



# 2019 First Half Briefing

August 2019

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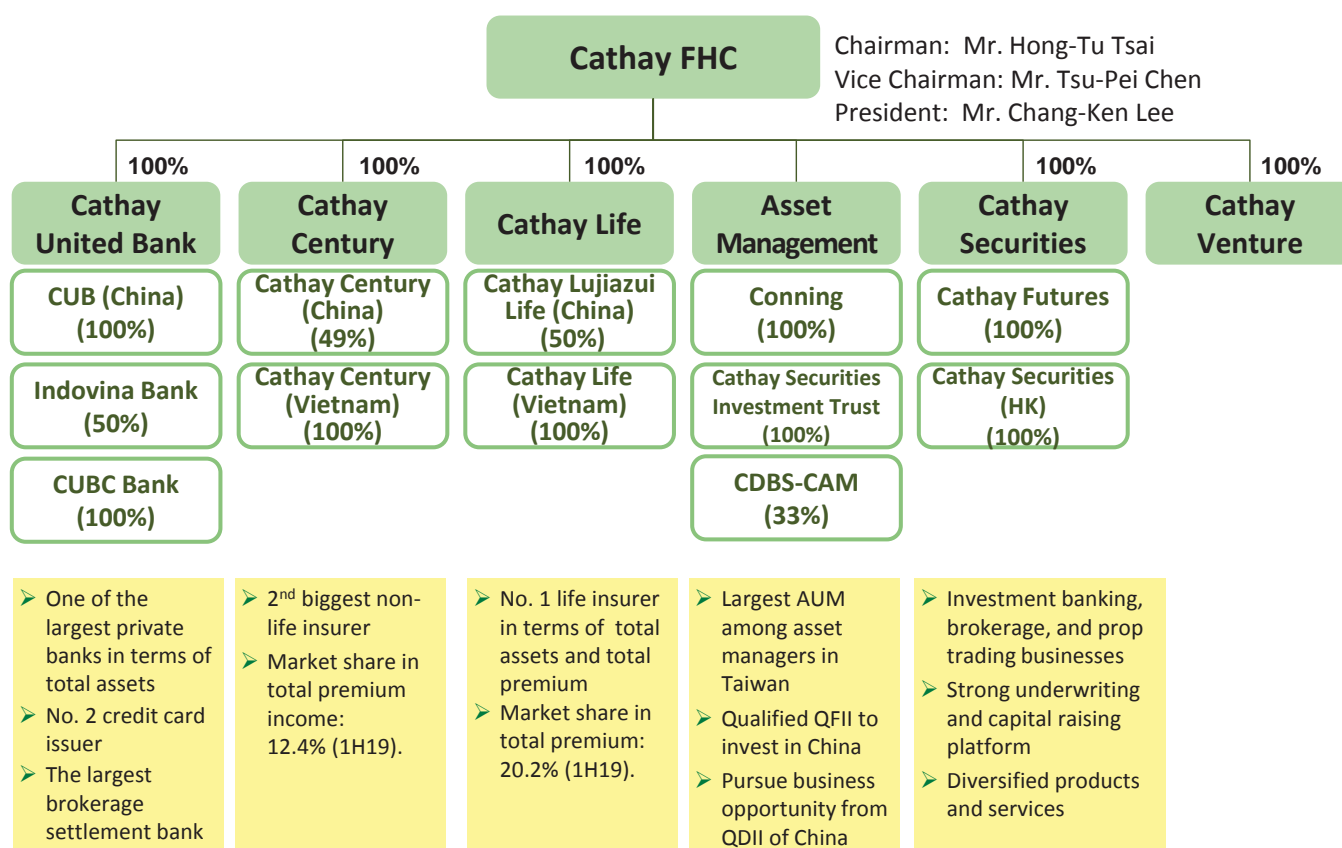
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# Agenda

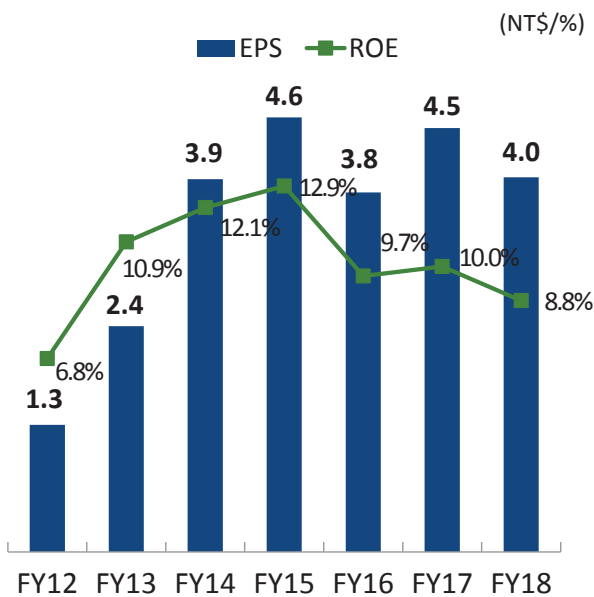
- Introduction of Cathay FHC
- 1H19 Business Overview
- Overseas Expansion
- Business Performance Summary
  - Cathay United Bank
  - Cathay Life
  - Cathay Century
- Cathay's CSR Efforts
- M&A Key Highlights
- Appendix

## Cathay FHC: largest FHC, comprehensive products

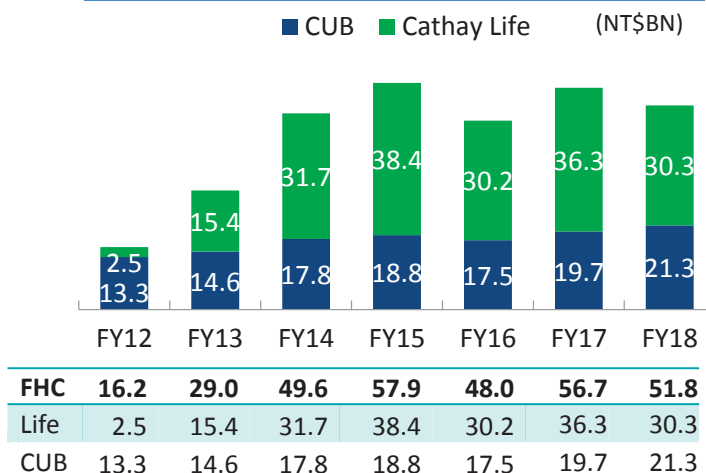


# Cathay FHC continued to deliver solid earnings

## EPS & ROE

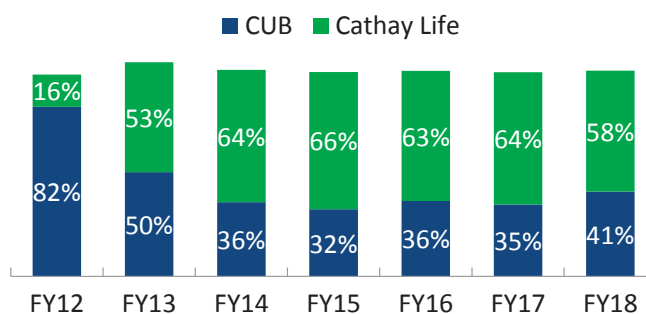


## Profit contribution



	FY12	FY13	FY14	FY15	FY16	FY17	FY18
<b>FHC</b>	<b>16.2</b>	<b>29.0</b>	<b>49.6</b>	<b>57.9</b>	<b>48.0</b>	<b>56.7</b>	<b>51.8</b>
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

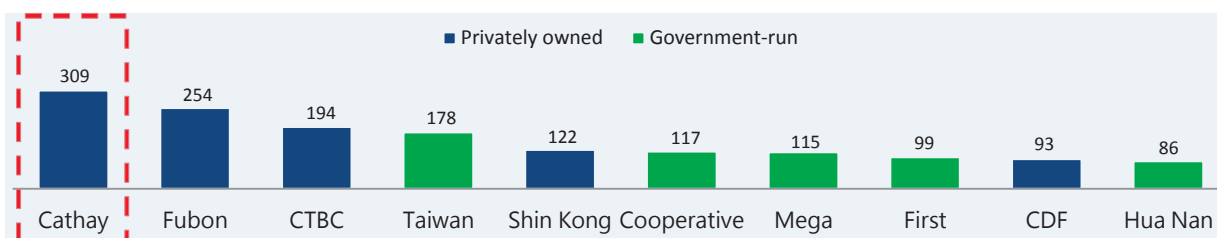
- Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.  
 (2) Since Cathay FHC has more subsidiaries other than Cathay Life and CUB, besides, due to affiliate transactions, the Cathay FHC net income might not equal to the sum of Cathay Life and CUB's.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



# Market leader in Taiwan's FIG sector

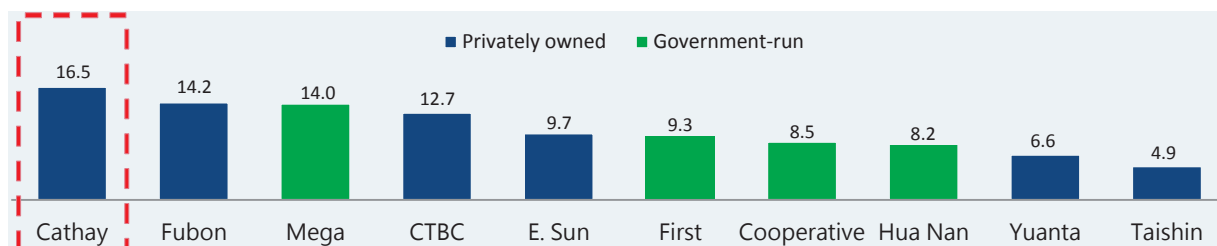
- █ Largest listed financials group by market capitalization and assets.

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



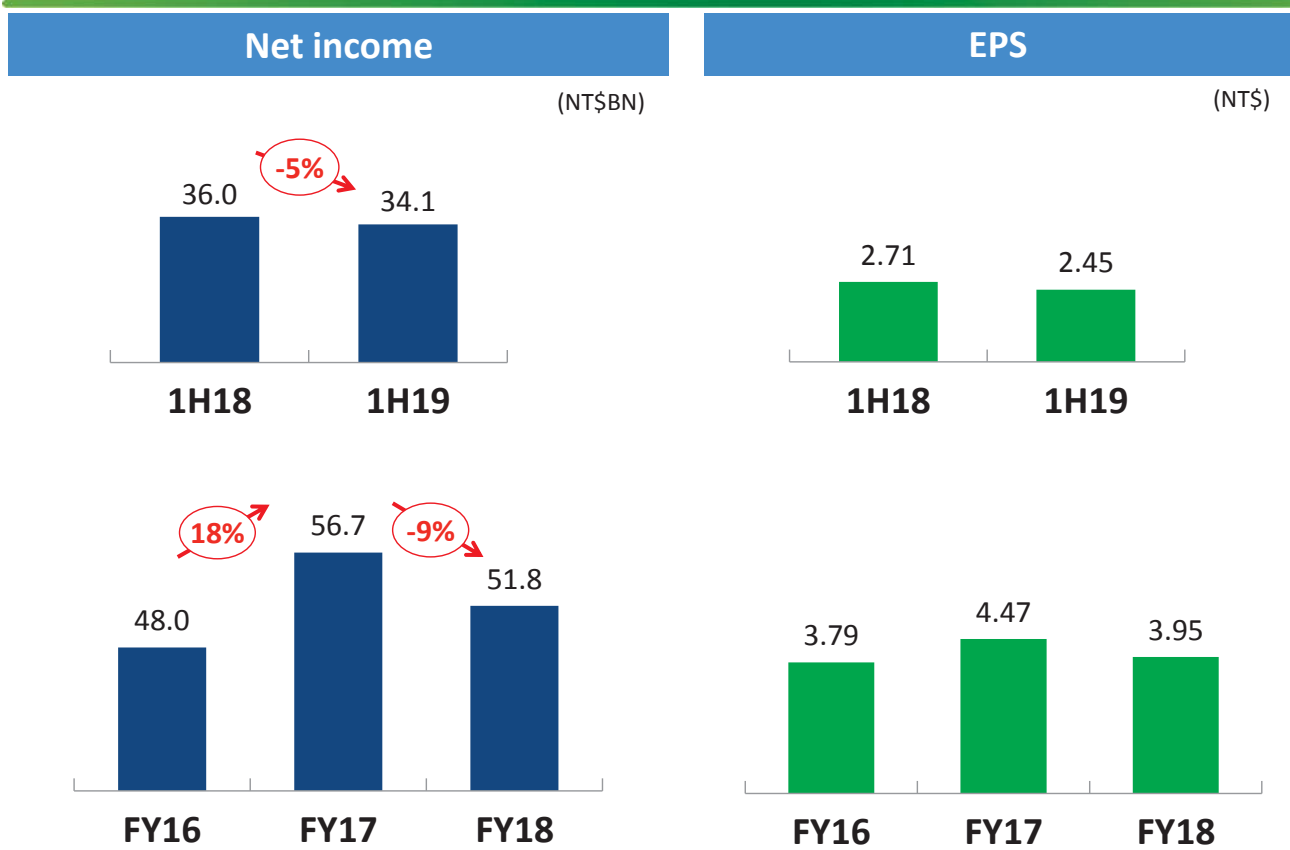
Note: Total assets as of Mar. 31, 2019

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

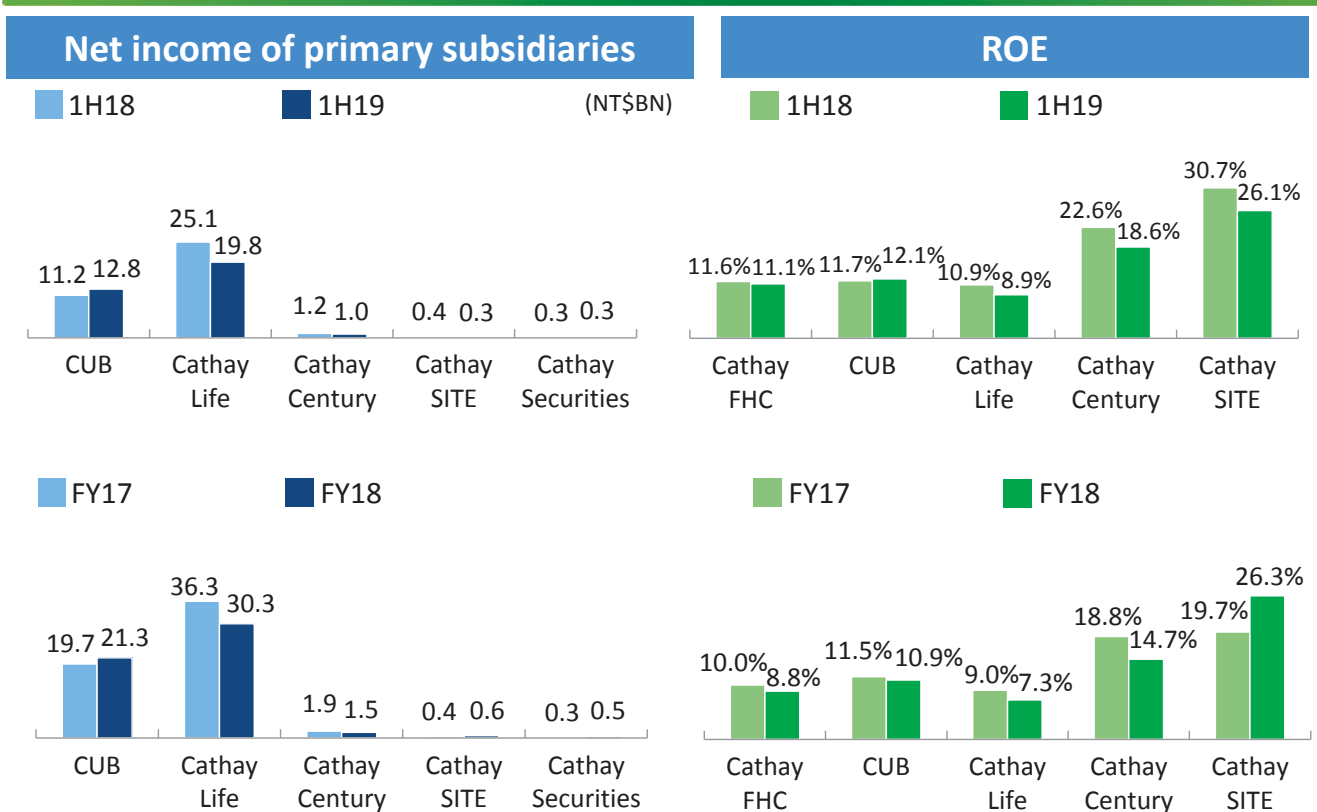


Note: Market capitalization as of July. 31, 2019

# Cathay FHC – Net income & EPS

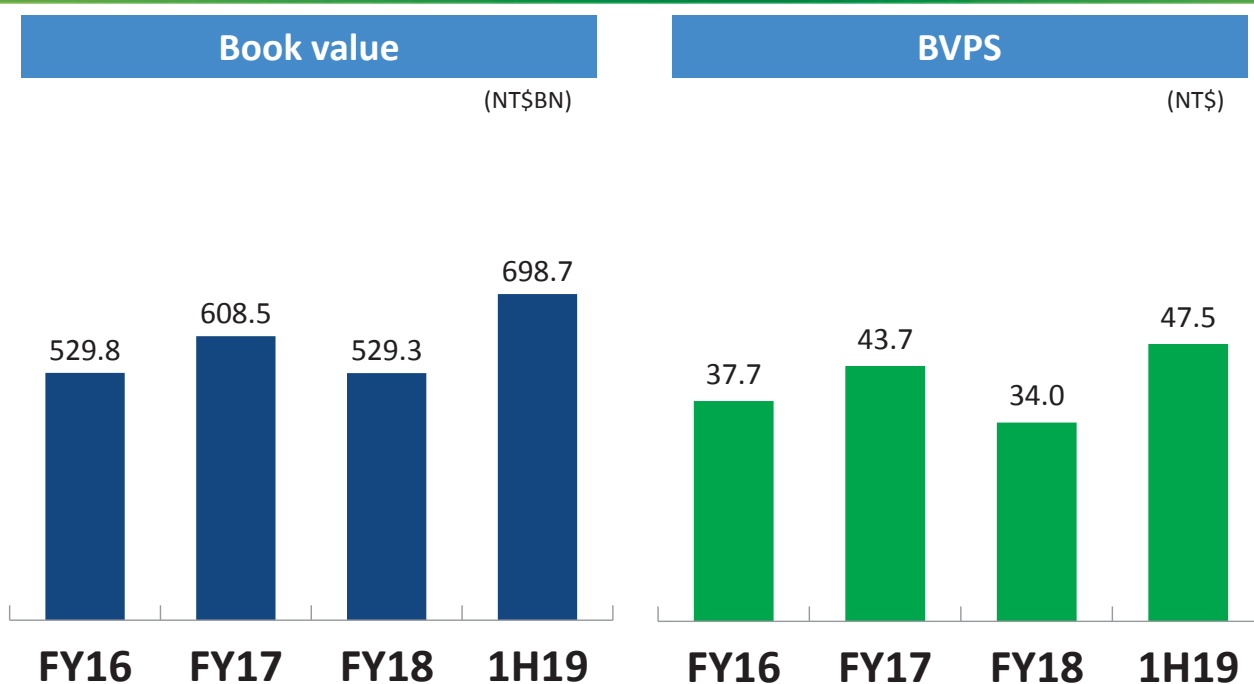


# Cathay FHC – Net income & ROE



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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- Business Performance Summary
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  - Cathay Life
  - Cathay Century
- Cathay's CSR Efforts
- M&A Key Highlights
- Appendix

# 1H19 Business overview

## Cathay United Bank

- 1H19 net profits grew 14% YoY driven by solid growth in core business.
- Overseas expansion continued. FX loan grew steadily. Offshore earnings accounted for 48% of total pre-tax earnings.
- Fee income increased 12% YoY, among which wealth management and credit card fees grew 7% and 9% respectively.

## Cathay Life

- Focused on value-driven strategy. FYP for protection products grew ~40% YoY. Annualized FYP (APE) grew 28% YoY and remained No. 1 in the industry.
- Hedging cost improved to 1.2%. Pre-hedging recurring yield climbed to 3.48% with 36 bps increase comparing to 1H18.
- RBC ratio was 333%. Capital adequacy remained solid.

## Cathay Century

- Premium income grew 7% YoY. Remained in second place with 12.4% 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\$752.7 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.

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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 <sup>(1)</sup>	68 <sup>(1)</sup>									
P&C	28	2									
Asset Mgt.	1			1							
Securities				1							

Note: (1) Cathay Lujiazui Life and Cathay Life (Vietnam) footprints includes headquarter and branches.  
 (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

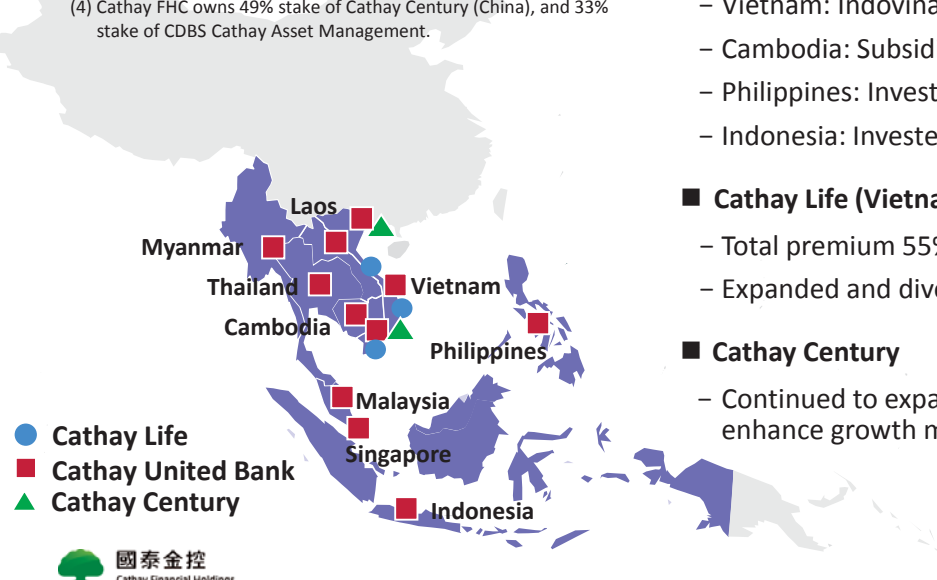
- Vietnam: Indovina Bank performed steadily.
- Cambodia: Subsidiary's businesses grew steadily.
- Philippines: Invested 23% stake in RCBC<sup>(3)</sup>
- Indonesia: Invested 40% stake in Bank Mayapada<sup>(3)</sup>

## ■ Cathay Life (Vietnam)

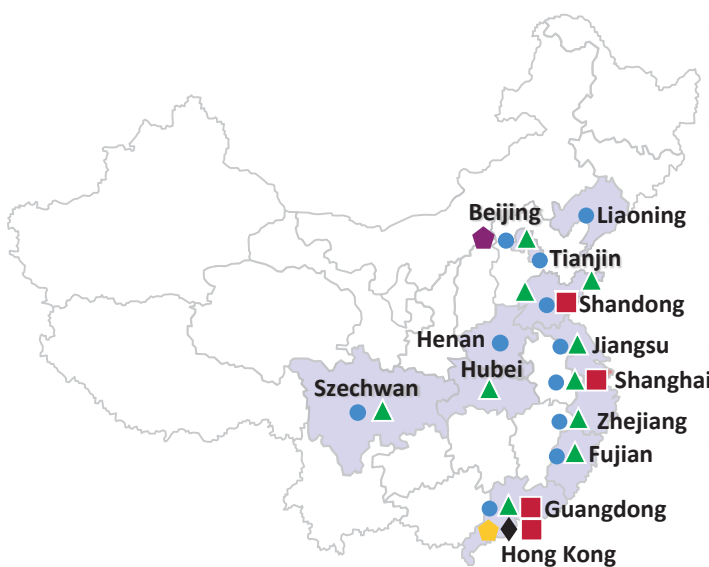
- Total premium 55% YoY to VND 465BN in 1H19.
- Expanded and diversified distribution channels.

## ■ 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 17% YoY to RMB 1.3BN in 1H19.

## ■ 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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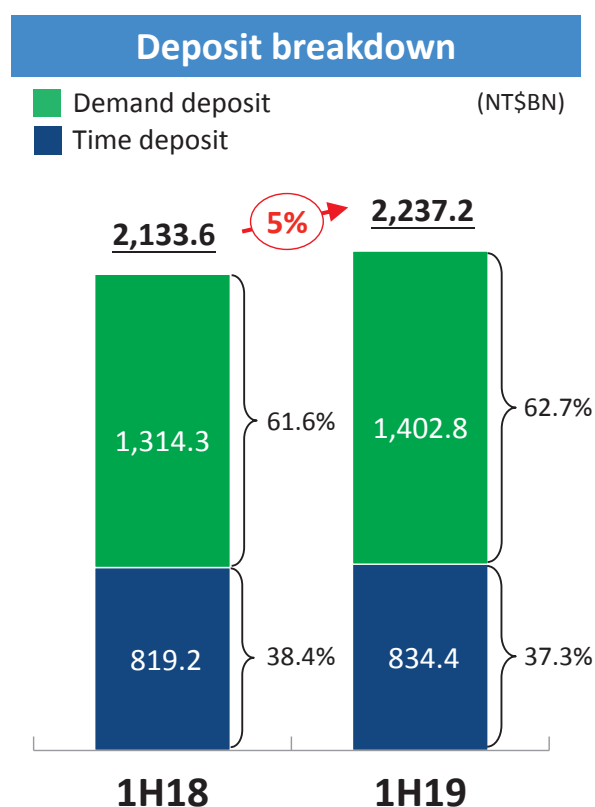
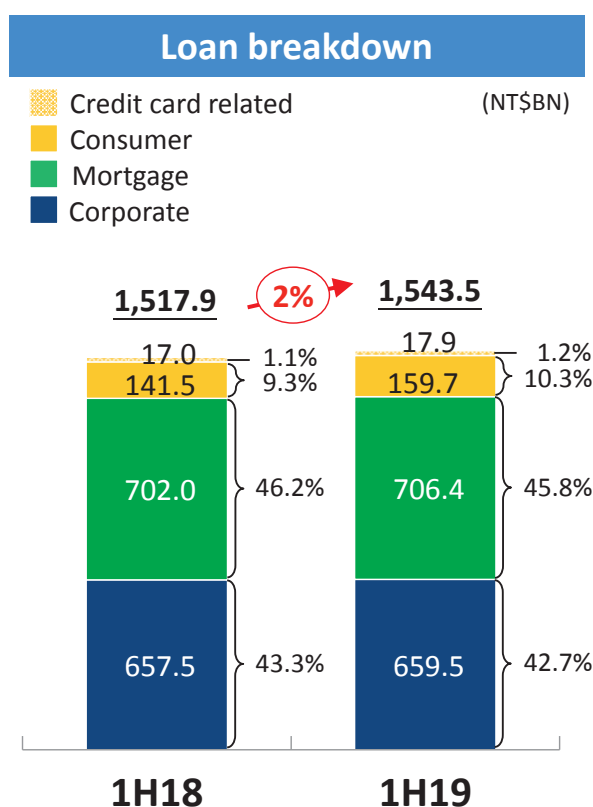
## Cathay United Bank

Cathay Life

Cathay Century

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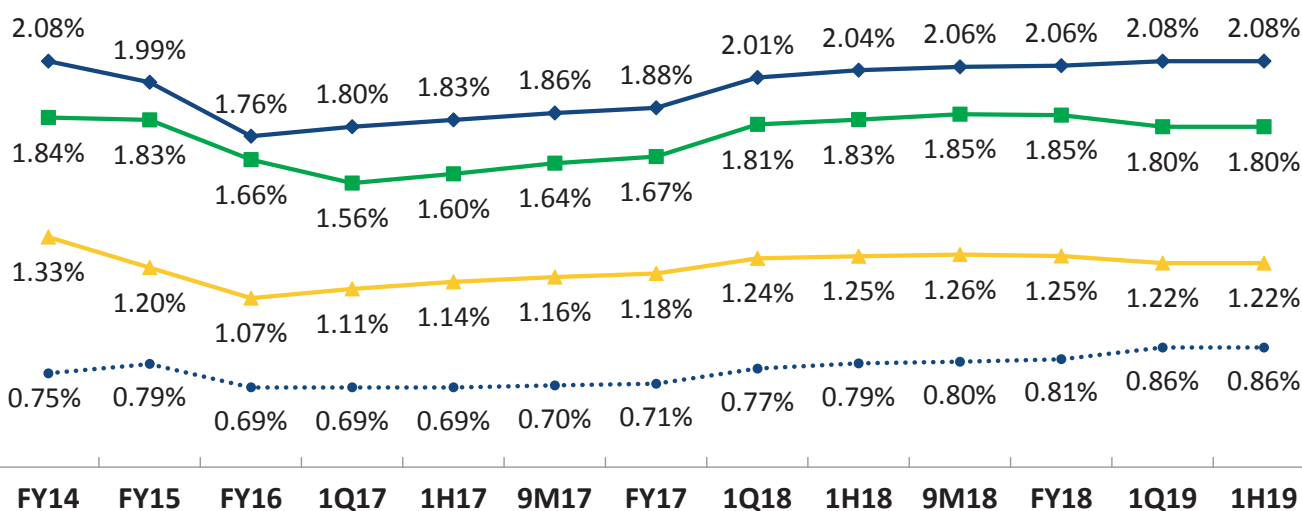
## Cathay United Bank – Loan & Deposit breakdown





# Cathay United Bank – Interest yields

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



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

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

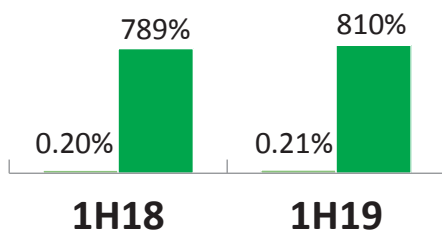
(2) China subsidiary was launched in Sep 2018. Hence, since 9M18, China subsidiary results were excluded.



# Cathay United Bank – Credit quality

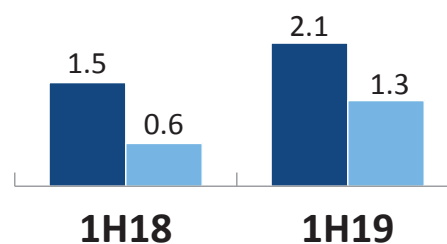
## NPL & Coverage ratio

■ NPL ratio  
■ Coverage ratio

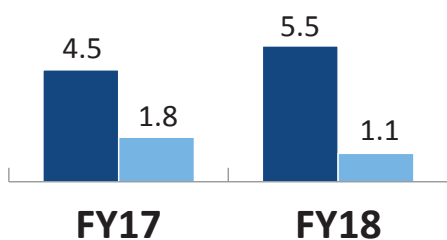
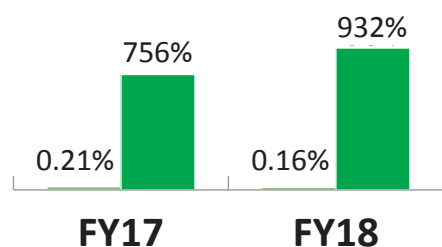


## Gross provision

■ Gross provision (NT\$BN)  
■ Recovery



Mortgage NPL **0.14%**    **0.23%**



Mortgage NPL **0.15%**    **0.15%**

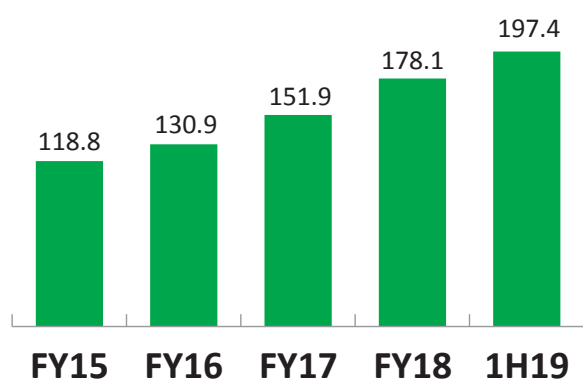
Note : China subsidiary was launched in Sep 2018. Hence, 1H19 number excluded China subsidiary results. (NPL ratio: 0.00%, Gross provision: NT\$-40.9MN, Recovery: NT\$36.2MN; preliminary).



## Cathay United Bank – SME & FX loans

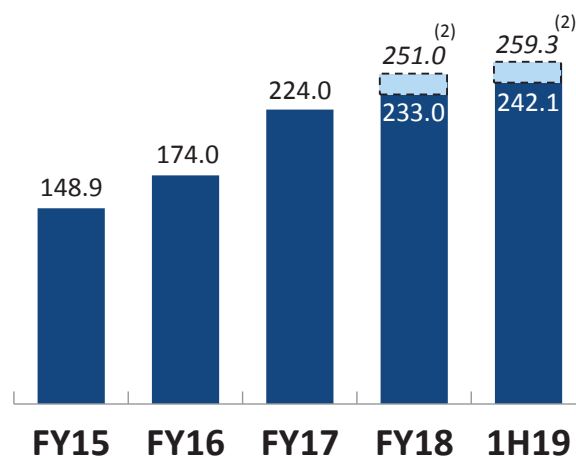
### SME loans

(NT\$BN)



### Foreign currency loans

(NT\$BN)



As % of total loans



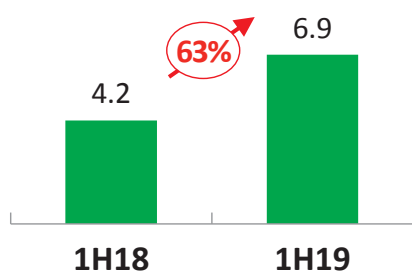
Note : (1) Total loans exclude credit card revolving balance.

(2) China subsidiary was launched in Sep 2018, hence FY18 and 1H19 foreign currency loan balance excluded NT\$18BN and NT\$17.2BN (preliminary) from China subsidiary respectively.

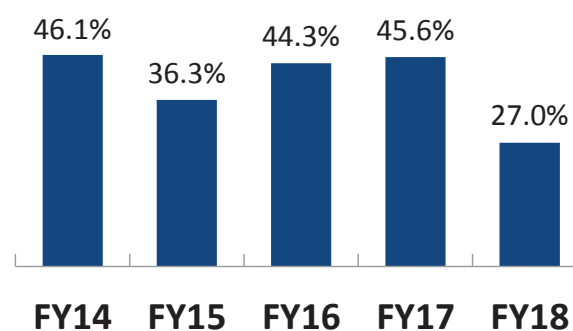
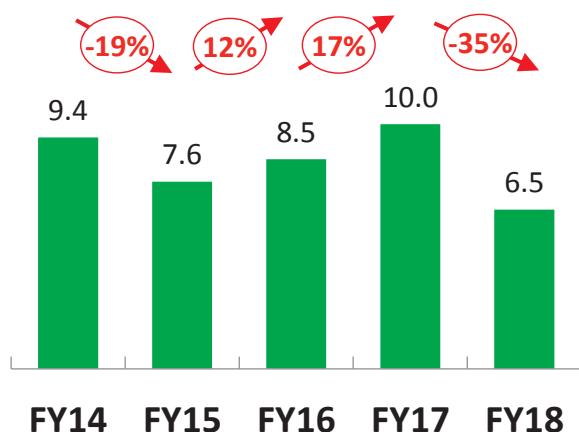
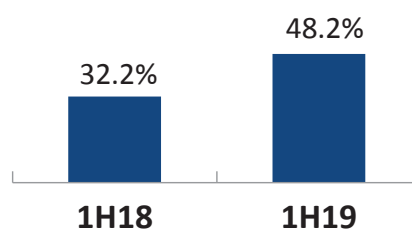
## Cathay United Bank – Offshore earnings

### Offshore earnings

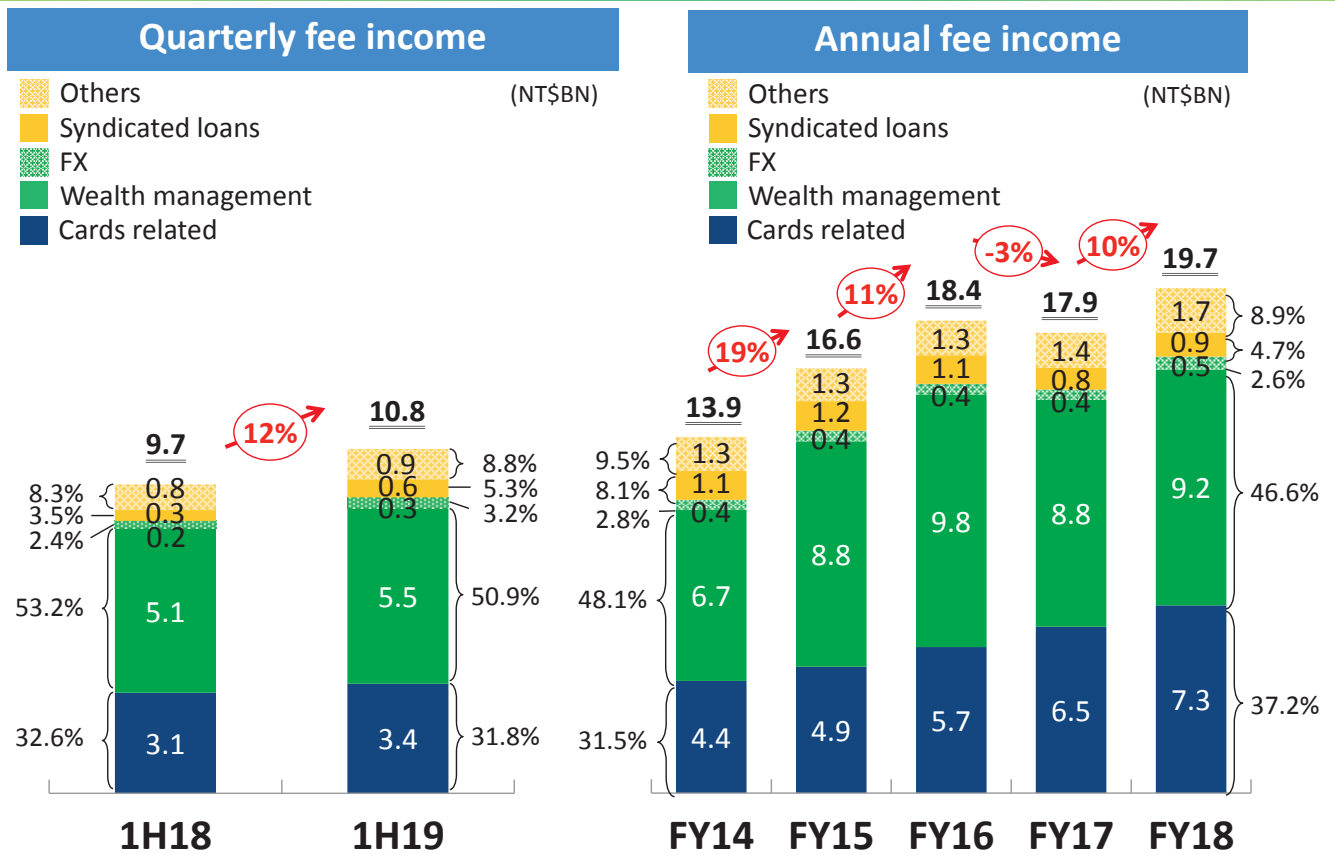
(NT\$BN)



### As % of CUB pre-tax profits



# Cathay United Bank – Fee income

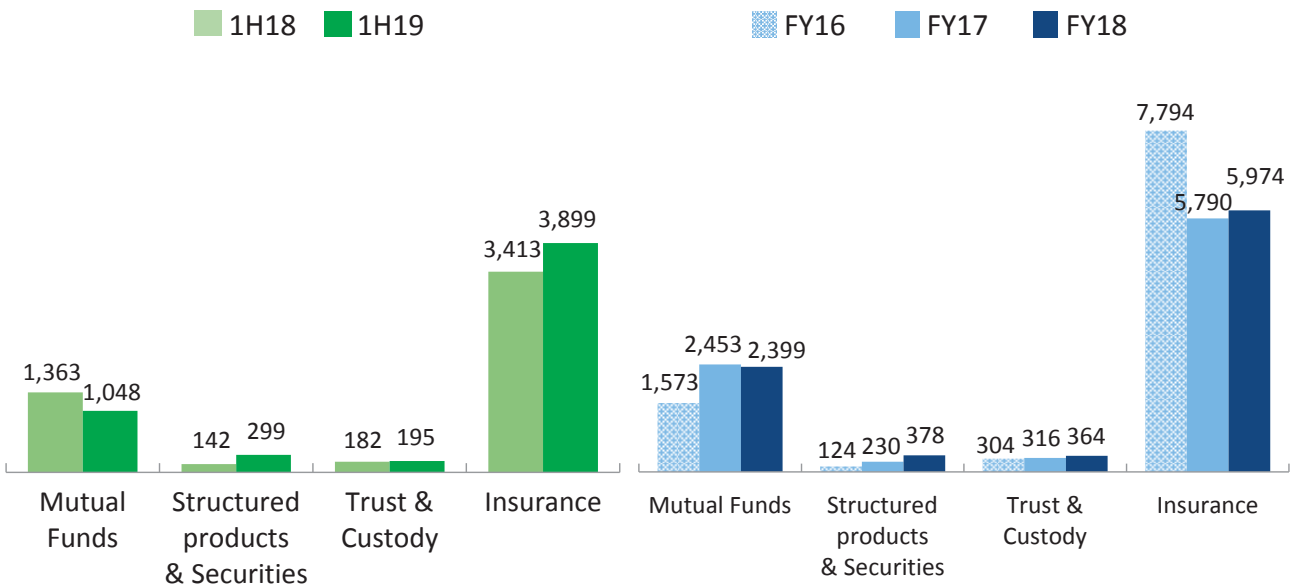


Note : China subsidiary was launched in Sep 2018, hence 1H19 fee income excluded NT\$ 8.9MN (preliminary) from China subsidiary.

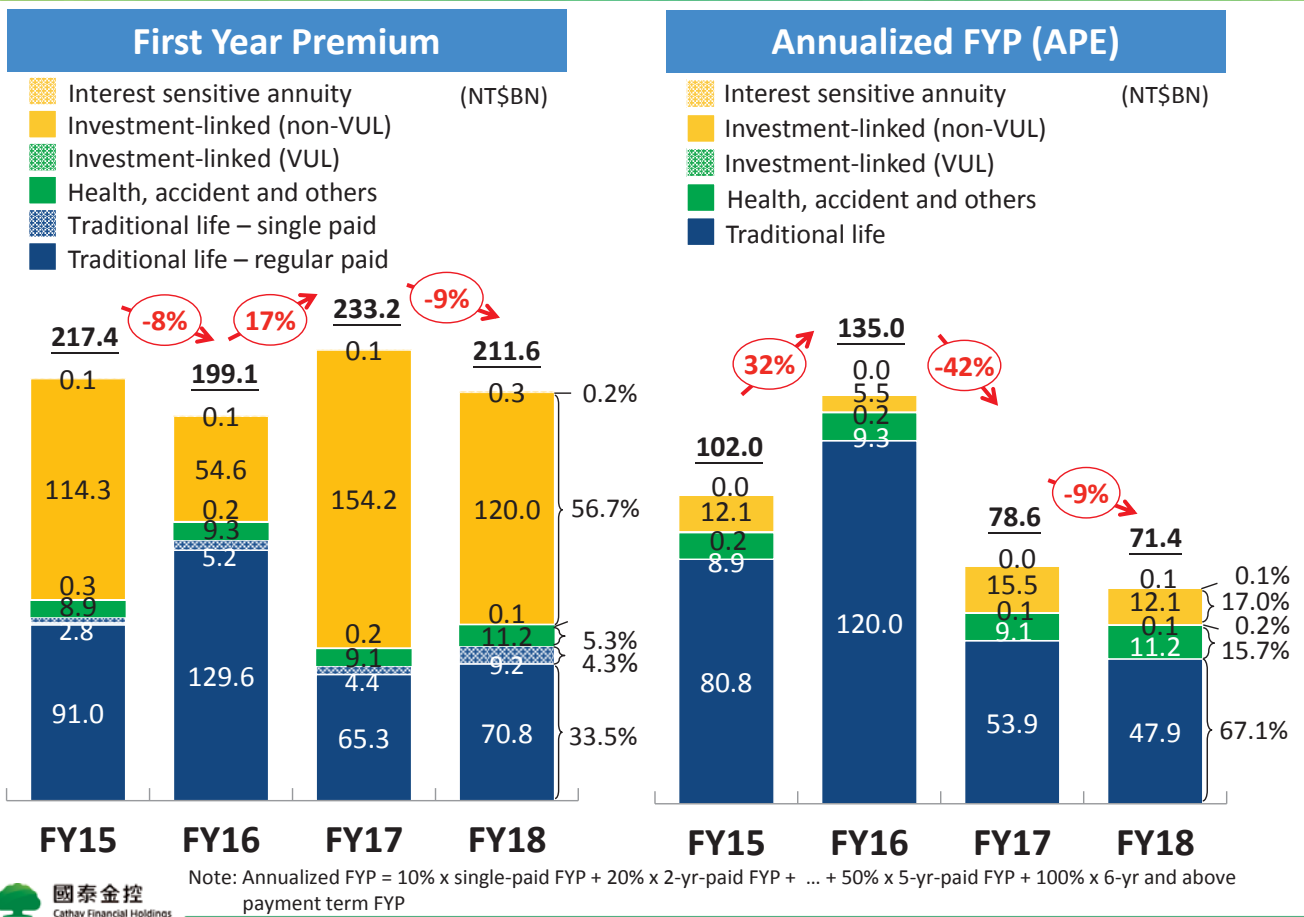
# Cathay United Bank – Wealth management fee

## Wealth management fee breakdown

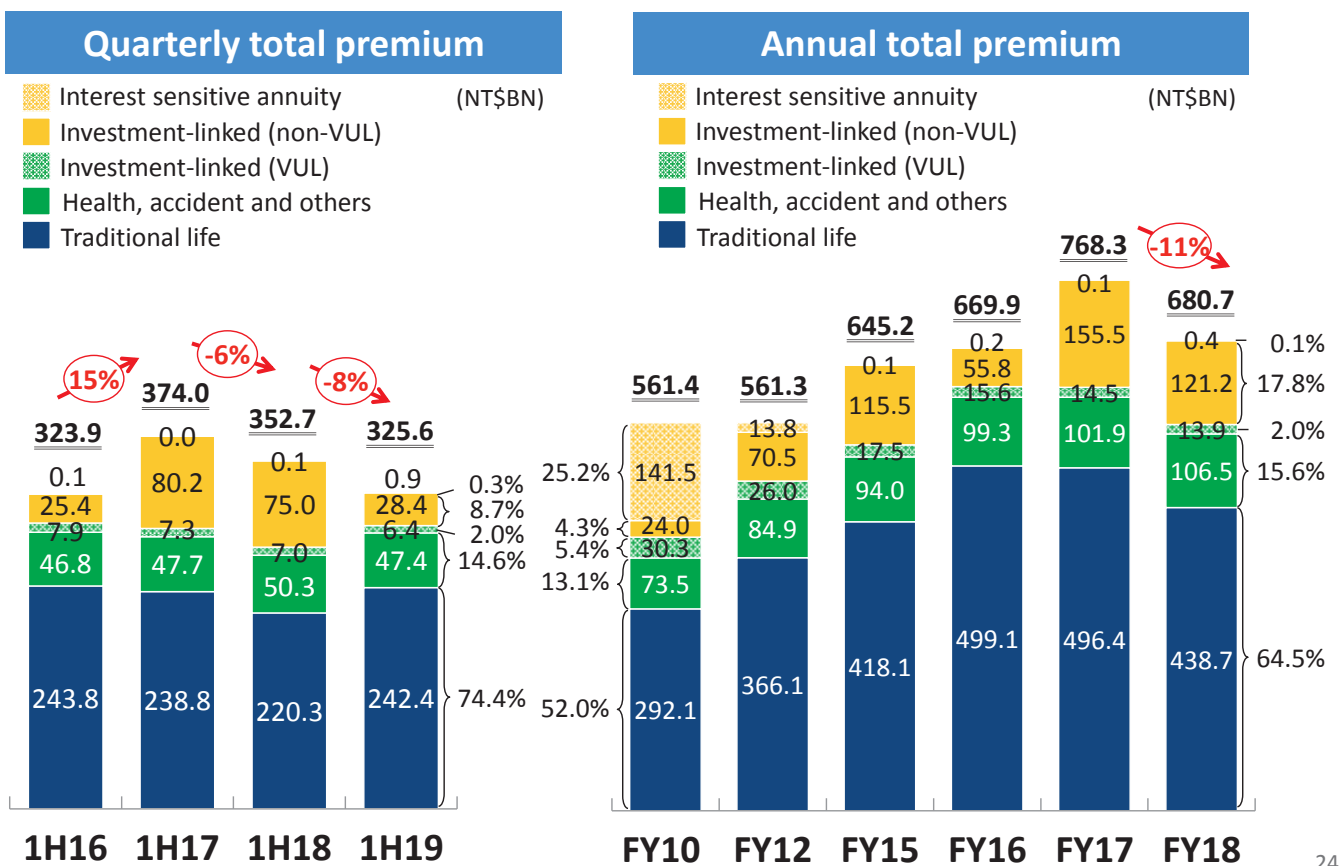
(NT\$MN)	1H18	1H19	FY16	FY17	FY18
Wealth management fee income	5,134	5,476	9,828	8,837	9,183
YoY growth (%)	6.4%	6.7%	11.9%	-10.1%	3.9%



# Cathay Life – Annual FYP & APE



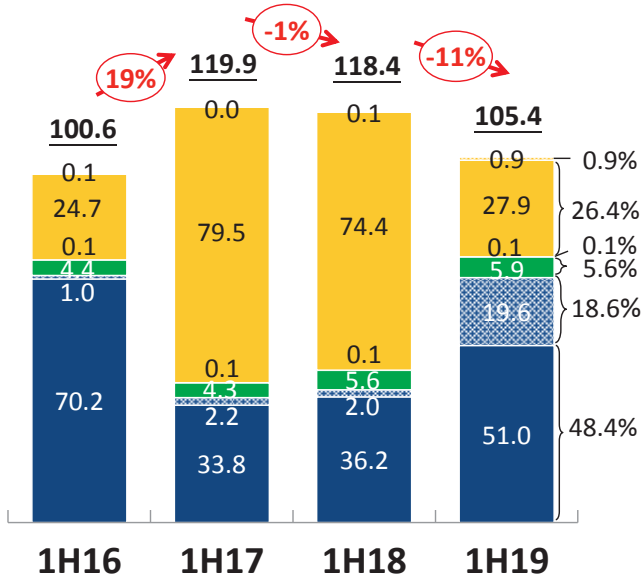
# Cathay Life – Total premium



# Cathay Life – Quarterly FYP & APE

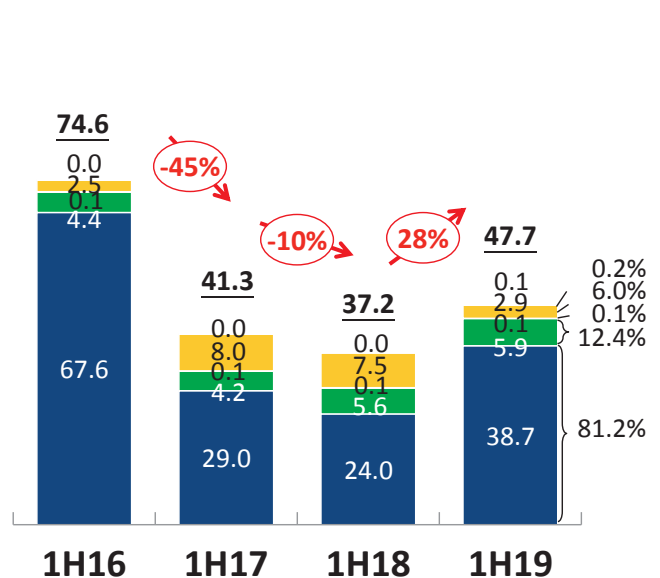
## First Year Premium

- 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 for new business

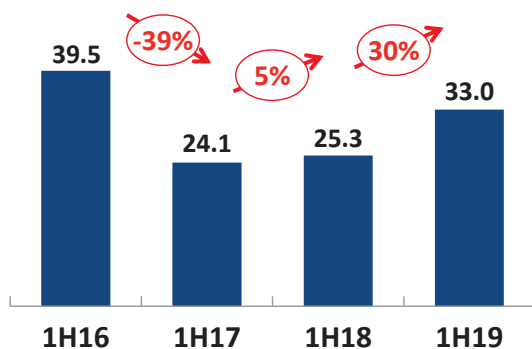
## Value for New Business

Profit Margin	1H16	1H17	1H18	1H19
VNB/FYP	39%	20%	21%	31%
VNB/APE	53%	58%	68%	69%

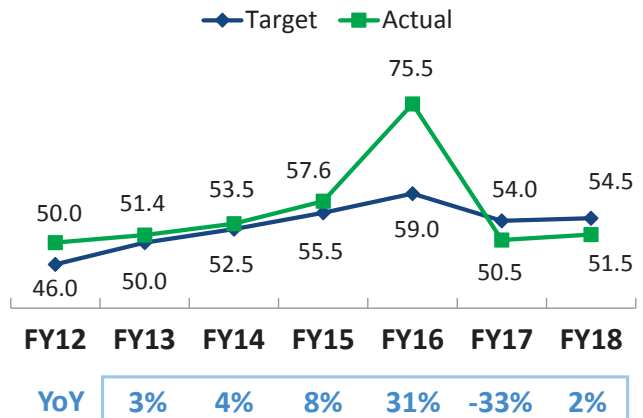
## Value for New Business (annual)

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

(NT\$BN)

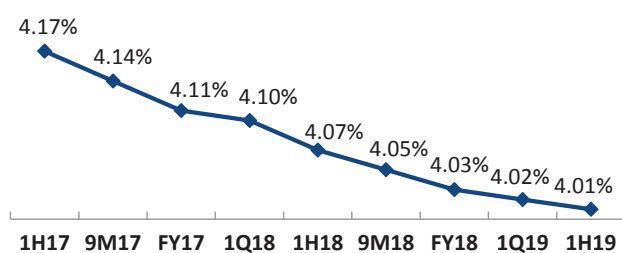


(NT\$BN)

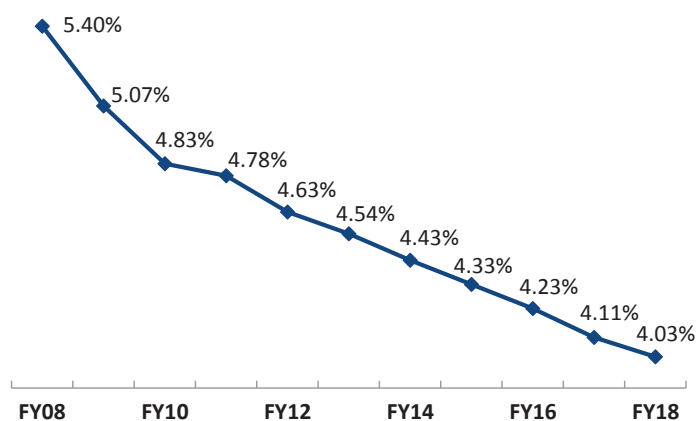


# Cathay Life – Cost of liability

## Cost of liability (quarterly)



## Cost of liability (annual)



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

# Cathay Life – Investment portfolio

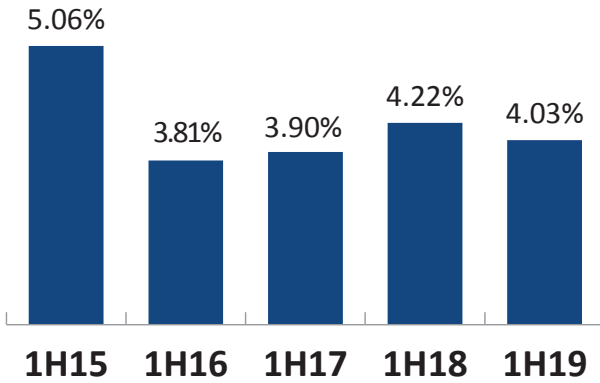
(NT\$BN)	FY16	FY17	FY18			1H19		
Total investments <sup>(1)</sup>	5,001.1	5,502.6	5,761.0			6,137.8		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	1.3%	1.6%	1.1%	61	0.6%	2.7%	165	0.6%
Equity- Domestic	7.9%	8.4%	7.5%	431	9.6%	6.5%	402	4.7%
Equity- International <sup>(2)</sup>	6.4%	6.3%	6.7%	388	8.7%	6.1%	375	9.1%
Bond- Domestic	6.5%	5.5%	5.0%	287	3.6%	5.7%	353	7.3%
Bond- International <sup>(1)(2)</sup>	53.8%	55.7%	58.6%	3,374	4.6%	59.7%	3,665	5.0%
Mortgage & Secured loans	8.9%	8.1%	7.1%	411	2.0%	6.1%	372	2.2%
Policy loans	3.3%	3.0%	3.0%	170	5.8%	2.8%	169	5.5%
Real estate	9.8%	9.2%	8.7%	501	2.3%	8.4%	514	2.8%
Others	2.2%	2.4%	2.4%	140		2.0%	123	

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

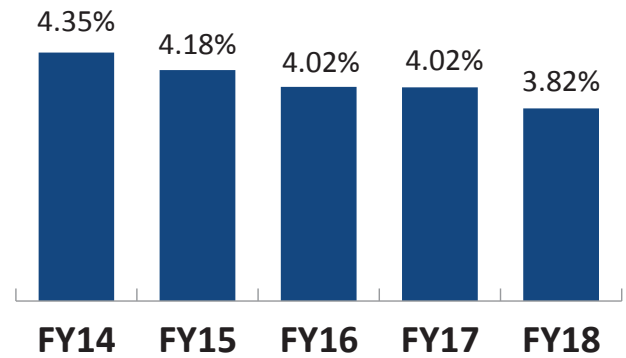
(2) Yields of international equity and international bond are pre-hedge investment yields.

# Cathay Life – Investment performance highlight

After-hedging investment yield

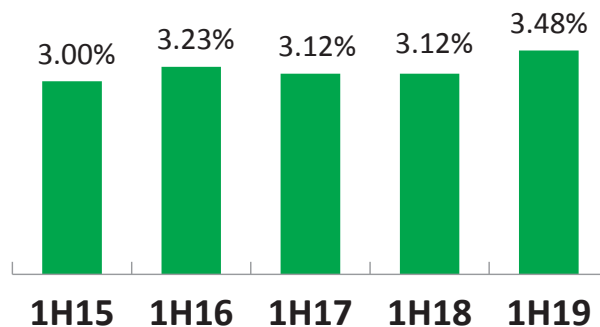


After-hedging investment yield

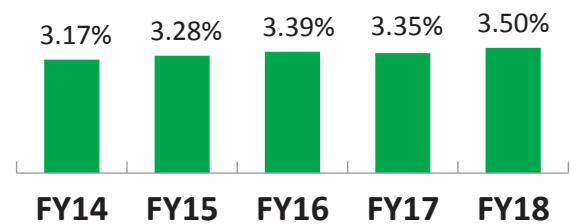


# Cathay Life – Investment performance highlight

Pre-hedging recurring yield

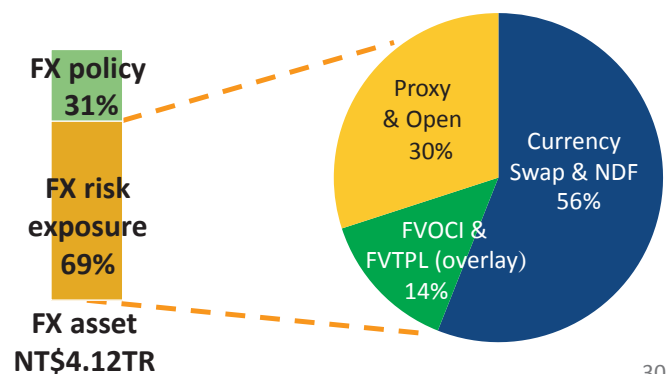


Pre-hedging recurring yield



Currency hedging structure

1H19 Hedging cost 1.20%

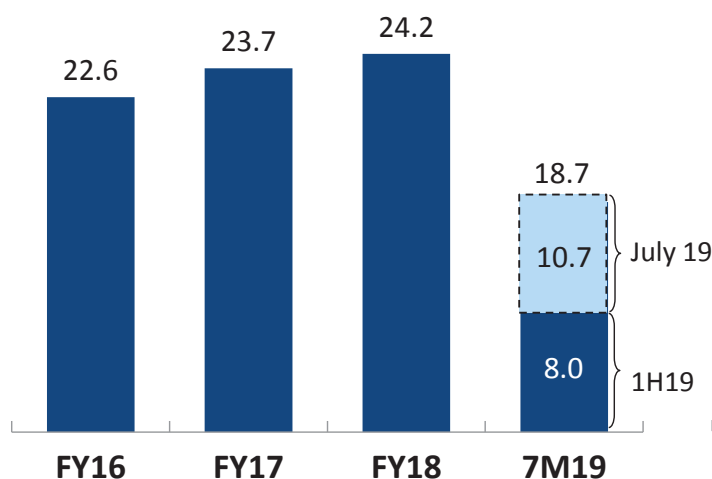


Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

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

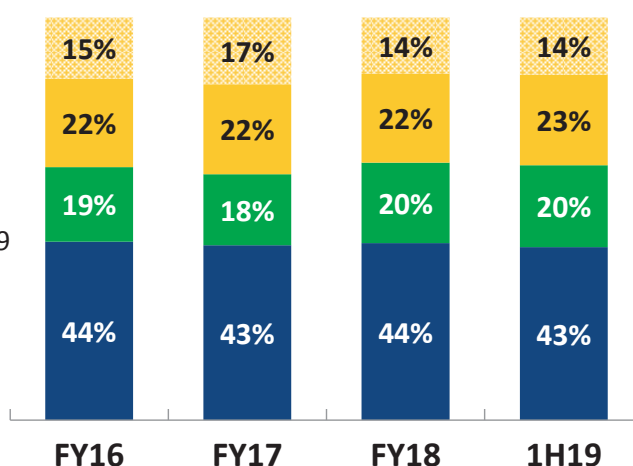
## Cash dividend income

(NT\$BN)



## Overseas fixed income by region

Others  
Asia Pacific  
Europe  
North America

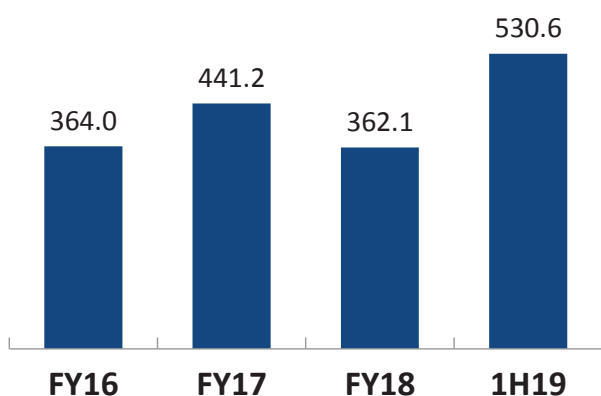


Note: Exclude overseas deposit.

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

## Book value

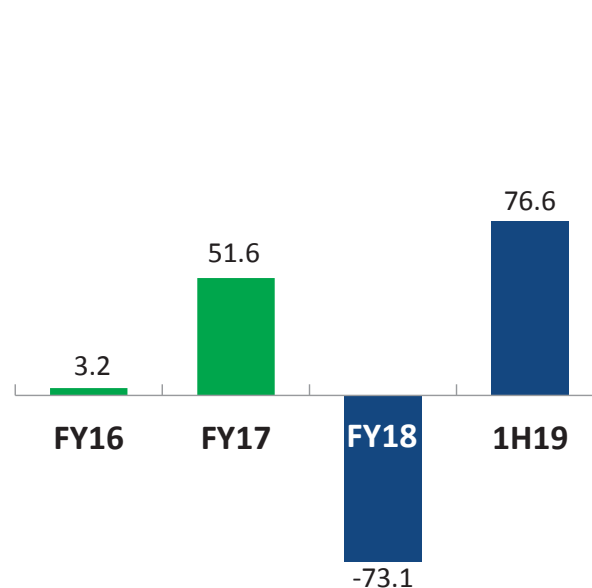
(NT\$BN)



## Unrealized G/L of financial assets

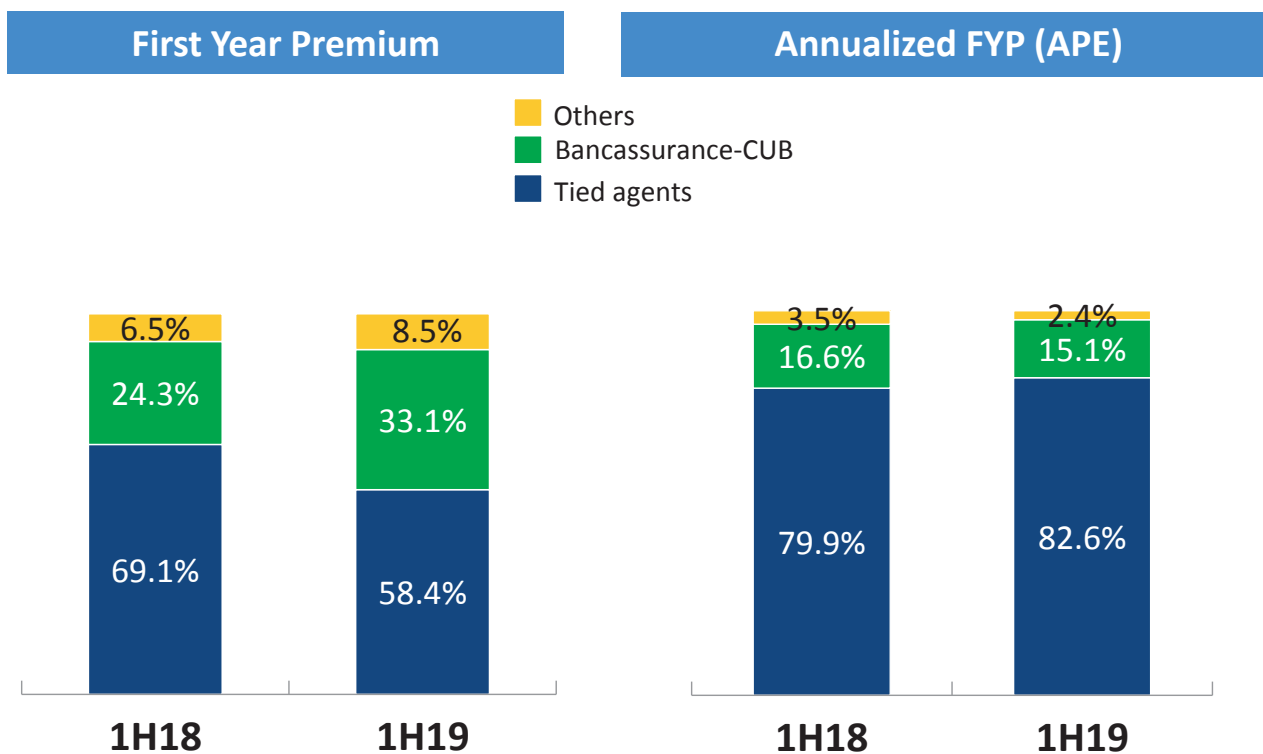
(NT\$BN)

AFS financial assets  
FVOCI & FVTPL (overlay approach)

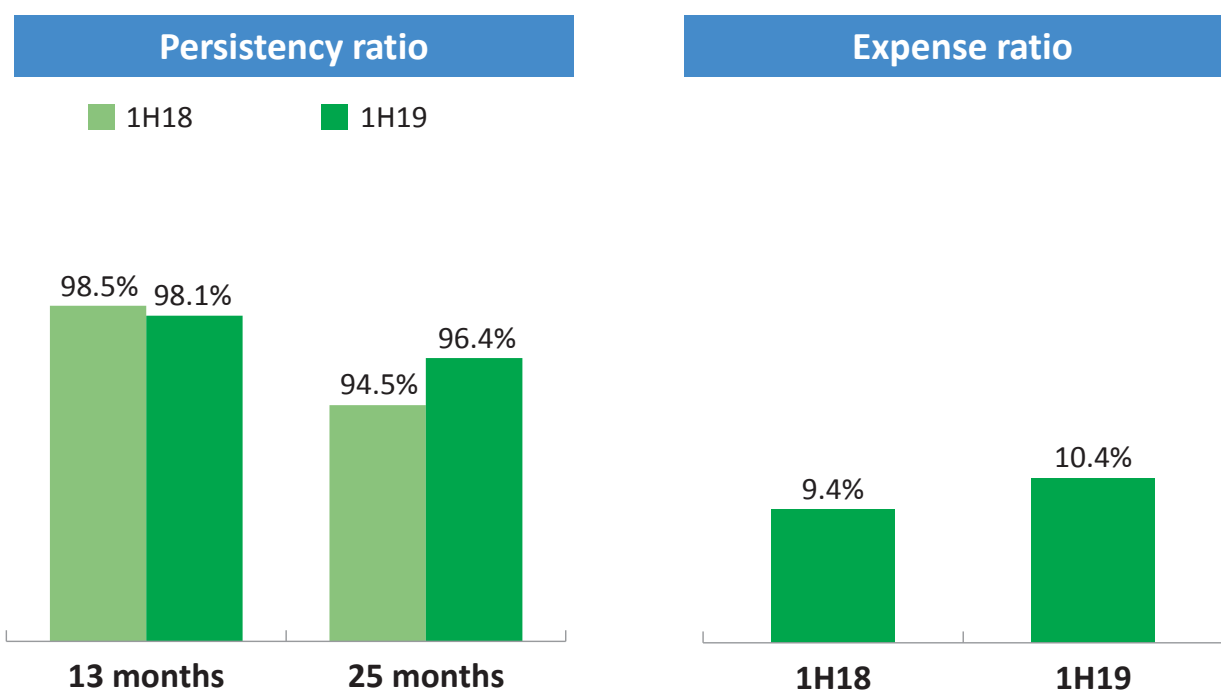




# Cathay Life – Distribution channel



# Cathay Life – Operating indicators



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Cathay United Bank

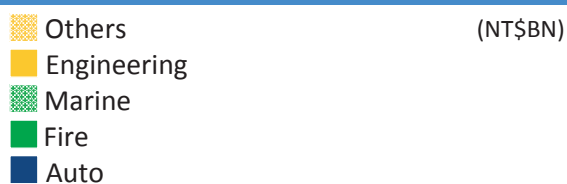
Cathay Life

Cathay Century

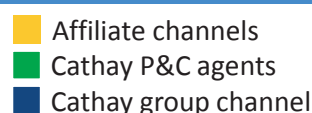
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## Cathay Century – Premium income & Distribution channel

### Premium income (NT\$BN)



### Distribution channel



Market share	12.5%	12.4%
Retention	77.0%	76.4%

# Cathay Century – Combined ratio



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

# Continuous efforts in CSR

## Recognized by local regulatory authorities

Top 5 %



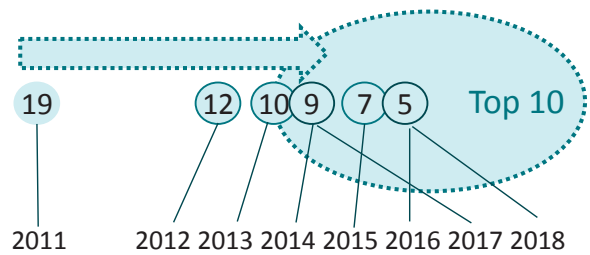
TWSE Corporate Governance Evaluation



Constituents of the FTSE4Good TIP Taiwan ESG Index.

## Ranked Top 10 in the 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
- ✓ RobecoSAM Silver Class

MSCI  
ESG Research  
IVA RATING  
**A**

CDP  
**B level**

SUSTAINALYTICS  
Global Universe  
Rank: 464 out of 9765  
Percentile: 6th

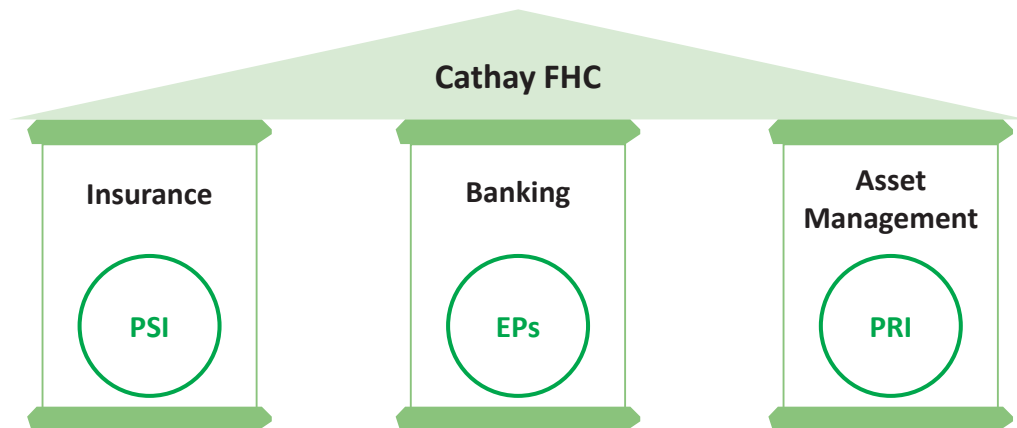
vigeo eiris  
BEST EM PERFORMERS

FTSE4Good



Note: 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

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

Sustainable Finance Management Section in Cathay United Bank

- 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
- 1H19 Business overview
- 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\$145BN AuM (1H19)
- 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	52.0	North America	71.6
Property-Casualty	43.9	Asia	52.6
Others	20.1	Continental Europe	12.6
Retail	17.7	United Kingdom	5.6
Pension	11.7	Bermuda	2.4
<b>Total AUM</b>	<b>145.5</b>	Other	0.7
		<b>Total AUM</b>	<b>145.5</b>

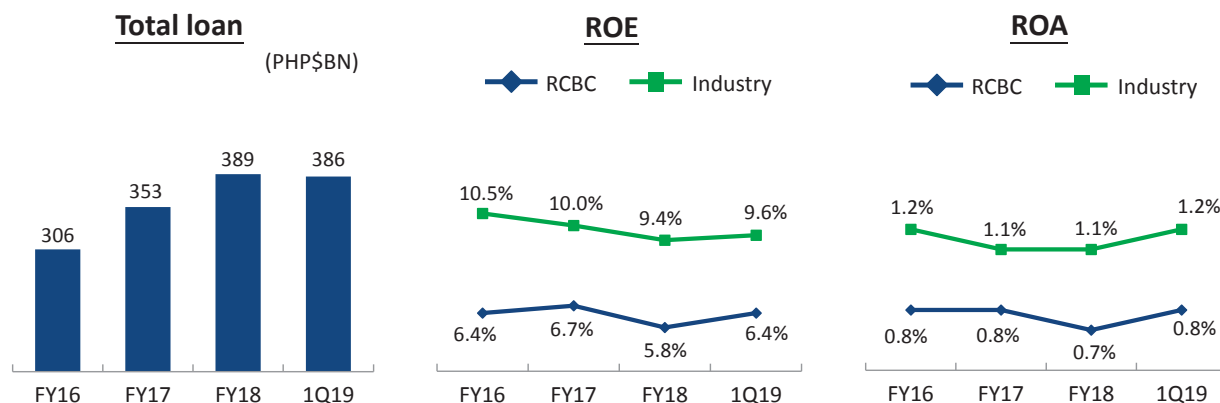
Note: Totals may not sum due to rounding.

## 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

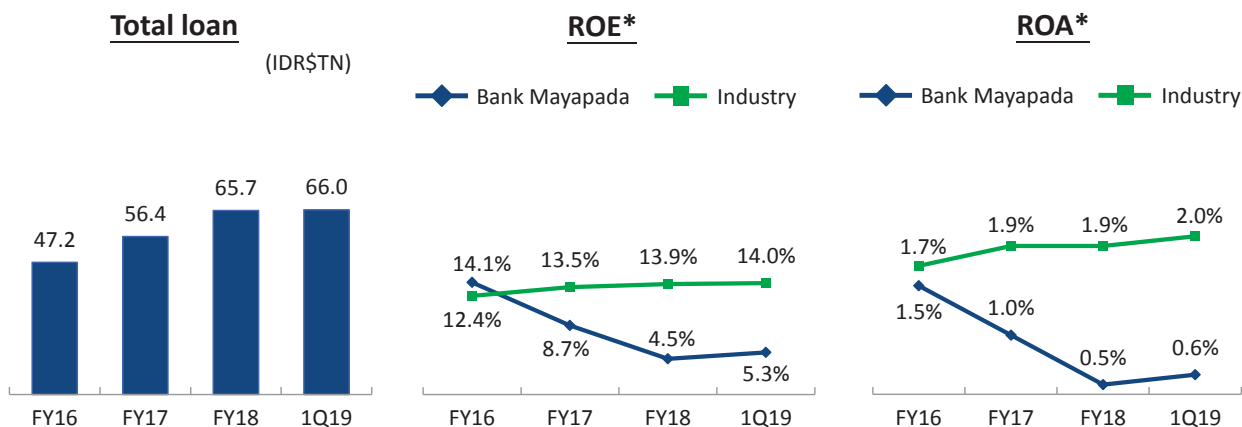
- RCBC is one of the large private-owned banks in terms of total assets, with 507 branches and over 6,808 employees at the end of 2018.



## 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	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.

## 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%	--

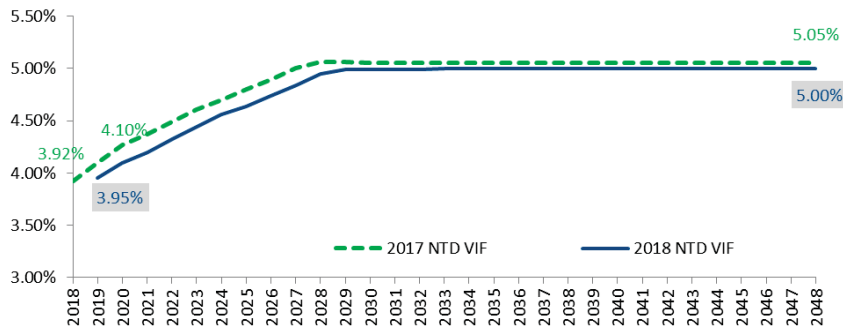
Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares 12.6bn.

(2) Totals may not sum due to rounding.

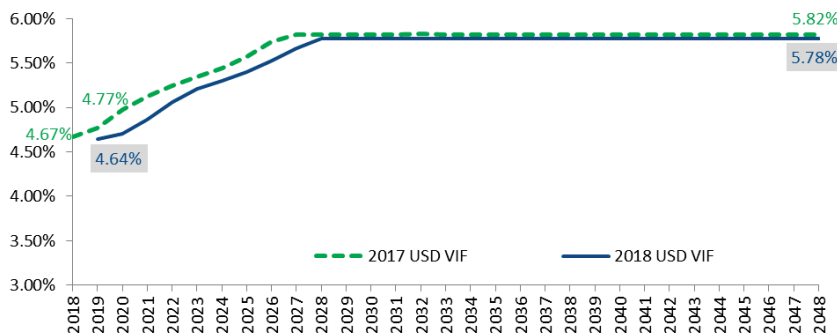


# Economic Assumptions: In-force business investment yield

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

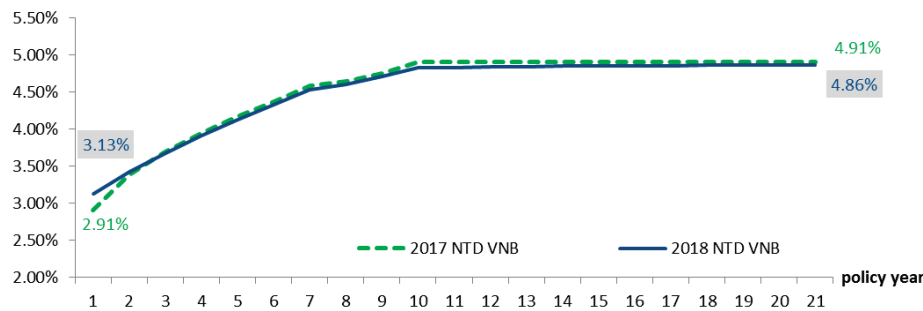


■ Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2017 & 2018.

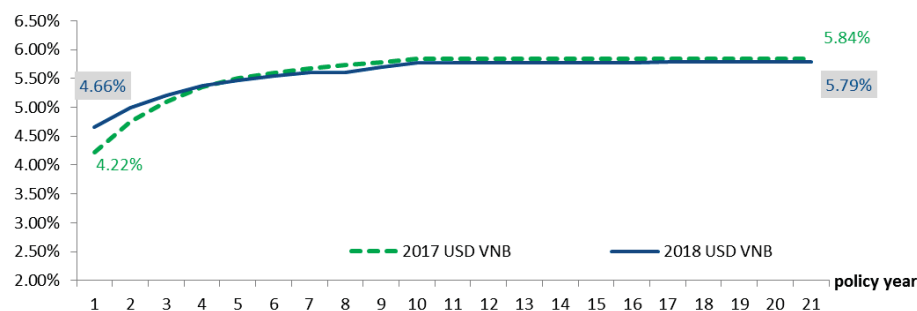


# Economic Assumptions: Future one year's new business investment yield

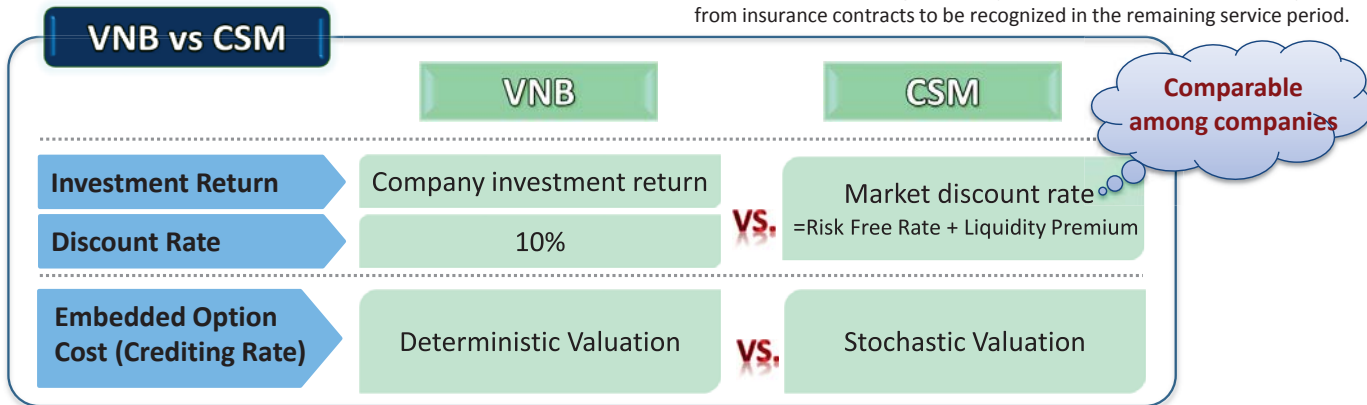
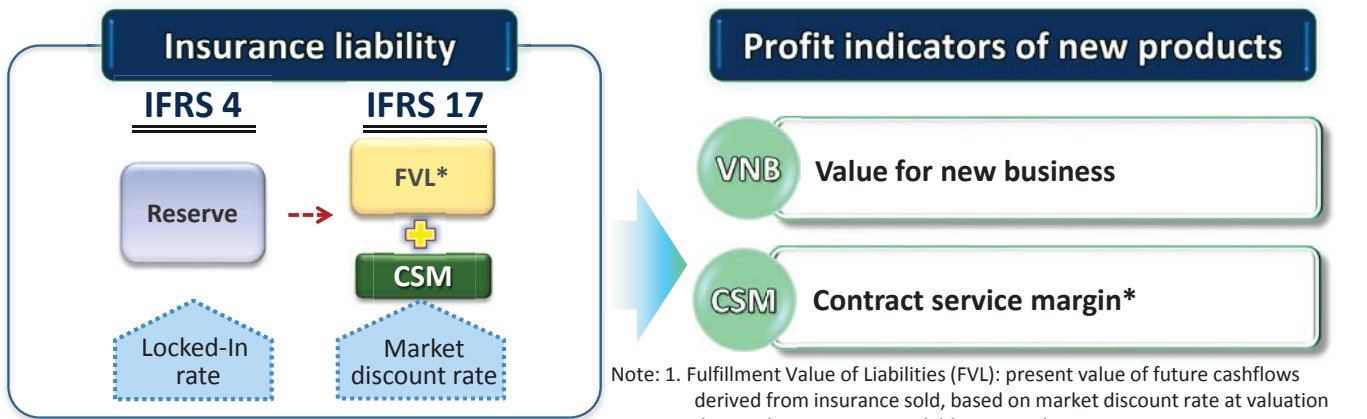
■ Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2017 & 2018.



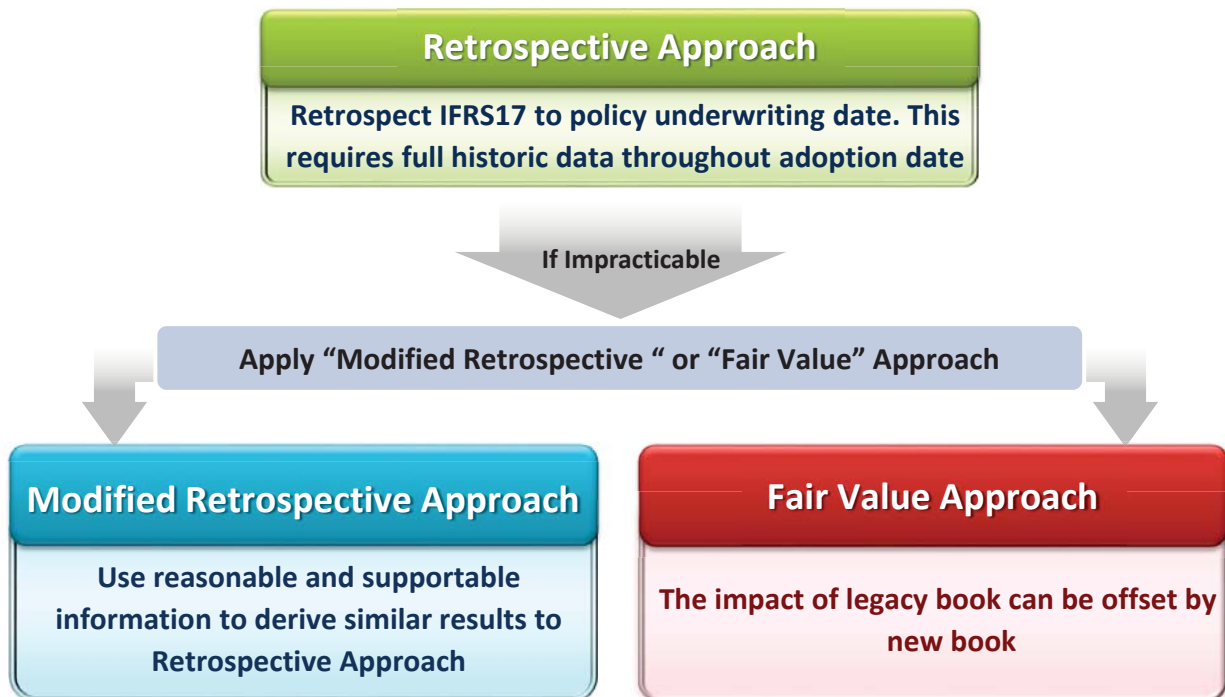
■ Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2017 & 2018.



# IFRS 17 – Measurement



# IFRS 17 – Adoption date



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

## Accounting impact from IFRS 17

- ❑ 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

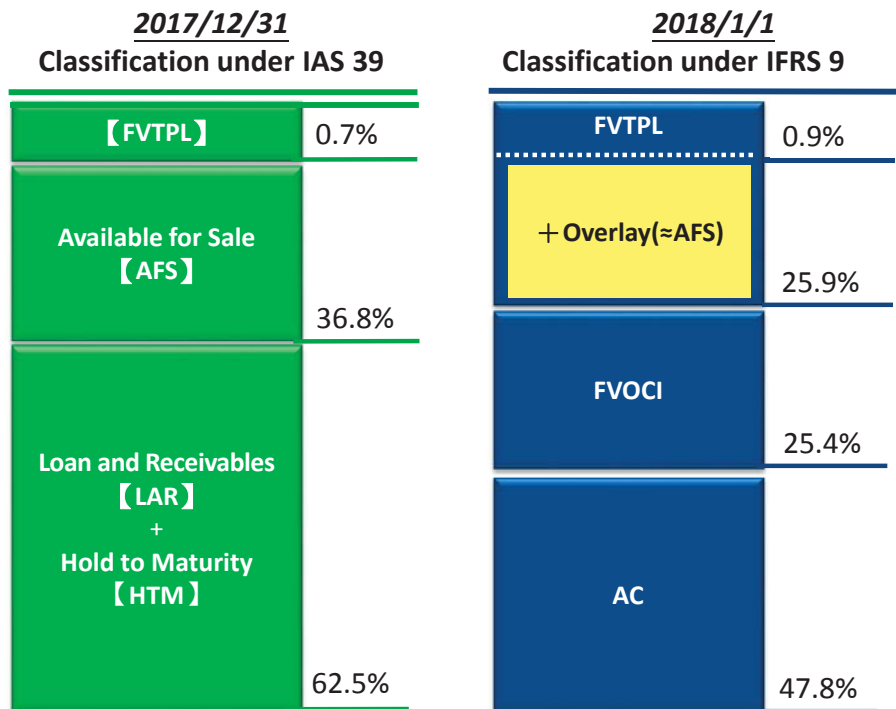
#### Capital market volatility and IFRS 17 adoption

- 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

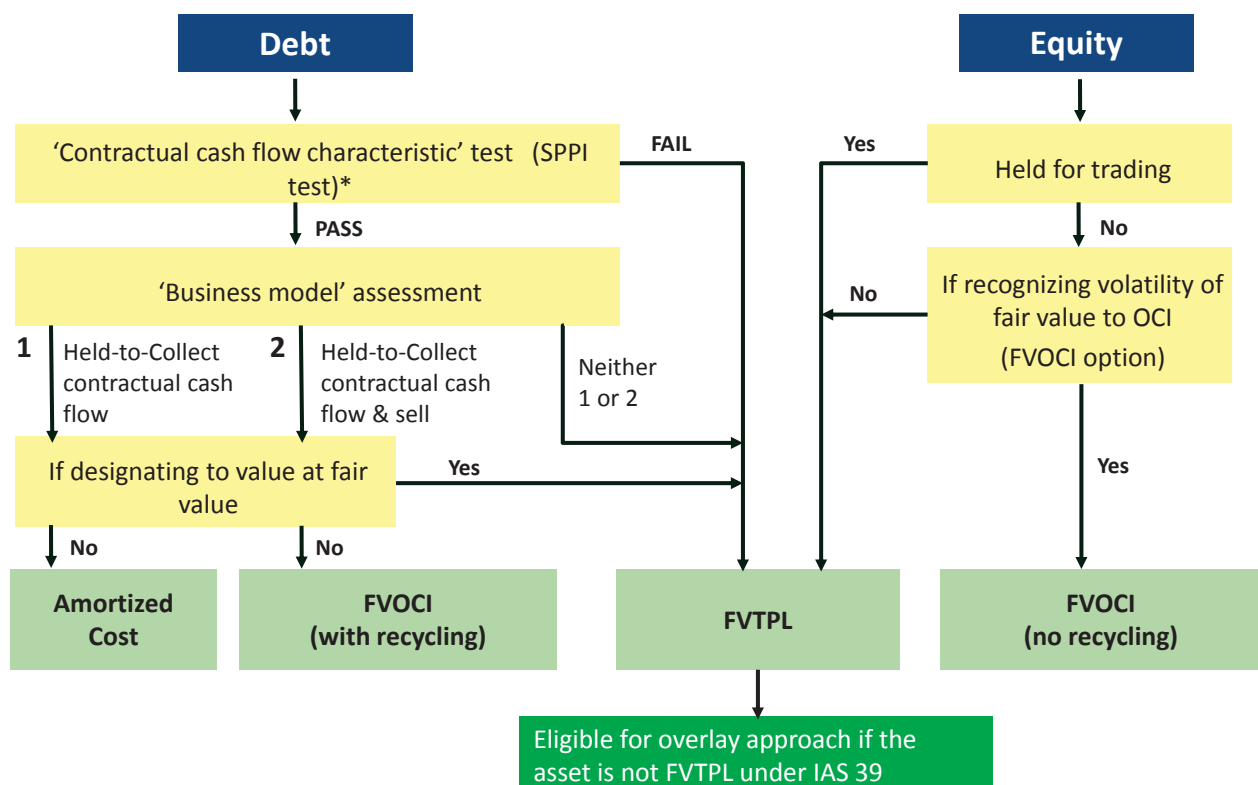
# Cathay Life - Asset reclassification under IFRS 9



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.

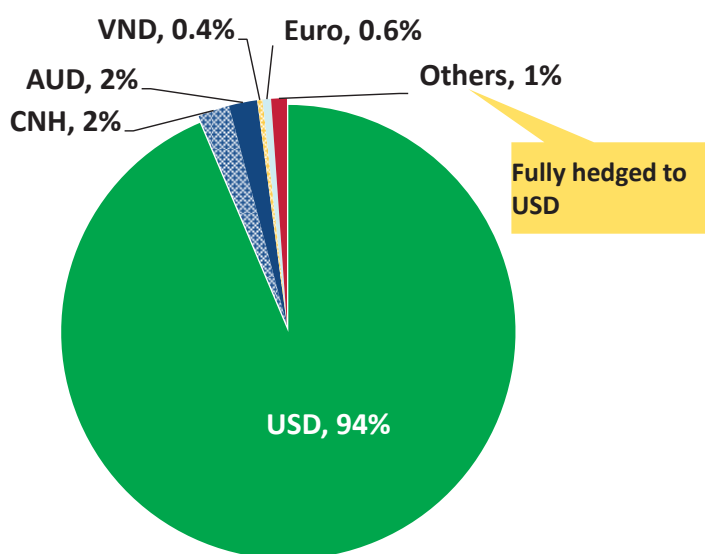
## Asset classification under IFRS 9 with overlay approach



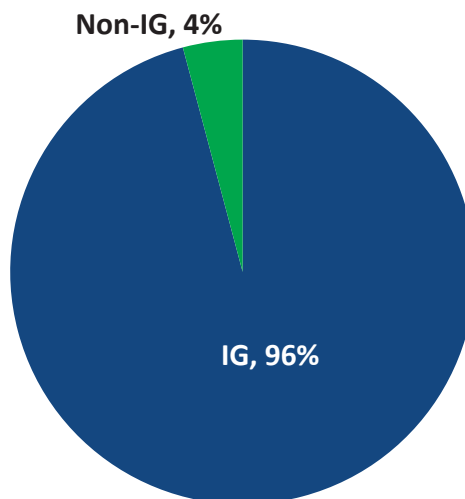
\*SPPI means cash flow are solely payments of the principal and interests on the principal amount outstanding. Interests consist of the consideration of time value and credit risk associated with the principal.

# Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (1H19)

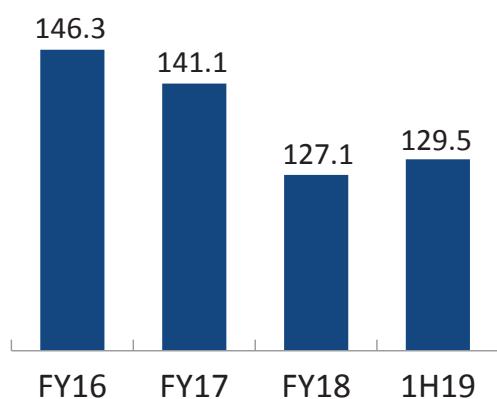


Overseas bond by rating (1H19)

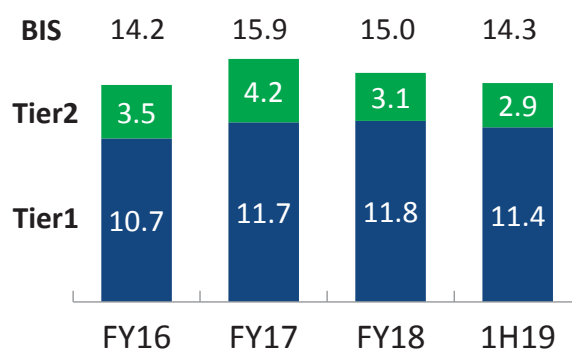


## Capital adequacy

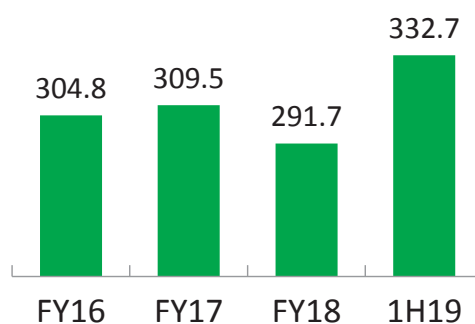
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC (%)



Cathay Financial Holdings (NT\$MN)	FY18/ FY17			1H19/ 1H18			2Q19/ 2Q18		
	FY17	FY18	% Chg	1H18	1H19	% Chg	2Q18	2Q19	% Chg
<b>Income Statement Data (Consolidated)</b>									
<b>Operating Income</b>									
Net interest income	168,461	180,628	7%	85,100	97,402	14%	43,996	48,895	11%
Net commission and fee	1,070	2,883	170%	4,124	1,070	-74%	2,113	1,598	-24%
Net earned premium	624,617	576,811	-8%	285,848	309,381	8%	149,480	149,516	0%
Change in liability reserve	(445,833)	(334,122)	-25%	(178,135)	(160,048)	-10%	(98,225)	(72,695)	-26%
Net claims payment	(295,503)	(368,656)	25%	(174,476)	(212,677)	22%	(84,726)	(110,257)	30%
Investment income	62,065	82,634	33%	58,054	53,736	-7%	26,892	31,721	18%
Contribution from associates-equity method	1,298	1,004	-23%	537	760	42%	470	476	1%
Other net non-interest income	22,446	(1,378)	-106%	(4,165)	(6,857)	-65%	(4,212)	(4,220)	0%
Bad debt expense	(3,460)	(4,599)	33%	(1,444)	(233)	-84%	(1,027)	204	-120%
Operating expense	(75,526)	(79,606)	5%	(37,892)	(42,797)	13%	(19,007)	(21,028)	11%
<b>Income before taxes</b>	59,636	55,599	-7%	37,552	39,737	6%	15,754	24,210	54%
Income taxes	(2,962)	(3,777)	27%	(1,538)	(5,603)	264%	(2,996)	(3,626)	21%
Net income	56,673	51,822	-9%	36,014	34,134	-5%	12,757	20,584	61%
EPS (NT\$)	4.47	3.95		2.71	2.45		0.87	1.40	
<b>Dividend Payout</b>									
Cash dividend per share	2.50	1.50							
Stock dividend per share	0.00	0.00							
Weighted average outstanding shares (Millions of common shares)	12,563	12,563		12,563	12,563				
<b>Balance Sheet Data (Consolidated)</b>									
Total assets	8,841,510	9,224,484		9,209,246	9,738,311				
Total shareholders' equity	608,471	529,289		599,671	698,747				
<b>Operating Metrics</b>									
ROAE (Consolidated)	9.96%	8.83%		11.58%	11.12%				
ROAA (Consolidated)	0.67%	0.57%		0.80%	0.72%				
Double leverage ratio(inc. preferred stock)	108%	112%		112%	111%				
<b>Capital Adequacy Metrics</b>									
Capital Adequacy Ratio	141%	127%		133%	129%				

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)

	FY18/ FY17			1H19/ 1H18			2Q19/ 2Q18		
	FY17	FY18	% Chg	1H18	1H19	% Chg	2Q18	2Q19	% Chg
<b>Income Statement Data (Consolidated)</b>									
Net written premium	608,404	559,386	-8%	277,352	298,510	8%	145,106	142,991	-1%
Net earned premium	607,547	558,929	-8%	277,566	298,619	8%	145,041	142,870	-1%
Reinsurance commission earned	301	762	153%	445	14	-97%	390	23	-94%
Fee income	9,468	9,148	-3%	4,945	4,066	-18%	2,285	2,109	-8%
Recurring investment income	173,846	197,281	13%	88,063	110,267	25%	47,720	57,829	21%
Gain on disposal of investment									
Realized gain (loss)-Equity	43,625	49,374	13%	37,642	25,781	-32%	12,553	11,976	-5%
Realized gain (loss)-Debt	21,233	15,092	-29%	10,982	13,829	26%	2,172	8,168	276%
Gain on investment property	(756)	(740)	2%	(635)	627	199%	(616)	629	202%
FX and others, net	(28,258)	(44,019)	-56%	(16,734)	(28,972)	-73%	(5,593)	(13,342)	-139%
Investment income, net	209,691	216,988	3%	119,319	121,532	2%	56,236	65,260	16%
Other operating income	5,069	5,508	9%	2,626	2,943	12%	1,336	1,524	14%
Separate account revenues	44,304	28,084	-37%	17,062	38,670	127%	14,384	13,845	-4%
Net claims payment	(284,023)	(357,244)	26%	(169,127)	(205,354)	21%	(81,873)	(105,291)	29%
Changes in liability reserves	(445,843)	(333,716)	-25%	(178,220)	(159,886)	-10%	(98,186)	(72,760)	-26%
Acquisition and commission expense	(32,507)	(33,900)	4%	(16,427)	(20,467)	25%	(7,807)	(8,924)	14%
Other operating costs	(6,418)	(7,765)	21%	(3,970)	(2,911)	-27%	(1,907)	(1,471)	-23%
Financial cost	(1,963)	(2,331)	19%	(1,147)	(1,276)	11%	(579)	(633)	9%
Separate account expense	(44,304)	(28,084)	-37%	(17,062)	(38,670)	127%	(14,384)	(13,845)	-4%
Operating expense	(28,790)	(29,165)	1%	(14,295)	(15,216)	6%	(6,929)	(7,388)	7%
Net non-operating income	1,442	1,312	-9%	701	860	23%	376	502	33%
Income taxes	2,294	1,773	-23%	2,665	(3,131)	217%	(32)	(2,472)	7630%
Net income	36,268	30,297	-16%	25,079	19,794	-21%	8,352	13,348	60%

**Balance Sheet Data**

Total assets	6,097,655	6,391,395		6,370,070	6,826,693
General account	5,542,385	5,844,430		5,796,356	6,229,895
Separate account	555,269	546,964		573,714	596,798
Reserves for life insurance liabilities	4,944,292	5,313,167		5,148,873	5,494,276
Total liabilities	5,656,473	6,029,265		5,926,488	6,296,118
Total shareholders' equity	441,181	362,129		443,582	530,575

**Operating Metrics (Standalone)**

First Year Premium(FYP)	233,250	211,588		118,375	105,377
First Year Premium Equivalent(FYPE)	78,602	71,372		37,221	47,676
Expense ratio	8.6%	9.6%		9.4%	10.4%
13-M persistency ratio	98.2%	98.4%		98.5%	98.1%
25-M persistency ratio	94.3%	94.7%		94.5%	96.4%
ROAE	9.01%	7.25%		10.9%	8.9%
ROAA	0.62%	0.48%		0.80%	0.60%

**Capital Adequacy Metrics (Standalone)**

RBC ratio	309%	292%		325%	333%
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## Notes:

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(2) Total may not sum due to rounding.

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

**Cathay United Bank**

(NT\$MN)	FY18/ FY17			1H19/ 1H18			2Q19/ 2Q18		
	FY17	FY18	% Chg	1H18	1H19	% Chg	2Q18	2Q19	% Chg
<b><u>Income Statement Data (Consolidated)</u></b>									
<b>Operating Income</b>									
Net interest income	29,701	33,397	12%	15,972	17,906	12%	8,261	9,062	10%
Fee income	14,862	16,678	12%	8,122	8,483	4%	3,640	3,812	5%
Investment income	9,442	9,862	4%	4,810	5,842	21%	2,735	2,641	-3%
Other income	1,216	918	-25%	423	320	-24%	244	228	-7%
<b>Net operating income</b>	<b>55,222</b>	<b>60,855</b>	<b>10%</b>	<b>29,327</b>	<b>32,551</b>	<b>11%</b>	<b>14,879</b>	<b>15,743</b>	<b>6%</b>
Operating expenses	(29,301)	(31,340)	7%	(14,725)	(16,734)	14%	(7,650)	(8,119)	6%
<b>Pre-provision profit</b>	<b>25,920</b>	<b>29,515</b>	<b>14%</b>	<b>14,602</b>	<b>15,817</b>	<b>8%</b>	<b>7,229</b>	<b>7,624</b>	<b>5%</b>
Net provisions for possible losses	(3,494)	(5,032)	44%	(1,492)	(917)	-39%	(1,059)	(168)	-84%
<b>Income before taxes</b>	<b>22,426</b>	<b>24,483</b>	<b>9%</b>	<b>13,110</b>	<b>14,900</b>	<b>14%</b>	<b>6,171</b>	<b>7,456</b>	<b>21%</b>
Income tax	(2,763)	(3,230)	17%	(1,951)	(2,136)	9%	(815)	(1,066)	31%
<b>Net income</b>	<b>19,664</b>	<b>21,253</b>	<b>8%</b>	<b>11,159</b>	<b>12,764</b>	<b>14%</b>	<b>5,356</b>	<b>6,390</b>	<b>19%</b>
<b><u>Balance Sheet Data</u></b>									
Total assets	2,735,704	2,843,881		2,825,811	2,904,478				
Loans, net	1,434,558	1,595,323		1,516,146	1,562,186				
Financial assets	859,590	878,001		904,802	855,096				
Total liability	2,553,396	2,638,074		2,631,073	2,688,987				
Deposits	2,098,368	2,227,662		2,150,273	2,264,001				
Financial Debenture Payable	63,350	55,600		55,600	55,400				
Total shareholders' equity	182,308	205,807		194,738	215,491				
<b><u>Operating Metrics</u></b>									
Cost income ratio	53.06%	51.50%		50.21%	51.41%				
ROAE	11.49%	10.86%		11.74%	12.12%				
ROAA	0.74%	0.76%		0.80%	0.89%				
<b><u>Assets Quality (Standalone)</u></b>									
NPL	2,982	2,563		2,949	3,155				
NPL ratio	0.21%	0.16%		0.20%	0.21%				
NPL provisions	22,553	23,879		23,257	25,550				
Coverage ratio	756%	932%		789%	810%				
<b><u>Capital Adequacy Metrics (Standalone)</u></b>									
BIS ratio	15.9%	15.0%		14.8%	14.3%				
Tier I Ratio	11.7%	11.8%		11.3%	11.4%				
<b><u>LDR (Standalone)</u></b>									
TWD LDR	73.7%	77.7%		76.9%	73.6%				
FX LDR	49.1%	46.6%		49.2%	49.1%				

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**Cathay Century**

(NT\$MM)	FY18/ FY17			1H19/ 1H18			2Q19/ 2Q18		
	FY17	FY18	% Chg	1H18	1H19	% Chg	2Q18	2Q19	% Chg
<b>Income Statement Data (Consolidated)</b>									
Premium income	21,878	23,186	6%	11,370	12,164	7%	6,006	6,389	6%
Net written premium	16,610	17,797	7%	8,707	9,232	6%	4,454	4,749	7%
Net earned premium	16,344	17,349	6%	8,430	9,075	8%	4,277	4,619	8%
Reinsurance commission earned	489	556	14%	272	298	10%	131	136	4%
Fee income	42	43	3%	22	22	0%	11	11	3%
Investment	892	640	-28%	626	401	-36%	379	196	-48%
Interest income	547	559	2%	280	269	-4%	145	137	-5%
Other investment income, net	345	81	-76%	346	132	-62%	234	58	-75%
Other operating income	0	0	0%	0	0	0%	0	0	0%
Net claims payment	(9,138)	(9,408)	3%	(4,707)	(4,899)	4%	(2,297)	(2,610)	14%
Changes in liability reserves	10	(406)	4148%	86	(163)	289%	(39)	65	-265%
Commissions and other operating costs	(2,859)	(3,043)	6%	(1,457)	(1,569)	8%	(694)	(804)	16%
Operating expenses	(3,609)	(3,848)	7%	(1,865)	(1,966)	5%	(958)	(992)	4%
<b>Operating income</b>	2,170	1,883	-13%	1,407	1,200	-15%	811	621	-23%
Net non-operating income	(16)	(24)	-53%	(7)	(0)	99%	(3)	(0)	86%
Income taxes	(297)	(349)	18%	(231)	(204)	-12%	(122)	(106)	-13%
Net income	1,858	1,510	-19%	1,168	996	-15%	685	514	-25%
<b>Balance Sheet Data</b>									
Total assets	38,351	37,956		39,603	40,267				
Total stockholders' equity	10,517	10,025		10,119	11,371				
<b>Operating Metrics</b>									
Gross Combined ratio	80.0%	81.8%		81.0%	84.6%				
Net Combined ratio	90.9%	92.2%		91.0%	92.7%				
ROAE	18.83%	14.69%		22.63%	18.63%				
ROAA	4.85%	3.96%		5.99%	5.09%				
<b>Capital Adequacy Metrics</b>									
RBC ratio (Standalone)	392%	370%		379%	367%				

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## **Note**

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