

Cathay Financial Holding Co., Ltd.

3Q08 Analyst Meeting

November 2008

Internal Capacity

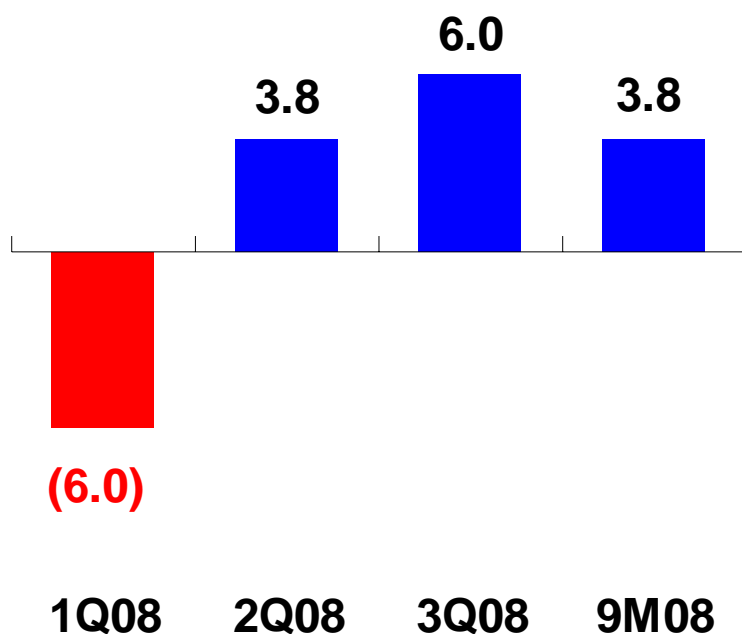
External Environment

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Cathay FHC – Net income

Cathay FHC net income⁽¹⁾ (NT\$BN)



Net incomes⁽¹⁾ of main subsidiaries (NT\$BN)

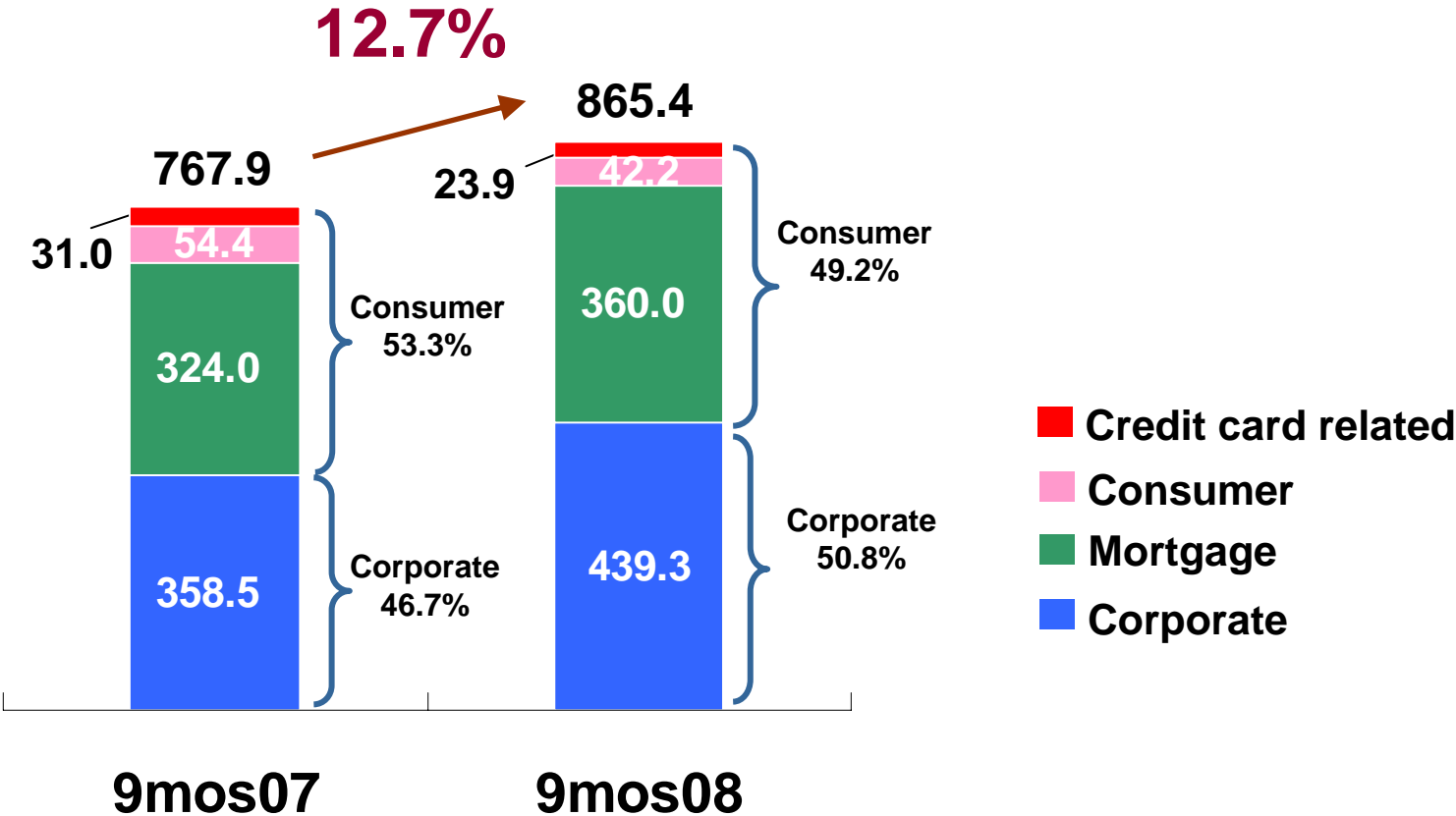
	1Q08	2Q08	3Q08	9M08
Cathay Life	(6.7)	1.4	4.7	(0.6)
Cathay United Bank	0.9	2.1	1.5	4.5
Cathay Century	0.2	0.2	0.1	0.5

Note: Net income after tax

Note: Related numbers might be adjusted due to rounding

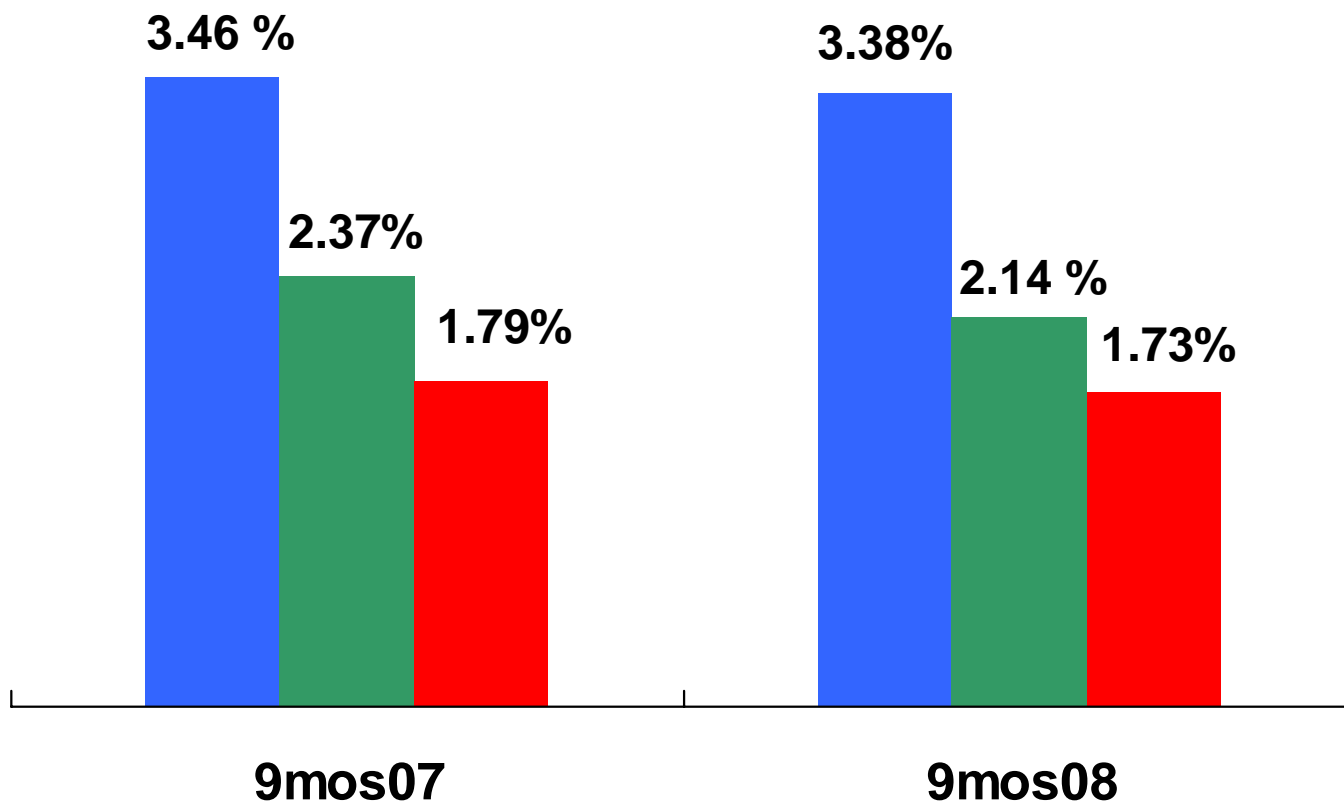
Cathay United Bank - Loan portfolio

(NT\$BN)



Cathay United Bank – Interest yields

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

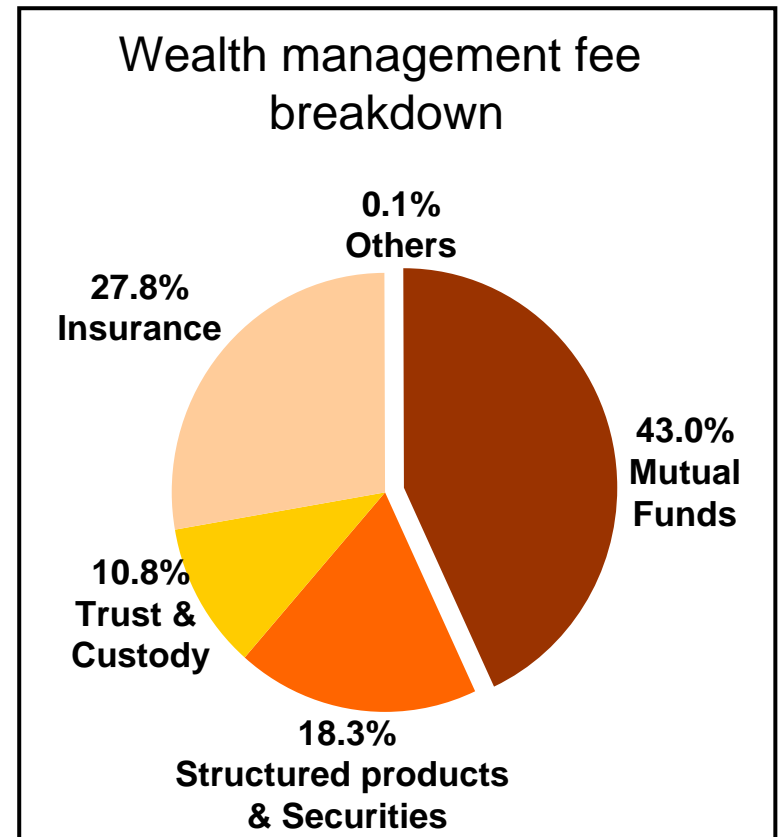
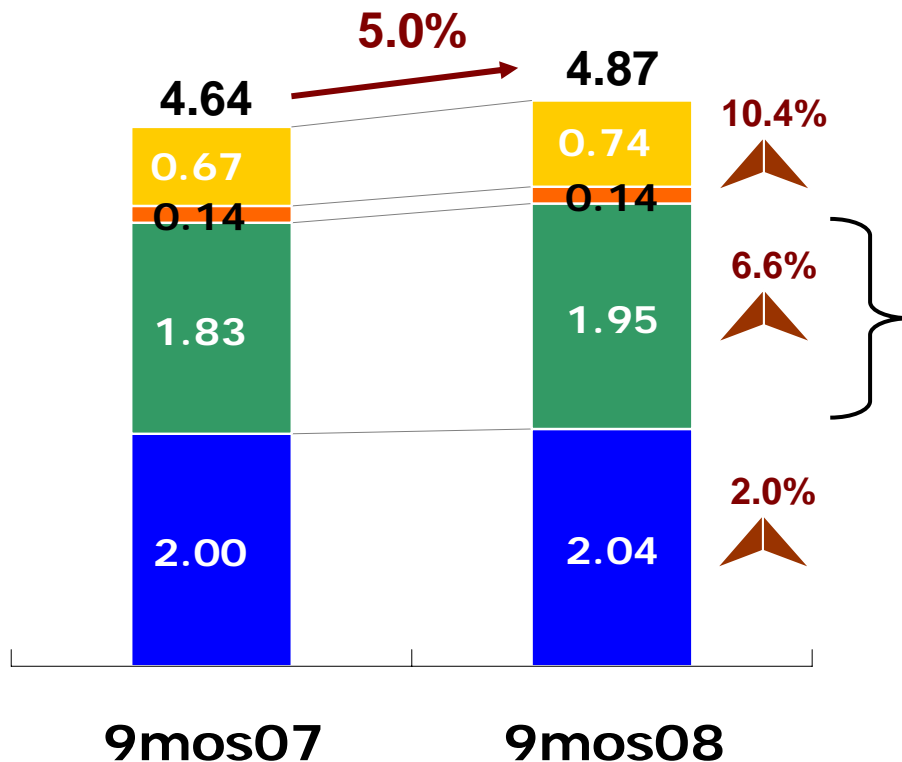


Note: 9mos07 NIM is adjusted

Cathay United Bank – Fee income

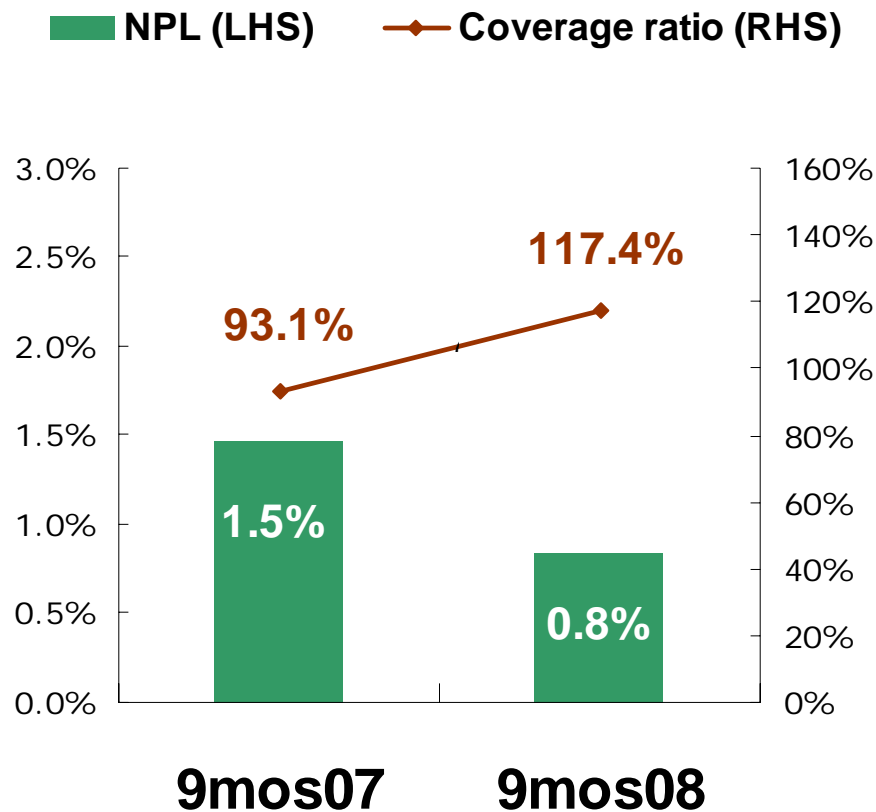
(NT\$BN)

- Others
- FX
- Wealth management
- Cards related

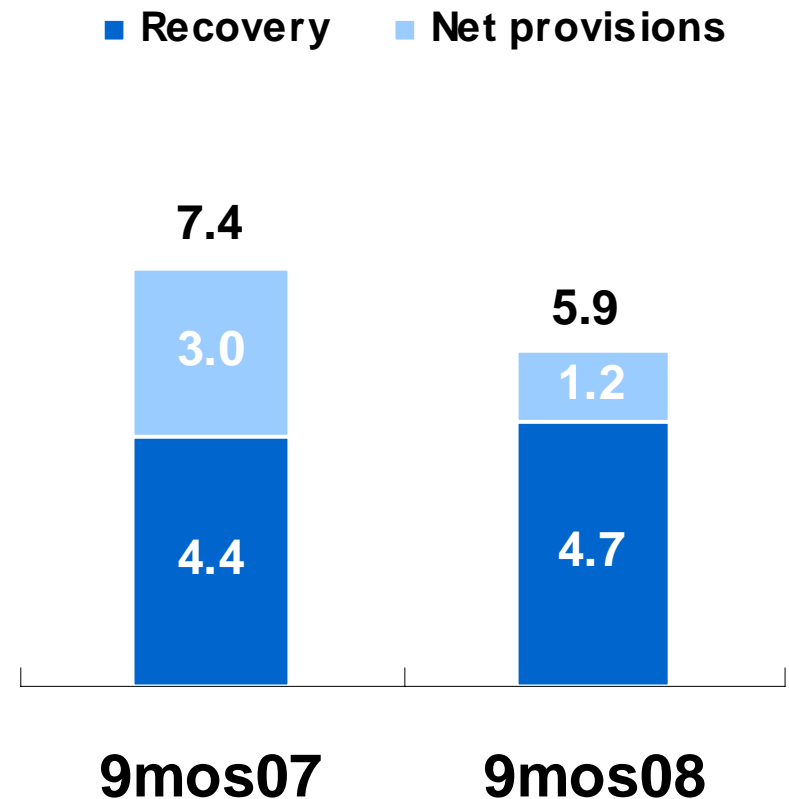


Cathay United Bank – Credit quality

NPL & Coverage ratio

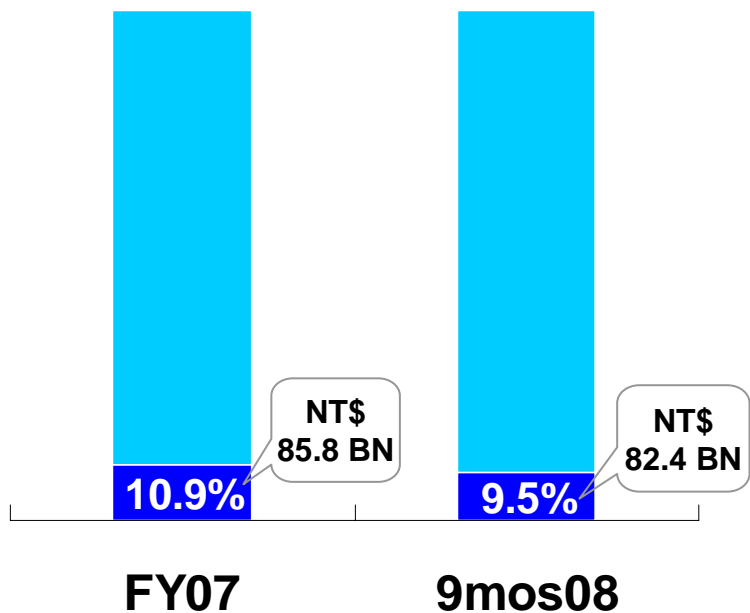


Gross provisions (NT\$BN)

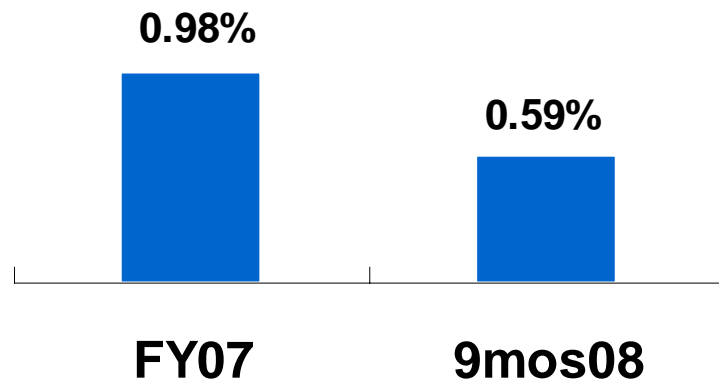


Cathay United Bank – SME lending

SME lending (As % of total loans)

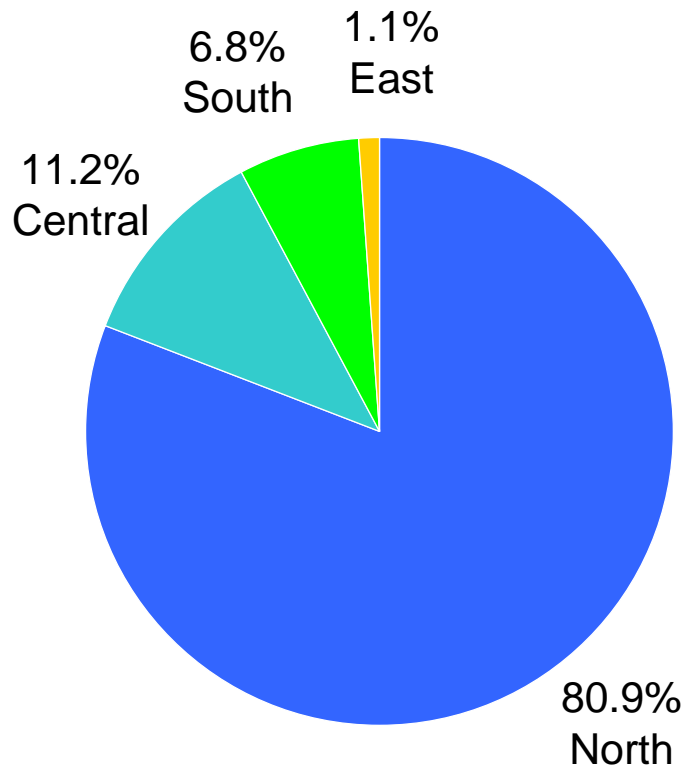


NPL ratio

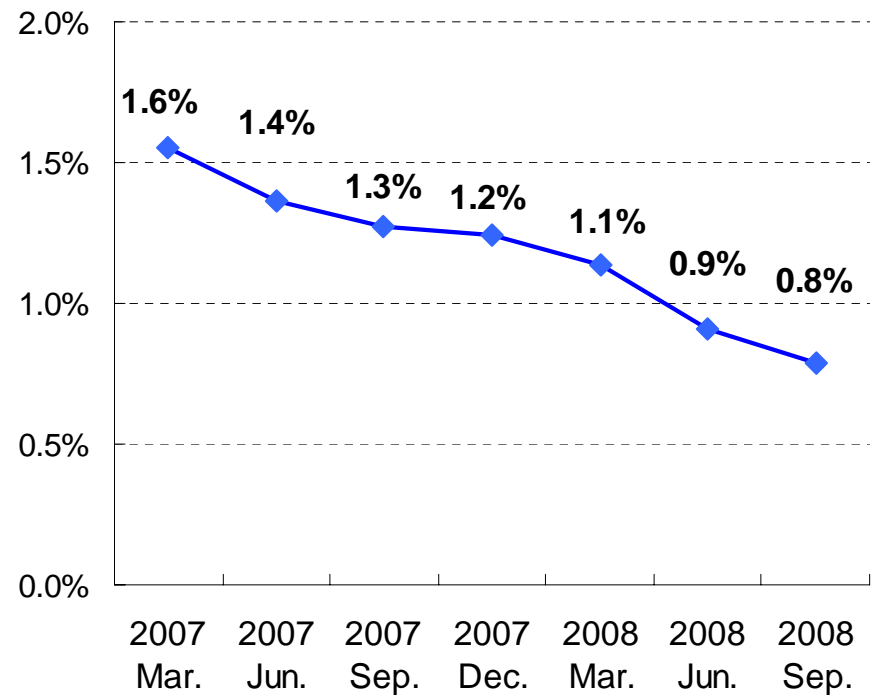


Cathay United Bank – Mortgage loan

Geographic breakdown (Taiwan)

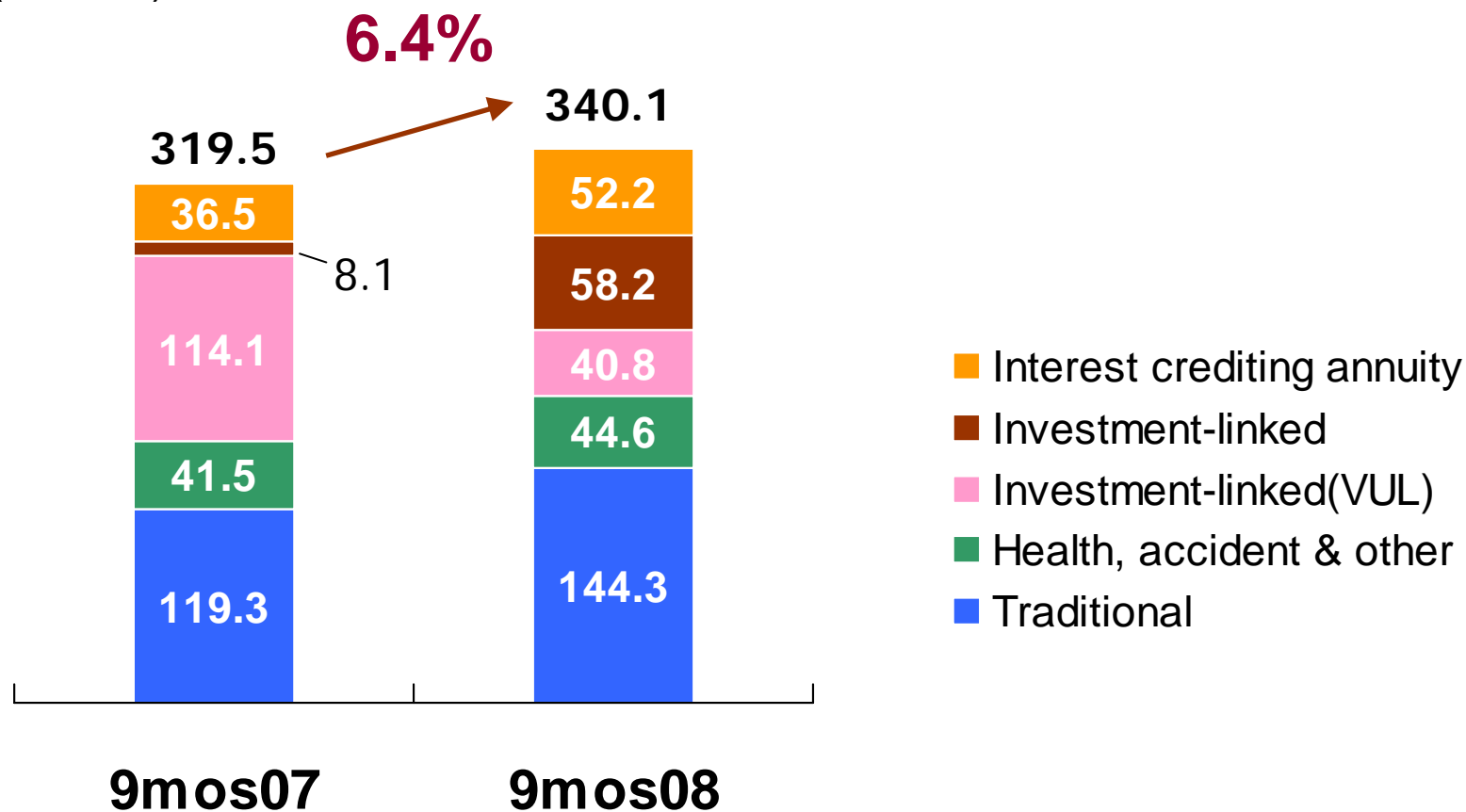


NPL ratio



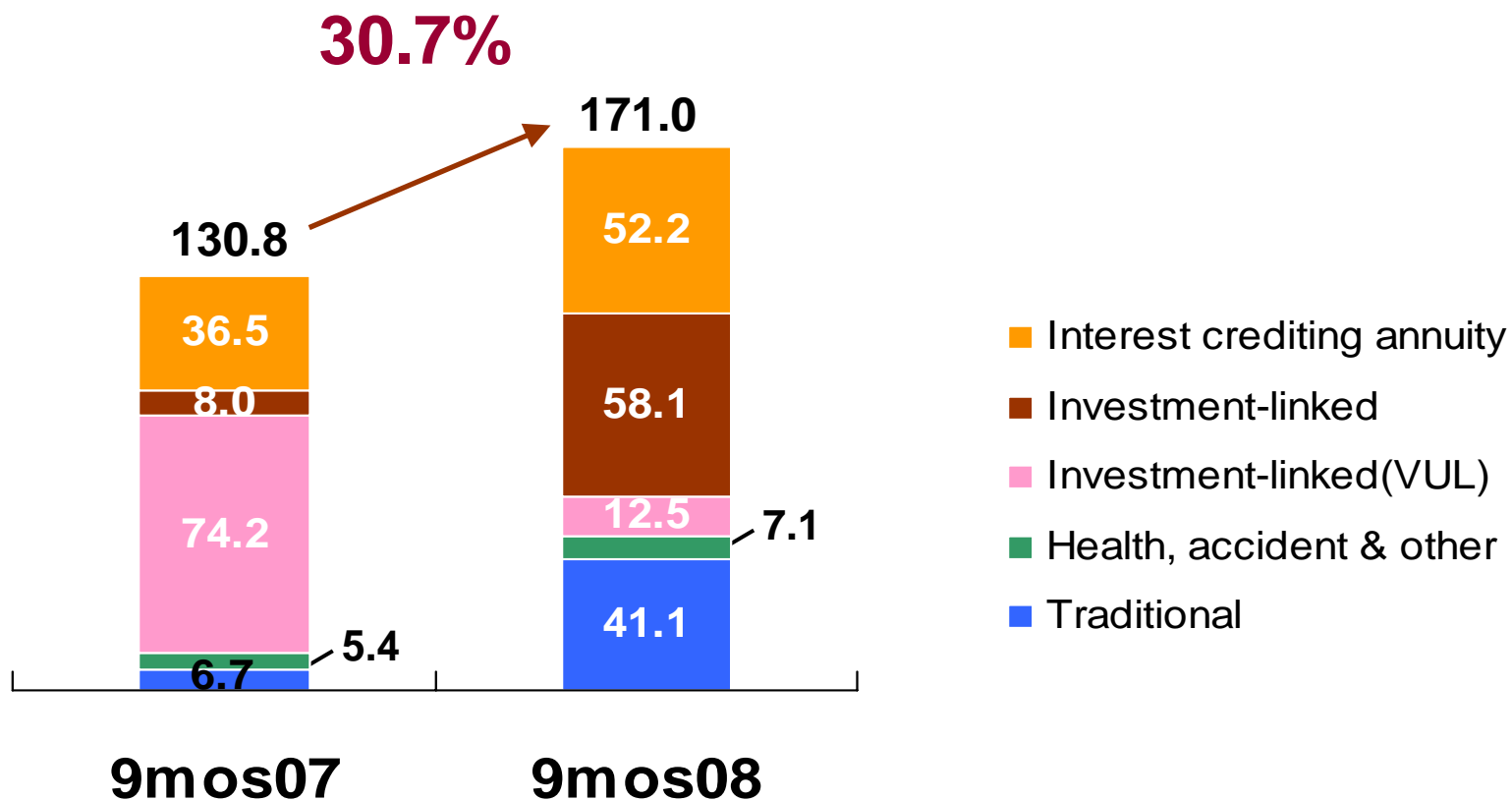
Cathay Life – Total premium

(NT\$BN)



Cathay Life – First Year Premium

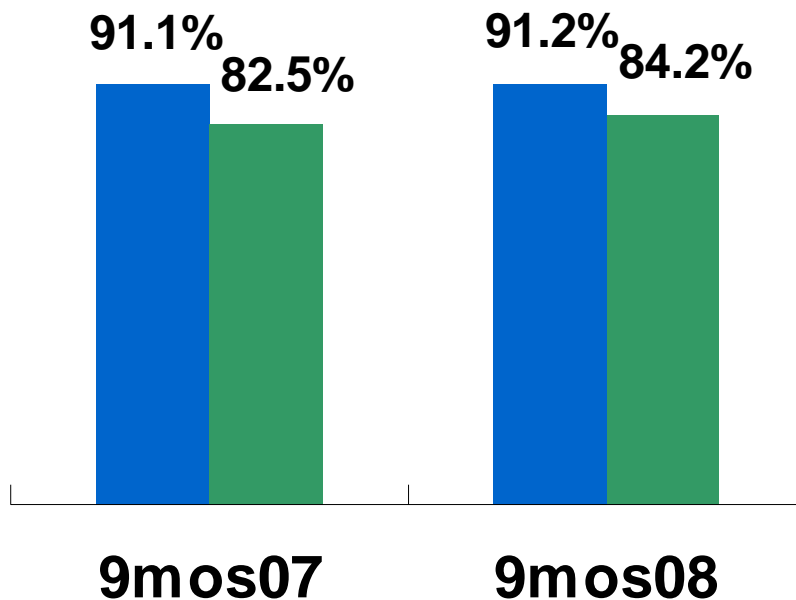
(NT\$BN)



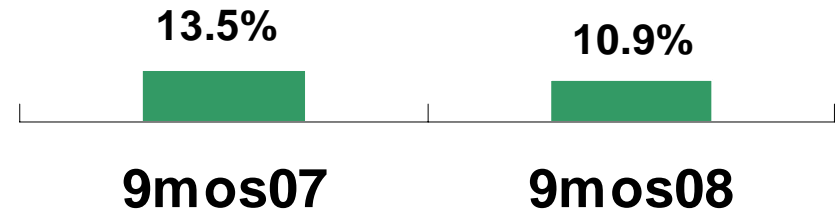
Cathay Life - Operational indicators

Persistency ratio

■ 13months ■ 25months



Expense ratio



Cathay Life - Investment portfolio

	2Q08		3Q08		Weight Change	Amount Change
	Amt. (NT\$BN)	%	Amt. (NT\$BN)	%		
Cash & Cash equivalents	193.6	9.2%	168.6	8.0%	-1.2%	-25.0
Equities – Domestic	157.4	7.5%	141.1	6.7%	-0.8%	-16.3
Equities – International	48.1	2.3%	42.7	2.0%	-0.3%	-5.4
Bonds – Domestic	326.5	15.6%	332.1	15.8%	0.2%	5.6
Bonds - International ⁽¹⁾	674.4	32.1%	715.8	34.0%	1.9%	41.4
Mortgage & Secured loans	345.4	16.5%	344.6	16.3%	-0.2%	-0.8
Policy loans	193.2	9.2%	196.0	9.3%	0.1%	2.8
Real estate	118.0	5.6%	120.1	5.7%	0.1%	2.1
Others	42.1	2.0%	46.7	2.2%	0.2%	4.6
Total investments⁽²⁾⁽³⁾	2,098.7	100.0%	2,107.7	100.0%		

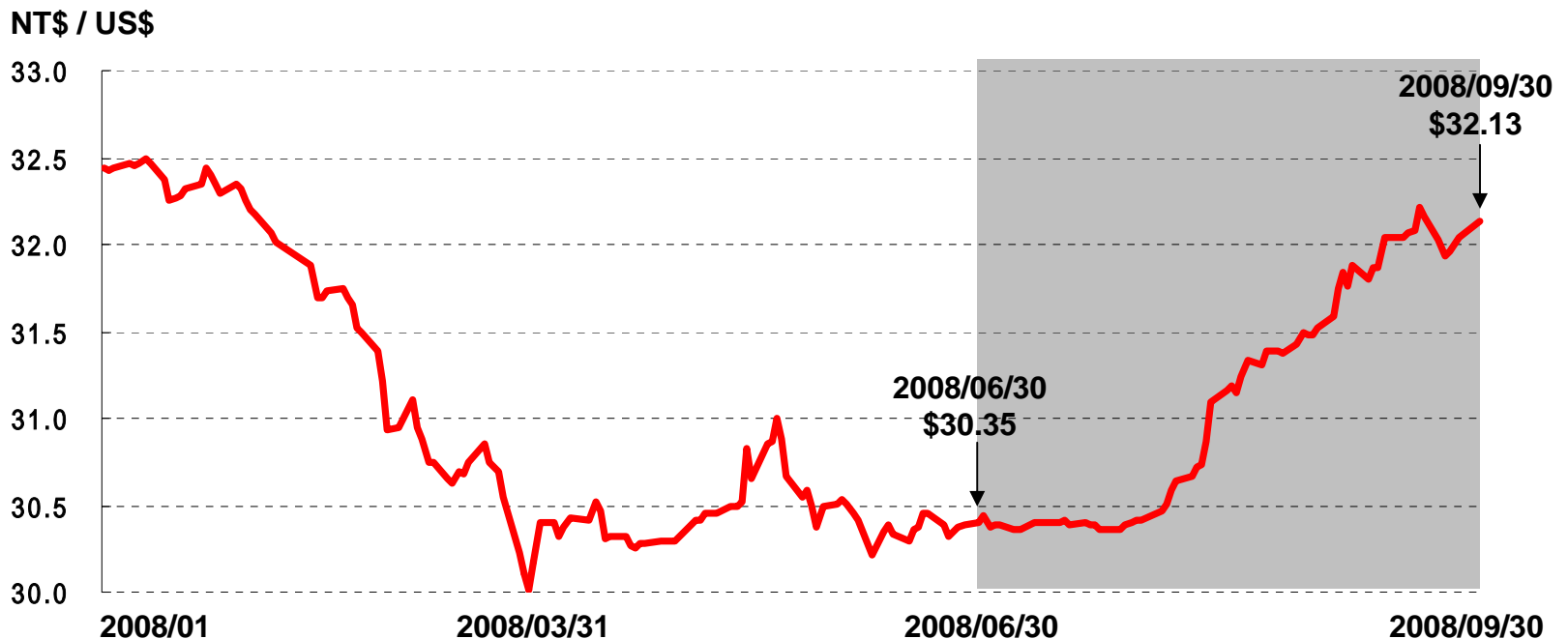
Note (1) : Includes foreign currency and related adjustments

Note (2) : Excludes separate account assets

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

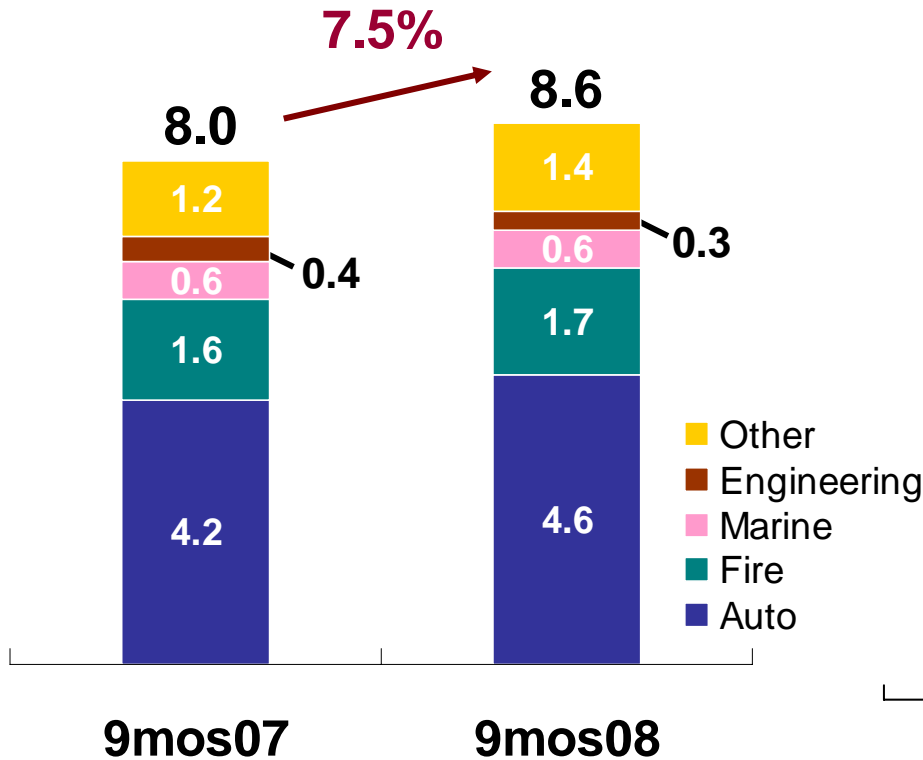
Cathay life – Hedging cost & strategy

- Due to NT dollar depreciation, hedging cost of the first nine months reduced significantly.
- Hedging strategy → Traditional : Proxy = 75% : 25%.



Cathay Century

Product breakdown (NT\$BN)

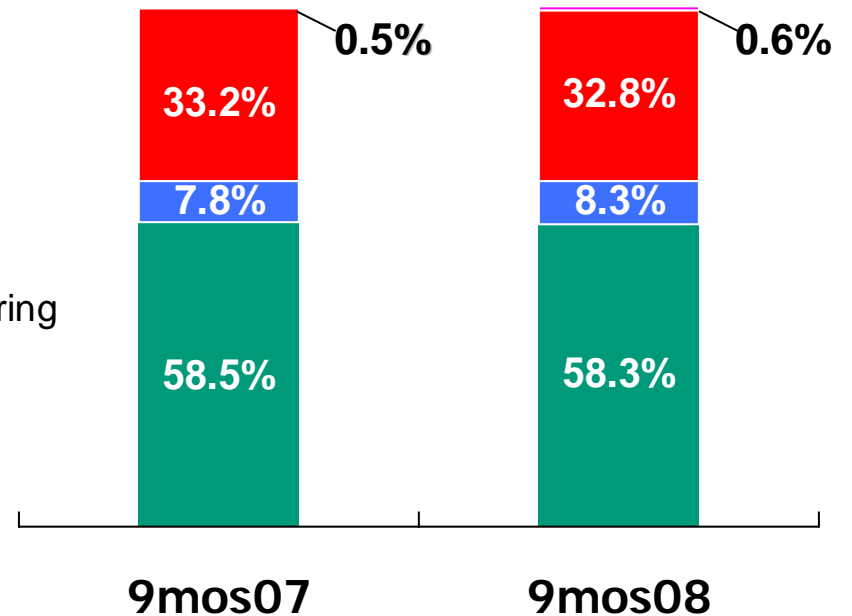


Mkt share 9.1%

10.0%

Distribution channel

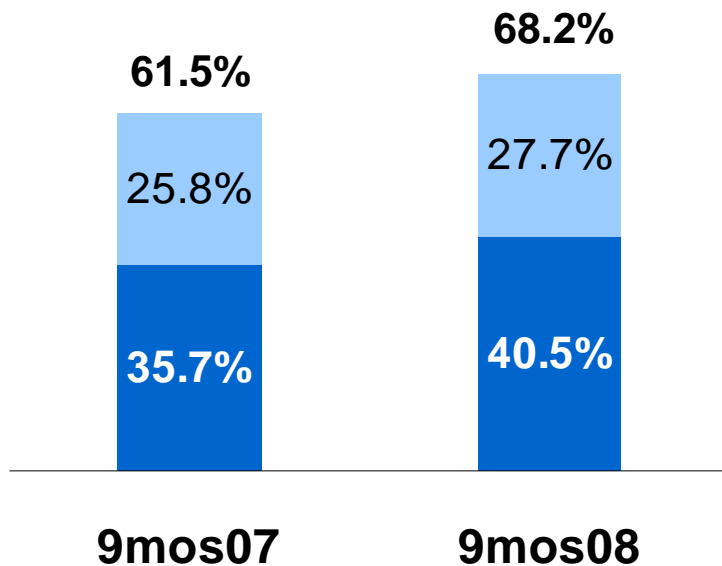
- Others
- Sold by P&C agents
- Sold by CUB
- Sold by Life agents



Cathay Century

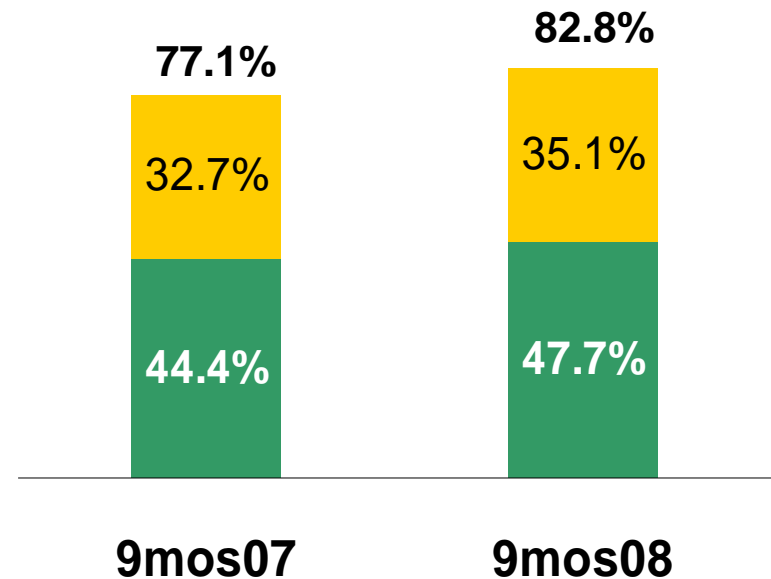
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



Retained combined ratio

- Retained expense ratio
- Retained loss ratio



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

	FY2006	FY2007	FY07/ FY06 % Chg	9mos07	9mos08	9mos08/ 9mos07/ % Chg	3Q07	3Q08	3Q08/ 3Q07/ % Chg
<u>Statement of Income Data</u>									
Interest income	1.095	1.123	2.6%	0.861	0.466	-45.9%	0.299	0.042	-86.0%
Income from subsidiaries									
Cathay Life	15.047	23.469	56.0%	25.265	(0.638)	-102.5%	9.097	4.647	-48.9%
Cathay United Bank	(3.487)	6.400	-283.5%	7.053	4.544	-35.6%	2.668	1.540	-42.3%
Cathay Century	0.730	1.046	43.4%	0.994	0.522	-47.5%	0.315	0.065	-79.4%
Other	0.270	0.194	-28.1%	0.117	(0.005)	-104.5%	0.057	(0.006)	-110.5%
Total income from subsidiaries	12.560	31.109	147.7%	33.430	4.423	-86.8%	12.137	6.246	-48.5%
Adjustments	(0.054)	(0.442)	-	(0.442)	(0.026)	-94.1%	0.000	0.000	-
Total income from subsidiaries, net	12.506	30.667	145.2%	32.988	4.397	-86.7%	12.137	6.246	-48.5%
Gain on foreign exchange	(0.023)	(0.097)	321.7%	(0.037)	(0.717)	-	(0.085)	0.010	-111.8%
Other income	0.164	0.616	275.0%	0.319	0.374	17.2%	0.304	0.041	-86.5%
Operating costs	(1.663)	(0.985)	-40.8%	(0.781)	(0.358)	-54.2%	(0.223)	(0.017)	-92.4%
Administrative and general expenses	(0.235)	(0.226)	-3.9%	(0.183)	(0.421)	130.1%	(0.079)	(0.298)	-
Income taxes (expense) benefit	(0.408)	(0.350)	-14.1%	(0.187)	0.046	-124.7%	(0.057)	(0.017)	-70.2%
Cumulative effect of changes in accounting principles	(0.859)	0.000	-100.0%	0.000	0.000	-	0.000	0.000	-
Net income	10.577	30.748	190.7%	32.979	3.787	-88.5%	12.296	6.007	-51.1%
EPS (NT\$)	1.18	3.34		3.42	0.39				
<u>Balance Sheet Data</u>									
Long-term investments in stock	205.5	214.1		228.9	160.2				
Total assets	223.8	230.2		244.3	164.1				
Total consolidated assets	3,447.5	3,684.3		3,684.2	3,786.2				
Total shareholders' equity	216.1	226.6		241.2	157.7				
<u>Operating Metrics</u>									
ROAE(standalone)	5.2%	13.9%		19.2%	2.6%				
ROAA (standalone)	4.9%	13.5%		18.8%	2.6%				
ROAA(consolidated)	0.3%	0.9%		1.2%	0.1%				

Notes:

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(2) Total may not sum due to rounding

Cathay Life
Summary Financial Data
 (NT\$BN)

	FY2006	FY2007	FY07/ FY06 % Chg	9mos2007	9mos2008	9mos08/ 9mos07/ % Chg	3Q 2007	3Q 2008	3Q08/ 3Q07/ % Chg
Summary Statement of Income Data									
Premiums income ⁽¹⁾	287.636	302.993	5.3%	215.413	253.519	17.7%	77.248	93.332	20.8%
Investment income									
Interest income	62.633	69.497	11.0%	51.394	56.116	9.2%	17.762	19.326	8.8%
Gain on disposal of investment	7.657	28.586	273.4%	22.562	8.333	-63.1%	14.430	(9.173)	-
Other investment income, net	12.207	(0.384)	-103.1%	10.477	(15.741)	-250.2%	(2.632)	18.640	-
Total investment income, net ⁽²⁾	82.497	97.699	18.4%	84.433	48.708	-42.3%	29.560	28.793	-2.6%
Other income	1.561	2.257	44.6%	1.684	5.321	216.0%	0.550	0.700	27.1%
Insurance claims payment	(157.599)	(202.776)	28.7%	(138.086)	(204.907)	48.4%	(49.782)	(72.025)	44.7%
Provisions for reserves									
Provisions	(298.422)	(312.004)	4.6%	(215.740)	(253.996)	17.7%	(76.735)	(94.075)	22.6%
Recoveries	133.091	178.912	34.4%	111.692	177.682	59.1%	41.586	61.864	48.8%
Total provisions for reserves, net	(165.331)	(133.092)	-19.5%	(104.047)	(76.314)	-26.7%	(35.149)	(32.211)	-8.4%
Commissions and operating expense									
Brokerage expenses	(27.230)	(30.019)	10.2%	(23.061)	(21.086)	-8.6%	(8.697)	(7.139)	-17.9%
Marketing, administrative and general expenses	(10.386)	(11.223)	8.1%	(7.721)	(7.802)	1.0%	(2.319)	(2.737)	18.0%
Total commissions and operating expenses	(37.616)	(41.242)	9.6%	(30.783)	(28.888)	-6.2%	(11.017)	(9.875)	-10.4%
Other operating expenses	(2.652)	(2.644)	-0.3%	(1.832)	(1.665)	-9.1%	(0.690)	(0.600)	-13.1%
Operating income	8.495	23.194	173.0%	26.782	(4.226)	-	10.720	8.115	-24.3%
Non-operating income	1.670	1.454	-12.9%	1.050	1.030	-1.9%	0.299	0.369	23.4%
Non-operating expense	(0.347)	(0.299)	20.9%	(0.189)	(0.547)	-	(0.137)	(0.543)	-
Income taxes	1.815	(0.881)	-148.5%	(2.378)	3.104	-230.5%	(1.785)	(3.293)	84.5%
Cumulative effect of changes in accounting principles	3.316	0.000	-100.0%	0.000	0.000	-	0.000	0.000	-
Net income	15.047	23.469	56.0%	25.265	(0.638)	-102.5%	9.097	4.647	-48.9%
Balance Sheet Data									
Total assets	2140.8	2354.9		2356.4	2386.8		2356.4	2386.8	
Total stockholders' equity	119.8	123.4		136.9	70.7		136.9	70.7	
Operating Metrics									
First year premium	108.2	172.8		130.8	171.0				
Expense ratio	12.4%	12.9%		13.5%	10.9%				
13-mos persistency ratio	90.0%	92.0%		91.1%	91.2%				
25-mos persistency ratio	82.2%	83.0%		82.5%	84.2%				
ROAE	13.8%	19.3%		26.2%	-0.9%				
ROAA	0.8%	1.0%		1.5%	0.0%				

Notes:

(1) Excludes investment-linked products premium income.

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



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

Summary Statement of Income Data	FY07/ FY06		9mos08/ 9mos07		3Q08/ 3Q07	
	FY2006	FY2007	% Chg	9mos07	9mos08	% Chg
Interest income	42.590	40.285	-5.4%	29.961	30.189	0.8%
Interest expense	(18.054)	(19.121)	5.9%	(14.161)	(14.779)	4.4%
Net interest income	24.537	21.164	-13.7%	15.801	15.410	-2.5%
Net operating income except interest income						
Net handling fee	4.561	5.132	12.5%	3.640	3.961	8.8%
Gains on financial assets and liabilities at fair value through P&L	(0.392)	(0.459)	17.1%	0.208	(1.730)	-
Realized gains on available-for-sale financial assets	0.500	1.707	241.2%	1.528	0.433	-71.7%
Realized gains on held-to-maturity financial assets	0.001	(0.000)	-119.7%	(0.000)	(0.001)	-
Invst inc - equity method	0.066	0.168	155.1%	0.150	0.161	7.3%
Realized gain - equity method	1.299	0.000	-100.0%	0.000	0.000	-
Gain on foreign exchg - net	0.443	0.716	61.7%	0.604	0.598	-1.1%
Impairment gain/loss	(0.259)	(0.115)	-55.5%	(0.017)	(0.048)	184.4%
Gains on reversal of foreclosed properties impairment	0.400	(0.010)	-102.4%	(0.019)	0.045	-
Gains/losses on disposal of foreclosed properties	0.483	0.006	-98.9%	(0.000)	0.180	-
Investments in debt securities with no active market, net other income, net	0.024	(2.555)	-	0.009	(1.758)	-
Net operating income	31.899	26.220	-17.8%	22.230	18.291	-17.7%
Provisions for possible losses ⁽¹⁾	(26.074)	(4.086)	-84.3%	(2.994)	(1.147)	-61.7%
Operating expenses	(12.303)	(14.008)	13.9%	(10.319)	(10.714)	3.8%
Income from continuing operations before income taxes	(6.477)	8.126	-225.5%	8.917	6.429	-27.9%
Income tax benefit (expense)	2.264	(1.726)	-176.2%	(1.864)	(1.885)	1.1%
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%	7.053	4.544	-35.6%
Balance Sheet Data						
Total assets	1,266.7	1,288.2		1290.8	1364.0	
Total shareholders' equity	76.1	81.4		82.3	81.2	
Operating Metrics						
Cost income ratio	38.6%	53.4%		46.4%	58.6%	
ROAE	-4.4%	8.1%		11.9%	7.5%	
ROAA	-0.3%	0.5%		0.7%	0.5%	
Assets Quality						
NPL ratio (international standard)	1.82%	1.5%		1.47%	0.84%	
Coverage ratio (international standard)	128.3%	86.2%		93.1%	117.4%	

Notes:

(1) FY07, 9mos07 and 9mos08 provisions net of NT\$5.6bn, NT\$4.4bn and NT\$4.7bn bad debt recoveries, respectively.

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(3) Total may not sum due to rounding

Cathay Century
Summary Financial Data

(NT\$MM)

	FY07/ FY06			9mos08/ 9mos07			3Q08/ 3Q07		
	FY 2006	FY2007	% Chg	9mos2007	9mos2008	% Chg	3Q2007	3Q2008	% Chg
Summary Statement of Income Data									
Premiums income	9,896.5	11,153.7	12.7%	7,993.0	8,606.0	7.7%	2,485.5	2,798.5	12.6%
Reinsurance premiums ceded	(3,098.5)	(3,460.6)	11.7%	(2,450.3)	(2,677.2)	9.3%	(671.5)	(971.1)	44.6%
Premiums income, net	6,798.0	7,693.1	13.2%	5,542.7	5,928.8	7.0%	1,814.0	1,827.4	0.7%
Investment									
Interest income	318.5	374.5	17.6%	295.8	296.4	0.2%	97.2	89.1	-8.3%
Other investment income, net	58.6	227.5	288.2%	323.9	(197.5)	-161.0%	142.0	(289.3)	-
Total investment income	377.1	602.0	59.7%	619.8	98.9	-84.0%	239.2	(200.2)	-
Other operating income	223.7	288.4	28.9%	207.6	254.9	22.8%	57.0	65.0	14.0%
Insurance claims payment, net	(3,005.8)	(3,371.2)	12.2%	(2,350.0)	(2,733.6)	16.3%	(820.1)	(779.0)	-5.0%
Provisions for reserves									
Provisions	(5,830.8)	(6,542.9)	12.2%	(6,071.4)	(6,179.8)	1.8%	(341.3)	(354.2)	3.8%
Recoveries	4,677.8	5,306.5	13.4%	5,220.9	5,629.5	7.8%	103.4	102.6	-0.7%
Total provisions for reserves, net	(1,153.0)	(1,236.4)	7.2%	(850.5)	(550.3)	-35.3%	(237.9)	(251.6)	5.8%
Commissions, operating and other expenses	(2,395.4)	(2,681.9)	12.0%	(1,923.3)	(2,295.9)	19.4%	(650.0)	(545.5)	-16.1%
Operating income	844.7	1,294.0	53.2%	1,246.3	702.8	-43.6%	402.2	116.1	-71.1%
Non-operating income	3.7	17.3	375.1%	2.4	6.7	184.0%	0.1	0.8	-
Non-operating expense	(0.1)	(0.1)	16.9%	(0.1)	(1.7)	-	(0.0)	(0.0)	0.0%
Income taxes	(178.6)	(264.9)	48.3%	(254.3)	(185.7)	-27.0%	(87.6)	(52.1)	-40.6%
Cumulative effect of changes in accounting principles	60.1	0.0	-100.0%	-	0.0	-	0.0	0.0	-
Net income	729.8	1,046.3	43.4%	994.3	522.1	-47.5%	314.7	64.8	-79.4%
Summary Balance Sheet Data									
Total assets	14,675.9	16,619.4	13.2%	17,957.2	19,008.3	5.9%	17,957.2	19,008.3	
Total stockholders' equity	3,571.6	3,869.9	8.4%	3,909.1	3,136.4	-19.8%	3,909.1	3,136.4	
Operating Metrics									
Written Combined ratio	66.7%	62.4%		61.5%	68.2%				
Net Combined ratio	82.4%	79.7%		77.1%	82.8%				
ROAE	21.6%	28.1%		35.4%	19.9%				
ROAA	5.3%	6.7%		8.1%	3.9%				

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(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) 3Q07,3Q08 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)

	As of 09/30/2008
Total shares issued	9,737.5
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	9,670.8

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Capital Adequacy Metrics

	<u>Capital Adequacy Metrics (As of 30-June-2008)</u>			<u>Legal Requirement</u>
Cathay Financial Holdings Double leverage ratio	101.32%			n/a
Cathay Life RBC Ratio	200%	-	300%	200%
Cathay Century RBC Ratio	425.53%			200%
Cathay United Bank BIS Ratio	10.02%			8%

Notes:

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