

**Cathay Financial Holding Co., Ltd. and Subsidiaries**  
**Consolidated Financial Statements**  
**As of June 30, 2008 and 2009**  
**With Independent Auditors' 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' Report**

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

We have audited the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. (the "Company") and its subsidiaries ("Subsidiaries") as of June 30, 2008 and 2009 and the related consolidated statements of income, changes in stockholders' equity and cash flows for six-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the Republic of China and Guidelines for Certified Public Accountants' Examination and Reporting on Financial Statements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and Subsidiaries as of June 30, 2008 and 2009, and the results of its operations and its cash flows for the six-month periods then ended in conformity 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 in the Republic of China.

Ernst & Young  
Taipei, Taiwan  
The Republic of China  
August 20, 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 audit 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**  
**Audited consolidated balance sheets**  
**As of June 30, 2008 and 2009**  
**(Expressed in thousands of dollars)**

	Note	June 30, 2008		June 30, 2009	
		NT \$	US \$	NT \$	US \$
<b>Assets</b>					
Cash and cash equivalents	2, 4	\$391,646,689	\$12,900,089	\$422,500,097	\$12,892,893
Due from the Central Bank and call loans to banks		54,333,073	1,789,627	79,601,210	2,429,088
Financial assets at fair value through profit or loss	2, 5	126,995,460	4,182,986	144,247,906	4,401,828
Securities purchased under agreements to resell		22,463,839	739,916	43,795,281	1,336,444
Receivables -net		76,786,978	2,529,215	93,871,385	2,864,553
Loans -net	2, 6	1,353,032,752	44,566,296	1,312,779,502	40,060,406
Available-for-sale financial assets -net	2, 7	484,884,433	15,971,161	514,692,799	15,706,219
Held-to-maturity financial assets -net	2, 8	603,576,678	19,880,655	690,701,135	21,077,239
Investments under equity method	2, 9	2,586,240	85,186	2,466,603	75,270
Other financial assets -net	2, 10	54,883,187	1,807,747	51,926,691	1,584,580
Investments in debt securities with no active market	2, 11	81,116,117	2,671,809	173,427,453	5,292,263
Separate account products assets		279,286,139	9,199,148	236,475,658	7,216,224
Investments in real estate-net	2, 12	106,652,766	3,512,937	114,663,887	3,499,051
Property and equipment -net		40,347,241	1,328,960	40,609,600	1,239,231
Goodwill and intangible assets -net	2, 14	7,773,056	256,029	7,742,773	236,276
Other assets -net		56,134,892	1,848,975	51,873,825	1,582,967
<b>Total assets</b>		<b>\$3,742,499,540</b>	<b>\$123,270,736</b>	<b>\$3,981,375,805</b>	<b>\$121,494,532</b>
<b>Liabilities &amp; stockholders' equity</b>					
<b>Liabilities</b>					
Due to the Central Bank and call loans from banks		\$79,386,417	\$2,614,836	\$45,447,368	\$1,386,859
Bankers acceptances and funds borrowed		1,517,700	49,990	1,640,900	50,073
Commercial paper payable-net	2, 15	-	-	130,000	3,967
Financial liabilities at fair value through profit or loss	2, 16	57,475,992	1,893,149	44,193,316	1,348,590
Securities sold under agreements to repurchase	5, 7	28,113,798	926,014	9,477,439	289,211
Payables		64,825,178	2,135,217	30,409,054	927,954
Deposits	17	1,019,631,201	33,584,690	1,179,756,856	36,001,125
Bonds payable	2, 18	15,272,693	503,053	35,194,806	1,073,995
Other financial liabilities		845,783	27,859	543,760	16,593
Separate account products liabilities		279,286,139	9,199,148	236,475,658	7,216,224
Reserve for operations and liabilities	2, 19	2,012,474,123	66,287,027	2,189,177,236	66,804,310
Other liabilities	2, 20	7,220,618	237,833	21,044,887	642,200
<b>Total liabilities</b>		<b>3,566,049,642</b>	<b>117,458,816</b>	<b>3,793,491,280</b>	<b>115,761,101</b>
<b>Stockholders' Equity attributable to equity holders of the parent</b>					
<b>Stock</b>					
Common stock	21	92,770,192	3,055,672	97,375,372	2,971,479
Stock dividend to be distributed		4,605,180	151,686	-	-
Capital surplus	22	81,971,213	2,699,974	81,703,998	2,493,256
Retained earnings	23				
Legal reserve		12,320,672	405,819	12,540,295	382,676
Special reserve		-	-	7,107,732	216,898
Unappropriated retained earnings		2,643,729	87,079	5,464,930	166,766
Other stockholders' equity					
Land revaluation increments		2,106	69	2,106	64
Cumulative conversion adjustments		(337,270)	(11,109)	198,129	6,046
Unrealized gains or losses on financial instruments		(16,123,234)	(531,068)	(15,465,555)	(471,942)
Treasury stock	24	(4,140,047)	(136,365)	(4,140,047)	(126,337)
Net loss not yet recognized as net pension cost		(3,107)	(102)	(270,687)	(8,260)
<b>Total stockholder's equity attributable to equity holders of the parent</b>		<b>173,709,434</b>	<b>5,721,655</b>	<b>184,516,273</b>	<b>5,630,646</b>
<b>Minority interest</b>		<b>2,740,464</b>	<b>90,265</b>	<b>3,368,252</b>	<b>102,785</b>
<b>Total stockholders' equity</b>		<b>176,449,898</b>	<b>5,811,920</b>	<b>187,884,525</b>	<b>5,733,431</b>
<b>Total liabilities and stockholders' equity</b>		<b>\$3,742,499,540</b>	<b>\$123,270,736</b>	<b>\$3,981,375,805</b>	<b>\$121,494,532</b>

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2008 and 2009 were NT\$30.36 and NT\$32.77 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**  
**Audited consolidated statements of income**  
**For the six-month periods ended June 30, 2008 and 2009**  
**(Expressed in thousands of dollars, except earning per share)**

	Notes	January 1 ~ June 30, 2008		January 1 ~ June 30, 2009			
		NT \$	US \$	NT \$	US \$		
<b>Interest income</b>	2	\$58,406,808	\$1,923,808	\$51,744,718	\$1,579,027		
<b>Less: Interest expenses</b>	2	(10,426,611)	(343,433)	(6,701,262)	(204,494)		
<b>Net interest income</b>		47,980,197	1,580,375	45,043,456	1,374,533		
<b>Net income other than interest</b>							
Net commission and handling fee		6,245,164	205,704	5,803,695	177,104		
Net premiums from insurance business		30,249,565	996,362	91,962,572	2,806,304		
Gains on financial assets and liabilities at fair value through profit or loss		4,783,239	157,551	5,516,087	168,327		
Realized gains (losses) on available-for-sale financial assets		19,314,417	636,180	(4,038,807)	(123,247)		
Realized (losses) gains on held-to-maturity financial assets		(1,070,908)	(35,274)	1,509,461	46,062		
Gains on investments under equity method		206,528	6,803	160,956	4,912		
Gains on investments in real estate		2,671,287	87,987	2,714,498	82,835		
Losses on foreign exchange		(43,241,734)	(1,424,300)	(456,890)	(13,942)		
Impairment losses		(39,772)	(1,310)	(35,588)	(1,086)		
Provision for premiums reserve		(45,686,673)	(1,504,831)	(112,313,993)	(3,427,342)		
Net other non-interest losses		(1,267,841)	(41,760)	(1,725,033)	(52,641)		
<b>Total income</b>		20,143,469	663,487	34,140,414	1,041,819		
<b>Bad debt expenses</b>		(965,404)	(31,799)	(288,346)	(8,799)		
<b>Operating expenses</b>							
Personnel expenses		(19,527,979)	(643,214)	(19,695,086)	(601,010)		
Depreciation and amortizations expenses		(1,844,344)	(60,749)	(1,938,486)	(59,154)		
Other general and administration expenses		(4,720,501)	(155,484)	(4,520,786)	(137,955)		
<b>(Losses) income from continuing operations before income taxes</b>		(6,914,759)	(227,759)	7,697,710	234,901		
<b>Income taxes benefit (expense)</b>	2, 26	4,733,385	155,909	(2,313,429)	(70,596)		
<b>(Losses) income from continuing operations after income taxes</b>		(2,181,374)	(71,850)	5,384,281	164,305		
<b>Consolidated net (losses) income</b>		\$(2,181,374)	\$(71,850)	\$5,384,281	\$164,305		
<b>Include:</b>							
Parent company		\$(2,220,182)	\$(73,129)	\$5,464,930	\$166,766		
Minority interest		38,808	1,279	(80,649)	(2,461)		
Consolidated net (losses) income		\$(2,181,374)	\$(71,850)	\$5,384,281	\$164,305		
<b>Earnings per share (expressed in dollars) :</b>							
Primary earnings per share:	27						
		Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes
(Losses) income from continuing operations		\$(0.72)	\$(0.23)	\$(0.02)	\$(0.01)	\$0.80	\$0.56
Consolidated net (losses) income		\$(0.72)	\$(0.23)	\$(0.02)	\$(0.01)	\$0.80	\$0.56

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2008 and 2009 were NT\$30.36 and NT\$32.77 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**  
**Audited consolidated statements of changes in stockholders' equity**  
**For the six-month periods ended June 30, 2008 and 2009**  
**(Expressed in thousands of dollars)**

Summary	Stock				Retained earnings								Other stockholders' equity														
	Common stock		Stock dividend to be distributed		Capital surplus		Legal reserve		Special 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		Total		
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	
<b>Balance on January 1, 2008</b>	\$92,770,192	\$3,055,672	\$-	\$-	\$81,971,213	\$2,699,974	\$9,245,862	\$304,541	\$-	\$-	\$35,577,963	\$1,171,870	\$2,106	\$69	\$183,766	\$6,053	\$10,955,521	\$360,854	\$(4,140,047)	\$(136,365)	\$(3,107)	\$(102)	\$3,326,309	\$109,562	\$29,889,778	\$7,572,128	
Minority interest																											
Appropriations and distribution for 2007																											
Legal reserve							3,074,810	101,278			(3,074,810)	(101,278)															
Cash dividends											(23,025,898)	(758,429)														(23,025,898)	(758,429)
Stock dividend to be distributed			4,605,180	151,686							(4,605,180)	(151,686)															
Remuneration paid to directors and supervisors											(5,400)	(178)														(5,400)	(178)
Bonus paid to employees											(2,764)	(91)														(2,764)	(91)
Cumulative conversion adjustments															(521,036)	(17,162)										(521,036)	(17,162)
Unrealized gains or losses of financial instruments																	(27,078,755)	(891,922)								(27,078,755)	(891,922)
Consolidated net (losses) income for the six months ended June 30, 2008											(2,220,182)	(73,129)												38,808	1,279	(2,181,374)	(71,850)
<b>Balance on June 30, 2008</b>	\$92,770,192	\$3,055,672	#####	\$151,686	\$81,971,213	\$2,699,974	\$12,320,672	\$405,819	\$-	\$-	\$2,643,729	\$87,079	\$2,106	\$69	\$(337,270)	\$(1,109)	\$(16,123,234)	\$(531,068)	\$(4,140,047)	\$(136,365)	\$(3,107)	\$(102)	\$2,740,464	\$90,265	\$176,449,898	\$5,811,920	
<b>Balance on January 1, 2009</b>	\$97,375,372	\$2,971,479	\$-	\$-	\$81,971,213	\$2,501,411	\$12,320,672	\$375,974	\$-	\$-	\$7,060,140	\$215,445	\$2,106	\$64	\$344,257	\$10,505	\$(52,309,533)	\$(1,596,263)	\$(4,140,047)	\$(126,337)	\$(270,687)	\$(8,260)	\$3,145,462	\$95,986	\$145,498,955	\$4,440,004	
Minority interest																								303,439	9,260	303,439	9,260
Appropriations and distribution for 2008																											
Legal reserve							219,623	6,702			(219,623)	(6,702)															
Special reserve					(267,215)	(8,155)			7,107,732	216,898	(6,840,517)	(208,743)															
Cumulative conversion adjustments															(146,128)	(4,459)										(146,128)	(4,459)
Unrealized gains or losses of financial instruments																	36,843,978	1,124,321								36,843,978	1,124,321
Consolidated net income (losses) for the six months ended June 30, 2009											5,464,930	166,766												(80,649)	(2,461)	5,384,281	164,305
<b>Balance on June 30, 2009</b>	\$97,375,372	\$2,971,479	\$-	\$-	\$81,703,998	\$2,493,256	\$12,540,295	\$382,676	#####	\$216,898	\$5,464,930	\$166,766	\$2,106	\$64	\$198,129	\$6,046	\$(15,465,555)	\$(471,942)	\$(4,140,047)	\$(126,337)	\$(270,687)	\$(8,260)	\$3,368,252	\$102,785	\$187,884,525	\$5,733,431	

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2008 and 2009 were NT\$30.36 and NT\$32.77 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**  
**Audited consolidated statements of cash flows**  
**For the six-month periods ended June 30, 2008 and 2009**  
**(Expressed in thousands of dollars)**

	January 1 ~ June 30, 2008		January 1 ~ June 30, 2009	
	NT \$	US \$	NT \$	US \$
<b>Cash flows from operating activities</b>				
Consolidated net (losses) income	\$(2,181,374)	\$(71,850)	\$5,384,281	\$164,305
Adjustments:				
Income and other adjustments with no cash flow effects				
Depreciation and amortization expenses	1,844,344	60,749	1,938,486	59,154
Investment income recognized by equity method less than cash dividends received	244,268	8,046	130,913	3,995
Bad debt expenses	965,404	31,799	288,346	8,799
Provision for premiums reserve from insurance business	45,686,673	1,504,831	112,313,993	3,427,342
Gain on disposal of property and equipment	(378,748)	(12,475)	(41,189)	(1,257)
Impairment losses	39,772	1,310	35,588	1,086
Other adjustments	1,169,294	38,514	58,823	1,795
Net changes in operating assets and liabilities				
Decrease (increase) in receivables	3,186,801	104,967	(8,867,773)	(270,606)
Increase in deferred income tax assets	(7,550,758)	(248,707)	(1,028,756)	(31,393)
Decrease (increase) in financial assets at fair value through profit or loss	7,975,765	262,706	(17,493,054)	(533,813)
Decrease (increase) in other financial assets	233,993	7,707	(1,094,701)	(33,406)
Increase in other assets	(2,519,141)	(82,976)	(4,640,893)	(141,620)
Increase (decrease) in payables	13,153,875	433,263	(5,825,011)	(177,754)
Decrease in financial liabilities at fair value through profit or loss	(2,550,532)	(84,010)	(28,836,816)	(879,976)
(Decrease) increase in deferred income tax liabilities	(144,911)	(4,773)	2,902,255	88,564
Increase (decrease) in other financial liabilities	303,023	9,981	(8,015,650)	(244,603)
(Decrease) increase in other liabilities	(1,107,309)	(36,472)	11,321,484	345,483
<b>Net cash provided by operating activities</b>	<b>58,370,439</b>	<b>1,922,610</b>	<b>58,530,326</b>	<b>1,786,095</b>
<b>Cash flows from investing activities</b>				
(Increase) decrease in restricted assets	(90,000)	(2,964)	83,000	2,533
(Increase) decrease in loans	(47,383,866)	(1,560,733)	50,157,206	1,530,583
Decrease (increase) in due from the Central Bank and call loans to banks	4,541,493	149,588	(31,963,142)	(975,378)
(Increase) decrease in available-for-sale financial assets	(30,299,097)	(997,995)	9,717,434	296,534
Increase in held-to-maturity financial assets	(15,356,675)	(505,819)	(37,471,466)	(1,143,469)
Decrease in investments under equity method	72,766	2,397	70,918	2,164
Increase investments in real estate	(560,873)	(18,474)	(6,072,903)	(185,319)
Disposal (acquisition) of property and equipment	287,778	9,479	(940,659)	(28,705)
Increase in securities purchased under agreements to resell	(3,504,997)	(115,448)	(32,047,034)	(977,938)
Decrease (increase) in other financial assets	36,027,249	1,186,668	(47,149,583)	(1,438,803)
(Increase) decrease in other assets	(1,321,985)	(43,544)	920,013	28,075
<b>Net cash used in investing activities</b>	<b>(57,588,207)</b>	<b>(1,896,845)</b>	<b>(94,696,216)</b>	<b>(2,889,723)</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in due to the Central Bank and call loans from banks	2,888,908	95,155	(16,828,431)	(513,532)
(Decreases) increase in deposits	(3,064,115)	(100,926)	89,356,582	2,726,780
Increase (decrease) in securities sold under agreements to repurchase	13,478,375	443,952	(11,142,666)	(340,026)
Increase (decrease) in banker's acceptances and funds borrowed	2,868,099	94,470	(604,431)	(18,445)
Decrease in bonds payable	(3,279,144)	(108,009)	(3,671,172)	(112,028)
(Decrease) increase in other financial liabilities	(315,862)	(10,404)	26,288	802
(Decrease) increase in other liabilities	(1,875,968)	(61,791)	255,861	7,808
Cash dividends	(16,830)	(554)	(7,921)	(242)
Remuneration paid to directors and supervisors	(8,500)	(280)	-	-
Increase in minority stockholders	-	-	391,425	11,945
<b>Net cash provided by financing activities</b>	<b>10,674,963</b>	<b>351,613</b>	<b>57,775,535</b>	<b>1,763,062</b>
<b>Effects of exchange rate changes</b>	<b>(1,397,808)</b>	<b>(46,041)</b>	<b>(96,350)</b>	<b>(2,940)</b>
<b>Increase in cash and cash equivalents</b>	<b>10,059,387</b>	<b>331,337</b>	<b>21,513,295</b>	<b>656,494</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>381,587,302</b>	<b>12,568,752</b>	<b>400,986,802</b>	<b>12,236,399</b>
<b>Cash and cash equivalents at the end of period</b>	<b>\$391,646,689</b>	<b>\$12,900,089</b>	<b>\$422,500,097</b>	<b>\$12,892,893</b>
<b>Supplemental disclosure of cash flows information</b>				
Interest paid during the period (excluding capitalized interest)	\$9,978,270	\$328,665	\$7,022,984	\$214,311
Income tax paid	\$1,125,745	\$37,080	\$943,618	\$28,795

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2008 and 2009 were NTS30.36 and NTS32.77 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 Consolidated Financial Statements**  
**(Expressed in thousands of dollars except**  
**for share and per share data and unless otherwise stated)**  
**June 30, 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 June 30, 2008 and 2009, the total numbers of the employees of the Company and Subsidiaries were 41,634 and 42,941, respectively.

As of and for the six months ended June 30, 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	2008.6.30 Ownership interest	2009.6.30 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.

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Investor	Investee	Business	2008.6.30 Ownership interest	2009.6.30 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 board of directors resolved to merge with Cathay Venture, Cathay II Venture and Cathay Capital Management. Cathay Pacific Venture is the surviving company.

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

Investor	Investee	Business	2008.6.30 Ownership interest	2009.6.30 Ownership interest	Notes
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 board of directors resolved the merger with Cathay Pacific Venture. Cathay Venture merged with the surviving company Cathay Pacific Venture on August 10, 2009.
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. The board of directors resolved the merger with Cathay Pacific Venture. Cathay II Venture merged with the surviving company Cathay Pacific Venture on August 10, 2009.
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).

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Investor	Investee	Business	2008.6.30 Ownership interest	2009.6.30 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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**(Expressed in thousand of dollars except for share and per share date and unless otherwise stated)**

Investor	Investee	Business	2008.6.30 Ownership interest	2009.6.30 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 six months ended June 30, 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	2008.6.30 Ownership interest	2009.6.30 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. The board of directors resolved the merger with Cathay Pacific Venture. Cathay Capital Management merged with the surviving company Cathay Pacific Venture on August 10, 2009.

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

Investor	Investee	Business	2008.6.30 Ownership interest	2009.6.30 Ownership interest	Notes
Cathay life	Cathay Insurance (Bermuda) Co., Ltd. (“Cathay Insurance (Bermuda)”) )	Reinsurance	100.00%	100.00%	Cathay Insurance (Bermuda) was incorporated on January 24, 2000.
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:

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

*(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.
- 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.

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

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.

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 conformity 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 softwares 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 six 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 six 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) The interim financial statement*

The interim financial statements are prepared according to the ROC SFAS No. 23, “Interim Financial Reporting and Disclosures”.

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*(24) Translation to U.S. dollars*

The financial statements are stated in NT dollars. The translated U.S. dollars amounts from NT dollars as of June 30, 2008 and 2009 are for information only. The U.S. dollar/NT dollars noon buying rates of NT\$30.36 and NT\$32.77 provided by Federal Reserve Bank of New York of June 30, 2008 and 2009 are used for the translation.

**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\$11,253 (US\$371) and NT\$0.001 (US\$0), respectively, for the six months ended June 30, 2008.

**4. Cash and cash equivalents**

	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Petty cash and cash on hand	\$10,711,597	\$352,820	\$10,185,694	\$310,824
Cash in banks	13,972,138	460,216	13,494,124	411,783
Time deposits	356,329,703	11,736,815	357,628,654	10,913,294
Cash equivalents	3,100,402	102,121	30,368,027	926,702
Checks for clearance	3,283,658	108,157	3,148,330	96,074
Due from commercial banks	4,249,191	139,960	7,675,268	234,216
Total	<u>\$391,646,689</u>	<u>\$12,900,089</u>	<u>\$422,500,097</u>	<u>\$12,892,893</u>

As of June 30, 2008 and 2009, the amounts of time deposits with maturities beyond one year were NT\$1,166,983 (US\$38,438) thousands and NT\$2,377,980 (US\$72,566) thousands, respectively.

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**5. Financial assets at fair value through profit or loss**

	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Common stock	\$13,453,281	\$443,125	\$4,427,122	\$135,097
Beneficiary certificates	11,042,026	363,703	51,234,632	1,563,461
Exchange traded funds	169,362	5,578	25,596	781
Real estate investment trust	649,750	21,402	616,750	18,821
Commercial papers	8,263,157	272,173	3,764,563	114,878
Corporate bonds	4,642,848	152,927	16,614,702	507,009
Government bonds	17,756,386	584,861	1,087,097	33,174
Treasury bills	491,324	16,183	32,684,360	997,387
CDs Issued by CBC	9,961	328	2,727	83
Overseas financial instruments	49,880,742	1,642,976	12,908,892	393,924
Derivative financial instruments	49,101	1,617	159,409	4,864
Margin for futures trading-own funds	-	-	30,109	919
Structured time deposits	2,000,000	65,876	1,000,000	30,516
Valuation adjustment	18,587,522	612,237	19,691,947	600,914
Total	<u>\$126,995,460</u>	<u>\$4,182,986</u>	<u>\$144,247,906</u>	<u>\$4,401,828</u>

(1) As of June 30, 2008 and 2009, certain financial assets at fair value through profit or loss were sold under repurchase agreements with notional amounts of NT\$6,551,900 (US\$215,807) thousands and NT\$3,405,400 (US\$103,918) thousands, respectively. Such repurchase agreements amounting to NT\$6,532,399 (US\$215,165) thousands and NT\$3,791,562 (US\$115,702) thousands, respectively, were recorded in the account "Securities sold under agreements to repurchase" on the balance sheets. Repurchase agreements entered prior to June 30, 2008 and 2009 are settled at NT\$6,536,093 (US\$215,286) thousands and NT\$3,792,820 (US\$115,741) thousands prior to August 30, 2008 and September 30, 2009, respectively.

(2) Please refer to Note 29 for related information on the above financial assets at fair value through profit or loss as of June 30, 2008 and 2009 being pledged as collaterals.

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**6. Loans-net**

	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Inward-outward documentary bills	\$488,270	\$16,083	\$135,980	\$4,150
Loans	1,357,332,833	44,707,932	1,314,984,572	40,127,695
Overdrafts	434,422	14,309	541,147	16,513
Delinquent accounts	6,191,429	203,934	7,097,691	216,591
Subtotal	1,364,446,954	44,942,258	1,322,759,390	40,364,949
Less: Allowance for bad debts	(11,414,202)	(375,962)	(9,979,888)	(304,543)
Total	<u>\$1,353,032,752</u>	<u>\$44,566,296</u>	<u>\$1,312,779,502</u>	<u>\$40,060,406</u>

**7. Available-for-sale financial assets-net**

	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Common stock	\$113,688,105	\$3,744,668	\$109,113,143	\$3,329,666
Beneficiary certificates	957,632	31,543	295,521	9,018
Collateralized loans obligation and collateralized bonds obligation	5,361,542	176,599	2,535,588	77,375
Exchange traded funds	4,142,211	136,436	3,688,539	112,558
Government bonds	87,309,485	2,875,806	125,732,009	3,836,802
Corporate bonds	16,141,315	531,664	57,540,501	1,755,890
Financial debentures	181,061,350	5,963,813	136,082,566	4,152,657
Overseas financial instruments	80,565,765	2,653,681	89,762,410	2,739,164
Real estate investment trust beneficiary	9,399,053	309,587	9,374,235	286,061
Accumulated impairments	-	-	(507,518)	(15,487)
Valuation adjustment	(13,742,025)	(452,636)	(18,924,195)	(577,485)
Total	<u>\$484,884,433</u>	<u>\$15,971,161</u>	<u>\$514,692,799</u>	<u>\$15,706,219</u>

(1) As of June 30, 2008 and 2009, certain available-for-sale financial assets were sold under repurchase agreements with notional amounts of NT\$19,664,000 (US\$647,694) thousands and NT\$4,833,300 (US\$147,492) thousands. Such repurchase agreements amounting to NT\$21,581,399 (US\$710,850) thousands and NT\$5,366,412 (US\$163,760) thousands were recorded in the account "Securities sold under agreements to repurchase" on the balance sheets. Repurchase agreements entered prior to June 30, 2008 and 2009 are settled at NT\$21,617,841 (US\$712,050) thousands and NT\$5,366,858 (US\$163,774) thousands prior to December 31, 2008 and August 31, 2009, respectively.

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- (2) Please refer to Note 29 for related information on the above available-for-sale financial assets as of June 31, 2008 and 2009 being pledged as collaterals.
- (3) The issuers of certain overseas financial instrument were taken over by the government or defaulted in payment. In view of the aforesaid incidents, management of Cathay United Bank has provided an impairment loss of NT\$507,518 (US\$16,717) against the book of the available for sales financial assets for the six-month period ended June 30 2008.

**8. Held-to-maturity financial assets-net**

	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Government bonds	\$18,666,441	\$614,837	\$97,245,772	\$2,967,524
Corporate bonds	3,969,814	130,758	4,381,869	133,716
Financial debentures	12,597,202	414,928	10,274,641	313,538
Overseas financial instruments	548,863,022	18,078,492	567,540,588	17,318,907
Collateralized loans obligation and collateralized bonds obligation	19,480,199	641,640	10,090,785	307,928
Short-term notes	-	-	1,331,560	40,633
Subtotal	603,576,678	19,880,655	690,865,215	21,082,246
Less: Accumulated impairment	-	-	(164,080)	(5,007)
Total	<u>\$603,576,678</u>	<u>\$19,880,655</u>	<u>\$690,701,135</u>	<u>\$21,077,239</u>

- (1) As of June 30, 2009, Cathay Life recognized impairment losses amounting to NT\$164,080 (US\$5,007) thousands. Due to the events of default of CDO's underlying assets.
- (2) Please refer to Note 29 for related information on the above held-to-maturity financial assets as of June 30, 2008 and 2009 being pledged as collaterals.

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**9. Investments under equity method**

Investee	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Consulting	\$135,529	\$4,464	\$122,464	\$3,737
Cathay Capital Management	39,527	1,302	38,858	1,186
Seaward Card	37,561	1,237	38,015	1,160
Cathay Property Insurance Agent	7,396	244	36,853	1,125
Cathay Life Insurance Agent	32,797	1,080	7,416	226
Cathay Insurance (Bermuda)	84,741	2,791	96,318	2,939
WK Technology Fund VI Co., Ltd	354,152	11,665	337,885	10,311
Vista Technology Venture Capital Corp.	55,379	1,824	44,805	1,367
Omnitek Venture Capital Corp.	183,378	6,040	77,715	2,372
Wa Tech Venture Capital Co., Ltd.	134,851	4,442	83,771	2,556
Taiwan Real-estate Management Corp.	43,660	1,438	49,513	1,511
Taiwan Finance Corp.	1,284,883	42,321	1,416,081	43,213
IBT Venture Capital Corp.	272,988	8,992	217,405	6,634
Cathay Securities Investment Trust Co., Ltd.	335,078	11,037	315,184	9,618
Subtotal	3,001,920	98,877	2,882,283	87,955
Less: Unrealized gain from intercompany transactions	(415,680)	(13,691)	(415,680)	(12,685)
Total	\$2,586,240	\$85,186	\$2,466,603	\$75,270

**10. Other financial assets-net**

Item	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Derivative financial assets for hedging	\$275,763	\$9,083	\$2,833,936	\$86,480
Financial assets carried at cost	26,922,840	886,787	26,554,604	810,333
Structured time deposits	26,432,315	870,630	19,300,000	588,953
Customer's margin accounts	1,792,916	59,055	1,085,925	33,138
Other miscellaneous financial assets	1,280,093	42,164	4,019,456	122,656
Accumulated impairment	(1,820,740)	(59,972)	(1,867,230)	(56,980)
Total	\$54,883,187	\$1,807,747	\$51,926,691	\$1,584,580

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- (1) An impairment provision is recognized as the stocks held by Cathay Life are assessed to be over-valued. As of June 30, 2008 and 2009 Cathay Life recognized impairment losses amounting to NT\$1,204,105 (US\$39,661) thousands and NT\$1,302,285 (US\$39,740) thousands, respectively, due to objective evidence of impairment of its investees.
- (2) Due to the recurring losses incurred by Kaohsiung Rapid Transit Corp., Taipei Financial Center Corp., New Century InfoComm Co., Ltd., Strategic Value Fund, Limited Partnership, Victor Taichung Machinery Works Co., Ltd., Cathay United Bank has recognized losses for these investees based on their net equity.

**11. Investments in debt securities with no active market**

	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Preferred stocks	\$549,730	\$18,107	\$899,730	\$27,456
Bonds	15,843,552	521,856	14,895,586	454,550
Beneficiary certificates	935,000	30,797	400,000	12,206
Overseas financial instruments	64,059,460	2,109,996	160,334,310	4,892,716
Subtotal	81,387,742	2,680,756	176,529,626	5,386,928
Less: accumulated impairment	(271,625)	(8,947)	(3,102,173)	(94,665)
Net balance	<u>\$81,116,117</u>	<u>\$2,671,809</u>	<u>\$173,427,453</u>	<u>\$5,292,263</u>

- (1) A CDO impairment provision is recognized as the overseas bonds held by Cathay Life are assessed to be over-valued. As of June 30, 2009, Cathay Life recognized impairment losses amounting to NT\$426,634 (US\$13,019) thousands.
- (2) Due to the credit deterioration of securitization and financial debentures, Cathay United Bank has recognized impairment loss NT\$124,040 (US\$4,059) and NT\$2,530,319 (US\$77,214) for the six months ended June 30, 2008 and 2009, respectively.

Due to the default on conversable bonds, Cathay United Bank has recognized impairment losses.

- (3) Please refer to Note 29 for related information on the above investments in debt securities with no active market as of June 30, 2008 and 2009 being pledged as collaterals.

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**12. Investments in real estate**

June 30, 2008										
Item	Cost		Revaluation increment		Accumulated depreciation		Accumulated impairment		Net value	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Investments in										
real estate	\$121,451,266	\$4,000,371	\$4,370	\$144	\$(16,272,599)	\$(535,988)	\$(195,923)	\$(6,453)	\$104,987,114	\$3,458,074
Construction	1,665,652	54,863	-	-	-	-	-	-	1,665,652	54,863
<b>Total</b>	<b>\$123,116,918</b>	<b>\$4,055,234</b>	<b>\$4,370</b>	<b>\$144</b>	<b>\$(16,272,599)</b>	<b>\$(535,988)</b>	<b>\$(195,923)</b>	<b>\$(6,453)</b>	<b>\$106,652,766</b>	<b>\$3,512,937</b>

June 30, 2009										
Item	Cost		Revaluation increment		Accumulated depreciation		Accumulated impairment		Net value	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Investments in										
real estate	\$130,058,488	\$3,968,828	\$4,712	\$144	\$(17,858,102)	\$(544,953)	\$(195,594)	\$(5,969)	\$112,009,504	\$3,418,050
Construction	2,503,700	76,402	-	-	-	-	-	-	2,503,700	76,402
Lease	153,970	4,699	-	-	(3,287)	(100)	-	-	150,683	4,599
<b>Total</b>	<b>\$132,716,158</b>	<b>\$4,049,929</b>	<b>\$4,712</b>	<b>\$144</b>	<b>\$(17,861,389)</b>	<b>\$(545,053)</b>	<b>\$(195,594)</b>	<b>\$(5,969)</b>	<b>\$114,663,887</b>	<b>\$3,499,051</b>

- (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 June 30, 2008 and 2009.

**13. Financial assets securitization**

During 2007, Cathay United Bank securitized a collateralized loans obligation (CLO) with a carrying value of NT\$5,446,335 (US\$166,199) 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:

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Class of beneficiary certificates issued	Issue amount (in thousands of dollars)	Interest rate
Senior tranche 1 <sup>st</sup>	NT\$3,335,000(US\$101,770)	2.175%
Senior tranche 2 <sup>nd</sup>	NT\$315,000(US\$9,612)	2.325%
Senior tranche 3 <sup>rd</sup>	NT\$340,000(US\$10,375)	2.545%
Senior tranche 4 <sup>th</sup>	NT\$480,000(US\$14,648)	2.945%
Subordinated tranche 5 <sup>th</sup>	NT\$200,000(US\$6,103)	3.00%
Subordinated tranche 6 <sup>th</sup>	NT\$200,000(US\$6,103)	3.20%
Subordinated tranche 7 <sup>th</sup>	NT\$576,335(US\$17,587)	-

Cathay United Bank holds the subordinated beneficiary certificates amounting to NT\$976,335 (US\$29,794) 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.

(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 June 30, 2008 and 2009, respectively, were as follows:

	Corporate Loans Securitization	
	June 30, 2008	June 30, 2009
Expected weighted-average life (in years)	1.051	0.481
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 June 30, 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:

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	June 30, 2008		June 30, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Carrying amount of retained interests	\$976,335	\$32,159	\$973,720	\$29,714
Expected weighted-average life (in years)	1.051	1.051	0.481	0.481
Expected prepayment rate (annual rate)	3%	3%	3%	3%
Impact on fair value with 10% adverse change	(2,008)	(66)	(2,481)	(76)
Impact on fair value with 20% adverse change	(2,037)	(67)	(3,098)	(95)
Expected credit losses (annual rate)	3.71%	3.71%	3.71%	3.71%
Impact on fair value with 10% adverse change	(12,181)	(401)	(2,925)	(89)
Impact on fair value with 20% adverse change	(13,798)	(454)	(3,346)	(102)
Discounting rate for residual cash flows (annual rate)	2.49%	2.49%	2.49%	2.49%
Impact on fair value with 10% adverse change	(4,911)	(162)	(2,586)	(79)
Impact on fair value with 20% adverse change	(9,796)	(323)	(5,166)	(158)

(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.

(4) Cash flows:

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

	January 1~June 30,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Servicing fees received	\$120	\$4	\$120	\$4
Other cash received on retained interests	14,842	489	12,314	376
Repayment of cash reserve	5,155	170	2,474	75

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**14. Goodwill and intangible assets-net**

Item	January 1, 2008		Increase		Decrease		June 30, 2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Acquired cost								
Goodwill	\$6,537,374	\$215,328	\$141,997 (Note)	\$4,677	\$(6,288) (Note)	\$(207)	\$6,673,083	\$219,798
Computer								
software	2,093,333	68,951	409,037	13,473	(166,211)	(5,475)	2,366,159	76,949
Land use right	19,630	647	-	-	-	-	19,630	647
Subtotal	8,650,337	284,926	551,034	18,150	(172,499)	(5,682)	9,028,872	297,394
Amortization and impairment								
Amortized	(1,070,670)	(35,266)	(210,504)	(6,934)	26,418	870	(1,254,756)	(41,330)
Impairment	(147,141)	(4,847)	-	-	146,081	4,812	(1,060)	(35)
Subtotal	(1,217,811)	(40,113)	(210,504)	(6,934)	172,499	5,682	(1,255,816)	(41,365)
Book value	<u>\$7,432,526</u>	<u>\$244,813</u>	<u>\$340,530</u>	<u>\$11,216</u>	<u>\$-</u>	<u>\$-</u>	<u>\$7,773,056</u>	<u>\$256,029</u>
Item	January 1, 2009		Increase		Decrease		June 30, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Acquired cost								
Goodwill	\$6,673,084	\$203,634	\$-	\$-	\$-	\$-	\$6,673,084	\$203,634
Computer								
software	2,567,375	75,345	133,742	4,081	(110,366)	(3,368)	2,590,751	79,058
Land use right	19,630	599	202	6	-	-	19,832	605
Subtotal	9,260,089	282,578	133,944	4,087	(110,366)	(3,368)	9,282,667	283,297
Amortization and impairment								
Amortized	(1,469,517)	(44,843)	(180,058)	(5,495)	108,681	3,317	(1,540,894)	(47,021)
Book value	<u>\$7,790,572</u>	<u>\$237,735</u>	<u>\$46,114</u>	<u>\$(1,408)</u>	<u>\$(1,685)</u>	<u>\$(51)</u>	<u>\$7,742,773</u>	<u>\$236,276</u>

Note: Adjustment of the fair value during the purchase price allocation period.

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

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**15. Commercial paper payable**

	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Commercial paper payable	\$-	\$-	\$130,000	\$3,967
Less: Discount on commercial paper payable	-	-	-	-
Total	\$-	\$-	\$130,000	\$3,967

As of June 30, 2009, the average interest rate for the commercial paper payable was 0.681% annually.

**16. Financial liabilities at fair value through profit or loss**

	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Derivative financial instruments	\$130,987	\$4,314	\$220,547	\$6,730
Financial debentures	39,700,000	1,307,642	27,000,000	823,924
Subordinated financial debentures	-	-	5,000,000	152,579
Security lending payable hedging	-	-	25,104	766
Valuation adjustment	17,645,005	581,193	11,947,665	364,591
Total	\$57,475,992	\$1,893,149	\$44,193,316	\$1,348,590

(1) On September 19, 2008 and October 27, 2008, Cathay United Bank issued seven-year subordinated financial debentures totaling NT\$2,200,000 (US\$67,135) thousands and NT\$2,800,000 (US\$85,444) thousands, with fixed interest rates. These subordinated financial debentures are repaid at maturity, and the interest is paid quarterly.

(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.

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- (3) On June 20, 2003, Cathay United Bank issued five-year and six-month dominant financial debentures amounting to NT\$5,000,000 (US\$152,579) 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\$97,650) thousands, NT\$2,700,000 (US\$82,392) thousands and NT\$1,800,000 (US\$54,928) 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\$61,031) 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\$30,516) thousands, NT\$3,500,000 (US\$106,805) thousands, NT\$2,000,000 (US\$61,031) thousands, and NT\$1,000,000 (US\$30,516) 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\$76,289) thousands, NT\$1,500,000 (US\$45,774) thousands, NT\$1,500,000 (US\$45,774) thousands, NT\$2,500,000 (US\$76,289) thousands, NT\$1,500,000 (US\$45,774) thousands, NT\$2,500,000 (US\$76,289) thousands, NT\$1,000,000 (US\$30,516) thousands and NT\$1,000,000 (US\$30,516) thousands, NT\$2,000,000 (US\$61,031) thousands, NT\$1,500,000 (US\$45,774) 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.

## 17. Deposits

	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Check deposits	\$11,615,072	\$382,578	\$11,504,074	\$351,055
Demand deposits	111,763,933	3,681,289	166,040,477	5,066,844
Savings deposits	348,079,301	11,465,063	387,750,596	11,832,487
Time deposits	540,869,277	17,815,193	613,743,332	18,728,817
Outward remittances	6,769,407	222,971	255,072	7,784
Remittances payable	534,211	17,596	463,305	14,138
Total	<u>\$1,019,631,201</u>	<u>\$33,584,690</u>	<u>\$1,179,756,856</u>	<u>\$36,001,125</u>

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**18. Bonds payable**

	June 30,			
	<u>2008(NT\$)</u>	<u>2008(US\$)</u>	<u>2009(NT\$)</u>	<u>2009(US\$)</u>
Subordinated bond payable-net	\$-	\$-	\$20,000,000	\$610,314
Subordinated financial debentures	15,177,000	499,901	14,393,957	439,242
Discount in financial debentures	(85,365)	(2,812)	(53,645)	(1,637)
Valuation adjustment	181,058	5,964	854,494	26,076
Total	<u>\$15,272,693</u>	<u>\$503,053</u>	<u>\$35,194,806</u>	<u>\$1,073,995</u>

- (1) On April 28, 2003, Cathay United Bank issued a five-year subordinated financial debentures totaling NT\$2,350,000 (US\$71,712) 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 semiannually. Cathay United Bank can redeem the bond after 10 years by exercising the call option. Cathay United Bank has redeemed US\$172,620 principal amount of the bonds on May 12, 2009 and recognized gain in the amount of NT\$430,023(US\$13,122) which was included in other noninterest income. Cathay United Bank has adopted hedge accounting to account for its remaining subordinated financial debentures.
- (3) On December 8, 2008, the Company issued a seven-year subordinated bond totaling NT\$20,000,000 (US\$658,762) 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.

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**19. Reserve for operations and liabilities**

	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Reserve for insurance business	\$2,012,140,666	\$66,276,043	\$2,188,825,065	\$66,793,563
Reserves for losses on guarantees	28,402	936	24,892	760
Reserves for losses on stock brokerage transactions	36,264	1,195	46,670	1,424
Reserves for losses on trading securities	268,791	8,853	280,609	8,563
Total	<u>\$2,012,474,123</u>	<u>\$66,287,027</u>	<u>\$2,189,177,236</u>	<u>\$66,804,310</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.

(2) Special reserve

A. Catastrophe reserve :

- a. Addition: Catastrophe reserve should be accrued based on respective reserve rates of various insurance product categories.

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- 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.
- 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”.

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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”.

(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.

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**20. Other financial liabilities**

	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Derivative financial liabilities for hedging	\$538,210	\$17,728	\$202,616	\$6,183
Borrowed funds	282,509	9,305	250,906	7,656
Other miscellaneous financial liabilities	25,064	826	90,238	2,754
Total	<u>\$845,783</u>	<u>\$27,859</u>	<u>\$543,760</u>	<u>\$16,593</u>

**21. Common stock**

- (1) As of June 30, 2008 and 2009, the authorized share capital amounted NT\$120,000,000 (US\$3,661,886) thousands, and the issued share capital amounted NT\$92,770,192 (US\$3,055,672) thousands and NT\$97,375,372 (US\$2,971,479) thousands, respectively.
- (2) The recapitalization of undistributed earnings of NT\$4,605,180 (US\$151,686) thousand by issuing 460,518 thousand shares with par value of NT\$10 (US\$0.33) 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).

**22. 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\$2,699,974) and NT\$81,703,998 (US\$2,493,256) thousands as of June 30, 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\$8,802) and NT\$0 (US\$0) thousands were included in the capital surplus as of June 30, 2008 and 2009, respectively.

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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.

### **23. 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) Special reserve**

In accordance with SFB regulations, in addition to the legal reserve retained, the Company should provide a special reserve of equal amount for any current year shareholders' equity contra account (such as unrealized losses of financial instruments, cumulative conversion adjustments, and net loss not yet recognized as net pension cost, etc.) from the current year's earnings after tax or prior years' unappropriated earnings. However, the special reserve of equal amounts for prior years' accumulated shareholders' equity contra accounts should only be provided from prior years' unappropriated earnings. If a reversal of shareholders' equity contra account occurs, the reversed portion of the special reserve could be distributed.

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(3) 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 aforementioned items must be appropriated in accordance with the resolutions passed at the shareholders' meeting.

B. On June 19, 2009, the shareholders' meeting resolved the distribution of earnings for the year ended December 31, 2008. After the appropriations of legal reserve and special reserve, there is not remainder to be appropriated as cash dividends and bonuses.

C. On June 13, 2008, the shareholders' meeting resolved the distribution of earnings of NT\$3.0 (US\$0.09) 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.

D. The Company is required to pay 10% surtax in the forthcoming tax year for undistributed earnings.

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.

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- H. The accrual of employee bonus and remuneration of directors for the half year of 2009 was NT\$14,596 (US\$445) based on the average of actual distribution in the past three years or the net income after tax for the half year of 2009 and was recognized as operating costs or expenses. The difference between actual distribution and estimated amount will be recognized in 2010 fiscal year.
- I. The accrual of employee bonus and remuneration of directors for the half year of 2008 was NT\$11,253 (US\$371) based on the average of actual distribution in the past three years or the net income after tax for the half year of 2008 and recognized as operating costs or expenses. The difference between actual distribution and estimated amount will be recognized in 2009 fiscal year.
- J. The shareholders' meeting resolved the appropriation of legal reserve and special reserve amounting NT\$219,623 (US\$6,702) and NT\$7,107,732 (US\$216,898), respectively, for the year ended December 31, 2008. After earnings fully distributed to legal reserve and special reserve, there is no remainder to be distributed. For related information, please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.

**24. Treasury stock**

The following is a summary of the movement of treasury stock as of June 30, 2008 and 2009:

		June 30, 2008									
		In thousands of shares				Book value		Book value per share		Market value per share	
Reason for acquisition	January 1, 2008	Increase	Decrease	June 30, 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	\$136,365	\$62.11	\$2.05	\$66.00	\$2.17	
		June 30, 2009									
		In thousands of shares				Book value		Book value per share		Market value per share	
Reason for acquisition	January 1, 2009	Increase	Decrease	June 30, 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	\$126,337	\$62.11	\$1.90	\$48.55	\$1.48	

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**25. Operating Expense**

For the six month ended June 30, 2008 and 2009, personnel expense, depreciation and amortizations are summarized below:

	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Personnel expenses	\$19,527,979	\$643,214	\$19,695,086	\$601,010
Salary and wages	16,921,984	557,377	16,944,692	517,079
Labor & health insurance expenses	1,076,623	35,462	1,172,923	35,793
Pension expenses	664,267	21,880	691,684	21,107
Other expenses	865,105	28,495	885,787	27,031
Depreciation	1,635,174	53,859	1,757,036	53,617
Amortization	209,170	6,890	181,450	5,537

**26. Estimated income taxes**

(1) Income tax expenses include the following:

	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Adjusted income tax calculates on accounting income	\$2,187,201	\$72,042	\$667,478	\$20,369
Plus (Less): Tax of interest income on a separate basis	127,495	4,199	97,518	2,976
Extra 10% income tax on undistributed retained earning	12,394	408	8,716	266
Alternative minimum tax payable	711,483	23,435	-	-
Withholding tax for overseas investments	(21,033)	(693)	(29,548)	(902)
Tax effects under consolidated income tax	(114,880)	(3,784)	17,657	539
Deferred income tax (benefits) expense	(7,646,274)	(251,853)	6,645,763	202,800
Adjustment of income tax	20,558	677	288,653	8,808
Income tax credit	(7,937)	(261)	(5,952)	(182)
Operating loss carry-forward	(2,392)	(79)	(7,178,333)	(219,052)
Effects of tax rate change on deferred tax assets / liabilities	-	-	1,684,306	51,398
Other	-	-	117,171	3,576
Total income tax (benefits) expenses	<u>\$(4,733,385)</u>	<u>\$(155,909)</u>	<u>\$2,313,429</u>	<u>\$70,596</u>

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

	June 30,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Total deferred tax assets	\$19,403,765	\$639,123	\$13,527,006	\$412,786
Total deferred tax liabilities	\$2,719,388	\$89,571	\$4,360,954	\$133,078
Allowance for deferred assets	\$939,785	\$30,955	\$715,120	\$21,822

	June 30,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Temporary differences:				
Pension expense	\$1,399,671	\$46,102	\$1,450,585	\$44,266
Unrealized exchange losses (gains)	44,505,759	1,465,934	(5,800,937)	(177,020)
Gains from valuation on financial assets and liabilities	(4,468,649)	(147,189)	(6,564,049)	(200,307)
Allowance for bad debts	4,631,991	152,569	1,844,912	57,520
Operating loss carry-forward	8,936,886	294,364	50,826,886	1,551,019
Other difference	720,220	23,723	1,125,784	34,354
Total	\$55,725,878	\$1,835,503	\$42,923,181	\$1,309,832

	June 30,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Tax effect under consolidated income tax system	\$2,090,014	\$68,841	\$94,874	\$2,895
Deferred income tax assets of foreign branches	\$83,831	\$2,761	\$102,434	\$3,126
Investment tax credit	\$4,443	\$146	\$38,253	\$1,167

	June 30,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Deferred tax assets	\$19,403,765	\$639,123	\$13,527,006	\$412,786
Allowance for deferred tax assets	(939,785)	(30,955)	(715,120)	(21,822)
Net deferred tax assets	18,463,980	608,168	12,811,886	390,964
Deferred tax liabilities	(2,719,388)	(89,571)	(4,360,954)	(133,078)
Net offset balance of deferred tax assets	\$15,744,592	\$518,597	\$8,450,932	\$257,886

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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.

Pursuant to the amended “Income tax Act” issued on May 27, 2009, the applicable income tax rate will be changed to 20% effective from January 2010.

(3)Income tax returns:

	June 30, 2009	
	Income tax returns examined by tax authorities	Notes
The Company	through 2005	The Company filed applications for re-examination of 2002, 2003, 2004 and 2005 tax returns.
Cathay Life	through 2005	Cathay Life filed applications for re-examination of 2002 and 2003 tax returns. Cathy Life will file applications fore-examination for fiscal years of 2004 and 2005.
Cathay United Bank	through 2005	-
Cathay Century	through 2005	Cathay Century filed applications for re-examination of 2004 and 2005 tax return.
Cathay Securities	through 2005	-
Cathay Pacific Venture	through 2005	-
Symphox Information	through 2007	-
Cathay Futures	through 2007	-
Cathay Venture	through 2006	-
Cathay II Venture	through 2005	-

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(4) Information related to imputation credit account:

A. Balance of imputation credit account

	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
The Company	\$4,617,807	\$152,102	\$615,548	\$18,784
Cathay Life	61,734	2,033	1,139,060	34,759
Cathay United Bank	58,753	1,935	156,791	4,785
Cathay Century	1,460	48	10,201	311
Cathay Securities	6,049	199	8,000	244
Cathay Pacific Venture	209	7	1,004	31
Cathay Venture	9,408	310	20,243	618
Cathay II Venture	9,702	320	13,527	413
Cathay Futures	15,244	502	12,229	373
Symphox Information	-	-	9,575	292

B. Imputation ratio

	For the six months ended June 30,	
	2008	2009
	Actual	Actual
The Company-cash dividends	12.98%	8.70%
The Company-stock dividends	12.99%	-
Cathay Life	5.62%	-
Cathay United Bank	9.78%	3.51%
Cathay Century	1.61%	2.55%
Cathay Securities	15.18%	-
Cathay Pacific Venture	0.99%	-
Cathay Venture	19.45%	-
Cathay II Venture	5.45%	7.28%
Cathay Futures	33.33%	33.33%
Symphox Information	-	33.33%

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(5) Information relating of undistributed retained earnings:

Year	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Prior to 1997	\$267,215	\$8,801	\$-	\$-
After 1998	4,863,911	160,208	-	-
Total	\$5,131,126	\$169,009	\$-	\$-

A. Net income for the six months ended June 30, 2008 and 2009 were excluded from the undistributed earnings after 1998.

B. 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.

**27. Earnings per share**

	For the six months ended June 30, 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 losses	\$ (6,914,759)	\$ (227,759)	\$ (2,181,374)	\$ (71,850)	9,670,877	\$ (0.72)	\$ (0.02)	\$ (0.23)	\$ (0.01)

	For the six months ended June 30, 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	\$ 7,697,710	\$ 234,901	\$ 5,384,281	\$ 164,305	9,670,877	\$ 0.80	\$ 0.02	\$ 0.56	\$ 0.02

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**28. 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	Subsidiary of the Company (merged with Cathay Pacific Venture on August 10, 2009)
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:

A. Call loans to banks

Name	For the six months ended June 30,							
	2008				2009			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Vietinbank	\$460,345	\$15,163	\$2,414	\$80	\$4,816	\$147	\$25	\$1

B. Financial assets at fair value through profit or loss

Name	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$7,750,015	\$255,271	\$4,709,050	\$143,700

C. Receivables

Name	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	\$16,566	\$546	\$25,330	\$773
Cathay Capital Management	-	-	5,770	176
Total	\$16,566	\$546	\$31,100	\$949

D. Loans

Name	For the six months ended June 30, 2008			
	Ending Balance	Ending Balance	Interest Revenue	Interest Revenue
	(NT\$)	(US\$)	(NT\$)	(US\$)
Seaward Leasing Ltd.	\$2,942,280	\$96,913	\$33,194	\$1,093
Taiwan Real-estate Management Corp.	109,000	3,590	1,579	52
Cathay General Hospital	4,602,505	151,598	84,748	2,791
Other related parties	671,870	22,130	9,275	306
Total	\$8,325,655	\$274,231	\$128,796	\$4,242

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Name	For the six months ended June 30, 2009			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Revenue (NT\$)	Interest Revenue (US\$)
Seaward Leasing Ltd.	\$1,760,000	\$53,708	\$10,503	\$321
Taiwan Real-estate Management Corp.	104,000	3,174	1,048	32
Cathay General Hospital	4,396,170	134,152	59,020	1,801
Other related parties	516,377	15,757	4,131	126
Total	<u>\$6,776,547</u>	<u>\$206,791</u>	<u>\$74,702</u>	<u>\$2,280</u>

E. Available-for-sale financial assets

Name	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$249,897</u>	<u>\$8,231</u>	<u>\$224,910</u>	<u>\$6,863</u>

F. Deposit

Name	For the six months ended June 30, 2008			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Expense (NT\$)	Interest Expense (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$539,871	\$17,782	\$8,814	\$290
Cathay Real Estate Development Co., Ltd.	81,761	2,693	104	4
Cathay Bond Fund etc.	7,010,121	230,900	89,549	2,950
Other related parties	4,217,988	138,933	28,302	932
Total	<u>\$11,849,741</u>	<u>\$390,308</u>	<u>\$126,769</u>	<u>\$4,176</u>

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Name	For the six months ended June 30, 2009			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Expense (NT\$)	Interest Expense (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$327,343	\$9,989	\$2,889	\$88
Cathay Real Estate Development Co., Ltd.	156,097	4,763	33	1
Cathay Bond Fund etc.	11,156,072	340,436	50,073	1,528
Other related parties	4,821,558	147,133	26,534	810
Total	<u>\$16,461,070</u>	<u>\$502,321</u>	<u>\$79,529</u>	<u>\$2,427</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	Item	For the six months ended June 30, 2008	
		(NT\$)	(US\$)
Lin Yuan Property Management Co., Ltd.	International Building etc.	<u>\$112,809</u>	<u>\$3,716</u>

  

Name	Item	For the six months ended June 30, 2009	
		(NT\$)	(US\$)
Lin Yuan Property Management Co., Ltd.	International Building etc.	\$57,264	\$1,748
San Ching Engineering Co., Ltd.	Cathay Land Mark et.	<u>13,344</u>	<u>407</u>
Total		<u>\$70,608</u>	<u>\$2,155</u>

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

Name	Rental income			
	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Real Estate Development Co., Ltd.	\$8,733	\$288	\$11,036	\$337
Cathay General Hospital	85,174	2,805	87,568	2,672
Cathay Securities Investment Trust Co., Ltd.	8,892	293	11,131	340
San Ching Engineering Co., Ltd.	4,265	140	4,908	150
Cathay Securities Investment Consulting	-	-	4,593	140
Total	<u>\$107,064</u>	<u>\$3,526</u>	<u>\$119,236</u>	<u>\$3,639</u>

Name	Guarantee deposits in			
	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Real Estate Development Co., Ltd.	\$4,886	\$161	\$4,886	\$149
Cathay General Hospital	10,991	362	11,097	339
Cathay Securities Investment Trust Co., Ltd.	4,234	139	4,948	151
Total	<u>\$20,111</u>	<u>\$662</u>	<u>\$20,931</u>	<u>\$639</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 six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Real Estate Development Co., Ltd.	\$20,900	\$689	\$20,875	\$637
Seaward Leasing Ltd.	7,206	237	7,680	234
Total	<u>\$28,106</u>	<u>\$926</u>	<u>\$28,555</u>	<u>\$871</u>

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Name	Guarantee deposits paid			
	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Real Estate Development Co., Ltd.	\$8,779	\$289	\$8,779	\$268
Seaward Leasing Ltd.	33,395	1,100	11,590	354
<b>Total</b>	<b>\$42,174</b>	<b>\$1,389</b>	<b>\$20,369</b>	<b>\$622</b>

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

H. Due to Central Bank and call loans from banks

Name	For the six months ended June 30, 2008			
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
	(NT\$)	(NT\$)	(US\$)	(US\$)
Vietinbank	\$505,471	\$3,552	\$16,649	\$117

There is no significant related parties transactions for the six months ended June 30, 2009.

I. Securities sold under agreements to repurchase

Name	June 30,			
	Ending balance			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Wan Pao Development Co., Ltd.	\$646,779	\$21,304	\$-	\$-
Cathay Securities Investment Trust Co., Ltd.	-	-	88,001	2,685
Other related parties	1,409,757	46,434	557,931	17,026
<b>Total</b>	<b>\$2,056,536</b>	<b>\$67,738</b>	<b>\$645,932</b>	<b>\$19,711</b>

Name	For the six months ended June 30,			
	Interest expenses			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Wan Pao Development Co., Ltd.	\$4,353	\$143	\$-	\$-
Cathay Securities Investment Trust Co., Ltd.	-	-	57	2
Other related parties	17,224	568	517	16
<b>Total</b>	<b>\$21,577</b>	<b>\$711</b>	<b>\$574</b>	<b>\$18</b>

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J. Payables

Name	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Seaward Card	\$32,817	\$1,081	\$15,366	\$469
Lin Yuan Property Management Co., Ltd.	36,848	1,214	9,351	285
San Ching Engineering Co., Ltd.	5,056	167	15,215	464
Cathay Securities Investment Consulting	5,670	187	-	-
Cathay Capital Management	-	-	3,750	115
Vietinbank	129,005	4,249	164,090	5,007
Total	<u>\$209,396</u>	<u>\$6,898</u>	<u>\$207,772</u>	<u>\$6,340</u>

K. Net commission and handling fees

a. Handling fees income

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$10,503</u>	<u>\$346</u>	<u>\$8,968</u>	<u>\$274</u>

b. Reinsurance handling fee paid

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	<u>\$5,097</u>	<u>\$168</u>	<u>\$4,695</u>	<u>\$143</u>

c. Commissions expense

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life Insurance Agent	<u>\$9,746</u>	<u>\$321</u>	<u>\$15,434</u>	<u>\$471</u>

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L. Net premiums from insurance business

a. Insurance income

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay General Hospital	\$12,984	\$428	\$13,173	\$402
Other related parties	241,449	7,953	182,019	5,554
Total	<u>\$254,433</u>	<u>\$8,381</u>	<u>\$195,192</u>	<u>\$5,956</u>

b. Reinsurance income

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	<u>\$70,249</u>	<u>\$2,314</u>	<u>\$43,966</u>	<u>\$1,342</u>

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% and 60% of the reinsurance business from Cathay Insurance (Bermuda) during the six-month periods ended June 30, 2008 and 2009, respectively.

c. Reinsurance claims payment

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	<u>\$60,569</u>	<u>\$1,995</u>	<u>\$54,332</u>	<u>\$1,658</u>

M. Net other non-interest income

Miscellaneous income

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$30,320</u>	<u>\$999</u>	<u>\$33,360</u>	<u>\$1,018</u>

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N. Operating expense

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Consulting	\$18,795	\$619	\$11,340	\$346
Seaward Card	160,871	5,299	170,701	5,209
Cathay Pacific Management	30,276	997	29,695	906
Lin Yuan Property Management Co., Ltd.	308,391	10,158	303,529	9,262
Cathay Real Estate Development Co., Ltd.	7,428	245	5,823	178
Seaward Leasing Ltd.	5,475	180	5,853	179
Total	<u>\$531,236</u>	<u>\$17,498</u>	<u>\$526,941</u>	<u>\$16,080</u>

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\$43,085) thousands, in 2006. Cathay United Bank had paid the amount of NT\$360,591 (US\$11,877) thousands and NT\$158,055 (US\$4,823) thousands during the six months ended June 30, 2008 and 2009. As of June 30, 2008 and 2009, the accumulated paid amount was NT\$922,414 (US\$30,383) thousands and NT\$1,339,952 (US\$40,890) thousands, respectively.
- b. Cathay United Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management Co., Ltd. in the amount of NT\$11,096 (US\$365) thousands (capitalized) and NT\$16,004 (US\$488) thousands (expensed) during the six months ended June 30, 2008 and 2009, respectively.
- c. Cathay Century Realty Co., Ltd. Acted as a broker for Cathay United Bank to dispose of real estate, the service fees of NT\$14,504 (US\$478) and NT\$1,792 (US\$55) were included in disposal gains of foreclosed properties, premises and equipment, during the six-month periods ended June 30, 2008 and 2009, respectively.

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

A. Cash in bank

		For the six months ended June 30, 2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$1,487,346	2.42%~4.57%	\$25,711
	Cash in bank	3,059,562	0.00%~1.70%	530
	<b>Total</b>	<b>\$4,546,908</b>		<b>\$26,241</b>

		For the six months ended June 30, 2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$48,990	2.42%~4.57%	\$847
	Cash in bank	100,776	0.00%~1.70%	17
	<b>Total</b>	<b>\$149,766</b>		<b>\$864</b>

There is no significant related parties transactions for the six months ended June 30, 2009.

B. Receivables

		June 30,			
Name	Item	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay United Bank	Interest · Receivables due to consolidated income tax	\$736,683	\$24,265	\$1,083,425	\$33,061
	Receivables due to consolidated income tax · Interest	1,010,644	33,289	270,383	8,251
Cathay Century	Receivables due to consolidated income tax	183,222	6,035	149,024	4,548
Cathay Capital Management	Receivables due to consolidated income tax	5,169	170	5,770	176
Cathay Securities	Receivables due to consolidated income tax	-	-	253,802	7,745
Cathay II Venture	Receivables due to consolidated income tax	9,117	300	-	-
<b>Total</b>		<b>\$1,944,835</b>	<b>\$64,059</b>	<b>\$1,762,404</b>	<b>\$53,781</b>

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C. Guarantee deposits paid

Name	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$4,885	\$161	\$5,964	\$182

D. Payables

Name	Item	June 30,			
		2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	Payables due to consolidated income tax	\$541,486	\$17,835	\$4,097,190	\$125,029
Cathay United Bank	Payables due to consolidated income tax	983,685	32,401	3,024,214	92,286
Cathay Securities	Payables due to consolidated income tax	-	-	14,199	433
Total		\$1,525,171	\$50,236	\$7,135,603	\$217,748

E. Interest income

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$-	\$-	\$260,342	\$7,945

F. Operating expenses

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$10,264	\$338	\$13,125	\$401

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

A. Cathay Life

a. Cash in banks

		For the six months ended June 30,2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$251,850	2.49%~2.70%	\$17,642
Bank	Cash in bank	3,041,968	0.04%~1.85%	2,209
Total		<u>\$3,293,818</u>		<u>\$19,851</u>

		For the six months ended June 30,2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$8,295	2.49%~2.70%	\$581
Bank	Cash in bank	100,197	0.04%~1.85%	73
Total		<u>\$108,492</u>		<u>\$654</u>

		For the six months ended June 30,2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$16,342,086	0.10%~2.42%	\$29,605
Bank	Cash in bank	4,682,365	0.02%~1.00%	1,415
Total		<u>\$21,024,451</u>		<u>\$31,020</u>

		For the six months ended June 30,2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$498,690	0.10%~2.42%	\$904
Bank	Cash in bank	142,886	0.02%~1.00%	43
Total		<u>\$641,576</u>		<u>\$947</u>

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b. Other receivables

Name	June 30,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Financial Holding	\$541,486	\$17,835	\$4,097,190	\$125,029
Cathy Century	158,223	5,213	177,421	5,414
Total	\$699,709	\$23,047	\$4,274,611	\$130,443

c. Other financial assets

Name	For the six months ended June 30,2008		
	Ending balance	Rate	Interest income
	(NT\$)		(NT\$)
Cathay United Bank	\$1,500,000	3.17%~3.37%	\$48,975

Name	For the six months ended June 30,2008		
	Ending balance	Rate	Interest income
	(US\$)		(US\$)
Cathay United Bank	\$49,407	3.17%~3.37%	\$1,613

Name	For the six months ended June 30,2009		
	Ending balance	Rate	Interest income
	(NT\$)		(NT\$)
Cathay United Bank	\$-	3.17%~3.73%	\$4,621

Name	For the six months ended June 30,2009		
	Ending balance	Rate	Interest income
	(US\$)		(US\$)
Cathay United Bank	\$-	3.17%~3.73%	\$141

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d. Secured loans

For the six months ended June 30,2008				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$4,388,030	\$4,344,505	3.57%~3.83%	\$81,337
Other related parties	304,449	272,884	2.20%~5.61%	3,971
Total	<u>\$4,692,479</u>	<u>\$4,617,389</u>		<u>\$85,308</u>

For the six months ended June 30,2008				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$144,533	\$143,100	3.57%~3.83%	\$2,679
Other related parties	10,028	8,988	2.20%~5.61%	131
Total	<u>\$154,561</u>	<u>\$152,088</u>		<u>\$2,810</u>

For the six months ended June 30,2009				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$4,286,249	\$4,160,170	1.85%~3.91%	\$55,836
Other related parties	324,267	283,140	1.01%~5.37%	2,667
Total	<u>\$4,610,516</u>	<u>\$4,443,310</u>		<u>\$58,503</u>

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Name	For the six months ended June 30,2009			
	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$130,798	\$126,951	1.85%~3.91%	\$1,704
Other related parties	9,895	8,640	1.01%~5.37%	81
Total	<u>\$140,693</u>	<u>\$135,591</u>		<u>\$1,785</u>

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

Name	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$6,856,163</u>	<u>\$225,829</u>	<u>\$4,003,827</u>	<u>\$122,180</u>

f. Other overdue receivable

Name	June 30,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Life (Shanghai)	<u>\$-</u>	<u>\$-</u>	<u>\$265,211</u>	<u>\$8,093</u>

g. Property transactions

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 six months ended June 30, 2008		
	Item	(NT\$)	(US\$)
Lin Yuan Property Management Co., Ltd.	International Building etc	<u>\$112,809</u>	<u>\$3,716</u>

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Name	For the six months ended June 30, 2009		
	Item	(NT\$)	(US\$)
Lin Yuan Property Management Co., Ltd.	International Building etc	\$57,264	\$1,747

h. Other assets-other

Name	June 30,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Life (Shanghai)	\$265,211	\$8,735	\$-	\$-

i. Guarantee deposits paid

Name	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Futures	\$624,819	\$20,580	\$453,945	\$13,852

As of June 30, 2008 and 2009, the imputed interest income from guarantee deposits paid to Cathay Futures were NT\$231 (US\$8) thousands and NT\$234 (US\$7) thousands, respectively.

j. Other payables

Name	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Financial Holding	\$1,010,644	\$33,289	\$270,383	\$8,251

k. Rental income

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay United Bank	\$147,082	\$4,845	\$165,439	\$5,048

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l. Insurance income

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay United Bank	\$267,006	\$8,795	\$292,583	\$8,928
Other related parties	241,449	7,953	182,019	5,555
Total	<u>\$508,455</u>	<u>\$16,748</u>	<u>\$474,602</u>	<u>\$14,483</u>

m. Miscellaneous income

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Century	<u>\$472,773</u>	<u>\$15,572</u>	<u>\$531,934</u>	<u>\$16,232</u>

n. Operating expense

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay United Bank	\$508,478	\$16,748	\$557,618	\$17,016
Symphox Information	124,733	4,109	119,131	3,635
Lin Yuan Property Management Co., Ltd.	308,391	10,158	303,529	9,263
Total	<u>\$941,602</u>	<u>\$31,015</u>	<u>\$980,278</u>	<u>\$29,914</u>

o. Non-operating expenses

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Financial Holding	<u>\$-</u>	<u>\$-</u>	<u>\$260,342</u>	<u>\$7,945</u>

Non-operating expenses are interest expenses accrued from Cathay Life's preferred stock liability.

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p. Other Disclosures

As of June 30, 2008 and 2009, the notional amounts of the derivative financial instruments transactions with Cathay United Bank are listed below:

Item	June 30,	
	2008	2009
Forward foreign exchange contracts	USD530,807	USD630,000
CS contracts	USD1,235,000	USD5,065,858
Financial debentures	NTD198,413 (USD6,535)	NTD- (USD-)

Cathay Life had entered a credit assignment agreement with Cathay United Bank in the amounts of NT\$2,480,000 (US\$81,686) thousands and NT\$800,000 (US\$24,413) thousands during the six months ended June 30, 2008 and 2009, respectively.

B. Cathay United Bank

a. Loans and deposits

Account/Name	For the six months ended June 30,							
	2008				2009			
	Ending Balance		Interest revenue		Ending Balance		Interest revenue	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Loans								
Seaward								
Leasing Ltd.	\$2,942,280	\$96,913	\$33,194	\$1,093	\$1,760,000	\$53,708	\$10,503	\$321
Taiwan								
Real-estate								
Management								
Corp.	109,000	3,590	1,579	52	104,000	3,173	1,048	32
Cathay General								
Hospital	258,000	8,498	3,411	112	236,000	7,202	3,184	97
Other related								
parties	371,626	12,241	4,906	162	212,163	6,474	1,284	39
Total	\$3,680,906	\$121,242	\$43,090	\$1,419	\$2,312,163	\$70,557	\$16,019	\$489

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Account/Name	For the six months ended June 30,							
	2008				2009			
	Ending Balance		Interest expense		Ending Balance		Interest expense	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Deposits								
Cathay Life	\$4,793,818	\$157,899	\$19,851	\$654	\$21,024,451	\$641,576	\$31,020	\$947
Cathay								
Financial								
Holding	4,819,505	158,745	26,241	864	4,161	127	3	-
Cathay Futures	1,590,263	52,380	13,579	447	1,380,416	42,125	6,103	186
Cathay								
Securities	309,516	10,195	2,188	70	123,454	3,767	586	18
Cathay Century	897,983	29,578	5,488	181	1,271,613	38,804	8,167	249
Cathay								
Securities								
Investment								
Trust Co.,								
Ltd.	539,871	17,782	8,814	290	327,343	9,989	2,889	88
Cathay Real								
Estate								
Development								
Co., Ltd.	81,761	2,693	104	3	156,097	4,764	33	1
Cathay Life								
(Vietnam)	170,903	5,629	12,686	418	86,783	2,648	11,100	339
Cathay Global								
Money								
Market Fund								
etc.	7,010,121	230,900	89,549	2,950	11,156,072	340,436	50,073	1,528
Other related								
parties	4,217,988	138,933	28,302	932	4,821,558	147,133	26,534	810
<b>Total</b>	<b>\$24,431,729</b>	<b>\$804,734</b>	<b>\$206,732</b>	<b>\$6,809</b>	<b>\$40,351,948</b>	<b>\$1,231,369</b>	<b>\$136,508</b>	<b>\$4,166</b>

Account/Name	For the six months ended June 30, 2008							
	Maximum amount		Ending balance		Rate	Interest revenue		
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)	
Call loans to banks								
Indovina Bank	\$3,217,904	\$105,992	\$1,770,564	\$58,319	2.56%~26.00%	\$25,957	\$855	

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Account/Name	For the six months ended June 30, 2009						
	Maximum amount		Ending balance		Rate	Interest revenue (expense)	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Call loans to banks							
Indovina Bank	\$809,116	\$24,691	\$67,760	\$2,068	2.56%-6.50%	\$4,535	\$138
Call loans from banks							
Indovina Bank	\$1,476,810	\$45,066	\$820,450	\$25,037	0.25%-3.04%	\$(2,119)	\$(65)

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

b. Securities sold under agreements to repurchase

Name	June 30,			
	Ending balance			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Wan Pao Development Co., Ltd.	\$646,779	\$21,304	\$-	\$-
Other related parties	1,409,757	46,434	557,931	17,026
Total	\$2,056,536	\$67,738	\$557,931	\$17,026

Name	For the six months ended June 30,			
	Interest expense			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Wan Pao Development Co., Ltd.	\$4,353	\$143	\$-	\$-
Other related parties	17,224	568	517	16
Total	\$21,577	\$711	\$517	\$16

c. Rental expense

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$147,303	\$4,852	\$165,690	\$5,056

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d. Other receivable

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Indovind Bank	\$129,005	\$4,249	\$164,090	\$5,007

e. Handling fees income

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$508,478	\$16,748	\$557,618	\$17,016

f. Accrued insurance expense

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$267,006	\$8,795	\$292,583	\$8,928

g. General expense

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Symphox Information	\$236,301	\$7,783	\$220,723	\$6,735
Seaward Card	137,887	4,542	137,304	4,190
Total	\$374,188	\$12,325	\$358,027	\$10,925

h. Receivables

Name	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Financial Holding	\$253,007	\$8,334	\$1,940,789	\$59,225

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i. Financial assets at fair value through profit or loss (Mutual fund)

Name	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Trust Co., Ltd.	\$775,649	\$25,548	\$404,259	\$12,336

j. 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\$43,085) thousands, in 2006. Cathay United Bank paid the amount of NT\$360,591 (US\$11,877) thousands and NT\$158,055 (US\$4,823) thousands during the six months ended June 30, 2008 and 2009. As of June 30, 2008 and 2009, the accumulated paid amount was NT\$922,414 (US\$30,383) thousands and NT\$1,339,952 (US\$40,890) thousands, respectively.

(b) Cathay United Bank enters into a contract with Cathay Life to transferring credit facilities. The transferring loan amount was NT\$2,480,000 (US\$81,686) thousands and NT\$800,000 (US\$24,413) thousands during the six months ended June 30, 2008 and 2009, respectively.

(c) As of June 30, 2008, the Cathay Life held the dominant financial debentures with notional amounts of NT\$200,000 (US\$6,588) thousands, respectively, which was issued by Cathay United Bank in 2003.

C. Cathay Century

a. Cash in banks

Name	Item	For the six months ended June 30, 2008		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$488,533	0.10%	\$165
	Time deposits	409,450	2.21%~2.62%	5,323
Total		\$897,983		\$5,488

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		For the six months ended June 30, 2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$16,091	0.10%	\$6
	Time deposits	13,487	2.21%~2.62%	175
Total		<u>\$29,578</u>		<u>\$181</u>

		For the six months ended June 30, 2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$441,891	0.10%	\$251
	Time deposits	829,722	0.525%~2.72%	7,915
Total		<u>\$1,271,613</u>		<u>\$8,166</u>

		For the six months ended June 30, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$13,485	0.10%	\$8
	Time deposits	25,319	0.525%~2.72%	241
Total		<u>\$38,804</u>		<u>\$249</u>

b. Financial assets at fair value through profit or loss (Beneficiary certificates)

Name	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$43,320</u>	<u>\$1,427</u>	<u>\$200,509</u>	<u>\$6,119</u>

c. Available-for-sale financial assets (Beneficiary certificates)

Name	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$117,783</u>	<u>\$3,880</u>	<u>\$39,856</u>	<u>\$1,216</u>

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d. Other payables

Name	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Financial Holding	\$183,222	\$6,035	\$149,024	\$4,548
Cathay Life	158,223	5,212	177,421	5,414
Total	<u>\$341,445</u>	<u>\$11,247</u>	<u>\$326,445</u>	<u>\$9,962</u>

e. Operating expense

Name	For the six months ended June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	<u>\$515,911</u>	<u>\$16,993</u>	<u>\$580,884</u>	<u>\$17,726</u>

f. Other Disclosures

As of June 30, 2008 and 2009 the nominal amount of the derivative financial instruments transactions with Cathay United Bank are listed below:

Item	For the six months ended June 30,	
	2008	2009
Forward foreign exchange contracts	US\$22,150	\$US\$7,710
CS contracts	US\$31,150	US\$11,050
IRS	NT\$600,000	NT\$600,000
	(US\$19,763)	(US\$18,309)

D. Cathay Securities

a. Cash in bank

Name	Item	For the six months ended June 30, 2008		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$160,500	1.66%~2.62%	\$2,088
	Cash in banks	<u>149,016</u>	0.10%	<u>30</u>
	Total	<u>\$309,516</u>		<u>\$2,118</u>

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		For the six months ended June 30, 2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$5,287	1.66%~2.62%	\$69
	Cash in banks	4,908	0.10%	1
	Total	<u>\$10,195</u>		<u>\$70</u>

		For the six months ended June 30, 2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$71,973	0.05%~2.62%	\$549
	Cash in banks	51,481	0.02%~0.90%	37
	Total	<u>\$123,454</u>		<u>\$586</u>

		For the six months ended June 30, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$2,196	0.05%~2.62%	\$17
	Cash in banks	1,571	0.02%~0.90%	1
	Total	<u>\$3,767</u>		<u>\$18</u>

As of June 30, 2008 and 2009, NT\$61,000 (US\$2,009) thousands and NT\$12,000 (US\$366) thousands in time deposits reflected premiums received or structured notes and issuance of warrants and were recognized under guarantee deposits paid.

As of June 30, 2008, NT\$40,000 (US\$1,318) 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	June 30, 2008		June 30, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Financial Holding (Note)	<u>\$-</u>	<u>\$-</u>	<u>\$253,802</u>	<u>\$7,745</u>

Note: Payable due to consolidated income tax.

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

For the six months ended June 30, 2008								
Name	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	\$-	\$-	\$-	\$-	\$-	\$-	\$122,405	\$4,032

For the six months ended June 30, 2009								
Name	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	\$-	\$-	\$-	\$-	\$-	\$-	\$195,873	\$5,977

E. Cathay Pacific Venture

Available-for-sale financial assets

Name	June 30,			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$328,903	\$10,833	\$131,984	\$4,028

F. Indovina Bank

a. Due from commercial banks

For the six months ended June 30, 2008				
Name	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
	Vietinbank	\$460,345	\$15,163	\$2,414

For the six months ended June 30, 2009				
Name	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
	Vietinbank	\$4,816	\$147	\$25

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b. Call Loans to banks

There is no significant related parties transactions for the six months ended 30, 2008.

Name	For the six months ended June 30, 2009			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay United Bank	\$820,450	\$25,037	\$2,119	\$65

c. Due to commercial banks

Name	For the six months ended June 30, 2008			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Vietinbank	\$505,471	\$16,649	\$3,522	\$117

There is no significant related parties transactions for the six months ended June 30, 2009.

d. Call Loans from Banks

Name	For the six months ended June 30, 2008			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay United Bank	\$1,770,564	\$58,319	\$25,957	\$855

There is no significant related parties transactions for the six months ended June 30, 2009.

e. Dividends payable

Name	June 30,			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay United Bank	\$129,005	\$4,249	\$164,090	\$5,007
Vietinbank	129,005	4,249	164,090	5,007
Total	\$258,010	\$8,498	\$328,180	\$10,014

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f. Deposit

There is no significant related parties transactions for the six months ended June 30, 2008.

Name	For the six months ended June 30, 2009		
	Ending balance (NT\$)	Rate	Interest expense (NT\$)
Cathay Life Vietnam	\$159,820	0.10%~10.80%	\$2,863

Name	For the six months ended June 30, 2009		
	Ending balance (US\$)	Rate	Interest expense (US\$)
Cathay Life Vietnam	\$4,877	0.10%~10.80%	\$87

G. Cathay Futures

a. Cash in bank

Name	Item	For the six months ended June 30, 2008		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$290,500	1.56%~2.62%	\$13,573
	Cash in bank	14,832	0.04%~1.20%	6
	Total	\$305,332		\$13,579

Name	Item	For the six months ended June 30, 2008		
		Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$9,568	1.56%~2.62%	\$447
	Cash in bank	489	0.04%~1.20%	-
	Total	\$10,057		\$447

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		For the six months ended June 30, 2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$303,600	0.12%~2.04%	\$1,031
	Cash in bank	4,638	0.10%	10
	<b>Total</b>	<b>\$308,238</b>		<b>\$1,041</b>

		For the six months ended June 30, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$9,265	0.12%~2.04%	\$32
	Cash in bank	141	0.10%	-
	<b>Total</b>	<b>\$9,406</b>		<b>\$32</b>

As of June 30, 2008 and 2009, Cathay Futures has time deposit amounting to NT\$60,000 (US\$1,831) 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.

**b. Customer's margin accounts**

Name	June 30,					
	2008			2009		
	(NT\$)	(US\$)	Rate	(NT\$)	(US\$)	Rate
Cathay United Bank	\$1,284,518	\$42,310	0.04%~2.15%	\$1,072,179	\$32,718	0.02%~2.17%

**c. Futures customers' equity**

Name	June 30,			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay Life	\$624,819	\$20,580	\$453,945	\$13,853
Cathay Securities	122,405	4,032	195,874	5,977
<b>Total</b>	<b>\$747,224</b>	<b>\$24,612</b>	<b>\$649,819</b>	<b>\$19,830</b>

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H. Symphox Information

a. Cash in bank

		For the six months ended June 30,2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$279,000	2.32%~2.49%	\$3,322
Bank	Cash in bank	3,919	0.10%	13
Total		<u>\$282,919</u>		<u>\$3,335</u>

		For the six months ended June 30,2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$9,190	2.32%~2.49%	\$109
Bank	Cash in bank	129	0.10%	1
Total		<u>\$9,319</u>		<u>\$110</u>

		For the six months ended June 30,2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$160,076	0.405%~2.68%	\$2,413
Bank	Cash in bank	19,852	0.10%	14
Total		<u>\$179,928</u>		<u>\$2,427</u>

		For the six months ended June 30,2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$4,885	0.405%~2.68%	\$74
Bank	Cash in bank	606	0.10%	-
Total		<u>\$5,491</u>		<u>\$74</u>

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b. Financial assets at fair value through profit or loss

Name	June 30,			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$74,883	\$2,467	\$100,455	\$3,065

c. Sales revenues

Name	For the six months ended June 30,			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay United Bank	\$150,831	\$4,968	\$138,135	\$4,215

I. Cathay Life (Shanghai)

Other payables

Name	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$265,211	\$8,736	\$265,211	\$8,093

J. Cathay Life (Vietnam)

a. Cash in bank

There is no significant related parties transaction for the six months ended June 30, 2008.

Name	Item	For the six months ended June 30, 2009		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$86,783	1.00%~15.00%	\$11,100

Name	Item	For the six months ended June 30, 2009		
		Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$2,648	1.00%~15.00%	\$339

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		For the six months ended June 30, 2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Indovina Bank	Time deposits	\$151,414	2.00%~10.80%	\$2,713
	Cash in bank	8,406	0.10%~2.40%	150
Total		<u>\$159,820</u>		<u>\$2,863</u>

		For the six months ended June 30, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Indovina Bank	Time deposits	\$4,620	2.00%~10.80%	\$83
	Cash in bank	257	0.10%~2.40%	4
Total		<u>\$4,877</u>		<u>\$87</u>

**29. Pledged assets**

As of June 30, 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	\$907,510	\$29,892	\$874,590	\$26,689
Guarantee deposits paid	Government bonds	8,440,787	278,023	9,355,327	285,484
Financial assets at fair value through profit or loss	Business reserves and guarantees	760,620	25,053	661,703	20,192
Available-for-sale financial assets	Business reserves and guarantees	4,531,286	149,252	2,698,958	82,361
Held-to-maturity financial assets	Business reserves and guarantees	101,095	3,330	90,893	2,774
Investments in debt securities with no active market	Business reserves and guarantees	15,000,000	494,071	15,535,000	474,062
		<u>\$29,741,298</u>	<u>\$979,621</u>	<u>\$29,216,471</u>	<u>\$891,562</u>

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**30. 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\$12,206) 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\$9.4 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 June 30, 2009, Cathay United Bank had entered into certain contracts to purchase premises and equipments totaling NT\$3,006,935 (US\$91,759) thousands with NT\$1,487,670 (US\$45,397) 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 June 30, 2009, Cathay Securities requested banks to issue letters of guarantees for warrants issuance of NT\$5,000 (US\$153) thousands.

(4) As of June 30, 2008 and 2009, Cathay United Bank subsidiaries had the following commitments and contingent liabilities, which were not reflected in the financial statements:

Item	June 30,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Trust and security held for safekeeping	\$210,177,300	\$6,922,836	\$181,107,324	\$5,526,620
Travelers checks for sale	515,543	16,981	246,234	7,514
Bills for collection	47,295,997	1,557,839	38,890,924	1,186,784
Book-entry for government bonds and depository for short-term marketable securities under management	347,129,400	11,433,775	582,315,600	17,769,777
Guarantees on duties and contracts	17,495,216	576,259	20,809,286	635,010
Unused commercial letters of credit	4,982,176	164,103	1,854,037	56,577
Irrevocable loan commitments	45,642,543	1,503,378	8,873,779	270,790
Credit card lines commitments	274,216,214	9,032,155	260,757,898	7,957,214
Stamp tax, securities and memorial currency consignments	1,727	57	1,727	53
Entrusted financial management business	2,492,318	82,092	-	-

(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\$
July 1, 2009~June 30, 2010	\$903,067	\$27,558
July 1, 2010~June 30, 2014	1,842,921	56,238
Total	<u>\$2,745,988</u>	<u>\$83,796</u>

**31. Significant disaster losses:** None.

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**32. Subsequent events:** None.

- (1) On August 11, 2009, the board of director resolved the issuance of NT\$20 billion (US\$0.61 billion) subordinated bonds to strengthen the capital base, increase the capital adequacy ratio and invest in subsidiaries.
- (2) On April 29, 2009, the board of directors resolved the consolidation plan of Cathay Pacific Venture, Cathay Venture Capital and Cathay II Venture with Cathay Capital Management. The merger was completed on August 10, 2009, and Cathay Pacific Venture is the surviving company.

**33. 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	June 30, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$18,176,091	\$18,176,091	\$598,685	\$598,685
Receivables	3,149,204	3,149,204	103,729	103,729
Investments under equity method	176,001,582	176,001,582	5,797,154	5,797,154
Other financial assets	31,720	31,720	1,045	1,045
<u>Liabilities</u>				
Payables	26,507,144	26,507,144	873,094	873,094

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Item	June 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,747,501	\$2,747,501	\$83,842	\$83,842
Receivables	5,185,892	5,185,892	158,251	158,251
Held-to-maturity financial assets	15,000,000	15,000,000	457,736	457,736
Investments under equity method	186,705,398	186,705,398	5,697,449	5,697,449
Other financial assets	31,720	31,720	968	968
<u>Liabilities</u>				
Payables	7,503,673	7,503,673	228,980	228,980
Bonds payables	20,000,000	20,000,000	610,315	610,315

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 bonds payables is in accordance with the term of issuance.
- (c) The fair value of the Company'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.
- (d) If no quoted market prices exist for the Company's investments accounted for equity method, then their fair value is taken as approximating their carrying amounts when no permanent market value decline exists.

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

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Financial instruments	June 30, 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	\$18,176,091	\$598,685	\$-	\$-
Receivables	-	-	3,149,204	103,729
Investments under equity method	-	-	176,001,582	5,797,154
Other financial assets	-	-	31,720	1,045
<u>Liabilities</u>				
Payables	-	-	26,507,144	873,094
Financial instruments	June 30, 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	\$4,503	\$137	\$2,742,998	\$83,705
Receivables	-	-	5,185,892	158,251
Held-to-maturity financial assets	-	-	15,000,000	457,736
Investments under equity method	-	-	186,705,398	5,697,449
Other financial assets	-	-	31,720	968
<u>Liabilities</u>				
Payables	-	-	7,503,673	228,980
Bonds payable	-	-	20,000,000	610,315

d. Information on financial risks

(a) Risk of interest rate

The Company's exposure to interest rate risk is minimal.

(b) Credit risk

The Company's exposure to credit risk is minimal.

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e. Financial risk management objectives and policies

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

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 and exchange rate risk. 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.

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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.

B. Cathay Life

a. Information of fair value

Item	June 30, 2008			
	(NT\$)		(US\$)	
	Carrying Amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$185,559,533	\$185,559,533	\$6,111,974	\$6,111,974
Notes and accounts receivable	27,319,542	27,319,542	899,853	899,853
Financial assets at fair value through profit or loss - current	72,989,144	72,989,144	2,404,122	2,404,122
Available-for-sale financial assets - current	162,622,729	162,622,729	5,356,480	5,356,480
Held-to-maturity financial assets - current	2,152,735	2,146,703	70,907	70,708
Investments in debt securities with no active market - current	5,621,772	5,621,772	185,170	185,170
Available-for-sale financial assets - noncurrent	253,180,259	253,180,259	8,339,271	8,339,271
Held-to-maturity financial assets - noncurrent	594,552,042	575,612,857	19,583,401	18,959,580
Financial assets carried at cost - noncurrent	19,055,198	-	627,641	-
Investments in debt securities with no active market - noncurrent	61,512,273	53,656,291	2,026,096	1,767,335
Long-term investments under the equity method	5,226,620	5,226,620	172,155	172,155
Other financial assets – noncurrent	27,954,287	27,954,287	920,760	920,760
Guarantee deposits paid	11,509,833	11,509,833	379,112	379,112
<u>Liabilities</u>				
Notes and accounts payable	18,966,623	18,966,623	624,724	624,724
Guarantee deposits received	1,507,250	1,507,250	49,646	49,646

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Item	June 30, 2008			
	(NT\$)		(US\$)	
	Carrying	Fair value	Carrying	Fair value
	Amount		amount	
<b><u>Derivative financial instruments</u></b>				
<b><u>Assets</u></b>				
Financial assets at fair value through profit or loss - current				
Option	\$82,725	\$82,725	\$2,725	\$2,725
Forward	16,519,435	16,519,435	544,118	544,118
IRS	119,398	119,398	3,933	3,933
Derivative financial assets for hedging - current				
IRS	96,575	96,575	3,181	3,181
<b><u>Liabilities</u></b>				
Financial liabilities at fair value through profit or loss - current				
Forward, CS, CCS	13,087,910	13,087,910	431,091	431,091
IRS, CDS	72,302	72,302	2,381	2,381
Derivative financial liabilities for hedging - current				
IRS	528,906	528,906	17,421	17,421
June 30, 2009				
Item	(NT\$)		(US\$)	
	Carrying	Fair value	Carrying	Fair value
	amount		amount	
	<b><u>Non-derivative financial instruments</u></b>			
<b><u>Assets</u></b>				
Cash and cash equivalents	\$247,822,244	\$247,822,244	\$ 7,562,473	\$ 7,562,473
Notes and accounts receivable	50,492,300	50,492,300	1,540,809	1,540,809
Financial assets at fair value through profit or loss - current	71,146,713	71,146,713	2,171,093	2,171,093
Available-for-sale financial assets - current	135,565,155	135,565,155	4,136,868	4,136,868
Held-to-maturity financial assets - current	30,176,218	28,029,011	920,849	855,325
Investments in debt securities with no active market - current				
	4,534,726	4,413,892	138,380	134,693
Other financial assets - current	8,000,000	8,000,000	244,126	244,126
Available-for-sale financial assets - noncurrent	230,872,988	230,872,988	7,045,255	7,045,255
Held-to-maturity financial assets - noncurrent	654,456,134	640,193,916	19,971,197	19,535,975

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Item	June 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets carried at cost - noncurrent	\$19,202,400	\$-	\$585,975	\$-
Investments in debt securities with no active market - noncurrent	139,768,341	127,397,676	4,265,131	3,887,631
Investments under the equity method	5,968,307	5,968,307	182,127	182,127
Other financial assets – noncurrent	11,300,000	11,300,000	344,828	344,828
Guarantee deposits paid	11,864,922	11,864,922	362,067	362,067
<u>Liabilities</u>				
Notes and accounts payable	10,400,942	10,400,942	317,393	317,393
Preferred stock liability –noncurrent	15,000,000	15,413,340	457,736	470,349
Guarantee deposits received	1,613,269	1,613,269	49,230	49,230
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Forward, CS, CCS	12,782,343	12,782,343	390,062	390,062
IRS, CDS	205,509	205,509	6,271	6,271
Derivative financial assets for hedging - current				
IRS, CDS	1,924,839	1,924,839	58,738	58,738
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Forward, CS, CCS	4,619,687	4,619,687	140,973	140,973
IRS, CDS	234,077	234,077	7,143	7,143
Derivative financial liabilities for hedging - current				
IRS, CDS	202,616	202,616	6,183	6,183

The methods and assumptions used to estimate the fair values of Cathay Life's 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.

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- (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.
- (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 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	June 30,2008			
	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	\$163,908,525	\$5,398,831	\$21,651,008	\$713,143
Notes and accounts receivable	-	-	27,319,542	899,853
Financial assets at fair value through profit or loss				
- current	69,555,698	2,291,031	3,433,446	113,091
Available-for-sale financial assets - current	162,622,729	5,356,480	-	-
Held-to-maturity financial assets - current	889,774	29,307	1,256,929	41,401

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Item	June 30,2008			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Investments in debt securities with no active market - current	\$-	\$-	\$5,621,772	\$185,170
Available-for-sale financial assets - noncurrent	251,927,084	8,297,994	1,253,175	41,277
Held-to-maturity financial assets - noncurrent	76,351,878	2,514,884	499,260,979	16,444,696
Investments in debt securities with no active market - noncurrent	-	-	53,656,291	1,767,335
Long-term investments in stocks under the equity method	-	-	5,226,620	172,155
Other financial assets - noncurrent	-	-	27,954,287	920,760
<u>Liabilities</u>				
Notes and accounts payable	-	-	18,966,623	624,724
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Option	82,725	2,725	-	-
Forward	-	-	16,519,435	544,118
IRS	-	-	119,398	3,933
Derivative financial assets for hedging - current				
IRS	-	-	96,575	3,181
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Forward	-	-	13,087,910	431,091
IRS	-	-	72,302	2,381
Derivative financial liabilities for hedging - current				
IRS	-	-	528,906	17,421

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Item	June 30, 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	\$179,325,101	\$5,472,234	\$68,497,143	\$2,090,239
Notes and accounts receivable	-	-	50,492,300	1,540,809
Financial assets at fair value through profit or loss				
- current	70,575,613	2,153,665	571,100	17,428
Available-for-sale financial assets - current	135,159,298	4,124,483	405,857	12,385
Held-to-maturity financial assets - current	2,824,968	86,206	25,204,043	769,119
Investments in debt securities with no active market - current	-	-	4,413,892	134,693
Other financial assets-current	-	-	8,000,000	244,126
Available-for-sale financial assets - noncurrent	229,495,919	7,003,232	1,377,069	42,023
Held-to-maturity financial assets - noncurrent	95,403,027	2,911,291	544,790,889	16,624,684
Investment in debt securities with no active market – noncurrent	4,642,752	141,677	122,754,924	3,745,954
Long-term investments under the equity method	-	-	5,968,307	182,127
Other financial assets - noncurrent	-	-	11,300,000	344,828
<u>Liabilities</u>				
Notes and accounts payable	-	-	10,400,942	317,393
Preferred stock liability - noncurrent	-	-	15,413,340	470,349
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
- current				
Forward, CS, CCS	-	-	12,782,343	390,062
IRS, CDS	-	-	205,509	6,271
Derivative financial assets for hedging – current				
IRS, CDS			1,924,839	58,738
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Forward, CS, CCS	-	-	4,619,687	140,973
IRS, CDS	-	-	234,077	7,143
Derivative financial liabilities for hedging – current				
IRS, CDS	-	-	202,616	6,183

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d. Information on financial risk

(a) Interest rate risk

The following table summarizes the maturities of Cathay Life's financial instruments at June 30, 2008 and 2009:

① June 30, 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	\$2,624,273	\$86,439	\$962,230	\$31,694	\$27,637	\$910	\$2,466,781	\$81,251
Available-for-sale financial assets	2,495,430	82,195	334,542	11,019	5,382,739	177,297	7,842,542	258,318
Held-to-maturity financial assets	163,262,022	5,377,537	12,514,246	412,195	13,669,748	450,255	4,242,928	139,754
Investments in debt securities with no active market	721,772	23,774	771,191	25,402	1,207,424	39,770	1,320,736	43,503

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	\$1,262,087	\$41,571	\$6,631,403	\$218,426	\$13,974,411	\$460,291
Available-for-sale financial assets	13,707,720	451,506	111,543,619	3,674,032	141,306,592	4,654,367
Held-to-maturity financial assets	9,087,410	299,322	295,269,374	9,725,605	498,045,728	16,404,668
Investments in debt securities with no active market	4,995,147	164,531	37,908,360	1,248,628	46,924,630	1,545,608

**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	\$3,049,033	\$100,429	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	122,823,939	4,045,584	-	-	-	-	-	-
Held-to-maturity financial assets	98,659,049	3,249,639	-	-	-	-	-	-
Investments in debt securities with no active market	20,209,415	665,659	-	-	-	-	-	-

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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	\$-	\$-	\$-	\$-	\$3,049,033	\$100,429
through profit or loss						
Available-for-sale financial assets	-	-	-	-	122,823,939	4,045,584
Held-to-maturity financial assets	-	-	-	-	98,659,049	3,249,639
Investments in debt securities with						
no active market	-	-	-	-	20,209,415	665,659

**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	\$-	\$-	\$19,607	\$646	\$7,430	\$245	\$85,034	\$2,801
through profit or loss								
Derivative financial assets for								
hedging	1,003	33	41,240	1,358	1,621	53	13,194	435
Financial liabilities at fair value								
through profit or loss	2,765	91	22,842	752	25,386	836	-	-
Derivative financial liabilities for								
hedging	10,392	342	2,600	86	32,478	1,070	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value	\$2,860	\$94	\$4,467	\$147	\$119,398	\$3,933
through profit or loss						
Derivative financial assets for						
hedging	-	-	39,517	1,302	96,575	3,181
Financial liabilities at fair value						
through profit or loss	-	-	21,309	702	72,302	2,381
Derivative financial liabilities for						
hedging	20,284	668	463,152	15,255	528,906	17,421

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② June 30, 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	\$2,357,733	\$71,948	\$424,327	\$12,949	\$1,612,720	\$49,213	\$1,127,958	\$34,420
through profit or loss								
Available-for-sale financial assets	342,750	10,459	4,797,986	146,414	6,718,424	205,018	15,595,465	475,906
Held-to-maturity financial assets	210,681,697	6,429,103	20,040,138	611,539	7,537,126	230,001	21,572,815	658,310
Investments in debt securities with								
no active market	4,534,726	138,380	5,869,291	179,106	6,043,204	184,413	6,898,360	210,509
Preferred stock liability	-	-	-	-	-	-	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value	\$1,088,439	\$33,215	\$2,197,109	\$67,046	\$8,808,286	\$268,791
through profit or loss						
Available-for-sale financial assets	12,948,998	395,148	77,774,468	2,373,344	118,178,091	3,606,289
Held-to-maturity financial assets	29,272,590	893,274	338,266,814	10,322,454	627,371,180	19,144,681
Investments in debt securities with						
no active market	3,240,304	98,880	98,539,922	3,007,016	125,125,807	3,818,304
Preferred stock liability	-	-	15,000,000	457,736	15,000,000	457,736

**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	\$269,064	\$ 8,211	\$-	\$-	\$-	\$-	\$-	\$-
through profit or loss								
Available-for-sale financial assets	115,015,896	3,509,792	-	-	-	-	-	-
Held-to-maturity financial assets	57,261,171	1,747,366	-	-	-	-	-	-
Investments in debt securities with								
no active market	19,177,261	585,208	-	-	-	-	-	-

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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	\$-	\$-	\$-	\$-	\$269,064	\$ 8,211
Available-for-sale financial assets	-	-	-	-	115,015,896	3,509,792
Held-to-maturity financial assets	-	-	-	-	57,261,171	1,747,366
Investments in debt securities with no active market	-	-	-	-	19,177,261	585,208

**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	\$18,688	\$570	\$38,214	\$1,166	\$-	\$-	\$-	\$-
Derivative financial assets for hedging	-	-	22,645	691	14,232	434	88,479	2,700
Financial liabilities at fair value through profit or loss	1,005	31	112,605	3,436	-	-	-	-
Derivative financial liabilities for hedging	13,938	425	22,795	696	-	-	-	-

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	\$307	\$10	\$-	\$-	\$57,209	\$ 1,746
Derivative financial assets for hedging	617,381	18,840	1,102,323	33,638	1,845,060	56,303
Financial liabilities at fair value through profit or loss	4,907	150	-	-	118,517	3,617
Derivative financial liabilities for hedging	-	-	-	-	36,733	1,121

**(b) Credit risk**

Cathay Life's exposure to credit risk is minimal.

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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 June 30, 2008 and 2009:

(5) June 30, 2008

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$200,000	\$6,588	180DCP+18bps	Half year	2008.7.11
2,000,000	65,876	90DCP+75bps	Each quarter	2008.7.19
250,000	8,235	90DCP	Each quarter	2008.8.10
450,000	14,822	90DCP	Each quarter	2008.8.22
330,000	10,870	90DCP	Each quarter	2008.8.24
1,150,000	37,878	90DCP+30bps	Each quarter	2008.9.17
200,000	6,588	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	3,294	180DCP+30bps	Half year	2008.12.18
300,000	9,881	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	6,588	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	6,588	5.85%-6ml	Half year	2009.1.13
50,000	1,647	If 6ml≤1%,6ml+0.2% If 1%<6ml<2%,3.15% If 6ml≥2%, 4.15%-6ml	Half year	2009.1.16
247,500	8,152	ARMS	Each quarter	2009.3.24
900,000	29,644	90DCP+100bps	Each quarter	2009.5.20
200,000	6,588	4.000%-6ml	Half year	2010.4.7
300,000	9,881	4.0002%-6ml	Half year	2010.4.7
500,000	16,469	4.0006%-6ml	Half year	2010.4.7
500,000	16,469	4.0007%-6ml	Half year	2010.4.7
200,000	6,588	4.0003%-6ml	Half year	2010.4.7

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Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$300,000	\$9,881	4.3%-12ml	Yearly	2010.6.20
900,000	29,644	90DCP	Each quarter	2010.8.18
600,000	19,763	90DCP	Each quarter	2010.8.19
200,000	6,588	6.3%-6ml	Yearly	2010.11.27
300,000	9,881	5.37%-6ml	Yearly	2011.3.15
200,000	6,588	3.0%, if 6ml	Half year	2011.3.19
		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%		
500,000	16,469	If 6ml<1.1%,6ml	Half year	2011.6.30
		If 1.1%≤6ml≤2.0%,3.8%		
		If 6ml>2.0%,Max(5.50%-6ml)		
2,000,000	65,876	90DCP	Yearly	2013.3.26
2,700,000	88,933	90DCP+25bps	Each quarter	2013.8.24
3,000,000	98,814	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	65,876	90DCP	Yearly	2013.11.3
1,000,000	32,938	90DCP+26.5bps	Yearly	2013.12.14
500,000	16,469	90DCP+23bps	Yearly	2013.12.14
1,500,000	49,407	90DCP+23bps	Yearly	2013.12.16
1,000,000	32,938	90DCP+26.5bps	Yearly	2013.12.16
1,300,000	42,819	90DCP+45bps	Each quarter	2013.12.27
900,000	29,644	90DCP	Yearly	2014.3.12
1,000,000	32,938	90DCP	Yearly	2014.6.12
2,000,000	65,876	90DCP	Yearly	2014.6.29
5,000,000	164,690	90DCP	Yearly	2014.8.23
1,000,000	32,938	90DCP	Yearly	2014.9.20
3,200,000	105,402	90DCP	Yearly	2014.9.27
2,000,000	65,876	90DCP	Each quarter	2014.9.28
1,500,000	49,407	90DCP	Yearly	2014.9.29
2,500,000	82,345	90DCP	Yearly	2014.12.20
2,000,000	65,876	90DCP	Yearly	2014.12.24
-	24,000	6ml	Half year	2014.3.24

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June 30, 2009

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$200,000	\$6,103	4.000%-6ml	Half year	2010.4.7
300,000	9,155	4.0002%-6ml	Half year	2010.4.7
500,000	15,258	4.0006%-6ml	Half year	2010.4.7
500,000	15,258	4.0007%-6ml	Half year	2010.4.7
200,000	6,103	4.0003%-6ml	Half year	2010.4.7
300,000	9,155	4.3%-12ml	Yearly	2010.6.20
900,000	27,464	90DCP	Each quarter	2010.8.18
600,000	18,309	90DCP	Each quarter	2010.8.19
200,000	6,103	6.3%-6ml	Yearly	2010.11.27
300,000	9,155	5.37%-6ml	Yearly	2011.3.15
500,000	15,258	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	61,031	90DCP	Each quarter	2011.9.9
1,000,000	30,516	90DCP	Each quarter	2012.6.26
2,000,000	61,031	90DCP	Yearly	2013.3.26
2,700,000	82,392	90DCP+25bps	Each quarter	2013.8.24
3,000,000	91,547	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	61,031	90DCP	Yearly	2013.11.3
1,000,000	30,516	90DCP+26.5bps	Yearly	2013.12.14
500,000	15,258	90DCP+23bps	Yearly	2013.12.14
1,500,000	45,774	90DCP+23bps	Yearly	2013.12.16
1,000,000	30,516	90DCP+26.5bps	Yearly	2013.12.16
900,000	27,464	90DCP	Yearly	2014.3.12
1,000,000	30,516	90DCP	Yearly	2014.6.12
2,000,000	61,031	90DCP	Yearly	2014.6.29
5,000,000	152,579	90DCP	Yearly	2014.8.23
1,000,000	30,516	90DCP	Yearly	2014.9.20
3,200,000	97,650	90DCP	Yearly	2014.9.27
2,000,000	61,031	90DCP	Each quarter	2014.9.28
1,500,000	45,774	90DCP	Yearly	2014.9.29
2,500,000	76,289	90DCP	Yearly	2014.12.20
2,000,000	61,031	90DCP	Yearly	2014.12.24

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

Cathay Life's interest rate swap agreements are considered to be highly effective cash flow hedges. As of June, 2008 and 2009, unrealized gains (losses) on these financial instruments recognized in equity are NT\$(371,300) (US\$(12,230)) thousands and NT\$1,961,118 (US\$59,845) thousands as of June 30, 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 June 30, 2008 and 2009:

① June 30, 2008

None.

② June 30, 2009

Par value		Hedge item	Maturity date
(NT\$)	(US\$)		
\$-	\$45,000	CDO	2012/9/20
-	7,000	Structure notes	2014/3/20
-	3,000	Structure notes	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. As of June 30, 2009, unrealized losses on these financial instruments recognized in profit and loss were NT\$80,050 (US\$2,443) recorded as gains from valuation on financial assets by NT\$4,298 (US\$131) thousands and losses from valuation on financial liabilities by NT\$84,348 (US\$2,574) thousands.

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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:

**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.

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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 business lending, mortgage lending, policy loan, and security investments. All business lendings 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. Cathay Life 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.

### **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 Life has adopted and implemented the internal control regulations and procedures. Cathay Life 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.

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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.

C. Cathay United Bank

a. Information of fair value

Item	June 30, 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	\$29,451,699	\$29,451,699	\$970,082	\$970,082
Available-for-sale financial assets	61,673,067	61,673,067	2,031,392	2,031,392
Held-to-maturity financial assets and debt securities with no active market	225,730,594	225,647,197	7,435,132	7,432,385
Other financial assets-financial assets carried at cost	4,245,466	(Note)	139,837	(Note)
Others	919,356,685	919,356,685	30,281,841	30,281,841
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	39,430,573	39,430,573	1,298,767	1,298,767
Financial debentures payable	15,272,693	15,272,693	503,053	503,053
Others	1,148,609,855	1,148,609,855	37,832,999	37,832,999
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	340,881	340,881	11,228	11,228
Non-delivery forward	107,814	107,814	3,551	3,551
Currency swap	4,111,348	4,111,348	135,420	135,420
Interest rate swap	1,832,987	1,832,987	60,375	60,375
Cross currency swap	3,766	3,766	124	124
Options	90,812	90,812	2,991	2,991
Credit derivative instruments	357	357	12	12

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Item	June 30, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Forward	\$3,372,998	\$3,372,998	\$111,100	\$111,100
Non-delivery forward	106,462	106,462	3,507	3,507
Currency swap	647,706	647,706	21,334	21,334
Interest rate swap	1,635,076	1,635,076	53,856	53,856
Cross currency swap	215,573	215,573	7,101	7,101
Options	90,777	90,777	2,990	2,990
Credit derivative instruments	408,133	408,133	13,443	13,443
Item	June 30, 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	\$49,892,094	\$49,892,094	\$1,522,493	\$1,522,493
Available-for-sale financial assets	139,051,922	139,051,922	4,243,269	4,243,269
Held-to-maturity financial assets and debt securities with no active market	252,989,221	253,018,717	7,720,147	7,721,047
Other financial assets-financial assets carried at cost	4,095,465	(Note)	124,976	(Note)
Others	913,062,332	913,062,332	27,862,750	27,862,750
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	32,627,728	32,627,728	995,659	995,659
Financial debentures payable	15,194,806	15,194,806	463,680	463,680
Others	1,265,556,334	1,265,556,334	38,619,357	38,619,357
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	1,097,447	1,097,447	33,489	33,489
Non-delivery forward	54,707	54,707	1,670	1,670
Currency swap	2,529,532	2,529,532	77,191	77,191
Interest rate swap	5,137,155	5,137,155	156,764	156,764
Cross currency swap	319,673	319,673	9,755	9,755
Options	97,189	97,189	2,966	2,966

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Item	June 30, 2009			
	(NT\$)		(US\$)	
	Carrying	Fair value	Carrying	Fair value
	amount		amount	
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Forward	\$2,823,270	\$2,823,270	\$86,154	\$86,154
Non-delivery forward	49,357	49,357	1,506	1,506
Currency swap	637,434	637,434	19,451	19,451
Interest rate swap	3,375,107	3,375,107	102,994	102,994
Cross currency swap	207,789	207,789	6,341	6,341
Options	97,190	97,190	2,966	2,966
Credit derivative instruments	563,178	563,178	17,186	17,186
Credit default swap	32,203	32,203	983	983

Note: Fair value cannot be reliably estimated.

- 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 and held-to-maturity financial assets. 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.

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- (c) Discounts, loans and deposits are classified as interest-bearing financial assets. Thus, their face 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 assess the fair value of such instruments.

- (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.

- 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	June 30, 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	\$28,051,700	\$923,969	\$1,399,999	\$46,113
Available-for-sale financial assets	53,621,512	1,766,189	8,051,555	265,203
Held-to-maturity financial assets and debt securities with no active market	184,350,905	6,072,164	41,296,292	1,360,220
Others	(Note)	(Note)	(Note)	(Note)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	-	-	39,430,573	1,298,767
Financial debentures payable	-	-	15,272,693	503,053
Others	(Note)	(Note)	(Note)	(Note)

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Item	June 30, 2008			
	Value determined by quoted market price		Value determined by pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	\$-	\$-	\$340,881	\$11,228
Non-delivery forward	-	-	107,814	3,551
Currency swap	-	-	4,111,348	135,420
Interest rate swap	-	-	1,832,987	60,375
Cross currency swap	-	-	3,766	124
Options	-	-	90,812	2,991
Credit derivative instruments	-	-	357	12
<u>Liabilities</u>				
Forward	-	-	3,372,998	111,100
Non-delivery forward	-	-	106,462	3,507
Currency swap	-	-	647,706	21,334
Interest rate swap	-	-	1,635,076	53,856
Cross currency swap	-	-	215,573	7,101
Options	-	-	90,777	2,990
Credit derivative instruments	-	-	408,133	13,443
Item	June 30, 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	\$49,694,484	\$1,516,463	\$197,610	\$6,030
Available-for-sale financial assets	122,092,350	3,725,735	16,959,572	517,534
Held-to-maturity financial assets and debt securities with no active market	225,392,050	6,878,000	27,626,667	843,047
Others	(Note)	(Note)	(Note)	(Note)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	-	-	32,627,728	995,659
Financial debentures payable	-	-	15,194,806	463,680
Others	(Note)	(Note)	(Note)	(Note)

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Item	June 30, 2009			
	Value determined by quoted market price		Value determined by pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	\$-	\$-	\$1,097,447	\$33,489
Non-delivery forward	-	-	54,707	1,670
Currency swap	-	-	2,529,532	77,191
Interest rate swap	-	-	5,137,155	156,764
Cross currency swap	-	-	319,673	9,755
Options	-	-	97,189	2,966
<u>Liabilities</u>				
Forward	-	-	2,823,270	86,154
Non-delivery forward	-	-	49,357	1,506
Currency swap	-	-	637,434	19,451
Interest rate swap	-	-	3,375,107	102,994
Cross currency swap	-	-	207,789	6,341
Options	-	-	97,190	2,966
Credit derivative instruments	-	-	563,178	17,186
Credit default swaps	-	-	32,303	986

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.

- d. Gains or losses recognized for the changes in fair value of financial assets or liabilities determined by pricing models were gain NT\$129,194 (US\$4,255) and NT\$1,118,475 (US\$34,131) for the six months ended June 30, 2008 and 2009, respectively.
- e. The interest income arising from other than financial assets or liabilities at fair value through profit or loss for the six months ended June 30, 2008 and 2009 were NT\$19,711,957 (US\$649,274) and NT\$12,639,182(US\$385,694), and expenses were NT\$9,328,737 (US\$307,271) and NT\$5,474,751(US\$167,066), respectively.

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f. Cathay United Bank recognized an unrealized losses of NT\$251,823 (US\$8,295) and gains of NT\$1,501,109 (US\$45,808) in shareholders' equity for the changes in fair value of available-for-sale financial assets and a realized gains of NT\$390,137 (US\$12,850) and NT\$419,908 (US\$12,814) in income statements, for the six months ended June 30, 2008 and 2009, respectively.

g. Information on financial risk

(a) Market risk

Market risk is the 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 foreign currency assets and liabilities are matched, the foreign exchange risk is insignificant.

Ⓒ Equity securities price risk

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

Cathay United Bank adopts many methodologies to manage its market risk. Value-at-risk (VAR) is one of the methodologies. VAR is statistical measure that assesses potential losses that might be caused by changes in risk factors over a specified period of time and at a specific level of statistical confidence.

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January 1 ~ June 30, 2008						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Interest rate	\$144,458	\$4,758	\$191,605	\$6,311	\$71,356	\$2,350
Foreign exchange	216,594	7,134	361,216	11,898	126,382	4,163
Equity Securities price	142,935	4,708	208,847	6,879	88,708	2,922

January 1- June 30, 2009						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Interest rate	\$311,392	\$9,502	\$538,874	\$16,444	\$128,834	\$3,931
Foreign exchange	377,404	11,517	580,316	17,709	226,674	6,917
Equity Securities price	110,304	3,366	165,930	5,063	66,379	2,026

Cathay United Bank enters into a variety of derivatives transactions for both trading and nontrading 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.

Market risk factor sensitivity is one of the tools to manage market risk. Market risk factor sensitivities 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 securities price factor sensitivities.

Foreign exchange rate factor sensitivities ("FX delta") represent the change of the foreign exchange portfolios caused by the underlying currency exchange rate fluctuation.

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 1% (100 basis point) in the interest rates in various yield curves affecting the portfolio. Cathay United Bank's interest rate-sensitive portfolios include bonds, interest rate swaps and structured products composed of such products.

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Equity securities price factor sensitivities (“Equity delta”) represent the change of the equity securities price portfolio caused by the underlying stocks prices fluctuation. Cathay United Bank’s equity portfolios include stocks and equity securities index options.

Stress Test			
Market/ Product	Scenarios	Effects (In thousand of dollars)	
		(NT\$)	(US\$)
Stock Market	Major Stock Exchanges +15%	\$588,014	\$17,944
	Major Stock Exchanges-15%	(588,014)	(17,944)
Interest Rate/Bond Market	Major Interest Rate+100bp	(4,647,130)	(141,810)
	Major Interest Rate-100bp	4,661,248	142,241
Foreign Exchange Market	Major Currencies+3%	1,412,110	43,092
	Major Currencies-3%	(1,329,842)	(40,581)
Composite	Major Stock Exchanges-15%	(3,823,034)	(116,663)
	Major Interest Rate+100bp		
	Major Currencies+3%		

(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.

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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	June 30, 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	\$29,451,699	\$970,082	\$29,451,699	\$970,082
Available-for-sale financial assets	61,673,067	2,031,392	61,673,067	2,031,392
Held-to-maturity financial assets and debt securities with no active market	225,730,594	7,435,132	225,730,594	7,435,132
Other financial assets-financial assets carried at cost	4,245,466	139,837	4,245,466	139,837
Others	919,356,685	30,281,841	919,356,685	30,281,841
Guarantees on duties and contracts	-	-	17,495,216	576,259
Unused commercial letters of credit	-	-	4,982,176	164,103
Irrevocable loan commitments	-	-	45,642,543	1,503,378
Credit card line commitments	-	-	274,216,214	9,032,155
<u>Derivative financial instruments</u>				
Forward	340,881	11,228	340,881	11,228
Non-delivery forward	107,814	3,551	107,814	3,551
Currency swap	4,111,348	135,420	4,111,348	135,420
Interest rate swap	1,832,987	60,375	1,832,987	60,375
Cross currency swap	3,766	124	3,766	124
Options	90,812	2,991	90,812	2,991
Credit derivative instruments	357	12	357	12

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Financial assets	June 30, 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	\$49,892,094	\$1,522,493	\$49,892,094	\$1,522,493
Available-for-sale financial assets	139,051,922	4,243,269	139,051,922	4,243,269
Held-to-maturity financial assets and debt securities with no active market	252,989,221	7,720,147	252,989,221	7,720,147
Other financial assets-financial assets carried at cost	4,095,465	124,976	4,095,465	124,976
Others	913,062,322	27,862,750	913,062,322	27,862,750
Guarantees on duties and contracts	-	-	20,809,286	635,010
Unused commercial letters of credit	-	-	1,854,037	56,577
Irrevocable loan commitments	-	-	8,873,779	270,790
Credit card line commitments	-	-	260,757,898	7,957,214
<u>Derivative financial instruments</u>				
Forward	1,097,447	33,489	1,097,447	33,489
Non-delivery forward	54,707	1,670	54,707	1,670
Currency swap	2,529,532	77,191	2,529,532	77,191
Interest rate swap	5,137,155	156,764	5,137,155	156,764
Cross currency swap	319,673	9,755	319,673	9,755
Options	97,189	2,966	97,189	2,966

- ⓑ 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:

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Loans, customers' liabilities under acceptances and guarantees account	June 30,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Industry type				
Manufacturing	\$124,940,179	\$4,115,289	\$127,442,573	\$3,889,001
Financial institutions and insurance	49,673,518	1,636,150	32,372,986	987,885
Leasing and real estate	78,724,981	2,593,050	17,272,069	527,069
Individuals	430,050,382	14,165,032	409,867,159	12,507,390
Others	144,882,159	4,772,140	215,210,213	6,567,294
Total	828,271,219	27,281,661	802,165,000	24,478,639
Valuation allowance	(9,282,263)	(305,740)	(7,283,947)	(222,275)
Maximum credit risk exposed	<u>\$818,988,956</u>	<u>\$26,975,921</u>	<u>\$794,881,053</u>	<u>\$24,256,364</u>

Loans, customers' liabilities under acceptances and guarantees account	June 30,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Geographic Region				
Domestic	\$757,600,215	\$24,953,894	\$717,017,552	\$21,880,303
South East Asia	21,814,670	718,533	22,581,770	689,099
North East Asia	170,357	5,611	202,863	6,191
America	13,313,633	438,526	18,133,075	553,344
Others	35,372,344	1,165,097	44,229,740	1,349,702
Total	828,271,219	27,281,661	802,165,000	24,478,639
Valuation allowance	(9,282,263)	(305,740)	(7,283,947)	(222,275)
Maximum credit risk exposed	<u>\$818,988,956</u>	<u>\$26,975,921</u>	<u>\$794,881,053</u>	<u>\$24,256,364</u>

(c) Liquidity risk

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

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.

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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 39.06%. 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 June 30, 2008, there is no significant change in these dates.

As of June 30, 2008 and 2009 the effective interest rates of financial instruments held and issued by Cathay United Bank are classified as follows:

Financial instruments	Effective interest rate (%)	
	June 30, 2008	June 30, 2009
Available-for-sale financial assets		
Bonds	1.7063~6.8119	0.2861~6.6626
Overseas financial instruments	0~2.9959	0~7.75
Held-to-maturity financial assets		
Bonds	2.2233~6.9480	1.9842~6.9559
Overseas financial instruments	2.38~3.77	1.2369~1.4241
Investments in debt securities with no active market		
Preferred stocks	5	5
Certificates of deposit	2.05~2.496	0.57~1.16
Overseas financial instruments	0~7.007	0~8.45
Financial debentures payable	2~5.593	2.1~5.593

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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			
		June 30, 2008		June 30, 2009	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Financial debentures payable	Interest rate swap	\$179,189	\$5,902	\$877,793	\$26,787

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.

D. Cathay Century

a. Information of fair value

Item	June 30, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,441,823	\$2,441,823	\$80,429	\$80,429
Financial assets at fair value through profit or loss-current	681,103	681,103	22,434	22,434
Available-for-sale financial assets-current	2,920,293	2,920,293	96,189	96,189
Held-to-maturity financial assets-current	551,548	551,548	18,167	18,167
Financial assets carried at cost-current	24,000	24,000	791	791
Investments in debt securities with no active market-current	226,194	226,194	7,450	7,450
Receivables	2,125,311	2,125,311	70,004	70,004
Prepaid reinsurance premiums ceded	1,340,946	1,340,946	44,168	44,168

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

Item	June 30, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments:</u>				
<u>Assets</u>				
Claims recoverable from reinsurers	\$1,244,518	\$1,244,518	\$40,992	\$40,992
Due from reinsurers and ceding companies	80,980	80,980	2,667	2,667
Account receivable-reinsurance	29,800	29,800	982	982
Secured loans	1,748,337	1,748,337	57,587	57,587
Held-to-maturity financial assets- noncurrent	2,986,795	2,986,795	98,379	98,379
Financial assets carried at cost-noncurrent	36,000	36,000	1,186	1,186
Investments under equity method	409,143	409,143	13,476	13,476
Other financial assets-noncurrent	832,315	832,315	27,415	27,415
Guarantee deposits paid	446,285	446,285	14,700	14,700
<u>Liabilities</u>				
Claims outstanding	11,289	11,289	372	372
Due to reinsurers and ceding companies	340,221	340,221	11,206	11,206
Account payable-reinsurance	641,424	641,424	21,127	21,127
Operating and liabilities reserve	13,665,244	13,665,244	450,107	450,107
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Financial liabilities at fair value through				
Profit or loss-current				
Forward and SWAP	34,468	34,468	1,135	1,135
Derivative financial liabilities for hedging				
IRS	9,304	9,304	306	306

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Item	June 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$4,823,977	\$4,823,977	\$147,207	\$147,207
Financial assets at fair value through profit or loss - current	467,360	467,360	14,262	14,262
Available-for-sale financial assets - current	3,069,382	3,069,382	93,664	93,664
Receivables	2,135,485	2,135,485	65,167	65,167
Prepaid reinsurance premiums ceded	1,361,650	1,361,650	41,552	41,552
Claims recoverable from reinsurers	1,323,769	1,323,769	40,396	40,396
Due from reinsurers and ceding companies	81,472	81,472	2,486	2,486
Account receivable - reinsurance	27,276	27,276	832	832
Secured loans	1,326,393	1,326,393	40,476	40,476
Held-to-maturity financial assets - noncurrent	3,105,410	3,105,410	94,764	94,764
Financial assets carried at cost-noncurrent	25,500	25,500	778	778
Investments in debt securities with no active market-noncurrent	300,000	300,000	9,155	9,155
Long-term investments under equity method	1,181,241	1,181,241	36,046	36,046
Guarantee deposits paid	502,548	502,548	15,336	15,336
<u>Liabilities</u>				
Claims outstanding	25,690	25,690	784	784
Due to reinsurers and ceding companies	306,844	306,844	9,364	9,364
Account payable - reinsurance	740,387	740,387	22,593	22,593
Operating and liabilities reserve	14,543,684	14,543,684	443,811	443,811
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Forward and SWAP	38,323	38,323	1,169	1,169
Derivative financial assets for hedging				
IRS	31,304	31,304	955	955

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- 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 and cash equivalents, receivables, 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 is based on the carrying amount.
  - (c) Quoted market prices, if available, are used to determine the fair value of financial assets. If no quoted market prices exist for Cathay Century's 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.
  - (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.
  - (e) If no quoted market prices exist for Cathay Century's investments accounted for 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:

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Item	June 30, 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	\$681,103	\$22,434	\$-	\$-
Available-for-sale financial assets-current	2,920,293	96,189	-	-
Held to-maturity financial asset-current	-	-	551,548	18,167
Financial assets carried at cost-current	-	-	24,000	791
Investment in debt securities with no active market-current	-	-	226,194	7,450
Held-to-maturity financial assets-noncurrent	-	-	2,986,795	98,379
Financial assets carried at cost-noncurrent	-	-	36,000	1,186
Investments under equity method	-	-	409,143	13,476
Other financial asset-noncurrent	-	-	832,315	27,415
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Financial liability at fair value through profit and loss-current				
Forward and SWAP	-	-	34,468	1,135
Derivative financial liabilities for hedging-current				
IRS	-	-	9,304	306

Item	June 30, 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	\$467,360	\$14,262	\$-	\$-
Available-for-sale financial assets-current	3,069,382	93,664	-	-
Held-to-maturity financial assets-noncurrent	-	-	3,105,410	94,764
Financial assets carried at cost-noncurrent	-	-	25,500	778
Investments under equity method	-	-	1,181,241	36,046
Investment in debt securities with no active market-noncurrent	-	-	300,000	9,155

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Item	June 30, 2009			
	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				
Forward and SWAP	\$-	\$-	\$38,323	\$1,169
Derivative financial assets for hedging-current				
IRS	-	-	31,304	955

d. Information on financial risk

(a) Interest rate risk

The following table summarizes the maturities of Cathay Century's financial instruments at June 30, 2008 and 2009:

Fixed interest rate

June 30, 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	\$551,548	\$18,167	\$-	\$-	\$-	\$-	\$333,746	\$10,993
Investments in debt securities								
with no active market	226,194	7,450	-	-	-	-	-	-

  

Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Held-to-maturity financial assets	\$230,868	\$7,604	\$2,422,181	\$79,782	\$3,538,343	\$116,546
Investments in debt securities						
with no active market	-	-	-	-	226,194	7,450

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June 30, 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	\$-	\$-	\$164,411	\$5,017	\$378,514	\$11,551	\$1,054,543	\$32,180
Investments in debt securities								
with no active market	-	-	-	-	300,000	9,155	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Held-to-maturity financial assets	\$263,957	\$8,055	\$1,243,985	\$37,961	\$3,105,410	\$94,764
Investments in debt securities						
with no active market	-	-	-	-	300,000	9,155

(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 forward and swap for overseas bonds hedging at June 30, 2008 and 2009:

Hedged item	Financial instruments of designated as hedging instruments	Designated as hedging instruments			
		Fair value			
		June 30, 2008		June 30, 2009	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Overseas bonds	Forward and SWAP	<u>\$(34,468)</u>	<u>\$(1,135)</u>	<u>\$38,323</u>	<u>\$1,169</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 June 30, 2009:

Cash flow hedges-IRS

① June 30, 2009

<u>Par value</u>		<u>Exchange rate</u>	<u>Frequency</u>	<u>Maturity date</u>
<u>(NT\$)</u>	<u>(US\$)</u>			
\$200,000	\$6,105	2.65%	Each quarter	2014/12/31
200,000	6,105	2.40%	Each quarter	2012/9/28
200,000	6,105	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 loss on the interest rate swap agreements were recognized in equity in the amount of NT\$9,304 (US\$306) thousands as of June 30, 2008. Unrealized gain on the interest rate swap agreements were recognized in equity in the amount of NT\$31,304 (US\$955) thousands as of June 30, 2009.

g. Financial risk management objectives policies and hedge strategies

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 conducts 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 and currency exchange 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 uncertain market value of a portfolio, including interest rate risk, stock value risk and exchange rate 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 the Company'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 transactional currency exposures. Such exposure arise from reinsurance transactions. These transactions with foreign reinsurance company usually receive on time and 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 has taken the credit concentration index of each conglomerate into consideration of establishing Lending Policy to prevent from over-exposure. Strict credit evaluations are carried out by Cathay Century before committing to business lending, mortgage lending, policy loan, and securities investments. All business lendings are secured by land, property, plant and equipment or financial guarantees.

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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.

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

(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 sheets. Cathay Century is 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	June 30, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$434,514	\$434,514	\$14,312	\$14,312
Financial assets at fair value through profit or loss-current				
Open-end funds and currency market instruments	19,130	19,130	630	630
Operating securities-net	1,147,276	1,147,276	37,789	37,789

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Item	June 30, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Receivable amount for margin loans	\$1,196,393	\$1,196,393	\$39,407	\$39,407
Securities refinancing margin deposits	195	195	6	6
Receivables-net	26,884	26,884	886	886
Restricted assets-current	90,000	90,000	2,964	2,964
Investments under equity method	729,505	729,505	24,028	24,028
Available-for-sale financial assets-noncurrent	18	18	1	1
Operating deposits	230,098	230,098	7,579	7,579
Settlement and clearance funds	51,519	51,519	1,697	1,697
Guarantee deposits paid	68,251	68,251	2,248	2,248
<u>Liabilities</u>				
Securities financing guarantee deposits-in	20,537	20,537	676	676
Deposit payable for securities financing	22,690	22,690	747	747
Payables	52,720	52,720	1,737	1,737
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	159	159	5	5
Margin for futures trading-own funds	122,405	122,405	4,032	4,032
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss-current				
Liabilities for issuance of call (put) warrants	510,600	510,600	16,818	16,818
Repurchase of issued call (put) warrants	(408,508)	(408,508)	(13,456)	(13,456)
Put options-futures	2,217	2,217	73	73
Derivative financial instrument liabilities				
-GreTai (over-the-counter)	(317)	(317)	(10)	(10)
Other financial liabilities-current	25,064	25,064	826	826

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Item	June 30, 2009			
	Carrying		Carrying	
	amount	Fair value	amount	Fair value
	(NT\$)	(NT\$)	(US\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$108,570	\$108,570	\$3,313	\$3,313
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	39,531	39,531	1,206	1,206
Operating securities – net	1,839,037	1,839,037	56,120	56,120
Receivable amount for margin loans	958,297	958,297	29,243	29,243
Securities refinancing margin deposits	4,449	4,449	136	136
Receivables from refinance guaranty	25,026	25,026	764	764
Security lending deposits	22,588	22,588	689	689
Receivables-net	147,396	147,396	4,498	4,498
Available-for-sale financial assets – current	276,668	276,668	8,443	8,443
Long-term investments under equity method	729,683	729,683	22,267	22,267
Available-for-sale financial assets – noncurrent	18	18	1	1
Operating deposits	230,098	230,098	7,022	7,022
Settlement and clearance funds	54,338	54,338	1,658	1,658
Guarantee deposits paid	19,277	19,277	588	588
<u>Liabilities</u>				
Commercial paper payable	130,000	130,000	3,967	3,967
Financial liabilities at fair value through profit or loss – current				
Security lending payable-hedging	24,692	24,692	753	753
Securities financing guarantee deposits-in	99,789	99,789	3,045	3,045
Deposit payable for securities financing	110,288	110,288	3,366	3,366
Payables	308,532	308,532	9,415	9,415
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Call options – futures	8,491	8,491	259	259
Margin for futures trading – own funds	225,994	225,994	6,896	6,896

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Item	June 30, 2009			
	Carrying amount	Fair value	Carrying amount	Fair value
	(NT\$)	(NT\$)	(US\$)	(US\$)
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss –				
current				
Liabilities for issuance of call (put) warrants	\$1,241,390	\$1,241,390	\$37,882	\$37,882
Repurchase of issued call (put) warrants	(1,150,863)	(1,150,863)	(35,120)	(35,120)
Put options-futures	10,447	10,447	319	319
Derivative financial instrument liabilities				
-GreTai (over-the-counter)	(503)	(503)	(15)	(15)
Other financial liabilities – current	90,238	90,238	2,754	2,754

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

(a) Short-term financial instruments are stated at their carrying amount 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 are equal to their fair values. This assumption is adopted for the following accounts: cash and cash equivalents, receivable amount for margin loans, securities refinancing margin deposits, receivable from refinance guaranty, security lending deposits, receivables, restricted assets, operating deposits, settlement and clearance funds, guarantee deposits paid, commercial paper payable, security lending payable-hedging, securities financing guarantee deposits-in, deposit payable for securities financing, payables and guarantee deposits-in.

(b) Available-for-sale financial assets – current/noncurrent is 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 the fair value.

(c) If no quoted market prices exist for Cathay Securities long-term investments accounted for equity method, then their fair value is taken as approximating their carrying amounts when no permanent market value decline exists.

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(d) If there is a quoted market price on the open market, the quoted market price of financial assets and liabilities is regarded as 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 June 30, 2008 and 2009:

Item	June 30, 2008			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Open-end funds and currency market instruments	\$19,130	\$630	\$-	\$-
Operating securities-net	1,147,276	37,789	-	-
Call option-futures	159	5	-	-
Margin for futures trading – own funds	122,405	4,032	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	510,600	16,818	-	-
Repurchase of issued call (put) warrants	(408,508)	(13,456)	-	-
Put options – futures	2,217	73	-	-
Derivative financial instrument liabilities-GreTai (over-the-counter)	-	-	(317)	(10)
Other financial liabilities – current	-	-	25,064	826

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Item	June 30, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	\$39,531	\$1,206	\$-	\$-
Operating securities – net	1,839,037	56,120	-	-
Call options-futures	8,491	259	-	-
Margin for futures trading – own funds	225,994	6,896	-	-
Available-for-sale financial assets-current	276,668	8,443	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	1,241,390	37,882	-	-
Repurchase of issued call (put) warrants	(1,150,863)	(35,120)	-	-
Security lending payable-hedging	24,692	753	-	-
Put options-futures	10,447	319	-	-
Derivative financial instrument liabilities-GreTai (over-the-counter)	-	-	(503)	(15)
Other financial liabilities-current	-	-	90,238	2,754

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”.

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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.

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.

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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	June 30, 2008		June 30, 2009	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>For trading purposes</u>				
Issuance of call warrants	NT\$1,411,237 <u>(US\$46,483)</u>	NT\$- <u>(US\$-)</u>	NT\$1,347,750 <u>(US\$41,128)</u>	NT\$- <u>(US\$-)</u>

Ⓑ Market risk

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

Ⓒ Liquidity risk, cash flow risk and future cash requirements

When issuing call (put) warrants, Cathay Securities utilizes existing holdings of underlying securities and premiums received in advance to establish hedging positions. Further, because underlying securities must meet specific regulatory requirements with respect to market price and shareholders diversification, Cathay Securities believes they can be easily sold at reasonable prices and that liquidity risk is low. 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.

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The call (put) 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.

### ④ 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 (put) warrants. Cathay Securities hedging positions are evaluated and adjusted periodically.

### ⑤ Financial statement presentation of derivative financial instruments

As of June 30, 2008 and 2009, disclosure of the issuance of call (put) warrants on the balance sheets and statements of income are summarized as follows:

#### **Balance sheet**

	June 30, 2008		June 30, 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	\$510,600	\$16,818	\$1,241,390	\$37,882
Repurchase of issued call (put) warrants	(408,508)	(13,456)	(1,150,863)	(35,120)
Total	\$102,092	\$3,362	\$90,527	\$2,762

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**Statement of income**

	For the six months ended June 30, 2008		For the six months ended June 30, 2009		Comments
	Profits or losses from issuing call (put) warrants				
	(NT\$)	(US\$)	(NT\$)	(US\$)	
Liabilities for issuance of call (put) warrants	\$653,817	\$21,535	\$(2,081,465)	\$(63,517)	Fair value method
Repurchase of issued call (put) warrants					
- Losses on disposal	(638,382)	(21,027)	(2,096,364)	(63,972)	
- (Losses) gains from valuation	(362,944)	(11,955)	609,917	18,612	Fair value method
Gain from expiration of warrants issued	377,020	12,418	3,543,450	108,131	
Trading securities-hedging					
- (Losses) gains on disposal	(10,557)	(348)	65,341	1,994	
- (Losses) gains from valuation	(15,423)	(508)	5,147	157	Fair value method
<b>Total</b>	<b>\$3,531</b>	<b>\$115</b>	<b>\$46,026</b>	<b>\$1,405</b>	

**(b) Structured notes transactions**

**① Nominal principal or contract amount and credit risk**

Financial instruments	June 30, 2008		June 30, 2009	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>For trading purposes</u>				
Principal guaranteed notes	NT\$25,800 (US\$850)	NT\$- (US\$-)	NT\$90,900 (US\$2,774)	NT\$- (US\$-)

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.

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ⓑ 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.

ⓒ 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.

ⓓ 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.

(c) Financial statement presentation of derivative financial instruments

As of June 30, 2008 and 2009, the disclosure of structured notes transactions on the balance sheets and statements of income are summarized as follows:

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**Balance sheet**

	June 30, 2008		June 30, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Derivative financial instrument assets – GreTai (over-the-counter)				
Structured notes transactions	\$ (317)	\$ (10)	\$ (503)	\$ (15)
Other financial liabilities – current				
Principal of structured notes	25,064	826	90,238	2,754

**Statement of income**

	For the six months ended June 30, 2008		For the six months ended June 30, 2009		Comments
	(NT\$)	(US\$)	(NT\$)	(US\$)	
Gains (losses) from structured notes	\$ 174	\$ 6	\$ (8,790)	\$ (268)	Fair value method
Trading securities - hedging					
- (Losses) gains on disposal	(1,124)	(37)	7,443	227	
- Losses from valuation	(382)	(13)	(551)	(17)	Fair value method
Total	<u>\$ (1,332)</u>	<u>\$ (44)</u>	<u>\$ (1,898)</u>	<u>\$ (58)</u>	

e. Futures and options transactions

As of June 30, 2008 and 2009, Cathay Securities' unexercised futures and options were as follows:

June 30, 2008

Item	Nature of Transaction	Unexercised Futures /options		Contract amount/ payment of premium		Fair value	
		Buy/Sell	Units	(NT\$)	(US\$)	(NT\$)	(US\$)
Futures	Mini-TAIEX	Buy	1	\$ 396	\$ 13	\$ 371	\$ 12
Options	TXO-Call	Sell	1,052	(781)	(26)	187	6
Options	TXO-Put	Buy	41	201	7	159	5
Options	TXO-Put	Sell	490	(1,432)	(47)	2,030	67

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June 30, 2009

Item	Nature of Transaction	Unexercised Futures /options		Contract amount/ payment of premium		Fair value	
		Buy/Sell	Units	(NT\$)	(US\$)	(NT\$)	(US\$)
Futures	STW	Sell	53	\$(39,933)	\$(1,219)	\$40,124	\$1,224
Futures	FITX	Sell	21	(26,911)	(821)	26,813	818
Futures	FIT5	Buy	16	7,080	216	7,136	218
Options	TXO-Put	Buy	25	24	1	8	-
Options	TXO-Call	Buy	410	1,951	60	481	15
Options	TXO-Put	Sell	696	(3,132)	(96)	702	21
Options	TXO-Call	Sell	307	(1,304)	(40)	1,727	53
Options	GTO-Put	Sell	3,000	(15)	-	15	-
Options	Equity options-Call	Buy	4,216	134	4	7,579	231
Options	Equity options-Call	Sell	4,216	(114)	(3)	7,579	231
Options	Equity options-Put	Buy	1,986	40	1	230	7
Options	Equity options-Put	Sell	1,986	(40)	(1)	230	7
Options	TFO-Put	Sell	1	(1)	-	1	-
Options	XIO-Put	Buy	495	2	-	193	6
Options	XIO-Put	Sell	495	(2)	-	193	6

(a) Nominal principal or contract amount and credit risk

Financial instruments	June 30, 2008	
	Nominal principal/ contract amount	Credit risk
<u>For trading purposes</u>		
TAIEX futures	\$396(US\$13)	\$-
TXO	\$2,414(US\$80)	\$-

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Financial instruments	June 30, 2009	
	Nominal principal/ contract amount	Credit risk
STW futures	NT\$39,933 (US\$1,219)	NT\$- (US\$-)
FITX	NT\$26,911 (US\$821)	NT\$- (US\$-)
FIT5	NT\$7,080 (US\$216)	NT\$- (US\$-)
TXO	NT\$6,411 (US\$196)	NT\$- (US\$-)
GTO	NT\$15 (US\$-)	NT\$- (US\$-)
Equity options	NT\$328 (US\$10)	NT\$- (US\$-)
TFO	NT\$1 (US\$-)	NT\$- (US\$-)
XIO	NT\$4 (US\$-)	NT\$- (US\$-)

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 assets. 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, 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 futures transactions require 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.

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(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 six months ended June 30, 2008 and 2009, the related gain (loss) of futures and options on the statement of income were as follows:

Item	For the six months ended June 30, 2008		For the six months ended June 30, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Gains from derivative financial instruments - futures				
Gains on futures contracts - realized	\$6,284	\$207	\$45,342	\$1,383
Gains on futures contracts - unrealized	288	9	21,659	661
Gains from options transactions - realized	552	18	9,234	282
Gains from options transactions - unrealized	412	14	24,248	740
Total	<u>\$7,536</u>	<u>\$248</u>	<u>\$100,483</u>	<u>\$3,066</u>

Item	For the six months ended June 30, 2008		For the six months ended June 30, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Losses from derivative financial instruments - futures				
Losses on futures contracts - realized	\$7,500	\$247	\$60,451	\$1,845
Losses on futures contracts - unrealized	313	10	21,662	661
Losses from options transactions - realized	833	28	40,869	1,247
Losses from options transactions - unrealized	457	15	23,786	726
Total	<u>\$9,103</u>	<u>\$300</u>	<u>\$146,768</u>	<u>\$4,479</u>

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F. Cathay Pacific Venture

a. Information of fair value

Item	June 30, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$4,453	\$4,453	\$147	\$147
Available-for-sale financial assets-current	328,903	328,903	10,833	10,833
Available-for-sale financial assets-noncurrent	148,935	148,935	4,906	4,906
Financial assets carried at cost-noncurrent	121,603	-	4,005	-
<u>Liabilities</u>				
Other payables	201	201	7	7

Item	June 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$179	\$179	\$5	\$5
Available-for-sale financial assets-current	131,984	131,984	4,028	4,028
Investment in debt securities with no active market	34,000	-	1,038	-
Financial assets carried at cost	24,967	-	762	-
<u>Liabilities</u>				
Other payables	277	277	8	8

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.

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- (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 June 30, 2008 and 2009:

Item	June 30, 2008			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$4,453	\$147	\$-	\$-
Available-for-sale financial assets-current	328,908	10,834	-	-
Available-for-sale financial assets-noncurrent	148,935	4,906	-	-
Item	June 30, 2009			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$179	\$6	\$-	\$-
Available-for-sale financial assets-current	131,984	4,347	-	-

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.

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(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.

(c) Liquidity risk and cash flow 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	June 30, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$245,384	\$245,384	\$8,082	\$8,082
Customers' margin accounts	1,792,916	1,792,916	59,055	59,055
Futures trading deposits receivable	356	356	12	12
Accounts receivable-related parties	51	51	2	2
Other receivable (contain transactions with related parties)	6,042	6,042	199	199
Available-for-sale financial assets-noncurrent	30,500	30,500	1,005	1,005
Operating deposits	60,000	60,000	1,976	1,976
Settlement and clearance funds	66,000	66,000	2,174	2,174
Guarantee deposits paid	1,279	1,279	42	42

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Item	June 30, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Futures customers' equity	\$1,792,189	\$1,792,189	\$59,031	\$59,031
Payables (contain transactions with related parties)	6,966	6,966	229	229
Other payable (contain transactions with related parties)	3,159	3,159	104	104
Custody receipts	395	395	13	13
Item	June 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$248,289	\$248,289	\$7,577	\$7,577
Customers' margin accounts	1,394,153	1,394,153	42,544	42,544
Futures trading deposits receivable	172	172	15	15
Accounts receivable-related parties	318	318	10	10
Other receivable (contain transactions with related parties)	8,313	8,313	254	254
Available-for-sale financial assets-noncurrent	30,500	30,500	931	931
Operating deposits	60,000	60,000	1,831	1,831
Settlement and clearance funds	73,000	73,000	2,228	2,228
Guarantee deposits paid	1,281	1,281	39	39
<u>Liabilities</u>				
Futures customers' equity	1,393,628	1,393,628	45,528	45,528
Payables (contain transactions with related parties)	6,457	6,457	197	197
Other payable (contain transactions with related parties)	3,138	3,138	96	96
Accounts collected in advance	122	122	4	4
Custody receipts	331	331	10	10

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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, accounts collected in advance, custody receipts and other payables, approximate their fair values due to the short maturities of these instruments.

(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.

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H. Symphox Information

a. Information of fair value

Item	June 30, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$283,339	\$283,339	\$9,333	\$9,333
Financial assets at fair value through profit or loss-current	154,841	154,841	5,100	5,100
Receivables (contain transactions with related parties)	199,434	199,434	6,569	6,569
Guarantee deposits paid	10,229	10,229	337	337
<u>Liabilities</u>				
Payables (contain transactions with related parties)	152,606	152,606	5,027	5,027
Guarantee deposits in	78	78	3	3
Item	June 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$180,435	\$180,435	\$5,506	\$5,506
Financial assets at fair value through profit or loss-current	402,521	402,521	12,283	12,283
Receivables (contain transactions with related parties)	117,174	117,174	3,576	3,576
Guarantee deposits paid	9,592	9,592	293	293
<u>Liabilities</u>				
Payables (contain transactions with related parties)	111,449	111,449	3,401	3,401
Guarantee deposits in	80	80	2	2

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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.

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

Item	June 30, 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	\$154,841	\$5,100	\$-	\$-
Item	June 30, 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	\$402,521	\$12,283	\$-	\$-

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I. Cathay Venture

a. Information of fair value

Item	June 30, 2008			
	(NT\$)		(US\$)	
	Carrying	Fair value	Carrying	Fair value
	amount		amount	
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$19,933	\$19,933	\$657	\$657
Financial assets at fair value through profit or loss-current	31,075	31,075	1,024	1,024
Available-for-sale financial assets- current	72,439	72,439	2,386	2,386
Available-for-sale financial assets- noncurrent	262,352	262,352	8,641	8,641
Financial assets carried at cost - noncurrent	995,276	995,276	32,782	32,782
Investments under equity method	222,712	222,712	7,336	7,336
Other receivables	7,341	7,341	242	242
<u>Liabilities</u>				
Payables	1,648	1,648	54	54
Income tax payable	4,269	4,269	141	141
Other payables	287	287	9	9

Item	June 30, 2009			
	(NT\$)		(US\$)	
	Carrying	Fair value	Carrying	Fair value
	amount		amount	
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$223	\$223	\$7	\$7
Available-for-sale financial assets- current	33,264	33,264	1,015	1,015
Other receivables	2	2	-	-
Available-for-sale financial assets- noncurrent	14,025	14,025	428	428
Financial assets carried at cost - noncurrent	801,033	801,033	24,444	24,444
Investments under equity method	241,229	241,229	7,361	7,361
<u>Liabilities</u>				
Payables	3,750	3,750	114	114
Other payables	416	416	13	13

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- 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.
- (d) If no quoted market prices exist for Cathay Venture's investments accounted for equity method, then their fair value is taken as approximating their carrying amounts when no permanent market value decline exists.
- c. The fair value of the Cathay Venture financial assets and liabilities determined by quoted market price or pricing models are summarized as following:

Item	June 30,							
	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	\$-	\$-	\$19,933	\$657	\$-	\$-	\$223	\$7
Financial assets at fair value through profit or loss-current	31,075	1,024	-	-	-	-	-	-
Available-for-sale financial assets-current	72,439	2,386	-	-	33,264	1,015	-	-
Other receivables	-	-	7,341	242	-	-	2	-
Available-for-sale financial assets-noncurrent	262,352	8,641	-	-	14,025	428	-	-
Financial assets carried at cost-noncurrent	-	-	995,276	32,782	-	-	801,033	24,444
Investment under equity method	-	-	222,712	7,336	-	-	241,229	7,361

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

Item	June 30,							
	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>Liabilities</u>								
Payables	\$-	\$-	\$1,648	\$54	\$-	\$-	\$3,750	\$114
Income tax payable	-	-	4,269	141	-	-	-	-
Other payable	-	-	287	9	-	-	416	13

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	June 30, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$10,231	\$10,231	\$337	\$337
Financial assets at fair value through profit or loss-current	13,838	13,838	456	456
Available-for-sale financial assets- current	59,675	59,675	1,966	1,966
Available-for-sale financial assets- noncurrent	141,421	141,421	4,658	4,658
Financial assets carried at cost-noncurrent	592,837	592,837	19,527	19,527

Item	June 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$209	\$209	\$6	\$6
Available-for-sale financial assets- current	19,806	19,806	604	604
Available-for-sale financial assets- noncurrent	2,220	2,220	68	68
Financial assets carried at cost-noncurrent	506,290	506,290	15,450	15,450

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	June 30,							
	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	\$13,838	\$456	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets-current	59,675	1,966	-	-	19,806	604	-	-
Available-for-sale financial assets-noncurrent	141,421	4,658	-	-	2,221	68	-	-
Financial assets carried at cost-noncurrent	-	-	592,837	19,527	-	-	506,290	15,450

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.

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

(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.

(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	June 30,2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,466,276	\$1,466,276	\$48,296	\$48,296
Financial assets at fair value through profit or loss-current	898,124	898,124	29,582	29,582
Available-for-sale financial assets-current	256,469	256,469	8,448	8,448
Held-to-maturity financial assets-current	205,737	205,737	6,777	6,777
Available-for-sale financial assets-noncurrent	3,173,314	3,173,314	104,523	104,523

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

Item	June 30,2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Held-to-maturity financial assets-noncurrent	\$265,579	\$265,579	\$8,748	\$8,748
Investment in debt securities with no active market-noncurrent	732,971	732,971	24,143	24,143
Guarantee deposits paid	725,207	725,207	23,887	23,887
<u>Liabilities</u>				
Guarantee deposits in	3,332	3,332	110	110
Item	June 30,2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$3,636,240	\$3,636,240	\$110,962	\$110,962
Financial assets at fair value through profit or loss-current	20,232	20,232	617	617
Available-for-sale financial assets-current	446,613	446,613	13,629	13,629
Receivables	30,395	30,395	928	928
Available-for-sale financial assets-noncurrent	3,286,268	3,286,268	100,283	100,283
Held-to-maturity financial assets-noncurrent	432,228	432,228	13,190	13,190
Investment in debt securities with no active market-noncurrent	1,367,310	1,367,310	41,724	41,724
Guarantee deposits paid	791,714	791,714	24,160	24,160
<u>Liabilities</u>				
Guarantee deposits in	7,341	7,341	224	224
Short-term borrowing	319,466	319,466	9,749	9,749

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- 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, receivables and short-term borrowing.
  - (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.
  - (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	June 30,							
	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	\$1,466,276	\$48,296	\$-	\$-	\$3,636,240	\$110,962	\$-	\$-
Financial assets at fair value								
through profit or loss-current	676,513	22,283	221,611	7,299	20,232	617	-	-
Available-for-sale financial								
assets-current	256,469	8,448	-	-	446,613	13,629	-	-

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

Item	June 30,							
	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>								
Held-to-maturity financial assets-current	\$-	\$-	\$205,737	\$6,777	\$-	\$-	\$-	\$-
Available-for-sale financial assets-noncurrent	134,477	4,429	3,038,837	100,093	197,927	6,040	3,088,341	94,243
Held-to-maturity financial assets-noncurrent	-	-	265,579	8,748	-	-	432,228	13,190
Investment in debt securities with no active market-noncurrent	-	-	732,971	24,143	-	-	1,367,310	41,724

L. Cathay Life (Vietnam)

a. Information of fair value

Item	June 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$315,432	\$315,432	\$9,626	\$9,626
Receivables	11,316	11,316	345	345
Available-for-sale financial assets-noncurrent	1,631,608	1,631,608	49,790	49,790
Guarantee deposits paid	50,383	50,383	1,537	1,537
<u>Liabilities</u>				
Payables	16,318	16,318	498	498

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

- 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.
  - (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	June 30,							
	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	\$-	\$-	\$-	\$-	\$315,432	\$9,626	\$-	\$-
Available-for-sale financial assets-noncurrent	-	-	-	-	-	-	1,631,608	49,790

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L. Cathay Century (Shanghai)

a. Information of fair value

Item	June 30,2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,396,982	\$1,396,982	\$42,630	\$42,630
Receivables-net	63,757	63,757	1,946	1,946
Prepaid reinsurance premiums ceded	30,222	30,222	922	922
Due from reinsurers and ceding companies	9,910	9,910	302	302
Account receivable-reinsurance	2,213	2,213	68	68
Guarantee deposits paid	390,712	390,712	11,923	11,923

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

- (a) The fair value of Cathay Century (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 Century (Shanghai). Cathay Century (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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**(Expressed in thousand of dollars except for share and per share date and unless otherwise stated)**

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

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

Item	June 30, 2008			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$9,494,365	\$312,726	\$9,494,365	\$312,726
Repurchase bonds	9,840,884	324,140	9,840,884	324,140
Cash in banks	879,555	28,971	879,555	28,971
Net other assets less liabilities	33,207	1,094	33,207	1,094
Total	<u>\$20,248,011</u>	<u>\$666,931</u>	<u>\$20,248,011</u>	<u>\$666,931</u>

Item	June 30, 2009			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$3,854,555	\$117,625	\$3,854,555	\$117,625
Repurchase bonds	5,384,078	164,299	5,384,078	164,299
Cash in banks	926,816	28,282	926,816	28,282
Net other assets less liabilities	1,161	35	1,161	35
Total	<u>\$10,166,610</u>	<u>\$310,241</u>	<u>\$10,166,610</u>	<u>\$310,241</u>

As of June 30, 2008 and 2009, Cathay Life and Cathay Century had discretionary account management contracts in the amount of NT\$18,050,000(US\$594,532) thousands, and NT\$9,900,000 (US\$302,106) thousands, respectively.

(5) Business or trading behaviors within Subsidiaries:

A. Business or trading behaviors

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

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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.

(6) Material contract: None.

(7) Presentation of financial statements:

Certain accounts in the consolidated financial statements for the six months ended June 30, 2008 have been reclassified in order to be comparable with those in the consolidated financial statements for the six months ended June 30, 2009.

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

**34. 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 June 30, 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 June 30, 2009, Cathay life's remittances to this general insurance company totaled approximately US\$28,144 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 June 30, 2009.

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

**35. Segment information**

For the six months ended June 30, 2008

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	10,824,141	36,851,030	201,754	46,172	57,100	47,980,197
Non income other than interest	2,197,411	14,144,404	1,768,906	126,126	(386,902)	17,849,945
Provision for premiums reserve	-	(45,388,010)	(298,663)	-	-	(45,686,673)
Total income	13,021,552	5,607,424	1,671,997	172,298	(329,802)	20,143,469
Bad debt expenses	(965,404)	-	-	-	-	(965,404)
Operating expenses	(6,080,542)	(18,764,625)	(666,682)	(190,812)	(390,163)	(26,092,824)
Income from continuing operations before income taxes	5,975,606	(13,157,201)	1,005,315	(18,514)	(719,965)	(6,914,759)
Income taxes (expense) benefit	(1,563,420)	6,382,753	(133,655)	699	47,008	4,733,385
Consolidated income	4,412,186	(6,774,448)	871,660	(17,815)	(672,957)	(2,181,374)

For the six months ended June 30, 2008

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	356,526	1,213,802	6,645	1,521	1,881	1,580,375
Non income other than interest	72,379	465,890	58,264	4,154	(12,744)	587,943
Provision for premiums reserve	-	(1,494,994)	(9,837)	-	-	(1,504,831)
Total income	428,905	184,698	55,072	5,675	(10,863)	663,487
Bad debt expenses	(31,799)	-	-	-	-	(31,799)
Operating expenses	(200,281)	(618,071)	(21,959)	(6,285)	(12,851)	(859,447)
Income from continuing operations before income taxes	196,825	(433,373)	33,113	(610)	(23,714)	(227,759)
Income taxes (expense) benefit	(51,496)	210,236	(4,402)	23	1,548	155,909
Consolidated income	145,329	(223,137)	28,711	(587)	(22,166)	(71,850)

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

For the six months ended June 30, 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	7,405,426	37,691,310	215,395	29,776	(298,451)	45,043,456
Non income other than interest	3,927,011	95,525,449	1,932,057	292,456	(266,022)	101,410,951
Provision for premiums reserve	-	(112,011,795)	(302,198)	-	-	(112,313,993)
Total income	11,332,437	21,204,964	1,845,254	322,232	(564,473)	34,140,414
Bad debt expenses	(288,346)	-	-	-	-	(288,346)
Operating expenses	(6,092,672)	(18,706,626)	(715,352)	(239,447)	(400,261)	(26,154,358)
Income from continuing operations before income taxes	4,951,419	2,498,338	1,129,902	82,785	(964,734)	7,697,710
Income taxes (expense) benefit	(1,192,419)	(880,984)	(192,227)	(8,314)	(39,485)	(2,313,429)
Consolidated income	3,759,000	1,617,354	937,675	74,471	(1,004,219)	5,384,281

For the six months ended June 30, 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	225,982	1,150,177	6,573	909	(9,108)	1,374,533
Non income other than interest	119,836	2,915,027	58,958	8,925	(8,118)	3,094,628
Provision for premiums reserve	-	(3,418,120)	(9,222)	-	-	(3,427,342)
Total income	345,818	647,084	56,309	9,834	(17,226)	1,041,819
Bad debt expenses	(8,799)	-	-	-	-	(8,799)
Operating expenses	(185,922)	(570,846)	(21,830)	(7,307)	(12,214)	(798,119)
Income from continuing operations before income taxes	151,097	76,238	34,479	2,527	(29,440)	234,901
Income taxes (expense) benefit	(36,387)	(26,884)	(5,866)	(254)	(1,205)	(70,596)
Consolidated income	114,710	49,354	28,613	2,273	(30,645)	164,305

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**32. Parent Company financial statements**

**Cathay Financial Holding Co., Ltd.  
Audited Balance sheets  
As of June 30, 2008 and 2009  
(Expressed in thousands of dollars)**

	June 30, 2008		June 30, 2009	
	NT \$	US \$	NT \$	US \$
<b>Assets</b>				
Cash and cash equivalents	\$18,176,091	\$598,685	\$2,747,501	\$83,842
Receivables -net	3,149,204	103,729	5,185,892	158,251
Held-to-maturity financial assets	-	-	15,000,000	457,736
Investments under equity method	176,001,582	5,797,153	186,705,398	5,697,449
Other financial assets	31,720	1,045	31,720	968
Property and equipment -net	3,145	104	4,293	131
Goodwill and intangible assets -net	800	26	267	8
Other assets -net	2,874,322	94,675	2,369,657	72,312
<b>Total assets</b>	<b>\$200,236,864</b>	<b>\$6,595,417</b>	<b>\$212,044,728</b>	<b>\$6,470,697</b>
<b>Liabilities &amp; stockholders' equity</b>				
Payables	\$26,507,144	\$873,094	\$7,503,673	\$228,980
Bonds payable	-	-	20,000,000	610,315
Other payable	20,286	668	24,782	756
<b>Total liabilities</b>	<b>26,527,430</b>	<b>873,762</b>	<b>27,528,455</b>	<b>840,051</b>
<b>Stockholders' equity</b>				
Capital stock				
Common stock	92,770,192	3,055,672	97,375,372	2,971,479
Stock dividends to be distributed	4,605,180	151,686	-	-
Capital surplus	81,971,213	2,699,974	81,703,998	2,493,256
Retained earnings				
Legal reserve	12,320,672	405,819	12,540,295	382,676
Special reserve	-	-	7,107,732	216,898
Unappropriated retained earnings	2,643,729	87,079	5,464,930	166,766
Equity adjustments				
Reserve for land revaluation increment	2,106	69	2,106	64
Cumulative conversion adjustments	(337,270)	(11,109)	198,129	6,046
Unrealized gains or losses on financial instruments	(16,123,234)	(531,068)	(15,465,555)	(471,942)
Treasury stock	(4,140,047)	(136,365)	(4,140,047)	(126,337)
Net loss not yet recognized as net pension cost	(3,107)	(102)	(270,687)	(8,260)
<b>Total stockholders' equity</b>	<b>173,709,434</b>	<b>5,721,655</b>	<b>184,516,273</b>	<b>5,630,646</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$200,236,864</b>	<b>\$6,595,417</b>	<b>\$212,044,728</b>	<b>\$6,470,697</b>

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Financial Holding Co., Ltd.**

**Audited Statements of Income**

**For the six-month periods ended June 30, 2008 and 2009**

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

	January 1 ~ June 30, 2008		January 1 ~ June 30, 2009					
	NT \$	US \$	NT \$	US \$				
<b>Income</b>								
Gain on investment-equity method	\$-	\$-	\$5,656,560	\$172,614				
Gain on financial assets and liabilities at fair value through profit or loss	323,564	10,658	-	-				
Gain on foreign exchange	-	-	15	1				
Other operating income	9,337	307	1,447	44				
<b>Total income</b>	<b>332,901</b>	<b>10,965</b>	<b>5,658,022</b>	<b>172,659</b>				
<b>Expenses and loss</b>								
Interest income	423,076	13,935	265,487	8,102				
Less: interest expenses	(340,531)	(11,216)	(307,465)	(9,383)				
Net interest income	82,545	2,719	(41,978)	(1,281)				
Loss on investment-equity method	(1,849,092)	(60,906)	-	-				
Losses on foreign exchange	(726,549)	(23,931)	-	-				
Operating expenses	(123,203)	(4,058)	(124,362)	(3,795)				
<b>(Loss) income from continuing operations before income taxes</b>	<b>(2,283,398)</b>	<b>(75,211)</b>	<b>5,491,682</b>	<b>167,583</b>				
<b>Income taxes benefit (expense)</b>	<b>63,216</b>	<b>2,082</b>	<b>(26,752)</b>	<b>(817)</b>				
<b>Net (loss) income</b>	<b>\$(2,220,182)</b>	<b>\$(73,129)</b>	<b>\$5,464,930</b>	<b>\$166,766</b>				
<b>Earnings per share (expressed in dollars)</b>								
Primary earnings per share:	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes
Net (loss) income	<u>\$(0.24)</u>	<u>\$(0.23)</u>	<u>\$(0.01)</u>	<u>\$(0.01)</u>	<u>\$0.57</u>	<u>\$0.57</u>	<u>\$0.02</u>	<u>\$0.02</u>

**English Translation of Financial Statements Originally Issued in Chinese**

Cathay Financial Holding Co., Ltd.

**Audited Statements of Changes in Stockholders' Equity**

For the six-month periods ended June 30, 2008 and 2009

(Expressed in thousands of dollars)

Summary	Capital Stock				Retained earnings								Other stockholders' equity														
	Common stock		Stock dividend to be distributed		Capital surplus		Legal reserve		Special 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		Total				
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$			
<b>Balance on January 1, 2008</b>	\$92,770,192	\$3,055,672	\$-	\$-	\$81,971,213	\$2,699,974	\$9,245,862	\$304,541	\$-	\$-	\$35,577,963	\$1,171,870	\$2,106	\$69	\$183,766	\$6,053	\$10,955,521	\$360,854	\$(4,140,047)	\$(136,365)	\$(3,107)	\$(102)	#####	\$7,462,566			
Appropriations and distribution for 2007																											
Legal reserve							3,074,810	101,278			(3,074,810)	(101,278)													-	-	
Cash dividends to be distributed											(23,025,898)	(758,429)														(23,025,898)	(758,429)
Stock dividend			4,605,180	151,686							(4,605,180)	(151,686)														-	-
Remuneration paid to directors and supervisors											(5,400)	(178)														(5,400)	(178)
Bonus paid to employees											(2,764)	(91)														(2,764)	(91)
Convertible notes converted into common stock																										-	0
Reserve for land revaluation increment																										-	0
Capital surplus																										-	0
Cumulative translation adjustments															(521,036)	(17,162)										(521,036)	(17,162)
Unrealized gains or losses of financial instruments																	(27,078,755)	(891,922)								(27,078,755)	(891,922)
Net loss for the six-month period ended June 30, 2008											(2,220,182)	(73,129)														(2,220,182)	(73,129)
<b>Balance on June 30, 2008</b>	\$92,770,192	\$3,055,672	\$4,605,180	\$151,686	\$81,971,213	\$2,699,974	\$12,320,672	\$405,819	\$-	\$-	\$2,643,729	\$87,079	\$2,106	\$69	\$(337,270)	\$(11,109)	\$(16,123,234)	\$(531,068)	\$(4,140,047)	\$(136,365)	\$(3,107)	\$(102)	#####	\$5,721,655			
<b>Balance on January 1, 2009</b>	\$97,375,372	\$2,971,479	\$-	\$-	\$81,971,213	\$2,501,411	\$12,320,672	\$375,974	\$-	\$-	\$7,060,140	\$215,445	\$2,106	\$64	\$344,257	\$10,505	\$(52,309,533)	\$(1,596,263)	\$(4,140,047)	\$(126,337)	\$(270,687)	\$(8,260)	#####	\$4,344,018			
Appropriations and distribution for 2008																											
Legal reserve							219,623	6,702			(219,623)	(6,702)														-	-
Special reserve					(267,215)	(8,155)			7,107,732	216,898	(6,840,517)	(208,743)														-	-
Cumulative translation adjustments															(146,128)	(4,459)										(146,128)	(4,459)
Unrealized gains or losses of financial instruments																	36,843,978	1,124,321								36,843,978	1,124,321
Net income for the six-month period ended June 30, 2009											5,464,930	166,766														5,464,930	166,766
<b>Balance on June 30, 2009</b>	\$97,375,372	\$2,971,479	\$-	\$-	\$81,703,998	\$2,493,256	\$12,540,295	\$382,676	\$7,107,732	\$216,898	\$5,464,930	\$166,766	\$2,106	\$64	\$198,129	\$6,046	\$(15,465,555)	\$(471,942)	\$(4,140,047)	\$(126,337)	\$(270,687)	\$(8,260)	#####	\$5,630,646			

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Financial Holding Co., Ltd.**

**Audited Statements of cash flows**

**For the six-month periods ended June 30, 2008 and 2009**

**(Expressed in thousands of dollars)**

	January 1 ~ June 30, 2008		January 1 ~ June 30, 2009	
	NT \$	US \$	NT \$	US \$
<b>Cash flows from operating activities</b>				
Net income	\$ (2,220,182)	\$ (73,129)	\$ 5,464,930	\$ 166,766
Adjustments:				
Amortizations	280	9	267	8
Depreciation	472	16	505	15
Losses on disposal of property and equipment	240	8	-	-
Investment income recognized by equity method excess of (smaller than) cash dividends received	25,513,710	840,373	(5,604,360)	(171,021)
Effects of exchange rate changes	559,269	18,421	(15)	-
Changes in operating assets and liabilities				
Increase in accounts receivable	(658,751)	(21,698)	(1,108,651)	(33,831)
Decrease (increase) in deferred income tax assets	279,148	9,195	(130,699)	(3,988)
Increase in other assets	(313)	(10)	(1)	-
(Decrease) increase in accounts payable	(200,982)	(6,620)	1,291,291	39,405
Decrease in financial liabilities at fair value through profit and loss	(444,155)	(14,630)	-	-
Increase in income tax payable	622,304	20,497	204	6
Decrease in deferred income tax liabilities	(146,844)	(4,837)	(1)	-
Increase in other liabilities	605	20	1,685	51
<b>Net cash provided (used) by operating activities</b>	<b>23,304,801</b>	<b>767,615</b>	<b>(84,845)</b>	<b>(2,589)</b>
<b>Cash flows from investing activities</b>				
Acquisition of property and equipment	(580)	(19)	(332)	(10)
Disposal of property and equipment	963	32	-	-
Decrease (increase) in other assets	167,259	5,509	(24)	(1)
<b>Net cash used (provided) in investing activities</b>	<b>167,642</b>	<b>5,522</b>	<b>(356)</b>	<b>(11)</b>
<b>Cash flows from financing activities</b>				
Long-term stock investment	(15,000,000)	(494,071)	-	-
Cash received from capital reduction in long-term stock investment	-	-	533,301	16,274
<b>Net cash (used) provided in financing activities</b>	<b>(15,000,000)</b>	<b>(494,071)</b>	<b>533,301</b>	<b>16,274</b>
<b>Effects of exchange rate changes</b>	<b>(559,269)</b>	<b>(18,421)</b>	<b>15</b>	<b>1</b>
<b>Increase in cash and cash equivalents</b>	<b>7,913,174</b>	<b>260,645</b>	<b>448,115</b>	<b>13,675</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>10,262,917</b>	<b>338,040</b>	<b>2,299,386</b>	<b>70,167</b>
<b>Cash and cash equivalents at the end of year</b>	<b>\$18,176,091</b>	<b>\$598,685</b>	<b>\$2,747,501</b>	<b>\$83,842</b>
<b>Supplemental disclosure of cash flows information</b>				
Interest paid during the period	\$398,098	\$13,113	\$899	\$27
Income tax paid	\$12,161	\$401	\$142	\$4

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

**Cathay Life Insurance Co., Ltd.  
Condensed Balance Sheets  
As of June 30, 2008 and 2009  
(Expressed in thousands of dollars)**

Item	June 30, 2008		June 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$485,365,123	\$15,986,993	\$566,687,257	\$17,292,867
Loans	536,772,664	17,680,259	525,623,313	16,039,771
Funds and investments	1,068,133,445	35,182,261	1,176,081,374	35,888,965
Property and equipment	12,599,246	414,995	12,833,552	391,625
Intangible assets	583,024	19,204	775,080	23,652
Other assets	293,921,603	9,681,212	259,567,100	7,920,876
<b>Total assets</b>	<b>\$2,397,375,105</b>	<b>\$78,964,924</b>	<b>\$2,541,567,676</b>	<b>\$77,557,756</b>
<b>Liabilities</b>				
Current liabilities	\$32,813,335	\$1,080,808	\$18,868,991	\$575,801
Long-term liabilities	1,374,379	45,270	16,839,298	513,863
Other liabilities	2,275,122,310	74,938,152	2,415,700,974	73,716,844
<b>Total liabilities</b>	<b>2,309,310,024</b>	<b>76,064,230</b>	<b>2,451,409,263</b>	<b>74,806,508</b>
<b>Stockholders' equity</b>				
Capital stock	52,686,158	1,735,381	52,686,158	1,607,756
Capital surplus	13,009,648	428,513	13,009,648	396,999
Retained earnings	37,419,665	1,232,531	41,777,505	1,274,870
Others	(15,050,390)	(495,731)	(17,314,898)	(528,377)
<b>Total stockholders' equity</b>	<b>88,065,081</b>	<b>2,900,694</b>	<b>90,158,413</b>	<b>2,751,248</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$2,397,375,105</b>	<b>\$78,964,924</b>	<b>\$2,541,567,676</b>	<b>\$77,557,756</b>

**Cathay Life Insurance Co., Ltd.  
Condensed Statements of Income  
For the six-month periods ended June 30, 2008 and 2009  
(Expressed in thousands of dollars, except earnings per share)**

Item	January 1 ~ June 30, 2008		January 1 ~ June 30, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$472,211,768	\$15,553,747	\$414,942,483	\$12,662,267
Operating costs	(479,487,341)	(15,793,390)	(408,234,578)	(12,457,571)
Operating gross (loss) profit	(7,275,573)	(239,643)	6,707,905	204,696
Operating expenses	(5,065,342)	(166,843)	(5,171,376)	(157,808)
Non-operating revenues & gains	661,382	21,785	716,302	21,858
Non-operating expenses & losses	(3,511)	(116)	(263,455)	(8,039)
(Loss) income from continuing operations before income tax	\$(11,683,044)	\$(384,817)	\$1,989,376	\$60,707
Net (loss) income	\$(5,285,099)	\$(174,081)	\$1,046,286	\$31,928
Earnings per share (in dollars)				
(Loss) income from continuing operations before income tax	\$(2.03)	\$(0.07)	\$0.38	\$0.01
Net (loss) income	\$(1.04)	\$(0.03)	\$0.20	\$0.01

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Century Insurance Co., Ltd.  
Condensed Balance Sheets  
As of June 30, 2008 and 2009  
(Expressed in thousands of dollars)**

Items	June 30, 2008		June 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$11,775,370	\$387,858	\$13,375,009	\$408,148
Loans	1,748,337	57,587	1,326,393	40,476
Funds and investments	4,264,253	140,456	4,612,151	140,743
Fixed assets	153,180	5,046	108,645	3,315
Intangible assets	15,184	500	17,289	528
Other assets	779,629	25,679	875,080	26,704
<b>Total assets</b>	<b>\$18,735,953</b>	<b>\$617,126</b>	<b>\$20,314,567</b>	<b>\$619,914</b>
<b>Liabilities</b>				
Current liabilities	\$1,625,982	\$53,556	\$1,638,116	\$49,988
Long-term liabilities	15,172	500	17,761	542
Other liabilities	13,928,248	458,770	14,785,561	451,192
<b>Total liabilities</b>	<b>15,569,402</b>	<b>512,826</b>	<b>16,441,438</b>	<b>501,722</b>
<b>Stockholders' equity</b>				
Capital stock	2,317,006	76,318	2,317,006	70,705
Capital surplus	1,929	63	1,929	59
Retained earnings	978,717	32,237	1,483,298	45,264
Others	(131,101)	(4,318)	70,896	2,164
<b>Total stockholders' equity</b>	<b>3,166,551</b>	<b>104,300</b>	<b>3,873,129</b>	<b>118,192</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$18,735,953</b>	<b>\$617,126</b>	<b>\$20,314,567</b>	<b>\$619,914</b>

**Cathay Century Insurance Co., Ltd.  
Condensed Statements of Income  
For the six-month periods ended June 30, 2008 and 2009  
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ June 30, 2008		January 1 ~ June 30, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$12,547,591	\$413,294	\$12,962,258	\$395,553
Operating costs	(10,734,407)	(353,571)	(11,017,498)	(336,207)
Operating gross profit	1,813,184	59,723	1,944,760	59,346
Operating expenses	(1,226,438)	(40,397)	(1,269,203)	(38,731)
Non-operating revenues	5,864	194	54	2
Non-operating expenses	(1,705)	(57)	(38)	(1)
Income from continuing operations before income taxes	\$590,905	\$19,463	\$675,573	\$20,616
Net income	\$457,250	\$15,061	\$483,347	\$14,750
<b>Earning per share (in dollars)</b>				
Income from continuing operations before income taxes	\$2.55	\$0.08	\$2.92	\$0.09
Net income	\$1.97	\$0.06	\$2.09	\$0.06

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Life Insurance Company(Shanghai)**

**Condensed Balance Sheets**

**As of June 30, 2008 and 2009**

**(Expressed in thousands of dollars)**

Items	June 30, 2008		June 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$3,238,690	\$106,676	\$4,607,024	\$140,586
Loans	8,671	286	12,607	385
Funds and investments	4,171,864	137,413	5,085,806	155,197
Fixed assets	253,020	8,334	256,088	7,815
Intangible assets	127,428	4,197	154,025	4,700
Other assets	1,042,443	34,336	1,239,304	37,818
<b>Total assets</b>	<b>\$8,842,116</b>	<b>\$291,242</b>	<b>\$11,354,854</b>	<b>\$346,501</b>
<b>Liabilities</b>				
Current liabilities	\$466,463	\$15,365	\$733,951	\$22,397
Other liabilities	5,882,929	193,772	8,281,381	252,712
<b>Total liabilities</b>	<b>6,349,392</b>	<b>209,137</b>	<b>9,015,332</b>	<b>275,109</b>
<b>Stockholders' equity</b>				
Capital stock	3,257,376	107,291	3,257,376	99,401
Retained earnings	(784,169)	(25,829)	(1,638,760)	(50,008)
Others	19,517	643	720,906	21,999
<b>Total stockholders' equity</b>	<b>2,492,724</b>	<b>82,105</b>	<b>2,339,522</b>	<b>71,392</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$8,842,116</b>	<b>\$291,242</b>	<b>\$11,354,854</b>	<b>\$346,501</b>

**Cathay Life Insurance Company(Shanghai)**

**Condensed Statements of Income**

**For the six-month periods ended June 30, 2008 and 2009**

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

Items	January 1 ~ June 30, 2008		January 1 ~ June 30, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$3,747,446	\$123,433	\$1,981,891	\$60,479
Operating costs	(3,481,599)	(114,677)	(1,856,588)	(56,655)
Operating gross profit	265,847	8,756	125,303	3,824
Operating expenses	(416,392)	(13,715)	(383,277)	(11,696)
Non-operating revenues	82	3	6,019	183
Non-operating expenses	(32)	(1)	-	-
Loss from continuing operations before income taxes	\$(150,495)	\$(4,957)	\$(251,955)	\$(7,689)
<b>Net loss</b>	<b>\$(150,495)</b>	<b>\$(4,957)</b>	<b>\$(189,790)</b>	<b>\$(5,792)</b>
Earnings per share (in dollars)				
Loss 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 June 30, 2008 and 2009**

**(Expressed in thousands of dollars)**

Items	June 30, 2008		June 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$1,754,921	\$57,804	\$339,561	\$10,362
Funds and investments	14,059	463	1,631,608	49,790
Fixed assets	13,928	459	40,483	1,235
Intangible assets	41,539	1,368	37,776	1,153
Other assets	23,981	790	52,567	1,604
<b>Total assets</b>	<b>\$1,848,428</b>	<b>\$60,884</b>	<b>\$2,101,995</b>	<b>\$64,144</b>
<b>Liabilities</b>				
Current liabilities	\$72,836	\$2,399	\$16,318	\$498
Other liabilities	-	-	40,176	1,226
<b>Total liabilities</b>	<b>72,836</b>	<b>2,399</b>	<b>56,494</b>	<b>1,724</b>
<b>Stockholders' equity</b>				
Capital stock	1,940,080	63,903	1,940,080	59,203
Retained earnings	27,793	915	54,170	1,653
Others	(192,281)	(6,333)	51,251	1,564
<b>Total stockholders' equity</b>	<b>1,775,592</b>	<b>58,485</b>	<b>2,045,501</b>	<b>62,420</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$1,848,428</b>	<b>\$60,884</b>	<b>\$2,101,995</b>	<b>\$64,144</b>

**Cathay Life Insurance Co., Ltd.(Vietnam)**

**Condensed Statements of Income**

**For the six-month periods ended June 30, 2008 and 2009**

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

Items	January 1 ~ June 30, 2008		January 1 ~ June 30, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$58,003	\$1,910	\$160,750	\$4,905
Operating costs	(921)	(30)	(39,078)	(1,192)
Operating gross profit	57,082	1,880	121,672	3,713
Operating expenses	(14,097)	(464)	(121,264)	(3,700)
Non-operating revenues	-	-	1,325	40
Income from continuing operations before income taxes	\$42,985	\$1,416	\$1,733	\$53
Net income	\$27,793	\$915	\$1,674	\$51
Earnings per share (in dollars)				
Income from continuing operations before income taxes	Note	Note	Note	Note
Net income	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 June 30, 2009**

**(Expressed in thousands of dollars)**

Items	June 30, 2009	
	NT\$	US\$
Assets		
Current assets	\$1,503,084	\$45,868
Fixed assets	53,392	1,629
Other assets	392,115	11,966
Total assets	<u>\$1,948,591</u>	<u>\$59,463</u>
Liabilities		
Current liabilities	\$84,240	\$2,571
Other liabilities	57,477	1,754
Total liabilities	<u>141,717</u>	<u>4,325</u>
Stockholders' equity		
Capital stock	1,745,942	53,279
Retained earnings	(114,745)	(3,502)
Others	175,677	5,361
Total stockholders' equity	<u>1,806,874</u>	<u>55,138</u>
Total liabilities and stockholders' equity	<u>\$1,948,591</u>	<u>\$59,463</u>

**Cathay Insurance Company Limited (Shanghai)**

**Condensed Statements of Income**

**For the six-month period ended June 30, 2009**

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

Items	January 1 ~ June 30, 2009	
	NT\$	US\$
Operating revenues	\$108,836	\$3,321
Operating costs	(62,569)	(1,909)
Operating gross profit	46,267	1,412
Operating expenses	(69,908)	(2,133)
Non-operating revenues	3	-
Loss from continuing operations before income taxes	<u>\$(23,638)</u>	<u>\$(721)</u>
Net loss	<u>\$(23,638)</u>	<u>\$(721)</u>
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.

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay United Bank Co., Ltd.  
Condensed Balance Sheets  
As of June 30, 2008 and 2009  
(Expressed in thousands of dollars)**

Items	June 30, 2008		June 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Cash and cash equivalents	\$16,091,365	\$530,019	\$15,804,183	\$482,276
Due from the Central Bank and call loans to banks	54,874,468	1,807,459	79,849,489	2,436,664
Financial assets at fair value through profit or loss	35,760,475	1,177,881	58,217,801	1,776,558
Securities purchased under agreements to resell	2,948,737	97,126	716,000	21,849
Receivables-net	43,566,595	1,435,000	42,242,792	1,289,069
Loans and advances to customers-net	800,553,833	26,368,703	772,953,688	23,587,235
Available-for-sale financial assets -net	61,673,067	2,031,392	139,051,922	4,243,269
Held-to-maturity financial assets-net	3,060,656	100,812	2,531,145	77,240
Investments-equity method	2,410,333	79,392	3,415,855	104,237
Other financial assets-net	4,427,776	145,842	4,976,121	151,850
Investments in debt securities with no active market	222,669,938	7,334,320	250,458,076	7,642,907
Property and equipment-net	26,682,655	878,875	26,536,090	809,768
Intangible assets-net	6,954,485	229,067	6,871,921	209,702
Other assets-net	9,138,286	300,998	7,103,255	216,761
<b>Total assets</b>	<b>\$1,290,812,669</b>	<b>\$42,516,886</b>	<b>\$1,410,728,338</b>	<b>\$43,049,385</b>
<b>Liabilities</b>				
Due to the Central Bank and call loans from banks	\$78,108,650	\$2,572,749	\$46,079,898	\$1,406,161
Funds borrowed from the Central and other banks	1,517,700	49,990	1,640,900	50,073
Financial liabilities at fair value through profit or loss	45,907,298	1,512,098	40,381,053	1,232,257
Securities sold under agreements to repurchase	28,113,798	926,015	9,157,974	279,462
Payables	18,056,739	594,754	17,711,002	540,464
Deposits and remittances	1,021,793,243	33,655,904	1,189,810,166	36,307,909
Financial debentures payable	15,272,693	503,053	15,194,806	463,680
Other financial liabilities	282,509	9,305	250,906	7,657
Other liabilities	2,294,981	75,592	2,384,909	72,777
<b>Total liabilities</b>	<b>1,211,347,611</b>	<b>39,899,460</b>	<b>1,322,611,614</b>	<b>40,360,440</b>
<b>Shareholders' equity</b>				
Capital stock	48,689,413	1,603,736	52,277,026	1,595,271
Capital reserves	15,213,611	501,107	15,213,611	464,254
Retained earnings	16,871,477	555,714	18,910,856	577,078
Others	(1,309,443)	(43,131)	1,715,231	52,342
<b>Total shareholders' equity</b>	<b>79,465,058</b>	<b>2,617,426</b>	<b>88,116,724</b>	<b>2,688,945</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$1,290,812,669</b>	<b>\$42,516,886</b>	<b>\$1,410,728,338</b>	<b>\$43,049,385</b>

**Cathay United Bank Co., Ltd.  
Condensed Statements of Income  
For the six-month periods ended June 30, 2008 and 2009  
(Expressed in thousands of dollars, except per share information)**

Items	January 1 ~ June 30, 2008		January 1 ~ June 30, 2009	
	NT\$	US\$	NT\$	US\$
Net interest income	\$10,497,113	\$345,755	\$7,112,375	\$217,039
Non-interest income	1,929,647	63,559	5,280,445	161,136
Net operating income	12,426,760	409,314	12,392,820	378,175
Provision for loan losses	(965,404)	(31,799)	(288,346)	(8,799)
Operating expenses	(6,947,398)	(228,834)	(6,789,298)	(207,180)
Income from continuing operations before income taxes	\$4,513,958	\$148,681	\$5,315,176	\$162,196
Net income	\$3,003,958	\$98,945	\$4,170,176	\$127,256
<b>Earnings per share (in dollars)</b>				
Income from continuing operations before income taxes	\$0.93	\$0.03	\$1.09	\$0.03
Net income	\$0.62	\$0.02	\$0.86	\$0.03

**English Translation of Financial Statements Originally Issued in Chinese**

**Indovina Bank Limited**  
**Condensed Balance Sheets**  
**As of June 30, 2008 and 2009**  
**(Expressed in thousands of dollars)**

Items	June 30, 2008		June 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Cash and cash equivalents	\$1,864,560	\$61,415	\$232,956	\$7,109
Due from the Central Bank and call loans to banks	1,229,170	40,486	5,363,596	163,674
Financial assets at fair value through profit or loss	108,085	3,560	216,600	6,610
Investments in debt securities with no active market	261,553	8,615	260,375	7,945
Securities purchased under agreements to resell	287,969	9,485	-	-
Receivables-net	107,173	3,530	66,582	2,032
Loans and advances to customers-net	13,652,703	449,694	12,342,603	376,643
Premises and equipment-net	169,490	5,583	480,880	14,674
Intangible assets-net	36,629	1,207	32,853	1,003
Other assets-net	389	13	74,295	2,267
<b>Total assets</b>	<b>\$17,717,721</b>	<b>\$583,588</b>	<b>\$19,070,740</b>	<b>\$581,957</b>
<b>Liabilities</b>				
Due to the Central Bank and call loans from banks	\$3,069,507	\$101,104	\$294,988	\$9,002
Payables	765,280	25,207	918,093	28,016
Deposits and remittances	11,954,116	393,746	14,177,317	432,631
<b>Total liabilities</b>	<b>15,788,903</b>	<b>520,057</b>	<b>15,390,398</b>	<b>469,649</b>
<b>Shareholders' equity</b>				
Capital stock	1,605,418	52,879	3,207,968	97,893
Retained earnings	449,445	14,804	414,759	12,657
Others	(126,045)	(4,152)	57,615	1,758
<b>Total shareholders' equity</b>	<b>1,928,818</b>	<b>63,531</b>	<b>3,680,342</b>	<b>112,308</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$17,717,721</b>	<b>\$583,588</b>	<b>\$19,070,740</b>	<b>\$581,957</b>

**Indovina Bank Limited**  
**Condensed Statements of Income**  
**For the six-month periods ended June 30, 2008 and 2009**  
**(Expressed in thousands of dollars, except per share information)**

Items	January 1 ~ June 30, 2008		January 1 ~ June 30, 2009	
	NT\$	US\$	NT\$	US\$
Net interest income	\$327,366	\$10,783	\$235,099	\$7,174
Non-interest income (loss)	45,772	1,507	164,383	5,016
Net operating revenue	373,138	12,290	399,482	12,190
Provision for loan losses	-	-	(33,989)	(1,037)
Operating expenses	(124,785)	(4,110)	(183,434)	(5,597)
Income from continuing operations before income taxes	\$248,353	\$8,180	\$182,059	\$5,556
Net income	\$194,933	\$6,421	\$134,640	\$4,109
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 June 30, 2008 and 2009  
(Expressed in thousands of dollars)**

Items	June 30, 2008		June 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$3,058,142	\$100,729	\$3,906,959	\$119,224
Funds and investments	729,523	24,029	729,701	22,268
Property and equipment	60,083	1,979	38,537	1,176
Intangible assets	5,952	196	7,095	216
Other assets	439,393	14,473	319,417	9,747
<b>Total assets</b>	<b>\$4,293,093</b>	<b>\$141,406</b>	<b>\$5,001,709</b>	<b>\$152,631</b>
<b>Liabilities</b>				
Current liabilities	\$232,467	\$7,657	\$870,046	\$26,550
Long-term liabilities	653	22	1,003	31
Other liabilities	35,409	1,166	77,777	2,374
<b>Total liabilities</b>	<b>268,529</b>	<b>8,845</b>	<b>948,826</b>	<b>28,955</b>
<b>Stockholders' equity</b>				
Capital stock	3,700,000	121,871	3,700,000	112,908
Capital surplus	258,434	8,512	258,434	7,886
Retained earnings	66,130	2,178	98,133	2,994
Others	-	-	(3,684)	(112)
<b>Total stockholders' equity</b>	<b>4,024,564</b>	<b>132,561</b>	<b>4,052,883</b>	<b>123,676</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$4,293,093</b>	<b>\$141,406</b>	<b>\$5,001,709</b>	<b>\$152,631</b>

**Cathay Securities Corporation  
Condensed Statements of Income  
For the six-month periods ended June 30, 2008 and 2009  
(Expressed in thousands of dollars, except for earnings per share)**

Items	January 1 ~ June 30, 2008		January 1 ~ June 30, 2009	
	NT\$	US\$	NT\$	US\$
Revenue	\$253,016	\$8,334	\$543,074	\$16,572
Expenses	(258,106)	(8,502)	(451,765)	(13,786)
(Loss) income from continuing operations before income taxes	\$(5,090)	\$(168)	\$91,309	\$2,786
<b>Net (loss) income</b>	<b>\$(4,391)</b>	<b>\$(145)</b>	<b>\$82,995</b>	<b>\$2,532</b>
<b>Earnings per share (in dollars)</b>				
(Loss) income from continuing operations before income taxes	\$(0.01)	\$-	\$0.25	\$0.01
<b>Net (loss) income</b>	<b>\$(0.01)</b>	<b>\$-</b>	<b>\$0.22</b>	<b>\$0.01</b>

**Cathay Pacific Venture Capital Co., Ltd.  
Condensed Balance Sheets  
As of June 30, 2008 and 2009  
(Expressed in thousands of dollars)**

Items	June 30, 2008		June 30, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$336,776	\$11,093	\$136,567	\$4,168
Funds and investments	270,538	8,911	58,967	1,799
Total assets	<u>\$607,314</u>	<u>\$20,004</u>	<u>\$195,534</u>	<u>\$5,967</u>
Liabilities				
Current liabilities	\$201	\$7	\$1,777	\$54
Total liabilities	<u>201</u>	<u>7</u>	<u>1,777</u>	<u>54</u>
Stockholders' equity				
Capital stock	600,000	19,763	200,000	6,103
Retained earnings	(21,849)	(720)	(6,844)	(209)
Equity adjustment	28,962	954	601	19
Total stockholders' equity	<u>607,113</u>	<u>19,997</u>	<u>193,757</u>	<u>5,913</u>
Total liabilities and stockholders' equity	<u>\$607,314</u>	<u>\$20,004</u>	<u>\$195,534</u>	<u>\$5,967</u>

**Cathay Pacific Venture Capital Co., Ltd.  
Condensed Statements of Income  
For the six-month periods ended June 30, 2008 and 2009  
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ June 30, 2008		January 1 ~ June 30, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$2,233	\$74	\$1,143	\$35
Operating costs	(27,565)	(908)	(11,400)	(348)
Operating gross loss	(25,332)	(834)	(10,257)	(313)
Operating expenses	(6,342)	(209)	(4,845)	(148)
Losses from continuing operations before income taxes	<u>\$(31,674)</u>	<u>\$(1,043)</u>	<u>\$(15,102)</u>	<u>\$(461)</u>
Net losses	<u>\$(29,279)</u>	<u>\$(964)</u>	<u>\$(14,271)</u>	<u>\$(435)</u>
Earning per share (in dollars)				
Losses from continuing operations before income taxes	<u>\$(1.58)</u>	<u>\$(0.05)</u>	<u>\$(0.76)</u>	<u>\$(0.02)</u>
Net losses	<u>\$(1.46)</u>	<u>\$(0.05)</u>	<u>\$(0.71)</u>	<u>\$(0.02)</u>

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Venture Capital Co., Ltd.  
Condensed Balance Sheets  
As of June 30, 2008 and 2009  
(Expressed in thousands of dollars)**

Items	June 30, 2008		June 30, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$130,788	\$4,308	\$33,490	\$1,022
Funds and investments	1,480,340	48,759	1,056,287	32,233
Total assets	<u>\$1,611,128</u>	<u>\$53,067</u>	<u>\$1,089,777</u>	<u>\$33,255</u>
Liabilities				
Current liabilities	\$6,204	\$204	\$4,166	\$127
Total liabilities	<u>6,204</u>	<u>204</u>	<u>4,166</u>	<u>127</u>
Stockholders' equity				
Capital stock	1,500,000	49,407	1,185,000	36,161
Retained earnings	125,111	4,121	(84,636)	(2,583)
Equity adjustment	(20,187)	(665)	(14,753)	(450)
Total stockholders' equity	<u>1,604,924</u>	<u>52,863</u>	<u>1,085,611</u>	<u>33,128</u>
Total liabilities and stockholders' equity	<u>\$1,611,128</u>	<u>\$53,067</u>	<u>\$1,089,777</u>	<u>\$33,255</u>

**Cathay Venture Capital Co., Ltd.  
Condensed Statements of Income  
For the six-month periods ended June 30, 2008 and 2009  
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ June 30, 2008		January 1 ~ June 30, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$71,868	\$2,367	\$19,796	\$604
Operating costs	(2,431)	(80)	(169,665)	(5,177)
Operating gross profit (loss)	69,437	2,287	(149,869)	(4,573)
Operating expenses	(14,619)	(482)	(11,294)	(345)
Non-operating revenues	-	-	331	10
Non-operating expenses	(280)	(9)	(1)	-
Income (loss) from continuing operations before income taxes	<u>\$54,538</u>	<u>\$1,796</u>	<u>\$(160,833)</u>	<u>\$(4,908)</u>
Net income (loss)	<u>\$50,267</u>	<u>\$1,656</u>	<u>\$(160,833)</u>	<u>\$(4,908)</u>
Earning per share (in dollars)				
Income (loss) from continuing operations before income taxes	<u>\$0.36</u>	<u>\$0.01</u>	<u>\$(1.11)</u>	<u>\$(0.03)</u>
Net income (loss)	<u>\$0.34</u>	<u>\$0.01</u>	<u>\$(1.11)</u>	<u>\$(0.03)</u>

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay II Venture Capital Co., Ltd.  
Condensed Balance Sheets  
As of June 30, 2008 and 2009  
(Expressed in thousands of dollars)**

Items	June 30, 2008		June 30, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$83,744	\$2,758	\$20,090	\$613
Funds and investments	734,258	24,185	508,511	15,517
Other assets	-	-	22	1
Total assets	<u>\$818,002</u>	<u>\$26,943</u>	<u>\$528,623</u>	<u>\$16,131</u>
Liabilities				
Current liabilities	\$9,371	\$308	\$4,150	\$126
Total liabilities	<u>9,371</u>	<u>308</u>	<u>4,150</u>	<u>126</u>
Stockholders' equity				
Capital stock	600,000	19,763	435,000	13,274
Retained earnings	205,263	6,761	91,480	2,792
Equity adjustment	3,368	111	(2,007)	(61)
Total stockholders' equity	<u>808,631</u>	<u>26,635</u>	<u>524,473</u>	<u>16,005</u>
Total liabilities and stockholders' equity	<u>\$818,002</u>	<u>\$26,943</u>	<u>\$528,623</u>	<u>\$16,131</u>

**Cathay II Venture Capital Co., Ltd.  
Condensed Statements of Income  
For the six-month periods ended June 30, 2008 and 2009  
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ June 30, 2008		January 1 ~ June 30, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$23,875	\$786	\$17	\$1
Operating costs	(2,287)	(75)	(99,781)	(3,045)
Operating gross profit (loss)	21,588	711	(99,764)	(3,044)
Operating expenses	(4,738)	(156)	(4,043)	(123)
Non-operating revenues	-	-	70	2
Non-operating expenses	(117)	(4)	(350)	(11)
Income (loss) from continuing operations before income taxes	<u>\$16,733</u>	<u>\$551</u>	<u>\$(104,087)</u>	<u>\$(3,176)</u>
Net income (loss)	<u>\$7,565</u>	<u>\$249</u>	<u>\$(106,567)</u>	<u>\$(3,252)</u>
Earning per share (in dollars)				
Income (loss) from continuing operations before income taxes	<u>\$0.28</u>	<u>\$0.01</u>	<u>\$(1.76)</u>	<u>\$(0.05)</u>
Net income (loss)	<u>\$0.13</u>	<u>\$-</u>	<u>\$(1.80)</u>	<u>\$(0.05)</u>

**English Translation of Financial Statements Originally Issued in Chinese**

**Symphox Information Co., Ltd.  
Condensed Balance Sheets  
As of June 30, 2008 and 2009  
(Expressed in thousands of dollars)**

Items	June 30, 2008		June 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$655,403	\$21,588	\$718,123	\$21,914
Fixed assets	88,317	2,909	88,351	2,696
Intangible assets	5,360	176	3,784	115
Other assets	22,927	755	10,896	333
<b>Total assets</b>	<b>\$772,007</b>	<b>\$25,428</b>	<b>\$821,154</b>	<b>\$25,058</b>
<b>Liabilities</b>				
Current liabilities	\$286,436	\$9,435	\$284,690	\$8,688
Other liabilities	78	2	80	2
<b>Total liabilities</b>	<b>286,514</b>	<b>9,437</b>	<b>284,770</b>	<b>8,690</b>
<b>Stockholders' equity</b>				
Capital stock	499,000	16,436	499,000	15,227
Retained earnings	(13,507)	(445)	37,384	1,141
<b>Total stockholders' equity</b>	<b>485,493</b>	<b>15,991</b>	<b>536,384</b>	<b>16,368</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$772,007</b>	<b>\$25,428</b>	<b>\$821,154</b>	<b>\$25,058</b>

**Symphox Information Co., Ltd.  
Condensed Statements of Income  
For the six-month periods ended June 30, 2008 and 2009  
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ June 30, 2008		January 1 ~ June 30, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$573,102	\$18,877	\$644,816	\$19,677
Operating costs	(498,534)	(16,421)	(552,040)	(16,846)
Operating gross profit	74,568	2,456	92,776	2,831
Operating expenses	(43,214)	(1,423)	(52,623)	(1,606)
Non-operating revenues	4,947	163	5,764	176
Non-operating expenses	(170)	(6)	(1)	-
Income from continuing operations before income taxes	\$36,131	\$1,190	\$45,916	\$1,401
Net income	\$33,798	\$1,113	\$35,980	\$1,098
<b>Earning per share (in dollars)</b>				
Income from continuing operations before income taxes	\$0.72	\$0.02	\$0.92	\$0.03
Net income	\$0.68	\$0.02	\$0.72	\$0.02

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Futures Corp.  
Condensed Balance Sheets  
As of June 30, 2008 and 2009  
(Expressed in thousands of dollars)**

Items	June 30, 2008		June 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$2,049,217	\$67,497	\$1,652,741	\$50,434
Funds and investments	30,500	1,005	30,500	931
Fixed assets	324,176	10,678	169,289	5,166
Intangible assets	9,038	298	6,306	192
Other assets	128,277	4,225	285,677	8,718
<b>Total assets</b>	<b>\$2,541,208</b>	<b>\$83,703</b>	<b>\$2,144,513</b>	<b>\$65,441</b>
<b>Liabilities</b>				
Current liabilities	\$1,802,922	\$59,385	\$1,403,712	\$42,835
Other liabilities	8,714	287	11,050	337
<b>Total liabilities</b>	<b>1,811,636</b>	<b>59,672</b>	<b>1,414,762</b>	<b>43,172</b>
<b>Stockholders' equity</b>				
Capital stock	650,000	21,410	650,000	19,835
Retained earnings	79,572	2,621	79,751	2,434
<b>Total stockholders' equity</b>	<b>729,572</b>	<b>24,031</b>	<b>729,751</b>	<b>22,269</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$2,541,208</b>	<b>\$83,703</b>	<b>\$2,144,513</b>	<b>\$65,441</b>

**Cathay Futures Corp.  
Condensed Statements of Income  
For the six-month periods ended June 30, 2008 and 2009  
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ June 30, 2008		January 1 ~ June 30, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$62,880	\$2,071	\$61,727	\$1,884
Operating costs	(34,866)	(1,148)	(36,160)	(1,104)
Operating gross profit	28,014	923	25,567	780
Operating expenses	(31,707)	(1,044)	(30,825)	(941)
Non-operating revenues	18,392	605	12,194	372
Non-operating expenses	(1,154)	(38)	(572)	(17)
Income from continuing operations before income taxes	\$13,545	\$446	\$6,364	\$194
Net income	\$10,713	\$353	\$5,216	\$159
<b>Earning per share (in dollars)</b>				
Income from continuing operations before income taxes	\$0.21	\$0.01	\$0.10	\$-
Net income	\$0.17	\$0.01	\$0.08	\$-