

Cathay Financial Holdings Co., Ltd
2013 First Quarter Briefing



May 2013

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Agenda

Part I : Business Overview

- **1Q13 Business highlights**
- **1Q13 Financial results**
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Overseas expansion**

Part II : Special Topics of Cathay Life

- **Property reappraisal**
- **Embedded value & appraisal value**
- **Recovery plan for special reserve of unrealized gains on property**
- **Fair value of insurance liability**

1Q13 Business highlights

Cathay United Bank

- Loan maintained flat with benign credit quality
- Fee income grew by 14.1% YoY
- Offshore earnings and its contribution to pre-tax profits kept increasing

Cathay Life

- Regular-paid products accounted for 95.6% of traditional policies; ranked No.1 by FYPE
- Cash position 5.5%; overseas investment increased to 45.1%; hedging gain 0.3%
- Net profits improved significantly due to better investment performance and recovery of special reserve on property unrealized gains

Cathay Century

- Market share increased to 12.3%, premium income grew by 14.1% YoY; maintained No.2 market position
- Continued to extend business in main provinces in Midwest China
- Total premium of Vietnam subsidiary grew by 78.4% YoY

Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$371BN
- Continued to launch new products and broaden the business of individual & institutional clients

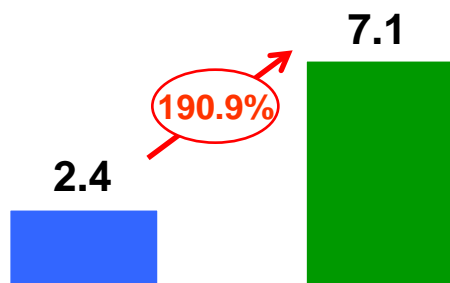
Cathay Securities

- Each business line performed steadily
- Underwriting volume increased significantly YoY

Cathay FHC — Net income & EPS

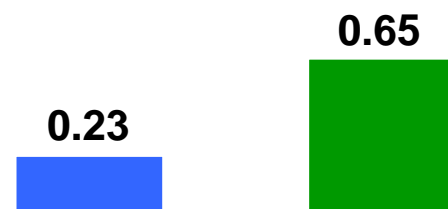
Net income

1Q12 1Q13 (NT\$BN)

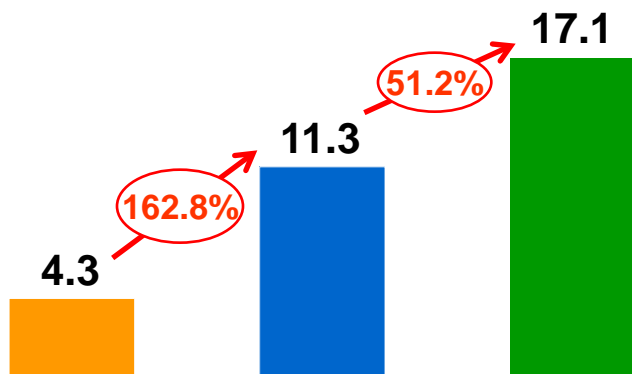


EPS

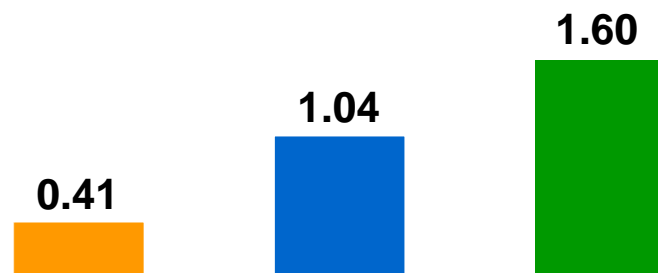
1Q12 1Q13 (NT\$)



FY10 FY11 FY12 (NT\$BN)



FY10 FY11 FY12 (NT\$)



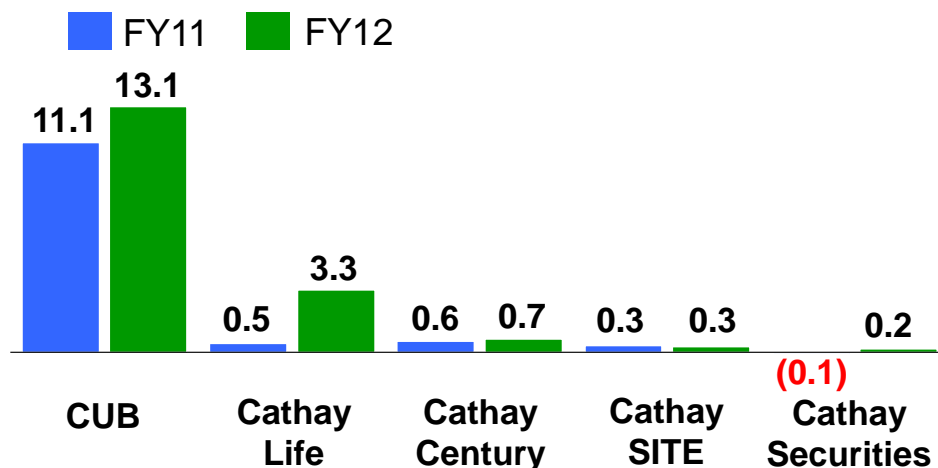
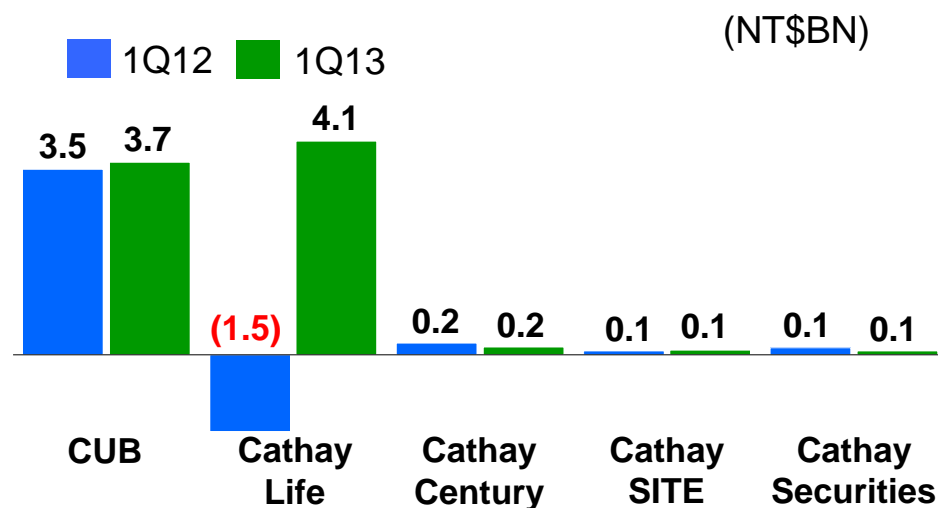
Note: (1) Data of 1Q12 & 1Q13 was based on IFRS principle; net income calculation included minority interest; Cathay FHC 1Q12 and 1Q13 net income included minority interest of NT\$130 mn and NT\$140 mn. EPS excluded minority interest

(2) Without FX fluctuation reserve, 1Q13 net income of Cathay FHC was NT\$9.7 bn (EPS of NT\$0.9)

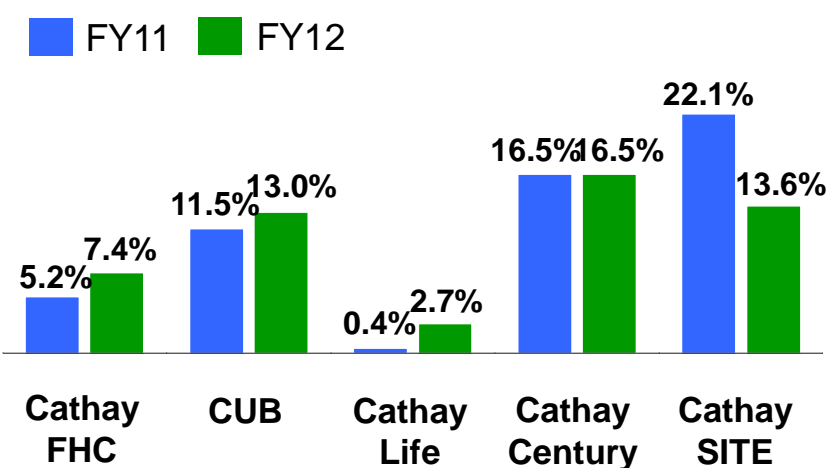
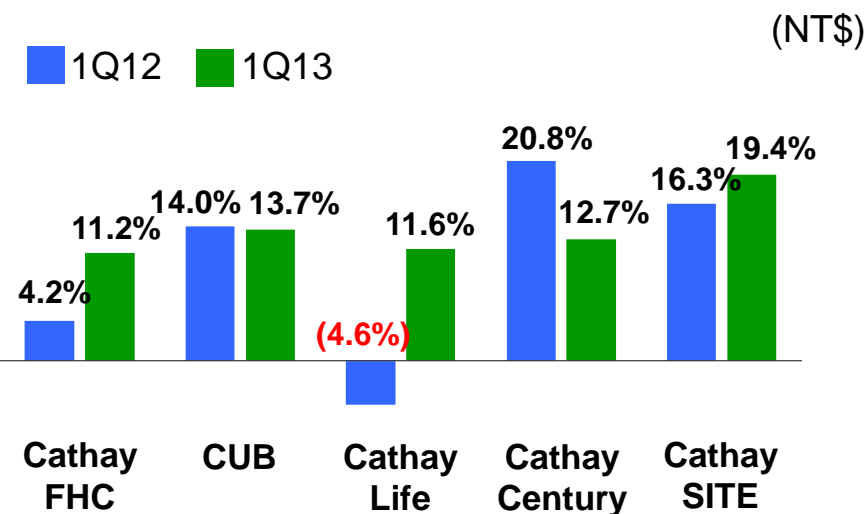
(3) Without the recovery of "special reserve of property unrealized gains," 1Q13 net income of Cathay FHC was NT\$4.6 bn (EPS of NT\$0.42)

Cathay FHC — Net income & EPS

Net income of primary subsidiaries



ROE



Note: (1) Data of 1Q12 & 1Q13 was based on IFRS principle; net income & ROE calculation included minority interest

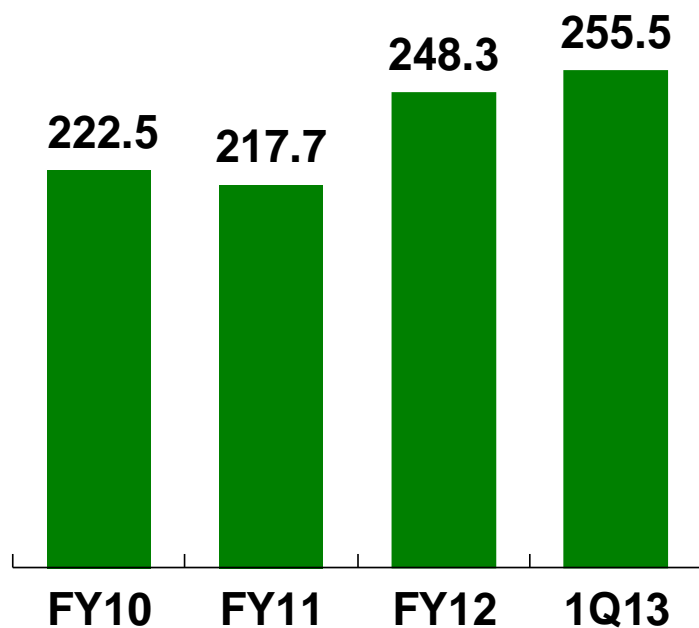
(2) Without FX fluctuation reserve, 1Q13 net income of Cathay Life was NT\$6.7 bn (EPS NT\$1.26)

(3) Without the recovery of "special reserve of property unrealized gains," 1Q13 net income of Cathay Life was NT\$1.6 bn (EPS NT\$0.28)

Cathay FHC — Book value & BVPS

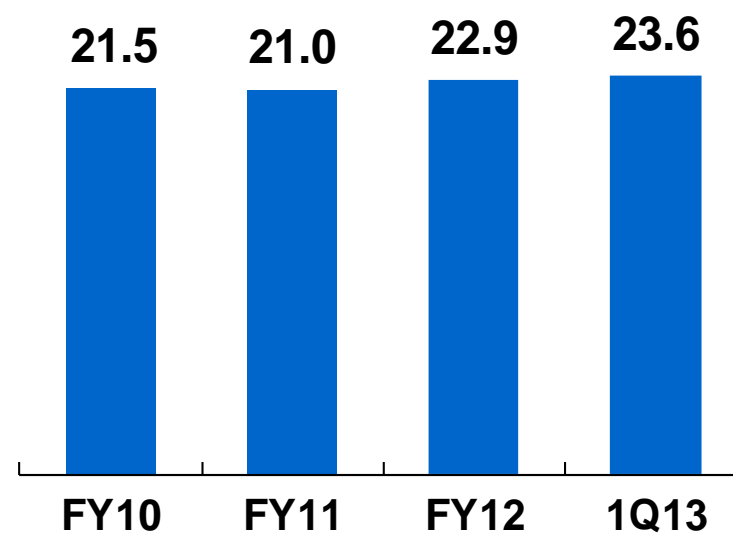
Book value

(NT\$BN)



BVPS

(NT\$)



Note: Figures of FY12 & 1Q13 were under IFRS principle: book value included minority interest, while BVPS excluded minority interest

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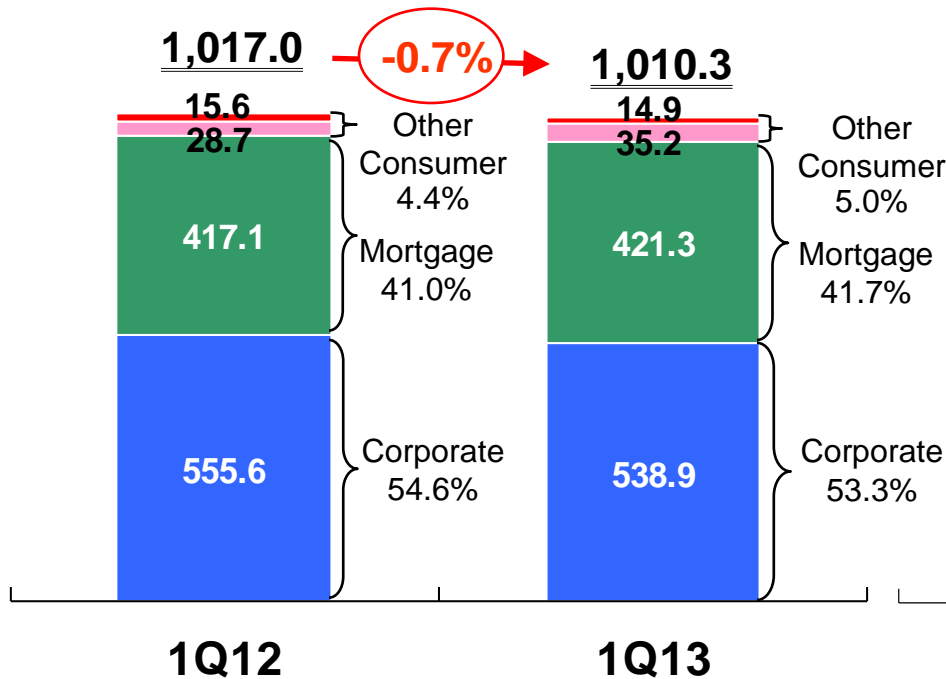
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Cathay United Bank — Loan & Deposit breakdown

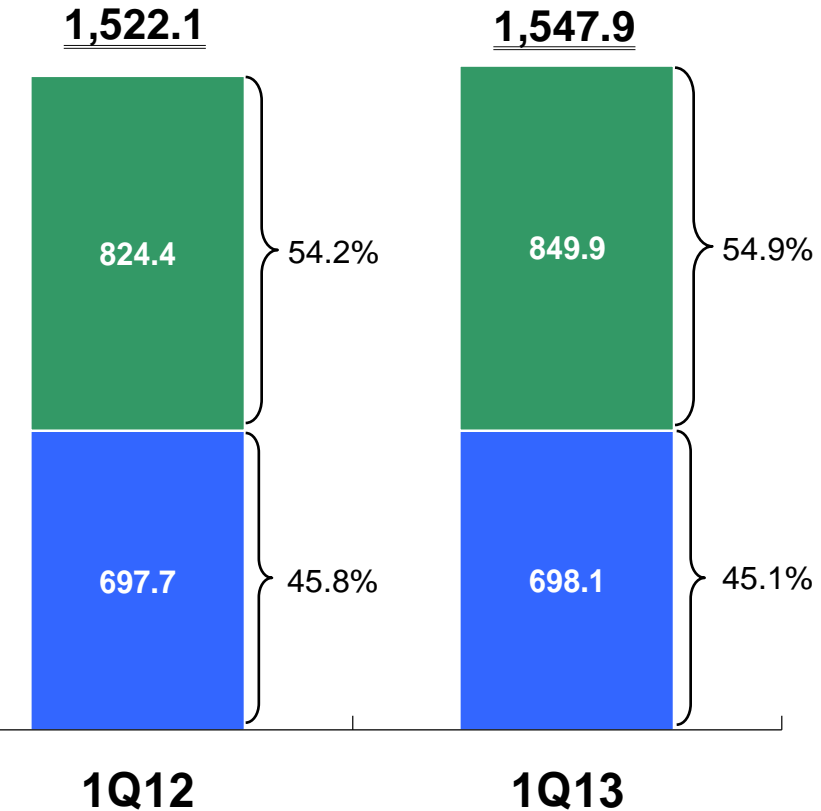
Loan breakdown

- Credit Card related (NT\$BN)
- Consumer
- Mortgage
- Corporate

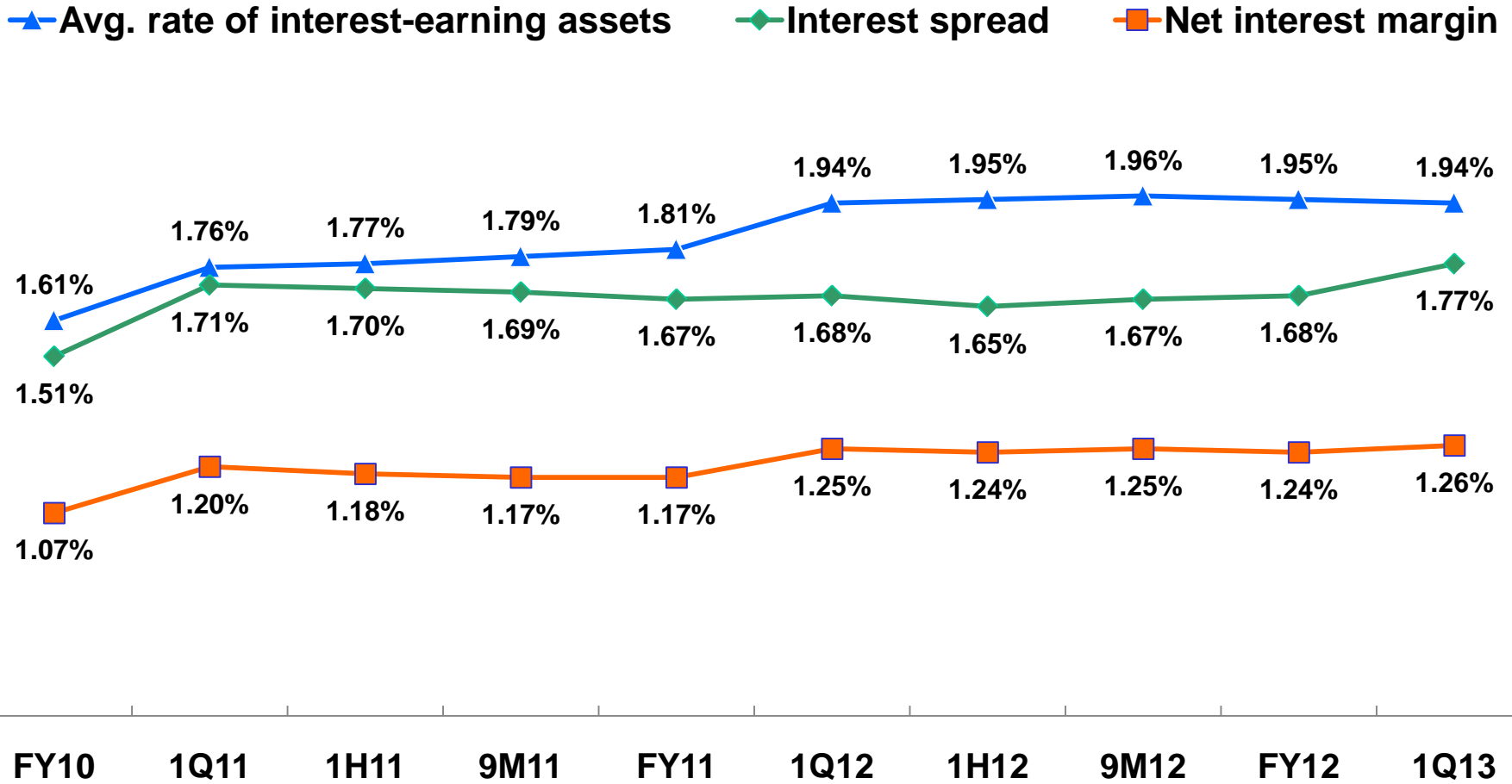


Deposit breakdown

- Demand Deposit (NT\$BN)
- Time Deposit



Cathay United Bank – Interest yields

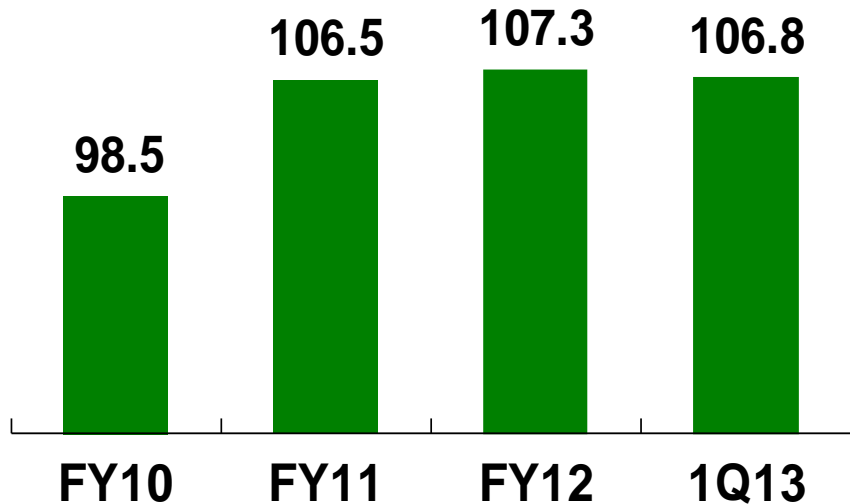


Note: Credit card related loans are included in the calculation.

Cathay United Bank — SME & Foreign currency loans

SME loans

(NT\$BN)

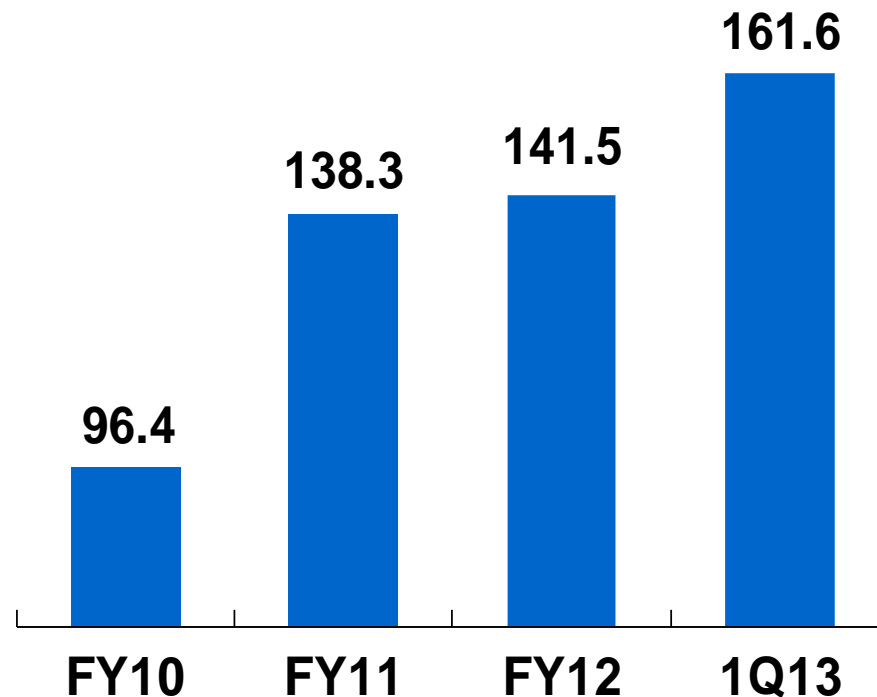


As % of total loans

10.9% 10.6% 10.6% 10.6%

Foreign currency loans

(NT\$BN)

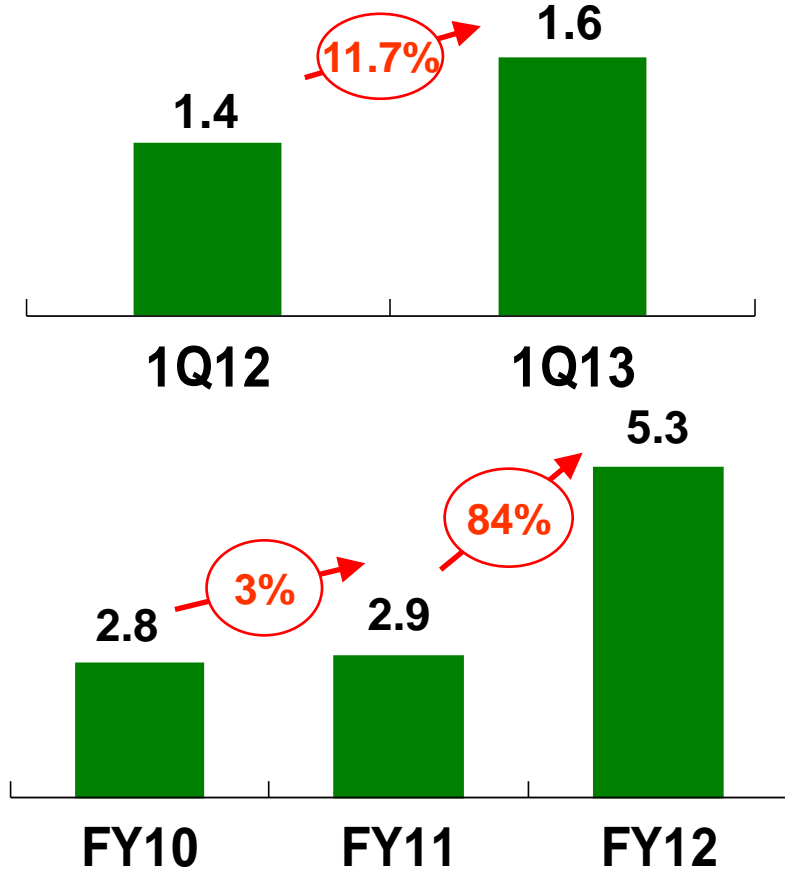


10.7% 13.7% 14.0% 16.0%

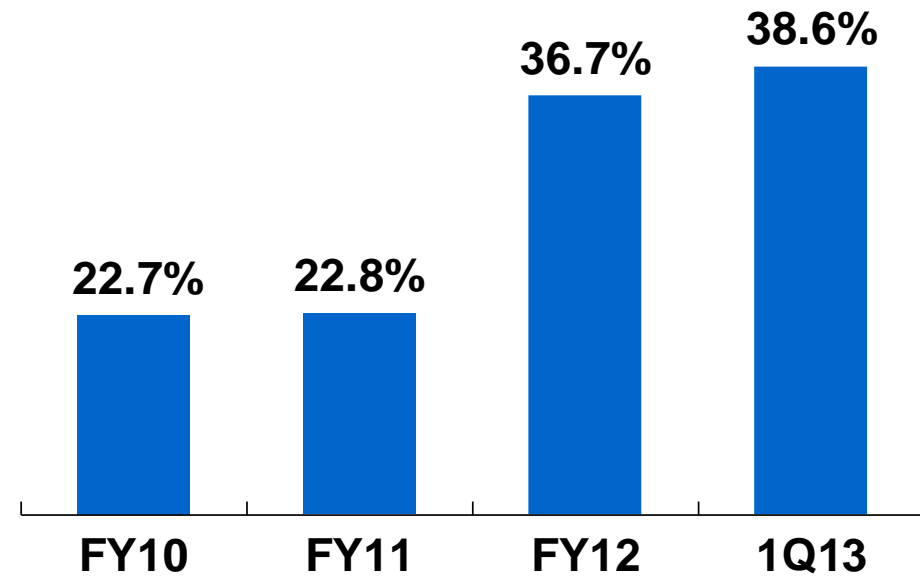
Cathay United Bank – Offshore earnings

Offshore earnings

(NT\$BN)



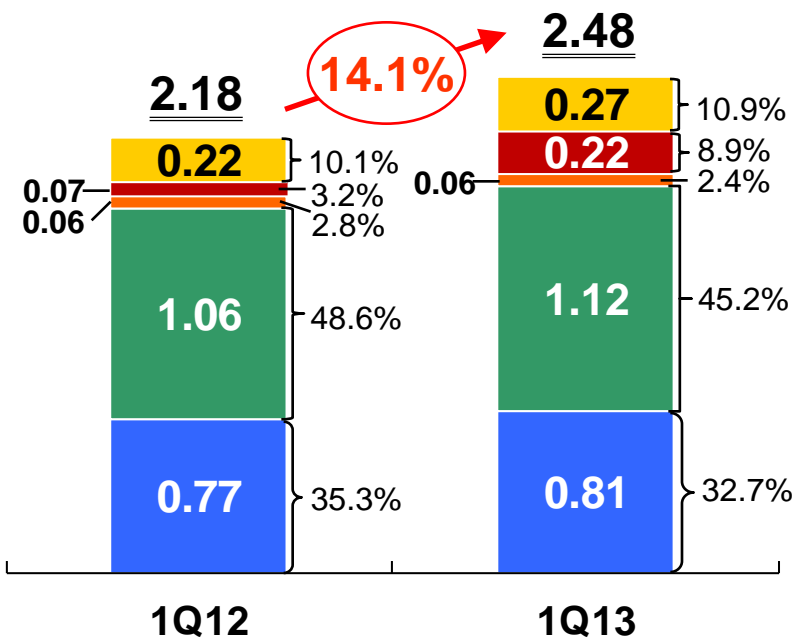
As % of CUB pre-tax profits



Cathay United Bank – Fee income

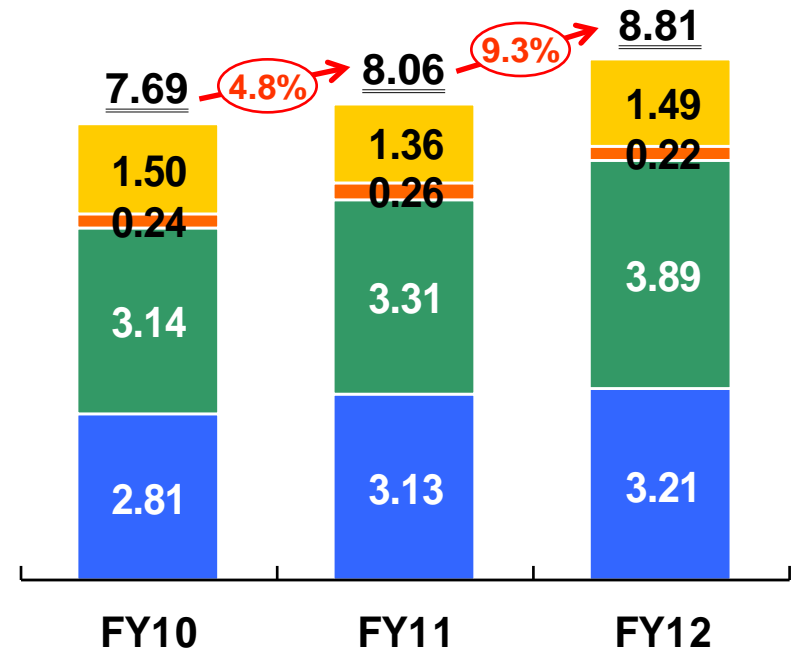
Fee income breakdown (quarterly)

- Others (NT\$BN)
- Syndicated loans
- FX
- Wealth management
- Cards related



Fee income breakdown (annual)

- Others (NT\$BN)
- FX
- Wealth management
- Cards related

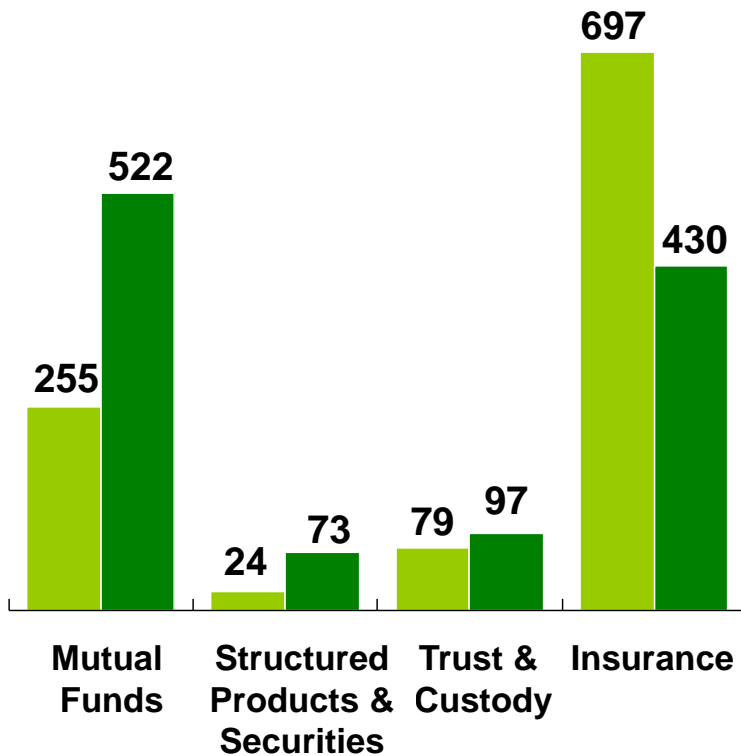


Note: Totals may not sum due to rounding.

Cathay United Bank – Wealth management

Wealth management fee breakdown (quarterly)

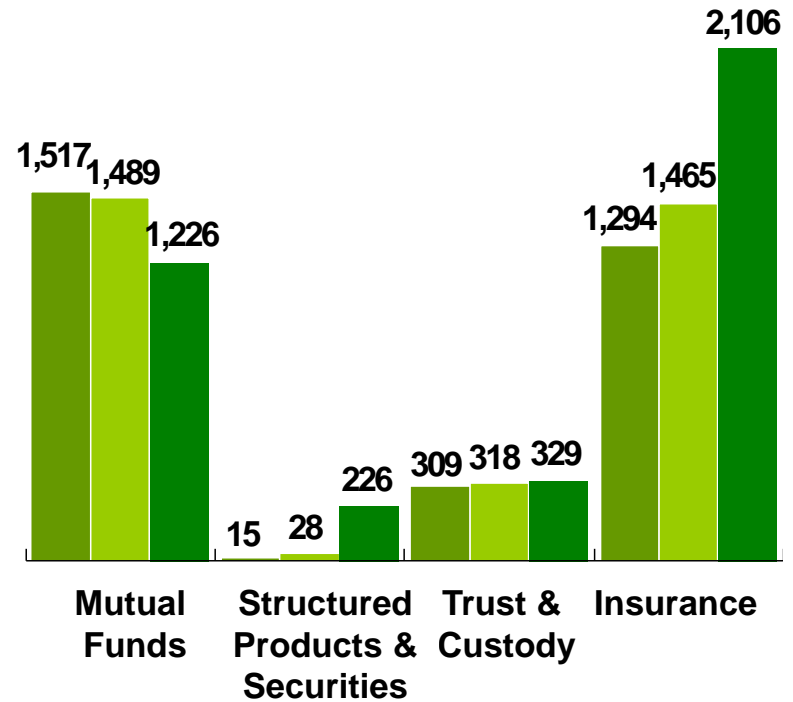
■ 1Q12 ■ 1Q13 (NT\$MN)



Wealth management fee breakdown (annual)

■ FY10 ■ FY11 ■ FY12 (NT\$MN)

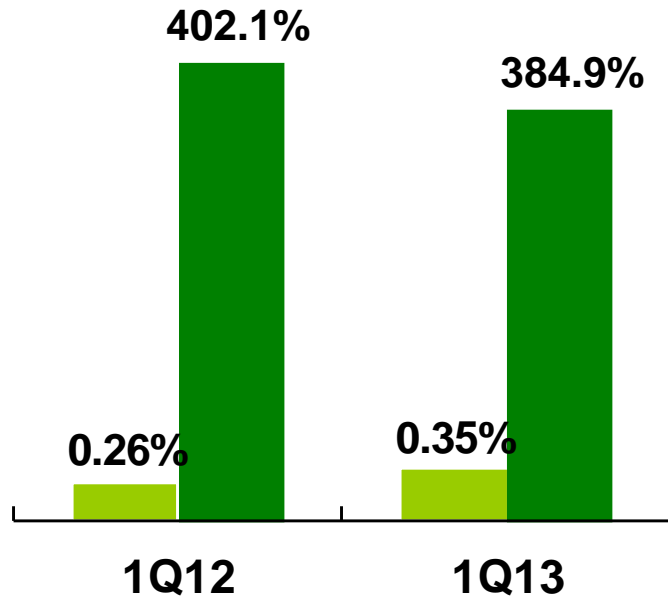
(NT\$MN)	FY10	FY11	FY12	1Q13
Fee income	3,142	3,309	3,894	1,125
YoY growth (%)	52.4%	5.3%	17.7%	6.5%



Cathay United Bank – Credit quality

NPL & Coverage ratio

- NPL ratio
- Coverage ratio

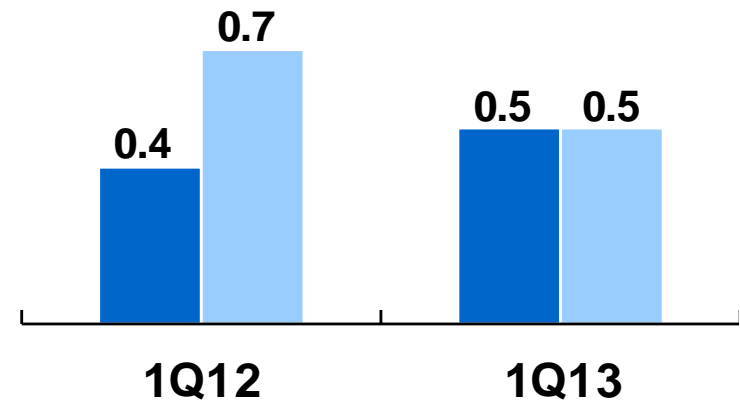


Mortgage NPL	0.07%	0.06%
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Gross provision

(NT\$BN)

- Gross provision
- Recovery



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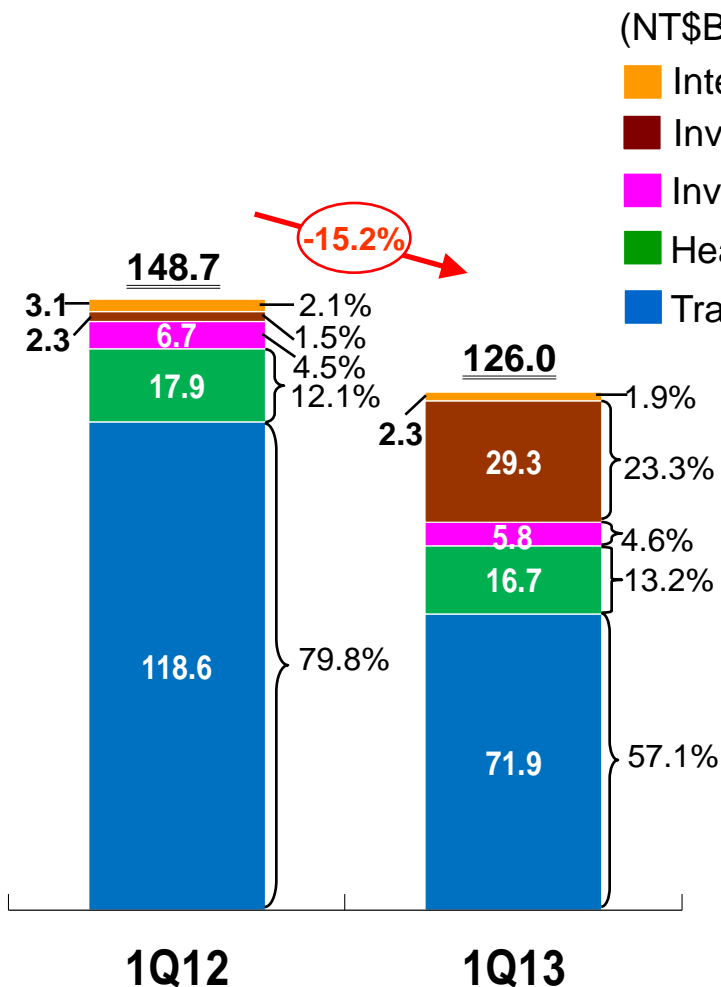
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Part II : Special Topics of Cathay Life

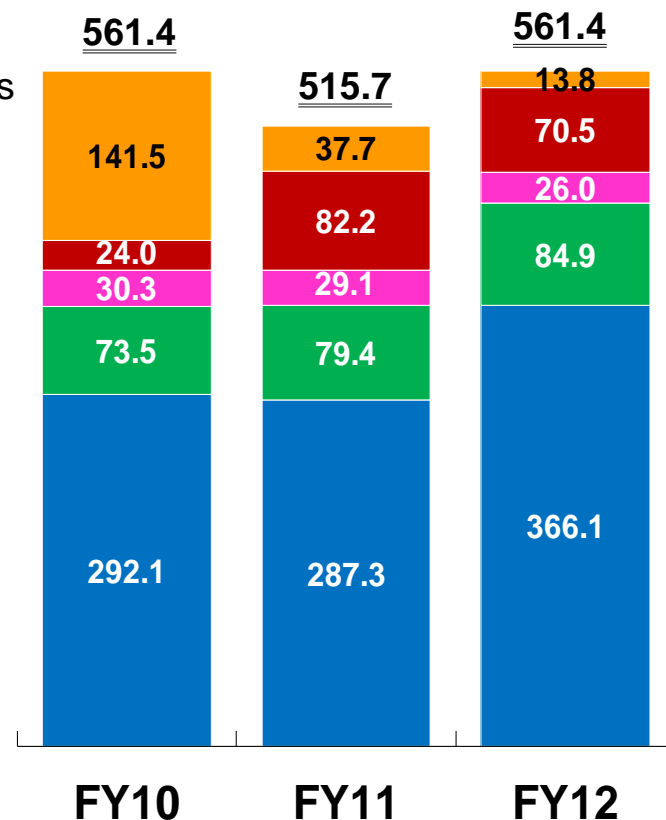
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Cathay Life – Total premium

Total premium (quarterly)



Total premium (annual)

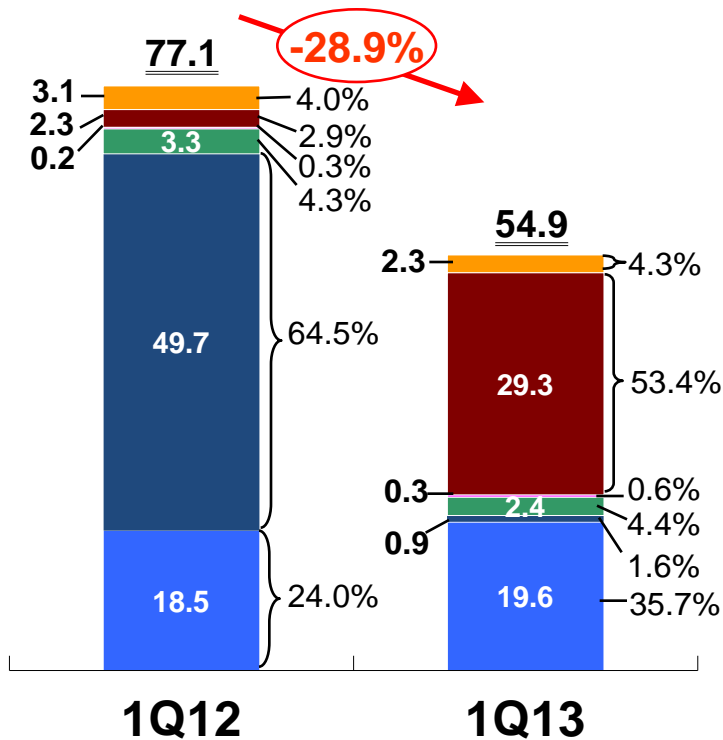


Note: Totals may not sum due to rounding.

Cathay Life — FYP/ FYPE

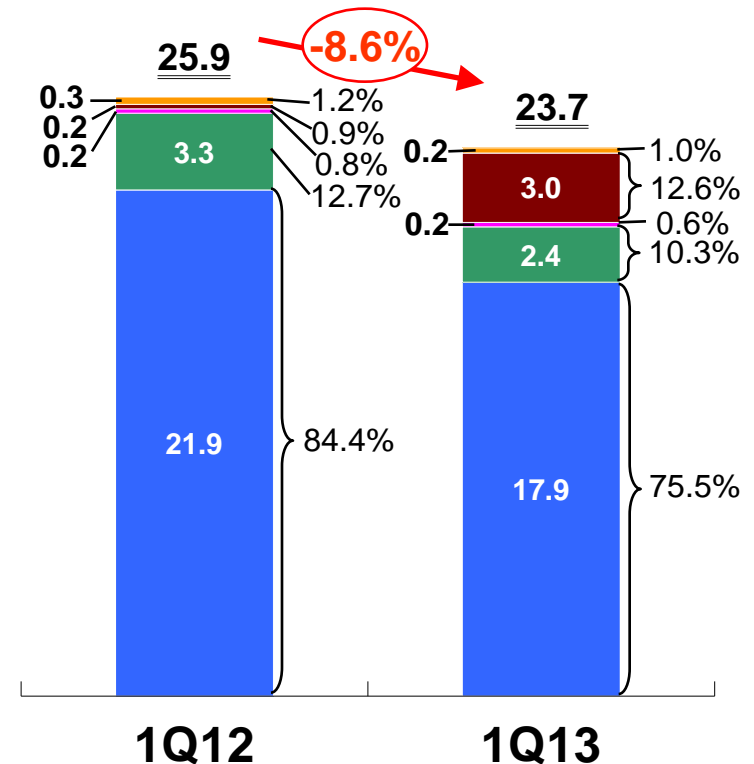
FYP

- Interest crediting annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life – single paid
- Traditional life – regular paid



FYPE

- Interest crediting annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life

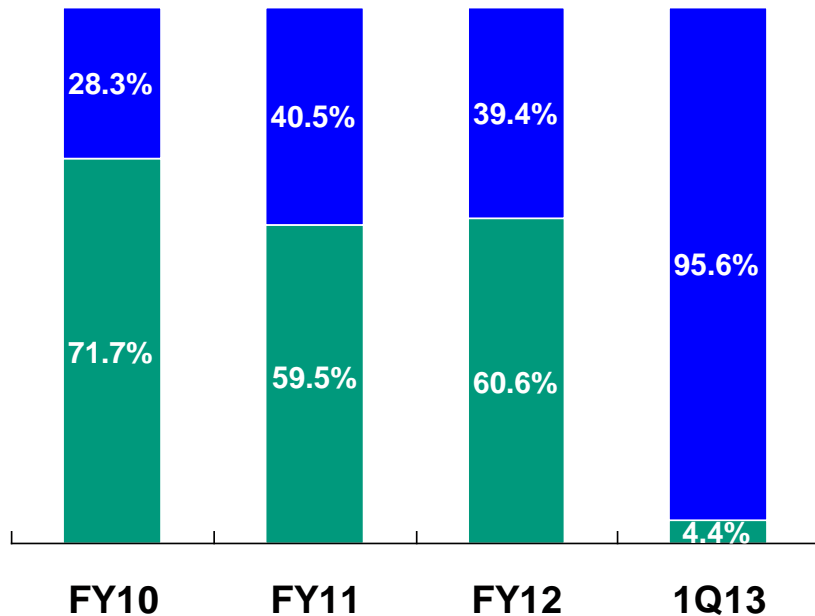


Note: Totals may not sum due to rounding.

Cathay Life – Regular pay policies improve margin and VNB

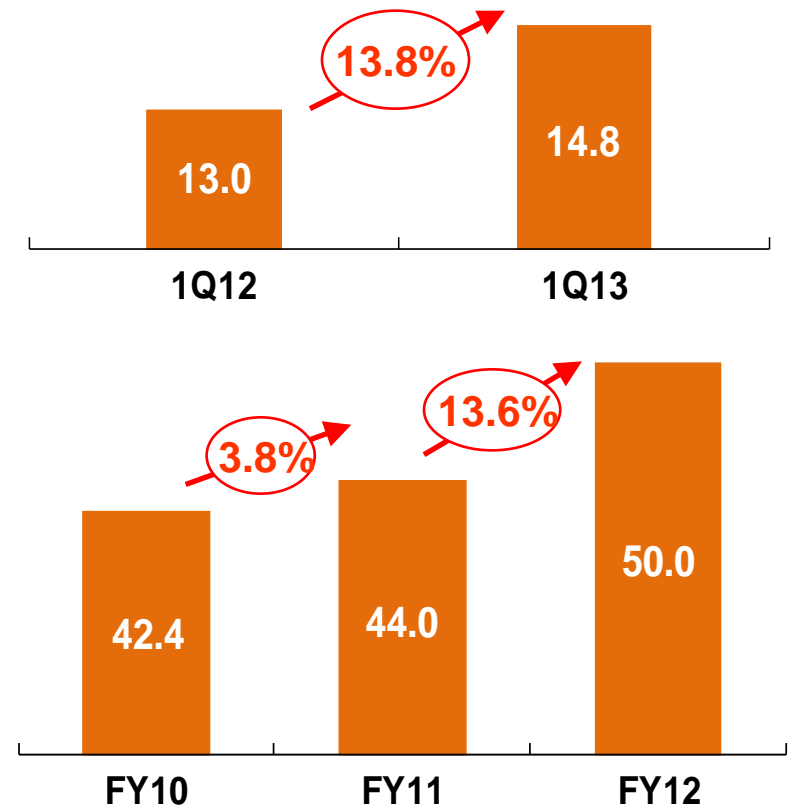
Breakdown of Traditional FYP

- Traditional life - regular paid
- Traditional life - single paid



VNB

(NT\$BN)

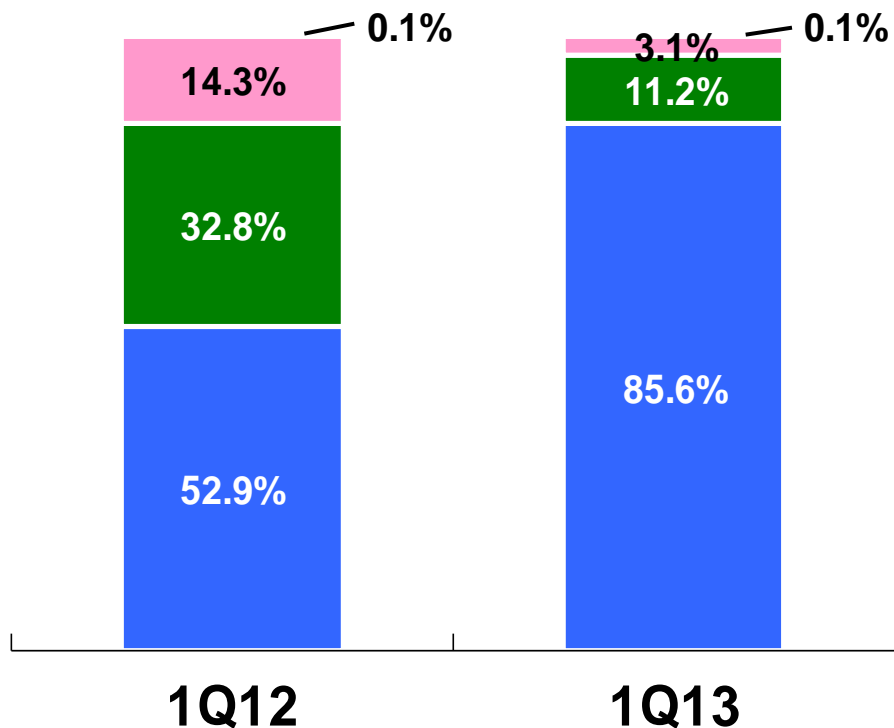


Note: FY12 VNB is based on the 2012 EV actuarial assumptions made by Cathay Life

Cathay Life — Distribution channel

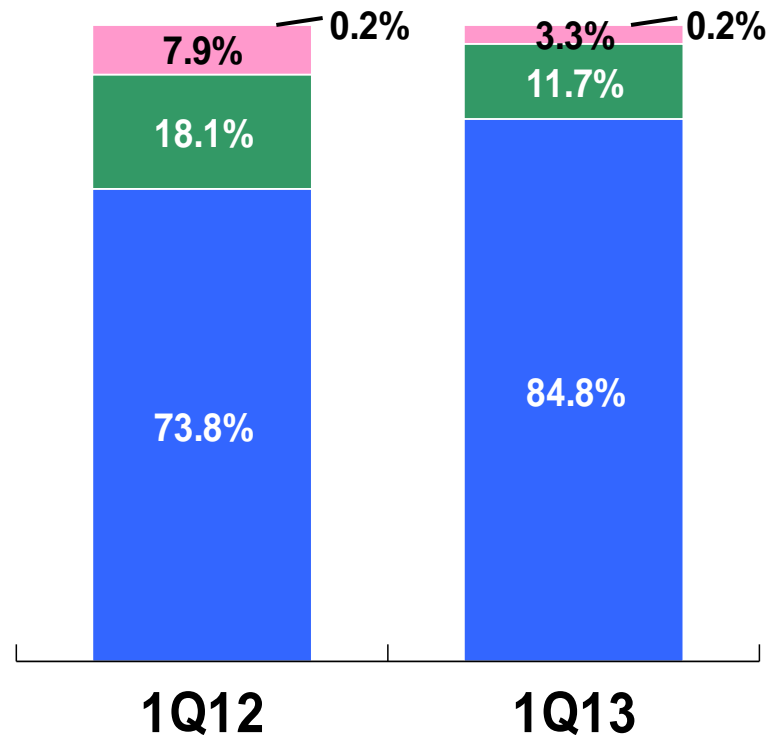
FYP

- Others
- Bancassurance-external
- Bancassurance-CUB
- Tied agents



FYPE

- Others
- Bancassurance-external
- Bancassurance-CUB
- Tied agents



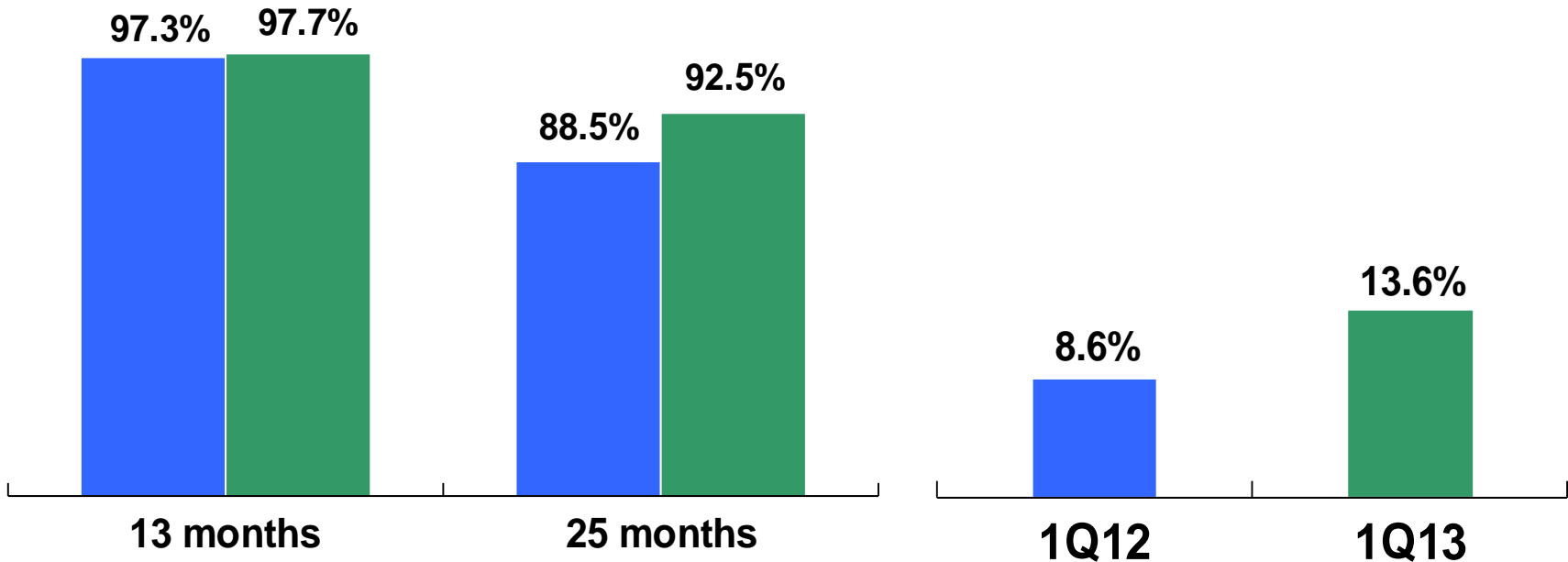
Note: Totals may not sum due to rounding.

Cathay Life – Operational indicators

Persistency ratio

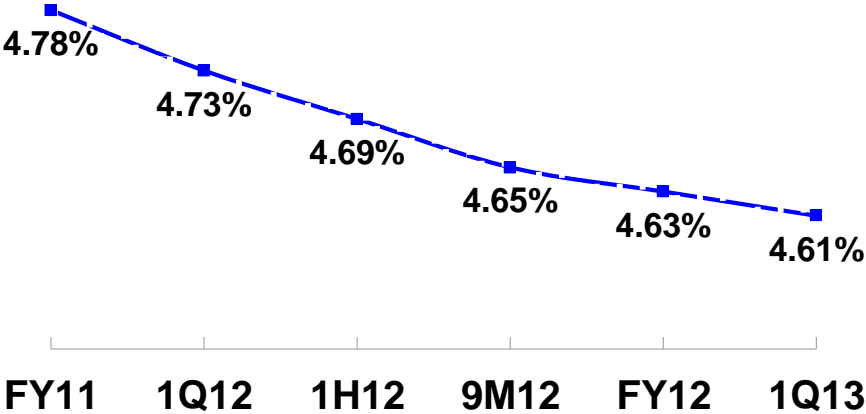
Expense ratio

■ 1Q12 ■ 1Q13

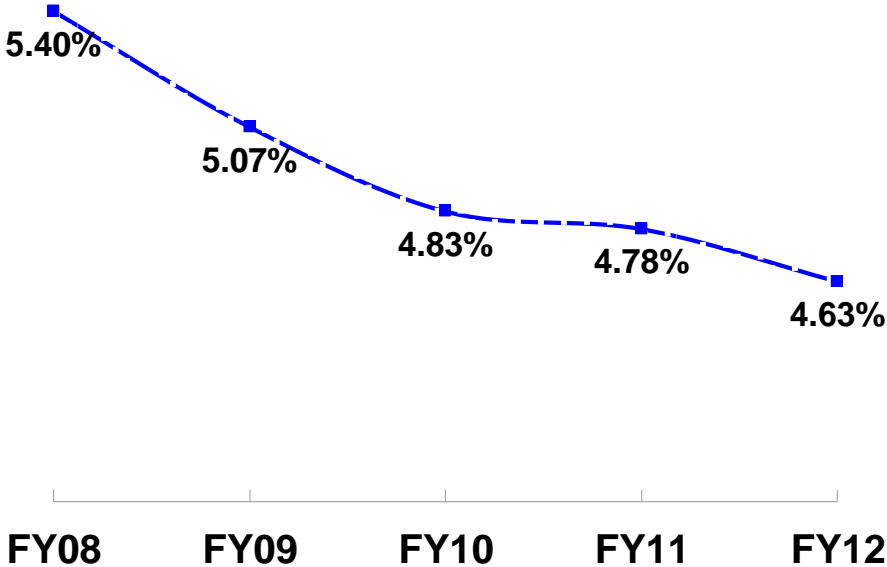


Cathay Life – Cost of liability

Cost of liability (quarterly)



Cost of liability (annual)



Note: The figures of cost of liability are reserve-based

Cathay Life – Investment portfolio

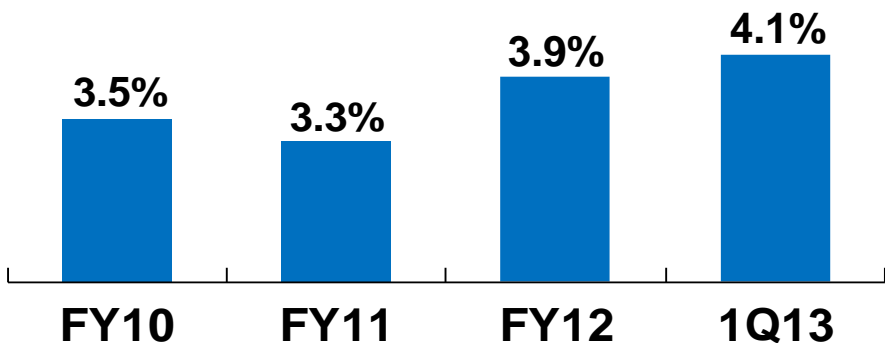
(NT\$BN)	4Q10	4Q11	4Q12	1Q13	
Total investments⁽¹⁾	2,745.3	2,959.2	3,283.7	3,423.5	
	Weight			Amt. (NT\$BN)	Weight
Cash & Cash equivalents	12.9%	8.6%	8.2%	188.2	5.5%
Equity- Domestic	7.3%	8.5%	8.1%	284.3	8.3%
Equity- International	1.7%	4.0%	4.3%	160.4	4.7%
Bond- Domestic	15.6%	16.4%	16.6%	557.0	16.3%
Bond- International⁽²⁾	38.5%	38.6%	39.6%	1,383.6	40.4%
Mortgage & Secured loans	10.6%	10.2%	10.3%	370.2	10.8%
Policy loans	7.0%	6.4%	5.5%	178.4	5.2%
Real estate	5.0%	5.4%	5.6%	255.0	7.4%
Others	1.5%	2.0%	1.8%	46.5	1.4%

Note (1): Total assets excluded from separate account assets; totals may not sum due to rounding

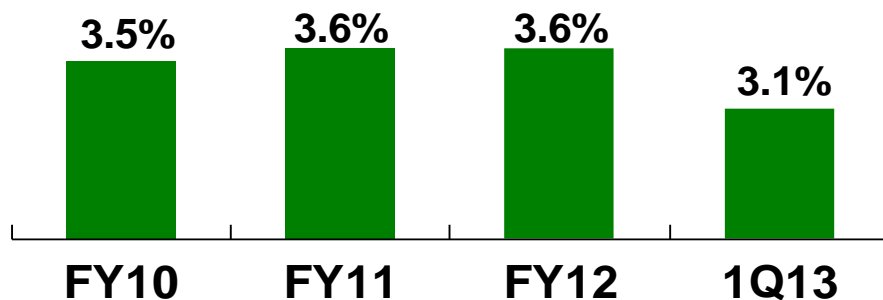
(2): Includes foreign currency deposit and related adjustments

Cathay Life – Investment performance highlight

After-hedging investment yield



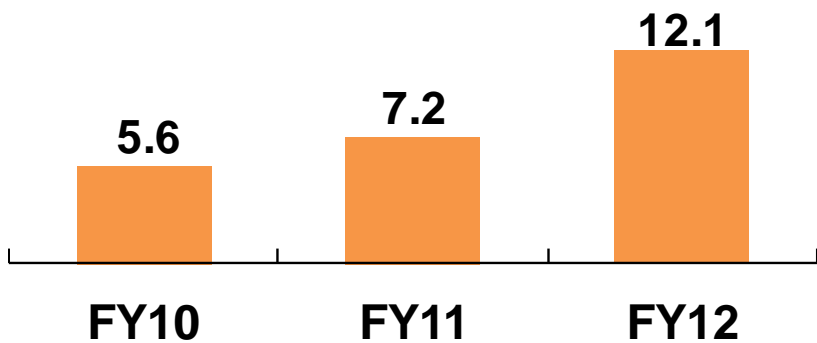
Pre-hedging recurring yield



Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend. Most dividend will be recognized in 2Q & 3Q.

Cash dividend

(NT\$BN)



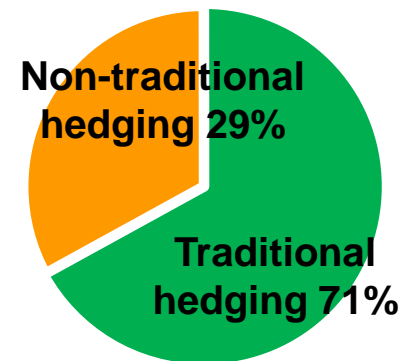
Hedging cost

1Q13 FX hedging cost

-0.26%
(hedging gain)

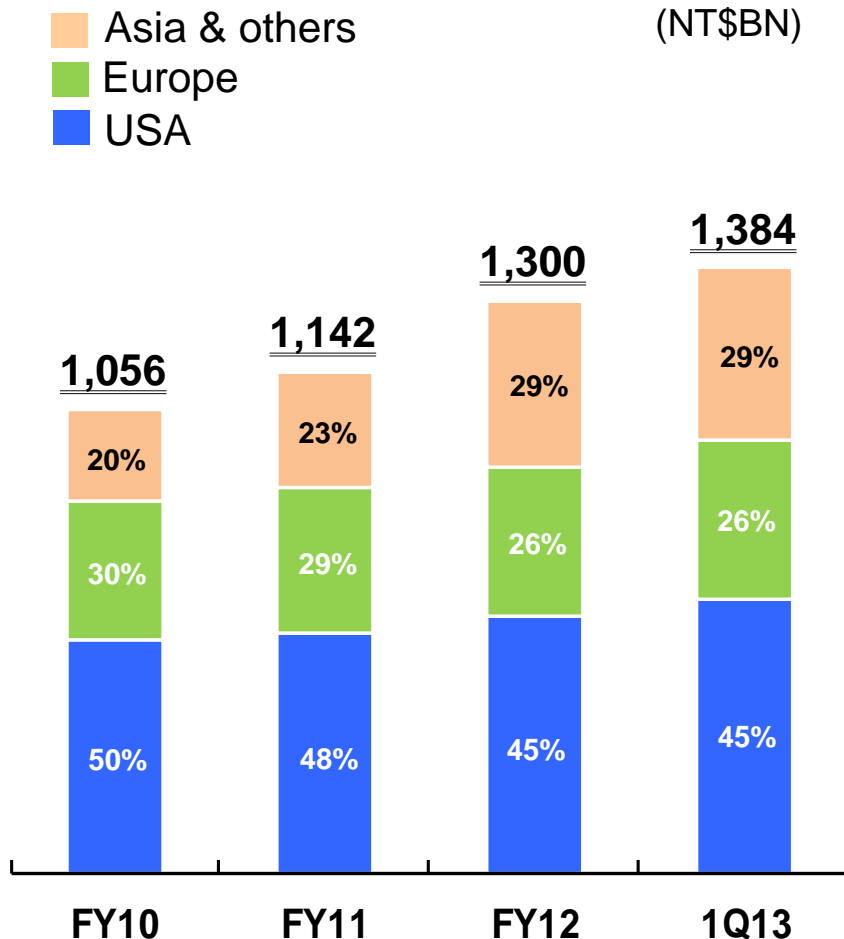
Traditional hedging
cost

0.28%



Cathay Life – International bond investment highlight

Overseas Bond by Region



Top 5 of European Exposure

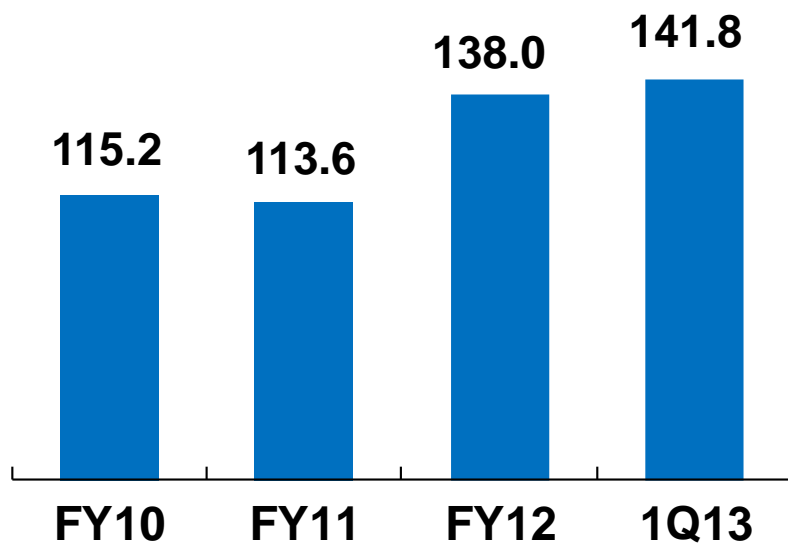
Country	As % of international bond investment
UK	7.5
Germany	6.4
France	4.8
Netherlands	2.5
Switzerland	1.5
Total	22.5

Note: Top 5 countries account for 85% of European exposure

Cathay Life – Book value & Unrealized G/L of AFS financial assets

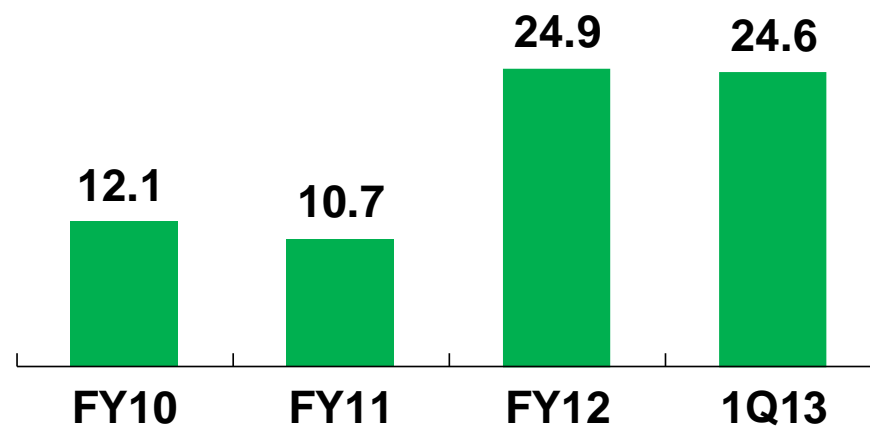
Book value

(NT\$BN)



Unrealized G/L of AFS financial assets

(NT\$BN)



Note: Figures of FY12 & 1Q13 were under IFRS principle: book value included minority interest

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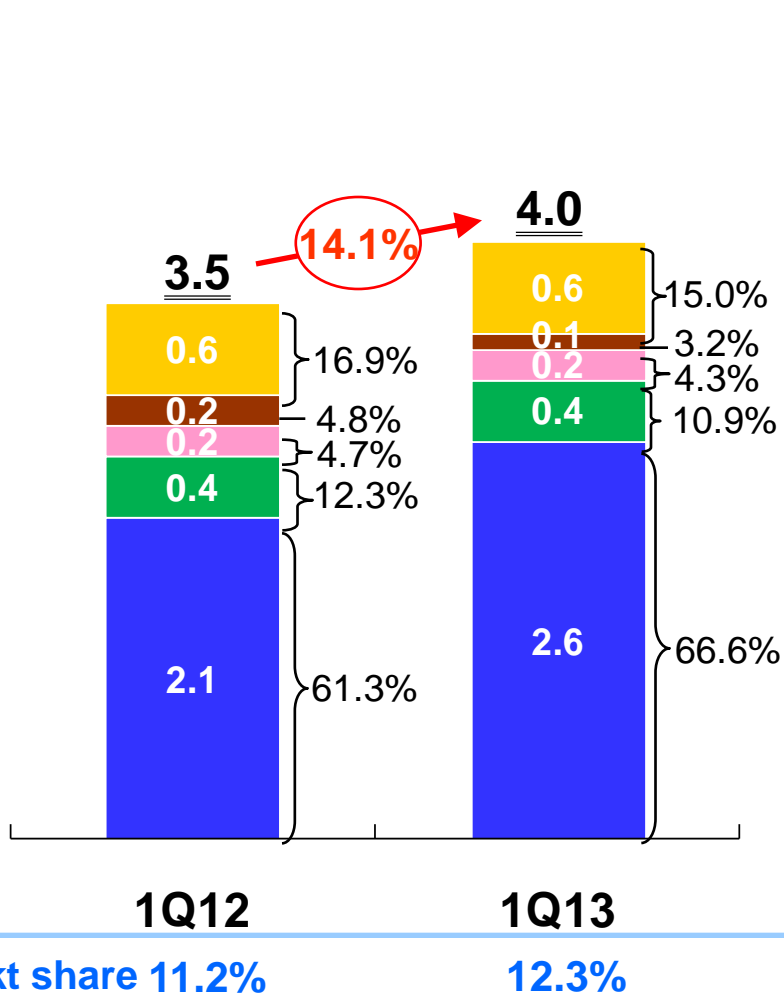
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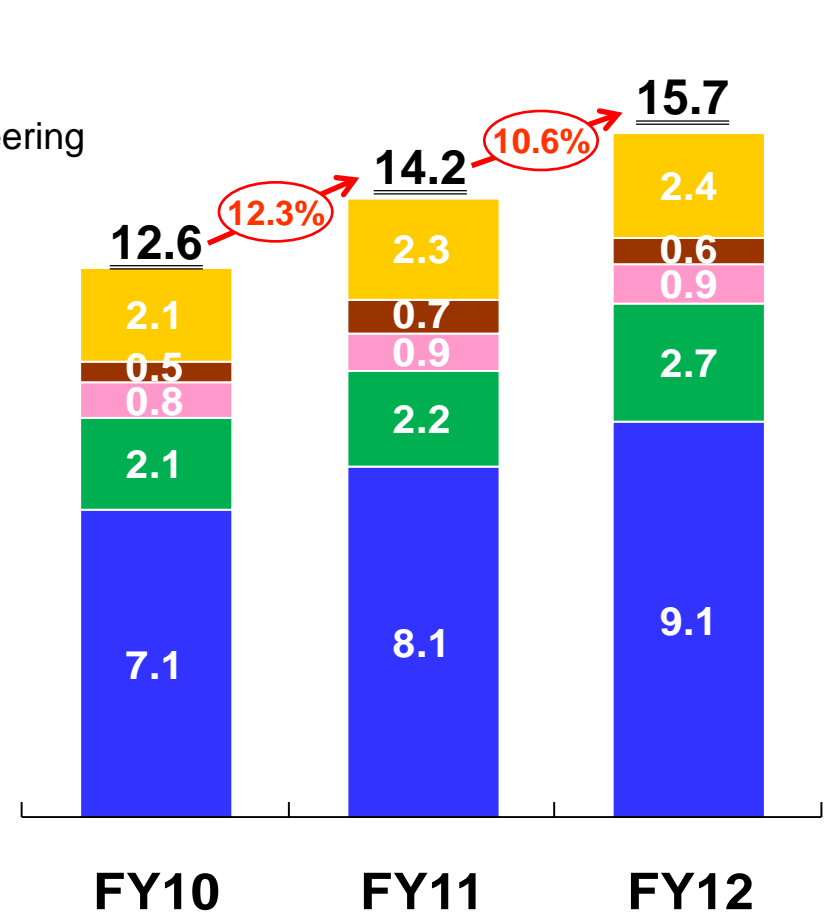
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Cathay Century – Premium income

Premium income (quarterly)



Premium income (annual)

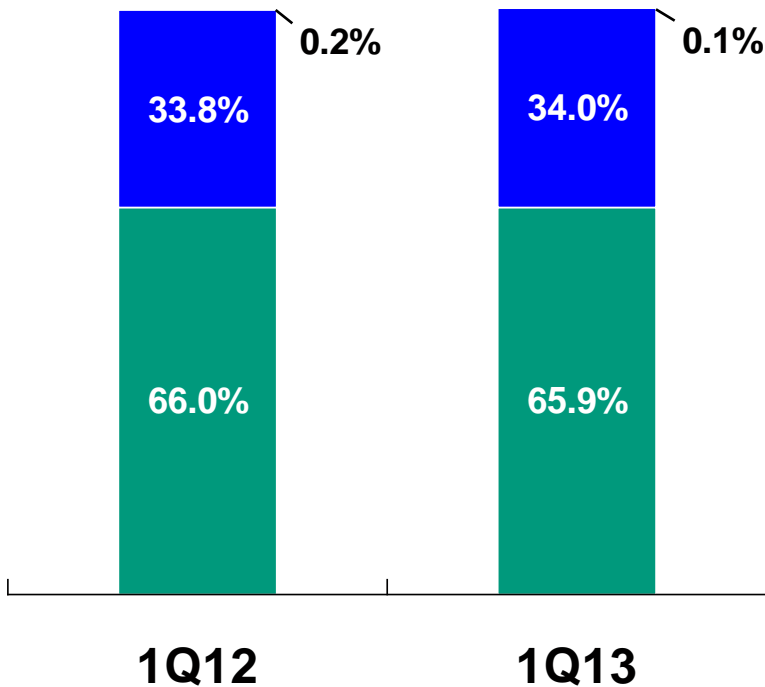


Note: Totals may not sum due to rounding.

Cathay Century – Distribution channel

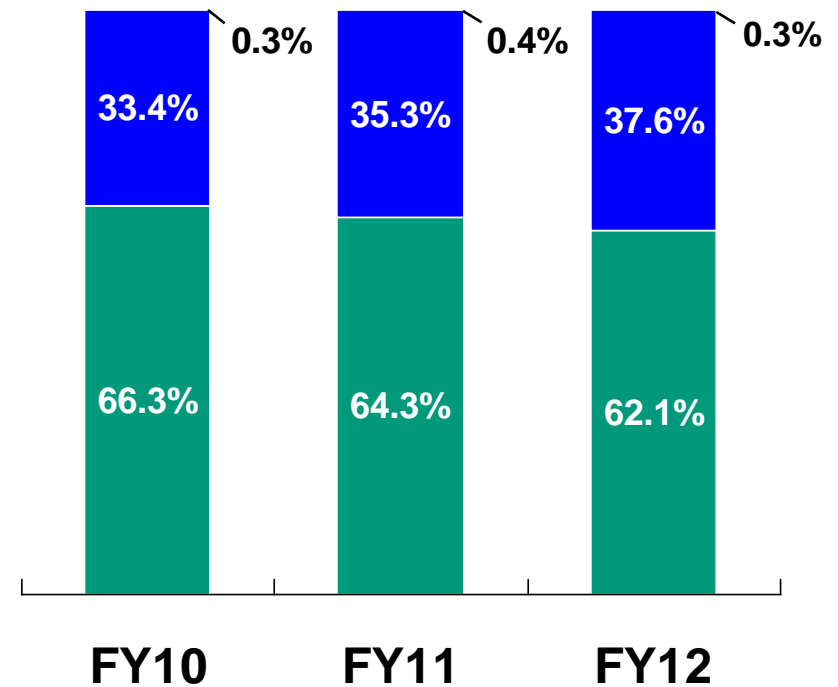
Distribution channel (quarterly)

- Others
- Cathay P&C agents
- Cathay group channel



Distribution channel (annual)

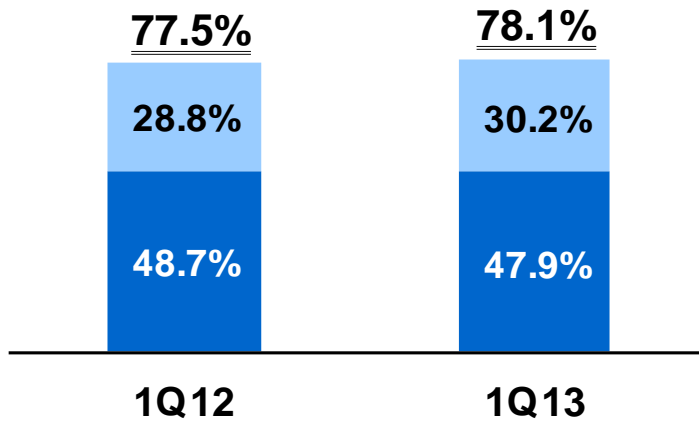
- Others
- Cathay P&C agents
- Cathay group channel



Cathay Century – Combined ratio

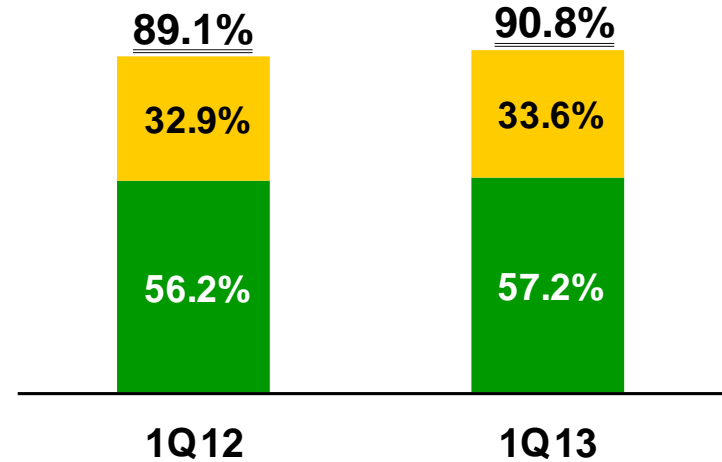
Gross combined ratio

- Gross expense ratio
- Gross loss ratio

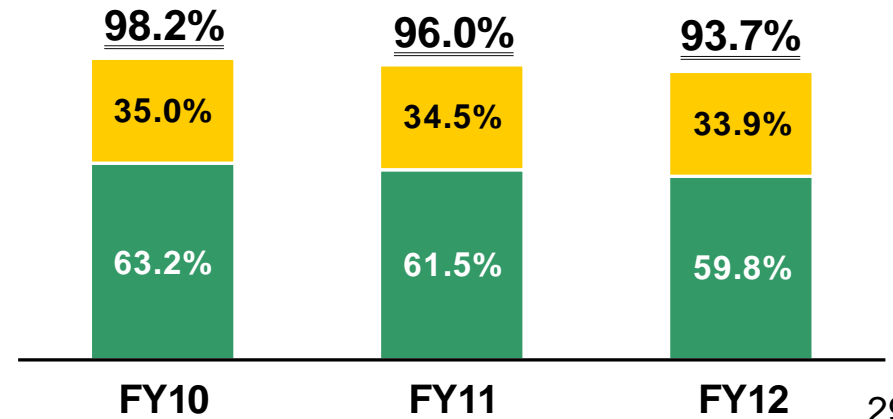
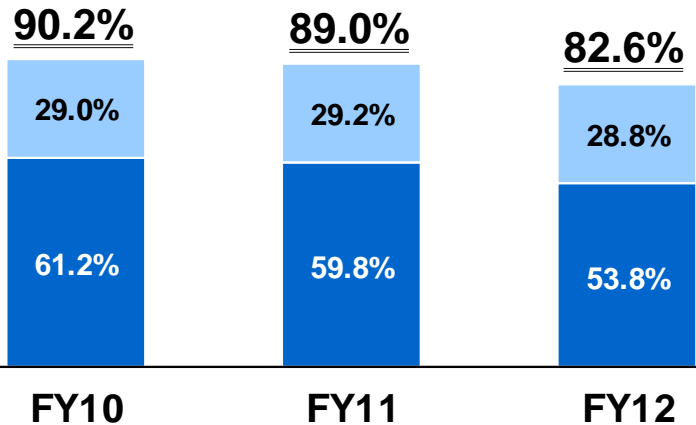


Retained combined ratio

- Retained expense ratio
- Retained loss ratio



Retained ratio 76.2% 78.6%



Agenda

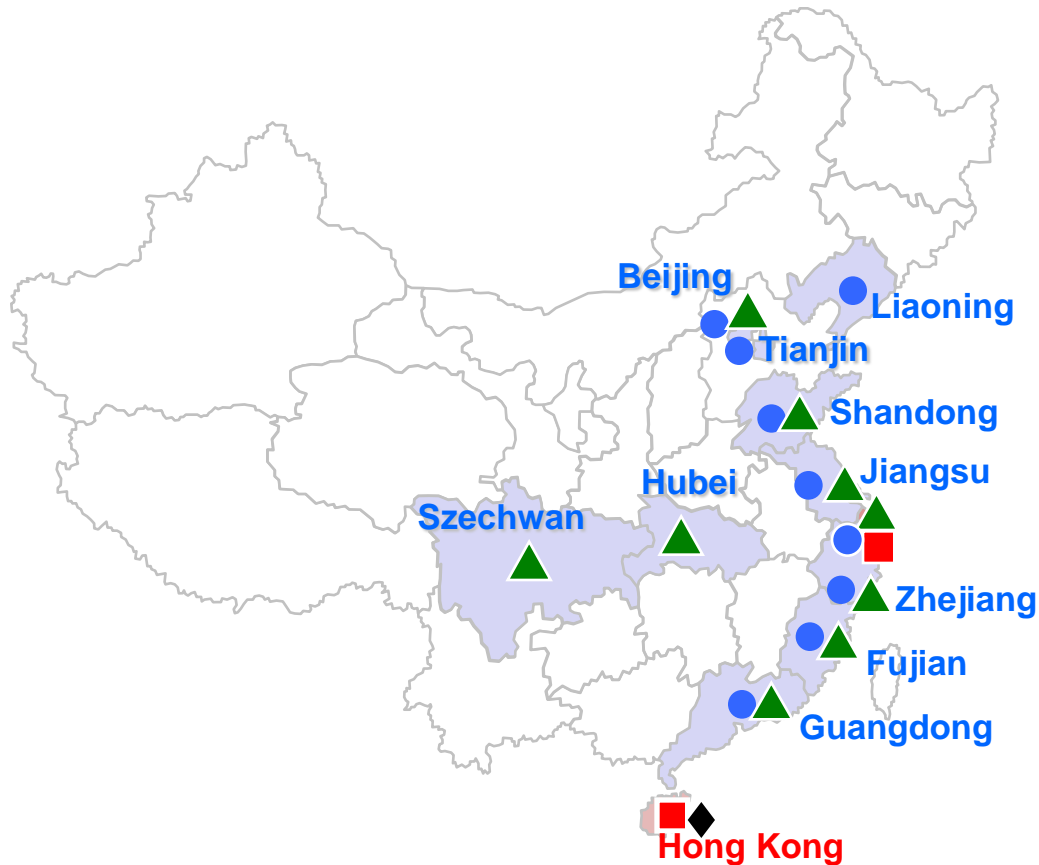
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Cathay FHC in China



- Cathay Life (China)
- Cathay United Bank
- ▲ Cathay Century (China)
- ◆ Cathay Conning Asset Management

■ Cathay United Bank

- Started full RMB business in Mar.

■ Cathay Life (China)

- Kept improving agent productivity; No. of high-productivity agents grew by 12% YoY

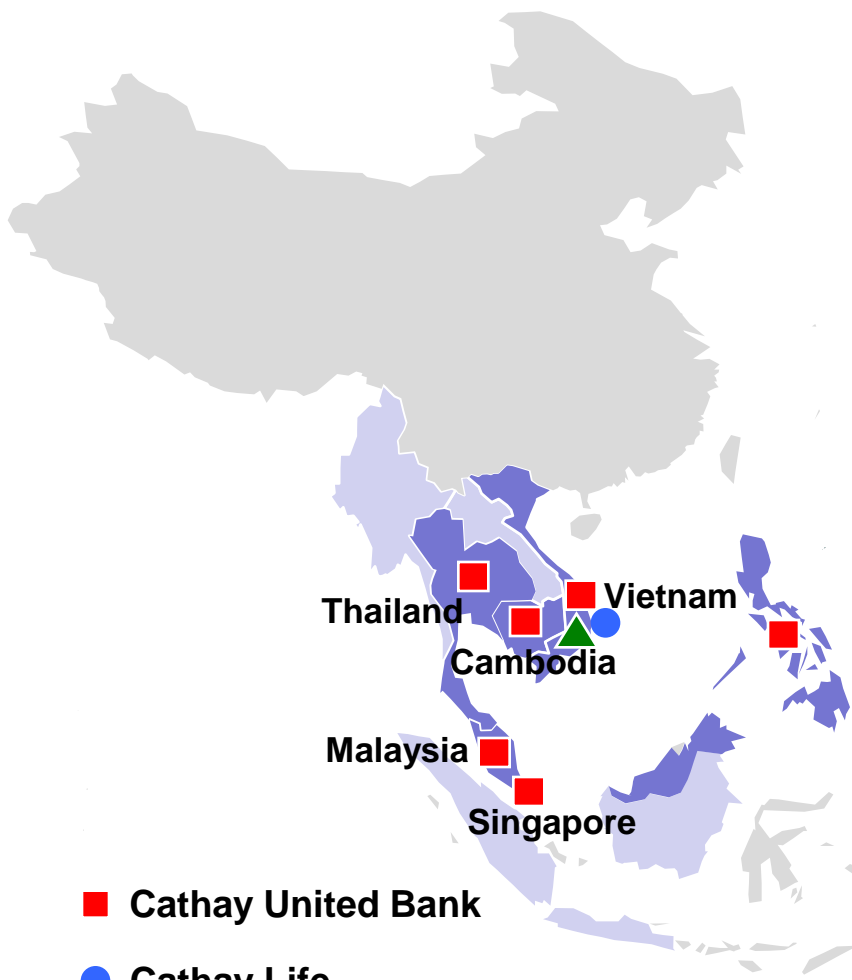
■ Cathay Century (China)

- Strong premium income growth in 1Q13, up by 70% YoY
- Has set up 18 business footprints in 17 cities

■ CCAM

- Began operation last Sep.; AUM amounted to USD\$1.03 BN in 1Q13

Cathay FHC in South East Asia



■ Cathay United Bank

● Cathay Life

▲ Cathay Century

■ Cathay United Bank and Indovina Bank

- Operate 38 footprints in Vietnam; performed well on both business and financial sides
- Keep expanding in South East Asia
 - Finished 70% stake acquisition of SBC Cambodia
 - Plan to set up Jakarta office

■ Cathay Life

- Has set up 6 footprints in Vietnam
- Completed capital injection of USD\$50 MN, total capital amounted to USD\$110 MN

■ Cathay Century

- Total premium income increased by 78.4% YoY

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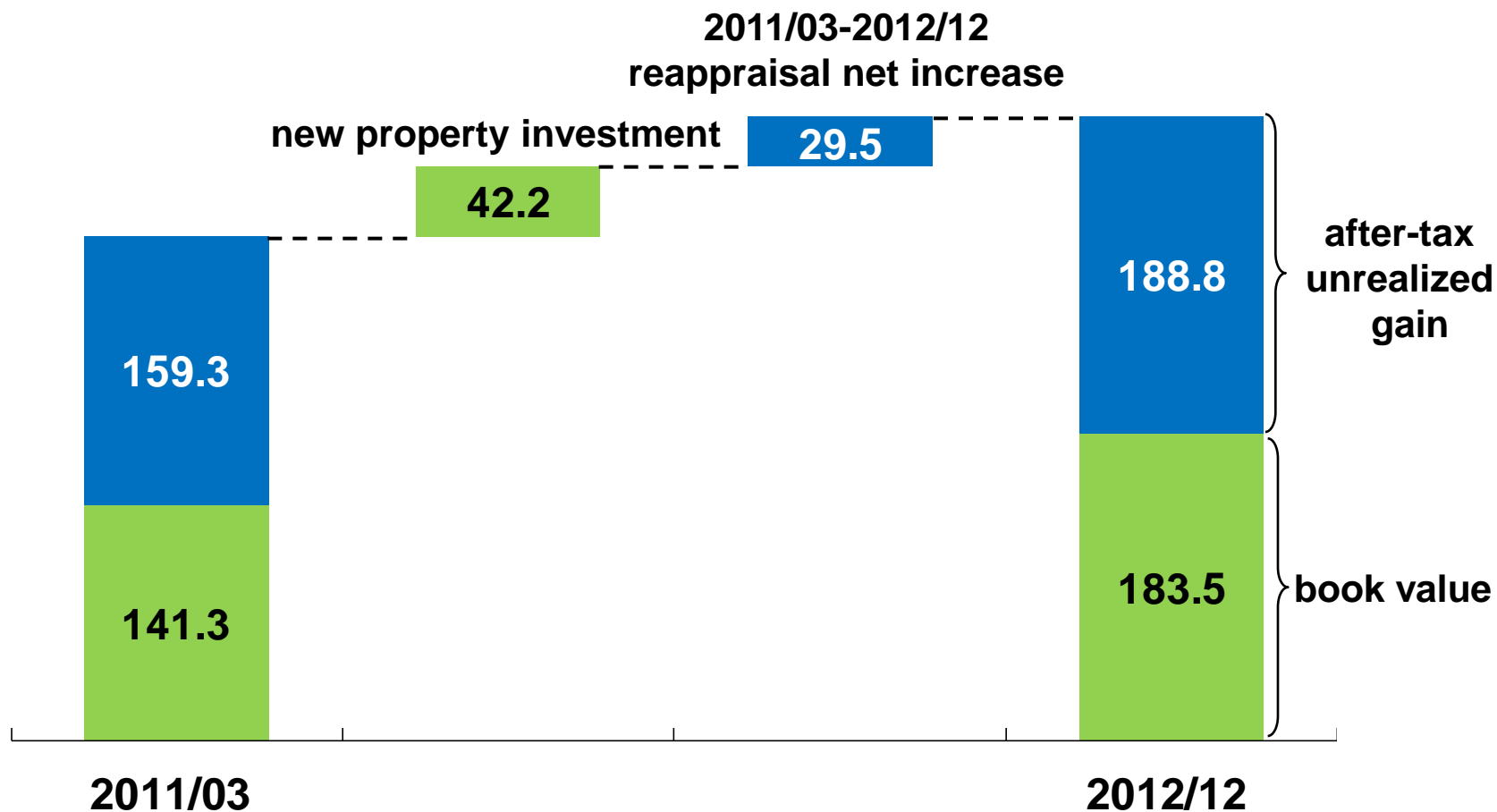
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Cathay Life's property reappraisal

Real estate book value After-tax unrealized gain on real estate (NT\$BN)



Agenda

Part I : Business Overview

- 1Q13 Business highlights
- 1Q13 Financial results
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- Overseas expansion

Part II : Special Topics of Cathay Life

- Property reappraisal
- **Embedded value & appraisal value**
- Recovery plan for special reserve of unrealized gains on property
- Fair value of insurance liability

Embedded Value & Appraisal Value

NT\$BN, except for per share figures

Valuation date	2011/12/31	2012/12/31
In-force investment yield	3.8% ~ Year 2031 5% for General account 2.71% ~ Year 2031 3.2% for Interest crediting annuity	3.8% ~ Year 2032 5.03% for NTD policies 4.3% ~ Year 2032 6.14% for USD policies 2.68% ~ Year 2032 3.11% for Interest crediting annuity
One year's new business investment yield		2.73%~ Year 2032 5.03% for NTD policies 4.02% ~ Year 2032 6.14% for USD policies 2.38% ~ Year 2032 2.66% for Interest crediting annuity
Discount rate	10%	10%
Cost of Capital (CoC)	-76	-82
Adjusted net worth (After CoC)	199	242
Value of in force business	276	323
Embedded Value	475	565
EV / per share	89.4 (46.1)	106.5(53.0)
Appraisal Value	870	1,001
Value of future 1 year's new business (After CoC)	46	50
AV / per share	163.9 (84.5)	188.6(93.9)

Note: (1) EV/AV calculation does not include business of Cathay Life in China and Vietnam.

(2) per share = per share of Cathay Life; (per share) = per share of Cathay FHC

(3) May not sum to total due to rounding.

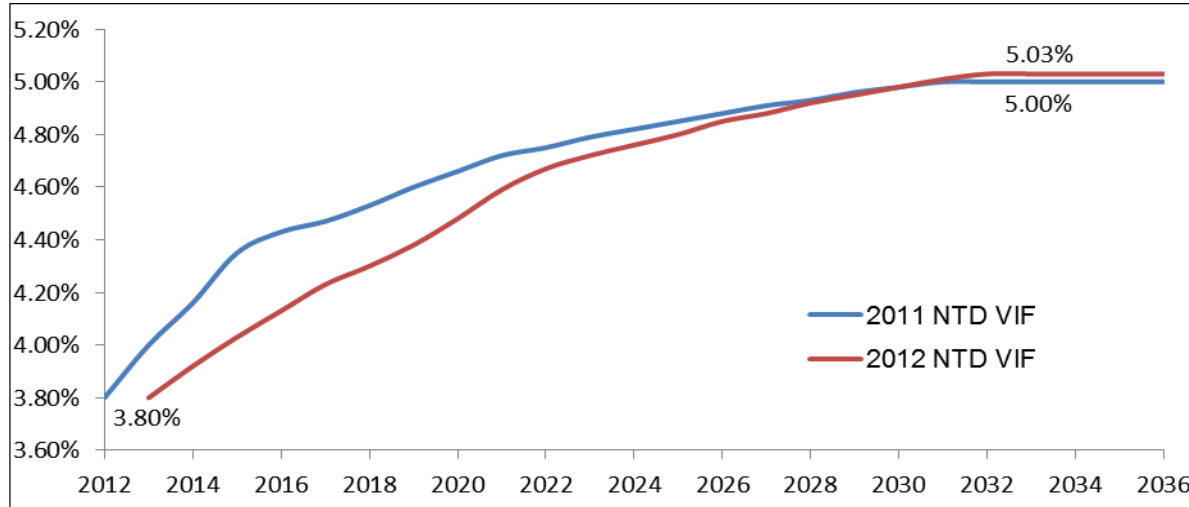
Summary

Valuation date					NT\$BN
		2011	2012	Difference	Growth rate
Embedded value	Equity	112	135	23	20%
	Cost of capital	-76	-82	-6	-8%
	Adjusted net worth (After CoC)	199	242	43	22%
	Value in force	276	323	47	17%
	Embedded value	475	565	90	19%
Value of one year's new business	First year premium (FYP)	256	267	12	5%
	First year premium equivalent (FYPE)	81	92	11	14%
	Value of one year's new business (VNB)	44	50	6	14%
	Profit margin (VNB/FYP)	17%	19%	2%	-
	Profit margin (VNB/FYPE)	55%	54%	-1%	-
Appraisal value (20 years NB)	Multiple	8.6	8.7	0.1	-
	Appraisal value	870	1,001	131	15%
Value per share ⁽¹⁾	EV / per share	46.1	53.0	6.9	15%
	AV / per share	84.5	93.9	9.4	11%

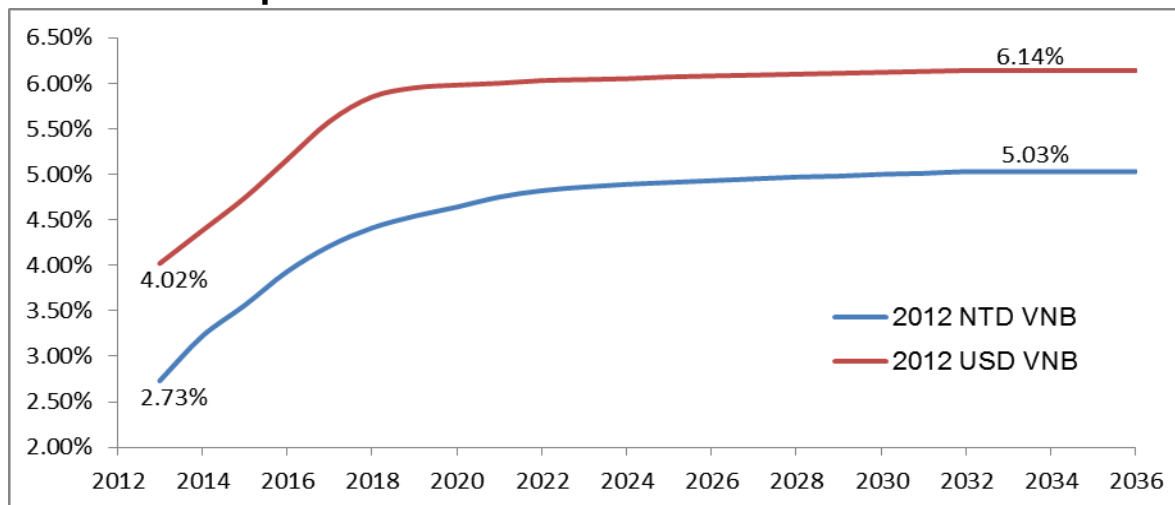
Note: (1) per share = per share of Cathay FHC
 (2) Totals may not sum due to rounding.

Assumptions

- Investment return assumptions for the value of in-force of NTD-denominated policies as of the end of 2011 & 2012.



- Investment return assumptions for the value of one year's new business of NTD- and USD-denominated policies as of the end of 2012.



Assumptions

■ RBC capital requirement:

Apply year 2012 RBC formula to estimate expected capital requirement given RBC factors and formula are under reviewed by Insurance Bureau.

1. k value = 0.48.
2. Requirement Capital = 200% RBC - Foreign Exchange Volatility Reserve.
(Only the compulsory reserving component of Foreign Exchange Volatility Reserves is considered)

■ Experience rate:

Experience Rate	Assumptions
Mortality Rate	In accordance with Cathay's most updated mortality trends.
Morbidity Rate	In accordance with Cathay's most updated morbidity trends and varied by product type.
Lapse Rate	In accordance with Cathay's most updated lapse rate trends and varied by product type.
Expenses assumption	In accordance with Cathay's most updated expense analysis and varied by product type; commissions are based on the actual commission rates.

- PricewaterhouseCoopers Asia Actuarial Services provides an independent review of the actuarial assumptions on EV.

Sensitivity Analysis

NT\$BN, except for per share figures

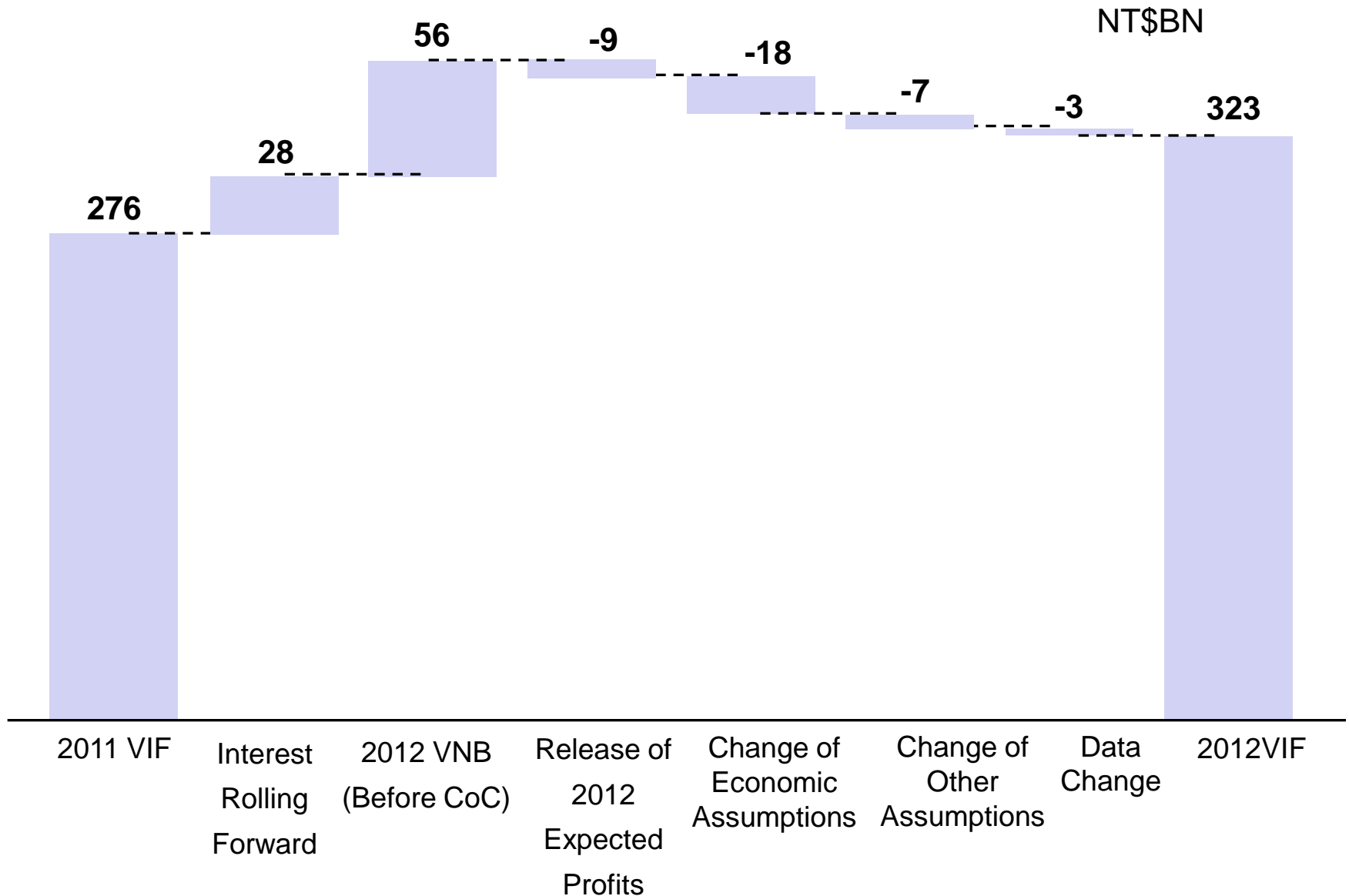
Valuation date	2012/12/31					
	Investment yield - 0.25%	Investment yield + 0.25%	Investment yield + 0.25% (capped) ⁽¹⁾	Base Case	Discount rate – 0.5%	Discount rate + 0.5%
Cost of capital	-86	-78	-78	-82	-79	-85
Adjusted net worth (After CoC)	238	246	246	242	246	240
Value of in force business	250	396	378	323	345	303
Embedded Value	487	642	624	565	590	543
EV / per share	91.8(45.7)	121.0(60.2)	117.6(58.5)	106.5(53.0)	111.2(55.3)	102.3(50.9)
Appraisal Value	900	1,092	1,067	1,001	1,055	948
Value of future 1 year's new business (After CoC)	46	54	52	50	54	47
AV / per share	169.6(84.4)	205.8(102.4)	201.1(100.0)	188.6(93.9)	198.8(98.9)	178.6(88.9)

Note: (1) "Investment yield +0.25% (capped)" : the investment return is capped by 5.03% for NTD policies, 6.14% for USD policies, and 3.11% for interest crediting annuity.

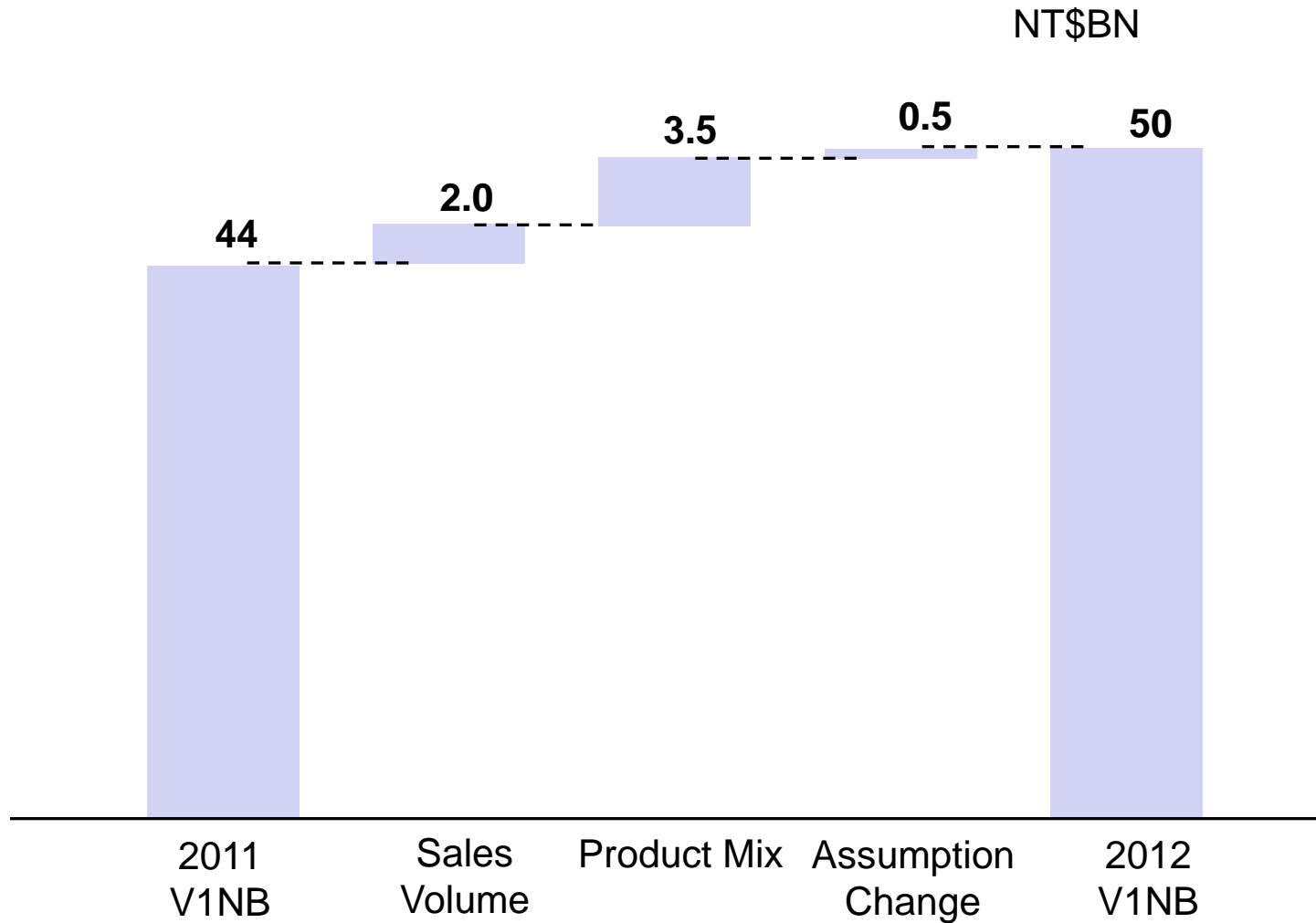
(2) per share = per share of Cathay Life; (per share) = per share of Cathay FHC

(3) May not sum to total due to rounding.

Movement analysis of value of in-force



Movement analysis of value of new business



YoY Comparison

Under the different discount rate assumption (9.5%~10.5%), the results of the Year 2010 & 2011 list below.

NT\$BN

Valuation date	2011/12/31	2012/12/31
Embedded Value	456-495	543-590
Value of future 1 year's new business	43-49	47-54
Appraisal Value	825-920	948-1,055

Agenda

Part I : Business Overview

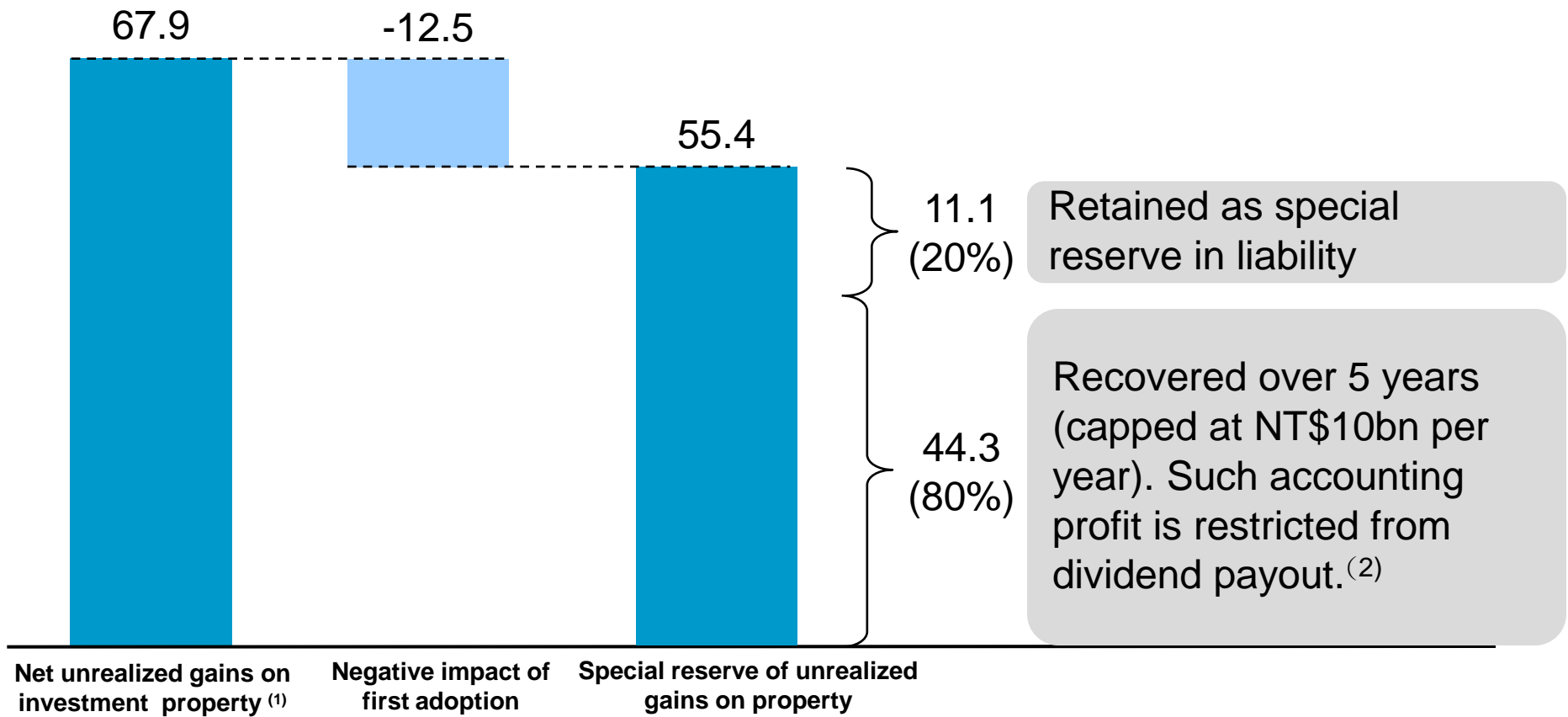
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Special reserve of unrealized gains on property

(NT\$BN)



Note: (1) Net unrealized gains on investment property is calculated by discounting rental income at industry average WACC(3.29%), net of related taxes. The amount is therefore well below the property market value.

(2) The recovery of such special reserve is subject to regulatory approval each year. Hence, the actual recovery depends on the fair valuation results each year.

Agenda

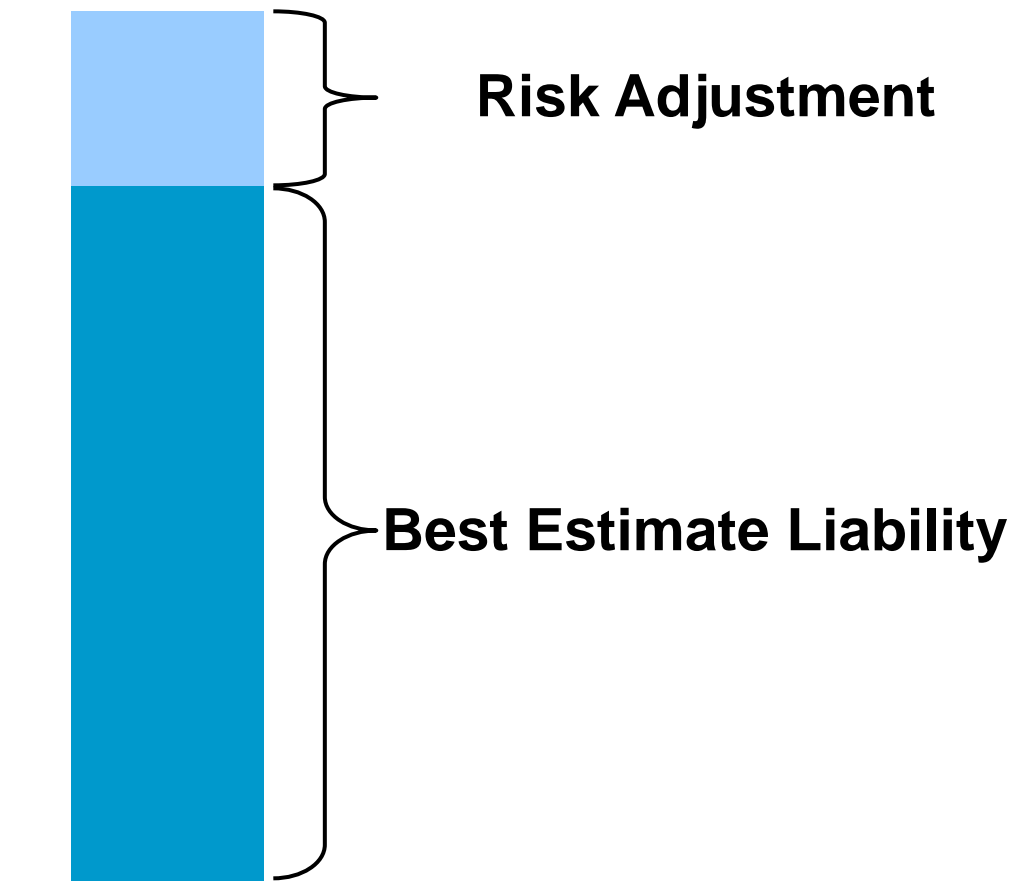
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Valuation model



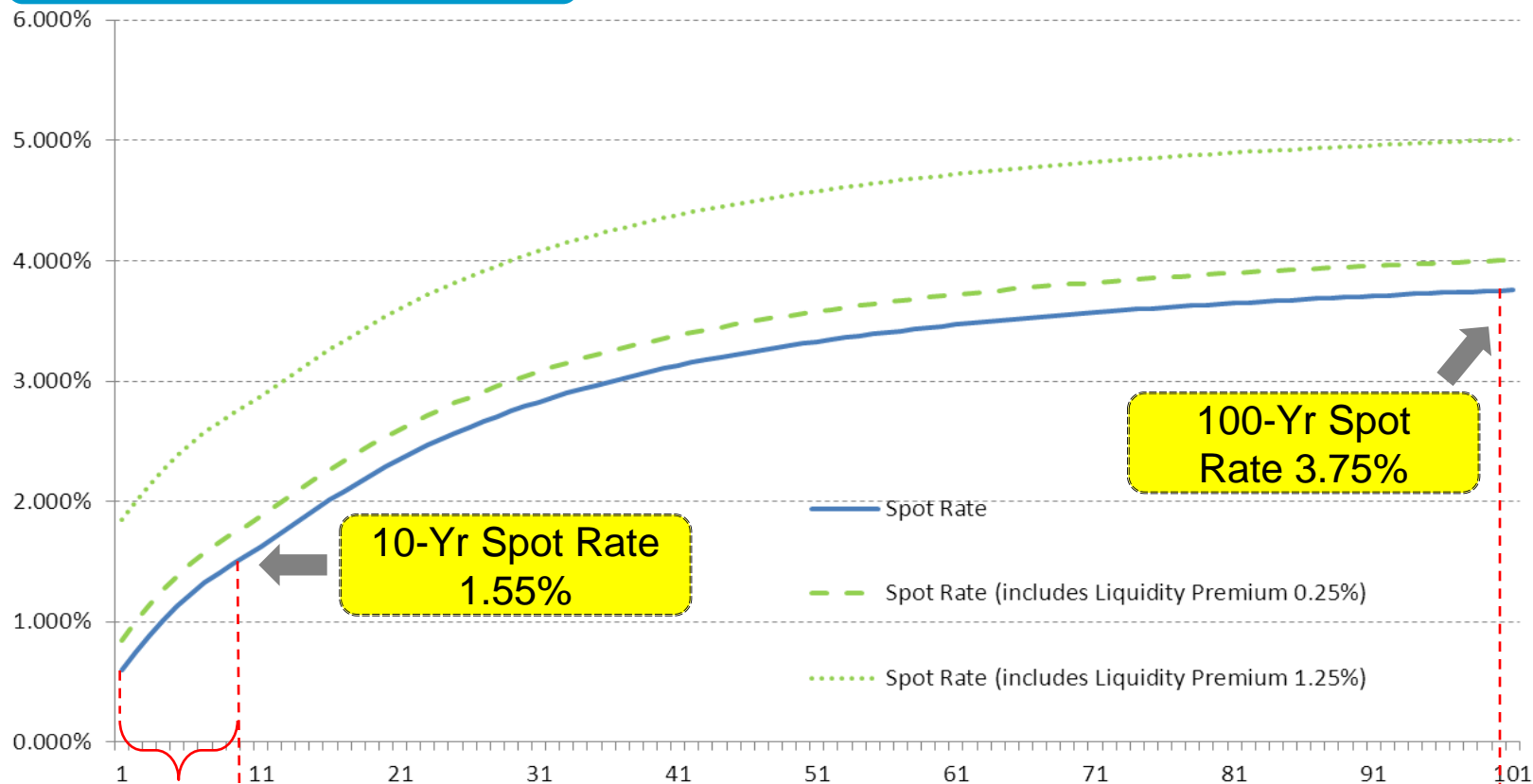
- Measured by Cost of Capital Approach

- Project future cash flows from insurance policies
- Discounted by 3-yr MA risk-free rate plus liquidity premium

Discount rate assumptions

As of Sep.30,2012

■ Example: TWD discount curve



Year 1-10: use 3-yr MA of zero coupon treasury yield from OTC

Year 11-100: extrapolation toward the ultimate forward rate of 4.2% in Year 100.
(same methodology as the yield curve construction in Solvency II QIS 5)

Valuation results

As of Sep.30,2012

Portfolio	Upper limit of liquidity premium	Cathay's best estimate liquidity premium	Cathay's break even liquidity premium
TWD policies-guaranteed rate $\geq 4\%$ Short-term policies VUL (general account)	1.50%	1.25%	$\leq 1.00\%$
TWD policies-guaranteed rate $< 4\%$ FX policies	0.25%	0.25%	0.25%
Comparison between fair value liability(A) and statutory reserve(B)	(A)<(B)	(A)<(B)	(A)=(B)



If reserve is sufficient, 80% of “special reserve of unrealized gains on property” is allowed to recover.



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Cathay Financial Holdings
Summary Financial Data
(NT\$BN)

	FY11	FY12	FY12/ FY11 % Chg	1Q12	1Q13	1Q13/ 1Q12 % Chg
<u>Statement of Income Data</u>						
Income from subsidiaries						
Cathay Life	(0.177)	3.280	-	-	-	-
Cathay United Bank	10.970	13.068	19.1%	-	-	-
Cathay Century	0.602	0.690	14.6%	-	-	-
Other	0.197	0.548	178.2%	-	-	-
Total income from subsidiaries, net	11.592	17.586	51.7%	-	-	-
Interest and other income	0.966	1.195	23.8%	117.367	87.825	-25.2%
Administrative and general expenses	(0.345)	(0.466)	35.1%	(103.251)	(67.213)	-34.9%
Operating and other costs	(1.169)	(1.442)	23.3%	(11.864)	(12.779)	7.7%
Income taxes (expense) benefit	0.085	0.129	51.3%	0.177	(0.768)	-
Net income	11.129	17.002	52.8%	2.429	7.064	190.9%
Other comprehensive income, net of income tax				20.431	0.122	-99.4%
Total comprehensive income				22.860	7.186	-68.6%
EPS (NT\$)	1.03	1.59		0.23	0.65	
<u>Balance Sheet Data</u>						
Long-term investments in stock	223.3	252.1		248.4	261.0	
Total assets	266.2	298.3		291.7	307.8	
Total consolidated assets	5,005.4	5,435.3		5,293.9	5,674.2	
Total consolidated shareholders' equity	217.7	248.6		241.6	255.5	
<u>Operating Metrics</u>						
ROAE(standalone)	5.2%	7.4%		4.1%	11.2%	
ROAA (standalone)	4.2%	6.0%		3.3%	9.1%	
ROAA(consolidated)	0.2%	0.3%		0.2%	0.5%	

Notes:

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(3) 1Q13 net income excluding FX fluctuation reserve of Cathay FHC and Cathay Life would be NT\$9.7 bn (EPS of NT\$0.9) and NT\$6.7 bn (EPS NT\$1.26) respectively.

(4) 1Q13 net income excluding the recovery of "special reserve of property unrealized gains" of Cathay FHC and Cathay Life would be NT\$4.6 bn (EPS of NT\$0.42) and NT\$1.6 bn (EPS NT\$0.28) respectively.

(5) The data of FY11 and FY12 are standalone figures, while the ones of 1Q12 and 1Q13 are consolidated.



Cathay Life
Summary Financial Data
(NT\$BN)

	FY11	FY12	FY12/ FY11 % Chg	1Q12	1Q13	1Q13/ 1Q12 % Chg
Summary Statement of Income Data						
Premium income ⁽¹⁾	408.031	472.015	15.7%	141.459	93.560	-33.9%
Reinsurance premium ceded	(22.398)	(28.597)	27.7%	(6.571)	(4.665)	-29.0%
Changes in unearned premium reserve	2.072	(0.064)	-	0.138	(2.207)	-
Retained earned premium	387.705	443.354	14.4%	135.027	86.689	-35.8%
Reinsurance commission earned	11.737	14.371	22.4%	3.684	2.973	-19.3%
Handling fee earned	2.872	2.581	-10.1%	0.531	0.849	59.9%
Investment income						
Interest income	86.315	91.762	6.3%	22.552	23.367	3.6%
Gain on disposal of investment	44.038	39.780	-9.7%	5.301	7.808	47.3%
Other investment income, net	(38.968)	(12.512)	-67.9%	(0.847)	6.245	-
Total investment income, net ⁽²⁾	91.385	119.030	30.3%	27.007	37.420	38.6%
Other operating income				0.466	0.325	-30.3%
Separate account product revenues	87.181	104.059	19.4%	21.683	37.908	74.8%
Changes in FX reserves	0.000	0.241	-	(0.152)	(3.208)	-
Retained claims payment	(251.366)	(220.675)	-12.2%	(52.384)	(43.131)	-17.7%
Changes in liability reserves	(197.618)	(305.537)	54.6%	(103.144)	(63.962)	-38.0%
Commissions and operating expense						
Brokerage expenses	(32.573)	(33.526)	2.9%	(8.639)	(8.934)	3.4%
Marketing, administrative and general expenses	(13.700)	(16.134)	17.8%	(3.842)	(3.931)	2.3%
Total commissions and operating expenses	(46.273)	(49.660)	7.3%	(12.481)	(12.865)	3.1%
Other operating expenses	(89.711)	(107.250)	19.6%	(22.955)	(39.056)	70.1%
Financial expenses				0.199	0.192	-3.7%
Operating income	(4.089)	0.515	-	(2.518)	4.134	-
Net non-operating income	0.934	0.967	3.5%	0.226	0.159	-29.6%
Income taxes	3.611	1.798	-50.2%	0.841	(0.226)	-
Cumulative effect of changes in accounting principles	0.000	0.000	-	0.000	0.000	-
Net income	0.456	3.280	619.5%	(1.451)	4.066	-
After-tax net income excluding FX fluctuation reserve	0.000	3.080	-	(1.325)	6.729	-
Other comprehensive income, net of income tax				21.087	-0.200	-
Total comprehensive income				19.636	3.866	-80.3%
Balance Sheet Data						
Total assets	3,277.4	3,635.1		3,522.2	3,838.9	
Reserve for life insurance liability	2,694.8	2,990.2		2,794.0	3,060.2	
Total stockholders' equity	112.4	135.3		136.9	141.8	
Operating Metrics						
First Year Premium(FYP)	255.5	267.2		77.1	54.9	
First Year Premium Equivalent(FYPE)	80.5	91.8		25.9	23.7	
Expense ratio	11.1%	10.5%		8.6%	13.6%	
13-mos persistency ratio	97.1%	97.3%		97.3%	97.7%	
25-mos persistency ratio	89.7%	91.8%		88.5%	92.5%	
ROAE	0.4%	2.7%		-4.6%	11.6%	
ROAA	0.0%	0.1%		-0.2%	0.4%	

Notes:

(1) Excludes investment-linked products premium income.

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Cathay United Bank
Summary Financial Data

(NT\$BN)

			FY12/ FY11			1Q13/ 1Q12
	FY11	FY12	% Chg	1Q12	1Q13	% Chg
Summary Statement of Income Data						
Interest income	27.408	31.767	15.9%	8.540	8.661	1.4%
Interest expense	(9.750)	(11.486)	17.8%	(3.284)	(3.373)	2.7%
Net interest income	17.658	20.281	14.9%	5.256	5.288	0.6%
Net operating income except interest income						
Net handling fee	6.711	7.286	8.6%	1.817	2.084	14.7%
Gains on financial assets and liabilities at fair value through P&L	1.250	1.091	-12.7%	0.404	0.564	39.4%
Realized gains on available-for-sale financial assets	1.749	1.279	-26.9%	0.144	0.375	160.9%
Realized gains on held-to-maturity financial assets	(0.002)	0.000	-	0.000	0.000	-
Invst inc - equity method	0.339	0.247	-27.1%			
Realized gain - equity method	0.000	0.000	-			
Propotional share of profits of associates- equity method						
Gain on foreign exchng - net	0.754	1.055	39.9%	0.007	0.003	-61.5%
Impairment gain/loss	(0.112)	(0.151)	35.1%	0.379	0.211	-44.3%
Gains on reversal of foreclosed properties impairment	0.000	0.000	-	0.000	0.000	-
Gains/losses on disposal of foreclosed properties	0.007	0.001	-86.1%	0.000	0.000	-
Investments in debt securities with no active market, net	0.015	0.025	69.1%	0.000	0.000	-
other income, net	1.173	2.633	124.5%	0.206	0.170	-17.2%
Net operating income	29.542	33.747	14.2%	8.213	8.695	5.9%
Provisions for possible losses	(0.526)	(2.050)	290.0%	0.317	0.124	-60.9%
Operating expenses	(16.322)	(17.160)	5.1%	(4.479)	(4.565)	1.9%
Income from continuing operations before income taxes	12.694	14.537	14.5%	4.051	4.254	5.0%
Income tax benefit (expense)	(1.554)	(1.469)	-5.5%	(0.517)	(0.591)	14.3%
Cumulative effect of changes in accounting principles	0.000	0.000	-			
Net income	11.140	13.068	17.3%	3.534	3.663	3.7%
Other comprehensive income, net of income tax				(0.891)	0.146	-
Total comprehensive income				2.643	3.810	44.1%
Balance Sheet Data						
Total assets	1,708.3	1,786.6		1,792.4	1,861.6	
Total shareholders' equity	98.2	103.0		102.6	109.2	
Operating Metrics						
Cost income ratio	55.3%	50.9%		54.9%	52.3%	
ROAE	11.5%	13.0%		14.0%	13.7%	
ROAA	0.7%	0.8%		0.8%	0.8%	
Assets Quality						
NPL ratio (international standard)	0.3%	0.3%		0.3%	0.4%	
Coverage ratio (international standard)	331.6%	386.5%		402.1%	384.9%	

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Cathay Century
Summary Financial Data
(NT\$MM)

			FY12/ FY11			1Q13/ 1Q12
<u>Summary Statement of Income Data</u>	FY11	FY12	% Chg	1Q12	1Q13	% Chg
Premiums income	14,182.5	15,714.1	10.8%	3,739.1	4,427.6	18.4%
Reinsurance premiums ceded	(3,732.2)	(4,042.1)	8.3%	(941.4)	(957.9)	1.8%
Changes in unearned premium reserve	(797.3)	(669.5)	-16.0%	(160.0)	(358.2)	123.8%
Premiums income, net	9,653.0	11,002.4	14.0%	2,637.7	3,111.5	18.0%
Investment						
Interest income	296.7	321.6	8.4%	91.3	92.6	1.5%
Other investment income, net	(46.3)	(177.9)	284.4%	92.7	25.9	-72.1%
Total investment income	250.5	143.8	-42.6%	184.0	118.5	-35.6%
Other operating income	351.6	392.7	11.7%	123.2	134.3	9.0%
Insurance claims payment, net	(5,716.8)	(6,322.9)	10.6%	(1,454.9)	(1,807.1)	24.2%
Provisions for reserves						
Total provisions for reserves, net	174.3	37.4	-78.5%	(81.2)	46.8	-
Commissions, operating and other expenses	(3,991.5)	(4,364.4)	9.3%	(1,132.7)	(1,413.5)	24.8%
Operating income	721.0	889.0	23.3%	276.1	190.5	-31.0%
Net non-operating income	14.5	18.0	24.1%	0.3	8.8	2597.5%
Income taxes	11.2	(1.1)	-110.1%	(45.2)	(43.5)	-3.6%
Cumulative effect of changes in accounting principles	0.0	0.0	-			
Net income	601.8	690.6	14.8%	231.2	155.8	-32.6%
Other comprehensive income, net of income tax				(15.6)	29.6	-
Total comprehensive income				215.6	185.4	-14.0%

Summary Balance Sheet Data

Total assets	25,565.1	27,271.4		27,389.1	29,190.8
Total stockholders' equity	3,806.6	4,584.2		4,554.1	5,002.7

Operating Metrics

Written Combined ratio	89.0%	82.6%		77.5%	78.1%
Net Combined ratio	96.0%	93.7%		89.1%	90.8%
ROAE	16.5%	16.5%		20.8%	12.7%
ROAA	2.5%	2.6%		3.4%	2.1%

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Shares Outstanding
(Millions of shares)

	As of 3/31/2013
Total shares issued	10,865.4
Treasury shares	
CFH	200.0
Cross holdings of subsidiaries	
Cathay Life	0.0
Cathay United Bank	0.0
Cathay Century	0.0
Total cross-holdings of subsidiaries	0.0
Total treasury shares	0.0
Total shares outstanding	10,665.4

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Capital Adequacy Metrics

	<u>Capital Adequacy Metrics</u> <u>(As of 12/31/2012)</u>			<u>Legal</u> <u>Requirement</u>
Cathay Financial Holdings Capital Adequacy Ratio	127.17%			100%
Cathay Life RBC Ratio	250%	-	300%	200%
Cathay Century RBC Ratio	>		300%	200%
Cathay United Bank BIS Ratio / Tier 1 Ratio	12.38% /9.03%			8.00% /N.A.
Cathay Securities BIS Ratio	318%			150%

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