

Cathay Financial Holdings Co., Ltd
2011 Fourth Quarter Briefing



March 2012

Disclaimer

- This document is provided by Cathay Financial Holding Co., Ltd. (the "Company"). Except for the numbers and information included in the Company's financial statements, the information contained in this document has not been audited or reviewed by any accountant or independent expert. The Company makes no express or implied representations or warranties as to the fairness, accuracy, completeness, or correctness of such information or opinions. This document is provided as of the date herein and will not be updated to reflect any changes hereafter. The Company, its affiliates and their representatives do not accept any responsibility or liability for any damage caused by their negligence or any other reasons, nor do they accept responsibility or liability for any loss or damages arising from the use of this document or the information contained herein or anything related to this document.
- This document may contain forward-looking statements, including but not limited to all statements that address activities, events or developments that the Company expects or anticipates to take place in the future based on the projections of the Company toward the future, and various factors and uncertainty beyond the Company's control. Therefore, the actual results may differ materially from those contained in the forward-looking statements.
- This document is not and cannot be construed as an offer to purchase or sell securities or other financial products or solicitation of an offer.
- This document may not be directly or indirectly reproduced, redistributed or forwarded to any other person and may not be published in whole or in part for any purpose.

Agenda

- **2011 Business overview and 2012 outlook**
- **2011 Financial results**
 - Cathay Financial Holdings
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Overseas expansion**

2011 Business overview

Cathay United Bank

- Total loans grew by 11.5% YoY; fee income grew steadily.
- Maintained sound asset quality; NPL ratio of 0.28% and coverage ratio of 331.6%.
- Shanghai branch reported profits in the first year, raised capital to RMB 1BN for business expansion.

Cathay Life

- Ranked No.1 in terms of FYP and FYPE market share.
- Book value reached NT\$110BN; RBC above 250%.
- Cash position kept decreasing, overseas investment continued to increase, and hedging cost stabilized.

Cathay Century

- Market share increased to 12.2%, premium income grew by 12.3% YoY; maintained No.2 market position.
- Continued to deepen and expand distribution channels in China.

Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$ 364BN.
- Received a US\$100 million QFII limit from China in Dec. 2011.
- Gained FSC's approval to establish an asset management JV with China Development Bank Securities.

Cathay Securities

- Market share of brokerage business reached a historically high of 0.91%, up 11% YoY.
- Led 3 IPOs and 2 primary-listing transactions, the best performance since inception.
- Issued 577 warrants, up 61% YoY.

2012 Outlook

Cathay United Bank

- Maintain steady loan growth momentum; increase LDR and NIM.
- Expand wealth management business, boosting growth in fee income.
- Aim to start RMB business and plan to set up Minhang Sub-branch and Qingdao Branch

Cathay Life

- Continue to increase sales of high margin products.
- Regulatory changes to provide more flexibility for higher capital efficiency: (1)excluding foreign currency denominated policies from overseas investment limit; (2) implementing FX fluctuation reserve.
- Focus on business penetration through existing network in China and Vietnam; increase agent productivity.

Cathay Century

- Expand marketing channels to maintain the growth of premium income.
- Enhance quality of customer service and increase brand value.
- Improve organizational development in China and Vietnam; expand distribution channels.

Cathay SITE

- Continue to increase total AUM; expand services for institutional and retail clients.
- Aim to set up the asset management JV with China Development Bank Securities.

Cathay Securities

- Newly establish 4 branches; expand institutional investor business to grow brokerage market share.
- Aim to rank Top 10 in underwriting and financial product business.
- Keep improving the platform of e-commerce; target to be the leader of m-commerce.

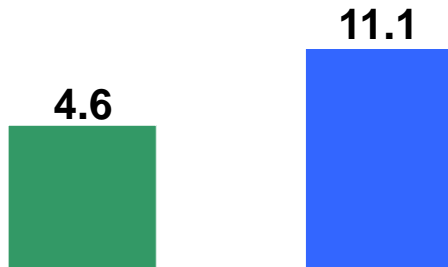
Agenda

- **2011 Business overview and 2012 outlook**
- **2011 Financial results**
 - Cathay Financial Holdings
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Overseas expansion**

Cathay FHC — Net income & EPS

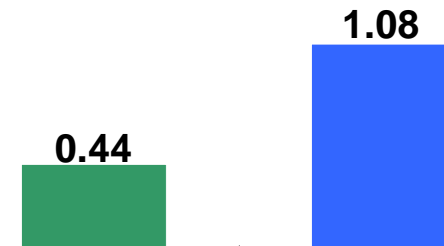
Net income (NT\$BN)

FY10 FY11

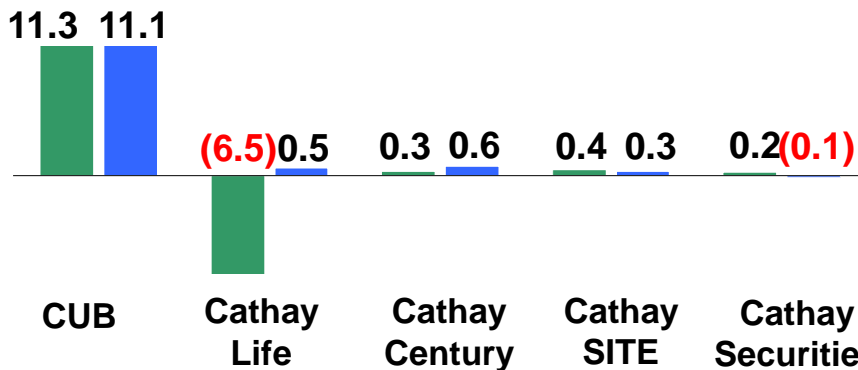


EPS (NT\$)

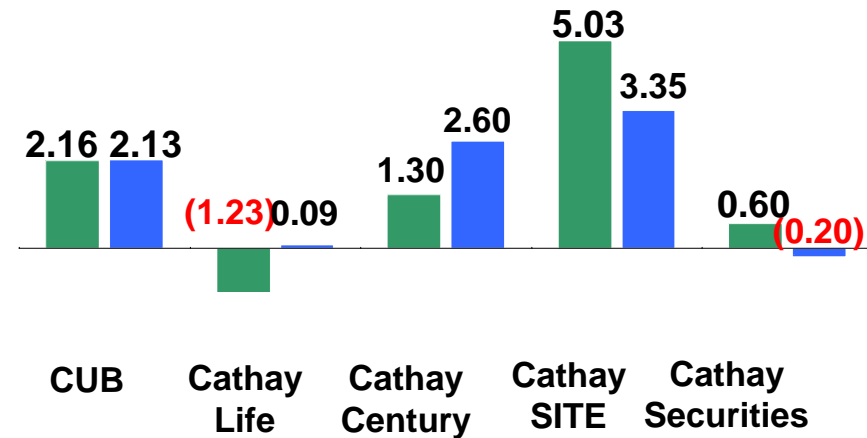
FY10 FY11



Net income of primary subsidiaries



EPS of primary subsidiaries



Note: Capital of Cathay SITE increased to NT\$1.5 bn from NT\$0.4 bn in 3Q11

Agenda

- **2011 Business overview and 2012 outlook**
- **2011 Financial results**
 - Cathay Financial Holdings
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Overseas expansion**

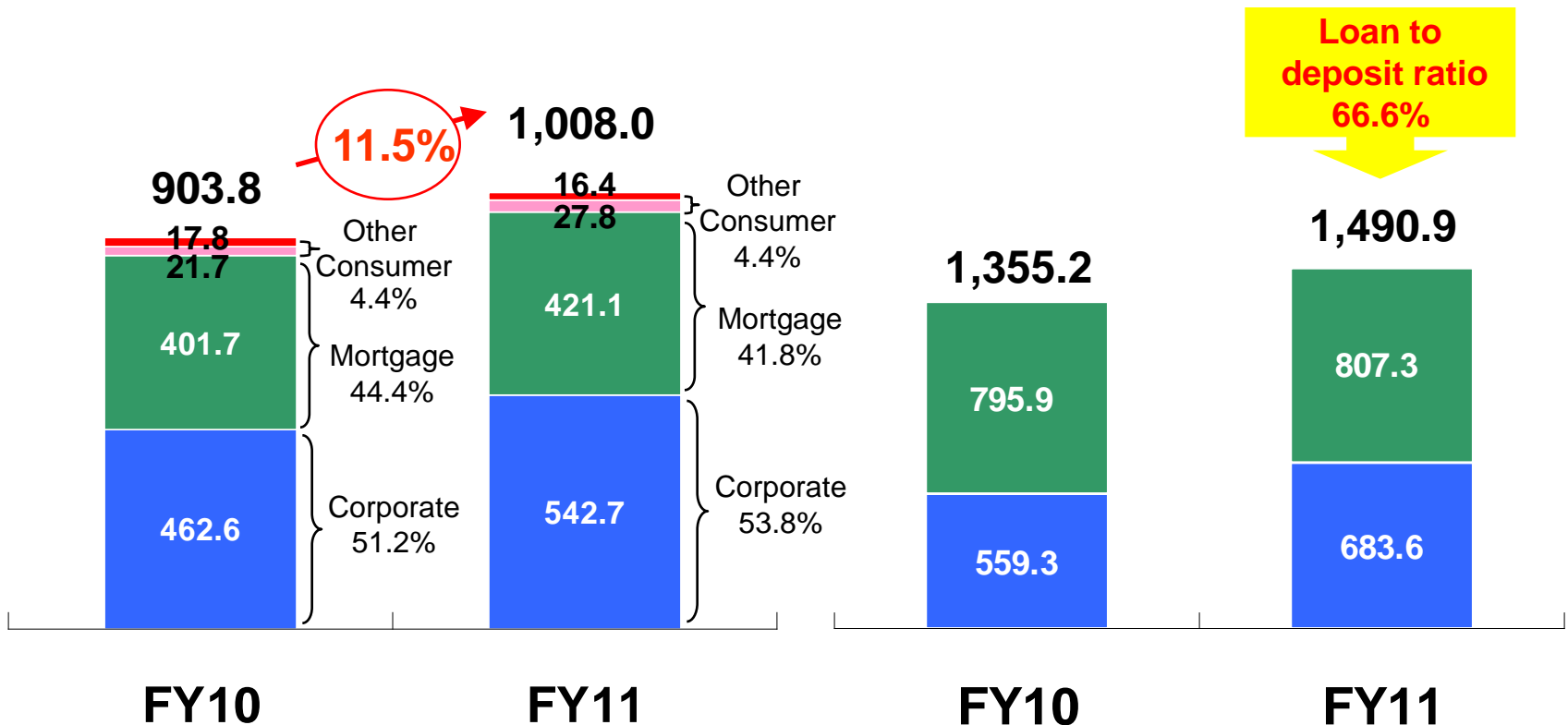
Cathay United Bank — Loan & deposit breakdown

Loan breakdown (NT\$BN)

- Credit Card related
- Consumer
- Mortgage
- Corporate

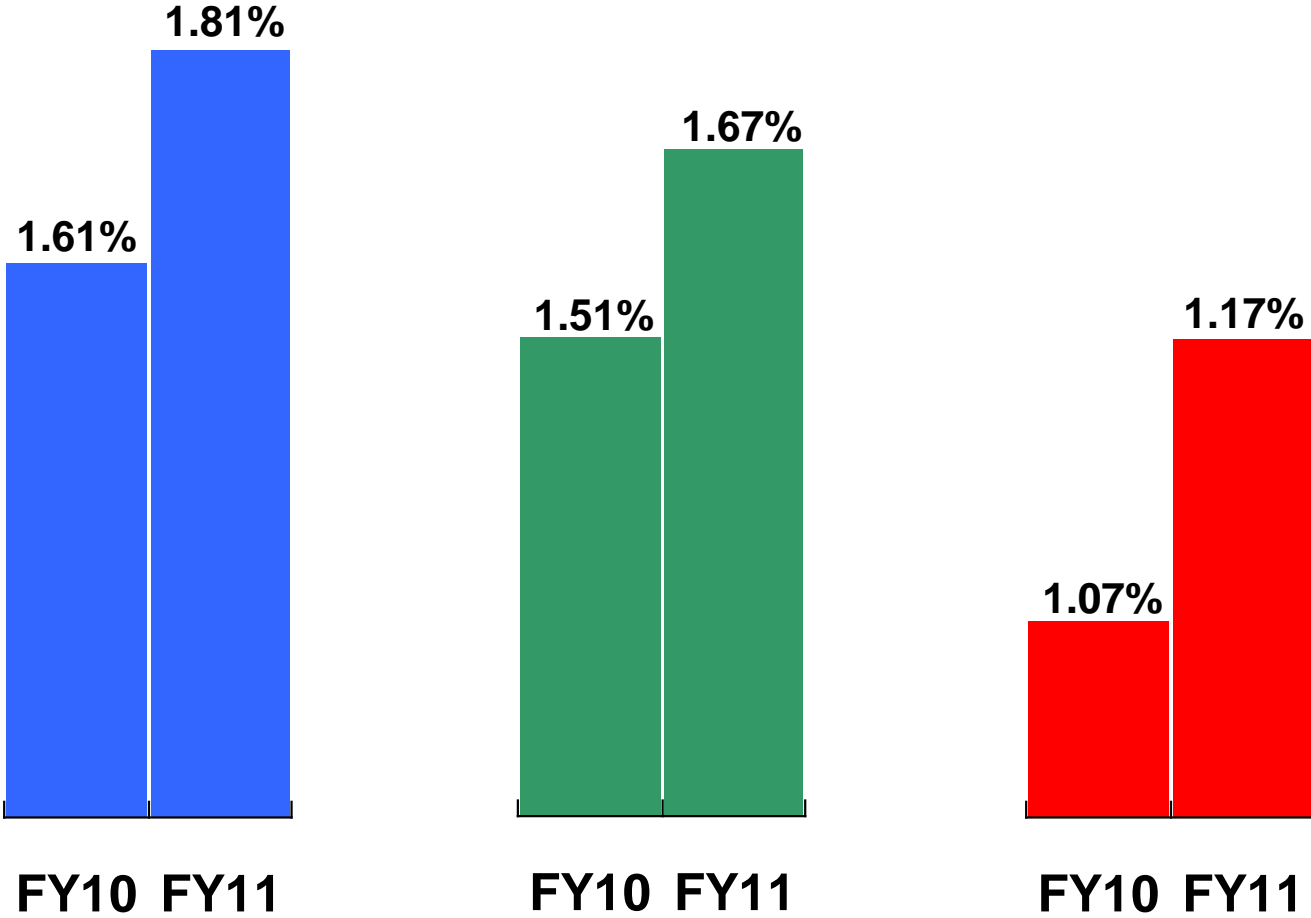
Deposit breakdown (NT\$BN)

- Demand Deposit
- Time Deposit



Cathay United Bank – Interest yields

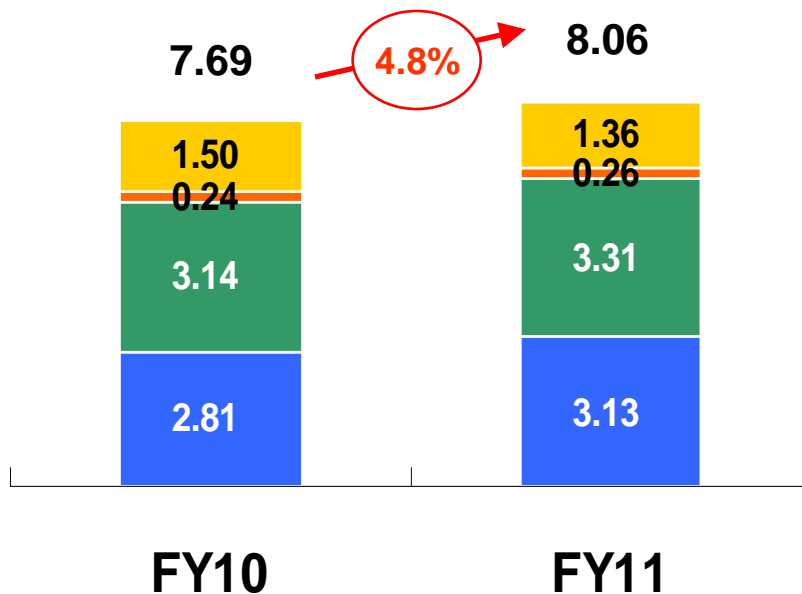
■ Avg. rate of interest-earning assets ■ Interest spread ■ Net interest margin



Cathay United Bank – Fee income

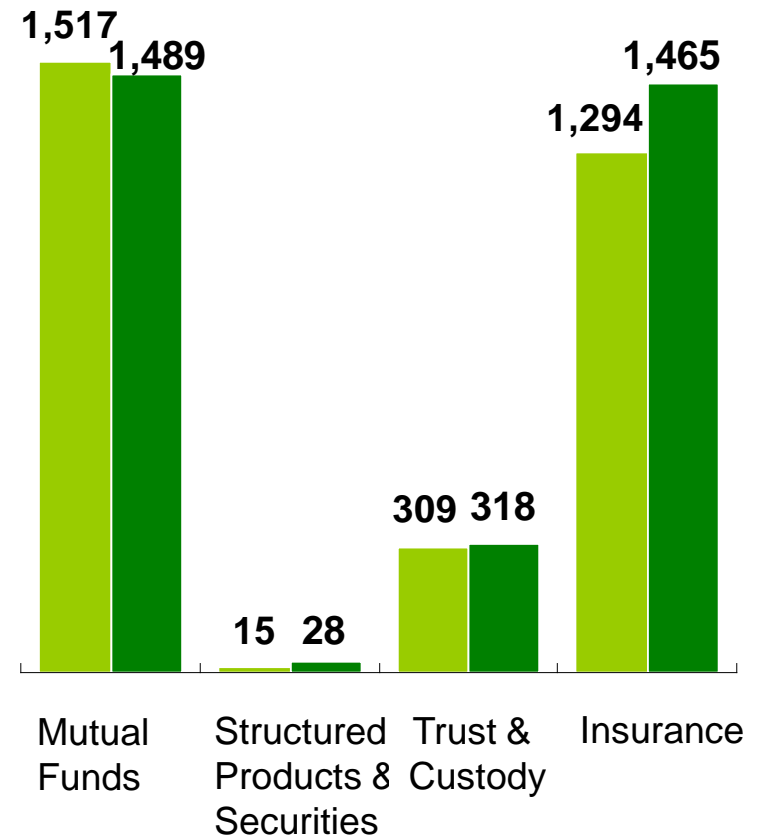
Fee income breakdown (NT\$BN)

- Others
- FX
- Wealth management
- Cards related



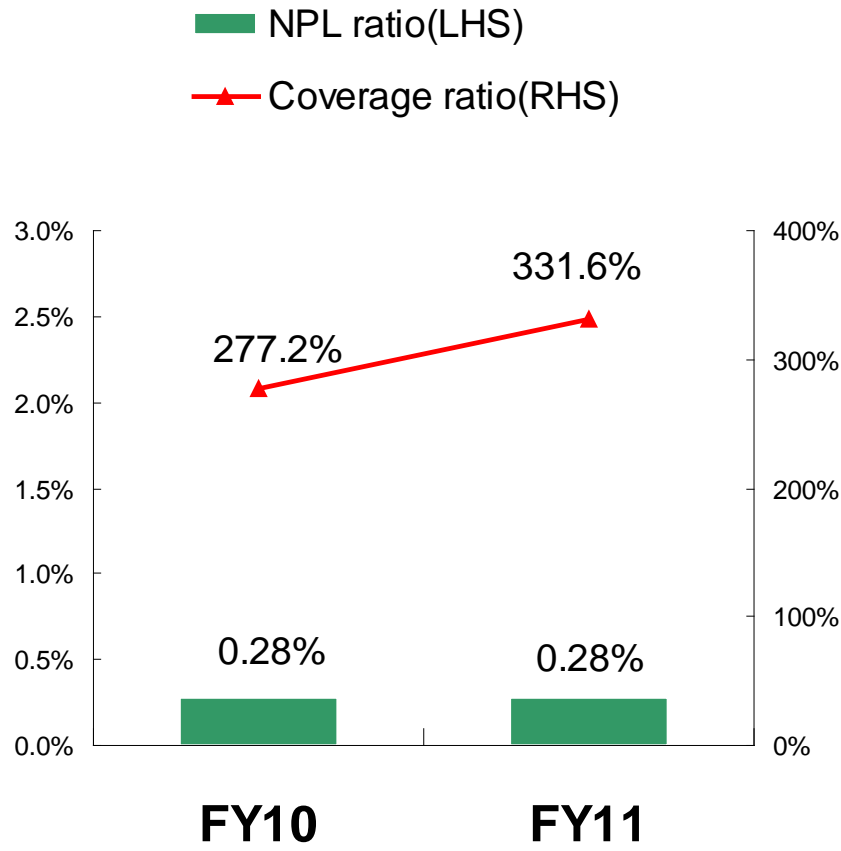
Wealth management fee breakdown (NT\$MN)

- FY10
- FY11

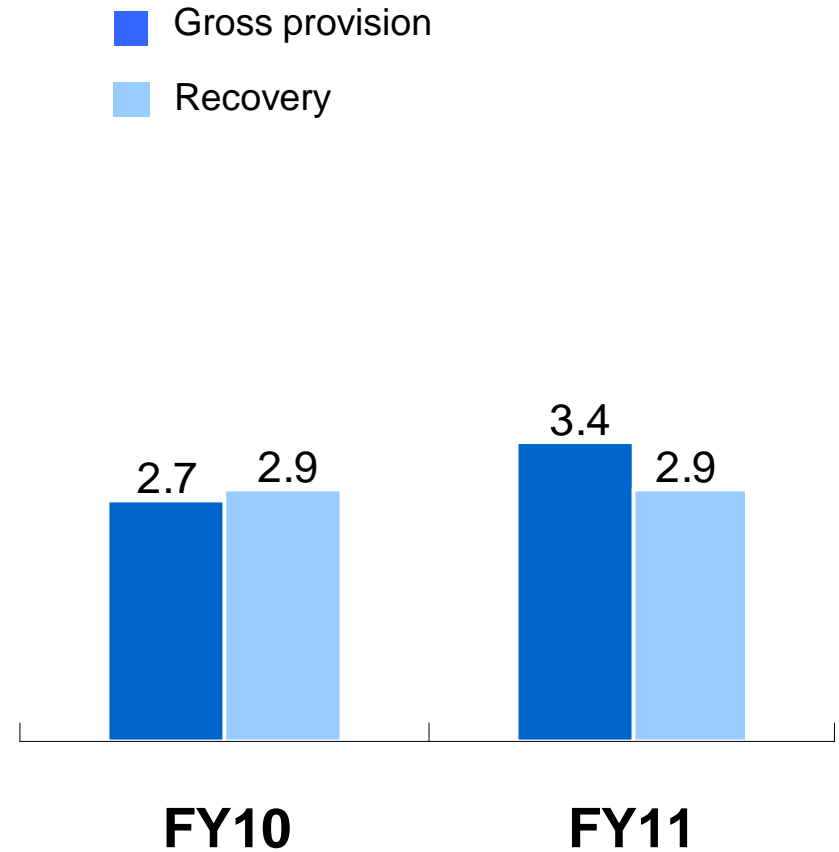


Cathay United Bank – Credit quality

NPL & Coverage ratio



Gross provision (NT\$BN)

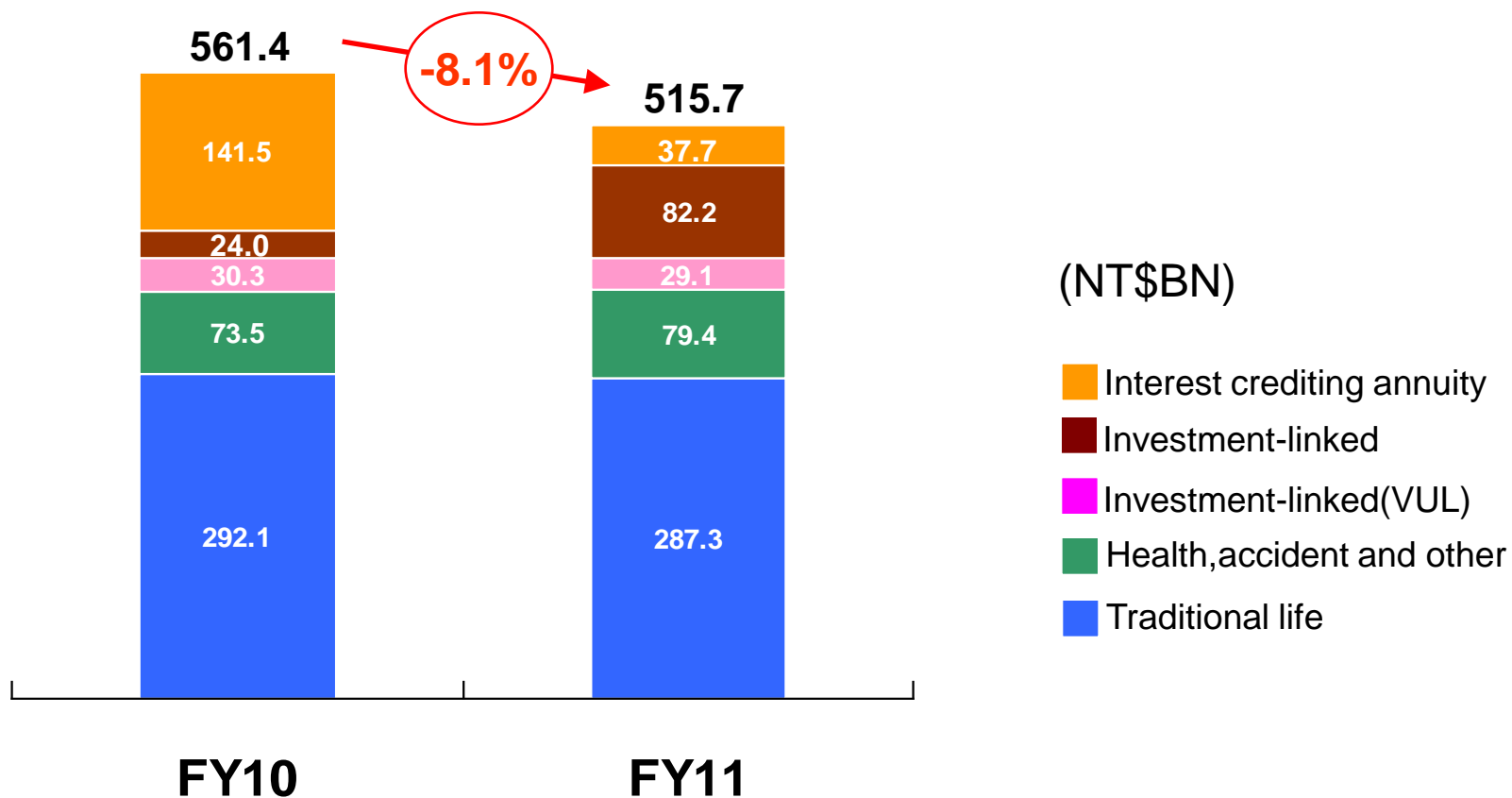


Mortgage NPL	0.11%	0.08%
--------------	-------	-------

Agenda

- **2011 Business overview and 2012 outlook**
- **2011 Financial results**
 - Cathay Financial Holdings
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Overseas expansion**

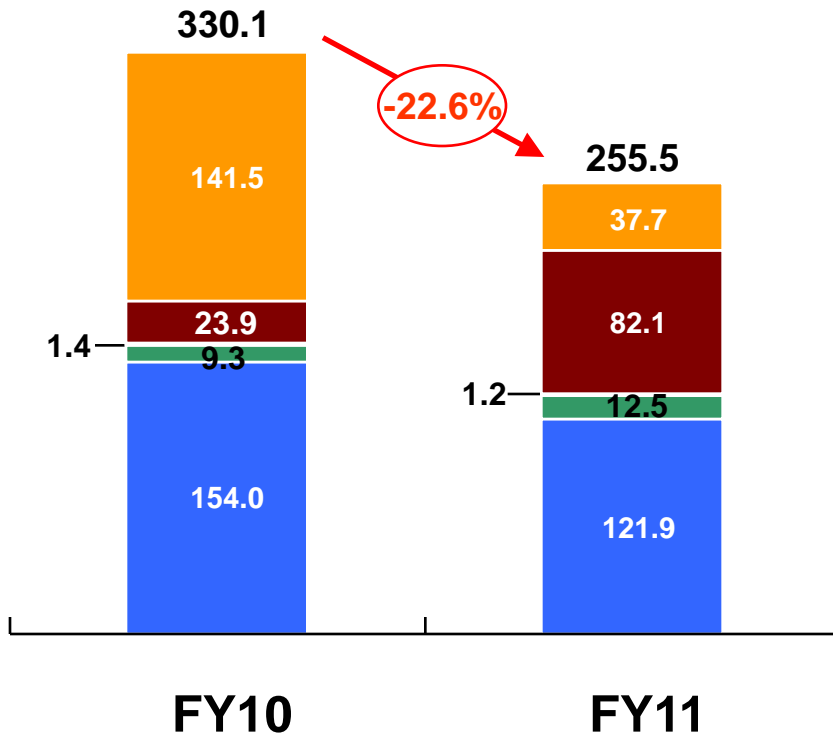
Cathay Life – Total premium



Cathay Life — FYP/ FYPE

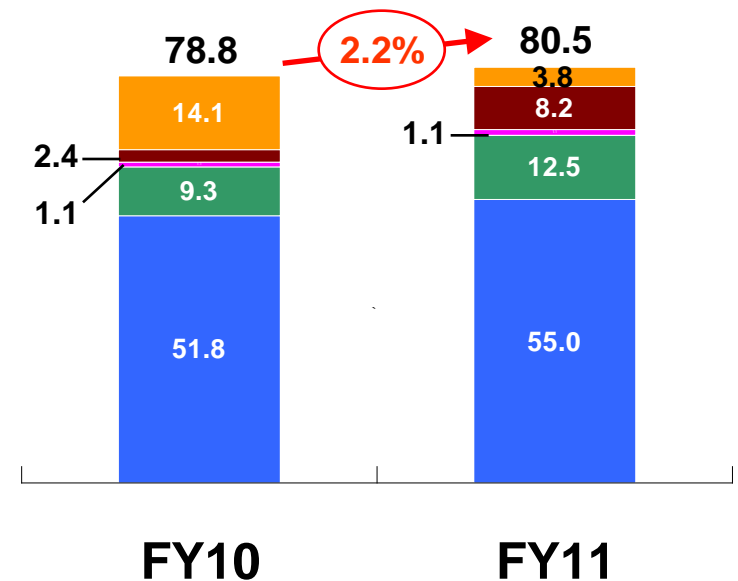
First year premium (FYP)

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



First year premium equivalent (FYPE)

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

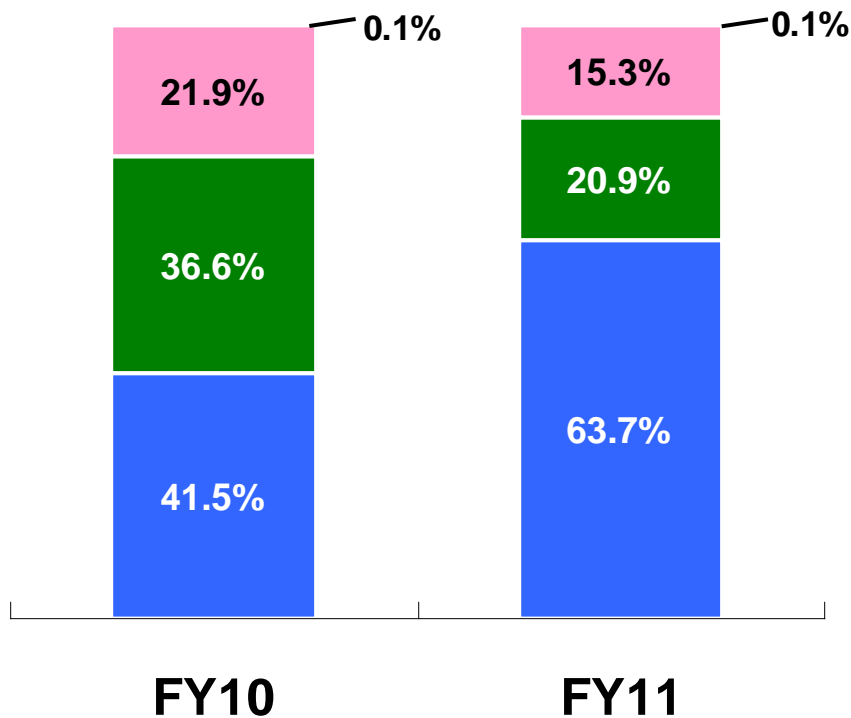


Note: Total may not sum due to rounding

Cathay Life — Distribution channel

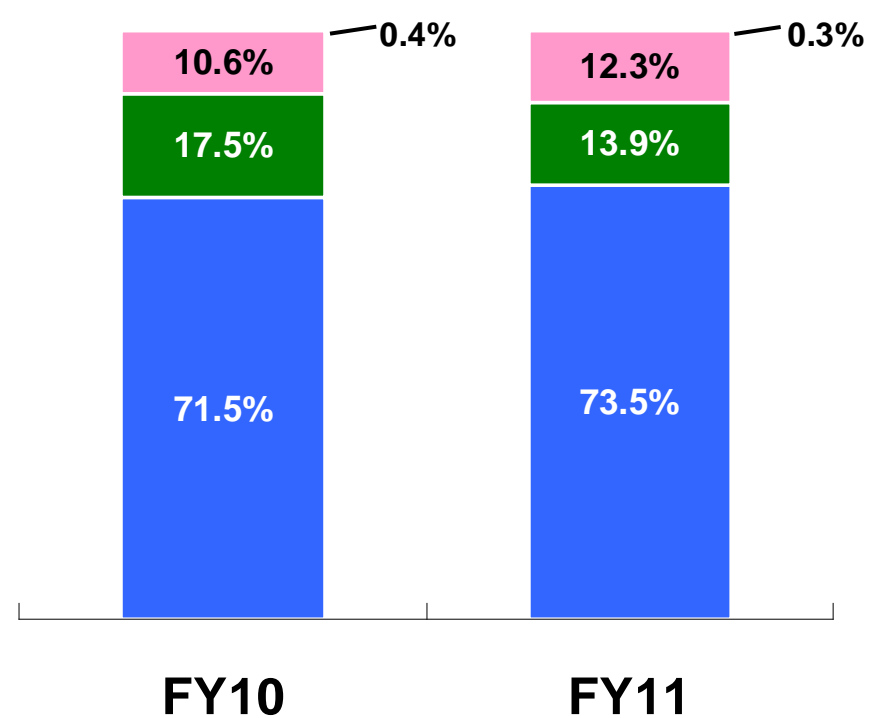
First year premium (FYP)

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



First year premium equivalent (FYPE)

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

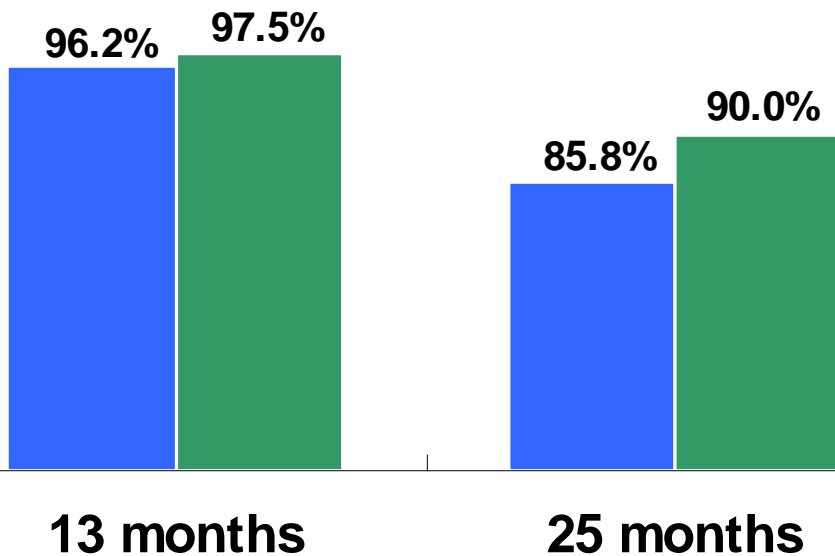


Note: Total may not sum due to rounding

Cathay Life – Operational indicators

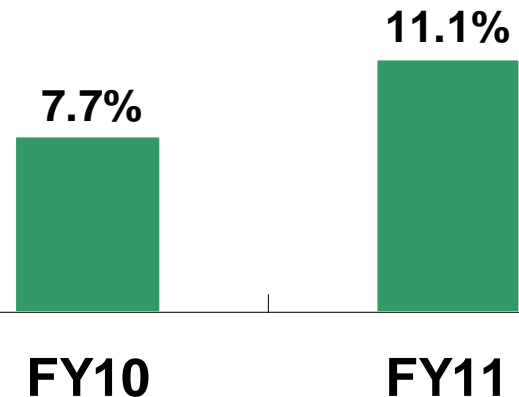
Persistence ratio

■ FY10 ■ FY11



Expense ratio

Higher expense ratio was caused by product mix adjustment



Cathay Life – Investment portfolio

	3Q11		4Q11		Weight Change	Amount Change
	Amt. (NT\$BN)	%	Amt. (NT\$BN)	%		
Cash & Cash equivalents	257.7	9.0%	253.6	8.6%	-0.4%	-4.1
Equity- Domestic	256.0	8.9%	251.1	8.5%	-0.4%	-4.9
Equity- International	99.9	3.5%	118.2	4.0%	0.5%	18.3
Bond- Domestic	475.6	16.6%	485.3	16.4%	-0.2%	9.6
Bond- International ⁽¹⁾	1,082.5	37.7%	1,142.4	38.6%	0.9%	59.9
Mortgage & Secured loans	298.5	10.4%	302.8	10.2%	-0.2%	4.3
Policy loans	188.0	6.6%	188.3	6.4%	-0.2%	0.3
Real estate	142.4	5.0%	158.5	5.4%	0.4%	16.1
Others	69.2	2.4%	59.0	2.0%	-0.4%	-10.2
Total investments⁽²⁾⁽³⁾	2,869.9	100.0%	2,959.2	100.0%		89.4

Note (1) : Includes foreign currency deposit and related adjustments

Note (2) : Excludes separate account assets

Note (3) : Total investments only includes funds available to invest

Note (4) : Total may not sum due to rounding

Adjustment of hedging position

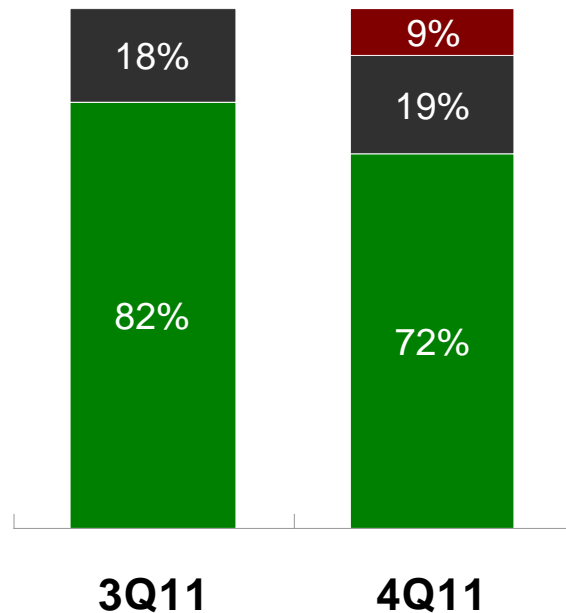
■ Lower the hedging position in 4Q11

Under the accounting rule, foreign exchange gain/loss of AFS international equity assets can only be recognized in owners' equity rather than in P&L. Cathay used to hedge all overseas investments.

To lower the volatility of earnings, Cathay reduced the hedging position of AFS international equity assets in 4Q11.

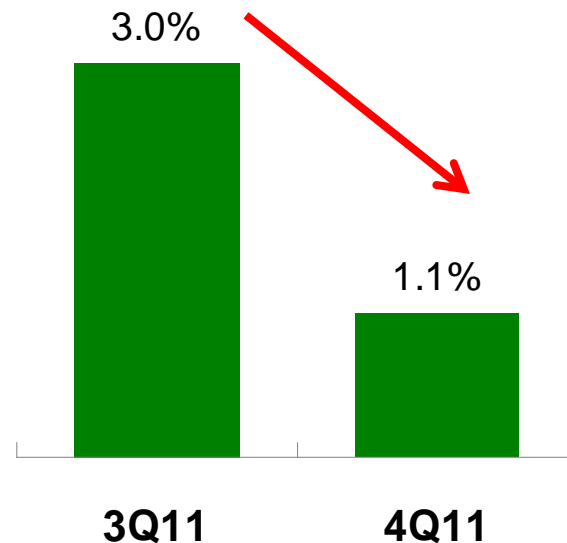
Currency Hedging Breakdown

- Traditional Hedge
- Proxy
- Unhedged



2011 3Q / 4Q Hedging Cost

- Quarterly hedging cost (annualized)

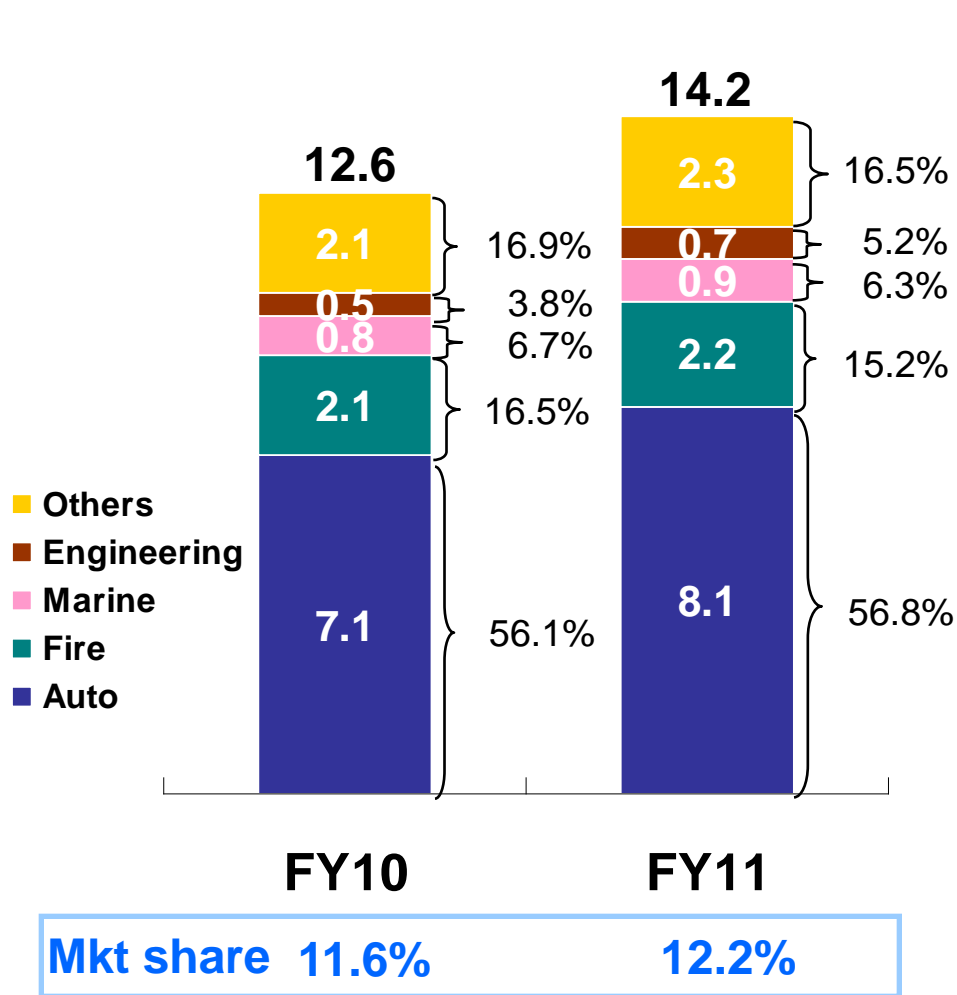


Agenda

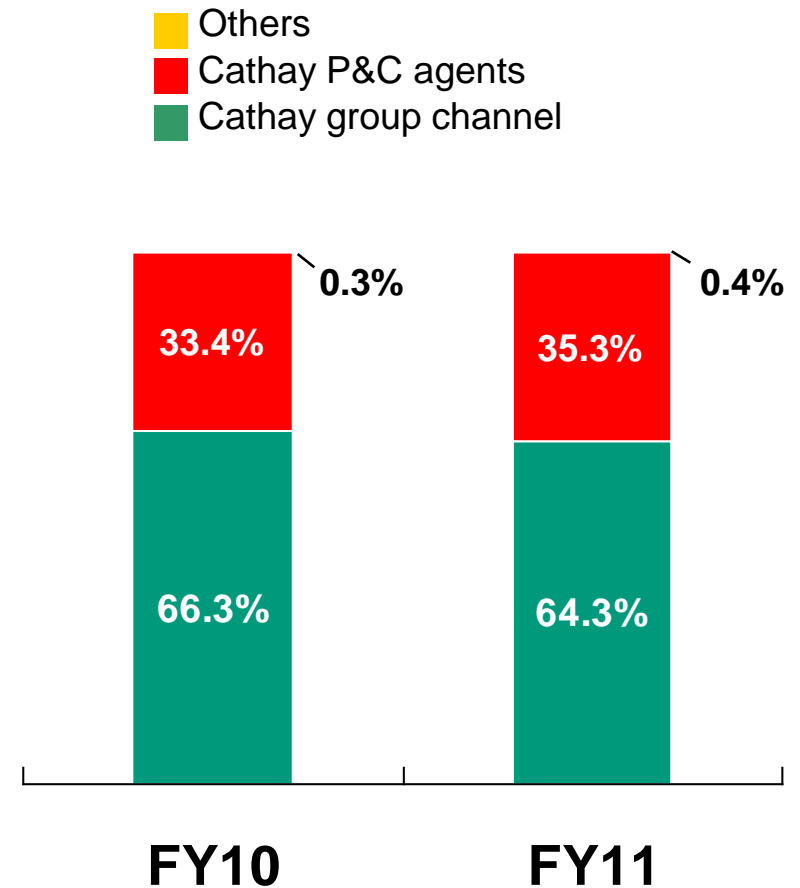
- **2011 Business overview and 2012 outlook**
- **2011 Financial results**
 - Cathay Financial Holdings
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Overseas expansion**

Cathay Century

Product breakdown (NT\$BN)



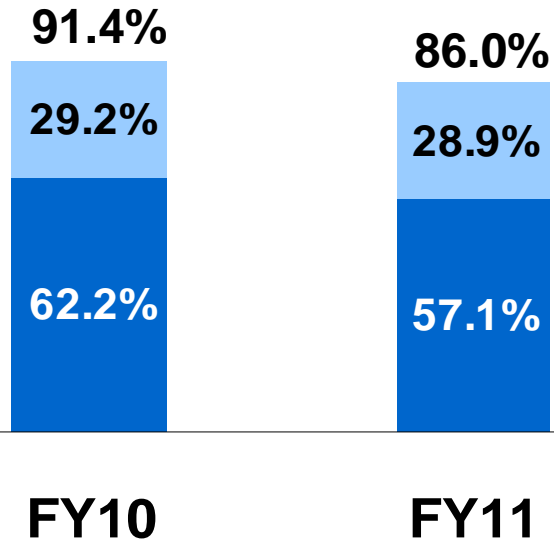
Distribution channel



Cathay Century

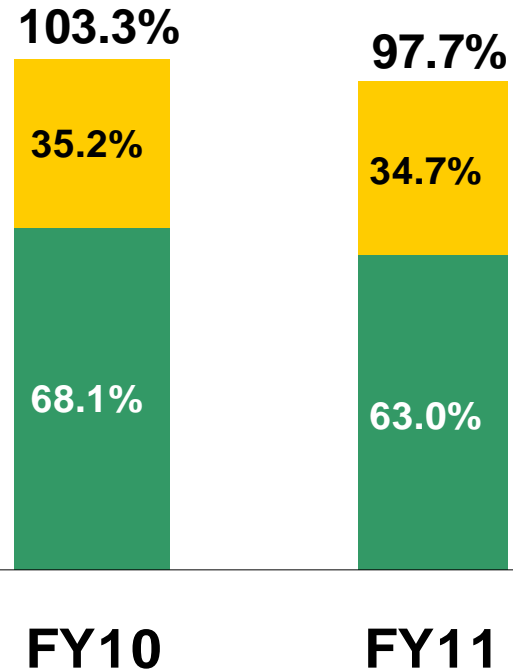
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



Retained combined ratio

- Retained expense ratio
- Retained loss ratio



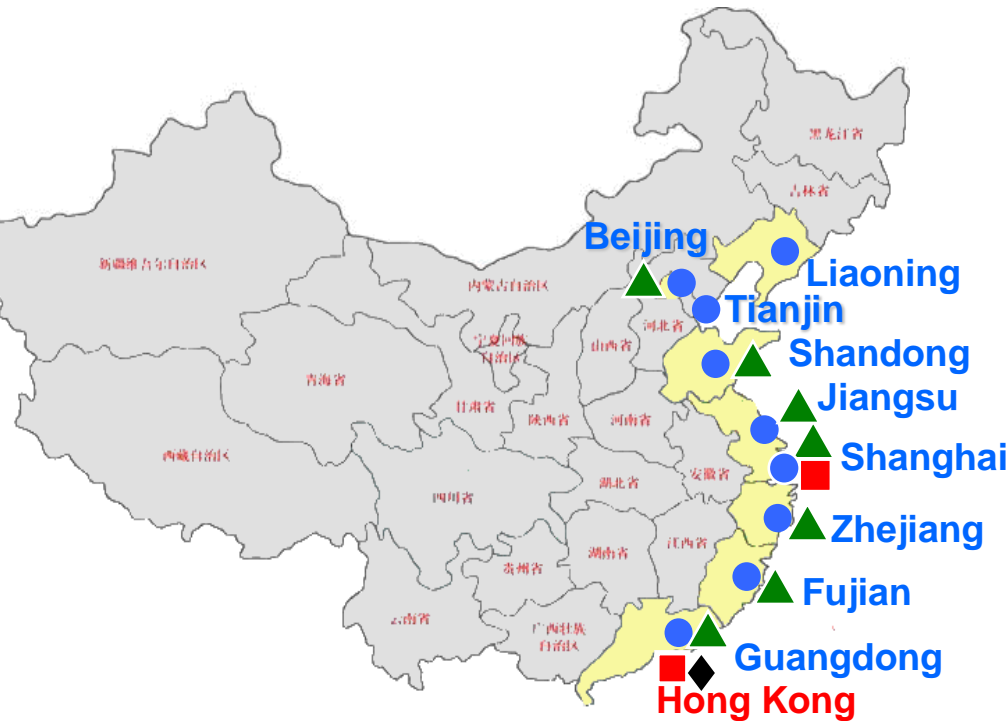
Retained rate 72.6%

73.7%

Agenda

- **2011 Business overview and 2012 outlook**
- **2011 Financial results**
 - Cathay Financial Holdings
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Overseas expansion**

Cathay FHC in China



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

■ Cathay Life (China)

- Total premium income rose by 18% YoY
- Policyholders: approximately 3.1 MN, grew by 6.3% YoY
- Productivity per tied agent kept improving, with 38% YoY growth

■ Cathay United Bank

- 2011 pre-tax net income of Shanghai branch amounted to USD2.79 MN
- Raised Shanghai branch's capital to RMB 1BN
- Aim to start RMB operations and plan to set up Minhang Sub-branch and Qingdao Branch

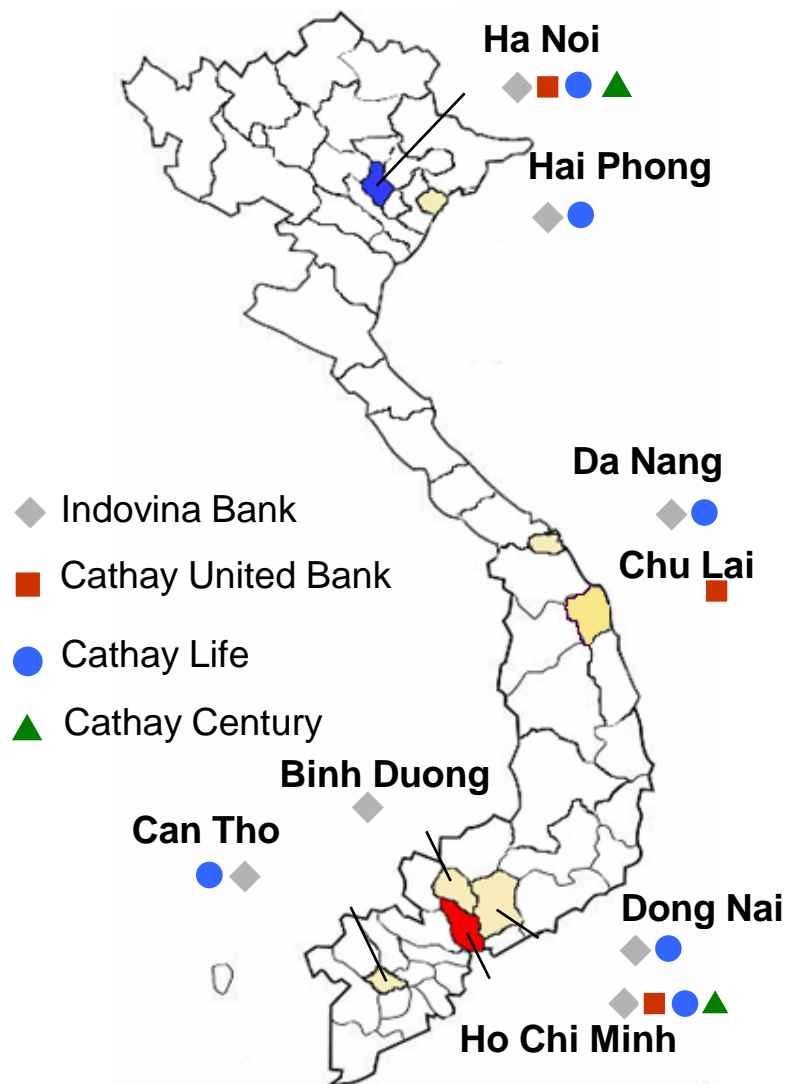
■ Cathay Century (China)

- Strong premium income growth, grew by 118% YoY

■ Cathay Conning Asset Management

- Gained approval from both Taiwan and Hong Kong regulators; aim to begin operations in the near term

Cathay FHC in Vietnam



■ Indovina Bank

- Pre-tax net income: USD26.04 MN
- NPL ratio: 1.62% (avg. NPL ratio of local players is approximately 3%)

■ Cathay United Bank

- Pre-tax net income of Chu Lai branch: USD5.45 MN

Indovina Bank and Cathay United Bank were both rated as the top-tier bank by Central Bank of Vietnam.

■ Cathay Life

- The number of tied agents continued to increase, reached 17,000 as of 2011
- Strong growth in premium income, total premium grew by 83.4% YoY and FYP grew by 82.2% YoY

■ Cathay Century

- Began operation at the end of 2010, each business line performed steadily

Note: Central Bank of Vietnam classifies banks into four groups with different loan growth limits: top tier:17%, second tier:15%, third tier 8%, fourth tier:0%.

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

	FY2010	FY2011	FY11/ FY10 % Chg	4Q10	4Q11	4Q11/ 4Q10 % Chg
<u>Statement of Income Data</u>						
Interest income	0.869	0.924	6.3%	0.226	0.236	4.1%
Income from subsidiaries						
Cathay Life	(6.520)	(0.180)	-97.2%	(1.391)	(2.420)	74.0%
Cathay United Bank	11.190	10.970	-2.0%	1.670	1.810	8.4%
Cathay Century	0.310	0.600	93.5%	(0.122)	0.290	-
Other	0.326	0.202	-38.0%	0.076	(0.007)	-
Total income from subsidiaries, net	5.306	11.592	118.5%	0.233	(0.327)	-
Gain/Loss on foreign exchange	0.000	0.000	-	0.000	0.000	-
Other income	0.059	0.039	-34.5%	0.005	(0.001)	-
Operating costs	(1.155)	(1.166)	1.0%	(0.290)	(0.302)	4.3%
Administrative and general expenses	(0.329)	(0.345)	5.0%	(0.076)	(0.086)	13.9%
Income taxes (expense) benefit	(0.176)	0.085	-	0.274	0.038	-86.1%
Net income	4.575	11.129	143.2%	0.372	(0.443)	-
EPS (NT\$)	0.44	1.08				
<u>Balance Sheet Data</u>						
Long-term investments in stock	218.8	223.3				
Total assets	265.9	266.2				
Total consolidated assets	4,689.2	5,005.4				
Total shareholders' equity	218.6	213.7				
<u>Operating Metrics</u>						
ROAE(standalone)	2.1%	5.2%				
ROAA (standalone)	1.7%	4.2%				
ROAA(consolidated)	0.1%	0.2%				

Notes:

(1)All data and information on this page is provided for informational purposes only, and may subject to adjustment.

For more details, please refer to our official financial reports.

(2)Total may not sum due to rounding



Cathay Life

Summary Financial Data

(NT\$BN)

	FY2010	FY2011	FY11/ FY10 % Chg	4Q10	4Q11	4Q11/ 4Q10/ % Chg
Summary Statement of Income Data						
Premium income ⁽¹⁾	460.279	408.031	-11.4%	99.647	108.652	9.0%
Reinsurance premium ceded	(23.487)	(22.398)	-4.6%	(5.886)	(6.701)	13.8%
Changes in unearned premium reserve	(1.129)	2.072	-	(1.327)	(0.912)	-31.2%
Retained earned premium	435.664	387.705	-11.0%	92.434	101.038	9.3%
Reinsurance commission earned	9.254	11.737	26.8%	2.044	3.789	85.4%
Handling fee earned	2.213	2.872	29.8%	0.597	0.627	5.0%
Investment income						
Interest income	77.340	86.315	11.6%	20.444	22.335	9.2%
Gain on disposal of investment	33.625	44.038	31.0%	23.229	(13.412)	-
Other investment income, net	(22.050)	(38.968)	76.7%	(19.805)	13.853	-
Total investment income, net ⁽²⁾	88.916	91.385	2.8%	23.869	22.776	-4.6%
Separate account product revenues	53.991	87.181	61.5%	16.119	17.855	10.8%
Retained claims payment	(271.098)	(251.366)	-7.3%	(70.545)	(55.534)	-21.3%
Changes in liability reserves	(231.581)	(197.618)	-14.7%	(39.513)	(62.847)	59.1%
Commissions and operating expense						
Brokerage expenses	(29.887)	(32.573)	9.0%	(7.702)	(8.301)	7.8%
Marketing, administrative and general expenses	(12.296)	(13.700)	11.4%	(3.948)	(3.877)	-1.8%
Total commissions and operating expenses	(42.183)	(46.273)	9.7%	(11.650)	(12.178)	4.5%
Other operating expenses	(56.033)	(89.711)	60.1%	(16.690)	(18.588)	11.4%
Operating income	(10.858)	(4.089)	-62.3%	(3.335)	(3.062)	-8.2%
Non-operating income	2.070	1.767	-14.6%	0.479	0.491	2.5%
Non-operating expense	(0.822)	(0.834)	1.4%	(0.206)	(0.219)	6.3%
Income taxes	3.095	3.611	16.7%	1.676	0.368	-78.0%
Cumulative effect of changes in accounting principles	0.000	0.000	-	0.000	0.000	-
Net income	(6.516)	0.456	-	(1.386)	(2.422)	74.7%
Balance Sheet Data						
Total assets	3048.1	3277.4				
Total stockholders' equity	113.8	112.4				
Operating Metrics						
First Year Premium(FYP)	330.1	255.5				
First Year Premium Equivalent(FYPE)	78.8	80.5				
Expense ratio	7.7%	11.1%				
13-mos persistency ratio	96.2%	97.5%				
25-mos persistency ratio	85.8%	90.0%				
ROAE	-5.7%	0.4%				
ROAA	-0.2%	0.0%				

Notes:

(1) Excludes investment-linked products premium income.

(2) All data and information on this page is provided for informational purposes only, and may subject to adjustment.

For more details, please refer to our official financial reports.

(3) Total may not sum due to rounding



Cathay United Bank
Summary Financial Data
(NT\$BN)

	FY2010	FY2011	FY11/ FY10 % Chg	4Q10	4Q11	4Q11/ 4Q10 % Chg
Summary Statement of Income Data						
Interest income	22.130	27.408	23.8%	5.806	7.484	28.9%
Interest expense	(7.397)	(9.750)	31.8%	(1.941)	(2.843)	46.5%
Net interest income	14.733	17.658	19.9%	3.864	4.641	20.1%
Net operating income except interest income						
Net handling fee	6.445	6.711	4.1%	1.800	1.575	-12.5%
Gains on financial assets and liabilities at fair value through P&L	0.567	1.250	120.6%	0.253	0.394	55.8%
Realized gains on available-for-sale financial assets	2.334	1.749	-25.1%	0.567	0.078	-86.3%
Realized gains on held-to-maturity financial assets	0.000	(0.002)	-	0.000	0.000	-
Invst inc - equity method	0.283	0.339	19.7%	0.120	0.076	-37.0%
Realized gain - equity method	0.000	0.000	-	0.000	0.000	-
Gain on foreign exchg - net	0.653	0.754	15.5%	0.127	0.131	3.4%
Impairment gain/loss	(0.075)	(0.112)	48.9%	(0.075)	(0.091)	21.6%
Gains on reversal of foreclosed properties impairment	0.000	0.000	-	0.000	0.000	-
Gains/losses on disposal of foreclosed properties	1.040	0.007	(0.993)	0.000	0.000	-
Investments in debt securities with no active market, net	(0.120)	0.015	-	(0.178)	0.013	-
other income, net	1.271	1.173	-7.7%	(0.671)	0.256	-
Net operating income	27.131	29.542	8.9%	5.808	7.072	21.8%
Provisions for possible losses	0.000	(0.526)	-	0.000	(0.490)	-
Operating expenses	(14.772)	(16.322)	10.5%	(3.973)	(4.499)	13.2%
Income from continuing operations before income taxes	12.358	12.694	2.7%	1.835	2.083	13.5%
Income tax benefit (expense)	(1.052)	(1.554)	47.7%	(0.133)	(0.275)	106.6%
Cumulative effect of changes in accounting principles	0.000	0.000	-	0.000	0.000	-
Net income	11.306	11.140	-1.5%	1.702	1.808	6.2%
Balance Sheet Data						
Total assets	1,575.8	1,708.3				
Total shareholders' equity	95.2	98.2				
Operating Metrics						
Cost income ratio	54.5%	55.3%				
ROAE	12.0%	11.5%				
ROAA	0.7%	0.7%				
Assets Quality						
NPL ratio (international standard)	0.3%	0.3%				
Coverage ratio (international standard)	277.2%	331.6%				

Notes:

(1) All data and information on this page is provided for informational purposes only, and may subject to adjustment.

For more details, please refer to our official financial reports.

(2) Total may not sum due to rounding



Cathay Century
Summary Financial Data
(NT\$MM)

			FY11/ FY10 % Chg	4Q10	4Q11	4Q11/ 4Q10 % Chg
<u>Summary Statement of Income Data</u>						
Premiums income	12,629.3	14,182.5	12.3%	3509.4	3727.5	6.2%
Reinsurance premiums ceded	(3,459.9)	(3732.2)	7.9%	(946.3)	(919.3)	-2.9%
Changes in unearned premium reserve	(151.1)	(797.3)	427.6%	(118.7)	(132.6)	11.7%
Premiums income, net	9,018.3	9653.0	7.0%	2444.4	2675.5	9.5%
Investment						
Interest income	296.3	296.7	0.2%	70.3	73.7	4.9%
Other investment income, net	34.4	(46.3)	-	(21.1)	(72.3)	243.1%
Total investment income	330.6	250.5	-24.2%	49.2	1.4	-97.2%
Other operating income	345.9	351.6	1.6%	94.4	102.4	8.5%
Insurance claims payment, net	(4,676.6)	(5732.7)	22.6%	(1350.0)	(1498.7)	11.0%
Provisions for reserves						
Total provisions for reserves, net	(1,107.0)	190.2	-	(386.7)	229.5	-
Commissions, operating and other expenses	(3,585.9)	(3991.5)	11.3%	(6148.3)	(6834.9)	11.2%
Operating income	325.3	721.0	121.6%	(172.2)	362.1	-
Non-operating income	16.3	14.5	-11.1%	11.2	11.5	2.3%
Non-operating expense	(0.2)	(3.3)	1983.4%	(0.3)	(3.8)	1225.9%
Income taxes	(40.4)	(130.5)	223.3%	29.8	(75.8)	-
Cumulative effect of changes in accounting principles	0.0	0.0	-	0.0	0.0	-
Net income	301.1	601.8	99.8%	(131.2)	295.1	-
<u>Summary Balance Sheet Data</u>						
Total assets	22,755.4	25,565.1		21,457.5	24,353.7	
Total stockholders' equity	3,471.7	3,806.6		3,680.5	3,509.1	
<u>Operating Metrics</u>						
Written Combined ratio	91.4%	86.0%				
Net Combined ratio	103.3%	97.7%				
ROAE	7.8%	16.5%				
ROAA	1.4%	2.5%				

Notes:

(1) All data and information on this page is provided for informational purposes only, and may subject to adjustment.

For more details, please refer to our official financial reports.

(2) All financial numbers are provided according to the new P&C insurance accounting principle of FSC promulgated on 01/01/2008.

(3) Total may not sum due to rounding



Shares Outstanding
(Millions of shares)

	<u>As of</u> <u>12/31/2011</u>
Total shares issued	10,357.5
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	10,157.5

Notes: All data and information on this page is provided for informational purposes only, and may be subject to adjustment. For more details, please refer to our official financial reports.



Capital Adequacy Metrics

	<u>Capital Adequacy Metrics (As of 12/31/2011)</u>	<u>Legal Requirement</u>
Cathay Financial Holdings Capital Adequacy Ratio	130.96%	100%
Cathay Life RBC Ratio	250% - 300%	200%
Cathay Century RBC Ratio	> 300%	200%
Cathay United Bank BIS Ratio / Tier 1 Ratio	11.78% / 9.21%	8.00% / 6.00%
Cathay Securities BIS Ratio	547%	150%

Notes:

All data and information on this page is provided for informational purposes only, and may subject to adjustment. For more details, please refer to our official financial reports.