

Cathay Financial Holding Co., Ltd.
2009 Fourth Quarter Briefing



March 2010

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Agenda

- **2009 Overview & 2010 Outlook**

- **2009 Financial results**

 - Cathay Financial Holdings

 - Cathay United Bank

 - Cathay Life

 - Cathay Century

- **Overseas expansion**

2010 Outlook

Cathay Life

- Reallocate cash position to other high yield assets (ex: target 40% of overseas investment) to increase investment yield.
- Maintain flexible investment and hedging strategy in response to volatility of capital and FX markets.
- Maintain leading position in FYP market share; decrease cost of liability and increase VNB by increasing FYP contribution of traditional life, health, accident and other products.

Cathay United Bank

- Increase loan growth and maintain good asset quality
- Maintain growth momentum of NIM and fee income

Cathay Century

- Increase market share, balance development of product lines, strengthen business structure, and maintain outstanding combined ratios.
- Develop tailor-made products, improve customer service, and increase brand value.

China Strategy

- **Cathay Life and P&C:** accelerate business growth based on existing network.
- **Bank:** following regulatory and authority approval, seek to first upgrade rep. office to branch and continue to evaluate subsidiary. In the long run, target Taiwan, domestic Chinese and foreign customers; balance development of corporate and consumer banking; extend network by following Cathay Life's footprint; evaluate potential investment opportunities.
- **Other subsidiaries:** aggressively evaluate expansion strategy in China.

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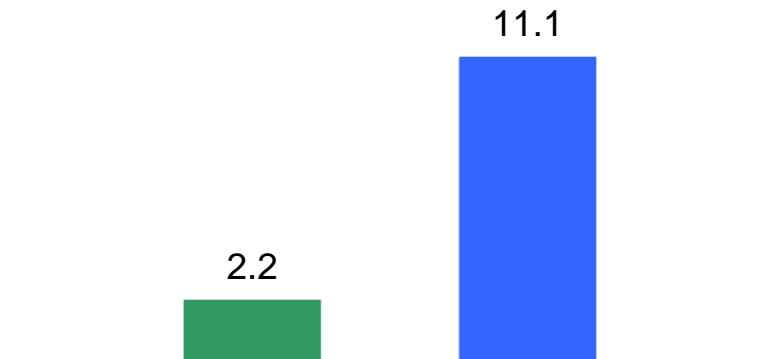
 - Cathay Century

- **Overseas expansion**

Cathay FHC – Net income & EPS

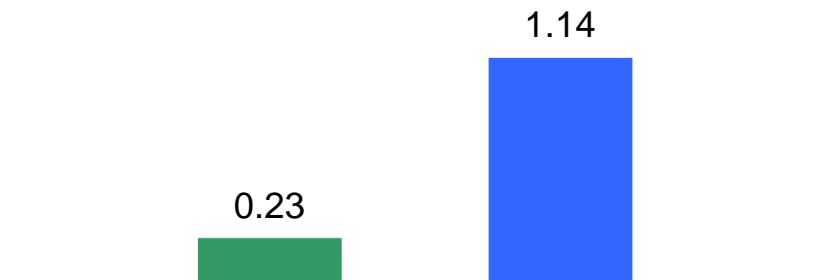
Net Income (NT\$BN)

FY08 FY09

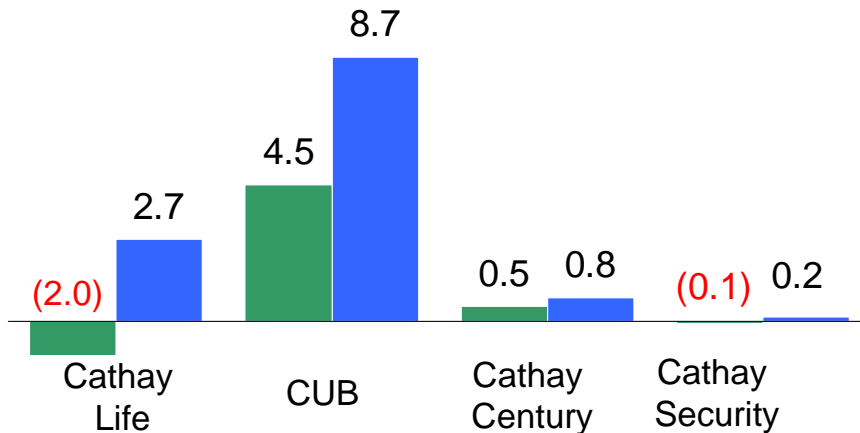


Earnings Per Share (NT\$)

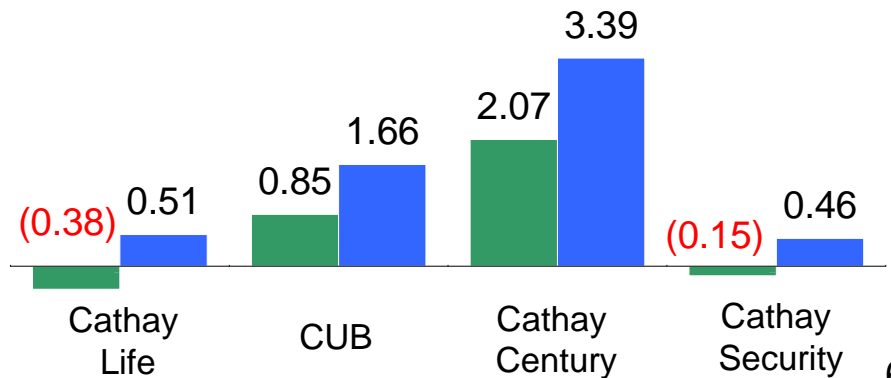
FY08 FY09



Net income of main subsidiaries



EPS of main subsidiaries



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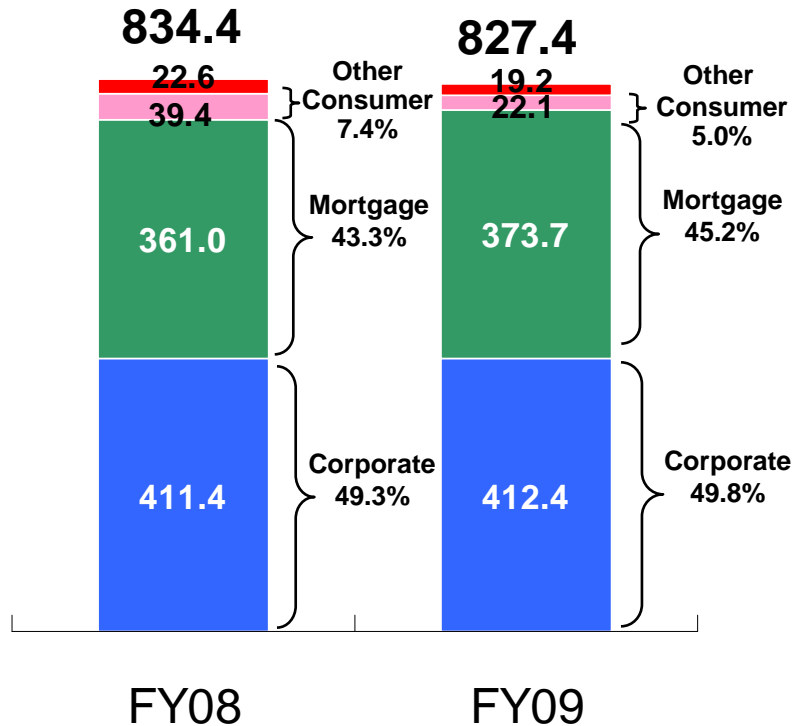
 - Cathay Century

- **Overseas expansion**

Cathay United Bank – Loan & deposit breakdown

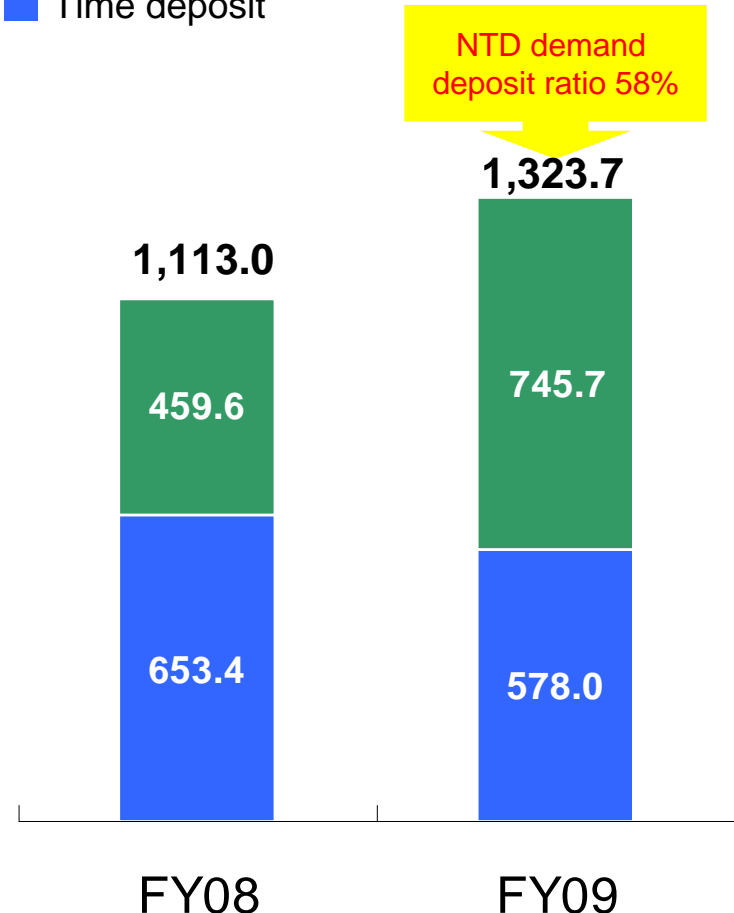
Loan breakdown (NT\$BN)

- Credit card related
- Consumer
- Mortgage
- Corporate



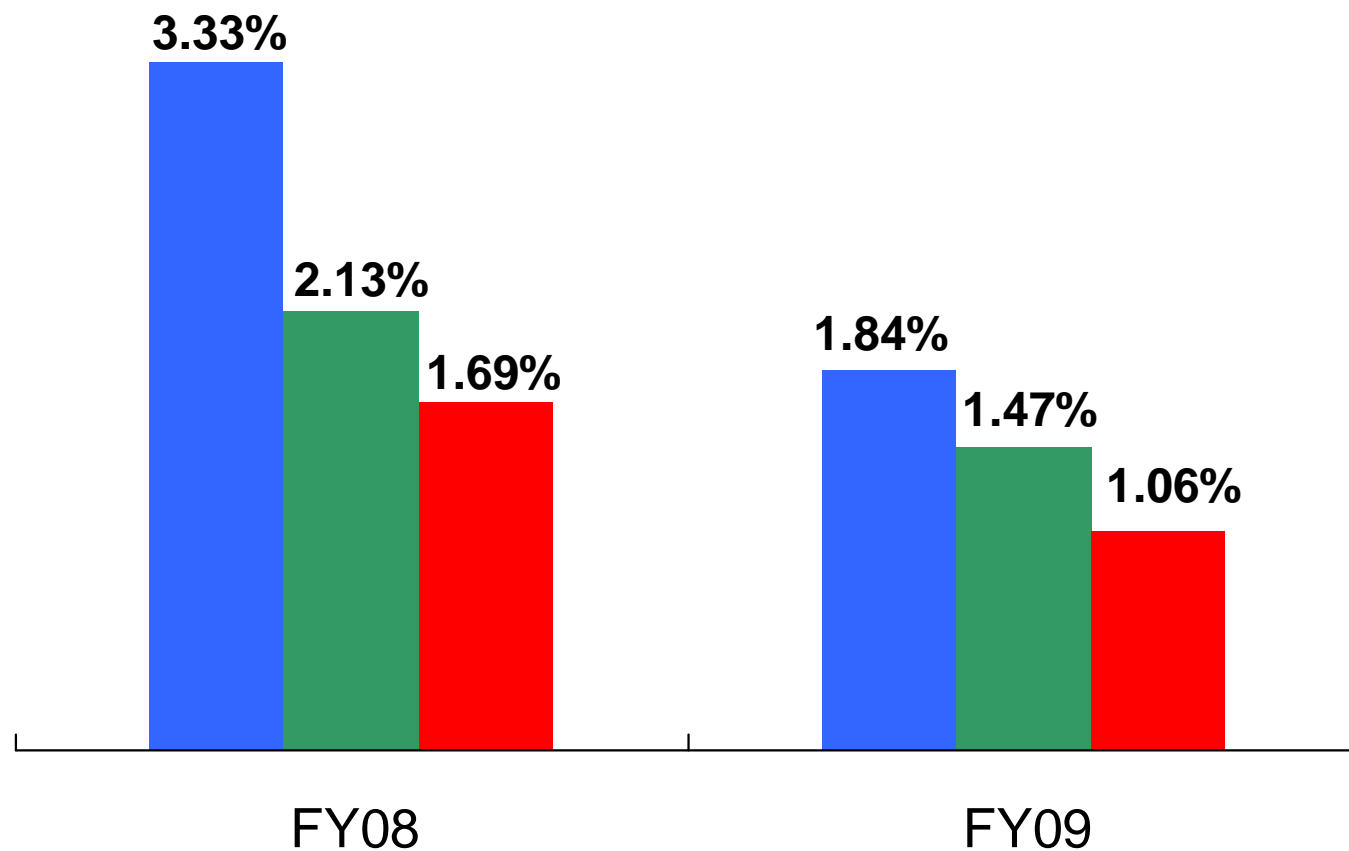
Deposit breakdown (NT\$BN)

- Demand deposit
- Time deposit



Cathay United Bank – Interest yields

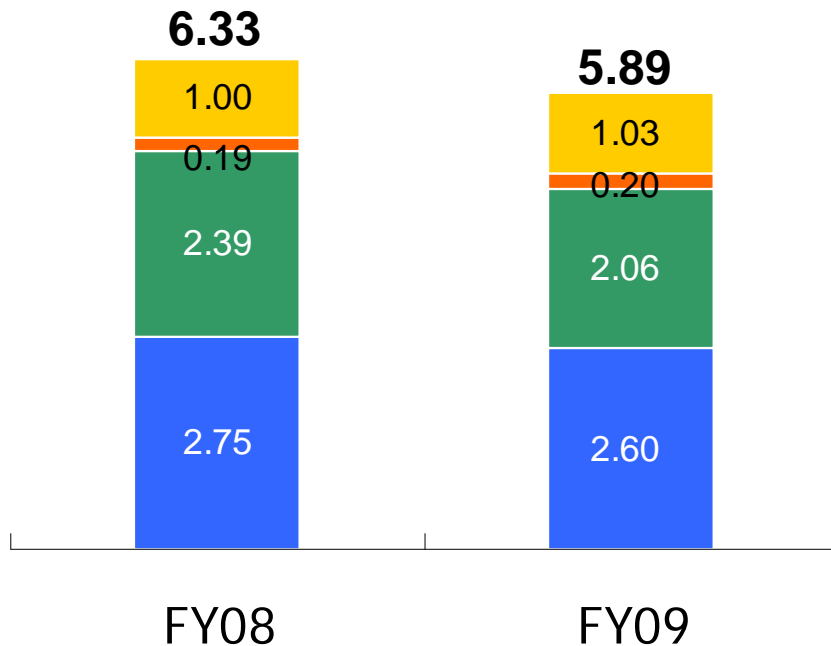
■ Avg. rate of interest-earned assets ■ Interest spread ■ Net interest margin



Cathay United Bank– Fee income

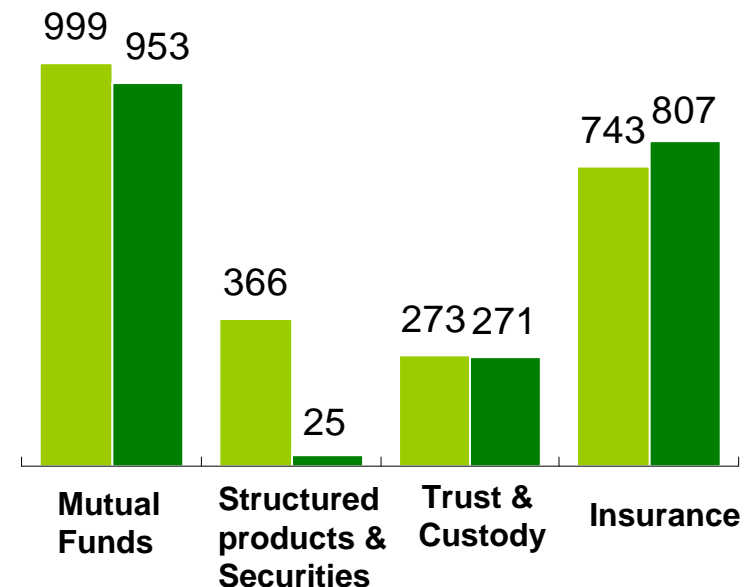
Fee income breakdown (NT\$BN)

- Others
- FX
- Wealth management
- Cards related



Wealth management fee breakdown (NT\$MN)

- FY08
- FY09



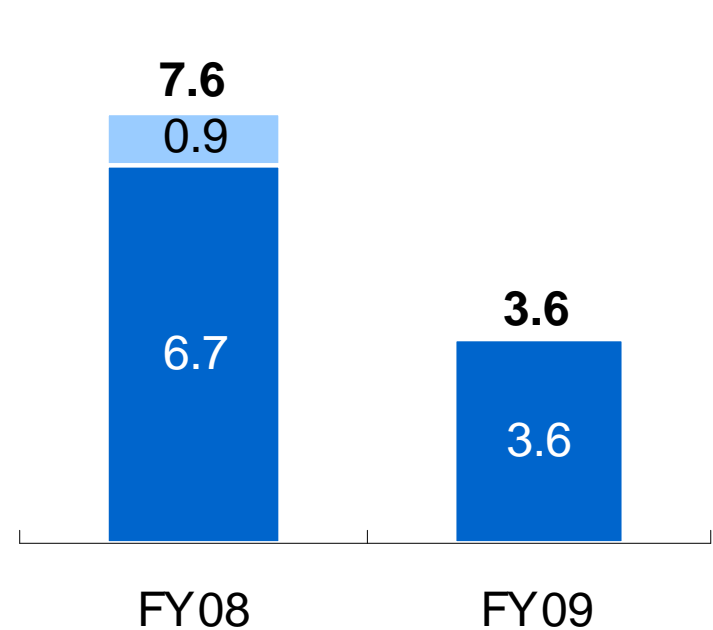
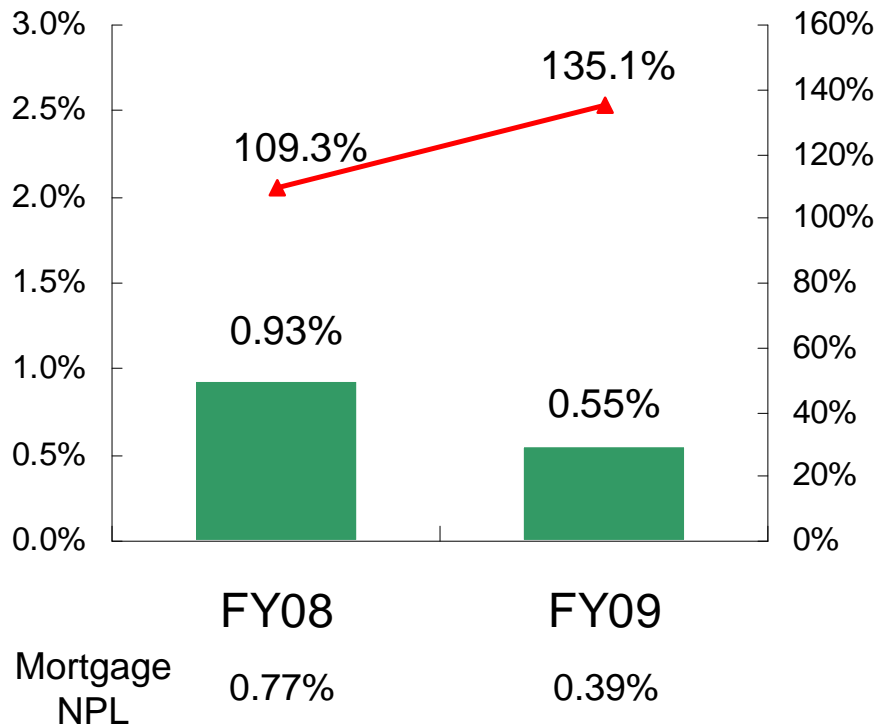
Cathay United Bank–Credit quality

NPL & Coverage ratio

Gross provision (NT\$BN)

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

■ Net provisions
 ■ Recovery



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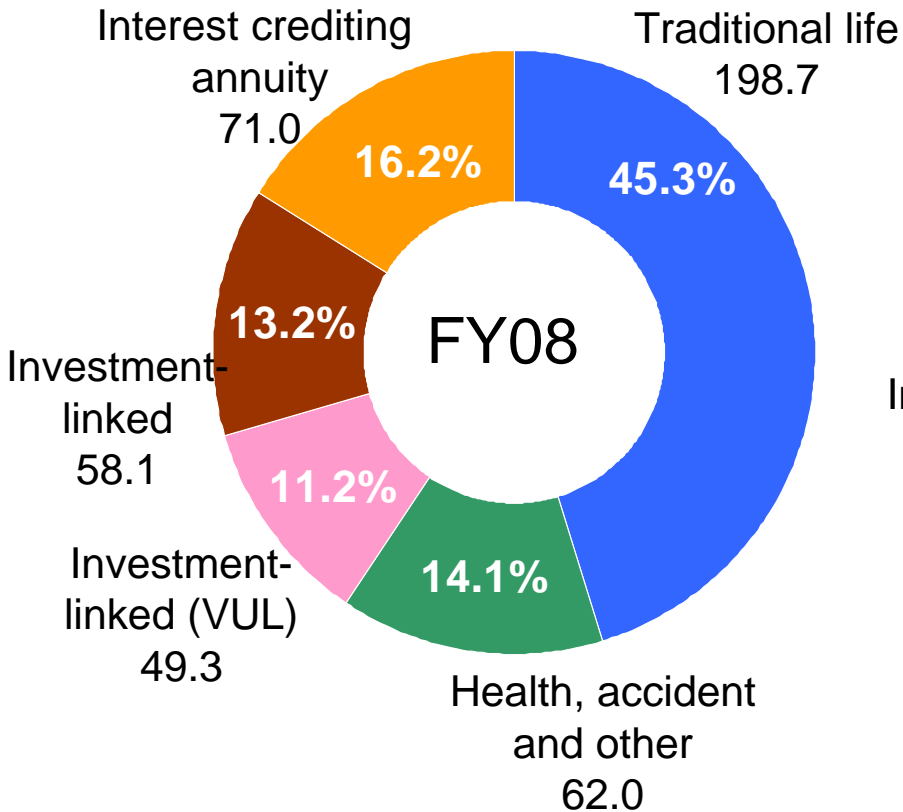
 - Cathay Life

 - Cathay Century

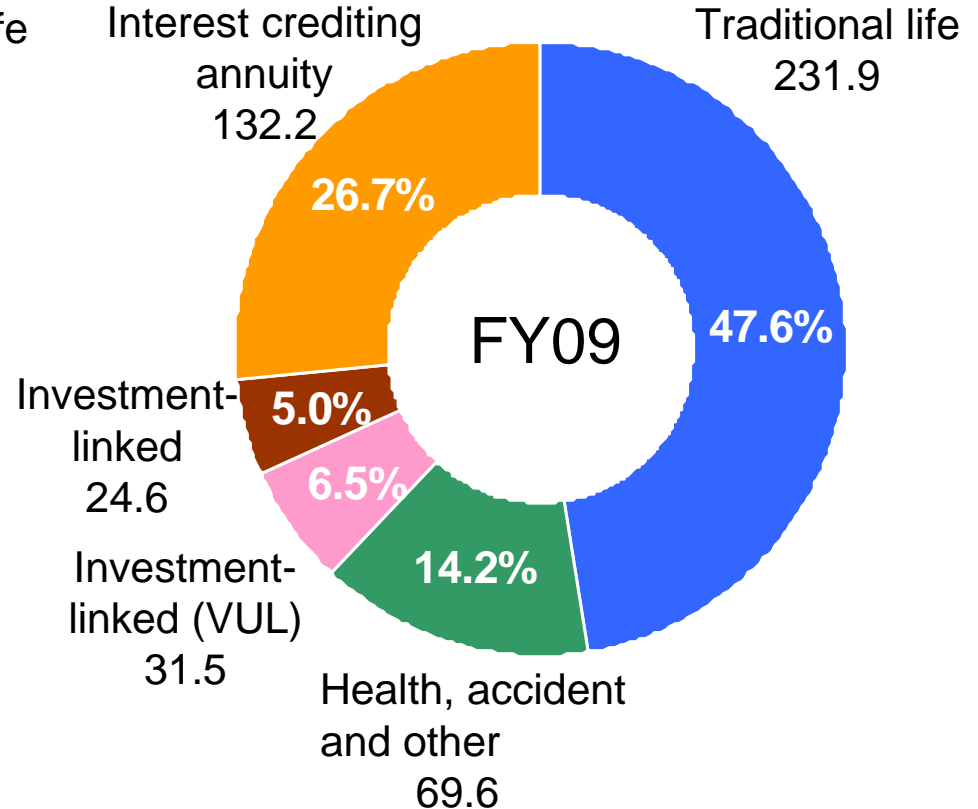
- **Overseas expansion**

Cathay Life – Total premium

(NT\$BN)



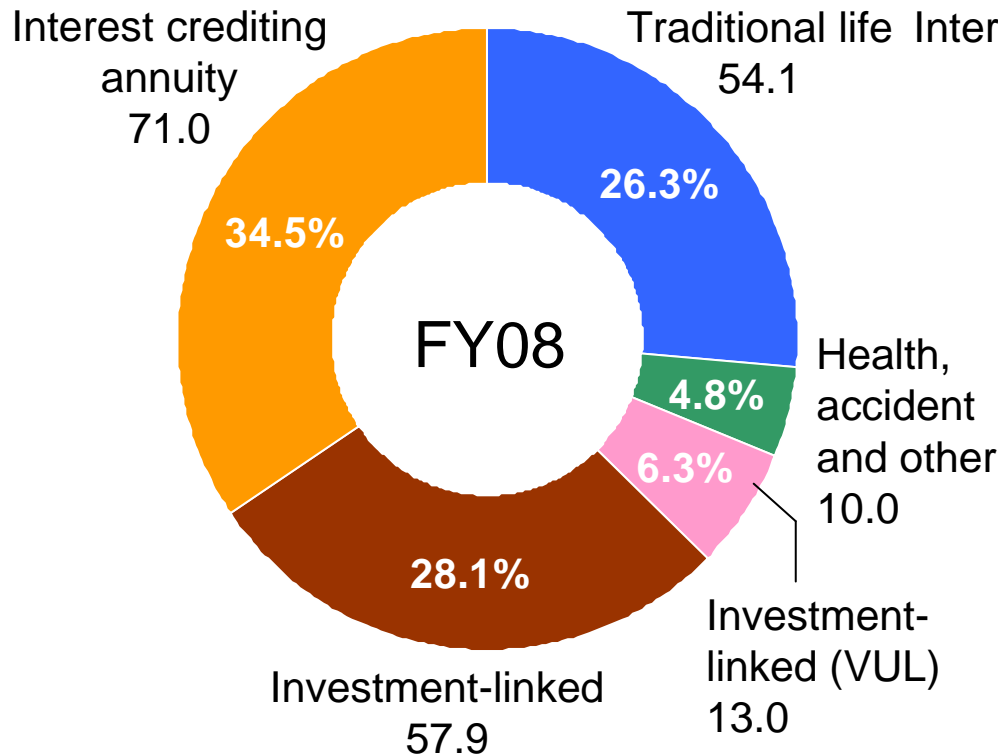
Total NT\$ 439.1BN



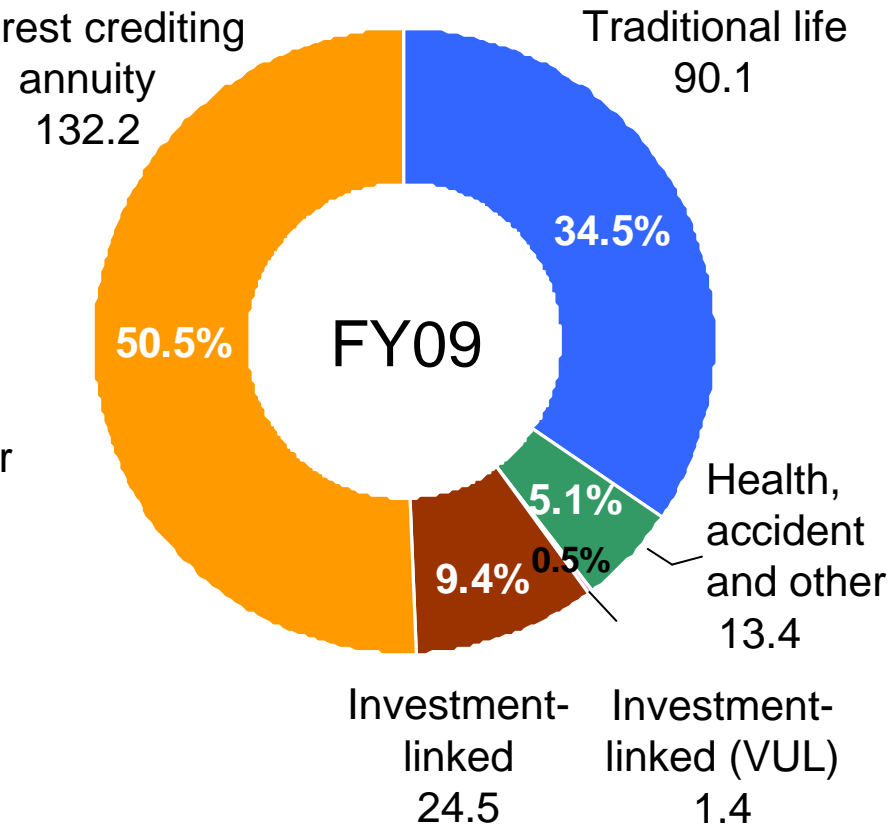
Total NT\$ 489.8BN

Cathay Life – First Year Premium

(NT\$BN)



Total NT\$ 206.0BN

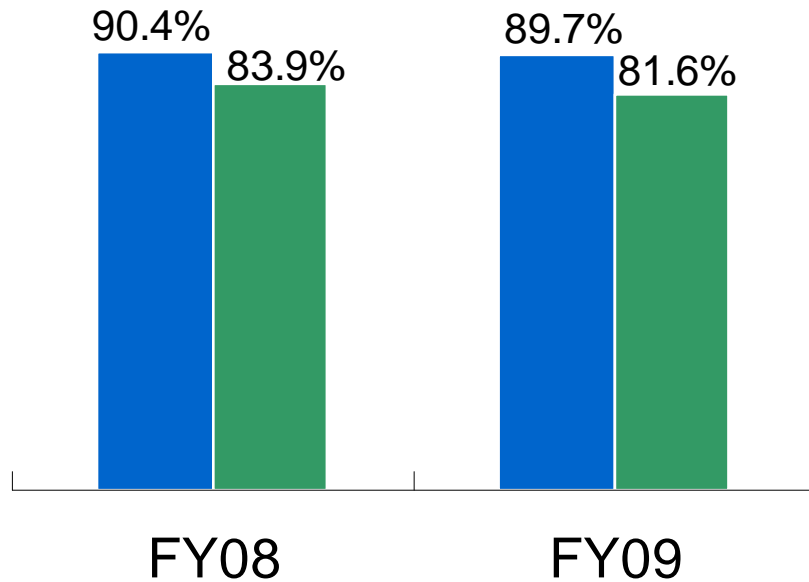


Total NT\$ 261.6BN

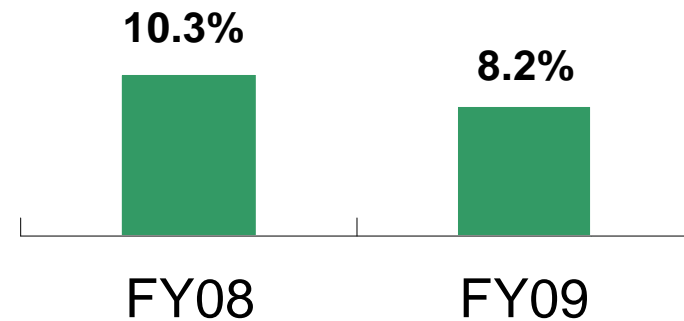
Cathay Life– Operational indicators

Persistence ratio

■ 13 months ■ 25 months



Expense ratio



Cathay Life–Investment Portfolio

	3Q09		4Q09		Weight Change	Amount Change
	Amt. (NT\$BN)	%	Amt. (NT\$BN)	%		
Cash & Cash equivalents	360.5	15.3%	420.2	17.1%	1.8%	59.7
Equities – Domestic	141.9	6.0%	165.5	6.7%	0.7%	23.6
Equities – International	36.5	1.6%	41.7	1.7%	0.1%	5.1
Bonds – Domestic	348.8	14.8%	355.8	14.5%	-0.3%	7.1
Bonds – International ⁽¹⁾	776.1	32.9%	789.8	32.1%	-0.8%	13.7
Mortgage & Secured loans	320.9	13.6%	312.5	12.7%	-0.9%	-8.5
Policy loans	197.3	8.4%	195.2	7.9%	-0.5%	-2.1
Real estate	129.3	5.5%	128.8	5.2%	-0.3%	-0.5
Others	45.2	1.9%	50.5	2.1%	0.1%	5.3
Total investments ⁽²⁾⁽³⁾	2,356.5	100.0%	2,459.9	100.0%		

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

Note (2) : Excludes separate account assets

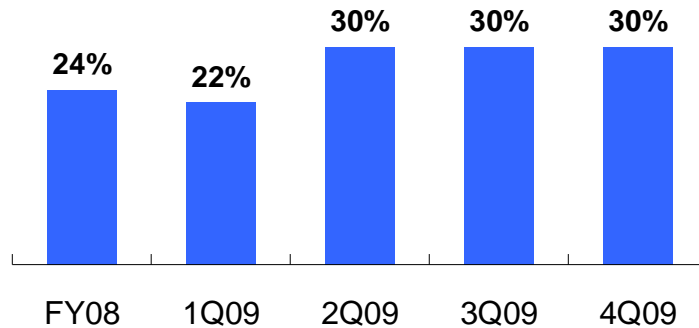
Note (3) : Total investments only includes funds available to invest

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

Cathay Life–Investment Portfolio

Increase FYP market share

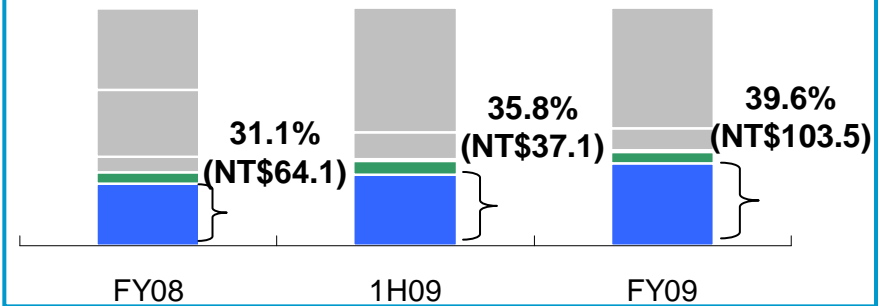
FYP market share target 30%



Improve product mix

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

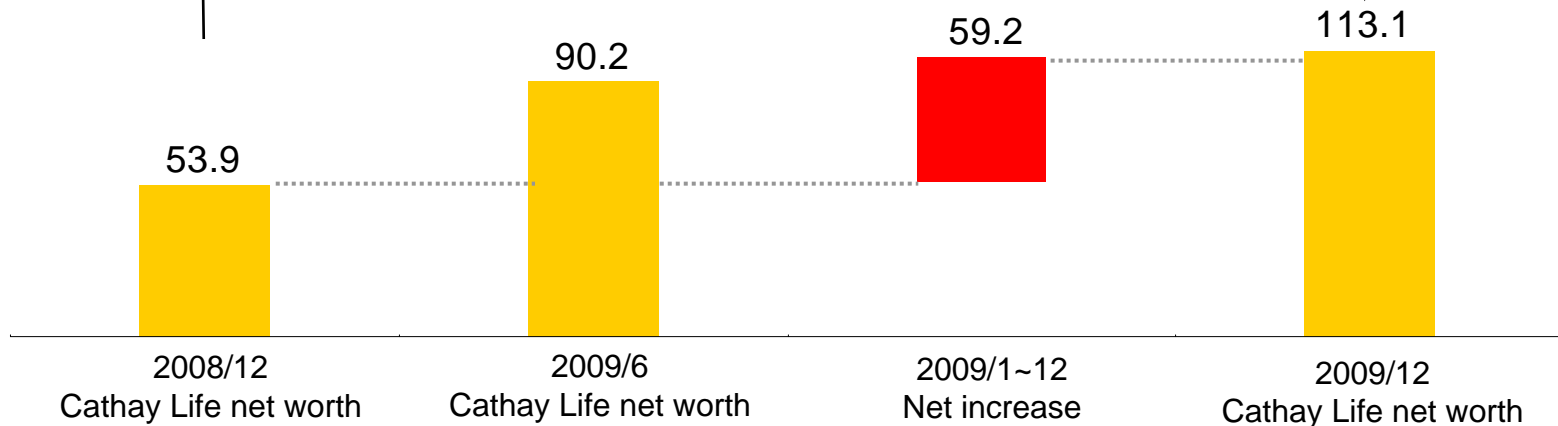
FYP weightings of traditional life and health, accident & other continue to increase



Recovered net worth

(NT\$BN)

+ 109%



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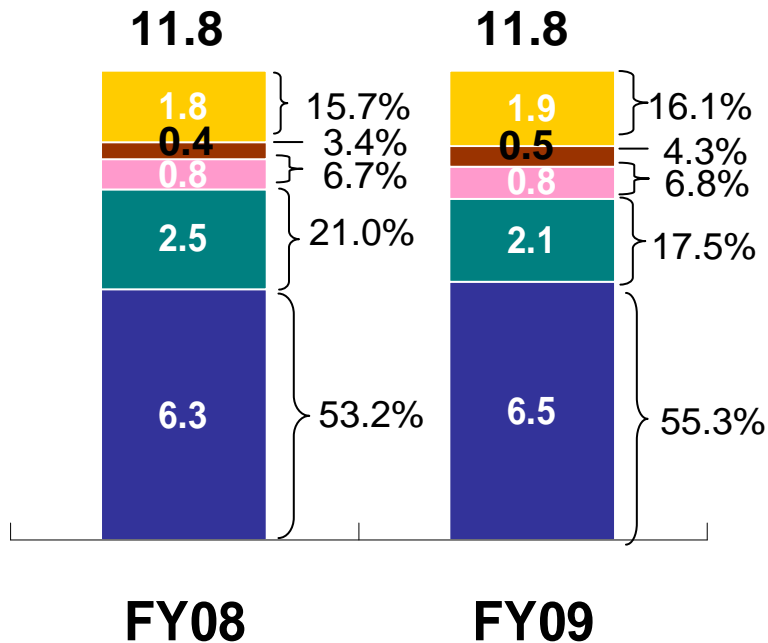
 - Cathay Century

- **Overseas expansion**

Cathay Century

Product breakdown (NT\$BN)

- Others
- Engineering
- Marine
- Fire
- Auto

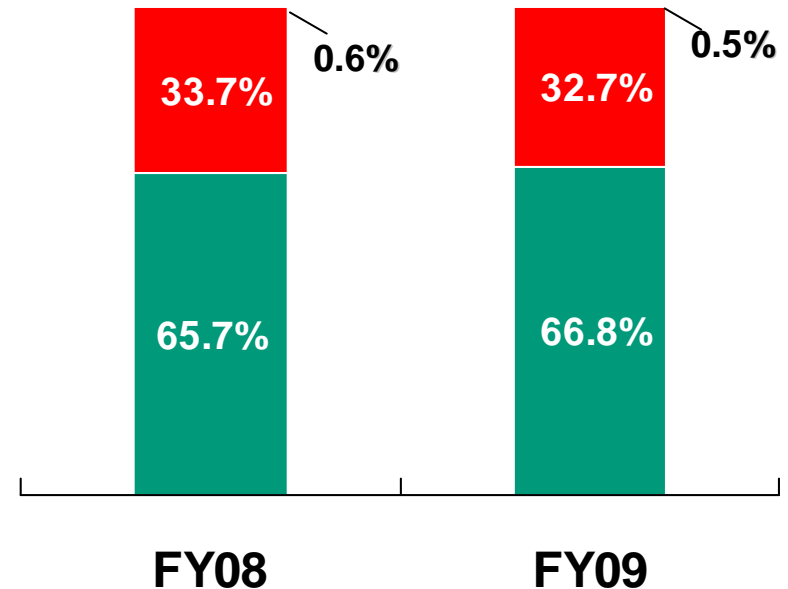


Mkt share 10.5%

11.2%

Distribution channel

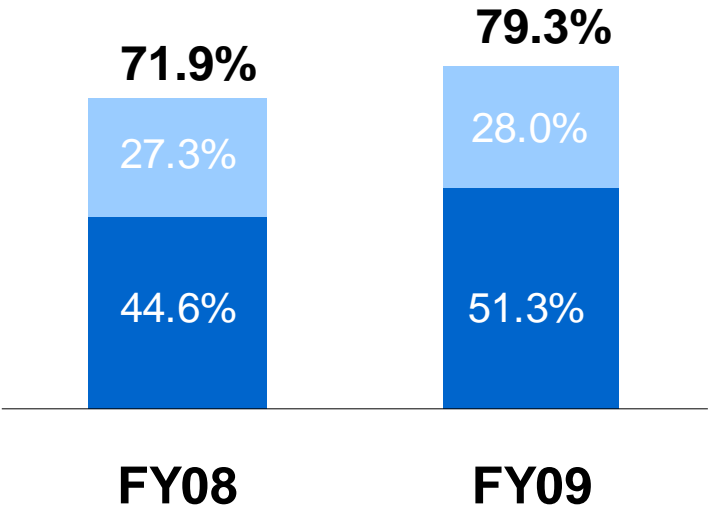
- Others
- Cathay P&C agents
- Cathay group channel



Cathay Century

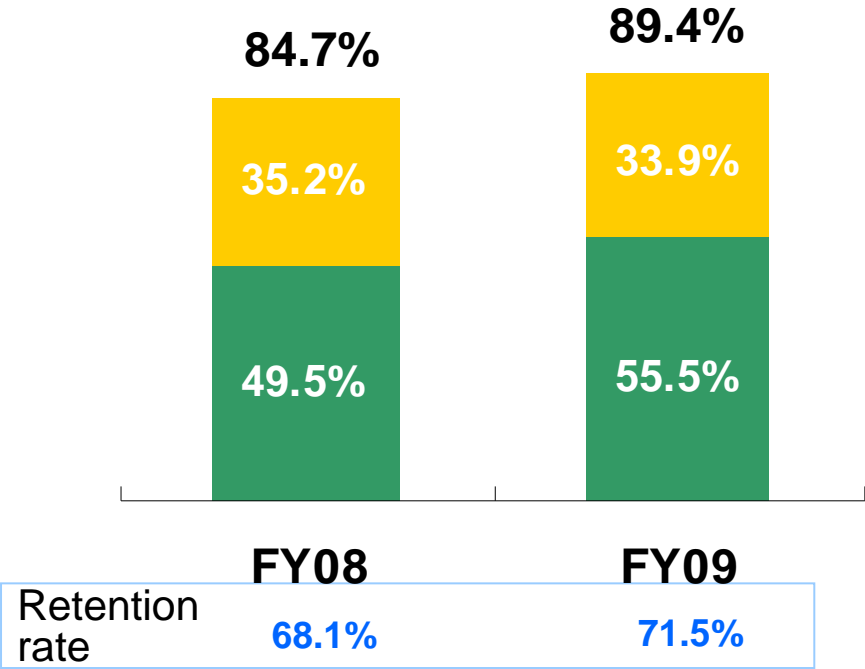
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



Retained combined ratio

- Retained expense ratio
- Retained loss ratio



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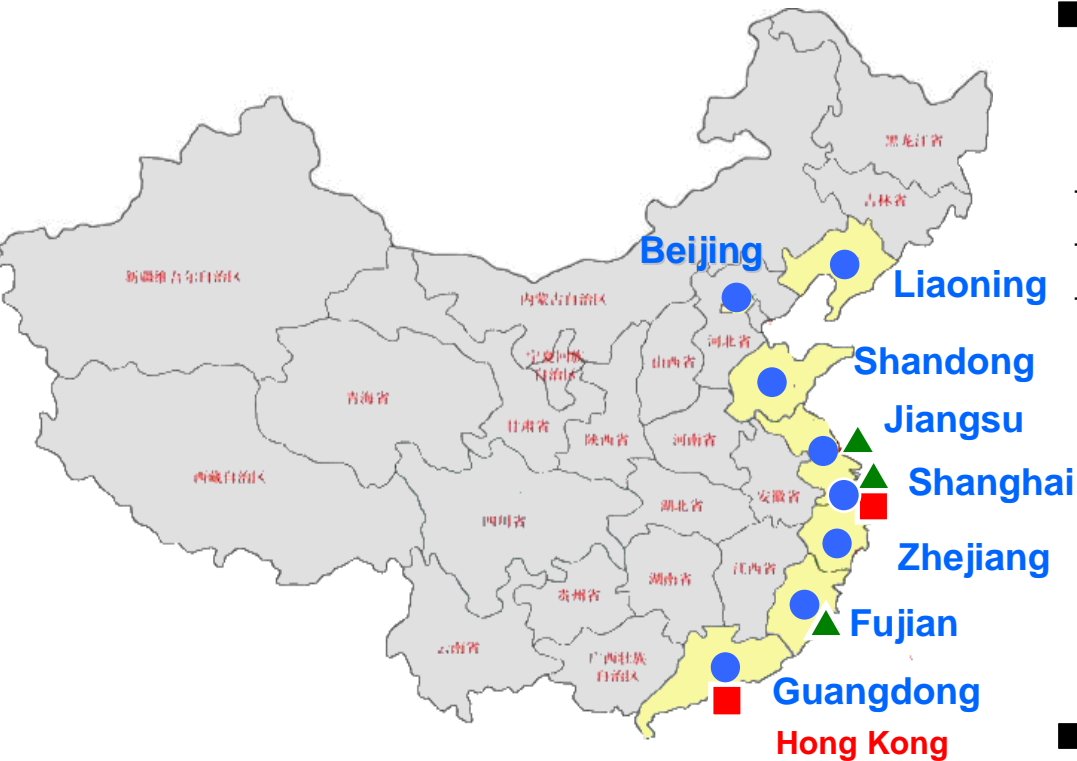
 - Cathay United Bank

 - Cathay Life

 - Cathay Century

- **Overseas expansion**

Cathay FHC in China



■ Cathay Life (China)

- Joint venture between Cathay Life Insurance and China Eastern Airline Group
- Registered capital: RMB 800 MN
- Sales force: 2,423 tied agents (2009.12.31)
- Footprint: 32 offices in 27 cities, 8 provinces
 - Serviced cities account for approximately 30% of China's GDP
 - Office number ranked fifth highest among local foreign players
 - Tianjin license is under application
- Policyholders: approximately 1.69 MN ⁽¹⁾

■ Cathay United Bank

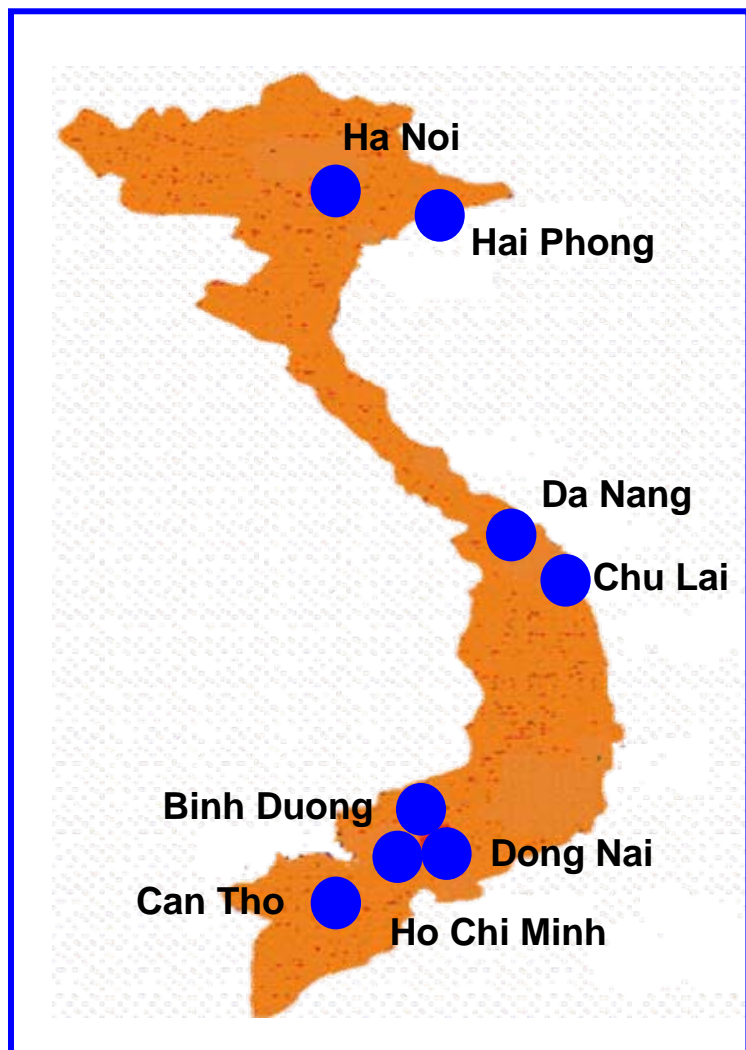
- 1 Hong Kong branch (2001)
- 1 Shanghai Rep. office (2002)

■ Cathay Century (China)

- 100% owned by Cathay FHC
- Headquarter in Shanghai.
- 2 branches (Jiangsu and Fujian)

Note(1): Numbers are effective policyholders as of 2009/12/31

Cathay FHC in Vietnam



■Indovina Bank

- Joint venture bank between CUB and VietinBank with 29 locations (2010.2.28)
- Total assets : USD636.4 MN
- NPL ratio : 0.37%(avg. NPL ratio of local players is approximately 3%)
- Pre-tax income: USD14 MN
- Leading position among 6 joint venture banks in Vietnam
- Chosen as best foreign 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 USD4.43 MN

■Cathay Life

- Headquarter in Ho Chi Minh
- 3 branches (Hanoi, Da Nang, Can Tho)
- Dong Nai branch is under preparation
- Sales force: 6,176 tied agents
- Net loss was approximately USD0.26 MN

■Cathay Century

- 1 rep. office (Ho Chi Minh)

Cathay Financial Holdings

Summary Financial Data

(NT\$BN)

	FY2008	FY2009	FY09/ FY08 % Chg	4Q08	4Q09	4Q09/ 4Q08/ % Chg
<u>Statement of Income Data</u>						
Interest income	0.484	0.553	14.4%	0.018	0.154	773.5%
Income from subsidiaries						
Cathay Life	(1.995)	2.672	-	(1.336)	1.479	-
Cathay United Bank	4.459	8.688	94.8%	(0.085)	2.117	-
Cathay Century	0.476	0.794	66.9%	(0.043)	0.229	-
Other	(0.082)	0.030	-	(0.076)	(0.008)	-
Total income from subsidiaries, net	2.858	12.184	326.3%	(1.539)	3.817	-
Gain/Loss on foreign exchange	(0.717)	0.000	-	0.000	(0.000)	-
Other income	0.383	0.061	-84.0%	0.009	0.000	-98.9%
Operating costs	(0.396)	(0.751)	89.7%	(0.038)	(0.279)	628.3%
Administrative and general expenses	(0.487)	(0.319)	-34.5%	(0.066)	(0.109)	65.9%
Income taxes (expense) benefit	0.071	(0.677)	-	0.025	(0.373)	-
Net income	2.196	11.051	403.2%	(1.591)	3.209	-
EPS (NT\$)	0.23	1.14				

Balance Sheet Data

Long-term investments in stock	144.9	216.3
Total assets	168.6	261.1
Total consolidated assets	3,746.2	4295.5
Total shareholders' equity	142.4	212.2

Operating Metrics

ROAE(standalone)	1.2%	6.2%
ROAA (standalone)	1.1%	5.1%
ROAA(consolidated)	0.1%	0.3%

Notes:

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(2)Total may not sum due to rounding



Cathay Life Summary Financial Data (NT\$BN)	FY09/ FY08			4Q09/ 4Q08/		
	FY2008	FY2009	% Chg	4Q2008	4Q2009	% Chg
Summary Statement of Income Data						
Premiums income ⁽¹⁾	346.454	442.048	27.6%	92.935	144.972	56.0%
Investment income						
Interest income	76.394	73.321	-4.0%	20.278	18.019	-11.1%
Gain on disposal of investment	0.000	0.000	-	(8.333)	0.000	-
Other investment income, net	(13.886)	4.069	-	1.855	2.211	19.2%
Total investment income, net ⁽²⁾	62.508	77.391	23.8%	13.800	20.231	46.6%
Other income	6.005	12.799	113.1%	0.684	7.416	984.2%
Insurance claims payment	(274.858)	(231.833)	-15.7%	(69.952)	(68.240)	-2.4%
Provisions for reserves						
Provisions	(356.922)	(455.120)	27.5%	(102.926)	(157.788)	53.3%
Recoveries	250.197	206.441	-17.5%	72.516	71.040	-2.0%
Total provisions for reserves, net	(106.724)	(248.680)	133.0%	(30.410)	(86.748)	185.3%
Commissions and operating expense						
Brokerage expenses	(26.428)	(27.041)	2.3%	(5.342)	(6.708)	25.6%
Marketing, administrative and general expenses	(11.021)	(11.323)	2.7%	(3.219)	(3.340)	3.7%
Total commissions and operating expenses	(37.450)	(38.364)	2.4%	(8.561)	(10.048)	17.4%
Other operating expenses	(2.546)	(8.955)	251.7%	(0.881)	(6.570)	645.6%
Operating income	(6.611)	4.406	-	(2.385)	1.013	-
Non-operating income	1.441	1.571	9.0%	0.410	0.494	20.5%
Non-operating expense	(0.822)	(1.344)	63.4%	(0.275)	(0.212)	-23.0%
Income taxes	4.019	(1.970)	-	0.915	0.174	-80.9%
Cumulative effect of changes in accounting principles	0.000	0.000	-	0.000	0.000	-
Net income	(1.974)	2.662	-	(1.335)	1.470	-
Balance Sheet Data						
Total assets	2358.9	2742.9				
Total stockholders' equity	53.9	113.1				
Operating Metrics						
First year premium	206.0	212.0				
Expense ratio	10.3%	10.3%				
13-mos persistency ratio	90.4%	90.4%				
25-mos persistency ratio	83.9%	83.9%				
ROAE	-2.2%	3.2%				
ROAA	-0.1%	0.1%				

Notes:

(1) Excludes investment-linked products premium income.

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(3) Total may not sum due to rounding



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

	FY2008	FY2009	FY09/ FY08		4Q09/ 4Q08	
			% Chg	4Q08	4Q09	% Chg
Summary Statement of Income Data						
Interest income	40.242	23.868	-40.7%	10.053	5.432	-46.0%
Interest expense	(19.724)	(10.170)	-48.4%	(4.945)	(1.954)	-60.5%
Net interest income	20.518	13.698	-33.2%	5.108	3.478	-31.9%
Net operating income except interest income						
Net handling fee	5.120	4.677	-8.7%	1.160	1.494	28.8%
Gains on financial assets and liabilities at fair value through P&L	(2.067)	2.840	-	(0.337)	0.329	-
Realized gains on available-for-sale financial assets	0.163	1.517	831.6%	(0.270)	0.446	-
Realized gains on held-to-maturity financial assets	(0.001)	0.000	-	0.000	0.000	-
Invst inc - equity method	0.247	0.261	5.9%	0.086	0.088	3.2%
Realized gain - equity method	0.000	0.000	-	0.000	0.000	-
Gain on foreign exchg - net	1.102	0.592	-46.3%	0.504	0.087	-82.8%
Impairment gain/loss	(3.109)	(0.171)	-94.5%	(3.061)	(0.135)	-95.6%
Gains on reversal of foreclosed properties impairment	0.045	0.000	-99.4%	0.000	0.001	-
Gains/losses on disposal of foreclosed properties	0.180	0.000	-100.0%	0.000	0.000	-
Investments in debt securities with no active market, net	(1.758)	0.180	-	0.000	0.002	-
other income, net	1.116	1.930	73.0%	0.075	0.683	807.1%
Net operating income	21.555	25.523	18.4%	3.265	6.473	98.3%
Provisions for possible losses ⁽¹⁾	(0.926)	0.000	-	0.221	0.162	-26.5%
Operating expenses	(14.176)	(14.400)	1.6%	(3.462)	(3.961)	14.4%
Income from continuing operations before income taxes	6.453	11.122	72.4%	0.024	2.674	11180.4%
Income tax benefit (expense)	(1.992)	(2.434)	22.2%	(0.107)	(0.556)	419.6%
Cumulative effect of changes in accounting principles	0.000	0.000	-	0.000	0.000	-
Net income	4.461	8.688	94.8%	(0.083)	2.118	-
Balance Sheet Data						
Total assets	1,351.6	1,510.3				
Total shareholders' equity	82.9	93.1				
Operating Metrics						
Cost income ratio	65.8%	56.4%				
ROAE	5.4%	9.9%				
ROAA	0.3%	0.6%				
Assets Quality						
NPL ratio (international standard)	0.9%	0.6%				
Coverage ratio (international standard)	109.3%	135.1%				

Notes:

- (1) FY08 and FY09 provisions net of NT\$6.7bn and NT\$3.6bn bad debt recoveries, respectively.
- (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.
- (3) Total may not sum due to rounding

Cathay Century
Summary Financial Data

(NT\$MM)

<u>Summary Statement of Income Data</u>	FY 2008	FY2009	FY09/	4Q2008	4Q2009	4Q09/
			FY08			4Q08
			% Chg			% Chg
Premiums income	11,829.6	11,822.2	-0.1%	3223.6	3171.9	-1.6%
Reinsurance premiums ceded	(3,771.5)	(3,374.7)	-10.5%	(1094.3)	(862.9)	-21.1%
Premiums income, net	8,058.1	8,447.5	4.8%	2129.3	2308.9	8.4%
Investment						
Interest income	391.0	330.3	-15.5%	94.6	74.1	-21.7%
Other investment income, net	(565.8)	49.1	-	(368.3)	8.0	-
Total investment income	(174.8)	379.4	-	(273.7)	82.1	-
Other operating income	336.4	347.2	3.2%	81.5	85.0	4.3%
Insurance claims payment, net	(3,688.7)	(4,116.2)	11.6%	(955.1)	(879.3)	-7.9%
Provisions for reserves						
Provisions	(6,655.1)	(7,003.4)	5.2%	(475.4)	(718.7)	51.2%
Recoveries	5,812.8	6,197.0	6.6%	183.3	309.9	69.1%
Total provisions for reserves, net	(842.3)	(806.4)	-4.3%	(292.1)	(408.7)	39.9%
Commissions, operating and other expenses	(2,997.4)	(3,221.9)	7.5%	(701.5)	(897.1)	27.9%
Operating income	691.2	1,051.0	52.0%	(11.6)	291.0	-
Non-operating income	10.7	3.1	-71.4%	4.0	3.0	-24.7%
Non-operating expense	(12.2)	0.1	-	(10.5)	0.0	-
Income taxes	(211.2)	(268.8)	27.3%	(25.5)	(73.7)	189.1%
Cumulative effect of changes in accounting principles	0.0	0.0	-	0.0	0.0	-
Net income	478.5	785.2	64.1%	(43.6)	220.3	-
<u>Summary Balance Sheet Data</u>						
Total assets	19,398.7	20,812.6				
Total stockholders' equity	3,096.4	4,300.0				
<u>Operating Metrics</u>						
Written Combined ratio	71.9%	79.3%				
Net Combined ratio	84.7%	89.4%				
ROAE	13.7%	21.2%				
ROAA	2.5%	3.9%				

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) FY08, FY09 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



國泰金控
Cathay Financial Holdings

Shares Outstanding
(Millions of shares)

	As of 12/31/2009
Total shares issued	9,670.8
Treasury shares	
CFH	0.0
Cross holdings of subsidiaries	
Cathay Life	0.0
Cathay United Bank	0.0
Cathay Century	0.0
Total cross-holdings of subsidiaries	0.0
Total treasury shares	0.0
Total shares outstanding	9,670.8

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



Capital Adequacy Metrics

	<u>Capital Adequacy Metrics (As of 31-Dec-2009)</u>			<u>Legal Requirement</u>
Cathay Financial Holdings Capital Adequacy Ratio	144.4%			100%
Cathay Life RBC Ratio	250%	-	300%	200%
Cathay Century RBC Ratio	>	300%		200%
Cathay United Bank BIS Ratio / Tier 1 Ratio	12.13% / 9.93%			8.00% / 6.00%
Cathay Securities BIS Ratio	617%			150%

Notes:

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