

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

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

## Index

	<u>Page</u>
Independent Auditors' Review Report	3
Unaudited consolidated Balance Sheets	4
Unaudited consolidated Statements of Income	5
Unaudited consolidated Statements of Changes in Stockholders' Equity	6
Unaudited consolidated Statements of Cash Flows	7
Notes to Unaudited consolidated Financial Statements	8-186

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

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

We have reviewed the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. (the "Company") and its subsidiaries ("Subsidiaries") as of September 30, 2008 and 2009 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the nine-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a review report based on our review.

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

Base on our review, we are not aware of any material modifications that should be made to the consolidated financial statements as of and for the nine-month periods ended September 30, 2008 and 2009 in order for them to be in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and generally accepted accounting principles in the Republic of China.

Ernst & Young  
Taipei, Taiwan  
The Republic of China  
October 21, 2009

**Notice to Readers**

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

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

**Cathay Financial Holding Co., Ltd. and Subsidiaries**  
**Unaudited consolidated balance sheets**  
**As of September 30, 2008 and 2009**  
**(Expressed in thousands of dollars)**

	Notes	September 30, 2008		September 30, 2009	
		NT \$	US \$	NT \$	US \$
<b>Assets</b>					
Cash and cash equivalents	2, 4	\$368,782,346	\$11,442,207	\$517,372,218	\$16,152,739
Due from the Central Bank and call loans to banks		80,459,568	2,496,419	98,185,794	3,065,432
Financial assets at fair value through profit or loss	2, 5	104,638,414	3,246,616	159,838,990	4,990,290
Securities purchased under agreements to resell		20,431,503	633,928	47,094,441	1,470,323
Receivables -net		78,757,100	2,443,596	87,603,122	2,735,033
Loans -net	2, 6	1,391,627,356	43,178,013	1,318,258,834	41,157,004
Available-for-sale financial assets -net	2, 7	472,832,322	14,670,565	505,561,902	15,784,012
Held-to-maturity financial assets -net	2, 8	655,763,977	20,346,385	686,878,693	21,444,855
Investments under equity method	2, 9	2,636,480	81,802	2,549,220	79,588
Other financial assets -net	2, 10	41,051,894	1,273,717	58,869,607	1,837,952
Investments in debt securities with no active market	2, 11	111,927,394	3,472,771	171,196,235	5,344,871
Separate account products assets		240,494,820	7,461,831	275,313,310	8,595,483
Investments in real estate	2, 12	108,928,642	3,379,728	117,876,873	3,680,202
Property and equipment -net		40,251,423	1,248,881	40,458,458	1,263,143
Goodwill and intangible assets -net	2, 14	7,786,811	241,601	7,747,118	241,871
Other assets -net		59,795,879	1,855,286	47,234,133	1,474,684
<b>Total assets</b>		<b>\$3,786,165,929</b>	<b>\$117,473,346</b>	<b>\$4,142,038,948</b>	<b>\$129,317,482</b>
<b>Liabilities &amp; stockholders' equity</b>					
<b>Liabilities</b>					
Due to the Central Bank and call loans from banks		\$79,009,716	\$2,451,434	\$49,223,311	\$1,536,788
Bankers acceptances and funds borrowed		642,600	19,938	1,610,000	50,265
Commercial paper payable	2, 15	-	-	600,000	18,733
Financial liabilities at fair value through profit or loss	2, 16	87,306,221	2,708,849	37,462,966	1,169,621
Securities sold under agreements to repurchase	5, 7	19,798,793	614,297	8,519,252	265,977
Payables		40,222,937	1,247,997	41,374,765	1,291,750
Deposits	17	1,082,609,199	33,590,109	1,231,284,396	38,441,598
Bonds payable	2, 18	16,615,361	515,525	36,644,084	1,144,055
Reserve for operations and liabilities	2, 19	2,045,319,041	63,460,101	2,242,038,913	69,998,093
Other financial liabilities	2, 20	417,108	12,942	352,569	11,008
Separate account products liabilities		240,494,820	7,461,831	275,313,310	8,595,483
Other liabilities		12,854,823	398,846	11,161,558	348,472
<b>Total liabilities</b>		<b>3,625,290,619</b>	<b>112,481,869</b>	<b>3,935,585,124</b>	<b>122,871,843</b>
<b>Stockholders' Equity attributable to equity holders of the parent</b>					
<b>Stock</b>					
Common stock	21	97,375,372	3,021,265	97,375,372	3,040,130
Capital surplus	22	81,971,213	2,543,320	81,709,322	2,551,025
Retained earnings	23				
Legal reserve		12,320,672	382,273	12,540,295	391,517
Special reserve		-	-	7,107,732	221,908
Unappropriated retained earnings		8,650,962	268,413	7,842,165	244,838
Other stockholders' equity					
Land revaluation increment		2,106	65	1,461	46
Cumulative conversion adjustments		280,965	8,718	89,079	2,781
Unrealized gains or losses on financial instruments		(38,768,485)	(1,202,869)	968,387	30,234
Treasury stock	24	(4,140,047)	(128,453)	(4,140,047)	(129,255)
Net loss not yet recognized as net pension cost		(3,107)	(96)	(270,687)	(8,451)
<b>Total stockholder's equity attributable to equity holders of the parent</b>		<b>157,689,651</b>	<b>4,892,636</b>	<b>203,223,079</b>	<b>6,344,773</b>
<b>Minority interest</b>		<b>3,185,659</b>	<b>98,841</b>	<b>3,230,745</b>	<b>100,866</b>
<b>Total stockholders' equity</b>		<b>160,875,310</b>	<b>4,991,477</b>	<b>206,453,824</b>	<b>6,445,639</b>
<b>Total liabilities and stockholders' equity</b>		<b>\$3,786,165,929</b>	<b>\$117,473,346</b>	<b>\$4,142,038,948</b>	<b>\$129,317,482</b>

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2008 and 2009 were NT\$32.23 and NT\$32.03 to US\$1.00, respectively)

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

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

**Cathay Financial Holding Co., Ltd. and Subsidiaries**  
**Unaudited consolidated statements of income**  
**For the nine-month periods ended September 30, 2008 and 2009**  
**(Expressed in thousands of dollars, except earning per share)**

	Notes	January 1 ~ September 30, 2008		January 1 ~ September 30, 2009			
		NT \$	US \$	NT \$	US \$		
<b>Interest income</b>	2	\$88,434,107	\$2,743,844	\$75,719,218	\$2,364,009		
<b>Less: Interest expenses</b>	2	(15,775,582)	(489,469)	(9,461,051)	(295,381)		
<b>Net interest income</b>		<u>72,658,525</u>	<u>2,254,375</u>	<u>66,258,167</u>	<u>2,068,628</u>		
<b>Net income other than interest</b>							
Net commission and handling fee		7,629,698	236,727	9,153,440	285,777		
Net premiums from insurance business		52,721,139	1,635,778	135,255,257	4,222,768		
Losses (gains) on financial assets and liabilities at fair value through profit or loss		(25,425,733)	(788,884)	17,581,187	548,898		
Realized gains (losses) on available-for-sale financial assets		17,827,661	553,139	(407,585)	(12,725)		
Realized losses (gains) on held-to-maturity financial assets		(2,253,204)	(69,910)	2,112,549	65,955		
Gains on investments under equity method		321,493	9,975	196,735	6,142		
Gains on investments in real estate		3,892,019	120,758	3,988,094	124,511		
Losses on foreign exchange		(3,075,614)	(95,427)	(14,372,098)	(448,707)		
Impairment losses		(576,550)	(17,889)	(771,733)	(24,094)		
Provision for premiums reserve		(78,652,720)	(2,440,357)	(164,850,199)	(5,146,744)		
Net other non-interest losses		(895,444)	(27,783)	(2,178,449)	(68,013)		
<b>Total income</b>		<u>44,171,270</u>	<u>1,370,502</u>	<u>51,965,365</u>	<u>1,622,396</u>		
<b>Bad debt expenses</b>		(1,147,167)	(35,593)	(162,419)	(5,071)		
<b>Operating expenses</b>							
Personnel expenses		(29,705,436)	(921,671)	(29,188,242)	(911,278)		
Depreciation and amortizations expenses		(2,805,042)	(87,032)	(2,925,431)	(91,334)		
Other general and administration expenses		(7,749,857)	(240,455)	(7,408,165)	(231,288)		
<b>Income from continuing operations before income taxes</b>		<u>2,763,768</u>	<u>85,751</u>	<u>12,281,108</u>	<u>383,425</u>		
<b>Income taxes benefit (expense)</b>	2, 26	<u>982,069</u>	<u>30,471</u>	<u>(4,566,207)</u>	<u>(142,560)</u>		
<b>Income from continuing operations after income taxes</b>		<u>3,745,837</u>	<u>116,222</u>	<u>7,714,901</u>	<u>240,865</u>		
<b>Consolidated net income</b>		<u>\$3,745,837</u>	<u>\$116,222</u>	<u>\$7,714,901</u>	<u>\$240,865</u>		
<b>Include:</b>							
Parent company		\$3,787,051	\$117,501	\$7,842,165	\$244,838		
Minority interest		(41,214)	(1,279)	(127,264)	(3,973)		
Consolidated net income		<u>\$3,745,837</u>	<u>\$116,222</u>	<u>\$7,714,901</u>	<u>\$240,865</u>		
<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
Income from continuing operations		<u>\$0.29</u>	<u>\$0.39</u>	<u>\$0.01</u>	<u>\$0.01</u>	<u>\$1.27</u>	<u>\$0.80</u>
Consolidated net income		<u>\$0.29</u>	<u>\$0.39</u>	<u>\$0.01</u>	<u>\$0.01</u>	<u>\$1.27</u>	<u>\$0.80</u>

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2008 and 2009 were NT\$32.23 and NT\$32.03 to US\$1.00, respectively)

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

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

**Cathay Financial Holding Co., Ltd. and Subsidiaries**  
**Unaudited consolidated statements of changes in stockholders' equity**  
**For the nine-month periods ended September 30, 2008 and 2009**  
**(Expressed in thousands of dollars)**

Summary	Stock				Retained earnings								Other stockholders' equity								Total				
	Common stock		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		
	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	\$2,878,380	\$81,971,213	\$2,543,320	\$9,245,862	\$286,871	\$-	\$-	\$35,577,963	\$1,103,877	\$2,106	\$65	\$183,766	\$5,702	\$10,955,521	\$339,917	\$(4,140,047)	\$(128,453)	\$(3,107)	\$(96)	\$3,326,309	\$103,205	\$229,889,778	\$7,132,788	
Minority interest																					(99,436)	(3,085)	(99,436)	(3,085)	
Appropriations and distribution for 2007																									
Legal reserve					3,074,810	95,402			(3,074,810)	(95,402)															
Cash dividends									(23,025,898)	(714,424)													(23,025,898)	(714,424)	
Stock dividend to be distributed	4,605,180	142,885							(4,605,180)	(142,885)															
Remuneration paid to directors and supervisors									(5,400)	(168)													(5,400)	(168)	
Bonus paid to employees									(2,764)	(86)													(2,764)	(86)	
Cumulative conversion adjustments													97,199	3,016										97,199	3,016
Unrealized gains or losses of financial instruments															(49,724,006)	(1,542,786)							(49,724,006)	(1,542,786)	
Consolidated net income (loss) for the nine months ended September 30, 2008									3,787,051	117,501											(41,214)	(1,279)	3,745,837	116,222	
<b>Balance on September 30, 2008</b>	\$97,375,372	\$3,021,265	\$81,971,213	\$2,543,320	\$12,320,672	\$382,273	\$-	\$-	\$8,650,962	\$268,413	\$2,106	\$65	\$280,965	\$8,718	\$(38,768,485)	\$(1,202,869)	\$(4,140,047)	\$(128,453)	\$(3,107)	\$(96)	\$3,185,659	\$98,841	\$160,875,310	\$4,991,477	
<b>Balance on January 1, 2009</b>	\$97,375,372	\$3,040,130	\$81,971,213	\$2,559,201	\$12,320,672	\$384,660	\$-	\$-	\$7,060,140	\$220,423	\$2,106	\$66	\$344,257	\$10,748	\$(52,309,533)	\$(1,633,142)	\$(4,140,047)	\$(129,255)	\$(270,687)	\$(8,451)	\$3,145,462	\$98,203	\$145,498,955	\$4,542,583	
Minority interest																					212,547	6,636	212,547	6,636	
Appropriations and distribution for 2008																									
Legal reserve					219,623	6,857			(219,623)	(6,857)															
Special reserve			(267,215)	(8,342)			7,107,732	221,908	(6,840,517)	(213,566)															
Land revaluation increment											(645)	(20)											(645)	(20)	
Capital surplus			461	14																			461	14	
Cumulative conversion adjustments													(255,178)	(7,967)									(255,178)	(7,967)	
Unrealized gains or losses of financial instruments															\$3,277,920	1,663,376							\$3,277,920	1,663,376	
Other capital surplus			4,863	152																			4,863	152	
Consolidated net income (loss) for the nine months ended September 30, 2009									7,842,165	244,838											(127,264)	(3,973)	7,714,901	240,865	
<b>Balance on September 30, 2009</b>	\$97,375,372	\$3,040,130	\$81,709,322	\$2,551,025	\$12,540,295	\$391,517	\$7,107,732	\$221,908	\$7,842,165	\$244,838	\$1,461	\$46	\$89,079	\$2,781	\$968,387	\$30,234	\$(4,140,047)	\$(129,255)	\$(270,687)	\$(8,451)	\$3,230,745	\$100,866	\$206,453,824	\$6,445,639	

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2008 and 2009 were NTS32.23 and NTS32.03 to US\$1.00, respectively)

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

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

**Cathay Financial Holding Co., Ltd. and Subsidiaries**  
**Unaudited consolidated statements of cash flows**  
**For the nine-month periods ended September 30, 2008 and 2009**  
**(Expressed in thousands of dollars)**

	January 1 ~ September 30, 2008		January 1 ~ September 30, 2009	
	NT \$	US \$	NT \$	US \$
<b>Cash flows from operating activities</b>				
Consolidated net income	\$3,745,837	\$116,222	\$7,714,901	\$240,865
Adjustments:				
Income and other adjustments with no cash flow effects				
Depreciation and amortization expenses	2,805,042	87,032	2,925,431	91,334
Investment income recognized by equity method less than cash dividends received	259,016	8,037	90,891	2,838
Bad debt expenses	1,147,167	35,593	162,419	5,071
Provision for premiums reserve from insurance business	78,652,720	2,440,357	164,850,199	5,146,744
Gain on disposal of property and equipment	(437,025)	(13,560)	(68,892)	(2,151)
Impairment loss	576,550	17,889	771,733	24,094
Other adjustments	1,243,911	38,595	(139,413)	(4,353)
Decrease (increase) on operating assets and liabilities				
Decrease in receivables	836,553	25,956	3,429,768	107,080
(Increase) Decrease in deferred income tax assets	(2,340,764)	(72,627)	1,715,695	53,565
Decrease (increase) in financial assets at fair value through profit or loss	55,322,843	1,716,502	(33,693,326)	(1,051,930)
Decrease (increase) in other financial assets	451,916	14,022	(1,617,004)	(50,484)
Increase in other assets	(10,251,558)	(318,075)	(5,931,003)	(185,170)
Increase in payables	11,566,097	358,861	6,234,780	194,654
Increase (decrease) in financial liabilities at fair value through profit or loss	2,008,029	62,303	(34,947,073)	(1,091,073)
(Decrease) increase in deferred income tax liabilities	(257,414)	(7,987)	1,907,207	59,544
Decrease in other financial liabilities	(125,267)	(3,887)	(723,829)	(22,599)
Increase in other liabilities	525,290	16,298	1,756,907	54,852
<b>Net cash provided by operating activities</b>	<b>145,728,943</b>	<b>4,521,531</b>	<b>114,439,391</b>	<b>3,572,881</b>
<b>Cash flows from investing activities</b>				
(Increase) decrease in restricted assets	(50,000)	(1,551)	83,000	2,591
(Increase) decrease in loans	(85,237,010)	(2,644,648)	44,547,113	1,390,793
Increase in due from the Central Bank and call loans to banks	(21,501,470)	(667,126)	(50,568,065)	(1,578,772)
Increase (decrease) in available-for-sale financial assets	(43,403,358)	(1,346,676)	34,425,247	1,074,781
Increase in held-to-maturity financial assets	(67,521,046)	(2,094,975)	(32,971,147)	(1,029,383)
Decrease in investments under equity method	72,765	2,258	70,918	2,214
Increase investments in real estate	(3,045,064)	(94,479)	(9,769,640)	(305,015)
Acquisition of property and equipment	(93,952)	(2,915)	(1,146,654)	(35,799)
Increase in securities purchased under agreements to resell	(1,728,233)	(53,622)	(35,346,195)	(1,103,534)
Decrease (increase) in other financial assets	20,597,941	639,092	(62,880,659)	(1,963,180)
(Increase) decrease in other assets	(1,291,742)	(40,079)	1,293,632	40,388
<b>Net cash used in investing activities</b>	<b>(203,201,169)</b>	<b>(6,304,721)</b>	<b>(112,262,450)</b>	<b>(3,504,916)</b>
<b>Cash flows from financing activities</b>				
(Decrease) increase in due to the Central Bank and call loans from banks	3,843,580	119,255	(14,324,945)	(447,235)
Increase in deposits	59,210,435	1,837,122	141,153,454	4,406,914
(Increase) decrease in securities sold under agreements to repurchase	5,163,370	160,204	(11,781,387)	(367,824)
Increase in banker's acceptances and funds borrowed	562,918	17,466	654,450	20,432
Decrease in bonds payable	(1,936,476)	(60,083)	(2,221,894)	(69,369)
Increase in other financial liabilities	3,540,103	109,839	472,625	14,756
(Decrease) increase in other liabilities	(1,980,147)	(61,438)	65,529	2,046
Cash dividends	(23,188,534)	(719,471)	(48,121)	(1,502)
Remuneration paid to directors and supervisors	(5,400)	(168)	-	-
Bonus paid to employees	(2,764)	(86)	-	-
Increase in minority stockholders	202,935	6,296	391,425	12,221
<b>Net cash provided by financing activities</b>	<b>45,410,020</b>	<b>1,408,936</b>	<b>114,361,136</b>	<b>3,570,439</b>
<b>Effects of exchange rate changes</b>	<b>(742,750)</b>	<b>(23,046)</b>	<b>(211,443)</b>	<b>(6,601)</b>
<b>Effects on merger of subsidiaries</b>	<b>-</b>	<b>-</b>	<b>58,782</b>	<b>1,835</b>
<b>Decrease (increase) in cash and cash equivalents</b>	<b>(12,804,956)</b>	<b>(397,300)</b>	<b>116,385,416</b>	<b>3,633,638</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>381,587,302</b>	<b>11,839,507</b>	<b>400,986,802</b>	<b>12,519,101</b>
<b>Cash and cash equivalents at the end of period</b>	<b>\$368,782,346</b>	<b>\$11,442,207</b>	<b>\$517,372,218</b>	<b>\$16,152,739</b>
<b>Supplemental disclosure of cash flows information</b>				
Interest paid during the period (excluding capitalized interest)	\$13,797,822	\$428,105	\$9,555,998	\$298,345
Income tax paid	\$1,730,538	\$53,693	\$1,560,233	\$48,712

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2008 and 2009 were NT\$32.23 and NT\$32.03 to US\$1.00, respectively)

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

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

**Cathay Financial Holding Co., Ltd. and Subsidiaries  
Notes to Unaudited Consolidated Financial Statements  
(Expressed in thousands of dollars except  
for share and per share data and unless otherwise stated)  
September 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 September 30, 2008 and 2009, the total numbers of the employees of the Company and Subsidiaries were 42,097 and 43,499 , respectively.

As of and for the nine months ended September 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	2008.9.30 Ownership interest	2009.9.30 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.

**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	2008.9.30 Ownership interest	2009.9.30 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 Life、 Cathay United Bank、Cathay Century	Cathay Pacific Venture Capital Co., Ltd. (“Cathay Pacific Venture”)	Venture capital investment	100.00%	80.16%	Cathay Pacific Venture was incorporated on April 16, 2003, under the Company Act. Cathay Pacific Venture is the surviving company for the merger with Cathay Venture, Cathay II Venture and Cathay Capital Management on August 10, 2008.

**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	2008.9.30 Ownership interest	2009.9.30 Ownership interest	Notes
The Company、 Cathay Life、 Cathay United Bank、Cathay Century	Cathay Venture Capital Co., Ltd. ("Cathay Venture")	Venture capital investment	67.00%	-	Cathay Venture was incorporated on September 13, 2000, under the Company Act. 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%	-	Cathay II Venture was incorporated on April 12, 2004, under the Company Act. 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).

**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	2008.9.30 Ownership interest	2009.9.30 Ownership interest	Notes
Cathay Life 、 Cathay Pacific 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 Pacific 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%	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.

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

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Investor	Investee	Business	2008.9.30 Ownership interest	2009.9.30 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 nine months ended September 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	2008.9.30 Ownership interest	2009.9.30 Ownership interest	Notes
The Company	Cathay Capital Management Inc. (“Cathay Capital Management”)	Management consultant	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.

**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	2008.9.30 Ownership interest	2009.9.30 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:

**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)**

*(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.

**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)**

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.



**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)**

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.

**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)**

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.

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

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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.

**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)**

*(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.

**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)**

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.

## **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)**

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

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

### C. Hedges of a net investment in a foreign operation

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

#### *(7) Allowance for bad debts*

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

#### *(8) Investments-equity method*

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

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

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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.

**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)**

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

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

*(11) Intangible assets*

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

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

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

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

*(12) Accounting for Assets Impairment*

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



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

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

For 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”.

**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)**

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.

**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)**

*(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.

**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)**

*(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.

**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)**

*(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.

**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)**

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".

**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)**

*(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 September 30, 2008 and 2009 are for information only. The U.S. dollar/NT dollars noon buying rates of NT\$32.23 and NT\$32.03 provided by Federal Reserve Bank of New York of September 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\$16,814 (US\$522) and NT\$0.002 (US\$0), respectively, for the nine months ended September 30, 2008.

**4. Cash and cash equivalents**

	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Petty cash and cash on hand	\$10,935,979	\$339,310	\$9,627,607	\$300,581
Cash in banks	36,935,445	1,145,996	15,451,311	482,401
Time deposits	292,455,496	9,074,015	429,361,268	13,404,973
Cash equivalents	85,472	2,652	53,983,130	1,685,393
Checks for clearance	8,804,345	273,172	3,007,401	93,893
Due from commercial banks	19,565,609	607,062	5,941,501	185,498
Total	<u>\$368,782,346</u>	<u>\$11,442,207</u>	<u>\$517,372,218</u>	<u>\$16,152,739</u>

As of September 30, 2008 and 2009, the amounts of time deposits with maturities beyond one year were NT\$1,136,403 (US\$35,259) thousands and NT\$11,849,168 (US\$369,940) thousands, respectively.

**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)**

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

	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Common stock	\$11,808,747	\$366,390	\$5,938,569	\$185,406
Beneficiary certificates	10,301,145	319,614	50,698,558	1,582,846
Exchange traded funds	78,444	2,434	47,592	1,486
Real estate investment trust	649,750	20,160	616,750	19,255
Commercial papers	10,181,989	315,917	3,674,726	114,728
Corporate bonds	4,739,079	147,039	3,653,484	114,064
Government bonds	16,485,290	511,489	13,346,947	416,701
Treasury bills	-	-	19,988,406	624,053
CDs Issued by CBC	60,168	1,867	-	-
Overseas financial instruments	26,962,588	836,568	33,958,141	1,060,198
Derivative financial instruments	494,387	15,339	271,921	8,490
Margin for futures trading-own funds	-	-	41,924	1,309
Structured time deposits	1,000,000	31,027	1,000,000	31,221
Valuation adjustment	21,876,827	678,772	26,601,972	830,533
Total	<u>\$104,638,414</u>	<u>\$3,246,616</u>	<u>\$159,838,990</u>	<u>\$4,990,290</u>

- (1) As of September 30, 2008 and 2009, certain financial assets at fair value through profit or loss were sold under repurchase agreements with notional amounts of NT\$5,523,500 (US\$171,378) thousands and NT\$3,345,500 (US\$104,449) thousands, respectively. Such repurchase agreements amounting to NT\$5,505,736 (US\$170,826) thousands and NT\$ 3,715,043(US\$115,986) thousands, respectively, were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to September 30, 2008 and 2009 are settled at NT\$5,508,543 (US\$170,914) thousands and NT\$3,715,506 (US\$116,001) thousands prior to November 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 September 30, 2008 and 2009 being pledged as collaterals.



**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)**

**6. Loans-net**

	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Inward-outward documentary bills	\$607,656	\$18,854	\$277,383	\$8,660
Loans	1,395,335,273	43,293,059	1,319,590,013	41,198,564
Overdrafts	526,032	16,321	520,941	16,264
Delinquent accounts	5,711,037	177,196	6,622,228	206,751
Subtotal	1,402,179,998	43,505,430	1,327,010,565	41,430,239
Less: Allowance for bad debts	(10,552,642)	(327,417)	(8,751,731)	(273,235)
Total	<u>\$1,391,627,356</u>	<u>\$43,178,013</u>	<u>\$1,318,258,834</u>	<u>\$41,157,004</u>

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

	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Common stock	\$119,921,190	\$3,720,794	\$110,299,074	\$3,443,618
Beneficiary certificates	22,198,510	688,753	1,572,832	49,105
Collateralized loans obligation and collateralized bonds obligation	4,608,271	142,981	2,285,441	71,353
Exchange traded funds	4,175,790	129,562	3,636,091	113,521
Government bonds	90,731,665	2,815,131	95,666,874	2,986,790
Corporate bonds	73,512,854	2,280,883	62,175,596	1,941,168
Financial debentures	130,832,081	4,059,326	136,082,733	4,248,602
Overseas financial instruments	57,449,511	1,782,485	88,086,711	2,750,131
Real estate investment trust beneficiary	8,725,208	270,717	9,360,911	292,255
Accumulated impairments	-	-	(1,254,515)	(39,167)
Valuation adjustment	(39,322,758)	(1,220,067)	(2,349,846)	(73,364)
Total	<u>\$472,832,322</u>	<u>\$14,670,565</u>	<u>\$505,561,902</u>	<u>\$15,784,012</u>

(1) As of September 30, 2008 and 2009, certain available-for-sale financial assets were sold under repurchase agreements with notional amounts of NT\$13,445,800 (US\$417,183) thousands and NT\$4,325,400 (US\$135,042) thousands. Such repurchase agreements amounting to NT\$14,975,587 (US\$464,647) thousands and NT\$4,804,210 (US\$149,991) thousands were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to September 30, 2008 and 2009 are settled at NT\$15,013,370 (US\$465,820) thousands and NT\$4,804,210 (US\$149,991) thousands prior to March 31, 2008 and November 30, 2009, respectively.

**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)**

- (2) Please refer to Note 29 for related information on the above available-for-sale financial assets as of September 30, 2008 and 2009 being pledged as collaterals.
- (3) The impairment provision is recognized as the collateralized obligation and collateralized bonds held by Cathay Lift are assessed to be over-value. As of September 30, 2009, Cathay Life recognized impairment losses amounting to NT\$735,000 (US\$22,947) thousands.
- (4) 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\$519,515 (US\$16,220) against the book of the available for sales financial assets for the nine months ended September 30 2009.

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

	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Government bonds	\$18,187,044	\$564,289	\$101,553,975	\$3,170,589
Corporate bonds	3,969,184	123,152	4,380,327	136,757
Financial debentures	12,542,437	389,154	10,574,869	330,155
Overseas financial instruments	604,044,823	18,741,695	558,026,943	17,422,009
Collateralized loans obligation and collateralized bonds obligation	17,020,489	528,095	9,311,727	290,719
Short-term notes	-	-	3,030,852	94,626
Total	<u>\$655,763,977</u>	<u>\$20,346,385</u>	<u>\$686,878,693</u>	<u>\$21,444,855</u>

Please refer to Note 29 for related information on the above held-to-maturity financial assets as of September 30, 2008 and 2009 being pledged as collaterals.

**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)**

**9. Investments under equity method**

Investee	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Consulting	\$159,434	\$4,947	\$136,597	\$4,265
Cathay Capital Management	63,096	1,958	-	-
Seaward Card	38,009	1,179	38,690	1,208
Cathay Property Insurance Agent	7,487	232	7,535	235
Cathay Life Insurance Agent	39,222	1,217	44,501	1,389
Cathay Insurance (Bermuda)	91,427	2,837	93,083	2,906
WK Technology Fund VI Co., Ltd	333,701	10,354	352,090	10,993
Vista Technology Venture Capital Corp.	55,371	1,718	44,790	1,398
Omnitek Venture Capital Corp.	177,935	5,521	85,782	2,678
Wa Tech Venture Capital Co., Ltd.	123,779	3,840	95,733	2,989
Taiwan Real-estate Management Corp.	44,972	1,395	52,370	1,635
Taiwan Finance Corp.	1,287,340	39,942	1,426,943	44,550
IBT Venture Capital Corp.	255,474	7,927	226,887	7,084
Cathay Securities Investment Trust Co., Ltd.	374,913	11,632	359,899	11,236
Subtotal	3,052,160	94,699	2,964,900	92,566
Less: Unrealized gain from intercompany transactions	(415,680)	(12,897)	(415,680)	(12,978)
Total	\$2,636,480	\$81,802	\$2,549,220	\$79,588

**10. Other financial assets-net**

Item	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Derivative financial assets for hedging	\$1,475,973	\$45,795	\$3,580,555	\$111,788
Financial assets carried at cost	27,290,631	846,746	26,805,633	836,891
Structured time deposits	10,600,000	328,886	29,300,000	914,767
Customer's margin accounts	2,072,728	64,311	993,133	31,006
Other miscellaneous financial assets	1,433,302	44,471	57,515	1,796
Accumulated impairment	(1,820,740)	(56,492)	(1,867,229)	(58,296)
Total	\$41,051,894	\$1,273,717	\$58,869,607	\$1,837,952

**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)**

- (1) An impairment provision is recognized as the stocks held by Cathay Life are assessed to be over-valued. As of September 30, 2008 and 2009 Cathay Life recognized impairment losses amounting to NT\$1,204,106 (US\$37,360) thousands and NT\$1,320,285 (US\$41,220) 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**

	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Preferred stocks	\$549,730	\$17,057	\$899,730	\$28,090
Bonds	13,518,919	419,451	14,895,586	465,051
Beneficiary certificates	926,273	28,740	400,000	12,488
Overseas financial instruments	97,756,206	3,033,081	157,894,914	4,929,595
Subtotal	112,751,128	3,498,329	174,090,230	5,435,224
Less: accumulated impairment	(823,734)	(25,558)	(2,893,995)	(90,353)
Net balance	<u>\$111,927,394</u>	<u>\$3,472,771</u>	<u>\$171,196,235</u>	<u>\$5,344,871</u>

- (1) A CDO impairment provision is recognized as the overseas bonds held by Cathay Life are assessed to be over-valued. As of September 30, 2008 and 2009, Cathay Life recognized impairment losses amounting to NT\$541,810 (US\$16,811) thousands and NT\$418,600 (US\$13,069) thousands, respectively.
- (2) Due to the credit deterioration of securitization and financial debentures, Cathay United Bank has recognized impairment loss NT\$131,298 (US\$4,074) and NT\$2,331,110 (US\$72,779) for the nine months ended September 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 September 30, 2008 and 2009 being pledged as collaterals.

**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)**

**12. Investments in real estate**

September 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	\$123,892,173	\$3,844,002	\$4,370	\$135	\$(16,693,400)	\$(517,946)	\$(195,923)	\$(6,079)	\$107,007,220	\$3,320,112
Construction	1,770,504	54,933	-	-	-	-	-	-	1,770,504	54,933
Prepayments										
for building										
and land	153,970	4,777	-	-	(3,052)	(94)	-	-	150,918	4,683
Total	<u>\$125,816,647</u>	<u>\$3,903,712</u>	<u>\$4,370</u>	<u>\$135</u>	<u>\$(16,696,452)</u>	<u>\$(518,040)</u>	<u>\$(195,923)</u>	<u>\$(6,079)</u>	<u>\$108,928,642</u>	<u>\$3,379,728</u>

September 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	\$132,806,507	\$4,146,316	\$4,366	\$136	\$(18,270,617)	\$(570,422)	\$(195,594)	\$(6,107)	\$114,344,662	\$3,569,923
Construction	2,572,247	80,308	-	-	-	-	-	-	2,572,247	80,308
Lease	153,970	4,807	-	-	(3,366)	(105)	-	-	150,604	4,702
Prepayments										
for building										
and land	809,360	25,269	-	-	-	-	-	-	809,360	25,269
Total	<u>\$136,342,084</u>	<u>\$4,256,700</u>	<u>\$4,366</u>	<u>\$136</u>	<u>\$(18,273,983)</u>	<u>\$(570,527)</u>	<u>\$(195,594)</u>	<u>\$(6,107)</u>	<u>\$117,876,873</u>	<u>\$3,680,202</u>

- (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 September 30, 2008 and 2009.

**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)**

**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\$170,039) thousands with Land Bank Co., Ltd. as the Trustee. These beneficiary certificates have a redemption period from May 28, 2007 to May 28, 2014. The other terms of these beneficiary certificates are as follows:

Class of beneficiary certificates issued	Issue amount (in thousands of dollars)	Interest rate
Senior tranche 1 <sup>st</sup>	NT\$3,335,000(US\$104,121)	2.175%
Senior tranche 2 <sup>nd</sup>	NT\$315,000(US\$9,835)	2.325%
Senior tranche 3 <sup>rd</sup>	NT\$340,000(US\$10,615)	2.545%
Senior tranche 4 <sup>th</sup>	NT\$480,000(US\$14,986)	2.945%
Subordinated tranche 5 <sup>th</sup>	NT\$200,000(US\$6,244)	3.00%
Subordinated tranche 6 <sup>th</sup>	NT\$200,000(US\$6,244)	3.20%
Subordinated tranche 7 <sup>th</sup>	NT\$576,335(US\$17,994)	-

Cathay United Bank holds the subordinated beneficiary certificates amounting to NT\$976,335 (US\$30,482) 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 September 30, 2008 and 2009, respectively, were as follows:

	<u>Corporate Loans Securitization</u>	
	<u>September 30, 2008</u>	<u>September 30, 2009</u>
Expected weighted-average life (in years)	0.889	0.353
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%

**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)**

(2) Sensitivity analysis:

As of September 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:

	September 30, 2008		September 30, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Carrying amount of retained interests	\$976,335	\$30,293	\$972,447	\$30,361
Expected weighted-average life (in years)	0.889	0.889	0.353	0.353
Expected prepayment rate (annual rate)	3.00%	3.00%	3.00%	3.00%
Impact on fair value with 10% adverse change	(1,888)	(59)	31	1
Impact on fair value with 20% adverse change	(1,906)	(59)	31	1
Expected credit losses (annual rate)	3.71%	3.71%	3.71%	3.71%
Impact on fair value with 10% adverse change	(9,847)	(306)	(2,184)	(68)
Impact on fair value with 20% adverse change	(10,412)	(323)	(2,660)	(83)
Discounting rate for residual cash flows (annual rate)	2.49%	2.49%	2.49%	2.49%
Impact on fair value with 10% adverse change	(4,335)	(135)	(1,995)	(62)
Impact on fair value with 20% adverse change	(8,650)	(268)	(3,986)	(124)

(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~September 30			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Servicing fees received	\$180	\$6	\$180	\$6
Other cash received on retained interests	22,133	687	18,628	582
Repayment of cash reserve	6,541	203	4,487	140

**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)**

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

Item	January 1, 2008		Increase		Decrease		September 30, 2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Acquired cost								
Goodwill	\$6,537,374	\$202,835	\$141,998	\$4,406	\$(6,288)	\$(195)	\$6,673,084	\$207,046
			(Note)		(Note)		(Note)	
Computer software	2,093,333	64,950	522,036	16,197	(149,368)	(4,635)	2,466,001	76,512
Land use right	19,630	609	-	-	-	-	19,630	609
Subtotal	8,650,337	268,394	664,034	20,603	(155,656)	(4,830)	9,158,715	284,167
Amortization and impairment								
Amortized	(1,070,670)	(33,220)	(301,468)	(9,354)	234	8	(1,371,904)	(42,566)
Impairment	(147,141)	(4,565)	(1,063)	(33)	148,204	4,598	-	-
Subtotal	(1,217,811)	(37,785)	(302,531)	(9,387)	148,438	4,606	(1,371,904)	(42,566)
Book value	\$7,432,526	\$230,609	\$361,503	\$11,216	\$(7,218)	\$(224)	\$7,786,811	\$241,601
Item	January 1, 2009		Increase		Decrease		September 30, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Acquired cost								
Goodwill	\$6,673,084	\$208,338	\$-	\$-	\$-	\$-	\$6,673,084	\$208,338
Computer software	2,567,375	80,155	261,716	8,171	(133,962)	(4,182)	2,695,129	84,144
Land use right	19,630	613	-	-	(355)	(11)	19,275	602
Subtotal	9,260,089	289,106	261,716	8,171	(134,317)	(4,193)	9,387,488	293,084
Amortization and impairment								
Amortized	(1,469,517)	(45,879)	(300,267)	(9,374)	129,414	4,040	(1,640,370)	(51,213)
Book value	\$7,790,572	\$243,227	\$(38,551)	\$(1,203)	\$(4,903)	\$(153)	\$7,747,118	\$241,871

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.



**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)**

**15. Commercial paper payable**

	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Commercial paper payable	\$-	\$-	\$600,000	\$18,733
Less: Discount on commercial paper payable	-	-	-	-
Total	<u>\$-</u>	<u>\$-</u>	<u>\$600,000</u>	<u>\$18,733</u>

As of September 30, 2009, the average interest rate for the commercial paper payable was 0.248%~0.748% annually.

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

	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Derivative financial instruments	\$78,755	\$2,443	\$456,353	\$14,248
Financial debentures	39,700,000	1,231,772	22,500,000	702,466
Subordinated financial debentures	2,200,000	68,259	5,000,000	156,104
Security lending payable hedging	-	-	52,425	1,637
Valuation adjustment	45,327,466	1,406,375	9,454,188	295,166
Total	<u>\$87,306,221</u>	<u>\$2,708,849</u>	<u>\$37,462,966</u>	<u>\$1,169,621</u>

(1) On September 19, 2008 and October 27, 2008, Cathay United Bank issued seven-year subordinated financial debentures totaling NT\$2,200,000 (US\$68,686) thousands and NT\$2,800,000 (US\$87,418) 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.

**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)**

- (3) On June 20, 2003, Cathay United Bank issued five-year and six-month dominant financial debentures amounting to NT\$5,000,000 (US\$156,104) 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\$99,906) thousands, NT\$2,700,000 (US\$84,296) thousands and NT\$1,800,000 (US\$56,197) 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\$62,441) 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\$31,221) thousands, NT\$3,500,000 (US\$109,273) thousands, NT\$2,000,000 (US\$62,441) thousands, and NT\$1,000,000 (US\$31,221) 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\$78,052) thousands, NT\$1,500,000 (US\$46,831) thousands, NT\$1,500,000 (US\$46,831) thousands, NT\$2,500,000 (US\$78,052) thousands, NT\$1,500,000 (US\$46,831) thousands, NT\$2,500,000 (US\$78,052) thousands, NT\$1,000,000 (US\$31,221) thousands and NT\$1,000,000 (US\$31,221) thousands, NT\$2,000,000 (US\$62,441) thousands, NT\$1,500,000 (US\$46,831) 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**

	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Check deposits	\$13,163,086	\$408,411	\$10,910,871	\$340,645
Demand deposits	127,868,382	3,967,372	176,035,850	5,495,968
Savings deposits	347,191,908	10,772,321	467,169,541	14,585,374
Time deposits	590,691,427	18,327,379	576,323,513	17,993,241
Outward remittances	3,165,113	98,204	145,378	4,539
Remittances payable	529,283	16,422	699,243	21,831
Total	<u>\$1,082,609,199</u>	<u>\$33,590,109</u>	<u>\$1,231,284,396</u>	<u>\$38,441,598</u>

**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)**

**18. Bonds payable**

	September 30			
	<u>2008(NT\$)</u>	<u>2008(US\$)</u>	<u>2009(NT\$)</u>	<u>2009(US\$)</u>
Subordinated bond payable-net	\$-	\$-	\$20,000,000	\$624,415
Subordinated financial debentures	16,065,000	498,449	15,691,636	489,904
Discount in financial debentures	(87,821)	(2,725)	(50,873)	(1,588)
Valuation adjustment	638,182	19,801	1,003,321	31,324
Total	<u>\$16,615,361</u>	<u>\$515,525</u>	<u>\$36,644,084</u>	<u>\$1,144,055</u>

- (1) On April 28, 2003, Cathay United Bank issued a five-year subordinated financial debentures totaling NT\$2,350,000 (US\$73,369) 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\$13,426) 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\$620,540) thousands with a stated interest rate of 3.10%. The subordinated bonds and repayable at maturity and the interest is payable annually.
- (4) On July, 2009, Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$1,500,000 (US\$46,831) thousands with a stated interest rate of 2.60%. The subordinated financial debentures are repayable at maturity and the interest is payable quarterly.

**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)**

- (5) 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.

**19. Reserve for operations and liabilities**

	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Reserve for insurance business	\$2,044,986,229	\$63,449,775	\$2,241,689,552	\$69,987,186
Reserves for losses on guarantees	24,893	772	24,892	777
Reserves for losses on stock brokerage transactions	38,687	1,200	50,550	1,578
Reserves for losses on trading securities	269,232	8,354	273,919	8,552
Total	<u>\$2,045,319,041</u>	<u>\$63,460,101</u>	<u>\$2,242,038,913</u>	<u>\$69,998,093</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.

**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)**

(2) Special reserve

A. Catastrophe reserve :

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

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

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

**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)**

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

(3) Claims reserve:

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

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

**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)**

(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.

**20. Other financial liabilities**

	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Derivative financial liabilities for hedging	\$32,073	\$995	\$101,881	\$3,181
Borrowed funds	282,124	8,754	250,688	7,827
Other miscellaneous financial liabilities	102,911	3,193	-	-
Total	<u>\$417,108</u>	<u>\$12,942</u>	<u>\$352,569</u>	<u>\$11,008</u>

**21. Common stock**

- (1) As of September 30, 2008 and 2009, the authorized share capital amounted NT\$120,000,000 (US\$3,746,488) thousands, and the issued share capital amounted NT\$97,375,372 (US\$3,021,265) thousands and NT\$97,375,372 (US\$3,040,130) thousands, respectively.
- (2) The recapitalization of undistributed earnings of NT\$4,605,180 (US\$142,885) thousand by issuing 460,518 thousand shares with par value of NT\$10 (US\$0.31) 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).

**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)**

**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\$2,543,320) and NT\$81,709,322 (US\$2,551,025) thousands as of September 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\$8,291) and NT\$0 (US\$0) thousands were included in the capital surplus as of September 30, 2008 and 2009, respectively.
- (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.



**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)**

(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.

(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.

**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)**

F. Pursuant to the explanatory letter of SFB on January 27, 2006, the Company is required to appropriate a special reserve in the amount equal to unrealized loss of financial instruments, cumulative conversion adjustments, and net loss not yet recognized as net pension cost expect for the special reserve since 2007.

G. Dividends policy

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

H. The accrual of employee bonus and remuneration of directors for the nine months of 2009 was NT\$23,335 (US\$729) based on the average of actual distribution in the past three years or the net income after tax for the nine months 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 nine months of 2008 was NT\$16,814 (US\$522) based on the average of actual distribution in the past three years or the net income after tax for the nine months 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\$6,857) and NT\$7,107,732 (US\$221,908), 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 September 30, 2008 and 2009:

**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)**

September 30, 2008										
Reason for acquisition	In thousands of shares			Book value		Book value per share		Market value per share		
	January 1, 2008	Increase	Decrease	September 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	\$128,453	\$62.11	\$1.93	\$43.15	\$1.34

September 30, 2009										
Reason for acquisition	In thousands of shares			Book value		Book value per share		Market value per share		
	January 1, 2009	Increase	Decrease	September 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	\$129,255	\$62.11	\$1.94	\$53.40	\$1.67

## 25. Operating Expense

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

	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Personnel expenses				
Salary and wages	\$25,715,581	\$797,877	\$25,025,392	\$781,311
Labor & health insurance expenses	1,625,526	50,436	1,738,001	54,262
Pension expenses	1,020,951	31,677	1,037,225	32,383
Other expenses	1,343,378	41,681	1,387,624	43,322
Depreciation	2,502,583	77,648	2,621,217	81,836
Amortization	302,459	9,384	304,214	9,498

**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)**

**26. Estimated income taxes**

(1) Income tax expenses include the following:

	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Adjusted income tax calculates on				
accounting income	\$318,096	\$9,870	\$735,666	\$22,968
Plus (Less): Tax of interest income on a				
separate basis	155,554	4,826	113,239	3,535
Extra 10% income tax on				
undistributed retained earning	15,799	490	8,716	272
Alternative minimum tax				
payable	841,997	26,125	-	-
Withholding tax for overseas				
investments	(18,426)	(572)	(47,418)	(1,480)
Tax effects under consolidated				
income tax	416,231	12,914	69,476	2,169
Deferred income tax (benefits)				
expense	(2,653,303)	(82,324)	5,752,458	179,596
Adjustment of income tax	(53,643)	(1,664)	659,297	20,584
Income tax credit	(9,220)	(286)	(7,675)	(240)
Operating loss carry-forward	4,846	150	(4,831,713)	(150,850)
Effects of tax rate change on				
deferred tax assets / liabilities	-	-	1,879,989	58,695
Other	-	-	234,172	7,311
Total income tax (benefits) expenses	<u>\$ (982,069)</u>	<u>\$ (30,471)</u>	<u>\$ 4,566,207</u>	<u>\$ 142,560</u>

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

	September 30			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Total deferred tax assets	<u>\$13,411,977</u>	<u>\$416,133</u>	<u>\$12,275,608</u>	<u>\$383,253</u>
Total deferred tax liabilities	<u>\$1,535,618</u>	<u>\$47,646</u>	<u>\$5,191,027</u>	<u>\$162,068</u>
Allowance for deferred assets	<u>\$1,140,376</u>	<u>\$35,382</u>	<u>\$317,137</u>	<u>\$9,901</u>

**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)**

	September 30			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Temporary differences:				
Pension expense	\$1,385,180	\$42,978	\$1,467,093	\$45,804
Unrealized exchange losses (gains)	2,991,493	92,817	7,208,010	225,039
Losses (gains) from valuation on financial assets and liabilities	17,809,003	552,560	(14,825,892)	(462,875)
Allowance for bad debts	3,230,670	100,238	710,741	22,190
Operating loss carry-forward	10,251,461	318,072	35,176,558	1,098,238
Other difference	1,227,424	38,083	892,174	27,854
Total	<u>\$36,895,231</u>	<u>\$1,144,748</u>	<u>\$30,628,684</u>	<u>\$956,250</u>
Tax effect under consolidated income tax system	<u>\$1,692,503</u>	<u>\$52,513</u>	<u>\$(32,041)</u>	<u>\$(1,000)</u>
Deferred income tax assets of foreign branches	<u>\$94,750</u>	<u>\$2,940</u>	<u>\$87,509</u>	<u>\$2,732</u>
Investment tax credit	<u>\$5,686</u>	<u>\$176</u>	<u>\$49,080</u>	<u>\$1,532</u>

	September 30			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Deferred tax assets	\$13,411,977	\$416,133	\$12,275,608	\$383,254
Allowance for deferred tax assets	(1,140,376)	(35,382)	(317,137)	(9,901)
Net deferred tax assets	12,271,601	380,751	11,958,471	373,353
Deferred tax liabilities	(1,535,618)	(47,646)	(5,191,027)	(162,068)
Net offset balance of deferred tax assets	<u>\$10,735,983</u>	<u>\$333,105</u>	<u>\$6,767,444</u>	<u>\$211,285</u>

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.

**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)**

(3) Income tax returns:

		September 30, 2009
		Notes
	Income tax returns examined by tax authorities	
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, 2003, 2004 and 2005 tax returns.
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 2007	-
Cathay II Venture	through 2005	-

(4) Information related to imputation credit account:

A. Balance of imputation credit account

		September 30			
		2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
The Company		\$1,230,276	\$38,172	\$790	\$25
Cathay Life		596,252	18,500	2,361,941	73,742
Cathay United Bank		116,178	3,605	240,436	7,507
Cathay Century		3,994	124	15,269	477
Cathay Securities		6,050	188	8,000	250
Cathay Pacific Venture		1,004	31	2,108	66
Cathay Venture		13,827	429	-	-
Cathay II Venture		10,544	327	-	-
Cathay Futures		15,244	473	13,038	407
Symphox Information		-	-	9,575	299

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

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

B. Imputation ratio

	For the nine months ended September 30	
	2008	2009
	Actual	Actual
The Company-cash dividends	12.98%	10.42%
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	17.87%	-
Cathay II Venture	5.86%	-
Cathay Futures	33.33%	33.33%
Symphox Information	-	33.33%

(5) Information relating of undistributed retained earnings:

Year	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Prior to 1997	\$267,215	\$8,291	\$-	\$-
After 1998	4,863,911	150,912	-	-
Total	<u>\$5,131,126</u>	<u>\$159,203</u>	<u>\$-</u>	<u>\$-</u>

- A. Net income for the nine months ended September 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.

**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)**

**27. Earnings per share**

For the nine months ended September 30, 2008									
	Amount (Numerator)				Shares (in thousands of shares) (denominator)	EPS (in dollars)			
	Before income taxes		After income taxes			Before income taxes	After income taxes		
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)	(NT\$)	(US\$)
Primary earnings per share:									
Consolidated losses	\$2,763,768	\$85,751	\$3,745,837	\$116,222	9,670,877	\$0.29	\$0.01	\$0.39	\$0.01

For the nine months ended September 30, 2009									
	Amount (Numerator)				Shares (in thousands of shares) (denominator)	EPS (in dollars)			
	Before income taxes		After income taxes			Before income taxes	After income taxes		
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)	(NT\$)	(US\$)
Primary earnings per share:									
Consolidated income	\$12,281,108	\$383,425	\$7,714,901	\$240,865	9,670,877	\$1.27	\$0.04	\$0.80	\$0.02

**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	//



**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)**

Name	Relationship
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 a second immediate family member of the Company's chairman
Wan Pao Development Co., Ltd.	"
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.	"
Culture and Charity Foundation of Cathay life	"
Cathay Century Realty Co., Ltd.	"
San Ching Engineering Co., Ltd.	"
Other related parties	Includes chairmen managers, their spouses and relatives of subsidiaries

(2) Significant transactions with related parties:

A. Cash and cash equivalent

a. Due from commercial banks

Name	For the nine months ended September 30							
	2008				2009			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Vietinbank	\$-	\$	\$-	\$-	\$8,780	\$274	\$29	\$1

**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)**

b.Call loans to banks

Name	For the nine months ended September 30							
	2008				2009			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Vietinbank	\$481,950	\$14,953	\$10,685	\$332	\$-	\$-	\$-	\$-

c.Call loans from banks

Name	For the nine months ended September 30							
	2008				2009			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Vietinbank	\$486,317	\$15,089	\$51,989	\$1,613	\$189,512	\$5,917	\$2,127	\$66

B. Financial assets at fair value through profit or loss

Name	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$7,175,877	\$222,646	\$4,804,867	\$150,011

C. Receivables

Name	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	\$8,825	\$274	\$27,615	\$862
Cathay Capital Management	3,474	108	-	-
Seaward Leasing Ltd.	3,819	118	-	-
Total	\$16,118	\$500	\$27,615	\$862

**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)**

D. Loans

Name	For the nine months ended September 30, 2008			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Revenue (NT\$)	Interest Revenue (US\$)
Seaward Leasing Ltd.	\$2,923,630	\$90,712	\$49,857	\$1,547
Taiwan Real-estate Management Corp.	109,000	3,382	2,364	74
Cathay General Hospital	4,575,275	141,957	127,379	3,952
Other related parties	1,882,371	58,404	45,644	1,416
Total	<u>\$9,490,276</u>	<u>\$294,455</u>	<u>\$225,244</u>	<u>\$6,989</u>

Name	For the nine months ended September 30, 2009			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Revenue (NT\$)	Interest Revenue (US\$)
Seaward Leasing Ltd.	\$1,810,000	\$56,510	\$13,501	\$422
Taiwan Real-estate Management Corp.	115,000	3,590	1,803	56
Cathay General Hospital	4,329,260	135,163	760,193	23,734
Other related parties	664,314	20,740	8,044	251
Total	<u>\$6,918,574</u>	<u>\$216,003</u>	<u>\$783,541</u>	<u>\$24,463</u>

E. Available-for-sale financial assets

Name	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$603,152</u>	<u>\$18,714</u>	<u>\$213,655</u>	<u>\$6,670</u>

**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)**

F. Deposit

Name	For the nine months ended September 30, 2008			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Expense (NT\$)	Interest Expense (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$600,018	\$18,617	\$12,647	\$392
Cathay Real Estate Development Co., Ltd.	64,261	1,994	139	4
Cathay Bond Fund etc.	7,120,770	220,936	136,124	4,224
Other related parties	7,530,253	233,641	79,348	2,462
<b>Total</b>	<b>\$15,315,302</b>	<b>\$475,188</b>	<b>\$228,258</b>	<b>\$7,082</b>

Name	For the nine months ended September 30, 2009			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Expense (NT\$)	Interest Expense (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$332,275	\$10,374	\$3,334	\$104
Cathay Real Estate Development Co., Ltd.	205,365	6,411	50	1
Cathay Bond Fund etc.	9,433,792	294,530	70,394	2,198
Other related parties	4,514,842	140,957	32,179	1,005
<b>Total</b>	<b>\$14,486,274</b>	<b>\$452,272</b>	<b>\$105,957</b>	<b>\$3,308</b>

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 nine months ended September 30, 2008	
		(NT\$)	(US\$)
Lin Yuan Property Management Co., Ltd.	International Building etc.	\$167,265	\$5,190

**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)**

Name	Item	For the nine months ended September 30, 2009	
		(NT\$)	(US\$)
Lin Yuan Property Management Co., Ltd.	International Building etc.	\$82,278	\$2,569
San Ching Engineering Co., Ltd.	Cathay Land Mark et.	18,917	590
Total		<u>\$101,195</u>	<u>\$3,159</u>

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

Name	Rental income			
	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Real Estate Development Co., Ltd.	\$14,126	\$438	\$16,583	\$518
Cathay General Hospital	97,005	3,010	99,766	3,115
Cathay Securities Investment Trust Co., Ltd.	14,181	440	16,726	522
San Ching Engineering Co., Ltd.	6,318	196	7,283	227
Cathay Securities Investment Consulting	5,088	158	6,941	217
Total	<u>\$136,718</u>	<u>\$4,242</u>	<u>\$147,299</u>	<u>\$4,599</u>

Name	Guarantee deposits in			
	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Real Estate Development Co., Ltd.	\$4,886	\$152	\$4,886	\$153
Cathay General Hospital	11,079	344	11,305	353
Cathay Securities Investment Trust Co., Ltd.	4,872	151	4,948	154
Total	<u>\$20,837</u>	<u>\$647</u>	<u>\$21,139</u>	<u>\$660</u>

Lease terms 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 nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Real Estate Development Co., Ltd.	\$31,292	\$971	\$31,158	\$973
Seaward Leasing Ltd.	10,888	338	11,059	345
Total	<u>\$42,180</u>	<u>\$1,309</u>	<u>\$42,217</u>	<u>\$1,318</u>

**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)**

Name	Guarantee deposits paid			
	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Real Estate Development Co., Ltd.	\$11,414	\$354	\$10,959	\$342
Seaward Leasing Ltd.	33,395	1,036	1,836	57
Total	<u>\$44,809</u>	<u>\$1,390</u>	<u>\$12,795</u>	<u>\$399</u>

According to the contracts, lease terms generally were 3 years and rents were paid monthly.

H. Securities sold under agreements to repurchase

Name	September 30			
	Ending balance			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Wan Pao Development Co., Ltd.	\$169,146	\$5,248	\$-	\$-
Cathay Securities Investment Trust Co., Ltd.	10,030	311	162,000	5,058
Lin Yuan Investment Co., Ltd.	199,694	6,196	-	-
Other related parties	808,457	25,084	558,060	17,423
Total	<u>\$1,187,327</u>	<u>\$36,839</u>	<u>\$720,060</u>	<u>\$22,481</u>

Name	For the nine months ended September 30			
	Interest expenses			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Wan Pao Development Co., Ltd.	\$5,785	\$179	\$-	\$-
Cathay Securities Investment Trust Co., Ltd.	1,097	34	103	3
Lin Yuan Investment Co., Ltd.	2,254	70	-	-
Other related parties	11,276	350	678	21
Total	<u>\$20,412</u>	<u>\$633</u>	<u>\$781</u>	<u>\$24</u>

**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)**

J. Payables

Name	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Seaward Card	\$27,024	\$839	\$-	\$-
Lin Yuan Property Management Co., Ltd.	78,878	2,447	36,462	1,138
San Ching Engineering Co., Ltd.	5,009	155	-	-
Vietinbank	-	-	161,000	5,027
Total	<u>\$110,911</u>	<u>\$3,441</u>	<u>\$197,462</u>	<u>\$6,165</u>

K. Net commission and handling fees

a. Handling fees income

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$23,925	\$743	\$13,719	\$428
Cathay Securities Investment Consulting	5,166	160	-	-
Total	<u>\$29,091</u>	<u>\$903</u>	<u>\$13,719</u>	<u>\$428</u>

b. Reinsurance handling fee paid

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	<u>\$8,400</u>	<u>\$261</u>	<u>\$7,416</u>	<u>\$232</u>

c. Commissions expense

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life Insurance Agent	<u>\$18,478</u>	<u>\$573</u>	<u>\$22,092</u>	<u>\$690</u>

d. Reinsurance commissions expense

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	<u>\$5,138</u>	<u>\$159</u>	<u>\$-</u>	<u>\$-</u>

**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)**

e. Reinsurance commissions income

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	\$5,709	\$177	\$-	\$-

L. Net premiums from insurance business

a. Insurance income

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay General Hospital	\$29,163	\$905	\$25,440	\$794
Seaward Leasing Ltd.	9,239	287	5,379	168
Other related parties	281,345	8,729	214,257	6,689
Total	\$319,747	\$9,921	\$245,076	\$7,651

b. Reinsurance income

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	\$108,292	\$3,360	\$71,321	\$2,227

Since April, 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 nine-month periods ended September 30, 2008 and 2009, respectively.

c. Reinsurance claims payment

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	\$94,737	\$2,939	\$103,625	\$3,235



**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)**

M. Net other non-interest income

a. Sales

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay charity foundation	\$-	\$-	\$4,179	\$130

b. Service Income

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay General Hospital	\$3,679	\$114	\$-	\$-
Lin Yuan Property Management Co., Ltd.	4,638	144	-	-
Total	\$8,317	\$258	\$-	\$-

c. Miscellaneous income

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$53,496	\$1,660	\$64,769	\$2,022
Cathay General Hospital	3,547	110	3,809	119
Total	\$57,043	\$1,770	\$68,578	\$2,141

N. Operating expense

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Consulting	\$24,465	\$759	\$17,010	\$531
Seaward Card	243,475	7,554	236,158	7,373
Cathay Pacific Management	66,368	2,059	-	-
Lin Yuan Property Management Co., Ltd.	460,788	14,297	449,050	14,020
Cathay Real Estate Development Co., Ltd.	14,385	446	8,052	251
San Ching Engineering Co., Ltd.	3,813	118	-	-
Cathay General Hospital	4,893	152	6,872	214
Seaward Leasing Ltd.	6,977	217	12,641	395
Culture and Charity Foundation of Cathay Life	223,483	6,934	-	-
Total	\$1,048,647	\$32,536	\$729,783	\$22,784

**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)**

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\$44,080) thousands, in 2006. Cathay United Bank had paid the amount of NT\$480,900 (US\$14,921) thousands and NT\$218,894 (US\$6,834) thousands during the nine months ended September 30, 2008 and 2009. As of September 30, 2008 and 2009, the accumulated paid amount was NT\$1,042,723 (US\$32,353) thousands and NT\$1,400,790 (US\$43,734) thousands, respectively.
- b. Cathay United Bank paid decoration and fix fee to San Ching Engineering Corp. for the amount of NT\$3,752(US\$116) and NT\$1,787 (US\$56) during the nine months ended September 30, 2008 and 2009, respectively.
- c. Cathay United Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management Co., Ltd. in the amount of NT\$14,464 (US\$449) thousands (capitalized) and NT\$21,333 (US\$666) thousands (expensed) during the nine months ended September 30, 2008 and 2009, respectively.
- d. Cathay Century Realty Co., Ltd. Acted as a broker for Cathay United Bank to dispose of real estate, the service fees of NT\$15,078 (US\$468) and NT\$2,042 (US\$64) were included in disposal gains of foreclosed properties, premises and equipment, during the nine months ended September 30, 2008 and 2009, respectively.

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

A. Cash in bank

Name	Item	For the nine months ended September 30, 2008		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$-	2.42%~4.57%	\$29,559
	Cash in bank	13,280	0.00%~1.70%	1,208
	Total	<u>\$13,280</u>		<u>\$30,767</u>

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

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

		For the nine months ended September 30, 2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$-	2.42%~4.57%	\$917
	Cash in bank	412	0.00%~1.70%	38
	Total	<u>\$412</u>		<u>\$955</u>

There is no significant related parties transactions for the nine months ended September 30, 2009.

**B. Receivables**

		September 30			
Name	Item	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay United Bank	Receivables due to consolidated income tax	\$739,669	\$22,950	\$1,125,379	\$35,135
Cathay Life	Interest	-	-	402,712	12,573
Cathay Century	Receivables due to consolidated income tax	231,159	7,172	141,000	4,402
Cathay Capital Management	Receivables due to consolidated income tax	12,210	379	-	-
Cathay Securities	Receivables due to consolidated income tax	92,309	2,864	227,026	7,088
Cathay II Venture	Receivables due to consolidated income tax	9,195	285	-	-
Total		<u>\$1,084,542</u>	<u>\$33,650</u>	<u>\$1,896,117</u>	<u>\$59,198</u>

**C. Guarantee deposits paid**

Name	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	<u>\$5,940</u>	<u>\$184</u>	<u>\$5,964</u>	<u>\$186</u>

**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)**

D. Payables

Name	Item	September 30			
		2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	Payables due to consolidated income tax	\$1,348,657	\$41,845	\$4,460,845	\$139,271
Cathay United Bank	Payables due to consolidated income tax	983,685	30,521	3,149,442	98,328
Cathay Securities	Payables due to consolidated income tax	-	-	14,199	443
Total		<u>\$2,332,342</u>	<u>\$72,366</u>	<u>\$7,624,486</u>	<u>\$238,042</u>

E. Interest income

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	<u>\$-</u>	<u>\$-</u>	<u>\$392,671</u>	<u>\$12,259</u>

F. Operating expenses

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$17,260	\$536	\$19,434	\$607
Lin Yuan Property Management Co., Ltd.	4,322	134	-	-
Cathay Charity Foundation	223,483	6,934	-	-
Total	<u>\$245,065</u>	<u>\$7,604</u>	<u>\$19,434</u>	<u>\$607</u>

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

A. Cathay Life

a. Cash in banks

Name	Item	For the nine months ended September 30, 2008		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposit	\$5,338,601	2.25%~4.50%	\$49,495
	Cash in bank	2,716,522	0.04%~1.85%	2,990
Total		<u>\$8,055,123</u>		<u>\$52,485</u>

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

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

		For the nine months ended September 30,2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$165,641	2.25%~4.50%	\$1,535
Bank	Cash in bank	84,285	0.04%~1.85%	93
Total		<u>\$249,926</u>		<u>\$1,628</u>

		For the nine months ended September 30,2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$15,393,950	0.10%~2.42%	\$37,909
Bank	Cash in bank	5,627,029	0.02%~1.00%	4,318
Total		<u>\$21,020,979</u>		<u>\$42,227</u>

		For the nine months ended September 30,2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$480,610	0.10%~2.42%	\$1,183
Bank	Cash in bank	175,680	0.02%~1.00%	135
Total		<u>\$656,290</u>		<u>\$1,318</u>

b. Other receivables

Name	September 30			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Financial Holding	\$1,348,657	\$41,845	\$4,460,845	\$139,271
Cathay Century	114,682	3,558	194,763	6,080
Total	<u>\$1,463,339</u>	<u>\$45,403</u>	<u>\$4,655,608</u>	<u>\$145,351</u>

c. Other financial assets

		For the nine months ended September 30,2008		
Name		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank		<u>\$1,500,000</u>	1.80%~4.06%	<u>\$63,504</u>

**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)**

Name	For the nine months ended September 30,2008		
	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	\$46,540	1.80%~4.06%	\$1,970

Name	For the nine months ended September 30,2009		
	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	\$-	3.17%~3.73%	\$5,327

Name	For the nine months ended September 30,2009		
	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	\$-	3.17%~3.73%	\$166

d. Secured loans

Name	For the nine months ended September 30,2008			
	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$4,388,030	\$4,317,275	3.57%~3.85%	\$122,212
Other related parties	310,925	268,135	2.20%~5.67%	5,990
<b>Total</b>	<b>\$4,698,955</b>	<b>\$4,585,410</b>		<b>\$128,202</b>

Name	For the nine months ended September 30,2008			
	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$136,147	\$133,952	3.57%~3.85%	\$3,792
Other related parties	9,647	8,319	2.20%~5.67%	186
<b>Total</b>	<b>\$145,794</b>	<b>\$142,271</b>		<b>\$3,978</b>

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

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

For the nine months ended September 30,2009				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$4,286,249	\$4,093,260	1.85%~3.91%	\$755,522
Other related parties	393,090	342,125	1.01%~5.37%	4,758
<b>Total</b>	<b>\$4,679,339</b>	<b>\$4,435,385</b>		<b>\$760,280</b>

For the nine months ended September 30,2009				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$133,820	\$127,795	1.85%~3.91%	\$23,588
Other related parties	12,272	10,681	1.01%~5.37%	148
<b>Total</b>	<b>\$146,092</b>	<b>\$138,476</b>		<b>\$23,736</b>

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

Name	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$6,332,055	\$196,465	\$3,982,953	\$124,351

f. Other overdue receivable

Name	September 30			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Life (Shanghai)	\$265,211	\$8,229	\$265,211	\$8,280

**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)**

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	Item	For the nine months ended September 30, 2008	
		(NT\$)	(US\$)
Lin Yuan Property Management Co., Ltd.	International Building etc	\$167,265	\$5,190

Name	Item	For the nine months ended September 30, 2009	
		(NT\$)	(US\$)
Lin Yuan Property Management Co., Ltd.	International Building etc	\$82,278	\$2,569

h. Repurchase bonds

Name	For the nine months ended September 30, 2008		
	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	\$682,531	1.70%~1.76%	\$11,109

Name	For the nine months ended September 30, 2008		
	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	\$21,177	1.70%~1.76%	\$345

There is no significant related parties transactions for the nine months ended September 30, 2009.

i. Guarantee deposits paid

Name	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Futures	\$1,080,090	\$33,512	\$299,992	\$9,366



**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)**

As of September 30, 2008 and 2009, the imputed interest income from guarantee deposits paid to Cathay Futures were NT\$409 (US\$13) thousands and NT\$316 (US\$10) thousands, respectively.

j. Other payables

Name	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Financial Holding	\$-	\$-	\$402,712	\$12,573

k. Rental income

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay United Bank	\$221,856	\$6,884	\$248,913	\$7,771

l. Insurance income

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009 (US\$)
Cathay United Bank	\$409,874	\$12,717	\$435,953	\$13,611
Other related parties	281,345	8,729	214,257	6,689
Total	\$691,219	\$21,446	\$650,210	\$20,300

m.Reinsurance income

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009 (US\$)
Cathay Insurance (Bermuda)	\$108,292	\$3,360	\$71,321	\$2,227

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 nine-month periods ended September 30, 2008 and 2009, respectively.

**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)**

n. Reinsurance claims payment

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	\$94,737	\$2,939	\$103,625	\$3,235

o. Miscellaneous income

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Century	\$671,584	\$20,837	\$759,540	\$23,713

p. Operating expense

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay United Bank	\$734,515	\$22,790	\$845,829	\$26,407
Symphox Information	190,153	5,900	179,092	5,591
Lin Yuan Property Management Co., Ltd.	456,466	14,163	449,050	14,020
Total	\$1,381,134	\$42,853	\$1,473,971	\$46,018

q. Non-operating expenses

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Financial Holding	\$-	\$-	\$392,671	\$12,259

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

**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)**

r. Other Disclosures

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

Item	September 30	
	2008	2009
Forward foreign exchange contracts	US\$1,235,410	US\$550,000
CS contracts	US\$1,169,937	US\$3,771,000
Financial debentures	NT\$200,000 (US\$6,205)	NT\$- (US\$-)

Cathay Life had entered a credit assignment agreement with Cathay United Bank in the amounts of NT\$2,480,000 (US\$76,947) thousands and NT\$800,000 (US\$24,977) thousands during the nine months ended September 30, 2008 and 2009, respectively.

B. Cathay United Bank

a. Loans and deposits

Account/Name	For the nine months ended September 30							
	2008				2009			
	Ending Balance		Interest revenue		Ending Balance		Interest revenue	
(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Loans								
Seaward								
Leasing Ltd.	\$2,923,630	\$90,711	\$49,857	\$1,547	\$1,810,000	\$56,510	\$13,501	\$421
Taiwan								
Real-estate								
Management								
Corp.	109,000	3,382	2,364	73	115,000	3,590	1,803	56
Cathay General								
Hospital	258,000	8,005	5,167	160	236,000	7,368	4,671	146
Other related								
parties	1,591,600	49,383	39,144	1,215	304,571	9,509	3,067	96
Total	\$4,882,230	\$151,481	\$96,532	\$2,995	\$2,465,571	\$76,977	\$23,042	\$719

**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)**

Account/Name	For the nine months ended September 30							
	2008				2009			
	Ending Balance		Interest expense		Ending Balance		Interest expense	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Deposits								
Cathay Life	\$9,555,123	\$296,467	\$52,485	\$1,629	\$21,020,979	\$656,290	\$42,227	\$1,318
Cathay Futures	1,928,617	59,839	21,922	680	1,240,260	38,722	9,233	288
Cathay								
Securities	166,633	5,170	3,087	96	180,076	5,622	756	24
Cathay Century	1,128,084	35,001	8,468	263	1,596,787	49,853	12,315	384
Symphox								
Information	375,550	11,652	5,198	161	89,034	2,780	2,784	87
Cathay								
Securities								
Investment								
Trust Co.,								
Ltd.	600,018	18,617	12,647	392	332,275	10,374	3,334	104
Cathay Real								
Estate								
Development								
Co., Ltd.	64,261	1,994	139	4	205,365	6,411	50	2
Cathay Life								
(Vietnam)	149,868	4,650	17,301	537	84,551	2,640	9,957	311
Cathay Global								
Money								
Market Fund								
etc.	7,120,770	220,936	136,124	4,224	9,433,792	294,530	70,394	2,198
Other related								
parties	7,530,253	233,641	79,348	2,462	4,514,842	140,957	32,179	1,005
<b>Total</b>	<b>\$28,619,177</b>	<b>\$887,967</b>	<b>\$336,719</b>	<b>\$10,448</b>	<b>\$38,697,961</b>	<b>\$1,208,179</b>	<b>\$183,229</b>	<b>\$5,721</b>

Account/Name	For the nine months ended September 30, 2008						
	Maximum amount		Ending balance		Rate	Interest revenue	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Call loans to banks							
Indovina Bank	\$3,406,183	\$105,684	\$1,188,810	\$36,885	3.40%~26.00%	\$37,719	\$1,170

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

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

For the nine months ended September 30, 2009							
Account/Name	Maximum amount		Ending balance		Rate	Interest revenue	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Call loans to banks							
Indovina Bank	\$795,520	\$24,837	\$-	\$-	2.56%~7.00%	\$4,590	\$143

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

b. Securities sold under agreements to repurchase

Name	September 30			
	Ending balance			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Lin Yuan Investment Co., Ltd.	\$199,694	\$6,196	\$-	\$-
Cathay Life	682,531	21,177	-	-
Wan Pao Development Co., Ltd.	169,146	5,248	-	-
Cathay Securities Investment Trust Co., Ltd.	10,030	311	162,000	5,058
Other related parties	808,457	25,084	558,060	17,423
<b>Total</b>	<b>\$1,869,858</b>	<b>\$58,016</b>	<b>\$720,060</b>	<b>\$22,481</b>

Name	For the nine months ended September 30			
	Interest expense			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Lin Yuan Investment Co., Ltd.	\$2,254	\$70	\$-	\$-
Cathay Life	11,109	345	176	6
Wan Pao Development Co., Ltd.	5,785	179	-	-
Cathay Securities Investment Trust Co., Ltd.	1,097	34	103	3
Other related parties	11,276	350	678	21
<b>Total</b>	<b>\$31,521</b>	<b>\$978</b>	<b>\$957</b>	<b>\$30</b>

**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)**

c. Rental expense

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$222,316	\$6,898	\$249,438	\$7,788

d. Other receivable

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Indovina Bank	\$-	\$-	\$161,000	\$5,027

e. Handling fees income

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$803,581	\$24,933	\$845,829	\$26,407

f. Payables

Name	September 30			
	2008(NT\$)	2008(US\$)	2008(NT\$)	2008(US\$)
Cathay Financial Holding	\$739,666	\$22,950	\$-	\$-

g. Accrued insurance expense

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$409,874	\$12,717	\$435,953	\$13,611

h. General expense

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Symphox Information	\$345,000	\$10,704	\$322,419	\$10,066
Seaward Card	195,167	6,056	192,171	6,000
Total	\$540,167	\$16,760	\$514,590	\$16,066

**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)**

i. Receivables

Name	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Financial Holding	\$983,685	\$30,521	\$2,024,063	\$63,193

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

Name	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Trust Co., Ltd.	\$755,649	\$23,446	\$517,478	\$16,156

k. 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\$44,080) thousands, in 2006. Cathay United Bank paid the amount of NT\$480,900 (US\$14,921) thousands and NT\$218,894 (US\$6,834) thousands during the nine months ended September 30, 2008 and 2009. As of September 30, 2008 and 2009, the accumulated paid amount was NT\$1,042,723 (US\$32,353) thousands and NT\$1,400,790 (US\$43,734) 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\$76,947) thousands and NT\$800,000 (US\$24,977) thousands during the nine months ended September 30, 2008 and 2009, respectively.
- (c) As of September 30, 2008, the Cathay Life held the dominant financial debentures with notional amounts of NT\$200,000 (US\$6,205) thousands, which was issued by Cathay United Bank in 2003.

**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)**

C. Cathay Century

a. Cash in banks

		For the nine months ended September 30, 2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$553,533	0.10%	\$261
	Time deposits	574,550	2.49%~2.72%	8,207
Total		<u>\$1,128,083</u>		<u>\$8,468</u>

		For the nine months ended September 30, 2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$17,174	0.10%	\$8
	Time deposits	17,827	2.49%~2.72%	255
Total		<u>\$35,001</u>		<u>\$263</u>

		For the nine months ended September 30, 2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$644,559	0.10%	\$345
	Time deposits	952,228	0.525%~2.72%	11,970
Total		<u>\$1,596,787</u>		<u>\$12,315</u>

		For the nine months ended September 30, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$20,124	0.10%	\$11
	Time deposits	29,729	0.525%~2.72%	373
Total		<u>\$49,853</u>		<u>\$384</u>



**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)**

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

Name	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$38,130	\$1,183	\$200,750	\$6,268

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

Name	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$110,621	\$3,432	\$50,022	\$1,562

d. Other payables

Name	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Financial Holding	\$231,159	\$7,172	\$141,000	\$4,402
Cathay Life	114,682	3,558	194,763	6,081
Total	\$345,841	\$10,730	\$335,763	\$10,483

e. Operating expense

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$739,016	\$22,929	\$833,455	\$26,021

f. Other Disclosures

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

**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)**

Item	For the nine months ended September 30	
	2008	2009
Forward foreign exchange contracts	US\$32,588	US\$6,410
CS contracts	US\$26,550	US\$11,050
IRS	NT\$600,000	NT\$600,000
	(US\$18,616)	(US\$18,732)

D. Cathay Securities

a. Cash in bank

		For the nine months ended September 30, 2008		
Name	Item	Ending balance	Rate	Interest income
		(NT\$)		(NT\$)
Cathay United Bank	Time deposits	\$121,500	1.66%~2.68%	\$3,034
	Cash in banks	45,133	0.90%	53
	Total	\$166,633		\$3,087

		For the nine months ended September 30, 2008		
Name	Item	Ending balance	Rate	Interest income
		(US\$)		(US\$)
Cathay United Bank	Time deposits	\$3,770	1.66%~2.68%	\$94
	Cash in banks	1,400	0.90%	2
	Total	\$5,170		\$96

		For the nine months ended September 30, 2009		
Name	Item	Ending balance	Rate	Interest income
		(NT\$)		(NT\$)
Cathay United Bank	Time deposits	\$40,000	0.05%~2.62%	\$629
	Cash in banks	140,076	0.02%~0.90%	127
	Total	\$180,076		\$756

		For the nine months ended September 30, 2009		
Name	Item	Ending balance	Rate	Interest income
		(US\$)		(US\$)
Cathay United Bank	Time deposits	\$1,249	0.05%~2.62%	\$20
	Cash in banks	4,373	0.02%~0.90%	4
	Total	\$5,622		\$24

**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)**

As of September 30, 2008 and 2009, NT\$55,000 (US\$1,706) thousands and NT\$12,000 (US\$375) thousands in time deposits reflected premiums received or structured notes and issuance of warrants and were recognized under guarantee deposits paid.

b. Other payables

Name	September 30, 2008		September 30, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Financial Holding (Note)	\$92,309	\$2,864	\$227,026	\$7,088

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

Name	For the nine months ended September 30, 2008							
	Clearing and settlement fees		Dealing handling fee expense		Accounts payable		Margin for futures trading – own funds	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Futures	\$-	\$-	\$-	\$-	\$-	\$-	\$219,381	\$6,807

Name	For the nine months ended September 30, 2009							
	Clearing and settlement fees		Dealing handling fee expense		Accounts payable		Margin for futures trading – own funds	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Futures	\$-	\$-	\$-	\$-	\$-	\$-	\$333,880	\$10,424

E. Cathay Pacific Venture

Available-for-sale financial assets

Name	September 30			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$494,579	\$15,345	\$163,633	\$5,109

**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)**

F. Indovina Bank

a. Due from commercial banks

Name	For the nine months ended September 30, 2008			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay United Bank	\$1,188,810	\$36,885	\$37,719	\$1,170
Vietinbank	486,317	15,089	51,989	1,613
Total	<u>\$1,675,127</u>	<u>\$51,974</u>	<u>\$89,708</u>	<u>\$2,783</u>

Name	For the nine months ended September 30, 2009			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay United Bank	\$-	\$-	\$4,590	\$143
Vietinbank	189,512	5,917	2,127	66
Total	<u>\$189,512</u>	<u>\$5,917</u>	<u>\$6,717</u>	<u>\$209</u>

b. Call Loans to banks

Name	For the nine months ended September 30, 2008			
	Ending balance (NT\$)	Ending balance (US\$)	Interest revenue (NT\$)	Interest revenue (US\$)
Vietinbank	<u>\$481,950</u>	<u>\$14,954</u>	<u>\$10,685</u>	<u>\$332</u>

There is no significant related parties transactions for the nine months ended September 30, 2009.

c. Dividends payable

Name	September 30			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay United Bank	\$-	\$-	\$161,000	\$5,027
Vietinbank	-	-	161,000	5,027
Total	<u>\$-</u>	<u>\$-</u>	<u>\$322,000</u>	<u>\$10,054</u>

**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)**

d. Deposit

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

Name	For the nine months ended September 30, 2009		
	Ending balance (NT\$)	Rate	Interest expense (NT\$)
Cathay Life Vietnam	<u>\$225,436</u>	0.10%~10.80%	<u>\$3,147</u>

Name	For the nine months ended September 30, 2009		
	Ending balance (US\$)	Rate	Interest expense (US\$)
Cathay Life Vietnam	<u>\$7,038</u>	0.10%~10.80%	<u>\$98</u>

G. Cathay Futures

a. Cash in bank

Name	Item	For the nine months ended September 30, 2008		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$300,500	1.56%~2.68%	\$4,245
	Cash in bank	12,546	0.04%~1.20%	6
	Total	<u>\$313,046</u>		<u>\$4,251</u>

Name	Item	For the nine months ended September 30, 2008		
		Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$9,324	1.56%~2.68%	\$132
	Cash in bank	389	0.04%~1.20%	-
	Total	<u>\$9,713</u>		<u>\$132</u>

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

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

		For the nine months ended September 30, 2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$305,500	0.12%~2.04%	\$1,700
	Cash in bank	10,889	0.10%	10
	<b>Total</b>	<b>\$316,389</b>		<b>\$1,710</b>

		For the nine months ended September 30, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$9,538	0.12%~2.04%	\$53
	Cash in bank	340	0.10%	-
	<b>Total</b>	<b>\$9,878</b>		<b>\$53</b>

As of September 30, 2008 and 2009, Cathay Futures has time deposit amounting to NT\$60,000 (US\$1,873) 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	September 30					
	2008			2009		
	(NT\$)	(US\$)	Rate	(NT\$)	(US\$)	Rate
Cathay United Bank	\$1,615,571	\$50,126	0.04%~2.15%	\$923,871	\$28,844	0.02%~2.17%

**c. Futures customers' equity**

Name	September 30			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay Life	\$1,080,090	\$33,512	\$299,992	\$9,366
Cathay Securities	219,381	6,807	333,880	10,424
<b>Total</b>	<b>\$1,299,471</b>	<b>\$40,319</b>	<b>\$633,872</b>	<b>\$19,790</b>

**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)**

H. Symphox Information

a. Cash in bank

		For the nine months ended September 30,2008		
		Ending balance		Interest income
Name	Item	(NT\$)	Rate	(NT\$)
Cathay United	Time deposit	\$369,000	2.16%~2.68%	\$5,185
Bank	Cash in bank	6,550	0.10%	13
Total		<u>\$375,550</u>		<u>\$5,198</u>

		For the nine months ended September 30,2008		
		Ending balance		Interest income
Name	Item	(US\$)	Rate	(US\$)
Cathay United	Time deposit	\$11,449	2.16%~2.68%	\$161
Bank	Cash in bank	203	0.10%	-
Total		<u>\$11,652</u>		<u>\$161</u>

		For the nine months ended September 30,2009		
		Ending balance		Interest income
Name	Item	(NT\$)	Rate	(NT\$)
Cathay United	Time deposit	\$80,000	0.525%~2.17%	\$2,770
Bank	Cash in bank	9,034	0.10%	14
Total		<u>\$89,034</u>		<u>\$2,784</u>

		For the nine months ended September 30,2009		
		Ending balance		Interest income
Name	Item	(US\$)	Rate	(US\$)
Cathay United	Time deposit	\$2,498	0.525%~2.17%	\$87
Bank	Cash in bank	282	0.10%	-
Total		<u>\$2,780</u>		<u>\$87</u>

**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)**

b. Financial assets at fair value through profit or loss

Name	September 30			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$30,042	\$932	\$100,576	\$3,140

c. Sales revenues

Name	For the nine months ended September 30			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay United Bank	\$215,311	\$6,680	\$199,158	\$6,218

d. service Income

Name	For the nine months ended September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$130,860	\$4,060	\$127,230	\$3,972
Cathay United Bank	129,690	4,024	123,262	3,849
Total	\$260,550	\$8,084	\$250,492	\$7,821

I. Cathay Life (Shanghai)

Other payables

Name	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$286,845	\$8,900	\$265,211	\$8,280

J. Cathay Life (Vietnam)

a. Cash in bank

There is no significant related parties transaction for the nine months ended September 30, 2008.



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

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

		For the nine months ended September 30, 2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Indovina Bank	Time deposits	\$219,520	1.20%~10.80%	\$2,967
	Cash in bank	5,916	0.20%~0.50%	180
Total		<u>\$225,436</u>		<u>\$3,147</u>

		For the nine months ended September 30, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Indovina Bank	Time deposits	\$6,853	1.20%~10.80%	\$93
	Cash in bank	185	0.20%~0.50%	5
Total		<u>\$7,038</u>		<u>\$98</u>

**29. Pledged assets**

As of September 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	\$915,590	\$28,408	\$846,790	\$26,437
Guarantee deposits paid	Government bonds	8,705,884	270,118	9,808,754	306,237
Financial assets at fair value through profit or loss	Business reserves and guarantees	760,918	23,609	663,446	20,713
Available-for-sale financial assets	Business reserves and guarantees	3,713,837	115,229	2,545,019	79,457
Held-to-maturity financial assets	Business reserves and guarantees	101,077	3,136	90,345	2,821
Investments in debt securities with no active market	Business reserves and guarantees	15,500,000	480,918	15,000,000	468,311
		<u>\$29,697,306</u>	<u>\$921,418</u>	<u>\$28,954,354</u>	<u>\$903,976</u>

**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)**

**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 September 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\$12,488) 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\$28 million) and NT\$3.09 billion (US\$96 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 September 30, 2009, Cathay United Bank had entered into certain contracts to purchase premises and equipments totaling NT\$1,195,998 (US\$37,340) thousands with NT\$779,587 (US\$24,339) 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.

**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)**

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

Item	September 30			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Trust and security held for safekeeping	\$213,548,719	\$6,625,775	\$181,345,123	\$5,661,727
Travelers checks for sale	546,833	16,967	390,883	12,204
Bills for collection	44,812,088	1,390,384	38,580,497	1,204,511
Book-entry for government bonds and depository for short-term marketable securities under management	385,816,400	11,970,723	575,159,731	17,956,907
Guarantees on duties and contracts	17,903,322	555,486	18,535,405	578,689
Unused commercial letters of credit	3,123,724	96,920	2,488,877	77,705
Irrevocable loan commitments	46,934,278	1,456,230	33,101,078	1,033,440
Credit card lines commitments	272,515,713	8,455,343	259,286,604	8,095,117
Stamp tax, securities and memorial currency consignments	1,727	54	1,727	54

- (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~September 30, 2010	\$965,897	\$30,156
July 1, 2010~September 30, 2014	2,008,169	62,697
Total	\$2,974,066	\$92,853

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

**32. Subsequent events:** None.

For the purpose of simplifying the equity structure of Cathay Pacific Venture, the Company planned to buy out all outstanding shares on October 15, 2009.

**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)**

**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	September 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	\$1,222,953	\$1,222,953	\$37,945	\$37,945
Receivables	2,366,433	2,366,433	73,423	73,423
Investments under equity method	160,220,303	160,220,303	4,971,154	4,971,154
Other financial assets	31,720	31,720	984	984
<u>Liabilities</u>				
Payables	2,544,064	2,544,064	78,935	78,935
Other loans	3,860,000	3,860,000	119,764	119,764

Item	September 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	\$2,430,515	\$2,430,515	\$75,882	\$75,882
Receivables	5,622,509	5,622,509	175,539	175,539
Held-to-maturity financial assets	15,000,000	15,000,000	468,311	468,311
Investments under equity method	205,745,905	205,745,905	6,423,537	6,423,537
Other financial assets	31,720	31,720	990	990
<u>Liabilities</u>				
Payables	8,138,693	8,138,693	254,096	254,096
Bonds payables	20,000,000	20,000,000	624,415	624,415

**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)**

- 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:

Financial instruments	September 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	\$15,878	\$493	\$1,207,075	\$37,452
Receivables	-	-	2,366,433	73,423
Investments under equity method	-	-	160,220,303	4,971,154
Other financial assets	-	-	31,720	984
<u>Liabilities</u>				
Payables	-	-	2,544,064	78,935
Other loans	-	-	3,860,000	119,764

**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)**

Financial instruments	September 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	\$1,810	\$56	\$2,428,705	\$75,826
Receivables	-	-	5,622,509	175,539
Held-to-maturity financial assets	-	-	15,000,000	468,311
Investments under equity method	-	-	205,745,905	6,423,537
Other financial assets	-	-	31,720	990
<u>Liabilities</u>				
Payables	-	-	8,138,693	254,096
Bonds payable	-	-	20,000,000	624,415

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.

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.

## **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)**

### 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.

### 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.

**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)**

B. Cathay Life

a. Information of fair value

Item	September 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	\$199,119,334	\$199,119,334	\$6,178,074	\$6,178,074
Notes and accounts receivable	29,243,559	29,243,559	907,340	907,340
Financial assets at fair value through profit or loss - current	44,012,846	44,012,846	1,365,586	1,365,586
Available-for-sale financial assets - current	137,944,650	137,944,650	4,280,008	4,280,008
Held-to-maturity financial assets - current	3,010,609	2,940,897	93,410	91,247
Investments in debt securities with no active market - current	3,422,799	3,422,799	106,199	106,199
Available-for-sale financial assets - noncurrent	262,979,339	262,979,339	8,159,458	8,159,458
Held-to-maturity financial assets - noncurrent	646,024,421	617,743,593	20,044,195	19,166,725
Financial assets carried at cost - noncurrent	19,377,737	-	601,233	-
Investments in debt securities with no active market - noncurrent	66,312,240	53,025,460	2,057,469	1,645,221
Long-term investments under the equity method	6,327,937	6,327,937	196,337	196,337
Other financial assets – noncurrent	12,100,000	12,100,000	375,427	375,427
Guarantee deposits paid	14,832,799	14,832,799	460,217	460,217
<u>Liabilities</u>				
Notes and accounts payable	6,111,076	6,111,076	189,608	189,608
Guarantee deposits received	1,527,452	1,527,452	47,392	47,392
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Option	566,580	566,580	17,579	17,579
Forward	20,843,387	20,843,387	646,708	646,708
IRS	149,028	149,028	4,624	4,624
Derivative financial assets for hedging - current				
IRS	736,804	736,804	22,861	22,861
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Forward, CS, CCS	38,310,767	38,310,767	1,188,668	1,188,668
IRS, CDS	86,446	86,446	2,682	2,682
Derivative financial liabilities for hedging - current				
IRS	32,073	32,073	995	995



**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)**

Item	September 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	\$288,570,170	\$288,570,170	\$9,009,372	\$9,009,372
Notes and accounts receivable	36,027,294	36,027,294	1,124,799	1,124,799
Financial assets at fair value through profit or loss - current	93,583,291	93,583,291	2,921,739	2,921,739
Available-for-sale financial assets - current	148,852,000	148,852,000	4,647,268	4,647,268
Held-to-maturity financial assets - current	28,272,408	25,917,017	882,685	809,148
Investments in debt securities with no active market - current	6,476,754	6,428,523	202,209	200,703
Available-for-sale financial assets - noncurrent	229,347,992	229,347,992	7,160,412	7,160,412
Held-to-maturity financial assets - noncurrent	651,418,484	653,902,011	20,337,761	20,415,299
Financial assets carried at cost - noncurrent	19,466,739	-	607,766	-
Investments in debt securities with no active market - noncurrent	135,436,984	132,369,658	4,228,442	4,132,677
Investments under the equity method	5,889,253	5,889,253	183,867	183,867
Other financial assets – noncurrent	29,300,000	29,300,000	914,767	914,767
Guarantee deposits paid	11,372,287	11,372,287	355,051	355,051
<u>Liabilities</u>				
Notes and accounts payable	17,044,541	17,044,541	532,143	532,143
Preferred stock liability –noncurrent	15,000,000	15,090,060	468,311	489,855
Guarantee deposits received	1,623,383	1,623,383	50,683	50,683
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Forward, CS, CCS	17,867,870	17,867,870	557,848	557,848
IRS, CDS	104,078	104,078	3,249	3,249
Derivative financial assets for hedging - current				
IRS, CDS	2,418,823	2,418,823	75,517	75,517
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Forward, CS, CCS	1,662,559	1,662,559	51,906	51,906
IRS, CDS	385,563	385,563	12,038	12,038
Derivative financial liabilities for hedging - current				
IRS, CDS	101,881	101,881	3,181	3,181

**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)**

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, cash equivalents, receivables and payables is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments.
  - (b) The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount as Cathay Life predicts the future cash inflow or outflow will be of similar amount to the carrying value.
  - (c) Quoted market price, if available, are utilized as estimates of the fair value of financial instruments. If no quoted market prices exist for Cathay Life's financial assets, the fair value of those assets is derived based on pricing models. A pricing model incorporates all information that market participants would consider in setting a price available to Cathay Life. Cathay Life uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.
  - (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. As of September 30, 2008 and 2009, the fair values of financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

**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)**

Item	September 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	\$181,404,236	\$5,628,428	\$17,715,098	\$549,646
Notes and accounts receivable	-	-	29,243,559	907,340
Financial assets at fair value through profit or loss				
- current	40,528,909	1,257,490	3,483,937	108,096
Available-for-sale financial assets - current	137,944,650	4,280,008	-	-
Held-to-maturity financial assets - current	1,311,144	40,681	1,629,753	50,566
Investments in debt securities with no active market - current	-	-	3,422,799	106,199
Available-for-sale financial assets - noncurrent	261,665,782	8,118,702	1,313,557	40,756
Held-to-maturity financial assets - noncurrent	76,530,602	2,374,514	541,212,991	16,792,211
Investments in debt securities with no active market - noncurrent	-	-	53,025,460	1,645,221
Long-term investments in stocks under the equity method	-	-	6,327,937	196,337
Other financial assets - noncurrent	-	-	12,100,000	375,427
<u>Liabilities</u>				
Notes and accounts payable	-	-	6,111,076	189,608
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
- current				
Option	566,580	17,579	-	-
Forward	-	-	20,843,387	646,708
IRS	-	-	149,028	4,624
Derivative financial assets for hedging - current				
IRS	-	-	736,804	22,861
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Forward	-	-	38,310,767	1,188,668
IRS	-	-	86,446	2,682
Derivative financial liabilities for hedging - current				
IRS	-	-	32,073	995

**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)**

Item	September 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	\$193,451,163	\$6,039,687	\$95,119,007	\$2,969,685
Notes and accounts receivable	-	-	36,027,294	1,124,799
Financial assets at fair value through profit or loss				
- current	92,978,471	2,902,856	604,820	18,883
Available-for-sale financial assets - current	148,194,776	4,626,749	657,224	20,519
Held-to-maturity financial assets - current	4,846,193	151,302	21,070,824	657,846
Investments in debt securities with no active market - current	-	-	6,428,523	200,703
Available-for-sale financial assets - noncurrent	221,113,797	6,903,334	8,234,195	257,078
Held-to-maturity financial assets - noncurrent	37,925,923	1,184,075	615,976,088	19,231,224
Investment in debt securities with no active market - noncurrent	-	-	132,369,658	4,132,677
Long-term investments under the equity method	-	-	5,889,253	183,867
Other financial assets - noncurrent	-	-	29,300,000	914,767
<u>Liabilities</u>				
Notes and accounts payable	-	-	17,044,541	532,143
Preferred stock liability - noncurrent	-	-	15,690,060	489,855
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
- current				
Forward, CS, CCS	-	-	17,867,870	557,848
IRS, CDS	-	-	104,078	3,249
Derivative financial assets for hedging - current				
IRS, CDS	-	-	2,418,823	75,517
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Forward, CS, CCS	-	-	1,662,559	51,906
IRS, CDS	-	-	385,563	12,038
Derivative financial liabilities for hedging - current				
IRS, CDS	-	-	101,881	3,181

**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)**

d. Information on financial risk

(a) Interest rate risk

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

① September 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	\$479,878	\$14,889	\$1,715,561	\$53,229	\$-	\$-	\$3,513,279	\$109,006
Available-for-sale financial assets	2,352,774	73,000	688,252	21,354	7,432,589	230,611	7,208,930	223,671
Held-to-maturity financial assets	187,004,199	5,802,178	11,580,752	359,316	9,729,673	301,883	9,435,515	292,756
Investments in debt securities with								
no active market	522,799	16,221	1,134,309	35,194	959,079	29,757	1,837,590	57,015

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	\$1,107,096	\$34,350	\$6,200,335	\$192,378	\$13,016,149	\$403,852
Available-for-sale financial assets	18,146,554	563,033	110,503,046	3,428,577	146,332,145	4,540,246
Held-to-maturity financial assets	3,873,281	120,176	329,931,499	10,236,782	551,554,919	17,113,091
Investments in debt securities with						
no active market	6,115,810	189,755	39,197,214	1,216,172	49,766,801	1,544,114

**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	\$3,077,032	\$95,471	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	124,637,295	3,867,121	-	-	-	-	-	-
Held-to-maturity financial assets	97,480,110	3,024,514	-	-	-	-	-	-
Investments in debt securities with								
no active market	19,968,238	619,554	-	-	-	-	-	-

## 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)**

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss	\$-	\$-	\$-	\$-	\$3,077,032	\$95,471
Available-for-sale financial assets	-	-	-	-	124,637,295	3,867,121
Held-to-maturity financial assets	-	-	-	-	97,480,110	3,024,514
Investments in debt securities with						
no active market	-	-	-	-	19,968,238	619,554

### 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	\$12,755	\$396	\$8	\$-	\$17,789	\$552	\$-	\$-
Derivative financial assets for								
hedging	953	30	36,789	1,141	6,213	193	-	-
Financial liabilities at fair value								
through profit or loss	11,395	354	-	-	52,743	1,636	-	-
Derivative financial liabilities for								
hedging	3,789	118	11,539	358	16,745	519	-	-

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	\$81,072	\$2,515	\$37,404	\$1,161	\$149,028	\$4,624
Derivative financial assets for						
hedging	43,285	1,343	649,564	20,154	736,804	22,861
Financial liabilities at fair value						
through profit or loss	18,790	583	3,518	109	86,446	2,682
Derivative financial liabilities for						
hedging	-	-	-	-	32,073	995

**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)**

② September 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								
through profit or loss	\$760,005	\$23,728	\$1,139,991	\$35,591	\$2,399,936	\$74,928	\$3,198,340	\$99,854
Available-for-sale financial assets	344,543	10,757	7,834,280	244,592	5,950,266	185,772	19,312,826	602,961
Held-to-maturity financial assets	205,279,298	6,408,970	18,029,251	562,886	13,955,646	435,705	24,047,471	750,780
Investments in debt securities with								
no active market	6,007,899	187,571	6,252,011	195,192	14,439,997	450,827	6,832,809	213,325
Preferred stock liability	-	-	-	-	-	-	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss	\$9,519	\$297	\$1,603,058	\$50,049	\$9,110,849	\$284,447
Available-for-sale financial assets	12,405,447	387,307	68,619,899	2,142,363	114,467,261	3,573,752
Held-to-maturity financial assets	28,850,654	900,738	321,373,279	10,033,509	611,535,599	19,092,588
Investments in debt securities with						
no active market	3,409,736	106,455	83,290,592	2,600,393	120,233,044	3,753,763
Preferred stock liability	-	-	15,000,000	468,311	15,000,000	468,311

**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	\$82,961	\$2,590	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	117,454,979	3,667,030	-	-	-	-	-	-
Held-to-maturity financial assets	68,155,294	2,127,858	-	-	-	-	-	-
Investments in debt securities with								
no active market	21,680,694	676,887	-	-	-	-	-	-

**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)**

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	\$-	\$-	\$-	\$-	\$82,961	\$2,590
Available-for-sale financial assets	-	-	-	-	117,454,979	3,667,030
Held-to-maturity financial assets	-	-	-	-	68,155,294	2,127,858
Investments in debt securities with						
no active market	-	-	-	-	21,680,694	676,887

**Derivative financial instruments**

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value								
through profit or loss	\$-	\$-	\$33,552	\$1,048	\$-	\$-	\$-	\$-
Derivative financial assets for								
hedging	18,485	577	19,879	621	12,732	397	195,786	6,113
Financial liabilities at fair value								
through profit or loss	20,247	632	122,620	3,828	-	-	-	-
Derivative financial liabilities for								
hedging	16,322	509	22,576	705	-	-	-	-

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	\$-	\$-	\$-	\$-	\$33,552	\$1,048
Derivative financial assets for						
hedging	1,234,369	38,538	364,819	11,390	1,846,070	57,636
Financial liabilities at fair value						
through profit or loss	20,456	639	-	-	163,323	5,099
Derivative financial liabilities for						
hedging	-	-	-	-	38,898	1,214

(b) Credit risk

Cathay Life's doesn't exposure to concentrations of credit risk.

e. Hedge Accounting Disclosures



**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)**

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 September 30, 2008 and 2009:

(5) September 30, 2008

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$100,000	\$3,103	180DCP+30bps	Half year	2008.12.18
300,000	9,308	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	6,205	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	6,205	5.85%-6ml	Half year	2009.1.13
50,000	1,551	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	7,679	ARMS	Each quarter	2009.3.24
900,000	27,924	90DCP+100bps	Each quarter	2009.5.20
200,000	6,205	4.000%-6ml	Half year	2010.4.7
300,000	9,308	4.0002%-6ml	Half year	2010.4.7
500,000	15,513	4.0006%-6ml	Half year	2010.4.7
500,000	15,513	4.0007%-6ml	Half year	2010.4.7
200,000	6,205	4.0003%-6ml	Half year	2010.4.7
300,000	9,308	4.3%-12ml	Yearly	2010.6.20
900,000	27,924	90DCP	Each quarter	2010.8.18
600,000	18,616	90DCP	Each quarter	2010.8.19
200,000	6,205	6.3%-6ml	Yearly	2010.11.27
300,000	9,308	5.37%-6ml	Yearly	2011.3.15
500,000	15,513	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

**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)**

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$2,000,000	\$62,054	90DCP	Yearly	2013.3.26
2,700,000	83,773	90DCP+25bps	Each quarter	2013.8.24
3,000,000	93,081	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	62,054	90DCP	Yearly	2013.11.3
1,000,000	31,027	90DCP+26.5bps	Yearly	2013.12.14
500,000	15,513	90DCP+23bps	Yearly	2013.12.14
1,500,000	46,540	90DCP+23bps	Yearly	2013.12.16
1,000,000	31,027	90DCP+26.5bps	Yearly	2013.12.16
900,000	27,924	90DCP	Yearly	2014.3.12
1,000,000	31,027	90DCP	Yearly	2014.6.12
2,000,000	62,054	90DCP	Yearly	2014.6.29
5,000,000	155,135	90DCP	Yearly	2014.8.23
1,000,000	31,027	90DCP	Yearly	2014.9.20
3,200,000	99,286	90DCP	Yearly	2014.9.27
2,000,000	62,054	90DCP	Each quarter	2014.9.28
1,500,000	46,540	90DCP	Yearly	2014.9.29
2,500,000	77,567	90DCP	Yearly	2014.12.20
2,000,000	62,054	90DCP	Yearly	2014.12.24
-	24,000	6ml	Half year	2014.3.24

September 30, 2009

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$200,000	\$6,244	4.000%-6ml	Half year	2010.4.7
300,000	9,366	4.0002%-6ml	Half year	2010.4.7
500,000	15,610	4.0006%-6ml	Half year	2010.4.7
500,000	15,610	4.0007%-6ml	Half year	2010.4.7
200,000	6,244	4.0003%-6ml	Half year	2010.4.7
300,000	9,366	4.3%-12ml	Yearly	2010.6.20
900,000	28,099	90DCP	Each quarter	2010.8.18
600,000	18,732	90DCP	Each quarter	2010.8.19
200,000	6,244	6.3%-6ml	Yearly	2010.11.27

**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)**

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$300,000	\$9,366	5.37%-6ml	Yearly	2011.3.15
500,000	15,610	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	62,441	90DCP	Each quarter	2011.9.9
1,000,000	31,221	90DCP	Each quarter	2012.6.26
2,000,000	62,441	90DCP	Each quarter	2012.9.9
2,000,000	62,441	90DCP	Each quarter	2012.10.11
2,000,000	62,441	90DCP	Yearly	2013.3.26
2,700,000	84,296	90DCP+25bps	Each quarter	2013.8.24
3,000,000	93,662	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	62,441	90DCP	Yearly	2013.11.3
1,000,000	31,221	90DCP+26.5bps	Yearly	2013.12.14
500,000	15,610	90DCP+23bps	Yearly	2013.12.14
1,500,000	46,831	90DCP+23bps	Yearly	2013.12.16
1,000,000	31,221	90DCP+26.5bps	Yearly	2013.12.16
900,000	28,099	90DCP	Yearly	2014.3.12
1,000,000	31,221	90DCP	Yearly	2014.6.12
2,000,000	62,441	90DCP	Yearly	2014.6.29
5,000,000	156,104	90DCP	Yearly	2014.8.23
1,000,000	31,221	90DCP	Yearly	2014.9.20
3,200,000	99,906	90DCP	Yearly	2014.9.27
2,000,000	62,441	90DCP	Each quarter	2014.9.28
1,500,000	46,831	90DCP	Yearly	2014.9.29
2,500,000	78,052	90DCP	Yearly	2014.12.20
2,000,000	62,441	90DCP	Yearly	2014.12.24

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 September, 2008 and 2009, unrealized gains (losses) on these financial instruments recognized in equity are NT\$763,958 (US\$23,703) thousands and NT\$1,944,534 (US\$60,710) thousands, respectively.

**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)**

Fair value hedges

The following table summarizes the terms of Cathay Life's credit default swap for bonds used as hedging instruments at September 30, 2008 and 2009:

①September 30, 2008

None.

②September 30, 2009

Par value		Hedge item	Maturity date
NT\$	US\$		
\$-	\$30,000	CDO	2010.09.23
-	20,000	CDO	2012.06.20
-	7,000	Structured notes	2014.03.20
-	3,000	Structured notes	2014.03.20

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 September 30, 2009, unrealized losses on these financial instruments recognized in profit and (loss) were NT\$(767,535) (US\$(23,963)) thousands recorded as losses from valuation on financial assets by NT\$100,228 (US\$3,129) thousands and losses from valuation on financial liabilities by NT\$667,307 (US\$20,834) thousands, respectively.

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, mortgage-backed securities, mutual funds, project investments, short-term notes, cash and cash equivalents.

## **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)**

Cathay Life also enters into derivative transactions such as stock index 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 sovereign risk. In addition to compliance with the risk management policies and guidance from the Company, Cathay Life 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 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.

Cathay Life has taken the credit concentration index of each conglomerate into the consideration of establishing Lending Policy to prevent from 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.

## **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)**

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.

### **Sovereign Risk**

Sovereign 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.

**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)**

Cathay Life categorizes and manages the investment risk based on each 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	September 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	\$28,612,881	\$887,772	\$28,612,881	\$887,772
Available-for-sale financial assets	65,111,511	2,020,215	65,111,511	2,020,215
Held-to-maturity financial assets and debt securities with no active market	211,350,933	6,557,584	211,357,731	6,557,795
Other financial assets-financial assets carried at cost	4,229,966	131,243	(Note)	(Note)
Others	1,001,642,555	31,077,957	1,001,642,555	31,077,957
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	41,975,116	1,302,362	41,975,116	1,302,362
Financial debentures payable	16,615,361	515,525	16,615,361	515,525
Others	1,213,832,204	37,661,564	1,213,832,204	37,661,564
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	4,488,764	139,273	4,488,764	139,273
Non-delivery forward	272,415	8,452	272,415	8,452
Currency swap	678,972	21,067	678,972	21,067
Interest rate swap	3,236,859	100,430	3,236,859	100,430
Cross currency swap	79,266	2,459	79,266	2,459
Options	183,787	5,702	183,787	5,702
Credit default swap	(2,674)	(83)	(2,674)	(83)

**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)**

Item	September 30, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Forward	\$655,457	\$20,337	\$655,457	\$20,337
Non-delivery forward	262,803	8,154	262,803	8,154
Currency swap	4,525,015	140,398	4,525,015	140,398
Interest rate swap	2,359,913	73,221	2,359,913	73,221
Cross currency swap	84,023	2,607	84,023	2,607
Options	184,810	5,734	184,810	5,734
Credit derivative instruments	418,715	12,991	418,715	12,991
Credit default swap	(53)	(2)	(53)	(2)
Item	September 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	\$36,903,127	\$1,152,143	\$36,903,127	\$1,152,143
Available-for-sale financial assets	117,372,513	3,664,456	117,372,513	3,664,456
Held-to-maturity financial assets and debt securities with no active market	312,962,262	9,770,910	313,015,828	9,772,583
Other financial assets-financial assets carried at cost	4,093,440	127,800	(Note)	(Note)
Others	945,556,669	29,520,970	945,556,669	29,520,970
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	28,083,566	876,789	28,083,566	876,789
Financial debentures payable	16,644,084	519,640	16,644,084	519,640
Others	1,323,467,895	41,319,635	1,323,467,895	41,319,635
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	220,742	6,892	220,742	6,892
Non-delivery forward	34,006	1,062	34,006	1,062
Currency swap	4,774,338	149,058	4,774,338	149,058
Interest rate swap	5,112,025	159,601	5,112,025	159,601
Cross currency swap	358,829	11,203	358,829	11,203
Options	120,003	3,747	120,003	3,747



**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)**

Item	September 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Forward	\$3,855,751	\$120,379	\$3,855,751	\$120,379
Non-delivery forward	40,512	1,265	40,512	1,265
Currency swap	1,051,808	32,838	1,051,808	32,838
Interest rate swap	3,202,734	99,992	3,202,734	99,992
Cross currency swap	258,700	8,077	258,700	8,077
Options	120,003	3,747	120,003	3,747
Credit derivative instruments	101,521	3,170	101,521	3,170
Credit default swap	29,620	925	29,620	925
Foreign Futures	98	3	98	3

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, held-to-maturity financial assets and debt securities with no active market. If no quoted market prices exist for certain of Cathay United Bank's financial instruments, the fair value of such instruments has been derived based on pricing models. A pricing model incorporates all factors that market participants would consider in setting a price that are available to Cathay United Bank. Cathay United Bank uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics.

**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)**

- (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	September 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	\$27,611,580	\$856,704	\$1,001,301	\$31,068
Available-for-sale financial assets	57,777,289	1,792,656	7,334,222	227,559
Held-to-maturity financial assets and debt securities				
without active market	170,436,246	5,288,124	40,921,485	1,269,671
Others	(Note)	(Note)	(Note)	(Note)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	-	-	41,975,116	1,302,362
Financial debentures payable	-	-	16,615,361	515,525
Others	(Note)	(Note)	(Note)	(Note)

**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)**

Item	September 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	\$-	\$-	\$4,488,764	\$139,273
Non-delivery forward	-	-	272,415	8,452
Currency swap	-	-	678,972	21,067
Interest rate swap	-	-	3,236,859	100,430
Cross currency swap	-	-	79,266	2,459
Options	-	-	183,787	5,702
Credit default swap	-	-	(2,674)	(83)
<u>Liabilities</u>				
Forward	-	-	655,457	20,337
Non-delivery forward	-	-	262,803	8,154
Currency swap	-	-	4,525,015	140,398
Interest rate swap	-	-	2,359,913	73,221
Cross currency swap	-	-	84,023	2,607
Options	-	-	184,810	5,734
Credit derivative instruments	-	-	418,715	12,991
Credit default swap	-	-	(53)	(2)
Item	September 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	\$36,903,127	\$1,152,143	\$-	\$-
Available-for-sale financial assets	117,372,513	3,664,456	-	-
Held-to-maturity financial assets and debt securities				
without active market	1,785,265	55,737	311,230,563	9,716,846
Others	(Note)	(Note)	(Note)	(Note)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	-	-	28,083,566	876,789
Financial debentures payable	-	-	16,644,084	519,640
Others	(Note)	(Note)	(Note)	(Note)

**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)**

Item	September 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	\$-	\$-	\$220,742	\$6,892
Non-delivery forward	-	-	34,006	1,062
Currency swap	-	-	4,774,338	149,058
Interest rate swap	-	-	5,112,025	159,601
Cross currency swap	-	-	358,829	11,203
Options	-	-	120,003	3,747
<u>Liabilities</u>				
Forward	-	-	3,855,751	120,379
Non-delivery forward	-	-	40,512	1,265
Currency swap	-	-	1,051,808	32,838
Interest rate swap	-	-	3,202,734	99,992
Cross currency swap	-	-	258,700	8,077
Options	-	-	120,003	3,747
Credit derivative instruments	-	-	101,521	3,170
Credit default swap	-	-	29,620	925
Forcing Futures	98	3	-	-

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 asset or liabilities determined by pricing models were losses NT\$795,189(US\$24,672) and gains NT\$1,417,507 (US\$44,256) for the nine-month periods ended September 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 nine-month periods ended September 30, 2008 and 2009 were NT\$29,537,910 (US\$916,473) and NT\$17,961,566 (US\$560,773), and expenses were NT\$14,242,021 (US\$441,887) and NT\$7,657,402 (US\$239,070), respectively.

**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)**

f. Cathay United Bank recognized an unrealized losses of NT\$357,437 (US\$11,090) and gains of NT\$2,792,526 (US\$87,185) in shareholders' equity for the changes in fair value of available-for-sale financial assets and a realized gains of NT\$346,576 (US\$10,753) and NT\$1,028,983 (US\$32,126) in income statements, for the nine-month periods ended September 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.

① 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.

② 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.

③ 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.

**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)**

January 1 ~ September 30, 2008						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Interest rate	\$151,322	\$4,695	\$248,646	\$7,715	\$71,356	\$2,214
Foreign exchange	245,642	7,622	434,482	13,481	143,629	4,456
Equity Securities price	137,870	4,278	208,847	6,480	88,708	2,752

January 1- September 30, 2009						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Interest rate	\$408,651	\$12,758	\$685,573	\$21,404	\$244,613	\$7,637
Foreign exchange	338,580	10,571	580,316	18,118	124,428	3,885
Equity Securities price	115,118	3,594	169,664	5,297	66,379	2,072

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 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 0.01% (1 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.

**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)**

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 index options.

Stress Test			
Market/ Product	Scenarios	Effects (In thousand of dollars)	
		(NT\$)	(US\$)
Stock Market	Major Stock Exchanges +15%	\$1,174,739	\$36,676
	Major Stock Exchanges -15%	(1,174,739)	(36,676)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(4,003,831)	(125,003)
	Major Interest Rate - 100bp	3,180,071	99,284
Foreign Exchange Market	Major Currencies +3%	1,317,751	41,141
	Major Currencies -3%	(1,240,990)	(38,745)
Composite	Major Stock Exchanges -15%	(3,860,819)	(120,538)
	Major Interest Rate + 100bp		
	Major Currencies +3%		

(b) Credit risk

Credit risk represents the risk of loss that the Bank would incur if counterparty fails to perform Cathay United Bank’s contractual obligations.

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 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 to 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.

**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)**

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	September 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	\$28,612,881	\$887,772	\$28,612,881	\$887,772
Available-for-sale financial assets	65,111,511	2,020,215	65,111,511	2,020,215
Held-to-maturity financial assets and debt securities with no active market	211,350,933	6,557,584	211,350,933	6,557,584
Other financial assets-financial assets carried at cost	4,229,966	131,243	4,229,966	131,243
Others	1,001,642,555	31,077,957	1,001,642,555	31,077,957
Guarantees on duties and contracts	-	-	17,903,322	555,486
Unused commercial letters of credit	-	-	3,123,724	96,920
Irrevocable loan commitments	-	-	46,934,278	1,456,230
Credit card line commitments	-	-	272,515,713	8,455,343
<u>Derivative financial instruments</u>				
Forward	4,488,764	139,273	4,488,764	139,273
Non-delivery forward	272,415	8,452	272,415	8,452
Currency swap	678,972	21,067	678,972	21,067
Interest rate swap	3,236,859	100,430	3,236,859	100,430
Cross currency swap	79,266	2,459	79,266	2,459
Options	183,787	5,702	183,787	5,702



**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)**

Financial assets	September 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	\$36,903,127	\$1,152,143	\$36,903,127	\$1,152,143
Available-for-sale financial assets	117,372,513	3,664,456	117,372,513	3,664,456
Held-to-maturity financial assets and debt securities with no active market	312,962,262	9,770,910	312,962,262	9,770,910
Other financial assets-financial assets carried at cost	4,093,440	127,800	4,093,440	127,800
Others	945,556,669	29,520,970	945,556,669	29,520,970
Guarantees on duties and contracts	-	-	18,535,405	578,689
Unused commercial letters of credit	-	-	2,488,877	77,705
Irrevocable loan commitments	-	-	33,101,078	1,033,440
Credit card line commitments	-	-	259,286,604	8,095,117
<u>Derivative financial instruments</u>				
Forward	220,742	6,892	220,742	6,892
Non-delivery forward	34,006	1,062	34,006	1,062
Currency swap	4,774,338	149,058	4,774,338	149,058
Interest rate swap	5,112,025	159,601	5,112,025	159,601
Cross currency swap	358,829	11,203	358,829	11,203
Options	120,003	3,747	120,003	3,747

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

Loans, customers' liabilities under acceptances, bill purchased and guarantees account	September 30			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Industry type</u>				
Manufacturing	\$141,634,541	\$4,394,494	\$131,266,060	\$4,098,222
Financial institutions and insurance	46,658,377	1,447,669	32,585,780	1,017,352
Leasing and real estate	85,535,771	2,653,918	75,930,043	2,370,591
Individuals	435,501,533	13,512,303	411,991,398	12,862,672
Others	155,334,720	4,819,569	158,784,513	4,957,369
Total	864,664,942	26,827,953	810,557,794	25,306,206
Valuation allowance	(8,311,168)	(257,870)	(6,292,038)	(196,442)
Maximum credit risk exposed	\$856,353,774	\$26,570,083	\$804,265,756	\$25,109,764

**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)**

Loans, customers' liabilities under acceptances, bill purchased and guarantees account	September 30			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Geographic Region				
Domestic	\$774,999,666	\$24,045,909	\$729,584,186	\$22,778,151
South East Asia	23,572,244	731,376	22,246,285	694,545
North East Asia	181,194	5,622	235,175	7,342
America	17,246,779	535,116	17,676,591	551,876
Others	48,665,059	1,509,930	40,815,557	1,274,292
Total	864,664,942	26,827,953	810,557,794	25,306,206
Valuation allowance	(8,311,168)	(257,870)	(6,292,038)	(196,442)
Maximum credit risk exposed	\$856,353,774	\$26,570,083	\$804,265,756	\$25,109,764

(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.

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 39.67%. 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.

**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)**

(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 September 30, 2009, there is no significant change in these dates.

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

Financial instruments	Effective interest rate (%)	
	September 30, 2008	September 30, 2009
Available-for-sale financial assets		
Bonds	1.7029~6.6852	0.2867~6.6626
Overseas financial instruments	1.06~7.5500	0~7.75
Held-to-maturity financial assets		
Bonds	2.1844~6.9539	1.9842~6.9559
Overseas financial instruments	2.38	1.4241~7.2864
Investments in debt securities with no active market		
Preferred stocks	5	5
Certificates of deposit	2.07~2.496	0.57~0.71
Overseas financial instruments	0~6.014	0~11.61
Financial debentures payable	5.593	2.42~5.593

i. Fair value hedge

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

Hedged item	Derivative designated as hedging instruments	Hedging instruments			
		Financial assets (liabilities) fair value			
		September 30, 2008		September 30, 2009	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Financial debentures payable	Interest rate swap	\$731,558	\$22,698	\$1,132,30	\$35,351
				0	

**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)**

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	September 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	\$3,502,089	\$3,502,089	\$108,659	\$108,659
Financial assets at fair value through profit or loss - current	335,620	335,620	10,413	10,413
Available-for-sale financial assets - current	2,666,498	2,666,498	82,733	82,733
Held-to-maturity financial assets-current	415,115	415,115	12,880	12,880
Financial assets carried at cost-current	24,000	-	745	-
Investments in debt securities with no active market-current	100,534	100,534	3,119	3,119
Receivables	2,092,106	2,092,106	64,912	64,912
Prepaid reinsurance premiums ceded	1,274,239	1,274,239	39,536	39,536
Claims recoverable from reinsurers	1,192,249	1,192,249	36,992	36,992
Due from reinsurers and ceding companies	205,375	205,375	6,372	6,372
Account receivable-reinsurance	69,258	69,258	2,149	2,149
Secured loans	1,615,412	1,615,412	50,121	50,121
Held-to-maturity financial assets- noncurrent	3,174,841	3,174,841	98,506	98,506
Financial assets carried at cost-noncurrent	36,000	-	1,117	-
Investments under equity method	1,292,136	1,292,136	40,091	40,091
Guarantee deposits paid	460,465	460,465	14,287	14,287
<u>Liabilities</u>				
Claims outstanding	18,432	18,432	572	572
Due to reinsurers and ceding companies	482,423	482,423	14,968	14,968
Account payable-reinsurance	646,907	646,907	20,072	20,072
Operating and liabilities reserve	13,734,945	13,734,945	426,154	426,154

**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)**

Item	September 30, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Derivative financial asset for hedging				
-current				
IRS	\$7,611	\$7,611	\$236	\$236
<u>Liabilities</u>				
Financial liabilities at fair value through				
Profit or loss-current				
Forward and SWAP	226,387	226,387	7,024	7,024
Item	September 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	\$5,322,948	\$5,322,948	\$166,186	\$166,186
Financial assets at fair value through profit or				
loss - current	593,341	593,341	18,525	18,525
Available-for-sale financial assets - current	3,133,701	3,133,701	97,836	97,836
Receivables	2,072,968	2,072,968	64,720	64,720
Prepaid reinsurance premiums ceded	1,218,503	1,218,503	38,043	38,043
Claims recoverable from reinsurers	1,575,487	1,575,487	49,188	49,188
Due from reinsurers and ceding companies	59,428	59,428	1,855	1,855
Account receivable - reinsurance	28,803	28,803	899	899
Secured loans	1,318,406	1,318,406	41,162	41,162
Held-to-maturity financial assets - noncurrent	3,015,829	3,015,829	94,156	94,156
Financial assets carried at cost-noncurrent	25,500	-	796	-
Investments in debt securities with no active				
market-noncurrent	300,000	300,000	9,366	9,366
Investments under equity method	1,150,699	1,150,699	35,926	35,926
Guarantee deposits paid	518,329	518,329	16,183	16,183

**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)**

Item	September 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Claims outstanding	\$23,495	\$23,495	\$734	\$734
Due to reinsurers and ceding companies	269,066	269,066	8,400	8,400
Account payable - reinsurance	793,277	793,277	24,767	24,767
Operating and liabilities reserve	14,991,875	14,991,875	468,057	468,057
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Forward and SWAP	116,432	116,432	3,635	3,635
Derivative financial assets for hedging-current				
IRS	29,432	29,432	919	919

- 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 and payables, prepaid reinsurance premiums ceded, claims recoverable from reinsurers, due from reinsurers and ceding companies, secured loans, claims outstanding, due to reinsurers and ceding companies, operating and liability reserve.
  - (b) The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount.
  - (c) Quoted market prices, if available, are utilized as estimating of the fair value of held-to-maturity financial assets. If no quoted market prices exist for Cathay Century's held-to-maturity financial assets, the fair value of financial assets has been derived based on pricing models. A pricing model incorporates all information that market participants would consider in setting a price. 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.

**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)**

- (d) The fair value of Cathay Century's current and noncurrent financial asset or liabilities was based on market prices at the reporting date if market prices are not available. 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:

Item	September 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	\$2,530,728	\$78,521	\$971,361	\$30,138
Financial assets at fair value through profit or loss-current	335,620	10,413	-	-
Available-for-sale financial assets-current	2,666,498	82,733	-	-
Held to-maturity financial asset-current	-	-	415,115	12,880
Investment in debt securities with no active market-current	-	-	100,534	3,119
Held-to-maturity financial assets-noncurrent	-	-	3,174,841	98,506
Investments under equity method	-	-	1,292,136	40,091
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Derivative financial assets for hedging - current				
IRS	-	-	7,611	236
<u>Liabilities</u>				
Financial liability at fair value through profit and loss-current				
Forward and SWAP	-	-	226,387	7,024

**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)**

Item	September 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	\$3,149,089	\$98,317	\$2,173,859	\$67,869
Financial assets at fair value through profit or loss-current	593,341	18,525	-	-
Available-for-sale financial assets-current	3,133,701	97,836	-	-
Held-to-maturity financial assets-noncurrent	-	-	3,015,829	94,156
Investment in debt securities with no active market-noncurrent	-	-	300,000	9,366
Investments under equity method	-	-	1,150,699	35,926
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss-current				
Forward and SWAP	-	-	116,432	3,635
Derivative financial assets for hedging-current				
IRS	-	-	29,432	919

d. Information on financial risk

(a) Interest rate risk

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

Fixed interest rate

September 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	\$415,115	\$12,880	\$-	\$-	\$-	\$-	\$353,296	\$10,962
Investments in debt securities								
with no active market	100,534	3,119	-	-	-	-	-	-



**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)**

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Held-to-maturity financial assets	\$238,951	\$7,414	\$2,582,594	\$80,130	\$3,589,956	\$111,386
Investments in debt securities						
with no active market	-	-	-	-	100,534	3,119

September 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	\$-	\$-	\$161,311	\$5,036	\$355,042	\$11,085	\$875,360	\$27,329
Investments in debt securities								
with no active market	-	-	-	-	300,000	9,366	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Held-to-maturity financial assets	\$159,195	\$4,970	\$1,464,921	\$45,736	\$3,015,829	\$94,156
Investments in debt securities						
with no active market	-	-	-	-	300,000	9,366

(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 September 30, 2008 and 2009:

Hedged item	Financial instruments of designated as hedging instruments	Designated as hedging instruments			
		Fair value			
		September 30, 2008		September 30, 2009	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Overseas bonds	Forward and SWAP	<u>\$(226,387)</u>	<u>\$(7,024)</u>	<u>\$116,432</u>	<u>\$3,635</u>

**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)**

f. Cash flow hedges-IRS

The following table summarizes the terms of Cathay Century's interest rate swap for bonds hedging at September 30, 2009:

Cash flow hedges-IRS

① September 30, 2009

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$200,000	\$6,244	2.65%	Each quarter	2014/12/31
200,000	6,244	2.40%	Each quarter	2012/9/28
200,000	6,244	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\$7,611 (US\$236) thousands as of September 30, 2008. Unrealized gain on the interest rate swap agreements were recognized in equity in the amount of NT\$29,432 (US\$919) thousands as of September 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.

**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)**

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.

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.

**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)**

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	September 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	\$327,313	\$327,313	\$10,156	\$10,156
Financial assets at fair value through profit or loss-current				
Open-end funds and currency market instruments	572,041	572,041	17,749	17,749
Operating securities-net	1,260,055	1,260,055	39,096	39,096
Receivable amount for margin loans	644,625	644,625	20,001	20,001
Receivables-net	33,122	33,122	1,027	1,027
Restricted assets-current	50,000	50,000	1,551	1,551
Investments under equity method	734,906	734,906	22,802	22,802
Available-for-sale financial assets-noncurrent	18	18	1	1
Operating deposits	230,098	230,098	7,139	7,139
Settlement and clearance funds	51,519	51,519	1,599	1,599
Guarantee deposits paid	62,251	62,251	1,931	1,931

**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)**

Item	September 30, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Securities financing guarantee deposits-in	\$14,345	\$14,345	\$445	\$445
Deposit payable for securities financing	15,856	15,856	492	492
Payables	119,833	119,833	3,718	3,718
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	1,378	1,378	42	42
Margin for futures trading-own funds	219,381	219,381	6,807	6,807
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss-current				
Liabilities for issuance of call (put) warrants	509,305	509,305	15,802	15,802
Repurchase of issued call (put) warrants	(441,243)	(441,243)	(13,690)	(13,690)
Put options-futures	1,081	1,081	34	34
Derivative financial instrument liabilities				
-GreTai (over-the-counter)	(1,351)	(1,351)	(42)	(42)
Other financial liabilities-current	102,911	102,911	3,193	3,193
Item	September 30, 2009			
	Carrying amount	Fair value	Carrying amount	Fair value
	(NT\$)	(NT\$)	(US\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$176,099	\$176,099	\$5,498	\$5,498
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	62,304	62,304	1,945	1,945
Operating securities – net	1,919,966	1,919,966	59,943	59,943

**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)**

Item	September 30, 2009			
	Carrying		Carrying	
	amount	Fair value	amount	Fair value
	(NT\$)	(NT\$)	(US\$)	(US\$)
<b><u>Non-derivative financial instruments</u></b>				
<b><u>Assets</u></b>				
Receivable amount for margin loans	\$1,139,318	\$1,139,318	\$35,570	\$35,570
Securities refinancing margin deposits	4,194	4,194	131	131
Receivables from refinance guaranty	26,364	26,364	823	823
Security lending deposits	23,809	23,809	743	743
Receivables-net	52,959	52,959	1,653	1,653
Available-for-sale financial assets – current	909,444	909,444	28,394	28,394
Investments under equity method	730,419	730,419	22,804	22,804
Available-for-sale financial assets – noncurrent	18	18	1	1
Operating deposits	230,098	230,098	7,184	7,184
Settlement and clearance funds	61,938	61,938	1,934	1,934
Guarantee deposits paid	19,277	19,277	602	602
<b><u>Liabilities</u></b>				
Short-term loans	300,000	300,000	9,366	9,366
Commercial paper payable	600,000	600,000	18,732	18,732
Financial liabilities at fair value through profit or loss – current				
Security lending payable-hedging	28,081	28,081	877	877
Security lending payable-non-hedging	128,517	128,517	4,012	4,012
Securities financing guarantee deposits-in	26,650	26,650	832	832
Deposit payable for securities financing	142,870	142,870	4,461	4,461
Payables	323,121	323,121	10,089	10,089
<b><u>Derivative financial instruments</u></b>				
<b><u>Assets</u></b>				
Financial assets at fair value through profit or loss – current				
Call options – futures	16,242	16,242	507	507
Margin for futures trading – own funds	375,804	375,804	11,733	11,733
Derivative financial instrument assets				
-GreTai (over-the-counter)	57,545	57,545	1,797	1,797

**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)**

Item	September 30, 2009			
	Carrying		Carrying	
	amount	Fair value	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	\$1,308,360	\$1,308,360	\$40,848	\$40,848
Repurchase of issued call (put) warrants	(1,100,856)	(1,100,856)	(34,370)	(34,370)
Put options-futures	30,421	30,421	950	950
Derivative financial instrument liabilities				
-GreTai (over-the-counter)	(263)	(263)	(8)	(8)
Other financial liabilities – current	65,753	65,753	2,053	2,053

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, short-term loans, commercial paper payable, 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 under the equity method, then their fair value is taken as approximating their carrying amounts when no permanent market value decline exists.

**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)**

(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 September 30, 2008 and 2009:

Item	September 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	\$572,041	\$17,749	\$-	\$-
Operating securities-net	1,260,055	39,096	-	-
Call option-futures	1,378	42	-	-
Margin for futures trading – own funds	219,381	6,807	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	509,305	15,802	-	-
Repurchase of issued call (put) warrants	(441,243)	(13,690)	-	-
Put options – futures	1,081	34	-	-
Derivative financial instrument liabilities-GreTai (over-the-counter)	-	-	(1,351)	(42)
Other financial liabilities – current	-	-	102,911	3,193



**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)**

Item	September 30, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<b><u>Assets</u></b>				
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	\$62,304	\$1,945	\$-	\$-
Operating securities – net	1,919,966	59,943	-	-
Call options-futures	16,242	507		
Margin for futures trading – own funds	375,804	11,733	-	-
Derivative financial instrument				
assets-GreTai (over-the-counter)	-	-	57,545	1,797
Available-for-sale financial assets-current	909,444	28,394	-	-
<b><u>Liabilities</u></b>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	1,308,360	40,848	-	-
Repurchase of issued call (put) warrants	(1,100,856)	(34,370)	-	-
Security lending payable-hedging	28,081	877	-	-
Security lending payable-non-hedging	26,650	832	-	-
Put options-futures	30,421	950	-	-
Derivative financial instrument				
liabilities-GreTai (over-the-counter)	-	-	(263)	(8)
Other financial liabilities-current	-	-	65,753	2,053

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

**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)**

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.

**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)**

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. Financial derivatives

(a) Issuance of call (put) warrants

Ⓐ Nominal principal or contract amount and credit risk

Financial instruments	September 30, 2008		September 30, 2009	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>For trading purposes</u>				
Issuance of call (put) warrants	NT\$2,100,082 <u>(US\$65,159)</u>	NT\$- <u>(US\$-)</u>	NT\$1,513,260 <u>(US\$47,245)</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.

## **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)**

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.

### ④Types, 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.

### ⑤Financial statement presentation of derivative financial instruments

As of September 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**

	<u>September 30, 2008</u>		<u>September 30, 2009</u>	
	Financial liabilities at fair value through profit or loss-current		Financial liabilities at fair value through profit or loss-current	
	<u>(NT\$)</u>	<u>(US\$)</u>	<u>(NT\$)</u>	<u>(US\$)</u>
Liabilities for issuance of call (put) warrants	\$509,305	\$15,802	\$1,308,360	\$40,848
Repurchase of issued call (put) warrants	(441,243)	(13,690)	(1,100,856)	(34,370)
Total	<u>\$68,062</u>	<u>\$2,112</u>	<u>\$207,504</u>	<u>\$6,478</u>

**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)**

**Statement of income**

	For the nine months ended September 30, 2008		For the nine months ended September 30, 2009		Comments
	Profits or losses from issuing call (put) warrants				
	(NT\$)	(US\$)	(NT\$)	(US\$)	
Liabilities for issuance of call (put) warrants	\$1,343,956	\$41,699	\$(2,093,629)	\$(65,365)	Fair value method
Repurchase of issued call (put) warrants					
- Loss on disposal	(1,646,967)	(51,101)	(3,016,676)	(94,183)	
- (Loss) gain from valuation	(566,291)	(17,570)	624,386	19,494	Fair value method
Gain from expiration of warrants issued	937,401	29,085	4,476,320	139,754	
Trading securities-hedging					
- (Loss) gain on disposal	(44,823)	(1,391)	86,992	2,716	
- (Loss) gain from valuation	(17,941)	(557)	13,679	427	Fair value method
Security lending payable-hedging					
- Loss on disposal	-	-	(409)	(13)	
- Loss from valuation	-	-	(1,516)	(47)	Fair value method
<b>Total</b>	<b>\$5,335</b>	<b>\$165</b>	<b>\$89,147</b>	<b>\$2,783</b>	

**(b) Structured notes transactions**

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

	September 30, 2008		September 30, 2009	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>For trading purposes</u>				
Principal guaranteed notes	NT \$105,600 (US\$3,276)	NT\$- (US\$-)	NT\$65,900 (US\$2,057)	NT\$- (US\$-)

**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)**

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.

ⓑ 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 that, as a result there is no 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.

**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)**

(c) Financial statement presentation of derivative financial instruments

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

**Balance sheet**

	September 30, 2008		September 30, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Derivative financial instrument liabilities –				
GreTai (over-the-counter) (note)				
Structured notes transactions	\$ (1,351)	\$ (42)	\$ (263)	\$ (8)
Other financial liabilities – current				
Principal of structured notes	102,911	3,193	65,753	2,053

Note :Recorded as “Financial liabilities at fair value through profit or loss – current” in the balance sheet.

**Statement of income**

	For the nine months ended September 30, 2008		For the nine months ended September 30, 2009		Comments
	(NT\$)	(US\$)	(NT\$)	(US\$)	
Gain (loss) from structured notes	\$1,016	\$32	\$ (12,447)	\$ (389)	Fair value method
Trading securities - hedging					
- (Loss) gain on disposal	(4,051)	(126)	9,533	298	
- (Loss) gain from valuation	(188)	(6)	15	-	Fair value method
Total	<u>\$ (3,223)</u>	<u>\$ (100)</u>	<u>\$ (2,899)</u>	<u>\$ (91)</u>	

e. Futures and options transactions

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

**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)**

September 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	\$1,173	\$36	\$1,109	\$34
Options	TXO-Call	Buy	173	\$694	\$22	\$123	\$3
Options	TXO-Put	Buy	120	\$815	\$25	\$1,255	\$39
Options	TXO-Call	Sell	149	\$(273)	\$(8)	\$176	\$6
Options	TXO-Put	Sell	96	\$(265)	\$(8)	\$905	\$28

September 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	91	\$(80,051)	\$(2,499)	\$80,059	\$2,500
Futures	FITE	Sell	6	\$(7,262)	\$(227)	\$7,319	\$229
Futures	FITF	Sell	15	\$(12,877)	\$(402)	\$13,155	\$411
Futures	FITX	Sell	35	\$(52,055)	\$(1,625)	\$52,423	\$1,637
Futures	FITX	Buy	153	\$219,049	\$6,839	\$226,287	\$7,065
Options	TXO-Put	Buy	1,225	\$19,554	\$610	\$13,767	\$430
Options	TXO-Call	Buy	401	\$1,949	\$61	\$2,475	\$77
Options	TXO-Put	Sell	1,599	\$(12,860)	\$(401)	\$6,409	\$200
Options	TXO-Call	Sell	980	\$(20,286)	\$(633)	\$24,012	\$750
Options	TFO-Put	Sell	1	\$(1)	\$-	\$-	\$-

(a) Nominal principal or contract amount and credit risk

Financial instruments	September 30, 2008	
	Nominal principal/ contract amount	Credit risk
<u>For trading purposes</u>		
Mini- TAIEX futures	\$1,173(US\$36)	\$-
TXO	\$2,047(US\$63)	\$-



**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)**

Financial instruments	September 30, 2009	
	Nominal principal/ contract amount	Credit risk
STW futures	NT\$80,051 (US\$2,499)	NT\$- (US\$-)
FITE	NT\$7,262 (US\$227)	NT\$- (US\$-)
FITF	NT\$12,877 (US\$402)	NT\$- (US\$-)
FITX	NT\$271,104 (US\$8,464)	NT\$- (US\$-)
TXO	NT\$54,649 (US\$1,705)	NT\$- (US\$-)
TFO	NT\$1 (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 sell 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.

**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)**

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

Item	For the nine months ended September 30, 2008		For the nine months ended September 30, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Gains from derivative financial instruments - futures				
Gains on futures contracts - realized	\$6,290	\$195	\$51,080	\$1,595
Gains on futures contracts - unrealized	315	10	30,165	942
Gains from options transactions - realized	5,571	173	14,383	449
Gains from options transactions - unrealized	1,024	32	24,638	769
Total	<u>\$13,200</u>	<u>\$410</u>	<u>\$120,266</u>	<u>\$3,755</u>

Item	For the nine months ended September 30, 2008		For the nine months ended September 30, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Losses from derivative financial instruments - futures				
Losses on futures contracts - realized	\$7,573	\$235	\$78,870	\$2,462
Losses on futures contracts - unrealized	379	12	23,604	737
Losses from options transactions - realized	3,787	117	40,869	1,276
Losses from options transactions - unrealized	1,698	53	27,210	850
Total	<u>\$13,437</u>	<u>\$417</u>	<u>\$170,553</u>	<u>\$5,325</u>

**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)**

F. Cathay Pacific Venture

a. Information of fair value

Item	September 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	\$84,446	\$84,446	\$2,620	\$2,620
Financial assets at fair value through profit or loss	43,668	43,668	1,355	1,355
Available-for-sale financial assets-current	494,579	494,579	15,345	15,345
Available-for-sale financial assets-noncurrent	348,641	348,641	10,817	10,817
Financial assets carried at cost-noncurrent	1,770,801	-	54,943	-
Other receivables	7,446	7,446	231	231
Investment under equity method	242,115	242,115	7,512	7,512
<u>Liabilities</u>				
Account payables	1,794	1,794	56	56
Accrued expenses	4,838	4,838	150	150
Other payables	24,605	24,605	763	763
Item	September 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	\$67,346	\$67,346	\$2,103	\$2,103
Financial assets at fair value through profit or loss	13,156	13,156	411	411
Available-for-sale financial assets-current	163,633	163,633	5,109	5,109
Available-for-sale financial assets-noncurrent	21,332	21,332	666	666
Investment in debt securities with no active market	34,000	-	1,062	-
Financial assets carried at cost-noncurrent	1,321,955	-	41,272	-
Other receivables	4,098	4,098	128	128
Investment under equity method	251,072	251,072	7,839	7,839
<u>Liabilities</u>				
Accrued expenses	792	792	25	25
Other payables	516	516	16	16

**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)**

- 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 receivables and payables.
  - (b) Quoted market prices, if available, are used to determine the fair values of available-for-sale financial assets.
  - (c) If no quoted market prices exist for Cathay Pacific Venture's investment under equity method, then their fair value is taken as approximating their carry amounts when no permanent market value decline exists.
  - (d) 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 September 30, 2008 and 2009:

Item	September 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	\$84,446	\$2,620	\$-	\$-
Financial assets at fair value through profit or loss	43,668	1,355	-	-
Available-for-sale financial assets-current	494,579	15,345	-	-
Other receivable	-	-	7,446	231
Investment under equity method	-	-	242,115	7,512
Financial assets carried at cost-noncurrent	-	-	1,770,801	54,943
Available-for-sale financial assets-noncurrent	-	-	348,641	10,817
<u>Liabilities</u>				
Account payables	-	-	1,794	56
Accrued expense	-	-	4,838	150
Other payables	-	-	24,605	763

**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)**

Item	September 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	\$67,346	\$2,103	\$-	\$-
Financial assets at fair value through profit or loss	13,156	411	-	-
Available-for-sale financial assets-current	163,633	5,109	-	-
Other receivable	-	-	4,098	128
Other receivable-related parties	-	-	1,892	59
Investment under equity method	-	-	251,072	7,839
Financial assets carried at cost-noncurrent	-	-	1,321,955	41,272
Available-for-sale financial assets-noncurrent	-	-	21,332	666
Investment in debt securities with no active market	-	-	34,000	1,062
<u>Liabilities</u>				
Accrued expense	-	-	792	25
Other payables	-	-	517	16

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 Venture assesses the impact of market risk on financial assets and liabilities to be limited.

(b) Credit risk

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

**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)**

(c) Liquidity risk and cash flow risk

Cathay Pacific Venture 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	September 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	\$253,097	\$253,097	\$7,853	\$7,853
Customers' margin accounts	2,072,728	2,072,728	64,311	64,311
Futures trading deposits receivable	310	310	10	10
Accounts receivable-related parties	93	93	3	3
Other receivable (contain transactions with related parties)	6,918	6,918	215	215
Available-for-sale financial assets-noncurrent	30,500	30,500	946	946
Operating deposits	60,000	60,000	1,862	1,862
Settlement and clearance funds	66,000	66,000	2,048	2,048
Guarantee deposits paid	1,279	1,279	40	40
<u>Liabilities</u>				
Futures customers' equity	2,071,699	2,071,699	64,279	64,279
Payables (contain transactions with related parties)	5,159	5,159	160	160
Other payable (contain transactions with related parties)	3,574	3,574	111	111
Custody receipts	336	336	10	10

**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)**

Item	September 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	\$256,440	\$256,440	\$8,006	\$8,006
Customers' margin accounts	1,309,523	1,309,523	40,884	40,884
Futures trading deposits receivable	125	125	4	4
Accounts receivable-related parties	127	127	4	4
Other receivable (contain transactions with related parties)	4,157	4,157	130	130
Available-for-sale financial assets-noncurrent	30,500	30,500	952	952
Operating deposits	60,000	60,000	1,873	1,873
Settlement and clearance funds	73,000	73,000	2,279	2,279
Guarantee deposits paid	1,281	1,281	40	40
<u>Liabilities</u>				
Futures customers' equity	1,309,113	1,309,113	40,871	40,871
Payables (contain transactions with related parties)	5,482	5,482	171	171
Other payable (contain transactions with related parties)	3,342	3,342	104	104
Custody receipts	274	274	9	9

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

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

**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)**

- (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.



**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)**

H. Symphox Information

a. Information of fair value

Item	September 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	\$376,203	\$376,203	\$11,672	\$11,672
Financial assets at fair value through profit or loss-current	100,304	100,304	3,112	3,112
Receivables (contain transactions with related parties)	145,838	145,838	4,525	4,525
Guarantee deposits paid	10,229	10,229	317	317
<u>Liabilities</u>				
Payables (contain transactions with related parties)	106,086	106,086	3,292	3,292
Guarantee deposits in	80	80	2	2
Item	September 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	\$89,695	\$89,695	\$2,800	\$2,800
Financial assets at fair value through profit or loss-current	506,775	506,775	15,822	15,822
Receivables (contain transactions with related parties)	159,348	159,348	4,975	4,975
Guarantee deposits paid	9,274	9,274	290	290
<u>Liabilities</u>				
Payables (contain transactions with related parties)	143,330	143,330	4,475	4,475
Guarantee deposits in	80	80	2	2

**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)**

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	September 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	\$100,304	\$3,112	\$-	\$-

Item	September 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	\$506,775	\$15,822	\$-	\$-

**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)**

I. Cathay Life (Shanghai)

a. Information of fair value

Item	September 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	\$1,509,784	\$1,509,784	\$46,844	\$46,844
Financial assets at fair value through profit or loss-current	1,427,528	1,427,528	44,292	44,292
Available-for-sale financial assets-current	168,854	168,854	5,239	5,239
Available-for-sale financial assets-noncurrent	2,854,675	2,854,675	88,572	88,572
Held-to-maturity financial assets-noncurrent	421,367	421,367	13,074	13,074
Investment in debt securities with no active market-noncurrent	1,438,100	1,438,100	44,620	44,620
Guarantee deposits paid	769,767	769,767	23,884	23,884
<u>Liabilities</u>				
Guarantee deposits in	4,399	4,399	136	136
Item	September 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	\$4,013,500	\$4,013,500	\$125,304	\$125,304
Financial assets at fair value through profit or loss-current	19,687	19,687	615	615
Available-for-sale financial assets-current	408,893	408,893	12,766	12,766
Receivables	25,042	25,042	782	782

**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)**

Item	September 30,2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial				
assets-noncurrent	\$3,296,027	\$3,296,027	\$102,904	\$102,904
Held-to-maturity financial				
assets-noncurrent	282,864	282,864	8,831	8,831
Investment in debt securities with no				
active market-noncurrent	1,210,344	1,210,344	37,788	37,788
Guarantee deposits paid	777,303	777,303	24,268	24,268
<u>Liabilities</u>				
Guarantee deposits in	7,986	7,986	249	249

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 and receivables.
- (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.

**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)**

- 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	September 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	\$1,509,784	\$46,844	\$-	\$-	\$4,013,500	\$125,304	\$-	\$-
Financial assets at fair value								
through profit or loss-current	1,038,041	32,207	389,487	12,085	19,687	615	-	-
Available-for-sale financial assets-current	168,854	5,239	-	-	408,893	12,766	-	-
Available-for-sale financial assets-noncurrent	138,944	4,311	2,715,731	84,261	171,468	5,353	3,124,559	97,551
Held-to-maturity financial assets-noncurrent	-	-	421,367	13,074	-	-	282,864	8,831
Investment in debt securities with no active market-Noncurrent	-	-	1,438,100	44,620	-	-	1,210,344	37,788

J. Cathay Life (Vietnam)

a. Information of fair value

Item	September 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	\$392,179	\$392,179	\$12,244	\$12,244
Receivables	54,788	54,788	1,711	1,711
Available-for-sale financial assets-noncurrent	1,535,038	1,535,038	47,925	47,925
Guarantee deposits paid	48,776	48,776	1,523	1,523
<u>Liabilities</u>				
Payables	19,928	19,928	622	622

**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)**

- 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	September 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	\$-	\$-	\$-	\$-	\$392,179	\$12,244	\$-	\$-
Available-for-sale financial assets-noncurrent	-	-	-	-	-	-	1,535,038	47,925

**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)**

K. Cathay Century (Shanghai)

a. Information of fair value

Item	September 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	\$1,341,866	\$1,341,866	\$41,894	\$41,894
Receivables-net	83,457	83,457	2,606	2,606
Guarantee deposits paid	81,550	81,550	2,546	2,546
<u>Liabilities</u>				
Guarantee deposits in	66,578	66,578	2,079	2,079

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 and receivables (payables).

(b) 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	September 30, 2008			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$6,743,101	\$209,218	\$6,743,101	\$209,218
Repurchase bonds	9,795,484	303,925	9,795,484	303,925
Cash in banks	676,413	20,987	676,413	20,987
Net other assets less liabilities	4,199	130	4,199	130
Total	\$17,219,197	\$534,260	\$17,219,197	\$534,260

**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)**

Item	September 30, 2009			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$5,665,683	\$176,887	\$5,665,683	\$176,887
Repurchase bonds	4,582,613	143,073	4,582,613	143,073
Cash in banks	1,055,619	32,957	1,055,619	32,957
Net other assets less liabilities	17,755	554	17,755	554
Total	<u>\$11,321,670</u>	<u>\$353,471</u>	<u>\$11,321,670</u>	<u>\$353,471</u>

As of September 30, 2008 and 2009, Cathay Life and Cathay Century had discretionary account management contracts in the amount of NT\$ 17,300,000(US\$536,767) thousands, and NT\$9,900,000 (US\$309,085) thousands, respectively.

(5) Business or trading behaviors within Subsidiaries:

A. Business or trading behaviors

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

B. Integrate business activities:

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

C. Cross utilization of information:

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

D. Locations and business utilities:

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



**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)**

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 nine months ended September 30, 2008 have been reclassified in order to be comparable with those in the consolidated financial statements for the nine months ended September 30, 2009.

**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 September 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 September 30, 2009, Cathay life's remittances to this general insurance company totaled approximately US\$28,140 thousands.

**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)**

On September 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 an enterprise as legal person on August 26, 2008. As of September 30, 2009, a capital fund of US\$27,820 thousands has been wired out.

**35. Segment information**

For the nine months ended September 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	\$16,049,427	\$56,145,298	\$323,457	\$62,516	\$77,827	\$72,658,525
Non income other than interest	192,214	47,434,063	2,672,899	167,562	(301,273)	50,165,465
Provision for premiums reserve	-	(78,102,387)	(550,333)	-	-	(78,652,720)
Total income	16,241,641	25,476,974	2,446,023	230,078	(223,446)	44,171,270
Bad debt expenses	(1,147,167)	-	-	-	-	(1,147,167)
Operating expenses	(9,555,311)	(26,818,765)	(2,749,684)	(289,100)	(847,475)	(40,260,335)
Income from continuing operations before income taxes	5,539,163	(1,341,791)	(303,661)	(59,022)	(1,070,921)	2,763,768
Income taxes (expense) benefit	(1,947,594)	3,087,309	(185,726)	6,102	21,978	982,069
Consolidated income	3,591,569	1,745,518	(489,387)	(52,920)	(1,048,943)	3,745,837

For the nine months ended September 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	\$497,965	\$1,742,020	\$10,036	\$1,939	\$2,415	\$2,254,375
Non income other than interest	5,964	1,471,737	82,932	5,199	(9,348)	1,556,484
Provision for premiums reserve	-	(2,423,282)	(17,075)	-	-	(2,440,357)
Total income	503,929	790,475	75,893	7,138	(6,933)	1,370,502
Bad debt expenses	(35,593)	-	-	-	-	(35,593)
Operating expenses	(296,473)	(832,106)	(85,314)	(8,970)	(26,295)	(1,249,158)
Income from continuing operations before income taxes	171,863	(41,631)	(9,421)	(1,832)	(33,228)	85,751
Income taxes (expense) benefit	(60,428)	95,790	(5,762)	189	682	30,471
Consolidated income	111,435	54,159	(15,183)	(1,643)	(32,546)	116,222

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

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

For the nine months ended September 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	\$10,688,362	\$55,674,391	\$301,683	\$53,963	\$(460,232)	\$66,258,167
Non income other than interest	8,818,071	138,801,593	2,673,533	482,152	(217,952)	150,557,397
Provision for premiums reserve	-	(164,462,420)	(387,779)	-	-	(164,850,199)
Total income	19,506,433	30,013,564	2,587,437	536,115	(678,184)	51,965,365
Bad debt expenses	(162,419)	-	-	-	-	(162,419)
Operating expenses	(9,347,393)	(28,045,211)	(1,158,201)	(370,894)	(600,139)	(39,521,838)
Income from continuing operations before income taxes	9,996,621	1,968,353	1,429,236	165,221	(1,278,323)	12,281,108
Income taxes expense	(1,951,519)	(2,081,790)	(195,100)	(24,173)	(313,625)	(4,566,207)
Consolidated income	8,045,102	(113,437)	1,234,136	141,048	(1,591,948)	7,714,901

For the nine months ended September 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	\$333,698	\$1,738,195	\$9,419	\$1,685	\$(14,369)	\$2,068,628
Non income other than interest	275,307	4,333,487	83,470	15,053	(6,805)	4,700,512
Provision for premiums reserve	-	(5,134,637)	(12,107)	-	-	(5,146,744)
Total income	609,005	937,045	80,782	16,738	(21,174)	1,622,396
Bad debt expenses	(5,071)	-	-	-	-	(5,071)
Operating expenses	(291,832)	(875,592)	(36,160)	(11,579)	(18,737)	(1,233,900)
Income from continuing operations before income taxes	312,102	61,453	44,622	5,159	(39,911)	383,425
Income taxes expense	(60,928)	(64,995)	(6,091)	(755)	(9,791)	(142,560)
Consolidated income	251,174	(3,542)	38,531	4,404	(49,702)	240,865

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

**32. Parent Company financial statements**

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

**Unaudited Balance sheets**

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

**(Expressed in thousands of dollars)**

	September 30, 2008		September 30, 2009	
	NT \$	US \$	NT \$	US \$
<b>Assets</b>				
Cash and cash equivalents	\$1,222,953	\$37,945	\$2,430,515	\$75,882
Receivables -net	2,366,433	73,423	5,622,509	175,539
Held-to-maturity financial assets -net	-	-	15,000,000	468,311
Investments under equity method	160,220,303	4,971,154	205,745,905	6,423,538
Other financial assets -net	31,720	984	31,720	990
Property and equipment -net	2,989	93	4,413	138
Goodwill and intangible assets -net	666	21	133	4
Other assets -net	271,571	8,426	2,552,559	79,693
<b>Total assets</b>	<b>\$164,116,635</b>	<b>\$5,092,046</b>	<b>\$231,387,754</b>	<b>\$7,224,095</b>
<b>Liabilities &amp; stockholders' equity</b>				
Payables	\$2,544,064	\$78,935	\$8,138,693	\$254,096
Bonds payable	-	-	20,000,000	624,415
Other loans	3,860,000	119,764	-	-
Other liabilities	22,920	711	25,982	811
<b>Total liabilities</b>	<b>6,426,984</b>	<b>199,410</b>	<b>28,164,675</b>	<b>879,322</b>
<b>Stockholders' equity</b>				
Capital stock				
Common stock	97,375,372	3,021,265	97,375,372	3,040,130
Stock dividends to be distributed	81,971,213	2,543,320	81,709,322	2,551,025
Retained earnings				
Legal reserve	12,320,672	382,273	12,540,295	391,517
Special reserve	-	-	7,107,732	221,908
Unappropriated retained earnings	8,650,962	268,413	7,842,165	244,838
Equity adjustments				
Reserve for land revaluation increment	2,106	65	1,461	46
Cumulative conversion adjustments	280,965	8,718	89,079	2,781
Unrealized gains or losses on financial instruments	(38,768,485)	(1,202,869)	968,387	30,234
Treasury stock	(4,140,047)	(128,453)	(4,140,047)	(129,255)
Net loss not yet recognized as net pension cost	(3,107)	(96)	(270,687)	(8,451)
<b>Total stockholders' equity</b>	<b>157,689,651</b>	<b>4,892,636</b>	<b>203,223,079</b>	<b>6,344,773</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$164,116,635</b>	<b>\$5,092,046</b>	<b>\$231,387,754</b>	<b>\$7,224,095</b>

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

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

**Unaudited Statements of Income**

**For the nine-month periods ended September 30, 2008 and 2009**

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

	January 1 ~ September 30, 2008		January 1 ~ September 30, 2009					
	NT \$	US \$	NT \$	US \$				
<b>Income</b>								
Gain on investment-equity method	\$4,396,645	\$136,415	\$8,367,495	\$261,240				
Gain on financial assets and liabilities at fair value through profit or loss	323,565	10,039	-	-				
Gain on foreign exchange	-	-	10	-				
Other operating income	50,603	1,570	61,539	1,921				
<b>Total income</b>	<b>4,770,813</b>	<b>148,024</b>	<b>8,429,044</b>	<b>263,161</b>				
<b>Expenses and loss</b>								
Interest income	465,548	14,445	398,917	12,454				
Less: interest expenses	(357,654)	(11,097)	(472,160)	(14,741)				
Net interest income (loss)	107,894	3,348	(73,243)	(2,287)				
Losses on foreign exchange	(716,914)	(22,244)	-	-				
Operating expenses	(421,002)	(13,062)	(209,379)	(6,537)				
<b>Income from continuing operations before income taxes</b>	<b>3,740,791</b>	<b>116,066</b>	<b>8,146,422</b>	<b>254,337</b>				
<b>Income taxes benefit (expense)</b>	<b>46,260</b>	<b>1,435</b>	<b>(304,257)</b>	<b>(9,499)</b>				
<b>Net income</b>	<b>\$3,787,051</b>	<b>\$117,501</b>	<b>\$7,842,165</b>	<b>\$244,838</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 income from continuing operations	\$0.39	\$0.39	\$0.01	\$0.01	\$0.84	\$0.81	\$0.03	\$0.03
Net income	\$0.39	\$0.39	\$0.01	\$0.01	\$0.84	\$0.81	\$0.03	\$0.03

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Unaudited Statements of Changes in Stockholders' Equity

For the nine-month periods ended September 30, 2008 and 2009

(Expressed in thousands of dollars)

Summary	Retained earnings										Other stockholders' equity										Total		
	Common stock		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				
	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	\$2,878,380	\$81,971,213	\$2,543,320	\$9,245,862	\$286,871	\$-	\$-	\$35,577,963	\$1,103,877	\$2,106	\$65	\$183,766	\$5,702	\$10,955,521	\$339,917	\$(4,140,047)	\$(128,453)	\$(3,107)	\$(96)	\$226,563,469	\$7,029,583	
Appropriations and distribution for 2007																							
Legal reserve					3,074,810	95,402			(3,074,810)	(95,402)												-	-
Cash dividends									(23,025,898)	(714,424)												(23,025,898)	(714,424)
Stock dividend	4,605,180	142,885							(4,605,180)	(142,885)												-	-
Remuneration paid to directors and supervisors									(5,400)	(168)												(5,400)	(168)
Bonus paid to employees									(2,764)	(86)												(2,764)	(86)
Cumulative translation adjustments													97,199	3,016								97,199	3,016
Unrealized gains or losses of financial instruments															(49,724,006)	(1,542,786)						(49,724,006)	(1,542,786)
Net income for the nine-month period ended September 30, 2008									3,787,051	117,501												3,787,051	117,501
<b>Balance on September 30, 2008</b>	\$97,375,372	\$3,021,265	\$81,971,213	\$2,543,320	\$12,320,672	\$382,273	\$-	\$-	\$8,650,962	\$268,413	\$2,106	\$65	\$280,965	\$8,718	\$(38,768,485)	\$(1,202,869)	\$(4,140,047)	\$(128,453)	\$(3,107)	\$(96)	\$157,689,651	\$4,892,636	
<b>Balance on January 1, 2009</b>	\$97,375,372	\$3,040,130	\$81,971,213	\$2,559,201	\$12,320,672	\$384,660	\$-	\$-	\$7,060,140	\$220,423	\$2,106	\$66	\$344,257	\$10,748	\$(52,309,533)	\$(1,633,142)	\$(4,140,047)	\$(129,255)	\$(270,687)	\$(8,451)	\$142,353,493	\$4,444,380	
Appropriations and distribution for 2008																							
Legal reserve					219,623	6,857			(219,623)	(6,857)												-	-
Special reserve			(267,215)	(8,342)			7,107,732	221,908	(6,840,517)	(213,566)												-	-
Reserve for land revaluation increment											(645)	(20)										(645)	(20)
Capital surplus			461	14																		461	14
Cumulative translation adjustments													(255,178)	(7,967)								(255,178)	(7,967)
Unrealized gains or losses of financial instruments															53,277,920	1,663,376						53,277,920	1,663,376
Other capital surplus			4,863	152																		4,863	152
Net income for the nine-month period ended September 30, 2009									7,842,165	244,838												7,842,165	244,838
<b>Balance on September 30, 2009</b>	\$97,375,372	\$3,040,130	\$81,709,322	\$2,551,025	\$12,540,295	\$391,517	\$7,107,732	\$221,908	\$7,842,165	\$244,838	\$1,461	\$46	\$89,079	\$2,781	\$968,387	\$30,234	\$(4,140,047)	\$(129,255)	\$(270,687)	\$(8,451)	\$203,223,079	\$6,344,773	

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

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

**Unaudited Statements of cash flows**

**For the nine-month periods ended September 30, 2008 and 2009**

**(Expressed in thousands of dollars)**

	January 1 ~ September 30, 2008		January 1 ~ September 30, 2009	
	NT \$	US \$	NT \$	US \$
<b>Cash flows from operating activities</b>				
Net income	\$3,787,051	\$117,501	\$7,842,165	\$244,838
Adjustments:				
Amortizations	413	13	400	12
Depreciation	678	21	756	24
Losses on disposal of property and equipment	240	8	-	-
Investment income recognized by equity method less than (in excess of) cash dividends received	19,267,974	597,827	(8,315,296)	(259,610)
Effects of exchange rate changes	712,914	22,120	(10)	-
Changes in operating assets and liabilities				
Decrease (increase) in accounts receivable	124,020	3,848	(1,563,032)	(48,799)
Decrease (increase) in deferred income tax assets	455,628	14,137	(167,159)	(5,219)
Increase in other assets	(1,306)	(41)	(146,443)	(4,572)
Increase in accounts payable	616,365	19,124	1,944,280	60,702
Decrease in financial liabilities at fair value through profit and loss	(444,155)	(13,781)	-	-
Decrease in income tax payable	(1,124,061)	(34,876)	-	-
Decrease in deferred income tax liabilities	(146,835)	(4,556)	(2)	-
Increase in other liabilities	3,229	100	2,886	90
<b>Net cash provided by (used in) operating activities</b>	<b>23,252,155</b>	<b>721,445</b>	<b>(401,455)</b>	<b>(12,534)</b>
<b>Cash flows from investing activities</b>				
Acquisition of property and equipment	(631)	(19)	(703)	(22)
Disposal of property and equipment	964	30	-	-
Decrease (increase) in other assets	2,594,524	80,500	(24)	(1)
<b>Net cash provided by (used in) investing activities</b>	<b>2,594,857</b>	<b>80,511</b>	<b>(727)</b>	<b>(23)</b>
<b>Cash flows from financing activities</b>				
Increase in other loans	3,860,000	119,765	-	-
Remuneration paid to directors and supervisors	(5,400)	(168)	-	-
Bonus paid to employees	(2,764)	(86)	-	-
Cash dividends	(23,025,898)	(714,424)	-	-
Increase in investments under equity method	(15,000,000)	(465,405)	-	-
Cash received from capital reduction in long-term stock investment	-	-	533,301	16,650
<b>Net cash (used in) provided by financing activities</b>	<b>(34,174,062)</b>	<b>(1,060,318)</b>	<b>533,301</b>	<b>16,650</b>
<b>Effects of exchange rate changes</b>	<b>(712,914)</b>	<b>(22,120)</b>	<b>10</b>	<b>-</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(9,039,964)</b>	<b>(280,482)</b>	<b>131,129</b>	<b>4,093</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>10,262,917</b>	<b>318,427</b>	<b>2,299,386</b>	<b>71,789</b>
<b>Cash and cash equivalents at the end of year</b>	<b>\$1,222,953</b>	<b>\$37,945</b>	<b>\$2,430,515</b>	<b>\$75,882</b>
<b>Supplemental disclosure of cash flows information</b>				
Interest paid during the period	\$415,222	\$12,883	\$9,320	\$291
Income tax paid	\$17,737	\$550	\$293,179	\$9,153

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

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

Item	September 30, 2008		September 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$446,420,997	\$13,851,101	\$627,047,124	\$19,576,869
Loans	538,716,925	16,714,767	516,379,387	16,121,742
Funds and investments	1,121,899,398	34,809,165	1,188,585,721	37,108,515
Property and equipment	12,541,073	389,112	12,785,574	399,175
Intangible assets	591,607	18,356	761,508	23,775
Other assets	266,585,836	8,271,357	296,104,673	9,244,604
<b>Total assets</b>	<b>\$2,386,755,836</b>	<b>\$74,053,858</b>	<b>\$2,641,663,987</b>	<b>\$82,474,680</b>
<b>Liabilities</b>				
Current liabilities	\$44,676,708	\$1,386,184	\$21,591,437	\$674,101
Long-term liabilities	1,380,880	42,844	16,854,159	526,199
Other liabilities	2,269,973,478	70,430,453	2,497,367,977	77,969,653
<b>Total liabilities</b>	<b>2,316,031,066</b>	<b>71,859,481</b>	<b>2,535,813,573</b>	<b>79,169,953</b>
<b>Stockholders' equity</b>				
Capital stock	52,686,158	1,634,693	52,686,158	1,644,900
Capital surplus	13,009,648	403,650	13,009,496	406,166
Retained earnings	42,066,451	1,305,196	41,923,922	1,308,895
Others	(37,037,487)	(1,149,162)	(1,769,162)	(55,234)
<b>Total stockholders' equity</b>	<b>70,724,770</b>	<b>2,194,377</b>	<b>105,850,414</b>	<b>3,304,727</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$2,386,755,836</b>	<b>\$74,053,858</b>	<b>\$2,641,663,987</b>	<b>\$82,474,680</b>

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

Item	January 1 ~ September 30, 2008		January 1 ~ September 30, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$698,345,384	\$21,667,558	\$657,938,283	\$20,541,314
Operating costs	(694,769,633)	(21,556,613)	(646,562,109)	(20,186,141)
Operating gross profit	3,575,751	110,945	11,376,174	355,173
Operating expenses	(7,802,070)	(242,075)	(7,983,659)	(249,256)
Non-operating revenues & gains	1,030,429	31,971	1,076,370	33,605
Non-operating expenses & losses	(546,870)	(16,968)	(1,131,542)	(35,328)
(Loss) income from continuing operations before income tax	\$(3,742,760)	\$(116,127)	\$3,337,343	\$104,194
Net (loss) income	\$(638,313)	\$(19,805)	\$1,192,703	\$37,237
Earnings per share (in dollars)				
(Loss) income from continuing operations before income tax	\$(0.73)	\$(0.02)	\$0.63	\$0.02
Net (loss) income	\$(0.12)	\$-	\$0.23	\$0.01



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

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

Items	September 30, 2008		September 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$11,993,270	\$372,115	\$14,165,242	\$442,249
Loans	1,615,412	50,121	1,318,406	41,162
Funds and investments	4,502,977	139,714	4,492,028	140,244
Fixed assets	167,320	5,191	103,483	3,231
Intangible assets	14,423	448	16,060	501
Other assets	714,898	22,181	909,986	28,411
<b>Total assets</b>	<b>\$19,008,300</b>	<b>\$589,770</b>	<b>\$21,005,205</b>	<b>\$655,798</b>
<b>Liabilities</b>				
Current liabilities	\$1,978,403	\$61,384	\$1,701,857	\$53,133
Long-term liabilities	15,172	471	17,761	555
Other liabilities	13,878,281	430,601	15,288,280	477,311
<b>Total liabilities</b>	<b>15,871,856</b>	<b>492,456</b>	<b>17,007,898</b>	<b>530,999</b>
<b>Stockholders' equity</b>				
Capital stock	2,317,006	71,890	2,317,006	72,339
Capital surplus	1,929	60	1,776	55
Retained earnings	1,043,546	32,377	1,564,863	48,857
Others	(226,037)	(7,013)	113,662	3,548
<b>Total stockholders' equity</b>	<b>3,136,444</b>	<b>97,314</b>	<b>3,997,307</b>	<b>124,799</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$19,008,300</b>	<b>\$589,770</b>	<b>\$21,005,205</b>	<b>\$655,798</b>

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

Items	January 1 ~ September 30, 2008		January 1 ~ September 30, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$15,870,691	\$492,420	\$16,790,121	\$524,200
Operating costs	(13,330,190)	(413,596)	(14,085,806)	(439,769)
Operating gross profit	2,540,501	78,824	2,704,315	84,431
Operating expenses	(1,837,682)	(57,018)	(1,944,294)	(60,703)
Non-operating revenues	6,700	208	59	2
Non-operating expenses	(1,714)	(53)	(68)	(2)
Income from continuing operations before income taxes	\$707,805	\$21,961	\$760,012	\$23,728
Net income	\$522,079	\$16,198	\$564,912	\$17,637
<b>Earning per share (in dollars)</b>				
Income from continuing operations before income taxes	\$3.05	\$0.09	\$3.28	\$0.10
Net income	\$2.25	\$0.07	\$2.44	\$0.08

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

**Cathay Life Insurance Company(Shanghai)**

**Condensed Balance Sheets**

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

**(Expressed in thousands of dollars)**

Items	September 30, 2008		September 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$3,274,953	\$101,612	\$4,688,106	\$146,366
Loans	7,998	248	12,517	391
Funds and investments	4,714,142	146,266	4,789,234	149,523
Fixed assets	254,164	7,886	238,195	7,437
Intangible assets	156,843	4,866	147,579	4,607
Other assets	1,112,510	34,518	1,237,628	38,640
<b>Total assets</b>	<b>\$9,520,610</b>	<b>\$295,396</b>	<b>\$11,113,259</b>	<b>\$346,964</b>
<b>Liabilities</b>				
Current liabilities	\$484,260	\$15,025	\$438,130	\$13,679
Other liabilities	6,455,163	200,284	8,651,682	270,112
<b>Total liabilities</b>	<b>6,939,423</b>	<b>215,309</b>	<b>9,089,812</b>	<b>283,791</b>
<b>Stockholders' equity</b>				
Capital stock	3,257,376	101,067	3,257,376	101,697
Retained earnings	(1,030,307)	(31,967)	(1,843,616)	(57,559)
Others	354,118	10,987	609,687	19,035
<b>Total stockholders' equity</b>	<b>2,581,187</b>	<b>80,087</b>	<b>2,023,447</b>	<b>63,173</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$9,520,610</b>	<b>\$295,396</b>	<b>\$11,113,259</b>	<b>\$346,964</b>

**Cathay Life Insurance Company(Shanghai)**

**Condensed Statements of Income**

**For the nine-month periods ended September 30, 2008 and 2009**

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

Items	January 1 ~ September 30, 2008		January 1 ~ September 30, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$4,332,523	\$134,425	\$3,194,521	\$99,735
Operating costs	(4,133,710)	(128,256)	(2,968,065)	(92,665)
Operating gross profit	198,813	6,169	226,456	7,070
Operating expenses	(639,119)	(19,830)	(688,714)	(21,502)
Non-operating revenues	43,705	1,356	5,975	186
Non-operating expenses	(32)	(1)	(68)	(2)
Loss from continuing operations before income taxes	\$(396,633)	\$(12,306)	\$(456,351)	\$(14,248)
Net loss	<u>\$(396,633)</u>	<u>\$(12,306)</u>	<u>\$(394,646)</u>	<u>\$(12,321)</u>
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 September 30, 2008 and 2009**

**(Expressed in thousands of dollars)**

Items	September 30, 2008		September 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$264,933	\$8,220	\$462,626	\$14,444
Loans	-	-	13	-
Funds and investments	1,665,373	51,671	1,535,038	47,925
Fixed assets	15,991	496	40,427	1,262
Intangible assets	47,081	1,461	34,374	1,073
Other assets	25,767	800	50,145	1,566
<b>Total assets</b>	<b>\$2,019,145</b>	<b>\$62,648</b>	<b>\$2,122,623</b>	<b>\$66,270</b>
<b>Liabilities</b>				
Current liabilities	\$87,797	\$2,724	\$19,928	\$622
Other liabilities	1,972	61	52,217	1,630
<b>Total liabilities</b>	<b>89,769</b>	<b>2,785</b>	<b>72,145</b>	<b>2,252</b>
<b>Stockholders' equity</b>				
Capital stock	1,940,080	60,195	1,940,080	60,571
Retained earnings	44,049	1,367	53,506	1,671
Others	(54,753)	(1,699)	56,892	1,776
<b>Total stockholders' equity</b>	<b>1,929,376</b>	<b>59,863</b>	<b>2,050,478</b>	<b>64,018</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$2,019,145</b>	<b>\$62,648</b>	<b>\$2,122,623</b>	<b>\$66,270</b>

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

**Condensed Statements of Income**

**For the nine-month periods ended September 30, 2008 and 2009**

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

Items	January 1 ~ September 30, 2008		January 1 ~ September 30, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$4,233	\$131	\$245,901	\$7,677
Operating costs	(4,749)	(147)	(62,488)	(1,951)
Operating gross profit	(516)	(16)	183,413	5,726
Operating expenses	(42,163)	(1,308)	(184,887)	(5,772)
Non-operating revenues	125,404	3,891	1,338	42
Non-operating expenses	(21,538)	(669)	-	-
Income from continuing operations before income taxes	\$61,187	\$1,898	\$(136)	\$(4)
Net income	\$44,049	\$1,367	\$1,009	\$32
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 September 30, 2008 and 2009**  
**(Expressed in thousands of dollars)**

Items	September 30, 2008		September 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	1,777,675	55,156	\$1,548,362	\$48,341
Fixed assets	1,952	61	47,504	1,483
Other assets	1,292	40	385,593	12,039
<b>Total assets</b>	<b>1,780,919</b>	<b>55,257</b>	<b>\$1,981,459</b>	<b>\$61,863</b>
<b>Liabilities</b>				
Current liabilities	425	13	\$81,360	\$2,540
Other liabilities	163	5	165,825	5,177
<b>Total liabilities</b>	<b>588</b>	<b>18</b>	<b>247,185</b>	<b>7,717</b>
<b>Stockholders' equity</b>				
Capital stock	1,745,942	54,172	1,745,942	54,510
Retained earnings	(91,186)	(2,829)	(155,587)	(4,857)
Others	125,575	3,896	143,919	4,493
<b>Total stockholders' equity</b>	<b>1,780,331</b>	<b>55,239</b>	<b>1,734,274</b>	<b>54,146</b>
<b>Total liabilities and stockholders' equity</b>	<b>1,780,919</b>	<b>55,257</b>	<b>\$1,981,459</b>	<b>\$61,863</b>

**Cathay Insurance Company Limited (Shanghai)**  
**Condensed Statements of Income**  
**For the nine-month periods ended September 30, 2008 and 2009**  
**(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ September 30, 2008		January 1 ~ September 30, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	35,734	1,109	\$241,956	\$7,554
Operating costs	(81,614)	(2,532)	(198,599)	(6,200)
Operating gross profit	(45,880)	(1,423)	43,357	1,354
Operating expenses	(45,306)	(1,406)	(107,840)	(3,367)
Non-operating revenues	-	-	2	-
Loss from continuing operations before income taxes	\$(91,186)	\$(2,829)	\$(64,481)	\$(2,013)
Net loss	\$(91,186)	\$(2,829)	\$(64,481)	\$(2,013)
Earnings per share (in dollars)				
Income from continuing operations before income taxes	Note	Note	Note	Note
Net loss	Note	Note	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 September 30, 2008 and 2009  
(Expressed in thousands of dollars)**

Items	September 30, 2008		September 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Cash and cash equivalents	\$36,638,332	\$1,136,777	\$16,537,704	\$516,319
Due from the Central Bank and call loans to banks	80,578,329	2,500,103	97,522,881	3,044,736
Financial assets at fair value through profit or loss	36,818,712	1,142,374	46,390,770	1,448,354
Securities purchased under agreements to resell	1,029,846	31,953	1,356,000	42,335
Receivables-net	44,423,361	1,378,323	44,218,990	1,380,549
Loans and advances to customers-net	837,660,306	25,990,081	784,642,996	24,497,127
Available-for-sale financial assets -net	65,111,511	2,020,215	117,372,513	3,664,456
Held-to-maturity financial assets-net	2,916,974	90,505	3,889,108	121,421
Investments-equity method	2,833,462	87,914	3,451,741	107,766
Other financial assets-net	4,964,559	154,035	5,233,083	163,381
Investments in debt securities with no active market	208,433,959	6,467,079	309,073,154	9,649,490
Property and equipment-net	26,773,237	830,693	26,426,241	825,046
Intangible assets-net	6,927,786	214,948	6,905,528	215,596
Other assets-net	8,937,038	277,290	6,466,863	201,900
<b>Total assets</b>	<b>\$1,364,047,412</b>	<b>\$42,322,290</b>	<b>\$1,469,487,572</b>	<b>\$45,878,476</b>
<b>Liabilities</b>				
Due to the Central Bank and call loans from banks	\$77,553,560	\$2,406,254	\$48,780,052	\$1,522,949
Funds borrowed from the Central and other banks	642,600	19,938	1,610,000	50,265
Financial liabilities at fair value through profit or loss	50,465,799	1,565,802	36,744,313	1,147,184
Securities sold under agreements to repurchase	20,481,323	635,474	8,519,253	265,977
Payables	30,233,490	938,054	22,028,523	687,747
Deposits and remittances	1,083,917,357	33,630,697	1,241,502,755	38,760,623
Financial debentures payable	16,615,361	515,525	16,644,084	519,641
Other financial liabilities	282,124	8,753	250,688	7,827
Other liabilities	2,695,208	83,624	2,215,874	69,181
<b>Total liabilities</b>	<b>1,282,886,822</b>	<b>39,804,121</b>	<b>1,378,295,542</b>	<b>43,031,394</b>
<b>Shareholders' equity</b>				
Capital stock	48,689,413	1,510,686	52,277,026	1,632,127
Capital reserves	15,213,611	472,032	15,213,673	474,982
Retained earnings	18,411,585	571,257	21,311,675	665,366
Others	(1,154,019)	(35,806)	2,389,656	74,607
<b>Total shareholders' equity</b>	<b>81,160,590</b>	<b>2,518,169</b>	<b>91,192,030</b>	<b>2,847,082</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$1,364,047,412</b>	<b>\$42,322,290</b>	<b>\$1,469,487,572</b>	<b>\$45,878,476</b>

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

Items	January 1 ~ September 30, 2008		January 1 ~ September 30, 2009	
	NT\$	US\$	NT\$	US\$
Net interest income	\$15,409,916	\$478,123	\$10,219,752	\$319,068
Non-interest income	2,880,773	89,382	8,831,521	275,727
Net operating income	18,290,689	567,505	19,051,273	594,795
Provision for loan losses	(1,147,167)	(35,593)	(162,419)	(5,071)
Operating expenses	(10,714,456)	(332,437)	(10,439,859)	(325,940)
Income from continuing operations before income taxes	\$6,429,066	\$199,475	\$8,448,995	\$263,784
Net income	\$4,544,066	\$140,989	\$6,570,995	\$205,151
<b>Earnings per share (in dollars)</b>				
Income from continuing operations before income taxes	\$1.23	\$0.04	\$1.62	\$0.05
Net income	\$0.87	\$0.03	\$1.26	\$0.04

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

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

Items	September 30, 2008		September 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Cash and cash equivalents	\$2,399,795	\$74,459	\$1,827,906	\$57,069
Due from the Central Bank and call loans to banks	1,070,049	33,200	662,913	20,697
Financial assets at fair value through profit or loss	89,746	2,785	233,223	7,281
Available-for-sale financial assets -net	304,762	9,456	490,812	15,324
Securities purchased under agreements to resell	276,126	8,567	-	-
Receivables-net	153,881	4,775	221,756	6,923
Loans and advances to customers-net	13,395,154	415,611	15,352,100	479,304
Premises and equipment-net	189,454	5,878	516,403	16,122
Intangible assets-net	37,120	1,152	30,753	960
Other assets-net	460	14	584	18
<b>Total assets</b>	<b>\$17,916,547</b>	<b>\$555,897</b>	<b>\$19,336,450</b>	<b>\$603,698</b>
<b>Liabilities</b>				
Due to the Central Bank and call loans from banks	\$2,658,774	\$82,494	\$505,891	\$15,794
Payables	474,092	14,710	825,379	25,769
Deposits and remittances	12,034,004	373,379	14,286,110	446,023
Other liabilities	-	-	12,346	385
<b>Total liabilities</b>	<b>15,166,870</b>	<b>470,583</b>	<b>15,629,726</b>	<b>487,971</b>
<b>Shareholders' equity</b>				
Capital stock	2,248,018	69,749	3,207,968	100,155
Retained earnings	521,945	16,194	518,666	16,193
Others	(20,286)	(629)	(19,910)	(621)
<b>Total shareholders' equity</b>	<b>2,749,677</b>	<b>85,314</b>	<b>3,706,724</b>	<b>115,727</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$17,916,547</b>	<b>\$555,897</b>	<b>\$19,336,450</b>	<b>\$603,698</b>

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

Items	January 1 ~ September 30, 2008		January 1 ~ September 30, 2009	
	NT\$	US\$	NT\$	US\$
Net interest income	\$474,312	\$14,717	\$389,461	\$12,159
Non-interest income (loss)	82,810	2,569	232,769	7,267
Net operating revenue	557,122	17,286	622,230	19,426
Provision for loan losses	(13,315)	(413)	(59,520)	(1,858)
Operating expenses	(215,006)	(6,671)	(256,824)	(8,018)
Income from continuing operations before income taxes	\$328,801	\$10,202	\$305,886	\$9,550
Net income	\$266,207	\$8,260	\$232,368	\$7,255
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 September 30, 2008 and 2009  
(Expressed in thousands of dollars)**

Items	September 30, 2008		September 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$3,209,591	\$99,584	\$4,986,542	\$155,683
Funds and investments	734,924	22,803	730,437	22,805
Property and equipment	54,029	1,676	36,494	1,139
Intangible assets	4,990	155	6,211	194
Other assets	355,146	11,019	348,456	10,879
<b>Total assets</b>	<b>\$4,358,680</b>	<b>\$135,237</b>	<b>\$6,108,140</b>	<b>\$190,700</b>
<b>Liabilities</b>				
Current liabilities	\$324,644	\$10,073	\$1,872,806	\$58,470
Long-term liabilities	1,014	31	909	28
Other liabilities	38,011	1,180	55,887	1,745
<b>Total liabilities</b>	<b>363,669</b>	<b>11,284</b>	<b>1,929,602</b>	<b>60,243</b>
<b>Stockholders' equity</b>				
Capital stock	3,700,000	114,800	3,700,000	115,517
Capital surplus	258,434	8,018	258,434	8,068
Retained earnings	36,577	1,135	160,528	5,012
Others	-	-	59,576	1,860
<b>Total stockholders' equity</b>	<b>3,995,011</b>	<b>123,953</b>	<b>4,178,538</b>	<b>130,457</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$4,358,680</b>	<b>\$135,237</b>	<b>\$6,108,140</b>	<b>\$190,700</b>

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

Items	January 1 ~ September 30, 2008		January 1 ~ September 30, 2009	
	NT\$	US\$	NT\$	US\$
Revenue	\$390,416	\$12,114	\$793,174	\$24,763
Expenses	(430,462)	(13,356)	(623,611)	(19,469)
(Loss) income from continuing operations before income taxes	\$(40,046)	\$(1,242)	\$169,563	\$5,294
<b>Net (loss) income</b>	<b>\$(33,944)</b>	<b>\$(1,053)</b>	<b>\$145,390</b>	<b>\$4,539</b>
<b>Earnings per share (in dollars)</b>				
(Loss) income from continuing operations before income taxes	\$(0.11)	\$-	\$0.46	\$0.01
<b>Net (loss) income</b>	<b>\$(0.09)</b>	<b>\$-</b>	<b>\$0.39</b>	<b>\$0.01</b>

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

Items	September 30, 2008		September 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$630,181	\$19,553	\$266,399	\$8,317
Funds and investments	2,361,556	73,272	1,627,410	50,809
Fixed assets	772	24	1,073	34
Other assets	740	23	680	21
<b>Total assets</b>	<b>\$2,993,249</b>	<b>\$92,872</b>	<b>\$1,895,562</b>	<b>\$59,181</b>
<b>Liabilities</b>				
Current liabilities	\$34,278	\$1,064	\$10,099	\$315
<b>Total liabilities</b>	<b>34,278</b>	<b>1,064</b>	<b>10,099</b>	<b>315</b>
<b>Stockholders' equity</b>				
Capital stock	2,799,448	86,858	1,895,224	59,170
Retained earnings	291,126	9,033	1,215	38
Equity adjustment	(131,603)	(4,083)	(10,976)	(342)
<b>Total stockholders' equity</b>	<b>2,958,971</b>	<b>91,808</b>	<b>1,885,463</b>	<b>58,866</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$2,993,249</b>	<b>\$92,872</b>	<b>\$1,895,562</b>	<b>\$59,181</b>

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

Items	January 1 ~ September 30, 2008		January 1 ~ September 30, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$177,588	\$5,510	\$57,969	\$1,810
Operating costs	(47,957)	(1,488)	(284,197)	(8,873)
Operating gross loss	129,631	4,022	(226,228)	(7,063)
Operating expenses	(15,846)	(492)	(6,505)	(203)
Non-operating revenues	30	1	1,317	41
Non-operating expenses	(526)	(16)	(23)	(1)
Losses from continuing operations before income taxes	\$113,289	\$3,515	\$(231,439)	\$(7,226)
Net losses	\$90,516	\$2,808	\$(224,545)	\$(7,010)
<b>Earning per share (in dollars)</b>				
Losses from continuing operations before income taxes	\$0.37	\$0.01	\$(2.13)	\$(0.07)
Net losses	\$0.29	\$0.01	\$(2.07)	\$(0.06)



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

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

Items	September 30, 2008		September 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$639,578	\$19,844	\$768,861	\$24,004
Fixed assets	77,979	2,419	90,721	2,832
Intangible assets	4,437	138	3,069	96
Other assets	22,470	697	10,754	336
<b>Total assets</b>	<b>\$744,464</b>	<b>\$23,098</b>	<b>\$873,405</b>	<b>\$27,268</b>
<b>Liabilities</b>				
Current liabilities	\$245,949	\$7,631	\$321,870	\$10,049
Other liabilities	80	2	80	2
<b>Total liabilities</b>	<b>246,029</b>	<b>7,633</b>	<b>321,950</b>	<b>10,051</b>
<b>Stockholders' equity</b>				
Capital stock	499,000	15,482	499,000	15,579
Retained earnings	(565)	(17)	52,455	1,638
<b>Total stockholders' equity</b>	<b>498,435</b>	<b>15,465</b>	<b>551,455</b>	<b>17,217</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$744,464</b>	<b>\$23,098</b>	<b>\$873,405</b>	<b>\$27,268</b>

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

Items	January 1 ~ September 30, 2008		January 1 ~ September 30, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$897,462	\$27,846	\$971,416	\$30,328
Operating costs	(782,703)	(24,285)	(832,967)	(26,006)
Operating gross profit	114,759	3,561	138,449	4,322
Operating expenses	(66,582)	(2,066)	(79,158)	(2,471)
Non-operating revenues	7,315	227	6,635	207
Non-operating expenses	(130)	(4)	(2)	-
Income from continuing operations before income taxes	\$55,362	\$1,718	\$65,924	\$2,058
Net income	\$46,740	\$1,450	\$51,050	\$1,594
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$1.11	\$0.03	\$1.32	\$0.04
Net income	\$0.94	\$0.03	\$1.02	\$0.03

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

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

Items	September 30, 2008		September 30, 2009	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$2,335,203	\$72,454	\$1,571,646	\$49,068
Funds and investments	30,500	946	30,500	952
Fixed assets	173,235	5,375	167,931	5,243
Intangible assets	8,238	256	5,526	172
Other assets	279,199	8,663	285,603	8,917
<b>Total assets</b>	<b>\$2,826,375</b>	<b>\$87,694</b>	<b>\$2,061,206</b>	<b>\$64,352</b>
<b>Liabilities</b>				
Current liabilities	\$2,082,099	\$64,601	\$1,319,102	\$41,183
Other liabilities	9,302	289	11,616	363
<b>Total liabilities</b>	<b>2,091,401</b>	<b>64,890</b>	<b>1,330,718</b>	<b>41,546</b>
<b>Stockholders' equity</b>				
Capital stock	650,000	20,168	650,000	20,293
Retained earnings	84,974	2,636	80,488	2,513
<b>Total stockholders' equity</b>	<b>734,974</b>	<b>22,804</b>	<b>730,488</b>	<b>22,806</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$2,826,375</b>	<b>\$87,694</b>	<b>\$2,061,206</b>	<b>\$64,352</b>

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

Items	January 1 ~ September 30, 2008		January 1 ~ September 30, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$93,396	\$2,898	\$90,895	\$2,838
Operating costs	(50,974)	(1,582)	(52,990)	(1,654)
Operating gross profit	42,422	1,316	37,905	1,184
Operating expenses	(47,746)	(1,481)	(46,505)	(1,452)
Non-operating revenues	28,134	873	16,947	529
Non-operating expenses	(1,871)	(58)	(817)	(26)
Income from continuing operations before income taxes	\$20,939	\$650	\$7,530	\$235
Net income	\$16,115	\$500	\$5,953	\$186
<b>Earning per share (in dollars)</b>				
Income from continuing operations before income taxes	\$0.32	\$0.01	\$0.12	\$-
Net income	\$0.25	\$0.01	\$0.09	\$-