

Cathay Financial Holding Co., Ltd.



DB Access Taiwan Conference 2010

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Business Overview

Improved capital structure

- Cathay Life's net worth recovered to 112.9 bn as of Dec. 31st 2009
- Issuance of NT\$20 bn unsecured subordinated bonds successfully completed on October 8th, of which NT\$10 bn will be injected into Cathay Life in the form of preferred shares

Cathay Life

- Maintained high FYP growth rate; improving product mix supports growth of VNB.
- Improving interest spread

Cathay United Bank

- Maintained good asset quality and moderate loan growth
- Improving trend for NIM and fee income

China strategy

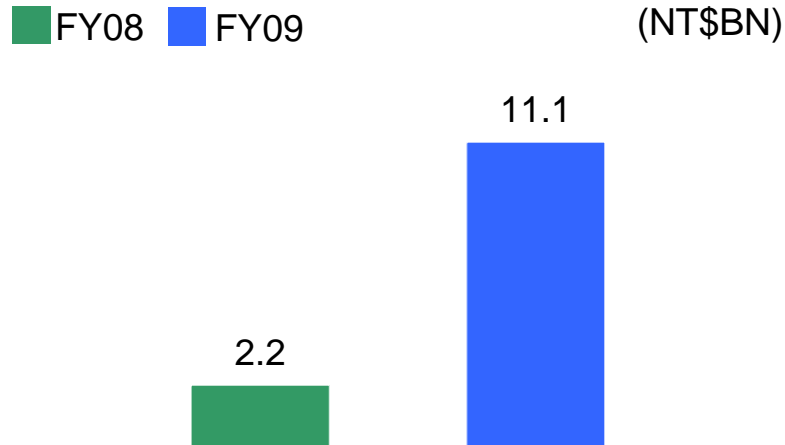
- Following regulatory approval, Cathay United Bank will leverage Cathay Life's existing network to service Taiwanese, domestic Chinese and foreign businesses; seek to upgrade rep. office to branch first and continue to evaluate subsidiary.

Property reappraisal result

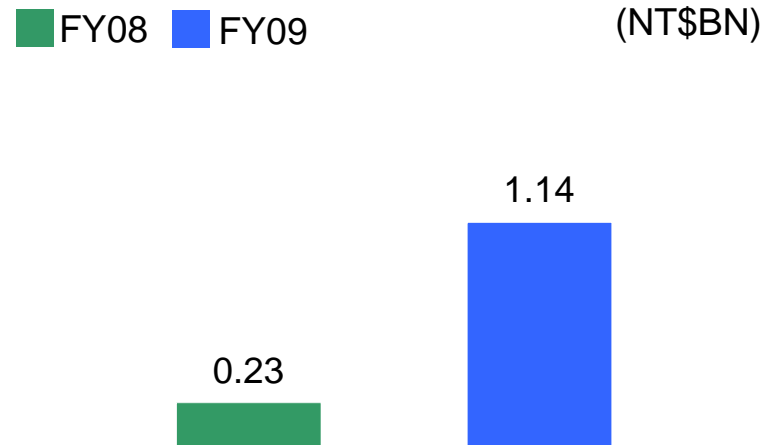
- Total after-tax unrealized gain is NT\$107.8 billion.

Cathay FHC – Net income & EPS

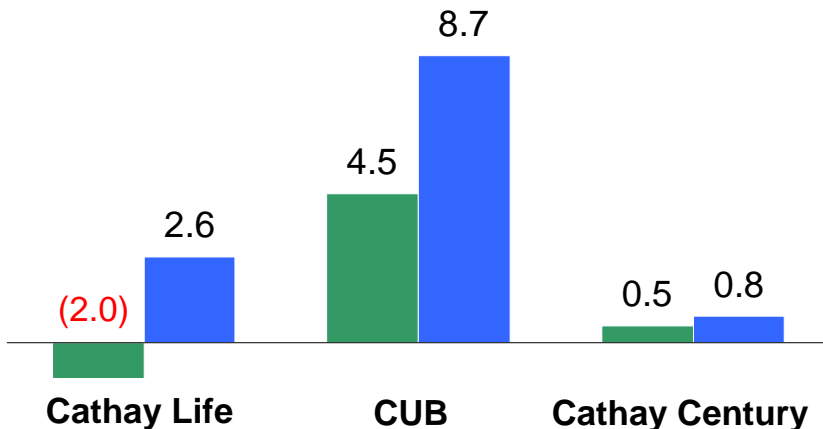
Net Income (NT\$BN)



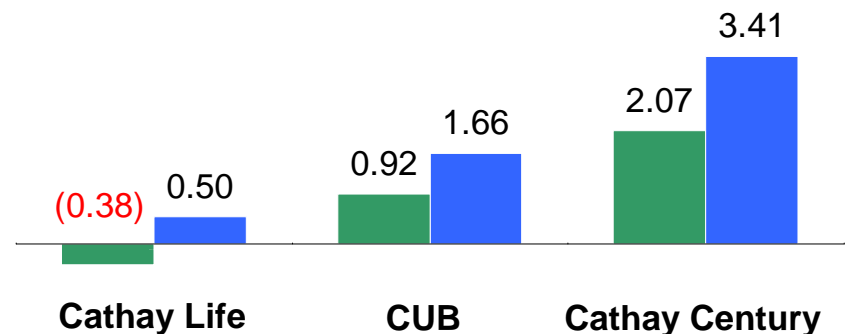
Earnings Per Share (NT\$)



Net income of main subsidiaries



EPS of main subsidiaries

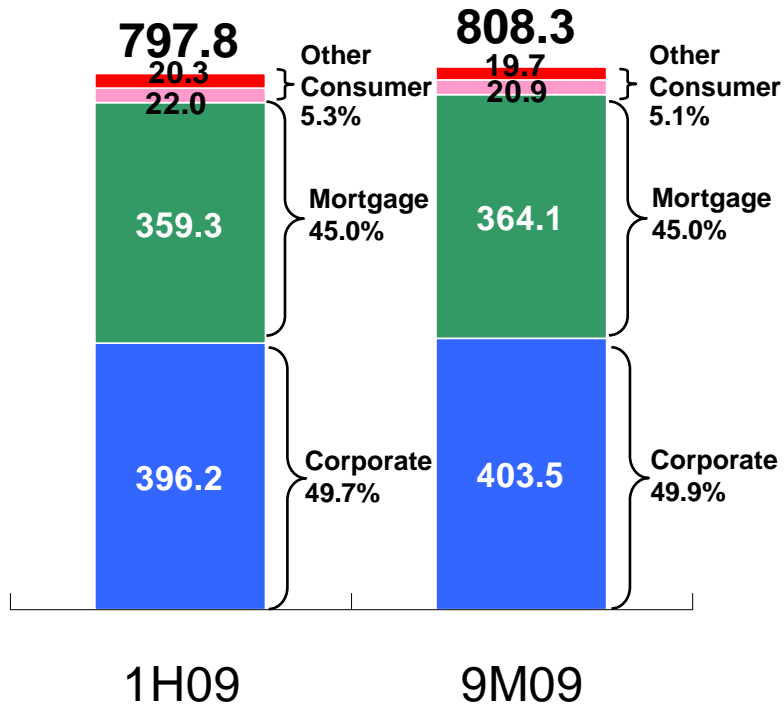


Note: 2009 financial numbers are on preliminary basis which are subject to accountant's review,

CUB – Loan Breakdown & Credit quality

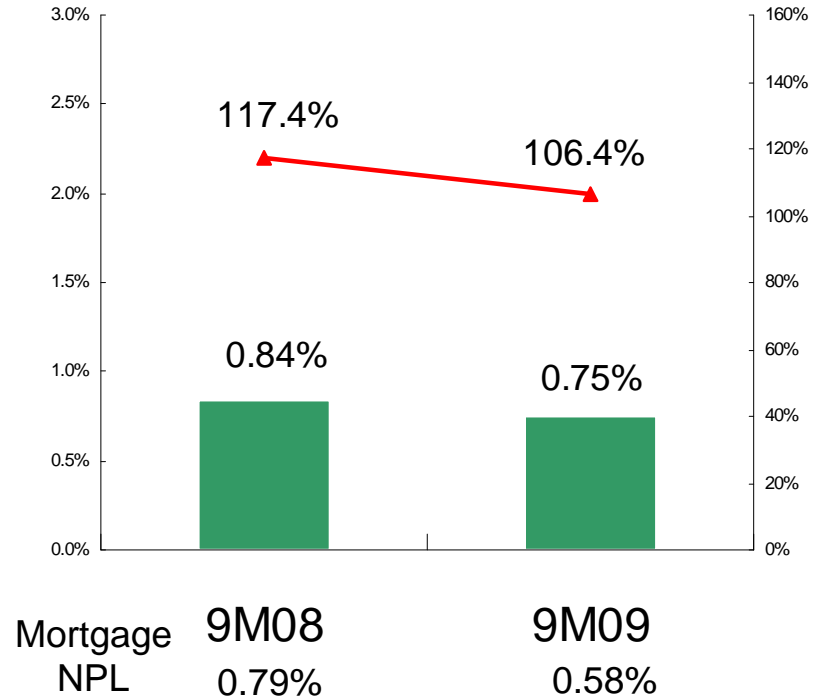
Loan Breakdown

- Credit card related
 - Consumer
 - Mortgage
 - Corporate
- (NT\$BN)



NPL & Coverage ratio

- NPL ratio(LHS)
- ▲ Coverage ratio(RHS)

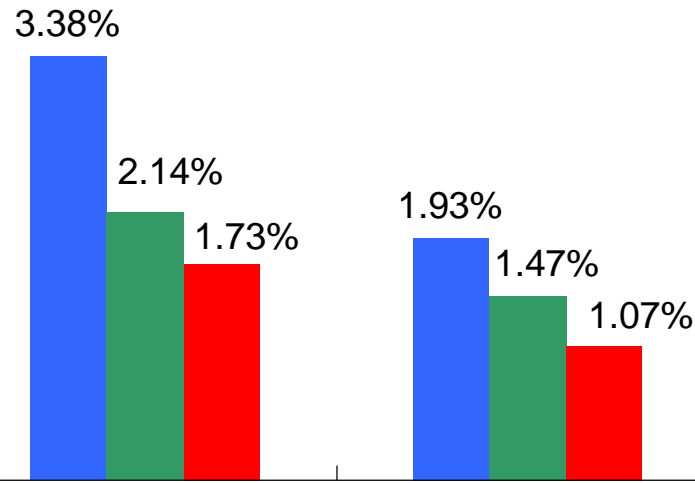


CUB – Interest Yields & Fee income

Interest Yields

- Avg. rate of interest-earned assets
- Interest spread
- Net interest margin (NIM)

NIM bottomed out in May, stabilized in 3rd quarter.

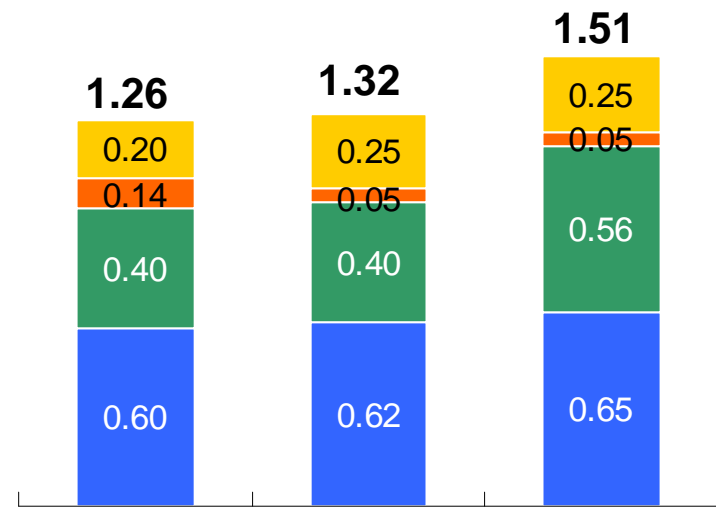


NT\$ demand deposit ratio
45.8%

9M09
53.9%

Fee Income

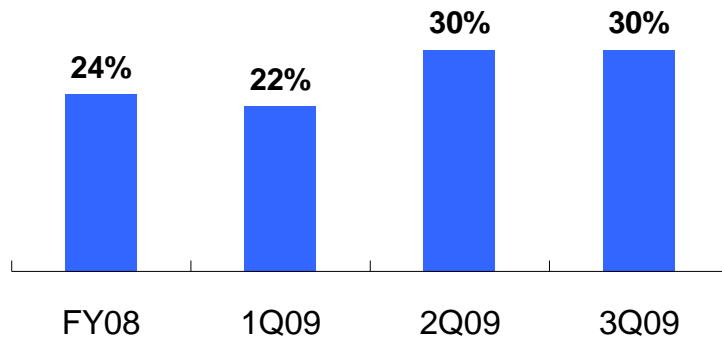
- Other (NT\$BN)
- FX
- Wealth management
- Cards related



Cathay Life – 2009 strategies

Increase FYP market share

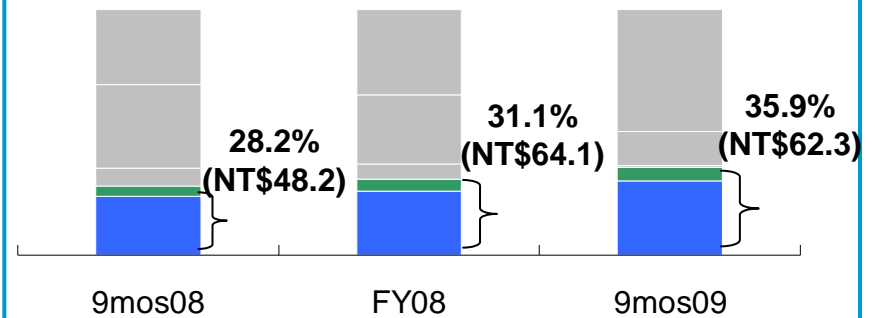
2009 FYP market share target 30%



Improve product mix

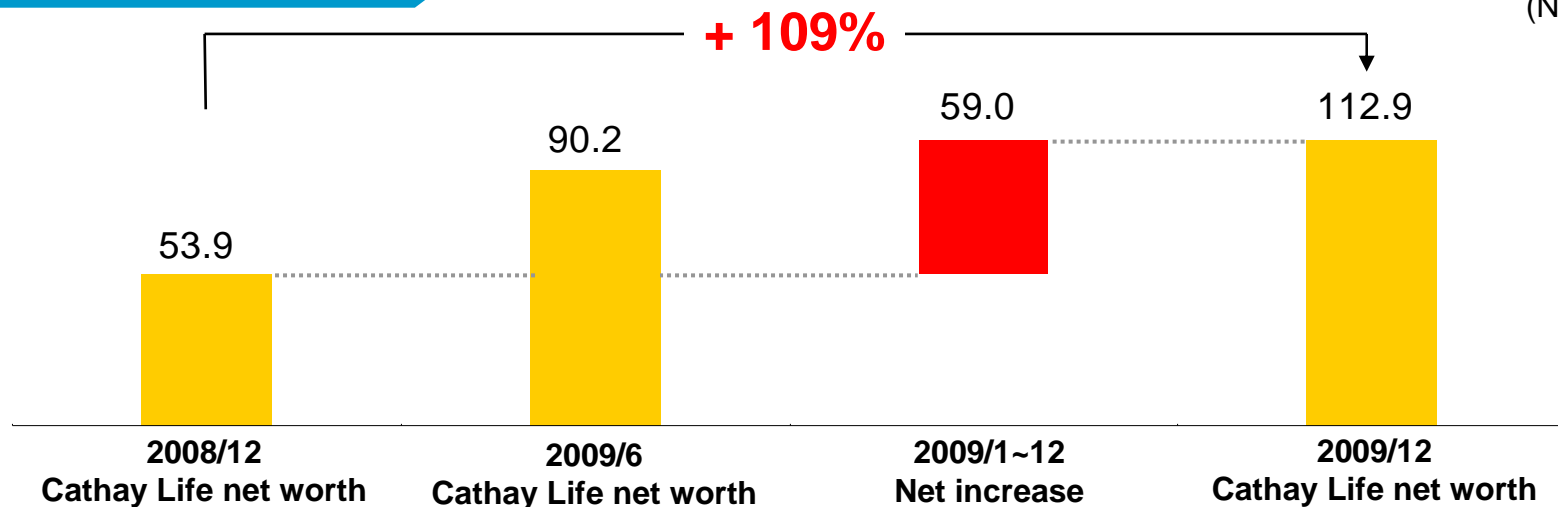
■ Health, accident & other
■ Traditional life
(NT\$BN)

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



Recovered net worth

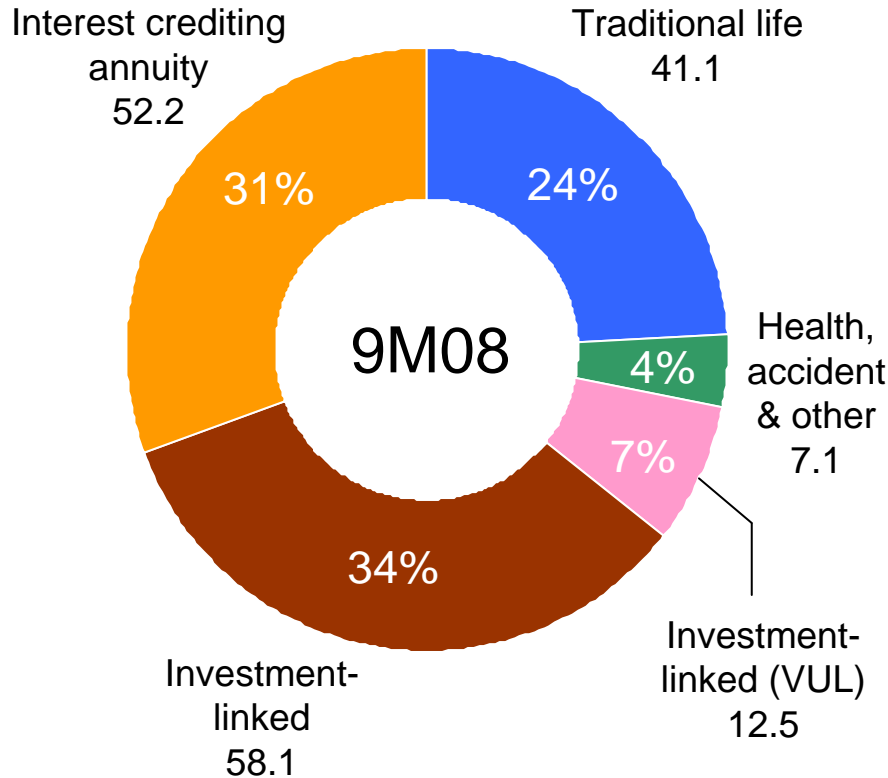
(NT\$BN)



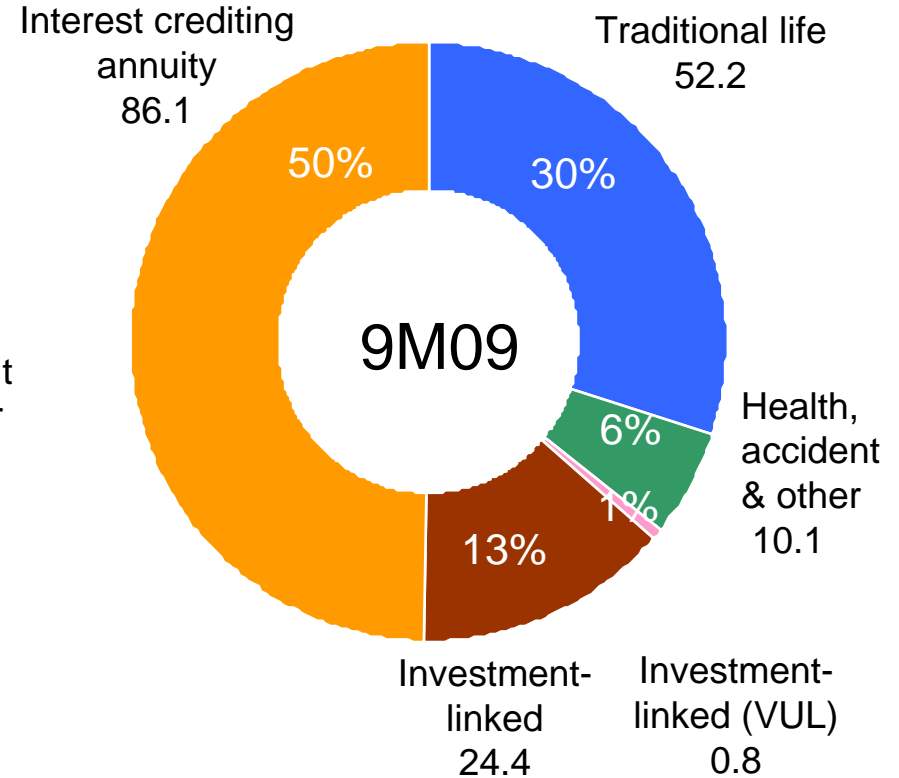
Note: 2009 financial numbers are on preliminary basis which are subject to accountant's review,

Cathay Life – First Year Premium

(NT\$BN)



Total NT\$ 171.0BN



Total NT\$ 173.6BN

Cathay Life–Investment Portfolio

	2Q09		3Q09		Weight Change	Amount Change
	Amt. (NT\$BN)	%	Amt. (NT\$BN)	%		
Cash & Cash equivalents	312.3	13.6%	360.5	15.3%	1.7%	48.1
Equities – Domestic	131.0	5.7%	141.9	6.0%	0.3%	10.8
Equities – International	37.0	1.6%	36.5	1.6%	-0.1%	-0.4
Bonds – Domestic	351.0	15.3%	348.8	14.8%	-0.5%	-2.2
Bonds - International⁽¹⁾	764.5	33.3%	776.1	32.9%	-0.4%	11.6
Mortgage & Secured loans	330.9	14.4%	320.9	13.6%	-0.8%	-9.9
Policy loans	196.8	8.6%	197.3	8.4%	-0.2%	0.4
Real estate	126.1	5.5%	129.3	5.5%	0.0%	3.2
Others	47.2	2.1%	45.2	1.9%	-0.1%	-2.0
Total investments⁽²⁾⁽³⁾	2,296.8	100.0%	2,356.5	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

Note (4) : Total may not sum due to rounding

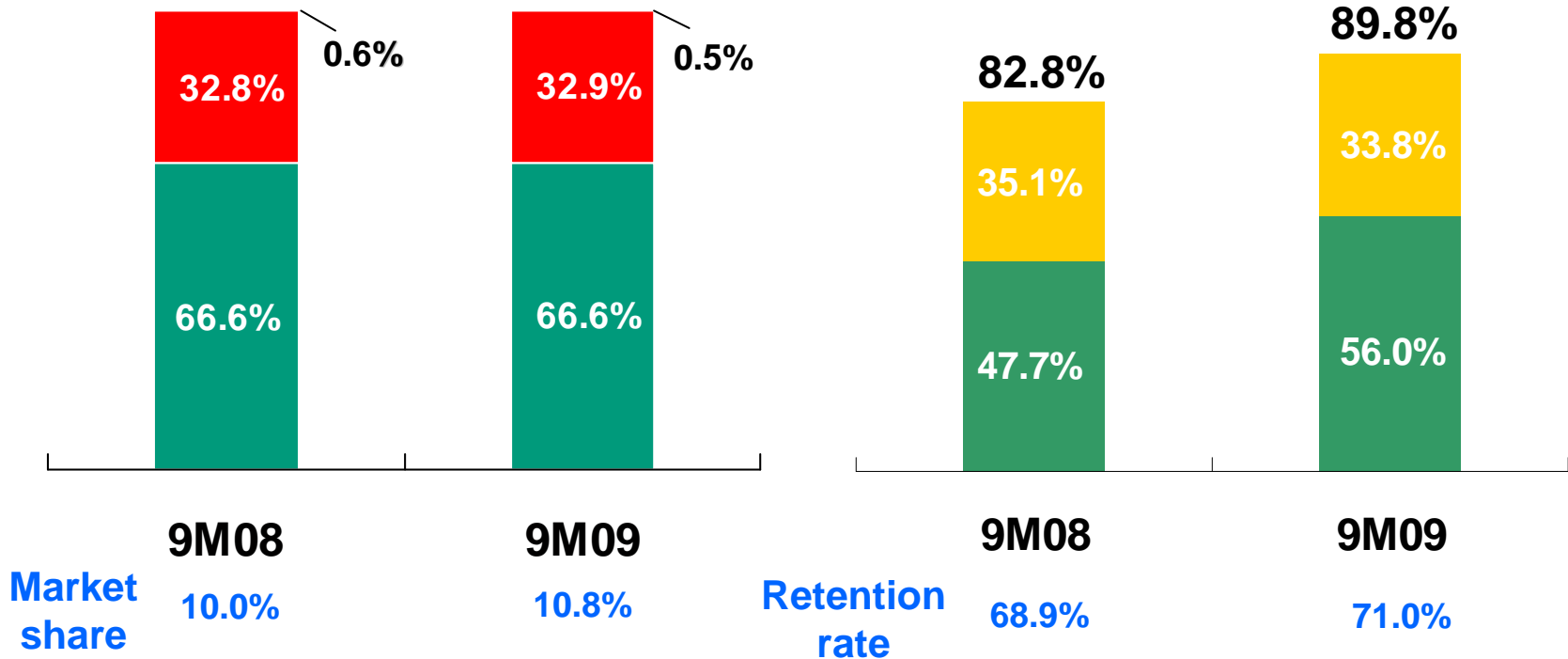
Cathay Century

Distribution Channel

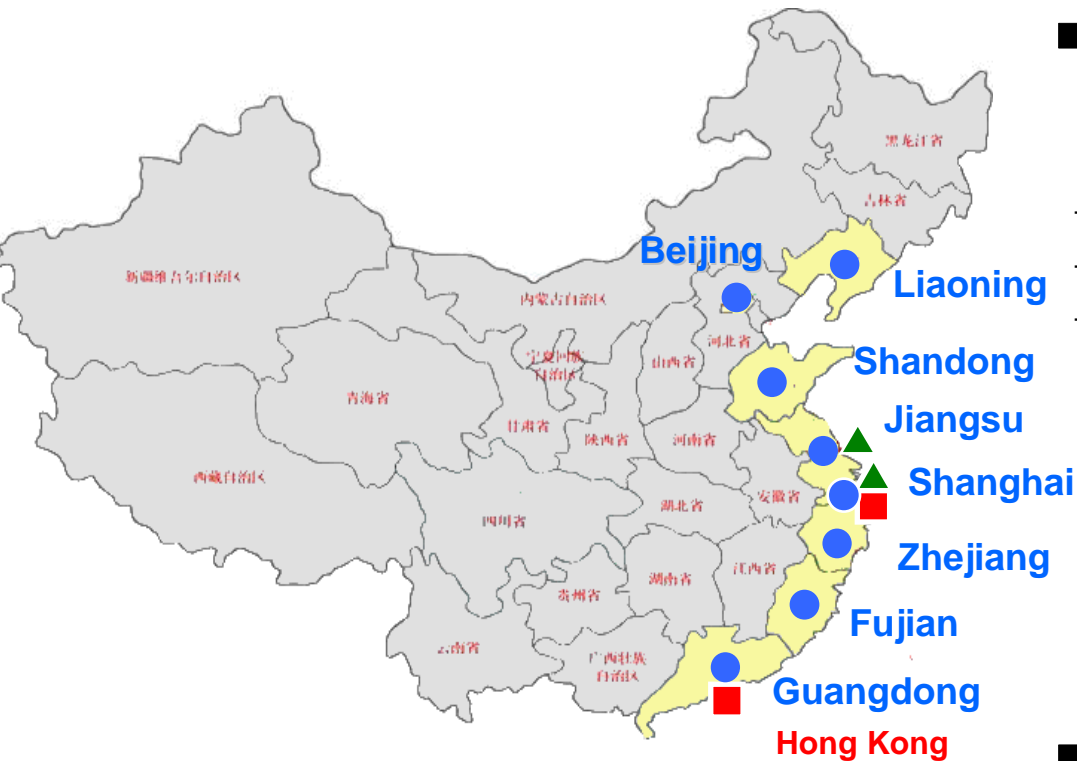
- Others
- Cathay P&C agents
- Cathay group channel

Retained Combined Ratio

- Retained expense ratio
- Retained loss ratio



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: 2,728 tied agents (2009.9.30)
- 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
- Policyholders: approximately 1.50 MN⁽¹⁾

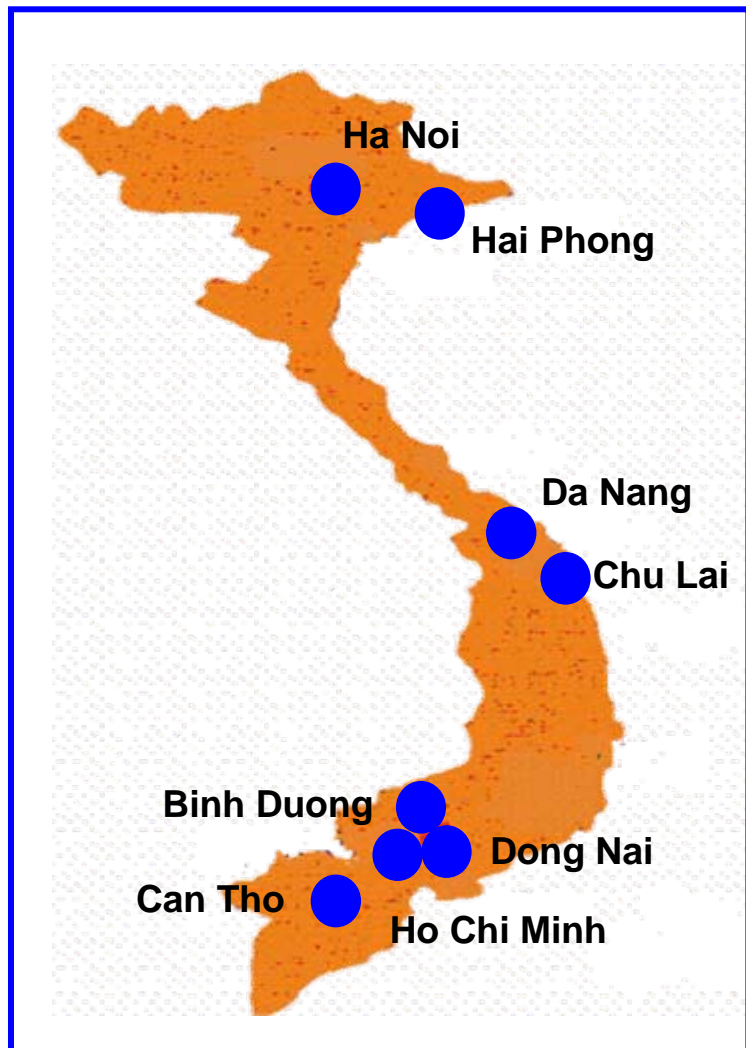
■ Cathay United Bank

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

■ Cathay Century (Shanghai)

- 100% owned by Cathay FHC
- 2 service footprints (Shanghai and Jiangsu)

Cathay FHC in Vietnam



■Indovina Bank

- Joint venture bank between CUB and VietinBank with 26 locations
- Total assets : USD644.1 MN
- NPL ratio : 1.18% (avg. NPL ratio of local players is 3.5%)
- Pre-tax income: USD10.7 MN ⁽¹⁾
- Leading position among 6 joint venture banks in Vietnam
- Chosen as “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 was approximately USD3.84 MN

■Cathay Life

- 4 offices (Ho Chi Minh, Hanoi, Da Nang, Can Tho)
- Sales force: 4,263 tied agents
- Net loss was approximately USD0.1 MN

■Cathay Century

- 1 rep. office (Ho Chi Minh)

Capital Adequacy Ratio

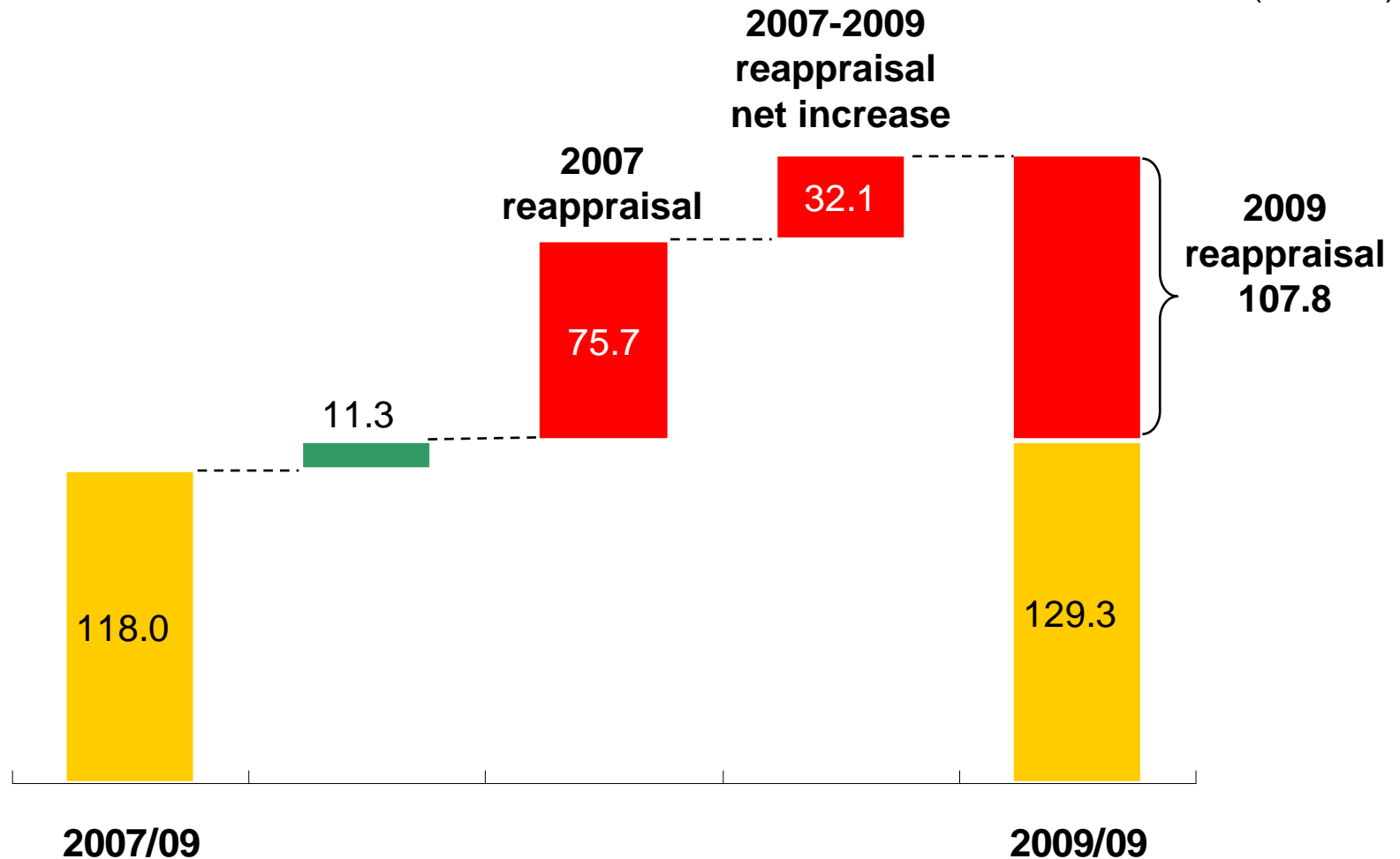
	June-2009	Legal requirement
Cathay Financial Holdings Capital adequacy ratio	137%	100%
Cathay Life RBC ratio	250-300%	200%
Cathay United Bank BIS ratio/Tier 1 ratio	11.66% / 9.52%	8.00%/6.00%
Cathay Century RBC ratio	>300%	200%
Cathay Securities BIS ratio	885%	150%

Cathay FHC has completed sub-debt issuance NT\$20BN on October 8th, 2009 to enhance capital strength and prepare for strategic investment in the future.

Cathay Life's property reappraisal

■ Real estate book value ■ Change in cost base ■ After-tax unrealized gain on real estate

(NT\$BN)



Note: The change in cost base consists of new acquisitions, less disposals and less change in depreciation expense.