

Cathay Financial Holding Co., Ltd.

1H08 Analyst Meeting

August 2008

Internal Capacity

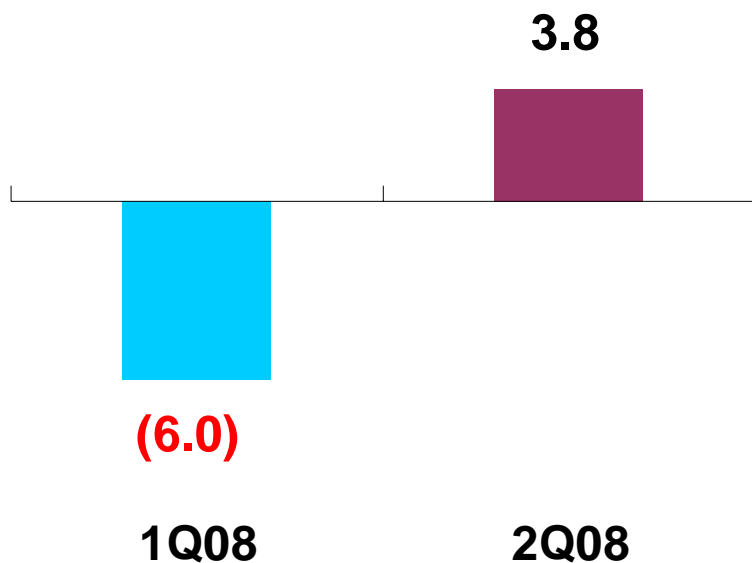
External Environment

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Cathay FHC – Net income

Cathay FHC net income (NT\$BN)

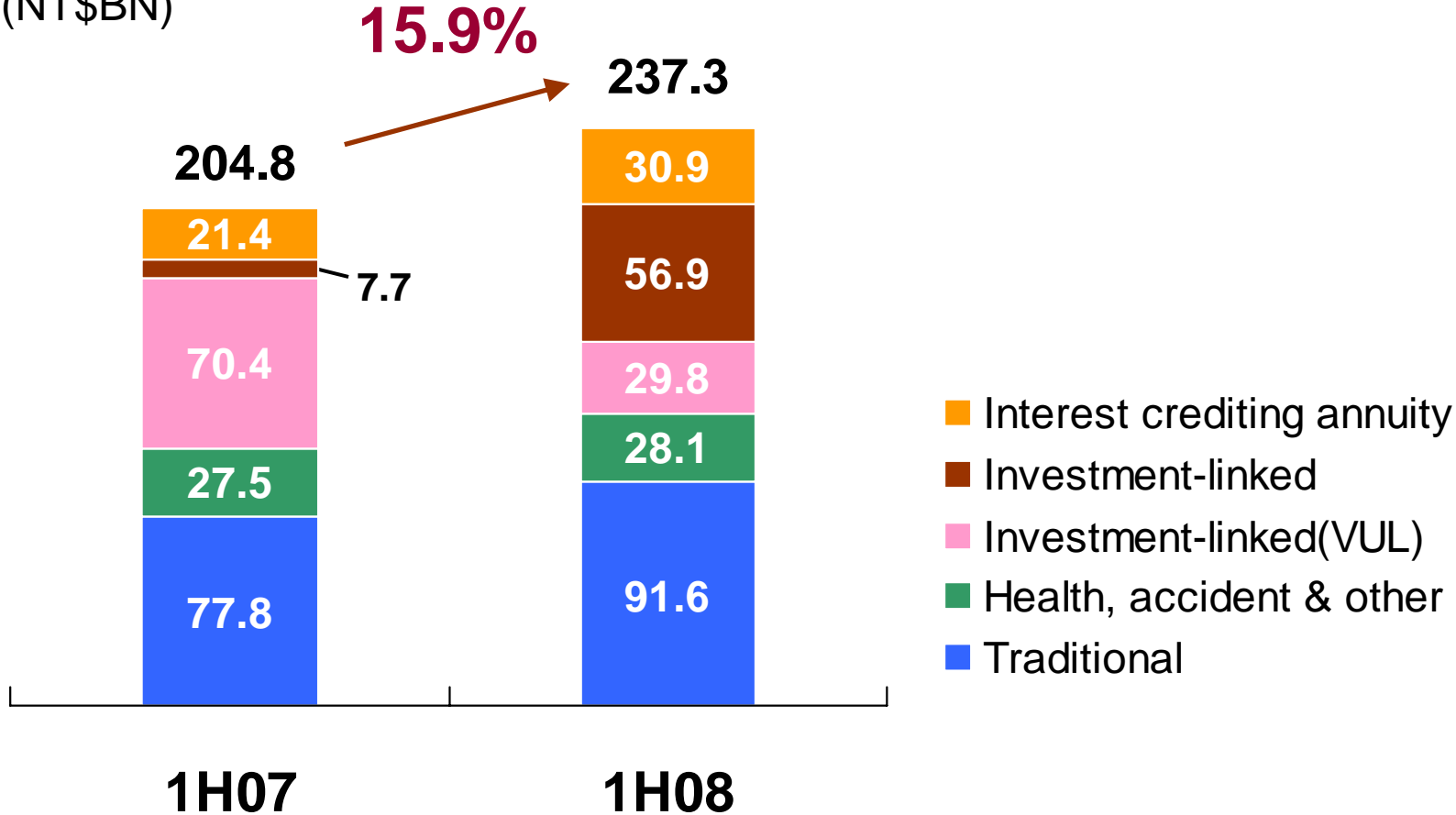


Net incomes of main subsidiaries (NT\$BN)

	1Q08	2Q08	1H08
Cathay Life	(6.7)	1.4	(5.3)
Cathay United Bank	0.9	2.1	3.0
Cathay Century	0.2	0.3	0.5

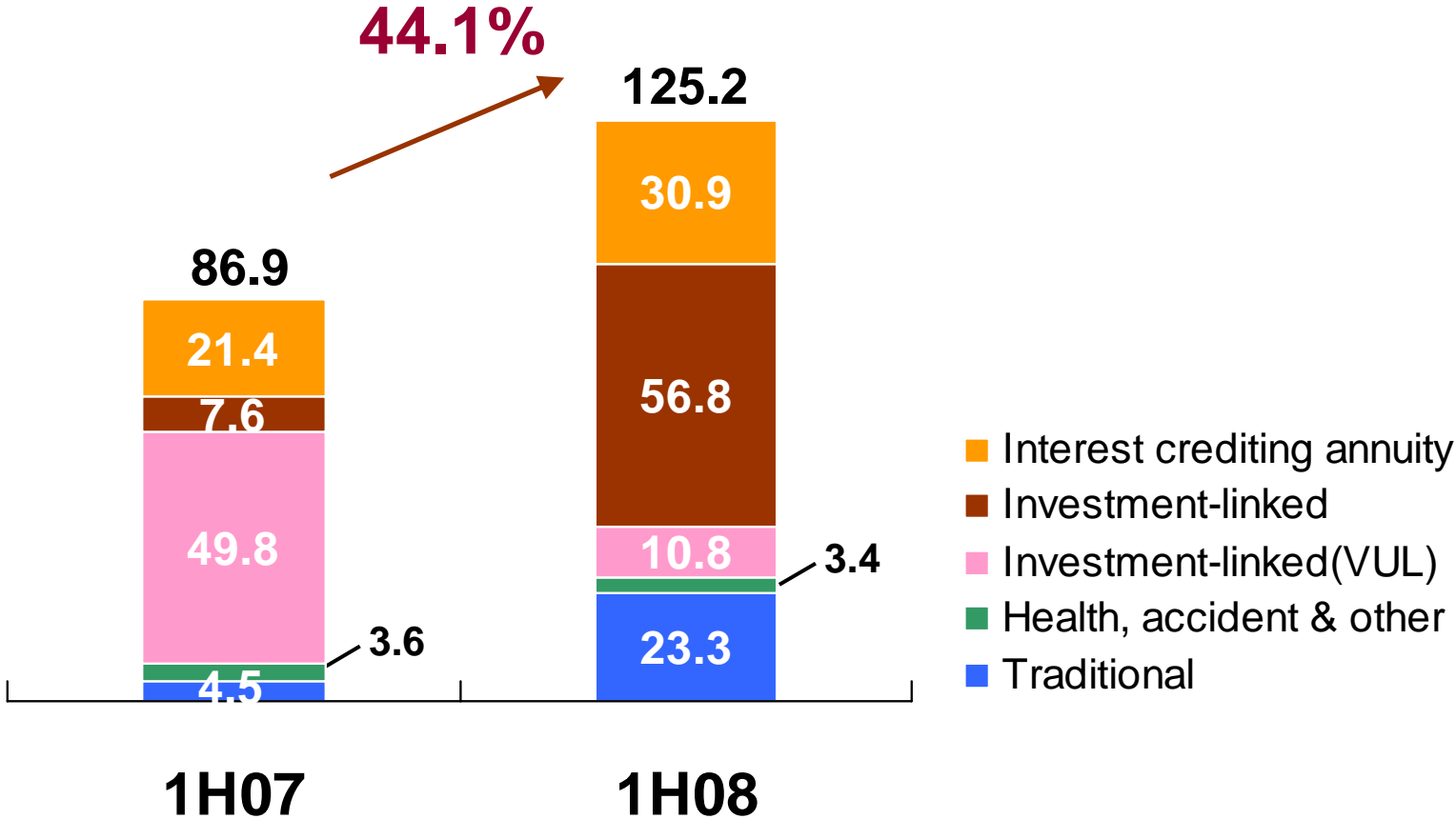
Cathay Life - Total premium

(NT\$BN)



Cathay Life – First Year Premium

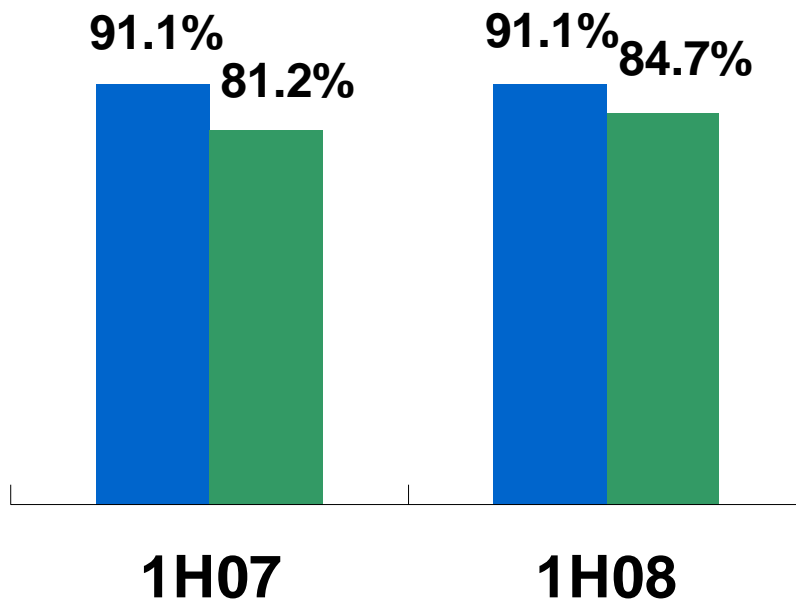
(NT\$BN)



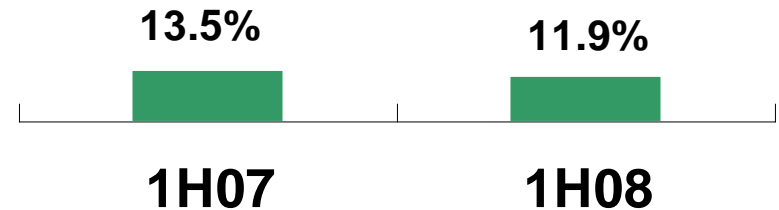
Cathay Life - Operational indicators

Persistency ratio

■ 13months ■ 25months



Expense ratio



Cathay Life - Investment portfolio

	1Q08		2Q08		Weight Change	Amount Change
	Amt. (NT\$BN)	%	Amt. (NT\$BN)	%		
Cash & Cash equivalents	239.7	11.4%	193.6	9.2%	-2.2%	-46.1
Equities - Domestic	162.6	7.8%	157.4	7.5%	-0.3%	-5.2
Equities - International	46.3	2.2%	48.1	2.3%	0.1%	1.8
Bonds - Domestic	310.7	14.8%	326.5	15.6%	0.8%	15.8
Bonds - International ⁽¹⁾	635.7	30.3%	674.4	32.1%	1.8%	38.7
Mortgage & Secured loans	347.3	16.5%	345.4	16.5%	0.0%	-1.9
Policy loans	192.0	9.1%	193.2	9.2%	0.1%	1.2
Real estate	117.9	5.6%	118.0	5.6%	0.0%	0.1
Others	48.0	2.3%	42.1	2.0%	-0.3%	-5.9
Total investments⁽²⁾⁽³⁾	2,100.2	100.0%	2,098.7	100.0%		

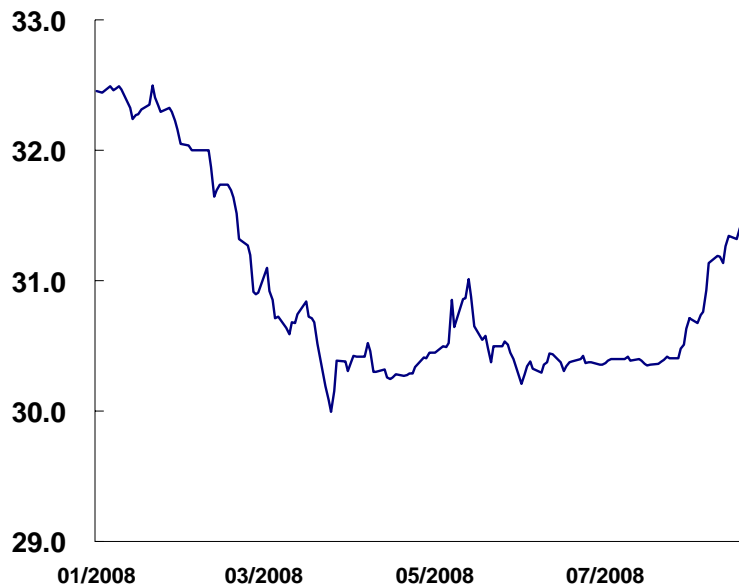
Note (1) : Includes foreign currency and related adjustments

Note (2) : Excludes separate account assets

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

Cathay Life - FX hedging strategy

TWD/USD spot

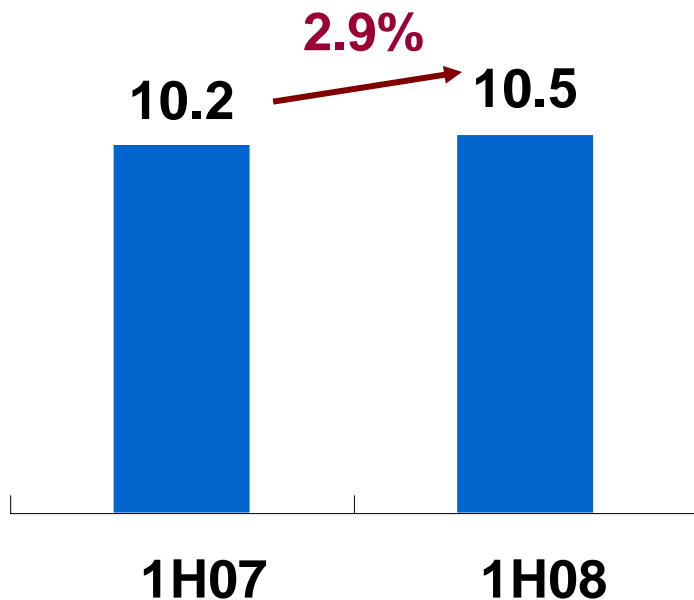


Currency management

- FX hedging cost in 2Q08 declined significantly
- FX hedging strategy
 - ✓ Increase traditional hedging portion to 75%
 - ✓ Reshuffle currency mix of proxy portfolio
 - ✓ Reduce traditional hedging cost
- FX hedging cost expected to stabilize in 2H08

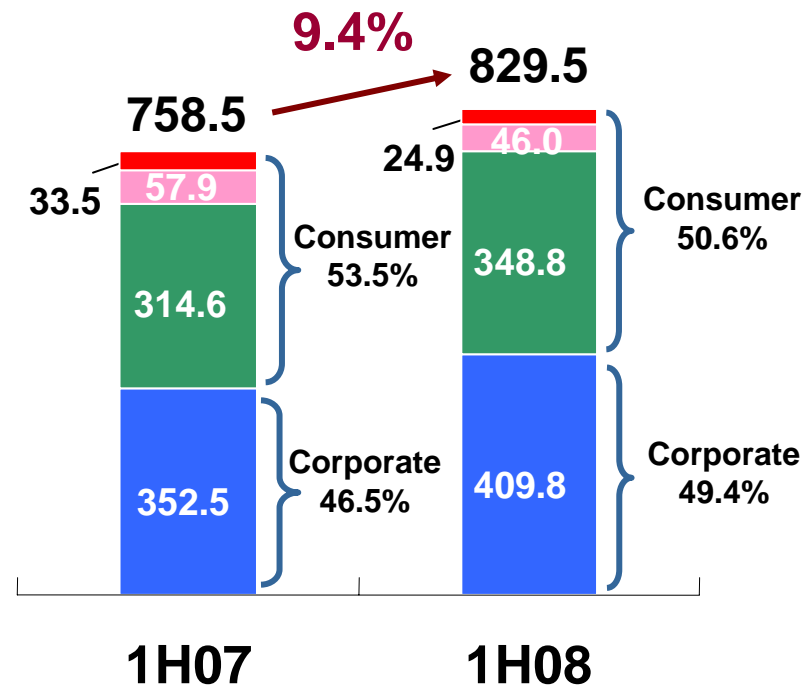
Cathay United Bank – Net interest income & Loan portfolio

Net interest income (NT\$BN)



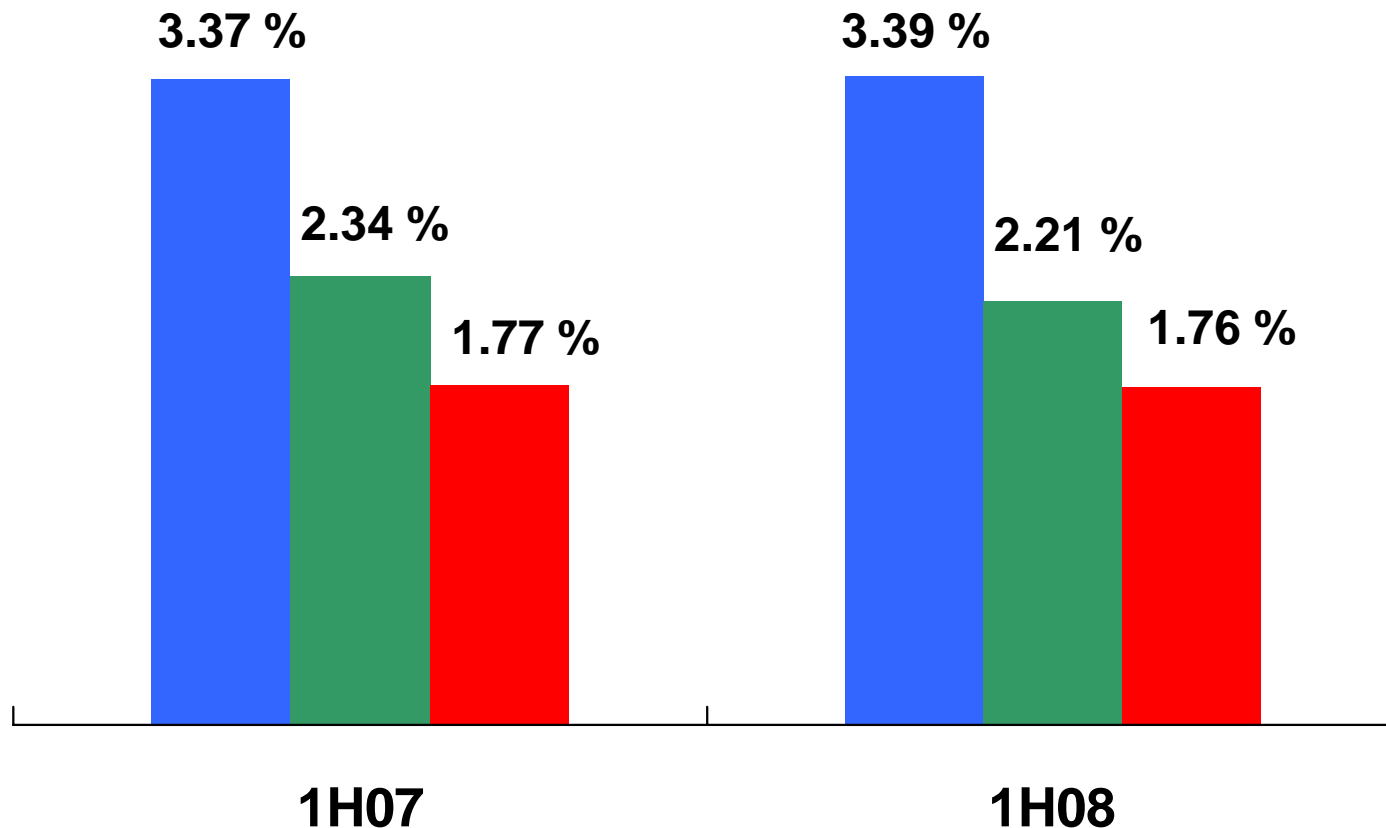
Loan breakdown (NT\$BN)

- Credit card related
- Consumer
- Mortgage
- Corporate



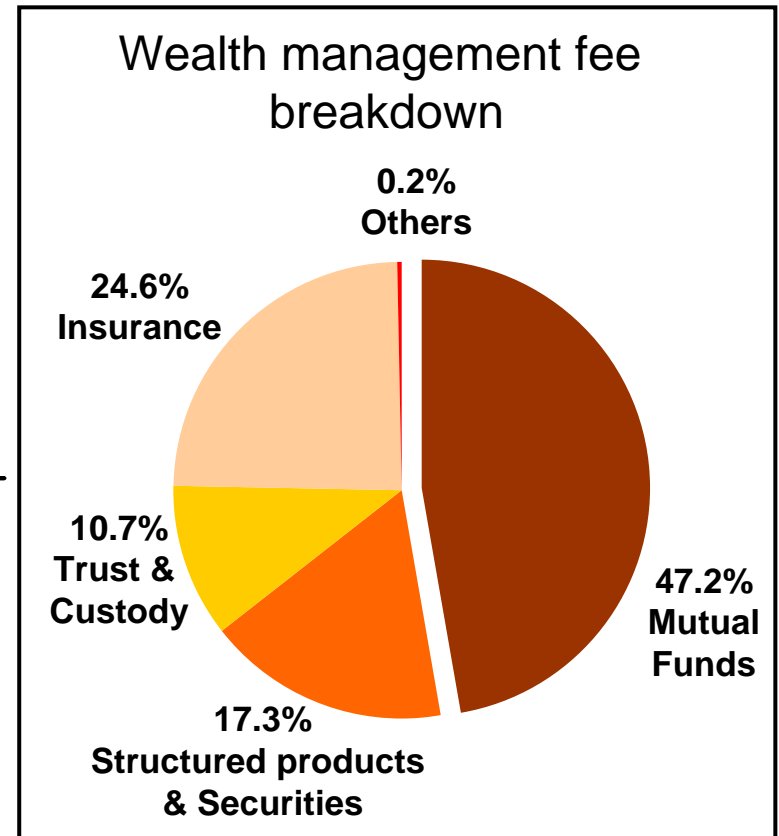
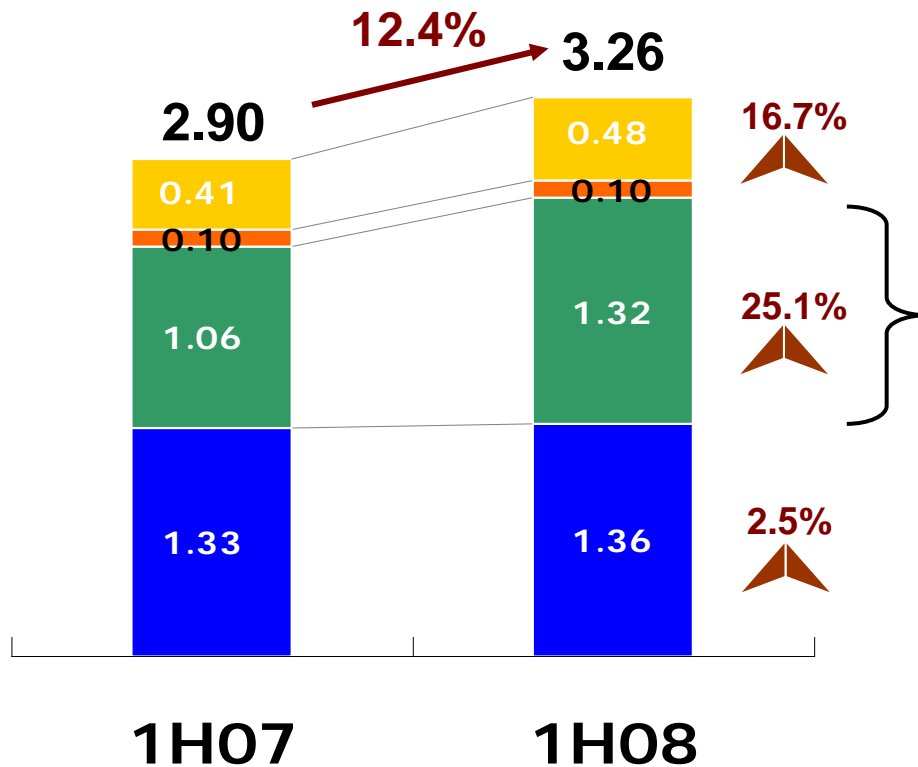
Cathay United Bank – Interest yields

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



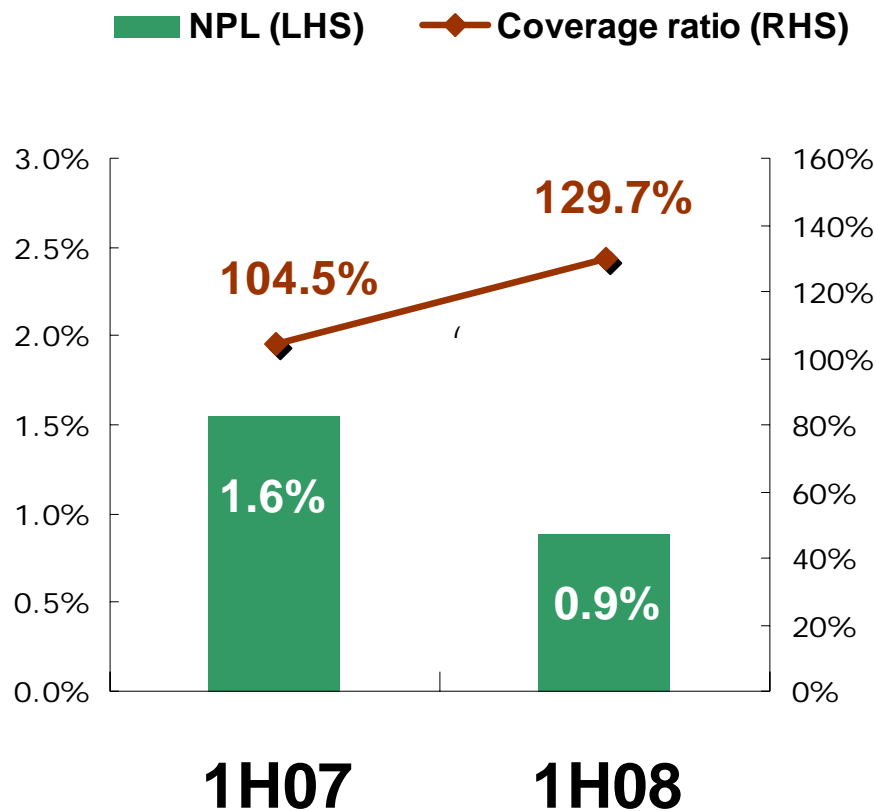
Cathay United Bank - Fee income

- Others
- FX
- Wealth management
- Cards related

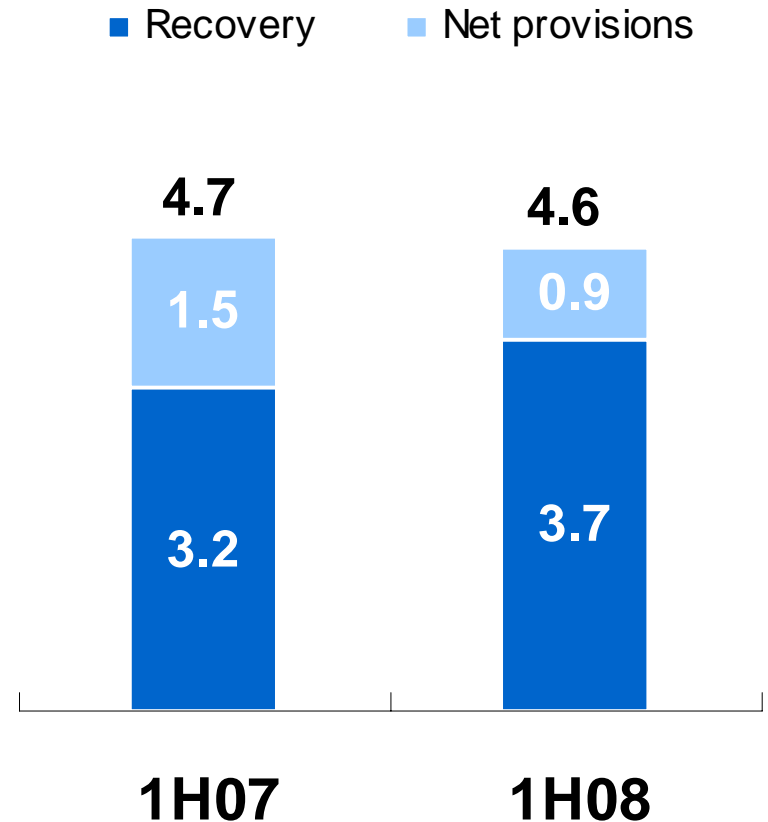


Cathay United Bank - Credit quality

NPL & Coverage ratio

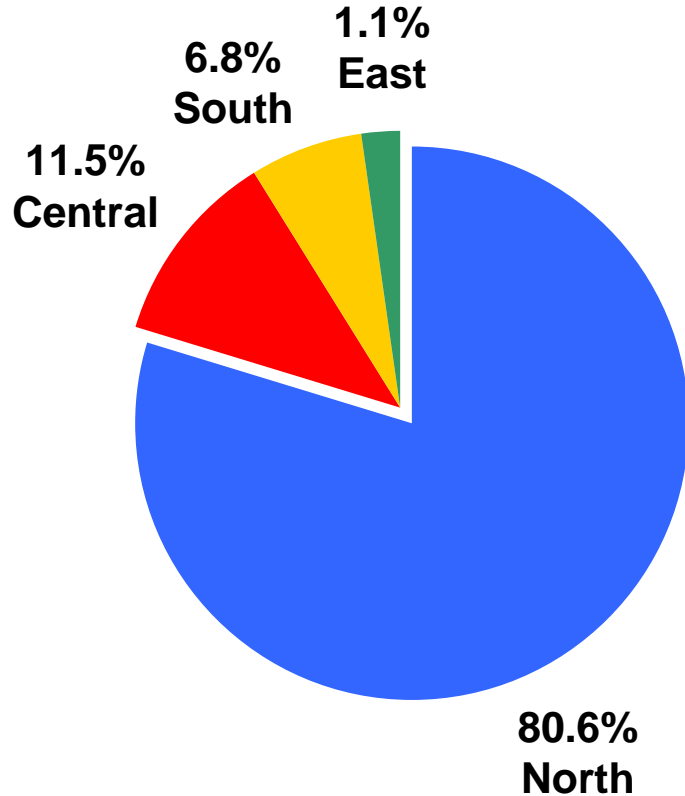


Gross provisions (NT\$BN)

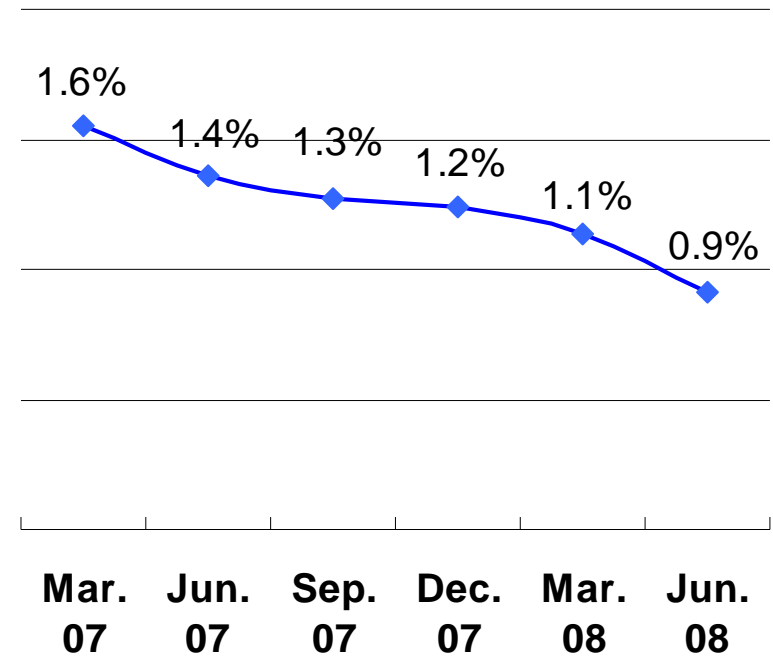


Cathay United Bank – Mortgage loan

Geographic breakdown in Taiwan



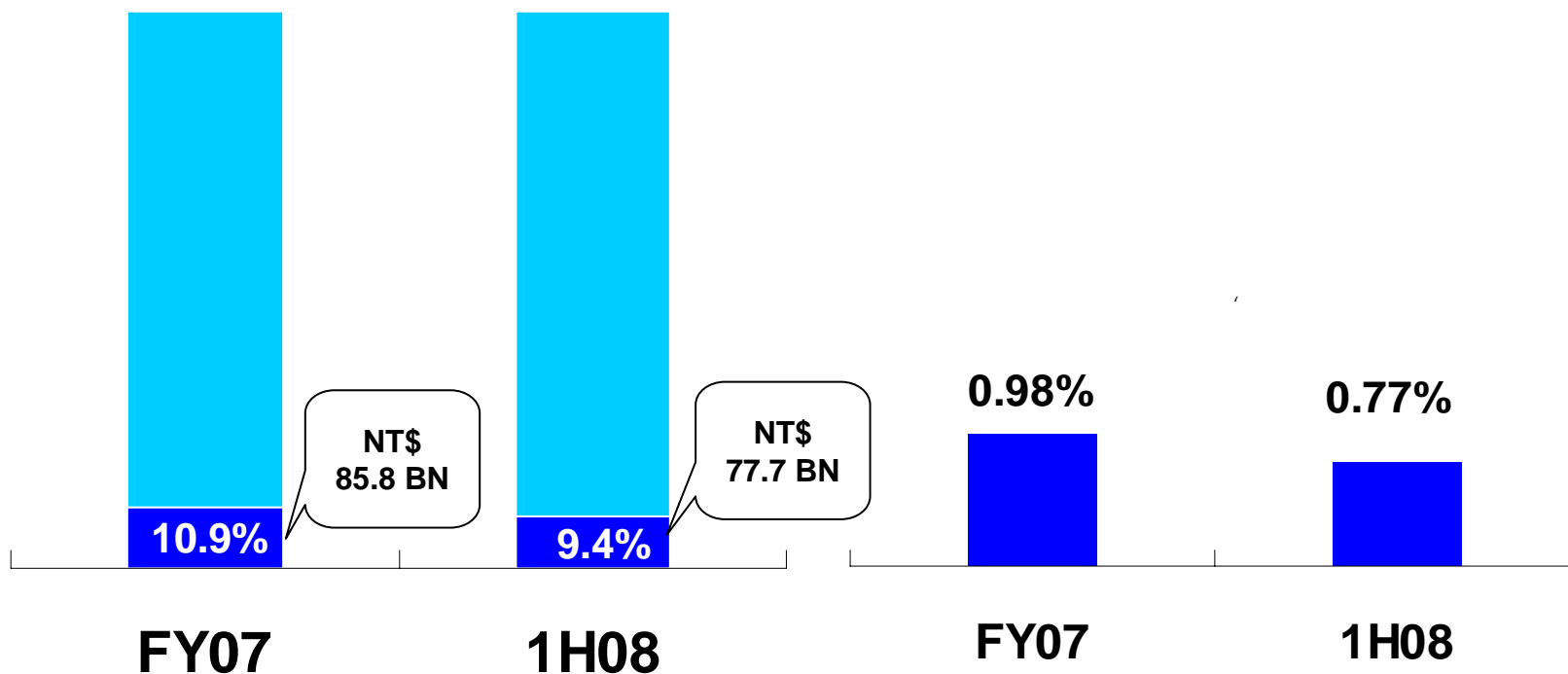
NPL ratio



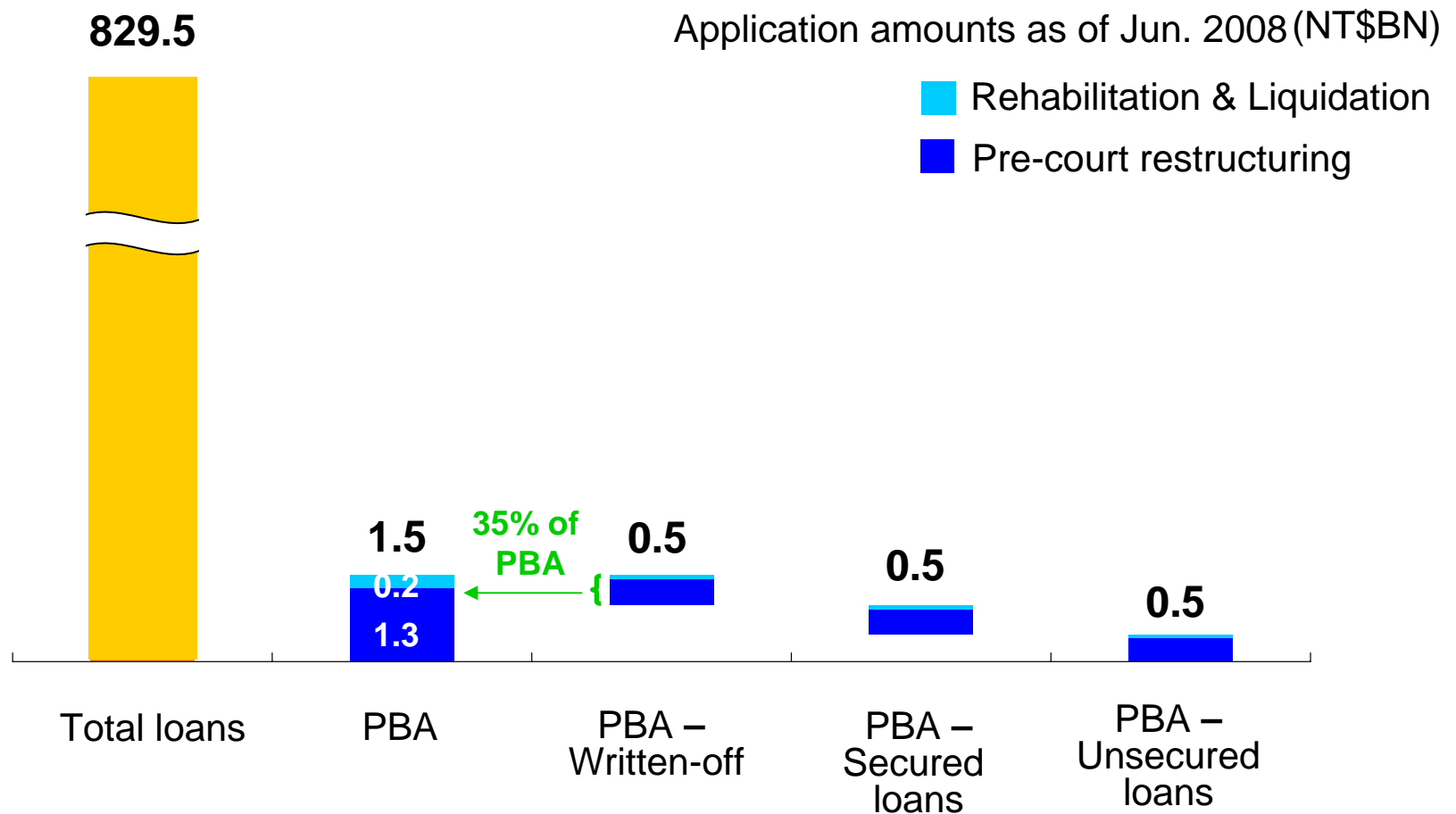
Cathay United Bank – SME lending

SME lending as % of total loans

NPL ratio of SME lending

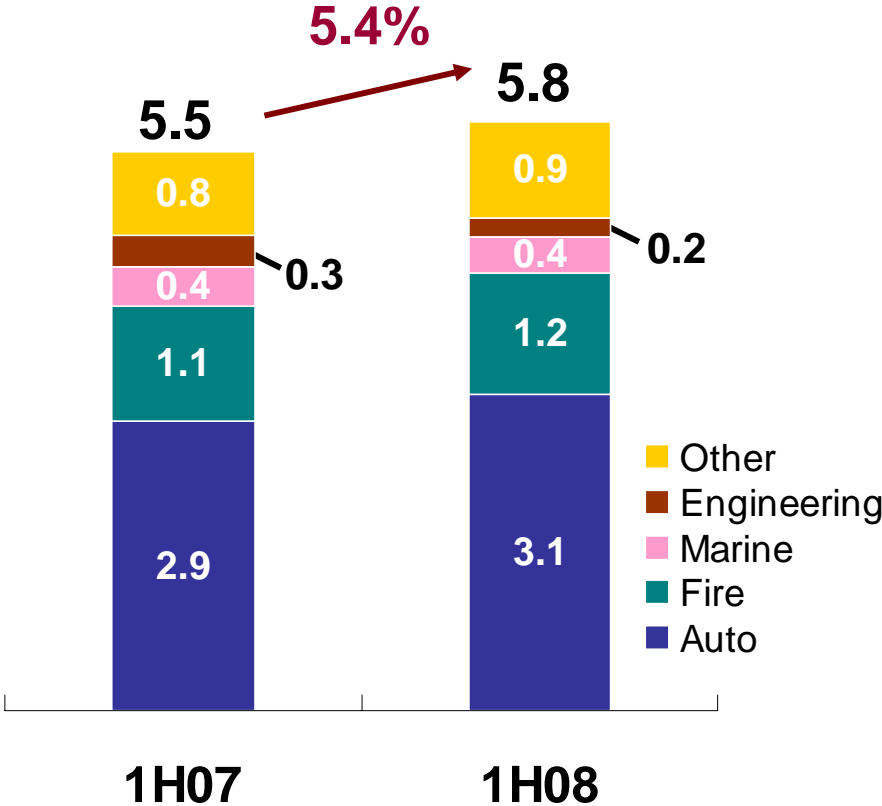


Cathay United Bank – Personal bankruptcy application (PBA) status



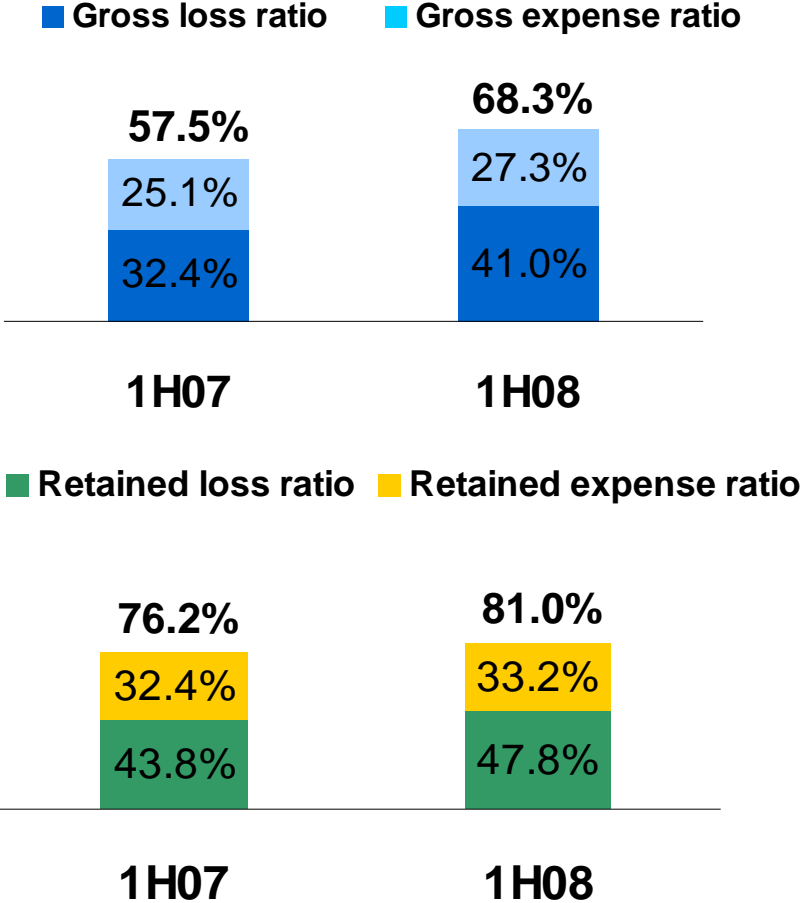
Cathay Century

Product breakdown (NT\$BN)



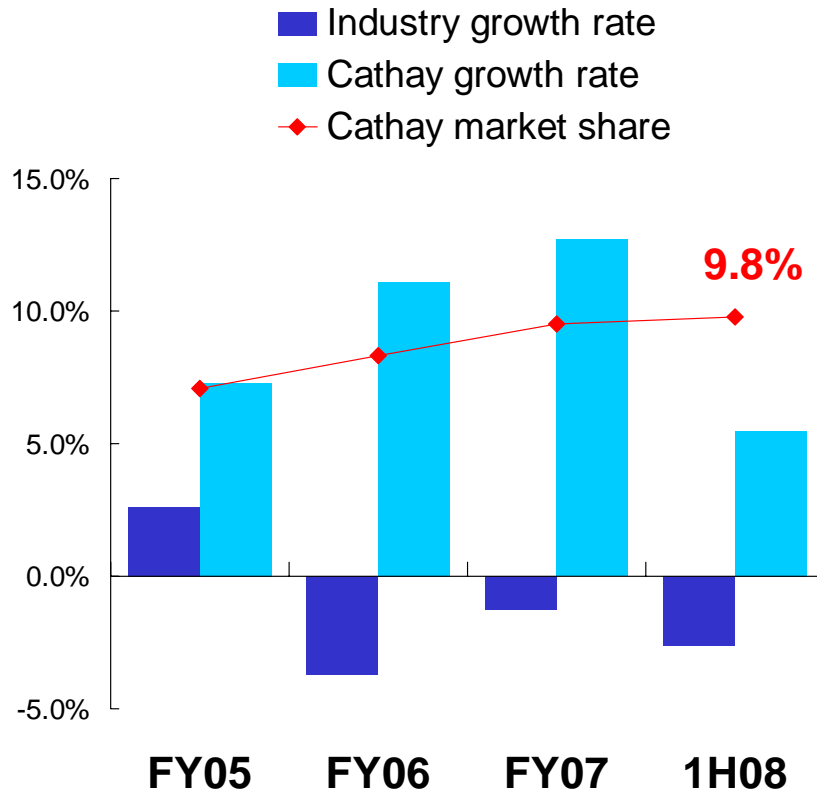
Mkt share	9.1%	9.8%
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Combined ratio

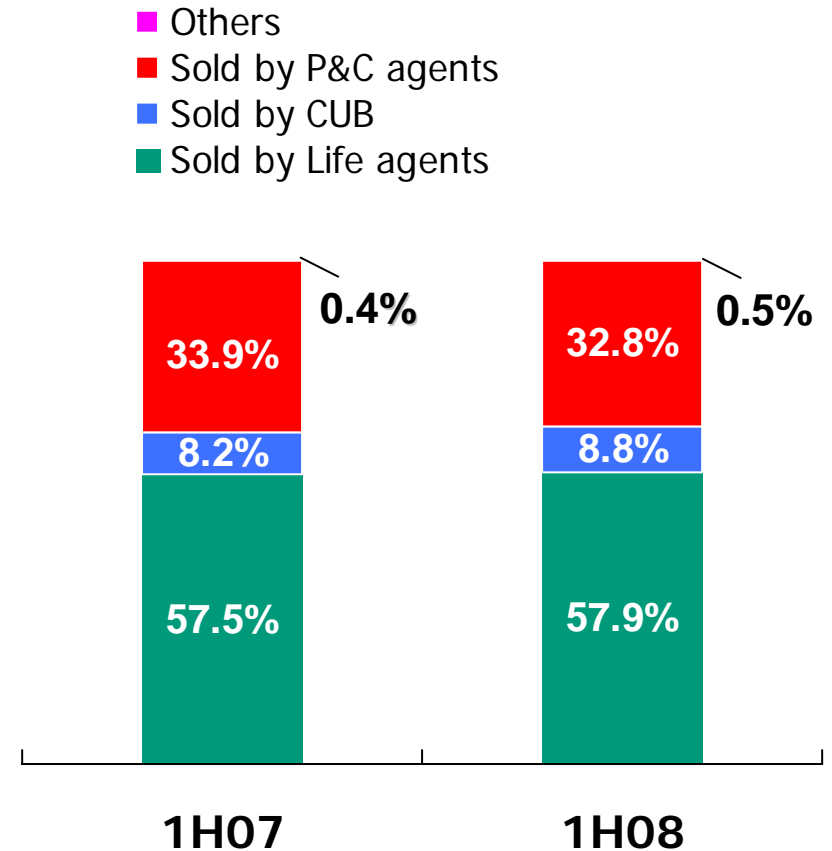


Cathay Century

Market share & Growth comparison



Distribution channel





國泰金控

Cathay Financial Holdings

Cathay Financial Holdings

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

	FY2006	FY2007	FY07/ FY06 % Chg	1H07	1H08	1H08/ 1H07/ % Chg	2Q07	2Q08	2Q08/ 2Q07/ % Chg
Statement of Income Data									
Interest income	1.095	1.123	2.6%	0.562	0.423	-24.7%	0.282	0.208	-26.2%
Income from subsidiaries									
Cathay Life	15.047	23.469	56.0%	16.169	(5.285)	-132.7%	8.696	1.452	-83.3%
Cathay United Bank	(3.487)	6.400	-283.5%	4.385	3.004	-31.5%	2.178	2.119	-2.7%
Cathay Century	0.730	1.046	43.4%	0.680	0.457	-32.7%	0.339	0.292	-13.8%
Other	0.270	0.194	-28.1%	0.060	0.001	-98.8%	0.037	(0.018)	-149.5%
Total income from subsidiaries	12.560	31.109	147.7%	21.294	(1.823)	-	11.250	3.845	-65.8%
Adjustments	(0.054)	(0.442)	-	(0.443)	(0.026)	-	(0.443)	(0.026)	-
Total income from subsidiaries, net	12.506	30.667	145.2%	20.851	(1.849)	-	10.808	3.819	-64.7%
Gain on foreign exchange	(0.023)	(0.097)	313.8%	0.048	(0.727)	-	(0.084)	(0.014)	-83.3%
Other income	0.164	0.616	275.0%	0.014	0.333	-	(0.054)	(0.010)	-80.9%
Operating costs	(1.663)	(0.985)	-40.8%	(0.558)	(0.341)	-38.9%	(0.221)	(0.163)	-26.2%
Administrative and general expenses	(0.235)	(0.226)	-3.9%	(0.104)	(0.123)	18.3%	(0.064)	(0.080)	25.7%
Income taxes (expense) benefit	(0.408)	(0.350)	-14.1%	(0.130)	0.063	-148.6%	0.014	(0.003)	-125.0%
Cumulative effect of changes in accounting principles	(0.859)	0.000	-100.0%	0.000	0.000	-	0.000	0.000	-
Net income	10.577	30.748	190.7%	20.683	(2.220)	-110.7%	10.681	3.756	-64.8%
EPS (NT\$)	1.18	3.34		2.14	(0.23)				
Balance Sheet Data									
Long-term investments in stock	205.5	214.1		216.0	176.0				
Total assets	223.8	230.2		244.6	200.2				
Total consolidated assets	3,447.5	3,684.3		3,596.4	3,742.5				
Total shareholders' equity	216.1	226.6		228.2	173.7				
Operating Metrics									
ROAE(standalone)	5.2%	13.9%		18.6%	-2.2%				
ROAA (standalone)	4.9%	13.5%		17.7%	-2.1%				
ROAA(consolidated)	0.3%	0.9%		1.2%	-0.1%				

Notes:

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Cathay Life Summary Financial Data (NT\$BN)	FY07/ FY06			1H08/ 1H07/			2Q08/ 2Q07/		
	FY2006	FY2007	% Chg	1H07	1H08	% Chg	2Q07	2Q08	% Chg
Summary Statement of Income Data									
Premiums income ⁽¹⁾	287.636	302.993	5.3%	138.166	160.187	15.9%	76.990	92.144	19.7%
Investment income									
Interest income	62.633	69.497	11.0%	33.632	36.791	9.4%	16.989	18.760	10.4%
Gain on disposal of investment	7.657	28.586	273.4%	8.132	17.505	115.3%	3.104	2.763	-11.0%
Other investment income, net	12.207	(0.384)	-103.1%	13.109	(34.381)	-362.3%	6.677	(4.489)	-167.2%
Total investment income, net ⁽²⁾	82.497	97.699	18.4%	54.873	19.915	-63.7%	26.770	17.034	-36.4%
Other income	1.561	2.257	44.6%	1.211	4.622	281.6%	0.598	1.903	218.5%
Insurance claims payment	(157.599)	(202.776)	28.7%	(88.304)	(132.882)	50.5%	(48.807)	(85.302)	74.8%
Provisions for reserves									
Provisions	(298.422)	(312.004)	4.6%	(139.005)	(159.922)	15.0%	(75.520)	(92.264)	22.2%
Recoveries	133.091	178.912	34.4%	70.029	115.818	65.4%	39.525	76.253	92.9%
Total provisions for reserves, net	(165.331)	(133.092)	-19.5%	(68.976)	(44.104)	-36.1%	(35.995)	(16.011)	-55.5%
Commissions and operating expense									
Brokerage expenses	(27.230)	(30.019)	10.2%	(14.364)	(13.948)	-2.9%	(8.093)	(6.214)	-23.2%
Marketing, administrative and general expenses	(10.386)	(11.223)	8.1%	(5.402)	(5.065)	-6.2%	(2.681)	(2.773)	3.4%
Total commissions and operating expenses	(37.616)	(41.242)	9.6%	(19.766)	(19.013)	-3.8%	(10.774)	(8.987)	-16.6%
Other operating expenses	(2.652)	(2.644)	-0.3%	(1.142)	(1.066)	-6.6%	(0.565)	(0.544)	-3.7%
Operating income	8.495	23.194	173.0%	16.062	(12.341)	-176.8%	8.217	0.237	-97.1%
Non-operating income	1.670	1.454	-12.9%	0.751	0.661	-11.9%	0.384	0.353	-8.1%
Non-operating expense	(0.347)	(0.299)	20.9%	(0.051)	(0.003)	-95.0%	(0.050)	(0.002)	-96.8%
Income taxes	1.815	(0.881)	-148.5%	(0.593)	6.398	-1178.9%	0.145	0.864	497.6%
Cumulative effect of changes in accounting principles	3.316	0.000	-100.0%	0.000	0.000	-	0.000	0.000	-
Net income	15.047	23.469	56.0%	16.169	(5.285)	-132.7%	8.696	1.452	-83.3%
Balance Sheet Data									
Total assets	2140.8	2354.9		2278.0	2397.4		2278.0	2397.4	
Total stockholders' equity	119.8	123.4		126.4	88.1		126.4	88.1	
Operating Metrics									
First year premium	108.2	172.8		86.9	125.2				
Expense ratio	12.4%	12.9%		13.5%	11.9%				
13-mos persistency ratio	90.0%	92.0%		91.1%	91.1%				
25-mos persistency ratio	82.2%	83.0%		81.2%	84.7%				
ROAE	13.8%	19.3%		26.3%	-10.0%				
ROAA	0.8%	1.0%		1.5%	-0.4%				

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.

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

	FY07/ FY06			1H08/ 1H07			2Q08/ 2Q07		
	FY2006	FY2007	% Chg	1H07	1H08	% Chg	2Q07	2Q08	% Chg
Summary Statement of Income Data									
Interest income	42,590	40,285	-5.4%	19,547	20,148	3.1%	9,805	9,895	0.9%
Interest expense	(18,054)	(19,121)	5.9%	(9,374)	(9,651)	3.0%	(4,581)	(4,755)	3.8%
Net interest income	24,537	21,164	-13.7%	10,173	10,497	3.2%	5,224	5,140	-1.6%
Net operating income except interest income									
Net handling fee	4,561	5,132	12.5%	2,241	2,653	18.4%	1,218	1,300	6.7%
Gains on financial assets and liabilities at fair value through P&L	(0,392)	(0,459)	17.1%	0,131	(1,023)	-	(0,152)	(0,331)	118.3%
Realized gains on available-for-sale financial assets	0,500	1,707	241.2%	0,423	0,390	-7.7%	0,396	0,025	-93.8%
Realized gains on held-to-maturity financial assets	0,001	(0,000)	-119.7%	(0,000)	(0,001)	371.6%	0,000	0,000	-100.0%
Invst inc - equity method	0,066	0,168	155.1%	0,073	0,121	66.4%	(0,034)	0,093	-373.9%
Realized gain - equity method	1,299	0,000	-100.0%	0,000	0,000	-	0,000	0,000	-
Gain on foreign exchg - net	0,443	0,716	61.7%	0,393	0,674	71.4%	0,164	0,124	-24.3%
Impairment gain/loss	(0,259)	(0,115)	-55.5%	0,041	(0,048)	-218.5%	0,018	0,008	-57.0%
Gains on reversal of foreclosed properties impairment	0,400	(0,010)	-102.4%	(0,019)	0,036	-288.4%	(0,019)	0,017	-
Gains/losses on disposal of foreclosed properties	0,483	0,006	-98.9%	0,000	0,185	-	0,000	0,187	-
Investments in debt securities with no active market, net other income, net	0,024	(2,555)	-	0,008	(1,746)	-	0,003	0,013	-
Net operating income	31,899	26,220	-17.8%	13,522	12,427	-8.1%	6,810	7,148	5.0%
Provisions for possible losses ⁽²⁾	(26,074)	(4,086)	-84.3%	(1,555)	(0,966)	-37.8%	(0,642)	(0,613)	-4.4%
Operating expenses	(12,303)	(14,008)	13.9%	(6,423)	(6,947)	8.2%	(3,393)	(3,629)	7.0%
Income from continuing operations before income taxes	(6,477)	8,126	-225.5%	5,544	4,514	-18.6%	2,775	2,906	4.7%
Income tax benefit (expense)	2,264	(1,726)	-176.2%	(1,159)	(1,510)	30.3%	(0,597)	(0,787)	31.8%
Cumulative effect of changes in accounting principles	0,727	0,000	-100.0%	0,000	0,000	-	0,000	0,000	-
Net income	(3,487)	6,400	-283.5%	4,385	3,004	-31.5%	2,178	2,119	-2.7%
Balance Sheet Data									
Total assets	1,266.7	1,288.2		1265.2	1290.8		1265.2	1290.8	
Total shareholders' equity	76.1	81.4		80.4	79.5		80.4	79.5	
Operating Metrics									
Cost income ratio	38.6%	53.4%		47.5%	55.9%				
ROAE	-4.4%	8.1%		11.2%	7.5%				
ROAA	-0.3%	0.5%		0.7%	0.5%				
Assets Quality									
NPL ratio (international standard)	1.8%	1.5%		1.55%	0.88%				
Coverage ratio (international standard)	128.3%	86.2%		104.5%	129.7%				

Notes:

(1) FY07, 1H07 and 1H08 provisions net of NT\$5.6bn, NT\$3.2bn and NT\$3.7bn bad debt recoveries, respectively.

(2) All data and information on this page is provided for informational purposes only, and may subject to adjustment.

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Cathay Century
Summary Financial Data
(NT\$MM)

			FY07/ FY06		1H08/ 1H07		2Q08/ 2Q07		% Chg
	FY 2006	FY2007	% Chg	1H07	1H08	% Chg	2Q07	2Q08	
Summary Statement of Income Data									
Premiums income	9,896.5	11,153.7	12.7%	5,507.4	5,807.5	5.4%	2,758.5	2,911.0	5.5%
Reinsurance premiums ceded	(3,098.5)	(3,460.6)	11.7%	(1,778.9)	(1,706.1)	-4.1%	(906.4)	(692.8)	-23.6%
Premiums income, net	6,798.0	7,693.1	13.2%	3,728.7	4,101.4	10.0%	1,852.1	2,218.2	19.8%
Investment									
Interest income	318.5	374.5	17.6%	198.7	207.2	4.3%	111.4	114.7	3.0%
Other investment income, net	58.6	227.5	288.2%	181.9	91.9	-49.5%	132.9	(72.3)	-154.4%
Total investment income	377.1	602.0	59.7%	380.6	299.1	-21.4%	244.3	42.4	-82.6%
Other operating income	223.7	288.4	28.9%	150.6	189.9	26.1%	67.8	75.1	10.8%
Insurance claims payment, net	(3,005.8)	(3,371.2)	12.2%	(1,529.8)	(1,954.6)	27.8%	(711.5)	(949.7)	33.5%
Provisions for reserves									
Provisions	(5,830.8)	(6,542.9)	12.2%	(5,730.1)	(5,825.5)	1.7%	(401.1)	(300.3)	-25.1%
Recoveries	4,677.8	5,306.5	13.4%	5,117.5	5,526.8	8.0%	74.0	90.3	22.0%
Total provisions for reserves, net	(1,153.0)	(1,236.4)	7.2%	(612.6)	(298.7)	-51.2%	(327.1)	(210.0)	-35.8%
Commissions, operating and other expenses	(2,395.4)	(2,681.9)	12.0%	(1,273.4)	(1,750.4)	37.5%	(704.5)	(768.9)	9.1%
Operating income	844.7	1,294.0	53.2%	844.1	586.7	-30.5%	421.1	407.1	-3.3%
Non-operating income	3.7	17.3	375.1%	2.3	5.9	159.7%	1.1	5.5	420.0%
Non-operating expense	(0.1)	(0.1)	16.9%	(0.1)	(1.6)	984.5%	(0.1)	(0.1)	-4.2%
Income taxes	(178.6)	(264.9)	48.3%	(166.8)	(133.7)	-19.9%	(82.9)	(120.3)	45.1%
Cumulative effect of changes in accounting principles	60.1	0.0	-100.0%	-	0.0	-	0.0	0.0	-
Net income	729.8	1,046.3	43.4%	679.5	457.3	-32.7%	339.2	292.2	-13.8%
Summary Balance Sheet Data									
Total assets	14,675.9	16,619.4	13.2%	17,831.5	18,736.0	5.1%	15,751.4	18,736.0	
Total stockholders' equity	3,571.6	3,869.9	8.4%	3,609.2	3,166.6	-12.3%	3,609.2	3,166.6	
Operating Metrics									
Written Combined ratio	66.7%	62.4%		57.5%	68.3%				
Net Combined ratio	82.4%	79.7%		76.2%	81.0%				
ROAE	21.6%	28.1%		37.9%	26.0%				
ROAA	5.3%	6.7%		8.4%	5.2%				

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) 1H07,1H08 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>06/30/2008</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 (As of 30-June-2008)</u>			<u>Legal Requirement</u>
Cathay Financial Holdings Double leverage ratio	101.32%			n/a
Cathay Life RBC Ratio	200%	-	300%	200%
Cathay Century RBC Ratio	425.53%			200%
Cathay United Bank BIS Ratio	10.02%			8%

Notes:

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