Cathay Life Insurance Co., Ltd.
Financial Statements
With Independent Auditors' Review Report
For The Nine-Month Periods Ended
September 30, 2009 and 2010

The reader is advised that these financial statements have been prepared originally in Chinese. These financial statements do not include additional disclosure information that is required for Chinese-language reports under the Business Entity Accounting Act and Regulation on Business Entity Accounting Handling with respect to financial accounting standards, Guidelines Governing the Preparation of Financial Reports by Personal Insurance Industries, and accounting principles generally accepted in the R.O.C. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language financial statements shall prevail.

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English Translation of Report Originally Issued in Chinese

Independent Auditors' Review Report

Board of Directors

Cathay Life Insurance Co., Ltd.

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

We conducted our review in accordance with generally accepted auditing standards No. 36 "Review of Financial Statements" in the Republic of China ("R.O.C."). A review of interim financial information consists principally of applying analytical review procedures to financial data, and making inquires 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.

Based on our review, we are not aware of any material modifications that should be made to the 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 requirements of the Business Entity Accounting Act, Regulation on Business Entity Accounting Handling with respect to financial accounting standards, Guidelines Governing the Preparation of Financial Reports by Industry of Life Insurance, and accounting principles generally accepted in the Republic of China.

Ernst & Young
Certified Public Accountants
Taipei, Taiwan R.O.C.
October 20, 2010

Notice to Readers:

The accompanying 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 financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd.
Unaudited balance sheets
As of September 30, 2009 and 2010
(Expressed in thousands of dollars)

Assets	Notes	September 30, 2009 NT$	September 30, 2009 US$	September 30, 2010 NT$	September 30, 2010 US$
Current assets					
Cash and cash equivalents	2,4,27	$288,570,170	$9,009,372	$425,034,055	$13,627,254
Financial assets at fair value through profit or loss - current	2,5,13,27	111,555,239	3,482,836	67,192,354	2,154,292
Available-for-sale financial assets - current	2,6,13	148,852,000	4,647,268	242,400,628	7,771,742
Held-to-maturity financial assets - current	2,13,27	28,272,408	882,685	24,963,437	800,367
Derivative financial assets for hedging - current	2,7	2,418,823	75,517	2,204,505	70,680
Investments in debt securities with no active market - current	2	6,476,754	202,209	7,173,779	230,003
Notes receivable - net of bad debt allowance	2	5,030,010	157,041	5,138,786	164,757
Prepaid reinsurance premium		4,697,496	146,659	6,215,891	199,291
Claims recoverable from reinsurers		6,908	216	22,997	737
Reinsurance accounts receivable		30,848	963	67,082	2,151
Other accounts receivable - net of bad debt allowance	2,27	30,959,528	966,579	47,640,037	1,527,414
Other financial assets - current		-	-	7,000,000	224,431
Prepayments	27	44,057	1,375	40,978	1,314
Other current assets		132,883	4,149	362,174	11,611
Subtotal		627,047,124	19,576,869	835,456,703	26,786,044
Loans	2,8,27				
Policy loans		197,269,466	6,158,897	191,353,424	6,135,089
Secured loans - net of bad debt allowance		319,109,921	9,962,845	294,763,514	9,450,577
Subtotal		516,379,387	16,121,742	486,116,938	15,585,666
Funds and investments					
Available-for-sale financial assets - noncurrent	2,9,13	229,347,992	7,160,412	321,470,707	10,306,852
Held-to-maturity financial assets - noncurrent	2,10,13,28	651,418,484	20,337,761	645,831,052	20,706,350
Financial assets carried at cost - noncurrent	2,11	19,466,739	607,766	8,534,620	273,633
Investments in debt securities with no active market - noncurrent	2,12,13	135,436,984	4,228,442	251,372,158	8,059,383
Long-term investments under the equity method	2,14	5,889,253	183,867	4,613,811	147,926
Investments in real estate - net of accumulated depreciation and impairment	2,15	117,726,269	3,675,500	124,477,829	3,990,953
Other financial assets - noncurrent	27	29,300,000	914,767	21,142,180	677,851
Subtotal		1,188,585,721	37,108,515	1,377,442,357	44,162,948
Property and equipment	2,16,27				
Land		4,796,647	149,755	4,617,786	148,053
Buildings and construction		10,675,056	333,283	10,702,919	343,152
Computer equipment		2,133,832	66,620	2,180,122	69,898
Communication and transportation equipment		12,942	404	12,758	409
Other equipment		3,012,928	94,066	3,081,594	98,801
Revaluation increments		583	18	620	20
Less: Accumulated depreciation		(7,793,588)	(243,322)	(8,456,505)	(271,128)
Less: Accumulated impairment		(85,519)	(2,670)	(140,412)	(4,502)
Construction in progress and prepayment for equipment		32,693	1,021	5,460	175
Subtotal		12,785,574	399,175	12,004,342	384,878
Intangible assets	2				
Computer software cost	17	606,307	18,929	466,505	14,957
Deferred pension cost		155,201	4,846	-	-
Subtotal		761,508	23,775	466,505	14,957
Other assets					
Guarantee deposits paid	2,27,28	11,372,287	355,051	11,193,068	358,867
Deferred income tax assets - noncurrent	2,25	6,318,711	197,275	4,664,835	149,562
Other overdue receivables	2,18,27	498,618	15,567	207,230	6,644
Separate account product assets	2,32	274,869,357	8,581,622	274,035,034	8,785,990
Other assets - other		3,045,700	95,089	2,450,091	78,554
Subtotal		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

(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)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd.
Unaudited balance sheets - (continued)
As of September 30, 2009 and 2010
(Expressed in thousands of dollars)

		September 30, 2009		September 30, 2010	
Liabilities & stockholders' equity	Notes	NT$	US$	NT$	US$
Current liabilities					
Financial liabilities at fair value through profit or loss - current	2,19	$2,048,122	$63,944	$3,155,813	$101,180
Derivative financial liabilities for hedging - current	2,20	101,881	3,181	621,359	19,922
Notes payable		1,669	52	1,459	47
Commissions payable		1,643,186	51,301	795,664	25,510
Life insurance proceeds payable		4,391	137	284	9
Reinsurance accounts payable		2,137,253	66,727	3,625,367	116,235
Others payable	2,27	13,258,042	413,926	36,058,673	1,156,097
Accounts collected in advance		130,512	4,075	124,796	4,001
Deferred income tax liabilities - current	2,25	2,266,381	70,758	143,556	4,603
Subtotal		21,591,437	674,101	44,526,971	1,427,604
Long-term liabilities					
Reserve for land revaluation increment tax	2	3,487	109	3,487	112
Accrued pension liability	2	1,850,672	57,779	1,328,944	42,608
Preferred stock liability - noncurrent	2,21	15,000,000	468,311	25,000,000	801,539
Subtotal		16,854,159	526,199	26,332,431	844,259
Reserve for operations and liabilities	2				
Unearned premium reserve		10,552,428	329,455	10,368,488	332,430
Reserve for life insurance liabilities		2,187,456,189	68,293,980	2,506,250,119	80,354,284
Special reserve		15,660,394	488,929	11,862,063	380,316
Reserve for claims		1,574,472	49,156	3,381,788	108,425
Premium deficiency reserve		3,048,695	95,183	8,885,242	284,875
Subtotal		2,218,292,178	69,256,703	2,540,747,700	81,460,330
Other liabilities					
Guarantee deposits received	27	1,623,383	50,683	1,673,705	53,662
Separate account product liabilities	2,32	274,869,357	8,581,622	274,035,034	8,785,990
Other liabilities - other		2,583,059	80,645	2,283,083	73,199
Subtotal		279,075,799	8,712,950	277,991,822	8,912,851
Total liabilities		2,535,813,573	79,169,953	2,889,598,924	92,645,044
Stockholders' equity					
Capital stock					
Common stock	2,22	52,686,158	1,644,900	53,065,274	1,701,355
Capital surplus	2	13,009,496	406,166	13,009,649	417,110
Retained earnings	2,23				
Legal reserve		20,328,674	634,676	20,861,134	668,840
Special reserve		20,402,545	636,982	21,687,527	695,336
Unappropriated retained earnings		1,192,703	37,237	(5,129,327)	(164,454)
Equity adjustments					
Unrealized losses on financial instruments	2	(1,529,491)	(47,752)	11,117,463	356,443
Unrealized revaluation increments	2	1,461	46	1,462	47
Cumulative conversion adjustments	2,14	23,172	724	(175,003)	(5,611)
Net loss not recognized as pension cost		(264,304)	(8,252)	-	-
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

(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)

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

English Translation of Financial Statements Originally Issued in Chinese

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

		January 1-September 30, 2009		January 1-September 30, 2010	
Item	Notes	NT$	US$	NT$	US$
Operating revenues	2,27				
Premiums income		$297,076,016	$9,274,930	$405,209,424	$12,991,645
Reinsurance commission earned		4,416,670	137,892	7,209,774	231,157
Claims recovered from reinsures		947,303	29,576	9,025,490	289,371
Recovered premium reserve		134,398,436	4,196,017	168,755,356	5,410,560
Recovered special reserve		1,001,952	31,282	3,745,469	120,085
Handling fees earned	32	3,297,461	102,949	1,615,634	51,800
Interest income		55,302,145	1,726,573	56,895,804	1,824,168
Gains from valuation on financial assets		16,613,406	518,683	11,061,633	354,653
Gains from valuation on financial liabilities		27,415,792	855,941	-	-
Gains on disposal of investments		-	-	10,395,868	333,308
Gains on investments - real estate		4,278,018	133,563	4,436,468	142,240
Separate account product revenues	32	113,191,084	3,533,908	84,700,563	2,715,632
Subtotal		657,938,283	20,541,314	763,051,483	24,464,619
Operating costs	2,27				
Reinsurance premiums ceded		(2,975,712)	(92,904)	(17,898,945)	(573,868)
Brokerage expenses	24	(20,332,820)	(634,805)	(21,110,919)	(676,849)
Commissions expenses		(292,091)	(9,119)	(1,039,124)	(33,316)
Insurance claim payments		(163,593,070)	(5,107,495)	(209,603,287)	(6,720,208)
Provision for premium reserve		(297,183,567)	(9,278,288)	(401,237,062)	(12,864,285)
Provision for special reserve		(525,260)	(16,399)	(264,709)	(8,487)
Contribution to the stabilization funds		(296,926)	(9,270)	(405,052)	(12,987)
Provision for claim reserve		(132,891)	(4,149)	(1,792,467)	(57,469)
Provision for premium deficiency reserve		(357,357)	(11,157)	(5,330,410)	(170,901)
Handling fees paid		(1,205,792)	(37,646)	(1,049,008)	(33,633)
Interest expenses		(26,156)	(817)	(16,558)	(531)
Losses from valuation on financial liabilities		-	-	(1,568,641)	(50,293)
Losses on long-term equity investments	14	(75,452)	(2,356)	(191,726)	(6,147)
Losses on foreign exchange		(14,832,883)	(463,093)	(15,982,784)	(512,433)
Losses on disposal of investments		(31,506,807)	(983,666)	-	-
Separate account product expenses	32	(113,191,084)	(3,533,908)	(84,700,563)	(2,715,632)
Other operating cost		(34,241)	(1,069)	-	-
Subtotal		(646,562,109)	(20,186,141)	(762,191,255)	(24,437,039)
Operating gross (loss) profit		11,376,174	355,173	860,228	27,580
Operating expenses	2,3,17,23,24,27				
Marketing expenses		(2,592,871)	(80,951)	(2,869,089)	(91,987)
Administrative and general expenses		(5,390,788)	(168,305)	(5,514,330)	(176,798)
Subtotal		(7,983,659)	(249,256)	(8,383,419)	(268,785)
Operating income (loss)		3,392,515	105,917	(7,523,191)	(241,205)
Non-operating revenues and gains	2,27				
Gains on disposal of property and equipment		75	2	-	-
Other non-operating revenues and gains		1,076,295	33,603	1,591,507	51,026
Subtotal		1,076,370	33,605	1,591,507	51,026
Non-operating expenses and losses	2,27				
Losses on disposal of property and equipment		(24)	(1)	(79)	(2)
Impairment loss		(735,000)	(22,947)	-	-
Dividend on preferred stock liabilities		(392,671)	(12,260)	(609,575)	(19,544)
Miscellaneous expenses		(3,847)	(120)	(6,260)	(201)
Subtotal		(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)
Income taxes (expense) benefit	2,25	(2,144,640)	(66,957)	1,418,271	45,472
Net income (loss)		$1,192,703	$37,237	$(5,129,327)	$(164,454)
Earnings per share (In dollars)	26				
Net income (loss)		$0.22	$0.01	$(0.97)	$(0.03)

(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)

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

Cathay Life Insurance 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)

					Retained earnings						Equity adjustment									
	Common stock		Capital surplus		Legal reserve		Special reserve		Unappropriated retained earnings		Unrealized (losses) gains on financial instruments		Unrealized revaluation increments		Cumulative conversion adjustments		Net loss not recognized as pension cost		Total	
Summary	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
lance on January 1, 2009	$52,686,158	$1,644,900	$13,009,648	$406,171	$23,535,758	$734,804	$19,169,006	$598,470	$(1,973,545)	$(61,616)	$(52,489,299)	$(1,638,754)	$2,105	$66	$209,017	$6,526	$(264,304)	$(8,252)	$53,884,544	$1,682,315
propriations and Distributions for 2008																				
egal reserve	-	-	-	-	(3,207,084)	(100,128)	-	-	3,207,084	100,128	-	-	-	-	-	-	-	-	-	-
pecial reserve	-	-	-	-	-	-	1,233,539	38,512	(1,233,539)	(38,512)	-	-	-	-	-	-	-	-	-	-
anges in unrealized losses on financial instruments	-	-	-	-	-	-	-	-	-	-	50,959,808	1,591,002	-	-	-	-	-	-	50,959,808	1,591,002
anges in unrealized revaluation increments	-	-	-	-	-	-	-	-	-	-	-	-	(644)	(20)	-	-	-	-	(644)	(20)
mulative conversion adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(185,845)	(5,802)	-	-	(185,845)	(5,802)
ljustment for merger of investees	-	-	(152)	(5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(152)	(5)
et income for the nine months ended September 30, 2009	-	-	-	-	-	-	-	-	1,192,703	37,237	-	-	-	-	-	-	-	-	1,192,703	37,237
lance on September 30, 2009	$52,686,158	$1,644,900	$13,009,496	$406,166	$20,328,674	$634,676	$20,402,545	$636,982	$1,192,703	$37,237	$(1,529,491)	$(47,752)	$1,461	$46	$23,172	$724	$(264,304)	$(8,252)	$105,850,414	$3,304,727
lance on January 1, 2010	$52,686,158	$1,689,200	$13,009,649	$417,110	$20,328,674	$651,769	$20,402,545	$654,137	$2,662,301	$85,358	$4,081,157	$130,848	$1,462	$47	$(42,249)	$(1,355)	$-	$-	$113,129,697	$3,627,114
propriations and Distributions for 2009 (Note)																				
egal reserve	-	-	-	-	532,460	17,071	-	-	(532,460)	(17,071)	-	-	-	-	-	-	-	-	-	-
pecial reserve	-	-	-	-	-	-	1,284,982	41,199	(1,284,982)	(41,199)	-	-	-	-	-	-	-	-	-	-
ash dividends	-	-	-	-	-	-	-	-	(465,743)	(14,933)	-	-	-	-	-	-	-	-	(465,743)	(14,933)
tock dividends	379,116	12,155	-	-	-	-	-	-	(379,116)	(12,155)	-	-	-	-	-	-	-	-	-	-
anges in unrealized losses on financial instruments	-	-	-	-	-	-	-	-	-	-	7,036,306	225,595	-	-	-	-	-	-	7,036,306	225,595
anges in unrealized gains on financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
mulative conversion adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(132,754)	(4,256)	-	-	(132,754)	(4,256)
et loss for the nine months ended September 30, 2010	-	-	-	-	-	-	-	-	(5,129,327)	(164,454)	-	-	-	-	-	-	-	-	(5,129,327)	(164,454)
lance on September 30, 2010	$53,065,274	$1,701,355	$13,009,649	$417,110	$20,861,134	$668,840	$21,687,527	$695,336	$(5,129,327)	$(164,454)	$11,117,463	$356,443	$1,462	$47	$(175,003)	$(5,611)	$-	$-	$114,438,179	$3,669,066

te：The remuneration of directors and supervisors NT $8,100 (US$251) thousands, employee bonus NT $9,315 (US$289) thousands were recorded as operating cost and expense in 2009.

(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)

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

Cathay Life Insurance 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) for the periods	$1,192,703	$37,237	$(5,129,327)	$(164,454)
Adjustments:				
Gains from valuation of financial assets	(16,613,406)	(518,683)	(11,061,633)	(354,653)
(Gains) losses from valuation of financial liabilities	(27,415,792)	(855,941)	1,568,641	50,293
Recovered bad debt	(230,377)	(7,193)	(1,111,589)	(35,639)
Depreciation	1,761,649	55,000	1,797,256	57,623
Amortization	152,489	4,761	148,332	4,756
Provision or recovered for each reserve	162,756,020	5,081,362	235,769,500	7,559,138
(Gains) losses on disposal of property and equipment	(52)	(2)	79	2
Gains on disposal of investments in real estate	(41,933)	(1,309)	-	-
Impairment loss	735,000	22,947	-	-
Gains on long-term equity investments less than cash dividends received	306,403	9,566	406,531	13,034
(Increase) decrease in financial assets at fair value through profit or loss - current	(20,383,000)	(636,372)	42,620,906	1,366,493
Decrease (increase) in available-for-sale financial assets - current	14,160,924	442,114	(47,006,224)	(1,507,093)
Decrease (increase) in held-to-maturity financial assets - current	838,083	26,166	(11,688,774)	(374,760)
(Increase) decrease in derivative financial assets for hedging - current	(587,741)	(18,350)	1,336,034	42,835
Increase in investments in debt securities with no active market - current	(2,766,674)	(86,378)	(2,011,203)	(64,482)
Decrease in notes receivable	892,588	27,867	2,223,276	71,282
(Increase) decrease in prepaid reinsurance premium	(4,504,340)	(140,629)	298,252	9,562
Increase in claims recoverable from reinsurers	(3,337)	(104)	(12,034)	(386)
Decrease (increase) in reinsurance accounts receivable	53	2	(44,524)	(1,428)
Increase in other accounts receivable	(4,005,968)	(125,069)	(9,628,804)	(308,714)
Increase in other financial assets - current	-	-	(5,000,000)	(160,308)
Increase in prepayments	(13,817)	(431)	(19,957)	(640)
Decrease in deferred income tax assets - current	3,081,779	96,215	-	-
Decrease (increase) in other current assets	36,603	1,143	(57,188)	(1,834)
(Increase) decrease in deferred income tax assets - noncurrent	(2,539,564)	(79,287)	523,510	16,785
Increase in other assets - other	(1,323,496)	(41,320)	(581,174)	(18,633)
Decrease in financial liabilities at fair value through profit or loss - current	-	-	(249,650)	(8,004)
Decrease in derivative financial liabilities for hedging - current	(687,794)	(21,473)	(33,083)	(1,061)
Decrease in notes payable	(152)	(5)	(340)	(11)
Increase (decrease) in commissions payable	791,048	24,697	(66,927)	(2,146)
Increase (decrease) in life insurance proceeds payable	1,346	42	(2,544)	(82)
Increase in reinsurance accounts payable	1,952,092	60,946	1,069,929	34,303
Increase in others payable	8,230,758	256,970	23,720,242	760,508
Increase in accounts collected in advance	18,820	588	15,241	488
Increase (decrease) in deferred income tax liabilities - current	2,266,381	70,758	(1,263,490)	(40,509)
Increase (decrease) in accrued pension liability	38,994	1,217	(109,396)	(3,507)
Increase (decrease) in other liabilities - other	952,180	29,728	(875,804)	(28,080)
Net cash provided by operating activities	119,048,470	3,716,780	215,544,064	6,910,678
Cash flows from investing activities				
Decrease in policy loans	1,840,910	57,475	3,824,801	122,629
Decrease in secured loans	23,566,953	735,778	16,822,191	539,346
Decrease (increase) in available-for-sale financial assets - noncurrent	38,239,726	1,193,872	(65,783,856)	(2,109,133)
(Increase) decrease in held-to-maturity financial assets - noncurrent	(33,164,799)	(1,035,429)	5,673,181	181,891
(Increase) decrease in financial assets carried at cost - noncurrent	(502,494)	(15,688)	11,557,805	370,561
Increase in investments in debt securities with no active market - noncurrent	(49,597,832)	(1,548,481)	(105,451,616)	(3,380,943)
Disinvestment of long-term equity investments	149,668	4,673	17,853	572
Disposal of investments in real estate	65,835	2,055	-	-
Acquisition of investments in real estate	(9,835,474)	(307,071)	(8,377,048)	(268,581)
(Increase) decrease in other financial assets - noncurrent	(23,200,000)	(724,321)	15,157,820	485,983
Disposal of property and equipment	288	9	-	-
Acquisition of property and equipment	(193,572)	(6,043)	(122,247)	(3,919)
Acquisition of intangible assets	(149,930)	(4,681)	(54,319)	(1,741)
Decrease in guarantee deposits paid	719,624	22,467	112,230	3,598
(Increase) decrease in other overdue receivables	(464,600)	(14,505)	467,364	14,984
Net cash used in investing activities	(52,525,697)	(1,639,890)	(126,155,841)	(4,044,753)

(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)

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

Cathay life insurance Co., Ltd.
Unaudited statements of cash flows - (continued)
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 financing activities				
Increase in guarantee deposits received	80,484	2,513	57,050	1,830
Cash dividends	-	-	(465,743)	(14,933)
Net cash provided by (used in) financing activities	80,484	2,513	(408,693)	(13,103)
Increase in cash and cash equivalents	66,603,257	2,079,403	88,979,530	2,852,822
Cash and cash equivalents at the beginning of the periods	221,966,913	6,929,969	336,054,525	10,774,432
Cash and cash equivalents at the end of the periods	$288,570,170	$9,009,372	$425,034,055	$13,627,254
Supplemental disclosure of cash flows information				
Interest paid during the period	$10,159	$317	$6,752	$216
Interest paid (excluding capitalized interest)	$10,159	$317	$6,752	$216
Income tax paid	$743,179	$23,203	$692,196	$22,193

(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)

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

1. Organizations and business scope

   Cathay Life Insurance Co., Ltd. (the "Company") was incorporated in Taiwan on October 23, 1962, under the provisions of the Company Act of the Republic of China ("R.O.C."). The Company mainly engages in the business of life insurance. On December 31, 2001, the Company became a subsidiary of Cathay Financial Holding Co., Ltd. ("Cathay Financial Holding") by adopting the stock conversion method under the R.O.C. Financial Holding Company Act and other pertinent acts of the R.O.C. in order to gain benefit of synergistic operation and enhance the Company's competitiveness in the financial market.

   The parent company and ultimate parent company of the Company is Cathay Financial Holding. As of September 30, 2009 and 2010, total numbers of employees in the Company were 31,051 and 31,227, respectively.

2. Summary of significant accounting policies

   The Company prepares the financial statements in accordance with the Business Entity Accounting Act and Regulation on Business Entity Accounting Handling with respect to financial accounting standards, Guidelines Governing the Preparation of Financial Reports by Industry of Life Insurance, and accounting principles generally accepted in the Republic of China. A summary of significant accounting policies is as follows:

   (1) Current and non-current assets and liabilities

   Current assets are assets which can be liquidated or disposed within one year. Assets other than current assets are non-current assets. Current liabilities are liabilities which will be paid-off within one year. Liabilities other than current liabilities are non-current liabilities.

   (2) 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 are subject to insignificant risk of changes in value due to fluctuations of interest rates. Commercial papers, negotiable certificates of deposit, and bank acceptances with original maturities of three months or less are considered cash equivalents.

(3) Recognition of financial assets and liabilities

According to the Statements of Financial Accounting Standards of the R.O.C. ("R.O.C. SFAS") No.34 "Accounting for Financial Instruments" and "Guidelines Governing the Preparation of Financial Reports by Industry of Life Insurance", financial assets are categorized as the "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", "financial assets carried at cost" and "derivative financial assets for hedging". Financial liabilities are categorized as either "financial liabilities at fair value through profit or loss" or "derivative financial liabilities for hedging". Upon their initial recognition, financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets.

All "regular way" purchases and sales of financial assets are recorded using trade date (the date that the Company commits to purchase or sell the asset) accounting. "Regular way" purchases or sales are transactions of financial assets that require delivery of assets within the period established by regulation or convention in the marketplace.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets held for trading include products acquired primarily for the purpose of sale in the near term and derivative financial assets, except for those that are designated as hedging instruments and are effective. Such assets are subsequently 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 if the Company has both the positive intention and ability to hold the financial assets to maturity. Such investments are subsequently measured at amortized cost. Gains or losses are recognized in profit or loss when the investments are derecognized or impaired. The amortized cost is computed as the cost amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest rate arising from the difference between the cost and the maturity amount, and minus impairment. Contracts related to the financial assets, transactions costs, fees and premiums/discounts are taken into consideration when calculating the effective interest rate.

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 value are recognized in profit or loss when the investments in debt securities with no active market are derecognized or impaired.

D. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized in equity, except for impairment losses and gains or losses arising from the translation of monetary financial assets. When the financial assets are derecognized, the cumulative gains or losses previously recorded in equity are 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. Financial assets carried at cost

Financial assets carried at cost are investments in equity instruments to non-listed companies which the Company has no significant influence over. They are recorded at initial cost as the fair values cannot be reliably measured. If there is objective evidence that an impairment loss has been incurred, the impairment loss is recognized. Such impairment loss shall not be reversed.

F. Derivative financial assets for hedging

Derivative financial assets that have been designated in hedge accounting and are effective hedging instruments are measured at fair value.

The fair value, as mentioned above, for a listed stock or a depositary receipt is based on the closing price on the balance sheet date, while for an open-end fund, the fair value is determined based on its net asset value as at the balance sheet date.

Financial liabilities at fair value through profit or loss and derivative financial liabilities for hedging are measured at fair value.

(4) Derecognizing of financial assets and liabilities

A. Financial assets

A financial asset or a portion of a financial asset is derecognized when the Company loses control of the contractual rights that comprise the financial asset or a portion of the financial asset. A transfer of a financial asset or a portion of the asset in which the Company surrenders control over the asset in exchange of consideration received is deemed a sale.

If a financial asset is transferred but the transfer does not satisfy the conditions for loss of control, the Company accounts for the transaction as a secured borrowing. In that case, the Company's right to reacquire the asset is not a derivative financial instrument.

B. Financial liabilities

An entire or a part of a financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Where an existing financial liability is replaced by another one from the same creditor with substantially different terms of agreement, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognization of the original liability and a recognition of a new liability. The difference between the respective carrying amounts is recognized as a gain or loss for the period.

(5) Accounting for impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or 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 recognized and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. 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 is objectively related to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset exceeding what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

B. Financial assets measured 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 equity instrument has been incurred, the amount of the loss is recorded and measured 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 shall not be reversed.

C. Available-for-sale financial assets

If an available-for-sale financial asset is impaired, the cumulative loss that had been recognized in equity shall be reclassified from equity to profit or loss. The amount of the impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value or recoverable amount, less any impairment loss previously recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale shall be reversed through equity, rather than through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed through profit or loss.

(6) Derivative financial instruments

The Company engages in derivative financial instrument transactions, such as forward currency contracts and interest rate swaps, to hedge its risks associated with foreign currency and interest rate fluctuations. These derivative financial instruments are initially recognized at fair value on the day 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 of derivatives that no longer meets the criteria for hedge accounting are taken directly to profit or loss for the period.

Hedging relationships consist of three types:

A. Fair value hedges: a hedge of the exposure to changes in fair value of a recognized asset or liability, an unrecognized firm commitment, or an identified portion of such asset, liability or firm commitment, that is attributable to a particular risk which could affect profit or loss.

B. Cash flow hedges: a hedge of the exposure to variability in cash flows that is either 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 with a highly probable forecast transaction and could affect profit or loss.

C. Hedge of a net investment in a foreign operation: a hedge of the exposure to foreign currency risk associated with a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents hedge relationship to which the Company wishes 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 Company assesses the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, 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 for the hedge.

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

Fair value hedges

The carrying amount of the hedged item is adjusted and gain or loss attributable to the hedged risk is recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) or the foreign currency component of its carrying amount measured in accordance with the R.O.C. SFAS No. 14 “The Effects of Changes in Foreign Exchange Rates” (for a non-derivative hedging instrument) is recognized in profit or loss.

For a hedged interest-bearing financial instrument, the adjustment arising from above paragraph to its carrying amount is amortized to profit or loss based on an effective interest rate over the remaining term to maturity. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be subject to hedge accounting.

The Company discontinues fair value hedge accounting when 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.

Cash flow hedges

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in equity, while the ineffective portion is recognized in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in equity shall be reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the asset acquired or liability assumed affects profit or loss. If a hedge of the forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the associated gains or losses initially recognized in equity shall be removed and then be included in the initial cost or other carrying amount of the asset or liability.

If the forecast transaction is no longer expected to occur, the related cumulative gain or loss on the hedging instrument that has been recognized in equity is 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, the cumulative gain or loss that was previously recognized in equity remains in equity until the forecast transaction occurs. If the transaction is not expected to occur, the cumulative gain or loss is reclassified from equity to profit or loss.

Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation 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 hedge are recognized 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 gains or losses recognized in equity is transferred to profit or loss.

(7) Allowance for bad and doubtful debts

The Company refers the “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises” pursuant to the second paragraph of Article 148-3 of the Insurance Act to assess its loan assets. In the assessment of its loan assets, the insurance enterprise shall consider the status and the overdue period of repayment of the loans and classify those into categories as follows:

Class I – normal loan assets;
Class II – overdue loan assets under notice;
Class III – overdue loan assets possible to be recovered;
Class IV – overdue loan assets difficult to be recovered;
Class V – overdue loan assets with no chance of recovery.

The insurance enterprise shall actually assess the loan assets and set aside minimum allowance for bad debts in the sum of 2% of claim balance of Class II loan assets, 10% of Class III, 50% of Class IV and entire claim balance of Class V loan assets.

Accordingly, the Company estimated the allowance for bad debts based upon above guidelines, and considerations for the repayment capability and security status of the rights of creditor as of each balance sheet date for its receivables, secured loans and overdue receivables.

(8) Long-term investments under the equity method

Long-term investments in equity securities are accounted for under the equity method where the Company holds more than 20% of the investee's voting rights or 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 at the acquisition date is analyzed and accounted for in conformity with the acquisition cost allocation as provided in R.O.C. SFAS No.25 "Business Combination - Accounting Treatment under Purchase Method". Goodwill is no longer amortized.

Adjustment to additional paid-in capital is required when the holding percentage changes due to disproportional subscription to new issue of investee's shares. If the balance of additional paid-in capital is insufficient, retained earnings are adjusted.

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

The Company prepares semi-annual and annual consolidated financial statements including all subsidiaries over which the Company has a controlling interest, with the exception of subsidiaries whose total revenues and total assets are relatively immaterial to the Company.

(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 as incurred.

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

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 R.O.C. (the "Executive Yuan Depreciation Table").

Real estate investment primarily is for business 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. Upon revaluation, land and depreciable properties shall be reevaluated separately. Property increments shall be recorded in "unrealized reevaluation increments" under stockholders' equity.

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

Upon the sale or disposal of properties and equipment, their cost, related accumulated depreciation and accumulated impairment are removed from respective accounts. Gain or loss resulting from such sale or disposal is accounted for as non-operating gain or loss.

Depreciation is calculated using the straight-line method over the estimated service lives prescribed by the Executive Yuan Depreciation Table. Property and equipment that are still in use after their useful lives are depreciated based on the residual value and the newly estimated remaining useful lives.

(11) Intangible assets

According to the R.O.C. SFAS No. 37 "Accounting for Intangible Assets" effective on January 1, 2007, intangible assets are initially recognized at cost. After the initial recognition, the intangible assets shall be carried at cost plus statutory revaluation increment less accumulated amortization and accumulated impairment losses.

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

The intangible assets with finite useful lives are amortized on a systematic basis over their useful lives. Impairment testing is performed when there are indications of impairment on intangible assets. The Company will reassess the useful lives and amortization methods for its intangible assets with finite useful lives at each balance sheet date. If there is any change to be made, it will be treated as changes in accounting estimates.

(12) Deferred charges

According to the regulations established by the R.O.C. Ministry of Finance (the "MOF"), the Company created a "stabilization fund" and an offsetting account "stabilization fund reserve", both of which are off balance sheet accounts. From January 1, 1993 to September 30, 2010, an aggregate of NT$4,345,943 (US$139,338) thousands was appropriated to this fund.

(13) Accounting for assets impairment

Pursuant to R.O.C. SFAS No. 35, the Company evaluates whether indicators of impairment exist at each balance sheet date for all assets subject to guidelines set forth under the Statement. If impairment indicators exist, the Company shall perform impairment testing by comparing the carrying amount with the recoverable amount of the assets or the cash-generating unit ("CGU"). Impairment losses shall be recognized when the carrying amount exceeds the recoverable amount which is defined as the higher of fair values less costs to sell and the values in use.

For previously recognized losses, the Company shall assess, at each balance sheet date, whether there is any evidence that the impairment loss may no longer exist or may have decreased. If there is any, the recoverable amount of the asset shall be subsequently re-evaluated. The impairment loss may be reversed to reflect the asset's estimated increase in future service potential since the date of its last recognition of impairment loss. However, the carrying amount of the asset after the reversal of impairment loss shall not exceed the carrying amount of the asset that would have been, net of depreciation or amortization, had no impairment loss been recognized for the asset 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. If the recoverable amount of the CGU assets or the group of CGUs assets is smaller than their carrying amount, impairment loss should be recognized to reduce the carrying amount of the assets in the following order:

A. first, reduce the carrying amount of the goodwill allocated to the CGU or group of CGUs; and

B. then, any remaining impairment loss should be allocated on a pro-rata basis based on the carrying amount of each asset within the CGU or group of CGUs.

Recognized impairment loss for goodwill should not be reversed. Impairment loss (reversal) is classified as non-operating losses (income).

(14) Guaranteed depository insurance payment

According to Article 141 of the R.O.C. Insurance Act (the "Insurance Act"), an amount equal to 15% of the Company's capital stock must be deposited in the form of a bond with the Central Bank of China (the "Central Bank") as the "Guaranteed Depository Insurance".

(15) Reserve for operations

Reserves for operations, including unearned premium reserve, claim reserve, special reserve, reserve for claims, and premium deficiency reserve, are recorded in accordance with insurance related acts based on Actuaries' figures.

In addition, according to "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" and related insurance regulations, when the cumulative provisions for special risk-volatility reserve exceed 30% of the amount of retained earned premiums for the current year, that portion in excess may be retired and treated as income. However, the retired reserves are appropriated as special reserve in equity and shall not be distributed or used for other purposes unless approved by the R.O.C Ministry of Finance (the "MOF").

As of September 30, 2010, the cumulative special reserves released from the special risk-volatility reserves amounted to NT$21,687,527 (US$695,336) thousands.

(16) Insurance premium income and expenses

In accordance with "The General Accounting Systems for Insurance Companies" issued by the Finance Ministry of the R.O.C., the Company records direct premiums as income at the time of cash receipts. Related expenses (commissions, brokerage fees, etc.) are recognized on an accrual basis.

(17) Pension plan

The Company has established a pension plan for all employees since 1972. Pension plan benefits are primarily based on participants' compensation and the length of service period. The Company has established a pension fund committee in 1981 to independently administer the pension fund. Prior to the establishment of the pension fund committee, the Company had provided for 4% of the employees' salaries into the pension fund; after the establishment of the committee, 8% were provided for.

The Labor Pension Act of R.O.C. ("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 other pension mechanism under the Labor Standards Act. For employees subject to the Act, the Company shall make monthly contributions to the employees' individual pension accounts on a basis of no less than 6% of the employees' monthly wages.

In compliance with R.O.C. Securities and Futures Commissions ("SFC") regulations, the Company adopted the R.O.C. SFAS No. 18, "Accounting for Pensions" to account for its pension plan. 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 as incurred.

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

(18) Foreign currency transactions

A. Translation of foreign currency transactions

Monetary assets or liabilities denominated in foreign currencies shall be translated using the applicable rate as at the balance sheet date and the resulting 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 is recognized directly in equity, any exchange component of that gain or loss shall be recognized in equity. When a gain or loss on a non-monetary asset or liability 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 at historical cost shall be translated using the exchange rate at the date of the initial transaction.

B. Translation of subsidiaries' financial statements in foreign currencies

Financial statements of foreign subsidiaries accounted for under the equity method are translated into NT dollars as follows: all assets and liabilities denominated in foreign currencies are translated into NT dollars at the exchange rate on the balance sheet date. Stockholders' equity items are translated at the historical rates except for the opening balance of retained earnings, which is carried forward directly from the year end balance of previous year. Revenue and expense items are translated by the weighted-average exchange rate for the fiscal year. Translation differences arising from above conversion are reported as "cumulative conversion adjustments" under stockholders' equity.

(19) Income taxes

The Company adopted 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, loss carry-forward and investment tax credits. A valuation allowance on deferred income tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized. The prior year's income tax expenses adjustment should be recorded as current period income tax expenses in the year of adjustment.

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

The Company has adopted SFAS No. 12, "Accounting for Income Tax Credits" in dealing with income tax credits. Accordingly, the income tax credits resulting from expenditures on the purchase of equipment and technology, research and development, education training, and investment in equity are accounted for using the flow-through method.

The additional 10% income tax imposed on undistributed earnings is recognized as expense on the date of shareholders' meeting in which the shareholders have resolved that the earnings shall be retained.

In accordance with Article 49 of the Financial Holding Company Act, the Company and its parent company jointly filed corporation income tax returns and 10% surcharge on it undistributed retained earnings since 2002 under the Integrated Income Tax System. If there is any tax effect due to the adoption of the foregoing Integrated Income Tax System, parent company can proportionately allocate the effects on tax expense (benefit), deferred income tax and tax payable (tax refund receivable) among the Company and its parent company.

Effective from January 1, 2006, the Company adopted "Income Basic Tax Act" and "Enforcement Rules of Income Basic Tax Act" to estimate and file joint income basic tax.

(20) Capital expenditure expenses

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.

(21) Separate account products

The Company sells Separate account products, of which the insured pays the insurance fees according to the agreement amount less the expenses incurred by the insured. In addition, the investment distribution is approved by the insured and then transferred to specific accounts as requested by the insured. The value of these specific accounts is determined based on the market value on the applicable date, and its fair value is determined based on the accounting principles and practices generally accepted in the R.O.C.

The Company has established special journals for assets, liabilities, and revenues and expenses accounts in accordance with accounting regulation of "Accounting standards in separate account". The above accounts are recorded under the line items of "Separate account products assets", "Separate account products liabilities", "Separate account products revenues" and "Separate account products expenses".

(22) Employee bonus and remuneration of directors and supervisors

Pursuant to (96) Article 052 issued by the Accounting Research and Development Foundation in March 2007, employee bonus and remuneration of directors and supervisors are accounted for as expenses instead of distribution of earnings.

(23) Conversion to U.S. dollars

The financial statements are presented in NT dollars. The converted 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 conversion.

3. Reasons and effects for changes in accounting principles

None.

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

4. Cash and cash equivalents

	September 30,			
	2009		2010	
	NT$	US$	NT$	US$
Cash on hand	$261,435	$8,162	$201,817	$6,471
Cash in banks	1,7881,679	558,279	42,937,809	1,376,653
Time deposits	175,308,049	5,473,246	320,235,725	10,267,256
Cash equivalents	95,119,007	2,969,685	61,658,704	1,976,874
Total	$288,570,170	$9,009,372	$425,034,055	$13,627,254

As of September 30, 2009 and 2010, the amounts of time deposits with maturities beyond one year were NT$9,514,500 (US$297,050) thousands and NT$501,700 (US$16,085) thousands, respectively.

The cash equivalent usually includes commercial paper investment with maturity shorter than three months.

5. Financial assets at fair value through profit or loss - current

	September 30,			
	2009		2010	
	NT$	US$	NT$	US$
Listed stocks	$4,799,996	$149,860	$4,562,125	$146,269
Overseas stocks	611,426	19,089	337,376	10,817
Beneficiary certificates	78,539,271	2,452,054	29,118,014	933,569
Exchange traded funds	-	-	534,540	17,138
Overseas bonds	3,940,306	123,019	267,216	8,567
Corporate bonds	3,212,683	100,302	3,337,683	107,011
Government bonds	976,501	30,487	51,766	1,660
Derivative financial instruments	28,998	905	-	-
Structured time deposits	1,000,000	31,221	1,000,000	32,062
Subtotal	93,109,181	2,906,937	39,208,720	1,257,093
Add: Adjustment of valuation	18,446,058	575,899	27,983,634	897,199
Total	$111,555,239	$3,482,836	$67,192,354	$2,154,292

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

6. Available-for-sale financial assets - current

	September 30,			
	2009		2010	
	NT$	US$	NT$	US$
Listed stocks	$103,076,190	$3,218,114	$139,830,213	$4,483,174
Overseas stocks	15,681,710	489,594	15,850,449	508,190
Beneficiary certificates	23,237,686	725,498	44,601,481	1,429,993
Collateralized loans obligation and collateralized bonds obligation	-	-	247,711	7,942
Exchange traded funds	3,491,862	109,018	6,264,135	200,838
Real estate investment trust	8,725,208	272,407	8,725,208	279,744
Financial debentures	99,954	3,121	5,150,186	165,123
Corporate bonds	2,494,450	77,879	7,700,060	246,876
Government bonds	-	-	452,973	14,523
Overseas bonds	-	-	10,683,856	342,541
Subtotal	156,807,060	4,895,631	239,506,272	7,678,944
Add (less): Adjustment of valuation	(7,955,060)	(248,363)	2,894,356	92,798
Total	$148,852,000	$4,647,268	$242,400,628	$7,771,742

7. Derivative financial assets for hedging - current

	September 30,			
	2009		2010	
	NT$	US$	NT$	US$
Derivative financial instruments	$672,980	$21,011	$-	$-
Add: Adjustment of valuation	1,745,843	54,506	2,204,505	70,680
Total	$2,418,823	$75,517	$2,204,505	$70,680

8. Loans

(1) Policy loans

A. Policy loans were secured by policies issued by the Company.

B. Pursuant to MOF regulations, policyholder may state on the application form or issue a written statement prior within grace period for premium payment to request the insurance enterprise to automatically deduct the due premiums and interest of the premium loan (as well as the principal and interest of the policy loan, if applicable) from the policyholder’s policy value reserve after the second installment becomes overdue in order to remain the insurance policy to be constantly effective. Policyholder may also inform the enterprise in written to stop the automatic premium loan option prior to the next due date of premium payment.

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

(2) Secured loans

	September 30,			
	2009		2010	
	NT$	US$	NT$	US$
Secured loans	$314,318,498	$9,813,253	$290,588,417	$9,316,717
Secured loans - related parties	4,435,385	138,476	4,104,070	131,583
Less: Allowance for bad debts	(294,859)	(9,206)	(181,065)	(5,805)
Subtotal	318,459,024	9,942,523	294,511,422	9,442,495
Overdue receivables	2,169,656	67,739	954,221	30,593
Less: Allowance for bad debts	(1,518,759)	(47,417)	(702,129)	(22,511)
Subtotal	650,897	20,322	252,092	8,082
Total	$319,109,921	$9,962,845	$294,763,514	$9,450,577

Secured loans are secured by government bonds, stocks, corporate bonds and real estate.

9. Available-for-sale financial assets – noncurrent

	September 30,			
	2009		2010	
	NT$	US$	NT$	US$
Corporate bonds	$22,976,466	$717,342	$29,437,873	$943,824
Government bonds	35,651,324	1,113,060	35,697,501	1,144,518
Financial debentures	134,882,195	4,211,121	153,619,742	4,925,288
Collateralized loans obligation and collateralized bonds obligation	2,178,472	68,014	1,337,715	42,889
Overseas bonds	31,364,047	979,208	95,937,624	3,075,910
Subtotal	227,052,504	7,088,745	316,030,455	10,132,429
Add: Adjustment of valuation	3,030,488	94,614	6,175,252	197,988
Less: Accumulated impairment	(735,000)	(22,947)	(735,000)	(23,565)
Total	$229,347,992	$7,160,412	$321,470,707	$10,306,852

An impairment provision is recognized as some objective evidences are identified showing impairment indicators associated with collateralized loans obligation held by the Company. As of September 30, 2009 and 2010, the Company recognized impairment losses amounting to NT$735,000 (US$22,947) and NT$735,000 (US$23,565) thousands, respectively.

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

10. Held-to-maturity financial assets – noncurrent

	September 30,			
	2009		2010	
	NT$	US$	NT$	US$
Corporate bonds	$4,180,437	$130,516	$8,141,964	$261,044
Government bonds	98,390,651	3,071,828	92,107,569	2,953,112
Financial debentures	9,595,318	299,573	5,500,521	176,355
Collateralized loans obligation and collateralized bonds obligation	8,735,392	272,725	9,627,294	308,666
Overseas bonds	538,666,088	16,817,549	538,683,560	17,271,035
Subtotal	659,567,886	20,592,191	654,060,908	20,970,212
Less: Securities serving as deposits paid - bonds	(8,149,402)	(254,430)	(8,229,856)	(263,862)
Total	$651,418,484	$20,337,761	$645,831,052	$20,706,350

11. Financial assets carried at cost – noncurrent

	September 30,			
	2009		2010	
	NT$	US$	NT$	US$
Stocks	$19,715,234	$615,524	$8,137,630	$260,905
Beneficiary certificates	1,053,790	32,900	1,372,327	43,999
Subtotal	20,769,024	648,424	9,509,957	304,904
Less: Accumulated impairment	(1,302,285)	(40,658)	(975,337)	(31,271)
Total	$19,466,739	$607,766	$8,534,620	$273,633

An impairment provision is recognized as the stocks held by the Company are assessed to be over-valued. As of September 30, 2009 and 2010, the Company recognized impairment losses amounting to NT$1,302,285 (US$40,658) thousand and NT$975,337 (US$31,271) thousands, respectively.

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

12. Investments in debt securities with no active market - noncurrent

	September 30,			
	2009		2010	
	NT$	US$	NT$	US$
Stocks	$316,000	$9,866	$1,108,000	$35,524
Corporate bonds	14,500,000	452,701	15,000,000	480,923
Overseas bonds	121,039,584	3,778,944	235,671,448	7,555,994
Subtotal	135,855,584	4,241,511	251,779,448	8,072,441
Less: Accumulated impairment	(418,600)	(13,069)	(407,290)	(13,058)
Total	$135,436,984	$4,228,442	$251,372,158	$8,059,383

A CDO impairment provision is recognized as the overseas bonds held by the Company are assessed to be over-valued. As of September 30, 2009 and 2010, the Company recognized impairment losses amounting to NT$418,600 (US$13,069) and NT$407,290 (US$13,058) thousands, respectively.

13. Structured notes

Certain of the financial assets investments classified as structured notes amounted to NT$51,726,957 (US$1,614,953) thousands and NT$30,787,183 (US$987,085) thousands as of September 30, 2009 and 2010, respectively. The details of structured notes are listed below:

	September 30, 2009					
	Cost		Adjustment of valuation		Book value	
Item	NT$	US$	NT$	US$	NT$	US$
Financial assets at fair value through profit or loss - current	$596,731	$18,630	$8,089	$253	$604,820	$18,883
Available-for-sale financial assets	8,900,000	277,865	(852)	(27)	8,899,148	277,838
Held-to-maturity financial assets	38,714,004	1,208,680	42,933	1,340	38,756,937	1,210,020
Investments in debt securities with no active market-noncurrent	3,466,052	108,212	-	-	3,466,052	108,212
Total	$51,676,787	$1,613,387	$50,170	$1,566	$51,726,957	$1,614,953

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

	September 30, 2010					
	Cost		Adjustment of valuation		Book value	
Item	NT$	US$	NT$	US$	NT$	US$
Financial assets at fair value						
through profit or loss - current	$267,216	$8,567	$38,008	$1,219	$305,224	$9,786
Available-for-sale financial assets	6,900,000	221,225	486	15	6,900,486	221,240
Held-to-maturity financial assets	21,573,717	691,687	69,389	2,225	21,643,106	693,912
Investments in debt securities with						
no active market - noncurrent	1,935,948	62,070	2,419	77	1,938,367	62,147
Total	$30,676,881	$983,549	$110,302	$3,536	$30,787,183	$987,085

14. Long-term investments under the equity method

(1) Long-term investments under the equity method are as follows:

	September 30,			
	2009		2010	
Investee	NT$	US$	NT$	US$
WK Technology Fund VI Co., Ltd.	$352,090	$10,992	$355,102	$11,385
Vista Technology Venture Capital Corp.	31,994	999	28,641	918
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
IBT Venture Capital Corp.	226,887	7,084	99,206	3,181
Cathay Insurance (Bermuda) Co., Ltd.	93,083	2,906	117,634	3,772
Symphox Information Co., Ltd.	331,535	10,351	340,949	10,931
Cathay Securities Investment Trust Co., Ltd.	329,052	10,273	367,264	11,775
Cathay Pacific Venture Capital Co., Ltd.	277,163	8,653	-	-
Cathay Securities Investment Consulting				
Co., Ltd.	136,597	4,265	150,326	4,820
Cathay Life Insurance Ltd. (China)	1,011,723	31,587	510,946	16,382
Cathay Life Insurance (Vietnam) Co., Ltd.	2,050,477	64,017	1,714,743	54,977
Cathay Insurance Company Limited.				
(China)	867,137	27,073	782,510	25,088
Total	$5,889,253	$183,867	$4,613,811	$147,926

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

As of August 10, 2009, the acquisition date, Cathay Venture Capital Corp., a subsidiary of the Company, merged with Cathay Pacific Venture Capital Co., Ltd. with a stock exchange ratio of 1.06359 to 1 in accordance with resolution of the Board of Directors' meeting of Cathay Financial Holding Co., Ltd.. Cathay Pacific Venture Capital Co., Ltd. is the surviving company. As of October 14, 2009, all stocks of Cathay Pacific Venture Capital Co., Ltd. Were sold to Cathay Financial Holding Co., Ltd.

(2) Changes in long-term investments under the equity method are summarized below:

	For the nine months ended September 30,			
	2009		2010	
	NT$	US$	NT$	US$
Balance as of January 1	$6,466,022	$201,874	$5,266,745	$168,860
Add (less) :				
Losses on long-term equity investments	(75,452)	(2,356)	(191,726)	(6,147)
Cumulative conversion adjustments	(185,844)	(5,802)	(132,754)	(4,256)
Unrealized gain or loss on financial instruments	65,299	2,039	(95,795)	(3,071)
Additional Paid-in Capital	(153)	(5)	-	-
Cash dividends	(230,951)	(7,210)	(214,805)	(6,887)
Disinvestment of long-term investments	(149,668)	(4,673)	(17,854)	(573)
Balance as of September 30	$5,889,253	$183,867	$4,613,811	$147,926

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

(3) The recognized equity investment gains for the nine months ended September 30, 2009 and 2010 are listed below:

	For the nine months ended September 30,			
	2009		2010	
Investee	NT$	US$	NT$	US$
WK Technology Fund VI Co., Ltd.	$7,577	$237	$(1,254)	$(40)
Vista Technology Venture Capital Corp.	(4)	-	122	4
Omnitek Venture Capital Corp.	(341)	(11)	1,795	58
Wa Tech Venture Capital Co., Ltd.	(19,600)	(612)	9,766	313
IBT Venture Capital Corp.	43,722	1,365	(14,893)	(478)
Cathay Insurance (Bermuda) Co., Ltd.	88	3	20,565	659
Symphox Information Co., Ltd.	30,691	958	36,123	1,158
Cathay Securities Investment Trust Co., Ltd.	98,657	3,080	123,876	3,972
Cathay Venture Capital Corp.	(38,905)	(1,215)	-	-
Cathay Pacific Venture Capital Co., Ltd.	3,964	124	-	-
Cathay Securities Investment Consulting Co., Ltd.	27,253	851	55,538	1,781
Cathay Life Insurance Ltd. (China)	(197,323)	(6,161)	(336,587)	(10,791)
Cathay Life Insurance (Vietnam) Co., Ltd.	1,009	32	(14,541)	(466)
Cathay Insurance Company Limited. (China)	(32,240)	(1,007)	(72,236)	(2,316)
Total	$(75,452)	$(2,356)	$(191,726)	$(6,147)

A. The equity investment gains (losses) were recognized based on investees' reviewed financial statements for the nine months ended September 30, 2009, except for WK Technology Fund VI Co., Ltd., Wa Tech Venture Capital Co., Ltd. and IBT Venture Capital Corp. were recognized based on unreviewed financial statements. The financial statements of Omnitek Venture Capital Corp. and Cathay Securities Investment Trust Co., Ltd. for the nine months ended September 30, 2009, were reviewed by other auditors. Unqualified review reports were issued for all above investee companies except the Cathay Venture Capital Corp. and Symphox Co., Ltd. of which modified unqualified reviewed report was issued.

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

B. The equity investment gains (losses) were recognized based on investees' reviewed financial statements for the nine months ended September 30, 2010, except for WK Technology Fund VI Co., Ltd., Wa Tech Venture Capital Co., Ltd., Omnitek Venture Capital Corp. and IBT Venture Capital Corp. were recognized based on unreviewed financial statements. The financial statements of Cathay Securities Investment Trust Co., Ltd. for the nine months ended September 30, 2010, were reviewed by other auditors. Unqualified review reports were issued for all above investee companies except the Symphox Information Co., Ltd. of which modified unqualified reviewed reports were issued.

15. Investments in real estate

	September 30, 2009									
	Cost		Revaluation increments		Accumulated depreciation		Accumulated impairment		Net value	
Item	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)	$(6,106)	$114,344,662	$3,569,924
Prepayments for buildings and land	809,360	25,269	-	-	-	-	-	-	809,360	25,269
Construction	2,572,247	80,307	-	-	-	-	-	-	2,572,247	80,307
Total	$136,188,114	$4,251,892	$4,366	$136	$(18,270,617)	$(570,422)	$(195,594)	$(6,106)	$117,726,269	$3,675,500

	September 30, 2010									
	Cost		Revaluation increments		Accumulated depreciation		Accumulated impairment		Net value	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Investments in real estate	$141,484,167	$4,536,203	$4,329	$139	$(20,141,512)	$(645,769)	$(140,701)	$(4,511)	$121,206,283	$3,886,062
Prepayments for buildings and land	422,612	13,550	-	-	-	-	-	-	422,612	13,550
Construction	2,848,934	91,341	-	-	-	-	-	-	2,848,934	91,341
Total	$144,755,713	$4,641,094	$4,329	$139	$(20,141,512)	$(645,769)	$(140,701)	$(4,511)	$124,477,829	$3,990,953

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

(2) The real estate investments are held mainly for lease business.

(3) All the lease agreements of the Company's lease business are operating leases. The primary terms of lease agreements are the same with general lease agreement.

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

(4) No investments in real estate were pledged as collateral.

16. Property and equipment

	September 30, 2009									
	Cost		Revaluation increments		Accumulated depreciation		Accumulated impairment		Net value	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Land	$4,796,647	$149,755	$583	$18	$-	$-	$(51,331)	$(1,603)	$4,745,899	$148,170
Buildings and construction	10,675,056	333,283	-	-	(3,820,467)	(119,278)	(34,188)	(1,067)	6,820,401	212,938
Computer equipment	2,133,832	66,620	-	-	(1,583,617)	(49,442)	-	-	550,215	17,178
Communication and transportation equipment	12,942	404	-	-	(11,731)	(366)	-	-	1,211	38
Other equipment	3,012,928	94,066	-	-	(2,377,773)	(74,236)	-	-	635,155	19,830
Subtotal	20,631,405	644,128	583	18	(7,793,588)	(243,322)	(85,519)	(2,670)	12,752,881	398,154
Construction in progress and prepayment for equipment	32,693	1,021	-	-	-	-	-	-	32,693	1,021
Total	$20,664,098	$645,149	$583	$18	$(7,793,588)	$(243,322)	$(85,519)	$(2,670)	$12,785,574	$399,175

	September 30, 2010									
	Cost		Revaluation increments		Accumulated depreciation		Accumulated impairment		Net value	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Land	$4,617,786	$148,053	$620	$20	$-	$-	$(67,146)	$(2,153)	$4,551,260	$145,920
Buildings and construction	10,702,919	343,152	-	-	(4,060,732)	(130,193)	(73,266)	(2,349)	6,568,921	210,610
Computer equipment	2,180,122	69,898	-	-	(1,832,265)	(58,745)	-	-	347,857	11,153
Communication and transportation equipment	12,758	409	-	-	(12,156)	(390)	-	-	602	19
Other equipment	3,081,594	98,801	-	-	(2,551,352)	(81,800)	-	-	530,242	17,001
Subtotal	20,595,179	660,313	620	20	(8,456,505)	(271,128)	(140,412)	(4,502)	11,998,882	384,703
Construction in progress and prepayment for equipment	5,460	175	-	-	-	-	-	-	5,460	175
Total	$20,600,639	$660,488	$620	$20	$(8,456,505)	$(271,128)	$(140,412)	$(4,502)	$12,004,342	$384,878

No properties or equipment was pledged as collaterals as of September 30, 2009 and 2010.

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

17. Computer software cost

	January 1, 2009		Increase		Decrease		September 30, 2009	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Acquired Cost:								
Computer software	$1,101,193	$34,380	$149,930	$4,681	$-	$-	$1,251,123	$39,061
Amortized and impairment:								
Amortized	(492,327)	(15,371)	(152,489)	(4,761)	-	-	(644,816)	(20,132)
Book value	$608,866	$19,009	$(2,559)	$(80)	$-	$-	$606,307	$18,929

	January 1, 2010		Increase		Decrease		September 30, 2010	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Acquired Cost:								
Computer software	$1,293,201	$41,462	$54,319	$1,742	$-	$-	$1,347,520	$43,204
Amortized and impairment:								
Amortized	(732,683)	(23,491)	(148,332)	(4,756)	-	-	(881,015)	(28,247)
Book value	$560,518	$17,971	$(94,013)	$(3,014)	$-	$-	$466,505	$14,957

18. Other overdue receivables

	September 30,			
	2009		2010	
	NT$	US$	NT$	US$
Overdue receivables	$846,649	$26,433	$300,270	$9,627
Less: Allowance for doubtful accounts	(348,031)	(10,866)	(93,040)	(2,983)
Total	$498,618	$15,567	$207,230	$6,644

Allowance for doubtful accounts is evaluated and recorded based on the collectibility of each overdue receivable in pursuant to “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”.

19. Financial liabilities at fair value through profit or loss – current

	September 30,			
	2009		2010	
Item	NT$	US$	NT$	US$
Derivative financial instruments	$-	$-	$206,778	$6,629
Add: Adjustment of valuation	2,048,122	63,944	2,949,035	94,551
Total	$2,048,122	$63,944	$3,155,813	$101,180

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

20. Derivative financial liabilities for hedging - current

	September 30,			
	2009		2010	
Item	NT$	US$	NT$	US$
Derivative financial instruments	$-	$-	$-	$-
Add: Adjustment of valuation	101,881	3,181	621,359	19,922
Total	$101,881	$3,181	$621,359	$19,922

21. Preferred stock liabilities - noncurrent

(1) In accordance with the resolution of the Board of Directors' meeting on November 6, 2008, the Company issued 300,000 thousand shares of Class A preferred stocks at par value of NT$10 per share through private offerings. The offering was approved by Insurance Bureau of Financial Supervisory Commission, Executive Yuan ("Insurance Bureau") on November 18, 2008.

Primary terms and conditions of the privately offered Class A preferred stocks are listed as follows:

A. Issuance period covers from December 25, 2008, the issue date, to December 25, 2015, seven years in total.

B. Dividend yield is 3.5% per year based on the actual issue price of NT$50 per share. Unpaid dividends will accumulate and shall be paid in full with priority in the year with earnings.

C. The preference shares are not convertible to common stocks. When the shares are mature, the Company shall repurchase the shares at the issue price in compliance with R.O.C. Company Law. If the company is not able to repurchase all or a portion of the issued preferred stocks due to force majeure, the terms of the preferred stocks remain the same until the Company repurchases all outstanding shares. Dividends will be calculated at the original rate based on the actual extended period. Preferred shareholders' rights shall not be violated.

D. Preferred shareholders do not have rights to require the Company to redeem the shares. Five years after issuance, the Company can redeem the shares with the approval from the governing authorities.

(2) In accordance with the resolution of the Board of Directors' meeting on October 29, 2009, the Company issued 200,000 thousand shares of Class B preferred stocks at par value of NT$10 per share through private offerings. The offering was approved by Insurance Bureau of Financial Supervisory Commission, Executive Yuan ("Insurance Bureau") on December 14, 2009.

Primary terms and conditions of the privately offered Class B preferred stocks are listed as follows:

A. Issuance period covers from December 16, 2009, the issue date, to December 16, 2016, seven years in total.

B. Dividend yield is 2.9% per year based on the actual issue price of NT$50 per share. Unpaid dividends will accumulate and shall be paid in full with priority in the year with earnings.

C. The preference shares are not convertible to common stocks. When the shares are mature, the Company shall repurchase the shares at the issue price in compliance with R.O.C. Company Law. If the company is not able to repurchase all or a portion of the issued preferred stocks due to force majeure, the terms of the preferred stocks remain the same until the Company repurchases all outstanding shares. Dividends will be calculated at the original rate based on the actual extended period. Preferred shareholders' rights shall not be violated.

D. Preferred shareholders do not have rights to require the Company to redeem the shares. Five years after issuance, the Company can redeem the shares with the approval from the governing authorities.

According to the SFAS No. 36 "Financial Instruments: Disclosure and Presentation", the above mentioned Class A preferred stocks issued shall be categorized as a financial liability. Thus, the preferred stocks were reported as "preferred stock liabilities – noncurrent" under long-term liabilities.

22. Common stock

On April 29, 2010, the Company's Board of Directors resolved to issue 37,911 thousand shares of common stock at par value of NT$10 as stock dividends which was then approved by the Insurance bureau on May 24, 2010, and by Ministry of Economic affairs on June 14, 2010, respectively. The record date was set on June 27, 2010. As of September 30, 2009 and 2010, the total authorized thousand shares were 5,268,616 and 5,306,527, respectively, at par value of NT$10 each.

23. Retained earnings

(1) Legal reserve

Pursuant to the Insurance Act, 20% of the Company's after-tax net income in the current year must be appropriated as legal reserve until the total amount of the legal reserve equals the issued share capital. Prior to 2007, this legal reserve was appropriated by 10% of the Company's after-tax net income according to the R.O.C. Company Act. 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 shares capital, up to 50% of the reserve may be capitalized if resolved by the Company's Board of Directors.

On April 29, 2009, the Company's Board of Directors resolved to use the legal reserves to offset the cumulative deficits amounting to NT$3,207,084 (US$100,128) thousands.

(2)Special reserve

Pursuant to the regulations established by the R.O.C. MOF, the after-tax amount of released provision from the special claim reserves for contingency according to "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" are appropriated as special reserve when approved by stockholders' meeting in the following year. The retired reserves amounting to NT$1,233,539 (US$38,512) thousands and NT$1,284,982 (US$41,199) thousands for 2008 and 2009, respectively, were resolved by the Company's Board of Directors.

(3) Undistributed retained earnings

A. According to the Company's articles of incorporation, 20% of the Company's annual earnings, after paying tax and offsetting deficits, if any, shall be appropriated as legal reserve. 2% of the total remaining amount after distributing stockholders' interests can be distributed to employees as employees' bonus. Finally, the remainder after deducting for the above mentioned items must be appropriated with the resolutions of the Board of Directors.

B. According to the amended Income Tax Act ("Tax Act") in 1998, the Company has to pay an extra 10% income tax on all undistributed retained earnings generated during the year.

C. 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 losses of financial instruments expect for the special reserve since 2007.

D. The employee bonus and remuneration of directors for the nine months ended September 30, 2009 and 2010, amounting to NT$15,000 (US$468) thousands and NT$15,000 (US$481) thousands, respectively, was accrued based on the average of actual distribution in the past three years and recognized as operating costs or expenses. The difference between the actual distribution and the estimated amount will be adjusted in the following fiscal year.

E. The Company's distribution of 2009 retained earnings has been approved by the board of directors. It has yet to be approved by the stockholders' meeting. For related information please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.

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

24. Personnel expense、depreciation and amortizations

Item	For the nine months ended September 30, 2009 (NT$)			For the nine months ended September 30, 2009 (US$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	$17,816,050	$1,340,559	$19,156,609	$556,230	$41,853	$598,083
Labor & health insurance expenses	936,321	150,424	1,086,745	29,233	4,696	33,929
Pension expenses	604,243	97,075	701,318	18,865	3,031	21,896
Other expenses	884,361	159,262	1,043,623	27,611	4,972	32,583
Depreciation	-	1,761,649	1,761,649	-	55,000	55,000
Amortizations	-	152,489	152,489	-	4,761	4,761

Item	For the nine months ended September 30, 2010 (NT$)			For the nine months ended September 30, 2010 (US$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	$18,332,782	$1,492,557	$19,825,339	$587,777	$47,854	$635,631
Labor & health insurance expenses	1,127,533	189,300	1,316,833	36,151	6,069	42,220
Pension expenses	542,380	91,059	633,439	17,390	2,919	20,309
Other expenses	1,025,279	204,799	1,230,078	32,872	6,566	39,438
Depreciation	-	1,797,256	1,797,256	-	57,623	57,623
Amortizations	-	148,332	148,332	-	4,756	4,756

25. Estimated income taxes

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.

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

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

	September 30,			
	2009		2010	
	NT$	US$	NT$	US$
Total deferred tax assets	$7,927,170	$247,492	$8,653,863	$277,456
Total deferred tax liabilities	$(3,874,840)	$(120,975)	$(4,132,584)	$(132,497)
Allowance for deferred assets	$-	$-	$-	$-
Temporary differences:				
Pension expense	$1,431,167	$44,682	$1,328,944	$42,608
Unrealized foreign exchange losses	7,161,992	223,603	23,070,896	739,689
Gains from valuation on financial assets and liabilities	(15,499,361)	(483,901)	(24,309,322)	(779,395)
Impairment loss	567,936	17,731	1,302,936	41,774
Unrealized bad debt losses	229,865	7,177	455,551	14,606
Other	19,997	624	26,019	834
Total	$(6,088,404)	$(190,084)	$1,875,024	$60,116
Loss carryforwards	$7,877,603	$245,945	$6,509,728	$208,712
Tax effect under consolidated income tax system	$(2,004,781)	$(62,591)	$(2,369,808)	$(75,980)
Investment tax credits	$39,976	$1,248	$62,605	$2,007

	September 30,			
	2009		2010	
	NT$	US$	NT$	US$
Deferred tax assets - current	$1,608,459	$50,217	$3,989,028	$127,894
Deferred tax liabilities - current	(3,874,840)	(120,975)	(4,132,584)	(132,497)
Total net deferred tax liabilities - current	$(2,266,381)	$(70,758)	$(143,556)	$(4,603)

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd.

Note to unaudited financial statements-continued

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

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

	September 30,			
	2009		2010	
	NT$	US$	NT$	US$
Deferred tax assets - noncurrent	$6,318,711	$197,275	$4,664,835	$149,562
Deferred tax liabilities - noncurrent	-	-	-	-
Total net deferred tax assets - noncurrent	$6,318,711	$197,275	$4,664,835	$149,562

(2) Income tax expense (benefit) included the following:

	For the nine months ended September 30			
	2009		2010	
	NT$	US$	NT$	US$
Tax expenses before adjusting temporary and other differences	$-	$-	$-	$-
Add (less): Deferred income tax expense from bad debt losses	-	-	1,398	45
Deferred income tax benefit from unrealized foreign exchange gain	(5,056,417)	(157,865)	(2,576,010)	(82,591)
Deferred income tax expense from financial instruments valuation loss	10,188,790	318,101	1,287,822	41,290
Deferred income tax (benefit) expense from pension expense	(9,748)	(304)	20,889	670
Deferred income tax expense from impairment loss	100,480	3,137	-	-
Deferred income tax benefit from loss carryforwards	(4,831,713)	(150,850)	(597,004)	(19,141)
Adjustments to the deferred tax liabilities or assets for the change in income tax rate	1,460,374	45,594	868,897	27,858
Others	(26)	-	33	1
Separation tax	53,437	1,668	3,910	125
Prior year adjustment	169,638	5,296	(22,784)	(731)
Income tax credit	(6,126)	(191)	-	-
Tax effects under integrated income tax systems	75,951	2,371	(405,422)	(12,998)
Total income tax expense (benefit)	$2,144,640	$66,957	$(1,418,271)	$(45,472)

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

(3) The Company's income tax returns have been assessed by the Tax Authorities up to fiscal year 2005. The Company has filed or will file applications for re-examination for fiscal years of 2002 through 2005 to the Tax Authorities.

(4) Information related to imputation

	September 30,			
	2009		2010	
	NT$	US$	NT$	US$
Balance of imputation credit account	$2,361,941	$73,742	$2,317,857	$74,314

	September 30,	
	2009	2010
Imputation credit account ratio – actual (June 7, 2010)	-	33.33%
Imputation credit account ratio – actual	-(Note)	-

Note：The imputation credit account ratio was inapplicable due to the Company's cumulative deficits as of December 31, 2008.

(5) Information related to undistributed earnings

	September 30,			
	2009		2010	
Year	NT$	US$	NT$	US$
After 1998	$-	$-	$-	$-

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

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

(6) Tax credits obtained in accordance with "Statute for Upgrading Industries" are as follows:

		Amount of deductible income tax		Remaining balance		
Regulation	Deductible items	NT$	US$	NT$	US$	Expiry Year
Statute for Upgrading Industries	Education training	$16,403	$526	$16,403	$526	2011
Statute for Upgrading Industries	Education training	12,478	400	12,478	400	2012
Statute for Upgrading Industries	Education training	8,755	281	8,755	281	2013
Statute for Upgrading Industries	Investment in newly emerging, important and strategic industries	4,969	159	4,969	159	2011
Statute for Upgrading Industries	Hi-technology shareholders' investment tax credit	20,000	641	20,000	641	2011
Total		$62,605	$2,007	$62,605	$2,007	

26. Earnings per share

	For the nine months ended September 30, 2009			
	Before tax		After tax	
	NT$	US$	NT$	US$
Net income (a)	$3,337,343	$104,194	$1,192,703	$37,237
Outstanding number of thousand shares at end of period (b)	5,268,616	5,268,616	5,268,616	5,268,616
Weighted average outstanding number of thousand shares (c)	5,268,616	5,268,616	5,268,616	5,268,616
Retroactively weighted average outstanding number of thousand shares (d)	5,306,527	5,306,527	5,306,527	5,306,527
Earnings per share (a) / (d) (dollars)				
Net income	$0.63	$0.02	$0.22	$0.01

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

	For the nine months ended September 30, 2010			
	Before tax		After tax	
	NT$	US$	NT$	US$
Net income (a)	$(6,547,598)	$(209,926)	$(5,129,327)	$(164,454)
Outstanding number of thousand shares at end of period (b)	5,306,527	5,306,527	5,306,527	5,306,527
Weighted average outstanding number of thousand shares (c)	5,306,527	5,306,527	5,306,527	5,306,527
Earnings per share (a) / (c) (dollars)				
Net income	$(1.23)	$(0.04)	$(0.97)	$(0.03)

27. Related party transactions

(1) Related parties

Name	Relationship
Cathay Financial Holding Co., Ltd.	Parent company
Cathay United Bank	Subsidiary of Cathay Financial Holding Co., Ltd.
Cathay Century Insurance Co., Ltd.	Subsidiary of Cathay Financial Holding Co., Ltd.
Cathay Securities Co., Ltd.	Subsidiary of Cathay Financial Holding Co., Ltd.
Cathay Pacific Venture Capital Co., Ltd.	Subsidiary of Cathay Financial Holding Co., Ltd.
Cathay Venture Capital Corp.	Subsidiary of Cathay Financial Holding Co., Ltd (merged with Cathay Pacific Venture on August 10, 2009)
Cathay II Venture Capital Corp.	Subsidiary of Cathay Financial Holding Co., Ltd. (merged with Cathay Pacific Venture on August 10, 2009)
Cathay Capital Management Inc.	Subsidiary of Cathay Financial Holding Co., Ltd. (merged with Cathay Pacific Venture on August 10, 2009)
Cathay Life Insurance Ltd. (China)	Subsidiary of the Company
Cathay Life Insurance (Vietnam) Co., Ltd.	Subsidiary of the Company
Cathay Insurance (Bermuda) Co., Ltd.	Subsidiary of the Company
Symphox Information Co., Ltd.	Subsidiary of the Company

Name	Relationship
Cathay Securities Investment Consulting Co., Ltd.	Subsidiary of the Company
Indovina Bank Limited	Subsidiary of Cathay United Bank
Cathay Life Insurance Agent Co., Ltd.	Subsidiary of Cathay United Bank
Cathay Property Insurance Agent Co., Ltd.	Subsidiary of Cathay United Bank
Seaward Card Co., Ltd.	Subsidiary of Cathay United Bank
Cathay Futures Co., Ltd.	Subsidiary of Cathay Securities Co., Ltd.
Cathay Insurance Company Limited. (China)	An equity-method investee
Cathay Securities Investment Trust Co., Ltd.	An equity-method investee
Cathay General Hospital	Related party disclosed according to SFAS No. 6
Cathay Real Estate Development Co., Ltd.	Related party disclosed according to SFAS No. 6
Lin Yuan Property Management Co., Ltd.	Related party disclosed according to SFAS No. 6
Seaward Leasing Co., Ltd.	Related party disclosed according to SFAS No. 6
San Ching Engineering Co., Ltd.	Related party disclosed according to SFAS No. 6
Other related parties	The directors, supervisors, mangers, and their spouses, as well as their second immediate families

(2) Significant transactions with related parties

A. Property transactions

Transactions between the Company 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.

(A) Significant transactions with related parties for the nine months ended September 30, 2009 and 2010 are listed below:

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

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

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

The total amounts of contracted projects for real estate as of September 30, 2009 and 2010, between the Company and San Ching Engineering Co., Ltd. were NT$76,224 (US$2,380) thousands and NT$3,786,706 (US$121,408) thousands, respectively.

(B) Real-estate rental income (from related parties):

	Rental income			
	For the nine months ended September 30,			
	2009		2010	
Name	NT$	US$	NT$	US$
Cathay Financial Holding Co., Ltd.	$19,434	$607	$20,777	$666
Cathay Real Estate Development Co., Ltd.	16,583	518	15,048	482
Cathay United Bank	248,913	7,771	272,598	8,740
Cathay Century Insurance Co., Ltd.	67,199	2,098	67,484	2,164
Cathay General Hospital	99,766	3,115	100,628	3,226
San Ching Engineering Co., Ltd.	7,283	227	6,979	224
Symphox Information Co., Ltd.	13,655	426	13,406	430
Cathay Securities Investment Trust Co., Ltd.	16,726	522	18,251	585
Cathay Securities Co., Ltd.	16,018	500	16,254	521
Cathay Securities Investment Consulting Co., Ltd.	6,941	217	7,210	231
Total	$512,518	$16,001	$538,635	$17,269

	Guarantee deposits received			
	September 30, 2009		September 30, 2010	
Name	NT$	US$	NT$	US$
Cathay Real Estate Development Co., Ltd.	$4,886	$153	$4,886	$157
Cathay United Bank	68,143	2,127	71,606	2,296
Cathay Century Insurance Co., Ltd.	20,810	650	21,701	696
Cathay General Hospital	11,305	353	11,776	377
Cathay Securities Investment Trust Co., Ltd.	4,948	155	6,210	199
Cathay Securities Co., Ltd.	4,710	147	4,710	151
Cathay Financial Holding Co., Ltd.	5,964	186	5,816	186
Symphox Information Co., Ltd.	3,824	119	3,836	123
Total	$124,590	$3,890	$130,541	$4,185

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

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

(C) Real-estate rental expense (to related parties):

	Rental expense			
	For the nine months ended September 30,			
	2009		2010	
Name	NT$	US$	NT$	US$
Cathay Real Estate Development Co., Ltd.	$22,838	$713	$22,293	$715
Cathay United Bank	8,103	253	20,389	653
Total	$30,941	$966	$42,682	$1,368

	Guarantee deposits paid			
	September 30, 2009		September 30, 2010	
Name	NT$	US$	NT$	US$
Cathay Real Estate Development Co., Ltd.	$8,779	$274	$8,675	$278
Cathay United Bank	-	-	8,693	279
Total	$8,779	$274	$17,368	$557

According to contracts, periods of leases generally are 3 years, and rents are paid monthly.

B. Cash in banks

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

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

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

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

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

C. Other financial assets

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

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

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

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

D. Secured loans

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

	For the nine months ended September 30, 2009			
Name	Maximum amount US$	Interest income US$	Rate	Ending balance US$
Cathay General Hospital	$133,820	$2,358	1.85%-3.91%	$127,795
Other related parties	12,273	148	1.01%-5.37%	10,681
Total		$2,506		$138,476

	For the nine months ended September 30, 2010			
Name	Maximum amount NT$	Interest income NT$	Rate	Ending balance NT$
Cathay General Hospital	$4,026,030	$59,655	1.85%-2.14%	$3,823,947
Other related parties	301,378	3,457	1.01%-3.65%	280,123
Total		$63,112		$4,104,070

	For the nine months ended September 30, 2010			
Name	Maximum amount US$	Interest income US$	Rate	Ending balance US$
Cathay General Hospital	$129,081	$1,913	1.85%-2.14%	$122,602
Other related parties	9,663	110	1.01%-3.65%	8,981
Total		$2,023		$131,583

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

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

		September 30,			
		2009		2010	
Name		NT$	US$	NT$	US$
Cathay Securities Investment	Market value	$3,982,953	$124,351	$2,365,799	$75,851
Trust Co., Ltd managed funds.	Cost	$3,900,864	$121,788	$2,279,929	$73,098

F. Other accounts receivable

	September 30,			
	2009		2010	
Name	NT$	US$	NT$	US$
Cathay Century Insurance Co., Ltd.	$194,763	$6,081	$145,847	$4,676
Cathay Insurance (Bermuda) Co., Ltd.	27,615	862	9,234	296
Cathay Financial Holding Co., Ltd. (note)	4,460,845	139,271	6,448,271	206,742

Note：Receivables are refundable tax due to consolidated income tax system.

G. Other overdue receivable

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

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

H. Guarantee deposits paid

	September 30,			
	2009		2010	
Name	NT$	US$	NT$	US$
Cathay Futures Co., Ltd.	$299,992	$9,366	$174,314	$5,589

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

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

I. Other payable

	September 30,			
	2009		2010	
Name	NT$	US$	NT$	US$
Symphox Information Co., Ltd.	$33,166	$1,035	$20,186	$647
Lin Yuan Property Management Co., Ltd.	36,462	1,138	46,267	1,483
Cathay Financial Holding Co., Ltd. (Note)	402,712	12,573	609,575	19,544
Cathay Century Insurance Co., Ltd.	9,499	297	9,128	293

Note: Payables due to interest expense accrued from preferred stock liability.

J. Premiums income

	For the nine months ended September 30,			
	2009		2010	
Name	NT$	US$	NT$	US$
Cathay United Bank	$435,953	$13,611	$440,852	$14,135
Cathay General Hospital	21,130	660	24,932	799
Cathay Century Insurance Co., Ltd.	6,716	209	8,078	259
Other related parties	214,257	6,689	101,562	3,256
Total	$678,056	$21,169	$575,424	$18,449

K. Insurance expense

	For the nine months ended September 30,			
	2009		2010	
Name	NT$	US$	NT$	US$
Cathay Century Insurance Co., Ltd.	$93,080	$2,906	$90,940	$2,916

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

The insurance expenses were related to insurance for fixed assets, cash, public accident and etc. Amounts of NT$8,511 (US$266) thousands and NT$8,569 (US$275) thousands paid by the Company on behalf of its employees for fidelity bond insurance were included in above insurance expenses for the nine months ended September 30, 2009 and 2010, respectively.

L. Indemnity income

	For the nine months ended September 30,			
	2009		2010	
Name	NT$	US$	NT$	US$
Cathay Century Insurance Co., Ltd.	$7,233	$226	$6,708	$215

Included in above indemnity income for the nine months ended September 30, 2009 and 2010, amounts of NT$5,543 (US$173) thousand and NT$6,586 (US$211) thousand were from fidelity bond insurance paid by the Company on behalf of its employees.

M. Reinsurance income

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

Since April 1, 2000, Cathay Insurance (Bermuda) Co., Ltd. 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, the Company assumed 60% and 90% of the reinsurance business from Cathay Insurance (Bermuda) Co., Ltd, respectively.

N. Reinsurance service expenses

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

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

O. Reinsurance claims payment

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

P. Reinsurance commission expense

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

Q. Miscellaneous income

	For the nine months ended September 30,			
	2009		2010	
Name	NT$	US$	NT$	US$
Cathay Century Insurance Co., Ltd.	$759,540	$23,713	$770,951	$24,718
Cathay United Bank	64,926	2,027	68,047	2,182
Cathay Securities Investment Trust Co., Ltd.	64,769	2,022	92,415	2,963
Cathay General Hospital	3,809	119	4,037	129
Total	$893,044	$27,881	$935,450	$29,992

Miscellaneous income is mainly generated from the Company's integrated marketing activities.

R. Commissions expenses

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

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

S. Operating expenses

	For the nine months ended September 30,			
	2009		2010	
Name	NT$	US$	NT$	US$
Symphox Information Co., Ltd.	$179,092	$5,591	$176,269	$5,652
Lin Yuan Property Management Co., Ltd.	449,050	14,020	457,099	14,655
Cathay Securities Investment Consulting Co., Ltd.	17,010	531	17,010	545
Seaward Card Co., Ltd.	43,987	1,373	44,984	1,442
Seaward Leasing Co., Ltd.	8,719	272	10,376	333
Cathay United Bank	845,829	26,407	1,149,678	36,861
Cathay Pacific Venture Capital Co., Ltd.	20,000	625	15,506	497
Cathay General Hospital	3,540	111	-	-
Total	$1,567,227	$48,930	$1,870,922	$59,985

T. Non-operating expenses and losses

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

Non-operating expenses and losses are interest expenses accrued from preferred stock liability.

U. Other

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

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

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

(B) The Company 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.

28. Pledged assets

As of September 30, 2009 and 2010, the Company provided cash and time deposits to its lessees as guarantees for the guarantee deposits paid and bonds pledged with courts in legal as guarantee of litigations. Furthermore, pursuant to Article 141 of the Insurance Act, the Company deposited its government bonds with the Central Bank as the "Guaranteed Depository Insurance".

	September 30,			
	2009		2010	
Item	NT$	US$	NT$	US$
Guarantee deposits paid				
- Government bonds	$9,418,421	$294,050	$9,118,777	$292,362
Guarantee deposits paid - Time deposits	92,150	2,877	100,316	3,216
Guarantee deposits paid - others	24,831	775	11,746	377
Total	$9,535,402	$297,702	$9,230,839	$295,955

Pledged assets are summarized based on the carrying amounts.

29. Other important commitment and contingent liabilities

None.

30. Serious disaster damages

None.

31. Significant subsequent events

None.

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

32. Others matters

(1) Pension related information

According to the R.O.C. SFAS No.23 "Interim Financial Reporting and Disclosure", the interim financial statements are not required to follow the principles outlined in the R.O.C. SFAS No.18 "Accounting for pensions".

(2) Separate account insurance products related information

A. Separate account insurance products - assets and liabilities

Assets			Liabilities		
Item	September 30, 2009		Item	September 30, 2009	
	NT$	US$		NT$	US$
Cash in bank	$9,498	$297	Other payable	$2,712,837	$84,697
Financial assets at fair value through profit or loss	271,280,335	8,469,570	Reserve for separate account	272,156,520	8,496,925
Other receivable	3,579,524	111,755			
Total	$274,869,357	$8,581,622	Total	$274,869,357	$8,581,622

Assets			Liabilities		
Item	September 30, 2010		Item	September 30, 2010	
	NT$	US$		NT$	US$
Cash in bank	$289,309	$9,276	Other payable	$1,741,650	$55,840
Financial assets at fair value through profit or loss	271,236,451	8,696,263	Reserve for separate account	272,293,384	8,730,150
Interests receivable	752	24			
Other receivable	2,508,522	80,427			
Total	$274,035,034	$8,785,990	Total	$274,035,034	$8,785,990

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

B. Separate account insurance products - revenues and expenses

Expenses			Revenues		
Item	January 1-September 30, 2009		Item	January 1-September 30, 2009	
	NT$	US$		NT$	US$
Insurance claims payment	$2,769,940	$86,480	Premiums income	$41,034,502	$1,281,127
Cash surrender value	16,526,845	515,980	Recovered separate account reserve	7,635,113	238,374
Dividends	1,927	60	Interest income	7,408	231
Provision for separate account reserve	88,223,637	2,754,406	Gain from valuation on financial assets	48,636,015	1,518,452
Losses on disposal of investments	2,440,422	76,192	Gains on foreign exchange	15,872,923	495,564
Administrative expenses	3,228,313	100,790	Miscellaneous income	5,051	158
			Adjustments	72	2
Total	$113,191,084	$3,533,908	Total	$113,191,084	$3,533,908

Expenses			Revenues		
Item	January 1-September 30, 2010		Item	January 1-September 30, 2010	
	NT$	US$		NT$	US$
Insurance claims payment	$4,636,308	$148,647	Premiums income	$27,073,577	$868,021
Cash surrender value	30,895,741	990,566	Recovered separate account reserve	45,923,982	1,472,395
Dividends	621	20	Interest income	3,092	99
Provision for separate account reserve	45,932,948	1,472,682	Gain from valuation on financial assets	10,720,419	343,713
Administrative expenses	3,234,944	103,717	Gains on foreign exchange	380,983	12,215
Adjustment	1	-	Miscellaneous income	5,179	166
			Gains on disposal of investments	593,331	19,023
Total	$84,700,563	$2,715,632	Total	$84,700,563	$2,715,632

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

C. The commission earned for the sales of separate account insurance products from counterparties for the nine months ended September 30, 2009 and 2010 were NT$2,376,266 (US$74,189) thousands and NT$634,264 (US$20,335) thousands, respectively.

(3) Discretionary account management

	September 30, 2009			
	Carrying amount		Fair value	
Item	NT$	US$	NT$	US$
Listed stocks	$5,337,127	$166,629	$5,337,127	$166,629
Repurchase bonds	4,436,891	138,523	4,436,891	138,523
Cash in banks	871,371	27,205	871,371	27,205
Total	$10,645,389	$332,357	$10,645,389	$332,357

	September 30, 2010			
	Carrying amount		Fair value	
Item	NT$	US$	NT$	US$
Listed stocks	$5,417,107	$173,681	$5,417,107	$173,681
Repurchase bonds	3,689,379	118,287	3,689,379	118,287
Cash in banks	391,607	12,556	391,607	12,556
Total	$9,498, 093	$304,524	$9,498,093	$304,524

As of September 30, 2009 and 2010, the Company entered into discretionary account management contracts in the amounts of NT$9,300,000 (US$290,353) thousands and NT$8,300,000 (US$266,111) thousands, respectively.

(4) Revenues and expenses arising from business transactions, promotion activities and information sharing between parent company or other subsidiaries are allocated to the Company and its affiliates based on the attribution of the transactions.

(5) Financial risk management objectives and policies

The Company'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.

The Company also enters into derivative transactions such as stock index options, index futures, interest rate futures, interest rate swaps, currency forwards, cross currency swaps 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. The Company 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 parent company Cathay Financial Holding Co., Ltd., 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. The risk management policies are summarized as follows:

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. The Company 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 the Company'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 the Company's exposure to the credit risk, following evaluations and controls are performed:

The Company has taken the credit concentration index of each conglomerate into consideration of establishing Lending Policy to prevent from over-exposure. Strict credit evaluations are carried out by the Company before committing to business lending, mortgage lending, policy loan, and securities investments. All business lendings are secured by land, property, plant and equipment 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. The Company 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, the Company has adopted and implemented the internal control regulations and procedures. The Company has also commenced the development of information systems to accommodate and support the aforementioned policies.

Liquidity Risk

Liquidity risk is the risk stemming from the lack of marketability of an investment that can not be bought or sold quickly enough to prevent or minimize a loss. The Company primarily 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, the Company also conducts analysis of assets allocation, liquid asset ratio and cash flows to ensure the effectiveness and timeliness of managing liquidity risk.

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. The Company 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.

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

(6) Financial instruments related information

A. Fair value

	September 30, 2009			
	NT$		US$	
Item	Carrying amount	Fair value	Carrying amount	Fair value
Assets - non-derivative				
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
Long-term 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
Liabilities - non-derivative				
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
Assets - derivative				
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.

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

	September 30, 2009			
	NT$		US$	
Item	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities - derivative				
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			
	NT$		US$	
Item	Carrying amount	Fair value	Carrying amount	Fair value
Assets - non-derivative				
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
Long-term 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.

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

	September 30, 2010			
	NT$		US$	
Item	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities - non-derivative				
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
Assets - derivative				
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
Liabilities - derivative				
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

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

① The fair value of the Company’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.

② The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount as the Company predicts the future cash inflow or outflow will be of similar amount to the carrying value.

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

③ Quoted market price, if available, are utilized as estimates of the fair value of financial instruments. If no quoted market prices exist for the Company'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 the Company. The Company 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.

④ 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.

⑤ If no quoted market prices exist for the Company's long-term investments accounted for under the equity method, then their fair value is taken as approximating their carrying amounts when no permanent market value decline exists.

⑥ 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:

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

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

	September 30, 2009			
	Based on the quoted market price		Based on valuation techniques	
Financial instruments	NT$	US$	NT$	US$
Liabilities-non-derivative				
Notes and accounts payable	$-	$-	$17,044,541	$532,143
Preferred stock liability - noncurrent	-	-	15,690,060	489,855
Assets - derivative				
Financial assets at fair value through profit or loss - current				
Forward, CS, and CCS	-	-	17,867,870	557,848
IRS and CDS	-	-	104,078	3,249
Derivative financial assets for hedging – current				
IRS and CDS	-	-	2,418,823	75,517
Liabilities - derivative				
Financial liabilities at fair value through profit or loss - current				
Forward, CS, and CCS	-	-	1,662,559	51,906
IRS and CDS	-	-	385,563	12,038
Derivative financial liabilities for hedging – current				
IRS and CDS	-	-	101,881	3,181

	September 30, 2010			
	Based on the quoted market price		Based on valuation techniques	
Financial instruments	NT$	US$	NT$	US$
Assets - non-derivative				
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	39,542,615	1,267,798	305,224	9,786
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

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

	September 30, 2010			
	Based on the quoted market price		Based on valuation techniques	
Financial instruments	NT$	US$	NT$	US$
Assets - non-derivative				
Investments in debt securities with no active market - current	$-	$-	$7,228,184	$231,747
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
Investment in debt securities with no active market – noncurrent	-	-	261,828,577	8,394,632
Long-term investments under the equity method	-	-	4,613,811	147,926
Other financial assets - noncurrent	-	-	21,142,180	677,851
Liabilities-non-derivative				
Notes and accounts payable	-	-	40,481,447	1,297,898
Preferred stock liability - noncurrent	-	-	26,772,743	858,376
Assets - derivative				
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
Liabilities - derivative				
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

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

B. Risk of interest rate

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

① September 30, 2009

Non-derivative financial instruments of fixed interest rate

	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
Item	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	-	-	-	-	-	-	-	-

	Due in 4~5 years		Over 5 years		Total	
Item	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

	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
Item	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	-	-	-	-	-	-

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

	Due in 4~5 years		Over 5 years		Total	
Item	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

	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
Item	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	-	-	-	--

	Due in 4~5 years		Over 5 years		Total	
Item	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

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

② September 30, 2010

Non-derivative financial instruments of fixed interest rate

	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
Item	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	15,820,467	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	-	-	-	-	-	-	-	-

	Due in 4~5 years		Over 5 years		Total	
Item	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

	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
Item	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	-	-	-	-	-	-

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

	Due in 4~5 years		Over 5 years		Total	
Item	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

	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
Item	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	-	-	-	-	-	-

	Due in 4~5 years		Over 5 years		Total	
Item	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

C. Credit risk

The Company doesn't expose to concentrations of credit risk.

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

D. Hedged accounting disclosures

Cash flow hedges

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

① September 30, 2009

Par value				
NT$	US$	Exchange rate	Frequency	Maturity date
$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

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

Par value NT$	Par value US$	Exchange rate	Frequency	Maturity date
$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

② September 30, 2010

Par value NT$	Par value US$	Exchange rate	Frequency	Maturity date
$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	20.12.9.9
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

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

Par value				
NT$	US$	Exchange rate	Frequency	Maturity date
$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.

The Company's interest rate swap agreements are considered to be highly effective cash flow hedges. The Company recognized unrealized gains on these financial instruments in the amount of NT$1,944,534 (US$60,710) thousands and NT$2,218,293 (US$71,122) thousands in equity for the nine-month periods ended September 30, 2009 and 2010, respectively.

Fair value hedges

①The following table summarizes the terms of the Company's credit default swap for bonds used as hedging instruments September 30, 2009 and 2010:

a.September 30, 2009

Par value US$	Hedge item	Maturity date
$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

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

b.September 30, 2010

None.

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

The Company's credit default swap agreements are considered to be highly effective fair value hedges. The Company recognized unrealized losses on these financial instruments in the amount of NT$767,535 (US$23,963) thousands in losses from valuation on financial assets of NT$100,228 (US$3,129) thousands and losses from valuation on financial liabilities of NT$667,307 (US$20,834) thousands for the nine-month period ended September 30, 2009.

② The following table summarizes the terms of the Company's interest rate swap for bonds used as hedging instruments at September 30, 2009 and 2010:

a.September 30, 2009

None.

b.September 30, 2010

Par value		
US$	Hedge item	Maturity date
30,000	Debenture with no active market	2019.9.30
20,000	Debenture with no active market	2019.10.7
20,000	Debenture with no active market	2019.12.1
30,000	Debenture with no active market	2020.5.4
30,000	Debenture with no active market	2040.5.17
30,000	Debenture with no active market	2040.5.18

The Company'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.

33. Information regarding investment in Mainland China

On December 25, 2002, July 24, 2003 and May 16, 2008, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company 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. The Company's subsidiary, Cathay Life Insurance Ltd. (China) has acquired a business license of an enterprise as legal person on December 29, 2004. The Company 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, the Company's remittances to Cathay Life Insurance Ltd. (China) totaled approximately US$78,330 thousands.

On October 17, 2007, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company 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 the Company to increase the remittances from US$26,390 thousands to US$28,960 thousands. The Company 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, the Company's remittances to this general insurance company totaled approximately US$28,140 thousands.

34. Segment Information

Not applicable.