



# 2018 Fourth Quarter Briefing

April 2019

## Disclaimer

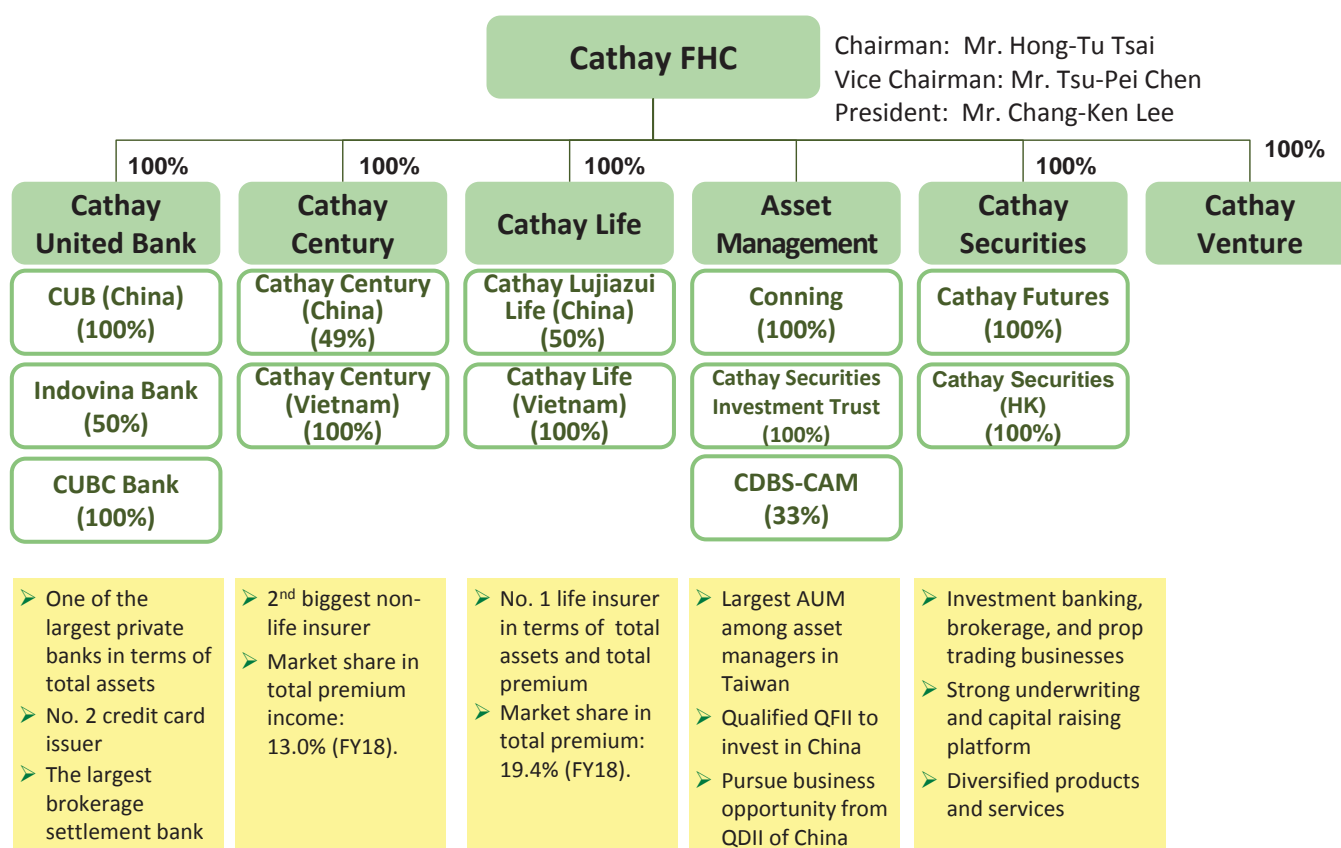
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# Agenda

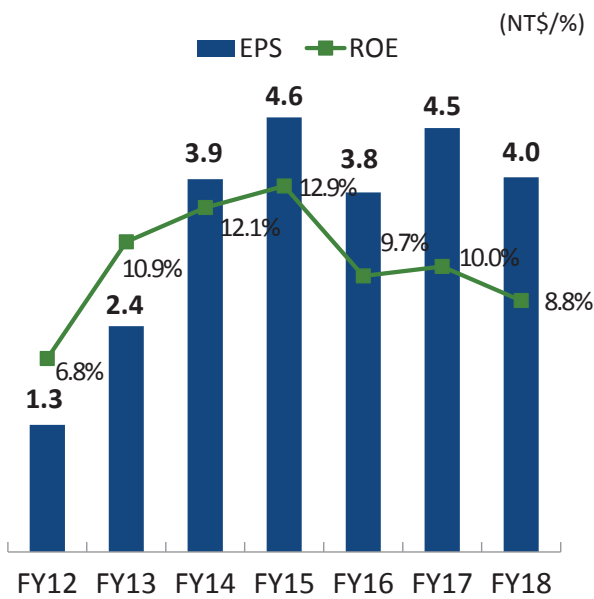
- Introduction of Cathay FHC
- 2018 Business Overview and 2019 Outlook
- Overseas Expansion
- Business Performance Summary
  - Cathay United Bank
  - Cathay Life
  - Cathay Century
- Cathay's CSR Efforts
- M&A Key Highlights
- Appendix

## Cathay FHC: largest FHC, comprehensive products

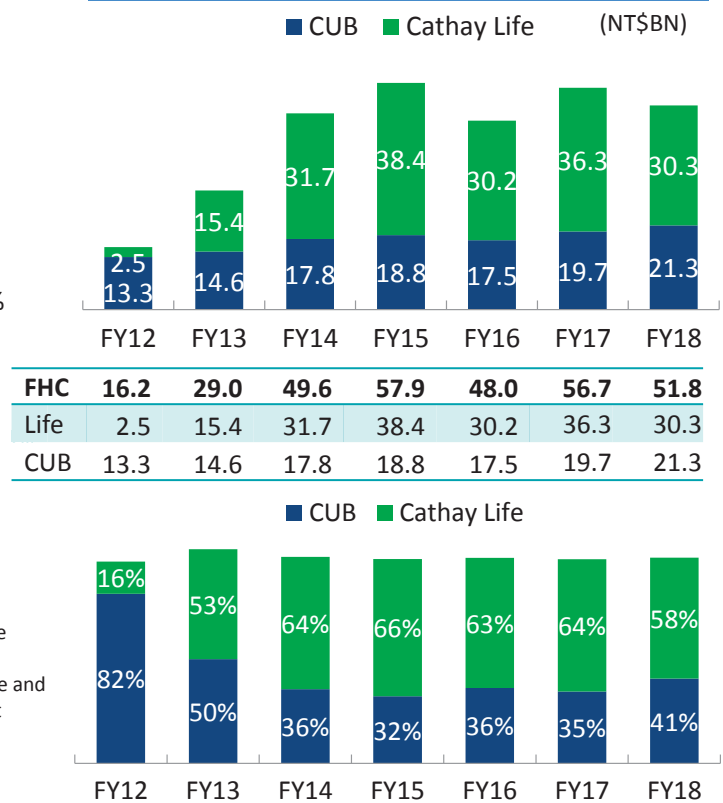


# Cathay's earnings accelerates as life turnarounds

## EPS & ROE



## Profit contribution

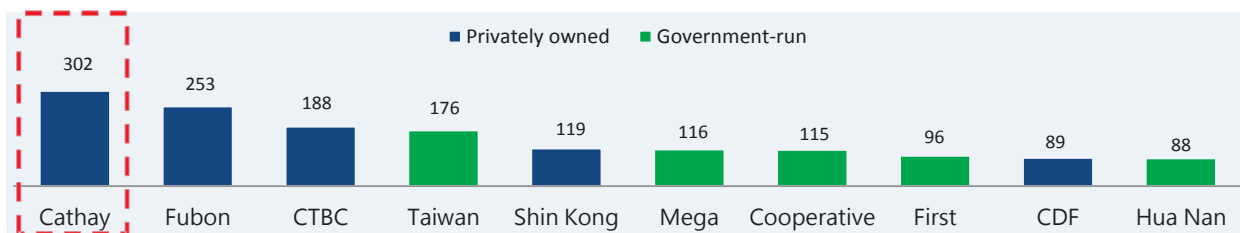


- Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.  
 (2) Since Cathay FHC has more subsidiaries other than Cathay Life and CUB, besides, due to affiliate transactions, the Cathay FHC net income might not equal to the sum of Cathay Life and CUB's.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

# Market leader in Taiwan's FIG sector

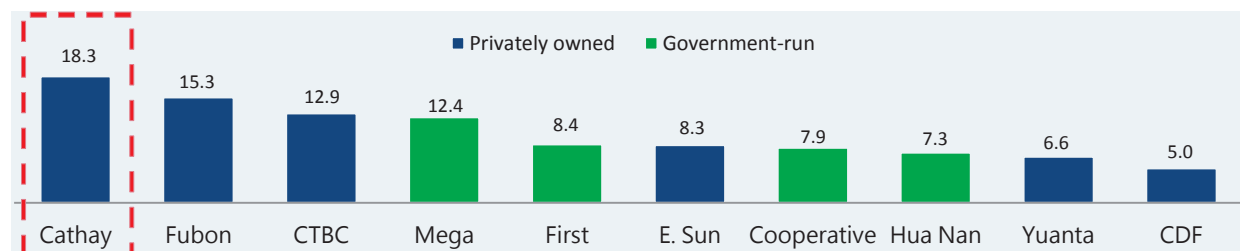
- █ Largest listed financials group by market capitalization and assets.

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



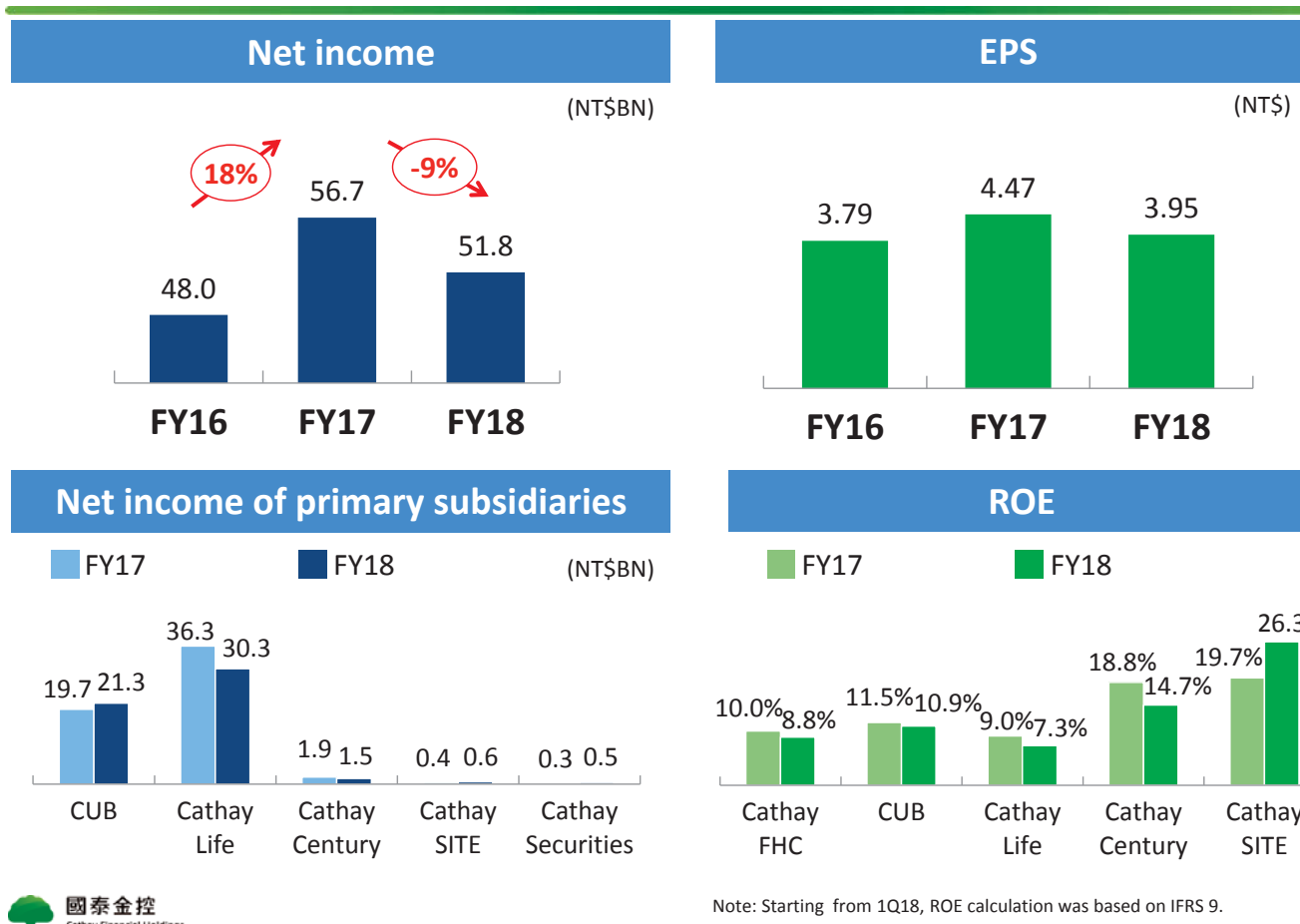
Note: Total assets as of Dec. 28, 2018

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

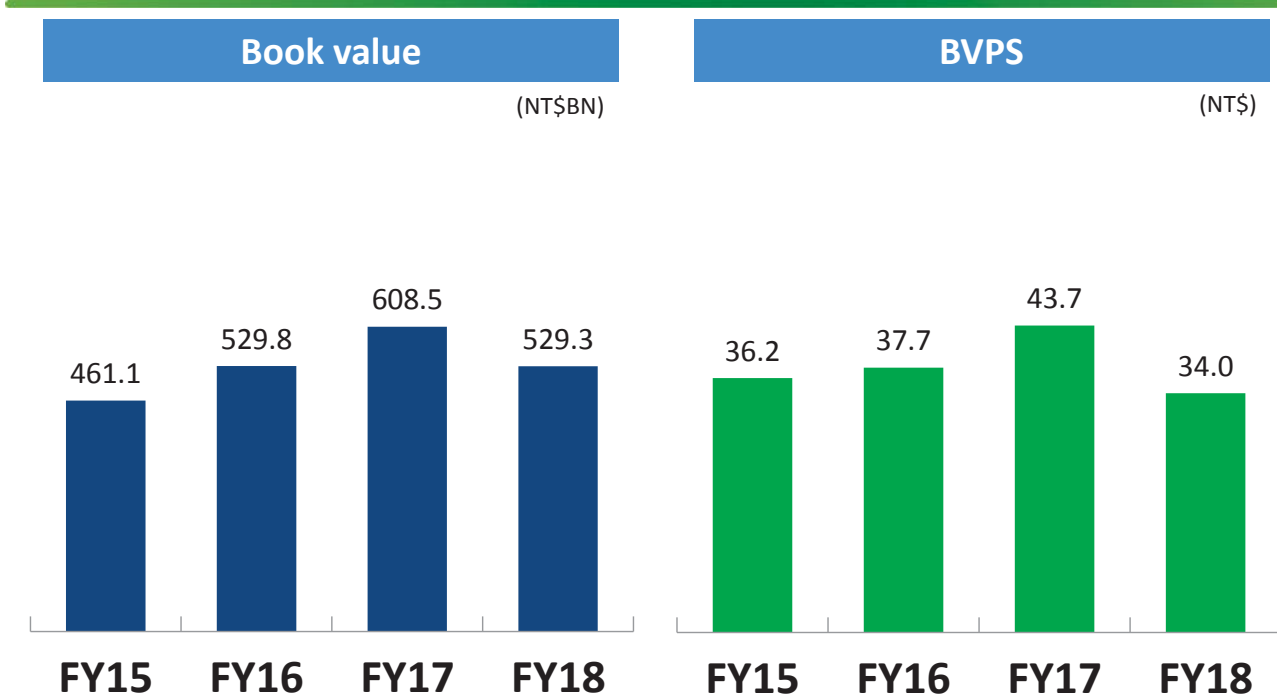


Note: Market capitalization as of Mar. 29, 2019

# Cathay FHC – Net income & EPS



# 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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## 2018 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. Credit card fee grew 13% YoY. Number of active cards ranked No.1 in the industry.

### Cathay Life

- Focused on value-driven strategy. FYP and FYPE remained No. 1 in the industry. FYP for protection products grew ~50% YoY.
- Cost of liability continued to improve. Pre-hedging recurring yield increased to 3.5%.
- Maintained solid capital position with RBC ratio of 292%.

### Cathay Century

- Premium income grew 6% YoY. Remained in second place with 13.0% 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\$635.1 BN.
- Received "Best Institutional House" and "Best New ETF" awards from Asia Asset Management and "Risk Management Award" from Benchmark magazine. Selected by Thomson Reuters Lipper and Morningstar as "Taiwan Fund Award" winner.

### Cathay Securities

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

# 2019 Outlook

## Cathay United Bank

- Continue to adjust loan mix. Maintain benign asset quality.
- Increase credit card and wealth management fee income.
- Continue to expand overseas business and increase offshore earnings.

## 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 enhance capital efficiency and maintain stable hedging cost.

## Cathay Century

- Grow both personal and commercial insurance.
- Increase the efficiency of capital and net profits.
- Develop online business in China and enlarged local team in Vietnam.

## Cathay SITE

- Offer comprehensive product lines to meet customers' 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.
- Enhance existing platform and develop innovative products.
- Continue to expand overseas business.

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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	15	1	1	1	1	1	1	1	1
Life	51 <sup>(1)</sup>	59									
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

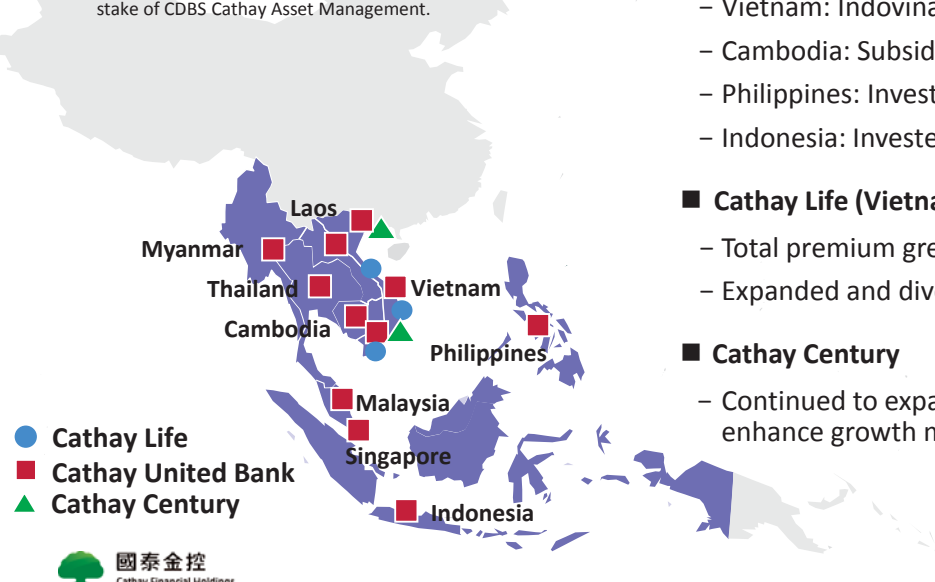
- Vietnam: Indovina Bank performed steadily.
- Cambodia: Subsidiary's businesses grew steadily.
- Philippines: Invested 23% stake in RCBC<sup>(3)</sup>
- Indonesia: Invested 40% stake in Bank Mayapada<sup>(3)</sup>

## ■ Cathay Life (Vietnam)

- Total premium grew 51% YoY to VND 691BN in 2018.
- Expanded and diversified distribution channels.

## ■ Cathay Century

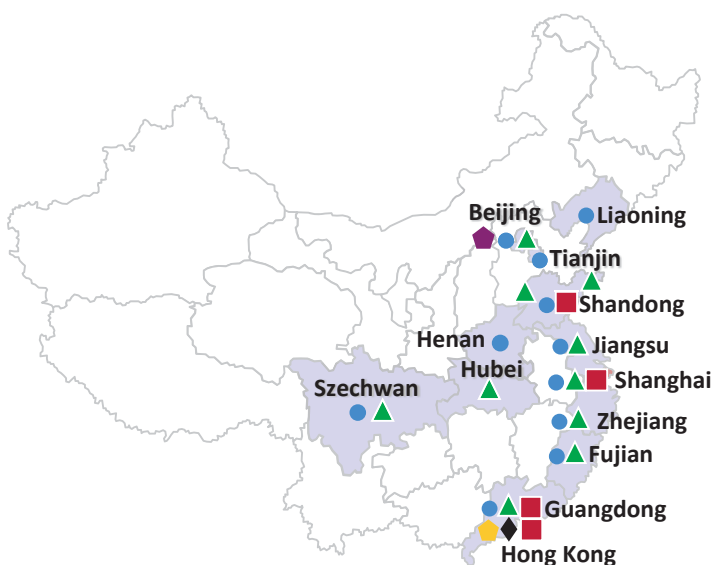
- Continued to expand local distribution channels to enhance growth momentum.



- Cathay Life
- Cathay United Bank
- ▲ Cathay Century



# 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

- Upgrade China operation into a fully-owned local subsidiary in Sep. 2018.

## ■ Cathay Lujiazui Life

- Total premium grew 46% YoY to RMB 2.3BN in 2018.

## ■ 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

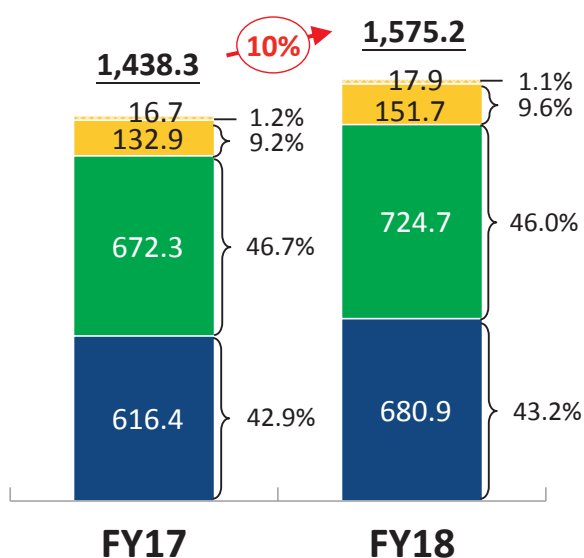
Cathay Century

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## Cathay United Bank – Loan & Deposit breakdown

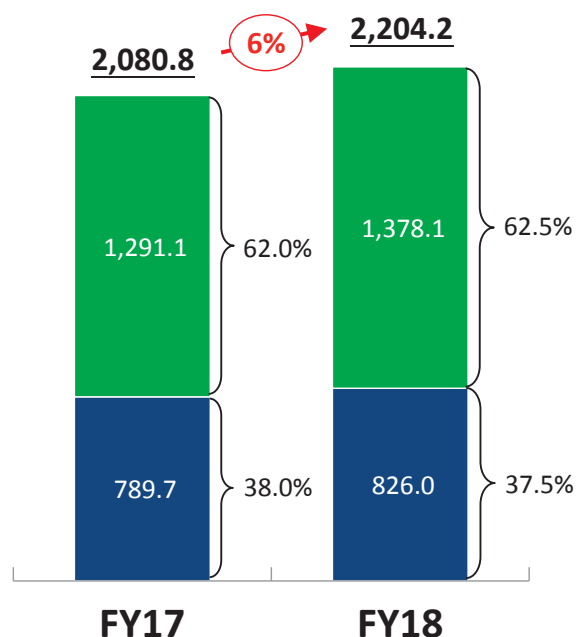
### Loan breakdown (NT\$BN)

- Credit Card related
- Consumer
- Mortgage
- Corporate



### Deposit breakdown (NT\$BN)

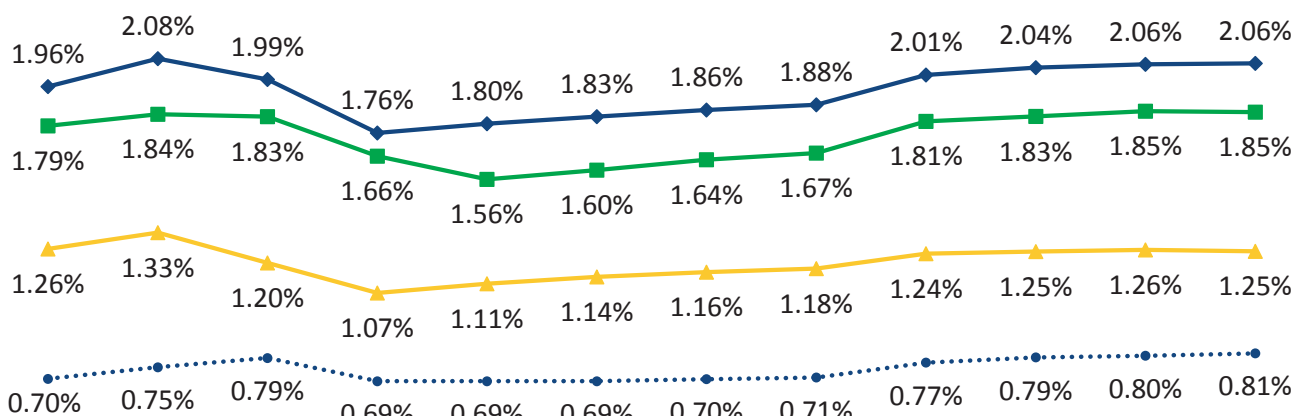
- Demand Deposit
- Time Deposit





# Cathay United Bank – Interest yields

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



	FY13	FY14	FY15	FY16	1Q17	1H17	9M17	FY17	1Q18	1H18	9M18	FY18
<b>Quarterly</b>				<u>4Q16</u>	<u>1Q17</u>	<u>2Q17</u>	<u>3Q17</u>	<u>4Q17</u>	<u>1Q18</u>	<u>2Q18</u>	<u>3Q18</u>	<u>4Q18</u>
<b>Spread</b>				1.59%	1.56%	1.64%	1.74%	1.76%	1.81%	1.85%	1.90%	1.83%
<b>NIM</b>				1.10%	1.11%	1.18%	1.20%	1.22%	1.24%	1.26%	1.27%	1.22%
<b>NIM-pro forma excl. China<sup>(2)</sup></b>								1.19%	1.21%	1.22%	1.25%	1.22%

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

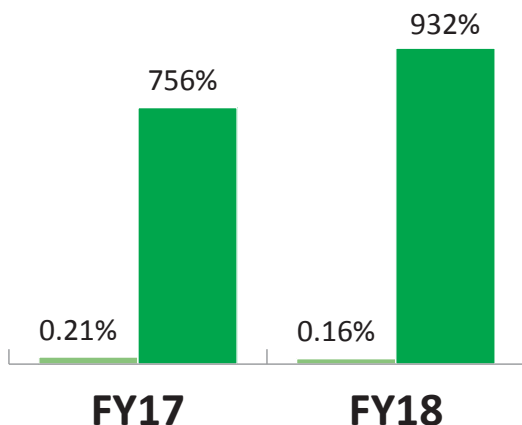
(2) China subsidiary was launched in Sep 2018. Hence, since 9M18, China subsidiary results was excluded.



# Cathay United Bank – Credit quality

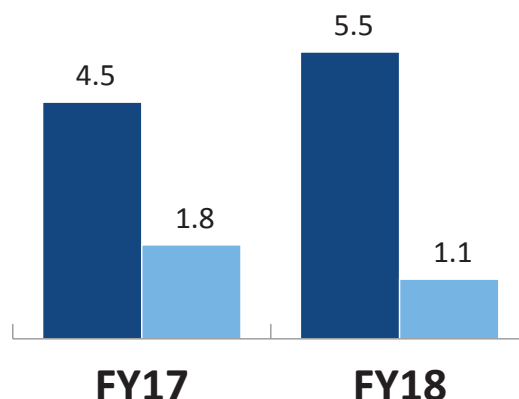
## NPL & Coverage ratio

■ NPL ratio  
■ Coverage ratio



## Gross provision

■ Gross provision (NT\$BN)  
■ Recovery



Mortgage NPL    **0.15%**    **0.15%**

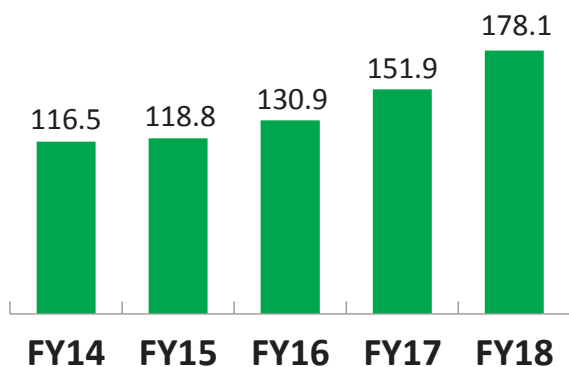
Note : China subsidiary was launched in Sep 2018. Hence, FY18 number excluded China subsidiary results. (NPL ratio: 0.18%, Coverage ratio: 1762.67%, Gross provision: NT\$10.6MN, Recovery: 0; preliminary).



# Cathay United Bank – SME & FX loans

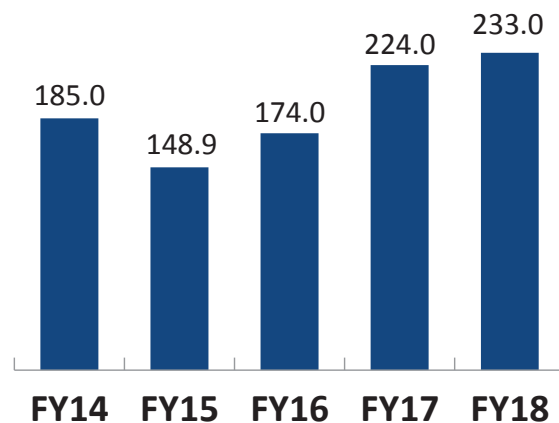
## SME loans

(NT\$BN)



## Foreign currency loans

(NT\$BN)



### As % of total loans



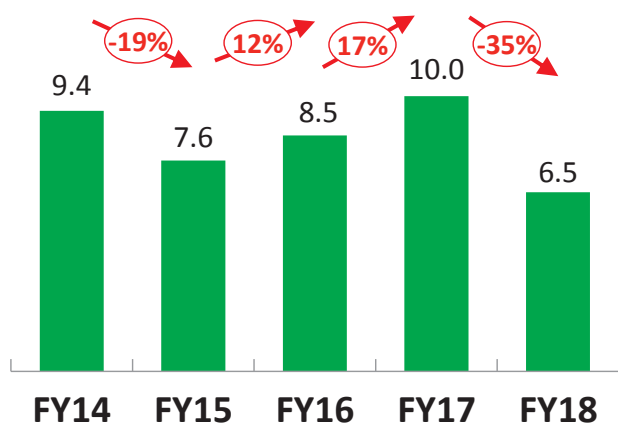
Note : (1) Total loans exclude credit card revolving balance.

(2) China subsidiary was launched in Sep 2018, hence FY18 foreign currency balance excluded NT\$18BN (preliminary) from China subsidiary.

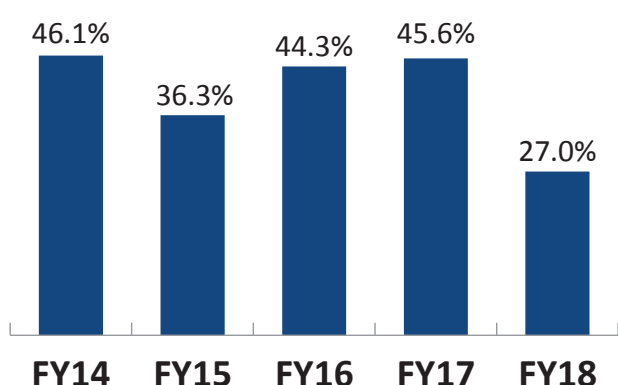
# Cathay United Bank – Offshore earnings

## Offshore earnings

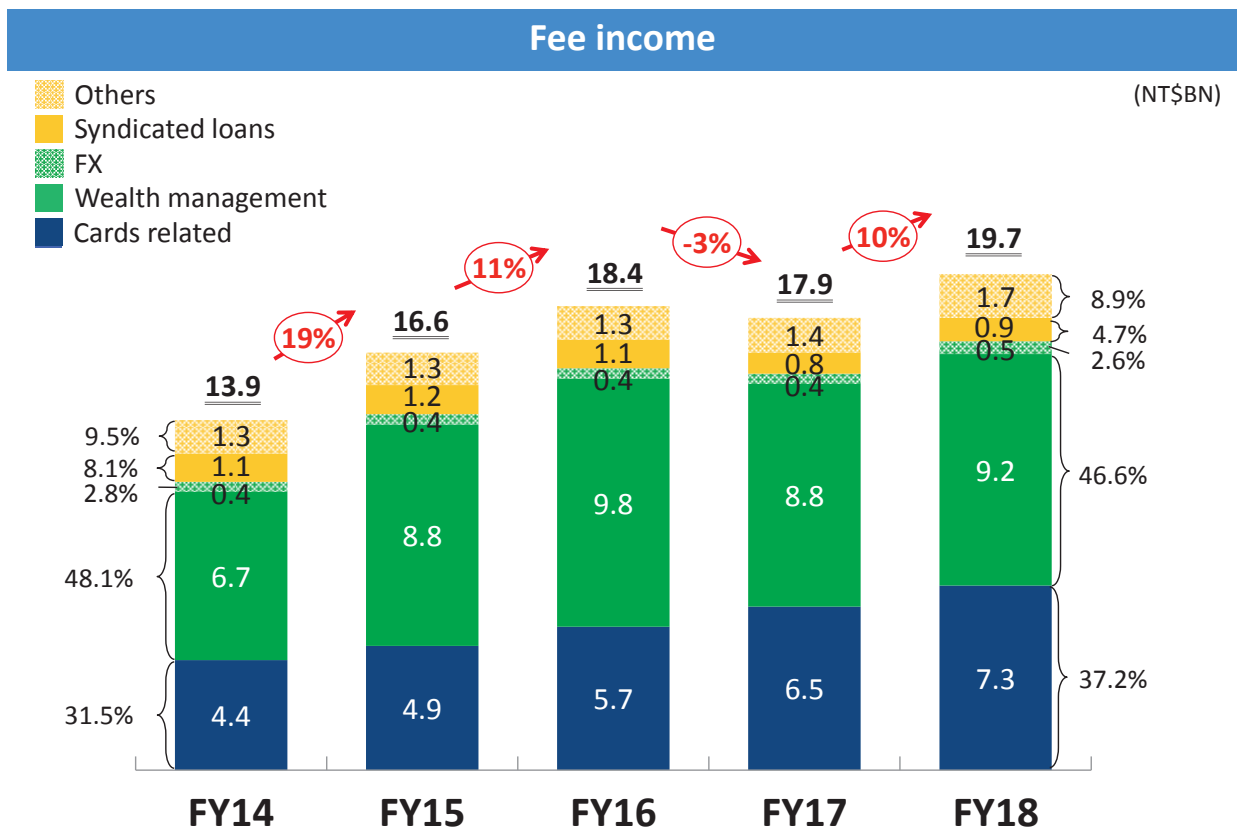
(NT\$BN)



## As % of CUB pre-tax profits



# Cathay United Bank – Fee income

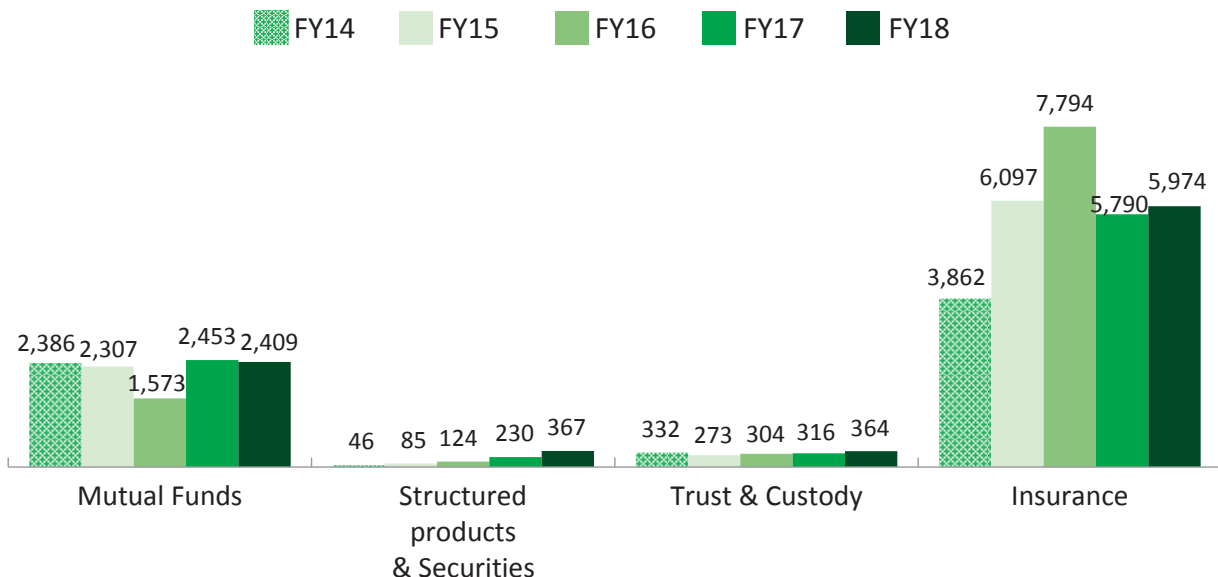


Note : China subsidiary was launched in Sep 2018, hence FY18 fee income excluded NT\$ 5.8MN (preliminary) from China subsidiary.

# Cathay United Bank – Wealth management fee

## Wealth management fee breakdown

(NT\$MN)	FY14	FY15	FY16	FY17	FY18
<b>Wealth management fee income</b>	<b>6,673</b>	<b>8,779</b>	<b>9,828</b>	<b>8,837</b>	<b>9,183</b>
<b>YoY growth (%)</b>	<b>29.2%</b>	<b>31.6%</b>	<b>11.9%</b>	<b>-10.1%</b>	<b>3.9%</b>



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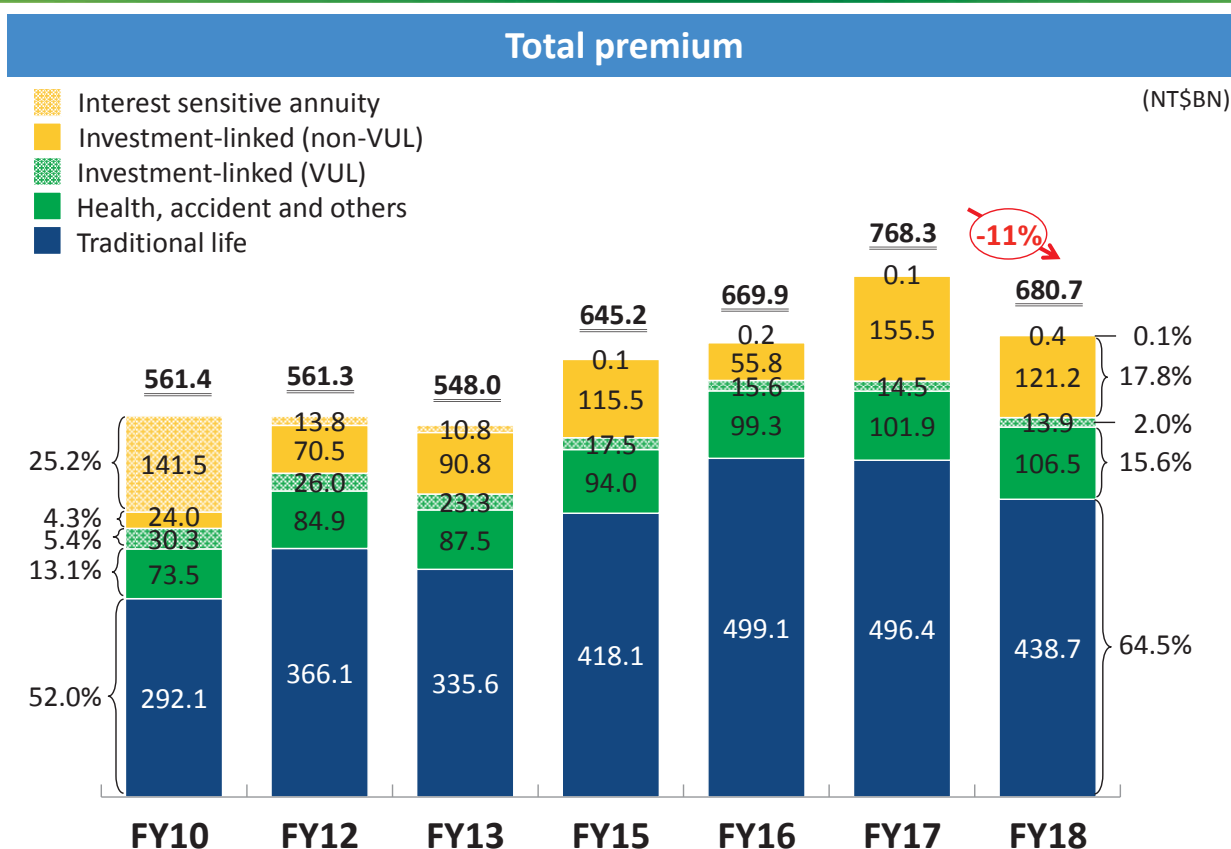
Cathay United Bank

**Cathay Life**

Cathay Century

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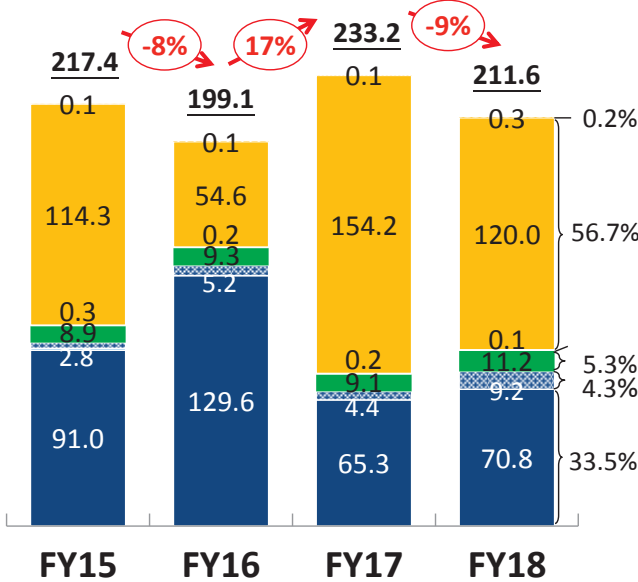
## Cathay Life – Total premium



# Cathay Life – FYP & APE

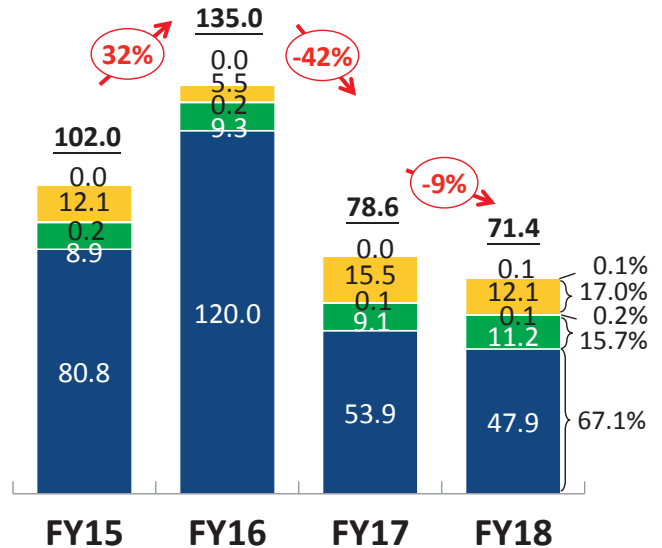
## First Year Premium

- 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

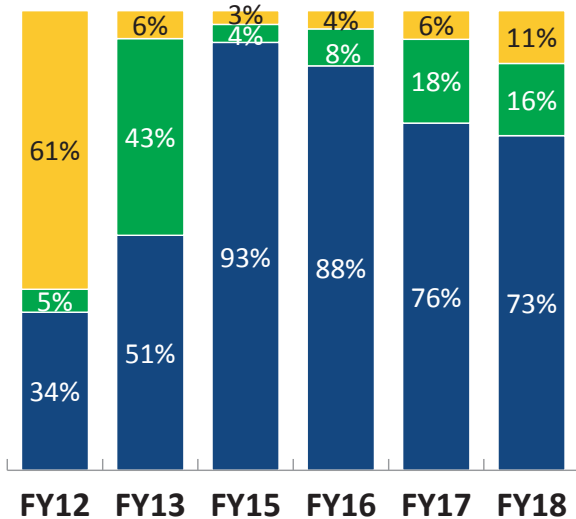


Note: Annualized FYP = 10% x single-paid FYP + 20% x 2-yr-paid FYP + ... + 50% x 5-yr-paid FYP + 100% x 6-yr and above payment term FYP

# Cathay Life – Regular paid policies & VNB

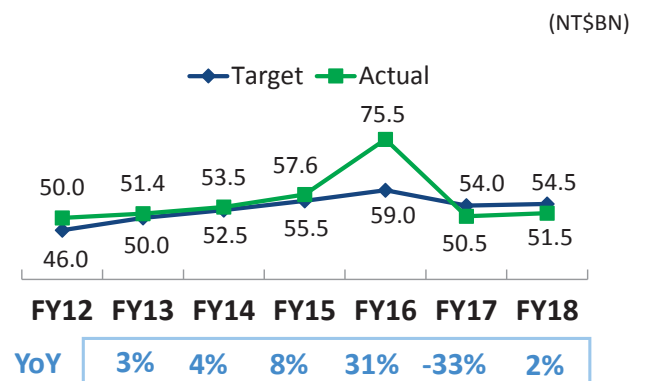
## Breakdown of traditional FYP

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



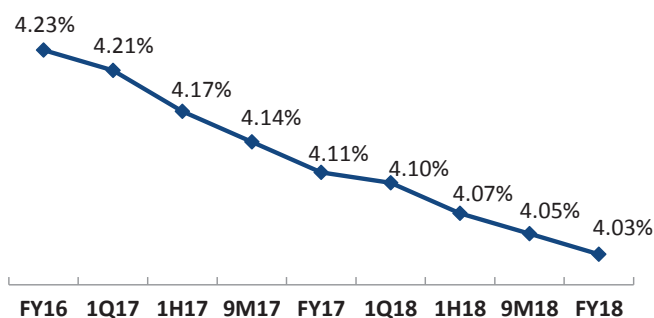
## Value for New Business

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

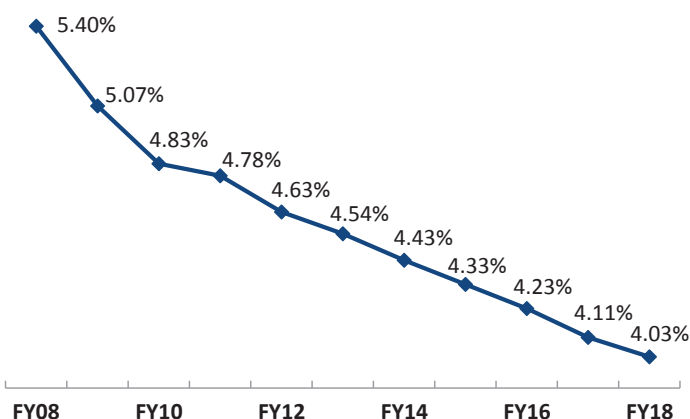


# Cathay Life – Cost of liability

## Cost of liability (quarterly)



## Cost of Liability (annual)



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

# Cathay Life – Investment portfolio

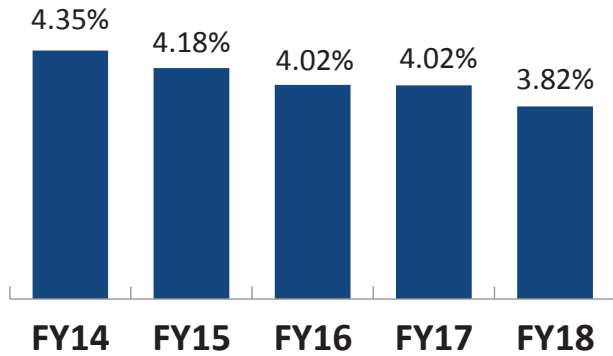
(NT\$BN)	FY15	FY16	FY17			FY18		
Total investments <sup>(1)</sup>	4,636.6	5,001.1	5,502.6			5,761.0		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	1.3%	1.3%	1.6%	87	0.5%	1.1%	61	0.6%
Equity- Domestic	7.4%	7.9%	8.4%	465	9.1%	7.5%	431	9.6%
Equity- International <sup>(2)</sup>	6.2%	6.4%	6.3%	347	8.3%	6.7%	388	8.7%
Bond- Domestic	8.0%	6.5%	5.5%	305	2.1%	5.0%	287	3.6%
Bond- International <sup>(1)(2)</sup>	50.6%	53.8%	55.7%	3,063	5.0%	58.6%	3,374	4.6%
Mortgage & Secured loans	10.2%	8.9%	8.1%	444	1.8%	7.1%	411	2.0%
Policy loans	3.6%	3.3%	3.0%	166	5.8%	3.0%	170	5.8%
Real estate	10.5%	9.8%	9.2%	496	2.3%	8.7%	501	2.3%
Others	2.1%	2.2%	2.4%	130		2.4%	140	

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

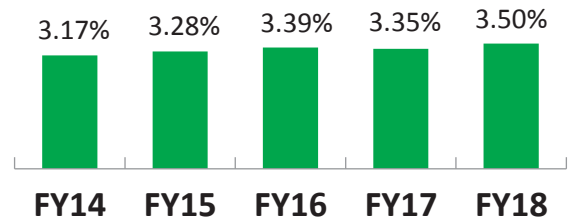
(2) Yields of international equity and international bond are pre-hedge investment yields.

# Cathay Life – Investment performance highlight

## After-hedging investment yield

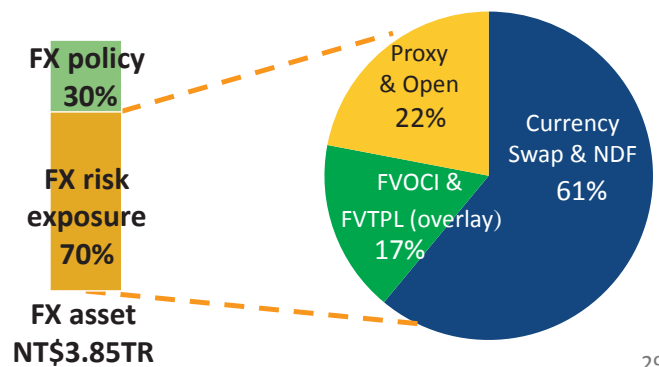


## Pre-hedging recurring yield



## Currency hedging structure

**FY18 Hedging cost 1.28%**

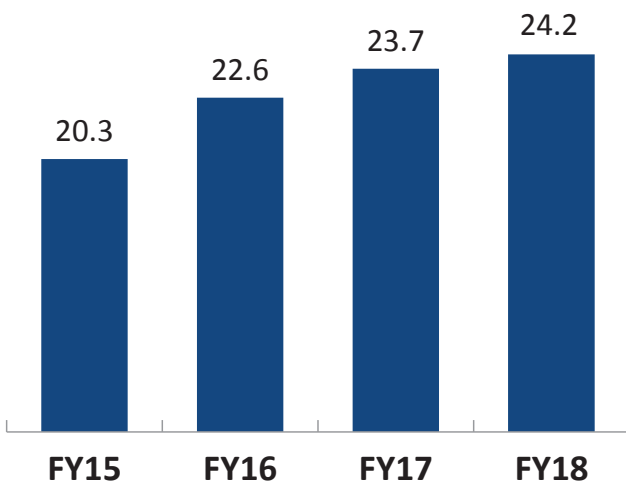


Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

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

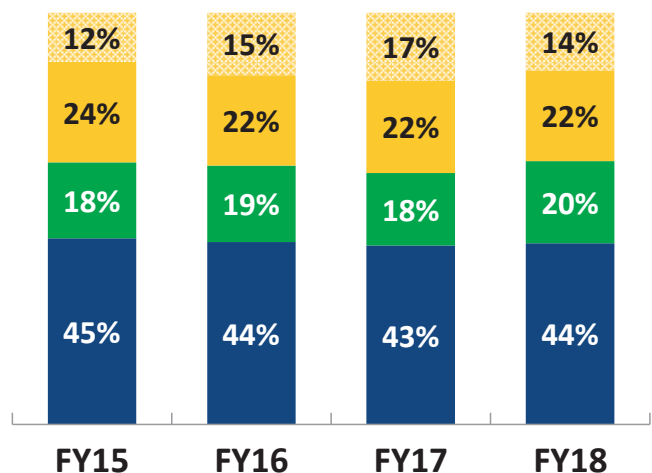
## Cash dividend income

(NT\$BN)



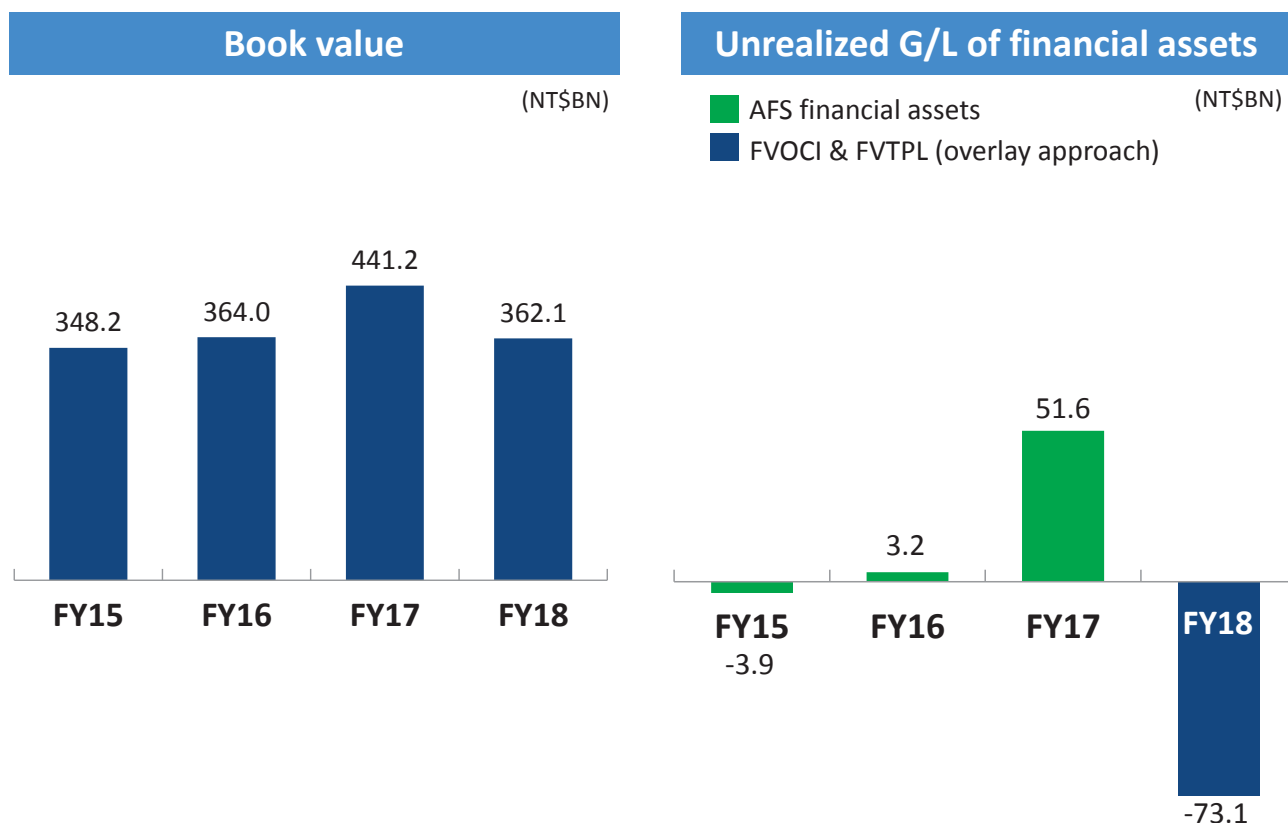
## Overseas fixed income by region

- Others
- Asia Pacific
- Europe
- North America

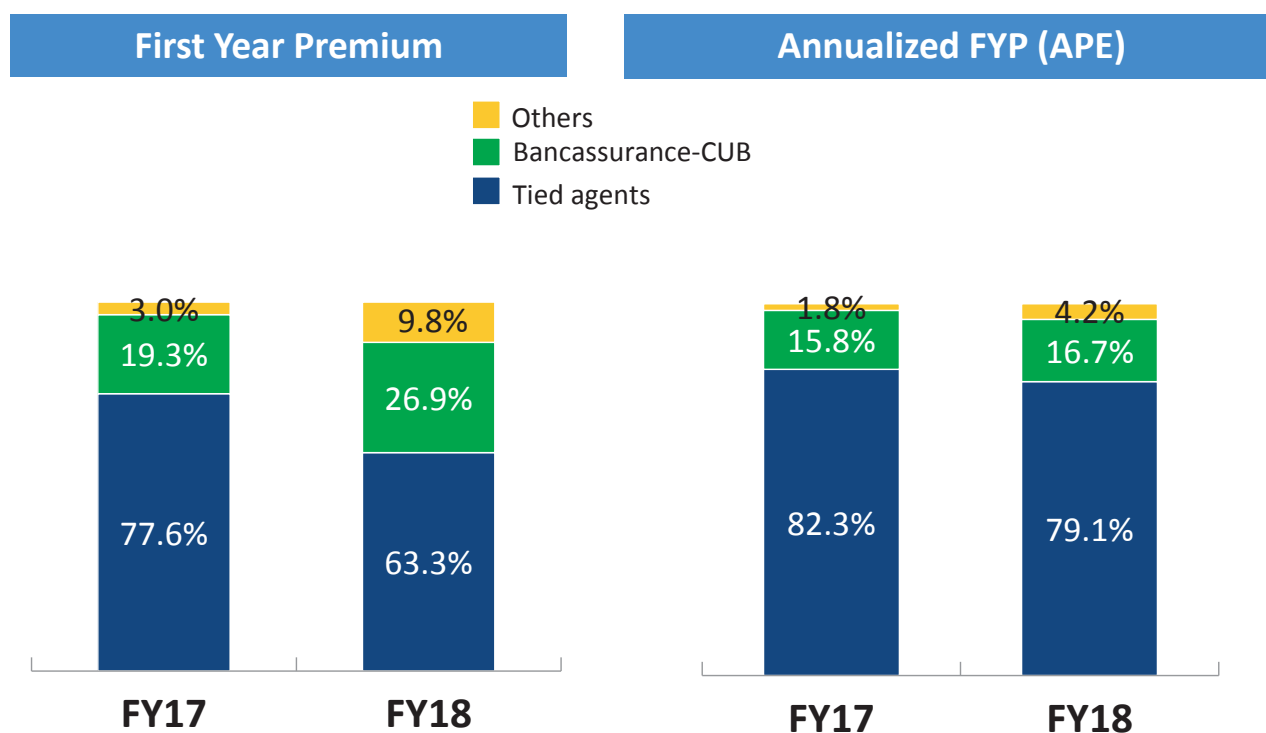


Note: Exclude overseas deposit.

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



# Cathay Life – Distribution channel



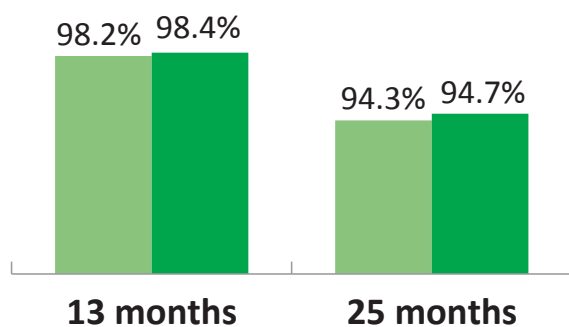


# Cathay Life – Operational indicators

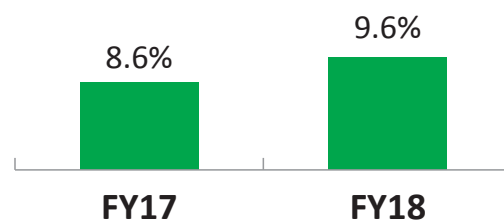
## Persistency ratio

FY17

FY18



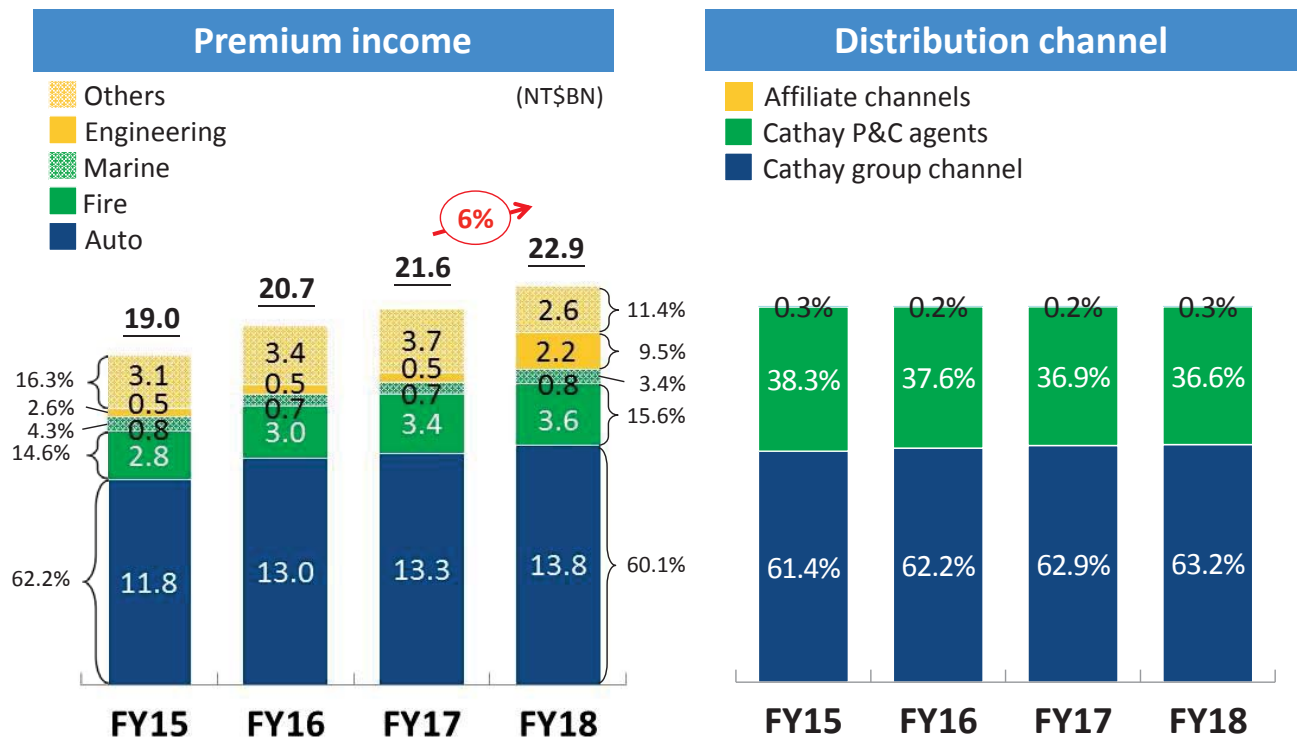
## Expense ratio



## Agenda

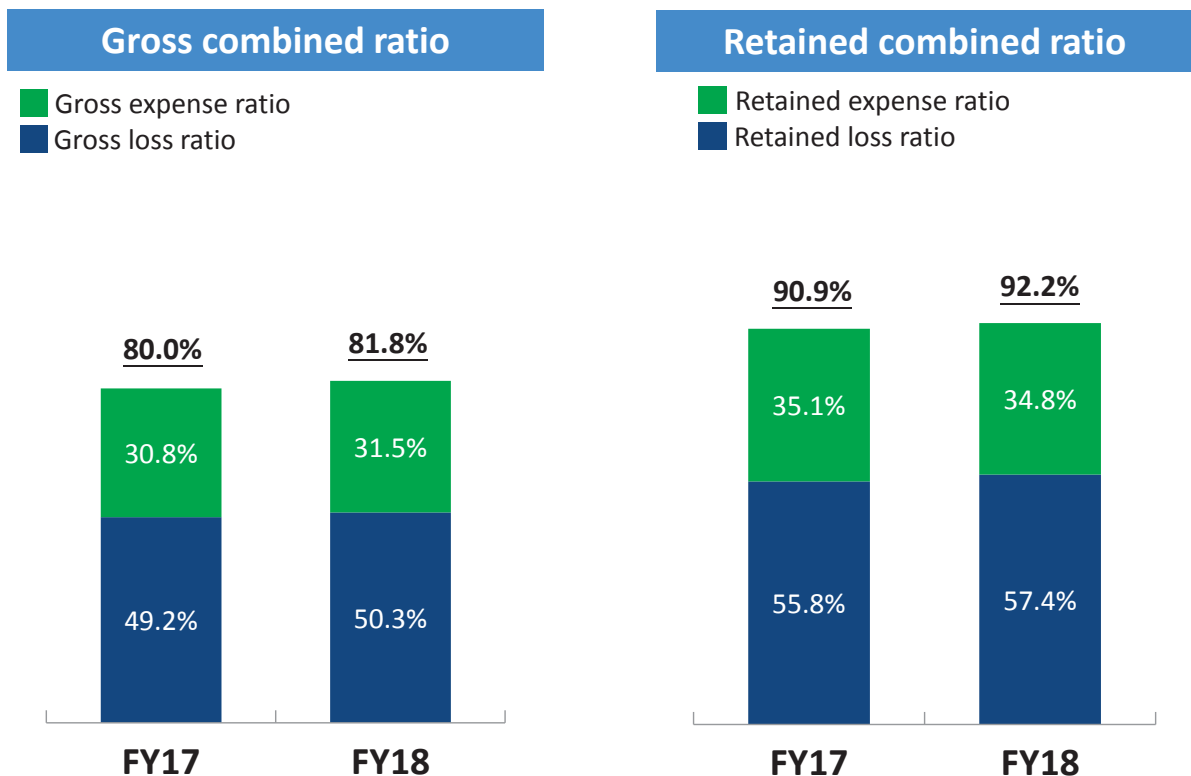
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# Cathay Century – Premium income & Distribution channel



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

# Cathay Century – Combined ratio



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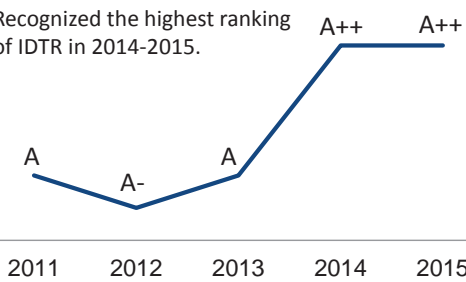
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# Continuous efforts in CSR

## Superior Corporate Governance Performance

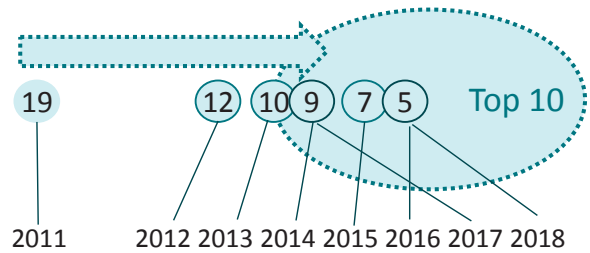
Recognized the highest ranking of IDTR in 2014-2015.



Cathay FHC has been ranked as top 5% of TWSE Corporate Governance Evaluation in 2017.

## Ranked Top 10 of Taiwan Corporate Citizenship Award

Ranked top 10 for 6 consecutive years



## Recognized by representative international ESG institutions

MEMBER OF

**Dow Jones Sustainability Indices**

In Collaboration with RobecoSAM

- ✓ Selected in DJSI Emerging Markets since 2015
- ✓ Selected in DJSI World in 2018
- ✓ The first Taiwan insurance company included in DJSI

**vigeo eiris**

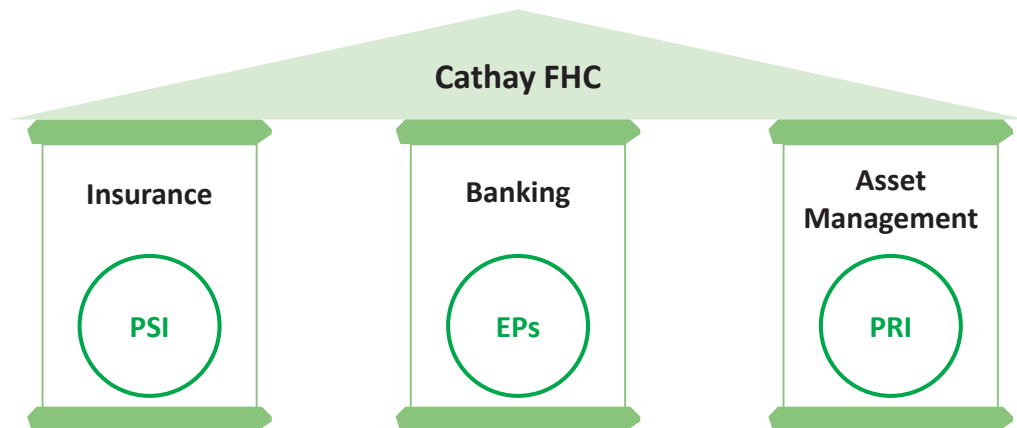
BEST EM PERFORMERS

- ✓ Constituents of Vigeo Eiris Best EM Performers

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.

# Cathay FHC integrates sustainability into business



### Key initiatives

- In 2016, Cathay Life was the first Taiwanese life insurer voluntarily complying with the PSI.
- Cathay Century P&C Insurance also followed PSI framework in 2017.

### Team in-charge

Corporate Sustainability (CS) team in Cathay Life and Cathay Century

### Banking

EPs

- In 2015, CUB was the first Taiwanese financial institution signing the Equator Principles (EPs).

Sustainable Finance Management Section in Cathay United Bank

### Asset Management

PRI

- Conning Inc., subsidiary of Conning Holding which was acquired by Cathay FHC, is the PRI signatory.
- Cathay SITE also signed Taiwan Stewardship Code in 2016.

Responsible investments team under Cathay FHC CS committee

# Integrating ESG issues into all business processes

Business Processes	Risk Management	Products & Services	Operation	After-Sales Management	Investment
Integrating ESG into Business Process	<ul style="list-style-type: none"> <li>Consider ESG emerging risks</li> <li>Improve the management of climate risk and opportunity by following TCFD framework</li> <li>Set investment/lending limits and management procedures</li> </ul>	<ul style="list-style-type: none"> <li>Fintech and one-stop service</li> <li>Strengthen the green finance and inclusive finance services</li> <li>Integrate ESG issues to the underwriting and lending processes</li> </ul>	<ul style="list-style-type: none"> <li>Paperless operations and Fintech</li> <li>GHG inventory and carbon emission reduction</li> <li>Water and waste control</li> </ul>	<ul style="list-style-type: none"> <li>Review the product details and offer flexibility to customers when significant ESG incidents occur</li> <li>Trigger critical disaster claims mechanism when significant ESG incidents occur</li> <li>Disclose EPs projects</li> </ul>	<ul style="list-style-type: none"> <li>Exclusion policy</li> <li>ESG integration</li> <li>Sustainability themed investing</li> <li>Corporate engagement and shareholders' actions</li> <li>Investment mandate management</li> </ul>

## Actively participate in Global ESG initiatives



- Cathay FHC was **the first Taiwanese financial institution joining CDP in 2012** aiming to improve the carbon emission data transparency of Cathay's investee companies and loan customers.
- Participated in the **CDP non-discloser engagement campaign** since 2017 encouraging Cathay's investee companies to respond CDP questionnaires.
- The **response rate in 2017 reached 19%**, higher than overall response rate.



- Cathay FHC was **the only Taiwanese financial institution joining Low Carbon Investment Registry** initiated by GIC in 2014.
- The low carbon investment amount registered in 2015 reached US\$ 1.73 billion.



- **Cathay FHC joined AIGCC in 2016** and participates in the monthly conference calls discussing the global trends of climate change.



- Cathay Life and Cathay SITE are the **signatories of Climate Action 100+ initiatives**.
- Cathay will **engage with Taiwanese companies who are the substantial greenhouse emitters** by encouraging them to disclose the impact of climate-related risks and opportunities based on TCFD recommendation.

# Agenda

- Introduction of Cathay FHC
- 2018 Business Overview and 2019 Outlook
- Overseas Expansion
- Business Performance Summary
  - Cathay United Bank
  - Cathay Life
  - Cathay Century
- Cathay's CSR Efforts
- **M&A Key Highlights**
- Appendix

## M&A Transaction: Conning in USA

- Cathay Life acquired 100% stake of Conning Holdings Corporation in 2015 for US\$240 MN. 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 US\$133 BN AuM (FY18)
- Conning operates through its offices in North America, Europe and Asia

<u>Assets by Client Type (US\$BN)</u>	<u>Assets</u>	<u>Assets by Region (US\$BN)</u>	<u>Assets</u>
Life	48.0	North America	68.8
Property-Casualty	42.3	Asia	45.1
Others	18.4	Continental Europe	10.3
Retail	13.8	United Kingdom	6.4
Pension	10.3	Bermuda	1.5
<b>Total AUM</b>	<b>132.8</b>	Other	0.7
		<b>Total AUM</b>	<b>132.8</b>

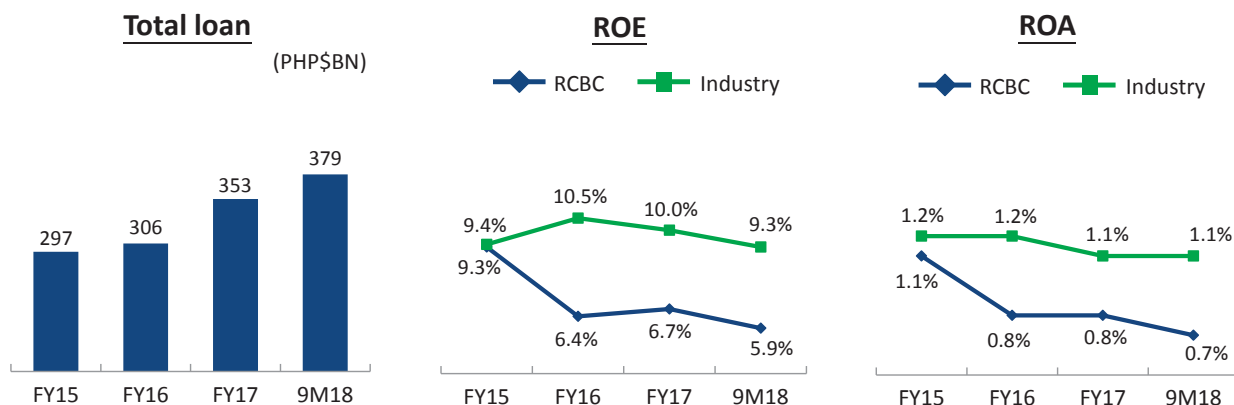
Note: Totals may not sum due to rounding.

## 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 PHP\$17.9 BN (c. US\$400 MN). 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

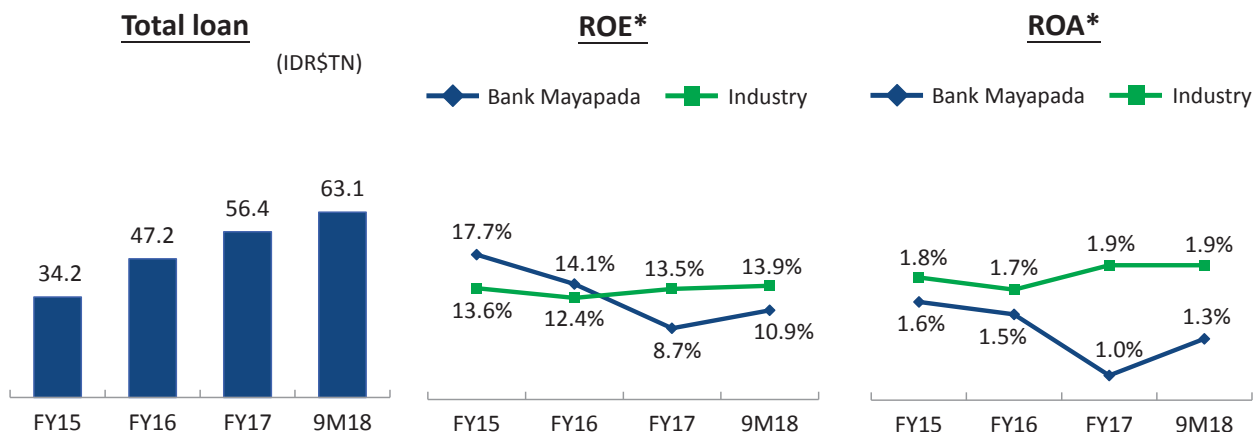
- RCBC is one of the large private-owned banks in terms of total assets, with 509 branches and over 6,886 employees at the end of 2018.



## M&A Transaction: Bank Mayapada in Indonesia

- Cathay Life has completed the acquisition of 40% stake in PT Bank Mayapada International, Tbk (“Bank Mayapada”)
  - Stage 1 : acquire 24.9% stake (US\$ 164 MN) – completed in 1H15
  - Stage 2 : acquire 15.1% stake – completed in Oct 2016
- Total investment was ~IDR\$3.52 TN (US\$ 295 MN), representing a ~3.15x P/B multiple upon announcement

### Bank Mayapada’s Performance



Note: ROE: Profit After Tax/Average Total Equity, ROA: Profit After Tax/Average Total Assets

# Embedded Value & Appraisal Value

NT\$BN, except for per share figures

Valuation date	2016/12/31	2017/12/31
In-force business investment yield	4.00% ~ Year 2036 5.05% for NTD policies 4.76% ~ Year 2036 5.82% for USD policies (Equivalent investment yield: 4.50% Rolling over to 2017: 4.51%)	3.92% ~ Year 2037 5.05% for NTD policies 4.67% ~ Year 2037 5.82% for USD policies (Equivalent investment yield: 4.43%)
Risk discount rate	10%	10%
Adjusted net worth	392	464
Value of in-force business	633	670
Cost of capital (CoC)	-169	-190
Value of in-force business (After CoC)	464	480
Embedded Value (EV)	856	944
EV / per share	161.3(68.1)	164.8(75.1)
Future one year's new business investment yield	2.97% ~ Year 2036 4.91% for NTD policies 4.38% ~ Year 2036 5.84% for USD policies	2.91% ~ Year 2037 4.91% for NTD policies 4.22% ~ Year 2037 5.84% for USD policies
Value of future one year's new business (After CoC)	54.0	54.5
Appraisal Value (AV)	1,328	1,416
AV / per share	250.3(105.7)	247.3(112.7)

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 in 2016 and 2017 are 5.3bn and 5.7bn, respectively. The increase of outstanding shares of Cathay Life in 2017 reflects capital injection in June 2018.  
(4) The outstanding shares of Cathay FHC in 2016 and 2017 are 12.6bn.  
(5) May not sum to total due to rounding.

## Summary

NT\$BN, except for per share figures

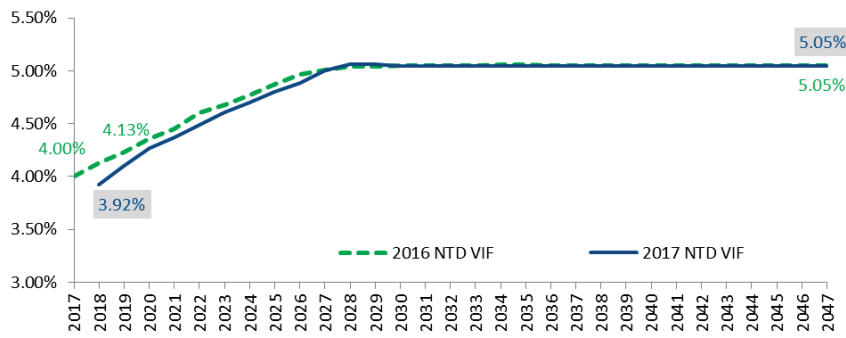
Valuation date		2016	2017	Growth rate	1Q18
Embedded value	Equity	361	436	21%	--
	Adjusted net worth	392	464	18%	--
	Value of in-force business(before CoC)	633	670	6%	--
	Cost of capital (CoC)	-169	-190	12%	--
	Value in-force business (after CoC)	464	480	3%	--
	Embedded value	856	944	10%	--
Value of one year's new business	First year premium (FYP)	199.1	233.2	17%	67.9
	First year premium equivalent (FYPE)	135.0	78.6	-41%	21.4
	Value of one year's new business (V1NB)	75.5	50.5	-33%	14.5
	Profit margin (V1NB/FYP)	38%	22%	--	21%
	Profit margin (V1NB/FYPE)	56%	64%	--	68%
	Profit margin (V1NB/FYP)(investment-linked(non-VUL)is excluded)	51%	57%	--	55%
Appraisal value (20 years NB)	Multiple	8.7	8.7	--	--
	Appraisal value	1,328	1,416	7%	--
Basic Value per share	EV / per share of Cathay FHC	68.1	75.1	10%	--
	AV / per share of Cathay FHC	105.7	112.7	7%	--

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.

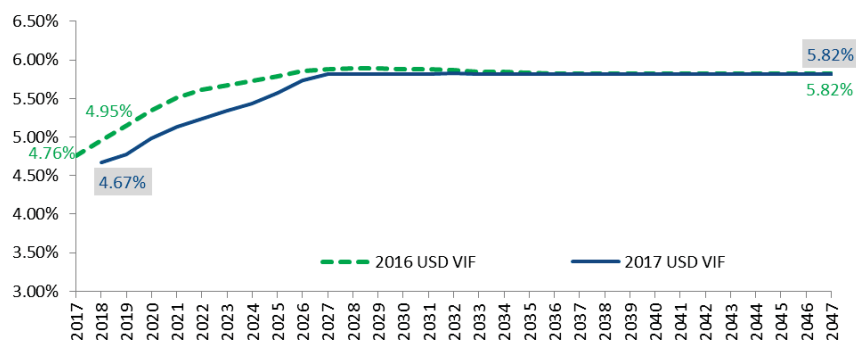


# Economic Assumptions: In-force business investment yield

- Investment return assumptions for the value of in force business of NTD-denominated policies as of the end of 2016 & 2017.

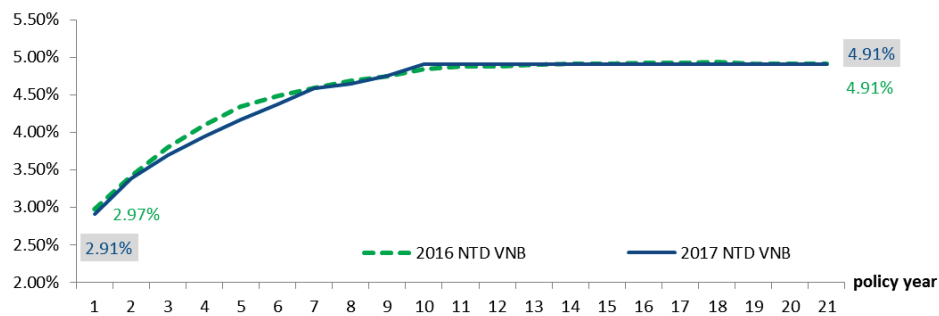


- Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2016 & 2017.

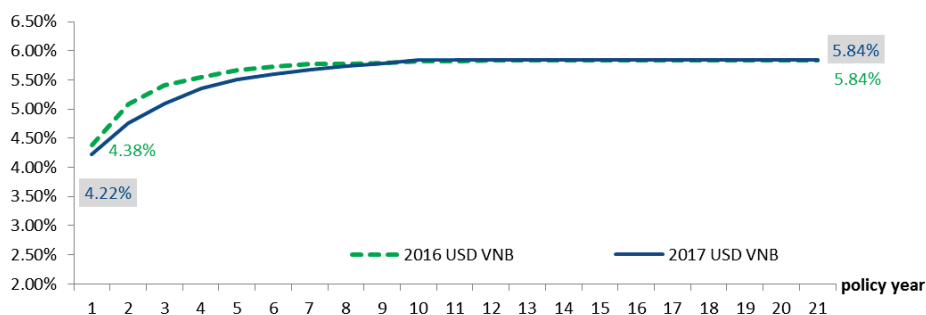


# Economic Assumptions: Future one year's new business investment yield

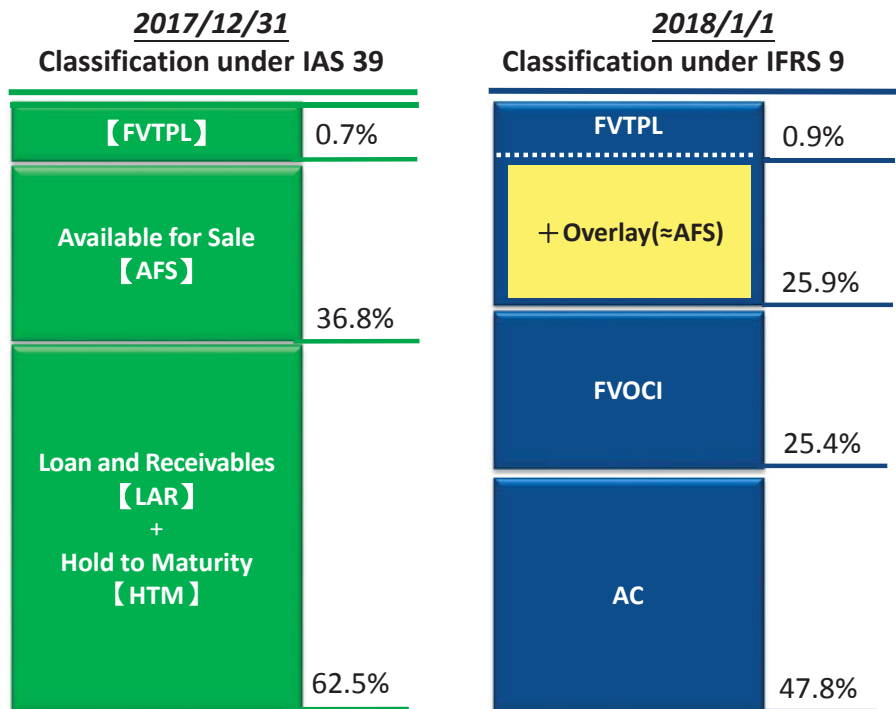
- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2016 & 2017.



- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2016 & 2017.



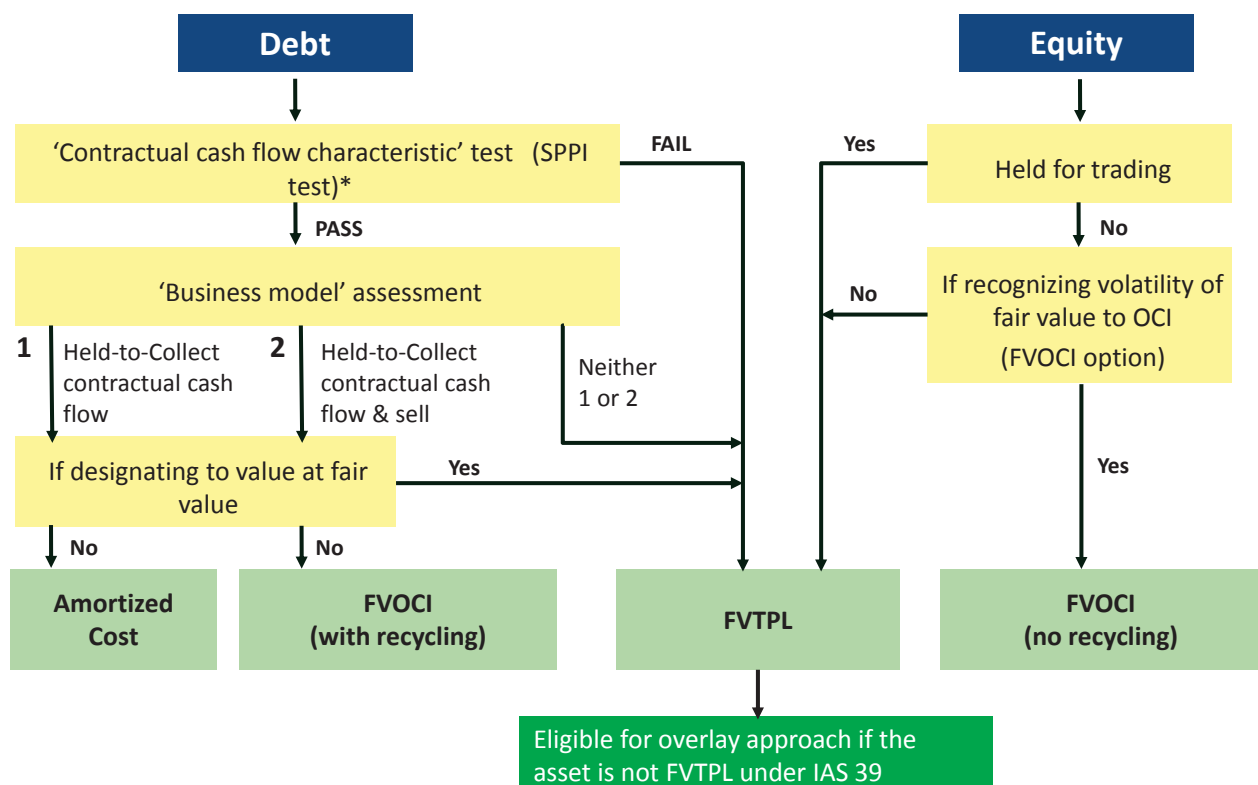
# Cathay Life - Asset reclassification under IFRS 9



**Cathay Life's book value increased by NT\$32.6 bn.**

Note: FVTPL stands for Fair Value through Profit or Loss, FVOCI stands for Fair Value through Other Comprehensive Income, and AC stands for Amortized Cost.

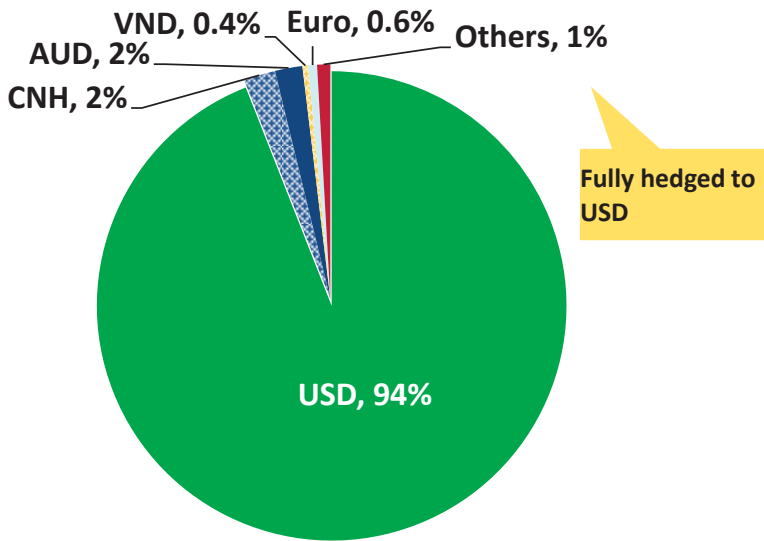
## Asset classification under IFRS 9 with overlay approach



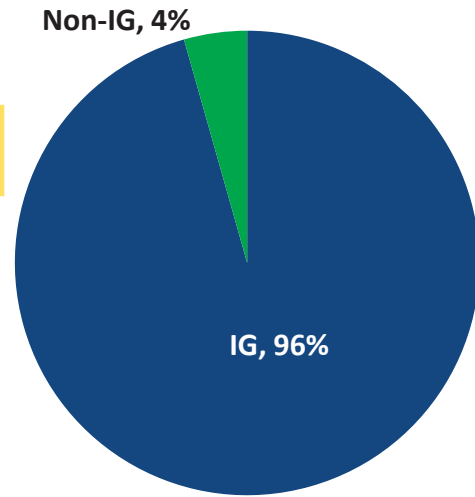
\*SPPI means cash flow are solely payments of the principal and interests on the principal amount outstanding. Interests consist of the consideration of time value and credit risk associated with the principal.

# Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (FY18)

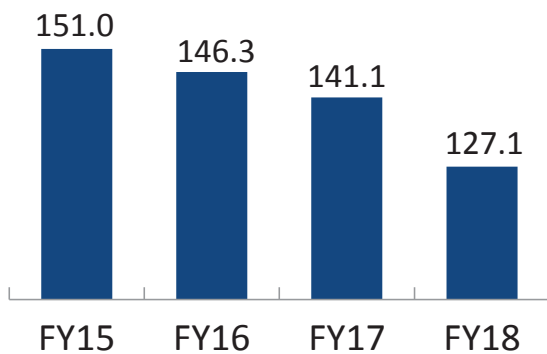


Overseas bond by rating (FY18)

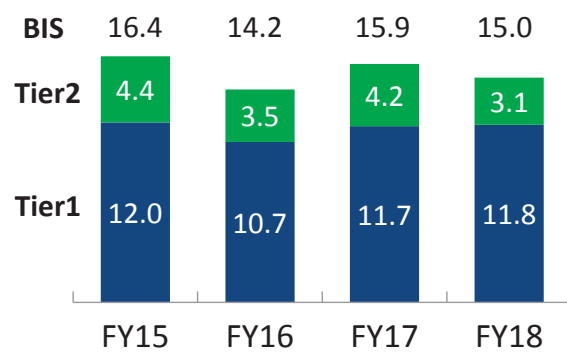


## Capital adequacy

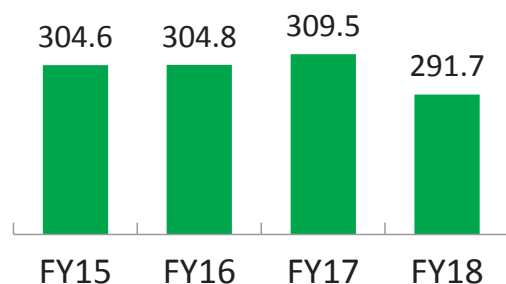
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC (%)



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

<b>Income Statement Data (Consolidated)</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY18/</b>	<b>4Q17</b>	<b>4Q18</b>	<b>4Q18/</b>
				<b>FY17</b>			<b>% Chg</b>
<b>Operating Income</b>							
Net interest income	153,478	168,461	180,628	7%	43,480	48,223	11%
Net commission and fee	(8,050)	1,070	2,883	170%	(607)	(36)	94%
Net earned premium	622,916	624,617	576,811	-8%	173,932	171,190	-2%
Change in liability reserve	(408,614)	(445,833)	(334,122)	-25%	(126,543)	(94,801)	-25%
Net claims payment	(308,697)	(295,503)	(368,656)	25%	(76,720)	(105,240)	37%
Investment income	37,782	62,065	82,634	33%	12,094	1,249	-90%
Contribution from associates-equity method	1,202	1,298	1,004	-23%	223	(38)	-117%
Other net non-interest income	40,606	22,446	(1,378)	-106%	3,813	(621)	-116%
Bad debt expense	(5,232)	(3,460)	(4,599)	33%	(1,579)	(2,534)	60%
Operating expense	(75,207)	(75,526)	(79,606)	5%	(21,544)	(21,201)	-2%
<b>Income before taxes</b>	<b>50,185</b>	<b>59,636</b>	<b>55,599</b>	<b>-7%</b>	<b>6,548</b>	<b>(3,809)</b>	<b>-158%</b>
Income taxes	(2,145)	(2,962)	(3,777)	27%	1,865	1,034	45%
Net income	48,039	56,673	51,822	-9%	8,412	(2,775)	-133%
EPS (NT\$)	3.79	4.47	3.95		0.66	(0.23)	
<b>Dividend Payout</b>							
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				
<b>Balance Sheet Data (Consolidated)</b>							
Total assets	8,135,137	8,841,510	9,224,484				
Total shareholders' equity	529,824	608,471	529,289				
<b>Operating Metrics</b>							
ROAE (Consolidated)	9.70%	9.96%	8.83%				
ROAA (Consolidated)	0.61%	0.67%	0.57%				
Double leverage ratio(inc. preferred stock)	105%	108%	112%				
<b>Capital Adequacy Metrics</b>							
Capital Adequacy Ratio	146%	141%	127%				

**Notes:**

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(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	4Q17	4Q18	4Q18/ 4Q17
				% Chg			% Chg
Net written premium	605,910	608,404	559,386	-8%	169,696	166,666	-2%
Net earned premium	605,231	607,547	558,929	-8%	169,010	165,997	-2%
Reinsurance commission earned	363	301	762	153%	7	306	4591%
Fee income	5,542	9,468	9,148	-3%	2,556	2,082	-19%
Recurring investment income	161,051	173,846	197,281	13%	40,690	47,099	16%
Gain on disposal of investment							
Realized gain (loss)-Equity	18,210	43,625	49,374	13%	10,323	4,430	-57%
Realized gain (loss)-Debt	29,382	21,233	15,092	-29%	4,763	2,358	-50%
Gain on investment property	5,000	(756)	(740)	2%	(384)	(108)	72%
FX and others, net	(21,333)	(28,258)	(44,019)	-56%	(6,509)	(14,854)	-128%
Investment income, net	192,310	209,691	216,988	3%	48,882	38,925	-20%
Other operating income	5,032	5,069	5,508	9%	1,298	1,470	13%
Separate account revenues	39,589	44,304	28,084	-37%	8,052	(1,596)	-120%
Net claims payment	(297,201)	(284,023)	(357,244)	26%	(73,107)	(101,642)	39%
Changes in liability reserves	(408,398)	(445,843)	(333,716)	-25%	(126,658)	(94,603)	-25%
Acquisition and commission expense	(38,901)	(32,507)	(33,900)	4%	(9,455)	(9,150)	-3%
Other operating costs	(6,381)	(6,418)	(7,765)	21%	(1,816)	(2,059)	13%
Financial cost	(413)	(1,963)	(2,331)	19%	(590)	(592)	0%
Separate account expense	(39,589)	(44,304)	(28,084)	-37%	(8,052)	1,596	-120%
Operating expense	(30,768)	(28,790)	(29,165)	1%	(7,578)	(7,614)	0%
Net non-operating income	1,956	1,442	1,312	-9%	424	245	-42%
Income taxes	1,861	2,294	1,773	-23%	2,346	683	-71%
Net income	30,235	36,268	30,297	-16%	5,317	(5,952)	-212%

Balance Sheet Data

Total assets	5,556,950	6,097,655	6,391,395
General account	5,058,936	5,542,385	5,844,430
Separate account	498,014	555,269	546,964
Reserves for life insurance liabilities	4,567,324	4,944,292	5,313,167
Total liabilities	5,192,967	5,656,473	6,029,265
Total shareholders' equity	363,984	441,181	362,129

Operating Metrics (Standalone)

First Year Premium(FYP)	199,082	233,250	211,588
First Year Premium Equivalent(FYPE)	135,035	78,602	71,372
Expense ratio	10.3%	8.6%	9.6%
13-M persistency ratio	98.3%	98.2%	98.4%
25-M persistency ratio	92.2%	94.3%	94.7%
ROAE	8.49%	9.01%	7.25%
ROAA	0.56%	0.62%	0.48%

Capital Adequacy Metrics (Standalone)

RBC ratio	305%	309%	292%
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**Cathay United Bank**

(NT\$MN)				FY18/ FY17 % Chg	4Q17	4Q18	4Q18/ 4Q17 % Chg
<b><u>Income Statement Data (Consolidated)</u></b>							
<b>Operating Income</b>							
Net interest income	25,910	29,701	33,397	12%	7,608	8,799	16%
Fee income	15,745	14,862	16,678	12%	3,243	3,805	17%
Investment income	8,278	9,442	9,862	4%	2,157	1,073	-50%
Other income	1,222	1,216	918	-25%	234	299	28%
<b>Net operating income</b>	<b>51,154</b>	<b>55,222</b>	<b>60,855</b>	<b>10%</b>	<b>13,241</b>	<b>13,976</b>	<b>6%</b>
Operating expenses	(26,959)	(29,301)	(31,340)	7%	(8,700)	(8,233)	-5%
<b>Pre-provision profit</b>	<b>24,195</b>	<b>25,920</b>	<b>29,515</b>	<b>14%</b>	<b>4,541</b>	<b>5,743</b>	<b>26%</b>
Net provisions for possible losses	(4,455)	(3,494)	(5,032)	44%	(1,616)	(2,720)	68%
<b>Income before taxes</b>	<b>19,740</b>	<b>22,426</b>	<b>24,483</b>	<b>9%</b>	<b>2,926</b>	<b>3,023</b>	<b>3%</b>
Income tax	(2,229)	(2,763)	(3,230)	17%	(280)	(174)	-38%
<b>Net income</b>	<b>17,511</b>	<b>19,664</b>	<b>21,253</b>	<b>8%</b>	<b>2,646</b>	<b>2,849</b>	<b>8%</b>
<b><u>Balance Sheet Data</u></b>							
Total assets	2,566,669	2,735,704	2,843,881				
Loans, net	1,437,531	1,434,558	1,595,323				
Financial assets	849,989	859,590	878,001				
Total liability	2,406,701	2,553,396	2,638,074				
Deposits	2,032,600	2,098,368	2,227,662				
Financial Debenture Payable	51,900	63,350	55,600				
Total shareholders' equity	159,968	182,308	205,807				
<b><u>Operating Metrics</u></b>							
Cost income ratio	52.70%	53.06%	51.50%				
ROAE	11.06%	11.49%	10.86%				
ROAA	0.71%	0.74%	0.76%				
<b><u>Assets Quality (Standalone)</u></b>							
NPL	2,133	2,982	2,563				
NPL ratio	0.15%	0.21%	0.16%				
NPL provisions	19,686	22,553	23,879				
Coverage ratio	923%	756%	932%				
<b><u>Capital Adequacy Metrics (Standalone)</u></b>							
BIS ratio	14.2%	15.9%	15.0%				
Tier I Ratio	10.7%	11.7%	11.9%				
<b><u>LDR (Standalone)</u></b>							
TWD LDR	78.8%	73.7%	77.7%				
FX LDR	40.4%	49.1%	46.6%				

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**Cathay Century**

(NT\$MM)					FY18/ FY17			4Q18/ 3Q17
<u>Income Statement Data (Consolidated)</u>	FY16	FY17	FY18	% Chg	4Q17	4Q18	% Chg	
Premium income	22,774	21,878	23,186	6%	5,830	6,144	5%	
Net written premium	17,390	16,610	17,797	7%	4,355	4,635	6%	
Net earned premium	17,213	16,344	17,349	6%	4,163	4,437	7%	
Reinsurance commission earned	526	489	556	14%	134	162	21%	
Fee income	44	42	43	3%	10	11	4%	
Investment	2,082	892	640	-28%	128	(165)	-228%	
Interest income	568	547	559	2%	138	138	0%	
Other investment income, net	1,514	345	81	-76%	(9)	(303)	-3181%	
Other operating income	0	0	0		0	0		
Net claims payment	(9,559)	(9,138)	(9,408)	3%	(2,389)	(2,433)	2%	
Changes in liability reserves	(209)	10	(406)	4148%	116	(198)	271%	
Commissions and other operating costs	(3,015)	(2,859)	(3,043)	6%	(756)	(800)	6%	
Operating expenses	(4,248)	(3,609)	(3,848)	7%	(969)	(1,028)	6%	
<b>Operating income</b>	2,834	2,170	1,883	-13%	438	(13)	-103%	
Net non-operating income	(1)	(16)	(24)	-53%	(2)	(15)	-675%	
Income taxes	(492)	(297)	(349)	18%	(81)	(40)	-50%	
Net income	2,342	1,858	1,510	-19%	356	(68)	-119%	
<b><u>Balance Sheet Data</u></b>								
Total assets	38,250	38,351	37,956					
Total stockholders' equity	9,216	10,517	10,025					
<b><u>Operating Metrics</u></b>								
Gross Combined ratio	99.3%	80.0%	81.8%					
Net Combined ratio	93.3%	90.9%	92.2%					
ROAE	28.50%	18.83%	14.69%					
ROAA	5.83%	4.85%	3.96%					
<b><u>Capital Adequacy Metrics</u></b>								
RBC ratio (Standalone)	385%	392%	370%					

**Notes:**

(1) All data and information on this page is provided for informational purposes only, and may subject to adjustment.

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

(2) Total may not sum due to rounding.

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