

# 2016 First Half Briefing

September 2016



國泰金控

Cathay  
Financial Holdings

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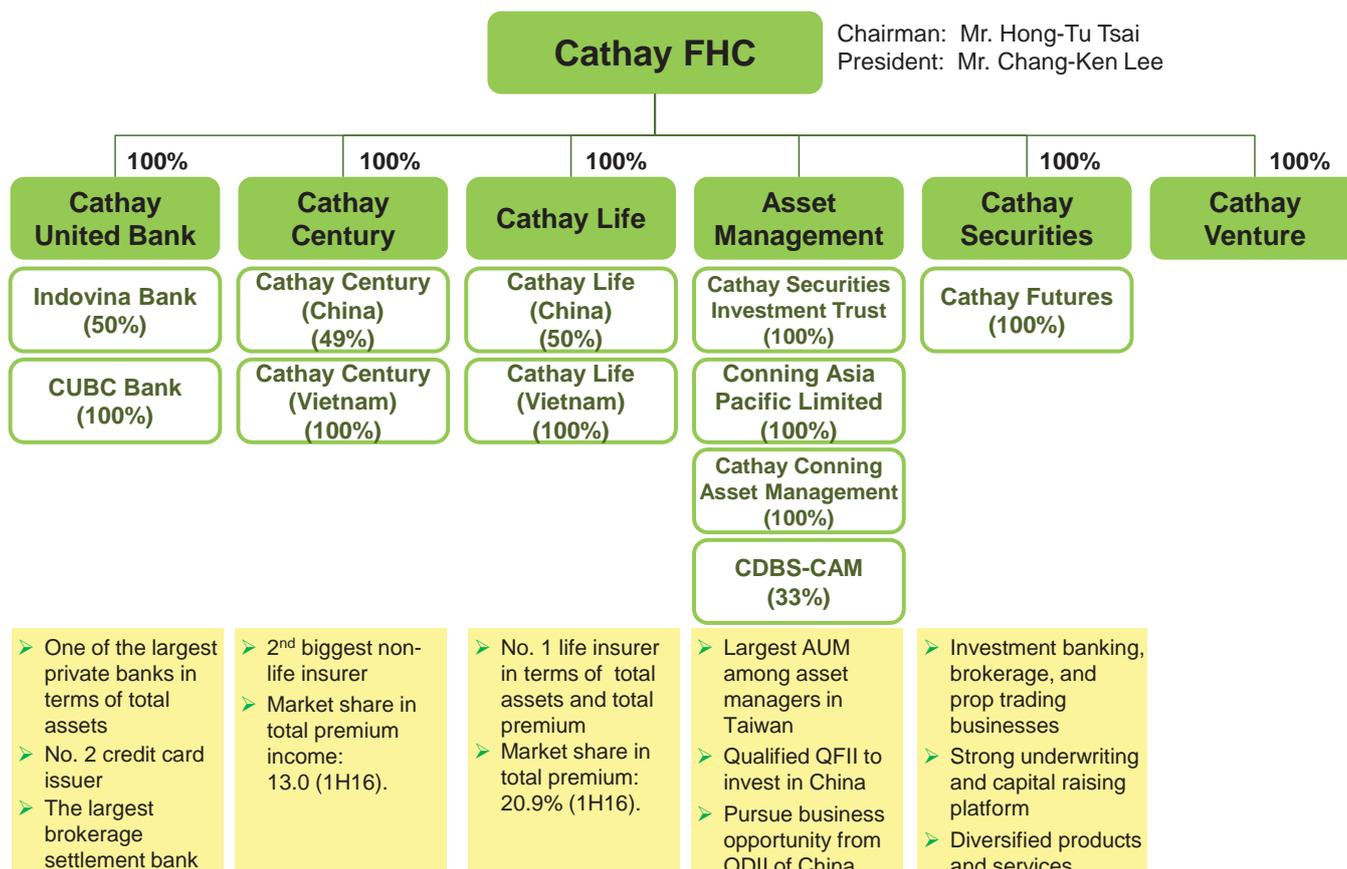
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# Agenda

- **Introduction of Cathay FHC**
- **1H16 Business Overview**
- **Overseas Expansion**
- **Business Performance Summary**
  - Cathay United Bank
  - Cathay Life
  - Cathay Century
- **Cathay's CSR Efforts**
- **M&A Key Highlights**
- **Appendix**

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## Cathay FHC: largest FHC, comprehensive products

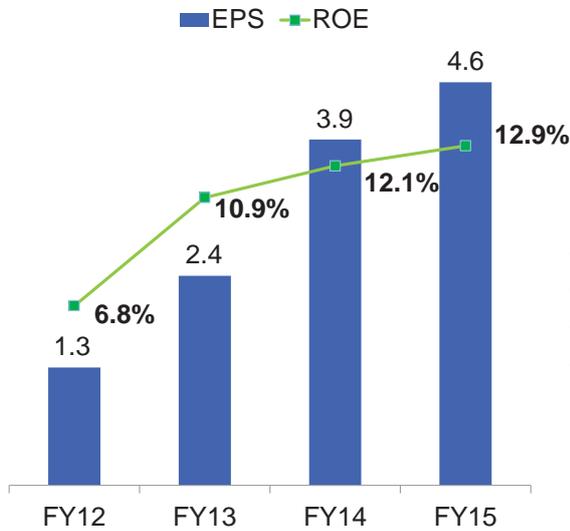


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# Cathay's earnings accelerates as life turnarounds

## EPS & ROE

(NT\$)



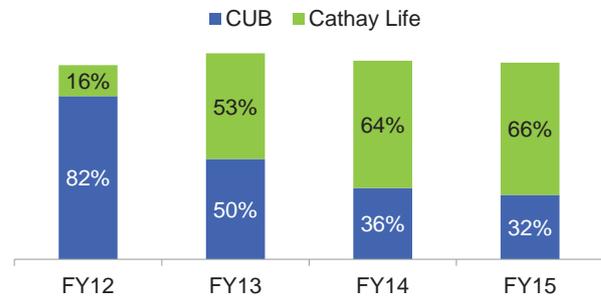
## Profit contribution

(NT\$ BN)

■ CUB ■ Cathay Life



	FY12	FY13	FY14	FY15
<b>FHC</b>	<b>16.2</b>	<b>29.0</b>	<b>49.6</b>	<b>57.9</b>
<b>Life</b>	<b>2.5</b>	<b>15.4</b>	<b>31.7</b>	<b>38.4</b>
<b>CUB</b>	<b>13.3</b>	<b>14.6</b>	<b>17.8</b>	<b>18.8</b>



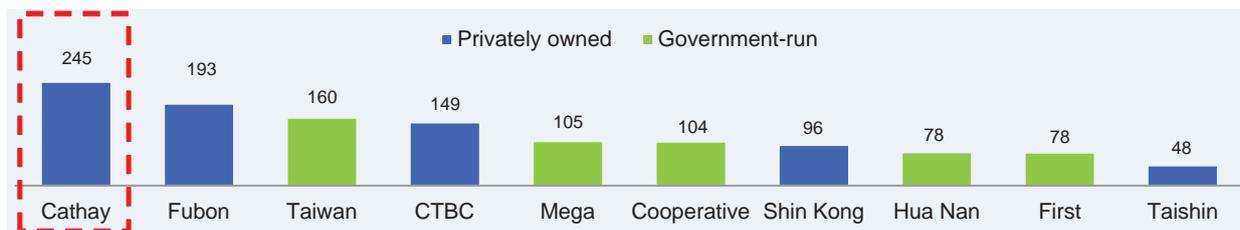
- Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.  
 (2) Since Cathay FHC has more subsidiaries other than Cathay Life and CUB, besides, due to affiliate transactions, the Cathay FHC net income might not equal to the sum of Cathay Life and CUB's.  
 (3) EPS has been adjusted for stock dividend (stock split).

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# Market leader in Taiwan's FIG sector

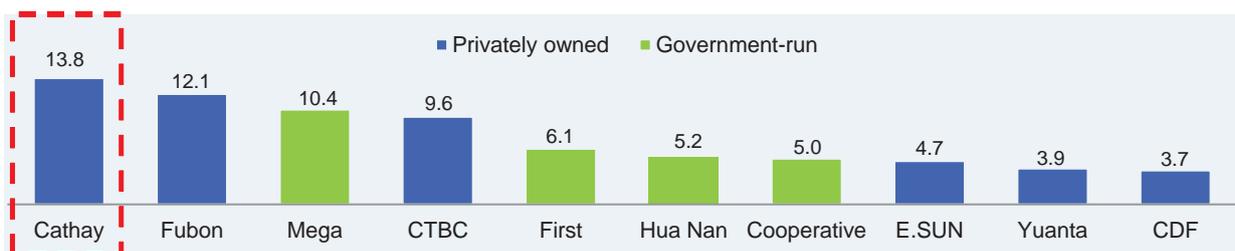
□ Largest listed financials group by market capitalization and assets.

## Ranking of total asset (US\$bn)



Note: Total assets as of June 30, 2016

## Ranking of market cap (US\$bn)

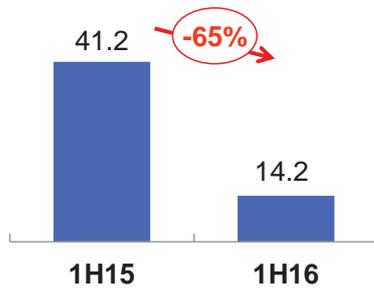


Note: Market capitalization as of Aug.31, 2016

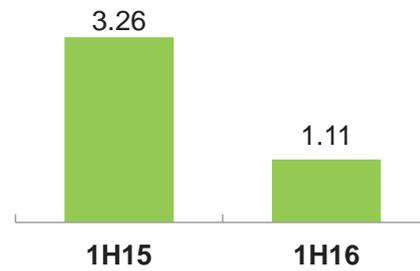
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# Cathay FHC – Net income & EPS

## Net income (NT\$BN)



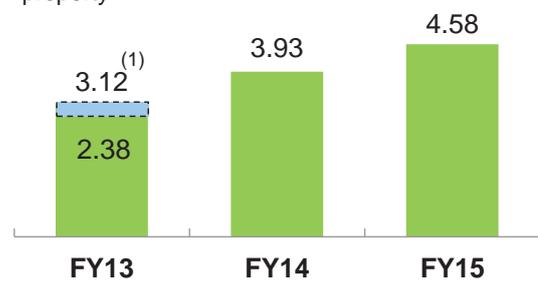
## Adjusted EPS (NT\$)



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



■ Impact to EPS from fair value method on investment property

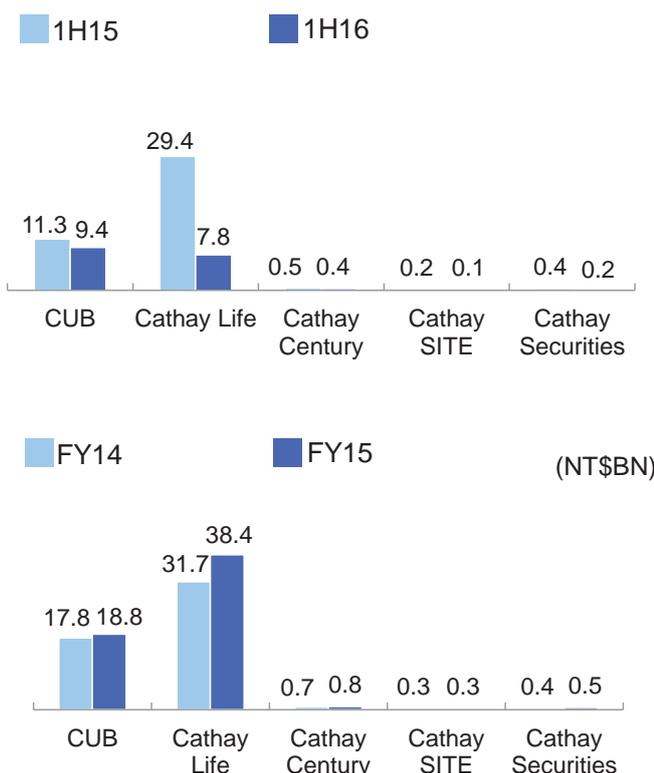


Note: (1) FY13 figures reflected the impact from applying fair value method on investment property, starting 2014/1/1. The impact to FY13 net income and EPS of Cathay FHC was NT\$9.0BN and NT\$0.74, respectively.  
 (2) EPS has been adjusted for stock dividend (stock split).

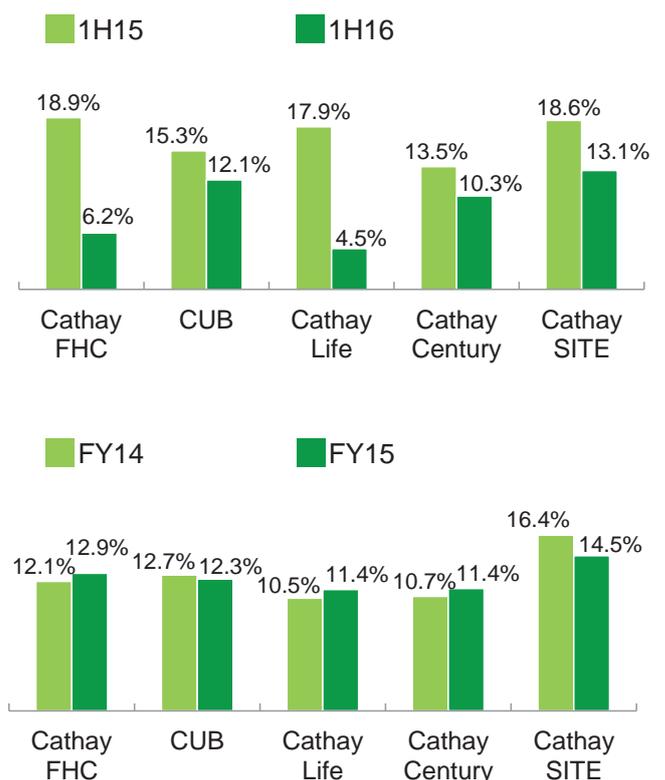
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# Cathay FHC – Financial results of subsidiaries

## Net income of primary subsidiaries



## ROE



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## 1H16 Business overview

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### Cathay United Bank

- Delivered 13% loan growth with benign credit quality
- Fee income grew by 9% YoY, wealth management fee grew by 19%
- Continued to expand overseas business; planned to open Shenzhen branch in 2H16

### Cathay Life

- Continued value-driven strategy; FYPE grew by 53% YoY, VNB grew by 38% YoY
- Allocated 59% investment overseas; pre-hedging recurring yield continued to improve
- Maintained solid capital adequacy, RBC ratio reached 288%

### Cathay Century

- Premium income grew by 16% YoY
- Market share reached 13%, maintained No.2 market position
- Offshore business continued to grow

### Cathay SITE

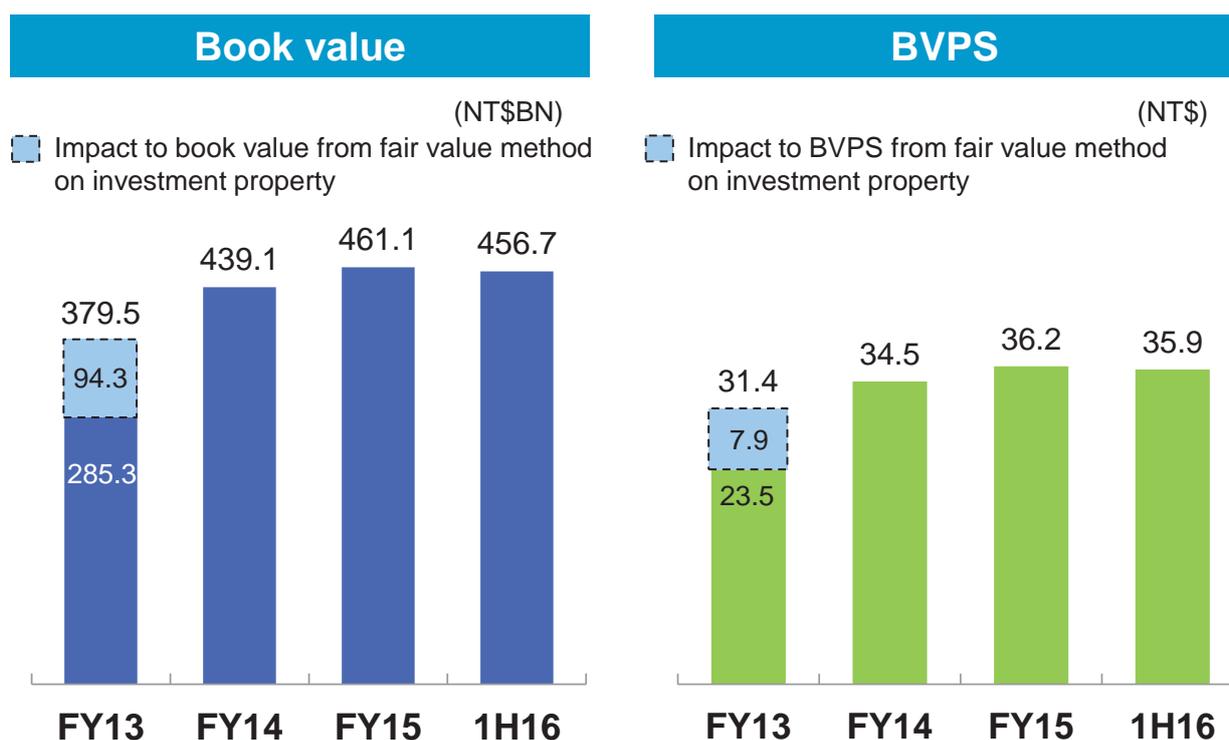
- Ranked No.1 in terms of AUM, which amounted to NT\$442BN
- Received "Market Award - Taiwan" by Asia Investors in 2015 and "Taiwan Fund Award" by Taiwan Futures Exchange, Lipper and Smart in 2016

### Cathay Securities

- Each business line grow steadily; sub-brokerage business ranked No.1 in the industry
- Deepened digital technology applications and broaden clients base

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# Cathay FHC – Book value & BVPS



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

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# Cathay FHC in South East Asia

	China	Vietnam	Cambodia	Hong Kong	Singapore	Malaysia	Laos	Philippines	Thailand	Myanmar	Indonesia
Bank	6*	37	16	1	1	1	1	1	1	1	1
Life	33	12									
P&C	26	2									
Asset Mgt	1			1							
Securities	1			1							

Note: Footprints in Thailand, Myanmar and Indonesia are representative offices. CUB obtained the approval to set up Shenzhen branch.



## ■ Banking

- Vietnam: Business performed steadily with solid financial performance and superior asset quality
- Cambodia: Owns most footprints among Taiwanese banks
- Philippines: Invest 22.7% stake in RCBC\*
- Indonesia: Invest 24.9% stake in Bank Mayapada\*

## ■ Cathay Life

- Cathay Life (Vietnam) has performed steadily
- Continued to expand agent force
- Increase footprints to extend offshore business

## ■ Cathay Century

- Continue to expand local channels to enhance growth momentum

Note: Investments in RCBC and Bank Mayapada are funded by Cathay Life.

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# Cathay FHC in China



- Cathay Life (China)
- Cathay United Bank
- ▲ Cathay Century (China)
- ◆ Cathay Securities
- ◆ Conning Asia Pacific Limited
- ◆ CDBS Cathay Asset Management Company

## ■ Cathay United Bank

- Each business line has performed steadily in Shanghai branch
- Planned to open Shenzhen branch in 2H16

## - Cathay Life (China)

- 1H16 solvency ratio 275%
- Reported pre-tax profits of 58MN RMB in 1H16

## ■ Cathay Century (China)

- Strong premium income growth of 14% YoY
- Obtained approval for the capital injection from Ant Financial

## ■ Cathay Securities (HK)

- Each business line has performed steadily

## ■ JV with China Development Bank Securities (CDBS Cathay Asset Management)

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

## ■ Conning Asia Pacific Limited

- Continued to expand asset management business

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## Cathay United Bank

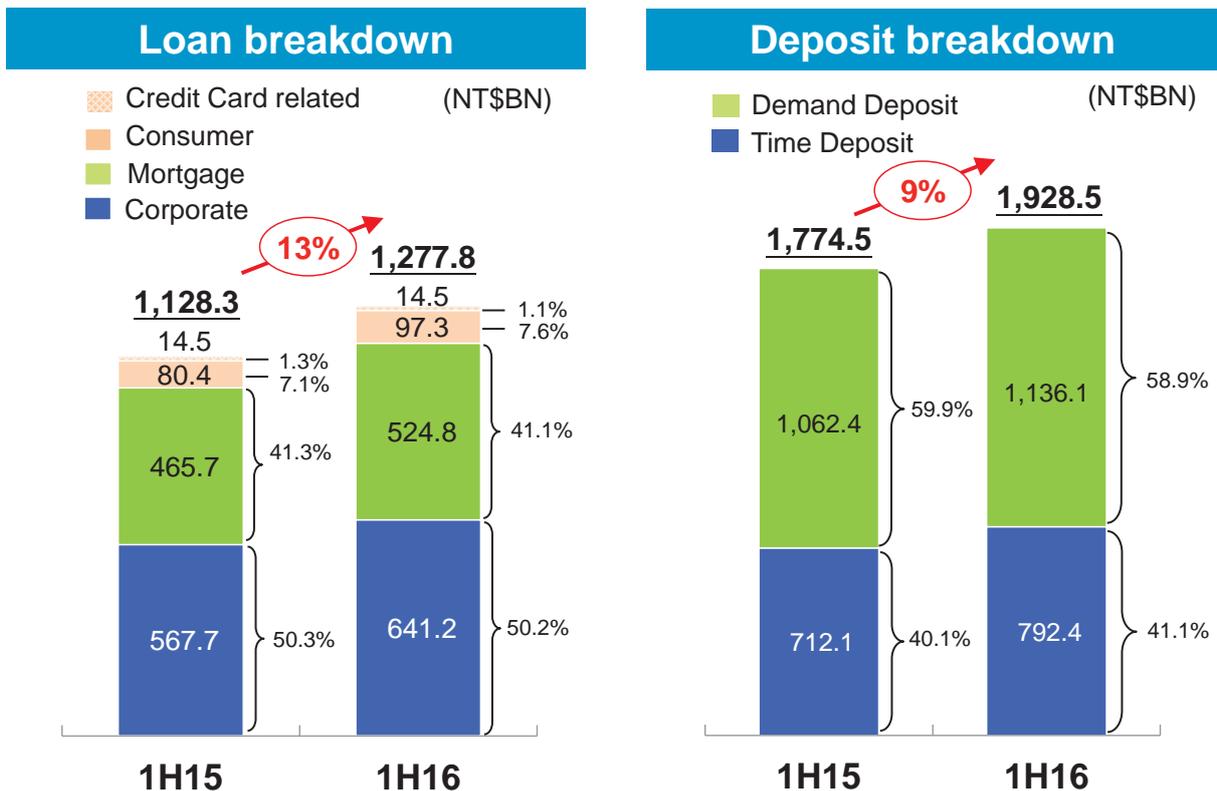
Cathay Life

Cathay Century

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## Cathay United Bank – Loan & deposit breakdown

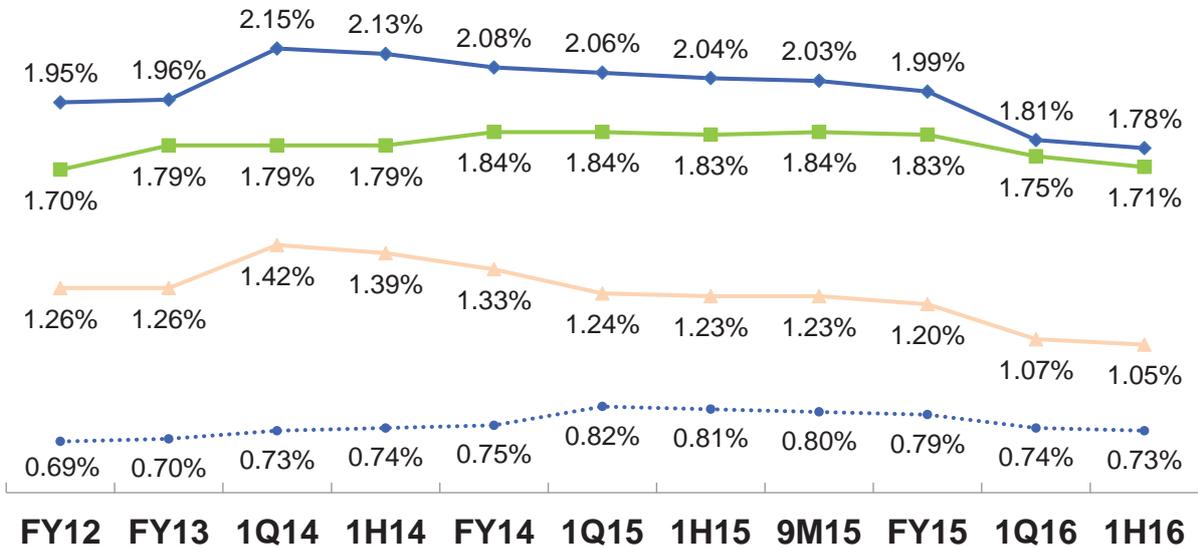


Note: Totals may not sum due to rounding.

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# Cathay United Bank – Interest yields

— Avg. rate of interest-earning assets — Interest spread — Net interest margin — Funding cost



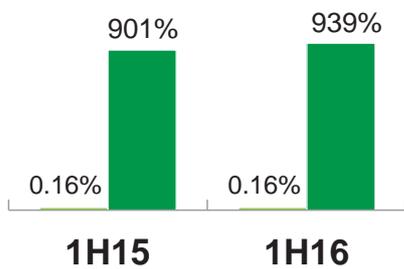
Note: Credit card related loans are included in the calculation of interest spread.

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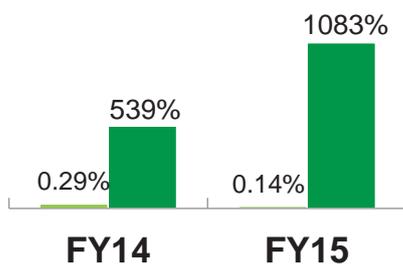
# Cathay United Bank – Credit quality

## NPL & Coverage ratio

■ NPL ratio  
■ Coverage ratio



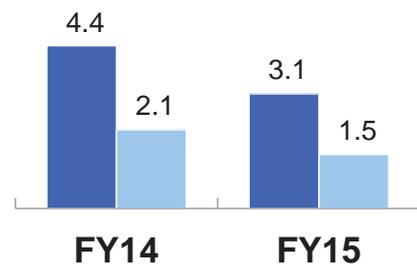
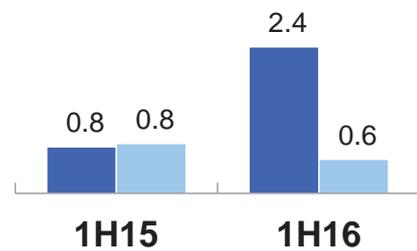
Mortgage NPL 0.07% 0.06%



Mortgage NPL 0.04% 0.04%

## Gross provision

■ Gross provision (NT\$BN)  
■ Recovery

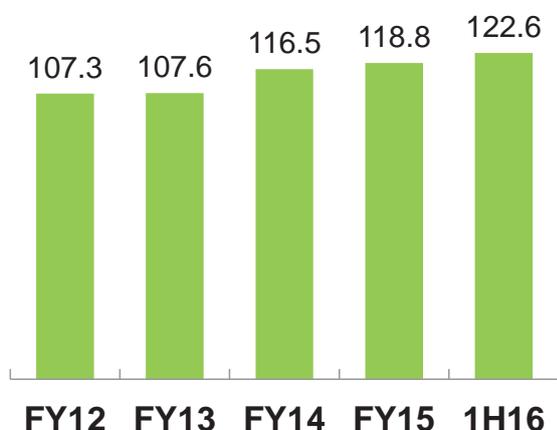


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# Cathay United Bank – SME & FX loans

## SME loans

(NT\$BN)

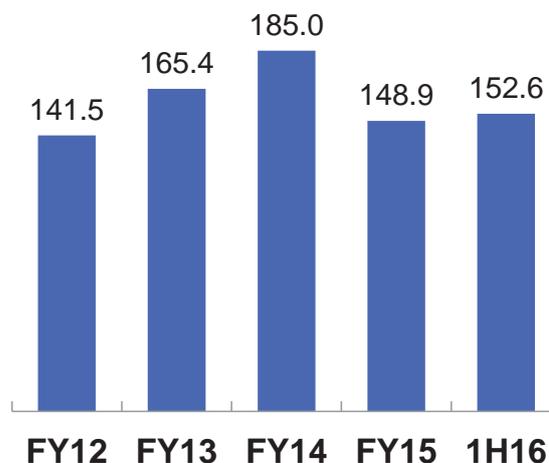


As % of total loans

11.5% 10.5% 10.5% 10.6% 9.7%

## Foreign currency loans

(NT\$BN)



15.1% 16.1% 16.6% 13.3% 12.1%

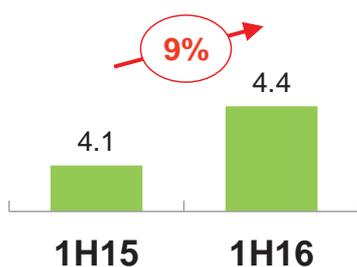
Note: Total loans exclude credit card revolving balance.

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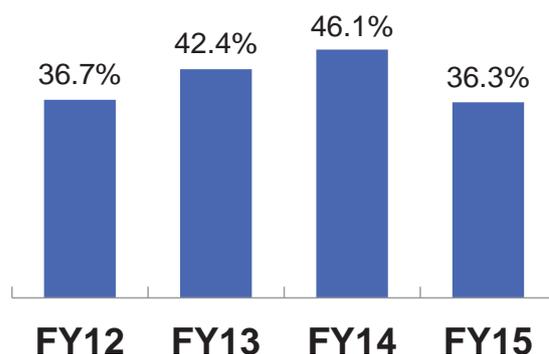
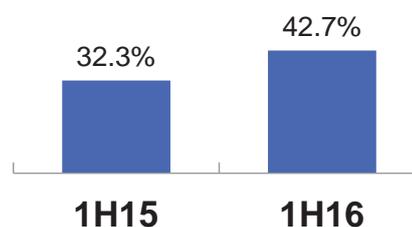
# Cathay United Bank – Offshore earnings

## Offshore earnings

(NT\$BN)



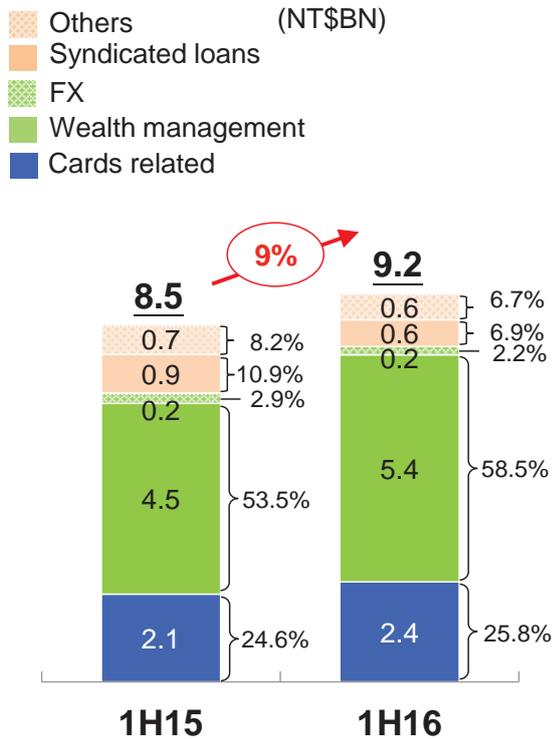
## As % of CUB pre-tax profits



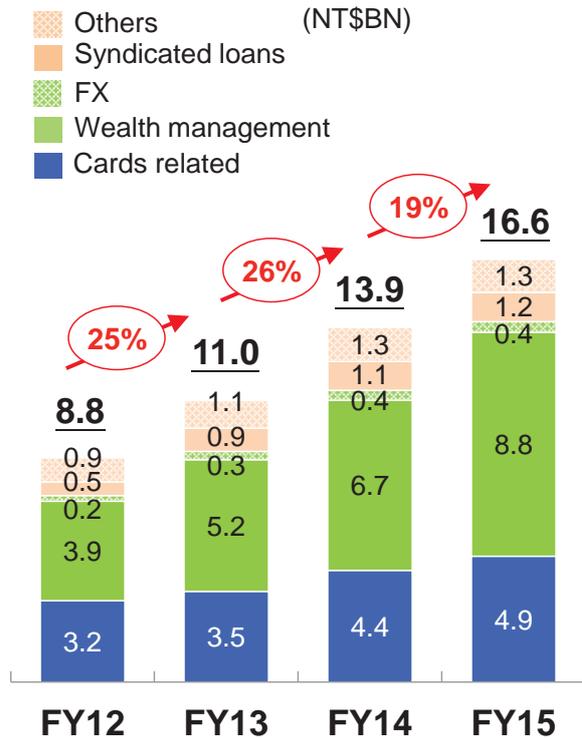
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# Cathay United Bank – Fee income

## Fee income breakdown (quarterly)



## Fee income breakdown (annual)



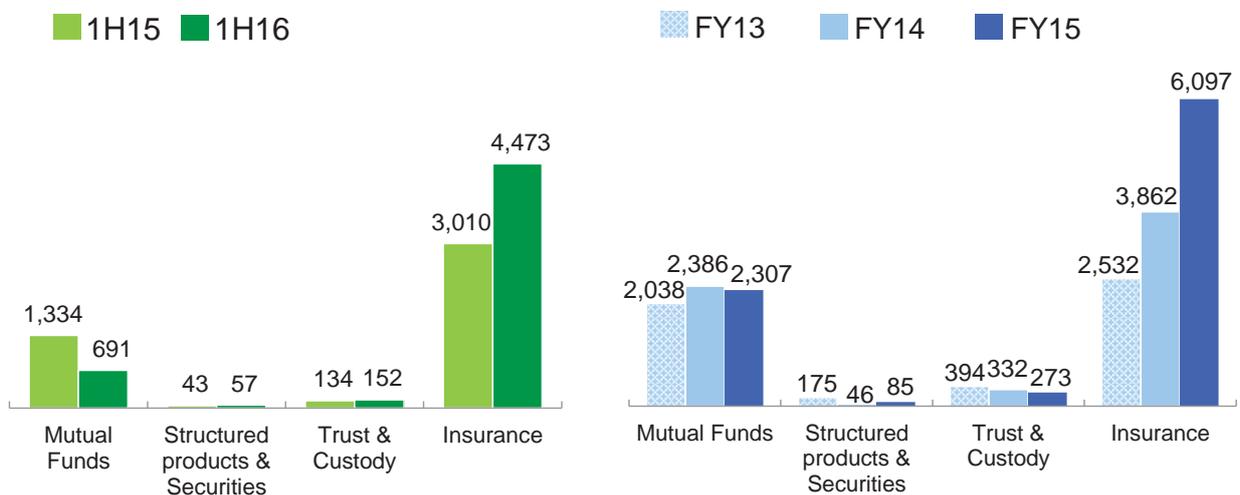
Note: Totals may not sum due to rounding.

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# Cathay United Bank – Wealth management fee

## Wealth management fee breakdown

(NT\$MN)	1H15	1H16	FY13	FY14	FY15
Wealth Management Fee Income*	4,528	5,388	5,163	6,673	8,779
YoY growth (%)	60.3%	19.0%	32.6%	29.2%	31.6%



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

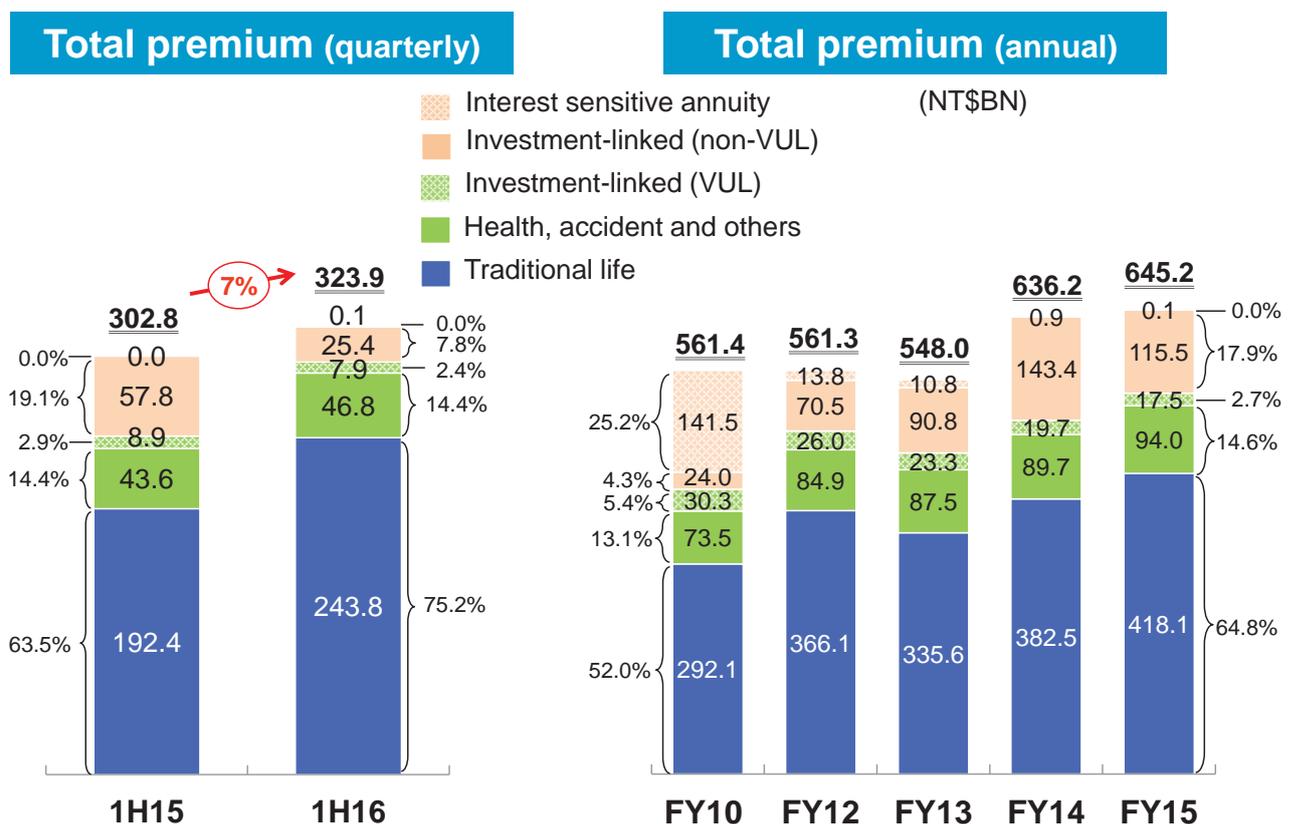
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## Cathay Life – Total premium



Note: Totals may not sum due to rounding.

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# Cathay Life – FYP & FYPE

## First Year Premium

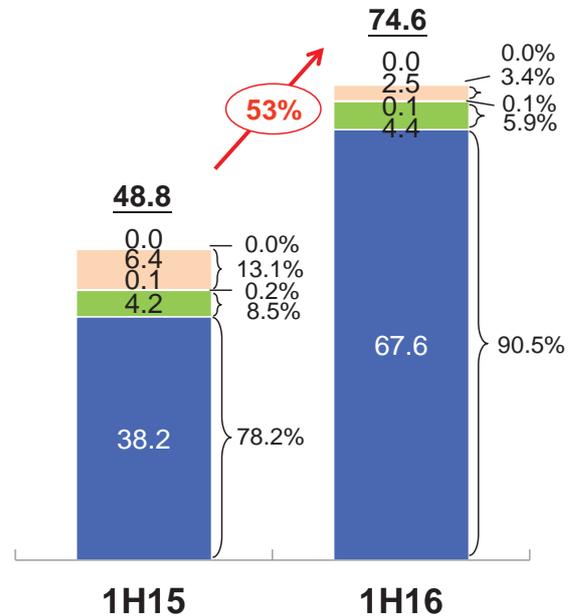
- Interest sensitive annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life – single paid
- Traditional life – regular paid



Note: Totals may not sum due to rounding.

## Annualized First Year Premium

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



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# Cathay Life – Regular paid policies remain as focus

## Breakdown of Traditional FYP

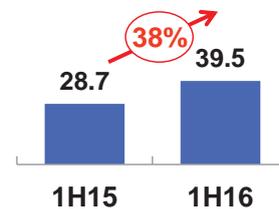
- Traditional life – single paid
- Traditional life - 2 year regular paid
- Traditional life - 3 year and above regular paid



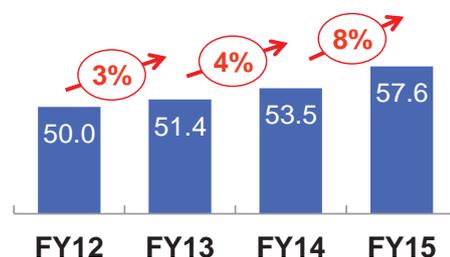
Note: Totals may not sum due to rounding.

## Value for New Business

Profit Margin	1H15	1H16
VNB/FYP	26%	39%
VNB/FYPE	59%	53%



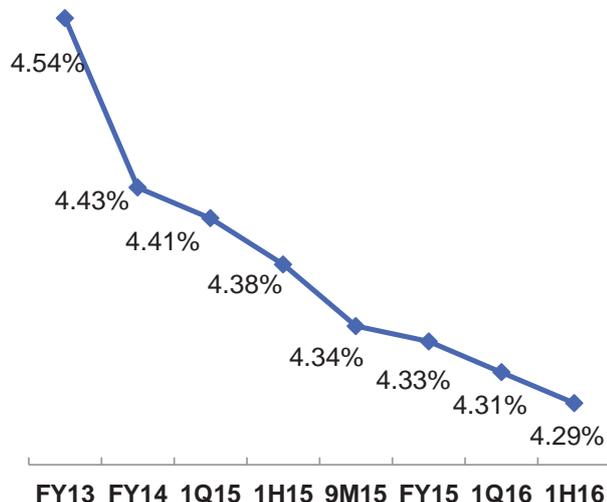
Profit Margin	FY12	FY13	FY14	FY15
VNB/FYP	19%	26%	23%	27%
VNB/FYPE	54%	70%	75%	57%



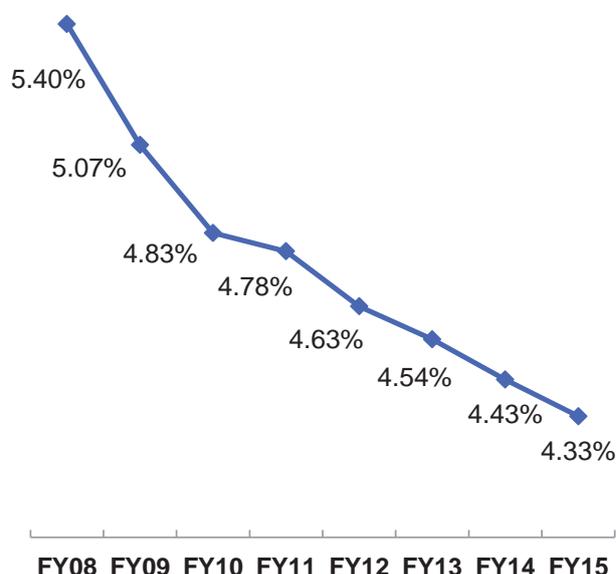
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# Cathay Life – Cost of liability

## Cost of liability (quarterly)



## Cost of Liability (annual)



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

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# Cathay Life – Investment portfolio

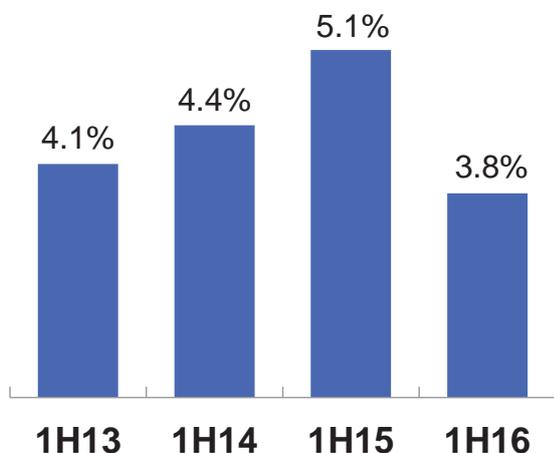
(NT\$BN)	4Q13	4Q14	4Q15		1H16		
<b>Total investments<sup>(1)</sup></b>	<b>3,785.1</b>	<b>4169.1</b>	<b>4,636.6</b>		<b>4,785.6</b>		
	<b>Weight</b>	<b>Weight</b>	<b>Weight</b>	<b>Amount</b>	<b>Weight</b>	<b>Amount</b>	<b>Yield</b>
Cash & Cash equivalents	3.7%	3.2%	1.3%	61.1	2.1%	101.8	0.5%
Equity- Domestic	8.9%	8.4%	7.4%	343.0	7.8%	373.2	3.6%
Equity- International <sup>(2)</sup>	4.9%	5.0%	6.2%	289.2	6.4%	304.4	5.4%
Bond- Domestic	14.4%	11.0%	8.0%	373.0	7.1%	341.5	2.4%
Bond- International <sup>(1)(2)</sup>	38.9%	43.6%	50.6%	2,344.8	51.3%	2,456.6	5.0%
Mortgage & Secured loans	12.2%	12.7%	10.2%	471.5	9.5%	456.6	1.9%
Policy loans	4.7%	4.0%	3.6%	169.2	3.4%	164.7	5.9%
Real estate	10.6%	10.5%	10.5%	489.0	10.3%	491.1	4.6%
Others	1.7%	1.6%	2.1%	95.8	2.0%	95.7	

Note: (1) Total assets excluded separate account assets; international bond includes foreign currency deposit and related adjustments  
 (2) Yields of international equity and international bond are pre-hedge investment yields.

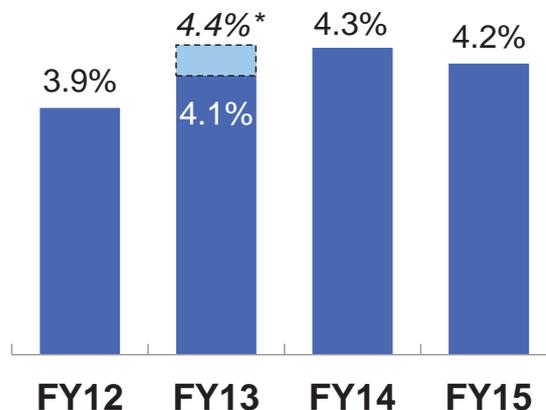
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# Cathay Life – Investment performance highlight

## After-hedging investment yield



## After-hedging investment yield (annual)

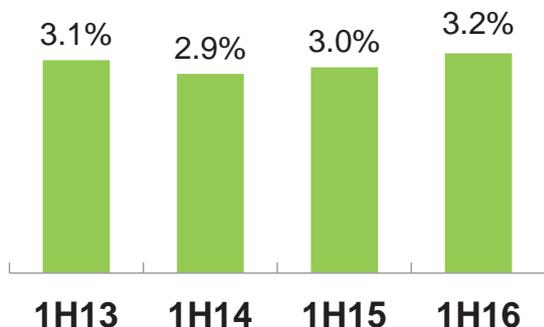


Note: FY13 (4.4%) was pro forma adjusted number of fair value method on investment property.

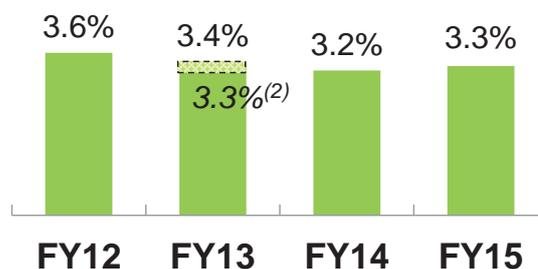
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# Cathay Life – Investment performance highlight

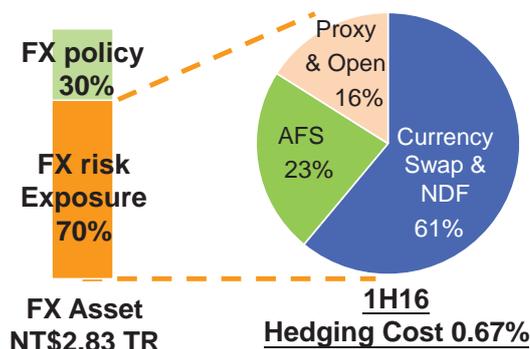
## Pre-hedging recurring yield



## Pre-hedging recurring yield



## Currency Hedging Structure

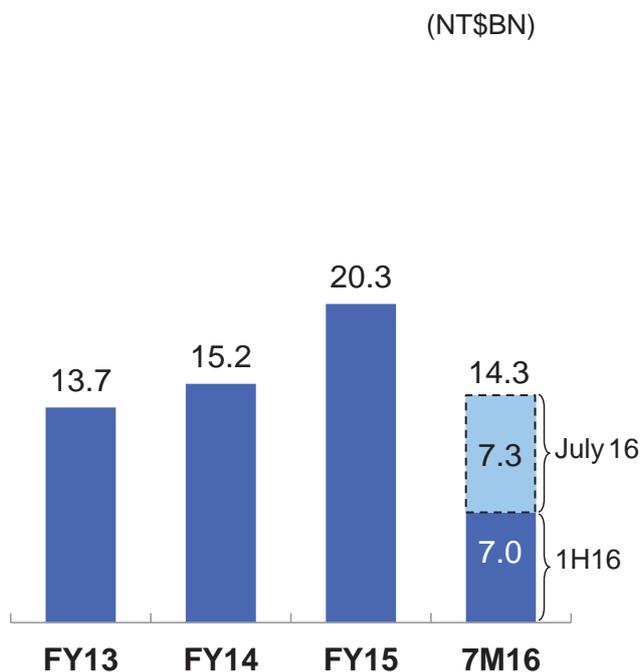


Note: (1) Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend. Most dividend will be recognized in 2Q & 3Q.  
(2) FY13 (3.3%) was pro forma adjusted number of fair value method on investment property.

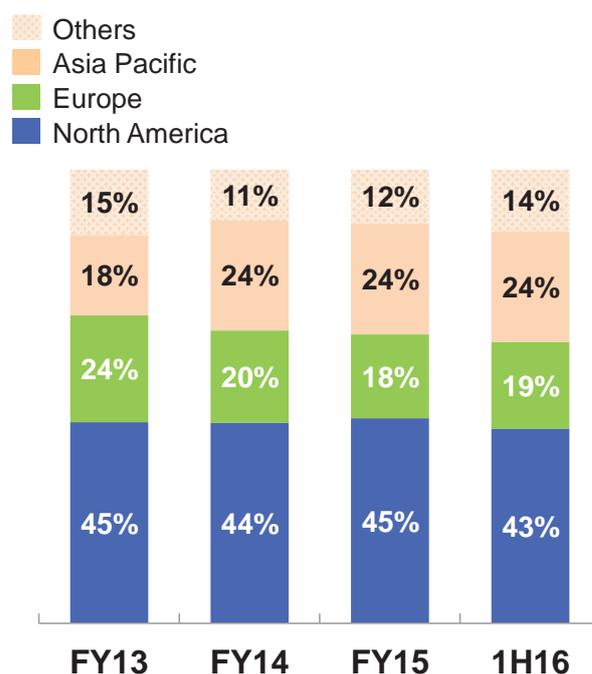
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# Cathay Life – Cash dividend & Overseas fixed income by region

## Cash dividend



## Overseas Fixed Income by Region\*

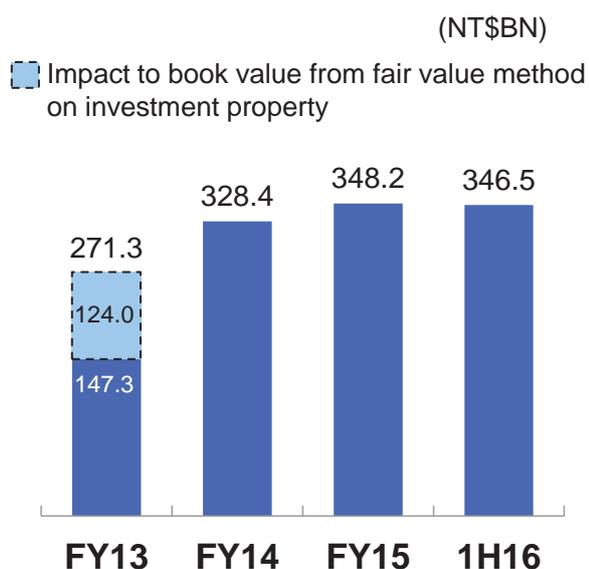


Note: Exclude overseas deposit and equity.

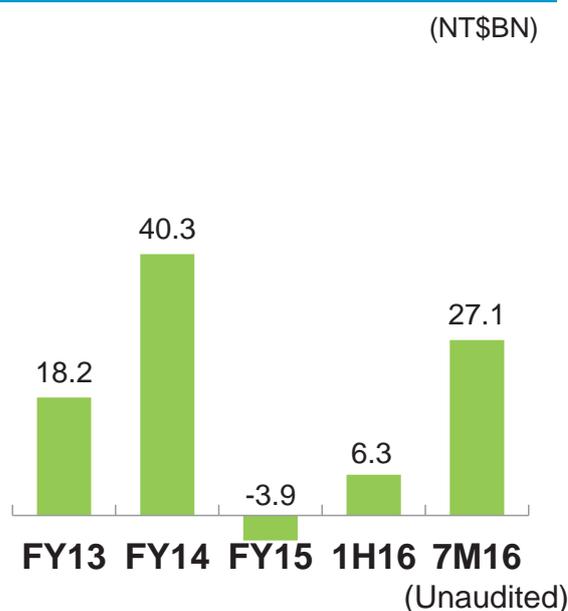
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# Cathay Life – Book value & Unrealized G/L of AFS financial assets

## Book value



## Unrealized G/L of AFS financial assets



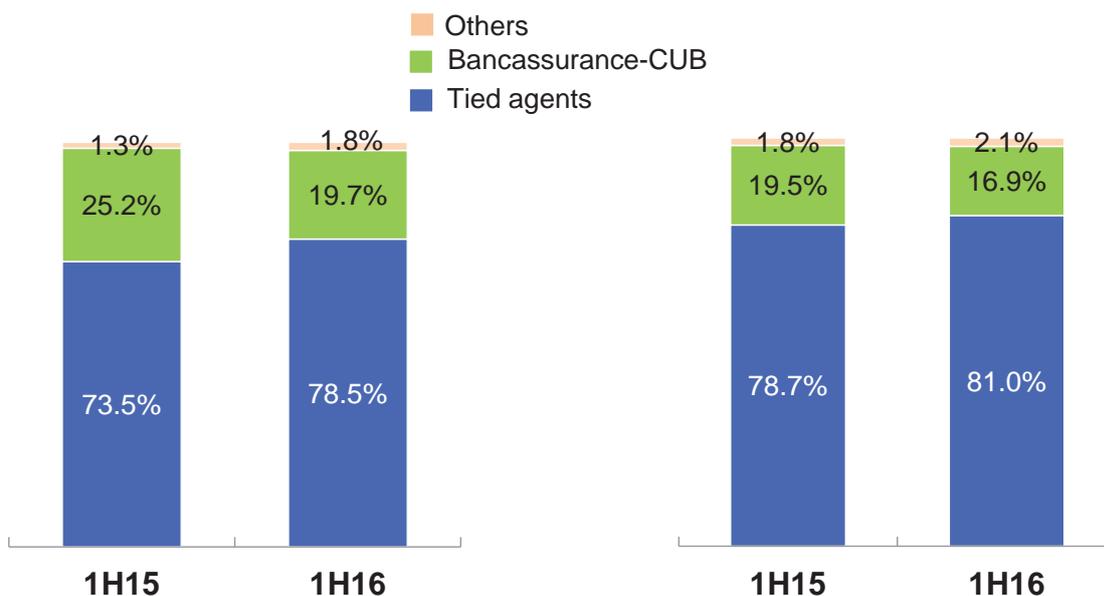
Note: FY13 figures reflected the impact from applying fair value method on investment property

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# Cathay Life – Distribution channel

## First Year Premium

## Annualized First Year Premium

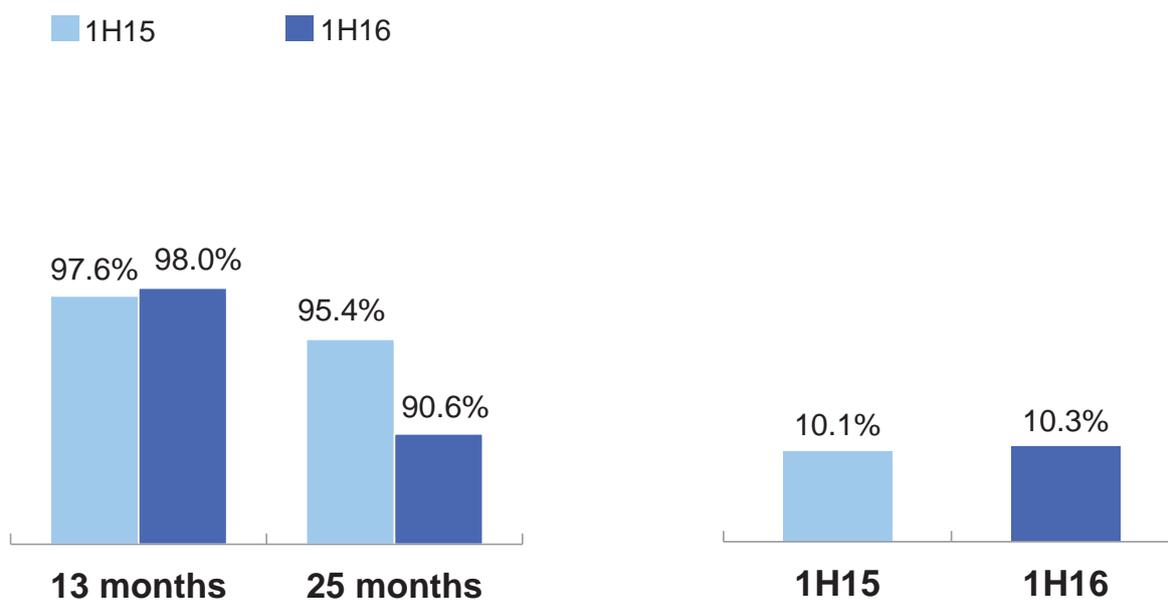


Note: Totals may not sum due to rounding.

# Cathay Life – Operational indicators

## Persistency ratio

## Expense ratio



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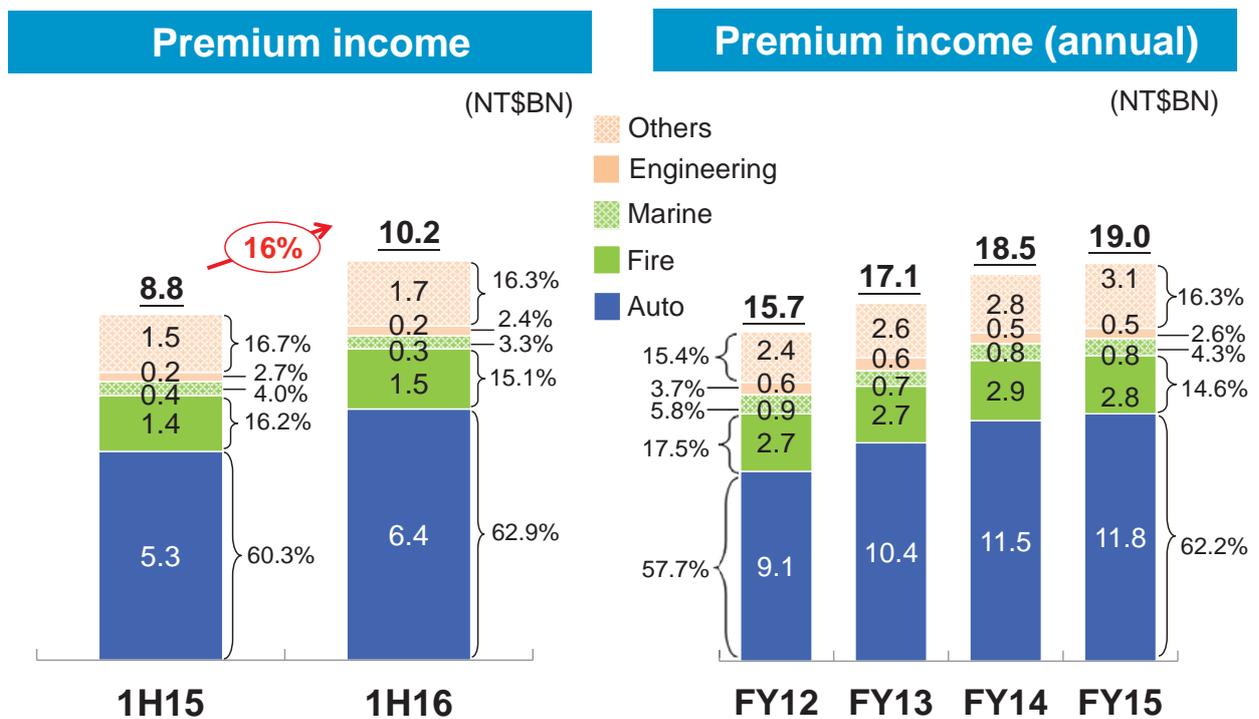
Cathay United Bank  
Cathay Life

## Cathay Century

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## Cathay Century – Premium income

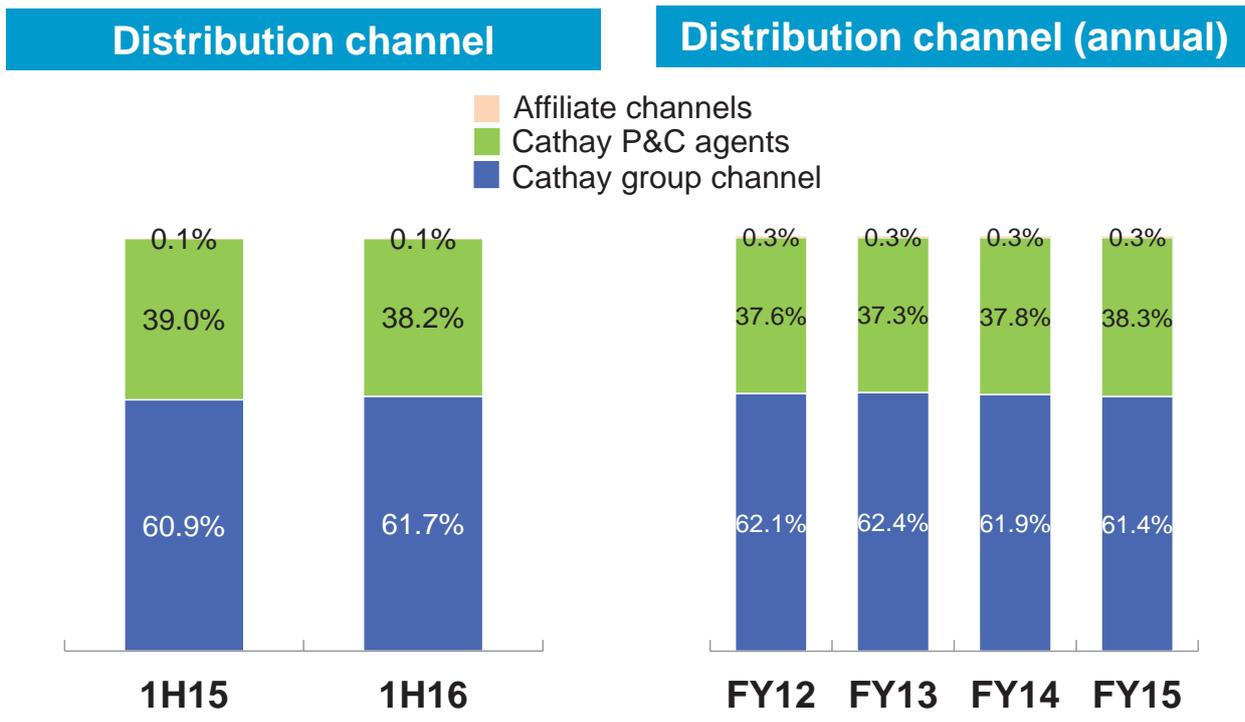


<b>Market share</b>	12.2%	13.0%	12.7%	13.4%	13.6%	13.3%
<b>Retention</b>	74.3%	74.3%	74.3%	76.1%	76.9%	74.9%

Note: Totals may not sum due to rounding.

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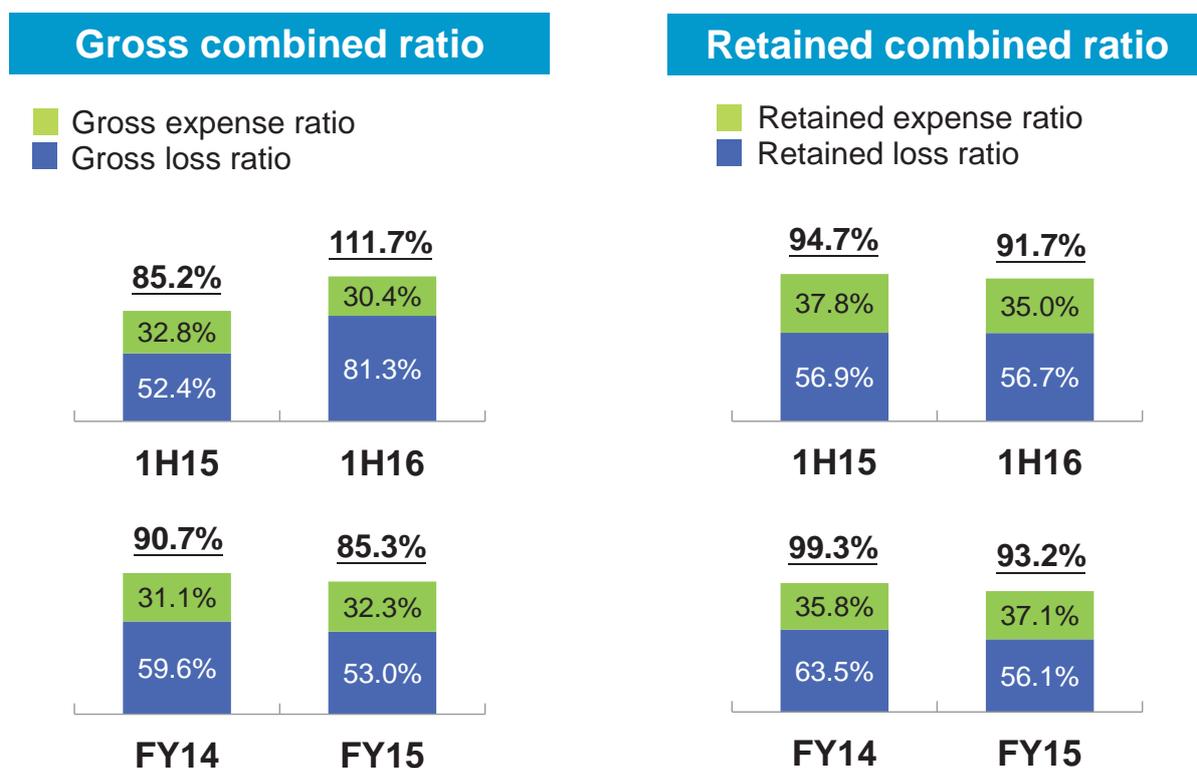
# Cathay Century – Distribution



Note: Totals may not sum due to rounding.

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# Cathay Century – Combined ratio



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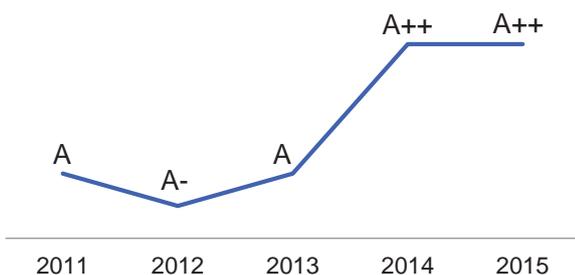
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  - Cathay Century
- **Cathay's CSR Efforts**
- M&A Key Highlights
- Appendix

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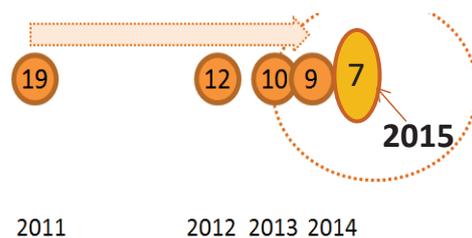
## Continuous efforts in CSR

Recognized the highest ranking of IDTR in 2014-2015

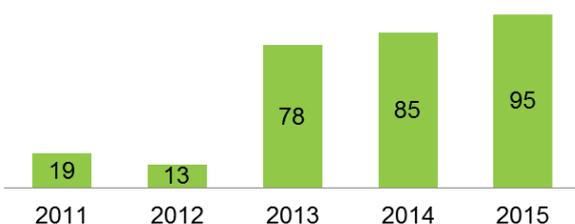


Ranked Top 7 of Taiwan Corporate Citizenship Award

Top 7 among Taiwan companies  
Top 2 in Financial sector in Taiwan



CDP disclosure score exceeded the worldwide industry average



The leader to be recognized by DJSI and Equator Principles

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

Top 1 among Taiwan life insurance companies

Top 2 in Taiwan financial sector



Top 1 in Taiwan

Top 6 in Asia

Note:

1. Information Disclosure and Transparency Ranking (IDTR) is an important evaluation initiated by TWSE.
2. Taiwan Corporate Citizenship Award is ranked by Taiwan Common Wealth Magazine.
3. CDP has the largest database of corporate climate change related information.

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# Incorporate in the DJSI emerging markets index

- ❑ Cathay FHC has been selected as a DJSI Emerging Markets Component in Sep. 2015
- ❑ Cathay FHC is committed to develop ESG in the long term. The company attained the highest rating of A++ from TWSE Information Disclosure and Transparency Ranking, and became one of the top 5% of listed companies in Corporate Governance Evaluation of Taiwan

## DJSI in the World

- ❑ Dow Jones Sustainability Index (DJSI) launched in 1999, which is based on an analysis of corporate economic, environmental and social performance and select top 10% performers in each industry as its index components. The DJSI now is the most recognized sustainability index in the world.



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# CUB is the first EPFI in Taiwan

## EPFIs in the World

- ❑ 82 Equator Principles Financial Institutions (EPFIs) in 36 countries have officially adopted the EP as of March 2016 .
- ❑ 8 of EPFIs are Asian financial institutions.

Region	Europe	North America	Latin America	Africa	Oceania	Asia	Middle East
EPFIs no.	33	14	10	9	5	8	3



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# Agenda

- Introduction of Cathay FHC
- 1H16 Business Overview
- Overseas Expansion
- Business Performance Summary
  - Cathay United Bank
  - Cathay Life
  - Cathay Century
- Cathay's CSR Efforts
- **M&A Key Highlights**
- Appendix

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## M&A Transaction: Conning in USA

- Cathay Life acquired 100% stake of Conning Holdings Corporation in 2015 for US\$240 million. P/AuM was 0.26% upon announcement
- Cathay FHC expected to expand its global presence in asset management and realize “Banking + Insurance + Asset Management” strategy

### Conning Asset Management

- Founded in 1912, Conning is a leading global investment management firm focusing on insurers and pension funds. It ranks as top 10 globally in insurance mandate with \$103.5 billion AuM (1Q16)
- Conning operates through its offices in North America, Europe and Asia

<b>Assets by Client Type (US\$BN)</b>	<b>Assets</b>	<b>Assets by Region (US\$BN)</b>	<b>Assets</b>
Property-Casualty	42.5	North America	78.0
Life	43.6	United Kingdom	5.5
Managed CLO Funds	8.7	Bermuda	1.3
Pension Plans	3.2	Continental Europe	2.4
Healthcare	1.6	APAC	16.2
Banks	1.6	Other	0.2
Others	2.3		
<b>Total AUM</b>	<b>103.5</b>	<b>Total AUM</b>	<b>103.5</b>

Note: Totals may not sum due to rounding.

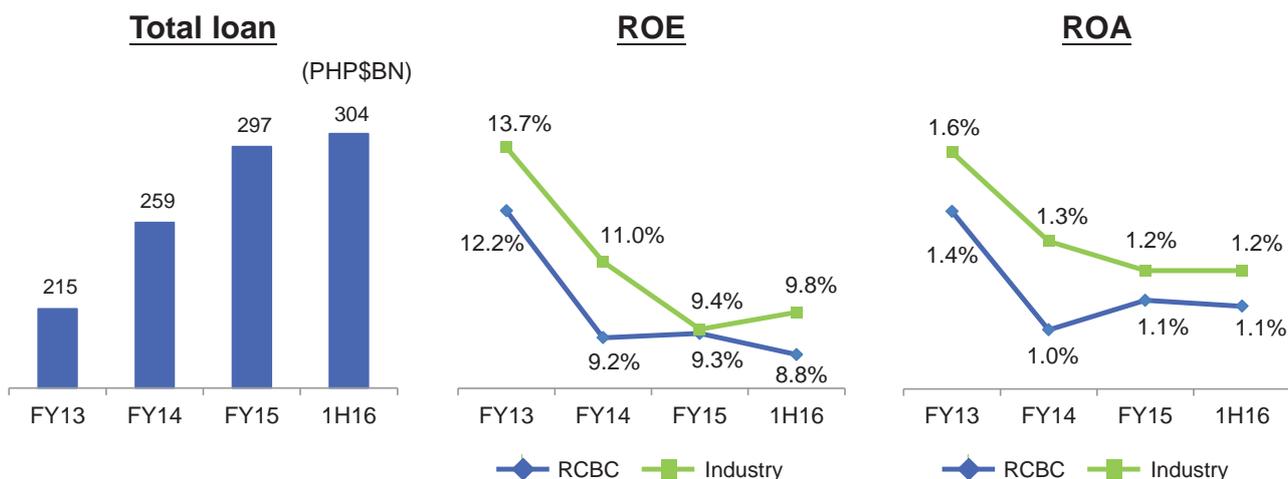
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## M&A Transaction: RCBC in Philippines

- Cathay Life invested in 20% shares of Rizal Commercial Banking Corporation (“RCBC”) with 3 board seats of the company in 2015. Total investment was PHP17.92 billion (c. US\$400 million). Post-money P/B was c.1.57x upon announcement
- Cathay Life may increase its investment in RCBC via placement or open market purchase, up to 30%

### RCBC’s Performance

- RCBC is one of the large private-owned banks in terms of total assets, with 448 branches and about 6,000 employees

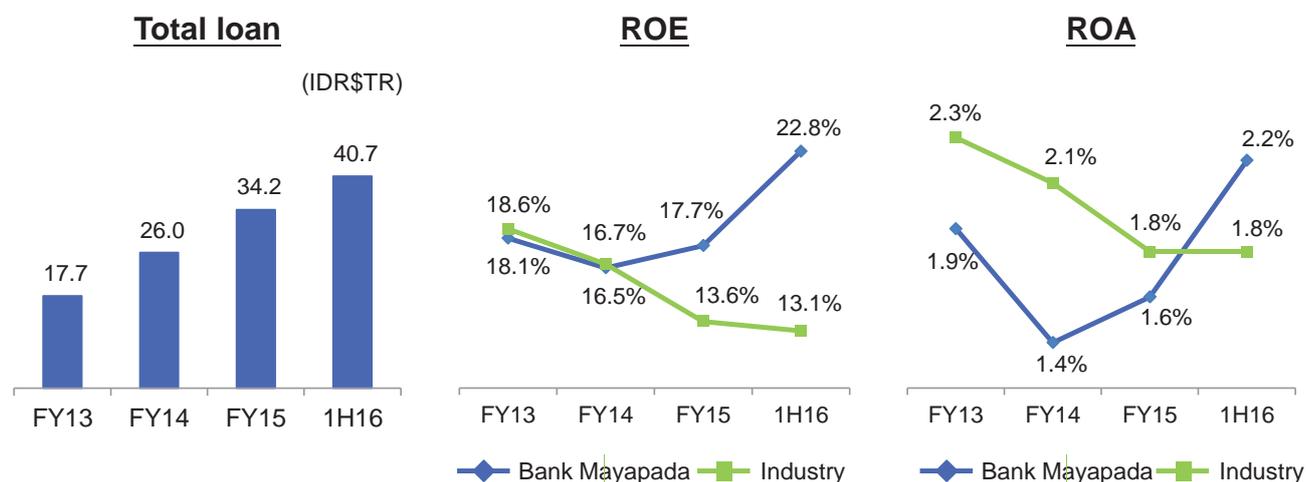


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## M&A Transaction: Bank Mayapada in Indonesia

- Cathay Life is in the process of acquiring a 40% stake in PT Bank Mayapada International, Tbk (“Bank Mayapada”)
  - Stage 1 : acquire 24.9% stake (USD 164 mn) – completed in 1H15
  - Stage 2 : acquire 15.1% stake – subject to OJK’s approval
- Total investment will be ~IDR3.52tn (USD 295 million), representing a ~3.15x P/B multiple upon announcement

### Bank Mayapada’s Performance



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# Embedded Value & Appraisal Value

(NT\$BN)

Valuation date	2014/12/31	2015/12/31
In-force business investment yield	4.01% ~ Year 2034 5.05% for NTD policies 4.40% ~ Year 2034 6.07% for USD policies 2.75% ~ Year 2034 3.02% for Interest crediting annuity (Equivalent investment yield: 4.46% rolling over to 2015: 4.49%)	3.95% ~ Year 2035 5.02% for NTD policies 4.67% ~ Year 2035 5.81% for USD policies 2.77% ~ Year 2035 3.00% for Interest crediting annuity (Equivalent investment yield: 4.40%)
Future one year's new business investment yield	2.54%~ Year 2034 5.03% for NTD policies 4.47% ~ Year 2034 6.07% for USD policies 2.19% ~ Year 2034 2.62% for Interest crediting annuity	2.96%~ Year 2035 4.90% for NTD policies 4.37% ~ Year 2035 5.81% for USD policies 1.98% ~ Year 2035 2.28% for Interest crediting annuity
Risk discount rate	10%	10%
Adjusted net worth	403	393
Value of in-force business	434	490
Cost of capital (CoC)	-128	-148
Value of in-force business (After CoC)	306	342
Embedded Value (EV)	709	735
EV / per share	133.6 (56.4)	138.5 (58.5)
Appraisal Value (AV)	1,191	1,249
Value of future one year's new business (After CoC)	55.5	59.0
AV / per share	224.4 (94.8)	235.3 (99.4)

Note: (1) EV/AV calculation does not include business of Cathay Life in China and Vietnam.  
(2) per share = per share of Cathay Life; (per share) = per share of Cathay FHC  
(3) The outstanding shares of Cathay Life and Cathay FHC are 5.3bn and 12.6bn, respectively.  
(4) May not sum to total due to rounding.

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## Summary

(NT\$BN)

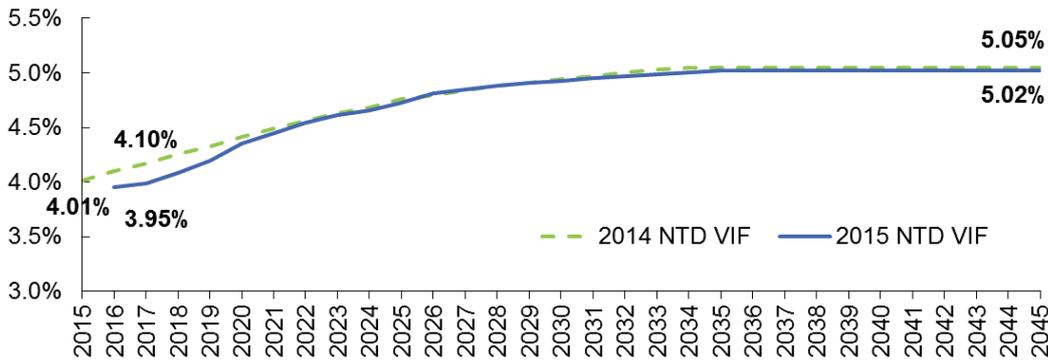
Valuation date		2014	2015	Growth rate	1Q16
Embedded value	Equity	325	346	6%	--
	Adjusted net worth	403	393	-2%	--
	Value of in-force business	434	490	13%	--
	Cost of capital (CoC)	-128	-148	16%	--
	Value in-force business (after CoC)	306	342	12%	--
	Embedded value	709	735	4%	--
Value of one year's new business	First year premium (FYP)	233.4	217.4	-7%	52.1
	First year premium equivalent (FYPE)	71.1	102.0	43%	39.8
	Value of one year's new business (V1NB)	53.5	57.6	8%	20.5
	Profit margin (V1NB/FYP)	23%	27%	--	39%
	Profit margin (V1NB/FYPE)	75%	57%	--	51%
	Profit margin (V1NB/FYP)(investment-linked(non-VUL)is excluded)	53%	53%	--	50%
Appraisal value (20 years NB)	Multiple	8.7	8.7	--	--
	Appraisal value	1,191	1,249	5%	--
Basic Value per share	EV / per share of Cathay FHC	56.4	58.5	4%	--
	AV / per share of Cathay FHC	94.8	99.4	5%	--

Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares 12.6bn.  
(2) Totals may not sum due to rounding.

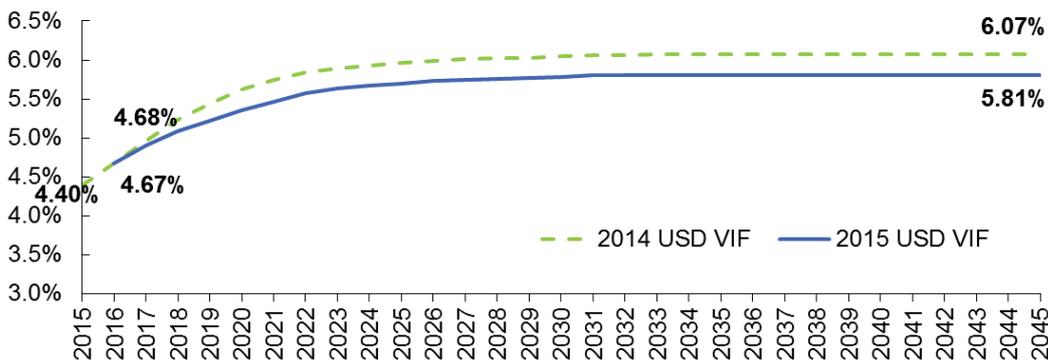
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# Economic Assumptions: In-force business investment yield

- Investment return assumptions for the value of in force business of NTD-denominated policies as of the end of 2014 & 2015.



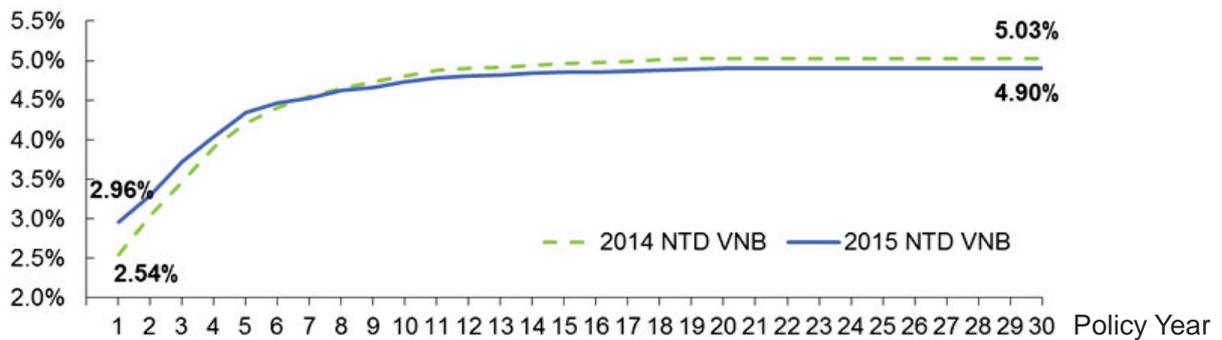
- Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2014 & 2015.



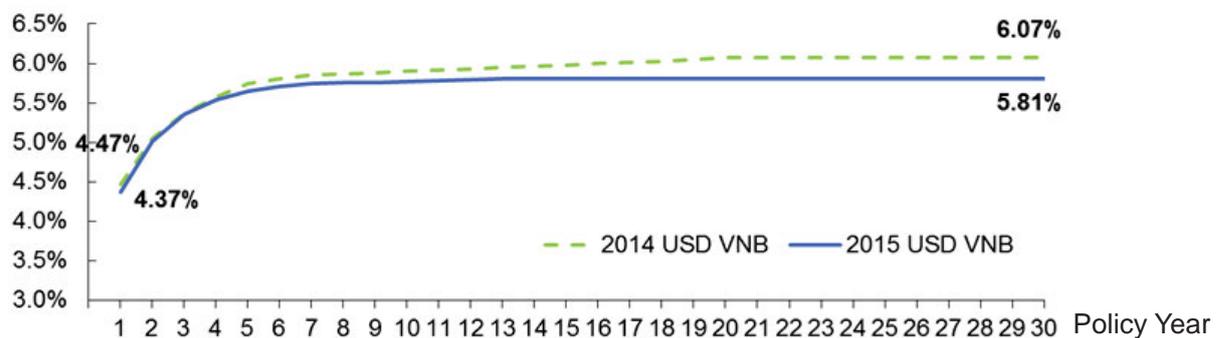
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# Economic Assumptions: Future one year's new business investment yield

- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2014 & 2015.



- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2014 & 2015.

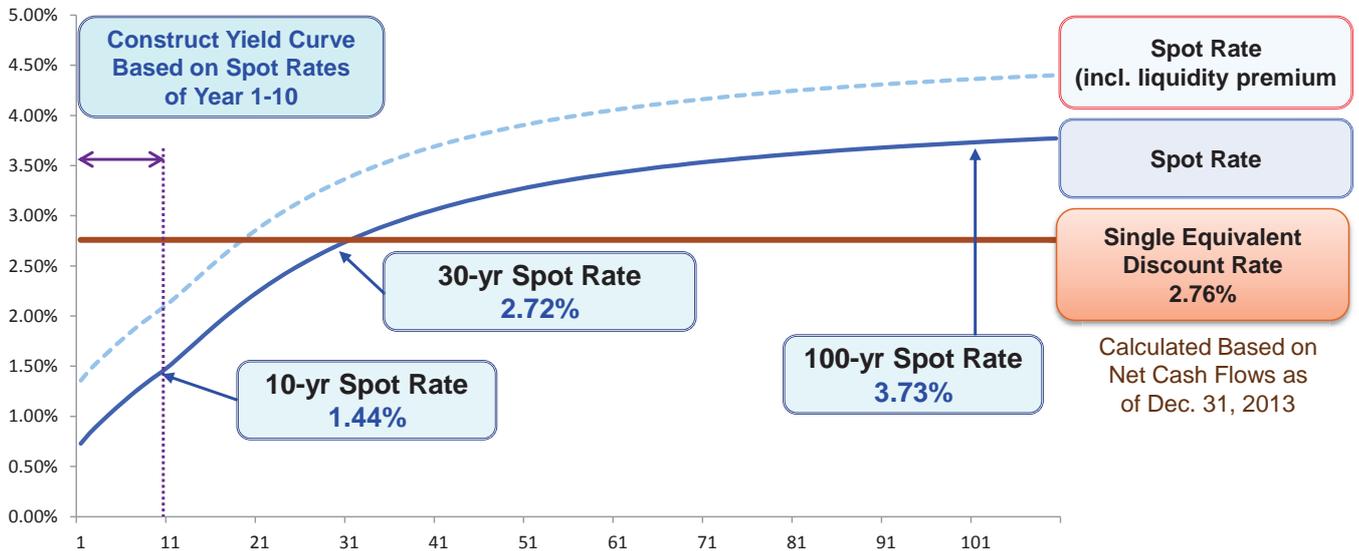


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# Fair Value of Insurance Contracts: Risk-free Rate (NTD)

## NTD Risk-free Rate

Calculate 3-yr daily MA yield curve based on the zero coupon yield curve announced by OTC (Svensson) and use the extrapolation method provided by [EU Solvency II QIS 5](#) to construct the complete yield curve.

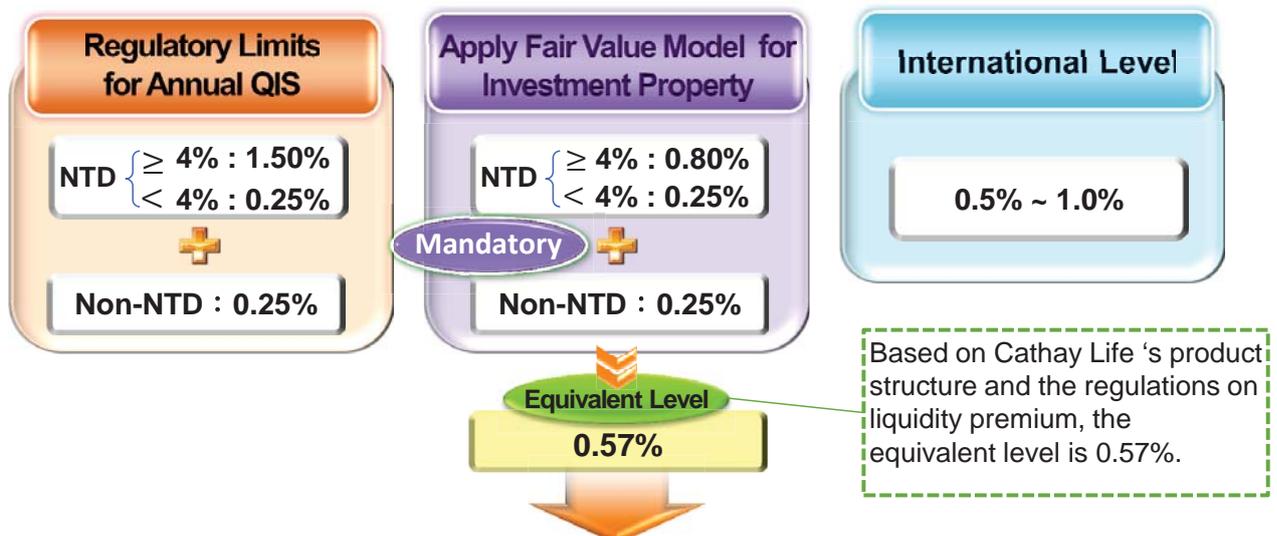


Note: The "Spot Rate" mentioned above refers to 3-yr daily MA yield curve.

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# Fair Value of Insurance Contracts: Liquidity Premium

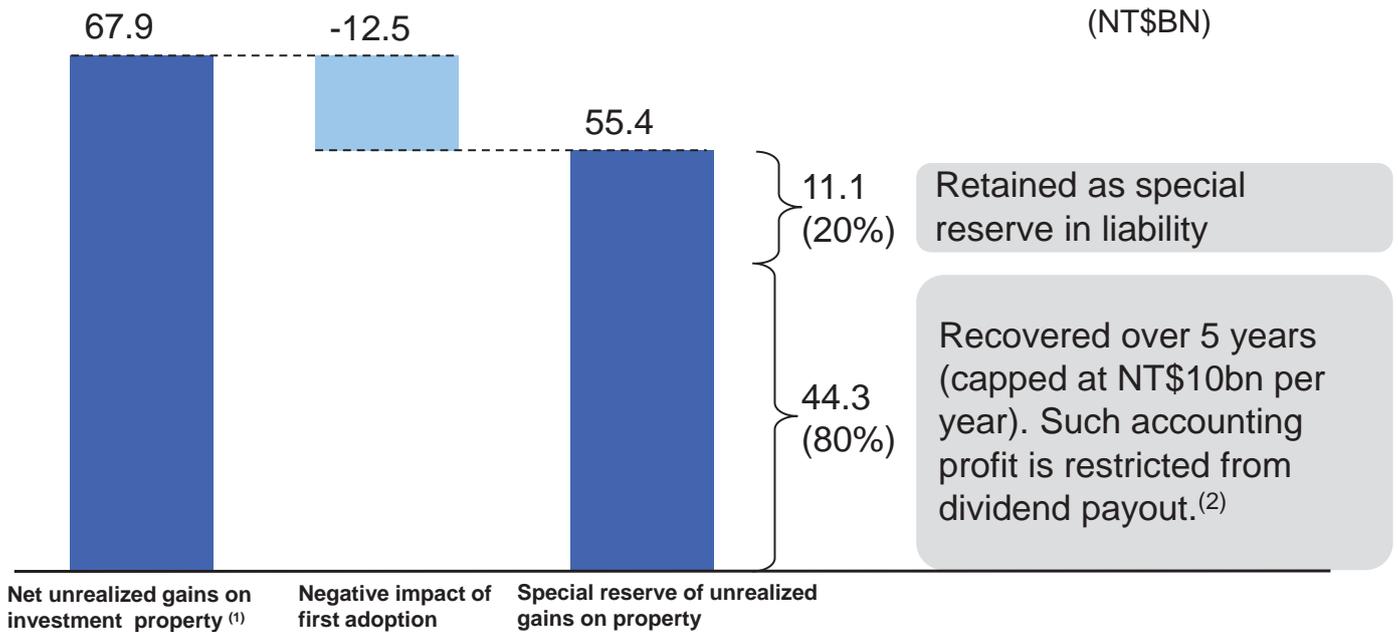
If insurers apply fair value model for investment property, their insurance liabilities should also be assessed under fair value basis. Taiwan adopts a relatively strict standard of liquidity premium compared to the international level of 0.5%~1%.



According to the regulations on liquidity premium mentioned above, Cathay Life's reserve is enough and allowed to recognize after tax full amount of investment property appraisal gain under fair value method into shareholder's equity.

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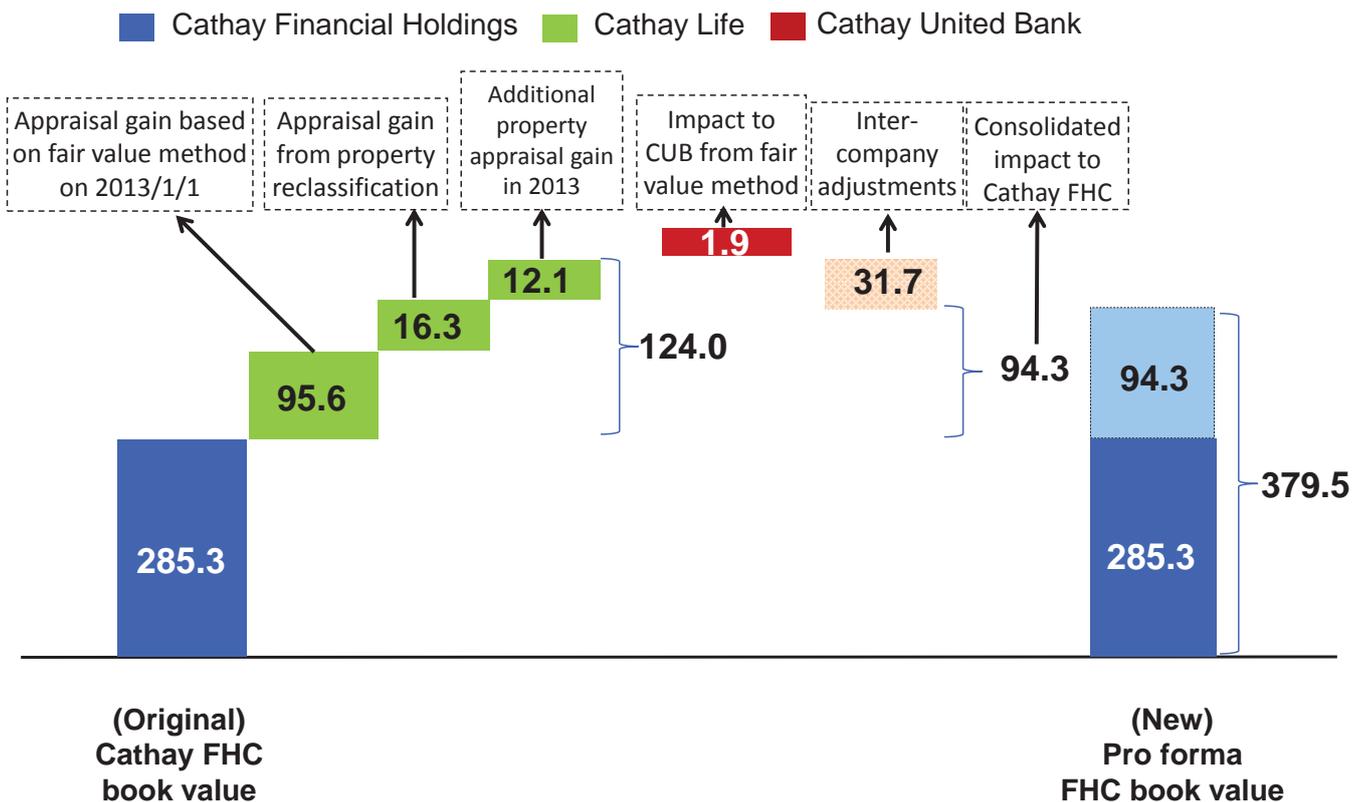
# Special reserve of unrealized gains on property



Note: (1) Net unrealized gains on investment property is calculated by discounting rental income at industry average WACC(3.29%), net of related taxes. The amount is therefore well below the property market value.

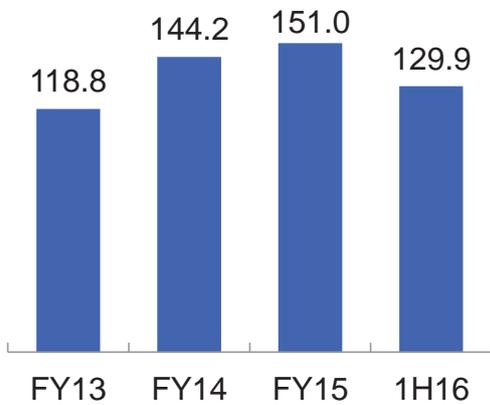
(2) The recovery of such special reserve is subject to regulatory approval each year. Hence, the actual recovery depends on the fair valuation results each year.

# Illustration of 2013 pro forma BV of Cathay FHC

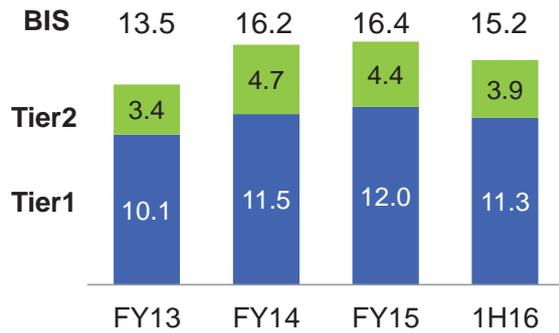


# Capital adequacy

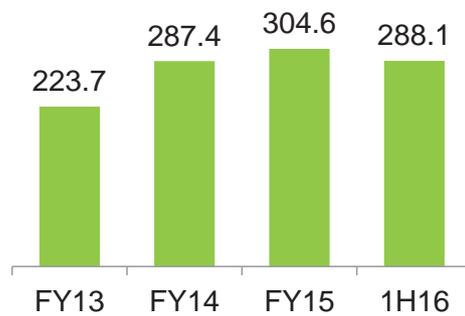
**Cathay FHC CAR (%)**



**CUB Capital Adequacy (%)**



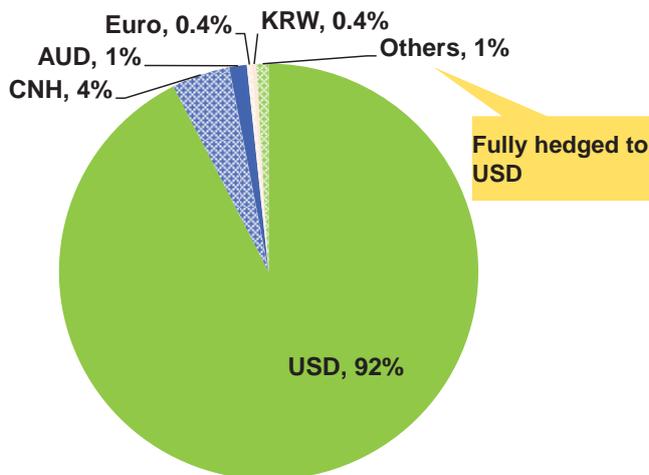
**Cathay Life RBC(%)**



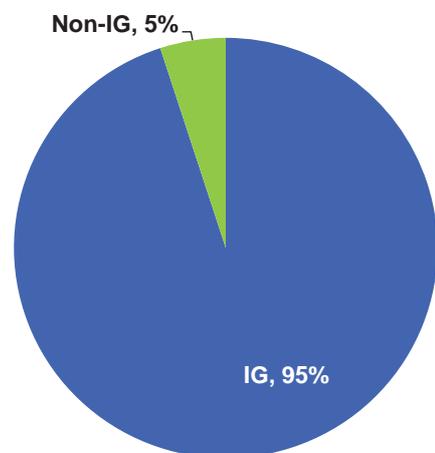
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## Cathay Life – Overseas bond breakdown by currency and rating

**Overseas bond by currency (1H16)**



**Overseas bond by rating (1H16)**



Note: Totals may not sum due to rounding.

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**Cathay Financial Holdings**

(NT\$MN)			FY15/ FY14 % Chg	1H15	1H16	1H16/ 1H15 % Chg	2Q15	2Q16	2Q16/ 2Q15 % Chg
<b>Income Statement Data (Consolidated)</b>									
<b>Operating Income</b>									
Net interest income	125,123	139,962	12%	66,310	76,073	15%	33,431	38,486	15%
Net commission and fee	369	(4,480)	-1313%	(1,299)	(3,694)	184%	(1,636)	(683)	-58%
Net earned premium	488,327	535,858	10%	247,114	302,944	23%	134,724	159,013	18%
Change in liability reserve	(290,800)	(306,598)	5%	(159,253)	(200,572)	26%	(88,887)	(106,242)	20%
Net claims payment	(285,869)	(309,104)	8%	(133,480)	(147,989)	11%	(68,744)	(74,663)	9%
Investment income	75,751	63,734	-16%	43,534	19,660	-55%	30,984	10,660	-66%
Contribution from associates-equity method	168	1,108	561%	284	762	168%	233	260	12%
Other net non-interest income	3,449	14,188	311%	14,445	10,816	-25%	3,760	5,196	38%
Bad debt expense	(2,982)	(2,467)	-17%	(167)	(2,310)	1285%	(55)	(1,673)	2968%
Operating expense	(57,477)	(65,067)	13%	(28,412)	(35,938)	26%	(14,638)	(18,903)	29%
<b>Income before taxes</b>	56,058	67,132	20%	49,078	19,752	-60%	29,172	11,451	-61%
Income taxes	(6,427)	(9,250)	44%	(7,844)	(5,509)	-30%	(6,047)	(5,546)	-8%
<b>Net income</b>	49,631	57,882	17%	41,234	14,243	-65%	23,125	5,905	-74%
EPS (NT\$)	3.93	4.58		3.26	1.11		1.83	0.46	
<b>Dividend Payout</b>									
Cash dividend per share	2.00	2.00							
Stock dividend per share	0.00	0.00							
Weighted average outstanding shares (Millions of shares)	12,563	12,563		12,563	12,563				
<b>Balance Sheet Data</b>									
Total assets	6,944,837	7,568,975		7,122,539	7,807,699				
Total shareholders' equity	439,120	461,062		433,101	456,655				
<b>Operating Metrics</b>									
ROAE (Consolidated)	12.10%	12.86%		18.91%	6.21%				
ROAA (Consolidated)	0.76%	0.80%		1.17%	0.37%				
Double leverage ratio(inc. preferred stock)	113%	111%		115%	111%				
<b>Capital Adequacy Metrics</b>									
Capital Adequacy Ratio	144%	151%		136%	130%				

**Notes:**

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**Cathay Life**

(NT\$MN)	FY15/ FY14			1H16/ 1H15			2Q16/ 2Q15		
	FY14	FY15	% Chg	1H15	1H16	% Chg	2Q15	2Q16	% Chg
<b>Income Statement Data (Consolidated)</b>									
Net written premium	472,630	519,014	10%	239,409	294,023	23%	130,370	154,385	18%
Net earned premium	471,849	518,250	10%	239,406	293,969	23%	129,963	154,037	19%
Reinsurance commission earned	4,740	200	-96%	282	362	28%	276	350	27%
Fee income	5,943	5,762	-3%	3,108	2,726	-12%	1,460	1,379	-6%
Recurring investment income	124,152	140,977	14%	62,672	76,056	21%	33,159	40,627	23%
Gain on disposal of investment									
Realized gain (loss)-Equity	23,357	30,072	29%	34,690	3,941	-89%	16,129	(1,641)	-110%
Realized gain (loss)-Debt	12,828	14,804	15%	10,530	7,133	-32%	2,901	2,063	-29%
Gain on investment property	16,579	11,074	-33%	11,311	5,351	-53%	11,327	5,115	-55%
FX and others, net	(7,166)	(13,101)	83%	(11,684)	(2,367)	-80%	(3,618)	1,131	-131%
Investment income, net	169,750	183,827	8%	107,519	90,114	-16%	59,899	47,295	-21%
Other operating income	9	914	9777%	6	2,380	39808%	1	1,276	140157%
Separate account revenues	115,040	17,303	-85%	6,157	19,908	223%	242	12,426	5043%
Net claims payment	(275,195)	(298,102)	8%	(129,007)	(142,445)	10%	(65,607)	(71,644)	9%
Changes in liability reserves	(290,109)	(305,864)	5%	(158,815)	(200,198)	26%	(88,788)	(105,974)	19%
Acquisition and commission expense	(32,405)	(33,238)	3%	(16,117)	(18,119)	12%	(8,923)	(7,831)	-12%
Other operating costs	(4,544)	(5,541)	22%	(2,459)	(3,206)	30%	(1,347)	(1,538)	14%
Financial cost	(106)	(296)	179%	(438)	(164)	-62%	(161)	(150)	-7%
Separate account expense	(115,040)	(17,303)	-85%	(6,157)	(19,908)	223%	(242)	(12,426)	5043%
Operating expense	(16,869)	(23,021)	36%	(8,763)	(15,579)	78%	(4,790)	(8,696)	82%
Net non-operating income	1,482	1,265	-15%	673	968	44%	347	550	59%
Income taxes	(2,810)	(5,710)	103%	(6,014)	(2,990)	-50%	(5,450)	(3,917)	-28%
<b>Net income</b>	<b>31,734</b>	<b>38,447</b>	<b>21%</b>	<b>29,380</b>	<b>7,818</b>	<b>-73%</b>	<b>16,879</b>	<b>5,138</b>	<b>-70%</b>

**Balance Sheet Data**

Total assets	4,704,976	5,180,081		4,813,402	5,336,165
General account	4,242,710	4,699,512		4,347,890	4,847,690
Separate account	462,267	480,568		465,512	488,475
Reserves for life insurance liabilities	3,770,679	4,228,117		3,909,142	4,377,792
Total liabilities	4,376,595	4,831,846		4,484,962	4,989,690
Total shareholders' equity	328,382	348,235		328,440	346,476

**Operating Metrics**

First Year Premium(FYP)	233,379	217,378		108,717	100,559
First Year Premium Equivalent(FYPE)	71,147	102,002		48,842	74,635
Expense ratio	9.9%	10.3%		10.1%	10.3%
13-M persistency ratio	97.9%	97.6%		97.6%	98.0%
25-M persistency ratio	94.9%	91.8%		95.4%	90.6%
ROAE	10.54%	11.36%		17.89%	4.50%
ROAA	0.71%	0.78%		1.23%	0.30%

**Capital Adequacy Metrics**

RBC ratio (Standalone)	287%	305%		295%	288%
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FY14 total assets, liabilities, and shareholders' equity have also been adjusted accordingly.

(3) Total may not sum due to rounding.

**Cathay United Bank**

(NT\$MN)	FY15/ FY14			1H16/ 1H15			2Q16/ 2Q15		
Income Statement Data (Consolidated)	FY14	FY15	% Chg	1H15	1H16	% Chg	2Q15	2Q16	% Chg
<b>Operating Income</b>									
Net interest income	25,779	26,729	4%	13,375	12,331	-8%	6,729	6,121	-9%
Fee income	11,806	14,344	21%	7,432	7,982	7%	3,863	3,680	-5%
Investment income	7,326	5,599	-24%	2,875	4,142	44%	1,399	1,888	35%
other income	1,064	1,380	30%	776	759	-2%	278	199	-28%
<b>Net operating income</b>	45,975	48,052	5%	24,458	25,214	3%	12,268	11,887	-3%
Operating expenses	(22,804)	(24,851)	9%	(11,625)	(12,657)	9%	(6,024)	(6,491)	8%
<b>Pre-provision profit</b>	23,170	23,201	0%	12,834	12,557	-2%	6,244	5,396	-14%
Net provisions for possible losses	(2,471)	(1,922)	-22%	(66)	(1,933)	2833%	120	(1,213)	-1111%
<b>Income before taxes</b>	20,700	21,279	3%	12,768	10,624	-17%	6,364	4,183	-34%
Income tax	(2,885)	(2,513)	-13%	(1,484)	(1,176)	-21%	(613)	(381)	-38%
<b>Net income</b>	17,814	18,767	5%	11,284	9,447	-16%	5,752	3,803	-34%
<b>Balance Sheet Data</b>									
Total assets	2,243,958	2,383,377		2,304,831	2,458,952				
Loans, net	1,119,281	1,127,807		1,121,224	1,275,704				
Financial assets	649,497	791,192		746,694	858,748				
Total liability	2,096,340	2,226,608		2,156,709	2,302,570				
Deposits	1,739,023	1,881,657		1,782,017	1,941,807				
Financial Debenture Payable	67,614	51,900		67,195	51,900				
Total shareholders' equity	147,617	156,769		148,122	156,382				
<b>Operating Metrics</b>									
Cost income ratio	49.60%	51.72%		47.53%	50.20%				
ROAE	12.71%	12.33%		15.26%	12.07%				
ROAA	0.84%	0.81%		0.99%	0.78%				
<b>Assets Quality</b>									
NPL	3,277	1,599		1,794	1,991				
NPL ratio	0.29%	0.14%		0.16%	0.16%				
NPL provisions	17,675	17,323		16,166	18,704				
Coverage ratio	539%	1083%		901%	939%				
<b>Capital Adequacy Metrics</b>									
BIS ratio (Standalone)	16.2%	16.4%		15.9%	15.2%				
Tier I Ratio (Standalone)	11.5%	12.0%		11.6%	11.3%				

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FY14 total assets, liabilities, and shareholders' equity have also been adjusted accordingly.
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**Cathay Century**

(NT\$MN)	FY15/ FY14			1H16/ 1H15			2Q16/ 2Q15		
<b>Income Statement Data (Consolidated)</b>	FY14	FY15	% Chg	1H15	1H16	% Chg	2Q15	2Q16	% Chg
Premium income	21,279	22,449	5%	10,413	12,011	15%	5,809	6,329	9%
Net written premium	16,080	17,254	7%	7,937	9,139	15%	4,435	4,692	6%
Net earned premium	15,626	17,169	10%	8,027	8,897	11%	4,143	4,531	9%
Reinsurance commission earned	683	517	-24%	261	296	14%	146	151	4%
Fee income	45	48	5%	23	24	6%	19	13	-35%
Investment	918	972	6%	517	383	-26%	264	215	-18%
Interest income	609	564	-7%	268	291	9%	131	139	6%
Other investment income, net	308	408	32%	249	92	-63%	133	76	-43%
Other operating income	7	15	101%	5	2	-57%	(3)	1	-140%
Net claims payment	(8,747)	(9,292)	6%	(4,189)	(4,747)	13%	(2,239)	(2,247)	0%
Changes in liability reserves	(691)	(734)	6%	(438)	(374)	-15%	(99)	(268)	171%
Commissions and other operating costs	(1,218)	(1,402)	15%	(642)	(753)	17%	(362)	(405)	12%
Operating expenses	(5,823)	(6,197)	6%	(2,948)	(3,230)	10%	(1,558)	(1,676)	8%
<b>Operating income</b>	801	1,095	37%	616	498	-19%	311	315	1%
Net non-operating income	29	(4)	-114%	(7)	(3)	-56%	(2)	3	-216%
Income taxes	(174)	(287)	65%	(132)	(112)	-15%	(74)	(66)	-10%
<b>Net income</b>	657	804	22%	477	383	-20%	235	252	7%
<b><u>Balance Sheet Data</u></b>									
Total assets	35,863	42,106		36,091	44,970				
Total shareholders' equity	6,829	7,219		7,265	7,673				
<b><u>Operating Metrics</u></b>									
Gross Combined ratio	90.7%	85.3%		85.2%	111.7%				
Net Combined ratio	99.3%	93.2%		94.7%	91.7%				
ROAE	10.71%	11.44%		13.52%	10.28%				
ROAA	1.94%	2.06%		2.65%	1.76%				
<b><u>Capital Adequacy Metrics</u></b>									
RBC ratio (Standalone)	324%	359%		354%	365%				

**Notes:**

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