

Cathay Financial Holding Co., Ltd.

1Q07 Analyst Meeting

BANKING

INSURANCE

PRODUCTS

INVESTMENTS

May 2007

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Agenda

- Operating Highlights

 - Cathay Life Insurance

 - Cathay United Bank

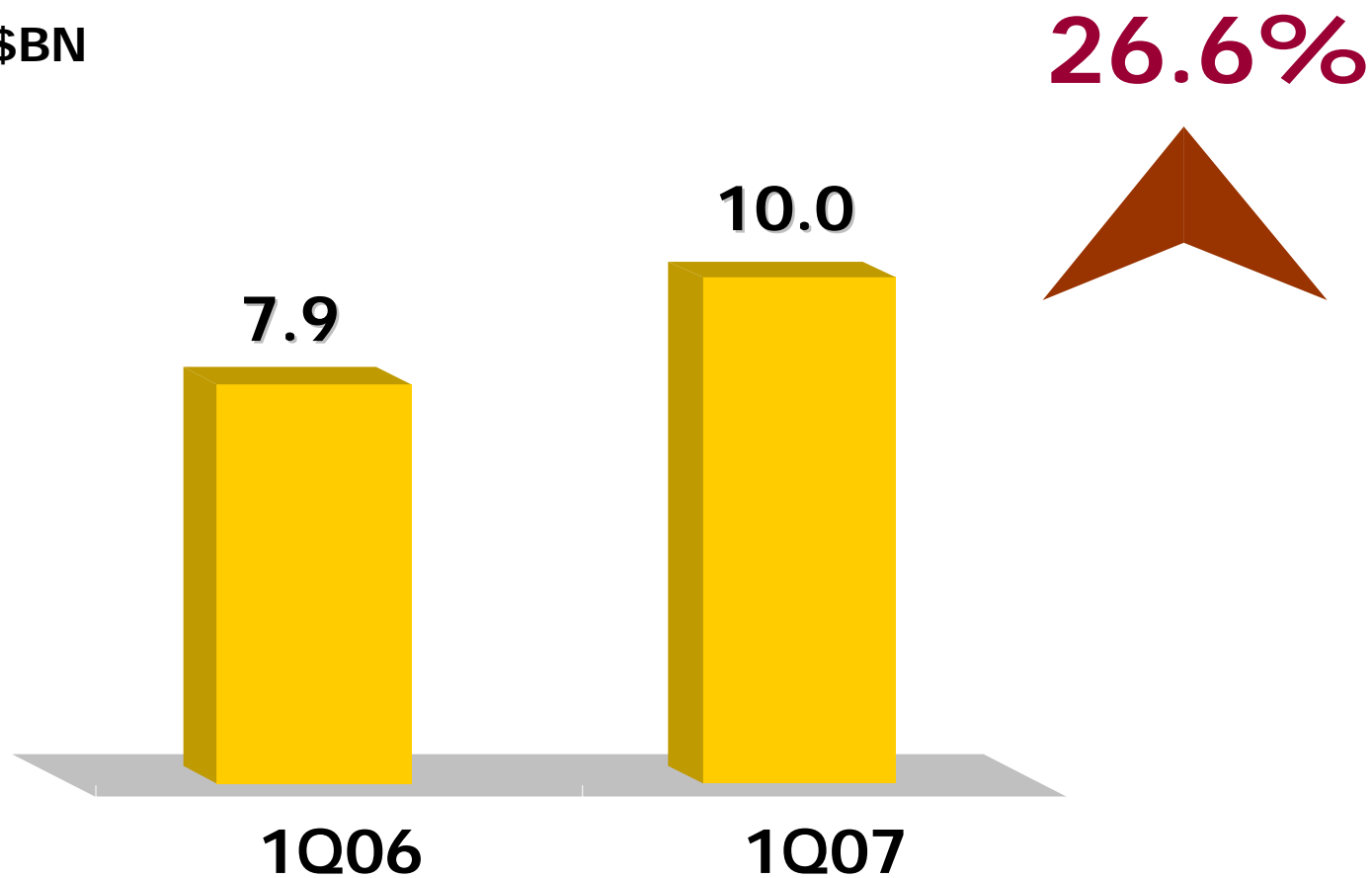
 - Cathay Century

- Embedded Value & Appraisal Value

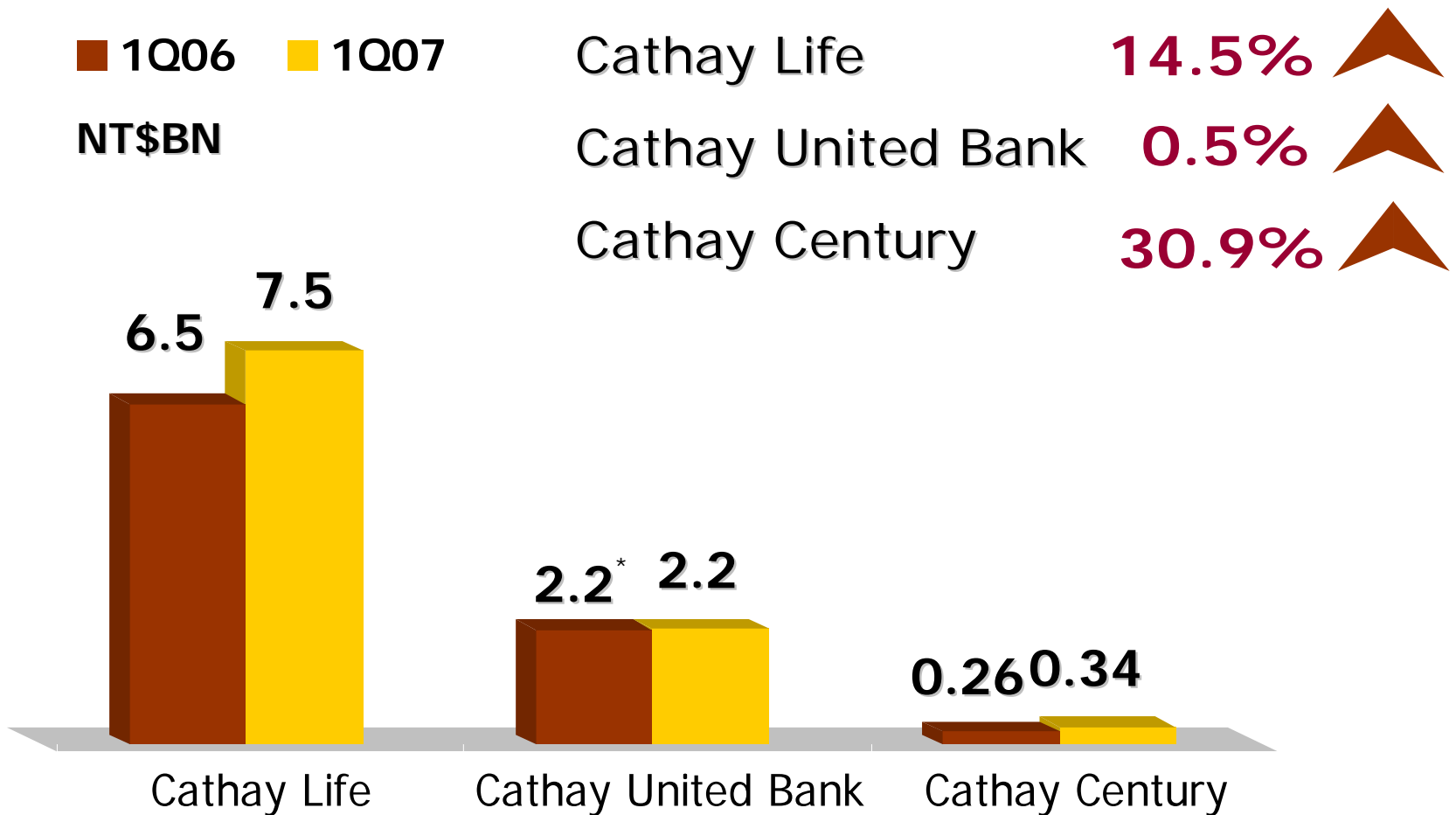


Cathay FHC net income

NT\$BN

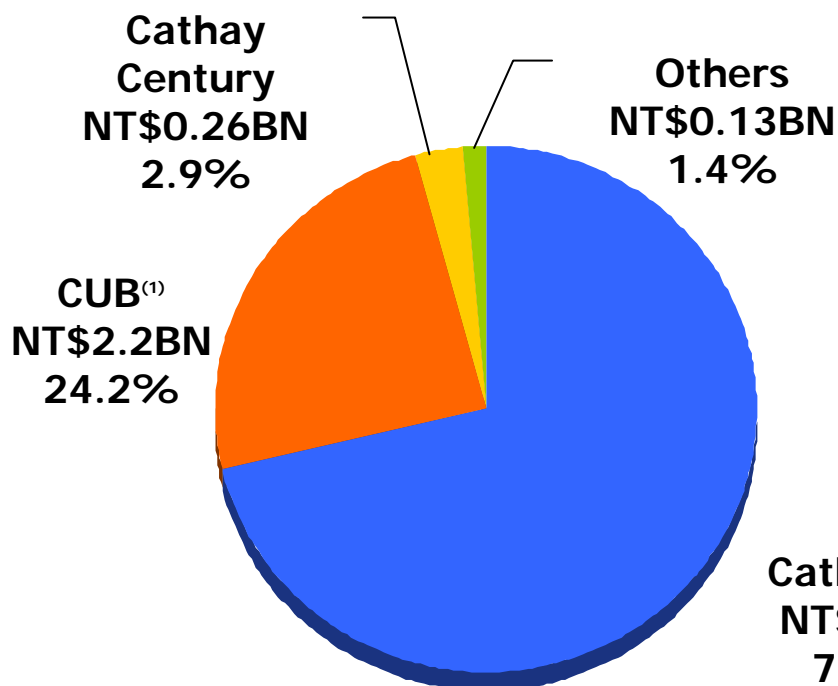


Net income of subsidiaries

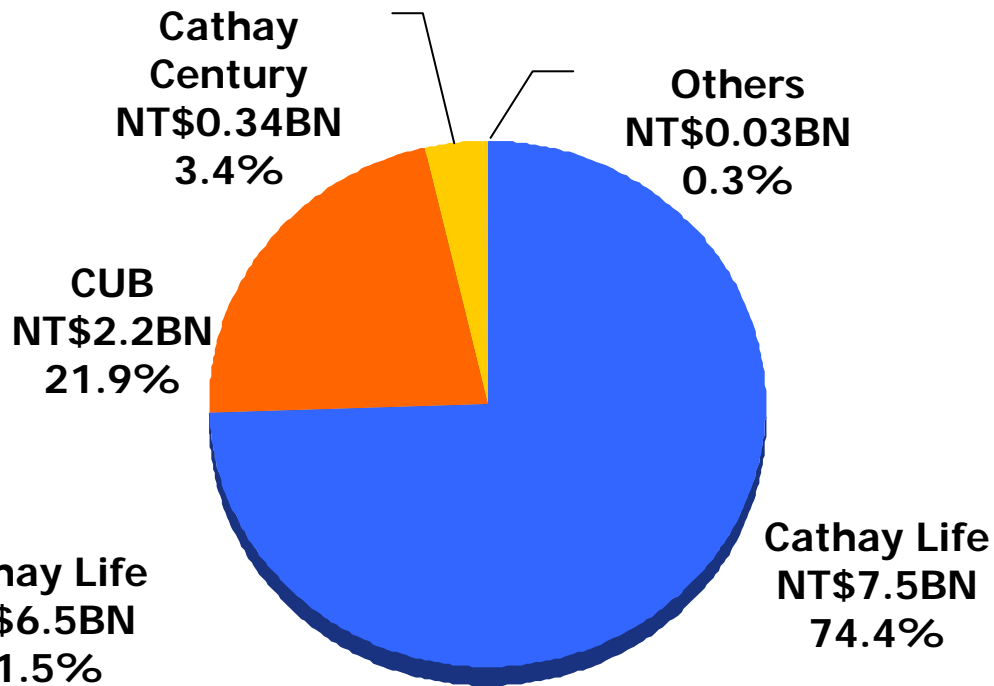


Note*: Results of Lucky Bank were consolidated into CUB as of January 1, 2007, and are not included in 1Q06

Net income contribution



1Q06 Net Income
NT\$7.9BN



1Q07 Net Income
NT\$10.0BN

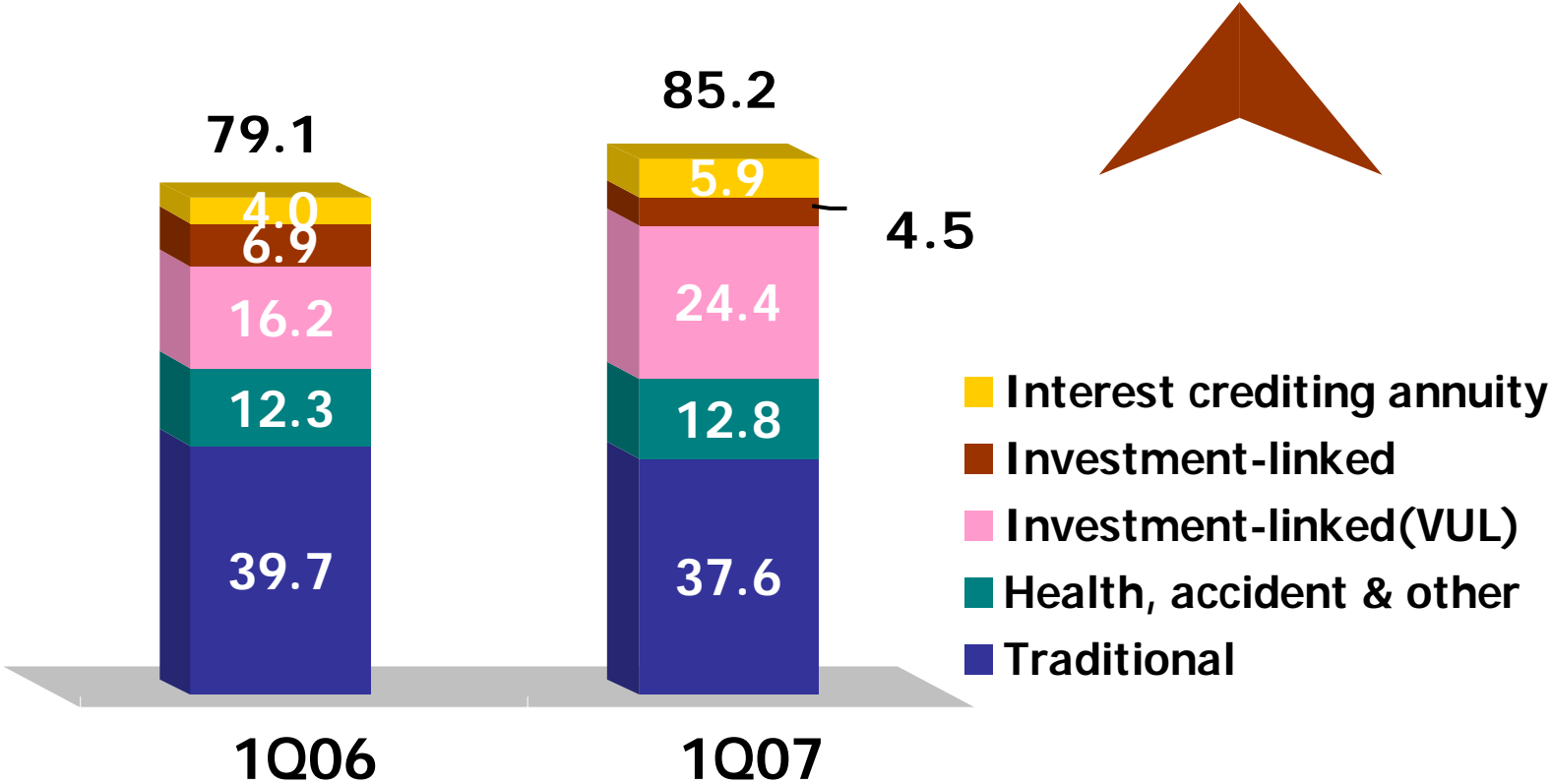
Note (1): Results of Lucky Bank were consolidated into CUB as of January 1, 2007, and are not included in 1Q06

(2): Pie charts are calculated on a sum-of-parts basis

Cathay Life - Total premium

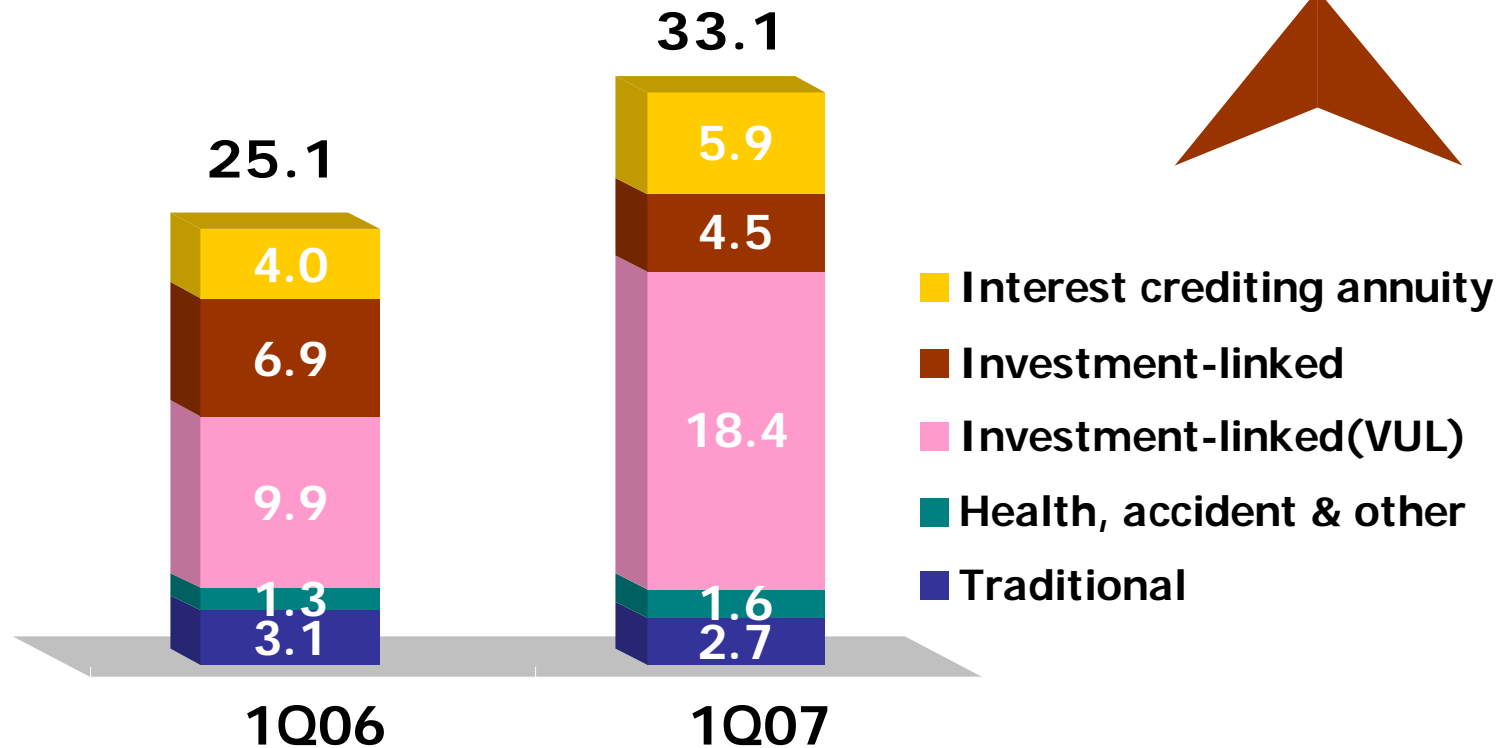
NT\$BN

7.8%



Cathay Life - First year premium

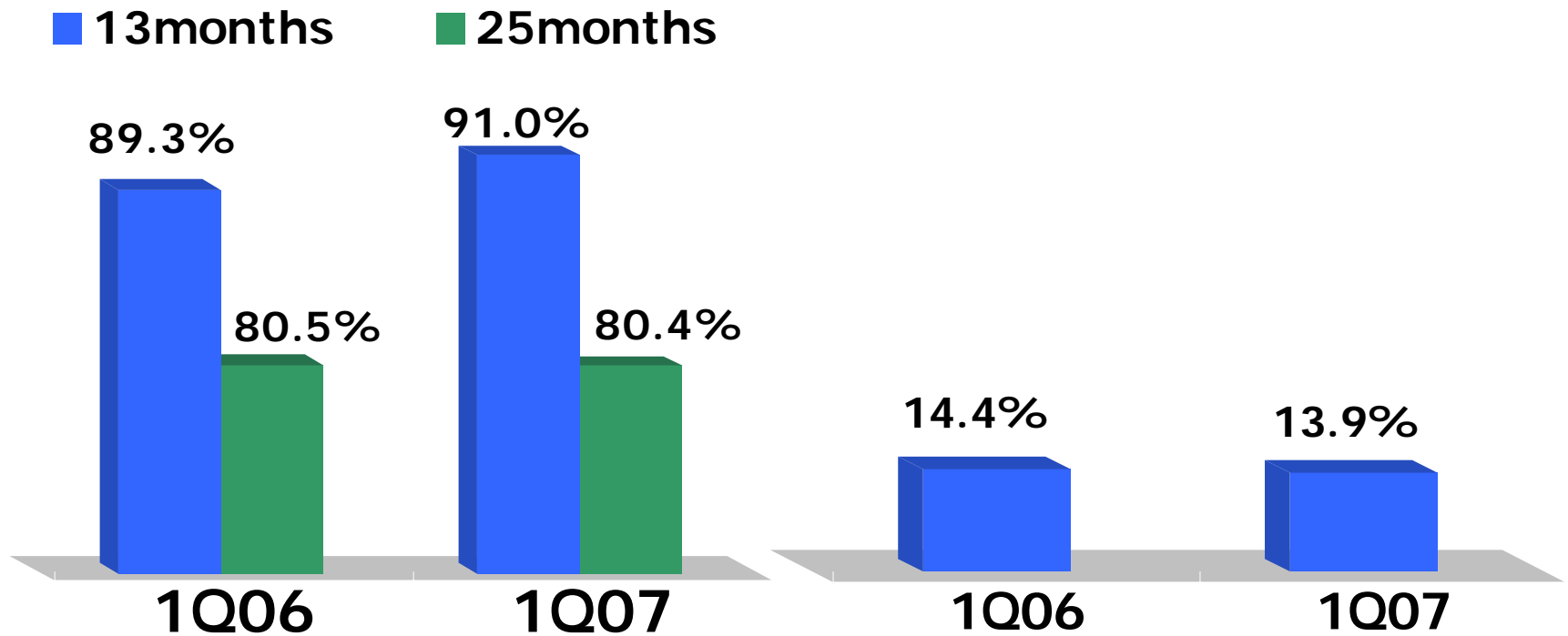
NT\$BN



Cathay Life - Operational indicators

Persistency ratio

Expense ratio



Cathay Life - Investment portfolio







	FY06		1Q07		Weight Change	Amount Change
	Amt. (NT\$BN)	%	Amt. (NT\$BN)	%		
Cash & cash equivalents	304.7	15.6%	243.4	12.2%	-3.4%	-61.3
Equities - Domestic	174.8	8.9%	234.1	11.7%	2.8%	59.3
Equities - International	30.0	1.5%	47.1	2.4%	0.9%	17.1
Bonds - Domestic	194.0	9.9%	205.2	10.3%	0.4%	11.2
Bonds - International ⁽¹⁾	617.4	31.6%	636.5	31.9%	0.3%	19.1
Mortgage loans	308.3	15.7%	319.7	16.1%	0.4%	11.4
Policy loans	175.8	9.0%	177.1	8.9%	-0.1%	1.3
Real estate	113.7	5.8%	117.3	5.9%	0.1%	3.6
Others	38.9	2.0%	12.5	0.6%	-1.4%	-26.4
Total investments⁽²⁾⁽³⁾	1,957.6	100.0%	1,992.9	100.0%		

Note (1) : Includes foreign currency and related adjustments

Note (2) : Excluded separate account assets

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

Cathay United Bank – Key metrics

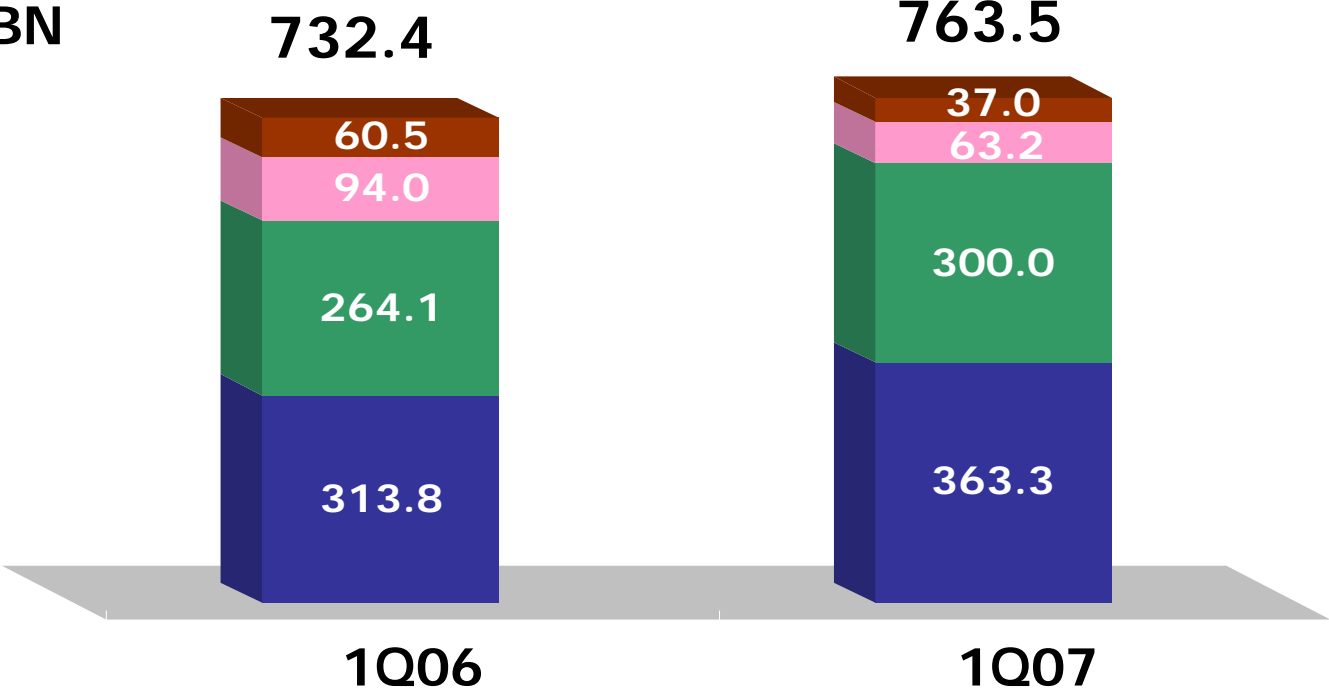
NT\$BN	1Q06	FY06	1Q07
 Total loans	732.4	755.2	763.5
 Personal unsecured loans	91.0	60.1	54.3
 Loan-to-deposit ratio	78.2%	75.8%	75.6%
 Net interest margin	2.45%	2.17%	1.72%
 Fee income	1.51	5.74	1.35
 Gross provisions	4.8	31.9	2.4

Note: Financial numbers and ratios include contribution from Lucky Bank

CUB - Loan breakdown

- Corporate
- Mortgage
- Consumer
- Credit Card related

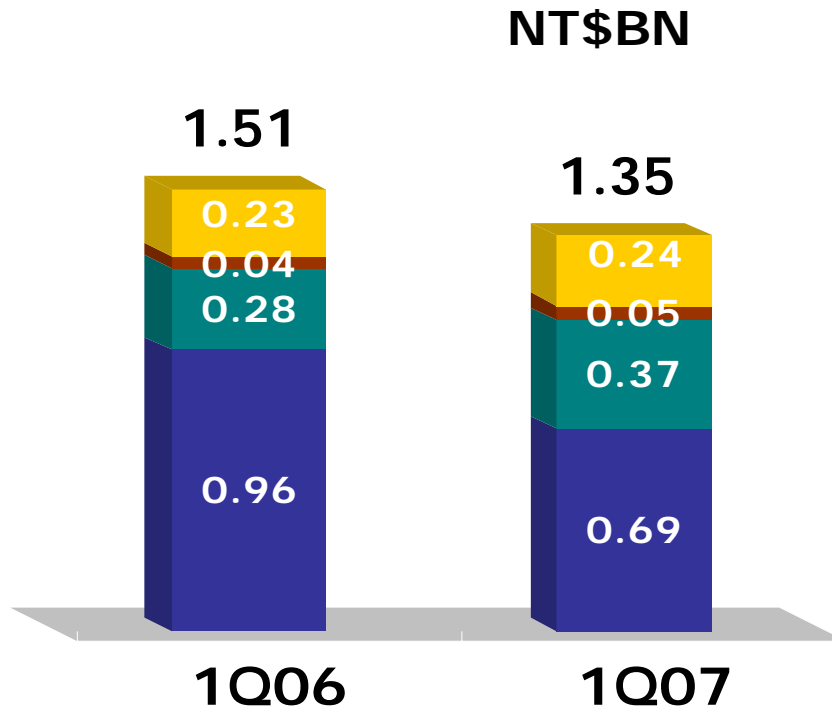
NT\$BN



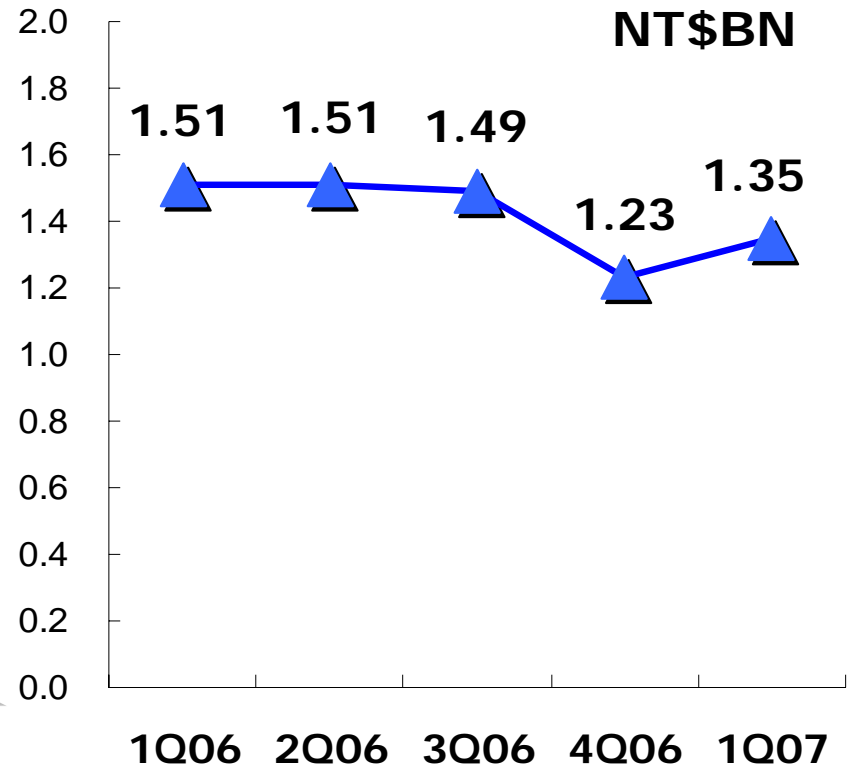
Note: Financial numbers and ratios include contribution from Lucky bank

CUB - Fee income

- Other
- FX
- Trust & mutual Fund
- Cards related



Quarterly trend⁽²⁾

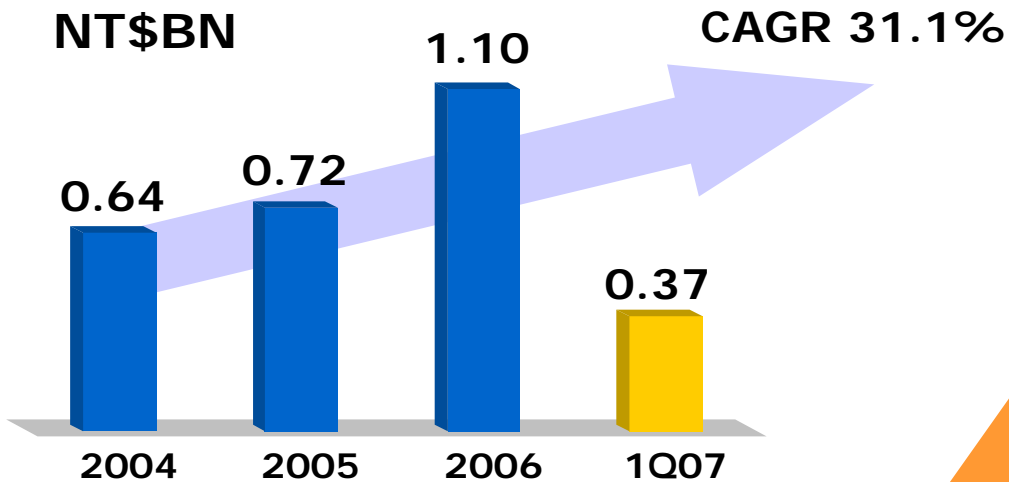


Note(1): Financial numbers and ratios include contribution from Lucky bank

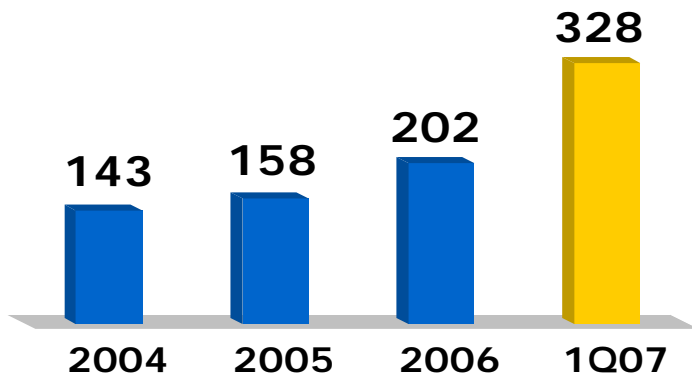
(2): Fee income of Lucky Bank in each of the past five quarters was NT\$ 0.01BN

CUB - Wealth management

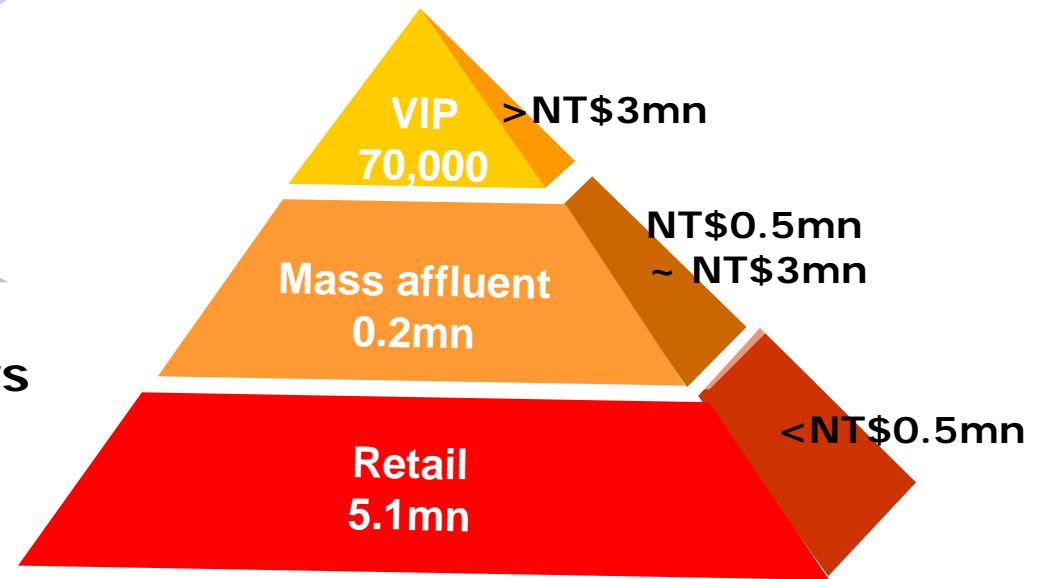
Wealth management fees



Number of financial advisors

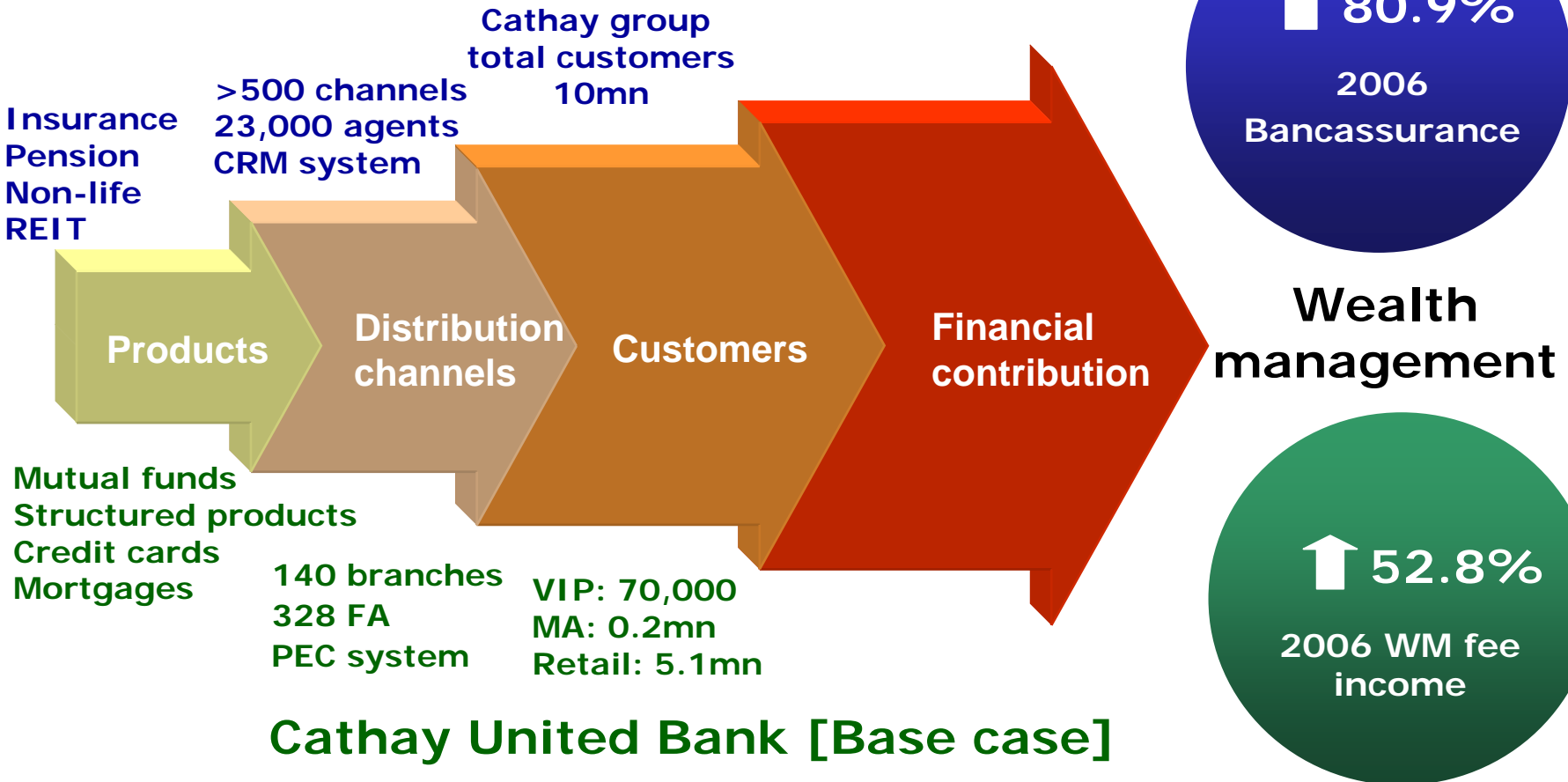


Customer segmentation



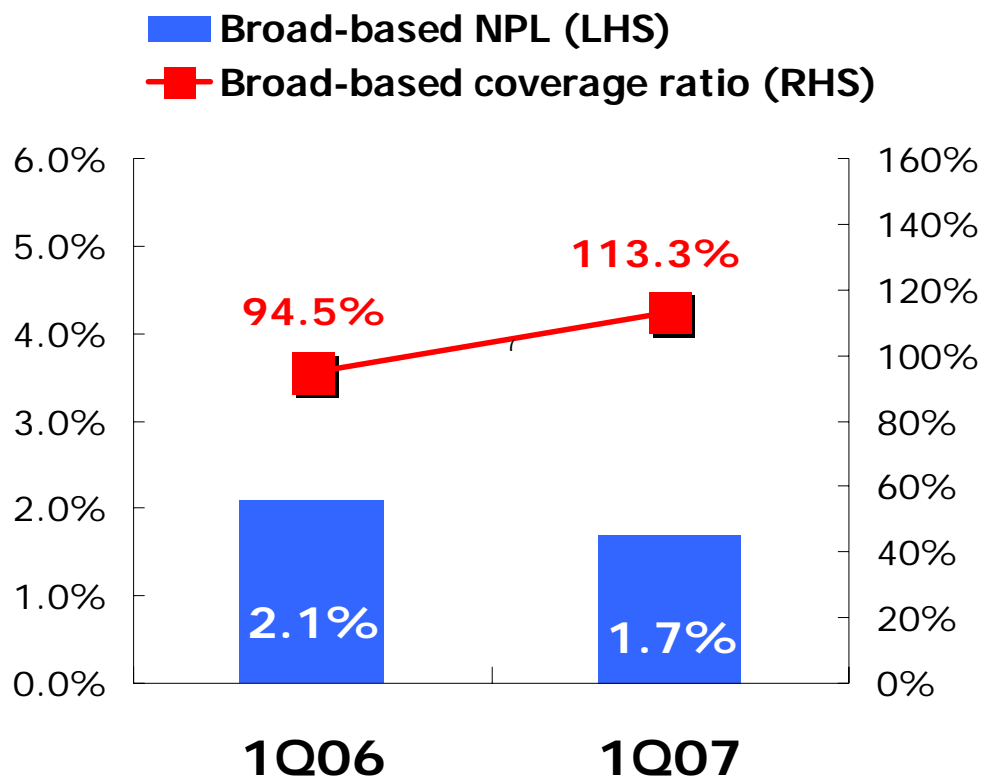
Dual-core model differentiates Cathay from other peers

Cathay Life & other subsidiaries

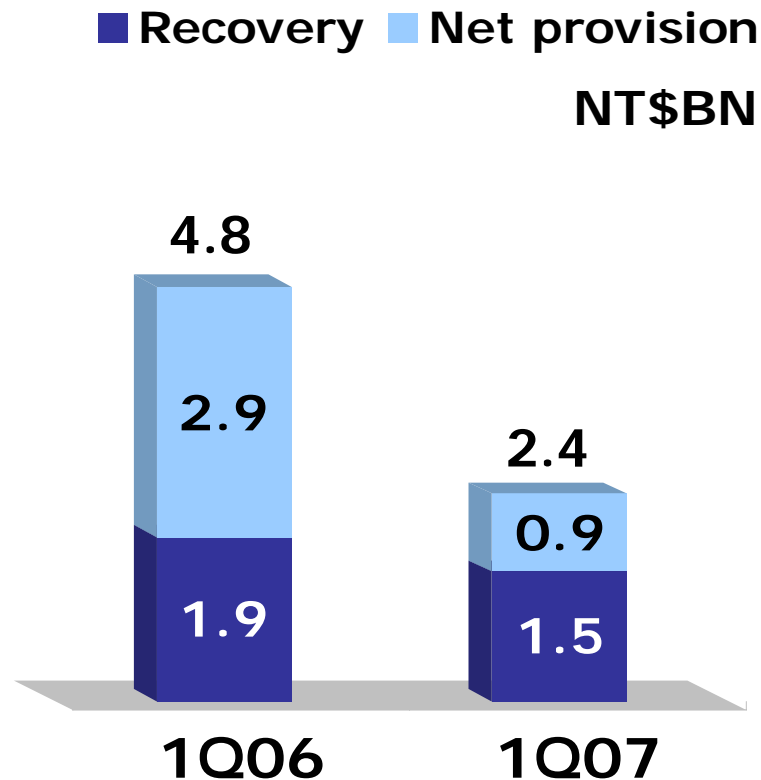


CUB - Credit quality

Broad-based NPL & Coverage ratio



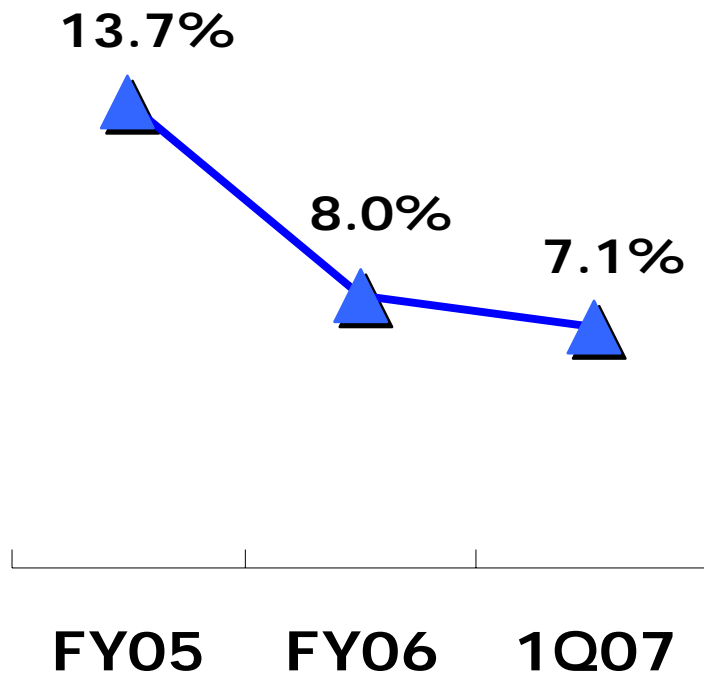
Gross provision



Note: Financial numbers and ratios include contribution from Lucky bank

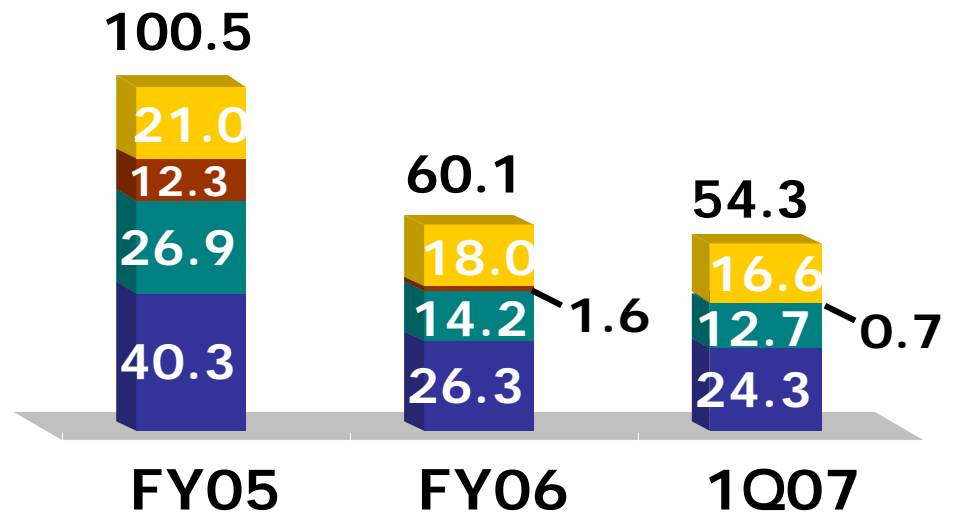
CUB – Personal unsecured loans

Personal unsecured loan exposure
(as % of total loans)



Breakdown by components

- Small consumer loans NT\$BN
- Cash cards
- Mail loans
- Revolver

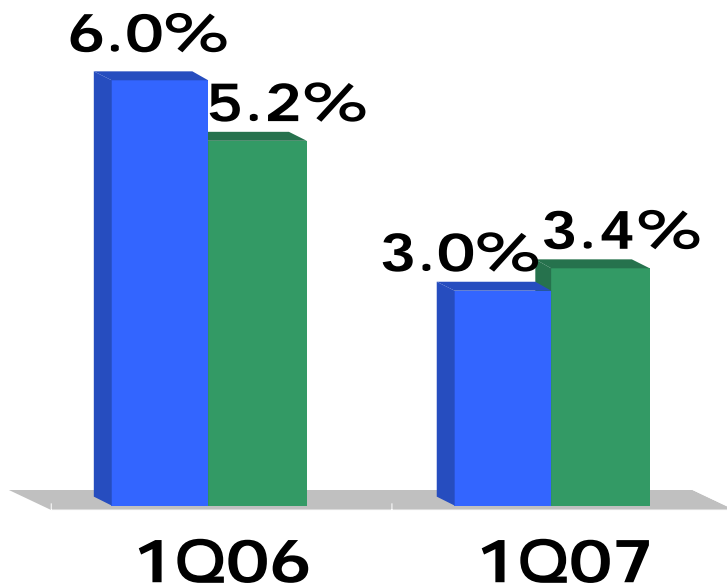


Note: Financial numbers and ratios include contribution from Lucky bank

CUB - Credit card

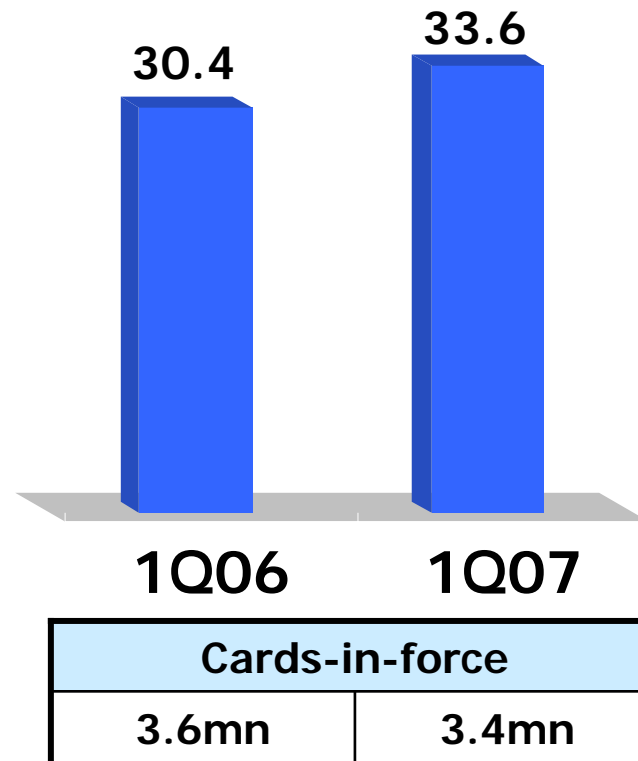
Credit card quality (revolving & mail loans)

- Gross charge-off ratio
- Delinquency ratio



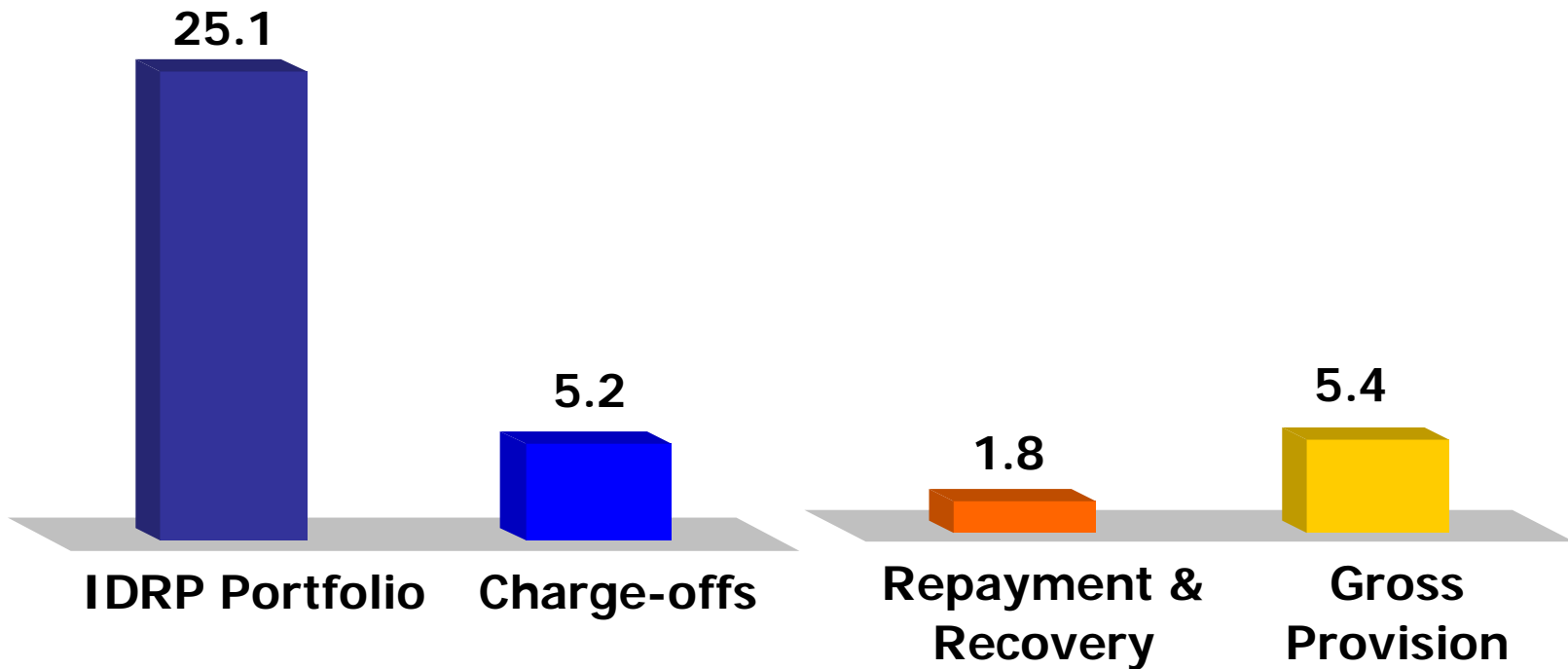
Credit card purchase volume

NT\$BN



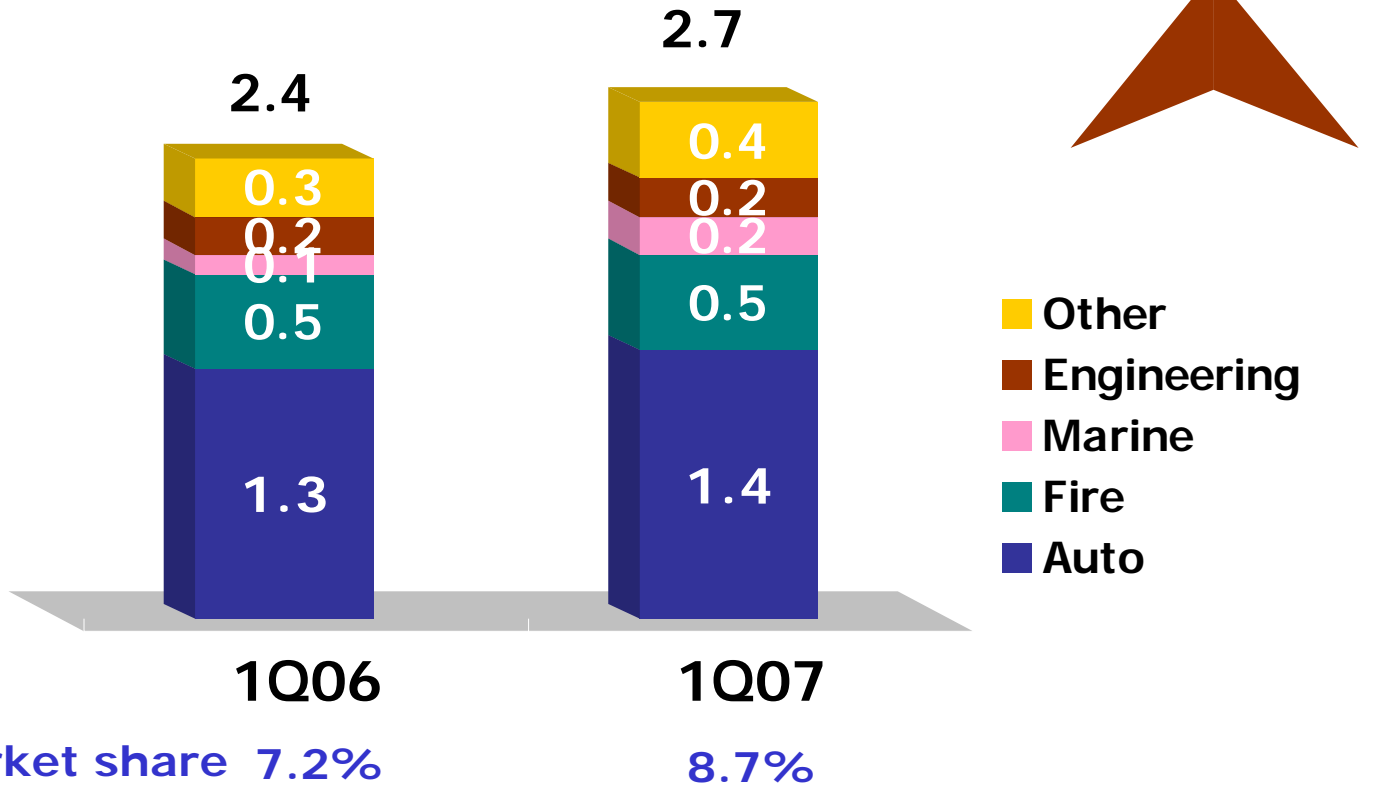
CUB – IDRPs portfolio status

As of 1Q07
NT\$BN



Cathay Century - Premium breakdown

NT\$BN



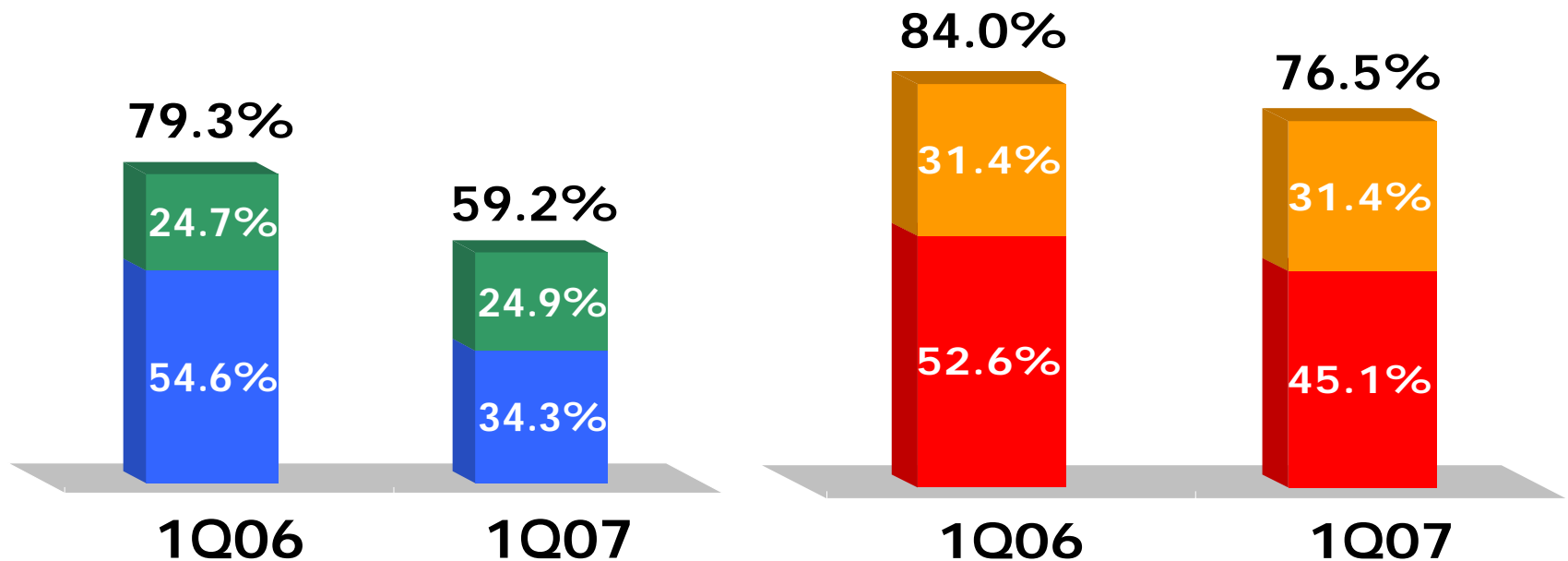
Cathay Century- Combined ratio

■ Gross expense ratio

■ Gross loss ratio

■ Retained expense ratio

■ Retained loss ratio



Agenda

- Operating Highlights

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 - Cathay United Bank

 - Cathay Century

- Embedded Value & Appraisal Value

Embedded Value & Appraisal Value

NT\$BN, except for per share figures

Valuation date	2006/12/31	
Solvency requirement	RBC	
Investment yield	5%	
Discount rate	9.7%	11.7%
Adjusted net worth	134	127
Value of in force business	208	179
Embedded Value	342	306
EV per share	67.4 (38.0)	60.4 (34.1)
Value of 1 year's new business	28	24
Appraisal Value	664	552
AV per share	130.9 (73.8)	108.9 (61.4)

- Note :
1. per share = per share of Cathay Life; (per share) = per share of Cathay FHC
 2. EV/AV calculation does not include business of Cathay Life in China
 3. EV/AV calculation does not factor in the possibility of the lift of overseas investment cap
 4. EV/AV are based on internal calculation and the method is in line with the past

Sensitivity Analysis

NT\$BN, except for per share figures

Valuation date	2006/12/31	
Solvency requirement	RBC	
Discount rate	10.7%	
Investment yield	4.75%	5.25%
Adjusted net worth	127	134
Value of in force business	160	224
Embedded Value	287	358
EV per share	56.7 (32.0)	70.5 (39.8)
Value of 1 year's new business	25	26
Appraisal Value	564	642
AV per share	111.2 (62.7)	126.7 (71.4)

YoY Comparison

NT\$BN

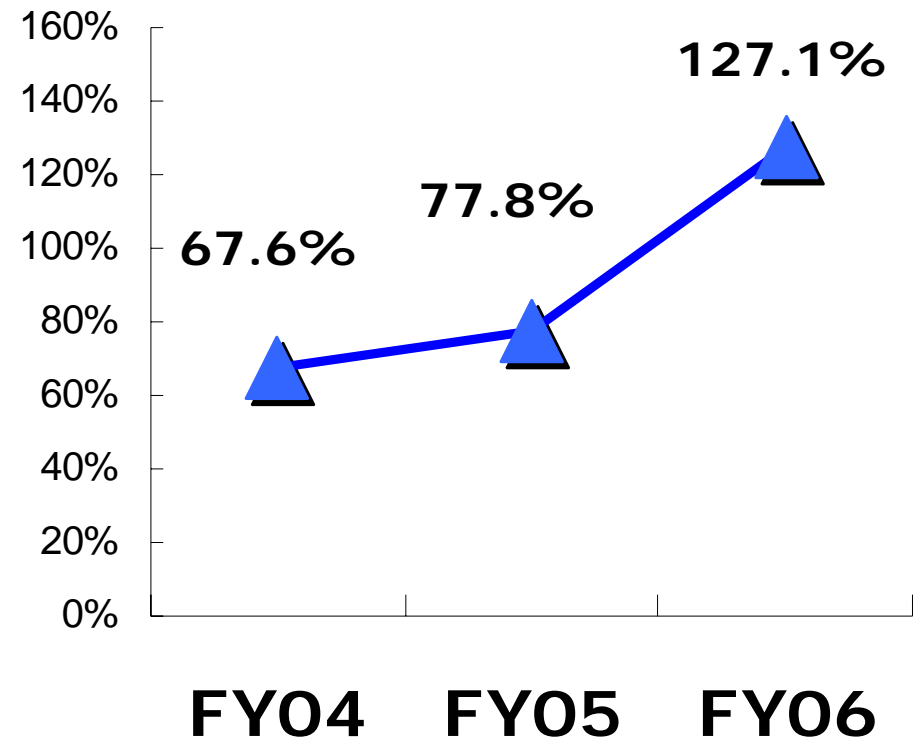
Valuation date	2005/12/31	2006/12/31
Embedded Value	267 – 298	306-342
Value of 1 year's new business	22 – 26	24-28
Appraisal Value	499 - 591	552-664

Dividend policy

Dividend payout

NT\$	2006
EPS	1.18
Cash dividend (per share)	1.50

Payout ratio





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

	<u>FY2005</u>	<u>FY2006</u>	<u>FY06/ FY05 % Chg</u>	<u>1Q 2006</u>	<u>1Q 2007</u>	<u>1Q07/ 1Q06 % Chg</u>
<u>Statement of Income Data</u>						
Interest income	0.9	1.1	16.5%	0.2	0.3	14.5%
Income from subsidiaries						
Cathay Life	17.9	15.0	-16.2%	6.5	7.5	14.9%
Cathay United Bank	3.8	(3.8)		2.2	2.2	0.5%
Cathay Century	0.6	0.7	16.7%	0.3	0.3	13.3%
Other	0.1	0.4	300.0%	0.1	0.0	-80.0%
Total income from subsidiaries	22.4	12.3	-45.0%	9.1	10.0	10.3%
Adjustments ⁽¹⁾⁽²⁾	(0.1)	0.2	-260.1%	0.0	0.0	-90.3%
Total income from subsidiaries, net	22.3	12.5	-43.9%	9.1	10.0	10.0%
Gain on foreign exchange ⁽³⁾	0.3	(0.0)	-107.8%	0.0	0.1	
Other income	0.0	0.2		0.0	0.0	
Operating costs	(1.2)	(1.7)	35.5%	(0.6)	(0.3)	-47.5%
Administrative and general expenses	(0.3)	(0.2)	-29.8%	(0.0)	(0.0)	-18.8%
Income taxes	(0.2)	(0.4)	128.5%	0.1	(0.1)	
Cumulative effect of changes in accounting principles		(0.9)		(0.9)	0.0	-100.0%
Net income	21.8	10.6	-51.5%	7.9	10.0	25.9%
EPS (NT\$)	2.57	1.18		0.93	1.09	
<u>Balance Sheet Data</u>						
Long-term investments in stock	188.2	205.5		204.9	213.1	
Total assets	204.5	223.8		223.1	230.8	
Total consolidated assets	3,064.9	3,447.5		3,169.5	3,533.8	
Total shareholders' equity	187.7	216.1		206.9	229.8	
<u>Operating Metrics</u>						
ROAE	12.0%	5.2%		16.1%	17.9%	
ROAA	0.8%	0.3%		1.0%	1.1%	

Notes:

(1) Adjustments include eliminations related to cross-holdings of CFH shares at subsidiaries.

(2) In 2003, CFH also adjusted for a difference in the accounting treatment of losses on the disposal of delinquent assets.

(3) Gain on foreign exchange is separated from non-operating revenues in 2005 and 2006.

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

Cathay Life						
Summary Financial Data						
(NT\$BN)	FY 2005	FY2006	FY06/ FY05 % Chg	1Q 2006	1Q 2007	1Q07/ 1Q06 % Chg
<u>Summary Statement of Income Data</u>						
Premiums income ⁽¹⁾	276.0	287.6	4.2%	61.7	61.2	-0.8%
Investment income						
Interest income	54.5	62.6	14.9%	14.8	16.7	12.9%
Gain on disposal of investment	11.8	7.7	-35.1%	14.2	5.0	-64.7%
Other investment income, net	12.2	12.2	-0.3%	(9.4)	6.4	-168.6%
Total investment income, net ⁽²⁾	78.5	82.5	5.0%	19.7	28.2	43.1%
Other income	2.5	1.6	-37.7%	0.3	0.5	82.8%
Insurance claims payment	(137.0)	(157.6)	15.1%	(32.6)	(39.5)	21.2%
Provisions for reserves						
Provisions	(284.1)	(298.4)	5.0%	(62.2)	(63.5)	2.0%
Recoveries	117.0	133.1	13.8%	25.2	30.5	21.0%
Total provisions for reserves, net	(167.1)	(165.3)	-1.1%	(37.0)	(33.0)	-10.8%
Commissions and operating expense						
Brokerage expenses	(25.9)	(27.2)	5.2%	(6.6)	(6.3)	-5.7%
Marketing, administrative and general expenses	(10.2)	(10.4)	1.3%	(2.9)	(2.7)	-6.8%
Total commissions and operating expenses	(36.1)	(37.6)	4.1%	(9.6)	(9.0)	-6.0%
Other operating expenses	(2.1)	(2.7)	23.6%	(0.6)	(0.6)	0.3%
Operating income	14.7	8.5	-42.2%	1.9	7.8	306.2%
Non-operating income	2.3	1.7	-27.3%	0.3	0.4	10.4%
Non-operating expense	(0.3)	(0.3)	-14.8%	(0.0)	(0.0)	-77.7%
Income taxes	1.2	1.8	49.1%	1.0	(0.7)	-177.4%
Cumulative effect of changes in accounting principles	-	3.3		3.3	0.0	
Net income	17.9	15.0	-16.0%	6.5	7.5	14.5%
<u>Balance Sheet Data</u>						
Total assets	1,867.8	2,140.8		1,957.7	2,214.9	
Total stockholders' equity	97.6	119.8		111.3	124.6	
<u>Operating Metrics</u>						
First year premium	112.7	108.2		25.1	33.1	
Expense ratio	12.5%	12.4%		14.4%	13.9%	
13-mos persistency ratio	90.6%	90.0%		89.3%	91.0%	
25-mos persistency ratio	81.8%	82.2%		80.5%	80.4%	
ROAE	19.1%	13.8%		25.0%	24.5%	
ROAA	1.0%	0.8%		1.4%	1.4%	

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



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

	FY2005	FY2006	FY06/ FY05 % Chg	1Q 2006 ⁽¹⁾	1Q 2007	1Q07/ 1Q06 % Chg
Summary Statement of Income Data						
Interest income	39.5	40.5	2.6%	10.6	9.7	-8.5%
Interest expense	(12.9)	(17.0)	31.7%	(3.8)	(4.8)	25.6%
Net interest income	26.6	23.5	-11.5%	6.8	4.9	-27.6%
Net operating income except interest income						
Net handling fee	5.5	4.5	-17.1%	1.1	1.0	-7.5%
Gains on financial assets and liabilities at fair value through F	0.4	(0.4)	-211.4%	0.1	0.3	161.8%
Realized gains on available-for-sale financial assets	0.6	0.5	-16.8%	0.1	0.0	-63.5%
Realized gains on held-to-maturity financial assets	0.0	0.0		0.0	(0.0)	-
Invst inc - equity method	0.2	0.1	-68.3%	0.1	0.1	-
Realized gain - equity method	0.0	1.3		(0.0)	0.0	-
Gain on foreign exchg - net	0.4	0.4	21.6%	0.1	0.2	63.8%
Impairment gain/loss	(0.8)	(0.3)	-66.6%	(0.0)	0.0	-267.5%
Gains on reversal of foreclosed properties impairment	0.9	0.4	-57.2%	0.2	0.0	-
Losses on disposal of foreclosed properties	(0.7)	0.5	-172.3%	(0.1)	0.0	-100.0%
other income-net	0.4	(0.0)	-112.0%	0.0	0.1	609.7%
Net operating income	33.4	30.5	-8.7%	8.4	6.7	-20.4%
Provisions for possible losses ⁽²⁾	(15.0)	(25.8)	72.1%	(2.9)	(0.9)	-68.4%
Operating expenses	(13.4)	(11.7)	-12.4%	(3.2)	(3.0)	-5.0%
Operating income	5.1	(6.9)	-235.3%	2.4	2.8	17.3%
Income taxes	(1.3)	2.4	-290.7%	(0.8)	(0.6)	-32.6%
Cumulative effect of changes in accounting principles	0.0	0.73		0.7	-	-
Net income	3.9	(3.8)	-198.3%	2.3	2.2	-2.0%
Balance Sheet Data						
Total assets	1074.1	1,177.7		1,197.7	1,283.3	
Total shareholders' equity	77.9	72.1		84.2	78.5	
Operating Metrics						
Cost income ratio	40.0%	38.3%		37.7%	45.2%	
ROAE	4.9%	-5.0%		10.9%	11.7%	
ROAA	0.4%	-0.3%		0.8%	0.7%	
Assets Quality						
NPL ratio (international standard)	1.7%	1.8%		2.1%	1.7%	
Coverage ratio (international standard)	144.1%	129.5%		94.5%	113.3%	

Notes:

(1) Financial results of Lucky Bank are adjusted in 1Q06 numbers.

(2) FY06, 1Q06, 1Q07 provisions net of NT\$6.0bn, NT\$1.9bn and NT\$1.5bn bad debt recoveries, respectively.

(3) All data and information on this page is provided for informational purposes only, and may subject to adjustment. For more details, plea

Cathay Century
Summary Financial Data
(NT\$MM)

<u>Summary Statement of Income Data</u>	FY 2005	FY 2006	FY06/ FY05		1Q07/ 1Q06	
			% Chg	1Q 2006	1Q 2007	% Chg
Premiums income	8,912.2	9,896.5	11.0%	2,424.1	2,749.0	13.4%
Reinsurance premiums ceded	(2,988.5)	(3,098.5)	3.7%	(792.3)	(872.4)	10.1%
Premiums income, net	5,923.7	6,798.0	14.8%	1,631.8	1,876.6	15.0%
Investment						
Interest income	263.4	318.5	20.9%	72.7	87.3	20.0%
Other investment income, net	40.5	58.6	44.8%	74.8	49.0	-34.4%
Total investment income	303.9	377.1	24.1%	147.5	136.3	-7.6%
Other operating income	401.5	223.7	-44.3%	73.5	82.8	12.7%
Insurance claims payment, net	(3,098.6)	(3,005.8)	-3.0%	(766.3)	(818.3)	6.8%
Provisions for reserves						
Provisions	(5,032.5)	(5,830.8)	15.9%	(4,805.6)	(5,329.0)	10.9%
Recoveries	4,428.9	4,677.8	5.6%	4,553.5	5,043.5	10.8%
Total provisions for reserves, net	(603.6)	(1,153.0)	91.0%	(252.1)	(285.5)	13.3%
Commissions, operating and other expenses	(2,187.5)	(2,395.4)	9.5%	(590.1)	(568.8)	-3.6%
Operating income	739.2	844.7	14.3%	244.3	423.1	73.2%
Non-operating income	12.1	3.7	-69.8%	0.6	1.2	102.7%
Non-operating expense	(0.0)	(0.1)	182.6%	(0.0)	(0.0)	-
Income taxes	(160.8)	(178.6)	11.1%	(44.9)	(83.9)	86.9%
Cumulative effect of changes in accounting principles	-	60.1	-	60.1	0.0	-
Net income	590.5	729.8	23.6%	260.1	340.4	30.9%
<u>Summary Balance Sheet Data</u>						
Total assets	12,692.6	14,675.9	15.6%	13,332.6	15,379.0	
Total stockholders' equity	3,194.2	3,571.6	11.8%	3,468.2	3,903.3	
<u>Operating Metrics</u>						
Written Combined ratio	104.5%	66.7%		79.3%	59.2%	
Net Combined ratio	86.0%	82.4%		84.0%	76.5%	
ROAE	18.5%	21.6%		31.2%	36.4%	
ROAA	4.9%	5.3%		8.0%	9.1%	

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 rep
(2) FY05, FY06 Gain/ Loss on foreign exchange are reclassified under Commissions, operating and other expenses.



Shares Outstanding
(Millions of shares)

	<u>As of</u> <u>3/31/2007</u>
Total shares issued	9,266.2
Treasury shares	
CFH	66.7
Cross holdings of subsidiaries	
Cathay Life	0.0
Cathay United Bank	0.0
Cathay Century	0.0
Lucky Bank	0.0
Total cross-holdings of subsidiaries	0.0
Total treasury shares	66.7
Total shares outstanding	9,199.5

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</u> <u>(As of 31-Dec.-2006)</u>			<u>Legal</u> <u>Requirement</u>
Cathay Financial Holdings Double leverage ratio ⁽¹⁾ (As of 31 March, 2007)		93.90%		n/a
Cathay Life RBC Ratio ⁽¹⁾	250%	-	400%	200%
Cathay Century RBC Ratio ⁽¹⁾		523.97%		200%
Cathay United Bank BIS Ratio		12.34%		8%

Notes:

(1) Preliminary

(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.