

Cathay Financial Holdings Co., Ltd
2012 Third Quarter Briefing



November 2012

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Agenda

- **9M12 Business overview**
- **9M12 Financial results**
 - Cathay Financial Holdings
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Overseas expansion**

9M12 Overview

Cathay United Bank

- Maintained superior asset quality; NPL ratio of 0.38% and coverage ratio of 303.6%
- Fee income grew by 7.1% YoY; wealth management fee income increased by around 12%
- Shanghai branch reported 9M12 pre-tax profits of US\$6.97 million, exceeding 2012 full-year target

Cathay Life

- FYP of traditional regular-pay products grew by 28% YoY; ranked No.1 in terms of FYPE
- Cash position was 7.9%; overseas investment increased to 43.8%; hedging cost was well-controlled
- Obtained approval to exclude foreign currency policies from overseas investment amount, which could increase investment efficiency

Cathay Century

- Market share increased to 12.4%, premium income grew by 11.4% YoY; maintained No.2 market position
- Newly opened Hubei Branch, extending business to main provinces in Midwest China
- Total premium of Vietnam subsidiary grew by 200% YoY growth

Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$387 BN.
- Continued to launch new products and broaden the business of individual & institutional clients.

Cathay Securities

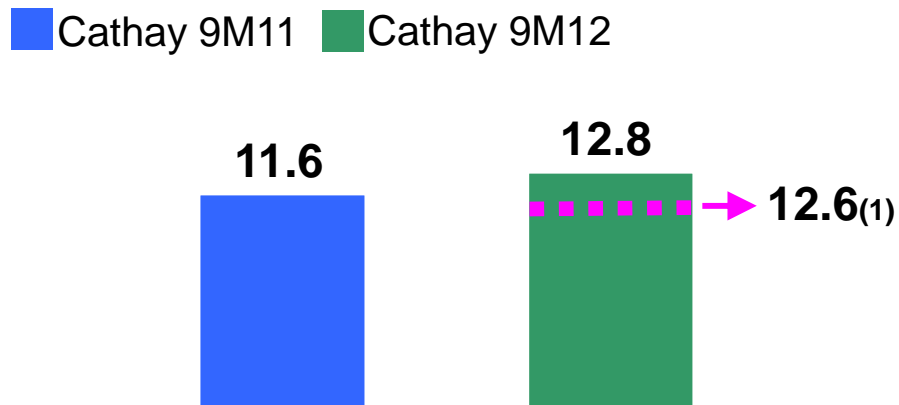
- Brokerage business grew steadily to 1.27% market share
- Continued to fortify the sales force and increase the domestic & foreign institutional sales
- Strengthened group marketing through distribution channel expansion

Agenda

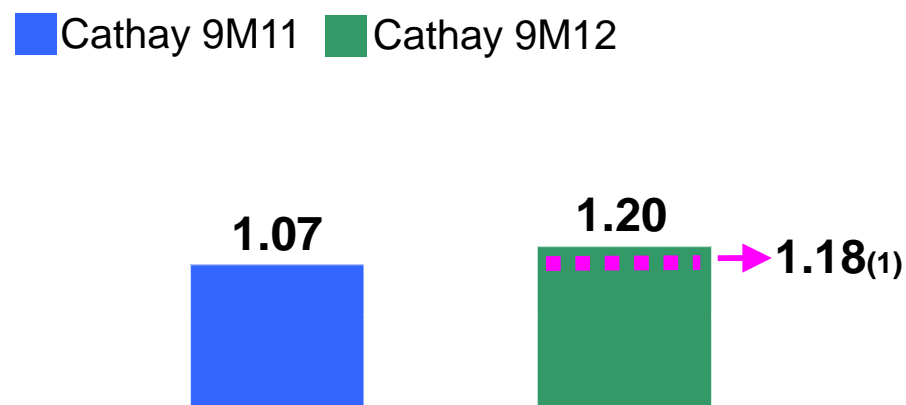
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Cathay FHC — Net income & EPS

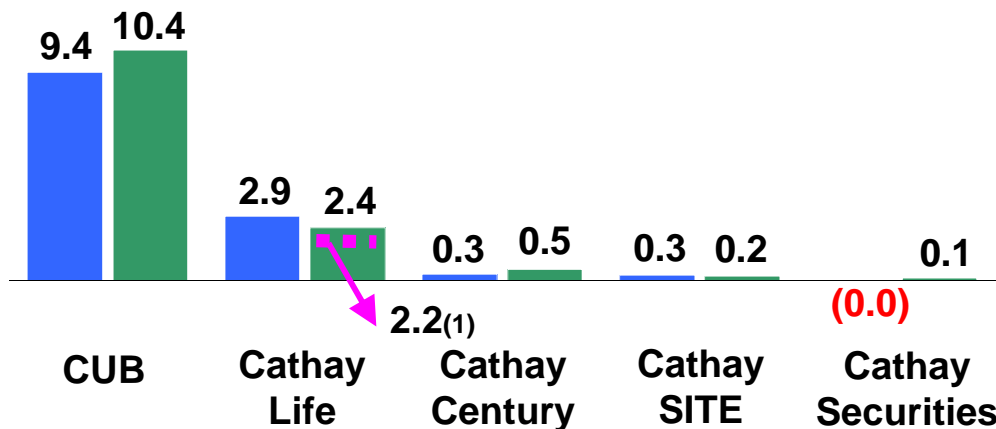
Net income (NT\$BN)



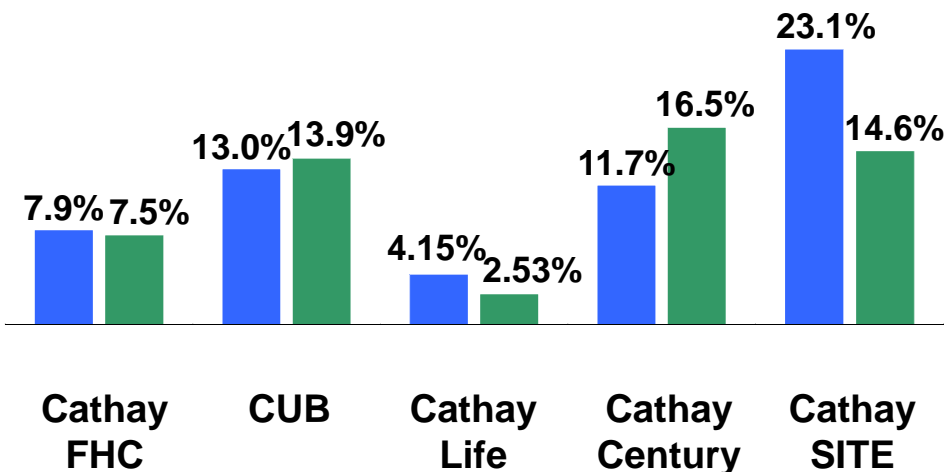
EPS (NT\$)



Net income of primary subsidiaries



ROE

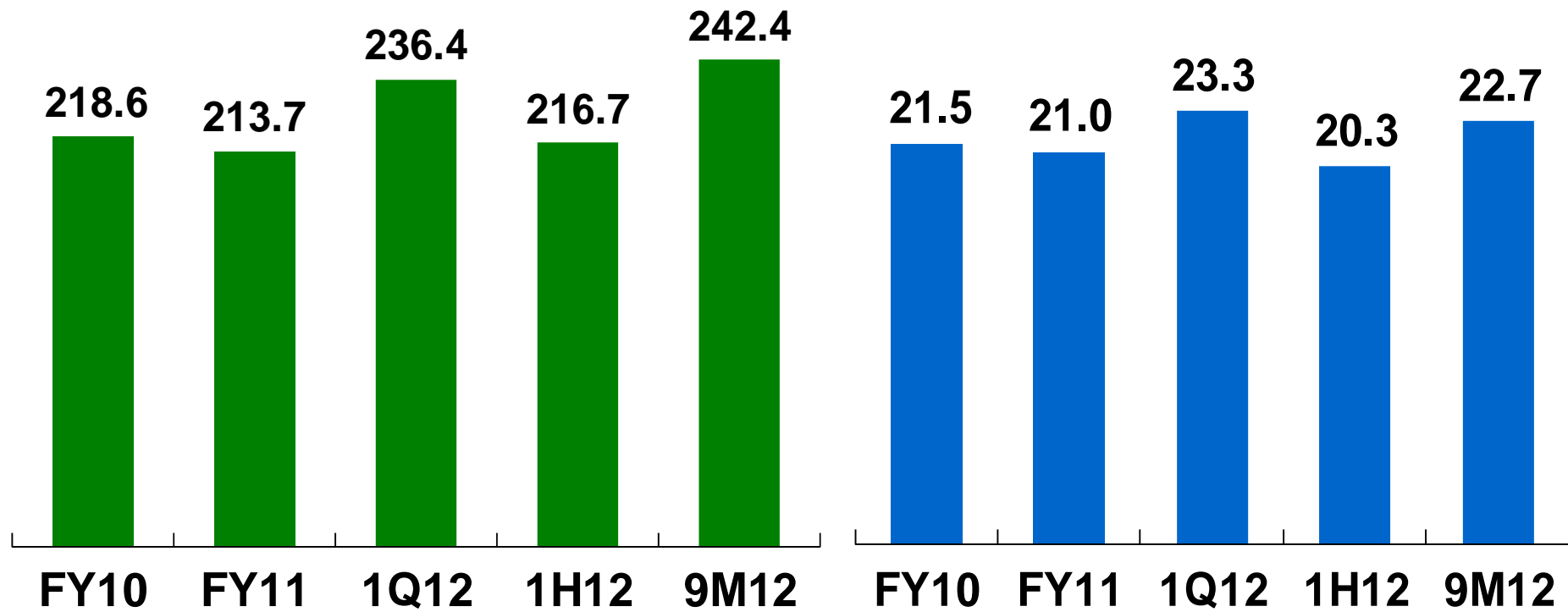


Note(1): 9M12 after-tax income & EPS, excluding FX fluctuation reserve.

Cathay FHC — Book value & BVPS

Book value (NT\$BN)

BVPS (NT\$)



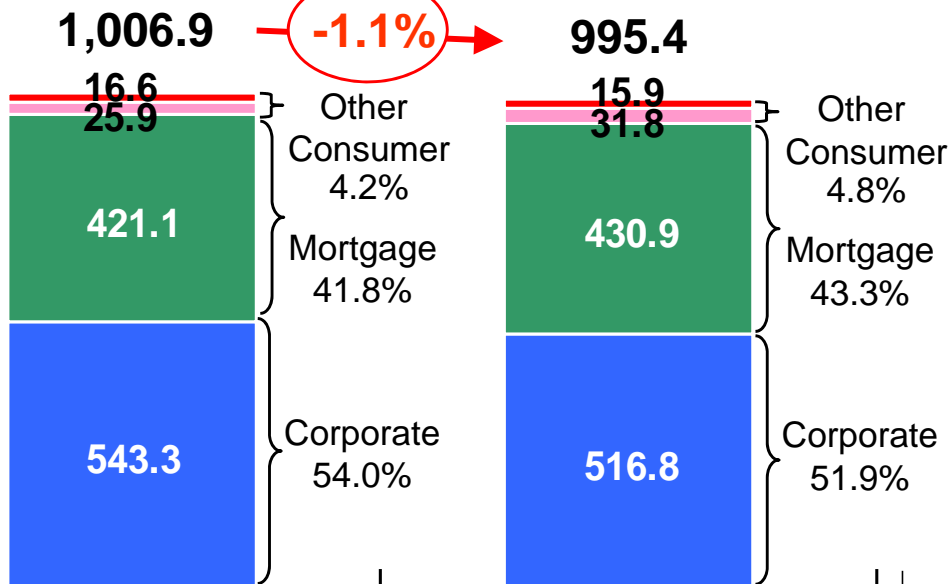
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Cathay United Bank — Loan & Deposit breakdown

Loan breakdown (NT\$BN)

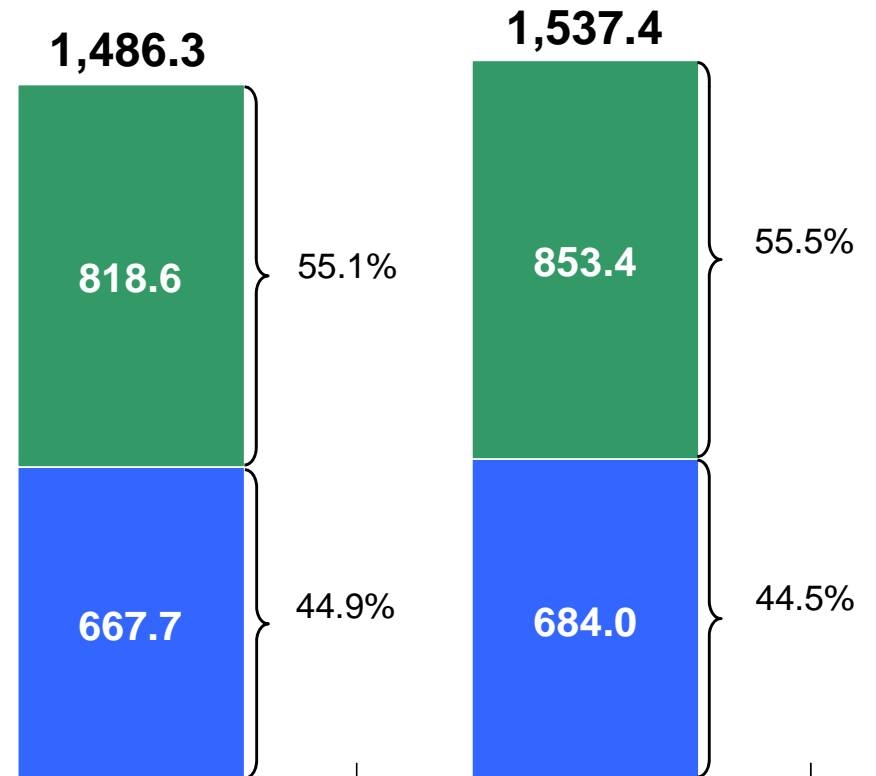
- Credit Card related
- Consumer
- Mortgage
- Corporate



Deposit breakdown (NT\$BN)

- Demand Deposit
- Time Deposit

Loan to deposit ratio 63.8%



9M11

9M12

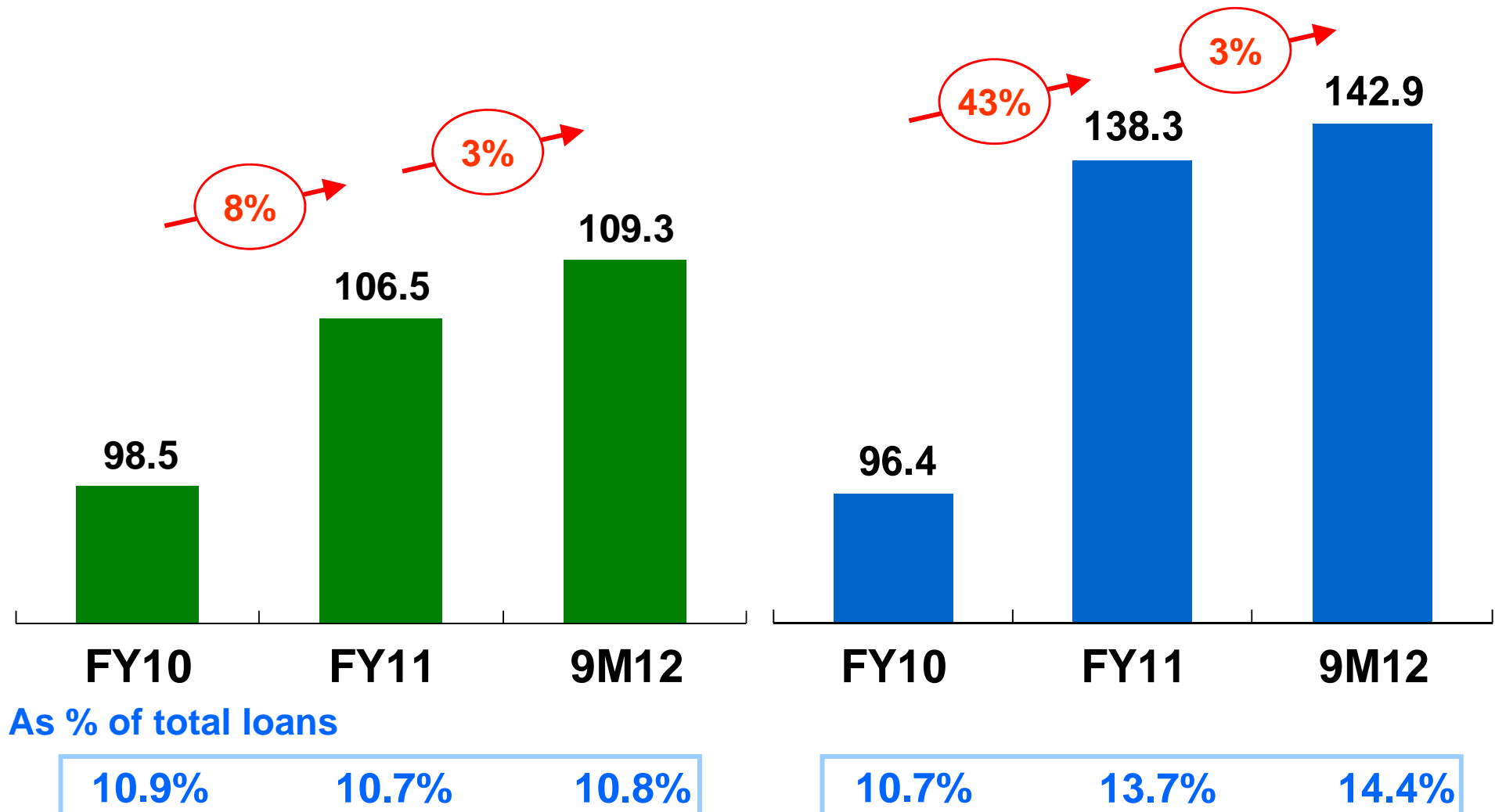
9M11

9M12

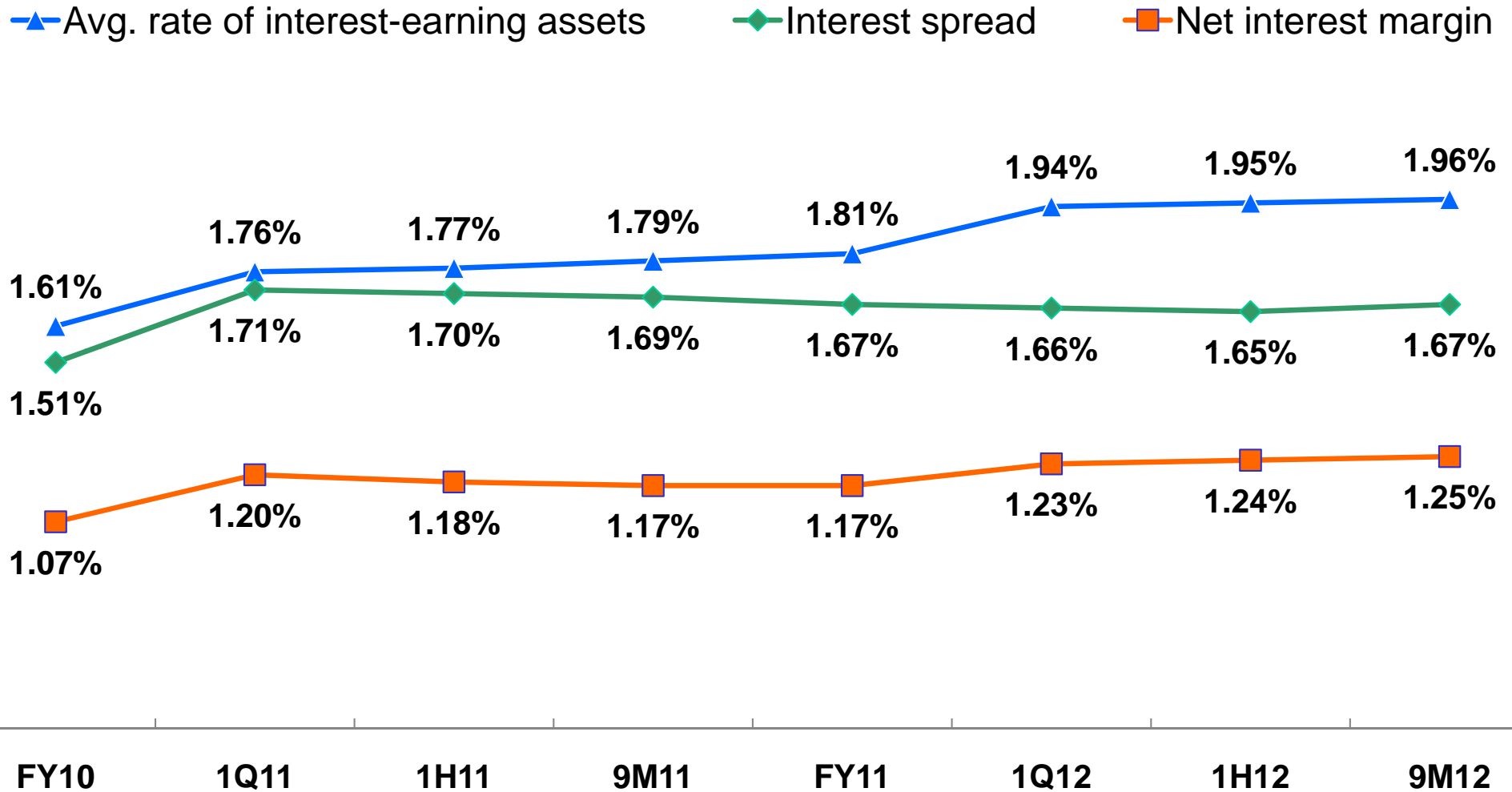
Cathay United Bank — SME & Foreign currency loans

SME loans (NT\$BN)

Foreign currency loans (NT\$BN)



Cathay United Bank – Interest yields

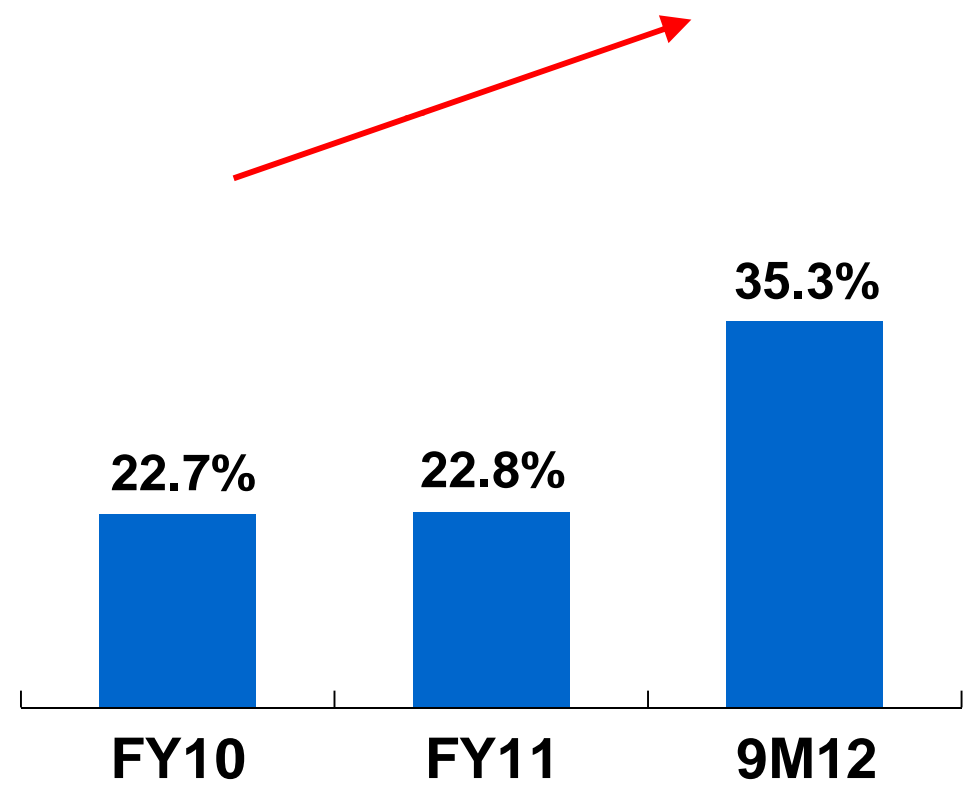
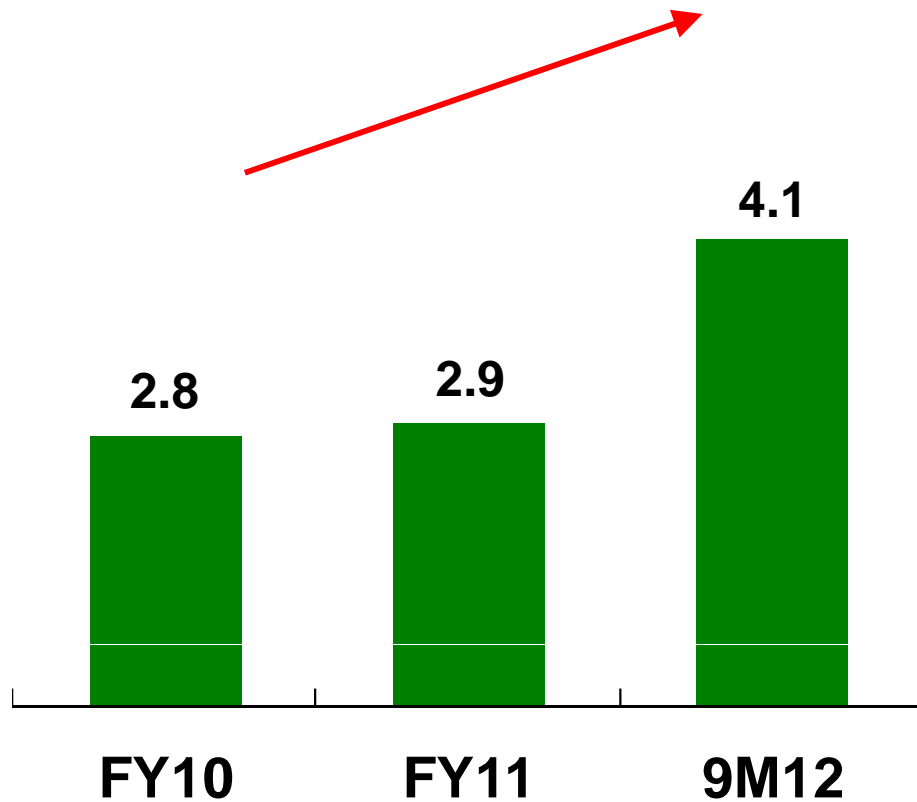


Note: Credit card related loans are included in the calculation.

Cathay United Bank – Overseas profits

Overseas profits (NT\$BN)

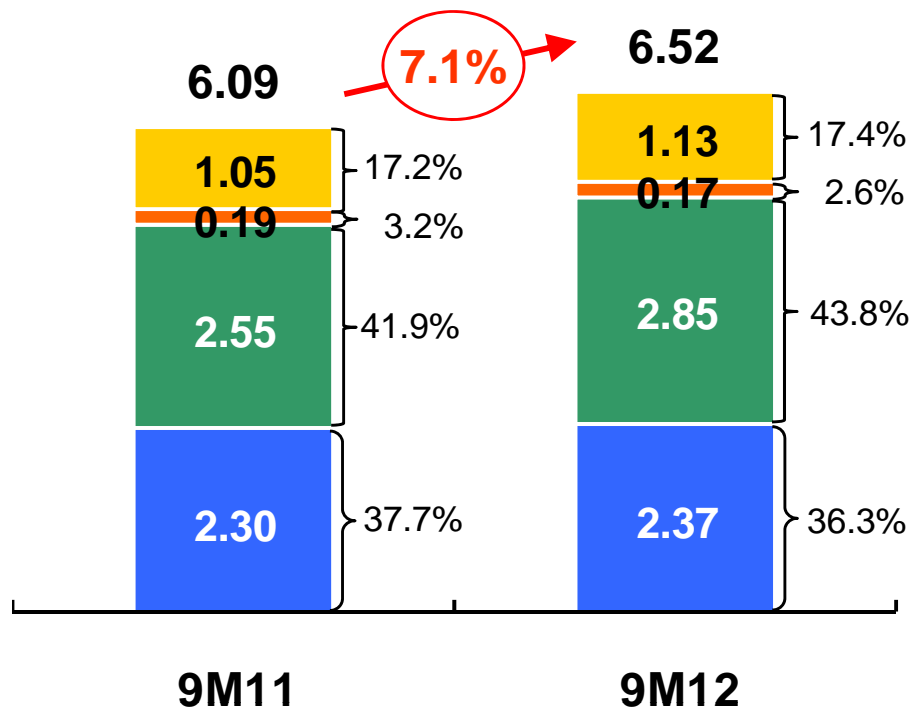
As % of CUB pre-tax profits



Cathay United Bank – Fee income

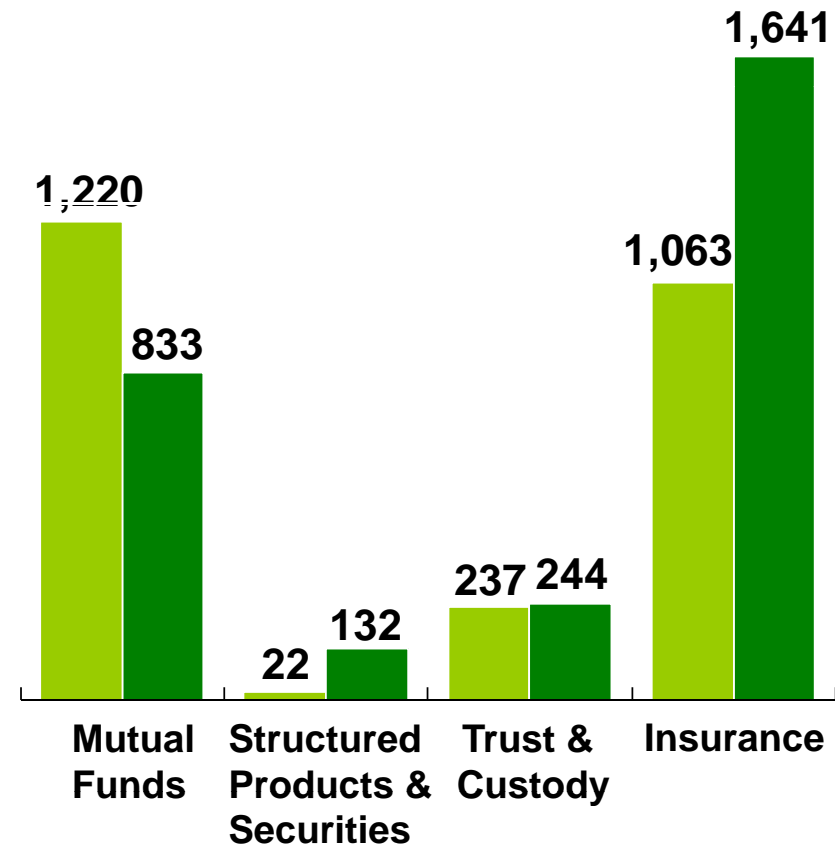
Fee income breakdown (NT\$BN)

- Others
- FX
- Wealth management
- Cards related



Wealth management fee breakdown (NT\$MN)

- 9M11
- 9M12

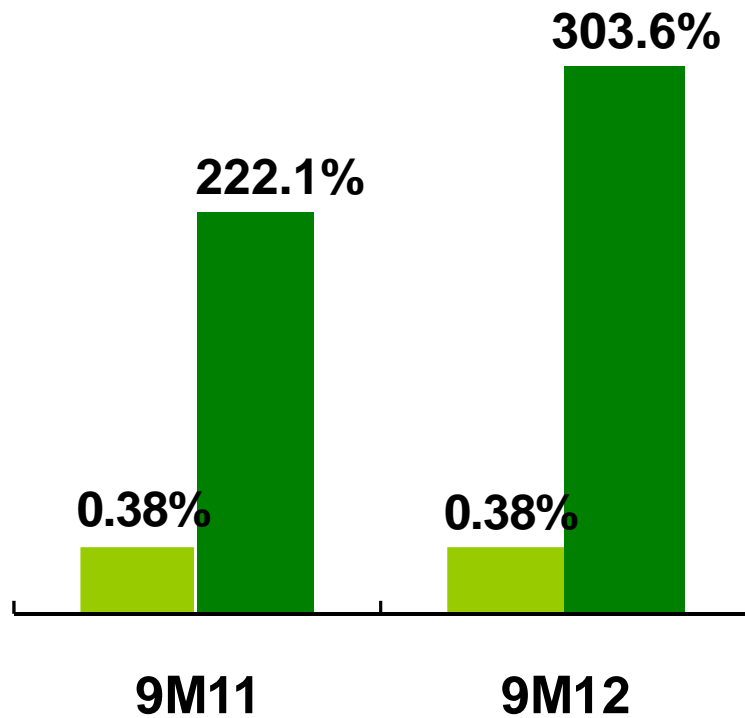


Note: Totals may not sum due to rounding.

Cathay United Bank – Credit quality

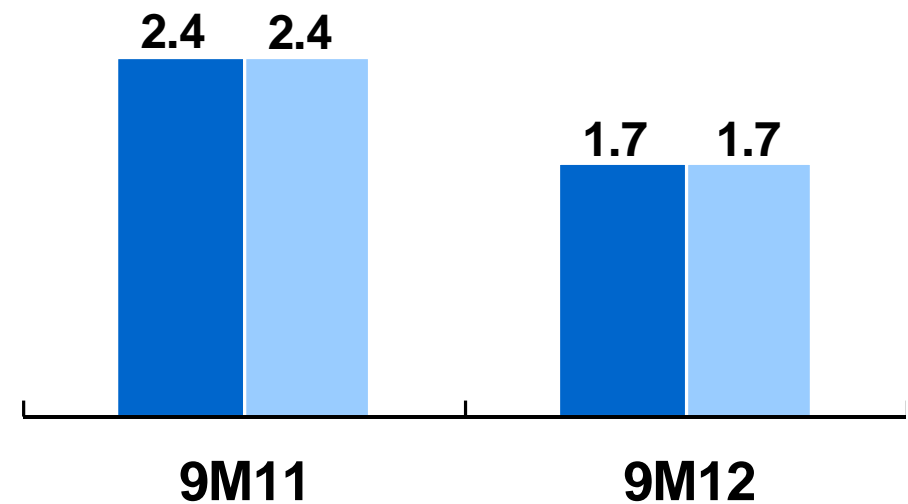
NPL & Coverage ratio

- NPL ratio
- Coverage ratio



Gross provision (NT\$BN)

- Gross provision
- Recovery

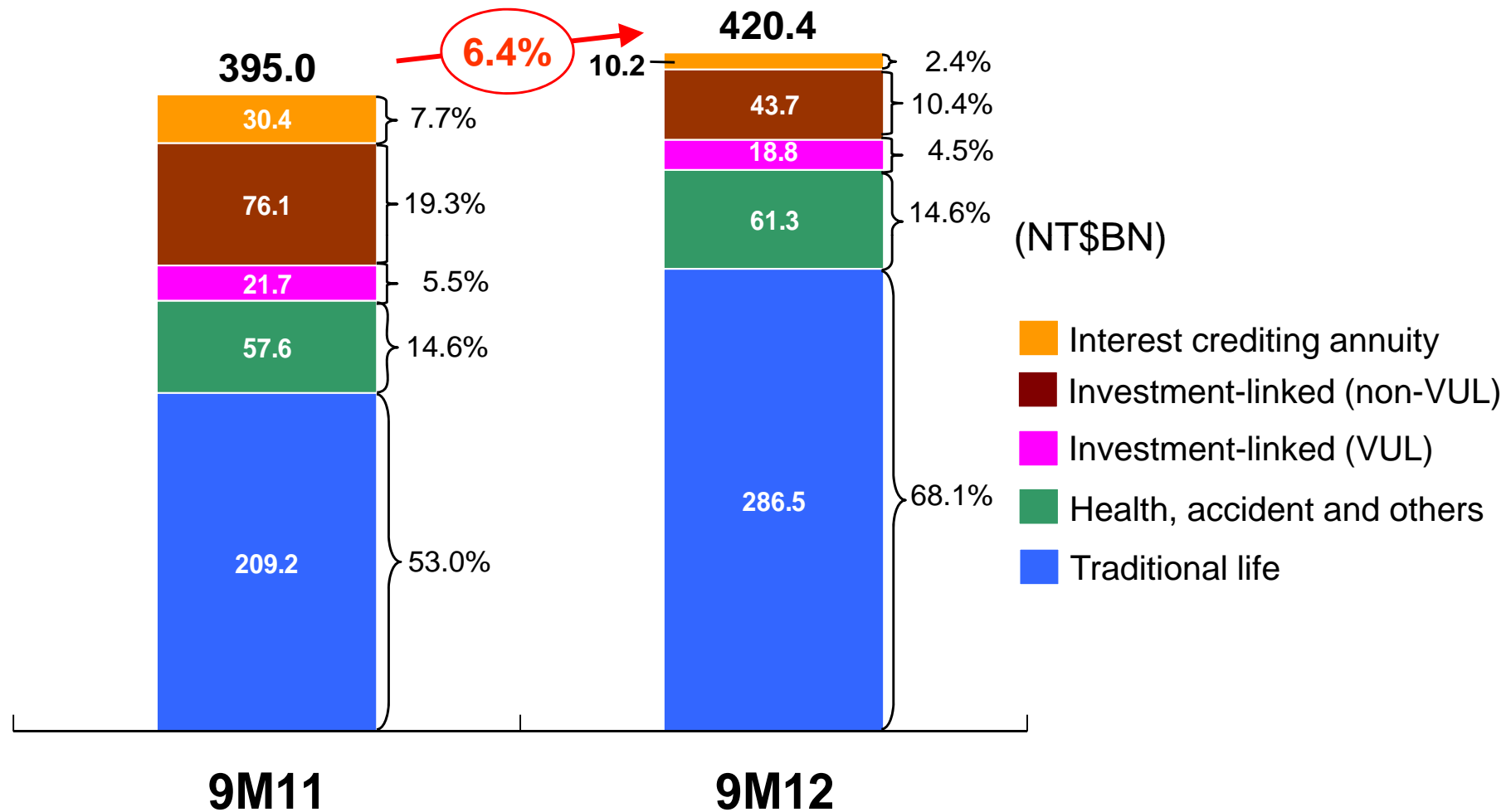


Mortgage NPL	9M11	9M12
	0.08%	0.06%

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Cathay Life – Total premium

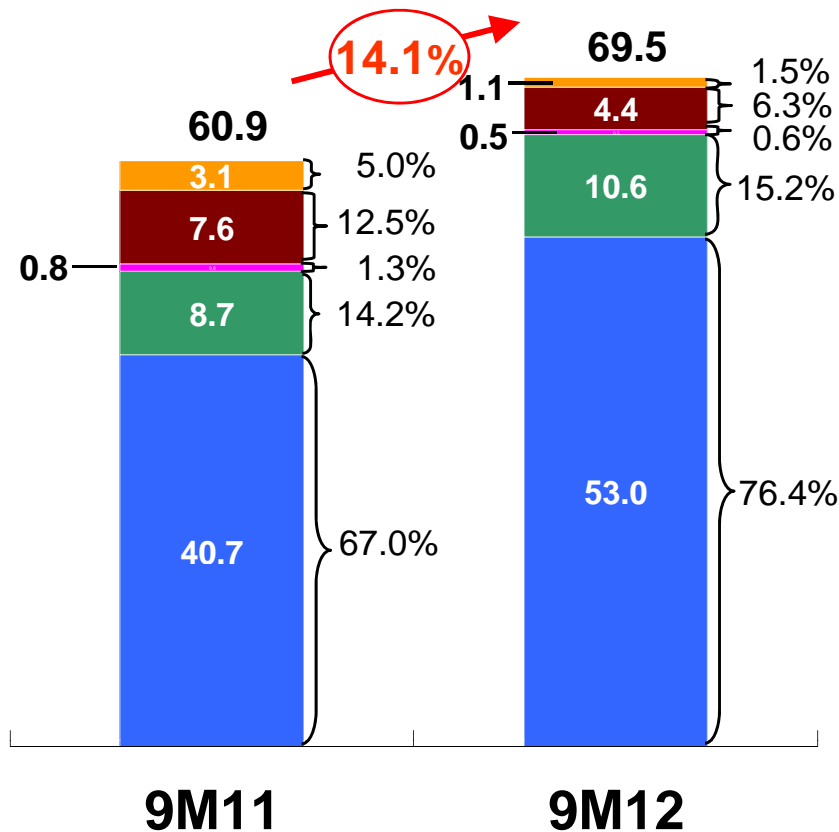


Note: Totals may not sum due to rounding.

Cathay Life — FYPE & Distribution channel

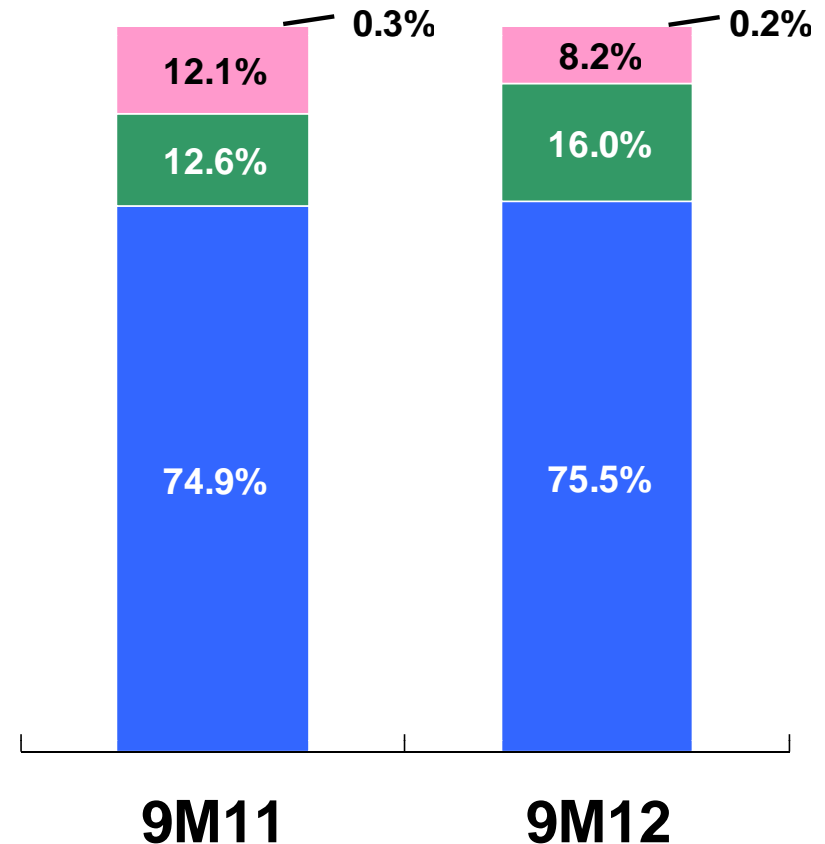
First year premium equivalent (FYPE)

- Interest crediting annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life



Distribution channel breakdown FYPE

- Others
- Bancassurance-external
- Bancassurance-CUB
- Tied agents

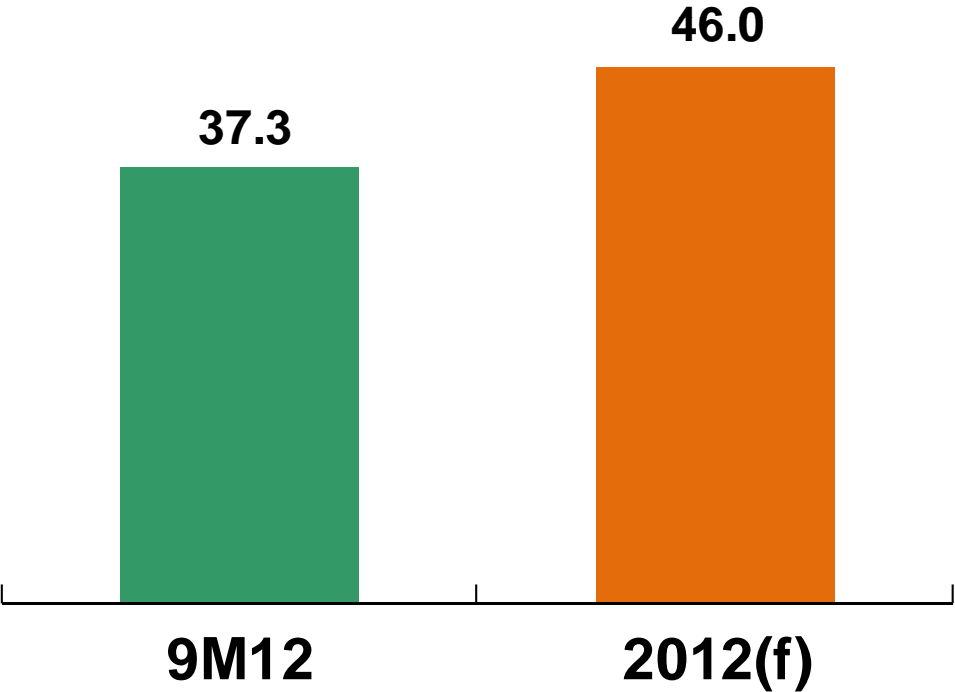


Note: Total may not sum due to rounding.

Cathay Life — VNB

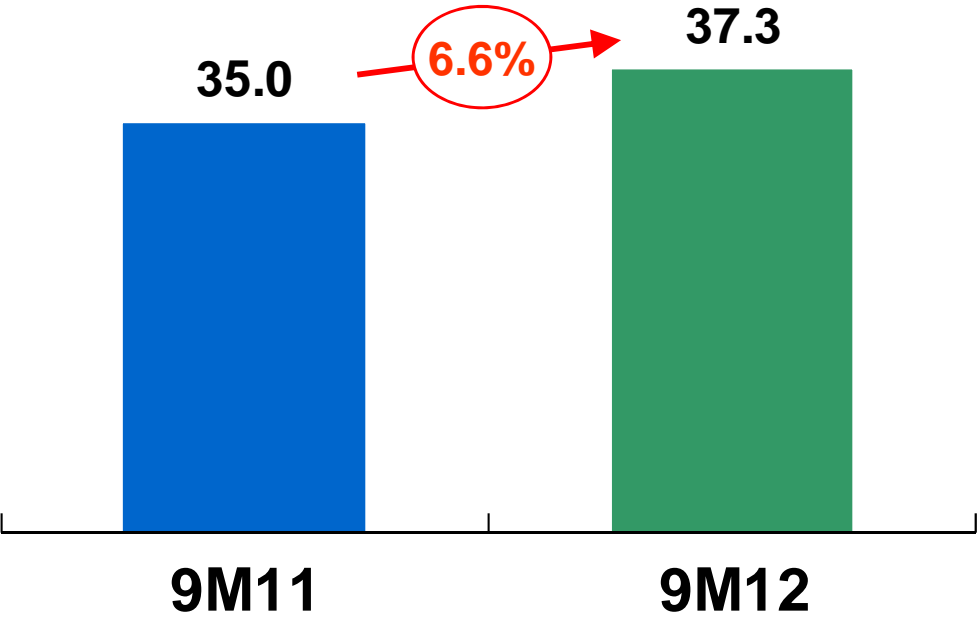
VNB performed on track

(NT\$BN)



VNB YoY growth

(NT\$BN)

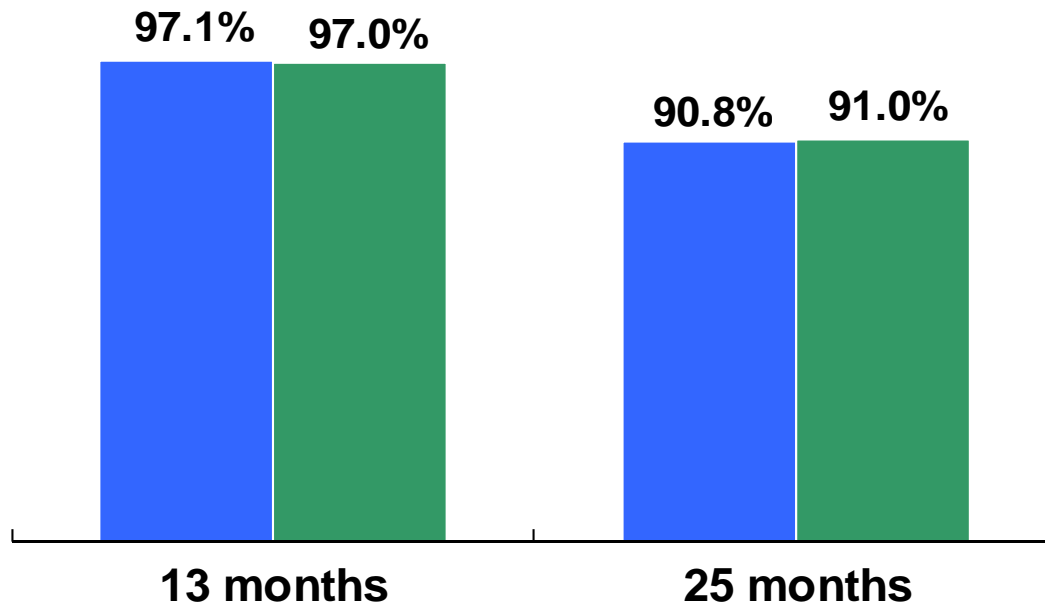


Note: 9M12 VNB and 2012 VNB target are based on the EV actuarial assumptions made by Cathay Life at the end of 2011.

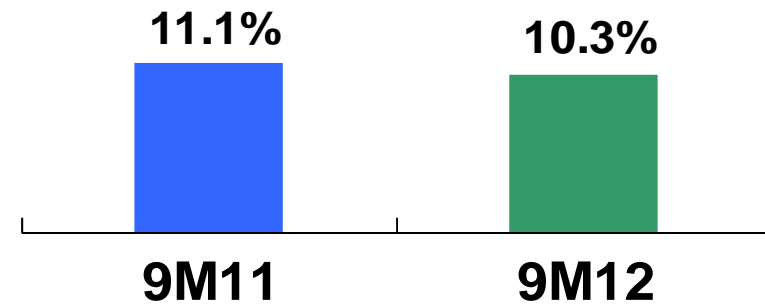
Cathay Life – Operational indicators

Persistency ratio

■ 9M11 ■ 9M12



Expense ratio



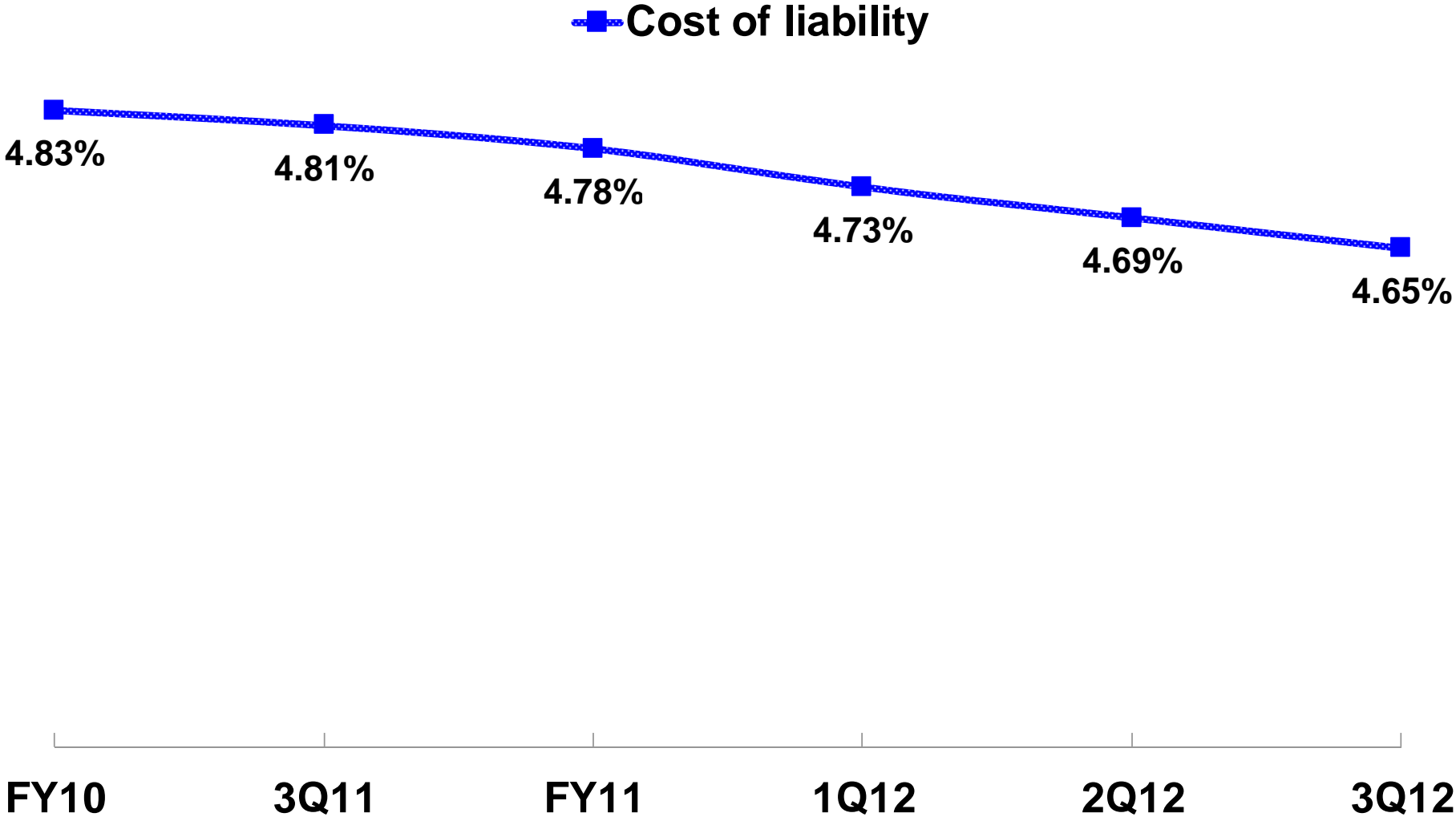
Cathay Life – Asset allocation

	2Q12		3Q12	
	Amt. (NT\$BN)	Weight	Amt. (NT\$BN)	Weight
Cash & Cash equivalents	289.3	9.2%	255.2	7.9%
Equity- Domestic	286.5	9.1%	279.9	8.7%
Equity- International	131.3	4.2%	133.8	4.1%
Bond- Domestic	517.9	16.5%	531.5	16.4%
Bond- International ⁽¹⁾	1,190.8	37.9%	1,280.7	39.6%
Mortgage & Secured loans	316.5	10.1%	319.9	9.9%
Policy loans	183.9	5.9%	182.2	5.6%
Real estate	164.2	5.2%	173.7	5.4%
Others	59.3	1.9%	74.2	2.3%
Total investments⁽²⁾	3,139.7	100.0%	3,231.1	100.0%

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

Note(2) : Total assets excluded from separate account assets; total may not sum due to rounding

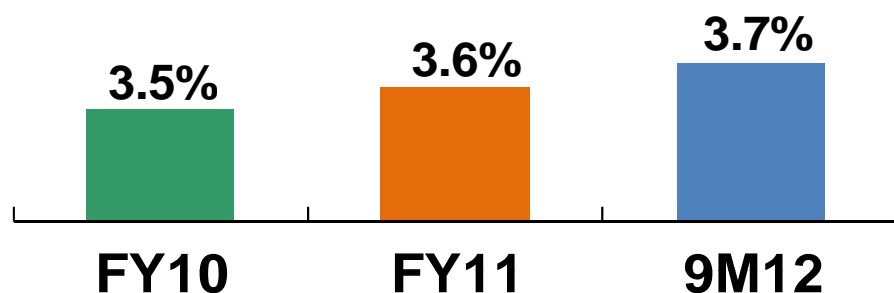
Cathay Life – Cost of liability



Note: The numbers of cost of liability are reserve-based

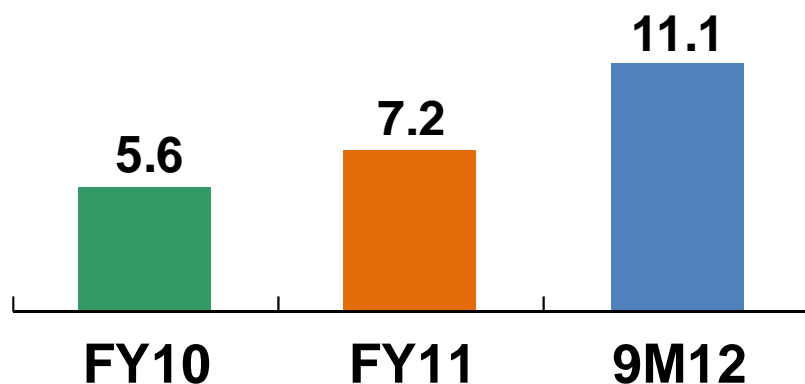
Cathay Life – Investment portfolio highlight

Pre-hedging Recurring Yield

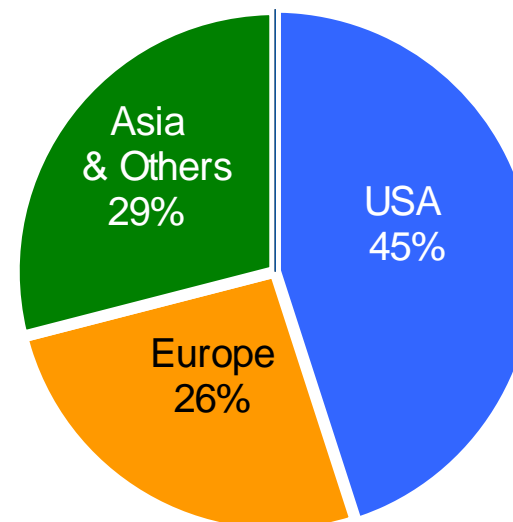


Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend; 9M12 recurring yield is annualized

Cash Dividend (NT\$BN)



Overseas Bond by Region



Top 5 of European Exposure

Germany	7.4%
UK	6.1%
France	5.1%
Netherlands	2.5%
Switzerland	1.3%
Total	22.4%

Note: As % of overseas bond position

Cathay Life – Hedging cost kept stabilized

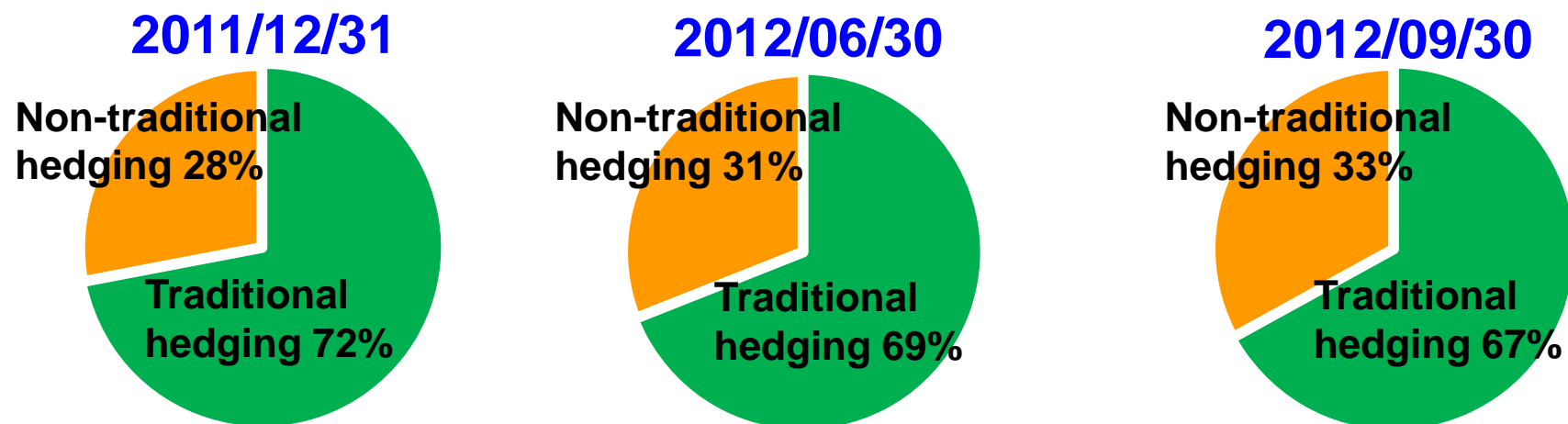
Cathay Life maintained stabilized hedging cost in 3Q12

- Traditional hedging cost went down and the percentage of traditional hedging remained high
- FX fluctuation reserve reduced the negative impact from TWD appreciation in 3Q

	2011	1H12	9M12
FX hedging cost ⁽¹⁾	-2.69%	-0.80%	-0.82%
Traditional hedging cost ⁽²⁾	-0.83%	-0.56%	-0.45%

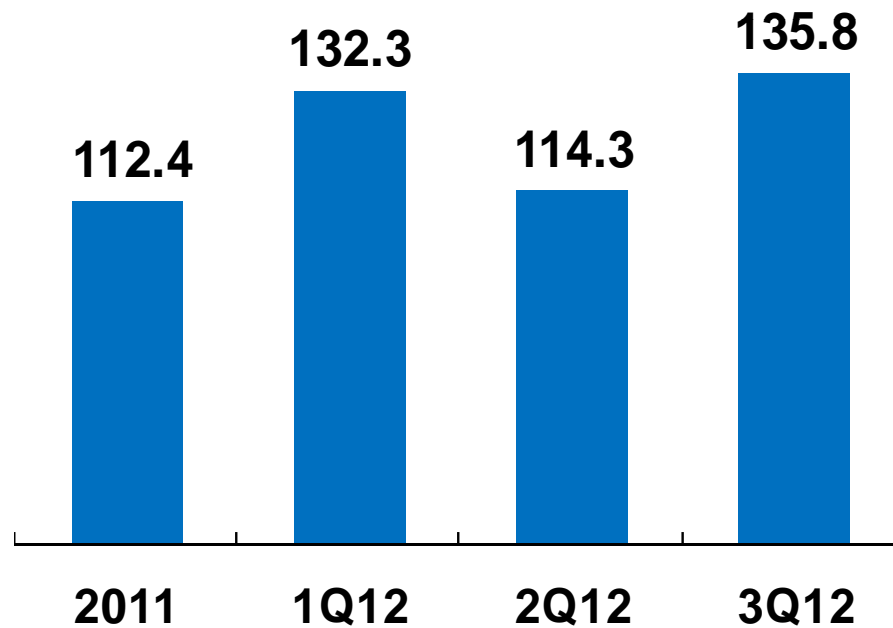
Note: (1)Without implementation of FX fluctuation reserve (2)Traditional hedging cost / Overseas investment

Currency hedging breakdown

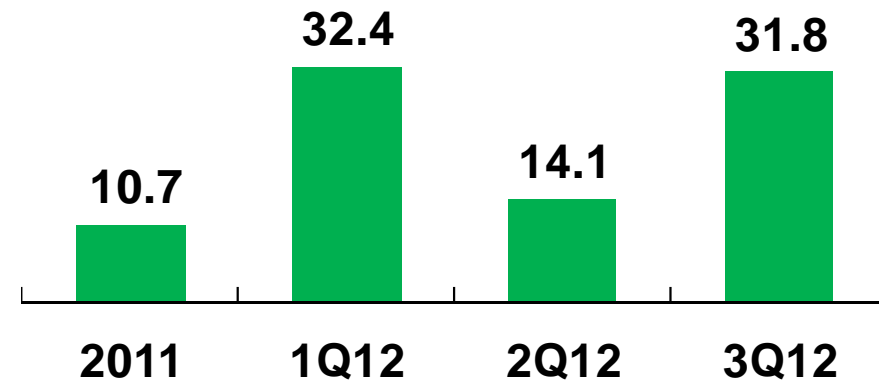


Cathay Life – Book value & Unrealized G/L of AFS financial assets

**Book value
(NT\$BN)**



**Unrealized G/L of AFS
financial assets (NT\$BN)**

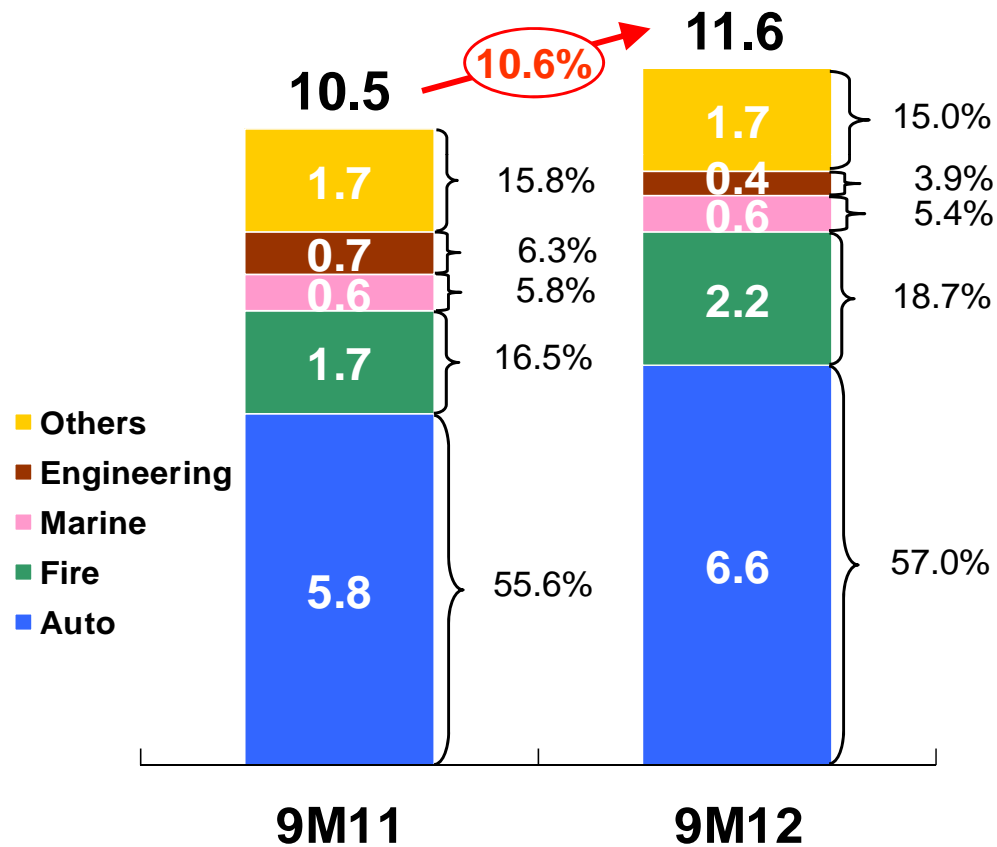


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Cathay Century

Product breakdown

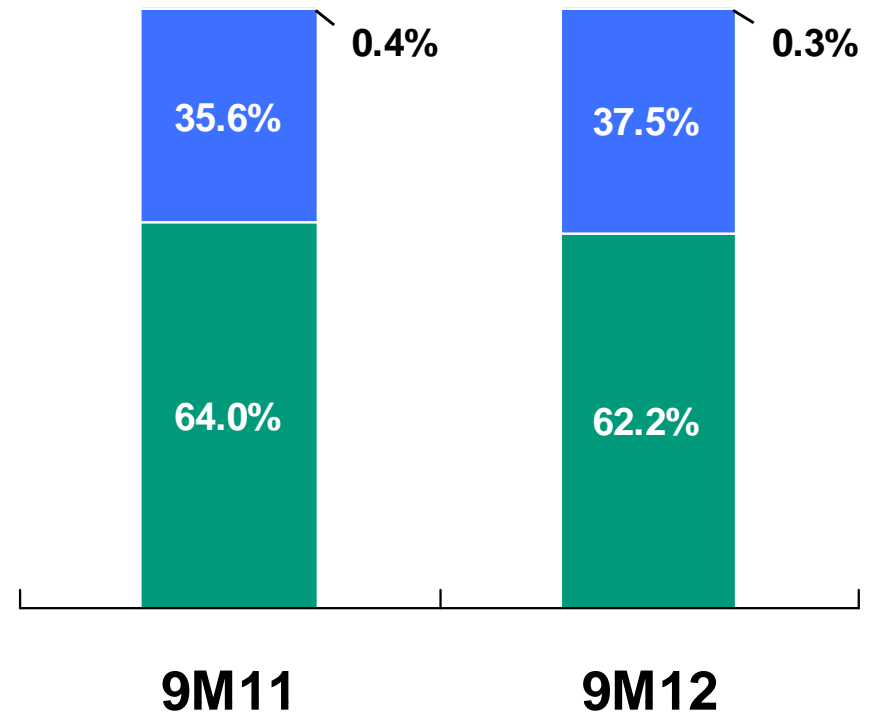


Mkt share 11.9%

12.4%

Distribution channel

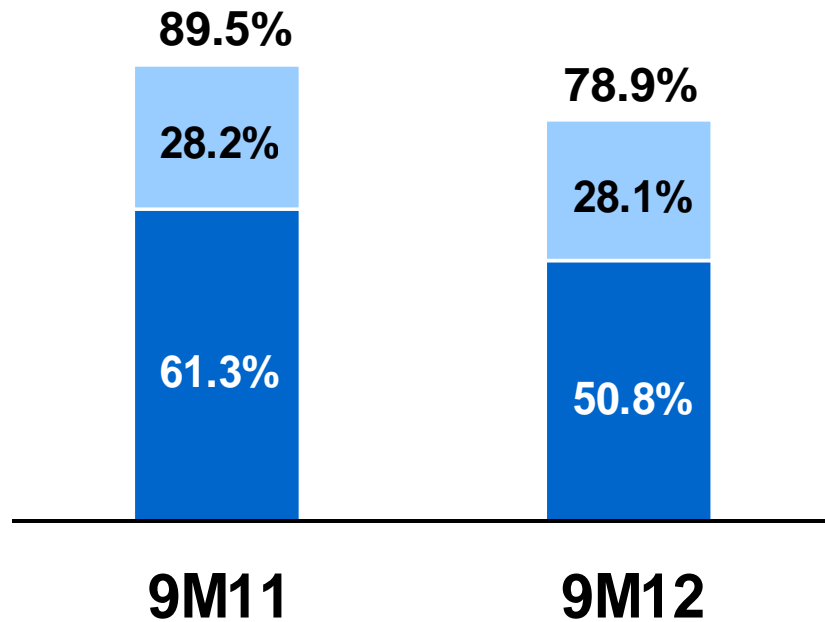
- Others
- Cathay P&C agents
- Cathay group channel



Cathay Century

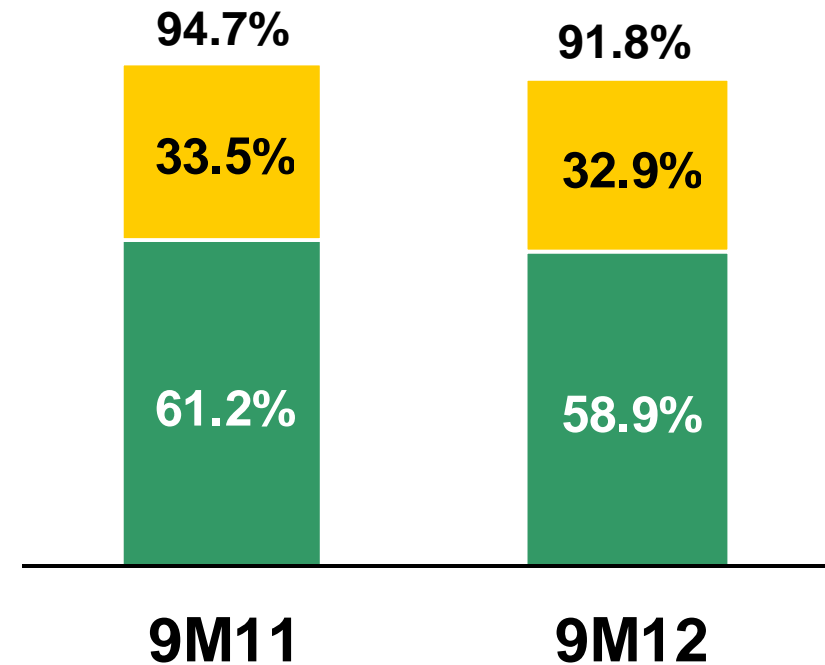
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



Retained combined ratio

- Retained expense ratio
- Retained loss ratio



Retained rate 73.1%

74.5%

Agenda

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 - Cathay Financial Holdings

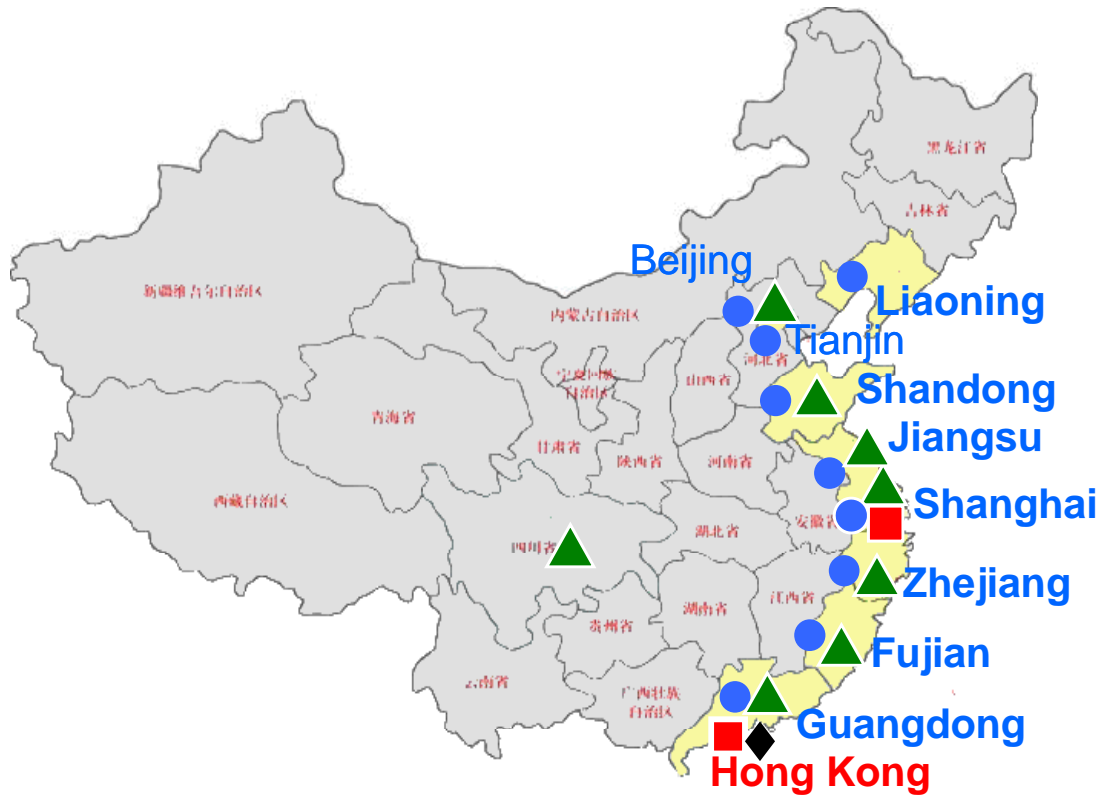
 - Cathay United Bank

 - Cathay Life

 - Cathay Century

- **Overseas expansion**

Cathay FHC in China



- Footprint
- Cathay Life (China)
 - Cathay United Bank
 - ▲ Cathay Century (China)
 - ◆ Cathay Conning Asset Management

■ Cathay Life (China)

- Total premium income amounted to RMB 520 MN
- Traditional regular-pay products represented 31% of total premium
- Policyholders: approximately 3 MN

■ Cathay United Bank

- 9M12 pre-tax profit of Shanghai Branch amounted to USD6.97 MN, exceeding the full year target
- Gained approval from CBRC in Sept. to start RMB business
- Planned to set up Minhang Sub-branch and Qingdao Branch

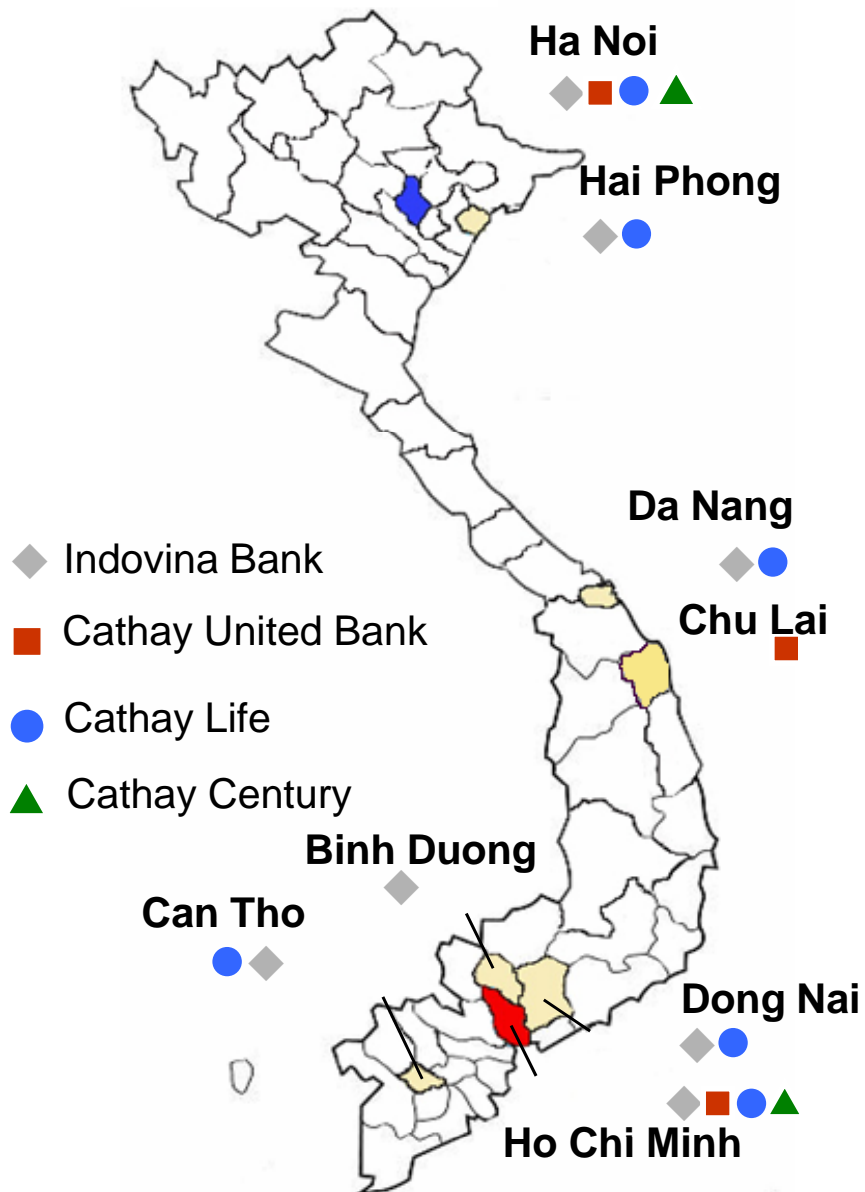
■ Cathay Century (China)

- Strong premium income growth in 9M12, up by 58% YoY

■ CCAM

- Began operation in Sept.

Cathay FHC in South East Asia



■ Cathay United Bank and Indovina Bank

- Operate 37 business footprints in Vietnam; performed well on both business and financial sides

Cathay United Bank planned to set up Jakarta Office to further expand the business footprints in South East Asia, which is expected to provide more complete services for clients in that region.

■ Cathay Life

- Has set up 6 business footprints in Vietnam up to date
- Total premium income: NTD130 MN

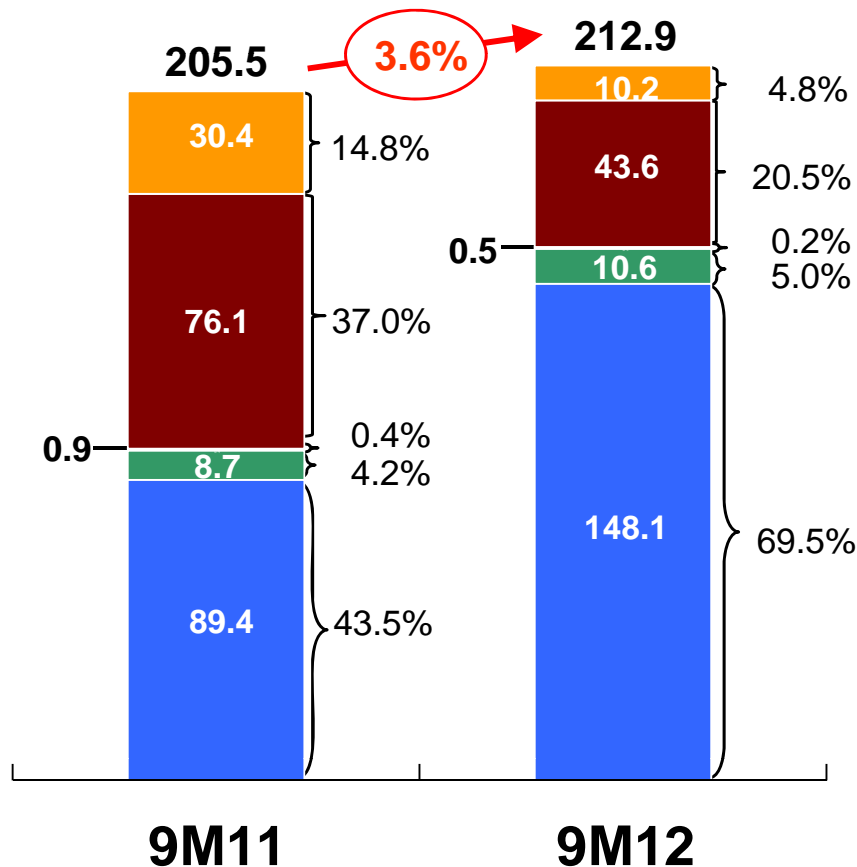
■ Cathay Century

- Total premium income: approximately NTD49.5 MN, up by 200% YoY

Appendix — Cathay Life FYP& Distribution channel

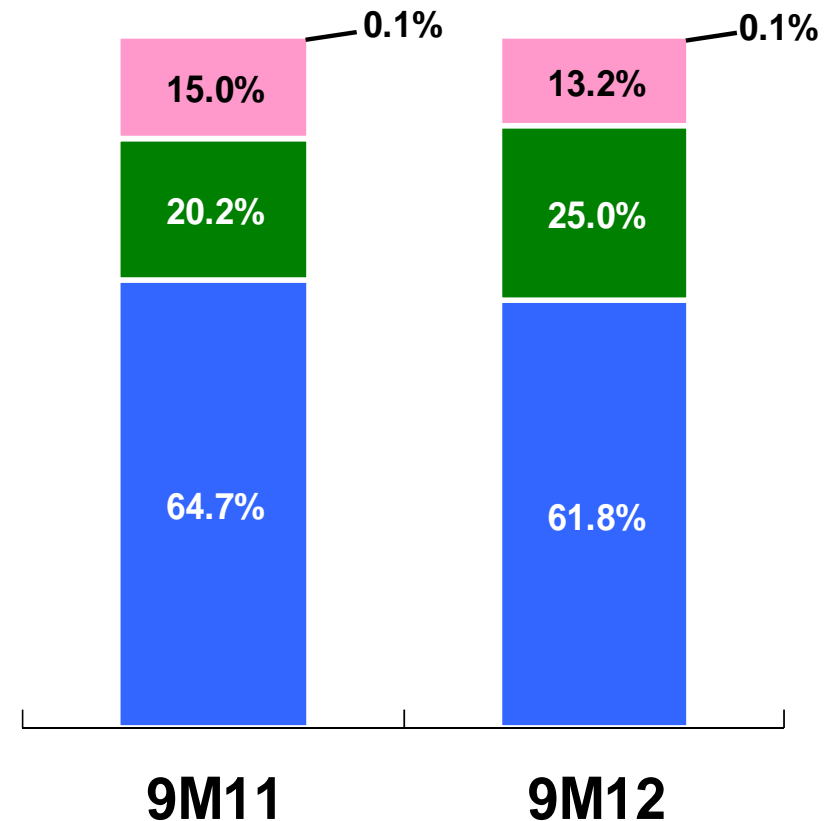
First year premium (FYP)

- Interest crediting annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life



Distribution channel breakdown FYP

- Others
- Bancassurance-external
- Bancassurance-CUB
- Tied agents



Note: Total may not sum due to rounding



Cathay Financial Holdings

Summary Financial Data (NT\$BN)

	FY2010	FY2011	FY11/ FY10 % Chg	9M11	9M12	9M12/ 9M11/ % Chg	3Q11	3Q12	3Q12/ 3Q11/ % Chg
Statement of Income Data									
Income from subsidiaries									
Cathay Life	(6.520)	(0.180)	-97.2%	2.240	2.356	5.2%	1.700	3.876	128.0%
Cathay United Bank	11.190	10.970	-2.0%	9.200	10.357	12.6%	3.120	3.707	18.8%
Cathay Century	0.310	0.600	93.5%	0.310	0.507	63.6%	0.140	0.137	-2.1%
Other	0.326	0.202	-38.0%	0.200	0.447	123.4%	0.043	0.192	345.8%
Total income from subsidiaries, net	5.306	11.592	118.5%	11.950	13.666	14.4%	5.003	7.911	58.1%
Interest and other income	0.928	0.963	3.7%	0.730	0.894	22.4%	0.277	0.413	49.4%
Administrative and general expenses	(0.329)	(0.345)	5.0%	(0.258)	(0.313)	21.1%	(0.100)	(0.152)	52.5%
Operating and other costs	(1.155)	(1.166)	1.0%	(0.865)	(1.090)	25.9%	(0.295)	(0.459)	55.8%
Income taxes (expense) benefit	(0.176)	0.085	-	0.047	(0.339)	-	0.058	(0.098)	-
Net income	4.575	11.129	143.2%	11.604	12.818	10.5%	4.944	7.615	54.0%
EPS (NT\$)	0.44	1.08		1.07	1.20				

Balance Sheet Data

Long-term investments in stock	218.8	223.3		179.7	249.9
Total assets	265.9	266.2		223.1	298.6
Total consolidated assets	4,689.2	5,005.4		5,016.0	5,369.9
Total consolidated shareholders' equity	222.5	217.7		175.3	246.1

Operating Metrics

ROAE(standalone)	2.1%	5.2%		7.9%	7.5%
ROAA (standalone)	1.7%	4.2%		6.3%	6.1%
ROAA(consolidated)	0.1%	0.2%		0.3%	0.3%

Notes:

(1) 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.

(2) Total may not sum due to rounding.

(3) Cumulative after-tax net income excluding FX fluctuation reserve of Cathay Financial Holding and Cathay Life would be NT\$12.63 bn and NT\$2.17 bn respectively.

(4) Cumulative EPS excluding FX fluctuation reserve of Cathay Financial Holding and Cathay Life would be NT\$1.18 and NT\$0.41 respectively.



Cathay Life

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

	FY2010	FY2011	FY11/ FY10 % Chg	9M11	9M12	9M12/ 9M11/ % Chg	3Q11	3Q12	3Q12/ 3Q11/ % Chg
Summary Statement of Income Data									
Premium income ⁽¹⁾	460.279	408.031	-11.4%	299.379	363.171	21.3%	95.838	106.285	10.9%
Reinsurance premium ceded	(23.487)	(22.398)	-4.6%	(15.697)	(21.332)	35.9%	(5.491)	(7.510)	36.8%
Changes in unearned premium reserve	(1.129)	2.072	-	2.984	0.472	-84.2%	0.926	0.329	-64.4%
Retained earned premium	435.664	387.705	-11.0%	286.666	342.311	19.4%	91.273	99.105	8.6%
Reinsurance commission earned	9.254	11.737	26.8%	7.948	10.962	37.9%	2.595	3.482	34.2%
Handling fee earned	2.213	2.872	29.8%	2.245	1.763	-21.5%	0.757	0.708	-6.4%
Investment income									
Interest income	77.340	86.315	11.6%	63.980	68.728	7.4%	21.692	23.574	8.7%
Gain on disposal of investment	33.625	44.038	31.0%	57.451	19.986	-65.2%	7.030	7.283	3.6%
Other investment income, net	(22.050)	(38.968)	76.7%	(52.821)	1.113	-	(4.750)	2.314	-
Total investment income, net ⁽²⁾	88.916	91.385	2.8%	68.610	89.827	30.9%	23.971	33.171	38.4%
Separate account product revenues	53.991	87.181	61.5%	69.327	75.865	9.4%	5.198	48.275	828.7%
Changes in FX reserves				0.000	0.225	-	0.000	0.780	-
Retained claims payment	(271.098)	(251.366)	-7.3%	(195.833)	(161.852)	-17.4%	(65.539)	(59.051)	-9.9%
Changes in liability reserves	(231.581)	(197.618)	-14.7%	(134.771)	(243.391)	80.6%	(40.766)	(61.153)	50.0%
Commissions and operating expense									
Brokerage expenses	(29.887)	(32.573)	9.0%	(24.273)	(25.570)	5.3%	(7.424)	(9.330)	25.7%
Marketing, administrative and general expenses	(12.296)	(13.700)	11.4%	(9.823)	(11.709)	19.2%	(3.513)	(4.086)	16.3%
Total commissions and operating expenses	(42.183)	(46.273)	9.7%	(34.095)	(37.279)	9.3%	(10.937)	(13.417)	22.7%
Other operating expenses	(56.033)	(89.711)	60.1%	(71.123)	(78.155)	9.9%	(5.798)	(49.061)	746.1%
Operating income	(10.858)	(4.089)	-62.3%	(1.027)	0.275	-	0.754	2.840	276.5%
Non-operating income	2.070	1.767	-14.6%	1.277	1.265	-1.0%	0.413	0.331	-19.9%
Non-operating expense	(0.822)	(0.834)	1.4%	(0.614)	(0.683)	11.2%	(0.207)	(0.229)	10.4%
Income taxes	3.095	3.611	16.7%	3.242	1.499	-53.8%	0.741	0.937	26.4%
Cumulative effect of changes in accounting principles	0.000	0.000	-	0.000	0.000	-	0.000	0.000	-
Net income	(6.516)	0.456	-	2.878	2.356	-18.1%	1.701	3.879	128.0%
After-tax net income excluding FX fluctuation reserve				-	2.169	-	-	3.231	-

Balance Sheet Data

Total assets	3,048.1	3,277.4		3,287.6	3,562.0
Total stockholders' equity	113.8	112.4		71.0	135.8

Operating Metrics

First Year Premium(FYP)	330.1	255.5		205.5	212.9
First Year Premium Equivalent(FYPE)	78.8	80.5		60.9	69.5
Expense ratio	7.7%	11.1%		11.1%	10.3%
13-mos persistency ratio	96.2%	97.5%		97.1%	97.0%
25-mos persistency ratio	85.8%	90.0%		90.8%	91.0%
ROAE	-5.7%	0.4%		4.2%	2.5%
ROAA	-0.2%	0.0%		0.1%	0.1%

Notes:

(1) Excludes investment-linked products premium income.

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For more details, please refer to our official financial reports.

(3) Total may not sum due to rounding

Cathay United Bank
Summary Financial Data

(NT\$BN)

	FY2010	FY2011	FY11/ FY10		9M12/ 9M11/		3Q12/ 3Q11/		
			% Chg	9M11	9M12	% Chg	3Q11	3Q12	% Chg
Summary Statement of Income Data									
Interest income	22.130	27.408	23.8%	19.937	23.816	19.5%	7.113	8.148	14.5%
Interest expense	(7.397)	(9.750)	31.8%	(6.907)	(8.595)	24.4%	(2.633)	(2.930)	11.3%
Net interest income	14.733	17.658	19.9%	13.030	15.221	16.8%	4.480	5.218	16.5%
Net operating income except interest income									
Net handling fee	6.445	6.711	4.1%	5.136	5.409	5.3%	1.658	1.889	13.9%
Gains on financial assets and liabilities at fair value through P&L	0.567	1.250	120.6%	0.838	0.928	10.7%	0.169	0.358	112.3%
Realized gains on available-for-sale financial assets	2.334	1.749	-25.1%	1.671	1.084	-35.1%	0.467	0.641	37.3%
Realized gains on held-to-maturity financial assets	0.000	(0.002)	-	(0.002)	0.000	-	(0.002)	0.000	-
Invst inc - equity method	0.283	0.339	19.7%	0.264	0.165	-37.2%	0.070	0.040	-42.9%
Realized gain - equity method	0.000	0.000	-	0.000	0.000	-	0.000	0.000	-
Gain on foreign exchg - net	0.653	0.754	15.5%	0.623	0.757	21.6%	0.300	0.242	-19.4%
Impairment gain/loss	(0.075)	(0.112)	48.9%	(0.020)	(0.090)	3.406	0.022	(0.090)	-
Gains on reversal of foreclosed properties impairment	0.000	0.000	-	0.000	0.000	-	0.000	0.000	-
Gains/losses on disposal of foreclosed properties	1.040	0.007	(0.993)	0.007	0.001	-86.1%	0.000	0.000	-
Investments in debt securities with no active market, net	(0.120)	0.015	-	0.002	0.012	564.0%	(0.000)	0.009	-
other income, net	1.271	1.173	-7.7%	0.917	0.897	-2.2%	0.338	0.097	-71.4%
Net operating income	27.131	29.542	8.9%	22.466	24.384	8.5%	7.502	8.402	12.0%
Provisions for possible losses	0.000	(0.526)	-	(0.035)	(0.004)	-90.0%	(0.035)	(0.004)	-90.0%
Operating expenses	(14.772)	(16.322)	10.5%	(11.782)	(12.684)	7.7%	(3.964)	(4.206)	6.1%
Income from continuing operations before income taxes	12.358	12.692	2.7%	10.648	11.697	9.8%	3.503	4.192	19.7%
Income tax benefit (expense)	(1.052)	(1.554)	47.7%	(1.285)	(1.340)	4.3%	(0.386)	(0.486)	25.9%
Cumulative effect of changes in accounting principles	0.000	0.000	-	0.000	0.000	-	0.000	0.000	-
Net income	11.306	11.138	-1.5%	9.364	10.357	10.6%	3.117	3.706	18.9%
Balance Sheet Data									
Total assets	1,575.8	1,708.3		1,711.8	1,797.3				
Total shareholders' equity	95.2	98.2		96.4	100.6				
Operating Metrics									
Cost income ratio	54.5%	55.3%		52.4%	52.0%				
ROAE	12.0%	11.5%		13.0%	13.9%				
ROAA	0.7%	0.7%		0.8%	0.8%				
Assets Quality									
NPL ratio (international standard)	0.3%	0.3%		0.4%	0.4%				
Coverage ratio (international standard)	277.2%	331.6%		222.1%	303.6%				

Notes:

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(2) Total may not sum due to rounding.

Cathay Century
Summary Financial Data
(NT\$MM)

Summary Statement of Income Data	FY2010	FY2011	FY11/ FY10			9M12/ 9M11/ % Chg			3Q12/ 3Q11/ % Chg	
			% Chg	9M11	9M12	% Chg	3Q11	3Q12	% Chg	
Premiums income	12,629.3	14,182.5	12.3%	10,455.0	11,560.6	10.6%	3,256.5	3,802.2	16.8%	
Reinsurance premiums ceded	(3,459.9)	(3,732.2)	7.9%	(2,812.9)	(2,953.5)	5.0%	(739.1)	(839.3)	13.6%	
Changes in unearned premium reserve	(151.1)	(797.3)	427.6%	(664.7)	(518.4)	-22.0%	(69.1)	(15.9)	-76.9%	
Premiums income, net	9,018.3	9,653.0	7.0%	6,977.4	8,088.7	15.9%	2,448.3	2,946.9	20.4%	
Investment										
Interest income	296.3	296.7	0.2%	223.0	241.1	8.1%	70.5	79.5	12.8%	
Other investment income, net	34.4	(46.3)	-	26.1	(44.3)	-	(46.7)	(29.1)	-37.6%	
Total investment income	330.6	250.5	-24.2%	249.1	196.8	-21.0%	23.8	50.4	111.7%	
Other operating income	345.9	351.6	1.6%	249.1	286.0	14.8%	84.6	94.0	11.1%	
Insurance claims payment, net	(4,676.6)	(5,732.7)	22.6%	(4,202.5)	(4,391.8)	4.5%	(1,466.9)	(1,439.6)	-1.9%	
Provisions for reserves										
Total provisions for reserves, net	(1,107.0)	190.2	-	(70.8)	(423.7)	498.3%	90.4	(353.7)	-	
Commissions, operating and other expenses	(3,585.9)	(3,991.5)	11.3%	(2,843.5)	(3,128.2)	10.0%	(1,000.9)	(1,122.3)	12.1%	
Operating income	325.3	721.0	121.6%	358.9	627.7	74.9%	179.3	175.7	-2.0%	
Non-operating income	16.3	14.5	-11.1%	3.0	5.3	76.3%	1.4	0.4	-67.2%	
Non-operating expense	(0.2)	(3.3)	1983.4%	(0.6)	(14.4)	2414.6%	(0.1)	(4.7)	5553.0%	
Income taxes	(40.4)	(130.5)	223.3%	(54.7)	(111.5)	103.9%	(39.0)	(36.3)	-7.0%	
Cumulative effect of changes in accounting principles	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-	
Net income	301.1	601.8	99.8%	306.6	507.1	65.4%	141.6	135.2	-4.5%	
Summary Balance Sheet Data										
Total assets	22,755.4	25,565.1		24,652.5	26,747.4					
Total stockholders' equity	3,471.7	3,806.6		3,509.1	4,369.4					
Operating Metrics										
Written Combined ratio	91.4%	86.0%		89.5%	78.9%					
Net Combined ratio	103.3%	97.7%		94.7%	91.8%					
ROAE	7.8%	16.5%		11.7%	16.5%					
ROAA	1.4%	2.5%		1.7%	2.6%					

Notes:

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(2) All 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



Shares Outstanding
(Millions of shares)

	<u>As of</u> <u>9/30/2012</u>
Total shares issued	10,865.4
Treasury shares	
CFH	200.0
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	10,665.4

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Capital Adequacy Metrics

	<u>Capital Adequacy Metrics (As of 6/30/2012)</u>	<u>Legal Requirement</u>
Cathay Financial Holdings Capital Adequacy Ratio	126.25%	100%
Cathay Life RBC Ratio	250% - 300%	200%
Cathay Century RBC Ratio	> 300%	200%
Cathay United Bank BIS Ratio / Tier 1 Ratio	10.96% / 8.26%	8.00% / 6.00%
Cathay Securities BIS Ratio	431%	150%

Notes:

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