

# 2015 First Half Briefing

August 2015



國泰金控

Cathay  
Financial Holdings

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# Agenda

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- **1H15 Business overview**

  - Cathay United Bank

  - Cathay Life

  - Cathay Century

- **Overseas expansion**

- **Appendix**

# 1H15 Business overview

## Cathay United Bank

- Loan maintained stable with benign credit quality
- Fee income grew by 36% YoY, wealth management fee grew by 60%
- Continued to expand overseas footprints; Indonesia Jakarta rep. office has opened in 2Q15. Philippines Manila branch will be opened in 2H15

## Cathay Life

- Regular-paid dominated traditional life FYP, ranked No.1 by FYPE
- Maintained robust capital adequacy, RBC ratio reached 295%
- Overseas investment increased to 52.6%; investment performance continued to improve, after-hedging investment yield reached 5.1%

## Cathay Century

- Market share reached 12.2%, maintained No.2 market position
- Keep reducing loss ratio and improving investment performance; after-tax profit grew by 104% YoY
- Offshore business continued to grow

## Cathay SITE

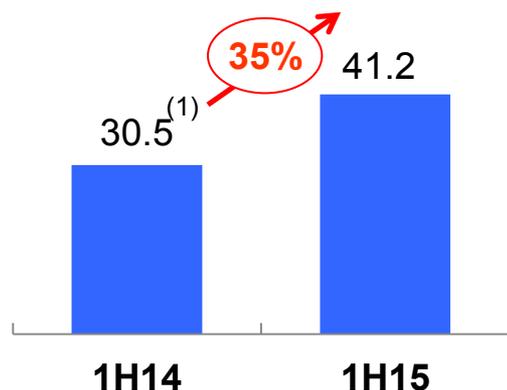
- Ranked No.1 in terms of AUM, which amounted to NT\$430BN
- Highly regarded by clients, rewarded by “Asia Investors” with “Market Award - Taiwan” in 2015 and by “Asia Asset Management Journal” with “2014 Best Institutional House” and “2014 Best Domestic Equity Fund” in 2014

## Cathay Securities

- Delivered significant growth with 1H15 net profits. Earnings and EPS both reached historical high
- Aggressively grew brokerage, sub-brokerage and IPO & SPO business

# Cathay FHC – Net income & EPS

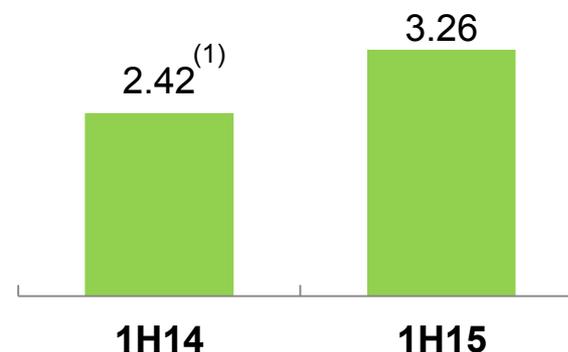
## Net income (NT\$BN)



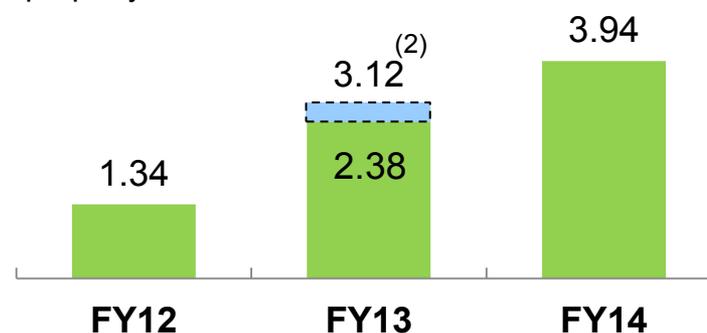
■ Impact to net income from fair value method on investment property



## Adjusted EPS (NT\$)



■ Impact to EPS from fair value method on investment property



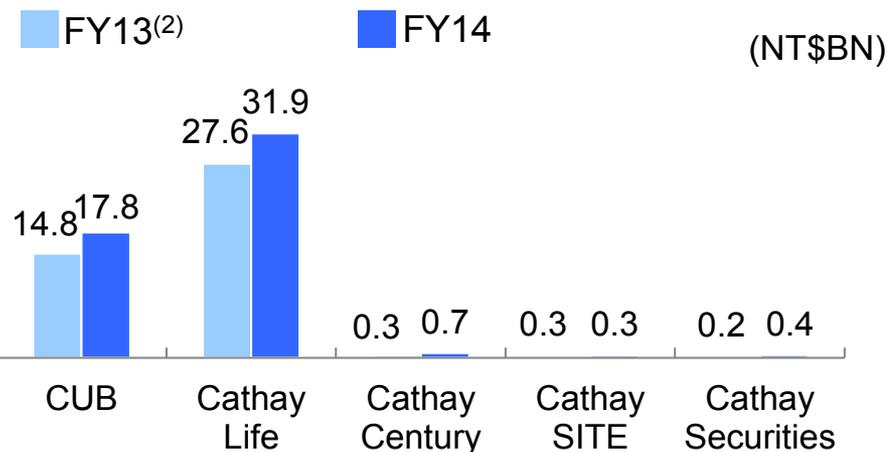
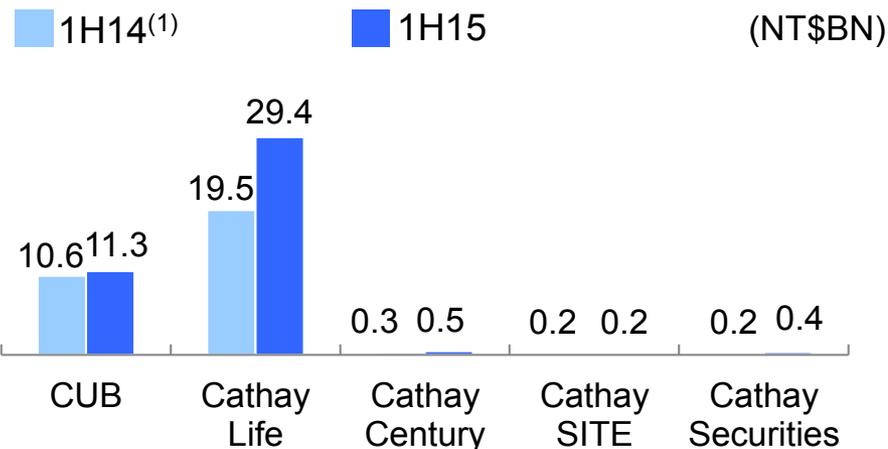
Note: (1) Starting from 2015/1/1, Cathay FHC adopts IFRS 2013 version, the related impacts are traced back to 1H14. The adjustments to Cathay FHC and its subsidiaries are relatively small. Please refer to page 37 for reference.

(2) FY13 figures reflected the impact from applying fair value method on investment property, starting 2014/1/1. The impact to FY13 net income and EPS of Cathay FHC was NT\$9.0BN and NT\$0.74, respectively.

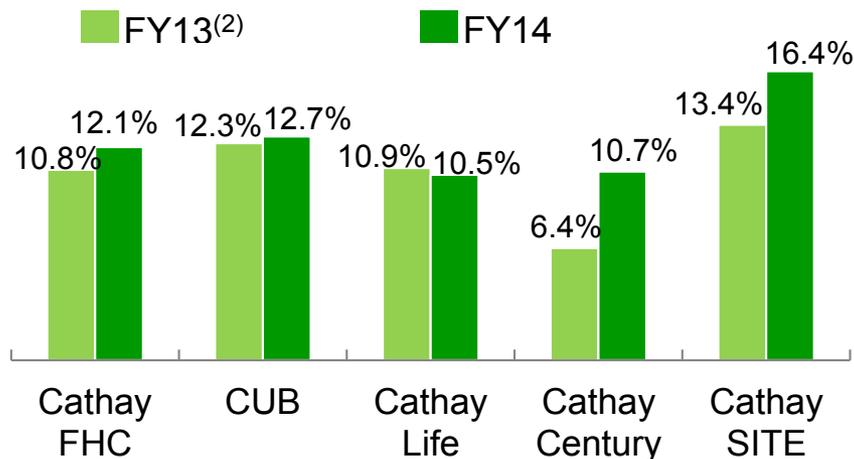
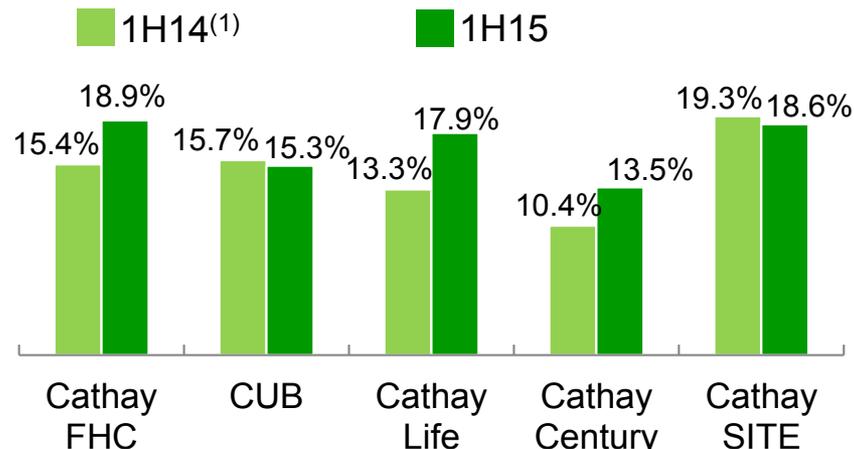
(3) EPS has been adjusted for stock dividend (stock split).

# Cathay FHC – Financial results of subsidiaries

## Net income of primary subsidiaries



## ROE



Note: (1) Starting from 2015/1/1, Cathay FHC adopts IFRS 2013 version, the related impacts are traced back to 1H14. The adjustments to Cathay FHC and its subsidiaries are relatively small. Please refer to page 37 for reference.

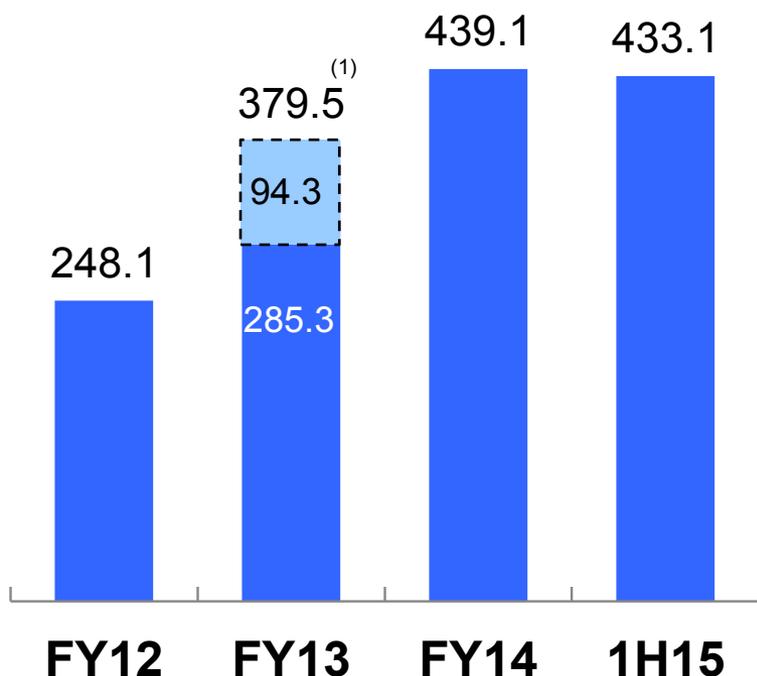
(2) FY13 ROE reflected the impact from applying fair value method on investment property, starting 2014/1/1. The impact to FY13 ROE of Cathay FHC, CUB and Cathay Life was -0.1%, -0.1% and 0.1% respectively.

# Cathay FHC – Book value & BVPS

## Book value

(NT\$BN)

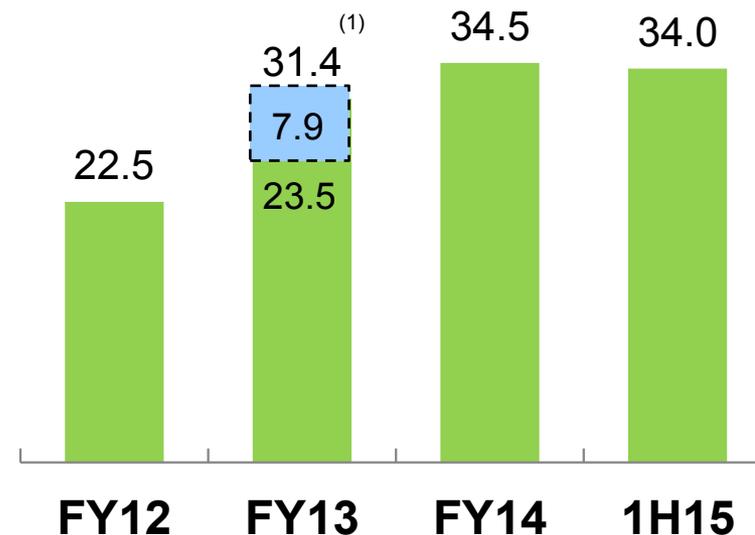
■ Impact to book value from fair value method on investment property



## BVPS

(NT\$)

■ Impact to BVPS from fair value method on investment property



Note: (1) FY13 figures reflected the impact from applying fair value method on investment property

(2) Starting from FY12, book value included minority interest, BVPS excluded minority interest. Starting from 2015/1/1, Cathay FHC adopts IFRS 2013 version, the related impacts are traced back to FY14. The adjustments to Cathay FHC and its subsidiaries are relatively small. Please refer to page 37 for reference.

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  - Cathay Life

  - Cathay Century

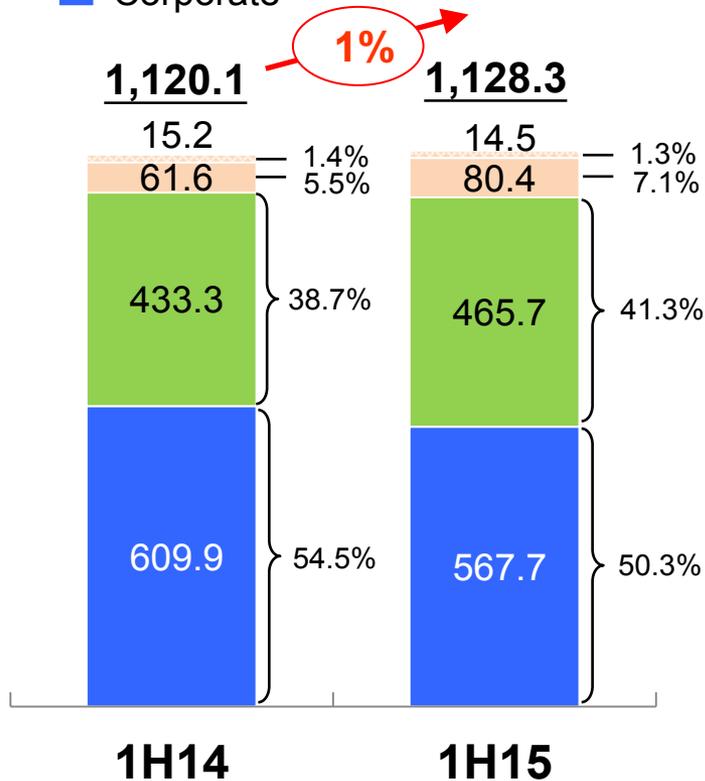
- **Overseas expansion**

- **Appendix**

# Cathay United Bank – Loan & deposit breakdown

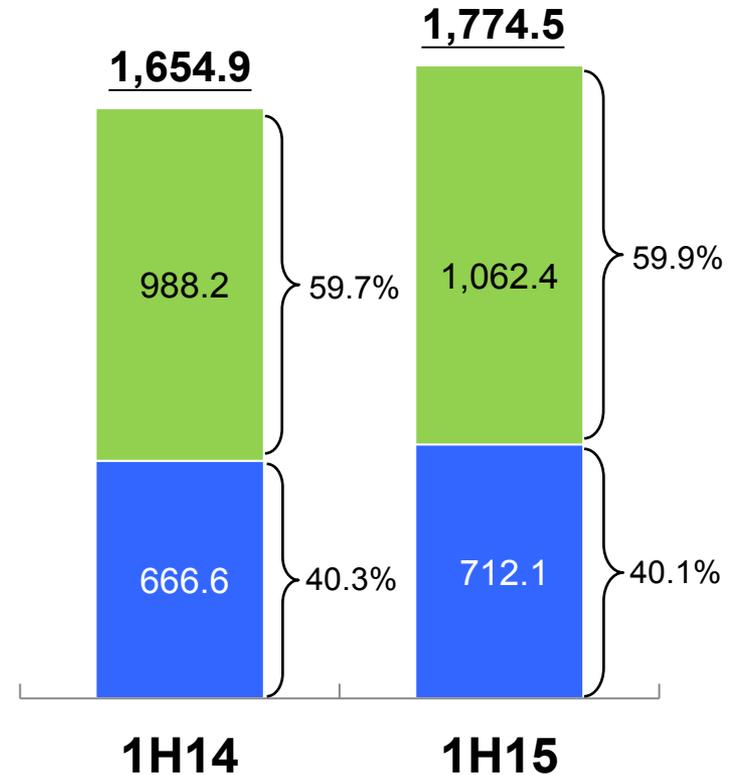
## Loan breakdown

-  Credit Card related (NT\$BN)
-  Consumer
-  Mortgage
-  Corporate



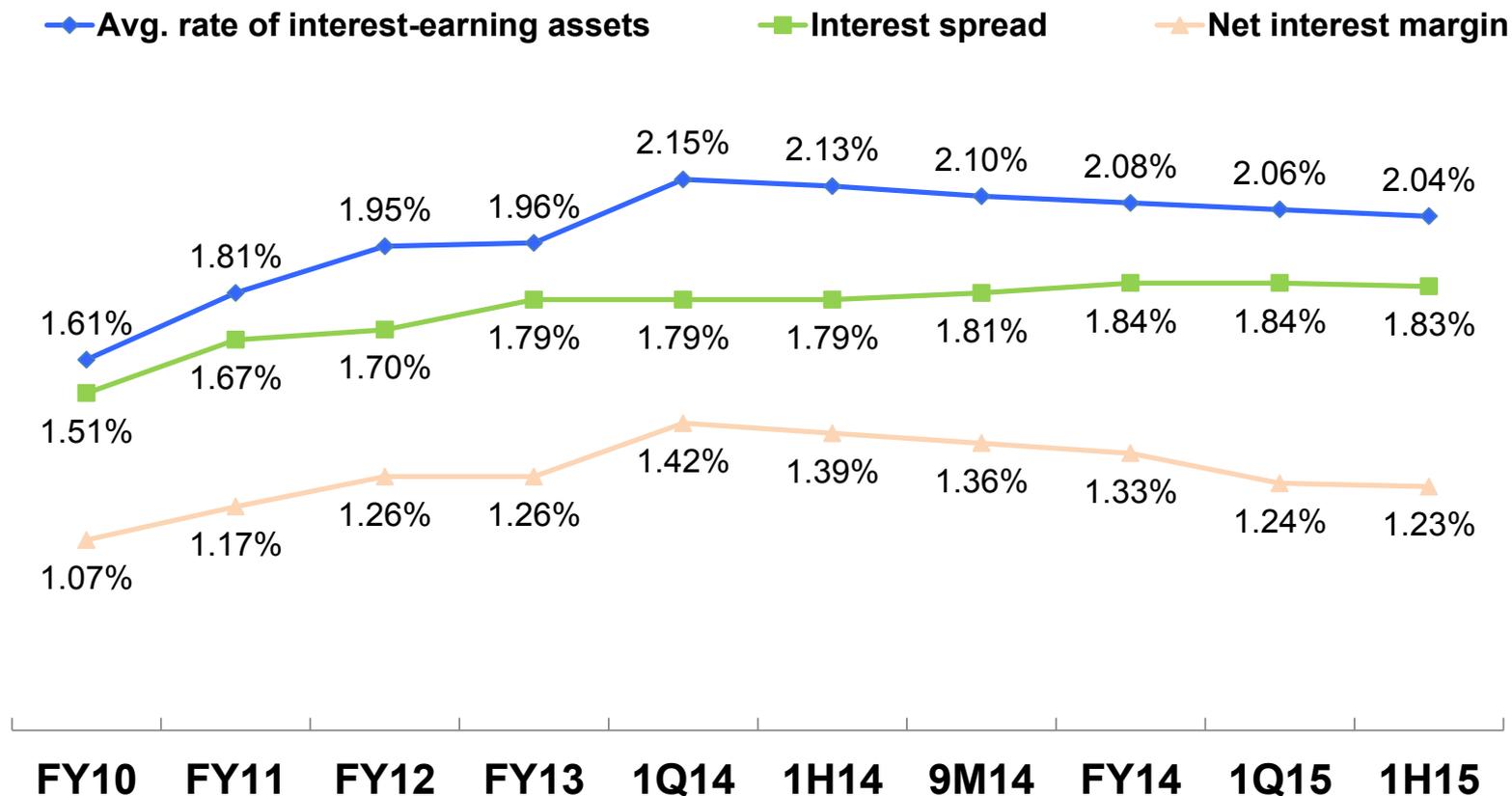
## Deposit breakdown

-  Demand Deposit (NT\$BN)
-  Time Deposit



Note: Totals may not sum due to rounding.

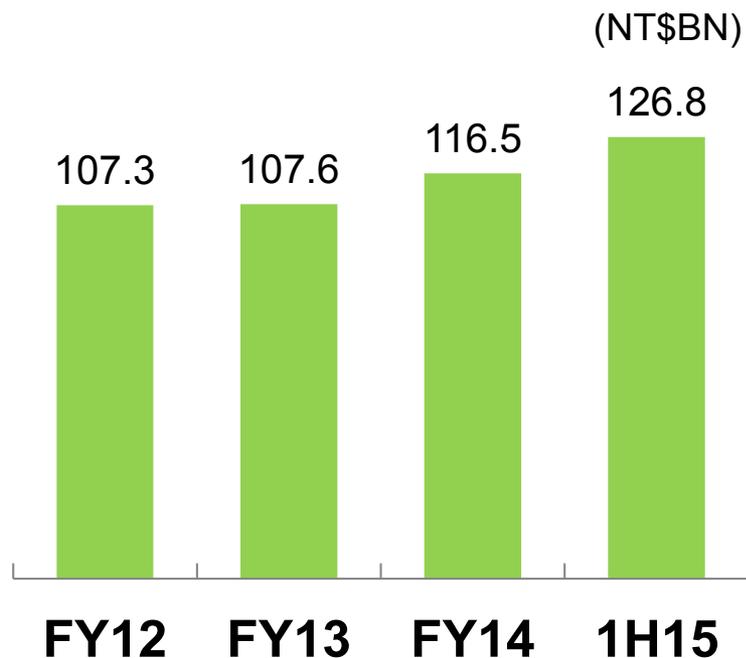
# Cathay United Bank – Interest yields



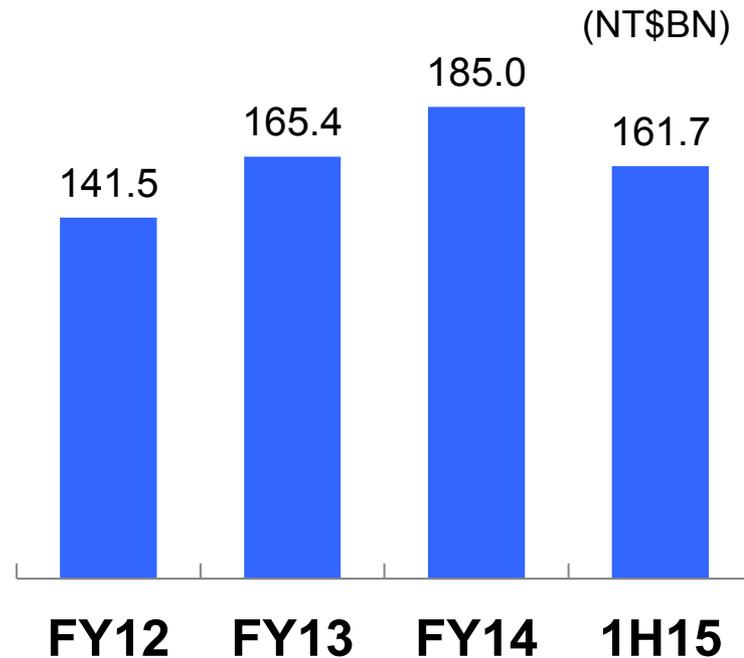
Note: Credit card related loans are included in the calculation of interest spread.

# Cathay United Bank – SME & FX loans

## SME loans



## Foreign currency loans



### As % of total loans

11.5% 10.5% 10.5% 11.4%

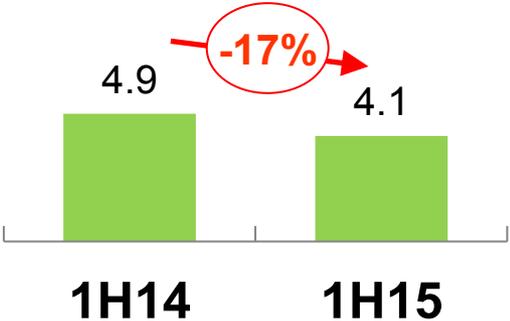
15.1% 16.1% 16.6% 14.5%

Note: Total loans exclude credit card revolving balance.

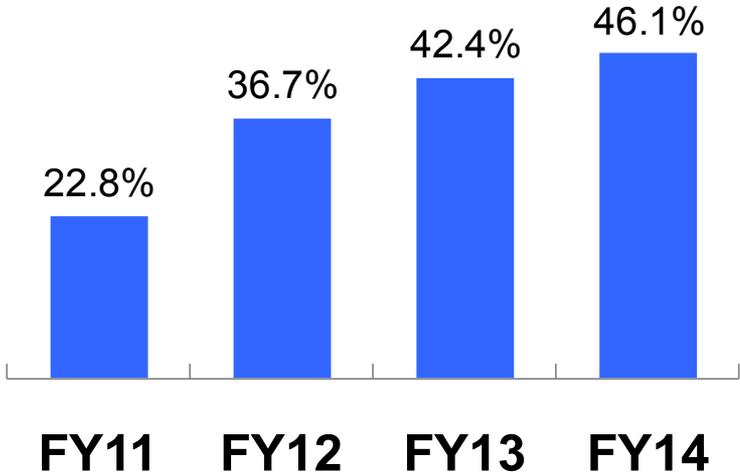
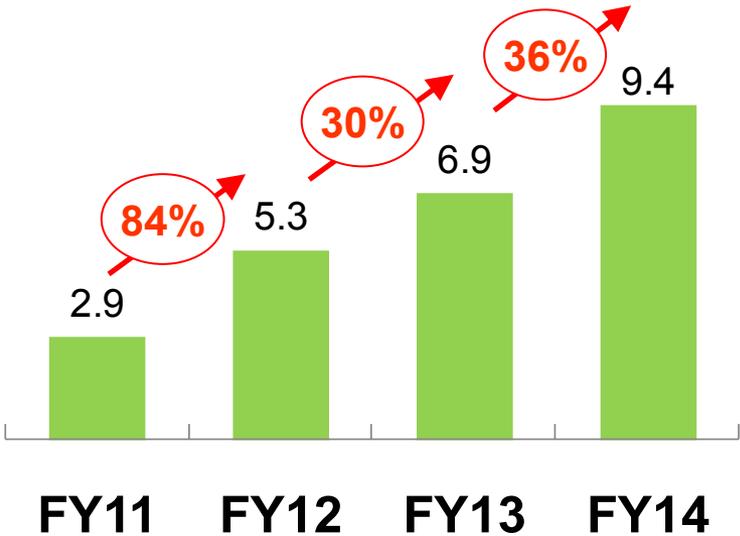
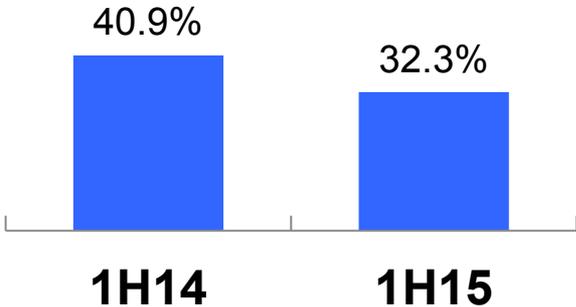
# Cathay United Bank – Offshore earnings

## Offshore earnings

(NT\$BN)

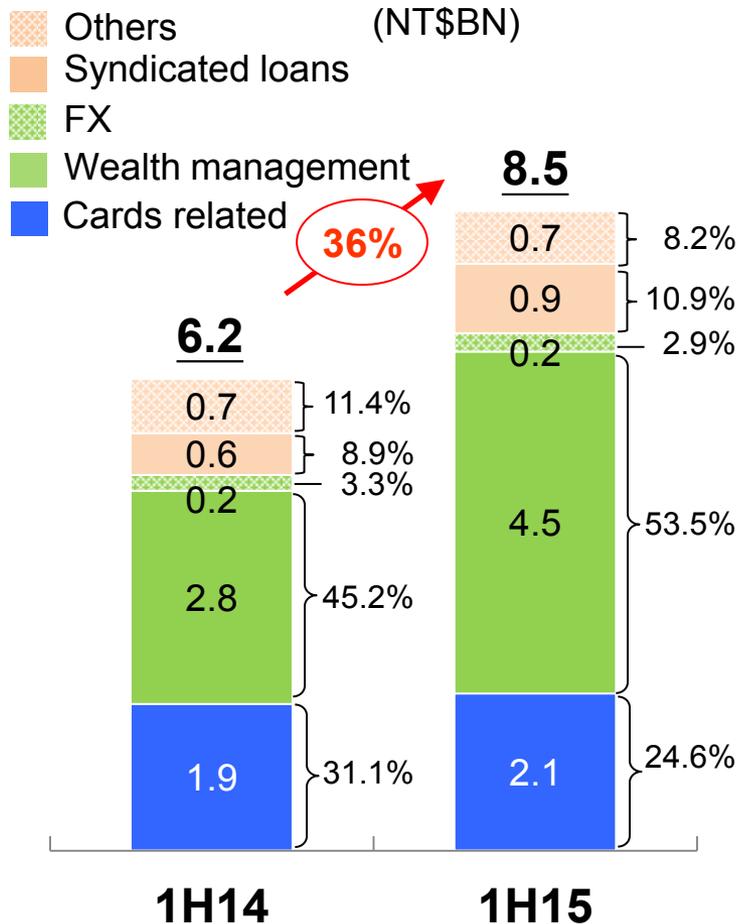


## As % of CUB pre-tax profits

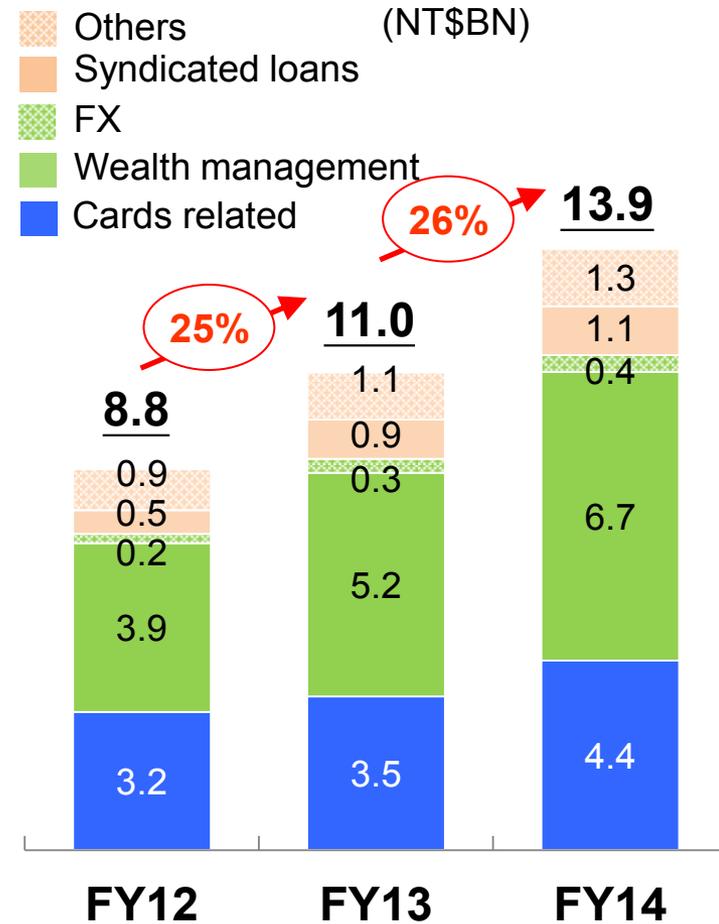


# Cathay United Bank – Fee income

## Fee income breakdown (quarterly)



## Fee income breakdown (annual)



Note: Totals may not sum due to rounding.

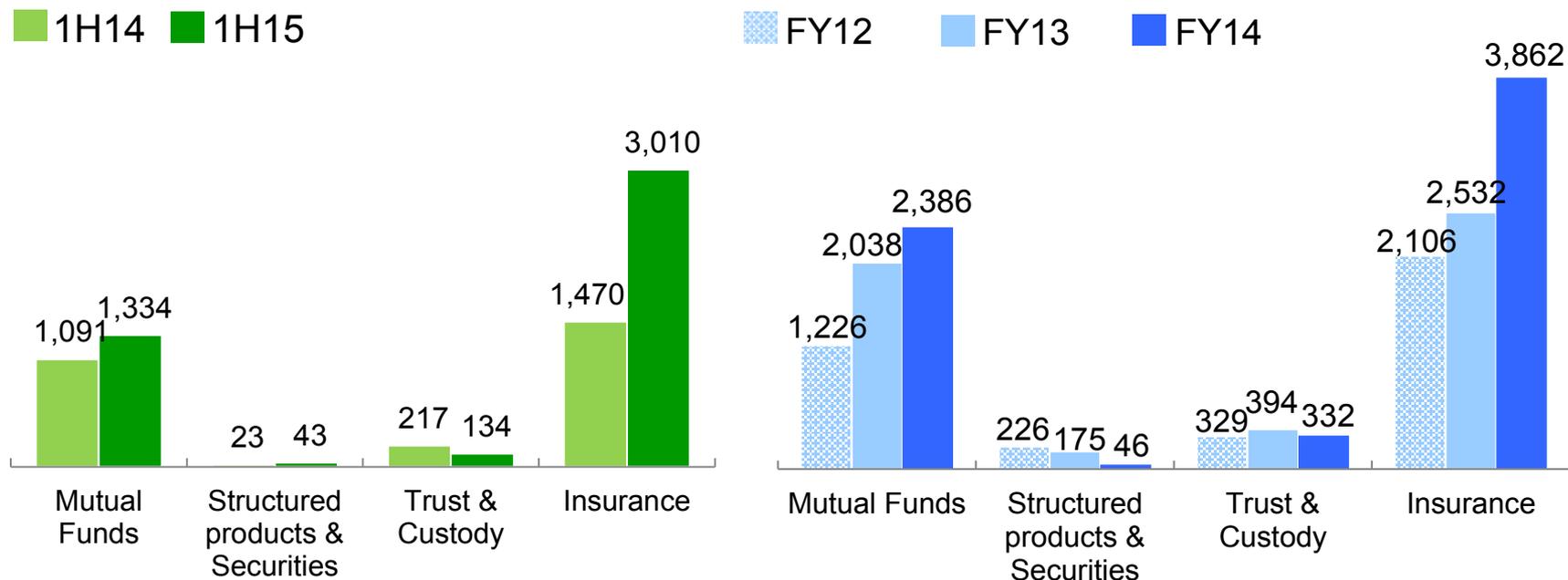
# Cathay United Bank – Wealth management fee

## Wealth management fee breakdown

| (NT\$MN)                             | 1H14         | 1H15         | FY12         | FY13         | FY14         |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Wealth Management Fee Income*</b> | <b>2,824</b> | <b>4,528</b> | <b>3,894</b> | <b>5,163</b> | <b>6,673</b> |
| <b>YoY growth (%)</b>                | <b>18.8%</b> | <b>60.3%</b> | <b>17.7%</b> | <b>32.6%</b> | <b>29.2%</b> |

\*Wealth management fee excludes revenue from DCI, SI and others

|  |              |            |            |              |              |
|--|--------------|------------|------------|--------------|--------------|
| <b>Revenue from DCI, SI &amp; others</b> | <b>1,121</b> | <b>160</b> | <b>141</b> | <b>1,159</b> | <b>1,934</b> |
|--|--------------|------------|------------|--------------|--------------|

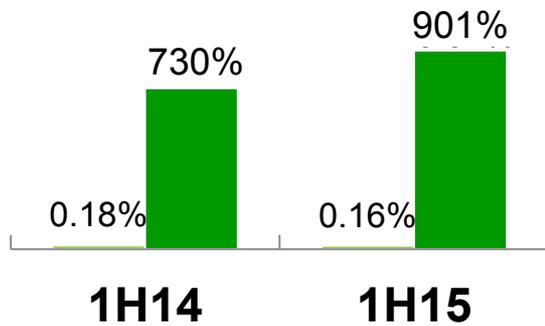


Note: (1) Wealth management fee excludes revenue from DCI, SI and others.  
 (2) Totals may not sum due to rounding.

# Cathay United Bank – Credit quality

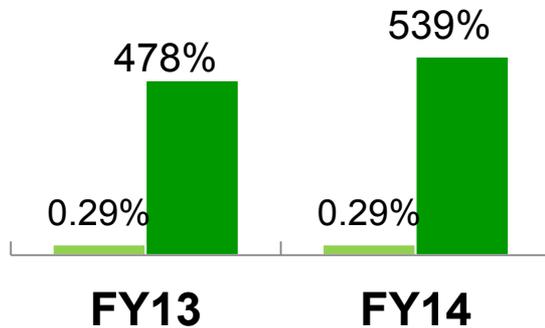
## NPL & Coverage ratio

- NPL ratio
- Coverage ratio



Mortgage NPL

|      |       |
|------|-------|
| 1H14 | 0.05% |
| 1H15 | 0.07% |

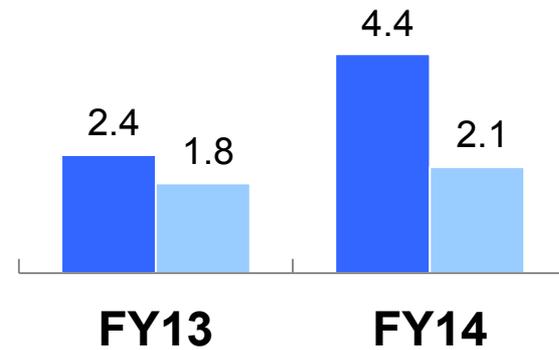
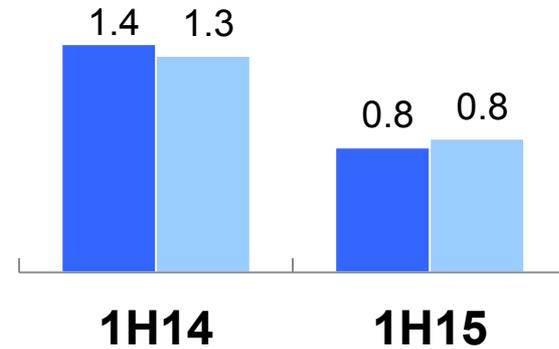


Mortgage NPL

|      |       |
|------|-------|
| FY13 | 0.02% |
| FY14 | 0.04% |

## Gross provision

- Gross provision (NT\$BN)
- Recovery



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- **Appendix**

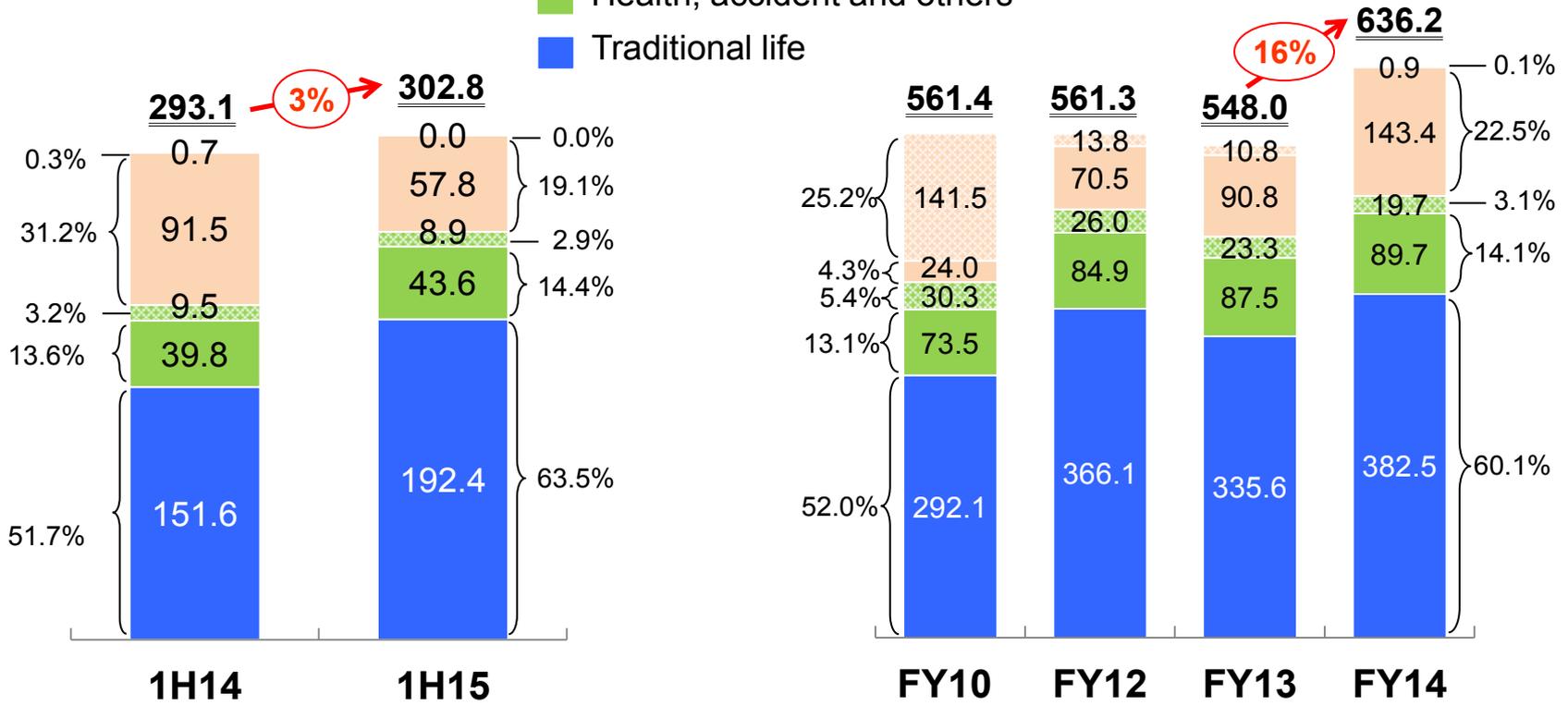
# Cathay Life – Total premium

## Total premium (quarterly)

## Total premium (annual)

(NT\$BN)

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

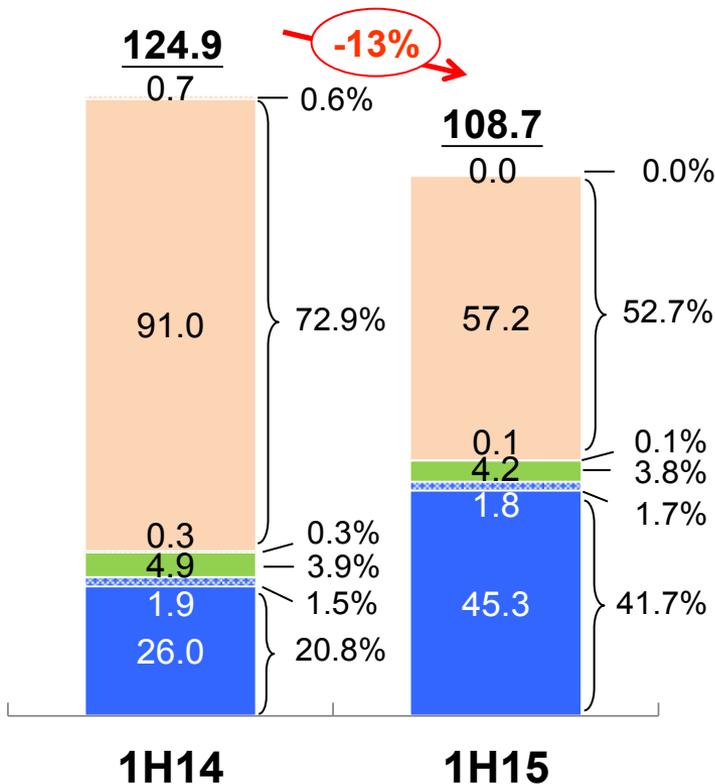


Note: Totals may not sum due to rounding.

# Cathay Life – FYP & FYPE

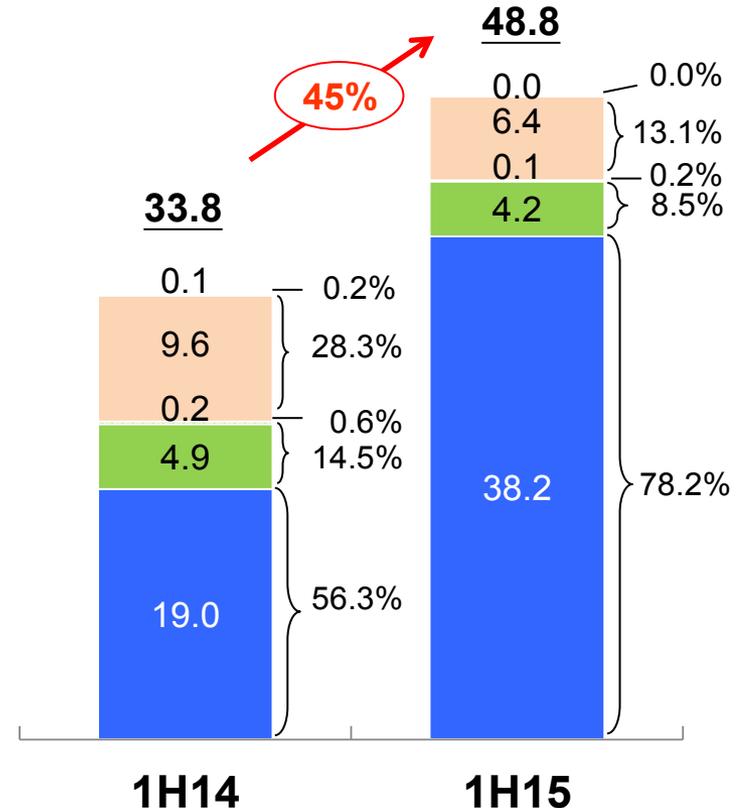
## FYP

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



## FYPE

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

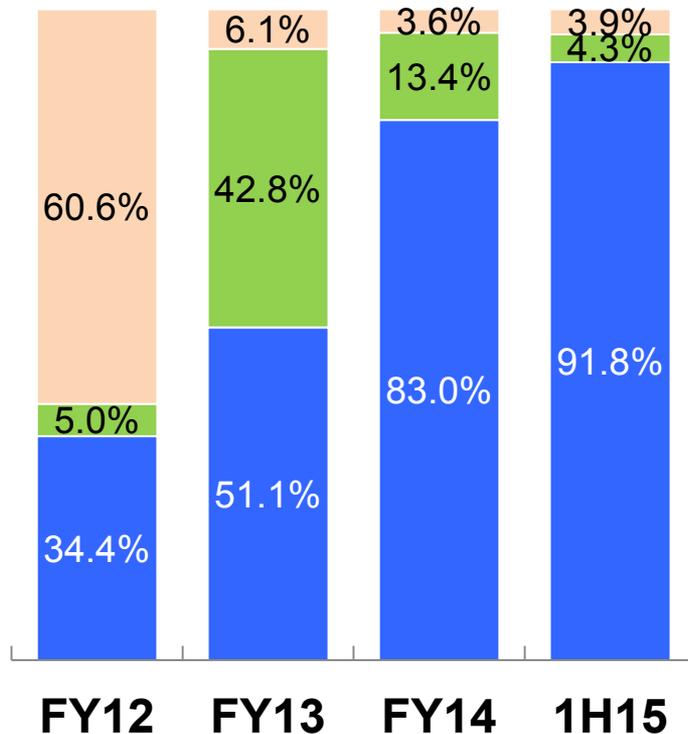


Note: Totals may not sum due to rounding.

# Cathay Life – Regular paid policies remain as focus

## Breakdown of Traditional FYP

- Traditional life – single paid
- Traditional life - 2 year regular paid
- Traditional life - 3 year and above regular paid

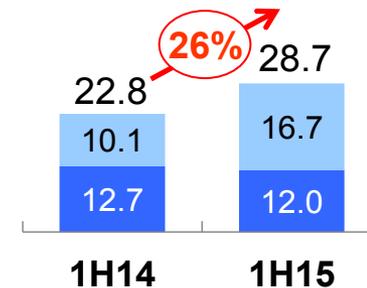


Note: Totals may not sum due to rounding.

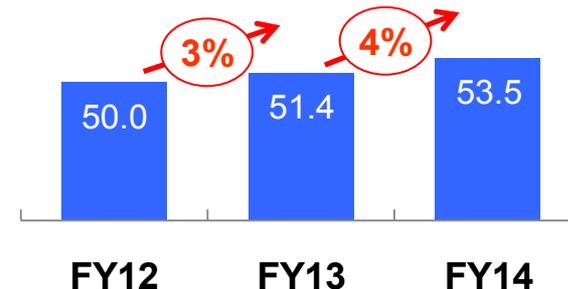
## VNB

| Profit Margin | 1H14 | 1H15 |
|---------------|------|------|
| VNB/FYP       | 18%  | 26%  |
| VNB/FYPE      | 67%  | 59%  |

■ 2Q ■ 1Q



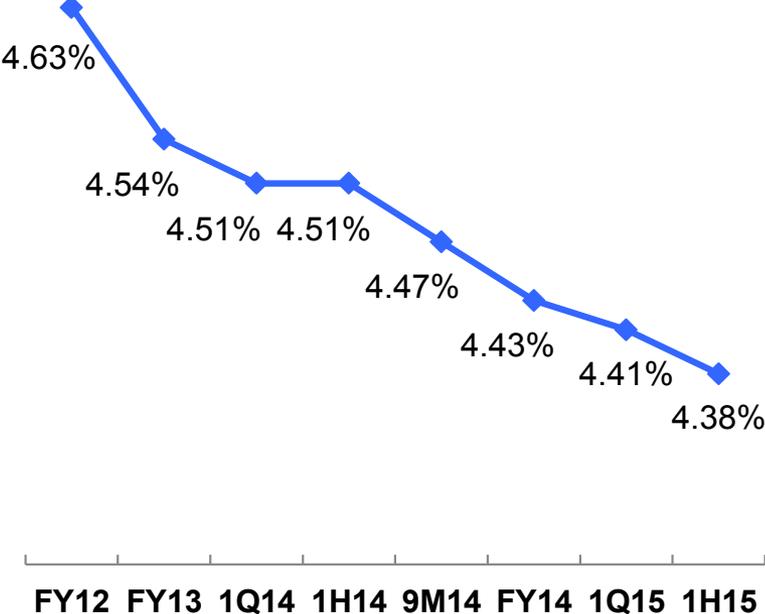
| Profit Margin | FY12 | FY13 | FY14 |
|---------------|------|------|------|
| VNB/FYP       | 19%  | 26%  | 23%  |
| VNB/FYPE      | 54%  | 70%  | 75%  |



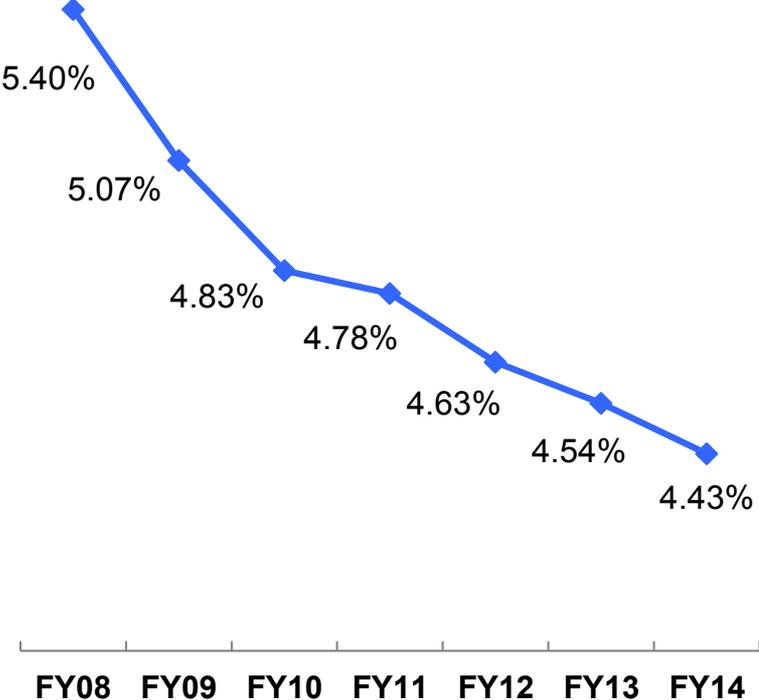
Note : FY14 and 1H15 VNB is based on Cathay Life's 2014 EV actuarial assumptions.

# Cathay Life – Cost of liability

**Cost of liability (quarterly)**



**Cost of Liability (annual)**



Note: The figures of cost of liability are reserve-based.

# Cathay Life – Investment portfolio

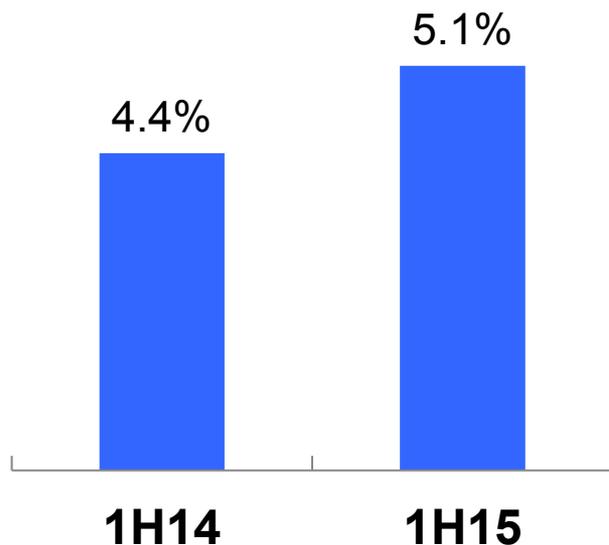
| (NT\$BN)                                 | 4Q12           | 4Q13           | 4Q14           | 1H15           |               |                |
|--|----------------|----------------|----------------|----------------|---------------|----------------|
| <b>Total investments<sup>(1)</sup></b>   | <b>3,283.7</b> | <b>3,785.1</b> | <b>4,169.1</b> | <b>4,314.3</b> |               |                |
|  | <b>Weight</b>  | <b>Weight</b>  | <b>Weight</b>  | <b>Amount</b>  | <b>Weight</b> | <b>Amount</b>  |
| <b>Cash &amp; Cash equivalents</b>       | <b>8.2%</b>    | <b>3.7%</b>    | <b>3.2%</b>    | <b>131.6</b>   | <b>2.8%</b>   | <b>121.4</b>   |
| <b>Equity- Domestic</b>                  | <b>8.1%</b>    | <b>8.9%</b>    | <b>8.4%</b>    | <b>350.9</b>   | <b>8.8%</b>   | <b>377.6</b>   |
| <b>Equity- International</b>             | <b>4.3%</b>    | <b>4.9%</b>    | <b>5.0%</b>    | <b>209.4</b>   | <b>5.8%</b>   | <b>251.7</b>   |
| <b>Bond- Domestic</b>                    | <b>16.6%</b>   | <b>14.4%</b>   | <b>11.0%</b>   | <b>459.2</b>   | <b>9.5%</b>   | <b>411.4</b>   |
| <b>Bond- International<sup>(1)</sup></b> | <b>39.6%</b>   | <b>38.9%</b>   | <b>43.6%</b>   | <b>1,816.7</b> | <b>45.1%</b>  | <b>1,947.3</b> |
| <b>Mortgage &amp; Secured loans</b>      | <b>10.3%</b>   | <b>12.2%</b>   | <b>12.7%</b>   | <b>529.6</b>   | <b>11.8%</b>  | <b>507.4</b>   |
| <b>Policy loans</b>                      | <b>5.5%</b>    | <b>4.7%</b>    | <b>4.0%</b>    | <b>166.4</b>   | <b>3.7%</b>   | <b>159.2</b>   |
| <b>Real estate<sup>(2)</sup></b>         | <b>5.6%</b>    | <b>10.6%</b>   | <b>10.5%</b>   | <b>439.4</b>   | <b>11.2%</b>  | <b>484.2</b>   |
| <b>Others</b>                            | <b>1.8%</b>    | <b>1.7%</b>    | <b>1.6%</b>    | <b>65.9</b>    | <b>1.3%</b>   | <b>54.2</b>    |

Note: (1) Total assets excluded separate account assets; international bond includes foreign currency deposit and related adjustments

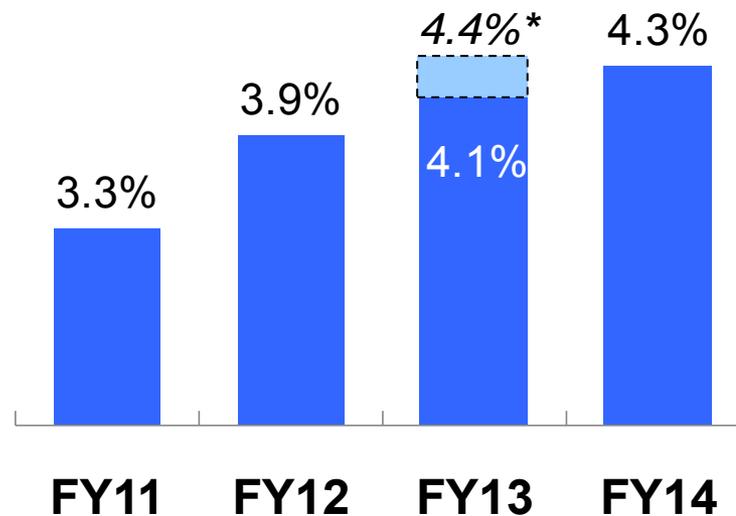
(2) Real estate included 2013/1/1 IFRS adoption appraisal gain NT\$71.3BN from investment property and the impact of NT\$133.1BN from the change to fair value method on investment property on 2014/1/1. FY2014 appraisal gain from subsequent measurement of investment property is NT\$16.6BN.

# Cathay Life – Investment performance highlight

After-hedging investment yield



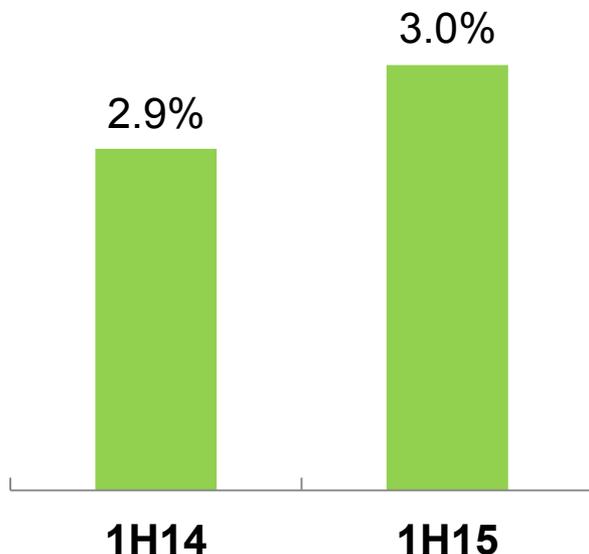
After-hedging investment yield  
(annual)



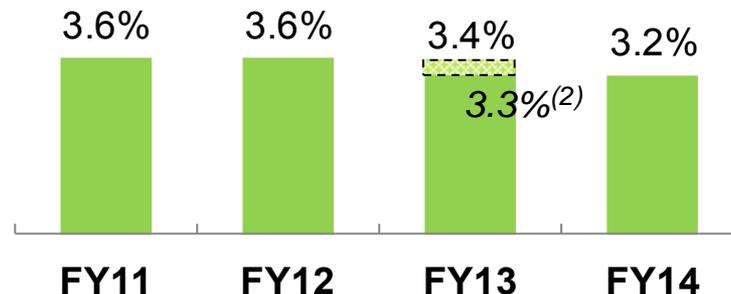
Note: FY13 (4.4% ) was pro forma adjusted number of fair value method on investment property.

# Cathay Life – Investment performance highlight

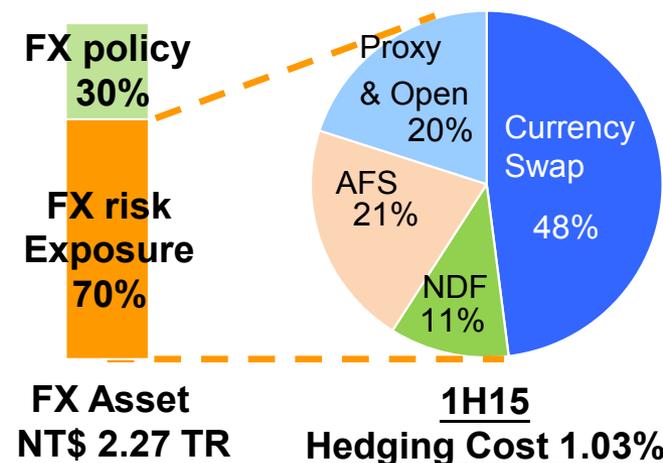
## Pre-hedging recurring yield<sup>(1)</sup>



## Pre-hedging recurring yield



## Currency Hedging Structure



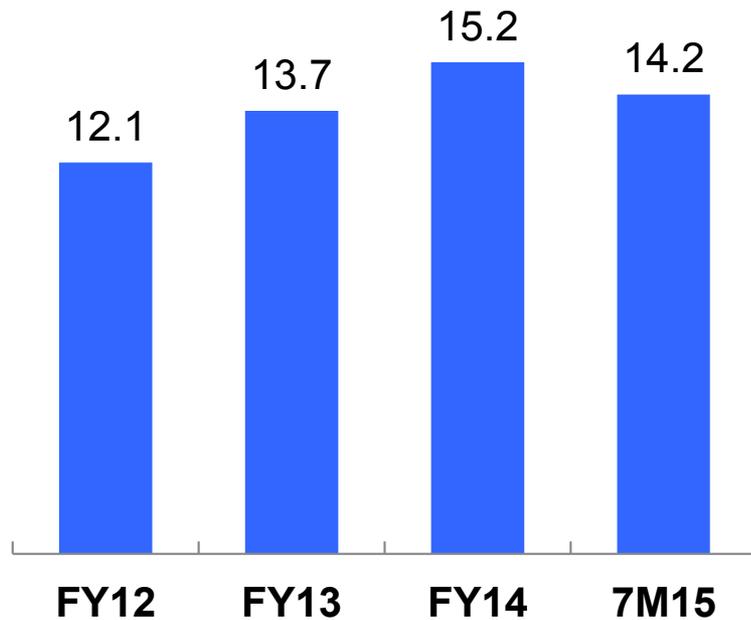
Note: (1) Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend. Most dividend will be recognized in 2Q & 3Q.

(2) FY13 (3.3%) was pro forma adjusted number of fair value method on investment property.

# Cathay Life – Cash dividend & Overseas fixed income by region

## Cash dividend

(NT\$BN)



## Overseas Fixed Income by Region\*



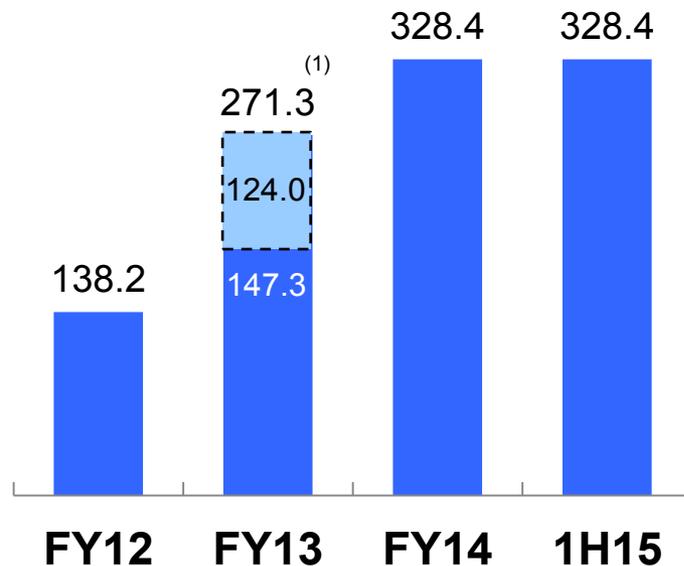
Note: Exclude overseas deposit and equity.

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

## Book value

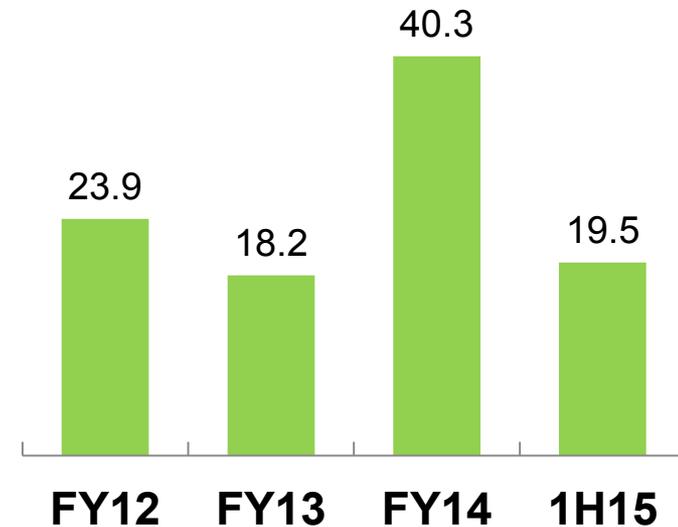
(NT\$BN)

■ Impact to book value from fair value method on investment property



## Unrealized G/L of AFS financial assets

(NT\$BN)



Note: (1) FY13 figures reflected the impact from applying fair value method on investment property

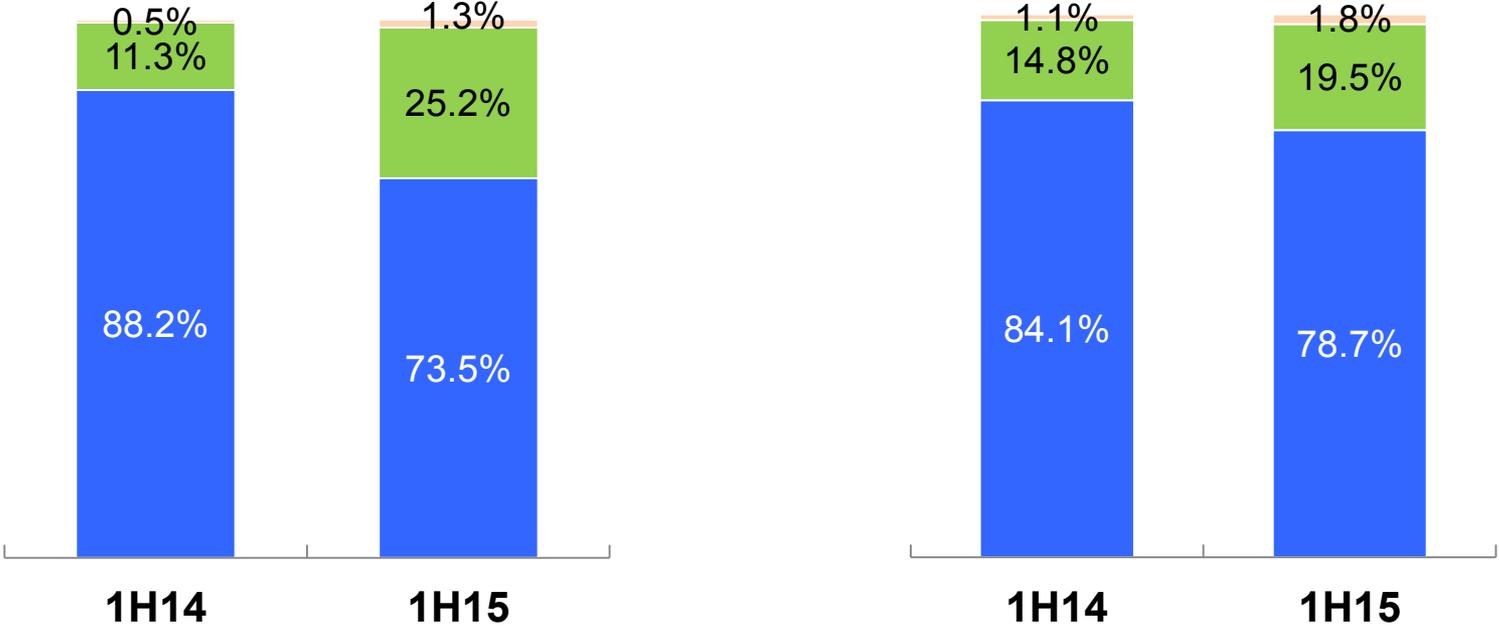
(2) Starting from FY12, book value included minority interest, BVPS excluded minority interest. Starting from 2015/1/1, Cathay FHC adopts IFRS 2013 version, the related impacts are traced back to FY14. The adjustments to Cathay Life are relatively small. Please refer to page 37 for reference.

# Cathay Life – Distribution channel

FYP

FYPE

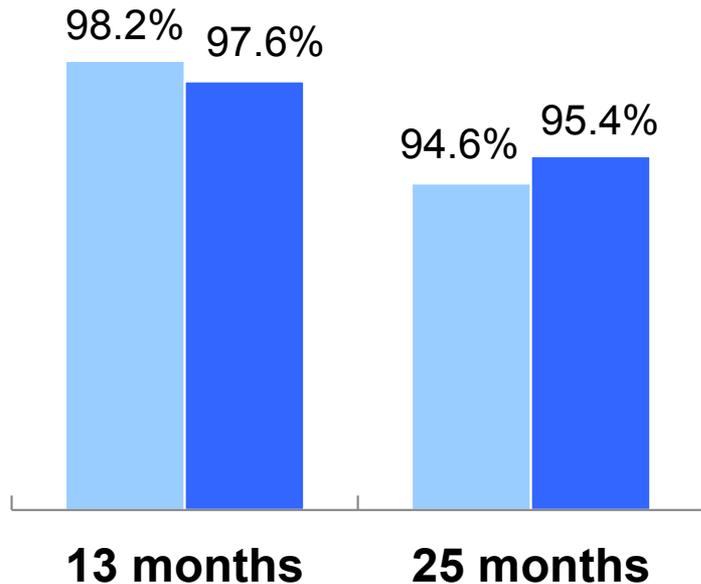
- Others
- Bancassurance-CUB
- Tied agents



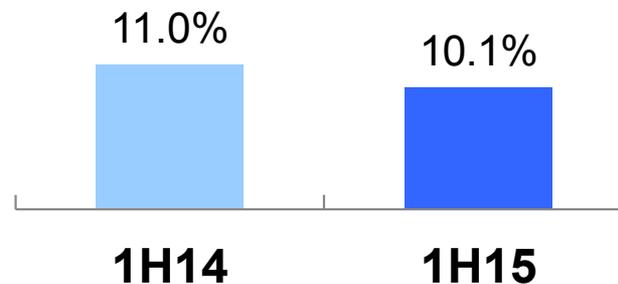
# Cathay Life – Operational indicators

## Persistency ratio

1H14 1H15



## Expense ratio



# Agenda

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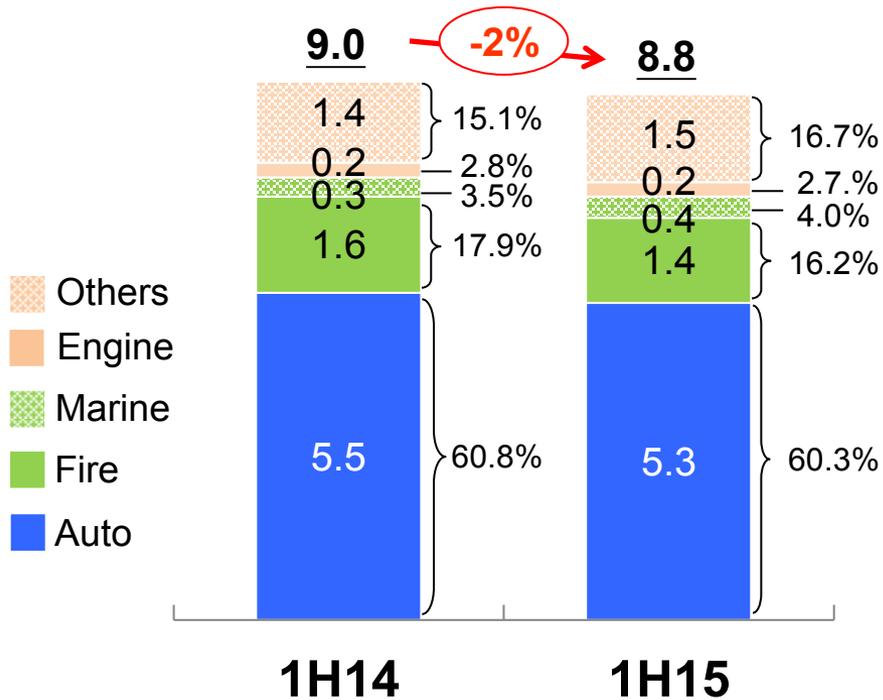
- **Overseas expansion**

- **Appendix**

# Cathay Century

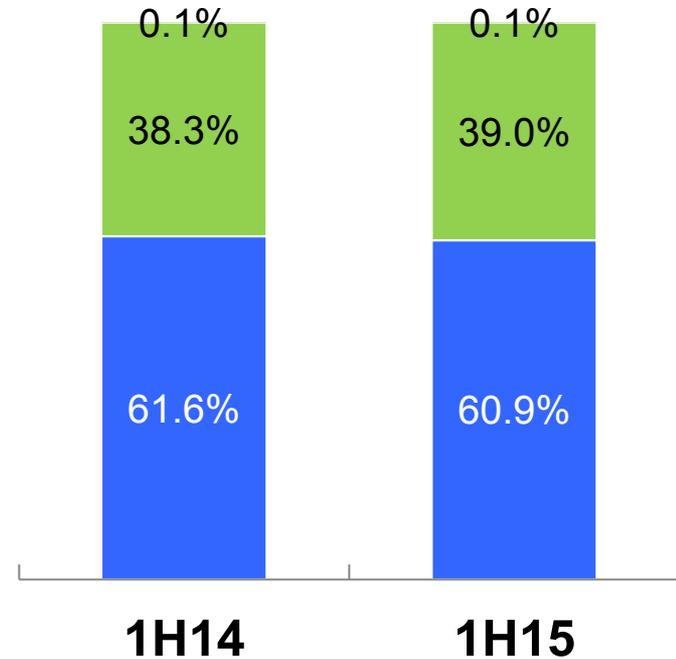
## Premium income

(NT\$BN)



## Distribution channel

- Affiliate channels
- Cathay P&C agents
- Cathay group channel



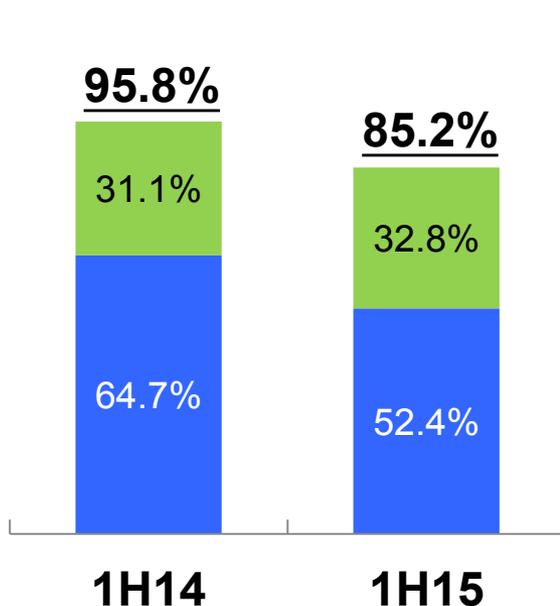
|              |       |       |
|--------------|-------|-------|
| Market share | 13.0% | 12.2% |
| Retention    | 76.3% | 74.3% |

Note: Totals may not sum due to rounding.

# Cathay Century – Combined ratio

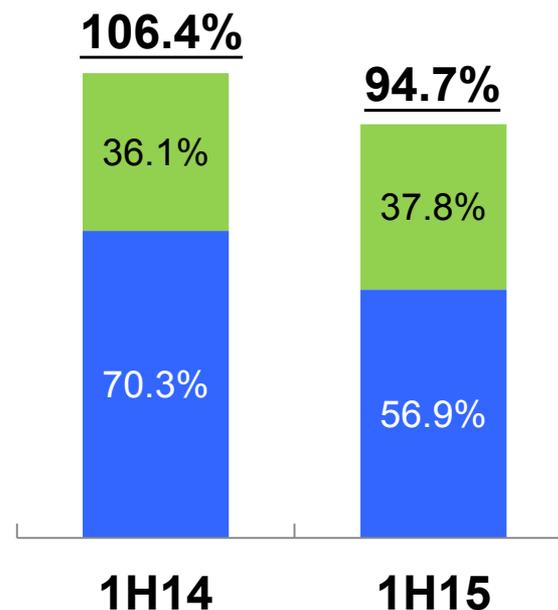
## Gross combined ratio

- Gross expense ratio
- Gross loss ratio



## Retained combined ratio

- Retained expense ratio
- Retained loss ratio

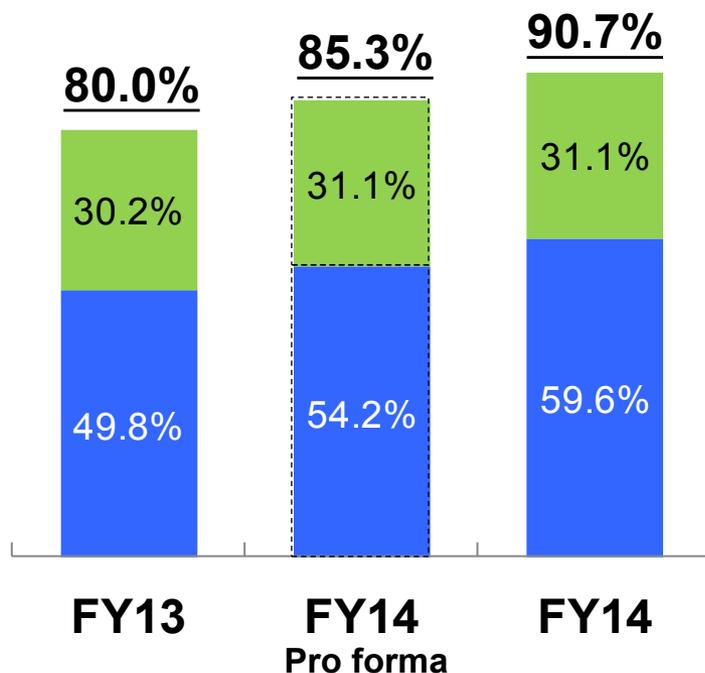


Note: From 2014/1/1, the loss provisions rules on compulsory car insurance was changed and the regulatory change cause an one-off impact on the of 2014 loss ratios.

# Cathay Century – Combined ratio (annual)

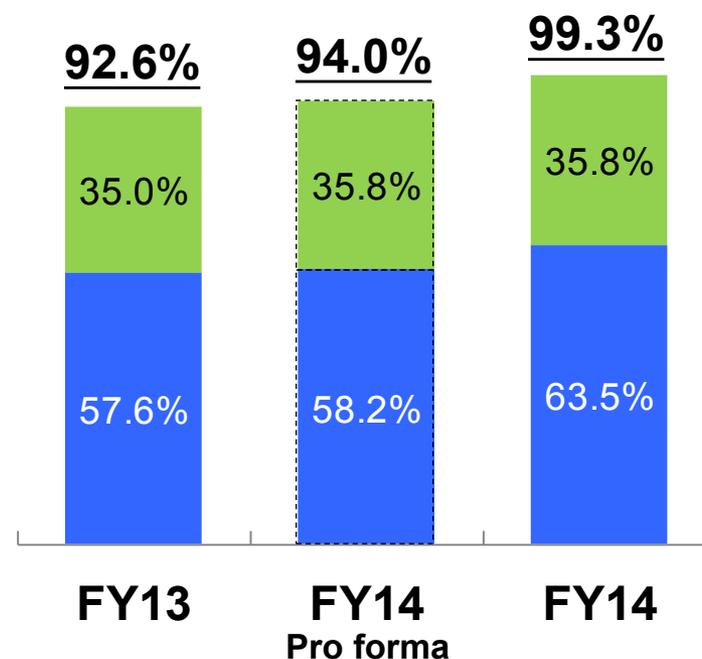
## Gross combined ratio

- Gross expense ratio
- Gross loss ratio



## Retained combined ratio

- Retained expense ratio
- Retained loss ratio



Note: From 2014/1/1, the loss provisions rules on compulsory car insurance was changed and the loss ratio increased significantly compared to last year. However, the shortfall between retained earned pure premium and net loss provision plus claim payment was offset by recovery of special reserve and therefore has no impact on net profit.

# Agenda

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- **1H15 Business overview**

  - Cathay United Bank

  - Cathay Life

  - Cathay Century

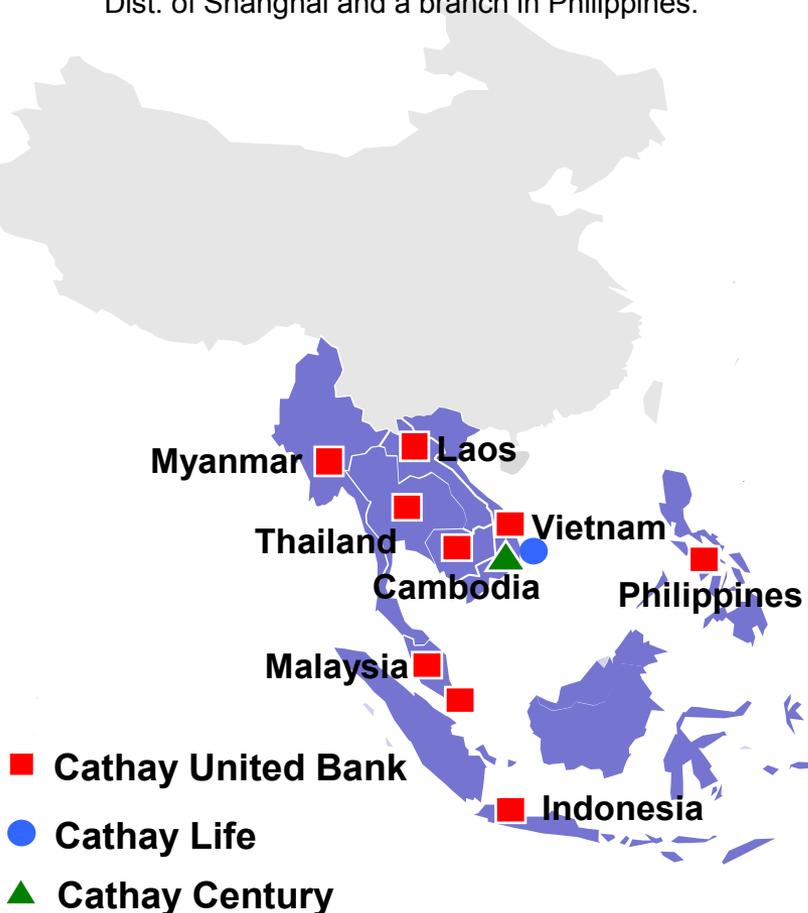
- **Overseas expansion**

- **Appendix**

# Cathay FHC in South East Asia

|           | China | Vietnam | Cambodia | Hong Kong | Singapore | Malaysia | Laos | Philippines | Thailand | Myanmar | Indonesia |
|-----------|-------|---------|----------|-----------|-----------|----------|------|-------------|----------|---------|-----------|
| Bank      | 5*    | 36      | 16       | 1         | 1         | 1        | 1    | 1*          | 1        | 1       | 1         |
| Life      | 31    | 6       |          |           |           |          |      |             |          |         |           |
| P&C       | 21    | 2       |          |           |           |          |      |             |          |         |           |
| Asset Mgt | 1     |         |          | 1         |           |          |      |             |          |         |           |

\* Footprints in Thailand, Myanmar and Indonesia are representative offices. CUB obtained approval to set up a sub-branch in Jiading Dist. of Shanghai and a branch in Philippines.



## ■ Cathay United Bank

- Business in Vietnam performed steadily with solid financial performance and superior asset quality
- Owns most footprints among Taiwanese banks in Cambodia
- Indonesia Jakarta rep. office has opened in 2Q15. Philippines Manila branch will be opened in 2H15

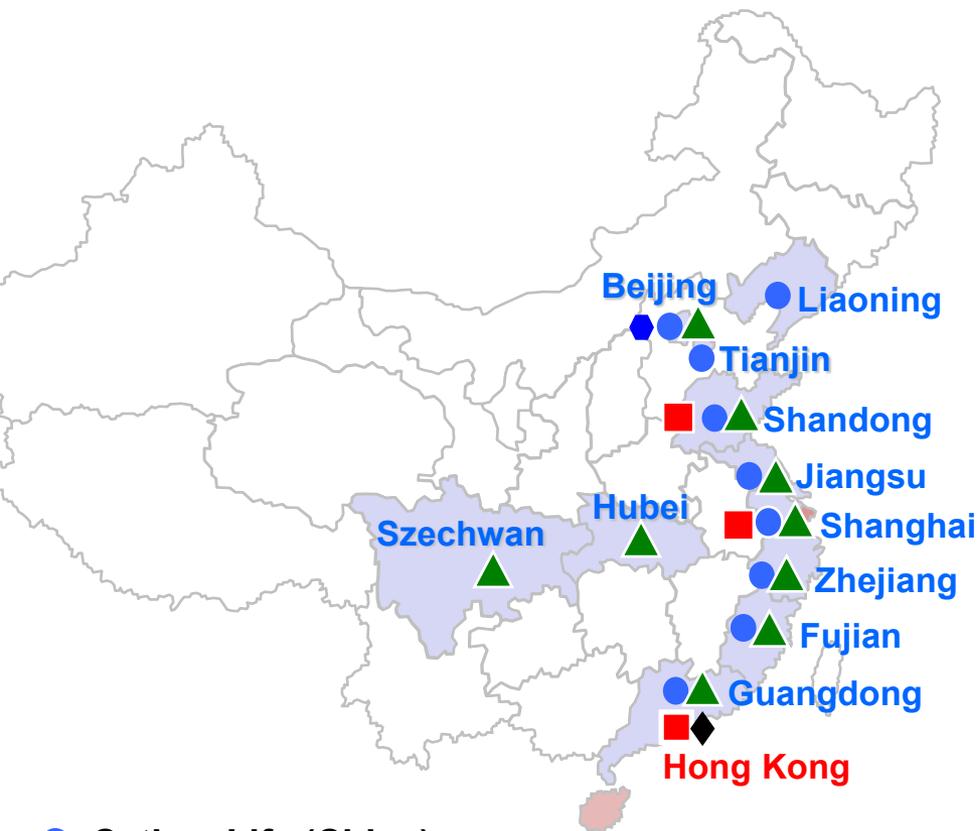
## ■ Cathay Life

- Investment of 20% stake in RCBC (Philippines) and 24.9% stake in Bank Mayapada (Indonesia) has completed
- Cathay Life (Vietnam) has performed steadily

## ■ Cathay Century

- Each business line has performed steadily

# Cathay FHC in China



● Cathay Life (China)

■ Cathay United Bank

▲ Cathay Century (China)

◆ Cathay Conning Asset Management

◆ CDBS Cathay Asset Management Company

## ■ Cathay United Bank

- Each business line has performed steadily in Shanghai branch, obtained approval to set up sub-branch in Jiading Dist.
- Applying for Shenzhen branch and Planning to upgrade Shanghai branch into subsidiary

## ■ Cathay Life (China)

- 1H15 solvency ratio 368%
- Reported pre-tax profits of 115MN RMB in 1H15

## ■ Cathay Century (China)

- Strong premium income growth in 1H15 up by 17% YoY

## ■ JV with Conning (CCAM)

- AUM amounted to USD\$1.15BN in 1H15

## ■ JV with China Development Bank

### Securities (CDBS Cathay Asset Management)

- Continued to launch new products, mainly focus on fixed income funds

## ■ Cathay Securities

- Acquisition of Horizon Securities (Hong Kong) expected to completed in 2H15

# Agenda

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- **1H15 Business overview**

  - Cathay United Bank

  - Cathay Life

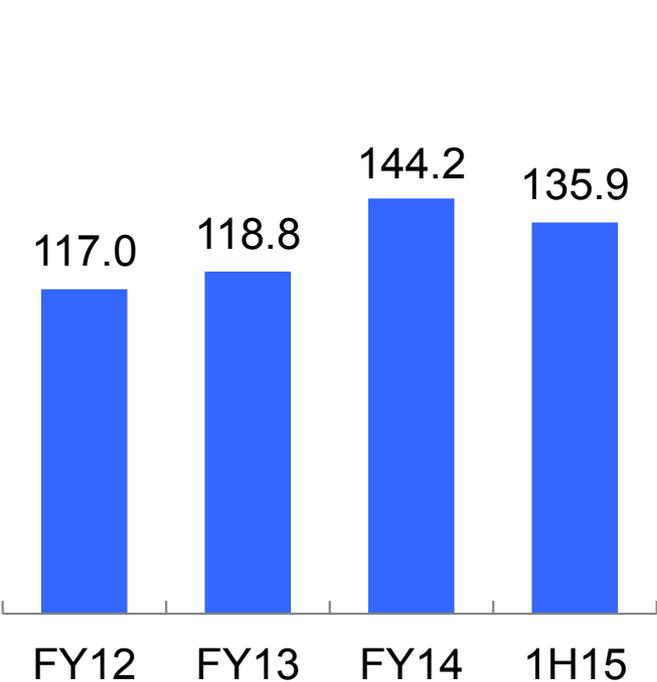
  - Cathay Century

- **Overseas expansion**

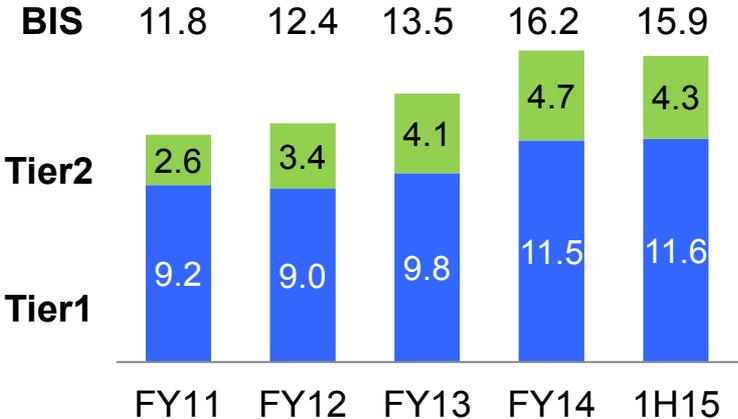
- **Appendix**

# Capital adequacy

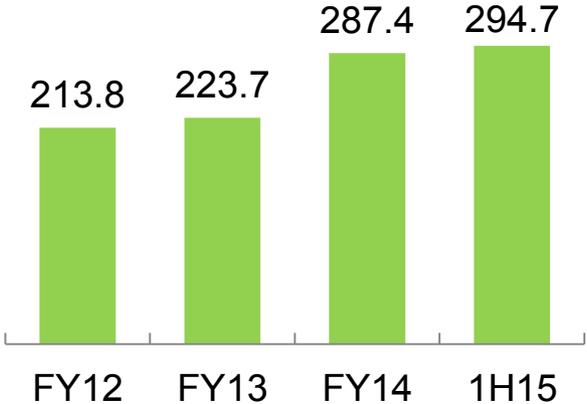
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC(%)



# Impact from adopting IFRS 2013

| Time       | IFRS 2010       |                       |            | IFRS 2013       |                       |            | Difference      |                       |            |
|------------|-----------------|-----------------------|------------|-----------------|-----------------------|------------|-----------------|-----------------------|------------|
|            | FY14            | 1H14                  |            | FY14            | 1H14                  |            | FY14            | 1H14                  |            |
| Item       | BV<br>(NT\$ BN) | Earnings<br>(NT\$ BN) | ROE<br>(%) | BV<br>(NT\$ BN) | Earnings<br>(NT\$ BN) | ROE<br>(%) | BV<br>(NT\$ BN) | Earnings<br>(NT\$ BN) | ROE<br>(%) |
| FHC        | 438.3           | 30.6                  | 15.49%     | 439.1           | 30.5                  | 15.38%     | 0.8             | -0.053                | -0.11%     |
| CUB        | 148.2           | 10.6                  | 15.63%     | 147.6           | 10.6                  | 15.70%     | -0.540          | 0.007                 | 0.07%      |
| Life       | 327.0           | 19.6                  | 13.50%     | 328.4           | 19.5                  | 13.34%     | 1.386           | -0.060                | -0.16%     |
| P&C        | 6.9             | 0.3                   | 10.29%     | 6.8             | 0.3                   | 10.43%     | -0.039          | 0.000                 | 0.14%      |
| SITE       | 2.2             | 0.2                   | 19.28%     | 2.2             | 0.2                   | 19.25%     | 0.005           | 0.000                 | -0.03%     |
| Securities | 6.2             | 0.2                   | 8.62%      | 6.2             | 0.2                   | 8.63%      | -0.004          | 0.000                 | 0.01%      |



Thank You

**Cathay Financial Holdings**

| (NT\$MN)  |           |           | FY14/<br>FY13<br>% Chg | 1H14      | 1H15      | 1H15/<br>1H14<br>% Chg | 2Q14     | 2Q15     | 2Q15/<br>2Q14<br>% Chg |
|---|-----------|-----------|------------------------|-----------|-----------|------------------------|----------|----------|------------------------|
| <b>Income Statement Data (Consolidated)</b>                 |           |           |                        |           |           |                        |          |          |                        |
| <b>Operating Income</b>                                     |           |           |                        |           |           |                        |          |          |                        |
| Net interest income   | 114,558   | 125,083   | 9%                     | 61,508    | 66,310    | 8%                     | 30,964   | 33,431   | 8%                     |
| Net commission and fee                                      | 791       | 369       | -53%                   | 2,010     | (1,299)   | -165%                  | 1,788    | (1,636)  | -192%                  |
| Net earned premium  | 441,427   | 488,327   | 11%                    | 198,117   | 247,114   | 25%                    | 103,475  | 134,724  | 30%                    |
| Change in liability reserve                                 | (293,570) | (290,800) | -1%                    | (107,058) | (159,253) | 49%                    | (46,782) | (88,887) | 90%                    |
| Net claims payment  | (228,125) | (285,869) | 25%                    | (136,280) | (133,480) | -2%                    | (79,743) | (68,744) | -14%                   |
| Investment income   | 56,350    | 75,849    | 35%                    | 38,745    | 43,534    | 12%                    | 24,239   | 30,984   | 28%                    |
| Contribution from associates-equity method                  | 157       | 168       | 7%                     | 67        | 284       | 322%                   | 38       | 233      | 521%                   |
| Other net non-interest income                               | 6,972     | 3,449     | -51%                   | 2,944     | 14,445    | 391%                   | 650      | 3,760    | 478%                   |
| Bad debt expense  | (1,484)   | (2,982)   | 101%                   | (443)     | (167)     | -62%                   | (450)    | (55)     | -88%                   |
| Operating expense   | (54,277)  | (57,350)  | 6%                     | (26,330)  | (28,412)  | 8%                     | (13,523) | (14,638) | 8%                     |
| <b>Income before taxes</b>                                  | 42,799    | 56,243    | 31%                    | 33,282    | 49,078    | 47%                    | 20,654   | 29,172   | 41%                    |
| Income taxes  | (4,779)   | (6,458)   | 35%                    | (2,733)   | (7,844)   | 187%                   | (2,432)  | (6,047)  | 149%                   |
| <b>Net income</b>   | 38,020    | 49,785    | 31%                    | 30,549    | 41,234    | 35%                    | 18,222   | 23,125   | 27%                    |
| EPS (NT\$)  | 3.12      | 3.94      |                        | 2.42      | 3.26      |                        | 1.44     | 1.83     |                        |
| <b>Dividend Payout</b>                                      |           |           |                        |           |           |                        |          |          |                        |
| Cash dividend per share                                     | 1.50      | 2.00      |                        |           |           |                        |          |          |                        |
| Stock dividend per share                                    | 0.50      | 0.00      |                        |           |           |                        |          |          |                        |
| Weighted average outstanding shares<br>(Millions of shares) | 12,124    | 12,563    |                        | 12,563    | 12,563    |                        |          |          |                        |
| <b>Balance Sheet Data</b>                                   |           |           |                        |           |           |                        |          |          |                        |
| Total assets  | 6,177,273 | 6,944,837 |                        | 6,502,704 | 7,122,539 |                        |          |          |                        |
| Total shareholders' equity                                  | 379,510   | 439,120   |                        | 412,797   | 433,101   |                        |          |          |                        |
| <b>Operating Metrics</b>                                    |           |           |                        |           |           |                        |          |          |                        |
| ROAE (Consolidated)   | 10.82%    | 12.10%    |                        | 15.38%    | 18.91%    |                        |          |          |                        |
| ROAA (Consolidated)   | 0.65%     | 0.76%     |                        | 0.96%     | 1.17%     |                        |          |          |                        |
| Double leverage ratio(inc. preferred stock)                 | 111%      | 113%      |                        | 113%      | 115%      |                        |          |          |                        |
| <b>Capital Adequacy Metrics</b>                             |           |           |                        |           |           |                        |          |          |                        |
| Capital Adequacy Ratio                                      | 119%      | 144%      |                        | 120%      | 136%      |                        |          |          |                        |

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(3) Total may not sum due to rounding.

**Cathay Life**

| (NT\$MN)                             | FY14/         |               |            | 1H15/         |               |            | 2Q15/         |               |            |
|--------------------------------------|---------------|---------------|------------|---------------|---------------|------------|---------------|---------------|------------|
|                                      | FY13          | FY14          | FY13       | 1H14          | 1H15          | 1H14       | 2Q14          | 2Q15          | 2Q14       |
| Income Statement Data (Consolidated) |               |               | % Chg      |               |               | % Chg      |               |               | % Chg      |
| Net written premium                  | 426,804       | 472,630       | 11%        | 190,534       | 239,409       | 26%        | 99,484        | 130,370       | 31%        |
| Net earned premium                   | 418,262       | 471,849       | 13%        | 190,433       | 239,406       | 26%        | 99,063        | 129,963       | 31%        |
| Reinsurance commission earned        | 11,610        | 4,740         | -59%       | 3,555         | 282           | -92%       | 1,880         | 276           | -85%       |
| Fee income                           | 3,090         | 5,943         | 92%        | 2,990         | 3,108         | 4%         | 1,917         | 1,460         | -24%       |
| Recurring investment income          | 113,932       | 124,152       | 9%         | 57,213        | 62,672        | 10%        | 29,056        | 33,159        | 14%        |
| Gain on disposal of investment       |               |               |            |               |               |            |               |               |            |
| Realized gain (loss)-Equity          | 16,586        | 23,357        | 41%        | 13,456        | 34,690        | 158%       | 4,620         | 16,129        | 249%       |
| Realized gain (loss)-Debt            | 14,604        | 12,828        | -12%       | 4,811         | 10,530        | 119%       | 1,465         | 2,901         | 98%        |
| Investment property appraisal gains  | 13,045        | 16,579        | 27%        | 16,376        | 11,311        | -31%       | 16,376        | 11,327        | -31%       |
| FX and others, net                   | (4,197)       | (7,166)       | 71%        | (6,345)       | (11,684)      | 84%        | (4,444)       | (3,618)       | -19%       |
| Investment income, net               | 153,970       | 169,750       | 10%        | 85,512        | 107,519       | 26%        | 47,073        | 59,899        | 27%        |
| Other operating income               | 1,275         | 9             | -99%       | 3             | 6             | 72%        | 3             | 1             | -72%       |
| Separate account revenues            | 90,719        | 115,040       | 27%        | 96,407        | 6,157         | -94%       | 41,461        | 242           | -99%       |
| Net claims payment                   | (210,029)     | (275,195)     | 31%        | (131,889)     | (129,007)     | -2%        | (76,969)      | (65,607)      | -15%       |
| Changes in liability reserves        | (292,978)     | (290,109)     | -1%        | (106,317)     | (158,815)     | 49%        | (46,385)      | (88,788)      | 91%        |
| Acquisition and commission expense   | (34,188)      | (32,405)      | -5%        | (15,185)      | (16,117)      | 6%         | (7,463)       | (8,923)       | 20%        |
| Other operating costs                | (5,570)       | (4,544)       | -18%       | (1,998)       | (2,459)       | 23%        | (939)         | (1,347)       | 43%        |
| Financial cost                       | 303           | (106)         | -135%      | (148)         | (438)         | 196%       | (199)         | (161)         | -19%       |
| Separate account expense             | (90,719)      | (115,040)     | 27%        | (96,407)      | (6,157)       | -94%       | (41,461)      | (242)         | -99%       |
| Operating expense                    | (15,677)      | (16,724)      | 7%         | (7,239)       | (8,763)       | 21%        | (3,812)       | (4,790)       | 26%        |
| Net non-operating income             | 1,156         | 1,482         | 28%        | 897           | 673           | -25%       | 331           | 347           | 5%         |
| Income taxes                         | (3,657)       | (2,834)       | -22%       | (1,098)       | (6,014)       | 448%       | (1,512)       | (5,450)       | 260%       |
| <b>Net income</b>                    | <b>27,569</b> | <b>31,854</b> | <b>16%</b> | <b>19,515</b> | <b>29,380</b> | <b>51%</b> | <b>12,988</b> | <b>16,879</b> | <b>30%</b> |

**Balance Sheet Data**

|   |           |           |  |           |           |
|---|-----------|-----------|--|-----------|-----------|
| Total assets                            | 4,195,229 | 4,704,976 |  | 4,400,355 | 4,813,402 |
| General account                         | 3,818,977 | 4,242,710 |  | 3,959,760 | 4,347,890 |
| Separate account                        | 376,253   | 462,267   |  | 440,595   | 465,512   |
| Reserves for life insurance liabilities | 3,448,659 | 3,770,679 |  | 3,552,885 | 3,909,142 |
| Total liabilities                       | 3,923,923 | 4,376,595 |  | 4,089,001 | 4,484,962 |
| Total shareholders' equity              | 271,306   | 328,382   |  | 311,354   | 328,440   |

**Operating Metrics**

|                                     |         |         |  |         |         |
|-------------------------------------|---------|---------|--|---------|---------|
| First Year Premium(FYP)             | 200,419 | 233,379 |  | 124,900 | 108,717 |
| First Year Premium Equivalent(FYPE) | 73,461  | 71,138  |  | 33,790  | 48,842  |
| Expense ratio                       | 11.5%   | 9.9%    |  | 11.0%   | 10.1%   |
| 13-M persistency ratio              | 98.2%   | 97.9%   |  | 98.2%   | 97.6%   |
| 25-M persistency ratio              | 94.7%   | 94.9%   |  | 94.6%   | 95.4%   |
| ROAE                                | 10.92%  | 10.54%  |  | 13.34%  | 17.89%  |
| ROAA                                | 0.69%   | 0.71%   |  | 0.91%   | 1.23%   |

**Capital Adequacy Metrics**

|                        |      |      |  |      |      |
|------------------------|------|------|--|------|------|
| RBC ratio (Standalone) | 224% | 287% |  | 237% | 295% |
|------------------------|------|------|--|------|------|

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2014 total assets, liabilities, and shareholders' equity have also been adjusted accordingly.

(3) Total may not sum due to rounding.

**Cathay United Bank**

| (NT\$MN)                             |               |               | FY14/<br>FY13 |               |               | 1H15/<br>1H14 |               | 2Q15/<br>2Q14 |            |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------|
| Income Statement Data (Consolidated) | FY13          | FY14          | % Chg         | 1H14          | 1H15          | % Chg         | 2Q14          | 2Q15          | % Chg      |
| <b>Operating Income</b>              |               |               |               |               |               |               |               |               |            |
| Net interest income                  | 21,915        | 25,779        | 18%           | 12,578        | 13,375        | 6%            | 6,374         | 6,729         | 6%         |
| Fee income                           | 9,204         | 11,806        | 28%           | 5,196         | 7,432         | 43%           | 2,563         | 3,863         | 51%        |
| Investment income                    | 5,650         | 7,384         | 31%           | 4,421         | 2,875         | -35%          | 2,361         | 1,399         | -41%       |
| other income                         | 956           | 1,064         | 11%           | 609           | 776           | 27%           | 213           | 278           | 30%        |
| <b>Net operating income</b>          | <b>37,725</b> | <b>46,033</b> | <b>22%</b>    | <b>22,805</b> | <b>24,458</b> | <b>7%</b>     | <b>11,511</b> | <b>12,268</b> | <b>7%</b>  |
| Operating expenses                   | (20,216)      | (22,822)      | 13%           | (10,438)      | (11,625)      | 11%           | (5,240)       | (6,024)       | 15%        |
| <b>Pre-provision profit</b>          | <b>17,509</b> | <b>23,211</b> | <b>33%</b>    | <b>12,367</b> | <b>12,834</b> | <b>4%</b>     | <b>6,271</b>  | <b>6,244</b>  | <b>0%</b>  |
| Net provisions for possible losses   | (542)         | (2,471)       | 356%          | (128)         | (66)          | -48%          | (263)         | 120           | -146%      |
| <b>Income before taxes</b>           | <b>16,967</b> | <b>20,741</b> | <b>22%</b>    | <b>12,239</b> | <b>12,768</b> | <b>4%</b>     | <b>6,008</b>  | <b>6,364</b>  | <b>6%</b>  |
| Income tax                           | (2,188)       | (2,892)       | 32%           | (1,604)       | (1,484)       | -7%           | (828)         | (613)         | -26%       |
| <b>Net income</b>                    | <b>14,780</b> | <b>17,848</b> | <b>21%</b>    | <b>10,635</b> | <b>11,284</b> | <b>6%</b>     | <b>5,180</b>  | <b>5,752</b>  | <b>11%</b> |
| <b>Balance Sheet Data</b>            |               |               |               |               |               |               |               |               |            |
| Total assets                         | 1,988,774     | 2,243,958     |               | 2,089,835     | 2,304,831     |               |               |               |            |
| Loans, net                           | 1,031,105     | 1,119,281     |               | 1,109,998     | 1,121,224     |               |               |               |            |
| Financial assets                     | 638,727       | 649,497       |               | 592,774       | 746,694       |               |               |               |            |
| Total liability                      | 1,855,610     | 2,096,340     |               | 1,951,528     | 2,156,709     |               |               |               |            |
| Deposits                             | 1,615,860     | 1,739,023     |               | 1,650,317     | 1,782,017     |               |               |               |            |
| Financial Debenture Payable          | 52,417        | 67,614        |               | 67,215        | 67,195        |               |               |               |            |
| Total shareholders' equity           | 133,164       | 147,617       |               | 138,307       | 148,122       |               |               |               |            |
| <b>Operating Metrics</b>             |               |               |               |               |               |               |               |               |            |
| Cost income ratio                    | 53.59%        | 49.58%        |               | 45.77%        | 47.53%        |               |               |               |            |
| ROAE                                 | 12.33%        | 12.71%        |               | 15.70%        | 15.26%        |               |               |               |            |
| ROAA                                 | 0.78%         | 0.84%         |               | 1.04%         | 0.99%         |               |               |               |            |
| <b>Assets Quality</b>                |               |               |               |               |               |               |               |               |            |
| NPL                                  | 3,013         | 3,277         |               | 2,039         | 1,794         |               |               |               |            |
| NPL ratio                            | 0.29%         | 0.29%         |               | 0.18%         | 0.16%         |               |               |               |            |
| NPL provisions                       | 14,494        | 15,782        |               | 14,874        | 16,166        |               |               |               |            |
| Coverage ratio                       | 478%          | 539%          |               | 730%          | 901%          |               |               |               |            |
| <b>Capital Adequacy Metrics</b>      |               |               |               |               |               |               |               |               |            |
| BIS ratio (Standalone)               | 13.5%         | 16.2%         |               | 13.9%         | 15.9%         |               |               |               |            |
| Tier I Ratio (Standalone)            | 10.1%         | 11.5%         |               | 9.8%          | 11.6%         |               |               |               |            |

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**Cathay Century**

| (NT\$MM)                                    | FY14/   |         |               | 1H15/   |         |               | 2Q15/   |         |               |
|---|---------|---------|---------------|---------|---------|---------------|---------|---------|---------------|
|   | FY13    | FY14    | FY13<br>% Chg | 1H14    | 1H15    | 1H14<br>% Chg | 2Q14    | 2Q15    | 2Q14<br>% Chg |
| <b>Income Statement Data (Consolidated)</b> |         |         |               |         |         |               |         |         |               |
| Premium income                              | 19,727  | 21,279  | 8%            | 10,345  | 10,413  | 1%            | 5,618   | 5,809   | 3%            |
| Net written premium                         | 15,280  | 16,080  | 5%            | 7,752   | 7,937   | 2%            | 4,129   | 4,435   | 7%            |
| Net earned premium                          | 14,156  | 15,626  | 10%           | 7,637   | 8,027   | 5%            | 3,909   | 4,143   | 6%            |
| Reinsurance commission earned               | 470     | 683     | 45%           | 348     | 261     | -25%          | 185     | 146     | -21%          |
| Fee income                                  | 36      | 45      | 27%           | 21      | 23      | 9%            | 12      | 19      | 59%           |
| Investment                                  | 715     | 918     | 28%           | 377     | 517     | 37%           | 229     | 264     | 15%           |
| Interest income                             | 444     | 569     | 28%           | 276     | 268     | -3%           | 141     | 131     | -7%           |
| Other investment income, net                | 271     | 348     | 29%           | 101     | 249     | 146%          | 88      | 133     | 52%           |
| Other operating income                      | 0       | 0       | -             | 4       | 5       | 0%            | 1       | (3)     | 0%            |
| Net claims payment                          | (7,835) | (8,747) | 12%           | (3,911) | (4,189) | 7%            | (1,997) | (2,239) | 12%           |
| Changes in liability reserves               | (592)   | (691)   | 17%           | (740)   | (438)   | -41%          | (396)   | (99)    | -75%          |
| Commissions and other operating costs       | (1,083) | (1,210) | 12%           | (569)   | (642)   | 13%           | (299)   | (362)   | 22%           |
| Operating expenses                          | (5,328) | (5,824) | 9%            | (2,851) | (2,948) | 3%            | (1,544) | (1,558) | 1%            |
| <b>Operating income</b>                     | 538     | 800     | 49%           | 316     | 616     | 95%           | 99      | 311     | 215%          |
| Net non-operating income                    | 9       | 29      | 238%          | 32      | (7)     | -123%         | 10      | (2)     | -124%         |
| Income taxes                                | (218)   | (174)   | -20%          | (45)    | (132)   | 194%          | (15)    | (74)    | 395%          |
| <b>Net income</b>                           | 329     | 656     | 99%           | 303     | 477     | 57%           | 94      | 235     | 149%          |
| <b>Balance Sheet Data</b>                   |         |         |               |         |         |               |         |         |               |
| Total assets                                | 31,709  | 35,863  |               | 34,503  | 36,091  |               |         |         |               |
| Total shareholders' equity                  | 5,511   | 6,829   |               | 6,175   | 7,265   |               |         |         |               |
| <b>Operating Metrics</b>                    |         |         |               |         |         |               |         |         |               |
| Gross Combined ratio                        | 80.0%   | 90.7%   |               | 95.8%   | 85.2%   |               |         |         |               |
| Net Combined ratio                          | 92.6%   | 99.3%   |               | 106.4%  | 94.7%   |               |         |         |               |
| ROAE  | 6.37%   | 10.71%  |               | 10.43%  | 13.52%  |               |         |         |               |
| ROAA  | 1.08%   | 1.94%   |               | 1.83%   | 2.65%   |               |         |         |               |
| <b>Capital Adequacy Metrics</b>             |         |         |               |         |         |               |         |         |               |
| RBC ratio (Standalone)                      | 312%    | 324%    |               | 277%    | 354%    |               |         |         |               |

**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) All data and information are based on IFRS.

(3) Starting from 2015/1/1, Cathay Century adopted IFRS 2013 version and has adjusted 1H14 financial data to pro-forma basis.

2014 total assets, liabilities, and shareholders' equity have also been adjusted accordingly.

(4) Total may not sum due to rounding.