

Cathay Financial Holding Co., Ltd.

FY07 Analyst Meeting

March 2008

Internal Capacity

External Environment

Disclaimer

- This document is provided by Cathay Financial Holding Co., Ltd. (the Company). Except for the numbers and information included in the financial statements, the information contained in this document is not audited or reviewed by any accountant or independent expert. The Company makes no representations or warranties expressly or impliedly as to the fairness, accuracy, completeness, or correctness of such information or opinions. The document is provided as of the date herein and will not be updated to reflect any change hereafter. No responsibility is accepted by the Company, its affiliates and their representatives, no matter for their negligence or any other reason, for any loss or damages arising from the use of this document or the information contained herein or anything related to this document.
- This document may contain forward-looking statements, including but not limited to all statements that address activities, events or developments that the Company expects or anticipates to occur in the future, which is based on the projections of the Company toward the future, and various factors and uncertainty beyond the Company's control. Therefore, the actual results may differ materially from those contained in the forward-looking statements.
- This document is not and cannot be construed as an offer to buy and sell securities or other financial products or solicitation of an offer.
- This document may not be directly or indirectly reproduced, redistributed or forwarded to any other person and may not be published in whole or in part for any purpose.



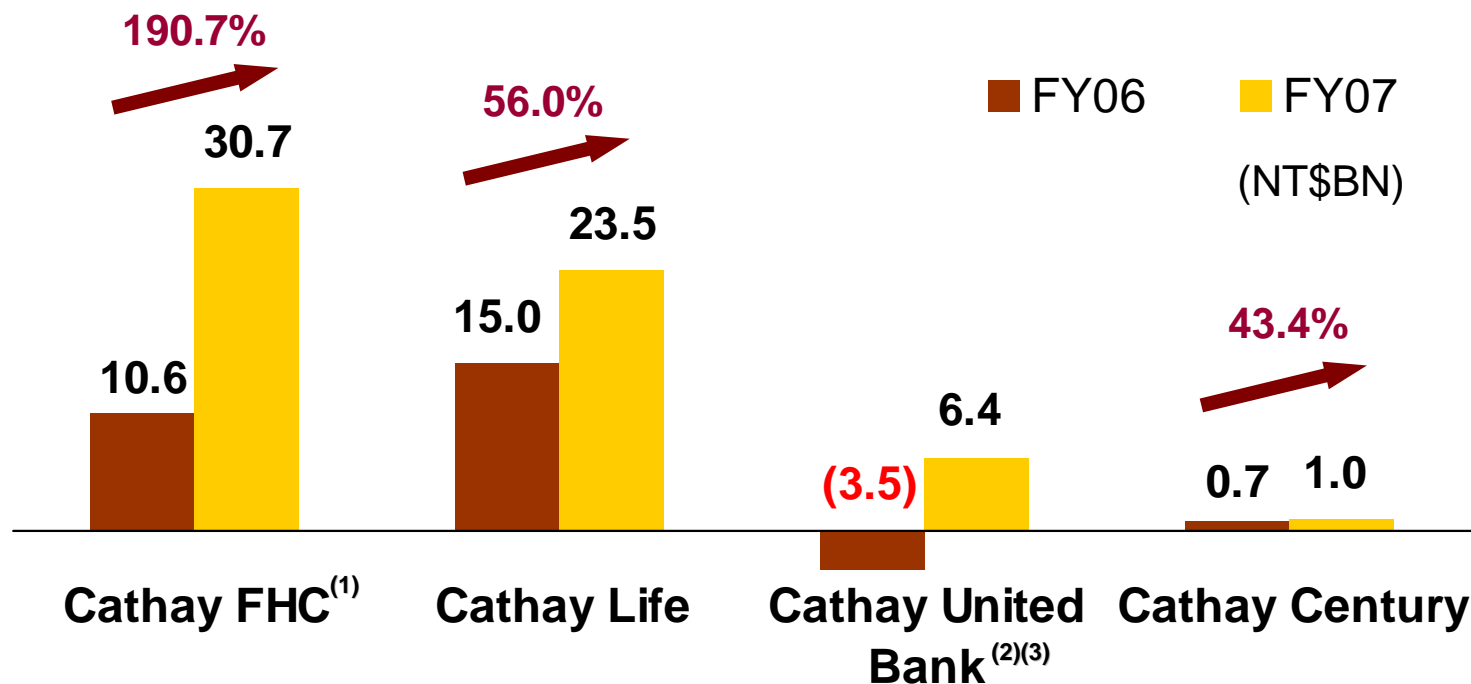
Agenda

2007 Operating results of Cathay FHC

Outlook and strategy



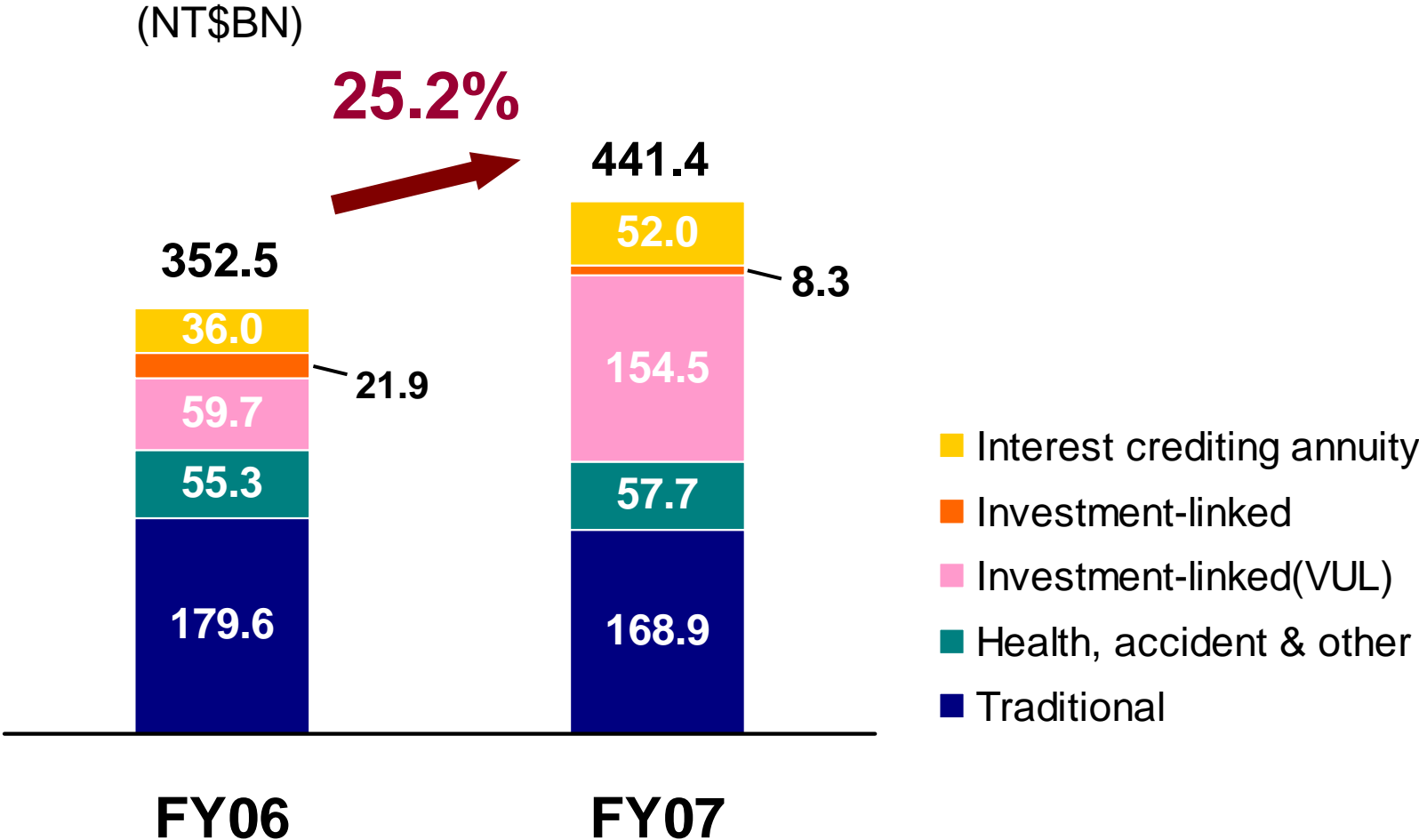
Cathay FHC – Net income



	Cathay FHC ⁽¹⁾		Cathay Life		Cathay United Bank ⁽²⁾⁽³⁾		Cathay Century Bank	
EPS(NT\$)	1.18	3.34	2.97	4.63	(0.72)	1.31	3.15	4.52
ROA	4.9%	13.5%	0.8%	1.0%	(0.3%)	0.5%	5.3%	6.7%
ROE	5.2%	13.9%	13.8%	19.3%	(4.4%)	8.1%	21.6%	28.1%

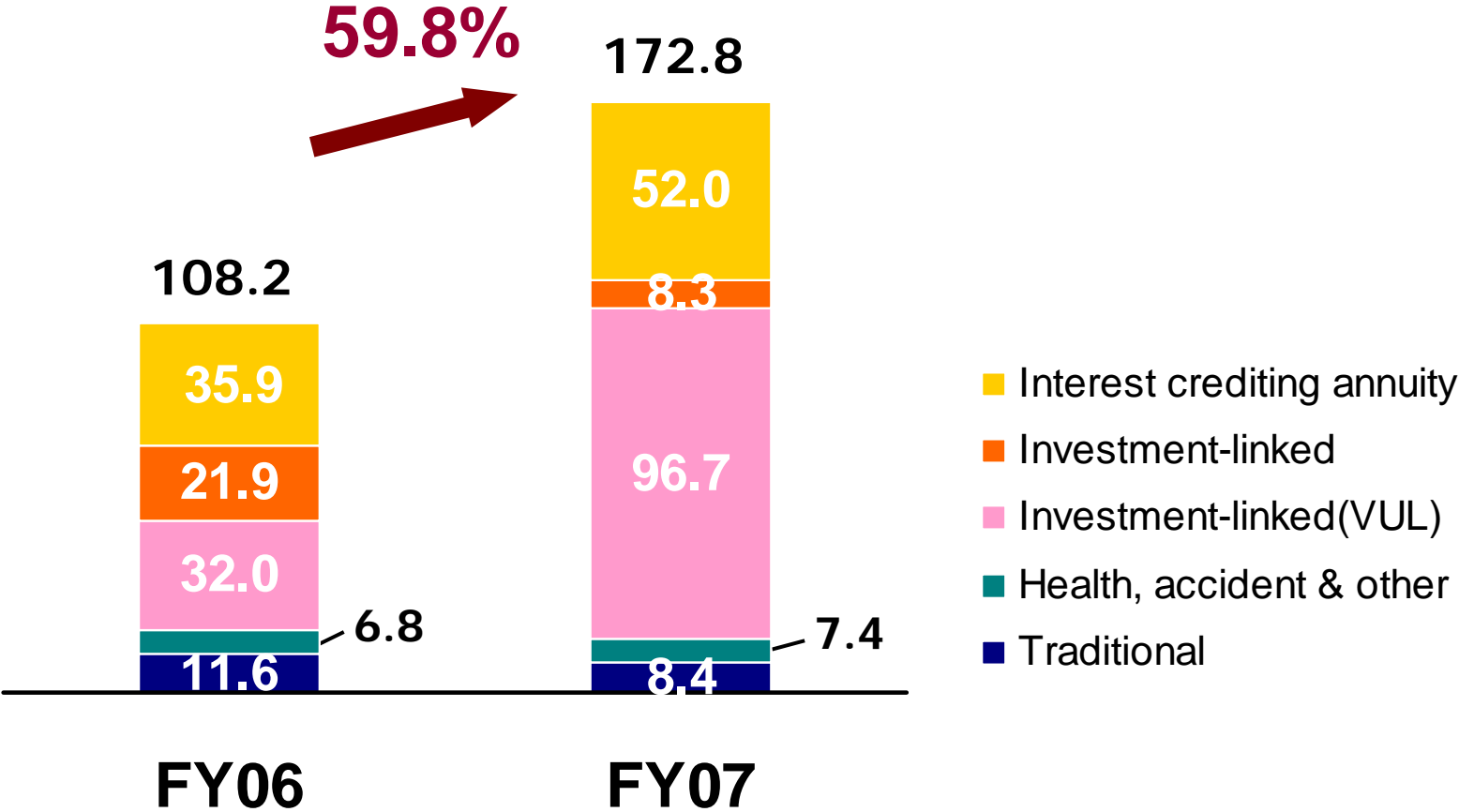
Note: (1) Financial number of Cathay FHC are calculated based on stand-alone basis
 (2) CUB's FY06 financial numbers and ratios include contribution from Lucky Bank
 (3) CUB's FY07 financial numbers and ratios include contribution from Lucky Bank and CUTIC

Cathay Life - Total premium



Cathay Life – First Year Premium

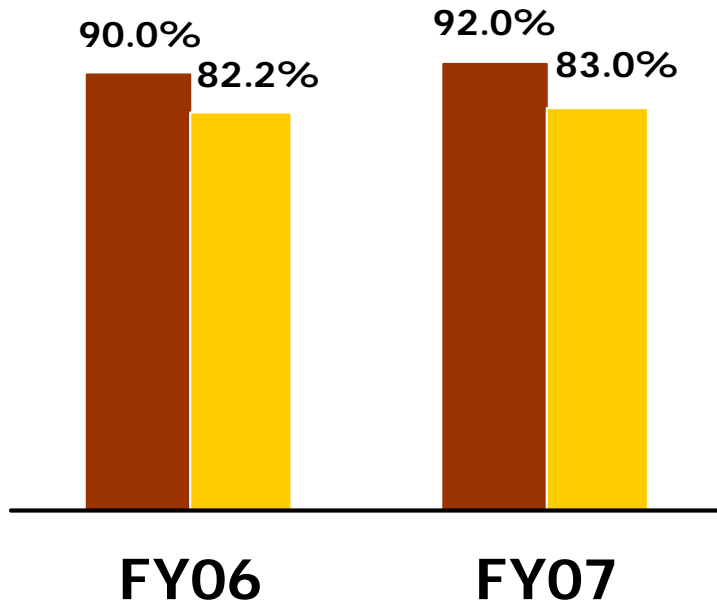
(NT\$BN)



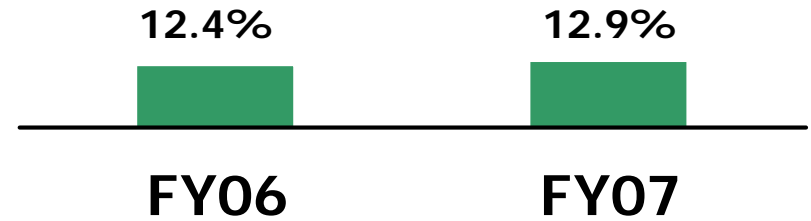
Cathay Life - Operational indicators

Persistency ratio

■ 13months ■ 25months



Expense ratio



Cathay Life - Investment portfolio







	3Q07		4Q07		Weight Change	Amount Change
	Amt. (NT\$BN)	%	Amt. (NT\$BN)	%		
Cash & Cash equivalents	214.9	10.3%	208.4	10.0%	-0.3%	-6.5
Equities - Domestic	201.1	9.7%	188.9	9.1%	-0.6%	-12.2
Equities - International	59.8	2.9%	49.1	2.3%	-0.6%	-10.7
Bonds - Domestic	273.1	13.1%	301.1	14.4%	1.3%	28.0
Bonds - International ⁽¹⁾	642.5	31.0%	648.5	31.1%	0.1%	6.0
Mortgage loans	344.4	16.6%	349.3	16.7%	0.1%	4.9
Policy loans	184.3	8.9%	189.3	9.1%	0.2%	5.0
Real estate	118.0	5.7%	118.1	5.7%	0.0%	0.1
Others	37.2	1.8%	33.7	1.6%	-0.2%	-3.5
Total investments⁽²⁾⁽³⁾	2,075.3	100.0%	2,086.4	100.0%		

Note (1) : Includes foreign currency and related adjustments

Note (2) : Excludes separate account assets

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

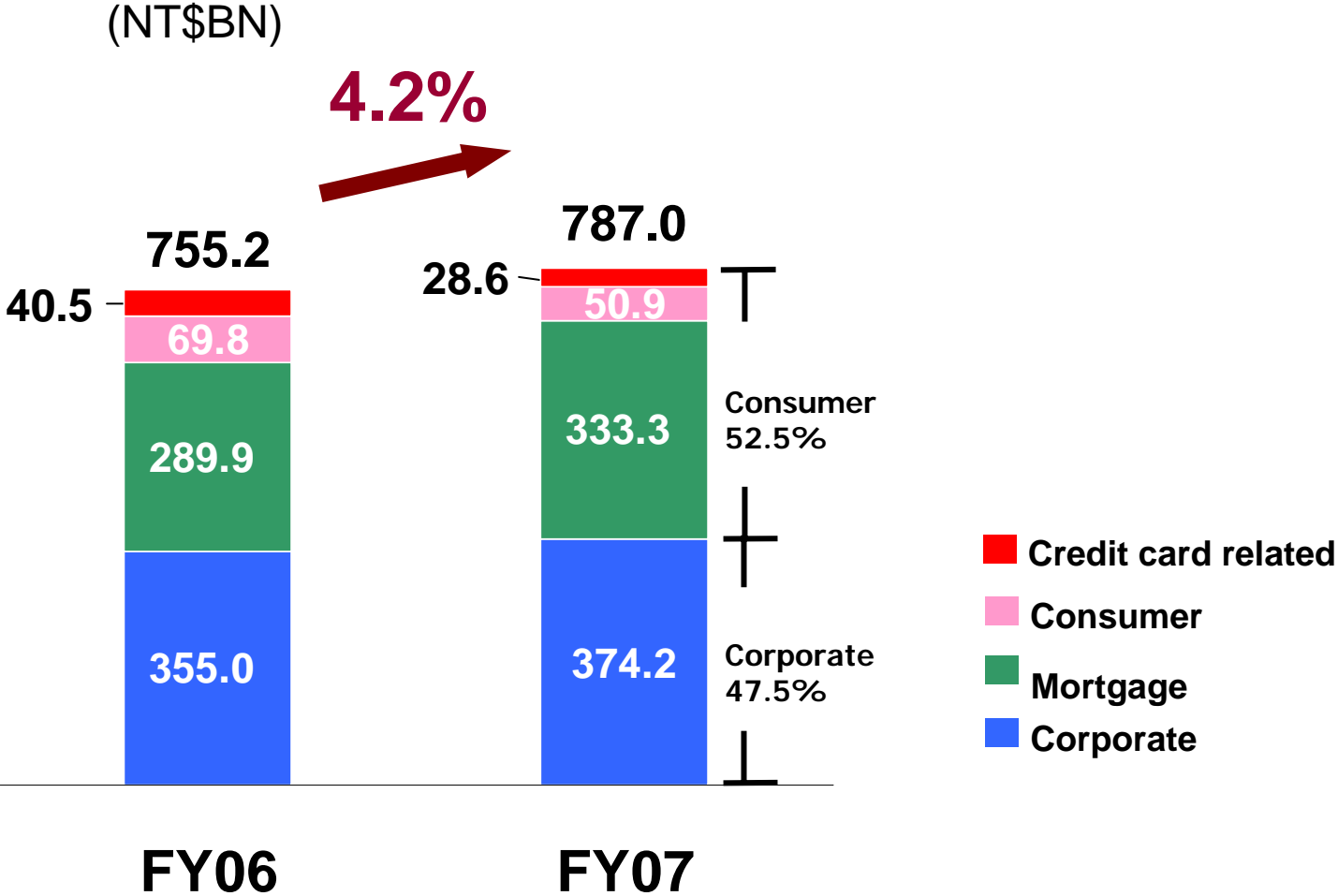
Cathay United Bank – Key metrics

(NT\$BN)	FY06 ⁽¹⁾	FY07 ⁽²⁾
 Total loans	755.2	787.0
 Personal unsecured loans	60.1	39.3
 Loan-to-deposit ratio	75.8%	74.4%
 Net interest margin	2.17%	1.86%
 Fee income	5.74	6.43
 Gross provisions	32.1	9.7

Note: (1) Financial numbers and ratios of FY06 include contribution from Lucky Bank

(2) Financial numbers and ratios of FY07 include contribution from Lucky Bank and CUTIC

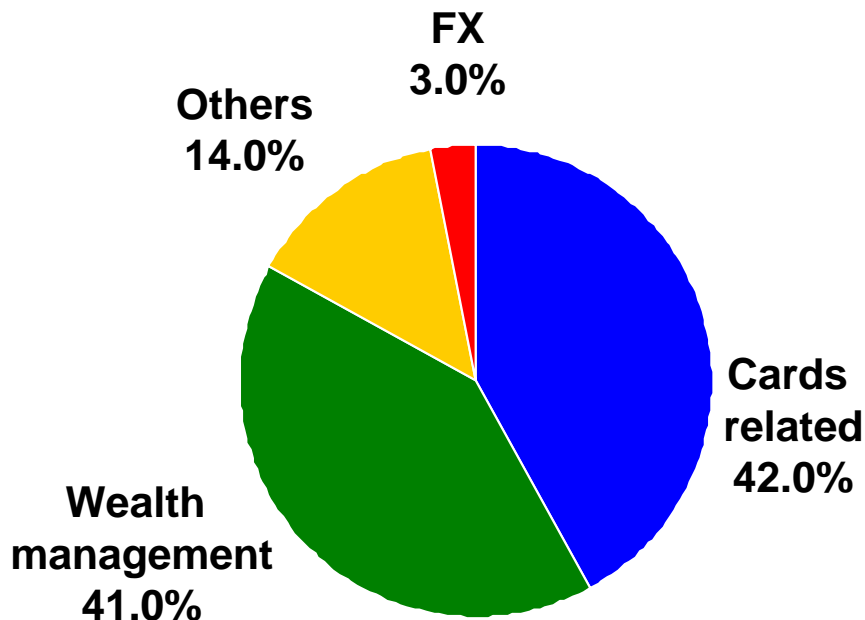
Cathay United Bank - Loan portfolio



Note: (1) Financial numbers and ratios of FY06 include contribution from Lucky Bank
 (2) Financial numbers and ratios of FY07 include contribution from Lucky Bank and CUTIC

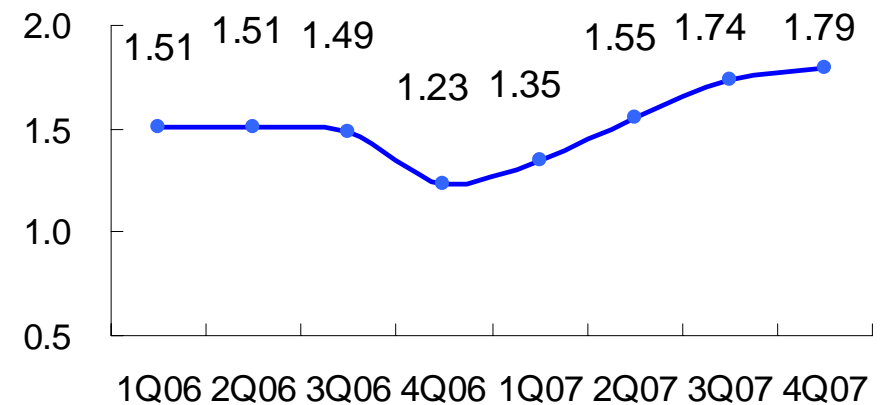
Cathay United Bank - Fee income

Fee income breakdown

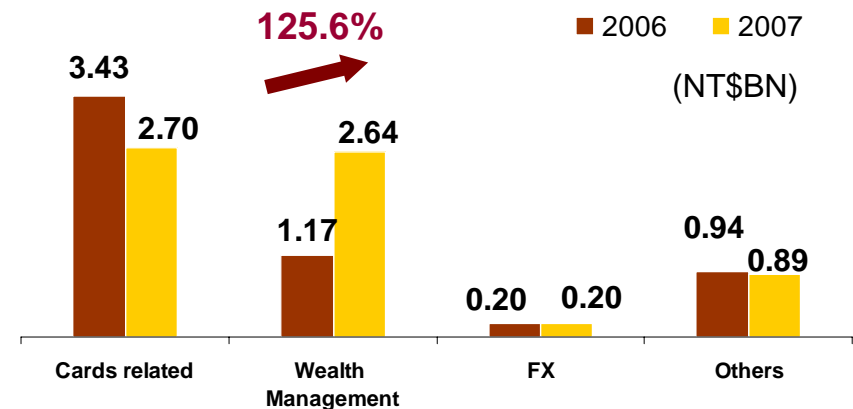


Fee income for FY07
NT\$ 6.43 BN

Quarterly trend (NT\$BN)



Fee income growth by product



Note: (1) Financial numbers and ratios of FY06 include contribution from Lucky Bank
(2) Financial numbers and ratios of FY07 include contribution from Lucky Bank and CUTIC

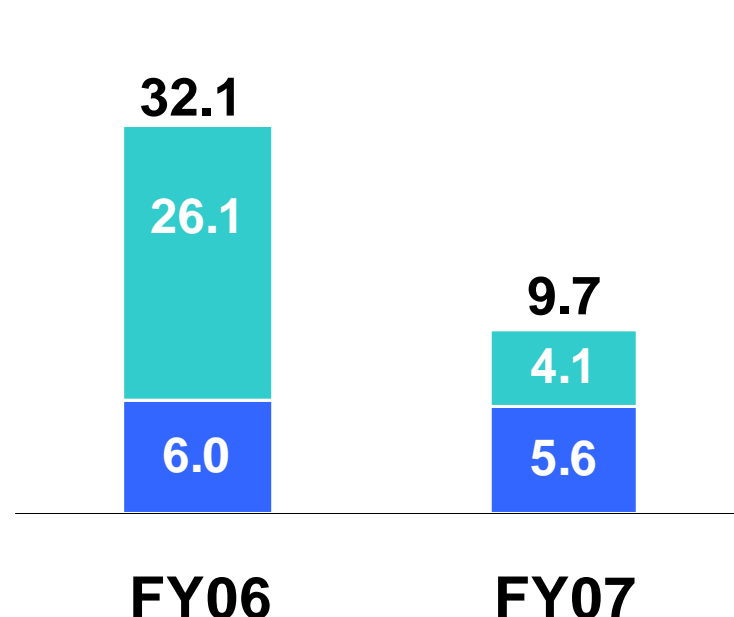
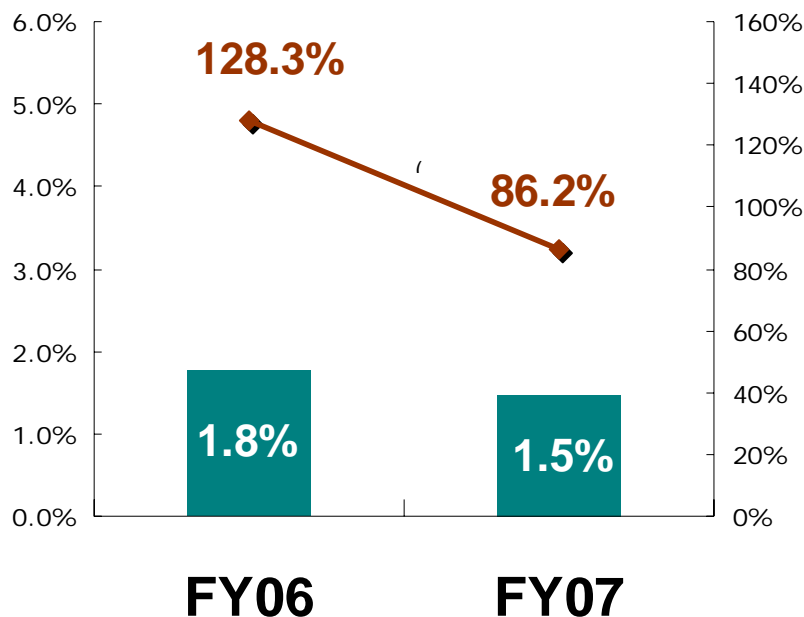
Cathay United Bank - Credit quality

NPL & Coverage ratio

Gross provisions (NT\$BN)

■ NPL (LHS) ◆ Coverage ratio (RHS)

■ Recovery ■ Net provisions

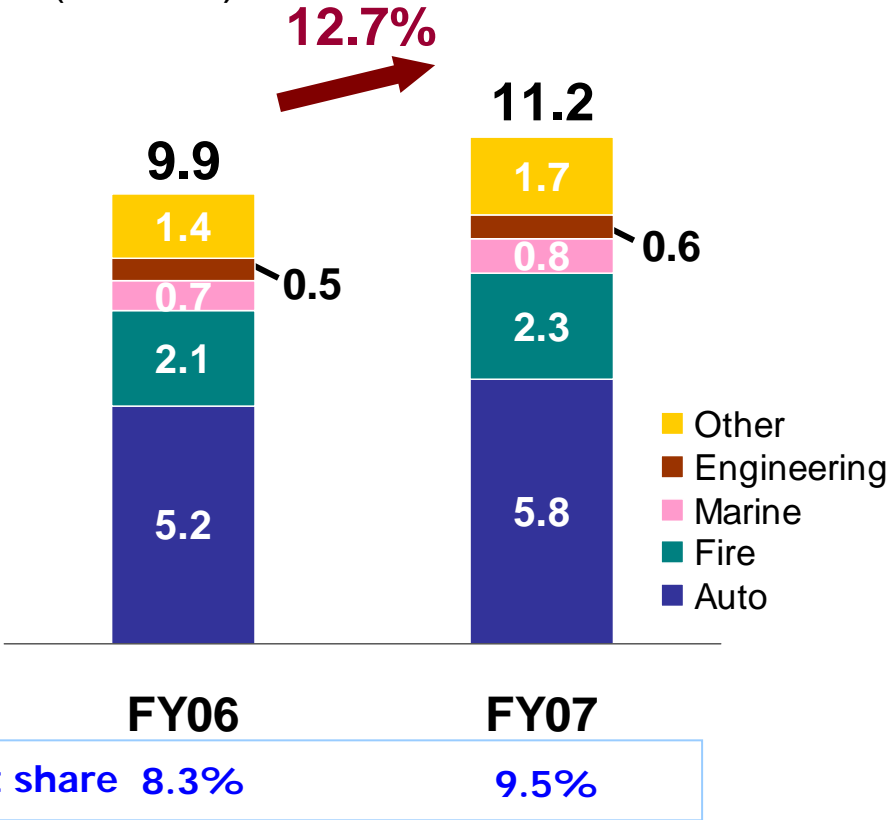


Note: (1) Financial numbers and ratios of FY06 include contribution from Lucky Bank
 (2) Financial numbers and ratios of FY07 include contribution from Lucky Bank and CUTIC

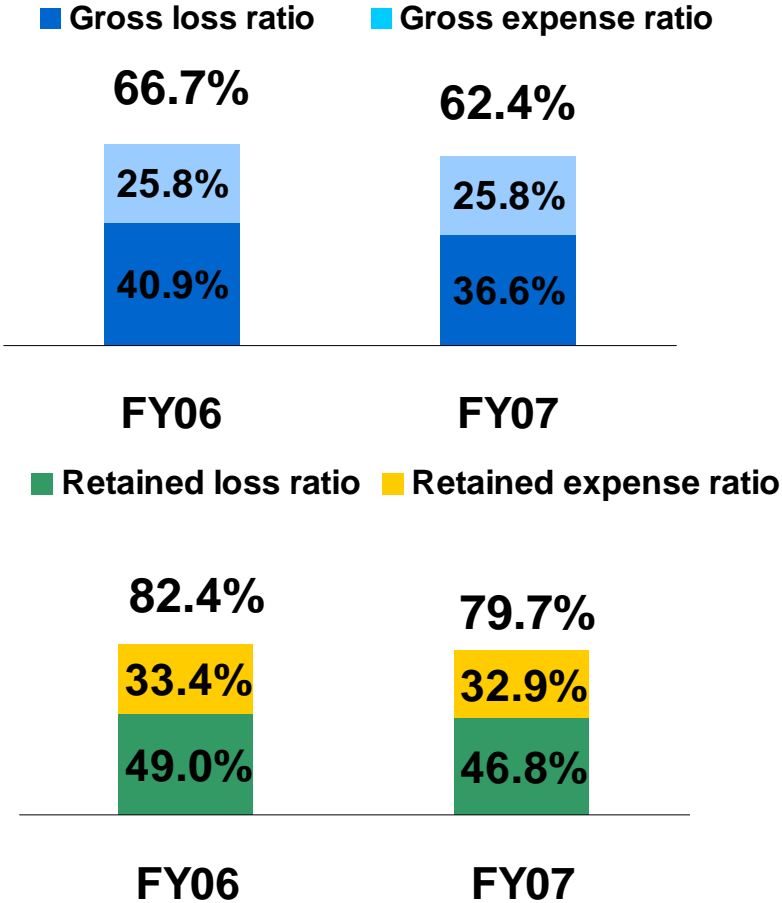
Cathay Century

Product breakdown

(NT\$BN)



Combined ratio



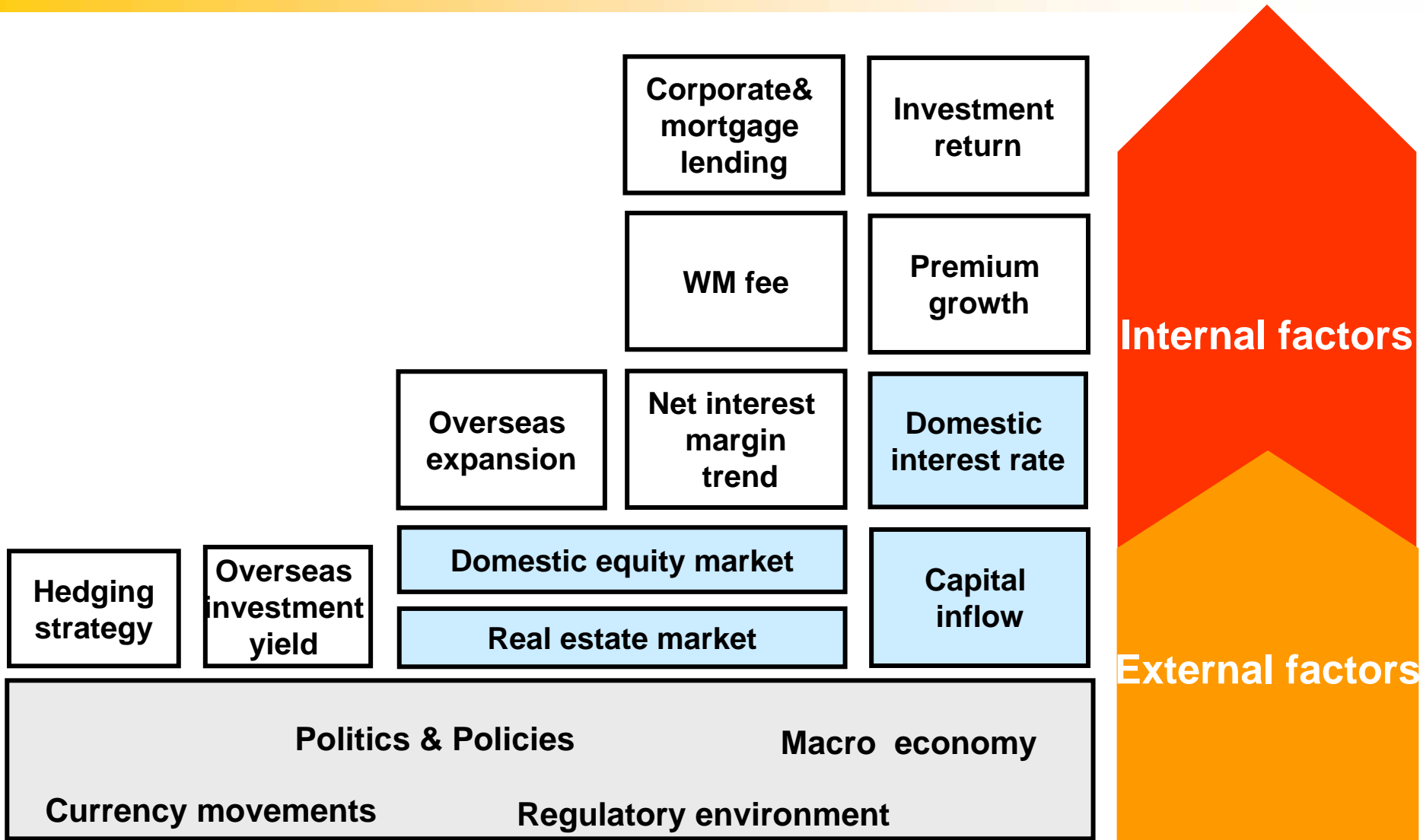
Agenda

2007 Operating results of Cathay FHC

Outlook and strategy

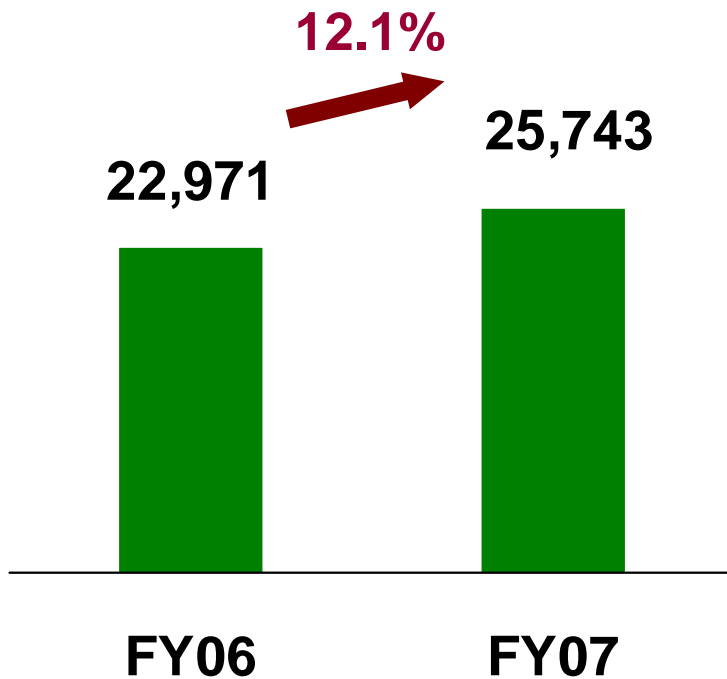


External factors will improve Taiwan's economy and financial industry fundamentals

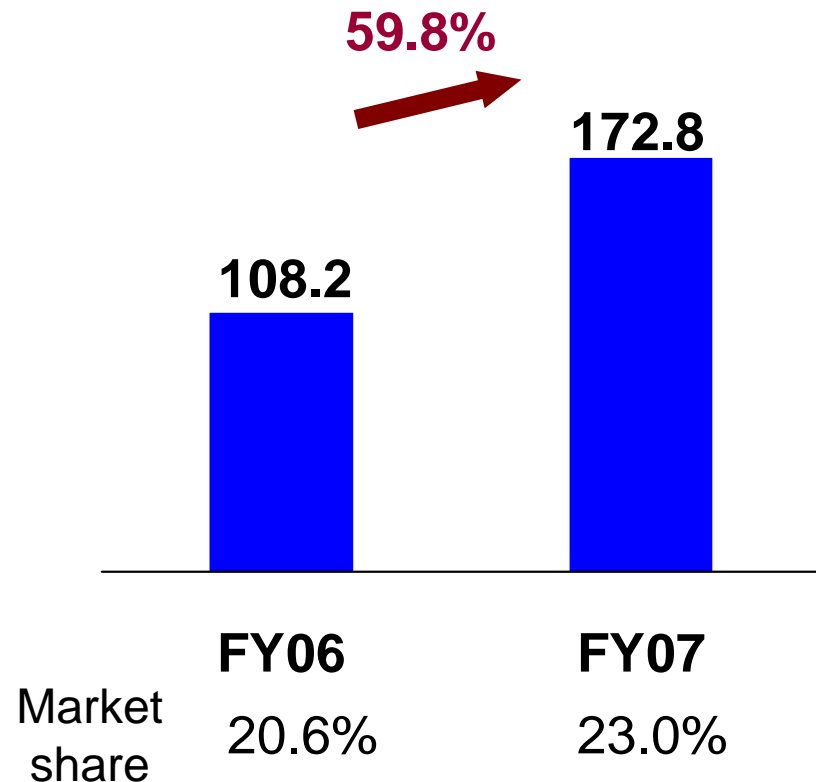


Internal factor : Gain market share by expanding sales force

Strengthen sales force
(# of agents of Cathay Life)

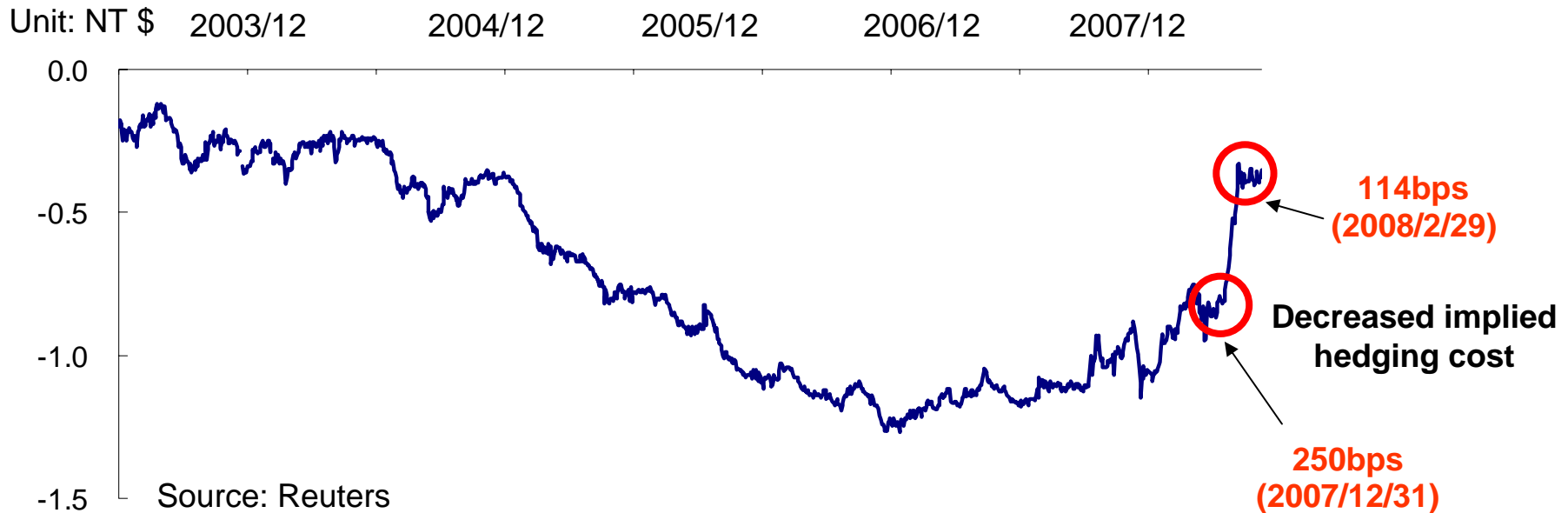


Strong FYP growth
(NT\$BN)



Internal factor : Reduce traditional hedging cost

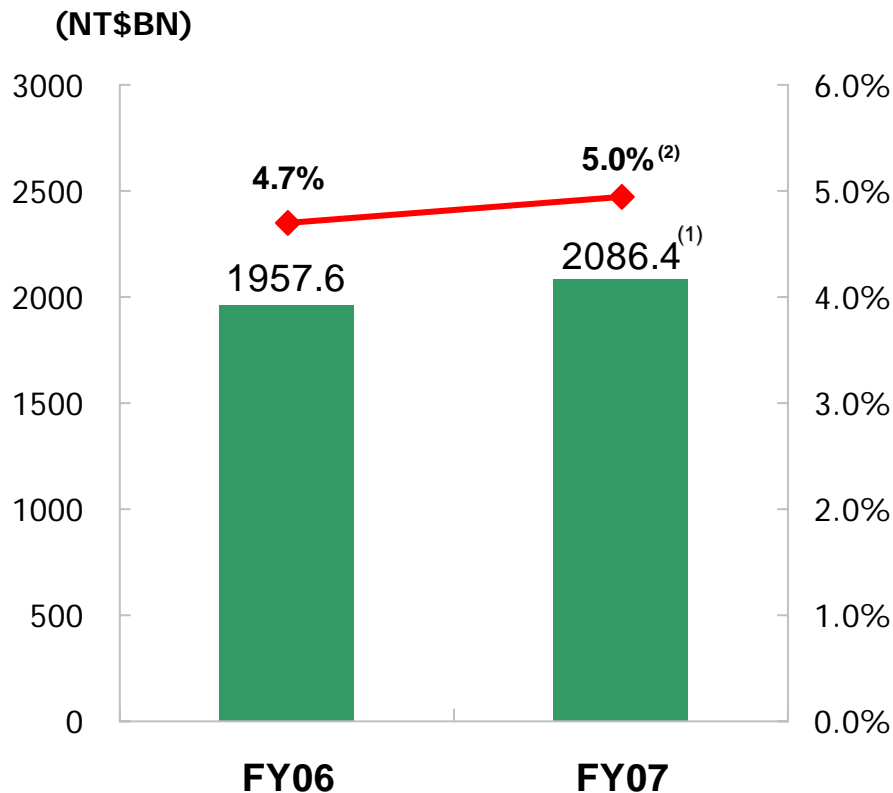
TWD/USD Swap Points (1Y)



	2003	2004	2005	2006	2007
Implied year-end hedging cost (bps)	72	199	328	345	250
Actual full year hedging cost (bps)	0	138	156	190	177

Internal factor : Sustainable investment yield

Investment yield



- Cautious monetary situation tends to support domestic investment yield
- Yield after hedging might be sustainable – Steepening US yield curve and narrowing interest spread between NT\$ and US\$ result in opportunity to enhance yield in long duration assets
- Potential upside in real estate and capital markets – Capital inflow into Taiwan

Note(1): Total investment excludes separate account assets and only includes funds available to invest

Note(2): Investment yield exclude unrealized gain of AFS and HTM

Internal factor : Banking business opportunities



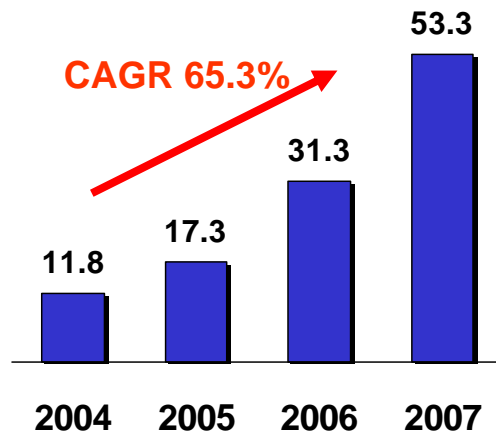
Enhanced Business opportunities

- 1. Higher operating expense and lower tax benefit in China**
(i.e. labor cost, land price and RMB appreciation)
(i.e. corporate income tax, export tax rebate and equipment import tax exemption)
- 2. Policies regarding direct investment and financing activities in China might be looser after presidential election**
- 3. Domestic real estate market might be open to China's capital; three links might become reality if political environment change.**

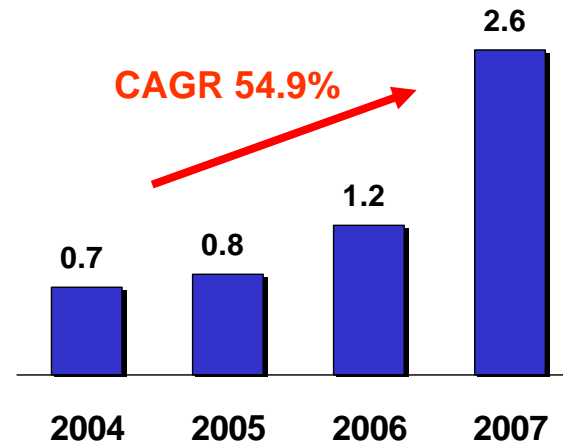


Internal factor : Cross selling opportunity & fee income growth

CUB Bancassurance (NT\$BN)



CUB WM fee income (NT\$BN)



Cross Selling

Stronger
branch network



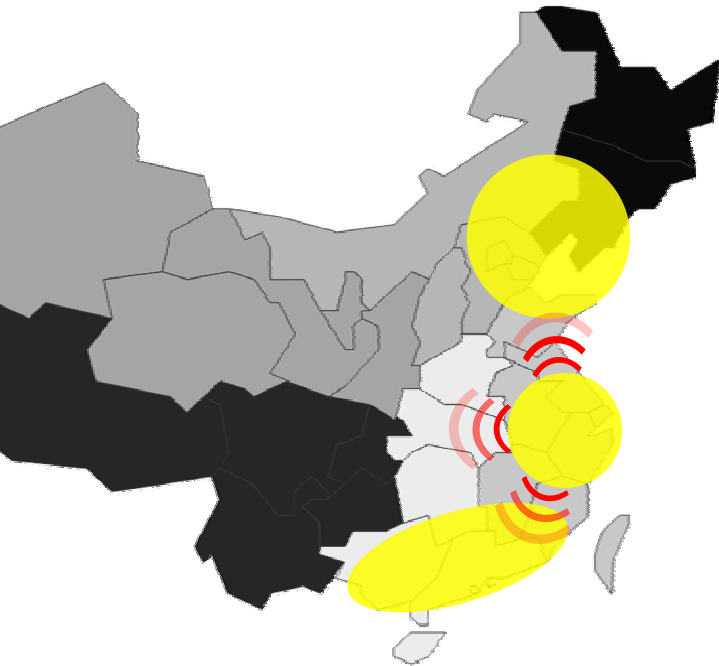
Potential investment
opportunity in China



More financial
advisors

Note: (1) CUB WM fee income of FY06 includes contribution from Lucky Bank
(2) CUB WM fee income of FY07 includes contribution from Lucky Bank and CUTIC

Internal factor : Aggressive expansion in China



2007 FYP: RMB 511.2mn
of tied agents: 888

License	No. of Offices	Market Potential	Strategy
Beijing	1	GDP: RMB 8.5 tn (37.2% of China GDP)	Cathay life: <ul style="list-style-type: none"> • Strengthen agent force • Broaden footprint
Shandong	1		
Jiangsu	6		Cathay Century: <ul style="list-style-type: none"> • Head office expected to be opened in mid- 2008 • Leverage fully-owned license
Shanghai	3		
Zhejiang	4		
Fujian	2		
Subtotal	17		CUB: Participate in China market with gov't permission and leverage existing channel or resources of Cathay Life

Note: (1) Shandong office will be opened in 2008.

(2) GDP calculation is based on statistics of 2006 China Insurance Yearbook



Cathay Financial Holdings

Supplementary Materials

Internal Capacity

External Environment

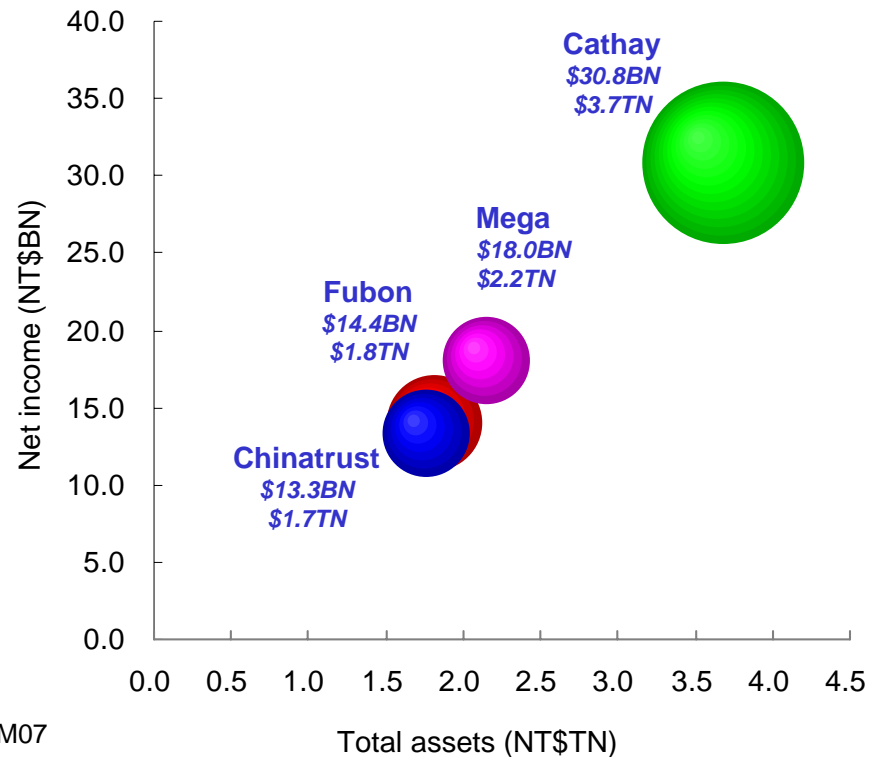
Cathay FHC - The largest & most profitable FHC



(NT\$BN)	Cathay	Fubon	Mega	Chinatrust
Market cap	760	274	265	253
Total assets	3,684	1,804	2,154	1,688
Net income	30.8	14.4	18.0	13.3
Credit rating (S&P)	A-	BBB+	N/A	BBB

Note : Market cap and credit rating as of Mar. 21, 2008
 Total assets are consolidated results as of FY2007;
 Total assets for Mega Financial are consolidated results as of 9M07
 Net income is unaudited number as of FY07

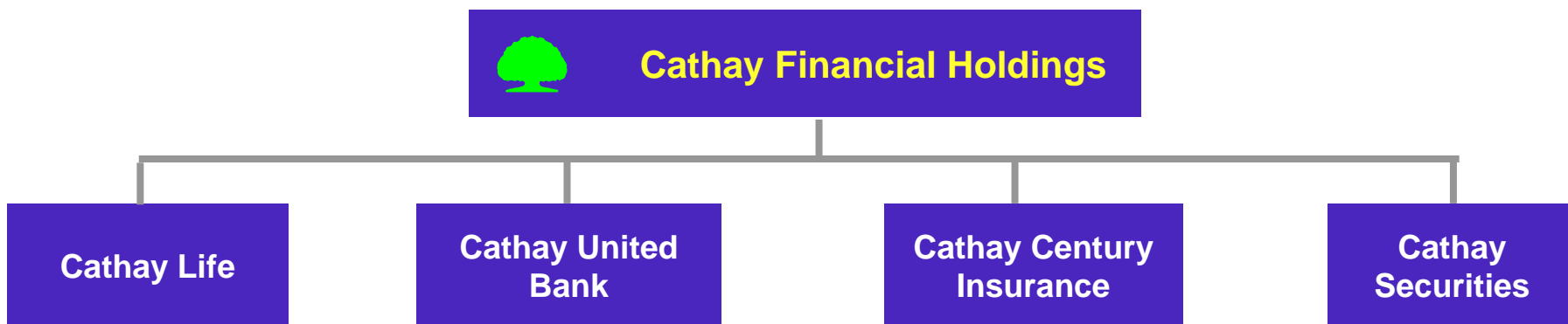
Source: Company reports & Bloomberg



Note: Size of bubble denotes market cap as of Mar. 21, 2008



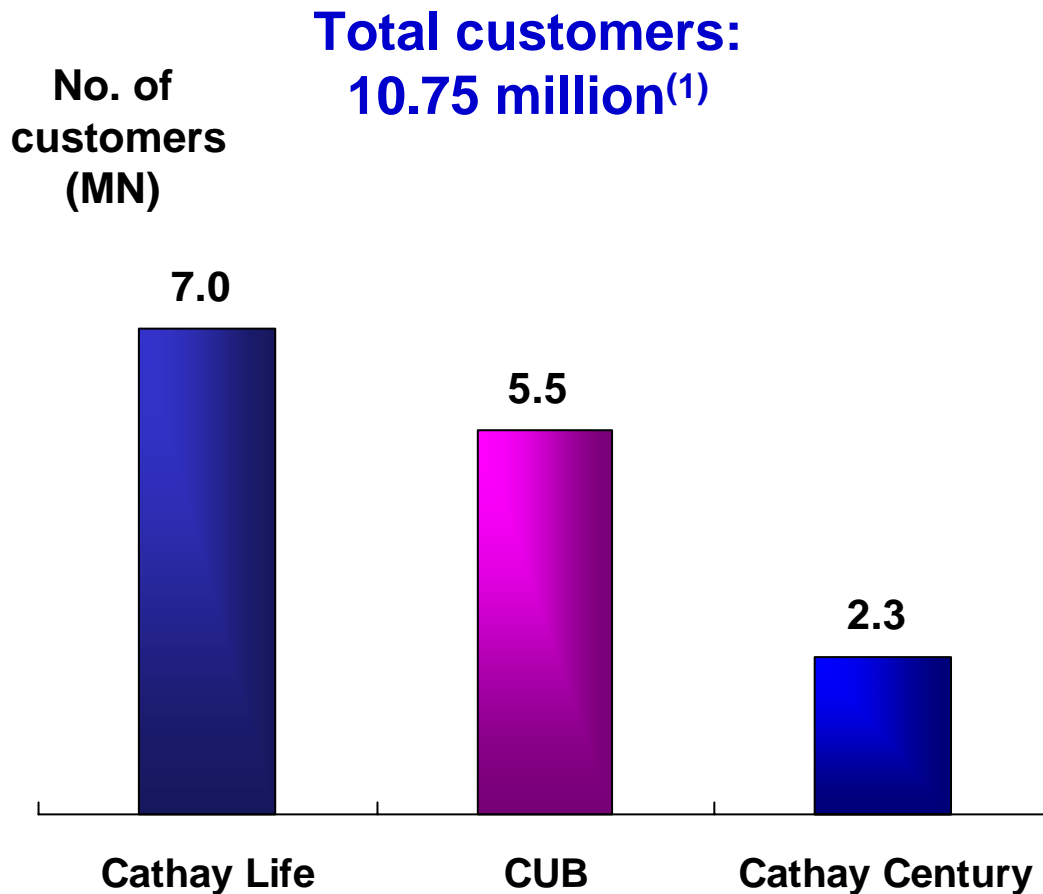
Cathay FHC – Organizational structure



Highlights

- #1 life insurer in terms of total assets, total premium, FYP and revenue (FY07)
- Market share is 23% in terms of FYP (FY07)
- #9 bank in terms of book value
- #2 credit card issuer
- Largest securities exchange settlement deposit
- #2 non-life insurer in terms of total premium income, with 9.5% market share (FY07)
- Focus on niche market opportunities (brokerage, products)

Cathay FHC – Marketing advantage



Distribution Channels⁽²⁾

Cathay Life:	505
CUB:	161
Cathay Century:	43

Employees⁽³⁾

Cathay Life:	29,354
CUB:	5,910
Cathay Century:	1,013

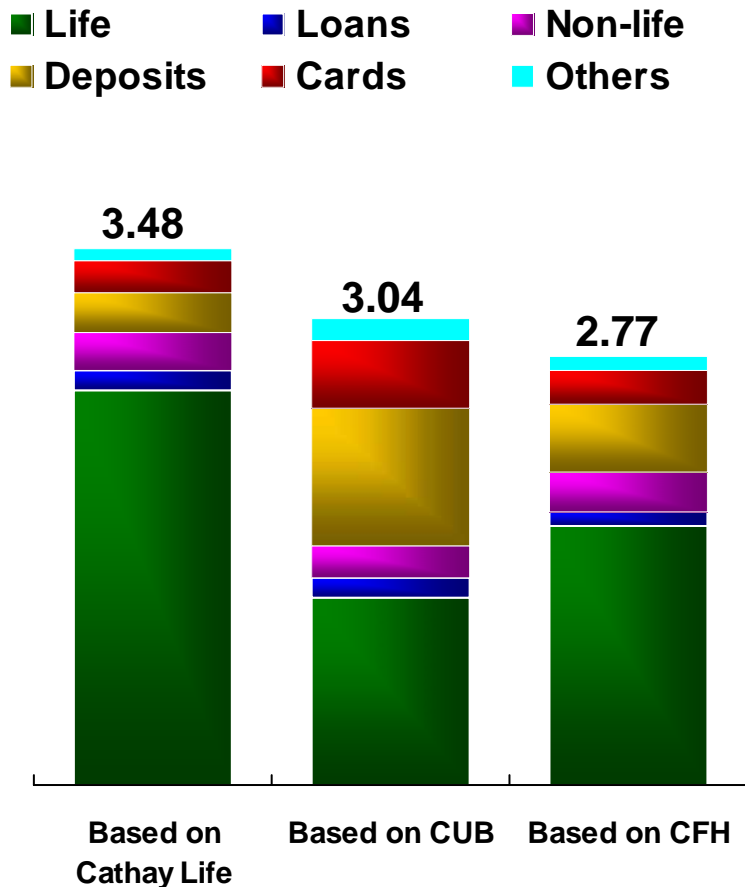
Note (1) : Total number of customers has been adjusted for overlap; as of Dec. 2007

Note (2) : Distribution channels as of Jan. 2008

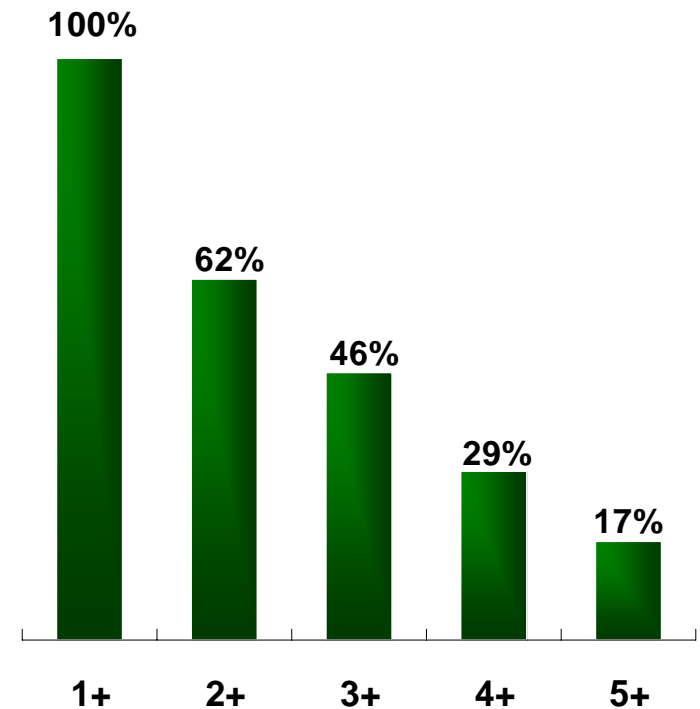
Note (3) : Employees as of Dec. 2007

Cathay FHC – Cross-selling potential

Cross-selling ratio



Number of products held as % of total customers





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

	FY2006	FY2007	FY07/ FY06 % Chg	4Q 2006	4Q 2007	4Q07/ 4Q06/ % Chg
<u>Statement of Income Data</u>						
Interest income	1.1	1.1	2.5%	0.3	0.3	-7.6%
Income from subsidiaries					0.0	
Cathay Life	15.0	23.0	53.6%	4.1	(1.8)	-143.8%
Cathay United Bank ⁽¹⁾	(3.5)	6.4	-	(6.7)	(0.7)	-
Cathay Century	0.7	1.0	48.6%	0.1	0.1	0.0%
Other	0.3	0.3	0.0%	0.1	0.1	-17.2%
Total income from subsidiaries	12.5	30.7	145.4%	(2.3)	(2.3)	0.9%
Adjustments	0.0	(0.0)	-200.4%	0.0	0.0	-
Total income from subsidiaries, net	12.5	30.7	145.2%	(2.3)	(2.3)	0.6%
Gain on foreign exchange ⁽²⁾	(0.0)	(0.1)	313.8%	(0.1)	(0.1)	-39.5%
Other income	0.2	0.6	275.0%	0.3	0.3	10.1%
Operating costs	(1.7)	(1.0)	-40.8%	(0.4)	(0.2)	-48.8%
Administrative and general expenses	(0.2)	(0.2)	-3.9%	(0.1)	(0.0)	-26.2%
Income taxes	(0.4)	(0.4)	-14.1%	(0.2)	(0.2)	-28.2%
Cumulative effect of changes in accounting principles	(0.9)	0.0	-100.0%	0.0	0.0	-
Net income	10.6	30.7	190.7%	(2.5)	(2.2)	-10.5%
EPS (NT\$)	1.18	3.34		(0.3)	(0.3)	
<u>Balance Sheet Data</u>						
Long-term investments in stock	205.5	214.1		7.4	(14.8)	
Total assets	223.8	230.2		7.4	(14.1)	
Total consolidated assets	3,447.5	3,684.3		132.1	2.1	
Total shareholders' equity	216.1	226.6		13.4	(14.6)	
<u>Operating Metrics</u>						
ROAE(standalone)	5.2%	13.9%				
ROAA (standalone)	4.9%	13.5%				
ROAA(consolidated)	0.3%	0.9%				

Notes:

(1) 2006 and 2007 financial numbers include contribution from Lucky Bank. 2007 financial numbers include contribution from CUTIC.

(2) Gain on foreign exchange is separated from non-operating revenues in 2006 and 2007.

(3) 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.



Cathay Life

Summary Financial Data (NT\$BN)

	<u>FY2006</u>	<u>FY2007</u>	<u>FY07/ FY06 % Chg</u>	<u>4Q 2006</u>	<u>4Q 2007</u>	<u>4Q07/ 4Q06 % Chg</u>
Summary Statement of Income Data						
Premiums income ⁽¹⁾	287.6	303.0	5.3%	90.6	87.6	-3.4%
Investment income						
Interest income	62.6	69.5	11.0%	16.4	18.1	10.0%
Gain on disposal of investment	7.7	28.6	273.4%	(0.1)	6.0	-
Other investment income, net	12.2	(0.4)	-103.1%	7.2	(10.9)	-251.1%
Total investment income, net ⁽²⁾	82.5	97.7	18.4%	23.6	13.3	-43.7%
Other income	1.6	2.3	44.6%	0.6	0.6	3.2%
Insurance claims payment	(157.6)	(202.8)	28.7%	(48.7)	(64.7)	32.8%
Provisions for reserves						
Provisions	(298.4)	(312.0)	4.6%	(100.8)	(96.3)	-4.5%
Recoveries	133.1	178.9	34.4%	47.6	67.2	41.1%
Total provisions for reserves, net	(165.3)	(133.1)	-19.5%	(53.1)	(29.1)	-45.1%
Commissions and operating expense						
Brokerage expenses	(27.2)	(30.0)	10.2%	(6.7)	(7.0)	3.8%
Marketing, administrative and general expenses	(10.4)	(11.2)	8.1%	(2.8)	(3.5)	26.5%
Total commissions and operating expenses	(37.6)	(41.2)	9.6%	(9.5)	(10.5)	10.4%
Other operating expenses	(2.7)	(2.6)	-0.3%	(0.8)	(0.8)	7.5%
Operating income	8.5	23.2	173.0%	2.7	(3.6)	-232.7%
Non-operating income	1.7	1.5	-12.9%	0.5	0.4	-26.5%
Non-operating expense	(0.3)	(0.3)	20.9%	(0.2)	(0.1)	-52.1%
Income taxes	1.8	(0.9)	-148.5%	1.1	1.5	35.7%
Cumulative effect of changes in accounting principles	3.3	0.0	-100.0%	0.0	0.0	-
Net income	15.0	23.5	56.0%	4.1	(1.8)	-143.5%

Balance Sheet Data

Total assets	2,140.8	2,354.9
Total stockholders' equity	119.8	123.4

Operating Metrics

First year premium	108.2	172.8
Expense ratio	12.4%	12.9%
13-mos persistency ratio	90.0%	92.0%
25-mos persistency ratio	82.2%	83.0%
ROAE	13.8%	19.3%
ROAA	0.8%	1.0%

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)

			FY07/ FY06	4Q 2006	4Q 2007	4Q07/ 4Q06
	FY2006	FY2007	% Chg			% Chg
Summary Statement of Income Data						
Interest income	42.6	40.3	-5.4%	10.0	10.32	3.2%
Interest expense	(18.1)	(19.1)	5.9%	(5.1)	(4.96)	-3.2%
Net interest income	24.5	21.2	-13.7%	4.9	5.36	10.0%
Net operating income except interest income						
Net handling fee	4.6	5.1	12.5%	1.0	1.49	52.8%
Gains on financial assets and liabilities at fair value through P&L	(0.4)	(0.5)	17.1%	0.3	(0.67)	-331.1%
Realized gains on available-for-sale financial assets	0.5	1.7	241.2%	0.1	0.18	38.2%
Realized gains on held-to-maturity financial assets	0.0	(0.0)	-119.7%	(0.0)	0.00	-100.0%
Invst inc - equity method	0.1	0.2	155.1%	0.1	0.02	-73.0%
Realized gain - equity method	1.3	0.0	-100.0%	0.0	0.00	-
Gain on foreign exchng - net	0.4	0.7	61.7%	0.1	0.11	-19.7%
Impairment gain/loss	(0.3)	(0.1)	-55.5%	(0.0)	(0.10)	98.2%
Gains on reversal of foreclosed properties impairment	0.4	(0.0)	-102.4%	0.0	0.01	-35.6%
Gains/losses on disposal of foreclosed properties	0.5	0.0	-98.9%	0.0	0.01	-
Investments in debt securities with no active market, net	0.0	(2.6)	-	0.0	(2.56)	-
other income, net	0.2	0.5	96.8%	(0.1)	0.14	-252.7%
Net operating income	31.9	26.2	-17.8%	6.4	3.99	-37.3%
Provisions for possible losses ⁽²⁾	(26.1)	(4.1)	-84.3%	(12.5)	(1.1)	-91.3%
Operating expenses	(12.3)	(14.0)	13.9%	(2.5)	(3.7)	44.8%
Income from continuing operations before income taxes	(6.5)	8.1	-225.5%	(8.7)	(0.8)	-90.9%
Income tax benefit (expense)	2.3	(1.7)	-176.2%	2.0	0.1	-93.2%
Cumulative effect of changes in accounting principles	0.7	0.0	-100.0%	0.0	0.0	-
Net income	(3.5)	6.4	-283.5%	(6.7)	(0.7)	-90.2%
Balance Sheet Data						
Total assets	1,266.7	1,288.2		44.4	(2.6)	
Total shareholders' equity	76.1	81.4		(6.2)	(0.9)	
Operating Metrics						
Cost income ratio	38.6%	53.4%				
ROAE	-4.4%	8.1%				
ROAA	-0.3%	0.5%				
Assets Quality						
NPL ratio (international standard)	1.8%	1.5%				
Coverage ratio (international standard)	128.3%	86.2%				

Notes:

(1) Financial results of Lucky Bank are adjusted in FY06 and FY07 numbers.

Financial results of CUTIC are only adjusted in FY07 numbers.

(2) FY06, FY07 provisions net of NT\$6.0bn, and NT\$5.6bn 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)

			FY07/ FY06			4Q07/ 4Q06
	FY 2006	FY2007	% Chg	4Q 2006	4Q 2007	% Chg
<u>Summary Statement of Income Data</u>						
Premiums income	9,896.5	11,153.7	12.7%	2,776.3	3,160.8	13.8%
Reinsurance premiums ceded	(3,098.5)	(3,460.6)	11.7%	(963.1)	(1,010.3)	4.9%
Premiums income, net	6,798.0	7,693.1	13.2%	1,813.2	2,150.5	18.6%
Investment						
Interest income	318.5	374.5	17.6%	82.4	98.8	19.9%
Other investment income, net	58.6	227.5	288.2%	42.7	(116.6)	-372.9%
Total investment income	377.1	602.0	59.7%	125.1	(17.7)	-114.2%
Other operating income	223.7	288.4	28.9%	51.4	80.8	57.2%
Insurance claims payment, net	(3,005.8)	(3,371.2)	12.2%	(771.4)	(964.1)	25.0%
Provisions for reserves						
Provisions	(5,830.8)	(6,542.9)	12.2%	(398.5)	(528.7)	32.7%
Recoveries	4,677.8	5,306.5	13.4%	(4.2)	85.5	-
Total provisions for reserves, net	(1,153.0)	(1,236.4)	7.2%	(402.8)	(443.1)	10.0%
Commissions, operating and other expenses	(2,395.4)	(2,681.9)	12.0%	(675.2)	(758.7)	12.4%
Operating income	844.7	1,294.0	53.2%	140.4	47.6	-66.1%
Non-operating income	3.7	17.3	375.1%	2.1	15.0	627.7%
Non-operating expense	(0.1)	(0.1)	16.9%	0.0	(0.0)	-147.5%
Income taxes	(178.6)	(264.9)	48.3%	(21.6)	(10.5)	-51.1%
Cumulative effect of changes in accounting principles	60.1	0.0	-100.0%	0.0	0.0	-
Net income	729.8	1,046.3	43.4%	120.9	52.1	-56.9%
<u>Summary Balance Sheet Data</u>						
Total assets	14,675.9	16,619.4	13.2%			
Total stockholders' equity	3,571.6	3,869.9	8.4%			
<u>Operating Metrics</u>						
Written Combined ratio	66.7%	62.4%				
Net Combined ratio	82.4%	79.7%				
ROAE	21.6%	28.1%				
ROAA	5.3%	6.7%				

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) FY06, FY07 Gain/ Loss on foreign exchange are reclassified under Commissions, operating and other expenses.



Shares Outstanding
(Millions of shares)

	<u>As of</u> <u>12/31/2007</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	9,210.4

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 (As of 31-Dec.-2007)</u>			<u>Legal Requirement</u>
Cathay Financial Holdings Double leverage ratio ⁽¹⁾	94.51%			n/a
Cathay Life RBC Ratio ⁽¹⁾	300%	-	350%	200%
Cathay Century RBC Ratio ⁽¹⁾	504.75%			200%
Cathay United Bank BIS Ratio	11.15%			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.