

Cathay Financial Holding Co., Ltd.

1Q08 Analyst Meeting

May 2008

Internal Capacity

External Environment

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Dividend policy

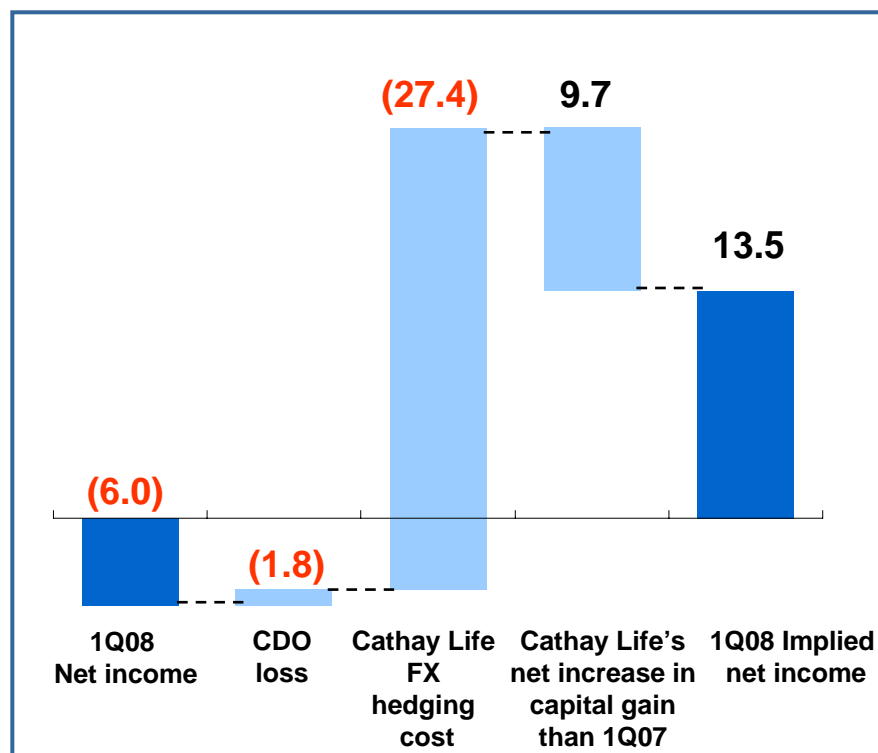
NT\$	2005	2006	2007
EPS	2.57	1.18	3.34
Cash dividend (per share)	1.50	1.50	2.5
Stock dividend (per share)	0.50	---	0.5
Payout ratio	77.8%	127.1%	89.8%

Agenda

- **2008 First quarter financial results of Cathay FHC**
- **Embedded value and appraisal value**

Cathay FHC – 1Q08 Net income

Cathay FHC net income (NT\$BN)



Net income of each subsidiary (NT\$BN)

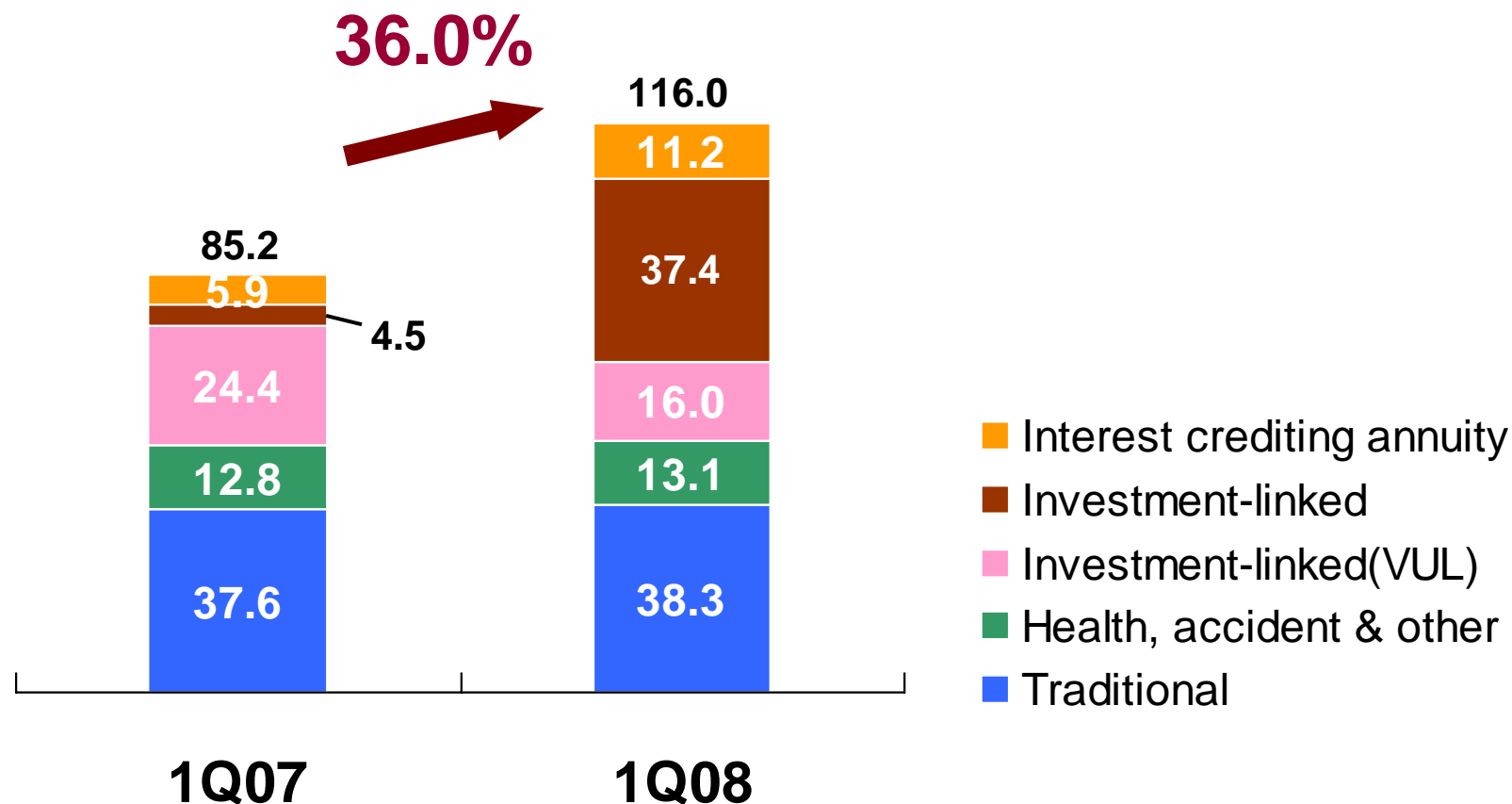
Cathay Life	(6.7)
Cathay United Bank	0.9
Cathay Century	0.2

Note (1) One-time factors are pre-tax

(2) Financial results of Cathay FHC are calculated based on a stand-alone basis

Cathay Life - Total premium

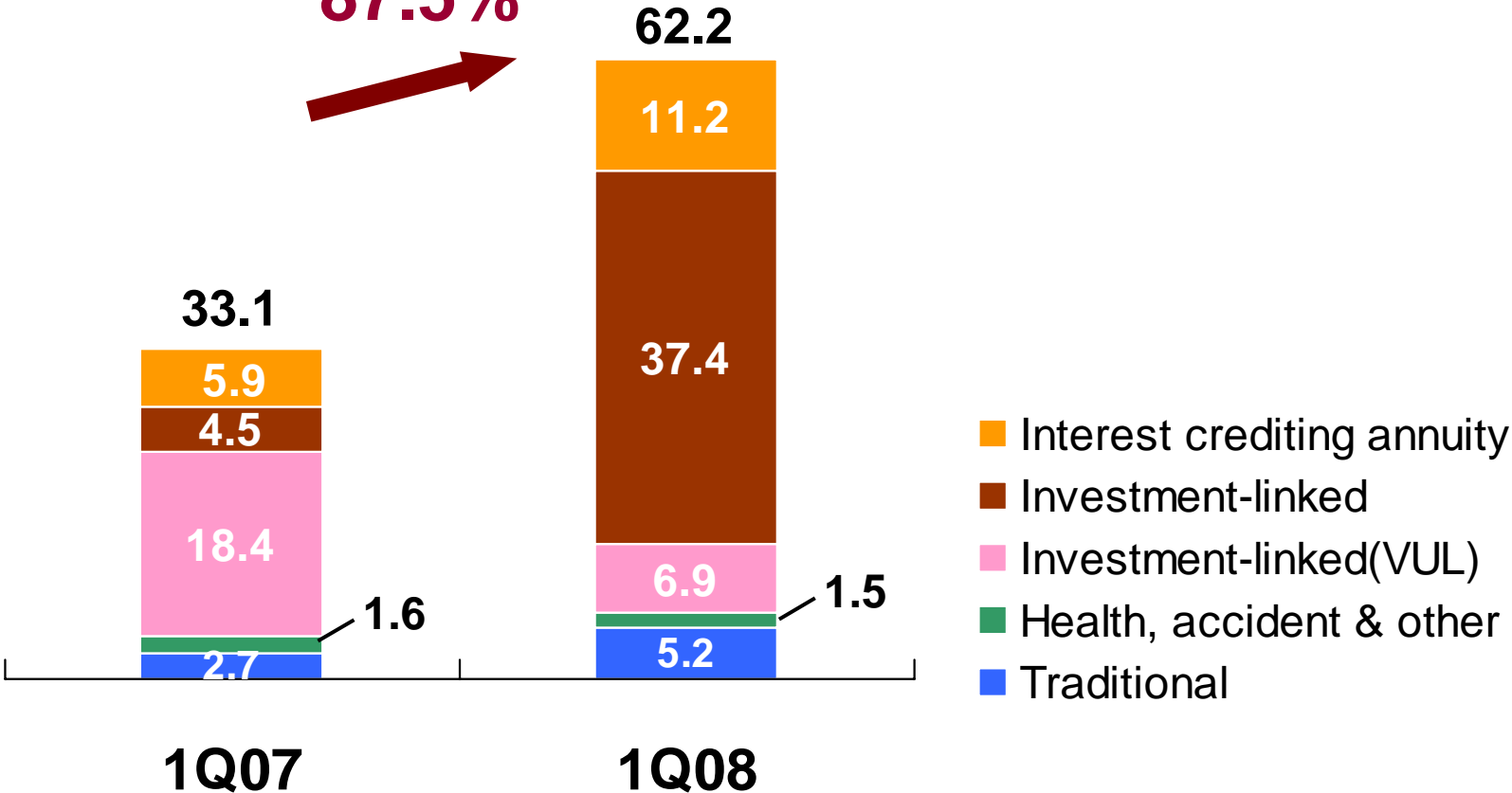
(NT\$BN)



Cathay Life – First Year Premium

(NT\$BN)

87.5%

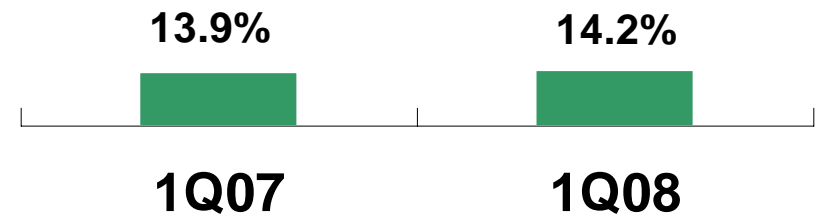
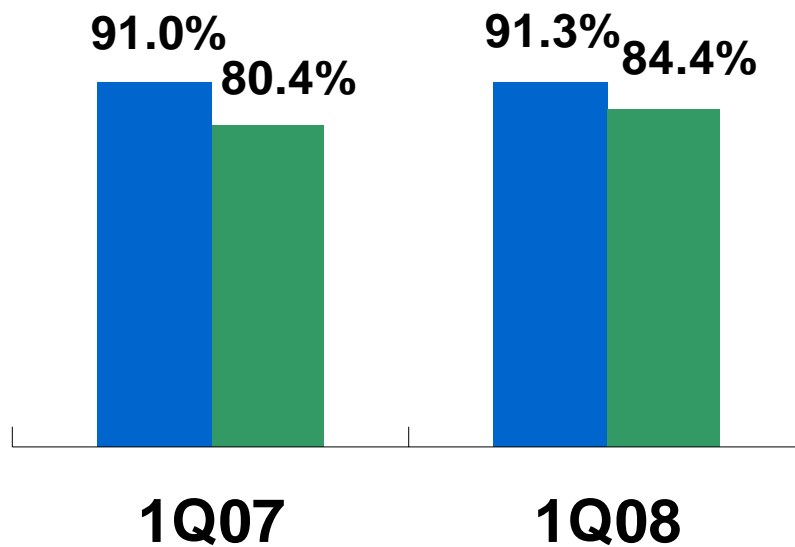


Cathay Life - Operational indicators

Persistency ratio

Expense ratio

■ 13months ■ 25months



Cathay Life - Investment portfolio

	4Q07		1Q08		Weight Change	Amount Change
	Amt. (NT\$BN)	%	Amt. (NT\$BN)	%		
Cash & Cash equivalents	208.4	10.0%	239.7	11.4%	1.4%	31.3
Equities - Domestic	188.9	9.1%	162.6	7.8%	-1.3%	-26.3
Equities - International	49.1	2.3%	46.3	2.2%	-0.1%	-2.8
Bonds - Domestic	301.1	14.4%	310.7	14.8%	0.4%	9.6
Bonds - International ⁽¹⁾	648.5	31.1%	635.7	30.3%	-0.8%	-12.8
Mortgage loans	349.3	16.7%	347.3	16.5%	-0.2%	-2.0
Policy loans	189.3	9.1%	192.0	9.1%	0.0%	2.7
Real estate	118.1	5.7%	117.9	5.6%	-0.1%	-0.2
Others	33.7	1.6%	48.0	2.3%	0.7%	14.3
Total investments⁽²⁾⁽³⁾	2,086.4	100.0%	2,100.2	100.0%		

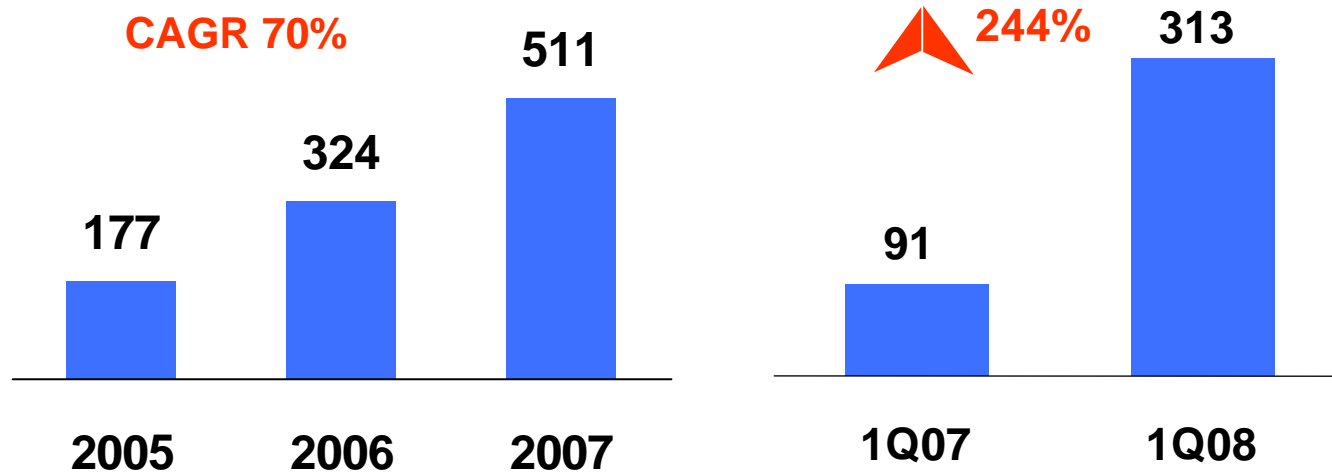
Note (1) : Includes foreign currency and related adjustments

Note (2) : Excludes separate account assets

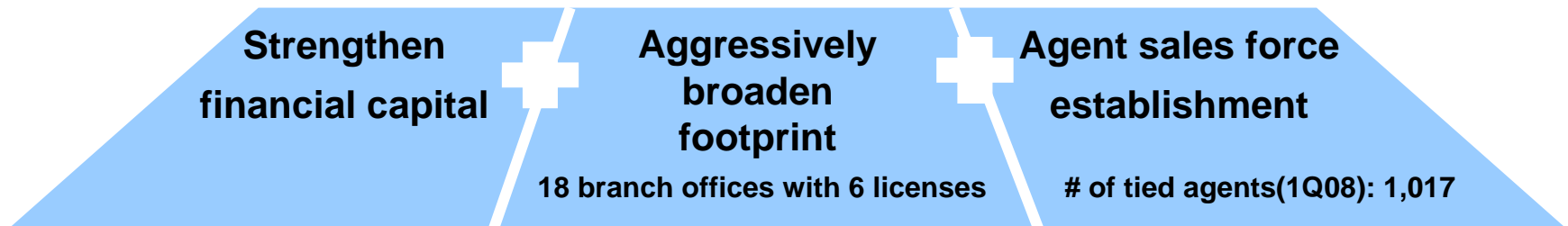
Note (3) : Total investment only includes funds available to invest

Cathay Life in China

First year premium (RMB\$MN)



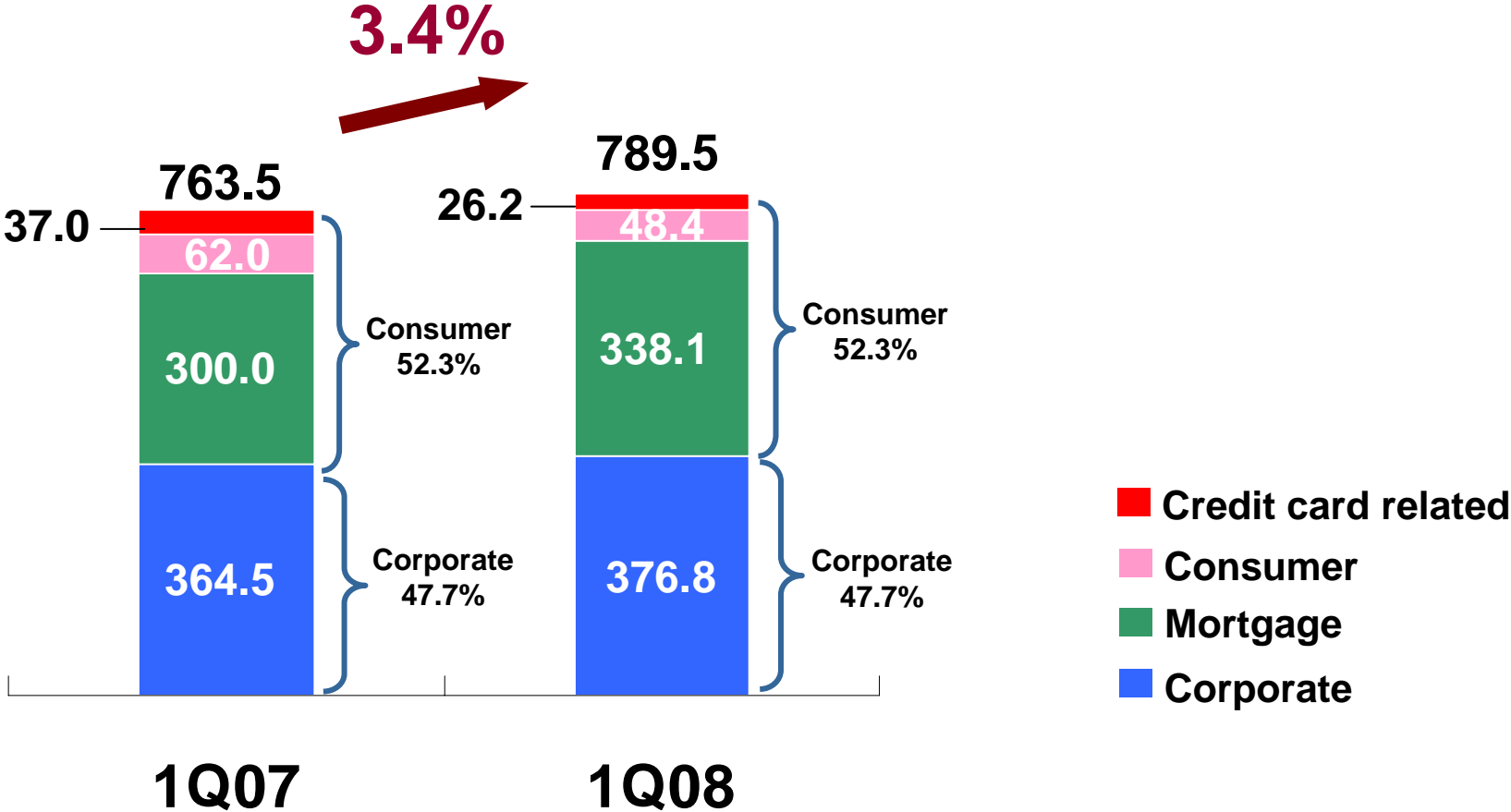
Accelerating business growth



Note : Shangdong office will be opened in 2008.

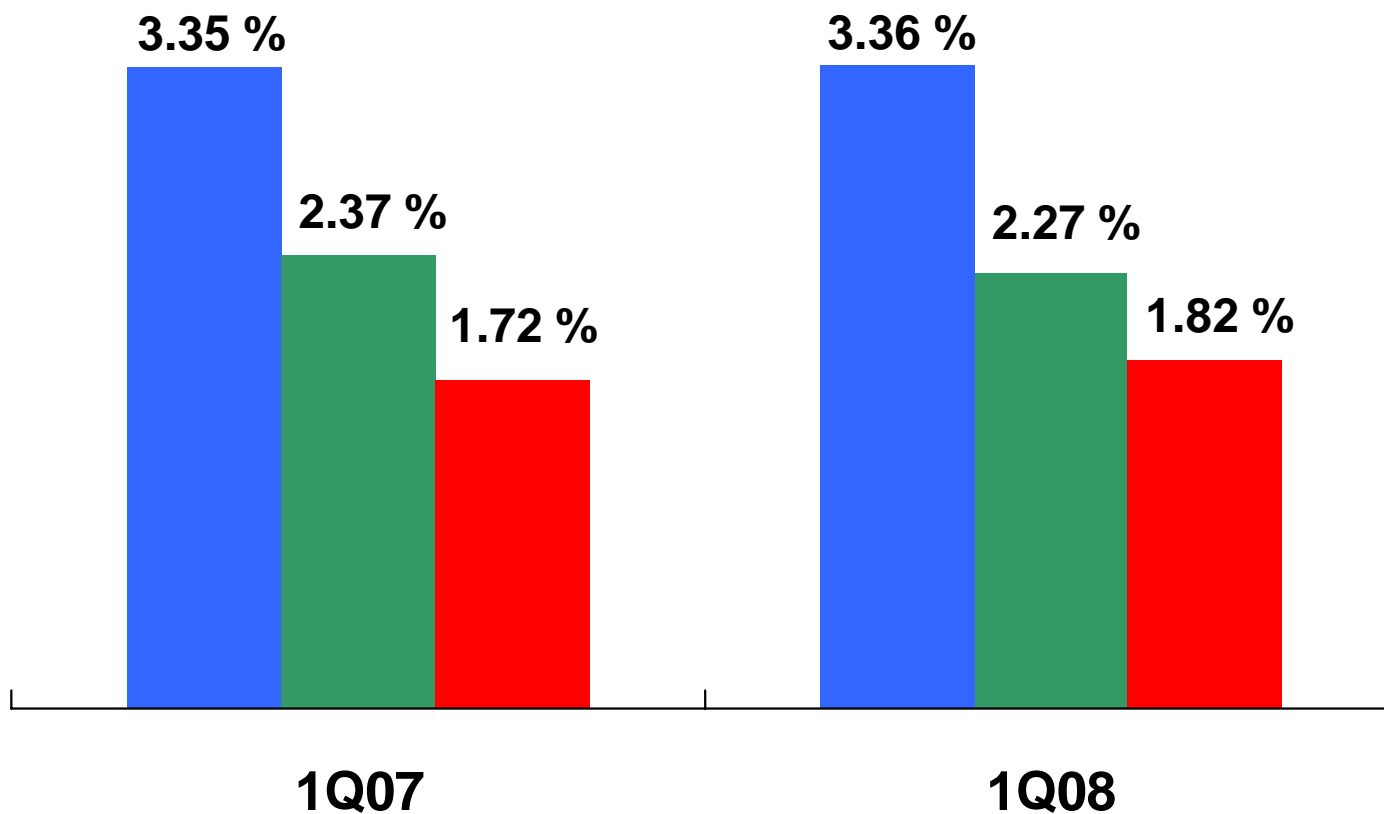
Cathay United Bank - Loan portfolio

(NT\$BN)



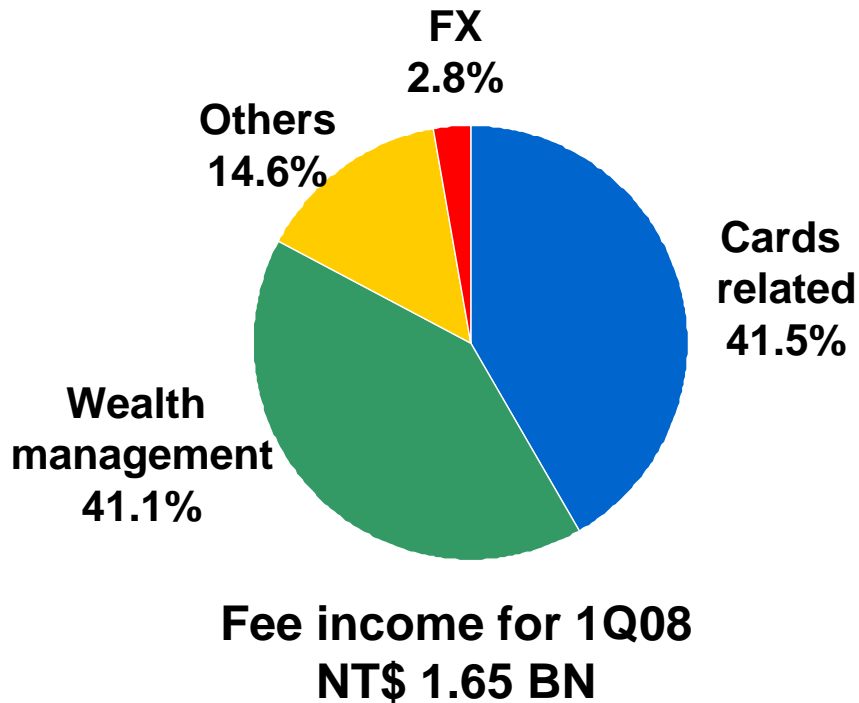
Cathay United Bank – Interest yields

■ Avg rate of interest-earned assets ■ Interest spread ■ Net interest margin

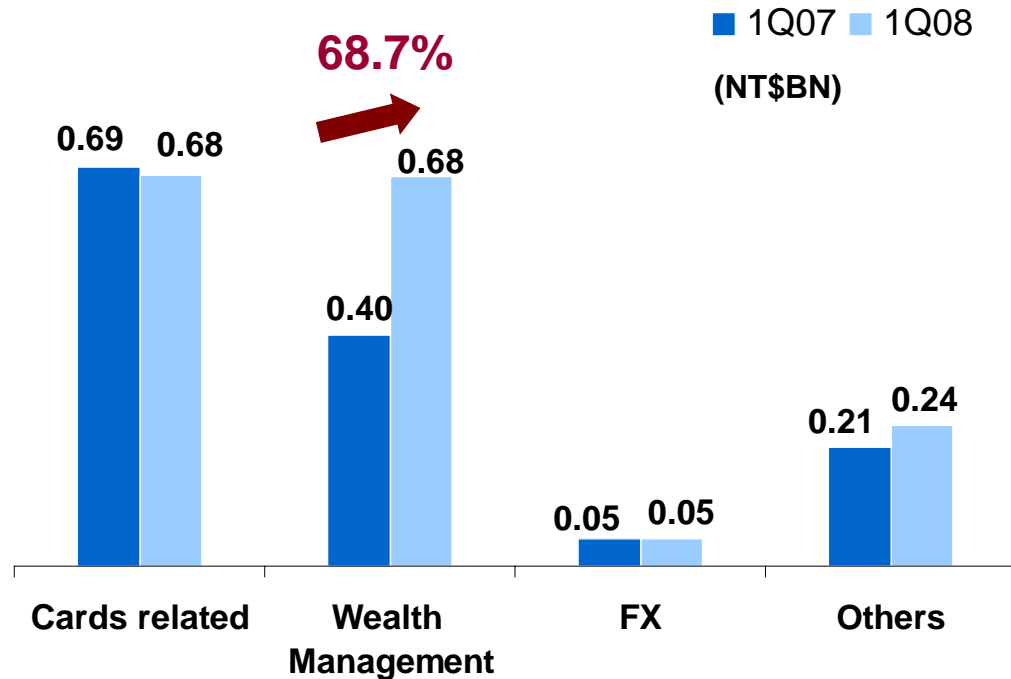


Cathay United Bank - Fee income

Fee income breakdown



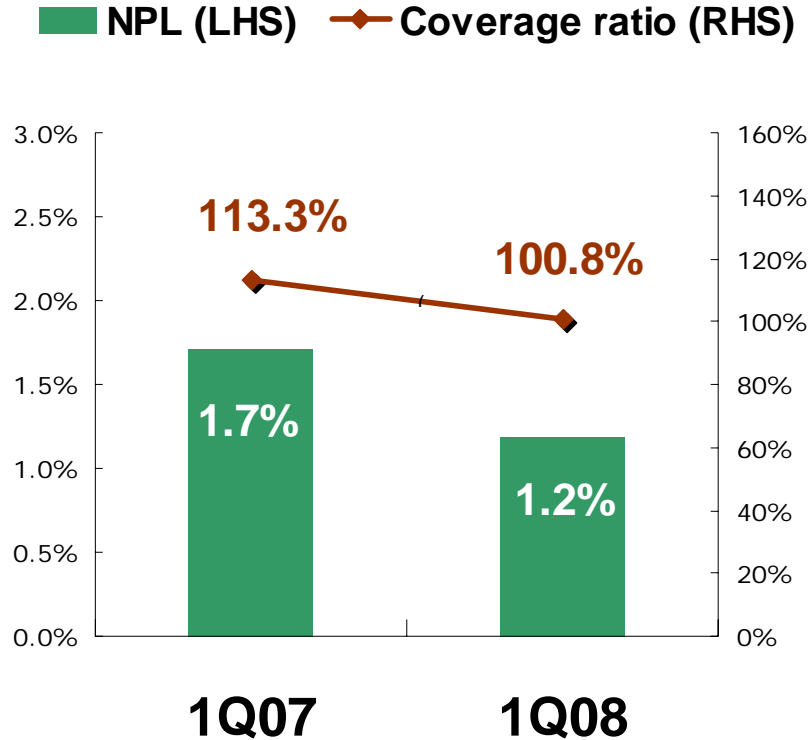
Fee income growth by product



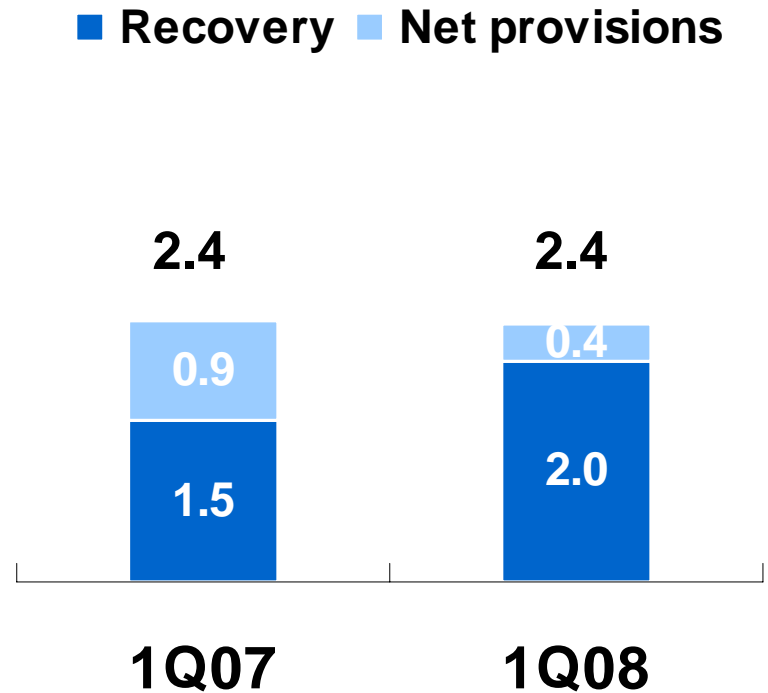
Note: Components of wealth management fees have been reclassified

Cathay United Bank - Credit quality

NPL & Coverage ratio



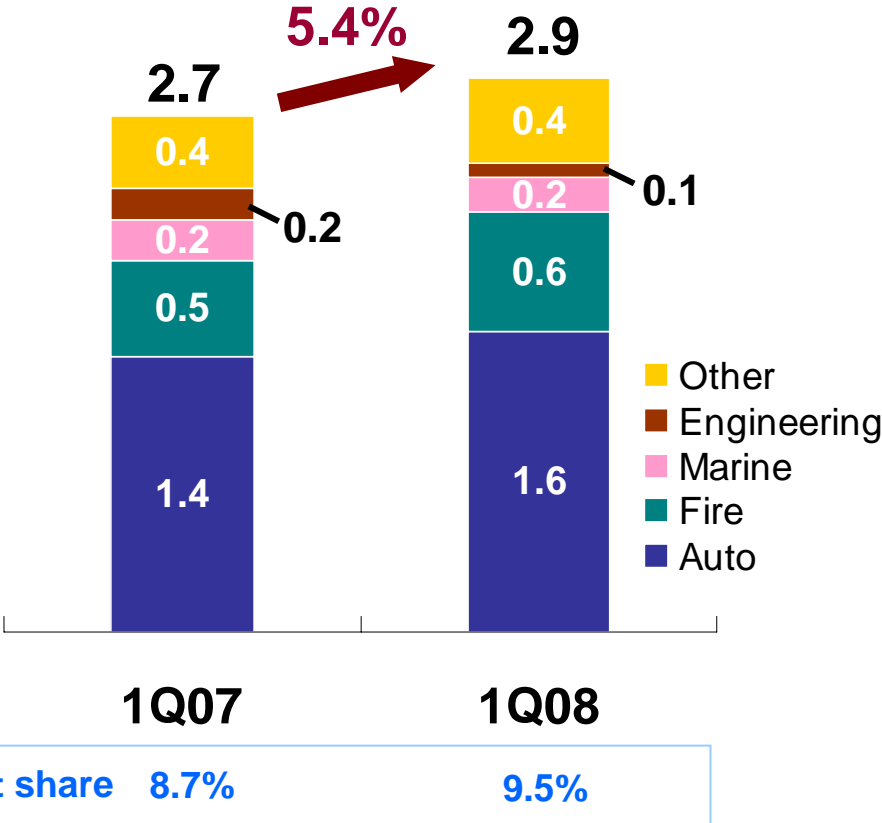
Gross provisions (NT\$BN)



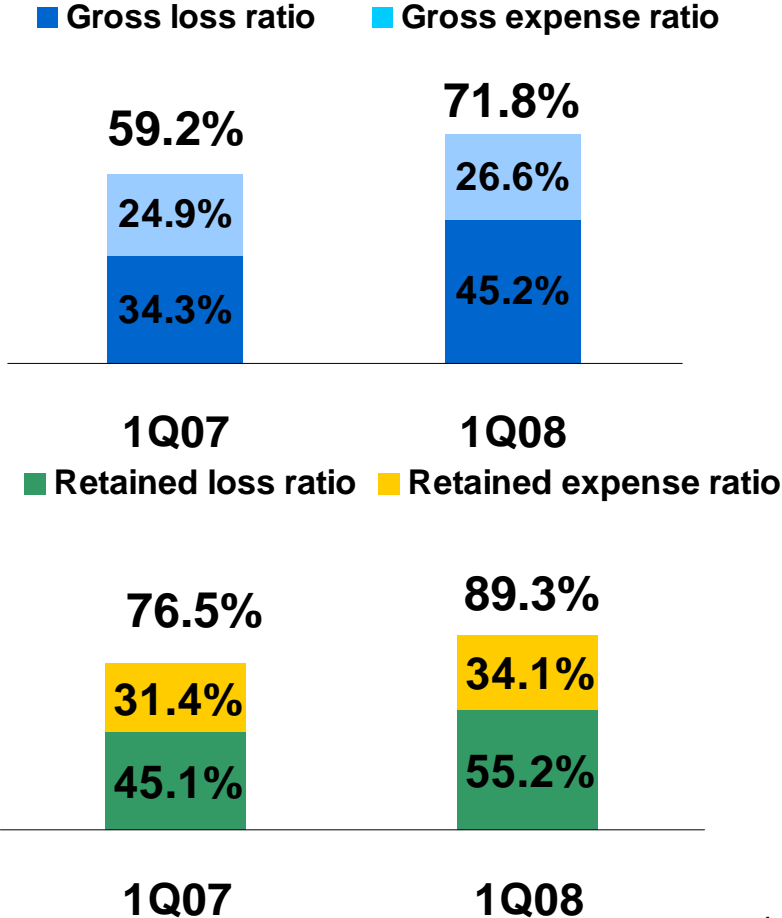
Cathay Century

Product breakdown

(NT\$BN)

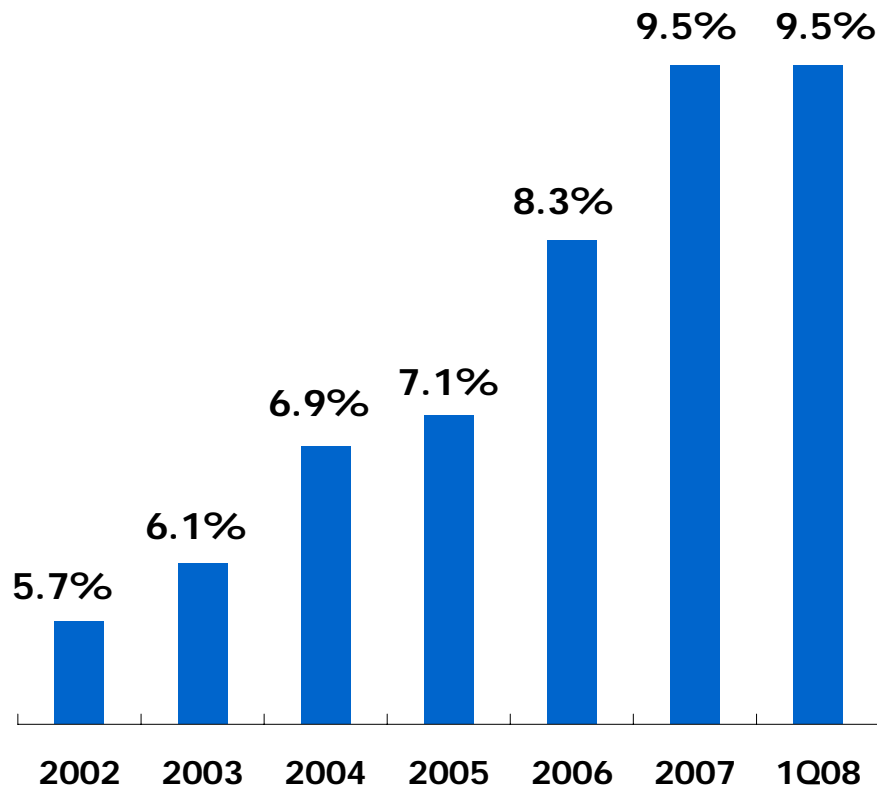


Combined ratio

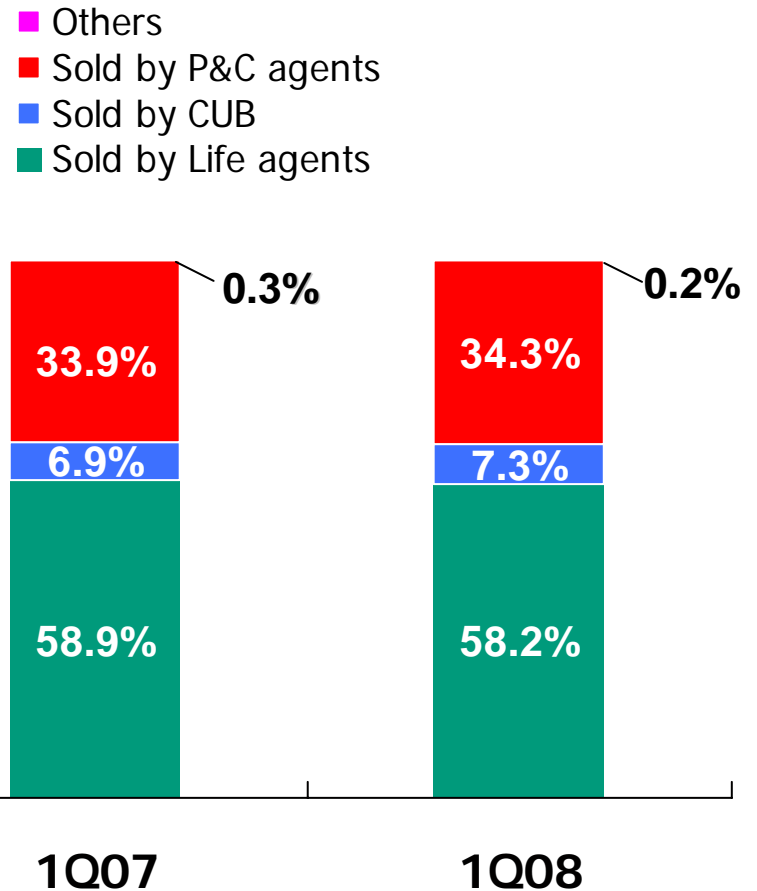


Cathay Century

Market share



Distribution channel



Agenda

- **2008 First quarter financial results of Cathay FHC**
- **Embedded value and appraisal value**

Embedded Value & Appraisal Value

NT\$BN, except for per share figures

Valuation date	2007/12/31
Investment yield	5% (Interest crediting annuity: 4.3%)
Discount rate	10.7%
Cost of Capital (CoC)	-66
Adjusted net worth (After CoC)	141
Value of in force business	226
Embedded Value	366
EV / per share	72.3 (39.8)
Appraisal Value	683
Value of future 1 year's new business (After CoC)	30
AV / per share	134.8 (74.3)

- 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 lifting of the overseas investment cap
 4. EV/AV are based on internal calculations and the methodology is in line with past practice
 5. Totals may not sum due to rounding

Assumptions

■ Investment yield :

5% except 4.3% for interest crediting annuity

■ RBC capital requirement :

1. Applied year 2007 RBC formula (k value=0.42) to estimate expected capital requirement given RBC factors and formula are under reviewed by Insurance Bureau.
2. Investments in insurance-related business are required to be deducted from capital
3. Capital requirement assumption = 200% RBC+ investments in insurance-related business

■ Experience rate :

Experience Rate	Assumptions
Mortality Rate	Mortality rates were based on 59% and 41% of 1989 TSO table for male and female, respectively
Morbidity Rate	In accordance with Cathay's most updated morbidity trends and vary from different products
Lapse Rate	In accordance with Cathay's most updated lapse rate trends and vary from different products; lapse rate assumptions of investment-linked policies are newly-included.
Expenses assumption	In accordance with Cathay's most updated expense analysis and vary from different products; commissions are calculated on the basis of actual commission rate.

■ 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	2007/12/31				
Investment yield	4.75%	5.25%	5%	5%	5%
Discount rate	10.7%	10.7%	10.7%	9.7%	11.7%
Cost of Capital	-69	-62	-66	-62	-68
Adjusted net worth (After CoC)	137	144	141	144	138
Value of in force business	188	263	226	246	209
Embedded Value	325	407	366	390	347
EV / per share	64.2 (35.4)	80.3 (44.3)	72.3 (39.8)	77.0 (42.4)	68.4 (37.7)
Appraisal Value	636	729	683	757	622
Value of future 1 year's new business (After CoC)	29	31	30	33	27
AV / per share	125.6 (69.2)	143.9 (79.3)	134.8 (74.3)	149.3 (82.3)	122.6 (67.6)

YoY Comparison

NT\$BN

Valuation date	2006/12/31	2007/12/31
Embedded Value	306-342	347-390
Value of future 1 year's new business	24-28	27-33
Appraisal Value	552-664	622-757

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

	FY2006	FY2007	FY07/ FY06 % Chg	1Q07	1Q08	1Q08/ 1Q07/ % Chg
<u>Statement of Income Data</u>						
Interest income	1.095	1.123	2.6%	0.280	0.215	-23.2%
Income from subsidiaries						-
Cathay Life	15.047	23.469	56.0%	7.472	(6.737)	-190.2%
Cathay United Bank	(3.789)	6.400	-	2.207	0.885	-59.9%
Cathay Century	0.730	1.046	43.4%	0.340	0.165	-51.5%
Other	0.572	0.194	-66.1%	0.023	0.019	-14.9%
Total income from subsidiaries	12.560	31.109	147.7%	10.043	(5.668)	-156.4%
Adjustments	(0.054)	(0.442)	-	0.000	0.000	-
Total income from subsidiaries, net	12.506	30.667	145.2%	10.043	(5.668)	-156.4%
Gain on foreign exchange ⁽²⁾	(0.023)	(0.097)	313.8%	0.132	(0.712)	-638.6%
Other income	0.164	0.616	275.0%	0.068	0.343	404.9%
Operating costs	(1.663)	(0.985)	-40.8%	(0.337)	(0.178)	-47.3%
Administrative and general expenses	(0.235)	(0.226)	-3.9%	(0.040)	(0.043)	6.5%
Income taxes (expense) benefit	(0.408)	(0.350)	-14.1%	(0.144)	0.067	-146.3%
Cumulative effect of changes in accounting principles	(0.859)	0.000	-100.0%	0.000	0.000	-
Net income	10.577	30.748	190.7%	10.002	(5.976)	-159.8%
EPS (NT\$)	1.18	3.34		1.09	(0.65)	
<u>Balance Sheet Data</u>						
Long-term investments in stock	205.5	214.1		213.1	197.4	
Total assets	223.8	230.2		230.8	212.8	
Total consolidated assets	3,447.5	3,684.3		3,533.8	3,727.8	
Total shareholders' equity	216.1	226.6		226.9	209.5	
<u>Operating Metrics</u>						
ROAE(standalone)	5.2%	13.9%		18.1%	-11.0%	
ROAA (standalone)	4.9%	13.5%		17.6%	-10.8%	
ROAA(consolidated)	0.3%	0.9%		1.1%	-0.6%	

Notes:

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

Cathay Life						
Summary Financial Data						
(NT\$BN)	FY2006	FY2007	FY07/ FY06 % Chg	1Q 2007	1Q 2008	1Q08/ 1Q07/ % Chg
<u>Summary Statement of Income Data</u>						
Premiums income ⁽¹⁾	287.636	302.993	5.3%	61.175	68.043	11.2%
Investment income						
Interest income	62.633	69.497	11.0%	16.644	18.031	8.3%
Gain on disposal of investment	7.657	28.586	273.4%	5.028	14.742	193.2%
Other investment income, net	12.207	(0.384)	-103.1%	6.432	(29.892)	-564.7%
Total investment income, net ⁽²⁾	82.497	97.699	18.4%	28.104	2.881	-89.7%
Other income	1.561	2.257	44.6%	0.613	2.719	343.3%
Insurance claims payment	(157.599)	(202.776)	28.7%	(39.497)	(47.580)	20.5%
Provisions for reserves						
Provisions	(298.422)	(312.004)	4.6%	(63.485)	(67.657)	6.6%
Recoveries	133.091	178.912	34.4%	30.504	39.565	29.7%
Total provisions for reserves, net	(165.331)	(133.092)	-19.5%	(32.981)	(28.092)	-14.8%
Commissions and operating expense						
Brokerage expenses	(27.230)	(30.019)	10.2%	(6.272)	(7.734)	23.3%
Marketing, administrative and general expenses	(10.386)	(11.223)	8.1%	(2.721)	(2.293)	-15.7%
Total commissions and operating expenses	(37.616)	(41.242)	9.6%	(8.993)	(10.027)	11.5%
Other operating expenses	(2.652)	(2.644)	-0.3%	(0.576)	(0.521)	-9.6%
Operating income	8.495	23.194	173.0%	7.845	(12.577)	-260.3%
Non-operating income	1.670	1.454	-12.9%	0.367	0.309	-15.9%
Non-operating expense	(0.347)	(0.299)	20.9%	(0.002)	(0.002)	-4.3%
Income taxes	1.815	(0.881)	-148.5%	(0.738)	5.533	-850.1%
Cumulative effect of changes in accounting principles	3.316	0.000	-100.0%	0.000	0.000	-
Net income	15.047	23.469	56.0%	7.472	(6.737)	-190.2%
<u>Balance Sheet Data</u>						
Total assets	2,140.8	2,354.9		2,214.9	2,384.2	
Total stockholders' equity	119.8	123.4		124.6	105.7	
<u>Operating Metrics</u>						
First year premium	108.2	172.8		33.1	62.2	
Expense ratio	12.4%	12.9%		13.9%	14.2%	
13-mos persistency ratio	90.0%	92.0%		91.0%	91.3%	
25-mos persistency ratio	82.2%	83.0%		80.4%	84.4%	
ROAE	13.8%	19.3%		24.5%	-23.5%	
ROAA	0.8%	1.0%		1.4%	-1.1%	

Notes:

(1) Excludes investment-linked products premium income.

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Cathay United Bank
Summary Financial Data

(NT\$BN)

			FY07/ FY06			1Q08/ 1Q07
	FY2006	FY2007	% Chg	1Q07	1Q08	% Chg
Summary Statement of Income Data						
Interest income	42.590	40.285	-5.4%	9.742	10.253	5.2%
Interest expense	(18.054)	(19.121)	5.9%	(4.793)	(4.896)	2.1%
Net interest income	24.537	21.164	-13.7%	4.949	5.357	8.2%
Net operating income except interest income						
Net handling fee	4.561	5.132	12.5%	1.023	1.353	32.3%
Gains on financial assets and liabilities at fair value through P&L	(0.392)	(0.459)	17.1%	0.284	(0.692)	-343.5%
Realized gains on available-for-sale financial assets	0.500	1.707	241.2%	0.027	0.365	1247.6%
Realized gains on held-to-maturity financial assets	0.001	(0.000)	-119.7%	(0.000)	(0.001)	368.1%
Invst inc - equity method	0.066	0.168	155.1%	0.107	0.028	-74.0%
Realized gain - equity method	1.299	0.000	-100.0%	0.000	0.000	-
Gain on foreign exchng - net	0.443	0.716	61.7%	0.230	0.550	138.9%
Impairment gain/loss	(0.259)	(0.115)	-55.5%	0.022	(0.056)	-350.8%
Gains on reversal of foreclosed properties impairment	0.400	(0.010)	-102.4%	0.000	0.019	-
Gains/losses on disposal of foreclosed properties	0.483	0.006	-98.9%	0.000	(0.003)	-
Investments in debt securities with no active market, net	0.024	(2.555)	-	0.005	(1.759)	-
other income, net	0.237	0.467	96.8%	0.066	0.117	77.3%
Net operating income	31.899	26.220	-17.8%	6.713	5.279	-21.4%
Provisions for possible losses ⁽¹⁾	(26.074)	(4.086)	-84.3%	(0.913)	(0.352)	-61.4%
Operating expenses	(12.303)	(14.008)	13.9%	(3.031)	(3.319)	9.5%
Income from continuing operations before income taxes	(6.477)	8.126	-225.5%	2.769	1.608	-41.9%
Income tax benefit (expense)	2.264	(1.726)	-176.2%	(0.562)	(0.723)	28.6%
Cumulative effect of changes in accounting principles	0.727	0.000	-100.0%	0.000	0.000	-
Net income	(3.487)	6.400	-283.5%	2.207	0.885	-59.9%
Balance Sheet Data						
Total assets	1,266.7	1,288.2		1283.3	1300.9	
Total shareholders' equity	76.1	81.4		78.5	82.2	
Operating Metrics						
Cost income ratio	38.6%	53.4%		45.2%	62.9%	
ROAE	-4.4%	8.1%		11.4%	4.3%	
ROAA	-0.3%	0.5%		0.7%	0.3%	
Assets Quality						
NPL ratio (international standard)	1.8%	1.5%		1.7%	1.2%	
Coverage ratio (international standard)	128.3%	86.2%		113.3%	100.8%	

Notes:

(1) FY07, 1Q07 and 1Q08 provisions net of NT\$5.6bn, NT\$1.5bn and NT\$2bn bad debt recoveries, respectively.

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



Cathay Century
Summary Financial Data
(NT\$MM)

	1Q2007	1Q2008	1Q08/ 1Q07 % Chg
<u>Summary Statement of Income Data</u>			
Premiums income	2,749.0	2,896.5	5.4%
Reinsurance premiums ceded	(872.4)	(1,013.4)	16.2%
Premiums income, net	1,876.5	1,883.2	0.4%
Investment			
Interest income	87.3	92.5	6.1%
Other investment income, net	49.0	164.1	234.6%
Total investment income	136.3	256.7	88.3%
Other operating income	82.8	114.9	38.7%
Insurance claims payment, net	(797.3)	(1,005.0)	26.1%
Provisions for reserves			
Provisions	(5,350.1)	(5,524.9)	3.3%
Recoveries	5,043.5	5,436.5	7.8%
Total provisions for reserves, net	(306.6)	(88.4)	-71.2%
Commissions, operating and other expenses	(568.8)	(981.7)	72.6%
Operating income	423.1	179.7	-57.5%
Non-operating income	1.2	0.4	-68.2%
Non-operating expense	(0.0)	(1.7)	-
Income taxes	(83.9)	(13.3)	-84.1%
Cumulative effect of changes in accounting principles	0.0	0.0	-
Net income	340.4	165.0	-51.5%
<u>Summary Balance Sheet Data</u>			
Total assets	17,309.8	19,395.6	12.0%
Total stockholders' equity	3,903.3	3,932.2	0.7%
<u>Operating Metrics</u>			
Written Combined ratio	59.2%	71.8%	
Net Combined ratio	76.5%	89.3%	
ROAE	36.4%	16.9%	
ROAA	8.5%	3.7%	

Notes:

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- (2) 1Q07,1Q08 financial numbers are provided according to the new P&C insurance accounting principle of FSC promulgated on 01/01/2008.



Shares Outstanding
(Millions of shares)

	<u>As of</u> <u>03/31/2008</u>
Total shares issued	9,277.0
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	9,210.3

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Capital Adequacy Metrics

	<u>Capital Adequacy Metrics (As of 31-Dec.-2007)</u>			<u>Legal Requirement</u>
Cathay Financial Holdings Double leverage ratio	94.21%			n/a
Cathay Life RBC Ratio	300%	-	350%	200%
Cathay Century RBC Ratio	504.71%			200%
Cathay United Bank BIS Ratio	11.13%			8%

Notes:

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