

# 2016 Fourth Quarter Briefing

March 2017



國泰金控

Cathay  
Financial Holdings

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# Agenda

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- **2016 Business overview and 2017 Outlook**
- **Overseas Expansion**
- **Business Performance Summary**
  - Cathay United Bank
  - Cathay Life
  - Cathay Century
- **Cathay Life complies with the PSI**
- **Appendix**

# 2016 Business overview

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## Cathay United Bank

- Delivered 27% loan growth with benign credit quality
  - Fee income grew by 11% YoY, credit card and wealth management fee grew by 16% and 12% respectively
  - Offshore earnings accounted for 44% of pretax earnings
- 

## Cathay Life

- Continued value-driven strategy; FYPE grew by 32% YoY, VNB grew by 31% YoY
  - Overseas investment reached 62%; pre-hedging recurring yield achieved 3.4%
  - RBC ratio is 305%, remained solid capital adequacy
- 

## Cathay Century

- Premium income grew by 9% YoY
  - Market share reached 14%, maintained No.2 market position
  - Offshore business continued to grow
- 

## Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$471BN
  - Received “Taiwan Fund Award” by Taiwan Futures Exchange, Lipper and Smart in 2016
- 

## Cathay Securities

- Each business line grew steadily. Sub-brokerage business ranked No.1 in the industry, brokerage market share reached historical high
- Enhanced core techniques to extend offshore business

# 2017 Outlook

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## Cathay United Bank

- Maintain mild growth in loan with benign asset quality
  - Fee income other than wealth management fee income should grow steadily
  - Continue to grow offshore earnings and business coverage
- 

## Cathay Life

- Focus on the sales of regular-paid products, foreign currency denominated policies and investment linked policies to improve value of new business
  - Continue to increase overseas investment and maintain stable hedging cost
- 

## Cathay Century

- Develop best operation and sales organization and utilize digital application to enhance service quality and client satisfaction
  - Increase the efficiency of capital and net profits
  - Continue to expand overseas and develop quality channel for better local branding
- 

## Cathay SITE

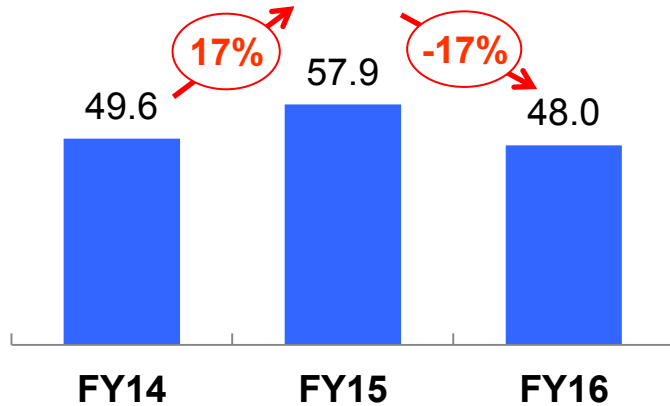
- Offer complete product lines to meet clients' needs
  - Integrate global asset management business to broaden international exposure
  - Leverage group resources and expand external distribution channels to increase AUM
- 

## Cathay Securities

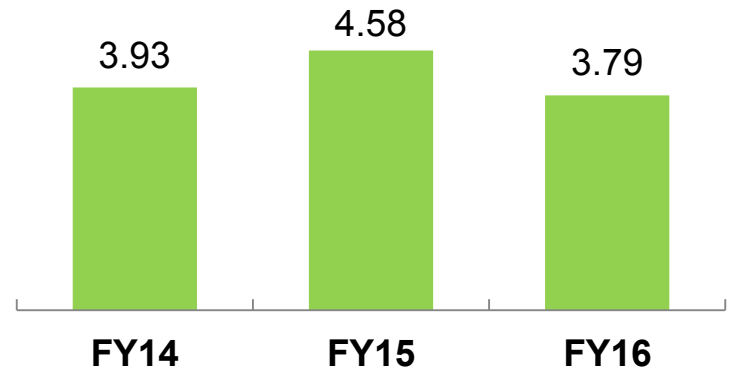
- Utilize digital technology to enhance cross-selling synergy and broaden client base
- Breakthrough existing platform to develop innovative products
- Continue to expand overseas business

# Cathay FHC – Net income & EPS

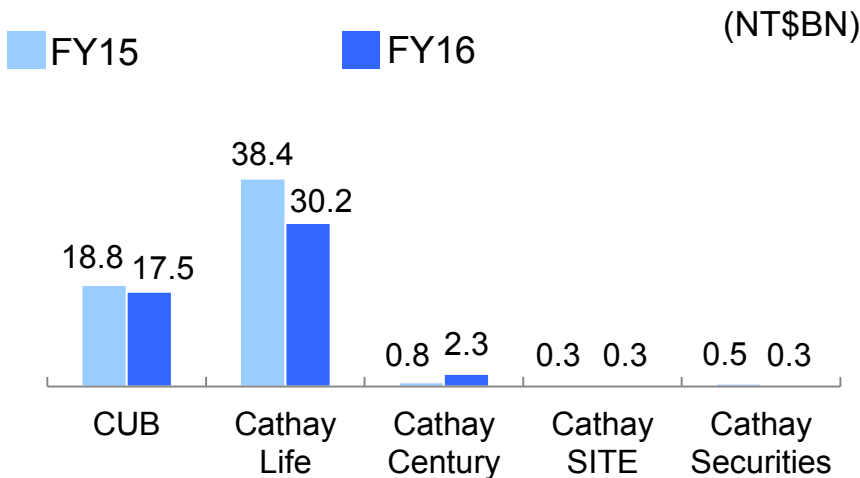
## Net income (NT\$BN)



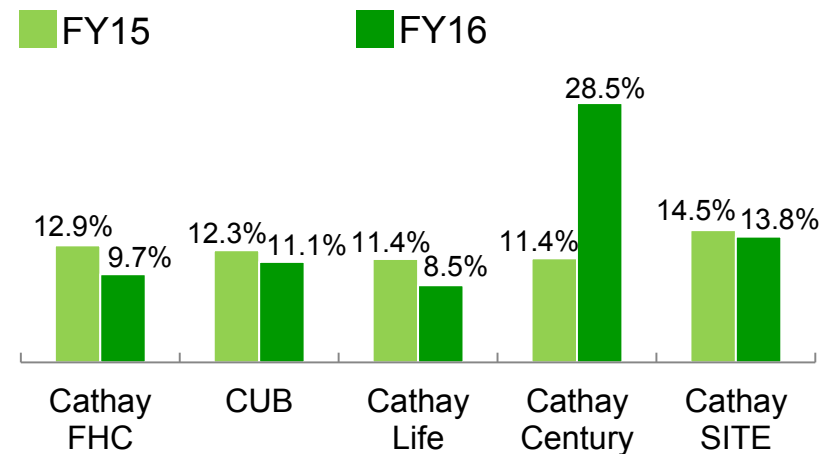
## Adjusted EPS (NT\$)



## Net income of primary subsidiaries (NT\$BN)



## ROE

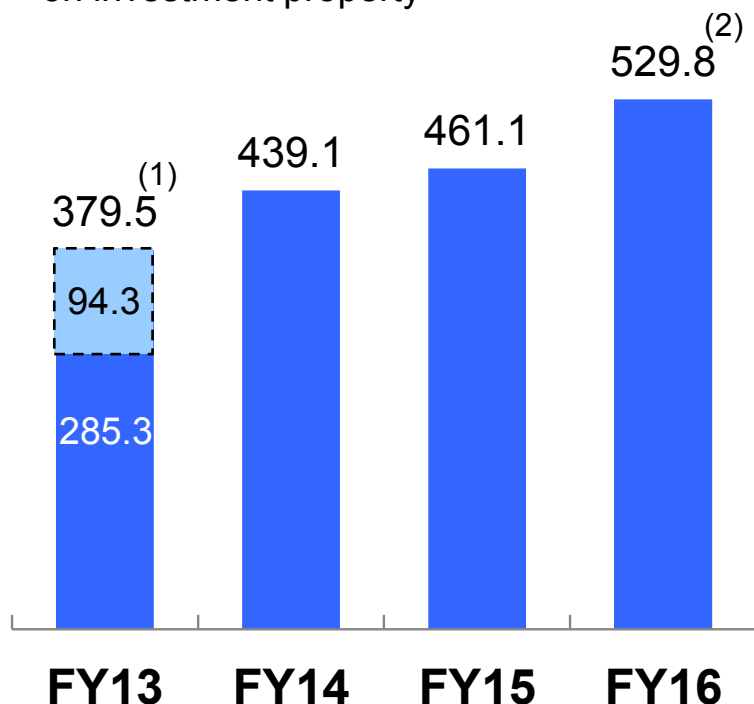


# Cathay FHC – Book value & BVPS

## Book value

(NT\$BN)

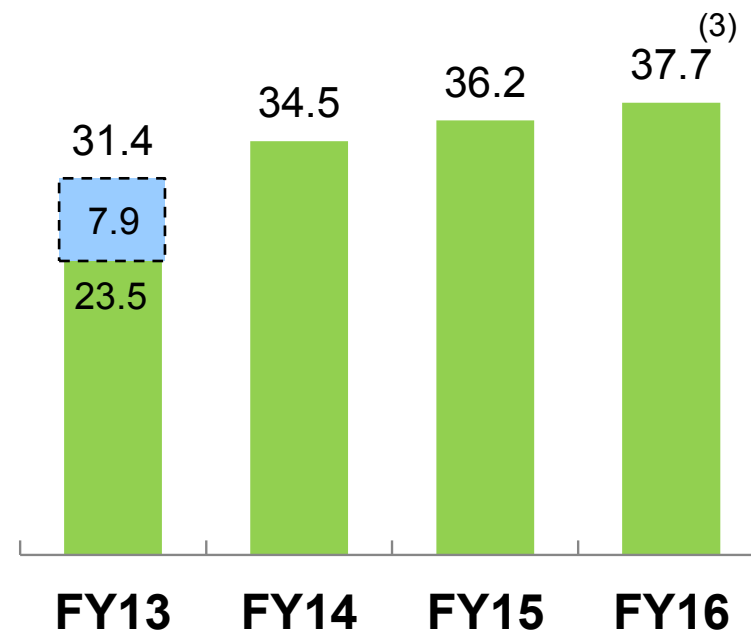
■ Impact to book value from fair value method on investment property



## 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) FY16 book value includes preferred shares NT\$50.0BN.

(3) FY16 BVPS represented the BVPS attributable to common shareholders. If FY16 BVPS was calculated by “book value / outstanding common shares”, it would be NT\$41.7.

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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	38	16									
P&C	26	2									
Asset Mgt	1			1							
Securities	1			1							

Note: Footprints in Thailand, Myanmar and Indonesia are representative offices. Cathay FHC owns 49% stake of Cathay Century (China)



## ■ Banking

- Vietnam: Business performs steadily with solid financial performance
- Cambodia: Owns most footprints among Taiwanese banks
- Philippines: Invests 23% stake in RCBC\*
- Indonesia: Completed the transaction of investing 40% stake in Bank Mayapada in 4Q16\*

## ■ Cathay Life

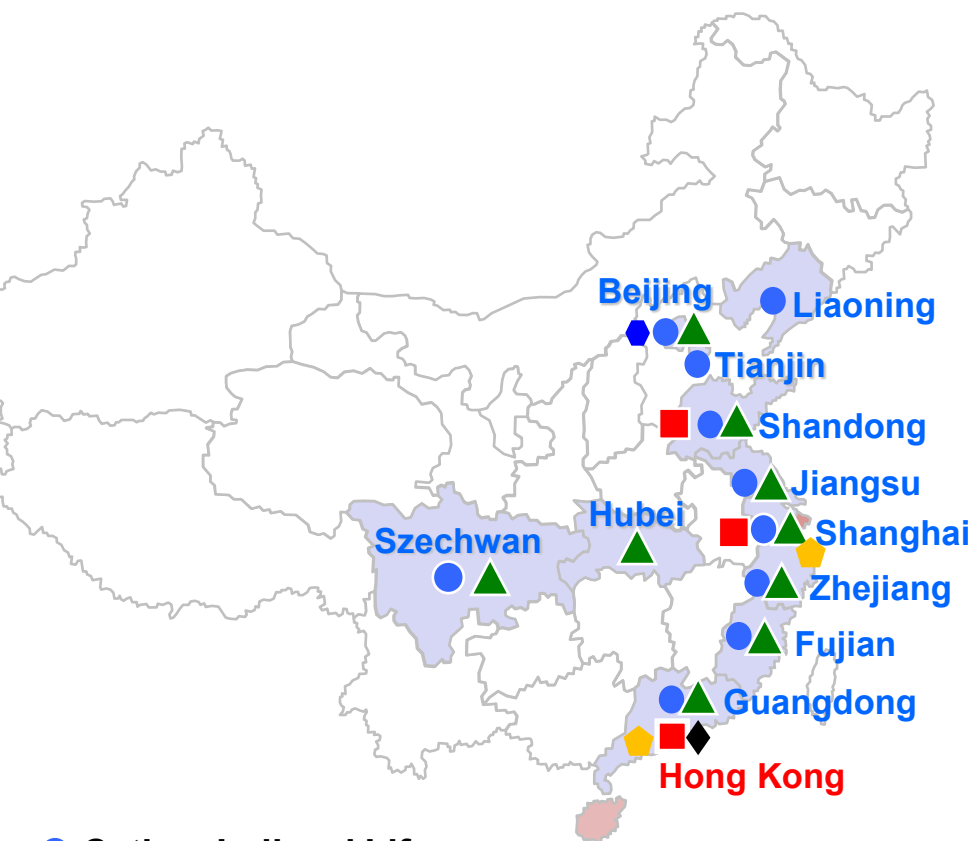
- Cathay Life (Vietnam) has performed steadily
- Continues to expand agent force
- Increases footprints to extend offshore business

## ■ Cathay Century

- Continues to expand local channels to enhance growth momentum

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

# Cathay FHC in China



● Cathay Lujiazui Life

■ Cathay United Bank

▲ Cathay Century (China)

◆ Cathay Securities

◆ Conning Asia Pacific Limited

● CDBS Cathay Asset Management Company

## ■ Cathay United Bank

- Shanghai branch earnings continues to grow

## ■ Cathay Lujiazui Life

- FY16 solvency ratio reached 225%
- Reported pre-tax profits of 7MN RMB in FY16

## ■ Cathay Century (China)

- Alliance with Ant Financial group: Transaction completed in 2H16

## ■ Cathay Securities (HK)

- Each business line has performed steadily

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

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

## ■ Conning Asia Pacific Limited

- Continues to expand asset management business

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## Cathay United Bank





Cathay Life

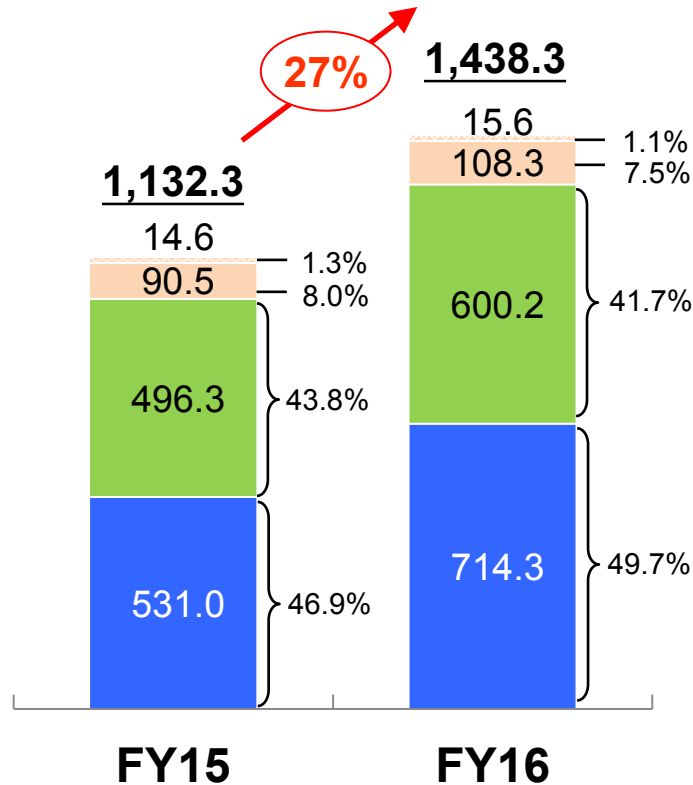
Cathay Century

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# Cathay United Bank – Loan & deposit breakdown

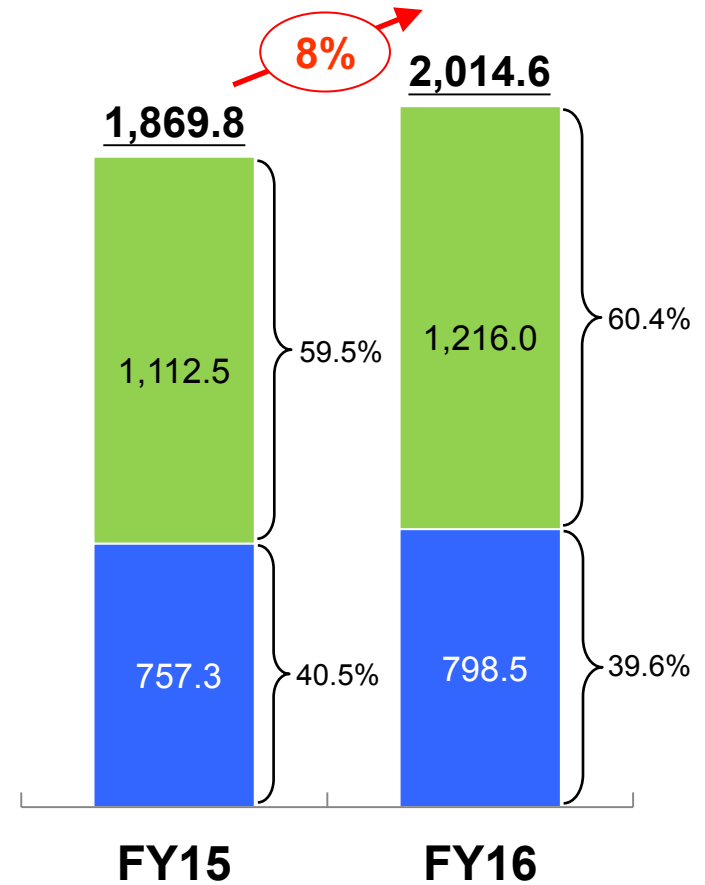
## Loan breakdown

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



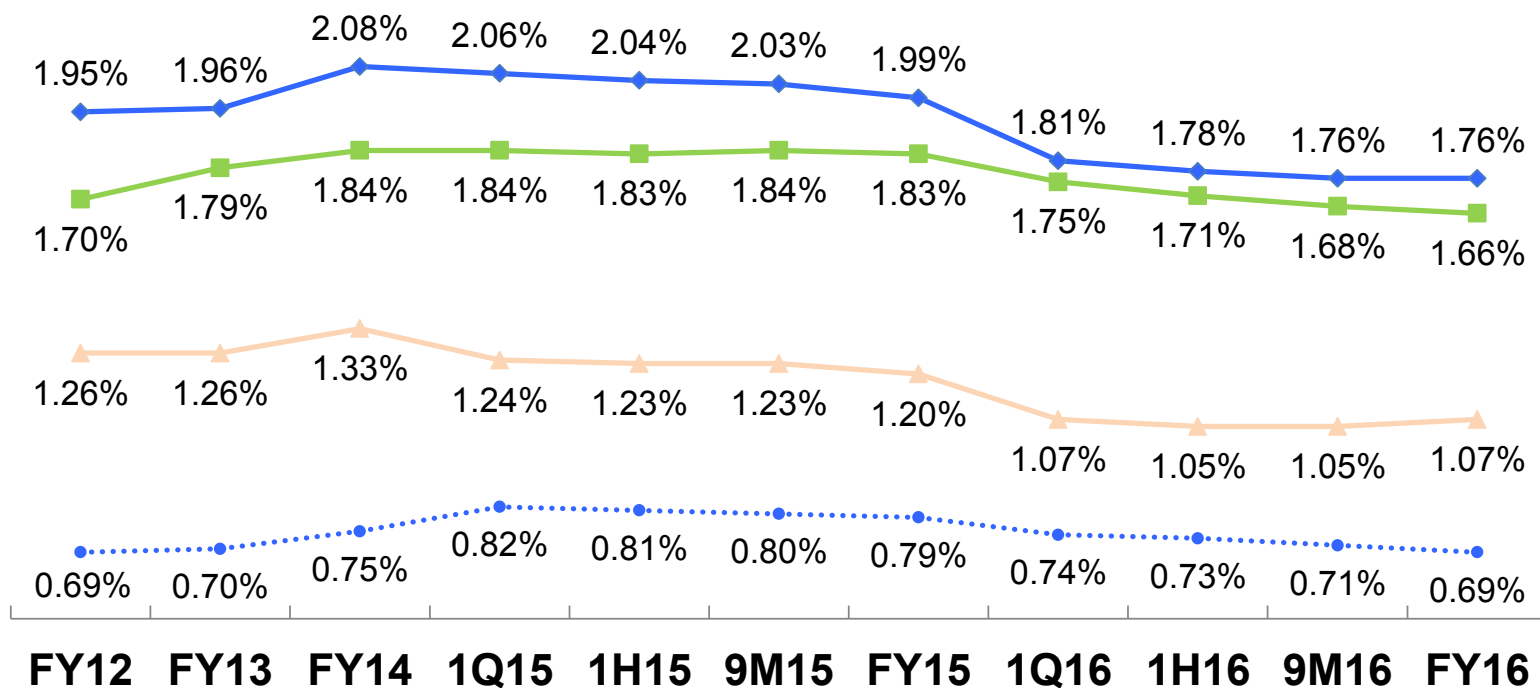
## Deposit breakdown

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



# Cathay United Bank – Interest yields

◆ Avg. rate of interest-earning assets    ■ Interest spread    ▲ Net interest margin    ●●● Funding cost

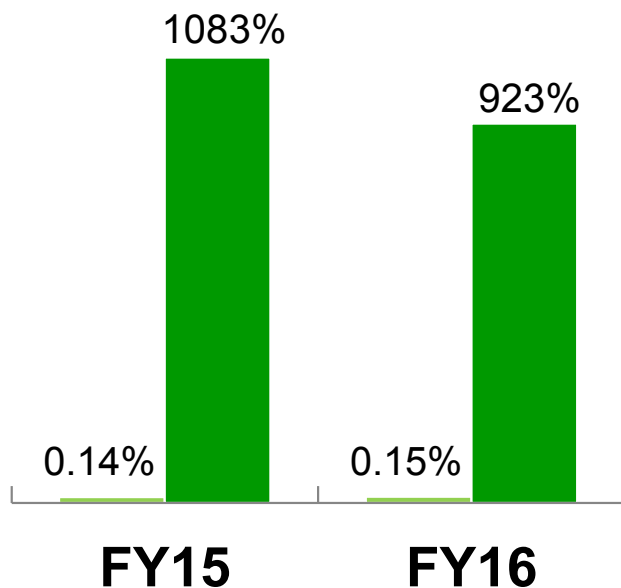


Note: Credit card related loans are included in the calculation of interest spread.

# Cathay United Bank – Credit quality

## NPL & Coverage ratio

- NPL ratio
- Coverage ratio



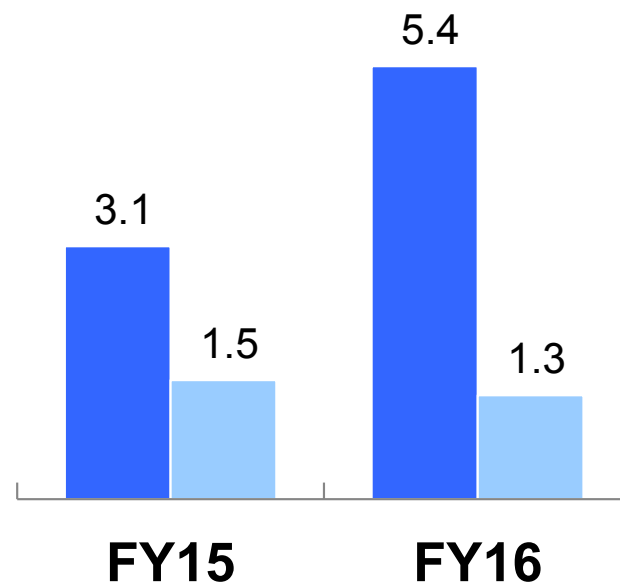
Mortgage NPL

0.04%

0.08%

## Gross provision

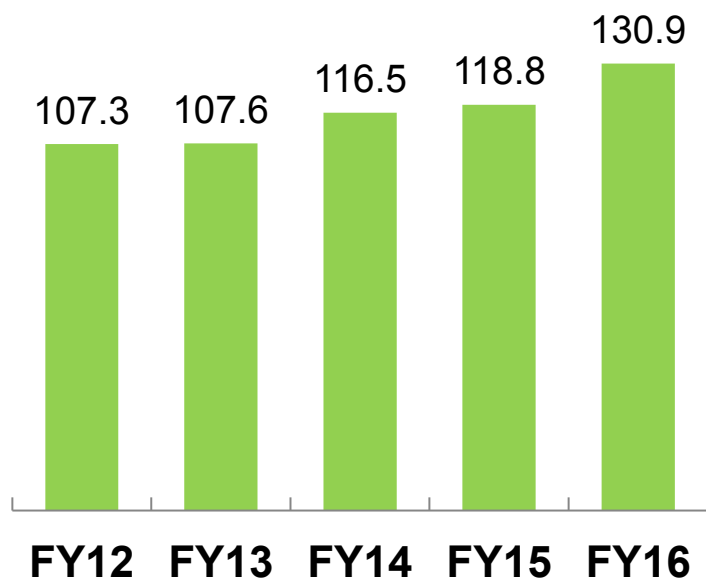
- Gross provision (NT\$BN)
- Recovery



# Cathay United Bank – SME & FX loans

## SME loans

(NT\$BN)

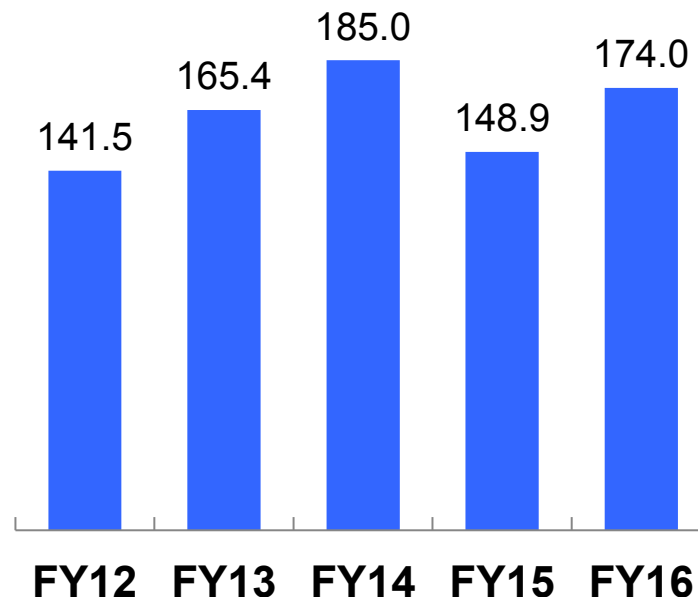


As % of total loans

11.5% 10.5% 10.5% 10.6% 9.2%

## Foreign currency loans

(NT\$BN)



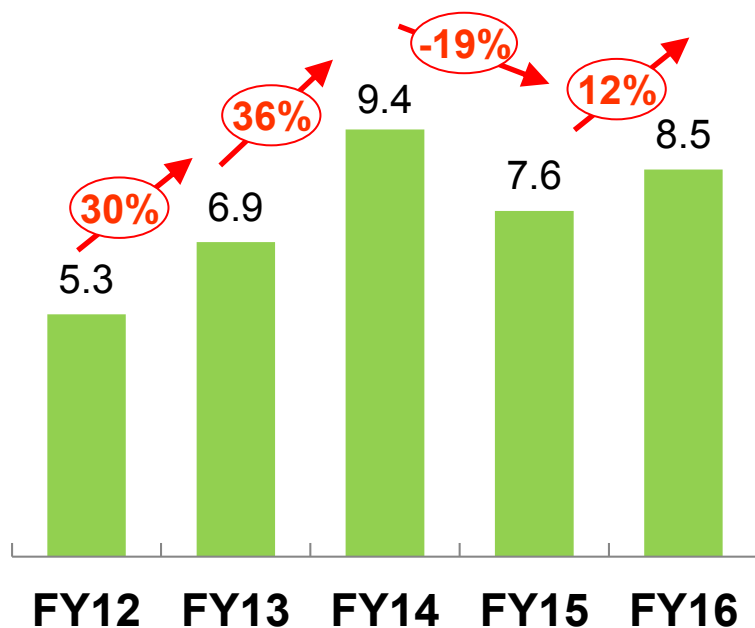
15.1% 16.1% 16.6% 13.3% 12.2%

Note: Total loans exclude credit card revolving balance.

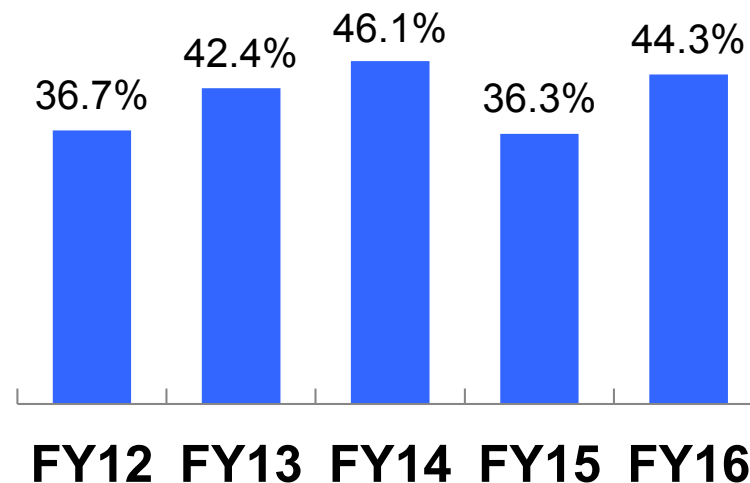
# Cathay United Bank – Offshore earnings

## Offshore earnings

(NT\$BN)



## As % of CUB pre-tax profits



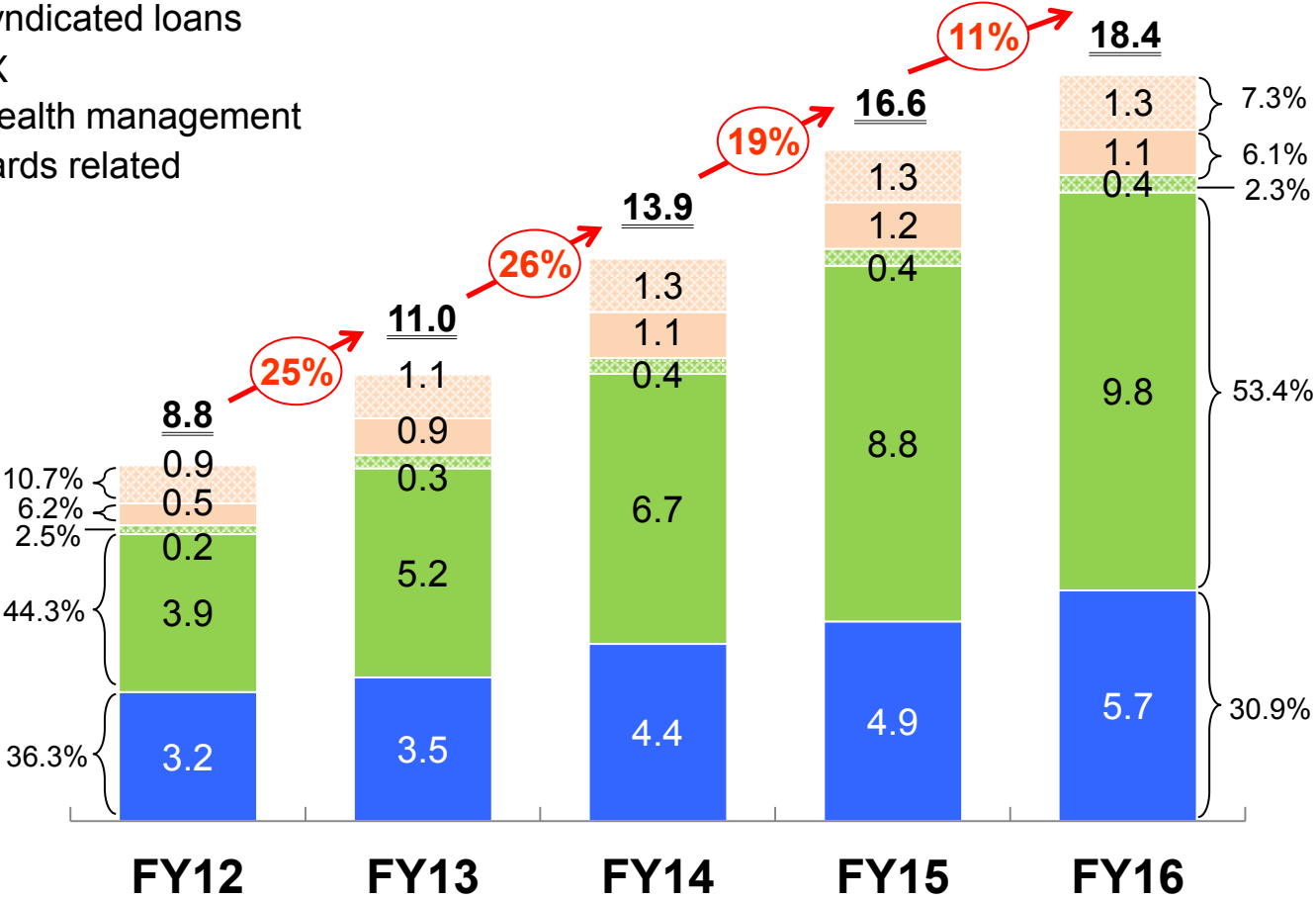


# Cathay United Bank – Fee income

## Fee income breakdown

- Others
- Syndicated loans
- FX
- Wealth management
- Cards related

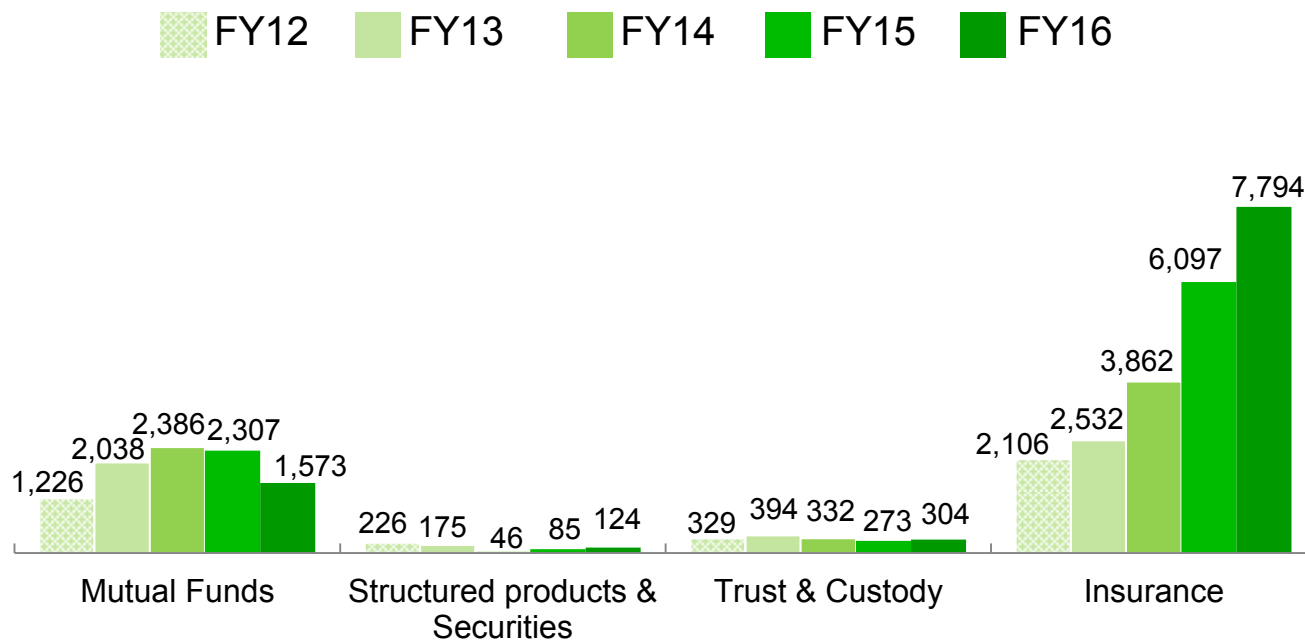
(NT\$BN)



# Cathay United Bank – Wealth management fee

## Wealth management fee breakdown

(NT\$MN)	FY12	FY13	FY14	FY15	FY16
Wealth Management Fee Income*	3,894	5,163	6,673	8,779	9,828
YoY growth (%)	17.7%	32.6%	29.2%	31.6%	11.9%

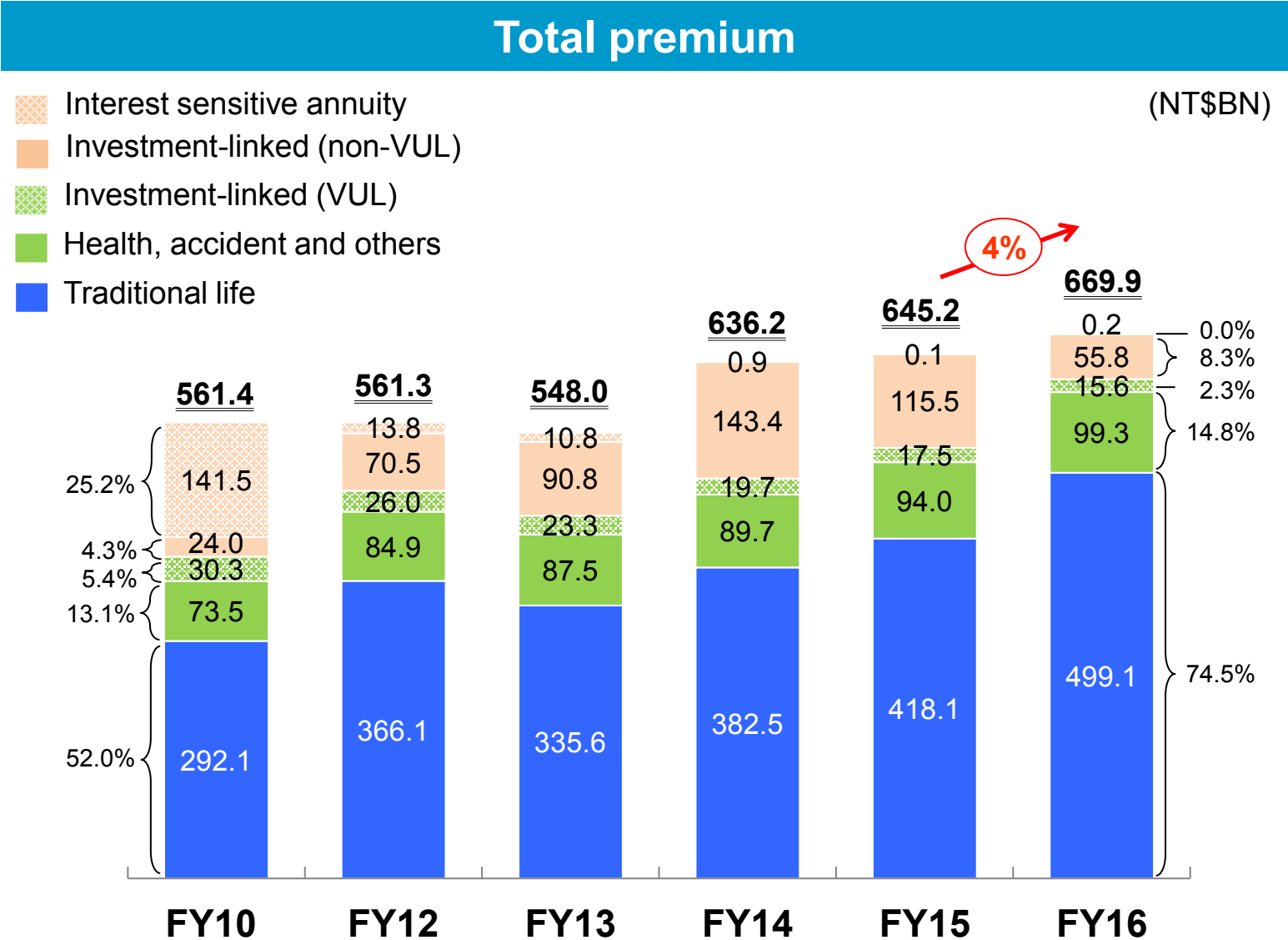


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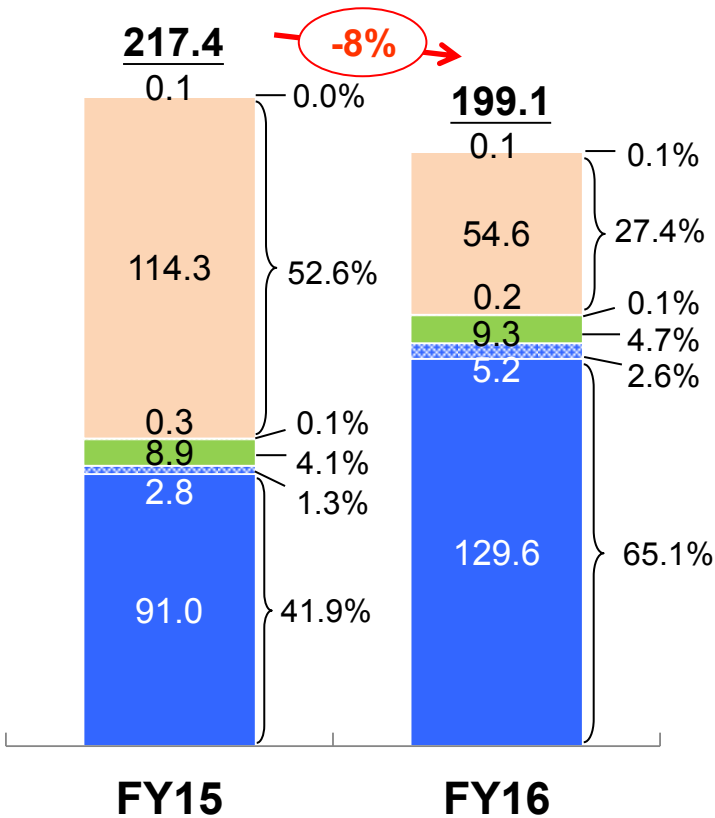
# Cathay Life – Total premium



# Cathay Life – FYP & FYPE

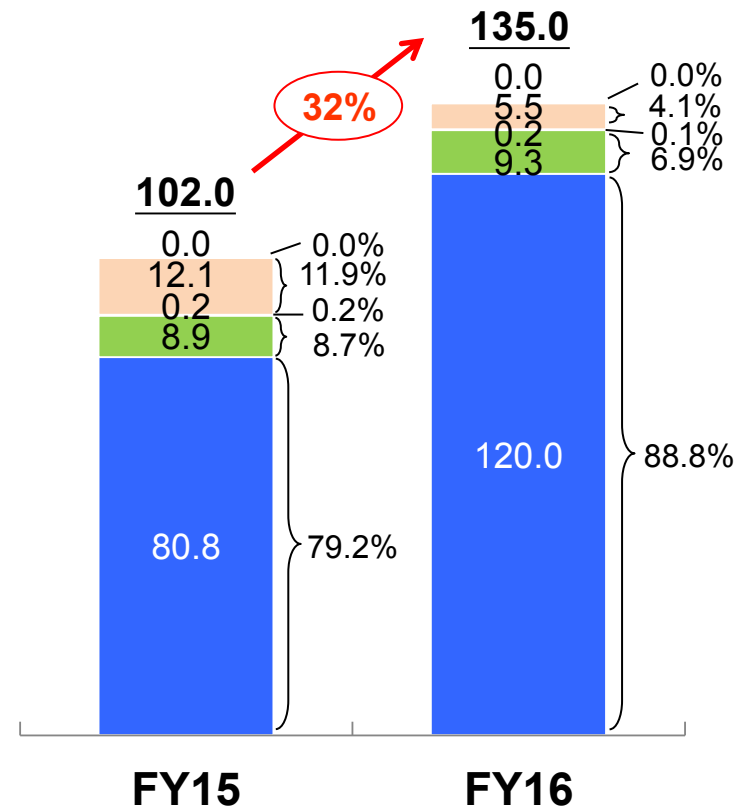
## First Year Premium

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



## Annualized First Year Premium

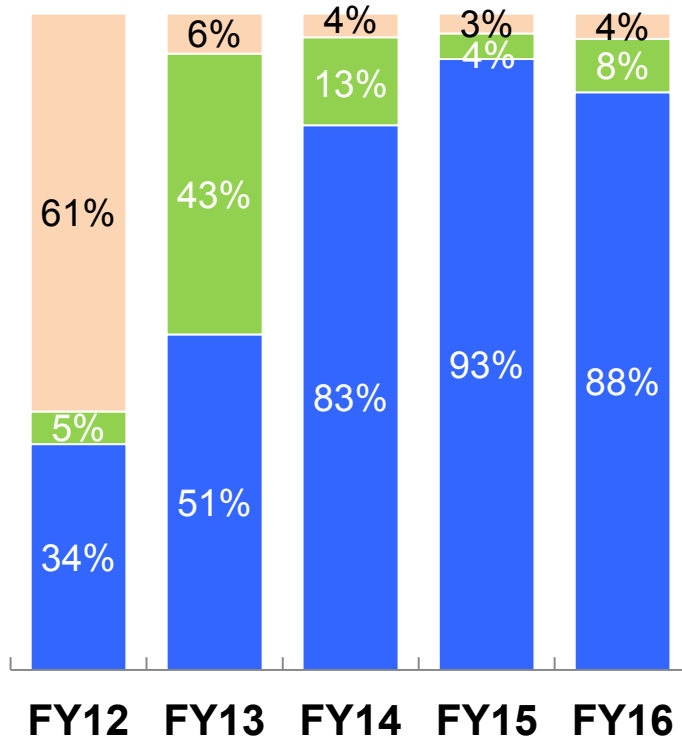
- Interest sensitive annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life



# Cathay Life – Regular paid policies remain as focus

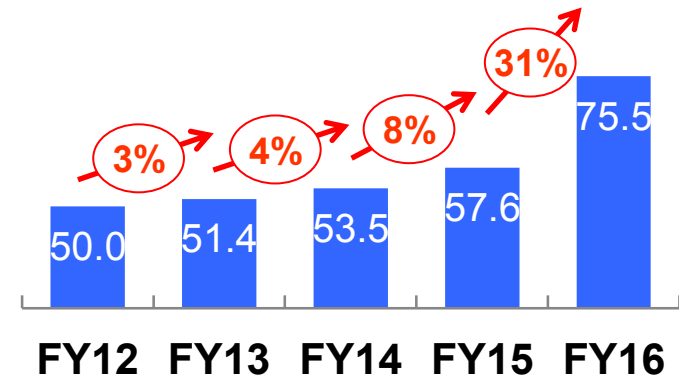
## Breakdown of Traditional FYP

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



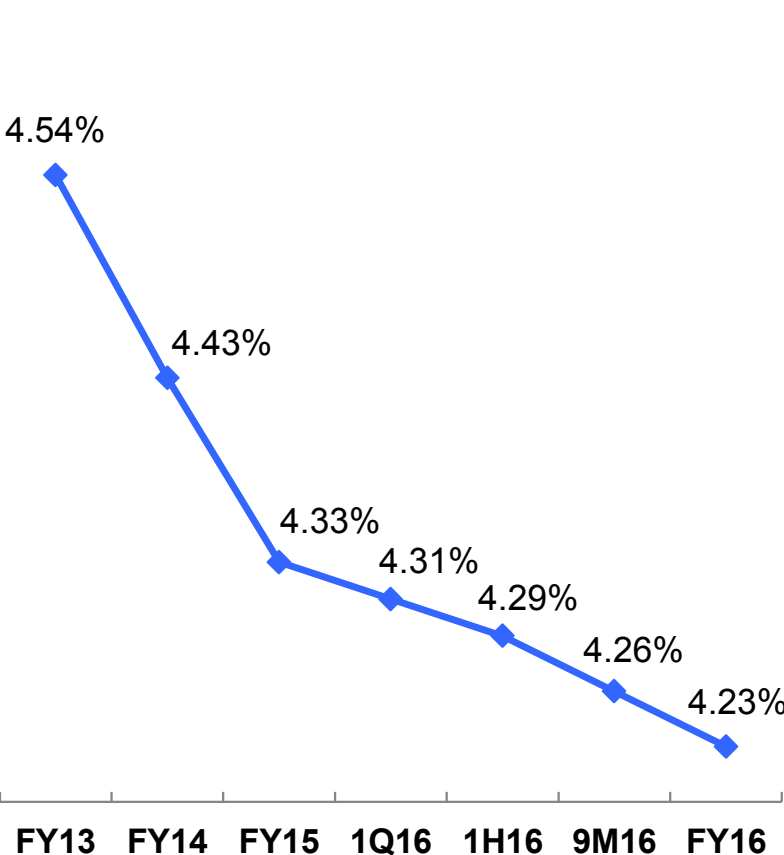
## Value for New Business

Profit Margin	FY12	FY13	FY14	FY15	FY16
VNB/FYP	19%	26%	23%	27%	38%
VNB/FYPE	54%	70%	75%	57%	56%

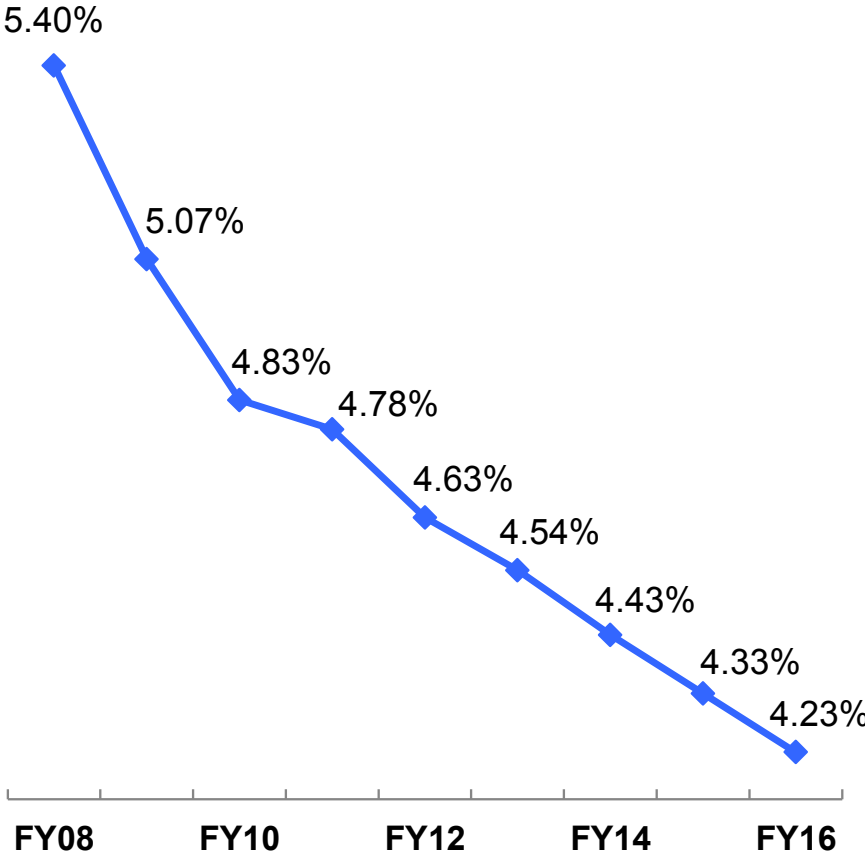


# Cathay Life – Cost of liability

### Cost of liability (quarterly)



### Cost of Liability (annual)



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

# Cathay Life – Investment portfolio

(NT\$BN)	FY13	FY14	FY15		FY16		
<b>Total investments<sup>(1)</sup></b>	<b>3,785.1</b>	<b>4169.1</b>	<b>4,636.6</b>		<b>5,001.1</b>		
	%	%	%	Amount	%	Amount	Invt' Return
<b>Cash &amp; Cash equivalents</b>	<b>3.7%</b>	<b>3.2%</b>	<b>1.3%</b>	<b>61.1</b>	<b>1.3%</b>	<b>63.1</b>	<b>0.5%</b>
<b>Equity- Domestic</b>	<b>8.9%</b>	<b>8.4%</b>	<b>7.4%</b>	<b>343.0</b>	<b>7.9%</b>	<b>393.9</b>	<b>5.0%</b>
<b>Equity- International<sup>(2)</sup></b>	<b>4.9%</b>	<b>5.0%</b>	<b>6.2%</b>	<b>289.2</b>	<b>6.4%</b>	<b>319.0</b>	<b>5.0%</b>
<b>Bond- Domestic</b>	<b>14.4%</b>	<b>11.0%</b>	<b>8.0%</b>	<b>373.0</b>	<b>6.5%</b>	<b>327.1</b>	<b>2.3%</b>
<b>Bond- International<sup>(1)(2)</sup></b>	<b>38.9%</b>	<b>43.6%</b>	<b>50.6%</b>	<b>2,344.8</b>	<b>53.8%</b>	<b>2,692.3</b>	<b>5.7%</b>
<b>Mortgage &amp; Secured loans</b>	<b>12.2%</b>	<b>12.7%</b>	<b>10.2%</b>	<b>471.5</b>	<b>8.9%</b>	<b>445.2</b>	<b>1.9%</b>
<b>Policy loans</b>	<b>4.7%</b>	<b>4.0%</b>	<b>3.6%</b>	<b>169.2</b>	<b>3.3%</b>	<b>164.9</b>	<b>6.1%</b>
<b>Real estate</b>	<b>10.6%</b>	<b>10.5%</b>	<b>10.5%</b>	<b>489.0</b>	<b>9.8%</b>	<b>487.9</b>	<b>3.3%</b>
<b>Others</b>	<b>1.7%</b>	<b>1.6%</b>	<b>2.1%</b>	<b>95.8</b>	<b>2.2%</b>	<b>107.8</b>	

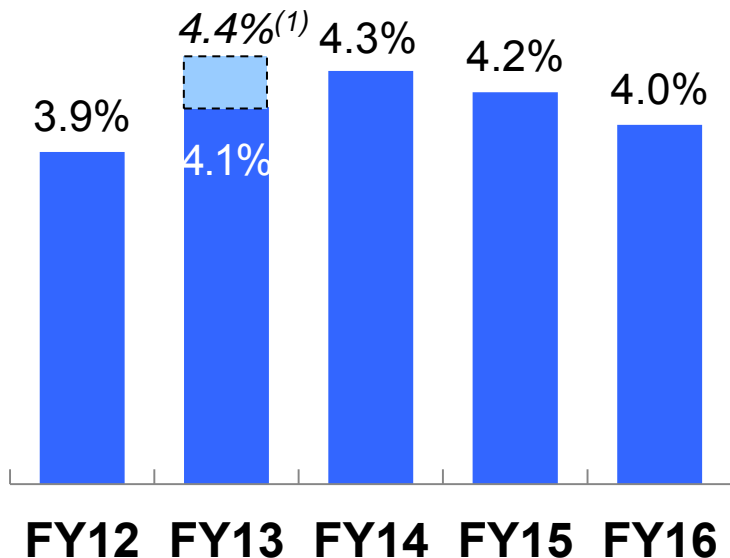
Note: (1) Total assets excluded separate account assets; international bond includes foreign currency deposit and related adjustments

(2) Yields of international equity and international bond are pre-hedge investment yields.

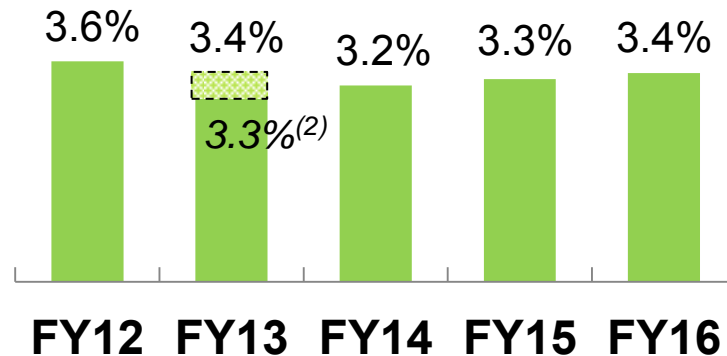


# Cathay Life – Investment performance highlight

## After-hedging investment yield

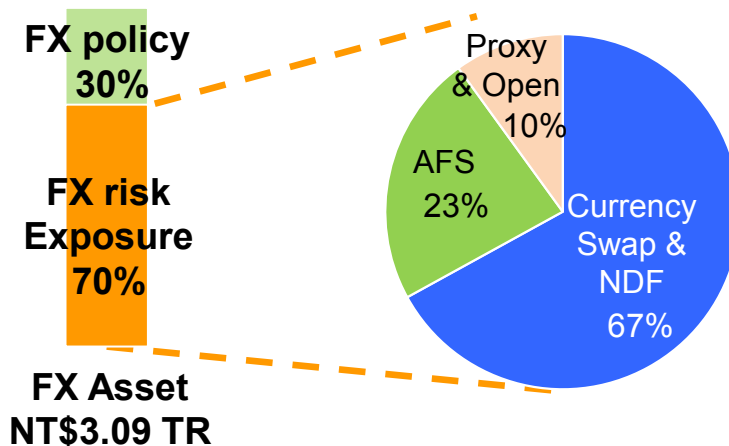


## Pre-hedging recurring yield



## Currency Hedging Structure

**FY16 Hedging cost 0.78%**

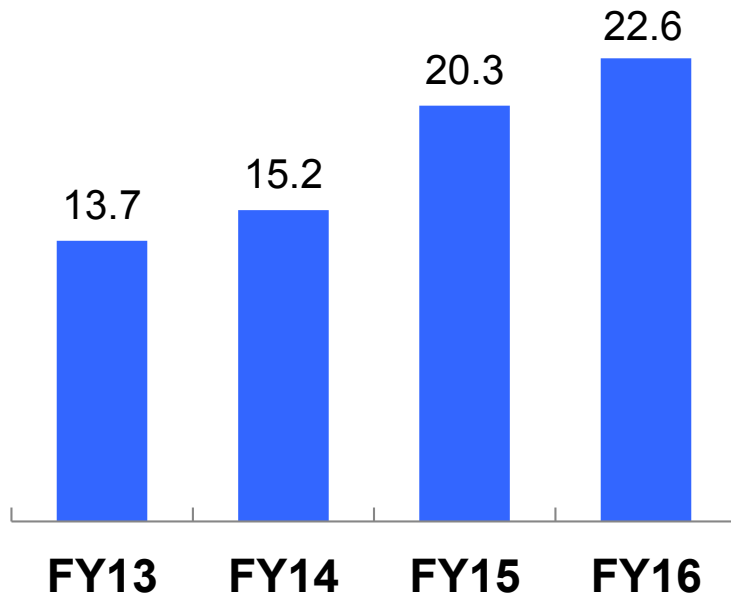


Note: (1) FY13 after-hedging investment yield 4.4% was pro forma adjusted number of fair value method on investment property.  
 (2) FY13 pre-hedging recurring yield 3.3% was pro forma adjusted number of fair value method on investment property.  
 (3) Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend. Most dividend will be recognized in 2Q & 3Q.

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

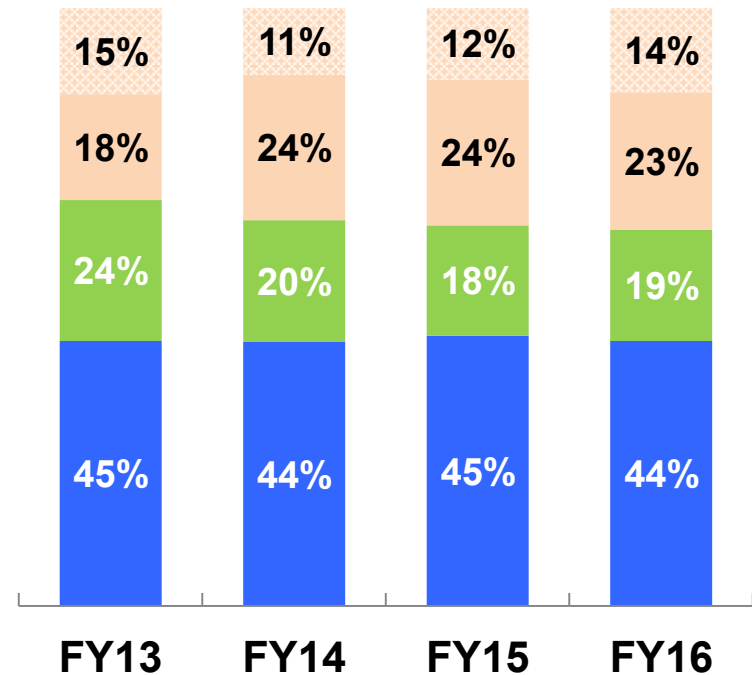
## Cash dividend income

(NT\$BN)



## Overseas fixed income by region\*

- Others
- Asia Pacific
- Europe
- North America



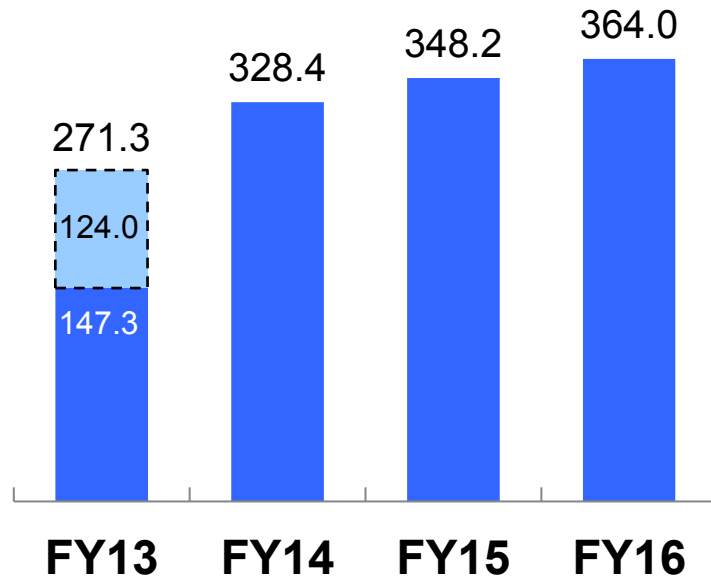
Note: Exclude overseas deposit and equity.

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

## Book value

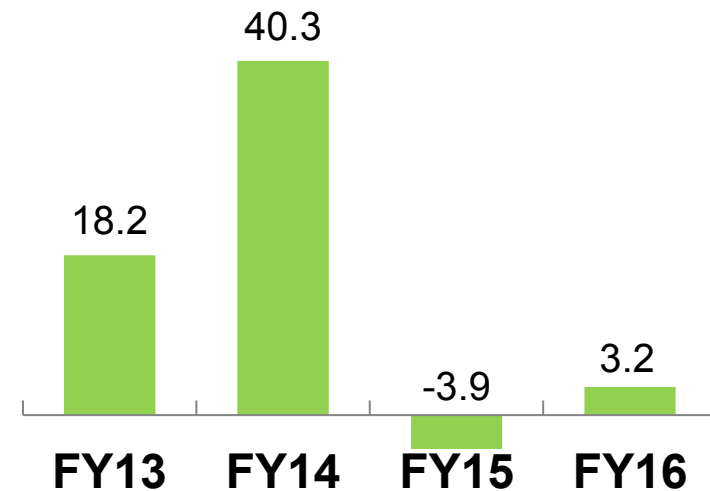
(NT\$BN)

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



## Unrealized G/L of AFS financial assets

(NT\$BN)



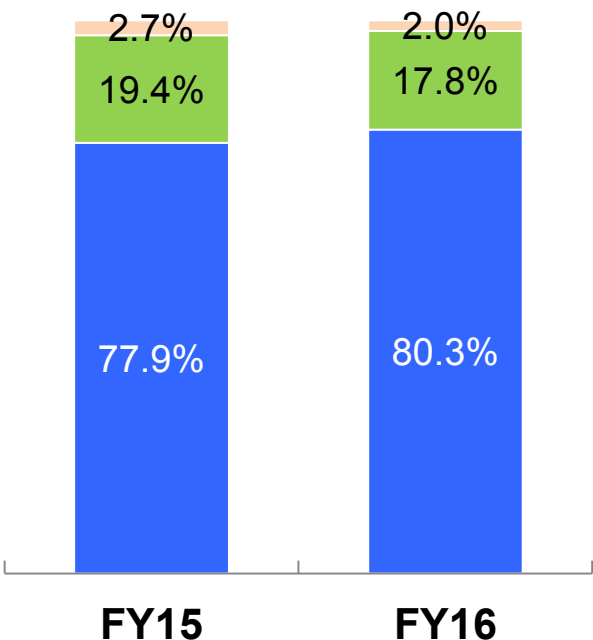
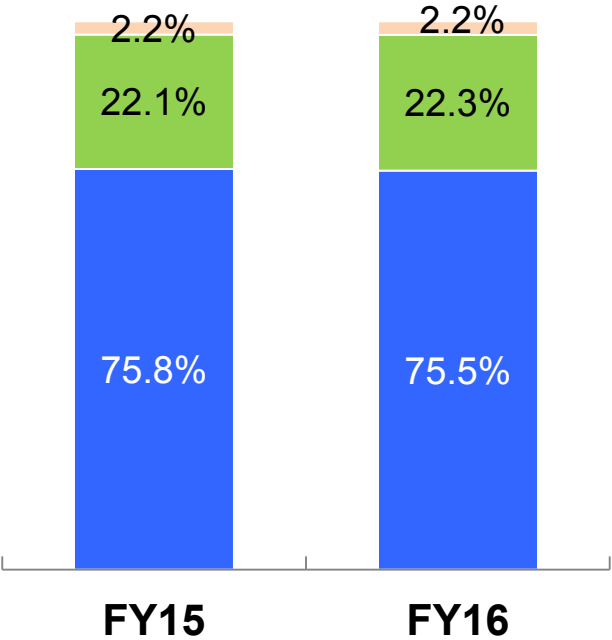
Note: FY13 figures reflected the impact from applying fair value method on investment property

# Cathay Life – Distribution channel

## First Year Premium

## Annualized First Year Premium

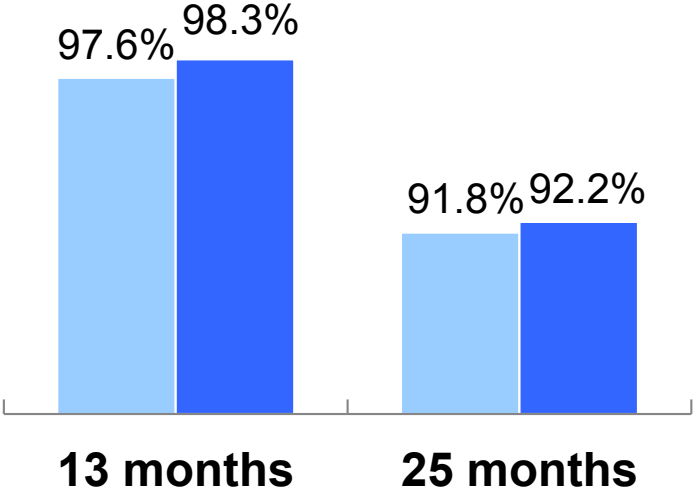
- Others
- Bancassurance-CUB
- Tied agents



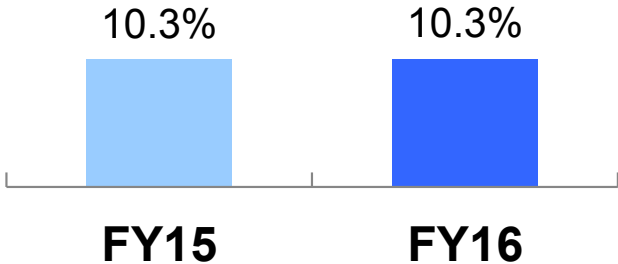
# Cathay Life – Operational indicators

## Persistency ratio

FY15      FY16



## Expense ratio



# Agenda

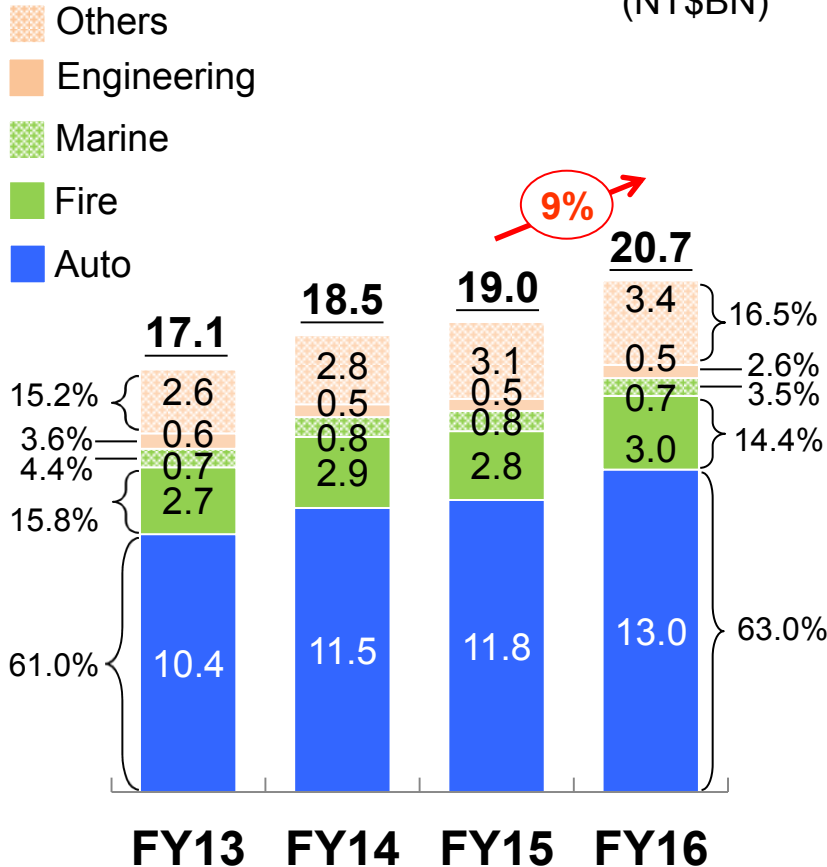
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# Cathay Century – Premium income

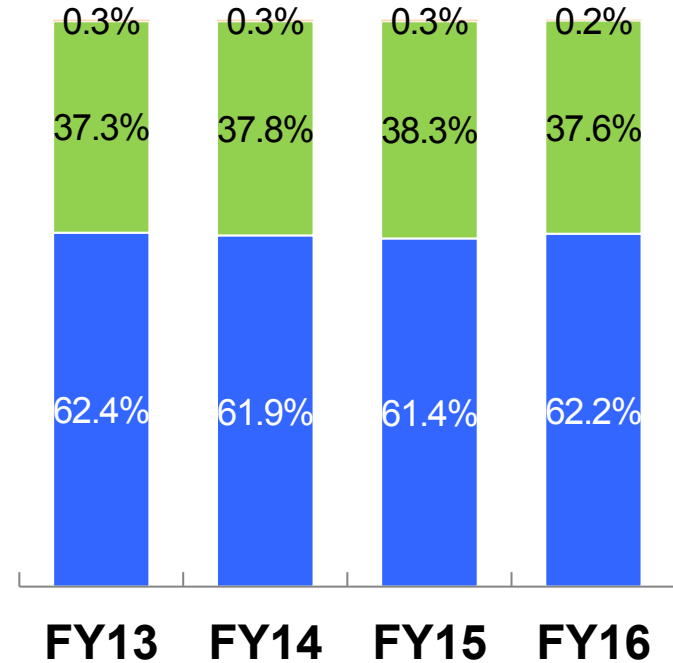
## Premium income

(NT\$BN)



## Distribution channel

(NT\$BN)

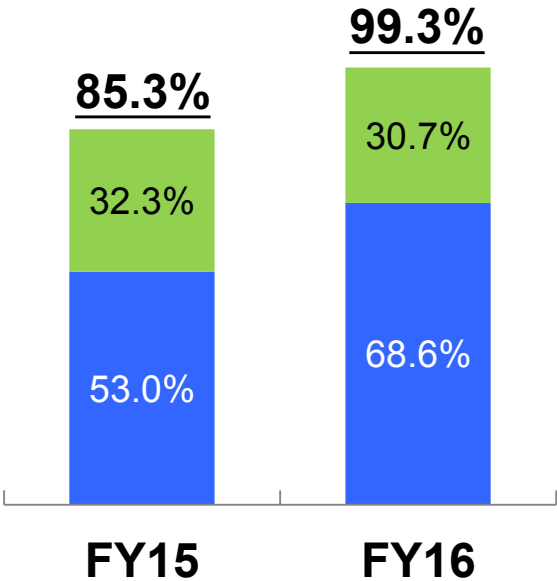


Market share	13.4%	13.6%	13.3%	13.6%
Retention	76.1%	76.9%	74.9%	75.7%

# Cathay Century – Combined ratio

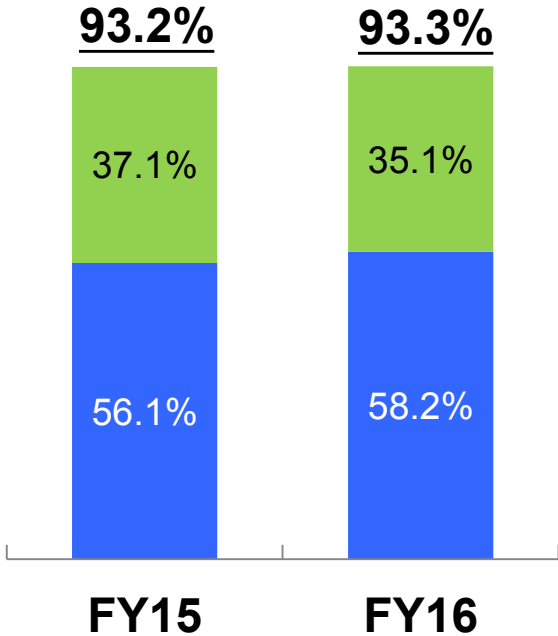
## Gross combined ratio

- Gross expense ratio
- Gross loss ratio



## Retained combined ratio

- Retained expense ratio
- Retained loss ratio





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# Cathay Life complies with the PSI

- ❑ Cathay Life insurance started to comply with the PSI at Q1 of 2016

## PSI in the World

- ❑ Launched at the 2012 UN Conference on Sustainable Development
- ❑ Served as a global framework for the insurance industry to address environmental, social and governance risks and opportunities.
- ❑ A total of 55 insurance companies signed the PSI initiative (2017/2). Eight signatories are from property insurers and reinsurers in the Asia region.



# About the PSI, Our Strategy and Practice

## Principles

- I. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.
- II. We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.
- III. We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.
- IV. We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

## Our Strategy and Practice

- Not only value the financial performance, but devote efforts to CS development . We apply our core competitiveness to contribute and be the driving force to the development of the industry.
- Improve financial inclusion, reinforce operation management and augment the power of the value chain to the environment and society.
- Expand influences to employees, clients, business partners and the general publics.
- Starting from 2017, we will proactively release disclosure report yearly.

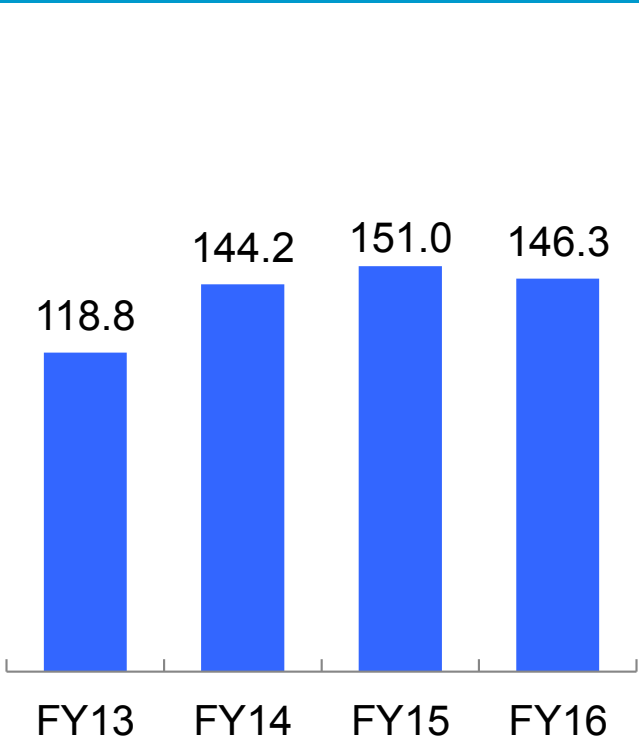
# Agenda

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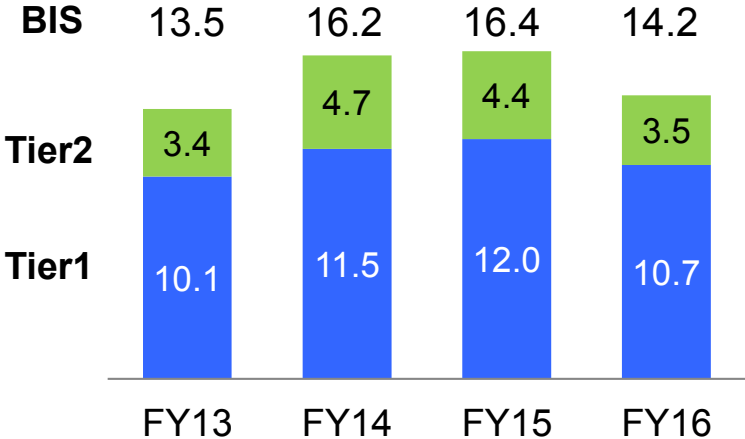
- **2016 Business Overview and 2017 Outlook**
- **Overseas Expansion**
- **Business Performance Summary**
  - Cathay United Bank
  - Cathay Life
  - Cathay Century
- **Cathay Life complies with the PSI**
- **Appendix**

# Capital adequacy

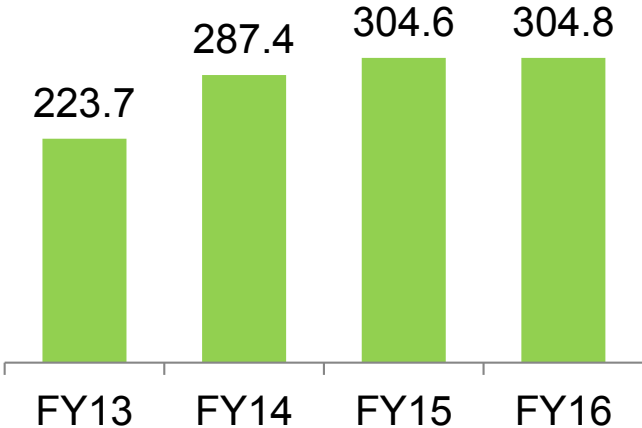
**Cathay FHC CAR (%)**



**CUB Capital Adequacy (%)**

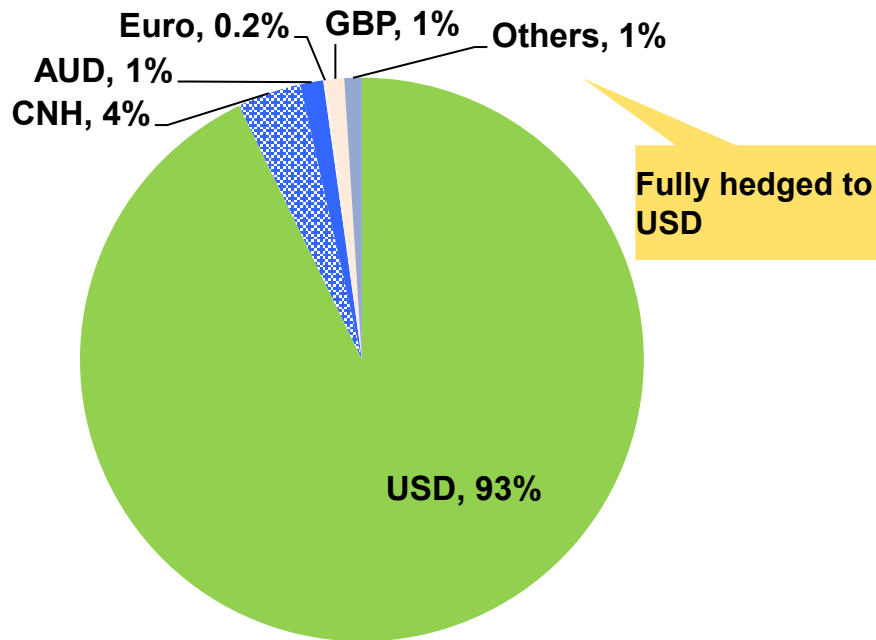


**Cathay Life RBC(%)**

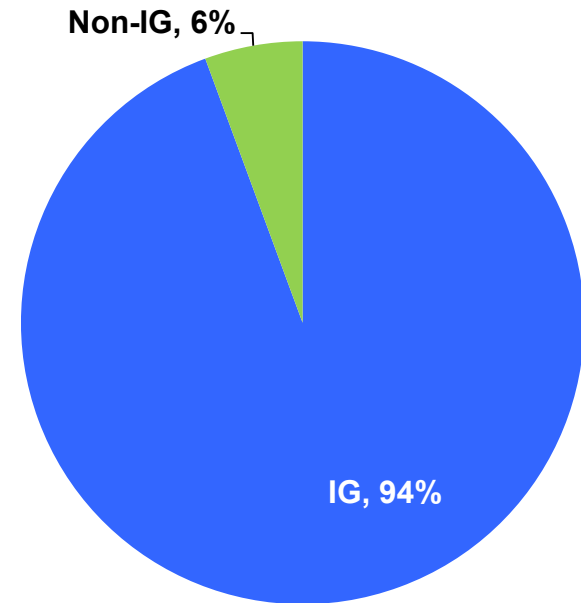


# Cathay Life – Overseas bond breakdown by currency and rating

## Overseas bond by currency (FY16)



## Overseas bond by rating (FY16)



Note: Totals may not sum due to rounding.

# About the PSI, Our Strategy and Practice

## Principles

- I. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.
- II. We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.
- III. We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.
- IV. We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

## Our Strategy and Practice

- Not only value the financial performance, but devote efforts to CS development . We apply our core competitiveness to contribute and be the driving force to the development of the industry.
- Improve financial inclusion, reinforce operation management and augment the power of the value chain to the environment and society.
- Expand influences to employees, clients, business partners and the general publics.
- Starting from 2017, we will proactively release disclosure report yearly.

# Appendix : Cathay Life PSI Disclosure(1)

**Principle I. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.**

## Company Strategy

- ❑ Incorporate ESG issues into our decision-making and invited an independent director to supervise Cathay FHC' CS Committee.
- ❑ Create diversified learning environments and internal communication channels for our employees.
- ❑ Implemented energy and environmental management and GHG inventory.

## Risk Management & Underwriting

- ❑ Formed an IFRS 17 implementation panel and developed an IFRS 9 expected credit losses model.
- ❑ Enhanced operational risk management, information system management, and personal information protection and management.
- ❑ Collaborated with academia and built comprehensive risk assessment models.

## Claims Management

- ❑ Enhanced efficiency of claim process from 3 days down to 10 minutes. 3-day claim settlement rate rose to 98%.



# Appendix : Cathay Life PSI Disclosure(2)

## Sales and Marketing

- ❑ Implemented the “Agency 2.0 Project” to strengthen agents’ competency.
- ❑ Carried out telephone interview with 100% of our customers.

## Product and Service Development

- ❑ Provide micro-insurance, insurance products for the aging population, and health insurance products.
- ❑ Provide AI customer service, mobile shower vehicle home service, in-kind benefit of overseas emergency assistance, and prescription drugs delivery.
- ❑ Promote E-service to enhance service efficiency and reduce paper usage.
- ❑ Certified by international service standards(Qualicert, EN15838 and ISO10002).
- ❑ Mechanisms for reminding customer’s right and monitoring service quality.

## Investment Management

- ❑ Provide investment team with ESG trainings for better understanding of global trends, principles and market practices of responsible investment(RI).
- ❑ Specify in “Investment Policy”, “Investment Management Procedure” and “Corporate Credit Lending Review Procedure” that RI principles need to be considered in process.
- ❑ Demand the building construction projects we invest in to be designed in accordance with green building standards.

# Appendix : Cathay Life PSI Disclosure(3)

**Principle II. We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.**

## Clients and Suppliers

- ❑ Promote energy/carbon reduction activities and E-service to clients.
- ❑ Dedicated to green supply chain by assessing business partners' ESG awareness and holding supplier conference. Total green procurement amount exceeded the amount required by Taiwan EPA.
- ❑ Mandate our international equity assets to those asset management companies who considers RI principles or who are one of UNPRI signatories.

## Insurers, Reinsurers and Intermediaries

- ❑ Promote our E-Service standards to contracted brokers.
- ❑ Three of our reinsurers are members of PSI.



Thank You

**Cathay Financial Holdings**  
**(NT\$MMN)**

<b><u>Income Statement Data (Consolidated)</u></b>				<b>FY16/</b>			<b>4Q16/</b>
	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY15</b>	<b>4Q15</b>	<b>4Q16</b>	<b>4Q15</b>
				<b>% Chg</b>			<b>% Chg</b>
<b>Operating Income</b>							
Net interest income	125,123	139,998	153,478	10%	37,290	39,389	6%
Net commission and fee	369	(4,480)	(7,913)	-77%	(1,571)	(1,835)	-17%
Net earned premium	488,327	535,858	622,916	16%	146,769	167,719	14%
Change in liability reserve	(290,800)	(306,598)	(408,614)	-33%	(67,539)	(103,580)	-53%
Net claims payment	(285,869)	(309,104)	(308,697)	0%	(95,929)	(85,587)	11%
Investment income	75,751	63,734	37,782	-41%	1,653	5,098	208%
Contribution from associates-equity method	168	1,108	1,202	9%	470	251	-47%
Other net non-interest income	3,449	14,151	40,512	186%	4,004	5,650	41%
Bad debt expense	(2,982)	(2,467)	(5,232)	-112%	(1,913)	(1,449)	24%
Operating expense	(57,477)	(65,067)	(75,250)	-16%	(19,385)	(22,435)	-16%
<b>Income before taxes</b>	<b>56,058</b>	<b>67,132</b>	<b>50,185</b>	<b>-25%</b>	<b>3,848</b>	<b>3,221</b>	<b>-16%</b>
Income taxes	(6,427)	(9,250)	(2,145)	77%	(851)	5,568	755%
Net income	49,631	57,882	48,039	-17%	2,998	8,790	193%
EPS (NT\$)	3.93	4.58	3.79		0.25	0.71	
<b><u>Dividend Payout</u></b>							
Cash dividend per share	2.00	2.00					
Stock dividend per share	0.00	0.00					
Weighted average outstanding shares (Millions of common shares)	12,563	12,563	12,563				
<b><u>Balance Sheet Data</u></b>							
Total assets	6,944,837	7,568,975	8,135,137				
Total shareholders' equity	439,120	461,062	529,824				
<b><u>Operating Metrics</u></b>							
ROAE (Consolidated)	12.10%	12.86%	9.70%				
ROAA (Consolidated)	0.76%	0.80%	0.61%				
Double leverage ratio(inc. preferred stock)	113%	111%	105%				
<b><u>Capital Adequacy Metrics</u></b>							
Capital Adequacy Ratio	144%	151%	146%				

**Notes:**

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(2) Starting from 2015/1/1, Cathay FHC adopted IFRS 2013 version and has adjusted FY14 financial data to pro-forma basis.

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

(3) Total may not sum due to rounding.

**Cathay Life**

(NT\$MN)

<b>Income Statement Data (Consolidated)</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY16/</b>	<b>4Q15</b>	<b>4Q16</b>	<b>4Q16/</b>
				<b>FY15</b>			<b>% Chg</b>
Net written premium	472,630	519,014	605,910	17%	142,019	163,611	15%
Net earned premium	471,849	518,250	605,231	17%	141,560	163,048	15%
Reinsurance commission earned	4,740	200	363	81%	(21)	4	121%
Fee income	5,943	5,762	5,542	-4%	1,353	1,446	7%
Recurring investment income	124,152	140,977	161,051	14%	33,940	37,108	9%
Gain on disposal of investment							
Realized gain (loss)-Equity	23,357	30,072	14,346	-52%	3,375	6,367	89%
Realized gain (loss)-Debt	12,828	14,804	29,382	98%	1,995	2,699	35%
Gain on investment property	16,579	11,074	5,000	-55%	(237)	(255)	-8%
FX and others, net	(7,166)	(13,101)	(17,469)	-33%	(4,466)	(5,733)	-28%
Investment income, net	169,750	183,827	192,310	5%	34,608	40,187	16%
Other operating income	9	914	5,032	450%	800	1,392	74%
Separate account revenues	115,040	17,303	39,589	129%	12,141	6,862	-43%
Net claims payment	(275,195)	(298,102)	(297,201)	0%	(92,114)	(82,345)	11%
Changes in liability reserves	(290,109)	(305,864)	(408,398)	-34%	(67,619)	(103,455)	-53%
Acquisition and commission expense	(32,405)	(33,238)	(38,901)	-17%	(8,842)	(10,548)	-19%
Other operating costs	(4,544)	(5,541)	(6,381)	-15%	(1,642)	(1,812)	-10%
Financial cost	(106)	(296)	(413)	-40%	18	(48)	-363%
Separate account expense	(115,040)	(17,303)	(39,589)	-129%	(12,141)	(6,862)	43%
Operating expense	(16,869)	(23,021)	(30,768)	-34%	(7,400)	(9,468)	-28%
Net non-operating income	1,482	1,265	1,956	55%	412	562	36%
Income taxes	(2,810)	(5,710)	1,861	133%	(68)	5,906	8764%
Net income	31,734	38,447	30,235	-21%	1,045	4,870	366%
<b>Balance Sheet Data</b>							
Total assets	4,704,976	5,179,877	5,556,950				
General account	4,242,710	4,699,309	5,058,936				
Separate account	462,267	480,568	498,014				
Reserves for life insurance liabilities	3,770,679	4,228,117	4,567,324				
Total liabilities	4,376,595	4,831,642	5,192,967				
Total shareholders' equity	328,382	348,235	363,984				
<b>Operating Metrics</b>							
First Year Premium(FYP)	233,379	217,378	199,082				
First Year Premium Equivalent(FYPE)	71,147	102,002	135,035				
Expense ratio	9.9%	10.3%	10.3%				
13-M persistency ratio	97.9%	97.6%	98.3%				
25-M persistency ratio	94.9%	91.8%	92.2%				
ROAE	10.54%	11.36%	8.49%				
ROAA	0.71%	0.78%	0.56%				
<b>Capital Adequacy Metrics</b>							
RBC ratio (Standalone)	287%	305%	305%				

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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)					FY16/ FY15			4Q16/ 4Q15
<u>Income Statement Data (Consolidated)</u>	FY14	FY15	FY16	% Chg	4Q15	4Q16	% Chg	
<b>Operating Income</b>								
Net interest income	25,779	26,729	25,910	-3%	6,433	6,937	8%	
Fee income	11,806	14,344	15,745	10%	3,122	3,783	21%	
Investment income	7,326	5,599	8,278	48%	1,034	1,717	66%	
Other income	1,064	1,380	1,222	-12%	294	139	-53%	
<b>Net operating income</b>	45,975	48,052	51,154	6%	10,884	12,576	16%	
Operating expenses	(22,804)	(24,851)	(26,959)	-8%	(6,677)	(7,363)	-10%	
<b>Pre-provision profit</b>	23,170	23,201	24,195	4%	4,207	5,213	24%	
Net provisions for possible losses	(2,471)	(1,922)	(4,455)	-132%	(1,748)	(1,295)	26%	
<b>Income before taxes</b>	20,700	21,279	19,740	-7%	2,459	3,918	59%	
Income tax	(2,885)	(2,513)	(2,229)	11%	(291)	(514)	-77%	
<b>Net income</b>	17,814	18,767	17,511	-7%	2,168	3,404	57%	
<b>Balance Sheet Data</b>								
Total assets	2,243,958	2,383,377	2,566,669					
Loans, net	1,119,281	1,127,807	1,437,531					
Financial assets	649,497	791,192	849,989					
Total liability	2,096,340	2,226,608	2,406,701					
Deposits	1,739,023	1,881,657	2,032,600					
Financial Debenture Payable	67,614	51,900	51,900					
Total shareholders' equity	147,617	156,769	159,968					
<b>Operating Metrics</b>								
Cost income ratio	49.60%	51.72%	52.70%					
ROAE	12.71%	12.33%	11.06%					
ROAA	0.84%	0.81%	0.71%					
<b>Assets Quality</b>								
NPL	3,277	1,599	2,133					
NPL ratio	0.29%	0.14%	0.15%					
NPL provisions	17,675	17,323	19,686					
Coverage ratio	539%	1083%	923%					
<b>Capital Adequacy Metrics</b>								
BIS ratio (Standalone)	16.2%	16.4%	14.2%					
Tier I Ratio (Standalone)	11.5%	12.0%	10.7%					

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

(NT\$MM)				FY16/ FY15 % Chg	4Q15	4Q16	4Q16/ 4Q15 % Chg
<b>Income Statement Data (Consolidated)</b>							
Premium income	21,279	22,449	22,774	1%	6,334	5,522	-13%
Net written premium	16,080	17,254	17,390	1%	4,853	4,209	-13%
Net earned premium	15,626	17,169	17,213	0%	4,535	4,032	-11%
Reinsurance commission earned	683	517	526	2%	136	115	-16%
Fee income	45	48	44	-7%	14	10	-25%
Investment	918	972	2,082	114%	204	8	-96%
Interest income	609	564	568	1%	151	127	-16%
Other investment income, net	308	408	1,514	271%	54	(118)	-320%
Other operating income	7	15	0	-100%	1	0	-100%
Net claims payment	(8,747)	(9,292)	(9,559)	-3%	(2,790)	(2,196)	21%
Changes in liability reserves	(691)	(734)	(209)	71%	79	(119)	-250%
Commissions and other operating costs	(1,218)	(1,402)	(1,289)	8%	(386)	(251)	35%
Operating expenses	(5,823)	(6,197)	(5,974)	4%	(1,668)	(1,383)	17%
<b>Operating income</b>	801	1,095	2,834	159%	125	216	73%
Net non-operating income	29	(4)	(1)	81%	9	6	-33%
Income taxes	(174)	(287)	(492)	-71%	(58)	(54)	7%
Net income	657	804	2,342	191%	77	168	120%
<b>Balance Sheet Data</b>							
Total assets	35,863	42,106	38,250				
Total stockholders' equity	6,829	7,219	9,216				
<b>Operating Metrics</b>							
Gross Combined ratio	90.7%	85.3%	99.3%				
Net Combined ratio	99.3%	93.2%	93.3%				
ROAE	10.71%	11.44%	28.50%				
ROAA	1.94%	2.06%	5.83%				
<b>Capital Adequacy Metrics</b>							
RBC ratio (Standalone)	324%	359%	385%				

### Notes:

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

(3) Total may not sum due to rounding.