

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated Financial Statements
As of December 31, 2008 and 2009
With Independent Auditors' Report

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

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

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

We have audited the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. (the "Company") and its subsidiaries ("Subsidiaries") as of December 31, 2008 and 2009, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and Subsidiaries as of December 31, 2008 and 2009, and the results of its operations and its cash flows for the years ended in conformity with Requirements of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies and generally accepted accounting principles in the Republic of China.

Ernst & Young
Taipei, Taiwan
The Republic of China
March 10, 2010

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

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

	Notes	December 31, 2008		December 31, 2009	
		NT \$	US \$	NT \$	US \$
Assets					
Cash and cash equivalents	2, 4	\$400,986,802	\$12,240,134	\$644,422,576	\$20,169,721
Due from the Central Bank and call loans to banks		47,621,198	1,453,639	79,124,653	2,476,515
Financial assets at fair value through profit or loss	2, 5	126,885,744	3,873,191	143,643,937	4,495,898
Securities purchased under agreements to resell		11,748,246	358,616	43,401,815	1,358,429
Receivables -net		84,700,588	2,585,488	99,153,661	3,103,401
Loans -net	2, 6	1,362,904,646	41,602,706	1,328,382,255	41,576,909
Available-for-sale financial assets -net	2, 7	486,527,019	14,851,252	553,416,933	17,321,344
Held-to-maturity financial assets -net	2, 8	653,143,459	19,937,224	672,357,520	21,044,054
Investments under equity method	2, 9	2,616,092	79,856	2,505,287	78,413
Other financial assets -net	2, 10	36,056,859	1,100,637	67,662,348	2,117,757
Investments in debt securities with no active market	2, 11	130,161,509	3,973,184	177,544,458	5,556,947
Separate account products assets		193,454,651	5,905,209	274,311,184	8,585,640
Investments in real estate	2, 12	109,643,616	3,346,875	117,426,032	3,675,306
Property and equipment -net		40,496,973	1,236,171	39,657,723	1,241,243
Goodwill and intangible assets -net	2, 14	7,790,572	237,807	8,227,881	257,524
Other assets -net		51,426,547	1,569,797	44,297,758	1,386,471
Total assets		\$3,746,164,521	\$114,351,786	\$4,295,536,021	\$134,445,572
Liabilities & stockholders' equity					
Liabilities					
Due to the Central Bank and call loans from banks		\$62,866,360	\$1,918,998	\$45,571,009	\$1,426,323
Bankers acceptances and funds borrowed		1,643,000	50,153	1,601,500	50,125
Commercial paper payable	2, 15	-	-	1,170,000	36,620
Financial liabilities at fair value through profit or loss	2, 16	73,030,548	2,229,260	26,703,247	835,782
Securities sold under agreements to repurchase	5, 7	20,712,416	632,247	8,745,465	273,723
Payables		35,033,195	1,069,389	38,143,397	1,193,846
Deposits	17	1,090,441,845	33,285,771	1,288,413,420	40,325,929
Bonds payable	2, 18	38,865,978	1,186,385	56,437,209	1,766,423
Other borrowings	19	-	-	300,000	9,390
Reserve for operations and liabilities	2, 20	2,076,705,192	63,391,489	2,328,637,481	72,883,802
Other financial liabilities	2, 21	485,475	14,819	269,216	8,426
Separate account products liabilities		193,454,651	5,905,209	274,311,184	8,585,640
Other liabilities		7,426,906	226,706	9,809,725	307,034
Total liabilities		3,600,665,566	109,910,426	4,080,112,853	127,703,063
Stockholders' Equity attributable to equity holders of the parent					
Stock					
Common stock	22	97,375,372	2,972,386	96,708,774	3,026,879
Capital surplus	23	81,971,213	2,502,174	78,240,933	2,448,855
Retained earnings	24				
Legal reserve		12,320,672	376,089	12,540,295	392,498
Special reserve		-	-	7,107,732	222,464
Unappropriated retained earnings		7,060,140	215,511	11,051,057	345,886
Other stockholders' equity					
Land revaluation increment		2,106	64	1,461	46
Cumulative conversion adjustments		344,257	10,509	4,444	139
Unrealized gains or losses on financial instruments		(52,309,533)	(1,596,750)	6,547,332	204,924
Treasury stock	25	(4,140,047)	(126,375)	-	-
Net loss not yet recognized as net pension cost		(270,687)	(8,263)	(6,791)	(213)
Total stockholder's equity attributable to equity holders of the parent		142,353,493	4,345,345	212,195,237	6,641,478
Minority interest		3,145,462	96,015	3,227,931	101,031
Total stockholders' equity		145,498,955	4,441,360	215,423,168	6,742,509
Total liabilities and stockholders' equity		\$3,746,164,521	\$114,351,786	\$4,295,536,021	\$134,445,572

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2008 and 2009 were NT\$32.76 and NT\$31.95 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
Consolidated statements of income
For the years ended December 31, 2008 and 2009
(Expressed in thousands of dollars, except earning per share)

	Notes	2008		2009			
		NT \$	US \$	NT \$	US \$		
Interest income	2	\$119,559,026	\$3,649,543	\$99,534,032	\$3,115,306		
Less: Interest expenses	2	(20,983,114)	(640,510)	(11,604,601)	(363,211)		
Net interest income		98,575,912	3,009,033	87,929,431	2,752,095		
Net income other than interest							
Net commission and handling fee		8,651,218	264,079	13,823,055	432,646		
Net premiums from insurance business		76,782,046	2,343,774	211,239,919	6,611,578		
(Losses) gains on financial assets and liabilities at fair value through profit or loss		(45,707,037)	(1,395,209)	20,557,813	643,437		
Realized gains on available-for-sale financial assets		14,953,458	456,455	3,286,871	102,875		
Realized (losses) gains on held-to-maturity financial assets		(2,486,077)	(75,888)	1,900,726	59,491		
Gains on investments under equity method		338,299	10,327	311,837	9,760		
Gains on investments in real estate		5,165,373	157,673	6,253,074	195,714		
Gains (losses) on foreign exchange		13,584,854	414,678	(18,701,596)	(585,339)		
Impairment losses		(3,979,734)	(121,482)	(971,525)	(30,408)		
Provision for premiums reserve		(109,826,456)	(3,352,456)	(252,371,298)	(7,898,945)		
Net other non-interest losses		(2,351,196)	(71,770)	(2,825,547)	(88,436)		
Total income		53,700,660	1,639,214	70,432,760	2,204,468		
Bad debt expenses		(926,248)	(28,274)	(3,451)	(108)		
Operating expenses							
Personnel expenses	26	(37,471,088)	(1,143,806)	(39,339,997)	(1,231,299)		
Depreciation and amortizations expenses	26	(3,806,201)	(116,184)	(4,110,485)	(128,653)		
Other general and administration expenses		(11,288,262)	(344,574)	(10,679,280)	(334,250)		
Income from continuing operations before income taxes		208,861	6,376	16,299,547	510,158		
Income taxes benefit (expense)	2, 27	1,764,196	53,852	(5,467,666)	(171,132)		
Income from continuing operations after income taxes		1,973,057	60,228	10,831,881	339,026		
Consolidated net income		\$1,973,057	\$60,228	\$10,831,881	\$339,026		
Include:							
Parent company		\$2,196,229	\$67,040	\$11,051,057	\$345,886		
Minority interest		(223,172)	(6,812)	(219,176)	(6,860)		
Consolidated net income		\$1,973,057	\$60,228	\$10,831,881	\$339,026		
Earnings per share (expressed in dollars) :							
Primary earnings per share:							
		Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes
Income from continuing operations		\$0.02	\$0.20	\$-	\$0.01	\$1.68	\$1.12
Consolidated net income		\$0.02	\$0.20	\$-	\$0.01	\$1.68	\$1.12

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2008 and 2009 were NT\$32.76 and NT\$31.95 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
Consolidated statements of changes in stockholders' equity
For the years ended December 31, 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 \$	
Balance on January 1, 2008	\$92,770,192	\$2,831,813	\$81,971,213	\$2,502,174	\$9,245,862	\$282,230	\$-	\$-	\$35,577,963	\$1,086,018	\$2,106	\$64	\$183,766	\$5,610	\$10,955,521	\$334,418	\$(4,140,047)	\$(126,375)	\$(3,107)	\$(95)	\$3,326,309	\$101,535	\$229,889,778	\$7,017,392	
Minority interest																					42,325	1,292	42,325	1,292	
Appropriations and distribution for 2007																									
Legal reserve					3,074,810	93,859			(3,074,810)	(93,859)															
Cash dividends									(23,025,898)	(702,866)													(23,025,898)	(702,866)	
Stock dividend to be distributed	4,605,180	140,573							(4,605,180)	(140,573)															
Remuneration paid to directors and supervisors									(5,400)	(165)													(5,400)	(165)	
Bonus paid to employees									(2,764)	(84)													(2,764)	(84)	
Cumulative conversion adjustments													160,491	4,899										160,491	4,899
Unrealized gains or losses of financial instruments															(63,265,054)	(1,931,168)							(63,265,054)	(1,931,168)	
Net loss not yet recognized as net pension cost																				(267,580)	(8,168)		(267,580)	(8,168)	
Consolidated net income (loss) for the year ended December 31, 2008									2,196,229	67,040											(223,172)	(6,812)	1,973,057	60,228	
Balance on December 31, 2008	\$97,375,372	\$2,972,386	\$81,971,213	\$2,502,174	\$12,320,672	\$376,089	\$-	\$-	\$7,060,140	\$215,511	\$2,106	\$64	\$344,257	\$10,509	\$(52,309,533)	\$(1,596,750)	\$(4,140,047)	\$(126,375)	\$(270,687)	\$(8,263)	\$3,145,462	\$96,015	\$145,498,955	\$4,441,360	
Balance on January 1, 2009	\$97,375,372	\$3,047,743	\$81,971,213	\$2,565,609	\$12,320,672	\$385,624	\$-	\$-	\$7,060,140	\$220,974	\$2,106	\$66	\$344,257	\$10,775	\$(52,309,533)	\$(1,637,231)	\$(4,140,047)	\$(129,579)	\$(270,687)	\$(8,472)	\$3,145,462	\$98,450	\$145,498,955	\$4,553,959	
Minority interest																					301,645	9,441	301,645	9,441	
Appropriations and distribution for 2008																									
Legal reserve					219,623	6,874			(219,623)	(6,874)															
Special reserve			(267,215)	(8,364)			7,107,732	222,464	(6,840,517)	(214,100)															
Land revaluation increment											(645)	(20)											(645)	(20)	
Capital surplus			386	12																			386	12	
Cumulative conversion adjustments													(339,813)	(10,636)									(339,813)	(10,636)	
Unrealized gains or losses of financial instruments															58,856,865	1,842,155							58,856,865	1,842,155	
Cancellation of treasury stock	(666,598)	(20,864)	(3,473,449)	(108,715)													4,140,047	129,579							
Net loss not yet recognized as net pension cost																				263,896	8,259		263,896	8,259	
Other capital surplus			9,998	313																			9,998	313	
Consolidated net income (loss) for the year ended December 31, 2009									11,051,057	345,886											(219,176)	(6,860)	10,831,881	339,026	
Balance on December 31, 2009	\$96,708,774	\$3,026,879	\$78,240,933	\$2,448,855	\$12,540,295	\$392,498	\$7,107,732	\$222,464	\$11,051,057	\$345,886	\$1,461	\$46	\$4,444	\$139	\$6,547,332	\$204,924	\$-	\$-	\$(6,791)	\$(213)	\$3,227,931	\$101,031	\$215,423,168	\$6,742,509	

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2008 and 2009 were NTS\$2.76 and NTS\$1.95 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
Consolidated statements of cash flows
For the years ended December 31, 2008 and 2009
(Expressed in thousands of dollars)

	2008		2009	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Consolidated net income	\$1,973,057	\$60,228	\$10,831,881	\$339,026
Adjustments:				
Income and other adjustments with no cash flow effects				
Depreciation and amortization expenses	3,806,201	116,184	4,110,485	128,653
Investment income recognized by equity method less (more) than cash dividends received	103,996	3,174	(35,162)	(1,100)
Bad debt expenses	926,248	28,274	3,451	108
Provision for premiums reserve from insurance business	109,826,456	3,352,456	252,371,298	7,898,945
Gain on disposal of property and equipment	(416,870)	(12,725)	(999,961)	(31,298)
Impairment loss	3,979,734	121,482	971,525	30,408
Other adjustments	1,580,446	48,243	(559,680)	(17,517)
Decrease (increase) on operating assets and liabilities				
Increase in receivables	(5,454,731)	(166,506)	(6,449,192)	(201,852)
(Increase) Decrease in deferred income tax assets	(2,122,818)	(64,799)	2,988,739	93,544
Decrease (increase) in financial assets at fair value through profit or loss	25,522,951	779,089	(16,714,728)	(523,153)
Decrease (increase) in other financial assets	1,048,868	32,017	(3,437,815)	(107,600)
Increase in other assets	(1,945,863)	(59,398)	(6,189,697)	(193,731)
Increase in payables	6,370,336	194,455	3,095,426	96,884
Decrease in financial liabilities at fair value through profit or loss	(4,050,619)	(123,645)	(46,481,527)	(1,454,821)
(Decrease) increase in deferred income tax liabilities	(160,658)	(4,904)	1,144,167	35,811
Decrease in other financial liabilities	(117,631)	(3,591)	(123,254)	(3,858)
(Decrease) increase in other liabilities	(1,519,672)	(46,388)	1,029,728	32,230
Net cash provided by operating activities	139,349,431	4,253,646	195,555,684	6,120,679
Cash flows from investing activities				
(Increase) decrease in restricted assets	(83,000)	(2,533)	83,000	2,598
(Increase) decrease in loans	(55,914,700)	(1,706,798)	34,838,822	1,090,417
Decrease (increase) in due from the Central Bank and call loans to banks	11,371,024	347,101	(31,517,238)	(986,455)
Increase in available-for-sale financial assets	(71,569,087)	(2,184,649)	(7,564,968)	(236,775)
Increase in held-to-maturity financial assets	(64,971,901)	(1,983,269)	(19,030,527)	(595,635)
Decrease in investments under equity method	147,761	4,510	430,142	13,463
Increase investments in real estate	(4,302,602)	(131,337)	(8,834,105)	(276,498)
Acquisition of property and equipment	(875,245)	(26,717)	(1,292,650)	(40,459)
Decrease (increase) in securities purchased under agreements to resell	8,522,044	260,136	(31,653,568)	(990,722)
Decrease (increase) in other financial assets	4,277,487	130,570	(77,095,896)	(2,413,017)
(Increase) decrease in other assets	(1,491,113)	(45,516)	1,349,408	42,235
Net cash used in investing activities	(174,889,332)	(5,338,502)	(140,287,580)	(4,390,848)
Cash flows from financing activities				
Decrease in due to the Central Bank and call loans from banks	(10,874,616)	(331,948)	(17,740,144)	(555,247)
Increase in deposits	66,758,905	2,037,817	198,363,169	6,208,550
Increase (decrease) in securities sold under agreements to repurchase	3,822,069	116,669	(11,555,174)	(361,664)
Increase in banker's acceptances and funds borrowed	115,696	3,532	417,948	13,081
Increase in bonds payable	20,314,141	620,090	17,571,231	549,960
Increase in other financial liabilities	41,070	1,254	1,035,449	32,409
(Decrease) increase in other liabilities	(1,965,548)	(59,999)	257,889	8,072
Cash dividends	(23,042,728)	(703,380)	(170,601)	(5,340)
Remuneration paid to directors and supervisors	(5,400)	(165)	-	-
Bonus paid to employees	(2,764)	(84)	-	-
Increase in minority stockholders	305,900	9,337	229,954	7,197
Net cash provided by financing activities	55,466,725	1,693,123	188,409,721	5,897,018
Effects of exchange rate changes	(527,324)	(16,097)	(300,833)	(9,416)
Effects on merger of subsidiaries	-	-	58,782	1,840
Increase in cash and cash equivalents	19,399,500	592,170	243,435,774	7,619,273
Cash and cash equivalents at the beginning of period	381,587,302	11,647,964	400,986,802	12,550,448
Cash and cash equivalents at the end of period	\$400,986,802	\$12,240,134	\$644,422,576	\$20,169,721
Supplemental disclosure of cash flows information				
Interest paid during the period (excluding capitalized interest)	\$19,960,117	\$609,283	\$13,284,478	\$415,790
Income tax paid	\$2,364,316	\$72,171	\$2,291,530	\$71,722
Investing and financing activities with no cash flow effects				
Reclassification of property and equipment to other assets	\$150,983	\$4,609	\$-	\$-

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2008 and 2009 were NT\$32.76 and NT\$31.95 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 Audited Consolidated Financial Statements
(Expressed in thousands of dollars except
for share and per share data and unless otherwise stated)
December 31, 2008 and 2009

1. Organization and business scope

On December 31, 2001, Cathay Life Insurance Co., Ltd. (“Cathay Life”) was reincorporated as Cathay Financial Holding Co., Ltd. (the “Company”) through stock conversion pursuant to the provisions of the Republic of China (“ROC”) Financial Holding Company Act (“Financial Holding Company Act”) and its shares were listed on the Taiwan Stock Exchange Corporation (TSE) on the same day. On April 22, 2002, Cathay Century Insurance Co., Ltd. (“Cathay Century”) and Cathay United Bank Co., Ltd. (“Cathay United Bank”) became subsidiaries of the Company through stock conversion approved by the government. On December 18, 2002, United World Chinese Commercial Bank Co., Ltd. (“UWCCB”) also became a subsidiary of the Company through stock conversion approved by the government. UWCCB and Cathay United Bank merged on October 27, 2003, in accordance with the relevant laws and regulations. UWCCB was the surviving company and was re-named to Cathay United Bank Co., Ltd. (“Cathay United Bank”). On May 12, 2004 the Company established Cathay Securities Corporation (“Cathay Securities”) as a wholly owned subsidiary. On June 30, 2005, the Company has invested Lucky Bank, Inc. (“Lucky Bank”) which was approved as a strategic investment by the Financial Supervisory Commission, Executive Yuan. Lucky Bank became a subsidiary of the Company by stock conversion on August 25, 2006. Cathay United Bank absorption merged with Lucky Bank on January 1, 2007. Cathay United Bank acquired specific assets, liabilities, and business of China United Trust & Investment Corporation (“CUTIC”) on December 29, 2007 to improve competitiveness. Since July 29, 2003, the Company listed a portion of its common shares on the Luxembourg Stock Exchange (LSE) in the form of Global Depositary Shares (GDSs). The Company mainly engages in financial holding business activities. As of December 31, 2008 and 2009, the total numbers of the employees of the Company and Subsidiaries were 42,219 and 43,340 , respectively.

As of and for the years ended December 31, 2008 and 2009, the consolidated financial statements include the following entities:

English Translation of Financial Statements Originally Issued in Chinese

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

Investor	Investee	Business	2008.12.31 Ownership interest	2009.12.31 Ownership interest	Notes
The Company	Cathay Life	Life insurance	100.00%	100.00%	Cathay Life was incorporated in Taiwan on October 23, 1962 under the provisions of the ROC Company Act (the "Company Act").
The Company	Cathay United Bank	Commercial banking operations	100.00%	100.00%	UWCCB was enfranchised by the ROC government on January 4, 1975. On October 27, 2003, UWCCB was merged with the former Cathay United Bank which was dissolved after the merger; the merged entity was renamed Cathay United Bank. The new Cathay United Bank absorption merged with Lucky Bank on January 1, 2007.
The Company	Cathay Century	Property and casualty insurance	100.00%	100.00%	Cathay Century was incorporated in Taiwan on July 19, 1993, under the provisions of the Company Act. Cathay Century changed its name from "Tong Tai Insurance Co., Ltd." to "Cathay Century Insurance Co., Ltd." on August 2, 2002.

English Translation of Financial Statements Originally Issued in Chinese

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

Investor	Investee	Business	2008.12.31 Ownership interest	2009.12.31 Ownership interest	Notes
The Company	Cathay Securities	Securities	100.00%	100.00%	Cathay Securities was incorporated on May 12, 2004, under the Company Act. The securities department and the securities agent (Taipei branch) of Cathay United Bank were transferred to Cathay Securities using operating assignment along with its business, assets and liabilities. The assignment date was August 13, 2004.
The Company、 Cathay Life、 Cathay United Bank、Cathay Century	Cathay Pacific Venture Capital Co., Ltd. (“Cathay Pacific Venture”)	Venture capital investment	100.00%	100.00%	Cathay Pacific Venture was incorporated on April 16, 2003, under the Company Act. Cathay Pacific Venture is the surviving company for the merger with Cathay Venture, Cathay II Venture and Cathay Capital Management on August 10, 2009.

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Investor	Investee	Business	2008.12.31 Ownership interest	2009.12.31 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).
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.

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Investor	Investee	Business	2008.12.31 Ownership interest	2009.12.31 Ownership interest	Notes
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.
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.

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

Investor	Investee	Business	2008.12.31 Ownership interest	2009.12.31 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.
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.

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Investor	Investee	Business	2008.12.31 Ownership interest	2009.12.31 Ownership interest	Notes
Cathay United Bank	Cathay Property Insurance Agent Co., Ltd (“Cathay Property Insurance Agent”)	Property insurance agent	100.00%	100.00%	Cathay Property Insurance Agent was incorporated on March 23, 2000.
Cathay United Bank	Seaward Card Co., Ltd. (“Seaward Card”)	Credit card service	100.00%	100.00%	Seaward Card was incorporated on April 9, 1999.

2. Summary of significant accounting policies

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

(1) Principles of consolidation

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

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(3) Financial assets and financial liabilities

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

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

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

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

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.

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- 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.

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.

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D. Available-for-sale financial assets

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

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

E. Derivative financial assets or liabilities for hedging

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

F. Financial assets carried at cost

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

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G. Financial liabilities

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

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

(4) Derecognition of financial assets and liabilities

A. Derecognition of financial assets

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

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

B. Derecognition of financial liabilities

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

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

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(5) Accounting for impairment of financial assets

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

A. Financial assets carried at amortized cost

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

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

B. Financial assets carried at cost

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

C. Available-for-sale financial assets

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

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(6) Derivative financial instruments

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

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

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

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

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

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

A. Fair value hedges

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

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

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

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

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

B. Cash flow hedges

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

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

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

C. Hedges of a net investment in a foreign operation

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

(7) Allowance for bad debts

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

(8) Investments-equity method

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

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

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

(9) Investments in real estate

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

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

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

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

(10) Property and equipment

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

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

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

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

(11) Intangible assets

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

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

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

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

(12) Accounting for Assets Impairment

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

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

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

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

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

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

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

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

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

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

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

(14) Reserves for operations and liabilities

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

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(15) Treasury stock

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

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

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

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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.

(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.

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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.

(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.

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(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.

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.

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(22) Employee bonus and remuneration of directors

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

(23) Translation to U.S. dollars

The financial statements are stated in NT dollars. The translated U.S. dollars amounts from NT dollars as of December 31, 2008 and 2009 are for information only. The U.S. dollar/NT dollars noon buying rates of NT\$32.76 and NT\$31.95 provided by Federal Reserve Bank of New York of December 31, 2008 and 2009 are used for the translation.

3. Change in accounting and its effects

(1) 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 is not significant to the Company and Subsidiaries’ net income before tax and earnings per share for the year ended December 31, 2008.

(2) Effective from July 1, 2008, the Company and Subsidiaries adopted the revised R.O.C. SFAS No. 34 “Accounting for financial instrument”. This change in accounting principles did not affect the Company and Subsidiaries’ net loss and earnings per share for the year ended December 31, 2008.

4. Cash and cash equivalents

	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Petty cash and cash on hand	\$12,130,768	\$370,292	\$10,872,239	\$340,289
Cash in banks	29,205,740	891,506	12,764,115	399,503
Time deposits	347,371,107	10,603,514	550,790,007	17,239,124
Cash equivalents	241,252	7,364	59,799,322	1,871,653
Checks for clearance	5,356,535	163,508	4,031,517	126,182
Due from commercial banks	6,681,400	203,950	6,165,376	192,970
Total	<u>\$400,986,802</u>	<u>\$12,240,134</u>	<u>\$644,422,576</u>	<u>\$20,169,721</u>

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As of December 31, 2008 and 2009, the amounts of time deposits with maturities beyond one year were NT\$2,383,970 (US\$72,771) thousands and NT\$11,243,520 (US\$351,910) thousands, respectively.

5. Financial assets at fair value through profit or loss

	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Common stock	\$5,837,566	\$178,192	\$8,465,546	\$264,962
Beneficiary certificates	42,701,925	1,303,478	54,713,691	1,712,479
Exchange traded funds	154,004	4,701	338,837	10,605
Real estate investment trust	633,251	19,330	600,250	18,787
Commercial papers	249,084	7,603	5,270,203	164,952
Corporate bonds	4,522,879	138,061	3,658,935	114,521
Government bonds	18,654,939	569,443	5,440,257	170,274
Treasury bills	20,909,996	638,278	23,859,665	746,781
CDs Issued by CBC	1,712	52	-	-
Overseas financial instruments	20,038,327	611,671	15,796,596	494,416
Derivative financial instruments	1,490	45	269,972	8,450
Margin for futures trading-own funds	-	-	56,957	1,783
Structured time deposits	1,000,000	30,525	1,000,000	31,299
Valuation adjustment	12,180,571	371,812	24,173,028	756,589
Total	<u>\$126,885,744</u>	<u>\$3,873,191</u>	<u>\$143,643,937</u>	<u>\$4,495,898</u>

(1) As of December 31, 2008 and 2009, certain financial assets at fair value through profit or loss were sold under repurchase agreements with notional amounts of NT\$13,861,900 (US\$423,135) thousands and NT\$7,874,000 (US\$246,448) thousands, respectively. Such repurchase agreements amounting to NT\$15,156,243 (US\$462,645) thousands and NT\$8,745,465 (US\$273,724) thousands, respectively, were recorded in the account "Securities sold under agreements to repurchase" on the balance sheets. Repurchase agreements entered prior to December 31, 2008 and 2009 are settled at NT\$15,181,203 (US\$463,407) thousands and NT\$8,746,201 (US\$273,747) thousands prior to June 30, 2009 and February 28, 2010, respectively.

(2) Please refer to Note 29 for related information on the above financial assets at fair value through profit or loss as of December 31, 2008 and 2009 being pledged as collaterals.

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6. Loans-net

	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Inward-outward documentary bills	\$378,537	\$11,555	\$830,433	\$25,992
Loans	1,366,252,872	41,704,910	1,330,096,995	41,630,579
Overdrafts	292,455	8,927	457,479	14,318
Delinquent accounts	6,700,982	204,548	5,435,313	170,119
Subtotal	1,373,624,846	41,929,940	1,336,820,220	41,841,008
Less: Allowance for bad debts	(10,720,200)	(327,234)	(8,437,965)	(264,099)
Total	<u>\$1,362,904,646</u>	<u>\$41,602,706</u>	<u>\$1,328,382,255</u>	<u>\$41,576,909</u>

7. Available-for-sale financial assets-net

	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Common stock	\$117,386,919	\$3,583,239	\$128,710,319	\$4,028,492
Beneficiary certificates	1,691,356	51,629	2,156,101	67,484
Collateralized loans obligation and collateralized bonds obligation	4,404,148	134,437	2,157,013	67,512
Exchange traded funds	4,175,789	127,466	4,430,659	138,675
Government bonds	151,534,043	4,625,581	73,917,095	2,313,524
Corporate bonds	47,582,377	1,452,454	60,083,617	1,880,551
Financial debentures	133,532,244	4,076,076	145,367,150	4,549,833
Overseas financial instruments	74,941,478	2,287,591	123,828,172	3,875,686
Real estate investment trust beneficiary	8,725,208	266,337	9,360,911	292,986
Accumulated impairments	(528,541)	(16,134)	(735,000)	(23,005)
Valuation adjustment	(56,918,002)	(1,737,424)	4,140,896	129,606
Total	<u>\$486,527,019</u>	<u>\$14,851,252</u>	<u>\$553,416,933</u>	<u>\$17,321,344</u>

(1) As of December 31, 2008, certain available-for-sale financial assets was sold under repurchase agreements with notional amounts of NT\$5,050,800 (US\$154,176) thousands. Such repurchase agreements amounting to NT\$5,575,869 (US\$170,203) thousands was recorded in the account "Securities sold under agreements to repurchase" on the balance sheets. Repurchase agreements entered prior to December 31, 2008 was settled at NT\$5,583,908 (US\$170,449) thousands prior to June 30, 2009.

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- (2) Please refer to Note 29 for related information on the above available-for-sale financial assets as of December 31, 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 December 31, 2009, Cathay Life recognized impairment losses amounting to NT\$735,000 (US\$23,005) 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\$528,541 (US\$16,134) against the book of the available for sales financial assets for the year ended December 31 2008.

8. Held-to-maturity financial assets-net

	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Government bonds	\$19,889,357	\$607,123	\$92,459,559	\$2,893,883
Corporate bonds	3,919,523	119,644	7,628,296	238,757
Financial debentures	10,779,762	329,053	11,603,925	363,190
Overseas financial instruments	602,153,344	18,380,749	550,838,776	17,240,650
Collateralized loans obligation and collateralized bonds obligation	16,401,473	500,655	9,310,633	291,413
Short-term notes	-	-	516,331	16,161
Total	<u>\$653,143,459</u>	<u>\$19,937,224</u>	<u>\$672,357,520</u>	<u>\$21,044,054</u>

Please refer to Note 29 for related information on the above held-to-maturity financial assets as of December 31, 2008 and 2009 being pledged as collaterals.

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9. Investments under equity method

Investee	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Consulting	\$165,344	\$5,047	\$152,952	\$4,787
Cathay Capital Management	60,314	1,841	-	-
Seaward Card	38,422	1,173	39,319	1,231
Cathay Property Insurance Agent	7,624	233	7,672	240
Cathay Life Insurance Agent	44,831	1,369	53,909	1,687
Cathay Insurance (Bermuda)	94,904	2,897	99,646	3,119
WK Technology Fund VI Co., Ltd	300,311	9,167	358,464	11,220
Vista Technology Venture Capital Corp.	44,791	1,367	39,911	1,249
Omnitek Venture Capital Corp.	86,458	2,639	63,074	1,974
Wa Tech Venture Capital Co., Ltd.	89,506	2,732	101,798	3,186
Taiwan Real-estate Management Corp.	47,283	1,443	55,972	1,752
Taiwan Finance Corp.	1,399,410	42,717	1,417,631	44,370
IBT Venture Capital Corp.	249,589	7,619	114,099	3,571
Cathay Securities Investment Trust Co., Ltd.	402,985	12,301	398,322	12,467
Subtotal	3,031,772	92,545	2,902,769	90,853
Less: Unrealized gain from intercompany transactions	(415,680)	(12,689)	(397,482)	(12,440)
Total	<u>\$2,616,092</u>	<u>\$79,856</u>	<u>\$2,505,287</u>	<u>\$78,413</u>

10. Other financial assets-net

Item	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Derivative financial assets for hedging	\$5,299,695	\$161,774	\$3,704,253	\$115,939
Financial assets carried at cost	26,552,612	810,519	27,368,413	856,601
Structured time deposits	5,600,000	170,940	38,300,000	1,198,748
Customer's margin accounts	463,871	14,160	140,416	4,395
Other miscellaneous financial assets	22,968	701	130,197	4,075
Accumulated impairment	(1,882,287)	(57,457)	(1,980,931)	(62,001)
Total	<u>\$36,056,859</u>	<u>\$1,100,637</u>	<u>\$67,662,348</u>	<u>\$2,117,757</u>

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- (1) An impairment provision is recognized as the stocks held by Cathay Life are assessed to be over-valued. As of December 31, 2008 and 2009, Cathay Life recognized impairment losses amounting to NT\$1,302,285 (US\$39,752) thousands and NT\$1,352,987 (US\$42,347) 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 and Victor Taichung Machinery Works Co., Ltd., Cathay United Bank has recognized losses for these investees based on their net equity. As of December 31, 2008 and 2009, Cathay United Bank recognized impairment losses amounting to NT\$580,002 (US\$17,705) thousands and NT\$627,944 (US\$19,654) thousands, respectively.

11. Investments in debt securities with no active market

	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Preferred stocks	\$899,730	\$27,464	\$1,691,730	\$52,949
Corporate bonds	12,717,756	388,210	14,895,586	466,216
Beneficiary certificates	892,465	27,242	400,000	12,520
Overseas financial instruments	118,980,709	3,631,890	163,284,413	5,110,623
Subtotal	133,490,660	4,074,806	180,271,729	5,642,308
Less: accumulated impairment	(3,329,151)	(101,622)	(2,727,271)	(85,361)
Net balance	<u>\$130,161,509</u>	<u>\$3,973,184</u>	<u>\$177,544,458</u>	<u>\$5,556,947</u>

- (1) A CDO impairment provision is recognized as the overseas bonds held by Cathay Life are assessed to be over-valued. As of December 31, 2008 and 2009, Cathay Life recognized impairment losses amounting to NT\$649,438 (US\$19,824) thousands and NT\$416,390 (US\$13,032) thousands, respectively.
- (2) Due to the credit deterioration of securitization and financial debentures, Cathay United Bank has recognized impairment loss NT\$2,533,294 (US\$77,329) and NT\$2,166,853 (US\$67,820) for the years ended December 31, 2008 and 2009, respectively.

The amounts of the accumulated impairment loss NT\$146,419 (US\$4,469) and NT\$144,028 (US\$4,508), recognized by Cathay United Bank as of December 31, 2008 and 2009, respectively, were due to the default on certain convertible bonds.

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(3) Please refer to Note 29 for related information on the above investments in debt securities with no active market as of December 31, 2008 and 2009 being pledged as collaterals.

12. Investments in real estate

December 31, 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	\$123,994,653	\$3,784,941	\$4,384	\$134	\$(17,021,605)	\$(519,585)	\$(195,923)	\$(5,981)	\$106,781,509	\$3,259,509
Construction	1,836,501	56,059	-	-	-	-	-	-	1,836,501	56,059
Prepayments										
for building										
and land	874,767	26,702	-	-	-	-	-	-	874,767	26,702
Lease	153,970	4,700	-	-	(3,131)	(95)	-	-	150,839	4,605
Total	<u>\$126,859,891</u>	<u>\$3,872,402</u>	<u>\$4,384</u>	<u>\$134</u>	<u>\$(17,024,736)</u>	<u>\$(519,680)</u>	<u>\$(195,923)</u>	<u>\$(5,981)</u>	<u>\$109,643,616</u>	<u>\$3,346,875</u>

December 31, 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	\$133,555,993	\$4,180,156	\$4,366	\$136	\$(18,749,777)	\$(586,847)	\$(195,594)	\$(6,122)	\$114,614,988	\$3,587,323
Construction	2,657,404	83,174	-	-	-	-	-	-	2,657,404	83,174
Lease	153,970	4,819	-	-	(3,445)	(108)	-	-	150,525	4,711
Prepayments										
for building										
and land	3,115	98	-	-	-	-	-	-	3,115	98
Total	<u>\$136,370,482</u>	<u>\$4,268,247</u>	<u>\$4,366</u>	<u>\$136</u>	<u>\$(18,753,222)</u>	<u>\$(586,955)</u>	<u>\$(195,594)</u>	<u>\$(6,122)</u>	<u>\$117,426,032</u>	<u>\$3,675,306</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 December 31, 2008 and 2009.

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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\$170,464) thousands with Land Bank Co., Ltd. as the Trustee. These beneficiary certificates have a redemption period from May 28, 2007 to May 28, 2014. The other terms of these beneficiary certificates are as follows:

Class of beneficiary certificates issued	Issue amount (in thousands of dollars)	Interest rate
Senior tranche 1 st	NT\$3,335,000(US\$104,382)	2.175%
Senior tranche 2 nd	NT\$315,000(US\$9,859)	2.325%
Senior tranche 3 rd	NT\$340,000(US\$10,642)	2.545%
Senior tranche 4 th	NT\$480,000(US\$15,023)	2.945%
Subordinated tranche 5 th	NT\$200,000(US\$6,260)	3.00%
Subordinated tranche 6 th	NT\$200,000(US\$6,260)	3.20%
Subordinated tranche 7 th	NT\$576,335(US\$18,039)	-

Cathay United Bank holds the subordinated beneficiary certificates amounting to NT\$976,335 (US\$30,559) 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 December 31, 2008 and 2009, respectively, were as follows:

	<u>Corporate Loans Securitization</u>	
	<u>December 31, 2008</u>	<u>December 31, 2009</u>
Expected weighted-average life (in years)	0.747	0.252
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%

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(2) Sensitivity analysis:

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

	December 31, 2008		December 31, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Carrying amount of retained interests	\$976,335	\$29,803	\$972,625	\$30,442
Expected weighted-average life (in years)	0.747	0.747	0.252	0.252
Expected prepayment rate (annual rate)	3.00%	3.00%	3.00%	3.00%
Impact on fair value with 10% adverse change	(3,769)	(115)	-	-
Impact on fair value with 20% adverse change	(4,782)	(146)	-	-
Expected credit losses (annual rate)	3.71%	3.71%	3.71%	3.71%
Impact on fair value with 10% adverse change	(6,103)	(186)	(2,219)	(69)
Impact on fair value with 20% adverse change	(8,306)	(254)	(2,736)	(86)
Discounting rate for residual cash flows (annual rate)	2.49%	2.49%	2.49%	2.49%
Impact on fair value with 10% adverse change	(3,756)	(115)	(1,003)	(31)
Impact on fair value with 20% adverse change	(7,497)	(229)	(2,005)	(63)

(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~December 31			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Servicing fees received	\$240	\$7	\$240	\$8
Other cash received on retained interests	29,087	888	24,600	770
Repayment of cash reserve	7,322	224	6,319	198

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14. Goodwill and intangible assets-net

Item	January 1, 2008		Increase		Decrease		December 31, 2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Acquired cost								
Goodwill	\$6,537,374	\$199,554	\$141,998	\$4,334	\$(6,288)	\$(192)	\$6,673,084	\$203,696
			(Notes)	(Notes)	(Notes)	(Notes)		
Computer								
software	2,093,333	63,899	641,924	19,595	(167,882)	(5,125)	2,567,375	78,369
Land use right	19,630	599	-	-	-	-	19,630	599
Subtotal	8,650,337	264,052	783,922	23,929	(174,170)	(5,317)	9,260,089	282,664
Amortization and impairment								
Amortized	(1,070,670)	(32,682)	(418,525)	(12,776)	19,678	601	(1,469,517)	(44,857)
Impairment	(147,141)	(4,492)	(1,063)	(32)	148,204	4,524	-	-
Subtotal	(1,217,811)	(37,174)	(419,588)	(12,808)	167,882	5,125	(1,469,517)	(44,857)
Book value	\$7,432,526	\$226,878	\$364,334	\$11,121	\$(6,288)	\$(192)	\$7,790,572	\$237,807
Item	January 1, 2009		Increase		Decrease		December 31, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Acquired cost								
Goodwill	\$6,673,084	\$208,860	\$-	\$-	\$-	\$-	\$6,673,084	\$208,860
Computer								
software	2,567,375	80,356	471,131	14,746	(73,932)	(2,314)	2,964,574	92,788
Land use right	19,630	614	370,800	11,606	-	-	390,430	12,220
Subtotal	9,260,089	289,830	841,931	26,352	(73,932)	(2,314)	10,028,088	313,868
Amortization and impairment								
Amortized	(1,469,517)	(45,994)	(394,646)	(12,352)	63,956	2,002	(1,800,207)	(56,344)
Book value	\$7,790,572	\$243,836	\$447,285	\$14,000	\$(9,976)	\$(312)	\$8,227,881	\$257,524

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

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

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15. Commercial paper payable

	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Commercial paper payable	\$-	\$-	\$1,170,000	\$36,620
Less: Discount on commercial paper payable	-	-	-	-
Total	<u>\$-</u>	<u>\$-</u>	<u>\$1,170,000</u>	<u>\$36,620</u>

As of December 31, 2009, the average interest rate for the commercial paper payable was 0.248%~1.038% annually.

16. Financial liabilities at fair value through profit or loss

	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Derivative financial instruments	\$119,544	\$3,649	\$872,498	\$27,308
Financial debentures	27,000,000	824,176	12,500,000	391,236
Subordinated financial debentures	5,000,000	152,625	5,000,000	156,495
Security lending payable hedging	-	-	155,448	4,865
Valuation adjustment	40,911,004	1,248,810	8,175,301	255,878
Total	<u>\$73,030,548</u>	<u>\$2,229,260</u>	<u>\$26,703,247</u>	<u>\$835,782</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\$68,858) thousands and NT\$2,800,000 (US\$87,637) thousands, with fixed interest rates. These subordinated financial debentures are repaid at maturity, and the interest is paid quarterly.

Each subordinated financial debenture has a lower priority claim on assets and income than other debts. That is, its principal and interest are repayable only after more senior debt with higher priority has been satisfied. These subordinated financial debentures are, however, senior to common stock.

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- (2) On June 20, 2003, Cathay United Bank issued five-year and six-month dominant financial debentures amounting to NT\$5,000,000 (US\$156,495) 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\$100,156) thousands, NT\$2,700,000 (US\$84,507) thousands and NT\$1,800,000 (US\$56,338) thousands, respectively, which have matured in 2008. Subsequently on March 29, 2004, Cathay United Bank issued six-year dominant financial debentures amounting to NT\$2,000,000 (US\$62,598) thousands with a floating interest rate. These dominant financial debentures will be repaid at maturity, and the interest is paid quarterly or semi-annually.
- (3) 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\$31,299) thousands, NT\$3,500,000 (US\$109,546) thousands, NT\$2,000,000 (US\$62,598) thousands, and NT\$1,000,000 (US\$31,299) thousands, respectively, with floating interest rates, inverse floating interest rates or specific structure rates. These dominant financial debentures are repaid at maturity, and the interest is paid quarterly or semi-annually. On November 10, November 25, November 26, December 9, December 10, December 22, December 23 and December 29, 2004, and on 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\$78,247) thousands, NT\$1,500,000 (US\$46,948) thousands, NT\$1,500,000 (US\$46,948) thousands, NT\$2,500,000 (US\$78,247) thousands, NT\$1,500,000 (US\$46,948) thousands, NT\$2,500,000 (US\$78,247) thousands, NT\$1,000,000 (US\$31,299) thousands and NT\$1,000,000 (US\$31,299) thousands, NT\$2,000,000 (US\$62,598) thousands, NT\$1,500,000 (US\$46,948) thousands, respectively, with fixed interest rates. These dominant financial debentures are repaid at maturity and the interest is paid quarterly. These five-year dominant financial debentures totaling NT\$14,500,000 (US\$453,834) thousands have matured in 2009.
- (4) These dominant financial debentures are senior in priority to the subordinated financial debentures and common shares, but are equal to other debts of Cathay United Bank.

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17. Deposits

	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Check deposits	\$9,930,270	\$303,122	\$14,043,924	\$439,559
Demand deposits	113,614,802	3,468,095	235,582,226	7,373,466
Demand savings deposits	335,084,134	10,228,453	474,075,684	14,838,050
Time deposits	627,373,216	19,150,587	563,982,201	17,652,025
Trust unappropriated	1,106,439	33,774	98,020	3,068
Remittances	3,332,984	101,740	631,365	19,761
Total	<u>\$1,090,441,845</u>	<u>\$33,285,771</u>	<u>\$1,288,413,420</u>	<u>\$40,325,929</u>

18. Bonds payable

	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Subordinated bond payable-net	\$20,000,000	\$610,501	\$40,000,000	\$1,251,956
Subordinated financial debentures	16,430,000	501,526	15,635,981	489,389
Discount in financial debentures	(87,268)	(2,664)	(48,885)	(1,530)
Valuation adjustment	2,523,246	77,022	850,113	26,608
Total	<u>\$38,865,978</u>	<u>\$1,186,385</u>	<u>\$56,437,209</u>	<u>\$1,766,423</u>

(1) On April 28, 2003, Cathay United Bank issued a five-year subordinated financial debentures totaling NT\$2,350,000 (US\$73,552) thousands with a stated interest rate of 2% which has matured. 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 adopted hedge accounting to account for its remaining subordinated financial debentures. Cathay United Bank has bought back the bonds amounting to US\$172,620 on May 12, 2009 and recognized gain in the amount of NT\$430,023(US\$13,459) which was included in other noninterest income.

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- (3) On September 16, 2009, the Company issued a seven-year subordinated bond totaling NT\$20,000,000 (US\$625,978) thousands with a stated interest rate of 2.65%. The subordinated bonds and repayable at maturity and the interest is payable annually.
- (4) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$1,500,000 (US\$46,948) with a stated interest rate of 2.60% in July, 2009, and the interest is payable quarterly.
- (5) Cathay United Bank issued a eight-year subordinated financial debentures totaling NT\$3,650,000 (US\$114,241) with a stated interest rate of 2.42% in June, 2009, and the interest is payable quarterly.
- (6) On December 8, 2008, the Company issued a seven-year subordinated bond totaling NT\$20,000,000 (US\$625,978) thousands with a stated interest rate of 3.10%. The subordinated bonds and repayable at maturity and the interest is payable annually.
- (7) 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. Other borrowings

	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Short-term borrowings	\$-	\$-	\$300,000	\$9,390

As of December 31, 2009, the average interest rate for the other borrowings was 0.65%~1.00% annually.

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20. Reserve for operations and liabilities

	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Reserve for insurance business	\$2,076,370,154	\$63,381,262	\$2,328,289,133	\$72,872,899
Reserves for losses on guarantees	24,892	760	24,892	779
Reserves for losses on stock brokerage transactions	40,408	1,233	54,665	1,711
Reserves for losses on trading securities	269,738	8,234	268,791	8,413
Total	<u>\$2,076,705,192</u>	<u>\$63,391,489</u>	<u>\$2,328,637,481</u>	<u>\$72,883,802</u>

Reserves for operations included the following reserves:

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

(1) Unearned premium reserve

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

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

(2) Special reserve

A. Catastrophe reserve :

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

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- b. Reduction: The amount of assumed claims of catastrophe in excess of NT\$30 million should be deducted from the catastrophe reserve. In addition, the deducted amount is required to be reported to authorities.
 - c. Recovery: Amount in the catastrophe reserve over 15 years should be reversed and then accrued for subject to approvals from relevant authorities.
- B. Contingency reserve: reserve provided for unusual fluctuations of claims or loss ratios.
- a. Addition: Prior to January 1, 2008, thirty percent of the amount that the actual claims paid for each insurance product categories in excess of the respective contingency reserve and expected loss should be provided as the contingency reserve. After January 1, 2008, fifteen percent instead should be provided for based on the method mentioned above.
 - b. Reduction: The amount of actual claims paid for each insurance product categories in excess of the respective catastrophe reserve and expected loss should be deducted from the catastrophe reserve. If the deduction amount is greater than the catastrophe reserve of the insurance product category, catastrophe reserve for other insurance product categories can be used for the deduction. In addition, the deducted amount is required to be reported to authorities.
 - c. Recovery: Once the accumulated contingency reserve of each insurance product category exceeds 60% of its retained earned premium for the year, the excess amount should be recorded as income. When the accumulated accidental insurance contingency reserve exceeds 30% of the retained earned premium for the year, the excess amount should be recorded as income. However, authorities can assign or limit the use of the amount based on the development need of the insurance industry.
- C. The special reserve for the compulsory liability insurance of motor vehicle is in compliance with the “Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance”.
- D. The special reserve of the nuclear hazard insurance is in compliance with the “Accrual of Nuclear Hazard Insurance Reserve”.

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E. The residential earthquake insurance product is in compliance of “Regulations for Method of insurance and Contingency allocation on Residential Earthquake”.

(3) Claims reserve:

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

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

(4) Premiums deficiency reserve :

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

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21. Other financial liabilities

	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Derivative financial liabilities for hedging	\$122,368	\$3,735	\$28,722	\$899
Borrowed funds	261,319	7,977	240,494	7,527
Other miscellaneous financial liabilities	101,788	3,107	-	-
Total	<u>\$485,475</u>	<u>\$14,819</u>	<u>\$269,216</u>	<u>\$8,426</u>

22. Common stock

- (1) As of December 31, 2008 and 2009, the authorized share capital amounted NT\$120,000,000 (US\$3,755,869) thousands, and the issued share capital amounted NT\$97,375,372 (US\$2,972,386) thousands and NT\$96,708,774 (US\$3,026,879) thousands, respectively.
- (2) The cancellation of treasury stock of NT\$666,598 (US\$20,864) thousand by reducing 66,660 thousand shares with par value of NT\$10 (US\$0.31) was approved by the board of directors on August 21, 2009. The recapitalization record date was October 13, 2009.
- (3) The recapitalization of undistributed earnings of NT\$4,605,180 (US\$140,573) 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.
- (4) 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).

23. 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\$2,502,174) and NT\$78,240,933 (US\$2,448,855) thousands as of December 31, 2008 and 2009, respectively. Retained earnings from certain subsidiaries of the Company before the stock exchange of formation of the financial holding company amounted to NT\$267,215 (US\$8,157) and NT\$0 (US\$0) thousands were included in the capital surplus as of December 31, 2008 and 2009, respectively.

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

24. Retained earnings

(1) Legal reserve

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

(2) Special reserve

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

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(3) Undistributed earnings

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

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

C. On June 13, 2008, the shareholders' meeting resolved the distribution of earnings of NT\$3.0 (US\$0.09) per share for the year ended December 31, 2007. The cash and stock dividends with record dates are NT\$2.5 (US\$0.08) and NT\$0.5 (US\$0.02) on July 8 and August 5, 2008, respectively.

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

E. In accordance with SFC regulations, posterior to 2002 subsidiaries of financial holding companies that hold shares of their parent company should treat those shares as treasury stock. The costs of these shares are exempted from distributing as special reserve.

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

G. Dividends policy

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

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H. The accrual of employee bonus and remuneration of directors for the years of 2009 was NT\$33,242 (US\$1,040) based on the average of actual distribution in the past three years or the net income after tax for the years 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 years of 2008 was NT\$1,500 (US\$46) based on the average of actual distribution in the past three years or the net income after tax for the years of 2008 and recognized as operating costs or expenses. The difference between actual distribution and estimated amount will be recognized in 2009 fiscal year.

The actual distribution for employee bonus and remuneration of directors for year 2009 was the same as 2008 year.

J. Due to the date of CPA expressing an opinion, the Company's distribution of 2009 retained earnings has not been approved by the board of directors and the shareholders. For related information please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.

25. Treasury stock

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

Reason for acquisition	December 31, 2008									
	In thousands of shares				Book value		Book value per share		Market value per share	
	January 1, 2008	Increase	Decrease	December 31, 2008	(NT\$)	(US\$)	(in NT dollars)	(in US dollars)	(in NT dollars)	(in US dollars)
Shares acquired through share exchange from merger transaction	66,660	-	-	66,660	\$4,140,047	\$126,375	\$62.11	\$1.90	\$36.50	\$1.11

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		December 31, 2009								
		In thousands of shares			Book value		Book value per share		Market value per share	
Reason for acquisition	January 1, 2009	Increase	Decrease	December 31, 2009	(NT\$)	(US\$)	(in NT dollars)	(in US dollars)	(in NT dollars)	(in US dollars)
Shares acquired through share exchange from merger transaction	66,660	-	66,660	-	\$-	\$-	\$-	\$-	\$-	\$-

26. Operating Expense

For the nine month ended December 31, 2008 and 2009, personnel expense, depreciation and amortizations are summarized below:

	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Personnel expenses				
Salary and wages	\$32,064,747	\$978,777	\$33,638,947	\$1,052,862
Labor & health insurance expenses	2,187,631	66,777	2,332,543	73,006
Pension expenses	1,365,520	41,683	1,418,695	44,404
Other expenses	1,853,190	56,569	1,949,812	61,027
Depreciation	3,386,518	103,373	3,709,236	116,095
Amortization	419,683	12,811	401,249	12,558

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27. Estimated income taxes

(1) Income tax expenses include the following:

	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Adjusted income tax calculates on accounting income	\$(643,483)	\$(19,642)	\$1,234,709	\$38,645
Plus (Less): Tax of interest income on a separate basis	172,696	5,272	124,321	3,891
Extra 10% income tax on undistributed retained earning	15,799	482	8,716	273
Withholding tax for overseas investments	73,079	2,231	21,999	688
Tax effects under consolidated income tax	420,203	12,827	(102,029)	(3,193)
Deferred income tax (benefits) expense	(1,357,405)	(41,435)	4,280,562	133,977
Adjustment of income tax	(327,828)	(10,007)	797,404	24,958
Income tax credit	50,071	1,528	(11,383)	(356)
Operating loss carry-forward	5,617	171	(3,255,088)	(101,881)
Effects of tax rate change on deferred tax assets / liabilities	-	-	1,922,969	60,187
Other	(172,945)	(5,279)	445,486	13,943
Total income tax (benefits) expenses	<u>\$(1,764,196)</u>	<u>\$(53,852)</u>	<u>\$5,467,666</u>	<u>\$171,132</u>

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

	December 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Total deferred tax assets	<u>\$15,864,121</u>	<u>\$484,253</u>	<u>\$11,076,900</u>	<u>\$346,695</u>
Total deferred tax liabilities	<u>\$4,968,867</u>	<u>\$151,675</u>	<u>\$4,701,245</u>	<u>\$147,144</u>
Allowance for deferred assets	<u>\$410,740</u>	<u>\$12,538</u>	<u>\$108,274</u>	<u>\$3,389</u>

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	December 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Temporary differences:				
Pension expense	\$1,423,997	\$43,468	\$1,476,010	\$46,198
Unrealized exchange losses (gains)	(13,081,719)	(399,320)	7,272,537	227,622
Losses (gains) from valuation on financial assets and liabilities	25,471,882	777,530	(13,894,091)	(434,870)
Allowance for bad debts	3,075,422	93,877	591,097	18,501
Operating loss carry-forward	4,370,764	133,418	35,633,395	1,115,286
Other difference	1,514,735	46,237	1,218,318	38,132
Total	<u>\$22,775,081</u>	<u>\$695,210</u>	<u>\$32,297,266</u>	<u>\$1,010,869</u>
Tax effect under consolidated income tax system	<u>\$20,177,965</u>	<u>\$615,933</u>	<u>\$(1,515,565)</u>	<u>\$(47,435)</u>
Deferred income tax assets of foreign branches	<u>\$411,628</u>	<u>\$12,565</u>	<u>\$911,630</u>	<u>\$28,533</u>
Investment tax credit	<u>\$216,343</u>	<u>\$6,604</u>	<u>\$184,940</u>	<u>\$5,788</u>

	December 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Deferred tax assets	\$15,864,121	\$484,253	\$11,076,900	\$346,695
Allowance for deferred tax assets	(410,740)	(12,538)	(108,274)	(3,389)
Net deferred tax assets	15,453,381	471,715	10,968,626	343,306
Deferred tax liabilities	(4,968,867)	(151,675)	(4,701,245)	(147,144)
Net offset balance of deferred tax assets	<u>\$10,484,514</u>	<u>\$320,040</u>	<u>\$6,267,381</u>	<u>\$196,162</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.

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(3) Income tax returns:

			December 31, 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

					December 31,			
					2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
The Company		\$632,721	\$19,314	\$2,424	\$76			
Cathay Life		963,145	29,400	2,465,683	77,173			
Cathay United Bank		119,597	3,651	41,917	1,312			
Cathay Century		6,631	202	18,076	566			
Cathay Securities		7,533	230	9,332	292			
Cathay Pacific Venture		1,004	31	44,005	1,377			
Cathay Venture		15,172	463	-	-			
Cathay II Venture		13,590	415	-	-			
Cathay Futures		15,468	472	13,038	408			
Symphox Information		-	-	17,521	548			

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B. Imputation ratio

	For the year ended December 31,	
	2008	2009
	Actual	Estimated
The Company stock	10.08%	0.02%
Cathay Life	5.62%	-
Cathay United Bank	5.06%	-
Cathay Century	2.55%	2.07%
Cathay Securities	-	6.11%
Cathay Pacific Venture	-	-
Cathay Venture	17.87%	-
Cathay II Venture	5.45%	-
Cathay Futures	33.33%	33.33%
Symphox Information	33.33%	26.45%

(5) Information relating of undistributed retained earnings:

Year	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Prior to 1997	\$267,215	\$8,157	\$-	\$-
After 1998	7,060,140	215,511	11,051,057	345,886
Total	\$7,327,355	\$223,668	\$11,051,057	\$345,886

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.

28. Earnings per share

	For the year ended December 31, 2008								
	Amount (Numerator)				Shares (in thousands of shares)	EPS (in dollars)			
	Before income taxes		After income taxes			Before income taxes		After income taxes	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(denominator)	(NT\$)	(US\$)	(NT\$)	(US\$)
Primary earnings per share:									
Consolidated losses	\$208,861	\$6,376	\$1,973,057	\$60,228	9,670,877	\$0.02	\$-	\$0.20	\$0.01

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For the year ended December 31, 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	\$16,299,547	\$510,158	\$10,831,881	\$339,026	9,685,305	\$1.68	\$0.05	\$1.12	\$0.04

29. Related party transactions

(1) Related parties

Name	Relationship
Cathay Life	Subsidiary of the Company
Cathay United Bank	"
Cathay Century	"
Cathay Securities	"
Cathay Pacific Venture	"
Cathay II Venture	Subsidiary of the Company (merged with Cathay Pacific Venture on August 10, 2009)
Cathay Capital Management	"
Cathay Venture	"
Cathay Life (Shanghai)	Subsidiary of Cathay Life
Cathay Life (Vietnam)	"
Symphox Information	"
Cathay Insurance (Bermuda)	"
Cathay Securities Investment Consulting	"
Cathay Century (Shanghai)	Subsidiary of Cathay Century
Indovina Bank	Subsidiary of Cathay United Bank
Cathay Life Insurance Agent	"
Seaward Card	"
Cathay Property Insurance Agent	"
Cathay Futures	Subsidiary of Cathay Securities
Cathay Securities Investment Trust Co., Ltd.	Investee accounted for under the equity method
Taiwan Real-estate Management Corp.	"

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Name	Relationship
Wan Pao Development Co., Ltd.	The chairman is a second immediate family member of the Company's chairman
Cathay Bond Fund etc.	The fund is managed by Cathay Securities Trust Co., Ltd.
Vietinbank	Joint venture partner of Indovina Bank
Lin Yuan Property Management Co., Ltd.	Related Party disclosed according to Accounting Standard No. 6
Cathay General Hospital	"
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 year ended December 31,							
	2008				2009			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Vietinbank	\$6,988	\$213	\$14,451	\$441	\$4,873	\$153	\$38	\$1

b. Call loans from banks

Name	For the year ended December 31,							
	2008				2009			
	Ending balance		Interest expense		Ending balance		Interest expense	
(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Vietinbank	\$-	\$-	\$-	\$-	\$178,530	\$5,588	\$3,368	\$105

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share date and unless otherwise stated)**

B. Financial assets at fair value through profit or loss

Name	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$6,158,248</u>	<u>\$187,981</u>	<u>\$4,893,249</u>	<u>\$153,153</u>

C. Receivables

Name	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	\$9,341	\$285	\$12,938	\$405
Cathay Capital Management	14,212	434	-	-
Total	<u>\$23,553</u>	<u>\$719</u>	<u>\$12,938</u>	<u>\$405</u>

D. Loans

Name	For the year ended December 31, 2008			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Revenue (NT\$)	Interest Revenue (US\$)
Seaward Leasing Ltd.	\$3,203,630	\$97,791	\$67,895	\$2,073
Taiwan Real-estate Management Corp.	109,000	3,327	3,197	98
Cathay General Hospital	4,544,249	138,713	170,269	5,197
Other related parties	500,209	15,269	13,503	412
Total	<u>\$8,357,088</u>	<u>\$255,100</u>	<u>\$254,864</u>	<u>\$7,780</u>

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Name	For the year ended December 31, 2009			
	Ending Balance	Ending Balance	Interest Revenue	Interest Revenue
	(NT\$)	(US\$)	(NT\$)	(US\$)
Seaward Leasing Ltd.	\$2,460,000	\$76,995	\$16,370	\$512
Taiwan Real-estate Management Corp.	107,000	3,349	1,936	61
Cathay General Hospital	4,262,030	133,397	101,046	3,163
Other related parties	544,420	17,040	8,346	261
Total	\$7,373,450	\$230,781	\$127,698	\$3,997

E. Available-for-sale financial assets

Name	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$603,717	\$18,428	\$201,519	\$6,307

F. Deposit

Name	For the year ended December 31, 2008			
	Ending Balance	Ending Balance	Interest Expense	Interest Expense
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$524,269	\$16,003	\$14,291	\$436
Cathay Real Estate Development Co., Ltd.	151,414	4,622	150	5
Cathay Bond Fund etc.	6,683,168	204,004	17,430	532
Other related parties	4,143,711	126,487	189,319	5,779
Total	\$11,502,562	\$351,116	\$221,190	\$6,752

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Name	For the year ended December 31, 2009			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Expense (NT\$)	Interest Expense (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$511,943	\$16,023	\$3,815	\$119
Cathay Real Estate Development Co., Ltd.	139,654	4,371	66	2
Cathay Bond Fund etc.	7,731,112	241,975	83,956	2,628
Other related parties	3,536,416	110,686	36,632	1,147
Total	<u>\$11,919,125</u>	<u>\$373,055</u>	<u>\$124,469</u>	<u>\$3,896</u>

G. Property transactions

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

Name	For the year ended December 31, 2008		
	Item	(NT\$)	(US\$)
Lin Yuan Property Management Co., Ltd.	International Building etc.	\$214,481	\$6,547
San Ching Engineering Co., Ltd.	Cathay Land Mark et.	15,258	466
Total		<u>\$229,739</u>	<u>\$7,013</u>

Name	For the year ended December 31, 2009		
	Item	(NT\$)	(US\$)
Lin Yuan Property Management Co., Ltd.	International Building etc.	\$107,318	\$3,359
San Ching Engineering Co., Ltd.	Cathay Land Mark et.	18,980	594
Total		<u>\$126,298</u>	<u>\$3,953</u>

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b. Real estate rental income from Cathay Life:

Name	Rental income			
	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Real Estate Development Co., Ltd.	\$19,522	\$596	\$22,087	\$691
Cathay General Hospital	172,621	5,269	175,841	5,504
Cathay Securities Investment Trust Co., Ltd.	19,510	595	22,375	700
San Ching Engineering Co., Ltd.	8,478	259	9,657	302
Cathay Securities Investment Consulting	7,367	225	9,289	291
Total	<u>\$227,498</u>	<u>\$6,944</u>	<u>\$239,249</u>	<u>\$7,488</u>

Name	Guarantee deposits in			
	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Real Estate Development Co., Ltd.	\$4,886	\$149	\$4,886	\$153
Cathay General Hospital	11,079	338	11,658	365
Cathay Securities Investment Trust Co., Ltd.	4,872	149	4,948	155
Total	<u>\$20,837</u>	<u>\$636</u>	<u>\$21,492</u>	<u>\$673</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 year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Real Estate Development Co., Ltd.	\$41,682	\$1,272	\$41,102	\$1,286
Seaward Leasing Ltd.	14,907	455	14,463	453
Total	<u>\$56,589</u>	<u>\$1,727</u>	<u>\$55,565</u>	<u>\$1,739</u>

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Name	Guarantee deposits paid			
	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Real Estate Development Co., Ltd.	\$8,779	\$268	\$8,779	\$275
Seaward Leasing Ltd.	11,590	354	-	-
Total	\$20,369	\$622	\$8,779	\$275

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

H. Due to commercial banks

Name	For the year end December 31, 2008			
	Ending balance	Interest expense	Ending balance	Interest expense
	(NT\$)	(NT\$)	(US\$)	(US\$)
Vietinbank	\$704	\$91,188	\$21	\$2,784

There is no significant related parties transactions for the years ended December 31, 2009.

I. Securities sold under agreements to repurchase

Name	December 31,			
	Ending balance			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$146,129	\$4,461	\$110,000	\$3,443
Lin Yuan Investment Co., Ltd.	99,623	3,041	-	-
Other related parties	878,248	26,808	558,189	17,471
Total	\$1,124,000	\$34,310	\$668,189	\$20,914

Name	For the year ended December 31,			
	Interest expenses			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Wan Pao Development Co., Ltd.	\$6,144	\$187	\$-	\$-
Cathay Securities Investment Trust Co., Ltd.	1,381	42	149	4
Lin Yuan Investment Co., Ltd.	2,707	83	-	-
Other related parties	13,169	402	823	26
Total	\$23,401	\$714	\$972	\$30

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J. Payables

Name	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Seaward Card	\$24,945	\$761	\$24,683	\$772
Lin Yuan Property Management Co., Ltd.	-	-	4,396	138
San Ching Engineering Co., Ltd.	10,288	314	-	-
Total	<u>\$35,233</u>	<u>\$1,075</u>	<u>\$29,079</u>	<u>\$910</u>

K. Net commission and handling fees

a. Handling fees income

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$29,708	\$907	\$24,466	\$766
Cathay Securities Investment Consulting	6,514	199	3,125	98
Total	<u>\$36,222</u>	<u>\$1,106</u>	<u>\$27,591</u>	<u>\$864</u>

b. Reinsurance handling fee income

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	<u>\$8,793</u>	<u>\$268</u>	<u>\$-</u>	<u>\$-</u>

c. Reinsurance handling fee paid

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	<u>\$10,215</u>	<u>\$312</u>	<u>\$8,493</u>	<u>\$266</u>

d. Commissions expense

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life Insurance Agent	<u>\$24,287</u>	<u>\$741</u>	<u>\$34,956</u>	<u>\$1,094</u>

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e. Reinsurance commissions expense

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	\$6,238	\$190	\$3,416	\$107

f. Reinsurance commissions income

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	\$7,748	\$237	\$-	\$-

L. Net premiums from insurance business

a. Insurance income

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay General Hospital	\$37,706	\$1,151	\$36,747	\$1,150
Seaward Leasing Ltd.	9,759	298	6,067	190
Other related parties	398,492	12,164	407,957	12,769
Total	\$445,957	\$13,613	\$450,771	\$14,109

b. Reinsurance income

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	\$140,639	\$4,293	\$89,771	\$2,810

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. For the years ended December 31, 2008 and 2009, Cathay Life assumes 90% and 60% of the reinsurance business from Cathay Insurance (Bermuda), respectively.

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c. Reinsurance claims payment

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Insurance (Bermuda)	\$104,739	\$3,197	\$109,757	\$3,435

M. Net other non-interest income

a. Sales

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Culture and Charity Foundation of Cathay Life	\$-	\$-	\$4,179	\$131

b. Service Income

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay General Hospital	\$4,155	\$127	\$-	\$-
Lin Yuan Property Management Co., Ltd.	4,849	148	-	-
Cathay Securities Investment Consulting	3,002	91	-	-
Total	\$12,006	\$366	\$-	\$-

c. Miscellaneous income

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$40,394	\$1,233	\$101,165	\$3,166
Cathay General Hospital	5,430	166	5,782	181
Total	\$45,824	\$1,399	\$106,947	\$3,347

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N. Operating expense

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Consulting	\$30,135	\$920	\$22,680	\$710
Seaward Card	324,139	9,894	312,840	9,792
Cathay Pacific Management	21,410	654	-	-
Lin Yuan Property Management Co., Ltd.	600,782	18,339	575,271	18,005
Cathay Real Estate Development Co., Ltd.	20,589	628	10,291	322
San Ching Engineering Co., Ltd.	7,408	226	-	-
Cathay General Hospital	12,013	367	11,213	351
Seaward Leasing Ltd.	14,952	456	16,613	520
Total	<u>\$1,031,428</u>	<u>\$31,484</u>	<u>\$948,908</u>	<u>\$29,700</u>

O. Others Disclosures

- a. Cathay United Bank entered into a contract with San Ching Engineering Co., Ltd. to build the Nei-hu Financial Building and North Taoyuan Branch totaling NT\$ 1,411,880 (US\$44,190) thousands, in 2006. The project was completed in 2009. Cathay United Bank paid the amount of NT\$620,074 (US\$18,928) thousands and NT\$218,894 (US\$6,851) thousands during the years ended December 31, 2008 and 2009. As of December 31, 2008 and 2009, the accumulated amount paid were NT\$1,181,897 (US\$36,077) thousands and NT\$1,400,790 (US\$43,843) thousands, respectively.
- b. Cathay United Bank has paid decoration and fix fees to San Ching Engineering Co., Ltd., for the amount of NT\$5,419(US\$165) thousands and NT\$1,790 (US\$56) thousands during the years ended December 31, 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\$22,028 (US\$672) thousands and NT\$29,548 (US\$925) thousands during the years ended December 31, 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\$17,648 (US\$539) thousands and NT\$4,271 (US\$134) thousands were included in disposal gains of foreclosed properties or premises and equipment during the years ended December 31, 2008 and 2009, respectively.

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P. Information about key management personnel compensation:

	For the year ended December 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Remunerations including wages, awards, bonus and etc.	\$164,992	\$5,036	\$149,138	\$4,668

The management of the Company and Subsidiaries includes directors, supervisors, vice general managers and the above. Please refer to the report for annual stockholders' meeting for details of total remunerations paid to above management.

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

A. Cash in bank

		For the year ended December 31, 2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$-	2.38%~4.57%	\$26,701
	Cash in bank	3,040	0.00%~1.70%	1,292
	Total	\$3,040		\$27,993

		For the year ended December 31, 2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$-	2.38%~4.57%	\$815
	Cash in bank	93	0.00%~1.70%	39
	Total	\$93		\$854

		For the year ended December 31, 2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in bank	\$4,740	0.00%~0.10%	\$232

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Name	Item	For the year ended December 31, 2009		
		Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in bank	\$148	0.00%~0.10%	\$7

B. Receivables

Name	Item	December 31,			
		2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay United Bank	Receivables due to consolidated income tax	\$1,083,576	\$33,076	\$1,375,483	\$43,051
Cathay Life	Interest	10,041	306	547,753	17,144
Cathay Century	Receivables due to consolidated income tax	212,281	6,480	231,855	7,257
Cathay Capital Management	Receivables due to consolidated income tax	14,212	434	-	-
Cathay Securities	Receivables due to consolidated income tax	-	-	195,257	6,111
Cathay II Venture	Receivables due to consolidated income tax	8,123	248	-	-
Total		\$1,328,233	\$40,544	\$2,350,348	\$73,563

C. Guarantee deposits paid

Name	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$5,940	\$181	\$5,964	\$187

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D. Payables

Name	Item	December 31,			
		2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	Payables due to				
	consolidated income tax	\$3,232,375	\$98,668	\$5,306,663	\$166,093
Cathay United Bank	Payables due to				
	consolidated income tax	2,865,348	87,465	3,330,544	104,242
Cathay Century	Payables due to				
	consolidated income tax	18,145	554	-	-
Cathay Securities	Payables due to				
	consolidated income tax	14,268	436	14,199	445
Total		<u>\$6,130,136</u>	<u>\$187,123</u>	<u>\$8,651,406</u>	<u>\$270,780</u>

E. Interest income

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	<u>\$10,041</u>	<u>\$307</u>	<u>\$537,712</u>	<u>\$16,830</u>

F. Operating expenses

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$22,326	\$681	\$25,787	\$807
Lin Yuan Property Management Co., Ltd.	4,381	134	-	-
Cathay Securities	-	-	3,210	101
Total	<u>\$26,707</u>	<u>\$815</u>	<u>\$28,997</u>	<u>\$908</u>

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G. Sales of securities

There is no significant related parties transactions for the year ended December 31, 2008.

Name	Securities	For the year ended December 31,		
		Shares (thousand)	Amount (NT\$)	Amount (US\$)
Cathay Life	Cathay Pacific Venture	27,854	\$271,315	\$8,492
Cathay United Bank	Cathay Pacific Venture	2,228	21,705	679
Cathay Century	Cathay Pacific Venture	27,854	271,315	8,492
Cathay Real Estate Development Co., Ltd.	Cathay Pacific Venture	27,854	271,315	8,492
Total		85,790	\$835,650	\$26,155

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

A. Cathay Life

a. Cash in banks

Name	Item	For the year ended December 31,2008		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$6,432,052	1.24%~4.50%	\$79,855
Bank	Cash in bank	2,719,316	0.02%~1.85%	3,224
Total		\$9,151,368		\$83,079

Name	Item	For the year ended December 31,2008		
		Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$196,339	1.24%~4.50%	\$2,438
Bank	Cash in bank	83,007	0.02%~1.85%	98
Total		\$279,346		\$2,536

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		For the year ended December 31,2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$10,148,850	0.10%~2.42%	\$42,918
Bank	Cash in bank	9,318,427	0.02%~1.00%	5,265
Total		\$19,467,277		\$48,183

		For the year ended December 31,2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$317,648	0.10%~2.42%	\$1,343
Bank	Cash in bank	291,656	0.02%~1.00%	165
Total		\$609,304		\$1,508

b. Other receivables

Name	December 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Financial Holding	\$3,232,375	\$98,668	\$5,306,663	\$166,093
Cathay Century	153,614	4,689	230,135	7,203
Total	\$3,385,989	\$103,357	\$5,536,798	\$173,296

c. Other financial assets

		For the year ended December 31,2008		
Name		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank		\$500,000	1.80%~4.06%	\$75,609

		For the year ended December 31,2008		
Name		Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank		\$15,263	1.80%~4.06%	\$2,308

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There is no significant related parties transactions for the year ended December 31, 2009.

d. Secured loans

For the year ended December 31,2008				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$4,388,030	\$4,286,249	3.57%~3.91%	\$163,347
Other related parties	340,552	289,709	2.20%~5.67%	8,177
Total	<u>\$4,728,582</u>	<u>\$4,575,958</u>		<u>\$171,524</u>

For the year ended December 31,2008				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$133,945	\$130,838	3.57%~3.91%	\$4,986
Other related parties	10,395	8,843	2.20%~5.67%	250
Total	<u>\$144,340</u>	<u>\$139,681</u>		<u>\$5,236</u>

For the year ended December 31,2009				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$4,286,249	\$4,026,030	1.85%~3.91%	\$94,888
Other related parties	385,439	323,147	1.01%~5.37%	6,015
Total	<u>\$4,671,688</u>	<u>\$4,349,177</u>		<u>\$100,903</u>

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Name	For the year ended December 31, 2009			
	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$134,155	\$126,010	1.85%~3.91%	\$2,970
Other related parties	12,064	10,114	1.01%~5.37%	188
Total	\$146,219	\$136,124		\$3,158

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

Name	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$5,267,637	\$160,795	\$4,020,682	\$125,843

f. Other overdue receivable

Name	December 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Life (Shanghai)	\$265,211	\$8,096	\$204,097	\$6,388

g. Property transactions

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

Name	For the year ended December 31, 2008			
	Item	(NT\$)	(US\$)	
Lin Yuan Property Management Co., Ltd.	International Building etc	\$214,481	\$6,547	
Name	For the year ended December 31, 2009			
	Item	(NT\$)	(US\$)	
Lin Yuan Property Management Co., Ltd.	International Building etc	\$107,318	\$3,359	

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h. Repurchase bonds

Name	For the year ended December 31, 2008		
	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	<u>\$431,473</u>	0.30%~1.94%	<u>\$13,210</u>

Name	For the year ended December 31, 2008		
	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	<u>\$13,171</u>	0.30%~1.94%	<u>\$403</u>

There is no significant related parties transactions for the year ended December 31, 2009.

i. Guarantee deposits paid

Name	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Futures	<u>\$731,062</u>	<u>\$22,316</u>	<u>\$270,492</u>	<u>\$8,466</u>

As of December 31, 2008 and 2009, the imputed interest income of guarantee deposits paid from Cathay Futures were NT\$658 (US\$20) thousands and NT\$389 (US\$12) thousands, respectively.

j. Other payables

Name	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Financial Holding	<u>\$10,041</u>	<u>\$307</u>	<u>\$547,753</u>	<u>\$17,144</u>

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k. Rental income

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay United Bank	\$299,636	\$9,146	\$334,008	\$10,454
Cathay General Hospital	172,621	5,269	175,841	5,504
Total	<u>\$472,257</u>	<u>\$14,415</u>	<u>\$509,849</u>	<u>\$15,958</u>

l. Insurance income

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009 (US\$)
Cathay United Bank	\$555,658	\$16,961	\$609,653	\$19,081
Other related parties	398,492	12,164	407,957	12,769
Total	<u>\$954,150</u>	<u>\$29,125</u>	<u>\$1,017,610</u>	<u>\$31,850</u>

m.Reinsurance income

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009 (US\$)
Cathay Insurance (Bermuda)	<u>\$140,639</u>	<u>\$4,293</u>	<u>\$89,771</u>	<u>\$2,810</u>

Since April 1, 2000, Cathay Insurance (Bermuda) has engaged in the reinsurance business providing reinsurance for RGA Global Reinsurance Company and Central Reinsurance Corporation's accidental insurance. For the years ended December 31, 2008 and 2009, Cathay Life assumes 90% and 60% of the reinsurance business from Cathay Insurance (Bermuda), respectively.

n. Reinsurance claims payment

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009 (US\$)
Cathay Insurance (Bermuda)	<u>\$104,739</u>	<u>\$3,197</u>	<u>\$109,757</u>	<u>\$3,435</u>

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o. Miscellaneous income

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Century	\$890,063	\$27,169	\$1,009,955	\$31,611
Cathay United Bank	127,741	3,899	87,940	2,752
Cathay Securities Investment Trust Co., Ltd.	40,394	1,233	101,165	3,166
Total	<u>\$1,058,198</u>	<u>\$32,301</u>	<u>\$1,199,060</u>	<u>\$37,529</u>

p. Operating expense

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay United Bank	\$1,117,006	\$34,097	\$1,143,334	\$35,785
Symphox Information	252,004	7,692	229,332	7,178
Lin Yuan Property Management Co., Ltd.	596,636	18,212	575,271	18,005
Total	<u>\$1,965,646</u>	<u>\$60,001</u>	<u>\$1,947,937</u>	<u>\$60,968</u>

q. Non-operating expenses

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Financial Holding	<u>\$10,041</u>	<u>\$307</u>	<u>\$537,712</u>	<u>\$16,830</u>

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

r. Sales of securities

There were no related party transactions of securities for the year ended December 31, 2008.

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Name	Securities	For the year ended December 31, 2009				
		Shares (thousand)	Amount		Losses from disposal	
			NT\$	US\$	NT\$	US\$
Cathay Financial Holding	Cathay Pacific Venture	27,854	\$271,315	\$8,492	\$9,251	\$290

s. Other Disclosures

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

Item	December 31,	
	2008	2009
Forward foreign exchange contracts	US\$768,858	US\$500,000
CS contracts	US\$1,110,000	US\$3,421,000

Cathay Life had entered a credit assignment agreement with Cathay United Bank in the amounts of NT\$4,448,000 (US\$135,775) thousands and NT\$804,300 (US\$25,174) thousands during the year ended December 31, 2008 and 2009, respectively.

B. Cathay United Bank

a. Loans and deposits

Account/Name	For the year ended December 31,							
	2008				2009			
	Ending Balance		Interest revenue		Ending Balance		Interest revenue	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Loans								
Seaward								
Leasing Ltd.	\$3,203,630	\$97,791	\$67,895	\$2,072	\$2,460,000	\$76,995	\$16,370	\$512
Taiwan								
Real-estate								
Management								
Corp.	109,000	3,327	3,197	98	107,000	3,349	1,936	61
Cathay General								
Hospital	258,000	7,875	6,922	211	236,000	7,387	6,158	193
Other related								
parties	188,100	5,742	5,326	163	203,865	6,381	2,331	73
Total	\$3,758,730	\$114,735	\$83,340	\$2,544	\$3,006,865	\$94,112	\$26,795	\$839

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Account/Name	For the year ended December 31,							
	2008				2009			
	Ending Balance		Interest expense		Ending Balance		Interest expense	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Deposits								
Cathay Life	\$9,151,368	\$279,346	\$83,079	\$2,536	\$19,467,277	\$609,305	\$48,183	\$1,508
Cathay Futures	1,669,012	50,947	28,758	878	1,346,203	42,135	12,355	387
Cathay								
Securities	157,636	4,812	3,933	120	117,909	3,690	872	27
Cathay Century	1,479,562	45,163	12,307	376	1,626,681	50,913	14,405	451
Cathay								
Securities								
Investment								
Trust Co.,								
Ltd.	524,269	16,003	14,291	436	511,943	16,023	3,815	119
Cathay Real								
Estate								
Development								
Co., Ltd.	151,414	4,622	150	5	139,654	4,371	66	2
Cathay Life								
(Vietnam)	149,808	4,573	17,511	534	48,294	1,512	13,147	411
Cathay Global								
Money								
Market Fund								
etc.	6,683,168	204,004	17,430	532	7,731,112	241,975	83,956	2,628
Other related								
parties	4,143,711	126,487	189,319	5,779	3,536,416	110,686	36,632	1,147
Total	\$24,109,948	\$735,957	\$366,778	\$11,196	\$34,525,489	\$1,080,610	\$213,431	\$6,680

Account/Name	For the year ended December 31, 2008							
	Maximum amount		Ending balance		Rate	Interest revenue (expense)		
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)	
Call loans to banks								
Indovina Bank	\$3,483,572	\$106,336	\$722,920	\$22,067	2.56%~26.00%	\$48,840	\$1,491	
Due from banks								
Indovina Bank	\$402,066	\$12,273	\$37,216	\$1,136	0.50%~2.40%	\$159	\$5	
Call loans from banks								
Indovina Bank	\$1,100,614	\$33,596	\$230,020	\$7,021	2.30%~18.00%	\$(5,269)	\$(161)	

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Account/Name	For the year ended December 31, 2009						
	Maximum amount		Ending balance		Rate	Interest revenue (expense)	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Call loans to banks							
Indovina Bank	\$1,911,490	\$59,828	\$388,130	\$12,148	0.24%~12.00%	\$6,070	\$190
Due from banks							
Indovina Bank	\$668,662	\$20,928	\$8,661	\$271	0.50%~2.40%	\$503	\$16
Call loans from banks							
Indovina Bank	\$2,888,055	\$90,393	\$-	\$-	0.20%~7.50%	\$(2,842)	\$(89)

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

b. Securities sold under agreements to repurchase

Name	December 31,			
	Ending balance			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay Life	\$431,473	\$13,171	\$-	\$-
Cathay Securities Investment Trust Co., Ltd.	146,129	4,461	110,000	3,443
Other related parties	878,248	26,808	558,189	17,471
Total	\$1,455,850	\$44,440	\$668,189	\$20,914

Name	For the year ended December 31,			
	Interest expense			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$13,210	\$403	\$176	\$5
Cathay Securities Investment Trust Co., Ltd.	1,381	42	149	5
Other related parties	13,169	402	823	26
Total	\$27,760	\$847	\$1,148	\$36

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c. Rental expense

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$300,120	\$9,161	\$334,566	\$10,472

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d. Handling fees income

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$1,117,006	\$34,097	\$1,143,334	\$35,785

e. Insurance expense paid

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$555,658	\$16,961	\$609,653	\$19,081
Cathay Century	153,980	4,700	116,050	3,632
Total	\$709,638	\$21,661	\$725,703	\$22,713

f. General expense

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Symphox Information	\$460,260	\$14,049	\$434,462	\$13,598
Seaward Card	254,566	7,771	247,272	7,739
Cathay Life	127,257	3,885	87,382	2,735
Total	\$842,083	\$25,705	\$769,116	\$24,072

g. Receivables-Net

Name	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Financial Holding	\$1,781,772	\$54,389	\$1,955,061	\$61,191

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

Name	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Trust Co., Ltd.	<u>\$845,649</u>	<u>\$25,813</u>	<u>\$561,857</u>	<u>\$17,586</u>

i. Sales of securities

There were no related party transactions of securities for the year ended December 31, 2008.

Name	Securities	For the year ended December 31, 2009				
		Shares (thousand)	Amount		Losses from disposal	
			NT\$	US\$	NT\$	US\$
Cathay Financial Holding	Cathay Pacific Venture	2,228	<u>\$21,705</u>	<u>\$679</u>	<u>\$357</u>	<u>\$11</u>

j. Other Disclosures

(a) Cathay United Bank entered into a contract with San Ching Engineering Co., Ltd. to build the Nei-hu Financial Building and North Taiyuan Branch totaling NT\$1,411,880 (US\$44,190) thousands, in 2006. The project was completed in 2009. Cathay United Bank paid the amount of NT\$620,074 (US\$18,928) thousands and NT\$218,894 (US\$6,851) thousands during the years ended December 31, 2008 and 2009. As of December 31, 2008 and 2009, the accumulated amount paid were NT\$1,181,897 (US\$36,077) thousands and NT\$1,400,790 (US\$43,843) thousands, respectively.

(b) Cathay United Bank enters into a contract with Cathay Life to transferring credit facilities. The transferring loan amount were NT\$4,448,000 (US\$135,775) thousands and NT\$804,300 (US\$25,174) thousands during the years ended December 31, 2008 and 2009, respectively.

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C. Cathay Century

a. Cash in banks

		For the year ended December 31, 2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$743,190	0.10%	\$535
	Time deposits	736,372	2.18%~2.685%	11,772
Total		<u>\$1,479,562</u>		<u>\$12,307</u>

		For the year ended December 31, 2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$22,686	0.10%	\$16
	Time deposits	22,478	2.18%~2.685%	360
Total		<u>\$45,164</u>		<u>\$376</u>

		For the year ended December 31, 2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$775,553	0.10%	\$471
	Time deposits	851,128	0.13%~1.08%	13,934
Total		<u>\$1,626,681</u>		<u>\$14,405</u>

		For the year ended December 31, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$24,274	0.10%	\$15
	Time deposits	26,639	0.13%~1.08%	436
Total		<u>\$50,913</u>		<u>\$451</u>

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

Name	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$-	\$-	\$200,859	\$6,287

c. Other payables

Name	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Financial Holding (Note)	\$194,136	\$5,926	\$231,855	\$7,257
Cathay Life	153,614	4,689	230,135	7,203
Total	\$347,750	\$10,615	\$461,990	\$14,460

Note: Payable due to consolidated income tax-net.

d. Premiums Income

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay United Bank	\$153,980	\$4,700	\$116,050	\$3,632

e. Operating expense

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$976,826	\$29,818	\$1,109,833	\$34,736

f. Sales of securities

There were no related party transactions of securities for the year ended December 31, 2008.

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		For the year ended December 31, 2009				
Name	Securities	Shares (thousand)	Amount		Losses from disposal	
			NT\$	US\$	NT\$	US\$
Cathay Financial Holding	Cathay Pacific Venture	27,854	\$271,315	\$8,492	\$9,250	\$289

g. Other Disclosures

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

Item	For the year ended December 31,	
	2008	2009
Forward foreign exchange contracts	US\$10,841	US\$-
CS contracts	US\$24,550	US\$18,050
IRS	NT\$600,000 (US\$18,315)	NT\$600,000 (US\$18,779)

D. Cathay Securities

a. Cash in bank

		For the year ended December 31, 2008		
Name	Item	Ending balance	Rate	Interest income
		(NT\$)		(NT\$)
Cathay United Bank	Time deposits	\$131,500	0.43%~2.62%	\$3,858
	Cash in banks	26,136	0.90%	75
	Total	\$157,636		\$3,933

		For the year ended December 31, 2008		
Name	Item	Ending balance	Rate	Interest income
		(US\$)		(US\$)
Cathay United Bank	Time deposits	\$4,014	0.43%~2.62%	\$118
	Cash in banks	798	0.90%	2
	Total	\$4,812		\$120

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		For the year ended December 31, 2009		
Name	Item	Ending balance		Interest income
		(NT\$)	Rate	(NT\$)
Cathay United Bank	Time deposits	\$47,233	0.05%~2.62%	\$213
	Cash in banks	70,676	0.02%~0.90%	659
	Total	<u>\$117,909</u>		<u>\$872</u>

		For the year ended December 31, 2009		
Name	Item	Ending balance		Interest income
		(US\$)	Rate	(US\$)
Cathay United Bank	Time deposits	\$1,478	0.05%~2.62%	\$7
	Cash in banks	2,212	0.02%~0.90%	20
	Total	<u>\$3,690</u>		<u>\$27</u>

As of December 31, 2008 and 2009, NT\$22,000 (US\$672) thousands and NT\$12,000 (US\$376) thousands in time deposits reflected premiums received for structured notes and issuance of warrants and were recognized under guarantee deposits paid.

b. Other payables

Name	December 31,			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay Financial Holding (Note)	<u>\$-</u>	<u>\$-</u>	<u>\$195,257</u>	<u>\$6,111</u>

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

		For the year ended December 31, 2008							
Name	Clearing and settlement fees		Dealing handling fee expense		Accounts payable		Margin for futures trading – own funds		
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Cathay Futures	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$221,903</u>	<u>\$6,773</u>	

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Name	For the year ended December 31, 2009							
	Clearing and settlement fees		Dealing handling fee expense		Accounts payable		Margin for futures trading – own funds	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Futures	\$-	\$-	\$-	\$-	\$-	\$-	\$353,469	\$11,063

E. Cathay Pacific Venture

Available-for-sale financial assets

Name	December 31,			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$528,816	\$16,142	\$175,238	\$5,485

F. Indovina Bank

a. Call loans from banks

Name	For the year ended December 31, 2008			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
	Cathay United Bank	\$722,920	\$22,067	\$48,840

Name	For the year ended December 31, 2009			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
	Cathay United Bank	\$388,130	\$12,148	\$6,070
Vietinbank	178,530	5,588	3,368	105
Total	\$566,660	\$17,736	\$9,438	\$295

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b. Call loans to banks

Name	For the year ended December 31, 2008			
	Ending balance (NT\$)	Ending balance (US\$)	Interest revenue (NT\$)	Interest revenue (US\$)
Cathay United Bank	\$230,020	\$7,021	\$5,269	\$161

Name	For the year ended December 31, 2009			
	Ending balance (NT\$)	Ending balance (US\$)	Interest revenue (NT\$)	Interest revenue (US\$)
Cathay United Bank	\$-	\$-	\$2,842	\$89

c. Deposit

There were no significant related parties transactions for the year ended December 31, 2008.

Name	For the year ended December 31, 2009		
	Ending balance (NT\$)	Rate	Interest expense (NT\$)
Cathay Life Vietnam	\$227,496	0.20%~10.80%	\$3,748

Name	For the year ended December 31, 2009		
	Ending balance (US\$)	Rate	Interest expense (US\$)
Cathay Life Vietnam	\$7,120	0.20%~10.80%	\$117

G. Cathay Futures

a. Cash in bank

Name	Item	For the year ended December 31, 2008		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$308,000	0.60%~2.04%	\$5,432
	Cash in bank	10,053	0.01%~1.20%	15
	Total	\$318,053		\$5,447

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		For the year ended December 31, 2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$9,402	0.60%~2.04%	\$166
	Cash in bank	307	0.01%~1.20%	-
	Total	\$9,709		\$166

		For the year ended December 31, 2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$305,500	0.12%~2.04%	\$2,379
	Cash in bank	8,856	0.10%	17
	Total	\$314,356		\$2,396

		For the year ended December 31, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$9,562	0.12%~2.04%	\$74
	Cash in bank	277	0.10%	1
	Total	\$9,839		\$75

As of December 31, 2008 and 2009, Cathay Futures has time deposit amounting to NT\$60,000 (US\$1,878) 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	December 31,					
	2008			2009		
	(NT\$)	(US\$)	Rate	(NT\$)	(US\$)	Rate
Cathay United Bank	<u>\$1,350,961</u>	<u>\$41,238</u>	0.02%~2.15%	<u>\$1,031,846</u>	<u>\$32,296</u>	0.02%~2.17%

c. Futures customers' equity

Name	December 31,			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay Life	\$731,062	\$22,316	\$270,492	\$8,466
Cathay Securities	221,903	6,773	353,469	11,063
Total	\$952,965	\$29,089	\$623,961	\$19,529

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H. Symphox Information

a. Cash in bank

		For the year ended December 31,2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$469,000	1.175%~2.68%	\$7,399
Bank	Cash in bank	4,312	0.10%	26
Total		<u>\$473,312</u>		<u>\$7,425</u>

		For the year ended December 31,2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$14,316	1.175%~2.68%	\$226
Bank	Cash in bank	132	0.10%	1
Total		<u>\$14,448</u>		<u>\$227</u>

		For the year ended December 31,2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$130,000	0.72%~0.83%	\$3,021
Bank	Cash in bank	9,560	0.10%	35
Total		<u>\$139,560</u>		<u>\$3,056</u>

		For the year ended December 31,2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$4,069	0.72%~0.83%	\$95
Bank	Cash in bank	299	0.10%	1
Total		<u>\$4,368</u>		<u>\$96</u>

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b. Financial assets at fair value through profit or loss

Name	December 31,			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$44,962	\$1,372	\$100,630	\$3,150

c. Sales revenues

Name	For the year ended December 31,			
	2008 (NT\$)	2008 (US\$)	2009 (NT\$)	2009 (US\$)
Cathay United Bank	\$288,708	\$8,813	\$273,294	\$8,554

d. service Income

Name	For the year ended December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$170,640	\$5,209	\$167,699	\$5,249
Cathay United Bank	171,552	5,236	161,168	5,044
Total	\$342,192	\$10,445	\$328,867	\$10,293

I. Cathay Life (Shanghai)

Other payables

Name	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Cathay Life	\$265,211	\$8,096	\$204,097	\$6,388

J. Cathay Life (Vietnam)

a. Cash in bank

There were no significant related parties transaction for the year ended December 31, 2008.

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		For the year ended December 31, 2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Indovina Bank	Time deposits	\$222,070	1.20%~10.80%	\$3,524
	Cash in bank	5,426	0.20%~0.50%	224
Total		<u>\$227,496</u>		<u>\$3,748</u>

		For the year ended December 31, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Indovina Bank	Time deposits	\$6,950	1.20%~10.80%	\$110
	Cash in bank	170	0.20%~0.50%	7
Total		<u>\$7,120</u>		<u>\$117</u>

30. Pledged assets

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

Item	Guarantee purpose	Carrying amount			
		2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Time deposits	Correspondent deposit, collateral for the over-loaning of settlement accounts, loan, other financial or leasing	\$1,380,011	\$42,125	\$1,226,082	\$38,375
Guarantee deposits paid	Government bonds	8,796,970	268,528	9,578,473	299,796
Financial assets at fair value through profit or loss	Business reserves and guarantees	732,736	22,367	630,476	19,733
Available-for-sale financial assets	Business reserves and guarantees	3,108,585	94,890	2,447,943	76,618
Held-to-maturity financial assets	Business reserves and guarantees	91,118	2,781	105,627	3,306
Investments in debt securities with no active market	Business reserves and guarantees	15,500,000	473,138	15,235,000	476,839
		<u>\$29,609,420</u>	<u>\$903,829</u>	<u>\$29,223,601</u>	<u>\$914,667</u>

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31. 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 constitutes a breach of Pacific SOGO's co-branded card contract with Cathay United Bank. Cathay United Bank has filed a motion of injunction against certain of Pacific SOGO's properties and the issuance of its own membership cards. About provisional measures, the Taipei District Court and the High Court adjudged that Cathay United Bank win the lawsuit. However, Pacific SOGO appealed and the appeal is being reviewed by the Supreme Court. Furthermore, Cathay United Bank also filed an incidental civil procedures and claim, which is being review by the Taipei District Court, against Pacific SOGO. Then the Taipei District Court issued a judgment favoring Cathay United Bank in October, 2006, ordering Pacific SOGO to pay the punitive damages of NT\$400,000 (US\$12,520). Pacific SOGO appealed such order and the appeal is being reviewed by the High Court.
- B. Lee and Li Attorneys-at-Law and SanDisk Corporation filed lawsuits in the Taiwan Taipei District Court alleging that Cathay United Bank breached its contractual and fiduciary duties in connection with the embezzlement conducted by a former employee of Lee and Li Attorneys-at-Law, Eddie Liu, on October 2003. Both plaintiffs claimed indemnities amounted NT\$0.9 billion (US\$2.8 million) and NT\$3.09 billion (US\$9.7 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 December 31, 2009, Cathay United Bank had entered into certain contracts to purchase premises and equipments totaling NT\$1,005,155 (US\$31,460) thousands with NT\$562,071 (US\$17,592) thousands of prepayment made.

(2) Cathay Century

Cathay Century and Itanara Import Export Company ('Itanara') have 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 appealed to the higher court and the lawsuit is still in progress.

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(3) Cathay Securities

As of December 31, 2009, Cathay Securities requested banks to issue letters of guarantees for warrants issuance of NT\$260,000 (US\$8,138) thousands.

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

Item	December 31,			
	2008(NT\$)	2008(US\$)	2009(NT\$)	2009(US\$)
Trust and security held for safekeeping	\$179,184,468	\$5,469,611	\$182,243,631	\$5,704,026
Travelers checks for sale	415,949	12,697	326,697	10,225
Bills for collection	41,468,607	1,265,831	40,552,946	1,269,263
Book-entry for government bonds and depository for short-term marketable securities under management	443,802,700	13,547,091	555,682,805	17,392,263
Guarantees on duties and contracts	16,670,523	508,868	15,798,961	494,490
Unused commercial letters of credit	2,390,960	72,984	3,520,713	110,194
Irrevocable loan commitments	38,241,377	1,167,319	34,165,997	1,069,358
Credit card lines commitments	268,488,361	8,195,615	257,571,261	8,061,698
Stamp tax, securities and memorial currency consignments	1,727	53	1,727	54

(5) 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\$
January 1, 2010~December 31, 2010	\$1,035,750	\$32,418
January 1, 2011~December 31, 2014	1,825,555	57,138
Total	\$2,861,305	\$89,556

32. Significant disaster losses: None.

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33. Subsequent events:

On January 15, 2010, Cathay Property Insurance Agent was decided its dissolution by the board of directors (according to the Company's Law, the authority of the shareholder meeting acts by board of directors) and starts in the process of dissolution and liquation.

34. Other significant matters

(1) Pension related information

A. Net periodic pension cost:

	For the year ended December 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
(1) Service cost	\$712,455	\$21,748	\$558,397	\$17,477
(2) Interest cost	410,518	12,531	342,127	10,708
(3) Projected return on plan assets	(360,848)	(11,015)	(232,388)	(7,273)
(4) Amortization of unrealized gain on pension	(157)	(5)	(93)	(3)
(5) Amortization of unrealized transit on obligation	(377,987)	(11,538)	(377,968)	(11,830)
(6) Net amortization	68,141	2,080	65,306	2,044
(7) Amortization of prior service cost	51,733	1,579	51,733	1,619
(8) Amortization of gain or loss	2,701	83	101,171	3,167
(9) Gain or loss on curtailment or settlement	-	-	816	25
(10) Net periodic pension cost	<u>\$506,556</u>	<u>\$15,463</u>	<u>\$509,101</u>	<u>\$15,934</u>

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B. Pension funded status:

	For the year ended December 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
(1) Vested benefit obligation	\$ (7,352,735)	\$ (224,442)	\$ (7,835,363)	\$ (245,238)
(2) Non-vested benefit obligation	(3,688,080)	(112,579)	(3,780,579)	(118,328)
(3) Accumulated benefit obligation	(11,040,815)	(337,021)	(11,615,942)	(363,566)
(4) Additional benefits based on future salaries	(1,491,321)	(45,523)	(1,701,308)	(53,249)
(5) Projected benefit obligation	(12,532,136)	(382,544)	(13,317,250)	(416,815)
(6) Fair value of plan assets	8,584,175	262,032	11,500,961	359,967
(7) Funded status=(5)+(6)	(3,947,961)	(120,512)	(1,816,289)	(56,848)
(8) Unrecognized transitional net assets	(585,859)	(17,883)	(247,291)	(7,740)
(9) Unrecognized prior service cost	155,200	4,737	103,467	3,239
(10) Unrecognized pension gain and loss	2,949,450	90,032	479,992	15,023
(11) Additional accrued pension liability	(431,689)	(13,177)	(12,013)	(376)
(12) Accrued pension liability / prepaid pension cost=(7)+(8)+(9)+(10)+(11)	<u>\$ (1,860,859)</u>	<u>\$ (56,803)</u>	<u>\$ (1,492,134)</u>	<u>\$ (46,702)</u>
(13) Vested benefit	<u>\$ 10,525,569</u>	<u>\$ 321,293</u>	<u>\$ 10,679,162</u>	<u>\$ 334,246</u>

C. Actuarial assumptions

	For the year ended December 31,	
	2008	2009
(1) Discount rate	2.50%~3.00%	2.25%~2.50%
(2) Rate of increase in future salaries	1.50%~3.00%	1.50%~3.00%
(3) Expected return on pension plan assets	2.50%~3.00%	2.25%~2.50%

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(2) Financial instruments related information

A. The Company

a. Information of fair value

Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,299,386	\$2,299,386	\$70,189	\$70,189
Receivables	4,077,241	4,077,241	124,458	124,458
Held-to-maturity financial assets	15,000,00	15,000,000	457,876	457,876
Investments under equity method	144,936,489	144,936,489	4,424,191	4,424,191
Other financial assets	31,720	31,720	968	968
<u>Liabilities</u>				
Payables	6,212,178	6,212,178	189,627	189,627
Bonds payables	20,000,000	20,000,000	610,501	610,501

Item	December 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$10,812,475	\$10,812,475	\$338,419	\$338,419
Receivables	6,665,004	6,665,004	208,607	208,607
Held-to-maturity financial assets	25,000,000	25,000,000	782,472	782,472
Investments under equity method	216,251,195	216,251,195	6,768,425	6,768,425
Other financial assets	31,720	31,720	993	993
<u>Liabilities</u>				
Payables	8,851,563	8,851,563	277,044	277,044
Bonds payables	40,000,000	40,000,000	1,251,956	1,251,956

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

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- (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	December 31, 2008			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,299,386	\$70,189	\$-	\$-
Receivables	-	-	4,077,241	124,458
Held-to-maturity financial assets	-	-	15,000,000	457,876
Investments under equity method	-	-	144,936,489	4,424,191
Other financial assets	-	-	31,720	968
<u>Liabilities</u>				
Payables	-	-	6,212,178	189,627
Bonds payables	-	-	20,000,000	610,501

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Financial instruments	December 31, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$10,078	\$316	\$10,802,397	\$338,103
Receivables	-	-	6,665,004	208,607
Held-to-maturity financial assets	-	-	25,000,000	782,472
Investments under equity method	-	-	216,251,195	6,768,425
Other financial assets	-	-	31,720	993
<u>Liabilities</u>				
Payables	-	-	8,851,563	277,044
Bonds payable	-	-	40,000,000	1,251,956

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.

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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.

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B. Cathay Life

a. Information of fair value

Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying Amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$221,966,913	\$221,966,913	\$6,775,547	\$6,775,547
Notes and accounts receivable	32,659,740	32,659,740	996,940	996,940
Financial assets at fair value through profit or loss - current	68,013,261	68,013,261	2,076,107	2,076,107
Available-for-sale financial assets - current	107,359,797	107,359,797	3,277,161	3,277,161
Held-to-maturity financial assets - current	29,110,492	26,790,843	888,599	817,791
Investments in debt securities with no active market - current	3,710,079	3,660,373	113,250	111,733
Available-for-sale financial assets - noncurrent	272,242,609	272,242,609	8,310,214	8,310,214
Held-to-maturity financial assets - noncurrent	617,485,367	621,007,617	18,848,760	18,956,276
Financial assets carried at cost - noncurrent	18,964,245	-	578,884	-
Investments in debt securities with no active market - noncurrent	85,839,151	66,151,654	2,620,243	2,019,281
Investments under the equity method	6,466,022	6,466,022	197,376	197,376
Other financial assets – noncurrent	6,100,000	6,100,000	186,203	186,203
Guarantee deposits paid	12,018,527	12,018,527	366,866	366,866
<u>Liabilities</u>				
Notes and accounts payable	6,069,451	6,069,451	185,271	185,271
Preferred stock liability – noncurrent	15,000,000	15,036,810	457,875	458,999
Guarantee deposits received	1,542,898	1,542,898	47,097	47,097
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Forward, CS, and CCS	6,753,736	6,753,736	206,158	206,158
IRS and CDS	486,339	486,339	14,845	14,845
Derivative financial assets for hedging - current				
IRS	2,770,036	2,770,036	84,555	84,555

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Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying Amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss -				
current				
Forward , CS, and CCS	\$29,888,321	\$29,888,321	\$912,342	\$912,342
IRS and CDS	195,928	195,928	5,981	5,981
Derivative financial liabilities for hedging - current				
IRS and CDS	122,368	122,368	3,735	3,735
December 31, 2009				
Item	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$336,054,525	\$336,054,525	\$10,518,138	\$10,518,138
Notes and accounts receivable	45,392,723	45,392,723	1,420,742	1,420,742
Financial assets at fair value through profit or loss - current	82,461,276	82,461,276	2,580,948	2,580,948
Available-for-sale financial assets - current	191,072,750	191,072,750	5,980,368	5,980,368
Held-to-maturity financial assets - current	13,274,664	11,946,525	415,482	373,913
Investments in debt securities with no active market -				
current	5,162,576	5,051,571	161,583	158,109
Other financial assets - current	2,000,000	2,000,000	62,598	62,598
Available-for-sale financial assets - noncurrent	253,527,662	253,527,662	7,935,138	7,935,138
Held-to-maturity financial assets - noncurrent	651,706,686	643,765,211	20,397,706	20,149,146
Financial assets carried at cost - noncurrent	20,092,425	-	628,871	-
Investments in debt securities with no active market -				
noncurrent	145,147,440	140,524,027	4,542,956	4,398,248
Investments under the equity method	5,266,745	5,266,745	164,843	164,843
Other financial assets – noncurrent	36,300,000	36,300,000	1,136,150	1,136,150
Guarantee deposits paid	11,316,242	11,316,242	354,186	354,186

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Item	December 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Notes and accounts payable	\$15,761,085	\$15,761,085	\$493,304	\$493,304
Preferred stock liability –noncurrent	25,000,000	25,821,054	782,473	808,171
Guarantee deposits received	1,616,655	1,616,655	50,599	50,599
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Option	7,731	7,731	242	242
Forward, CS and CCS	16,900,272	16,900,272	528,960	528,960
IRS and CDS	54,982	54,982	1,721	1,721
Derivative financial assets for hedging - current				
IRS	1,681,365	1,681,365	52,625	52,625
CDS	1,078,680	1,078,680	33,761	33,761
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Forward, CS and CCS	1,583,418	1,583,418	49,560	49,560
IRS and CDS	862,816	862,816	27,005	27,005
Derivative financial liabilities for hedging - current				
IRS, CDS	28,722	28,722	899	899

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.

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- (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 December 31, 2008 and 2009, the fair values of financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Item	December 31, 2008			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$212,493,164	\$6,486,361	\$9,473,749	\$289,186
Notes and accounts receivable	-	-	32,659,740	996,940
Financial assets at fair value through profit or loss -				
current	64,544,414	1,970,220	3,468,847	105,887
Available-for-sale financial assets - current	107,259,749	3,274,107	100,048	3,054
Held-to-maturity financial assets - current	1,197,093	36,541	25,593,750	781,250
Investments in debt securities with no active market -				
current	-	-	3,660,373	111,733
Available-for-sale financial assets - noncurrent	270,944,378	8,270,585	1,298,231	39,629
Held-to-maturity financial assets - noncurrent	83,646,781	2,553,320	537,360,836	16,402,956
Investment in debt securities with no active market -				
noncurrent	-	-	66,151,654	2,019,281
Investments under the equity method	-	-	6,466,022	197,376
Other financial assets - noncurrent	-	-	6,100,000	186,203

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Item	December 31, 2008			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Notes and accounts payable	\$-	\$-	\$6,069,451	\$185,271
Preferred stock liability – noncurrent	-	-	15,036,810	458,999
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss -				
current				
Forward, CS and CCS	-	-	6,753,736	206,158
IRS and CDS	-	-	486,339	14,845
Derivative financial assets for hedging – current				
IRS	-	-	2,770,039	84,555
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss -				
current				
Forward, CS and CCS	-	-	29,888,321	912,342
IRS and CDS	-	-	195,928	5,981
Derivative financial liabilities for hedging – current				
IRS and CDS	-	-	122,368	3,735
Item	December 31, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$247,411,784	\$7,743,717	\$88,642,741	\$2,774,421
Notes and accounts receivable	-	-	45,392,723	1,420,742
Financial assets at fair value through profit or loss -				
current				
Available-for-sale financial assets - current	81,859,615	2,562,116	601,661	18,832
Held-to-maturity financial assets - current	188,182,163	5,889,896	2,890,587	90,472
Held-to-maturity financial assets - current	2,027,388	63,455	9,919,137	310,458

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Item	December 31, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Investments in debt securities with no active market -				
current	\$-	\$-	\$5,051,571	\$158,109
Other financial assets - current	-	-	2,000,000	62,598
Available-for-sale financial assets - noncurrent	243,877,935	7,633,112	9,649,727	302,026
Held-to-maturity financial assets - noncurrent	36,687,806	1,148,288	607,077,405	19,000,858
Investment in debt securities with no active market –				
noncurrent	481,529	15,071	140,042,498	4,383,177
Investments under the equity method	-	-	5,266,745	164,843
Other financial assets - noncurrent	-	-	36,300,000	1,136,150
<u>Liabilities</u>				
Notes and accounts payable	-	-	15,761,085	493,304
Preferred stock liability - noncurrent	-	-	25,821,054	808,171
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss -				
current				
Option	7,731	242	-	-
Forward, CS and CCS	-	-	16,900,272	528,960
IRS and CDS	-	-	54,982	1,721
Derivative financial assets for hedging – current				
IRS	-	-	1,681,365	52,625
CDS	-	-	1,078,680	33,761
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss -				
current				
Forward, CS and CCS	-	-	1,583,418	49,560
IRS and CDS	-	-	862,816	27,005
Derivative financial liabilities for hedging – current				
IRS and CDS	-	-	28,722	899

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d. Information on financial risk

(a) Interest rate risk

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

① December 31, 2008

Non-derivative financial instruments of fixed interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value								
through profit or loss	\$2,358,389	\$71,990	\$1,659,977	\$50,671	\$716,038	\$21,857	\$1,287,247	\$39,293
Available-for-sale financial assets	992,179	30,286	2,949,408	90,031	5,064,835	154,604	9,299,769	283,876
Held-to-maturity financial assets	192,294,852	5,869,806	12,865,998	392,735	16,277,738	496,878	12,303,721	375,572
Investments in debt securities with								
no active market	384,303	11,731	1,982,735	60,523	2,857,632	87,229	3,083,542	94,125
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	\$869,426	\$26,539	\$8,579,911	\$261,902	\$15,470,988	\$472,252
Available-for-sale financial assets	18,750,024	572,345	117,627,151	3,590,572	154,683,366	4,721,714
Held-to-maturity financial assets	10,890,521	332,434	306,996,235	9,371,069	551,629,065	16,838,494
Investments in debt securities with						
no active market	4,064,709	124,076	55,921,414	1,707,003	68,294,335	2,084,687
Preferred stock liability	-	-	15,000,000	457,875	15,000,000	457,875

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Non-derivative financial instruments of float interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value								
through profit or loss	\$3,162,104	\$96,523	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	123,173,963	3,759,889	-	-	-	-	-	-
Held-to-maturity financial assets	94,966,793	2,898,864	-	-	-	-	-	-
Investments in debt securities with								
no active market	21,254,896	648,806	-	-	-	-	-	-

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	\$-	\$-	\$-	\$-	\$3,162,104	\$96,523
Available-for-sale financial assets	-	-	-	-	123,173,963	3,759,889
Held-to-maturity financial assets	-	-	-	-	94,966,793	2,898,864
Investments in debt securities with						
no active market	-	-	-	-	21,254,896	648,806

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	\$34,694	\$1,059	\$39,875	\$1,217	\$-	\$-	\$-	\$-
Derivative financial assets for								
hedging	2,472	75	36,283	1,108	4,889	149	-	-
Financial liabilities at fair value								
through profit or loss	25,665	783	78,379	2,393	-	-	-	-
Derivative financial liabilities for								
hedging	647	20	24,415	745	15,770	481	-	-

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Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss	\$-	\$-	\$91,189	\$2,784	\$165,758	\$5,060
Derivative financial assets for						
hedging	873,193	26,654	1,853,199	56,569	2,770,036	84,555
Financial liabilities at fair value						
through profit or loss	-	-	-	-	104,044	3,176
Derivative financial liabilities for						
hedging	-	-	-	-	40,832	1,246

② December 31, 2009

Non-derivative financial instruments of fixed interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value								
through profit or loss	\$393,856	\$12,327	\$2,155,601	\$67,468	\$2,008,099	\$62,851	\$873,860	\$27,351
Available-for-sale financial assets	12,183,543	381,332	13,025,147	407,673	15,425,840	482,812	12,061,415	377,509
Held-to-maturity financial assets	186,792,865	5,846,412	18,021,715	564,060	15,242,413	477,071	22,801,989	713,677
Investments in debt securities with								
no active market	4,752,771	148,757	7,933,592	248,313	14,203,692	444,560	3,936,736	123,215
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	\$249,348	\$7,804	\$2,979,288	\$93,249	\$8,660,052	\$271,050
Available-for-sale financial assets	11,510,037	360,251	79,921,401	2,501,452	144,127,383	4,511,029
Held-to-maturity financial assets	27,702,640	867,062	335,768,647	10,509,191	606,330,269	18,977,473
Investments in debt securities with						
no active market	12,220,116	382,476	86,850,311	2,718,320	129,897,218	4,065,641
Preferred stock liability	-	-	25,000,000	782,473	25,000,000	782,473

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Non-derivative financial instruments of float interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value								
through profit or loss	\$232,273	\$7,270	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	126,820,845	3,969,354	-	-	-	-	-	-
Held-to-maturity financial assets	58,651,080	1,835,715	-	-	-	-	-	-
Investments in debt securities with								
no active market	20,412,799	638,898	-	-	-	-	-	-

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	\$-	\$-	\$-	\$-	\$232,273	\$7,270
Available-for-sale financial assets	-	-	-	-	126,820,845	3,969,354
Held-to-maturity financial assets	-	-	-	-	58,651,080	1,835,715
Investments in debt securities with						
no active market	-	-	-	-	20,412,799	638,898

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	\$26,781	\$838	\$-	\$-	\$-	\$-	\$-	\$-
Derivative financial assets for								
hedging	156,812	4,908	20,519	642	17,889	560	529,306	16,567
Financial liabilities at fair value								
through profit or loss	72,437	2,267	-	-	-	-	-	-
Derivative financial liabilities for								
hedging	15,531	486	12,091	379	-	-	-	-

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Item	Due in 4-5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss	\$26,629	\$834	\$-	\$-	\$53,410	\$1,672
Derivative financial assets for						
hedging	955,790	29,915	1,049	33	1,681,365	52,625
Financial liabilities at fair value						
through profit or loss	-	-	-	-	72,437	2,267
Derivative financial liabilities for						
hedging	-	-	1,100	34	28,722	899

(b) Credit risk

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

e. Hedge Accounting Disclosures

Cash flow hedges - IRS

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

(a) December 31, 2008

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$300,000	\$9,158	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	6,105	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	6,105	5.85%-6ml	Half year	2009.1.13
50,000	1,526	If 6ml≤1%,6ml+0.2% If 1%<6ml<2%,3.15% If 6ml≥2%, 4.15%-6ml	Half year	2009.1.16

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Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$247,500	\$7,555	ARMS	Each quarter	2009.3.24
900,000	27,473	90DCP+100bps	Each quarter	2009.5.20
200,000	6,105	4.000%-6ml	Half year	2010.4.7
300,000	9,158	4.0002%-6ml	Half year	2010.4.7
500,000	15,263	4.0006%-6ml	Half year	2010.4.7
500,000	15,263	4.0007%-6ml	Half year	2010.4.7
200,000	6,105	4.0003%-6ml	Half year	2010.4.7
300,000	9,158	4.3%-12ml	Yearly	2010.6.20
900,000	27,473	90DCP	Each quarter	2010.8.18
600,000	18,315	90DCP	Each quarter	2010.8.19
200,000	6,105	6.3%-6ml	Yearly	2010.11.27
300,000	9,158	5.37%-6ml	Yearly	2011.3.15
500,000	15,263	If 6ml<1.1%,6ml If 1.1%≤6ml≤2.0%,3.8% If 6ml>2.0%,Max(5.50%-6ml)	Half year	2011.6.30
2,000,000	61,050	90DCP	Yearly	2013.3.26
2,700,000	82,418	90DCP+25bps	Each quarter	2013.8.24
3,000,000	91,575	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	61,050	90DCP	Yearly	2013.11.3
1,000,000	30,525	90DCP+26.5bps	Yearly	2013.12.14
500,000	15,263	90DCP+23bps	Yearly	2013.12.14
1,500,000	45,788	90DCP+23bps	Yearly	2013.12.16
1,000,000	30,525	90DCP+26.5bps	Yearly	2013.12.16
900,000	27,473	90DCP	Yearly	2014.3.12
1,000,000	30,525	90DCP	Yearly	2014.6.12
2,000,000	61,050	90DCP	Yearly	2014.6.29
5,000,000	152,625	90DCP	Yearly	2014.8.23
1,000,000	30,525	90DCP	Yearly	2014.9.20
3,200,000	97,680	90DCP	Yearly	2014.9.27
2,000,000	61,050	90DCP	Each quarter	2014.9.28
1,500,000	45,788	90DCP	Yearly	2014.9.29
2,500,000	76,313	90DCP	Yearly	2014.12.20
2,000,000	61,050	90DCP	Yearly	2014.12.24
-	24,000	6ml	Half year	2014.3.24

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(b) December 31, 2009

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$200,000	\$6,260	4.000%-6ml	Half year	2010.4.7
300,000	9,390	4.0002%-6ml	Half year	2010.4.7
500,000	15,649	4.0006%-6ml	Half year	2010.4.7
500,000	15,649	4.0007%-6ml	Half year	2010.4.7
200,000	6,260	4.0003%-6ml	Half year	2010.4.7
300,000	9,390	4.3%-12ml	Yearly	2010.6.20
900,000	28,169	90DCP	Each quarter	2010.8.18
600,000	18,779	90DCP	Each quarter	2010.8.19
200,000	6,260	6.3%-6ml	Yearly	2010.11.27
300,000	9,390	5.37%-6ml	Yearly	2011.3.15
500,000	15,649	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	62,598	90DCP	Each quarter	2011.9.9
1,000,000	31,299	90DCP	Each quarter	2012.6.26
2,000,000	62,598	90DCP	Each quarter	2012.9.9
2,000,000	62,598	90DCP	Each quarter	2012.10.11
700,000	21,909	90DCP	Each quarter	2012.11.24
2,000,000	62,598	90DCP	Yearly	2013.3.26
2,425,000	75,900	90DCP	Each quarter	2013.4.24
2,700,000	84,507	90DCP+25bps	Each quarter	2013.8.24
3,000,000	93,897	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	62,598	90DCP	Yearly	2013.11.3
1,000,000	31,299	90DCP+26.5bps	Yearly	2013.12.14
500,000	15,649	90DCP+23bps	Yearly	2013.12.14
1,500,000	46,948	90DCP+23bps	Yearly	2013.12.16
1,000,000	31,299	90DCP+26.5bps	Yearly	2013.12.16
900,000	28,169	90DCP	Yearly	2014.3.12
1,000,000	31,299	90DCP	Yearly	2014.6.12
2,000,000	62,598	90DCP	Yearly	2014.6.29
5,000,000	156,495	90DCP	Yearly	2014.8.23
1,000,000	31,299	90DCP	Yearly	2014.9.20
3,200,000	100,156	90DCP	Yearly	2014.9.27
2,000,000	62,598	90DCP	Each quarter	2014.9.28
1,500,000	46,948	90DCP	Yearly	2014.9.29
2,500,000	78,247	90DCP	Yearly	2014.12.20
2,000,000	62,598	90DCP	Yearly	2014.12.24
2,543,500	79,609	90DCP	Each quarter	2016.10.23

The terms of interest rate swap agreements are established based on the terms of the

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bonds being hedged.

Cathay Life's interest rate swap agreements are considered to be highly effective cash flow hedges. As of December, 2008 and 2009, unrealized gains (losses) on these financial instruments recognized in equity are NT\$2,783,260 (US\$84,959) thousands and NT\$1,631,880 (US\$51,076) thousands, respectively.

Fair value hedges

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

①December 31, 2008

<u>Par value</u>		<u>Maturity date</u>
US\$	Hedge item	
\$45,000	CDO	2012.09.20

②December 31, 2009

<u>Par value</u>		<u>Maturity date</u>
US\$	Hedge item	
\$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.

Cathy Life's credit default swap agreements are considered to be highly effective fair value hedges. As of December 31, 2008, unrealized losses on these financial instruments recognized in profit or loss are NT\$(81,536) (US\$(2,489)) thousands. As of December 31, 2009, unrealized losses on these financial instruments recognized in profit and (loss) were NT\$(191,450) (US\$(5,992)) thousands recorded as losses from valuation on financial assets by NT\$(272,986) (US\$(8,544)) thousands and profits from valuation on financial liabilities by NT\$81,536 (US\$2,552) thousands, respectively.

The following table summarizes the terms of Cathay Life's interest rate swap for

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bonds used as hedging instruments at December 31, 2008 and 2009:

Ⓐ December 31, 2008

None

Ⓑ December 31, 2009

Par value	Hedge item	Maturity date
US\$		
\$20,000	Debenture with no active market	2019.09.18
20,000	Debenture with no active market	2019.09.29
30,000	Debenture with no active market	2019.09.30
20,000	Debenture with no active market	2019.10.07
20,000	Debenture with no active market	2019.12.01

The Company's interest rate swap agreements are considered to be highly effective fair value hedges. As of December 31, 2009, unrealized profit on these financial instruments recognized in profit or (loss) was NT\$143,750 (US\$4,499) thousands recorded as profits from valuation on financial assets.

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.

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,

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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.

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

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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. 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.

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a. Information of fair value

Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$38,910,838	\$38,910,838	\$1,187,755	\$1,187,755
Available-for-sale financial assets	98,016,783	98,016,783	2,991,965	2,991,965
Held-to-maturity financial assets and debt securities with no active market	221,460,972	221,538,920	6,760,103	6,762,482
Other financial assets-financial assets carried at cost	4,094,875	(Note)	124,996	(Note)
Others	928,156,040	928,156,040	28,331,992	28,331,992
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	32,713,796	32,713,796	998,590	998,590
Financial debentures payable	18,865,978	18,865,978	575,885	575,885
Others	1,200,825,206	1,200,825,206	36,655,226	36,655,226
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	6,785,149	6,785,149	207,117	207,117
Non-delivery forward	784,345	784,345	23,942	23,942
Currency swap	882,526	882,526	26,939	26,939
Interest rate swap	7,878,829	7,878,829	240,502	240,502
Cross currency swap	128,921	128,921	3,935	3,935
Options	354,397	354,397	10,818	10,818
<u>Liabilities</u>				
Forward	2,633,334	2,633,334	80,383	80,383
Non-delivery forward	770,571	770,571	23,522	23,522
Currency swap	5,229,128	5,229,128	159,619	159,619
Interest rate swap	4,941,705	4,941,705	150,846	150,846
Cross currency swap	88,788	88,788	2,710	2,710
Options	354,400	354,400	10,818	10,818
Credit derivative instruments	729,060	729,060	22,254	22,254
Credit default swap	46,838	46,838	1,430	1,430
December 31, 2009				

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Item	(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	\$33,752,996	\$33,752,996	\$1,056,432	\$1,056,432
Available-for-sale financial assets	97,991,344	97,991,344	3,067,022	3,067,022
Held-to-maturity financial assets and debt securities with no active market	373,870,517	373,905,291	11,701,738	11,702,826
Other financial assets-financial assets carried at cost	4,000,440	(Note)	125,209	(Note)
Others	950,035,191	950,035,191	29,735,060	29,735,060
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	18,029,523	18,029,523	564,304	564,304
Financial debentures payable	16,437,209	16,437,209	514,467	514,467
Others	1,374,491,058	1,374,491,058	43,020,064	43,020,064
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	591,826	591,826	18,523	18,523
Non-delivery forward	10,402	10,402	326	326
Currency swap	3,187,797	3,187,797	99,775	99,775
Interest rate swap	4,382,566	4,382,566	137,170	137,170
Cross currency swap	308,869	308,869	9,667	9,667
Options	113,502	113,502	3,552	3,552
<u>Liabilities</u>				
Forward	2,796,876	2,796,876	87,539	87,539
Non-delivery forward	9,014	9,014	282	282
Currency swap	982,839	982,839	30,762	30,762
Interest rate swap	2,789,443	2,789,443	87,306	87,306
Cross currency swap	229,282	229,282	7,176	7,176
Options	113,503	113,503	3,553	3,553
Credit derivative instruments	43,701	43,701	1,368	1,368
Credit default swap	2,800	2,800	88	88

Note: Fair value cannot be reliably estimated.

b. The methodologies and assumptions used by Cathay United Bank to estimate the

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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. Cathay United Bank uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics.
- (c) Discounts, loans and deposits are classified as interest-bearing financial assets. Thus, their 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

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quoted market price or pricing models are summarized as following:

Item	December 31, 2008			
	Value determined by quoted market price		Value determined by pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$38,600,569	\$1,178,284	\$310,269	\$9,471
Available-for-sale financial assets	90,706,744	2,768,826	7,310,039	223,139
Held-to-maturity financial assets and debt securities with no active market	182,652,497	5,575,473	38,886,423	1,187,009
Others	(Note)	(Note)	(Note)	(Note)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	-	-	32,713,796	998,590
Financial debentures payable	-	-	18,865,978	575,885
Others	(Note)	(Note)	(Note)	(Note)
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	-	-	6,785,149	207,117
Non-delivery forward	-	-	784,345	23,942
Currency swap	-	-	882,526	26,939
Interest rate swap	-	-	7,878,829	240,502
Cross currency swap	-	-	128,921	3,935
Options	-	-	354,397	10,818
<u>Liabilities</u>				
Forward	-	-	2,633,334	80,383
Non-delivery forward	-	-	770,571	23,522
Currency swap	-	-	5,229,128	159,619
Interest rate swap	-	-	4,941,705	150,846
Cross currency swap	-	-	88,788	2,710
Options	-	-	354,400	10,818
Credit derivative instruments	-	-	729,060	22,254
Credit default swap	-	-	46,838	1,430
December 31, 2009				

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Item	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	\$4,439,415	\$138,949	\$29,313,581	\$917,483
Available-for-sale financial assets	81,486,623	2,550,442	16,504,721	516,580
Held-to-maturity financial assets and debt securities with no active market	1,907,217	59,694	371,998,074	11,643,132
Others	(Note)	(Note)	(Note)	(Note)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	-	-	18,029,523	564,304
Financial debentures payable	-	-	16,437,209	514,467
Others	(Note)	(Note)	(Note)	(Note)
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	-	-	591,826	18,523
Non-delivery forward	-	-	10,402	326
Currency swap	-	-	3,187,797	99,775
Interest rate swap	-	-	4,382,566	137,170
Cross currency swap	-	-	308,869	9,667
Options	-	-	113,502	3,552
<u>Liabilities</u>				
Forward	-	-	2,796,876	87,539
Non-delivery forward	-	-	9,014	282
Currency swap	-	-	982,839	30,762
Interest rate swap	-	-	2,789,443	87,306
Cross currency swap	-	-	229,282	7,176
Options	-	-	113,503	3,553
Credit derivative instruments	-	-	43,701	1,368
Credit default swap	-	-	2,800	88

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

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determined by pricing models were losses NT\$1,020,262 (US\$31,144) and gains NT\$1,359,942 (US\$42,565) for the nine-month periods ended December 31, 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 year ended December 31, 2008 and 2009 were NT\$39,499,218 (US\$1,205,715) and NT\$23,310,887 (US\$729,605), and expenses were NT\$18,969,351 (US\$579,040) and NT\$9,485,214 (US\$296,877), respectively.
- f. Cathay United Bank recognized an unrealized gains or losses of NT\$1,135,238 (US\$34,653) and NT\$3,102,314 (US\$97,099) in shareholders' equity for the changes in fair value of available-for-sale financial assets and a realized gains of NT\$70,567 (US\$2,154) and NT\$1,472,472 (US\$46,087) in income statements, for the year ended December 31, 2008 and 2009, respectively.
- g. Information on financial risk

(a) Market risk

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

Ⓐ Interest rate risk

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

Ⓑ Foreign exchange risk

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

Ⓒ Equity securities price risk

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Cathay United Bank may expose to risk when the price of equity securities, such as stocks, mutual funds and TAIFEX 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.

January 1 ~ December 31, 2008						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Interest rate	\$176,570	\$5,390	\$293,710	\$8,966	\$71,356	\$2,178
Foreign exchange	264,597	8,077	434,482	13,263	143,629	4,384
Equity Securities price	126,425	3,859	208,847	6,375	66,379	2,026

January 1 ~ December 31, 2009						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Interest rate	\$469,921	\$14,708	\$685,573	\$21,458	\$260,585	\$8,156
Foreign exchange	277,307	8,679	580,316	18,163	111,744	3,497
Equity Securities price	130,914	4,097	175,459	5,492	70,017	2,191

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.

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	NT\$	US\$
Foreign exchange rate factor sensitivity (FX Delta)		
USD+1%	\$419,445	\$13,128
HKD+1%	18,490	579
JPY+1%	12,275	384
NTD+1%	(453,170)	(14,184)
Interest rate factor sensitivity (PVBP)		
Yield curves (USD) parallel shift+1bp	(13,474)	(472)
Yield curves (HKD) parallel shift+1bp	(86)	(3)
Yield curves (JPY) parallel shift+1bp	(28)	(1)
Yield curves (NTD) parallel shift+1bp	(19,752)	(618)
Equity securities price factor sensitivity (Equity Delta)	67,313	2,107

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.

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.

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Market/ Product	Scenarios	Effects (In thousand of dollars)	
		(NT\$)	(US\$)
Stock Market	Major Stock Exchanges +15%	\$1,009,698	\$31,602
	Major Stock Exchanges -15%	(1,009,698)	(31,602)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(3,245,044)	(101,566)
	Major Interest Rate - 100bp	3,012,188	94,278
Foreign Exchange Market	Major Currencies +3%	1,411,004	44,163
	Major Currencies -3%	(1,328,807)	(41,590)
Composite	Major Stock Exchanges -15%	(2,843,738)	(89,006)
	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.

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:

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Financial assets	December 31, 2008			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Financial assets at fair value through profit or loss	\$38,910,838	\$1,187,755	\$38,910,838	\$1,187,755
Available-for-sale financial assets	98,016,783	2,991,965	98,016,783	2,991,965
Held-to-maturity financial assets and debt securities with no active market	221,460,972	6,760,103	221,460,972	6,760,103
Other financial assets-financial assets carried at cost	4,094,875	124,996	4,094,875	124,996
Others	928,156,040	28,331,992	928,156,040	28,331,992
Guarantees on duties and contracts	-	-	16,670,523	508,868
Unused commercial letters of credit	-	-	2,390,960	72,984
Irrevocable loan commitments	-	-	38,241,377	1,167,319
Credit card line commitments	-	-	268,448,361	8,194,394
<u>Derivative financial instruments</u>				
Forward	6,785,149	207,117	6,785,149	207,117
Non-delivery forward	784,345	23,942	784,345	23,942
Currency swap	882,526	26,939	882,526	26,939
Interest rate swap	7,878,829	240,502	7,878,829	240,502
Cross currency swap	128,921	3,935	128,921	3,935
Options	354,397	10,818	354,397	10,818
Financial assets	December 31, 2009			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Financial assets at fair value through profit or loss	\$33,752,996	\$1,056,432	\$33,752,996	\$1,056,432
Available-for-sale financial assets	97,991,344	3,067,022	97,991,344	3,067,022
Held-to-maturity financial assets and debt securities with no active market	373,870,517	11,701,738	373,870,517	11,701,738
Other financial assets-financial assets carried at cost	4,000,440	125,209	4,000,440	125,209
Others	950,035,191	29,735,060	950,035,191	29,735,060
Guarantees on duties and contracts	-	-	15,798,961	494,490
Unused commercial letters of credit	-	-	3,520,713	110,194
Irrevocable loan commitments	-	-	34,165,997	1,069,358
Credit card line commitments	-	-	257,571,261	8,061,698
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Financial assets	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
	<u>Derivative financial instruments</u>			
Forward	\$591,826	\$18,523	\$591,826	\$18,523
Non-delivery forward	10,402	326	10,402	326
Currency swap	3,187,797	99,775	3,187,797	99,775
Interest rate swap	4,382,566	137,170	4,382,566	137,170
Cross currency swap	308,869	9,667	308,869	9,667
Options	113,502	3,552	113,502	3,552

ⓑ 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, and guarantees account	December 31,			
	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Industry type				
Manufacturing	\$136,535,182	\$4,167,741	\$135,491,126	\$4,240,724
Financial institutions and insurance	42,997,455	1,312,499	35,823,850	1,121,247
Leasing and real estate	78,087,199	2,383,614	80,406,880	2,516,647
Individuals	432,419,931	13,199,631	425,995,574	13,333,195
Others	142,745,603	4,357,314	149,351,672	4,674,544
Total	832,785,370	25,420,799	827,069,102	25,886,357
Valuation allowance	(8,333,394)	(254,377)	(6,062,695)	(189,756)
Maximum credit risk exposed	\$824,451,976	\$25,166,422	\$821,006,407	\$25,696,601

December 31,

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Loans, customers' liabilities under acceptances, and guarantees account	2008		2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Geographic Region				
Domestic	\$741,552,795	\$22,635,922	\$746,057,104	\$23,350,770
South East Asia	27,761,520	847,421	23,753,704	743,465
North East Asia	215,157	6,568	1,108,292	34,688
America	18,529,668	565,619	15,960,143	499,535
Others	44,726,230	1,365,269	40,189,859	1,257,899
Total	832,785,370	25,420,799	827,069,102	25,886,357
Valuation allowance	(8,333,394)	(254,377)	(6,062,695)	(189,756)
Maximum credit risk exposed	\$824,451,976	\$25,166,422	\$821,006,407	\$25,696,601

(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 39.37%. Capital and working capital of Cathay United Bank have sufficed to deliver contracts. Cathay United Bank has raised sufficient capital to execute the obligations so that it is without liquidity risk.

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

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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 December 31, 2009, there is no significant change in these dates.

As of December 31, 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 (%)	
	December 31, 2008	December 31, 2009
Available-for-sale financial assets		
Bonds	1.4922~6.7847	0.3457~6.6626
Overseas financial instruments	2.1918	0~7.75
Held-to-maturity financial assets		
Bonds	2.0981~6.9650	2.2292~6.9559
Overseas financial instruments	1.34	0~7.2864
Investments in debt securities with no active market		
Preferred stocks	5	5
Certificates of deposit	1.02~2.359	0.57~0.71
Overseas financial instruments	0~6.014	0~11.61
Financial debentures payable	2~5.593	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			
		December 31, 2008		December 31, 2009	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Financial debentures payable	Interest rate swap	\$2,488,654	\$75,966	\$916,995	\$28,701

The hedge is regarded as highly effective, at inception and throughout the life of the

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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	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and Cash equivalents	\$3,567,735	\$3,567,735	\$108,905	\$108,905
Financial assets at fair value through profit or loss - current	218,766	218,766	6,678	6,678
Available-for-sale financial assets - current	2,983,818	2,983,818	91,081	91,081
Held-to-maturity financial assets-current	310,080	310,080	9,465	9,465
Investments in debt securities with no active market-current	100,131	100,131	3,057	3,057
Receivables	2,249,834	2,249,834	68,676	68,676
Prepaid reinsurance premiums ceded	1,409,385	1,409,385	43,021	43,021
Claims recoverable from reinsurers	1,140,919	1,140,919	34,827	34,827
Due from reinsurers and ceding companies	207,042	207,042	6,320	6,320
Account receivable-reinsurance	26,554	26,554	811	811
Secured loans	1,499,614	1,499,614	45,776	45,776
Held-to-maturity financial assets- noncurrent	3,261,547	3,261,547	99,559	99,559
Financial assets carried at cost-noncurrent	25,500	25,500	778	778
Investments under equity method	1,285,997	1,285,997	39,255	39,255
Guarantee deposits paid	570,993	570,993	17,430	17,430
<u>Liabilities</u>				
Claims outstanding	15,209	15,209	464	464
Due to reinsurers and ceding companies	458,211	458,211	13,987	13,987
Account payable-reinsurance	838,615	838,615	25,599	25,599
Operating and liabilities reserve	14,073,121	14,073,121	429,583	429,583
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Item	(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	\$41,005	\$41,005	\$1,252	\$1,252
<u>Liabilities</u>				
Financial liabilities at fair value through				
Profit or loss-current				
Forward and SWAP	66,908	66,908	2,042	2,042
December 31, 2009				
Item	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
	<u>Non-derivative financial instruments</u>			
<u>Assets</u>				
Cash and Cash equivalents	\$5,656,922	\$5,656,922	\$177,055	\$177,055
Financial assets at fair value through profit or				
loss - current	671,592	671,592	21,020	21,020
Available-for-sale financial assets - current	3,372,772	3,372,772	105,564	105,564
Receivables	2,326,565	2,326,565	72,819	72,819
Prepaid reinsurance premiums ceded	1,292,483	1,292,483	40,453	40,453
Claims recoverable from reinsurers	1,077,694	1,077,694	33,731	33,731
Due from reinsurers and ceding companies	72,428	72,428	2,267	2,267
Account receivable - reinsurance	45,046	45,046	1,410	1,410
Secured loans	1,144,564	1,144,564	35,823	35,823
Held-to-maturity financial assets - noncurrent	3,005,706	3,005,706	94,075	94,075
Financial assets carried at cost-noncurrent	25,500	25,500	798	798
Investments in debt securities with no active				
market-noncurrent	300,000	300,000	9,390	9,390
Investments under equity method	859,351	859,351	26,897	26,897
Guarantee deposits paid	530,811	530,811	16,614	16,614
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Item	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Claims outstanding	\$22,817	\$22,817	\$714	\$714
Due to reinsurers and ceding companies	380,888	380,888	11,608	11,608
Account payable - reinsurance	579,203	579,203	18,129	18,129
Operating and liabilities reserve	14,508,210	14,508,210	454,091	454,091
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Option	107	107	3	3
Forward and SWAP	38,458	38,458	1,204	1,204
Derivative financial assets for hedging-current				
IRS	27,213	27,213	852	852

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 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 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

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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.

- (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	December 31, 2008			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,789,660	\$85,154	\$778,075	\$23,751
Financial assets at fair value through profit or loss-current	218,766	6,678	-	-
Available-for-sale financial assets-current	2,983,818	91,081	-	-
Held to-maturity financial asset-current	-	-	310,080	9,465
Investment in debt securities with no active market-current	-	-	100,131	3,057
Held-to-maturity financial assets-noncurrent	-	-	3,261,547	99,559
Financial assets carried at cost-noncurrent	-	-	25,500	778
Investments under equity method	-	-	1,285,997	39,255
			December 31, 2008	

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Item	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Derivative financial assets for hedging - current				
IRS	\$-	\$-	\$41,005	\$1,252
<u>Liabilities</u>				
Financial liability at fair value through profit and loss-current				
Forward and SWAP	-	-	66,908	2,042
December 31, 2009				
Item	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	\$3,636,923	\$113,831	\$2,019,999	\$63,224
Financial assets at fair value through profit or loss-current	671,592	21,020	-	-
Available-for-sale financial assets-current	3,372,772	105,564	-	-
Held-to-maturity financial assets-noncurrent	-	-	3,005,706	94,075
Financial assets carried at cost-noncurrent	-	-	25,500	798
Investment in debt securities with no active market-noncurrent	-	-	300,000	9,390
Investments under equity method	-	-	859,351	26,897
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss-current				
Option	-	-	107	3
Forward and SWAP	-	-	38,458	1,204
Derivative financial assets for hedging-current				
IRS	-	-	27,213	852

d. Information on financial risk

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(a) Interest rate risk

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

Fixed interest rate

December 31, 2008

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Held-to-maturity financial assets	\$310,080	\$9,465	\$-	\$-	\$-	\$-	\$361,346	\$11,030
Investments in debt securities								
with no active market	100,131	3,057	-	-	-	-	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Held-to-maturity financial assets	\$239,536	\$7,312	\$2,660,665	\$81,217	\$3,571,627	\$109,024
Investments in debt securities						
with no active market	-	-	-	-	100,131	3,057

December 31, 2009

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Held-to-maturity financial assets	\$-	\$-	\$159,956	\$5,006	\$353,873	\$11,076	\$858,622	\$26,874
Investments in debt securities								
with no active market	-	-	-	-	300,000	9,390	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Held-to-maturity financial assets	\$-	\$-	\$1,633,255	\$51,119	\$3,005,706	\$94,075
Investments in debt securities						
with no active market	-	-	-	-	300,000	9,390

(b) Credit risk

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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 December 31, 2008 and 2009:

Hedged item	Financial instruments of designated as hedging instruments	Designated as hedging instruments			
		Fair value			
		December 31, 2008		December 31, 2009	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Overseas bonds	Forward and SWAP	<u>\$(66,908)</u>	<u>\$(2,042)</u>	<u>\$38,458</u>	<u>\$1,204</u>

f. Cash flow hedges-IRS

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

Cash flow hedges-IRS

December 31, 2009

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$200,000	\$6,260	2.65%	Each quarter	2014/12/31
200,000	6,260	2.40%	Each quarter	2012/9/28
200,000	6,260	2.785%	Each quarter	2015/4/30

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

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being hedged.

Cathay Century's interest rate swap agreements for cash flow hedges have passed the effectiveness testing. Unrealized gain on financial instruments were recognized in equity by of NT\$41,005 (US\$1,252) thousands as of December 31, 2008. Unrealized gain on financial instruments were recognized in equity by NT\$27,213 (US\$852) thousands as of December 31, 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.

Cathay Century also conducts derivative transactions, primarily including futures, option contracts and forward currency contracts. The purpose is to manage the stock price fluctuation and currency exchange arising from Cathay Century's investment activities. Cathay Century does not conduct derivative transactions based on trading purpose.

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

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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.

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

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Item	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss-current				
Liabilities for issuance of call (put) warrants	\$714,272	\$714,272	\$21,803	\$21,803
Repurchase of issued call (put) warrants	(684,071)	(684,071)	(20,881)	(20,881)
Put options-futures	66	66	1	1
Derivative financial instrument liabilities				
-GreTai (over-the-counter)	(1,391)	(1,391)	(42)	(42)
Other financial liabilities-current	101,788	101,788	3,107	3,107
December 31, 2009				
Item	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	\$169,614	\$169,614	\$5,309	\$5,309
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	73,461	73,461	2,299	2,299
Operating securities – net	2,297,939	2,297,939	71,923	71,923
Receivable amount for margin loans	1,359,615	1,359,615	42,554	42,554
Securities refinancing margin deposits	4,470	4,470	140	140
Receivables from securities refinance	4,949	4,949	155	155
Receivables from refinance guaranty	56,004	56,004	1,753	1,753
Security lending deposits	71,756	71,756	2,246	2,246
Receivables-net	45,904	45,904	1,436	1,436
Available-for-sale financial assets – current	937,848	937,848	29,354	29,354
Investments under equity method	730,571	730,571	22,866	22,866
Available-for-sale financial assets – noncurrent	18	18	1	1
Operating deposits	230,098	230,098	7,202	7,202
Settlement and clearance funds	74,138	74,138	2,320	2,320
Guarantee deposits paid	7,277	7,277	228	228
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Item	Carrying		Carrying	
	amount	Fair value	amount	Fair value
	(NT\$)	(NT\$)	(US\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Short-term loans	\$300,000	\$300,000	\$9,389	\$9,389
Commercial paper payable	1,170,000	1,170,000	36,620	36,620
Financial liabilities at fair value through profit or loss – current				
Security lending payable-hedging	72,674	72,674	2,275	2,275
Security lending payable-non-hedging	97,615	97,615	3,055	3,055
Securities financing guarantee deposits-in	108,717	108,717	3,403	3,403
Deposit payable for securities financing	125,997	125,997	3,943	3,943
Payables	343,059	343,059	10,738	10,738
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Call options – futures	3,557	3,557	111	111
Margin for futures trading – own funds	410,426	410,426	12,846	12,846
Derivative financial instrument assets				
-GreTai (over-the-counter)	50,334	50,334	1,576	1,576
<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	1,669,460	1,669,460	52,252	52,252
Repurchase of issued call (put) warrants	(1,433,213)	(1,433,213)	(44,858)	(44,858)
Put options-futures	33,999	33,999	1,064	1,064

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

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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 securities refinance, 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 and payables.
- (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.
- (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

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liabilities as of December 31, 2008 and 2009:

Item	December 31, 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				
	\$730,398	\$22,296	\$-	\$-
Operating securities-net	1,235,773	37,772	-	-
Call option-futures	99	3	-	-
Margin for futures trading – own funds				
	241,319	7,366	-	-
Available-for-sales financial assets-current				
	201,770	6,159	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants				
	714,272	21,803	-	-
Repurchase of issued call (put) warrants				
	(684,071)	(20,881)	-	-
Put options – futures	66	1	-	-
Derivative financial instrument liabilities-GreTai (over-the-counter)				
	-	-	(1,391)	(42)
Other financial liabilities – current	-	-	101,788	3,107

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Item	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	\$73,461	\$2,299	\$-	\$-
Operating securities – net	2,297,939	71,923	-	-
Call options-futures	3,557	111	-	-
Margin for futures trading – own funds	410,426	12,846	-	-
Derivative financial instrument assets-GreTai (over-the-counter)	-	-	50,334	1,576
Available-for-sale financial assets-current	937,848	29,354	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	1,669,460	52,252	-	-
Repurchase of issued call (put) warrants	(1,433,213)	(44,858)	-	-
Security lending payable-hedging	72,674	2,275	-	-
Security lending payable-non-hedging	97,615	3,055	-	-
Put options-futures	33,999	1,064	-	-

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

c. Financial risk management objectives and policies

(a) Market risk

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

(b) Credit risk

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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 noncurrent investments) are all creditworthy and well-known financial institutions in the ROC. As a result, counterparty credit risk is relatively low.

(c) Liquidity risk

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

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

(d) Cash flow risk from interest rate fluctuations

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

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

d. Financial derivatives

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(a) Issuance of call (put) warrants

Ⓐ Nominal principal or contract amount and credit risk

	<u>December 31, 2008</u>		<u>December 31, 2009</u>	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>Financial instruments</u>				
<u>For trading purposes</u>				
Issuance of call (put) warrants	NT\$2,365,135 <u>(US\$72,196)</u>	NT\$- <u>(US\$-)</u>	NT\$1,848,360 <u>(US\$57,852)</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, the underlying securities of the warrants held are all actively traded and it is expected that Cathay Securities can be sold in the open market at fair prices. As a result, there should not be significant liquidity risk. Risk from cash requirements results from the need to adjust hedge positions in response to changes in the prices of the underlying securities. Assuming favorable market liquidity, risk from cash requirements is relatively low.

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.

Ⓓ Types, purposes, and strategies for financial derivatives

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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.

©Financial statement presentation of derivative financial instruments

As of December 31, 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

	December 31, 2008		December 31, 2009	
	Financial liabilities at fair value through profit or loss-current		Financial liabilities at fair value through profit or loss-current	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Liabilities for issuance of call (put) warrants	\$714,272	\$21,803	\$1,669,460	\$52,252
Repurchase of issued call (put) warrants	(684,071)	(20,881)	(1,433,213)	(44,858)
Total	\$30,201	\$922	\$236,247	\$7,394

Statement of income

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	For the year ended December 31, 2008		For the year ended December 31, 2009		Comments
	Profits or losses from issuing call (put) warrants				
	(NT\$)	(US\$)	(NT\$)	(US\$)	
Liabilities for issuance of call (put) warrants	\$1,404,038	\$42,858	\$(2,190,924)	\$(68,574)	Fair value method
Repurchase of issued call (put) warrants					
- Loss on disposal	(2,379,172)	(72,624)	(3,741,865)	(117,116)	
- (Loss) gain from valuation	(586,233)	(17,895)	784,892	24,566	Fair value method
Gain from expiration of warrants issued	1,670,217	50,984	5,186,976	162,347	
Trading securities-hedging					
- (Loss) gain on disposal	(89,546)	(2,733)	99,263	3,107	
- (Loss) gain from valuation	(5,750)	(176)	72,849	2,280	Fair value method
Security lending payable-hedging					
- Loss on disposal	-	-	(814)	(25)	
- Loss from valuation	-	-	(7,943)	(249)	Fair value method
Total	\$13,554	\$414	\$202,434	\$6,336	

(b) Structured notes transactions

Ⓐ Nominal principal or contract amount and credit risk

Financial instruments	December 31, 2008		December 31, 2009	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>For trading purposes</u>				
Principal guaranteed notes	NT\$103,800 (US\$3,168)	NT\$- (US\$-)	NT\$- (US\$-)	NT\$- (US\$-)

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

Ⓑ Market risk

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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.

③ 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.

④ Types, purposes, and strategies for financial derivatives

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

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

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

(c) Financial statement presentation of derivative financial instruments

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

Balance sheet

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	December 31, 2008		December 31, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Derivative financial instrument liabilities –				
GreTai (over-the-counter) (note)				
Structured notes transactions	\$ (1,391)	\$ (42)	\$ -	\$ -
Other financial liabilities – current				
Principal of structured notes	101,788	3,107	-	-

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

Statement of income

	For the year ended December 31, 2008		For the year ended December 31, 2009		Comments
	(NT\$)	(US\$)	(NT\$)	(US\$)	
Gain (loss) from structured notes	\$1,242	\$38	\$ (12,197)	\$ (382)	Fair value method
Trading securities - hedging					
- (Loss) gain on disposal	(6,300)	(193)	9,369	293	
-Gain (loss)from valuation					Fair value method
	214	7	(79)	(2)	
Total	<u>\$ (4,844)</u>	<u>\$ (148)</u>	<u>\$ (2,907)</u>	<u>\$ (91)</u>	

e. Futures and options transactions

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

December 31, 2008

Item	Nature of Transaction	Unexercised Futures /options		Contract amount/ payment (receipt) of premium		Fair value	
		Buy/Sell	Units	NT\$	US\$	NT\$	US\$
Futures	STW	Sell	5	\$ (2,836)	\$ (87)	\$2,870	\$88
Options	TXO-Call	Buy	22	\$3	\$-	\$-	\$-
Options	TXO-Put	Buy	41	\$139	\$4	\$99	\$3
Options	TXO-Call	Sell	609	\$ (73)	\$ (2)	\$34	\$1
Options	TXO-Put	Sell	42	\$ (73)	\$ (2)	\$32	\$-

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December 31, 2009

Item	Nature of Transaction	Unexercised Futures /options		Contract amount/ payment (receipt) of premium		Fair value	
		Buy/Sell	Units	NT\$	US\$	NT\$	US\$
Futures	STW	Sell	70	\$(65,747)	\$(2,058)	\$66,521	\$2,082
Futures	FITF	Sell	27	\$(24,383)	\$(763)	\$24,597	\$770
Futures	FITX	Sell	10	\$(16,285)	\$(510)	\$16,402	\$513
Futures	FITX	Buy	154	\$220,541	\$6,903	\$250,651	\$7,845
Options	TXO- Call	Buy	491	\$1,644	\$51	\$2,495	\$78
Options	TXO- Put	Buy	709	\$17,818	\$558	\$1,062	\$33
Options	TXO- Call	Sell	1,104	\$(18,586)	\$(582)	\$33,475	\$1,048
Options	TXO- Put	Sell	588	\$(7,330)	\$(229)	\$524	\$16

(a) Nominal principal or contract amount and credit risk

Financial instruments	December 31, 2008	
	Nominal principal/ contract amount	Credit risk
<u>For trading purposes</u>		
STW futures	NT\$2,836 (US\$87)	NT\$- (US\$-)
TXO	\$288 (US\$9)	NT\$- (US\$-)
Financial instruments	December 31, 2009	
	Nominal principal/ contract amount	Credit risk
STW futures	NT\$65,747 (US\$2,058)	NT\$- (US\$-)
FITF	NT\$24,383 (US\$763)	NT\$- (US\$-)
FITX	NT\$236,826 (US\$7,413)	NT\$- (US\$-)
TXO	NT\$45,378 (US\$1,420)	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.

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(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.

(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 year ended December 31, 2008 and 2009, the related gain (loss) of futures and options on the statement of income were as follows:

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Item	For the year ended December 31, 2008		For the year ended December 31, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Gains from derivative financial instruments - futures				
Gains on futures contracts - realized	\$9,530	\$291	\$74,225	\$2,323
Gains on futures contracts - unrealized	1,014	31	60,783	1,903
Gains from options transactions - realized	8,953	273	21,629	677
Gains from options transactions - unrealized	1,973	60	29,681	929
Total	<u>\$21,470</u>	<u>\$655</u>	<u>\$186,318</u>	<u>\$5,832</u>

Item	For the year ended December 31, 2008		For the year ended December 31, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Losses from derivative financial instruments - futures				
Losses on futures contracts - realized	\$9,672	\$295	\$91,190	\$2,854
Losses on futures contracts - unrealized	1,048	32	31,744	994
Losses from options transactions - realized	3,786	116	40,964	1,282
Losses from options transactions - unrealized	1,936	59	53,706	1,681
Total	<u>\$16,442</u>	<u>\$502</u>	<u>\$217,604</u>	<u>\$6,811</u>

F. Cathay Pacific Venture

a. Information of fair value

Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$142,465	\$142,465	\$4,349	\$4,349
Financial assets at fair value through profit or loss	43,365	43,365	1,324	1,324
Available-for-sale financial assets-current	528,816	528,816	16,142	16,142
Available-for-sale financial assets-noncurrent	228,613	228,613	6,978	6,978
Investment in debt securities with no active market-noncurrent	34,000	-	1,038	-
Financial assets carried at cost-noncurrent	1,554,311	-	47,445	-
Other receivables	5,015	5,015	153	153
Investment under equity method	239,449	239,449	7,309	7,309
<u>Liabilities</u>				
Accrued expenses	4,664	4,664	142	142
Other payables	22,669	22,669	692	692

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Item	December 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$5,794	\$5,794	\$181	\$181
Financial assets at fair value through profit or loss	21,670	21,670	678	678
Available-for-sale financial assets-current	175,238	175,238	5,485	5,485
Available-for-sale financial assets-noncurrent	100,416	100,416	3,143	3,143
Investment in debt securities with no active market-noncurrent	34,000	-	1,064	-
Financial assets carried at cost-noncurrent	1,254,363	-	39,260	-
Other receivables	3,813	3,813	119	119
Investment under equity method	260,395	260,395	8,150	8,150
<u>Liabilities</u>				
Accrued expenses	3,114	3,114	97	97
Other payables	516	516	16	16

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.

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

Item	December 31, 2008			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$142,465	\$4,349	\$-	\$-
Financial assets at fair value through profit or loss	43,365	1,324	-	-
Available-for-sale financial assets-current	528,816	16,142	-	-
Other receivable	-	-	5,015	153
Investment under equity method	-	-	239,449	7,309
Financial assets carried at cost-noncurrent	-	-	1,554,311	47,445
Available-for-sale financial assets-noncurrent	-	-	228,613	6,978
Investment in debt securities with no active market-noncurrent	-	-	34,000	1,038
<u>Liabilities</u>				
Accrued expense	-	-	4,664	142
Other payables	-	-	22,669	692
Item	December 31, 2009			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$5,794	\$181	\$-	\$-
Financial assets at fair value through profit or loss	21,670	678	-	-
Available-for-sale financial assets-current	175,238	5,485	-	-
Other receivable	-	-	3,813	119
Investment under equity method	-	-	260,395	8,150
Financial assets carried at cost-noncurrent	-	-	1,254,363	39,260
Available-for-sale financial assets-noncurrent	-	-	100,416	3,143
Investment in debt securities with no active market	-	-	34,000	1,064
<u>Liabilities</u>				
Accrued expense	-	-	3,114	97
Other payables	-	-	516	16

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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.

(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.

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share date and unless otherwise stated)**

G. Cathay Futures

a. Information of fair value

Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$258,103	\$258,103	\$7,879	\$7,879
Customers' margin accounts	1,814,831	1,814,831	55,398	55,398
Futures trading deposits receivable	264	264	8	8
Accounts receivable-related parties	157	157	5	5
Other receivable (contain transactions with related parties)	5,988	5,988	183	183
Available-for-sale financial assets-noncurrent	30,500	30,500	931	931
Operating deposits	60,000	60,000	1,832	1,832
Settlement and clearance funds	69,000	69,000	2,106	2,106
Guarantee deposits paid	1,279	1,279	39	39
<u>Liabilities</u>				
Futures customers' equity	1,814,340	1,814,340	55,383	55,383
Payables (contain transactions with related parties)	5,729	5,729	175	175
Other payable (contain transactions with related parties)	3,780	3,780	115	115

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Item	December 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$254,406	\$254,406	\$7,963	\$7,963
Customers' margin accounts	1,172,262	1,172,262	36,690	36,690
Futures trading deposits receivable	78	78	2	2
Accounts receivable-related parties	28	28	1	1
Other receivable (contain transactions with related parties)	4,876	4,876	153	153
Available-for-sale financial assets-noncurrent	30,500	30,500	955	955
Operating deposits	60,000	60,000	1,878	1,878
Settlement and clearance funds	73,000	73,000	2,285	2,285
Guarantee deposits paid	1,279	1,279	40	40
<u>Liabilities</u>				
Futures customers' equity	1,171,796	1,171,796	36,676	36,676
Payables (contain transactions with related parties)	4,861	4,861	152	152
Other payable (contain transactions with related parties)	2,034	2,034	64	64

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 and other payables, approximate their fair values due to the short maturities of these instruments.
- (b) The fair value of available-for-sale financial assets-noncurrent is valued at market price or other financial information when available.

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(c) The fair value of financial assets and financial liabilities is determined using pricing models.

c. Information on financial risk

(a) Market risk

The fair values of the shares on listed companies or derivative instruments held by Cathay Futures will fluctuate under the influence of the related stock market factors.

(b) Credit risk

Appropriate credit evaluation processes and continuous monitor of credit-lines are in place for all customers of the brokerage department. In addition, all transactions conducted by proprietary trading department go through Taiwan Futures Exchange and therefore no significant credit risk is expected.

(c) Liquidity risk and cash flow risk

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

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H. Symphox Information

a. Information of fair value

Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$473,540	\$473,540	\$14,455	\$14,455
Financial assets at fair value through profit or loss-current	69,673	69,673	2,127	2,127
Receivables (contain transactions with related parties)	130,016	130,016	3,969	3,969
Guarantee deposits paid	10,483	10,483	320	320
<u>Liabilities</u>				
Payables (contain transactions with related parties)	120,646	120,646	3,683	3,683
Guarantee deposits in	80	80	2	2
Item	December 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$140,207	\$140,207	\$4,388	\$4,388
Financial assets at fair value through profit or loss-current	545,014	545,014	17,058	17,058
Receivables (contain transactions with related parties)	107,721	107,721	3,372	3,372
Guarantee deposits paid	8,283	8,283	259	259
<u>Liabilities</u>				
Payables (contain transactions with related parties)	148,798	148,798	4,657	4,657
Guarantee deposits in	80	80	3	3

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

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

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

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

Item	December 31, 2008			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current	\$69,673	\$2,127	\$-	\$-
Item	December 31, 2009			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current	\$545,014	\$17,058	\$-	\$-

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I. Cathay Life (Shanghai)

a. Information of fair value

Item	December 31,2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,853,823	\$2,853,823	\$87,113	\$87,113
Financial assets at fair value through profit or loss-current	684,563	684,563	20,896	20,896
Available-for-sale financial assets-current	160,633	160,633	4,903	4,903
Receivables	149,145	149,145	4,553	4,553
Available-for-sale financial assets-noncurrent	3,100,496	3,100,496	94,643	94,643
Held-to-maturity financial assets-noncurrent	433,139	433,139	13,222	13,222
Investment in debt securities with no active market-noncurrent	1,571,128	1,571,128	47,959	47,959
Guarantee deposits paid	770,576	770,576	23,522	23,522
<u>Liabilities</u>				
Short-term liabilities	411,777	411,777	12,570	12,570
Payables	421,406	421,406	12,863	12,863
Guarantee deposits in	5,625	5,625	172	172

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Item	December 31,2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$3,578,503	\$3,578,503	\$112,003	\$112,003
Financial assets at fair value through profit or loss-current	22,680	22,680	710	710
Available-for-sale financial assets-current	769,893	769,893	24,097	24,097
Receivables	211,354	211,354	6,615	6,615
Premiums receivables	23,075	23,075	722	722
Available-for-sale financial assets-noncurrent	3,556,604	3,556,604	111,318	111,318
Held-to-maturity financial assets-noncurrent	281,385	281,385	8,807	8,807
Investment in debt securities with no active market-noncurrent	1,204,005	1,204,005	37,684	37,684
Guarantee deposits paid	773,500	773,500	24,210	24,210
<u>Liabilities</u>				
Payables	411,324	411,324	12,874	12,874
Guarantee deposits in	8,593	8,593	269	269

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

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

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

Item	December 31,							
	2008				2009			
	Based on the quoted market price		Based on pricing models		Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Cash and cash equivalents	\$2,853,823	\$87,113	\$-	\$-	\$3,578,503	\$112,003	\$-	\$-
Financial assets at fair value								
through profit or loss-current	684,563	20,896	-	-	22,680	710	-	-
Receivables	-	-	149,145	4,553	-	-	211,354	6,615
Available-for-sale financial assets-current	160,633	4,903	-	-	769,893	24,097	-	-
Available-for-sale financial assets-noncurrent	3,100,496	94,643	-	-	3,556,604	111,318	-	-
Held-to-maturity financial assets-noncurrent	433,139	13,222	-	-	281,385	8,807	-	-
Investment in debt securities with no active market-noncurrent	-	-	1,571,128	47,959	-	-	1,204,005	37,684

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J. Cathay Life (Vietnam)

a. Information of fair value

Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$419,562	\$419,562	\$12,807	\$12,807
Receivables	74,470	74,470	2,273	2,273
Available-for-sale financial assets-noncurrent	1,690,297	1,690,297	51,596	51,596
Guarantee deposits paid	45,768	45,768	1,397	1,397
<u>Liabilities</u>				
Payables	26,401	26,401	806	806

Item	December 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$362,747	\$362,747	\$11,354	\$11,354
Receivables	67,989	67,989	2,128	2,128
Available-for-sale financial assets-noncurrent	1,391,750	1,391,750	43,560	43,560
Guarantee deposits paid	48,925	48,925	1,531	1,531
<u>Liabilities</u>				
Payables	24,115	24,115	755	755

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

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- (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	December 31,							
	2008				2009			
	Based on the quoted		Based on pricing		Based on the quoted		Based on pricing	
	market price		models		market price		models	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Cash and cash equivalents	\$419,562	\$12,087	\$-	\$-	\$362,747	\$11,354	\$-	\$-
Receivables	-	-	74,470	2,273	-	-	67,989	2,128
Available-for-sale financial								
assets-noncurrent	1,690,297	51,596	-	-	1,391,750	43,560	-	-
<u>Liabilities</u>								
Payables	-	-	26,401	806	-	-	24,115	755

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K. Cathay Century (Shanghai)

a. Information of fair value

Item	December 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,374,250	\$1,374,250	\$41,949	\$41,949
Receivables-net	35,316	35,316	1,078	1,078
Prepaid reinsurance premiums ceded	13,923	13,923	425	425
Claims recoverable from reinsurers	1,783	1,783	54	54
Due from reinsurers and ceding companies	2,887	2,887	88	88
Guarantee deposits paid	434,480	434,480	13,263	13,263
<u>Liabilities</u>				
Due to reinsurers and ceding companies	53	53	2	2
Account payable-reinsurance	106,15	106,15	324	324
Operating and liabilities reserve	23,100	23,100	705	705
Item	December 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,332,033	\$1,332,033	\$41,691	\$41,691
Receivables-net	55,585	55,585	1,740	1,740
Prepaid reinsurance premiums ceded	37,803	37,803	1,183	1,183
Claims recoverable from reinsurers	110,395	110,395	3,455	3,455
Due from reinsurers and ceding companies	2,830	2,830	89	89
Guarantee deposits paid	384,085	384,085	12,021	12,021
<u>Liabilities</u>				
Due to reinsurers and ceding companies	7,994	7,994	250	250
Account payable-reinsurance	13,529	13,529	423	423
Operating and liabilities reserve	204,997	204,997	6,416	6,416

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- b. The methods and assumptions used to estimate the fair value of the financial instruments are as follows:
- (a) The fair value of Cathay Century (Shanghai) short-term financial instruments approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents.
 - (b) Quoted market price, if available, are utilized as estimates of the fair value of held-to-maturity financial assets. If no quoted market prices exist for Cathay Century (shanghai) held-to-maturity financial assets, the fair value of financial assets has been derived based on pricing models. A pricing model incorporates all factors that market participants would consider in setting a price. Cathay Century (shanghai) uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.
 - (c) The fair value of the guarantee deposits paid and guarantee deposits in approximates their carrying amount.

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

Item	December 31, 2008			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$3,295,681	\$100,601	\$3,295,681	\$100,601
Repurchase bonds	9,513,910	290,412	9,513,910	290,412
Cash in banks	390,109	11,908	390,109	11,908
Net other assets less liabilities	849	26	849	26
Total	\$13,200,549	\$402,947	\$13,200,549	\$402,947

Item	December 31, 2009			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$7,823,236	\$244,859	\$7,823,236	\$244,859
Repurchase bonds	1,741,197	54,498	1,741,197	54,498
Cash in banks	2,952,157	92,399	2,952,157	92,399
Net other assets less liabilities	17,647	552	17,647	552
Total	\$12,534,237	\$392,308	\$12,534,237	\$392,308

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As of December 31, 2008 and 2009, Cathay Life and Cathay Century had discretionary account management contracts in the amount of NT\$ 14,800,000(US\$451,770) thousands, and NT\$9,900,000 (US\$309,859) thousands, respectively.

(5)Capital adequacy ratio on a consolidated basis:

A. Capital adequacy ratios

As of December 31, 2008

Item	Ownership interest	Eligible capital		Legal capital	
		(NT\$)	(US\$)	(NT\$)	(US\$)
The Company	100.00%	\$160,131,249	\$4,888,011	\$161,321,562	\$4,924,346
Cathay United Bank	100.00%	91,511,737	2,793,399	66,362,261	2,025,710
Cathay Securities	100.00%	2,875,554	87,776	421,569	12,868
Cathay Life	100.00%	117,616,367	3,590,243	92,584,080	2,826,132
Cathay Century	100.00%	4,022,635	122,791	2,219,664	67,755
Cathay Pacific Venture	100.00%	512,580	15,647	255,055	7,786
Cathay Venture	15.00%	217,376	6,635	109,030	3,328
Cathay II Venture	100.00%	724,522	22,116	366,368	11,183
Cathay Capital Management	100.00%	60,314	1,841	39,428	1,204
Less: Item		(172,010,362)	(5,250,621)	(159,936,489)	(4,882,066)
Subtotal		(A) 205,661,972	6,277,838	(B) 163,742,528	4,998,246
Consolidated capital adequacy ratios			(C)=(A)/(B)		125.60%

As of December 31, 2009

Item	Ownership interest	Eligible capital		Legal capital	
		(NT\$)	(US\$)	(NT\$)	(US\$)
The Company	100.00%	\$249,902,911	\$7,821,687	\$243,656,395	\$7,626,178
Cathay United Bank	100.00%	96,624,673	3,024,247	63,708,425	1,994,004
Cathay Securities	100.00%	3,094,069	96,841	752,205	23,543
Cathay Life	100.00%	137,334,168	4,298,409	97,007,188	3,036,219
Cathay Century	100.00%	4,963,791	155,361	2,319,720	72,605
Cathay Pacific Venture	100.00%	1,880,742	58,865	941,245	29,460
Less: Item		(252,508,683)	(7,903,245)	(241,251,195)	(7,550,898)
Subtotal		(A) 241,291,671	7,552,165	(B) 167,133,983	5,231,111
Consolidated capital adequacy ratios			(C)=(A)/(B)		144.37%

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B. Eligible capital

As of December 31, 2008

Item	(NT\$)	(US\$)
Common Stock	\$97,375,372	\$2,972,386
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates-qualified as bank-level Tier I Capital	-	-
Preferred Stocks and subordinated financial debenture	20,000,000	610,501
Capital collected in advance	-	-
Capital surplus	81,971,213	2,502,174
Legal reserve	12,320,672	376,089
Special reserve	-	-
Accumulated profit	7,060,140	215,511
Equity adjustments	(52,233,857)	(1,594,441)
Less : Goodwill	-	-
Less : Deferred assets	(2,222,244)	(67,834)
Less : Treasury stock	(4,140,047)	(126,375)
Consolidated eligible capital	\$160,131,249	\$4,888,011

As of December 31, 2009

Item	(NT\$)	(US\$)
Common Stock	\$96,708,774	\$3,026,879
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates-qualified as bank-level Tier I Capital	-	-
Preferred Stocks and subordinated financial debenture	40,000,000	1,251,956
Capital collected in advance	-	-
Capital surplus	78,240,933	2,448,855
Legal reserve	12,540,295	392,498
Special reserve	7,107,732	222,464
Accumulated profit	11,051,057	345,886
Equity adjustments	6,546,446	204,896
Less : Goodwill	-	-
Less : Deferred assets	(2,292,326)	(71,747)
Less : Treasury stock	-	-
Consolidated eligible capital	\$249,902,911	\$7,821,687

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(6) Business or trading behaviors within Subsidiaries:

A. Business or trading behaviors

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

B. Integrate business activities:

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

C. Cross utilization of information:

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

D. Locations and business utilities:

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

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

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

(6) Material contract: None.

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share date and unless otherwise stated)**

(7) Presentation of financial statements:

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

35. 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 December 31, 2009, Cathay Life's remittances to this company totaled approximately US\$48,330 thousands.
- (2) On October 17, 2007, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay life to remit US\$26,390 thousands as the registered capital to establish a China-based general insurance subsidiary (in form of joint venture with Cathay Century Insurance). On March 6, 2008, MOEAIC authorized Cathay life to increase the remittances from US\$26,390 thousands to US\$28,960 thousands. As of December 31, 2009, Cathay life's remittances to this general insurance company totaled approximately US\$28,140 thousands.
- (3) On December 31, 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 (in form of joint venture with Cathay Life.) Cathay Century has received approved from the China Insurance Regulatory Commission on October 8, 2007 to form a joint venture general insurance company. Cathay Century and Cathay Life Insurance subsidiary, Cathay Century (Shanghai) has acquired a business license of an enterprise as legal person on August 26, 2008. As of December 31, 2009, Cathay Century's remittances to this company totaled approximately US\$27,820 thousands.

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36. Segment information

For the year ended December 31, 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	\$21,450,273	\$76,563,606	\$437,370	\$73,755	\$50,908	\$98,575,912
Non income other than interest	(5,039,558)	66,538,137	3,380,312	235,165	(162,852)	64,951,204
Provision for premiums reserve	-	(108,975,003)	(851,453)	-	-	(109,826,456)
Total income	16,410,715	34,126,740	2,966,229	308,920	(111,944)	53,700,660
Bad debt expenses	(926,248)	-	-	-	-	(926,248)
Operating expenses	(12,525,170)	(37,093,155)	(1,483,319)	(381,490)	(1,082,417)	(52,565,551)
Income from continuing operations before income taxes	2,959,297	(2,966,415)	1,482,910	(72,570)	(1,194,361)	208,861
Income taxes (expense) benefit	(2,082,679)	3,998,803	(211,216)	17,257	42,031	1,764,196
Consolidated income	876,618	1,032,388	1,271,694	(55,313)	(1,152,330)	1,973,057

For the year ended December 31, 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	\$654,770	\$2,337,107	\$13,351	\$2,251	\$1,554	\$3,009,033
Non income other than interest	(153,833)	2,031,079	103,184	7,178	(4,971)	1,982,637
Provision for premiums reserve	-	(3,326,465)	(25,991)	-	-	(3,352,456)
Total income	500,937	1,041,721	90,544	9,429	(3,417)	1,639,214
Bad debt expenses	(28,274)	-	-	-	-	(28,274)
Operating expenses	(382,330)	(1,132,270)	(45,278)	(11,645)	(33,041)	(1,604,564)
Income from continuing operations before income taxes	90,333	(90,549)	45,266	(2,216)	(36,458)	6,376
Income taxes (expense) benefit	(63,574)	122,063	(6,448)	528	1,283	53,852
Consolidated income	26,759	31,514	38,818	(1,688)	(35,175)	60,228

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For the year ended December 31, 2009

Item	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Other divisions (NT\$)	Total (NT\$)
Net interest income	\$14,383,644	\$73,810,837	\$382,316	\$85,531	\$(732,897)	\$87,929,431
Non income other than interest	11,826,911	218,532,295	4,022,799	726,318	(233,696)	234,874,627
Provision for premiums reserve	-	(251,550,562)	(820,736)	-	-	(252,371,298)
Total income	26,210,555	40,792,570	3,584,379	811,849	(966,593)	70,432,760
Bad debt expenses	-	(3,451)	-	-	-	(3,451)
Operating expenses	(12,874,757)	(38,186,119)	(1,655,632)	(567,652)	(845,602)	(54,129,762)
Income from continuing operations before income taxes	13,335,798	2,603,000	1,928,747	244,197	(1,812,195)	16,299,547
Income taxes expense	(2,525,710)	(1,903,484)	(268,808)	(80,003)	(689,661)	(5,467,666)
Consolidated income	10,810,088	699,516	1,659,939	164,194	(2,501,856)	10,831,881

For the year ended December 31, 2009

Item	Bank division (US\$)	Life insurance division (US\$)	Property and casualty insurance division (US\$)	Securities division (US\$)	Other divisions (US\$)	Total (US\$)
Net interest income	\$450,192	\$2,310,199	\$11,966	\$2,677	\$(22,939)	\$2,752,095
Non income other than interest	370,169	6,839,821	125,909	22,733	(7,314)	7,351,318
Provision for premiums reserve	-	(7,873,257)	(25,688)	-	-	(7,898,945)
Total income	820,361	1,276,763	112,187	25,410	(30,253)	2,204,468
Bad debt expenses	-	(108)	-	-	-	(108)
Operating expenses	(402,966)	(1,195,184)	(51,819)	(17,767)	(26,466)	(1,694,202)
Income from continuing operations before income taxes	417,395	81,471	60,368	7,643	(56,719)	510,158
Income taxes expense	(79,052)	(59,577)	(8,413)	(2,504)	(21,586)	(171,132)
Consolidated income	338,343	21,894	51,955	5,139	(78,305)	339,026

English Translation of Financial Statements Originally Issued in Chinese

37. Parent Company financial statements

**Cathay Financial Holding Co., Ltd.
Audited Balance sheets
As of December 31, 2008 and 2009
(Expressed in thousands of dollars)**

	December 31, 2008		December 31, 2009	
	NT \$	US \$	NT \$	US \$
Assets				
Cash and cash equivalents	\$2,299,386	\$70,189	\$10,812,475	\$338,419
Receivables -net	4,077,241	124,458	6,665,004	208,607
Held-to-maturity financial assets -net	15,000,000	457,875	25,000,000	782,472
Investments under equity method	144,936,489	4,424,191	216,251,195	6,768,425
Other financial assets -net	31,720	968	31,720	993
Property and equipment -net	4,467	136	4,022	126
Goodwill and intangible assets -net	533	16	-	-
Other assets -net	2,238,933	68,344	2,309,690	72,291
Total assets	\$168,588,769	\$5,146,177	\$261,074,106	\$8,171,333
Liabilities & stockholders' equity				
Payables	\$6,212,178	\$189,627	\$8,851,563	\$277,044
Bonds payable	20,000,000	610,501	40,000,000	1,251,956
Other liabilities	23,098	705	27,306	855
Total liabilities	26,235,276	800,833	48,878,869	1,529,855
Stockholders' equity				
Capital stock				
Common stock	97,375,372	2,972,386	96,708,774	3,026,879
Capital surplus	81,971,213	2,502,174	78,240,933	2,448,855
Retained earnings				
Legal reserve	12,320,672	376,089	12,540,295	392,498
Special reserve	-	-	7,107,732	222,464
Unappropriated retained earnings	7,060,140	215,511	11,051,057	345,886
Equity adjustments				
Reserve for land revaluation increment	2,106	64	1,461	46
Cumulative conversion adjustments	344,257	10,508	4,444	139
Unrealized gains or losses on financial instruments	(52,309,533)	(1,596,750)	6,547,332	204,924
Treasury stock	(4,140,047)	(126,375)	-	-
Net loss not yet recognized as net pension cost	(270,687)	(8,263)	(6,791)	(213)
Total stockholders' equity	142,353,493	4,345,344	212,195,237	6,641,478
Total liabilities and stockholders' equity	\$168,588,769	\$5,146,177	\$261,074,106	\$8,171,333

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Audited Statements of Income

For the years ended December 31, 2008 and 2009

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

	January 1 ~ December 31, 2008		January 1 ~ December 31, 2009					
	NT \$	US \$	NT \$	US \$				
Income								
Gain on investment-equity method	\$2,858,167	\$87,245	\$12,184,272	\$381,355				
Gain on financial assets and liabilities at fair value through profit or loss	323,564	9,877	-	-				
Gain on foreign exchange	-	-	8	-				
Other operating income	59,132	1,805	61,095	1,912				
Total income	3,240,863	98,927	12,245,375	383,267				
Expenses and loss								
Interest income	483,671	14,764	553,282	17,317				
Less: interest expenses	(395,943)	(12,086)	(751,896)	(23,534)				
Net interest income (loss)	87,728	2,678	(198,614)	(6,217)				
Losses on foreign exchange	(716,859)	(21,882)	-	-				
Operating expenses	(486,983)	(14,865)	(318,836)	(9,979)				
Income from continuing operations before income taxes	2,124,749	64,858	11,727,925	367,071				
Income taxes benefit (expense)	71,480	2,182	(676,868)	(21,185)				
Net income	\$2,196,229	\$67,040	\$11,051,057	\$345,886				
Earnings per share (expressed in dollars)								
Primary earnings per share:	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes
Net income	\$0.22	\$0.23	\$0.01	\$0.01	\$1.21	\$1.14	\$0.04	\$0.04

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Audited Statements of Changes in Stockholders' Equity

For the years ended December 31, 2008 and 2009

(Expressed in thousands of dollars)

Summary	Retained earnings										Other stockholders' equity											
	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		Total	
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Balance on January 1, 2008	\$92,770,192	\$2,831,813	\$81,971,213	\$2,502,174	\$9,245,862	\$282,230	\$-	\$-	\$35,577,963	\$1,086,018	\$2,106	\$64	\$183,766	\$5,609	\$10,955,521	\$334,418	\$(4,140,047)	\$(126,375)	\$(3,107)	\$(95)	\$226,563,469	\$6,915,856
Appropriations and distribution for 2007																						
Legal reserve					3,074,810	93,859			(3,074,810)	(93,859)												
Cash dividends									(23,025,898)	(702,866)											(23,025,898)	(702,866)
Stock dividend	4,605,180	140,573							(4,605,180)	(140,573)												
Remuneration paid to directors and supervisors									(5,400)	(165)											(5,400)	(165)
Bonus paid to employees									(2,764)	(84)											(2,764)	(84)
Cumulative translation adjustments													160,491	\$4,899							160,491	4,899
Unrealized gains or losses of financial instruments															(63,265,054)	(1,931,168)					(63,265,054)	(1,931,168)
Net loss not yet recognized as pension cost																			(267,580)	(8,168)	(267,580)	(8,168)
Net income for the years ended December 31, 2008									2,196,229	67,040											2,196,229	67,040
Balance on December 31, 2008	\$97,375,372	\$2,972,386	\$81,971,213	\$2,502,174	\$12,320,672	\$376,089	\$-	\$-	\$7,060,140	\$215,511	\$2,106	\$64	\$344,257	\$10,508	\$(52,309,533)	\$(1,596,750)	\$(4,140,047)	\$(126,375)	\$(270,687)	\$(8,263)	\$142,353,493	\$4,345,344
Balance on January 1, 2009	\$97,375,372	\$3,047,743	\$81,971,213	\$2,565,609	\$12,320,672	\$385,624	\$-	\$-	\$7,060,140	\$220,974	\$2,106	\$66	\$344,257	\$10,775	\$(52,309,533)	\$(1,637,231)	\$(4,140,047)	\$(129,579)	\$(270,687)	\$(8,472)	\$142,353,493	\$4,455,509
Appropriations and distribution for 2008																						
Legal reserve					219,623	6,874			(219,623)	(6,874)												
Special reserve			(267,215)	(8,364)			7,107,732	222,464	(6,840,517)	(214,100)												
Land revaluation increment											(645)	(20)									(645)	(20)
Capital surplus			386	12																	386	12
Cumulative translation adjustments													(339,813)	(10,636)							(339,813)	(10,636)
Unrealized gains or losses of financial instruments															58,856,865	1,842,155					58,856,865	1,842,155
Cancellation of treasury stock	(666,598)	(20,864)	(3,473,449)	(108,715)													4,140,047	129,579				
Other capital surplus			9,998	313																	9,998	313
Net loss not recognized as pension cost																			263,896	8,259	263,896	8,259
Net income for the years ended December 31, 2009									11,051,057	345,886											11,051,057	345,886
Balance on December 31, 2009	\$96,708,774	\$3,026,879	\$78,240,933	\$2,448,855	\$12,540,295	\$392,498	\$7,107,732	\$222,464	\$11,051,057	\$345,886	\$1,461	\$46	\$4,444	\$139	\$6,547,332	\$204,924	\$-	\$-	\$(6,791)	\$(213)	\$212,195,237	\$6,641,478

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.
Auited Statements of cash flows
For the years ended December 31, 2008 and 2009
(Expressed in thousands of dollars)

	January 1 ~ December 31, 2008		January 1 ~ December 31, 2009	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Net income	\$2,196,229	\$67,040	\$11,051,057	\$345,886
Adjustments:				
Amortizations	547	17	533	17
Depreciation	882	27	1,003	31
Losses on disposal of property and equipment	170	5	205	6
Investment income recognized by equity method less (more) than cash dividends received	20,806,452	635,118	(12,132,072)	(379,721)
Effects of exchange rate changes	712,859	21,760	(8)	-
Changes in operating assets and liabilities				
Increase in accounts receivable	(1,586,788)	(48,437)	(2,605,528)	(81,550)
Increase in deferred income tax assets	(1,512,040)	(46,155)	(70,616)	(2,210)
Increase in other assets	(1,000)	(31)	(117)	(4)
Increase in accounts payable	4,440,974	135,561	2,657,150	83,166
Decrease in financial liabilities at fair value through profit and loss	(444,155)	(13,558)	-	-
Decrease in income tax payable	(1,280,556)	(39,089)	-	-
Decrease in deferred income tax liabilities	(146,839)	(4,482)	(3)	-
Increase in other liabilities	3,411	104	4,211	132
Net cash provided by (used in) operating activities	23,190,146	707,880	(1,094,185)	(34,247)
Cash flows from investing activities				
Acquisition of Held-to-maturity financial assets	(15,000,000)	(457,876)	(10,000,000)	(312,989)
Acquisition of property and equipment	(2,430)	(74)	(764)	(24)
Disposal of property and equipment	1,150	35	-	-
Decrease (increase) in other assets	2,594,524	79,198	(24)	(1)
Net cash used in investing activities	(12,406,756)	(378,717)	(10,000,788)	(313,014)
Cash flows from financing activities				
Increase in bonds payable	20,000,000	610,501	20,000,000	625,978
Remuneration paid to directors and supervisors	(5,400)	(165)	-	-
Bonus paid to employees	(2,764)	(84)	-	-
Cash dividends	(23,025,898)	(702,866)	-	-
Increase in investments under equity method	(15,000,000)	(457,876)	(925,246)	(28,959)
Cash received from capital reduction in long-term stock investment	-	-	533,300	16,692
Net cash (used in) provided by financing activities	(18,034,062)	(550,490)	19,608,054	613,711
Effects of exchange rate changes	(712,859)	(21,760)	8	-
(Decrease) increase in cash and cash equivalents	(7,963,531)	(243,087)	8,513,089	266,450
Cash and cash equivalents at the beginning of year	10,262,917	313,276	2,299,386	71,969
Cash and cash equivalents at the end of year	\$2,299,386	\$70,189	\$10,812,475	\$338,419
Supplemental disclosure of cash flows information				
Interest paid during the period	\$439,072	\$13,403	\$629,320	\$19,697
Income tax paid	\$18,725	\$572	\$293,909	\$9,199

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

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

Item	December 31, 2008		December 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$476,305,055	#####	\$701,981,693	#####
Loans	541,554,027	16,530,953	506,130,108	15,841,318
Funds and investments	1,116,590,171	34,083,949	1,229,316,465	38,476,259
Property and equipment	12,776,546	390,004	12,504,702	391,383
Intangible assets	764,067	23,323	560,518	17,544
Other assets	210,948,626	6,439,213	292,376,457	9,151,063
Total assets	<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>
Liabilities				
Current liabilities	\$36,387,760	\$1,110,738	\$19,752,642	\$618,236
Long-term liabilities	16,815,259	513,286	26,441,827	827,600
Other liabilities	2,251,850,929	68,737,818	2,583,545,777	80,862,153
Total liabilities	<u>2,305,053,948</u>	<u>70,361,842</u>	<u>2,629,740,246</u>	<u>82,307,989</u>
Stockholders' equity				
Capital stock	52,686,158	1,608,247	52,686,158	1,649,019
Capital surplus	13,009,648	397,120	13,009,649	407,188
Retained earnings	40,731,219	1,243,321	43,393,520	1,358,169
Others	(52,542,481)	(1,603,861)	4,040,370	126,460
Total stockholders' equity	<u>53,884,544</u>	<u>1,644,827</u>	<u>113,129,697</u>	<u>3,540,836</u>
Total liabilities and stockholders' equity	<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>

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

Item	January 1 ~ December 31, 2008		January 1 ~ December 31, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$935,240,412	#####	\$929,473,158	#####
Operating costs	(930,830,341)	(28,413,624)	(913,744,207)	(28,599,193)
Operating gross profit	4,410,071	134,618	15,728,951	492,299
Operating expenses	(11,021,303)	(336,426)	(11,323,451)	(354,412)
Non-operating revenues & gains	1,440,707	43,977	1,570,558	49,157
Non-operating expenses & losses	(822,150)	(25,096)	(1,343,531)	(42,051)
(Loss) income from continuing operations before income tax	<u>\$(5,992,675)</u>	<u>\$(182,927)</u>	<u>\$4,632,527</u>	<u>\$144,993</u>
Net (loss) income	<u>\$(1,973,545)</u>	<u>\$(60,243)</u>	<u>\$2,662,301</u>	<u>\$83,327</u>
Earnings per share (in dollars)				
(Loss) income from continuing operations before income tax	<u>\$(1.16)</u>	<u>\$(0.04)</u>	<u>\$0.88</u>	<u>\$0.03</u>
Net (loss) income	<u>\$(0.38)</u>	<u>\$(0.01)</u>	<u>\$0.51</u>	<u>\$0.02</u>

English Translation of Financial Statements Originally Issued in Chinese

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

Items	December 31, 2008		December 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$12,304,067	\$375,582	\$14,615,137	\$457,438
Loans	1,499,614	45,776	1,144,564	35,823
Funds and investments	4,573,044	139,592	4,190,557	131,160
Property and equipment	117,303	3,581	116,339	3,641
Intangible assets	18,669	570	14,177	444
Other assets	886,017	27,046	731,872	22,907
Total assets	\$19,398,714	\$592,147	\$20,812,646	\$651,413
Liabilities				
Current liabilities	\$2,082,151	\$63,558	\$1,822,864	\$57,054
Long-term liabilities	17,867	545	17,590	551
Other liabilities	14,202,257	433,525	14,672,157	459,222
Total liabilities	16,302,275	497,628	16,512,611	516,827
Stockholders' equity				
Capital stock	2,317,006	70,726	2,317,006	72,520
Capital surplus	1,929	59	1,929	60
Retained earnings	999,951	30,524	1,785,198	55,874
Others	(222,447)	(6,790)	195,902	6,132
Total stockholders' equity	3,096,439	94,519	4,300,035	134,586
Total liabilities and stockholders' equity	\$19,398,714	\$592,147	\$20,812,646	\$651,413

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

Items	January 1 ~ December 31, 2008		January 1 ~ December 31, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$19,680,989	\$600,763	\$20,767,354	\$649,995
Operating costs	(16,495,878)	(503,538)	(17,025,809)	(532,889)
Operating gross profit	3,185,111	97,225	3,741,545	117,106
Operating expenses	(2,493,863)	(76,125)	(2,690,464)	(84,209)
Non-operating revenues	10,675	326	3,052	95
Non-operating expenses	(12,223)	(373)	(78)	(2)
Income from continuing operations before income taxes	\$689,700	\$21,053	\$1,054,055	\$32,990
Net income	\$478,484	\$14,606	\$785,247	\$24,577
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$2.98	\$0.09	\$4.55	\$0.14
Net income	\$2.07	\$0.06	\$3.39	\$0.11

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Company(Shanghai)

Condensed Balance Sheets

As of December 31, 2008 and 2009

(Expressed in thousands of dollars)

Items	December 31, 2008		December 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$3,848,465	\$117,475	\$4,605,504	\$144,147
Loans	8,608	263	15,392	482
Funds and investments	5,104,763	155,823	5,041,993	157,809
Property and equipment	276,230	8,432	224,158	7,016
Intangible assets	163,486	4,990	143,279	4,485
Other assets	1,114,664	34,025	1,304,015	40,814
Total assets	\$10,516,216	\$321,008	\$11,334,341	\$354,753
Liabilities				
Current liabilities	\$1,027,100	\$31,352	\$417,315	\$13,062
Other liabilities	7,050,415	215,214	9,085,498	284,366
Total liabilities	8,077,515	246,566	9,502,813	297,428
Stockholders' equity				
Capital stock	3,257,376	99,432	3,257,376	101,952
Retained earnings	(1,448,970)	(44,230)	(2,166,817)	(67,819)
Others	630,295	19,240	740,969	23,192
Total stockholders' equity	2,438,701	74,442	1,831,528	57,325
Total liabilities and stockholders' equity	\$10,516,216	\$321,008	\$11,334,341	\$354,753

Cathay Life Insurance Company(Shanghai)

Condensed Statements of Income

For the years ended December 31, 2008 and 2009

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

Items	January 1 ~ December 31, 2008		January 1 ~ December 31, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$5,043,598	\$153,956	\$4,252,958	\$133,113
Operating costs	(4,932,694)	(150,571)	(3,942,382)	(123,392)
Operating gross profit	110,904	3,385	310,576	9,721
Operating expenses	(979,239)	(29,891)	(1,099,512)	(34,414)
Non-operating revenues	53,202	1,624	10,890	341
Non-operating expenses	(163)	(5)	(1,059)	(33)
Loss from continuing operations before income taxes	\$(815,296)	\$(24,887)	\$(779,105)	\$(24,385)
Net loss	\$(815,296)	\$(24,887)	\$(717,847)	\$(22,468)
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 (Vietnam) Co., Ltd.

Condensed Balance Sheets

As of December 31, 2008 and 2009

(Expressed in thousands of dollars)

Items	December 31, 2008		December 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$503,563	\$15,371	\$447,073	\$13,993
Loans	-	-	18	1
Funds and investments	1,690,297	51,596	1,391,750	43,560
Property and equipment	28,076	857	37,720	1,181
Intangible assets	43,376	1,324	31,005	970
Other assets	50,244	1,534	53,777	1,683
Total assets	\$2,315,556	\$70,682	\$1,961,343	\$61,388
Liabilities				
Current liabilities	\$26,401	\$806	\$24,115	\$755
Other liabilities	17,077	521	63,293	1,981
Total liabilities	43,478	1,327	87,408	2,736
Stockholders' equity				
Capital stock	1,940,080	59,221	1,940,080	60,722
Retained earnings	52,496	1,602	44,208	1,384
Others	279,502	8,532	(110,353)	(3,454)
Total stockholders' equity	2,272,078	69,355	1,873,935	58,652
Total liabilities and stockholders' equity	\$2,315,556	\$70,682	\$1,961,343	\$61,388

Cathay Life Insurance (Vietnam) Co., Ltd.

Condensed Statements of Income

For the years ended December 31, 2008 and 2009

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

Items	January 1 ~ December 31, 2008		January 1 ~ December 31, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$205,571	\$6,275	\$335,248	\$10,493
Operating costs	(33,624)	(1,026)	(85,442)	(2,674)
Operating gross profit	171,947	5,249	249,806	7,819
Operating expenses	(107,918)	(3,294)	(264,920)	(8,292)
Non-operating revenues	8,877	271	1,342	42
Non-operating expenses	(83)	(3)	-	-
Income (loss) from continuing operations before income ta	\$72,823	\$2,223	\$(13,772)	\$(431)
Net income (loss)	\$52,496	\$1,602	\$(8,288)	\$(259)
Earnings per share (in dollars)				
Income (loss) from continuing operations before income ta	Note	Note	Note	Note
Net income (loss)	Note	Note	Note	Note

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Insurance Company Limited (Shanghai)

Condensed Balance Sheets

As of December 31, 2008 and 2009

(Expressed in thousands of dollars)

Items	December 31, 2008		December 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$1,430,674	\$43,672	\$1,540,676	\$48,222
Property and equipment	46,100	1,407	48,597	1,521
Other assets	453,271	13,836	384,944	12,048
Total assets	<u>\$1,930,045</u>	<u>\$58,915</u>	<u>\$1,974,217</u>	<u>\$61,791</u>
Liabilities				
Current liabilities	\$15,964	\$487	\$56,675	\$1,774
Other liabilities	79,472	2,426	210,245	6,580
Total liabilities	<u>95,436</u>	<u>2,913</u>	<u>266,920</u>	<u>8,354</u>
Stockholders' equity				
Capital stock	1,745,942	53,295	1,745,942	54,646
Retained earnings	(91,107)	(2,781)	(173,576)	(5,432)
Others	179,774	5,488	134,931	4,223
Total stockholders' equity	<u>1,834,609</u>	<u>56,002</u>	<u>1,707,297</u>	<u>53,437</u>
Total liabilities and stockholders' equity	<u>\$1,930,045</u>	<u>\$58,915</u>	<u>\$1,974,217</u>	<u>\$61,791</u>

Cathay Insurance Company Limited (Shanghai)

Condensed Statements of Income

For the years ended December 31, 2008 and 2009

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

Items	January 1 ~ December 31, 2008		January 1 ~ December 31, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$87,865	\$2,682	\$324,887	\$10,169
Operating costs	(110,351)	(3,368)	(268,621)	(8,408)
Operating gross profit	(22,486)	(686)	56,266	1,761
Operating expenses	(68,621)	(2,095)	(152,674)	(4,778)
Non-operating revenues	-	-	13,940	436
Loss from continuing operations before income taxes	<u>\$(91,107)</u>	<u>\$(2,781)</u>	<u>\$(82,468)</u>	<u>\$(2,581)</u>
Net loss	<u>\$(91,107)</u>	<u>\$(2,781)</u>	<u>\$(82,468)</u>	<u>\$(2,581)</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 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 December 31, 2008 and 2009
(Expressed in thousands of dollars)**

Items	December 31, 2008		December 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$21,742,475	\$663,690	\$19,378,285	\$606,519
Due from the Central Bank and call loans to banks	46,966,265	1,433,647	78,836,983	2,467,511
Financial assets at fair value through profit or loss	53,189,451	1,623,610	41,430,963	1,296,744
Securities purchased under agreements to resell	2,169,147	66,213	1,736,000	54,335
Receivables-net	47,607,325	1,453,215	44,816,287	1,402,701
Loans and advances to customers-net	807,231,524	24,640,767	804,171,890	25,169,699
Available-for-sale financial assets -net	98,016,783	2,991,965	97,991,344	3,067,022
Held-to-maturity financial assets-net	2,542,836	77,620	4,089,081	127,984
Investments-equity method	3,513,361	107,245	3,892,029	121,816
Other financial assets-net	6,587,081	201,071	4,919,872	153,986
Investments in debt securities with no active market	218,918,136	6,682,483	369,781,436	11,573,754
Property and equipment-net	26,725,584	815,799	26,250,655	821,617
Intangible assets-net	6,908,558	210,884	7,072,206	221,352
Other assets-net	9,431,560	287,899	5,924,651	185,435
Total assets	\$1,351,550,086	\$41,256,108	\$1,510,291,682	\$47,270,475
Liabilities				
Due to the Central Bank and call loans from banks	\$62,926,229	\$1,920,825	\$45,350,827	\$1,419,431
Funds borrowed from the Central and other banks	1,643,000	50,153	1,601,500	50,125
Financial liabilities at fair value through profit or loss	47,460,720	1,448,740	24,996,981	782,378
Securities sold under agreements to repurchase	20,732,112	632,848	8,745,465	273,724
Payables	23,225,319	708,954	21,089,973	660,093
Deposits and remittances	1,091,306,408	33,312,161	1,296,636,382	40,583,298
Financial debentures payable	18,865,978	575,885	16,437,209	514,467
Other financial liabilities	261,319	7,977	240,494	7,527
Other liabilities	2,242,407	68,449	2,047,292	64,078
Total liabilities	1,268,663,492	38,725,992	1,417,146,123	44,355,121
Shareholders' equity				
Capital stock	48,689,413	1,486,246	52,277,026	1,636,214
Capital reserves	15,213,611	464,396	15,213,292	476,159
Retained earnings	18,328,293	559,471	23,429,169	733,307
Others	655,277	20,003	2,226,072	69,674
Total shareholders' equity	82,886,594	2,530,116	93,145,559	2,915,354
Total liabilities and shareholders' equity	\$1,351,550,086	\$41,256,108	\$1,510,291,682	\$47,270,475

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

Items	January 1 ~ December 31, 2008		January 1 ~ December 31, 2009	
	NT\$	US\$	NT\$	US\$
Net interest income	\$20,517,858	\$626,308	\$13,697,657	\$428,722
Non-interest income	1,017,372	31,055	11,825,243	370,117
Net operating income	21,535,230	657,363	25,522,900	798,839
Provision for loan losses	(926,249)	(28,274)	-	-
Operating expenses	(14,156,207)	(432,118)	(14,400,411)	(450,717)
Income from continuing operations before income taxes	\$6,452,774	\$196,971	\$11,122,489	\$348,122
Net income	\$4,460,774	\$136,165	\$8,688,489	\$271,940
Earnings per share (in dollars)				
Income from continuing operations before income taxes	\$1.23	\$0.04	\$2.13	\$0.07
Net income	\$0.85	\$0.03	\$1.66	\$0.05

English Translation of Financial Statements Originally Issued in Chinese

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

Items	December 31, 2008		December 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$3,014,673	\$92,023	\$1,453,651	\$45,498
Due from the Central Bank and call loans to banks	1,607,873	49,080	675,800	21,152
Financial assets at fair value through profit or loss	70,459	2,152	187,449	5,867
Available-for-sale financial assets -net	-	-	490,140	15,341
Investments in debt securities with no active market	223,883	6,834	-	-
Receivables-net	109,585	3,345	221,103	6,920
Loans and advances to customers-net	12,354,490	377,121	16,759,762	524,562
Premises and equipment-net	198,225	6,051	179,765	5,627
Intangible assets-net	36,273	1,107	400,153	12,524
Other assets-net	22,423	684	16,111	504
Total assets	\$17,637,884	\$538,397	\$20,383,934	\$637,995
Liabilities				
Due to the Central Bank and call loans from banks	\$959,482	\$29,288	\$616,973	\$19,311
Payables	375,316	11,457	381,772	11,949
Deposits and remittances	12,914,556	394,217	14,760,994	462,003
Total liabilities	14,249,354	434,962	15,759,739	493,263
Shareholders' equity				
Capital stock	2,710,117	82,727	4,017,093	125,730
Retained earnings	608,459	18,573	654,139	20,474
Others	69,954	2,135	(47,037)	(1,472)
Total shareholders' equity	3,388,530	103,435	4,624,195	144,732
Total liabilities and shareholders' equity	\$17,637,884	\$538,397	\$20,383,934	\$637,995

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

Items	January 1 ~ December 31, 2008		January 1 ~ December 31, 2009	
	NT\$	US\$	NT\$	US\$
Net interest income	\$667,050	\$20,362	\$589,497	\$18,451
Non-interest income (loss)	98,023	2,992	287,372	8,994
Net operating revenue	765,073	23,354	876,869	27,445
Provision for loan losses	(33,586)	(1,025)	(71,449)	(2,236)
Operating expenses	(288,591)	(8,810)	(342,509)	(10,720)
Income from continuing operations before income taxes	\$442,896	\$13,519	\$462,911	\$14,489
Net income	\$352,217	\$10,751	\$371,200	\$11,618
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 December 31, 2008 and 2009
(Expressed in thousands of dollars)**

Items	December 31, 2008		December 31, 2009	
	NTS	US\$	NTS	US\$
Assets				
Current assets	\$3,151,784	\$96,209	\$5,611,672	\$175,639
Funds and investments	737,726	22,519	730,589	22,867
Property and equipment	49,780	1,520	38,830	1,215
Intangible assets	6,994	213	6,969	218
Other assets	337,697	10,308	378,590	11,850
Total assets	\$4,283,981	\$130,769	\$6,766,650	\$211,789
Liabilities				
Current liabilities	\$270,923	\$8,270	\$2,500,246	\$78,255
Long-term liabilities	1,010	31	1,096	34
Other liabilities	42,247	1,289	54,695	1,712
Total liabilities	314,180	9,590	2,556,037	80,001
Stockholders' equity				
Capital stock	3,700,000	112,943	3,700,000	115,806
Capital surplus	258,434	7,889	258,434	8,089
Retained earnings	15,138	462	183,509	5,744
Others	(3,771)	(115)	68,670	2,149
Total stockholders' equity	3,969,801	121,179	4,210,613	131,788
Total liabilities and stockholders' equity	\$4,283,981	\$130,769	\$6,766,650	\$211,789

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

Items	January 1 ~ December 31, 2008		January 1 ~ December 31, 2009	
	NTS	US\$	NTS	US\$
Revenue	\$504,306	\$15,394	\$1,141,880	\$35,740
Expenses	(576,947)	(17,612)	(893,506)	(27,966)
(Loss) income from continuing operations before income taxes	\$(72,641)	\$(2,218)	\$248,374	\$7,774
Net (loss) income	\$(55,384)	\$(1,691)	\$168,371	\$5,270
Earnings per share (in dollars)				
(Loss) income from continuing operations before income taxes	\$(0.20)	\$(0.01)	\$0.67	\$0.02
Net (loss) income	\$(0.15)	\$(0.01)	\$0.46	\$0.01

English Translation of Financial Statements Originally Issued in Chinese

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

Items	December 31, 2008		December 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$719,742	\$21,970	\$217,124	\$6,796
Funds and investments	2,056,373	62,771	1,649,175	51,617
Property and equipment	1,284	39	1,002	31
Other assets	778	24	17,084	535
Total assets	\$2,778,177	\$84,804	\$1,884,385	\$58,979
Liabilities				
Current liabilities	\$31,587	\$964	\$3,643	\$114
Total liabilities	31,587	964	3,643	114
Stockholders' equity				
Capital stock	2,799,448	85,453	1,895,224	59,318
Retained earnings	195,946	5,981	(29,916)	(936)
Equity adjustment	(248,804)	(7,594)	15,434	483
Total stockholders' equity	2,746,590	83,840	1,880,742	58,865
Total liabilities and stockholders' equity	\$2,778,177	\$84,804	\$1,884,385	\$58,979

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

Items	January 1 ~ December 31, 2008		January 1 ~ December 31, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$157,687	\$4,813	\$84,097	\$2,632
Operating costs	(114,404)	(3,492)	(340,936)	(10,671)
Operating gross loss	43,283	1,321	(256,839)	(8,039)
Operating expenses	(21,598)	(659)	(8,192)	(256)
Non-operating revenues	1,535	47	1,317	41
Non-operating expenses	(4,305)	(132)	(22)	(1)
Income (loss) from continuing operations before income taxes	\$18,915	\$577	\$(263,736)	\$(8,255)
Net losses	\$(4,664)	\$(142)	\$(256,435)	\$(8,026)
Earning per share (in dollars)				
Income (loss) from continuing operations before income taxes	\$0.09	\$-	\$(1.29)	\$(0.04)
Net losses	\$(0.02)	\$-	\$(1.25)	\$(0.04)

English Translation of Financial Statements Originally Issued in Chinese

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

Items	December 31, 2008		December 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$692,964	\$21,153	\$812,414	\$25,428
Property and equipment	85,022	2,595	86,300	2,701
Intangible assets	4,763	145	2,672	84
Other assets	22,531	688	11,168	349
Total assets	\$805,280	\$24,581	\$912,554	\$28,562
Liabilities				
Current liabilities	\$292,154	\$8,918	\$345,816	\$10,824
Other liabilities	80	2	80	2
Total liabilities	292,234	8,920	345,896	10,826
Stockholders' equity				
Capital stock	499,000	15,232	499,000	15,618
Retained earnings	14,046	429	67,658	2,118
Total stockholders' equity	513,046	15,661	566,658	17,736
Total liabilities and stockholders' equity	\$805,280	\$24,581	\$912,554	\$28,562

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

Items	January 1 ~ December 31, 2008		January 1 ~ December 31, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$1,195,445	\$36,491	\$1,335,282	\$41,793
Operating costs	(1,035,666)	(31,614)	(1,147,643)	(35,920)
Operating gross profit	159,779	4,877	187,639	5,873
Operating expenses	(94,171)	(2,874)	(110,210)	(3,450)
Non-operating revenues	9,967	304	7,253	227
Non-operating expenses	(219)	(7)	(4)	-
Income from continuing operations before income taxes	\$75,356	\$2,300	\$84,678	\$2,650
Net income	\$61,351	\$1,873	\$66,253	\$2,074
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$1.51	\$0.05	\$1.70	\$0.05
Net income	\$1.23	\$0.04	\$1.33	\$0.04

English Translation of Financial Statements Originally Issued in Chinese

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

Items	December 31, 2008		December 31, 2009	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$2,080,054	\$63,494	\$1,433,668	\$44,872
Funds and investments	30,500	931	30,500	955
Property and equipment	171,822	5,245	166,632	5,215
Intangible assets	7,475	228	4,745	149
Other assets	282,004	8,608	285,128	8,924
Total assets	\$2,571,855	\$78,506	\$1,920,673	\$60,115
Liabilities				
Current liabilities	\$1,824,187	\$55,683	\$1,179,872	\$36,929
Other liabilities	9,891	302	10,162	318
Total liabilities	1,834,078	55,985	1,190,034	37,247
Stockholders' equity				
Capital stock	650,000	19,841	650,000	20,344
Retained earnings	87,777	2,680	80,639	2,524
Total stockholders' equity	737,777	22,521	730,639	22,868
Total liabilities and stockholders' equity	\$2,571,855	\$78,506	\$1,920,673	\$60,115

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

Items	January 1 ~ December 31, 2008		January 1 ~ December 31, 2009	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$124,304	\$3,795	\$118,432	\$3,707
Operating costs	(67,672)	(2,066)	(69,563)	(2,177)
Operating gross profit	56,632	1,729	48,869	1,530
Operating expenses	(65,561)	(2,001)	(62,166)	(1,946)
Non-operating revenues	36,282	1,107	22,137	693
Non-operating expenses	(2,499)	(76)	(1,067)	(34)
Income from continuing operations before income taxes	\$24,854	\$759	\$7,773	\$243
Net income	\$18,918	\$577	\$6,104	\$191
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$0.38	\$0.01	\$0.12	\$-
Net income	\$0.29	\$0.01	\$0.09	\$-