 "Accounting for Foreign Currency Transactions and Translation of Foreign Financial Statements".

B. Cash flow hedges

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in profit or loss.

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Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

C. Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instruments relating to the effective portion of the hedges are recognized directly in equity while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in equity is transferred to profit or loss.

(7) Allowance for bad debts

Allowance for bad debts on bills, bill purchased, acceptances, guarantees loans, delinquent accounts, receivables of credit card and other receivables are determined based on the aging analysis of outstanding balances of such accounts and past experience.

(8) Investments-equity method

Investments in equity securities are accounted for under the equity method where the Company owns more than 20% of the investee's voting stocks or the Company has significant influence over the investee company. The difference between the investment cost and the Company's share of net assets of the investee company was amortized. However, started from January 1, 2006, such difference is no longer amortized. Newly acquired difference is analyzed and accounted for in inconformity with the acquisition cost allocation as provided in ROC SFAS No.25 "Business Combination-Accounting Treatment under Purchase Method.", resulting goodwill is no longer amortized.

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If the investee company issues new shares and original shareholders do not purchase or acquire new shares proportionately, then the investment percentage and the equity in net assets of the investee that the Company has invested will be changed. Such difference shall be used to adjust both the capital surplus and the investment in the investee company accounted for under the equity method. If the adjustment stated above is to debit the capital surplus account and the book balance of capital surplus from long-term investments is not enough to be offset, the difference shall be debited to the retained earnings account.

Unrealized intercompany gains or losses are eliminated under the equity method. Gains or losses from sales of depreciable assets between the Company and Subsidiaries are amortized to profit or loss over the economic service life of the asset. Gains or losses from other types of intercompany transactions are recognized when realized.

(9) Investments in real estate

Investments in real estate are stated at cost when acquired. Improvements and major renovation of investments in real estate are capitalized, while repairs and maintenance are expensed immediately.

Upon disposal, the related cost, accumulated depreciation and accumulated impairment are eliminated and gains and losses are recorded in operating gains and losses accounts.

Depreciation is calculated using the straight-line method in accordance with the “Estimated Useful Life of Fixed Assets Table” published by the Executive Yuan of the ROC (the “Executive Yuan Depreciation Table”).

Real estate investment primarily is for commercial leasing purposes; rents can be paid annually, semi-annually, quarterly, monthly or in a lump sum.

(10) Property and equipment

Property and equipment are stated at cost or cost plus appreciation. When revaluing property and equipment, land and other properties shall be revalued separately. Property appreciation shall be recorded under “land revaluation adjustments” of shareholders’ equity.

Major improvements, additions, and renewals are capitalized, while repairs and maintenance are expensed when incurred.

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Upon the sale or disposal of properties and equipment, their cost, related accumulated depreciation and accumulated impairment are removed from respective accounts.

Depreciation is calculated using the straight-line method over the estimated service lives prescribed by the Executive Yuan Depreciation Table. Property and equipment that continue to be in use after reaching its originally estimated useful life are depreciated based on the residual value and the newly estimated remaining useful lives.

(11) Intangible assets

The Company and Subsidiaries adopted the ROC SFAS No. 37 “Accounting for Intangible Assets” on January 1, 2007. Intangible assets are initially recognized at cost except the intangible assets granted by government which are recognized at fair value. After the initial recognition, the intangible assets shall be carried at the costs plus statutory revaluation increment less accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets of the Company and Subsidiaries are deemed finite.

The amortization amounts of the intangible assets with finite useful lives are allocated on a systematic basis over their useful lives. Impairment testing is performed when there are indications of impairment on intangible assets with finite useful lives. The Company and Subsidiaries reevaluates the amortization periods and amortization methods for the intangible assets with finite useful lives at each balance sheet date and any resulting changes are treated as changes in accounting estimates.

The intangible assets of the Company and Subsidiaries are computer soft wares and are amortized over the estimated useful lives of three to five years using the straight-line method.

(12) Accounting for Assets Impairment

Pursuant to ROC SFAS No. 35, “Accounting for Asset Impairment” the Company and Subsidiaries assess indicators of impairment for all its assets within the scope of ROC SFAS No. 35 on each balance sheet date. If impairment indications exist, the Company and Subsidiaries shall then compare the carrying amount with the recoverable amount of the assets or the cash-generating unit (“CGU”) and write down the carrying amount to the recoverable amount where applicable. Recoverable amount is defined as the higher of fair values less costs to sell and the values in use.

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For previously recognized impairment losses, the Company and Subsidiaries shall assess, at each balance sheet date, whether there is any indication that the impairment loss may no longer exist or may have decreased. If there is any such indication, the Company and Subsidiaries have to recalculate the recoverable amount of the asset. If the recoverable amount increases as a result of the increase in the estimated service potential of the assets, the Company and Subsidiaries shall reverse the impairment loss to the extent that the carrying amount after the reversal would not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the assets in prior years.

In addition, a goodwill-allocated CGU or group of CGUs is tested for impairment at the same day of each year, regardless of whether an impairment indicator exists. Any impairment loss is recognized by reducing the carrying amount of the assets of the CGU or the group of CGUs in the following order:

- A. First, to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs.
- B. If the goodwill has been written off, to reduce the other assets of the CGU or group of CGUs pro rata to their carrying amount.

The write-down in goodwill cannot be reversed under any circumstances in subsequent periods.

(13) Real Estate Investment Trust (REIT) and financial assets securitization

Cathay Life has adopted “Accounting Treatment under Real Estate Securitization” issued by the Accounting Research and Development Foundation.

Once the sales process is complete and the transferor has transferred his risk and ownership of the real estate property to the transferee, gain on disposal of real estate shall be recognized under “total amount accrual method”.

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If the originator and its related parties do not participate in the initial offering but subsequently acquire the REIT beneficiary securities of less than 20% of its outstanding shares from the TSE at fair market value within three months after the issue date, the transfer and purchase transaction are deemed two independent transactions due to the subsequent purchase transaction has no significant influence over the transfer transaction. However, if the originator and its related parties subsequently acquire the REIT beneficiary securities of over 20% of its outstanding shares within three months after the issue date, the subsequently acquired portion is not deemed a sale and therefore gain or loss on disposal of real estate for the originator related to the subsequently acquired portion shall be deferred.

Under the Regulations for Financial Assets Securitization, Subsidiaries, with the assistance of a trustee securitized its financial assets for the purposes of offering asset-backed securities in the form of related beneficiary certificates through a special purpose trust. Due to Subsidiaries having surrendered the rights and control on these securitized financial assets, such financial assets are no longer recognized on the Subsidiaries' accounts. The gain or loss from securitization is recognized thereon, except for the retained interests in the form of subordinated seller certificates for credit enhancement, which are classified as held-to-maturity financial assets and investments in debt securities with no active market due to lack of market quotes.

The gain or loss from securitization of the financial assets is determined based on the difference between the proceeds from securitization and carrying value of the securitized financial assets. The cost of each class of asset-backed securities which is determined based on the previous carrying value of the securitized financial assets, is allocated in proportion to the fair value of each class of the asset-backed securities and the retained interests on the date of transfer. Due to securitized financial assets not having a quoted market price, the fair value of each class of the asset-backed securities and the retained interests are evaluated based on the present value of future cash flows considering the expected credit loss rate, prepayment rate, and discount rate on the financial assets.

(14) Reserves for operations and liabilities

The subsidiaries in banking, insurance and securities industries are required by the government to provide operating and loss reserves.

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(15) Treasury stock

The stock that the Company repurchases is recorded in the “treasury stock account”. The book value of the treasury stock is determined based on the reason of purchase and stock type (common or preferred stock) using the weighted average method. At the time of writing off treasury stock, the Company should debit common stock and capital surplus on stock issuance proportionally. As long as the book value of the retired treasury stock is higher than the sum of its par value and capital surplus on stock issuance, the excess should be debited to other capital surplus or retained earnings when capital surplus-treasury stock is insufficient. When the book value of the retired treasury stock is lower than the sum of its par value and capital surplus on stock issuance, the difference is credited to capital surplus-treasury stock.

According to the Ministry of Finance-Securities and Future Commission (91) article 108164:

- A. In accordance with Article 38 of the Financial Holding Company Act which provides strict prohibitions on cross-holdings, all the prior share buybacks conducted by listed or over-the-counter traded financial institutions (in accordance with Article 28-2 of Securities Exchange Act), upon the conversion of such institutions into wholly-owned subsidiaries of a financial holding company, must be converted into treasury shares of the financial holding company to be held by such subsidiaries for a period of no more than three years. If such subsidiaries fail to dispose such treasury shares within this period, those shares will be deemed as un-issued share capital of the financial holding company and shall be cancelled accordingly.
- B. Treasury shares of a financial holding company held by its subsidiaries as described above are also treated as their own treasury shares and therefore such subsidiaries may not exercise shareholders rights with respect to those stocks in accordance with Article 28-2 of the Securities Exchange Act.

According to the Securities and Futures Commission (91) article 111467, shares previously bought back by listed or over-the-counter traded financial institutions (in accordance with Article 28-2 of Securities Exchange Act), upon conversion of the institutions into wholly-owned subsidiaries of a financial holding company and the conversion of such shares into treasury shares of the financial holding company, must be treated by such subsidiaries as their own treasury shares and a deduction of shareholders’ equity and must be treated as treasury shares of the financial holding company. If the financial institutions hold shares of other financial institutions whose shares are also converted into the shares of the same financial holding company, the principle of equity investment shall apply. The Company follows ROC SFAS NO.30 “Accounting for Treasury Stocks” and treats shares held by its subsidiaries as treasury stock in its financial statements.

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(16) Recognition of interest income and service fees

Interest income is recognized on an accrual basis except for loans classified as delinquent accounts. The accrual of income from delinquent accounts is discontinued; subsequent interest payments are credited to income when received. Service fees are recognized on an accrual basis.

(17) Insurance premium income and expenses

Direct premiums are recorded as income at the time of cash receipts. Related expenses (commissions, brokerage fees, etc.) are recognized on an accrual basis.

Reinsurance premiums and reinsurance commission expenses are recognized upon the assumption of reinsurance. Claim expenses for assumed reinsurance policies are recognized upon notification that claim payments are due. Adjustments are made at year-end based on past experience.

(18) Pension plan

The Labor Pension Act of ROC (“the Act”), which adopts a defined contribution scheme, takes effect from July 1, 2005. In accordance with the Act, employees of the Company may elect to be subject to either the Act, and maintain their seniority before the enforcement of the Act, or the pension mechanism under the Labor Standards Act. For employees choosing the pension scheme under the Act, the Company shall make monthly contributions to individual pension accounts on a basis no less than 6% of the employees’ monthly wages.

In compliance with SFC regulations, the Company and Subsidiaries follow the ROC SFAS No. 18, “Accounting for Pensions”. When providing defined benefit plans, an actuarial valuation of pension liability is performed on the balance sheet date, and a minimum pension liability is recorded in the financial statements based on the difference between the accumulated benefit obligation and the fair value of plan assets; when providing defined contribution plans, an enterprise should recognize the amounts to be contributed as current expense over the employee’s employment period.

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(19) Foreign currency transactions

A. Translation of foreign currency transactions

Monetary assets or liabilities denominated in foreign currencies shall be translated using the applicable rate at each balance sheet date and exchange differences shall be recognized in profit or loss for the period. Non-monetary assets or liabilities denominated in foreign currencies that are measured at fair value shall be translated using the exchange rates at the date when the fair value was determined. When a gain or loss on a non-monetary asset or liability measured at fair value is recognized directly in equity, any exchange component of that gain or loss shall be recognized in equity. Conversely, when a gain or loss on a non-monetary item measured at fair value is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. Non-monetary assets or liabilities denominated in foreign currencies that are measured in terms of historical cost shall be translated using the exchange rate at the date of the transaction.

B. Translation of foreign subsidiaries' financial statements

Financial statements of foreign subsidiaries under the equity method are translated into NT dollars on the following basis: all assets and liabilities denominated in foreign currencies are translated into NT dollars at the exchange rate prevailing on the balance sheet date. Shareholders' equity items are translated based on the historical rates except for the opening balance of retained earnings, which is the translated amount from prior period carried forward. Income statement items are translated using a weighted-average exchange rate of the fiscal year. Differences arising from above translation are recorded under cumulative translation adjustments under shareholders' equity.

(20) Income taxes

The Company adopted ROC SFAS No. 22, "Accounting for Income Taxes", which requires inter-period and intra-period tax allocations in addition to computing current period income tax payable. Deferred income tax liabilities are recognized for taxable temporary differences; while deferred income tax assets are recognized for deductible temporary differences, tax losses and investment tax credits. An allowance is provided based on an assessment of the realizability of deferred tax assets. Adjustment of prior years' income tax payable is included in the current period income tax expense.

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In accordance with Article 49 of the Financial Holding Company Act, the Company and its qualifying Subsidiaries have selected the consolidated income tax return for tax filings and pay a 10% surcharge on their undistributed retained earnings under the consolidated income tax return. If there are any tax effects due to the adoption of the consolidated tax system, the Company can proportionately allocate the effects on tax expense (benefit), deferred income tax and tax payable (tax refund receivable) among the Company and Subsidiaries.

The Company adopted ROC SFAS No. 12, "Accounting for Income Tax Credits," for income tax deductions. The income tax deductions resulting from the expenditure on the purchase of equipment, research and development, education, training and investment in equity are accounted for under the current period recognition method.

The additional 10% income tax imposed on undistributed earnings is recognized as expenses on the date when the shareholders resolve that the earnings shall be retained.

Effective from January 1, 2006, the Company and Subsidiaries have considered the impact of the "Alternative Minimum Tax Act" to estimate their income tax liabilities.

(21) Capital expenditure

Capital expenditure is capitalized and amortized over its useful life if it involves a significant amount and may generate revenues in future periods. Otherwise, it is expensed in the year as incurred.

(22) Employee bonus and remuneration of directors

Pursuant to Article No.52 issued by the Accounting Research and Development Foundation in March 2007, employee bonus and remuneration of directors are accounted for as expenses and not distribution of earnings.

(23) Translation to U.S. dollars

The financial statements are stated in NT dollars. The translated U.S. dollars amounts from NT dollars as of March 31, 2008 and 2009 are for information only. The U.S. dollar/NT dollars noon buying rates of NT\$30.37 and NT\$33.87 provided by Federal Reserve Bank of New York of March 31, 2008 and 2009 are used for the translation.

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3. Change in accounting and its effects

The Company and Subsidiaries adopted the accounting principles prescribed in Article No.52 “Accounting for employee bonus and remuneration of directors” by the Accounting Research and Development Foundation on January 1, 2008.

The above change in accounting principles decreased the Company and Subsidiaries’ net income and earnings per share by NT\$6,152 (US\$203) and NT\$0.001 (US\$0), respectively, for the three months ended March 31, 2008.

4. Cash and cash equivalents

	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Petty cash and cash on hand	\$10,032,964	\$330,358	\$11,004,284	\$324,898
Cash in banks	1,560,717	51,390	5,911,399	174,532
Time deposits	416,262,076	13,706,358	348,298,725	10,283,399
Cash equivalents	1,837,238	60,495	4,855,055	143,344
Checks for clearance	4,045,658	133,212	2,899,557	85,608
Due from commercial banks	7,348,240	241,957	8,329,579	245,928
Total	<u>\$441,086,893</u>	<u>\$14,523,770</u>	<u>\$381,298,599</u>	<u>\$11,257,709</u>

As of March 31, 2008 and 2009, the amounts of time deposits with maturities beyond one year were NT\$1,070,984 (US\$35,265) thousands and NT\$2,461,053 (US\$72,662) thousands, respectively.

5. Financial assets at fair value through profit or loss

	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Common stock	\$15,232,708	\$501,571	\$9,143,869	\$269,969
Beneficiary certificates	10,610,908	349,388	58,014,248	1,712,851
Exchange traded funds	169,362	5,577	4,110,974	121,375
Real estate investment trust	666,250	21,938	633,251	18,696
Commercial papers	9,776,213	321,904	-	-
Corporate bonds	3,822,843	125,876	4,272,245	126,137

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	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Government bonds	\$18,144,270	\$597,440	\$19,013,677	\$561,372
Treasury bills	491,324	16,178	36,616,325	1,081,084
CDs Issued by CBC	-	-	1,712	50
Overseas financial instruments	73,426,357	2,417,726	54,871,907	1,620,074
Derivative financial instruments	78,571	2,587	166,707	4,922
Margin for futures trading-own funds	-	-	34,941	1,032
Structured time deposits	2,000,000	65,854	1,000,000	29,525
Valuation adjustment	30,195,514	994,255	11,493,067	339,329
Total	<u>\$164,614,320</u>	<u>\$5,420,294</u>	<u>\$199,372,923</u>	<u>\$5,886,416</u>

- (1) As of March 31, 2008 and 2009, certain financial assets at fair value through profit or loss were sold under repurchase agreements with notional amounts of NT\$7,498,200 (US\$246,895) thousands and NT\$8,447,500 (US\$249,410) thousands, respectively. Such repurchase agreements amounting to NT\$7,476,045 (US\$246,165) thousands and NT\$9,210,818 (US\$271,946) thousands, respectively, were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to March 31, 2008 and 2009 are settled at NT\$7,483,108 (US\$246,398) thousands and NT\$9,215,154 (US\$272,074) thousands prior to April 30, 2008 and September 30, 2009, respectively.
- (2) Please refer to Note 26 for related information on the above financial assets at fair value through profit or loss as of March 31, 2008 and 2009 being pledged as collaterals.

6. Loans-net

	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Inward-outward documentary bills	\$448,524	\$14,769	\$213,682	\$6,309
Loans	1,315,895,714	43,328,802	1,330,189,338	39,273,379
Overdrafts	529,084	17,421	171,257	5,056
Delinquent accounts	7,552,853	248,694	7,201,425	212,620
Subtotal	1,324,426,175	43,609,686	1,337,775,702	39,497,364
Less: Allowance for bad debts	(11,198,556)	(368,737)	(10,754,602)	(317,526)
Total	<u>\$1,313,227,619</u>	<u>\$43,240,949</u>	<u>\$1,327,021,100</u>	<u>\$39,179,838</u>

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7. Available-for-sale financial assets-net

	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Common stock	\$93,601,699	\$3,082,045	\$129,709,160	\$3,829,618
Beneficiary certificates	1,901,252	62,603	24,089,899	711,246
Collateralized loans obligation and collateralized bonds obligation	6,339,216	208,733	2,858,605	84,399
Exchange traded funds	6,559,823	215,997	4,175,790	123,289
Government bonds	107,377,298	3,535,637	139,207,772	4,110,061
Corporate bonds	31,474,847	1,036,380	50,719,635	1,497,480
Financial debentures	117,050,262	3,854,141	129,382,400	3,819,970
Overseas financial instruments	77,951,136	2,566,715	57,851,857	1,708,056
Real estate investment trust beneficiary	8,725,208	287,297	8,725,208	257,609
Accumulated impairments	-	-	(514,550)	(15,192)
Valuation adjustment	1,563,230	51,472	(50,260,820)	(1,483,933)
Total	<u>\$452,543,971</u>	<u>\$14,901,020</u>	<u>\$495,944,956</u>	<u>\$14,642,603</u>

(1) As of March 31, 2008 and 2009, certain available-for-sale financial assets were sold under repurchase agreements with notional amounts of NT\$16,598,900 (US\$546,556) thousands and NT\$2,699,700 (US\$79,708) thousands. Such repurchase agreements amounting to NT\$18,074,494 (US\$595,143) thousands and NT\$3,020,868 (US\$89,190) thousands were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to March 31, 2008 and 2009 are settled at NT\$18,111,981 (US\$596,377) thousands and NT\$3,023,842 (US\$89,278) thousands prior to September 30, 2008 and August 31, 2009, respectively.

(2) Please refer to Note 26 for related information on the above available-for-sale financial assets as of March 31, 2008 and 2009 being pledged as collaterals.

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8. Held-to-maturity financial assets-net

	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Government bonds	\$20,355,802	\$670,260	\$41,618,415	\$1,228,769
Corporate bonds	4,889,000	160,981	4,198,021	123,945
Financial debentures	11,228,433	369,721	10,579,764	312,364
Overseas financial instruments	493,158,801	16,238,354	563,566,281	16,639,099
Collateralized loans obligation and collateralized bonds obligation	20,409,687	672,034	14,516,580	428,597
Short-term notes	2,947,944	97,068	-	-
Subtotal	552,989,667	18,208,418	634,479,061	18,732,774
Less: Accumulated impairment	-	-	(169,574)	(5,006)
Total	<u>\$552,989,667</u>	<u>\$18,208,418</u>	<u>\$634,309,487</u>	<u>\$18,727,768</u>

Please refer to Note 26 for related information on the above held-to-maturity financial assets as of March 31, 2008 and 2009 being pledged as collaterals.

9. Investments under equity method

Investee	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Consulting	\$192,542	\$6,340	\$171,396	\$5,060
Cathay Capital Management	77,829	2,563	73,533	2,171
Seaward Card	38,123	1,255	38,932	1,149
Cathay Property Insurance Agent	7,708	254	7,743	229
Cathay Life Insurance Agent	46,711	1,538	50,344	1,486
Cathay Insurance (Bermuda)	85,298	2,809	97,718	2,885
WK Technology Fund VI Co., Ltd	405,545	13,353	317,658	9,379
Vista Technology Venture Capital Corp.	55,366	1,823	44,791	1,323
Omnitek Venture Capital Corp.	218,951	7,209	88,431	2,611
Wa Tech Venture Capital Co., Ltd.	176,342	5,806	95,784	2,828
Taiwan Real-estate Management Corp.	43,582	1,435	47,904	1,414
Taiwan Finance Corp.	1,302,943	42,902	1,433,853	42,334
IBT Venture Capital Corp.	387,847	12,771	262,450	7,749
Cathay Securities Investment Trust Co., Ltd.	456,178	15,021	430,102	12,699
Subtotal	3,494,965	115,079	3,160,639	93,317
Less: Unrealized gain from intercompany transactions	(415,680)	(13,687)	(415,680)	(12,273)
Total	<u>\$3,079,285</u>	<u>\$101,392</u>	<u>\$2,744,959</u>	<u>\$81,044</u>

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10. Other financial assets-net

Item	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Derivative financial assets for hedging	\$1,126,446	\$37,091	\$4,439,405	\$131,072
Financial assets carried at cost	26,727,176	880,052	26,627,841	786,178
Structured time deposits	16,333,714	537,824	12,250,000	361,677
Customer's margin accounts	1,424,972	46,920	379,946	11,218
Bills purchased	4,139	136	3,274	97
Other miscellaneous financial assets	2,253,277	74,194	2,452,545	72,410
Accumulated impairment	(1,821,985)	(59,993)	(1,881,883)	(55,562)
Total	<u>\$46,047,739</u>	<u>\$1,516,224</u>	<u>\$44,271,128</u>	<u>\$1,307,090</u>

11. Investments in real estate

Item	March 31, 2008									
	Cost		Revaluation increment		Accumulated depreciation		Accumulated impairment		Net value	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Investments in										
real estate	\$120,681,753	\$3,973,716	\$4,369	\$144	\$(15,718,168)	\$(517,556)	\$(195,923)	\$(6,451)	\$104,772,031	\$3,449,853
Construction	1,621,269	53,384	-	-	-	-	-	-	1,621,269	53,384
Total	<u>\$122,303,022</u>	<u>\$4,027,100</u>	<u>\$4,369</u>	<u>\$144</u>	<u>\$(15,718,168)</u>	<u>\$(517,556)</u>	<u>\$(195,923)</u>	<u>\$(6,451)</u>	<u>\$106,393,300</u>	<u>\$3,503,237</u>

Item	March 31, 2009									
	Cost		Revaluation increment		Accumulated depreciation		Accumulated impairment		Net value	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Investments in										
real estate	\$127,721,445	\$3,770,931	\$4,384	\$129	\$(7,458,168)	\$(515,446)	\$(195,594)	\$(5,775)	\$110,072,067	\$3,249,839
Construction	2,261,912	66,782	-	-	-	-	-	-	2,261,912	66,782
Prepayments										
for building										
and land	2,477,536	73,149	-	-	-	-	-	-	2,477,536	73,149
Lease	153,970	4,546	-	-	(3,209)	(95)	-	-	150,761	4,451
Total	<u>\$132,614,863</u>	<u>\$3,915,408</u>	<u>\$4,384</u>	<u>\$129</u>	<u>\$(17,461,377)</u>	<u>\$(515,541)</u>	<u>\$(195,594)</u>	<u>\$(5,775)</u>	<u>\$114,962,276</u>	<u>\$3,394,221</u>

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- (1) The real estate investments are held mainly to generate rental revenue.
- (2) Rents from real estate investment can be paid annually, semiannually, quarterly, monthly or in a lump sum.
- (3) No investments in real estate were pledged as collaterals as of March 31, 2008 and 2009.

12. Financial assets securitization

During 2007, Cathay United Bank securitized a collateralized loans obligation (CLO) with a carrying value of NT\$5,446,335 (US\$160,801) thousands with Land Bank Co., Ltd. as the Trustee. These beneficiary certificates have a redemption period from May 28, 2007 to May 28, 2014. The other terms of these beneficiary certificates are as follows:

Class of beneficiary certificates issued	Issue amount (in thousands of dollars)	Interest rate
Senior tranche 1 st	NT\$3,335,000(US\$98,465)	2.175%
Senior tranche 2 nd	NT\$315,000(US\$9,300)	2.325%
Senior tranche 3 rd	NT\$340,000(US\$10,038)	2.545%
Senior tranche 4 th	NT\$480,000(US\$14,172)	2.945%
Subordinated tranche 5 th	NT\$200,000(US\$5,905)	3.00%
Subordinated tranche 6 th	NT\$200,000(US\$5,905)	3.20%
Subordinated tranche 7 th	NT\$576,335(US\$17,016)	-

Cathay United Bank holds the subordinated beneficiary certificates amounting to NT\$976,335 (US\$28,826) thousands and retains the right to interest (if any) in excess of the amount paid to the holders of senior beneficiary certificates. If the loan debtors default, neither the investor nor Trustee has the right of recourse to Cathay United Bank. The retained interest of the principal of subordinated beneficiary certificates is subordinate to the investors' certificates and its value is affected by the credit risk, prepayment rate and change in interest rate of the securitized loans.

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(1) Key assumptions used in measuring retained interests:

The key assumptions used in measuring the subordinated seller certificates arising from the loan securitization at the loans securitization date and the three months end of the year 2008 and 2009, respectively, were as follows:

	Corporate Loans Securitization	
	March 31, 2008	March 31, 2009
Expected weighted-average life (in years)	1.232	0.615
Prepayment rate (annual rate)	3.00%	3.00%
Expected credit losses rate (annual rate)	3.71%	3.71%
Discounting rate for residual cash flows (annual rate)	2.49%	2.49%

(2) Sensitivity analysis :

As of March 31, 2008 and 2009, the key economic assumptions and sensitivity of the current fair value of residual cash flows with immediate 10% and 20% adverse changes in these assumptions were as follows:

	March 31, 2008		March 31, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Carrying amount of retained interests	\$977,748	\$32,195	\$976,335	\$28,826
Expected weighted-average life (in years)	1.232	1.232	0.615	0.615
Expected prepayment rate (annual rate)	3.00%	3.00%	3.00%	3.00%
Impact on fair value with 10% adverse change	(901)	(30)	(3,113)	(92)
Impact on fair value with 20% adverse change	(950)	(31)	(3,198)	(94)
Expected credit losses (annual rate)	3.71%	3.71%	3.71%	3.71%
Impact on fair value with 10% adverse change	(15,301)	(504)	(4,665)	(138)
Impact on fair value with 20% adverse change	(16,141)	(531)	(5,957)	(176)
Discounting rate for residual cash flows (annual rate)	2.49%	2.49%	2.49%	2.49%
Impact on fair value with 10% adverse change	(5,484)	(181)	(3,174)	94
Impact on fair value with 20% adverse change	(10,935)	(360)	(6,336)	187

(3) Expected static pool credit losses:

As the securitized collateralized loans obligation does not have actual credit losses as of the balance sheet date, the expected static pool credit losses are, therefore, equal to the expected credit losses.

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(4) Cash flows:

The cash flows received from and paid to securitization trusts were as follows:

	January 1~March 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Servicing fees received	\$60	\$2	\$60	\$2
Other cash received on retained interests	7,636	251	6,203	183
Repayment of cash reserve	3,726	123	1,374	41

13. Goodwill and intangible assets-net

Item	January 1, 2008		Increase		Decrease		March 31, 2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Acquired cost								
Goodwill	\$6,537,374	\$215,257	\$-	\$-	\$-	\$-	\$6,537,374	\$215,257
Computer software	2,093,333	68,928	64,534	2,125	(157,523)	(5,187)	2,000,344	65,866
Land use right	19,630	646	-	-	(1,256)	(41)	18,374	605
Subtotal	8,650,337	284,831	64,534	2,125	(158,779)	(5,228)	8,556,092	281,728
Amortization and impairment								
Amortized	(1,070,670)	(35,254)	(102,778)	(3,384)	7,761	256	(1,165,687)	(38,382)
Impairment	(147,141)	(4,845)	-	-	147,141	4,845	-	-
Subtotal	(1,217,811)	(40,099)	(102,778)	(3,384)	154,902	5,101	(1,165,687)	(38,382)
Book value	\$7,432,526	\$244,732	\$(38,244)	\$(1,259)	\$(3,877)	\$(127)	\$7,390,405	\$243,346

Item	January 1, 2009		Increase		Decrease		March 31, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Acquired cost								
Goodwill	\$6,673,084	\$197,020	\$-	\$-	\$-	\$-	\$6,673,084	\$197,020
Computer software	2,567,375	75,801	67,265	1,986	(25,097)	(741)	2,609,543	77,046
Land use right	19,630	580	640	19	-	-	20,270	599
Subtotal	9,260,089	273,401	67,905	2,005	(25,097)	(741)	9,302,987	274,665

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Item	January 1, 2009		Increase		Decrease		March 31, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Amortization and impairment								
Amortized	<u>\$(1,469,517)</u>	<u>\$(43,387)</u>	<u>\$(91,220)</u>	<u>\$(2,694)</u>	<u>\$25,097</u>	<u>\$741</u>	<u>\$(1,535,640)</u>	<u>\$(45,340)</u>
Subtotal	<u>(1,469,517)</u>	<u>(43,387)</u>	<u>(91,220)</u>	<u>(2,694)</u>	<u>25,097</u>	<u>741</u>	<u>(1,535,640)</u>	<u>(45,340)</u>
Book value	<u><u>\$7,790,572</u></u>	<u><u>\$230,014</u></u>	<u><u>\$(23,315)</u></u>	<u><u>\$(689)</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$7,767,257</u></u>	<u><u>\$229,325</u></u>

The intangible assets of computer software are amortized using the straight-line method over the estimated useful lives of three to five years.

14. Financial liabilities at fair value through profit or loss

	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Derivative financial instruments	\$129,815	\$4,274	\$135,293	\$3,995
Financial debentures	39,190,000	1,290,418	27,000,000	797,166
Subordinated financial debentures	-	-	5,000,000	147,623
Valuation adjustment	<u>24,497,003</u>	<u>806,619</u>	<u>31,755,878</u>	<u>937,581</u>
Total	<u><u>\$63,816,818</u></u>	<u><u>\$2,101,311</u></u>	<u><u>\$63,891,171</u></u>	<u><u>\$1,886,365</u></u>

(1) On September 19, 2008 and October 27, 2008, Cathay United Bank issued seven-year subordinated financial debentures totaling NT\$2,200,000 (US\$67,155) thousands and NT\$2,800,000 (US\$85,470) thousands, with fixed interest rates. These subordinated financial debentures are repaid at maturity, and the interest is paid quarterly.

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- (2) Each subordinated financial debenture has a lower priority claim on assets and income than other debts. That is, its principal and interest are repayable only after more senior debt with higher priority has been satisfied. These subordinated financial debentures are, however, senior to common stock.
- (3) On June 20, 2003, Cathay United Bank issued five-year and six-month dominant financial debentures amounting to NT\$5,000,000 (US\$147,623) thousands with inverse floating interest rate. On December 4, 2003, December 10, 2003 and December 11, 2003, Cathay United Bank issued five-year dominant financial debentures amounting to NT\$3,200,000 (US\$94,479) thousands, NT\$2,700,000 (US\$79,717) thousands and NT\$1,800,000 (US\$53,144) thousands, respectively, with floating interest rates, inverse floating interest rates or specific structure rates. Subsequently on March 29, 2004, Cathay United Bank issued six-year dominant financial debentures amounting to NT\$2,000,000 (US\$59,049) thousands with a floating interest rate. These dominant financial debentures are repayable at maturity, and the interest is payable quarterly or semi-annually.
- (4) On July 8 and July 15, 2004, Cathay United Bank issued five-year to seven-year dominant financial debentures amounting to NT\$1,000,000 (US\$29,525) thousands, NT\$3,500,000 (US\$103,336) thousands, NT\$2,000,000 (US\$59,049) thousands, and NT\$1,000,000 (US\$29,525) thousands, respectively, with floating interest rates, inverse floating interest rates or specific structure rates. These dominant financial debentures are repayable at maturity, and the interest is payable quarterly or semi-annually. On November 10, November 25, November 26, December 9, December 10, December 22, December 23, December 29, 2004, January 14 and February 22, 2005, Cathay United Bank issued five-year to seven-year dominant financial debentures amounting to NT\$2,500,000 (US\$73,812) thousands, NT\$1,500,000 (US\$44,287) thousands, NT\$1,500,000 (US\$44,287) thousands, NT\$2,500,000 (US\$73,812) thousands, NT\$1,500,000 (US\$44,287) thousands, NT\$2,500,000 (US\$73,812) thousands, NT\$1,000,000 (US\$29,525) thousands and NT\$1,000,000 (US\$29,525) thousands, NT\$2,000,000 (US\$59,049) thousands, NT\$1,500,000 (US\$44,287) thousands, respectively, with fixed interest rates. These dominant financial debentures are repayable at maturity and the interest is payable quarterly.
- (5) These dominant financial debentures are senior in priority to the subordinated financial debentures and common shares, but are equal to other debts of Cathay United Bank.

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15. Deposits

	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Check deposits	\$11,199,475	\$368,768	\$10,129,039	\$299,056
Demand deposits	115,402,177	3,799,874	133,061,371	3,928,591
Savings deposits	365,826,413	12,045,651	367,356,370	10,846,069
Time deposits	52,505,156	17,204,648	612,510,087	18,084,148
Outward remittances	14,299,727	470,850	432,331	12,765
Remittances payable	705,307	23,224	347,466	10,259
Total	<u>\$1,029,938,255</u>	<u>\$33,913,015</u>	<u>\$1,123,836,664</u>	<u>\$33,180,888</u>

16. Bonds payable

	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Subordinated bond payable-net	\$-	\$-	\$20,000,000	\$590,493
Subordinated financial debentures	17,552,500	577,955	16,958,500	500,694
Discount in financial debentures	(87,775)	(2,890)	(87,379)	(2,580)
Valuation adjustment	747,980	24,629	2,258,445	66,680
Total	<u>\$18,212,705</u>	<u>\$599,694</u>	<u>\$39,129,566</u>	<u>\$1,155,287</u>

(1) On April 28, 2003, Cathay United Bank issued a five-year subordinated financial debentures totaling NT\$2,350,000 (US\$69,383) thousands with a stated interest rate of 2%. The subordinated financial debentures are repayable at maturity, and the interest is payable annually.

(2) Cathay United Bank issued a 15-year US\$500 million subordinated bonds with a stated interest rate of 5.5% on October 5, 2005, and the interest is payable semi-annually. Cathay United Bank can redeem the bond after 10 years by exercising the call option. Cathay United Bank has adopted hedge accounting to account for its subordinated financial debentures.

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- (3) On December 8, 2008, the Company issued a seven-year subordinated bond totaling NT\$20,000,000 (US\$590,493) thousands with a stated interest rate of 3.1%. The subordinated bonds and repayable at maturity and the interest is payable annually.
- (4) Each subordinated financial debenture and subordinated bond has a lower priority claim on assets and income than other debts. That is, its principal and interest are repayable only after more senior debt with higher priority has been satisfied. These subordinated financial debentures are, however, more senior to common stock.

17. Reserve for operations and liabilities

	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Reserve for insurance business	\$1,995,385,463	\$65,702,518	\$2,145,637,224	\$63,349,194
Reserves for losses on guarantees	28,408	935	24,892	735
Reserves for losses on stock brokerage transactions	32,868	1,082	42,364	1,251
Reserves for losses on trading securities	269,796	8,884	271,712	8,022
Total	<u>\$1,995,716,535</u>	<u>\$65,713,419</u>	<u>\$2,145,976,192</u>	<u>\$63,359,202</u>

Reserves for operations included the following reserves:

Unearned premium reserve, Special reserve, and Claims reserve are provided in accordance with the “Regulations on Calculation of Various Insurance Reserves” by Article 0910751651, 0920751929 and 09602505761 of Ministry of Finance:

(1) Unearned premium reserve

Effective from December 24, 2002, Cathay Century Insurance unearned premium reserves should be provided based on assumed risks of different insurance products. The calculation of the reserve requires the involvement of actuaries as well as disclosures on the insurance product calculation statement which can not be changed unless approved by authorities. The unearned premium reserve should be reversed and then accrued at the next year end.

The unearned premium on motor vehicles compulsory insurance is provided based on the assumed premium in accordance with the article of Ministry of Finance.

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(2) Special reserve

A. Catastrophe reserve :

- a. Addition: Catastrophe reserve should be accrued based on respective reserve rates of various insurance product categories.
- b. Reduction: The amount of assumed claims of catastrophe in excess of NT\$30 million should be deducted from the catastrophe reserve. In addition, the deducted amount is required to be reported to authorities.
- c. Recovery: Amount in the catastrophe reserve over 15 years should be reversed and then accrued for subject to approvals from relevant authorities.

B. Contingency reserve: reserve provided for unusual fluctuations of claims or loss ratios.

- a. Addition: Prior to January 1, 2008, thirty percent of the amount that the actual claims paid for each insurance product categories in excess of the respective contingency reserve and expected loss should be provided as the contingency reserve. After January 1, 2008, fifteen percent instead should be provided for based on the method mentioned above.
- b. Reduction: The amount of actual claims paid for each insurance product categories in excess of the respective catastrophe reserve and expected loss should be deducted from the catastrophe reserve. If the deduction amount is greater than the catastrophe reserve of the insurance product category, catastrophe reserve for other insurance product categories can be used for the deduction. In addition, the deducted amount is required to be reported to authorities.
- c. Recovery: Once the accumulated contingency reserve of each insurance product category exceeds 60% of its retained earned premium for the year, the excess amount should be recorded as income. When the accumulated accidental insurance contingency reserve exceeds 30% of the retained earned premium for the year, the excess amount should be recorded as income. However, authorities can assign or limit the use of the amount based on the development need of the insurance industry.

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- C. The special reserve for the compulsory liability insurance of motor vehicle is in compliance with the “Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance”.
- D. The special reserve of the nuclear hazard insurance is in compliance with the “Accrual of Nuclear Hazard Insurance Reserve”.
- E. The residential earthquake insurance product is in compliance of “Regulations for Method of insurance and Contingency allocation on Residential Earthquake”.

(3) Claims reserve:

Effective from December 24, 2002, the accruals of claim reserves are in accordance with “Insurance Industry Provision of Reserve for Indemnity” issued by the Ministry of Finance. The accruals include retained IBNR and outstanding claims. Effective from January 1, 2006, the accruals on reserves have changed from the fixed rates to a method subject to authorities’ approval based on the past experience and expenses. Cathay Century Insurance has reported to the authorities for the accrual method which has been approved by Insurance Bureau of FSC (Article 09500204880). The method is as follows:

- A. Reserve for outstanding claims is estimated based on historical information and circumstances surrounding each claim for each type of insurance.
- B. Reserve for IBNR is determined by the past experience and loss on each insurance product category.
- C. The unearned premium reserve should be reversed and then accrued at the next year end.
- D. The reserve for the compulsory liability insurance of motor vehicle is in compliance with the “Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance”. The reserve on retained outstanding claims is based on related information. The reserve on IBNR is based on 1% of the retained net earned premium.
- E. The special reserve of the nuclear hazard insurance is in compliance with the “Accrual of Nuclear Hazard Insurance Reserve”.

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(4) Premiums deficiency reserve :

Effective from January 1, 2008, future benefit payments and expenses shall be estimated for unexpired insurance contracts or insurance risks. Premium deficiency reserve by category shall be recorded for the difference between the above estimated amount and the sum of unearned premium reserve and estimated future premium income.

18. Other financial liabilities

	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Derivative financial liabilities for hedging	\$78,378	\$2,581	\$98,083	\$2,896
Borrowed funds	308,470	10,157	261,100	7,709
Other miscellaneous financial liabilities	100,774	3,318	101,215	2,988
Total	<u>\$487,622</u>	<u>\$16,056</u>	<u>\$460,398</u>	<u>\$13,593</u>

19. Common stock

- (1) As of March 31, 2008 and 2009, the authorized share capital amounted NT\$120,000,000 (US\$3,542,958) thousands, and the issued share capital amounted NT\$92,770,192 (US\$3,054,665) thousands and NT\$97,375,372 (US\$2,874,974) thousands, respectively.
- (2) The recapitalization of undistributed earnings of NT\$4,605,180 (US\$135,966) thousand by issuing 460,518 thousand shares with par value of NT\$10 (US\$0.30) was approved by the Securities and Futures Bureau on July 10, 2008. The recapitalization record date was August 5, 2008.
- (3) On December 31, 2001, the Company listed its shares on Taiwan Stock Exchange Corporation (TSE) in accordance with relevant regulations. Since July 29, 2003, the Company listed a portion of its common shares on the Luxembourg Stock Exchange (LSE) in the form of Global Depositary Shares (GDSs).

20. Capital surplus

- (1) The capital surplus of the Company consists of consolidation premium from share exchange, accumulated adjustments on paid-in capital from investment under equity method, and paid-in capital from treasury stocks. Capital surplus were NT\$81,971,213 (US\$2,420,172) thousands as of March 31, 2008 and 2009, respectively. Retained earnings from certain subsidiaries of the Company before the stock exchange of formation of the financial holding company amounted to NT\$267,215 (US\$7,889) thousands were included in the capital surplus as of both March 31, 2008 and 2009.

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- (2) The capital surplus of par value through the conversion of shares was generated from the transfer of the shares of the subsidiaries to the Company. In compliance with Item 4 of Article 47 of the Financial Holding Company Act, the portion of capital surplus from the share exchange which comes from the original financial institution's undistributed earnings is allowed to be distributed as cash dividends or to be capitalized.
- (3) In addition, pursuant to the Company Act, capital surplus can only be used to offset a deficit or to increase share capital. Capital surplus cannot be distributed as cash dividends. Issuance of new stock from capital surplus can be made only once per year. Furthermore, the amount to be capitalized should not exceed the specific percentage of capital surplus set by the SFC.

21. Retained earnings

(1) Legal reserve

Pursuant to the Company Act, 10% of the Company's after-tax net income in the current year must be appropriated to legal reserve until the total amount of the legal reserve equals the issued share capital. This legal reserve can be used to offset deficits but cannot be used for the purpose of cash dividend distributions. However, if the total legal reserve is greater than 50% of the issued share capital, up to 50% of such excess can be capitalized if agreed by its shareholders.

(2) Undistributed earnings

A. According to the Company Act and the Company's articles of incorporation, 10% of the Company's annual earnings, after paying tax and offsetting deductions, if any, shall be appropriated as legal reserve and then 0.01%~0.05% of the remaining amount for employees' bonus. Finally, the remainder after deducting for the abovementioned items must be appropriated in accordance with the resolutions passed at the shareholders' meeting.

B. On June 13, 2008, the shareholders' meeting resolved the distribution of earnings of NT\$3.0 (US\$0.10) per share for the year ended December 31, 2007. The cash and stock dividends with record dates are NT\$2.5 (US\$0.08) and NT\$0.5 (US\$0.02) on July 8 and August 5, 2008, respectively.

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- C. The Company is required to pay 10% surtax in the forthcoming tax year for undistributed earnings.
- D. In accordance with SFC regulations, in addition to the legal reserve retained, the Company is required to provide a special reserve in the amount equal to current year's contra account in shareholders' equity from current year's earnings after tax or prior year's undistributed earnings. However, contra accounts in prior year's accumulated shareholders' equity should only be provided from prior year's undistributed earnings. If a reversal of shareholders equity contra account occurs, the reversed portion of the special reserve could be distributed as dividends.
- E. In accordance with SFC regulations, posterior to 2002 subsidiaries of financial holding companies that hold shares of their parent company should treat those shares as treasury stock. The costs of these shares are exempted from distributing as special reserve.
- F. Pursuant to the explanatory letter of SFB on January 27, 2006, the Company is required to appropriate a special reserve in the amount equal to unrealized loss of financial instruments, cumulative conversion adjustments, and net loss not yet recognized as net pension cost expect for the special reserve since 2007.

G. Dividends policy

The Company's dividends policy is to distribute dividends in stock in order to retain sufficient cash for operations. Excess cash from retained earnings after taking into account operating needs may be distributed in cash; moreover cash dividends must be a minimum of 10% of the total dividends declared.

- H. The accrual of employee bonus and remuneration of directors for the first quarter of 2008 was NT\$6,152 (US\$203) based on the average of actual distribution in the past three years and recognized as operating costs or expenses. The difference between actual distribution and estimated amount will be recognized in 2009.
- I. The accrual of employee bonus and remuneration of directors for the first quarter of 2009 was NT\$6,725 (US\$199) based on the average of actual distribution in the past three years and the net income after tax for the year of 2008 and was recognized as operating costs or expenses. The difference between actual distribution and estimated amount will be recognized in 2010 fiscal year.

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J. Due to the date of CPA expressing an opinion, the Company's distribution of 2008 retained earning has not been approved by the board of directors and the shareholders. For related information please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.

22. Treasury stock

The following is a summary of the movement of treasury stock as of March 31, 2008 and 2009:

March 31, 2008										
Reason for acquisition	In thousands of shares			Book value		Book value per share		Market value per share		
	January 1, 2008	Increase	Decrease	March 31, 2008	(NT\$)	(US\$)	(in NT dollars)	(in US dollars)	(in NT dollars)	(in US dollars)
Shares acquired through share exchange from merger transaction	66,660	-	-	66,660	\$4,140,047	\$136,320	\$62.11	\$2.05	\$77.50	\$2.55
March 31, 2009										
Reason for acquisition	In thousands of shares			Book value		Book value per share		Market value per share		
	January 1, 2009	Increase	Decrease	March 31, 2009	(NT\$)	(US\$)	(in NT dollars)	(in US dollars)	(in NT dollars)	(in US dollars)
Shares acquired through share exchange from merger transaction	66,660	-	-	66,660	\$4,140,047	\$122,234	\$62.11	\$1.83	\$29.15	\$0.86

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23. Operating Expense

For the three months ended March 31, 2008 and 2009, personnel expense, depreciation and amortizations are summarized below:

	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Personnel expenses				
Salary and wages	\$9,181,404	\$302,318	\$8,620,126	\$254,506
Labor & health insurance expenses	525,452	17,302	571,313	16,868
Pension expenses	333,691	10,987	336,832	9,945
Other expenses	379,373	12,492	434,476	12,828
Depreciation	761,198	25,064	869,046	25,658
Amortization	104,800	3,451	94,139	2,780

24. Estimated income taxes

(1) Income tax expenses include the following:

	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Adjusted income tax calculates on accounting income	\$1,365,712	\$44,969	\$(6,566,448)	\$(193,872)
Plus (Less): Tax of interest income on a separate basis	64,996	2,140	32,086	947
Alternative minimum tax payable	541,140	17,818	-	-
Withholding tax for overseas investments	16,460	542	(23,736)	(701)
Tax effects under consolidated income tax	-	-	(592)	(18)
Deferred income tax benefits	(7,351,322)	(242,059)	7,175,230	211,846
Adjustment of income tax	(58,519)	(1,927)	12,823	379
Income tax credit	(12,432)	(409)	(6,785)	(200)
Operating loss carry-forward	583,715	19,220	244,270	7,212
Other	-	-	14	-
Total income tax (benefits) expenses	<u>\$(4,850,250)</u>	<u>\$(159,706)</u>	<u>\$866,862</u>	<u>\$25,593</u>

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(2) Deferred income tax liabilities and assets are as follows:

	March 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Total deferred tax assets	\$19,218,814	\$632,822	\$19,791,788	\$584,346
Total deferred tax liabilities	\$4,125,438	\$135,839	\$9,770,284	\$288,464
Allowance for deferred assets	\$148,355	\$4,885	\$258,579	\$7,634

	March 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Temporary differences:				
Pension expense	\$1,562,762	\$51,458	\$1,437,568	\$42,444
Unrealized exchange losses (gains)	44,219,722	1,456,033	(36,215,424)	(1,069,248)
(Gains) losses from valuation on financial assets and liabilities	(8,265,469)	(272,159)	20,375,661	601,584
Allowance for bad debts	5,028,283	165,568	3,600,901	106,315
Operating loss carry-forward	12,574,713	414,050	48,397,072	1,428,907
Other difference	1,869,440	61,555	1,139,801	33,652
Total	\$56,989,451	\$1,876,505	\$38,735,579	\$1,143,654

	March 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Tax effect under consolidated income tax system	\$733,397	\$24,149	\$(71,372)	\$(2,107)
Deferred income tax assets of foreign branches	\$89,083	\$2,933	\$103,941	\$3,069
Investment tax credit	\$23,533	\$775	\$305,040	\$9,006

	March 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Deferred tax assets	\$19,218,814	\$632,822	\$19,791,788	\$584,346
Allowance for deferred tax assets	(148,355)	(4,885)	(258,579)	(7,635)
Net deferred tax assets	19,070,459	627,937	19,533,209	576,711
Deferred tax liabilities	(4,125,438)	(135,839)	(9,770,284)	(288,464)
Net offset balance of deferred tax assets	\$14,945,021	\$492,098	\$9,762,925	\$288,247

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In accordance with the Financial Holding Company Act, the Company elected to file consolidated income tax return along with 10% surtax on undistributed retained earning tax for all subsidiaries being held over 12 months within a taxable year by the Company.

(3) Income tax returns:

	March 31, 2009	
	Income tax returns examined by tax authorities	Notes
The Company	through 2003	The Company filed applications for re-examination of 2002 and 2003 tax returns.
Cathay Life	through 2003	Cathay Life filed applications for re-examination of 2002 and 2003 tax returns.
Cathay United Bank	through 2003	-
Cathay Century	through 2003	The withholding tax on the interest of prior bondholders and tax effects on the interest expenses of amortized premium bonds in year 1999, 2001 and 2002 tax returns, respectively, were rejected by the Tax Authority as being able to offset income tax payable. Cathay Century has filed the dispute. Cathay Century also filed an application for re-examination of 2003 tax return.
Cathay Securities	through 2004	-
Cathay Pacific Venture	through 2003	-
Symphox Information	through 2006	-
Cathay Futures	through 2006	-
Cathay Venture	through 2006	-
Cathay II Venture	through 2004	-

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(4) Information related to imputation credit account:

A. Balance of imputation credit account

	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
The Company	\$643,820	\$21,199	\$632,776	\$18,682
Cathay Life	1,208,909	39,806	1,094,333	32,310
Cathay United Bank	669,238	22,036	137,168	4,050
Cathay Century	11,847	390	6,964	206
Cathay Securities	7,660	252	7,298	215
Cathay Pacific Venture	111	4	1,004	30
Cathay Venture	1,071	35	15,404	455
Cathay II Venture	9,007	297	13,633	403
Cathay Futures	13,918	458	17,115	505
Symphox Information	-	-	891	26

B. Imputation ratio

	For the three months ended March 31,	
	2008	2009
	Actual	Estimated
The Company-cash dividends	12.98%	8.96%
The Company-stock dividends	12.99%	8.96%
Cathay Life	5.62%	33.33%
Cathay United Bank	9.78%	-
Cathay Century	1.61%	1.46%
Cathay Securities	15.18%	-
Cathay Pacific Venture	0.99%	-
Cathay Venture	17.87%	19.75%
Cathay II Venture	5.45%	7.30%
Cathay Futures	33.33%	33.33%
Symphox Information	-	6.34%

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(4) Information relating of undistributed retained earnings:

Year	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Prior to 1997	\$267,215	\$8,798	\$267,215	\$7,890
After 1998	35,577,963	1,171,484	7,060,140	208,448
Total	\$35,845,178	\$1,180,282	\$7,327,355	\$216,338

The undistributed retained earnings prior to 1997 which derived from the undistributed retained earnings of the subsidiaries were included in the Company's capital surplus and were allowed to be distributed as cash dividends by the regulations.

25. Earnings per share

	For the three months ended March 31, 2008								
	Amount (Numerator)				Shares (in thousands of shares)	EPS (in dollars)			
	Before income taxes		After income taxes			Before income taxes	After income taxes		
	(NT\$)	(US\$)	(NT\$)	(US\$)	(denominator)	(NT\$)	(US\$)	(NT\$)	(US\$)
Primary earnings per share:									
Consolidated income	\$ <u>(10,828,232)</u>	\$ <u>(356,544)</u>	\$ <u>(5,977,982)</u>	\$ <u>(196,838)</u>	9,670,877	\$ <u>(1.12)</u>	\$ <u>(0.04)</u>	\$ <u>(0.62)</u>	\$ <u>(0.02)</u>
	For the three months ended March 31, 2009								
	Amount (Numerator)				Shares (in thousands of shares)	EPS (in dollars)			
	Before income taxes		After income taxes			Before income taxes	After income taxes		
	(NT\$)	(US\$)	(NT\$)	(US\$)	(denominator)	(NT\$)	(US\$)	(NT\$)	(US\$)
Primary earnings per share:									
Consolidated income	\$ <u>5,894,749</u>	\$ <u>174,040</u>	\$ <u>5,027,887</u>	\$ <u>148,447</u>	9,670,877	\$ <u>0.61</u>	\$ <u>0.02</u>	\$ <u>0.52</u>	\$ <u>0.02</u>

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26. Related party transactions

(1) Related parties

Name	Relationship
Cathay Life	Subsidiary of the Company
Cathay United Bank	"
Cathay Century	"
Cathay Securities	"
Cathay Pacific Venture	"
Cathay II Venture	"
Cathay Capital Management	"
Cathay Venture	"
Cathay Life (Shanghai)	Subsidiary of Cathay Life
Cathay Life (Vietnam)	"
Symphox Information	"
Cathay Insurance (Bermuda)	"
Cathay Securities Investment Consulting	"
Cathay Century (Shanghai)	Subsidiary of Cathay Century
Indovina Bank	Subsidiary of Cathay United Bank
Cathay Life Insurance Agent	"
Seaward Card	"
Cathay Property Insurance Agent	"
Cathay Futures	Subsidiary of Cathay Securities
Cathay Securities Investment Trust Co., Ltd.	Investee accounted for under the equity method
Taiwan Real-estate Management Corp.	"
Cathay General Hospital	The chairman is also the Company's chairman
Wan Pao Development Co., Ltd.	The chairman is a second immediate family member of the Company's chairman
Cathay Bond Fund etc.	The fund is managed by Cathay Securities Trust Co., Ltd.
Vietinbank	Joint venture partner of Indovina Bank
Lin Yuan Property Management Co., Ltd.	Related Party disclosed according to Accounting Standard No. 6
Seaward Leasing Ltd.	"
Cathay Real Estate Development Co., Ltd.	"
San Ching Engineering Co., Ltd.	"
Other related parties	Includes chairmen managers, their spouses and relatives of subsidiaries

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(2) Significant transactions with related parties:

Transactions with related parties less than NT\$3,000 (US\$89) thousands will no longer be disclosed after the first quarter of 2008.

A. Call loans to banks

Name	For the three months ended March 31,							
	2008				2009			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Vietinbank	\$-	\$-	\$-	\$-	\$14,104	\$416	\$21	\$1

B. Financial assets at fair value through profit or loss

Name	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$7,093,712	\$233,576	\$4,984,219	\$147,157

C. Receivables

Name	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	\$9,630	\$317	\$14,539	\$429
Cathay Capital Management	14,756	486	18,185	537
Cathay General Hospital	29,415	969	31,825	940
Cathay Securities Investment Trust Co., Ltd.	-	-	3,233	95
Total	\$53,801	\$1,772	\$67,782	\$2,001

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D. Loans

Name	For the three months ended March 31, 2008			
	Ending	Ending	Interest	Interest
	Balance	Balance	Revenue	Revenue
	(NT\$)	(US\$)	(NT\$)	(US\$)
Seaward Leasing Ltd.	\$3,014,000	\$99,243	\$16,651	\$548
Taiwan Real-estate Management Corp.	114,000	3,754	796	26
Cathay General Hospital	4,629,530	152,437	42,208	1,390
Other related parties	1,840,078	60,589	14,981	494
Total	<u>\$9,597,608</u>	<u>\$316,023</u>	<u>\$74,636</u>	<u>\$2,458</u>

Name	For the three months ended March 31, 2009			
	Ending	Ending	Interest	Interest
	Balance	Balance	Revenue	Revenue
	(NT\$)	(US\$)	(NT\$)	(US\$)
Seaward Leasing Ltd.	\$2,073,630	\$61,223	\$9,748	\$288
Taiwan Real-estate Management Corp.	104,000	3,070	615	18
Cathay General Hospital	4,461,483	131,724	34,689	1,024
Other related parties	599,516	17,701	2,918	86
Total	<u>\$7,238,629</u>	<u>\$213,718</u>	<u>\$47,970</u>	<u>\$1,416</u>

E. Available-for-sale financial assets

Name	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$604,747</u>	<u>\$19,913</u>	<u>\$745,446</u>	<u>\$22,009</u>

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F. Deposit

Name	For the three months ended March 31, 2008			
	Ending	Ending	Interest	Interest
	Balance	Balance	Expense	Expense
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$842,656	\$27,746	\$4,388	\$145
Cathay Real Estate Development Co., Ltd.	139,954	4,608	15	-
Other related parties	5,992,358	197,312	34,158	1,125
Total	<u>\$6,974,968</u>	<u>\$229,666</u>	<u>\$38,561</u>	<u>\$1,270</u>

Name	For the three months ended March 31, 2009			
	Ending	Ending	Interest	Interest
	Balance	Balance	Expense	Expense
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$656,032	\$19,369	\$1,763	\$52
Cathay Real Estate Development Co., Ltd.	80,528	2,378	18	1
Other related parties	11,158,910	329,463	46,537	1,374
Total	<u>\$11,895,470</u>	<u>\$351,210</u>	<u>\$48,318</u>	<u>\$1,427</u>

G. Property transactions

a. Transactions between Cathay Life and related parties are in the nature of undertaking contracted projects, construction, and lease transactions. The terms of such transactions are based on market surveys and the contracts of both parties.

Name	For the three months ended March 31, 2008		
	Item	(NT\$)	(US\$)
Lin Yuan Property Management Co., Ltd.	International Building etc.	<u>\$77,842</u>	<u>\$2,563</u>

Name	For the three months ended March 31, 2009		
	Item	(NT\$)	(US\$)
Lin Yuan Property Management Co., Ltd.	International Building etc.	<u>\$28,657</u>	<u>\$846</u>

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b. Real estate rental income from Cathay Life and Cathay United Bank:

Name	Rental income			
	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Real Estate Development Co., Ltd.	\$4,275	\$141	\$5,528	\$163%
Cathay General Hospital	40,675	1,339	43,756	1,292
Cathay Securities Investment Trust Co., Ltd.	4,242	140	5,555	164
Total	<u>\$49,192</u>	<u>\$1,620</u>	<u>\$54,839</u>	<u>\$1,619</u>

Name	Guarantee deposits in			
	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Real Estate Development Co., Ltd.	\$3,945	\$130	\$4,886	\$144
Cathay General Hospital	9,114	300	11,097	328
Cathay Securities Investment Trust Co., Ltd.	3,743	123	4,948	146
Total	<u>\$16,802</u>	<u>\$553</u>	<u>\$20,931</u>	<u>\$618</u>

Lease periods are usually between 2 to 5 years and rental incomes are collected monthly.

c. Real estate rental expense from Cathay Life and Cathay United Bank

Name	Rental expenses			
	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Real Estate Development Co., Ltd.	\$10,508	\$346	\$7,592	\$224
Seaward Leasing Ltd.	3,535	116	3,868	114
Total	<u>\$14,043</u>	<u>\$462</u>	<u>\$11,460</u>	<u>\$338</u>

Name	Guarantee deposits paid			
	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Real Estate Development Co., Ltd.	\$-	\$-	\$8,779	\$259
Seaward Leasing Ltd.	33,395	1,100	11,590	342
Total	<u>\$33,395</u>	<u>\$1,100</u>	<u>\$20,369</u>	<u>\$601</u>

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According to the contracts, periods of leases generally were 3 years and rents were paid monthly.

H. Securities sold under agreements to repurchase

Name	March 31,			
	Ending balance			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Wan Pao Development Co., Ltd.	\$662,631	\$21,819	\$-	\$-
Other related parties	1,905,565	62,745	608,227	17,958
Total	<u>\$2,568,196</u>	<u>\$84,564</u>	<u>\$608,227</u>	<u>\$17,958</u>

Name	For the three months ended March 31,			
	Interest expenses			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Wan Pao Development Co., Ltd.	\$2,249	\$74	\$-	\$-
Other related parties	8,700	287	405	12
Total	<u>\$10,949</u>	<u>\$361</u>	<u>\$405</u>	<u>\$12</u>

I. Payables

Name	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Lin Yuan Property Management Co., Ltd.	\$47,246	\$1,556	\$39,146	\$1,156
San Ching Engineering Co., Ltd.	7,237	238	6,330	187
Vietinbank	129,221	4,255	169,585	5,007
Total	<u>\$183,704</u>	<u>\$6,049</u>	<u>\$215,061</u>	<u>\$6,350</u>

J. Advance receipts

Name	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Lin Yuan Property Management Co., Ltd.	<u>\$3,093</u>	<u>\$102</u>	<u>\$-</u>	<u>\$-</u>

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K. Net commission and handling fees

a. Handling fees income

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$9,152	\$301	\$4,185	\$124

b. Reinsurance handling fee paid

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	\$3,416	\$112	\$3,444	\$102

c. Commissions expense

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life Insurance Agent	\$3,243	\$107	\$5,554	\$164

L. Net premiums from insurance business

a. Insurance income

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay General Hospital	\$7,805	\$257	\$5,235	\$155
Other related parties	206,517	6,800	153,675	4,537
Total	\$215,322	\$7,057	\$158,910	\$4,692

b. Reinsurance income

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	\$38,872	\$1,280	\$21,442	\$633

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Since April 1, 2000, Cathay Insurance (Bermuda) has engaged in the reinsurance business providing reinsurance for RGA Global Reinsurance Company and Central Reinsurance Corporation's accidental insurance. Cathay Life assumes 90% of the reinsurance business from Cathay Insurance (Bermuda).

c. Reinsurance claims payment

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	\$16,484	\$543	\$15,483	\$457

M. Net other non-interest income

Miscellaneous income

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$-	\$-	\$14,209	\$420

N. Operating expense

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Consulting	\$13,125	\$432	\$5,670	\$167
Seaward Card	80,677	2,656	99,108	2,926
Cathay Pacific Management	13,584	447	17,190	508
Lin Yuan Property Management Co., Ltd.	166,602	5,486	153,169	4,522
Cathay Real Estate Development Co., Ltd.	4,149	137	-	-
Total	\$278,137	\$9,158	\$275,137	\$8,123

O. Others Disclosures

- a. Cathay United Bank entered into a contract with San Ching Engineering Co., Ltd. to build the Nei-hu Financial Building and North Taiyuan Branch totaling NT\$ 1,411,880 (US\$41,685) thousands, in 2006. Cathay United Bank had paid the amount of NT\$159,173 (US\$5,241) thousands and NT\$50,507 (US\$1,491) thousands during the years ended March 31, 2008 and 2009. As of March 31, 2008 and 2009, the accumulated paid amount was NT\$720,996 (US\$23,740) thousands and NT\$1,232,404 (US\$36,386) thousands, respectively.

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b. Cathay United Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management Co., Ltd. in the amount of NT\$5,702 (US\$188) thousands (capitalized) and NT\$5,081 (US\$150) thousands (expensed) during the years ended March 31, 2008 and 2009, respectively.

(3)The Company's significant transactions with related parties

A. Cash in bank

Name	Item	For the three months ended March 31, 2008		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$7,536,687	2.98%~4.57%	\$25,657
	Cash in bank	1,555	0.00%~1.70%	-
	Total	<u>\$7,538,242</u>		<u>\$25,657</u>

Name	Item	For the three months ended March 31, 2008		
		Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$248,162	2.98%~4.57%	\$845
	Cash in bank	51	0.00%~1.70%	-
	Total	<u>\$248,213</u>		<u>\$845</u>

There is no significant related parties transactions for the three months ended March 31, 2009.

B. Receivables

Name	Item	March 31,			
		2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay United Bank	Interest · Receivables due to consolidated income tax	\$6,522	\$215	\$1,083,576	\$31,992
	Cathay Life	Receivables due to consolidated income tax · Interest	960,038	31,612	139,493

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Name	Item	March 31,			
		2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Century	Receivables due to consolidated income tax	\$251,961	\$8,296	\$248,675	\$7,342
Cathay Capital Management	Receivables due to consolidated income tax	14,756	486	18,185	537
Cathay Securities	Receivables due to consolidated income tax	10,961	361	245,931	7,261
Cathay II Venture	Receivables due to consolidated income tax	9,457	311	8,123	240
Total		<u>\$1,253,695</u>	<u>\$41,281</u>	<u>\$1,743,983</u>	<u>\$51,490</u>

C. Guarantee deposits paid

Name	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	<u>\$5,014</u>	<u>\$165</u>	<u>\$5,964</u>	<u>\$176</u>

D. Payables

Name	Item	March 31,			
		2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	Payables due to consolidated income tax	\$541,486	\$17,830	\$4,132,320	\$122,005
Cathay United Bank	Payables due to consolidated income tax	1,049,350	34,552	2,997,081	88,488
Cathay Pacific Venture	Payables due to consolidated income tax	3,527	116	-	-
Cathay Century	Payables due to consolidated income tax	-	-	18,145	536
Cathay Securities	Payables due to consolidated income tax	-	-	14,268	421
Total		<u>\$1,594,363</u>	<u>\$52,498</u>	<u>\$7,161,814</u>	<u>\$211,450</u>

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E. Interest income

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$-	\$-	\$129,452	\$3,822

F. Operating expenses

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$4,611	\$152	\$6,120	\$181

(4) Subsidiaries' significant transactions with related parties are follows:

A. Cathay Life

a. Cash in banks

		For the three months ended March 31,2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$1,902,150	1.24%~2.65%	\$9,177
Bank	Cash in bank	3,916,168	0.00%~1.80%	1,139
Total		\$5,818,318		\$10,316

		For the three months ended March 31,2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$62,632	1.24%~2.65%	\$302
Bank	Cash in bank	128,949	0.00%~1.80%	38
Total		\$191,581		\$340

		For the three months ended March 31,2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$7,343,524	0.10%~2.42%	\$16,919
Bank	Cash in bank	3,388,964	0.02%~1.00%	472
Total		\$10,732,488		\$17,391

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		For the three months ended March 31, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposit	\$216,815	0.10%~2.42%	\$499
	Cash in bank	100,058	0.02%~1.00%	14
	Total	<u>\$316,873</u>		<u>\$513</u>

b. Other receivables

Name	March 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Financial Holding	\$541,486	\$17,830	\$4,132,320	\$122,006
Cathy Century	95,076	3,130	164,958	4,870
Total	<u>\$636,562</u>	<u>\$20,960</u>	<u>\$4,297,278</u>	<u>\$126,876</u>

c. Other financial assets

		For the three months ended March 31, 2008		
Name	Ending balance (NT\$)	Rate	Interest income (NT\$)	
Cathay United Bank	<u>\$1,800,000</u>	3.17%~4.06%	<u>\$31,929</u>	

		For the three months ended March 31, 2008		
Name	Ending balance (US\$)	Rate	Interest income (US\$)	
Cathay United Bank	<u>\$59,269</u>	3.17%~4.06%	<u>\$1,051</u>	

		For the three months ended March 31, 2009		
Name	Ending balance (NT\$)	Rate	Interest income (NT\$)	
Cathay United Bank	<u>\$-</u>	3.17%~3.73%	<u>\$4,621</u>	

		For the three months ended March 31, 2009		
Name	Ending balance (US\$)	Rate	Interest income (US\$)	
Cathay United Bank	<u>\$-</u>	3.17%~3.73%	<u>\$136</u>	

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d. Secured loans

For the three months ended March 31,2008				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$4,388,030	\$4,371,530	3.57%~3.80%	\$40,534
Other related parties	272,697	257,685	2.20%~4.73%	1,838
Total	<u>\$4,660,727</u>	<u>\$4,629,215</u>		<u>\$42,372</u>

For the three months ended March 31,2008				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$144,486	\$143,942	3.57%~3.80%	\$1,335
Other related parties	8,979	8,485	2.20%~4.73%	60
Total	<u>\$153,465</u>	<u>\$152,427</u>		<u>\$1,395</u>

For the three months ended March 31,2009				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$4,286,249	\$4,225,483	2.50%~3.91%	\$32,976
Other related parties	333,381	308,022	1.16%~5.37%	1,755
Total	<u>\$4,619,630</u>	<u>\$4,533,505</u>		<u>\$34,731</u>

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Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$126,550	\$124,756	2.50%~3.91%	\$974
Other related parties	9,843	9,094	1.16%~5.37%	52
Total	<u>\$136,393</u>	<u>\$133,850</u>		<u>\$1,025</u>

e. Financial assets at fair value through profit or loss-beneficiary certificates

Name	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$7,048,232</u>	<u>\$232,079</u>	<u>\$4,306,555</u>	<u>\$127,150</u>

f. Other overdue receivable

Name	March 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Life (Shanghai)	<u>\$-</u>	<u>\$-</u>	<u>\$265,211</u>	<u>\$7,830</u>

g. Other assets-other

Name	March 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Life (Shanghai)	<u>\$298,343</u>	<u>\$9,824</u>	<u>\$-</u>	<u>\$-</u>

h. Guarantee deposits paid

Name	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Futures	<u>\$502,152</u>	<u>\$16,534</u>	<u>\$453,680</u>	<u>\$13,395</u>

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As of March 31, 2008 and 2009, the imputed interest income from guarantee deposits paid to Cathay Futures were NT\$131 (US\$4) thousands and NT\$121 (US\$4) thousands, respectively.

i. Other payables

Name	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Financial Holding	\$960,038	\$31,611	\$139,493	\$4,118

j. Insurance income

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009 (US\$)
Cathay United Bank	\$126,576	\$4,168	\$147,098	\$4,343
Other related parties	206,517	6,800	153,675	4,537
Total	\$333,093	\$10,968	\$300,773	\$8,880

k. Miscellaneous income

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Century	\$277,149	\$9,126	\$304,852	\$9,001

l. Operating expense

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay United Bank	\$219,772	\$7,236	\$312,302	\$9,221
Lin Yuan Property Management Co., Ltd.	166,602	5,486	153,169	4,522
Total	\$386,374	\$12,722	\$465,471	\$13,743

m. Non-Operating expense

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Financial Holding	\$-	\$-	\$129,452	\$3,822

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n. Other Disclosures

As of March 31, 2008 and 2009, the notional amounts of the derivative financial instruments transactions with Cathay United Bank are listed below:

Item	March 31,	
	2008	2009
Forward foreign exchange contracts	USD40,000	USD718,858
CS contracts	USD1,285,000	USD1,470,000
Financial debentures	NTD200,000 (USD6,585)	NTD-

Cathay Life had entered a credit assignment agreement with Cathay United Bank in the amounts of NT\$1,000,000 (US\$32,927) thousands during the three months ended March 31, 2008 and NT\$0 (US\$0) thousands during the three months ended March 31, 2009.

B. Cathay United Bank

a. Loans and deposits

Account/Name	For the three months ended March 31,							
	2008				2009			
	Ending Balance		Interest revenue		Ending Balance		Interest revenue	
(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Loans								
Seaward								
Leasing Ltd.	\$3,014,000	\$99,242	\$16,651	\$549	\$2,073,630	\$61,223	\$9,748	\$288
Taiwan								
Real-estate								
Management								
Corp.	114,000	3,754	796	26	104,000	3,071	615	18
Cathay General								
Hospital	258,000	8,495	1,674	55	236,000	6,968	1,713	51
Other related								
parties	1,554,818	51,196	12,942	426	270,152	7,976	1,049	31
Total	\$4,940,818	\$162,687	\$32,063	\$1,056	\$2,683,782	\$79,238	\$13,125	\$388

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Account/Name	For the three months ended March 31,							
	2008				2009			
	Ending Balance		Interest expense		Ending Balance		Interest expense	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Deposits								
Cathay Life	\$5,818,319	\$191,581	\$10,316	\$340	\$10,732,488	\$316,873	\$17,391	\$513
Cathay								
Financial								
Holding	7,538,242	248,213	25,657	845	-	-	-	-
Cathay Futures	1,367,608	45,032	7,109	234	1,571,679	46,403	3,005	89
Cathay								
Securities	285,128	9,389	1,135	37	276,924	8,176	444	13
Cathay Century	867,182	28,554	2,845	94	1,265,508	37,364	4,175	123
Cathay								
Securities								
Investment								
Trust Co.,								
Ltd.	842,656	27,746	4,388	144	656,032	19,369	1,763	52
Cathay Real								
Estate								
Development								
Co., Ltd.	139,954	4,608	15	-	80,528	2,378	18	1
Other related								
parties	5,992,358	197,312	34,158	1,125	11,158,910	329,463	46,537	1,374
Total	\$22,851,447	\$752,435	\$85,623	\$2,819	\$25,742,069	\$760,026	\$73,333	\$2,165

Account/Name	For the three months ended March 31, 2008						
	Maximum amount		Ending balance		Rate	Interest revenue (expense)	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Call loans to banks							
Indovina Bank	\$730,101	\$24,040	\$1,915,515	\$63,073	3.40%~26.00%	\$4,010	\$132

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Account/Name	For the three months ended March 31, 2009						
	Maximum amount		Ending balance		Rate	Interest revenue (expense)	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Call loans to banks							
Indovina Bank	\$746,174	\$22,031	\$-	\$-	2.56%~5.20%	\$4,621	\$136

Transactions terms with related parties are similar to those with third parties.

b. Securities sold under agreements to repurchase

Name	March 31,			
	Ending balance			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Wan Pao Development Co., Ltd.	\$662,631	\$21,819	\$-	\$-
Other related parties	1,905,565	62,745	608,227	17,958
Total	\$2,568,196	\$84,564	\$608,227	\$17,958

Name	For the three months ended March 31,			
	Interest expense			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Wan Pao Development Co., Ltd.	\$2,249	\$74	\$-	\$-
Other related parties	8,700	287	405	12
Total	\$10,949	\$361	\$405	\$12

c. Other Receivable

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Indovina Bank	\$129,221	\$4,225	\$169,585	\$5,007

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d. Handling fees income

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$219,772	\$7,236	\$312,302	\$9,221

e. Accrued insurance expense

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$126,576	\$4,168	\$147,098	\$4,343

f. General expense

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Symphox Information	\$138,589	\$4,563	\$118,397	\$3,496

g. Receivables

Name	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Financial Holding	\$1,049,350	\$34,552	\$1,913,505	\$56,496

h. Financial assets at fair value through profit or loss-mutual fund.

Name	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Trust Co., Ltd.	\$775,649	\$25,540	\$345,649	\$10,205

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i. Other Disclosures

- (a) Cathay United Bank entered into a contract with San Ching Engineering Co., Ltd. to build the Nei-hu Financial Building and North Taiyuan Branch totaling NT\$1,411,880 (US\$41,685) thousands, in 2006. Cathay United Bank paid the amount of NT\$159,173 (US\$5,241) thousands and NT\$50,527 (US\$1,491) thousands during the years ended March 31, 2008 and 2009. As of March 31, 2008 and 2009, the accumulated paid amount was NT\$720,996 (US\$23,740) thousands and NT\$1,232,404 (US\$36,386) thousands, respectively.
- (b) Cathay United Bank enters into a contract with Cathay Life to transferring credit facilities. The transferring loan amount was NT\$1,000,000 (US\$32,927) thousands and NT\$0 (US\$0) thousands during the year ended March 31, 2008 and 2009, respectively.
- (c) As of March 31, 2008, the Cathay Life held the dominant financial debentures with notional amounts of NT\$200,000 (US\$6,858) thousands, respectively, which was issued by Cathay United Bank in 2003.

C. Cathay Century

a. Cash in banks

		For the three months ended March 31, 2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$428,032	0.00%~0.10%	\$82
	Time deposits	439,150	2.21%~2.57%	2,763
Total		<u>\$867,182</u>		<u>\$2,845</u>

		For the three months ended March 31, 2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$14,094	0.00%~0.10%	\$3
	Time deposits	14,460	2.21%~2.57%	91
Total		<u>\$28,554</u>		<u>\$94</u>

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		For the three months ended March 31, 2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$494,686	0.00%~0.10%	\$155
	Time deposits	770,822	0.525%~2.72%	4,020
Total		<u>\$1,265,508</u>		<u>\$4,175</u>

		For the three months ended March 31, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$14,606	0.00%~0.10%	\$4
	Time deposits	22,758	0.525%~2.72%	119
Total		<u>\$37,364</u>		<u>\$123</u>

b. Financial assets at fair value through profit or loss-beneficiary certificates

Name	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$45,480</u>	<u>\$1,498</u>	<u>\$195,652</u>	<u>\$5,777</u>

c. Available-for-sale financial assets-beneficiary certificates

Name	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$114,933</u>	<u>\$3,784</u>	<u>\$61,574</u>	<u>\$1,818</u>

d. Other payables

Name	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Financial Holding	\$251,961	\$8,296	\$230,530	\$6,806
Cathay Life	95,076	3,131	164,958	4,871
Total	<u>\$347,037</u>	<u>\$11,427</u>	<u>\$395,488</u>	<u>\$11,677</u>

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e. Operating expense

Name	For the three months ended March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$295,650	\$9,735	\$327,129	\$9,658

f. Other Disclosures

As of March 31, 2008 and 2009 the nominal amount of the derivative financial instruments transactions with Cathay United Bank are listed below:

Item	For the three months ended March 31,	
	2008	2009
Forward foreign exchange contracts	USD22,150	USD7,710
CS contracts	USD26,550	USD11,050
IRS	NTD400,000 (USD13,171)	NTD600,000 (USD17,715)

D. Cathay Securities

a. Cash in bank

Name	Item	For the three months ended March 31, 2008		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$285,128	0.10%~2.62%	\$1,135

Name	Item	For the three months ended March 31, 2008		
		Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$9,388	0.10%~2.62%	\$37

Name	Item	For the three months ended March 31, 2009		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$276,924	0.02%~2.62%	\$444

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Name	Item	For the three months ended March 31, 2009		
		Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$8,176	0.02%~2.62%	\$13

As of March 31, 2008, NT\$20,000 (US\$659) thousands in time deposits reflected premiums received or structured notes and issuance of warrants and were recognized under guarantee deposits paid.

As of March 31, 2009, NT\$12,000 (US\$354) thousands in time deposits pledged as collateral for the over-draft of settlement accounts and recognized under restricted assets, the remaining negotiable certificates of deposit have not been pledged as collateral.

b. Other payables

Name	March 31, 2008		March 31, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Financial Holdings Co., Ltd. (Note)	\$10,961	\$361	\$233,663	\$6,899

Note: As of March 31, 2009, NT\$2,000 (US\$59) in other payables of information system, the remaining due to the adoption of the Integrated Income Tax System.

c. Clearing and settlement fees, dealing handling fee expense and margin for futures trading – own funds

Name	For the three months ended March 31, 2008							
	Clearing and settlement fees		Dealing handling fee expense		Accounts payable		Margin for futures trading – own funds	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Futures	\$-	\$-	\$-	\$-	\$-	\$-	\$227,980	\$7,507

Name	For the three months ended March 31, 2009							
	Clearing and settlement fees		Dealing handling fee expense		Accounts payable		Margin for futures trading – own funds	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Futures	\$-	\$-	\$-	\$-	\$-	\$-	\$205,981	\$6,082

E. Cathay Pacific Venture

Available-for-sale financial assets

Name	March 31,			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$352,302	\$11,600	\$429,307	\$12,675

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F. Indovina Bank

a. Call Loans from Banks

Name	For the three months ended March 31, 2008			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay United Bank	\$1,915,515	\$63,073	\$4,010	\$132

Name	For the three months ended March 31, 2009			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay United Bank	\$-	\$-	\$4,621	\$136

b. Dividends Payable

Name	March 31,			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay United Bank	\$129,221	\$4,255	\$169,585	\$5,007
Vietinbank	129,221	4,255	169,585	5,007
Total	\$258,442	\$8,510	\$339,170	\$10,014

c. Deposit

Name	For the three months ended March 31, 2009		
	Ending balance (NT\$)	Rate	Interest expense (NT\$)
Cathay Life Vietnam	\$169,250	2.00%~7.50%	\$2,789

Name	For the three months ended March 31, 2009		
	Ending balance (US\$)	Rate	Interest expense (US\$)
Cathay Life Vietnam	\$4,997	2.00%~7.50%	\$82

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G. Cathay Futures

a. Cash in bank

		For the three months ended March 31, 2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$282,500	1.56%~2.57%	\$1,369
	Cash in bank	14,285	0.00%~0.95%	-
	Total	<u>\$296,785</u>		<u>\$1,369</u>

		For the three months ended March 31, 2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$9,302	1.56%~2.57%	\$45
	Cash in bank	470	0.00%~0.95%	-
	Total	<u>\$9,772</u>		<u>\$45</u>

		For the three months ended March 31, 2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$308,000	0.12%~2.04%	\$3,005
	Cash in bank	13,112	0.00%~0.10%	-
	Total	<u>\$321,112</u>		<u>\$3,005</u>

		For the three months ended March 31, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$9,094	0.12%~2.04%	\$89
	Cash in bank	387	0.00%~0.10%	-
	Total	<u>\$9,481</u>		<u>\$89</u>

As of March 31, 2008 and 2009, Cathay Futures has time deposit amounting to NT\$60,000 (US\$1,771) thousands in Cathay United Bank as the guaranty bond, in accordance with Article 14 of Rules Governing Futures Commission Merchants and Article 11 of Regulation Governing Futures Advisory Enterprises.

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b. Customer's margin accounts

Name	March 31,					
	2008			2009		
	(NT\$)	(US\$)	Rate	(NT\$)	(US\$)	Rate
Cathay United Bank	\$1,070,561	\$35,251	0.04%~2.70%	\$1,250,569	\$36,923	0.02%~2.17%

c. Futures customers' equity

Name	March 31,			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay Life	\$502,152	\$16,535	\$453,680	\$13,395
Cathay Securities	277,980	9,153	205,981	6,081
Total	\$780,132	\$25,688	\$659,661	\$19,476

H. Symphox Information

Cash in bank

		For the three months ended March 31,2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$279,000	2.11%~2.49%	\$1,623
Bank	Cash in bank	3,413	0.10%	-
Total		\$282,413		\$1,623

		For the three months ended March 31,2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$9,187	2.11%~2.49%	\$53
Bank	Cash in bank	112	0.10%	-
Total		\$9,299		\$53

		For the three months ended March 31,2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$340,000	0.405%~2.68%	\$1,546
Bank	Cash in bank	103,657	0.10%	-
Total		\$443,657		\$1,546

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		For the three months ended March 31, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposit	\$10,039	0.405%~2.68%	\$46
	Cash in bank	3,060	0.10%	-
Total		<u>\$13,099</u>		<u>\$46</u>

I. Cathay Venture

Available-for-sale financial assets

Name	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$79,570</u>	<u>\$2,620</u>	<u>\$173,596</u>	<u>\$5,125</u>

J. Cathay Life (Shanghai)

Other payables

Name	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	<u>\$298,343</u>	<u>\$9,824</u>	<u>\$265,211</u>	<u>\$7,830</u>

K. Cathay Life (Vietnam)

a. Cash in bank

There is no significant related parties transaction for the three months ended March 31, 2008.

		For the three months ended March 31, 2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Indovina Bank	Time deposits	\$157,465	2.00%~7.50%	\$2,677
	Cash in bank	11,785	-	112
Total		<u>\$169,250</u>		<u>\$2,789</u>

		For the three months ended March 31, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Indovina Bank	Time deposits	\$4,649	2.00%~7.50%	\$79
	Cash in bank	348	-	3
Total		<u>\$4,997</u>		<u>\$82</u>

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		For the three months ended March 31, 2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$141,241	1.00%~7.00%	\$9,853

		For the three months ended March 31, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$4,170	1.00%~7.00%	\$291

26. Pledged assets

As of March 31, 2008 and 2009, the Company and Subsidiaries' pledged assets are summarized below:

Item	Guarantee purpose	Carrying amount			
		2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Time deposits	Correspondent deposit, collateral for the over-loaning of settlement accounts, loan, other financial or leasing	\$423,255	\$13,937	\$261,283	\$7,714
Guarantee deposits paid	Government bonds	8,376,304	275,808	9,208,836	271,888
Financial assets at fair value through profit or loss	Business reserves and guarantees	726,864	23,934	699,294	20,646
Available-for-sale financial assets	Business reserves and guarantees	8,190,048	269,676	2,707,445	79,936
Held-to-maturity financial assets	Business reserves and guarantees	101,165	3,331	92,446	2,730
Investments in debt securities with no active market	Business reserves and guarantees	15,000,000	493,908	15,500,000	457,632
		<u>\$32,817,636</u>	<u>\$1,080,594</u>	<u>\$28,469,304</u>	<u>\$840,546</u>

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27. Commitment and contingent liabilities

(1) Cathay United Bank

A. On January 1, 2004, Pacific SOGO issued its own SOGO membership card, which Cathay United Bank believes constituted a breach of Pacific SOGO's co-branded card contract with Cathay United Bank. Cathay United Bank has filed a motion of injunction and provisional measures against certain of Pacific SOGO's properties and the issuance of its own membership cards. As to the provisional measures, the Taipei District Court had adjudged in favor of Cathay United Bank on June 30, 2007. However, Pacific SOGO appealed against the decision and the appeal is currently being reviewed by the High Court. Furthermore, Cathay United Bank also filed an incidental civil procedures and claim, which is being reviewed by the Taipei District Court, against Pacific SOGO. Subsequently the Taipei District Court issued a judgment favoring Cathay United Bank on October 12, 2006, ordering Pacific SOGO to pay the punitive damages of NT\$400,000 (US\$11,810) thousands. Pacific SOGO had filed an appeal against such order and the appeal is currently being reviewed by the High Court.

B. Lee and Li Attorneys-at-Law and SanDisk Corporation filed lawsuits in the Taiwan Taipei District Court alleging that Cathay United Bank breached its contractual and fiduciary duties in connection with the embezzlement conducted by a former employee of Lee and Li Attorneys-at-Law, Eddie Liu, on October 2003. Both plaintiffs claimed indemnities amounted NT\$0.9 billion (US\$2.7 million) and NT\$3.09 billion (US\$9.1 million), respectively. Cathay United Bank has been advised by its legal advisor that it is possible, but not probable, that the action will succeed and accordingly no provision for any claims has been made in these financial statements.

C. As of March 31, 2009, Cathay United Bank had entered into certain contracts to purchase premises and equipments totaling NT\$3,026,283 (US\$89,350) thousands with NT\$2,457,071 (US\$72,544) thousands of prepayment made.

(2) Cathay Century

Cathay Century and Itanara Import Export Company ('Itanara') are involved in a dispute on cargo insurance benefits. The Itanara filed a lawsuit against Cathay Century and claimed for US\$773 thousands with related notarization expenses. The Taiwan Taipei District Court ruled in favor of Itanara in the lawsuit except the notarization expenses. Cathay Century has appealed to the higher court and the lawsuit is still in progress.

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(3) Cathay Securities

As of March 31, 2009, Cathay Securities requested banks to issue letters of guarantees for warrants issuance of NT\$157,000 (US\$4,635) thousands.

(4) As of March 31, 2008 and 2009, Cathay United Bank subsidiaries had the following commitments and contingent liabilities, which were not reflected in the financial statements:

	March 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Trust and security held for safekeeping	\$231,117,431	\$7,610,057	\$178,504,253	\$5,270,276
Travelers checks for sale	500,114	16,467	287,065	8,475
Bills for collection	46,053,664	1,516,420	39,049,330	1,152,918
Guarantees on duties and contracts	17,885,446	588,918	17,615,749	520,099
Unused commercial letters of credit	4,509,716	148,492	3,153,733	93,113
Irrevocable loan commitments	46,506,225	1,531,321	34,119,830	1,007,376
Credit card lines commitments	277,554,807	9,139,111	263,878,701	7,790,927
Stamp tax, securities and memorial currency consignments	1,727	57	1,727	51
Book-entry for government bonds and depository for short-term marketable securities under management	354,588,200	11,675,608	491,646,300	14,515,686
Entrusted financial management business	2,107,740	69,402	2,352,812	69,466

(4) According to the effective operating leases agreement (the longest lease term being 5 years), rentals for the next five years are as follows:

Periods	NT\$	US\$
April 1, 2009~March 31, 2010	\$877,790	\$25,916
April 1, 2010~March 31, 2014	1,935,720	57,152
Total	<u>\$2,813,510</u>	<u>\$83,068</u>

28. Significant disaster losses: None.

29. Subsequent events: None.

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30. Other significant matters

(1) Pension related information

According to the ROC SFAS No. 23 “Interim Financial Reporting and Disclosures”, the interim financial statements are not required to follow the principles outlined in the ROC SFAS No. 18 “Accounting for Pensions”.

(2) Financial instruments related information

A. The Company

a. Information of fair value

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$9,695,296	\$9,695,296	\$319,239	\$319,239
Receivables	2,470,607	2,470,607	81,350	81,350
Investments under equity method	197,404,221	197,404,221	6,499,974	6,499,974
Other financial assets	31,720	31,720	1,044	1,044
<u>Liabilities</u>				
Payables	3,015,150	3,015,150	99,281	99,281
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
CCS, option	100,756	100,756	3,318	3,318
Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,209,456	\$2,209,456	\$65,233	\$65,233
Receivables	5,110,471	5,110,471	150,885	150,885
Held-to-maturity financial assets	15,000,000	15,000,000	442,870	442,870
Investments under equity method	156,828,113	156,828,113	4,630,296	4,630,296
Other financial assets	31,720	31,720	937	937

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Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Payables	\$7,481,036	\$7,481,036	\$220,875	\$220,875
Bonds payables	20,000,000	20,000,000	590,493	590,493

b. The methods and assumptions used to estimate the fair values of the financial instruments are as follows:

(a) The fair value of the Company's short-term financial instruments is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, receivables payables and other financial assets.

(b) The fair value of derivative and bonds payable was determined based on the present value of anticipated cash flow.

c. The fair value of the Company's financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Financial instruments	March 31, 2008			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$-	\$-	\$9,695,296	\$319,239
Receivables	-	-	2,470,607	81,350
Investments under equity method	-	-	197,404,221	6,499,974
Other financial assets	-	-	31,720	1,044
<u>Liabilities</u>				
Payables	-	-	3,015,150	99,281
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
CCS, option	-	-	100,756	3,318

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Financial instruments	March 31, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$-	\$-	\$2,209,456	\$60,233
Receivables	-	-	5,110,471	150,885
Held-to-maturity financial assets	-	-	15,000,000	442,870
Investments under equity method	-	-	156,828,113	4,630,296
Other financial assets	-	-	31,720	937
<u>Liabilities</u>				
Payables	-	-	7,481,036	220,875
Bonds payable	-	-	20,000,000	590,493

Note: The derivative financial instruments of the Company were valued using Discount Cash flow Model and Black-Scholes Model.

d. Information on financial risks

(a) Risk of interest rate

The following table summarizes the maturities of the Company's financial instruments at March 31, 2008 and 2009:

① As of March 31, 2009, the Company's financial instruments were all redeemed; therefore the Company's exposure to interest risk is minimal.

② March 31, 2008

Fixed interest rate

Item	March 31, 2008							
	Less than one year		Due in 1~2 year		Due in 2~3 year		Due in 3~4 year	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value								
through profit or loss	\$-	\$-	\$100,756	\$3,318	\$-	\$-	\$-	\$-

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Item	March 31, 2008					
	Due in 4-5 year		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value through profit or loss	\$-	\$-	\$-	\$-	\$100,756	\$3,318

Floating interest rate

Item	March 31, 2008							
	Less than one year		Due in 1~2 year		Due in 2~3 year		Due in 3~4 year	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value through profit or loss	\$-	\$-	\$100,756	\$3,318	\$-	\$-	\$-	\$-

Item	March 31, 2008					
	Due in 4-5 year		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value through profit or loss	\$-	\$-	\$-	\$-	\$100,756	\$3,318

The interest rate of a financial instrument with floating interest rate is repriced within a year. The interest rate of a financial instrument with fixed interest rate is fixed until the due date. Financial instruments excluded from the tables above due to absence of interest risk are non-interest bearing financial instruments.

(b) Credit risk

The Company's exposure to credit risk is minimal.

e. Financial risk management objectives and policies

The Company's financial assets primarily consist of cash and cash equivalents, short-term notes and domestic common stocks.

The Company enters into derivative transactions such as foreign currency options and cross currency swaps to protect against the risks from net investments in foreign operations arising from interest rate and exchange rate fluctuations. Derivatives not qualified for hedge accounting are measured at fair value through profit or loss.

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The primary risks involved in these derivative transactions are market risk, credit risk, operational risk and liquidity risk. In addition to the risk management policies and guidance, the Company has also established risk management systems such as the VaR model, the credit evaluation model, the integrated appraisal and collection and the concentration management systems to monitor and manage the Company's risks.

Market Risk

Market risk is the exposure to uncertain market value of a portfolio, including interest rate risk, stock value risk and exchange rate risk, etc. The Company conducts analysis and assessments of the investment targets before any investment decisions are made. In addition, VaR model in connection with atmosphere simulation methods, stress test methods, Position Limit, VaR Limit and Loss Limit are used to effectively manage the market risk of the Company's financial assets.

Credit Risk

Credit risk is the risk of loss arising from the potential default of the counter-party. An internal credit risk evaluation model for investments in financial instruments is created based on external credit assessments and various characteristics of financial instruments. The Company also monitors the credit risk level of the investment targets, issuers or counterparties by evaluating the credit concentration of the investments or counterparties.

Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal controls, employee fraud or misconduct and management negligence. To mitigate the operational risk, the Company has adopted and implemented the internal control regulations and procedures. The Company has also commenced the development of information systems to accommodate and support the aforementioned policies.

Liquidity Risk

Liquidity risk is the risk stemming from the lack of marketability of an investment that can not be bought or sold quickly enough to prevent or minimize a loss. The Company has primarily sought to achieve the flexible cash flow and stable liquidity by utilizing the deposits in financial institutions and short-term notes (includes repurchase agreement). In pursuit of these goals, the Company also conducts analysis of assets allocation, liquid asset ratio and cash flows to ensure the effectiveness and timeliness of managing liquidity risk.

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B. Cathay Life

a. Information of fair value

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying Amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$239,336,589	\$239,336,589	\$7,880,691	\$7,880,691
Notes and accounts receivable	31,608,484	31,608,484	1,040,779	1,040,779
Financial assets at fair value through profit or loss - current	99,993,343	99,993,343	3,292,504	3,292,504
Available-for-sale financial assets - current	162,016,570	162,016,570	5,334,757	5,334,757
Held-to-maturity financial assets - current	8,054,238	8,012,982	265,204	263,845
Investments in debt securities with no active market - current	5,623,537	5,623,537	185,167	185,167
Other financial assets - current	1,000,000	1,000,000	32,927	32,927
Available-for-sale financial assets - noncurrent	230,318,930	230,318,930	7,583,764	7,583,764
Held-to-maturity financial assets - noncurrent	538,242,267	531,264,785	17,722,827	17,493,078
Financial assets carried at cost - noncurrent	18,813,089	-	619,463	-
Investments in debt securities with no active market - noncurrent	56,471,277	49,213,907	1,859,443	1,620,478
Investments under the equity method	5,846,982	5,846,982	192,525	192,525
Other financial assets – noncurrent	18,163,053	18,163,053	598,059	598,059
Guarantee deposits paid	10,699,939	10,699,939	352,319	352,319
<u>Liabilities</u>				
Notes and accounts payable	18,794,083	18,794,083	618,837	618,837
Guarantee deposits received	1,480,540	1,480,540	48,750	48,750
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Option	32,775	32,775	1,079	1,079
Forward, CCS, CCS	23,790,632	23,790,632	783,360	783,360
IRS, CDS	190,427	190,427	6,270	6,270
Derivative financial assets for hedging - current				
IRS	338,641	338,641	11,151	11,151

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Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying Amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss -				
current				
Forward, CS, CCS	\$17,810,450	\$17,810,450	\$586,449	\$586,449
IRS, CDS	115,124	115,124	3,790	3,790
Derivative financial liabilities for hedging - current				
IRS	78,378	78,378	2,581	2,581
March 31, 2009				
Item	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$209,878,086	\$209,878,086	\$6,196,578	\$6,196,578
Notes and accounts receivable	51,515,060	51,515,060	1,520,964	1,520,964
Financial assets at fair value through profit or loss - current	130,514,004	130,514,004	3,853,380	3,853,380
Available-for-sale financial assets - current	121,988,785	121,988,785	3,061,677	3,061,677
Held-to-maturity financial assets - current	32,943,812	32,514,239	1,061,229	1,061,229
Investments in debt securities with no active market - current	11,629,131	11,629,131	343,346	343,346
Other financial assets-current	8,000,000	8,000,000	236,197	236,197
Available-for-sale financial assets - noncurrent	245,487,218	245,487,218	7,247,925	7,247,925
Held-to-maturity financial assets - noncurrent	592,097,799	592,205,448	17,481,482	17,425,611
Financial assets carried at cost - noncurrent	19,072,499	-	563,109	-
Investments in debt securities with no active market -				
noncurrent	108,286,322	87,594,942	3,197,116	2,586,210
Investments under the equity method	6,716,768	6,716,768	198,310	198,310
Other financial assets – noncurrent	4,250,000	4,250,000	125,480	125,480
Guarantee deposits paid	11,632,382	11,632,382	343,442	343,442
<u>Liabilities</u>				
Notes and accounts payable	8,854,902	8,854,902	261,438	261,438
Preferred stock liability-noncurrent	15,000,000	15,381,210	442,870	454,125
Guarantee deposits received	1,565,780	1,565,780	46,229	46,229

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Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Forward, CS, CCS	\$4,680,859	\$4,680,859	\$138,201	\$138,201
IRS, CDS	454,900	454,900	13,431	13,431
Derivative financial assets for hedging - current				
IRS, CDS	2,102,486	2,102,486	62,075	62,075
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Forward, CS, CCS	21,909,072	21,909,072	646,858	646,858
IRS, CDS	130,879	130,879	3,864	3,864
Derivative financial liabilities for hedging - current				
IRS, CDS	98,083	98,083	2,896	2,896

The methods and assumptions used to estimate the fair values of the financial instruments are as follows:

- (a) The fair value of Cathay Life's cash and cash equivalents, receivables and payables is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments.
- (b) The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount as Cathay Life predicts the future cash inflow or outflow will be of similar amount to the carrying value.
- (c) Quoted market price, if available, are utilized as estimates of the fair value of financial instruments. If no quoted market prices exist for Cathay Life's financial assets, the fair value of those assets is derived based on pricing models. A pricing model incorporates all information that market participants would consider in setting a price available to Cathay Life. Cathay Life uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.

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- (d) The fair value of Cathay Life's financial instruments is based on market prices if available at the reporting date. When market prices are not available, the fair value is based on carrying amount or other relevant financial information.
- (e) If no quoted market prices exist for Cathay Life's long-term investments accounted for under the equity method, then their fair value is taken as approximating their carrying amounts when no permanent market value decline exists.
- c. The fair values of financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Item	March 31, 2008			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$216,527,683	\$7,129,657	\$22,808,906	\$751,034
Notes and accounts receivable	-	-	31,608,484	1,040,779
Financial assets at fair value through profit or loss				
- current	95,150,777	3,133,052	4,842,566	159,452
Available-for-sale financial assets - current	162,016,570	5,334,757	-	-
Held-to-maturity financial assets - current	5,106,551	168,145	2,906,431	95,701
Investments in debt securities with no active market - current	-	-	5,623,537	185,168
Other financial assets-current	-	-	1,000,000	32,927
Available-for-sale financial assets - noncurrent	228,889,503	7,536,697	1,429,427	47,067
Held-to-maturity financial assets - noncurrent	106,957,272	3,521,807	424,307,513	13,971,271
Investments in debt securities with no active market - noncurrent	-	-	49,213,907	1,620,478
Investments under the equity method	-	-	5,846,982	192,525
Other financial assets - noncurrent	-	-	18,163,053	598,059
<u>Liabilities</u>				
Notes and accounts payable	-	-	18,794,083	618,837

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Item	March 31, 2008			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss - current				
Option	\$32,775	\$1,079	\$-	\$-
Forward, CS, CCS	-	-	23,790,632	783,360
IRS, CDS	-	-	190,427	6,270
Derivative financial assets for hedging - current				
IRS	-	-	338,641	11,151
<u>Liabilities</u>				
Financial liabilities at fair value through profit and loss - current				
Forward, CS, CCS	-	-	17,810,450	586,449
IRS, CDS	-	-	115,124	3,791
Derivative financial liabilities for hedging - current				
IRS	-	-	78,378	2,581
Item	March 31, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$187,738,991	\$5,542,929	\$22,139,095	\$653,649
Notes and accounts receivable	-	-	51,515,060	1,520,964
Financial assets at fair value through profit or loss				
- current	127,040,936	3,750,839	3,473,068	102,541
Available-for-sale financial assets - current	121,888,492	3,598,716	100,293	2,961
Held-to-maturity financial assets - current	1,027,698	30,343	31,486,541	929,629
Investments in debt securities with no active market - current				
Other financial assets-current	-	-	8,000,00	236,197
Available-for-sale financial assets - noncurrent	244,159,693	7,208,730	1,327,525	39,195
Held-to-maturity financial assets - noncurrent	94,392,121	2,786,895	495,813,327	14,638,716
Investment in debt securities with no active market – noncurrent				
Investments under the equity method	631,980	18,659	86,962,962	2,567,551
Other financial assets - noncurrent	-	-	6,716,768	198,310
Other financial assets - noncurrent	-	-	4,250,000	125,480

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Item	March 31, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Notes and accounts payable	\$-	\$-	\$8,854,902	\$261,438
Preferred stock liability - noncurrent	-	-	15,381,210	454,125
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
- current				
Forward, CS, CCS	-	-	4,680,859	138,201
IRS, CDS	-	-	454,900	13,431
Derivative financial assets for hedging - current				
IRS	-	-	2,102,486	62,075
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Forward, CS, CCS	-	-	21,909,072	646,858
IRS, CDS	-	-	130,879	3,864
Derivative financial liabilities for hedging - current				
IRS, CDS	-	-	98,083	2,896

d. Information on financial risk

(a) Interest rate risk

The following table summarizes the maturities of Cathay Life's financial instruments at March 31, 2008 and 2009:

① March 31, 2008

Non-derivative financial instruments of fixed interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$3,299,807	\$108,655	\$921,039	\$30,327	\$44,115	\$1,453	\$2,309,442	\$76,044
Available-for-sale financial assets	1,572,004	51,762	153,564	5,056	3,370,973	110,997	10,808,503	355,894
Held-to-maturity financial assets	5,657,561	186,288	12,189,266	401,359	12,144,014	399,869	7,184,770	236,574
Investments in debt securities with								
no active market	723,536	23,824	-	-	1,076,040	35,431	2,232,886	73,523

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Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$1,215,879	\$40,036	\$6,147,074	\$202,406	\$13,937,356	\$458,921
Available-for-sale financial assets	9,888,324	325,595	107,764,194	3,449,595	130,557,562	4,298,899
Held-to-maturity financial assets	7,717,986	254,132	425,160,866	13,999,370	470,054,463	15,477,592
Investments in debt securities with						
no active market	1,078,469	35,511	46,140,658	1,519,284	51,251,589	1,687,573

Non-derivative financial instruments of float interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$3,613,871	\$118,995	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	112,173,671	3,693,568	-	-	-	-	-	-
Held-to-maturity financial assets	76,242,042	2,510,439	-	-	-	-	-	-
Investments in debt securities with								
no active market	10,843,225	357,037	-	-	-	-	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$-	\$-	\$-	\$-	\$3,613,871	\$118,995
Available-for-sale financial assets	-	-	-	-	112,173,671	3,693,568
Held-to-maturity financial assets	-	-	-	-	76,242,042	2,510,435
Investments in debt securities with						
no active market	-	-	-	-	10,843,225	357,037

Derivative financial instruments

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$-	\$-	\$33,449	\$1,103	\$20,686	\$681	\$109,456	\$3,604
Derivative financial assets for								
hedging	3,617	119	-	-	24,632	811	4,743	156
Financial liabilities at fair value								
through profit or loss	5,000	165	18,554	611	62,894	2,071	-	-
Derivative financial liabilities for								
hedging	16,249	535	3,995	132	46,651	1,536	-	-

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Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$-	\$-	\$26,786	\$882	\$190,427	\$6,270
Derivative financial assets for						
hedging	-	-	305,649	10,065	338,641	11,151
Financial liabilities at fair value						
through profit or loss	-	-	28,676	944	115,124	3,791
Derivative financial liabilities for						
hedging	-	-	11,483	378	78,378	2,581

② March 31, 2009

Non-derivative financial instruments of fixed interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$2,524,000	\$74,520	\$658,633	\$19,446	\$431,020	\$12,726	\$2,736,163	\$80,784
Available-for-sale financial assets	760,097	22,442	3,024,863	89,308	6,183,375	182,562	15,194,530	448,613
Held-to-maturity financial assets	208,432,776	6,153,905	18,092,153	534,164	12,463,522	367,981	12,506,179	369,241
Investments in debt securities with								
no active market	8,358,515	246,782	5,165,314	152,504	2,946,917	87,007	3,184,983	94,036
Preferred stock liability	-	-	-	-	-	-	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$3,340,360	\$98,623	\$7,547,186	\$222,828	\$17,237,362	\$508,927
Available-for-sale financial assets	21,368,279	630,891	83,413,543	2,462,756	129,944,687	3,836,572
Held-to-maturity financial assets	12,223,953	360,908	310,910,607	9,179,528	574,629,190	16,965,727
Investments in debt securities with						
no active market	4,249,499	125,465	73,780,517	2,178,344	97,685,745	2,884,138
Preferred stock liability	-	-	15,000,000	442,870	15,000,000	442,870

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Non-derivative financial instruments of float interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$3,166,227	\$93,482	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	115,642,824	3,414,314	-	-	-	-	-	-
Held-to-maturity financial assets	53,412,421	1,576,983	-	-	-	-	-	-
Investments in debt securities with								
no active market	22,229,728	656,324	-	-	-	-	-	-
Item	Due in 4~5 years		Over 5 years		Total			
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)		
Financial assets at fair value								
through profit or loss	\$-	\$-	\$-	\$-	\$3,166,227	\$93,482		
Available-for-sale financial assets	-	-	-	-	115,642,824	3,414,314		
Held-to-maturity financial assets	-	-	-	-	53,412,421	1,576,983		
Investments in debt securities with								
no active market	-	-	-	-	22,229,708	656,324		

Derivative financial instruments

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$32,385	\$956	\$41,662	\$1,230	\$-	\$-	\$-	\$-
Derivative financial assets for								
hedging	1,522	45	25,426	751	3,399	100	95,316	2,814
Financial liabilities at fair value								
through profit or loss	1,309	39	105,812	3,124	-	-	-	-
Derivative financial liabilities for								
hedging	-	-	41,887	1,237	-	-	-	-

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Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$-	\$-	\$-	\$-	\$74,047	\$2,186
Derivative financial assets for						
hedging	620,936	18,333	1,277,095	37,706	2,023,694	59,749
Financial liabilities at fair value						
through profit or loss	-	-	-	-	107,121	3,163
Derivative financial liabilities for						
hedging	-	-	-	-	41,887	1,237

(b) Credit risk

Cathay Life's exposure to credit risk is minimal.

e. Hedge Accounting Disclosures

Cash flow hedges - IRS

The following table summarizes the terms of the Cathay life's interest rate SWAP for bonds used as hedging instruments at March 31, 2008 and 2009:

(5) March 31, 2008

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$500,000	\$16,464	4%-12ml	Yearly	2008.6.5
300,000	9,878	180DCP	Half year	2008.6.12
200,000	6,585	4.003%-6ml	Half year	2008.6.13
200,000	6,585	180DCP+18bps	Half year	2008.7.11
2,000,000	65,854	90DCP+75bps	Each quarter	2008.7.19
250,000	8,232	90DCP	Each quarter	2008.8.10
450,000	14,817	90DCP	Each quarter	2008.8.22
330,000	10,866	90DCP	Each quarter	2008.8.24
1,150,000	37,866	90DCP+30bps	Each quarter	2008.9.17

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Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$350,000	\$11,525	If 6ml < 0.9%, 6ml If 0.9% ≤ 6ml < 2.0%, 3.05% If 2.0% < 6ml, Max(4.0005%-6ml)	Yearly	2008.9.26
100,000	3,293	180DCP+30bps	Half year	2008.12.18
300,000	9,878	If 6ml < 0.95%, 6ml If 0.95% < 6ml < 2.0%, 3.5% If 2.0% < 6ml, 4.8%-6ml	Half year	2009.1.7
200,000	6,585	If 6ml < 0.95%, 6ml If 0.95% < 6ml < 2.0%, 3.5% If 2.0% < 6ml, 4.8%-6ml	Half year	2009.1.9
200,000	6,585	5.85%-6ml	Half year	2009.1.13
50,000	1,646	If 6ml ≤ 1%, 6ml+0.2% If 1% < 6ml < 2%, 3.15% If 6ml ≥ 2%, 4.15%-6ml	Half year	2009.1.16
310,000	10,207	ARMS	Each quarter	2009.3.24
900,000	29,635	90DCP+100bps	Each quarter	2009.5.20
200,000	6,585	4.000%-6ml	Half year	2010.4.7
300,000	9,878	4.0002%-6ml	Half year	2010.4.7
200,000	6,585	4.0003%-6ml	Half year	2010.4.7
500,000	16,464	4.0006%-6ml	Half year	2010.4.7
500,000	16,464	4.0007%-6ml	Half year	2010.4.7
300,000	9,878	4.3%-12ml	Yearly	2010.6.20
900,000	29,635	90DCP	Each quarter	2010.8.18
600,000	19,756	90DCP	Each quarter	2010.8.19
200,000	6,585	6.3%-6ml	Yearly	2010.11.27
300,000	9,878	5.37%-6ml	Yearly	2011.3.15
200,000	6,585	3.0%, if 6ml 2005.9.19~2006.9.19:1.0%-2.5% 2006.9.19~2007.9.19:1.0%-3.0% 2007.9.19~2008.9.19:1.0%-3.5% 2008.9.19~2009.9.19:1.0%-4.0% 2009.9.19~2010.9.19:1.0%-4.5% 2010.9.19~2011.3.19:1.0%-5.0%	Half year	2011.3.19

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Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$500,000	\$16,464	If 6ml < 1.1%,6ml If 1.1% ≤ 6ml ≤ 2.0%,3.8% If 6ml > 2.0%,Max(5.50%-6ml)	Half year	2011.6.30
2,700,000	88,904	90DCP+25bps	Each quarter	2013.8.24
3,000,000	98,782	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	65,854	90DCP	Yearly	2013.11.3
1,000,000	32,927	90DCP+26.5bps	Yearly	2013.12.14
500,000	16,464	90DCP+23bps	Yearly	2013.12.14
1,500,000	49,391	90DCP+23bps	Yearly	2013.12.16
1,000,000	32,927	90DCP+26.5bps	Yearly	2013.12.16
1,300,000	42,805	90DCP+45bps	Each quarter	2013.12.27
900,000	29,635	90DCP	Yearly	2014.3.12
2,500,000	82,318	90DCP	Yearly	2014.9.27
1,350,000	44,452	90DCP	Each quarter	2014.9.28
1,500,000	49,391	90DCP	Yearly	2014.9.29
-	24,000	6ml	Half year	2013.9.20
-	14,000	6ml	Half year	2014.3.20
-	24,000	6ml	Half year	2014.3.24

March 31, 2009

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$900,000	\$26,572	90DCP+100bps	Each quarter	2009.5.20
200,000	5,905	4.000%-6ml	Half year	2010.4.7
300,000	8,857	4.0002%-6ml	Half year	2010.4.7
500,000	14,762	4.0006%-6ml	Half year	2010.4.7
500,000	14,762	4.0007%-6ml	Half year	2010.4.7
200,000	5,905	4.0003%-6ml	Half year	2010.4.7
300,000	8,857	4.3%-12ml	Yearly	2010.6.20
900,000	26,572	90DCP	Each quarter	2010.8.18
600,000	17,715	90DCP	Each quarter	2010.8.19
200,000	5,905	6.3%-6ml	Yearly	2010.11.27
300,000	8,857	5.37%-6ml	Yearly	2011.3.15

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Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$500,000	\$14,762	If 6ml < 1.1%,6ml If 1.1% ≤ 6ml ≤ 2.0%,3.8% If 6ml > 2.0%,Max(5.50%-6ml)	Half year	2011.6.30
2,000,000	59,049	90DCP	Yearly	2013.3.26
2,700,000	79,717	90DCP+25bps	Each quarter	2013.8.24
3,000,000	88,574	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	59,049	90DCP	Yearly	2013.11.3
1,000,000	29,525	90DCP+26.5bps	Yearly	2013.12.14
500,000	14,762	90DCP+23bps	Yearly	2013.12.14
1,500,000	44,287	90DCP+23bps	Yearly	2013.12.16
1,000,000	29,525	90DCP+26.5bps	Yearly	2013.12.16
900,000	26,572	90DCP	Yearly	2014.3.12
1,000,000	29,525	90DCP	Yearly	2014.6.12
2,000,000	59,049	90DCP	Yearly	2014.6.29
5,000,000	147,623	90DCP	Yearly	2014.8.23
1,000,000	29,525	90DCP	Yearly	2014.9.20
3,200,000	94,479	90DCP	Yearly	2014.9.27
2,000,000	59,049	90DCP	Each quarter	2014.9.28
1,500,000	44,287	90DCP	Yearly	2014.9.29
2,500,000	73,812	90DCP	Yearly	2014.12.20
2,000,000	59,049	90DCP	Yearly	2014.12.24

The terms of interest rate swap agreements are established based on the terms of the bonds being hedged.

The forward currency contracts are considered to be highly effective hedges. Cathay Life's interest rate swap agreements are considered to be highly effective cash flow hedges. Unrealized gains (losses) on these financial instruments recognized in equity are NT\$327,042 (US\$10,769) thousands and NT\$2,151,689 (US\$63,528) thousands as of March 31, 2008 and 2009.

Fair value hedges

The following table summarizes the terms of Cathay Life's credit default swap for bonds used as hedging instruments at March 31, 2008 and 2009:

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① March 31, 2008

None.

② March 31, 2009

Par value		Hedge item	Maturity date
(NT\$)	(US\$)		
\$-	\$45,000	CDO	2012/9/20
-	7,000	Structure Bonds	2014/3/20

The terms of credit default swap agreements are established based on the terms of the bonds being hedged.

Cathay Life's credit default swap agreements are considered to be highly effective fair value hedges. Unrealized losses on these financial instruments recognized in profit or loss are NT\$53,087 (US\$1,567) thousands as of March 31, 2009.

f. Financial risk management objectives and policies

Cathay Life's financial assets primarily consist of domestic or foreign common stocks, preferred stocks, government bonds, corporate bonds, repurchase bonds, structured notes, project investments, short-term notes, mortgage-backed securities, mutual funds, cash and cash equivalents.

Cathay Life also enters into derivative transactions such as stock options, index futures, interest rate futures, interest rate swaps, currency forwards, cross currency swap and credit default swaps to protect against the price risk of stock value, interest rate risk, foreign currency risk and credit risk from investment activities. Cathay Life does not enter into derivative transactions for increasing investment income; however, the derivatives not qualified for hedge accounting are measured at fair value through profit or loss

The primary risks involved in financial instruments are market risk, credit risk, operational risk, liquidity risk and country risk. In addition to compliance with the risk management policies and guidance from the Company, Cathay Life also has established risk management systems such as the VaR model, the credit evaluation model, the integrated appraisal and collection and the concentration management systems to monitor and manage Cathay Life's risks. The risk management policies are summarized as follow:

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Market Risk

Market risk is the exposure to uncertain market value of a portfolio, including interest rate risk, stock price risk and foreign currency risk, etc. Cathay Life conducts analysis and assessments of the investment targets before any investment decisions are made. In addition, VaR model in connection with scenario analysis, stress testing, back testing, Position Limit, VaR Limit and Loss Limit are used to effectively manage the market risk of Cathay Life's financial instruments.

Credit Risk

Credit risk is the risk of loss arising from the potential default of the counter-party. In order to minimize Cathay Life's exposure to the credit risk, following evaluations and controls are performed.

Cathay Life has taken the credit concentration index of each conglomerate into the consideration of establishing Lending Policy to prevent over-exposure. Strict credit evaluations are carried out by Cathay Life before committing to any business lending, mortgage lending, policy loan, and security investments. All lending are secured by land, property, plant and equipments or financial guarantees.

Assessments on the mortgage repayment ability and personal credits are conducted before the mortgages are granted. The total mortgage amounts granted are based on a different percentage of the carrying value which varies according to regions where the secured buildings locate.

For policy loans, the credit risk level is assessed at low as the policy loan amounts are limited to their net realizable value of the insurance policy and hence are deemed as fully secured investments.

An internal credit risk evaluation model for investments in financial instruments has been created based on external credit assessments and various characteristics of financial instruments. The Company also monitors the credit risk level of the investment targets, issuers or counter-parties by evaluating the credit concentration of the investments or counter-parties.

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Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal controls, employee fraud or misconduct and management negligence. To mitigate the operational risk, the Company has adopted and implemented the internal control regulations and procedures. The Company has also commenced the development of information systems to accommodate and support the aforementioned policies.

Liquidity Risk

Liquidity risk is the risk stemming from the lack of marketability of an investment that can not be bought or sold quickly enough to prevent or minimize a loss. Cathay Life has primarily sought to achieve the flexible cash flow and stable liquidity by utilizing the deposits in financial institutions, short-term notes (includes repurchase agreement) and domestic bond funds. In pursuit of these goals, Cathay Life also conducts analysis of assets allocation, liquid asset ratio and cash flows to ensure the effectiveness and timeliness of managing liquidity risk.

Country Risk

Country risk is the risk of market price fluctuation or default of the issuers due to the political or economical issues in the country where investments are located.

Cathay Life categorizes and manages the investment risk based on country or region, as well as regularly monitors the concentration of foreign countries to minimize its country risk.

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C. Cathay United Bank

a. Information of fair value

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$31,843,883	\$31,843,883	\$1,048,531	\$1,048,531
Available-for-sale financial assets	59,816,112	59,816,112	1,969,579	1,969,579
Held-to-maturity financial assets and debt securities with no active market	262,227,444	262,227,444	8,634,423	8,634,423
Other financial assets-financial carried at cost	4,245,566	Note	139,795	Note
Others	889,950,450	889,950,450	29,303,604	29,303,604
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	39,640,876	39,640,876	1,305,264	1,305,264
Financial debentures payable	18,212,705	18,212,705	599,694	599,694
Others	1,150,962,251	1,150,962,251	37,898,000	37,898,000
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	1,178,957	1,178,957	38,820	38,820
Non-delivery forward	202,485	202,485	6,667	6,667
Currency swap	5,809,054	5,809,054	191,276	191,276
Interest rate swap	1,758,707	1,758,707	57,909	57,909
Cross currency swap	25,087	25,087	826	826
Options	290,363	290,363	9,561	9,561
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Forward	5,377,315	5,377,315	177,060	177,060
Non-delivery forward	200,693	200,693	6,608	6,608
Currency swap	999,032	999,032	32,896	32,896
Interest rate swap	846,928	846,928	27,887	27,887
Cross currency swap	319,504	319,504	10,520	10,520
Options	290,371	290,371	9,561	9,561
Credit derivative instruments	363,531	363,531	11,970	11,970

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Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$52,089,370	\$52,089,370	\$1,537,921	\$1,537,921
Available-for-sale financial assets	121,659,360	121,659,360	3,591,950	3,591,950
Held-to-maturity financial assets and debt securities with no active market	221,435,741	221,486,341	6,537,813	6,539,307
Other financial assets financial assets carried at cost	4,095,278	Note	120,912	Note
Others	894,980,942	894,980,942	26,424,002	26,424,002
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	32,738,404	32,738,404	966,590	966,590
Financial debentures payable	19,129,566	19,129,566	564,794	564,794
Others	1,199,466,930	1,199,466,930	35,413,845	35,413,845
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	6,145,146	6,145,146	181,433	181,433
Non-delivery forward	141,656	141,656	4,182	4,182
Currency swap	888,102	888,102	26,221	26,221
Interest rate swap	6,575,202	6,575,202	194,131	194,131
Cross currency swap	334,948	334,948	9,889	9,889
Options	161,104	161,104	4,757	4,757
Credit default swap	37	37	1	1
<u>Liabilities</u>				
Forward	1,422,870	1,422,870	42,010	42,010
Non-delivery forward	134,757	134,757	3,979	3,979
Currency swap	5,548,489	5,548,489	163,817	163,817
Interest rate swap	3,839,626	3,839,626	113,364	113,364
Cross currency swap	191,550	191,550	5,655	5,655
Options	161,177	161,177	4,759	4,759
Credit derivative instruments	725,182	725,182	21,411	21,411
Credit default swap	21,951	21,951	648	648

Note: Fair value cannot be reliably estimated.

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- b. The methodologies and assumptions used by Cathay United Bank to estimate the above fair value of financial instruments are summarized as following:
- (a) The carrying value of short-term financial instruments, such as cash and cash equivalents, receivables, securities purchased under agreements to resell, securities sold under agreements to repurchase, payables, refundable deposits, guarantee deposits, borrowed funds, due from the Central Bank and call loans to banks and due to the Central Bank and call loans from banks arising in the ordinary course of business, approximate fair value because of the relatively short period of time between their origination and expected realization.
 - (b) Quoted market prices, if available, are utilized as estimates of the fair values of financial instruments at fair value through profit or loss, available-for-sale financial instruments, held-to-maturity financial assets and investments in debt securities with no active market. If no quoted market prices exist for certain of Cathay United Bank's financial instruments, the fair value of such instruments has been derived based on pricing models. A pricing model incorporates all factors that market participants would consider in setting a price that are available to Cathay United Bank. Cathay United Bank uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics.
 - (c) Discounts, loans and deposits are classified as interest-bearing financial assets. Thus, their carrying values are equivalent to their fair values.

The face value of delinquent accounts deducted from allowance for doubtful accounts is adopted fair values.

- (d) Fair value of financial debentures payable is based on quoted market price. If quoted market price is not available, pricing models are utilized to determine the fair value of such instrument.
- (e) If there is a quoted market price in an active market, the quoted market price of derivative financial instruments is regarded as fair value. Otherwise, if the market for a derivative financial instrument is not active, Cathay United Bank assesses fair value by using pricing models.

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- c. The fair values of Cathay United Bank's financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Item	March 31, 2008			
	Value determined by quoted market price		Value determined by pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$30,436,445	\$1,002,188	\$1,407,438	\$46,343
Available-for-sale financial assets	50,413,492	1,656,977	9,402,620	309,602
Held-to-maturity financial assets and debt securities with no active market	215,886,817	7,108,555	46,287,539	1,524,120
Other (Note)	-	-	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	-	-	39,640,876	1,305,264
Financial debentures payable	-	-	18,212,705	599,694
Others (Note)	-	-	-	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	-	-	1,178,957	38,820
Non-delivery forward	-	-	202,485	6,667
Currency swap	-	-	5,809,054	191,276
Interest rate swap	-	-	1,758,707	57,909
Cross currency swap	-	-	25,087	826
Options	-	-	290,363	9,561
<u>Liabilities</u>				
Forward	-	-	5,377,315	177,060
Non-delivery forward	-	-	200,693	6,608
Currency swap	-	-	999,032	32,896
Interest rate swap	-	-	846,928	27,887
Cross currency swap	-	-	319,504	10,20
Options	-	-	290,371	9,561,
Credit derivative instruments	-	-	363,531	11,970

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Item	March 31, 2009			
	Value determined by quoted market price		Value determined by pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$51,741,441	\$1,527,648	\$347,929	\$10,272
Available-for-sale financial assets	110,056,030	3,249,366	11,603,330	342,584
Held-to-maturity financial assets and debt securities with no active market	187,620,458	5,539,429	33,865,883	999,878
Others (Note)	-	-	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	-	-	32,738,404	966,590
Financial debentures payable	-	-	19,129,566	564,794
Others (Note)	-	-	-	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	-	-	6,145,146	181,433
Non-delivery forward	-	-	141,656	4,182
Currency swap	-	-	888,102	26,221
Interest rate swap	-	-	6,575,202	194,042
Cross currency swap	-	-	334,948	9,889
Options	-	-	161,104	4,757
Credit default swap	-	-	37	1
<u>Liabilities</u>				
Forward	-	-	1,422,870	42,010
Non-delivery forward	-	-	134,757	3,979
Currency swap	-	-	5,548,489	163,817
Interest rate swap	-	-	3,839,626	113,364
Cross currency swap	-	-	191,550	5,654
Options	-	-	161,177	4,936
Credit derivative instruments	-	-	725,182	21,411
Credit default swap	-	-	21,951	648

Note: Most of such assets and liabilities are receivables, discounts and loans, deposit and remittances, etc. The amount of fair value is not determined by quoted market price or pricing models but it is assumed that the carrying amounts approximate to their fair value.

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- d. Gains recognized for the changes in fair values of financial assets or liabilities determined by pricing models were NT\$170,605 (US\$5,618) thousands and NT\$355,980 (US\$10,510) thousands for the three months ended March 31, 2008 and 2009, respectively.
- e. The interest income arising from financial assets or liabilities not at fair value through profit or loss for the three months ended March 31, 2008 and 2009 were NT\$10,027,686 (US\$330,184) thousands and NT\$7,058,018 (US\$208,386) thousands, and expenses were NT\$4,747,217 (US\$156,313) thousands and NT\$3,032,372 (US\$89,530) thousands, respectively.
- f. Cathay United Bank recognized unrealized gains or loss of NT\$608,289 (US\$5,324) thousands and NT\$708,204 (US\$20,909) thousands in shareholders' equity for the changes in fair value of available-for-sale financial assets. Realized gains of NT\$365,419 (US\$12,032) thousands and NT\$45,713 (US\$1,350) thousands in income statements, for the three months ended March 31, 2008 and 2009, respectively.
- g. Information on financial risk

(a) Market risk

Market risk is the to potential loss arising from adverse movements of market price, such as interest rates, foreign exchange rates and equity securities.

Ⓐ Interest rate risk

If interest rates are rising, the fair values of Cathay United Bank's fixed-rate bond investments such as government bonds and corporate bonds may decline.

Ⓑ Foreign exchange risk

Cathay United Bank manages foreign exchange risk by matching foreign currency assets and liabilities. Cathay United Bank trades in currencies and derivative instruments, primarily spot and forward exchange contracts and currency swaps, to manage asset and liability positions and hedge against Cathay United Bank's commercial positions. As most of assets and liabilities denominated foreign currency are matched, the foreign exchange risk is insignificant.

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㉔ Equity securities price risk

Cathay United Bank may be exposed to the risk when the price of equity securities, such as stocks, mutual funds and TAIEX Futures and Options, moves in adverse direction.

Cathay United Bank manages foreign exchange risk by matching foreign currency assets and liabilities. The Bank trades in currencies and derivative instruments, primarily spot and forward exchange contracts and currency swaps, to manage asset and liability positions and hedge against the Bank's commercial positions. As most of foreign currency assets and liabilities are matched, the foreign exchange risk is insignificant.

January 1 ~ March 31, 2008						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Interest rate	\$146,706	\$4,831	\$191,605	\$6,309	\$71,356	\$2,350
Foreign exchange	191,730	6,313	388,037	12,777	3,842	127
Equity Securities price	165,107	5,437	250,352	8,243	109,667	3,611

January 1- March 31, 2009						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Interest rate	\$233,533	\$6,895	\$420,014	\$12,401	\$128,834	\$3,804
Foreign exchange	340,012	10,039	580,316	17,134	181,982	5,373
Equity Securities price	104,697	3,091	156,083	4,608	66,379	1,960

Cathay United Bank enters into a variety of derivatives transactions for both trading and nontrade purposes. The objectives in using derivative instruments are to meet customers' needs, to manage Cathay United Bank's exposure to risks and to generate revenues through trading activities. Cathay United Bank provides trades derivative instruments on behalf of customers and for its own positions. Cathay United Bank provides derivative contracts to address customer demands for customized derivatives and also takes proprietary positions for its own accounts.

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Market risk factor sensitivity is one of the tools used to manage market risk. Market risk factor sensitivity of a position are defined as the change in the value of a position caused by a unit shift in a given market factor. Market risk factor sensitivities include interest rate, foreign exchange rate and equity factor sensitivities.

Foreign exchange rate factor sensitivities (“FX delta”) represent the foreign currency risks each foreign currency portfolio is exposed to, caused by the underlying currency exchange rate at the balance sheet date.

Interest rate factor sensitivities (the present value of one basis point, or “PVBP”) represent the change in the net present value of the interest rate derivatives portfolios caused by a parallel unit shift of 0.01% (1 basis point) in the interest rates in various yield curves affecting a portfolio. Cathay United Bank’s interest rate-sensitive portfolios include bonds, interest rate swaps and structured products composed of such products.

Equity factor sensitivities (“Equity delta”) represent the change in value of the equity portfolio caused by movements in the underlying stocks prices. Cathay United Bank equity portfolios include stocks and equity index options.

	(In thousands of US dollars)	
	<u>Currency</u>	<u>March 31, 2009</u>
<u>FX factor sensitivity (FX Delta)</u>		
	USD	\$(36,431)
	JPY	134
	NTD	33,790
	HKD	(1,032)
<u>Interest rate factor sensitivity (PVBP)</u>		
	USD	\$(937)
	JPY	(7)
	NTD	(1,113)
	HKD	(3)
<u>Equity factor sensitivity (Equity Delta)</u>		
	NTD	682

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(b) Credit risk

Cathay United Bank's exposure to credit risk represents the risk of loss arising from the potential defaults of counterparty

To centralize risk management functions currently handled by different departments, Cathay United Bank's board of directors resolved that a risk management department would be established to manage the credit risk. The objectives of credit risk management are to improve asset quality and to generate stable profits while reducing the credit risk through a diversified and balanced loan portfolio. Cathay United Bank's board of directors sets the counterparty credit limits, which are then implemented by credit committee. The credit committee also monitors current and potential credit exposure to individual counterparty and on an aggregate basis of counterparties and their affiliates. Cathay United Bank performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess the overall collectability of those portfolios.

Cathay United Bank maintains a strict policy to evaluate customers' credit ratings when providing loan commitments and commercial letters of credit transactions. Certain customers are required to provide appropriate collateral for the related loans, and Cathay United Bank retains the legal right to foreclose on or liquidate the collateral.

Ⓐ Information on concentrations of credit risk:

Financial assets	March 31, 2008			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Financial assets at fair value through profit or loss				
loss	\$31,843,882	\$1,048,531	\$31,843,882	\$1,048,531
Available-for-sale financial assets	59,816,112	1,969,579	59,816,112	1,969,579
Held-to-maturity financial assets and debt securities with no active market	262,227,444	8,634,423	262,227,444	8,634,423
Other financial assets-financial assets carried at cost	4,245,466	13,979	4,245,466	13,979
Other assets	889,950,450	889,950,450	29,303,604	29,303,604
Guarantees on duties and contracts	-	-	17,885,446	588,918

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Financial assets	March 31, 2008			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Unused commercial letters of credit	\$-	\$-	\$4,509,716	\$148,492
Irrevocable loan commitments	-	-	46,506,225	1,531,321
Credit card line commitments	-	-	277,554,807	9,139,111
<u>Derivative financial instruments</u>				
Forward	1,178,957	38,820	1,178,957	38,820
Non-delivery forward	202,485	6,667	202,485	6,667
Currency swap	5,809,054	191,276	5,809,054	191,276
Interest rate swap	1,758,707	57,909	1,758,707	57,909
Cross currency swap	25,087	826	25,087	826
Options	290,363	9,561	290,363	8,573
Financial assets	March 31, 2009			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Financial assets at fair value through profit or loss	\$52,089,370	\$1,537,921	\$52,089,370	\$1,537,921
Available-for-sale financial assets	121,659,360	3,591,950	121,659,360	3,591,950
Held-to-maturity financial assets and debt securities with no active market	221,435,741	6,537,813	221,435,741	6,537,813
Other financial assets-financial assets carried at cost	4,095,278	120,912	4,095,278	120,912
Other assets	894,980,942	26,424,002	894,980,942	26,424,002
Guarantees on duties and contracts	-	-	17,615,749	520,099
Unused commercial letters of credit	-	-	3,153,733	93,113
Irrevocable loan commitments	-	-	34,119,830	1,007,376
Credit card line commitments	-	-	263,878,701	7,790,927
<u>Derivative financial instruments</u>				
Forward	6,145,146	181,433	6,145,146	181,433
Non-delivery forward	141,656	4,182	141,656	4,182
Currency swap	888,102	26,221	888,102	26,221
Interest rate swap	6,575,202	194,131	6,575,202	194,131
Cross currency swap	334,948	9,889	334,948	9,889
Options	161,104	4,757	161,104	4,757
Credit default swap	37	1	37	1

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- ⑥ Cathay United Bank does not believe it has high levels of credit risk concentration with regard to any single customer or transaction. However, Cathay United Bank is likely to be exposed to regional or industry concentration risk. Cathay United Bank's information of concentration of credit risk is as follows:

Loans, customers' liabilities under acceptances and guarantees account	March 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Industry type				
Manufacturing	\$111,743,466	\$3,679,403	\$121,050,077	\$3,573,962
Financial institutions and insurance	46,237,332	1,522,467	38,409,062	1,134,014
Leasing and real estate	78,716,131	2,591,904	79,681,039	2,352,555
Individuals	420,276,265	13,838,534	418,508,364	12,356,314
Others	130,682,449	4,303,011	148,917,690	4,396,743
Total	787,655,643	25,935,319	806,566,232	23,813,588
Valuation allowance	(9,209,041)	(303,228)	(8,265,310)	(244,030)
Maximum credit risk exposed	<u>\$778,446,602</u>	<u>\$25,632,091</u>	<u>\$798,300,922</u>	<u>\$23,569,558</u>

Loans, customers' liabilities under acceptances and guarantees account	March 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Geographic Region				
Domestic	\$725,901,05	\$23,901,930	\$715,498,964	\$21,124,859
South East Asia	18,890,253	622,004	24,814,918	732,652
North East Asia	333,696	10,987	203,771	6,016
America	12,423,066	409,057	19,318,305	570,957
Others	30,107,023	991,341	46,710,274	1,379,104
Total	787,655,643	25,935,319	806,566,232	23,813,588
Valuation allowance	(9,209,041)	(303,228)	(8,265,310)	(244,030)
Maximum credit risk exposed	<u>\$778,446,602</u>	<u>\$25,632,091</u>	<u>\$798,300,922</u>	<u>\$23,569,558</u>

(c) Liquidity risk

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations.

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Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds Cathay United Bank believes that it can generate within that period. As part of the liquidity risk management, Cathay United Bank focuses on a number of components, including tapping available sources of liquidity, preserving necessary funds at reasonable cost and continuous contingency planning.

Cathay United Bank's assets and liabilities management committee is responsible for overall liquidity risk management. Cathay United Bank's liquidity policy focuses on cash flow management, interbank funding capacity and the maintenance of sufficient liquid assets. The treasury department is responsible for daily operation and monitoring. The primary tools for monitoring liquidity include measurement of liquidity risk, analysis of interest rate sensitivity and scenario simulation, and continuous contingency planning. Cathay United Bank manages liquidity risks across all classes of assets and liabilities with the goal that even under adverse conditions.

The liquidity risk rate was 31.54%. Capital and working capital of Cathay United Bank have sufficed to deliver contracts Cathay United Bank has raised sufficient capital to execute the obligations so that it is without liquidity risk.

(d) Cash flow risk and fair value risk from interest rate fluctuation

Cathay United Bank's financial debentures payable was matched with the interest rate swap and currency swap contracts which had been transferred from fixed rate to floating rate.

Except for default or redemption in advance, expected reset and maturity dates of interest-bearing financial instruments are confirmed under related contracts. As of March 31, 2008, there is no significant change in these dates.

As of March 31, 2008 and 2009 the effective interest rates of financial instruments held and issued by Cathay United Bank are classified as follows:

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Financial instruments	Effective interest rate (%)	
	March 31, 2008	March 31, 2009
Available-for-sale financial assets		
Bonds	1.6993~6.8226	0.4774~6.7737
Overseas financial instruments	0~4.5375	0~6.3574
Held-to-maturity financial assets		
Bonds	2.2331~6.9501	1.9842~6.9559
Overseas financial instruments	3.45~4.095	1.2369~1.4241
Investments in debt securities with no active market		
Preferred stocks	5	5
Certificates of deposit	1.88~3	0.57~2.359
Overseas financial instruments	0~6.275	0~11.61
Financial debentures payable	2~5.593	2~5.593

i. Fair value hedge

The interest rate swap is used to hedge interest rate fluctuations of financial debentures payable with fixed rate:

Hedged item	Derivative designated as hedging instruments	Hedging instruments			
		Financial assets (liabilities) fair value			
		March 31, 2008		March 31, 2009	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Financial debentures payable	Interest rate swap	\$787,019	\$25,914	\$2,303,084	\$67,998

The hedge is regarded as highly effective, at inception and throughout the life of the hedge, Cathay United Bank can expect changes in the fair value of the hedged item that are attributable to the hedged risk to be almost fully offset by the changes in the fair value of the hedging instrument and actual results are within a range of 80~125 percent.

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D. Cathay Century

a. Information of fair value

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial instruments:				
<u>Assets</u>				
Cash and Cash equivalents	\$2,803,281	\$2,803,281	\$92,304	\$92,304
Financial assets at fair value through profit or loss-current				
Available-for-sale financial assets-current	3,114,549	3,114,549	102,554	102,554
Held-to-maturity financial assets-current	709,937	709,937	23,376	23,376
Derivative financial assets for hedging-current				
Investments in debt securities with no active market-current	226,908	226,908	7,471	7,471
Receivables	1,922,263	1,922,263	63,295	63,295
Prepaid reinsurance premiums ceded	1,321,818	1,321,818	43,524	43,524
Claims recoverable from reinsurers	1,283,913	1,283,913	42,276	42,276
Due from reinsurers and ceding companies	70,299	70,299	2,315	2,315
Account receivable-reinsurance	31,884	31,884	1,050	1,050
Secured loans	1,877,652	1,877,652	61,826	61,826
Held-to-maturity financial assets- noncurrent	2,987,886	2,987,886	98,383	98,383
Financial assets carried at cost-noncurrent	36,000	36,000	1,185	1,185
Investments under equity method	426,013	426,013	14,028	14,028
Other financial assets-noncurrent	833,714	833,714	27,452	27,452
Guarantee deposits paid	448,982	448,982	14,784	14,784
<u>Liabilities</u>				
Claims outstanding	9,020	9,020	297	297
Due to reinsurers and ceding companies	378,211	378,211	12,453	12,453
Account payable-reinsurance	845,419	845,419	27,837	27,837
Operating and liabilities reserve	13,396,148	13,396,148	441,098	441,098

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Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Claims outstanding	\$22,517	\$22,517	\$665	\$665
Due to reinsurers and ceding companies	461,922	461,922	13,638	13,638
Account payable - reinsurance	750,597	750,597	22,161	22,161
Operating and liabilities reserve	14,385,010	14,385,010	424,713	424,713
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Derivative financial assets for hedging				
IRS	33,834	33,834	999	999
<u>Liabilities</u>				
Financial liabilities at fair value through				
profit or loss - current				
Foreign exchange SWAP	61,996	61,996	1,830	1,830

- b. The methods and assumptions used to estimate the fair values of the financial instruments are as follows:
- (a) The fair value of Cathay Century's short-term financial instruments approximates carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash, cash equivalents, receivables and payables, prepaid reinsurance premiums ceded, claims recoverable from reinsurers, due from reinsurers and ceding companies, secured loans, claims outstanding, due to reinsurers and ceding companies, operating and liability reserve.
 - (b) The fair value of the guarantee deposits paid and guarantee deposits received approximates the carrying amount.
 - (c) Quoted market prices, if available, are used to determine the fair value of held-to-maturity financial assets. If no quoted market prices exist for Cathay Century's held-to-maturity financial assets, the fair value of financial assets is derived based on pricing models. A pricing model incorporates all information that market participants would consider in setting a price which are available to Cathay Century. Cathay Century uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.

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(d) The fair value of Cathay Century's current and noncurrent financial asset or liabilities is based on market prices at the reporting date. When market prices are not available, their fair values are estimated based on their carrying amounts and any other relevant financial information.

c. The fair values of financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Item	March 31, 2008			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current	\$606,232	\$19,962	\$-	\$-
Available-for-sale financial assets-current	3,114,549	102,554	-	-
Held to-maturity financial asset-current	-	-	709,537	23,376
Financial assets carried at cost-current	-	-	24,000	790
Investment in debt securities with no active market-current	-	-	226,908	7,471
Held-to-maturity financial assets-noncurrent	-	-	2,987,886	98,383
Financial assets carried at cost-noncurrent	-	-	36,000	1,185
Investments under equity method	-	-	426,013	14,028
Other financial asset-noncurrent	-	-	833,714	27,452
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Option	55	2	-	-
Derivative financial assets for hedging-current				
IRS	786	25	-	-
<u>Liabilities</u>				
Derivative financial liabilities for hedging-current				
Forward contracts	303	10	-	-

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Item	March 31, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
or loss-current	\$418,228	\$12,348	\$-	\$-
Available-for-sale financial assets-current	3,018,657	89,125	-	-
Held-to-maturity financial assets-current	-	-	160,931	4,751
Held-to-maturity financial assets-noncurrent	-	-	3,208,465	94,729
Financial assets carried at cost-noncurrent	-	-	25,500	753
Investments under equity method	-	-	1,316,258	38,862
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Derivative financial assets for hedging-current				
IRS	33,834	999	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss-current				
Foreign exchange SWAP	61,996	1,830	-	-

d. Information on financial risk

(a) Interest rate risk

The following table summarizes the maturities of Cathay Century's financial instruments at March 31, 2008 and 2009:

Fixed interest rate

March 31, 2008

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Held-to-maturity financial assets	\$709,937	\$23,376	\$-	\$-	\$-	\$-	\$152,339	\$5,016
Investments in debt securities								
with no active market	226,908	7,471	-	-	-	-	-	-

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Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Held-to-maturity financial assets	\$421,679	\$13,885	\$2,413,868	\$79,482	\$3,697,823	\$121,759
Investments in debt securities						
with no active market	-	-	-	-	226,908	7,471

March 31, 2009

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Held-to-maturity financial assets	\$160,931	\$4,751	\$-	\$-	\$-	\$-	\$372,993	\$11,013

Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Held-to-maturity financial assets	\$236,623	\$6,986	\$2,598,849	\$76,730	\$3,369,396	\$99,481

(b) Credit risk

Cathay Century's exposure to credit risk is minimal.

e. Hedging activities

Fair value hedges

Cathay Century's overseas bonds investments are exposed to potentially significant changes in fair value caused by fluctuations in foreign exchange rates. Therefore Cathay Century has purchased foreign currency contract for hedging purposes.

The following table summarizes the terms of Cathay Century's foreign exchange swap for overseas bonds hedging at March 31, 2009:

Hedged item	Designated as hedging instruments	Fair value			
		March 31, 2008		March 31, 2009	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Overseas bonds	Foreign exchange SWAP	<u>\$(303)</u>	<u>\$(10)</u>	<u>\$(61,996)</u>	<u>\$(1,830)</u>

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f. Cash flow hedges-IRS

The following table summarizes the terms of Cathay Century's interest rate swap for bonds hedging at March 31, 2009:

Cash flow hedges-IRS

① March 31, 2009

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$200,000	\$5,905	2.65%	Each quarter	2014/12/31
200,000	5,905	2.40%	Each quarter	2012/9/28
200,000	5,905	2.785%	Each quarter	2015/4/30

The terms of interest rate swap agreements are established based on the terms of the bonds being hedged.

Cathay Century's interest rate swap agreements for cash flow hedges have passed the effectiveness testing. Unrealized gain on the interest rate swap agreements were recognized in equity in the amount of NT\$786 (US\$26) thousands as of March 31, 2008. Unrealized gain on the interest rate swap agreements were recognized in equity in the amount of NT\$33,834 (US\$999) thousands as of March 31, 2009.

g. Financial risk management objectives policies

Cathay Century's primary financial instruments other than derivatives consist of cash and cash equivalents, current and noncurrent investments. The main purpose of holding these financial instruments is to manage cash flow. Cathay Century has other financial assets and liabilities such as notes receivable, due to and from reinsurers and ceding companies, reinsurance account, receivable and payable and secured loans, etc. arising from its ordinary course of business.

Cathay Century also enters into derivative transactions, primarily including futures, option contracts and forward currency contracts. The purpose is to manage Cathay Century's exposure to the stock price fluctuation, foreign currency risks and interest rate risk arising from investment activities. Cathay Century does not conduct derivative transactions based on trading purpose.

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The primary risks involved in these derivative transactions are market risk, credit risk, operational risk and liquidity risk. The risk management policies approved by the board of directors are as follows:

(a) Market Risk

Market risk is the exposure to potential loss arising from adverse movements in market value of a portfolio, including interest rate risk, stock value risk and foreign currency risk, etc. Cathay Century conducts analysis and assessments of the investment targets before any investment decisions are made. In addition, VaR model in connection with atmosphere simulation methods, stress test methods, Position Limit, VaR Limit and Loss Limit are used to effectively manage the market risk of Cathay Century's financial assets.

As a result of significant overseas designated purpose pecuniary trust funds, Cathay Century's balance sheet can be affected significantly by the fluctuation of the US\$/NT\$ exchange rates. Cathay Century utilizes forward currency contracts to hedge this exposure.

Cathay Century also has foreign currency exposures arising from transactions not denominated in functional currency. Such exposures arise from reinsurance transactions. These transactions with foreign reinsurance companies are usually settled on time and are of short durations; as such the fluctuation of exchange rate is not significant. Thus Cathay Century did not seek to hedge this exposure.

(b) Credit risk

Cathay Century only conducts business with recognized and creditworthy third parties. Customers are subject to credit verification procedures, and the collection of premium receivable and notes receivable are subsequently assessed. In addition, once the credit of the third party is impaired, Cathay Century will freeze the related contracts until the credit of the third party recovers. Thus Cathay Century has minimal bad debts.

Cathay Century maintains a strict policy to evaluate customers' credit ratings when providing loan commitments. Customers are required to provide appropriate collateral for the related loans, and Cathay Century retains the legal right to foreclose on or liquidate the collateral.

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The counterparties for Cathay Century's other financial assets (including cash and cash equivalents, current or noncurrent investments) are all reputable domestic or international financial institutions; therefore the credit risk is minimal.

(c) Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal controls, employee fraud or misconduct and management negligence. To mitigate the operational risk, Cathay Century has adopted and implemented the internal control regulations and procedures. Cathay Century has also commenced to develop the information systems to accommodate the aforementioned policies.

(d) Liquidity risk

Cathay Century's exposure to liquidity risk is minimal.

E. Cathay Securities

a. Information of fair value

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$292,977	\$292,977	\$9,647	\$9,647
Financial assets at fair value through profit or loss-current				
Open-end funds and currency market instruments	302,501	302,501	9,961	9,961
Operating securities-net	1,157,217	1,157,217	38,104	38,104
Receivable amount for margin loans	1,143,606	1,143,606	37,656	37,656
Securities refinancing margin deposits	752	752	25	25
Receivables-net	27,339	27,339	900	900
Restricted assets-current	70,000	70,000	2,305	2,305
Investments under equity method	722,518	722,518	23,791	23,791
Available-for-sale financial assets-noncurrent	18	18	1	1
Operating deposits	230,097	230,097	7,576	7,576
Settlement and clearance funds	51,403	51,403	1,693	1,693
Guarantee deposits paid	125,251	125,251	4,124	4,124

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Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Securities financing guarantee deposits-in	\$26,499	\$26,499	\$872	\$872
Deposit payable for securities financing	29,821	29,821	982	982
Payables	68,106	68,106	2,243	2,243
Guarantee deposits in	141	141	4	4
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Call options-futures	9	9	-	-
Margin for futures trading-own funds	227,980	227,980	7,507	7,507
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss-current				
Liabilities for issuance of call (put) warrants	395,456	395,456	13,022	13,022
Repurchase of issued call (put) warrants	(273,111)	(273,111)	(8,993)	(8,993)
Derivative financial instrument liabilities				
-GreTai (over-the-counter)	2,495	2,495	82	82
Other financial liabilities-current	100,775	100,775	3,318	3,318
Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$265,118	\$265,118	\$7,828	\$7,828
Financial assets at fair value through profit or loss-current				
Open-end funds and currency market instruments	195,153	195,153	5,762	5,762
Operating securities-net	1,717,363	1,717,363	50,705	50,705
Receivable amount for margin loans	583,179	583,179	17,218	17,218
Securities refinancing margin deposits	8,867	8,867	262	262
Receivables-net	55,444	55,444	1,636	1,636

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Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets-current	\$219,721	\$219,721	\$6,487	\$6,487
Investments under equity method	738,726	738,726	21,811	21,811
Available-for-sale financial assets-noncurrent	18	18	-	-
Operating deposits	230,097	230,097	6,793	6,793
Settlement and clearance funds	50,251	50,251	1,484	1,484
Guarantee deposits paid	19,251	19,251	568	568
<u>Liabilities</u>				
Securities financing guarantee deposits-in	33,070	33,070	976	976
Deposit payable for securities financing	36,542	36,542	1,079	1,079
Payables	268,177	268,177	7,918	7,918
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Call options-futures	1,270	1,270	37	37
Margin for futures trading-own funds	240,922	240,922	7,113	7,113
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss-current				
Liabilities for issuance of call (put) warrants	1,317,957	1,317,957	38,912	38,912
Repurchase of issued call (put) warrants	(1,273,938)	(1,273,938)	(37,613)	(37,613)
Put options-futures	6,974	6,974	206	206
Derivative financial instrument liabilities -GreTai (over-the-counter)				
	2,939	2,939	87	87
Other financial liabilities-current	101,215	101,215	2,988	2,988

b. Methods and assumptions for estimating the fair value of the financial instruments are as follows:

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- (a) Short-term financial instruments are stated at their carrying amounts on the balance sheet date. Because the maturity date of these instruments is very close to the balance sheet date, it is reasonable that their carrying amounts will approximate their fair values. This assumption is adopted for the following accounts: cash and cash equivalents, receivable amount for margin loans, securities refinancing margin deposits, receivables, restricted assets, operating deposits, settlement and clearance funds, guarantee deposits paid, securities financing guarantee deposits in, deposit payable for securities financing, payables and guarantee deposits-in.
- (b) Available-for-sale financial assets – current/noncurrent are estimated based on market prices, if available. If available-for-sale financial assets-current/noncurrent of Cathay Securities is not traded on the open market, the carrying amount on the balance sheet date is used to estimate that fair value.
- (c) If no quoted market prices exist for Cathay Securities’ long-term investments accounted for under the equity method, then their fair value is taken as approximating their carrying amounts when no permanent market value decline exists.
- (d) If there is a quoted market price on the open market, the quoted market price of financial assets and liabilities is regarded as their fair value. Otherwise, if the market for a financial instrument is not active, Cathay Securities assesses fair value by using pricing models. A pricing model incorporates all factors that market participants would consider in setting a price.

The following table summarizes the fair value information of financial assets and liabilities as of March 31, 2008 and 2009:

Item	March 31, 2008			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Open-end funds and currency market instruments	\$302,501	\$9,961	\$-	\$-
Operating securities-net	1,157,217	38,104	-	-
Call option-futures	9	-	-	-
Margin for futures trading – own funds	227,980	7,507	-	-

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Item	March 31, 2008			
	Based on the quoted market		Based on pricing models	
	price			
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put)				
warrants	\$395,456	\$13,022	\$-	\$-
Repurchase of issued call (put)				
warrants	(273,111)	(8,993)	-	-
Derivative financial instrument liabilities-GreTai (over-the-counter)				
	-	-	2,495	82
Other financial liabilities – current	-	-	100,775	3,318

Item	March 31, 2009			
	Based on the quoted market		Based on pricing models	
	price			
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments				
	\$195,153	\$5,762	\$-	\$-
Operating securities – net	1,714,363	50,705	-	-
Available-for-sales financial assets-current				
	219,721	6,487	-	-
Financial assets at fair value through profit or loss-current				
Call options-futures	1,270	37	-	-
Margin for futures trading – own funds	240,922	7,113	-	-

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share date and unless otherwise stated)**

Item	March 31, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Financial liabilities at fair value				
through profit or loss – current				
Liabilities for issuance of call (put)				
warrants	\$1,317,957	\$38,912	\$-	\$-
Repurchase of issued call (put)				
warrants	(1,273,938)	(37,613)	-	-
Put options-futures	6,974	206	-	-
Derivative financial instrument liabilities-GreTai				
(over-the-counter)	-	-	2,939	87
Other financial liabilities-current	-	-	101,215	2,988

The above derivative financial instrument assets (liabilities)-GreTai (over-the-counter) and other financial liabilities-current are valued using “Monte Carlo Simulations” and “Interest Method”.

c. Financial risk management objectives and policies

(a) Market risk

Cathay Securities invests in equity securities that have active public market prices. When adverse market conditions exist, Cathay Securities is exposed to market risk as prices fluctuate. Although Cathay Securities controls and quantifies its market risk by establishing stop-loss limits and measuring Value-at-Risk, evaluating its risk utilizing historical prices and controls over its overall investment portfolio, it is still exposed to market risk.

(b) Credit risk

In accordance with Cathay Securities’ policy, credit evaluations are required for all credit transactions. Credit limits are established based on customers’ credit ratings. Margin ratios are also evaluated continuously to control default risk.

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The counterparties to Cathay Securities' other financial assets (including cash and cash equivalents and all other current and non current investments) are all creditworthy and well-known financial institutions in the ROC. As a result, counterparty credit risk is relatively low.

(c) Liquidity risk

Cathay Securities believes its working capital is sufficient for its operations and that the risk of contract defaults resulting from a lack of capital is low.

The financial assets held by Cathay Securities all have active markets and can be sold at prices approximating fair values. As the result, Cathay Securities believes there is no significant cash flow risk.

(d) Cash flow risk from interest rate fluctuations

Cathay Securities currently has no exposure to floating interest rates related to financial assets or liabilities and thus Cathay Securities believes there is no significant cash flow risk from interest rate fluctuations.

Cathay Securities also held Real Estate Asset Trust (REAT) beneficiary certificates. The value of these certificates may decline if interest rates increase and thus they are subject to valuation risk. However, the term of the certificates is 3 years, and as a result, the risk is relatively lower. In addition, Cathay Securities will take appropriate actions with respect to these certificates based on interest rate fluctuations

d. Derivatives

(a) Issuance call warrants

ⓐ Nominal principal or contract amount and credit risk

Financial instruments	March 31, 2008		March 31, 2009	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>For trading purposes</u>				
Issuance of call warrants	NT\$614,904 <u>(US\$20,247)</u>	NT\$- <u>(US\$-)</u>	NT\$1,278,605 <u>(US\$37,750)</u>	NT\$- <u>(US\$-)</u>

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ⓑ Market price risk

Market risk for call warrants issued arises from changes in prices of the underlying securities. Although market risk can be avoided to a certain extent by adjusting Cathay Securities warrant and hedging positions, some market risk still exist.

ⓒ Liquidity risk, cash flow risk and future cash requirements

The underlying securities held by Cathay Securities all have active markets and can be easily sold at prices approximate to fair values. As the result, Cathay Securities believes there is no significant cash flow risk. Risk may arise from the need for capital when adjusting hedging position in response to price changes of underlying securities. However, assuming strong market liquidity, Cathay Securities believes cash flow risk is low.

The call warrants issued by Cathay Securities typically have contract periods of six to eight months starting from the date when the warrants are listed (OTC). Except for cash required for the related hedging transactions, there are no other cash requirements.

ⓓ Types, purposes, and strategies for financial derivatives

Cathay Securities hedging positions are not held for trading purposes but instead, are held to minimize the risk of investors exercising warrants. Cathay Securities hedging strategy is focused on avoiding market price risks. The value of the underlying securities for hedging are highly correlated to the fair value of the issued call warrants. Cathay Securities hedging positions are evaluated and adjusted periodically.

ⓔ Financial statement presentation of derivative financial instruments

As of March 31, 2008 and 2009, disclosure of the issuance of call (put) warrants on the balance sheets and statements of income are summarized as follows:

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(Expressed in thousand of dollars except for share and per
share date and unless otherwise stated)

Balance sheet

	March 31, 2008		March 31, 2009	
	Financial liabilities at fair value through profit or loss-current		Financial liabilities at fair value through profit or loss-current	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Liabilities for issuance of call (put) warrants	\$395,456	\$13,022	\$1,317,957	\$38,912
Repurchase of issued call (put) warrants	(273,111)	(8,993)	(1,273,938)	(37,613)
Total	\$122,345	\$4,029	\$44,019	\$1,299

Statement of income

	For the three months ended March 31, 2008		For the three months ended March 31, 2009		Comments
	Profit from issuing call (put) warrants				
	(NT\$)	(US\$)	(NT\$)	(US\$)	
Liabilities for issuance of call (put) warrants	\$(27,372)	\$(902)	\$(1,737,176)	\$(51,290)	Fair value method
Repurchase of issued call (put) warrants					
- Loss on disposal	(45,027)	(1,483)	(1,831,908)	(54,086)	
- Gain from valuation	2,025	67	963,716	28,453	Fair value method
Gain from expiration of warrants issued	56,080	1,847	2,592,584	76,545	
Trading securities-hedging					
- Gain on disposal	3,235	106	17,331	512	
- Gain from valuation	1,261	42	12,563	371	Fair value method
Total	\$(9,798)	\$(323)	\$17,110	\$505	

(b) Structured notes transactions

Ⓐ Nominal principal or contract amount and credit risk

Financial instruments	March 31, 2008		March 31, 2009	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>For trading purposes</u>				
Principal guaranteed notes	\$100,800 (US\$3,319)	NT\$- (US\$-)	\$102,000 (US\$3,029)	NT\$- (US\$-)

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Cathay Securities' credit risk arises from a breach of contract by a counterparty. Cathay Securities believes it is not exposed to credit risk because contract amounts are collected in advance of structured notes being issued.

⑥ Market risk

In structured notes transactions, Cathay Securities receives proceeds from investors on the contract date and makes its investments pursuant to the contract. Cathay Securities invests in linked and fixed income assets that are subject to regulations and open market pricing. Since hedging positions for derivative instruments and stop-loss points are established, Cathay Securities believes it can limit its losses to within an expected range and, as a result, it is not exposed to significant market risk.

⑦ Risk from liquidity, cash flow and future cash requirements

In structured notes transactions, Cathay Securities receives the contract amount from investors on the contract date and makes its investments pursuant to the contract. In order to provide investors with the ability for early redemption, Cathay Securities considers liquidity risk when investing in fixed income securities. As a result, Cathay Securities does not expect any significant cash requirements at expiration of the contract.

⑧ Types, purposes, and strategies for financial derivatives

The structured notes transactions of Cathay Securities can be divided into principal guaranteed notes and equity-linked notes.

Principal guaranteed notes transactions involve receiving proceeds from investors on the contract date and providing them with a guaranteed payment and returns, if any, of linked assets.

Equity-linked notes transactions involve receiving proceeds from investors, investing in fixed-income products and selling options that settle in cash on the expiration date. Proceeds received by investors consist of returns from the fixed income products and value of the options at expiration.

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(c) Financial statement presentation of derivative financial instruments

As of March 31, 2008 and 2009, the disclosure of structured notes transactions on the balance sheets and statements of income are summarized as follows:

Balance sheet

	March 31, 2008		March 31, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Derivative financial instrument assets – GreTai (over-the-counter)				
Structured notes transactions	\$2,495	\$82	\$2,939	\$87
Other financial liabilities – current				
Principal of structured notes	100,775	3,318	101,215	2,988

Statement of income

	For the three months ended March 31, 2008		For the three months ended March 31, 2009		Comments
	NT\$	US\$	NT\$	US\$	
Loss from structured notes	\$(441)	\$(14)	\$(4,133)	\$(122)	Fair value method
Trading securities - hedging					
- (Loss) Gain on disposal	(777)	(26)	1,641	49	
- Gain from valuation	243	8	1,027	30	Fair value method
Total	<u>\$(975)</u>	<u>\$(32)</u>	<u>\$(1,465)</u>	<u>\$(43)</u>	

As of March 31, 2008 and 2009, Cathay Securities' unexercised futures and options were as follows:

March 31, 2008

Item	Nature of Transaction	Unexercised futures/options		Contract amount/ payment (receipt) of premium		Fair value	
		Buy/Sell	Units	NT\$	US\$	NT\$	US\$
				Futures	TAIEX futures	Sell	60
Options	TXO-Call	Buy	80	\$408	\$13	\$9	\$-

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March 31, 2009

Item	Nature of Transaction	Unexercised futures /options		Contract amount/ payment (receipt) of premium		Fair value	
		Buy/Sell	Units	NT\$	US\$	NT\$	US\$
Futures	STW	Sell	85	\$(56,183)	\$(1,659)	\$55,875	\$1,650
Futures	TE	Sell	6	\$(5,178)	\$(153)	\$5,130	\$151
Futures	TX	Buy	76	\$79,776	\$2,355	\$78,813	\$2,327
Options	TXO- Put	Buy	804	\$958	\$28	\$734	\$22
Options	TXO- Call	Buy	236	\$891	\$26	\$536	\$16
Options	TXO- Put	Sell	1,243	\$(1,378)	\$(41)	\$609	\$18
Options	TXO- Call	Sell	2,141	\$(3,579)	\$(106)	\$6,036	\$178
Options	CVO- Put	Sell	2,994	\$(60)	\$(2)	\$299	\$9
Options	GTO- Put	Sell	5,999	\$(30)	\$(1)	\$30	\$1

(a) Nominal principal or contract amount and credit risk

Financial instruments	March 31, 2008	
	Nominal principal/ contract amount	Credit risk
<u>For trading purposes</u>		
TAIEX futures	NT\$101,952 (US\$3,357)	\$-
TXO	NT\$408 (US\$13)	\$-
Financial instruments	March 31, 2009	
	Nominal principal/ contract amount	Credit risk
<u>For trading purposes</u>		
STW futures	NT\$56,183 (US\$1,659)	NT\$- (US\$-)
TE futures	NT\$5,178 (US\$153)	NT\$- (US\$-)
TX futures	NT\$79,776 (US\$2,355)	NT\$- (US\$-)
TXO	NT\$6,806 (US\$201)	NT\$- (US\$-)
CVO	NT\$60 (US\$2)	NT\$- (US\$-)
GTO	NT\$30 (US\$1)	NT\$- (US\$-)

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Cathay Securities believes it has no significant credit risk exposure since it has entered into futures trading transactions with futures agencies, and the risk of default is low.

(b) Market risk

Cathay Securities market risk from futures and options transactions arises from the purchase and sale of futures and options and the volatility of indexes. Since the fair values of futures and options are available and stop-loss points are established, Cathay Securities believes it can limit its losses to within an expected range. However, some market risk still exists.

(c) Risk from liquidity, cash flow, and future cash requirements

Cathay Securities unexercised options could all be liquidated at reasonable prices in the market. As a result, Cathay Securities believes liquidity risk is low.

Cathay Securities' trading in Taiwan stock index futures requires an initial margin and additional margin depending on the daily valuation of open positions. In the event additional margin is required, Cathay Securities has sufficient working capital to meet its requirements, and hence Cathay Securities believes funding risk and cash flow risk are low. With respect to Cathay Securities' trading in options, prior to any transaction Cathay Securities pays or receives option premium. If Cathay Securities sells call options and the counterparty exercises its option, Cathay Securities has sufficient working capital to cover the exercise and hence Cathay Securities believes funding risk and cash flow risk are low.

(d) Types, purposes, and strategies for financial derivatives

Cathay Securities purpose in trading futures and options is to increase the scope of its investment activities and improve its capital efficiency.

(e) Financial statement presentation of derivative financial instruments

The margin and premium resulting from trading are reflected in "financial assets at fair value through profit or loss – current (margin for futures trading – own funds) on the balance sheet. For the three months ended March 31, 2008 and 2009, the related gain (loss) of futures and options on the statement of income were as follows:

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Item	For the three months ended March 31, 2008		For the three months ended March 31, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
	Gain from derivative financial instruments - futures			
Gain on futures contracts - realized	\$6,284	\$207	\$22,272	\$658
Gain on futures contracts - unrealized	-	-	3,426	101
Gain from options transactions - realized	552	18	2,855	84
Gain from options transactions - unrealized	14	-	208	6
Total	<u>\$6,850</u>	<u>\$225</u>	<u>\$28,761</u>	<u>\$849</u>

Item	For the three months ended March 31, 2008		For the three months ended March 31, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
	Loss from derivative financial instruments - futures			
Loss on futures contracts - realized	\$-	\$-	\$23,453	\$693
Loss on futures contracts - unrealized	288	9	3,999	118
Loss from options transactions - realized	-	-	2,029	60
Loss from options transactions - unrealized	412	14	2,751	81
Total	<u>\$700</u>	<u>\$23</u>	<u>\$32,232</u>	<u>\$952</u>

F. Cathay Pacific Venture

a. Information of fair value

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash in bank	\$3,635	\$3,635	\$120	\$120
Available-for-sale financial assets-current	352,302	352,302	11,600	11,600
Available-for-sale financial assets-noncurrent	190,118	190,118	6,260	6,260
Financial assets carried at cost	150,119	-	4,943	-

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Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash in bank	\$6,439	\$6,439	\$190	\$190
Available-for-sale financial assets-current	429,307	429,307	12,675	12,675
Available-for-sale financial assets-noncurrent	13,568	13,568	401	401
Investment in debt securities with no active market	34,000	-	1,004	-
Financial assets carried at cost	38,171	-	1,127	1,127

b. The methods and assumptions used to estimate the fair value of the financial instruments are as follows:

(a) The fair value of Cathay Pacific Venture short-term financial instruments is assumed to approximate the carrying amount at reporting date due to the short maturity of those instruments. This assumption is applied to cash and cash equivalents.

(b) Quoted market prices, if available, are used to determine the fair values of available-for-sale financial assets.

(c) Financial assets carried at cost are unlisted stock. Since these stocks have no quoted market prices in an active market and their fair value cannot be reliably measured, their fair values are not disclosed.

c. The following table summarizes the basis of determining fair value of financial assets and liabilities as of March 31, 2008 and 2009:

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Item	March 31, 2008			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash in bank	\$3,635	\$120	\$-	\$-
Available-for-sale financial assets-current	352,302	11,600	-	-
Available-for-sale financial assets-noncurrent	190,118	6,260	-	-

Item	March 31, 2009			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash in bank	\$6,439	\$190	\$-	\$-
Available-for-sale financial assets-current	429,307	12,675	-	-
Available-for-sale financial assets-noncurrent	13,568	401	-	-

d. Information on financial risk

(a) Market risk

Market risk is the exposure to potential loss arising from adverse movements of market price, such as interest rates or foreign exchange rates. Cathay Pacific assesses the impact of market risk on financial assets and liabilities to be limited.

(b) Credit risk

A credit risk is the risk of loss arising from counterparty or a debtor defaulting on their contractual obligations. The level of exposure depends on several factors including concentrations of credit risk, components of credit risk, the price of contract and other receivable of financial instruments. Cathay Pacific believes the maximum credit exposure amount of financial instruments is equal to their carrying values.

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share date and unless otherwise stated)**

(c) Liquidity risk

Cathay Pacific has sufficient working capital for its operation therefore there is no liquidity risk of defaulting on its contractual obligations due to insufficient working capital. In addition, except for the financial assets carried at cost (unquoted equity securities) which may be exposed to significant liquidity risks due to lack of active market, all other stocks Cathay Pacific held are able to be disposed rapidly at prices close to fair values.

G. Cathay Futures

a. Information of fair value

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$236,836	\$236,836	\$7,798	\$7,798
Customers' margin accounts	1,424,972	1,424,972	46,920	46,920
Futures trading deposits receivable	402	402	13	13
Accounts receivable-related parties	108	108	4	4
Other receivable (contain transactions with related parties)	5,308	5,308	175	175
Available-for-sale financial assets-noncurrent	30,500	30,500	1,004	1,004
Operating deposits	60,000	60,000	1,976	1,976
Settlement and clearance funds	66,000	66,000	2,173	2,173
Guarantee deposits paid	1,279	1,279	42	42
<u>Liabilities</u>				
Futures customers' equity	1,424,007	1,424,007	46,889	46,889
Payables (contain transactions with related parties)	6,299	6,299	207	207
Advance receipts	35	35	1	1
Other payable (contain transactions with related parties)	2,475	2,475	81	81
Custody receipts	652	652	21	21

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Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$261,162	\$261,162	\$7,711	\$7,711
Customers' margin accounts	1,630,515	1,630,515	48,140	48,140
Futures trading deposits receivable	218	218	6	6
Accounts receivable-related parties	541	541	16	16
Other receivable (contain transactions with related parties)	5,881	5,881	174	174
Available-for-sale financial assets-noncurrent	30,500	30,500	901	901
Operating deposits	60,000	60,000	1,771	1,771
Settlement and clearance funds	69,000	69,000	2,037	2,037
Guarantee deposits paid	1,279	1,279	38	38
<u>Liabilities</u>				
Futures customers' equity	1,629,797	1,629,797	48,119	48,119
Payables (contain transactions with related parties)	7,754	7,754	229	229
Advance receipts	855	855	25	25
Other payable (contain transactions with related parties)	2,444	2,444	72	72
Custody receipts	289	289	9	9

b. Methods and assumptions applied in estimating the fair value of financial instruments are as follows:

- (a) The carrying amounts of the financial instruments such as cash and cash equivalents, customers' margin accounts, futures trading deposits receivables, accounts receivable-related parties, other receivables, operation deposits, settlement and clearance funds, guarantee deposits paid, futures customers' equity, payables, advance receipts under custody and other payables, approximate their fair values due to the short maturities of these instruments.

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- (b) The fair value of available-for-sale financial assets-noncurrent is valued at market price or other financial information when available.
- (c) The fair value of financial assets and financial liabilities is determined using pricing models.
- c. Information on financial risk
- (a) Market risk - The fair values of the shares on listed companies or derivative instruments held by Cathay Futures will fluctuate under the influence of the related stock market factors.
- (b) Credit risk – Appropriate credit evaluation processes and continuous monitor of credit-lines are in place for all customers of the brokerage department. In addition, all transactions conducted by proprietary trading department go through Taiwan Futures Exchange and therefore no significant credit risk is expected.
- (c) Liquidity risk and cash flow risk – Cathay Futures has sufficient working capital for its operation and there is no liquidity risk of defaulting on its contractual obligations due to insufficient working capital. In addition, except for the financial assets carried at cost which are exposed to significant liquidity risks due to lack of active market, all other stocks Cathay Futures held are able to be disposed rapidly at prices close to fair values.

H. Symphox Information

a. Information of fair value

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$282,639	\$282,639	\$9,307	\$9,307
Financial assets at fair value through profit or loss-current	100,360	100,360	3,305	3,305
Receivables (contain transactions with related parties)	194,844	194,844	6,416	6,416
Guarantee deposits paid	7,391	7,391	243	243

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(Expressed in thousand of dollars except for share and per share date and unless otherwise stated)

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Payables (contain transactions with related parties)	\$129,815	\$129,815	\$4,274	\$4,274
Guarantee deposits in	79	79	3	3
Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$444,026	\$444,026	\$13,110	\$13,110
Financial assets at fair value through profit or loss-current	116,346	116,346	3,435	3,435
Receivables (contain transactions with related parties)	118,995	118,995	3,513	3,513
Guarantee deposits paid	9,857	9,857	291	291
<u>Liabilities</u>				
Payables (contain transactions with related parties)	102,626	102,626	314	314
Guarantee deposits in	80	80	2	2

b. The methods and assumptions used to estimate the fair value of the financial instruments are as follows:

(a) The fair value of Symphox Information short-term financial instruments approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, financial assets at fair value through profit or loss-current, receivables and payables.

(b) The fair value of the guarantee deposits paid and guarantee deposits in also approximates the carrying amount.

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c. The fair value of Symphox Information financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Item	March 31, 2008			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current	\$100,360	\$3,305	\$-	\$-

Item	March 31, 2009			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current	\$116,346	\$3,435	\$-	\$-

I. Cathay Venture

a. Information of fair value

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$12,971	\$12,971	\$427	\$427
Financial assets at fair value through profit or loss-current	33,000	33,000	1,087	1,087
Available-for-sale financial assets- current	79,570	79,570	2,620	2,620
Available-for-sale financial assets- noncurrent	319,432	319,432	10,518	10,518
Financial assets carried at cost - noncurrent	1,007,647	-	33,179	-
Investments under equity method	228,250	228,250	7,516	7,516

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Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$8,662	\$8,662	\$256	\$256
Financial assets at fair value through profit or loss-current	32,202	32,202	951	951
Available-for-sale financial assets- current	173,596	173,596	5,125	5,125
Available-for-sale financial assets- noncurrent	116,766	116,766	3,447	3,447
Financial assets carried at cost - noncurrent	902,122	-	26,635	-
Investments under equity method	248,978	248,978	7,351	7,351

b. The methods and assumptions used to estimate the fair value of the financial instruments are as following:

(a) The fair value of short-term financial instruments approximates on the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents.

(b) When financial assets or liabilities are quoted on an active market, the fair value is the market price. However fair value is estimated using pricing model if an active market does not exist.

(c) When financial assets are quoted on an active market, the fair value is the market price. However fair value is estimated based on their carrying amount or other relevant financial information if an active market does not exist.

c. The fair value of the Cathay Venture financial assets and liabilities determined by quoted market price or pricing models are summarized as following:

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Item	March 31,							
	2008				2009			
	Based on the quoted market price		Based on pricing models		Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through								
profit or loss-current	\$33,000	\$1,087	\$-	\$-	\$32,202	\$951	\$-	\$-
Available-for-sale financial								
assets-current	79,570	2,620	-	-	173,596	5,125	-	-
Available-for-sale financial								
assets-noncurrent	319,432	10,518	-	-	116,766	3,447	-	-

d. Information on financial risk

- (a) Market risk – Cathay Venture invests in financial instruments relating to equity securities and the fair value of such investments will move based on fluctuations in the market price. As such there is no market risk.
- (b) Credit risk – Cathay Venture has appropriate credit approval process and transaction limits in place, furthermore it only transacts with creditworthy individual or company. Therefore the credit risk is minimized.
- (c) Liquidity risk – Cathay Venture has sufficient working capital for its operation and there is no liquidity risk of defaulting on its contractual obligations due to insufficient working capital.
- (d) Cash flow risk from fluctuations in interest rate – Cathay Venture does not have interest-bearing financial instruments, as such there is no cash flow risk resulting from fluctuations in interest rate.

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I. Cathay II Venture

a. Information of fair value

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$534	\$534	\$18	\$18
Financial assets at fair value through profit or loss-current	15,750	15,750	519	519
Available-for-sale financial assets- current	57,942	57,942	1,908	1,908
Available-for-sale financial assets- noncurrent	182,737	182,737	6,017	6,017
Financial assets carried at cost-noncurrent	597,070	597,070	19,660	19,660
Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$845	\$845	\$25	\$25
Financial assets at fair value through profit or loss-current	14,400	14,400	425	425
Available-for-sale financial assets- current	80,968	80,968	2,391	2,391
Available-for-sale financial assets- noncurrent	65,210	65,210	1,925	1,925
Financial assets carried at cost-noncurrent	580,669	580,669	17,144	17,144

b. The methods and assumptions used to estimate the fair value of the financial instruments are as following:

- (a) The fair value of Cathay II Venture's short-term financial instruments approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents.

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- (b) When financial assets or liabilities are quoted on an active market, the fair value is the market price. However fair value is estimated using pricing model if an active market does not exist.
- (c) When financial assets are quoted on an active market, the fair value is the market price. However fair value is estimated based on their carrying amount or other relevant financial information if an active market does not exist.
- c. The fair value of the Cathay II Venture financial assets and liabilities determined by quoted market price or pricing models are summarized as following:

Item	March 31,							
	2008				2009			
	Based on the quoted market price		Based on pricing models		Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss-current	\$15,750	\$519	\$-	\$-	\$14,400	\$425	\$-	\$-
Available-for-sale financial assets-current	57,942	1,908	-	-	80,969	2,391	-	-
Available-for-sale financial assets-noncurrent	182,737	6,017	-	-	65,211	1,925	-	-

d. Information on financial risk

- (a) Market risk – Cathay II Venture invests in financial instruments relating to equity securities and the fair value of such investments will move based on fluctuations in the market price. As such there is no market risk.
- (b) Credit risk – Cathay II Venture has appropriate credit approval process and transaction limits in place, furthermore it only transacts with creditworthy individual or company. Therefore the credit risk is minimized.

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- (c) Liquidity risk – Cathay II Venture has sufficient working capital for its operation and there is no liquidity risk of defaulting on its contractual obligations due to insufficient working capital.
- (d) Cash flow risk from fluctuations in interest rate – Cathay II Venture does not have interest-bearing financial instruments, as such there is no cash flow risk resulting from fluctuations in interest rate.

K. Cathay Life (Shanghai)

a. Information of fair value

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,382,728	\$1,382,728	\$45,529	\$45,529
Financial assets at fair value through profit or loss-current	385,033	385,033	12,678	12,678
Available-for-sale financial assets-current	1,313,049	1,313,049	43,235	43,235
Held-to-maturity financial assets-noncurrent	76,088	76,088	2,505	2,505
Available-for-sale financial assets-noncurrent	2,639,691	2,639,691	86,918	86,918
Held-to-maturity financial assets-noncurrent	386,984	397,716	12,742	13,096
Investment in debt securities with no active market-noncurrent	769,091	769,091	25,324	25,324
Guarantee deposits paid	709,267	709,267	23,354	23,354
<u>Liabilities</u>				
Guarantee deposits in	2,913	2,913	96	96

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Item	March 31,2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$3,873,539	\$3,873,539	\$114,365	\$114,365
Financial assets at fair value through profit or loss-current	108,940	108,940	3,216	3,216
Available-for-sale financial assets-current	317,761	317,761	9,382	9,382
Receivables	16,304	16,304	481	481
Available-for-sale financial assets-noncurrent	3,277,676	3,277,676	96,772	96,772
Held-to-maturity financial assets-noncurrent	446,424	446,424	13,181	13,181
Investment in debt securities with no active market-noncurrent	1,461,841	1,461,841	43,160	43,160
Guarantee deposits paid	815,849	815,849	24,088	24,088
<u>Liabilities</u>				
Guarantee deposits in	6,845	6,845	202	202

b. The methods and assumptions used to estimate the fair value of the financial instruments are as follows:

(a) The fair value of Cathay Life (Shanghai) short-term financial instruments approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents.

(b) When financial assets or liabilities are quoted on an active market, the fair value is the market price. However fair value is estimated using pricing model if an active market does not exist. A pricing model incorporates all information that market participants would consider in setting a price which are available to Cathay Life (Shanghai). Cathay Life (Shanghai) uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.

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(c) The fair value of the guarantee deposits paid and guarantee deposits in approximates their carrying amount.

c. The fair value of the Cathay life (Shanghai) financial assets and liabilities determined by market price or pricing models are summarized as following:

Item	March 31,							
	2008				2009			
	Based on the quoted		Based on pricing		Based on the quoted		Based on pricing	
	market price		models		market price		models	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Cash and cash equivalents	\$1,382,728	\$40,825	\$-	\$-	\$3,873,539	\$114,365	\$-	\$-
Financial assets at fair value								
through profit or loss-current	385,033	12,678	-	-	108,940	3,216	-	-
Available-for-sale financial								
assets-current	1,313,049	43,235	-	-	317,761	9,382	-	-
Held-to-maturity financial								
assets-current	76,088	2,505	-	-	-	-	-	-
Available-for-sale financial								
assets-noncurrent	2,639,691	86,918	-	-	146,028	4,311	3,131,648	92,461
Held-to-maturity financial								
assets-noncurrent	-	-	397,716	11,742	-	-	446,424	13,181
Investment in debt securities								
with no active market-								
noncurrent	-	-	769,091	22,707	-	-	1,461,841	43,160

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L. Cathay Life (Vietnam)

a. Information of fair value

Item	March 31,2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$380,562	\$380,562	\$11,236	\$11,236
Receivables	103,453	103,453	3,054	3,054
Available-for-sale financial assets-noncurrent	1,773,290	1,773,290	52,356	52,356
Guarantee deposits paid	52,057	52,057	1,537	1,537
<u>Liabilities</u>				
Payables	6,683	6,683	197	197

b. The methods and assumptions used to estimate the fair value of the financial instruments are as follows:

(a) The fair value of Cathay Life (Vietnam) short-term financial instruments approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents and receivables (payables).

(b) When financial assets or liabilities are quoted on an active market, the fair value is the market price. However fair value is estimated using pricing model if an active market does not exist. A pricing model incorporates all information that market participants would consider in setting a price which are available to Cathay Life (Vietnam). Cathay Life (Vietnam) uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.

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(c) The fair value of the guarantee deposits paid approximates their carrying amount.

c. The fair value of the Cathay Life (Vietnam) financial assets and liabilities determined by market price or pricing models are summarized as following:

Item	March 31,							
	2008				2009			
	Based on the quoted market price		Based on pricing models		Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Cash and cash equivalents	\$-	\$-	\$-	\$-	\$380,562	\$11,236	\$-	\$-
Available-for-sale financial assets-noncurrent	-	-	-	-	1,773,290	52,356	-	-

(3) Discretionary account management for Cathay Life and Cathay Century

Item	March 31, 2008			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$11,227,754	\$369,699	\$11,227,754	\$369,699
Repurchase bonds	10,836,585	356,819	10,836,585	356,819
Cash in banks	1,855,105	61,083	1,855,105	61,083
Net other assets less liabilities	(6,076)	(200)	(6,076)	(200)
Total	\$23,913,368	\$787,401	\$23,913,368	\$787,401

Item	March 31, 2009			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$3,431,998	\$101,329	\$3,431,998	\$101,329
Repurchase bonds	5,266,188	155,482	5,266,188	155,482
Cash in banks	565,659	16,701	565,659	16,701
Net other assets less liabilities	19,485	575	19,485	575
Total	\$9,283,330	\$274,087	\$9,283,330	\$274,087

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As of March 31, 2008 and 2009, Cathay Life and Cathay Century had discretionary account management contracts in the amount of NT\$20,350,000 (US\$670,069) thousands, and NT\$9,900,000 (US\$292,294) thousands, respectively.

(5) Business or trading behaviors within Subsidiaries:

A. Business or trading behaviors

Please refer Note 26 (business with stakeholders) for further details.

B. Integrate business activities:

By integrating the insurance, securities, banking and other diversified financial institutions, the Company has become a full-functioning financial platform. Through the branches and professional sales representatives across Taiwan, the Company is able to develop its cross-selling marketing strategy and provide a one-stop shopping service for its customers.

C. Cross utilization of information:

With respect to customers' confidentiality, the Company FHC has established related regulations to ensure the safety and confidentiality of customer information.

D. Locations and business utilities:

The Company has established national presence to provide customers with one-stop services not only in insurance but also in banking and securities services. Since July 2002, The Company has built up four flagship stores of wealth management in Taipei, Taichung and Kaohsiung. In November 2002, the Company upgraded 5 insurance branches into wealth management service locations.

E. Allocation on revenues, costs, expenses, profits and losses:

Revenue, costs, expenses, profits or losses arising from integrate business activities between the subsidiaries are allocated to each subsidiary based on the related business features.

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share date and unless otherwise stated)**

(6) Material contract: None.

(7) Presentation of financial statements:

Certain accounts in the consolidated financial statements for the three months ended March 31, 2008 have been reclassified in order to be comparable with those in the consolidated financial statements for the three months ended March 31, 2009.

31. Information regarding investment in Mainland China

(1) On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Life to remit US\$22,850 thousands and US\$27,150 thousands, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. Cathay Life's subsidiary, Cathay Life Insurance Ltd. (Shanghai) has acquired a business license of an enterprise as legal person on December 29, 2004. As of March 31, 2009, Cathay Life's remittances to this company totaled approximately US\$48,330 thousands.

(2) On October 17, 2007, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay life to remit US\$26,390 thousands as the registered capital to establish a China-based general insurance subsidiary (in form of joint venture with Cathay Century Insurance). On March 6, 2008, MOEAIC authorized Cathay life to increase the remittances from US\$26,390 thousands to US\$28,960 thousands. As of March 31, 2009, Cathay life's remittances to this general insurance company totaled approximately US\$28,140 thousands.

On June 30, 2006, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Century to remit US\$28,960 thousands as the registered capital to establish a China-based general insurance subsidiary. Cathay Century has received approval from the China Insurance Regulatory Commission on October 8, 2007 to form a joint venture general insurance company. Cathay Century (shanghai) has acquired a business license of on enterprise as legal person on August 26, 2008. The capital fund has been wired out US\$27,820 thousands as of March 31, 2009.

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32. Segment information

For the three months ended March 31, 2008

Item	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Others division (NT\$)	Total (NT\$)
Net interest income	\$5,496,764	\$18,026,991	\$92,545	\$20,711	\$13,635	\$23,650,646
Non income other than interest	1,014,670	6,981,008	639,408	49,558	(385,005)	8,299,639
Provision for premiums reserve	-	(29,014,928)	(88,375)	-	-	(29,103,303)
Total income	6,511,434	(4,006,929)	643,578	70,269	(371,370)	2,846,982
Bad debt expenses-Loan	(352,033)	-	-	-	-	(352,033)
Operating expenses	(2,868,159)	(9,912,192)	(274,882)	(89,705)	(178,172)	(13,323,181)
Income from continuing operations before income taxes	3,291,242	(13,919,192)	368,696	(19,436)	(549,542)	(10,828,232)
Income taxes (expense) benefit	(735,248)	5,531,352	(13,322)	3,726	63,742	4,850,250
Consolidated income	2,555,994	(8,387,840)	355,374	(15,710)	(485,800)	(5,977,982)

For the three months ended March 31, 2008

Item	Bank division (US\$)	Life insurance division (US\$)	Property and casualty insurance division (US\$)	Securities division (US\$)	Others division (US\$)	Total (US\$)
Net interest income	\$180,993	\$593,579	\$3,047	\$682	\$449	\$778,750
Non income other than interest	33,410	229,865	21,054	1,632	(12,677)	273,284
Provision for premiums reserve	-	(955,381)	(2,910)	-	-	(958,291)
Total income	214,403	(131,937)	21,191	2,314	(12,228)	93,743
Bad debt expenses-Loan	(11,592)	-	-	-	-	(11,592)
Operating expenses	(94,440)	(326,383)	(9,251)	(2,954)	(5,867)	(438,695)
Income from continuing operations before income taxes	108,371	(458,320)	12,140	(640)	(18,095)	(356,544)
Income taxes (expense) benefit	(24,210)	182,132	(438)	123	2,099	159,706
Consolidated income	84,161	(276,188)	11,702	(517)	(15,996)	(196,838)

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousand of dollars except for share and per share date and unless otherwise stated)

For the three months ended March 31, 2009

Item	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Other divisions (NT\$)	Total (NT\$)
Net interest income	\$4,162,884	\$18,979,092	\$100,295	\$11,989	\$(146,182)	\$23,108,078
Non income other than interest	(3,536,773)	67,905,816	851,943	125,977	(38,513)	65,308,470
Provision for premiums reserve	-	(68,738,897)	(164,489)	-	-	(68,903,386)
Total income	626,111	18,146,011	787,749	137,986	(184,695)	19,513,162
Bad debt expenses	(775,862)	-	-	-	-	(775,862)
Operating expenses	(3,033,940)	(9,174,932)	(327,877)	(103,116)	(202,686)	(12,842,551)
Income from continuing operations before income taxes	(3,183,691)	8,971,079	459,872	34,870	(387,381)	5,894,749
Income taxes (expense) benefit	(420,564)	(423,500)	(75,832)	3,942	49,092	(866,862)
Consolidated income	(3,604,255)	8,547,579	384,040	38,812	(338,289)	5,027,887

For the three months ended March 31, 2009

Item	Bank division (US\$)	Life insurance division (US\$)	Property and casualty insurance division (US\$)	Securities division (US\$)	Other divisions (US\$)	Total (US\$)
Net interest income	\$122,908	\$560,351	\$2,961	\$354	\$(4,316)	\$682,258
Non income other than interest	(104,422)	2,004,896	25,153	3,720	(1,137)	1,928,210
Provision for premiums reserve	-	(2,029,492)	(4,857)	-	-	(2,034,349)
Total income	18,486	535,755	23,257	4,074	(5,453)	576,119
Bad debt expenses	(22,907)	-	-	-	-	(22,907)
Operating expenses	(89,576)	(270,887)	(9,680)	(3,045)	(5,984)	(379,172)
Income from continuing operations before income taxes	(93,997)	264,868	13,577	1,029	(11,437)	174,040
Income taxes (expense) benefit	(12,417)	(12,504)	(2,238)	117	1,449	(25,593)
Consolidated income	(106,414)	252,364	11,339	1,146	(9,988)	148,447

English Translation of Financial Statements Originally Issued in Chinese

32. Parent Company financial statements

Cathay Financial Holding Co., Ltd.

Unaudited Balance sheets

As of March 31, 2008 and 2009

(Expressed in thousands of dollars)

	March 31, 2008		March 31, 2009	
	NT \$	US \$	NT \$	US \$
Assets				
Cash and cash equivalents	\$9,695,296	\$319,239	\$2,209,456	\$65,233
Receivables -net	2,470,607	81,350	5,110,471	150,885
Held-to-maturity financial assets -net	-	-	15,000,000	442,870
Investments under equity method	197,404,221	6,499,975	156,828,113	4,630,296
Other financial assets -net	31,720	1,045	31,720	936
Property and equipment -net	3,013	99	4,236	125
Goodwill and intangible assets -net	933	31	400	12
Other assets -net	3,171,245	104,420	2,536,553	74,891
Total assets	#####	\$7,006,159	#####	\$5,365,248
Liabilities & stockholders' equity				
Financial liabilities at fair value through profit and loss	\$100,756	\$3,318	\$-	\$-
Payables	3,015,150	99,280	7,481,036	220,875
Bonds payable	-	-	20,000,000	590,493
Other payable	116,577	3,839	23,653	698
Total liabilities	3,232,483	106,437	27,504,689	812,066
Stockholders' equity				
Capital stock				
Common stock	92,770,192	3,054,665	97,375,372	2,874,974
Capital surplus	81,971,213	2,699,085	81,971,213	2,420,172
Retained earnings				
Legal reserve	9,245,862	304,441	12,320,672	363,764
Unappropriated retained earnings	29,601,961	974,711	12,074,524	356,496
Equity adjustments				
Reserve for land revaluation increment	2,106	69	2,106	62
Cumulative conversion adjustments	(265,997)	(8,759)	385,873	11,393
Unrealized gains or losses on financial instruments	362,369	11,932	(45,502,766)	(1,343,453)
Treasury stock	(4,140,047)	(136,320)	(4,140,047)	(122,234)
Net loss not yet recognized as net pension cost	(3,107)	(102)	(270,687)	(7,992)
Total stockholders' equity	209,544,552	6,899,722	154,216,260	4,553,182
Total liabilities and stockholders' equity	#####	\$7,006,159	#####	\$5,365,248

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Unaudited Statements of Income

For the three months periods ended March 31, 2008 and 2009

(Expressed in thousands of dollars, except earning per share)

	January 1 ~ March 31, 2008		January 1 ~ March 31, 2009					
	NT \$	US \$	NT \$	US \$				
Income								
Gain on investment equity method	\$ -	\$ -	\$ 5,043,241	\$ 148,900				
Gains on financial assets and liabilities at fair value through profit or loss	343,399	11,307	-	-				
Gain on foreign exchange	-	-	49	1				
Other operating (loss) gain	(196)	(6)	18	1				
Total income	343,203	11,301	5,043,308	148,902				
Expenses and loss								
Interest income	214,765	7,072	133,697	3,947				
Less: interest expenses	(177,516)	(5,845)	(152,877)	(4,514)				
Net interest income (expense)	37,249	1,227	(19,180)	(567)				
Losses on investment equity method	(5,667,947)	(186,630)	-	-				
Losses on foreign exchange	(712,454)	(23,459)	-	-				
Operating expenses	(42,746)	(1,408)	(62,507)	(1,845)				
(Losses) income from continuing operations before income taxes	(6,042,695)	(198,969)	4,961,621	146,490				
Income taxes benefits	66,693	2,196	52,763	1,558				
Net (loss) income	\$(5,976,002)	\$(196,773)	\$5,014,384	\$148,048				
Earnings per share (expressed in dollars)								
Primary earnings per share:	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes
Net (loss) income	\$(0.62)	\$(0.62)	\$(0.02)	\$(0.02)	\$0.51	\$0.52	\$0.02	\$0.02

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Unaudited Statements of Changes in Stockholders' Equity

For the three months ended March 31, 2008 and 2009

(Expressed in thousands of dollars)

Summary	Retained earnings								Other stockholders' equity								Total				
	Common stock		Capital surplus		Legal reserve		Undistributed earnings		Unrealized revaluation increments		Cumulative translation adjustments		Unrealized gains or losses on financial instruments		Treasury stock			Net loss not recognized as pension cost			
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$		NT \$	US \$		
Balance on January 1, 2008	\$92,770,192	\$3,054,665	\$81,971,213	\$2,699,085	\$9,245,862	\$304,441	\$35,577,963	\$1,171,484	\$2,106	\$69	\$183,766	\$6,051	\$10,955,521	\$360,735	\$(4,140,047)	\$(136,320)	\$(3,107)	\$(102)	#####	\$7,460,108	
Cumulative translation adjustments											(449,763)	(14,810)								(449,763)	(14,810)
Unrealized losses of financial instruments													(10,593,152)	(348,803)						(10,593,152)	(348,803)
Net loss for the three months periods ended March 31, 2008							(5,976,002)	(196,773)												(5,976,002)	(196,773)
Balance on March 31, 2008	\$92,770,192	\$3,054,665	\$81,971,213	\$2,699,085	\$9,245,862	\$304,441	\$29,601,961	\$974,711	\$2,106	\$69	\$(265,997)	\$(8,759)	\$362,369	\$11,932	\$(4,140,047)	\$(136,320)	\$(3,107)	\$(102)	#####	\$6,899,722	
Balance on January 1, 2009	\$97,375,372	\$2,874,974	\$81,971,213	\$2,420,172	\$12,320,672	\$363,764	\$7,060,140	\$208,448	\$2,106	\$62	\$344,257	\$10,164	\$(52,309,533)	\$(1,544,421)	\$(4,140,047)	\$(122,234)	\$(270,687)	\$(7,992)	#####	\$4,202,937	
Cumulative translation adjustments											41,616	1,229								41,616	1,229
Unrealized gains of financial instruments													6,806,767	200,968						6,806,767	200,968
Net income for the three months periods ended March 31, 2009							5,014,384	148,048												5,014,384	148,048
Balance on March 31, 2009	\$97,375,372	\$2,874,974	\$81,971,213	\$2,420,172	\$12,320,672	\$363,764	\$12,074,524	\$356,496	\$2,106	\$62	\$385,873	\$11,393	\$(45,502,766)	\$(1,343,453)	\$(4,140,047)	\$(122,234)	\$(270,687)	\$(7,992)	#####	\$4,553,182	

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Unaudited Statements of cash flows

For the three months ended March 31, 2008 and 2009

(Expressed in thousands of dollars)

	January 1 ~ March 31, 2008		January 1 ~ March 31, 2009	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Net (loss) income	\$ (5,976,002)	\$ (196,773)	\$ 5,014,384	\$ 148,048
Adjustments:				
Amortizations	147	5	133	4
Depreciation	268	9	254	7
Loss on disposal of assets	171	6	-	-
Investment income recognized by equity method less (more) of cash dividends received	5,667,947	186,630	(5,043,241)	(148,900)
Effects of exchange rate changes	549,254	18,085	(49)	(1)
Changes in operating assets and liabilities				
Decrease (increase) in accounts receivable	19,846	653	(1,033,230)	(30,506)
Increase in deferred income tax assets	(14,015)	(462)	(297,055)	(8,770)
Increase in other assets	(13)	-	(541)	(16)
(Decrease) increase in accounts payable	(29,073)	(957)	1,268,858	37,463
Decrease in financial liabilities at fair value through profit and loss	(343,399)	(11,307)	-	-
Decrease in income tax payable	(7,538)	(248)	-	-
(Decrease) increase in deferred income tax liabilities	(50,703)	(1,670)	10	-
Increase in other liabilities	755	25	545	16
Net cash used in operating activities	(182,355)	(6,004)	(89,932)	(2,655)
Cash flows from investing activities				
Disposal of property and equipment	960	32	-	-
Acquisition of property and equipment	(172)	(6)	(23)	-
Decrease (Increase) in other assets	163,200	5,374	(24)	(1)
Net cash provided by (used in) investing activities	163,988	5,400	(47)	(1)
Effects of exchange rate changes	(549,254)	(18,086)	49	1
Decrease in cash and cash equivalents	(567,621)	(18,690)	(89,930)	(2,655)
Cash and cash equivalents at the beginning of year	10,262,917	337,929	2,299,386	67,888
Cash and cash equivalents at the end of year	\$9,695,296	\$319,239	\$2,209,456	\$65,233
Supplemental disclosure of cash flows information				
Interest paid during the period	\$172,426	\$5,678	\$886	\$26
Interest paid (excluding capitalized interest)	\$172,426	\$5,678	\$886	\$26
Income tax paid	\$25	\$1	\$12	\$-

English Translation of Financial Statements Originally Issued in Chinese

33. The major subsidiaries' condensed balance sheets and statements of income

**Cathay Life Insurance Co., Ltd.
Condensed Balance Sheets
As of March 31, 2008 and 2009
(Expressed in thousands of dollars)**

Item	March 31, 2008		March 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$583,528,426	#####	\$579,251,063	#####
Loans	537,574,884	17,700,852	533,166,105	15,741,544
Funds and investments	974,248,898	32,079,318	1,090,722,121	32,203,192
Property and equipment	12,810,058	421,800	12,758,787	376,699
Intangible assets	479,912	15,802	764,593	22,574
Other assets	275,540,896	9,072,799	220,695,673	6,515,963
Total assets	<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>
Liabilities				
Current liabilities	\$36,936,934	\$1,216,231	\$35,343,437	\$1,043,503
Long-term liabilities	1,364,252	44,921	16,827,823	496,835
Other liabilities	2,240,140,334	73,761,618	2,321,639,971	68,545,615
Total liabilities	<u>2,278,441,520</u>	<u>75,022,770</u>	<u>2,373,811,231</u>	<u>70,085,953</u>
Stockholders' equity				
Capital stock	50,686,158	1,668,955	52,686,158	1,555,541
Capital surplus	9,648	317	13,009,648	384,105
Retained earnings	54,613,907	1,798,285	44,334,245	1,308,953
Others	431,841	14,219	(46,482,940)	(1,372,393)
Total stockholders' equity	<u>105,741,554</u>	<u>3,481,776</u>	<u>63,547,111</u>	<u>1,876,206</u>
Total liabilities and stockholders' equity	<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>

**Cathay Life Insurance Co., Ltd.
Condensed Statements of Income
For the three months ended March 31, 2008 and 2009
(Expressed in thousands of dollars, except earnings per share)**

Item	January 1 ~ March 31, 2008		January 1 ~ March 31, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$236,426,996	\$7,784,886	\$201,811,909	\$5,958,427
Operating costs	(246,711,182)	(8,123,516)	(195,534,262)	(5,773,081)
Operating gross profit (loss)	(10,284,186)	(338,630)	6,277,647	185,346
Operating expenses	(2,292,683)	(75,491)	(2,370,113)	(69,977)
Non-operating revenues & gains	308,757	10,166	317,983	9,388
Non-operating expenses & losses	(1,934)	(64)	(137,314)	(4,054)
Income (loss) from continuing operations before income tax	<u>\$12,270,046</u>	<u>\$(404,019)</u>	<u>\$4,088,203</u>	<u>\$120,703</u>
Net income (loss)	<u>\$(6,737,330)</u>	<u>\$(221,842)</u>	<u>\$3,603,026</u>	<u>\$106,378</u>
Earnings per share (in dollars)				
Income from continuing operations before income taxes	<u>\$(2.42)</u>	<u>\$(0.08)</u>	<u>\$0.78</u>	<u>\$0.02</u>
Net income (loss)	<u>\$(1.33)</u>	<u>\$(0.04)</u>	<u>\$0.68</u>	<u>\$0.02</u>

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Century Insurance Co., Ltd.
Condensed Balance Sheets
As of March 31, 2008 and 2009
(Expressed in thousands of dollars)**

Items	March 31, 2008		March 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$12,258,686	\$403,645	\$12,823,688	\$378,615
Loans	1,877,652	61,826	1,476,106	43,581
Funds and investments	4,283,613	141,048	4,550,223	134,344
Fixed assets	104,605	3,444	113,094	3,339
Intangible assets	15,867	522	17,535	518
Other assets	855,157	28,158	936,545	27,651
Total assets	\$19,395,580	\$638,643	\$19,917,191	\$588,048
Liabilities				
Current liabilities	\$1,806,118	\$59,470	\$1,874,309	\$55,338
Long-term liabilities	15,172	500	17,761	524
Other liabilities	13,642,072	449,196	14,587,023	430,677
Total liabilities	15,463,362	509,166	16,479,093	486,539
Stockholders' equity				
Capital stock	2,317,006	76,292	2,317,006	68,409
Capital surplus	1,929	64	1,929	57
Retained earnings	1,628,201	53,612	1,178,130	34,784
Others	(14,918)	(491)	(58,967)	(1,741)
Total stockholders' equity	3,932,218	129,477	3,438,098	101,509
Total liabilities and stockholders' equity	\$19,395,580	\$638,643	\$19,917,191	\$588,048

**Cathay Century Insurance Co., Ltd.
Condensed Statements of Income
For the three months ended March 31, 2008 and 2009
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2008		January 1 ~ March 31, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$9,087,608	\$299,229	\$9,206,855	\$271,829
Operating costs	(8,312,129)	(273,695)	(8,335,980)	(246,117)
Operating gross profit	775,479	25,534	870,875	25,712
Operating expenses	(595,813)	(19,618)	(616,832)	(18,211)
Non-operating revenues	383	13	-	-
Non-operating expenses	(1,691)	(56)	(32)	(1)
Income from continuing operations before income taxes	\$178,358	\$5,873	\$254,011	\$7,500
Net income	\$165,036	\$5,434	\$178,179	\$5,261
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$0.77	\$0.03	\$1.10	\$0.03
Net income	\$0.71	\$0.02	\$0.77	\$0.02

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Life Insurance Company(Shanghai)
Condensed Balance Sheets
As of March 31, 2008 and 2009
(Expressed in thousands of dollars)**

Items	March 31, 2008		March 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$3,494,301	\$115,058	\$4,558,048	\$134,575
Loans	5,294	174	9,460	279
Funds and investments	3,795,766	124,984	5,185,941	153,113
Fixed assets	88,107	2,901	271,731	8,023
Intangible assets	3,206	106	163,758	4,835
Other assets	1,034,038	34,048	1,196,009	35,312
Total assets	\$8,420,712	\$277,271	\$11,384,947	\$336,137
Liabilities				
Current liabilities	\$232,266	\$7,648	\$803,225	\$23,715
Other liabilities	5,424,664	178,619	8,051,385	237,714
Total liabilities	5,656,930	186,267	8,854,610	261,429
Stockholders' equity				
Capital stock	3,257,376	107,256	3,257,376	96,173
Retained earnings	(694,276)	(22,860)	(1,450,856)	(42,835)
Others	200,682	6,608	723,817	21,370
Total stockholders' equity	2,763,782	91,004	2,530,337	74,708
Total liabilities and stockholders' equity	\$8,420,712	\$277,271	\$11,384,947	\$336,137

**Cathay Life Insurance Company(Shanghai)
Condensed Statements of Income
For the three months ended March 31, 2008 and 2009
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2008		January 1 ~ March 31, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$3,943,412	\$129,846	\$1,143,797	\$33,770
Operating costs	(3,802,197)	(125,196)	(1,070,531)	(31,607)
Operating gross profit	141,215	4,650	73,266	2,163
Operating expenses	(201,817)	(6,645)	(138,157)	(4,079)
Non-operating revenues	-	-	80	2
Loss from continuing operations before income taxes	\$(60,602)	\$(1,995)	\$(64,811)	\$(1,914)
Net loss	\$(60,602)	\$(1,995)	\$(1,887)	\$(56)
Earnings per share (in dollars)				
Income from continuing operations before income taxes	Note	Note	Note	Note
Net loss	Note	Note	Note	Note

Note : Cathay Life Insurance (Shanghai) is a limited company, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Life Insurance Co., Ltd.(Vietnam)
Condensed Balance Sheets
As of March 31, 2008 and 2009
(Expressed in thousands of dollars)**

Items	March 31, 2008		March 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$1,816,322	\$59,806	\$499,288	\$14,741
Funds and investments	24,259	799	1,773,290	52,356
Fixed assets	-	-	39,855	1,177
Intangible assets	-	-	41,736	1,232
Other assets	-	-	55,467	1,638
Total assets	\$1,840,581	\$60,605	\$2,409,636	\$71,144
Liabilities				
Current liabilities	\$1,323	\$43	\$6,683	\$197
Other liabilities	-	-	39,187	1,157
Total liabilities	1,323	43	45,870	1,354
Stockholders' equity				
Capital stock	1,940,080	63,881	1,940,080	57,280
Retained earnings	3,509	116	59,749	1,765
Others	(104,331)	(3,435)	363,937	10,745
Total stockholders' equity	1,839,258	60,562	2,363,766	69,790
Total liabilities and stockholders' equity	\$1,840,581	\$60,605	\$2,409,636	\$71,144

**Cathay Life Insurance Co., Ltd.(Vietnam)
Condensed Statements of Income
For the three months ended March 31, 2008 and 2009
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2008		January 1 ~ March 31, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$-	\$-	\$87,617	\$2,587
Operating costs	(3,858)	(127)	(24,507)	(724)
Operating gross profit (loss)	(3,858)	(127)	63,110	1,863
Operating expenses	(329)	(11)	(55,984)	(1,653)
Non-operating revenues	9,061	298	1,374	41
Income from continuing operations before income taxes	\$4,874	\$160	\$8,500	\$251
Net income	\$3,509	\$116	\$7,253	\$214
Earnings per share (in dollars)				
Income from continuing operations before income taxes	Note	Note	Note	Note
Net loss	Note	Note	Note	Note

Note : Cathay Life Insurance (Vietnam) is a limited company, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Insurance Company Limited (Shanghai)
Condensed Balance Sheets
As of March 31, 2008 and 2009
(Expressed in thousands of dollars)**

Items	March 31, 2009	
	NT\$	US\$
Assets		
Current assets	\$1,525,129	\$45,029
Fixed assets	60,565	1,788
Other assets	404,726	11,949
Total assets	\$1,990,420	\$58,766
Liabilities		
Current liabilities	\$73,206	\$2,161
Other liabilities	37,346	1,103
Total liabilities	110,552	3,264
Stockholders' equity		
Capital stock	1,745,942	51,548
Retained earnings	(101,367)	(2,993)
Others	235,293	6,947
Total stockholders' equity	1,879,868	55,502
Total liabilities and stockholders' equity	\$1,990,420	\$58,766

**Cathay Insurance Company Limited (Shanghai)
Condensed Statements of Income
For the three months ended March 31, 2008 and 2009
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2009	
	NT\$	US\$
Operating revenues	\$54,952	\$1,622
Operating costs	(29,713)	(877)
Operating gross profit	25,239	745
Operating expenses	(35,748)	(1,055)
Non-operating revenues	249	7
Loss from continuing operations before income taxes	\$(10,260)	\$(303)
Net loss	\$(10,260)	\$(303)
Earnings per share (in dollars)		
Income from continuing operations before income taxes	Note	Note
Net loss	Note	Note

Note : Cathay Century Insurance (Shanghai) is a limited company, there is no information about earnings per share

Note : Cathay Century Insurance (Shanghai) was Incorporated on August 26, 2008, there is no information about for the three months ended March 31, 2008.

English Translation of Financial Statements Originally Issued in Chinese

**Cathay United Bank Co., Ltd.
Condensed Balance Sheets
As of March 31, 2008 and 2009
(Expressed in thousands of dollars)**

Items	March 31, 2008		March 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$17,483,411	\$575,680	\$19,221,316	\$567,503
Due from the Central Bank and call loans to banks	61,062,392	2,010,616	47,193,889	1,393,383
Financial assets at fair value through profit or loss	40,321,517	1,327,676	64,010,493	1,889,888
Securities purchased under agreements to resell	3,224,451	106,172	2,016,000	59,522
Receivables-net	45,918,618	1,511,973	42,491,473	1,254,546
Loans and advances to customers-net	760,142,192	25,029,378	780,028,572	23,030,073
Available-for-sale financial assets -net	59,816,112	1,969,579	121,659,360	3,591,950
Held-to-maturity financial assets-net	2,830,919	93,214	2,544,502	75,125
Investments-equity method	2,372,144	78,108	3,466,355	102,343
Investments in debt securities with no active market	259,396,525	8,541,209	218,891,239	6,462,688
Other financial assets-net	5,036,624	165,842	6,401,636	189,006
Property and equipment-net	26,601,775	875,923	26,572,786	784,552
Intangible assets-net	6,838,812	225,183	6,890,065	203,427
Other assets-net	9,808,447	322,965	8,043,715	237,488
Total assets	\$1,300,853,939	\$42,833,518	\$1,349,431,401	\$39,841,494
Liabilities				
Due to the Central Bank and call loans from banks	\$66,800,575	\$2,199,558	\$41,040,475	\$1,211,706
Funds borrowed from the Central and other banks	1,520,250	50,058	1,695,850	50,070
Deposits and remittances	1,033,485,665	34,029,821	1,124,825,877	33,210,094
Financial liabilities at fair value through profit or loss	48,038,250	1,581,766	44,762,018	1,321,583
Securities sold under agreements to repurchase	25,550,539	841,308	12,231,686	361,136
Payables	22,564,817	742,997	18,604,193	549,282
Financial debentures payable	18,212,705	599,694	19,129,566	564,794
Other financial liabilities	308,470	10,157	261,100	7,709
Other liabilities	2,139,573	70,450	2,187,708	64,591
Total liabilities	1,218,620,844	40,125,809	1,264,738,473	37,340,965
Shareholders' equity				
Capital stock	48,689,413	1,603,208	48,689,413	1,437,538
Capital reserves	15,213,611	500,942	15,213,611	449,177
Retained earnings	18,767,733	617,970	19,552,855	577,291
Others	(437,662)	(14,411)	1,237,049	36,523
Total shareholders' equity	82,233,095	2,707,709	84,692,928	2,500,529
Total liabilities and shareholders' equity	\$1,300,853,939	\$42,833,518	\$1,349,431,401	\$39,841,494

**Cathay United Bank Co., Ltd.
Condensed Statements of Income
For the three months ended March 31, 2008 and 2009
(Expressed in thousands of dollars, except per share information)**

Items	January 1 ~ March 31, 2008		January 1 ~ March 31, 2009	
	NT\$	US\$	NT\$	US\$
Net interest income	\$5,357,053	\$176,393	\$4,001,964	\$118,156
Non-interest income (loss)	(78,310)	(2,579)	1,838,790	54,290
Net operating income	5,278,743	173,814	5,840,754	172,446
Provision for loan losses	(352,033)	(11,591)	(775,862)	(22,907)
Operating expenses	(3,318,611)	(109,273)	(3,434,330)	(101,397)
Income from continuing operations before income taxes	\$1,608,099	\$52,950	\$1,630,562	\$48,142
Net income	\$885,099	\$29,144	\$1,224,562	\$36,155
Earnings per share (in dollars)				
Income from continuing operations before income taxes	\$0.33	\$0.01	\$0.33	\$0.01
Net income	\$0.18	\$0.01	\$0.25	\$0.01

English Translation of Financial Statements Originally Issued in Chinese

Indovina Bank Limited
Condensed Balance Sheets
As of March 31, 2008 and 2009
(Expressed in thousands of dollars)

Items	March 31, 2008		March 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$215,022	\$7,080	\$2,733,301	\$80,700
Due from the Central Bank and call loans to banks	4,268,785	140,559	2,838,604	83,809
Financial assets at fair value through profit or loss	131,125	4,318	133,197	3,932
Investments in debt securities with no active market	265,930	8,756	269,080	7,944
Receivables-net	125,297	4,126	105,735	3,122
Loans and advances to customers-net	13,236,404	435,838	11,982,553	353,781
Premises and equipment-net	470,596	15,495	259,879	7,673
Intangible assets-net	36,988	1,218	35,697	1,054
Other assets-net	508	17	43,474	1,284
Total assets	\$18,750,655	\$617,407	\$18,401,520	\$543,299
Liabilities				
Due to the Central Bank and call loans from banks	\$2,356,377	\$77,589	\$210,038	\$6,201
Payables	129,506	4,264	174,730	5,159
Deposits and remittances	13,856,961	456,271	13,626,634	402,322
Other liabilities	623,612	20,534	686,332	20,264
Total liabilities	16,966,456	558,658	14,697,734	433,946
Shareholders' equity				
Capital stock	1,605,418	52,862	3,207,968	94,714
Retained earnings	296,725	9,770	305,764	9,028
Others	(117,944)	(3,883)	190,054	5,611
Total shareholders' equity	1,784,199	58,749	3,703,786	109,353
Total liabilities and shareholders' equity	\$18,750,655	\$617,407	\$18,401,520	\$543,299

Indovina Bank Limited
Condensed Statements of Income
For the three months ended March 31, 2008 and 2009
(Expressed in thousands of dollars, except per share information)

Items	January 1 ~ March 31, 2008		January 1 ~ March 31, 2009	
	NT\$	US\$	NT\$	US\$
Net interest income	\$143,819	\$4,735	\$124,934	\$3,688
Non-interest income (loss)	(23,391)	(770)	19,568	578
Net operating revenue	120,428	3,965	144,502	4,266
Operating expenses	(66,004)	(2,173)	(93,304)	(2,754)
Income from continuing operations before income taxes	\$54,424	\$1,792	\$51,198	\$1,512
Net income	\$42,176	\$1,389	\$36,635	\$1,082
Earnings per share (in dollars)				
Income from continuing operations before income taxes	Note	Note	Note	Note
Net income	Note	Note	Note	Note

Note : Indovina Bank is a subsidiary of foreign bank. Thus, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Securities Corporation
Condensed Balance Sheets
As of March 31, 2008 and 2009
(Expressed in thousands of dollars)**

Items	March 31, 2008		March 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$3,236,609	\$106,573	\$3,555,054	\$104,962
Funds and investments	722,536	23,791	738,744	21,811
Property and equipment	65,824	2,168	43,381	1,281
Intangible assets	6,046	199	6,035	178
Other assets	414,805	13,658	309,716	9,144
Total assets	\$4,445,820	\$146,389	\$4,652,930	\$137,376
Liabilities				
Current liabilities	\$355,539	\$11,707	\$499,324	\$14,742
Long-term liabilities	442	14	667	20
Other liabilities	48,336	1,592	142,524	4,208
Total liabilities	404,317	13,313	642,515	18,970
Stockholders' equity				
Capital stock	3,700,000	121,831	3,700,000	109,241
Capital surplus	258,434	8,510	258,434	7,630
Retained earnings	83,069	2,735	54,421	1,607
Unrealized loss on financial instrument	-	-	(2,440)	(72)
Total stockholders' equity	4,041,503	133,076	4,010,415	118,406
Total liabilities and stockholders' equity	\$4,445,820	\$146,389	\$4,652,930	\$137,376

**Cathay Securities Corporation
Condensed Statements of Income
For the three months ended March 31, 2008 and 2009
(Expressed in thousands of dollars, except for earnings per share)**

Items	January 1 ~ March 31, 2008		January 1 ~ March 31, 2009	
	NT\$	US\$	NT\$	US\$
Revenue	\$112,770	\$3,713	\$201,763	\$5,957
Expenses	(117,397)	(3,866)	(166,422)	(4,914)
Income (loss) from continuing operations before income taxes	\$(4,627)	\$(153)	\$35,341	\$1,043
Net income (loss)	\$(901)	\$(30)	\$39,283	\$1,160
Earnings per share (in dollars)				
Income (loss) from continuing operations before income taxes	\$(0.01)	\$-	\$0.10	\$-
Net income (loss)	\$(0.002)	\$-	\$0.11	\$-

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Pacific Venture Capital Co., Ltd.
Condensed Balance Sheets
As of March 31, 2008 and 2009
(Expressed in thousands of dollars)**

Items	March 31, 2008		March 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$360,259	\$11,862	\$439,096	\$12,964
Funds and investments	340,317	11,206	85,739	2,532
Total assets	<u>\$700,576</u>	<u>\$23,068</u>	<u>\$524,835</u>	<u>\$15,496</u>
Liabilities				
Current liabilities	\$5,652	\$186	\$69	\$2
Total liabilities	<u>5,652</u>	<u>186</u>	<u>69</u>	<u>2</u>
Stockholders' equity				
Capital stock	600,000	19,756	600,000	17,715
Retained earnings	25,780	849	(68,317)	(2,017)
Equity adjustment	69,144	2,277	(6,917)	(204)
Total stockholders' equity	<u>694,924</u>	<u>22,882</u>	<u>524,766</u>	<u>15,494</u>
Total liabilities and stockholders' equity	<u>\$700,576</u>	<u>\$23,068</u>	<u>\$524,835</u>	<u>\$15,496</u>

**Cathay Pacific Venture Capital Co., Ltd.
Condensed Statements of Income
For the three months ended March 31, 2008 and 2009
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2008		January 1 ~ March 31, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$1,895	\$63	\$6,334	\$187
Operating gross profit	1,895	63	6,334	187
Operating expenses	(3,181)	(105)	(3,129)	(92)
Income (loss) from continuing operations before income taxes	<u>\$(1,286)</u>	<u>\$(42)</u>	<u>\$3,205</u>	<u>\$95</u>
Net income (loss)	<u>\$(491)</u>	<u>\$(16)</u>	<u>\$3,205</u>	<u>\$95</u>
Earning per share (in dollars)				
Income from continuing operations before income taxes	<u>\$(0.02)</u>	<u>\$-</u>	<u>\$0.05</u>	<u>\$-</u>
Net losses	<u>\$(0.01)</u>	<u>\$-</u>	<u>\$0.05</u>	<u>\$-</u>

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Venture Capital Co., Ltd.
Condensed Balance Sheets
As of March 31, 2008 and 2009
(Expressed in thousands of dollars)**

Items	March 31, 2008		March 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$133,125	\$4,383	\$216,321	\$6,387
Funds and investments	1,555,329	51,213	1,267,866	37,433
Total assets	\$1,688,454	\$55,596	\$1,484,187	\$43,820
Liabilities				
Current liabilities	\$16,043	\$528	\$4,488	\$132
Total liabilities	16,043	528	4,488	132
Stockholders' equity				
Capital stock	1,500,000	49,391	1,500,000	44,287
Retained earnings	147,763	4,865	88,465	2,612
Equity adjustment	24,648	812	(108,766)	(3,211)
Total stockholders' equity	1,672,411	55,068	1,479,699	43,688
Total liabilities and stockholders' equity	\$1,688,454	\$55,596	\$1,484,187	\$43,820

**Cathay Venture Capital Co., Ltd.
Condensed Statements of Income
For the three months ended March 31, 2008 and 2009
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2008		January 1 ~ March 31, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$31,100	\$1,024	\$11,492	\$339
Operating costs	(506)	(17)	(18,046)	(533)
Operating gross profit (loss)	30,594	1,007	(6,554)	(194)
Operating expenses	(7,331)	(241)	(7,369)	(217)
Non-operating revenues	-	-	331	10
Non-operating expenses	(87)	(3)	(1)	-
Income (loss) from continuing operations before income taxes	\$23,176	\$763	\$(13,593)	\$(401)
Net income (loss)	\$21,918	\$722	\$(11,732)	\$(346)
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$0.15	\$-	\$(0.09)	\$-
Net income	\$0.15	\$-	\$(0.08)	\$-

English Translation of Financial Statements Originally Issued in Chinese

**Cathay II Venture Capital Co., Ltd.
Condensed Balance Sheets
As of March 31, 2008 and 2009
(Expressed in thousands of dollars)**

Items	March 31, 2008		March 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$78,426	\$2,582	\$96,569	\$2,851
Funds and investments	779,808	25,677	645,879	19,069
Other assets	-	-	97	3
Total assets	\$858,234	\$28,259	\$742,545	\$21,923
Liabilities				
Current liabilities	\$10,316	\$340	\$7,559	\$223
Total liabilities	10,316	340	7,559	223
Stockholders' equity				
Capital stock	600,000	19,756	600,000	17,715
Retained earnings	205,296	6,760	190,023	5,610
Equity adjustment	42,622	1,403	(55,037)	(1,625)
Total stockholders' equity	847,918	27,919	734,986	21,700
Total liabilities and stockholders' equity	\$858,234	\$28,259	\$742,545	\$21,923

**Cathay II Venture Capital Co., Ltd.
Condensed Statements of Income
For the three months ended March 31, 2008 and 2009
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2008		January 1 ~ March 31, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$11,095	\$365	\$615	\$18
Operating costs	(375)	(12)	(15,303)	(452)
Operating gross profit (loss)	10,720	353	(14,688)	(434)
Operating expenses	(2,394)	(79)	(2,396)	(70)
Non-operating revenues	-	-	69	2
Non-operating expenses	(75)	(2)	-	-
Income (loss) from continuing operations before income taxes	\$8,251	\$272	\$(17,015)	\$(502)
Net income (loss)	\$7,598	\$250	\$(16,423)	\$(485)
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$0.14	\$-	\$(0.28)	\$(0.01)
Net income	\$0.13	\$-	\$(0.27)	\$(0.01)

English Translation of Financial Statements Originally Issued in Chinese

**Symphox Information Co., Ltd.
Condensed Balance Sheets
As of March 31, 2008 and 2009
(Expressed in thousands of dollars)**

Items	March 31, 2008		March 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$594,130	\$19,563	\$715,264	\$21,118
Fixed assets	99,368	3,272	93,887	2,772
Intangible assets	6,533	215	3,973	117
Other assets	21,407	705	11,534	341
Total assets	\$721,438	\$23,755	\$824,658	\$24,348
Liabilities				
Current liabilities	\$248,009	\$8,166	\$293,462	\$8,665
Other liabilities	79	3	80	2
Total liabilities	248,088	8,169	293,542	8,667
Stockholders' equity				
Capital stock	499,000	16,431	499,000	14,733
Retained earnings	(25,650)	(845)	32,116	948
Total stockholders' equity	473,350	15,586	531,116	15,681
Total liabilities and stockholders' equity	\$721,438	\$23,755	\$824,658	\$24,348

**Symphox Information Co., Ltd.
Condensed Statements of Income
For the three months ended March 31, 2008 and 2009
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2008		January 1 ~ March 31, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$307,455	\$10,124	\$280,526	\$8,282
Operating costs	(266,053)	(8,760)	(234,516)	(6,924)
Operating gross profit	41,402	1,364	46,010	1,358
Operating expenses	(21,469)	(707)	(24,068)	(710)
Non-operating revenues	2,472	81	1,755	52
Non-operating expenses	(88)	(3)	-	-
Income from continuing operations before income taxes	\$22,317	\$735	\$23,697	\$700
Net income	\$21,655	\$713	\$18,069	\$533
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$0.45	\$0.01	\$0.47	\$0.01
Net income	\$0.43	\$0.01	\$0.36	\$0.01

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Futures Corp.
Condensed Balance Sheets
As of March 31, 2008 and 2009
(Expressed in thousands of dollars)**

Items	March 31, 2008		March 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$1,668,384	\$54,935	\$1,900,229	\$56,104
Funds and investments	30,500	1,004	30,500	900
Fixed assets	324,030	10,669	170,621	5,038
Intangible assets	8,490	280	7,088	209
Other assets	132,705	4,370	281,929	8,324
Total assets	\$2,164,109	\$71,258	\$2,390,367	\$70,575
Liabilities				
Current liabilities	\$1,433,468	\$47,200	\$1,641,155	\$48,454
Other liabilities	8,055	265	10,417	308
Total liabilities	1,441,523	47,465	1,651,572	48,762
Stockholders' equity				
Capital stock	650,000	21,403	650,000	19,191
Retained earnings	72,586	2,390	88,795	2,622
Total stockholders' equity	722,586	23,793	738,795	21,813
Total liabilities and stockholders' equity	\$2,164,109	\$71,258	\$2,390,367	\$70,575

**Cathay Futures Corp.
Condensed Statements of Income
For the three months ended March 31, 2008 and 2009
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2008		January 1 ~ March 31, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$28,886	\$951	\$28,090	\$829
Operating costs	(15,549)	(512)	(15,679)	(463)
Operating gross profit	13,337	439	12,411	366
Operating expenses	(16,164)	(532)	(14,955)	(441)
Non-operating revenues	7,672	253	4,334	128
Non-operating expenses	(655)	(22)	(276)	(8)
Income from continuing operations before income taxes	\$4,190	\$138	\$1,514	\$45
Net (loss) income	\$3,019	\$99	\$1,018	\$30
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$0.06	\$-	\$0.02	\$-
Net (loss) income	\$0.05	\$-	\$0.01	\$-