

Cathay Financial Holding Co., Ltd.

2009 First Half Briefing



August 2009

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Agenda

- **2009 first half financial results**

 - Cathay Financial Holdings

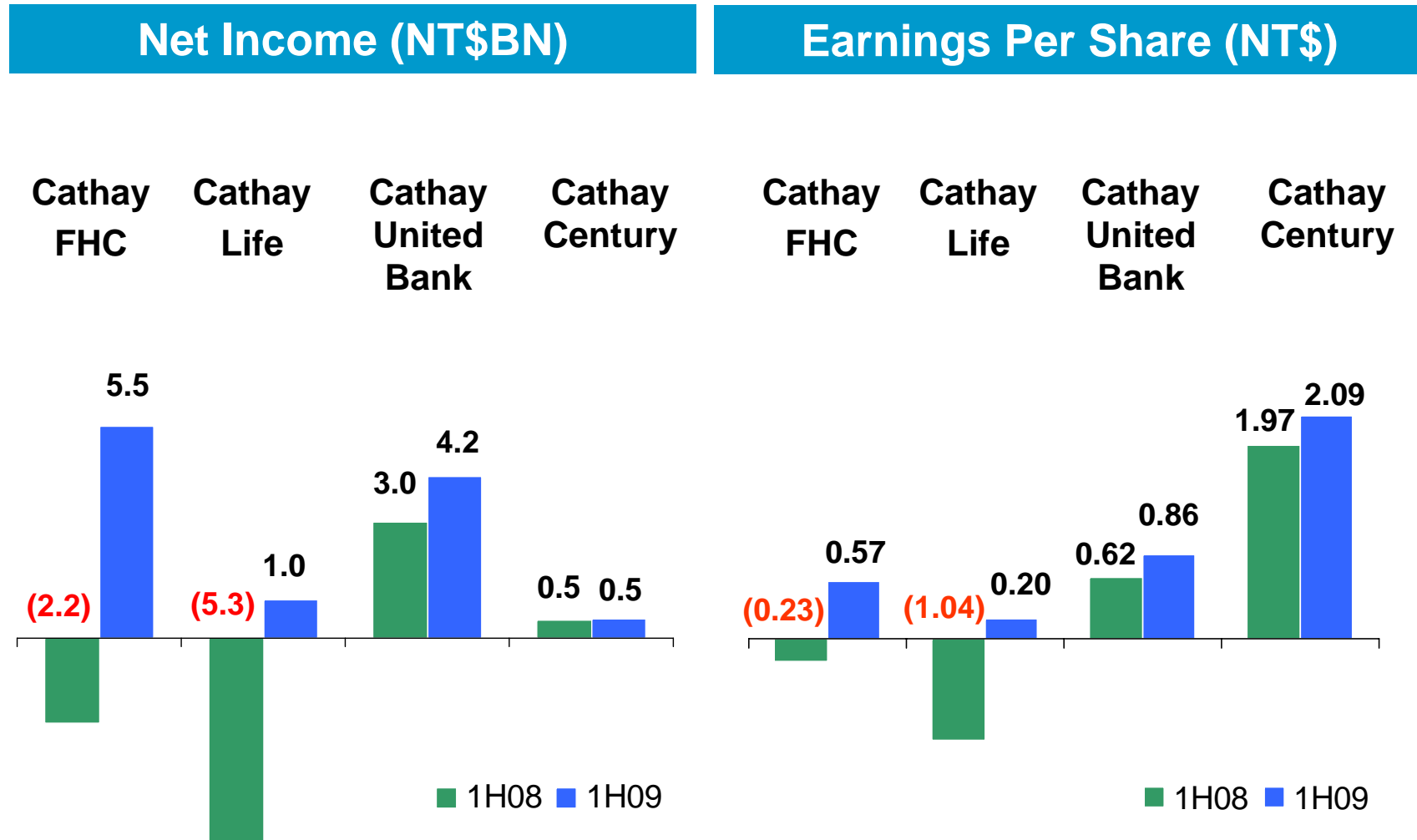
 - Cathay United Bank

 - Cathay Life

 - Cathay Century

- **Overseas expansion**

Cathay FHC – Net income & EPS



Agenda

- **2009 first half financial results**

 - Cathay Financial Holdings

 - Cathay United Bank

 - Cathay Life

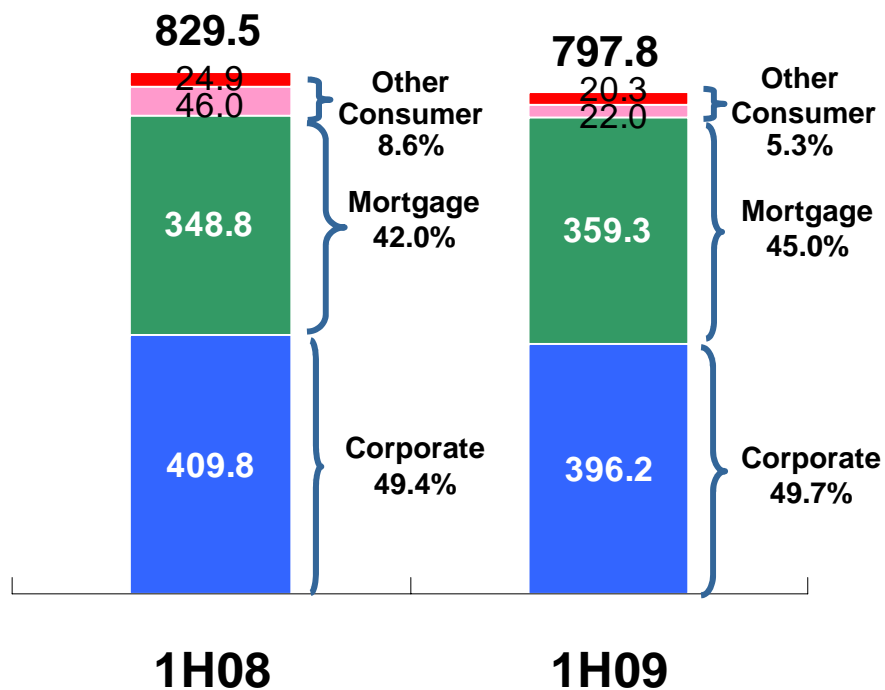
 - Cathay Century

- **Overseas expansion**

Cathay United Bank – Loan & deposit breakdown

Loan breakdown (NT\$BN)

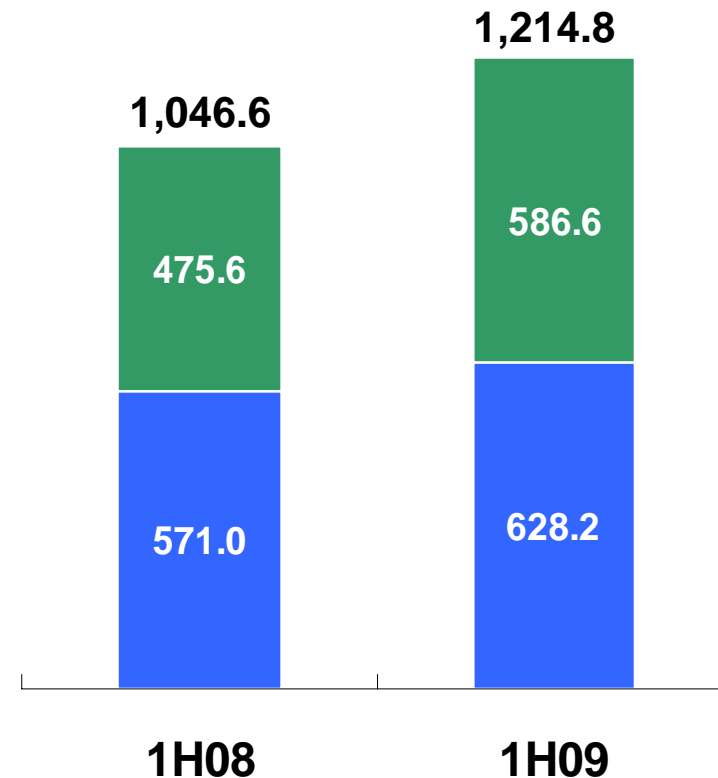
- Credit card related
- Consumer
- Mortgage
- Corporate



Deposit breakdown (NT\$BN)

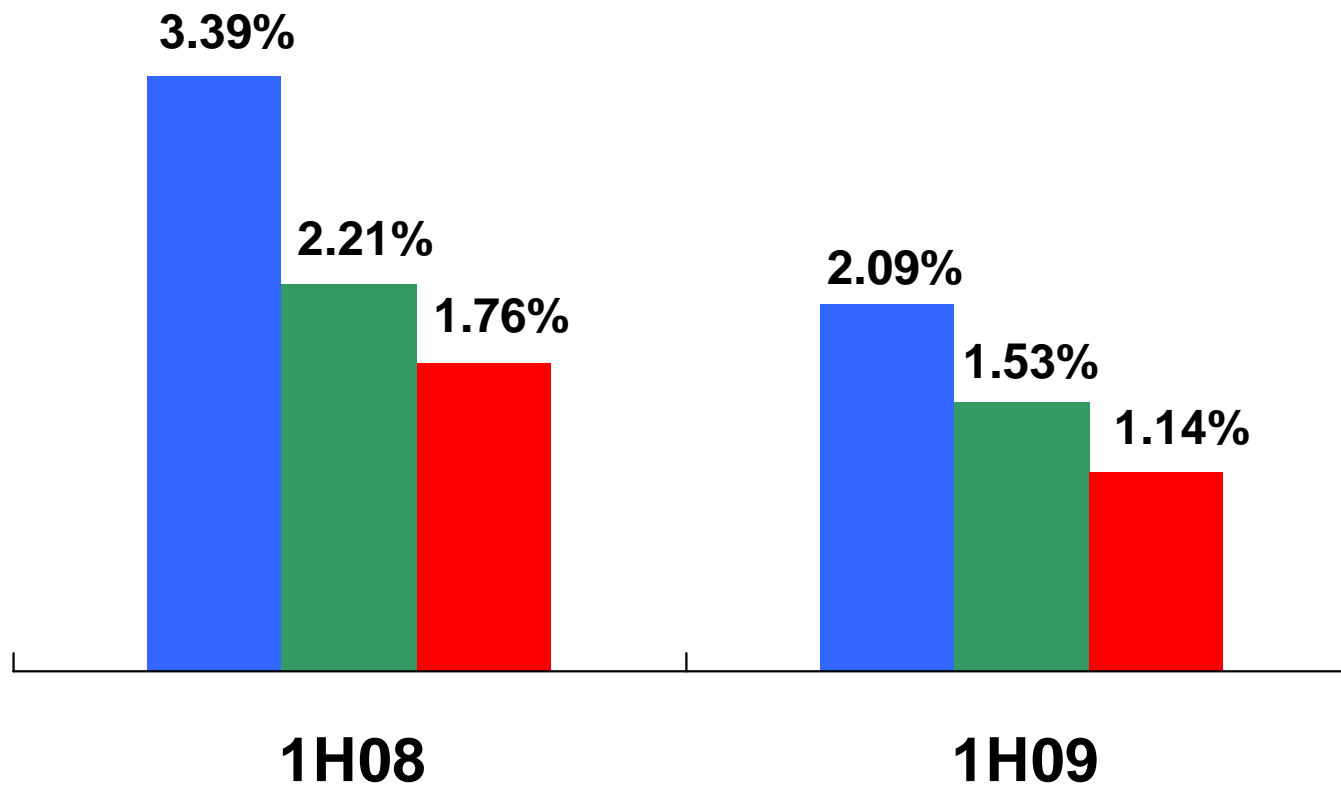
- Demand deposit
- Time deposit

NTD demand deposit ratio 50.1%



Cathay United Bank – Interest yields

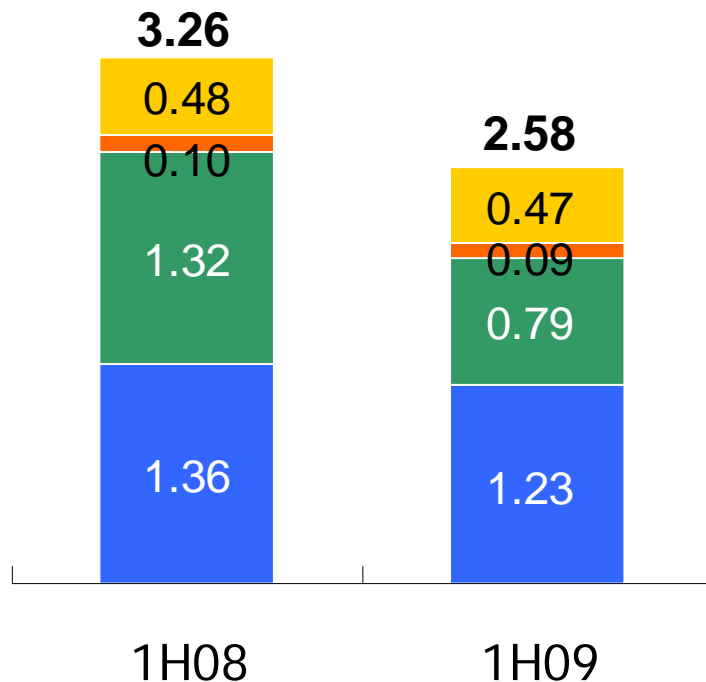
■ Avg rate of interest-earned assets ■ Interest spread ■ Net interest margin



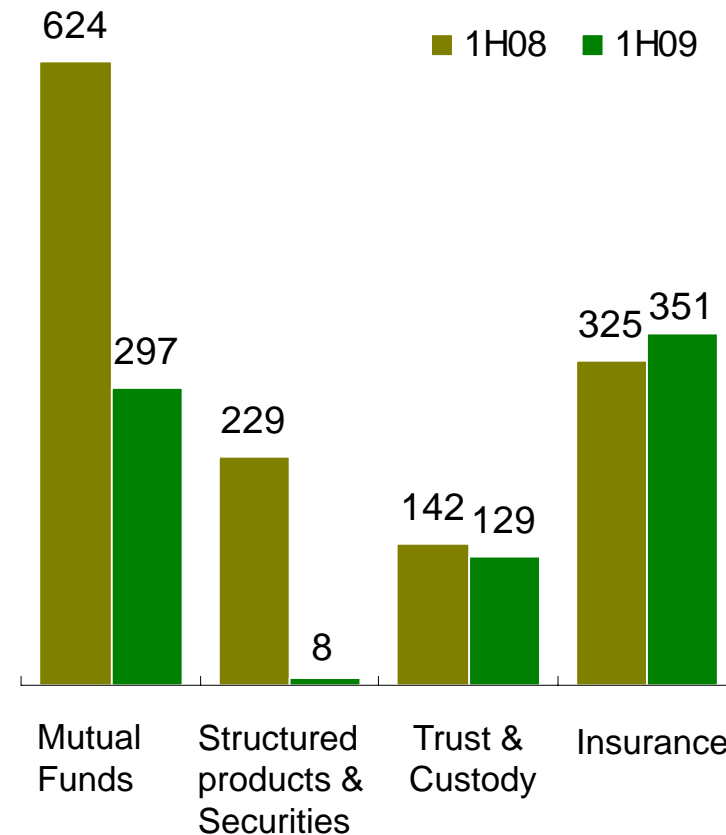
Cathay United Bank – Fee income

Fee income breakdown (NT\$BN)

- Other
- FX
- Wealth management
- Cards related



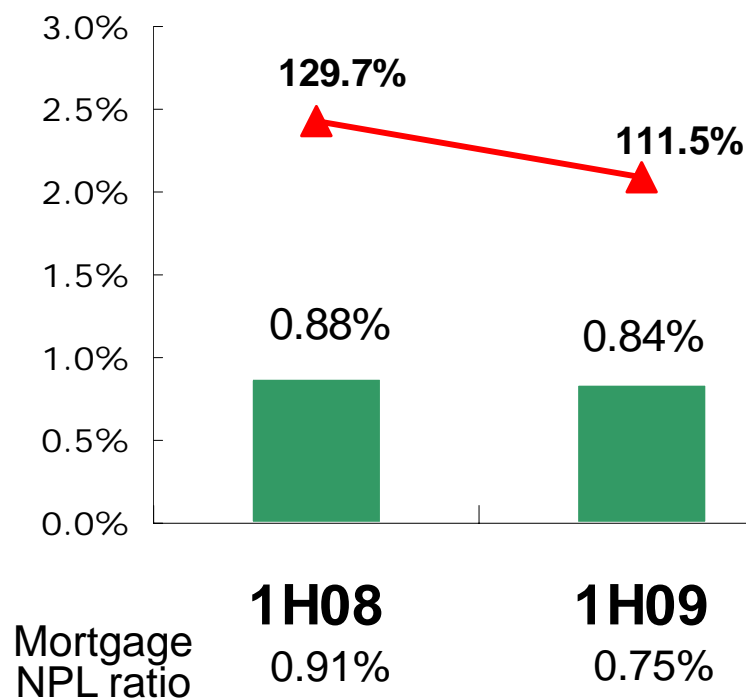
Wealth management fee breakdown (NT\$MN)



Cathay United Bank – Credit quality

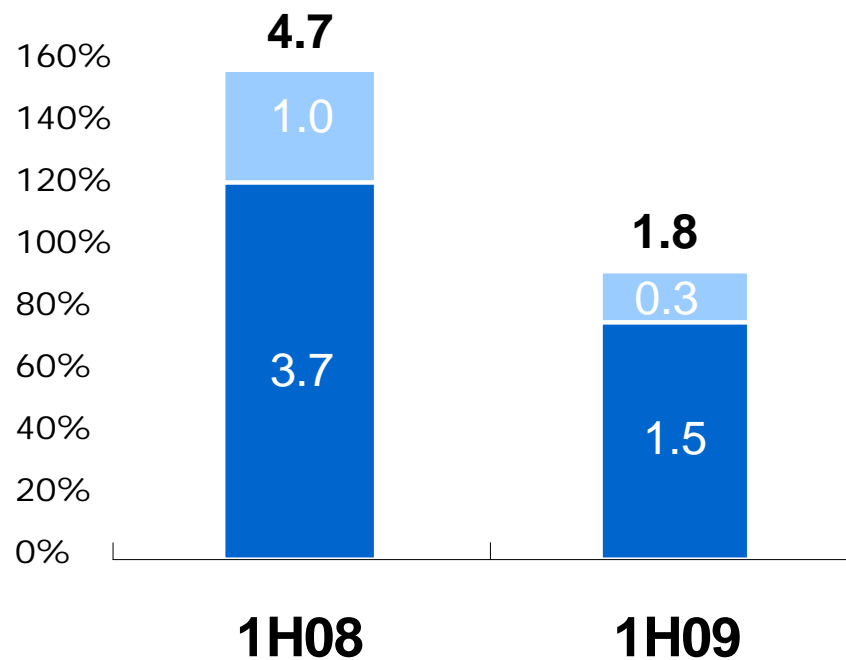
NPL & Coverage ratio

- NPL (LHS)
- Coverage ratio(RHS)



Gross provision (NT\$BN)

- Net provisions
- Recovery



Agenda

- **2009 first half financial results**

 - Cathay Financial Holdings

 - Cathay United Bank

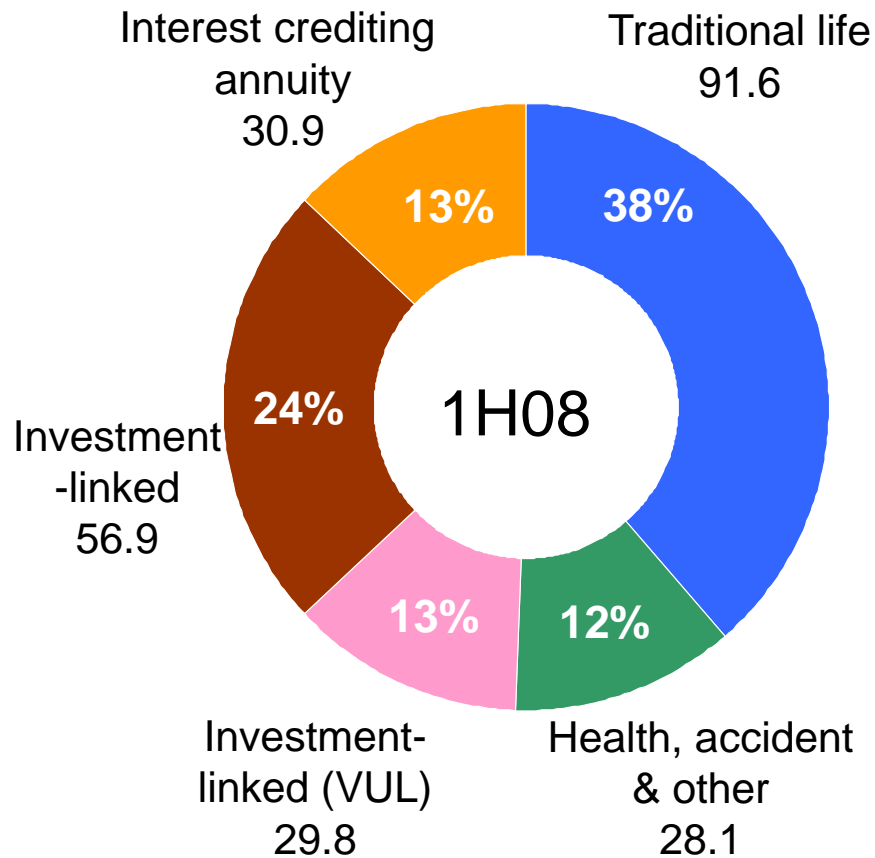
 - Cathay Life

 - Cathay Century

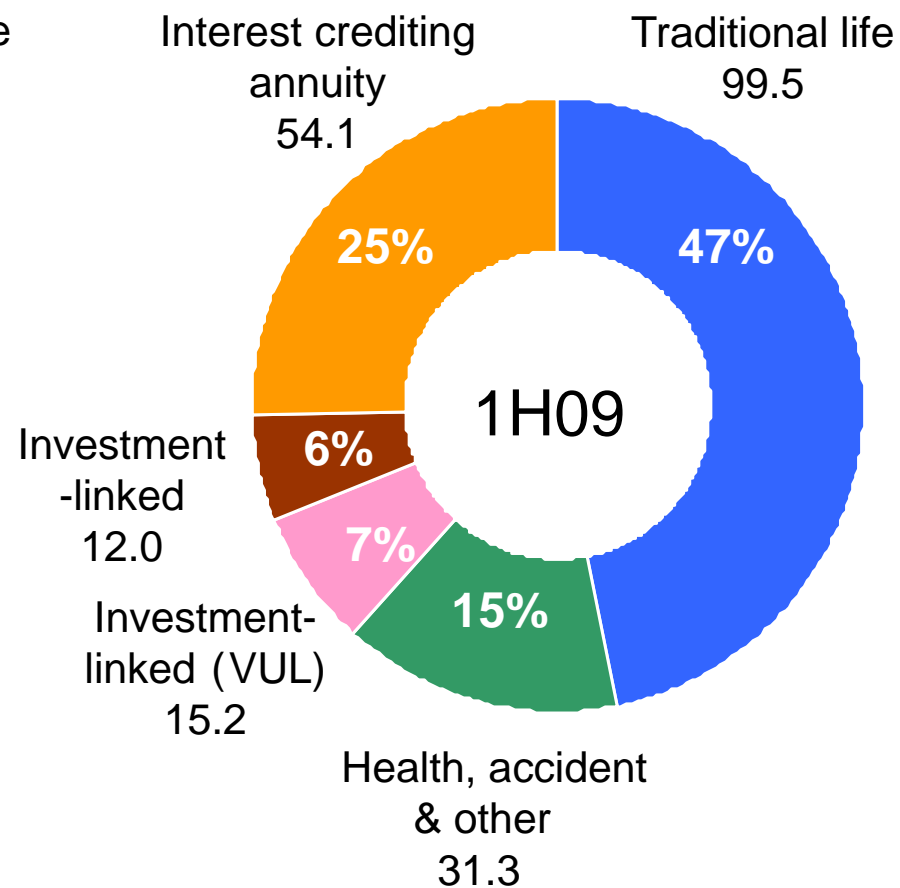
- **Overseas expansion**

Cathay Life – Total premium

(NT\$BN)



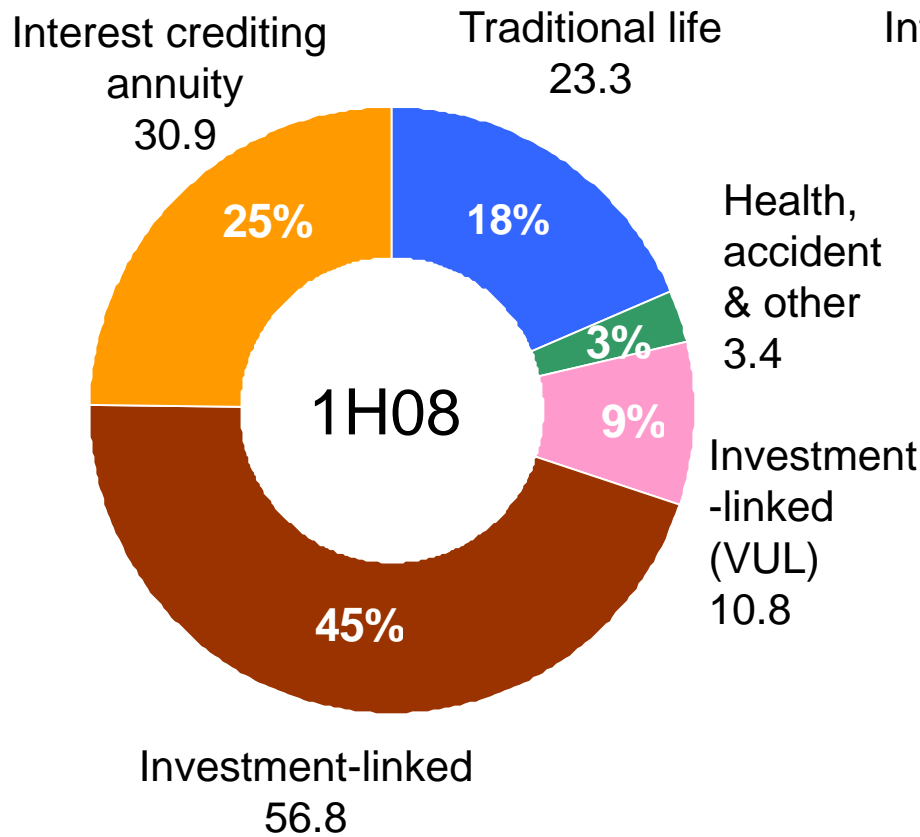
Total NT\$ 237.3BN



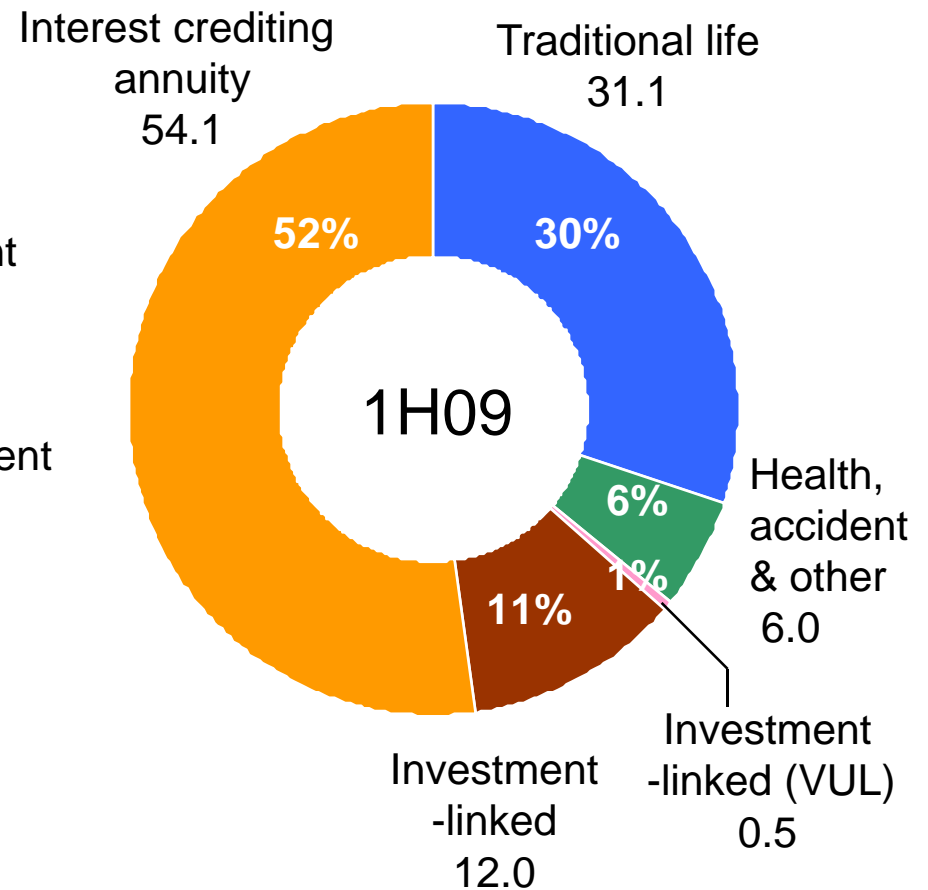
Total NT\$ 212.1BN

Cathay Life – First Year Premium

(NT\$BN)

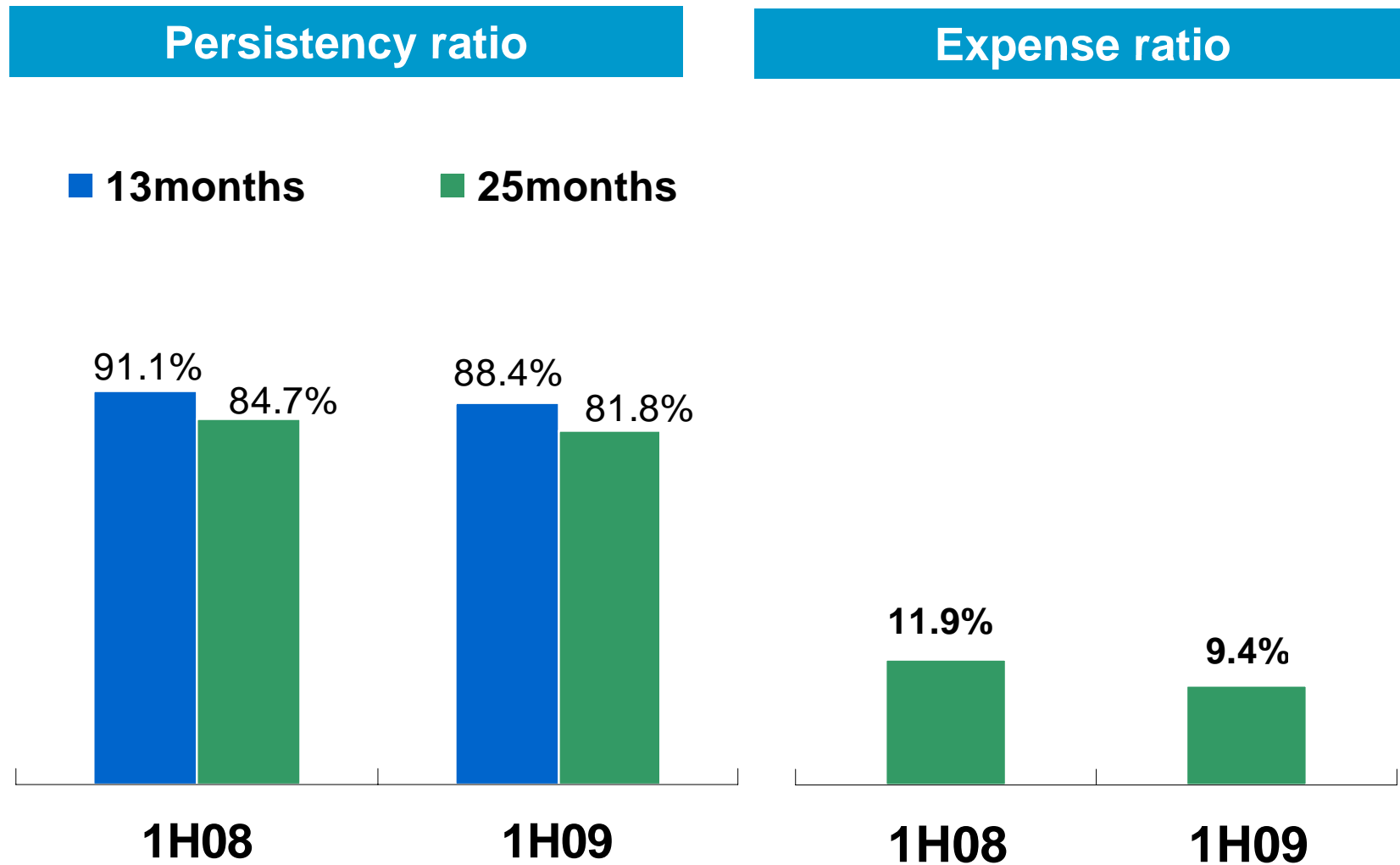


Total NT\$ 125.2BN



Total NT\$ 103.7BN

Cathay Life – Operational indicators



Cathay Life – Investment Portfolio

	1Q09		2Q09		Weight Change	Amount Change
	Amt. (NT\$BN)	%	Amt. (NT\$BN)	%		
Cash & Cash equivalents	261.0	11.8%	312.3	13.6%	1.8%	51.3
Equities – Domestic	136.3	6.1%	131.0	5.7%	-0.4%	-5.3
Equities – International	31.4	1.4%	37.0	1.6%	0.2%	5.6
Bonds – Domestic	327.1	14.8%	351.0	15.3%	0.5%	23.9
Bonds - International ⁽¹⁾	753.5	34.0%	764.5	33.3%	-0.7%	11.0
Mortgage & Secured loans	339.3	15.3%	330.9	14.4%	-0.9%	-8.4
Policy loans	196.1	8.8%	196.8	8.6%	-0.3%	0.7
Real estate	126.3	5.7%	126.1	5.5%	-0.2%	-0.2
Others	46.7	2.1%	47.2	2.1%	-0.1%	0.5
Total investments⁽²⁾⁽³⁾	2,217.7	100.0%	2,296.8	100.0%		

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

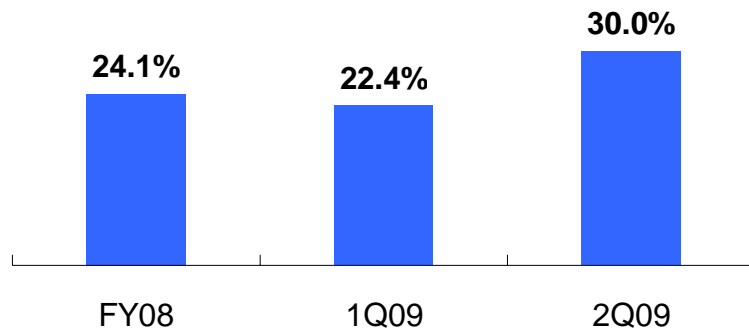
Note (2) : Excludes separate account assets

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

Cathay Life – 2009 strategies

Increase FYP market share

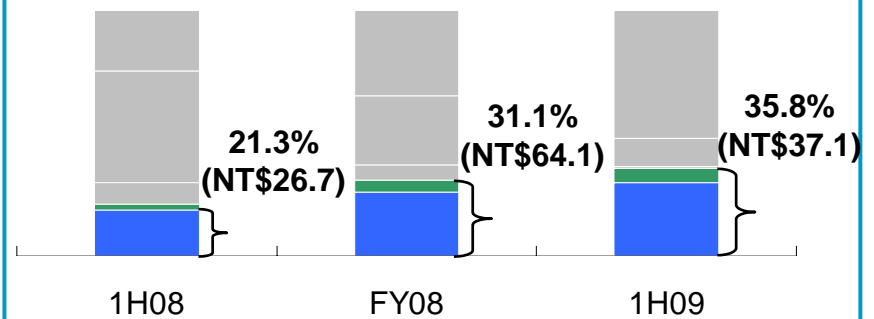
2009 FYP market share target 30%



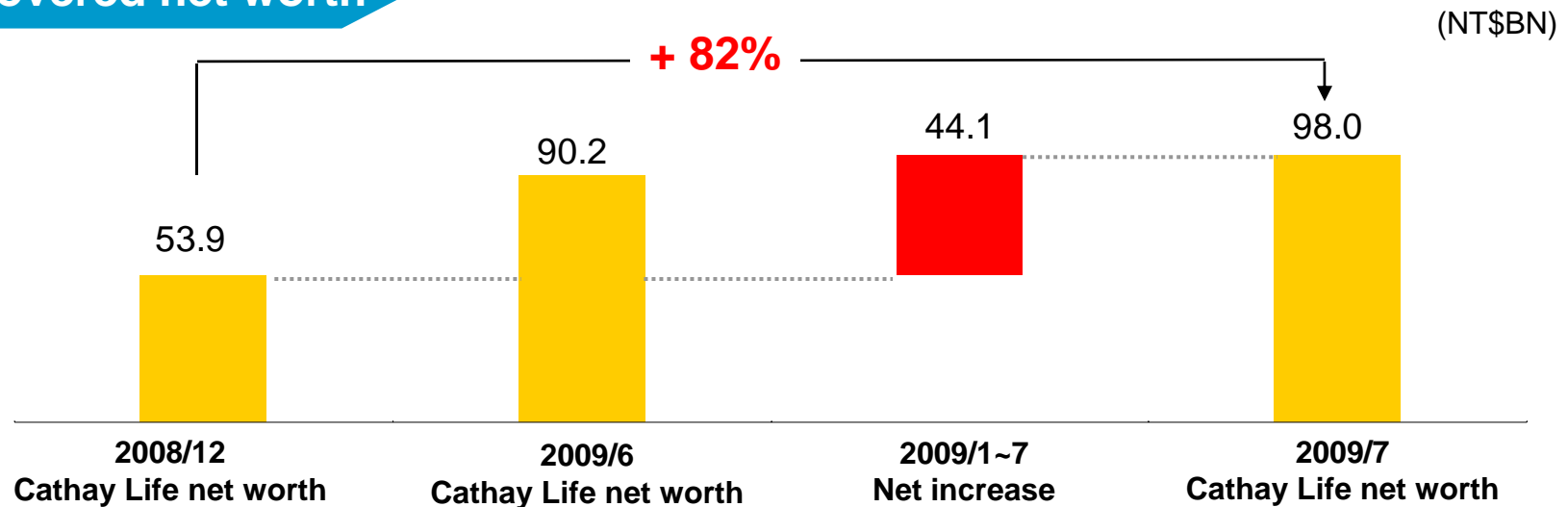
Improve product mix

■ Health, accident & other
■ Traditional life

FYP weightings of Traditional life and Health, accident & other continue to increase!



Recovered net worth



Agenda

- **2009 first half financial results**

 - Cathay Financial Holdings

 - Cathay United Bank

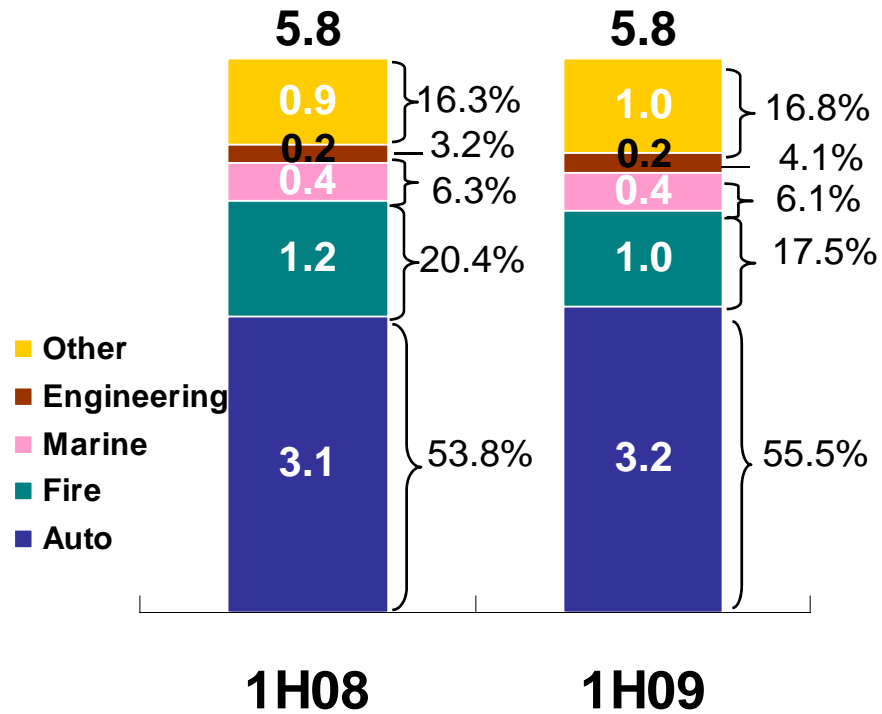
 - Cathay Life

 - Cathay Century

- **Overseas expansion**

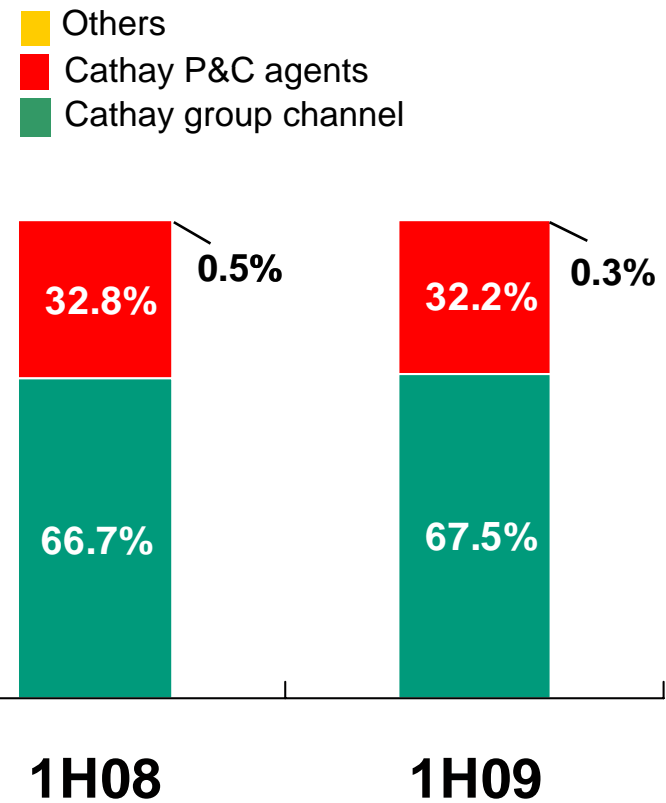
Cathay Century

Product breakdown (NT\$BN)



Mkt share 9.8% 10.6%

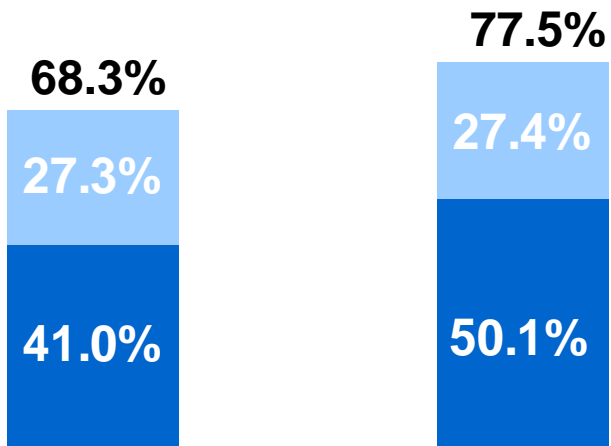
Distribution channel



Cathay Century

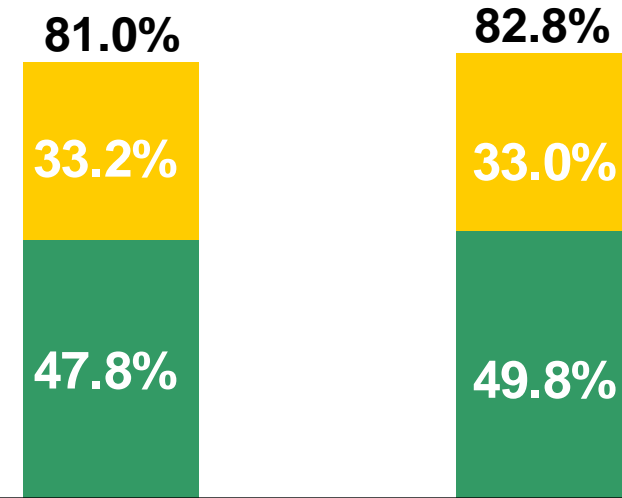
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



Retained combined ratio

- Retained expense ratio
- Retained loss ratio



1H08

1H09

1H08

1H09

Retention rate

70.6%

70.8%

Agenda

- **2009 first half financial results**

 - Cathay Financial Holdings

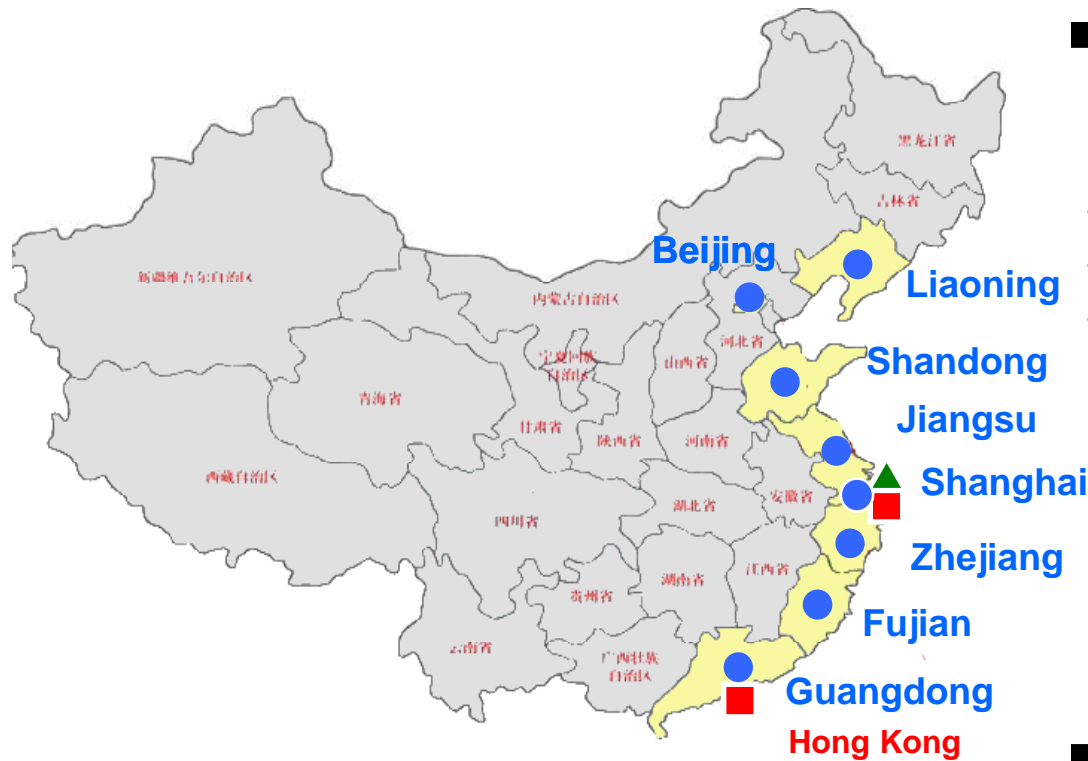
 - Cathay United Bank

 - Cathay Life

 - Cathay Century

- **Overseas expansion**

Cathay FHC in China



- Footprint
- Cathay Life (Shanghai)
 - Cathay United Bank
 - ▲ Cathay Century (Shanghai)

■ Cathay Life (Shanghai)

- Joint venture between Cathay Life Insurance and China Eastern Airline Group
- Registered capital: RMB 800 MN
- Sales force: 2,485 tied agents (2009.6.30)
- Footprint: 32 branches in 27 cities, 8 provinces
- Serviced cities account for approximately 30% of China's GDP
- Branch number ranked third highest among local foreign players
- Tianjin license is under application
- Customer base: approximately 1.25 MN

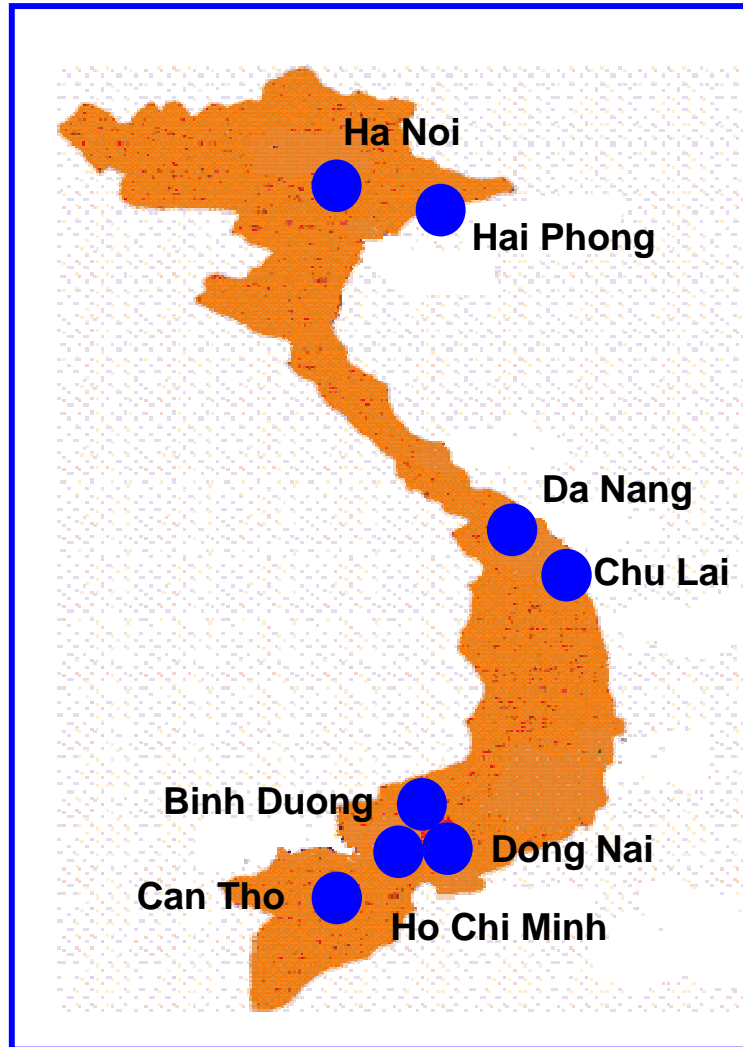
■ Cathay United Bank

- 1 Hong Kong branch (2001)
- 1 Shanghai Rep. office (2002)

■ Cathay Century (Shanghai)

- 100% owned by Cathay FHC

Cathay FHC in Vietnam



■ Indovina Bank

- Joint venture bank between CUB and VietinBank with 24 locations
- Total assets : USD581.1 MN⁽¹⁾ (approximately NTD19.1 BN)
- NPL ratio : 1.53%⁽¹⁾ (avg. NPL ratio of local players is 3.5%)
- Pre-tax income: USD5.4 MN⁽¹⁾ (approximately NTD177 MN)
- Leading position among 6 joint venture banks in Vietnam
- Chosen to be “the best foreign invested bank ” by The State Bank of Vietnam

■ Cathay United Bank

- 1 branch (Chu Lai), 2 rep. offices (Ho Chi Minh, Hanoi)
- Pre-tax net income of Chu Lai branch is approximately NTD9.1 MN⁽¹⁾

■ Cathay Life

- 3 offices (Ho Chi Minh, Hanoi, Da Nang)
- Net income is approximately NTD1.6 MN⁽¹⁾

■ Cathay Century

- 1 rep. office (Ho Chi Minh)

Cathay Financial Holdings

Summary Financial Data

(NT\$BN)

	FY2007	FY2008	FY08/ FY07 % Chg	1H08	1H09	1H09/ 1H08/ % Chg	2Q08	2Q09	2Q09/ 2Q08/ % Chg
Statement of Income Data									
Interest income	1.123	0.484	-56.9%	0.423	0.265	-37.2%	0.208	0.132	-36.7%
Income from subsidiaries									
Cathay Life	23.033	(1.995)	-108.7%	(5.306)	1.046	-	1.452	(2.557)	-276.1%
Cathay United Bank	6.400	4.459	-30.3%	3.002	4.170	38.9%	2.119	2.946	39.0%
Cathay Century	1.040	0.476	-54.2%	0.455	0.483	6.2%	0.292	0.305	4.5%
Other	0.194	(0.082)	-142.4%	0.000	(0.042)	-	(0.018)	(0.081)	352.6%
Total income from subsidiaries, net	30.667	2.858	-90.7%	(1.849)	5.657	-	3.819	0.613	-83.9%
Gain/Loss on foreign exchange	(0.097)	(0.717)	638.0%	(0.726)	0.000	-	(0.014)	(0.000)	-99.7%
Other income	0.616	0.383	-37.9%	0.333	0.001	-99.6%	(0.010)	0.001	-
Operating costs	(0.985)	(0.396)	-59.8%	(0.341)	(0.307)	-9.7%	(0.163)	(0.155)	-5.2%
Administrative and general expenses	(0.226)	(0.487)	115.8%	(0.123)	(0.124)	0.9%	(0.080)	(0.062)	-23.1%
Income taxes (expense) benefit	(0.350)	0.071	-	0.063	(0.027)	-	(0.003)	(0.080)	2186.9%
Net income	30.748	2.196	-92.9%	(2.220)	5.465	-	3.756	0.451	-88.0%
EPS (NT\$)	3.18	0.23		(0.23)	0.57				

Balance Sheet Data

Long-term investments in stock	214.1	144.9		176.0	186.7				
Total assets	230.2	168.6		200.2	212.0				
Total consolidated assets	3,686.7	3,746.3		3,742.5	3,981.4				
Total shareholders' equity	226.6	142.4		173.7	184.5				

Operating Metrics

ROAE(standalone)	13.9%	1.2%		-2.2%	6.7%				
ROAA (standalone)	13.5%	1.1%		-2.1%	5.7%				
ROAA(consolidated)	0.9%	0.1%		-0.1%	0.3%				

Notes:

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(2)Total may not sum due to rounding

Cathay Life			FY08/			1H09/			2Q09/
Summary Financial Data			FY07			1H08/			2Q08/
(NT\$BN)	FY2007	FY2008	% Chg	1H 2008	1H 2009	% Chg	2Q2008	2Q 2009	% Chg
Summary Statement of Income Data									
Premiums income ⁽¹⁾	302.993	346.454	14.3%	160.187	189.069	18.0%	92.144	91.789	-0.4%
Investment income									
Interest income	69.497	76.394	9.9%	36.791	37.445	1.8%	18.760	18.583	-0.9%
Gain on disposal of investment	28.586	0.000	-100.0%	17.505	0.000	-100.0%	2.763	0.000	-100.0%
Other investment income, net	(0.384)	(13.886)	3512.2%	(34.381)	0.889	-	(4.489)	(4.756)	5.9%
Total investment income, net ⁽²⁾	97.699	62.508	-36.0%	19.915	38.334	92.5%	17.034	13.827	-18.8%
Other income	2.801	6.135	119.1%	4.622	5.362	16.0%	1.903	3.461	81.8%
Insurance claims payment	(202.776)	(274.858)	35.5%	(132.882)	(98.888)	-25.6%	(85.302)	(57.449)	-32.7%
Provisions for reserves									
Provisions	(312.004)	(356.922)	14.4%	(159.922)	(190.593)	19.2%	(92.264)	(91.163)	-1.2%
Recoveries	178.368	250.067	40.2%	115.818	79.765	-31.1%	76.253	48.312	-36.6%
Total provisions for reserves, net	(133.636)	(106.855)	-20.0%	(44.104)	(110.827)	151.3%	(16.011)	(42.851)	167.6%
Commissions and operating expense									
Brokerage expenses	(30.019)	(26.428)	-12.0%	(13.948)	(13.793)	-1.1%	(6.214)	(6.796)	9.4%
Marketing, administrative and general expense	(11.223)	(11.021)	-1.8%	(5.065)	(5.171)	2.1%	(2.773)	(2.801)	1.0%
Total commissions and operating expenses	(41.242)	(37.450)	-9.2%	(19.013)	(18.964)	-0.3%	(8.987)	(9.597)	6.8%
Other operating expenses	(2.644)	(2.546)	-3.7%	(1.065)	(2.549)	139.2%	(0.545)	(1.551)	184.7%
Operating income	23.195	(6.611)	-	(12.341)	1.537	-	0.237	(2.371)	-
Non-operating income	1.454	1.441	-0.9%	0.661	0.716	8.3%	0.353	0.398	13.0%
Non-operating expense	(0.299)	(0.822)	175.0%	(0.004)	(0.263)	7403.7%	(0.002)	(0.126)	7898.8%
Income taxes	(0.881)	4.019	-	6.398	(0.943)	-	0.865	(0.458)	-
Cumulative effect of changes in accounting principle	0.000	0.000	-	0.000	0.000	-	0.000	0.000	-
Net income	23.469	(1.974)	-	(5.285)	1.046	-	1.453	(2.557)	-
Balance Sheet Data									
Total assets	2354.9	2358.9		2397.4	2541.6				
Total stockholders' equity	123.4	53.9		88.1	90.2				
Operating Metrics									
First year premium	172.8	206.0		125.2	103.7				
Expense ratio	12.9%	10.3%		11.9%	9.4%				
13-mos persistency ratio	92.0%	90.4%		91.1%	88.4%				
25-mos persistency ratio	83.0%	83.9%		84.7%	81.8%				
ROAE	19.3%	-2.2%		-10.0%	2.9%				
ROAA	1.0%	-0.1%		-0.4%	0.1%				

Notes:

(1) Excludes investment-linked products premium income.

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

	FY2007	FY2008	FY08/ FY07 % Chg	1H08	1H09	1H09/ 1H08 % Chg	2Q08	2Q09	2Q09/ 2Q08 % Chg
Summary Statement of Income Data									
Interest income	40.285	40.242	-0.1%	20.148	12.986	-35.5%	9.895	5.754	-41.8%
Interest expense	(19.121)	(19.724)	3.2%	(9.651)	(5.874)	-39.1%	(4.755)	(2.644)	-44.4%
Net interest income	21.164	20.518	-3.1%	10.497	7.112	-32.2%	5.140	3.110	-39.5%
Net operating income except interest income									
Net handling fee	5.132	5.120	-0.2%	2.653	1.969	-25.8%	1.300	0.996	-23.3%
Gains on financial assets and liabilities at fair value through P&L	(0.459)	(2.067)	350.2%	(1.023)	1.624	-	(0.331)	1.062	-
Realized gains on available-for-sale financial assets	1.707	0.163	-90.5%	0.390	0.420	7.6%	0.025	0.374	1413.8%
Realized gains on held-to-maturity financial assets	(0.000)	(0.001)	375.2%	(0.001)	0.000	-	0.000	0.000	-
Invst inc - equity method	0.168	0.247	47.2%	0.121	0.103	-14.3%	0.093	0.061	-34.3%
Realized gain - equity method	0.000	0.000	-	0.000	0.000	-	0.000	0.000	-
Gain on foreign exchng - net	0.716	1.102	53.9%	0.674	0.256	-62.0%	0.124	0.172	38.5%
Impairment gain/loss	(0.115)	(3.109)	2598.8%	(0.048)	(0.035)	-27.0%	0.008	0.007	-9.7%
Gains on reversal of foreclosed properties impairment	(0.010)	0.045	-	0.036	(0.000)	-	0.017	(0.000)	-
Gains/losses on disposal of foreclosed properties	0.006	0.180	3150.7%	0.184	0.000	-100.0%	0.187	0.000	-100.0%
Investments in debt securities with no active market, net	(2.555)	(1.758)	-31.2%	(1.746)	0.005	-	0.013	0.005	-63.4%
other income, net	0.467	1.116	138.8%	0.689	0.938	36.2%	0.572	0.764	33.6%
Net operating income	26.220	21.555	-17.8%	12.427	12.393	-0.3%	7.148	6.552	-8.3%
Provisions for possible losses ⁽¹⁾	(4.086)	(0.926)	-77.3%	(0.965)	(0.288)	-70.1%	(0.613)	0.488	-
Operating expenses	(14.008)	(14.176)	1.2%	(6.947)	(6.789)	-2.3%	(3.629)	(3.355)	-7.5%
Income from continuing operations before income taxes	8.126	6.453	-20.6%	4.514	5.315	17.7%	2.906	3.685	26.8%
Income tax benefit (expense)	(1.726)	(1.992)	15.4%	(1.510)	(1.145)	-24.2%	(0.787)	(0.739)	-6.1%
Cumulative effect of changes in accounting principles	0.000	0.000	-	0.000	0.000	-	0.000	0.000	-
Net income	6.400	4.461	-30.3%	3.004	4.170	38.8%	2.119	2.946	39.0%
Balance Sheet Data									
Total assets	1,288.2	1,351.6		1,290.8	1,410.7				
Total shareholders' equity	81.4	82.9		79.5	84.5				
Operating Metrics									
Cost income ratio	53.4%	65.8%		55.90%	54.78%				
ROAE	8.1%	5.4%		7.5%	9.8%				
ROAA	0.5%	0.3%		0.5%	0.6%				
Assets Quality									
NPL ratio (international standard)	1.5%	0.9%		0.9%	0.8%				
Coverage ratio (international standard)	86.2%	109.3%		129.7%	111.5%				

Notes:

(1) 1H08 and 1H09 provisions net of NT\$3.7bn and NT\$1.5bn bad debt recoveries, respectively.

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Cathay Century
Summary Financial Data
 (NT\$MM)

	FY08/ FY07			1H09/ 1H08		2Q09/ 2Q08		% Chg	
	FY2007	FY 2008	% Chg	1H2008	1H2009	% Chg	2Q2008		2Q2009
Summary Statement of Income Data									
Premiums income	11,153.7	11,829.6	6.1%	5,807.5	5,792.2	-0.3%	2911.0	2852.5	-2.0%
Reinsurance premiums ceded	(3,460.6)	(3,771.5)	9.0%	(1,706.1)	(1,692.1)	-0.8%	(692.8)	(811.8)	17.2%
Premiums income, net	7,693.1	8,058.1	4.7%	4,101.4	4,100.1	0.0%	2218.2	2040.6	-8.0%
Investment									
Interest income	396.2	391.0	-1.3%	207.2	183.0	-11.7%	114.7	101.4	-11.6%
Other investment income, net	205.9	(565.8)	-374.8%	91.8	(34.9)	-138.0%	(72.3)	125.5	-
Total investment income	602.0	(174.8)	-129.0%	299.1	148.1	-50.5%	42.4	226.9	435.0%
Other operating income	288.4	336.4	16.7%	189.9	194.2	2.2%	75.1	106.9	42.4%
Insurance claims payment, net	(3,296.5)	(3,688.7)	11.9%	(1,954.6)	(2,005.4)	2.6%	(949.7)	(942.7)	-0.7%
Provisions for reserves									
Provisions	(6,617.6)	(6,655.1)	0.6%	(5,825.5)	(5,973.1)	2.5%	(300.6)	(266.5)	-11.3%
Recoveries	5,306.5	5,812.8	9.5%	5,526.8	5,684.8	2.9%	90.3	135.0	49.4%
Total provisions for reserves, net	(1,311.1)	(842.3)	-35.8%	(298.7)	(288.3)	-3.5%	(210.3)	(131.6)	-37.4%
Commissions, operating and other expenses	(2,681.9)	(2,997.4)	11.8%	(1,750.4)	(1,473.1)	-15.8%	(768.7)	(878.6)	14.3%
Operating income	1,294.0	691.2	-46.6%	586.7	675.6	15.1%	407.1	421.5	3.5%
Non-operating income	17.3	10.7	-38.5%	5.9	0.0	-99.2%	5.5	0.1	-99.0%
Non-operating expense	(0.1)	(12.2)	15982.9%	(1.7)	0.0	-	(0.0)	0.1	-
Income taxes	(264.9)	(211.2)	-20.3%	(133.6)	(192.2)	-	(120.3)	(116.4)	-3.3%
Cumulative effect of changes in accounting principles	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-
Net income	1,046.3	478.5	-54.3%	457.3	483.4	5.7%	292.2	305.2	4.4%
Summary Balance Sheet Data									
Total assets	18,979.8	19,503.5	2.8%	18,736.0	20,314.6	8.4%			
Total stockholders' equity	3,869.9	3,096.4	-20.0%	3,166.6	3,873.1	22.3%			
Operating Metrics									
Written Combined ratio	62.4%	71.9%		68.3%	77.5%				
Net Combined ratio	79.7%	84.7%		81.0%	82.8%				
ROAE	28.1%	13.7%		26.0%	27.7%				
ROAA	6.7%	2.5%		4.9%	4.9%				

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) 1H08,1H09 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>6/30/2009</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 30-June-2009)</u>			<u>Legal Requirement</u>
Cathay Financial Holdings Capital Adequacy Ratio	137%			100%
Cathay Life RBC Ratio	250%	-	300%	200%
Cathay Century RBC Ratio	>	300%		200%
Cathay United Bank BIS Ratio / Tier 1 Ratio	11.66% / 9.52%			8.00% / 6.00%
Cathay Securities BIS Ratio	885%			150%

Notes:

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