

Cathay Financial Holding Co., Ltd.
2008 Briefing



March 12, 2009

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Agenda

- **2008 financial results & 2009 outlook**

- Cathay Financial Holdings

- Cathay United Bank

- Cathay Life

- Cathay Century

Cathay FHC – Net income

(NT\$ BN)	FY07	FY08
Cathay Life	23.5	(2.0)
Cathay United Bank	6.4	4.5
Cathay Century	1.0	0.5
Cathay Financial Holdings	30.7	2.2
Earnings per share	\$3.18	\$0.23

Note: Net income after tax

Note: Related numbers might be adjusted due to rounding

Agenda

■ **2008 financial results & 2009 outlook**

Cathay Financial Holdings

Cathay United Bank

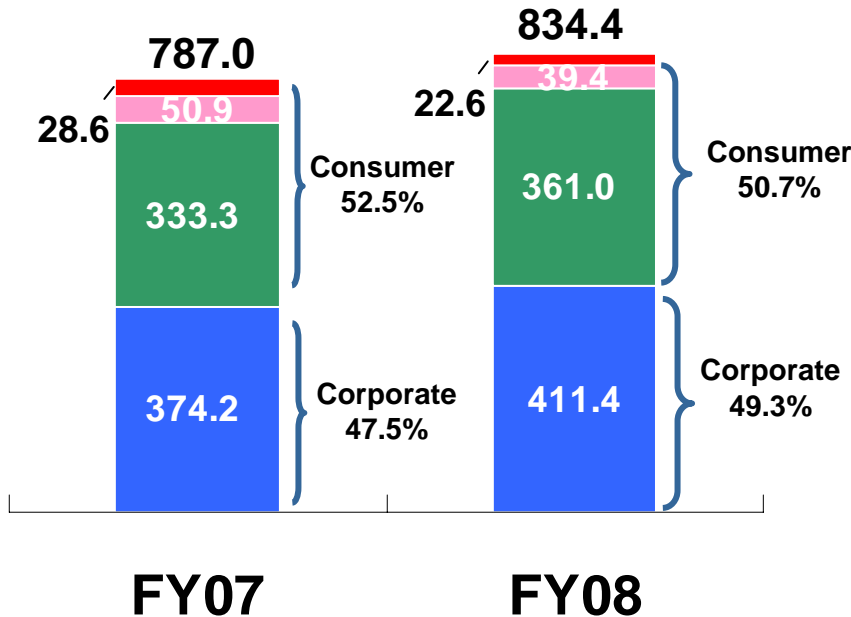
Cathay Life

Cathay Century

Cathay United Bank – Loan & deposit breakdown

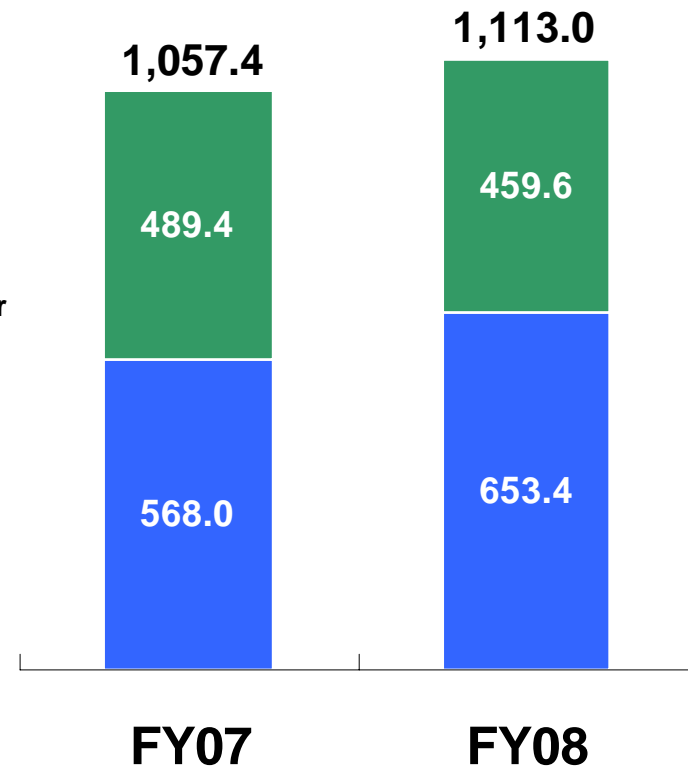
Loan breakdown (NT\$BN)

- Credit card related
- Consumer
- Mortgage
- Corporate



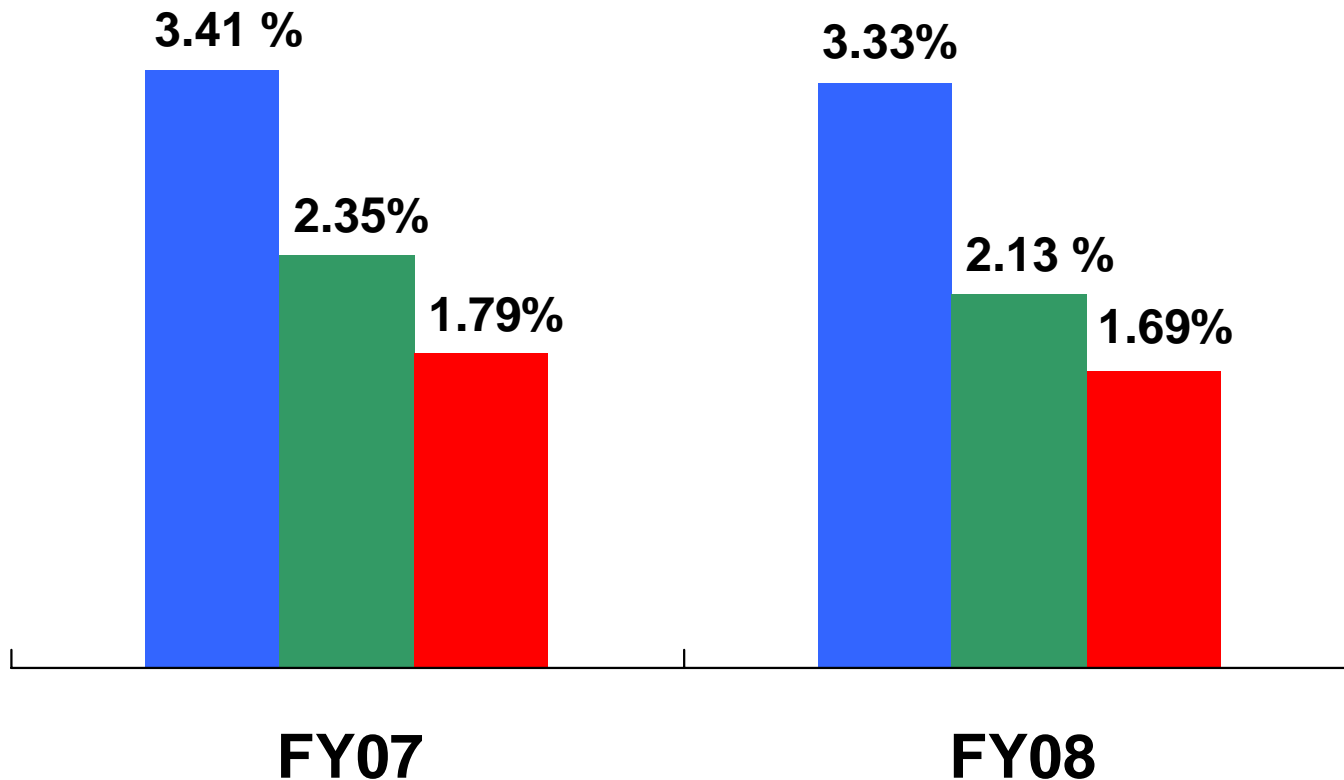
Deposit breakdown (NT\$BN)

- Demand deposit
- Time deposit



Cathay United Bank – Interest yields

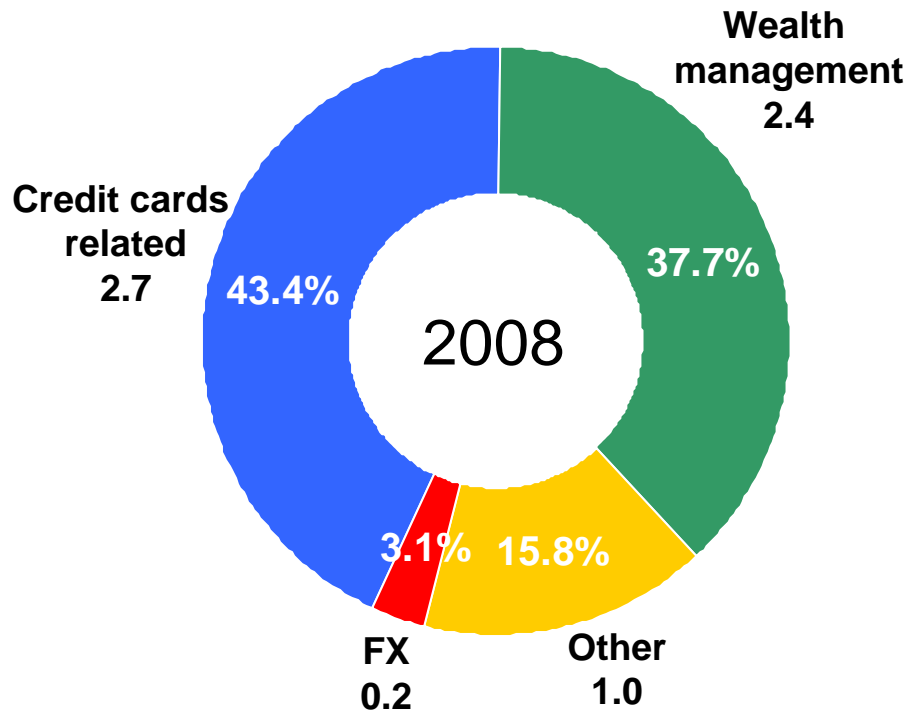
■ Avg rate of interest-earning assets ■ Interest spread ■ Net interest margin



Note: FY07 NIM is adjusted

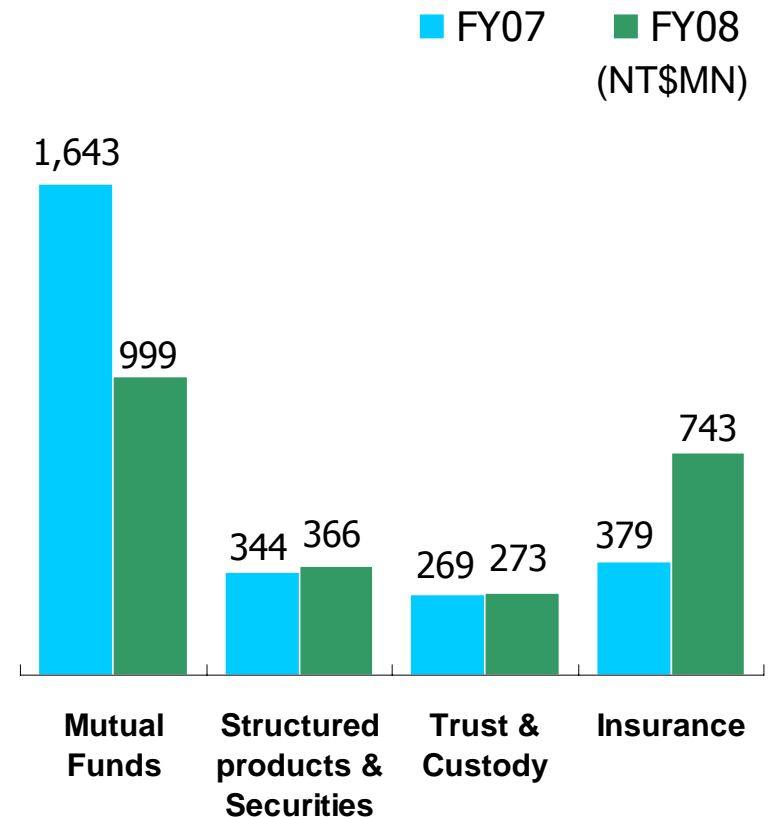
Cathay United Bank – Fee income

Fee income breakdown
(NT\$BN)



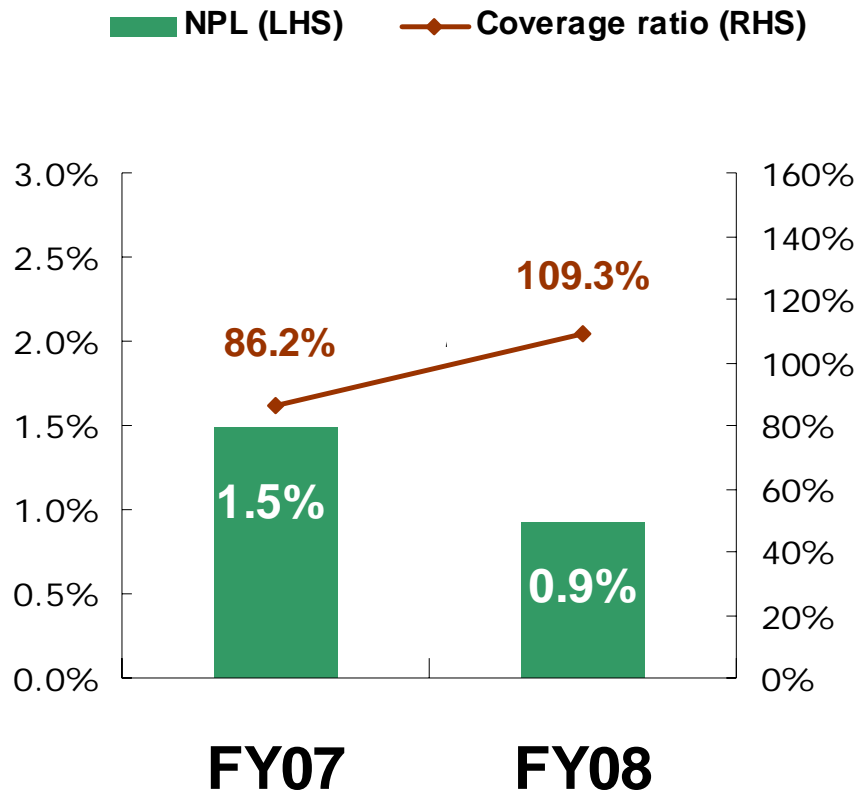
Total NT\$ 6.3 BN

Wealth management fee breakdown

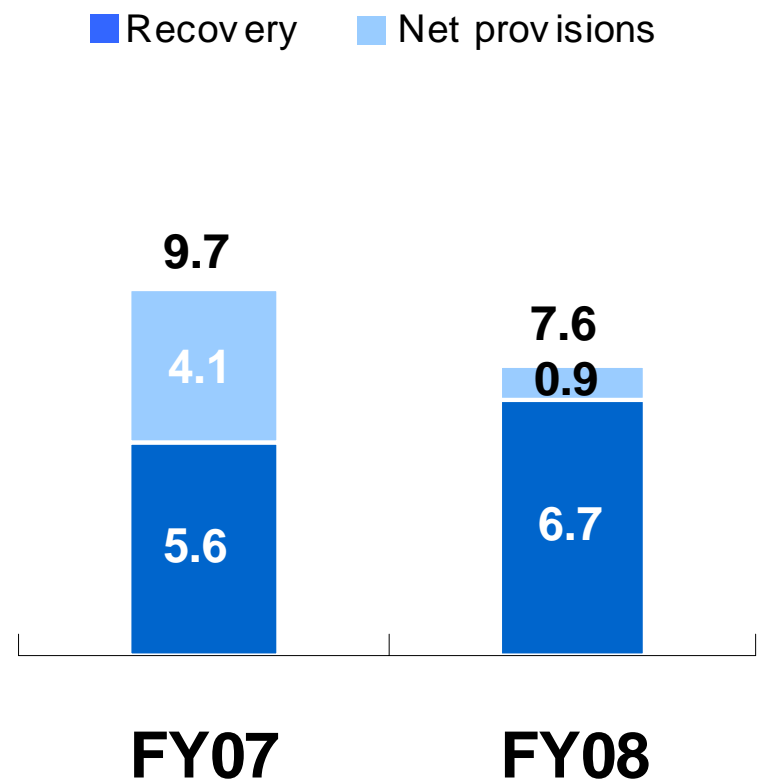


Cathay United Bank – Credit quality

NPL & Coverage ratio

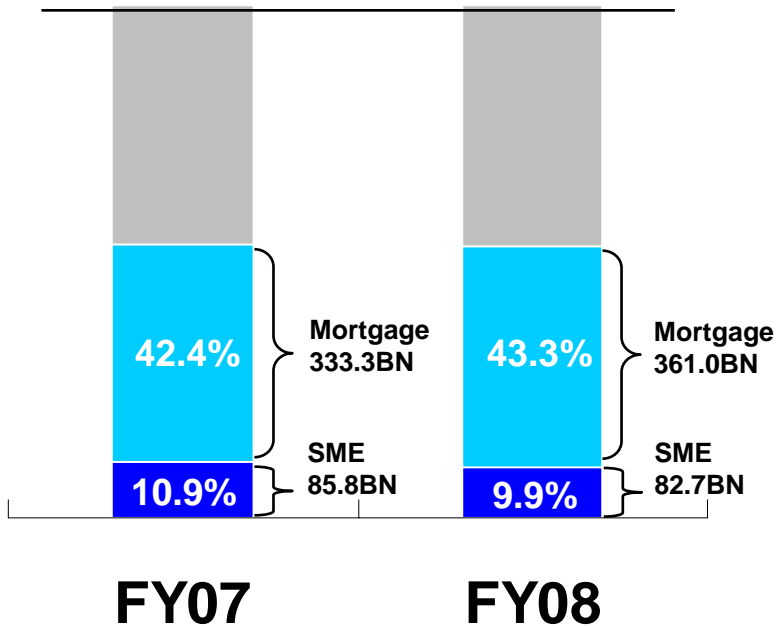


Gross provisions (NT\$BN)

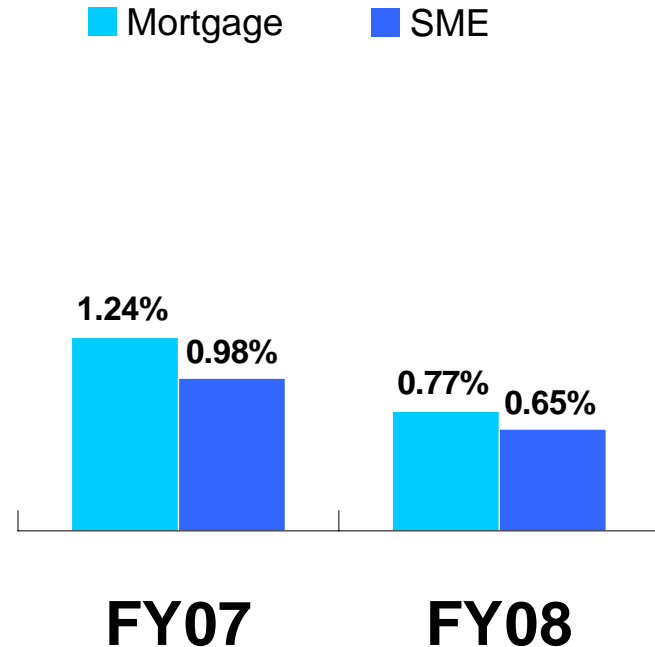


Cathay United Bank – Mortgage & SME lending

Mortgage & SME lending (as % of total loans)



NPL ratio



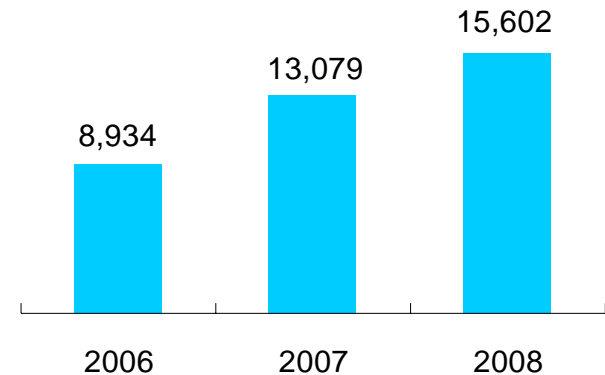
Cathay United Bank – Overseas expansion

Vietnam

■ Indovina Bank

- Joint venture bank between CUB and VietinBank with 20 locations
- Total assets : USD 520.4MN *
- NPL ratio : 0.44% *
(avg. NPL ratio of local players is 3.5%)
- Leading position among 5 joint venture banks in Vietnam

Indovina Bank pre-tax income
(thousand USD)



■ Cathay United Bank

- 1 branch (Chu Lai), 2 rep. offices (Ho Chi Minh, Hanoi)

China & Singapore

- Hong Kong branch and Shanghai rep. office; continue to strengthen relationships with Taiwanese companies
- Singapore branch about to be opened; will seek to leverage its position in an Asian financial center and increase offshore revenue

Cathay United Bank – 2009 outlook

■ Deepen existing customer relationships

- Increase breadth and depth of products sold
- Continue to segment customers and focus on niche markets
- Leverage Cathay's brand name and cross-sell

■ Strengthen asset quality

- Adjust credit policy and closely monitor potential risk
- Maintain reasonable interest margins and increase fee income
- Enhance quality of investment portfolio

■ Improve cost of funding

- Increase business with existing customers and improve deposit base

■ Overseas expansion

- Continue to evaluate expansion opportunities in Asia

Agenda

- **2008 financial results & 2009 outlook**

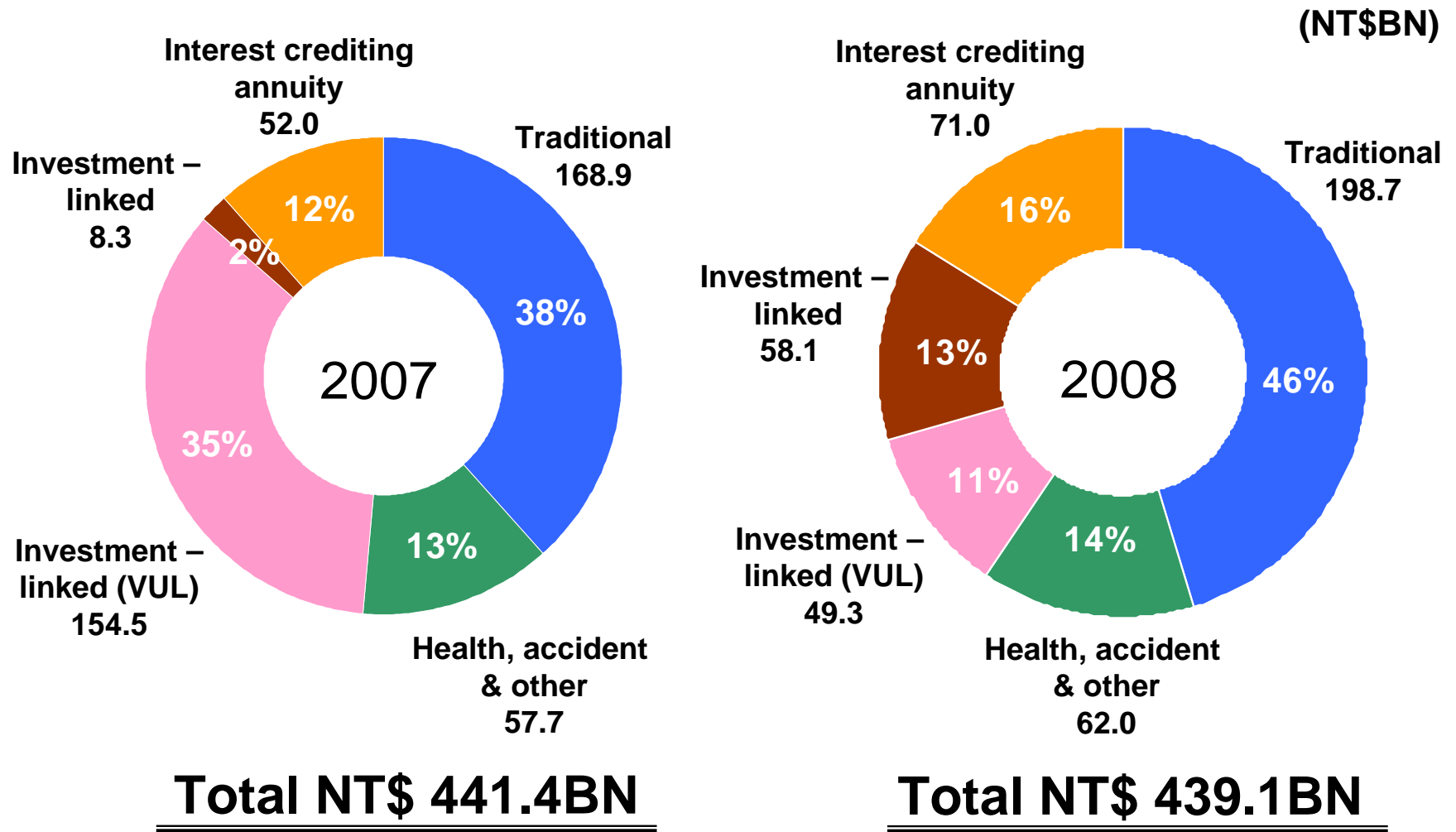
 - Cathay Financial Holdings

 - Cathay United Bank

 - Cathay Life

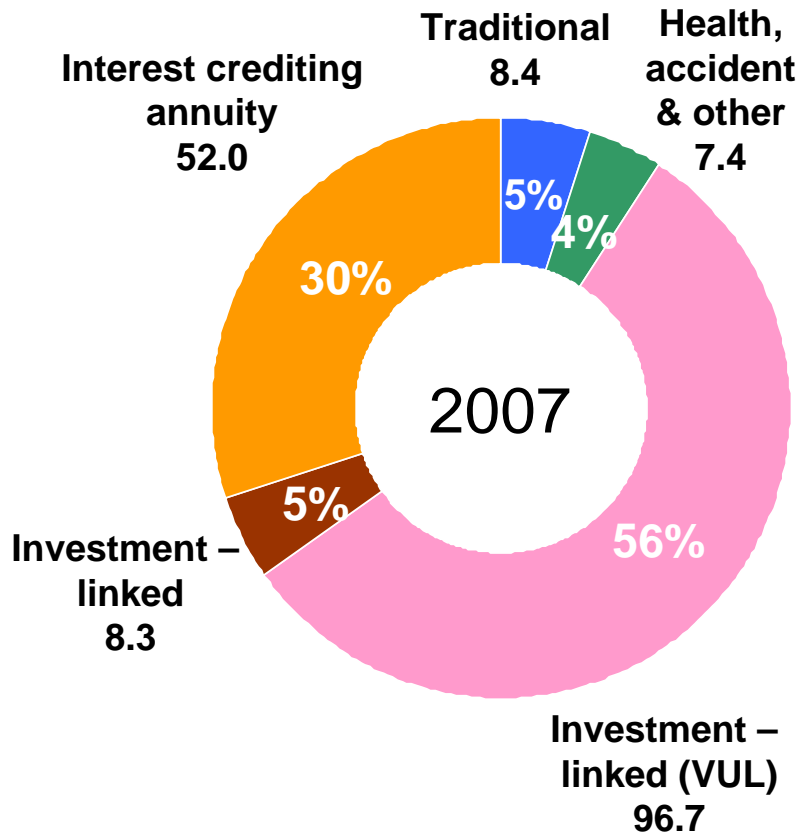
 - Cathay Century

Cathay Life – Total premium

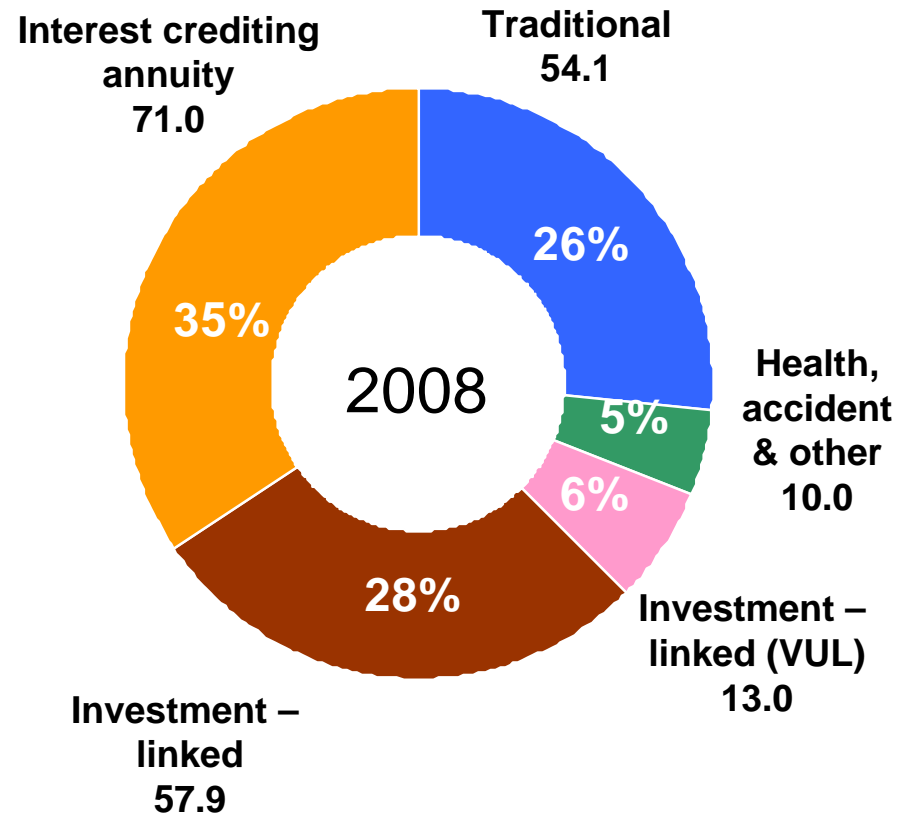


Cathay Life – First Year Premium

(NT\$BN)



Total NT\$ 172.8BN

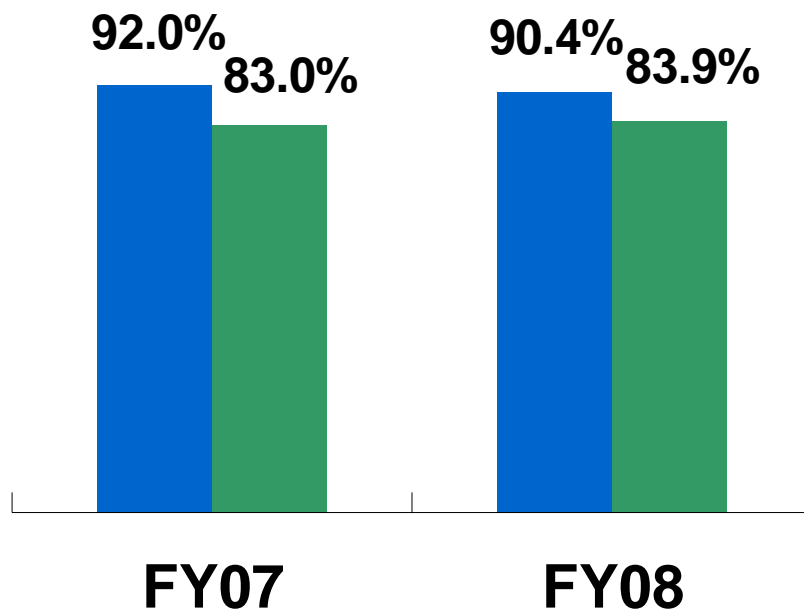


Total NT\$ 206.0BN

Cathay Life – Operational indicators

Persistency ratio

■ 13months ■ 25months



Expense ratio



Cathay Life – Investment portfolio

	3Q08		4Q08		Weight Change	Amount Change
	Amt. (NT\$BN)	%	Amt. (NT\$BN)	%		
Cash & Cash equivalents	168.6	8.0%	232.5	10.9%	2.9%	63.9
Equities – Domestic	141.1	6.7%	113.2	5.3%	-1.4%	-27.9
Equities – International	42.7	2.0%	29.3	1.4%	-0.6%	-13.4
Bonds – Domestic	332.1	15.8%	339.3	15.9%	0.1%	7.2
Bonds - International ⁽¹⁾	715.8	34.0%	715.2	33.5%	-0.5%	-0.6
Mortgage & Secured loans	344.6	16.3%	344.5	16.1%	-0.2%	-0.1
Policy loans	196.0	9.3%	199.1	9.3%	0.0%	3.1
Real estate	120.1	5.7%	121.0	5.7%	0.0%	0.9
Others	46.7	2.2%	40.6	1.9%	-0.3%	-6.1
Total investments⁽²⁾⁽³⁾	2,107.7	100.0%	2,134.7	100.0%		

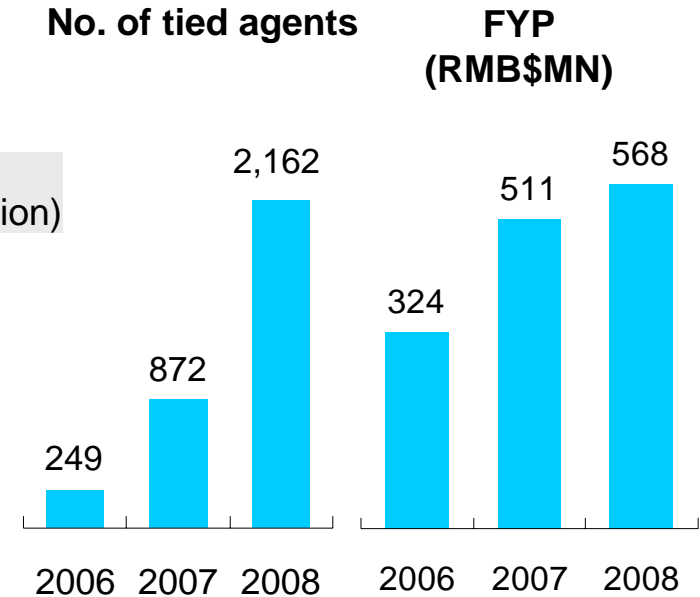
Note (1) : Includes foreign currency deposit and related adjustments

Note (2) : Excludes separate account assets

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

Cathay Life – Overseas expansion

China



Vietnam

- Offices: Ho Chi Minh(2008), Hanoi(2008)
- Will continue to establish new offices in selected favorable cities
- Focus on developing agent channel
- Replicate dual-core strategy

Cathay Life – 2009 outlook

- **Emphasis on quality of business and balanced growth**
 - Focus on higher margin products
 - Design products for different sales channels and customer demands
- **Maintain diversified investment portfolio and strict risk management**
 - Actively manage assets and liabilities
 - Take advantage of market opportunities across all asset classes
 - Maintain strict risk management control
- **Overseas strategy- Continue steady expansion**
 - Focus on China and Vietnam
 - Leverage Cathay Group's resources to build solid foundation

Agenda

- **2008 financial results & 2009 outlook**

- Cathay Financial Holdings

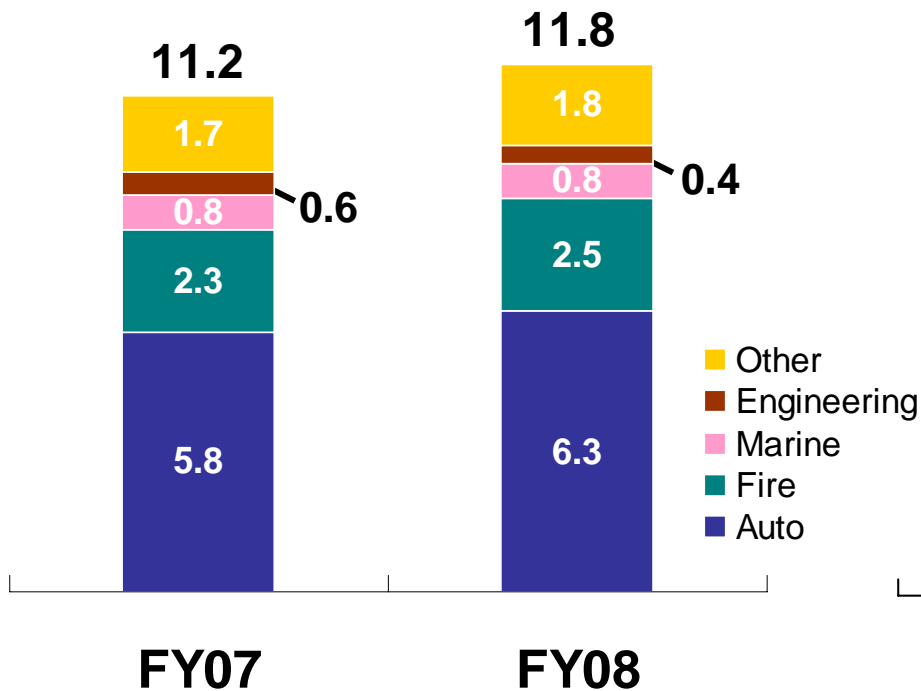
- Cathay United Bank

- Cathay Life

- Cathay Century

Cathay Century

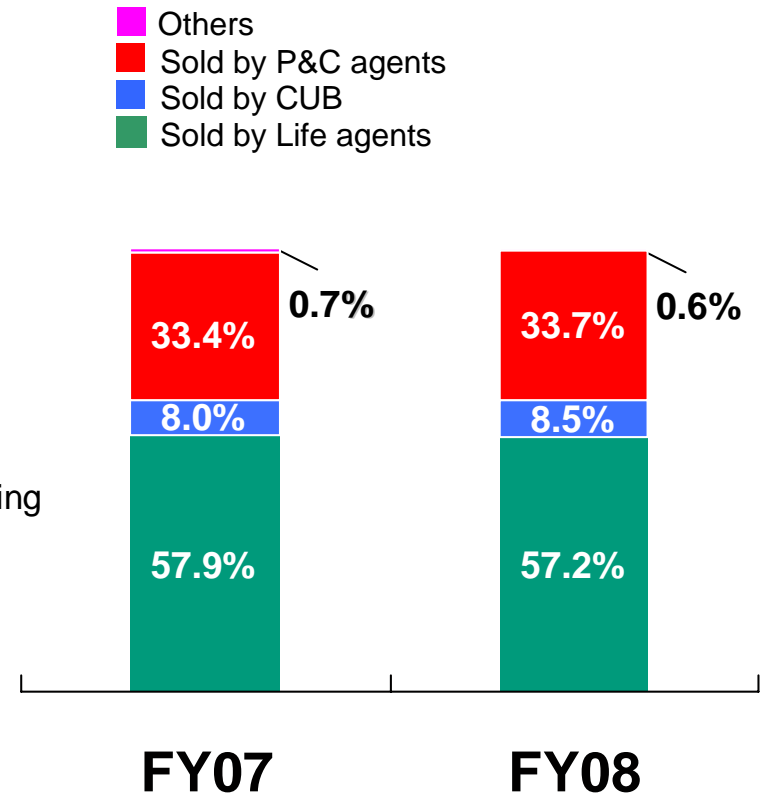
Product breakdown (NT\$BN)



Mkt share 9.5%

10.5%

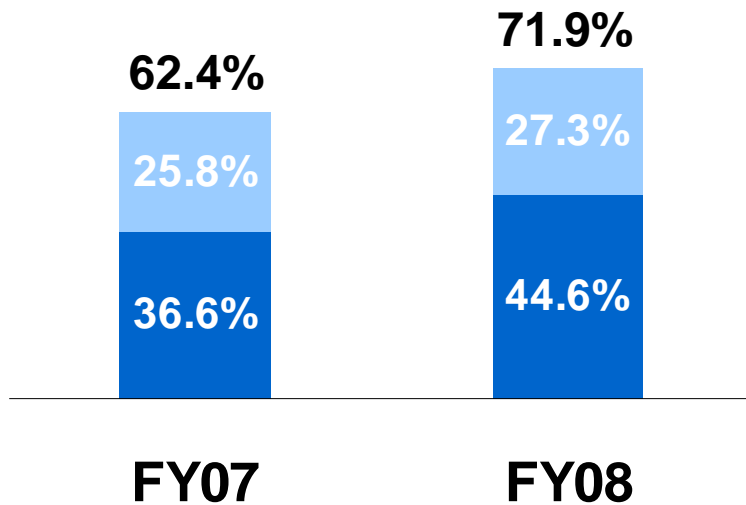
Distribution channel



Cathay Century

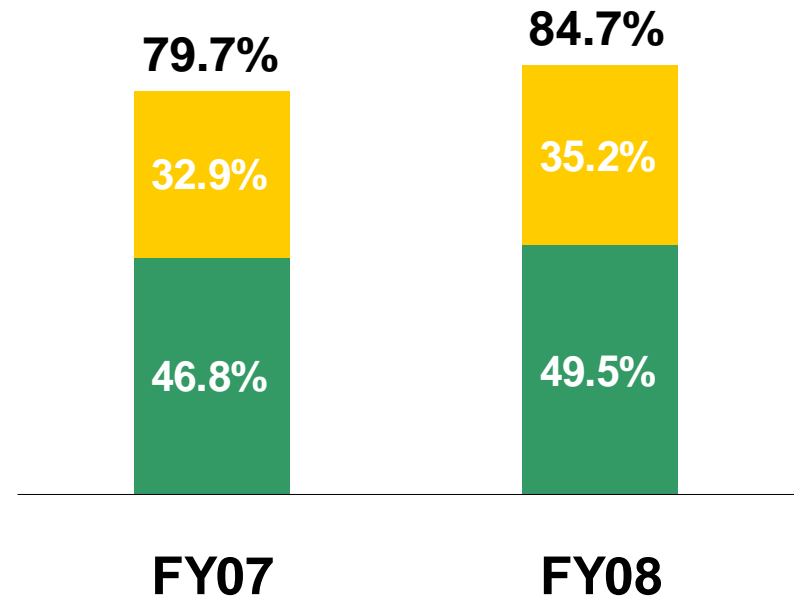
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



Retained combined ratio

- Retained expense ratio
- Retained loss ratio



Cathay Century & Cathay Securities – 2009 outlook

Cathay Century

- Maintain position as second largest P&C company in Taiwan; increase market share
- Focus on quality of business and balanced growth
- Overseas expansion
 - China: Subsidiary established in Shanghai in 2008; will expand network in the Yangtze River Delta and coastal cities

Cathay Securities

- Provide complete securities products and services
 - Strengthen securities trading platform, financial product capabilities and capital markets expertise
 - Target Cathay Group's individual and corporate customers

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

	FY2007	FY2008	FY08/ FY07 % Chg	4Q07	4Q08	4Q08/ 4Q07/ % Chg
Statement of Income Data						
Interest income	1.123	0.484	-56.9%	0.262	0.018	-93.1%
Income from subsidiaries						
Cathay Life	23.033	(1.995)	-108.7%	(1.797)	(1.336)	-25.6%
Cathay United Bank	6.400	4.459	-30.3%	(0.653)	(0.084)	-87.1%
Cathay Century	1.040	0.476	-54.2%	0.052	(0.043)	-181.8%
Other	0.194	(0.082)	-142.4%	0.077	(0.076)	-199.8%
Total income from subsidiaries, net	30.667	2.858	-90.7%	(2.321)	(1.539)	-33.7%
Loss on foreign exchange	(0.097)	(0.717)	638.0%	(0.060)	0.000	-100.1%
Other income	0.616	0.383	-37.9%	0.298	0.009	-97.1%
Operating costs	(0.985)	(0.396)	-59.8%	(0.204)	(0.038)	-81.2%
Administrative and general expenses	(0.226)	(0.487)	115.8%	(0.043)	(0.066)	52.4%
Income taxes (expense) benefit	(0.350)	0.071	-120.4%	(0.163)	0.025	-115.4%
Net income	30.748	2.196	-92.9%	(2.231)	(1.591)	-28.7%
EPS (NT\$)	3.18	0.23		(0.24)	(0.16)	
Balance Sheet Data						
Long-term investments in stock	214.1	144.9				
Total assets	230.2	168.6				
Total consolidated assets	3,686.7	3,746.3				
Total shareholders' equity	226.6	142.4				
Operating Metrics						
ROAE(standalone)	13.9%	1.2%				
ROAA (standalone)	13.5%	1.1%				
ROAA(consolidated)	0.9%	0.1%				

Notes:

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(2) Total may not sum due to rounding

Cathay Life Summary Financial Data (NT\$BN)			FY08/ FY07			4Q08/ 4Q07/ % Chg
	FY2007	FY2008	% Chg	4Q 2007	4Q 2008	% Chg
Summary Statement of Income Data						
Premiums income ⁽¹⁾	302.993	346.454	14.3%	87.580	92.935	6.1%
Investment income						
Interest income	69.497	76.394	9.9%	18.102	20.278	12.0%
Gain on disposal of investment	28.586	0.000	-100.0%	6.024	(8.333)	-238.3%
Other investment income, net	(0.384)	(13.886)	3512.2%	(10.861)	1.855	-117.1%
Total investment income, net ⁽²⁾	97.699	62.508	-36.0%	13.265	13.800	4.0%
Other income	2.257	6.005	166.1%	0.669	0.684	2.2%
Insurance claims payment	(202.776)	(274.858)	35.5%	(64.690)	(69.952)	8.1%
Provisions for reserves						
Provisions	(312.004)	(356.922)	14.4%	(96.265)	(102.926)	6.9%
Recoveries	178.912	250.197	39.8%	67.123	72.516	8.0%
Total provisions for reserves, net	(133.092)	(106.724)	-19.8%	(29.141)	(30.410)	4.4%
Commissions and operating expense						
Brokerage expenses	(30.019)	(26.428)	-12.0%	(6.957)	(5.342)	-23.2%
Marketing, administrative and general expense:	(11.223)	(11.021)	-1.8%	(3.502)	(3.219)	-8.1%
Total commissions and operating expenses	(41.242)	(37.450)	-9.2%	(10.459)	(8.561)	-18.1%
Other operating expenses	(2.644)	(2.546)	-3.7%	(0.812)	(0.881)	8.6%
Operating income	23.195	(6.611)	-128.5%	(3.588)	(2.385)	-33.5%
Non-operating income	1.454	1.441	-0.9%	0.404	0.410	1.6%
Non-operating expense	(0.299)	(0.822)	175.0%	(0.110)	(0.275)	149.8%
Income taxes	(0.881)	4.019	-556.3%	1.498	0.915	-38.9%
Cumulative effect of changes in accounting principle	0.000	0.000	-	0.000	0.000	-
Net income	23.469	(1.974)	-108.4%	(1.797)	(1.335)	-25.7%
Balance Sheet Data						
Total assets	2354.9	2358.9		2354.9	2358.9	
Total stockholders' equity	123.4	53.9		123.4	53.9	
Operating Metrics						
First year premium	172.8	206.0				
Expense ratio	12.9%	10.3%				
13-mos persistency ratio	92.0%	90.4%				
25-mos persistency ratio	83.0%	83.9%				
ROAE	19.3%	-2.2%				
ROAA	1.0%	-0.1%				

Notes:

(1) Excludes investment-linked products premium income.

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Cathay United Bank
Summary Financial Data

(NT\$BN)

			FY08/ FY07			4Q08/ 4Q07
	FY2007	FY2008	% Chg	4Q07	4Q08	% Chg
Summary Statement of Income Data						
Interest income	40.285	40.242	-0.1%	10.324	10.053	-2.6%
Interest expense	(19.121)	(19.724)	3.2%	(4.960)	(4.945)	-0.3%
Net interest income	21.164	20.518	-3.1%	5.364	5.108	-4.8%
Net operating income except interest income						
Net handling fee	5.132	5.120	-0.2%	1.492	1.160	-22.3%
Gains on financial assets and liabilities at fair value through P&L	(0.459)	(2.067)	350.2%	(0.667)	(0.337)	-49.5%
Realized gains on available-for-sale financial assets	1.707	0.163	-90.5%	0.179	(0.270)	-251.2%
Realized gains on held-to-maturity financial assets	(0.000)	(0.001)	375.2%	0.000	0.000	-
Invst inc - equity method	0.168	0.247	47.2%	0.017	0.086	393.8%
Realized gain - equity method	0.000	0.000	-	0.000	0.000	-
Gain on foreign exchng - net	0.716	1.102	53.9%	0.112	0.504	350.8%
Impairment gain/loss	(0.115)	(3.109)	2598.8%	(0.098)	(3.061)	3014.7%
Gains on reversal of foreclosed properties impairment	(0.010)	0.045	-561.7%	0.010	0.000	-100.0%
Gains/losses on disposal of foreclosed properties	0.006	0.180	3150.7%	0.006	0.000	-
Investments in debt securities with no active market, net	(2.555)	(1.758)	-31.2%	(2.564)	0.000	-100.0%
other income, net	0.467	1.116	138.8%	0.141	0.075	-
Net operating income	26.220	21.555	-17.8%	3.990	3.265	-18.2%
Provisions for possible losses ⁽¹⁾	(4.086)	(0.926)	-77.3%	(1.092)	0.221	-120.2%
Operating expenses	(14.008)	(14.176)	1.2%	(3.689)	(3.462)	-6.2%
Income from continuing operations before income taxes	8.126	6.453	-20.6%	(0.791)	0.024	-103.0%
Income tax benefit (expense)	(1.726)	(1.992)	15.4%	0.138	(0.107)	-177.5%
Cumulative effect of changes in accounting principles	0.000	0.000	-	0.000	0.000	-
Net income	6.400	4.461	-30.3%	(0.653)	(0.083)	-87.2%
Balance Sheet Data						
Total assets	1,288.2	1,351.6		1288.2	1351.6	
Total shareholders' equity	81.4	82.9		81.4	82.9	
Operating Metrics						
Cost income ratio	53.4%	65.8%				
ROAE	8.1%	5.4%				
ROAA	0.5%	0.3%				
Assets Quality						
NPL ratio (international standard)	1.5%	0.9%				
Coverage ratio (international standard)	86.2%	109.3%				

Notes:

(1) FY07 and FY08 provisions net of NT\$5.6bn and NT\$6.7bn bad debt recoveries, respectively.

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

(3) Total may not sum due to rounding



Cathay Century

Summary Financial Data

(NT\$MM)

<u>Summary Statement of Income Data</u>			FY08/ FY07			4Q08/ 4Q07
	FY2007	FY 2008	% Chg	4Q2007	4Q2008	% Chg
Premiums income	11,153.7	11,829.6	6.1%	3,160.8	3,223.6	2.0%
Reinsurance premiums ceded	(3,460.6)	(3,771.5)	9.0%	(1,010.3)	(1,094.3)	8.3%
Premiums income, net	7,693.1	8,058.1	4.7%	2,150.5	2,129.3	-1.0%
Investment						
Interest income	396.2	391.0	-1.3%	100.3	94.6	-5.7%
Other investment income, net	205.9	(565.8)	-374.8%	(118.1)	(368.3)	212.0%
Total investment income	602.0	(174.8)	-129.0%	(17.7)	(273.7)	1443.0%
Other operating income	288.4	336.4	16.7%	80.8	81.5	0.9%
Insurance claims payment, net	(3,296.5)	(3,688.7)	11.9%	(946.5)	(955.1)	0.9%
Provisions for reserves						
Provisions	(6,617.6)	(6,655.1)	0.6%	(546.2)	(475.4)	-13.0%
Recoveries	5,306.5	5,812.8	9.5%	85.5	183.3	114.3%
Total provisions for reserves, net	(1,311.1)	(842.3)	-35.8%	(460.7)	(292.1)	-36.6%
Commissions, operating and other expenses	(2,681.9)	(2,997.4)	11.8%	(758.7)	(701.5)	-7.5%
Operating income	1,294.0	691.2	-46.6%	47.6	(11.6)	-124.3%
Non-operating income	17.3	10.7	-38.5%	15.0	4.0	-73.5%
Non-operating expense	(0.1)	(12.2)	15982.9%	(0.0)	(10.5)	55210.5%
Income taxes	(264.9)	(211.2)	-20.3%	(10.5)	(25.5)	141.6%
Cumulative effect of changes in accounting principles	0.0	-	-	0.0	0.0	-
Net income	1,046.3	478.5	-54.3%	52.1	(43.6)	-183.7%
<u>Summary Balance Sheet Data</u>						
Total assets	18,979.8	19,503.5	2.8%	18,979.8	19,503.5	
Total stockholders' equity	3,869.9	3,096.4	-20.0%	3,869.9	3,096.4	
<u>Operating Metrics</u>						
Written Combined ratio	62.4%	71.9%				
Net Combined ratio	79.7%	84.7%				
ROAE	28.1%	13.7%				
ROAA	6.7%	2.5%				

Notes:

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- (2) 4Q07,4Q08 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>12/31/2008</u>
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 31-December-2008)</u>			<u>Legal Requirement</u>
Cathay Financial Holdings Capital Adequacy Ratio	126%			100%
Cathay Life RBC Ratio	250%	-	300%	200%
Cathay Century RBC Ratio	367%			200%
Cathay United Bank BIS Ratio / Tier 1 Ratio	11.03% / 8.59%			8.00% / 6.00%
Cathay Securities BIS Ratio	1023%			150%

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