



國泰金控

Cathay Financial Holdings

2019 First Quarter Briefing

May 2019



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Agenda

- **1Q19 Business Overview**
- **Overseas Expansion**
- **Business Performance Summary**
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Cathay Life Embedded Value & Appraisal Value**
- **Impact of IFRS 17**
- **Appendix**

1Q19 Business overview

Cathay United Bank

- Delivered solid loan and deposit growth with benign credit quality.
- Overseas expansion continued. FX loan grew steadily.
- Fee income continued to increase. Wealth management fee grew 10% YoY. Number of active cards ranked No.1 in the industry.

Cathay Life

- Focused on value-driven strategy. FYP for protection products grew ~70% YoY. FYPE remained No. 1 in the industry.
- Cost of liability continued to improve. Pre-hedging recurring yield increased to 3.34%.
- The shareholders' equity rebounded sharply. Unrealized G/L of financial assets has turned positive.

Cathay Century

- Premium income grew 7% YoY. Remained in second place with 11.8% market share.
- Developed online business in China and enlarged local team in Vietnam. Overseas premium income continued to rise.

Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$727.1 BN.
- Recognized by Asia Asset Management, Asian Investor, Benchmark and received Morning Star & Smart Magazine Taiwan Fund Award and TFF-Bloomberg Best Fund Award in 2019.

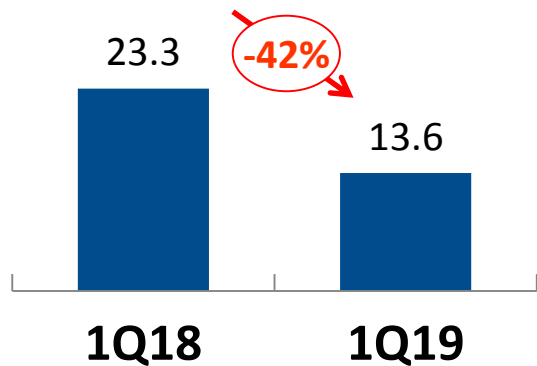
Cathay Securities

- Brokerage business grew steadily. Sub-brokerage market share ranked No.1.
- Optimized customer experience with new digital business model.

Cathay FHC – Net income & EPS

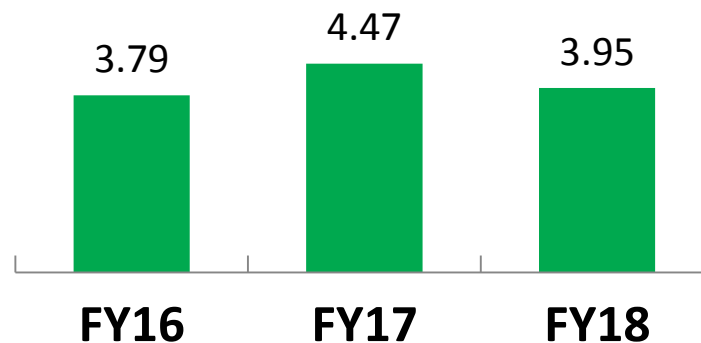
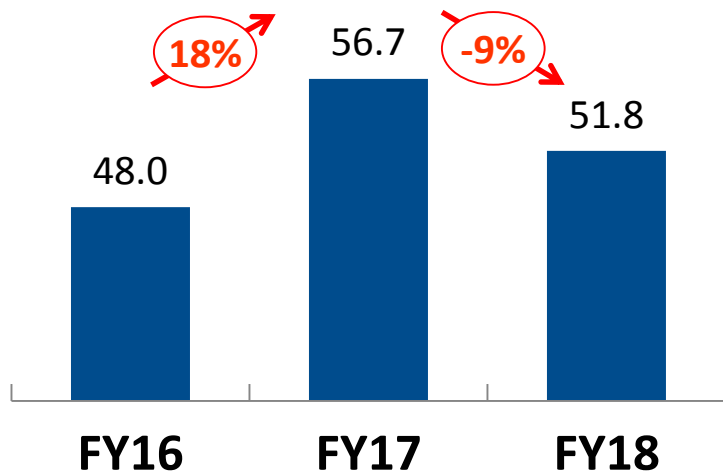
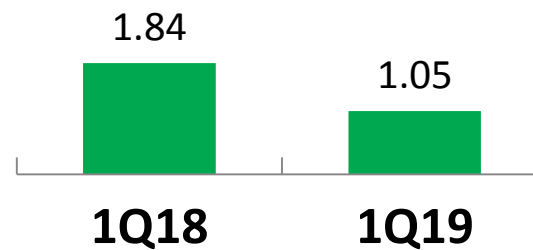
Net income

(NT\$BN)



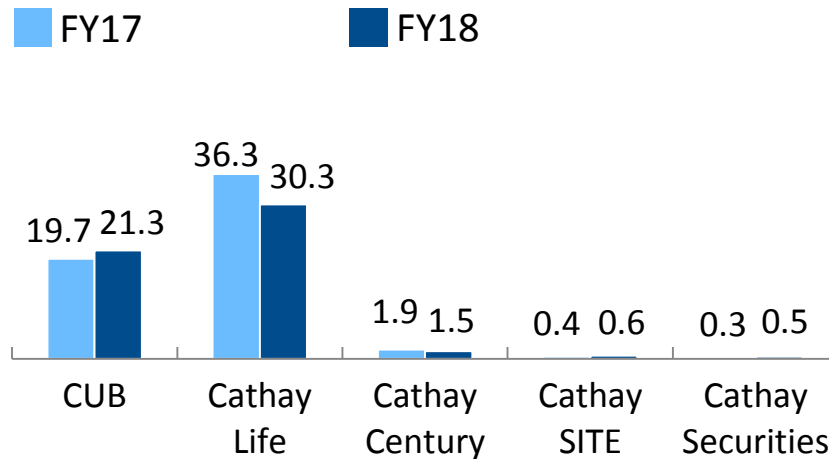
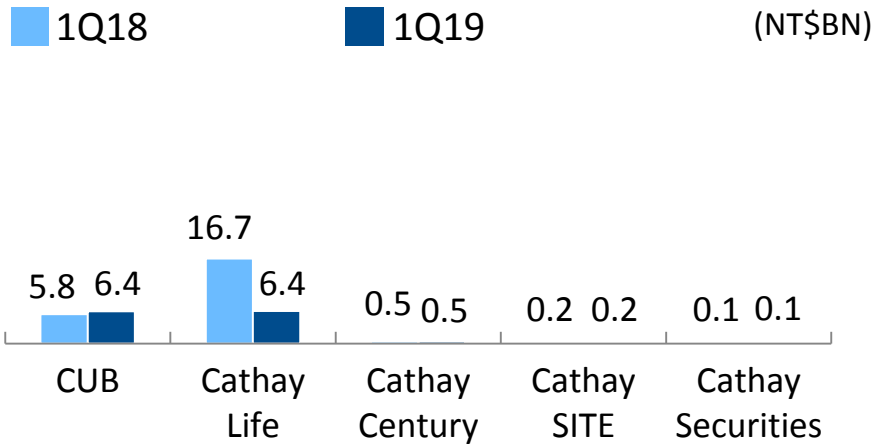
EPS

(NT\$)

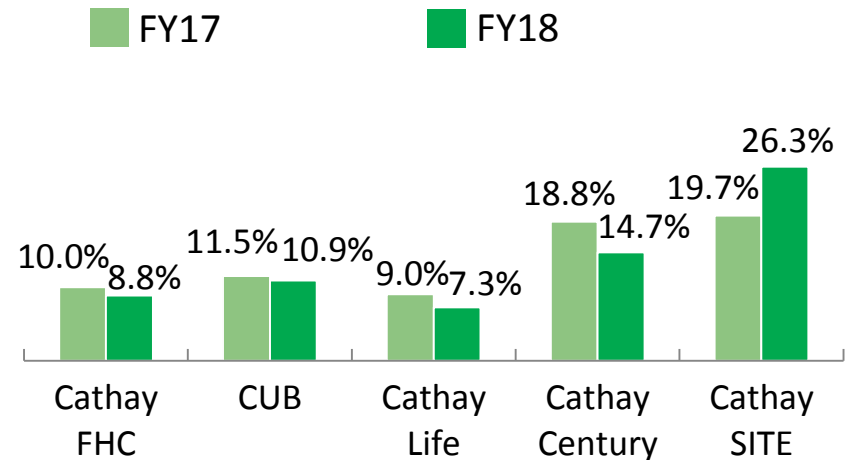
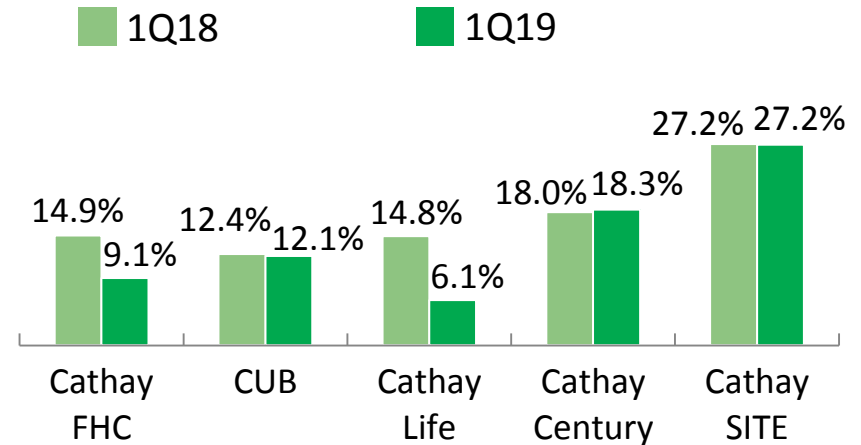


Cathay FHC – Net income & ROE

Net income of primary subsidiaries

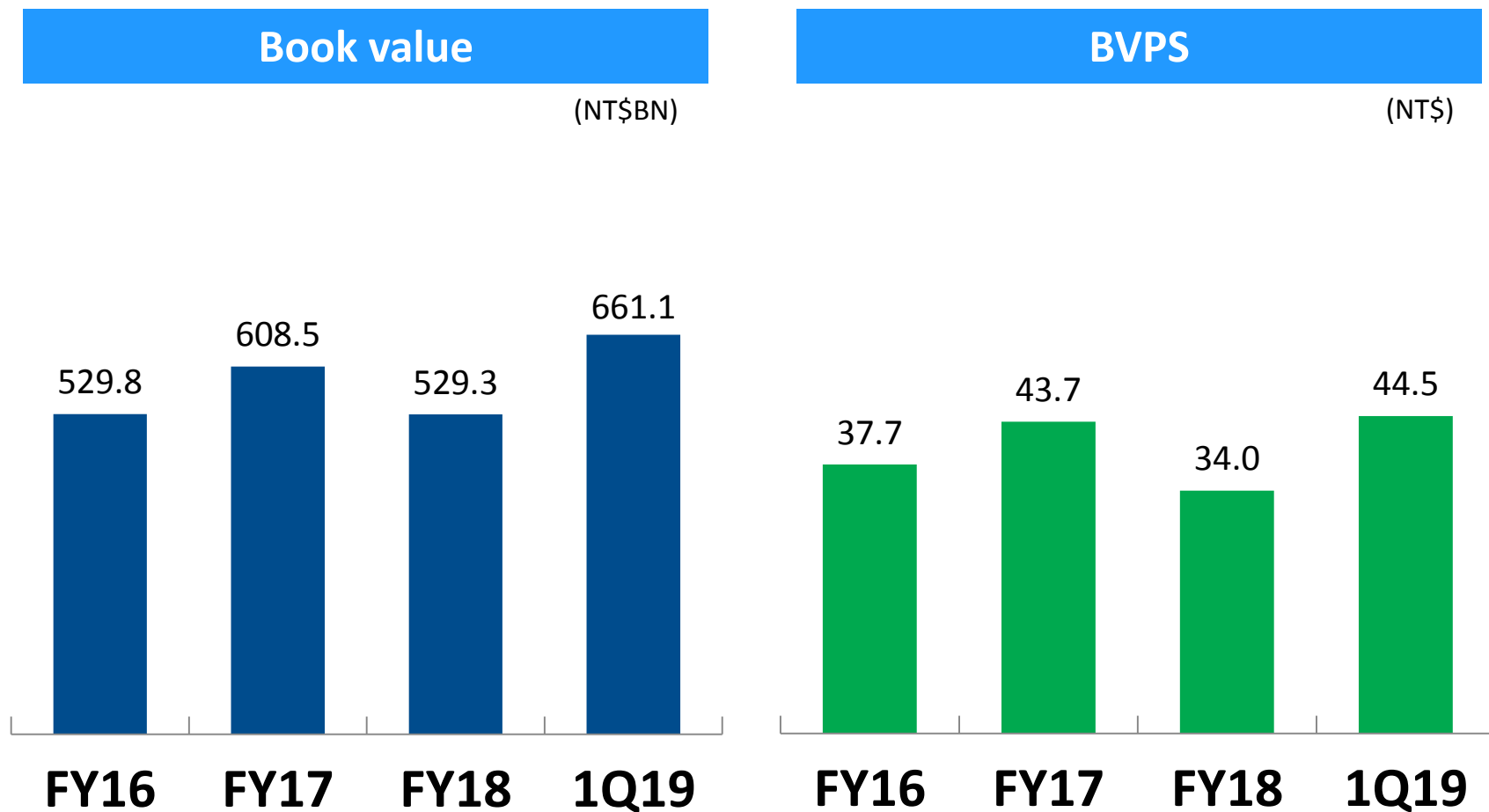


ROE



Note : Starting from 1Q18, ROE calculation was based on IFRS 9.

Cathay FHC – Book value & BVPS



Note : (1) Book value includes preferred shares and minority interests, BVPS represented BVPS attributable to common shareholders.

(2) Starting Jan.1, 2018, the reporting was based on IFRS 9.

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Cathay FHC in South East Asia

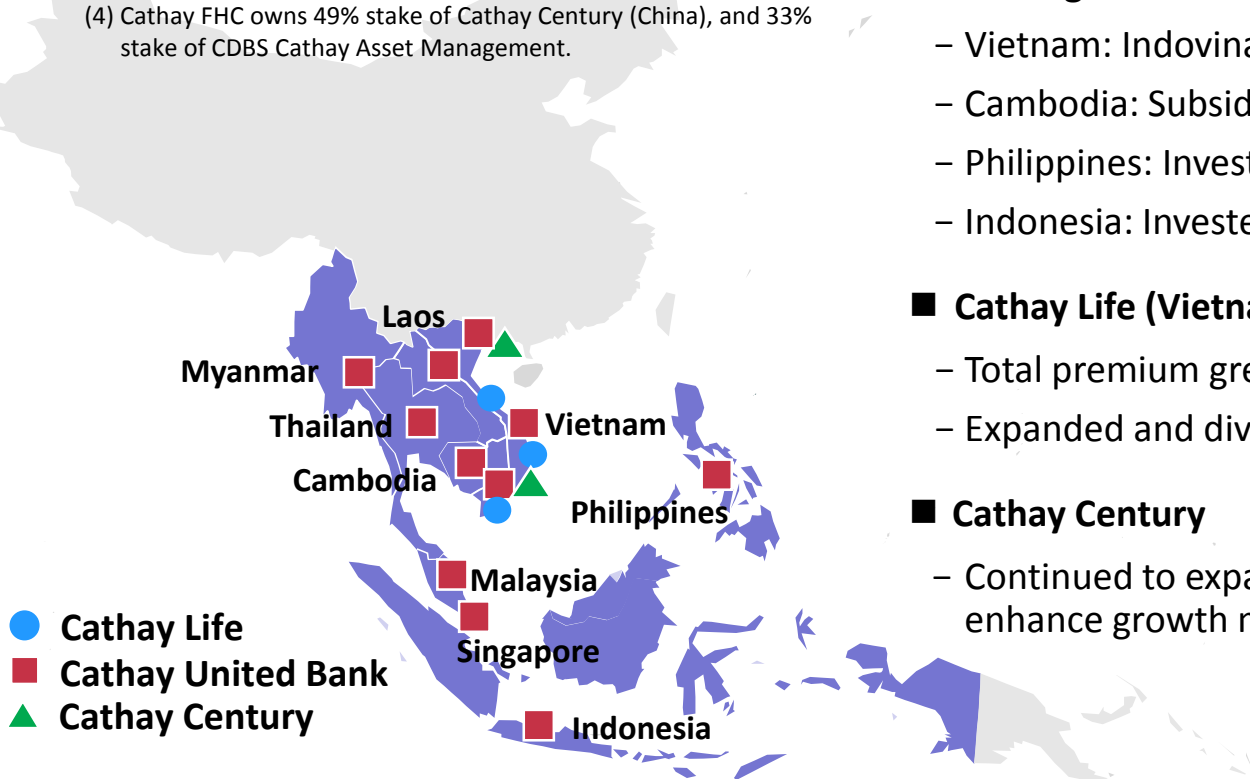
	China	Vietnam	Cambodia	Hong Kong	Singapore	Malaysia	Laos	Philippines	Thailand	Myanmar	Indonesia
Bank	7	36	16	1	1	1	1	1	1	1	1
Life	51 ⁽¹⁾	64									
P&C	27	2									
Asset Mgt.	1			1							
Securities				1							

Note: (1) Henan branch office opened in January, 2019.

(2) Footprints in Thailand, Myanmar and Indonesia are rep. offices.

(3) Investments in RCBC and Bank Mayapada are funded by Cathay Life.

(4) Cathay FHC owns 49% stake of Cathay Century (China), and 33% stake of CDBS Cathay Asset Management.



■ Banking

- Vietnam: Indovina Bank performed steadily.
- Cambodia: Subsidiary's businesses grew steadily.
- Philippines: Invested 23% stake in RCBC⁽³⁾
- Indonesia: Invested 40% stake in Bank Mayapada⁽³⁾

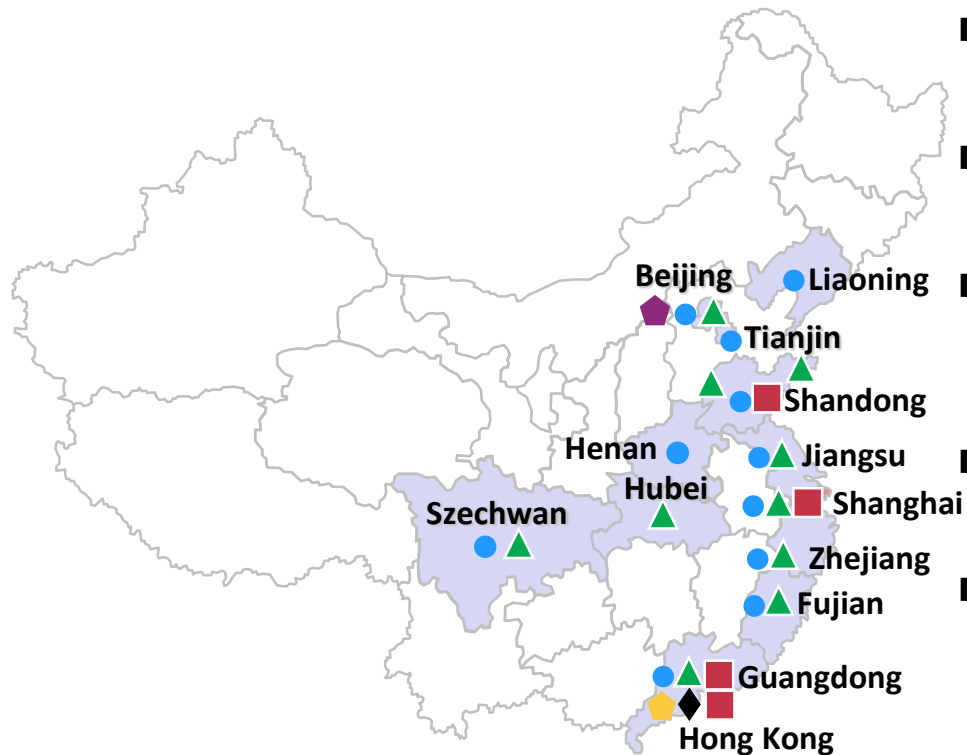
■ Cathay Life (Vietnam)

- Total premium grew 58% YoY to VND 204BN in 1Q19.
- Expanded and diversified distribution channels.

■ Cathay Century

- Continued to expand local distribution channels to enhance growth momentum.

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**
 - The China subsidiary grew steadily.
- **Cathay Lujiazui Life**
 - Total premium grew 16% YoY to RMB 800MN in 1Q19.
- **Cathay Century (China)**
 - Formed a strategic alliance with Ant Financial group to capture new business opportunities.
- **Cathay Securities (HK)**
 - Each business line grew steadily.
- **JV with China Development Bank Securities (CDBS Cathay Asset Management)**
 - Continued to launch new products. Mainly focused on fixed income funds.
- **Conning Asia Pacific Limited**
 - Continued to expand asset management business.

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Cathay United Bank





Cathay Life

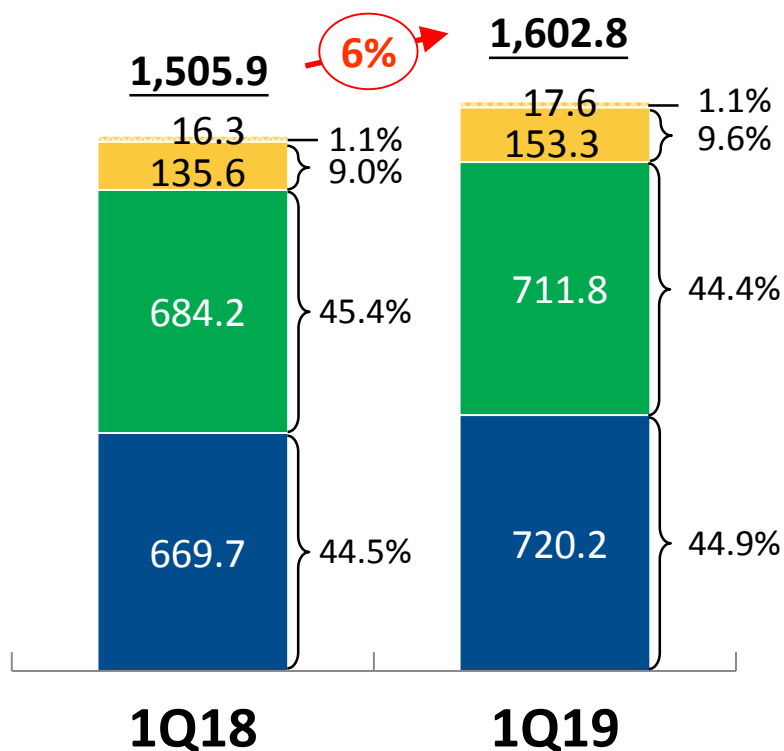
Cathay Century

- **Cathay Life Embedded Value & Appraisal Value**
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Cathay United Bank – Loan & Deposit breakdown

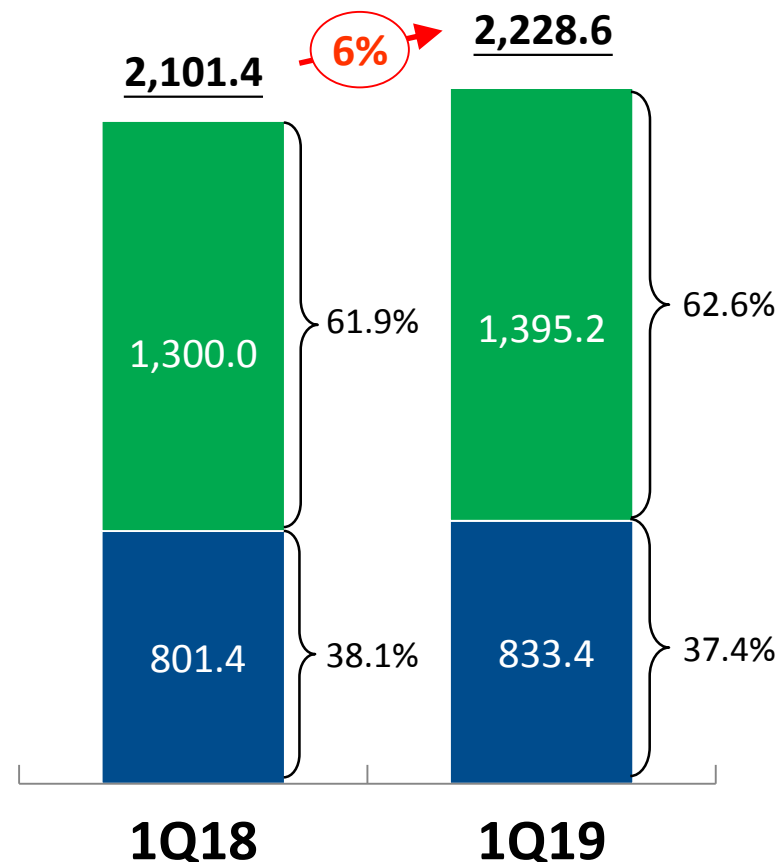
Loan breakdown

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



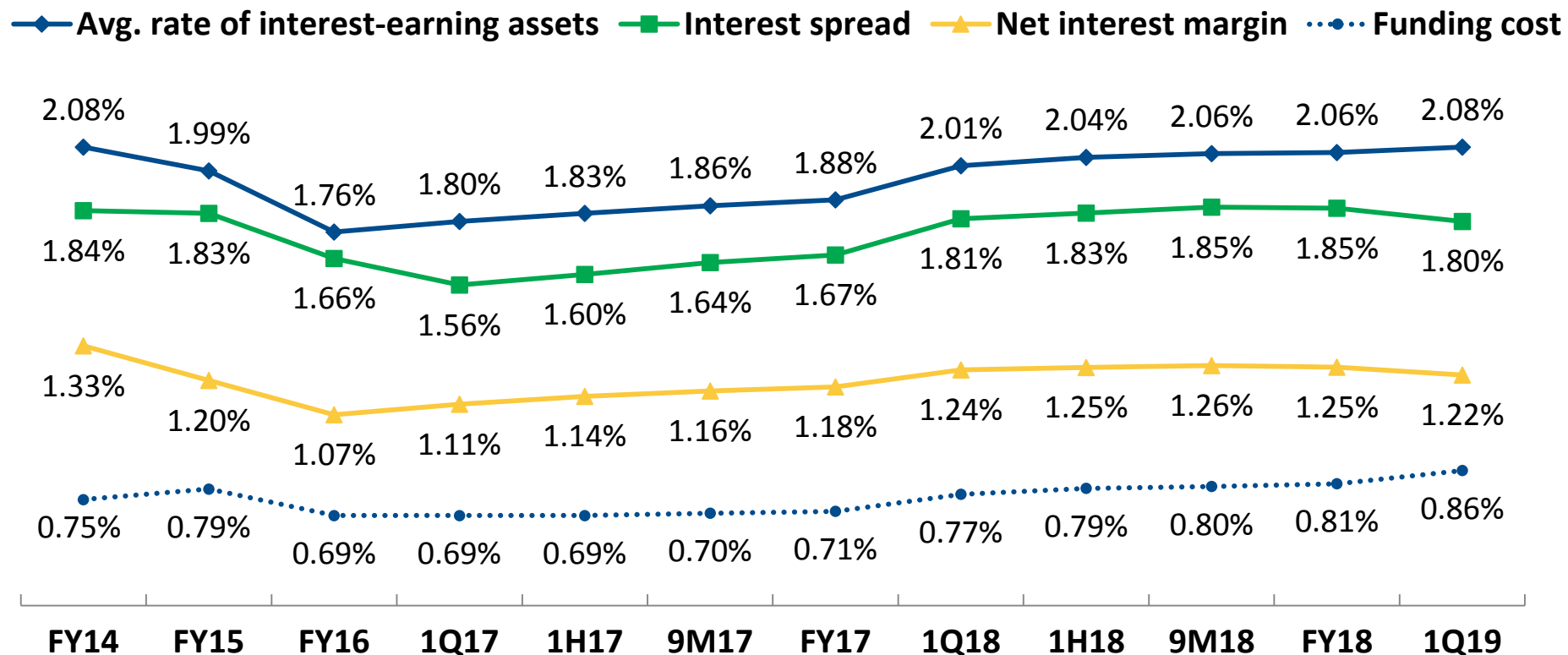
Deposit breakdown

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



Note : China subsidiary was launched in Sep 2018, hence 1Q19 loan and deposit excluded preliminary amount of NT\$17BN and NT\$15BN, respectively.

Cathay United Bank – Interest yields



	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Quarterly									
Spread	1.56%	1.64%	1.74%	1.76%	1.81%	1.85%	1.90%	1.83%	1.80%
NIM	1.11%	1.18%	1.20%	1.22%	1.24%	1.26%	1.27%	1.22%	1.22%
NIM-pro forma excl. China⁽²⁾				1.19%	1.21%	1.22%	1.25%	1.22%	1.22%

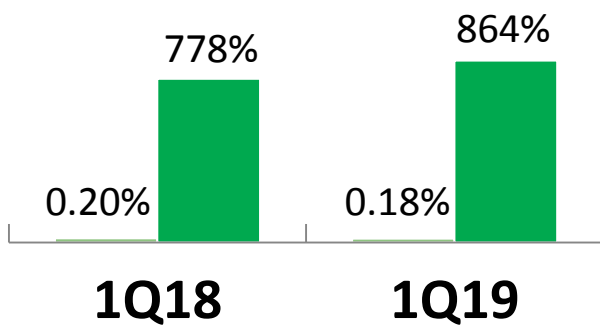
Note : (1) Credit card related loans are included in the calculation of interest spread.

(2) China subsidiary was launched in Sep 2018. Hence, since 9M18, China subsidiary results was excluded.

Cathay United Bank – Credit quality

NPL & Coverage ratio

- NPL ratio
- Coverage ratio



房貸逾放比

0.14%

0.19%

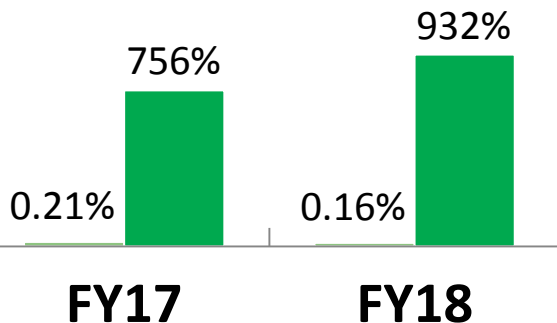
FY17

FY18

房貸逾放比

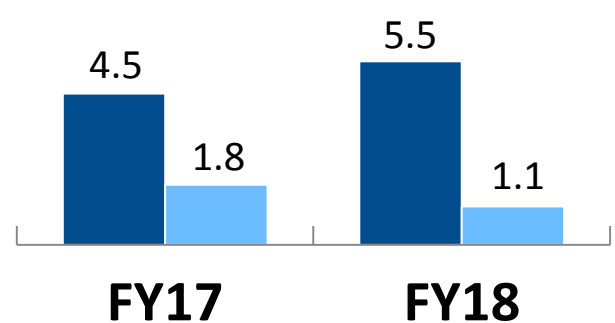
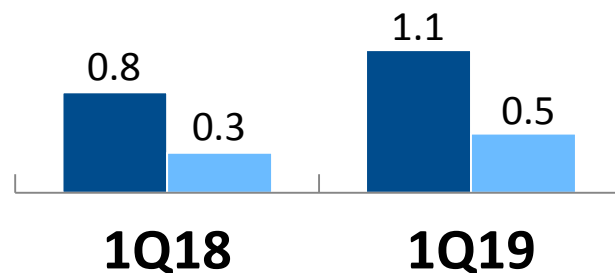
0.15%

0.15%



Gross provision

- Gross provision (NT\$BN)
- Recovery

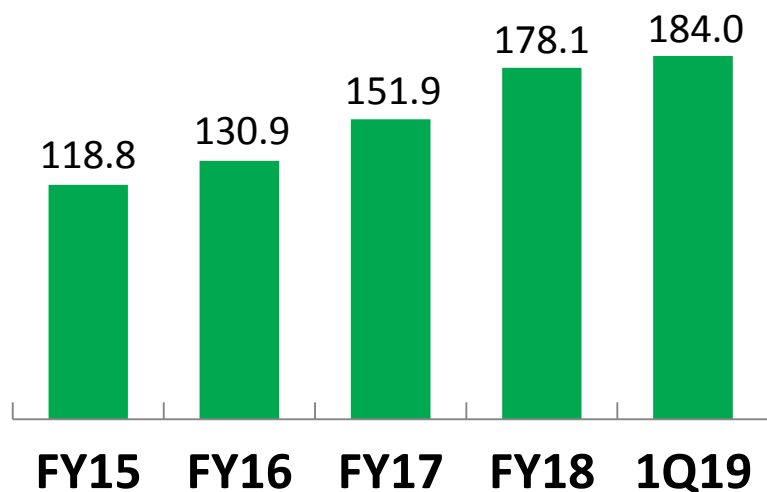


Note : China subsidiary was launched in Sep 2018. Hence, 1Q19 number excluded China subsidiary results. (NPL ratio: 0.00%, Coverage ratio: 0.00%, Gross provision: NT\$-36.7MN, Recovery: 0; preliminary).

Cathay United Bank – SME & FX loans

SME loans

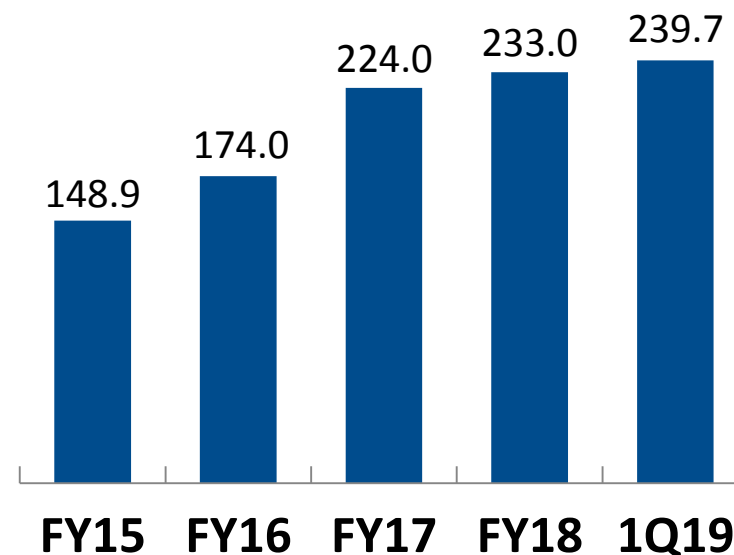
(NT\$BN)



FY15 FY16 FY17 FY18 1Q19

Foreign currency loans

(NT\$BN)



FY15 FY16 FY17 FY18 1Q19

As % of total loans

10.6% 9.2% 10.7% 11.4% 11.6%

13.3% 12.2% 15.8% 15.0% 15.1%

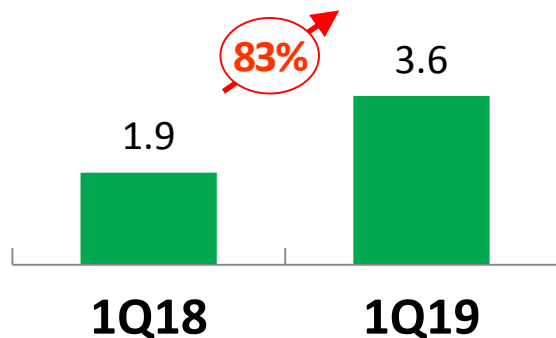
Note : (1) Total loans exclude credit card revolving balance.

(2) China subsidiary was launched in Sep 2018, hence 1Q19 foreign currency balance excluded NT\$17BN (preliminary) from China subsidiary.

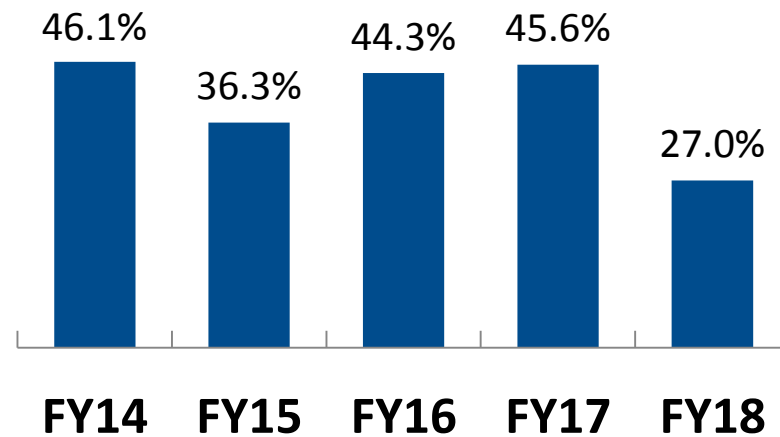
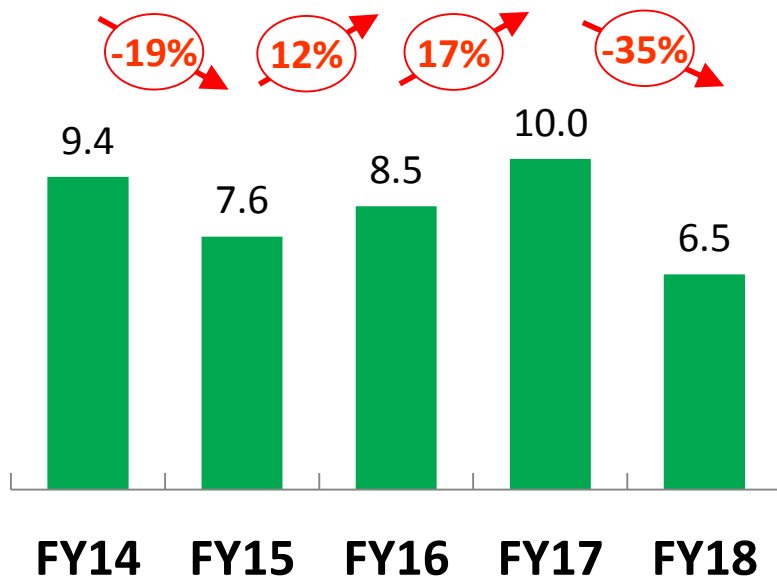
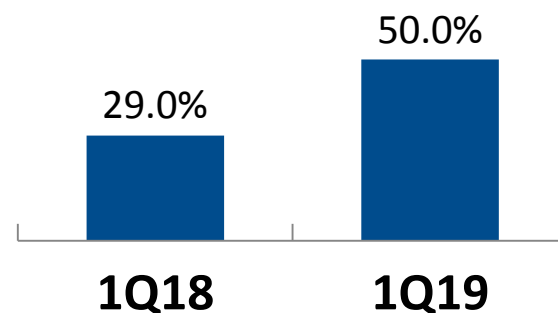
Cathay United Bank – Offshore earnings

Offshore earnings

(NT\$BN)

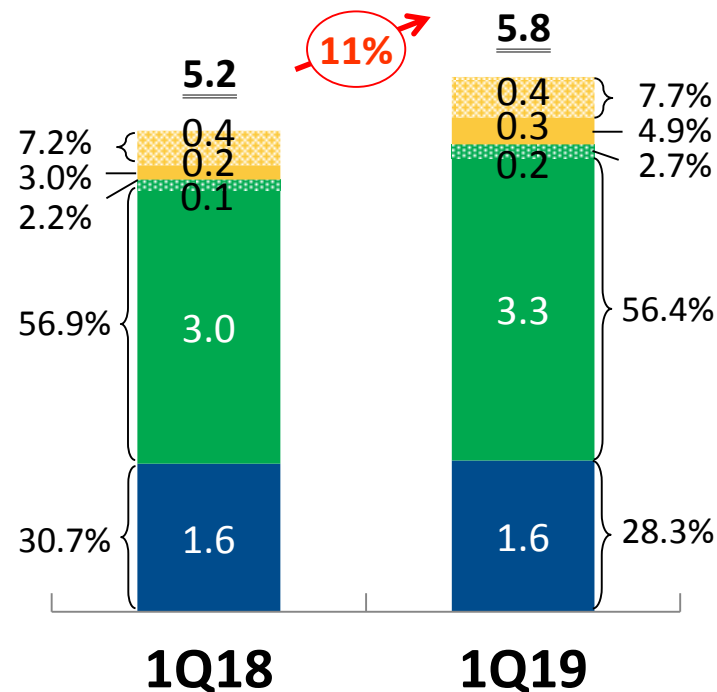
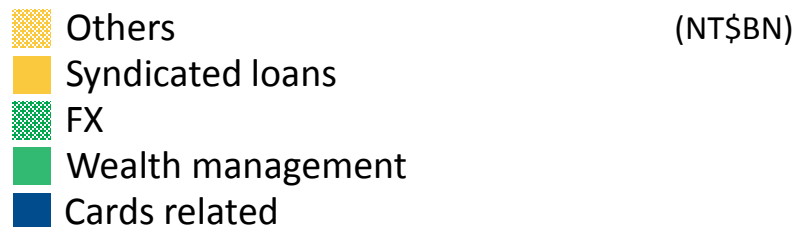


As % of CUB pre-tax profits

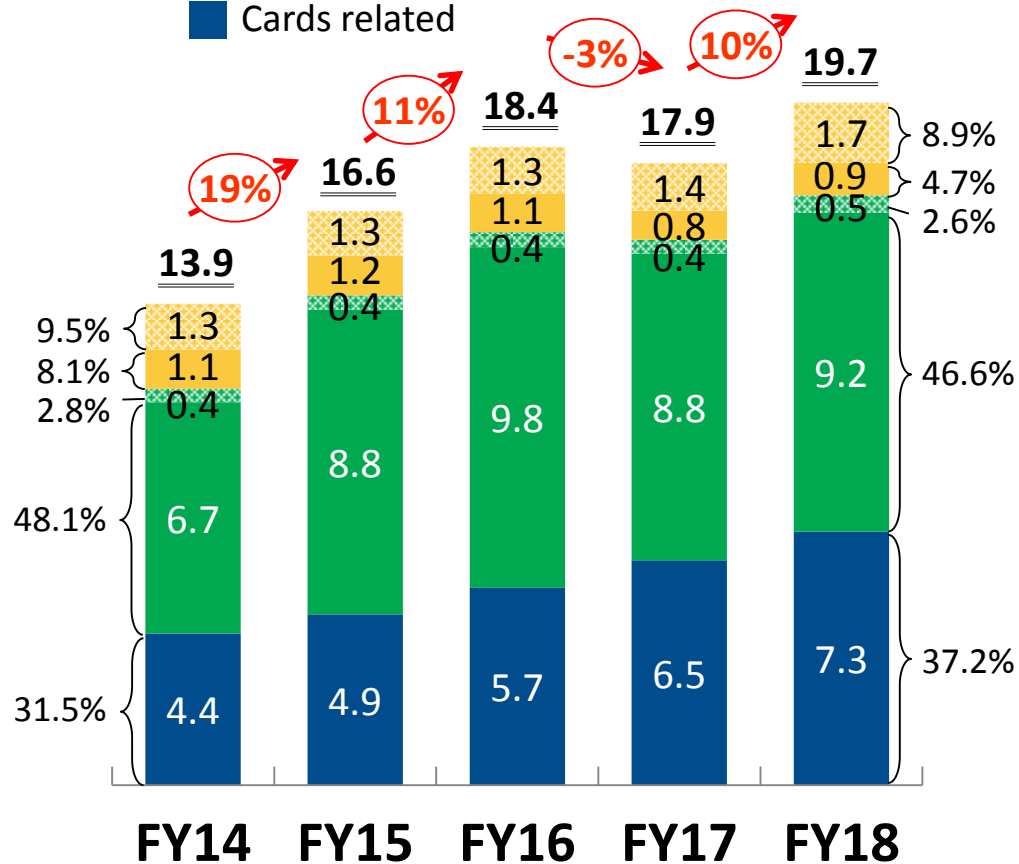
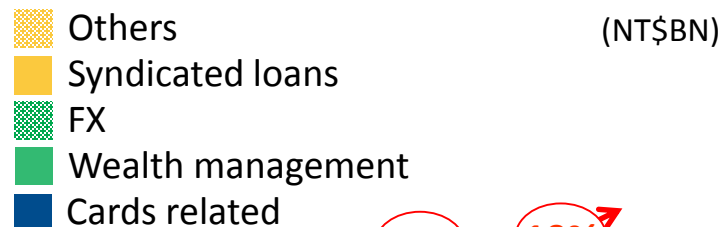


Cathay United Bank – Fee income

Quarterly fee income



Annual fee income

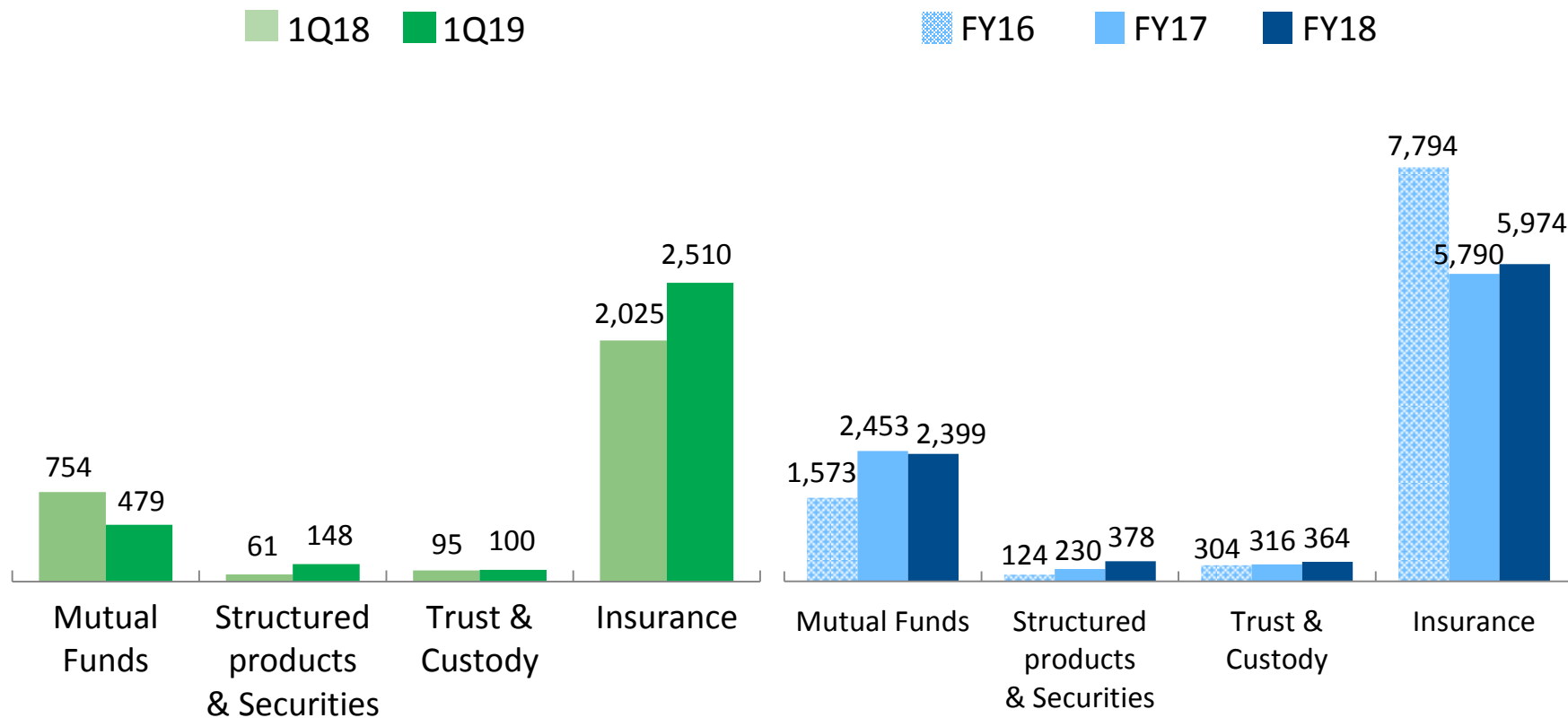


Note : China subsidiary was launched in Sep 2018, hence 1Q19 fee income excluded NT\$ 5.1MN (preliminary) from China subsidiary.

Cathay United Bank – Wealth management fee

Wealth management fee breakdown

(NT\$MN)	1Q18	1Q19	FY16	FY17	FY18
Wealth management fee income	2,952	3,252	9,828	8,837	9,183
YoY growth (%)	11.8%	10.1%	11.9%	-10.1%	3.9%



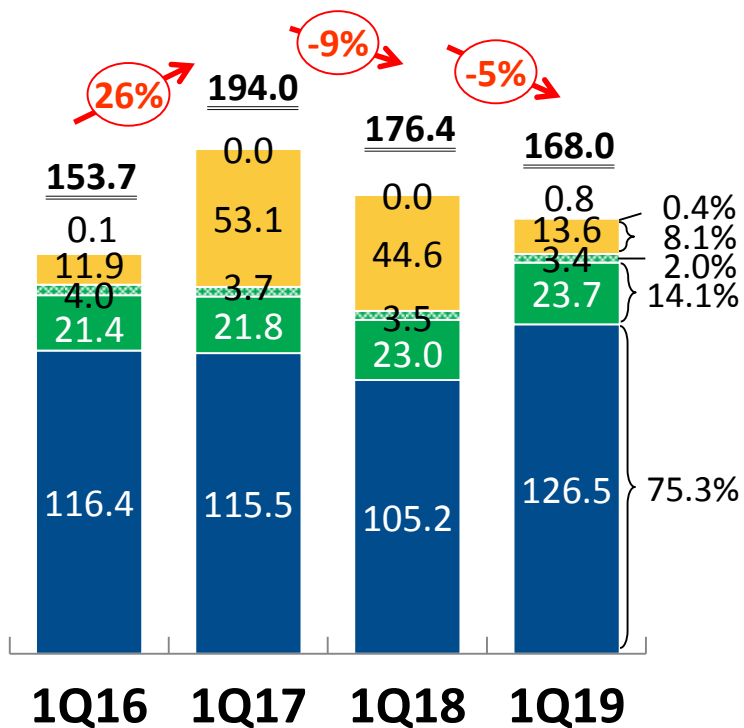
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Cathay Life – Total premium

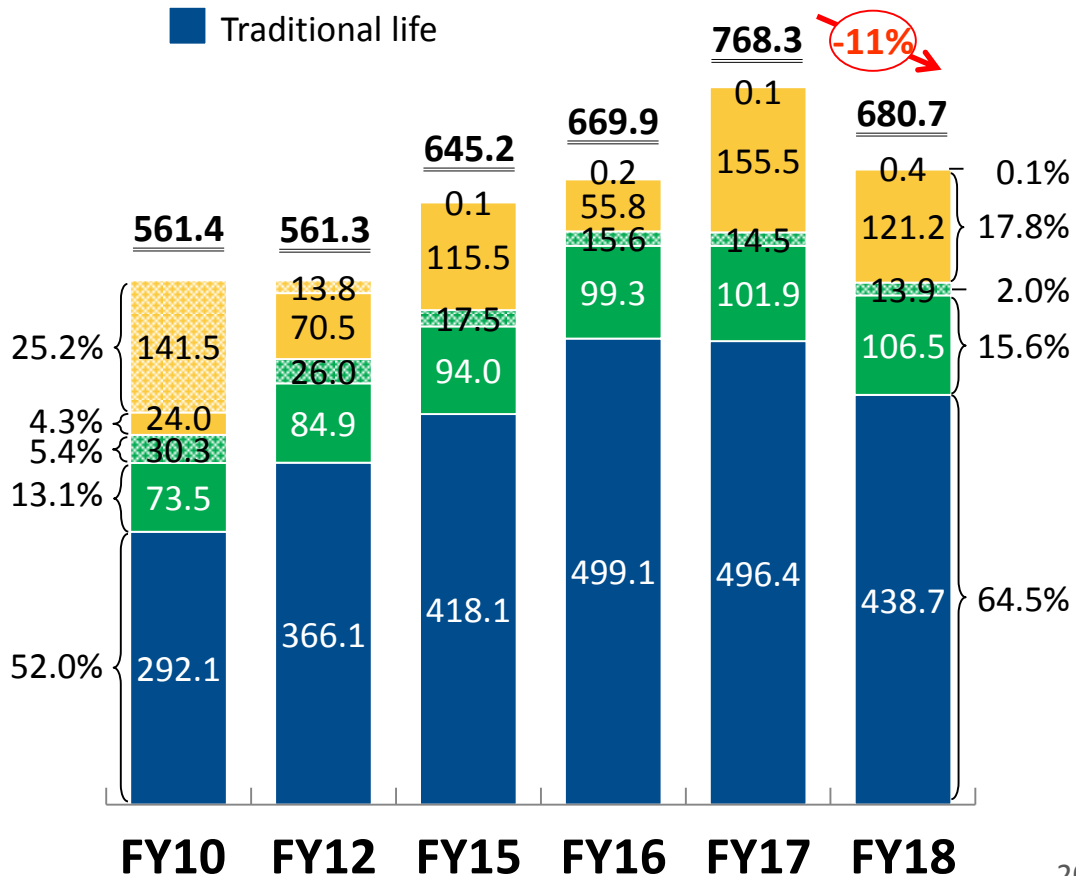
Quarterly total premium

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



Annual total premium

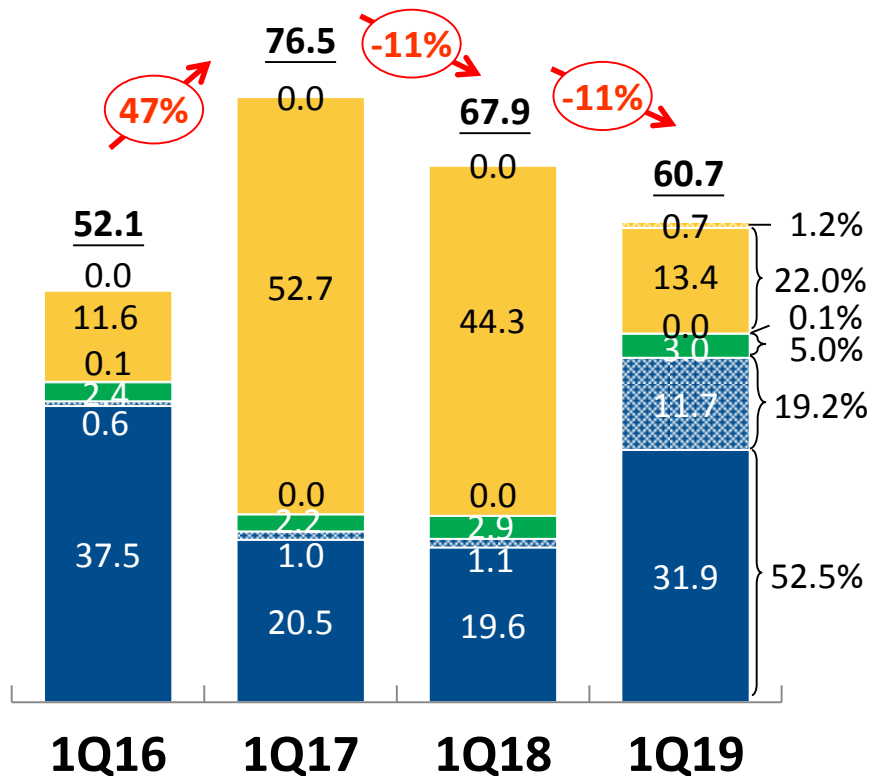
- Interest sensitive annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life



Cathay Life – Quarterly FYP & APE

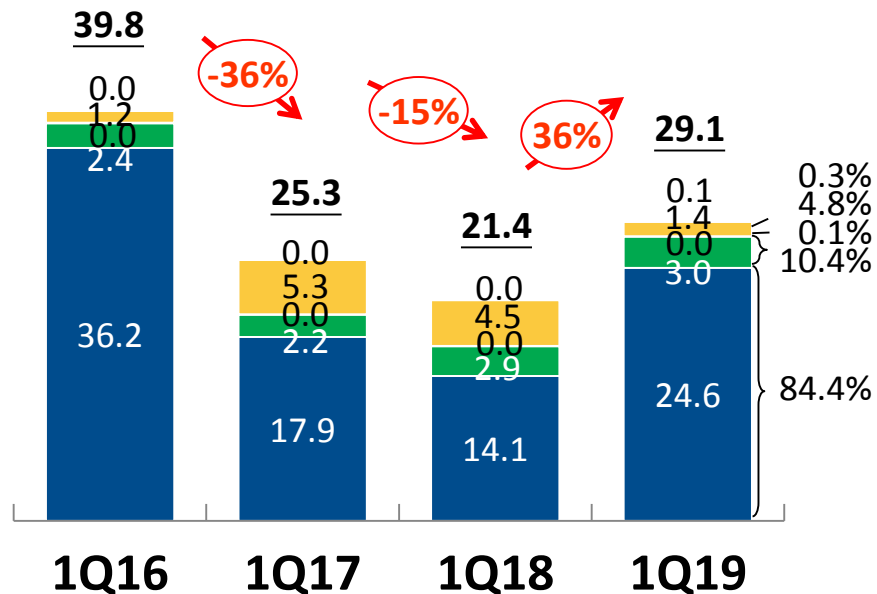
First Year Premium

- 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 FYP (APE)

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



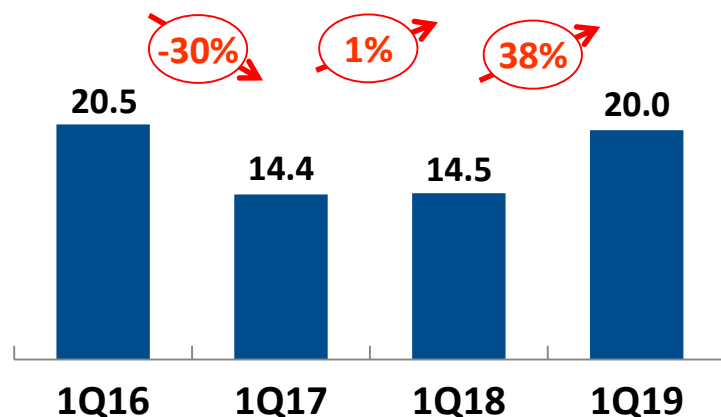
Note: Annualized FYP = 10% x single-paid FYP + 20% x 2-yr-paid FYP + ... + 50% x 5-yr-paid FYP + 100% x 6-yr and above payment term FYP

Cathay Life –Value of new business

Value for New Business

Profit Margin	1Q16	1Q17	1Q18	1Q19
VNB/FYP	39%	19%	21%	33%
VNB/FYPE	51%	57%	68%	69%

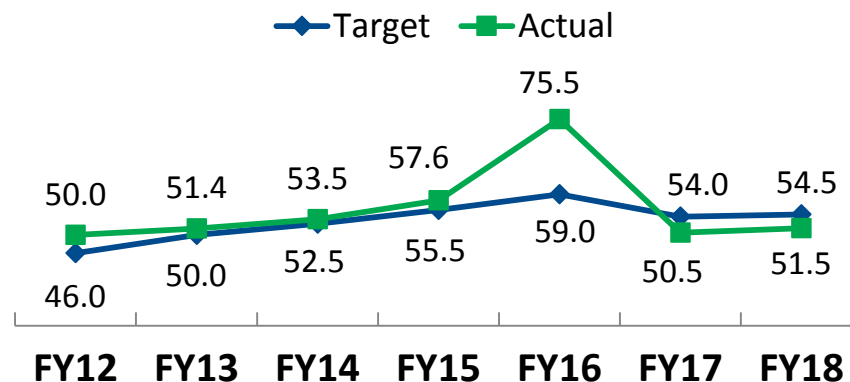
(NT\$BN)



Value for New Business (annual)

Profit Margin	FY12	FY13	FY14	FY15	FY16	FY17	FY18
VNB/FYP	19%	26%	23%	27%	38%	22%	24%
VNB/FYPE	54%	70%	75%	57%	56%	64%	72%

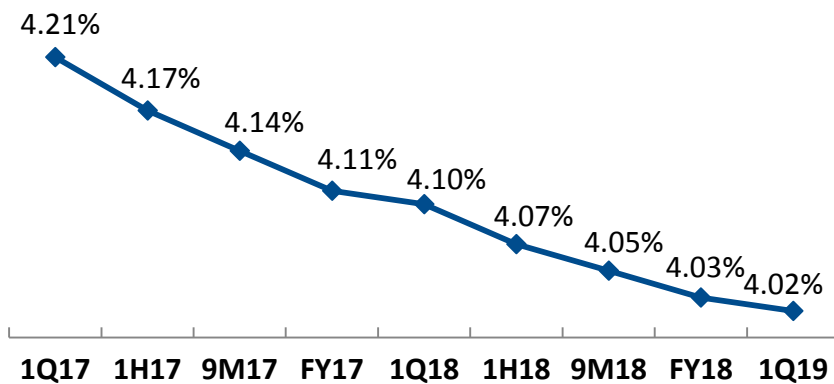
(NT\$BN)



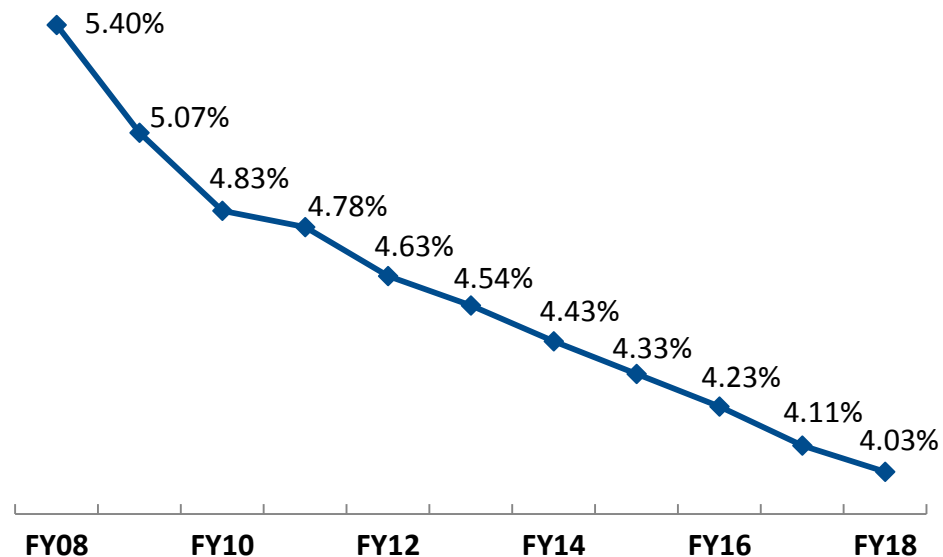
YoY **3%** **4%** **8%** **31%** **-33%** **2%**

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

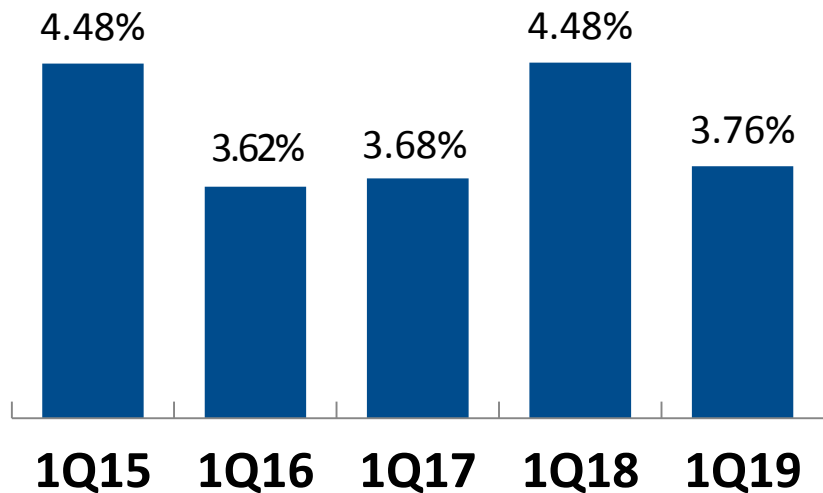
(NT\$BN)	FY16	FY17	FY18			1Q19		
Total investments⁽¹⁾	5,001.1	5,502.6	5,761.0			5,985.9		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	1.3%	1.6%	1.1%	61	0.6%	1.9%	112	0.5%
Equity- Domestic	7.9%	8.4%	7.5%	431	9.6%	7.3%	434	3.5%
Equity- International ⁽²⁾	6.4%	6.3%	6.7%	388	8.7%	6.4%	384	9.2%
Bond- Domestic	6.5%	5.5%	5.0%	287	3.6%	5.3%	319	6.3%
Bond- International ⁽¹⁾⁽²⁾	53.8%	55.7%	58.6%	3,374	4.6%	59.1%	3,535	4.9%
Mortgage & Secured loans	8.9%	8.1%	7.1%	411	2.0%	6.6%	392	2.2%
Policy loans	3.3%	3.0%	3.0%	170	5.8%	2.8%	168	5.5%
Real estate	9.8%	9.2%	8.7%	501	2.3%	8.6%	512	2.7%
Others	2.2%	2.4%	2.4%	140		2.1%	128	

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

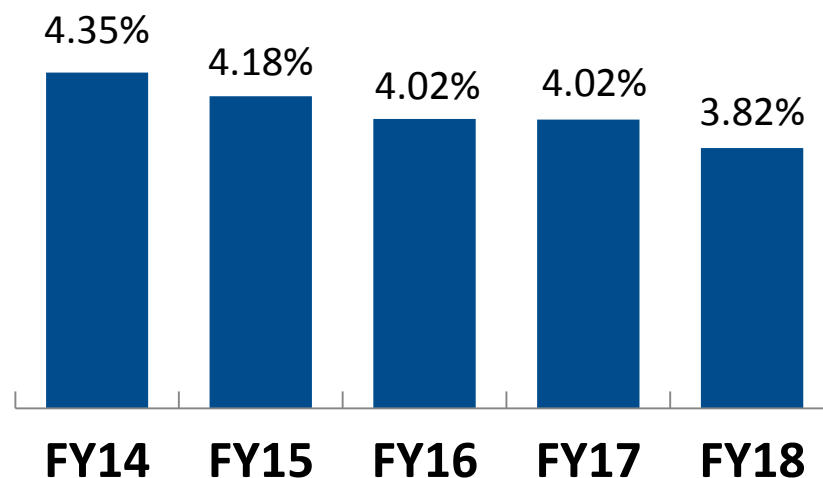
(2) Yields of international equity and international bond are pre-hedge investment yields.

Cathay Life – Investment performance highlight

After-hedging investment yield

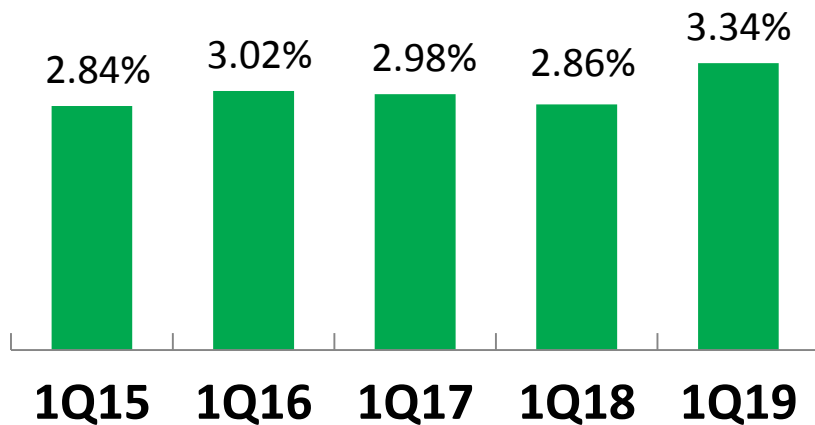


After-hedging investment yield



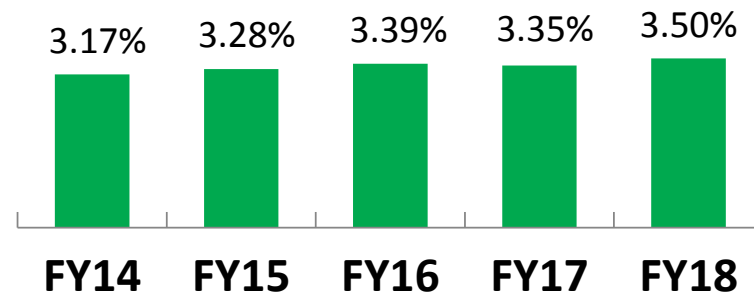
Cathay Life – Investment performance highlight

Pre-hedging recurring yield



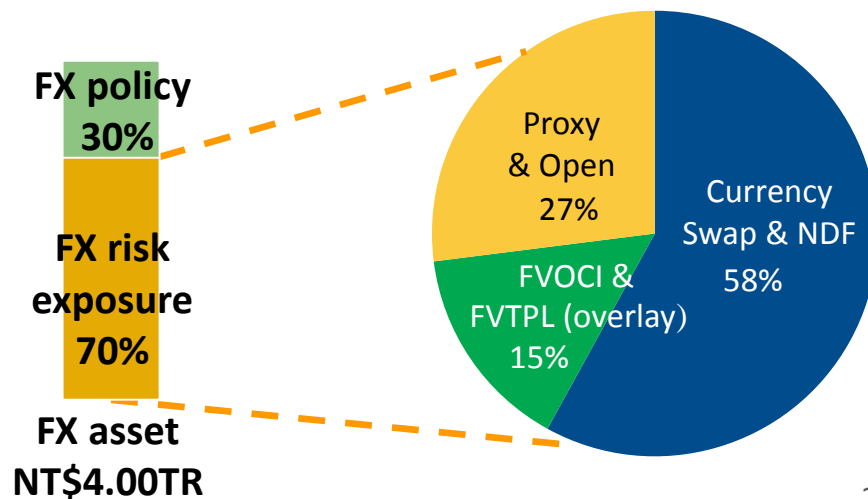
Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

Pre-hedging recurring yield



Currency hedging structure

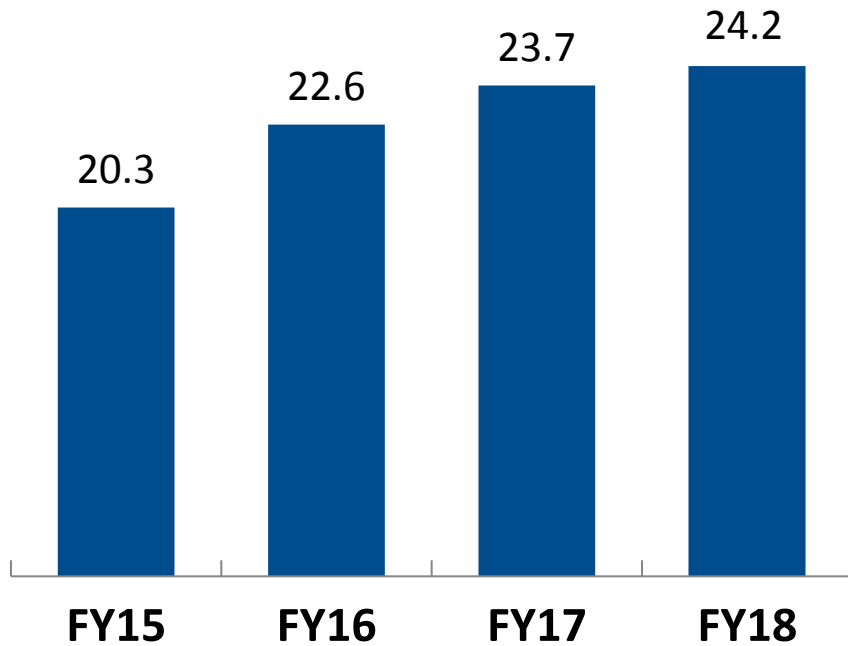
1Q19 Hedging cost 1.32%



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

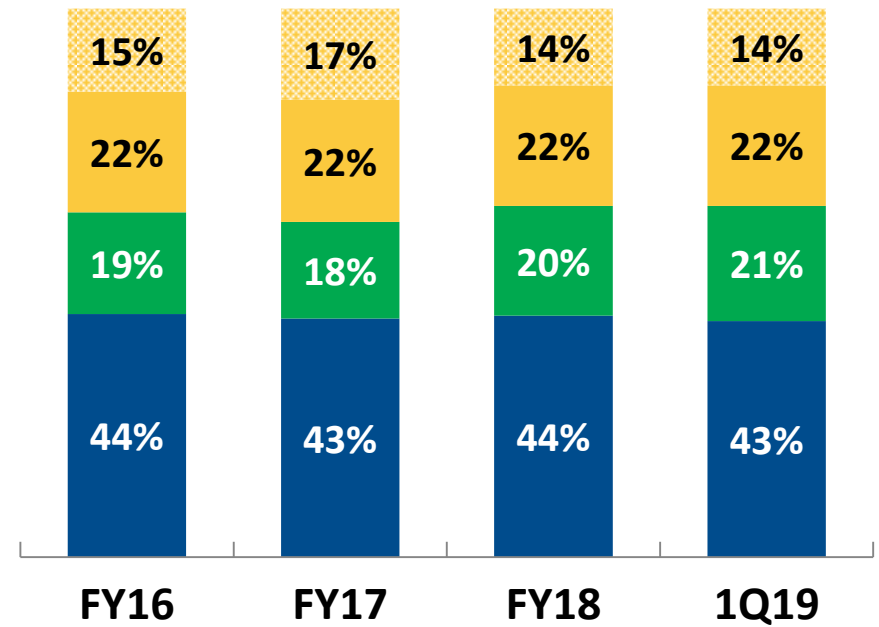
Cash dividend income

(NT\$BN)



Overseas fixed income by region

- Others
- Asia Pacific
- Europe
- North America

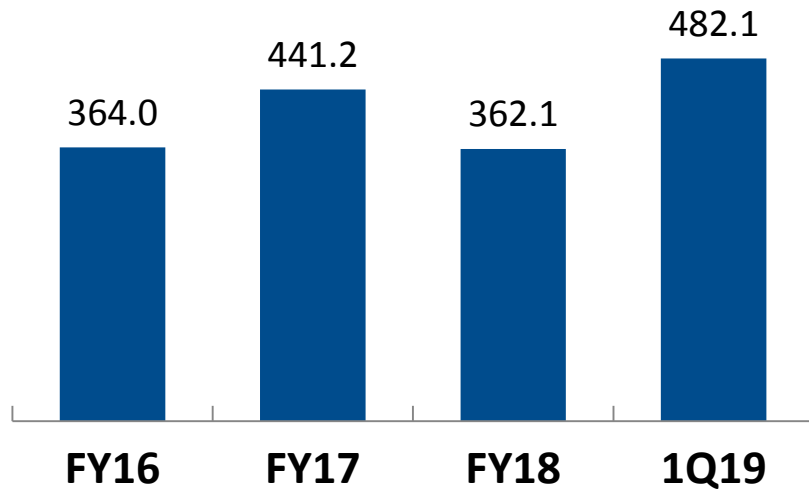


Note: Exclude overseas deposit.

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

Book value

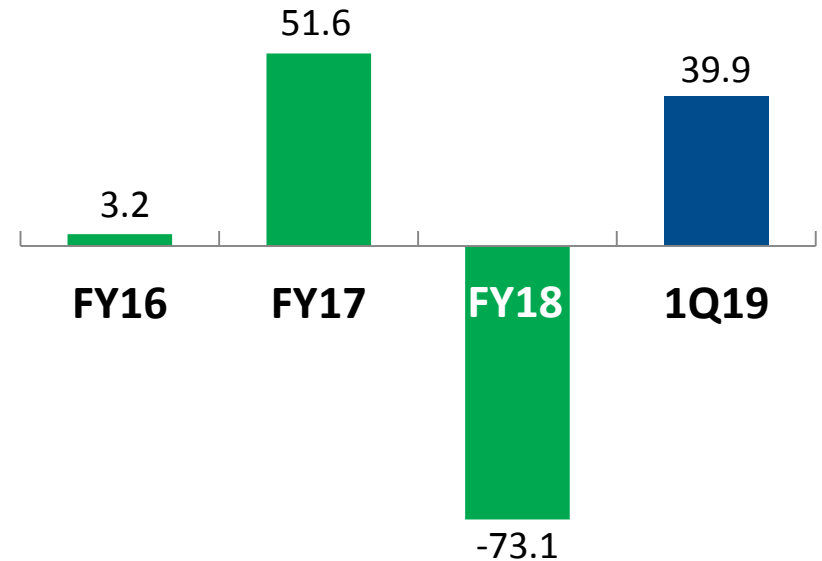
(NT\$BN)



Unrealized G/L of financial assets

(NT\$BN)

- AFS financial assets
- FVOCI & FVTPL (overlay approach)

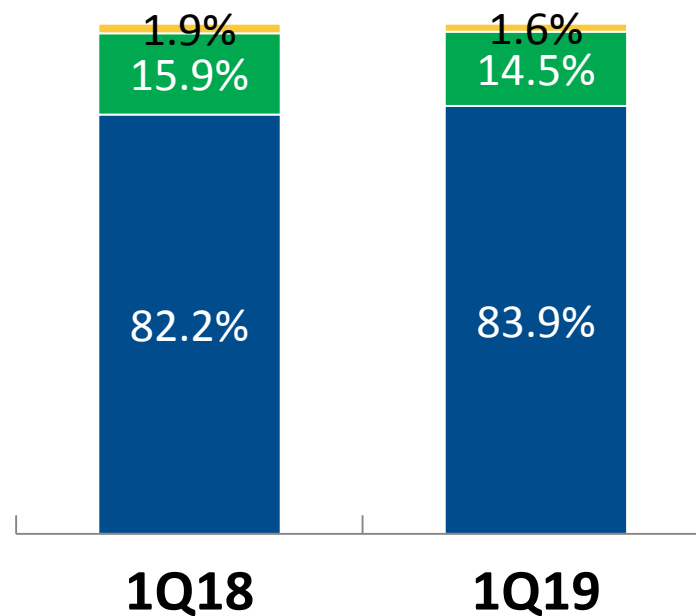
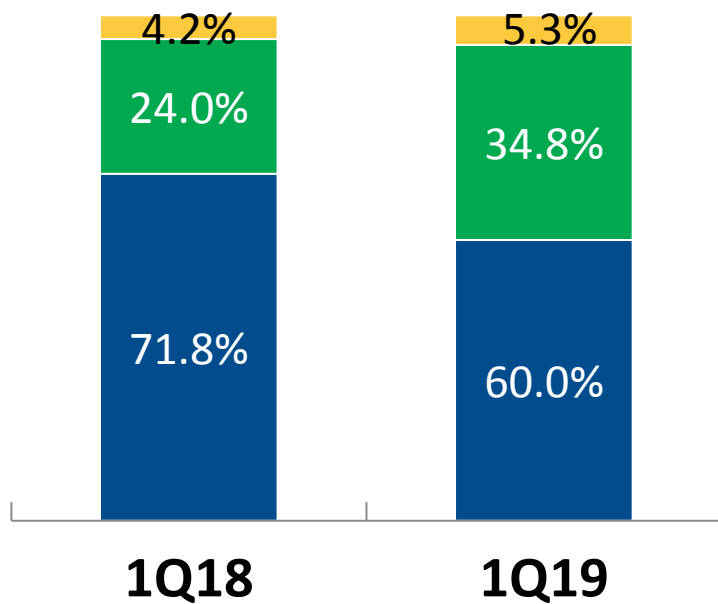


Cathay Life – Distribution channel

First Year Premium

Annualized FYP (APE)

- Others
- Bancassurance-CUB
- Tied agents

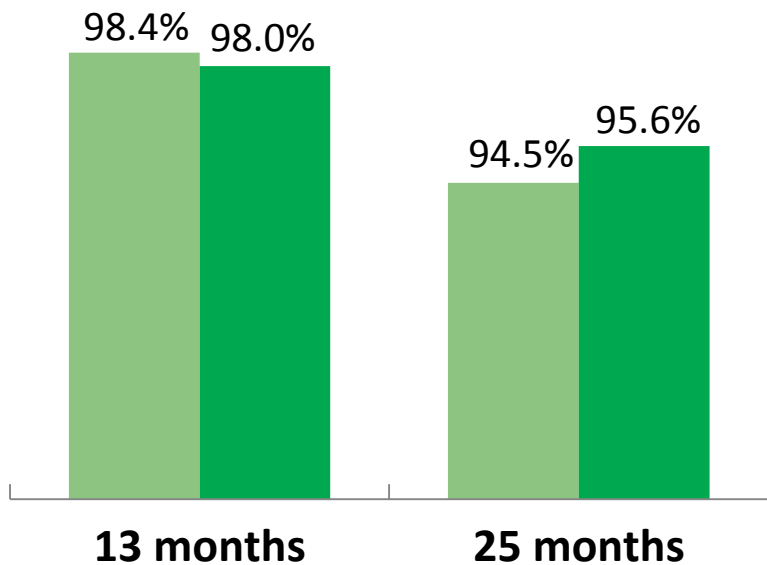


Cathay Life – Operational indicators

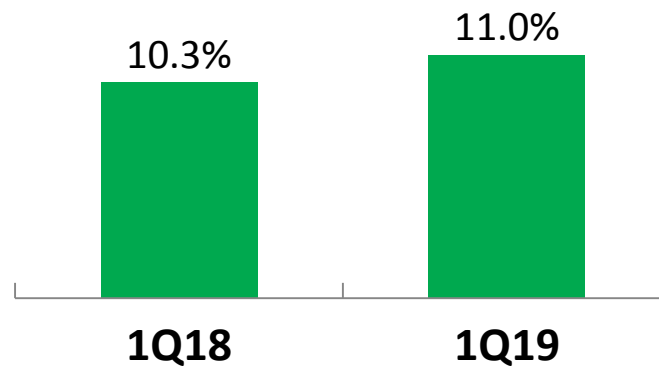
Persistence ratio

■ 1Q18

■ 1Q19



Expense ratio



Agenda

- **1Q19 Business Overview**

- **Overseas Expansion**

- **Business Performance Summary**

Cathay United Bank

Cathay Life

Cathay Century

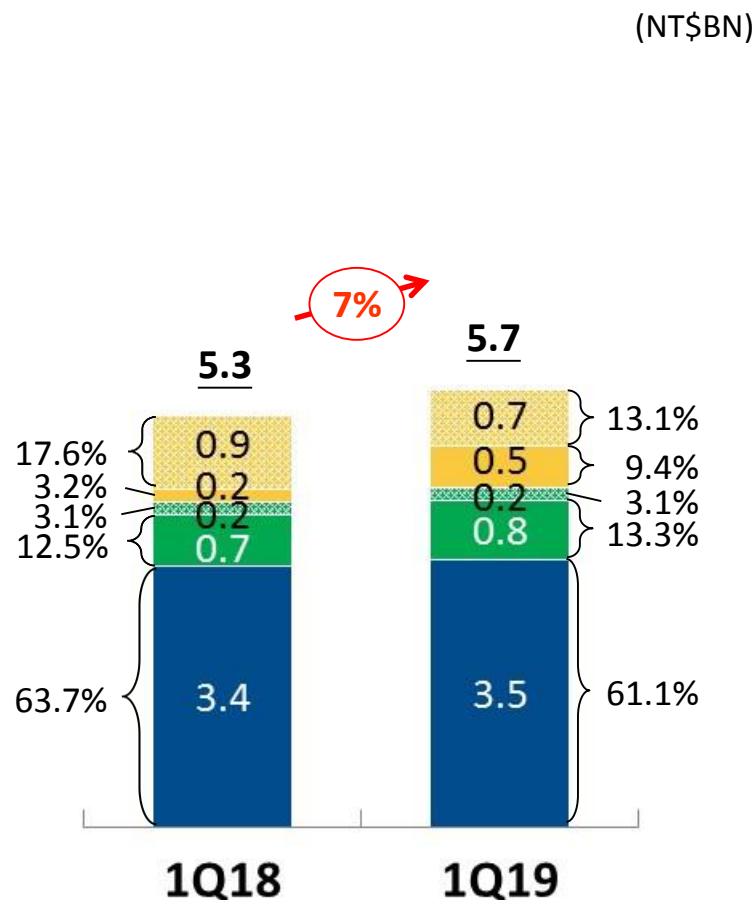
- **Cathay Life Embedded Value & Appraisal Value**

- **Impact of IFRS 17**

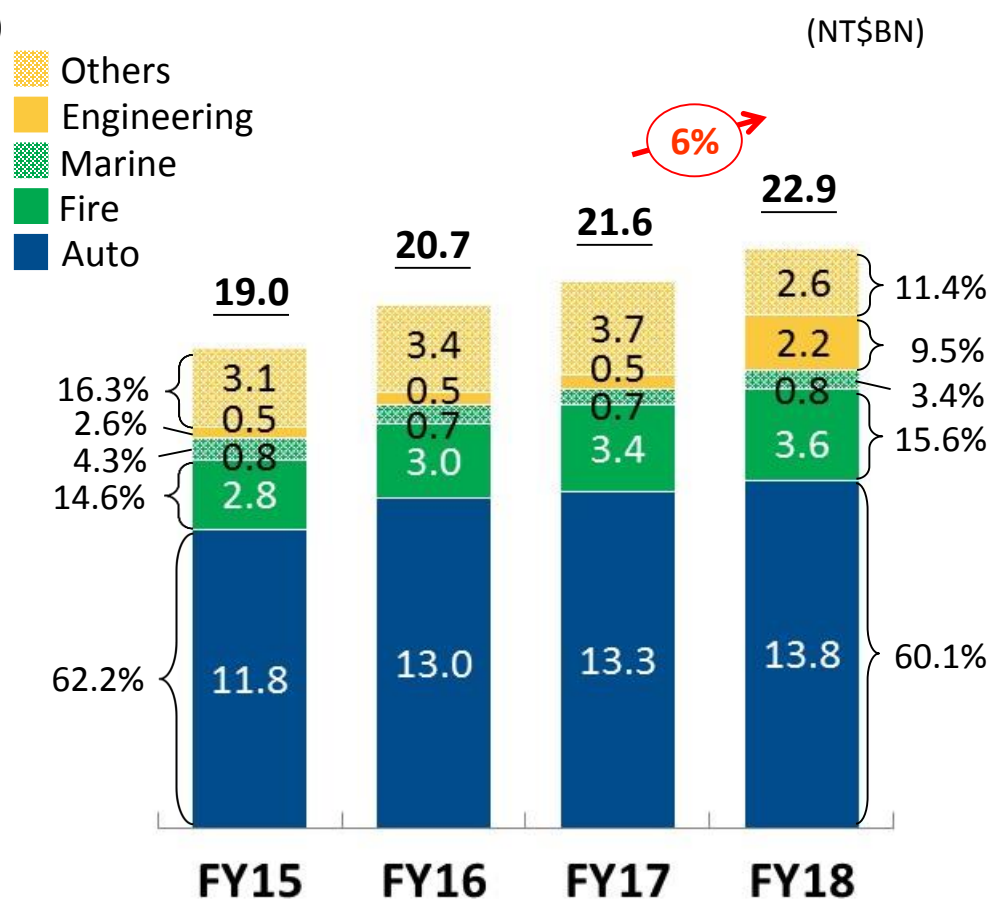
- **Appendix**

Cathay Century – Premium income

Premium income



Premium income (annual)



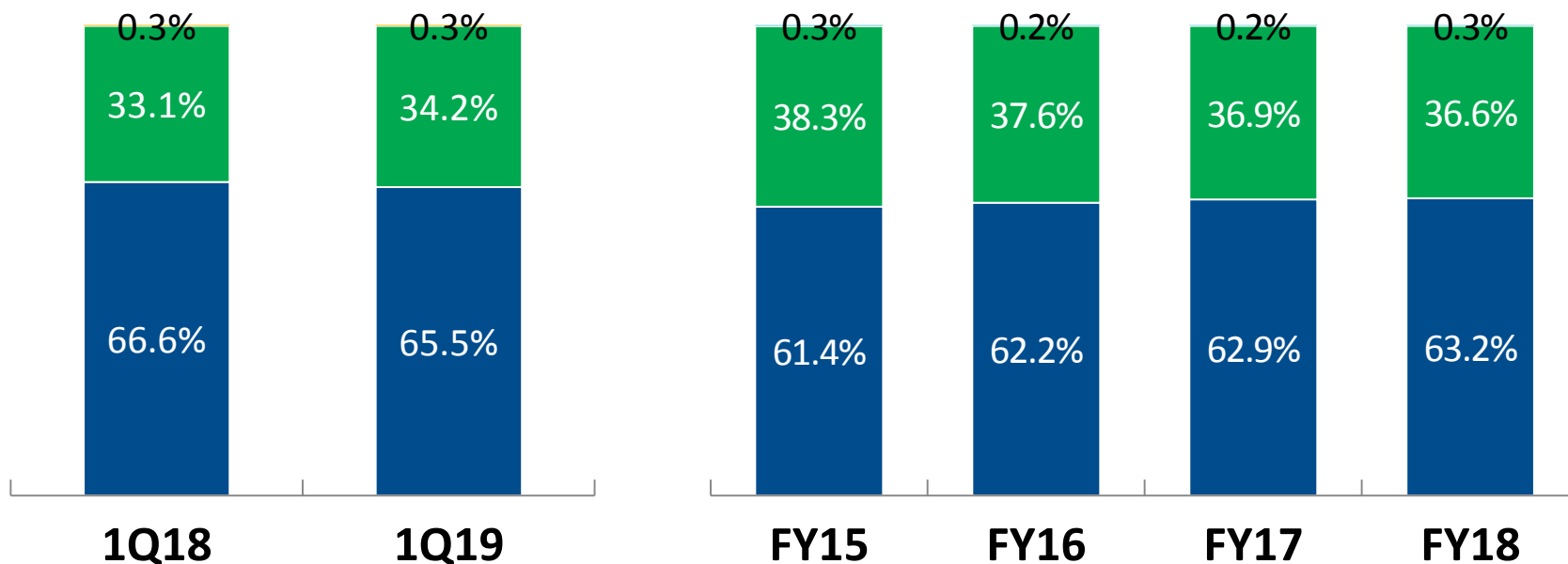
Market share	11.8%	11.8%	13.3%	13.6%	13.1%	13.0%
Retention	79.4%	78.5%	74.9%	75.7%	76.2%	77.1%

Cathay Century –Distribution channel

Distribution channel

Distribution channel (annual)

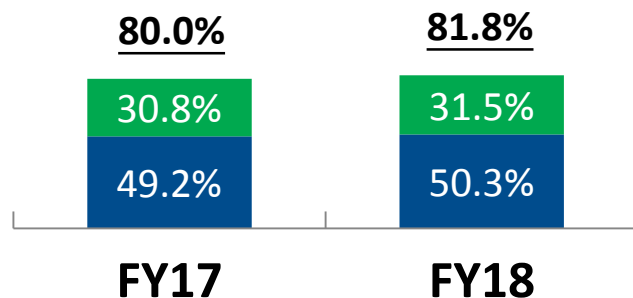
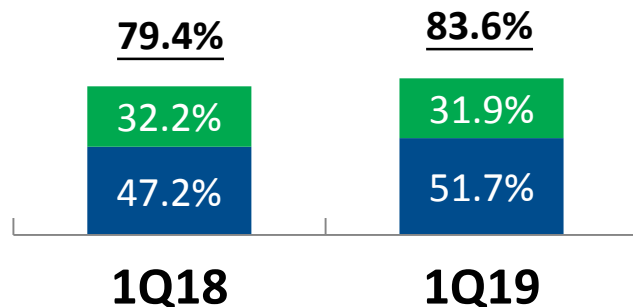
- Affiliate channels
- Cathay P&C agents
- Cathay group channel



Cathay Century – Combined ratio

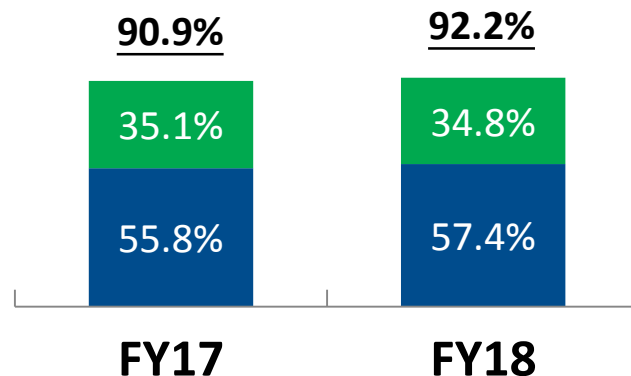
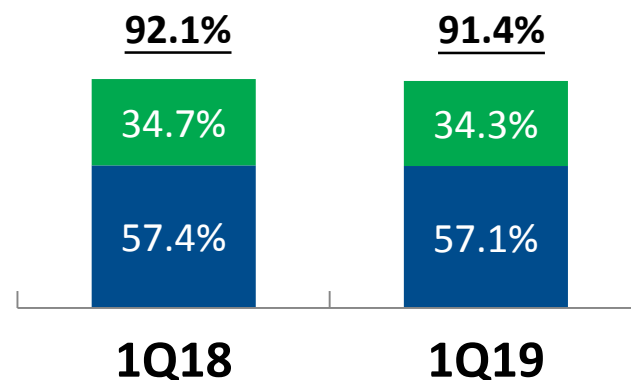
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



Retained combined ratio

- Retained expense ratio
- Retained loss ratio



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Embedded Value & Appraisal Value

NT\$BN, except for per share figures

Valuation date	2017/12/31	2018/12/31
In-force business investment yield	3.92% ~ Year 2037 5.05% for NTD policies 4.67% ~ Year 2037 5.82% for USD policies (Equivalent investment yield: 4.43% Rolling over to 2018: 4.51%)	3.95% ~ Year 2038 5.00% for NTD policies 4.64% ~ Year 2038 5.78% for USD policies (Equivalent investment yield: 4.38%)
Risk discount rate	10%	10%
Adjusted net worth	464	387
Value of in-force business	670	722
Cost of capital (CoC)	-190	-210
Value of in-force business (After CoC)	480	512
Embedded Value (EV)	944	898
EV / per share	164.8(75.1)	156.9(71.5)
Future one year's new business investment yield	2.91%~ Year 2037 4.91% for NTD policies 4.22% ~ Year 2037 5.84% for USD policies	3.13%~ Year 2038 4.86% for NTD policies 4.66% ~ Year 2038 5.79% for USD policies
Value of future one year's new business (After CoC)	54.5	52.0
Appraisal Value (AV)	1,416	1,351
AV / per share	247.3(112.7)	235.9(107.5)

Note: (1) EV/AV calculation does not include business of Cathay Life in China and Vietnam.

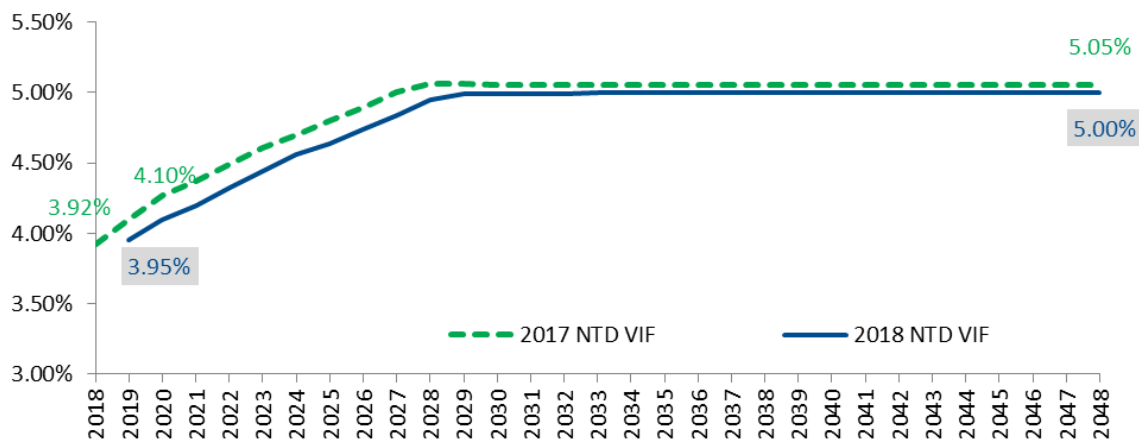
(2) per share = per share of Cathay Life; (per share) = per share of Cathay FHC

(3) The outstanding shares of Cathay Life and Cathay FHC are 5.7bn and 12.6bn, respectively. (The outstanding shares of Cathay Life in 2017 reflects capital injection in June 2018.)

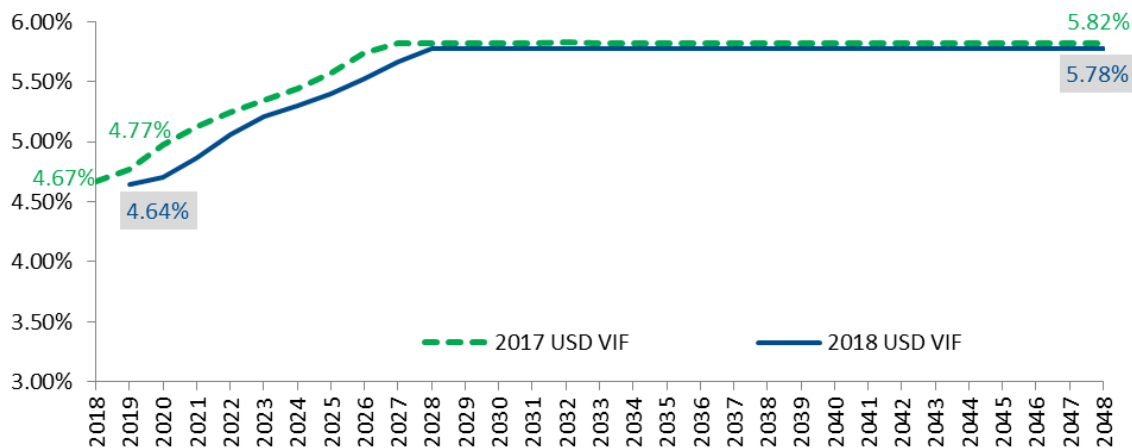
(4) May not sum to total due to rounding.

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 2017 & 2018.

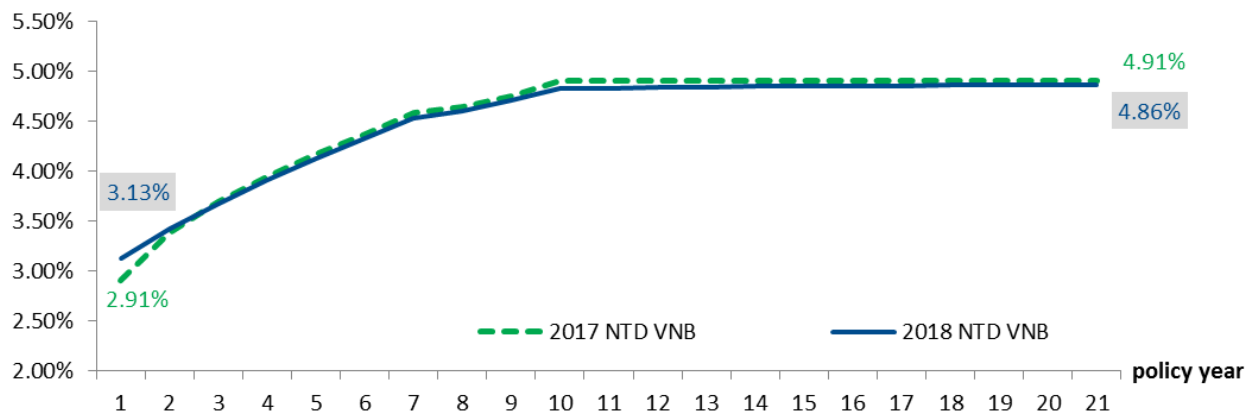


- Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2017 & 2018.

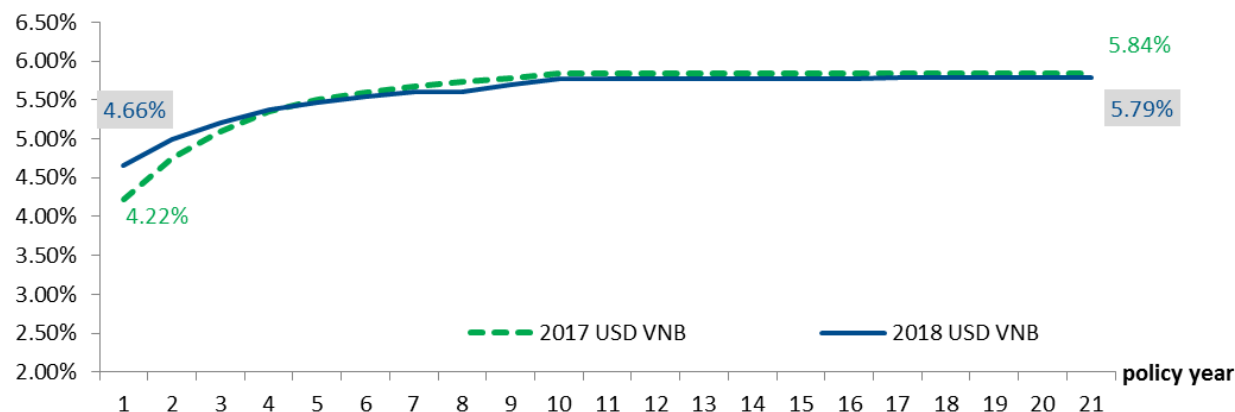


Economic Assumptions: Future one year's new business investment yield

- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2017 & 2018.



- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2017 & 2018.



Cost of Capital Projection and Non-economic Assumptions

■ RBC capital requirement:

Apply 2018 RBC formula announced by Insurance Bureau to project future capital requirement.

1. Capital Requirement = 200% RBC.
2. Risk-based capital calculation reflects company's current and future operation status.
3. Reflect RBC calculation change in 2018 :

The risk factor of currency risk increases from 0.0425 to 0.0661.

■ Experience rate:

Experience Rate	Assumptions
Mortality Rate	In accordance with Cathay's most updated mortality trends.
Morbidity Rate	In accordance with Cathay's most updated morbidity trends and varied by product type.
Lapse Rate	In accordance with Cathay's most updated lapse rate trends and varied by product type.
Expenses assumption	In accordance with Cathay's most updated expense analysis and varied by product type; commissions are based on the actual commission rates.

- PricewaterhouseCoopers Asia Actuarial Services provides an independent review of the actuarial assumptions on EV.

Analysis of change in Adjusted Net Worth (ANW)

(NT\$BN)

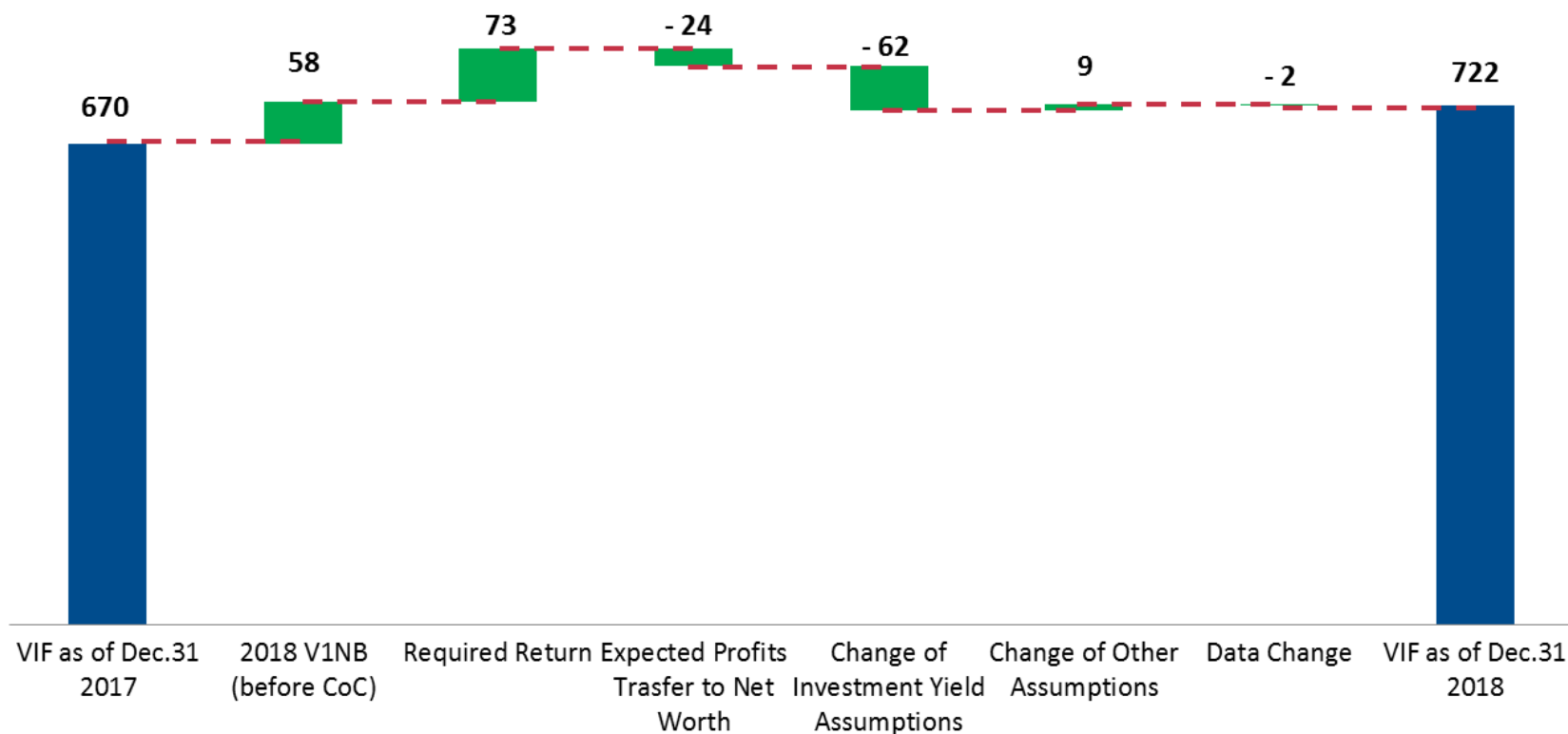


Note:

(1) Others mainly include effects on retrospective application and restatement of IFRS 9.

Analysis of change in value of in-force business (VIF)

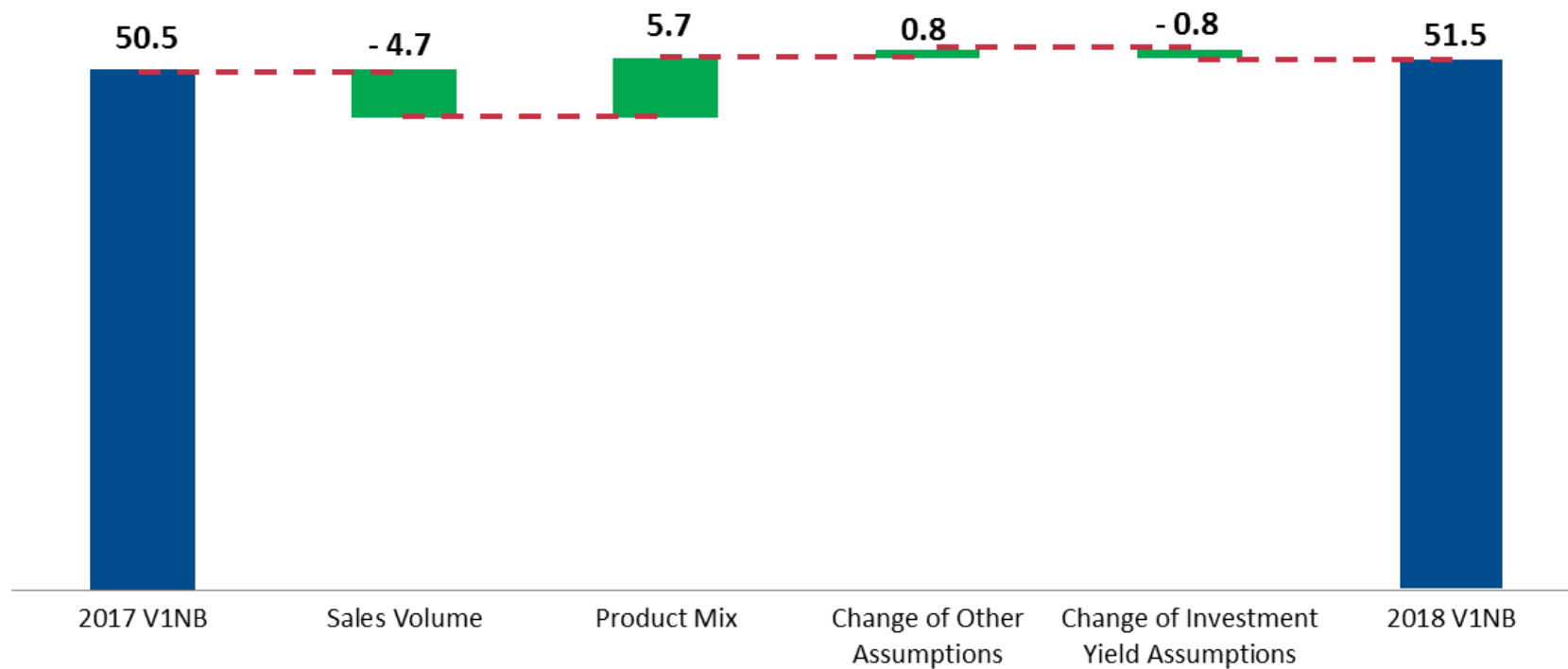
(NT\$BN)



- The value of one year new business (after CoC) of 2018 is 51.5 billion.

Analysis of change in value of one year's new business (V1NB)

(NT\$BN)



Sensitivity Analysis

NT\$BN, except for per share figures

Valuation date	2018/12/31					
	Investment yield - 0.25%	Investment yield + 0.25%	Investment yield + 0.25% (capped) ⁽¹⁾	Base Case	Discount rate - 0.5%	Discount rate + 0.5%
Adjusted net worth	387	387	387	387	387	387
Value of in-force business	592	852	794	722	768	680
Cost of capital (CoC)	-220	-201	-205	-210	-202	-218
Value of in-force business (After CoC)	371	651	589	512	566	462
Embedded Value	758	1,038	976	898	953	849
EV / per share	132.4 (60.4)	181.3 (82.6)	170.4 (77.7)	156.9 (71.5)	166.4 (75.9)	148.3 (67.6)
Appraisal Value	1,170	1,530	1,446	1,351	1,449	1,263
Value of future one year's new business (After CoC)	45.9	58.2	54.4	52.0	56.3	48.1
AV / per share	204.4 (93.2)	267.2 (121.8)	252.4 (115.1)	235.9 (107.5)	253.0 (115.3)	220.6 (100.6)

Note: (1) "Investment yield +0.25% (capped)" : the investment return is capped by 5.00% for NTD policies and 5.78% for USD policies.

(2) May not sum to total due to rounding.

YoY Comparison

Under the different discount rate assumption (9.5%~10.5%), the results of the Year 2017 & 2018 go as follows.

(NT\$BN)

Valuation date	2017/12/31	2018/12/31
Embedded Value	899~994	849~953
Value of future one year's new business	50.7~58.7	48.1~56.3
Appraisal Value	1,347~1,493	1,263~1,449

Summary

NT\$BN, except for per share figures

Valuation date		2017	2018	Growth rate	1Q19
Embedded value	Equity	436	357	-18%	--
	Adjusted net worth	464	387	-17%	--
	Value of in-force business(before CoC)	670	722	8%	--
	Cost of capital (CoC)	-190	-210	11%	--
	Value in-force business (after CoC)	480	512	7%	--
	Embedded value	944	898	-5%	--
Value of one year's new business	First year premium (FYP)	233.2	211.6	-9%	60.7
	First year premium equivalent (FYPE)	78.6	71.4	-9%	29.1
	Value of one year's new business (V1NB)	50.5	51.5	2%	20.0
	Profit margin (V1NB/FYP)	22%	24%	--	33%
	Profit margin (V1NB/FYPE)	64%	72%	--	69%
	Profit margin (V1NB/FYP)(investment-linked(non-VUL)is excluded)	57%	52%	--	41%
Appraisal value (20 years NB)	Multiple	8.7	8.7	--	--
	Appraisal value	1,416	1,351	-5%	--
Basic Value per share	EV / per share of Cathay FHC	75.1	71.5	-5%	--
	AV / per share of Cathay FHC	112.7	107.5	-5%	--

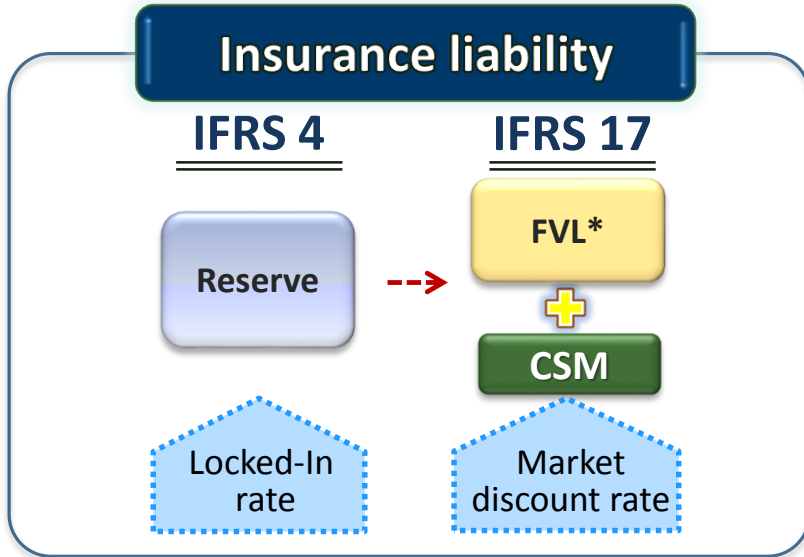
Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares 12.6bn.

(2) Totals may not sum due to rounding.

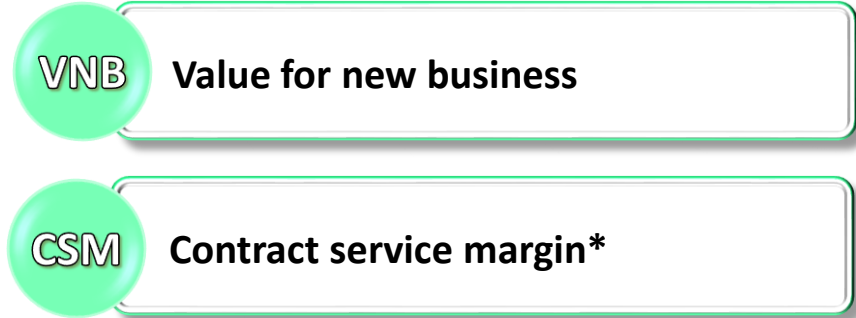
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IFRS 17 – Measurement



Profit indicators of new products



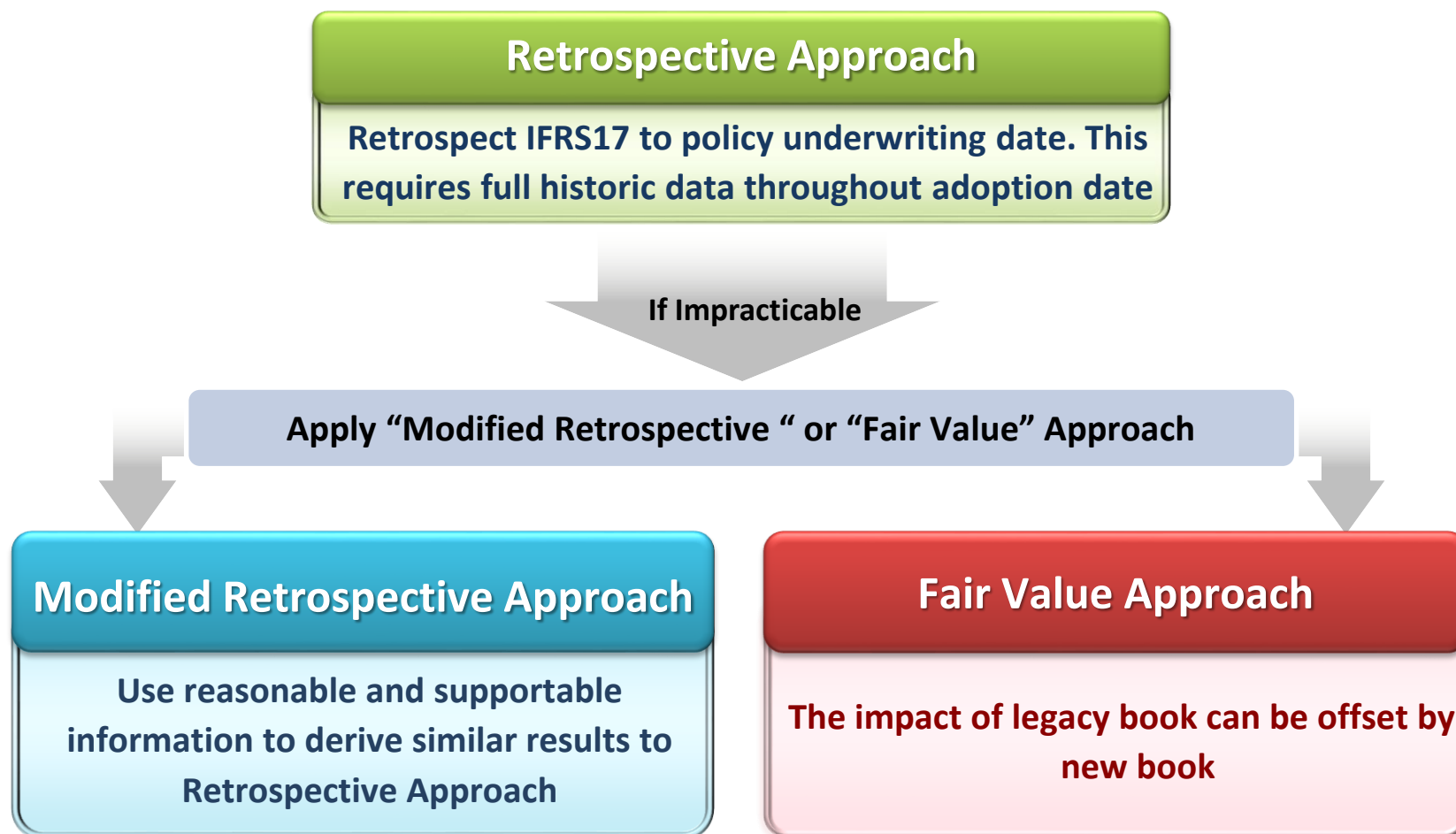
Note: 1. Fulfillment Value of Liabilities (FVL): present value of future cashflows derived from insurance sold, based on market discount rate at valuation date and most recent available actuarial assumptions.
 2. Contractual Service Margin (CSM): present value of future unearned profit from insurance contracts to be recognized in the remaining service period.

VNB vs CSM

	VNB	VS.	CSM
Investment Return	Company investment return		Market discount rate
Discount Rate	10%		=Risk Free Rate + Liquidity Premium
Embedded Option Cost (Crediting Rate)	Deterministic Valuation		Stochastic Valuation

Comparable among companies

IFRS 17 – Adoption date



Note: Legacy book - contracts with guaranteed rates $\geq 4\%$
New book - contracts with guaranteed rates $<4\%$

Example – Learning from the case

- ❑ IFRS 17 implementation changes the measurement of insurance liability. It does not affect the value of insurance contracts but affects the timing of profit recognition for insurance services.
- ❑ Insurers need to mark to market both assets and liabilities.
- ❑ It may increase the volatility of shareholders' equity, hence asset-liability management expertise is critical.

IFRS 17 impact & preparation

Benefiting from IFRS 17

- The impact from legacy book is fully reflected on adoption date
- Reduce the interest expense of insurance liability thereafter



Value-driven product strategy

CSM-focused products

- Protection products with superior CSM margin (CSM/FYP)
- Savings products with positive CSM



Capital plan

Capital market volatility and IFRS 17 adoption

- Build adequate capital buffer
- Early preparation ahead of the industry

Healthier Industry development

- Better risk-pricing disciplines among competitors restore industry profit margins
- Strong ALM expertise is critical for achieving stable financial performance

Agenda

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Cathay United Bank

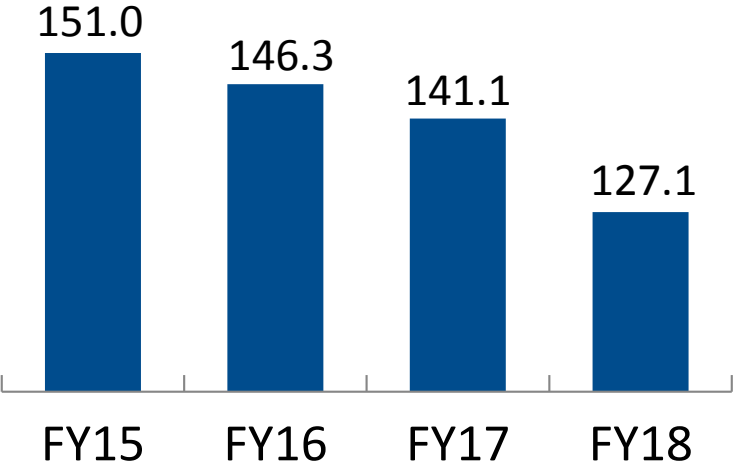
Cathay Life

Cathay Century

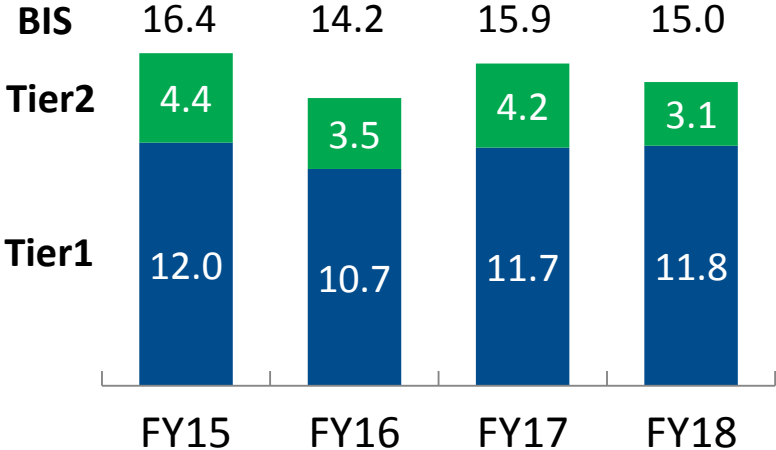
- **Cathay Life Embedded Value**
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Capital adequacy

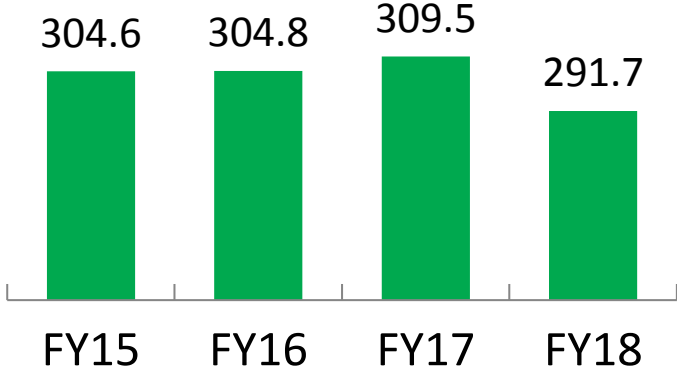
Cathay FHC CAR (%)



CUB Capital Adequacy (%)

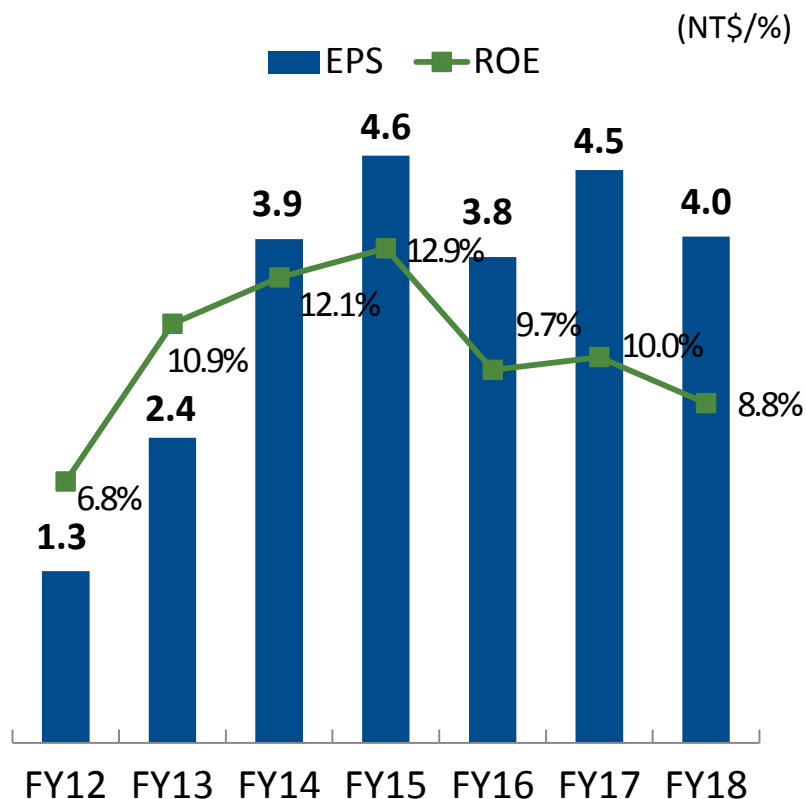


Cathay Life RBC (%)

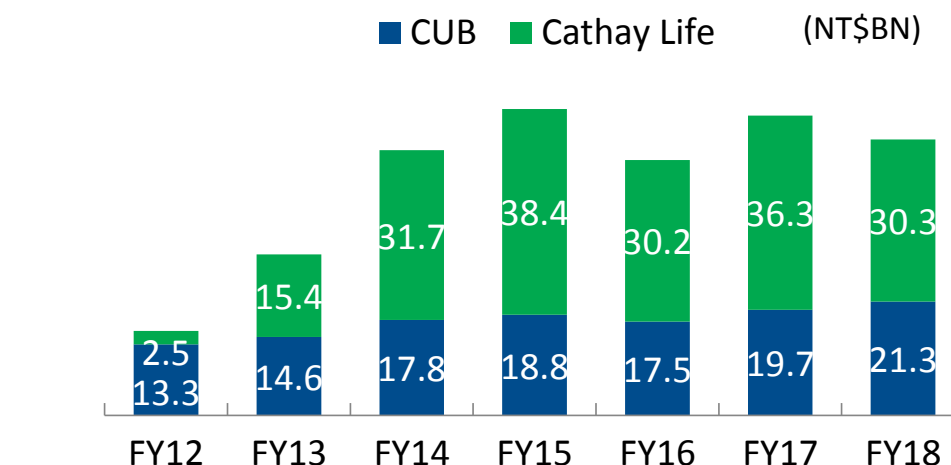


Cathay FHC continued to deliver solid earnings

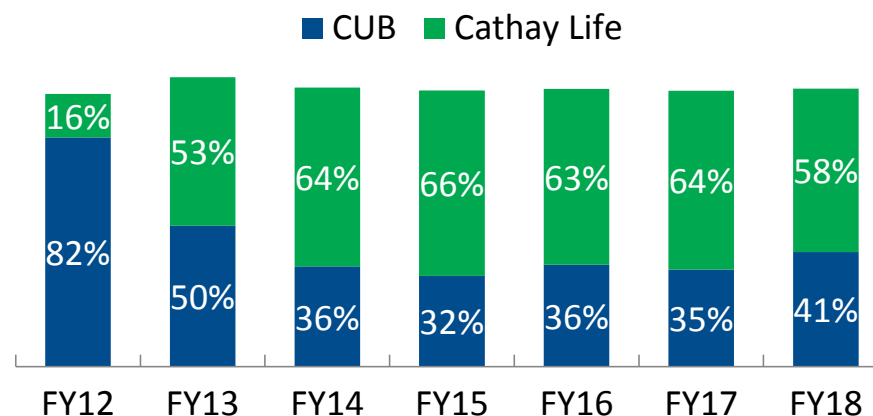
EPS & ROE



Profit contribution



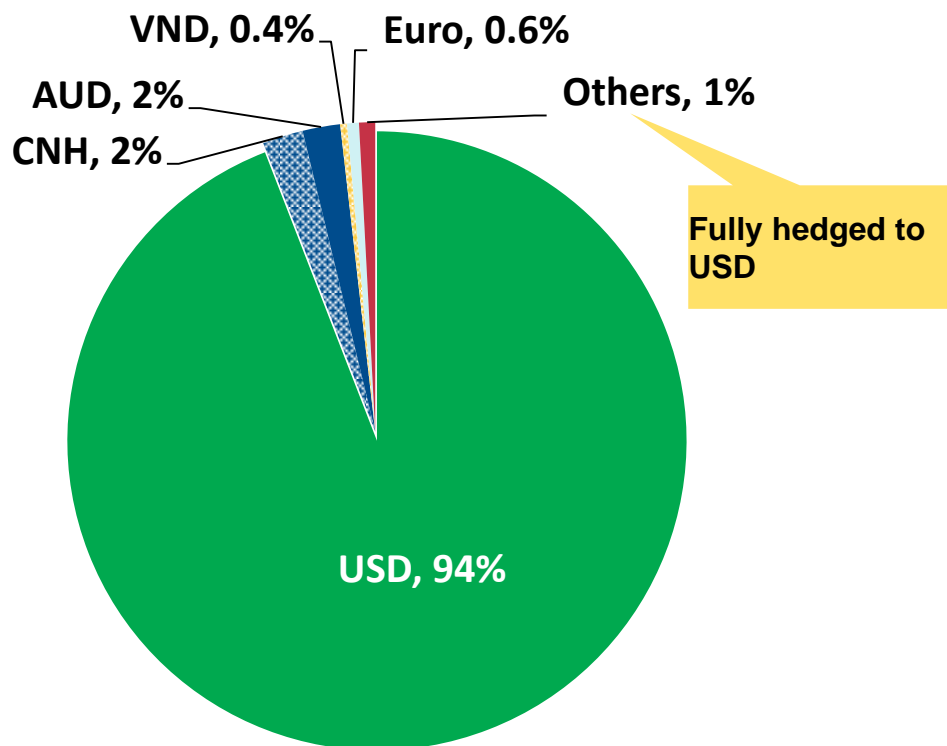
FHC	16.2	29.0	49.6	57.9	48.0	56.7	51.8
Life	2.5	15.4	31.7	38.4	30.2	36.3	30.3
CUB	13.3	14.6	17.8	18.8	17.5	19.7	21.3



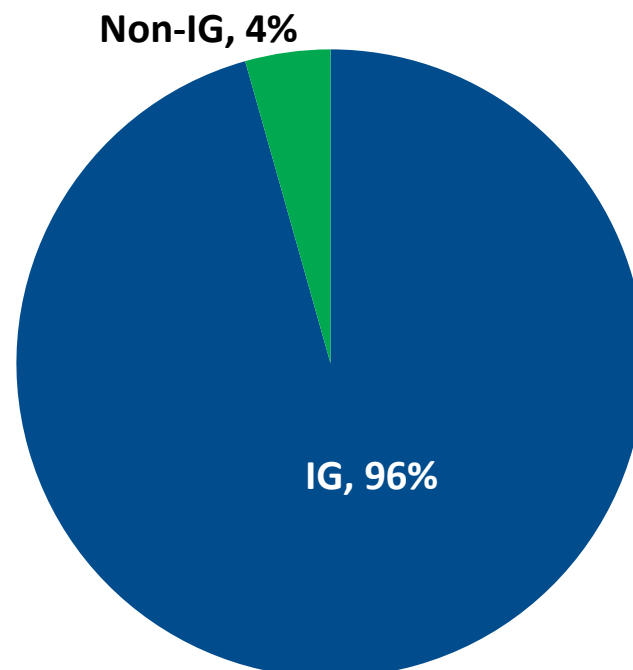
- Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.
 (2) Since Cathay FHC has more subsidiaries other than Cathay Life and CUB, besides, due to affiliate transactions, the Cathay FHC net income might not equal to the sum of Cathay Life and CUB's.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

Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (1Q19)



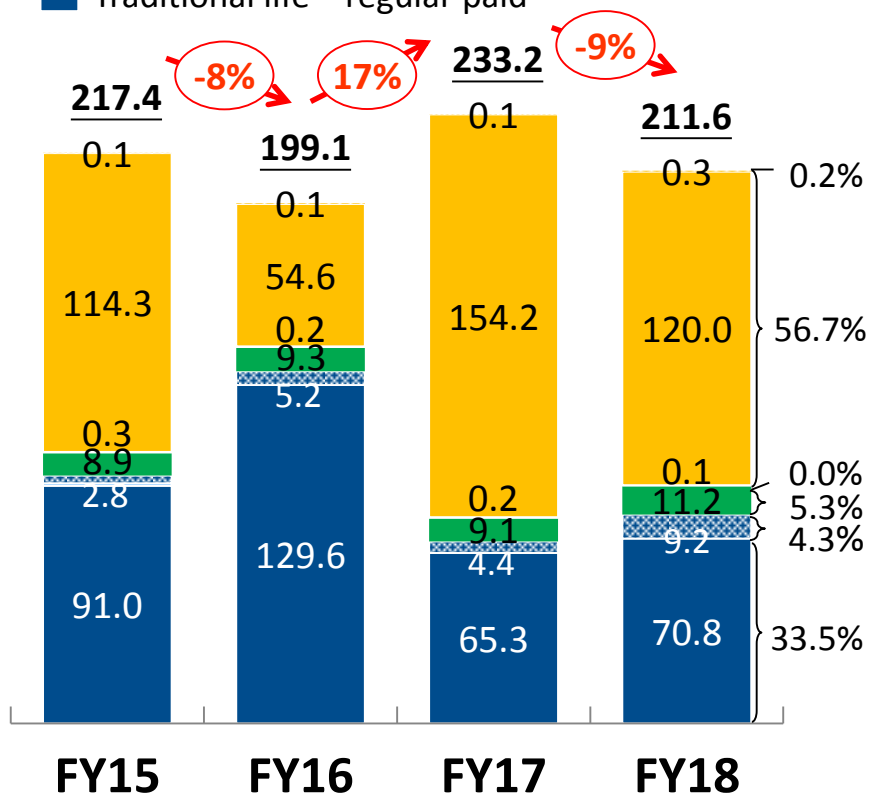
Overseas bond by rating (1Q19)



Cathay Life – FYP & APE

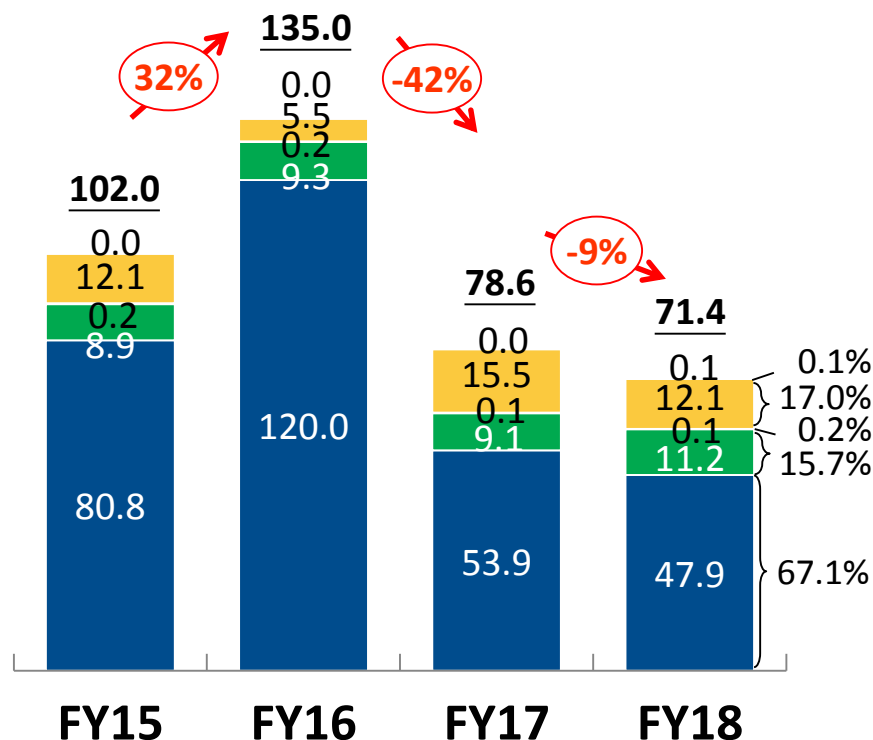
First Year Premium

- 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 FYP (APE)

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



Note: Annualized FYP = 10% x single-paid FYP + 20% x 2-yr-paid FYP + ... + 50% x 5-yr-paid FYP + 100% x 6-yr and above payment term FYP

Cathay Financial Holdings
(NT\$MMN)

Income Statement Data (Consolidated)	FY16	FY17	FY18	FY18/	1Q18	1Q19	1Q19/
				FY17			% Chg
Operating Income							
Net interest income	153,478	168,461	180,628	7%	41,104	48,506	18%
Net commission and fee	(8,050)	1,070	2,883	170%	978	(1,855)	-290%
Net earned premium	622,916	624,617	576,811	-8%	136,368	159,865	17%
Change in liability reserve	(408,614)	(445,833)	(334,122)	-25%	(79,909)	(87,353)	-9%
Net claims payment	(308,697)	(295,503)	(368,656)	25%	(89,750)	(102,420)	-14%
Investment income	37,782	62,065	82,634	33%	31,162	22,015	-29%
Contribution from associates-equity method	1,202	1,298	1,004	-23%	67	284	326%
Other net non-interest income	40,606	22,446	(1,378)	-106%	1,215	(1,309)	-208%
Bad debt expense	(5,232)	(3,460)	(4,599)	33%	(417)	(437)	-5%
Operating expense	(75,207)	(75,526)	(79,606)	5%	(19,020)	(21,769)	-14%
Income before taxes	50,185	59,636	55,599	-7%	21,799	15,527	-29%
Income taxes	(2,145)	(2,962)	(3,777)	27%	1,458	(1,977)	-236%
Net income	48,039	56,673	51,822	-9%	23,257	13,550	-42%
EPS (NT\$)	3.79	4.47	3.95		1.84	1.05	
Dividend Payout							
Cash dividend per share	2.00	2.50					
Stock dividend per share	0.00	0.00					
Weighted average outstanding shares (Millions of common shares)	12,563	12,563	12,563		12,563	12,563	
Balance Sheet Data (Consolidated)							
Total assets	8,135,137	8,841,510	9,224,484		8,961,966	9,542,838	
Total shareholders' equity	529,824	608,471	529,289		608,892	661,118	
Operating Metrics							
ROAE (Consolidated)	9.70%	9.96%	8.83%		14.85%	9.11%	
ROAA (Consolidated)	0.61%	0.67%	0.57%		1.04%	0.58%	
Double leverage ratio(inc. preferred stock)	105%	108%	112%		108%	110%	
Capital Adequacy Metrics							
Capital Adequacy Ratio	146%	141%	127%				

Notes:

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

(2) Total may not sum due to rounding.

(3) Starting from 2018/1/1, Cathay FHC adopted IFRS9. The comparative information for prior periods was not restated.

Cathay Life

(NT\$MN)

<u>Income Statement Data (Consolidated)</u>	FY16	FY17	FY18	FY18/ FY17	1Q18	1Q19	1Q19/ 1Q18
				% Chg			% Chg
Net written premium	605,910	608,404	559,386	-8%	132,246	155,519	18%
Net earned premium	605,231	607,547	558,929	-8%	132,524	155,749	18%
Reinsurance commission earned	363	301	762	153%	55	(9)	-117%
Fee income	5,542	9,468	9,148	-3%	2,660	1,957	-26%
Recurring investment income	161,051	173,846	197,281	13%	40,343	52,437	30%
Gain on disposal of investment							
Realized gain (loss)-Equity	18,210	43,625	49,374	13%	25,090	13,805	-45%
Realized gain (loss)-Debt	29,382	21,233	15,092	-29%	8,810	5,661	-36%
Gain on investment property	5,000	(756)	(740)	2%	(19)	(2)	91%
FX and others, net	(21,333)	(28,258)	(44,019)	-56%	(11,141)	(15,629)	-40%
Investment income, net	192,310	209,691	216,988	3%	63,083	56,272	-11%
Other operating income	5,032	5,069	5,508	9%	1,290	1,420	10%
Separate account revenues	39,589	44,304	28,084	-37%	2,678	24,825	827%
Net claims payment	(297,201)	(284,023)	(357,244)	26%	(87,255)	(100,063)	15%
Changes in liability reserves	(408,398)	(445,843)	(333,716)	-25%	(80,035)	(87,126)	9%
Acquisition and commission expense	(38,901)	(32,507)	(33,900)	4%	(8,620)	(11,543)	34%
Other operating costs	(6,381)	(6,418)	(7,765)	21%	(2,063)	(1,440)	-30%
Financial cost	(413)	(1,963)	(2,331)	19%	(568)	(643)	13%
Separate account expense	(39,589)	(44,304)	(28,084)	-37%	(2,678)	(24,825)	827%
Operating expense	(30,768)	(28,790)	(29,165)	1%	(7,366)	(7,828)	6%
Net non-operating income	1,956	1,442	1,312	-9%	324	358	10%
Income taxes	1,861	2,294	1,773	-23%	2,697	(659)	-237%
Net income	30,235	36,268	30,297	-16%	16,727	6,446	-61%

Balance Sheet Data

Total assets	5,556,950	6,097,655	6,391,395		6,176,772	6,649,760
General account	5,058,936	5,542,385	5,844,430		5,617,725	6,064,672
Separate account	498,014	555,269	546,964		559,047	585,088
Reserves for life insurance liabilities	4,567,324	4,944,292	5,313,167		4,999,017	5,407,866
Total liabilities	5,192,967	5,656,473	6,029,265		5,743,851	6,167,612
Total shareholders' equity	363,984	441,181	362,129		432,921	482,148

Operating Metrics (Standalone)

First Year Premium(FYP)	199,082	233,250	211,588		67,879	60,711
First Year Premium Equivalent(FYPE)	135,035	78,602	71,372		21,443	29,098
Expense ratio	10.3%	8.6%	9.6%		10.3%	11.0%
13-M persistency ratio	98.3%	98.2%	98.4%		98.4%	98.0%
25-M persistency ratio	92.2%	94.3%	94.7%		94.5%	95.6%
ROAE	8.49%	9.01%	7.25%		14.76%	6.11%
ROAA	0.56%	0.62%	0.48%		1.09%	0.40%

Capital Adequacy Metrics (Standalone)

RBC ratio	305%	309%	292%
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Cathay United Bank

(NT\$MN)				FY18/ FY17			1Q19/ 1Q18
<u>Income Statement Data (Consolidated)</u>	FY16	FY17	FY18	% Chg	1Q18	1Q19	% Chg
Operating Income							
Net interest income	25,910	29,701	33,397	12%	7,711	8,844	15%
Fee income	15,745	14,862	16,678	12%	4,483	4,671	4%
Investment income	8,278	9,442	9,862	4%	2,075	3,201	54%
Other income	1,222	1,216	918	-25%	179	92	-48%
Net operating income	51,154	55,222	60,855	10%	14,448	16,808	16%
Operating expenses	(26,959)	(29,301)	(31,340)	7%	(7,075)	(8,615)	22%
Pre-provision profit	24,195	25,920	29,515	14%	7,373	8,193	11%
Net provisions for possible losses	(4,455)	(3,494)	(5,032)	44%	(433)	(750)	73%
Income before taxes	19,740	22,426	24,483	9%	6,940	7,443	7%
Income tax	(2,229)	(2,763)	(3,230)	17%	(1,136)	(1,070)	-6%
Net income	17,511	19,664	21,253	8%	5,803	6,373	10%
Balance Sheet Data							
Total assets	2,566,669	2,735,704	2,843,881		2,777,640	2,888,130	
Loans, net	1,437,531	1,434,558	1,595,323		1,503,695	1,623,041	
Financial assets	849,989	859,590	878,001		922,363	835,796	
Total liability	2,406,701	2,553,396	2,638,074		2,587,301	2,672,499	
Deposits	2,032,600	2,098,368	2,227,662		2,117,166	2,248,100	
Financial Debenture Payable	51,900	63,350	55,600		59,500	55,600	
Total shareholders' equity	159,968	182,308	205,807		190,339	215,631	
Operating Metrics							
Cost income ratio	52.70%	53.06%	51.50%		48.97%	51.25%	
ROAE	11.06%	11.49%	10.86%		12.35%	12.10%	
ROAA	0.71%	0.74%	0.76%		0.84%	0.89%	
Assets Quality (Standalone)							
NPL	2,133	2,982	2,563		2,917	2,870	
NPL ratio	0.15%	0.21%	0.16%		0.20%	0.18%	
NPL provisions	19,686	22,553	23,879		22,701	24,804	
Coverage ratio	923%	756%	932%		778%	864%	
Capital Adequacy Metrics (Standalone)							
BIS ratio	14.2%	15.9%	15.0%				
Tier I Ratio	10.7%	11.7%	11.9%				
LDR (Standalone)							
TWD LDR	78.8%	73.7%	77.7%		77.5%	77.7%	
FX LDR	40.4%	49.1%	46.6%		48.1%	48.2%	

Notes:

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

(2) Total may not sum due to rounding.

(3) Starting from 2018/1/1, Cathay United Bank adopted IFRS9. The comparative information for prior periods was not restated.

Cathay Century

(NT\$MM)				FY18/ FY17			1Q19/ 1Q18
<u>Income Statement Data (Consolidated)</u>	FY16	FY17	FY18	% Chg	1Q18	1Q19	% Chg
Premium income	22,774	21,878	23,186	6%	5,364	5,775	8%
Net written premium	17,390	16,610	17,797	7%	4,254	4,482	5%
Net earned premium	17,213	16,344	17,349	6%	4,153	4,456	7%
Reinsurance commission earned	526	489	556	14%	141	162	15%
Fee income	44	42	43	3%	11	11	-2%
Investment	2,082	892	640	-28%	247	205	-17%
Interest income	568	547	559	2%	134	132	-2%
Other investment income, net	1,514	345	81	-76%	112	74	-34%
Other operating income	0	0	0		0	0	0%
Net claims payment	(9,559)	(9,138)	(9,408)	3%	(2,411)	(2,289)	5%
Changes in liability reserves	(209)	10	(406)	4148%	125	(227)	-282%
Commissions and other operating costs	(3,015)	(2,859)	(3,043)	6%	(763)	(764)	0%
Operating expenses	(4,248)	(3,609)	(3,848)	7%	(907)	(974)	-7%
Operating income	2,834	2,170	1,883	-13%	596	579	-3%
Net non-operating income	(1)	(16)	(24)	-53%	(5)	0	108%
Income taxes	(492)	(297)	(349)	18%	109	98	-10%
Net income	2,342	1,858	1,510	-19%	483	482	0%
<u>Balance Sheet Data</u>							
Total assets	38,250	38,351	37,956		38,171	38,749	
Total stockholders' equity	9,216	10,517	10,025		10,917	10,999	
<u>Operating Metrics</u>							
Gross Combined ratio	99.3%	80.0%	81.8%		79.4%	83.6%	
Net Combined ratio	93.3%	90.9%	92.2%		92.1%	91.4%	
ROAE	28.50%	18.83%	14.69%		18.01%	18.34%	
ROAA	5.83%	4.85%	3.96%		5.05%	5.02%	
<u>Capital Adequacy Metrics</u>							
RBC ratio (Standalone)	385%	392%	370%				

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