

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated Financial Statements
As of September 30, 2009 and 2010
With Independent Auditors' Review Report

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

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

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

We have reviewed the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. (the "Company") and its subsidiaries ("Subsidiaries") as of September 30, 2009 and 2010 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the nine-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a review report based on our review.

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

Base on our review, we are not aware of any material modifications that should be made to the consolidated financial statements as of and for the nine-month periods ended September 30, 2009 and 2010 in order for them to be in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and generally accepted accounting principles in the Republic of China.

Ernst & Young
Taipei, Taiwan
The Republic of China
October 25, 2010

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Unaudited consolidated balance sheets
As of September 30, 2009 and 2010
(Expressed in thousands of dollars)

	Notes	September 30, 2009		September 30, 2010	
		NT \$	US \$	NT \$	US \$
Assets					
Cash and cash equivalents	2, 4	\$517,372,218	\$16,152,739	\$764,710,617	\$24,517,814
Due from the Central Bank and call loans to banks		98,185,794	3,065,432	76,738,890	2,460,368
Financial assets at fair value through profit or loss	2, 5	159,838,990	4,990,290	89,972,009	2,884,643
Securities purchased under agreements to resell		47,094,441	1,470,323	59,304,157	1,901,384
Receivables -net		87,488,189	2,731,445	106,440,616	3,412,652
Loans -net	2, 6	1,318,258,834	41,157,004	1,353,578,951	43,397,850
Available-for-sale financial assets -net	2, 7	505,561,902	15,784,012	659,432,889	21,142,446
Held-to-maturity financial assets -net	2, 8	686,878,693	21,444,854	679,175,614	21,775,429
Investments under equity method	2, 9	2,549,220	79,588	2,470,958	79,223
Other financial assets -net	2, 10	58,892,813	1,838,677	45,597,604	1,461,930
Investments in debt securities with no active market	2, 11	171,196,234	5,344,871	276,845,735	8,876,106
Separate account products assets		275,313,310	8,595,483	274,525,242	8,801,707
Investments in real estate	2, 12	117,876,873	3,680,202	124,735,403	3,999,211
Property and equipment -net		40,458,458	1,263,143	38,152,616	1,223,232
Goodwill and intangible assets -net	2, 14	7,747,118	241,871	8,534,265	273,622
Other assets -net		47,210,928	1,473,960	47,780,127	1,531,905
Total assets		\$4,141,924,015	\$129,313,894	\$4,607,995,693	\$147,739,522
Liabilities & stockholders' equity					
Liabilities					
Due to the Central Bank and call loans from banks		\$49,223,311	\$1,536,788	\$46,932,709	\$1,504,736
Bankers acceptances and funds borrowed		1,610,000	50,265	1,566,500	50,224
Commercial paper payable	2, 15	600,000	18,733	540,000	17,313
Financial liabilities at fair value through profit or loss	2, 16	37,462,966	1,169,621	20,088,941	644,083
Securities sold under agreements to repurchase	5, 7	8,519,252	265,977	33,461,325	1,072,822
Payables		41,374,765	1,291,750	64,139,661	2,056,418
Deposits	17	1,231,284,396	38,441,598	1,309,914,327	41,997,894
Bonds payable	2, 18	36,644,084	1,144,055	59,934,823	1,921,604
Other borrowings	19	300,000	9,366	400,000	12,825
Other financial liabilities	2, 21	352,569	11,008	824,318	26,429
Separate account products liabilities		275,313,310	8,595,483	274,525,242	8,801,707
Reserve for operations and liabilities	2, 20	2,241,923,980	69,994,505	2,566,135,634	82,274,307
Other liabilities		10,861,558	339,106	8,847,170	283,654
Total liabilities		3,935,470,191	122,868,255	4,387,310,650	140,664,016
Stockholders' Equity attributable to equity holders of the parent					
Stock					
Common stock	22	97,375,372	3,040,130	101,544,213	3,255,666
Capital surplus	23	81,709,322	2,551,025	78,508,148	2,517,093
Retained earnings	24				
Legal reserve		12,540,295	391,517	13,645,400	437,493
Special reserve		7,107,732	221,908	-	-
Unappropriated retained earnings		7,842,165	244,838	11,343,892	363,703
Other stockholders' equity					
Land revaluation increment		1,461	46	1,461	47
Cumulative conversion adjustments		89,079	2,781	(182,891)	(5,864)
Unrealized gains or losses on financial instruments		968,387	30,234	13,094,816	419,840
Treasury stock	25	(4,140,047)	(129,255)	-	-
Net loss not yet recognized as net pension cost		(270,687)	(8,451)	(6,791)	(218)
Total stockholder's equity attributable to equity holders of the parent		203,223,079	6,344,773	217,948,248	6,987,760
Minority interest		3,230,745	100,866	2,736,795	87,746
Total stockholders' equity		206,453,824	6,445,639	220,685,043	7,075,506
Total liabilities and stockholders' equity		\$4,141,924,015	\$129,313,894	\$4,607,995,693	\$147,739,522

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2009 and 2010 were NT\$32.03 and NT\$31.19 to US\$1.00, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Unaudited consolidated statements of income
For the nine months ended September 30, 2009 and 2010
(Expressed in thousands of dollars, except earnings per share)

	Notes	January 1 ~ September 30, 2009		January 1 ~ September 30, 2010			
		NT \$	US \$	NT \$	US \$		
Interest income	2	\$75,719,218	\$2,364,009	\$75,159,033	\$2,409,716		
Less: Interest expenses	2	(9,461,051)	(295,381)	(7,053,685)	(226,152)		
Net interest income		66,258,167	2,068,628	68,105,348	2,183,564		
Net income other than interest							
Net commission and handling fee		8,569,288	267,539	10,295,902	330,103		
Net premiums from insurance business		135,255,257	4,222,768	189,640,033	6,080,155		
Gains on financial assets and liabilities at fair value through profit or loss		17,581,187	548,898	6,743,784	216,216		
Realized (losses) gains on available-for-sale financial assets		(407,585)	(12,725)	15,562,623	498,962		
Realized gains (losses) on held-to-maturity financial assets		2,112,549	65,955	(650,123)	(20,844)		
Gains on investments under equity method		196,735	6,142	263,155	8,437		
Gains on investments in real estate		3,988,094	124,511	4,141,696	132,789		
Losses on foreign exchange		(14,372,098)	(448,707)	(15,866,458)	(508,703)		
Impairment losses		(771,733)	(24,094)	-	-		
Net other non-interest (losses) gains		(1,594,297)	(49,775)	4,314,901	138,342		
Total income		216,815,564	6,769,140	282,550,861	9,059,021		
Bad debt expenses		(162,419)	(5,071)	(441)	(14)		
Provision for premiums reserve		(164,850,199)	(5,146,744)	(237,118,092)	(7,602,376)		
Operating expenses							
Personnel expenses	26	(29,188,242)	(911,278)	(30,810,246)	(987,824)		
Depreciation and amortizations expenses	26	(2,925,431)	(91,334)	(3,007,909)	(96,438)		
Other general and administration expenses		(7,408,165)	(231,288)	(7,569,641)	(242,695)		
Income from continuing operations before income taxes		12,281,108	383,425	4,044,532	129,674		
Income taxes expense	2, 27	(4,566,207)	(142,560)	(45,596)	(1,462)		
Income from continuing operations after income taxes		7,714,901	240,865	3,998,936	128,212		
Consolidated net income		\$7,714,901	\$240,865	\$3,998,936	\$128,212		
Include:							
Parent company		\$7,842,165	\$244,838	\$4,228,301	\$135,566		
Minority interest		(127,264)	(3,973)	(229,365)	(7,354)		
Consolidated net income		\$7,714,901	\$240,865	\$3,998,936	\$128,212		
Earnings per share (expressed in dollars) :	28						
Primary earnings per share:							
		Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes
Income from continuing operations		\$1.21	\$0.76	\$0.04	\$0.02	\$0.40	\$0.39
Consolidated net income		\$1.21	\$0.76	\$0.04	\$0.02	\$0.40	\$0.39

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2009 and 2010 were NTS\$32.03 and NTS\$31.19 to US\$1.00, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Unaudited consolidated statements of changes in stockholders' equity
For the nine months ended September 30, 2009 and 2010
 (Expressed in thousands of dollars)

Summary	Stock				Retained earnings						Other stockholders' equity								Total							
	Common stock		Capital surplus		Legal reserve		Special reserve		Unappropriated retained earnings		Land revaluation increment		Cumulative conversion adjustments		Unrealized gains or losses on financial instruments		Treasury stock		Net loss not yet recognized as net pension cost		Minority interest					
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$				
Balance on January 1, 2009	\$97,375,372	\$3,040,130	\$81,971,213	\$2,559,201	\$12,320,672	\$384,660	\$-	\$-	\$7,060,140	\$220,423	\$2,106	\$66	\$344,257	\$10,748	\$(52,309,533)	\$(1,633,142)	\$(4,140,047)	\$(129,255)	\$(270,687)	\$(8,451)	\$3,145,462	\$98,203	\$145,498,955	\$4,542,583		
Minority interest																						212,547	6,636	212,547	6,636	
Appropriations and distribution for 2008																										
Legal reserve					219,623	6,857			(219,623)	(6,857)																
Special reserve			(267,215)	(8,342)			7,107,732	221,908	(6,840,517)	(213,566)																
Land revaluation increment											(645)	(20)												(645)	(20)	
Capital surplus			461	14																				461	14	
Cumulative conversion adjustments													(255,178)	(7,967)										(255,178)	(7,967)	
Unrealized gains or losses of financial instruments															53,277,920	1,663,376								53,277,920	1,663,376	
Other capital surplus			4,863	152																				4,863	152	
Consolidated net income for the nine months ended September 30, 2009									7,842,165	244,838													(127,264)	(3,973)	7,714,901	240,865
Balance on September 30, 2009	\$97,375,372	\$3,040,130	\$81,709,322	\$2,551,025	\$12,540,295	\$391,517	\$7,107,732	\$221,908	\$7,842,165	\$244,838	\$1,461	\$46	\$89,079	\$2,781	\$968,387	\$30,234	\$(4,140,047)	\$(129,255)	\$(270,687)	\$(8,451)	\$3,230,745	\$100,866	\$206,453,824	\$6,445,639		
Balance on January 1, 2010	\$96,708,774	\$3,100,634	\$78,240,933	\$2,508,526	\$12,540,295	\$402,062	\$7,107,732	\$227,885	\$11,051,057	\$354,314	\$1,461	\$47	\$4,444	\$142	\$6,547,332	\$209,918	\$-	\$-	\$(6,791)	\$(218)	\$3,227,931	\$103,492	\$215,423,168	\$6,906,802		
Minority interest																							(261,771)	(8,392)	(261,771)	(8,392)
Appropriations and distribution for 2009																										
Legal reserve					1,105,105	35,431			(1,105,105)	(35,431)																
Special reserve			267,215	8,567			(7,107,732)	(227,885)	6,840,517	219,318																
Cash dividend									(4,835,439)	(155,032)															(4,835,439)	(155,032)
Stock dividend	4,835,439	155,032							(4,835,439)	(155,032)																
Cumulative conversion adjustments													(187,335)	(6,006)											(187,335)	(6,006)
Unrealized gains or losses of financial instruments															6,547,484	209,922									6,547,484	209,922
Consolidated net income for the nine months ended September 30, 2010									4,228,301	135,566													(229,365)	(7,354)	3,998,936	128,212
Balance on September 30, 2010	\$101,544,213	\$3,255,666	\$78,508,148	\$2,517,093	\$13,645,400	\$437,493	\$-	\$-	\$11,343,892	\$363,703	\$1,461	\$47	\$(182,891)	\$(5,864)	\$13,094,816	\$419,840	\$-	\$-	\$(6,791)	\$(218)	\$2,736,795	\$87,746	\$220,685,043	\$7,075,506		

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2009 and 2010 were NT\$32.03 and NT\$31.19 to US\$1.00, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Unaudited consolidated statements of cash flows
For the nine months ended September 30, 2009 and 2010
(Expressed in thousands of dollars)

	January 1 ~ September 30, 2009		January 1 ~ September 30, 2010	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Consolidated net income	\$7,714,901	\$240,865	\$3,998,936	\$128,212
Adjustments:				
Income and other adjustments with no cash flow effects				
Depreciation and amortization expenses	2,925,431	91,334	3,007,909	96,438
Investment income recognized by equity method less than cash dividends received	90,891	2,838	128,892	4,132
Bad debt expenses	162,419	5,071	441	14
Provision for premiums reserve from insurance business	164,850,199	5,146,744	237,118,092	7,602,376
Gain on disposal of property and equipment	(68,892)	(2,151)	(1,177,421)	(37,750)
Impairment loss	771,733	24,094	-	-
Other adjustments	(139,413)	(4,353)	(2,027,939)	(65,019)
Decrease (increase) on operating assets and liabilities				
Decrease (Increase) in receivables	3,439,889	107,396	(7,498,982)	(240,429)
Decrease in deferred income tax assets	1,715,695	53,565	744,337	23,865
(Increase) decrease in financial assets at fair value through profit or loss	(33,693,326)	(1,051,930)	52,990,837	1,698,969
Increase in other financial assets	(1,617,004)	(50,484)	(3,766,455)	(120,758)
(Increase) decrease in other assets	(5,931,003)	(185,170)	115,656	3,708
Increase in payables	6,234,780	194,654	25,306,482	811,365
Decrease in financial liabilities at fair value through profit or loss	(34,947,073)	(1,091,073)	(6,002,156)	(192,438)
Increase (decrease) in deferred income tax liabilities	1,907,207	59,544	(1,131,785)	(36,287)
Decrease in other financial liabilities	(723,829)	(22,599)	(33,083)	(1,061)
Increase in other liabilities	1,746,786	54,536	928,647	29,774
Net cash provided by operating activities	114,439,391	3,572,881	302,702,408	9,705,111
Cash flows from investing activities				
Decrease in restricted assets	83,000	2,591	-	-
Decrease (increase) in loans	44,547,113	1,390,793	(24,045,052)	(770,922)
(Increase) decrease in due from the Central Bank and call loans to banks	(50,568,065)	(1,578,772)	2,361,020	75,698
Decrease (increase) in available-for-sale financial assets	34,425,247	1,074,781	(100,196,201)	(3,212,446)
Increase in held-to-maturity financial assets	(32,971,147)	(1,029,383)	(7,024,402)	(225,213)
Decrease in investments under equity method	70,918	2,214	22,853	733
Increase investments in real estate	(9,769,640)	(305,015)	(8,377,048)	(268,581)
(Acquisition) disposal of property and equipment	(1,146,654)	(35,799)	1,563,569	50,130
Increase in securities purchased under agreements to resell	(35,346,195)	(1,103,534)	(15,902,342)	(509,854)
Increase in other financial assets	(62,893,815)	(1,963,591)	(76,490,765)	(2,452,413)
Decrease (increase) in other assets	1,306,788	40,799	(196,765)	(6,309)
Net cash used in investing activities	(112,262,450)	(3,504,916)	(228,285,133)	(7,319,177)
Cash flows from financing activities				
(Decrease) increase in due to the Central Bank and call loans from banks	(14,324,945)	(447,235)	1,576,875	50,557
Increase in deposits	141,153,454	4,406,914	21,888,380	701,775
(Decrease) increase in securities sold under agreements to repurchase	(11,781,387)	(367,824)	24,715,860	792,429
Increase (decrease) in banker's acceptances and funds borrowed	654,450	20,432	(247,423)	(7,933)
(Decrease) increase in bonds payable	(2,221,894)	(69,369)	3,555,183	113,985
Increase (decrease) in other financial liabilities	472,625	14,756	(567,535)	(18,196)
Increase in other liabilities	65,529	2,046	158,099	5,069
Cash dividends	(48,121)	(1,502)	(4,978,301)	(159,612)
Increase in minority stockholders	391,425	12,221	-	-
Net cash provided by financing activities	114,361,136	3,570,439	46,101,138	1,478,074
Effects of exchange rate changes	(211,443)	(6,601)	(230,372)	(7,386)
Effects on merger of subsidiaries	58,782	1,835	-	-
Increase in cash and cash equivalents	116,385,416	3,633,638	120,288,041	3,856,622
Cash and cash equivalents at the beginning of period	400,986,802	12,519,101	644,422,576	20,661,192
Cash and cash equivalents at the end of period	\$517,372,218	\$16,152,739	\$764,710,617	\$24,517,814
Supplemental disclosure of cash flows information				
Interest paid during the period (excluding capitalized interest)	\$9,555,998	\$298,345	\$5,229,994	\$167,682
Income tax paid	\$1,560,233	\$48,712	\$1,281,153	\$41,076
Investing and financing activities with no cash flow effects				
Reclassification of property and equipment to other assets	\$-	\$-	\$107,377	\$3,443

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2009 and 2010 were NT\$32.03 and NT\$31.19 to US\$1.00, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries Notes to Unaudited Consolidated Financial Statements (Expressed in thousands of dollars except for share and per share data and unless otherwise stated) September 30, 2009 and 2010

1. Organization and business scope

On December 31, 2001, Cathay Life Insurance Co., Ltd. (“Cathay Life”) was reincorporated as Cathay Financial Holding Co., Ltd. (the “Company”) through stock conversion pursuant to the provisions of the Republic of China (“ROC”) Financial Holding Company Act (“Financial Holding Company Act”) and its shares were listed on the Taiwan Stock Exchange Corporation (TSE) on the same day. On April 22, 2002, Cathay Century Insurance Co., Ltd. (“Cathay Century”) and Cathay United Bank Co., Ltd. (“Cathay United Bank”) became subsidiaries of the Company through stock conversion approved by the government. On December 18, 2002, United World Chinese Commercial Bank Co., Ltd. (“UWCCB”) also became a subsidiary of the Company through stock conversion approved by the government. UWCCB and Cathay United Bank merged on October 27, 2003, in accordance with the relevant laws and regulations. UWCCB was the surviving company and was re-named to Cathay United Bank Co., Ltd. (“Cathay United Bank”). On May 12, 2004 the Company established Cathay Securities Corporation (“Cathay Securities”) as a wholly owned subsidiary. On June 30, 2005, the Company has invested Lucky Bank, Inc. (“Lucky Bank”) which was approved as a strategic investment by the Financial Supervisory Commission, Executive Yuan. Lucky Bank became a subsidiary of the Company by stock conversion on August 25, 2006. Cathay United Bank absorption merged with Lucky Bank on January 1, 2007. Cathay United Bank acquired specific assets, liabilities, and business of China United Trust & Investment Corporation (“CUTIC”) on December 29, 2007 to improve competitiveness. Since July 29, 2003, the Company listed a portion of its common shares on the Luxembourg Stock Exchange (LSE) in the form of Global Depositary Shares (GDSs). The Company mainly engages in financial holding business activities. As of September 30, 2009 and 2010, the total numbers of the employees of the Company and Subsidiaries were 43,499 and 43,050, respectively.

As of and for the nine months ended September 30, 2009 and 2010, the consolidated financial statements include the following entities:

English Translation of Financial Statements Originally Issued in Chinese

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

Investor	Investee	Business	2009.9.30 Ownership interest	2010.9.30 Ownership interest	Notes
The Company	Cathay Life	Life insurance	100.00%	100.00%	Cathay Life was incorporated in Taiwan on October 23, 1962 under the provisions of the ROC Company Act (the "Company Act").
The Company	Cathay United Bank	Commercial banking operations	100.00%	100.00%	UWCCB was enfranchised by the ROC government on January 4, 1975. On October 27, 2003, UWCCB was merged with the former Cathay United Bank which was dissolved after the merger; the merged entity was renamed Cathay United Bank. The new Cathay United Bank absorption merged with Lucky Bank on January 1, 2007.
The Company	Cathay Century	Property and casualty insurance	100.00%	100.00%	Cathay Century was incorporated in Taiwan on July 19, 1993, under the provisions of the Company Act. Cathay Century changed its name from "Tong Tai Insurance Co., Ltd." to "Cathay Century Insurance Co., Ltd." on August 2, 2002.

English Translation of Financial Statements Originally Issued in Chinese

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

Investor	Investee	Business	2009.9.30 Ownership interest	2010.9.30 Ownership interest	Notes
The Company	Cathay Securities	Securities	100.00%	100.00%	Cathay Securities was incorporated on May 12, 2004, under the Company Act. The securities department and the securities agent (Taipei branch) of Cathay United Bank were transferred to Cathay Securities using operating assignment along with its business, assets and liabilities. The assignment date was August 13, 2004.
The Company	Cathay Pacific Venture Capital Co., Ltd. (“Cathay Pacific Venture”)	Venture capital investment	80.16%	100.00%	Cathay Pacific Venture was incorporated on April 16, 2003, under the Company Act. Cathay Pacific Venture is the surviving company for the merger with Cathay Venture, Cathay II Venture and Cathay Capital Management on August 10, 2009.

English Translation of Financial Statements Originally Issued in Chinese

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

Investor	Investee	Business	2009.9.30 Ownership interest	2010.9.30 Ownership interest	Notes
Cathay Life	Cathay Life Insurance Company (China) (“Cathay Life (China)”)	Life insurance	50.00%	50.00%	Cathay Life (China) was incorporated on December 29, 2004. Cathay Life and China Eastern Airlines Corporation Limited each owns 50% interest in Cathay Life (China).
Cathay Life 、 Cathay Pacific Venture	Symphox Information Co., Ltd. (“Symphox Information”)	Type II telecom service, data processing service, information supply service	100.00%	100.00%	Symphox Information was incorporated on December 12, 1999, under the Company Act. Cathay Life and Cathay Pacific Venture own 60.12% and 39.88% interest in Symphox Information, respectively.
Cathay Life	Cathay Life Insurance (Vietnam) Co., Ltd. (“Cathay Life (Vietnam)”)	Life insurance	100.00%	100.00%	Cathay Life (Vietnam) was incorporated on November 21, 2007.
Cathay Life 、 Cathay Century	Cathay Insurance Company Limited. (China) (“Cathay Century (China)”)	Property and casualty insurance	100.00%	100.00%	Cathay Century (China) was incorporated on August 26, 2008. Cathay Life and Cathay Century each owns 50% interest of Cathay Century (China).
Cathay United Bank	Indovina Bank Limited (“Indovina Bank”)	Wholesale banking	50.00%	50.00%	Indovina Bank was incorporated in Vietnam on October 29, 1992. Cathay United Bank and Vietinbank each owns 50% interest of Indovina Bank.

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Investor	Investee	Business	2009.9.30 Ownership interest	2010.9.30 Ownership interest	Notes
Cathay Securities	Cathay Futures Corp. (“Cathay Futures”)	Futures related business	99.99%	99.99%	Cathay Futures, former Seaward Futures Agency Co., Ltd., was incorporated on December 29, 1993 under the Company Act and renamed to Seaward Futures Corp. on March 6, 1998. On December 24, 2003, Seaward Futures Corp. changed its name to Cathay Futures Corp. On February 10, 2006, Cathay United Bank sold all the stocks of Cathay Futures to Cathay Securities.

As of and for the nine months ended September 30, 2009 and 2010, the consolidated financial statements excluded the following subsidiaries due to the respective total assets and operating revenues were considered immaterial to the Company.

Investor	Investee	Business	2009.9.30 Ownership interest	2010.9.30 Ownership interest	Notes
Cathay life	Cathay Insurance (Bermuda) Co., Ltd. (“Cathay Insurance (Bermuda)”)	Reinsurance	100.00%	100.00%	Cathay Insurance (Bermuda) was incorporated on January 24, 2000.

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Investor	Investee	Business	2009.9.30 Ownership interest	2010.9.30 Ownership interest	Notes
Cathay life	Cathay Securities Investment Consulting Co., Ltd. (“Cathay Securities Investment Consulting”)	Securities investment research analysis	100.00%	100.00%	Cathay Securities Investment Consulting was incorporated on November 25, 2002.
Cathay United Bank	Cathay Life Insurance Agent Co., Ltd. (“Cathay Life Insurance Agent”)	Life insurance agent	100.00%	100.00%	Cathay Life Insurance Agent was incorporated on March 23, 2000.
Cathay United Bank	Cathay Property Insurance Agent Co., Ltd (“Cathay Property Insurance Agent”)	Property insurance agent	100.00%	-	Cathay Property Insurance Agent was incorporated on March 23, 2000. On January 15, 2010, Cathay Property Insurance Agent was decided its dissolution by the board of directors and finished the process of liquidation on July 2, 2010.
Cathay United Bank	Seaward Card Co., Ltd. (“Seaward Card”)	Credit card service	100.00%	100.00%	Seaward Card was incorporated on April 9, 1999.

2. Summary of significant accounting policies

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

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(1) Principles of consolidation

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

(2) Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in values from fluctuations of interest rates. Cash and cash equivalents include cash on hand, unrestricted bank deposits, checks for clearance, due from commercial banks and all other highly liquid investments with maturities of less than nine months.

(3) Financial assets and financial liabilities

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

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

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

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

Apart from derivatives and financial instruments designated as at fair value through profit or loss, financial instruments may be reclassified out of the fair value through profit or loss category if the financial instruments are no longer held for the purpose of selling or repurchasing them in the near term, and the following requirements are met:

- a. Financial asset that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss category if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- b. Financial instruments that would not have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss category only in rare circumstances.

The financial instrument shall be reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in profit or loss shall not be reversed. The fair value of the financial instrument on the date of reclassification becomes its new cost or amortized cost, as applicable.

Financial instrument shall not be reclassified into the fair value through profit or loss category after initial recognition.

B. Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity financial assets when the Company has both the intention and ability to hold to maturity. Such investments are subsequently measured at amortized cost. Gains and losses from changes in fair values are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization process. The amortized cost is computed as the cost (amount initially recognized) minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the cost and the maturity amount, and less any impairment loss or amount unrecoverable. The calculation of effective interest rate includes all fees and points paid or received between parties, transaction costs and all other premiums and discounts.

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C. Investments in debt securities with no active market

Investments in debt securities with no active market are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains or losses from changes in fair values are recognized when investments in debt securities with no active market are derecognized, impaired, or amortized.

D. Available-for-sale financial assets

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

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

E. Derivative financial assets or liabilities for hedging

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

F. Financial assets carried at cost

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

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G. Financial liabilities

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

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

(4) Derecognition of financial assets and liabilities

A. Derecognition of financial assets

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

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

B. Derecognition of financial liabilities

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

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

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(5) Accounting for impairment of financial assets

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

A. Financial assets carried at amortized cost

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

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

B. Financial assets carried at cost

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

C. Available-for-sale financial assets

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

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(6) Derivative financial instruments

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

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

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

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

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

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

A. Fair value hedges

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

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

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

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

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

B. Cash flow hedges

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

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

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

C. Hedges of a net investment in a foreign operation

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

(7) Allowance for bad debts

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

(8) Investments-equity method

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

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

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

(9) Investments in real estate

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

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

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

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

(10) Property and equipment

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

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

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share date and unless otherwise stated)**

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

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

(11) Intangible assets

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

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

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

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

(12) Accounting for Assets Impairment

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

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

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

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

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

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

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

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

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

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

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

(14) Reserves for operations and liabilities

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

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(15) Treasury stock

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

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

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

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According to the Securities and Futures Commission (91) article 111467, shares previously bought back by listed or over-the-counter traded financial institutions (in accordance with Article 28-2 of Securities Exchange Act), upon conversion of the institutions into wholly-owned subsidiaries of a financial holding company and the conversion of such shares into treasury shares of the financial holding company, must be treated by such subsidiaries as their own treasury shares and a deduction of shareholders' equity and must be treated as treasury shares of the financial holding company. If the financial institutions hold shares of other financial institutions whose shares are also converted into the shares of the same financial holding company, the principle of equity investment shall apply. The Company follows ROC SFAS NO.30 "Accounting for Treasury Stocks" and treats shares held by its subsidiaries as treasury stock in its financial statements.

(16) Recognition of interest income and service fees

Interest income is recognized on an accrual basis except for loans classified as delinquent accounts. The accrual of income from delinquent accounts is discontinued; subsequent interest payments are credited to income when received. Service fees are recognized on an accrual basis.

(17) Insurance premium income and expenses

Direct premiums are recorded as income at the time of cash receipts. Related expenses (commissions, brokerage fees, etc.) are recognized on an accrual basis.

Reinsurance premiums and reinsurance commission expenses are recognized upon the assumption of reinsurance. Claim expenses for assumed reinsurance policies are recognized upon notification that claim payments are due. Adjustments are made at year-end based on past experience.

(18) Pension plan

The Labor Pension Act of ROC ("the Act"), which adopts a defined contribution scheme, takes effect from July 1, 2005. In accordance with the Act, employees of the Company may elect to be subject to either the Act, and maintain their seniority before the enforcement of the Act, or the pension mechanism under the Labor Standards Act. For employees choosing the pension scheme under the Act, the Company shall make monthly contributions to individual pension accounts on a basis no less than 6% of the employees' monthly wages.

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In compliance with SFC regulations, the Company and Subsidiaries follow the ROC SFAS No. 18, "Accounting for Pensions". When providing defined benefit plans, an actuarial valuation of pension liability is performed on the balance sheet date, and a minimum pension liability is recorded in the financial statements based on the difference between the accumulated benefit obligation and the fair value of plan assets; when providing defined contribution plans, an enterprise should recognize the amounts to be contributed as current expense over the employee's employment period.

(19) Foreign currency transactions

A. Translation of foreign currency transactions

Monetary assets or liabilities denominated in foreign currencies shall be translated using the applicable rate at each balance sheet date and exchange differences shall be recognized in profit or loss for the period. Non-monetary assets or liabilities denominated in foreign currencies that are measured at fair value shall be translated using the exchange rates at the date when the fair value was determined. When a gain or loss on a non-monetary asset or liability measured at fair value is recognized directly in equity, any exchange component of that gain or loss shall be recognized in equity. Conversely, when a gain or loss on a non-monetary item measured at fair value is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. Non-monetary assets or liabilities denominated in foreign currencies that are measured in terms of historical cost shall be translated using the exchange rate at the date of the transaction.

B. Translation of foreign subsidiaries' financial statements

Financial statements of foreign subsidiaries under the equity method are translated into NT dollars on the following basis: all assets and liabilities denominated in foreign currencies are translated into NT dollars at the exchange rate prevailing on the balance sheet date. Shareholders' equity items are translated based on the historical rates except for the opening balance of retained earnings, which is the translated amount from prior period carried forward. Income statement items are translated using a weighted-average exchange rate of the fiscal year. Differences arising from above translation are recorded under cumulative translation adjustments under shareholders' equity.

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(20) Income taxes

The Company adopted ROC SFAS No. 22, “Accounting for Income Taxes”, which requires inter-period and intra-period tax allocations in addition to computing current period income tax payable. Deferred income tax liabilities are recognized for taxable temporary differences; while deferred income tax assets are recognized for deductible temporary differences, tax losses and investment tax credits. An allowance is provided based on an assessment of the reliability of deferred tax assets. Adjustment of prior years’ income tax payable is included in the current period income tax expense.

In accordance with Article 49 of the Financial Holding Company Act, the Company and its qualifying Subsidiaries have selected the consolidated income tax return for tax filings and pay a 10% surcharge on their undistributed retained earnings under the consolidated income tax return. If there are any tax effects due to the adoption of the consolidated tax system, the Company can proportionately allocate the effects on tax expense (benefit), deferred income tax and tax payable (tax refund receivable) among the Company and Subsidiaries.

The Company adopted ROC SFAS No. 12, “Accounting for Income Tax Credits,” for income tax deductions. The income tax deductions resulting from the expenditure on the purchase of equipment, research and development, education, training and investment in equity are accounted for under the current period recognition method.

The additional 10% income tax imposed on undistributed earnings is recognized as expenses on the date when the shareholders resolve that the earnings shall be retained.

Effective from January 1, 2006, the Company and Subsidiaries have considered the impact of the “Alternative Minimum Tax Act” to estimate their income tax liabilities.

(21) Capital expenditure

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

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(22) Employee bonus and remuneration of directors

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

(23) The interim financial statement

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

(24) Translation to U.S. dollars

The financial statements are stated in NT dollars. The translated U.S. dollars amounts from NT dollars as of September 30, 2009 and 2010 are for information only. The U.S. dollar/NT dollars noon buying rates of NT\$32.03 and NT\$31.19 provided by Federal Reserve Bank of New York of September 30, 2009 and 2010 are used for the translation.

3. Change in accounting and its effects

None.

4. Cash and cash equivalents

	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Petty cash and cash on hand	\$9,627,607	\$300,581	\$11,100,540	\$355,900
Cash in banks	15,451,311	482,401	42,284,595	1,355,710
Time deposits	429,361,268	13,404,973	668,593,547	21,436,151
Cash equivalents	53,983,130	1,685,393	27,094,461	868,691
Checks for clearance	3,007,401	93,893	3,055,770	97,973
Due from commercial banks	5,941,501	185,498	12,581,704	403,389
Total	<u>\$517,372,218</u>	<u>\$16,152,739</u>	<u>\$764,710,617</u>	<u>\$24,517,814</u>

As of September 30, 2009 and 2010, the amounts of time deposits with maturities beyond one year were NT\$11,849,168 (US\$369,940) thousands and NT\$2,936,496 (US\$94,149) thousands, respectively.

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5. Financial assets at fair value through profit or loss

	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Common stock	\$5,938,569	\$185,406	\$6,059,591	\$194,280
Beneficiary certificates	50,698,558	1,582,846	15,798,206	506,515
Exchange traded funds	47,592	1,486	638,488	20,471
Real estate investment trust	616,750	19,255	583,750	18,716
Commercial papers	3,674,726	114,728	4,908,507	157,374
Corporate bonds	3,653,484	114,064	3,471,963	111,316
Government bonds	13,346,947	416,701	2,023,159	64,866
Treasury bills	19,988,406	624,053	5,994,642	192,198
Overseas financial instruments	33,958,141	1,060,198	14,888,144	477,337
Derivative financial instruments	271,921	8,490	258,453	8,286
Margin for futures trading-own funds	41,924	1,309	32,271	1,035
Structured time deposits	1,000,000	31,221	1,000,000	32,062
Valuation adjustment	26,601,972	830,533	34,314,835	1,100,187
Total	<u>\$159,838,990</u>	<u>\$4,990,290</u>	<u>\$89,972,009</u>	<u>\$2,884,643</u>

- (1) As of September 30, 2009 and 2010, certain financial assets at fair value through profit or loss were sold under repurchase agreements with notional amounts of NT\$3,345,500 (US\$104,449) thousands and NT\$27,970,748 (US\$896,786) thousands, respectively. Such repurchase agreements amounting to NT\$3,715,043(US\$115,986) thousands and NT\$ 29,550,268 (US\$947,428) thousands, respectively, were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to September 30, 2009 and 2010 are settled at NT\$3,715,506 (US\$116,001) thousands and NT\$29,559,226 (US\$947,715) thousands prior to November 30, 2009 and 2010, respectively.
- (2) Please refer to Note 29 for related information on the above financial assets at fair value through profit or loss as of September 30, 2009 and 2010 being pledged as collaterals.

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6. Loans-net

	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Inward-outward documentary bills	\$277,383	\$8,660	\$296,414	\$9,503
Loans	1,319,590,013	41,198,564	1,356,222,441	43,482,605
Overdrafts	520,941	16,264	464,040	14,878
Delinquent accounts	6,622,228	206,751	3,635,471	116,559
Subtotal	1,327,010,565	41,430,239	1,360,618,366	43,623,545
Less: Allowance for bad debts	(8,751,731)	(273,235)	(7,039,415)	(225,695)
Total	<u>\$1,318,258,834</u>	<u>\$41,157,004</u>	<u>\$1,353,578,951</u>	<u>\$43,397,850</u>

7. Available-for-sale financial assets-net

	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Common stock	\$110,299,074	\$3,443,618	\$149,222,014	\$4,784,290
Beneficiary certificates	1,572,832	49,105	2,150,394	68,945
Collateralized loans obligation and collateralized bonds obligation	2,285,441	71,353	1,585,426	50,831
Exchange traded funds	3,636,091	113,521	6,264,135	200,838
Government bonds	95,666,874	2,986,790	55,779,296	1,788,371
Corporate bonds	62,175,596	1,941,168	59,373,912	1,903,620
Financial debentures	136,082,733	4,248,602	159,570,245	5,116,071
Overseas financial instruments	88,086,711	2,750,131	206,213,972	6,611,541
Real estate investment trust beneficiary	9,360,911	292,255	8,725,208	279,744
Accumulated impairments	(1,254,515)	(39,167)	(735,000)	(23,565)
Valuation adjustment	(2,349,846)	(73,364)	11,283,287	361,760
Total	<u>\$505,561,902</u>	<u>\$15,784,012</u>	<u>\$659,432,889</u>	<u>\$21,142,446</u>

(1) As of September 30, 2009 and 2010, certain available-for-sale financial assets were sold under repurchase agreements with notional amounts of NT\$4,325,400 (US\$135,042) thousands and NT\$3,286,100 (US\$105,357) thousands. Such repurchase agreements amounting to NT\$4,804,210 (US\$149,991) thousands and NT\$3,560,769 (US\$114,164) thousands were recorded in the account "Securities sold under agreements to repurchase" on the balance sheets. Repurchase agreements entered prior to September 30, 2009 and 2010 are settled at NT\$4,804,210 (US\$149,991) thousands and NT\$3,651,112 (US\$117,060) thousands prior to November 30, 2009 and December 31, 2010, respectively.

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- (2) Please refer to Note 29 for related information on the above available-for-sale financial assets as of September 30, 2009 and 2010 being pledged as collaterals.
- (3) An impairment provision is recognized as some objective evidences are identified showing impairment indicators associated with collateralized loans obligation held by Cathay Life. As of September 30, 2009 and 2010, Cathay Life recognized impairment losses amounting to NT\$735,000 (US\$22,947) and NT\$735,000 (US\$23,565) thousands, respectively.
- (4) The issuers of certain overseas financial instrument were taken over by the government or defaulted in payment. In view of the aforesaid incidents, management of Cathay United Bank has provided an impairment loss of NT\$519,515 (US\$16,220) thousands against the book of the available for sales financial assets for the nine months ended September 30, 2009. These overseas financial instruments have been disposed on 2009.

8. Held-to-maturity financial assets-net

	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Government bonds	\$101,553,975	\$3,170,589	\$96,792,913	\$3,103,332
Corporate bonds	4,380,327	136,757	8,442,845	270,691
Financial debentures	10,574,869	330,155	9,698,980	310,964
Overseas financial instruments	558,026,943	17,422,009	553,302,523	17,739,741
Collateralized loans obligation and collateralized bonds obligation	9,311,727	290,719	10,938,353	350,701
Short-term notes	3,030,852	94,625	-	-
Total	<u>\$686,878,693</u>	<u>\$21,444,854</u>	<u>\$679,175,614</u>	<u>\$21,775,429</u>

Please refer to Note 29 for related information on the above held-to-maturity financial assets as of September 30, 2009 and 2010 being pledged as collaterals.

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9. Investments under equity method

Investee	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Consulting	\$136,597	\$4,265	\$150,326	\$4,820
Seaward Card	38,690	1,208	38,444	1,233
Cathay Property Insurance Agent	7,535	235	-	-
Cathay Life Insurance Agent	44,501	1,389	36,071	1,156
Cathay Insurance (Bermuda)	93,083	2,906	117,634	3,771
WK Technology Fund VI Co., Ltd	352,090	10,993	355,102	11,385
Vista Technology Venture Capital Corp.	44,790	1,398	40,096	1,285
Omnitek Venture Capital Corp.	85,782	2,678	62,259	1,996
Wa Tech Venture Capital Co., Ltd.	95,733	2,989	84,231	2,701
Taiwan Real-estate Management Corp.	52,370	1,635	63,493	2,036
Taiwan Finance Corp.	1,426,943	44,550	1,419,883	45,524
IBT Venture Capital Corp.	226,887	7,084	99,206	3,181
Cathay Securities Investment Trust Co., Ltd.	359,899	11,236	401,695	12,879
Subtotal	2,964,900	92,566	2,868,440	91,967
Less: Unrealized gain from intercompany transactions	(415,680)	(12,978)	(397,482)	(12,744)
Total	\$2,549,220	\$79,588	\$2,470,958	\$79,223

10. Other financial assets-net

Item	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Derivative financial assets for hedging	\$3,580,555	\$111,788	\$4,043,597	\$129,644
Financial assets carried at cost	26,805,633	836,892	14,640,139	469,386
Structured time deposits	29,300,000	914,767	27,716,945	888,648
Customer's margin accounts	993,133	31,006	242,905	7,788
Other miscellaneous financial assets	80,721	2,520	302,833	9,709
Accumulated impairment	(1,867,229)	(58,296)	(1,348,815)	(43,245)
Total	\$58,892,813	\$1,838,677	\$45,597,604	\$1,461,930

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- (1) An impairment provision is recognized as the stocks held by Cathay Life are assessed to be over-valued. As of September 30, 2009 and 2010, Cathay Life recognized impairment losses amounting to NT\$1,302,285 (US\$40,658) thousands and NT\$975,337 (US\$31,271) thousands, respectively, due to objective evidence of impairment of its investees.
- (2) Due to the recurring losses incurred, Cathay United Bank has recognized accumulated impairment loss for the equity instruments in the amount of NT\$564,944 (US\$17,638) thousands and NT\$373,478 (US\$11,974) thousands as of September 30, 2009 and 2010, respectively.

11. Investments in debt securities with no active market

	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Preferred stocks	\$899,730	\$28,090	\$1,691,730	\$54,239
Corporate bonds	14,895,585	465,051	15,595,586	500,019
Beneficiary certificates	400,000	12,488	-	-
Overseas financial instruments	157,894,914	4,929,595	261,897,621	8,396,846
Subtotal	174,090,229	5,435,224	279,184,937	8,951,104
Less: accumulated impairment	(2,893,995)	(90,353)	(2,339,202)	(74,998)
Net balance	<u>\$171,196,234</u>	<u>\$5,344,871</u>	<u>\$276,845,735</u>	<u>\$8,876,106</u>

- (1) A CDO impairment provision is recognized as the overseas bonds held by Cathay Life are assessed to be over-valued. As of September 30, 2009 and 2010, Cathay Life recognized impairment losses amounting to NT\$418,600 (US\$13,069) thousands and NT\$407,290 (US\$13,058) thousands, respectively.
- (2) The amounts of the accumulated impairment loss were NT\$2,331,110 (US\$72,779) thousands and NT\$1,791,382 (US\$57,434) thousands, Cathay United Bank have been recognized as of September 30, 2009 and 2010, respectively, due to the credit deterioration of certain securitization and financial debentures.

The amounts of the accumulated impairment loss were NT\$144,285 (US\$4,505) thousands and NT\$140,530 (US\$4,506) thousands, Cathay United Bank have been recognized as of September 30, 2009 and 2010, respectively, due to the default on certain conversable bonds.

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(3) Please refer to Note 29 for related information on the above investments in debt securities with no active market as of September 30, 2009 and 2010 being pledged as collaterals.

12. Investments in real estate

September 30, 2009										
Item	Cost		Revaluation increment		Accumulated depreciation		Accumulated impairment		Net value	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Investments in										
real estate	\$132,806,507	\$4,146,316	\$4,366	\$136	\$(18,270,617)	\$(570,422)	\$(195,594)	\$(6,107)	\$114,344,662	\$3,569,923
Construction	2,572,247	80,308	-	-	-	-	-	-	2,572,247	80,308
Lease	153,970	4,807	-	-	(3,366)	(105)	-	-	150,604	4,702
Prepayments										
for building										
and land	809,360	25,269	-	-	-	-	-	-	809,360	25,269
Total	<u>\$136,342,084</u>	<u>\$4,256,700</u>	<u>\$4,366</u>	<u>\$136</u>	<u>\$(18,273,983)</u>	<u>\$(570,527)</u>	<u>\$(195,594)</u>	<u>\$(6,107)</u>	<u>\$117,876,873</u>	<u>\$3,680,202</u>
September 30, 2010										
Item	Cost		Revaluation increment		Accumulated depreciation		Accumulated impairment		Net value	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Investments in										
real estate	\$141,484,167	\$4,536,203	\$4,329	\$138	\$(20,141,512)	\$(645,768)	\$(140,701)	\$(4,511)	\$121,206,283	\$3,886,062
Construction	2,848,934	91,341	-	-	-	-	-	-	2,848,934	91,341
Lease	263,880	8,460	-	-	(6,306)	(202)	-	-	257,574	8,258
Prepayments										
for building										
and land	422,612	13,550	-	-	-	-	-	-	422,612	13,550
Total	<u>\$145,019,593</u>	<u>\$4,649,554</u>	<u>\$4,329</u>	<u>\$138</u>	<u>\$(20,147,818)</u>	<u>\$(645,970)</u>	<u>\$(140,701)</u>	<u>\$(4,511)</u>	<u>\$124,735,403</u>	<u>\$3,999,211</u>

(1) The real estate investments are held mainly to generate rental revenue.

(2) Rents from real estate investment can be paid annually, semiannually, quarterly, monthly or in a lump sum.

(3) No investments in real estate were pledged as collaterals as of September 30, 2009 and 2010.

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13. Financial assets securitization

During 2007, Cathay United Bank securitized a collateralized loans obligation (CLO) with a carrying value of NT\$5,446,335 (US\$174,618) thousands with Land Bank Co., Ltd. as the Trustee. These beneficiary certificates have a redemption period from May 28, 2007 to May 28, 2014.

The trust was terminated after the amount paid to the holders of senior beneficiary certificates on April 28, 2010. After received the tax refund of 2009, the trust distributed the residual assets and closedown on May 14, 2010.

The other terms of these beneficiary certificates are as follows:

Class of beneficiary certificates issued	Issue amount (in thousands of dollars)	Interest rate
Senior tranche 1 st	NT\$3,335,000(US\$106,925)	2.175%
Senior tranche 2 nd	NT\$315,000(US\$10,099)	2.325%
Senior tranche 3 rd	NT\$340,000(US\$10,901)	2.545%
Senior tranche 4 th	NT\$480,000(US\$15,390)	2.945%
Subordinated tranche 5 th	NT\$200,000(US\$6,412)	3.00%
Subordinated tranche 6 th	NT\$200,000(US\$6,412)	3.20%
Subordinated tranche 7 th	NT\$576,335(US\$18,478)	-

Cathay United Bank holds the subordinated beneficiary certificates amounting to NT\$976,335 (US\$31,303) thousands and retains the right to interest (if any) in excess of the amount paid to the holders of senior beneficiary certificates. If the loan debtors default, neither the investor nor trustee has the right of recourse to Cathay United Bank. The retained interest of the principal of subordinated beneficiary certificates is subordinate to the investors' certificates and its value is affected by the credit risk, prepayment rate and change in interest rate of the securitized loans.

(1) Key assumptions used in measuring retained interests:

The key assumptions used in measuring the subordinated seller certificates arising from the loan securitization at the loans securitization date and September 30, 2009 were as follows:

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	<u>Corporate Loans Securitization</u>
	<u>September 30, 2009</u>
Expected weighted-average life (in years)	0.353
Prepayment rate (annual rate)	3.00%
Expected credit losses rate (annual rate)	3.71%
Discounting rate for residual cash flows (annual rate)	2.49%

(2) Sensitivity analysis:

As of September 30, 2009, the key economic assumptions and sensitivity of the current fair value of residual cash flows with immediate 10% and 20% adverse changes in these assumptions were as follows:

	<u>September 30, 2009</u>	
	<u>(NT\$)</u>	<u>(US\$)</u>
Carrying amount of retained interests	\$972,447	\$30,361
Expected weighted-average life (in years)	0.353	0.353
Expected prepayment rate (annual rate)	3.00%	3.00%
Impact on fair value with 10% adverse change	-	-
Impact on fair value with 20% adverse change	-	-
Expected credit losses (annual rate)	3.71%	3.71%
Impact on fair value with 10% adverse change	(2,184)	(68)
Impact on fair value with 20% adverse change	(2,660)	(83)
Discounting rate for residual cash flows (annual rate)	2.49%	2.49%
Impact on fair value with 10% adverse change	(1,995)	(62)
Impact on fair value with 20% adverse change	(3,986)	(124)

(3) Expected static pool credit losses:

As the securitized collateralized loans obligation does not have actual credit losses as of the balance sheet date, the expected static pool credit losses are, therefore, equal to the expected credit losses.

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(4) Cash flows:

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

	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Servicing fees received	\$180	\$6	\$104	\$3
Other cash received on retained interests	18,628	582	7,789	250
Repayment of cash reserve	4,487	140	15,613	501

14. Goodwill and intangible assets-net

Item	January 1, 2009		Increase		Decrease		September 30, 2009	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Acquired cost								
Goodwill	\$6,673,084	\$208,338	\$-	\$-	\$-	\$-	\$6,673,084	\$208,338
Computer software	2,567,375	80,155	261,716	8,171	(133,962)	(4,182)	2,695,129	84,144
Land use right	19,630	613	-	-	(355)	(11)	19,275	602
Subtotal	9,260,089	289,106	261,716	8,171	(134,317)	(4,193)	9,387,488	293,084
Amortization and impairment								
Amortized	(1,469,517)	(45,879)	(300,267)	(9,374)	129,414	4,040	(1,640,370)	(51,213)
Book value	\$7,790,572	\$243,227	\$(38,551)	\$(1,203)	\$(4,903)	\$(153)	\$7,747,118	\$241,871

Item	January 1, 2010		Increase		Decrease		September 30, 2010	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Acquired cost								
Goodwill	\$6,673,084	\$213,949	\$-	\$-	\$-	\$-	\$6,673,084	\$213,949
Computer software	2,964,574	95,049	641,832	20,578	(119,593)	(3,834)	3,486,813	111,793
Land use right	390,430	12,518	-	-	(8,532)	(274)	381,898	12,244
Subtotal	10,028,088	321,516	641,832	20,578	(128,125)	(4,108)	10,541,795	337,986
Amortization and impairment								
Amortized	(1,800,207)	(57,717)	(324,307)	(10,398)	116,984	3,751	(2,007,530)	(64,364)
Book value	\$8,227,881	\$263,799	\$317,525	\$10,180	\$(11,141)	\$(357)	\$8,534,265	\$273,622

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

15. Commercial paper payable

	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Commercial paper payable	\$600,000	\$18,733	\$540,000	\$17,313
Less: Discount on commercial paper payable	-	-	-	-
Total	<u>\$600,000</u>	<u>\$18,733</u>	<u>\$540,000</u>	<u>\$17,313</u>

As of September 30, 2009 and 2010, the average interest rate for the commercial paper payable were 0.248%~1.038% and 0.298%~0.558%, respectively.

16. Financial liabilities at fair value through profit or loss

	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Derivative financial instruments	\$456,353	\$14,248	\$939,053	\$30,107
Financial debentures	22,500,000	702,466	5,000,000	160,308
Subordinated financial debentures	5,000,000	156,104	5,000,000	160,308
Security lending payable hedging	52,425	1,637	111,003	3,559
Security lending payable non-hedging	-	-	82,558	2,647
Valuation adjustment	9,454,188	295,166	8,956,327	287,154
Total	<u>\$37,462,966</u>	<u>\$1,169,621</u>	<u>\$20,088,941</u>	<u>\$644,083</u>

(1) On September 19, 2008 and October 27, 2008, Cathay United Bank issued seven-year subordinated financial debentures totaling NT\$2,200,000 (US\$70,535) thousands and NT\$2,800,000 (US\$89,772) thousands, with fixed interest rates. These subordinated financial debentures are repaid at maturity, and the interest is paid quarterly.

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

- (2) On June 20, 2003, Cathay United Bank issued six-year dominant financial debentures amounting to NT\$5,000,000 (US\$160,308) thousands. On December 4, 2003, December 10, 2003 and December 11, 2003, Cathay United Bank issued six-year dominant financial debentures amounting to NT\$3,200,000 (US\$102,597) thousands, NT\$2,700,000 (US\$86,566) thousands and NT\$1,800,000 (US\$57,711) thousands, respectively. Subsequently on March 29, 2004, Cathay United Bank issued six-year dominant financial debentures amounting to NT\$2,000,000 (US\$64,123) thousands. These dominant financial debentures have matured before September 30, 2010.
- (3) On July 8 and July 15, 2004, Cathay United Bank issued five-year to seven-year dominant financial debentures amounting to NT\$1,000,000 (US\$32,062) thousands, NT\$3,500,000 (US\$112,215) thousands, NT\$2,000,000 (US\$64,123) thousands, and NT\$1,000,000 (US\$32,062) thousands, respectively, with floating interest rates, inverse floating interest rates or specific structure rates. These dominant financial debentures are repaid at maturity, and the interest is paid quarterly or semi-annually. On November 10, November 25, November 26, December 9, December 10, December 22, December 23 and December 29, 2004, and on January 14 and February 22, 2005, Cathay United Bank issued five-year to seven-year dominant financial debentures amounting to NT\$2,500,000 (US\$80,154) thousands, NT\$1,500,000 (US\$48,092) thousands, NT\$1,500,000 (US\$48,092) thousands, NT\$2,500,000 (US\$80,154) thousands, NT\$1,500,000 (US\$48,092) thousands, NT\$2,500,000 (US\$80,154) thousands, NT\$1,000,000 (US\$32,062) thousands and NT\$1,000,000 (US\$32,062) thousands, NT\$2,000,000 (US\$64,123) thousands, NT\$1,500,000 (US\$48,092) thousands, respectively, with fixed interest rates. These dominant financial debentures are repaid at maturity and the interest is paid quarterly. These five-year dominant financial debentures totaling NT\$20,000,000 (US\$641,231) thousands have matured as of September 30, 2010.
- (4) These dominant financial debentures are senior in priority to the subordinated financial debentures and common shares, but are equal to other debts of Cathay United Bank.

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17. Deposits

	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Check deposits	\$10,910,871	\$340,645	\$11,822,602	\$379,051
Demand deposits	176,035,850	5,495,968	214,944,414	6,891,453
Demand savings deposits	467,169,541	14,585,374	540,319,232	17,323,476
Time deposits	576,468,891	17,997,780	542,044,266	17,378,784
Remittances	699,243	21,831	783,813	25,130
Total	<u>\$1,231,284,396</u>	<u>\$38,441,598</u>	<u>\$1,309,914,327</u>	<u>\$41,997,894</u>

18. Bonds payable

	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Subordinated bond payable-net	\$20,000,000	\$624,415	\$42,991,077	\$1,378,361
Subordinated financial debentures	15,691,636	489,904	15,406,815	493,966
Discount in financial debentures	(50,873)	(1,588)	(42,551)	(1,364)
Valuation adjustment	1,003,321	31,324	1,579,482	50,641
Total	<u>\$36,644,084</u>	<u>\$1,144,055</u>	<u>\$59,934,823</u>	<u>\$1,921,604</u>

(1) Cathay United Bank issued a 15-year US\$500 million subordinated bonds with a stated interest rate of 5.5% on October 5, 2005, and the interest is payable semiannually. Cathay United Bank can redeem the bond after 10 years by exercising the call option. Cathay United Bank has adopted hedge accounting to account for its remaining subordinated financial debentures. Cathay United Bank has bought back the bonds amounting to US\$172,620 thousands on May 12, 2009 and recognized gain in the amount of NT\$430,023 (US\$13,426) thousands which was included in other noninterest income.

(2) On September 16, 2009, the Company issued a seven-year subordinated bond totaling NT\$20,000,000 (US\$624,415) thousands with a stated interest rate of 2.65%. The subordinated bonds and repayable at maturity and the interest is payable annually.

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- (3) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$1,500,000 (US\$48,092) thousands with a stated interest rate of 2.60% in July, 2009, and the interest is payable quarterly.
- (4) Cathay United Bank issued an eight-year subordinated financial debentures totaling NT\$3,650,000 (US\$117,025) thousands with a stated interest rate of 2.42% in June, 2009, and the interest is payable quarterly.
- (5) On December 8, 2008, the Company issued a seven-year subordinated bond totaling NT\$20,000,000 (US\$641,231) thousands with a stated interest rate of 3.10%. The subordinated bonds and repayable at maturity and the interest is payable annually.
- (6) Each subordinated financial debenture and subordinated bond has a lower priority claim on assets and income than other debts. That is, its principal and interest are repayable only after more senior debt with higher priority has been satisfied. These subordinated financial debentures are, however, more senior to common stock.

19. Other borrowings

	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Short-term borrowings	\$300,000	\$9,366	\$400,000	\$12,825

As of September 30, 2009 and 2010, the average interest rate for the other borrowings were 0.65%~0.73% and 0.52%~1.15%, respectively.

20. Reserve for operations and liabilities

	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Reserve for insurance business	\$2,241,574,619	\$69,983,598	\$2,565,772,513	\$82,262,665
Reserves for losses on guarantees	24,892	777	24,892	798
Reserves for losses on stock brokerage transactions	50,550	1,578	66,320	2,126
Reserves for losses on trading securities	273,919	8,552	271,909	8,718
Total	<u>\$2,241,923,980</u>	<u>\$69,994,505</u>	<u>\$2,566,135,634</u>	<u>\$82,274,307</u>

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Reserves for operations included the following reserves:

Unearned premium reserve, Special reserve, and Claims reserve are provided based on the “Regulations on Calculation of Various Insurance Reserves”.

(1) Unearned premium reserve

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

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

(2) Special reserve

A. Catastrophe reserve :

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

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

- a. Addition: The amount of the actual claims paid for each insurance product categories in excess of the respective contingency reserve and expected loss should be provided as the contingency reserve. Provision contingency reserve was thirty and fifteen percentage before and after January 1, 2008, respectively.

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- b. Reduction: The amount of actual claims paid for each insurance product categories in excess of the respective catastrophe reserve and expected loss should be deducted from the catastrophe reserve. If the deduction amount is greater than the catastrophe reserve of the insurance product category, catastrophe reserve for other insurance product categories can be used for the deduction. In addition, the deducted amount is required to be reported to authorities.
 - c. Recovery: Once the accumulated contingency reserve of each insurance product category exceeds 60% of its retained earned premium for the year, the excess amount should be recorded as income. When the accumulated accidental insurance and health insurance due within a year contingency reserve exceed 30% of the retained earned premium for the year, the excess amount should be recorded as income. However, authorities can assign or limit the use of the amount based on the development need of the insurance industry.
- C. The special reserve for the compulsory liability insurance of motor vehicle is in compliance with the “Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance”.
- D. The special reserve of the nuclear hazard insurance is in compliance with the “Accrual of Nuclear Hazard Insurance Reserve”.
- E. The residential earthquake insurance product is in compliance of “Regulations for Method of insurance and Contingency allocation on Residential Earthquake”.

(3) Claims reserve:

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

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

Effective from January 1, 2008, unexpired insurance contract and to end off assumed risk should be reserved premiums deficiency reserve.

21. Other financial liabilities

	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Derivative financial liabilities for hedging	\$101,881	\$3,181	\$621,359	\$19,922
Borrowed funds	250,688	7,827	202,959	6,507
Total	<u>\$352,569</u>	<u>\$11,008</u>	<u>\$824,318</u>	<u>\$26,429</u>

22. Common stock

- (1) As of September 30, 2009 and 2010, the authorized share capital amounted NT\$120,000,000 (US\$3,847,387) thousands, and the issued share capital amounted NT\$97,375,372 (US\$3,040,130) thousands and NT\$101,544,213 (US\$3,255,666) thousands, respectively.

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- (2) The recapitalization of undistributed earnings of NT\$4,835,439 (US\$155,032) thousands by issuing 483,544 thousand shares with par value of NT\$10 (US\$0.32) was resolved by the Company's shareholders' meeting on June 18, 2010 and approved by the Financial Supervisory commission on July 14, 2010. The recapitalization record date was August 10, 2010.
- (3) The cancellation of treasury stock of NT\$666,598 (US\$20,812) thousand by reducing 66,660 thousand shares with par value of NT\$10 (US\$0.31) was approved by the board of directors on August 21, 2009. The recapitalization record date was October 13, 2009.
- (4) On December 31, 2001, the Company listed its shares on Taiwan Stock Exchange Corporation (TSE) in accordance with relevant regulations. Since July 29, 2003, the Company listed a portion of its common shares on the Luxembourg Stock Exchange (LSE) in the form of Global Depositary Shares (GDSs).

23. Capital surplus

- (1) The capital surplus of the Company consists of consolidation premium from share exchange, accumulated adjustments on paid-in capital from investment under equity method, and paid-in capital from treasury stocks. Capital surplus were NT\$81,709,322 (US\$2,551,025) and NT\$78,508,148 (US\$2,517,093) thousands as of September 30, 2009 and 2010, respectively. Retained earnings from certain subsidiaries of the Company before the stock exchange of formation of the financial holding company amounted to NT\$0 (US\$0) and NT\$267,215 (US\$8,567) thousands were included in the capital surplus as of September 30, 2009 and 2010, respectively.
- (2) The capital surplus of par value through the conversion of shares was generated from the transfer of the shares of the subsidiaries to the Company. In compliance with Item 4 of Article 47 of the Financial Holding Company Act, the portion of capital surplus from the share exchange which comes from the original financial institution's undistributed earnings is allowed to be distributed as cash dividends or to be capitalized.
- (3) In addition, pursuant to the Company Act, capital surplus can only be used to offset a deficit or to increase share capital. Capital surplus cannot be distributed as cash dividends. Issuance of new stock from capital surplus can be made only once per year. Furthermore, the amount to be capitalized should not exceed the specific percentage of capital surplus set by the SFC.

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24. Retained earnings

(1) Legal reserve

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

(2) Special reserve

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

(3) Undistributed earnings

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

B. On June 18, 2010, the shareholders' meeting resolved the distribution of earnings of NT\$1.0 (US\$0.03) per share for the year ended December 31, 2009. The cash and stock dividends with record dates are NT\$0.5 (US\$0.02) and NT\$0.5 (US\$0.02) on July 12 and August 10, 2010, respectively.

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- C. On June 19, 2009, the shareholders' meeting resolved the distribution of earnings for the year ended December 31, 2008. After the appropriations of legal reserve and special reserve, there is not remainder to be appropriated as cash dividends and bonuses.
- D. The Company is required to pay 10% surtax in the forthcoming tax year for undistributed earnings.
- E. In accordance with SFC regulations, posterior to 2002 subsidiaries of financial holding companies that hold shares of their parent company should treat those shares as treasury stock. The costs of these shares are exempted from distributing as special reserve.
- F. Pursuant to the explanatory letter of SFB on January 27, 2006, the Company is required to appropriate a special reserve in the amount equal to unrealized loss of financial instruments, cumulative conversion adjustments, and net loss not yet recognized as net pension cost expect for the special reserve since 2007.
- G. Dividends policy
- The Company's dividends policy is to distribute dividends in stock in order to retain sufficient cash for operations. Excess cash from retained earnings after taking into account operating needs may be distributed in cash; moreover cash dividends must be a minimum of 10% of the total dividends declared.
- H. The accrual of employee bonus and remuneration of directors for the nine months ended September 30, 2010 was NT\$21,268 (US\$682) thousands based on the average of actual distribution in the past three years or the net income after tax for the nine months ended September 30, 2010 and was recognized as operating costs or expenses. The difference between actual distribution and estimated amount will be recognized in 2011 fiscal year.
- I. The accrual of employee bonus and remuneration of directors for the years of 2009 was NT\$33,242 (US\$1,038) thousands based on the average of actual distribution in the past three years or the net income after tax for the years of 2009 and was recognized as operating costs or expenses. The actual distribution was NT\$28,214 (US\$881) thousands. The difference of NT\$5,028 (US\$157) thousands between actual distribution and estimated amount has been recognized in 2010 fiscal year.

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J. Due to the date of CPA expressing an opinion, the Company's distribution of 2009 retained earnings has been approved by the board of directors and the shareholders' meeting. For related information please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.

25. Treasury stock

The following is a summary of the movement of treasury stock as of September 30, 2009 and 2010:

		September 30, 2009								
		In thousands of shares			Book value		Book value per share		Market value per share	
Reason for acquisition	January 1, 2009	Increase	Decrease	September 30, 2009	(NT\$)	(US\$)	(in NT dollars)	(in US dollars)	(in NT dollars)	(in US dollars)
Shares acquired through share exchange from merger transaction	66,660	-	-	66,660	\$4,140,047	\$129,255	\$62.11	\$1.94	\$53.40	\$1.67

There is no treasury stock for the nine months ended September 30, 2010.

26. Operating Expense

For the nine months ended September 30, 2009 and 2010, personnel expense, depreciation and amortizations are summarized below:

	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Personnel expenses				
Salary and wages	\$25,025,392	\$781,311	\$26,229,754	\$840,966
Labor & health insurance expenses	1,738,001	54,262	2,003,641	64,240
Pension expenses	1,037,225	32,383	986,378	31,625
Other expenses	1,387,624	43,322	1,590,473	50,993
Depreciation	2,621,217	81,836	2,681,418	85,970
Amortization	304,214	9,498	326,491	10,468

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27. Estimated income taxes

(1) Income tax expenses include the following:

	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Adjusted income tax calculates on				
accounting income	\$735,666	\$22,968	\$1,082,453	\$34,705
Plus (Less): Tax of interest income on a				
separate basis	113,239	3,535	9,970	320
Extra 10% income tax on				
undistributed retained earning	8,716	272	225,168	7,219
Alternative minimum tax				
payable	-	-	1,057	34
Withholding tax for overseas				
investments	(47,418)	(1,480)	14,711	472
Tax effects under consolidated				
income tax	69,476	2,169	(335,352)	(10,752)
Deferred income tax expense				
(benefits)	5,752,458	179,596	(1,361,300)	(43,645)
Adjustment of income tax	659,297	20,584	(154,537)	(4,955)
Income tax credit	(7,675)	(240)	(510)	(16)
Operating loss carry-forward	(4,831,713)	(150,850)	(597,004)	(19,141)
Effects of tax rate change on				
deferred tax assets / liabilities	1,879,989	58,695	1,220,430	39,129
Other	234,172	7,311	(59,490)	(1,908)
Total income tax expenses	<u>\$4,566,207</u>	<u>\$142,560</u>	<u>\$45,596</u>	<u>\$1,462</u>

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

	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Total deferred tax assets	<u>\$12,275,608</u>	<u>\$383,253</u>	<u>\$11,305,841</u>	<u>\$362,483</u>
Total deferred tax liabilities	<u>\$5,191,027</u>	<u>\$162,068</u>	<u>\$4,669,064</u>	<u>\$149,698</u>
Allowance for deferred assets	<u>\$317,137</u>	<u>\$9,901</u>	<u>\$97,192</u>	<u>\$3,116</u>

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	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Temporary differences:				
Pension expense	\$1,467,093	\$45,804	\$1,373,331	\$44,031
Unrealized exchange (gains) losses	7,208,010	225,039	23,137,972	741,839
Gains from valuation on financial assets and liabilities	(14,825,892)	(462,875)	(24,815,716)	(795,630)
Allowance for bad debts	710,741	22,190	588,968	18,883
Operating loss carry-forward	35,176,558	1,098,238	39,530,449	1,267,408
Other difference	892,174	27,854	648,747	20,800
Total	<u>\$30,628,684</u>	<u>\$956,250</u>	<u>\$40,463,751</u>	<u>\$1,297,331</u>
Tax effect under consolidated income tax system	<u>\$(32,041)</u>	<u>\$(1,000)</u>	<u>\$(646,391)</u>	<u>\$(20,724)</u>
Deferred income tax assets of foreign branches	<u>\$87,509</u>	<u>\$2,732</u>	<u>\$284,584</u>	<u>\$9,124</u>
Investment tax credit	<u>\$49,080</u>	<u>\$1,532</u>	<u>\$119,746</u>	<u>\$3,839</u>

	September 30,			
	2009		2010	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Deferred tax assets	\$12,275,608	\$383,253	\$11,305,841	\$362,483
Allowance for deferred tax assets	(317,137)	(9,901)	(97,192)	(3,116)
Net deferred tax assets	11,958,471	373,352	11,208,649	359,367
Deferred tax liabilities	(5,191,027)	(162,068)	(4,669,064)	(149,698)
Net offset balance of deferred tax assets	<u>\$6,767,444</u>	<u>\$211,284</u>	<u>\$6,539,585</u>	<u>\$209,669</u>

In accordance with the Financial Holding Company Act, the Company elected to file consolidated income tax return along with 10% surtax on undistributed retained earning tax for all subsidiaries being held over 12 months within a taxable year by the Company.

The applicable income tax rate of the Company was 25%. In accordance with the amendment to the Income Tax law announced on May 27, 2009, the applicable Income Tax rate for the Company was reduced from 25% to 20% starting from 2010. Furthermore, in accordance with the recent amendment to the Income Tax law announced on June 15, 2010, the applicable Income Tax rate for the Company has been further reduced to 17% starting from 2010.

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(3) Income tax returns:

			September 30, 2010
			Notes
	Income tax returns examined by tax authorities		
The Company	through 2005		The Company filed applications for re-examination of 2002, 2003, 2004 and 2005 tax returns.
Cathay Life	through 2005		Cathay Life filed applications for re-examination of 2002, 2003, 2004 and 2005 tax returns.
Cathay United Bank	through 2005		-
Cathay Century	through 2005		Cathay Century filed applications for re-examination of 2004 and 2005 tax return.
Cathay Securities	through 2005		-
Cathay Pacific Venture	through 2005		-
Symphox Information	through 2008		-
Cathay Futures	through 2008		-

(4) Information related to imputation credit account:

A. Balance of imputation credit account

	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
The Company	\$790	\$25	\$534,522	\$17,138
Cathay Life	2,361,941	73,742	2,317,857	74,314
Cathay United Bank	240,436	7,507	209,599	6,720
Cathay Century	15,269	477	11,661	374
Cathay Securities	8,000	250	2	-
Cathay Pacific Venture	2,108	66	17,664	566
Cathay Futures	13,038	407	14,222	456
Symphox Information	9,575	299	12,798	410

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B. Imputation ratio

	For the nine months ended September 30,	
	2009	2010
	Actual	Actual
The Company-cash dividends	10.42%	7.51%
The Company- stock dividends	-	7.51%
Cathay Life	-	33.33%
Cathay United Bank	5.06%	0.08%
Cathay Century	2.55%	2.48%
Cathay Securities	-	10.11%
Cathay Pacific Venture	-	-
Cathay Futures	33.33%	33.33%
Symphox Information	33.33%	33.33%

(5) Information relating of undistributed retained earnings:

Year	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Prior to 1997	\$-	\$-	\$267,215	\$8,567
After 1998	-	-	7,115,591	228,137
Total	\$-	\$-	\$7,382,806	\$236,704

A. Net income for the nine months ended September 30, 2009 and 2010 were excluded from the undistributed earnings after 1998.

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

28. Earnings per share

	For the nine months ended September 30, 2009								
	Amount (Numerator)				Shares (in thousands of shares)	EPS (in dollars)			
	Before income taxes		After income taxes			Before income taxes		After income taxes	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(denominator)	(NT\$)	(US\$)	(NT\$)	(US\$)
Primary earnings per share:									
Consolidated losses	\$12,281,108	\$383,425	\$7,714,901	\$240,865	10,154,421	\$1.21	\$0.04	\$0.76	\$0.02

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For the nine months ended September 30, 2010									
	Amount (Numerator)				Shares	EPS (in dollars)			
	Before income taxes		After income taxes		(in thousands	Before income taxes		After income taxes	
					of shares)				
	(NTS)	(US\$)	(NTS)	(US\$)	(denominator)	(NTS)	(US\$)	(NTS)	(US\$)
Primary earnings per share:									
Consolidated income	\$4,044,532	\$129,674	\$3,998,936	\$128,212	10,154,421	\$0.40	\$0.01	\$0.39	\$0.01

29. Related party transactions

(1) Related parties

Name	Relationship
Cathay Life	Subsidiary of the Company
Cathay United Bank	"
Cathay Century	"
Cathay Securities	"
Cathay Pacific Venture	"
Cathay Life (China)	Subsidiary of Cathay Life
Cathay Life (Vietnam)	"
Symphox Information	"
Cathay Insurance (Bermuda)	"
Cathay Securities Investment Consulting	"
Cathay Century (China)	Subsidiary of Cathay Century
Indovina Bank	Subsidiary of Cathay United Bank
Cathay Life Insurance Agent	"
Seaward Card	"
Cathay Futures	Subsidiary of Cathay Securities
Cathay Securities Investment Trust Co., Ltd.	Investee accounted for under the equity method
Taiwan Real-estate Management Corp.	"
Cathay Bond Fund etc.	The fund is managed by Cathay Securities Trust Co., Ltd.
Vietinbank	Joint venture partner of Indovina Bank
Lin Yuan Property Management Co., Ltd.	Related Party disclosed according to Accounting Standard No. 6
Cathay General Hospital	"
Seaward Leasing Ltd.	"
Cathay Real Estate Development Co., Ltd.	"
Cathay Century Realty Co., Ltd.	"
San Ching Engineering Co., Ltd.	"
Other related parties	Includes chairmen managers, their spouses and relatives of subsidiaries

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share date and unless otherwise stated)**

(2) Significant transactions with related parties:

A. Cash and cash equivalent

a. Due from commercial banks

Name	For the nine months ended September 30,							
	2009				2010			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Vietinbank	\$8,780	\$274	\$29	\$1	\$10,775	\$345	\$26	\$1

b. Call loans from banks

Name	For the nine months ended September 30,							
	2009				2010			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Vietinbank	\$189,512	\$5,917	\$2,127	\$66	\$-	\$-	\$-	\$-

B. Financial assets at fair value through profit or loss

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$4,804,867	\$150,011	\$2,394,526	\$76,772

C. Receivables

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Insurance (Bermuda)	\$27,615	\$862	\$9,234	\$296

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D. Loans

Name	For the nine months ended September 30, 2009			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Revenue (NT\$)	Interest Revenue (US\$)
Seaward Leasing Ltd.	\$1,810,000	\$56,510	\$13,501	\$422
Taiwan Real-estate Management Corp.	115,000	3,590	1,803	56
Cathay General Hospital	4,329,260	135,163	80,193	2,504
Other related parties	664,314	20,740	8,044	251
Total	<u>\$6,918,574</u>	<u>\$216,003</u>	<u>\$103,541</u>	<u>\$3,233</u>

Name	For the nine months ended September 30, 2010			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Revenue (NT\$)	Interest Revenue (US\$)
Seaward Leasing Ltd.	\$825,000	\$26,451	\$4,329	\$139
Taiwan Real-estate Management Corp.	102,000	3,270	1,279	41
Cathay General Hospital	4,035,947	129,399	63,799	2,045
Other related parties	512,420	16,429	6,021	193
Total	<u>\$5,475,367</u>	<u>\$175,549</u>	<u>\$75,428</u>	<u>\$2,418</u>

E. Available-for-sale financial assets

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$213,655</u>	<u>\$6,670</u>	<u>\$519,013</u>	<u>\$16,640</u>

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F. Deposit

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

Name	For the nine months ended September 30, 2010			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Expense (NT\$)	Interest Expense (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$694,055	\$22,252	\$1,600	\$51
Cathay Real Estate Development Co., Ltd.	69,980	2,244	34	1
Cathay Bond Fund etc.	5,854,910	187,718	22,844	733
Other related parties	6,058,765	194,253	26,368	845
Total	\$12,677,710	\$406,467	\$50,846	\$1,630

G. Property transactions

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

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

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Name	Item	For the nine months ended September 30, 2010	
		(NT\$)	(US\$)
Lin Yuan Property Management Co., Ltd.	International Building etc.	\$21,114	\$677
San Ching Engineering Co., Ltd.	Cathay Land Mark etc.	15,169	486
Total		<u>\$36,283</u>	<u>\$1,163</u>

b. Real estate rental income from Cathay Life:

Name	Rental income			
	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Real Estate Development Co., Ltd.	\$16,583	\$518	\$15,048	\$483
Cathay General Hospital	99,766	3,115	100,628	3,226
Cathay Securities Investment Trust Co., Ltd.	16,726	522	18,251	585
San Ching Engineering Co., Ltd.	7,283	227	6,979	224
Cathay Securities Investment Consulting	6,941	217	7,210	231
Total	<u>\$147,299</u>	<u>\$4,599</u>	<u>\$148,116</u>	<u>\$4,749</u>

Name	Guarantee deposits in			
	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Real Estate Development Co., Ltd.	\$4,886	\$153	\$4,886	\$157
Cathay General Hospital	11,305	353	11,776	377
Cathay Securities Investment Trust Co., Ltd.	4,948	154	6,210	199
Total	<u>\$21,139</u>	<u>\$660</u>	<u>\$22,872</u>	<u>\$733</u>

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

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

Name	Rental expenses			
	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Real Estate Development Co., Ltd.	\$31,158	\$973	\$29,255	\$938
Seaward Leasing Ltd.	11,059	345	9,859	316
Total	<u>\$42,217</u>	<u>\$1,318</u>	<u>\$39,114</u>	<u>\$1,254</u>

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Name	Guarantee deposits paid			
	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Real Estate Development Co., Ltd.	\$10,959	\$342	\$8,675	\$278

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

H. Securities sold under agreements to repurchase

Name	September 30,			
	Ending balance			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$162,000	\$5,058	\$15,000	\$481
Other related parties	558,060	17,423	538,442	17,263
Total	\$720,060	\$22,481	\$553,442	\$17,744

Name	For the nine months ended September 30,			
	Interest expenses			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$103	\$3	\$77	\$2
Other related parties	678	21	655	21
Total	\$781	\$24	\$732	\$23

I. Payables

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Seaward Card	\$-	\$-	\$15,080	\$484
Vietinbank	161,000	5,027	-	-
Lin Yuan Property Management Co., Ltd.	36,462	1,138	46,267	1,483
Total	\$197,462	\$6,165	\$61,347	\$1,967

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J. Net commission and handling fees

a. Handling fees income

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$13,719	\$428	\$24,036	\$771
Cathay Securities Investment Consulting	-	-	3,073	98
Total	\$13,719	\$428	\$27,109	\$869

b. Commissions expense

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life Insurance Agent	\$22,092	\$690	\$16,857	\$540

c. Reinsurance service expense

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Insurance (Bermuda)	\$7,416	\$232	\$8,668	\$278

K. Net premiums from insurance business

a. Insurance income

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay General Hospital	\$25,440	\$794	\$28,380	\$910
Seaward Leasing Ltd.	5,379	168	6,244	200
Other related parties	214,257	6,689	101,562	3,256
Total	\$245,076	\$7,651	\$136,186	\$4,366

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b. Reinsurance income

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Insurance (Bermuda)	\$71,321	\$2,227	\$83,549	\$2,679

Since April 1, 2000, Cathay Insurance (Bermuda) has engaged in the reinsurance business providing reinsurance for RGA Global Reinsurance Company and Central Reinsurance Corporation's accidental insurance. For the nine months ended September 30, 2009 and 2010, Cathay Life assumes 60% and 90% of the reinsurance business from Cathay Insurance (Bermuda), respectively.

c. Reinsurance claims payment

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Insurance (Bermuda)	\$103,625	\$3,235	\$56,856	\$1,823

d. Reinsurance commission expense

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Insurance (Bermuda)	\$-	\$-	\$3,647	\$117

L. Net other non-interest income

a. Sales

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Charity Foundation	\$4,179	\$130	\$-	\$-

b. Service income

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay General Hospital	\$-	\$-	\$3,655	\$117

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c. Miscellaneous income

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$64,769	\$2,022	\$92,415	\$2,963
Cathay General Hospital	3,809	119	4,037	129
Total	\$68,578	\$2,141	\$96,452	\$3,092

M. Operating expense

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Consulting	\$17,010	\$531	\$17,010	\$545
Seaward Card	236,158	7,373	233,799	7,496
Cathay General Hospital	6,872	214	3,122	100
Lin Yuan Property Management Co., Ltd.	449,050	14,020	457,099	14,655
Cathay Real Estate Development Co., Ltd.	8,052	251	5,422	174
Seaward Leasing Ltd.	12,641	395	10,376	333
Total	\$729,783	\$22,784	\$726,828	\$23,303

N. Others Disclosures

a. Cathay United Bank entered into a contract with San Ching Engineering Co., Ltd. to build the Nei-hu Financial Building and North Taoyuan Branch totaling NT\$ 1,411,880 (US\$45,267) thousands, in 2006. The project was completed in 2009. Cathay United Bank paid the amount of NT\$218,894 (US\$6,834) thousands during the nine months ended September 30, 2009. As of September 30, 2009, the accumulated paid amount was NT\$1,400,790 (US\$43,734) thousands.

b. Cathay United Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management Co., Ltd. in the amount of NT\$21,333 (US\$666) thousands and NT\$11,805 (US\$378) thousands during the nine months ended September 30, 2009 and 2010, respectively.

c. Cathay Century Realty Co., Ltd. acted as a broker for Cathay United Bank to dispose of real estate, the commissions of NT\$2,042 (US\$64) thousands and NT\$20,717(US\$664) were included in disposal gains of foreclosed properties, premises and equipment, during the nine months ended September 30, 2009 and 2010, respectively.

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

A. Receivables

Name	Item	September 30,			
		2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay United Bank	Receivables due to consolidated income tax	\$1,125,379	\$35,135	\$2,081,287	\$66,729
Cathay Life	Interest	402,712	12,573	609,575	19,544
Cathay Century	Receivables due to consolidated income tax	141,000	4,402	86,573	2,776
Cathay Securities	Receivables due to consolidated income tax	227,026	7,088	24,595	788
Total		<u>\$1,896,117</u>	<u>\$59,198</u>	<u>\$2,802,030</u>	<u>\$89,837</u>

B. Guarantee deposits paid

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	<u>\$5,964</u>	<u>\$186</u>	<u>\$5,816</u>	<u>\$186</u>

C. Payables

Name	Item	September 30,			
		2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	Payables due to consolidated income tax	\$4,460,845	\$139,271	\$6,448,271	\$206,742
Cathay United Bank	Payables due to consolidated income tax	3,149,442	98,328	3,398,277	108,954
Cathay Securities	Payables due to consolidated income tax	14,199	443	14,199	455
Total		<u>\$7,624,486</u>	<u>\$238,042</u>	<u>\$9,860,747</u>	<u>\$316,151</u>

D. Interest income

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	<u>\$392,671</u>	<u>\$12,259</u>	<u>\$609,575</u>	<u>\$19,544</u>

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E. Operating expenses

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	\$19,434	\$607	\$20,777	\$666

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

A. Cathay Life

a. Cash in banks

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

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

		For the nine months ended September 30, 2010		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$8,505,051	0.10%~4.60%	\$59,590
Bank	Cash in bank	4,869,787	0.02%~1.05%	2,104
Total		\$13,374,838		\$61,694

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		For the nine months ended September 30, 2010		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposit	\$272,685	0.10%~4.60%	\$1,911
	Cash in bank	156,133	0.02%~1.05%	67
Total		\$428,818		\$1,978

b. Other receivables

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Financial Holding	\$4,460,845	\$139,271	\$6,448,271	\$206,742
Cathay Century	194,763	6,080	145,847	4,676
Total	\$4,655,608	\$145,351	\$6,594,118	\$211,418

c. Secured loans

For the nine months ended September 30, 2009				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$4,286,249	\$4,093,260	1.85%~3.91%	\$75,522
Other related parties	393,090	342,125	1.01%~5.37%	4,758
Total	\$4,679,339	\$4,435,385		\$80,280

For the nine months ended September 30, 2009				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$133,820	\$127,795	1.85%~3.91%	\$2,358
Other related parties	12,272	10,681	1.01%~5.37%	148
Total	\$146,092	\$138,476		\$2,506

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For the nine months ended September 30, 2010				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$4,026,030	\$3,823,947	1.85%~2.14%	\$59,655
Other related parties	301,378	280,123	1.18%~3.65%	3,457
Total	<u>\$4,327,408</u>	<u>\$4,104,070</u>		<u>\$63,112</u>

For the nine months ended September 30, 2010				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$129,081	\$122,602	1.85%~2.14%	\$1,913
Other related parties	9,662	8,981	1.18%~3.65%	110
Total	<u>\$138,743</u>	<u>\$131,583</u>		<u>\$2,023</u>

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

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$3,982,953</u>	<u>\$124,351</u>	<u>\$2,365,799</u>	<u>\$75,851</u>

e. Other overdue receivable

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life (China)	<u>\$265,211</u>	<u>\$8,280</u>	<u>\$204,097</u>	<u>\$6,544</u>

The overdue receivable is consisted of other receivables for out-of-pocket IT system expense.

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f. Guarantee deposits paid

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Futures	\$299,992	\$9,366	\$174,314	\$5,589

As of September 30, 2009 and 2010, the imputed interest income of guarantee deposits paid from Cathay Futures were NT\$316 (US\$10) thousands and NT\$125 (US\$4) thousands, respectively.

g. Other payables

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Financial Holding	\$402,712	\$12,573	\$609,575	\$19,544

h. Rental income

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay United Bank	\$248,913	\$7,771	\$272,598	\$8,740
Cathay General Hospital	99,766	3,115	100,628	3,226
Total	\$348,679	\$10,886	\$373,226	\$11,966

i. Insurance income

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010 (US\$)
Cathay United Bank	\$435,953	\$13,611	\$440,852	\$14,135
Other related parties	214,257	6,689	101,562	3,256
Total	\$650,210	\$20,300	\$542,414	\$17,391

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j. Reinsurance claims payment

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Insurance (Bermuda)	\$103,625	\$3,235	\$56,856	\$1,823

k. Miscellaneous income

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Century	\$759,540	\$23,713	\$770,951	\$24,718

l. Operating expense

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay United Bank	\$845,829	\$26,407	\$1,149,678	\$36,861
Symphox Information	179,092	5,591	176,269	5,651
Lin Yuan Property Management Co., Ltd.	449,050	14,020	457,099	14,655
Total	\$1,473,971	\$46,018	\$1,783,046	\$57,167

m. Non-operating expenses

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Financial Holding	\$392,671	\$12,259	\$609,575	\$19,544

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

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n. Other Disclosures

(A) As of September 30, 2009 and 2010, the notional amounts of the financial instruments transactions with Cathay United Bank are listed below:

Item	September 30,	
	2009	2010
Forward foreign exchange contracts	USD550,000	USD1,745,412
CS contracts	USD3,771,000	USD3,407,691

(B) Cathay Life had entered a credit assignment agreement with Cathay United Bank in the amounts of NT\$800,000 (US\$24,977) thousands and NT\$910,000 (US\$29,176) thousands during the nine months ended September 30, 2009 and 2010, respectively.

B. Cathay United Bank

a. Loans and deposits

Account/Name	For the nine months ended September 30,							
	2009				2010			
	Ending Balance		Interest revenue		Ending Balance		Interest revenue	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Loans								
Seaward								
Leasing Ltd.	\$1,810,000	\$56,510	\$13,501	\$421	\$825,000	\$26,451	\$4,329	\$139
Taiwan								
Real-estate								
Management								
Corp.	115,000	3,590	1,803	56	102,000	3,270	1,279	41
Cathay General								
Hospital	236,000	7,368	4,671	146	212,000	6,797	4,144	133
Other related								
parties	304,571	9,509	3,067	96	212,064	6,799	2,310	74
Total	\$2,465,571	\$76,977	\$23,042	\$719	\$1,351,064	\$43,317	\$12,062	\$387

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Account/Name	For the nine months ended September 30,							
	2009				2010			
	Ending Balance		Interest expense		Ending Balance		Interest expense	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Deposits								
Cathay Life	\$21,020,979	\$656,290	\$42,227	\$1,318	\$13,374,838	\$428,818	\$61,694	\$1,978
Cathay Futures	1,240,260	38,722	9,233	288	1,387,564	44,487	8,258	265
Cathay								
Securities	180,076	5,622	756	24	305,734	9,802	213	7
Cathay Century	1,596,787	49,853	12,315	384	1,646,654	52,794	6,391	205
Cathay								
Securities								
Investment								
Trust Co.,								
Ltd.	332,275	10,374	3,334	104	694,055	22,253	1,600	51
Cathay Real								
Estate								
Development								
Co., Ltd.	205,365	6,411	50	2	69,980	2,244	34	1
Cathay Global								
Money								
Market Fund								
etc.	9,433,792	294,530	70,394	2,198	5,854,910	187,718	22,844	733
Other related								
parties	4,514,842	140,957	32,179	1,005	6,058,765	194,253	26,368	845
Total	<u>\$38,524,376</u>	<u>\$1,202,759</u>	<u>\$170,488</u>	<u>\$5,323</u>	<u>\$29,392,500</u>	<u>\$942,369</u>	<u>\$127,402</u>	<u>\$4,085</u>

b. Securities sold under agreements to repurchase

Name	September 30,			
	Ending balance			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010 (US\$)
Cathay Securities				
Investment Trust Co.,				
Ltd.	\$162,000	\$5,058	\$15,000	\$481
Other related parties	558,060	17,423	538,442	17,263
Total	<u>\$720,060</u>	<u>\$22,481</u>	<u>\$553,442</u>	<u>\$17,744</u>

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Name	For the nine months ended September 30,			
	Interest expense			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$103	\$3	\$77	\$2
Other related parties	678	21	655	21
Total	\$781	\$24	\$732	\$23

c. Rental expense

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	\$249,438	\$7,788	\$272,931	\$8,751

d. Handling fees income

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	\$845,829	\$26,407	\$1,149,678	\$36,861

e. Accrued Insurance expense

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	\$435,953	\$13,611	\$440,852	\$14,135

f. General expense

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Symphox Information	\$322,419	\$10,066	\$339,107	\$10,872
Seaward Card	192,171	6,000	188,815	6,054
Total	\$514,590	\$16,066	\$527,922	\$16,926

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g. Receivables

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Financial Holding	<u>\$2,024,063</u>	<u>\$63,193</u>	<u>\$2,095,328</u>	<u>\$67,180</u>

h. Other Receivable-cash dividends

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Indovina Bank	<u>\$161,000</u>	<u>\$5,027</u>	<u>\$140,985</u>	<u>\$4,520</u>

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

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$517,478</u>	<u>\$16,156</u>	<u>\$-</u>	<u>\$-</u>

j. Available-for-sale financial assets (Mutual fund)

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$-</u>	<u>\$-</u>	<u>\$200,000</u>	<u>\$6,412</u>

k. Payables

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Financial Holding	<u>\$-</u>	<u>\$-</u>	<u>\$778,338</u>	<u>\$24,955</u>

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I. Other Disclosures

- (a) Cathay United Bank entered into a contract with San Ching Engineering Co., Ltd. to build the Nei-hu Financial Building and North Taoyuan Branch totaling NT\$1,411,880 (US\$45,267) thousands, in 2006. The project was completed in 2009. Cathay United Bank paid the amount of NT\$218,894 (US\$6,834) thousands during the nine months ended September 30, 2009. As of September 30, 2009, the accumulated paid amount was NT\$1,400,790 (US\$43,734) thousands.
- (b) Cathay United Bank entered into a contract with Cathay Life to transferring credit facilities. The transferring loan amount was NT\$800,000 (US\$24,977) thousands and NT\$910,000 (US\$29,176) thousands during the nine months ended September 30, 2009 and 2010, respectively.
- (c) Cathay United Bank entered into a contract with Cathay Century to transferring credit facilities. The transferring loan amounts was NT\$100,000 (US\$3,206) thousands during the nine months ended September 30, 2010.

C. Cathay Century

a. Cash in banks

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

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

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		For the nine months ended September 30, 2010		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$666,832	0.10%	\$374
	Time deposits	979,822	0.10%~1.12%	6,017
Total		<u>\$1,646,654</u>		<u>\$6,391</u>

		For the nine months ended September 30, 2010		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$21,380	0.10%	\$12
	Time deposits	31,414	0.10%~1.12%	193
Total		<u>\$52,794</u>		<u>\$205</u>

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

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$200,750</u>	<u>\$6,268</u>	<u>\$-</u>	<u>\$-</u>

c. Other payables

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Financial Holding	\$141,000	\$4,402	\$86,573	\$2,776
Cathay Life	194,763	6,081	145,847	4,676
Total	<u>\$335,763</u>	<u>\$10,483</u>	<u>\$232,420</u>	<u>\$7,452</u>

d. Operating expense

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	<u>\$833,455</u>	<u>\$26,021</u>	<u>\$843,822</u>	<u>\$27,055</u>

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e. Other Disclosures

(a) As of September 30, 2009 and 2010 the nominal amount of the derivative financial instruments transactions with Cathay United Bank are listed below:

Item	September 30,	
	2009	2010
Forward foreign exchange contracts	USD6,410	USD-
CS contracts	USD11,050	USD28,050
IRS	NTD600,000 (USD18,732)	NTD600,000 (USD19,237)

(b) Cathay Century had entered a credit assignment agreement with Cathay United Bank in the amounts of NT\$100,000 (US\$3,206) thousands for the nine months ended September 30, 2010.

D. Cathay Securities

a. Cash in bank

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

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

		For the nine months ended September 30, 2010		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$305,734	0.02%~1.05%	\$213

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		For the nine months ended September 30, 2010		
Name	Item	Ending balance		Interest income
		(US\$)	Rate	(US\$)
Cathay United Bank	Cash in banks	\$9,802	0.02%~1.05%	\$7

As of September 30, 2009, NT\$12,000 (US\$375) thousands in time deposits reflected premiums received for structured notes and were recognized under guarantee deposits paid.

b. Other payables

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010 (US\$)
Cathay Financial Holding (Note)	\$227,026	\$7,088	\$29,808	\$955

Note: As of September 30, 2010, payable due to the adoption of the Integrated Income Tax System, except for the Cathay Securities's income tax returns have been filed and assessed at NT\$5,213 (US\$167) thousands by the National Tax Administration through 2005.

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

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

		For the nine months ended September 30, 2010							
Name	Clearing and settlement fees		Dealing handling fee expense		Accounts payable		Margin for futures trading – own funds		
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Cathay Futures	\$-	\$-	\$-	\$-	\$-	\$-	\$212,167	\$6,802	

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E. Cathay Pacific Venture

Available-for-sale financial assets

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010 (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$163,633	\$5,109	\$296,648	\$9,511

F. Indovina Bank

a. Call Loans from banks

Name	For the nine months ended September 30, 2009			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay United Bank	\$189,512	\$5,917	\$2,127	\$66

There is no significant related parties transaction for the nine months ended September 30, 2010.

b. Dividends Payables

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010 (US\$)
Cathay United Bank	\$161,000	\$5,027	\$140,985	\$4,520
Vietinbank	161,000	5,027	-	-
Total	\$322,000	\$10,054	\$140,985	\$4,520

c. Deposits

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

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

For the nine months ended September 30, 2010			
Name	Ending balance (NT\$)	Rate	Interest expense (NT\$)
Cathay Life Vietnam	\$105,529	1.00%~14.40%	\$11,673

For the nine months ended September 30, 2010			
Name	Ending balance (US\$)	Rate	Interest expense (US\$)
Cathay Life Vietnam	\$3,383	1.00%~14.40%	\$374

G. Cathay Futures

a. Cash in bank

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

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

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		For the nine months ended September 30, 2010		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$317,100	0.14%~1.065%	\$1,968
	Cash in bank	15,774	0.10%	6
	Total	<u>\$332,874</u>		<u>\$1,974</u>

		For the nine months ended September 30, 2010		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$10,166	0.14%~1.065%	\$63
	Cash in bank	506	0.10%	-
	Total	<u>\$10,672</u>		<u>\$63</u>

As of September 30, 2009 and 2010, Cathay Futures has time deposit amounting to NT\$60,000 (US\$1,873) and NT\$60,000 (US\$1,924) thousands in Cathay United Bank as the guaranty bond, in accordance with Article 14 of Rules Governing Futures Commission Merchants and Article 11 of Regulation Governing Futures Advisory Enterprises.

b. Customer's margin accounts

Name	September 30,					
	2009			2010		
	(NT\$)	(US\$)	Rate	(NT\$)	(US\$)	Rate
Cathay United Bank	<u>\$923,871</u>	<u>\$28,844</u>	0.02%~2.17%	<u>\$1,054,690</u>	<u>\$33,815</u>	0.02%~1.065%

c. Futures customers' equity

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	\$299,992	\$9,366	\$174,314	\$5,589
Cathay Securities	333,880	10,424	212,167	6,802
Total	<u>\$633,872</u>	<u>\$19,790</u>	<u>\$386,481</u>	<u>\$12,391</u>

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H. Symphox Information

a. Cash in bank

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

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

		For the nine months ended September 30, 2010		
		Ending balance		Interest income
Name	Item	(NT\$)	Rate	(NT\$)
Cathay United	Time deposit	\$180,225	0.72%~2.605%	\$998
Bank	Cash in bank	4,269	0.10%	19
Total		<u>\$184,494</u>		<u>\$1,017</u>

		For the nine months ended September 30, 2010		
		Ending balance		Interest income
Name	Item	(US\$)	Rate	(US\$)
Cathay United	Time deposit	\$5,778	0.72%~2.605%	\$32
Bank	Cash in bank	137	0.10%	1
Total		<u>\$5,915</u>		<u>\$33</u>

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b. Financial assets at fair value through profit or loss

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$100,576	\$3,140	\$23,727	\$761

c. Sales revenue

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay United Bank	\$199,158	\$6,218	\$228,062	\$7,312

d. Service income

Name	For the nine months ended September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	\$127,230	\$3,972	\$127,465	\$4,087
Cathay United Bank	123,262	3,849	111,045	3,560
Total	\$250,492	\$7,821	\$238,510	\$7,647

I. Cathay Life (China)

Other payables

Name	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Cathay Life	\$265,211	\$8,280	\$204,097	\$6,544

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J. Cathay Life (Vietnam)

a. Cash in bank

For the nine months ended September 30, 2009				
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Indovina Bank	Time deposits	\$219,520	1.20%~10.80%	\$2,967
	Cash in bank	5,916	0.10%~0.50%	180
Total		<u>\$225,436</u>		<u>\$3,147</u>

For the nine months ended September 30, 2009				
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Indovina Bank	Time deposits	\$6,853	1.20%~10.80%	\$93
	Cash in bank	185	0.10%~0.50%	5
Total		<u>\$7,038</u>		<u>\$98</u>

For the nine months ended September 30, 2010				
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Indovina Bank	Time deposits	\$96,148	1.00%~14.40%	\$11,673
	Cash in bank	9,381	-	-
Total		<u>\$105,529</u>		<u>\$11,673</u>

For the nine months ended September 30, 2010				
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Indovina Bank	Time deposits	\$3,082	1.00%~14.40%	\$374
	Cash in bank	301	-	-
Total		<u>\$3,383</u>		<u>\$374</u>

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share date and unless otherwise stated)**

29. Pledged assets

As of September 30, 2009 and 2010, the Company and Subsidiaries' pledged assets are summarized below:

Item	Guarantee purpose	Carrying amount			
		2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Time deposits	Correspondent deposit, collateral for the over-loaning of settlement accounts, loan, other financial or leasing	\$1,229,332	\$38,381	\$1,234,068	\$39,566
Guarantee deposits paid	Government bonds	9,808,754	306,236	9,489,275	304,241
Financial assets at fair value through profit or loss	Business reserves and guarantees	663,446	20,713	617,620	19,802
Available-for-sale financial assets	Business reserves and guarantees	2,545,019	79,457	3,615,772	115,927
Held-to-maturity financial assets	Business reserves and guarantees	90,345	2,821	355,223	11,389
Investments in debt securities with no active market	Business reserves and guarantees	15,000,000	468,311	20,000,000	641,231
Other financial assets	Business reserves and guarantees	23,206	725	10,222	328
Total		<u>\$29,360,102</u>	<u>\$916,644</u>	<u>\$35,322,180</u>	<u>\$1,132,484</u>

30. Commitment and contingent liabilities

(1) Cathay United Bank

- A. On January 1, 2004, Pacific SOGO issued its own SOGO membership card, which Cathay United Bank believes constitutes a breach of Pacific SOGO's co-branded card contract with Cathay United Bank. Cathay United Bank has filed a motion of injunction against certain of Pacific SOGO's properties and the issuance of its own membership cards. The Taipei District Court and the High Court adjudged that Cathay United Bank win the lawsuit. However, the Supreme Court reversed the High Court's decision and remanded the case for new trial. The suit was in the process of settlement in the High Court.

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B. Lee and Li Attorneys-at-Law and SanDisk Corporation filed lawsuits in the Taipei District Court and alleged that Cathay United Bank breached its contractual and fiduciary duties in connection with the embezzlement conducted by Eddie Liu, a former employee of Lee and Li Attorneys-at-Law on October 2003. Both plaintiffs claimed indemnities amounted NT\$0.9 billion (US\$29 million) and NT\$3.09 billion (US\$99 million), respectively. Cathay United Bank has been advised by its legal advisor that it is possible, but not probable, that the action will succeed and accordingly no provision for such claims has been made in these financial statements.

C. As of September 30, 2010, Cathay United Bank had entered into certain contracts to purchase premises and equipments totaling NT\$346,239 (US\$11,101) thousands with prepayments of NT\$155,710 (US\$4,992) thousands.

(2) Cathay Century

Cathay Century and Itanara Import Export Company ('Itanara') have a dispute on cargo insurance benefits. The Itanara filed a lawsuit against Cathay Century and it claimed for US\$773 thousands with related notarization expenses. The Taiwan Taipei District Court ruled in favor of Itanara in the lawsuit except the notarization expenses. Cathay Century appealed to the higher court and the lawsuit is still in progress.

(3) Cathay Securities

As of September 30, 2010, Cathay Securities requested banks to issue letters of guarantees for warrants issuance of NT\$440,000 (US\$14,107) thousands.

(4) As of September 30, 2009 and 2010, Cathay United Bank subsidiaries had the following commitments and contingent liabilities, which were not reflected in the financial statements:

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Item	September 30,			
	2009(NT\$)	2009(US\$)	2010(NT\$)	2010(US\$)
Trust and security held for safekeeping	\$181,345,123	\$5,661,727	\$171,707,642	\$5,505,215
Travelers checks for sale	390,883	12,204	378,766	12,144
Bills for collection	38,580,497	1,204,511	38,117,120	1,222,094
Book-entry for government bonds and depository for short-term marketable securities under management	575,159,731	17,956,907	525,064,000	16,834,370
Guarantees on duties and contracts	18,535,405	578,689	16,280,366	521,974
Unused commercial letters of credit	2,488,877	77,705	4,908,545	157,376
Irrevocable loan commitments	33,101,078	1,033,440	51,368,603	1,646,957
Credit card lines commitments	259,286,604	8,095,117	263,161,215	8,437,359
Stamp tax, securities and memorial currency consignments	1,727	54	1,006	32
Entrusted financial management business	-	-	2,768,116	88,750

(5) According to the effective operating leases agreement (the longest lease term being 5 years), rentals for the next five years are as follows:

Periods	NT\$	US\$
October 1, 2010~September 30, 2011	\$978,712	\$31,379
October 1, 2011~September 30, 2015	1,739,779	55,780
Total	<u>\$2,718,491</u>	<u>\$87,159</u>

30. Significant disaster losses: None.

31. Subsequent events: None.

32. Other significant matters

(1) Pension related information

A. Net periodic pension cost:

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

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(2) Financial instruments related information

A. The Company

a. Information of fair value

Item	September 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,430,515	\$2,430,515	\$75,882	\$75,882
Receivables	5,622,509	5,622,509	175,539	175,539
Held-to-maturity financial assets	15,000,000	15,000,000	468,311	468,311
Investments under equity method	205,745,905	205,745,905	6,423,538	6,423,538
Other financial assets	31,720	31,720	990	990
<u>Liabilities</u>				
Payables	8,138,693	8,138,693	254,096	254,096
Bonds payables	20,000,000	20,000,000	624,415	624,415

Item	September 30, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$15,745,048	\$15,745,048	\$504,811	\$504,811
Receivables	7,825,058	7,825,058	250,884	250,884
Held-to-maturity financial assets	25,000,000	25,000,000	801,539	801,539
Investments under equity method	218,306,650	218,306,650	6,999,251	6,999,251
Other financial assets	31,720	31,720	1,017	1,017
<u>Liabilities</u>				
Payables	10,914,168	10,914,168	349,925	349,925
Bonds payables	40,000,000	40,000,000	1,282,463	1,282,463

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

- (a) The fair value of the Company's short-term financial instruments is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, receivables, payables and other financial assets.
- (b) The fair value of bonds payables is in accordance with the term of issuance.
- (c) The fair value of the Company's financial instruments is based on market prices if available at the reporting date. When market prices are not available, the fair value is based on carrying amount or other relevant financial information.
- (d) If no quoted market prices exist for the Company's investments accounted for equity method, then their fair value is taken as approximating their carrying amounts when no permanent market value decline exists.

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

Financial instruments	September 30, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,810	\$56	\$2,428,705	\$75,826
Receivables	-	-	5,622,509	175,539
Held-to-maturity financial assets	-	-	15,000,000	468,311
Investments under equity method	-	-	205,745,905	6,423,538
Other financial assets	-	-	31,720	990
<u>Liabilities</u>				
Payables	-	-	8,138,693	254,096
Bonds payable	-	-	20,000,000	624,415

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Financial instruments	September 30, 2010			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,571,763	\$82,455	\$13,173,285	\$422,356
Receivables	-	-	7,825,058	250,884
Held-to-maturity financial assets	-	-	25,000,000	801,539
Investments under equity method	-	-	218,306,650	6,999,251
Other financial assets	-	-	31,720	1,017
<u>Liabilities</u>				
Payables	-	-	10,914,168	349,925
Bonds payable	-	-	40,000,000	1,282,463

d. Information on financial risks

(a) Risk of interest rate

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

(b) Credit risk

The Company's exposure to credit risk is minimal.

e. Financial risk management objectives and policies

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

The primary risks involved in these derivative transactions are market risk, credit risk, operational risk and liquidity risk. In addition to the risk management policies and guidance, the Company has also established risk management systems such as the VaR model, the credit evaluation model, the integrated appraisal and collection and the concentration management systems to monitor and manage the Company's risks.

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Market Risk

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

Credit Risk

Credit risk is the risk of loss arising from the potential default of the counter-party. An internal credit risk evaluation model for investments in financial instruments is created based on external credit assessments and various characteristics of financial instruments. The Company also monitors the credit risk level of the investment targets, issuers or counterparties by evaluating the credit concentration of the investments or counterparties.

Operational Risk

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

Liquidity Risk

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

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B. Cathay Life

a. Information of fair value

Item	September 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$288,570,170	\$288,570,170	\$9,009,372	\$9,009,372
Notes and accounts receivable	36,027,294	36,027,294	1,124,799	1,124,799
Financial assets at fair value through profit or loss - current	93,583,291	93,583,291	2,921,739	2,921,739
Available-for-sale financial assets - current	148,852,000	148,852,000	4,647,268	4,647,268
Held-to-maturity financial assets - current	28,272,408	25,917,017	882,685	809,148
Investments in debt securities with no active market - current	6,476,754	6,428,523	202,209	200,703
Available-for-sale financial assets - noncurrent	229,347,992	229,347,992	7,160,412	7,160,412
Held-to-maturity financial assets - noncurrent	651,418,484	653,902,011	20,337,761	20,415,299
Financial assets carried at cost - noncurrent	19,466,739	(Note)	607,766	(Note)
Investments in debt securities with no active market - noncurrent	135,436,984	132,369,658	4,228,442	4,132,677
Investments under the equity method	5,889,253	5,889,253	183,867	183,867
Other financial assets – noncurrent	29,300,000	29,300,000	914,767	914,767
Guarantee deposits paid	11,372,287	11,372,287	355,051	355,051
<u>Liabilities</u>				
Notes and accounts payable	17,044,541	17,044,541	532,143	532,143
Preferred stock liability –noncurrent	15,000,000	15,690,060	468,311	489,855
Guarantee deposits received	1,623,383	1,623,383	50,683	50,683
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Forward, CS, CCS	17,867,870	17,867,870	557,848	557,848
IRS, CDS	104,078	104,078	3,249	3,249
Derivative financial assets for hedging - current				
IRS, CDS	2,418,823	2,418,823	75,517	75,517

Note: Fair value cannot be reliably estimated.

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Item	September 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss -				
current				
Forward, CS, CCS	\$1,662,559	\$1,662,559	\$51,906	\$51,906
IRS, CDS	385,563	385,563	12,038	12,038
Derivative financial liabilities for hedging - current				
IRS, CDS	101,881	101,881	3,181	3,181
September 30, 2010				
Item	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$425,034,055	\$425,034,055	\$13,627,254	\$13,627,254
Notes and accounts receivable	52,868,902	52,868,902	1,695,059	1,695,059
Financial assets at fair value through profit or loss - current	39,847,839	39,847,839	1,277,584	1,277,584
Available-for-sale financial assets - current	242,400,628	242,400,628	7,771,742	7,771,742
Held-to-maturity financial assets - current	24,963,437	25,020,148	800,367	802,185
Investments in debt securities with no active market -				
current	7,173,779	7,228,184	230,003	231,747
Other financial assets-current	7,000,000	7,000,000	224,431	224,431
Available-for-sale financial assets - noncurrent	321,470,707	321,470,707	10,306,852	10,306,852
Held-to-maturity financial assets - noncurrent	645,831,052	665,647,313	20,706,350	21,341,690
Financial assets carried at cost - noncurrent	8,534,620	(Note)	273,633	(Note)
Investments in debt securities with no active market -				
noncurrent	251,372,158	261,828,577	8,059,383	8,394,632
Investments under the equity method	4,613,811	4,613,811	147,926	147,926
Other financial assets – noncurrent	21,142,180	21,142,180	677,851	677,851
Guarantee deposits paid	11,193,068	11,193,068	358,867	358,867

Note: Fair value cannot be reliably estimated.

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Item	September 30, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Notes and accounts payable	\$40,481,447	\$40,481,447	\$1,297,898	\$1,297,898
Preferred stock liability –noncurrent	25,000,000	26,772,743	801,539	858,376
Guarantee deposits received	1,673,705	1,673,705	53,662	53,662
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Forward, CS, CCS	27,337,676	27,337,676	876,489	876,489
IRS, CDS	6,839	6,839	219	219
Derivative financial assets for hedging - current				
IRS, CDS	2,204,505	2,204,505	70,680	70,680
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Forward, CS, CCS	2,581,873	2,581,873	82,779	82,779
IRS, CDS	573,940	573,940	18,401	18,401
Derivative financial liabilities for hedging - current				
IRS, CDS	621,359	621,359	19,922	19,922

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

- (a) The fair value of Cathay Life's cash, cash equivalents, receivables and payables is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments.
- (b) The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount as Cathay Life predicts the future cash inflow or outflow will be of similar amount to the carrying value.

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- (c) Quoted market price, if available, is utilized as estimates of the fair value of financial instruments. If no quoted market prices exist for Cathay Life's financial assets, the fair value of those assets is derived based on pricing models. A pricing model incorporates all information that market participants would consider in setting a price available to Cathay Life. Cathay Life uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.
- (d) The fair value of Cathay Life's financial instruments is based on market prices if available at the reporting date. When market prices are not available, the fair value is based on carrying amount or other relevant financial information.
- (e) If no quoted market prices exist for Cathay Life's investments accounted for under the equity method, then their fair value is taken as approximating their carrying amounts when no permanent market value decline exists.
- c. As of September 30, 2009 and 2010, the fair values of financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Item	September 30, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$193,451,163	\$6,039,687	\$95,119,007	\$2,969,685
Notes and accounts receivable	-	-	36,027,294	1,124,799
Financial assets at fair value through profit or loss -				
current	92,978,471	2,902,856	604,820	18,883
Available-for-sale financial assets - current	148,194,776	4,626,749	657,224	20,519
Held-to-maturity financial assets - current	4,846,193	151,302	21,070,824	657,846
Investments in debt securities with no active market -				
current	-	-	6,428,523	200,703
Available-for-sale financial assets - noncurrent	221,113,797	6,903,334	8,234,195	257,078
Held-to-maturity financial assets - noncurrent	37,925,923	1,184,075	615,976,088	19,231,224
Investment in debt securities with no active market -				
noncurrent	-	-	132,369,658	4,132,677
Investments under the equity method	-	-	5,889,253	183,867
Other financial assets - noncurrent	-	-	29,300,000	914,767

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Item	September 30, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Notes and accounts payable	\$-	\$-	\$17,044,541	\$532,143
Preferred stock liability - noncurrent	-	-	15,690,060	489,855
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Forward, CS, CCS	-	-	17,867,870	557,848
IRS, CDS	-	-	104,078	3,249
Derivative financial assets for hedging – current				
IRS, CDS	-	-	2,418,823	75,517
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Forward, CS, CCS	-	-	1,662,559	51,906
IRS, CDS	-	-	385,563	12,038
Derivative financial liabilities for hedging – current				
IRS, CDS	-	-	101,881	3,181
Item	September 30, 2010			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$363,375,351	\$11,650,380	\$61,658,704	\$1,976,874
Notes and accounts receivable	-	-	52,868,902	1,695,059
Financial assets at fair value through profit or loss - current				
Available-for-sale financial assets - current	229,266,515	7,350,642	13,134,113	421,100
Held-to-maturity financial assets - current	8,027,081	257,361	16,993,067	544,824
Investments in debt securities with no active market - current				
Available-for-sale financial assets - noncurrent	305,071,509	9,781,068	16,399,198	525,784
Held-to-maturity financial assets - noncurrent	39,630,107	1,270,603	626,017,206	20,071,087

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Item	September 30, 2010			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Investment in debt securities with no active market –				
noncurrent	\$-	\$-	\$261,828,577	\$8,394,632
Investments under the equity method	-	-	4,613,811	147,926
Other financial assets - noncurrent	-	-	21,142,180	677,851
<u>Liabilities</u>				
Notes and accounts payable	-	-	40,481,447	1,297,898
Preferred stock liability - noncurrent	-	-	26,772,743	858,376
 <u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss -				
current				
Forward, CS, and CCS	-	-	27,337,676	876,489
IRS and CDS	-	-	6,839	219
Derivative financial assets for hedging – current				
IRS and CDS	-	-	2,204,505	70,680
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss -				
current				
Forward, CS, and CCS	-	-	2,581,873	82,779
IRS and CDS			573,940	18,401
Derivative financial liabilities for hedging – current				
IRS and CDS	-	-	621,359	19,922

d. Information on financial risk

(a) Interest rate risk

The following table summarizes the maturities of Cathay Life's financial instruments at September 30, 2009 and 2010:

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① September 30, 2009

Non-derivative financial instruments of fixed interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value								
through profit or loss	\$760,005	\$23,728	\$1,139,991	\$35,591	\$2,399,936	\$74,928	\$3,198,340	\$99,854
Available-for-sale financial assets	344,543	10,757	7,834,280	244,592	5,950,266	185,772	19,312,826	602,961
Held-to-maturity financial assets	205,279,298	6,408,970	18,029,251	562,886	13,955,646	435,705	24,047,471	750,780
Investments in debt securities with								
no active market	6,007,899	187,571	6,252,011	195,192	14,439,997	450,827	6,832,809	213,325
Preferred stock liability	-	-	-	-	-	-	-	-

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

Non-derivative financial instruments of float interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value								
through profit or loss	\$82,961	\$2,590	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	117,454,979	3,667,030	-	-	-	-	-	-
Held-to-maturity financial assets	68,155,294	2,127,858	-	-	-	-	-	-
Investments in debt securities with								
no active market	21,680,694	676,887	-	-	-	-	-	-

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Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss	\$-	\$-	\$-	\$-	\$82,961	\$2,590
Available-for-sale financial assets	-	-	-	-	117,454,979	3,667,030
Held-to-maturity financial assets	-	-	-	-	68,155,294	2,127,858
Investments in debt securities with						
no active market	-	-	-	-	21,680,694	676,887

Derivative financial instruments

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

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss	\$-	\$-	\$-	\$-	\$33,552	\$1,048
Derivative financial assets for						
hedging	1,234,369	38,538	364,819	11,390	1,846,070	57,636
Financial liabilities at fair value						
through profit or loss	20,456	639	-	-	163,323	5,099
Derivative financial liabilities for						
hedging	-	-	-	-	38,898	1,214

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② September 30, 2010

Non-derivative financial instruments of fixed interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value								
through profit or loss	\$-	\$-	\$2,881,175	\$92,375	\$1,515,383	\$48,586	\$152,025	\$4,874
Available-for-sale financial assets	15,850,467	508,191	15,494,937	496,792	25,583,154	820,236	12,958,741	415,477
Held-to-maturity financial assets	228,628,453	7,330,185	27,691,111	887,820	27,107,017	869,093	27,999,408	897,704
Investments in debt securities with								
no active market	7,126,341	228,482	14,653,470	469,813	13,183,404	422,680	4,414,214	11,527
Preferred stock liability	-	-	-	-	-	-	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss	\$215,519	\$6,910	\$5	\$-	\$4,764,107	\$152,745
Available-for-sale financial assets	24,395,427	782,155	109,622,455	3,514,667	203,905,181	6,537,518
Held-to-maturity financial assets	16,730,522	536,407	308,324,557	9,885,366	636,481,068	20,406,575
Investments in debt securities with						
no active market	18,846,732	604,256	182,243,566	5,843,012	240,467,727	7,709,770
Preferred stock liability	-	-	25,000,000	801,539	25,000,000	801,539

Non-derivative financial instruments of float interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value								
through profit or loss	\$85,079	\$2,728	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	141,816,704	4,546,865	-	-	-	-	-	-
Held-to-maturity financial assets	34,313,421	1,100,142	-	-	-	-	-	-
Investments in debt securities with								
no active market	18,078,210	579,616	-	-	-	-	-	-

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Item	Due in 4-5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss	\$-	\$-	\$-	\$-	\$85,079	\$2,728
Available-for-sale financial assets	-	-	-	-	141,816,704	4,546,865
Held-to-maturity financial assets	-	-	-	-	34,313,421	1,100,142
Investments in debt securities with						
no active market	-	-	-	-	18,078,210	579,616

Derivative financial instruments

Item	Less than one year		Due in 1-2 years		Due in 2-3 years		Due in 3-4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value								
through profit or loss	\$6,839	\$219	\$-	\$-	\$-	\$-	\$-	\$-
Derivative financial assets for								
hedging	16,516	530	27,050	867	284,271	9,114	1,433,423	45,958
Financial liabilities at fair value								
through profit or loss	75,049	2,406	-	-	-	-	126,182	4,045
Derivative financial liabilities for								
hedging	621,359	19,922	-	-	-	-	-	-

Item	Due in 4-5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss	\$-	\$-	\$-	\$-	\$6,839	\$219
Derivative financial assets for						
hedging	318,220	10,203	125,025	4,008	2,204,505	70,680
Financial liabilities at fair value						
through profit or loss	168,350	5,398	-	-	369,581	11,849
Derivative financial liabilities for						
hedging	-	-	-	-	621,359	19,922

(b) Credit risk

Cathay Life doesn't exposure to credit risk is minimal.

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e. Hedge Accounting Disclosures

Cash flow hedges - IRS

The following table summarizes the terms of the Cathay life's interest rate swap for bonds used as hedging instruments at September 30, 2009 and 2010:

(a) September 30, 2009

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$200,000	\$6,244	4.0000%-6ml	Half year	2010.4.7
300,000	9,366	4.0002%-6ml	Half year	2010.4.7
500,000	15,610	4.0006%-6ml	Half year	2010.4.7
500,000	15,610	4.0007%-6ml	Half year	2010.4.7
200,000	6,244	4.0003%-6ml	Half year	2010.4.7
300,000	9,366	4.3%-12ml	Yearly	2010.6.20
900,000	28,099	90DCP	Each quarter	2010.8.18
600,000	18,732	90DCP	Each quarter	2010.8.19
200,000	6,244	6.3%-6ml	Yearly	2010.11.27
300,000	9,366	5.37%-6ml	Yearly	2011.3.15
500,000	15,610	If 6ml<1.1%,6ml If 1.1% ≤ 6ml ≤ 2.0%,3.8% If 6ml>2.0%,Max(5.50%-6ml)	Half year	2011.6.30
2,000,000	62,441	90DCP	Each quarter	2011.9.9
1,000,000	31,221	90DCP	Each quarter	2012.6.26
2,000,000	62,441	90DCP	Each quarter	2012.9.9
2,000,000	62,441	90DCP	Each quarter	2012.10.11
2,000,000	62,441	90DCP	Yearly	2013.3.26
2,700,000	84,296	90DCP+25bps	Each quarter	2013.8.24
3,000,000	93,662	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	62,441	90DCP	Yearly	2013.11.3
1,000,000	31,221	90DCP+26.5bps	Yearly	2013.12.14
500,000	15,610	90DCP+23bps	Yearly	2013.12.14
1,500,000	46,831	90DCP+23bps	Yearly	2013.12.16

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Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$1,000,000	\$31,221	90DCP+26.5bps	Yearly	2013.12.16
900,000	28,099	90DCP	Yearly	2014.3.12
1,000,000	31,221	90DCP	Yearly	2014.6.12
2,000,000	62,441	90DCP	Yearly	2014.6.29
5,000,000	156,104	90DCP	Yearly	2014.8.23
1,000,000	31,221	90DCP	Yearly	2014.9.20
3,200,000	99,906	90DCP	Yearly	2014.9.27
2,000,000	62,441	90DCP	Each quarter	2014.9.28
1,500,000	46,831	90DCP	Yearly	2014.9.29
2,500,000	78,052	90DCP	Yearly	2014.12.20
2,000,000	62,441	90DCP	Yearly	2014.12.24

(b) September 30, 2010

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$200,000	\$6,412	6.3%-6ml	Yearly	2010.11.27
300,000	9,618	5.37%-6ml	Yearly	2011.3.15
500,000	16,031	If 6ml<1.1%,6ml If 1.10%≤6ml≤2.0%,3.8% If 6ml>2.0%,Max(5.50%-6ml)	Half year	2011.6.30
2,000,000	64,123	90DCP	Each quarter	2011.9.9
1,000,000	32,062	90DCP	Each quarter	2012.6.26
2,000,000	64,123	90DCP	Each quarter	2012.9.9
2,000,000	64,123	90DCP	Each quarter	2012.10.11
700,000	22,443	90DCP	Each quarter	2012.11.24
2,000,000	64,123	90DCP	Yearly	2013.3.26
2,425,000	77,749	90DCP	Each quarter	2013.4.24
3,600,000	115,422	90DCP	Each quarter	2013.6.8
2,700,000	86,566	90DCP+25bps	Each quarter	2013.8.24
3,000,000	96,185	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	64,123	90DCP	Yearly	2013.11.3
1,000,000	32,062	90DCP+26.5bps	Yearly	2013.12.14

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Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$500,000	\$16,031	90DCP+23bps	Yearly	2013.12.14
1,500,000	48,092	90DCP+23bps	Yearly	2013.12.16
1,000,000	32,062	90DCP+26.5bps	Yearly	2013.12.16
900,000	28,855	90DCP	Yearly	2014.3.12
1,000,000	32,062	90DCP	Yearly	2014.6.12
2,000,000	64,123	90DCP	Yearly	2014.6.29
5,000,000	160,308	90DCP	Yearly	2014.8.23
1,000,000	32,062	90DCP	Yearly	2014.9.20
3,200,000	102,597	90DCP	Yearly	2014.9.27
2,000,000	64,123	90DCP	Each quarter	2014.9.28
1,500,000	48,092	90DCP	Yearly	2014.9.29
2,500,000	80,154	90DCP	Yearly	2014.12.20
2,000,000	64,123	90DCP	Yearly	2014.12.24
2,543,500	81,549	90DCP	Each quarter	2016.10.23
900,000	28,855	90DCP	Each quarter	2016.10.24

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

Cathay Life's interest rate swap agreements are considered to be highly effective cash flow hedges. As of September 30, 2009 and 2010, unrealized gains on these financial instruments recognized in equity are NT\$1,944,534 (US\$60,710) thousands and NT\$2,218,293 (US\$71,122) thousands, respectively.

Fair value hedges

The following table summarizes the terms of Cathay Life's credit default swap for bonds used as hedging instruments at September 30, 2009 and 2010:

①September 30, 2009

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

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②September 30, 2010

None.

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

Cathay Life's credit default swap agreements are considered to be highly effective fair value hedges. As of September 30, 2009, unrealized losses on these financial instruments recognized in the amount of NT\$767,535 (US\$23,963) thousands in losses from valuation on financial assets by NT\$100,228 (US\$3,129) thousands and losses from valuation on financial liabilities by NT\$667,307 (US\$20,834) thousands, respectively.

The following table summarizes the terms of Cathay Life's interest rate swap for bonds used as hedging instruments at September 30, 2009 and 2010:

① September 30, 2009

None.

② September 30, 2010

<u>Par value</u>		<u>Maturity date</u>
US\$	Hedge item	
\$30,000	Debenture with no active market	2019.09.30
20,000	Debenture with no active market	2019.10.07
20,000	Debenture with no active market	2019.12.01
30,000	Debenture with no active market	2020.05.04
30,000	Debenture with no active market	2040.05.17
30,000	Debenture with no active market	2040.05.18

Cathay Life's interest rate swap agreements are considered to be highly effective fair value hedges. As of September 30, 2010, unrealized losses on these financial instruments recorded as losses from valuation on financial assets by \$143,750 (US\$4,609) thousands and losses from valuation on financial liabilities by \$615,137 (US\$19,722) thousands, respectively.

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f. Financial risk management objectives and policies

Cathay Life's financial assets primarily consist of domestic or foreign common stocks, preferred stocks, government bonds, corporate bonds, repurchase bonds, structured notes, mortgage-backed securities, mutual funds, project investments, short-term notes, cash and cash equivalents.

Cathay Life also enters into derivative transactions such as stock index options, index futures, interest rate futures, interest rate swaps, currency forwards, cross currency swap and credit default swaps to protect against the price risk of stock value, interest rate risk, foreign currency risk and credit risk from investment activities. Cathay Life does not enter into derivative transactions for increasing investment income; however, the derivatives not qualified for hedge accounting are measured at fair value through profit or loss.

The primary risks involved in financial instruments are market risk, credit risk, operational risk, liquidity risk and sovereign risk. In addition to compliance with the risk management policies and guidance from the Company, Cathay Life has also established risk management systems such as the VaR model, the credit evaluation model, the integrated appraisal and collection, and the concentration management systems to monitor and manage Cathay Life's risks. The risk management policies are summarized as follow:

Market Risk

Market risk is the exposure to uncertain market value of a portfolio, including interest rate risk, stock price risk and foreign currency risk, etc. Cathay Life conducts analysis and assessments of the investment targets before any investment decisions are made. In addition, VaR model in connection with scenario analysis, stress testing, back testing, Position Limit, VaR Limit and Loss Limit are used to effectively manage the market risk of Cathay Life's financial instruments.

Credit Risk

Credit risk is the risk of loss arising from the potential default of the counter-party. In order to minimize Cathay Life's exposure to the credit risk, following evaluations and controls are performed.

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Cathay Life has taken the credit concentration index of each conglomerate into the consideration of establishing Lending Policy to prevent from over-exposure. Strict credit evaluations are carried out by Cathay Life before committing to business lending, mortgage lending, policy loan, and security investments. All business loans are secured by land, property, plant and equipments or financial guarantees.

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

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

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

Operational Risk

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

Liquidity Risk

Liquidity risk is the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Cathay Life has primarily sought to achieve the flexible cash flow and stable liquidity by utilizing the deposits in financial institutions, short-term notes (includes repurchase agreement) and domestic bond funds. In pursuit of these goals, Cathay Life also conducts analysis of assets allocation, liquid asset ratio and cash flows to ensure the effectiveness and timeliness of managing liquidity risk.

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Country Risk

Country risk is the risk of market price fluctuation or default of the issuers due to the political or economical issues in the country where investments are located. Cathay Life categorizes and manages the investment risk based on each country or region, as well as regularly monitors the concentration of foreign countries to minimize its country risk.

C. Cathay United Bank

a. Information of fair value

Item	September 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$36,903,127	\$36,903,127	\$1,152,143	\$1,152,143
Available-for-sale financial assets	117,372,513	117,372,513	3,664,456	3,664,456
Held-to-maturity financial assets and debt securities with no active market	312,962,262	313,015,828	9,770,911	9,772,583
Other financial assets-financial assets carried at cost	4,093,440	(Note)	127,800	(Note)
Others	945,556,669	945,556,669	29,520,970	29,520,970
Liabilities				
Financial liabilities at fair value through profit or loss	28,083,566	28,083,566	876,789	876,789
Financial debentures payable	16,644,084	16,644,084	519,641	519,641
Others	1,323,467,895	1,323,467,895	41,319,635	41,319,635
<u>Derivative financial instruments</u>				
Assets				
Forward	220,742	220,742	6,892	6,892
Non-delivery forward	34,006	34,006	1,062	1,062
Currency swap	4,774,338	4,774,338	149,058	149,058
Interest rate swap	5,112,025	5,112,025	159,601	159,601
Cross currency swap	358,829	358,829	11,203	11,203
Options	120,003	120,003	3,746	3,746

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Item	September 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
Liabilities				
Forward	\$3,855,751	\$3,855,751	\$120,379	\$120,379
Non-delivery forward	40,512	40,512	1,265	1,265
Currency swap	1,051,808	1,051,808	32,838	32,838
Interest rate swap	3,202,734	3,202,734	99,992	99,992
Cross currency swap	258,700	258,700	8,077	8,077
Options	120,003	120,003	3,746	3,746
Credit derivative instruments	101,521	101,521	3,170	3,170
Credit default swaps	29,620	29,620	925	925
Futures	98	98	3	3

Note: Fair value cannot be reliably estimated.

Item	September 30, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$12,917,296	\$12,917,296	\$414,149	\$414,149
Available-for-sale financial assets	85,549,991	85,549,991	2,742,866	2,742,866
Held-to-maturity financial assets and debt securities with no active market	390,538,291	390,620,339	12,521,267	12,523,897
Other financial assets-financial assets carried at cost	3,521,322	(Note)	112,899	(Note)
Others	1,001,081,895	1,001,081,895	32,096,246	32,096,246
Liabilities				
Financial liabilities at fair value through profit or loss	10,421,514	10,421,514	334,130	334,130
Financial debentures payable	16,943,746	16,943,746	543,243	543,243
Others	1,413,664,757	1,413,664,757	45,324,295	45,324,295

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share date and unless otherwise stated)**

Item	September 30, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
Assets				
Forward	\$314,117	\$314,117	\$10,071	\$10,071
Non-delivery forward	31,738	31,738	1,018	1,018
Currency swap	5,216,029	5,216,029	167,234	167,234
Interest rate swap	5,046,004	5,046,044	161,784	161,784
Cross currency swap	294,220	294,220	9,433	9,433
Options	316,177	316,177	10,137	10,137
Futures	764	764	24	24
Liabilities				
Forward	4,550,650	4,550,650	145,901	145,901
Non-delivery forward	38,227	38,227	1,225	1,225
Currency swap	787,895	787,895	25,261	25,261
Interest rate swap	2,862,544	2,862,544	91,778	91,778
Cross currency swap	281,212	281,212	9,016	9,016
Options	310,005	310,005	9,939	9,939
Credit default swap	4,387	4,387	141	141
Futures	1,111	1,111	36	36

Note: Fair value cannot be reliably estimated.

b. The methodologies and assumptions used by Cathay United Bank to estimate the above fair value of financial instruments are summarized as following:

(a) The carrying value of short-term financial instruments, such as cash and cash equivalents, receivables, securities purchased under agreements to resell, securities sold under agreements to repurchase, payables, refundable deposits, guarantee deposits received, borrowed funds, due from the Central Bank and call loans to banks and due to the Central Bank and call loans from banks arising in the ordinary course of business, approximate fair value because of the relatively short period of time between their origination and expected realization.

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- (b) Quoted market prices, if available, are utilized as estimates of the fair values of financial instruments at fair value through profit or loss, available-for-sale financial instruments, held-to-maturity financial assets and debt securities with no active market. If no quoted market prices exist for certain of Cathay United Bank's financial instruments, the fair value of such instruments has been derived based on pricing models. A pricing model incorporates all factors that market participants would consider in setting a price. Cathay United Bank uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics.
- (c) Discounts, loans and deposits are classified as interest-bearing financial assets. Thus, their face values are equivalent to their fair values.

The face value of delinquent accounts deducted from allowance for doubtful accounts is adopted fair values.

- (d) Fair value of financial debentures payable is based on quoted market price. If quoted market price is not available, pricing models are utilized to assess the fair value of such instruments.
- (e) If there is a quoted market price in an active market, the quoted market price of derivative financial instruments is regarded as fair value. Otherwise, if the market for a derivative financial instrument is not active, Cathay United Bank assesses fair value by using pricing models.
- c. The fair values of Cathay United Bank's financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Item	September 30, 2009			
	Value determined by quoted market price		Value determined by pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$33,031,493	\$1,031,268	\$3,871,634	\$120,875
Available-for-sale financial assets	104,240,971	3,254,479	13,131,542	409,977
Held-to-maturity financial assets and debt securities				
with no active market	1,785,265	55,737	311,230,563	9,716,846
Others	(Note)	(Note)	(Note)	(Note)

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Item	September 30, 2009			
	Value determined by quoted market price		Value determined by pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Liabilities				
Financial liabilities at fair value through profit or loss	\$-	\$-	\$28,083,566	\$876,789
Financial debentures payable	-	-	16,644,084	519,640
Others	(Note)	(Note)	(Note)	(Note)
<u>Derivative financial instruments</u>				
Assets				
Forward	-	-	220,742	6,892
Non-delivery forward	-	-	34,006	1,062
Currency swap	-	-	4,774,338	149,058
Interest rate swap	-	-	5,112,025	159,601
Cross currency swap	-	-	358,829	11,203
Options	-	-	120,003	3,746
Liabilities				
Forward	-	-	3,855,751	120,379
Non-delivery forward	-	-	40,512	1,265
Currency swap	-	-	1,051,808	32,838
Interest rate swap	-	-	3,202,734	99,992
Cross currency swap	-	-	258,700	8,077
Options	-	-	120,003	3,746
Credit derivative instruments	-	-	101,521	3,170
Credit default swap	-	-	29,620	925
Futures	98	3	-	-

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Item	September 30, 2010			
	Value determined by quoted market		Value determined by pricing	
	price		models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$1,868,541	\$59,909	\$11,048,755	\$354,240
Available-for-sale financial assets	50,858,205	1,630,593	34,691,786	1,112,273
Held-to-maturity financial assets and debt securities				
with no active market	1,920,285	61,567	388,700,054	12,462,330
Others	(Note)	(Note)	(Note)	(Note)
Liabilities				
Financial liabilities at fair value through profit or loss	-	-	10,421,514	334,130
Financial debentures payable	-	-	16,943,746	543,243
Others	(Note)	(Note)	(Note)	(Note)
<u>Derivative financial instruments</u>				
Assets				
Forward	-	-	314,117	10,071
Non-delivery forward	-	-	31,738	1,018
Currency swap	-	-	5,216,029	167,234
Interest rate swap	-	-	5,046,044	161,784
Cross currency swap	-	-	294,220	9,433
Options	-	-	316,177	10,137
Futures	764	24	-	-
Liabilities				
Forward	-	-	4,550,650	145,901
Non-delivery forward	-	-	38,227	1,225
Currency swap	-	-	787,895	25,261
Interest rate swap	-	-	2,862,544	91,778
Cross currency swap	-	-	281,212	9,016
Options	-	-	310,005	9,939
Credit default swap	-	-	4,387	141
Futures	1,111	36	-	-

Note: Most of such assets and liabilities are receivables, discounts and loans, deposit and remittances, etc. The amount of fair value is not determined by quoted market price or pricing models but estimated fair value.

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- d. Gains or losses recognized for the changes in fair value of financial asset or liabilities determined by pricing models were gains NT\$1,417,507 (US\$44,256) thousands and losses NT\$8,016 (US\$257) thousands for the nine months ended September 30, 2009 and 2010, respectively.
- e. The interest income arising from other than financial assets or liabilities at fair value through profit or loss for the nine months ended September 30, 2009 and 2010 were NT\$17,961,566 (US\$560,773) thousands and NT\$16,126,098 (US\$517,028) thousands, and expenses were NT\$7,657,402 (US\$239,070) thousands and NT\$5,263,964 (US\$168,771) thousands, respectively.
- f. Cathay United Bank recognized an unrealized gains of NT\$2,792,526 (US\$87,185) thousands and NT\$970,207 (US\$31,106) thousands in shareholders' equity for the changes in fair value of available-for-sale financial assets and a realized gains of NT\$1,028,983 (US\$32,126) thousands and NT\$1,377,247 (US\$44,157) thousands in income statements, for the nine months ended September 30, 2009 and 2010, respectively.
- g. Information on financial risk

(a) Market risk

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

Ⓐ Interest rate risk

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

Ⓑ Foreign exchange risk

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

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© Equity securities price risk

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

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

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

January 1 ~ September 30, 2010						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Interest rate	\$498,667	\$15,988	\$564,511	\$18,099	\$417,580	\$13,388
Foreign exchange	116,489	3,735	124,428	3,989	110,355	3,538
Equity Securities price	135,117	4,332	175,459	5,625	93,439	2,996

Cathay United Bank enters into a variety of derivatives transactions for both trading and no trading purposes. The objectives in using derivative instruments are to meet customers' needs, to manage Cathay United Bank's exposure to risks and to generate revenues through trading activities. Cathay United Bank provides trades derivative instruments on behalf of customers and for its own positions. Cathay United Bank provides derivative contracts to address customer demands for customized derivatives and also takes proprietary positions for its own accounts.

Market risk factor sensitivity is one of the tools to manage market risk. Market risk factor sensitivities of a position are defined as the change in the value of a position caused by a unit shift in a given market factor. Market risk factor sensitivities include interest rate, foreign exchange rate and equity factor sensitivities.

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	<u>September 30, 2010</u>	
	<u>(NT\$)</u>	<u>(US\$)</u>
Foreign exchange rate factor sensitivity (FX Delta)		
USD+1%	\$565,908	\$18,144
HKD+1%	10,047	322
JPY+1%	6,371	204
NTD+1%	(591,401)	(18,961)
Interest rate factor sensitivity (PVBP)		
Yield curves (USD) parallel shift+1bp	(22,201)	(712)
Yield curves (HKD) parallel shift+1bp	(2,599)	(83)
Yield curves (JPY) parallel shift+1bp	(2,573)	(82)
Yield curves (NTD) parallel shift+1bp	(11,389)	(365)
Equity securities price factor sensitivity (Equity Delta)	57,572	1,846

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

Interest rate factor sensitivities (the present value of one basis point, or “PVBP”) represent the change in the net present value of the interest rate derivatives portfolios caused by a parallel unit shift of 1% (100 basis point) in the interest rates in various yield curves affecting the portfolio. Cathay United Bank’s interest rate-sensitive portfolios include bonds, interest rate swaps and structured products composed of such products.

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

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Stress Test			
Market/Product	Scenarios	Effects (In thousand of dollars)	
		(NT\$)	(US\$)
Stock Market	Major Stock Exchanges +15%	\$863,583	\$27,688
	Major Stock Exchanges -15%	(863,583)	(27,688)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(2,780,732)	(89,155)
	Major Interest Rate - 100bp	2,512,800	80,564
Foreign Exchange Market	Major Currencies +3%	1,836,836	58,892
	Major Currencies -3%	(1,734,794)	(55,620)
Composite	Major Stock Exchanges -15%	(1,807,480)	(57,951)
	Major Interest Rate + 100bp		
	Major Currencies +3%		

(b) Credit risk

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

To centralize risk management functions currently handled by different departments, Cathay United Bank's board of directors resolved that a risk management department would be established to manage the credit risk. The objectives of credit risk management are to improve asset quality and to generate stable profits while reducing risk through a diversified and balanced loan portfolio. Cathay United Bank's board of directors sets the counterparty credit limits, which are then implemented by credit committee. The credit committee also monitors current and potential credit exposure to individual counterparty and on an aggregate basis to counterparty and their affiliates. Cathay United Bank performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess the overall collectability of those portfolios.

Cathay United Bank maintains a strict policy to evaluate customers' credit ratings when providing loan commitments and commercial letters of credit transactions. Certain customers are required to provide appropriate collateral for the related loans, and Cathay United Bank retains the legal right to foreclose on or liquidate the collateral.

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Ⓐ Information on concentrations of credit risk:

Financial assets	September 30, 2009			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Financial assets at fair value through profit or loss	\$36,903,127	\$1,152,143	\$36,903,127	\$1,152,143
Available-for-sale financial assets	117,372,513	3,664,456	117,372,513	3,664,456
Held-to-maturity financial assets and debt securities with no active market	312,962,262	9,770,911	312,962,262	9,770,911
Other financial assets-financial assets carried at cost	4,093,440	127,800	4,093,440	127,800
Others	945,556,669	29,520,970	945,556,669	29,520,970
Guarantees on duties and contracts	-	-	18,535,405	578,689
Unused commercial letters of credit	-	-	2,488,877	77,705
Irrevocable loan commitments	-	-	33,101,078	1,033,440
Credit card line commitments	-	-	259,286,604	8,095,117
<u>Derivative financial instruments</u>				
Forward	220,742	6,892	220,742	6,892
Non-delivery forward	34,006	1,062	34,006	1,062
Currency swap	4,774,338	149,058	4,774,338	149,058
Interest rate swap	5,112,025	159,601	5,112,025	159,601
Cross currency swap	358,829	11,203	358,829	11,203
Options	120,003	3,746	120,003	3,746

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Financial assets	September 30, 2010			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Financial assets at fair value through profit or loss	\$12,917,296	\$414,149	\$12,917,296	\$414,149
Available-for-sale financial assets	85,549,991	2,742,866	85,549,991	2,742,866
Held-to-maturity financial assets and debt securities with no active market	390,538,291	12,521,267	390,538,291	12,521,267
Other financial assets-financial assets carried at cost	3,521,322	112,899	3,521,322	112,899
Others	1,001,081,895	32,096,246	1,001,081,895	32,096,246
Guarantees on duties and contracts	-	-	16,280,366	521,974
Unused commercial letters of credit	-	-	4,908,545	157,376
Irrevocable loan commitments	-	-	51,368,603	1,646,957
Credit card line commitments	-	-	263,161,215	8,437,359
<u>Derivative financial instruments</u>				
Forward	314,117	10,071	314,117	10,071
Non-delivery forward	31,738	1,018	31,738	1,018
Currency swap	5,216,029	167,234	5,216,029	167,234
Interest rate swap	5,046,044	161,784	5,046,044	161,784
Cross currency swap	294,220	9,433	294,220	9,433
Options	316,177	10,137	316,177	10,137
Futures	764	24	764	24

- ⑥ Cathay United Bank does not believe it has high levels of risk concentration with regard to any single customer or transaction. However, Cathay United Bank is likely to be exposed to regional or industry concentration risk. Cathay United Bank's information of concentration of credit risk is as follows:

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	September 30,			
	2009		2010	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Loans, customers' liabilities under acceptances, bill purchased and guarantees account				
Industry type				
Manufacturing	\$131,266,060	\$4,098,222	\$144,569,659	\$4,635,128
Financial institutions and insurance	32,585,780	1,017,352	39,638,548	1,270,874
Leasing and real estate	75,930,043	2,370,591	84,042,996	2,694,550
Individuals	411,991,398	12,862,672	441,071,033	14,141,425
Others	158,784,513	4,957,369	161,761,673	5,186,331
Total	810,557,794	25,306,206	871,083,909	27,928,308
Valuation allowance	(6,292,038)	(196,442)	(5,758,609)	(184,630)
Maximum credit risk exposed	<u>\$804,265,756</u>	<u>\$25,109,764</u>	<u>\$865,325,300</u>	<u>\$27,743,678</u>
Geographic Region				
Domestic	\$729,584,186	\$22,778,151	\$784,568,473	\$25,154,488
South East Asia	22,246,285	694,545	27,785,956	890,861
North East Asia	235,175	7,342	1,252,199	40,148
America	17,676,591	551,876	12,665,491	406,075
Others	40,815,557	1,274,292	44,811,790	1,436,736
Total	810,557,794	25,306,206	871,083,909	27,928,308
Valuation allowance	(6,292,038)	(196,442)	(5,758,609)	(184,630)
Maximum credit risk exposed	<u>\$804,265,756</u>	<u>\$25,109,764</u>	<u>\$865,325,300</u>	<u>\$27,743,678</u>

(c) Liquidity risk

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

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

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Cathay United Bank's assets and liabilities management committee is responsible for overall liquidity risk management. Cathay United Bank's liquidity policy focuses on cash flow management, interbank funding capacity and the maintenance of sufficient liquid assets. The treasury department is responsible for daily operation and monitoring. The primary tools for monitoring liquidity include measurement of liquidity risk, analysis of interest rate sensitivity and scenario simulation, and continuous contingency planning. Cathay United Bank manages liquidity risks across all classes of assets and liabilities with the goal that even under adverse conditions.

The liquidity risk rate was 35.51%. Capital and working capital of Cathay United Bank have sufficed to deliver contracts. Cathay United Bank has raised sufficient capital to execute the obligations so that it is without liquidity risk.

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

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

Except for default or redemption in advance, expected reset and maturity dates of interest-bearing financial instruments are confirmed under related contracts. As of September 30, 2010, there is no significant change in these dates.

As of September 30, 2009 and 2010, respectively, the effective interest rates of financial instruments held and issued by Cathay United Bank are classified as follows:

Financial instruments	Effective interest rate (%)	
	September 30, 2009	September 30, 2010
Available-for-sale financial assets		
Bonds	0.2867~6.6626	0.3~5.9295
Overseas financial instruments	0~7.75	0~6.3574
Held-to-maturity financial assets		
Bonds	1.9842~6.9559	2.2292~6.9559
Overseas financial instruments	1.4241~7.286394	0~7.286394
Investments in debt securities with no active market		
Preferred stocks	5	5
Certificates of deposit	0.57~0.71	0.214~0.742
Overseas financial instruments	0~11.61	0~11.555
Financial debentures payable	2.42~5.593	2.42~5.593

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i. Fair value hedge

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

Hedged item	Derivative designated as hedging instruments	Hedging instruments			
		Financial assets fair value			
		September 30, 2009		September 30, 2010	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Financial debentures payable	Interest rate swap	\$1,132,300	\$35,351	\$1,806,280	\$57,912

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

D. Cathay Century

a. Information of fair value

Item	September 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and Cash equivalents	\$5,322,948	\$5,322,948	\$166,186	\$166,186
Financial assets at fair value through profit or loss – current	593,341	593,341	18,525	18,525
Available-for-sale financial assets – current	3,133,701	3,133,701	97,836	97,836
Receivables	2,072,968	2,072,968	64,720	64,720
Prepaid reinsurance premiums	1,218,503	1,218,503	38,043	38,043
Claims recoverable from reinsurers	1,460,554	1,460,554	45,600	45,600
Due from reinsurers and ceding companies	59,428	59,428	1,855	1,855
Account receivable – reinsurance	28,803	28,803	899	899
Other financial assets - current	23,206	23,206	725	725
Secured loans	1,318,406	1,318,406	41,162	41,162
Held-to-maturity financial assets – noncurrent	3,015,829	3,015,829	94,156	94,156
Financial assets carried at cost-noncurrent	25,500	-	796	-
Investments in debt securities with no active market-noncurrent	300,000	300,000	9,366	9,366
Investments under equity method	1,150,699	1,150,699	35,926	35,926
Guarantee deposits paid	495,123	495,123	15,458	15,458

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Item	September 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Claims outstanding	\$23,495	\$23,495	\$734	\$734
Due to reinsurers and ceding companies	269,066	269,066	8,400	8,400
Account payable – reinsurance	793,277	793,277	24,767	24,767
Operating and liabilities reserve	14,876,942	14,876,942	464,469	464,469
 <u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Forward and SWAP	116,432	116,432	3,635	3,635
Derivative financial assets for hedging				
IRS	29,432	29,432	919	919
Item	September 30, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and Cash equivalents	\$5,796,209	\$5,796,209	\$185,836	\$185,836
Financial assets at fair value through profit or loss – current				
Available-for-sale financial assets – current	3,178,739	3,178,739	101,915	101,915
Held-to-maturity financial assets – current	257,867	257,867	8,268	8,268
Receivables	1,945,882	1,945,882	62,388	62,388
Prepaid reinsurance premiums	1,007,936	1,007,936	32,316	32,316
Claims recoverable from reinsurers	1,221,566	1,221,566	39,165	39,165
Due from reinsurers and ceding companies	119,639	119,639	3,836	3,836
Account receivable – reinsurance	65,634	65,634	2,104	2,104
Other financial assets - current	10,222	10,222	328	328
Secured loans	916,758	916,758	29,393	29,393
Held-to-maturity financial assets –				
noncurrent	2,631,828	2,631,828	84,380	84,380
Financial assets carried at cost-noncurrent	25,500	-	818	-

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Item	September 30, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Investments in debt securities with no active market-noncurrent	\$500,000	\$500,000	\$16,031	\$16,031
Investments under equity method	788,238	788,238	25,272	25,272
Other financial assets - noncurrent	516,945	516,945	16,574	16,574
Guarantee deposits paid	527,678	527,678	16,918	16,918
<u>Liabilities</u>				
Claims outstanding	111,519	111,519	3,576	3,576
Due to reinsurers and ceding companies	408,115	408,115	13,085	13,085
Account payable - reinsurance	594,083	594,083	19,047	19,047
Operating and liabilities reserve	15,041,814	15,041,814	482,264	482,264
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial liabilities at fair value through profit or loss-current				
Forward and SWAP	42,847	42,847	1,374	1,374
Derivative financial assets for hedging				
IRS	32,812	32,812	1,052	1,052

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

(a) The fair value of Cathay Century's short-term financial instruments is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, receivables and payables, prepaid reinsurance premiums ceded, claims recoverable from reinsurers, due from reinsurers and ceding companies, secured loans, claims outstanding, due to reinsurers and ceding companies, operating and liability reserve.

(b) The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount.

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- (c) Quoted market prices, if available, are utilized as estimating of the fair value of held-to-maturity financial assets. If no quoted market prices exist for Cathay Century's held-to-maturity financial assets, the fair value of financial assets has been derived based on pricing models. A pricing model incorporates all information that market participants would consider in setting a price. Cathay Century uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.
- (d) The fair value of Cathay Century's current and noncurrent financial asset or liabilities was based on market prices at the reporting date if market prices are not available. When market prices are not available, their fair value was based on relevant financial or any other information.
- (e) If no quoted market prices exist for Cathay Century's investments accounted for equity method, then their fair value is taken as approximating their carrying amounts when no permanent market value decline exists.
- c. The fair values of financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Item	September 30, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$3,149,089	\$98,317	\$2,173,859	\$67,869
Financial assets at fair value through profit or loss - current	593,341	18,525	-	-
Available-for-sale financial assets - current	3,133,701	97,836	-	-
Other financial assets - current	23,206	725	-	-
Held-to-maturity financial assets - noncurrent	-	-	3,015,829	94,156
Investment in debt securities with no active market - noncurrent	-	-	300,000	9,366
Investments under equity method	-	-	1,150,699	35,926

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Item	September 30, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss-current				
Forward and SWAP	\$-	\$-	\$116,432	\$3,635
Derivative financial assets for hedging-current				
IRS	-	-	29,432	919
Item	September 30, 2010			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and Cash equivalents	\$4,436,446	\$142,240	\$1,359,763	\$43,596
Financial assets at fair value through profit or loss - current	368,835	11,825	-	-
Available-for-sale financial assets - current	3,178,739	101,915	-	-
Held-to-maturity financial asset - current	-	-	257,867	8,268
Other financial assets - current	10,222	328	-	-
Held-to-maturity financial assets - noncurrent	-	-	2,631,828	84,380
Investment in debt securities with no active market - noncurrent	-	-	500,000	16,031
Investments under the equity method	-	-	788,238	25,272
Other financial assets - noncurrent	-	-	516,945	16,574
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial liabilities at fair value through profit and loss-current				
Forward and SWAP	-	-	42,847	1,374
Derivative financial assets for hedging-current				
IRS	-	-	32,812	1,052

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d. Information on financial risk

(a) Interest rate risk

The following table summarizes the maturities of Cathay Century's financial instruments at September 30, 2009 and 2010:

Fixed interest rate

September 30, 2009

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Available-for-sale financial assets	\$301,257	\$9,405	\$101,241	\$3,161	\$100,558	\$3,140	\$204,613	\$6,388
Held-to-maturity financial assets	-	-	161,311	5,036	355,042	11,085	875,360	27,329
Investments in debt securities with no active market	-	-	-	-	300,000	9,366	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Available-for-sale financial assets	\$410,699	\$12,822	\$199,981	\$6,244	\$1,318,349	\$41,160
Held-to-maturity financial assets	159,195	4,970	1,464,921	45,736	3,015,829	94,156
Investments in debt securities with no active market	-	-	-	-	300,000	9,366

September 30, 2010

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Available-for-sale financial assets	\$101,240	\$3,246	\$100,321	\$3,216	\$203,415	\$6,522	\$413,804	\$13,267
Held-to-maturity financial assets	257,867	8,268	154,968	4,968	989,749	31,733	416,198	13,344
Investments in debt securities with no active market	-	-	300,000	9,619	200,000	6,412	-	-

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Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Available-for-sale financial assets	\$-	\$-	\$199,981	\$6,412	\$1,018,761	\$32,663
Held-to-maturity financial assets	-	-	1,070,913	34,335	2,889,695	92,648
Investments in debt securities with no active market	-	-	-	-	500,000	16,031

Floating interest rate:

September 30, 2009

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Available-for-sale financial assets	\$-	\$-	\$-	\$-	\$200,000	\$6,244	\$-	\$-

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Available- for-sale financial assets	\$200,000	\$6,244	\$200,000	\$6,244	\$600,000	\$18,732

September 30, 2010

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Available-for-sale financial assets	\$-	\$-	\$200,000	\$6,412	\$-	\$-	\$200,000	\$6,412

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Available-for-sale financial assets	\$200,000	\$6,412	\$-	\$-	\$600,000	\$19,236

(b) Credit risk

Cathay Century's exposure to credit risk is minimal.

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e. Hedging activities

Fair value hedges

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

The following table summarizes the terms of Cathay Century's forward and swap for overseas bonds hedging at September 30, 2009 and 2010:

Hedged item	Financial instruments of designated as hedging instruments	Designated as hedging instruments			
		Fair value			
		September 30, 2009		September 30, 2010	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Overseas bonds	Forward and SWAP	\$116,432	\$3,635	\$42,847	\$1,374

f. Cash flow hedges-IRS

The following table summarizes the terms of Cathay Century's interest rate swap for bonds hedging at September 30, 2010:

Cash flow hedges-IRS

September 30, 2010

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$200,000	\$6,412	2.65%	Each quarter	2014.09.30
200,000	6,412	2.40%	Each quarter	2012.09.28
200,000	6,412	2.785%	Each quarter	2015.04.30

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

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Cathay Century's interest rate swap agreements for cash flow hedges have passed the effectiveness testing. Unrealized gain on financial instruments were recognized in equity by of NT\$29,432 (US\$919) thousands and NT\$32,812 (US\$1,052) thousands as of September 30, 2009 and 2010, respectively.

g. Financial risk management objectives policies and hedge strategies

Cathay Century's primary financial instruments other than derivatives consist of cash and cash equivalents, current and noncurrent investments. The main purpose of holding these financial instruments is to manage cash flow. Cathay Century has other financial assets and liabilities such as notes receivable, due to and from reinsurers and ceding companies, reinsurance account, receivable and payable and secured loans, etc.

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

The primary risks involved in these derivative transactions are market risk, credit risk, operational risk and liquidity risk. The risk management policies approved by the board of directors are as follows:

(a) Market Risk

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

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

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Cathay Century also has transactional currency exposures. Such exposure arises from reinsurance transactions. These transactions with foreign reinsurance company usually receive on time and the fluctuation of exchange rate is not significant. Thus Cathay Century did not seek to hedge this exposure.

(b) Credit risk

Cathay Century only conducts business with recognized and creditworthy third parties. Customers are subject to credit verification procedures, and the collection of premium receivable and notes receivable are subsequently assessed. In addition, once the credit of the third party is impaired, Cathay Century will freeze the related contracts until the credit of the third party recovers. Thus Cathay Century has minimal bad debts.

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

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

(c) Operational Risk

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

(d) Liquidity risk

Cathay Century's exposure to liquidity risk is minimal.

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E. Cathay Securities

a. Information of fair value

Item	September 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$176,099	\$176,099	\$5,498	\$5,498
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	62,304	62,304	1,945	1,945
Operating securities – net	1,919,966	1,919,966	59,943	59,943
Receivable amount for margin loans	1,139,318	1,139,318	35,570	35,570
Securities refinancing margin deposits	4,194	4,194	131	131
Receivables from refinance guaranty	26,364	26,364	823	823
Security lending deposits	23,809	23,809	743	743
Receivables-net	52,959	52,959	1,653	1,653
Available-for-sale financial assets – current	909,444	909,444	28,394	28,394
Investments under equity method	730,419	730,419	22,804	22,804
Available-for-sale financial assets – noncurrent	18	18	1	1
Operating deposits	230,098	230,098	7,184	7,184
Settlement and clearance funds	61,938	61,938	1,934	1,934
Guarantee deposits paid	19,277	19,277	602	602
<u>Liabilities</u>				
Short-term loans	300,000	300,000	9,366	9,366
Commercial paper payable	600,000	600,000	18,732	18,732
Financial liabilities at fair value through profit or loss – current				
Security lending payable-hedging	28,081	28,081	877	877
Security lending payable-non-hedging	26,650	26,650	832	832
Securities financing guarantee deposits-in	128,517	128,517	4,012	4,012
Deposit payable for securities financing	142,870	142,870	4,461	4,461
Payables	323,121	323,121	10,089	10,089

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Item	September 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Call options – futures	\$16,242	\$16,242	\$507	\$507
Margin for futures trading – own funds	375,804	375,804	11,733	11,733
Derivative financial instrument assets-GreTai				
(over-the-counter)	57,545	57,545	1,797	1,797
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	1,308,360	1,308,360	40,848	40,848
Repurchase of issued call (put) warrants	(1,100,856)	(1,100,856)	(34,370)	(34,370)
Put options-futures	30,421	30,421	950	950
Derivative financial instrument liabilities				
-GreTai (over-the-counter)	(263)	(263)	(8)	(8)
Other financial liabilities – current	65,753	65,753	2,053	2,053
Item	September 30, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$318,432	\$318,432	\$10,210	\$10,210
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	92,699	92,699	2,972	2,972
Operating securities – net	1,987,990	1,987,990	63,738	63,738
Receivable amount for margin loans	1,707,490	1,707,490	54,745	54,745
Receivables from refinance guaranty	100,657	100,657	3,227	3,227

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Item	September 30, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Security lending deposits	\$186,734	\$186,734	\$5,987	\$5,987
Receivables - net	172,101	172,101	5,517	5,517
Available-for-sale financial assets – current	266,325	266,325	8,539	8,539
Investments under equity method	736,316	736,316	23,607	23,607
Available-for-sale financial assets – noncurrent	18	18	1	1
Operating deposits	230,098	230,098	7,377	7,377
Settlement and clearance funds	78,738	78,738	2,524	2,524
Guarantee deposits paid	8,668	8,668	278	278
<u>Liabilities</u>				
Short-term loans	400,000	400,000	12,825	12,825
Commercial paper payable	540,000	540,000	17,313	17,313
Bonds sold under repurchase agreements	260,287	260,287	8,345	8,345
Financial liabilities at fair value through profit or loss – current				
Security lending payable-hedging	120,920	120,920	3,877	3,877
Security lending payable-non-hedging	84,745	84,745	2,717	2,717
Securities financing guarantee deposits-in	93,810	93,810	3,008	3,008
Deposit payable for securities financing	103,865	103,865	3,330	3,330
Payables	86,138	86,138	2,762	2,762
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Call options – futures	3,621	3,621	116	116
Margin for futures trading – own funds	246,438	246,438	7,901	7,901
Derivative financial instrument assets				
-GreTai (over-the-counter)	1,090	1,090	35	35
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	1,578,715	1,578,715	50,616	50,616
Repurchase of issued call (put) warrants	(1,362,156)	(1,362,156)	(43,673)	(43,673)
Put options-futures	11,183	11,183	359	359

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

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

(b) Available-for-sale financial assets – current/noncurrent is estimated based on market prices, if available. If available-for-sale financial assets – current/noncurrent of Cathay Securities is not traded on the open market, the carrying amount on the balance sheet date is used to estimate the fair value.

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

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

The following table summarizes the fair value information of financial assets and liabilities as of September 30, 2009 and 2010:

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Item	September 30, 2009			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	\$62,304	\$1,945	\$-	\$-
Operating securities – net	1,919,966	59,943	-	-
Call options-futures	16,242	507	-	-
Margin for futures trading – own funds	375,804	11,733	-	-
Derivative financial instrument assets-GreTai (over-the-counter)	-	-	57,545	1,797
Available-for-sale financial assets-current	909,444	28,394	-	-
Available-for-sale financial assets-noncurrent	18	1	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	1,308,360	40,848	-	-
Repurchase of issued call (put) warrants	(1,100,856)	(34,370)	-	-
Security lending payable-hedging	28,081	877	-	-
Security lending payable-non-hedging	26,650	832	-	-
Put options-futures	30,421	950	-	-
Derivative financial instrument liabilities-GreTai (over-the-counter)	-	-	(263)	(8)
Other financial liabilities-current	-	-	65,753	2,053

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Item	September 30, 2010			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Assets</u>				
Financial assets at fair value				
through profit or loss – current				
Open-end funds and currency				
market instruments	\$92,699	\$2,972	\$-	\$-
Operating securities – net	1,987,990	63,738	-	-
Call options – future	3,621	116	-	-
Margin for futures trading – own				
funds	246,438	7,901	-	-
Derivative financial instrument				
assets-GreTai (over-the-counter)	-	-	1,090	35
Available-for-sale financial				
assets – current	266,325	8,539	-	-
Available-for-sale financial				
assets – noncurrent	18	1	-	-
<u>Liabilities</u>				
Financial liabilities at fair value				
through profit or loss – current				
Liabilities for issuance of call				
(put) warrants	1,578,715	50,616	-	-
Repurchase of issued call (put)				
warrants	(1,362,156)	(43,673)	-	-
Security lending payable-hedging	120,920	3,877	-	-
Security lending				
payable-non-hedging	84,745	2,717	-	-
Put options – futures	11,183	359	-	-

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

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c. Financial risk management objectives and policies

(a) Market risk

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

(b) Credit risk

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

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

(c) Liquidity risk

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

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

(d) Cash flow risk from interest rate fluctuations

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

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Cathay Securities also held Real Estate Asset Trust (REAT) beneficiary certificates. The value of these certificates may decline if interest rates increase and thus they are subject to valuation risk. However, the term of the certificates is 1.75 years, and as a result, the risk is relatively lower. In addition, Cathay Securities will take appropriate actions with respect to these certificates based on interest rate fluctuations.

d. Financial derivatives

(a) Issuance of call (put) warrants

Ⓐ Nominal principal or contract amount and credit risk

	September 30, 2009		September 30, 2010	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>Financial instruments</u>				
<u>For trading purposes</u>				
Issuance of call (put) warrants	NT\$1,513,260 (US\$47,245)	NT\$- (US\$-)	NT\$1,868,200 (US\$59,897)	NT\$- (US\$-)

Ⓑ Market risk

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

Ⓒ Risk from liquidity, cash flow risk and future cash requirements

When issuing call (put) warrants, the underlying securities and futures of the warrants held are all actively traded and it is expected that Cathay Securities can be sold in the open market at fair prices. As a result, there should not be significant liquidity risk. Risk from cash requirements results from the need to adjust hedge positions in response to changes in the prices of the underlying securities. Assuming favourable market liquidity, risk from cash requirements is relatively low.

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

④Types, purposes, and strategies for financial derivatives

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

⑤Financial statement presentation of derivative financial instruments

As of September 30, 2009 and 2010, disclosure of the issuance of call (put) warrants on the balance sheets and statements of income are summarized as follows:

Balance sheet

	<u>September 30, 2009</u>		<u>September 30, 2010</u>	
	Financial liabilities at fair value through profit or loss-current		Financial liabilities at fair value through profit or loss-current	
	<u>(NT\$)</u>	<u>(US\$)</u>	<u>(NT\$)</u>	<u>(US\$)</u>
Liabilities for issuance of call (put) warrants	\$1,308,360	\$40,848	\$1,578,715	\$50,616
Repurchase of issued call (put) warrants	<u>(1,100,856)</u>	<u>(34,370)</u>	<u>(1,362,156)</u>	<u>(43,673)</u>
Total	<u>\$207,504</u>	<u>\$6,478</u>	<u>\$216,559</u>	<u>\$6,943</u>

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Statement of income

	For the nine months ended		For the nine months ended		Comments
	September 30, 2009		September 30, 2010		
	Profits or losses from issuing call (put) warrants				
	(NT\$)	(US\$)	(NT\$)	(US\$)	
Liabilities for issuance of call (put) warrants	\$ (2,093,629)	\$ (65,365)	\$ (18,104)	\$ (580)	Fair value method
Repurchase of issued call (put) warrants					
- Loss on disposal	(3,016,676)	(94,183)	(2,435,143)	(78,074)	
- Gain (loss) from valuation	624,386	19,494	(67,165)	(2,153)	Fair value method
Gain from expiration of warrants issued	4,476,320	139,754	2,803,458	89,883	
Trading securities-hedging					
- Gain (loss) on disposal	86,992	2,716	(122,307)	(3,921)	
- Gain (loss) from valuation	13,679	427	(67,272)	(2,157)	Fair value method
Security lending payable-hedging					
- Loss on disposal	(409)	(13)	(12,558)	(403)	
- Loss from valuation	(1,516)	(47)	(1,974)	(63)	Fair value method
Futures transaction-hedging					
- Gain on disposal	-	-	2,781	89	
- Gain from valuation	-	-	421	13	Fair value method
Total	\$89,147	\$2,783	\$82,137	\$2,634	

(b) Structured notes transactions

Ⓐ Nominal principal or contract amount and credit risk

Financial instruments	September 30, 2009		September 30, 2010	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
For trading purposes				
Principal guaranteed notes	NT\$65,900 (US\$2,057)	NT\$- (US\$-)	NT\$- (US\$-)	NT\$- (US\$-)

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

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⑥ Market risk

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

⑦ Risk from liquidity, cash flow and future cash requirements

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

⑧ Types, purposes, and strategies for financial derivatives

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

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

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

(c) Financial statement presentation of derivative financial instruments

As of September 30, 2009 and 2010, the disclosure of structured notes transactions on the balance sheets and statements of income are summarized as follows:

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Balance sheet

	September 30, 2009		September 30, 2010	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Derivative financial instrument liabilities –				
GreTai (over-the-counter) (note)				
Structured notes transactions	\$ (263)	\$ (8)	\$ -	\$ -
Other financial liabilities – current				
Principal of structured notes	65,753	2,053	-	-

Statement of income

	For the nine months ended September 30, 2009		For the nine months ended September 30, 2010		Comments
	(NT\$)	(US\$)	(NT\$)	(US\$)	
	Loss from structured notes	\$ (12,447)	\$ (389)	\$ -	
Trading securities - hedging					
- Gain on disposal	9,533	298	-	-	
- Gain from valuation	15	-	-	-	Fair value method
Total	\$ (2,899)	\$ (91)	\$ -	\$ -	

e. Futures and options transactions

As of September 30, 2009 and 2010, Cathay Securities' unexercised futures and options were as follows:

September 30, 2009

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

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September 30, 2010

Item	Nature of Transaction	Unexercised Futures /options		Contract amount/ payment (receipt) of premium		Fair value	
		Buy/Sell	Units	(NT\$)	(US\$)	(NT\$)	(US\$)
Futures	STW	Sell	7	\$(6,347)	\$(203)	\$6,366	\$204
Futures	MTX	Buy	4	1,623	52	1,643	53
Futures	FITF	Sell	10	(9,045)	(290)	9,086	291
Futures	FITF	Buy	2	1,820	58	1,814	58
Futures	FITX	Sell	31	(51,117)	(1,639)	50,912	1,632
Futures	FITX	Buy	17	27,395	878	27,868	893
Options	TXO- Put	Buy	662	2,270	73	267	9
Options	TXO- Call	Buy	794	2,021	65	3,354	108
Options	TXO- Put	Sell	1,572	(10,805)	(346)	1,765	57
Options	TXO- Call	Sell	881	(5,502)	(176)	9,418	302

(a) Nominal principal or contract amount and credit risk

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

Financial instruments	September 30, 2010	
	Nominal principal/ contract amount	Credit risk
STW futures	NT\$6,347 (US\$203)	NT\$- (US\$-)
MTX	NT\$1,623 (US\$52)	NT\$- (US\$-)
TF futures	NT\$10,865 (US\$348)	NT\$- (US\$-)
TX futures	NT\$78,512 (US\$2,517)	NT\$- (US\$-)
TXO	NT\$20,598 (US\$660)	NT\$- (US\$-)

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

(b) Market risk

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

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

Cathay Securities' unexercised futures and options could all be liquidated at reasonable prices in the market. As a result, Cathay Securities believes liquidity risk is low.

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

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

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

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(e) Financial statement presentation of derivative financial instruments

The margin and premium resulting from trading are reflected in “financial assets at fair value through profit or loss – current (margin for futures trading – own funds) on the balance sheet. For the nine months ended September 30, 2009 and 2010, the related gain (loss) of futures and options on the statement of income were as follows:

	For the nine months ended September 30, 2009		For the nine months ended September 30, 2010	
	(NT\$)	(US\$)	(NT\$)	(US\$)
	Gain from derivative financial instruments – futures			
Non-hedging				
Gain on futures contracts - realized	\$51,080	\$1,595	\$34,584	\$1,109
Gain on futures contracts - unrealized	30,165	942	7,781	249
Gain from options transactions - realized	14,383	449	16,859	541
Gain from options transactions - unrealized	24,638	769	30,660	983
Subtotal	120,266	3,755	89,884	2,882
Hedging				
Gain on futures contracts - realized	-	-	8,594	275
Gain on futures contracts - unrealized	-	-	2,675	86
Subtotal	-	-	11,269	361
Total	\$120,266	\$3,755	\$101,153	\$3,243
	For the nine months ended September 30, 2009		For the nine months ended September 30, 2010	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Loss from derivative financial instruments – futures				
Non-hedging				
Loss on futures contracts - realized	\$78,870	\$2,462	\$42,793	\$1,372
Loss on futures contracts - unrealized	23,604	737	36,574	1,173
Loss from options transactions - realized	40,869	1,276	16,244	521
Loss from options transactions - unrealized	27,210	850	2,219	71
Subtotal	170,553	5,325	97,830	3,137
Hedging				
Loss on futures contracts - realized	-	-	5,813	186
Loss on futures contracts - unrealized	-	-	2,254	72
Subtotal	-	-	8,067	258
Total	\$170,553	\$5,325	\$105,897	\$3,395

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F. Cathay Pacific Venture

a. Information of fair value

Item	September 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$67,346	\$67,346	\$2,103	\$2,103
Financial assets at fair value through profit or loss	13,156	13,156	411	411
Available-for-sale financial assets-current	163,633	163,633	5,109	5,109
Other receivables	4,098	4,098	128	128
Investment under equity method	251,072	251,072	7,839	7,839
Available-for-sale financial assets-noncurrent	21,332	21,332	666	666
Financial assets carried at cost-noncurrent	1,321,955	-	41,272	-
Investment in debt securities with no active market-noncurrent	34,000	-	1,062	-
<u>Liabilities</u>				
Accrued expenses	792	792	25	25
Other payables	516	516	16	16
Item	September 30, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,954	\$2,954	\$95	\$95
Financial assets at fair value through profit or loss	10,200	10,200	327	327
Available-for-sale financial assets-current	296,648	296,648	9,511	9,511
Other receivables	21,500	21,500	689	689
Investment under equity method	260,968	260,968	8,367	8,367
Available-for-sale financial assets-noncurrent	96,042	96,042	3,079	3,079
Financial assets carried at cost-noncurrent	1,195,129	-	38,318	-
Investment in debt securities with no active market-noncurrent	34,000	-	1,090	-
<u>Liabilities</u>				
Accrued expenses	475	475	15	15
Other payables	516	516	17	17

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

(a) The fair value of Cathay Pacific Venture short-term financial instruments is assumed to approximate the carrying amount at reporting date due to the short maturity of those instruments. This assumption is applied to cash and cash equivalents, receivables and payables.

(b) Quoted market prices, if available, are used to determine the fair values of available-for-sale financial assets.

(c) If no quoted market prices exist for Cathay Pacific Venture's investment under equity method, then their fair value is taken as approximating their carry amounts when no permanent market value decline exists.

(d) Financial assets carried at cost are unlisted stock. Since these stocks have no quoted market prices in an active market and their fair value cannot be reliably measured, their fair values are not disclosed.

c. The following table summarizes the basis of determining fair value of financial assets and liabilities as of September 30, 2009 and 2010:

Item	September 30, 2009			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$67,346	\$2,103	\$-	\$-
Financial assets at fair value through profit or loss	13,156	411	-	-
Available-for-sale financial assets-current	163,633	5,109	-	-
Other receivable	-	-	4,098	128
Investment under equity method	-	-	251,072	7,839
Available-for-sale financial assets-noncurrent	-	-	21,332	666
Financial assets carried at cost-noncurrent	-	-	1,321,955	41,272
Investment in debt securities with no active market-noncurrent	-	-	34,000	1,062
<u>Liabilities</u>				
Accrued expense	-	-	792	25
Other payables	-	-	516	16

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Item	September 30, 2010			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,954	\$95	\$-	\$-
Financial assets at fair value through profit or loss	10,200	327	-	-
Available-for-sale financial assets-current	296,648	9,511	-	-
Other receivable	-	-	21,500	689
Investment under equity method	-	-	260,968	8,367
Available-for-sale financial assets-noncurrent	-	-	96,042	3,079
Financial assets carried at cost-noncurrent	-	-	1,195,129	38,318
Investment in debt securities with no active market	-	-	34,000	1,090
<u>Liabilities</u>				
Accrued expense	-	-	475	15
Other payables	-	-	516	17

d. Information on financial risk

(a) Market risk

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

(b) Credit risk

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

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(c) Liquidity risk and cash flow risk

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

G. Cathay Futures

a. Information of fair value

Item	September 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$256,440	\$256,440	\$8,006	\$8,006
Customers' margin accounts	1,309,523	1,309,523	40,884	40,884
Futures trading deposits receivable	125	125	4	4
Accounts receivable-related parties	127	127	4	4
Other receivable (contain transactions with related parties)	4,157	4,157	130	130
Available-for-sale financial assets-noncurrent	30,500	30,500	952	952
Operating deposits	60,000	60,000	1,873	1,873
Settlement and clearance funds	73,000	73,000	2,279	2,279
Guarantee deposits paid	1,281	1,281	40	40
<u>Liabilities</u>				
Futures customers' equity	1,309,113	1,309,113	40,871	40,871
Payables (contain transactions with related parties)	5,482	5,482	171	171
Other payable (contain transactions with related parties)	3,342	3,342	104	104

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Item	September 30, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$272,924	\$272,924	\$8,750	\$8,750
Customers' margin accounts	1,297,595	1,297,595	41,603	41,603
Accounts receivable-related parties	42	42	1	1
Other receivable (contain transactions with related parties)	1,122	1,122	36	36
Available-for-sale financial assets-noncurrent	30,500	30,500	978	978
Operating deposits	60,000	60,000	1,924	1,924
Settlement and clearance funds	73,000	73,000	2,340	2,340
Guarantee deposits paid	1,286	1,286	41	41
<u>Liabilities</u>				
Futures customers' equity	1,297,274	1,297,274	41,593	41,593
Payables (contain transactions with related parties)	3,598	3,598	115	115
Other payable (contain transactions with related parties)	3,836	3,836	123	123
Guarantee deposit in	1,439	1,439	46	46

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

- (a) The carrying amounts of the financial instruments such as cash and cash equivalents, customers' margin accounts, accounts receivable-related parties, other receivables, operation deposits, settlement and clearance funds, guarantee deposits paid, futures customers' equity, payables, guarantee deposit in and other payables, approximate their fair values due to the short maturities of these instruments.
- (b) The fair value of available-for-sale financial assets-noncurrent is valued at market price or other financial information when available.

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

c. Information on financial risk

(a) Market risk

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

(b) Credit risk

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

(c) Liquidity risk and cash flow risk

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

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H. Symphox Information

a. Information of fair value

Item	September 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$89,695	\$89,695	\$2,800	\$2,800
Financial assets at fair value through profit or loss-current	506,775	506,775	15,822	15,822
Receivables (contain transactions with related parties)	159,348	159,348	4,975	4,975
Guarantee deposits paid	9,274	9,274	290	290
<u>Liabilities</u>				
Payables (contain transactions with related parties)	143,330	143,330	4,475	4,475
Guarantee deposits in	80	80	2	2
Item	September 30, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$384,847	\$384,847	\$12,339	\$12,339
Financial assets at fair value through profit or loss-current	297,489	297,489	9,538	9,538
Receivables (contain transactions with related parties)	172,348	172,348	5,526	5,526
Guarantee deposits paid	9,141	9,141	293	293
<u>Liabilities</u>				
Payables (contain transactions with related parties)	180,304	180,304	5,781	5,781
Guarantee deposits in	64	64	2	2

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

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

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

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

Item	September 30, 2009			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current	\$506,775	\$15,822	\$-	\$-

Item	September 30, 2010			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current	\$297,489	\$9,538	\$-	\$-

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share date and unless otherwise stated)**

I. Cathay Life (China)

a. Information of fair value

Item	September 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$4,013,500	\$4,013,500	\$125,304	\$125,304
Premiums receivables	25,042	25,042	782	782
Financial assets at fair value through profit or loss-current	19,687	19,687	615	615
Available-for-sale financial assets-current	408,893	408,893	12,766	12,766
Available-for-sale financial assets-noncurrent	3,296,027	3,296,027	102,904	102,904
Held-to-maturity financial assets-noncurrent	282,864	282,864	8,831	8,831
Investment in debt securities with no active market-noncurrent	1,210,344	1,210,344	37,788	37,788
Guarantee deposits paid	777,303	777,303	24,268	24,268
<u>Liabilities</u>				
Payables	402,398	402,398	12,563	12,563
Guarantee deposits in	7,986	7,986	249	249

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Item	September 30, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$5,801,177	\$5,801,177	\$185,995	\$185,995
Premiums receivables	49,360	49,360	1,583	1,583
Financial assets at fair value through profit or loss-current	128,044	128,044	4,105	4,105
Available-for-sale financial assets-current	585,667	585,667	18,777	18,777
Available-for-sale financial assets-noncurrent	3,801,531	3,801,531	121,883	121,883
Investment in debt securities with no active market-noncurrent	1,047,079	1,047,079	33,571	33,571
Guarantee deposits paid	786,947	786,947	25,231	25,231
<u>Liabilities</u>				
Payables	337,554	331,873	10,823	10,640
Guarantee deposits in	9,318	9,318	299	299

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

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

(b) When financial assets or liabilities are quoted on an active market, the fair value is the market price. However, fair value is estimated using pricing model if an active market does not exist. A pricing model incorporates all information that market participants would consider in setting a price which are available to Cathay Life (China). Cathay Life (China) uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.

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

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

Item	September 30,							
	2009				2010			
	Based on the quoted		Based on pricing		Based on the quoted		Based on pricing	
	market price		models		market price		models	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Cash and cash equivalents	\$4,013,500	\$125,304	\$-	\$-	\$5,801,177	\$185,995	\$-	\$-
Financial assets at fair value								
through profit or loss-current	19,687	615	-	-	128,044	4,105	-	-
Available-for-sale financial								
assets-current	408,893	12,766	-	-	585,667	18,777	-	-
Available-for-sale financial								
assets-noncurrent	171,468	5,353	3,124,559	97,551	766,443	24,573	3,035,088	97,310
Held-to-maturity financial								
assets-noncurrent	-	-	282,864	8,831	-	-	-	-
Investment in debt securities								
with no active market-								
noncurrent	-	-	1,210,344	37,788	-	-	1,047,079	33,571

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J. Cathay Life (Vietnam)

a. Information of fair value

Item	September 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$392,179	\$392,179	\$12,244	\$12,244
Receivables	54,788	54,788	1,711	1,711
Available-for-sale financial assets-noncurrent	1,535,038	1,535,038	47,925	47,925
Guarantee deposits paid	48,776	48,776	1,523	1,523
<u>Liabilities</u>				
Payables	19,928	19,928	622	622

Item	September 30, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$355,503	\$355,503	\$11,398	\$11,398
Receivables	51,870	51,870	1,663	1,663
Available-for-sale financial assets-noncurrent	1,302,595	1,302,595	41,763	41,763
Guarantee deposits paid	42,688	42,688	1,369	1,369
<u>Liabilities</u>				
Payables	21,488	21,488	689	689

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

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

Item	September 30,							
	2009				2010			
	Based on the quoted market price		Based on pricing models		Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Cash and cash equivalents	\$392,179	\$12,244	\$-	\$-	\$355,503	\$11,398	\$-	\$-
Receivables	-	-	54,788	1,711	-	-	51,870	1,663
Available-for-sale financial assets-noncurrent	-	-	1,535,038	47,925	-	-	1,302,595	41,763
<u>Liabilities</u>								
Payables	-	-	19,928	622	-	-	21,448	689

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K. Cathay Century (China)

a. Information of fair value

Item	September 30, 2009			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,341,866	\$1,341,866	\$41,894	\$41,894
Receivables-net	83,457	83,457	2,606	2,606
Prepaid reinsurance premiums ceded	31,794	31,794	993	993
Claims recoverable from reinsurers	89,747	89,747	2,802	2,802
Due from reinsurers and ceding companies	1,497	1,497	47	47
Guarantee deposits paid	384,631	384,631	12,008	12,008
<u>Liabilities</u>				
Due to reinsurers and ceding companies	5,093	5,093	159	159
Account payable-reinsurance	9,658	9,658	302	302
Operating and liabilities reserve	165,046	165,046	5,153	5,153
Payables	66,578	66,578	2,079	2,079

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Item	September 30, 2010			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,008,158	\$1,008,158	\$32,323	\$32,323
Receivables-net	74,425	74,425	2,386	2,386
Prepaid reinsurance premiums ceded	48,063	48,063	1,541	1,541
Claims recoverable from reinsurers	124,854	124,854	4,003	4,003
Due from reinsurers and ceding companies	60,187	60,187	1,930	1,930
Guarantee deposits paid	386,087	386,087	12,379	12,379
Financial assets at fair value through profit or loss-current	108,364	108,364	3,474	3,474
Available-for-sale financial assets-current	131,922	131,922	4,230	4,230
<u>Liabilities</u>				
Due to reinsurers and ceding companies	19,210	19,210	616	616
Account payable-reinsurance	24,776	24,776	794	794
Operating and liabilities reserve	304,705	304,705	9,769	9,769
Payables	48,655	48,655	1,560	1,560

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

- (a) The fair value of Cathay Century (China) short-term financial instruments approximates the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents.

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- (b) Quoted market price, if available, is utilized as estimates of the fair value of held-to-maturity financial assets. If no quoted market prices exist for Cathay Century (China) held-to-maturity financial assets, the fair value of financial assets has been derived based on pricing models. A pricing model incorporates all factors that market participants would consider in setting a price. Cathay Century (China) uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.
- (c) The fair value of the guarantee deposits paid and guarantee deposits in approximates their carrying amount.
- (d) The fair value of the Cathay Century (China) financial assets and liabilities determined by market price or pricing models are summarized as following:

Item	September 30,							
	2009				2010			
	Based on the quoted market price		Based on pricing models		Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value								
through profit or loss-current	\$-	\$-	\$-	\$-	\$108,364	\$3,474	\$-	\$-
Available-for-sale financial assets-noncurrent	-	-	-	-	131,922	4,230	-	-

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

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

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Item	September 30, 2010			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$5,755,836	\$184,541	\$5,755,836	\$184,541
Repurchase bonds	3,860,293	123,767	3,860,293	123,767
Cash in banks	574,767	18,428	574,767	18,428
Net other assets less liabilities	13,692	439	13,692	439
Total	<u>\$10,204,588</u>	<u>\$327,175</u>	<u>\$10,204,588</u>	<u>\$327,175</u>

As of September 30, 2009 and 2010, Cathay Life and Cathay Century had discretionary account management contracts in the amount of NT\$9,900,000 (US\$309,085) thousands, and NT\$8,900,000 (US\$285,348) thousands, respectively.

(5) Business or trading behaviors within Subsidiaries:

A. Business or trading behaviors

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

B. Integrate business activities:

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

C. Cross utilization of information:

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

D. Locations and business utilities:

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

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

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

(6) Material contract: None.

(7) Presentation of financial statements:

Certain accounts in the consolidated financial statements for the nine months ended September 30, 2009 have been reclassified in order to be comparable with those in the consolidated financial statements for the nine months ended September 30, 2010.

33. Information regarding investment in Mainland China

- (1) On December 25, 2002, July 24, 2003 and May 16, 2008, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Life to remit US\$22,850 thousands, US\$27,150 thousands and US\$5,900 thousands, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. Cathay Life's subsidiary, Cathay Life Insurance Ltd. (China) has acquired a business license of an enterprise as legal person on December 29, 2004. Cathay Life has remitted US\$48,330 thousands to Cathay Life Insurance Ltd. (China) till the end of June 30, 2010, and injected another US\$30,000 thousands on September 29, 2010. As of September 30, 2010, Cathay Life's remittances to Cathay Life Insurance Ltd. (China) totaled approximately US\$78,330 thousands.
- (2) On October 17, 2007, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Life to remit US\$26,390 thousands as the registered capital to establish a China-based general insurance subsidiary (in form of joint venture with Cathay Century Insurance). On March 6, 2009, MOEAIC authorized Cathay Life to increase the remittances from US\$26,390 thousands to US\$28,960 thousands. Cathay Life and Cathay Century Insurance subsidiary, Cathay Insurance Company Ltd. (China) has acquired a business license of an enterprise as legal person on August 26, 2008. As of September 30, 2010, Cathay Life's remittances to this general insurance company totaled approximately US\$28,140 thousands.

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- (3) On September 30, 2006, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Century to remit US\$28,960 thousands as the registered capital to establish a China-based general insurance subsidiary (in form of joint venture with Cathay Life.) Cathay Century has received approved from the China Insurance Regulatory Commission on October 8, 2007 to form a joint venture general insurance company. Cathay Century and Cathay Life Insurance subsidiary, Cathay Century (China) has acquired a business license of an enterprise as legal person on August 26, 2008. As of September 30, 2010, Cathay Century's remittances to this company totaled approximately US\$27,820 thousands.

34. Segment information

For the nine months ended September 30, 2009

Item	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Other divisions (NT\$)	Reconciliation (NT\$)	Total (NT\$)
Net interest income	\$10,609,213	\$55,735,050	\$313,999	\$53,963	\$(58,328)	\$(395,730)	\$66,258,167
Non income other than interest	8,785,264	140,706,462	2,821,445	509,988	8,678,393	(10,944,155)	150,557,397
Total income	19,394,477	196,441,512	3,135,444	563,951	8,620,065	(11,339,885)	216,815,564
Bad debt expenses	(162,419)	-	-	-	-	-	(162,419)
Provision for premiums reserve	-	(164,462,420)	(387,779)	-	-	-	(164,850,199)
Operating expenses	(10,477,177)	(29,098,235)	(2,052,134)	(394,387)	(632,577)	3,132,672	(39,521,838)
Income from continuing operations before income taxes	8,754,881	2,880,857	695,531	169,564	7,987,488	(8,207,213)	12,281,108
Income taxes (expense) benefit	(1,951,518)	(2,081,790)	(195,100)	(24,173)	(313,626)	-	(4,566,207)
Consolidated income	6,803,363	799,067	500,431	145,391	7,673,862	(8,207,213)	7,714,901

For the nine months ended September 30, 2009

Item	Bank division (US\$)	Life insurance division (US \$)	Property and casualty insurance division (US \$)	Securities division (US \$)	Other divisions (US\$)	Reconciliation (US\$)	Total (US\$)
Net interest income	\$331,227	\$1,740,089	\$9,803	\$1,685	\$(1,821)	\$(12,355)	\$2,068,628
Non income other than interest	274,282	4,392,959	88,088	15,922	270,946	(341,685)	4,700,512
Total income	605,509	6,133,048	97,891	17,607	269,125	(354,040)	6,769,140
Bad debt expenses	(5,071)	-	-	-	-	-	(5,071)
Provision for premiums reserve	-	(5,134,637)	(12,107)	-	-	-	(5,146,744)
Operating expenses	(327,105)	(908,468)	(64,069)	(12,313)	(19,749)	97,804	(1,233,900)
Income from continuing operations before income taxes	273,333	89,943	21,715	5,294	249,376	(256,236)	383,425
Income taxes (expense) benefit	(60,928)	(64,995)	(6,091)	(755)	(9,791)	-	(142,560)
Consolidated income	212,405	24,948	15,624	4,539	239,585	(256,236)	240,865

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For the nine months ended September 30, 2010

Item	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Other divisions (NT\$)	Reconciliation (NT\$)	Total (NT\$)
Net interest income	\$11,269,775	\$57,313,951	\$251,118	\$91,489	\$(211,410)	\$(609,575)	\$68,105,348
Non income other than interest	10,296,344	202,868,831	2,714,399	520,289	5,735,664	(7,690,014)	214,445,513
Total income	21,566,119	260,182,782	2,965,517	611,778	5,524,254	(8,299,589)	282,550,861
Bad debt expenses	-	-	(441)	-	-	-	(441)
Provision for premiums reserve	-	(236,876,831)	(241,261)	-	-	-	(237,118,092)
Operating expenses	(10,859,551)	(30,557,050)	(2,365,806)	(438,555)	(686,052)	3,519,218	(41,387,796)
Income from continuing operations before income taxes	10,706,568	(7,251,099)	358,009	173,223	4,838,202	(4,780,371)	4,044,532
Income taxes (expense) benefit	(971,863)	1,434,055	(70,164)	19,975	(457,599)	-	(45,596)
Consolidated income	9,734,705	(5,817,044)	287,845	193,198	4,380,603	(4,780,371)	3,998,936

For the nine months ended September 30, 2010

Item	Bank division (US\$)	Life insurance division (US \$)	Property and casualty insurance division (US \$)	Securities division (US \$)	Other divisions (US\$)	Reconciliation (US\$)	Total (US\$)
Net interest income	\$361,326	\$1,837,575	\$8,051	\$2,934	\$(6,778)	\$(19,544)	\$2,183,564
Non income other than interest	330,117	6,504,291	87,028	16,681	183,894	(246,554)	6,875,457
Total income	691,443	8,341,866	95,079	19,615	177,116	(266,098)	9,059,021
Bad debt expenses	-	-	(14)	-	-	-	(14)
Provision for premiums reserve	-	(7,594,641)	(7,735)	-	-	-	(7,602,376)
Operating expenses	(348,174)	(979,707)	(75,851)	(14,061)	(21,996)	112,832	(1,326,957)
Income from continuing operations before income taxes	343,269	(232,482)	11,479	5,554	155,120	(153,266)	129,674
Income taxes (expense) benefit	(31,159)	45,978	(2,250)	640	(14,671)	-	(1,462)
Consolidated income	312,110	\$(186,504)	9,229	6,194	140,449	(153,266)	128,212

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35. Parent Company financial statements

**Cathay Financial Holding Co., Ltd.
Unaudited Balance sheets
As of September 30, 2009 and 2010
(Expressed in thousands of dollars)**

	September 30, 2009		September 30, 2010	
	NT \$	US \$	NT \$	US \$
Assets				
Cash and cash equivalents	\$2,430,515	\$75,882	\$15,745,048	\$504,811
Receivables -net	5,622,509	175,539	7,825,058	250,884
Held-to-maturity financial assets	15,000,000	468,311	25,000,000	801,539
Investments under equity method	205,745,905	6,423,538	218,306,650	6,999,251
Other financial assets -net	31,720	990	31,720	1,017
Property and equipment -net	4,413	138	4,719	151
Goodwill and intangible assets -net	133	4	139	4
Other assets -net	2,552,559	79,693	1,983,637	63,599
Total assets	\$231,387,754	\$7,224,095	\$268,896,971	\$8,621,256
Liabilities & stockholders' equity				
Payables	8,138,693	254,096	10,914,168	349,925
Bonds payable	20,000,000	624,415	40,000,000	1,282,463
Other payable	25,982	811	34,555	1,108
Total liabilities	28,164,675	879,322	50,948,723	1,633,496
Stockholders' equity				
Capital stock				
Common stock	97,375,372	3,040,130	101,544,213	3,255,666
Capital surplus	81,709,322	2,551,025	78,508,148	2,517,093
Retained earnings				
Legal reserve	12,540,295	391,517	13,645,400	437,493
Special reserve	7,107,732	221,908	-	-
Unappropriated retained earnings	7,842,165	244,838	11,343,892	363,703
Equity adjustments				
Reserve for land revaluation increment	1,461	46	1,461	47
Cumulative conversion adjustments	89,079	2,781	(182,891)	(5,864)
Unrealized gains or losses on financial instruments	968,387	30,234	13,094,816	419,840
Treasury stock	(4,140,047)	(129,255)	-	-
Net loss not yet recognized as net pension cost	(270,687)	(8,451)	(6,791)	(218)
Total stockholders' equity	203,223,079	6,344,773	217,948,248	6,987,760
Total liabilities and stockholders' equity	\$231,387,754	\$7,224,095	\$268,896,971	\$8,621,256

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Cathay Financial Holding Co., Ltd.

Unaudited Statements of Income

For the nine-month periods ended September 30, 2009 and 2010

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

	January 1 ~ September 30, 2009		January 1 ~ September 30, 2010					
	NT \$	US \$	NT \$	US \$				
Income								
Gain on investment-equity method	\$8,367,495	\$261,240	5,098,647	163,471				
Gain on foreign exchange	10	-	-	-				
Other operating income	61,539	1,921	54,834	1,758				
Total income	8,429,044	263,161	5,153,481	165,229				
Expenses and loss								
Interest income	398,917	12,454	642,775	20,608				
Less: interest expenses	(472,160)	(14,741)	(864,766)	(27,726)				
Net interest income	(73,243)	(2,287)	(221,991)	(7,118)				
Losses on foreign exchange	-	-	(6)	-				
Operating expenses	(209,379)	(6,537)	(252,681)	(8,101)				
Income (loss) from continuing operations before income taxes	8,146,422	254,337	4,678,803	150,010				
Income taxes expense	(304,257)	(9,499)	(450,502)	(14,444)				
Net income (loss)	\$7,842,165	\$244,838	\$4,228,301	\$135,566				
Earnings per share (expressed in dollars)								
Primary earnings per share:	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes
Net income	\$0.80	\$0.77	\$0.02	\$0.02	\$0.46	\$0.42	\$0.01	\$0.01

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Cathay Financial Holding Co., Ltd.

Unaudited Statements of Changes in Stockholders' Equity

For the nine-month periods ended September 30, 2009 and 2010

(Expressed in thousands of dollars)

Summary	Retained earnings										Other stockholders' equity											
	Common stock		Capital surplus		Legal reserve		Special reserve		Unappropriated retained earnings		Land revaluation increment		Cumulative conversion adjustments		Unrealized gains or losses on financial instruments		Treasury stock		Net loss not recognized as pension cost		Total	
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Balance on January 1, 2009	\$97,375,372	\$3,040,130	\$81,971,213	\$2,359,201	\$12,320,672	\$384,660	\$-	\$-	\$7,060,140	\$220,423	\$2,106	\$66	\$344,257	\$10,748	\$(2,309,533)	\$(1,633,142)	\$(4,140,047)	\$(129,255)	\$(270,687)	\$(8,451)	\$142,353,493	\$4,444,380
Appropriations and distribution for 2008																						
Legal reserve					219,623	6,857			(219,623)	(6,857)											-	-
Special reserve			(267,215)	(8,342)			7,107,732	221,908	(6,840,517)	(213,566)											-	-
Reserve for land revaluation increment											(645)	(20)									(645)	(20)
Capital surplus			461	14																	461	14
Cumulative conversion adjustments													(255,178)	(7,967)							(255,178)	(7,967)
Unrealized gains or losses of financial instruments															53,277,920	1,663,376					53,277,920	1,663,376
Other capital surplus			4,863	152																	4,863	152
Net income for the nine-month period ended September 30, 2009									7,842,165	244,838											7,842,165	244,838
Balance on September 30, 2009	\$97,375,372	\$3,040,130	\$81,709,322	\$2,551,025	\$12,540,295	\$391,517	\$7,107,732	\$221,908	\$7,842,165	\$244,838	\$1,461	\$46	\$89,079	\$2,781	\$968,387	\$30,234	\$(4,140,047)	\$(129,255)	\$(270,687)	\$(8,451)	\$203,223,079	\$6,344,773
Balance on January 1, 2010	\$96,708,774	\$3,100,634	\$78,240,933	\$2,508,526	\$12,540,295	\$402,062	\$7,107,732	\$227,885	\$11,051,057	\$354,314	\$1,461	\$47	\$4,444	\$142	\$6,547,332	\$209,918	\$-	\$-	\$(6,791)	\$(218)	\$212,195,237	\$6,803,310
Appropriations and distribution for 2009																						
Legal reserve					1,105,105	35,431			(1,105,105)	(35,431)											-	-
Special reserve			267,215	8,567			(7,107,732)	(227,885)	6,840,517	219,318											-	-
Cash dividends									(4,835,439)	(155,032)											(4,835,439)	(155,032)
Stock dividend to be distributed	4,835,439	155,032							(4,835,439)	(155,032)											-	-
Cumulative conversion adjustments													(187,335)	(6,006)							(187,335)	(6,006)
Unrealized gains or losses of financial instruments															6,547,484	209,922					6,547,484	209,922
Net income for the nine-month period ended September 30, 2010									4,228,301	135,566											4,228,301	135,566
Balance on September 30, 2010	\$101,544,213	\$3,255,666	\$78,508,148	\$2,517,093	\$13,645,400	\$437,493	\$-	\$-	\$11,343,892	\$363,703	\$1,461	\$47	\$(182,891)	\$(5,864)	\$13,094,816	\$419,840	\$-	\$-	\$(6,791)	\$(218)	\$217,948,248	\$6,987,760

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Cathay Financial Holding Co., Ltd.

Unaudited Statements of cash flows

For the nine-month periods ended September 30, 2009 and 2010

(Expressed in thousands of dollars)

	January 1 ~ September 30, 2009		January 1 ~ September 30, 2010	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Net income (loss)	\$7,842,165	\$244,838	\$4,228,301	\$135,566
Adjustments:				
Amortizations	400	12	46	1
Depreciation	756	24	707	23
Losses on disposal of property and equipment	-	-	10	-
Investment income recognized by equity method (more) less than cash dividends received	(8,315,296)	(259,610)	4,304,692	138,015
Effects of exchange rate changes	(10)	-	6	-
Changes in operating assets and liabilities				
Increase in accounts receivable	(1,563,032)	(48,799)	(1,160,054)	(37,193)
(Increase) decrease in deferred income tax assets	(167,159)	(5,219)	326,187	10,458
Increase in other assets	(146,443)	(4,572)	(11)	-
Increase in accounts payable	1,944,280	60,702	2,062,606	66,130
Decrease in deferred income tax liabilities	(2)	-	(2)	-
Increase in other liabilities	2,886	90	7,251	233
Net cash (used in) provided by operating activities	(401,455)	(12,534)	9,769,739	313,233
Cash flows from investing activities				
Acquisition of property and equipment	(702)	(22)	(1,413)	(45)
Acquisition of intangible assets	-	-	(185)	(6)
Increase in refundable deposit	(24)	(1)	(123)	(4)
Net cash used in investing activities	(726)	(23)	(1,721)	(55)
Cash flows from financing activities				
Cash received from capital reduction in long-term stock investment	533,300	16,650	-	-
Cash dividends	-	-	(4,835,439)	(155,032)
Net cash provided by financing activities	533,300	16,650	(4,835,439)	(155,032)
Effects of exchange rate changes	10	-	(6)	-
Increase in cash and cash equivalents	131,129	4,093	4,932,573	158,146
Cash and cash equivalents at the beginning of year	2,299,386	71,789	10,812,475	346,665
Cash and cash equivalents at the end of year	\$2,430,515	\$75,882	\$15,745,048	\$504,811
Supplemental disclosure of cash flows information				
Interest paid during the period	\$9,320	\$291	\$4,629	\$148
Income tax paid	\$293,179	\$9,153	\$6,623	\$212

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

**Cathay Life Insurance Co., Ltd.
Condensed Balance Sheets
As of September 30, 2009 and 2010
(Expressed in thousands of dollars)**

Item	September 30, 2009		September 30, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$627,047,124	\$19,576,869	\$835,456,703	\$26,786,044
Loans	516,379,387	16,121,742	486,116,938	15,585,666
Funds and investments	1,188,585,721	37,108,515	1,377,442,357	44,162,948
Property and equipment	12,785,574	399,175	12,004,342	384,878
Intangible assets	761,508	23,775	466,505	14,957
Other assets	296,104,673	9,244,604	292,550,258	9,379,617
Total assets	\$2,641,663,987	\$82,474,680	\$3,004,037,103	\$96,314,110
Liabilities				
Current liabilities	\$21,591,437	\$674,101	\$44,526,971	\$1,427,604
Long-term liabilities	16,854,159	526,199	26,332,431	844,259
Other liabilities	2,497,367,977	77,969,653	2,818,739,522	90,373,181
Total liabilities	2,535,813,573	79,169,953	2,889,598,924	92,645,044
Stockholders' equity				
Capital stock	52,686,158	1,644,900	53,065,274	1,701,355
Capital surplus	13,009,496	406,166	13,009,649	417,110
Retained earnings	41,923,922	1,308,895	37,419,334	1,199,722
Others	(1,769,162)	(55,234)	10,943,922	350,879
Total stockholders' equity	105,850,414	3,304,727	114,438,179	3,669,066
Total liabilities and stockholders' equity	\$2,641,663,987	\$82,474,680	\$3,004,037,103	\$96,314,110

**Cathay Life Insurance Co., Ltd.
Condensed Statements of Income
For the nine-month periods ended September 30, 2009 and 2010
(Expressed in thousands of dollars, except earnings per share)**

Item	January 1 ~ September 30, 2009		January 1 ~ September 30, 2010	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$657,938,283	\$20,541,314	\$763,051,483	\$24,464,619
Operating costs	(646,562,109)	(20,186,141)	(762,191,255)	(24,437,039)
Operating gross profit	11,376,174	355,173	860,228	27,580
Operating expenses	(7,983,659)	(249,256)	(8,383,419)	(268,785)
Non-operating revenues & gains	1,076,370	33,605	1,591,507	51,026
Non-operating expenses & losses	(1,131,542)	(35,328)	(615,914)	(19,747)
Income (loss) from continuing operations before income taxes	\$3,337,343	\$104,194	\$(6,547,598)	\$(209,926)
Net income (loss)	\$1,192,703	\$37,237	\$(5,129,327)	\$(164,454)
Earnings per share (in dollars)				
Income (loss) from continuing operations before income taxes	\$0.63	\$0.02	\$(1.23)	\$(0.04)
Net income (loss)	\$0.22	\$0.01	\$(0.97)	\$(0.03)

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Century Insurance Co., Ltd.
Condensed Balance Sheets
As of September 30, 2009 and 2010
(Expressed in thousands of dollars)**

Items	September 30, 2009		September 30, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$14,073,515	\$439,386	\$14,095,157	\$451,913
Loans	1,318,406	41,162	916,758	29,393
Funds and investments	4,492,028	140,244	4,462,511	143,075
Fixed assets	103,483	3,231	97,134	3,114
Intangible assets	16,060	501	27,021	866
Other assets	886,780	27,686	1,041,895	33,405
Total assets	\$20,890,272	\$652,210	\$20,640,476	\$661,766
Liabilities				
Current liabilities	\$1,701,857	\$53,133	\$1,606,955	\$51,522
Long-term liabilities	17,761	555	17,552	563
Other liabilities	15,173,347	473,723	15,335,482	491,679
Total liabilities	16,892,965	527,411	16,959,989	543,764
Stockholders' equity				
Capital stock	2,317,006	72,339	2,317,006	74,287
Capital surplus	1,776	55	1,929	62
Retained earnings	1,564,863	48,857	1,206,531	38,683
Others	113,662	3,548	155,021	4,970
Total stockholders' equity	3,997,307	124,799	3,680,487	118,002
Total liabilities and stockholders' equity	\$20,890,272	\$652,210	\$20,640,476	\$661,766

**Cathay Century Insurance Co., Ltd.
Condensed Statements of Income
For the nine-month periods ended September 30, 2009 and 2010
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ September 30, 2009		January 1 ~ September 30, 2010	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$16,790,121	\$524,200	\$17,457,736	\$559,722
Operating costs	(14,085,806)	(439,769)	(14,777,192)	(473,780)
Operating gross profit	2,704,315	84,431	2,680,544	85,942
Operating expenses	(1,944,294)	(60,703)	(2,183,015)	(69,990)
Non-operating revenues	59	2	5,086	163
Non-operating expenses	(68)	(2)	(133)	(4)
Income from continuing operations before income taxes	\$760,012	\$23,728	\$502,482	\$16,111
Net income	\$564,912	\$17,637	\$432,318	\$13,861
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$3.28	\$0.10	\$2.17	\$0.07
Net income	\$2.44	\$0.08	\$1.87	\$0.06

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Life Insurance Company(China)
Condensed Balance Sheets
As of September 30, 2009 and 2010
(Expressed in thousands of dollars)**

Items	September 30, 2009		September 30, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$4,688,106	\$146,366	\$6,827,632	\$218,905
Loans	12,517	391	33,186	1,064
Funds and investments	4,789,234	149,523	4,848,611	155,454
Fixed assets	238,195	7,437	194,726	6,243
Intangible assets	147,579	4,607	130,452	4,182
Other assets	1,237,628	38,640	1,299,679	41,670
Total assets	\$11,113,259	\$346,964	\$13,334,286	\$427,518
Liabilities				
Current liabilities	\$438,130	\$13,679	\$348,477	\$11,173
Other liabilities	8,651,682	270,112	11,963,916	383,582
Total liabilities	9,089,812	283,791	12,312,393	394,755
Stockholders' equity				
Capital stock	3,257,376	101,697	3,257,376	104,437
Retained earnings	(1,843,616)	(57,559)	(2,839,992)	(91,055)
Others	609,687	19,035	604,509	19,381
Total stockholders' equity	2,023,447	63,173	1,021,893	32,763
Total liabilities and stockholders' equity	\$11,113,259	\$346,964	\$13,334,286	\$427,518

**Cathay Life Insurance Company(China)
Condensed Statements of Income
For the nine-month periods ended September 30, 2009 and 2010
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ September 30, 2009		January 1 ~ September 30, 2010	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$3,194,521	\$99,735	\$3,965,166	\$127,130
Operating costs	(2,968,065)	(92,665)	(3,708,952)	(118,915)
Operating gross profit	226,456	7,070	256,214	8,215
Operating expenses	(688,714)	(21,502)	(949,320)	(30,437)
Non-operating revenues	5,975	186	6,627	212
Non-operating expenses	(68)	(2)	(126)	(4)
Loss from continuing operations before income taxes	\$(456,351)	\$(14,248)	\$(686,605)	\$(22,014)
Net loss	\$(394,646)	\$(12,321)	\$(673,175)	\$(21,583)
Earnings per share (in dollars)				
Loss from continuing operations before income taxes	Note	Note	Note	Note
Net loss	Note	Note	Note	Note

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd.(Vietnam)

Condensed Balance Sheets

As of September 30, 2009 and 2010

(Expressed in thousands of dollars)

Items	September 30, 2009		September 30, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$462,626	\$14,444	\$426,031	\$13,659
Loans	13	-	279	9
Funds and investments	1,535,038	47,925	1,302,595	41,763
Fixed assets	40,427	1,262	40,180	1,288
Intangible assets	34,374	1,073	23,628	758
Other assets	50,145	1,566	49,774	1,596
Total assets	\$2,122,623	\$66,270	\$1,842,487	\$59,073
Liabilities				
Current liabilities	\$19,928	\$622	\$22,076	\$708
Other liabilities	52,217	1,630	105,668	3,388
Total liabilities	72,145	2,252	127,744	4,096
Stockholders' equity				
Capital stock	1,940,080	60,571	1,940,080	62,202
Retained earnings	53,506	1,671	29,667	951
Others	56,892	1,776	(255,004)	(8,176)
Total stockholders' equity	2,050,478	64,018	1,714,743	54,977
Total liabilities and stockholders' equity	\$2,122,623	\$66,270	\$1,842,487	\$59,073

Cathay Life Insurance Co., Ltd.(Vietnam)

Condensed Statements of Income

For the nine-month periods ended September 30, 2009 and 2010

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

Items	January 1 ~ September 30, 2009		January 1 ~ September 30, 2010	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$245,901	\$7,677	\$259,771	\$8,329
Operating costs	(62,488)	(1,951)	(80,336)	(2,576)
Operating gross profit	183,413	5,726	179,435	5,753
Operating expenses	(184,887)	(5,772)	(196,338)	(6,295)
Non-operating revenues	1,338	42	8	-
Loss from continuing operations before income taxes	\$(136)	\$(4)	\$(16,895)	\$(542)
Net income (loss)	\$1,009	\$32	\$(14,541)	\$(466)
Earnings per share (in dollars)				
Loss from continuing operations before income taxes	Note	Note	Note	Note
Net income (loss)	Note	Note	Note	Note

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Insurance Company Limited (China)
Condensed Balance Sheets
As of June 30, 2009
(Expressed in thousands of dollars)

Items	September 30, 2009		September 30, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$1,548,362	\$48,341	\$1,555,975	\$49,887
Fixed assets	47,504	1,483	39,435	1,264
Intangible assets	-	-	994	32
Other assets	385,593	12,039	399,620	12,813
Total assets	\$1,981,459	\$61,863	\$1,996,024	\$63,996
Liabilities				
Current liabilities	\$81,360	\$2,540	\$99,430	\$3,188
Other liabilities	165,825	5,177	331,574	10,631
Total liabilities	247,185	7,717	431,004	13,819
Stockholders' equity				
Capital stock	1,745,942	54,510	1,745,942	55,978
Retained earnings	(155,587)	(4,857)	(318,048)	(10,197)
Others	143,919	4,493	137,126	4,396
Total stockholders' equity	1,734,274	54,146	1,565,020	50,177
Total liabilities and stockholders' equity	\$1,981,459	\$61,863	\$1,996,024	\$63,996

Cathay Insurance Company Limited (China)
Condensed Statements of Income
For the six-month period ended June 30, 2009
(Expressed in thousands of dollars, except earning per share)

Items	January 1 ~ September 30, 2009		January 1 ~ September 30, 2010	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$241,956	\$7,554	\$460,479	\$14,764
Operating costs	(198,599)	(6,200)	(432,881)	(13,879)
Operating gross profit	43,357	1,354	27,598	885
Operating expenses	(107,840)	(3,367)	(183,232)	(5,875)
Non-operating revenues	2	-	11,162	358
Loss from continuing operations before income taxes	\$(64,481)	\$(2,013)	\$(144,472)	\$(4,632)
Net loss	\$(64,481)	\$(2,013)	\$(144,472)	\$(4,632)
Earnings per share (in dollars)				
Loss from continuing operations before income taxes	Note	Note	Note	Note
Net loss	Note	Note	Note	Note

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

English Translation of Financial Statements Originally Issued in Chinese

**Cathay United Bank Co., Ltd.
Condensed Balance Sheets
As of September 30, 2009 and 2010
(Expressed in thousands of dollars)**

Items	September 30, 2009		September 30, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$16,537,704	\$516,319	\$21,069,596	\$675,524
Due from the Central Bank and call loans to banks	97,522,881	3,044,736	75,559,643	2,422,560
Financial assets at fair value through profit or loss	46,390,770	1,448,354	22,330,105	715,938
Securities purchased under agreements to resell	1,356,000	42,335	10,206,865	327,248
Receivables-net	44,218,990	1,380,549	45,280,483	1,451,763
Discounts and loans-net	784,642,996	24,497,127	848,018,970	27,188,810
Available-for-sale financial assets -net	117,372,513	3,664,456	85,549,991	2,742,866
Held-to-maturity financial assets-net	3,889,108	121,421	5,284,572	169,432
Investments under equity method-net	3,451,741	107,766	3,789,127	121,485
Other financial assets-net	5,233,083	163,381	5,330,822	170,914
Investments in debt securities with no active market	309,073,154	9,649,490	385,253,719	12,351,835
Property and equipment-net	26,426,241	825,046	25,424,060	815,135
Intangible assets-net	6,905,528	215,596	7,494,744	240,293
Other assets-net	6,466,863	201,900	4,885,239	156,628
Total assets	\$1,469,487,572	\$45,878,476	\$1,545,477,936	\$49,550,431
Liabilities				
Due to the Central Bank and call loans from banks	\$48,780,052	\$1,522,949	\$46,926,280	\$1,504,530
Funds borrowed from the Central and other banks	1,610,000	50,265	1,566,500	50,224
Financial liabilities at fair value through profit or loss	36,744,313	1,147,184	19,257,545	617,427
Securities sold under agreements to repurchase	8,519,253	265,977	33,201,037	1,064,477
Payables	22,028,523	687,747	21,716,991	696,281
Deposits and remittances	1,241,502,755	38,760,623	1,309,133,321	41,972,854
Financial debentures payable	16,644,084	519,641	16,943,746	543,243
Other financial liabilities	250,688	7,827	202,959	6,507
Other liabilities	2,215,874	69,181	2,132,063	68,357
Total liabilities	1,378,295,542	43,031,394	1,451,080,442	46,523,900
Shareholders' equity				
Capital stock	52,277,026	1,632,127	52,277,026	1,676,083
Capital reserves	15,213,673	474,982	15,213,292	487,762
Retained earnings	21,311,675	665,366	25,129,791	805,700
Others	2,389,656	74,607	1,777,385	56,986
Total shareholders' equity	91,192,030	2,847,082	94,397,494	3,026,531
Total liabilities and shareholders' equity	\$1,469,487,572	\$45,878,476	\$1,545,477,936	\$49,550,431

**Cathay United Bank Co., Ltd.
Condensed Statements of Income
For the nine-month periods ended September 30, 2009 and 2010
(Expressed in thousands of dollars, except per share information)**

Items	January 1 ~ September 30, 2009		January 1 ~ September 30, 2010	
	NT\$	US\$	NT\$	US\$
Net interest income	\$10,219,752	\$319,068	\$10,784,572	\$345,770
Non-interest income	8,831,521	275,727	10,454,064	335,174
Net operating income	19,051,273	594,795	21,238,636	680,944
Provision for loan losses	(162,419)	(5,071)	-	-
Operating expenses	(10,439,859)	(325,940)	(10,799,374)	(346,245)
Income from continuing operations before income taxes	\$8,448,995	\$263,784	\$10,439,262	\$334,699
Net income	\$6,570,995	\$205,151	\$9,520,262	\$305,234
Earnings per share (in dollars)				
Income from continuing operations before income taxes	\$1.62	\$0.05	\$2.00	\$0.06
Net income	\$1.26	\$0.04	\$1.82	\$0.06

English Translation of Financial Statements Originally Issued in Chinese

Indovina Bank Limited
Condensed Balance Sheets
As of September 30, 2009 and 2010
(Expressed in thousands of dollars)

Items	September 30, 2009		September 30, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$1,827,906	\$57,069	\$5,497,093	\$176,245
Due from the Central Bank and call loans to banks	662,913	20,697	1,179,247	37,809
Financial assets at fair value through profit or loss	233,223	7,281	133,926	4,294
Available-for-sale financial assets-net	490,812	15,324	321,574	10,310
Held-to-maturity financial assets	-	-	206,859	6,632
Receivables-net	221,756	6,923	160,042	5,131
Discounts and loans-net	15,352,100	479,304	18,058,492	578,984
Premises and equipment-net	516,403	16,122	172,613	5,534
Intangible assets-net	30,753	960	386,807	12,402
Other assets-net	584	18	16,792	538
Total assets	\$19,336,450	\$603,698	\$26,133,445	\$837,879
Liabilities				
Due to the Central Bank and call loans from banks	\$505,891	\$15,794	\$45,920	\$1,472
Payables	825,379	25,769	835,594	26,790
Deposits and remittances	14,286,110	446,023	17,809,294	570,994
Bonds payables	-	-	2,991,077	95,899
Other liabilities	12,346	385	-	-
Total liabilities	15,629,726	487,971	21,681,885	695,155
Shareholders' equity				
Capital stock	3,207,968	100,155	4,017,093	128,794
Retained earnings	518,666	16,193	582,860	18,688
Others	(19,910)	(621)	(148,393)	(4,758)
Total shareholders' equity	3,706,724	115,727	4,451,560	142,724
Total liabilities and shareholders' equity	\$19,336,450	\$603,698	\$26,133,445	\$837,879

Indovina Bank Limited
Condensed Statements of Income
For the nine-month periods ended September 30, 2009 and 2010
(Expressed in thousands of dollars, except per share information)

Items	January 1 ~ September 30, 2009		January 1 ~ September 30, 2010	
	NT\$	US\$	NT\$	US\$
Net interest income	\$389,461	\$12,159	\$485,203	\$15,556
Non-interest income	232,769	7,267	64,693	2,074
Net operating revenue	622,230	19,426	549,896	17,630
Provision for loan losses	(59,520)	(1,858)	-	-
Operating expenses	(256,824)	(8,018)	(282,590)	(9,060)
Income from continuing operations before income taxes	\$305,886	\$9,550	\$267,306	\$8,570
Net income	\$232,368	\$7,255	\$214,443	\$6,875
Earnings per share (in dollars)				
Income from continuing operations before income taxes	Note	Note	Note	Note
Net income	Note	Note	Note	Note

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

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Securities Corporation
Condensed Balance Sheets
As of September 30, 2009 and 2010
(Expressed in thousands of dollars)**

Items	September 30, 2009		September 30, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$4,986,542	\$155,683	\$5,138,123	\$164,736
Funds and investments	730,437	22,805	736,334	23,608
Property and equipment	36,494	1,139	30,582	981
Intangible assets	6,211	194	5,622	180
Other assets	348,456	10,879	331,904	10,641
Total assets	\$6,108,140	\$190,700	\$6,242,565	\$200,146
Liabilities				
Current liabilities	\$1,872,806	\$58,471	\$1,937,531	\$62,120
Long-term liabilities	909	28	801	26
Other liabilities	55,887	1,744	68,650	2,201
Total liabilities	1,929,602	60,243	2,006,982	64,347
Stockholders' equity				
Capital stock	3,700,000	115,517	3,700,000	118,627
Capital surplus	258,434	8,068	258,434	8,286
Retained earnings	160,528	5,012	269,735	8,648
Others	59,576	1,860	7,414	238
Total stockholders' equity	4,178,538	130,457	4,235,583	135,799
Total liabilities and stockholders' equity	\$6,108,140	\$190,700	\$6,242,565	\$200,146

**Cathay Securities Corporation
Condensed Statements of Income
For the nine-month periods ended September 30, 2009 and 2010
(Expressed in thousands of dollars, except for earnings per share)**

Items	January 1 ~ September 30, 2009		January 1 ~ September 30, 2010	
	NT\$	US\$	NT\$	US\$
Revenue	\$793,174	\$24,763	\$873,538	28,007
Expenses	(623,611)	(19,469)	(700,316)	(22,453)
Income from continuing operations before income taxes	169,563	5,294	173,222	5,554
Net income	\$145,390	\$4,539	\$193,198	\$6,194
Earnings per share (in dollars)				
Income from continuing operations before income taxes	\$0.46	\$0.01	\$0.47	\$0.02
Net income	\$0.39	\$0.01	\$0.52	\$0.02

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Pacific Venture Capital Co., Ltd.
Condensed Balance Sheets
As of September 30, 2009 and 2010
(Expressed in thousands of dollars)**

Items	September 30, 2009		September 30, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$266,209	\$8,311	\$361,327	\$11,585
Funds and investments	1,628,360	50,839	1,586,139	50,854
Property and equipment	1,073	34	792	25
Other assets	680	21	24,186	776
Total assets	\$1,896,322	\$59,205	\$1,972,444	\$63,240
Liabilities				
Current liabilities	\$10,099	\$315	\$2,085	\$67
Total liabilities	10,099	315	2,085	67
Stockholders' equity				
Capital stock	1,895,224	59,170	1,895,224	60,764
Retained earnings	1,975	62	52,282	1,676
Equity adjustment	(10,976)	(342)	22,853	733
Total stockholders' equity	1,886,223	58,890	1,970,359	63,173
Total liabilities and stockholders' equity	\$1,896,322	\$59,205	\$1,972,444	\$63,240

**Cathay Pacific Venture Capital Co., Ltd.
Condensed Statements of Income
For the nine-month periods ended September 30, 2009 and 2010
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ September 30, 2009		January 1 ~ September 30, 2010	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$57,969	\$1,810	\$112,803	\$3,617
Operating costs	(284,197)	(8,873)	(34,386)	(1,103)
Operating gross (loss) profit	(226,228)	(7,063)	78,417	2,514
Operating expenses	(6,505)	(203)	(4,626)	(148)
Non-operating revenues	1,317	41	2,386	77
Non-operating expenses	(23)	(1)	(25)	(1)
Loss (income) from continuing operations before income taxes	\$(231,439)	\$(7,226)	\$76,152	\$2,442
Net loss (income)	\$(224,545)	\$(7,010)	\$82,196	\$2,635
Earning per share (in dollars)				
Loss (income) from continuing operations before income taxes	\$(2.13)	\$(0.07)	\$0.40	\$0.01
Net loss (income)	\$(2.07)	\$(0.06)	\$0.43	\$0.01

English Translation of Financial Statements Originally Issued in Chinese

**Symphox Information Co., Ltd.
Condensed Balance Sheets
As of September 30, 2009 and 2010
(Expressed in thousands of dollars)**

Items	September 30, 2009		September 30, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$768,861	\$24,004	\$875,575	\$28,072
Fixed assets	90,721	2,832	87,718	2,813
Intangible assets	3,069	96	2,806	90
Other assets	10,754	336	16,247	521
Total assets	\$873,405	\$27,268	\$982,346	\$31,496
Liabilities				
Current liabilities	\$321,870	\$10,049	\$415,167	\$13,311
Other liabilities	80	2	64	2
Total liabilities	321,950	10,051	415,231	13,313
Stockholders' equity				
Capital stock	499,000	15,579	499,000	15,999
Retained earnings	52,455	1,638	68,115	2,184
Total stockholders' equity	551,455	17,217	567,115	18,183
Total liabilities and stockholders' equity	\$873,405	\$27,268	\$982,346	\$31,496

**Symphox Information Co., Ltd.
Condensed Statements of Income
For the nine-month periods ended September 30, 2009 and 2010
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ September 30, 2009		January 1 ~ September 30, 2010	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$971,416	\$30,328	\$1,142,414	36,628
Operating costs	(832,967)	(26,006)	(975,782)	(31,285)
Operating gross profit	138,449	4,322	166,632	5,343
Operating expenses	(79,158)	(2,471)	(97,844)	(3,137)
Non-operating revenues	6,635	207	2,881	92
Non-operating expenses	(2)	-	(71)	(2)
Income from continuing operations before income taxes	\$65,924	\$2,058	\$71,598	\$2,296
Net income	\$51,050	\$1,594	\$60,085	\$1,926
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$1.32	\$0.04	\$1.43	\$0.05
Net income	\$1.02	\$0.03	\$1.20	\$0.04

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Futures Corp.
Condensed Balance Sheets
As of September 30, 2009 and 2010
(Expressed in thousands of dollars)**

Items	September 30, 2009		September 30, 2010	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$1,571,646	\$49,068	\$1,573,321	\$50,443
Funds and investments	30,500	952	30,500	978
Fixed assets	167,931	5,243	57,318	1,838
Intangible assets	5,526	172	3,387	108
Other assets	285,603	8,917	392,150	12,573
Total assets	\$2,061,206	\$64,352	\$2,056,676	\$65,940
Liabilities				
Current liabilities	\$1,319,102	\$41,183	\$1,307,135	\$41,908
Other liabilities	11,616	363	13,156	422
Total liabilities	1,330,718	41,546	1,320,291	42,330
Stockholders' equity				
Capital stock	650,000	20,293	650,000	20,840
Retained earnings	80,488	2,513	86,385	2,770
Total stockholders' equity	730,488	22,806	736,385	23,610
Total liabilities and stockholders' equity	\$2,061,206	\$64,352	\$2,056,676	\$65,940

**Cathay Futures Corp.
Condensed Statements of Income
For the nine-month periods ended September 30, 2009 and 2010
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ September 30, 2009		January 1 ~ September 30, 2010	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$90,896	\$2,838	\$77,572	\$2,487
Operating costs	(52,989)	(1,654)	(44,135)	(1,415)
Operating gross profit	37,907	1,184	33,437	1,072
Operating expenses	(46,505)	(1,452)	(38,398)	(1,231)
Non-operating revenues	16,946	529	17,961	576
Non-operating expenses	(817)	(26)	(1,352)	(44)
Income from continuing operations before income taxes	\$7,531	\$235	\$11,648	\$373
Net income	\$5,953	\$186	\$10,019	\$321
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$0.12	\$-	\$0.18	\$0.01
Net income	\$0.09	\$-	\$0.15	\$-