



國泰金控

Cathay Financial Holdings

2022 Third Quarter Briefing

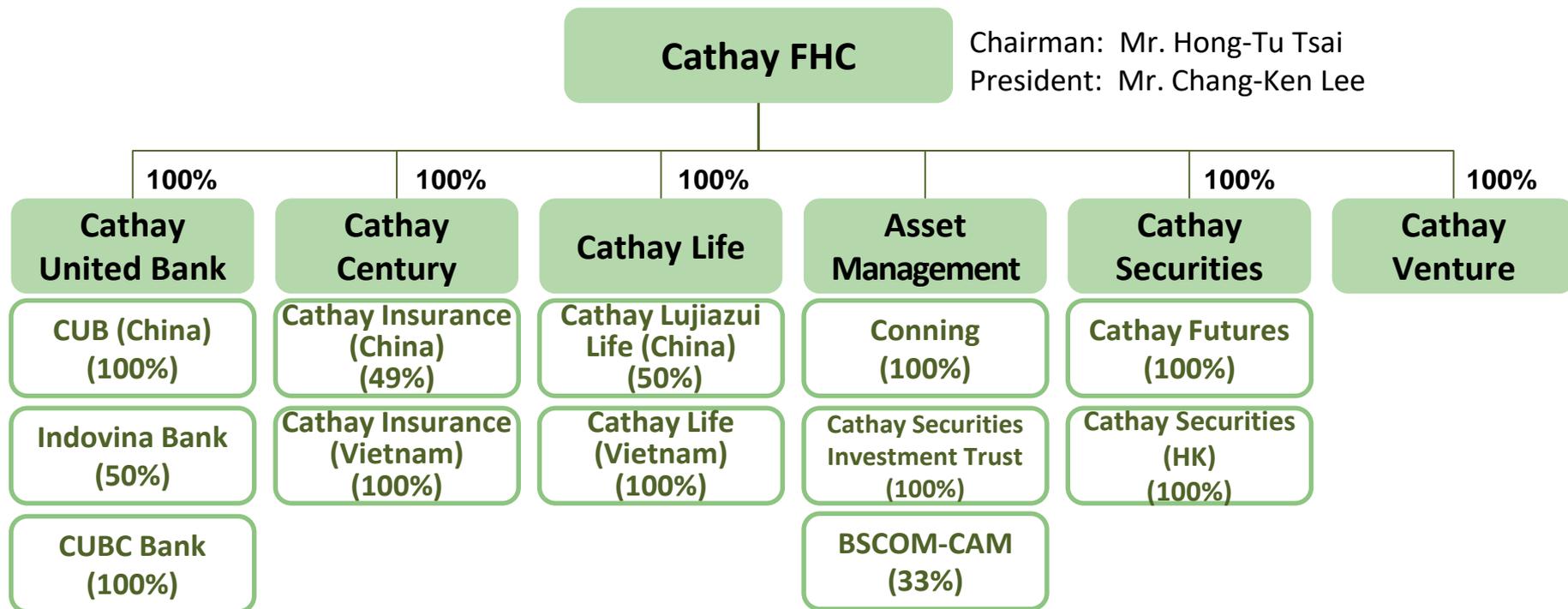
November 2022



Agenda

- **Introduction of Cathay FHC**
- **Business overview**
- **Overseas expansion**
- **Business performance summary**
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **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: 12.6% (9M22).

- No. 1 life insurer in terms of total assets and total premium
- Market share in total premium: 19.9% (9M22).

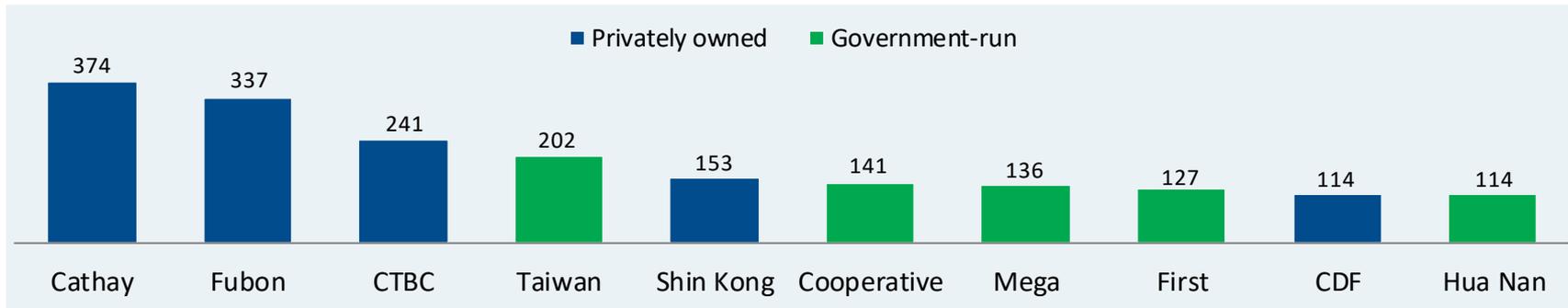
- Building global asset management platform
- Largest AUM among asset managers in Taiwan

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

Market leader in Taiwan's FIG sector

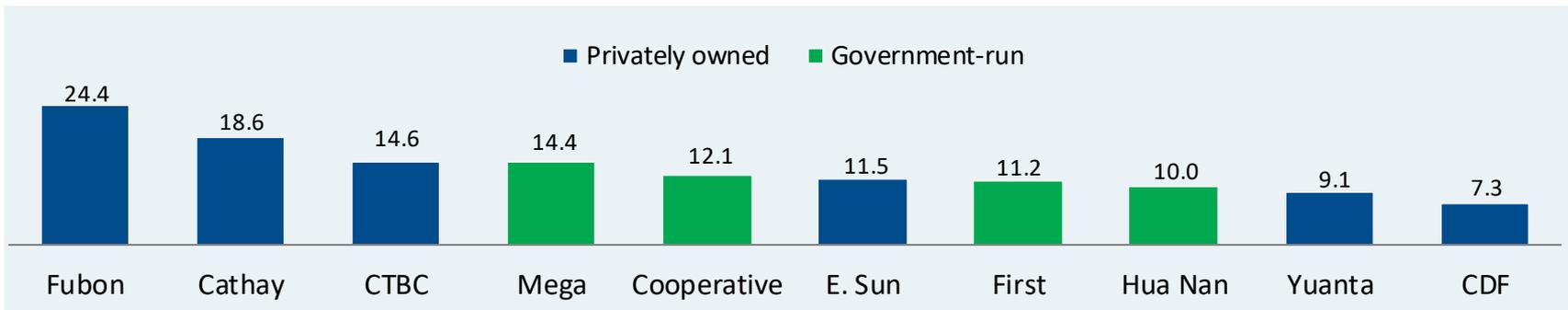
- Largest listed financial group by assets.

Ranking of total asset (US\$bn)



Note: Total assets as of September 30, 2022

Ranking of market cap (US\$bn)



Note: Market capitalization as of November 30, 2022

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

Participation in global and domestic ESG initiatives

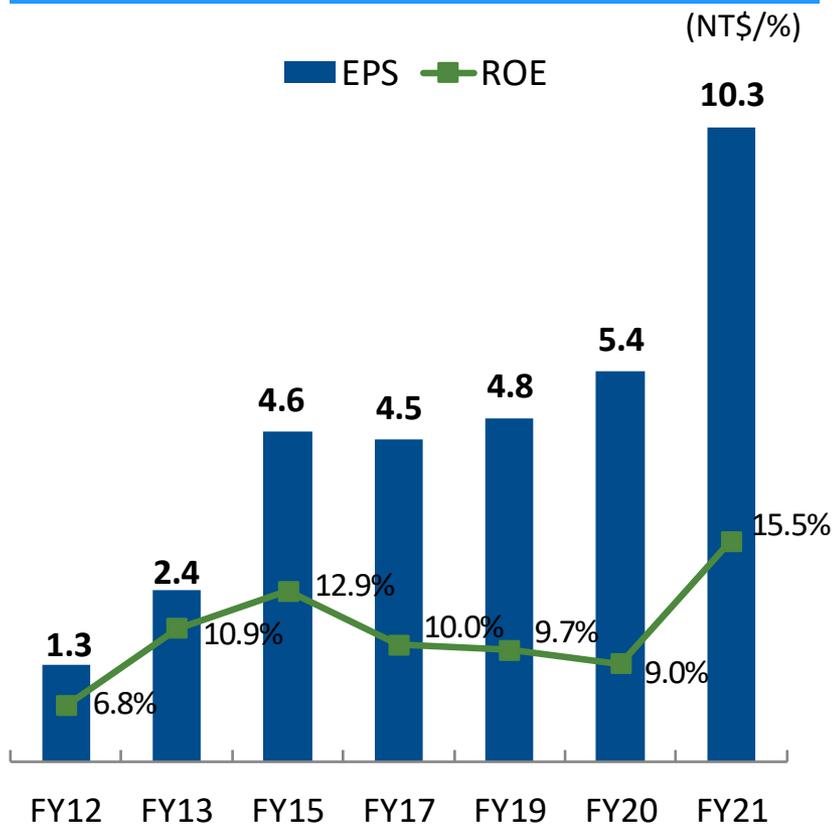
Initiatives	Joined company / Time
CDP	<ul style="list-style-type: none"> Cathay FHC (2012)
Low Carbon Investment Registry	<ul style="list-style-type: none"> Cathay FHC (2014)
Taiwan Stewardship Principles	<ul style="list-style-type: none"> Cathay Life & Cathay SITE (2016) / Cathay Century Insurance (2017) / CUB & Cathay Securities (2018)
Asia Investor Group on Climate Change (AIGCC)	<ul style="list-style-type: none"> Cathay FHC (2016)
CDP non-disclosure engagement campaign	<ul style="list-style-type: none"> Cathay FHC (2017)
Climate Action 100+	<ul style="list-style-type: none"> Cathay Life & Cathay SITE (2017)
PRI (signatory / voluntary self-compliance)	<ul style="list-style-type: none"> Conning Inc. (Signatory in 2015) Cathay Life (voluntary self-compliance in 2015)
PSI (voluntary self-compliance)	<ul style="list-style-type: none"> Cathay Life (2016)/ Cathay Century Insurance (2017)
PRB (voluntary self-compliance)	<ul style="list-style-type: none"> Cathay United Bank(CUB) (2018)
TCFD	<ul style="list-style-type: none"> Cathay FHC (2018)
Valuing Water Finance Task Force/Initiative	<ul style="list-style-type: none"> Cathay FHC & Cathay Life (2020/2022)
Asian Utilities Engagement Program	<ul style="list-style-type: none"> Cathay FHC (2021)
Committed to setting Science-Based Target (SBT)	<ul style="list-style-type: none"> Cathay FHC (2022)
RE100 member	<ul style="list-style-type: none"> Cathay FHC (2022)

Note: Cathay has voluntarily self-complied with UN initiatives, as Taiwan is not a UN member state.

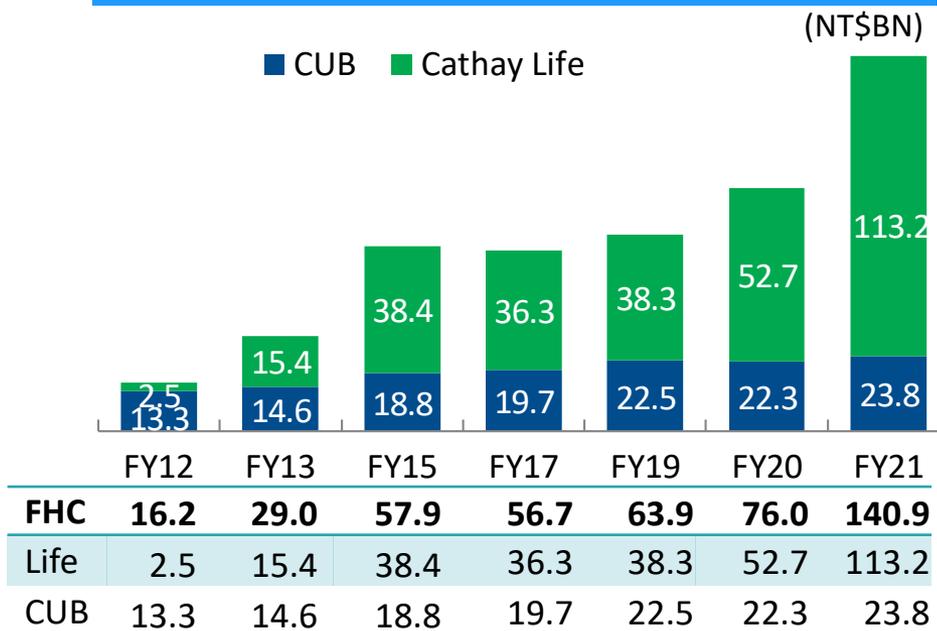
For more information please refer to “Cathay’s ESG Efforts” pages 40-49.

Cathay FHC continued to deliver solid earnings

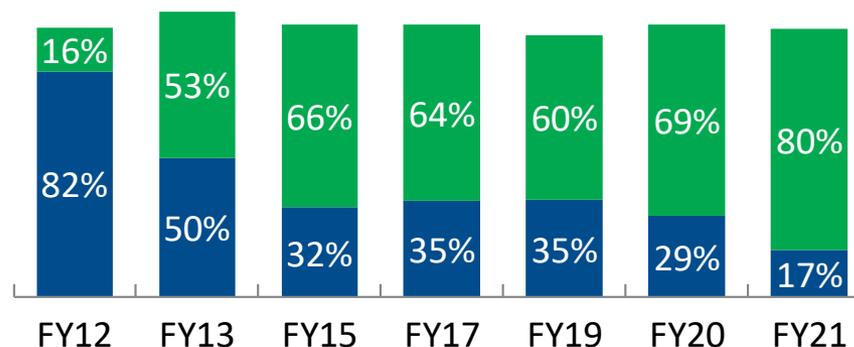
EPS & ROE



Profit contribution



Profit contribution (Percentage)



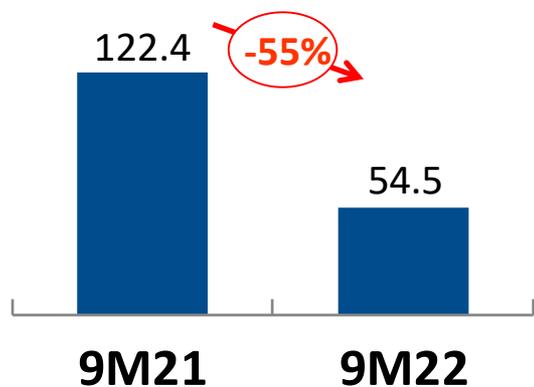
- Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.
 (2) Since Cathay FHC has more subsidiaries other than Cathay Life and CUB, besides, due to affiliate transactions, the Cathay FHC net income might not equal to the sum of Cathay Life and CUB's.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

Cathay FHC – Net income & EPS

- YoY decline was mainly due to the higher base period for investment gains and favorable financial markets in the previous year.

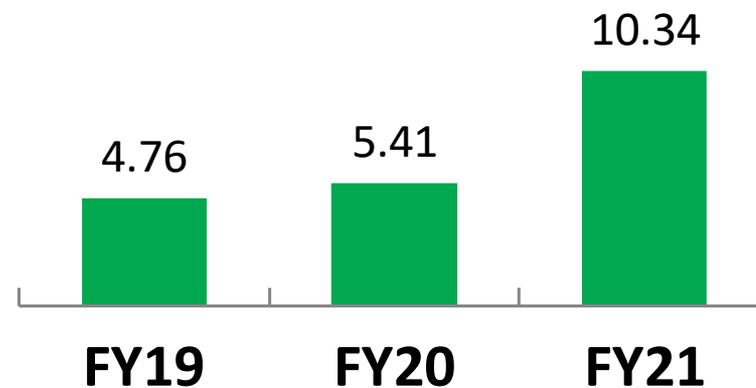
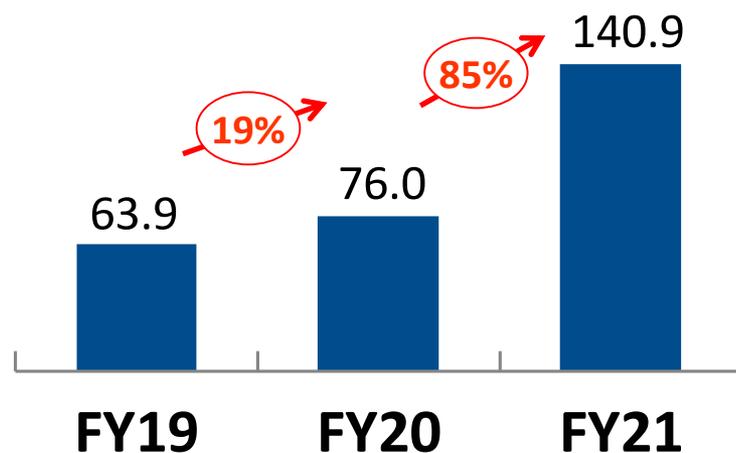
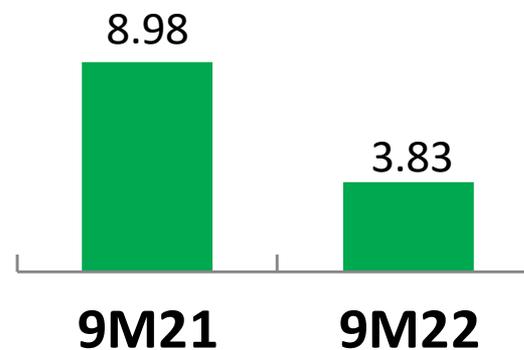
Net income

(NT\$BN)



EPS

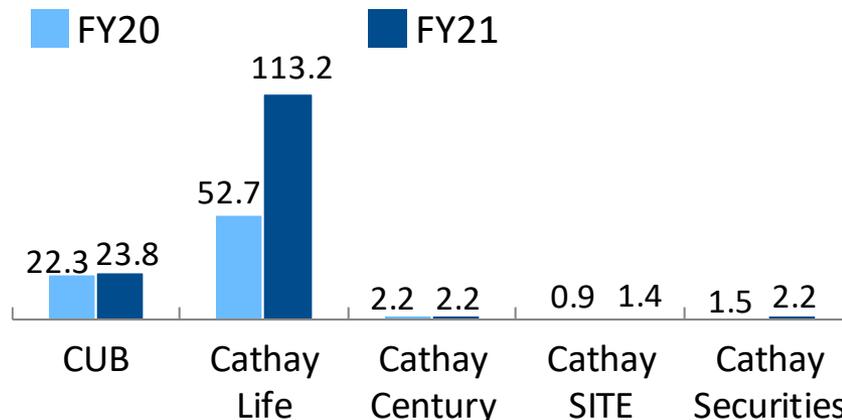
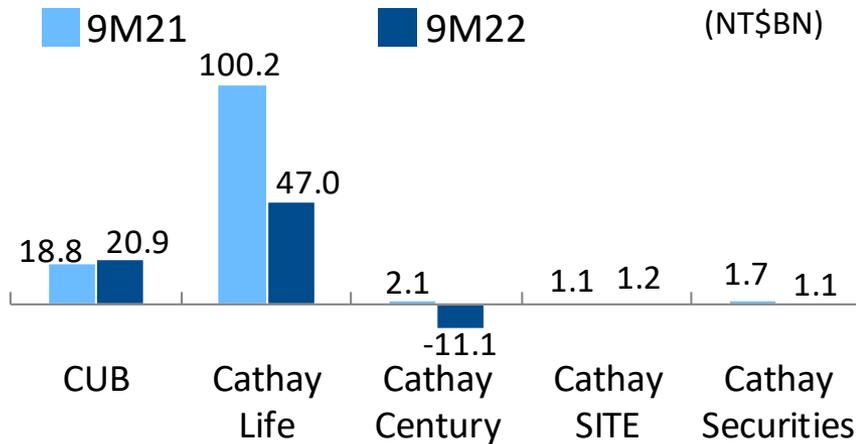
(NT\$)



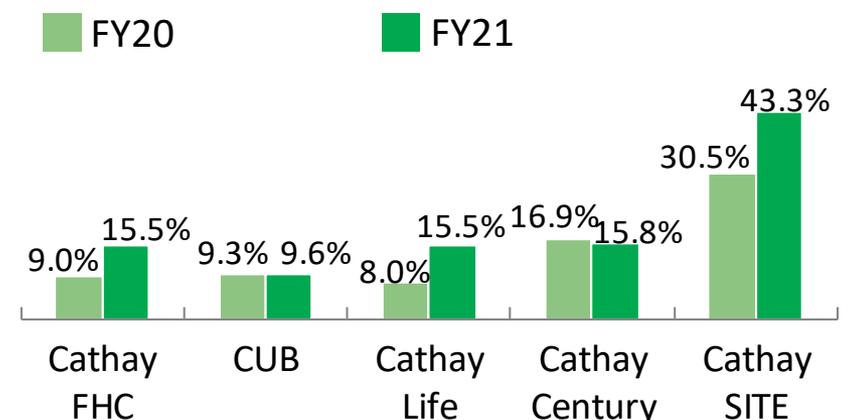
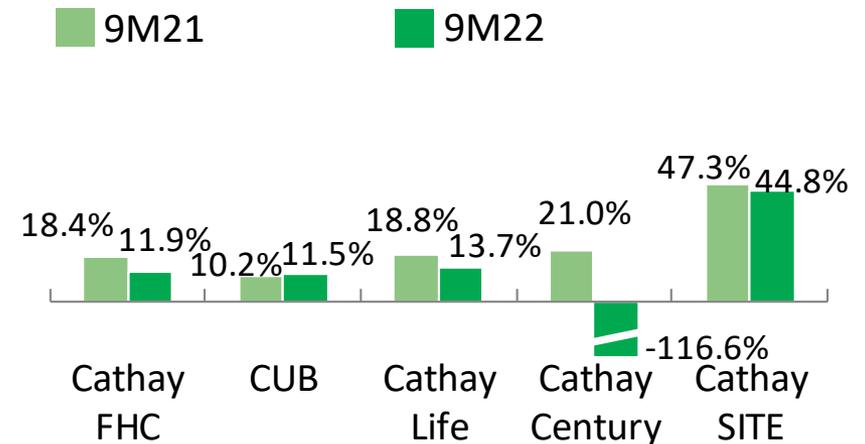
Cathay FHC – Net income & ROE

- CUB earnings rose 11% YoY, driven by strong growth in net interest income. CUB and Cathay SITE reach record-high 9M earnings.
- Cathay Life delivered its second-highest historical 9M earnings. The YoY decline was due to the higher base period for capital gains in 9M21. Cathay Century's net loss was due to pandemic insurance.

Net income of primary subsidiaries

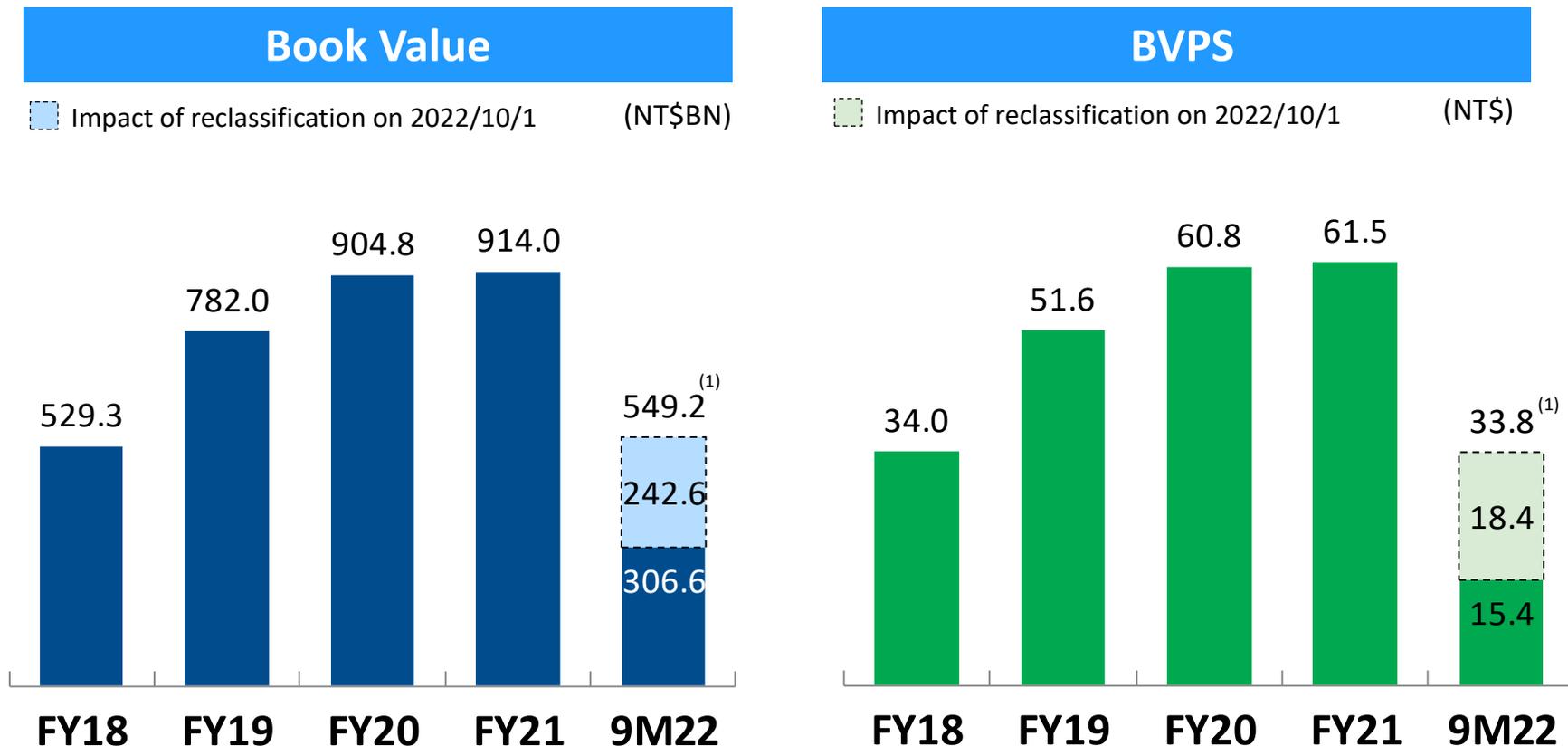


ROE



Cathay FHC – Book value & BVPS

- Book value declined in 9M22, reflecting a sharp rise in bond yields and a decline in equity markets.
- Book value increased by NT\$242.6bn to NT\$549.2bn and BVPS rose by NT\$18.4 to NT\$33.8 upon financial asset reclassification, effective Oct. 1, 2022.



Note : (1) After careful consideration by company management and CPAs, taking into account the relevant facts and evidence, Cathay Life decided to change its business model for financial asset classification. This decision was made prior to 2022/9/30, with the effective reclassification date being 2022/10/1 in accordance with IFRS 9.

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

9M22 Business Overview

Cathay United Bank

- Net income reached a record high for the Jan–Sep period, with double-digit growth.
- Delivered double-digit growth in deposits and loans. Asset quality was benign. NIM expanded, and net interest income grew 23% YoY, owing to rate hikes.

Cathay Life

- Adhered to a value-driven strategy. Protection-type FYP grew 11% YoY. FYP and APE each topped the industry.
- Delivered sound investment performance, with investment yield of 4.26%, on the back of substantial improvement in hedging costs and recurring yield.

Cathay Century

- 9M22 net loss reflected the impact of pandemic insurance. Continued to deliver double-digit growth in premiums and maintained stable profit if excluding the impact from pandemic insurance.
- Developed online business in China. Accelerated development of Vietnam business and increased premium income via digital transformation.

Cathay SITE

- Ranked No. 1 in AUM, totaling NT\$1.14tn. Earned wide acclaim for various new products. 9M22 net profit set a record high for the Jan–Sep period.
- Recognized by Asia Asset Management and The Asset. Received HR Asia - Best Companies to Work for in Asia Award in 2022.

Cathay Securities

- Optimized customer experience with a 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.

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Cathay FHC in South East Asia

	China	Vietnam	Cambodia	Hong Kong	Singapore	Malaysia	Laos	Philippines	Myanmar	Thailand	Indonesia
Bank	7	36	16	1	1	1	1	1	1	1	1
Life	53	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 of Cathay Century (China), and 33% stake of BSCOM Cathay Asset Management.



■ Banking

- Vietnam: Ho Chi Minh City Branch maintained steady growth. IVB continued to expand in corporate, consumer, and digital banking business.
- Cambodia: Local subsidiary plans to launch a new mobile banking app.
- Philippines: Manila branch signed a sustainability-linked loan (SLL) agreement with Prime Asset.

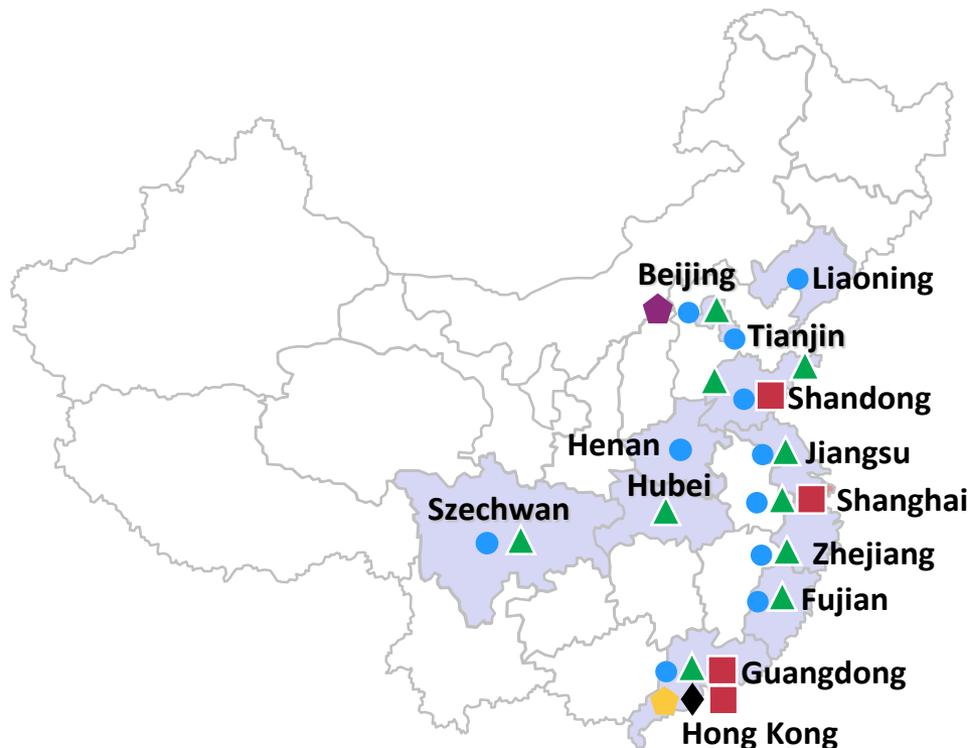
■ Cathay Life (Vietnam)

- Total premium grew 26% YoY to 2.1tn VND in 9M22.
- Expanded and diversified distribution channels.

■ Cathay Insurance (Vietnam)

- Premium income grew to 398.6bn VND in 9M22.
- Continued to promote digital transformation and mobile insurance app.

Cathay FHC in China



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

■ Cathay United Bank

- China subsidiary and HK branch saw steady growth in all business lines.

■ Cathay Lujiazui Life

- Total premium grew 17% YoY to 2.9bn RMB in 9M22.
- Grew business in scale and value through agent workforce and multiple-channel development.

■ Cathay Insurance (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.

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Cathay United Bank

Cathay Life

Cathay Century

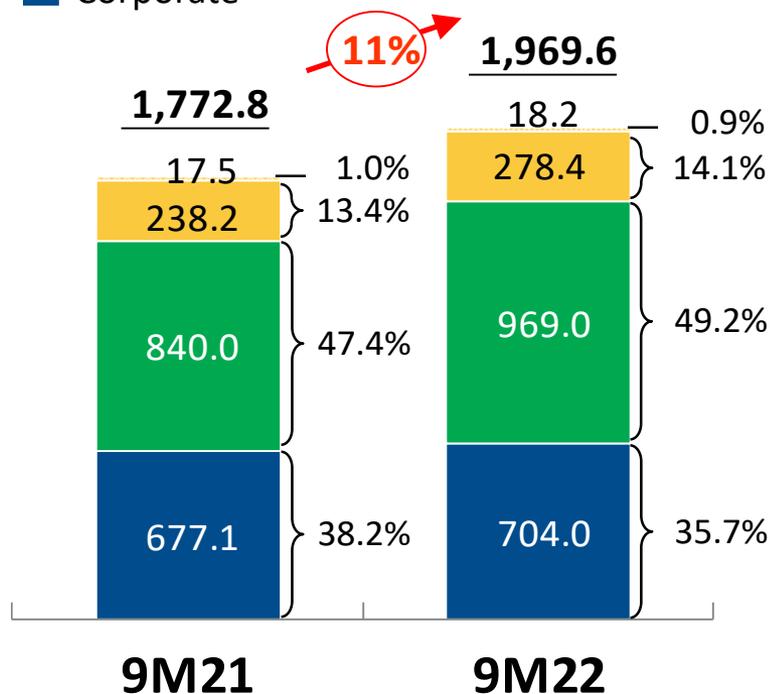
- Cathay's ESG efforts
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Cathay United Bank – Loan & deposit breakdown

- Robust loan growth, with both mortgage and consumer loans showing double-digit growth.
- Solid growth in deposits, with demand-deposit ratio around 70%.

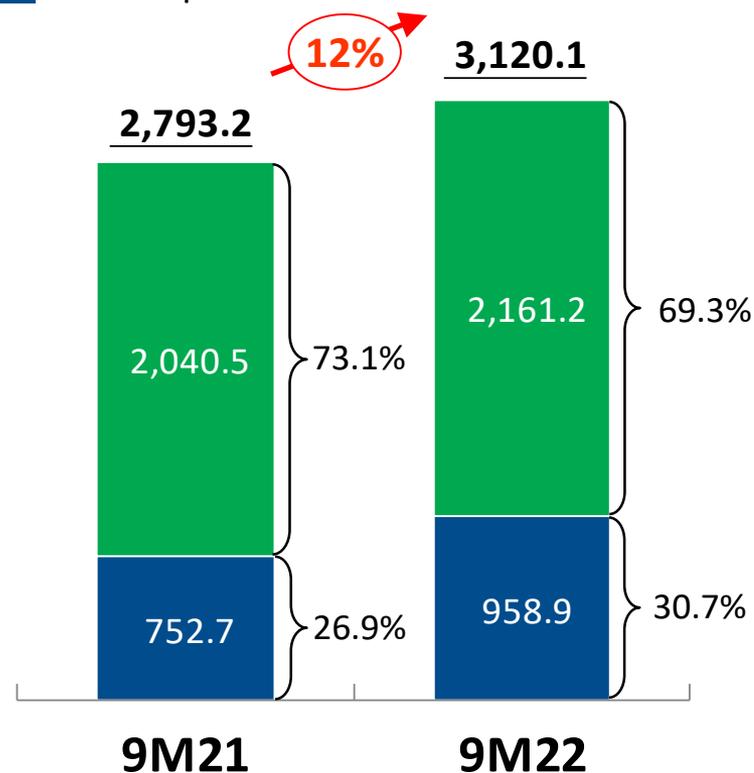
Loan breakdown

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



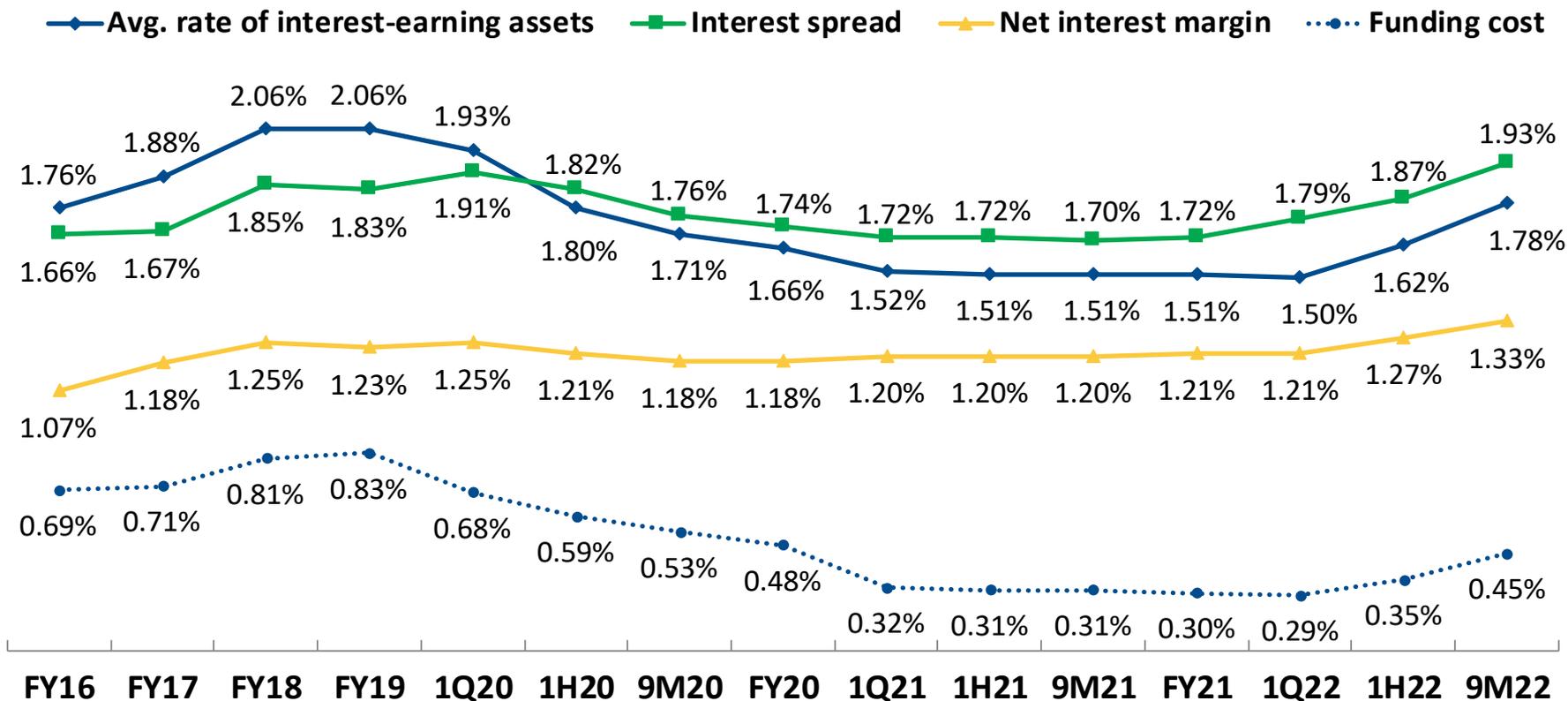
Deposit breakdown

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



Cathay United Bank – Interest yield

□ Benefiting from rising rates, NIM and interest spread increased significantly.



	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
Quarterly Spread	1.86%	1.91%	1.73%	1.65%	1.69%	1.72%	1.71%	1.69%	1.74%	1.79%	1.94%	2.02%
Quarterly NIM	1.26%	1.25%	1.17%	1.13%	1.17%	1.20%	1.20%	1.21%	1.22%	1.21%	1.33%	1.45%

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

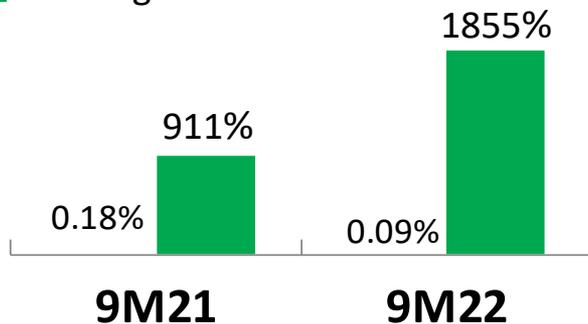
(2) China subsidiary was launched in Sep 2018. Hence, since 9M18, China subsidiary results was excluded.

Cathay United Bank – Credit quality

- Asset quality remained benign, with NPL at 0.09% and coverage ratio at 1855%.

NPL & Coverage ratio

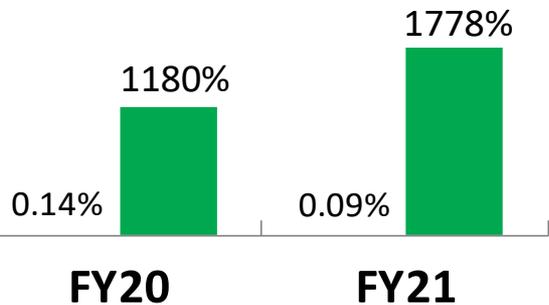
- NPL ratio
- Coverage ratio



Mortgage NPL

0.09 %

0.06 %



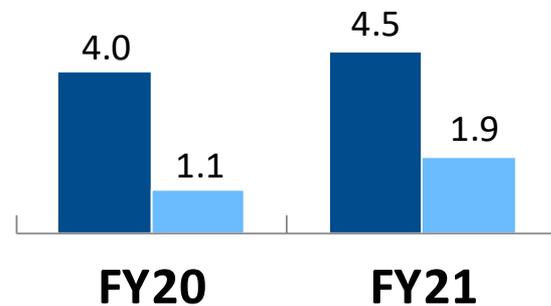
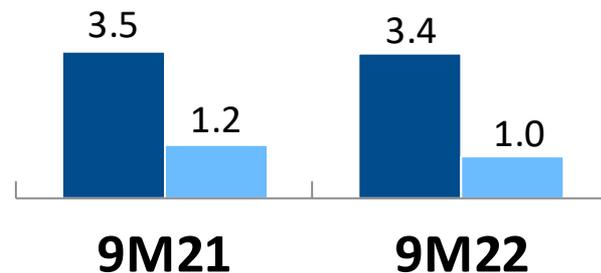
Mortgage NPL

0.11 %

0.08 %

Gross provision

- Gross provision (NT\$BN)
- Recovery

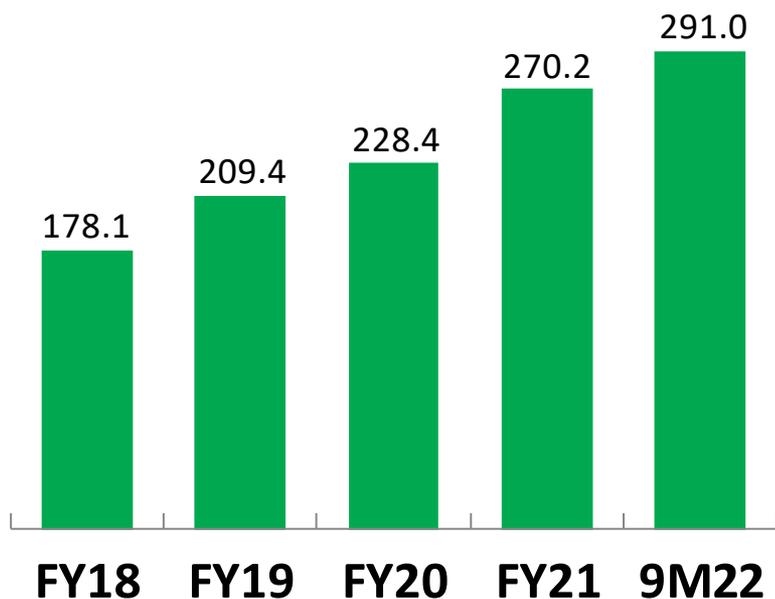


Cathay United Bank – SME & FX loans

- SME loans grew 8% YTD.
- Aims to grow foreign currency loans while ensuring asset quality.

SME loans

(NT\$BN)

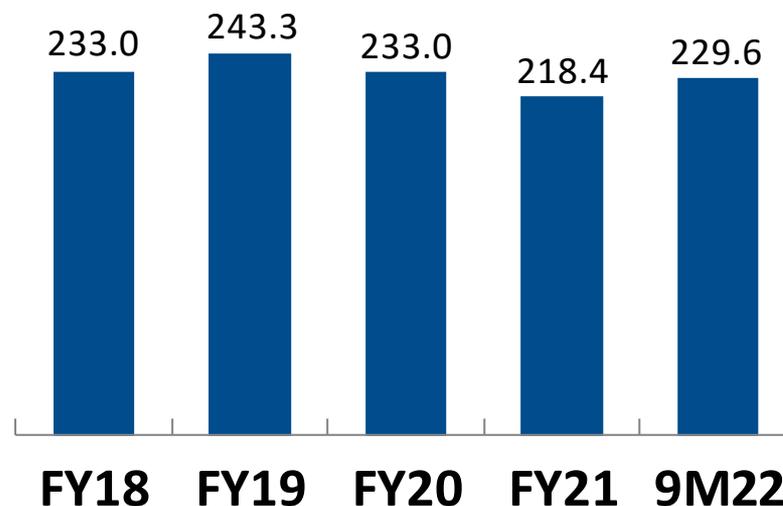


As % of total loans

11.4% 13.8% 14.1% 15.3% 14.9%

Foreign currency loans

(NT\$BN)



15.0% 16.1% 14.4% 12.4% 11.8%



Cathay United Bank – Offshore earnings

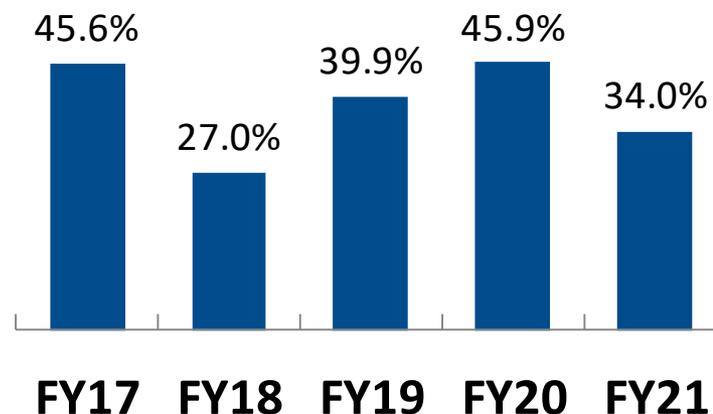
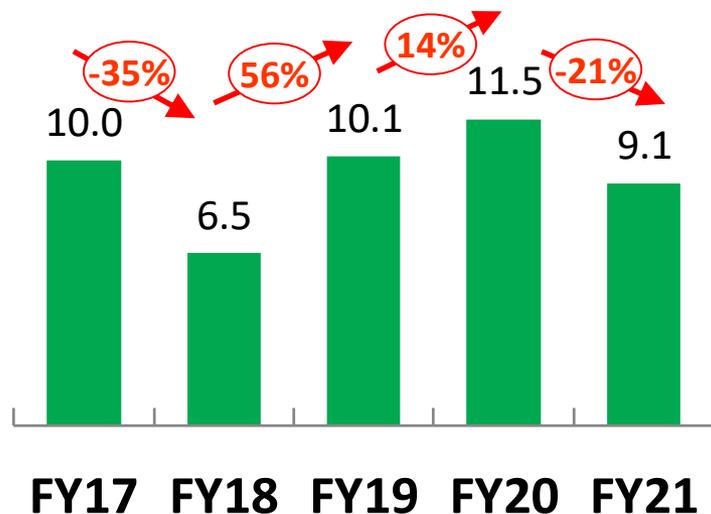
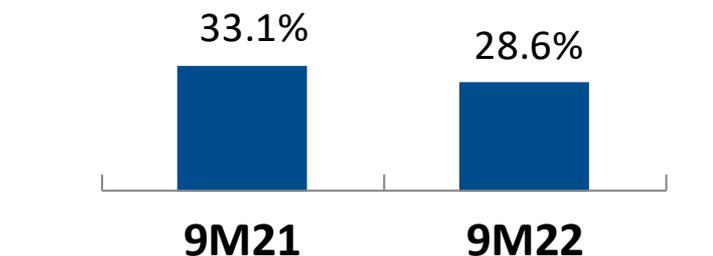
- Offshore earnings showed slight increase, comprising ~30% of pre-tax earnings.

Offshore earnings

(NT\$BN)



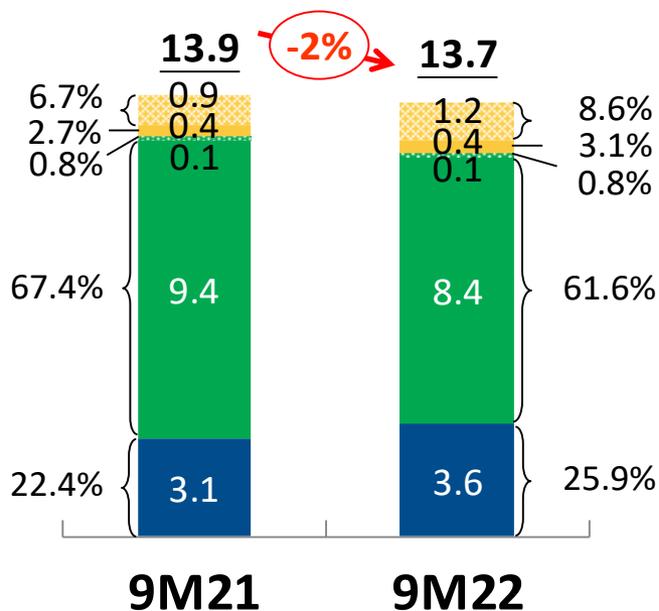
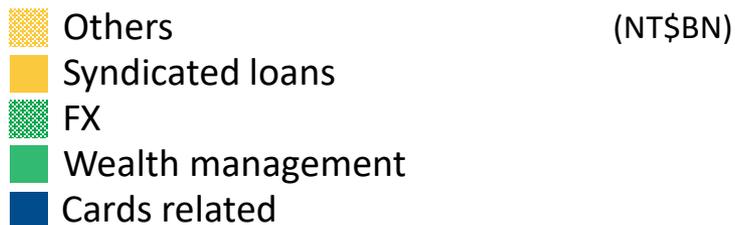
As % of CUB pre-tax profits



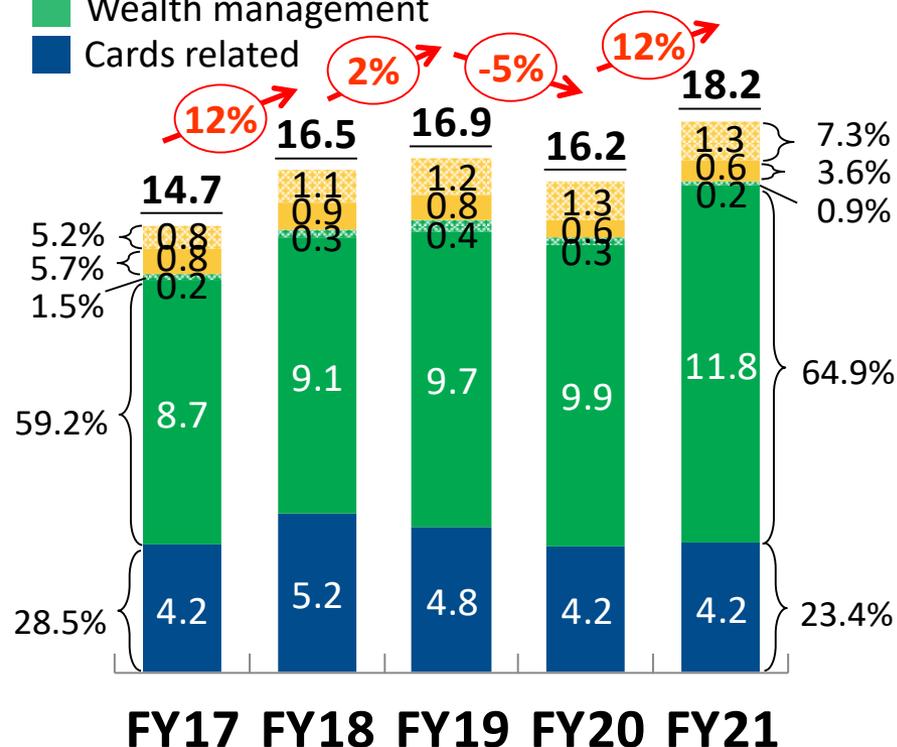
Cathay United Bank – Net fee income

- Net fee income declined 2% YoY due to decreased wealth management fees. Credit card fees continued to show solid growth.

Quarterly net fee income



Annual net fee income

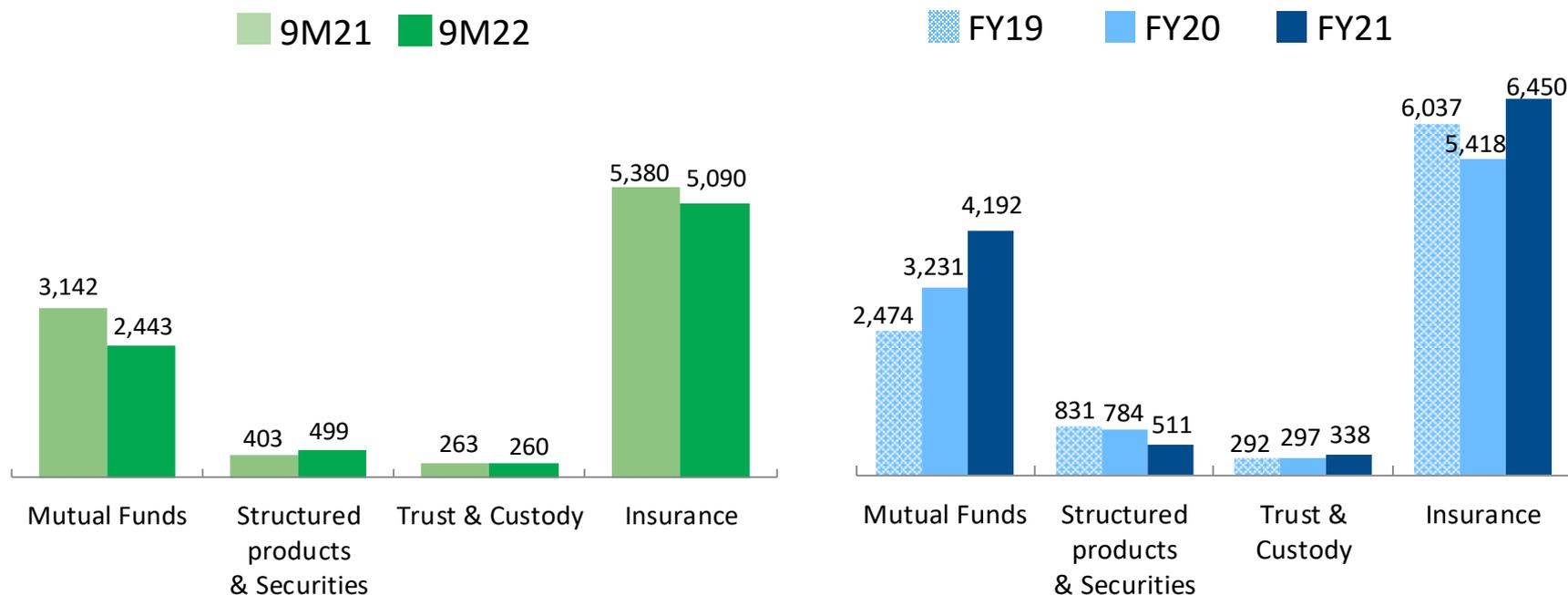


Cathay United Bank – Wealth management fees

- Wealth management fees declined 10% YoY, attributable to lower sales in mutual funds and investment-linked policies resulting from capital market volatility.
- Sales of overseas bond products increased, driving double-digit growth in securities fees.

Wealth management fees breakdown

(NT\$MN)	9M21	9M22	FY19	FY20	FY21
Wealth management fee income	9,407	8,447	9,695	9,878	11,783
YoY growth (%)	19.0%	-10.2%	6.9%	1.9%	19.3%



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Cathay Life

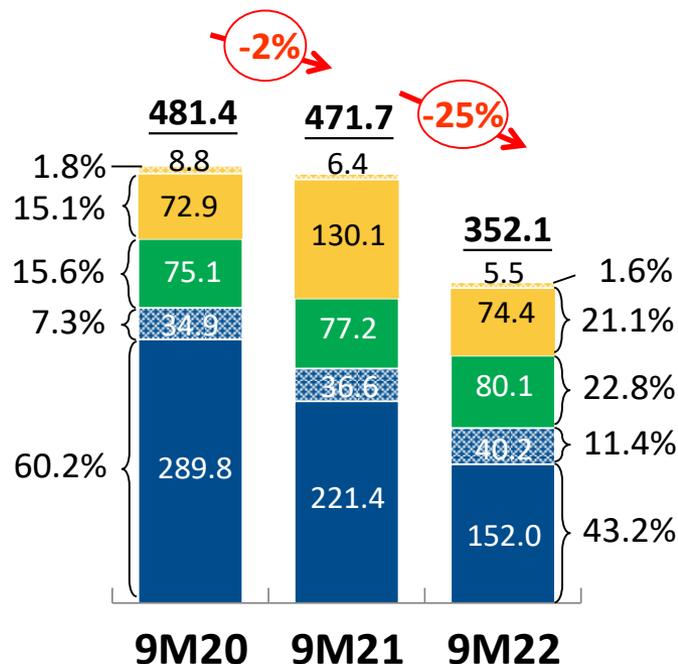
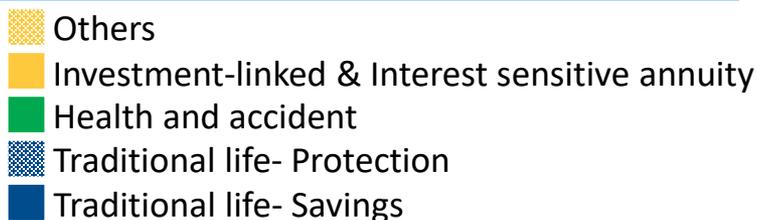
Cathay Century

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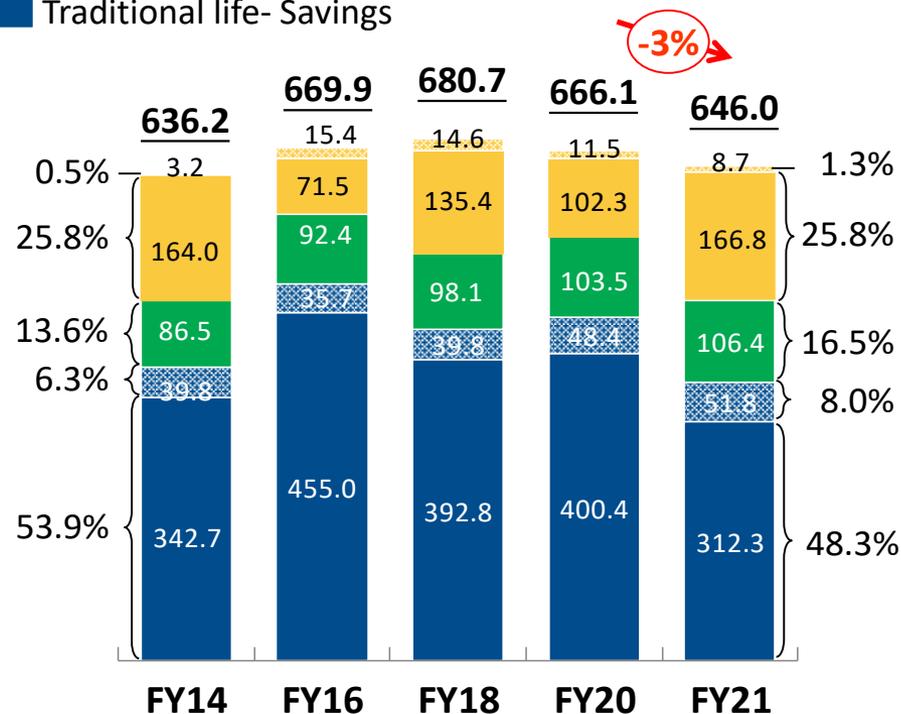
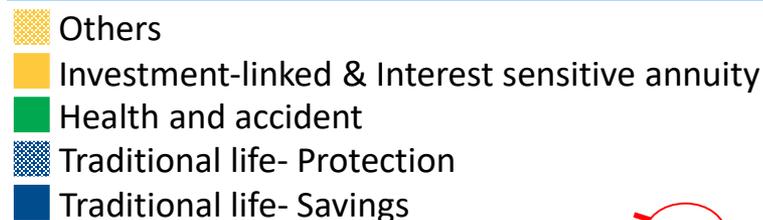
Cathay Life – Total premium

- Total premium declined YoY due to the high 9M21 base for ILPs and lower renewal premium, reflecting the end of regular premium payment terms for some top-selling products.

Quarterly total premium



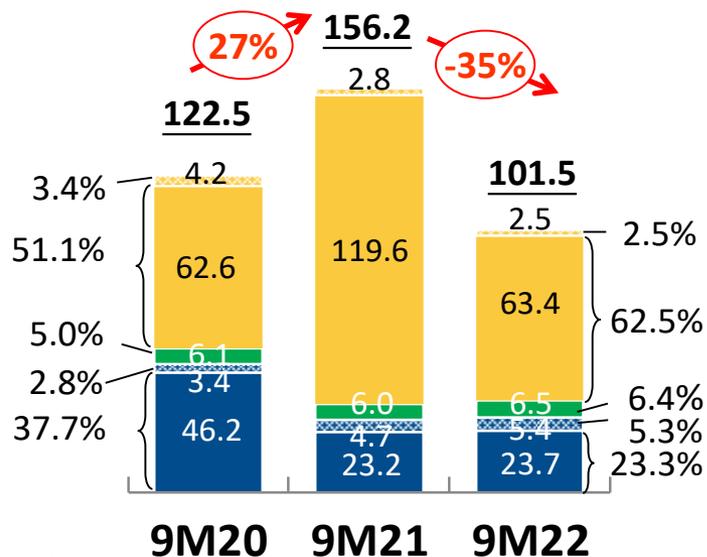
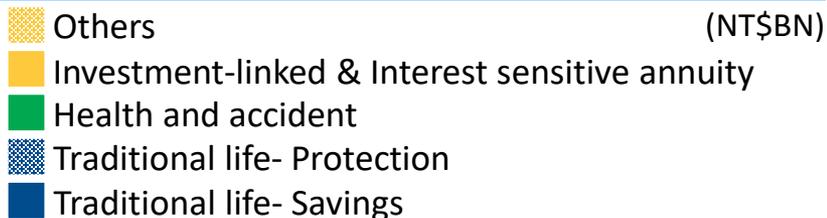
Annual total premium



Cathay Life – Quarterly FYP & APE

- FYP and APE declined YoY, owing to the high base period for ILPs in 9M21, which saw favorable capital markets.
- FYP for protection-type policies grew 11%, supporting the contractual service margin (CSM).

First Year Premium

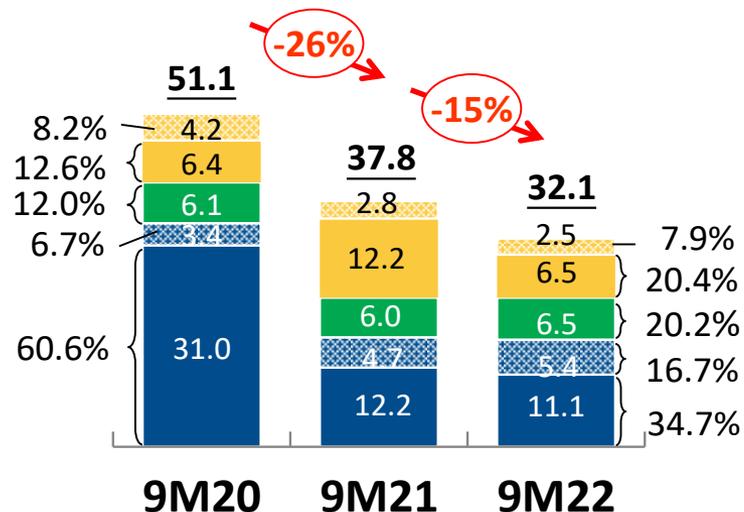
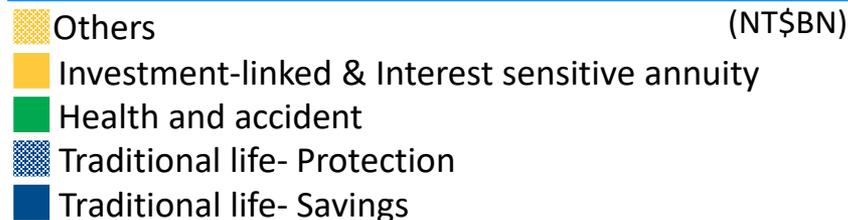


FX polices %
(excl. Investment-linked)

9M20 9M21 9M22

68% 72% 72%

Annualized FYP (APE)



Note: (1) Protection type policies includes "Traditional life-Protection" and "Health and accident"

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

Cathay Life – Value of new business

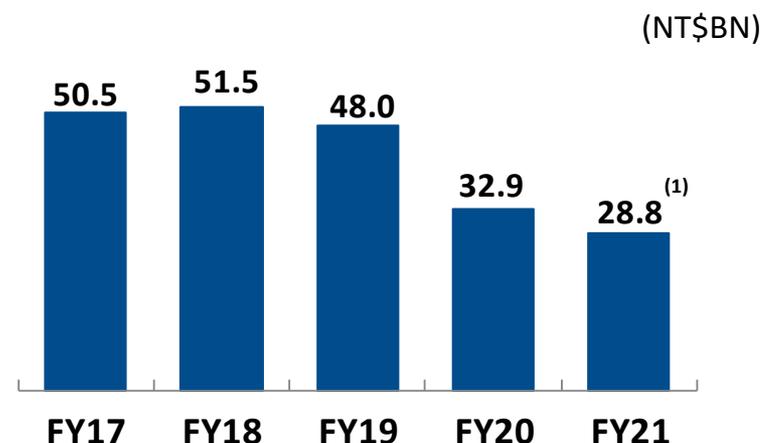
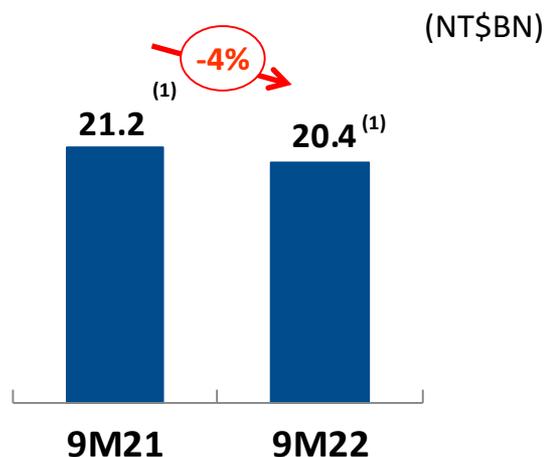
- VNB declined YoY due to the higher 9M21 base for sales volume of ILPs.
- VNB margin increased, attributable to continued efforts in growing high-CSM protection-type products.

Value for New Business

Profit Margin	9M21 ⁽¹⁾	9M22 ⁽¹⁾
VNB/FYP	14%	20%
VNB/APE	56%	64%

Value for New Business (annual)

Profit Margin	FY17	FY18	FY19	FY20	FY21 ⁽¹⁾
VNB/FYP	22%	24%	24%	20%	14%
VNB/APE	64%	72%	50%	53%	56%



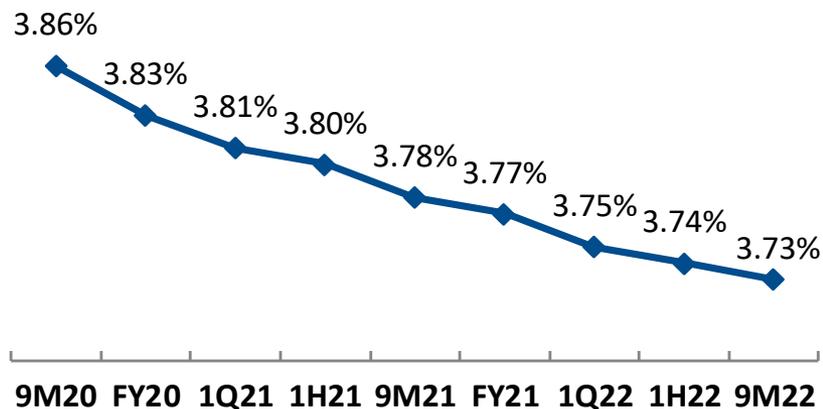
Note : (1) 9M21, FY21 and 9M22 VNB were based on 2021 Embedded Value assumptions.

(2) Based on 2020 Embedded Value assumptions, 9M21 & FY21 VNB were NT\$21.3BN and NT\$28.8BN ; VNB/FYP were both 14% , VNB/APE were both 56%, respectively.

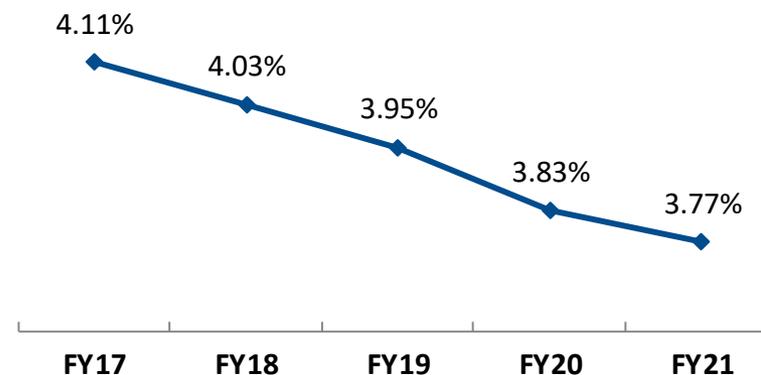
Cathay Life – Cost of liability and break-even asset yield

- Continued to build upon a value-driven strategy. Cost of liabilities continued to improve.

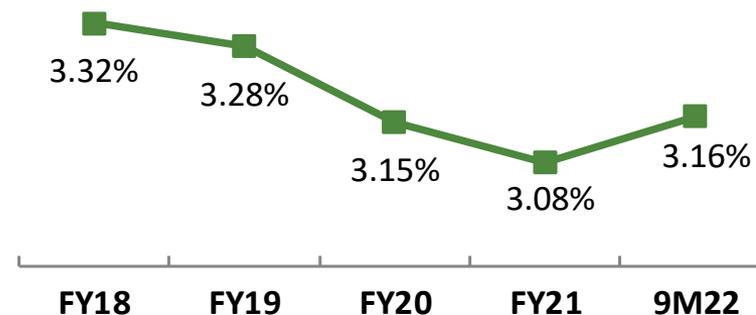
Cost of liability (quarterly)



Cost of liability (annual)



Break-even asset yield



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

Cathay Life – Investment portfolio

(NT\$BN)	FY19	FY20	FY21			9M22		
Total investments⁽¹⁾	6,415.0	6,945.1	7,254.1			7,097.9		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	3.7%	4.8%	3.2%	234	0.2%	0.7%	53	0.3%
Equity- Domestic	5.0%	6.3%	7.2%	519	20.9%	5.7%	405	9.8%
Equity- International ⁽²⁾	5.8%	5.9%	6.4%	465	11.6%	5.8%	415	6.3%
Bond- Domestic	7.9%	8.0%	7.9%	572	1.7%	7.0%	498	3.0%
Bond- International ⁽¹⁾⁽²⁾	58.9%	58.0%	58.5%	4,246	5.3%	62.6%	4,440	3.8%
Mortgage & Secured loans	5.3%	4.5%	4.4%	308	1.4%	4.1%	291	2.0%
Policy loans	2.7%	2.4%	2.3%	170	5.4%	2.4%	167	5.3%
Real estate	8.2%	7.7%	7.4%	548	2.4%	7.9%	560	2.9%
Others	2.6%	2.4%	2.6%	191		3.8%	268	

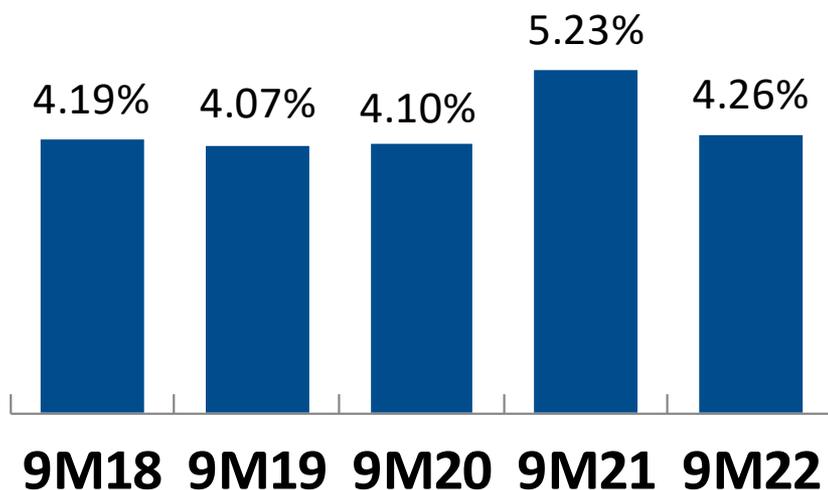
Note: (1) Total assets excluded separate account assets; international bond includes foreign currency deposit and related adjustments

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

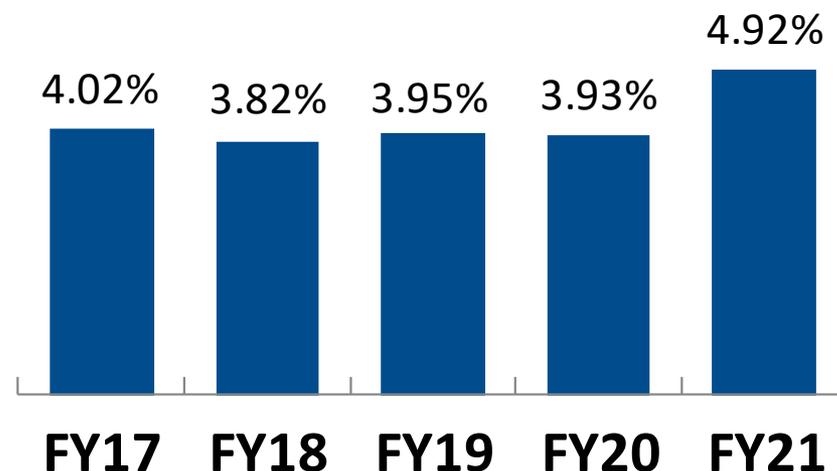
Cathay Life – Investment performance highlights

- After-hedging investment yield remained benign. The YoY decline was mainly due to the higher base period for capital gains amid favorable financial markets in 9M21.

After-hedging investment yield



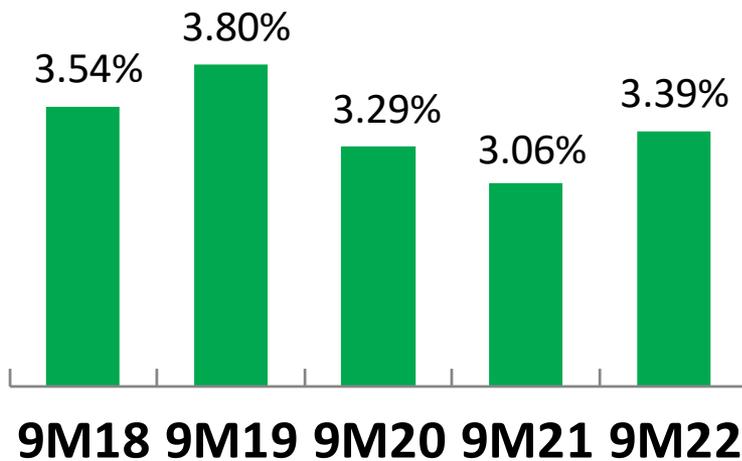
After-hedging investment yield



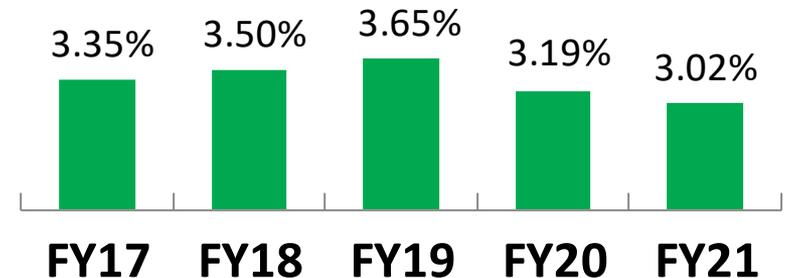
Cathay Life – Investment performance highlights

- Pre-hedging recurring yield rose 33bps YoY as new money yield from overseas bonds surged YTD with expanded position; cash dividend income increased YoY.
- Hedging costs improved substantially with a gain of 0.28%, owing to TWD depreciation and effective proxy hedging.

Pre-hedging recurring yield

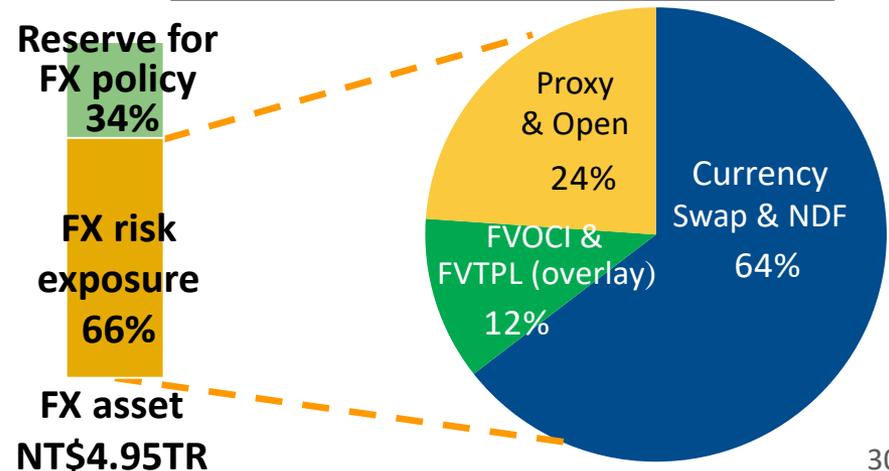


Pre-hedging recurring yield



Currency hedging structure

9M22 Hedging cost -0.28% (Gain)



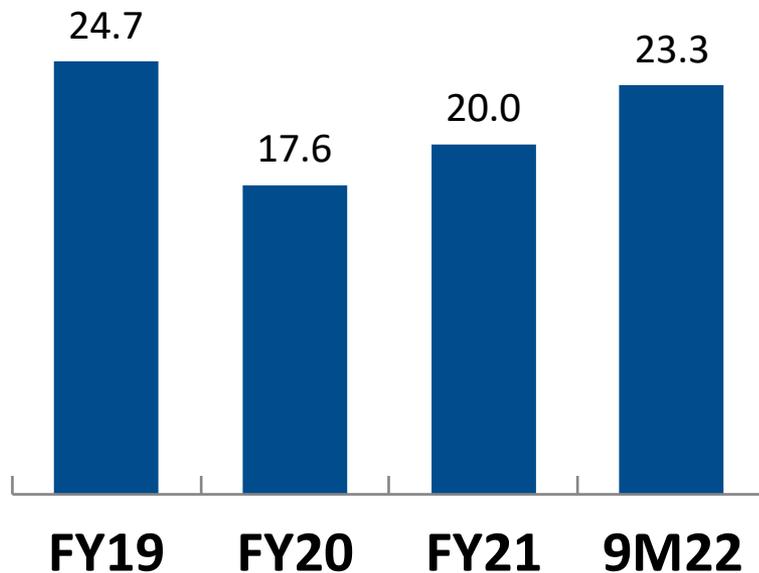
Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

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

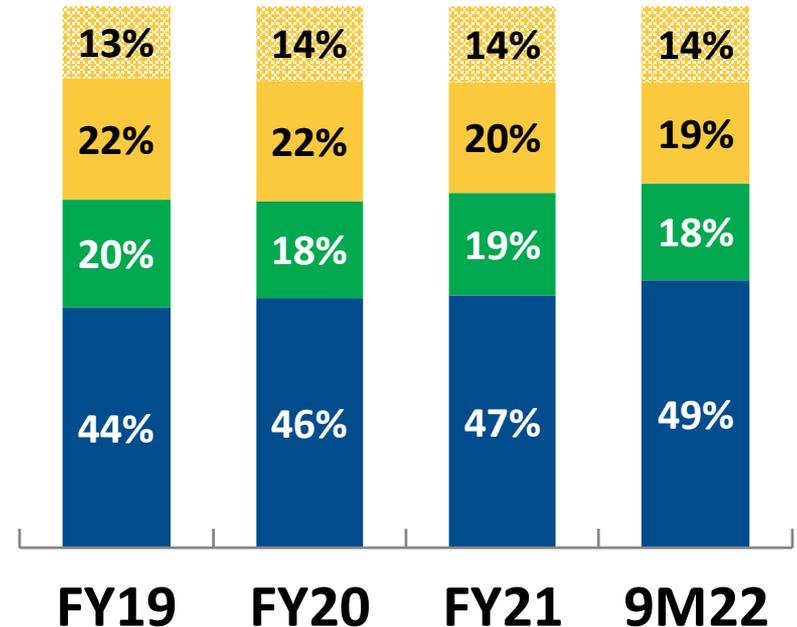
□ 9M22 cash dividend income was NT\$233bn, outpacing 2021 full-year cash dividend income.

Cash dividend income

(NT\$BN)

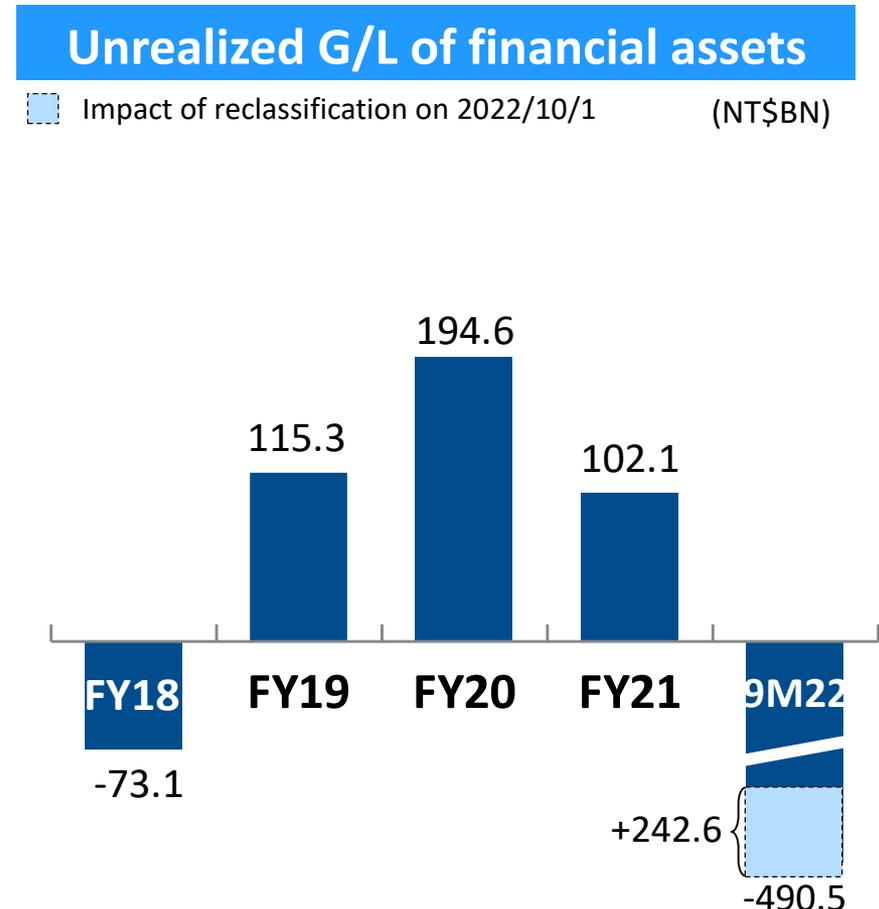
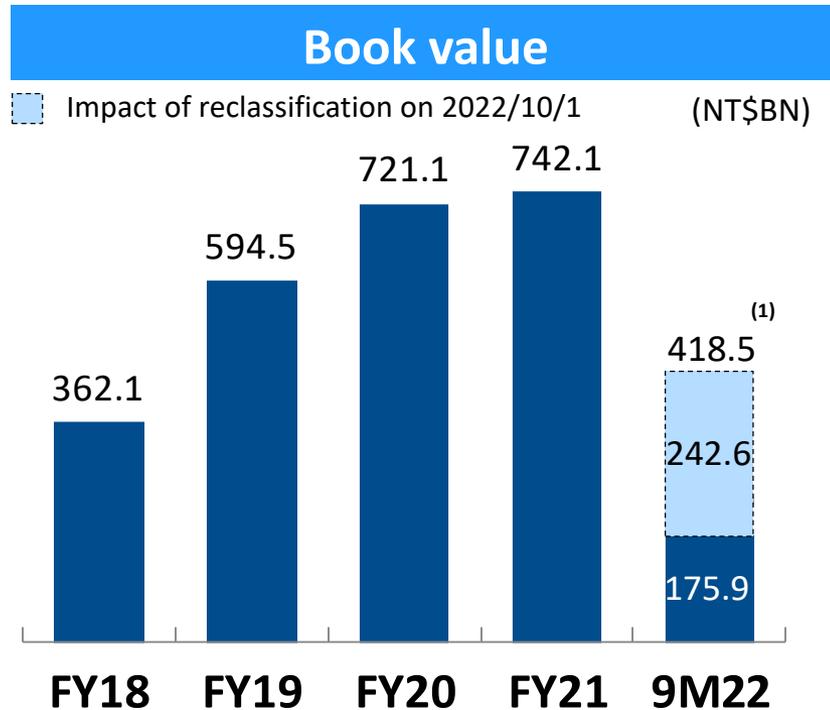


Overseas fixed income by region



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

- Book value and unrealized G/L declined, reflecting a sharp rise in bond yields and a decline in equity markets.
- Book value increased by NT\$242.6bn upon financial asset reclassification, effective Oct. 1, 2022.



Note: (1) After careful consideration by company management and CPAs, taking into account the relevant facts and evidence, Cathay Life decided to change its business model for financial asset classification. This decision was made prior to 2022/9/30, with the effective reclassification date being 2022/10/1 in accordance with IFRS 9.

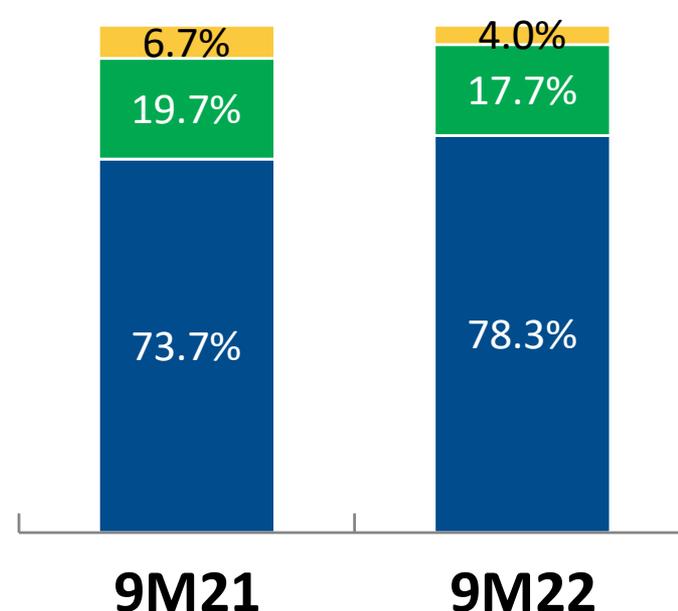
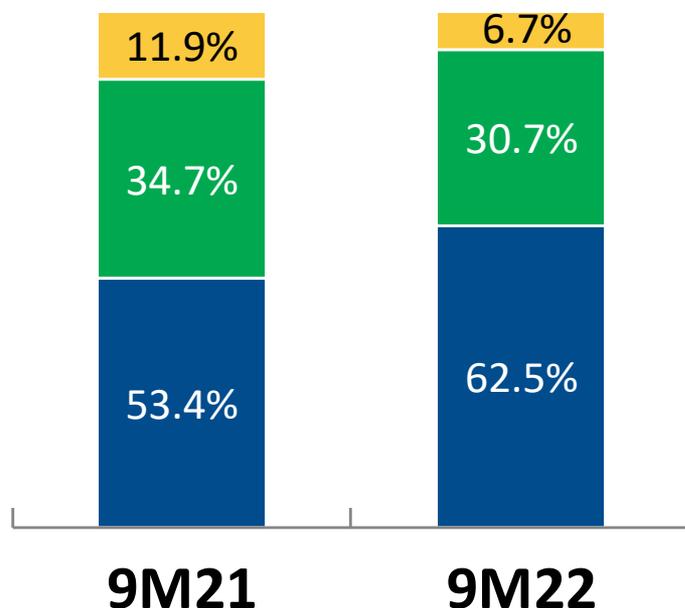
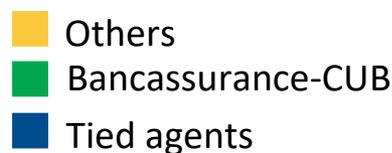
(2) Unrealized G/L of financial assets are the combination of FVOCI & FVTPL (overlay approach).

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.

First Year Premium

Annualized FYP (APE)



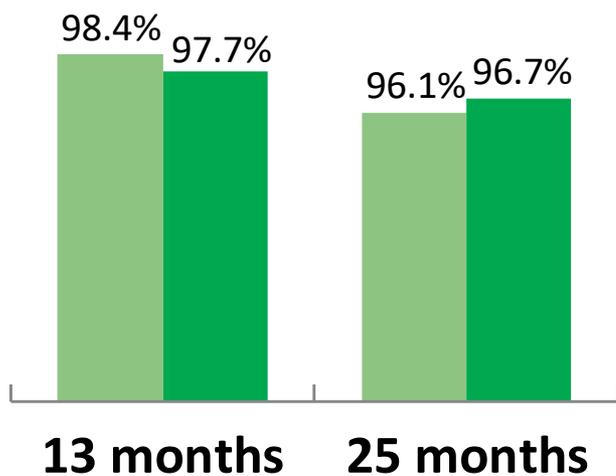
Cathay Life – Operational indicators

- Total expenses declined with a greater magnitude of decline in total premium, leading to a higher expense ratio.

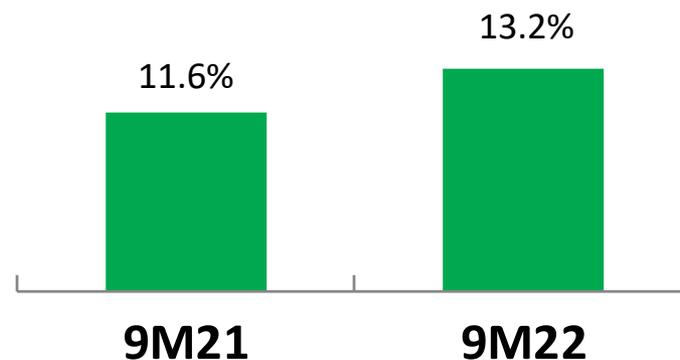
Persistency ratio

■ 9M21

■ 9M22



Expense ratio



Agenda

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Cathay United Bank

Cathay Life

Cathay Century

- Cathay's ESG efforts
- Appendix

Cathay Century – Premium income

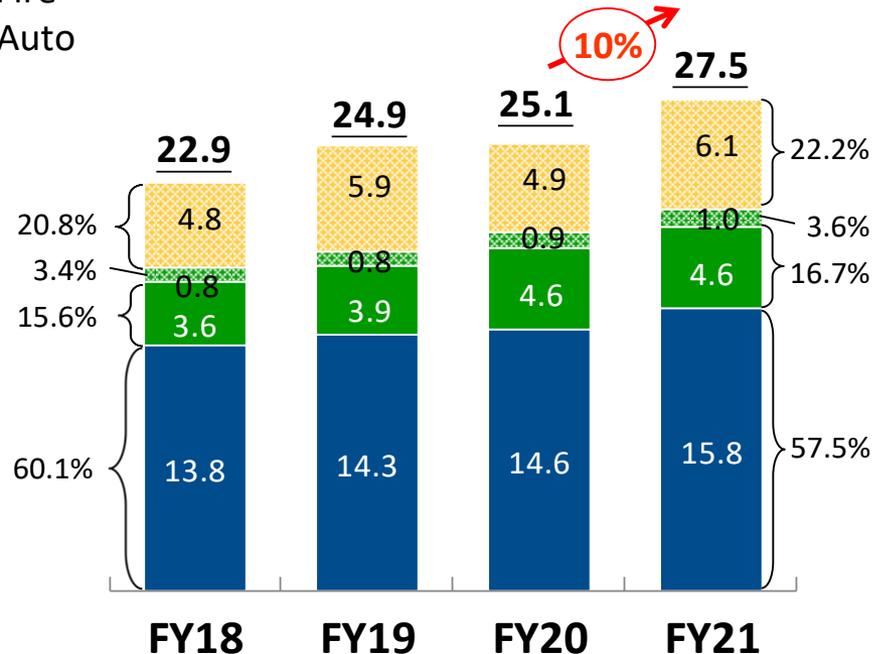
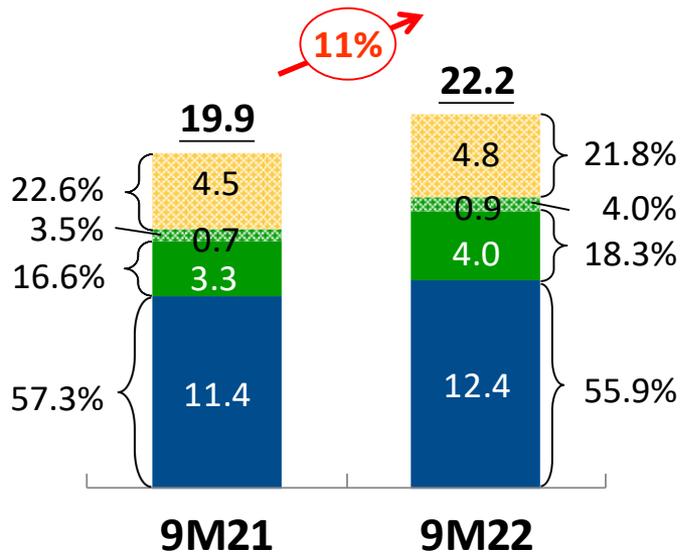
- Premium income showed double digit growth. Market share was 12.6%.

Premium income

Premium income (annual)

(NT\$BN)  Engineering + Others
 Marine
 Fire
 Auto

(NT\$BN)



Market share	11.9%	12.6%	13.0%	13.1%	12.3%	12.4%
Retention	74.7%	71.7%	77.1%	77.7%	76.4%	74.3%

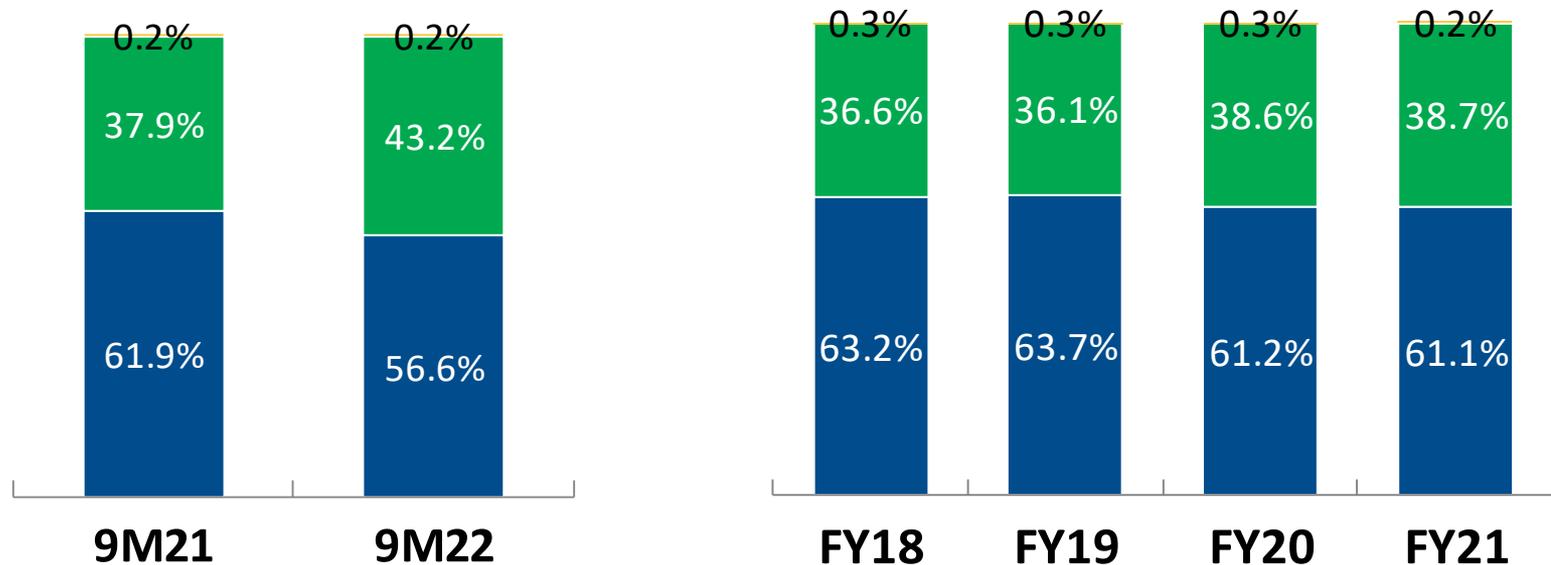
Cathay Century – Distribution channel

- Proportion of premium income generated by Cathay P&C agents increased to over 40% in 9M22.
- Benefiting from cross-selling synergy, over 50% of premium income was generated by the group channel.

Distribution channel

Distribution channel (annual)

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

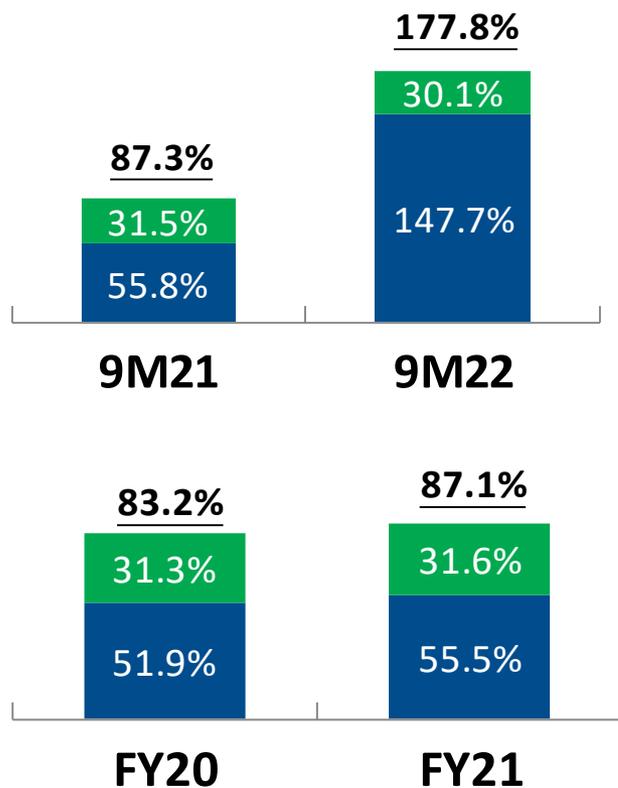


Cathay Century – Combined ratio

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

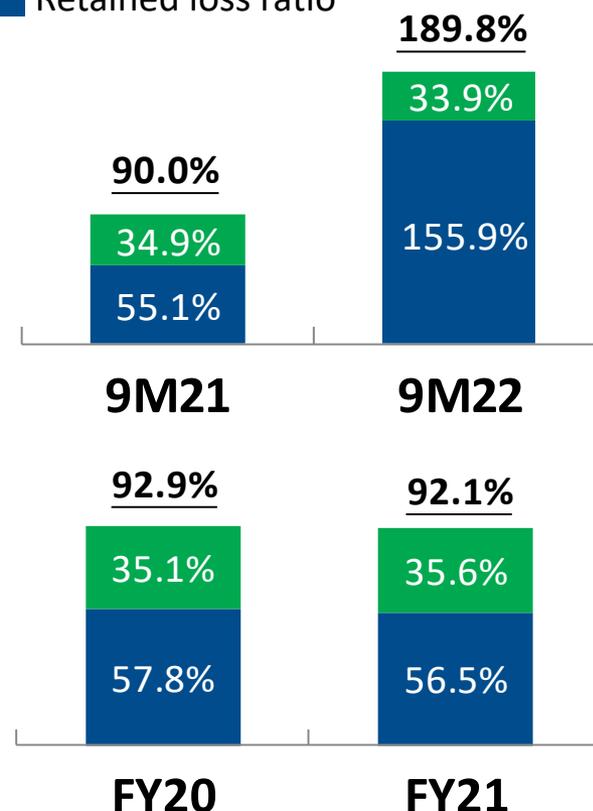
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



Retained combined ratio

- Retained expense ratio
- Retained loss ratio



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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 maintained by FTSE Russell and Taiwan Index Plus Corp. (TIP), a 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

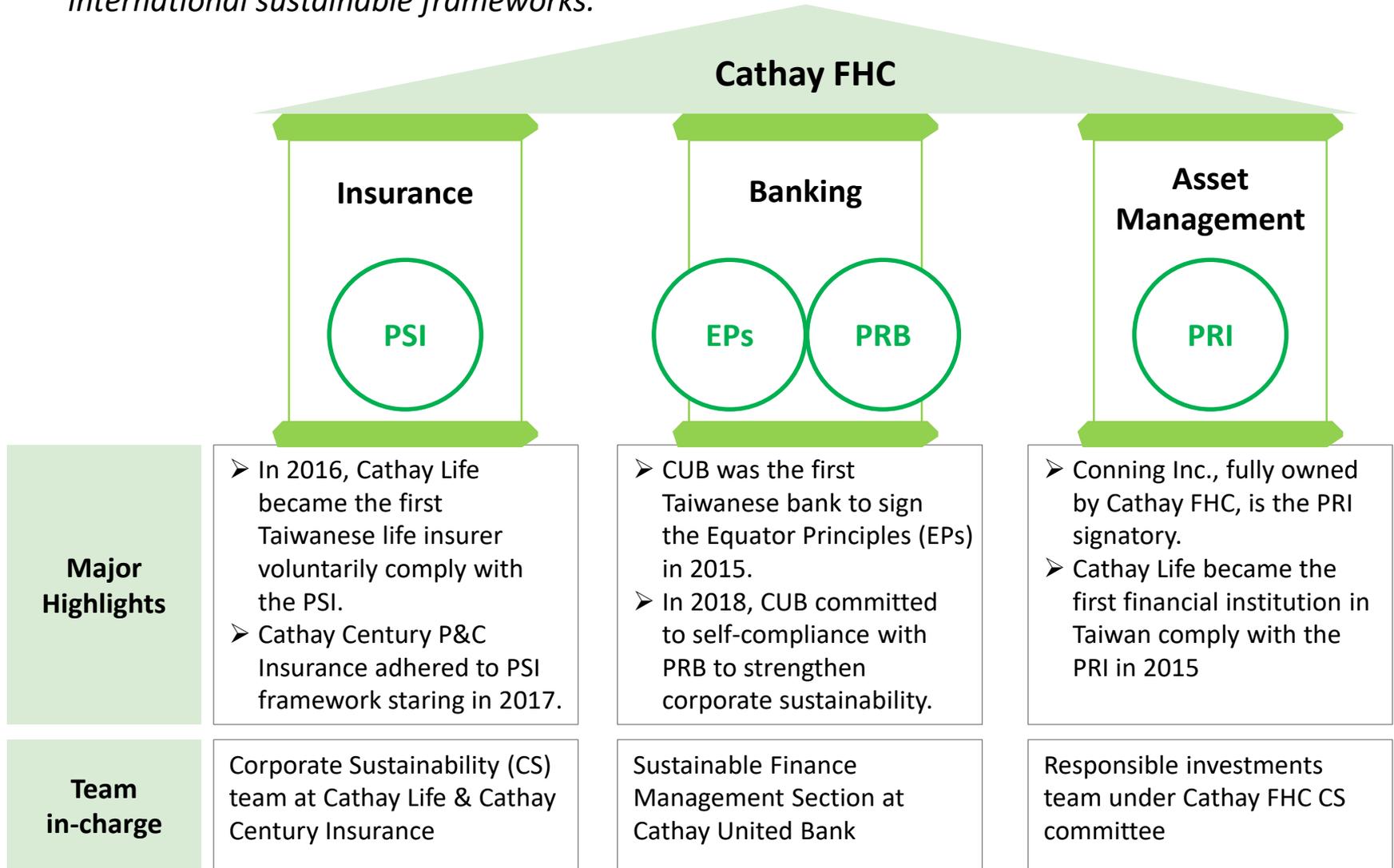
First Prize in Annual Survey for **3**
consecutive year (**Finance & Insurance**),
selected for **“Annual Honor Roll”** in 2022



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.*



Integrating ESG issues into all business processes



Risk Management

- Consider ESG emerging risks
- Better manage climate risks and opportunities by following TCFD framework
- Set investment/lending limits and establish management procedures



Products & Services

- Fintech and one-stop service
- Strengthen green finance and inclusive finance services
- Integrate ESG issues into underwriting and lending processes



Operation

- Paperless operations and Fintech
- GHG inventory and carbon emission reduction
- Water and waste control



After-Sales Management

- Review the product details and offer flexibility to customers following significant ESG incidents
- Trigger critical disaster claims mechanism following significant ESG incidents
- Disclose EPs projects



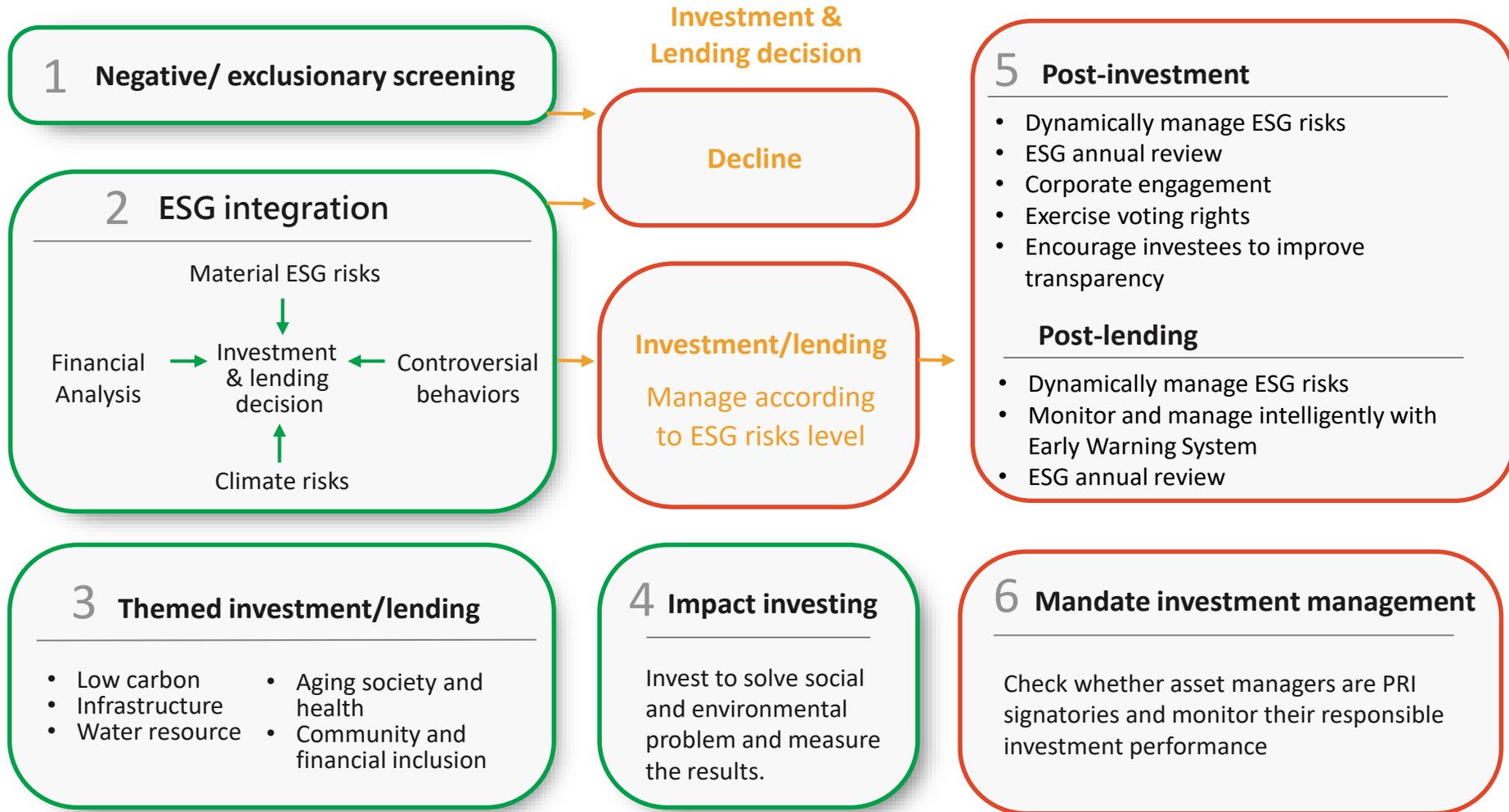
Investment

- Exclusion policy
- ESG integration
- Sustainability-themed investing
- Corporate engagement and shareholders activism
- Investment mandate management

Integrating ESG into responsible investment and lending

Investment/ Lending Process

Engagements after Investment/ Lending

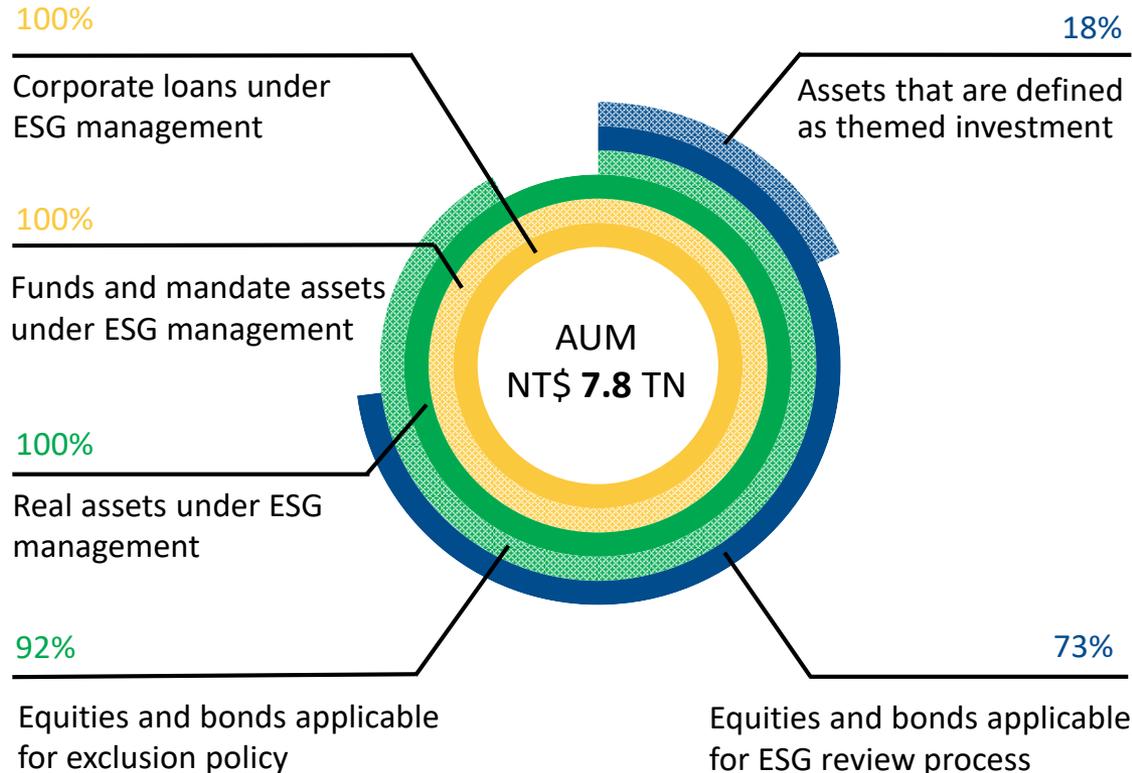


Implementing responsible investment across multiple asset classes

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.

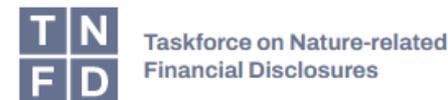
Supported TCFD initiative since 2018, actively managing climate-related risks.



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 only two signatories in Taiwan.**

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



CDP non-disclosure campaign

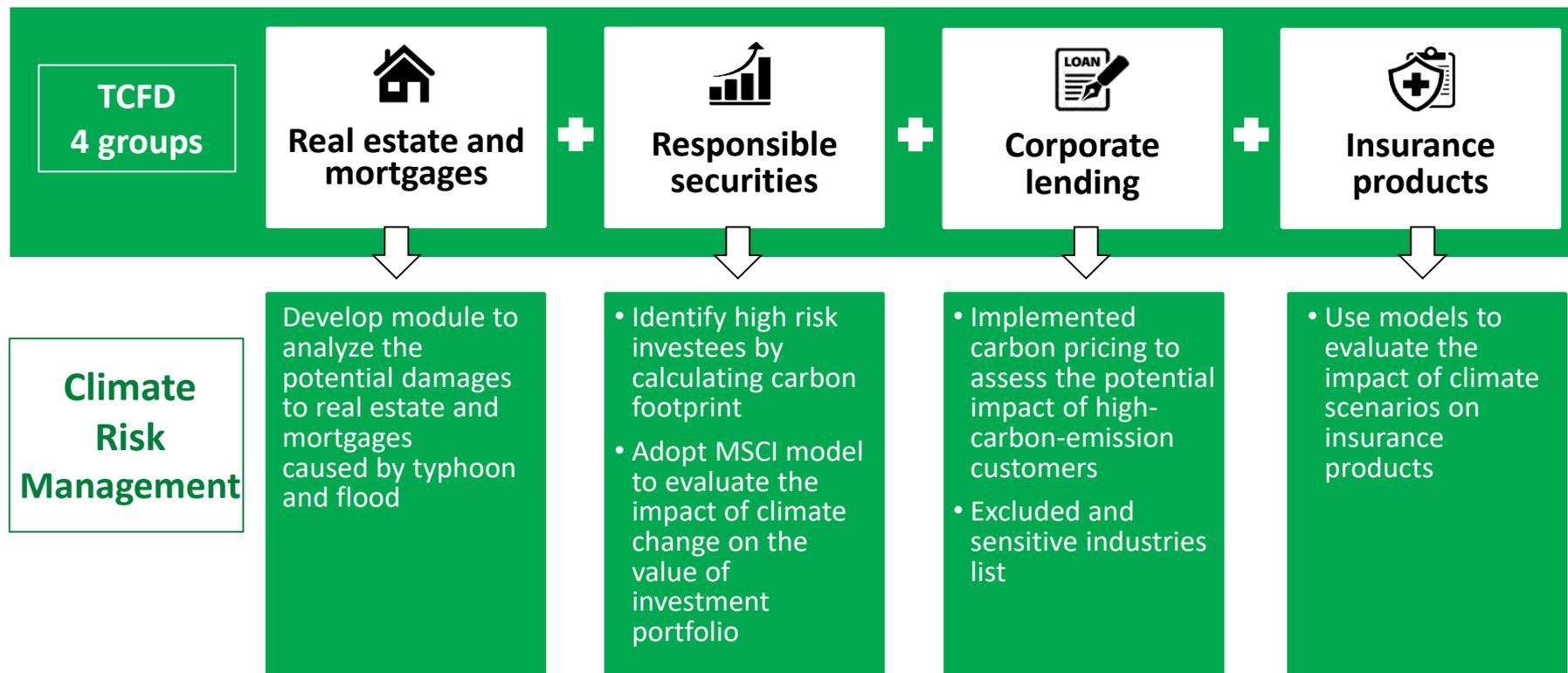
Cathay is the only financial institution in Taiwan that has **participated in the CDP Non-Discloser Campaign for 4 consecutive years, encouraging Cathay’s investee companies to respond to CDP questionnaires.**

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.

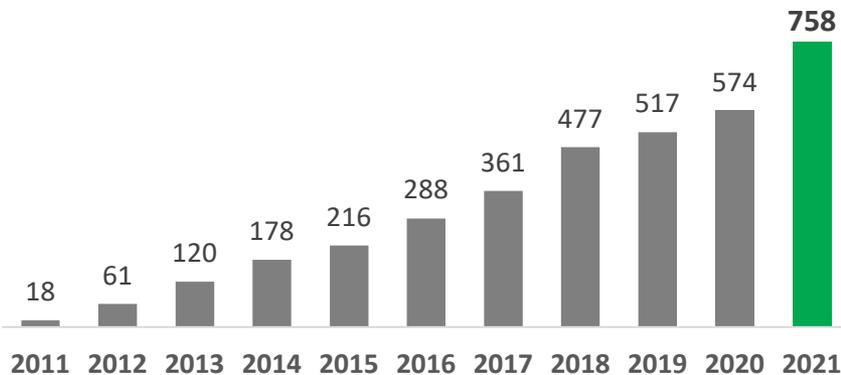


Hastening positive environmental change with green products

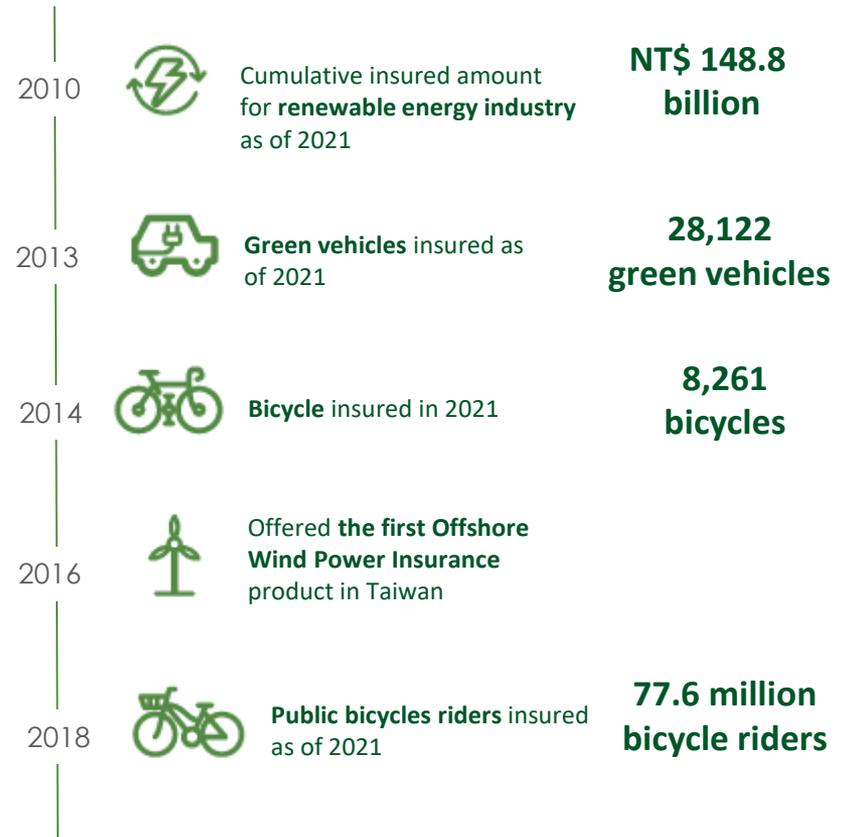
Pioneers in renewable energy financing



Total capacity of 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

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Cathay United Bank

Cathay Life

Cathay Century

- **Cathay's ESG efforts**

- **Appendix**

Embedded Value & Appraisal Value

NT\$BN, except for per share figures

Valuation date	2020/12/31	2021/12/31
In-force business investment yield	3.67% ~ Year 2040 4.70% for NTD policies 4.26% ~ Year 2040 5.31% for USD policies (Equivalent investment yield: 3.97% Rolling over to 2021: 4.03%)	3.75% ~ Year 2041 4.71% for NTD policies 4.36% ~ Year 2041 5.33% for USD policies (Equivalent investment yield: 4.06%)
Risk discount rate	9.5%	9.5%
Adjusted net worth	743	757
Value of in-force business	633	717
Cost of capital (CoC)	-232	-275
Value of in-force business (After CoC)	401	442
Embedded Value (EV)	1,144	1,199
EV / per share	195.5(86.8)	204.9(91.0)
Future one year's new business investment yield	2.55% ~ Year 2040 4.52% for NTD policies 3.95% ~ Year 2040 5.23% for USD policies	2.59% ~ Year 2041 4.55% for NTD policies 3.98% ~ Year 2041 5.25% for USD policies
Value of future one year's new business (After CoC)	34.5	30.0
Appraisal Value (AV)	1,446	1,462
AV / per share	247.2(109.8)	249.9(111.0)

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 2020 and 2021 are 5.85bn.

(4) The outstanding shares of Cathay FHC in 2020 and 2021 are 13.17bn.

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

Summary

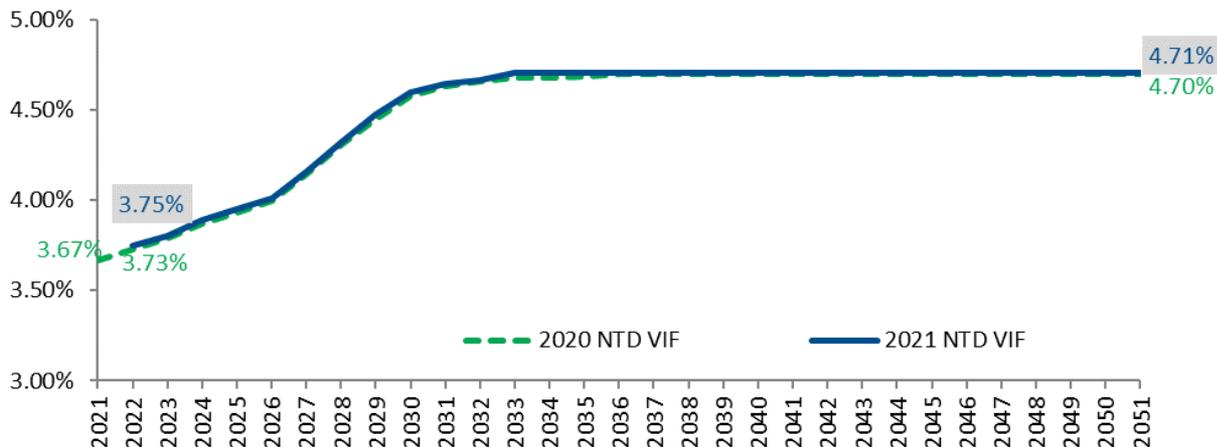
NT\$BN, except for per share figures

Valuation date		2020	2021	Growth rate	1Q22
Embedded value	Equity	714	734	3%	--
	Adjusted net worth	743	757	2%	--
	Value of in-force business (before CoC)	633	717	13%	--
	Cost of capital (CoC)	-232	-275	19%	--
	Value of in-force business (after CoC)	401	442	10%	--
	Embedded value	1,144	1,199	5%	--
Value of one year's new business	First year premium (FYP)	160.8	202.4	26%	42.8
	First year premium equivalent (FYPE)	62.2	51.0	-18%	13.3
	Value of one year's new business (V1NB)	32.9	28.8	-12%	8.0
	Profit margin (V1NB/FYP)	20%	14%	--	19%
	Profit margin (V1NB/FYPE)	53%	56%	--	60%
	Profit margin (V1NB/FYP)(investment-linked(non-VUL)is excluded)	41%	49%	--	47%
Appraisal value (20 years NB)	Multiple	8.8	8.8	--	--
	Appraisal value	1,446	1,462	1%	--
Basic Value per share	EV / per share of Cathay FHC	86.8	91.0	5%	--
	AV / per share of Cathay FHC	109.8	111.0	1%	--

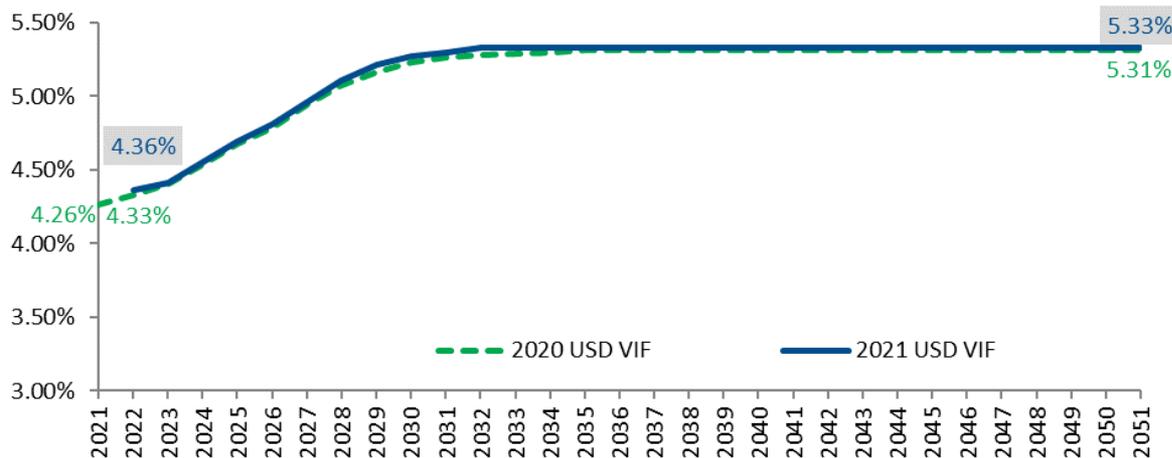
Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares in 2020 and 2021, which is 13.17bn.
 (2) Totals may not sum due to rounding.

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 2020 & 2021.

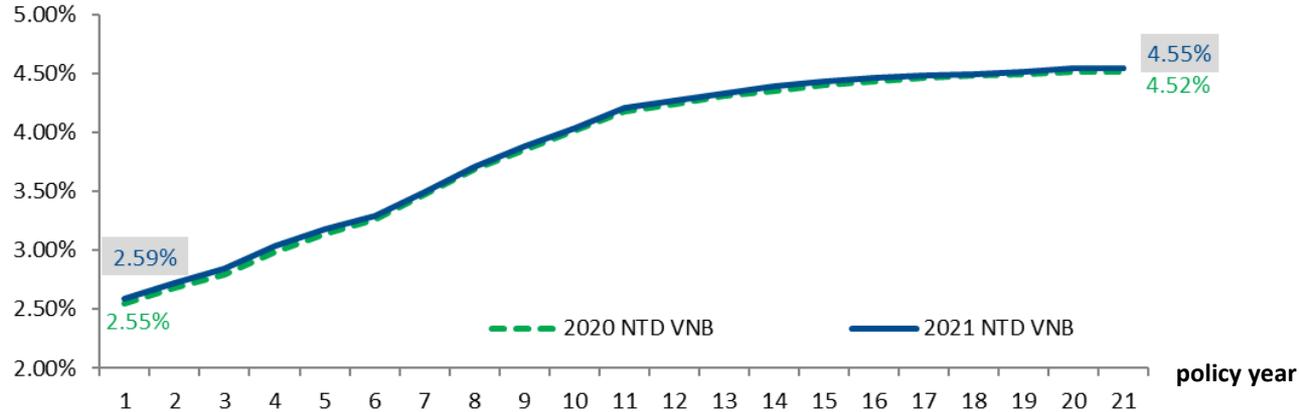


- Investment return assumptions for the value of in-force business of USD-denominated policies as of the end of 2020 & 2021.

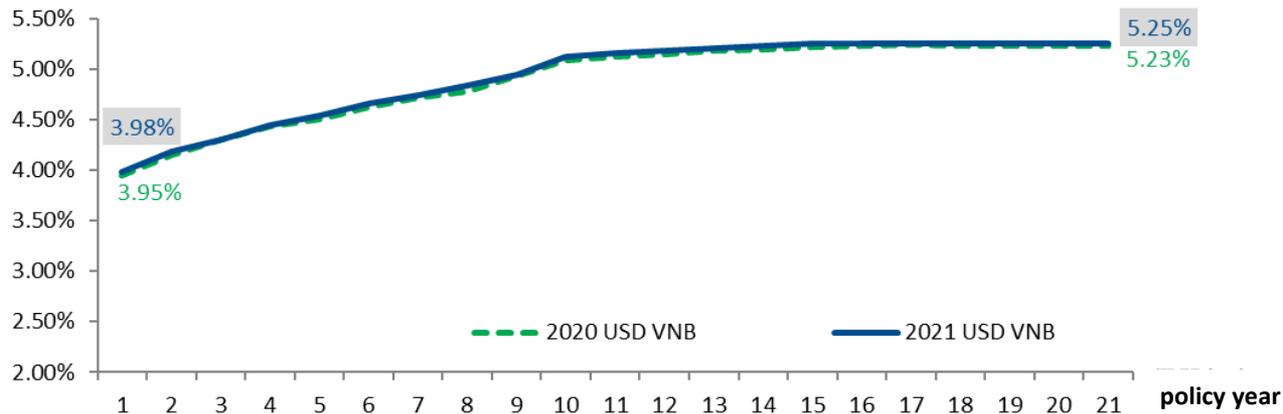


Economic Assumptions: Future one year's new business investment yield

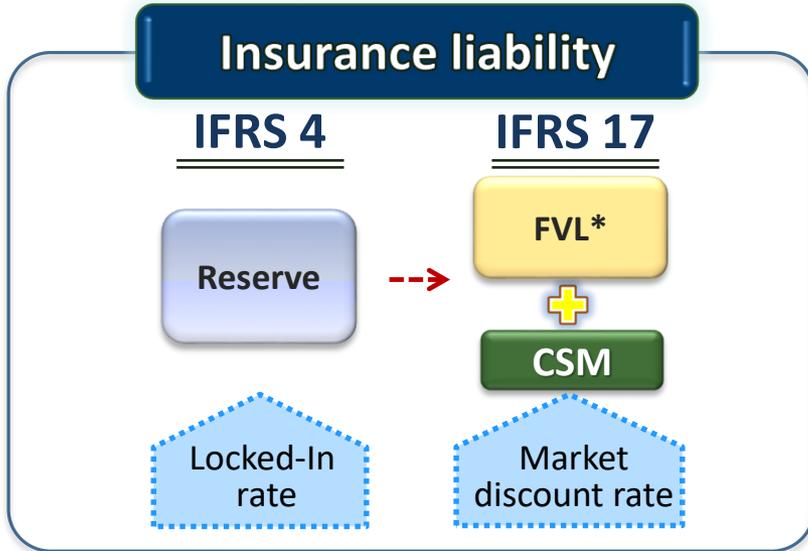
- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2020 & 2021.



- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2020 & 2021.



IFRS 17 – Measurement



Profit indicators of new products



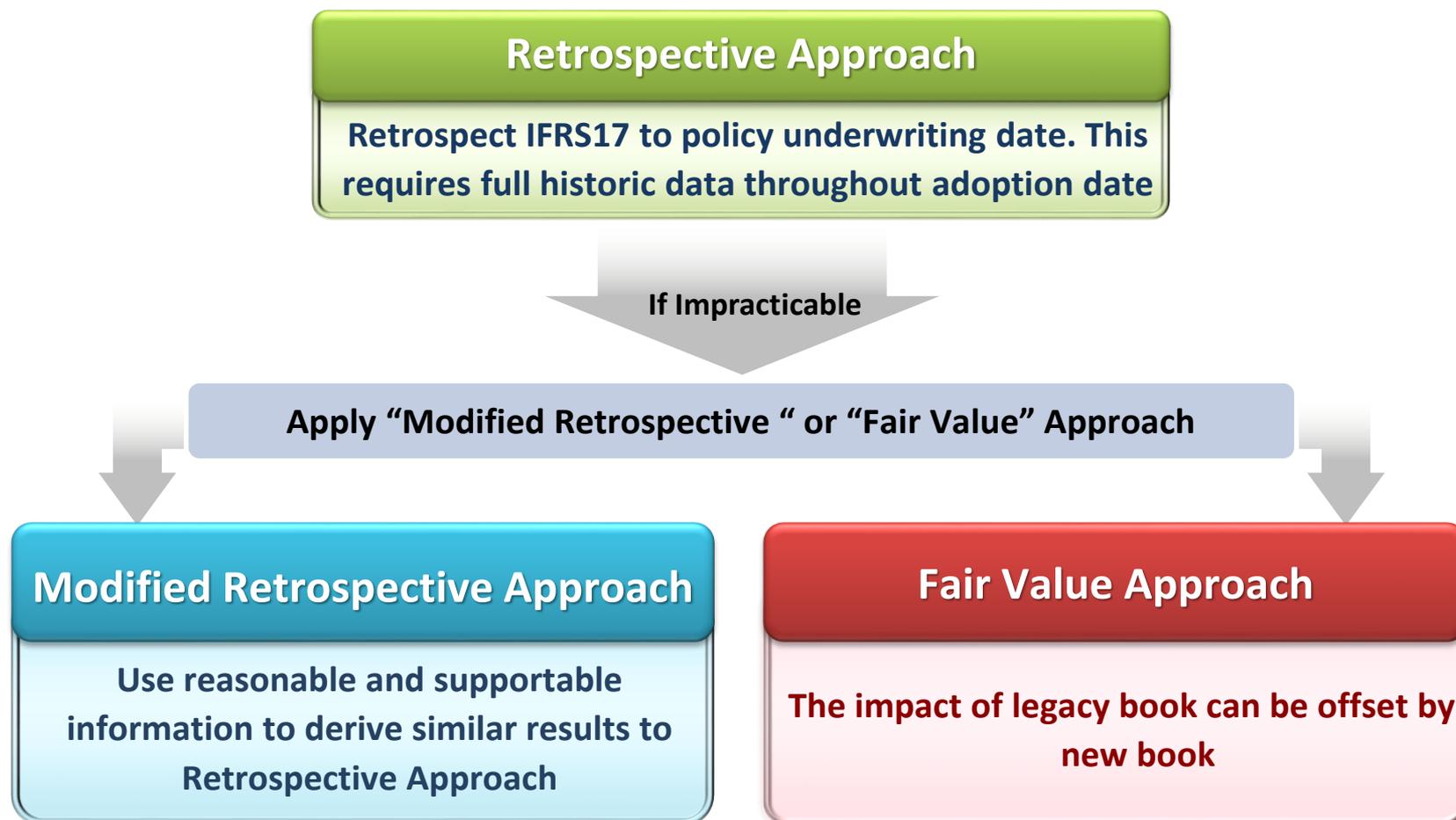
Note: 1. Fulfillment Value of Liabilities (FVL): present value of future cashflows derived from insurance sold, based on market discount rate at valuation date and most recent available actuarial assumptions.
 2. Contractual Service Margin (CSM): present value of future unearned profit from insurance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

VNB vs CSM

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

Comparable among companies

IFRS 17 – Adoption date



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

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

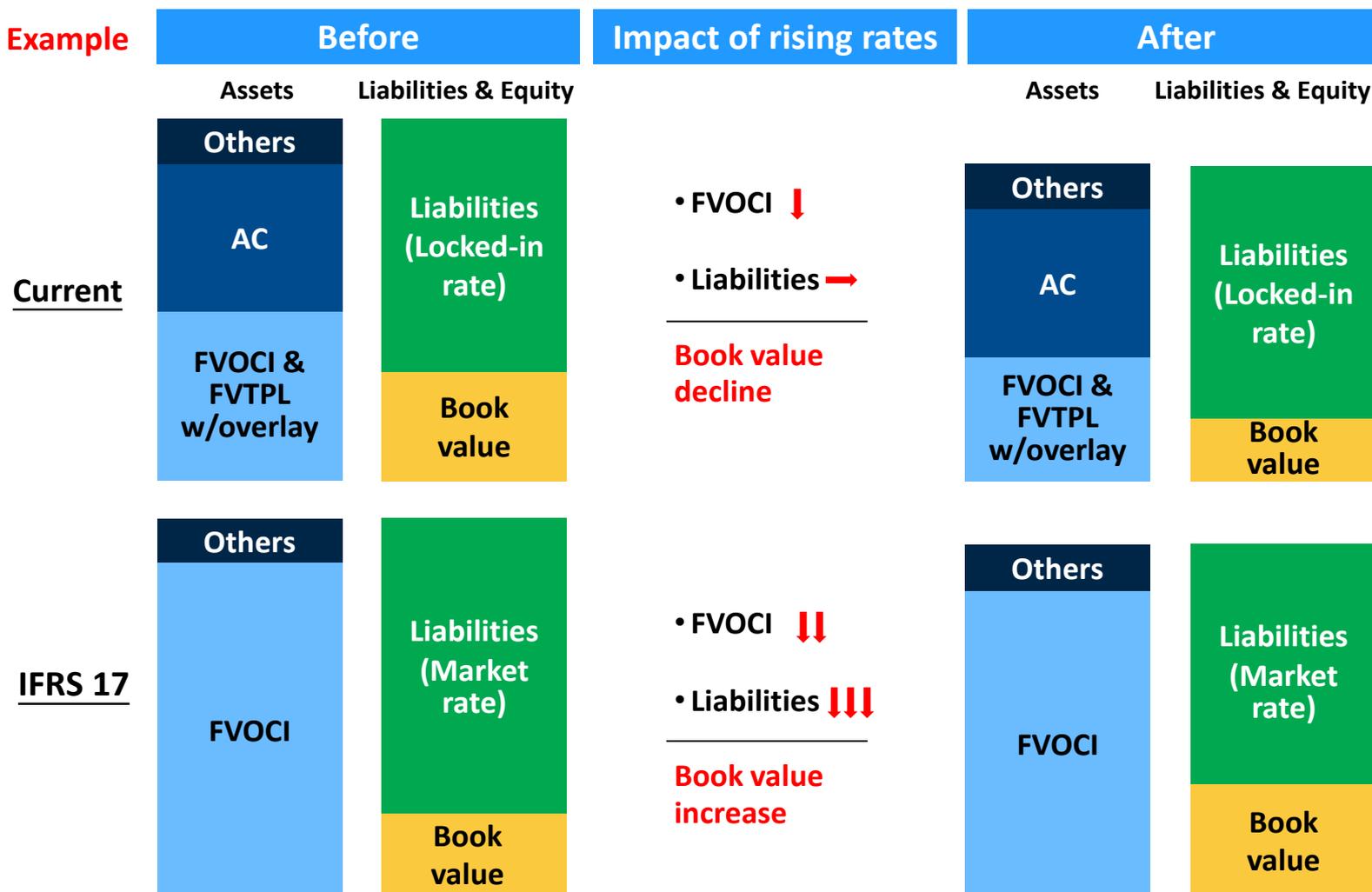
Healthier Industry development

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

Cathay Life – Impact of recent rate hikes on book value

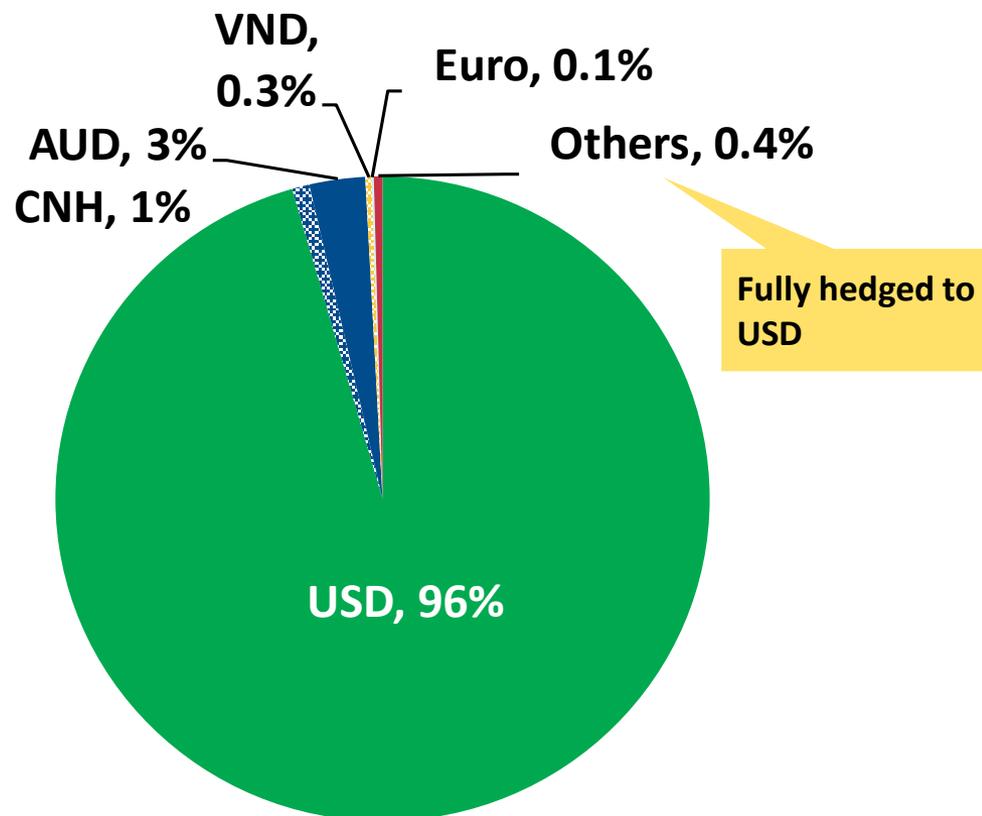
- Based on IFRS 17, book value increased, as the decline in liabilities exceeded that of assets, with assets and liabilities each marked to market.

Example

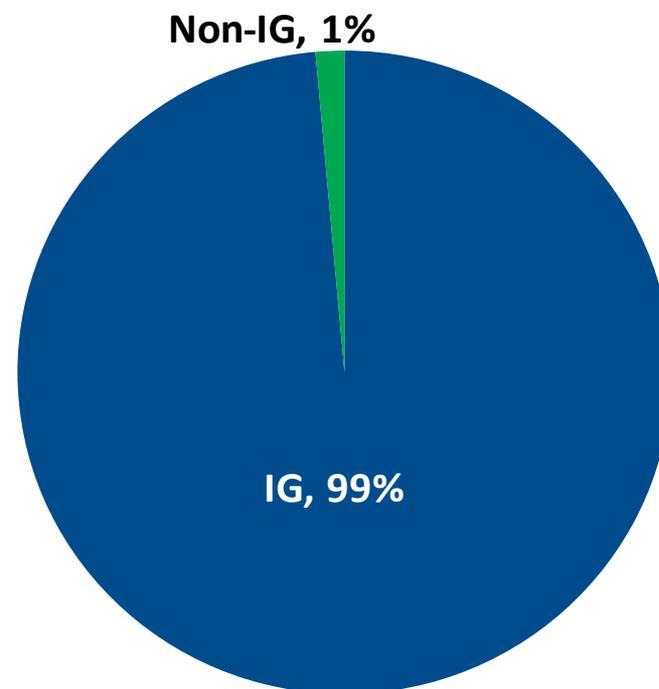


Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (9M22)



Overseas bond by rating (9M22)

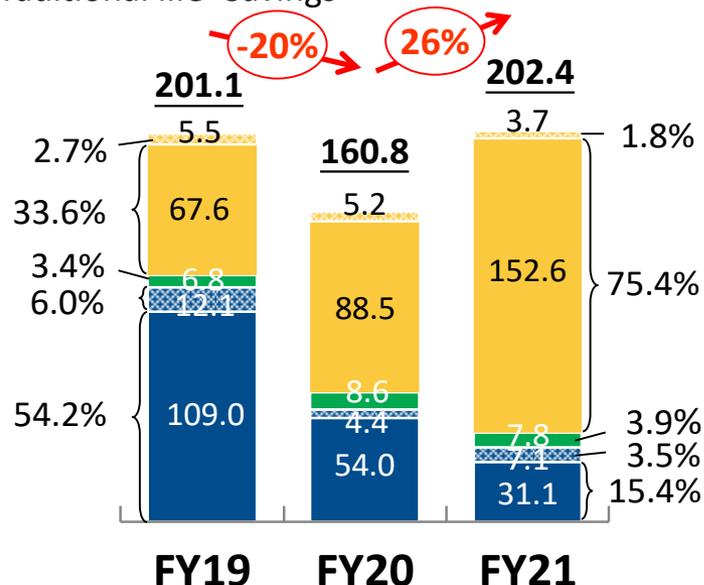


Cathay Life – Annual FYP & APE

- Substantial growth in investment-linked products (ILPs) led to 26% YoY growth in FYP.
- FYP of protection-type policies grew 15% YoY, supporting the contractual service margin (CSM).
- APE declined YoY, reflecting dominance of single-payment ILPs in FYP.

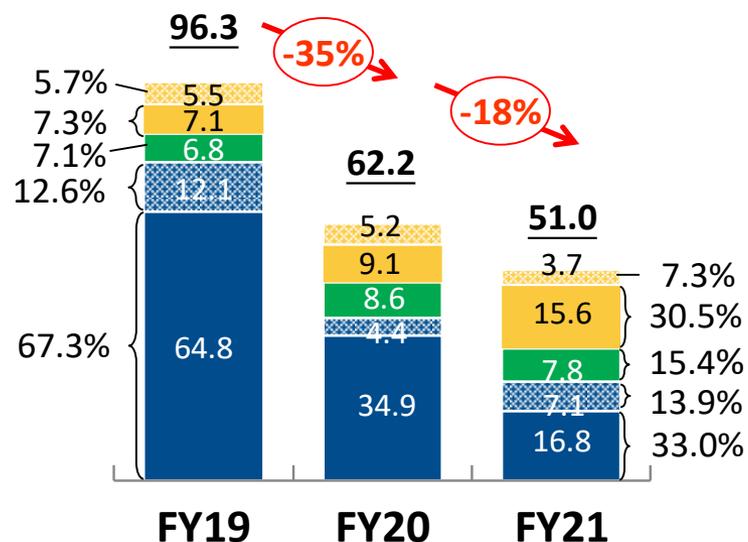
First Year Premium

- Others (NT\$BN)
- Investment-linked & Interest sensitive annuity
- Health and accident
- Traditional life- Protection
- Traditional life- Savings



Annualized FYP (APE)

- Others (NT\$BN)
- Investment-linked & Interest sensitive annuity
- Health and accident
- Traditional life- Protection
- Traditional life- Savings

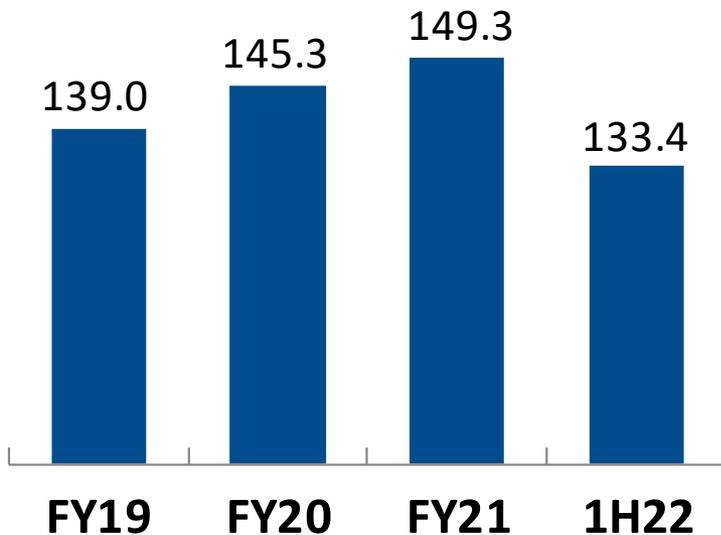


Note: (1) Protection type policies includes "Traditional life-Protection" and "Health and accident"

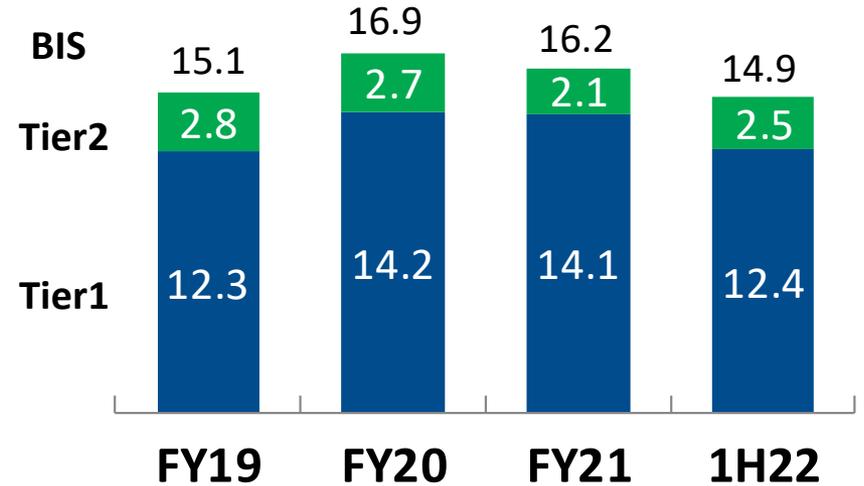
(2) Annualized FYP (APE) = 10% x single-paid FYP + 20% x 2-yr-paid FYP + ... + 50% x 5-yr-paid FYP + 100% x 6-yr and above payment term FYP

Capital adequacy

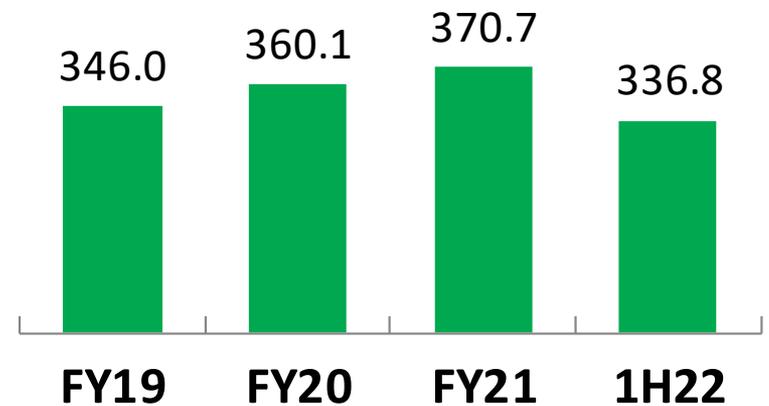
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC (%)



Cathay Financial Holdings (NT\$MN)	FY21/ FY20			9M22/ 9M21			3Q22/ 3Q21		
<u>Income Statement Data (Consolidated)</u>	FY20	FY21	% Chg	9M21	9M22	% Chg	3Q21	3Q22	% Chg
Operating Income									
Net interest income	190,930	194,882	2%	145,173	164,180	13%	48,860	58,891	21%
Net commission and fee	7,244	12,649	75%	9,308	12,133	30%	3,832	3,780	-1%
Net earned premium	602,806	524,187	-13%	374,677	317,073	-15%	113,300	102,161	-10%
Change in liability reserve	(462,094)	(377,408)	-18%	(273,724)	(168,344)	-38%	(75,255)	(37,531)	-50%
Net claims payment	(289,808)	(305,703)	5%	(219,429)	(292,672)	33%	(78,427)	(120,022)	53%
Investment income	124,347	190,944	54%	157,685	141,440	-10%	41,919	40,329	-4%
Contribution from associates-equity method	(12,085)	1,807	115%	1,616	2,077	29%	595	833	40%
Other net non-interest income	6,480	7,197	11%	8,559	(37,740)	-541%	1,733	(17,277)	-1097%
Bad debt expense	(3,178)	(3,484)	10%	(3,214)	(2,358)	-27%	(1,034)	(1,145)	11%
Operating expense	(83,027)	(85,543)	3%	(62,572)	(64,947)	4%	(21,634)	(22,933)	6%
Income before taxes	81,616	159,526	95%	138,078	70,841	-49%	33,890	7,085	-79%
Income taxes	(5,658)	(18,637)	229%	(15,709)	(16,362)	4%	(3,036)	(1,920)	-37%
Net income	75,958	140,889	85%	122,369	54,479	-55%	30,853	5,166	-83%
EPS (NT\$)	5.41	10.34		8.98	3.83		2.32	0.38	
Dividend Payout									
Cash dividend per share	2.50	3.50							
Stock dividend per share	0.00	0.00							
Weighted average outstanding shares (Millions of common shares)	13,169	13,169		13,169	13,169				
Balance Sheet Data (Consolidated)									
Total assets	10,950,472	11,594,361		11,383,850	11,889,627				
Total shareholders' equity	904,776	914,039		870,033	306,643				
Equity attributable to parent company	893,061	902,038		858,766	294,878				
Operating Metrics									
ROAE (Consolidated)	9.01%	15.49%		18.39%	11.90%				
ROAA (Consolidated)	0.72%	1.25%		1.46%	0.62%				
Double leverage ratio(inc. preferred stock)	111%	113%		114%	147%				
Capital Adequacy Metrics									
Capital Adequacy Ratio	145%	149%							

Notes:

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Cathay Life

(NT\$MMN)

Income Statement Data (Consolidated)	FY21/			9M22/			3Q22/		
	FY20	FY21	FY20 % Chg	9M21	9M22	9M21 % Chg	3Q21	3Q22	3Q21 % Chg
Net written premium	580,261	499,102	-14%	356,316	294,881	-17%	106,709	93,736	-12%
Net earned premium	579,563	498,398	-14%	356,540	294,928	-17%	106,728	93,647	-12%
Reinsurance commission earned	533	388	-27%	15	20	27%	6	5	-21%
Fee income	8,701	10,715	23%	7,958	8,119	2%	2,733	2,696	-1%
Recurring investment income	212,247	214,968	1%	163,057	183,507	13%	62,504	69,258	11%
Gain on disposal of investment									
Realized gain (loss)-Equity	74,997	116,191	55%	98,204	24,721	-75%	20,278	(2,851)	-114%
Realized gain (loss)-Debt	64,964	63,127	-3%	54,164	8,230	-85%	8,639	(2,817)	-133%
Gain on investment property	1,881	1,106	-41%	1,195	1,900	59%	49	(12)	-126%
FX and others, net	(90,182)	(46,445)	48%	(39,016)	12,257	131%	(10,294)	4,921	148%
Investment income, net	263,907	348,947	32%	277,603	230,615	-17%	81,176	68,499	-16%
Other operating income	6,978	8,754	25%	5,975	6,372	7%	2,125	2,238	5%
Separate account revenues	73,396	77,919	6%	59,762	(13,370)	-122%	6,336	6,822	8%
Net claims payment	(273,049)	(287,850)	5%	(207,236)	(263,880)	27%	(74,297)	(101,413)	36%
Changes in liability reserves	(462,233)	(376,771)	-18%	(273,333)	(164,868)	-40%	(75,187)	(38,248)	-49%
Acquisition and commission expense	(35,815)	(34,445)	-4%	(25,245)	(22,844)	-10%	(8,168)	(8,176)	0%
Other operating costs	(6,635)	(8,056)	21%	(5,967)	(4,932)	-17%	(2,058)	(1,754)	-15%
Financial cost	(2,501)	(3,114)	25%	(2,263)	(2,742)	21%	(782)	(1,047)	34%
Separate account expense	(73,396)	(77,919)	6%	(59,762)	13,370	-122%	(6,336)	(6,822)	8%
Operating expense	(29,565)	(32,448)	10%	(24,016)	(24,194)	1%	(8,323)	(8,037)	-3%
Net non-operating income	1,589	1,563	-2%	1,142	1,280	12%	332	385	16%
Income taxes	1,209	(12,916)	1168%	(10,925)	(10,858)	-1%	(1,641)	(2,307)	41%
Net income	52,682	113,166	115%	100,250	47,016	-53%	22,645	6,488	-71%

Balance Sheet Data

Total assets	7,675,559	8,073,161		7,931,772	8,046,202
General account	7,033,875	7,348,951		7,234,047	7,396,842
Separate account	641,685	724,210		697,725	649,360
Reserves for life insurance liabilities	6,085,534	6,413,221		6,315,250	6,820,373
Total liabilities	6,954,433	7,331,028		7,227,418	7,870,301
Total shareholders' equity	721,126	742,133		704,353	175,901
Equity attributable to parent company	713,727	734,443		697,123	168,337

Operating Metrics (Standalone)

First Year Premium(FYP)	160,771	202,394		156,226	101,493
First Year Premium Equivalent(FYPE)	62,182	50,997		37,777	32,065
Expense ratio	9.5%	11.2%		11.6%	13.2%
13-M persistency ratio	98.1%	98.4%		98.4%	97.7%
25-M persistency ratio	95.5%	96.3%		96.1%	96.7%
ROAE	8.01%	15.47%		18.75%	13.66%
ROAA	0.71%	1.44%		1.71%	0.78%

Capital Adequacy Metrics (Standalone)

RBC ratio	360%	371%
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Cathay United Bank

(NT\$MN)	FY21/ FY20			9M22/ 9M21			3Q22/ 3Q21		
	FY20	FY21	% Chg	9M21	9M22	% Chg	3Q21	3Q22	% Chg
Income Statement Data (Consolidated)									
Operating Income									
Net interest income	35,223	38,539	9%	28,488	34,913	23%	9,833	13,006	32%
Fee income	16,331	18,346	12%	14,085	13,855	-2%	5,388	4,913	-9%
Investment income	9,482	6,956	-27%	6,022	5,691	-5%	1,846	2,370	28%
Other income	855	502	-41%	363	760	110%	88	113	28%
Net operating income	61,891	64,342	4%	48,959	55,220	13%	17,155	20,402	19%
Operating expenses	(32,686)	(33,877)	4%	(24,510)	(27,232)	11%	(8,911)	(10,176)	14%
Pre-provision profit	29,205	30,466	4%	24,449	27,988	14%	8,244	10,226	24%
Net provisions for possible losses	(3,382)	(2,986)	-12%	(2,743)	(2,763)	1%	(622)	(1,246)	100%
Income before taxes	25,823	27,480	6%	21,706	25,225	16%	7,622	8,980	18%
Income tax	(3,512)	(3,671)	5%	(2,867)	(4,312)	50%	(1,044)	(1,531)	47%
Net income	22,311	23,808	7%	18,839	20,913	11%	6,579	7,449	13%
Balance Sheet Data									
Total assets	3,229,460	3,499,323		3,423,952	3,839,977				
Loans, net	1,661,296	1,807,077		1,800,416	2,002,636				
Financial assets	1,028,595	1,110,788		1,084,534	1,262,820				
Total liability	2,982,805	3,248,596		3,177,855	3,603,968				
Deposits	2,648,995	2,935,694		2,857,079	3,170,303				
Financial Debenture Payable	53,800	46,800		46,800	37,000				
Total shareholders' equity	246,656	250,727		246,096	236,009				
Equity attributable to parent company	242,297	246,351		242,002	231,708				
Operating Metrics									
Cost income ratio	52.81%	52.65%		50.06%	49.32%				
ROAE	9.32%	9.57%		10.20%	11.46%				
ROAA	0.72%	0.71%		0.76%	0.76%				
Assets Quality (Standalone)									
NPL	2,274	1,578		3,104	1,663				
NPL ratio	0.14%	0.09%		0.18%	0.09%				
NPL provisions	26,846	28,064		28,282	30,855				
Coverage ratio	1180%	1778%		911%	1855%				
Capital Adequacy Metrics (Standalone)									
BIS ratio	16.9%	16.2%							
Tier I Ratio	14.2%	14.1%							
LDR (Standalone)									
LDR	62.5%	61.4%		62.8%	62.5%				
TWD LDR	69.7%	69.2%		70.4%	73.9%				
FX LDR	38.7%	34.1%		36.1%	29.0%				

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Cathay Century

(NT\$MM)	FY21/			9M22/			3Q22/		
	FY20	FY21	FY20 % Chg	9M21	9M22	9M21 % Chg	3Q21	3Q22	3Q21 % Chg
Income Statement Data (Consolidated)									
Premium income	25,498	28,015	10%	20,225	22,624	12%	6,671	7,392	11%
Net written premium	19,413	20,718	7%	15,012	16,126	7%	5,204	5,438	4%
Net earned premium	18,848	19,903	6%	14,600	16,063	10%	5,154	5,492	7%
Reinsurance commission earned	572	857	50%	676	697	3%	184	244	33%
Fee income	45	46	1%	35	38	6%	11	12	6%
Investment	1,254	1,363	9%	1,255	659	-47%	457	(123)	-127%
Interest income	546	539	-1%	408	463	14%	140	163	17%
Other investment income, net	708	824	16%	847	196	-77%	318	(287)	-190%
Other operating income	0	0	0%	0	146	0%	0	79	0%
Net claims payment	(10,669)	(10,470)	-2%	(7,595)	(21,707)	186%	(2,401)	(15,289)	537%
Changes in liability reserves	139	(637)	558%	(391)	(3,476)	789%	(68)	717	-1158%
Commissions and other operating costs	(3,411)	(3,765)	10%	(2,807)	(2,889)	3%	(999)	(992)	-1%
Operating expenses	(4,224)	(4,772)	13%	(3,315)	(3,460)	4%	(1,163)	(1,162)	0%
Operating income	2,553	2,525	-1%	2,458	(13,929)	-667%	1,177	(11,023)	-1037%
Net non-operating income	5	42	671%	(2)	(3)	-56%	(0)	(1)	-40%
Income taxes	(385)	(392)	2%	(346)	2,809	-913%	(158)	2,190	-1488%
Net income	2,174	2,175	0%	2,110	(11,123)	-627%	1,018	(8,834)	-967%
Balance Sheet Data									
Total assets	44,298	49,900		47,446	52,721				
Total stockholders' equity	13,130	14,447		13,625	10,991				
Operating Metrics									
Gross Combined ratio	83.2%	87.1%		87.3%	177.8%				
Net Combined ratio	92.9%	92.1%		90.0%	189.8%				
ROAE	16.86%	15.78%		21.03%	-116.60%				
ROAA	4.98%	4.62%		6.13%	-28.90%				
Capital Adequacy Metrics									
RBC ratio (Standalone)	323%	284%							

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