

Cathay Financial Holding Co., Ltd.

1H07 Analyst Meeting

BANKING

INSURANCE

INVESTMENTS

PRODUCTS

24 August 2007

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# Agenda

- **2007 First Half Review**

  - Cathay Life

  - Cathay United Bank

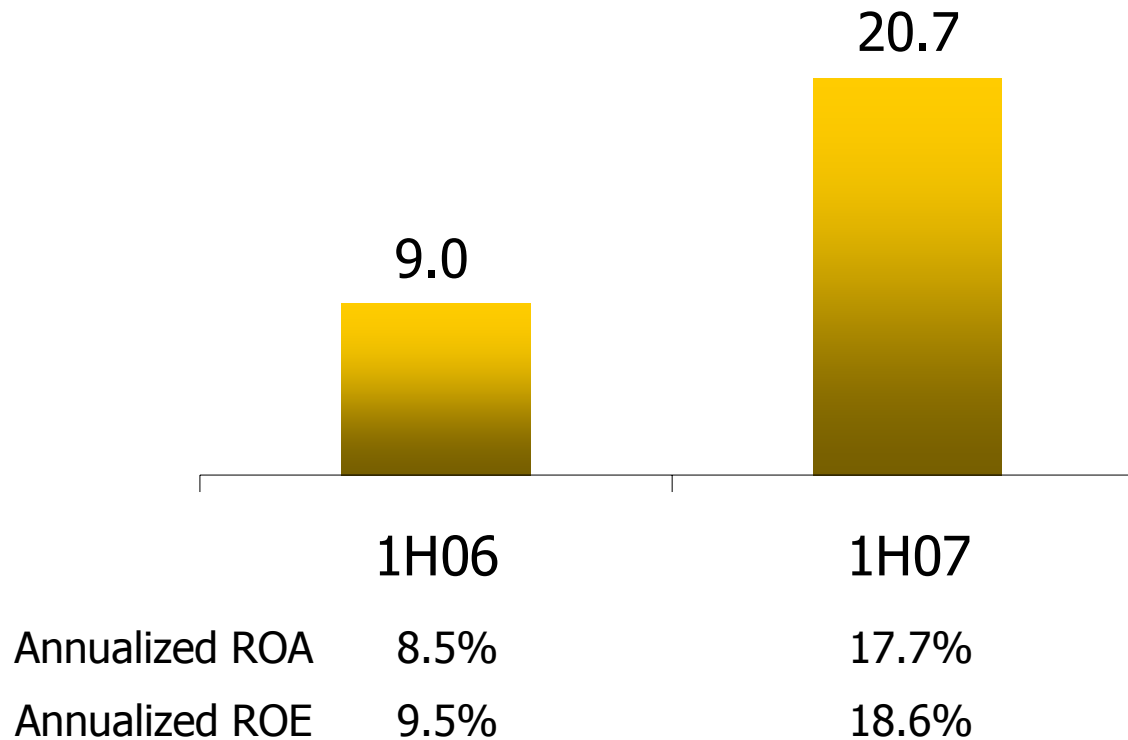
  - Cathay Century

- Life Insurance and Banking Outlook



# Cathay FHC net income

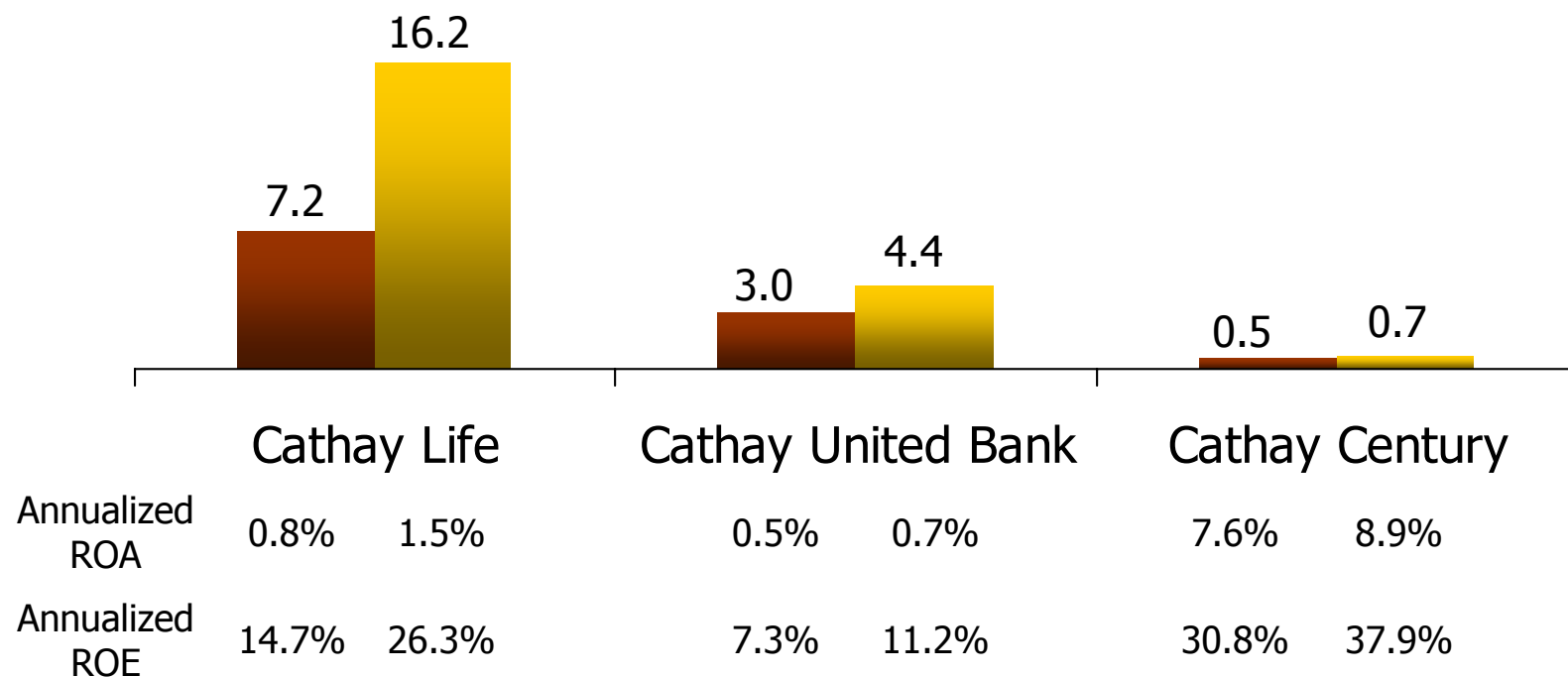
(NT\$BN)



Note: Annualized ROA and ROE are calculated based on stand-alone numbers

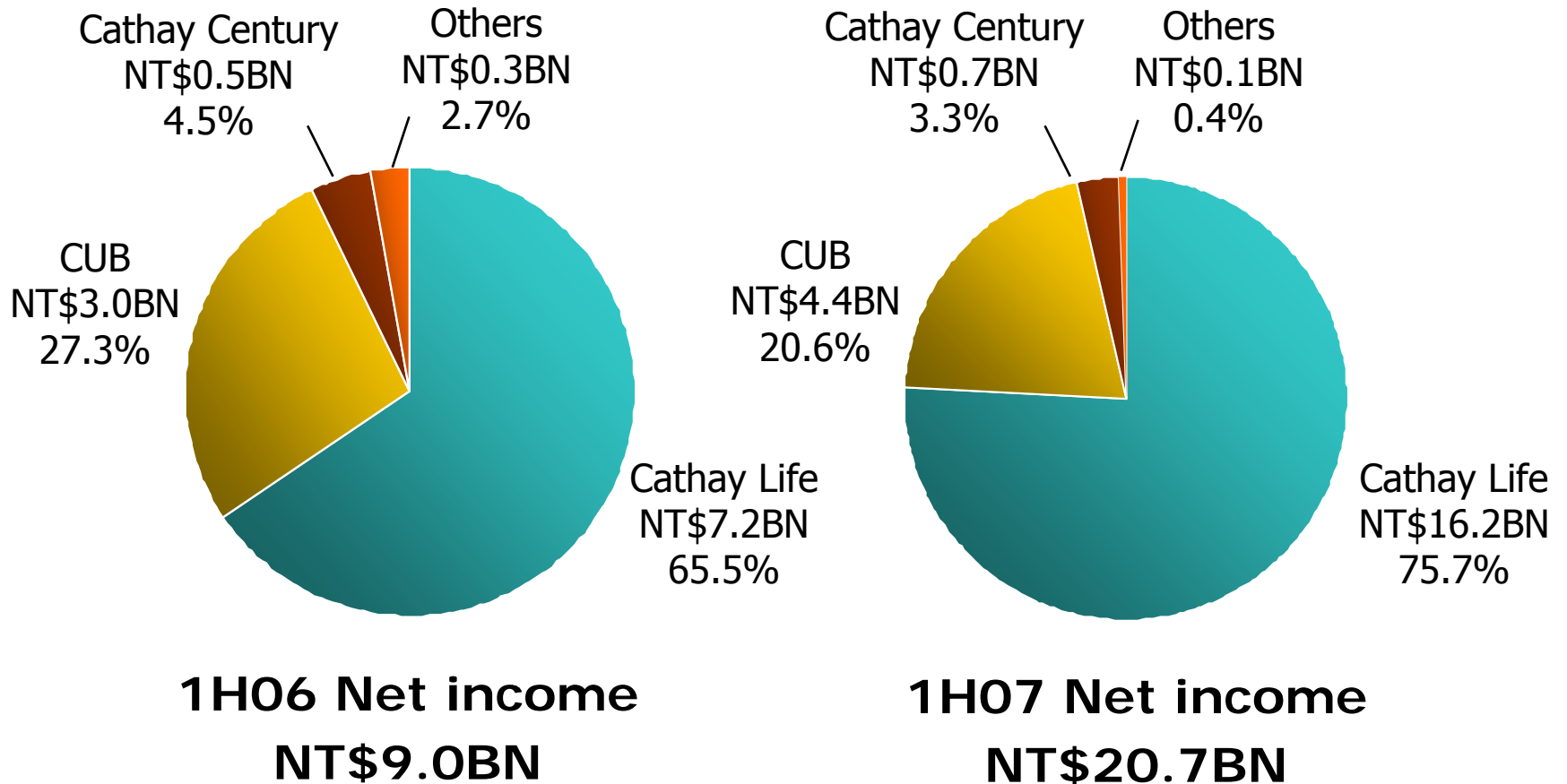
# Net income of key subsidiaries

■ 1H06    ■ 1H07  
(NT\$BN)



Note: CUB's financial numbers and ratios include contribution from Lucky Bank

# Net income contribution

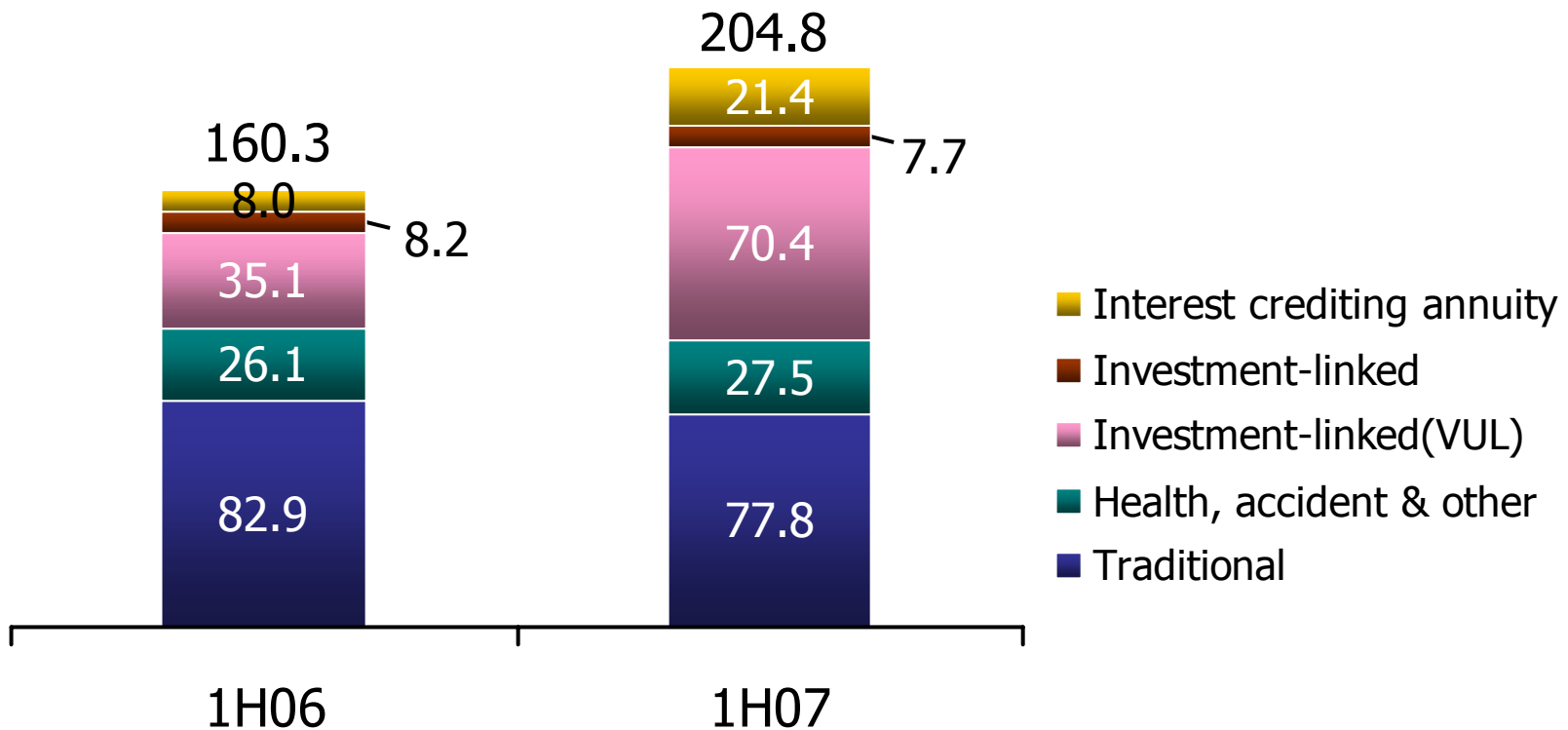


Note (1): Pie charts are calculated on a sum-of-parts basis

# Cathay Life - Total premium

(NT\$BN)

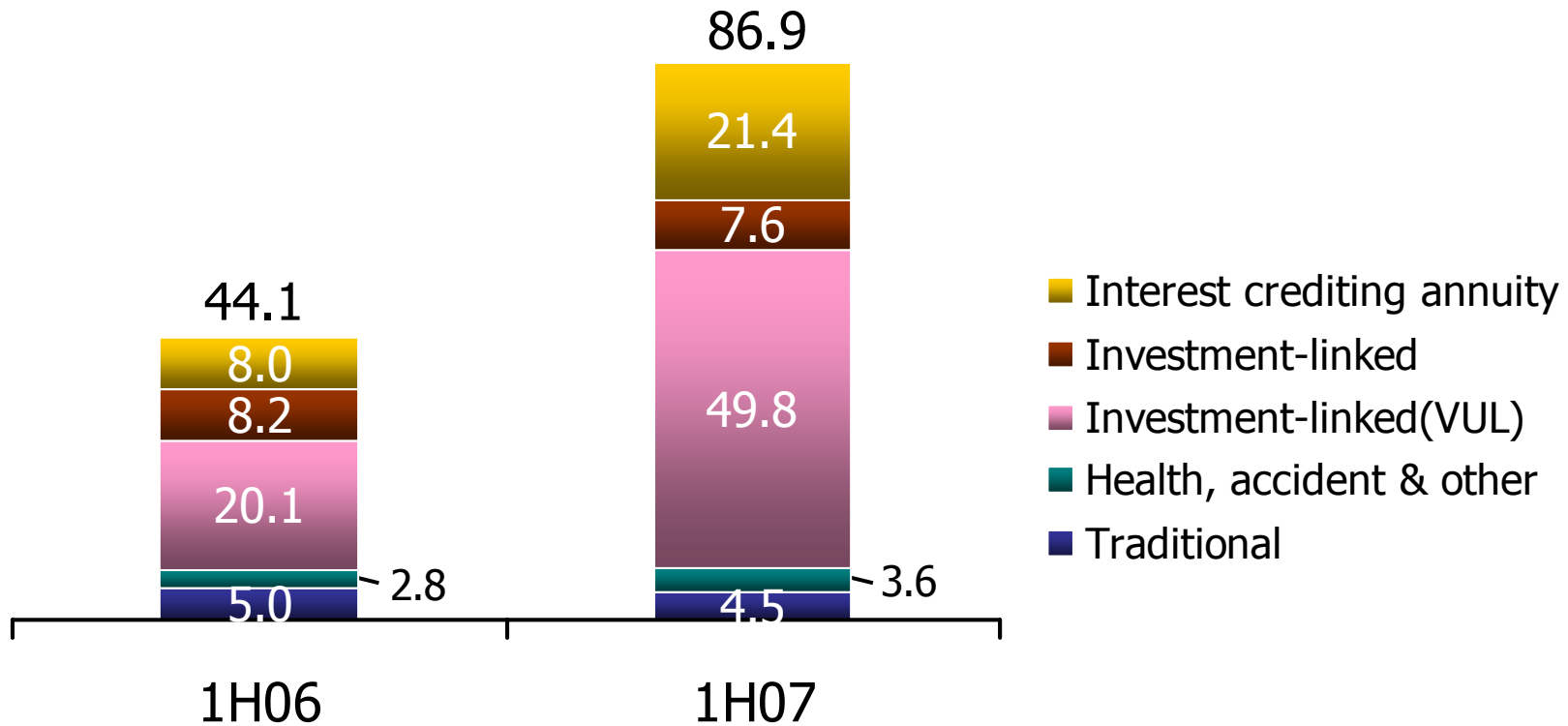
**27.8%**



# Cathay Life - First year premium

(NT\$BN)

97.1%

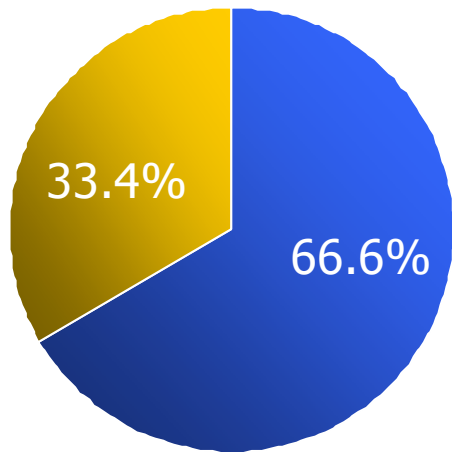




# Cathay Life - First year premium

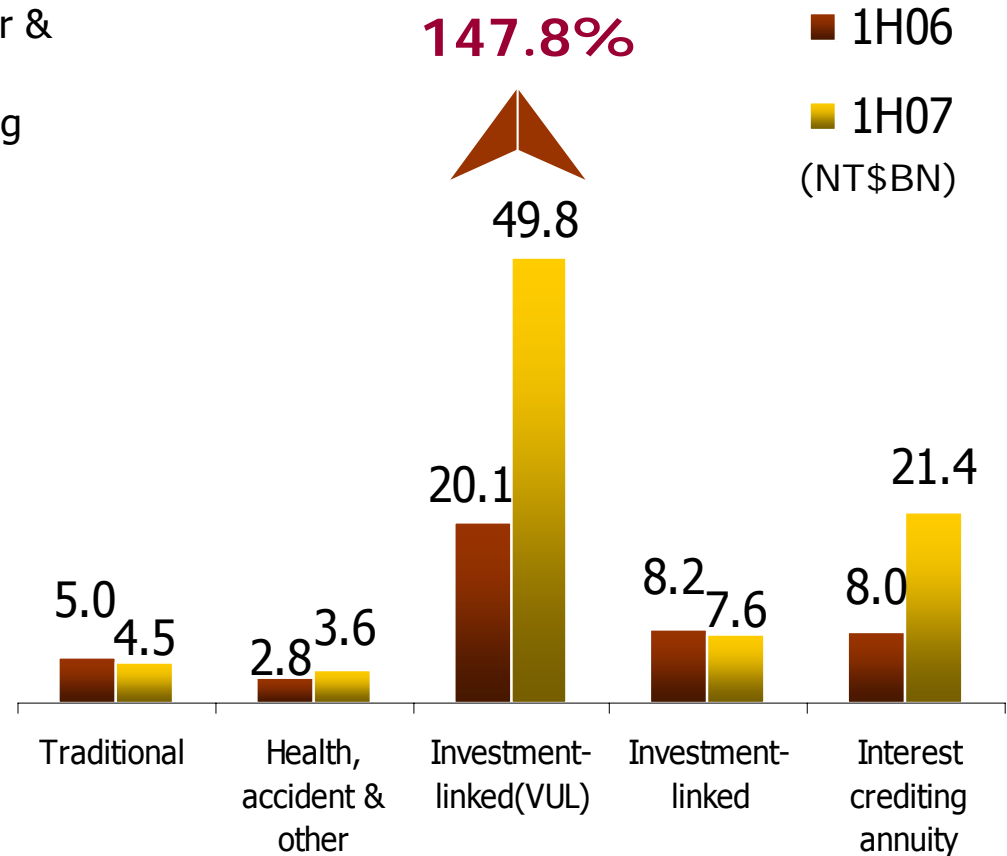
## Product mix

- Traditional & health, accident, other & Investment-linked (VUL)
- Investment-linked & Interest crediting annuity



FYP for 1H07  
NT\$ 86.9 BN

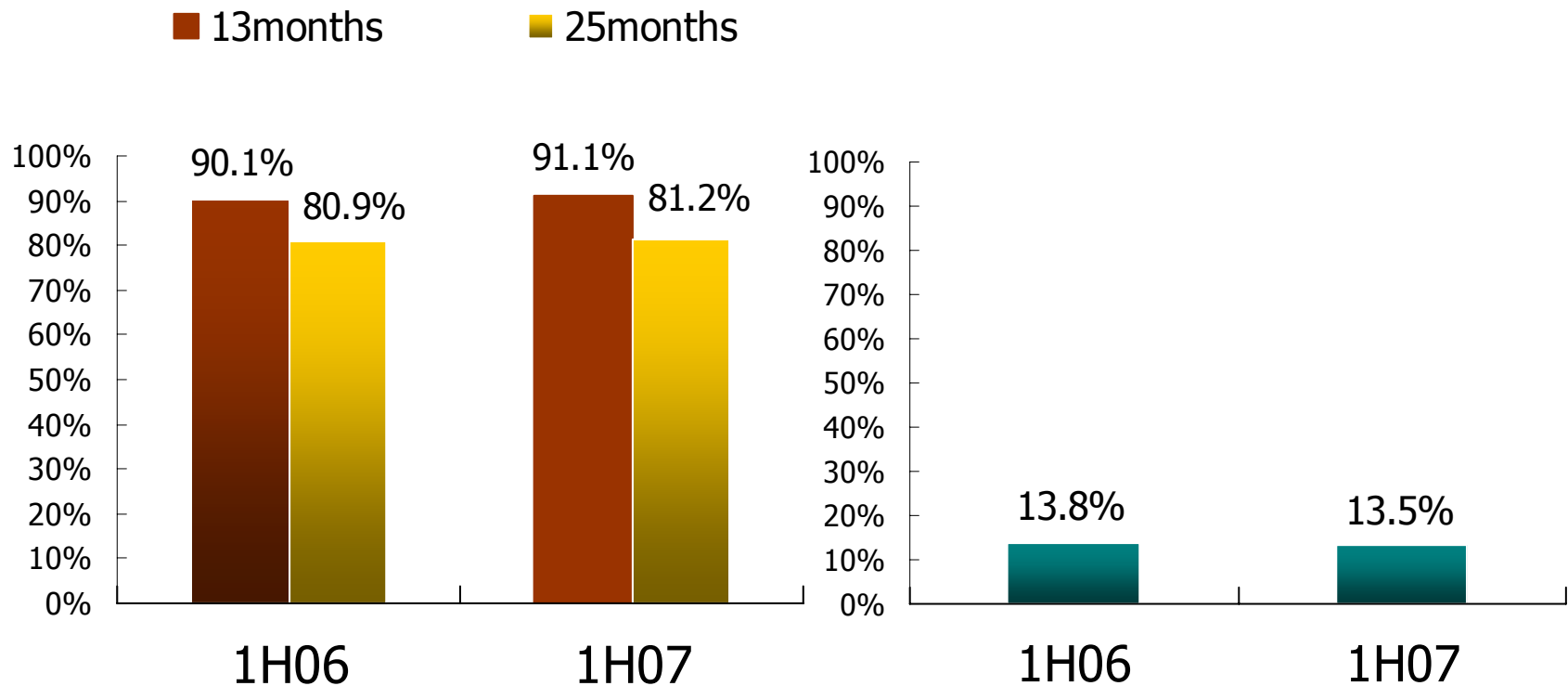
## FYP by product



# Cathay Life - Operational indicators

## Persistency ratio

## Expense ratio



# Cathay Life - Investment portfolio

	1Q07		2Q07		Weight Change	Amount Change
	Amt. (NT\$BN)	%	Amt. (NT\$BN)	%		
Cash & cash equivalents	243.4	12.2%	225.7	11.1%	-1.1%	-17.7
Equities - Domestic	234.1	11.7%	218.5	10.8%	-0.9%	-15.6
Equities - International	47.1	2.4%	54.2	2.7%	0.3%	7.1
Bonds - Domestic	205.2	10.3%	229.5	11.3%	1.0%	24.3
Bonds - International <sup>(1)</sup>	636.5	31.9%	636.4	31.4%	-0.5%	-0.1
Mortgage loans	319.7	16.1%	331.8	16.3%	0.2%	12.1
Policy loans	177.1	8.9%	179.2	8.8%	-0.1%	2.1
Real estate	117.3	5.9%	116.7	5.8%	-0.1%	-0.6
Others	12.5	0.6%	37.4	1.8%	1.2%	24.9
<b>Total investments<sup>(2)(3)</sup></b>	<b>1,992.9</b>	<b>100.0%</b>	<b>2029.4</b>	<b>100.0%</b>		

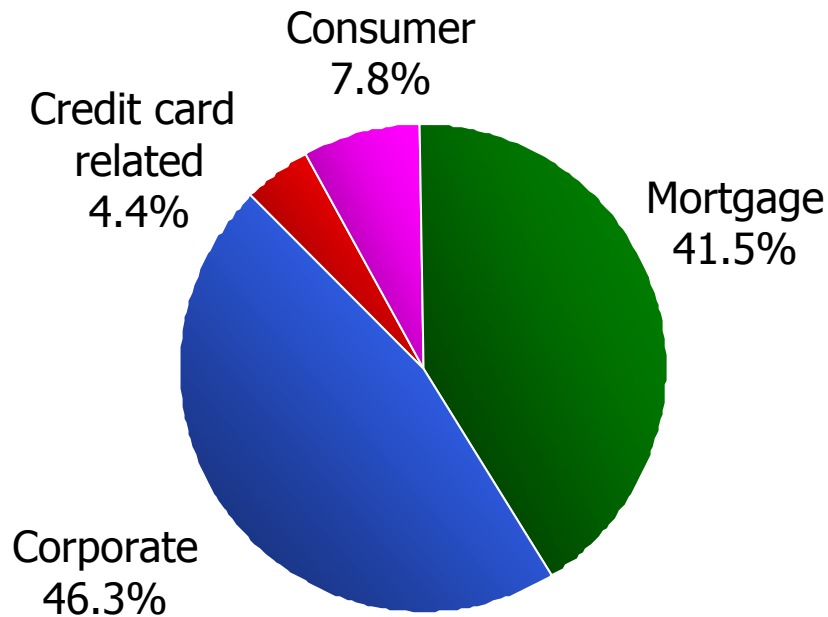
Note (1) : Includes foreign currency and related adjustments

Note (2) : Excludes separate account assets

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

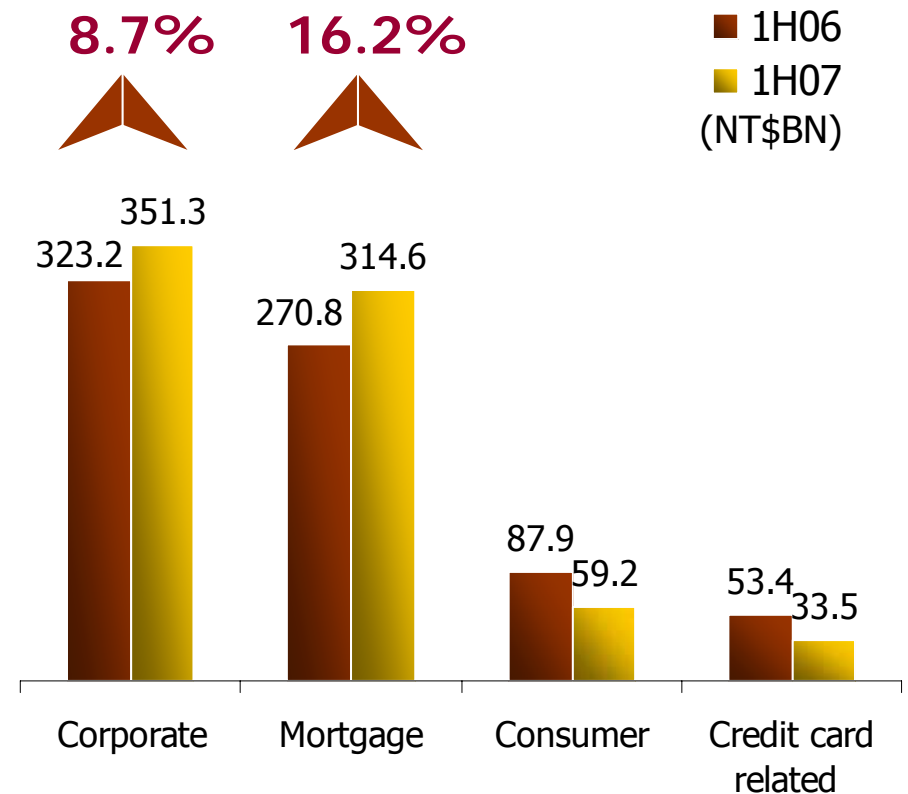
# CUB - Loan portfolio

## Loan breakdown



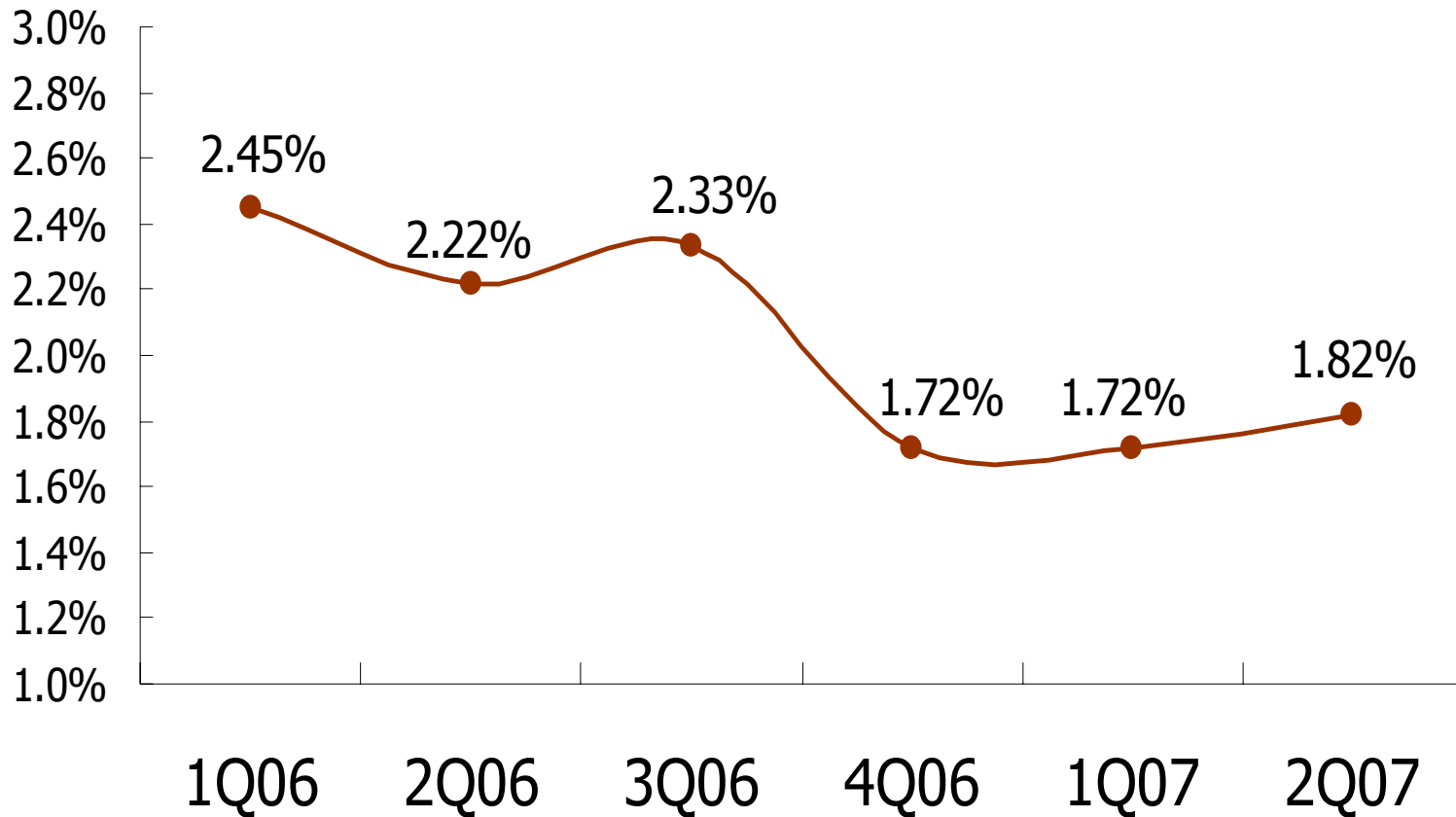
Total loans as of June-07  
NT\$ 758.5 BN

## Loan growth by product



Note: Financial numbers and ratios include contribution from Lucky Bank; NT\$ 5.5 BN CLO was deducted from corporate loans in 1H07

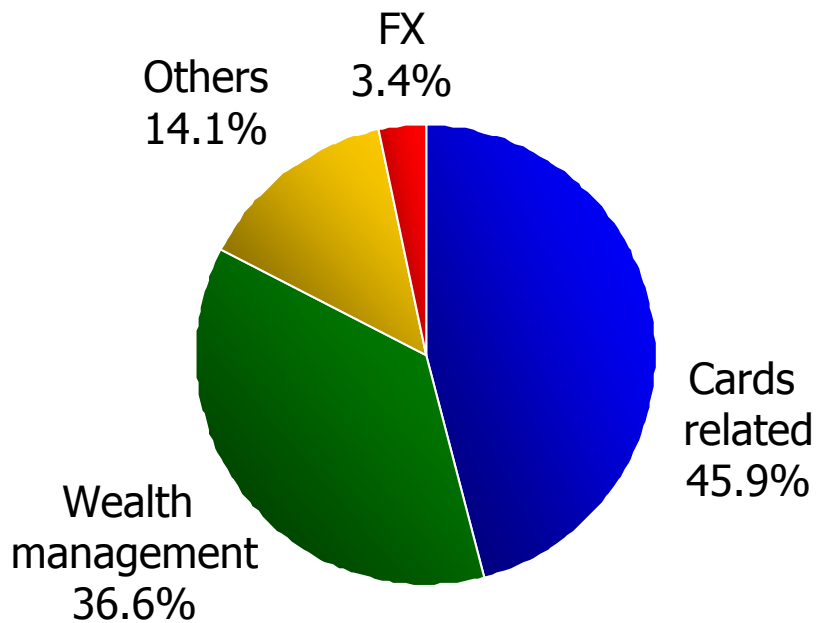
# CUB – Net interest margin



Note: Financial numbers and ratios include contribution from Lucky Bank

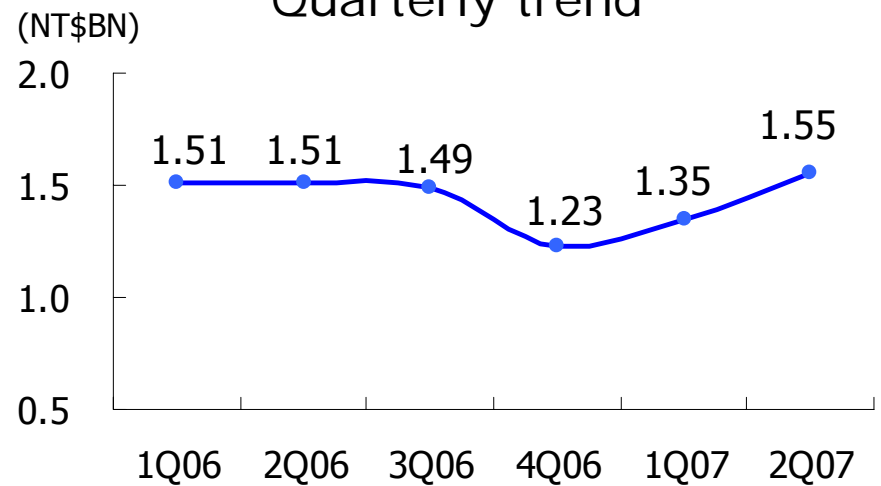
# CUB - Fee income

## Fee income breakdown

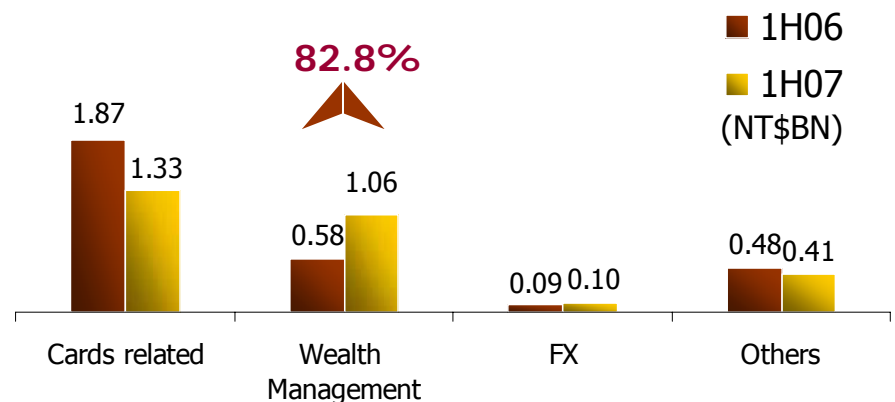


Fee income for 1H07  
NT\$ 2.90 BN

## Quarterly trend



## Fee income growth by product

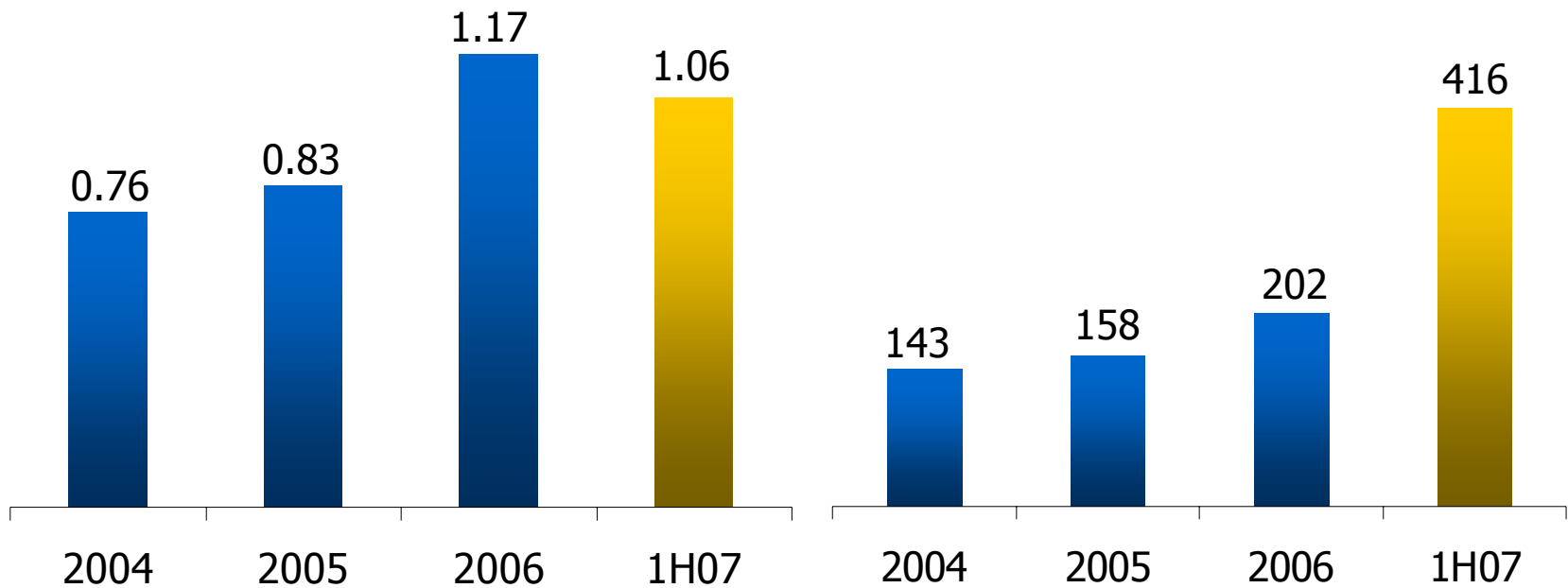


# CUB – Wealth management

Wealth management fees

Number of financial advisors

(NT\$BN)

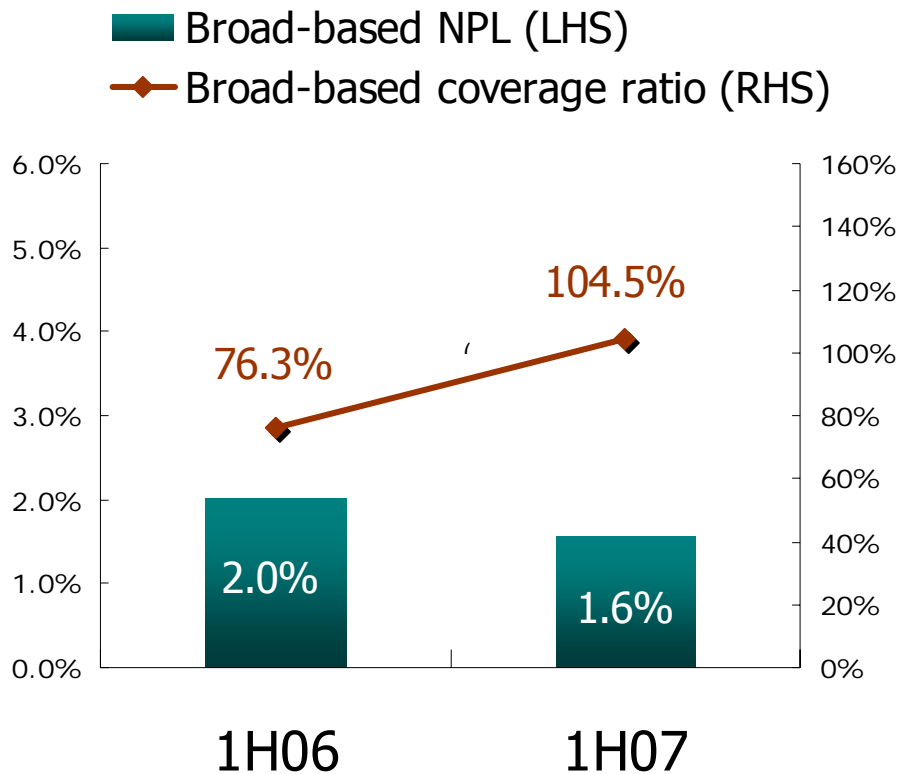


Note: Financial numbers do not include contribution from Lucky Bank

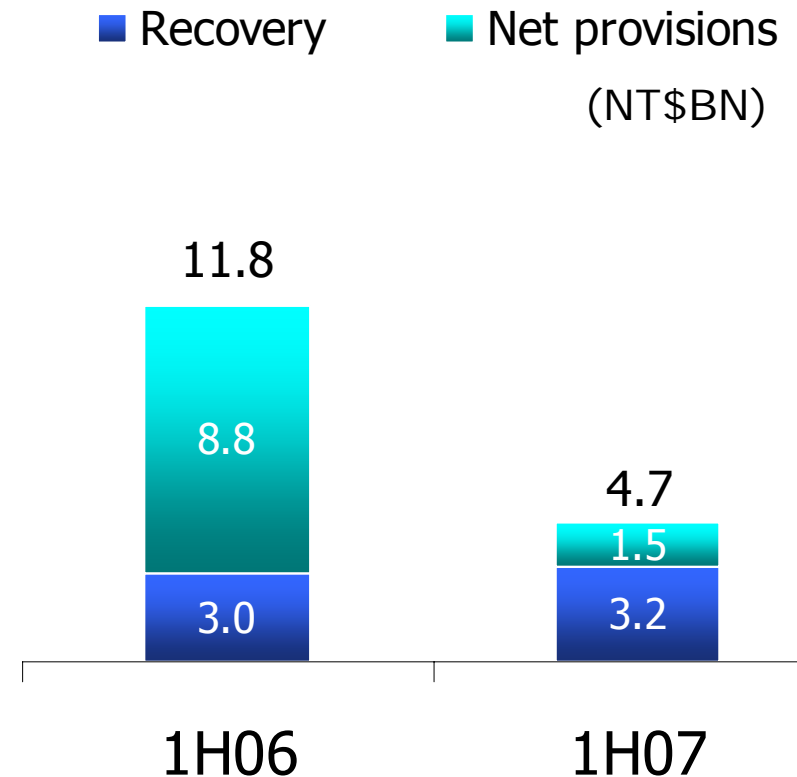
Components of wealth management fees have been reclassified, so the fee income numbers were according adjusted

# CUB - Credit quality

## Broad-based NPL & Coverage ratio



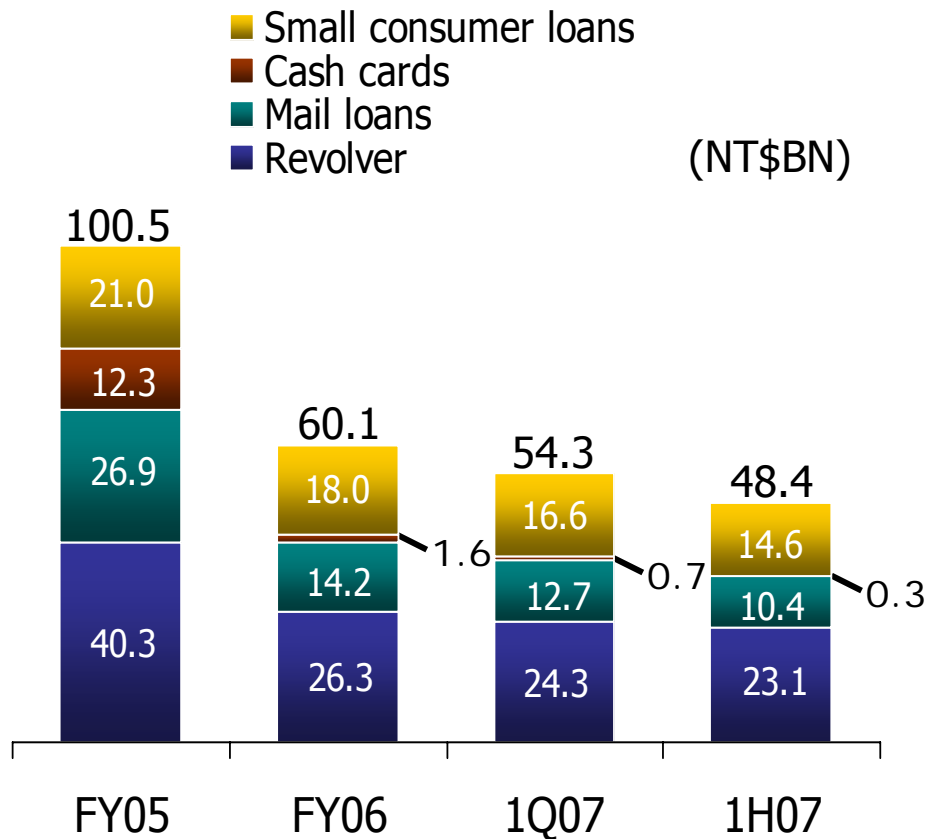
## Gross provisions



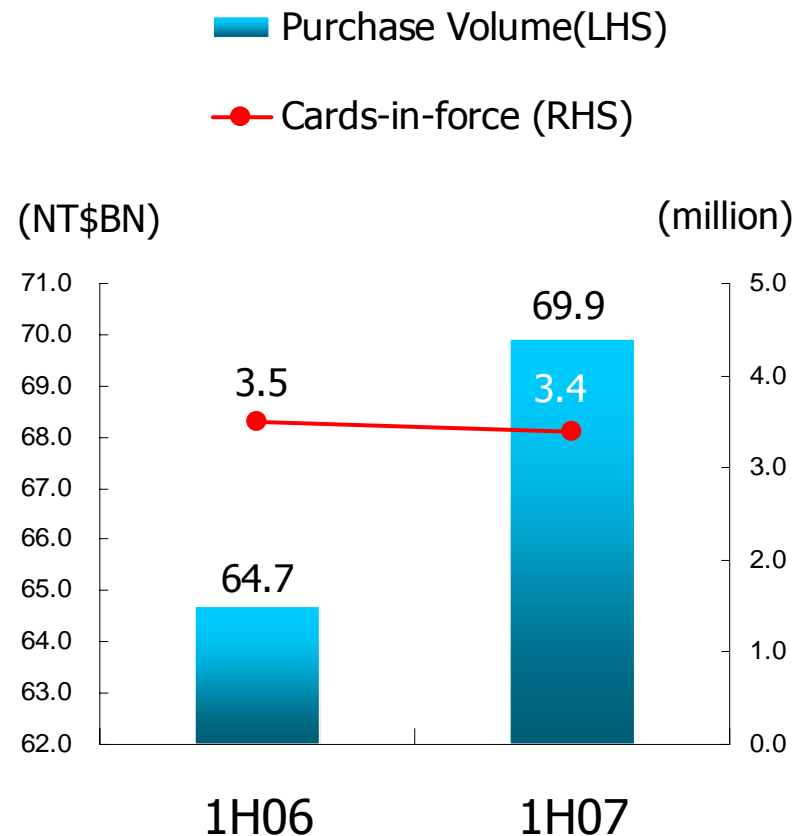


# CUB – Personal unsecured loans

## Breakdown of unsecured business



## Credit card purchase volume

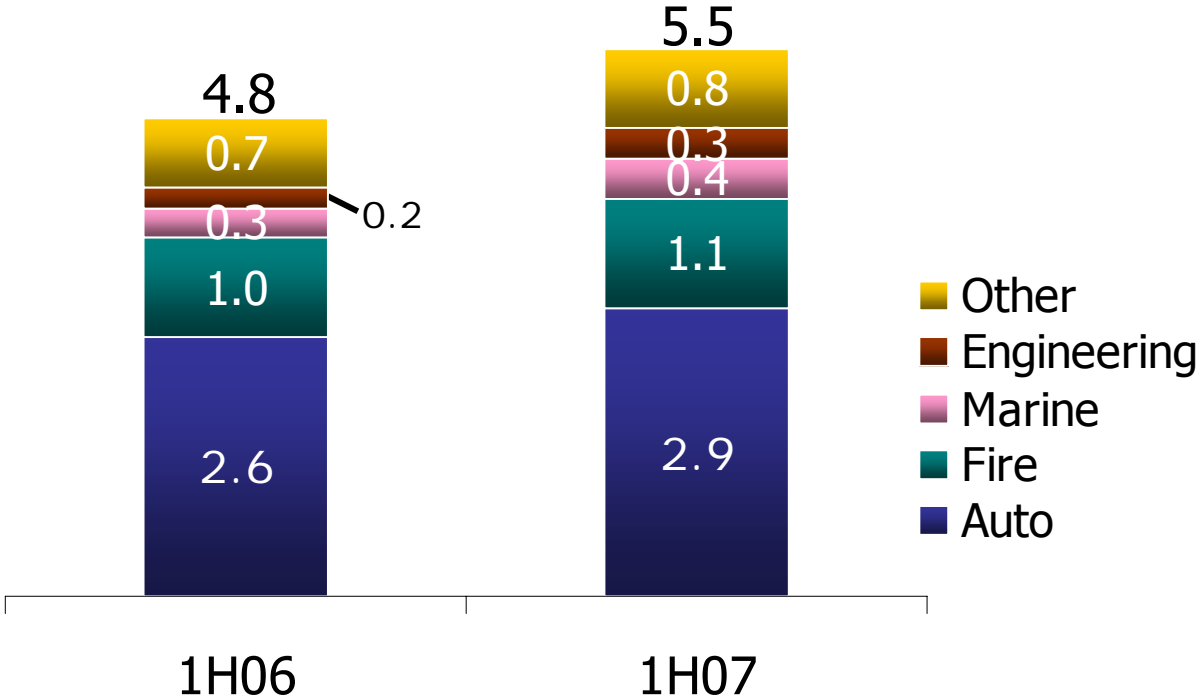


Note: Financial numbers and ratios include contribution from Lucky bank

# Cathay Century - Premium breakdown

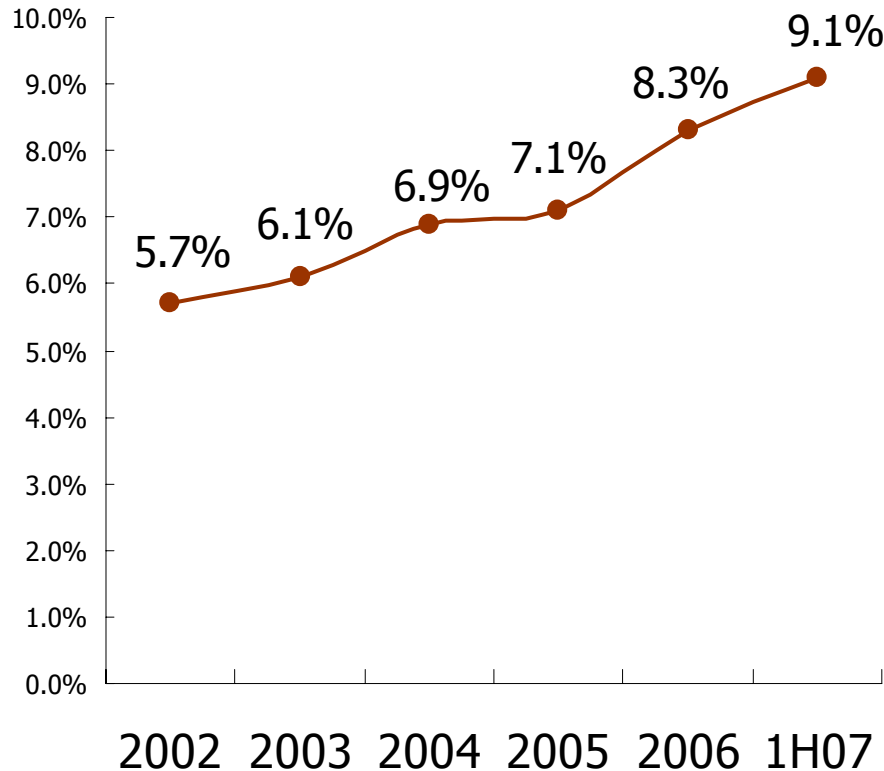
(NT\$BN)

14.2%

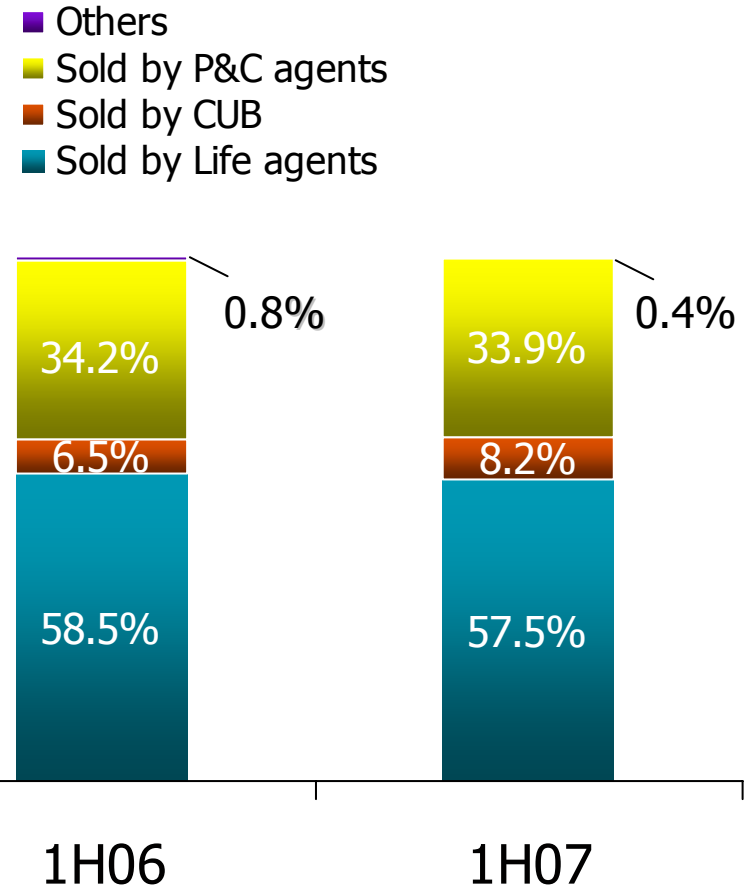


# Cathay Century – Market share & Distribution channel

## Market share

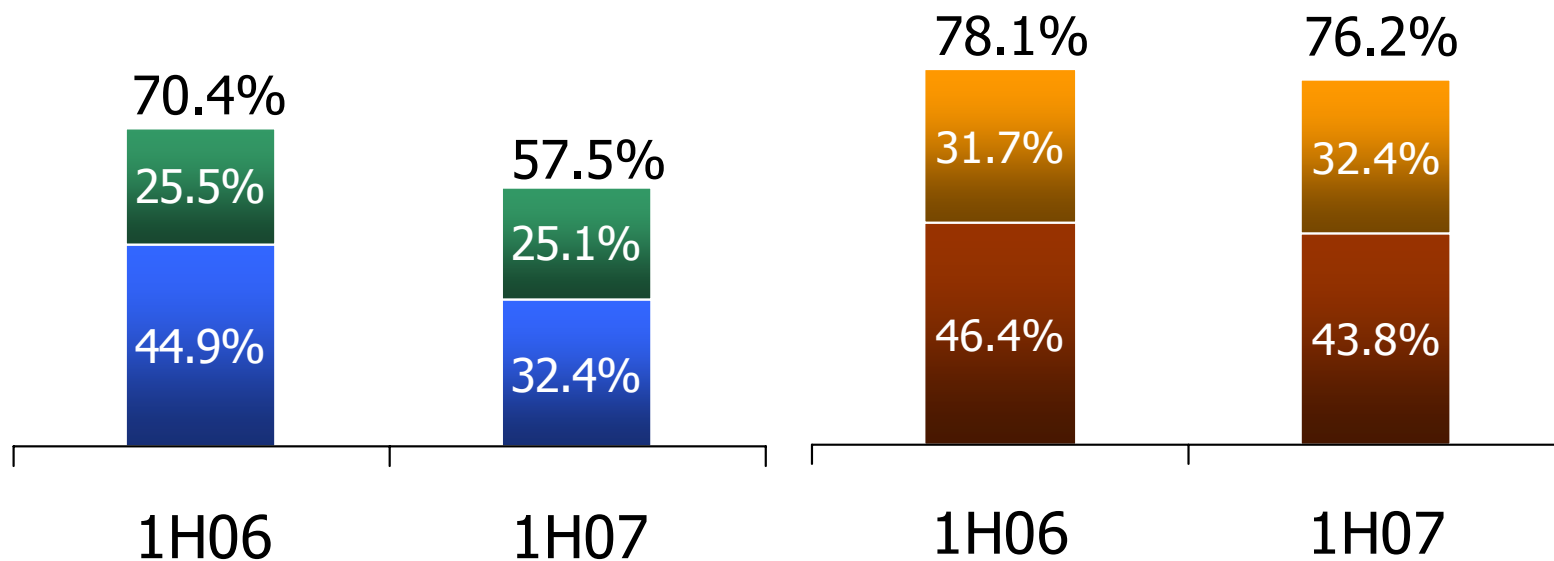


## Distribution channel



# Cathay Century - Combined ratio

- Gross expense ratio
- Gross loss ratio
- Retained expense ratio
- Retained loss ratio



# Agenda

- 2007 First Half Review
  - Cathay Life
  - Cathay United Bank
  - Cathay Century

- **Life Insurance and Banking Outlook**



# 2H07 Outlook- Cathay Life

## ■ Underwriting- Focus on profit margins

- Target higher margin products contributing more than one-third of FYP
- Sales of variable universal life should dominate given higher yields

## ■ Investments- Achieve higher yields

- Higher domestic interest rates and raising of overseas investment cap should enhance investment yields
- Cash dividends to be received in third quarter

## ■ China business

- Fuzhou office expected to begin operations in the third quarter
- Continued expansion: along the Yangtze River and coastal provinces
- Continue developing local human resource



# 2H07 Outlook- Cathay United Bank

## ■ **Loan balance– Steady growth**

- Corporate and mortgage business primary growth drivers
- Continued strengthening of credit controls on unsecured lending

## ■ **Emphasis on non-interest income growth**

- Participate in asset-backed securitization and international syndicated loan markets
- Cultivate long-term relationships with premium customers
- Increase wealth management sales capacity and range of products to enhance fee income

## ■ **Overseas business**

- Transfer successful business models to existing overseas branches
- Apply for branches to increase presence in Vietnam market
- Continue to evaluate additional Asian expansion opportunities





## Cathay Financial Holdings

### Summary Financial Data (NT\$BN)

	FY2005	FY2006	FY06/ FY05 % Chg	1H 2006	1H 2007	1H07/ 1H06/ % Chg	2Q 2006	2Q 2007	2Q07/ 2Q06/ % Chg
<b>Statement of Income Data</b>									
Interest income	0.9	1.1	16.5%	0.5	0.6	11.5%	0.3	0.3	8.6%
Income from subsidiaries									
Cathay Life	17.9	15.0	-16.2%	7.2	16.2	125.2%	0.7	8.7	1180.6%
Cathay United Bank <sup>(1)</sup>	3.8	(3.8)		2.8	4.4	55.0%	0.6	2.2	246.1%
Cathay Century	0.6	0.7	16.7%	0.5	0.7	37.6%	0.2	0.3	75.0%
Other	0.1	0.6	500.0%	0.1	0.06	-57.0%	0.0	0.0	0.5%
Total income from subsidiaries	22.4	12.5	-44.2%	10.6	21.3	100.1%	1.5	11.2	623.5%
Adjustments	(0.1)	(0.0)	-96.7%	0.1	(0.4)	-	0.1	(0.4)	-876.0%
Total income from subsidiaries, net	22.3	12.5	-43.9%	10.7	20.9	94.4%	1.6	10.8	575.9%
Gain on foreign exchange <sup>(2)</sup>	0.3	(0.0)	-107.8%	(0.0)	0.0	-504.2%	(0.0)	(0.1)	547.0%
Other income	0.0	0.2		(0.3)	0.0	-105.0%	(0.3)	0.0	-102.1%
Operating costs	(1.2)	(1.7)	35.5%	(0.8)	(0.6)	-30.1%	(0.2)	(0.2)	42.1%
Administrative and general expenses	(0.3)	(0.2)	-29.8%	(0.1)	(0.1)	-8.4%	(0.1)	(0.1)	-0.3%
Income taxes	(0.2)	(0.4)	128.5%	(0.1)	(0.1)	-4.6%	(0.2)	0.0	-105.7%
Cumulative effect of changes in accounting principles		(0.9)		(0.9)	0.0		0.0	0.0	
Net income	21.8	10.6	-51.5%	9.0	20.7	130.3%	1.1	10.7	838.1%
EPS (NT\$)	2.45	1.18		1.00	2.25				
<b>Balance Sheet Data</b>									
Long-term investments in stock	188.1	205.5		188.8	216.0		(16.2)	2.9	
Total assets	204.5	223.8		220.5	244.6		(2.6)	13.8	
Total consolidated assets	3,064.9	3,447.5		3,251.0	3,596.4		81.5	62.5	
Total shareholders' equity	187.7	216.1		192.4	228.2		(11.1)	1.3	
<b>Operating Metrics</b>									
ROAE(standalone)	12.0%	5.2%		9.5%	18.6%				
ROAA (standalone)	10.8%	4.9%		8.5%	17.7%				
ROAA(consolidated)	0.8%	0.3%		0.6%	1.2%				

#### Notes:

- (1) 2005 and 2006 financial number do not include contribution from Lucky Bank.
- (2) Gain on foreign exchange is seperated from non-operating revenues in 2005 and 2006.
- (3) 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.



**Cathay Life**  
**Summary Financial Data**  
**(NT\$BN)**

	<b>FY 2005</b>	<b>FY2006</b>	<b>FY06/ FY05 % Chg</b>	<b>1H 2006</b>	<b>1H 2007</b>	<b>1H07/ 1H06 % Chg</b>	<b>2Q 2006</b>	<b>2Q 2007</b>	<b>2Q07/ 2Q06 % Chg</b>
<b>Summary Statement of Income Data</b>									
Premiums income <sup>(1)</sup>	276.0	287.6	4.2%	127.4	138.2	8.5%	65.7	77.0	17.2%
Investment income									
Interest income	54.5	62.6	14.9%	30.4	33.6	10.6%	15.6	17.0	9.1%
Gain on disposal of investment	11.8	7.7	-35.1%	15.5	8.2	-47.0%	1.3	3.2	150.1%
Other investment income, net	12.2	12.2	-0.3%	(11.3)	13.1	-215.8%	(1.8)	6.7	-462.4%
Total investment income, net <sup>(2)</sup>	78.5	82.5	5.0%	34.6	54.9	58.5%	15.0	26.9	79.1%
Other income	2.5	1.6	-37.7%	0.8	1.1	43.1%	0.5	0.6	20.6%
Insurance claims payment	(137.0)	(157.6)	15.1%	(69.9)	(88.3)	26.4%	(37.3)	(48.8)	31.0%
Provisions for reserves									
Provisions	(284.1)	(298.4)	5.0%	(126.5)	(139.0)	9.9%	(64.3)	(75.5)	17.4%
Recoveries	117.0	133.1	13.8%	54.6	70.0	28.2%	29.4	39.5	34.4%
Total provisions for reserves, net	(167.1)	(165.3)	-1.1%	(71.9)	(69.0)	-4.1%	(34.9)	(36.0)	3.1%
Commissions and operating expense									
Brokerage expenses	(25.9)	(27.2)	5.2%	(13.0)	(14.4)	10.4%	(6.5)	(8.1)	25.2%
Marketing, administrative and general expenses	(10.2)	(10.4)	1.3%	(5.5)	(5.4)	-1.8%	(2.6)	(2.7)	3.9%
Total commissions and operating expenses	(36.1)	(37.6)	4.1%	(18.5)	(19.8)	6.8%	(9.0)	(10.8)	19.1%
Other operating expenses	(2.1)	(2.7)	23.6%	(1.2)	(1.1)	-2.5%	(0.6)	(0.5)	-22.0%
Operating income	14.7	8.5	-42.2%	1.3	16.1	1124.0%	(0.6)	8.4	-1460.0%
Non-operating income	2.3	1.7	-27.3%	0.6	0.8	19.1%	0.3	0.4	28.7%
Non-operating expense	(0.3)	(0.3)	-14.8%	(0.0)	(0.1)	280.4%	(0.0)	(0.1)	3244.6%
Income taxes	1.2	1.8	49.1%	2.0	(0.6)	-129.1%	1.0	0.1	-85.3%
Cumulative effect of changes in accounting principles	-	3.3		3.3	-		-	-	
Net income	17.9	15.0	-16.0%	7.2	16.2	125.2%	0.7	8.8	1238.5%
<b>Balance Sheet Data</b>									
Total assets	1,867.8	2,140.8		1,981.5	2,278.0		1,981.5	2,278.0	
Total stockholders' equity	97.6	119.8		97.7	126.4		97.7	126.4	
<b>Operating Metrics</b>									
First year premium	112.7	108.2		44.1	86.9				
Expense ratio	12.5%	12.4%		13.8%	13.5%				
13-mos persistency ratio	90.6%	90.0%		90.1%	91.1%				
25-mos persistency ratio	81.8%	82.2%		80.9%	81.2%				
ROAE	19.1%	13.8%		14.7%	26.3%				
ROAA	1.0%	0.8%		0.8%	1.5%				

**Notes:**

(1) Excludes investment-linked products premium income.

(2) 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.

**Cathay United Bank**  
**Summary Financial Data**  
 (NT\$Bn)

			FY06/ FY05			1H07/ 1H06			2Q07/ 2Q06
	FY2005	FY2006	% Chg	1H 2006 <sup>(1)</sup>	1H 2007	% Chg	2Q 2006	2Q 2007	% Chg
<b>Summary Statement of Income Data</b>									
Interest income	39.5	40.5	2.6%	21.5	19.5	-9.1%	10.9	9.8	-9.7%
Interest expense	(12.9)	(17.0)	31.7%	(8.2)	(9.4)	14.7%	(4.4)	(4.6)	5.1%
Net interest income	26.6	23.5	-11.5%	13.3	10.2	-23.7%	6.5	5.2	-19.6%
Net operating income except interest income									
Net handling fee	5.5	4.5	-17.1%	2.4	2.2	-5.4%	1.3	1.2	-3.4%
Gains on financial assets and liabilities at fair value through P&L	0.4	(0.4)	-211.4%	(1.0)	0.1	-112.6%	(1.2)	(0.2)	-86.8%
Realized gains on available-for-sale financial assets	0.6	0.5	-16.8%	0.2	0.4	87.9%	0.2	0.4	162.4%
Realized gains on held-to-maturity financial assets	0.0	0.0	-	0.0	(0.0)	-120.0%	(0.0)	0.0	-200.0%
Invst inc - equity method	0.2	0.1	-68.3%	(0.1)	0.1	-194.3%	(0.1)	(0.0)	-76.8%
Realized gain - equity method	0.0	1.3	-	1.3	0.0	-100.0%	1.3	0.0	-100.0%
Gain on foreign exchg - net	0.4	0.4	21.6%	0.2	0.4	113.7%	0.0	0.2	274.4%
Impairment gain/loss	(0.8)	(0.3)	-66.6%	(0.2)	0.0	-119.5%	(0.2)	0.0	-109.4%
Gains on reversal of foreclosed properties impairment	0.9	0.4	-57.2%	0.4	(0.0)	-104.8%	0.2	(0.0)	-109.6%
Losses on disposal of foreclosed properties	(0.7)	0.5	-172.3%	0.5	0.0	-100.0%	0.5	0.0	-100.0%
other income-net	0.4	(0.0)	-112.0%	0.0	0.1	61.7%	0.0	(0.0)	-115.0%
Net operating income	33.4	30.5	-8.7%	17.0	13.5	-20.3%	8.5	6.8	-20.2%
Provisions for possible losses <sup>(2)</sup>	(15.0)	(25.8)	72.1%	(8.86)	(1.55)	-82.4%	(6.0)	(0.6)	-89.2%
Operating expenses	(13.4)	(11.7)	-12.4%	(6.2)	(6.4)	3.8%	(3.0)	(3.4)	13.2%
Operating income	5.1	(6.9)	-235.3%	1.9	5.5	187.3%	(0.4)	2.8	-745.0%
Income taxes	(1.3)	2.4	-290.7%	0.3	(1.2)	-473.7%	1.1	(0.6)	-152.2%
Cumulative effect of changes in accounting principles	0.0	0.7	-	0.7	-	-	0.0	-	-
Net income	3.9	(3.8)	-198.3%	3.0	4.4	47.8%	0.7	2.2	204.9%
<b>Balance Sheet Data</b>									
Total assets	1074.1	1,177.7		1,225.3	1,265.2		1,225.3	1,265.2	
Total shareholders' equity	77.9	72.1		81.8	80.4		81.8	80.4	
<b>Operating Metrics</b>									
Cost income ratio	40.0%	38.3%		36.5%	47.5%				
ROAE	4.9%	-5.0%		7.3%	11.2%				
ROAA	0.4%	-0.3%		0.5%	0.7%				
<b>Assets Quality</b>									
NPL ratio (international standard)	1.73%	1.82%		2.02%	1.55%				
Coverage ratio (international standard)	144.1%	129.5%		76.3%	104.5%				

**Notes:**

(1) Financial results of Lucky Bank are adjusted in 1H06 and 2Q06 numbers.

(2) FY06, 1H06, 1H07 provisions net of NT\$6.0bn, NT\$3bn and NT\$3.2bn bad debt recoveries, respectively.

(3) 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.

**Cathay Century**
**Summary Financial Data**

(NT\$MM)

	FY 2005	FY 2006	FY06/ FY05 % Chg	1H 2006	1H 2007	1H07/ 1H06 % Chg	2Q 2006	2Q 2007	2Q07/ 2Q06 % Chg
<b>Summary Statement of Income Data</b>									
Premiums income	8,912.2	9,896.5	11.0%	4,821.5	5,507.4	14.2%	2,397.5	2,758.5	15.1%
Reinsurance premiums ceded	(2,988.5)	(3,098.5)	3.7%	(1,428.7)	(1,778.8)	24.5%	(636.4)	(906.3)	42.4%
Premiums income, net	5,923.7	6,798.0	14.8%	3,392.8	3,728.7	9.9%	1,761.1	1,852.1	5.2%
Investment									
Interest income	263.4	318.5	20.9%	152.2	178.5	17.3%	79.5	91.3	14.8%
Other investment income, net	40.5	58.6	44.8%	64.1	202.05	215.2%	(10.7)	153.0	-1532.1%
Total investment income	303.9	377.1	24.1%	216.3	380.6	75.9%	68.8	244.3	254.9%
Other operating income	401.5	223.7	-44.3%	125.6	150.6	19.9%	52.2	67.8	29.9%
Insurance claims payment, net	(3,098.6)	(3,005.8)	-3.0%	(1,454.6)	(1,571.4)	8.0%	(688.3)	(753.1)	9.4%
Provisions for reserves									
Provisions	(5,032.5)	(5,830.8)	15.9%	(5,161.0)	(5,688.6)	10.2%	(355.4)	(359.6)	1.2%
Recoveries	4,428.9	4,677.8	5.6%	4,606.9	5,117.5	11.1%	53.4	74.0	38.7%
Total provisions for reserves, net	(603.6)	(1,153.0)	91.0%	(554.1)	(571.1)	3.1%	(302.0)	(285.6)	-5.4%
Commissions, operating and other expenses	(2,187.5)	(2,395.4)	9.5%	(1,178.2)	(1,273.3)	8.1%	(588.2)	(704.5)	19.8%
Operating income	739.2	844.7	14.3%	547.8	844.1	54.1%	303.6	421.1	38.7%
Non-operating income	12.1	3.7	-69.8%	0.9	2.3	140.2%	0.3	1.1	204.6%
Non-operating expense	(0.0)	(0.1)	182.6%	0.1	(0.0)	-	0.1	(0.0)	-
Income taxes	(160.8)	(178.6)	11.1%	(114.8)	(166.8)	45.3%	(69.9)	(82.9)	18.6%
Cumulative effect of changes in accounting principles	-	60.1	-	60.1	0.0	-	-	0.0	-
Net income	590.5	729.8	23.6%	494.1	679.5	37.6%	234.0	339.2	44.9%
<b>Summary Balance Sheet Data</b>									
Total assets	12,692.6	14,675.9	15.6%	13,475.0	15,751.4		13,475.0	15,751.4	
Total stockholders' equity	3,194.2	3,571.6	11.8%	3,218.0	3,609.2		3,218.0	3,609.2	
<b>Operating Metrics</b>									
Written Combined ratio	104.5%	66.7%		70.4%	57.5%				
Net Combined ratio	86.0%	82.4%		78.1%	76.2%				
ROAE	18.5%	21.6%		30.8%	37.9%				
ROAA	4.9%	5.3%		7.6%	8.9%				

(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) FY05, FY06 Gain/ Loss on foreign exchange are reclassified under Commissions, operating and other expenses.



**Shares Outstanding**  
(Millions of shares)

	<u>As of</u> <u>6/30/2007</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

Notes: All data and information on this page is provided for informational purposes only, and may be subject to adjustment. For more details, please refer to our official financial reports.

## Capital Adequacy Metrics

	<u>Capital Adequacy Metrics</u> (As of 30-Jun.-2007)			<u>Legal Requirement</u>
Cathay Financial Holdings Double leverage ratio <sup>(1)</sup> (As of 31 March, 2007)		94.65%		n/a
Cathay Life RBC Ratio <sup>(1)</sup>	250%	-	400%	200%
Cathay Century RBC Ratio <sup>(1)</sup>		840.09%		200%
Cathay United Bank BIS Ratio		11.80%		8%

Notes:

(1) Preliminary

(2) 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.