

Cathay Financial Holding Co., Ltd. and Subsidiaries
Unaudited Consolidated Financial Statements
As of March 31, 2009 and 2010
With Independent Auditors' Review Report

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

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

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

We have reviewed the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. (the "Company") and its subsidiaries ("Subsidiaries") as of March 31, 2009 and 2010 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the three-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a review report based on our review.

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

Base on our review, we are not aware of any material modifications that should be made to the consolidated financial statements as of and for the three-month periods ended March 31, 2009 and 2010 in order for them to be in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and generally accepted accounting principles in the Republic of China.

Ernst & Young
Taipei, Taiwan
The Republic of China
April 23 , 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Unaudited consolidated balance sheets
As of March 31, 2009 and 2010
(Expressed in thousands of dollars)

	Notes	March 31, 2009		March 31, 2010	
		NT \$	US \$	NT \$	US \$
Assets					
Cash and cash equivalents	2, 4	\$381,298,599	\$11,257,709	\$774,435,747	\$24,407,052
Due from the Central Bank and call loans to banks		50,032,494	1,477,192	73,240,107	2,308,229
Financial assets at fair value through profit or loss	2, 5	199,372,923	5,886,416	101,923,686	3,212,218
Securities purchased under agreements to resell		21,953,759	648,177	42,652,886	1,344,245
Receivables -net		97,935,996	2,891,526	97,329,729	3,067,436
Loans -net	2, 6	1,327,021,100	39,179,838	1,295,931,672	40,842,473
Available-for-sale financial assets -net	2, 7	495,944,956	14,642,603	531,935,051	16,764,420
Held-to-maturity financial assets -net	2, 8	634,309,487	18,727,768	674,202,945	21,248,123
Investments under equity method	2, 9	2,744,959	81,044	2,576,219	81,192
Other financial assets -net	2, 10	41,818,583	1,234,679	63,922,509	2,014,576
Investments in debt securities with no active market	2, 11	155,336,613	4,586,260	192,972,928	6,081,719
Separate account products assets		195,958,451	5,785,605	271,966,597	8,571,276
Investments in real estate	2, 12	114,962,276	3,394,221	122,508,123	3,860,956
Property and equipment -net		40,388,822	1,192,466	39,006,444	1,229,324
Goodwill and intangible assets -net	2, 14	7,767,257	229,326	8,189,463	258,098
Other assets -net		57,654,710	1,702,235	50,564,075	1,593,573
Total assets		\$3,824,500,985	\$112,917,065	\$4,343,358,181	\$136,884,910
Liabilities & stockholders' equity					
Liabilities					
Due to the Central Bank and call loans from banks		\$41,238,695	\$1,217,558	\$56,470,579	\$1,779,722
Bankers acceptances and funds borrowed		1,695,850	50,069	1,590,950	50,140
Commercial paper payable	2, 15	-	-	700,000	22,061
Financial liabilities at fair value through profit or loss	2, 16	63,891,171	1,886,365	19,089,072	601,610
Securities sold under agreements to repurchase	5, 7	12,528,782	369,908	12,249,648	386,059
Payables		31,024,375	915,984	45,117,665	1,421,925
Deposits	17	1,123,836,664	33,180,888	1,250,732,706	39,417,986
Bonds payable	2, 18	39,129,566	1,155,287	56,471,463	1,779,750
Reserve for operations and liabilities	2, 19	2,145,864,647	63,355,909	2,413,664,242	76,068,838
Other financial liabilities	2, 20	460,398	13,593	239,346	7,543
Separate account products liabilities		195,958,451	5,785,605	271,966,597	8,571,276
Other liabilities		11,050,695	326,268	8,268,505	260,590
Total liabilities		3,666,679,294	108,257,434	4,136,560,773	130,367,500
Stockholders' Equity attributable to equity holders of the parent					
Stock					
Common stock	21	97,375,372	2,874,974	96,708,774	3,047,865
Capital surplus	22	81,971,213	2,420,172	78,240,933	2,465,835
Retained earnings	23				
Legal reserve		12,320,672	363,764	12,540,295	395,219
Special reserve		-	-	7,107,732	224,007
Unappropriated retained earnings		12,074,524	356,496	9,738,132	306,906
Other stockholders' equity					
Land revaluation increment		2,106	62	1,461	46
Cumulative conversion adjustments		385,873	11,393	(88,828)	(2,799)
Unrealized gains or losses on financial instruments		(45,502,766)	(1,343,453)	(388,425)	(12,242)
Treasury stock	24	(4,140,047)	(122,234)	-	-
Net loss not yet recognized as net pension cost		(270,687)	(7,992)	(6,791)	(214)
Total stockholder's equity attributable to equity holders of the parent		154,216,260	4,553,182	203,853,283	6,424,623
Minority interest		3,605,431	106,449	2,944,125	92,787
Total stockholders' equity		157,821,691	4,659,631	206,797,408	6,517,410
Total liabilities and stockholders' equity		\$3,824,500,985	\$112,917,065	\$4,343,358,181	\$136,884,910

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2009 and 2010 were NT\$33.87 and NT\$31.73 to US\$1.00, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Unaudited consolidated statements of income
For the three months ended March 31, 2009 and 2010
(Expressed in thousands of dollars, except earning per share)

	Notes	January 1 ~ March 31, 2009		January 1 ~ March 31, 2010			
		NT \$	US \$	NT \$	US \$		
Interest income	2	\$26,676,083	\$787,602	\$24,215,907	\$763,187		
Less: Interest expenses	2	(3,568,005)	(105,344)	(2,223,161)	(70,065)		
Net interest income		23,108,078	682,258	21,992,746	693,122		
Net income other than interest							
Net commission and handling fee		2,116,710	62,495	4,184,811	131,888		
Net premiums from insurance business		57,113,406	1,686,253	68,148,177	2,147,752		
(Losses) gains on financial assets and liabilities at fair value through profit or loss		(20,162,561)	(595,293)	501,035	15,791		
Realized gains on available-for-sale financial assets		672,353	19,851	3,814,593	120,220		
Realized gains on held-to-maturity financial assets		1,961,229	57,905	368,113	11,601		
Gains on investments under equity method		73,458	2,169	82,853	2,611		
Gains on investments in real estate		1,440,617	42,534	1,544,289	48,670		
Gains (losses) on foreign exchange		24,122,475	712,208	(5,545,777)	(174,780)		
Impairment losses		(42,254)	(1,248)	-	-		
Provision for premiums reserve		(68,903,386)	(2,034,349)	(84,760,303)	(2,671,299)		
Net other non-interest losses		(1,986,963)	(58,664)	726,063	22,883		
Total income		19,513,162	576,119	11,056,600	348,459		
Bad debt expenses		(775,862)	(22,907)	-	-		
Operating expenses							
Personnel expenses		(9,962,747)	(294,147)	(10,180,638)	(320,852)		
Depreciation and amortizations expenses		(963,185)	(28,438)	(992,792)	(31,289)		
Other general and administration expenses		(1,916,619)	(56,587)	(2,131,222)	(67,167)		
Income (loss) from continuing operations before income taxes		5,894,749	174,040	(2,248,052)	(70,849)		
Income taxes (expense) benefit	2, 26	(866,862)	(25,593)	861,486	27,150		
Income (loss) from continuing operations after income taxes		5,027,887	148,447	(1,386,566)	(43,699)		
Consolidated net income (loss)		\$5,027,887	\$148,447	\$(1,386,566)	\$(43,699)		
Include:							
Parent company		\$5,014,384	\$148,048	\$(1,312,925)	\$(41,378)		
Minority interest		13,503	399	(73,641)	(2,321)		
Consolidated net income (loss)		\$5,027,887	\$148,447	\$(1,386,566)	\$(43,699)		
Earnings per share (expressed in dollars) :							
Primary earnings per share:							
		Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes
Income (loss) from continuing operations		\$0.61	\$0.52	\$0.02	\$0.02	(\$0.23)	(\$0.14)
Consolidated net income (loss)		\$0.61	\$0.52	\$0.02	\$0.02	(\$0.23)	(\$0.14)

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2009 and 2010 were NT\$33.87 and NT\$31.73 to US\$1.00, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Unaudited consolidated statements of changes in stockholders' equity
For the three months ended March 31, 2009 and 2010
 (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, 2009	\$97,375,372	\$2,874,974	\$81,971,213	\$2,420,172	\$12,320,672	\$363,764	\$-	\$-	\$7,060,140	\$208,448	\$2,106	\$62	\$344,257	\$10,164	\$(52,309,533)	\$(1,544,421)	\$(4,140,047)	\$(122,234)	\$(270,687)	\$(7,992)	\$3,145,462	\$92,868	\$145,498,955	\$4,295,805	
Minority interest																					446,466	13,182	446,466	13,182	
Cumulative conversion adjustments													41,616	1,229									41,616	1,229	
Unrealized gains or losses of financial instruments															6,806,767	200,968							6,806,767	200,968	
Consolidated net income for the three months ended March 31, 2009									5,014,384	148,048												13,503	399	5,027,887	148,447
Balance on March 31, 2009	\$97,375,372	\$2,874,974	\$81,971,213	\$2,420,172	\$12,320,672	\$363,764	\$-	\$-	\$12,074,524	\$356,496	\$2,106	\$62	\$385,873	\$11,393	\$(45,502,766)	\$(1,343,453)	\$(4,140,047)	\$(122,234)	\$(270,687)	\$(7,992)	\$3,605,431	\$106,449	\$157,821,691	\$4,659,631	
Balance on January 1, 2010	\$96,708,774	\$3,047,865	\$78,240,933	\$2,465,835	\$12,540,295	\$395,219	\$7,107,732	\$224,007	\$11,051,057	\$348,284	\$1,461	\$46	\$4,444	\$140	\$6,547,332	\$206,345	\$-	\$-	\$(6,791)	\$(214)	\$3,227,931	\$101,731	\$215,423,168	\$6,789,258	
Minority interest																					(210,165)	(6,623)	(210,165)	(6,623)	
Cumulative conversion adjustments													(93,272)	(2,939)									(93,272)	(2,939)	
Unrealized gains or losses of financial instruments															(6,935,757)	(218,587)							(6,935,757)	(218,587)	
Consolidated net loss for the three months ended March 31, 2010									(1,312,925)	(41,378)												(73,641)	(2,321)	(1,386,566)	(43,699)
Balance on March 31, 2010	\$96,708,774	\$3,047,865	\$78,240,933	\$2,465,835	\$12,540,295	\$395,219	\$7,107,732	\$224,007	\$9,738,132	\$306,906	\$1,461	\$46	\$(88,828)	\$(2,799)	\$(388,425)	\$(12,242)	\$-	\$-	\$(6,791)	\$(214)	\$2,944,125	\$92,787	\$206,797,408	\$6,517,410	

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2009 and 2010 were NT\$33.87 and NT\$31.73 to US\$1.00, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Unaudited consolidated statements of cash flows
For the three months ended March 31, 2009 and 2010
(Expressed in thousands of dollars)

	January 1 ~ March 31, 2009		January 1 ~ March 31, 2010	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Consolidated net income (loss)	\$5,027,887	\$148,447	\$(1,386,566)	\$(43,699)
Adjustments:				
Income and other adjustments with no cash flow effects				
Depreciation and amortization expenses	963,185	28,438	992,792	31,289
Investment income recognized by equity method less than cash dividends received	96,128	2,838	60,008	1,891
Bad debt expenses	775,862	22,907	-	-
Provision for premiums reserve from insurance business	68,903,386	2,034,349	84,760,303	2,671,299
(Loss) gain on disposal of property and equipment	(40,987)	(1,210)	10,952	345
Impairment loss	42,254	1,248	-	-
Other adjustments	(28,128)	(831)	(918,590)	(28,950)
Decrease (increase) on operating assets and liabilities				
(Increase) decrease in receivables	(10,079,141)	(297,583)	2,071,921	65,298
Increase in deferred income tax assets	(3,121,581)	(92,164)	(574,461)	(18,105)
(Increase) decrease in financial assets at fair value through profit or loss	(72,458,923)	(2,139,325)	41,654,953	1,312,794
(Increase) decrease in other financial assets	(352,351)	(10,403)	146,670	4,622
(Increase) decrease in other assets	(3,328,948)	(98,286)	15,760	497
(Decrease) increase in payables	(5,471,361)	(161,540)	6,579,331	207,354
Decrease in financial liabilities at fair value through profit or loss	(9,309,423)	(274,858)	(7,582,921)	(238,983)
Increase (decrease) in deferred income tax liabilities	3,821,615	112,832	(1,272,926)	(40,117)
Increase (decrease) in other financial liabilities	482	14	(9,154)	(289)
(Decrease) increase in other liabilities	(572,807)	(16,912)	187,872	5,921
Net cash (used in) provided by operating activities	(25,132,851)	(742,039)	124,735,944	3,931,167
Cash flows from investing activities				
Decrease in restricted assets	83,000	2,451	-	-
Decrease in loans	35,715,868	1,054,499	32,594,812	1,027,255
(Increase) decrease in due from the Central Bank and call loans to banks	(2,358,358)	(69,630)	5,881,430	185,359
(Increase) decrease in available-for-sale financial assets	(4,570,826)	(134,952)	14,409,195	454,119
Decrease (increase) in held-to-maturity financial assets	18,701,113	552,144	(1,940,436)	(61,154)
Increase investments in real estate	(5,752,854)	(169,851)	(5,207,143)	(164,108)
(Acquisition) disposal of property and equipment	(355,867)	(10,507)	200,660	6,324
(Increase) decrease in securities purchased under agreements to resell	(10,358,660)	(305,836)	748,928	23,603
Increase in other financial assets	(31,158,487)	(919,944)	(16,711,771)	(526,687)
Decrease (increase) in other assets	1,007,663	29,751	(737,157)	(23,232)
Net cash provided by investing activities	952,592	28,125	29,238,518	921,479
Cash flows from financing activities				
(Decrease) increase in due to the Central Bank and call loans from banks	(21,865,260)	(645,564)	11,114,008	350,268
Increase (decrease) in deposits	32,979,093	973,696	(37,575,485)	(1,184,226)
(Decrease) increase in securities sold under agreements to repurchase	(7,995,807)	(236,073)	3,504,183	110,438
Increase (decrease) in banker's acceptances and funds borrowed	260,386	7,688	(223,875)	(7,056)
Increase in bonds payable	263,588	7,782	34,254	1,080
Decrease in other financial liabilities	(47,439)	(1,401)	(790,716)	(24,920)
Increase in other liabilities	166,878	4,927	101,952	3,213
Increase in minority stockholders	495,375	14,626	-	-
Net cash provided by (used in) financing activities	4,256,814	125,681	(23,835,679)	(751,203)
Effects of exchange rate changes	235,242	6,946	(125,612)	(3,959)
(Decrease) increase in cash and cash equivalents	(19,688,203)	(581,287)	130,013,171	4,097,484
Cash and cash equivalents at the beginning of period	400,986,802	11,838,996	644,422,576	20,309,568
Cash and cash equivalents at the end of period	\$381,298,599	\$11,257,709	\$774,435,747	\$24,407,052
Supplemental disclosure of cash flows information				
Interest paid during the period (excluding capitalized interest)	\$3,651,436	\$107,807	\$1,553,286	\$48,953
Income tax paid	\$527,915	\$15,587	\$346,283	\$10,913

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2009 and 2010 were NT\$33.87 and NT\$31.73 to US\$1.00, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
(Expressed in thousands of dollars except
for share and per share data and unless otherwise stated)
March 31, 2009 and 2010

1. Organization and business scope

On December 31, 2001, Cathay Life Insurance Co., Ltd. (“Cathay Life”) was reincorporated as Cathay Financial Holding Co., Ltd. (the “Company”) through stock conversion pursuant to the provisions of the Republic of China (“ROC”) Financial Holding Company Act (“Financial Holding Company Act”) and its shares were listed on the Taiwan Stock Exchange Corporation (TSE) on the same day. On April 22, 2002, Cathay Century Insurance Co., Ltd. (“Cathay Century”) and Cathay United Bank Co., Ltd. (“Cathay United Bank”) became subsidiaries of the Company through stock conversion approved by the government. On December 18, 2002, United World Chinese Commercial Bank Co., Ltd. (“UWCCB”) also became a subsidiary of the Company through stock conversion approved by the government. UWCCB and Cathay United Bank merged on October 27, 2003, in accordance with the relevant laws and regulations. UWCCB was the surviving company and was re-named to Cathay United Bank Co., Ltd. (“Cathay United Bank”). On May 12, 2004 the Company established Cathay Securities Corporation (“Cathay Securities”) as a wholly owned subsidiary. On June 30, 2005, the Company has invested Lucky Bank, Inc. (“Lucky Bank”) which was approved as a strategic investment by the Financial Supervisory Commission, Executive Yuan. Lucky Bank became a subsidiary of the Company by stock conversion on August 25, 2006. Cathay United Bank absorption merged with Lucky Bank on January 1, 2007. Cathay United Bank acquired specific assets, liabilities, and business of China United Trust & Investment Corporation (“CUTIC”) on December 29, 2007 to improve competitiveness. Since July 29, 2003, the Company listed a portion of its common shares on the Luxembourg Stock Exchange (LSE) in the form of Global Depositary Shares (GDSs). The Company mainly engages in financial holding business activities. As of March 31, 2009 and 2010, the total numbers of the employees of the Company and Subsidiaries were 42,283 and 43,112, respectively.

As of and for the three months ended March 31, 2009 and 2010, 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	2009.3.31 Ownership interest	2010.3.31 Ownership interest	Notes
The Company	Cathay Life	Life insurance	100.00%	100.00%	Cathay Life was incorporated in Taiwan on October 23, 1962 under the provisions of the ROC Company Act (the "Company Act").
The Company	Cathay United Bank	Commercial banking operations	100.00%	100.00%	UWCCB was enfranchised by the ROC government on January 4, 1975. On October 27, 2003, UWCCB was merged with the former Cathay United Bank which was dissolved after the merger; the merged entity was renamed Cathay United Bank. The new Cathay United Bank absorption merged with Lucky Bank on January 1, 2007.
The Company	Cathay Century	Property and casualty insurance	100.00%	100.00%	Cathay Century was incorporated in Taiwan on July 19, 1993, under the provisions of the Company Act. Cathay Century changed its name from "Tong Tai Insurance Co., Ltd." to "Cathay Century Insurance Co., Ltd." on August 2, 2002.

English Translation of Financial Statements Originally Issued in Chinese

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

Investor	Investee	Business	2009.3.31 Ownership interest	2010.3.31 Ownership interest	Notes
The Company	Cathay Securities	Securities	100.00%	100.00%	Cathay Securities was incorporated on May 12, 2004, under the Company Act. The securities department and the securities agent (Taipei branch) of Cathay United Bank were transferred to Cathay Securities using operating assignment along with its business, assets and liabilities. The assignment date was August 13, 2004.
The Company、 Cathay 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.

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	2009.3.31 Ownership interest	2010.3.31 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.

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	2009.3.31 Ownership interest	2010.3.31 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 three months ended March 31, 2009 and 2010, 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	2009.3.31 Ownership interest	2010.3.31 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	2009.3.31 Ownership interest	2010.3.31 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, and 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 cannot 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 ware 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 reliability 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 March 31, 2009 and 2010 are for information only. The U.S. dollar/NT dollars noon buying rates of NT\$33.87 and NT\$31.73 provided by Federal Reserve Bank of New York of March 31, 2009 and 2010 are used for the translation.

3. Change in accounting and its effects

None.

4. Cash and cash equivalents

	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Petty cash and cash on hand	\$11,004,284	\$324,898	\$10,122,991	\$319,035
Cash in banks	5,911,399	174,532	26,242,038	827,042
Time deposits	348,298,725	10,283,399	676,139,421	21,309,153
Cash equivalents	4,855,055	143,344	50,069,145	1,577,975
Checks for clearance	2,899,557	85,608	2,926,300	92,225
Due from commercial banks	8,329,579	245,928	8,935,852	281,622
Total	<u>\$381,298,599</u>	<u>\$11,257,709</u>	<u>\$774,435,747</u>	<u>\$24,407,052</u>

As of March 31, 2009 and 2010, the amounts of time deposits with maturities beyond one year were NT\$2,461,053 (US\$72,662) thousands and NT\$11,455,499 (US\$361,031) thousands, respectively.

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5. Financial assets at fair value through profit or loss

	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Common stock	\$9,143,869	\$269,969	\$5,017,039	\$158,117
Beneficiary certificates	58,014,248	1,712,851	31,283,797	985,937
Exchange traded funds	4,110,974	121,375	181,449	5,719
Real estate investment trust	633,251	18,696	600,250	18,917
Commercial papers	-	-	2,209,086	69,621
Corporate bonds	4,272,245	126,137	3,657,670	115,275
Government bonds	19,013,677	561,372	2,879,010	90,735
Treasury bills	36,616,325	1,081,084	20,861,789	657,478
CDs Issued by CBC	1,712	50	299	9
Overseas financial instruments	54,871,907	1,620,074	16,780,154	528,842
Derivative financial instruments	166,707	4,922	185,672	5,852
Margin for futures trading-own funds	34,941	1,032	60,784	1,916
Structured time deposits	1,000,000	29,525	1,000,000	31,516
Valuation adjustment	11,493,067	339,329	17,206,687	542,284
Total	<u>\$199,372,923</u>	<u>\$5,886,416</u>	<u>\$101,923,686</u>	<u>\$3,212,218</u>

- (1) As of March 31, 2009 and 2010, certain financial assets at fair value through profit or loss were sold under repurchase agreements with notional amounts of NT\$8,447,500 (US\$249,410) thousands and NT\$8,441,206 (US\$266,032) thousands, respectively. Such repurchase agreements amounting to NT\$9,210,818 (US\$271,946) thousands and NT\$9,026,355 (US\$284,474) thousands, respectively, were recorded in the account "Securities sold under agreements to repurchase" on the balance sheets. Repurchase agreements entered prior to March 31, 2009 and 2010 are settled at NT\$9,215,154 (US\$272,074) thousands and NT\$9,026,724 (US\$284,485) thousands prior to September 30, 2009 and April 30, 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 March 31, 2009 and 2010 being pledged as collaterals.

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6. Loans-net

	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Inward-outward documentary bills	\$213,682	\$6,309	\$157,106	\$4,951
Loans	1,330,189,338	39,273,379	1,298,305,686	40,917,292
Overdrafts	171,257	5,056	487,744	15,372
Delinquent accounts	7,201,425	212,620	4,525,605	142,629
Subtotal	1,337,775,702	39,497,364	1,303,476,141	41,080,244
Less: Allowance for bad debts	(10,754,602)	(317,526)	(7,544,469)	(237,771)
Total	<u>\$1,327,021,100</u>	<u>\$39,179,838</u>	<u>\$1,295,931,672</u>	<u>\$40,842,473</u>

7. Available-for-sale financial assets-net

	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Common stock	\$129,709,160	\$3,829,618	\$122,314,380	\$3,854,850
Beneficiary certificates	24,089,899	711,246	934,710	29,458
Collateralized loans obligation and collateralized bonds obligation	2,858,605	84,399	3,241,663	102,164
Exchange traded funds	4,175,790	123,289	4,918,490	155,011
Government bonds	139,207,772	4,110,061	60,812,535	1,916,563
Corporate bonds	50,719,635	1,497,480	57,797,409	1,821,538
Financial debentures	129,382,400	3,819,970	144,365,443	4,549,809
Overseas financial instruments	57,851,857	1,708,056	131,212,517	4,135,282
Real estate investment trust beneficiary	8,725,208	257,609	9,335,656	294,222
Accumulated impairments	(514,550)	(15,192)	(735,000)	(23,164)
Valuation adjustment	(50,260,820)	(1,483,933)	(2,262,752)	(71,313)
Total	<u>\$495,944,956</u>	<u>\$14,642,603</u>	<u>\$531,935,051</u>	<u>\$16,764,420</u>

(1) As of March 31, 2009 and 2010, certain available-for-sale financial assets were sold under repurchase agreements with notional amounts of NT\$2,699,700 (US\$79,708) thousands and NT\$2,528,200 (US\$79,679) thousands. Such repurchase agreements amounting to NT\$3,020,868 (US\$89,190) thousands and NT\$2,808,252 (US\$88,504) thousands were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to March 31, 2009 and 2010 are settled at NT\$3,023,842 (US\$89,278) thousands and NT\$2,808,442 (US\$88,511) thousands prior to August 31, 2009 and April 30, 2010, respectively.

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- (2) Please refer to Note 29 for related information on the above available-for-sale financial assets as of March 31, 2009 and 2010 being pledged as collaterals.
- (3) The impairment provision is recognized as the collateralized obligation and collateralized bonds held by Cathay Life are assessed to be over-value. As of March 31, 2009 and 2010, Cathay Life recognized impairment losses amounting to NT\$- (US\$-) and NT\$735,000 (US\$23,164) 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\$514,550 (US\$15,192) thousands against the book of the available for sales financial assets for the three months ended March 31, 2009. These overseas financial instruments have been disposed on 2009.

8. Held-to-maturity financial assets-net

	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Government bonds	\$41,618,415	\$1,228,769	\$92,988,486	\$2,930,617
Corporate bonds	4,198,021	123,945	7,625,939	240,339
Financial debentures	10,579,764	312,364	10,597,542	333,991
Overseas financial instruments	563,566,281	16,639,099	550,545,382	17,350,942
Collateralized loans obligation and collateralized bonds obligation	14,516,580	428,597	8,762,316	276,152
Short-term notes	-	-	3,683,280	116,082
Subtotal	634,479,061	18,732,774	674,202,945	21,248,123
Less: Accumulated impairment	(169,574)	(5,006)	-	-
Total	<u>\$634,309,487</u>	<u>\$18,727,768</u>	<u>\$674,202,945</u>	<u>\$21,248,123</u>

- (1) A CDO impairment provision is recognized as some objective evidences are identified showing impairment indicators associated with overseas bonds held by Cathay Life. As of March 31, 2009 and 2010 Cathay Life recognized impairment losses amounting to NT\$169,574 (US\$5,006) thousands and NT\$- (US\$-), respectively. These overseas bonds have been disposed on 2009
- (2) Please refer to Note 29 for related information on the above held-to-maturity financial assets as of March 31, 2009 and 2010 being pledged as collaterals.

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9. Investments under equity method

Investee	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Consulting	\$171,396	\$5,060	\$170,968	\$5,388
Cathay Capital Management	73,533	2,171	-	-
Seaward Card	38,932	1,149	39,928	1,258
Cathay Property Insurance Agent	7,743	229	7,584	239
Cathay Life Insurance Agent	50,344	1,486	63,765	2,010
Cathay Insurance (Bermuda)	97,718	2,885	100,363	3,163
WK Technology Fund VI Co., Ltd	317,658	9,379	350,252	11,039
Vista Technology Venture Capital Corp.	44,791	1,323	39,876	1,257
Omnitek Venture Capital Corp.	88,431	2,611	66,328	2,090
Wa Tech Venture Capital Co., Ltd.	95,784	2,828	98,905	3,117
Taiwan Real-estate Management Corp.	47,904	1,414	58,081	1,831
Taiwan Finance Corp.	1,433,853	42,334	1,419,805	44,746
IBT Venture Capital Corp.	262,450	7,749	110,209	3,473
Cathay Securities Investment Trust Co., Ltd.	430,102	12,699	447,637	14,108
Subtotal	3,160,639	93,317	2,973,701	93,719
Less: Unrealized gain from intercompany transactions	(415,680)	(12,273)	(397,482)	(12,527)
Total	\$2,744,959	\$81,044	\$2,576,219	\$81,192

10. Other financial assets-net

Item	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Derivative financial assets for hedging	\$4,439,405	\$131,072	\$3,298,019	\$103,940
Financial assets carried at cost	26,627,841	786,178	17,455,201	550,116
Structured time deposits	12,250,000	361,677	44,800,000	1,411,913
Customer's margin accounts	379,946	11,218	249,126	7,851
Other miscellaneous financial assets	3,274	96	49,615	1,564
Accumulated impairment	(1,881,883)	(55,562)	(1,929,452)	(60,808)
Total	\$41,818,583	\$1,234,679	\$63,922,509	\$2,014,576

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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 March 31, 2009 and 2010, Cathay Life recognized impairment losses amounting to NT\$1,302,285 (US\$38,449) thousands and NT\$1,301,507 (US\$41,018) 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 March 31, 2009 and 2010, Cathay United Bank recognized impairment losses amounting to NT\$579,598 (US\$17,113) thousands and NT\$627,945 (US\$19,790) thousands, respectively.

11. Investments in debt securities with no active market

	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Preferred stocks	\$899,730	\$26,564	\$1,691,730	\$53,317
Corporate bonds	12,595,586	371,880	14,895,586	469,448
Beneficiary certificates	753,220	22,239	-	-
Overseas financial instruments	144,274,350	4,259,650	179,074,642	5,643,701
Subtotal	158,522,886	4,680,333	195,661,958	6,166,466
Less: accumulated impairment	(3,186,273)	(94,073)	(2,689,030)	(84,747)
Net balance	<u>\$155,336,613</u>	<u>\$4,586,260</u>	<u>\$192,972,928</u>	<u>\$6,081,719</u>

- (1) A CDO impairment provision is recognized as the overseas bonds held by Cathay Life are assessed to be over-valued. As of March 31, 2009 and 2010, Cathay Life recognized impairment losses amounting to NT\$440,921 (US\$13,018) thousands and NT\$413,647 (US\$13,037) thousands, respectively.
- (2) The amounts of the accumulated impairment loss were NT\$2,598,470 (US\$76,719) thousands and NT\$2,134,152 (US\$67,259) thousands, Cathay United Bank have been recognized as of March 31, 2009 and 2010, respectively, due to the credit deterioration of certain securitization and financial debentures.

The amounts of the accumulated impairment loss were NT\$146,882 (US\$4,336) thousands and NT\$141,231 (US\$4,451) thousands, Cathay United Bank have been recognized as of March 31, 2009 and 2010, respectively, due to the default on certain conversable 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 March 31, 2009 and 2010 being pledged as collaterals.

12. Investments in real estate

March 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	\$127,721,445	\$3,770,931	\$4,384	\$129	\$(17,458,168)	\$(515,446)	\$(195,594)	\$(5,775)	\$110,072,067	\$3,249,839
Construction	2,261,912	66,782	-	-	-	-	-	-	2,261,912	66,782
Prepayments										
for building										
and land	2,477,536	73,149	-	-	-	-	-	-	2,477,536	73,149
Lease	153,970	4,546	-	-	(3,209)	(95)	-	-	150,761	4,451
Total	<u>\$132,614,863</u>	<u>\$3,915,408</u>	<u>\$4,384</u>	<u>\$129</u>	<u>\$(17,461,377)</u>	<u>\$(515,541)</u>	<u>\$(195,594)</u>	<u>\$(5,775)</u>	<u>\$114,962,276</u>	<u>\$3,394,221</u>
March 31, 2010										
Item	Cost		Revaluation increment		Accumulated depreciation		Accumulated impairment		Net value	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Investments in										
real estate	\$136,968,624	\$4,316,691	\$4,366	\$138	\$(19,252,865)	\$(606,772)	\$(195,594)	\$(6,164)	\$117,524,531	\$3,703,893
Construction	2,764,934	87,139	-	-	-	-	-	-	2,764,934	87,139
Lease	153,970	4,853	-	-	(3,523)	(111)	-	-	150,447	4,742
Prepayments										
for building										
and land	2,068,211	65,182	-	-	-	-	-	-	2,068,211	65,182
Total	<u>\$141,955,739</u>	<u>\$4,473,865</u>	<u>\$4,366</u>	<u>\$138</u>	<u>\$(19,256,388)</u>	<u>\$(606,883)</u>	<u>\$(195,594)</u>	<u>\$(6,164)</u>	<u>\$122,508,123</u>	<u>\$3,860,956</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 March 31, 2009 and 2010.

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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\$171,646) 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\$105,106)	2.175%
Senior tranche 2 nd	NT\$315,000(US\$9,928)	2.325%
Senior tranche 3 rd	NT\$340,000(US\$10,715)	2.545%
Senior tranche 4 th	NT\$480,000(US\$15,128)	2.945%
Subordinated tranche 5 th	NT\$200,000(US\$6,303)	3.00%
Subordinated tranche 6 th	NT\$200,000(US\$6,303)	3.20%
Subordinated tranche 7 th	NT\$576,335(US\$18,164)	-

Cathay United Bank holds the subordinated beneficiary certificates amounting to NT\$976,335 (US\$30,770) 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 March 31, 2009 and 2010, respectively, were as follows:

	<u>Corporate Loans Securitization</u>	
	<u>March 31, 2009</u>	<u>March 31, 2010</u>
Expected weighted-average life (in years)	0.615	0.157
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 March 31, 2009 and 2010, the key economic assumptions and sensitivity of the current fair value of residual cash flows with immediate 10% and 20% adverse changes in these assumptions were as follows:

	March 31, 2009		March 31, 2010	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Carrying amount of retained interests	\$976,335	\$28,826	\$972,625	\$30,653
Expected weighted-average life (in years)	0.615	0.615	0.157	0.157
Expected prepayment rate (annual rate)	3.00%	3.00%	3.00%	3.00%
Impact on fair value with 10% adverse change	(3,113)	(92)	-	-
Impact on fair value with 20% adverse change	(3,198)	(94)	-	-
Expected credit losses (annual rate)	3.71%	3.71%	3.71%	3.71%
Impact on fair value with 10% adverse change	(4,665)	(138)	(100)	(3)
Impact on fair value with 20% adverse change	(5,957)	(176)	(100)	(3)
Discounting rate for residual cash flows (annual rate)	2.49%	2.49%	2.49%	2.49%
Impact on fair value with 10% adverse change	(3,174)	(94)	(202)	(6)
Impact on fair value with 20% adverse change	(6,336)	(187)	(404)	(13)

(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~March 31			
	2009		2010	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Servicing fees received	\$60	\$2	\$60	\$2
Other cash received on retained interests	6,203	183	5,611	177
Repayment of cash reserve	1,374	41	1,741	55

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14. Goodwill and intangible assets-net

Item	January 1, 2009		Increase		Decrease		March 31, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Acquired cost								
Goodwill	\$6,673,084	\$197,020	\$-	\$-	\$-	\$-	\$6,673,084	\$197,020
Computer software	2,567,375	75,801	67,265	1,986	(25,097)	(741)	2,609,543	77,046
Land use right	19,630	580	640	19	-	-	20,270	599
Subtotal	9,260,089	273,401	67,905	2,005	(25,097)	(741)	9,302,897	274,665
Amortization and impairment								
Amortized	(1,469,517)	(43,387)	(91,220)	(2,693)	25,097	741	(1,535,640)	(45,339)
Book value	\$7,790,572	\$230,014	\$(23,315)	\$(688)	\$-	\$-	\$7,767,257	\$229,326
Item	January 1, 2010		Increase		Decrease		March 31, 2010	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Acquired cost								
Goodwill	\$6,673,084	\$210,308	\$-	\$-	\$-	\$-	\$6,673,084	\$210,308
Computer software	2,964,574	93,431	62,897	1,982	(36,931)	(1,164)	2,990,540	94,249
Land use right	390,430	12,305	-	-	(2,572)	(81)	387,858	12,224
Subtotal	10,028,088	316,044	62,897	1,982	(39,503)	(1,245)	10,051,482	316,781
Amortization and impairment								
Amortized	(1,800,207)	(56,735)	(96,963)	(3,056)	35,151	1,108	(1,862,019)	(58,683)
Book value	\$8,227,881	\$259,309	\$(34,066)	\$(1,074)	\$(4,352)	\$(137)	\$8,189,463	\$258,098

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

	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Commercial paper payable	\$-	\$-	\$700,000	\$22,061
Less: Discount on commercial paper payable	-	-	-	-
Total	\$-	\$-	\$700,000	\$22,061

As of March 31, 2010, the average interest rate for the commercial paper payable was 0.298%~0.558% annually.

16. Financial liabilities at fair value through profit or loss

	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Derivative financial instruments	\$135,293	\$3,995	\$884,811	\$27,886
Financial debentures	27,000,000	797,166	7,000,000	220,611
Subordinated financial debentures	5,000,000	147,623	5,000,000	157,580
Security lending payable hedging	-	-	223,671	7,049
Valuation adjustment	31,755,878	937,581	5,980,590	188,484
Total	\$63,891,171	\$1,886,365	\$19,089,072	\$601,610

(1) On September 19, 2008 and October 27, 2008, Cathay United Bank issued seven-year subordinated financial debentures totaling NT\$2,200,000 (US\$69,335) thousands and NT\$2,800,000 (US\$88,245) 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\$157,580) 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\$100,851) thousands, NT\$2,700,000 (US\$85,093) thousands and NT\$1,800,000 (US\$56,729) 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\$63,032) 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\$31,516) thousands, NT\$3,500,000 (US\$110,306) thousands, NT\$2,000,000 (US\$63,032) thousands, and NT\$1,000,000 (US\$31,516) 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\$78,790) thousands, NT\$1,500,000 (US\$47,274) thousands, NT\$1,500,000 (US\$47,274) thousands, NT\$2,500,000 (US\$78,790) thousands, NT\$1,500,000 (US\$47,274) thousands, NT\$2,500,000 (US\$78,790) thousands, NT\$1,000,000 (US\$31,516) thousands and NT\$1,000,000 (US\$31,516) thousands, NT\$2,000,000 (US\$63,032) thousands, NT\$1,500,000 (US\$47,274) 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\$20,000,000 (US\$630,318) thousands has matured as of March 31, 2010.
- (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

	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Check deposits	\$10,129,039	\$299,056	\$12,079,717	\$380,703
Demand deposits	133,061,371	3,928,591	206,234,150	6,499,658
Demand savings deposits	367,356,370	10,846,069	472,604,064	14,894,550
Time deposits	612,942,418	18,096,913	559,155,910	17,622,310
Remittances	347,466	10,259	658,865	20,765
Total	<u>\$1,123,836,664</u>	<u>\$33,180,888</u>	<u>\$1,250,732,706</u>	<u>\$39,417,986</u>

18. Bonds payable

	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Subordinated bond payable-net	\$20,000,000	\$590,493	\$40,000,000	\$1,260,637
Subordinated financial debentures	16,958,500	500,694	15,566,904	490,605
Discount in financial debentures	(87,379)	(2,580)	(46,812)	(1,475)
Valuation adjustment	2,258,445	66,680	951,371	29,983
Total	<u>\$39,129,566</u>	<u>\$1,155,287</u>	<u>\$56,471,463</u>	<u>\$1,779,750</u>

(1) 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\$13,553) thousands which was included in other noninterest income.

(2) On September 16, 2009, the Company issued a seven-year subordinated bond totaling NT\$20,000,000 (US\$630,318) thousands with a stated interest rate of 2.65%. The subordinated bonds and repayable at maturity and the interest is payable annually.

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- (3) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$1,500,000 (US\$47,274) thousands with a stated interest rate of 2.60% in July, 2009, and the interest is payable quarterly.
- (4) Cathay United Bank issued an eight-year subordinated financial debentures totaling NT\$3,650,000 (US\$115,033) thousands with a stated interest rate of 2.42% in June, 2009, and the interest is payable quarterly.
- (5) On December 8, 2008, the Company issued a seven-year subordinated bond totaling NT\$20,000,000 (US\$630,318) thousands with a stated interest rate of 3.10%. The subordinated bonds and repayable at maturity and the interest is payable annually.
- (6) Each subordinated financial debenture and subordinated bond has a lower priority claim on assets and income than other debts. That is, its principal and interest are repayable only after more senior debt with higher priority has been satisfied. These subordinated financial debentures are, however, more senior to common stock.

19. Reserve for operations and liabilities

	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Reserve for insurance business	\$2,145,525,679	\$63,345,901	\$2,413,310,628	\$76,057,694
Reserves for losses on guarantees	24,892	735	24,892	784
Reserves for losses on stock brokerage transactions	42,364	1,251	58,558	1,846
Reserves for losses on trading securities	271,712	8,022	270,164	8,514
Total	<u>\$2,145,864,647</u>	<u>\$63,355,909</u>	<u>\$2,413,664,242</u>	<u>\$76,068,838</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:

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(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 cannot 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.
- 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.

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- 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”.
- 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.

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- 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.

20. Other financial liabilities

	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Derivative financial liabilities for hedging	\$98,083	\$2,896	\$19,568	\$617
Borrowed funds	261,100	7,709	219,778	6,926
Other miscellaneous financial liabilities	101,215	2,988	-	-
Total	<u>\$460,398</u>	<u>\$13,593</u>	<u>\$239,346</u>	<u>\$7,543</u>

21. Common stock

- (1) As of March 31, 2009 and 2010, the authorized share capital amounted NT\$120,000,000 (US\$3,781,910) thousands, and the issued share capital amounted NT\$97,375,372 (US\$2,874,974) thousands and NT\$96,708,774 (US\$3,047,865) thousands, respectively.

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- (2) The cancellation of treasury stock of NT\$666,598 (US\$21,008) 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) On December 31, 2001, the Company listed its shares on Taiwan Stock Exchange Corporation (TSE) in accordance with relevant regulations. Since July 29, 2003, the Company listed a portion of its common shares on the Luxembourg Stock Exchange (LSE) in the form of Global Depositary Shares (GDSs).

22. Capital surplus

- (1) The capital surplus of the Company consists of consolidation premium from share exchange, accumulated adjustments on paid-in capital from investment under equity method, and paid-in capital from treasury stocks. Capital surplus were NT\$81,971,213 (US\$2,420,172) and NT\$78,240,933 (US\$2,465,835) thousands as of March 31, 2009 and 2010, respectively. Retained earnings from certain subsidiaries of the Company before the stock exchange of formation of the financial holding company amounted to NT\$267,215 (US\$7,890) and NT\$-(US\$-) thousands were included in the capital surplus as of March 31, 2009 and 2010, respectively.
- (2) The capital surplus of par value through the conversion of shares was generated from the transfer of the shares of the subsidiaries to the Company. In compliance with Item 4 of Article 47 of the Financial Holding Company Act, the portion of capital surplus from the share exchange which comes from the original financial institution's undistributed earnings is allowed to be distributed as cash dividends or to be capitalized.
- (3) In addition, pursuant to the Company Act, capital surplus can only be used to offset a deficit or to increase share capital. Capital surplus cannot be distributed as cash dividends. Issuance of new stock from capital surplus can be made only once per year. Furthermore, the amount to be capitalized should not exceed the specific percentage of capital surplus set by the SFC.

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23. Retained earnings

(1) Legal reserve

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

(2) Special reserve

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

(3) Undistributed earnings

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

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

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

D. In accordance with SFC regulations, 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.

E. 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.

F. 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.

G. The accrual of employee bonus and remuneration of directors for the first quarter of 2010 was NT\$12,494 (US\$394) thousands based on the average of actual distribution in the past three years or the net income after tax for the three months ended March 31, 2010 and was recognized as operating costs or expenses. The difference between actual distribution and estimated amount will be recognized in 2011 fiscal year.

H. The accrual of employee bonus and remuneration of directors for the first quarter of 2009 was NT\$6,725 (US\$199) thousands based on the average of actual distribution in the past three years or the net income after tax for the three months ended March 31, 2009 and recognized as operating costs or expenses. The difference between actual distribution and estimated amount will be recognized in 2010 fiscal year.

I. 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.

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24. Treasury stock

The following is a summary of the movement of treasury stock as of March 31, 2009 and 2010:

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

There is no treasury stock for the three months ended March 31, 2010.

25. Operating Expense

For the three months ended March 31, 2009 and 2010, personnel expense, depreciation and amortizations are summarized below:

	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Personnel expenses				
Salary and wages	\$8,620,126	\$254,506	\$8,712,170	\$274,572
Labor & health insurance expenses	571,313	16,868	592,272	18,666
Pension expenses	336,832	9,945	395,353	12,460
Other expenses	434,476	12,828	480,843	15,154
Depreciation	869,046	25,658	894,268	28,184
Amortization	94,139	2,780	98,524	3,105

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26. Estimated income taxes

(1) Income tax expenses include the following:

	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Adjusted income tax calculates on accounting income	\$(6,566,448)	\$(193,872)	\$951,993	\$30,003
Plus (Less): Tax of interest income on a separate basis	32,086	947	3,819	120
Withholding tax for overseas investments	(23,736)	(701)	16,555	522
Tax effects under consolidated income tax	(592)	(18)	-	-
Deferred income tax expense (benefits)	7,175,230	211,846	(1,823,433)	(57,467)
Adjustment of income tax	12,823	379	(26,619)	(839)
Income tax credit	(6,785)	(200)	-	-
Operating loss carry-forward	244,270	7,212	-	-
Other	14	-	16,199	511
Total income tax expenses (benefits)	<u>\$866,862</u>	<u>\$25,593</u>	<u>\$(861,486)</u>	<u>\$(27,150)</u>

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

	March 31,			
	2009		2010	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Total deferred tax assets	<u>\$19,791,788</u>	<u>\$584,346</u>	<u>\$11,657,019</u>	<u>\$367,382</u>
Total deferred tax liabilities	<u>\$9,770,284</u>	<u>\$288,464</u>	<u>\$3,422,561</u>	<u>\$107,865</u>
Allowance for deferred assets	<u>\$258,579</u>	<u>\$7,635</u>	<u>\$131,063</u>	<u>\$4,131</u>

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	March 31,			
	2009		2010	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Temporary differences:				
Pension expense	\$1,437,568	\$42,444	\$1,442,558	\$45,464
Unrealized exchange (gains) losses	(36,215,424)	(1,069,248)	12,692,726	400,023
Losses (gains) from valuation on financial assets and liabilities	20,375,661	601,584	(10,479,743)	(330,279)
Allowance for bad debts	3,600,901	106,315	585,688	18,458
Operating loss carry-forward	48,397,072	1,428,907	35,677,855	1,124,420
Other difference	1,139,801	33,652	1,236,030	38,955
Total	<u>\$38,735,579</u>	<u>\$1,143,654</u>	<u>\$41,155,114</u>	<u>\$1,297,041</u>
Tax effect under consolidated income tax system	<u>\$(285,488)</u>	<u>\$(8,429)</u>	<u>\$(1,515,565)</u>	<u>\$(47,764)</u>
Deferred income tax assets of foreign branches	<u>\$415,764</u>	<u>\$12,275</u>	<u>\$1,347,135</u>	<u>\$42,456</u>
Investment tax credit	<u>\$1,220,160</u>	<u>\$36,025</u>	<u>\$185,605</u>	<u>\$5,850</u>

	March 31,			
	2009		2010	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Deferred tax assets	\$19,791,788	\$584,346	\$11,657,019	\$367,382
Allowance for deferred tax assets	(258,579)	(7,635)	(131,063)	(4,131)
Net deferred tax assets	19,533,209	576,711	11,525,956	363,251
Deferred tax liabilities	(9,770,284)	(288,464)	(3,422,561)	(107,865)
Net offset balance of deferred tax assets	<u>\$9,762,925</u>	<u>\$288,247</u>	<u>\$8,103,395</u>	<u>\$255,386</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:

		March 31, 2010	
		Income tax returns examined by tax authorities	Notes
The Company	through 2005		The Company filed applications for re-examination of 2002, 2003, 2004 and 2005 tax returns.
Cathay Life	through 2005		Cathay Life filed applications for re-examination of 2002, 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

	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
The Company	\$632,776	\$18,682	\$201,321	\$6,345
Cathay Life	1,094,333	32,310	2,554,211	80,498
Cathay United Bank	137,168	4,050	39,881	1,257
Cathay Century	6,964	206	18,143	572
Cathay Securities	7,298	215	16,326	515
Cathay Pacific Venture	1,004	30	10,265	324
Cathay Venture	15,404	455	-	-
Cathay II Venture	13,633	403	-	-
Cathay Futures	17,115	505	13,408	423
Symphox Information	891	26	17,521	552

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B. Imputation ratio

	For the three months ended March 31,	
	2009	2010
	Actual	Estimated
The Company stock	10.08%	1.82%
Cathay Life	5.62%	33.33%
Cathay United Bank	5.06%	0.46%
Cathay Century	2.55%	2.08%
Cathay Securities	-	10.68%
Cathay Pacific Venture	-	-
Cathay Venture	17.87%	-
Cathay II Venture	5.45%	-
Cathay Futures	33.33%	33.33%
Symphox Information	33.33%	25.90%

(5) Information relating of undistributed retained earnings:

Year	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Prior to 1997	\$267,215	\$7,890	\$-	\$-
After 1998	7,060,140	208,448	11,051,057	348,284
Total	\$7,327,355	\$216,338	\$11,051,057	\$348,284

A. Net income for the three months ended March 31, 2009 and 2010 were excluded from the undistributed earnings after 1998.

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

27. Earnings per share

	For the three months ended March 31, 2009								
	Amount (Numerator)				Shares	EPS (in dollars)			
	Before income taxes		After income taxes		(in thousands of shares)	Before income taxes		After income taxes	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(denominator)	(NT\$)	(US\$)	(NT\$)
Primary earnings per share:									
Consolidated losses	\$5,894,749	\$174,040	\$5,027,887	\$148,447	9,670,877	\$0.61	\$0.02	\$0.52	\$0.02

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For the three months ended March 31, 2010

	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	\$2,248,052	\$70,849	\$1,386,566	\$43,699	9,670,877	\$0.23	\$(0.01)	\$(0.14)	\$-				

28. Related party transactions

(1) Related parties

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

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Name	Relationship
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.	"
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

Due from commercial banks

Name	For the three months ended March 31,							
	2009				2010			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Vietinbank	\$14,104	\$416	\$21	\$1	\$13,409	\$423	\$85	\$3

B. Financial assets at fair value through profit or loss

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$4,984,219	\$147,157	\$3,061,447	\$96,484

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C. Receivables

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Insurance (Bermuda)	\$14,539	\$429	\$12,938	\$408
Cathay Capital Management	18,185	537	-	-
Cathay General hospital	31,825	940	-	-
Cathay Securities Investment Trust Co., Ltd.	3,233	95	-	-
Total	\$67,782	\$2,001	\$12,938	\$408

D. Loans

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

Name	For the three months ended March 31, 2010			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Revenue (NT\$)	Interest Revenue (US\$)
Seaward Leasing Ltd.	\$-	\$-	\$1,913	\$60
Taiwan Real-estate Management Corp.	102,000	3,215	427	14
Cathay General Hospital	4,170,818	131,447	21,256	670
Other related parties	614,349	19,362	2,483	78
Total	\$4,887,167	\$154,024	\$26,079	\$822

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E. Available-for-sale financial assets

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$717,056	\$21,171	\$183,822	\$5,793

F. Deposit

Name	For the three months ended March 31, 2009			
	Ending Balance	Ending Balance	Interest Expense	Interest Expense
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$656,032	\$19,369	\$1,763	\$52
Cathay Real Estate Development Co., Ltd.	80,528	2,378	18	1
Cathay Bond Fund etc.	6,878,980	203,099	25,231	745
Other related parties	4,132,736	122,018	11,453	338
Total	\$11,748,276	\$346,864	\$38,465	\$1,136

Name	For the three months ended March 31, 2010			
	Ending Balance	Ending Balance	Interest Expense	Interest Expense
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$622,694	\$19,625	\$528	\$17
Cathay Real Estate Development Co., Ltd.	311,818	9,827	12	-
Cathay Bond Fund etc.	6,131,157	193,229	7,699	243
Other related parties	3,146,508	99,165	4,041	127
Total	\$10,212,177	\$321,846	\$12,280	\$387

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G. Property transactions

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

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

Name	Item	For the three months ended March 31, 2010	
		(NT\$)	(US\$)
Lin Yuan Property Management Co., Ltd.	International Building etc.	<u>\$14,030</u>	<u>\$442</u>

b. Real estate rental income from Cathay Life:

Name	Rental income			
	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Real Estate Development Co., Ltd.	\$5,528	\$163	\$5,016	\$158
Cathay General Hospital	43,756	1,292	44,063	1,389
Cathay Securities Investment Trust Co., Ltd.	5,555	164	5,775	182
Total	<u>\$54,839</u>	<u>\$1,619</u>	<u>\$54,854</u>	<u>\$1,729</u>

Name	Guarantee deposits in			
	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Real Estate Development Co., Ltd.	\$4,886	\$144	\$4,886	\$154
Cathay General Hospital	11,097	328	11,570	365
Cathay Securities Investment Trust Co., Ltd.	4,948	146	5,017	158
Total	<u>\$20,931</u>	<u>\$618</u>	<u>\$21,473</u>	<u>\$677</u>

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

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

Name	Rental expenses			
	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Real Estate Development Co., Ltd.	\$7,592	\$224	\$7,508	\$237
Seaward Leasing Ltd.	3,868	114	3,395	107
Total	<u>\$11,460</u>	<u>\$338</u>	<u>\$10,903</u>	<u>\$344</u>

Name	Guarantee deposits paid			
	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Real Estate Development Co., Ltd.	\$8,779	\$259	\$8,675	\$273
Seaward Leasing Ltd.	11,590	342	1,836	58
Total	<u>\$20,369</u>	<u>\$601</u>	<u>\$10,511</u>	<u>\$331</u>

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

H. Securities sold under agreements to repurchase

Name	March 31,			
	Ending balance			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$-	\$-	\$115,000	\$3,624
Other related parties	608,227	17,958	558,313	17,596
Total	<u>\$608,227</u>	<u>\$17,958</u>	<u>\$673,313</u>	<u>\$21,220</u>

Name	For the three months ended March 31,			
	Interest expenses			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$13	\$-	\$24	\$1
Other related parties	405	12	161	5
Total	<u>\$418</u>	<u>\$12</u>	<u>\$185</u>	<u>\$6</u>

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I. Payables

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Vietinbank	\$169,585	\$5,007	\$143,186	\$4,513
Lin Yuan Property Management Co., Ltd.	39,146	1,156	34,711	1,094
San Ching Engineering Co., Ltd.	6,330	187	-	-
Total	<u>\$215,061</u>	<u>\$6,350</u>	<u>\$177,897</u>	<u>\$5,607</u>

J. Net commission and handling fees

a. Handling fees income

Name	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$4,185</u>	<u>\$124</u>	<u>\$5,309</u>	<u>\$167</u>

b. Commissions expense

Name	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life Insurance Agent	<u>\$5,554</u>	<u>\$164</u>	<u>\$11,577</u>	<u>\$365</u>

c. Reinsurance handling fee paid

Name	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Insurance (Bermuda)	<u>\$3,444</u>	<u>\$102</u>	<u>\$-</u>	<u>\$-</u>

K. Net premiums from insurance business

a. Insurance income

Name	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay General Hospital	\$5,235	\$155	\$5,464	\$172
Other related parties	<u>153,675</u>	<u>4,537</u>	<u>37,386</u>	<u>1,178</u>
Total	<u>\$158,910</u>	<u>\$4,692</u>	<u>\$42,850</u>	<u>\$1,350</u>

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b. Reinsurance income

Name	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Insurance (Bermuda)	\$21,442	\$633	\$25,593	\$807

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 three months ended March 31, 2009 and 2010, Cathay Life assumes 60% and 90% of the reinsurance business from Cathay Insurance (Bermuda), respectively.

c. Reinsurance claims payment

Name	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Insurance (Bermuda)	\$15,483	\$457	\$18,869	\$595

L. Net other non-interest income

Miscellaneous income

Name	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$14,209	\$420	\$31,111	\$980

M. Operating expense

Name	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Consulting	\$5,670	\$167	\$5,670	\$179
Seaward Card	99,108	2,926	92,040	2,901
Cathay Pacific Management	17,190	508	-	-
Lin Yuan Property Management Co., Ltd.	153,169	4,522	149,331	4,706
Seaward Leasing Ltd.	-	-	3,399	107
Total	\$275,137	\$8,123	\$250,440	\$7,893

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N. 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\$44,497) thousands, in 2006. The project was completed in 2009. Cathay United Bank paid the amount of NT\$50,507 (US\$1,491) thousands during the three months ended March 31, 2009. As of March 31, 2009, the accumulated amount paid was NT\$1,232,404 (US\$36,386) thousands.
- b. Cathay United Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management Co., Ltd. in the amount of NT\$5,081 (US\$150) thousands and NT\$3,971 (US\$125) thousands during the three months ended March 31, 2009 and 2010, respectively.
- c. Cathay Century Realty Co., Ltd. acted as a broker for Cathay United Bank to dispose of real estate, the service fees of NT\$5,327 (US\$168) thousands was included in disposal gains of foreclosed properties or premises and equipment during the three months ended March 31, 2010.

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

A. Cash in bank

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

Name	Item	For the three months ended March 31, 2010		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in bank	\$3,133	0.00%~0.10%	\$1

Name	Item	For the three months ended March 31, 2010		
		Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in bank	\$99	0.00%~0.10%	\$-

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share date and unless otherwise stated)**

B. Receivables

Name	Item	March 31,			
		2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay United Bank	Receivables due to consolidated income tax	\$1,083,576	\$31,992	\$1,706,677	\$53,788
Cathay Life	Receivables due to consolidated income, interest	139,493	4,118	1,118,847	35,261
Cathay Century	Receivables due to consolidated income tax	248,675	7,342	301,264	9,495
Cathay Capital Management	Receivables due to consolidated income tax	18,185	537	-	-
Cathay Securities	Receivables due to consolidated income tax	245,931	7,261	180,257	5,681
Cathay II Venture	Receivables due to consolidated income tax	8,123	240	-	-
Total		<u>\$1,743,983</u>	<u>\$51,490</u>	<u>\$3,307,045</u>	<u>\$104,225</u>

C. Guarantee deposits paid

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	<u>\$5,964</u>	<u>\$176</u>	<u>\$5,964</u>	<u>\$188</u>

D. Payables

Name	Item	March 31,			
		2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	Payables due to consolidated income tax	\$4,132,320	\$122,005	\$5,306,663	\$167,244
Cathay United Bank	Payables due to consolidated income tax	2,997,081	88,488	3,330,544	104,965
Cathay Century	Payables due to consolidated income tax	18,145	536	-	-
Cathay Securities	Payables due to consolidated income tax	14,268	421	137,421	4,331
Total		<u>\$7,161,814</u>	<u>\$211,450</u>	<u>\$8,774,628</u>	<u>\$276,540</u>

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E. Interest income

Name	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	\$129,452	\$3,822	\$200,959	\$6,333

F. Operating expenses

Name	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	\$6,120	\$181	\$7,365	\$232

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

A. Cathay Life

a. Cash in banks

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

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

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		For the three months ended March 31, 2010		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$9,934,520	0.10%~1.16%	\$7,485
Bank	Cash in bank	8,047,631	0.02%~0.80%	717
Total		<u>\$17,982,151</u>		<u>\$8,202</u>

		For the three months ended March 31, 2010		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$313,096	0.10%~1.16%	\$236
Bank	Cash in bank	253,628	0.02%~0.80%	22
Total		<u>\$566,724</u>		<u>\$258</u>

b. Other receivables

Name	March 31,			
	2009		2010	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Financial Holding	\$4,132,320	\$122,006	\$5,306,663	\$167,244
Cathay Century	164,958	4,870	110,460	3,481
Total	<u>\$4,297,278</u>	<u>\$126,876</u>	<u>\$5,417,123</u>	<u>\$170,725</u>

c. Secured loans

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

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For the three months ended March 31, 2009				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$126,550	\$124,756	2.50%~3.91%	\$973
Other related parties	9,843	9,094	1.16%~5.37%	52
Total	\$136,393	\$133,850		\$1,025

For the three months ended March 31, 2010				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$4,286,249	\$3,958,818	1.85%~3.91%	\$19,803
Other related parties	308,027	297,041	1.16%~3.65%	1,321
Total	\$4,594,276	\$4,255,859		\$21,124

For the three months ended March 31, 2010				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$135,085	\$124,766	1.85%~3.91%	\$624
Other related parties	9,708	9,361	1.16%~3.65%	42
Total	\$144,793	\$134,127		\$666

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

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$4,306,555	\$127,150	\$2,651,930	\$83,578

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e. Other overdue receivable

Name	March 31,			
	2009		2010	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Life (Shanghai)	\$265,211	\$7,830	\$204,097	\$6,432

f. Guarantee deposits paid

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Futures	\$453,680	\$13,395	\$209,652	\$6,607

As of March 31, 2009 and 2010, the imputed interest income of guarantee deposits paid from Cathay Futures were NT\$121 (US\$4) thousands and NT\$59 (US\$2) thousands, respectively.

g. Other payables

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Financial Holding	\$139,493	\$4,118	\$1,118,847	\$35,261

h. Insurance income

Name	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010 (US\$)
Cathay United Bank	\$147,098	\$4,343	\$154,791	\$4,879
Other related parties	153,675	4,537	37,386	1,178
Total	\$300,773	\$8,880	\$192,177	\$6,057

i. Miscellaneous income

Name	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Century	\$304,852	\$9,001	\$243,490	\$7,674

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j. Operating expense

Name	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay United Bank	\$312,302	\$9,221	\$242,562	\$7,645
Lin Yuan Property Management Co., Ltd.	153,169	4,522	149,331	4,706
Total	<u>\$465,471</u>	<u>\$13,743</u>	<u>\$391,893</u>	<u>\$12,351</u>

k. Non-operating expenses

Name	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Financial Holding	<u>\$129,452</u>	<u>\$3,822</u>	<u>\$200,959</u>	<u>\$6,333</u>

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

l. Other Disclosures

As of March 31, 2009 and 2010, the notional amounts of the derivative financial instruments transactions with Cathay United Bank are listed below:

Item	March 31,	
	2009	2010
Forward foreign exchange contracts	USD718,858	USD2,976,000
CS contracts	USD1,470,000	USD500,000

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B. Cathay United Bank

a. Loans and deposits

Account/Name	For the three months ended March 31,							
	2009				2010			
	Ending Balance		Interest revenue		Ending Balance		Interest revenue	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Loans								
Seaward								
Leasing Ltd.	\$2,073,630	\$61,223	\$9,748	\$288	\$-	\$-	\$1,913	\$60
Taiwan								
Real-estate								
Management								
Corp.	104,000	3,071	615	18	102,000	3,215	427	14
Cathay General								
Hospital	236,000	6,968	1,713	51	212,000	6,681	1,453	46
Other related								
parties	270,152	7,976	1,049	31	300,312	9,465	1,089	34
Total	\$2,683,782	\$79,238	\$13,125	\$388	\$614,312	\$19,361	\$4,882	\$154

Account/Name	For the three months ended March 31,							
	2009				2010			
	Ending Balance		Interest expense		Ending Balance		Interest expense	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Deposits								
Cathay Life	\$10,732,488	\$316,873	\$17,391	\$513	\$17,982,151	\$566,724	\$8,202	\$258
Cathay Futures	1,571,679	46,403	3,005	89	1,356,582	42,754	2,727	86
Cathay								
Securities	276,924	8,176	444	13	151,905	4,788	81	3
Cathay Century	1,265,508	37,364	4,175	123	1,501,088	47,308	2,206	69
Cathay								
Securities								
Investment								
Trust Co.,								
Ltd.	656,032	19,369	1,763	52	622,694	19,625	528	17
Cathay Real								
Estate								
Development								
Co., Ltd.	80,528	2,378	18	1	311,818	9,827	12	-
Cathay Life								
(Vietnam)	147,194	4,346	9,853	291	38,374	1,209	1,135	36
Cathay Global								
Money								
Market Fund								
etc.	6,878,980	203,099	25,231	745	6,131,157	193,229	7,699	243
Other related								
parties	4,132,736	122,018	11,453	338	3,146,508	99,165	4,041	127
Total	\$25,742,069	\$760,026	\$73,333	\$2,165	\$31,242,277	\$984,629	\$26,631	\$839

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b. Securities sold under agreements to repurchase

Name	March 31,			
	Ending balance			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010 (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$-	\$-	\$115,000	\$3,624
Other related parties	608,227	17,958	558,313	17,596
Total	<u>\$608,227</u>	<u>\$17,958</u>	<u>\$673,313</u>	<u>\$21,220</u>

Name	For the three months ended March 31,			
	Interest expense			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$-	\$-	\$24	\$1
Other related parties	405	12	161	5
Total	<u>\$405</u>	<u>\$12</u>	<u>\$185</u>	<u>\$6</u>

c. Handling fees income

Name	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	<u>\$312,302</u>	<u>\$9,221</u>	<u>\$242,562</u>	<u>\$7,645</u>

d. Insurance expense paid

Name	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	<u>\$147,098</u>	<u>\$4,343</u>	<u>\$154,791</u>	<u>\$4,878</u>

e. General expense

Name	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Symphox Information	<u>\$118,397</u>	<u>\$3,496</u>	<u>\$139,313</u>	<u>\$4,391</u>

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f. Receivables

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Financial Holding	<u>\$1,913,505</u>	<u>\$56,496</u>	<u>\$1,955,061</u>	<u>\$61,616</u>

g. Other Receivable-cash dividends

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Indovina Bank	<u>\$169,585</u>	<u>\$5,007</u>	<u>\$143,186</u>	<u>\$4,513</u>

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

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Trust Co., Ltd.	<u>\$345,649</u>	<u>\$10,205</u>	<u>\$101,337</u>	<u>\$3,194</u>

i. Payables

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Financial Holding	<u>\$-</u>	<u>\$-</u>	<u>\$331,194</u>	<u>\$10,438</u>

j. Other Disclosures

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\$44,497) thousands, in 2006. The project was completed in 2009. Cathay United Bank paid the amount of NT\$50,507 (US\$1,491) thousands during the three months ended March 31, 2009. As of March 31, 2009, the accumulated amount paid was NT\$1,232,404 (US\$36,386) thousands.

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C. Cathay Century

a. Cash in banks

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

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

		For the three months ended March 31, 2010		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$516,526	0.00%~0.10%	\$142
	Time deposits	984,562	0.13%~1.08%	2,064
Total		<u>\$1,501,088</u>		<u>\$2,206</u>

		For the three months ended March 31, 2010		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$16,279	0.00%~0.10%	\$5
	Time deposits	31,029	0.13%~1.08%	65
Total		<u>\$47,308</u>		<u>\$70</u>

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

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$195,652</u>	<u>\$5,777</u>	<u>\$200,941</u>	<u>\$6,333</u>

c. Other payables

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Financial Holding (Note)	\$230,530	\$6,806	\$301,264	\$9,495
Cathay Life	<u>164,958</u>	<u>4,871</u>	<u>110,460</u>	<u>3,481</u>
Total	<u>\$395,488</u>	<u>\$11,677</u>	<u>\$411,724</u>	<u>\$12,976</u>

Note: Payable due to consolidated income tax-net.

d. Operating expense

Name	For the three months ended March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	<u>\$327,129</u>	<u>\$9,658</u>	<u>\$265,550</u>	<u>\$8,369</u>

e. Other Disclosures

As of March 31, 2009 and 2010 the nominal amount of the derivative financial instruments transactions with Cathay United Bank are listed below:

Item	March 31,	
	2009	2010
Forward foreign exchange contracts	USD7,710	USD-
CS contracts	USD11,050	USD28,050
IRS	NTD600,000	NTD600,000
	(USD17,715)	(USD18,910)

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D. Cathay Securities

a. Cash in bank

		For the three months ended March 31, 2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$110,500	0.405%~2.62%	\$432
	Cash in banks	166,424	0.02%	12
	Total	<u>\$276,924</u>		<u>\$444</u>

		For the three months ended March 31, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$3,262	0.405%~2.62%	\$13
	Cash in banks	4,914	0.02%	-
	Total	<u>\$8,176</u>		<u>\$13</u>

		For the three months ended March 31, 2010		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	<u>\$151,905</u>	0.02%~0.80%	<u>\$81</u>

		For the three months ended March 31, 2010		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	<u>\$4,787</u>	0.02%~0.80%	<u>\$3</u>

As of March 31, 2009, NT\$12,000 (US\$354) thousands in time deposits reflected premiums received for structured notes and issuance of warrants and were recognized under guarantee deposits paid.

b. Other Receivables

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010 (US\$)
Cathay Financial Holding	<u>\$-</u>	<u>\$-</u>	<u>\$137,421</u>	<u>\$4,331</u>

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c. Other payables

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010 (US\$)
Cathay Financial Holding (Note)	<u>\$233,663</u>	<u>\$6,899</u>	<u>\$180,257</u>	<u>\$5,681</u>

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

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

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

Name	For the three months ended March 31, 2010							
	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>\$328,579</u>	<u>\$10,355</u>

E. Cathay Pacific Venture

Available-for-sale financial assets

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010 (US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$717,056</u>	<u>\$21,171</u>	<u>\$183,822</u>	<u>\$5,793</u>

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F. Indovina Bank

a. Dividends Payables

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010 (US\$)
Cathay United Bank	\$169,585	\$5,007	\$143,186	\$4,513
Vietinbank	169,585	5,007	143,186	4,513
Total	<u>\$339,170</u>	<u>\$10,014</u>	<u>\$286,372</u>	<u>\$9,026</u>

b. Deposits

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

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

Name	For the three months ended March 31, 2010		
	Ending balance (NT\$)	Rate	Interest expense (NT\$)
Cathay Life Vietnam	<u>\$132,390</u>	3.20%~10.49%	<u>\$7,211</u>

Name	For the three months ended March 31, 2010		
	Ending balance (US\$)	Rate	Interest expense (US\$)
Cathay Life Vietnam	<u>\$4,172</u>	3.20%~10.49%	<u>\$227</u>

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G. Cathay Futures

a. Cash in bank

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

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

		For the three months ended March 31, 2010		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$311,300	0.14%~1.08%	\$2,709
	Cash in bank	8,275	0.10%~0.80%	18
	Total	\$319,575		\$2,727

		For the three months ended March 31, 2010		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$9,811	0.14%~1.08%	\$85
	Cash in bank	261	0.10%~0.80%	1
	Total	\$10,072		\$86

As of March 31, 2009 and 2010, Cathay Futures has time deposit amounting to NT\$60,000 (US\$1,891) thousands in Cathay United Bank as the guaranty bond, in accordance with Article 14 of Rules Governing Futures Commission Merchants and Article 11 of Regulation Governing Futures Advisory Enterprises.

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b. Customer's margin accounts

Name	March 31,					
	2009			2010		
	(NT\$)	(US\$)	Rate	(NT\$)	(US\$)	Rate
Cathay United Bank	<u>\$1,250,569</u>	<u>\$36,923</u>	0.02%~2.17%	<u>\$1,037,007</u>	<u>\$32,682</u>	0.01%~1.08%

c. Futures customers' equity

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2009 (US\$)
Cathay Life	\$453,680	\$13,395	\$209,652	\$6,607
Cathay Securities	205,981	6,081	328,579	10,356
Total	<u>\$659,661</u>	<u>\$19,476</u>	<u>\$538,231</u>	<u>\$16,963</u>

H. Symphox Information

a. Cash in bank

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

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

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		For the three months ended March 31, 2010		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposit	\$180,000	0.72%~0.83%	\$307
	Cash in bank	4,551	0.10%	-
Total		<u>\$184,551</u>		<u>\$307</u>

		For the three months ended March 31, 2010		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposit	\$5,673	0.72%~0.83%	\$10
	Cash in bank	143	0.10%	-
Total		<u>\$5,816</u>		<u>\$10</u>

b. Financial assets at fair value through profit or loss

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2009 (US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$76,345</u>	<u>\$2,406</u>	<u>\$100,659</u>	<u>\$3,172</u>

I. Cathay Life (Shanghai)

Other payables

Name	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	<u>\$265,211</u>	<u>\$7,830</u>	<u>\$204,097</u>	<u>\$6,432</u>

J. Cathay Life (Vietnam)

a. Cash in bank

		For the three months ended March 31, 2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Indovina Bank	Time deposits	\$157,465	7.50%~10.49%	\$2,677
	Cash in bank	11,785	3.20%	112
Total		<u>\$169,250</u>		<u>\$2,789</u>

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		For the three months ended March 31, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Indovina Bank	Time deposits	\$4,649	7.50%~10.49%	\$79
	Cash in bank	348	3.20%	3
Total		<u>\$4,997</u>		<u>\$82</u>

		For the three months ended March 31, 2009		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	<u>\$147,194</u>	1.00%~7.00%	<u>\$9,853</u>

		For the three months ended March 31, 2009		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	<u>\$4,346</u>	1.00%~7.00%	<u>\$291</u>

		For the three months ended March 31, 2010		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Indovina Bank	Time deposits	\$121,821	7.50%~10.49%	\$7,153
	Cash in bank	10,569	3.20%	58
Total		<u>\$132,390</u>		<u>\$7,211</u>

		For the three months ended March 31, 2010		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Indovina Bank	Time deposits	\$3,839	7.50%~10.49%	\$225
	Cash in bank	333	3.20%	2
Total		<u>\$4,172</u>		<u>\$227</u>

29. Pledged assets

As of March 31, 2009 and 2010, the Company and Subsidiaries' pledged assets are summarized below:

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share date and unless otherwise stated)**

Item	Guarantee purpose	Carrying amount			
		2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Time deposits	Correspondent deposit, collateral for the over-loaning of settlement accounts, loan, other financial or leasing	\$1,372,726	\$40,529	\$1,218,610	\$38,406
Guarantee deposits paid	Government bonds	9,208,836	271,888	10,185,714	321,012
Financial assets at fair value through profit or loss	Business reserves and guarantees	699,294	20,646	630,282	19,864
Available-for-sale financial assets	Business reserves and guarantees	2,707,445	79,936	3,638,678	114,676
Held-to-maturity financial assets	Business reserves and guarantees	92,446	2,730	168,032	5,296
Investments in debt securities with no active market	Business reserves and guarantees	15,500,000	457,632	20,235,000	637,724
		<u>\$29,580,747</u>	<u>\$873,361</u>	<u>\$36,076,316</u>	<u>\$1,136,978</u>

30. Commitment and contingent liabilities

(1) Cathay United Bank

A. On January 1, 2004, Pacific SOGO issued its own SOGO membership card, which Cathay United Bank believes 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\$12,606) thousands. Pacific SOGO appealed such order and the appeal is being reviewed by the High Court.

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B. Lee and Li Attorneys-at-Law and SanDisk Corporation filed lawsuits in the Taiwan Taipei District Court alleging that Cathay United Bank breached its contractual and fiduciary duties in connection with the embezzlement conducted by a former employee of Lee and Li Attorneys-at-Law, Eddie Liu, on October 2003. Both plaintiffs claimed indemnities amounted NT\$0.9 billion (US\$28 million) and NT\$3.09 billion (US\$97 million), respectively. Cathay United Bank has been advised by its legal advisor that it is possible, but not probable, that the action will succeed and accordingly no provision for any claims has been made in these financial statements.

C. As of March 31, 2010, Cathay United Bank had entered into certain contracts to purchase premises and equipments totaling NT\$1,011,240 (US\$31,870) thousands with NT\$562,058 (US\$17,714) 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.

(3) Cathay Securities

As of March 31, 2010, Cathay Securities requested banks to issue letters of guarantees for warrants issuance of NT\$650,000 (US\$20,485) thousands.

(4) As of March 31, 2009 and 2010, Cathay United Bank subsidiaries had the following commitments and contingent liabilities, which were not reflected in the financial statements:

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Item	March 31,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Trust and security held for safekeeping	\$178,504,253	\$5,270,276	\$173,825,621	\$5,478,274
Travelers checks for sale	287,065	8,475	367,508	11,582
Bills for collection	39,049,330	1,152,918	37,449,832	1,180,266
Book-entry for government bonds and depository for short-term marketable securities under management	491,646,300	14,515,686	552,272,400	17,405,370
Guarantees on duties and contracts	17,615,749	520,099	16,500,207	520,019
Unused commercial letters of credit	3,153,733	93,113	3,303,939	104,127
Irrevocable loan commitments	34,119,830	1,007,376	43,199,331	1,361,466
Credit card lines commitments	263,878,701	7,790,927	259,066,889	8,164,730
Stamp tax, securities and memorial currency consignments	1,727	51	1,727	54
Entrusted financial management business	2,352,812	69,466	2,703,545	85,205

(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\$
April 1, 2010~March 31, 2011	\$1,016,758	\$32,044
April 1, 2011~March 31, 2015	1,767,720	55,711
Total	<u>\$2,784,478</u>	<u>\$87,755</u>

31. Significant disaster losses: None.

32. Subsequent events: None.

33. Other significant matters

(1) Pension related information

A. Net periodic pension cost:

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

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share date and unless otherwise stated)**

(2) Financial instruments related information

A. The Company

a. Information of fair value

Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,209,456	\$2,209,456	\$65,233	\$65,233
Receivables	5,110,471	5,110,471	150,885	150,885
Held-to-maturity financial assets	15,000,000	15,000,000	442,870	442,870
Investments under equity method	156,828,113	156,828,113	4,630,296	4,630,296
Other financial assets	31,720	31,720	937	937
<u>Liabilities</u>				
Payables	7,481,036	7,481,036	220,875	220,875
Bonds payables	20,000,000	20,000,000	590,493	590,493

Item	March 31, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$10,725,764	\$10,725,764	\$338,032	\$338,032
Receivables	7,638,323	7,638,323	240,729	240,729
Held-to-maturity financial assets	25,000,000	25,000,000	787,898	787,898
Investments under equity method	207,983,683	207,983,683	6,554,796	6,554,796
Other financial assets	31,720	31,720	1,000	1,000
<u>Liabilities</u>				
Payables	9,811,221	9,811,221	309,209	309,209
Bonds payables	40,000,000	40,000,000	1,260,637	1,260,637

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

(a) The fair value of 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 is summarized as following:

Financial instruments	March 31, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,092,964	\$32,269	\$1,116,492	\$32,964
Receivables	-	-	5,110,471	150,885
Held-to-maturity financial assets	-	-	15,000,000	442,870
Investments under equity method	-	-	156,828,113	4,630,296
Other financial assets	-	-	31,720	937
<u>Liabilities</u>				
Payables	-	-	7,481,036	220,875
Bonds payable	-	-	20,000,000	590,493

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Financial instruments	March 31, 2010			
	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	\$8,470	\$267	\$10,717,294	\$337,765
Receivables	-	-	7,638,323	240,729
Held-to-maturity financial assets	-	-	25,000,000	787,898
Investments under equity method	-	-	207,983,683	6,554,796
Other financial assets	-	-	31,720	1,000
<u>Liabilities</u>				
Payables	-	-	9,811,221	309,209
Bonds payable	-	-	40,000,000	1,260,637

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

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B. Cathay Life

a. Information of fair value

Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$209,878,086	\$209,878,086	\$6,196,578	\$6,196,578
Notes and accounts receivable	51,515,060	51,515,060	1,520,964	1,520,964
Financial assets at fair value through profit or loss - current	130,514,004	130,514,004	3,853,380	3,853,380
Available-for-sale financial assets - current	121,988,785	121,988,785	3,061,677	3,061,677
Held-to-maturity financial assets - current	35,943,812	32,514,239	1,061,229	959,972
Investments in debt securities with no active market - current	11,629,131	11,643,904	343,346	343,782
Other financial assets-current	8,000,000	8,000,000	236,197	236,197
Available-for-sale financial assets - noncurrent	245,487,218	245,487,218	7,247,925	7,247,925
Held-to-maturity financial assets - noncurrent	592,097,799	592,205,448	17,481,482	17,425,611
Financial assets carried at cost - noncurrent	19,072,499	-	563,109	-
Investments in debt securities with no active market - noncurrent	108,286,322	87,594,942	3,197,116	2,586,210
Investments under the equity method	6,716,768	6,716,768	198,310	198,310
Other financial assets – noncurrent	4,250,000	4,250,000	125,480	125,480
Guarantee deposits paid	11,632,382	11,632,382	343,442	343,442
<u>Liabilities</u>				
Notes and accounts payable	8,854,902	8,854,902	261,438	261,438
Preferred stock liability-noncurrent	15,000,000	15,381,210	442,870	454,125
Guarantee deposits received	1,565,780	1,565,780	46,229	46,229
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Forward, CS, CCS	4,680,859	4,680,859	138,201	138,201
IRS, CDS	454,900	454,900	13,431	13,431
Derivative financial assets for hedging - current				
IRS, CDS	2,102,486	2,102,486	62,075	62,075

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Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss -				
current				
Forward, CS, CCS	\$21,909,072	\$21,909,072	\$646,858	\$646,858
IRS, CDS	130,879	130,879	3,864	3,864
Derivative financial liabilities for hedging - current				
IRS, CDS	98,083	98,083	2,896	2,896
Item	March 31, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$438,016,344	\$438,016,344	\$13,804,486	\$13,804,486
Notes and accounts receivable	48,015,073	48,015,073	1,513,239	1,513,239
Financial assets at fair value through profit or loss - current	55,504,889	55,504,889	1,749,288	1,749,288
Available-for-sale financial assets - current	169,809,629	169,809,629	5,351,706	5,351,706
Held-to-maturity financial assets - current	22,739,877	22,638,109	716,668	713,461
Investments in debt securities with no active market -				
current	6,713,163	6,624,823	211,572	208,787
Other financial assets - current	2,500,000	2,500,000	78,790	78,790
Available-for-sale financial assets - noncurrent	270,738,277	270,738,277	8,532,565	8,532,565
Held-to-maturity financial assets - noncurrent	643,768,905	640,200,830	20,288,966	20,176,515
Financial assets carried at cost - noncurrent	10,244,346	-	322,860	-
Investments in debt securities with no active market -				
noncurrent	163,497,496	162,438,786	5,152,773	5,119,407
Investments under the equity method	4,977,152	4,977,152	156,860	156,860
Other financial assets - noncurrent	42,300,000	42,300,000	1,333,123	1,333,123
Guarantee deposits paid	11,914,842	11,914,842	375,507	375,507

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Item	March 31, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Notes and accounts payable	\$25,763,234	\$25,763,234	\$811,951	\$811,951
Preferred stock liability –noncurrent	25,000,000	26,155,262	787,898	824,307
Guarantee deposits received	1,642,245	1,642,245	51,757	51,757
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Option	33,920	33,920	1,069	1,069
Forward, CS and CCS	11,914,924	11,914,924	375,510	375,510
IRS and CDS	23,746	23,746	748	748
Derivative financial assets for hedging - current				
IRS and CDS	2,135,980	2,135,980	67,317	67,317
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Forward, CS and CCS	1,224,190	1,224,190	38,582	38,582
IRS and CDS	448,066	448,066	14,121	14,121
Derivative financial liabilities for hedging - current				
IRS and CDS	19,568	19,568	617	617

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, is 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 March 31, 2009 and 2010, the fair values of financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Item	March 31, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$187,738,991	\$5,542,929	\$22,139,095	\$653,649
Notes and accounts receivable	-	-	51,515,060	1,520,964
Financial assets at fair value through profit or loss				
- current	127,040,936	3,750,839	3,473,068	102,541
Available-for-sale financial assets - current	121,888,492	3,598,716	100,293	2,961
Held-to-maturity financial assets - current	1,027,698	30,343	31,486,541	929,629
Investments in debt securities with no active				
market - current	-	-	11,643,904	343,782
Other financial assets-current	-	-	8,000,000	236,197
Available-for-sale financial assets - noncurrent	244,159,693	7,208,730	1,327,525	39,195

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Item	March 31, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Held-to-maturity financial assets - noncurrent	\$94,392,121	\$2,786,895	\$495,813,327	\$14,638,716
Investment in debt securities with no active market – noncurrent	631,980	18,659	86,962,962	2,567,551
Investments under the equity method	-	-	6,716,768	198,310
Other financial assets - noncurrent	-	-	4,250,000	125,480
<u>Liabilities</u>				
Notes and accounts payable	-	-	8,854,902	261,438
Preferred stock liability - noncurrent	-	-	15,381,210	454,125
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Forward, CS, CCS	-	-	4,680,859	138,201
IRS, CDS	-	-	454,900	13,431
Derivative financial assets for hedging - current				
IRS	-	-	2,102,486	62,075
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Forward, CS, CCS	-	-	21,909,072	646,858
IRS, CDS	-	-	130,879	3,864
Derivative financial liabilities for hedging - current				
IRS, CDS	-	-	98,083	2,896

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Item	March 31, 2010			
	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	\$359,754,807	\$11,338,002	\$78,261,537	\$2,466,484
Notes and accounts receivable	-	-	48,015,073	1,513,239
Financial assets at fair value through profit or loss				
- current	54,904,741	1,730,373	600,148	18,915
Available-for-sale financial assets - current	159,757,003	5,034,888	10,052,626	316,818
Held-to-maturity financial assets - current	6,541,867	206,173	16,096,242	507,288
Investments in debt securities with no active market - current	-	-	6,624,823	208,787
Other financial assets - current	-	-	2,500,000	78,790
Available-for-sale financial assets - noncurrent	267,396,898	8,427,258	3,341,379	105,307
Held-to-maturity financial assets - noncurrent	41,420,102	1,305,392	598,780,728	18,871,123
Investment in debt securities with no active market – noncurrent	4,913,227	154,845	157,525,559	4,964,562
Investments under the equity method	-	-	4,977,152	156,860
Other financial assets - noncurrent	-	-	42,300,000	1,333,123
<u>Liabilities</u>				
Notes and accounts payable	-	-	25,763,234	811,951
Preferred stock liability - noncurrent	-	-	26,155,262	824,307
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
- current				
Option	33,920	1,069	-	-
Forward, CS and CCS	-	-	11,914,924	375,510
IRS and CDS	-	-	23,746	748
Derivative financial assets for hedging – current				
IRS and CDS	-	-	2,135,980	67,317
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Forward, CS and CCS	-	-	1,224,190	38,582
IRS and CDS	-	-	448,066	14,121
Derivative financial liabilities for hedging – current				
IRS and CDS	-	-	19,568	617

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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 March 31, 2009 and 2010:

① March 31, 2009

Non-derivative financial instruments of fixed interest rate

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

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

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Non-derivative financial instruments of float interest rate

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

Derivative financial instruments

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

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

② March 31, 2010

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	\$312,817	\$9,859	\$1,908,974	\$60,163	\$2,039,835	\$64,287	\$723,995	\$22,817
Available-for-sale financial assets	7,728,869	243,582	15,971,379	503,353	23,250,426	732,758	13,535,954	426,598
Held-to-maturity financial assets	200,039,275	6,304,421	14,307,917	450,927	21,066,065	663,916	27,108,279	854,342
Investments in debt securities with								
no active market	6,472,987	204,002	12,577,730	396,399	9,031,457	284,635	6,464,485	203,734
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	\$249,699	\$7,870	\$4,378	\$138	\$5,239,698	\$165,134
Available-for-sale financial assets	21,130,471	665,946	79,388,071	2,501,988	161,005,170	5,074,225
Held-to-maturity financial assets	19,889,459	626,835	329,507,841	10,384,741	611,918,836	19,285,182
Investments in debt securities with						
no active market	16,079,190	506,750	102,655,053	3,235,268	153,280,902	4,830,788
Preferred stock liability	-	-	25,000,000	787,898	25,000,000	787,898

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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	\$232,130	\$7,316	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	125,884,414	3,967,363	-	-	-	-	-	-
Held-to-maturity financial assets	54,589,946	1,720,452	-	-	-	-	-	-
Investments in debt securities with								
no active market	16,929,757	533,557	-	-	-	-	-	-

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	\$-	\$-	\$-	\$-	\$232,130	\$7,316
Available-for-sale financial assets	-	-	-	-	125,884,414	3,967,363
Held-to-maturity financial assets	-	-	-	-	54,589,946	1,720,452
Investments in debt securities with						
no active market	-	-	-	-	16,929,757	533,557

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	\$20,273	\$639	\$-	\$-	\$-	\$-	\$-	\$-
Derivative financial assets for								
hedging	8,206	259	17,783	560	94,740	2,986	490,090	15,446
Financial liabilities at fair value								
through profit or loss	75,050	2,365	-	-	-	-	-	-
Derivative financial liabilities for								
hedging	17,533	553	-	-	-	-	2,035	64

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Item	Due in 4-5 years		Over 5 years		Total	
	NTS	US\$	NTS	US\$	NTS	US\$
Financial assets at fair value						
through profit or loss	\$3,474	\$109	\$-	\$-	\$23,747	\$748
Derivative financial assets for						
hedging	953,918	30,063	15,570	491	1,580,307	49,805
Financial liabilities at fair value						
through profit or loss	17,795	561	-	-	92,845	2,926
Derivative financial liabilities for						
hedging	-	-	-	-	19,568	617

(b) Credit risk

Cathay Life 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 March 31, 2009 and 2010:

(a) March 31, 2009

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

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Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$300,000	\$8,857	5.37%-6ml	Yearly	2011.3.15
500,000	14,762	If 6ml < 1.1%,6ml If 1.1% ≤ 6ml ≤ 2.0%,3.8% If 6ml > 2.0%,Max(5.50%-6ml)	Half year	2011.6.30
2,000,000	59,049	90DCP	Yearly	2013.3.26
2,700,000	79,717	90DCP+25bps	Each quarter	2013.8.24
3,000,000	88,574	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	59,049	90DCP	Yearly	2013.11.3
1,000,000	29,525	90DCP+26.5bps	Yearly	2013.12.14
500,000	14,762	90DCP+23bps	Yearly	2013.12.14
1,500,000	44,287	90DCP+23bps	Yearly	2013.12.16
1,000,000	29,525	90DCP+26.5bps	Yearly	2013.12.16
900,000	26,572	90DCP	Yearly	2014.3.12
1,000,000	29,525	90DCP	Yearly	2014.6.12
2,000,000	59,049	90DCP	Yearly	2014.6.29
5,000,000	147,623	90DCP	Yearly	2014.8.23
1,000,000	29,525	90DCP	Yearly	2014.9.20
3,200,000	94,479	90DCP	Yearly	2014.9.27
2,000,000	59,049	90DCP	Each quarter	2014.9.28
1,500,000	44,287	90DCP	Yearly	2014.9.29
2,500,000	73,812	90DCP	Yearly	2014.12.20
2,000,000	59,049	90DCP	Yearly	2014.12.24

(b) March 31, 2010

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$200,000	\$6,303	4.000%-6ml	Half year	2010.4.7
300,000	9,455	4.0002%-6ml	Half year	2010.4.7
200,000	6,303	4.0003%-6ml	Half year	2010.4.7
500,000	15,758	4.0006%-6ml	Half year	2010.4.7
500,000	15,758	4.0007%-6ml	Half year	2010.4.7
300,000	9,455	4.3%-12ml	Yearly	2010.6.20
1,500,000	47,274	90DCP	Each quarter	2010.10.13

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Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$200,000	\$6,303	6.3%-6ml	Yearly	2010.11.27
300,000	9,455	5.37%-6ml	Yearly	2011.3.15
500,000	15,758	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	63,032	90DCP	Each quarter	2012.10.11
2,000,000	63,032	90DCP	Yearly	2013.3.26
2,425,000	76,426	90DCP	Each quarter	2013.4.24
700,000	22,061	90DCP	Each quarter	2013.8.24
2,700,000	85,093	90DCP+25bps	Each quarter	2013.8.24
2,000,000	63,032	90DCP	Yearly	2013.11.3
3,000,000	94,548	90DCP+26.5bps	Yearly	2013.11.3
2,700,000	85,093	90DCP	Each quarter	2013.12.8
2,000,000	63,032	90DCP+26.5bps	Yearly	2013.12.14
2,000,000	63,032	90DCP+23bps	Yearly	2013.12.14
4,000,000	126,064	90DCP	Each quarter	2014.3.9
900,000	28,364	90DCP	Yearly	2014.3.12
1,000,000	31,516	90DCP	Each quarter	2014.3.26
1,000,000	31,516	90DCP	Yearly	2014.6.12
2,000,000	63,032	90DCP	Yearly	2014.6.29
5,000,000	157,580	90DCP	Yearly	2014.8.23
1,000,000	31,516	90DCP	Yearly	2014.9.20
4,700,000	148,125	90DCP	Yearly	2014.9.27
2,000,000	63,032	90DCP	Each quarter	2014.9.28
2,500,000	78,790	90DCP	Yearly	2014.12.20
2,000,000	63,032	90DCP	Yearly	2014.12.24
2,543,500	80,161	90DCP	Each quarter	2016.10.23
900,000	28,364	90DCP	Each quarter	2016.10.24

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

Cathay Life's interest rate swap agreements are considered to be highly effective cash flow hedges. As of March 31, 2009 and 2010, unrealized gains on these financial instruments recognized in equity are NT\$2,151,689 (US\$63,528) thousands and NT\$1,670,121 (US\$52,635) thousands, respectively.

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Fair value hedges

The following table summarizes the terms of Cathay Life's credit default swap for bonds used as hedging instruments at March 31, 2009 and 2010:

① March 31, 2009

<u>Par value</u>	<u>Hedge item</u>	<u>Maturity date</u>
US\$		
\$45,000	CDO	2012.9.20
7,000	Structured notes	2014.3.20

② March 31, 2010

<u>Par value</u>	<u>Hedge item</u>	<u>Maturity date</u>
US\$		
\$20,000	CDO	2012.6.20

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

Cathay Life's credit default swap agreements are considered to be highly effective fair value hedges. As of March 31, 2009 and 2010, unrealized gains on these financial instruments recognized in profit were NT\$53,087 (US\$1,567) thousands and NT\$157,801 (US\$4,973) recorded as gains from valuation on financial assets, respectively.

The following table summarizes the terms of Cathay Life's interest rate swap for bonds used as hedging instruments at March 31, 2009 and 2010:

① March 31, 2009

None

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⑥ March 31, 2010

Par value			
US\$	Hedge item	Maturity date	
\$10,000	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 March 31, 2010, unrealized loss on these financial instruments recognized in loss was NT\$64,726 (US\$2,040) thousands which was recorded as losses 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, 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:

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Market Risk

Market risk is the exposure to uncertain market value of a portfolio, including interest rate risk, 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 loans are secured by land, property, plant and equipments or financial guarantees.

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

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

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

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Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal controls, employee fraud or misconduct and management negligence. To mitigate the operational risk, 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 cannot 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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C. Cathay United Bank

a. Information of fair value

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

Note: Fair value cannot be reliably estimated.

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share date and unless otherwise stated)**

Item	March 31, 2010			
	(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	\$25,971,042	\$25,971,042	\$818,501	\$818,501
Available-for-sale financial assets	81,039,227	81,039,227	2,554,025	2,554,025
Held-to-maturity financial assets and debt securities with no active market	399,166,377	399,210,944	12,580,094	12,581,498
Other financial assets – financial assets carried at cost	3,995,640	(Note)	125,926	(Note)
Others	916,382,489	916,382,489	28,880,633	28,880,633
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	12,460,498	12,460,498	392,704	392,704
Financial debentures payable	16,471,463	16,471,463	519,113	519,113
Others	1,344,812,195	1,344,812,195	42,382,988	42,382,988
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	632,976	632,976	19,949	19,949
Non-delivery forward	32,240	32,240	1,016	1,016
Currency swap	1,927,950	1,927,950	60,761	60,761
Interest rate swap	4,133,349	4,133,349	130,266	130,266
Cross currency swap	252,485	252,485	7,957	7,957
Options	89,011	89,011	2,805	2,805
<u>Liabilities</u>				
Forward	1,764,409	1,764,409	55,607	55,607
Non-delivery forward	31,607	31,607	996	996
Currency swap	725,491	725,491	22,865	22,865
Interest rate swap	2,382,772	2,382,772	75,095	75,095
Cross currency swap	203,600	203,600	6,417	6,417
Options	89,011	89,011	2,805	2,805
Credit derivative instruments	41,028	41,028	1,293	1,293
Credit default swap	8,657	8,657	273	273

Note: Fair value cannot be reliably estimated.

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- b. The methodologies and assumptions used by Cathay United Bank to estimate the above fair value of financial instruments are summarized as following:
- (a) The carrying value of short-term financial instruments, such as cash and cash equivalents, receivables, securities purchased under agreements to resell, securities sold under agreements to repurchase, payables, refundable deposits, guarantee deposits, borrowed funds, due from the Central Bank and call loans to banks and due to the Central Bank and call loans from banks arising in the ordinary course of business, approximate fair value because of the relatively short period of time between their origination and expected realization.
 - (b) Quoted market prices, if available, are utilized as estimates of the fair values of financial instruments at fair value through profit or loss, available-for-sale financial instruments, held-to-maturity financial assets and 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.

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

Item	March 31, 2009			
	Value determined by quoted market price		Value determined by pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$51,741,441	\$1,527,648	\$347,929	\$10,272
Available-for-sale financial assets	110,056,030	3,249,366	11,603,330	342,584
Held-to-maturity financial assets and debt securities with no active market	187,620,458	5,539,429	33,865,883	999,878
Others (Note)	-	-	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	-	-	32,738,404	966,590
Financial debentures payable	-	-	19,129,566	564,794
Others (Note)	-	-	-	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	-	-	6,145,146	181,433
Non-delivery forward	-	-	141,656	4,182
Currency swap	-	-	888,102	26,221
Interest rate swap	-	-	6,575,202	194,131
Cross currency swap	-	-	334,948	9,889
Options	-	-	161,104	4,757
Credit default swap	-	-	37	1
<u>Liabilities</u>				
Forward	-	-	1,422,870	42,010
Non-delivery forward	-	-	134,757	3,979
Currency swap	-	-	5,548,489	163,817
Interest rate swap	-	-	3,839,626	113,364
Cross currency swap	-	-	191,550	5,654
Options	-	-	161,177	4,759
Credit derivative instruments	-	-	725,182	21,411
Credit default swap	-	-	21,951	648

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Item	March 31, 2010			
	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	\$2,705,712	\$85,273	\$23,265,330	\$733,228
Available-for-sale financial assets	63,535,737	2,002,387	17,503,490	551,639
Held-to-maturity financial assets and debt securities with no active market	1,293,591	40,769	397,872,786	12,539,325
Others (Note)	-	-	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	-	-	12,460,498	392,704
Financial debentures payable	-	-	16,471,463	519,113
Others (Note)	-	-	-	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	-	-	632,976	19,949
Non-delivery forward	-	-	32,240	1,016
Currency swap	-	-	1,927,950	60,761
Interest rate swap	-	-	4,133,349	130,266
Cross currency swap	-	-	252,485	7,957
Options	-	-	89,011	2,805
<u>Liabilities</u>				
Forward	-	-	1,764,409	55,607
Non-delivery forward	-	-	31,607	996
Currency swap	-	-	725,491	22,865
Interest rate swap	-	-	2,382,772	75,095
Cross currency swap	-	-	203,600	6,417
Options	-	-	89,011	2,805
Credit derivative instruments	-	-	41,028	1,293
Credit default swap	-	-	8,657	273

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 estimated fair value.

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- d. Gains or losses recognized for the changes in fair value of financial asset or liabilities determined by pricing models were NT\$355,980 (US\$10,510) and NT\$48,354 (US\$1,524) for the three month periods ended March 31, 2009 and 2010, respectively.
- e. The interest income arising from other than financial assets or liabilities at fair value through profit or loss For the three month periods ended March 31, 2009 and 2010 were NT\$7,058,018 (US\$208,386) and NT\$5,267,853 (US\$166,021), and expenses were NT\$3,032,372 (US\$89,530) and NT\$1,674,342 (US\$52,768), respectively.
- f. Cathay United Bank recognized an unrealized gains or losses of NT\$708,204 (US\$20,909) and NT\$195,136 (US\$6,150) in shareholders' equity for the changes in fair value of available-for-sale financial assets and a realized gains of NT\$45,713 (US\$1,350) and NT\$508,317 (US\$16,020) in income statements, for the three month periods ended March 31, 2009 and 2010, 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.

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© Equity securities price risk

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

January 1 ~ March 31, 2010						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Interest rate	\$511,336	\$16,115	\$685,573	\$21,606	\$401,352	\$12,649
Foreign exchange	206,665	6,513	442,198	13,936	110,355	3,478
Equity Securities price	145,942	4,599	175,459	5,530	99,853	3,147

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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	March 31, 2010	
	NT\$	US\$
Foreign exchange rate factor sensitivity (FX Delta)		
USD+1%	\$407,229	\$12,834
HKD+1%	11,944	376
JPY+1%	16,846	531
NTD+1%	(437,502)	(13,788)
Interest rate factor sensitivity (PVBP)		
Yield curves (USD) parallel shift+1bp	(13,468)	(424)
Yield curves (HKD) parallel shift+1bp	(25)	(1)
Yield curves (JPY) parallel shift+1bp	(86)	(3)
Yield curves (NTD) parallel shift+1bp	(13,478)	(425)
Equity securities price factor sensitivity (Equity Delta)	67,646	2,132

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 of caused by the underlying stocks prices fluctuation. Cathay United Bank’s equity portfolios include stocks and equity index options.

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Stress Test			
Market/ Product	Scenarios	Effects (In thousands of dollars)	
		(NT\$)	(US\$)
Stock Market	Major Stock Exchanges +15%	\$1,014,691	\$31,979
	Major Stock Exchanges -15%	(1,014,691)	(31,979)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(2,638,741)	(83,162)
	Major Interest Rate - 100bp	2,466,528	77,735
Foreign Exchange Market	Major Currencies +3%	1,367,162	43,087
	Major Currencies -3%	(1,287,523)	(40,577)
Composite	Major Stock Exchanges -15%	(2,286,269)	(72,054)
	Major Interest Rate + 100bp		
	Major Currencies +3%		

(b) Credit risk

Credit risk represents the risk of loss that Cathay United 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 counterparty 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.

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Ⓐ Information on concentrations of credit risk:

Financial assets	March 31, 2009			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Financial assets at fair value through profit or loss				
loss	\$52,089,370	\$1,537,921	\$52,089,370	\$1,537,921
Available-for-sale financial assets	121,659,360	3,591,950	121,659,360	3,591,950
Held-to-maturity financial assets and debt securities with no active market	221,435,741	6,537,813	221,435,741	6,537,813
Other financial assets-financial assets carried at cost	4,095,278	120,912	4,095,278	120,912
Other assets	894,980,942	26,424,002	894,980,942	26,424,002
Guarantees on duties and contracts	-	-	17,615,749	520,099
Unused commercial letters of credit	-	-	3,153,733	93,113
Irrevocable loan commitments	-	-	34,119,830	1,007,376
Credit card line commitments	-	-	263,878,701	7,790,927
<u>Derivative financial instruments</u>				
Forward	6,145,146	181,433	6,145,146	181,433
Non-delivery forward	141,656	4,182	141,656	4,182
Currency swap	888,102	26,221	888,102	26,221
Interest rate swap	6,575,202	194,131	6,575,202	194,131
Cross currency swap	334,948	9,889	334,948	9,889
Options	161,104	4,757	161,104	4,757
Credit default swap	37	1	37	1
Financial assets	March 31, 2010			
	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	\$25,971,042	\$818,501	\$25,971,042	\$818,501
Available-for-sale financial assets	81,039,227	2,554,025	81,039,227	2,554,025
Held-to-maturity financial assets and debt securities with no active market	399,166,377	12,580,094	399,166,377	12,580,094

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Financial assets	March 31, 2010			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Other financial assets-financial assets carried at cost	\$3,995,640	\$125,926	\$3,995,640	\$125,926
Others	916,382,489	28,880,633	916,382,489	28,880,633
Guarantees on duties and contracts	-	-	16,500,207	520,019
Unused commercial letters of credit	-	-	3,303,939	104,127
Irrevocable loan commitments	-	-	43,199,331	1,361,466
Credit card line commitments	-	-	259,066,889	8,164,730
<u>Derivative financial instruments</u>				
Forward	632,976	19,949	632,976	19,949
Non-delivery forward	32,240	1,016	32,240	1,016
Currency swap	1,927,950	60,761	1,927,950	60,761
Interest rate swap	4,133,349	130,266	4,133,349	130,266
Cross currency swap	252,485	7,957	252,485	7,957
Options	89,011	2,805	89,011	2,805

- ⓑ 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	March 31,			
	2009		2010	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Industry type</u>				
Manufacturing	\$121,050,077	\$3,573,962	\$132,012,146	\$4,160,484
Financial institutions and insurance	38,409,062	1,134,014	29,514,273	930,169
Leasing and real estate	79,681,039	2,352,555	81,150,608	2,557,536
Individuals	418,508,364	12,356,314	423,641,740	13,351,457
Others	148,917,690	4,396,743	139,108,570	4,384,134
Total	806,566,232	23,813,588	805,427,337	25,383,780
Valuation allowance	(8,265,310)	(244,030)	(5,891,220)	(185,667)
Maximum credit risk exposed	\$798,300,922	\$23,569,558	\$799,536,117	\$25,198,113

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Loans, customers' liabilities under acceptances, and guarantees account	March 31,			
	2009		2010	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Geographic Region				
Domestic	\$715,498,964	\$21,124,859	\$724,981,076	\$22,848,442
South East Asia	24,814,918	732,652	22,792,649	718,331
North East Asia	203,771	6,016	1,083,594	34,151
America	19,338,305	570,957	14,816,279	466,949
Others	46,710,274	1,379,104	41,753,739	1,315,907
Total	806,566,232	23,813,588	805,427,337	25,383,780
Valuation allowance	(8,265,310)	(244,030)	(5,891,220)	(185,667)
Maximum credit risk exposed	<u>\$798,300,922</u>	<u>\$23,569,558</u>	<u>\$799,536,117</u>	<u>\$25,198,113</u>

(c) Liquidity risk

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

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

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.

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

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

Except for default or redemption in advance, expected reset and maturity dates of interest-bearing financial instruments are confirmed under related contracts. As of March 31, 2010, there is no significant change in these dates.

As of March 31, 2009 and 2010, respectively, the effective interest rates of financial instruments held and issued by Cathay United Bank are classified as follows:

Financial instruments	Effective interest rate (%)	
	March 31, 2009	March 31, 2010
Available-for-sale financial assets		
Bonds	0.4774~6.7737	0.3457~6.6628
Overseas financial instruments	0~6.3574	0~6.3574
Held-to-maturity financial assets		
Bonds	1.9842~6.9559	2.2292~6.9559
Overseas financial instruments	1.2369~1.4241	0~7.2864
Investments in debt securities with no active market		
Preferred stocks	5	5
Certificates of deposit	0.57~2.359	0.145~0.71
Overseas financial instruments	0~11.61	0~11.55
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			
		March 31, 2009		March 31, 2010	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Financial debentures payable	Interest rate swap	\$2,303,084	\$67,998	\$1,133,019	\$35,708

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

D. Cathay Century

a. Information of fair value

Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and Cash equivalents	\$4,242,225	\$4,242,225	\$125,250	\$125,250
Financial assets at fair value through profit or loss - current	418,228	418,228	12,348	12,348
Available-for-sale financial assets - current	3,018,657	3,018,657	89,125	89,125
Held-to-maturity financial assets - current	160,931	160,931	4,752	4,752
Receivables	2,028,898	2,028,898	59,902	59,902
Prepaid reinsurance premiums ceded	1,421,488	1,421,488	41,969	41,969
Claims recoverable from reinsurers	1,114,042	1,114,042	32,892	32,892
Due from reinsurers and ceding companies	227,680	227,680	6,722	6,722
Account receivable - reinsurance	34,557	34,557	1,020	1,020
Secured loans	1,476,106	1,476,106	43,581	43,581
Held-to-maturity financial assets - noncurrent	3,208,465	3,208,465	94,729	94,729
Financial assets carried at cost-noncurrent	25,500	25,500	753	753
Investments under equity method	1,316,258	1,316,258	38,862	38,862
Guarantee deposits paid	506,073	506,073	14,942	14,942
<u>Liabilities</u>				
Claims outstanding	22,517	22,517	665	665
Due to reinsurers and ceding companies	461,922	461,922	13,638	13,638
Account payable - reinsurance	750,597	750,597	22,161	22,161
Operating and liabilities reserve	14,273,465	14,273,465	421,420	421,420

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Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Derivative financial assets for hedging				
IRS	\$33,834	\$33,834	\$999	\$999
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Foreign exchange SWAP	61,996	61,996	1,830	1,830
Item	March 31, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and Cash equivalents	\$6,281,736	\$6,281,736	\$197,975	\$197,975
Financial assets at fair value through profit or loss - current	679,903	679,903	21,428	21,428
Available-for-sale financial assets - current	3,261,802	3,261,802	120,799	102,799
Receivables	2,107,070	2,107,070	66,405	66,405
Prepaid reinsurance premiums ceded	1,376,217	1,376,217	43,373	43,373
Claims recoverable from reinsurers	1,032,928	1,032,928	32,554	32,554
Due from reinsurers and ceding companies	69,249	69,249	2,182	2,182
Account receivable - reinsurance	63,063	63,063	1,987	1,987
Secured loans	1,135,367	1,135,367	35,782	35,782
Held-to-maturity financial assets - noncurrent	2,964,423	2,964,423	93,426	93,426
Financial assets carried at cost-noncurrent	25,500	25,500	804	804
Investments in debt securities with no active market-noncurrent	300,000	300,000	9,455	9,455
Investments under equity method	807,401	807,401	25,446	25,446
Guarantee deposits paid	548,690	548,690	17,292	17,292

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Item	March 31, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Claims outstanding	\$52,915	\$52,915	\$1,668	\$1,668
Due to reinsurers and ceding companies	506,766	506,766	15,971	15,971
Account payable - reinsurance	568,813	568,813	17,927	17,927
Operating and liabilities reserve	14,804,505	14,804,505	466,577	466,577
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Forward and SWAP	5,335	5,335	168	168
Derivative financial assets for hedging-current				
IRS	29,020	29,020	915	915

- 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.

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- (c) Quoted market prices, if available, are utilized as estimating of the fair value of held-to-maturity financial assets. If no quoted market prices exist for Cathay Century's held-to-maturity financial assets, the fair value of financial assets has been derived based on pricing models. A pricing model incorporates all information that market participants would consider in setting a price. Cathay Century uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.
- (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 value was based on relevant financial or any other 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	March 31, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,624,996	\$77,502	\$1,617,229	\$47,748
Financial assets at fair value through profit or loss-current	418,228	12,348	-	-
Available-for-sale financial assets-current	3,018,657	89,125	-	-
Held-to-maturity financial assets-current	-	-	160,931	4,752
Held-to-maturity financial assets-noncurrent	-	-	3,208,465	94,729
Financial assets carried at cost-noncurrent	-	-	25,500	753
Investments under equity method	-	-	1,316,258	38,862

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Item	March 31, 2009			
	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	\$-	\$-	\$33,834	\$999
<u>Liabilities</u>				
Financial liability at fair value through profit and loss-current				
Forward and SWAP	-	-	61,996	1,830
Item	March 31, 2010			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$4,068,800	\$128,232	\$2,212,936	\$69,743
Financial assets at fair value through profit or loss-current	679,903	21,428	-	-
Available-for-sale financial assets-current	3,261,802	102,799	-	-
Held-to-maturity financial assets-noncurrent	-	-	2,964,423	93,426
Financial assets carried at cost-noncurrent	-	-	25,500	804
Investment in debt securities with no active market-noncurrent	-	-	300,000	9,455
Investments under equity method	-	-	807,401	25,446
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss-current				
Forward and SWAP	-	-	5,355	168
Derivative financial assets for hedging-current				
IRS	-	-	29,020	915

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d. Information on financial risk

(a) Interest rate risk

The following table summarizes the maturities of Cathay Century's financial instruments at March 31, 2009 and 2010:

Fixed interest rate

March 31, 2009

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Available-for-sale financial assets	\$301,257	\$8,894	\$-	\$-	\$201,918	\$5,962	\$200,000	\$5,905
Held-to-maturity financial assets	160,931	4,752	-	-	-	-	372,993	11,013

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Available-for-sale financial assets	\$614,848	\$18,153	\$599,980	\$17,714	\$1,918,003	\$56,628
Held-to-maturity financial assets	236,623	6,986	2,598,849	76,730	3,369,396	99,481

March 31, 2010

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\$
Available-for-sale financial assets	\$-	\$-	\$201,684	\$6,356	\$200,000	\$6,303	\$616,308	\$19,424
Held-to-maturity financial assets	-	-	134,299	4,232	351,524	11,079	838,257	26,418
Investments in debt securities with no active market	-	-	-	-	300,000	9,455	-	-

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Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Available-for-sale financial assets	\$200,000	\$6,303	\$399,980	\$12,606	\$1,617,972	\$50,992
Held-to-maturity financial assets	-	-	1,640,343	51,697	2,964,423	93,426
Investments in debt securities with no active market	-	-	-	-	300,000	9,455

(b) Credit risk

Cathay Century's exposure to credit risk is minimal.

e. Hedging activities

Fair value hedges

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

The following table summarizes the terms of Cathay Century's forward and swap for overseas bonds hedging at March 31, 2009 and 2010:

Hedged item	Financial instruments of designated as hedging instruments	Designated as hedging instruments			
		Fair value			
		March 31, 2009		March 31, 2010	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Overseas bonds	Forward and SWAP	<u>\$(61,996)</u>	<u>\$(1,830)</u>	<u>\$5,335</u>	<u>\$168</u>

f. Cash flow hedges-IRS

The following table summarizes the terms of Cathay Century's interest rate swap for bonds hedging at March 31, 2010:

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Cash flow hedges-IRS

March 31, 2010

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$200,000	\$6,303	2.65%	Each quarter	2014.12.31
200,000	6,303	2.40%	Each quarter	2012.9.28
200,000	6,303	2.785%	Each quarter	2015.4.30

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

Cathay Century's interest rate swap agreements for cash flow hedges have passed the effectiveness testing. Unrealized gain on financial instruments were recognized in equity by of NT\$33,834 (US\$999) thousands as of March 31, 2009. Unrealized gain on financial instruments were recognized in equity by NT\$29,020 (US\$915) thousands as of March 31, 2010.

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:

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(a) Market Risk

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

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

Cathay Century also has transactional currency exposures. Such exposure arises 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.

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share date and unless otherwise stated)**

(c) Operational Risk

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

(d) Liquidity risk

Cathay Century's exposure to liquidity risk is minimal.

E. Cathay Securities

a. Information of fair value

Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$265,118	\$265,118	\$7,828	\$7,828
Financial assets at fair value through profit or loss-current				
Open-end funds and currency market instruments	195,153	195,153	5,762	5,762
Operating securities-net	1,717,363	1,717,363	50,705	50,705
Receivable amount for margin loans	583,179	583,179	17,218	17,218
Securities refinancing margin deposits	8,867	8,867	262	262
Receivables-net	55,444	55,444	1,636	1,636
Available-for-sale financial assets-current	219,721	219,721	6,487	6,487
Investments under equity method	738,726	738,726	21,811	21,811
Available-for-sale financial assets-noncurrent	18	18	-	-
Operating deposits	230,097	230,097	6,793	6,793
Settlement and clearance funds	50,251	50,251	1,484	1,484
Guarantee deposits paid	19,251	19,251	568	568

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Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Securities financing guarantee deposits-in	\$33,070	\$33,070	\$976	\$976
Deposit payable for securities financing	36,542	36,542	1,079	1,079
Payables	268,177	268,177	7,918	7,918
 <u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Call options-futures	1,270	1,270	37	37
Margin for futures trading-own funds	240,922	240,922	7,113	7,113
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss-current				
Liabilities for issuance of call (put) warrants	1,317,957	1,317,957	38,912	38,912
Repurchase of issued call (put) warrants	(1,273,938)	(1,273,938)	(37,613)	(37,613)
Put options-futures	6,974	6,974	206	206
Derivative financial instrument liabilities -GreTai (over-the-counter)	2,939	2,939	87	87
Other financial liabilities-current	101,215	101,215	2,988	2,988
 <u>March 31, 2010</u>				
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	\$188,712	\$188,712	\$5,948	\$5,948
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	50,946	50,946	1,606	1,606
Operating securities – net	1,615,467	1,615,467	50,913	50,913

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Item	March 31, 2010			
	Carrying		Carrying	
	amount	Fair value	amount	Fair value
	(NT\$)	(NT\$)	(US\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Receivable amount for margin loans	\$1,464,862	\$1,464,862	\$46,167	\$46,167
Receivables from refinance guaranty	24,824	24,824	782	782
Security lending deposits	22,428	22,428	707	707
Receivables - net	323,720	323,720	10,202	10,202
Available-for-sale financial assets – current	912,552	912,552	28,760	28,760
Investments under equity method	730,915	730,915	23,035	23,035
Available-for-sale financial assets – noncurrent	18	18	1	1
Operating deposits	230,098	230,098	7,252	7,252
Settlement and clearance funds	78,738	78,738	2,482	2,482
Guarantee deposits paid	7,744	7,744	244	244
<u>Liabilities</u>				
Commercial paper payable	700,000	700,000	22,061	22,061
Bonds sold under repurchase agreements	415,040	415,040	13,080	13,080
Financial liabilities at fair value through profit or loss – current				
Security lending payable-hedging	44,190	44,190	1,393	1,393
Security lending payable-non-hedging	181,202	181,202	5,711	5,711
Securities financing guarantee deposits-in	52,083	52,083	1,642	1,642
Deposit payable for securities financing	56,086	56,086	1,768	1,768
Payables	247,476	247,476	7,799	7,799
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Call options – futures	578	578	18	18
Margin for futures trading – own funds	389,364	389,364	12,271	12,271
Derivative financial instrument assets				
-GreTai (over-the-counter)	20,278	20,278	639	639

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Item	March 31, 2010			
	Carrying		Carrying	
	amount	Fair value	amount	Fair value
	(NT\$)	(NT\$)	(US\$)	(US\$)
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	\$1,437,320	\$1,437,320	45,298	45,298
Repurchase of issued call (put) warrants	(1,328,444)	(1,328,444)	(41,867)	(41,867)
Put options-futures	600	600	19	19

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

- (a) Short-term financial instruments are stated at their carrying amount on the balance sheet date. Because the maturity date of these instruments is very close to the balance sheet date, it is reasonable that their carrying amounts are equal to their fair values. This assumption is adopted for the following accounts: cash and cash equivalents, receivable amount for margin loans, securities refinancing margin deposits, receivable from refinance guaranty, security lending deposits, receivables, restricted assets, operating deposits, settlement and clearance funds, guarantee deposits paid, commercial paper payable, bonds sold under repurchase agreement, 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 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.

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(d) If there is a quoted market price on the open market, the quoted market price of financial assets and liabilities is regarded as fair value. Otherwise, if the market for a financial instrument is not active, Cathay Securities assesses fair value by using pricing models. A pricing model incorporates all factors that market participants would consider in setting a price.

The following table summarizes the fair value information of financial assets and liabilities as of March 31, 2009 and 2010:

Item	March 31, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	\$195,153	\$5,762	\$-	\$-
Operating securities – net	1,717,363	50,705	-	-
Call options-futures	1,270	37	-	-
Margin for futures trading – own funds	240,922	7,113	-	-
Available-for-sales financial assets-current	219,721	6,487	-	-
Available-for-sales financial assets-noncurrent	18	-	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	1,317,957	38,912	-	-
Repurchase of issued call (put) warrants	(1,273,938)	(37,613)	-	-
Put options-futures	6,974	206	-	-
Derivative financial instrument liabilities-GreTai (over-the-counter)	-	-	2,939	87
Other financial liabilities-current	-	-	101,215	2,988

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Item	March 31, 2010			
	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	\$50,946	\$1,606	\$-	\$-
Operating securities – net	1,615,467	50,913	-	-
Call options – future	578	18	-	-
Margin for futures trading – own				
funds	389,364	12,271	-	-
Derivative financial instrument				
assets-GreTai (over-the-counter)	-	-	20,278	639
Available-for-sale financial				
assets – current	912,552	28,760	-	-
Available-for-sale financial				
assets – noncurrent	18	1	-	-
<u>Liabilities</u>				
Financial liabilities at fair value				
through profit or loss – current				
Liabilities for issuance of call				
(put) warrants	1,437,320	45,298	-	-
Repurchase of issued call (put)				
warrants	(1,328,444)	(41,867)	-	-
Security lending payable-hedging	44,190	1,393	-	-
Security lending				
payable-non-hedging	181,202	5,711	-	-
Put options – futures	600	19	-	-

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”.

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c. Financial risk management objectives and policies

(a) Market risk

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

(b) Credit risk

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

The counterparties to Cathay Securities' other financial assets (including cash and cash equivalents and all other current and 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.

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Cathay Securities also held Real Estate Asset Trust (REAT) beneficiary certificates. The value of these certificates may decline if interest rates increase and thus they are subject to valuation risk. However, the term of the certificates is 2.5 years, and as a result, the risk is relatively lower. In addition, Cathay Securities will take appropriate actions with respect to these certificates based on interest rate fluctuations

d. Financial derivatives

(a) Issuance of call (put) warrants

Ⓐ Nominal principal or contract amount and credit risk

	March 31, 2009		March 31, 2010	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>For trading purposes</u>				
Issuance of call (put) warrants	NT\$1,278,605 (US\$37,750)	NT\$- (US\$-)	NT\$1,856,710 (US\$58,516)	NT\$- (US\$-)

Ⓑ 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 favourable market liquidity, risk from cash requirements is relatively low.

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

④Types, purposes, and strategies for financial derivatives

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

⑤Financial statement presentation of derivative financial instruments

As of March 31, 2009 and 2010, disclosure of the issuance of call (put) warrants on the balance sheets and statements of income are summarized as follows:

Balance sheet

	March 31, 2009		March 31, 2010	
	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	\$1,317,957	\$38,912	\$1,437,320	\$45,298
Repurchase of issued call (put) warrants	<u>(1,273,938)</u>	<u>(37,613)</u>	<u>(1,328,444)</u>	<u>(41,867)</u>
Total	<u>\$44,019</u>	<u>\$1,299</u>	<u>\$108,876</u>	<u>\$3,431</u>

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

Statement of income

	For the three months ended March 31, 2009		For the three months ended March 31, 2010		Comments
	Profits or losses from issuing call (put) warrants				
	(NT\$)	(US\$)	(NT\$)	(US\$)	
Liabilities for issuance of call (put) warrants	\$(1,737,176)	\$(51,290)	\$287,716	\$9,068	Fair value method
Repurchase of issued call (put) warrants					
- Loss on disposal	(1,831,908)	(54,086)	(362,595)	(11,428)	
- Gain (loss) from valuation	963,716	28,453	(256,020)	(8,069)	Fair value method
Gain from expiration of warrants issued	2,592,584	76,545	504,580	15,902	
Trading securities-hedging					
- Gain (loss) on disposal	17,331	512	(89,976)	(2,836)	
- Gain (loss) from valuation	12,563	371	(58,745)	(1,851)	Fair value method
Security lending payable-hedging					
- Loss on disposal	-	-	(4,494)	(142)	
- Gain from valuation	-	-	5,074	160	Fair value method
Futures transaction-hedging					
- Loss on disposal	-	-	(33)	(1)	
- Gain from valuation	-	-	49	2	Fair value method
Total	\$17,110	\$505	\$25,556	\$805	

(b) Structured notes transactions

Ⓐ Nominal principal or contract amount and credit risk

Financial instruments	March 31, 2009		March 31, 2010	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>For trading purposes</u>				
Principal guaranteed notes	NT\$102,600 (US\$3,029)	NT\$- (US\$-)	NT\$- (US\$-)	NT\$- (US\$-)

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

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ⓑ Market risk

In structured notes transactions, Cathay Securities receives proceeds from investors on the contract date and makes its investments pursuant to the contract. Cathay Securities invests in linked and fixed income assets that are subject to regulations and open market pricing. Since hedging positions for derivative instruments and stop-loss points are established, Cathay Securities believes it can limit its losses to within an expected range and that as a result there is no significant market risk.

ⓒ Risk from liquidity, cash flow and future cash requirements

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

ⓓ Types, purposes, and strategies for financial derivatives

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

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

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

(c) Financial statement presentation of derivative financial instruments

As of March 31, 2009 and 2010, the disclosure of structured notes transactions on the balance sheets and statements of income are summarized as follows:

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Balance sheet

	March 31, 2009		March 31, 2010	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Derivative financial instrument liabilities – GreTai (over-the-counter) (note)				
Structured notes transactions	\$2,939	\$87	\$-	\$-
Other financial liabilities – current				
Principal of structured notes	101,215	2,988	-	-

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

Statement of income

	For the three months ended March 31, 2009		For the three months ended March 31, 2010		Comments
	(NT\$)	(US\$)	(NT\$)	(US\$)	
Loss from structured notes	\$(4,133)	\$(122)	\$-	\$-	Fair value method
Trading securities - hedging					
- Gain on disposal	1,641	49	-	-	
- Gain from valuation	1,027	30	-	-	Fair value method
Total	<u>\$(1,465)</u>	<u>\$(43)</u>	<u>\$-</u>	<u>\$-</u>	

e. Futures and options transactions

As of March 31, 2009 and 2010, Cathay Securities’ unexercised futures and options were as follows:

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March 31, 2009

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

March 31, 2010

Item	Nature of Transaction	Unexercised Futures /options		Contract amount/ payment (receipt) of premium		Fair value	
		Buy/Sell	Units	NT\$	US\$	NT\$	US\$
Futures	STW	Buy	43	\$38,648	\$1,218	\$38,548	\$1,215
Futures	MTX	Buy	342	\$134,294	\$4,232	\$135,209	\$4,261
Futures	TX	Sell	92	\$(144,008)	\$(4,539)	\$144,791	\$4,563
Futures	TF	Buy	3	\$2,521	\$79	\$2,515	\$79
Futures	Single stock Futures	Buy	4	\$432	\$14	\$426	\$13
Futures	TX	Buy	7	\$10,973	\$346	\$11,022	\$347
Options	TXO- Put	Buy	130	\$274	\$9	\$91	\$3
Options	TXO- Call	Buy	203	\$479	\$15	\$487	\$15
Options	TXO- Put	Sell	187	\$(775)	\$(24)	\$477	\$15
Options	TXO- Call	Sell	53	\$(125)	\$(4)	\$123	\$4

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

(a) Nominal principal or contract amount and credit risk

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

Financial instruments	March 31, 2010	
	Nominal principal/ contract amount	Credit risk
STW futures	NT\$38,648 (US\$1,218)	NT\$- (US\$-)
MTX	NT\$134,294 (US\$4,232)	NT\$- (US\$-)
TF futures	NT\$2,521 (US\$79)	NT\$- (US\$-)
TX futures	NT\$154,981 (US\$4,884)	NT\$- (US\$-)
Single stock futures	NT\$432 (US\$14)	NT\$- (US\$-)
TXO	NT\$1,653 (US\$52)	NT\$- (US\$-)

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

(b) Market risk

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

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

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

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

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

(e) Financial statement presentation of derivative financial instruments

The margin and premium resulting from trading are reflected in "financial assets at fair value through profit or loss – current (margin for futures trading – own funds) on the balance sheet. For the three months ended March 31, 2009 and 2010, the related gain (loss) of futures and options on the statement of income were as follows:

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share date and unless otherwise stated)**

	For the three months ended March 31, 2009		For the three months ended March 31, 2010	
	NT\$	US\$	NT\$	US\$
Gain from derivative financial instruments – futures				
Non-hedging				
Gain on futures contracts - realized	\$22,272	\$658	\$25,749	\$811
Gain on futures contracts - unrealized	3,426	101	1,213	38
Gain from options transactions - realized	2,855	84	2,438	77
Gain from options transactions - unrealized	208	6	24,113	760
Subtotal	<u>28,761</u>	<u>849</u>	<u>53,513</u>	<u>1,686</u>
Hedging				
Gain on futures contracts - unrealized	-	-	49	2
Total	<u>\$28,761</u>	<u>\$849</u>	<u>\$53,562</u>	<u>\$1,688</u>
	For the three months ended March 31, 2009		For the three months ended March 31, 2010	
	NT\$	US\$	NT\$	US\$
Loss from derivative financial instruments – futures				
Non-hedging				
Loss on futures contracts - realized	\$23,453	\$693	\$2,114	\$66
Loss on futures contracts - unrealized	3,999	118	30,198	952
Loss from options transactions - realized	2,029	60	16,244	512
Loss from options transactions - unrealized	2,751	81	-	-
Total	<u>32,232</u>	<u>952</u>	<u>48,556</u>	<u>1,530</u>
Hedging				
Loss on futures contracts - realized	-	-	33	1
Total	<u>\$32,232</u>	<u>\$952</u>	<u>\$48,589</u>	<u>\$1,531</u>

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F. Cathay Pacific Venture

a. Information of fair value

Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$72,643	\$72,643	\$2,145	\$2,145
Financial assets at fair value through profit or loss	46,602	46,602	1,376	1,376
Available-for-sale financial assets-current	717,056	717,056	21,171	21,171
Other receivables	4,316	4,316	127	127
Investment under equity method	248,978	248,978	7,351	7,351
Available-for-sale financial assets-noncurrent	195,544	195,544	5,773	5,773
Investment in debt securities with no active market-noncurrent	34,000	-	1,004	-
Financial assets carried at cost-noncurrent	1,521,286	-	44,915	-
<u>Liabilities</u>				
Accrued expenses	932	932	28	28
Other payables	26,072	26,072	770	770
Item	March 31, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$13,251	\$13,251	\$418	\$418
Financial assets at fair value through profit or loss	10,670	10,670	336	336
Available-for-sale financial assets-current	183,822	183,822	5,793	5,793
Other receivables	11,176	11,176	352	352
Investment under equity method	273,258	273,258	8,612	8,612
Available-for-sale financial assets-noncurrent	110,925	110,925	3,496	3,496
Investment in debt securities with no active market-noncurrent	34,000	-	1,072	-
Financial assets carried at cost-noncurrent	1,245,511	-	39,253	-
<u>Liabilities</u>				
Accrued expenses	380	380	12	12
Other payables	516	516	16	16

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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 Pacific Venture short-term financial instruments is assumed to approximate the carrying amount at reporting date due to the short maturity of those instruments. This assumption is applied to cash and cash equivalents, receivables and payables.
 - (b) Quoted market prices, if available, are used to determine the fair values of available-for-sale financial assets.
 - (c) If no quoted market prices exist for Cathay Pacific Venture's investment under equity method, then their fair value is taken as approximating their carry amounts when no permanent market value decline exists.
 - (d) Financial assets carried at cost are unlisted stock. Since these stocks have no quoted market prices in an active market and their fair value cannot be reliably measured, their fair values are not disclosed.
- c. The following table summarizes the basis of determining fair value of financial assets and liabilities as of March 31, 2009 and 2010:

Item	March 31, 2009			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$72,643	\$2,145	\$-	\$-
Financial assets at fair value through profit or loss	46,602	1,376	-	-
Available-for-sale financial assets-current	717,056	21,171	-	-
Other receivable	-	-	4,316	127
Investment under equity method	-	-	248,978	7,351
Financial assets carried at cost-noncurrent	-	-	1,521,286	44,915
Available-for-sale financial assets-noncurrent	195,544	5,773	-	-
Investment in debt securities with no active market-noncurrent	-	-	34,000	1,004
<u>Liabilities</u>				
Accrued expense	-	-	932	28
Other payables	-	-	26,072	770

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Item	March 31, 2010			
	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	\$13,251	\$418	\$-	\$-
Financial assets at fair value through profit or loss	10,670	336	-	-
Available-for-sale financial assets-current	183,822	5,793	-	-
Other receivable	-	-	11,176	352
Investment under equity method	-	-	273,258	8,612
Financial assets carried at cost-noncurrent	-	-	1,245,511	39,253
Available-for-sale financial assets-noncurrent	110,925	3,496	-	-
Investment in debt securities with no active market	-	-	34,000	1,072
<u>Liabilities</u>				
Accrued expense	-	-	380	12
Other payables	-	-	516	16

d. Information on financial risk

(a) Market risk

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

(b) Credit risk

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

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share date and unless otherwise stated)**

(c) Liquidity risk and cash flow risk

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

G. Cathay Futures

a. Information of fair value

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

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Item	March 31, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$259,625	\$259,625	\$8,182	\$8,182
Customers' margin accounts	1,286,133	1,286,133	40,534	40,534
Futures trading deposits receivable	31	31	1	1
Accounts receivable-related parties	25	25	1	1
Other receivable (contain transactions with related parties)	4,370	4,370	138	138
Available-for-sale financial assets-noncurrent	30,500	30,500	961	961
Operating deposits	60,000	60,000	1,891	1,891
Settlement and clearance funds	73,000	73,000	2,301	2,301
Guarantee deposits paid	1,286	1,286	41	41
<u>Liabilities</u>				
Futures customers' equity	1,285,758	1,285,758	40,522	40,522
Payables (contain transactions with related parties)	5,055	5,055	159	159
Advance receipts	2,015	2,015	64	64
Custody receipts	263	263	8	8
Other payable (contain transactions with related parties)	2,067	2,067	65	65

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

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

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- (b) The fair value of available-for-sale financial assets-noncurrent is valued at market price or other financial information when available.
- (c) The fair value of financial assets and financial liabilities is determined using pricing models.

c. Information on financial risk

(a) Market risk

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

(b) Credit risk

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

(c) Liquidity risk and cash flow risk

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

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H. Symphox Information

a. Information of fair value

Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$444,026	\$444,026	\$13,110	\$13,110
Financial assets at fair value through profit or loss-current	116,346	116,346	3,435	3,435
Receivables (contain transactions with related parties)	118,995	118,995	3,513	3,513
Guarantee deposits paid	9,857	9,857	291	291
<u>Liabilities</u>				
Payables (contain transactions with related parties)	102,626	102,626	3,030	3,030
Guarantee deposits in	80	80	2	2

Item	March 31, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$184,651	\$184,651	\$5,819	\$5,819
Financial assets at fair value through profit or loss-current	489,325	489,325	15,422	15,422
Receivables (contain transactions with related parties)	129,222	129,222	4,073	4,073
Guarantee deposits paid	9,490	9,490	299	299
<u>Liabilities</u>				
Payables (contain transactions with related parties)	137,727	137,727	4,341	4,341
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 is summarized as following:

Item	March 31, 2009			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current	\$116,346	\$3,435	\$-	\$-
Item	March 31, 2010			
	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	\$489,325	\$15,422	\$-	\$-

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I. Cathay Life (Shanghai)

a. Information of fair value

Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$3,873,539	\$3,873,539	\$114,365	\$114,365
Financial assets at fair value through profit or loss-current	108,940	108,940	3,216	3,216
Available-for-sale financial assets-current	317,761	317,761	9,382	9,382
Receivables	16,304	16,304	481	481
Available-for-sale financial assets-noncurrent	3,277,676	3,277,676	96,772	96,772
Held-to-maturity financial assets-noncurrent	446,424	446,424	13,181	13,181
Investment in debt securities with no active market-noncurrent	1,461,841	1,461,841	43,160	43,160
Guarantee deposits paid	815,849	815,849	24,088	24,088
<u>Liabilities</u>				
Payables	418,392	418,392	12,353	12,353
Guarantee deposits in	6,845	6,845	202	202

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Item	March 31, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$3,874,890	\$3,874,890	\$122,121	\$122,121
Financial assets at fair value through profit or loss-current	41,877	41,877	1,320	1,320
Available-for-sale financial assets-current	695,153	695,153	21,908	21,908
Premiums receivables	30,980	30,980	976	976
Available-for-sale financial assets-noncurrent	3,463,812	3,463,812	109,165	109,165
Held-to-maturity financial assets-noncurrent	279,570	279,570	8,811	8,811
Investment in debt securities with no active market-noncurrent	1,047,061	1,047,061	32,999	32,999
Guarantee deposits paid	768,695	768,695	24,226	24,226
<u>Liabilities</u>				
Payables	377,923	377,923	11,911	11,911
Guarantee deposits in	8,630	8,630	272	272

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, premiums receivables and 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 (Shanghai). Cathay Life (Shanghai) uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.

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

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

Item	March 31,							
	2009				2010			
	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	\$3,873,539	\$114,365	\$-	\$-	\$3,874,890	\$122,121	\$-	\$-
Financial assets at fair value								
through profit or loss-current	108,940	3,216	-	-	41,877	1,320	-	-
Available-for-sale financial								
assets-current	317,761	9,382	-	-	695,153	21,908	-	-
Available-for-sale financial								
assets-noncurrent	146,028	4,311	3,131,648	92,461	271,371	8,552	3,192,441	100,613
Held-to-maturity financial								
assets-noncurrent	-	-	446,424	13,181	-	-	279,570	8,811
Investment in debt securities								
with no active market-								
noncurrent	-	-	1,461,841	43,160	-	-	1,047,061	32,999

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J. Cathay Life (Vietnam)

a. Information of fair value

Item	March 31, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$380,562	\$380,562	\$11,236	\$11,236
Receivables	103,453	103,453	3,054	3,054
Available-for-sale financial assets-noncurrent	1,773,290	1,773,290	52,356	52,356
Guarantee deposits paid	52,057	52,057	1,537	1,537
<u>Liabilities</u>				
Payables	6,683	6,683	197	197
Item	March 31, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$231,722	\$231,722	\$7,303	\$7,303
Receivables	92,481	92,481	2,915	2,915
Available-for-sale financial assets-current	82,052	82,052	2,586	2,586
Available-for-sale financial assets-noncurrent	1,280,169	1,280,169	40,346	40,346
Guarantee deposits paid	48,447	48,447	1,527	1,527
<u>Liabilities</u>				
Payables	15,051	15,051	474	474

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	March 31,							
	2009				2010			
	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	\$380,562	\$11,236	\$-	\$-	\$231,722	\$7,303	\$-	\$-
Receivables	103,453	3,054	-	-	92,481	2,915	-	-
Available-for-sale financial								
assets-current	-	-	-	-	82,052	2,586	-	-
Available-for-sale financial								
assets-noncurrent	1,773,290	52,356	-	-	1,280,169	40,346	-	-
<u>Liabilities</u>								
Payables	6,683	197	-	-	15,051	474	-	-

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K. Cathay Century (Shanghai)

a. Information of fair value

Item	March 31,2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,433,721	\$1,433,721	\$42,330	\$42,330
Receivables-net	62,074	62,074	1,833	1,833
Prepaid reinsurance premiums ceded	20,172	20,172	596	596
Claims recoverable from reinsurers	6,695	6,695	198	198
Due from reinsurers and ceding companies	2,466	2,466	73	73
Guarantee deposits paid	403,690	403,690	11,919	11,919
<u>Liabilities</u>				
Due to reinsurers and ceding companies	2,813	2,813	83	83
Account payable-reinsurance	6,513	6,513	192	192
Operating and liabilities reserve	37,346	37,346	1,103	1,103

Item	March 31,2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,273,995	\$1,273,995	\$40,151	\$40,151
Receivables-net	68,310	68,310	2,153	2,153
Prepaid reinsurance premiums ceded	24,573	24,573	774	774
Claims recoverable from reinsurers	243,434	243,434	7,672	7,672
Due from reinsurers and ceding companies	2,588	2,588	82	82
Guarantee deposits paid	382,146	382,146	12,044	12,044
<u>Liabilities</u>				
Due to reinsurers and ceding companies	8,233	8,233	259	259
Account payable-reinsurance	11,887	11,887	375	375
Operating and liabilities reserve	399,497	399,497	12,591	12,591

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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, is 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 which are available to Cathay Century (shanghai). Cathay Century (shanghai) uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.

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

Item	March 31, 2010			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$4,633,746	\$146,037	\$4,633,746	\$146,037
Repurchase bonds	4,166,412	131,308	4,166,412	131,308
Cash in banks	2,922,956	92,120	2,922,956	92,120
Net other assets less liabilities	(5,642)	(178)	(5,642)	(178)
Total	\$11,717,472	\$369,287	\$11,717,472	\$369,287

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As of March 31, 2009 and 2010, Cathay Life and Cathay Century had discretionary account management contracts in the amount of NT\$9,900,000 (US\$292,294) thousands and NT\$8,900,000 (US\$280,492) thousands, respectively.

(5) Business or trading behaviors within Subsidiaries:

A. Business or trading behaviors

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

B. Integrate business activities:

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

C. Cross utilization of information:

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

D. Locations and business utilities:

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

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

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

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share date and unless otherwise stated)**

(6) Material contract: None.

(7) Presentation of financial statements:

Certain accounts in the consolidated financial statements for the three months ended March 31, 2009 have been reclassified in order to be comparable with those in the consolidated financial statements for the three months ended March 31, 2010.

34. Information regarding investment in Mainland China

- (1) On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Life to remit US\$22,850 thousands and US\$27,150 thousands, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. Cathay Life's subsidiary, Cathay Life Insurance Ltd. (Shanghai) has acquired a business license of an enterprise as legal person on December 29, 2004. As of March 31, 2010, Cathay Life's remittances to this company totaled approximately US\$48,330 thousands.
- (2) On October 17, 2007, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay life to remit US\$26,390 thousands as the registered capital to establish a China-based general insurance subsidiary (in form of joint venture with Cathay Century Insurance). On March 6, 2008, MOEAIC authorized Cathay life to increase the remittances from US\$26,390 thousands to US\$28,960 thousands. As of March 31, 2010, Cathay life's remittances to this general insurance company totaled approximately US\$28,140 thousands.
- (3) On March 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 March 31, 2010, Cathay Century's remittances to this company totaled approximately US\$27,820 thousands.

English Translation of Financial Statements Originally Issued in Chinese

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

35. Segment information

For the three months ended March 31, 2009

Item	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Other divisions (NT\$)	Total (NT\$)
Net interest income	\$4,162,884	\$18,979,092	\$100,295	\$11,989	\$(146,182)	\$23,108,078
Non income other than interest	(3,536,773)	67,905,816	851,943	125,997	(38,513)	65,308,470
Provision for premiums reserve	-	(68,738,897)	(164,489)	-	-	(68,903,386)
Total income	626,111	18,146,011	787,749	137,986	(184,695)	19,513,162
Bad debt expenses	(775,862)	-	-	-	-	(775,862)
Operating expenses	(3,033,940)	(9,174,932)	(327,877)	(103,116)	(202,686)	(12,842,551)
Income from continuing operations before income taxes	(3,183,691)	8,971,079	459,872	34,870	(387,381)	5,894,749
Income taxes (expense) benefit	(420,564)	(423,500)	(75,832)	3,942	49,092	(866,862)
Consolidated income	(3,604,255)	8,547,579	384,040	38,812	(338,289)	5,027,887

For the three months ended March 31, 2009

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

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

For the three months ended March 31, 2010

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	\$3,745,776	\$18,412,263	\$76,634	\$31,296	\$(273,223)	\$21,992,746
Non income other than interest	4,005,970	68,836,772	854,035	148,711	(21,331)	73,824,157
Provision for premiums reserve	-	(84,591,013)	(169,290)	-	-	(84,760,303)
Total income	7,751,746	2,658,022	761,379	180,007	(294,554)	11,056,600
Bad debt expenses	-	-	-	-	-	-
Operating expenses	(3,085,157)	(9,435,140)	(453,329)	(131,803)	(199,223)	(13,304,652)
Income from continuing operations before income taxes	4,666,589	(6,777,118)	308,050	48,204	(493,777)	(2,248,052)
Income taxes expense	(422,563)	1,256,991	(51,548)	6,718	71,888	861,486
Consolidated income	4,244,026	(5,520,127)	256,502	54,922	(421,889)	(1,386,566)

For the three months ended March 31, 2010

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	\$118,051	\$580,280	\$2,416	\$986	\$(8,611)	\$693,122
Non income other than interest	126,252	2,169,454	26,915	4,687	(672)	2,326,636
Provision for premiums reserve	-	(2,665,964)	(5,335)	-	-	(2,671,299)
Total income	244,303	83,770	23,996	5,673	(9,283)	348,459
Bad debt expenses	-	-	-	-	-	-
Operating expenses	(97,231)	(297,357)	(14,287)	(4,154)	(6,279)	(419,308)
Income from continuing operations before income taxes	147,072	(213,587)	9,709	1,519	(15,562)	(70,849)
Income taxes expense	(13,318)	39,615	(1,625)	212	2,266	27,150
Consolidated income	133,754	(173,972)	8,084	1,731	(13,296)	(43,699)

English Translation of Financial Statements Originally Issued in Chinese

36. Parent Company financial statements

Cathay Financial Holding Co., Ltd.

Unaudited Balance sheets

As of March 31, 2009 and 2010

(Expressed in thousands of dollars)

	March 31, 2009		March 31, 2010	
	NT \$	US \$	NT \$	US \$
Assets				
Cash and cash equivalents	\$2,209,456	\$65,233	\$10,725,764	\$338,032
Receivables -net	5,110,471	150,885	7,638,323	240,729
Held-to-maturity financial assets-net	15,000,000	442,870	25,000,000	787,898
Investments under equity method	156,828,113	4,630,296	207,983,683	6,554,796
Other financial assets -net	31,720	936	31,720	1,000
Property and equipment -net	4,236	125	4,012	127
Goodwill and intangible assets -net	400	12	170	5
Other assets -net	2,536,553	74,891	2,310,045	72,803
Total assets	\$181,720,949	\$5,365,248	\$253,693,717	\$7,995,390
Liabilities & stockholders' equity				
Payables	\$7,481,036	\$220,875	\$9,811,221	\$309,209
Bonds payable	20,000,000	590,493	40,000,000	1,260,637
Other payable	23,653	698	29,213	921
Total liabilities	27,504,689	812,066	49,840,434	1,570,767
Stockholders' equity				
Capital stock				
Common stock	97,375,372	2,874,974	96,708,774	3,047,865
Capital surplus	81,971,213	2,420,172	78,240,933	2,465,835
Retained earnings				
Legal reserve	12,320,672	363,764	12,540,295	395,219
Special reserve	-	-	7,107,732	224,007
Unappropriated retained earnings	12,074,524	356,496	9,738,132	306,906
Equity adjustments				
Reserve for land revaluation increment	2,106	62	1,461	46
Cumulative conversion adjustments	385,873	11,393	(88,828)	(2,799)
Unrealized gains or losses on financial instruments	(45,502,766)	(1,343,453)	(388,425)	(12,242)
Treasury stock	(4,140,047)	(122,234)	-	-
Net loss not yet recognized as net pension cost	(270,687)	(7,992)	(6,791)	(214)
Total stockholders' equity	154,216,260	4,553,182	203,853,283	6,424,623
Total liabilities and stockholders' equity	\$181,720,949	\$5,365,248	\$253,693,717	\$7,995,390

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Unaudited Statements of Income

For the three months ended March 31, 2009 and 2010

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

	January 1 ~ March 31, 2009		January 1 ~ March 31, 2010					
	NT \$	US \$	NT \$	US \$				
Income								
Gain on investments under equity method	\$5,043,241	\$148,900	\$-	\$-				
Gain on foreign exchange	49	1	-	-				
Other operating income	18	1	-	-				
Total income	5,043,308	148,902	-	-				
Expenses and loss								
Interest income	133,697	3,947	207,732	6,547				
Less: interest expenses	(152,877)	(4,514)	(283,565)	(8,937)				
Net interest income	(19,180)	(567)	(75,833)	(2,390)				
Loss on investments under equity method	-	-	(1,238,482)	(39,032)				
Losses on foreign exchange	-	-	(2)	-				
Operating expenses	(62,507)	(1,845)	(67,316)	(2,121)				
Other operating loss	-	-	(113)	(4)				
Income (loss) from continuing operations before income taxes	4,961,621	146,490	(1,381,746)	(43,547)				
Income taxes benefit	52,763	1,558	68,821	2,169				
Net income (loss)	\$5,014,384	\$148,048	\$(1,312,925)	\$(41,378)				
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	\$0.51	\$0.52	\$0.02	\$0.02	\$(0.14)	\$(0.14)	\$-	\$-

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Cathay Financial Holding Co., Ltd.

Unaudited Statements of Changes in Stockholders' Equity

For the three months ended March 31, 2009 and 2010

(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, 2009	\$97,375,372	\$2,874,974	\$81,971,213	\$2,420,172	\$12,320,672	\$363,764	\$-	\$-	\$7,060,140	\$208,448	\$2,106	\$62	\$344,257	\$10,164	\$(52,309,533)	\$(1,544,421)	\$(4,140,047)	\$(122,234)	\$(270,687)	\$(7,992)	\$142,353,493	\$4,202,937	
Cumulative translation adjustments													41,616	1,229								41,616	1,229
Unrealized gains or losses of financial instruments															6,806,767	200,968						6,806,767	200,968
Net income for the three months ended March 31, 2009									5,014,384	148,048												5,014,384	148,048
Balance on March 31, 2009	\$97,375,372	\$2,874,974	\$81,971,213	\$2,420,172	\$12,320,672	\$363,764	\$-	\$-	\$12,074,524	\$356,496	\$2,106	\$62	\$385,873	\$11,393	\$(45,502,766)	\$(1,343,453)	\$(4,140,047)	\$(122,234)	\$(270,687)	\$(7,992)	\$154,216,260	\$4,553,182	
Balance on January 1, 2010	\$96,708,774	\$3,047,865	\$78,240,933	\$2,465,835	\$12,540,295	\$395,219	\$7,107,732	\$224,007	\$11,051,057	\$348,284	\$1,461	\$46	\$4,444	\$140	\$6,547,332	\$206,345	\$-	\$-	\$(6,791)	\$(214)	\$212,195,237	\$6,687,527	
Cumulative translation adjustments													(93,272)	(2,939)								(93,272)	(2,939)
Unrealized gains or losses of financial instruments															(6,935,757)	(218,587)						(6,935,757)	(218,587)
Net loss for the three months ended March 31, 2010									(1,312,925)	(41,378)												(1,312,925)	(41,378)
Balance on March 31, 2010	\$96,708,774	\$3,047,865	\$78,240,933	\$2,465,835	\$12,540,295	\$395,219	\$7,107,732	\$224,007	\$9,738,132	\$306,906	\$1,461	\$46	\$(88,828)	\$(2,799)	\$(388,425)	\$(12,242)	\$-	\$-	\$(6,791)	\$(214)	\$203,853,283	\$6,424,623	

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Cathay Financial Holding Co., Ltd.

Unaudited Statements of cash flows

For the three months ended March 31, 2009 and 2010

(Expressed in thousands of dollars)

	January 1 ~ March 31, 2009		January 1 ~ March 31, 2010	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Net income (loss)	\$5,014,384	\$148,048	\$(1,312,925)	\$(41,378)
Adjustments:				
Amortizations	133	4	15	-
Depreciation	254	7	235	7
Investment income recognized by equity method (more) less than cash dividends received	(5,043,241)	(148,900)	1,238,482	39,032
Effects of exchange rate changes	(49)	(1)	2	-
Changes in operating assets and liabilities				
Increase in accounts receivable	(1,033,230)	(30,506)	(973,319)	(30,675)
Increase in deferred income tax assets	(297,055)	(8,770)	(108)	(3)
(Increase) decrease in other assets	(541)	(16)	24	1
Increase in accounts payable	1,268,858	37,463	380,854	12,003
Increase in income tax payable	-	-	578,804	18,242
Increase (decrease) in deferred income tax liabilities	10	-	(1)	-
Increase in other liabilities	545	16	1,908	60
Net cash used in operating activities	(89,932)	(2,655)	(86,029)	(2,711)
Cash flows from investing activities				
Acquisition of property and equipment	(23)	-	(224)	(7)
Acquisition of intangible assets	-	-	(185)	(6)
Increase in other assets	(24)	(1)	(271)	(9)
Net cash used in investing activities	(47)	(1)	(680)	(22)
Effects of exchange rate changes	49	1	(2)	-
Decrease in cash and cash equivalents	(89,930)	(2,655)	(86,711)	(2,733)
Cash and cash equivalents at the beginning of year	2,299,386	67,888	10,812,475	340,765
Cash and cash equivalents at the end of year	\$2,209,456	\$65,233	\$10,725,764	\$338,032
Supplemental disclosure of cash flows information				
Interest paid during the period	\$886	\$26	\$3	\$-
Income tax paid	\$12	\$-	\$-	\$-

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

**Cathay Life Insurance Co., Ltd.
Condensed Balance Sheets
As of March 31, 2009 and 2010
(Expressed in thousands of dollars)**

Item	March 31, 2009		March 31, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$579,251,063	\$17,102,187	\$764,516,740	\$24,094,445
Loans	533,166,105	15,741,544	496,009,649	15,632,198
Funds and investments	1,090,722,121	32,203,192	1,257,883,852	39,643,361
Property and equipment	12,758,787	376,699	12,062,420	380,158
Intangible assets	764,593	22,574	532,699	16,789
Other assets	220,695,673	6,515,963	290,820,608	9,165,478
Total assets	\$2,437,358,342	\$71,962,159	\$2,821,825,968	\$88,932,429
Liabilities				
Current liabilities	\$35,343,437	\$1,043,503	\$27,575,184	\$869,057
Long-term liabilities	16,827,823	496,836	26,406,147	832,214
Other liabilities	2,321,639,971	68,545,614	2,664,954,132	83,988,470
Total liabilities	2,373,811,231	70,085,953	2,718,935,463	85,689,741
Stockholders' equity				
Capital stock	52,686,158	1,555,541	52,686,158	1,660,452
Capital surplus	13,009,648	384,105	13,009,649	410,011
Retained earnings	44,334,245	1,308,953	39,373,629	1,240,896
Others	(46,482,940)	(1,372,393)	(2,178,931)	(68,671)
Total stockholders' equity	63,547,111	1,876,206	102,890,505	3,242,688
Total liabilities and stockholders' equity	\$2,437,358,342	\$71,962,159	\$2,821,825,968	\$88,932,429

**Cathay Life Insurance Co., Ltd.
Condensed Statements of Income
For the three months ended March 31, 2009 and 2010
(Expressed in thousands of dollars, except earnings per share)**

Item	January 1 ~ March 31, 2009		January 1 ~ March 31, 2010	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$201,811,909	\$5,958,427	\$252,435,427	\$7,955,734
Operating costs	(195,534,262)	(5,773,081)	(255,622,008)	(8,056,162)
Operating gross profit (loss)	6,277,647	185,346	(3,186,581)	(100,428)
Operating expenses	(2,370,113)	(69,977)	(2,438,941)	(76,866)
Non-operating revenues & gains	317,983	9,388	548,744	17,294
Non-operating expenses & losses	(137,314)	(4,054)	(202,822)	(6,392)
Income (loss) from continuing operations before income taxes	\$4,088,203	\$120,703	\$(5,279,600)	\$(166,392)
Net income (loss)	\$3,603,026	\$106,378	\$(4,019,891)	\$(126,691)
Earnings per share (in dollars)				
Income (loss) from continuing operations before income taxes	\$0.78	\$0.02	\$(1.00)	\$(0.03)
Net income (loss)	\$0.68	\$0.02	\$(0.76)	\$(0.02)

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**Cathay Century Insurance Co., Ltd.
Condensed Balance Sheets
As of March 31, 2009 and 2010
(Expressed in thousands of dollars)**

Items	March 31, 2009		March 31, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$12,712,143	\$375,322	\$14,958,725	\$471,438
Loans	1,476,106	43,581	1,135,367	35,782
Funds and investments	4,550,223	134,344	4,097,324	129,131
Property and equipment	113,094	3,339	108,536	3,421
Intangible assets	17,535	518	14,368	453
Other assets	936,545	27,651	920,569	29,012
Total assets	\$19,805,646	\$584,755	\$21,234,889	\$669,237
Liabilities				
Current liabilities	\$1,874,309	\$55,338	\$1,801,020	\$56,761
Long-term liabilities	17,761	524	17,552	553
Other liabilities	14,475,478	427,384	15,051,705	474,368
Total liabilities	16,367,548	483,246	16,870,277	531,682
Stockholders' equity				
Capital stock	2,317,006	68,409	2,317,006	73,023
Capital surplus	1,929	57	1,929	61
Retained earnings	1,178,130	34,784	1,929,282	60,803
Others	(58,967)	(1,741)	116,395	3,668
Total stockholders' equity	3,438,098	101,509	4,364,612	137,555
Total liabilities and stockholders' equity	\$19,805,646	\$584,755	\$21,234,889	\$669,237

**Cathay Century Insurance Co., Ltd.
Condensed Statements of Income
For the three months ended March 31, 2009 and 2010
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2009		January 1 ~ March 31, 2010	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$9,206,855	\$271,829	\$9,877,743	\$311,306
Operating costs	(8,335,980)	(246,117)	(8,996,919)	(283,546)
Operating gross profit	870,875	25,712	880,824	27,760
Operating expenses	(616,832)	(18,211)	(685,174)	(21,594)
Non-operating revenues	-	-	18	1
Non-operating expenses	(32)	(1)	(36)	(1)
Income from continuing operations before income taxes	\$254,011	\$7,500	\$195,632	\$6,166
Net income	\$178,179	\$5,261	\$144,084	\$4,541
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$1.10	\$0.03	\$0.84	\$0.03
Net income	\$0.77	\$0.02	\$0.62	\$0.02

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Cathay Life Insurance Company(Shanghai)

Condensed Balance Sheets

As of March 31, 2009 and 2010

(Expressed in thousands of dollars)

Items	March 31, 2009		March 31, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$4,558,048	\$134,575	\$4,865,330	\$153,335
Loans	9,460	279	17,193	542
Funds and investments	5,185,941	153,113	4,790,443	150,975
Property and equipment	271,731	8,023	210,555	6,636
Intangible assets	163,758	4,835	138,037	4,350
Other assets	1,196,009	35,312	1,491,303	47,000
Total assets	\$11,384,947	\$336,137	\$11,512,861	\$362,838
Liabilities				
Current liabilities	\$803,225	\$23,715	\$403,279	\$12,710
Other liabilities	8,051,385	237,714	9,601,422	302,597
Total liabilities	8,854,610	261,429	10,004,701	315,307
Stockholders' equity				
Capital stock	3,257,376	96,173	3,257,376	102,659
Retained earnings	(1,450,856)	(42,835)	(2,387,061)	(75,230)
Others	723,817	21,370	637,845	20,102
Total stockholders' equity	2,530,337	74,708	1,508,160	47,531
Total liabilities and stockholders' equity	\$11,384,947	\$336,137	\$11,512,861	\$362,838

Cathay Life Insurance Company(Shanghai)

Condensed Statements of Income

For the three months ended March 31, 2009 and 2010

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

Items	January 1 ~ March 31, 2009		January 1 ~ March 31, 2010	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$1,143,797	\$33,770	\$1,726,927	\$54,425
Operating costs	(1,070,531)	(31,607)	(1,674,025)	(52,758)
Operating gross profit	73,266	2,163	52,902	1,667
Operating expenses	(138,157)	(4,079)	(273,213)	(8,610)
Non-operating revenues	80	2	67	2
Loss from continuing operations before income taxes	\$(64,811)	\$(1,914)	\$(220,244)	\$(6,941)
Net loss	\$(1,887)	\$(56)	\$(220,244)	\$(6,941)
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.

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Cathay Life Insurance (Vietnam) Co., Ltd.

Condensed Balance Sheets

As of March 31, 2009 and 2010

(Expressed in thousands of dollars)

Items	March 31, 2009		March 31, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$499,288	\$14,741	\$423,668	\$13,352
Loans	-	-	61	2
Funds and investments	1,773,290	52,356	1,280,169	40,346
Property and equipment	39,855	1,177	36,336	1,145
Intangible assets	41,736	1,232	29,021	915
Other assets	55,467	1,638	53,247	1,678
Total assets	\$2,409,636	\$71,144	\$1,822,502	\$57,438
Liabilities				
Current liabilities	\$6,683	\$197	\$15,051	\$474
Other liabilities	39,187	1,157	74,554	2,350
Total liabilities	45,870	1,354	89,605	2,824
Stockholders' equity				
Capital stock	1,940,080	57,280	1,940,080	61,144
Retained earnings	59,749	1,765	40,874	1,288
Others	363,937	10,745	(248,057)	(7,818)
Total stockholders' equity	2,363,766	69,790	1,732,897	54,614
Total liabilities and stockholders' equity	\$2,409,636	\$71,144	\$1,822,502	\$57,438

Cathay Life Insurance (Vietnam) Co., Ltd.

Condensed Statements of Income

For the three months ended March 31, 2009 and 2010

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

Items	January 1 ~ March 31, 2009		January 1 ~ March 31, 2010	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$87,617	\$2,587	\$78,903	\$2,487
Operating costs	(24,507)	(724)	(18,345)	(578)
Operating gross profit	63,110	1,863	60,558	1,909
Operating expenses	(55,984)	(1,653)	(61,182)	(1,928)
Non-operating revenues	1,374	41	8	-
Income (loss) from continuing operations before income taxes	\$8,500	\$251	\$(616)	\$(19)
Net income (loss)	\$7,253	\$214	\$(3,334)	\$(105)
Earnings per share (in dollars)				
Income (loss) from continuing operations before income taxes	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 March 31, 2009 and 2010
(Expressed in thousands of dollars)**

Items	March 31, 2009		March 31, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$1,525,129	\$45,029	\$1,628,902	\$51,336
Property and equipment	60,565	1,788	45,965	1,449
Other assets	404,726	11,949	394,554	12,435
Total assets	\$1,990,420	\$58,766	\$2,069,421	\$65,220
Liabilities				
Current liabilities	\$73,206	\$2,161	\$55,425	\$1,747
Other liabilities	37,346	1,103	410,588	12,940
Total liabilities	110,552	3,264	466,013	14,687
Stockholders' equity				
Capital stock	1,745,942	51,548	1,745,942	55,025
Retained earnings	(101,367)	(2,993)	(266,819)	(8,409)
Others	235,293	6,947	124,285	3,917
Total stockholders' equity	1,879,868	55,502	1,603,408	50,533
Total liabilities and stockholders' equity	\$1,990,420	\$58,766	\$2,069,421	\$65,220

**Cathay Insurance Company Limited (Shanghai)
Condensed Statements of Income
For the three months ended March 31, 2009 and 2010
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2009		January 1 ~ March 31, 2010	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$54,952	\$1,622	\$223,360	\$7,039
Operating costs	(29,713)	(877)	(267,842)	(8,441)
Operating gross profit (loss)	25,239	745	(44,482)	(1,402)
Operating expenses	(35,748)	(1,055)	(50,140)	(1,580)
Non-operating revenues	249	7	1,163	37
Loss from continuing operations before income taxes	\$(10,260)	\$(303)	\$(93,459)	\$(2,945)
Net loss	\$(10,260)	\$(303)	\$(93,459)	\$(2,945)
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 March 31, 2009 and 2010
(Expressed in thousands of dollars)**

Items	March 31, 2009		March 31, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$19,221,316	\$567,503	\$18,412,111	\$580,274
Due from the Central Bank and call loans to banks	47,193,889	1,393,383	72,831,217	2,295,342
Financial assets at fair value through profit or loss	64,010,493	1,889,888	31,906,034	1,005,548
Securities purchased under agreements to resell	2,016,000	59,522	1,530,265	48,228
Receivables-net	42,491,473	1,254,546	40,489,116	1,276,052
Discount and loans-net	780,028,572	23,030,073	782,060,073	24,647,339
Available-for-sale financial assets -net	121,659,360	3,591,950	81,039,227	2,554,025
Held-to-maturity financial assets-net	2,544,502	75,125	4,450,170	140,251
Investments accounted for using equity method-net	3,466,355	102,343	3,784,563	119,274
Other financial assets-net	6,401,636	189,006	5,131,022	161,709
Investments in debt securities with no active market-net	218,891,239	6,462,688	394,716,207	12,439,843
Property and equipment-net	26,572,786	784,552	26,075,293	821,787
Intangible assets-net	6,890,065	203,427	7,074,130	222,948
Other assets-net	8,043,715	237,488	5,719,315	180,249
Total assets	\$1,349,431,401	\$39,841,494	\$1,475,218,743	\$46,492,869
Liabilities				
Due to the Central Bank and call loans from banks	\$41,040,475	\$1,211,706	\$56,464,594	\$1,779,533
Funds borrowed from the Central and other banks	1,695,850	50,070	1,590,950	50,140
Financial liabilities at fair value through profit or loss	44,762,018	1,321,583	17,707,073	558,055
Securities sold under agreements to repurchase	12,231,686	361,136	11,834,607	372,978
Payables	18,604,193	549,282	17,991,413	567,016
Deposits and remittances	1,124,825,877	33,210,094	1,255,862,901	39,579,669
Financial debentures payable	19,129,566	564,794	16,471,463	519,113
Other financial liabilities	261,100	7,709	219,778	6,927
Other liabilities	2,187,708	64,591	2,084,819	65,705
Total liabilities	1,264,738,473	37,340,965	1,380,227,598	43,499,136
Shareholders' equity				
Capital stock	48,689,413	1,437,538	52,277,026	1,647,558
Capital reserves	15,213,611	449,177	15,213,292	479,461
Retained earnings	19,552,855	577,291	25,986,634	818,993
Others	1,237,049	36,523	1,514,193	47,721
Total shareholders' equity	84,692,928	2,500,529	94,991,145	2,993,733
Total liabilities and shareholders' equity	\$1,349,431,401	\$39,841,494	\$1,475,218,743	\$46,492,869

**Cathay United Bank Co., Ltd.
Condensed Statements of Income
For the three months ended March 31, 2009 and 2010
(Expressed in thousands of dollars, except per share information)**

Items	January 1 ~ March 31, 2009		January 1 ~ March 31, 2010	
	NT\$	US\$	NT\$	US\$
Net interest income	\$4,001,964	\$118,156	\$3,567,510	\$112,433
Non-interest income	1,838,790	54,290	2,882,326	90,839
Net operating income	5,840,754	172,446	6,449,836	203,272
Provision for loan losses	(775,862)	(22,907)	-	-
Operating expenses	(3,434,330)	(101,397)	(3,486,371)	(109,876)
Income from continuing operations before income taxes	\$1,630,562	\$48,142	\$2,963,465	\$93,396
Net income	\$1,224,562	\$36,155	\$2,557,465	\$80,601
Earnings per share (in dollars)				
Income from continuing operations before income taxes	\$0.31	\$0.01	\$0.57	\$0.02
Net income	\$0.23	\$0.01	\$0.49	\$0.02

English Translation of Financial Statements Originally Issued in Chinese

Indovina Bank Limited
Condensed Balance Sheets
As of March 31, 2009 and 2010
(Expressed in thousands of dollars)

Items	March 31, 2009		March 31, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$2,733,301	\$80,700	\$3,349,018	\$105,547
Due from the Central Bank and call loans to banks	2,838,604	83,809	408,890	12,887
Financial assets at fair value through profit or loss	133,197	3,932	176,150	5,552
Available-for-sale financial assets -net	-	-	327,112	10,309
Investments in debt securities with no active market	269,080	7,944	-	-
Receivables-net	105,735	3,122	99,650	3,141
Loans and advances to customers-net	11,982,553	353,781	16,376,916	516,133
Premises and equipment-net	259,879	7,673	181,378	5,716
Intangible assets-net	35,697	1,054	395,915	12,478
Other assets-net	43,474	1,284	31,613	996
Total assets	\$18,401,520	\$543,299	\$21,346,642	\$672,759
Liabilities				
Due to the Central Bank and call loans from banks	\$210,038	\$6,201	\$33,016	\$1,041
Payables	174,730	5,159	107,229	3,379
Deposits and remittances	13,626,634	402,322	16,233,230	511,605
Other liabilities	686,332	20,264	593,212	18,696
Total liabilities	14,697,734	433,946	16,966,687	534,721
Shareholders' equity				
Capital stock	3,207,968	94,714	4,017,093	126,602
Retained earnings	305,764	9,028	441,378	13,910
Others	190,054	5,611	(78,516)	(2,474)
Total shareholders' equity	3,703,786	109,353	4,379,955	138,038
Total liabilities and shareholders' equity	\$18,401,520	\$543,299	\$21,346,642	\$672,759

Indovina Bank Limited
Condensed Statements of Income
For the three months ended March 31, 2009 and 2010
(Expressed in thousands of dollars, except per share information)

Items	January 1 ~ March 31, 2009		January 1 ~ March 31, 2010	
	NT\$	US\$	NT\$	US\$
Net interest income	\$124,934	\$3,688	\$162,853	\$5,132
Non-interest income	19,568	578	24,494	772
Net operating revenue	144,502	4,266	187,347	5,904
Operating expenses	(93,304)	(2,754)	(97,822)	(3,083)
Income from continuing operations before income taxes	\$51,198	\$1,512	\$89,525	\$2,821
Net income	\$36,635	\$1,082	\$72,962	\$2,299
Earnings per share (in dollars)				
Income from continuing operations before income taxes	Note	Note	Note	Note
Net income	Note	Note	Note	Note

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

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Securities Corporation
Condensed Balance Sheets
As of March 31, 2009 and 2010
(Expressed in thousands of dollars)**

Items	March 31, 2009		March 31, 2010	
	NTS	US\$	NTS	US\$
Assets				
Current assets	\$3,555,054	\$104,962	\$5,027,847	\$158,457
Funds and investments	738,744	21,811	730,933	23,036
Property and equipment	43,381	1,281	34,839	1,097
Intangible assets	6,035	178	6,112	193
Other assets	309,716	9,144	332,012	10,464
Total assets	\$4,652,930	\$137,376	\$6,131,743	\$193,247
Liabilities				
Current liabilities	\$499,324	\$14,742	\$1,822,901	\$57,450
Long-term liabilities	667	20	439	14
Other liabilities	142,524	4,208	64,118	2,021
Total liabilities	642,515	18,970	1,887,458	59,485
Stockholders' equity				
Capital stock	3,700,000	109,241	3,700,000	116,609
Capital surplus	258,434	7,630	258,434	8,145
Retained earnings	54,421	1,607	241,068	7,597
Others	(2,440)	(72)	44,783	1,411
Total stockholders' equity	4,010,415	118,406	4,244,285	133,762
Total liabilities and stockholders' equity	\$4,652,930	\$137,376	\$6,131,743	\$193,247

**Cathay Securities Corporation
Condensed Statements of Income
For the three months ended March 31, 2009 and 2010
(Expressed in thousands of dollars, except for earnings per share)**

Items	January 1 ~ March 31, 2009		January 1 ~ March 31, 2010	
	NTS	US\$	NTS	US\$
Revenue	\$201,763	\$5,957	\$386,301	\$12,174
Expenses	(166,422)	(4,914)	(335,460)	(10,572)
Income from continuing operations before income taxes	\$35,341	\$1,043	\$50,841	\$1,602
Net income	\$39,283	\$1,159	\$57,559	\$1,814
Earnings per share (in dollars)				
Income from continuing operations before income taxes	\$0.10	\$-	\$0.14	\$-
Net income	\$0.11	\$-	\$0.16	\$0.01

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Pacific Venture Capital Co., Ltd.
Condensed Balance Sheets
As of March 31, 2009 and 2010
(Expressed in thousands of dollars)**

Items	March 31, 2009		March 31, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$842,477	\$24,874	\$219,307	\$6,912
Funds and investments	1,999,808	59,043	1,663,695	52,433
Property and equipment	1,213	36	932	29
Other assets	778	23	25,976	819
Total assets	\$2,844,276	\$83,976	\$1,909,910	\$60,193
Liabilities				
Current liabilities	\$31,292	\$924	\$1,322	\$42
Total liabilities	31,292	924	1,322	42
Stockholders' equity				
Capital stock	2,799,448	82,653	1,895,224	59,730
Retained earnings	184,163	5,437	(7,613)	(240)
Equity adjustment	(170,627)	(5,038)	20,977	661
Total stockholders' equity	2,812,984	83,052	1,908,588	60,151
Total liabilities and stockholders' equity	\$2,844,276	\$83,976	\$1,909,910	\$60,193

**Cathay Pacific Venture Capital Co., Ltd.
Condensed Statements of Income
For the three months ended March 31, 2009 and 2010
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2009		January 1 ~ March 31, 2010	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$27,240	\$804	\$27,933	\$880
Operating costs	(30,961)	(914)	(15,337)	(483)
Operating gross (loss) profit	(3,721)	(110)	12,596	397
Operating expenses	(7,193)	(212)	(1,182)	(37)
Non-operating revenues	653	19	2,385	75
Non-operating expenses	(1)	-	-	-
(Loss) income from continuing operations before income taxes	\$(10,262)	\$(303)	\$13,799	\$435
Net (loss) income	\$(11,783)	\$(348)	\$22,302	\$703
Earning per share (in dollars)				
(Loss) income from continuing operations before income taxes:	\$(0.04)	\$-	\$0.07	\$-
Net (loss) income	\$(0.05)	\$-	\$0.12	\$-

English Translation of Financial Statements Originally Issued in Chinese

**Symphox Information Co., Ltd.
Condensed Balance Sheets
As of March 31, 2009 and 2010
(Expressed in thousands of dollars)**

Items	March 31, 2009		March 31, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$715,264	\$21,118	\$816,295	\$25,726
Property and equipment	93,887	2,772	81,895	2,581
Intangible assets	3,973	117	2,518	79
Other assets	11,534	341	13,319	420
Total assets	\$824,658	\$24,348	\$914,027	\$28,806
Liabilities				
Current liabilities	\$293,462	\$8,665	\$325,633	\$10,263
Other liabilities	80	2	80	2
Total liabilities	293,542	8,667	325,713	10,265
Stockholders' equity				
Capital stock	499,000	14,733	499,000	15,726
Retained earnings	32,116	948	89,314	2,815
Total stockholders' equity	531,116	15,681	588,314	18,541
Total liabilities and stockholders' equity	\$824,658	\$24,348	\$914,027	\$28,806

**Symphox Information Co., Ltd.
Condensed Statements of Income
For the three months ended March 31, 2009 and 2010
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2009		January 1 ~ March 31, 2010	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$280,526	\$8,282	\$377,366	\$11,893
Operating costs	(234,516)	(6,924)	(319,276)	(10,062)
Operating gross profit	46,010	1,358	58,090	1,831
Operating expenses	(24,068)	(710)	(32,267)	(1,017)
Non-operating revenues	1,755	52	1,063	33
Non-operating expenses	-	-	(7)	-
Income from continuing operations before income taxes	\$23,697	\$700	\$26,879	\$847
Net income	\$18,069	\$533	\$21,655	\$682
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$0.47	\$0.01	\$0.54	\$0.02
Net income	\$0.36	\$0.01	\$0.43	\$0.01

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Futures Corp.
Condensed Balance Sheets
As of March 31, 2009 and 2010
(Expressed in thousands of dollars)**

Items	March 31, 2009		March 31, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$1,900,229	\$56,104	\$1,553,127	\$48,948
Funds and investments	30,500	900	30,500	961
Property and equipment	170,621	5,038	165,286	5,209
Intangible assets	7,088	209	4,334	137
Other assets	281,929	8,324	285,061	8,984
Total assets	\$2,390,367	\$70,575	\$2,038,308	\$64,239
Liabilities				
Current liabilities	\$1,641,155	\$48,454	\$1,295,194	\$40,819
Other liabilities	10,417	308	12,131	382
Total liabilities	1,651,572	48,762	1,307,325	41,201
Stockholders' equity				
Capital stock	650,000	19,191	650,000	20,486
Retained earnings	88,795	2,622	80,983	2,552
Total stockholders' equity	738,795	21,813	730,983	23,038
Total liabilities and stockholders' equity	\$2,390,367	\$70,575	\$2,038,308	\$64,239

**Cathay Futures Corp.
Condensed Statements of Income
For the three months ended March 31, 2009 and 2010
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2009		January 1 ~ March 31, 2010	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$28,090	\$829	\$26,593	\$838
Operating costs	(15,679)	(463)	(15,105)	(476)
Operating gross profit	12,411	366	11,488	362
Operating expenses	(14,955)	(441)	(14,795)	(466)
Non-operating revenues	4,334	128	4,119	130
Non-operating expenses	(276)	(8)	(256)	(8)
Income from continuing operations before income taxes	\$1,514	\$45	\$556	\$18
Net income	\$1,018	\$30	\$344	\$11
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$0.02	\$-	\$0.01	\$-
Net income	\$0.01	\$-	\$0.01	\$-