

Cathay Financial Holding Co., Ltd. And Subsidiaries
Consolidated financial statements
Together with
Review report
As of September 30, 2003 and 2002

Name of the company: Cathay Financial Holding Co., Ltd.

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Review report

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

We have reviewed the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. (the "Company") and its subsidiaries (the "Subsidiaries") as of September 30, 2003 and 2002, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the nine-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue reports based on our review. We did not review the financial statements of Cathay United Bank Co., Ltd. and United World Chinese Commercial Bank Co., Ltd., wholly-owned subsidiaries of the Company. Total assets of such subsidiaries are NT\$890,095 million (US\$26,350 million) and NT\$827,926 million (US\$23,709 million), respectively, constituting 38.95% and 40.36%, respectively, of the total consolidated assets of the Company and its subsidiaries as of September 30, 2003 and 2002 and total revenues of such subsidiaries are NT\$31,241 million (US\$925 million) and NT\$33,280 million (US\$953 million), respectively, constituting 8.23% and 9.34%, respectively, of total consolidated revenues of the Company and its subsidiaries for the nine-month periods ended September 30, 2003 and 2002. These statements were reviewed by other auditors whose reports have been furnished to us, and our review report, insofar as it relates to the amounts, is based solely on the report of such other auditors. We did not review financial statements of Cathay Pacific Venture Capital Co., Ltd. a wholly-owned subsidiary of the Company. Total investment for the subsidiary is NT\$595 million (US\$18 million) as of September 30, 2003, and investment loss is NT\$5 million (US\$0.15 million) for the nine-month period ended September 30, 2003. These statements were reviewed by other auditors whose reports have been furnished to us, and our review report, insofar as it relates to the amounts, is based solely on the report of the other auditors.



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We conducted our reviews in accordance with generally accepted auditing standards 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 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.

Based on our review and the report of other auditors, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with generally accepted accounting principles in the Republic of China.

BDO Taiwan Union & Co.
Taipei, Taiwan
Republic of China

October 17, 2003

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.

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated balance sheets
(Expressed in thousands of dollars)
As of September 30, 2003 and 2002

Assets	2003			2002		
	NT \$	US \$	%	NT \$	US \$	%
Current assets						
Cash and cash equivalents (Notes 2,4)	\$137,028,010	\$4,056,483	6.00	\$143,708,576	\$4,115,366	7.01
Due from banks	41,119,537	1,217,275	1.80	43,805,826	1,254,462	2.14
Due from Central Bank (Note 2)	37,920,080	1,122,560	1.66	33,171,367	949,925	1.62
Short-term investments (Notes 2,5)	482,540,488	14,284,799	21.12	427,154,660	12,232,379	20.82
Receivables (Note 2)	86,395,010	2,557,579	3.78	70,750,576	2,026,076	3.45
Deferred income tax assets-current (Note 2)	54,730	1,620	0.00	43,902	1,257	0.00
Prepayments	1,567,925	46,416	0.07	1,291,136	36,974	0.06
Subtotal	786,625,780	23,286,732	34.43	719,926,043	20,616,439	35.10
Exchange bills negotiated discounted and loans (Notes 2,6)	996,791,485	29,508,333	43.62	990,747,912	28,371,933	48.30
Long-term investments in stock, bonds and real estate						
Long-term investments in stocks (Notes 2,7)	58,791,571	1,740,426	2.57	23,537,633	674,045	1.15
Long-term investments in bonds (Notes 2,8)	258,445,152	7,650,833	11.31	114,754,724	3,286,218	5.59
Investments in real estate (Notes 2,9)	93,831,327	2,777,718	4.11	92,709,750	2,654,918	4.52
Subtotal	411,068,050	12,168,977	17.99	231,002,107	6,615,181	11.26
Property and equipment						
Land	20,194,140	597,813	0.88	19,964,316	571,716	0.97
Buildings and structures	20,782,430	615,229	0.91	20,058,249	574,406	0.98
Furniture and fixtures	2,739,814	81,108	0.12	2,499,841	71,587	0.12
Transportation and communication equipment	239,630	7,094	0.01	233,716	6,693	0.01
Other equipment	8,120,809	240,403	0.36	7,086,759	202,943	0.35
Subtotal	52,076,823	1,541,647	2.28	49,842,881	1,427,345	2.43
Less: Accumulated depreciation	(12,037,271)	(356,343)	(0.53)	(10,955,035)	(313,718)	(0.53)
Unfinished construction	913,633	27,046	0.04	1,263,247	36,175	0.06
Subtotal	40,953,185	1,212,350	1.79	40,151,093	1,149,802	1.96
Intangible assets	7,472	221	0.00	7,168	205	0.00
Other assets						
Net non-operating assets	4,429,421	131,126	0.19	4,817,338	137,954	0.23
Miscellaneous assets	28,221,752	835,457	1.23	43,045,470	1,232,688	2.10
Deferred charges	4,246,019	125,696	0.19	21,328,853	610,792	1.04
Investment-linked products assets	12,699,045	375,934	0.56	162,668	4,658	0.01
Subtotal	49,596,237	1,468,213	2.17	69,354,329	1,986,092	3.38
Total assets	\$2,285,042,209	\$67,644,826	100.00	\$2,051,188,652	\$58,739,652	100.00
Liabilities & stockholders' equity						
Current liabilities						
Due to Central Bank	\$162,073	\$4,798	0.01	\$756,208	\$21,655	0.04
Due to banks	52,715,346	1,560,549	2.31	47,490,205	1,359,972	2.31
Payables	38,500,064	1,139,729	1.68	42,056,943	1,204,380	2.05
Deferred income tax liabilities-current (Note 2)	987,861	29,244	0.04	1,164,139	33,337	0.06
Accounts collected in advance	661,735	19,590	0.03	504,086	14,435	0.02
Subtotal	93,027,079	2,753,910	4.07	91,971,581	2,633,779	4.48
Deposits and remittances payables (Note 10)	704,525,774	20,856,299	30.84	640,621,815	18,345,413	31.23
Bankers acceptances and funds borrowed	2,110,588	62,481	0.09	2,016,652	57,751	0.10
Long-term liabilities						
Bonds payable (Note 11)	24,775,924	733,450	1.09	24,805,324	710,347	1.21
Reserve for land revaluation increment tax	37,845	1,120	0.00	37,845	1,084	0.00
Accrued pension liabilities	533,096	15,781	0.02	2,126	61	0.00
Subtotal	25,346,865	750,351	1.11	24,845,295	711,492	1.21
Other liabilities						
Reserve for operations and liabilities (Notes 2,12)	1,302,669,288	38,563,330	57.01	1,168,145,368	33,452,044	56.95
Guarantee deposits received	7,451,798	220,598	0.33	5,195,087	148,771	0.25
Minority interest	0	0	0.00	37,083,533	1,061,957	1.81
Investment-linked products liabilities	12,699,045	375,934	0.55	162,668	4,658	0.01
Subtotal	1,322,820,131	39,159,862	57.89	1,210,586,656	34,667,430	59.02
Total liabilities	2,147,830,437	63,582,903	94.00	1,970,041,999	56,415,865	96.04
Stockholders' equity						
Capital stock						
Common stock (Note 13)	83,074,891	2,459,292	3.63	60,958,728	1,745,668	2.97
Capital surplus (Note 14)	53,101,646	1,571,985	2.32	26,526,202	759,628	1.29
Retained earnings (Note 15)						
Legal reserve	1,335,046	39,522	0.06	13,714	393	0.00
Special reserve	1,833,255	54,270	0.08	0	0	0.00
Unappropriated retained earnings	17,290,583	511,858	0.76	6,461,877	185,048	0.32
Equity adjustments						
Unrealized valuation losses on long-term equity investments	(201,349)	(5,961)	(0.01)	(9,458)	(271)	0.00
Cumulative conversion adjustments	118,113	3,497	0.01	10,023	287	0.00
Treasury stock (Notes 2,16)	(19,340,413)	(572,540)	(0.85)	(12,814,433)	(366,966)	(0.62)
Total stockholders' equity	137,211,772	4,061,923	6.00	81,146,653	2,323,787	3.96
Total liabilities and stockholders' equity	\$2,285,042,209	\$67,644,826	100.00	\$2,051,188,652	\$58,739,652	100.00

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2003 and 2002 were NTS33.78 and NTS34.92 to US\$1.00)

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

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated statements of income
(Expressed in thousands of dollars, except earning per share)
For the nine-month periods ended September 30, 2003 and 2002

	2003			2002		
	NT \$	US \$	%	NT \$	US \$	%
Operating revenues (Note2)						
Interest income	\$59,587,422	\$1,763,985	15.70	\$61,796,446	\$1,769,658	17.35
Premiums income	188,629,585	5,584,061	49.71	208,677,131	5,975,863	58.59
Reinsurance commission earned	322,652	9,552	0.08	320,713	9,184	0.09
Claims recovered from reinsurers	780,935	23,118	0.20	1,027,908	29,436	0.29
Recovered premiums reserve	91,683,802	2,714,145	24.16	73,342,422	2,100,299	20.59
Recovered special reserves	220,285	6,521	0.06	98,056	2,808	0.03
Recovered claims reserve	27,023	800	0.01	29,686	850	0.01
Commission and handling fee earned	3,638,686	107,717	0.96	2,271,804	65,057	0.64
Investment-linked products revenues	14,831,904	439,074	3.91	161,853	4,635	0.05
Commission income of stock brokerage	94,765	2,805	0.02	80,851	2,315	0.02
Gain on disposal of investments	9,356,758	276,991	2.47	4,750,610	136,043	1.33
Gain on long-term investments	634,285	18,777	0.17	190,136	5,445	0.05
Gain on investments	1,085,804	32,143	0.29	75,986	2,176	0.02
Gain on investments-real estate	3,163,672	93,655	0.83	3,319,148	95,050	0.93
Other operating income	5,418,939	160,419	1.43	24,366	698	0.01
subtotal	<u>379,476,517</u>	<u>11,233,763</u>	<u>100.00</u>	<u>356,167,116</u>	<u>10,199,517</u>	<u>100.00</u>
Operating costs (Note 2)						
Interest expenses	(7,558,591)	(223,759)	(1.99)	(11,623,608)	(332,864)	(3.26)
Insurance expenses	(1,872,959)	(55,446)	(0.49)	(2,092,561)	(59,924)	(0.59)
Brokerage expenses	(17,841,776)	(528,176)	(4.70)	(17,977,133)	(514,809)	(5.05)
Commissions expenses	(330,188)	(9,775)	(0.09)	(384,427)	(11,009)	(0.11)
Insurance claims payment	(103,711,523)	(3,070,205)	(27.33)	(92,997,361)	(2,663,155)	(26.11)
Provision for premiums reserve	(182,255,512)	(5,395,367)	(48.03)	(186,517,499)	(5,341,280)	(52.37)
Provision for special reserve	(1,897,914)	(56,185)	(0.50)	(1,548,819)	(44,353)	(0.43)
Contribution to the stabilization funds	(193,192)	(5,719)	(0.05)	(212,820)	(6,095)	(0.06)
Provision for claims reserve	(76,357)	(2,260)	(0.02)	(33,075)	(947)	(0.01)
Handling fee paid	(1,880,232)	(55,661)	(0.50)	(1,889,123)	(54,099)	(0.53)
Investment-linked products expenses	(14,831,904)	(439,073)	(3.91)	(161,853)	(4,635)	(0.05)
Commission charges of stock brokerage	(6,013)	(178)	0.00	(4,675)	(134)	0.00
Provision for possible losses	(6,779,296)	(200,690)	(1.79)	(28,361,647)	(812,189)	(7.96)
Agency expenses	(1,674)	(50)	0.00	(766)	(22)	0.00
Other operating cost	(349,197)	(10,337)	(0.09)	(334,578)	(9,581)	(0.09)
subtotal	<u>(339,586,328)</u>	<u>(10,052,881)</u>	<u>(89.49)</u>	<u>(344,139,945)</u>	<u>(9,855,096)</u>	<u>(96.62)</u>
Operating gross profit	<u>39,890,189</u>	<u>1,180,882</u>	<u>10.51</u>	<u>12,027,171</u>	<u>344,421</u>	<u>3.38</u>
Operating expenses	<u>(16,384,814)</u>	<u>(485,045)</u>	<u>(4.32)</u>	<u>(18,250,475)</u>	<u>(522,637)</u>	<u>(5.12)</u>
Operating income	<u>23,505,375</u>	<u>695,837</u>	<u>6.19</u>	<u>(6,223,304)</u>	<u>(178,216)</u>	<u>(1.74)</u>
Non-operating revenues	<u>1,094,784</u>	<u>32,409</u>	<u>0.29</u>	<u>715,940</u>	<u>20,502</u>	<u>0.20</u>
Non-operating expenses	<u>(879,893)</u>	<u>(26,048)</u>	<u>(0.23)</u>	<u>(607,604)</u>	<u>(17,400)</u>	<u>(0.17)</u>
Income from continuing operations before income taxes	<u>23,720,266</u>	<u>702,198</u>	<u>6.25</u>	<u>(6,114,968)</u>	<u>(175,114)</u>	<u>(1.71)</u>
Income taxes (Notes 2, 18)	(2,799,384)	(82,871)	(0.74)	1,904,817	54,548	0.53
Minority interest income	<u>0</u>	<u>0</u>	<u>0.00</u>	<u>17,517</u>	<u>502</u>	<u>0.00</u>
Net loss (income) before acquisitions of the subsidiaries	<u>0</u>	<u>0</u>	<u>0.00</u>	<u>10,654,511</u>	<u>305,112</u>	<u>2.99</u>
Net income	<u>\$20,920,882</u>	<u>\$619,327</u>	<u>5.51</u>	<u>\$6,461,877</u>	<u>\$185,048</u>	<u>1.81</u>
Earnings per share(expressed in dollars) (Note19)						
Primary earnings per share:						
Income from continuing operations before income taxes	<u>\$3.15</u>	<u>\$0.09</u>		<u>(\$1.05)</u>	<u>(\$0.03)</u>	
Net income	<u>\$2.78</u>	<u>\$0.08</u>		<u>\$1.11</u>	<u>\$0.03</u>	
Fully-diluted earnings per share:						
Income from continuing operations before income taxes	<u>\$3.06</u>	<u>\$0.09</u>				
Net income	<u>\$2.69</u>	<u>\$0.08</u>				

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2003 and 2002 were NT\$33.78 and NT\$34.92 to US\$1.00)

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

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated statements of changes in stockholders' equity
(Expressed in thousands of dollars)
For the nine-month periods ended September 30, 2003 and 2002

Summary	Capital stock				Retained earnings						Equity adjustments				Treasury stock		Total	
	Common stock		Capital surplus		Legal reserve		Special reserve		Unappropriated retained earnings		Cumulative conversion adjustments		Unrealized valuation losses on long-term equity investments		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, 2002	\$58,386,158	\$1,671,998	\$23,650,414	\$677,274	\$0	\$0	\$0	\$0	\$137,135	\$3,927	\$6,657	\$191	\$0	\$0	\$(7,333,863)	\$(210,019)	\$74,846,501	\$2,143,371
Appropriations and distributions for 2001																		
Legal reserve					13,714	393			(13,714)	(393)							0	0
Cash dividends			(8,789,810)	(251,713)					(118,609)	(3,397)							(8,908,419)	(255,110)
Remuneration paid to directors and supervisors									(4,800)	(137)							(4,800)	(137)
Bonus paid to employees									(12)	0							(12)	0
Shares converted for issuing new shares	2,572,570	73,670															2,572,570	73,670
Net assets from merger			11,665,598	334,067													11,665,598	334,067
Cumulative conversion adjustments											3,366	96					3,366	96
Unrealized valuation losses on long-term equity investments													(9,458)	(271)			(9,458)	(271)
Treasury stock															(5,480,570)	(156,947)	(5,480,570)	(156,947)
Net income for the nine-month period ended September 30, 2002									6,461,877	185,048							6,461,877	185,048
Balance on September 30, 2002	\$60,958,728	\$1,745,668	\$26,526,202	\$759,628	\$13,714	\$393	\$0	\$0	\$6,461,877	\$185,048	\$10,023	\$287	\$(9,458)	\$(271)	\$(12,814,433)	\$(366,966)	\$81,146,653	\$2,323,787
Balance on January 1, 2003	\$84,531,631	2,502,417	\$56,807,974	\$1,681,705	\$13,713	\$406	\$0	\$0	\$13,085,153	\$387,364	\$199,570	\$5,908	\$(1,032,426)	\$(30,564)	\$(42,706,265)	\$(1,264,247)	\$110,899,350	\$3,282,989
Disposal of property and equipment retransfer unappropriated retained earnings			(185,853)	(5,502)					185,853	5,502							0	0
Appropriations and distributions for 2002																		
Legal reserve					1,321,332	39,116			(1,321,332)	(39,116)							0	0
Special reserve							1,833,255	54,270	(1,833,255)	(54,270)							0	0
Cash dividends			(1,649,407)	(48,828)					(10,053,091)	(297,605)							(11,702,498)	(346,433)
Remuneration paid to directors and supervisors			(761)	(22)					(4,639)	(138)							(5,400)	(160)
Bonus paid to employees			(165)	(5)					(1,006)	(30)							(1,171)	(35)
Retired treasury stock	(1,456,740)	(43,125)	(978,976)	(28,981)					(3,687,982)	(109,176)					6,123,698	181,282	0	0
Capital surplus			(773,011)	(22,884)													(773,011)	(22,884)
Cumulative conversion adjustments											(81,457)	(2,411)					(81,457)	(2,411)
Unrealized valuation losses on long-term equity investments													831,077	24,603			831,077	24,603
Disposal of treasury stock			(558,274)	(16,527)											4,221,829	124,980	3,663,555	108,453
Treasury stock			440,119	13,029											13,020,325	385,445	13,460,444	398,474
Net income for the nine-month period ended September 30, 2003									20,920,882	619,327							20,920,882	619,327
Rounding					1	0											1	0
Balance on September 30, 2003	\$83,074,891	\$2,459,292	\$53,101,646	\$1,571,985	\$1,335,046	\$39,522	\$1,833,255	\$54,270	\$17,290,583	\$511,858	\$118,113	\$3,497	\$(201,349)	\$(5,961)	\$(19,340,413)	\$(572,540)	\$137,211,772	\$4,061,923

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2003 and 2002 were NTS33.78 and NTS34.92 to US\$1.00)
The accompanying notes are an integral part of these consolidated financial statements.

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated statements of cash flows
(Expressed in thousands of dollars)
For the nine-month periods ended September 30, 2003 and 2002

	2003		2002	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Consolidated net income	\$20,920,882	\$619,327	\$6,461,877	\$185,048
Adjustments:				
Income (loss) for minority interest	0	0	(17,517)	(502)
Net income (loss) before acquisitions of the subsidiaries	0	0	(10,654,511)	(305,112)
Loss (gain) on bad debt	3,057,076	90,500	3,543,275	101,468
Amortizations and depreciation expenses	2,429,272	71,915	4,464,412	127,847
Provision for reserve for operations	187,923,584	5,563,161	212,804,332	6,094,053
Recovered reserve for operations	(89,671,445)	(2,654,572)	(72,107,956)	(2,064,947)
Applicant terminates the insurance contract income	(2,259,664)	(66,894)	(1,362,208)	(39,009)
Loss(gain) on disposal of other real estate owned	72,033	2,132	3,187	91
Loss (gain) on disposal of property and equipment	123,333	3,651	29,649	849
Valuation loss on other real estate owned	120,000	3,552	0	0
Increase (decrease) in bonds payable redemption	606,445	17,953	305,324	8,744
Loss (gain) on disposal of investments	(4,218,261)	(124,875)	(13,779)	(395)
Amortization long-term investments in bonds	45,375	1,343	29,100	833
Unrealized loss (gain) on long-term equity investments	(544,380)	(16,115)	(128,161)	(3,670)
Effects of exchange rate changes	5,483	162	(9,866)	(282)
Decrease (increase) in short-term investments	(87,774,018)	(2,598,402)	(131,859,826)	(3,776,054)
Decrease (increase) in receivables	(2,186,179)	(64,718)	(4,840,927)	(138,629)
Decrease (increase) in prepayments	131,320	3,888	(434,337)	(12,438)
Decrease (increase) in prepaid pension	76,930	2,277	540,843	15,488
Decrease (increase) in other current assets	(29,037)	(860)	(674,126)	(19,305)
Decrease (increase) in overdue receivables	(9,663)	(286)	(59,072)	(1,692)
Decrease (increase) in temporary payments and suspense accounts	(72,237)	(2,138)	(60,098)	(1,721)
Decrease (increase) in deferred income tax assets	56,264	1,666	(320,329)	(9,173)
Increase (decrease) in payables	103,251	3,057	8,382,500	240,049
Increase (decrease) in accounts collected in advance	9,793	290	261,791	7,497
Increase (decrease) in temporary receipts and suspense accounts	2,399,377	71,030	116,938	3,349
Increase (decrease) in claims reserve	75,987	2,249	64,852	1,857
Increase (decrease) in other current liabilities	(8,606)	(255)	2,034	58
Increase (decrease) in other assets	1,142,729	33,829	(15,362,796)	(439,943)
Increase (decrease) in other liabilities	110,725	3,278	327,306	9,373
Net cash provided by (used in) operating activities	32,636,369	966,145	(568,089)	(16,268)
Cash flows from investing activities				
Increase (decrease) in forward exchange payable	(6,572,815)	(194,577)	2,146,692	61,475
Decrease (increase) in exchange bills negotiated, discounted and loans	3,504,088	103,733	1,398,668	40,053
Acquisition of long-term investments in stocks	(108,962,998)	(3,225,666)	(32,262,046)	(923,884)
Disposal of long-term investments in stocks	31,536,281	933,578	3,099,796	88,768
Decrease (increase) in long-term investments in bonds	(11,221,174)	(332,184)	0	0

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated statements of cash flows (continued)
(Expressed in thousands of dollars)
For the nine-month periods ended September 30, 2003 and 2002

	2003		2002	
	NT \$	US \$	NT \$	US \$
Deposital of investment in real estate	124,812	3,695	31,858	912
Acquisition of investment in real estate	(756,954)	(22,408)	(6,910,046)	(197,882)
Disposal of property and equipment	43,537	1,289	33,198	951
Acquisition of property and equipment	(1,728,821)	(51,179)	(1,569,615)	(44,949)
Disposal (acquisition) of intangible assets	(4,436)	(131)	(3,099)	(89)
Decrease (increase) in non-operation assets	(366,241)	(10,842)	(2,162,663)	(61,932)
Decrease (increase) in due form banks	(10,023,523)	(296,730)	(22,656,995)	(648,826)
Decrease (increase) in due form central banks	2,890,427	85,566	12,646,897	362,168
Net cash provided by (used in) investing activities	(101,537,817)	(3,005,856)	(46,207,355)	(1,323,235)
Cash flows from financing activities				
Increase (decrease) in bonds payable	(847,000)	(25,074)	24,500,000	701,604
Paid other payable for acquisition of property and equipment in prior period	(16,480)	(488)	(1,777)	(51)
Increase (decrease) in funds held for reinsurance	(512)	(15)	(934)	(27)
Increase (decrease) in guarantee deposits received	(19,719)	(584)	(28,921)	(828)
Remuneration paid to directors and supervisors	(13,500)	(400)	(352,350)	(10,090)
Bouns paid to employees	(4,926)	(146)	(141,534)	(4,053)
Cash dividends	(11,744,595)	(347,679)	(10,794,251)	(309,114)
Increase (decrease) in due to banks	6,972,552	206,411	12,230,067	350,231
Increase (decrease) in deposits and remittances	51,123,012	1,513,411	(62,937,005)	(1,802,320)
Increase (decrease) in due to central bank	(19,946)	(590)	315,864	9,045
Increase (decrease) in banker's acceptance and funds borrowed	(253,797)	(7,513)	(1,387,567)	(39,735)
Acquisition of Treasury stock	0	0	(24,513,839)	(702,000)
Disposal of Treasury stock	3,663,555	108,453	0	0
Increase (decrease) in bank's debenture	7,350,000	217,584	10,000,000	286,369
Net cash provided by (used in) financing activities	56,188,644	1,663,370	(53,112,247)	(1,520,969)
Effects of exchange rate changes	(68,330)	(2,023)	6,328	181
Increase (decrease) in cash and cash equivalents	(12,781,134)	(378,364)	(99,881,363)	(2,860,291)
Cash and cash equivalents at the beginning of period	149,809,144	4,434,847	243,589,939	6,975,657
Cash and cash equivalents at the end of period	\$137,028,010	\$4,056,483	\$143,708,576	\$4,115,366
Supplemental disclosure of cash flows information				
Interest paid during the period	\$7,494,824	\$221,872	\$12,563,653	\$359,784
Less: Capitalization of interest	0	0	0	0
Interest paid (excluding capitalized interest)	\$7,494,824	\$221,872	\$12,563,653	\$359,784
Income tax paid	\$4,202,991	\$124,422	\$1,005,853	\$28,804

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2003 and 2002 were NT\$33.78 and NT\$34.92 to US\$1.00)

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

Cathay Financial Holding Co., Ltd. and Subsidiaries
Notes to consolidated financial statements
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1. Organization of business scope

(1) Cathay Financial Holding Co., Ltd.

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 provisions of the Republic of China (“ROC”) Financial Holding Company Act (“Financial Holding Company Act”). On April 22, 2002, Cathay Century Insurance Co., Ltd. (“Cathay Century”) and Cathay United Bank Co., Ltd. (“Cathay United Bank”) joined the Company, as two subsidiaries of the Company by stock conversion. On December 18, 2002, United World Chinese Commercial Bank Co., Ltd. (“UWCCB”) became a subsidiary of the Company by stock conversion. On July 29, 2003, the Company listed its partial shares of stock on the Luxembourg Stock Exchange in the form of Global Depository Shares. The Company mainly engages in financial holding business activities.

(2) Subsidiaries

- A. Cathay Life was incorporated in Taiwan on October 23, 1962, under the provisions of the ROC Company Law (the “Company Law”). Cathay Life mainly engages in the business of life insurance. The Company’s ownership interest is 100% of the common stock.
- B. Cathay Century was incorporated in Taiwan on July 19, 1993, under the provisions of the Company Law. Cathay Century mainly engages in the business of property and casualty insurance. Cathay Century changed its name from “Tong Tai Insurance Co., Ltd.” to “Cathay Century Insurance Co., Ltd.” on June 28, 2002. The Company’s ownership interest is 100% of the common stock.
- C. The predecessor of Cathay United Bank was Taiwan First Investment & Trust Co., which was incorporated in June 1971 and transformed into a commercial bank on November 16, 1998, and renamed Cathay United Bank Co., Ltd. Cathay United Bank is permitted under the ROC Banking Law (“Banking Law”) to engage in:
 - (a) All commercial banking operations allowed by the provisions of the Banking Law;
 - (b) Trust operations;
 - (c) Short-term bill agency services and trading securities.

Cathay Financial Holding Co., Ltd. and Subsidiaries
Notes to consolidated financial statements (continued)
(Expressed in thousands of dollars unless otherwise stated)
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(d) Offshore banking operations.

(e) Other related operations as authorized by the central government authorities.

The Company's ownership interest is 100% of the common stock.

D. UWCCB was enfranchised by the ROC government on January 1975, and started its operations on May 20, 1975. It engages in the following operations:

(a) All commercial banking operations authorized by the Banking Law;

(b) International banking business and related operations;

(c) Trust and stockbrokerage business;

(d) Off-shore banking business; and

(e) Other financial operations related to the promotion of investments of Overseas Chinese.

E. Cathay Pacific Venture Capital Co., Ltd. was incorporated in Taiwan on April 10, 2003, under the provisions of the Company Law. Cathay Pacific Venture Capital Co., Ltd. mainly engages in the business of investment. The Company's ownership interest is 100% of the common stock.

2. Summary of significant accounting policies

We prepared the financial statements in accordance with generally accepted accounting principles, "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and "Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies." Summary of significant accounting policies is as follows:

(1) Principles of consolidation

According to the rules and regulations stated in the Financial Holding Company Act, a financial holding company should include consolidated financial statements along with the annual and interim reports. When compiling the consolidated financial statements, the financial results of bank, insurance and securities subsidiaries must be included in the consolidated financial statements, and all other subsidiaries should be reported in accordance with Statement of Financial Accounting Standards ("SFAS") No. 7. In addition, as stated by the ROC Securities and Futures Commission (the "SFC"), stocks

Cathay Financial Holding Co., Ltd. and Subsidiaries
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that can be traded publicly should be compiled within the annual and interim financial statements, and subsidiary companies that are controlled by the parent company have to be compiled in the financial statements in accordance with SFAS No. 7. According to Article 4 of the Financial Holding Company Act, a financial holding company has to meet either one of the following criteria: the Company has to hold more than twenty-five percent of the voting stock or total capital of a bank, insurance or securities company, or it has to directly or indirectly appoint or elect more than half of the directors on the board of a bank, insurance or securities company.

The consolidated financial statements of the Company as of and for the nine-month periods September 30, 2003 and 2002 include the Company, and its subsidiaries, which include Cathay Life, Cathay Century, Cathay United Bank and UWCCB. The consolidated financial statements of the Company as of September 30, 2003 exclude Cathay Pacific Venture Capital, because its total assets and operating revenues are not up to 10% of the Company.

The consolidated financial statements important inter-company transactions have been eliminated.

(2) Distinguish assets and liabilities, current and non-current

Current assets are assets, which can be liquidated or disposed within one year. Assets that do not belong to current assets are called non-current assets. Current liabilities are debts, which will be paid-off within one year. Debts, which do not belong to current liabilities, are called non-current liabilities.

(3) Basis for preparation of financial statements

UWCCB financial statements include the accounts of the main office and all of the domestic and foreign branches. All inter-branch account balances and transactions among the main office and the branches have been eliminated.

Cathay United Bank separated accounts for the Banking and Trust Departments. The financial statements of the Banking and Trust Departments were consolidated.

(4) Cash and cash equivalents

Cash includes cash on hand, unrestricted bank deposits and all highly liquid investments with a maturity of less than three months.

Cathay Financial Holding Co., Ltd. and Subsidiaries
Notes to consolidated financial statements (continued)
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(5) Due from central bank of China

Due from Central Bank of China (the “Central Bank”) includes a trust fund deposit reserve and a deposit reserve. The Banking Law requires that a commercial bank maintain a deposit reserve at the statutory ratio with the Central Bank.

(6) Short-term investments

Marketable equity securities are stated at the lower of cost or market value. Stock dividends are treated as an increase in the number of shares. Cost of marketable equity securities sold is determined based on the weighted-average method.

Beneficiary certificates are stated at the lower of cost or market value. The cost of beneficiary certificates sold is determined based on the weighted-average cost method.

When market value is available, short-term notes are stated at the lower of aggregate cost or market value. The costs of these notes, interest income, and gain or loss due to maturity or as a result of sales of notes are determined by the specific identification method.

Bonds and convertible bonds are recorded at the lower of cost or market value. The cost of these bonds sold is determined by the specific identification method.

(7) Unamortized acquisition costs

For Cathay United Bank, commissions and other direct expenses paid on mortgage loans and vehicle loans are capitalized and amortized using the interest method over the term of the loans. The unamortized acquisition costs are recognized as an addition to the related loans; each amortization is recognized against related interest revenue.

(8) Allowance for bad and doubtful debts

For Cathay Life and Cathay Century, allowance for bad debts and doubtful accounts on notes receivable, premium receivable, overdue accounts and loans are determined based on the aging analysis of outstanding balances of such accounts and experience.

For Cathay United Bank, the allowance for bad debts is measured based on the credit rating of the borrower, aging analysis of loans and receivables on the balance sheet date, the value of collateral assets of the borrower and the Rules for Loss Reserve Provision

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of Bank Asset Evaluation, and Bad Debts Provision for Overdue Loans, Delinquent Loans stipulated by the ROC Ministry of Finance (“MOF”). Probable losses are recorded as a provision for credit losses.

For UWCCB, allowance for doubtful accounts on receivables is provided based on the results of a review of the collectibility of account balances and the rates adopted by the relevant regulations. Whenever certain receivables are deemed uncollectible by the management, a charge-off of such receivables based on UWCCB’s relevant regulations is recommended and approved by the Board of Directors.

(9) Long - term investments

A. Long-term investments in stocks

Long-term investments in listed companies in which the Company’s ownership interest is less than 20% of the voting stock, and over which the Company lacks significant operational influence, are stated at the lower of cost or market value. Unrealized loss thereon is reflected as a reduction of shareholders’ equity. Long-term investments in unlisted companies, in which the Company’s ownership interest accounted for less than 20% of the common stock, are stated at cost. However, when there is evidence showing that a decline in market value of such investment is not temporary and is already less than cost, the market value becomes the new cost basis and the difference is accounted for as if it were a realized loss, and included in the determination of net income. Stock dividends are not recognized as income but treated as an increase in the number of shares held. Upon sales of long-term equity investments (accounted for under cost method), the difference between the weighted-average cost and sales price is used to compute the resulting gain or loss.

Investments in equity securities are accounted for under the equity method where the Company’s ownership interest is 20% or more of the voting shares and the Company has significant operational influence.

If changes occur in the capital structure of the investee companies causing an increase or decrease of the value of the stocks, and the Company can no longer maintain its original shareholding, adjustments will be made in the capital surplus and long-term equity investments accounts. If there is any deficiency in the capital

Cathay Financial Holding Co., Ltd. and Subsidiaries
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surplus account, the difference will be debited to the retained earnings account.

The cost of the disposal of an investment is determined by the weighted-average method.

B. Transactions with affiliated companies: Unrealized intercompany gains or losses are eliminated under the equity method. Gains or losses from sales of depreciable assets between the subsidiary and the Company are amortized to income over the economic service lives of the asset. Gains or losses from other types of inter-company transactions are recognized when realized.

C. Long-term investments in bonds

Long-term investments in bonds are accounted for at cost, and any premium or discount is amortized based on a reasonable and systematic basis.

D. Investments in real estate

Investments in real estate are stated at cost when acquired. The cost of investments in real estate and its corresponding revaluation surplus and accumulated depreciation are written off upon retirement or disposal. Gain or loss resulting from disposal of an investment in real estate is classified as an operating gain or loss.

Depreciation is calculated by the straight-line method pursuant to 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 building lease and all are intended for business leasing; rents can be paid yearly, semi-yearly, quarter and lump sum.

(10) Other real estate owned and allowances

Other real estate owned consists of loan-related properties acquired through foreclosure and deed in lieu of foreclosure. Other real estate owned is booked at the acquisition cost from the court. On the balance sheet date, it is stated at the lower of cost or net realizable value. However if there is evidence indicating a decline in the value of the aforementioned asset, the resulting loss is recognized in the period incurred and recorded as a provision for credit losses.

(11) Property and equipment

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Property and equipment are carried at cost. Improvements and major renovation of properties are capitalized, while repairs and maintenance are expensed immediately. Upon disposal of an item of property and equipment, the related cost and accumulated depreciation are removed from the accounts.

Depreciation on depreciable assets is calculated on a straight-line method, based on the useful lives prescribed by the Executive Yuan Depreciation Table. When their economic useful lives expire, property and equipment still in use are depreciated based on the residual value and new estimated remaining useful lives.

(12)Deferred charges

Deferred charges are expense, which are effective more than one year. Deferred charges are amortized over the economic useful life by the straight-line method.

The acquisition cost arising from the purchase of SOGO affinity credit cards business by Cathay United Bank is capitalized and amortized on a straight-line basis over the estimated economic lives of 48 months and is accounted for as other operating cost.

(13)Guaranteed depository insurance payment

Cathay Life and Cathay Century are required under the Article 141 of the ROC Insurance Law (“Insurance Law”) to deposit an amount equal to 15% of the capital stock in the Central Bank. Such deposit is the “Guaranteed Depository Insurance.” The amount was deposited in the form of a bond.

(14)Reserves for operations

A.Cathay Life

Reserves for operations are organized according to the Insurance Law. These reserves include unearned premium reserve, claim reserve, special reserve and reserve for life insurance. Actuaries provide the figures of such reserve in the financial statements.

The MOF passed a new regulation on December 24, 2002. Under this regulation, stating that when the accumulated gross amount of “Special Reserve for the Loss Movement” exceeds 30% of the gross amount of “net earned premium,” its surplus should be treated as income.

In addition, according to the MOF regulation passed on December 30, 2002, the surplus from the “Special Reserve for the Loss Movement” should be placed as special reserve under proprietary equity after the Board of Directors has approved the

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surplus appropriation. This amount may not be allocated or used for other purposes unless approved by the MOF.

Cathay Life had a surplus of NT \$6,249,135 (US\$184,995) from the “Special Reserve for the Loss Movement” in 2002.

B. Cathay Century

Cathay Century’s reserves for operations are organized according to the Insurance Law. These reserves include unearned premium reserve, claim reserve and special reserve. The actuary provides the figures of such reserves in the financial statements.

(15) Reserves for securities trading losses

According to Article 11 of the ROC Rules Governing Securities Firms, Cathay United Bank and UWCCB, which are engaged in the trading of securities, are required to set aside 10% of net realized trading gains as a provision for trading losses. Such reserves for losses can only be used to cover securities trading losses. No further provision is required when the accumulated provision exceeds NT\$200 million (US\$5.92 million).

(16) Reserves for guarantee liabilities

For Cathay United Bank, the reserves for guarantee liabilities are determined by evaluating the potential losses on total outstanding guarantees issued and recorded as “provision for loss on guarantees and trading securities.”

For UWCCB, the reserve for losses on guarantees is computed at the maximum limit allowed by the relevant laws and regulations based on the account balance of guarantees for custom duties, commodity taxes and contracts.

(17) Reserves for losses on stock brokerage transactions

Pursuant to the regulations issued by the MOF, UWCCB’s reserve for possible losses on stock brokerage transactions is based on 0.0028% of the amount of total stock traded derived from stock brokerage business until such reserve reaches the amount of NT\$200 million (US\$5.92 million).

(18) Convertible bonds payable

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The difference between the redemption price and the face value of a convertible bond is amortized by the interest method and is credited to the reserve for bonds redemption accounts. In addition, this amortization is treated as interest expense.

The book value approach is used when the conversion privilege of a convertible bond is exercised. In addition, the accounts of convertible bonds payable and reserve amount for bonds redemption are transferred to the accounts of capital stock and capital surplus and accordingly, no gain or loss is recognized upon conversion.

(19) Insurance premiums income and expenses

For Cathay Life and Cathay Century, direct premiums are recognized on the date the policies became effective. Policy-related expenses are recognized when they are incurred.

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 and based on past experience.

(20) Recognition of interest income, commissions and service fees

Interest income on loans is recognized on an accrued basis. The interest income on the outstanding loans more than three months past due and delinquent loans are recognized on a cash basis. Commissions and service fees are recognized on accrued basis.

(21) Pension plan

The Company has established a pension plan for all employees. Pension plan benefits are based primarily on participants' compensation and the number of years of credited service.

An actuarial valuation of pension liability is performed as of the balance sheet date, and a minimum pension liability will be disclosed in the financial statements based on the difference between the accumulated benefit obligations and the fair value of plan assets.

According to the SFAS No. 23 "Interim Financial Reporting and Disclosures", the interim financial statement is not required to follow the principles outlined in the SFAS No. 18 "Accounting for Pensions".

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(22)Foreign currency transactions

A. Conversion of foreign currency transactions

Foreign currency transactions should be accounted for at cost and recognized on a straight-line method recorded in NT dollars at the spot rate when the transactions occur. Gains or losses resulting from adjustments or settlements of foreign currency assets and liabilities are credited or charged to income in the period of actual conversion or settlement. Foreign currency of long-term investment accounted cumulative translation adjustments are treated as adjustments of stockholders' equity. Year-end foreign currency assets and liabilities are converted at the exchange rate on the balance sheet date, and any gains or losses resulting from the transactions are credited or charged to current income.

Assets and liabilities of UWCCB's foreign branches, which are denominated in local currencies, are converted into NT dollars using the method described in the preceding paragraph. Local currency-denominated income and expenses of such branches are converted at weighted-average rate. Gains or losses resulting from the conversion are treated as "Conversion Adjustments" accounted for under shareholders' equity.

B. Conversion of foreign subsidiaries' statements

Financial statements of foreign subsidiaries accounted for by the equity method are converted into NT dollars as follows: all assets and liabilities denominated in foreign currencies are converted into NT dollars at the exchange rate prevailing on the balance sheet date. Stockholders' equity items are converted on the historical rate basis except for the opening balance of retained earnings, which is posted directly from the balance of the last year. Income statement items are converted by the weighted-average exchange rate for the year. Differences arising from a conversion are reported as "Cumulative Conversion Adjustments" in the section of stockholders' equity as a separate item.

When the financial statements of a foreign operation are converted into the local currency, the foreign currency financial statements should be first converted into the functional currency if the foreign currency is not the functional currency. This process will have the same results as if the transaction is recorded in the functional currency from the beginning. The exchange gain or loss from the conversion is recognized in the current period because it directly affects the cash flows of the foreign operation.

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(23)Income taxes

The Company adopted Statement of Financial Accounting Standards (“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. Furthermore, it requires recognition of temporary differences deferred income tax liabilities, deferred income tax assets, prior year’s loss carry-forwards and investment tax credits. The realization of deferred income tax assets should be further assessed and a valuation allowance will be estimated, if needed. The prior year’s income tax expense adjustment should be recorded as current period income tax expenses in the year of adjustment.

In accordance with article 49 of Financial Holding Company Act, the Company and its subsidiaries company jointly filed corporation income tax returns and 10% surcharge on its inappropriate retained earnings under the Integrated Income Tax System. If there is any tax effects due to adopt forgoing Integrated Income 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 its subsidiaries.

Deferred income tax assets and liabilities are classified as current or non-current depending on the underlying assets or liabilities. Deferred income taxes not relating to assets or liabilities are classified as current or non-current based on the length of the expected realizable or reversible period.

The Company adopted SFAS No. 12, “Accounting for Income Tax Credits,” for deductible income tax. The deductible income tax resulting from the expenditure on the purchase of equipment, R&D, education, training and investment in equity shall be dealt with under the current recognition method.

The additional 10% income tax imposed on undistributed earnings is recognized as expenses on the date of the stockholders’ meeting.

(24)Capital expenditure expenses

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

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(25) Treasury stock

The Company uses the cost method to account for treasury stock. Under the cost method, the treasury stock account is charged to the cost of the shares purchased. When the disposal price of treasury stock is greater than the cost, the difference is credited to capital surplus. If the disposal price is lower than the cost, the difference is debited to capital surplus. If the capital surplus is insufficient to cover the excess of the cost over the price, the difference is charged to retained earnings. The book value of each share of treasury stock is equal to its weighted-average value and is calculated according to its reason for purchase.

When treasury stock is retired, capital surplus and common stock are debited according to the ratio of retired treasury stock to total issued stock. When the book value of the retired treasury stock is higher than the sum of its par value and capital surplus, if the capital surplus account is insufficient to cover the difference, retained earnings should be debited for the remaining amount. When the book value of the retired treasury stock is lower than the sum of its par value and capital surplus, the difference is credited to capital surplus.

In accordance with Article 31 of the Financial Holding Company Act, the Company will adopt Article 28 in dealing with the adjustment of the organization and shareholding of its original investment. A shareholder of a financial holding company can transfer its shares to the employees of the financial holding company or those of its subsidiaries within three years, or treat its shares as the equity transferred in accordance with Paragraph 1, Item 2 of Article 28-2 of the ROC Securities and Exchange Law (“Securities and Exchange Law”), or sell its shares in a securities market or on the stock exchange market, which is excluded from the restriction of Article 38. The Shares that are either not transferred or unsold will be treated as the unissued shares of the financial holding company and will be reported as changes to the government.

Treasury stock of the subsidiaries was converted into common stock of the Company on December 31, 2001. On the basis of the conservative principle and the SFAS No. 30, the par value of these converted stocks is equal to that of the issued common stocks of the Company. These common stocks are under the guidance of Article 31 of the Financial Holding Company Act and Article 28-2 and Article 38 of the Securities and Exchange Law.

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Effective from January 1, 2002, the shares of the Company that the Subsidiaries held as investments were treated as treasury stock to meet the requirements of SFAS No. 30, "Treasury Stock." It is not necessary to retroactively adjust the financial statements for the prior years.

(26) Derivative financial products transaction

A. Transactions on forward exchange contracts are converted into NT Dollars based on the spot rate on the contract date. The difference between the spot rate and the agreed forward rate is amortized over the contract period. At year end, the assets and liabilities of the forward exchange contracts are restated at the prevailing exchange rate, and resulting gains or losses are credited or charged to current income. The net value of receivables and payables of the forward exchange contracts is represented as an asset or a liability in the balance sheet. The exchange gains or losses resulting from the settlement of forward contracts are credited or charged to current income in the year of settlement.

B. Options

Premiums paid or received for options are recorded as assets or liabilities, respectively. Gains or losses on exercise of such option are credited to or charged against current income. As of the balance sheet dates, options are marked to market and the resulting gains or losses are credited or charged to current income.

C. For Cathay United Bank and UWCCB, derivative financial instruments held or issued for trading purposes are recorded at cost upon acquisition and revalued at fair value as of each financial reporting date. Gains and losses resulting from changes in fair value are recognized as current period earnings. Receivables and payables resulting from changes in fair value and from execution of contracts after netting are included in other assets or liabilities.

D. Interest Rate Swaps

Interest rate swap transactions may involve the exchange of fixed-rate interest payment for the market floating-rate interest payment obligation based on a notional principal amount. For interest rate swap transactions undertaken for trading purposes, income and expenses arising upon settlement are netted off and recognized in the statement of income and expenditure.

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E. Cross currency swap (“CCS”)

The purpose of the CCS held by the Company is to hedge the risks that may result from changes in currency rates and interest rates. CCS transactions are recognized based on the spot rate at the contract date. The difference between the spot rate and the agreed forward rate is amortized over the contract period. The exchange gains or losses resulting from the adjustments of the spot rate on the balance sheet date are recognized as current income. The exchange gains or losses resulting from the settlement of the swap are credited or charged to current income at the settlement date. Interest is calculated according to the agreed period at the applicable interest rate. The difference is credited or charged to the current income.

The net value of receivables and payables of the foreign currency options and forward exchange contracts is offset as an asset or a liability in the balance sheet.

F. Forward Rate Agreements (FRA)

Only memo entries of notional principals are made on the contract date for forward rate agreements. For trading FRA, differences in the present value of interest revenue or expense on the balance sheet date are reported as exchange gains or losses. For non-trading FRA, interest receivables or payables accrued per contract rates and the hedged positions are reported as current interest revenue or expense.

(27) Trust funds

Cathay United Bank for the purpose of conversion into a commercial bank, all discretionary trust funds had been completely diminished in accordance with the reduction plan as of December 31, 2001, except for the employee pension trust fund, which should be reduced to zero before July 20, 2003. The employee pension trust fund was approved by the Bureau of Monetary Affairs in October 2001 to be transferred to the Trust Department, and has been managed by the Banking Department. The employee pension trust fund is recorded as deposits of the Banking Department, and the Trust Department only collects a commission fee. Cathay United Bank terminated the aforementioned trust fund on July 20, 2003. However, the reduction plan was behind schedule and Cathay United Bank made arrangements with clients to transfer the employee pension trust fund to the savings trust fund; otherwise, Cathay United Bank returned the employee pension trust fund to clients.

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(28) Commitments and contingent liabilities

Contingent liabilities and commitments should be recorded at estimated amounts if it is probable that they have been incurred and the amounts can be reasonably estimated. If it is not probable, or if the amounts cannot be reasonably estimated, the disclosure should be made in the footnote of the financial statements.

(29) Convenience conversion into U.S. dollars

The financial statements are stated in NT dollars. Conversion of the September 30, 2003 and 2002 NT dollar amounts into U.S. dollar amounts is included in the financial statements solely for the convenience of the readers, using the noon buying rate of NT\$33.78 and 34.92 to US\$1.00 effective on September 30, 2003 and 2002, as provided by the Federal Reserve Bank of New York. The convenience conversion should not be construed as a representation that the NT dollars have been, or could in the future be, converted into U.S. dollars at this rate or any other rate of exchange.

3. Changes in accounting and its effects: None

4. Cash and cash equivalents

	September 30,			
	2003(NT\$)	2003(US\$)	2002(NT\$)	2002(US\$)
Petty cash and cash on hand	\$7,877,526	\$233,201	\$7,517,895	\$215,289
Cash in banks	49,726,408	1,472,067	2,134,993	61,140
Time deposits	10,578,258	313,151	84,565,426	2,421,690
Cash equivalents	64,320,677	1,904,105	45,023,109	1,289,322
Checks for clearing	4,525,141	133,959	4,467,153	127,925
Total	<u>\$137,028,010</u>	<u>\$4,056,483</u>	<u>\$143,708,576</u>	<u>\$4,115,366</u>

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5. Short-term investments

	September 30,			
	2003(NT\$)	2003(US\$)	2002(NT\$)	2002(US\$)
Equity share of listed companies	\$46,909,707	\$1,388,683	\$47,621,387	\$1,363,728
Beneficiary certificates	70,229,150	2,079,016	61,945,409	1,773,924
Government bonds and corporate bonds	76,165,981	2,254,766	94,679,885	2,711,337
Oversea investments	126,663,522	3,749,660	90,552,564	2,593,144
Appoint purpose trust fund	46,894,926	1,388,245	59,383,075	1,700,546
Depository receipt	28,276	837	0	0
Financial debentures	15,299,766	452,924	14,700,000	420,962
Certificates of Deposit	91,125,621	2,697,620	47,194,447	1,351,502
Short-term notes	9,590,536	283,912	18,618,790	533,184
Subtotal	482,907,485	14,295,663	434,695,557	12,448,327
Less: Allowance for valuation loss	(366,997)	(10,864)	(7,540,897)	(215,948)
Total	<u>\$482,540,488</u>	<u>\$14,284,799</u>	<u>\$427,154,660</u>	<u>\$12,232,379</u>

UWCCB's Marketable securities in the amount of NT\$14,375,164 (US\$425,553) and NT\$16,293,367 (US\$466,591) at September 30, 2003 and 2002, respectively, were pledged to other parties as collateral for business reserves and guarantees.

6. Exchange bills negotiated discounted and loans, net

	September 30,			
	2003(NT\$)	2003(US\$)	2002(NT\$)	2002(US\$)
Exchange bills negotiated discounted	\$917,106	\$27,149	\$928,716	\$26,596
Short-term loans and overdrafts	227,750,184	6,742,161	223,878,941	6,411,195
Short-term secured loans and overdrafts	112,084,020	3,318,059	124,761,180	3,572,771
Medium-term loans	49,578,406	1,467,685	50,715,743	1,452,341
Medium-term secured loans	140,434,056	4,157,314	168,980,340	4,839,070
Long-term loans	23,728,719	702,449	19,812,744	567,375
Long-term secured loans	447,869,980	13,258,436	408,656,873	11,702,660
Subtotal	1,002,362,471	29,673,253	997,734,537	28,572,008
Less: Allowance for bad debts	(5,570,986)	(164,920)	(6,986,625)	(200,075)
Total	<u>\$996,791,485</u>	<u>\$29,508,333</u>	<u>\$990,747,912</u>	<u>\$28,371,933</u>

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For Cathay Life and Cathay Century's secured loans are secured by government bonds, stock, corporate bonds and real estate secure loans. Loans with terms for less than one year are classified as short-term loans; loans with terms of more than one year but less than seven years are classified as medium-term loans ; and loans with terms of more than seven years are classified as long-term loans.

For Cathay United Bank and UWCCB, as of September 30, 2003 and 2002, the past-due loans and other credit loans without accrued interest amounted to NT\$14,836,599 (US\$439,213) and NT\$30,349,111 (US\$869,104), respectively, and there are categorized under loans and delinquent loans, respectively. The non-accrued interest income amounted to NT\$626,818 (US\$18,556) and NT\$1,329,681 (US\$38,078), respectively, for the nine-month periods ended September 30, 2003 and 2002.

7. Long-term investments in stocks

<u>Investee</u>	September 30,			
	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	NT\$	US\$	NT\$	US\$
	<u>Book Value</u>	<u>Book Value</u>	<u>Book Value</u>	<u>Book Value</u>
A. Under the equity method:				
WK Technology Fund VI Co., Ltd	\$375,440	\$11,114	\$380,209	\$10,888
Cathay Insurance (Bermuda) Co., Ltd.	53,511	1,584	51,854	1,485
Cathay Venture Capital Corp.	543,539	16,090	303,933	8,704
Vista Technology Venture Capital Corp.	95,453	2,826	99,592	2,852
Omnitek Venture Capital Corp.	150,572	4,458	152,693	4,373
IBT Venture Capital Corp.	565,288	16,735	590,214	16,902
Wa Tech Venture Capital Co., Ltd.	179,871	5,325	180,078	5,157
Cathay Securities Investment Trust Co., Ltd.	202,962	6,008	194,556	5,571
Symphox Information Co., Ltd.	256,198	7,584	265,944	7,616
Lin Yuan Property Management Co., Ltd.	37,059	1,097	31,574	904
Cathay Securities Investment Co., Ltd.	14,844	440	0	0
Cathay Property Insurance Agent Co., Ltd.	6,898	204	8,050	231
Seaward Property Insurance	2,000	59	0	0

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Cathay Pacific Venture Capital Co., Ltd.	595,296	17,623	0	0
Cathay Life Insurance Agent Co., Ltd.	16,505	489	16,641	477
Seaward futures Corp.	1,671,020	49,468	1,676,048	47,997
Seaward Leasing Ltd.	2,171,173	64,274	2,070,400	59,290
Huong Yee Co., Ltd.	0	0	649,511	18,600
Seaward Insurance Agent Corp.	40,325	1,194	39,435	1,129
Seaward Card Co., Ltd.	40,280	1,192	34,008	974
Indovina Bank	443,882	13,140	462,105	13,233
Taiwan Real-estate Management Corp.	54,162	1,603	67,307	1,927
Taiwan Finance Corp.	1,196,385	35,417	1,416,826	40,574
Subtotal	8,712,663	257,924	8,690,978	248,884
Less: Unrealized gain from intercompany transactions	(31,852)	(943)	(87,769)	(2,514)
Long-term investment under the equity method-net	8,680,811	256,981	8,603,209	246,370
B.Long-term investment under the cost method	50,110,760	1,483,445	14,934,424	427,675
Total	\$58,791,571	\$1,740,426	\$23,537,633	\$674,045

8. Long-term investments in bonds

Most of the Long-term bond investments are constituting mainly the government bonds. As of September 30, 2003 and 2002, long-term investments in bonds amounted to NT\$258,445,152 (US\$7,650,833) and NT\$114,754,724 (US\$3,286,218), respectively.

9. Investment in real estate

Item	September 30, 2003							
	Cost		Revaluation Surplus		Accumulated Depreciation		Net Value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Investments in real estate	\$94,247,100	\$2,790,027	\$5,010	\$148	(\$11,529,698)	(\$341,317)	\$82,722,412	\$2,448,858
Construction	11,108,501	328,848	0	0	0	0	11,108,501	328,848
Prepayments for buildings and Land	414	12	0	0	0	0	414	12
Total	\$105,356,015	\$3,118,887	\$5,010	\$148	(\$11,529,698)	(\$341,317)	\$93,831,327	\$2,777,718

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Item	September 30, 2002							
	Cost		Revaluation Surplus		Accumulated Depreciation		Net Value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Investments in real estate	\$86,161,173	\$2,467,387	\$5,132	\$147	(\$10,339,364)	(\$296,087)	\$75,826,941	\$2,171,447
Construction	16,878,691	483,353	0	0	0	0	16,878,691	483,353
Prepayments for buildings and land	4,118	118	0	0	0	0	4,118	118
Total	\$103,043,982	\$2,950,858	\$5,132	\$147	(\$10,339,364)	(\$296,087)	\$92,709,750	\$2,654,918

- (1) The real estate investments are held mainly to generate rental revenue.
- (2) Real estate investment's rents can be paid yearly, semi-yearly, quarterly, monthly and lump sum.
- (3) No investments in real estate were pledged as collateral. The insurance coverage on investments in real estate was stated at book value.

10. Deposits and remittances payable

	September 30,			
	2003(NT\$)	2003(US\$)	2002(NT\$)	2002(US\$)
Check deposit	\$11,509,198	\$340,710	\$8,807,705	\$252,225
Demand deposits	79,817,481	2,362,862	59,334,440	1,699,154
Demand savings deposits	399,617,345	11,829,998	348,250,361	9,972,805
Time deposits	195,972,227	5,801,428	210,327,063	6,023,112
Discretionary pension trust funds	0	0	3,588,627	102,767
Remittances payable	259,523	7,683	313,619	8,981
Bank's debenture	17,350,000	513,618	10,000,000	286,369
Total	\$704,525,774	\$20,856,299	\$640,621,815	\$18,345,413

A. Cathay United Bank

For the purpose of enhancing the ratio of banking capital to risk assets and raising loan funds, Cathay United Bank issued 5-year subordinated financial debentures on April 28, 2003, which were approved by the MOF, with a face value of NT\$2,350,000 (US\$69,568). The significant terms of the aforementioned debentures were as follows:

- (a) Interest: interest paid on April 28 annually with fixed rate 2.0%.

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- (b) Duration: five years (April 28, 2003 to April 28, 2008).
- (c) Repayment term: principal paid at maturity.
- (d) Repayment method: repayment sequence is superior to the allocation of residual property rights of Cathay United Bank's shareholders, but it is inferior to other creditors.

B. UWCCB

	September 30,			
	2003(NT\$)	2003(US\$)	2002(NT\$)	2002(US\$)
Banker's debenture	\$5,000,000	\$148,017	\$0	\$0
Subordinate Banker's debenture	10,000,000	296,033	10,000,000	286,369
Total	\$15,000,000	\$444,050	\$10,000,000	\$286,369

On June 20, 2003, UWCCB issued five-year and six-month banker's debenture amounting to NT\$5,000,000 with a stated interest rate of 3.019%. The banker's debenture are repayable at maturity, and the interests are payable semiannually. Banker's debenture has equal to priority claim on assets and income with other debt. Banker's debenture is senior to common stock.

On May 23, 2002, UWCCB issued five-year subordinated banker's debenture amounting to NT\$5,000,000 with a stated interest rate of 4.15%. On September 10, 2002, UWCCB issued another five-year and six-month subordinated banker's debenture amounting to NT\$5,000,000 with a stated interest rate of 5.9% minus the six-month LIBOR rate. The subordinated banker's debenture are repayable at maturity, and the interests are payable semiannually. Each subordinated Banker's debenture has lower priority claim on assets and income than other debt. That is, its principal and interests are repayable only after more senior debt with higher priority has been satisfied. Subordinated Banker's debenture is senior to common stock.

11. Bonds payable

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	September 30,			
	2003(NT\$)	2003(US\$)	2002(NT\$)	2002(US\$)
Zero Coupon Convertible				
Notes	\$24,500,000	\$725,282	\$24,500,000	\$701,604
Exchange loss (gain)	(847,000)	(25,074)	-	-
Redemption premium payable	1,122,924	33,242	305,324	8,743
Total	<u>\$24,775,924</u>	<u>\$733,450</u>	<u>\$24,805,324</u>	<u>\$710,347</u>

Please see note 25, “Zero coupon convertible notes related information” for details.

12. Reserve for operations and liabilities

	September 30,			
	2003(NT\$)	2003(US\$)	2002(NT\$)	2002(US\$)
Unearned premium reserve	\$13,270,042	\$392,837	\$16,802,339	\$481,167
Reserve for life insurance	1,273,403,222	37,696,957	1,130,868,768	32,384,558
Special reserve	14,870,635	440,220	19,379,672	554,973
Claims reserve	934,216	27,656	834,054	23,885
Reserve for losses on guarantees	28,796	853	162,453	4,652
Reserve for losses on stock brokerage transactions	38,403	1,137	35,132	1,006
Reserves for losses on trading securities	123,974	3,670	62,950	1,803
Total	<u>\$1,302,669,288</u>	<u>\$38,563,330</u>	<u>\$1,168,145,368</u>	<u>\$33,452,044</u>

13. Common stock

As of September 30, 2003 and 2002, the numbers of issued shares, par value of NT\$10 dollars (US\$0.3 dollars), were 8,307,489,100 shares and 6,095,872,818 shares, respectively.

The Company issued 44,850,000 units of Global Depositary Shares (GDSs) representing 448,500,000 common shares, on the Luxembourg Stock Exchange on July 29, 2003. As of September 30, 2003, the outstanding GDS was 44,850,000 units.

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14. Capital surplus

- A. Capital Surplus was NT\$53,101,646 (US\$1,571,985) and NT\$26,526,202 (US\$759,628) in September 30, 2003 and 2002. Before conversion into financial holding company, NT\$267,215 (US\$7,910) and NT\$1,917,548 (US\$54,913) constituted retained earnings of certain Subsidiaries of the Company.
- B. The additional paid-in capital of par value through the exchange 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 additional paid-in capital from the share exchange which comes from the original financial institution's unappropriated retained earnings is allowed to be distributed as cash dividends.
- C. In addition, pursuant to the Company Law, 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. In addition, the amount to be capitalized should not exceed the specific percentage of capital surplus set by the SFC.

15. Retained earnings

A. Legal reserve

Pursuant to the Company Law, 10% of the Company's annual after-tax net income must be allocated as legal reserve until reserve equals the aggregate par value of the Company's outstanding capital stock. Such reserve can only be used to offset deficits cannot to be used for the purposes of cash dividends distributions. However, if the total accumulated legal reserve is greater than 50% of the issued share capital, up to 50% of such excess can be capitalized if agreed by its stockholders.

B. Unappropriated retained earnings

According to the Company Law of the Company's articles of Incorporations, 10% of the Company's annual earnings, after paying tax and offsetting deficits, if any, should first be added to the as legal reserve. After distributing 0.01%~0.05% of total distribution for employees' bonus, the remainder shall be allocated in accordance with the resolutions passed at the stockholders' meeting.

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After conversion into a financial holding company the Subsidiary's treasury stock is treated as the Company's treasury stock without any stockholder rights.

- C. The stockholder's meeting of the Company approved to declare dividends on June 6, 2003. It is the Company's policy to distribute the aforementioned dividends based on its annual earnings by NT\$13,085,153(US\$387,364), its subsidiaries' capital surplus belongs to unappropriated retained earnings before stock conversion by NT\$1,917,548(US\$56,766) and its disposal of fixed assets retransfer as unappropriated retained earnings of NT\$128,170(US\$3,794). As a result, cash dividends in the amount of NT\$1.5(US\$0.04) dollars per share were declared. The ex-dividend was July 11, 2003.
- D. According to the revised Tax Law of 1998, the Company is required to pay an extra 10% income tax on all undistributed retained earnings generated during the year. The regulation above is no longer in effect.
- E. In accordance with SFC 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 from current year's earnings after tax or prior years' unappropriated earnings. However, the special reserve of equal amounts for prior years' accumulated shareholders' equity contra accounts should only be provided from prior years' unappropriated earnings. If a reversal of shareholders' equity contra account occurs, the reversed portion of the special reserve could be distributed as dividends.
- F. In accordance with SFC regulations, subsidiaries of financial holding companies that hold shares of their parent company should treat those shares as treasury stock as of January 1, 2002. The cost of these shares cannot be distributed as special reserve.
- G. Dividends policy

According to the operating program, stock dividends are for the purpose of retaining operating capital. The remainder is distributed in cash, but cash dividends are a minimum of 10% of the dividends declared.

16. Treasury stock

- (1) The following is a summary of the movement of treasury stock for the nine-month periods ended September 30, 2003.

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(Unit: in thousands of shares)

Reason for Transfer				Book Value	Book Value	Per Share	Per Share	Per Share	Per Share	
	Jan. 1, 2003	Increase	Decrease	(in NT thousands of dollars)	(in US thousands of dollars)	Book Value (in NT dollars)	Book Value (in US dollars)	Market Value (in NT dollars)	Market Value (in US dollars)	
To conserve the credit and stockholders' equity of the Company	145,674	0	145,674	0	\$0	\$0	-	-	-	-
Subsidiaries translated it to employees	156,927	0	0	156,927	7,333,863	217,107	\$46.73	\$1.38	\$43.77	\$1.30
Parent's stock that the subsidiaries held were treated as treasury stock	369,490	101	357,886	11,705	555,788	16,453	47.48	1.41	43.77	1.30
Holding subsidiaries' stocks by conversion were treated as treasury stock	348,897	0	93,986	254,911	11,450,762	338,980	44.92	1.33	43.77	1.30
Total	1,020,988	101	597,546	423,543	\$19,340,413	\$572,540				

(2) The Companies' stocks held by subsidiaries are illustrated as follows:

(Unit: in thousands of shares)

Name	Holding share	Amount (in NT thousands of dollars)	Amount (in US thousands of dollars)	Cause	About retained earnings limit	Legal time limit	Resolution determined by the board of directors
Cathay Life	156,927	\$7,333,863	\$217,107	Shares purchased by subsidiaries transferred	Treasury stock doesn't carry any stockholder rights	Within three years	Transferred to Company's employees
Cathay Century	3,397	148,670	4,401	Holding other subsidiaries stock by conversion	None	Within three years	None
Cathay United Bank	1,209	52,901	1,566	"	None	Within three years	None
UWCCB	7,099	310,744	9,199	"	None	Within three years	None
Total	168,632	\$7,846,178	\$232,273				

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(3) Cathay Life

(Unit: in thousands of shares)

Reason for transfer	Jan. 1, 2003	Increase	Decrease	Sep. 30, 2003
Transferred to employees	156,927	0	0	156,927
Total	156,927	0	0	156,927

A. Pursuant to the ROC Securities and Exchange Law, the outstanding issued shares, which a company can acquire as treasury stocks should not exceed 10% of the total shares issued. The limit on reacquisition of shares cannot exceed the sum of the retained earnings plus the premium of issued shares and realized capital surplus. As of December 30, 2001, Cathay Life had acquired 156,927,000 shares of treasury stock for NT\$7,333,863(US\$217,107).

B. Treasury stock of Cathay Life was converted into common stock of Cathay Financial Holding Co., Ltd. on December 31, 2001.

(4) UWCCB

UWCCB adopted SFAS No.30 to account for its stock held by its subsidiary as treasury stock since January 1, 2002. Seaward Leasing Ltd. sold 9,036,000 shares of the UWCCB's stocks, and the transaction was treated as sales of treasury stocks in 2002. Consequently, the amount of \$17,030 (US\$488) thousand was adjusted into the capital reserve account. As of September 30, 2002, 5,249,000 shares of Bank's stock held by its subsidiary with amount of NT\$124,143 (US\$3,555).

17. Personnel, depreciation, depletion and amortizations

(1) The Company

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Item	For the nine-month period ended September 30,2003 (NT\$)			For the nine-month period ended September 30,2002 (NT\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Salary and wages	-	42,611	42,611	-	7,868	7,868
Labor & health Insurance expenses	-	1,290	1,290	-	97	97
Pension expenses	-	877	877	-	-	-
Other expenses	-	9,662	9,662	-	-	-
Depreciation	-	611	611	-	237	237
Depletion	-	-	-	-	-	-
Amortizations	-	109,025	109,025	-	129,833	129,833

Item	For the nine-month period ended September 30,2003 (US\$)			For the nine-month period ended September 30,2002 (US\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Salary and wages	-	1,261	1,261	-	225	225
Labor & health Insurance expenses	-	38	38	-	3	3
Pension expenses	-	26	26	-	-	-
Other expenses	-	286	286	-	-	-
Depreciation	-	18	18	-	7	7
Depletion	-	-	-	-	-	-
Amortizations	-	3,228	3,228	-	3,718	3,718

The total number of employees was 38 on September 30, 2003.

(2) Cathay Life

Item	For the nine months ended Sep. 30, 2003 (NT\$)			For the nine months ended Sep. 30, 2002 (NT\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Salary and wages	15,310,952	2,217,654	17,528,606	15,514,753	2,395,763	17,910,516
Labor & health Insurance expenses	928,323	156,209	1,084,532	860,431	142,966	1,003,397
Pension expenses	707,905	119,120	827,025	657,120	109,184	766,304
Other expenses	831,876	167,549	999,425	895,284	161,464	1,056,748
Depreciation	-	1,654,917	1,654,917	-	1,663,360	1,663,360
Depletion	-	-	-	-	-	-
Amortizations	-	-	-	-	-	-

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Item	For the nine months ended Sep. 30,2003 (US\$)			For the nine months ended Sep. 30,2002 (US\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Salary and wages	453,255	65,650	518,905	444,294	68,607	512,901
Labor & health Insurance expenses	27,482	4,624	32,106	24,640	4,094	28,734
Pension expenses	20,956	3,527	24,483	18,818	3,127	21,945
Other expenses	24,626	4,960	29,586	25,638	4,624	30,262
Depreciation	-	48,991	48,991	-	47,633	47,633
Depletion	-	-	-	-	-	-
Amortizations	-	-	-	-	-	-

The total number of employees was 29,014 on September 30, 2003.

(3) Cathay Century

Item	For the nine-month period ended September 30,2003 (NT\$)			For the nine-month period ended September 30,2002 (NT\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Salary and wages	-	390,008	390,008	-	395,762	395,762
Labor & health Insurance expenses	-	25,799	25,799	-	17,543	17,543
Pension expenses	-	22,728	22,728	-	19,137	19,137
Other expenses	-	159,229	159,229	-	129,683	129,683
Depreciation	-	18,247	18,247	-	12,605	12,605
Depletion	-	-	-	-	-	-
Amortizations	-	3,107	3,107	-	3,466	3,466

Item	For the nine-month period ended September 30,2003 (US\$)			For the nine-month period ended September 30,2002 (US\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Salary and wages	-	11,546	11,546	-	11,333	11,333
Labor & health Insurance expenses	-	764	764	-	502	502
Pension expenses	-	673	673	-	548	548
Other expenses	-	4,714	4,714	-	3,714	3,714
Depreciation	-	540	540	-	361	361
Depletion	-	-	-	-	-	-
Amortizations	-	92	92	-	99	99

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The total number of employees was 791 on September 30, 2003

(4) Cathay United Bank

Item	For the nine-month period ended September 30, 2003(NT\$)			For the nine-month period ended September 30, 2002(NT\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Salary and wages	-	567,808	567,808	-	531,621	531,621
Labor & health Insurance expenses	-	61,376	61,376	-	52,183	52,183
Pension expenses	-	23,984	23,984	-	20,844	20,844
Other expenses	-	79,213	79,213	-	47,929	47,929
Depreciation	-	113,579	113,579	-	102,020	102,020
Depletion	-	-	-	-	-	-
Amortizations	46,436	27,218	73,654	121,827	14,749	136,576

Item	For the six-month period ended September 30,2003 (US\$)			For the six-month period ended September 30,2002 (US\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Salary and wages	-	16,809	16,809	-	15,224	15,224
Labor & health Insurance expenses	-	1,817	1,817	-	1,494	1,494
Pension expenses	-	710	710	-	597	597
Other expenses	-	2,345	2,345	-	1,373	1,373
Depreciation	-	3,362	3,362	-	2,922	2,922
Depletion	-	-	-	-	-	-
Amortizations	1,375	805	2,180	3,489	422	3,911

The total number of employees was 1,219 on September 30, 2003.

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(5) UWCCB

Item	For the nine-month period ended September 30, 2003(NT\$)			For the nine-month period ended September 30, 2002(NT\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Salary and wages	-	1,898,450	1,898,450	-	1,921,308	1,921,308
Labor & health Insurance expenses	-	191,612	191,612	-	181,719	181,719
Pension expenses	-	247,070	247,070	-	231,106	231,106
Other expenses	-	409,695	409,695	-	377,096	377,096
Depreciation	-	465,296	465,296	-	445,592	445,592
Depletion	-	-	-	-	-	-
Amortizations	-	46,648	46,648	-	37,324	37,324

Item	For the nine-month period ended September 30,2003 (US\$)			For the nine-month period ended September 30,2002 (US\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Salary and wages	-	56,200	56,200	-	55,020	55,020
Labor & health Insurance expenses	-	5,672	5,672	-	5,204	5,204
Pension expenses	-	7,314	7,314	-	6,618	6,618
Other expenses	-	12,128	12,128	-	10,799	10,799
Depreciation	-	13,774	13,774	-	12,760	12,760
Depletion	-	-	-	-	-	-
Amortizations	-	1,381	1,381	-	1,069	1,069

The total number of employees was 2,551 on September 30, 2003.

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18. Estimated income taxes

A. Income tax expenses include the following:

	For the nine-month period ended September 30,			
	2003(NT\$)	2003(US\$)	2002(NT\$)	2002(US\$)
Expected income tax expense	\$1,656,722	\$49,044	\$1,494,683	\$42,803
Plus: Interest income of tax on a separate basis	254,329	7,529	479,662	13,736
Extra 10% income tax on undistributed retained earnings	145,590	4,310	224,012	6,415
Deferred income tax expenses (benefits)	1,201,649	35,573	(3,951,480)	(113,158)
Adjustment of income tax	(300,046)	(8,882)	(31,560)	(904)
Less: Income tax credit	(13,270)	(393)	(120,134)	(3,440)
Tax effects under integrated income tax systems	(145,590)	(4,310)	0	0
Total income tax expenses (benefit)	<u>\$2,799,384</u>	<u>\$82,871</u>	<u>(\$1,904,817)</u>	<u>(\$54,548)</u>

In accordance with Article 49 of Financial Holding Company Act, the Company selected to be the taxpayer and filed income tax returns with a 10% surcharge on the undistributed retained earnings for both itself and its domestic subsidiaries, on the basis that the Company holds more than 90% of the outstanding issued shares of subsidiaries for the entire tax year.

B. Income tax return:

(1) The Company's income tax returns, up until 2001, have been reviewed and approved by the Tax Authority.

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- (2) Cathay Life Company's income tax returns, except for the year 1994, 1995, 1997 and 1999, had been filed and assessed by the Tax Authorities as the end of the year 2000. Due to the bond interest argument, Cathay Life had filed a counterclaim through Administrative proceedings against its prior bondholders. In the meantime, the tax authority is still seeking appropriated amended procedures for 1994, 1995, 1997 income tax returns of Cathay Life. However, Cathay Life disagreed with the assessments for 1998, and petitioned the Administrative Court.
- (3) Cathay Century's income tax returns, up until 2001 except for 1999, have been reviewed and approved by the Tax Authority.
- (4) Except for 1999, the ROC tax authority has examined and assessed Cathay United Bank's income tax returns through 2001. The withholding tax on the interest of prior bondholders in 1994, 1995 and 2001, amounting to NT\$46,298, NT\$37,542 and NT\$4,658, respectively, was rejected by the tax authority as being able to offset income tax payable. The amount has been accounted for as tax expense for financial reporting purposes. Cathay United Bank disagreed with these assessments and petitioned for a remedy. As of the report date, the tax returns for 1999 and 1995 were under reassessment, after the supreme administrative and advanced administrative courts had both dismissed the prior assessments by the tax authority.
- (5) UWCCB's income tax returns for the year 1998 and the years prior to the 1998 have been determined.
- (6) UWCCB's income tax returns for the year from 1999 to 2002 are being examining by the Tax Authority.
- (7) The tax authority assessed an additional NT\$193,319 on UWCCB's 1994 income tax payment. UWCCB contested the assessment and on July 30, 2002, the tax authority determined that NT\$153,319 can be used to offset the additional income tax payment.
- (8) A valuation allowance has been established on the basis of UWCCB's income tax returns for the years from 1995 to 1998; UWCCB did not agree with the assessment and appealed to the Tax Authorities. The claim is in the process of being reviewed by the Tax Authority.

C. Information related tax imputation:

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a. The Company

	September 30,			
	2003(NT\$)	2003(US\$)	2002(NT\$)	2002(US\$)
Balance of imputation credit account	\$2,171	\$64	\$541,034	\$15,494
	<u>September 30,</u> <u>2003(Actual)</u>		<u>September 30,</u> <u>2002(Actual)</u>	
Imputation credit account ratio	35.69%		30.60%	

b. Cathay Life

	September 30,			
	2003 NT\$	2003 US\$	2002 NT\$	2002 US\$
Balance of imputation credit account	\$82,872	\$2,453	\$3,465,270	\$99,235
		<u>September 30,</u> <u>2003 (Actual)</u>	<u>September 30,</u> <u>2002 (Actual)</u>	
Imputation credit account ratio		30.17%	33.33%	

c. Cathay Century

	September 30,			
	2003 NT\$	2003 US\$	2002 NT\$	2002 US\$
Balance of imputation credit account	\$176,389	\$5,222	\$121,707	\$3,485
		<u>September 30,</u> <u>2003 (Actual)</u>	<u>September 30,</u> <u>2002 (Actual)</u>	
Imputation credit account ratio		33.33%	33.33%	

d. Cathay United Bank

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	September 30,			
	2003	2003	2002	2002
	NT\$	US\$	NT\$	US\$
Balance of imputation credit account	\$120,998	\$3,582	\$240,214	\$6,879

	September 30,	
	2003 (Actual)	2002 (Actual)
	Imputation credit account ratio	33.33%

e. UWCCB

	September 30			
	2003	2003	2002	2002
	NT\$	US\$	NT\$	US\$
Balance of imputation credit account	\$165,507	\$4,900	\$315,404	\$9,032

	September 30,	
	2003 (Actual)	2002 (Actual)
	Imputation credit account ratio - Cash dividend	16.57%
Imputation credit account ratio - Stock dividend	23.80%	32.49%

D. Information relating of undistributed earnings:

Year	For the nine month periods ended September 30,			
	2003(NT\$)	2003(US\$)	2002(NT\$)	2002(US\$)
Prior to 1997	\$267,215	\$7,910	\$869,860	\$24,910
After 1998	0	0	1,047,688	30,003
Total	\$267,215	\$7,910	\$1,917,548	\$54,913

Net income for the nine-month periods ended September 30, 2003 and 2002 does not classify as undistributed retained earnings generated after 1998.

The undistributed earnings include additional paid-in capital from the stock conversion, which comes from the original financial institution's unappropriated retained earnings and is allowed to be distributed as cash dividends.

The undistributed retained earnings generated before 1997 accumulating all the subsidiaries' unappropriated retained earnings before the stock conversion.

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19. Earnings per share

	For the nine-month period ended September 30, 2003								
	Amount (Numerator)				Shares (denominator)	EPS			
	Before income taxes		After income taxes			Before income taxes		After income taxes	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Net income	\$23,720,266	\$702,198	\$20,920,882	\$619,327					
Primary earnings per share									
Net income for common stock holder	23,720,266	702,198	20,920,882	619,327	7,532,906,194	\$3.15	\$0.09	\$2.78	\$0.08
Effect of potentially dilutive common stock									
Convertible bonds payable	606,445	17,953	454,834	13,465	421,873,327				
Fully-diluted earnings per share									
Net income for common stock holder & effect of potentially common stock	24,326,711	720,151	21,375,716	632,792	7,954,779,521	\$3.06	\$0.09	\$2.69	\$0.08
	For the nine-month period ended September 30, 2002								
	Amount (Numerator)				Share (denominator)	EPS			
	Before income taxes		After income taxes			Before income taxes		After income taxes	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Net income	(\$6,114,968)	(\$175,114)	\$6,461,877	\$185,048					
Primary earnings per share									
Net income for common stock holder	(6,114,968)	(175,114)	6,461,877	185,048	5,810,440,042	(\$1.05)	(\$0.03)	\$1.11	\$0.03

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20. Related party transactions

(1) Related parties

Name	Relationship
Cathay Venture Capital Corp.	The investee is accounted for using the equity method
Cathay Pacific Venture Capital Co., Ltd.	The investee is accounted for using the equity method
Cathay Real Estate Development Co., Ltd.	Affiliate
San Ching Engineering Co., Ltd.	Affiliate
Lin Yuan Property Management Co., Ltd.	The investee is accounted for using the equity method
Lin Yuan Investment Co., Ltd.	Their chairman is a second immediate family member of the company's chairman
Cathay General Hospital	Affiliate
Cathay Life Charity Foundation	Affiliate
Wan Pao Development Co., Ltd.	Their chairman is a second immediate family member of the company's chairman
Cathay Insurance (Bermuda) Co., Ltd.	The investee is accounted for using the equity method
Symphox Information Co., Ltd.	The investee is accounted for using the equity method
Cathay Securities Investment Co., Ltd.	The investee is accounted for using the equity method
Cathay Life Insurance Agent Co., Ltd.	The investee is accounted for using the equity method
Cathay Property Insurance Agent Co., Ltd.	The investee is accounted for using the equity method
Cathay Securities Investment Trust Co., Ltd.	The investee is accounted for using the equity method
Seaward Futures Corp.	The investee is accounted for using the equity method
Seaward Leasing Ltd.	The investee is accounted for using the equity method
Seaward Insurance Agent Corp.	The investee is accounted for using the equity method
Huong Yee Co., Ltd.	The investee is accounted for using the equity method
Taiwan Real-estate Management Corp.	The investee is accounted for using the equity method
Taiwan Finance Corp.	The investee is accounted for using the equity method

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Seaward Card Co., Ltd.	The investee is accounted for using the equity method
Seaward Property Insurance Agent Corp.	The investee is accounted for using the equity method
Indovina Bank	The investee is accounted for using the equity method
Gemfor Tech Co.	Their Chairman of the Board is the president of the UWCCB
China England Company Ltd. and etc.	Investee company of UWCCB
Culture and Charity Foundation of the UWCCB	UWCCB is the major sponsor of the Foundation
Taiwan Cooperative Bank, and etc.	Former directors or supervisors of UWCCB (resigned since December 18, 2003 as UWCCB join the Cathay Financial Holding Group)
Taipei Smart Card Corp.	Investee Company of UWCCB
Wu Ming-Yang	Senior manager of Cathay Century
KG Telecommunication Ltd.	Cathay Life is to occupy the supervisor for KG Telecommunication Ltd.

(2) *Significant transactions with related parties:*

A. Property transactions (from related parties):

- a. Transactions between the Company and related parties consist of real estate, constructions, and lease transactions. The terms of such transactions are based on market surveys and contracts of both parties.

Name	For the nine-month period ended September 30, 2003		
	Item	NT\$	US\$
	The construction build or extend:		
San Ching Engineering Co., Ltd.	Tainmu jungcheng	\$9,241	\$274
	Cathay Information Building	22,122	655
	Hsinyi District Base-D	571,197	16,909
	Tucheng office Building	14,897	441
	Other	2,901	86
	Sub-total	620,358	18,365
Cathay Real Estate Development Co., Ltd.	Hsinyi District Base-D	3,749	111
	Other	2,240	66
	Sub-total	5,989	177
	Total	\$626,347	\$18,542

Cathay Financial Holding Co., Ltd. and Subsidiaries
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Name	For the nine-month period ended September 30, 2002		
	Item	NT\$	US\$
	The construction build or extend:		
San Ching Engineering Co., Ltd.	Tainan Shopping Center	\$2,136,925	\$61,195
	Lin Yuan Financial building	722,412	20,688
	Taitung Building	136,214	3,901
	Cathay General Hospital of Hsinchu	508,566	14,564
	Hsinyi District Base-D	444,395	12,726
	Other	84,603	2,422
	Sub-total	4,033,115	115,496
Cathay Real Estate Development Co., Ltd.	Other	1,817	52
	Total	\$4,034,932	\$115,548

1. The total amount of construction contracts for real estate on September 30, 2003 and 2002 between the Company and San Ching Engineering Co., Ltd. are NT\$10,139,651 (US\$300,167) and NT\$19,695,495 (US\$564,018) respectively. Up to September 30 2003 and 2002, NT\$9,440,322 (US\$279,465) and NT\$15,719,726 (US\$450,164), respectively, had been paid according to the schedule of construction contracts.
2. In the nine-month periods ended September 30, 2003 and 2002, Cathay United Bank engaged San Ching Engineering Co., Ltd. to install office equipment and furniture, and to decorate office buildings and workplaces. The installation fees amounted to NT\$17,531 (US\$519) and NT\$3,849 (US\$110) for the nine-month periods ended September 30, 2003 and 2002, respectively. As of September 30, 2003 and 2002, the foregoing installation fees had been paid off.
3. As of September 30, 2003, UWCCB has paid off NT\$792 (US\$23) of total purchase amount of NT\$1,980 (US\$59) for the web design service provided by Gemfor Tech Co.
4. During the nine-month period ended September 30, 2002, UWCCB had purchased equipment amounting to NT\$32,881 (US\$942) from Gemfor Tech Co.
5. UWCCB paid project and construction management service fees to Taiwan Real Estate Management Corp. in the amount of NT\$558 (US\$17) and NT\$1,573 (US\$45) in the nine-month periods ended September 30, 2003 and 2002, respectively.

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6. UWCCB has paid the typing system for 24-hour self-service banking center to San Ching Engineering Co., Ltd. for NT\$3,020 (US\$89) in the nine-month period ended September 30, 2003.
7. For the nine-month periods ended September 30, 2003 and 2002, the Company and the Subsidiaries did not repurchase any property and investments it had previously sold.
8. Cathay Life acquisition of property and equipment information:

Name	Item	For the nine-month period ended September 30,			
		<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
		NT\$	US\$	NT\$	US\$
Symphox Information Co., Ltd.	Communication and transportation equipment	\$1,560	\$46	\$0	\$0
	Other equipment	0	0	26,874	770
		<u>\$1,560</u>	<u>\$46</u>	<u>\$26,874</u>	<u>\$770</u>

b. Real-estate rental income from Cathay Life and UWCCB:

Name	Rental income			
	For the nine-month period ended September 30,			
	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	NT\$	US\$	NT\$	US\$
Cathay Real Estate Development Co., Ltd.	\$22,010	\$652	\$23,182	\$664
San Ching Engineering Co., Ltd.	14,439	427	14,930	428
Cathay Securities Investment Trust Co., Ltd.	6,684	198	6,834	196
Cathay General Hospital	171,193	5,068	90,579	2,594
Symphox Information Co., Ltd.	22,536	667	22,888	655
Cathay Securities Investment Co., Ltd.	3,105	92	0	0
Lin Yuan Property Management Co., Ltd.	324	10	0	0
Lin Ynan Investment Co., Ltd.	98	3	77	2
KG Telecommunication Co., Ltd.	5,854	173	0	0
Seaward Leasing Ltd.	1,497	44	1,535	44
Taipei Smart Card Corp.	5,447	161	0	0
Culture and Charity Foundation of the UWCCB	250	7	250	7
Total	<u>\$253,437</u>	<u>\$7,502</u>	<u>\$160,275</u>	<u>\$4,590</u>

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Name	Guarantee deposits received			
	September 30,			
	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	NT\$	US\$	NT\$	US\$
Cathay Real Estate Development Co., Ltd.	\$12,386	\$367	\$12,386	\$355
San Ching Engineering Co., Ltd.	6,779	201	6,828	195
Cathay General Hospital	1,985	59	1,983	57
Cathay Securities Investment Trust Co., Ltd.	2,144	64	2,144	61
Symphox Information Co., Ltd.	1,421	42	70	2
Lin Yuan Investment Co., Ltd.	16	0	16	1
Lin Yuan Property Management Co., Ltd.	49	1	0	0
KG Telecommunication Co., Ltd.	8,354	247	0	0
Total	<u>\$33,134</u>	<u>\$981</u>	<u>\$23,427</u>	<u>\$671</u>

According to previously signed contracts, lease terms with third parties are usually 2 to 5 years and rental collections are received monthly.

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

Name	Rental Expense			
	For the nine-month period ended September 30,			
	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	NT\$	US\$	NT\$	US\$
Cathay Real Estate Development Co., Ltd.	\$33,706	\$998	\$30,415	\$871
Lin Yuan Investment Co., Ltd.	3,345	99	0	0
Seaward Leasing Ltd.	257	8	0	0
Total	<u>\$37,308</u>	<u>\$1,105</u>	<u>\$30,415</u>	<u>\$871</u>

Name	Guarantee Deposits paid			
	September 30,			
	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	NT\$	US\$	NT\$	US\$
Cathay Real Estate Development Co., Ltd.	\$12,760	\$378	\$12,760	\$365
Lin Yuan Investment Co., Ltd.	1,650	49	0	0
Seaward Leasing Ltd.	42,000	1,243	42,000	1,203
Total	<u>\$56,410</u>	<u>\$1,670</u>	<u>\$54,760</u>	<u>\$1,568</u>

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According to contracts, terms of lease from the third party generally expire in 3 years, and rentals are paid monthly.

B. Short-term investment

a. Beneficiary certificates

Name	Transaction type	September 30,			
		<u>2003</u> NT\$	<u>2003</u> US\$	<u>2002</u> NT\$	<u>2002</u> US\$
Cathay Securities	Equity Fund	\$814,321	\$24,107	\$570,452	\$16,336
Investment Trust Co., Ltd.	Bond Fund	3,399,601	100,639	2,212,923	63,371
	Total	<u>\$4,213,922</u>	<u>\$124,746</u>	<u>\$2,783,375</u>	<u>\$79,707</u>

b. Marketable securities-stock

There wasn't such transaction in the nine-month period ended September 30, 2003.

Name	Item	September 30, 2002		
		Stocks (In thousands)	Cost	
			NT\$	US\$
San Ching Engineering Co., Ltd.	Lin Yuan Property Management Co., Ltd.	2,700	\$27,000	\$773

C. Deposits

As of September 30, 2003 and 2002, Cathay United Bank's deposits from related parties amounted to NT\$2,955,357 (US\$87,488) and NT\$1,882,270 (US\$53,902). The related interest expenses paid to related parties for the nine-month periods ended September 30, 2003 and 2002, amounted to NT\$88,375 (US\$2,616) and NT\$31,668 (US\$907), respectively.

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Except for the staff savings accounts and 0% interest rate on checking accounts, all other interest expense was computed at the general market rate, ranging from 0% to 2.65% and 0% to 5.30% during the nine-month periods ended September 30, 2003 and 2002, respectively. The details of deposit balances (over NT\$0.1 billion) were as follows:

Name	September 30, 2003			
	Maximum Amount NT\$	Ending Balance NT\$	Rate	Interest Expense NT\$
Cathay Real Estate Development Co., Ltd.	\$925,682	\$83,701	0%~0.50%	\$21

Name	September 30, 2003			
	Maximum Amount US\$	Ending Balance US\$	Rate	Interest Expense US\$
Cathay Real Estate Development Co., Ltd.	\$27,403	\$2,478	0%~0.50%	\$1

Name	September 30, 2002			
	Maximum Amount NT\$	Ending Balance NT\$	Rate	Interest Expense NT\$
Cathay Real Estate Development Co., Ltd.	\$625,952	\$100,553	0%~5.10%	\$139

Name	September 30, 2002			
	Maximum Amount US\$	Ending Balance US\$	Rate	Interest Expense US\$
Cathay Real Estate Development Co., Ltd.	\$17,925	\$2,880	0%~5.10%	\$4

D.Loans

As of September 30, 2003 and 2002, Cathay United Bank loans to related parties amounted to NT\$14,847 (US\$440) and NT\$7,263 (US\$208), respectively.

The interest revenue received from related parties for the nine-month periods ended September 30, 2003 and 2002, amounted to NT\$251 (US\$7) and NT\$382 (US\$11), respectively, with interest rates ranging from 2.125% to 13.45% and 4.75% to 5.58%, respectively.

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E. Regular secured loans

As of and for the nine-month period September 30, 2003				
Name	Maximum Amount NT\$	Ending Balance NT\$	Rate	Interest Income NT\$
Cathay General			3.67%~	
Hospital	\$1,173,912	\$1,173,368	4.25%	\$34,345
Wu Ming-Yang	3,189	2,409	3.50%	71
Total		<u>\$1,175,777</u>		<u>\$34,416</u>

As of and for the nine-month period September 30, 2003				
Name	Maximum Amount US\$	Ending Balance US\$	Rate	Interest Income US\$
Cathay General			3.67%~	
Hospital	\$34,752	\$34,736	4.25%	\$1,017
Wu Ming-Yang	94	71	3.50%	2
Total		<u>\$34,807</u>		<u>\$1,019</u>

As of and for the nine-month period September 30, 2003				
Name	Maximum Amount NT\$	Ending Balance NT\$	Rate	Interest Income NT\$
Cathay General			4.36% ~	
Hospital	\$1,174,594	\$1,174,088	5.21%	\$41,858
Wu Ming-Yang	3,309	3,230	4.25%	71
Total		<u>\$1,177,318</u>		<u>\$41,929</u>

As of and for the nine-month period September 30, 2003				
Name	Maximum Amount US\$	Ending Balance US\$	Rate	Interest Income US\$
Cathay General			4.36% ~	
Hospital	\$33,637	\$33,622	5.21%	\$1,199
Wu Ming-Yang	95	92	4.25%	2
Total		<u>\$33,714</u>		<u>\$1,201</u>

F. Receivables

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Name	September 30,			
	<u>2003</u> NT\$	<u>2003</u> US\$	<u>2002</u> NT\$	<u>2002</u> US\$
Notes Receivable				
Cathay General Hospital	\$57,192	\$1,693	\$47,597	\$1,363
Symphox Information Co., Ltd.	582	17	1,351	39
Sub-total	<u>57,774</u>	<u>1,710</u>	<u>48,948</u>	<u>1,402</u>
Account Receivable				
Cathay Insurance (Bermuda) Co., Ltd.	2,124	63	0	0
Total	<u>\$59,898</u>	<u>\$1,773</u>	<u>\$48,948</u>	<u>\$1,402</u>

G. Payable

Name	September 30,			
	<u>2003</u> NT\$	<u>2003</u> US\$	<u>2002</u> NT\$	<u>2002</u> US\$
Cathay Real Estate Development Co., Ltd.	\$1,417	\$42	\$2,088	\$60
Seaward Card Co., Ltd.	25,494	755	24,934	714
Lin Yuan Property Management Co., Ltd.	39,341	1,164	55,667	1,594
Symphox Information Co., Ltd.	24,855	736	131,443	3,764
Total	<u>\$91,107</u>	<u>\$2,697</u>	<u>\$214,132</u>	<u>\$6,132</u>

H. Prepayments

Name	September 30,			
	<u>2003</u> NT\$	<u>2003</u> US\$	<u>2002</u> NT\$	<u>2002</u> US\$
Symphox Information Co., Ltd.	\$23,553	\$697	\$145,275	\$4,160

Prepayment is to set up the Internet.

I. Accounts Collected in Advance

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Name	September 30,			
	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	NT\$	US\$	NT\$	US\$
Cathay General Hospital	\$119,205	\$3,529	\$295	\$8
San Ching Engineering Co., Ltd.	0	0	26	1
Total	<u>\$119,205</u>	<u>\$3,529</u>	<u>\$321</u>	<u>\$9</u>

J. Premium revenues

Name	For the nine-month period ended September 30, 2003			
	Direct Written Premiums		Premiums Receivable	
	NT\$	US\$	NT\$	US\$
Cathay General Hospital	\$5,095	\$151	\$2,491	\$74
Others	2,918	86	567	17
Total	<u>\$8,013</u>	<u>\$237</u>	<u>\$3,058</u>	<u>\$91</u>

Name	For the nine-month period ended September 30, 2002			
	Direct Written Premiums		Premiums Receivable	
	NT\$	US\$	NT\$	US\$
Cathay General Hospital	\$4,083	\$117	\$1,806	\$52
Others	1,977	57	187	5
Total	<u>\$6,060</u>	<u>\$174</u>	<u>\$1,993</u>	<u>\$57</u>

K. Reinsurance income

Name	For the nine-month period ended September 30,			
	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	NT\$	US\$	NT\$	US\$
Cathay Insurance (Bermuda) Co., Ltd.	<u>\$50,530</u>	<u>\$1,496</u>	<u>\$64,228</u>	<u>\$1,839</u>

Cathay Insurance (Bermuda) Co., Ltd. reinsurance effective April 1, 2000, assumed damage reinsurance from RGA and CRC and re-direct 90% of reinsurance to Cathay Life.

L. Commissions and Handling fees

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Related parties	For the nine-month period ended September 30,			
	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	NT\$	US\$	NT\$	US\$
Seaward Futures Corp.	\$2,258	\$67	\$801	\$23

M. Reinsurance expense

Name	For the nine-month periods ended September 30,			
	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	NT\$	US\$	NT\$	US\$
Cathay Insurance (Bermuda) Co., Ltd.	\$31,048	\$919	\$41,448	\$1,187

Reinsurance is at this company's expense to pay Cathay Insurance (Bermuda) Co., Ltd.

N. Commissions expense

Name	For the nine-month period ended September 30,			
	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	NT\$	US\$	NT\$	US\$
Cathay Life Insurance Agent Co., Ltd.	\$35,425	\$1,049	\$25,234	\$723
Seaward Insurance Agent Corp.	72,939	2,159	63,051	1,805
Total	\$108,364	\$3,208	\$88,285	\$2,528

O. Credit card processing charges

Related parties	For the nine-month period ended September 30,			
	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	NT\$	US\$	NT\$	US\$
Seaward Card Co., Ltd.	\$242,458	\$7,178	\$182,405	\$5,224

P. Other expense (Marketing expense)

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	For the nine-month period ended September 30,			
	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	NT\$	US\$	NT\$	US\$
Symphox Information Co., Ltd.	\$291,565	\$8,631	\$181,970	\$5,211

Q. Other expense (Administrative and general expense)

	For the nine-month period ended September 30,			
	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	NT\$	US\$	NT\$	US\$
Lin Yuan Property Management Co., Ltd.	\$542,787	\$16,068	\$726,606	\$20,808
Cathay Securities Investment Co., Ltd.	25,000	740	0	0
Cathay Real Estate Development Co., Ltd.	14,725	436	1,429	41
Total	\$582,512	\$17,244	\$728,035	\$20,849

R. Temporary payments and suspense accounts

	September 30,			
	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	NT\$	US\$	NT\$	US\$
Cathay Securities Investment Co., Ltd.	\$0	\$0	\$237	\$7

21. Pledged assets

a. Cathay Life:

Item	September 30,			
	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	NT\$	US\$	NT\$	US\$
Long-term Investment in Bonds	\$7,951,632	\$235,395	\$9,214,378	\$263,871
Time Deposits	1,013,750	3,010	712,950	20,417
Total	\$8,965,382	\$238,405	\$9,927,328	\$284,288

Cathay Financial Holding Co., Ltd. and Subsidiaries
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The pledged assets are disclosed at their net carrying values.

As of September 30 2003 and 2002, Cathay Life pledged its investments in real estate and time deposits as collateral to the renters. As requested by the tenant, Cathay Life agrees to purchase the time certificates by the security deposit received as a guarantee. In addition, these deposits serve as guarantees for the Law court. Further, pursuant to Article 141 of the Insurance Law, Cathay Life should deposit long-term investment in bonds equal to an amount of 15% of its capital into the Central Bank as capital guaranteed deposits.

b. Cathay Century:

Item	September 30,			
	2003		2002	
	NT\$	US\$	NT\$	US\$
Government bonds	\$361,523	\$10,702	\$366,438	\$10,494

(1) According to Article 141 of the Insurance Law, Cathay Century should deposit long-term investment in bonds, in an amount equal to 15% of its capital, into the Central Bank as capital guarantee deposits.

(2) The pledged assets are disclosed at their net carrying values.

c. Cathay United Bank

The operating deposits of Cathay Bank, composed of cash, time deposits and bonds stated at cost adjusted for amortization of premium or discount, were as follows:

Item	September 30,			
	2003		2002	
	NT\$	US\$	NT\$	US\$
Cash	\$194,753	\$5,766	\$182,939	\$5,239
Government bonds and financial debentures	1,022,525	30,270	2,452,622	70,235
Time deposits (issued by the Central Bank) and negotiable certificates of deposit	3,650,000	108,052	1,215,000	34,794
Time deposits due from banks	-	-	287,000	8,219
Total	<u>\$4,867,278</u>	<u>\$144,088</u>	<u>\$4,137,561</u>	<u>\$118,487</u>

Cathay Financial Holding Co., Ltd. and Subsidiaries
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d. UWCCB

(1) Securities purchased of NT\$14,375,164 (US\$425,553) and NT\$16,293,367 (US\$466,591) at September 30, 2003 and 2002, respectively, were pledged to other parties as collateral for business reserves and guarantees.

22. Other important matters and contingent liabilities

(1) Cathay Life

As of September 30, 2003 signed sales contracts and construction contracts of approximately NT\$2,946 million (US\$87 million) are either not completed or still in progress. About NT\$2,020 million (US\$60 million) had been paid as of September 30, 2003.

(2) Cathay Century

a. Cathay Century income tax returns, except for 1999 tax returns, have been filed and approved by the Tax Authorities until year 2001. In tax year 2000 and 2001, Cathay Century was assessed by the Tax Authority to pay overdue taxes in the amount of NT\$7,690 (US\$228) and NT\$2,474 (US\$73), respectively. Cathay Century has appealed against this assessment.

b. By September 30 2003, Cathay Century had made some significant rental contracts. Based on these, Cathay Century estimate that the rent payments for the following 5 years should be as below:

Year	Amount NT\$	Amount US\$
October 01, 2003 ~September 30, 2004	\$54,752	\$1,621
October 01, 2004 ~September 30, 2005	56,349	1,668
October 01, 2005 ~September 30, 2006	57,995	1,717
October 01, 2006 ~September 30, 2007	59,690	1,767
October 01, 2007 ~September 30, 2008	61,435	1,819
Total	\$290,221	\$8,592

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(3) Cathay United Bank

- a. Guarantees on commercial paper issued for customers and loans secured by other banks amounted to NT\$5,200,796 (US\$153,961). The reserve for guarantees amounted to NT\$10,000 (US\$296) and was determined by evaluating the potential losses of total outstanding guarantees issued.
- b. Unused commercial letters of credit which were issued for customers amounted to NT\$392,782 (US\$11,628).
- c. Cathay United Bank entered into contract for significant equipment renovation, purchase and maintenance of computer hardware and software due to operating requirements. As of September 30, 2003, the contracts for equipment renovation and computer purchase delivered but not yet tested, and for maintenance services provided already, amounted to NT\$118,031 (US\$3,494).
- d. Total repurchase prices of bonds and bills sold under repurchase agreements amounted to NT\$8,896,072 (US\$263,353).
- e. Cathay United Bank entered into certain operating leases for its branch premises and equipment (including leasing office premises from related parties). As of September 30, 2003, the related refundable deposits amounted to NT\$60,255 (US\$1,784). The estimated future lease payments under the lease contracts were as follows:

Fiscal Year	Amount NT\$	Amount US\$
October 01, 2003 ~September 30,2004	\$221,643	\$6,561
October 01, 2004 ~September 30, 2005	121,673	3,602
October 01, 2005 ~September 30, 2006	88,204	2,611
October 01, 2006 ~September 30, 2007	82,191	2,433
October 01, 2007 ~September 30,2008	91,375	2,705
Total	<u>\$605,086</u>	<u>\$17,912</u>

Cathay Financial Holding Co., Ltd. and Subsidiaries
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f. Trust fund assets/liabilities

Cathay United Bank is permitted, under the ROC Trust Law, to engage in trust operations. As of September 30, 2003 and 2002, the trust fund assets amounted to NT\$25,293,104 (US\$748,760) and NT\$3,588,627 (US\$102,767), respectively.

(4) UWCCB

As of September 30, 2003, UWCCB had the following commitments and contingent liabilities, which are not, reflected in the financial statements:

a. Collection and guarantee assets and liabilities:

	Amount	Amount
	NT\$	US\$
Securities purchased under agreements to resell	\$3,029,856	\$89,694
Securities sold under agreements to repurchase	19,358,623	573,079
Trust and security held for safe keeping	433,695,621	12,838,828
Guarantees on duties and contracts	12,750,451	377,456
Unused commercial letters of credit	1,987,275	58,830
Loan commitments	19,353,121	572,917
Credit card lines	41,237,566	1,220,769
Travelers checks for sale	751,060	22,234
Bills for collection	52,652,301	1,558,683
Stamp tax, securities and memorial currency consignments in	2,573	76

b. As of September 30, 2003, UWCCB had various lawsuits, claims and proceedings of considered normal to its operations are pending against UWCCB, the most significant ones are described below:

(1) In 1997, the certificate of certified deposit in the amount of \$600 million with Chung Shing Bank requested from Polaris International Securities Investment Trust Co., Ltd. (formerly Chronicle Securities Investment Trust Co., Ltd.) was found to be a forgery made by Mr. Chung-For Su. UWCCB has filed a suit in the higher court claiming for the NT\$600 million.

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(2) In 1996, customers claimed that UWCCB was responsible for making restitution for the amount of approximately NT\$24,000 because safe-deposit boxes were stolen at the Chung-Li Branch. The higher court ordered UWCCB to make restitution for NT\$12,634 UWCCB is filing an appeal. The claim is still in the Supreme Court. UWCCB also has filed insurance claims against Taiwan Secom Co., Ltd. relating to the loss mentioned above.

(3) In 2001 unauthorized transactions were made by UWCCB's employees in the amount of approximately NT\$60,204 and NT\$89,307, respectively. Pursuant to a court order, UWCCB has held the employees' personal properties or related deposits as collateral, which may be sold to cover the loss.

The management believes that the amount of contingent liability, if any, after deducting an appropriate reserve with respect to these actions, will not materially affect the financial statements of UWCCB.

c. As of September 30, 2003, UWCCB has entered into certain contracts to purchase premises and equipment totaling NT\$528,326 (US\$15,640) with prepayments of NT\$309,403 (US\$9,159).

23.Serious damages: None

24.Subsequent events

As of September 30,2003, Cathay Life held treasury stock total of 156,927,000 shares, please see note 14 "Treasury Stock", among which 105,376,000 shares had been transferred to Company's employees at transferred price NT\$40.54/share (US\$1.2/share), the Company's treasury stock holding has been reduce to 51,551,000 shares as a result of this transfer.

25.Other important events

(1) Pension related information

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

(2) Derivative financial instruments related information

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A. The Company

a. Credit and market price risk

The Company has entered into certain derivative transactions, including interest rate swaps (“IRS”) and foreign currency options with high credit rating financial institutions. Losses incurred from fluctuations of exchange rate and interest rate can be offset by forward hedging contracts.

b. Liquidity and cash requirement

The primary objective of IRS and foreign currency options is to limit exchange rate and interest rate exposures related to assets and liabilities denominated in foreign currencies and foreign currency commitments, and bearing fixed interest rates. As there will be cash inflow and cash outflow on the expiration date of an IRS contract, no material fund raising risk and cash flow risk.

c. Interest Rate Swaps (IRS)

(a) The purpose of the IRS held by the Company is to hedge the risks that may result from changes in currency rates and interest rates. IRS transactions may involve the exchange of fixed-rate interest payment for the market floating-rate interest payment obligation based on a notional principal amount. For interest rate swaps transactions undertaken for trading purposes, income and expenses arises upon settlement are netted off and recognized in the statement of income.

(b) As of September 30, 2003, the Company has IRS contracts of approximately US\$700,000. The maturity dates of IRS are from May 20, 2002 to May 20, 2007.

d. Foreign currency options

As of September 30 2003:

Counterpart	Effective Date	Put Date	Amount (in thousands of dollars)
Goldman Sachs International	2002.05.20	2005.5.20; 2007.5.20	US\$600,000

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B. Cathay Life

a. Purpose

Effective September 30, 2003 Cathay Life Insurance hold derivative financial instruments: Futures, Forward Contracts and Interest Rate Swap Agreement. Futures hedge risk against stock price fluctuation; forward contracts hedge risk against foreign currency and exchange rate fluctuation; interest rate swap agreement hedges risk against interest rate fluctuation. These are tradable activities categorize as non-trade.

b. Credit and market risk

The counterpart of future contract buy & sell, forward exchange trade, interest swap was an international financial organization with superior creditability; in addition, the Company worked with several other financial institutions to diversify risks; possibility of breaching contact, as a result, was quite low. And if they did, the Company would not encounter major loss due to the nature of risk avoidance the trading had. Further, the Company was exposed to varied exchange rate market risk but the possible loss can be balanced out by gain/loss, which derived from risk avoidance foreign credits and debts exchange rate assessment.

c. Futures

September 30, 2002				
				Net loss of Fair Value
	Item	Lot	Contract amount	estimated
TX	Selling out	150	NT\$169,230	NT\$3,455
			US\$5,010	US\$102

All futures transactions have been offset as of September 30, 2002.

d. Forward Contracts

(a) Receivables and payables resulting from forward contracts are offset against each other. The differences between receivables and payables should be listed as assets or liabilities.

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(b) As of September 30, 2003 and 2002, Cathay Life has forward exchange contracts of approximately US\$9,235,800 and US\$3,702,000, respectively, in notional value.

The nine-month periods ended September 30, 2003 forward contracts are due from the period of October 1, 2003 to December 2, 2004. In addition, the 2002 forward contracts are due from period October 1, 2002 to October 29, 2003.

		September 30, 2003			
Item	Contract Amount	Fair Value		Due Value	
		NT\$	US\$	NT\$	US\$
Forward & CCS	US\$11,274,800	\$382,423,730	\$11,321,010	\$388,168,512	\$11,491,075

		September 30, 2002			
Item	Contract Amount	Fair Value		Due Value	
		NT\$	US\$	NT\$	US\$
Forward & CCS	US\$6,392,000	\$221,873,164	\$6,353,756	\$219,306,083	\$6,280,243

The above-mentioned forward contracts agreement hedges against risk in association with net capital exchange rate fluctuation.

		September 30,	
Net capital		2003	2002
Short-term investment		US\$11,274,800	US\$6,392,000

The forward contacts agreement listed loss amount is about NT\$713,846 (US\$21,132) to this company for the nine-month period ended September 30, 2003.

e. Interest Rate Swap Agreement (“IRS”)

IRS agreements are applied to hedge the fluctuation risk in interest rate with several banks. The floating exchange rate is used in place of the fixed exchange rate for hedging the interest risk. As of September 30, 2003, the IRS agreements of Cathay Life are summarized as following:

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Category	Period	Amount
IRS	2002.09.03~2010.08.28	NT\$35,500,000 US\$1,050,918

C. Cathay Century

a. Credit and market risk

Cathay Century enters into forward contracts with financial institutions having good credit ratings. In addition, Cathay Century enters into contracts with many financial institutions to hedge risk. Forward hedging contracts can offset losses incurred from exchange rate fluctuation.

b. Cash flow and demand

As cash inflow and cash outflow will be automatically offset against each other on the expiration date of forward contract, no demand for substantial cash flow is expected.

c. Forward contract

(a) Receivables and payables resulting from forward contracts are offset against each other. The differences between receivables and payables should be listed as assets or liabilities.

(b) As of September 30, 2003 and 2002, Cathay Century has forward exchange contracts of approximately US\$54,000 and \$0, respectively in notional value.

D. Cathay United Bank

a. Foreign exchange forward and swap contracts

Cathay United Bank enters into foreign exchange forward contracts and swap contracts for the purpose of hedging foreign exchange risk. The foreign exchange forward contracts and swap contracts are recorded at acquisition cost and valued at the spot currency rate on the balance sheet date. As of September 30, 2003, receivables and payables resulting from foreign exchange forward contracts and swap contracts, which are recorded at net receivable amount, amounted to NT\$6,101 (US\$181). As of September 30, 2003, the unsettled balance of foreign exchange forward contracts and swap contracts amounted to US\$40,030, JPY 440,000 and EUR 2,000 and HK\$3,500, with maturity dates ranging from October 1 to December 29, 2003.

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Credit risk arises when the transaction counterparty fails to perform its contractual obligation. When derivative financial instruments are profitable, credit risk increases. To lower credit risk effectively, Cathay United Bank takes the same policy as for loans, primarily by setting credit limiting and limits its selection of counterparties to those with high credit ratings. Because the counterparties of foreign forward contracts are international banking institutions with high credit ratings, the possibility of default on the contractual obligations is very low.

Market risk is the possible loss arising from the fluctuations in market interest rates or exchange rates. To reduce interest and exchange rate exposures, Cathay United Bank has maintained its net foreign currency positions within certain limits to reduce market risk.

Liquidity risk arises when the contract cannot be cleared in the anticipated time period. Cathay United Bank monitors liquidity risk by requiring credit authorization, setting position limits, maintaining stop-loss levels and using internal control procedures. To manage adverse movements in interest rates and foreign exchange rates, Cathay United Bank has diversified its selection of currencies to those with high liquidity (primarily the U.S. dollar, Euro, and Japanese Yen) for interest rate and foreign exchange contracts held or issued.

b. Options

Cathay United Bank engaged in option transactions to comply with the new business of combined foreign currency deposits. Depositors include savings deposit clients and internationally well-know banks, which have to qualify under the risk management assessment of Cathay United Bank. The deposit clients are those who deposit their principal in Cathay United Bank and use the interest earned to buy the options. Therefore, the credit risk is very low. In order to eliminate the potential market risk, Cathay United Bank will buy opposite options at the same time the clients buy their options.

c. As of September 30, 2003 and 2002, the nominal principal and fair value of derivative contracts which had not matured were as follows:

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	September 30, 2003			
	Nominal principal		Fair value	
	NT\$	US\$	NT\$	US\$
Trading				
Swap contracts	\$4,780,836	\$141,529	\$6,456	\$191
Foreign exchange forward	223,397	6,613	443	13
Options	-	-	-	-
	September 30, 2002			
	Nominal principal		Fair value	
	NT\$	US\$	NT\$	US\$
Trading				
Swap contracts	\$944,692	\$27,053	(\$2,359)	(\$68)
Foreign exchange forward	69,836	2,000	43	1
Options	28,074	804	-	-

E. UWCCB

In a normal course of business, UWCCB is a party to a variety of off-balance sheet and derivative instruments, including forward exchange contracts, interest rate swaps and cross-currency interest rate swaps, and options. These financial instruments involve varying degrees of risks. These transactions are typically customer-driven and are not for trading purposes. The related information is as follows:

- a. Notional and credit risk amounts for derivative financial instruments (In thousands of US dollars)

Derivative Financial Instruments	September 30, 2003		September 30, 2002	
	Notional Amount	Credit Risk	Notional Amount	Credit Risk
Foreign Exchange Contracts				
Forward Contracts	\$1,302,603	\$14,541	\$718,833	\$8,804
Options	-	-	1,527	3
Interest Rate Contracts				
Interest Rate Swaps	177,037	4,771	158,722	4,133
Forward Rate Agreement	50,000	-	-	-
Cross-currency Interest Rate Swaps	17,995	188	93,270	627

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Credit risk is the possibility of loss if counterparty fails to perform its contracted obligations under the terms of a derivative financial instrument. The above amount of credit risk represents the loss, which UWCCB would suffer if counterparties fail to perform according to the terms of the contract after the effect of the master netting agreements.

Foreign exchange contracts constitute agreements to exchange designated currencies on a specified date at a predetermined price. UWCCB enters into foreign exchange contracts to provide foreign exchange to its clients as hedging instruments. All client positions are entered into under the approved credit limits and under the similar policies and procedures used for lending activities to ensure that exposure to all clients is actively monitored and controlled. Certain clients are required to provide collateral, general cash, before entering into these transactions. This measure is deemed necessary over the life of the contract to reduce UWCCB's credit exposure on these positions.

Interest rate swaps entered into by UWCCB have remaining maturities ranging from four months to approximately five years and nine-month period on September 30, 2003. Interest rate swaps represents agreements between two parties to exchange periodic interest payments, most often fixed versus floating, and are based on a notional principal amount.

Cross-currency interest rate swaps entered into by UWCCB, with remaining maturities ranging from two months to three years as of September 30, 2003, involve an exchange of principal balances denominated in two different currencies at the inception of the contract, an exchange of interest payments during the life of the contract and another exchange of the principal balance at a specified future date. The above non-trading swap transactions are used to hedge UWCCB's balance sheet position of foreign marketable securities, foreign certified deposits and foreign liquidity gap. The swap contracts entered into by UWCCB are made with major international financial institutions within approved credit limits based on each financial institution's world ranking and credit rating. This limits the risk associated with these swap contracts.

To limit the credit exposure arising from the option transaction UWCCB maintains its transactions with counterparty that have deposit in UWCCB or other major financial institutions. Consequently, UWCCB does not anticipate significant loss due to credit risk.

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b. Market risk

Market risk is the potential loss arising from adverse future changes in market rates and prices, such as interest rate, foreign currency exchange rate, and price of equity securities. Market risk includes interest rate risk, equity price risk and foreign exchange rate risk. The related risks for UWCCB's derivative financial instruments are as follows:

Items	September 30, 2003	September 30, 2002
Interest rate risk	US\$77,465	US\$120,697
Foreign exchange risk	422,438	139,330

The overall value of market risk of UWCCB's derivative financial instruments is less than the aggregate market risk of individual instruments mentioned above.

c. Liquidity risk, cash flow risk and the uncertainty of amount and period of future cash flow

The table below summarizes the expected cash outflow for UWCCB's derivative financial instrument activities:

Period	September 30, 2003	September 30, 2002
0-1 year	US\$716	US\$1,492
1-2 year	2,785	955
2-3 year	2,785	954
3-4 year	2,389	890
Above 4 year	2,215	169

The uncertainty of the fluctuation for future interest rate and foreign exchange rates will affect the amount of the expected cash outflow. The level of uncertainty corresponds to the time frame.

The liquidity of forward exchange contracts entered into by UWCCB with customers is generally low. However, UWCCB provides this financial instrument to its customers as a hedging instrument and also requires customers to provide related trading documents to execute the trade. Since UWCCB and

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customers both commit to perform according to the terms of the forward exchange contract, the liquidity risk of the forward exchange contract should be immaterial. In the meantime, UWCCB also enters into forward exchange contracts with international financial institutions. The liquidity risk of this type of transaction is very low because UWCCB could buy or sell forward exchange contracts at any time on the secondary market. Though the liquidity of interest rate swaps and cross-currency interest rate swaps is not high, the liquidity risk associated with these financial instruments should be low because most of the trading participants will hold these financial statements to maturity.

A summary of the notional amount of UWCCB's liquidity risk related to outstanding derivative financial instruments appears in the table below:

Items	Notional Amount	
	September 30, 2003	September 30, 2002
Interest rate swaps	US\$177,037	US\$158,722
Cross-currency interest rate swaps	17,995	93,270

- d. The policies for disclosed gains or losses of derivative financial instruments on financial statements are summarized as follows:

Assets and liabilities arising from trading forward contracts are recorded at the contract forward rate. Upon settlement, gains or losses caused by the difference between the spot rate at the settlement date and the contracted forward rate are credited or charged to income. As of the balance sheet date, the gains or losses on outstanding forward contracts arising from the differences between the forward available for the remaining period of each contract and the contracted forward rate are credited or charged to income. The balance of accounts receivable and payable caused by forward contracts are netted on the balance sheet date, and the difference is treated as an asset or liability.

The notional amount is not recorded for interest rate swaps. In the meantime, the differential to be received or paid, calculated by the difference between fixed vs. floating rates, is recorded as adjustment of interest income.

Assets and liabilities caused by cross-currency interest rate swaps are recorded at the agree-upon forward rate. The differential to be received or paid is recorded as an adjustment of interest income.

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For options contracts, only memorandum entries of notional principle are made on the contract date. Gains or losses on exercise of the option are credited to or charged again current income. At balance sheet dates, options are marked to market and the resulting gains or losses are recognized currently.

Only memo entries of notional principals are made on the contract date for forward rate agreements. For trading FRA, differences in the present value of interest revenue or expense on the balance sheet date are reported as exchange gains or losses. For non-trading FRA, interest receivables or payables accrued per contract rates and the hedged positions are reported as current interest revenue or expense.

e. Off-balance-sheet credit risk

UWCCB entered into certain transactions with customers to repurchase or resell securities or short-term notes for business purposes. UWCCB also provides various types of loans and credit card services. The term for the related loans depends on the credit status of the borrowers. The interest rate for credit card loans is 19.7%. UWCCB also provides guarantees for loans and commercial letters of credit. These guarantees represent an irrevocable obligation to pay a third-party beneficiary in the event a customer fails to meet a financial or performance obligation and the maturity dates of guarantees are not in one particular period.

A summary of the contract amount of each significant class of off-balance sheet credit related financial instruments outstanding appear in the table below:

Items	September 30,			
	2003(NT\$)	2003(US\$)	2002(NT\$)	2002(US\$)
Securities purchase under agreements to resell	\$3,029,856	\$89,694	\$3,248,379	\$93,023
Securities sold under agreements to repurchase	19,358,623	573,079	21,257,879	608,759
Loan commitments	19,353,121	572,917	22,212,455	636,096
Credit card lines	41,237,566	1,220,769	32,605,909	933,732
Guaranty and Commercial letters of credit	14,737,726	436,286	16,480,172	471,941

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These financial instruments will not be fully paid before maturity. Therefore, the total contract amount of these contracts does not necessarily represent future cash requirements. The maximum amount of possible losses for the above off-balance sheet credit related financial instruments are approximately the contractual amounts if borrowers failed to perform according to the terms of the contract and if the value of existing collateral became worthless.

UWCCB enforces a strict policy of evaluating customers' credit status when providing securities sold under agreements to repurchase, securities purchased under agreements to resell, loan commitments, and commercial letters of credit transactions. Certain customers are required to provide appropriate collateral for the related loan, and UWCCB retains the legal right to foreclose or liquidate the collateral. Generally, this collateral includes cash, real estate, securities, or other properties. Credit card lines are not secured and may be cancelled by UWCCB following periodic reviews of customers' credit status.

(3) Non-derivative financial instruments related information

A. The Company

The book value of non-derivative Financial Instruments held by the Company as of September 30, 2003, is the same as the estimated fair market value.

B. Cathay Life

Except for the item listed in the following table, the book value of non-derivative financial instruments as of September 30, 2003 and 2002 is the same as the estimated fair market value:

Item	September 30, 2003			
	Book Value		Fair Value	
	NT\$	US\$	NT\$	US\$
Short-term Investment	\$326,942,272	\$9,678,575	\$333,696,751	\$9,878,530

Item	September 30, 2002			
	Book Value		Fair Value	
	NT\$	US\$	NT\$	US\$
Short-term Investment	\$300,638,871	\$8,609,361	\$300,638,871	\$8,609,361

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C. Cathay Century

Except for the item listed in the following table, the book value of non-derivative financial instruments as of September 30, 2003 and 2002 is the same as the estimated fair market value:

Item	September 30, 2003			
	NT\$		US\$	
	Book Value	Fair Value	Book Value	Fair Value
Shot-term Investment	\$1,915,123	\$2,038,891	\$56,694	\$60,358

Item	September 30, 2002			
	NT\$		US\$	
	Book Value	Fair Value	Book Value	Fair Value
Shot-term Investment	\$1,938,542	\$1,938,542	\$55,514	\$55,514

D. Cathay United Bank

a. Estimated fair values of the Cathay United Bank's financial instruments

The book values and the estimated fair values of Cathay United Bank's financial instruments are as follows:

	<u>September 30, 2003</u>		<u>September 30, 2002</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
	NT\$	NT\$	NT\$	NT\$
Financial assets:				
Cash and due from banks		\$14,741,141	\$13,668,076	\$13,668,076
	\$14,741,141			
Due from Central Bank	10,960,044	10,960,044	8,069,551	8,077,911
Bills and securities purchased, net	3,592,004	3,592,004	7,190,989	7,190,989
Receivables	27,888,193	27,888,193	18,632,120	18,632,120
Loans and exchange bills				
negotiated and discounted	119,020,093	119,020,093	106,637,105	106,637,105
Long-term investment	15,211,090	15,056,024	454,986	470,384
Other assets	8,386,615	8,344,952	9,108,960	9,215,601
Financial liabilities:				
Due to banks	3,596,392	3,596,392	437,760	437,760
Accrued expenses	6,393,931	6,393,931	4,398,357	4,398,357
Deposits and remittances payable	177,502,987	177,502,987	151,319,387	151,319,387
Financial debentures	2,350,000	2,350,000	-	-
Other liabilities	171,232	171,232	151,323	151,323
Off-balance-sheet financial instruments:				
Guarantees on loans and letters of credit	-	5,200,796	-	6,568,989

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	<u>September 30, 2003</u>		<u>September 30, 2002</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
	US\$	US\$	US\$	US\$
Financial assets:				
Cash and due from banks	436,387	436,387	391,111	391,411
Due from Central Bank	324,454	324,454	231,087	231,326
Bills and securities purchased, net	106,335	106,335	205,928	205,928
Receivables	825,583	825,583	533,566	533,566
Loans and exchange bills				
negotiated and discounted	3,523,389	3,523,389	3,053,754	3,053,754
Long-term investment	450,299	445,708	13,029	13,470
Other assets	248,272	247,038	260,852	263,906
Financial liabilities:				
Due to banks	106,465	106,465	12,536	12,536
Accrued expenses	189,282	189,282	125,955	125,955
Deposits and remittances payable	5,254,677	5,254,677	4,333,316	4,333,316
Financial debentures	69,568	69,568	-	-
Other liabilities	5,069	5,069	4,333	4,333
Off-balance-sheet financial instruments:				
Guarantees on loans and letters of credit	-	153,961	-	188,115

The following methods and assumptions were used to estimate the fair values of financial instruments.

- (i) The book value reported in the balance sheet for short-term financial instruments approximates the fair value due to their short maturity period or due to their amounts being similar to the amounts of receipt and payment of these instruments in the near future. This approach applies to cash amounts due from banks, call loans to banks, deposit reserves due from the Central Bank, receivables, other assets (excluding delinquent loans) and accrued expenses, and other liabilities.
- (ii) The fair values of bills and securities purchased and of deposit reserves for trust funds in the form of securities and of other assets are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on financial or other information.
- (iii) Loans and exchange bills negotiated and discounted, due to banks, deposits and financial debentures are the interest-bearing financial assets and liabilities, and the evaluation of collectable amount. Their book value approximates fair value.
- (iv) The fair values of financial guarantees are based on the contract value.

b. Financial instruments with off-balance sheet credit risk

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By engaging in the business of loans and issuing credit cards, Cathay United Bank holds large credit commitments. During the nine-months periods ended September 30, 2003 and 2002, according to the different types of loans, the interest rates on loans ranged from 2.01% to 13.32% and 2.31% to 14.43%, respectively. The maximum credit card interest rate at the reporting date was 19.89%. Cathay United Bank also provided guarantees and letters of credit to guarantee customers' performance of obligations to third parties. These agreements generally extend for up to one year. Expirations are not concentrated in any particular period.

Most of the contracts are expected to expire without any payment by Cathay United Bank, and accordingly, the total contractual amounts do not necessarily represent future cash payments. The future cash flow requirement will be less than the contract amount. The maximum loss on each guarantee is equal to the contractual amount, which does not take into account the value of any collateral.

Cathay United Bank's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. Guarantees and letters of credit are also subject to strict credit assessments before being provided. As of September 30, 2003 and 2002, the ratios of secured loans to total loans (excluding credit card operations) was 76.57% and 80.79%, respectively, and the extent of collateral held for guarantees and letters of credit was 42.49% and 38.62%, respectively. Collateral for loans, guarantees, and letters of credit is usually in the form of time deposits, marketable securities, real estate, or other property. When customers are in default, Cathay United Bank can forcibly execute its related collateral or security rights.

Credit card commitments are unsecured. Periodic review of cardholders' credit status is performed to adjust card limits if necessary.

Cathay United Bank required strict credit assessment in the investment in CLN, CCN and SLN. The criteria on the investment objectives were referred to the stipulation of the MOF. The assessment was based on having financial institutions with sound finances and good reputations, or the linked investing objectives ranked "long-term bond rating BBB-" or "short-term bond rating A-3 grade" and above assessed by Standard & Poor's Corporation or with "long-term bond rating Baa3" or "short-term bond rating P-3 grade" and above assessed by Moody's Investor Service. The credit ratings of the above-mentioned investing objectives were all above these grades, and no material credit risk existed during the nine-month period ended September 30, 2003. Cathay United Bank has been periodically assessing the credit and financial position of the issuers and the linked investing objectives. When credit risks arise, the Bank may take necessary action, or dispose of its investments.

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c. Information on concentrations of credit risk

The concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for individuals or groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Cathay United Bank does not have material concentrations of credit risk with respect to any individual customer or counterparty but is exposed to counterparty default with respect to its portfolio concentrations in certain industries. The information on concentrations of credit risk of more than 10% of Cathay United Bank's loan balance by industry is as follows:

	<u>September 30, 2003</u>		<u>September 30, 2002</u>	
	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>
Manufacturing	\$14,763,124	\$437,037	\$15,420,211	\$441,587
Real estate and lease	13,619,031	403,169	15,735,844	450,625
Others (less than 10% of loans)	<u>91,437,368</u>	<u>2,706,849</u>	<u>76,109,769</u>	<u>2,179,547</u>
	<u>\$119,819,523</u>	<u>\$3,547,055</u>	<u>\$107,265,824</u>	<u>\$3,071,759</u>

The credit risk represents the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. The collateral requirements for loans are described in paragraph (b).

E. UWCCB

a. Fair value of financial instruments

As of September 30, 2003 and 2002, except as stated in the table below, the carrying amounts of financial assets and liabilities reported on the balance sheets are approximately equal to their carrying values:

<u>Financial Assets</u>	<u>September 30, 2003(NT\$)</u>		<u>September 30, 2003(US\$)</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Securities purchased	\$150,598,487	\$151,422,268	\$4,458,214	\$4,482,601
Investments	11,583,504	11,669,845	342,910	345,466

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Financial Assets	September 30, 2002(NT\$)		September 30, 2002(US\$)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Securities purchased	\$117,065,500	\$117,380,245	\$3,352,391	\$3,361,404
Investments	12,543,271	12,565,000	359,200	359,822

Fair value amounts of securities purchased and investments were based on quoted market price, if available, if quoted market prices did not exist, fair values were estimated according to book value or other financial resources.

b. Others

(1) Concentration aggregation of credit risk

When counterparties of financial instrument transactions are significantly concentrated on one particular person or most of the counterparties perform similar business or have the similar business characteristic, UWCCB is exposed to credit risk when such counterparties fail to live up to the terms of the contract under certain economic circumstances. UWCCB mitigates this risk by diversifying counterparties and customers. The table below summarizes this risk by type of industry and geographic region:

Items	September 30,			
	2003(NT\$)	2003(US\$)	2002(NT\$)	2002(US\$)
Bills and loans, customers' liabilities under acceptances and guarantees account				
Geographic Region				
Domestic	\$396,379,472	\$11,734,147	\$397,934,846	\$11,395,614
South East Asia	9,409,948	278,566	8,438,416	241,650
North East Asia	516,427	15,288	429,490	12,299
North America	6,322,975	187,181	5,986,820	171,444
Others	3,756,754	111,212	6,645,286	190,300
Total	<u>\$416,385,576</u>	<u>\$12,326,394</u>	<u>\$419,434,858</u>	<u>\$12,011,307</u>
Industry type				
Manufacturing	\$50,518,626	\$1,495,519	\$54,039,161	\$1,547,513

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Financial institutions and insurer	25,996,870	769,594	24,196,488	692,912
Leasing and real estate	65,602,629	1,942,055	75,111,049	2,150,947
Individuals	180,048,395	5,330,030	163,057,045	4,669,446
Others	94,219,056	2,789,196	103,031,115	2,950,490
Total	<u>\$416,385,576</u>	<u>\$12,326,394</u>	<u>\$419,434,858</u>	<u>\$12,011,308</u>
Credit Card				
Gold card	\$11,025,811	\$326,401	\$8,190,442	\$234,549
Regular card	2,621,765	77,613	2,486,281	71,199
Advance	6,327	187	2,120	61
Total	<u>\$13,653,903</u>	<u>\$404,201</u>	<u>\$10,678,843</u>	<u>\$305,809</u>

The amount of possible losses for the above credit-related loan approximated to those notional amounts if borrowers failed to perform according to the terms of the contract and the value of existing collateral became worthless.

(4) Discretionary account management

A. Cathay Life

For the periods September 30, 2002 and 2003, Cathay Life fully authorized security investment trust at own expense to handle discretionary account management operation, items invested are:

Item	September 30, 2003			
	Book Value		Fair Value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$1,068,292	\$31,625	\$1,055,747	\$31,254
Repurchase bonds	5,591,046	165,514	5,592,124	165,545
Convertible bond	543,464	16,088	578,541	17,127
Governmental bonds	1,185,010	35,080	1,180,976	34,961
Cash in bank	205,480	6,083	205,480	6,083
Net other assets less liabilities	(8,576)	(254)	(8,576)	(254)
Total	<u>\$8,584,716</u>	<u>\$254,136</u>	<u>\$8,604,292</u>	<u>\$254,716</u>

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Item	September 30, 2002			
	Book Value		Fair Value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$1,794,489	\$51,389	\$1,628,543	\$46,636
Repurchase bonds	3,052,469	87,413	3,052,469	87,413
Convertible bond	260,257	7,453	260,257	7,453
Short-term securities	572,077	16,383	572,077	16,383
Governmental bonds	2,993,524	85,725	3,017,337	86,407
Cash in bank	304,819	8,729	304,819	8,729
Net other assets less				
liabilities	60,727	1,739	60,727	1,739
Total	<u>\$9,038,362</u>	<u>\$258,831</u>	<u>\$8,896,229</u>	<u>\$254,760</u>

As of September 30, 2003 and 2002, the securities investment and trust company had recorded that Cathay Life had discretionary account management contracts in the amount of NT\$7,800,000 (US\$230,906) and NT\$9,000,000 (US\$257,732), respectively.

B. Cathay Century

Item	September 30, 2003			
	Book value		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$11,738	\$347	\$11,953	\$354
Cash in bank	38,156	1,130	38,156	1,130
Net other assets less				
liabilities	(52)	(2)	(52)	(2)
Total	<u>\$49,842</u>	<u>\$1,475</u>	<u>\$50,057</u>	<u>\$1,482</u>

Item	September 30, 2002			
	Book value		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$18,414	\$527	\$17,190	\$492
Cash in bank	26,209	751	26,209	751
Net other assets less				
liabilities	73	2	73	2
Total	<u>\$44,696</u>	<u>\$1,280</u>	<u>\$43,472</u>	<u>\$1,245</u>

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As of September 30, 2003 and 2002, the securities investment had recorded that Cathay Century had discretionary account management contracts in the amount of NT\$50,000(US\$1,480) and NT\$50,000(US\$1,432), respectively.

(5) Zero coupon convertible notes related information:

Issuer: Cathay Financial Holding Co., Ltd., a financial holding company organized under the Financial Holding Company Act and the Company Law. Cathay Financial Holdings' registration number issued by the Ministry of Economic Affairs of the ROC is 118958.

Offering: The Purchaser is offering outside United States the International Notes in reliance on Regulation S under the U.S. Securities Act ("Regulation S") and is offering Rule 144A Notes concurrently in the United States through its selling agent, only to institutions that are qualified institutional buyers (or QIBs) (as defined in Rule 144A).

Issue amount: US\$700 million.

Issue price: 100%.

Maturity date: May 20, 2007.

Interest: The Notes will not bear interest except in the limited circumstances.

Conversion rights:

Subject to certain conditions, each holder of the Notes (the "Holder") will have the right during the conversion period to convert its Notes (or any portion thereof being US\$1,000 dollars in principal amount or an integral multiple thereof) into common shares and, upon conversion may, subject to compliance with the terms and conditions of the applicable deposit agreement, direct that the common shares deliverable upon conversion be deposited with the depository for issuance of GDSs, provided, however, that the conversion right during any closed period shall be suspended and the conversion period shall not include any such closed period. Cathay Financial Holdings shall as soon as practicable but in no event more than five trading days from the conversion date deliver common shares to the converting holders or the depository, as the case may be.

Repurchase at the option of the holder:

Unless the Notes have been previously redeemed, repurchased and cancelled, or

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converted, each Holder shall have the right, at such Holder's option, to require Cathay Financial Holdings to repurchase all (or any portion of the principal amount thereof which is US\$1,000 dollars or any integral multiple thereof) of such Holder's Notes, on May 20, 2005 at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium.

Repurchase in the event of desisting:

Unless the Notes have been previously redeemed, repurchased and cancelled, or converted, in the event that the Common Shares cease to be listed or admitted to trading on the Taiwan Stock Exchange, each Holder shall have the right, at such Holder's option, to require Cathay Financial Holdings to repurchase all (or any portion of the principal amount thereof which is US\$1,000 dollars or any integral multiple thereof) of such Holder's Notes at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium.

Repurchase in the event of change of control:

Unless the Notes have been previously redeemed, repurchased and cancelled, or converted, each Holder shall have the right, at such Holder's option, to require Cathay Financial Holdings to repurchase all (or any portion of the principal amount thereof which is US\$1,000 dollars or any integral multiple thereof) of such Holder's Notes at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium, upon the occurrence of a change of control.

Redemption at the option of Cathay Financial Holdings:

The Notes may be redeemed at the option of Cathay Financial Holdings, in whole but not in part, at any time on or after May 20, 2005 at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium on the redemption date; provided that (a) the closing price (translated into U.S. dollars at the prevailing rate) of the common shares for a period of 30 consecutive trading days (including trading days that fall within a closed period), the last of which occurs not more than five days prior to the date on which notice of such redemption is given, is at least 130% of the conversion price (translated into U.S. dollars at the exchange rate, as defined in the indenture) and (b) the applicable redemption date does not fall within a closed period. Notwithstanding the

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foregoing, Cathay Financial Holdings may redeem, in whole but not in part, the Notes at any time, on not less than 30 nor more than 60 days' notice, if at least 90% in principal amount of the Notes originally outstanding have been redeemed, repurchased and cancelled, or converted, at a redemption price equal to 100% of the outstanding principal amount thereof plus the Redemption Premium on the redemption date; provided that the applicable redemption date does not fall within a closed period.

Tax redemption:

If, as a result of certain changes relating to the ROC tax laws or such other jurisdiction in which Cathay Financial Holdings is then organized, Cathay Financial Holdings becomes obligated to pay certain additional amounts, the Notes may be redeemed at the option of Cathay Financial Holdings, in whole but not in part, at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium on such redemption date.

Redemption amount at maturity:

Unless the Notes have been previously redeemed, repurchased and cancelled, or converted, Cathay Financial Holdings will redeem the Notes on the maturity date (as defined herein) at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium.

Negative pledge:

Subject to certain exceptions, Cathay Financial Holdings will not, and will procure that none of its principal subsidiaries will, create or permit to subsist any lien to secure for the benefit of the holders of any international investment securities any sum owing in respect thereof or any guarantee or indemnity thereof without making effective provision to secure the Notes (a) equally and ratably with such international investment securities with a similar lien or (b) with such other security as shall be approved by Holders of not less than a majority in aggregate principal amount of the outstanding Notes.

Further issues:

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Cathay Financial Holdings may from time to time without the consent of the Holders of the Notes create and issue further securities having the same terms and conditions as the Notes in all respects so that such further issue shall be consolidated and form a single series with the respective Notes.

Governing law:

The indenture, the Notes and the deposit agreements are governed by, and construed in accordance with, the laws of the State of New York.

Listing:

The international Notes have been listed on the Luxembourg Stock Exchange and the Rule 144A Notes have been designated for trading on the PORTALSM in the United States. Application has been made to have the International GDSs issuable upon conversion of the Notes listed on the Luxembourg Stock Exchange.

Trading market for the common shares:

The only trading market for the common shares is the Taiwan Stock Exchange. The common shares have been listed on the Taiwan Stock Exchange since September 30, 2003.

(6) Material contract: None.

(7) Presentation of financial statements:

Certain accounts in financial statements for the nine-month period ended of 2002 have been reclassified in order to be comparable with those in the financial statements for the nine-month period ended of 2003.

(8) Others

A. Cathay Life

On December 25, 2002 and July 24, 2003, the investment commission of the Ministry of Economic Affairs has approval for Cathay Life to remit US \$22,850 and US\$27,150, that total is US\$50,000 as the capital of investment in order to found a new company called Guangzhou Cathay Life Insurance Co., Ltd. However, we are only in the preparatory stage and have yet invested substantially.

B. UWCCB and Cathay United Bank

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To meet the requirement of the Bank Law and the related regulations, the directors of UWCCB and Cathay United Bank have resolved at their special meeting for the merger of UWCCB, UWCCB is the Surviving Company, while Cathay United Bank is the merged company.

26. Information for investment in Mainland China: None

27. Segment information: None

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28. The Subsidiaries' concise balance sheets and statements of income

(a) Concise balance sheets:

Items/Period	Cathay Life Insurance Co., Ltd.				Cathay Century Insurance Co., Ltd.				Cathay United Bank Co., Ltd.				United World Chinese Commercial Bank Co., Ltd.			
	September 30, 2003		September 30, 2002		September 30, 2003		September 30, 2002		September 30, 2003		September 30, 2002		September 30, 2003		September 30, 2002	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Current assets	\$492,457,215	\$14,578,367	\$467,704,694	\$13,393,605	\$6,403,024	\$189,551	\$7,283,027	\$208,564	\$57,210,291	\$1,693,615	\$47,616,931	\$1,363,601	\$248,329,931	\$7,351,389	\$221,782,344	\$6,351,155
Exchange bills negotiated, discounted, and loans	485,853,150	14,382,864	505,668,170	14,480,761	870,310	25,764	1,046,561	29,970	119,020,093	3,523,389	106,637,105	3,053,754	396,790,672	11,746,319	393,778,417	11,276,587
Funds and long-term investments	381,221,734	11,285,427	230,342,524	6,596,292	2,282,905	67,581	393,566	11,271	15,211,090	450,299	454,986	13,029	11,583,504	342,910	12,543,271	359,200
Property and equipment	15,885,887	470,275	15,723,313	450,267	55,568	1,645	39,419	1,129	1,858,016	55,003	1,351,541	38,704	23,148,805	685,281	23,034,407	659,634
Other assets (including intangible assets)	26,565,244	786,419	17,952,404	514,101	462,517	13,692	460,964	13,201	10,137,617	300,108	11,805,574	338,075	6,805,252	201,459	8,921,152	255,474
Current liabilities	10,934,263	323,690	10,240,397	293,253	735,982	21,787	665,512	19,058	189,966,830	5,623,649	156,225,071	4,473,799	626,583,549	18,548,951	606,239,547	17,360,812
Long-term liabilities	528,754	15,653	3,726	107	8,067	239	2,126	61	0	0	0	0	34,119	1,010	34,119	977
Other liabilities	1,313,029,065	38,870,014	1,163,951,814	33,331,953	6,351,061	188,012	5,936,048	169,991	304,236	9,006	198,381	5,681	752,127	22,265	1,272,960	36,453
Capital stock	50,686,158	1,500,478	50,686,158	1,451,494	2,317,006	68,591	2,317,006	66,352	12,346,083	365,485	12,346,083	353,554	39,715,627	1,175,714	39,715,626	1,137,332
Capital surplus	5,200	154	3,048	87	430	13	0	0	430	13	0	0	4,261,892	126,166	5,102,231	146,112
Retained earnings	34,148,047	1,010,895	19,842,142	568,217	659,535	19,524	300,583	8,608	819,457	24,259	(903,398)	(25,871)	15,382,006	455,359	7,642,611	218,861
Equity adjustments	(14,394)	(425)	(2,317)	(66)	2,243	67	2,262	65	71	2	0	0	(71,156)	(2,107)	133,657	3,827
Treasury stocks	(7,333,863)	(217,107)	(7,333,863)	(210,019)	0	0	0	0	0	0	0	0	0	0	(81,160)	(2,324)
Total assets	\$1,401,983,230	\$41,503,352	\$1,237,391,105	\$35,435,026	\$10,074,324	\$298,233	\$9,223,537	\$264,135	\$203,437,107	\$6,022,414	\$167,866,137	\$4,807,163	\$686,658,164	\$20,327,358	\$660,059,591	\$18,902,050
Total liabilities	\$1,324,492,082	\$39,209,357	\$1,174,195,937	\$33,625,313	\$7,095,110	\$210,038	\$6,603,686	\$189,110	\$190,271,066	\$5,632,655	\$156,423,452	\$4,479,480	\$627,369,795	\$18,572,226	\$607,546,626	\$17,398,242
Total stockholders' equity	\$77,491,148	\$2,293,995	\$63,195,168	\$1,809,713	\$2,979,214	\$88,195	\$2,619,851	\$75,025	\$13,166,041	\$389,759	\$11,442,685	\$327,683	\$59,288,369	\$1,755,132	\$52,512,965	\$1,503,808

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(b) Concise statements of income:

Items/Period	Cathay Life Insurance Co., Ltd.				Cathay Century Insurance Co., Ltd.				Cathay United Bank Co., Ltd.				United World Chinese Commercial Bank Co., Ltd.			
	For the nine-month period ended September 30, 2003		For the nine-month period ended September 30, 2002		For the nine-month period ended September 30, 2003		For the nine-month period ended September 30, 2002		For the nine-month period ended September 30, 2003		For the nine-month period ended September 30, 2002		For the nine-month period ended September 30, 2003		For the nine-month period ended September 30, 2002	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating revenues	\$339,456,443	\$10,049,036	\$315,360,825	\$9,030,951	\$10,027,547	\$296,849	\$8,108,382	\$232,199	\$9,158,285	\$271,116	\$7,560,177	\$216,500	\$22,082,252	\$653,708	\$25,719,751	\$736,534
Operating costs & expenses	(325,037,918)	(9,622,200)	(307,363,924)	(8,801,944)	(9,414,753)	(278,708)	(7,866,480)	(225,272)	(7,412,996)	(219,449)	(8,174,215)	(234,084)	(14,101,808)	(417,460)	(39,272,765)	(1,124,650)
Operating income	14,418,525	426,836	7,996,901	229,007	612,794	18,141	241,902	6,927	1,745,289	51,667	(614,038)	(17,584)	7,980,444	236,248	(13,553,014)	(388,116)
Non-operating revenues	964,318	28,547	325,505	9,321	2,339	69	3,493	100	59,496	1,761	22,061	632	174,916	5,178	179,806	5,149
Non-operating expenses	(880,173)	(26,056)	(38,169)	(1,093)	(4,445)	(132)	(1,119)	(32)	(28,770)	(852)	(3,808)	(109)	(841,553)	(24,913)	(565,612)	(16,197)
Operating income before taxes	14,502,670	429,327	8,284,237	237,235	610,688	18,078	244,276	6,995	1,776,015	52,576	(595,785)	(17,061)	7,313,807	216,513	(13,938,820)	(399,164)
Net income	13,346,847	395,111	6,459,991	184,994	498,060	14,744	162,558	4,655	1,407,002	41,652	(405,754)	(11,620)	6,201,807	183,594	(10,287,215)	(294,594)
Earning per share before taxes (in dollars)	\$2.95	\$0.09	\$1.49	\$0.04	\$2.64	\$0.08	\$1.05	\$0.03	\$1.44	\$0.04	\$(0.48)	\$(0.01)	\$1.84	\$0.05	\$(3.71)	\$(0.11)
Earning per share (in dollars)	\$2.72	\$0.08	\$1.17	\$0.03	\$2.15	\$0.06	\$0.70	\$0.02	\$1.14	\$0.03	\$(0.33)	\$(0.01)	\$1.56	\$0.05	\$(2.74)	\$(0.08)

Annotation: On April 11, 2002, Cathay United Bank Co., Ltd. had transferred its delinquent assets to Taiwan Asset Management Corporation, and the related losses amounted to NT\$1,894,609(US\$56,623). According to Article 15 of the ROC Financial Institution Merger Law, the losses on the transaction will be amortized over five years from April 2002. The amortized loss amounted to NT\$284,149 (US\$8,412) and NT\$189,461 (US\$5,426), respectively, for the nine-month periods ended 2003 and 2002. As of September 30, 2003 and 2002, the unamortized losses on the transfer of delinquent assets accounted for as other assets amounted to NT\$1,325,895 (US\$39,251) and NT\$1,705,148 (US\$48,830). According to general accepted accounting principles, the losses should be recognized as current expenses on the transaction date, thus on September 30, 2003 and 2002, other assets of its subsidiary decreased by NT\$994,421(US\$29,438) and NT\$1,278,861(US\$36,623), retained earnings of its subsidiary decreased by NT\$994,421(US\$29,438) and NT\$1,278,861(US\$36,623), respectively. In the nine-month periods September 30, 2003 and 2002, provision for credit losses of its subsidiary decreased by NT\$284,149(US\$8,412), the net income before tax of its subsidiary increased by NT\$284,149(US\$8,412) and the net income after tax of its subsidiary increased by NT\$213,112(US\$6,309). In the nine-month period September 30, 2002, provision for credit losses of its subsidiary increased by NT\$1,705,148(US\$48,830), the net income before tax of its subsidiary decreased by NT\$1,705,148(US\$48,830) and the net income after tax of its subsidiary decreased by NT\$1,278,861(US\$36,623).

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29. Elimination of reciprocal accounts

According to the SFC regulations, the consolidated statements should disclose as follows:

Transactions	Account Item	As of and for the nine-month periods ended September 30,			
		2003 (NT\$)	2003 (US\$)	2002 (NT\$)	2002 (US\$)
The investments between the parent and subsidiaries and between the subsidiaries themselves should be eliminated with an investee's equity, as well as inter-company balances (including inter-company open account balances, receivables, payables collected and payments in advance accounts).	Common stock	\$105,064,872	\$3,110,269	\$103,065,890	\$2,951,486
	Subscribed capital	-	-	1,998,982	57,245
	Capital surplus	4,267,954	126,346	5,105,280	146,199
	Legal reserve	24,022,054	711,132	30,840,658	883,180
	Special reserve	6,683,126	197,843	257,487	7,374
	Unappropriated retained earnings	57,683	1,708	(145,787)	(4,175)
	Cumulative conversion adjustments	118,113	3,497	202,269	5,792
	Unrealized valuation losses on long-term equity investments	(201,350)	(5,961)	(68,677)	(1,967)
	Allowance for valuation loss on long-term investments in stock	201,350	5,961	9,458	271
	Treasury stock	(7,333,863)	(217,107)	(7,415,023)	(212,343)
	Short-term investments	(728,987)	(21,580)	(1,616,869)	(46,302)
	Allowance for valuation loss on short-term investments	216,671	6,414	718,592	20,578
	Long-term investments in stock	(152,613,806)	(4,517,875)	(104,783,581)	(3,000,675)
	Minority interest	-	-	(37,083,533)	(1,061,957)
	Deferred tax assets	331,474	9,813	426,287	12,208
	Other assets	(1,325,895)	(39,251)	(1,705,149)	(48,830)
	Gain on long-term investments	20,707,763	613,019	6,639,457	190,133
	Net debit from merger	-	-	12,985,265	371,858
	Various amortization	-	-	8,894	255
	Investments losses	6,182	183	-	-
	Net income before acquisitions of the subsidiaries	-	-	(10,654,511)	(305,112)
	Minority interest income	-	-	(17,518)	(502)
	Provisions expenses	(284,523)	(8,423)	1,705,149	48,830
	Operating expenses	51,043	1,511	151,722	4,345
	Miscellaneous revenues	8,100	240	-	-
	Gain on disposal of investments	680,909	20,157	(125,303)	(3,588)
Loss on disposal of investments	-	-	(73,162)	(2,095)	
Income taxes expenses benefit	71,131	2,106	(426,287)	(12,208)	

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Transactions	Account Item	As and for the nine-month periods ended September 30,			
		2003 (NT\$)	2003 (US\$)	2002 (NT\$)	2002 (US\$)
The investments between the parent and subsidiaries and between the subsidiaries themselves should be eliminated with an investee's equity, as well as inter-company balances (including inter-company open account balances, receivables, payables collected and payments in advance accounts).	Deposits and remittances payables	18,724,708	554,313	36,707,320	1,051,183
	Cash and cash equivalents	(18,724,708)	(554,313)	(36,707,320)	(1,051,183)
	Due to Banks	1,013,371	29,999	-	-
	Due from Banks	(1,013,371)	(29,999)	-	-
	Prepayments	(3,006)	(89)	(2,265)	(65)
	Accounts collected in advance	3,006	89	2,265	65
	Payables	1,704,255	50,452	6,706	192
	Receivables	(1,704,255)	(50,452)	(6,706)	(192)
	Dividends payable	4,669,406	138,230	-	-
	Other receivables	(4,669,406)	(138,230)	-	-
	Interest income	143,579	4,250	622,168	17,817
	Interest expenses	(143,579)	(4,250)	(622,168)	(17,817)
	Premiums income	281,313	8,328	140,585	4,026
	Insurance expenses	(281,313)	(8,328)	(140,585)	(4,026)
	Rental income	178,360	5,280	144,915	4,150
	Rental expenses	(178,360)	(5,280)	(144,915)	(4,150)
	Guarantee deposits received	65,312	1,933	50,175	1,437
	Guarantee deposits paid	(65,312)	(1,933)	(50,175)	(1,437)
	Commission earned	3,093	92	-	-
	Handing fee earned	106,174	3,143	-	-
	Handing fee paid	(109,268)	3,235	-	-
	Other revenues	191,753	5,677	8,100	232
	Other expenses	(191,753)	(5,677)	(8,100)	(232)
	Indemnity income	16,734	495	-	-
	Insurance Claims Payment	(16,734)	(495)	-	-