



國泰金控

Cathay Financial Holdings

2023 First Quarter Briefing

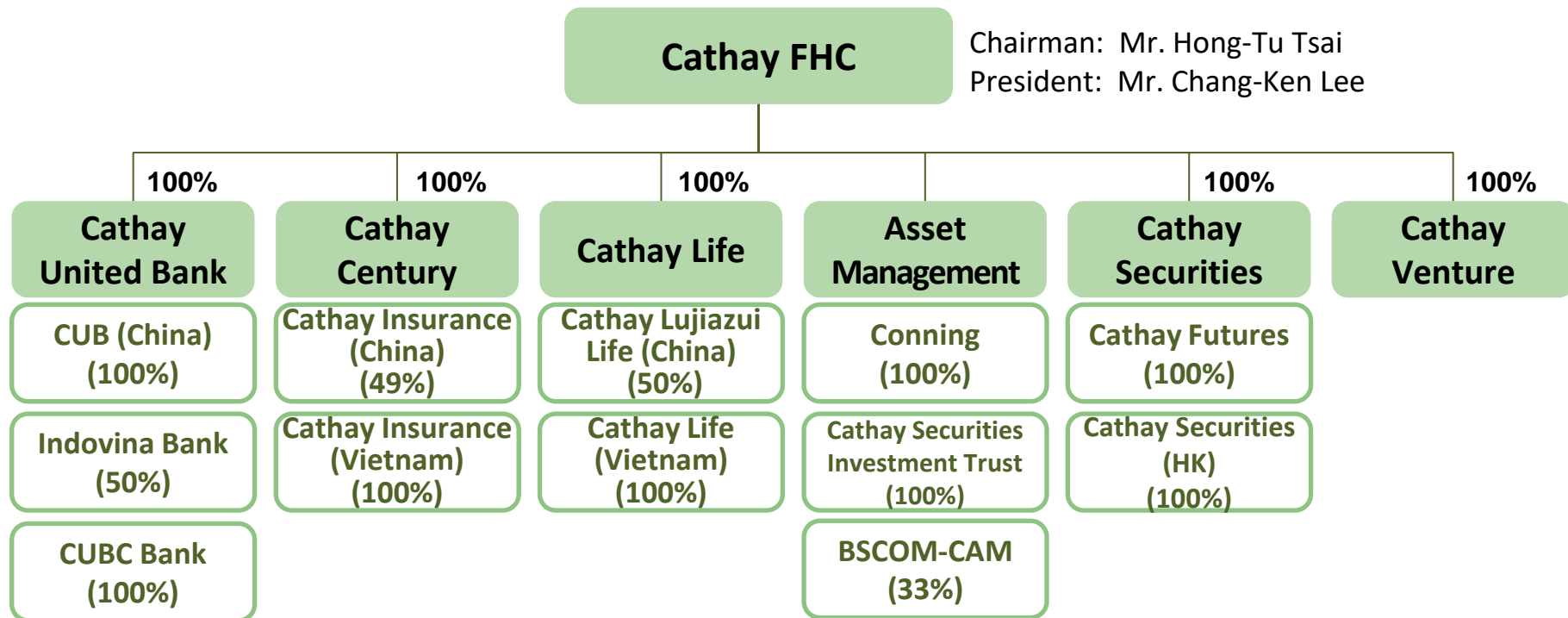
May 2023



Agenda

- **Introduction of Cathay FHC**
- **Business Overview**
- **Overseas Expansion**
- **Business Performance Summary**
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Cathay Life Embedded Value & Appraisal Value**
- **Cathay's ESG Efforts**
- **Appendix**

Cathay FHC: largest FHC, comprehensive products



- One of the largest private banks in terms of total assets
- No. 2 credit card issuer
- The largest brokerage settlement bank

- 2nd biggest non-life insurer
- Market share in total premium income: 11.9% (1Q23)

- No. 1 life insurer in terms of total assets and total premium
- Market share in total premium: 20.6% (1Q23)

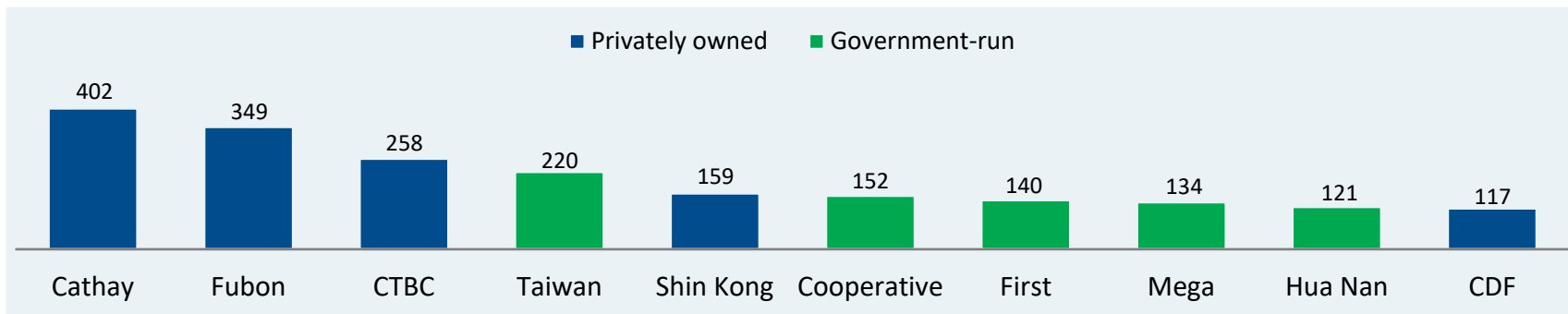
- Building global asset management platform
- Largest AUM among asset managers in Taiwan

- Investment banking, brokerage, and prop trading businesses
- Strong underwriting and capital raising platform
- Diversified products and services

Market leader in Taiwan's FIG sector

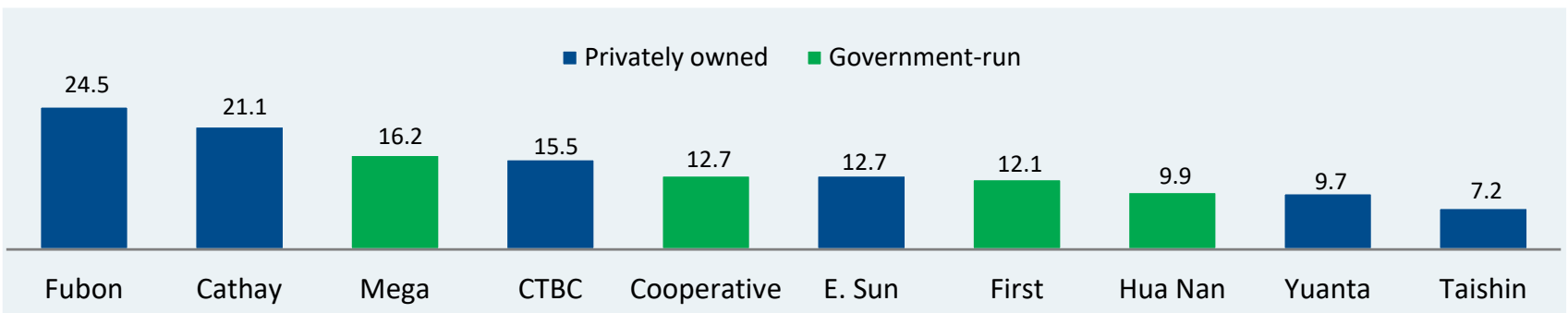
- Largest listed financial group by assets.

Ranking of total asset (US\$bn)



Note: Total assets as of March 31, 2023

Ranking of market cap (US\$bn)



Note: Market capitalization as of May 31, 2023

Cathay FHC's continuous effort in ESG integration



2011

- Established CSR Committee

- Formed Responsible Investment Team

2014

- Included in DJSI Emerging Market Index
- Cathay United Bank (CUB) signed Equator Principles, a first in Taiwan

2015

Member of
Dow Jones Sustainability Indices

Powered by the S&P Global CSA

2016

- Joined **Asia Investor Group on Climate Change (AIGCC)**
- Cathay Life self-compliance with PSI

- First Taiwan FIG to **disclose carbon footprints in investment portfolio**
- Active in engagement with government on climate governance

2019

- Included in DJSI World Index
- Among the first to sign on **TCFD** initiative
- Cathay United Bank self-compliance with PRB



2018

- The only Taiwan FIG joined **CDP Non-Disclosure Campaign & Climate Action 100+ Initiatives**
- Cathay Century P&C Insurance self-compliance with PSI



2017



2020

- Joined **Ceres Valuing Water Finance Task Force**
- Launched the Taiwan Sustainable Investment Survey
- Cathay Securities published ESG rating reports on individual listed companies

2021

- Issued ESG integration report certified by third party
- Committed 100% renewable energy by 2030
- Participated in **Asian Utilities Engagement Program**



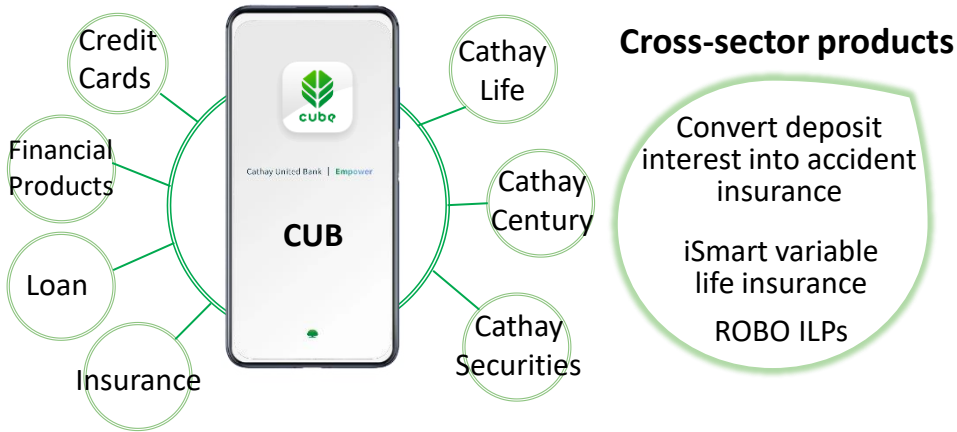
2022 **RE100** | **CLIMATE GROUP** | **CDP**

- Selected by **The Investor Agenda** for its **global top-10 best-practice case studies** in the Investor Climate Action Plans (ICAPs)
- **Became RE100 member**, the first financial institution in Taiwan
- Received **SBTi validation of carbon reduction**

Empowering financial services with digital, data and technology

One-stop digital financial services

Connect Bank, Life, P&C, and Securities services



Digital health promotion



FitBack app leverages big data analysis, insurance expertise, and technological innovation in interactions with policyholders



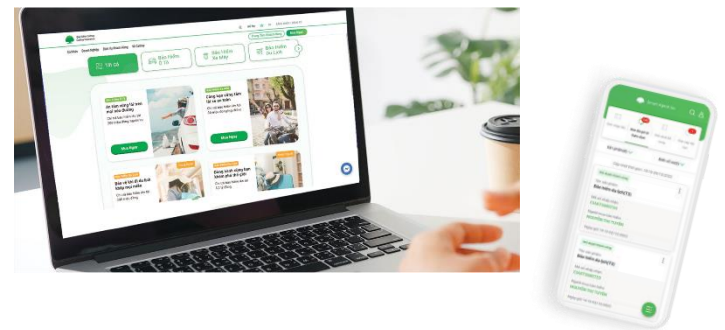
Cloud readiness

Optimize cloud strategy and enhance digital development



Digitalization in overseas subsidiaries

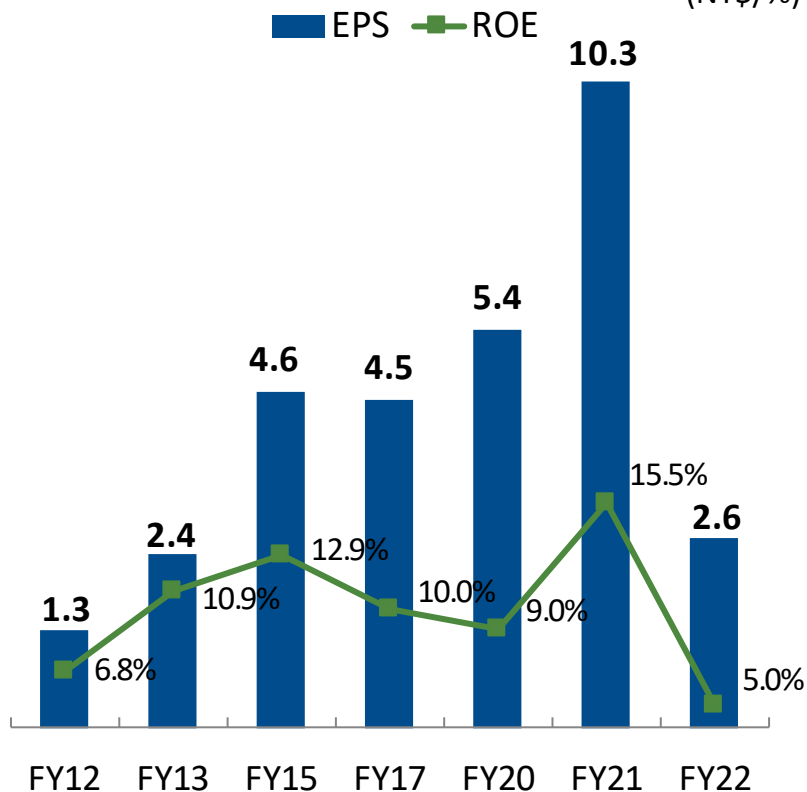
Continue digitalization in Vietnam and Cambodia to accelerate business and enhance customer experience



Cathay FHC continued to deliver solid earnings

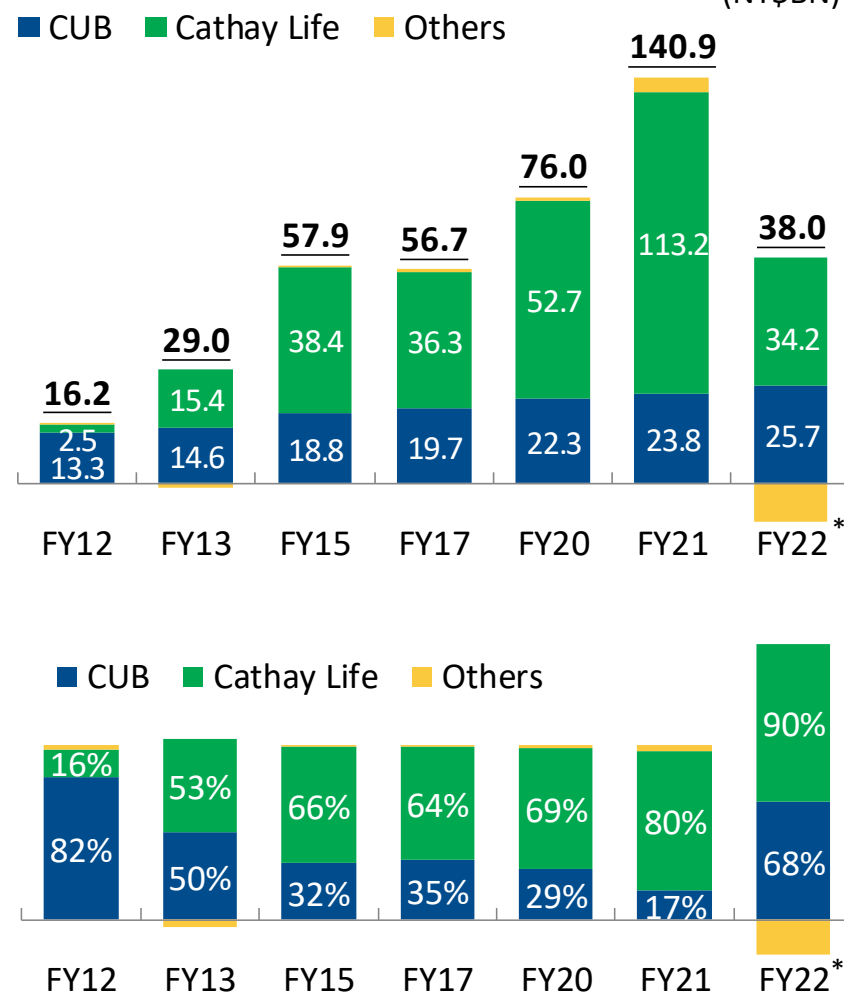
EPS & ROE

(NT\$/%)



Profit contribution

(NT\$BN)



- 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).

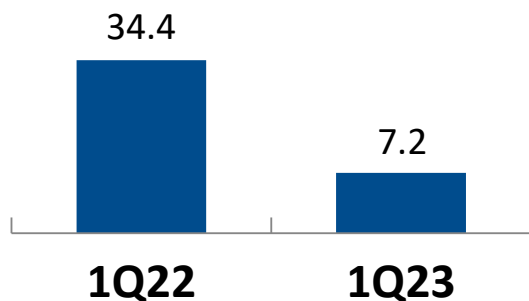
* Cathay Century reported a net loss of NT\$19.6bn due to pandemic insurance losses.

Cathay FHC – Net income & EPS

- 1Q22 set a high base period for net income, benefitting from TWD depreciation and more favorable capital markets; 1Q23 net income reflected elevated hedging costs and subdued capital gains.

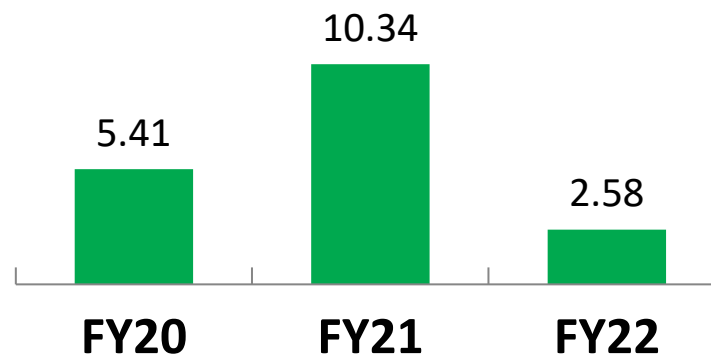
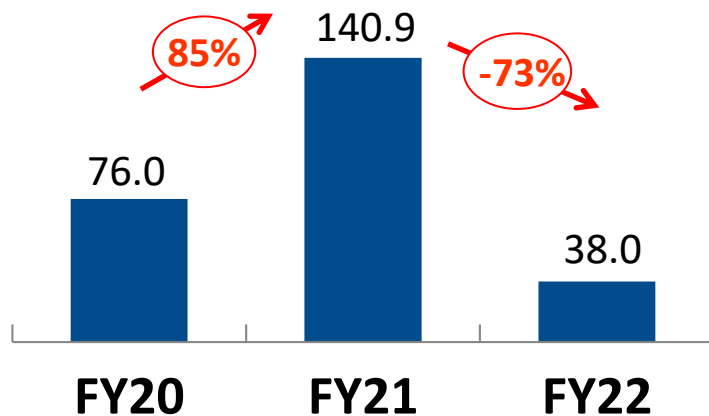
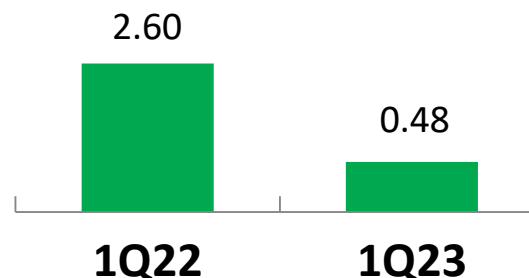
Net income

(NT\$BN)



EPS

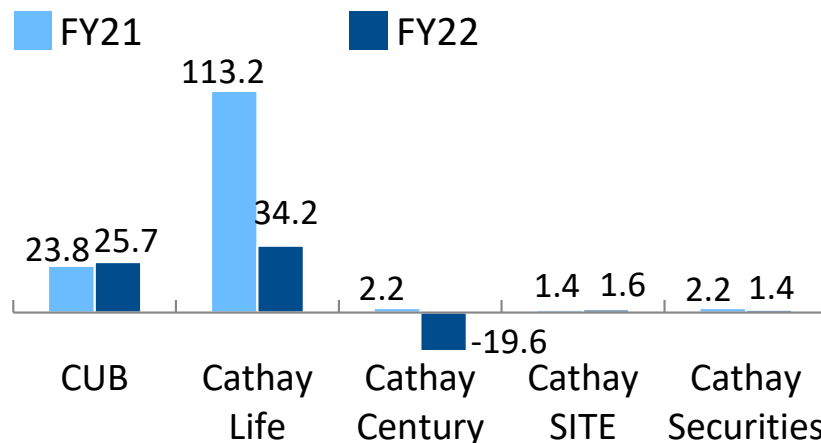
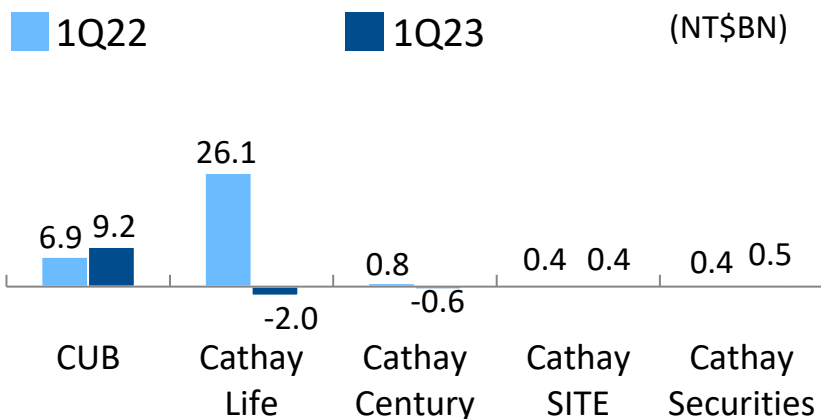
(NT\$)



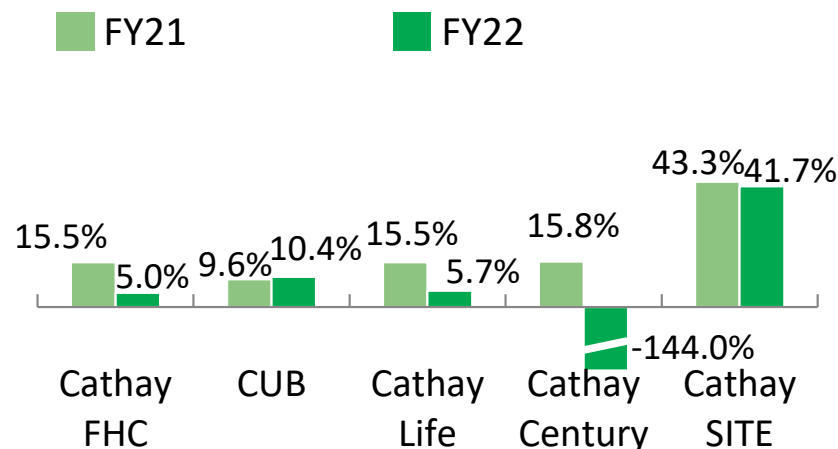
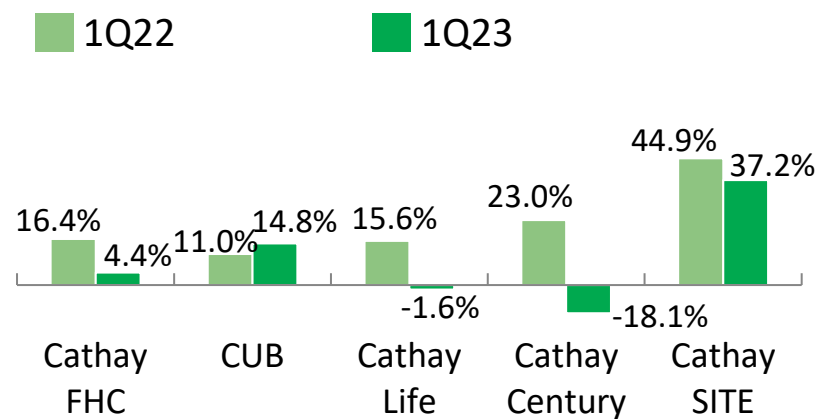
Cathay FHC – Net income & ROE

- CUB delivered strong core earnings; net profit rose 33% YoY to a new 1Q record. SITE and Securities each delivered their second-highest historical 1Q record.
- Elevated hedging costs and subdued capital gains dragged Life's earnings, while recurring income saw double-digit YoY growth. P&C* regained normal profit performance in April with pandemic insurance fading out.

Net income of primary subsidiaries

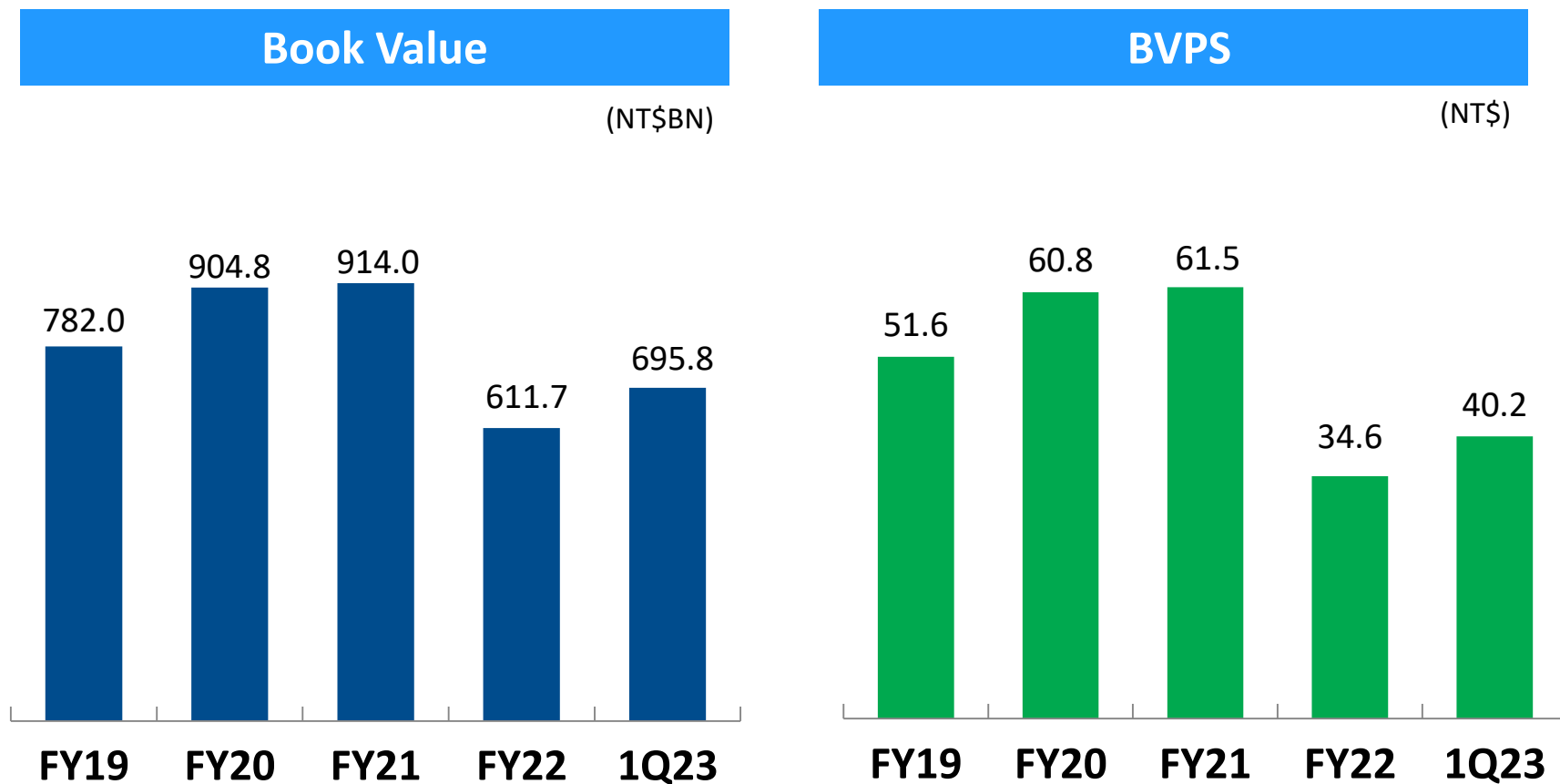


ROE



Cathay FHC – Book value & BVPS

- Book value recovered QoQ due to rebound in mark-to-market value of financial assets.



Note: (1) Cathay Life changed its business model for financial asset classification on 2022/10/1 in accordance with IFRS 9 and the guidance by Accounting Research and Development Foundation.

(2) Book value includes preferred shares and minority interests. BVPS represented BVPS attributable to common shareholders.

1Q23 Business Overview

Cathay United Bank

- 1Q23 net income set a record high for the January–March period, with 33% growth YoY.
- Delivered double-digit growth in deposits and loans. Asset quality was benign. Net interest income grew 26%, owing to rate hikes.

Cathay Life

- Adhered to a value-driven strategy. FYP and APE ranked No. 1 in the industry.
- Recurring yield continued to improve; interest income showed double digit YoY growth.
- Book value recovered, with E/A of 7.4%.

Cathay Century

- Premium income rose 11 % YoY, with 11.9% market share. Excluding the impact of pandemic insurance, Cathay Century maintained stable profits.
- Enhanced online business in China. Accelerated development of Vietnam business and increased premium income via digital transformation.

Cathay SITE

- Ranked No. 1 in AUM, reaching a new record of NT\$1.4tn. Earned wide acclaim for various new products.
- Received TFF-Bloomberg Best Fund Award and Smart Best Fund Award among a total of 27 awards in 2023 to date.

Cathay Securities

- Optimized customer experience via digital-only business model; focused on digital customers to increase customer base.
- Enriched product lines and platform functions in sub-brokerage business, holding the highest market share in the industry.

Agenda

- Introduction of Cathay FHC
- Business Overview
- **Overseas Expansion**
- **Business Performance Summary**
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Cathay Life Embedded Value & Appraisal Value**
- **Cathay's CSR Efforts**
- **Appendix**

Cathay FHC in Southeast Asia

	China	Vietnam	Cambodia	Hong Kong	Singapore	Malaysia	Laos	Philippines	Myanmar	Thailand	Indonesia
Bank	7	37	16	1	1	1	1	1	1	1	1
Life	52	149									
P&C	26	2									
Asset Mgt.	1			1							
Securities				2							

Note: (1) Footprints in Thailand and Indonesia are rep. offices.

(2) Cathay FHC owns 49% stake in Cathay Century (China), and 33% stake in BSCOM Cathay Asset Management.



■ Banking

- Vietnam: Loans grew 20% YoY at Ho Chi Minh City Branch. Enlarged corporate banking customer base and provided diversified financial products.
- Cambodia: Expanded secured-loan business; launched new mobile banking app in March.
- Singapore: Enhanced private banking products and services; cultivated high-net-worth customers in Greater China and Southeast Asia.

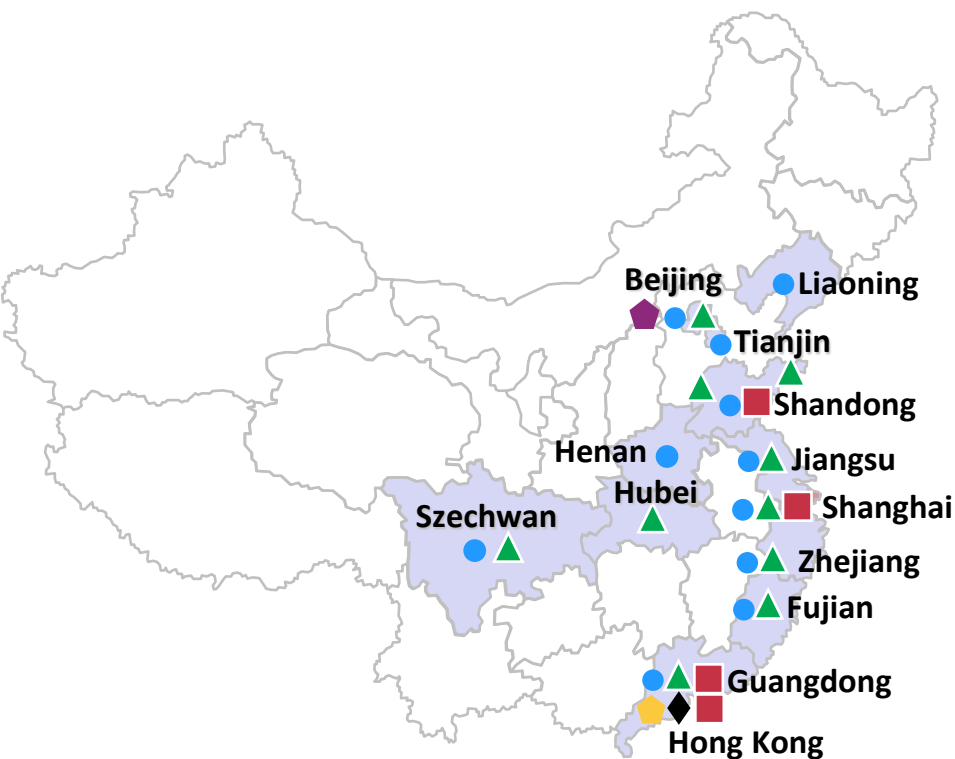
■ Cathay Life (Vietnam)

- Total premium grew 25% YoY to 699bn VND in 1Q23.
- Expanded and diversified distribution channels.

■ Cathay Century

- Premium income grew to 147bn VND in 1Q23.
- Continued to promote digital transformation and mobile insurance app.

Cathay FHC in China



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

■ Cathay United Bank

- China subsidiary launched green bankers' acceptance discounting services in February, the first Taiwanese bank to do so in China.

■ Cathay Lujiazui Life

- Total premium grew 20% YoY to 1.4bn RMB in 1Q23.
- Grew business in scale and value through agent workforce and multiple-channel development.

■ Cathay Century (China)

- Formed a strategic alliance with Ant Group. Actively developed e-commerce financial services, with ~90% of premium from online channels.

■ Cathay Securities (HK)

- Continued to grow local and cross-border business.

■ BSCOM Cathay Asset Management

- Business remained steady.

■ Conning Asia Pacific Limited

- Continued to expand asset management business.

Agenda

- Introduction of Cathay FHC
- Business Overview
- Overseas Expansion
- Business Performance Summary

Cathay United Bank

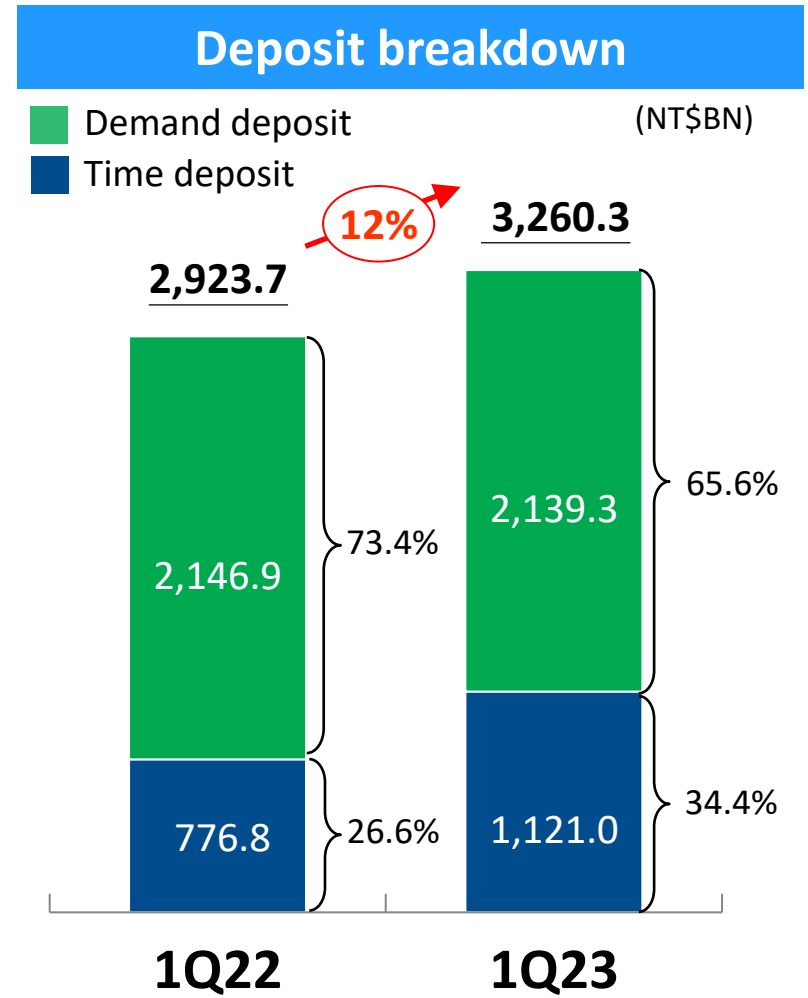
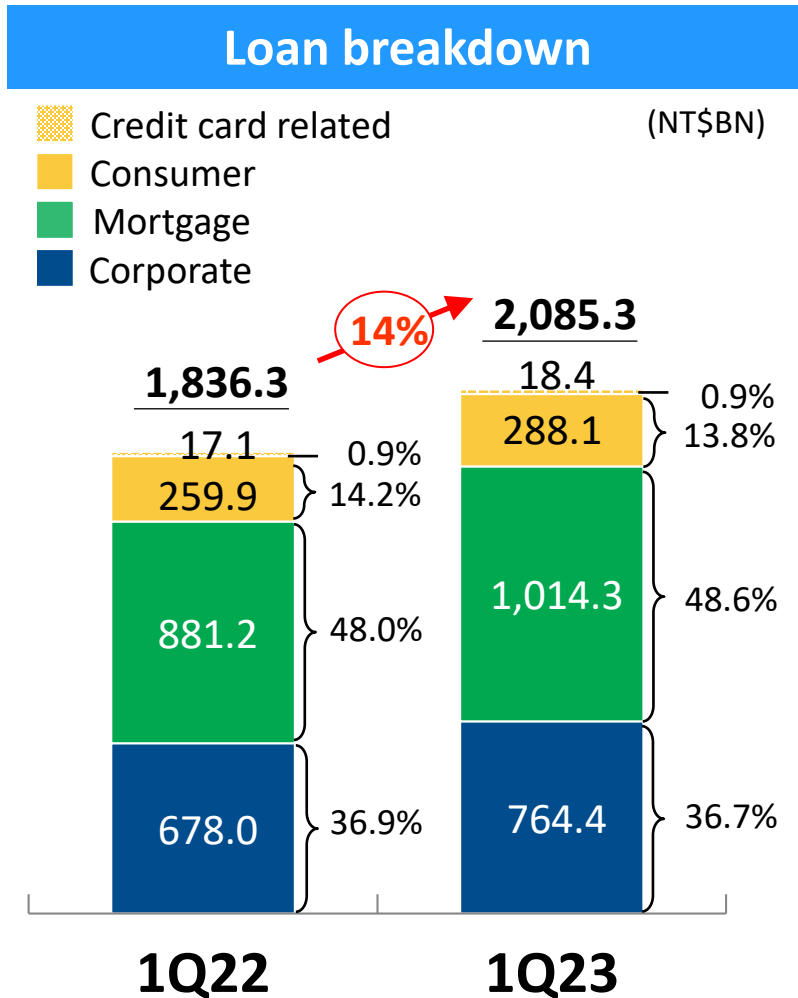
Cathay Life

Cathay Century

- Cathay Life Embedded Value & Appraisal Value
- Cathay's ESG Efforts
- Appendix

Cathay United Bank – Loan & deposit breakdown

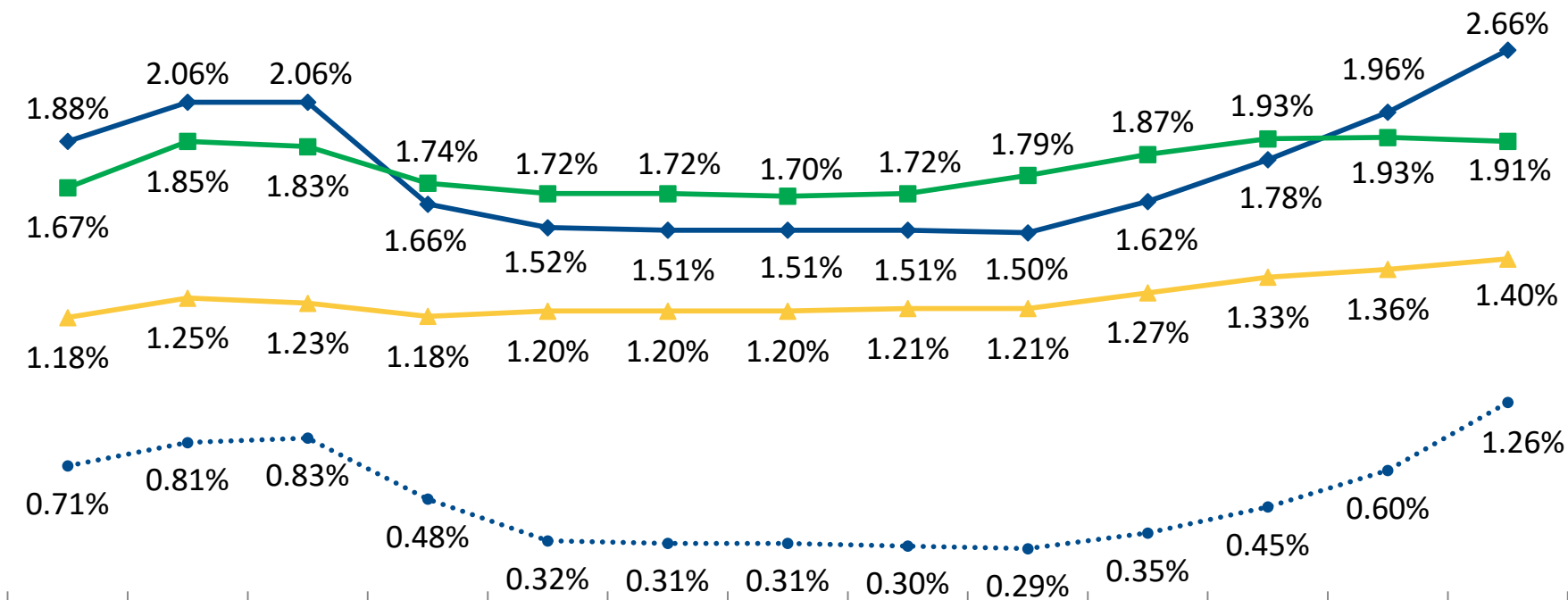
- Loan growth was strong, with mortgage, consumer, and corporate loans showing double-digit growth.
- Deposits saw solid growth, with high demand-deposit ratio advantage.



Cathay United Bank – Interest yield

- Benefiting from rising rates, 1Q23 NIM increased significantly YoY, while declining QoQ due to faster repricing of deposit rate.

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



	FY17	FY18	FY19	FY20	1Q21	1H21	9M21	FY21	1Q22	1H22	9M22	FY22	1Q23
Quarterly				<u>4Q20</u>	<u>1Q21</u>	<u>2Q21</u>	<u>3Q21</u>	<u>4Q21</u>	<u>1Q22</u>	<u>2Q22</u>	<u>3Q22</u>	<u>4Q22</u>	<u>1Q23</u>
Spread				1.69%	1.72%	1.71%	1.69%	1.74%	1.79%	1.94%	2.02%	1.96%	1.91%
NIM				1.17%	1.20%	1.20%	1.21%	1.22%	1.21%	1.33%	1.45%	1.46%	1.40%

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

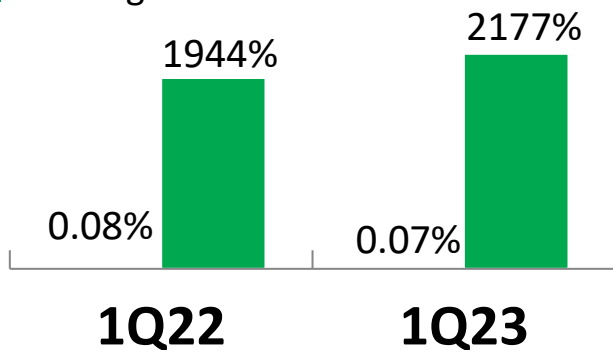
(2) China subsidiary was launched in Sep 2018. Hence, since 9M18, China subsidiary results was excluded.

Cathay United Bank – Credit quality

- Asset quality remained benign, with NPL at 0.07% and coverage ratio at 2177%.

NPL & Coverage ratio

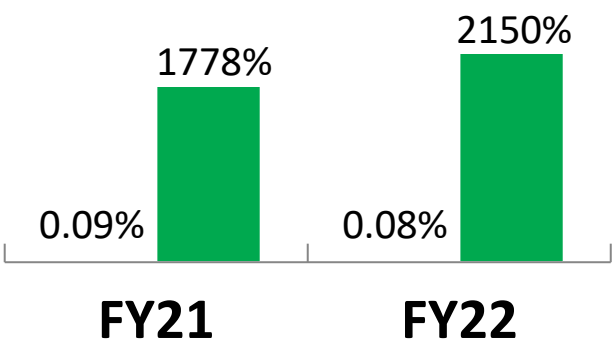
- NPL ratio
- Coverage ratio



Mortgage NPL

0.08 %

0.05 %



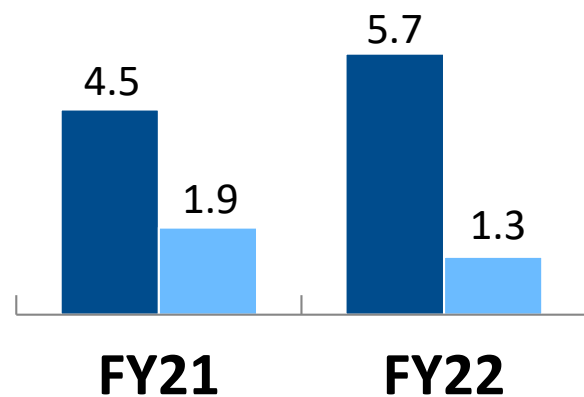
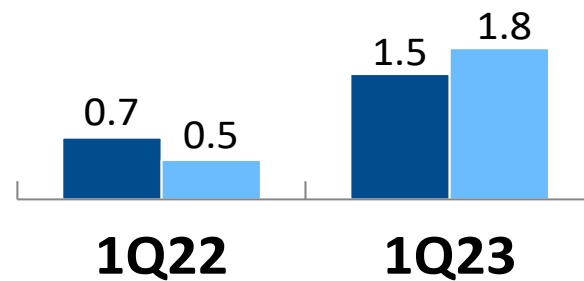
Mortgage NPL

0.08 %

0.06 %

Gross provision

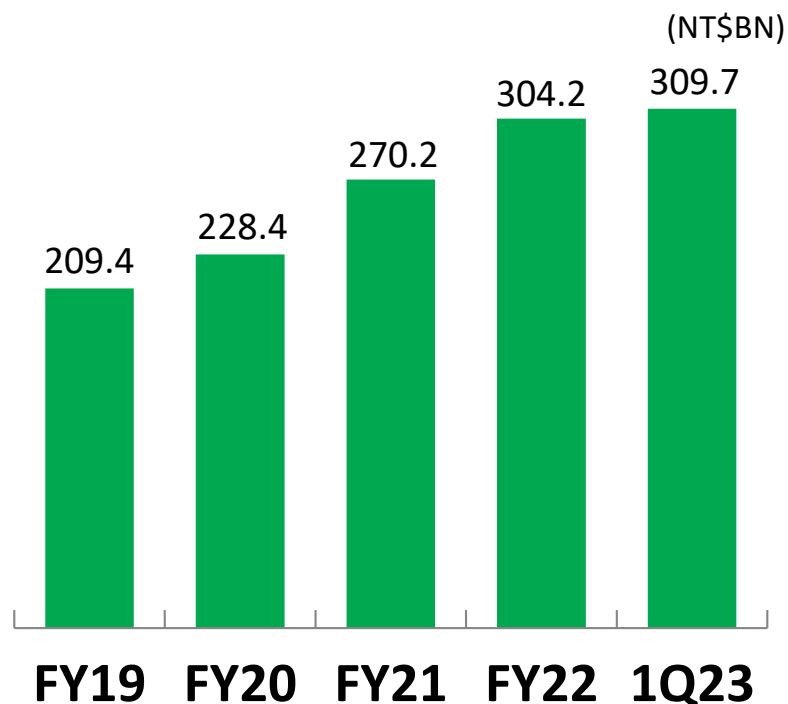
- Gross provision (NT\$BN)
- Recovery



Cathay United Bank – SME & FX loans

- SME loans continued to show solid growth.
- Aims to grow foreign currency loans while ensuring asset quality.

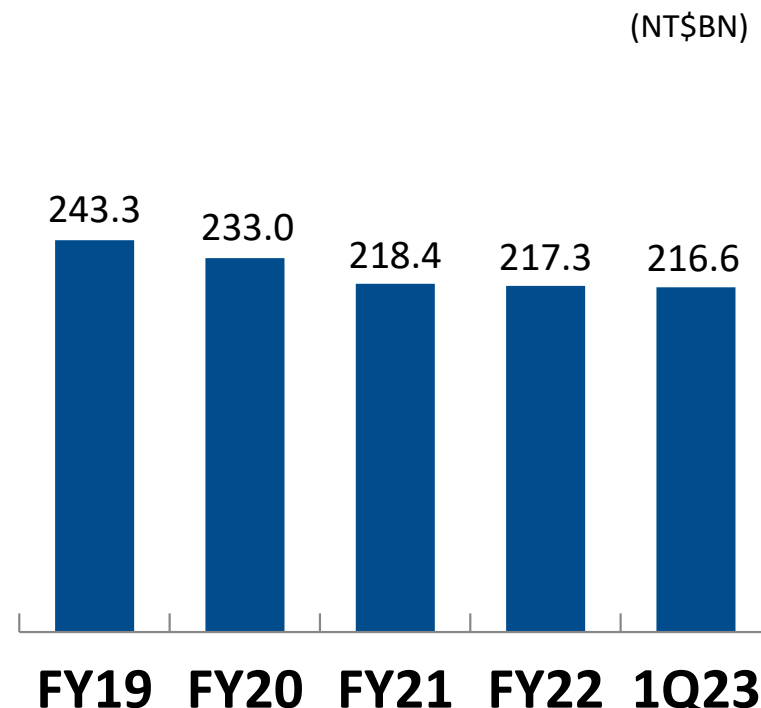
SME loans



As % of total loans

13.8% 14.1% 15.3% 15.3% 15.0%

Foreign currency loans



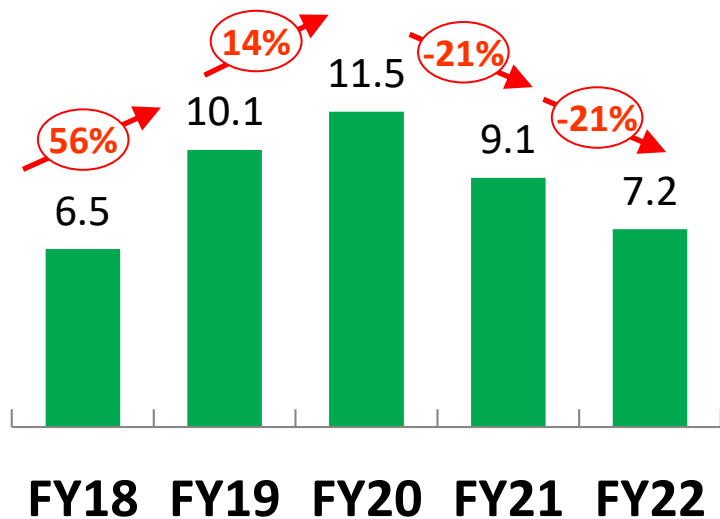
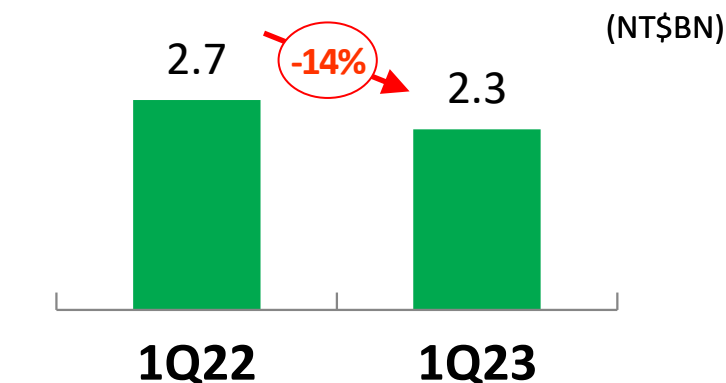
16.1% 14.4% 12.4% 10.9% 10.5%



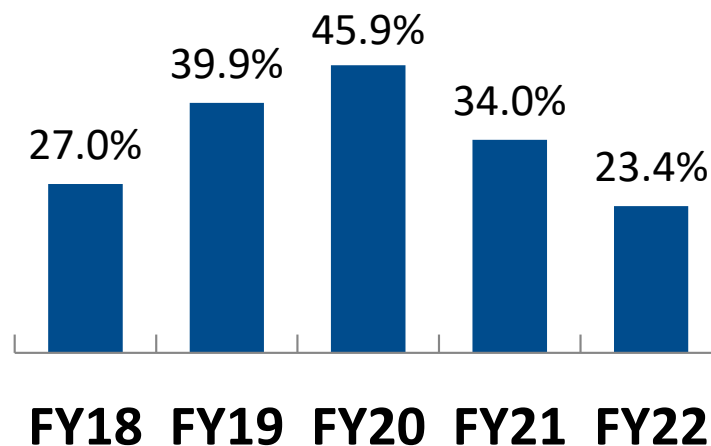
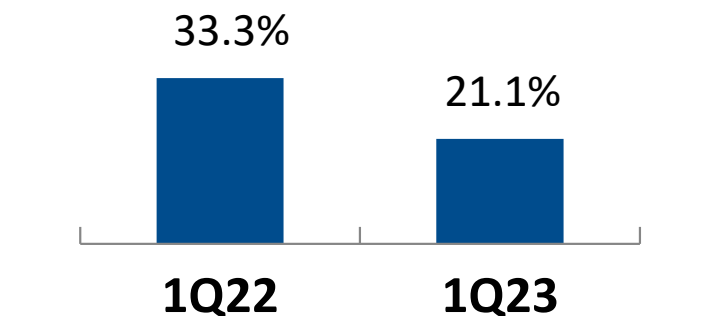
Cathay United Bank – Offshore earnings

- Offshore earnings declined due to lower YoY investment income.

Offshore earnings



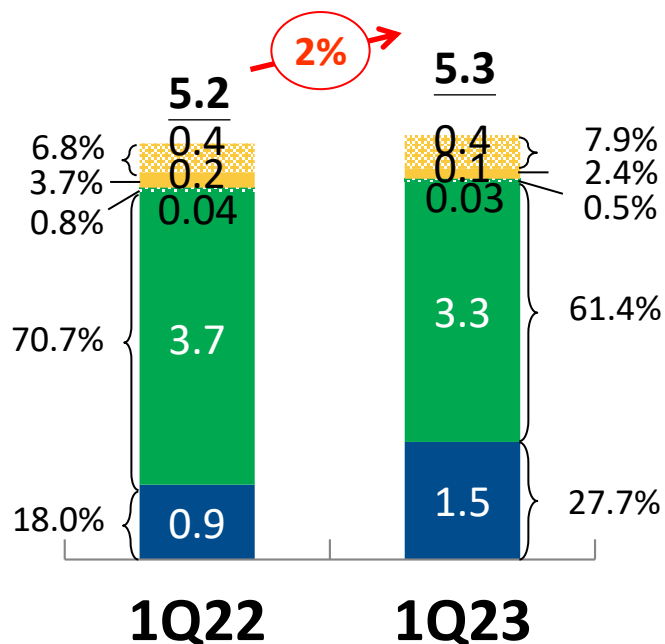
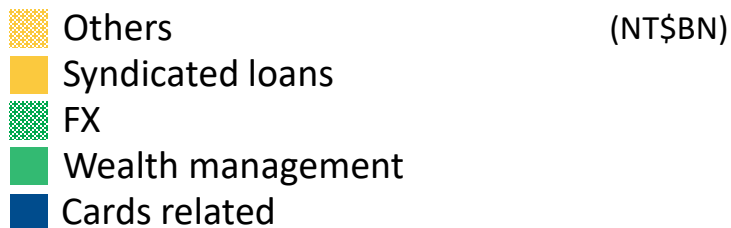
As % of CUB pre-tax profits



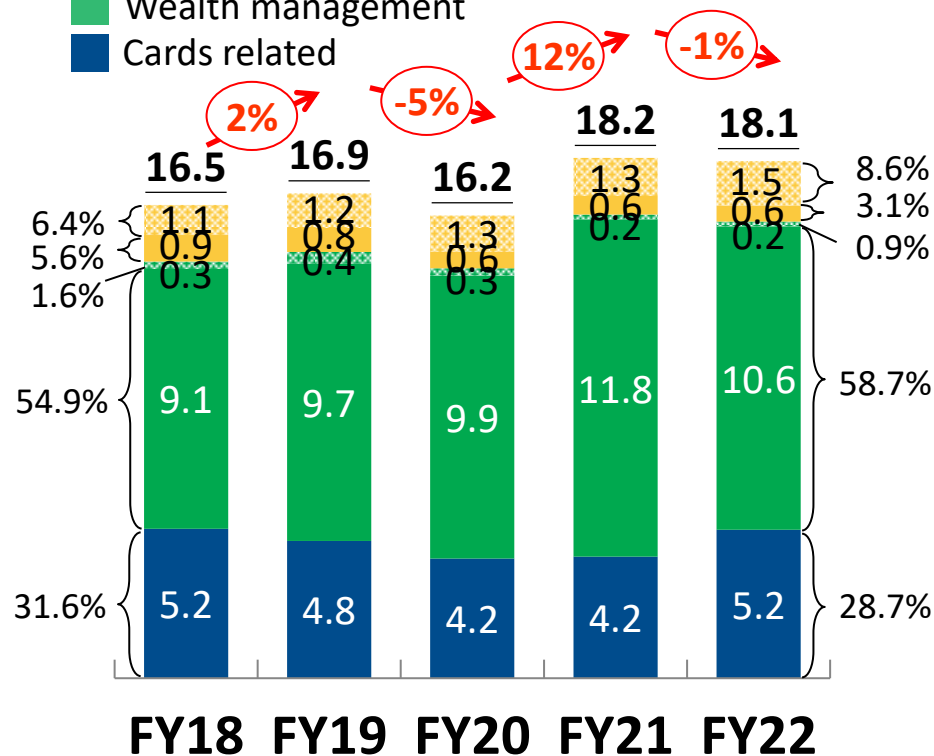
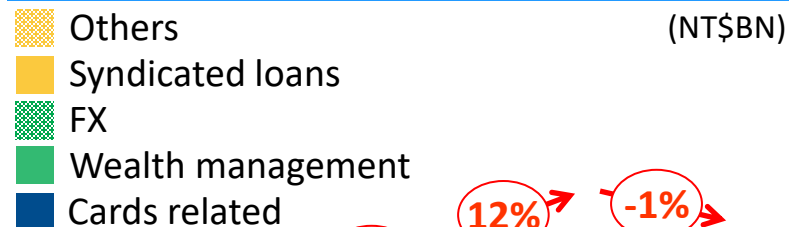
Cathay United Bank – Net fee income

- Strong growth in credit card fees offset a decline in wealth management fees, leading to an increase in net fee income.

Quarterly net fee income



Annual net fee income

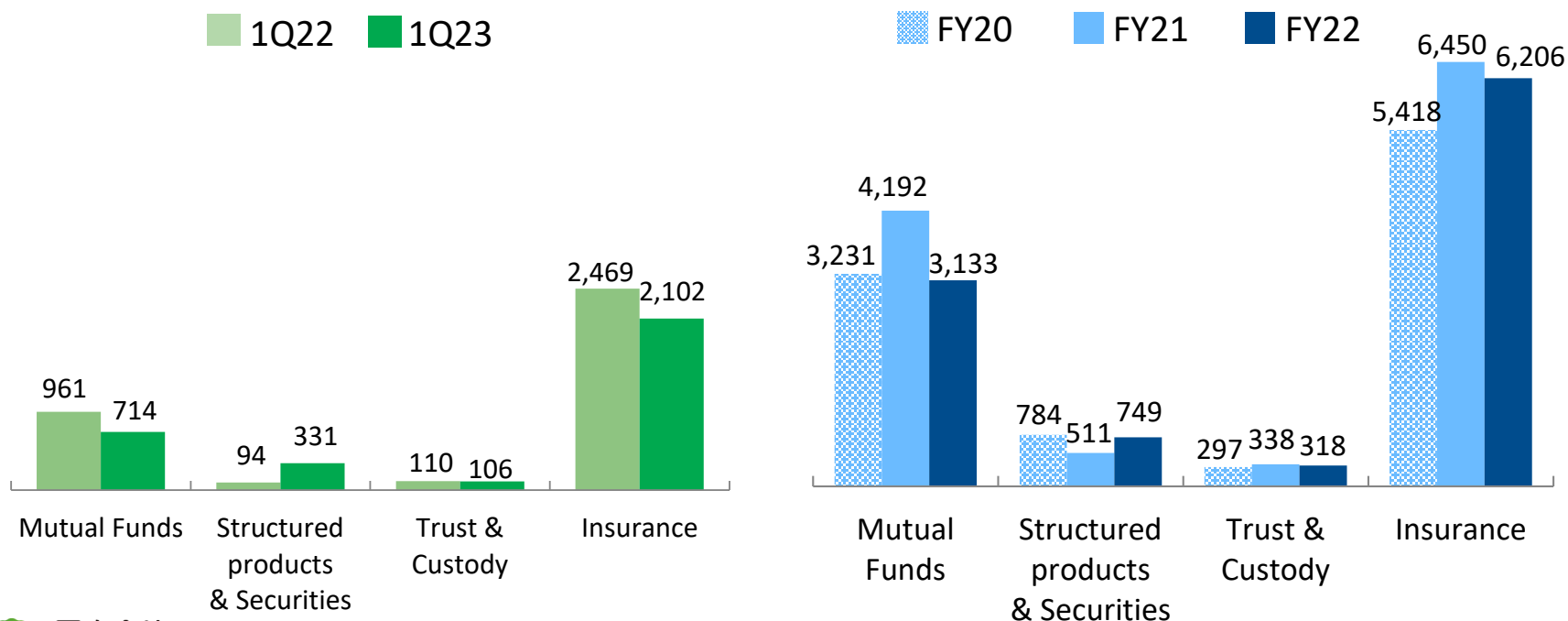


Cathay United Bank – Wealth management fees

- WM fees declined YoY, attributable to lower sales in mutual funds and insurance due to more volatile capital markets in 1Q23. Overseas bond sales increased, spurring substantial growth in securities fees.
- Number of customers showed solid growth, while WM AUM delivered double-digit growth YoY.

Wealth management fees breakdown

(NT\$MN)	1Q22	1Q23	FY20	FY21	FY22
Wealth management fee income	3,700	3,285	9,878	11,783	10,595
YoY growth (%)	6.3%	-11.2%	1.9%	19.3%	-10.1%



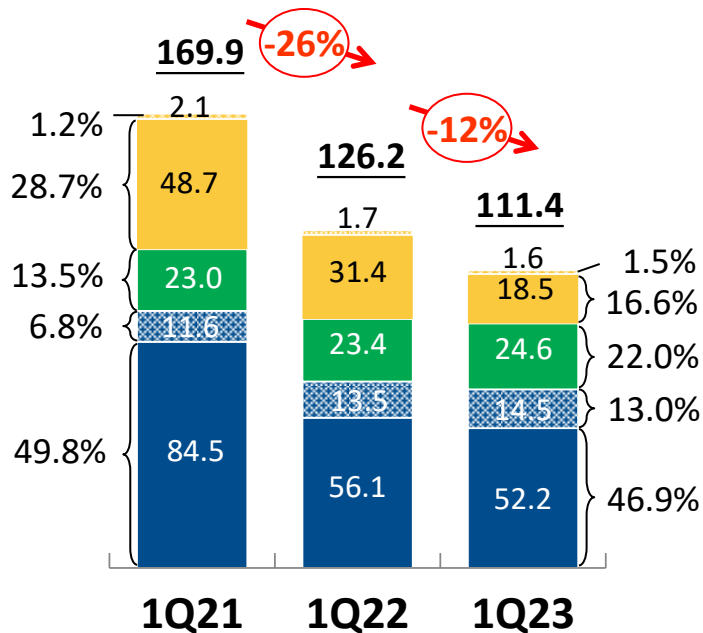
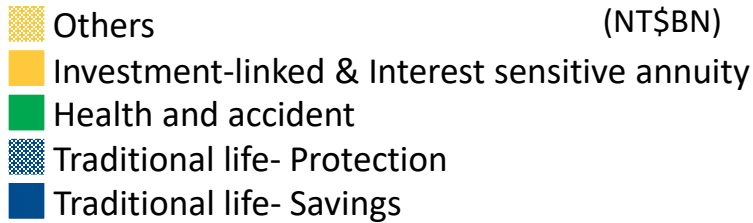
Agenda

- Introduction of Cathay FHC
- Business Overview
- Overseas Expansion
- Business Performance Summary
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- Cathay Life Embedded Value & Appraisal Value
- Cathay's ESG Efforts
- Appendix

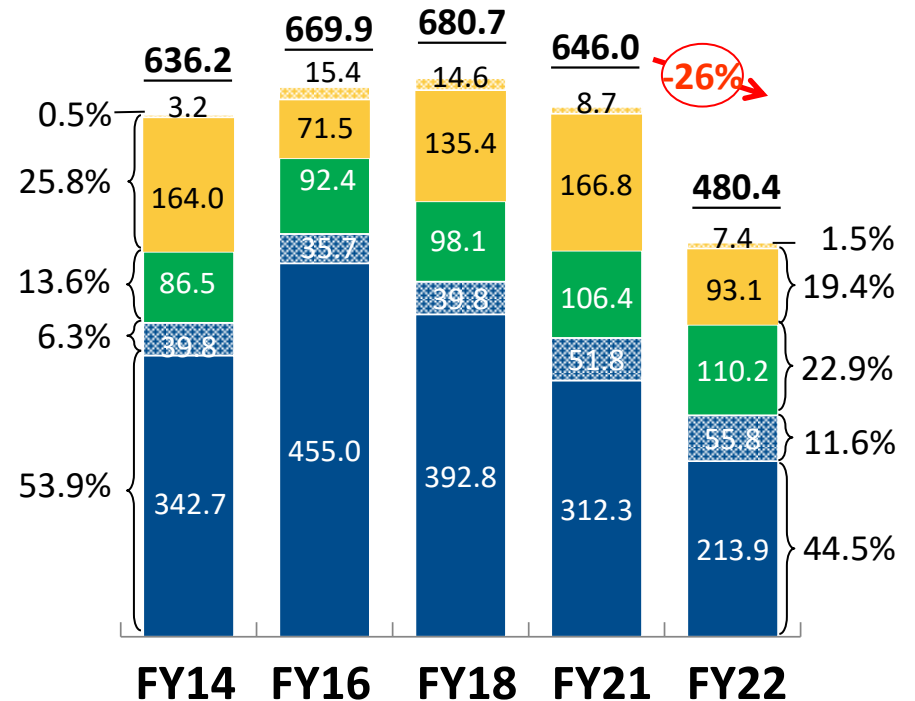
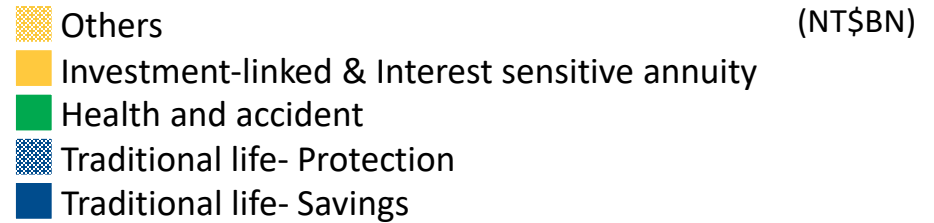
Cathay Life – Total premium

- Total premium declined YoY due to the higher 1Q22 base for ILPs.
- Protection-type policies grew 6% YoY, supporting the contractual service margin (CSM).

Quarterly total premium



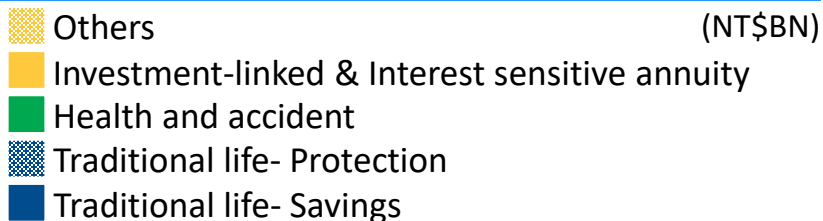
Annual total premium



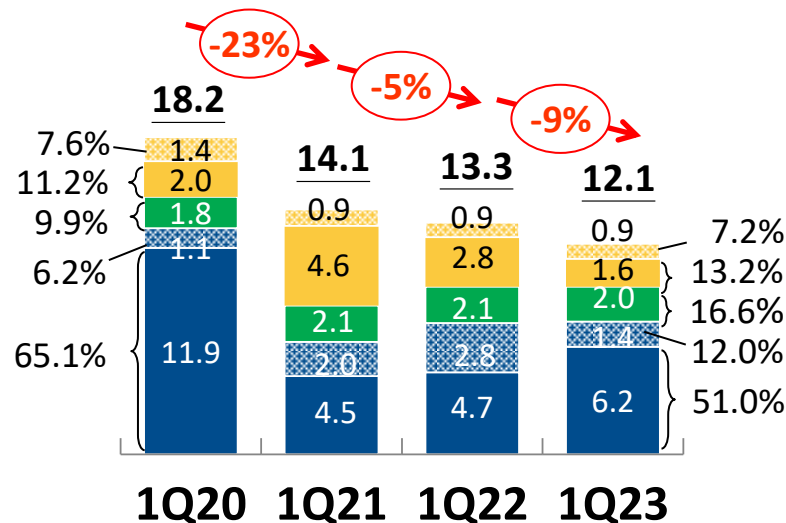
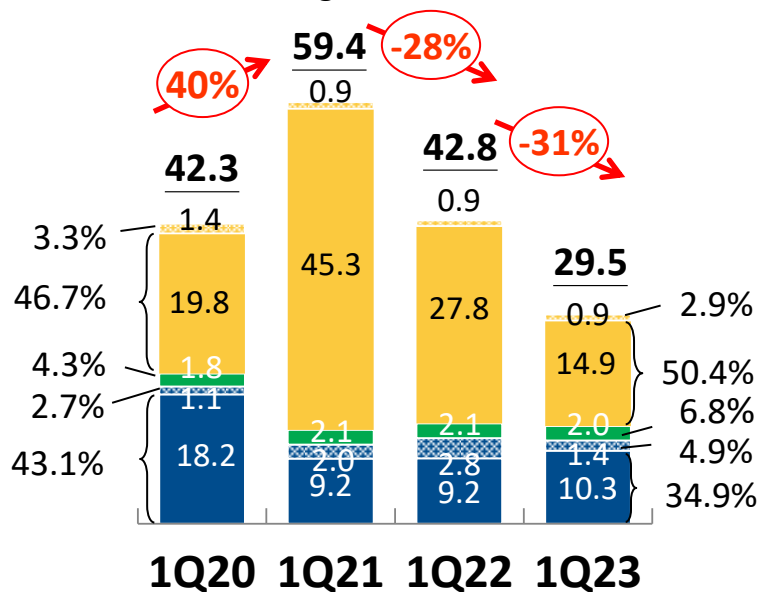
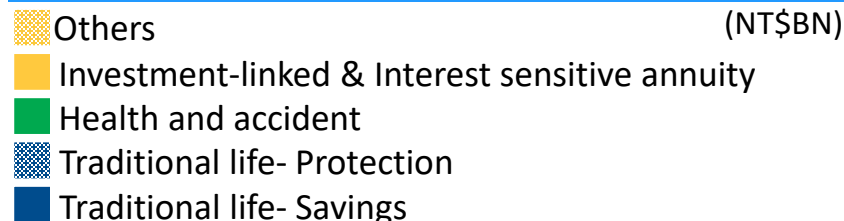
Cathay Life – Quarterly FYP & APE

- FYP and APE declined YoY, owing to the higher base period for ILPs in 1Q22, which saw more favorable capital markets. APE of traditional products remained steady.
- FYP and APE ranked No. 1 in the industry.

First Year Premium



Annualized FYP (APE)



FX polices %
(excl. Investment-linked)

1Q20	1Q21	1Q22	1Q23
61%	74%	76%	59%

Cathay Life – Value of new business

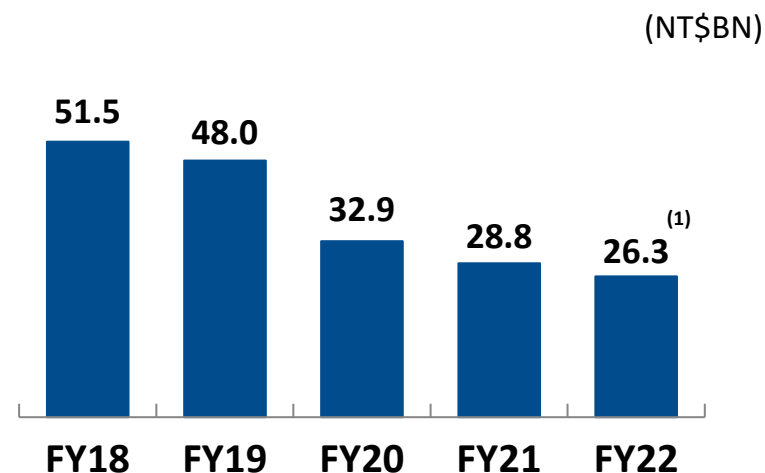
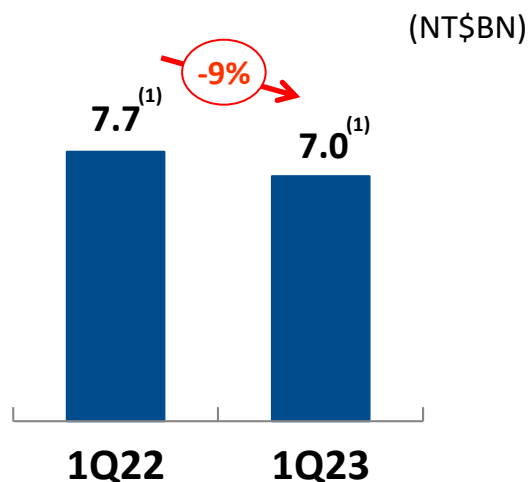
- VNB declined YoY due to the higher 1Q22 base for sales volume of ILPs and increased uptake of traditional savings products.
- Adhered to value-driven strategy; VNB margin remained steady.

Value for New Business

Profit Margin	1Q22 ⁽¹⁾	1Q23 ⁽¹⁾
VNB/FYP	18%	24%
VNB/APE	58%	58%

Value for New Business (annual)

Profit Margin	FY18	FY19	FY20	FY21	FY22 ⁽¹⁾
VNB/FYP	24%	24%	20%	14%	20%
VNB/APE	72%	50%	53%	56%	62%



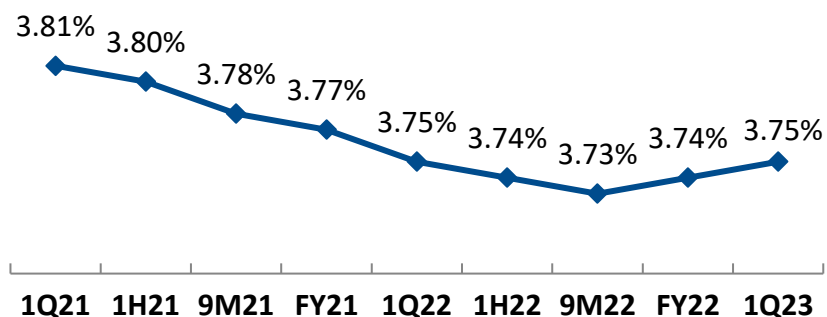
Note : (1) 1Q22, FY22 and 1Q23 VNB were based on 2022 Embedded Value assumptions.

(2) Based on 2021 Embedded Value assumptions, 1Q22 & FY22 VNB were NT\$8.0BN and NT\$26.6BN ; VNB/FYP were 19% and 21% , VNB/APE were 60% and 63%, respectively.

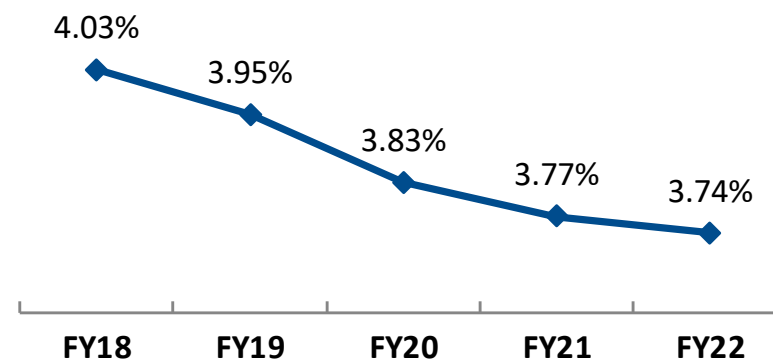
Cathay Life – Cost of liability and break-even asset yield

- COL rose slightly QoQ due to the declared rate increase for interest-sensitive policies; break-even asset yield improved.

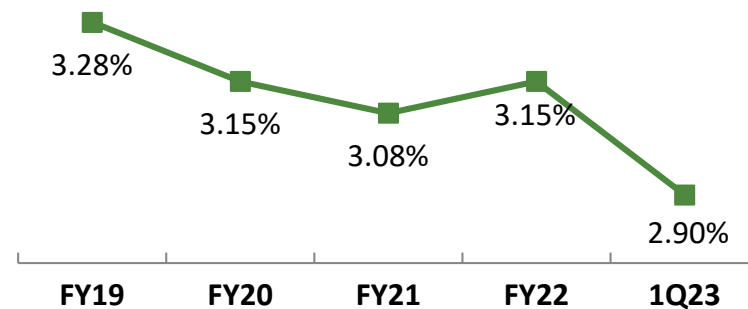
Cost of liability (quarterly)



Cost of liability (annual)



Break-even asset yield



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

Cathay Life – Investment portfolio

(NT\$BN)	FY20	FY21	FY22			1Q23		
Total investments⁽¹⁾	6,945.1	7,254.1	7,330.6			7,407.8		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	6.1%	4.4%	4.1%	300	0.7%	3.9%	289	1.3%
Equity- Domestic	6.3%	7.2%	5.1%	373	8.2%	5.8%	433	6.9%
Equity- International ⁽²⁾	5.9%	6.4%	5.6%	408	4.8%	5.7%	423	5.4%
Bond- Domestic	8.0%	7.9%	7.1%	517	3.2%	7.1%	525	6.1%
Bond- International ⁽²⁾	57.0%	57.7%	61.9%	4,539	3.7%	61.8%	4,576	3.8%
Mortgage & Secured loans	4.5%	4.2%	3.8%	280	2.1%	3.6%	265	2.6%
Policy loans	2.4%	2.3%	2.3%	167	5.3%	2.2%	164	5.0%
Real estate	7.7%	7.6%	7.7%	562	2.7%	7.6%	564	2.5%
Others	2.2%	2.3%	2.5%	182		2.3%	170	

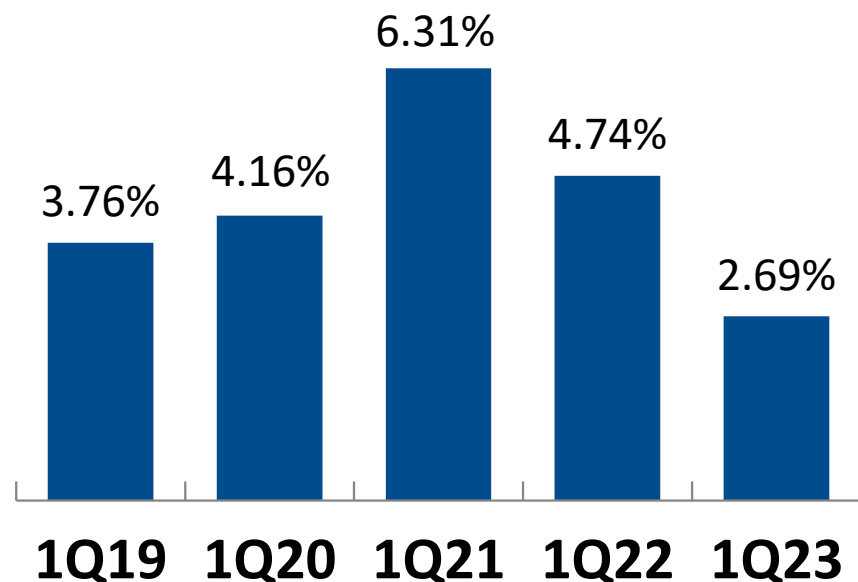
Note: (1) Total assets excluded separate account assets.

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

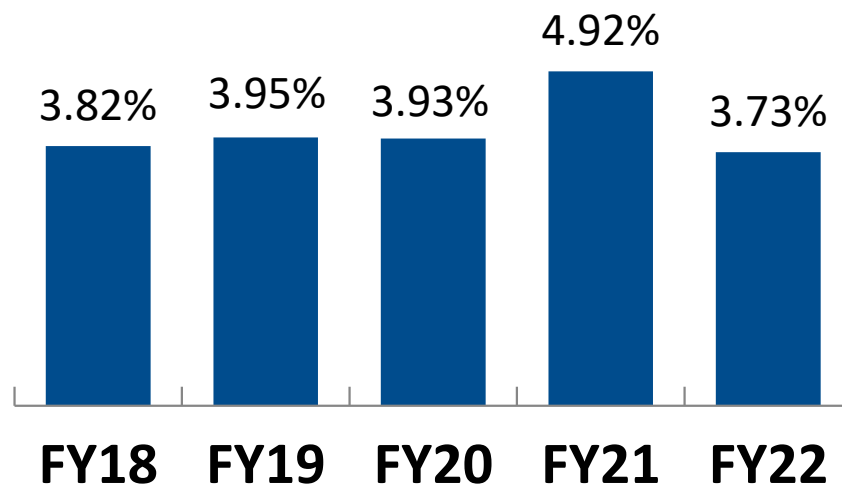
Cathay Life – Investment performance highlights

- 1Q23 after-hedging investment yield reflected elevated hedging costs and subdued capital gains.

After-hedging investment yield



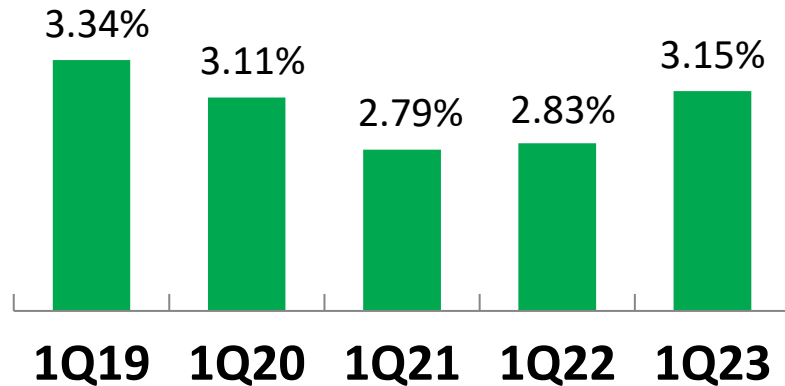
After-hedging investment yield



Cathay Life – Investment performance highlights

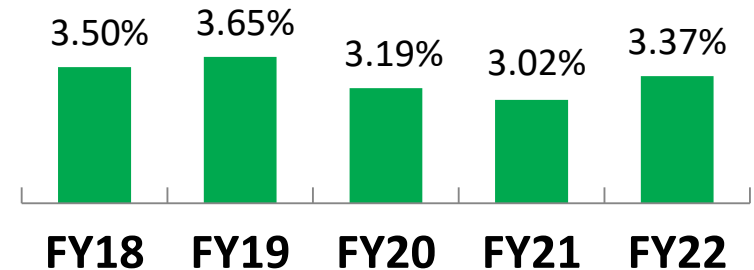
- 1Q23 recurring yield retained an upward trend, with interest income showing double-digit YoY growth.
- Costs of traditional hedging tools remained high YTD; TWD appreciated 0.8%, making it strong among Asian currencies, reducing effectiveness of proxy hedging.

Pre-hedging recurring yield



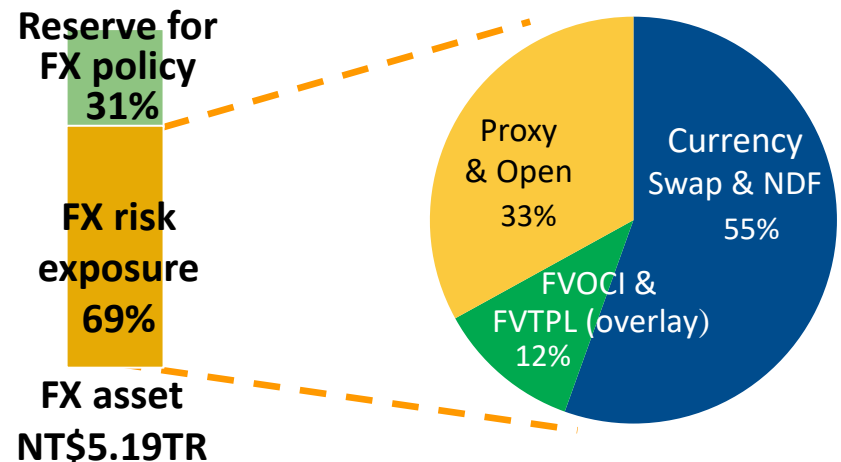
Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

Pre-hedging recurring yield



Currency hedging structure

1Q23 Hedging cost 1.81%

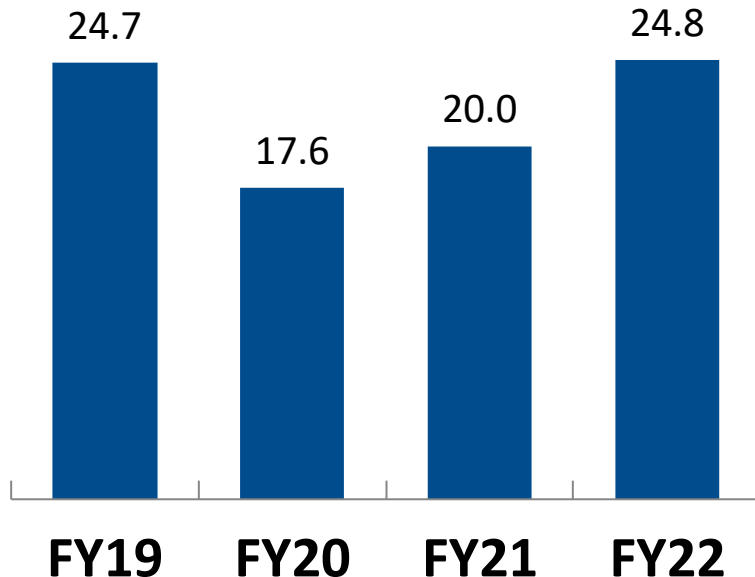


Cathay Life – Cash dividend income & overseas fixed income by region

- Diversified fixed-income investments across regions to balance risk and return.

Cash dividend income

(NT\$BN)



Overseas fixed income by region



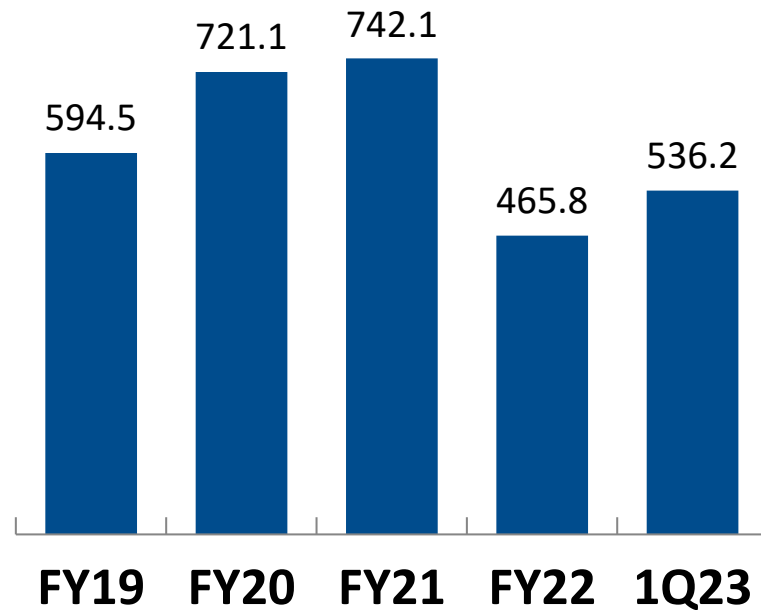
Note: Exclude overseas deposit.

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

- Book value and unrealized G/L recovered QoQ due to rebound in mark-to-market value of financial assets.

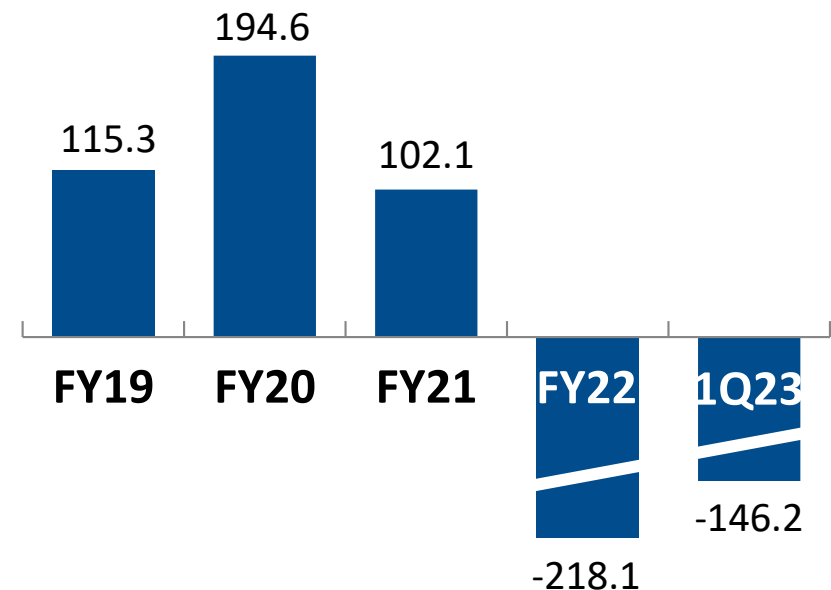
Book value

(NT\$BN)



Unrealized G/L of financial assets

(NT\$BN)

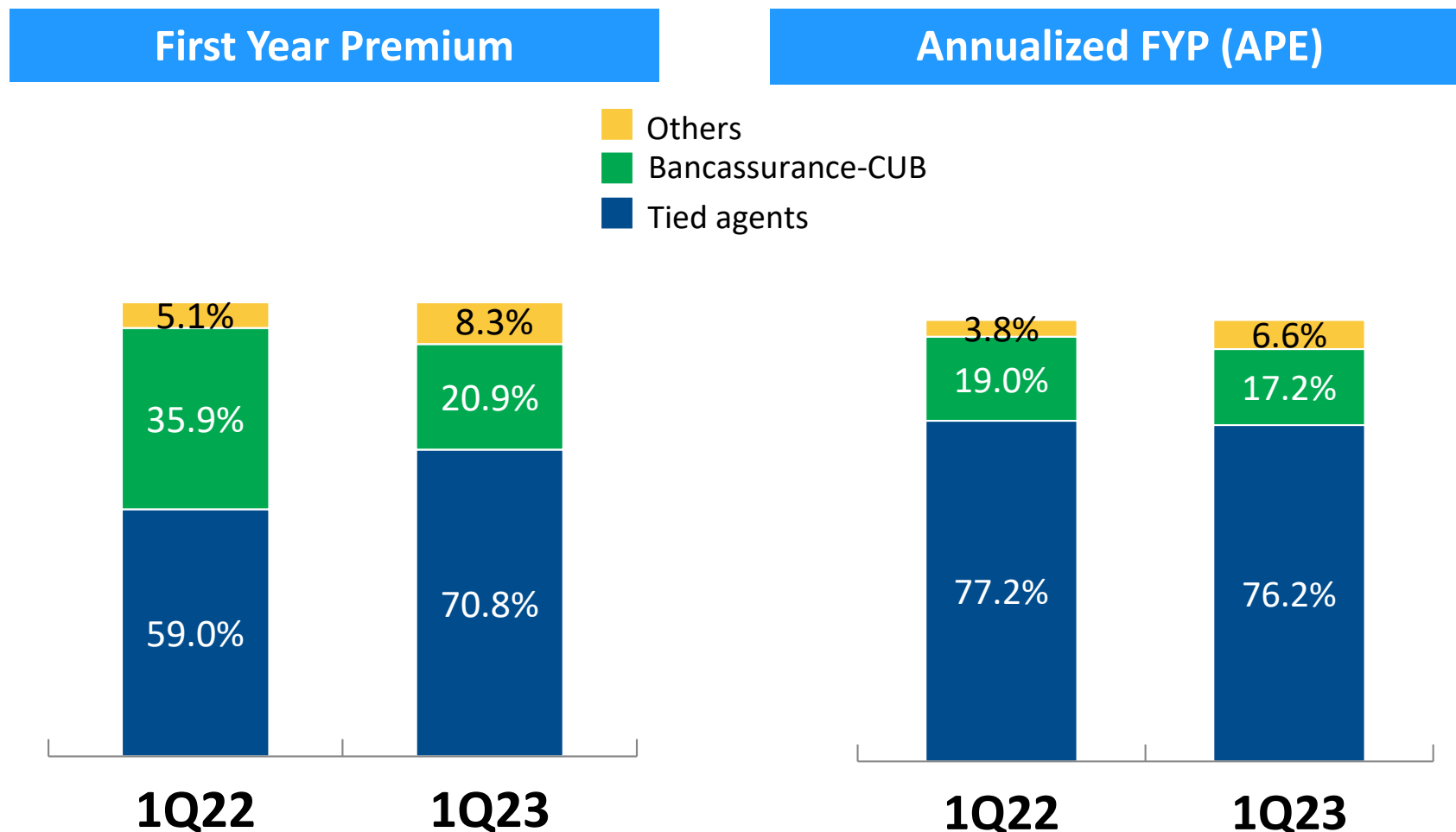


Note: (1) Cathay Life changed its business model for financial asset classification on 2022/10/1 in accordance with IFRS 9 and the guidance by Accounting Research and Development Foundation.

(2) Unrealized G/L of financial assets are the combination of FVOCI & FVTPL (overlay approach).

Cathay Life – Distribution channels

- Premium income was mainly generated by Cathay Life sales agents and Cathay United Bank. The group's strong sales capabilities provided solid contributions to premium income and VNB.



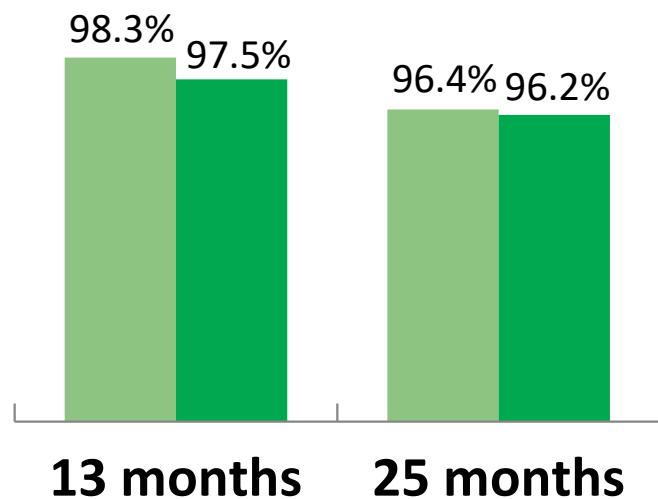
Cathay Life – Operational indicators

- Expense ratio declined YoY, attributable to decline in premium with reduced underwriting and commission expenses.

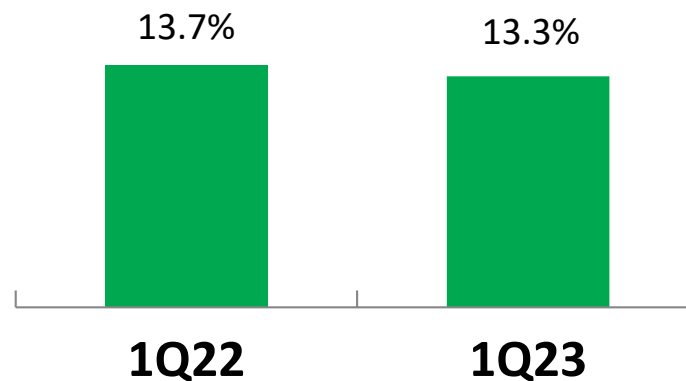
Persistency ratio

■ 1Q22

■ 1Q23



Expense ratio



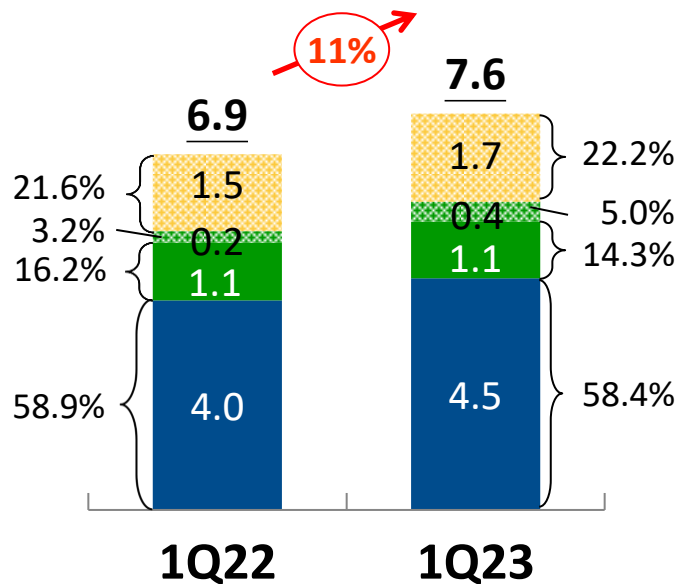
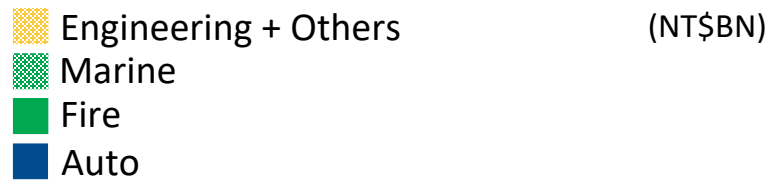
Agenda

- Introduction of Cathay FHC
- Business Overview
- Overseas Expansion
- Business Performance Summary
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- Cathay Life Embedded Value & Appraisal Value
- Cathay's ESG Efforts
- Appendix

Cathay Century – Premium income & distribution channel

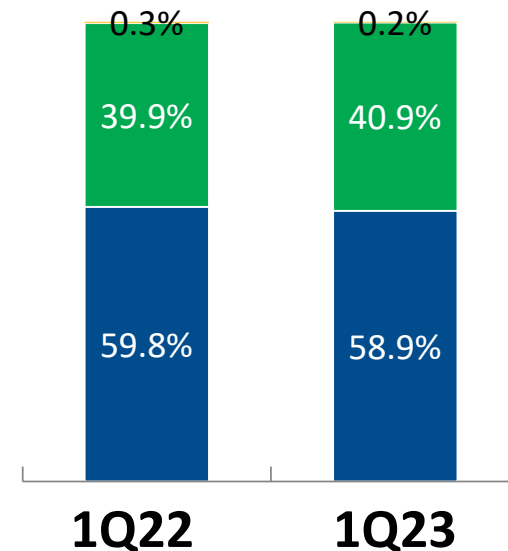
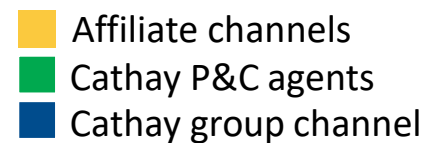
- Premium income showed steady growth. Market share was 11.9%.
- Benefiting from cross-selling synergy, 60% of premium income was generated by the group channel.

Premium income



Market share	11.6%	11.9%
Retention	74.1%	71.5%

Distribution channel

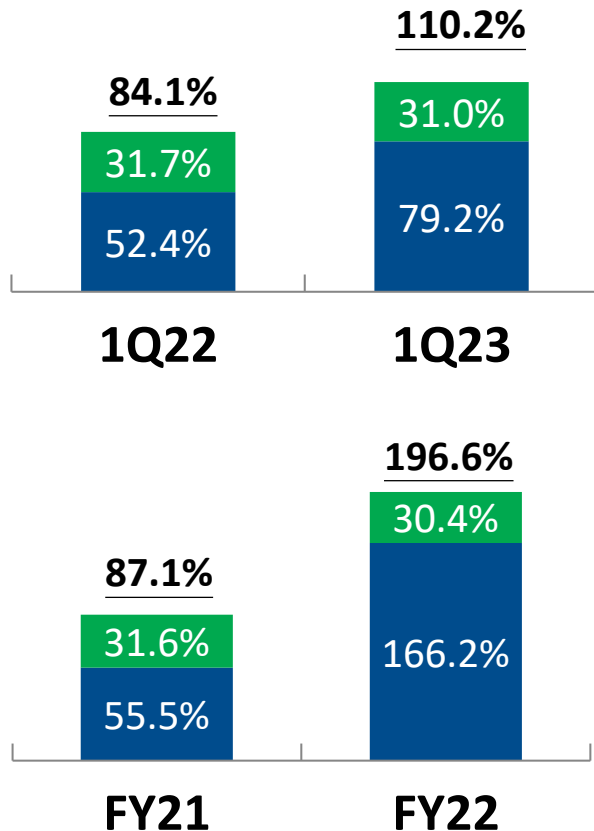


Cathay Century – Combined ratio

- Gross combined ratio and retained combined ratio each increased due to the higher loss ratio resulting from the impact of pandemic insurance.

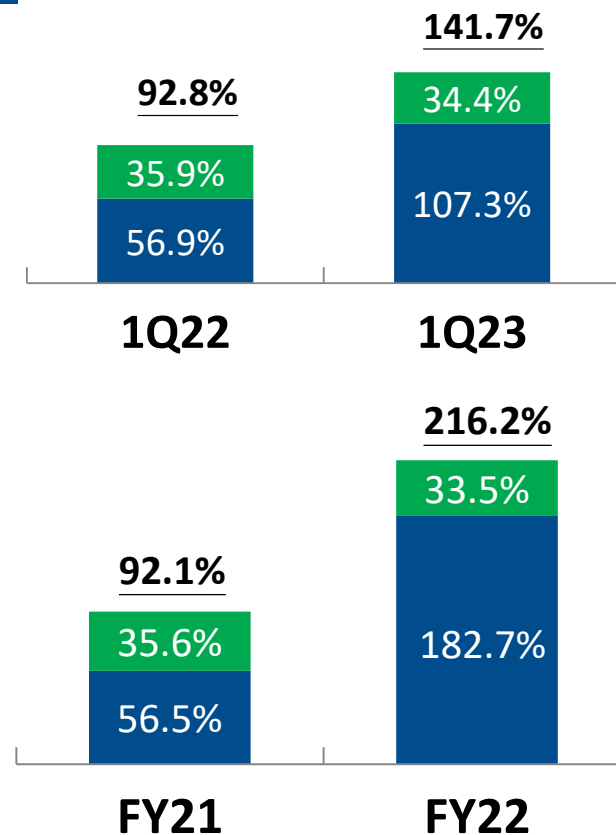
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



Retained combined ratio

- Retained expense ratio
- Retained loss ratio



Agenda

- Introduction of Cathay FHC
- Business Overview
- Overseas Expansion
- Business Performance Summary
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Cathay Life Embedded Value & Appraisal Value**
- Cathay's ESG Efforts
- Appendix

Embedded Value & Appraisal Value

NT\$BN, except for per share figures

Valuation date	2021/12/31	2022/12/31
In-force business investment yield	3.75% ~ Year 2041 4.71% for NTD policies 4.36% ~ Year 2041 5.33% for USD policies (Equivalent investment yield: 4.06% Rolling over to 2022: 4.11%)	3.78% ~ Year 2042 4.74% for NTD policies 4.43% ~ Year 2042 5.34% for USD policies (Equivalent investment yield: 4.12%)
Risk discount rate	9.5%	9.5%
Adjusted net worth	757	520
Value of in-force business	717	780
Cost of capital (CoC)	-275	-311
Value of in-force business (After CoC)	442	469
Embedded Value (EV)	1,199	988
EV / per share	204.9(91.0)	155.6(74.9)
Future one year's new business investment yield	2.59% ~ Year 2041 4.55% for NTD policies 3.98% ~ Year 2041 5.25% for USD policies	2.60% ~ Year 2042 4.56% for NTD policies 5.19% ~ Year 2042 5.27% for USD policies
Value of future one year's new business (After CoC)	30.0	27.5
Appraisal Value (AV)	1,462	1,229
AV / per share	249.9(111.0)	193.6(93.2)

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 2021 and 2022 are 5.85bn and 6.35bn, respectively.

(4) The outstanding shares of Cathay FHC in 2021 and 2022 are 13.17bn and 13.19bn, respectively.

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

Summary

NT\$BN, except for per share figures

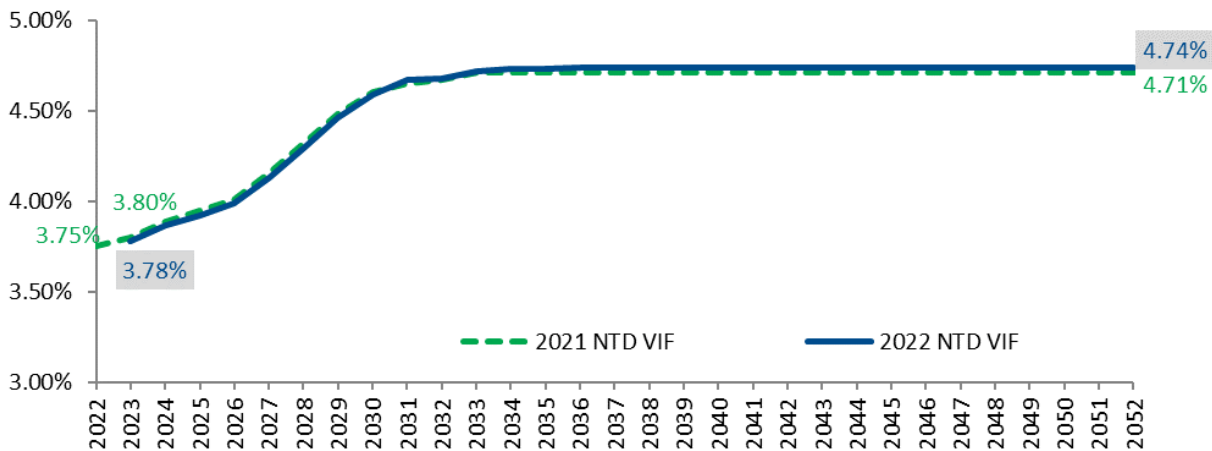
Valuation date		2021	2022	Growth rate	1Q23
Embedded value	Equity	734	457	-38%	--
	Adjusted net worth	757	520	-31%	--
	Value of in-force business (before CoC)	717	780	9%	--
	Cost of capital (CoC)	-275	-311	13%	--
	Value of in-force business (after CoC)	442	469	6%	--
	Embedded value	1,199	988	-18%	--
Value of one year's new business	First year premium (FYP)	202.4	129.3	-36%	29.5
	First year premium equivalent (FYPE)	51.0	42.4	-17%	12.1
	Value of one year's new business (V1NB)	28.8	26.3	-9%	7.0
	Profit margin (V1NB/FYP)	14%	20%	--	24%
	Profit margin (V1NB/FYPE)	56%	62%	--	58%
	Profit margin (V1NB/FYP)(investment-linked(non-VUL)is excluded)	49%	46%	--	44%
Appraisal value (20 years NB)	Multiple	8.8	8.8	--	--
	Appraisal value	1,462	1,229	-16%	--
Basic Value per share	EV / per share of Cathay FHC	91.0	74.9	-18%	--
	AV / per share of Cathay FHC	111.0	93.2	-16%	--

Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares in 2021 and 2022, which are 13.17bn and 13.19bn, respectively.

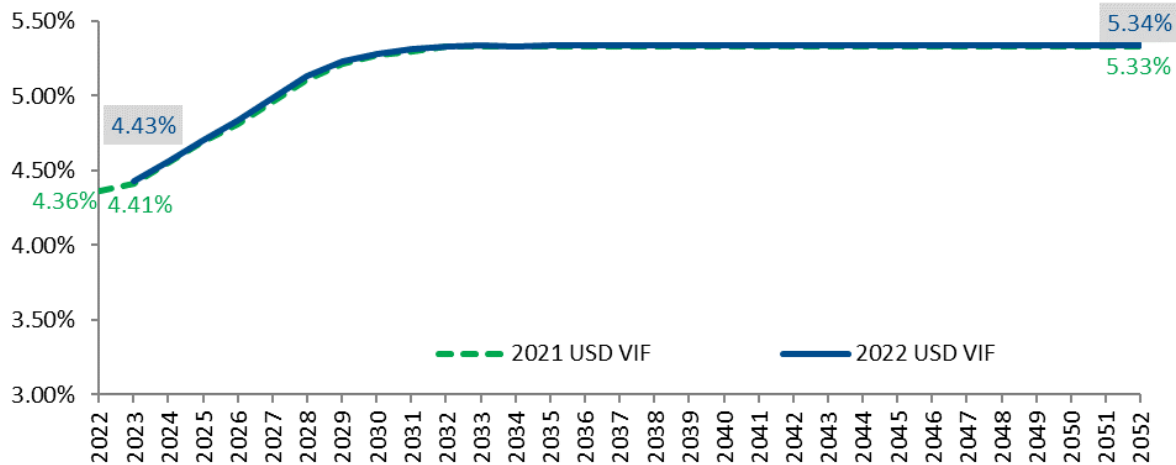
(2) Totals may not sum due to rounding.

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 2021 & 2022.

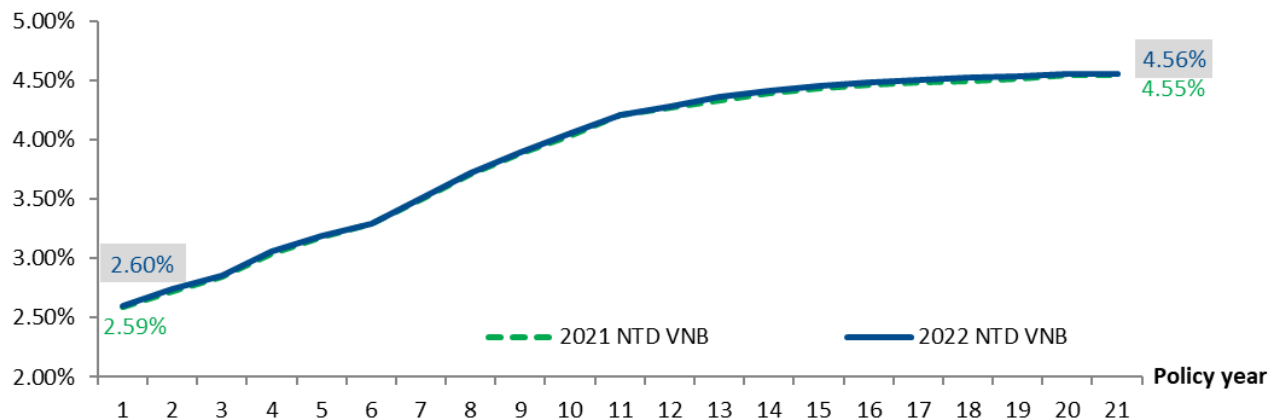


- Investment return assumptions for the value of in-force business of USD-denominated policies as of the end of 2021 & 2022.

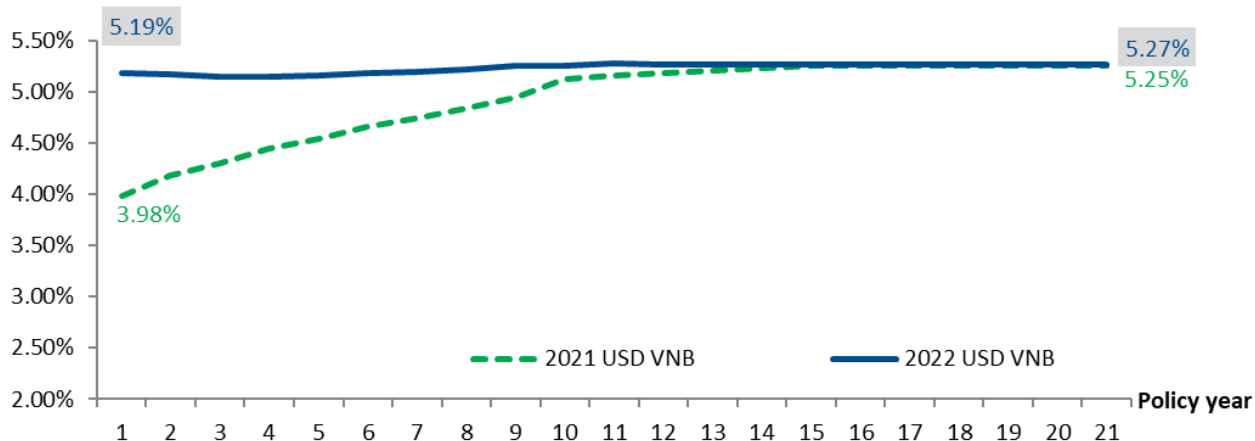


Economic Assumptions: Future one year's new business investment yield

- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2021 & 2022.



- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2021 & 2022.



Cost of Capital Projection and Non-economic Assumptions

■ RBC capital requirement:

Apply 2022 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 the following RBC regulation requirements:
 - (1) The enhancement measures of C3 interest risk announced by Insurance Bureau in 2021
 - (2) 2022 RBC calculation changes, including the changes of the risk factors of domestic and foreign private equity funds

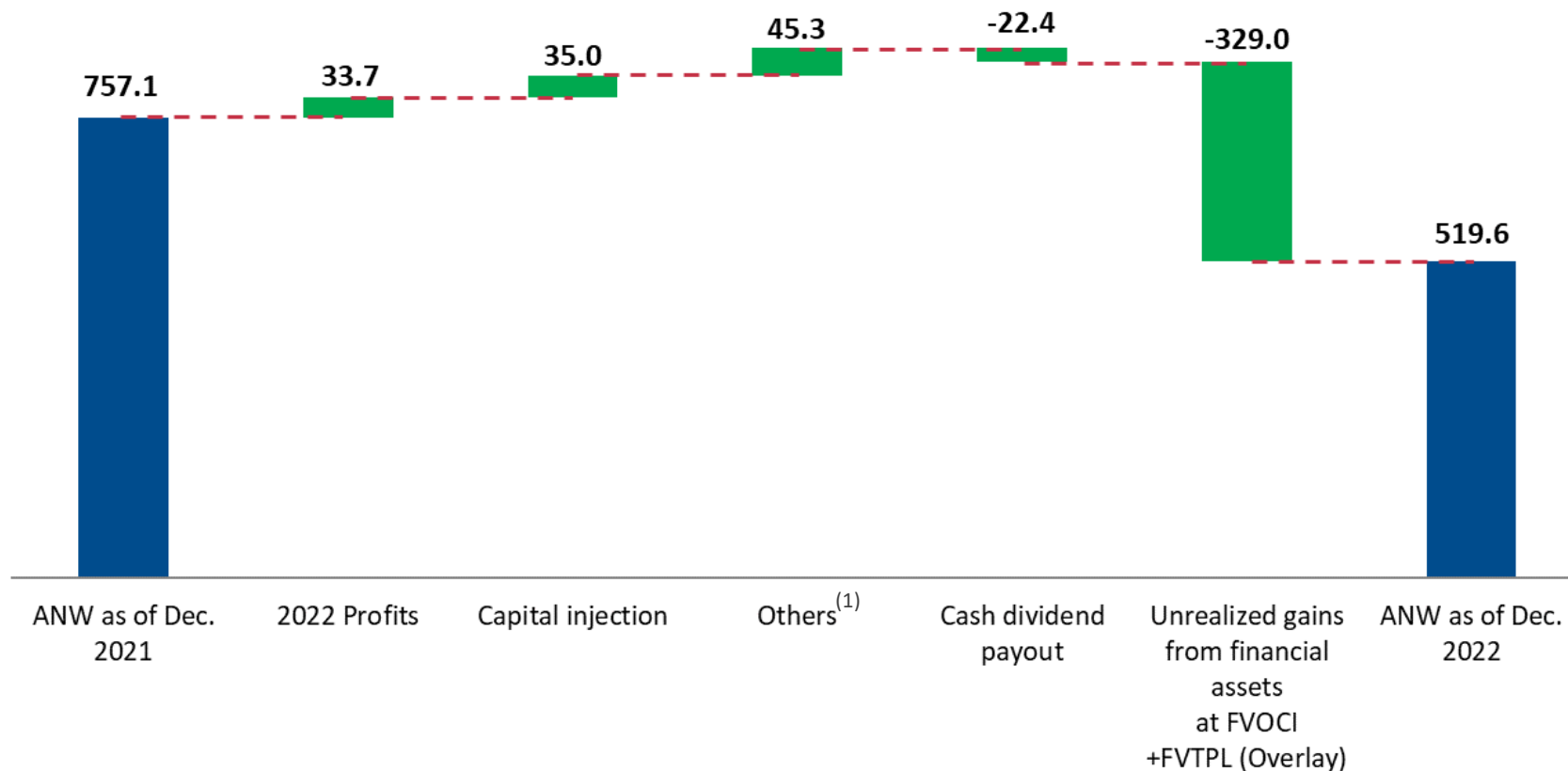
■ Experience rate:

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)

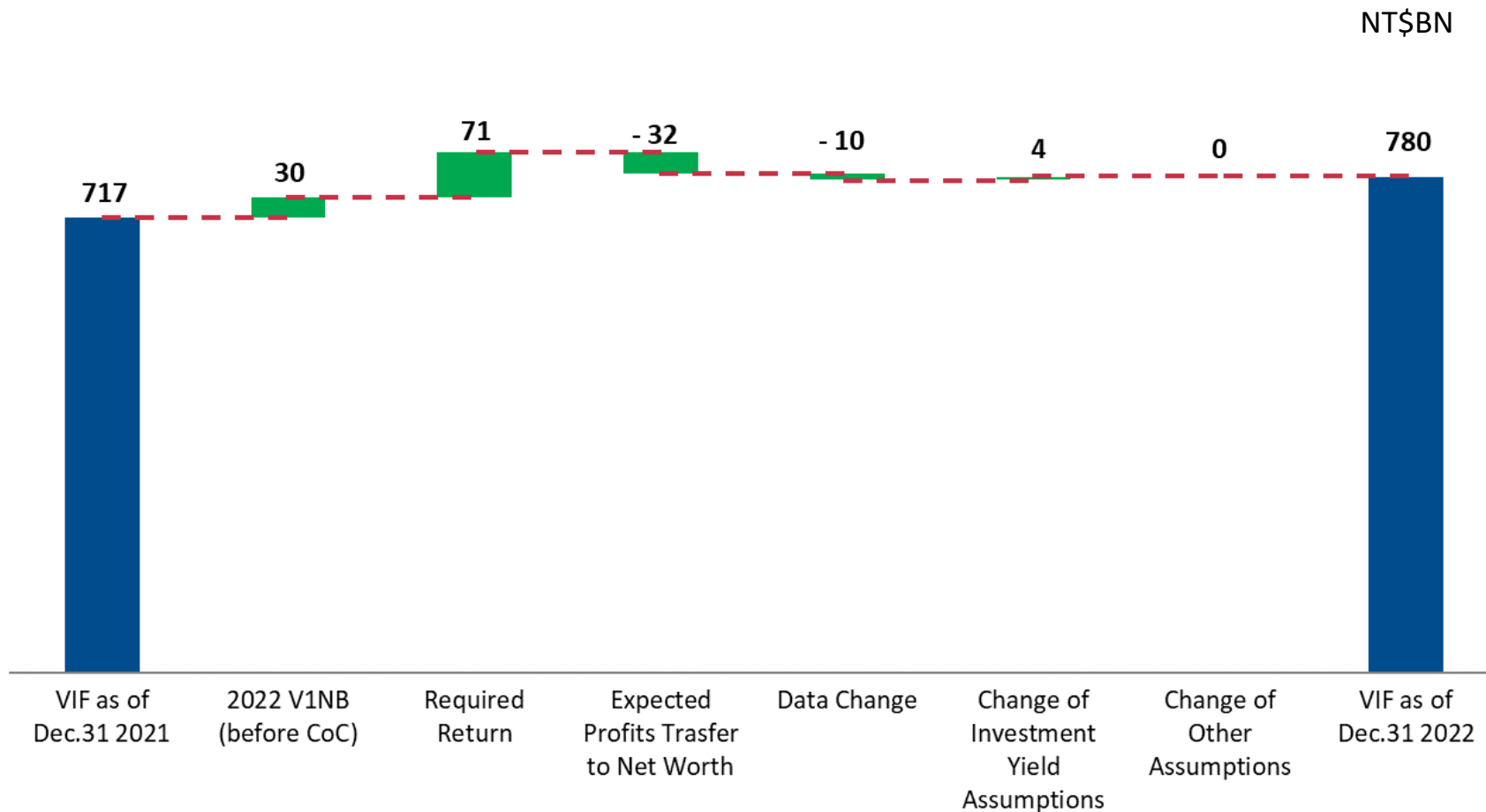
NT\$BN



Note:

(1) Others primarily include change of foreign exchange volatility reserve.

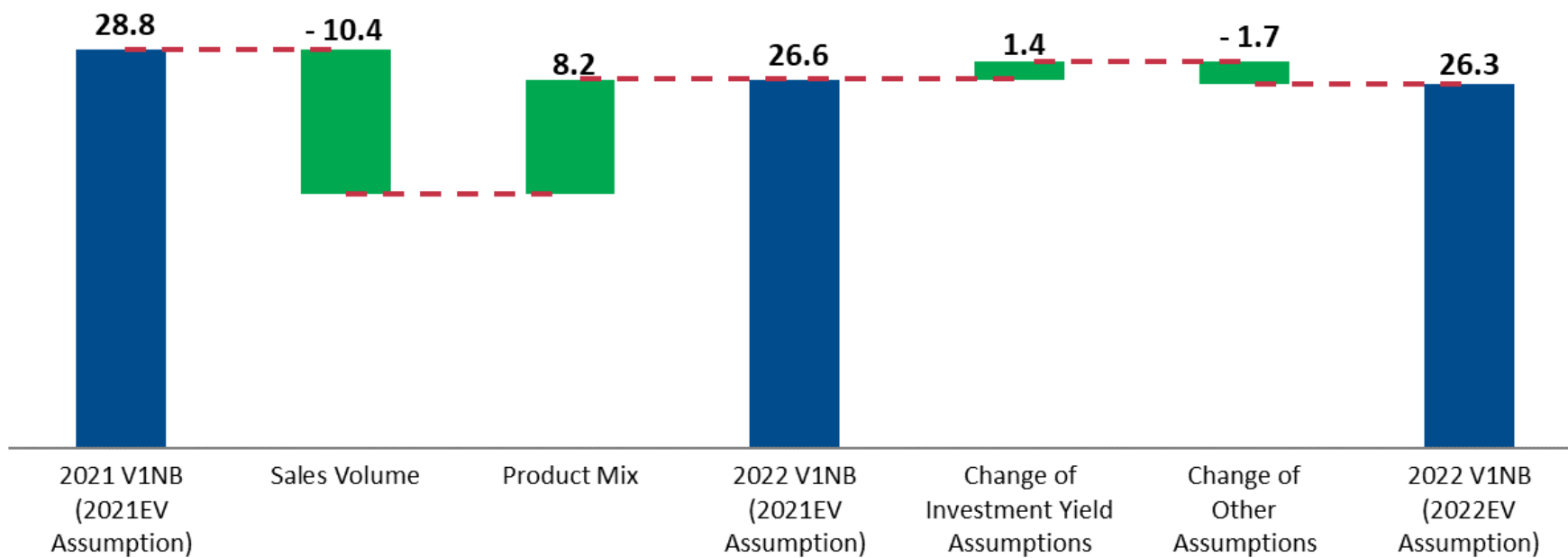
Analysis of change in value of in-force business (VIF)



- The value of one year new business (after CoC) of 2022 is 26.6 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	2022/12/31					
	Investment yield – 0.25%	Investment yield + 0.25%	Investment yield + 0.25% (capped) ⁽¹⁾	Base Case (Discount rate 9.5%)	Discount rate – 0.5%	Discount rate + 0.5%
Adjusted net worth	520	520	520	520	520	520
Value of in-force business	624	935	853	780	829	735
Cost of capital (CoC)	-322	-300	-306	-311	-299	-322
Value of in-force business (After CoC)	301	636	548	469	530	414
Embedded Value	821	1,155	1,067	988	1,049	933
EV / per share	129.3 (62.2)	181.9 (87.6)	168.0 (80.9)	155.6 (74.9)	165.2 (79.6)	147.0 (70.8)
Appraisal Value	1,049	1,410	1,312	1,229	1,308	1,158
Value of future one year's new business (After CoC)	24.4	30.6	28.3	27.5	29.8	25.4
AV / per share	165.1 (79.5)	221.9 (106.9)	206.5 (99.5)	193.6 (93.2)	206.0 (99.2)	182.4 (87.8)

Note: (1) "Investment yield +0.25% (capped)" : the investment return is capped by 4.74% for NTD policies and 5.34% for USD policies.

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

YoY Comparison

Under different discount rate assumptions, the results of the Year 2021 & 2022 go as follows.

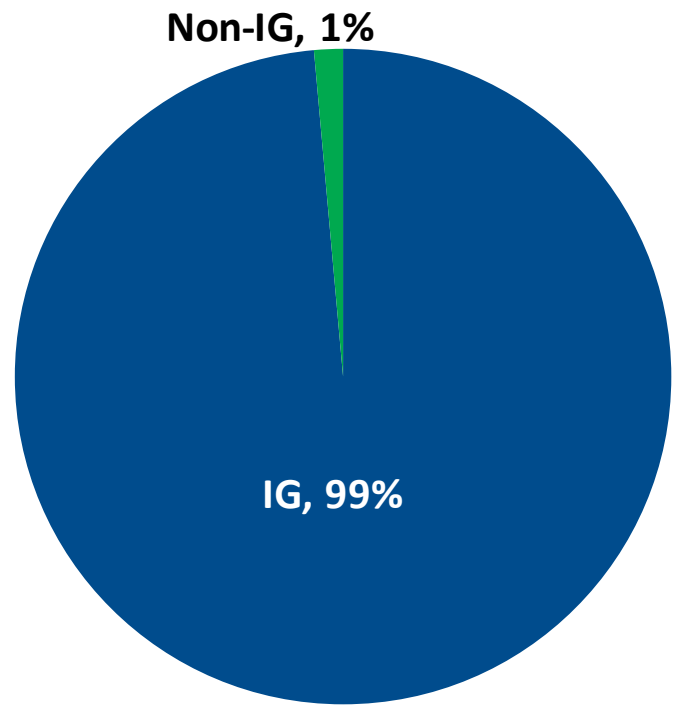
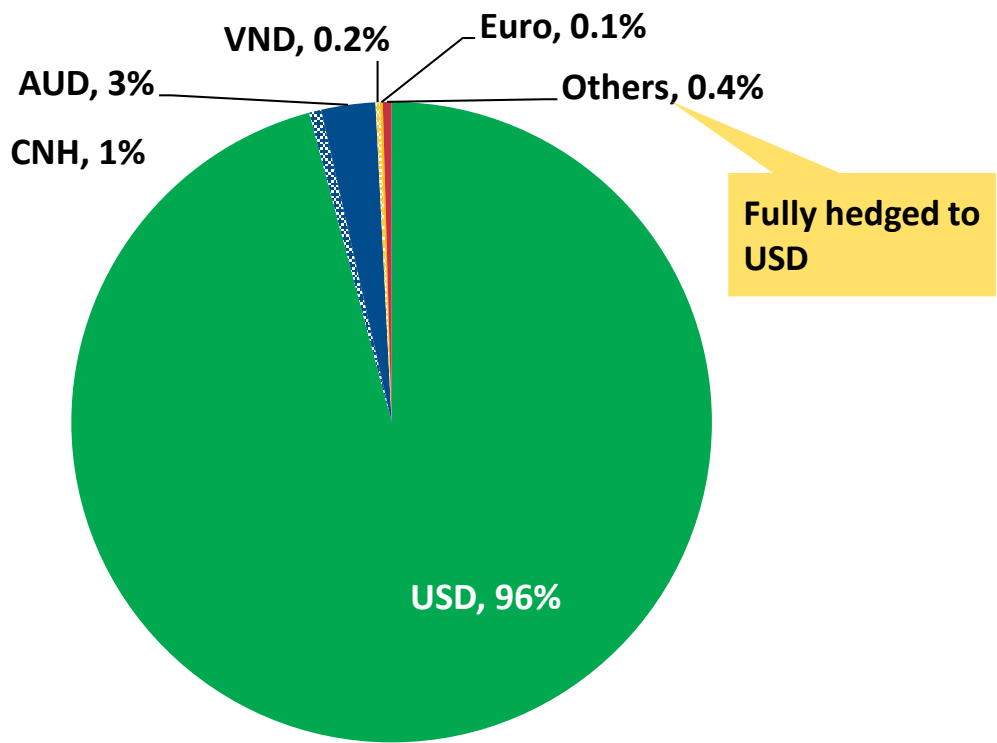
NT\$BN

Valuation date	2021/12/31	2022/12/31
Embedded Value	1,147~1,257	933~1,049
Value of future one year's new business	27.7~32.5	25.4~29.8
Appraisal Value	1,393~1,539	1,158~1,308

Cathay Life – Overseas bond breakdown by currency and rating

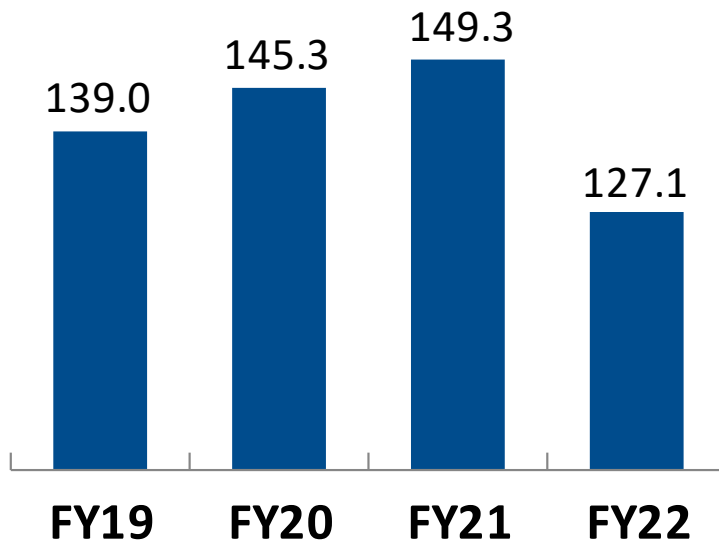
Overseas bond by currency (1Q23)

Overseas bond by rating (1Q23)

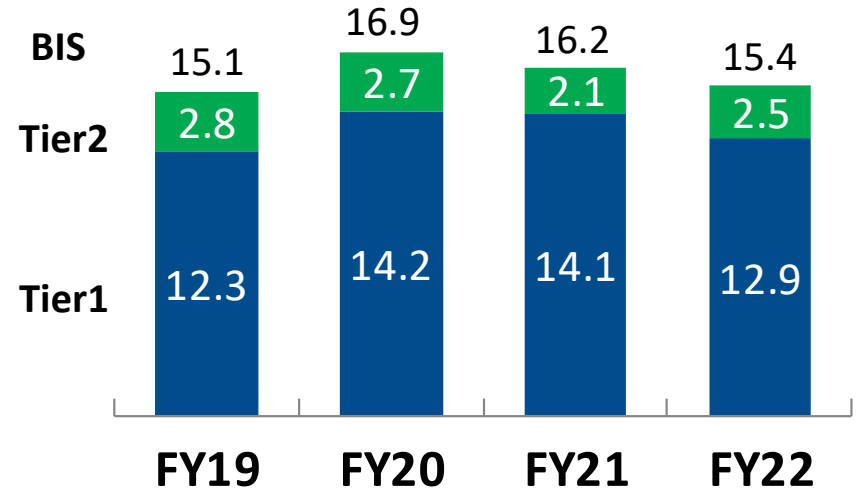


Capital adequacy

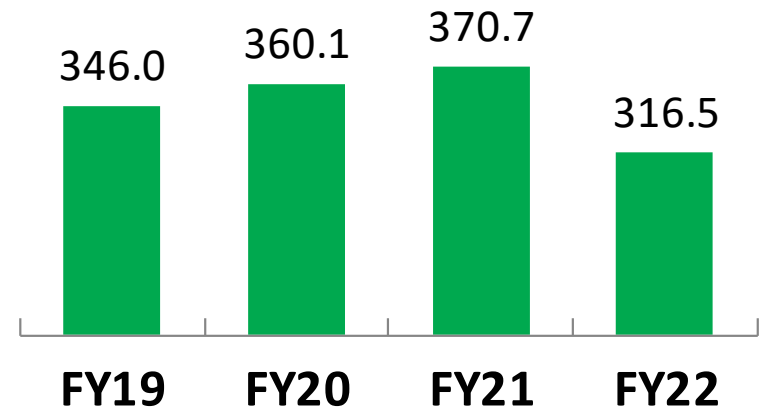
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC (%)



Agenda

- Introduction of Cathay FHC
- Business Overview
- Overseas Expansion
- Business Performance Summary
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- Cathay Life Embedded Value & Appraisal Value
- Cathay's ESG Efforts
- Appendix

Renowned corporate sustainability performance

Recognized by local regulatory authorities

Top-5% Corporate Governance

Over 1,000 listed companies

TWSE Corporate Governance Evaluation



FTSE4Good
TIP Taiwan ESG Index

Included in
FTSE4Good TIP Taiwan ESG Index
since 2017

Note: The FTSE4Good TIP Taiwan ESG Index is designed by FTSE Russell and Taiwan Index Plus Corp (TIP), wholly-owned subsidiary of Taiwan Stock Exchange.

Recognized by ESG ratings agencies

Member of **Dow Jones Sustainability Indices**

Powered by the S&P Global CSA

Included in
DJSI World & DJSI EM



Recognized by Media



Top-10 World Corporate Citizen
for **10** consecutive years,
Top-2 in 2022



Global Views

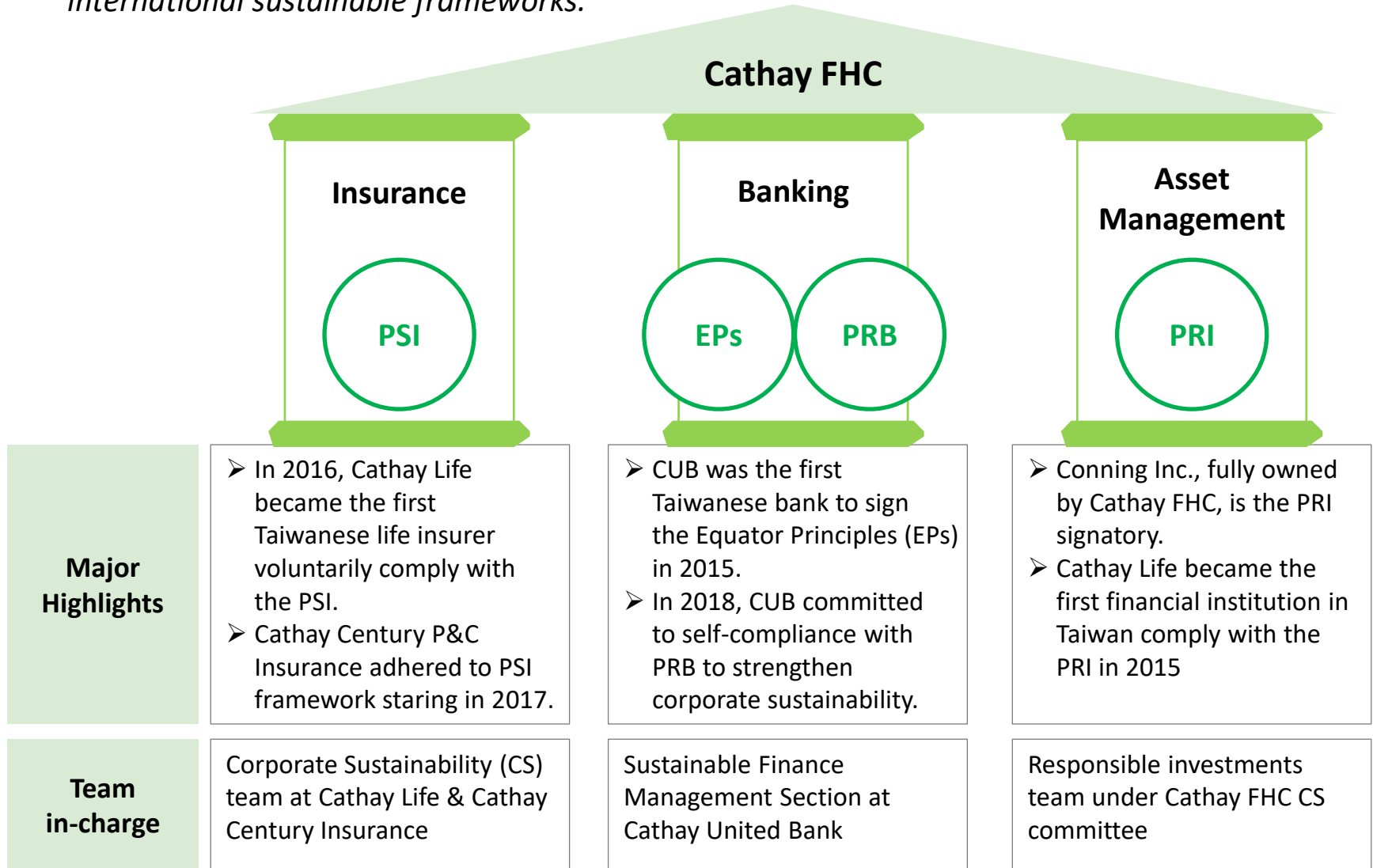
First Prize in Annual Survey for **3**
consecutive year (**Finance & Insurance**),
selected for **“Annual Honor Roll”** in 2022



2022 Taiwan Corporate
Sustainability Awards

Integrating sustainability into our business

- *Cathay integrates sustainability into major three business groups in accordance with the international sustainable frameworks.*



Cathay's sustainability strategies and goals



Climate

Low-carbon economy

- Net-zero emissions across financial assets by 2050
- Leadership in climate engagement
- Comprehensive financial solutions for climate change

Sustainable environment

- Zero-carbon operations by 2050
 - Green operations
 - Green energy
 - Green real estate



Health

Health promotion

- Expansion of the health ecosystem
- Support for rehabilitation
- Development of elderly-friendly services

Financial health

- The industry's top guardian of customer assets
- Benchmark enterprise for financial inclusion in Taiwan



Empowerment

Workplace Empowerment

- Employee reskilling and upskilling
- Leadership pipeline development
- Fostering workplace diversity and inclusion

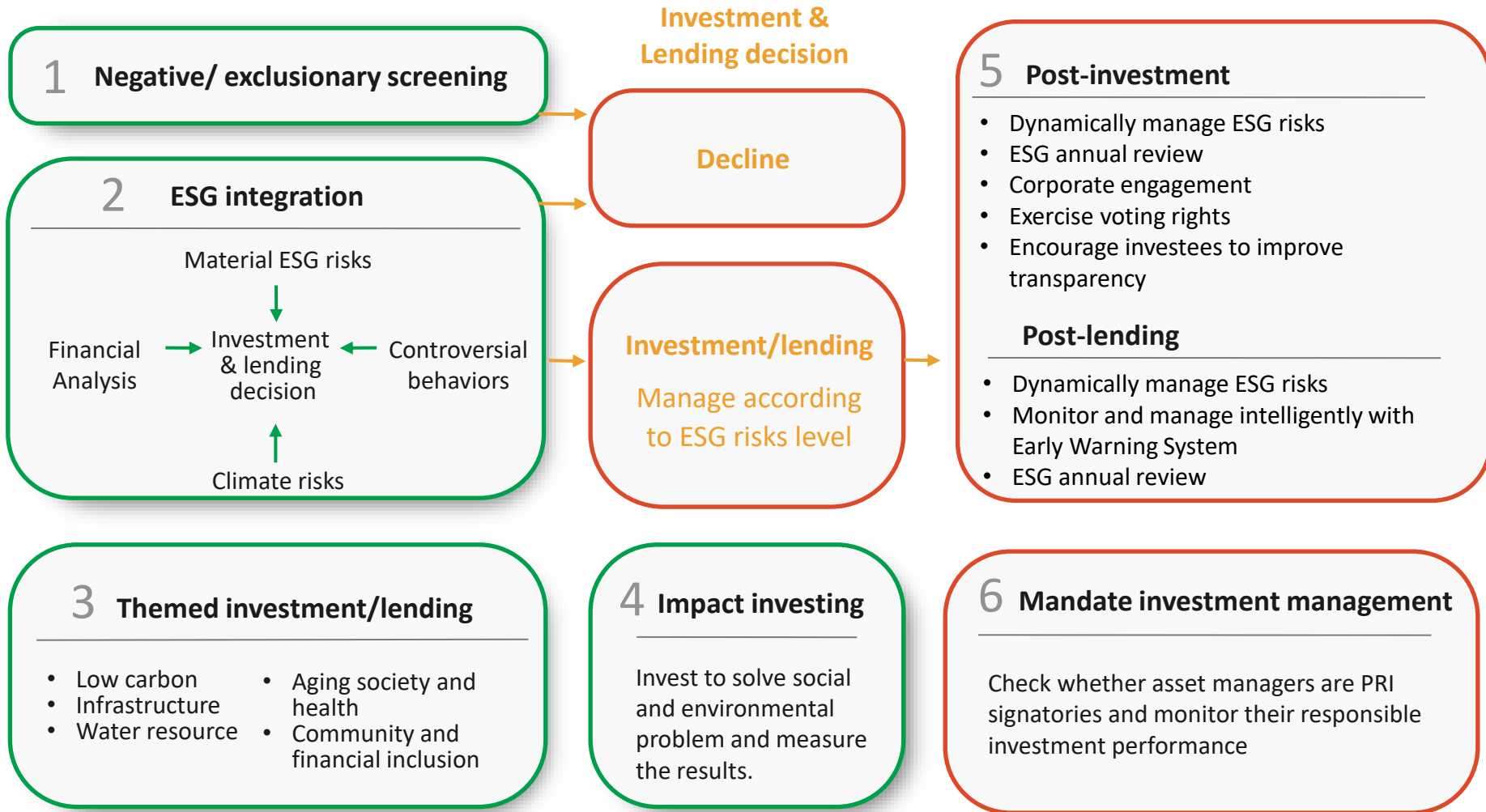
Social Empowerment

- Youth empowerment
- Women's empowerment
- Support for the underprivileged

Integrating ESG into responsible investment and lending

Investment/ Lending Process

Engagements after Investment/ Lending

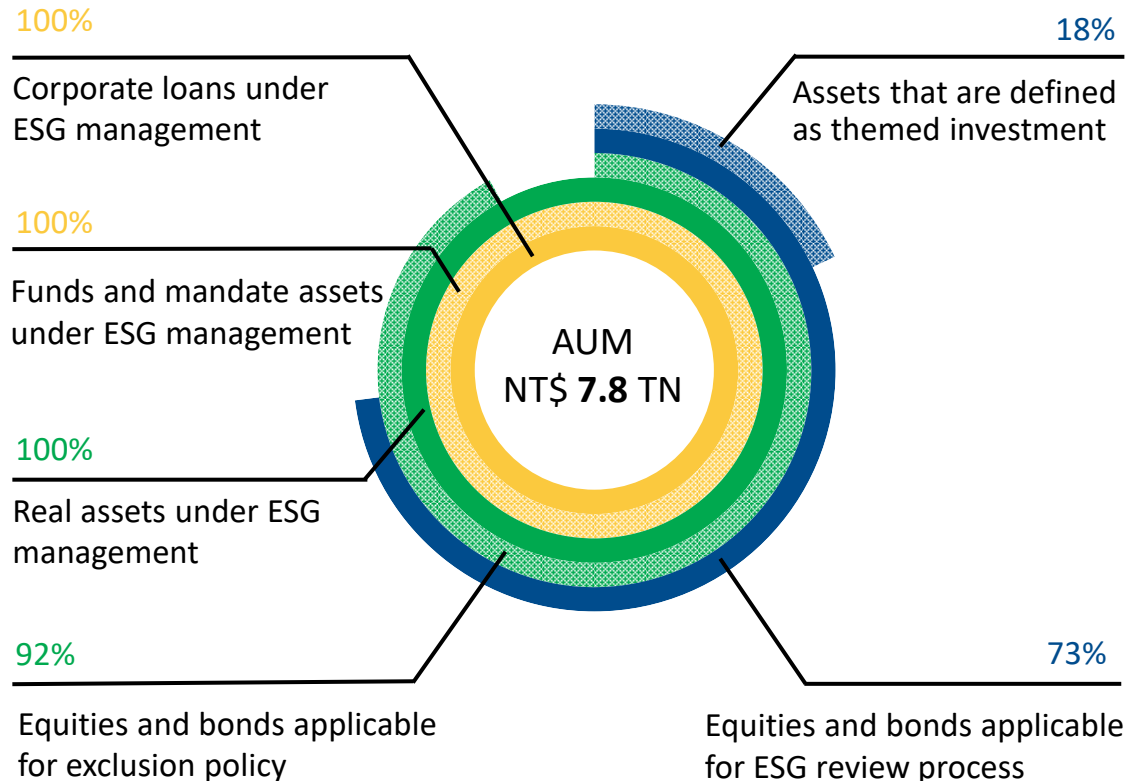


Implementing responsible investment across multiple asset classes

Responsible investment/lending policies

- Responsible Investment and Lending Policy
- Investment and Lending Exclusion Policy
- Stewardship Policy
- Engagement Policy
- Voting Policy
- Rules Governing Project Finance and Equator Principles
- Responsible Property Investment and Management Policy
- Risk Management Policy

NT\$7.8 TN assets under responsible investment and lending



Actively participating in Global ESG initiatives

Asia Investor Group on Climate Change (AIGCC)

Cathay FHC joined AIGCC in 2016 and **participates in monthly conference calls on global trends in climate change.**

Sophia Cheng, CIO of Cathay FHC, was appointed as the chair of AIGCC in November 2018.

Cathay Life **joined “Asian Utilities Engagement Program”** initiated by AIGCC in 2021 to **drive five Asian electric utilities toward net zero emissions transition**



Climate governance initiatives

Cathay FHC has been a signatory of “Global Investor Statement to Governments on Climate Change” since 2014, urging governments of the G7 and G20 nations to fulfill their commitments to Paris Agreement.

Signed “The Investor Agenda” in 2018 to support low carbon investment, corporate engagement, TCFD climate disclosures, and policy advocacy.

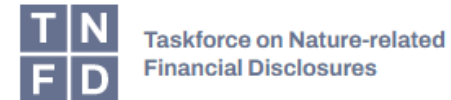
Supported TCFD initiative since 2018, actively managing climate-related risks.



Nature-related initiatives

Cathay joined the Valuing Water Finance Task Force in 2020 and **Valuing Water Finance Initiative** in 2022. The initiative engages 72 companies with a high water footprint and act on water as a financial risk and drive necessary changes to better protect water systems.

Joined **Taskforce on Nature-related Financial Disclosures(TNFD)** in 2022, working with leading members globally to develop a nature-related risk disclosure framework.



Engaging with investee companies on ESG improvement

Engagement policies and strategies

Cathay defined “**climate change**” and “**ESG**” as the main engagement strategy.

Aimed to strengthen Taiwan corporates’ awareness and capability in response to climate risks and opportunities.

Urged Taiwan corporates to enhance ESG disclosures in line with global standards.

ESG
Improvement

Investee engagement

More than 700 signatories with AUM over USD 68 trillion have joined Climate Action 100+ to engage 167 systemically important emitters and encourage them to curb emissions, improve governance and strengthen climate-related financial disclosures. **Cathay Life and Cathay SITE are the first two signatories in Taiwan.**

All the three Taiwanese companies Cathay engaged have committed Net Zero/Carbon Neutrality.



CDP non-disclosure campaign

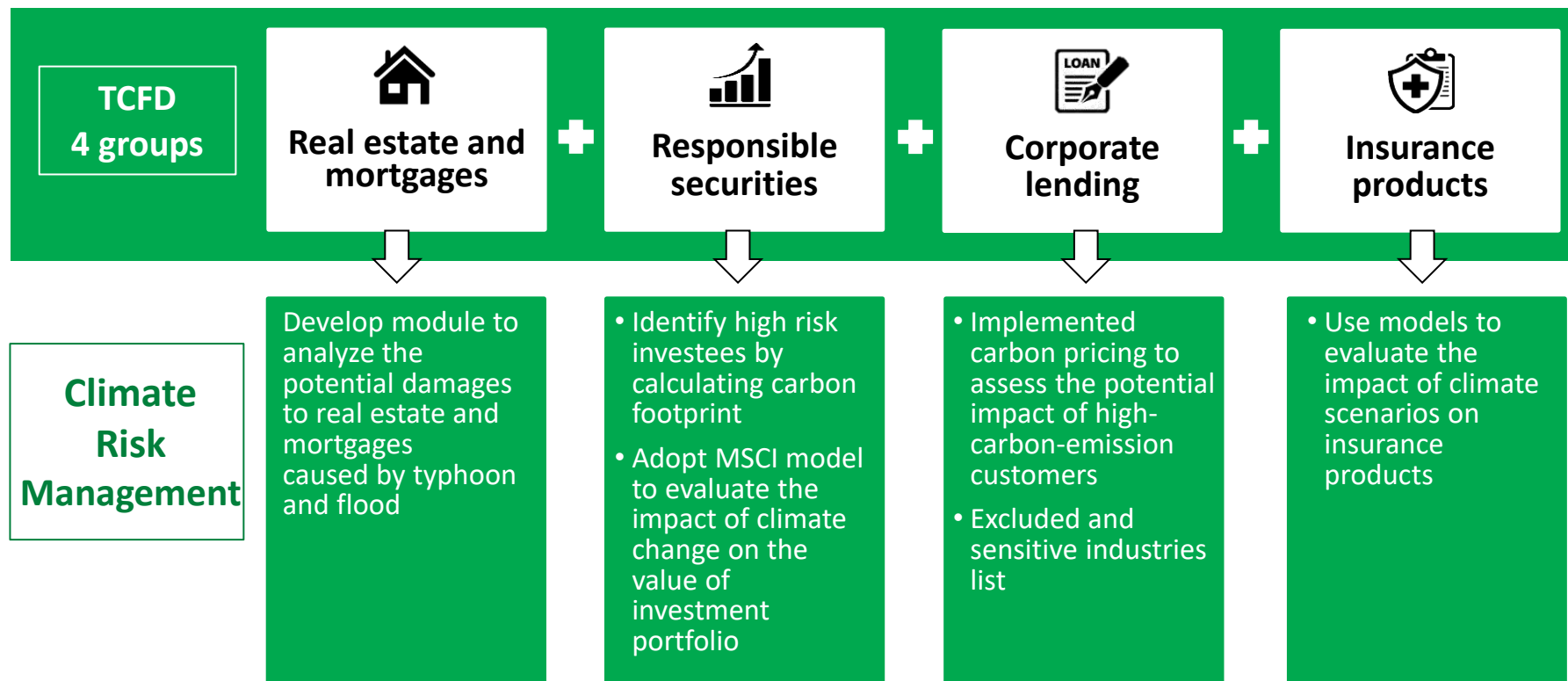
Cathay is the only financial institution in Taiwan that has **participated in the CDP Non-Discloser Campaign for 5 consecutive years, encouraging Cathay’s investee companies to respond to CDP questionnaires.**

Cathay has successfully engaged 35 companies since 2017 ; 52% of these companies improved their CDP scores in the following year.



Integrating climate risks/opportunities into businesses

- ❑ Divide TCFD task force into 4 groups monitoring Group's major asset and liability.
- ❑ Analyze potential risks and opportunities from climate risks, research the impact on business, and formulate response measures and strategies.
- ❑ Report the risk assessment and supervision progress to CRO each month and to the Board periodically.



Hastening positive environmental change with green products

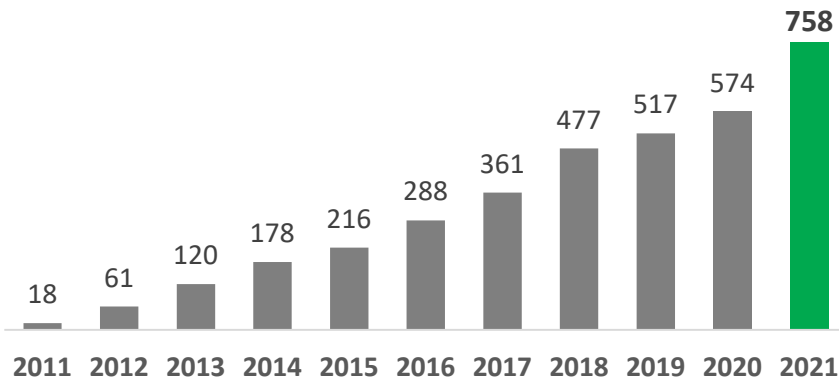
Pioneers in renewable energy financing



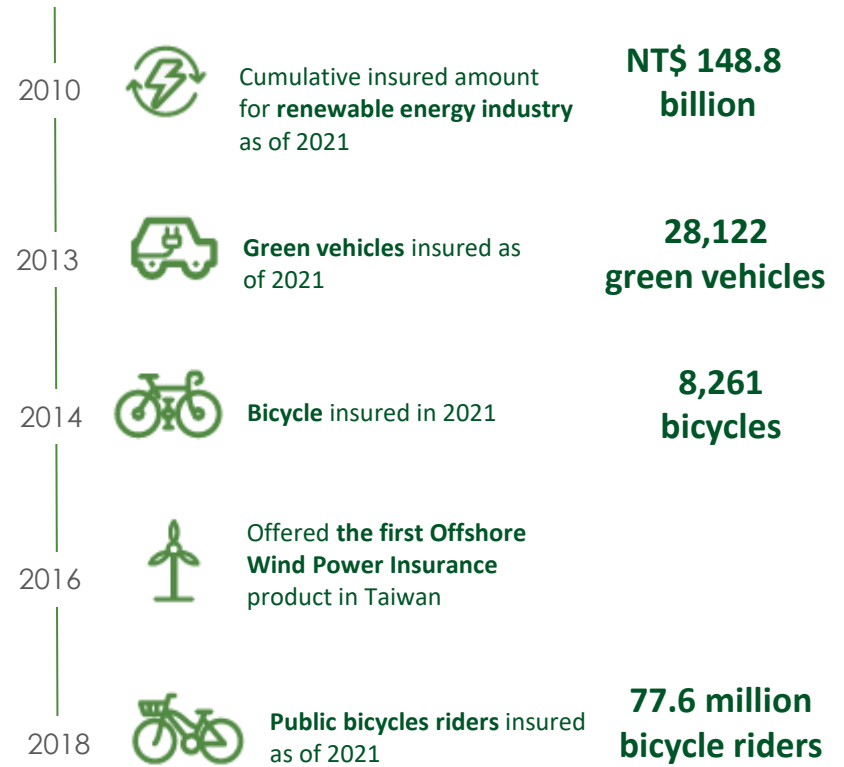
 Total capacity of **financed solar power stations and wind turbines** as of the end of 2021 **2,131 MW**

 Expected CO2 emissions reduction per years **2.05 million metric tons**

Total capacity of loan-financed solar power stations installed in Taiwan and overseas (MW)



First in the industry – Green Insurance



Cathay FHC's commitment to net-zero carbon emissions

2018 Began disclosing carbon footprints in the investment portfolio.

2019 CUB ceased extending loans for both new and existing coal-fired power generation projects. Cathay Life Insurance excluded power generation companies from investment in cases where over 50% of revenue comes from coal-fired power generation without active transition to renewable energy.

2020 Integrated carbon-reduction performance into CEO's KPI.

2022 Committed to setting science-based targets (SBTs).
Became an RE100 member.

2025 100% renewable energy goal for headquarters of Cathay FHC, Cathay Life, CUB, and Cathay Century.

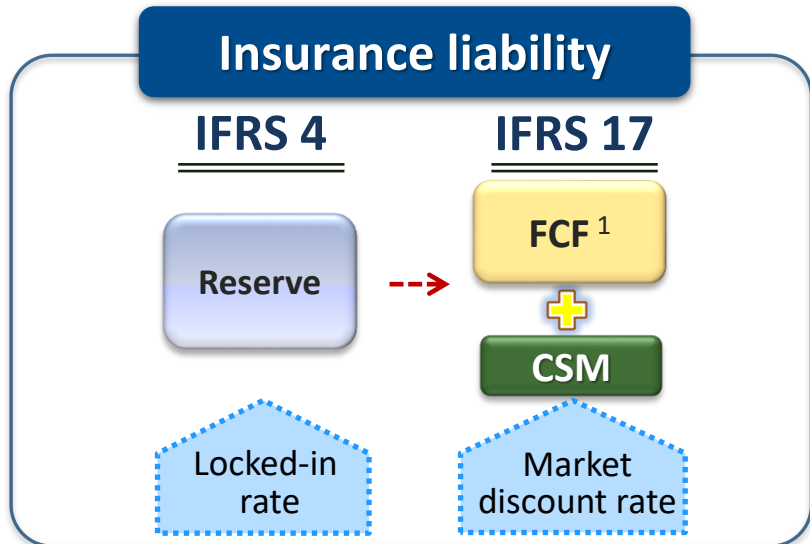
2030 100% renewable energy goal for all business operation sites in Taiwan.

2050 Net-zero carbon emissions goal

Agenda

- **Introduction of Cathay FHC**
- **Business Overview**
- **Overseas Expansion**
- **Business Performance Summary**
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Cathay Life Embedded Value & Appraisal Value**
- **Cathay's ESG Efforts**
- **Appendix**

CSM - New product profit indicator under IFRS 17

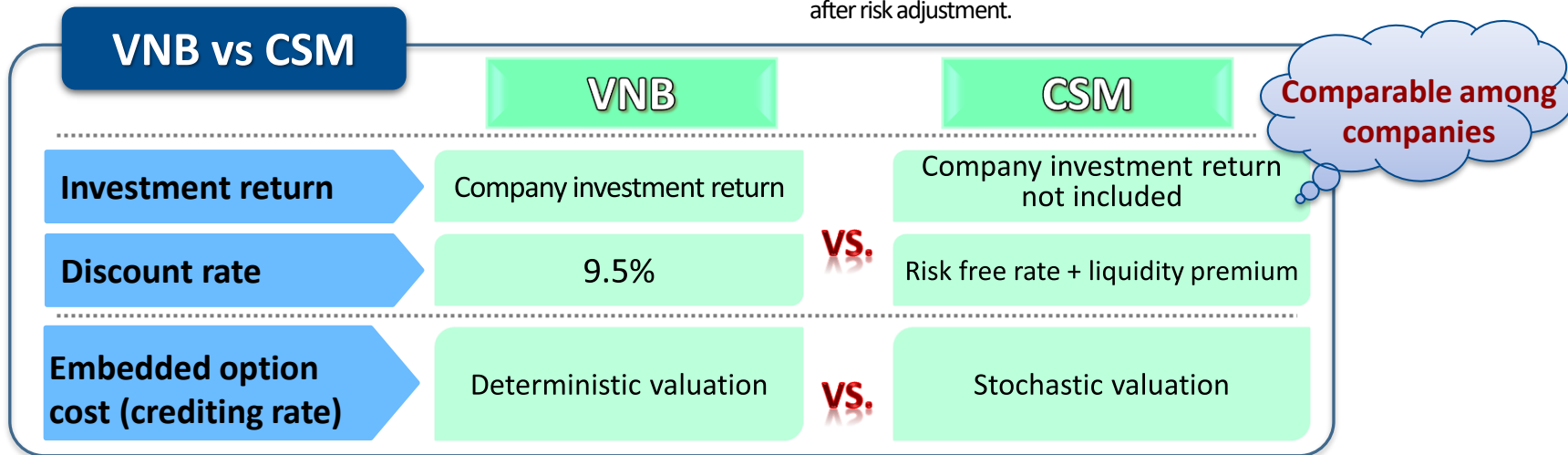


New product profit indicator

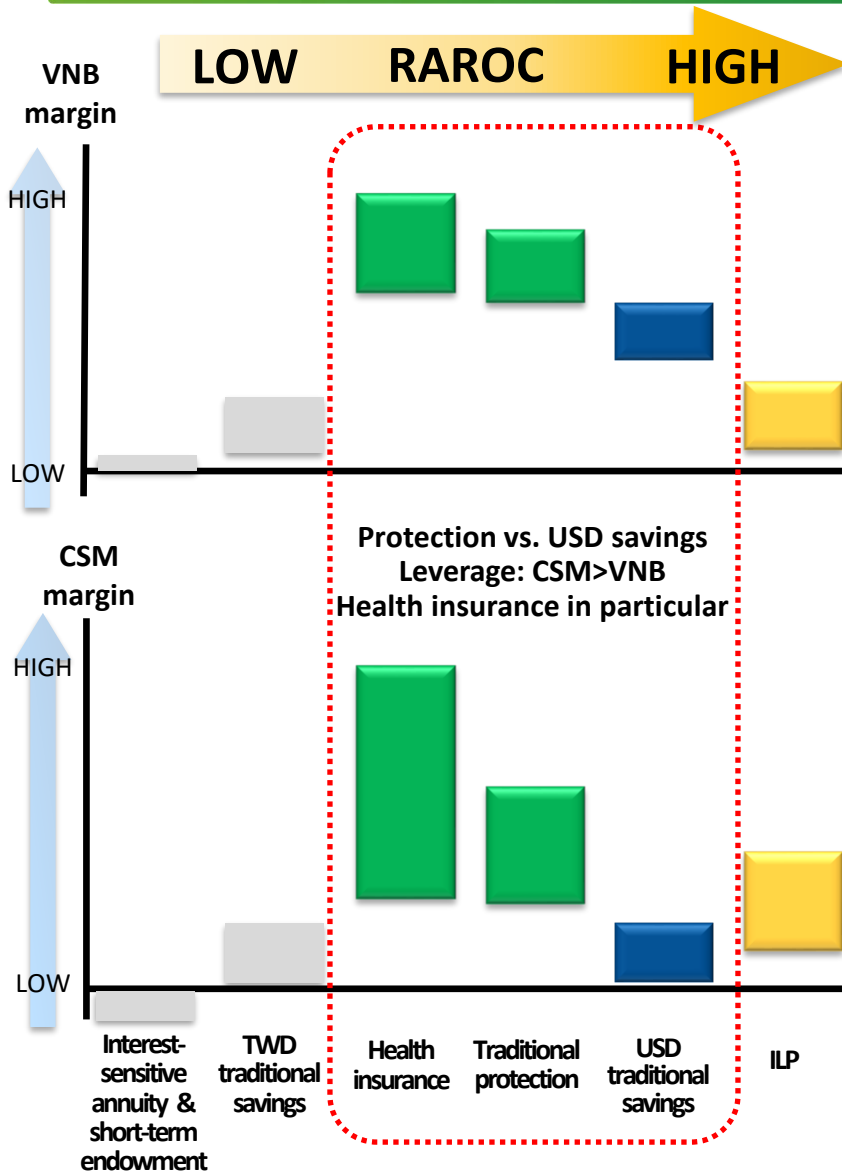
- VNB** Value of new business (reflects company perspective on profit)
- CSM** Contractual service margin² (unearned profit from liabilities)
- RAROC** Risk-adjusted return on capital³

Note: 1. Fulfillment Cash Flow (FCF) (=BEL+RA): Present value of future cash flows derived from insurance sold, based on market discount rate at valuation date and most recent available actuarial assumptions.

Note: 2. Contractual Service Margin (CSM): Present value of future unearned profit for insurance contracts recognized in the remaining service period.
 3. Risk Adjusted Return on Capital (RAROC): The financial performance measurement after risk adjustment.



Focus on high CSM and RAROC products



Interest-sensitive annuity & short-term endowment

- CSM < 0
- One-off losses recognized under IFRS 17

TWD-denominated traditional savings

- Foreign currency risk, difficult for ALM
- Low RAROC

Key products

Health insurance & traditional protection

- High VNB & CSM, health insurance in particular
- Meets market demand in aging society
- Development of payment-in-kind insurance & products w/ spillover effects

USD-denominated traditional savings

- No foreign currency risk, easier for ALM
- Adjustment of interest-sensitive product crediting rate according to market situation on a rolling basis, manageable interest rate risk

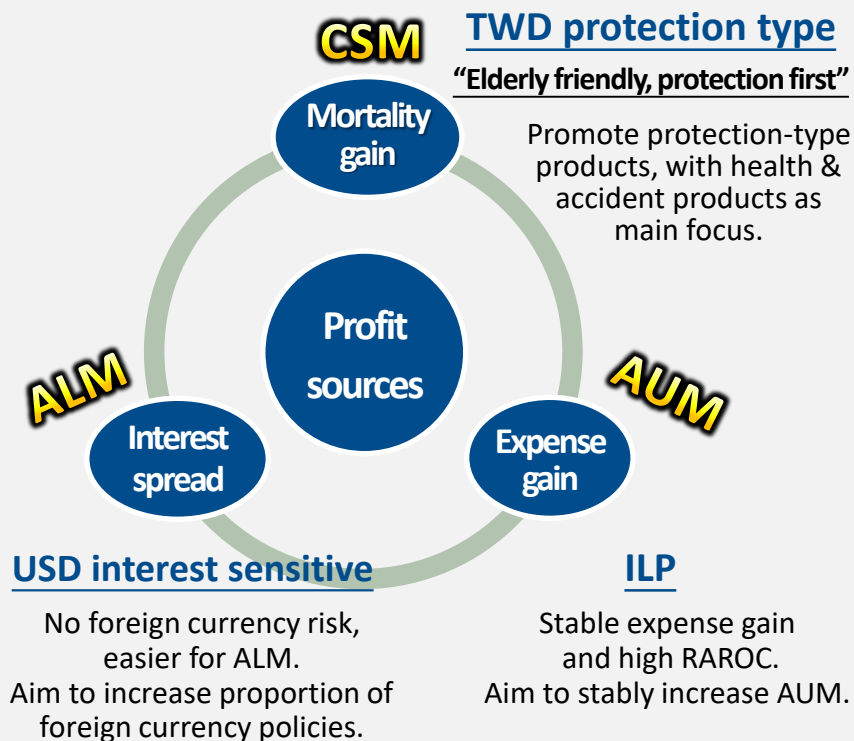
Investment-linked products (ILPs)

- Stable expense gain
- Low capital charge
- Higher RAROC than traditional products

CSM accumulation is the top priority for IFRS 17 adoption

Product strategy

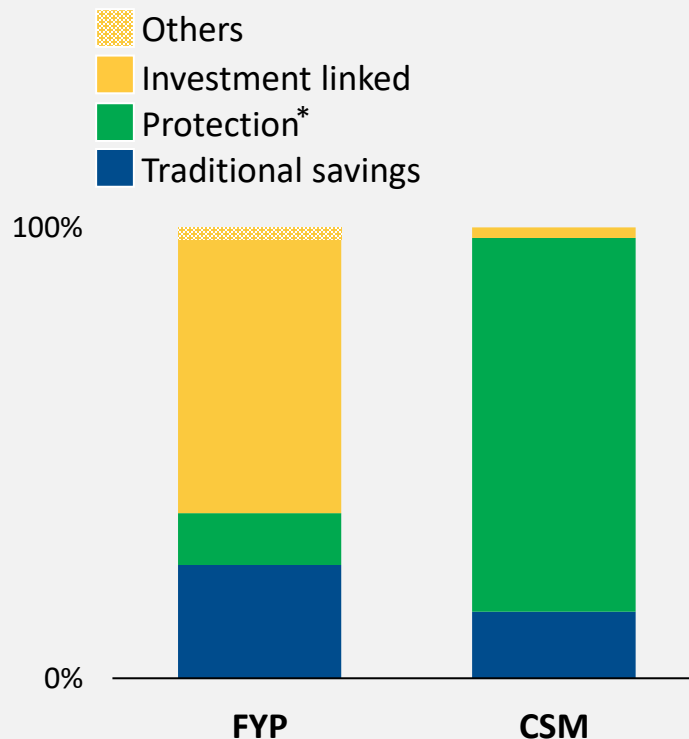
- CSM accumulation is Cathay Life's top priority
- Taking ALM and trade-off between profit and capital charge into account



Distribution channels

- Protection products contribute superior CSM
- Health & accident product sales as agent KPI

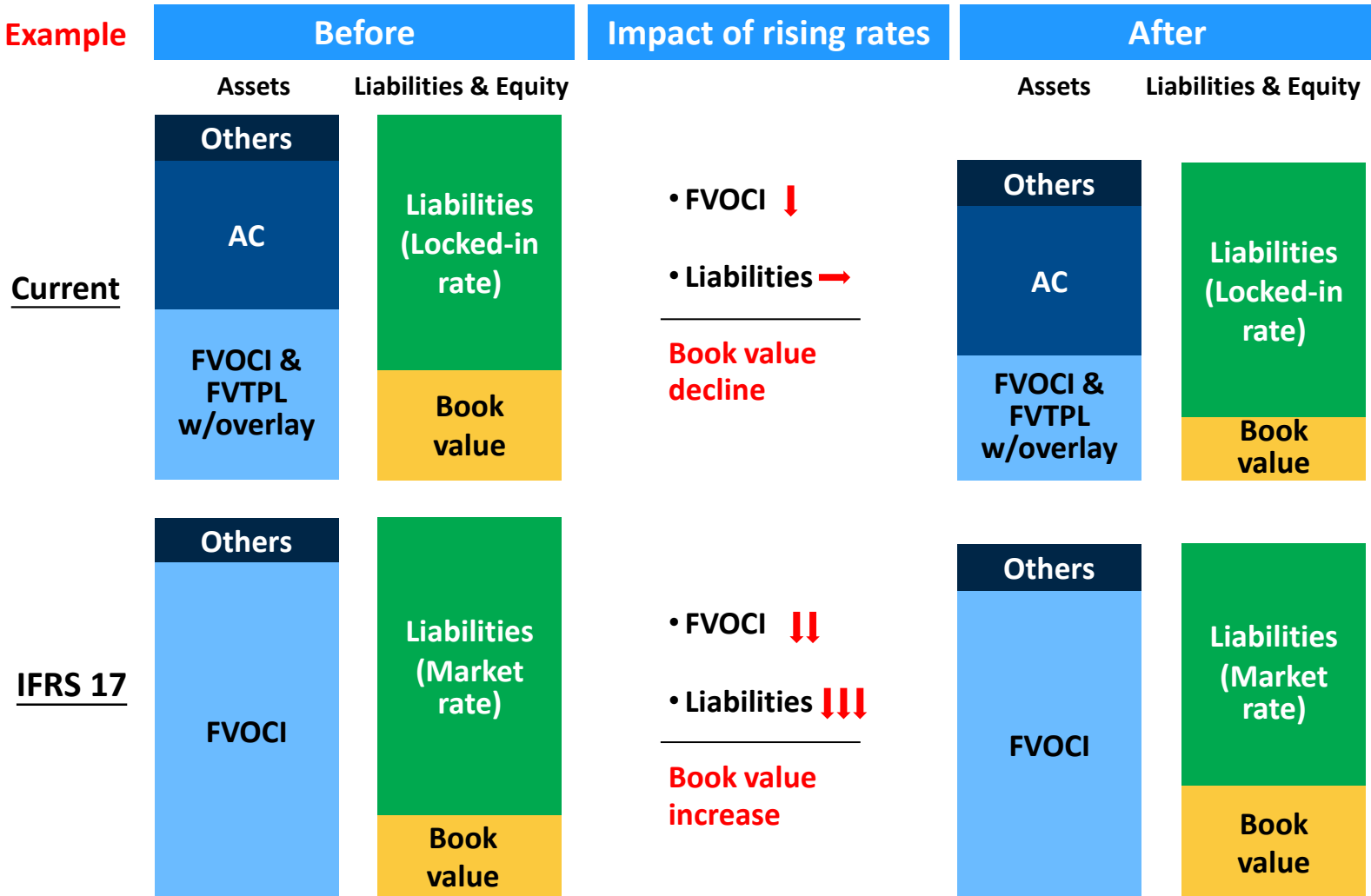
FYP & CSM contribution (FY22)



Impact of 2022 rate hikes on Cathay Life's book value

- Based on IFRS 17, book value increased, as the decline in liabilities exceeded that of assets, with assets and liabilities each marked to market.

Example



Cathay Financial Holdings

(NT\$MMN)

Income Statement Data (Consolidated)

	FY20	FY21	FY22	FY22/ FY21 % Chg	1Q22	1Q23	1Q23/ 1Q22 % Chg
Operating Income							
Net interest income	190,930	194,882	226,163	16%	50,042	59,513	19%
Net commission and fee	7,244	12,649	15,421	22%	4,263	4,197	-2%
Net earned premium	602,806	524,187	439,719	-16%	107,317	107,518	0%
Change in liability reserve	(462,094)	(377,408)	(198,098)	-48%	(71,021)	(38,219)	-46%
Net claims payment	(289,808)	(305,703)	(438,283)	43%	(77,578)	(110,564)	43%
Investment income	124,347	190,944	132,185	-31%	58,799	(681)	-101%
Contribution from associates-equity method	(12,085)	1,807	2,266	25%	428	685	60%
Other net non-interest income	6,480	7,197	(36,038)	-601%	(11,195)	7,742	169%
Bad debt expense	(3,178)	(3,484)	(4,778)	37%	(48)	346	-828%
Operating expense	(83,027)	(85,543)	(88,610)	4%	(21,200)	(23,300)	10%
Income before taxes	81,616	159,526	49,948	-69%	39,808	7,237	-82%
Income taxes	(5,658)	(18,637)	(11,986)	-36%	(5,433)	(64)	-99%
Net income	75,958	140,889	37,962	-73%	34,375	7,173	-79%
Net income to parent company	74,579	139,514	37,359	-73%	34,207	7,009	-80%

EPS (NT\$)	5.41	10.34	2.58		2.60	0.48	
------------	------	-------	------	--	------	------	--

Dividend Payout

Cash dividend per share	2.50	3.50	0.90
Stock dividend per share	0.00	0.00	0.00
Weighted average outstanding shares (Millions of common shares)	13,169	13,169	13,190

Balance Sheet Data (Consolidated)

Total assets	10,950,472	11,594,361	12,070,886		11,709,049	12,248,224
Total shareholders' equity	904,776	914,039	611,708		766,879	695,847
Equity attributable to parent company	893,061	902,038	598,840		754,727	682,411

Operating Metrics

ROAE (Consolidated)	9.01%	15.49%	4.98%		16.36%	4.39%
ROAA (Consolidated)	0.72%	1.25%	0.32%		1.18%	0.24%
Double leverage ratio(inc. preferred stock)	111%	113%	122%		115%	119%

Capital Adequacy Metrics

Capital Adequacy Ratio	145%	149%	127%
------------------------	------	------	------

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.

Cathay Life
 (NT\$MMN)

Income Statement Data (Consolidated)	FY20	FY21	FY22	FY22/	1Q22	1Q23	1Q23/
				FY21			% Chg
Net written premium	580,261	499,102	410,186	-18%	101,238	100,578	-1%
Net earned premium	579,563	498,398	409,196	-18%	101,947	101,139	-1%
Reinsurance commission earned	533	388	527	36%	7	6	-16%
Fee income	8,701	10,715	10,804	1%	2,698	2,626	-3%
Recurring investment income	212,247	214,968	242,608	13%	51,880	59,011	14%
Gain on disposal of investment							
Realized gain (loss)-Equity	74,997	116,191	23,289	-80%	17,175	13,397	-22%
Realized gain (loss)-Debt	64,964	63,127	5,572	-91%	10,991	2,245	-80%
Gain on investment property	1,881	1,106	2,735	147%	550	(4)	-101%
FX and others, net	(90,182)	(46,445)	(2,907)	94%	6,071	(22,845)	-476%
Investment income, net	263,907	348,947	271,296	-22%	86,667	51,803	-40%
Other operating income	6,978	8,754	8,726	0%	2,015	2,425	20%
Separate account revenues	73,396	77,919	(933)	-101%	(310)	16,118	5293%
Net claims payment	(273,049)	(287,850)	(398,511)	38%	(74,530)	(96,727)	30%
Changes in liability reserves	(462,233)	(376,771)	(188,389)	-50%	(70,607)	(46,358)	-34%
Acquisition and commission expense	(35,815)	(34,445)	(30,977)	-10%	(7,961)	(7,668)	-4%
Other operating costs	(6,635)	(8,056)	(6,729)	-16%	(1,676)	(1,826)	9%
Financial cost	(2,501)	(3,114)	(3,817)	23%	(859)	(1,092)	27%
Separate account expense	(73,396)	(77,919)	933	-101%	310	(16,118)	5293%
Operating expense	(29,565)	(32,448)	(32,301)	0%	(8,476)	(8,620)	2%
Net non-operating income	1,589	1,563	1,859	19%	458	492	7%
Income taxes	1,209	(12,916)	(7,513)	-42%	(3,606)	1,753	-149%
Net income	52,682	113,166	34,169	-70%	26,076	(2,047)	-108%
Net income to parent company	51,745	112,231	33,667	-70%	26,042	(2,156)	-108%

Balance Sheet Data (Consolidated)

Total assets	7,675,559	8,073,161	8,172,430		8,086,799	8,234,528
General account	7,033,875	7,348,951	7,517,003		7,372,110	7,562,792
Separate account	641,685	724,210	655,427		714,690	671,736
Reserves for life insurance liabilities	6,085,534	6,413,221	6,794,562		6,550,721	6,819,236
Total liabilities	6,954,433	7,331,028	7,706,641		7,492,741	7,698,368
Total shareholders' equity	721,126	742,133	465,789		594,059	536,160
Equity attributable to parent company	713,727	734,443	456,817		586,304	526,766

Operating Metrics (Standalone)

First Year Premium(FYP)	160,771	202,394	129,343		42,801	29,538
First Year Premium Equivalent(FYPE)	62,182	50,997	42,434		13,322	12,095
Expense ratio	9.5%	11.2%	12.8%		13.7%	13.3%
13-M persistency ratio	98.1%	98.4%	97.7%		98.3%	97.5%
25-M persistency ratio	95.5%	96.3%	96.6%		96.4%	96.2%
ROAE (Consolidated)	8.01%	15.47%	5.66%		15.61%	-1.63%
ROAA (Consolidated)	0.71%	1.44%	0.42%		1.29%	-0.10%

Capital Adequacy Metrics (Standalone)

RBC ratio	360%	371%	316%
-----------	------	------	------

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.

Cathay United Bank (NT\$MN)				FY22/ FY21			1Q23/ 1Q22
<u>Income Statement Data (Consolidated)</u>	FY20	FY21	FY22	% Chg	1Q22	1Q23	% Chg
Operating Income							
Net interest income	35,223	38,539	48,704	26%	10,160	12,769	26%
Fee income	16,331	18,346	18,246	-1%	5,283	5,384	2%
Investment income	9,482	6,956	6,711	-4%	1,255	2,934	134%
Other income	855	502	1,180	135%	134	153	14%
Net operating income	61,891	64,342	74,841	16%	16,832	21,240	26%
Operating expenses	(32,686)	(33,877)	(38,307)	13%	(8,231)	(10,245)	24%
Pre-provision profit	29,205	30,466	36,534	20%	8,601	10,995	28%
Net provisions for possible losses	(3,382)	(2,986)	(5,524)	85%	(296)	99	-133%
Income before taxes	25,823	27,480	31,010	13%	8,305	11,094	34%
Income tax	(3,512)	(3,671)	(5,299)	44%	(1,432)	(1,924)	34%
Net income	22,311	23,808	25,712	8%	6,872	9,170	33%
Net income to parent company	21,854	23,344	25,590	10%	6,733	9,113	35%
Balance Sheet Data (Consolidated)							
Total assets	3,229,460	3,499,323	3,887,031		3,598,439	4,002,639	
Loans, net	1,661,296	1,807,077	2,045,082		1,870,624	2,117,905	
Financial assets	1,028,595	1,110,788	1,268,349		1,233,934	1,321,485	
Total liability	2,982,805	3,248,596	3,645,307		3,347,604	3,747,597	
Deposits	2,648,995	2,935,694	3,246,162		2,987,059	3,293,675	
Financial Debenture Payable	53,800	46,800	37,147		47,361	37,146	
Total shareholders' equity	246,656	250,727	241,724		250,835	255,042	
Equity attributable to parent company	242,297	246,351	237,734		246,365	250,908	
Operating Metrics (Consolidated)							
Cost income ratio	52.81%	52.65%	51.18%		48.90%	48.23%	
ROAE	9.32%	9.57%	10.44%		10.96%	14.77%	
ROAA	0.72%	0.71%	0.70%		0.77%	0.93%	
Assets Quality (Standalone)							
NPL	2,274	1,578	1,510		1,478	1,532	
NPL ratio	0.14%	0.09%	0.08%		0.08%	0.07%	
NPL provisions	26,846	28,064	32,459		28,721	33,345	
Coverage ratio	1180%	1778%	2150%		1944%	2177%	
Capital Adequacy Metrics (Standalone)							
BIS ratio	16.9%	16.2%	15.4%				
Tier I Ratio	14.2%	14.1%	12.9%				
LDR (Standalone)							
LDR	62.5%	61.4%	62.4%		62.2%	63.4%	
TWD LDR	69.7%	69.2%	75.4%		71.1%	76.6%	
FX LDR	38.7%	34.1%	25.8%		33.1%	25.7%	

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.

Cathay Century
 (NT\$MM)

				FY22/ FY21			1Q23/ 1Q22
Income Statement Data (Consolidated)	FY20	FY21	FY22	% Chg	1Q22	1Q23	% Chg
Premium income	25,498	28,015	30,266	8%	6,936	7,765	12%
Net written premium	19,413	20,718	22,084	7%	5,145	5,532	8%
Net earned premium	18,848	19,903	21,703	9%	5,221	5,606	7%
Reinsurance commission earned	572	857	900	5%	210	233	11%
Fee income	45	46	49	7%	13	14	3%
Investment	1,254	1,363	595	-56%	543	303	-44%
Interest income	546	539	636	18%	153	163	6%
Other investment income, net	708	824	(41)	-105%	390	140	-64%
Other operating income	0	0	157	0%	34	0	-100%
Net claims payment	(10,669)	(10,470)	(29,677)	183%	(2,522)	(12,840)	409%
Changes in liability reserves	139	(637)	(9,709)	1423%	(414)	8,139	-2065%
Commissions and other operating costs	(3,411)	(3,765)	(3,916)	4%	(886)	(1,027)	16%
Operating expenses	(4,224)	(4,772)	(4,636)	-3%	(1,237)	(1,191)	-4%
Operating income	2,553	2,525	(24,533)	-1071%	962	(764)	-179%
Net non-operating income	5	42	8	-81%	(2)	1	155%
Income taxes	(385)	(392)	4,904	-1352%	(125)	188	-251%
Net income	2,174	2,175	(19,622)	-1002%	836	(575)	-169%
Balance Sheet Data (Consolidated)							
Total assets	44,298	49,900	60,596		49,910	51,488	
Total stockholders' equity	13,130	14,447	12,800		14,573	12,590	
Operating Metrics (Standalone)							
Gross Combined ratio	83.2%	87.1%	196.6%		84.1%	110.2%	
Net Combined ratio	92.9%	92.1%	216.2%		92.8%	141.7%	
ROAE (Consolidated)	16.86%	15.78%	-144.03%		23.04%	-18.13%	
ROAA (Consolidated)	4.98%	4.62%	-35.52%		6.70%	-4.11%	
Capital Adequacy Metrics							
RBC ratio (Standalone)	323%	284%	369%				

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.

Disclaimer

This document is provided by Cathay Financial Holding Co., Ltd. (the "Company"). Except for the numbers and information included in the Company's financial statements, the information contained in this document has not been audited or reviewed by any accountant or independent expert. The Company makes no express or implied representations or warranties as to the fairness, accuracy, completeness, or correctness of such information or opinions. This document is provided as of the date herein and will not be updated to reflect any changes hereafter. The Company, its affiliates and their representatives do not accept any responsibility or liability for any damage caused by their negligence or any other reasons, nor do they accept responsibility or liability for any loss or damages arising from the use of this document or the information contained herein or anything related to this document.

This document may contain forward-looking statements, including but not limited to all statements that address activities, events or developments that the Company expects or anticipates to take place in the future based on the projections of the Company toward the future, and various factors and uncertainty beyond the Company's control. Therefore, the actual results may differ materially from those contained in the forward-looking statements.

This document is not and cannot be construed as an offer to purchase or sell securities or other financial products or solicitation of an offer.

This document may not be directly or indirectly reproduced, redistributed or forwarded to any other person and may not be published in whole or in part for any purpose.