



國泰金控

Cathay Financial Holdings

2022 Fourth Quarter Briefing

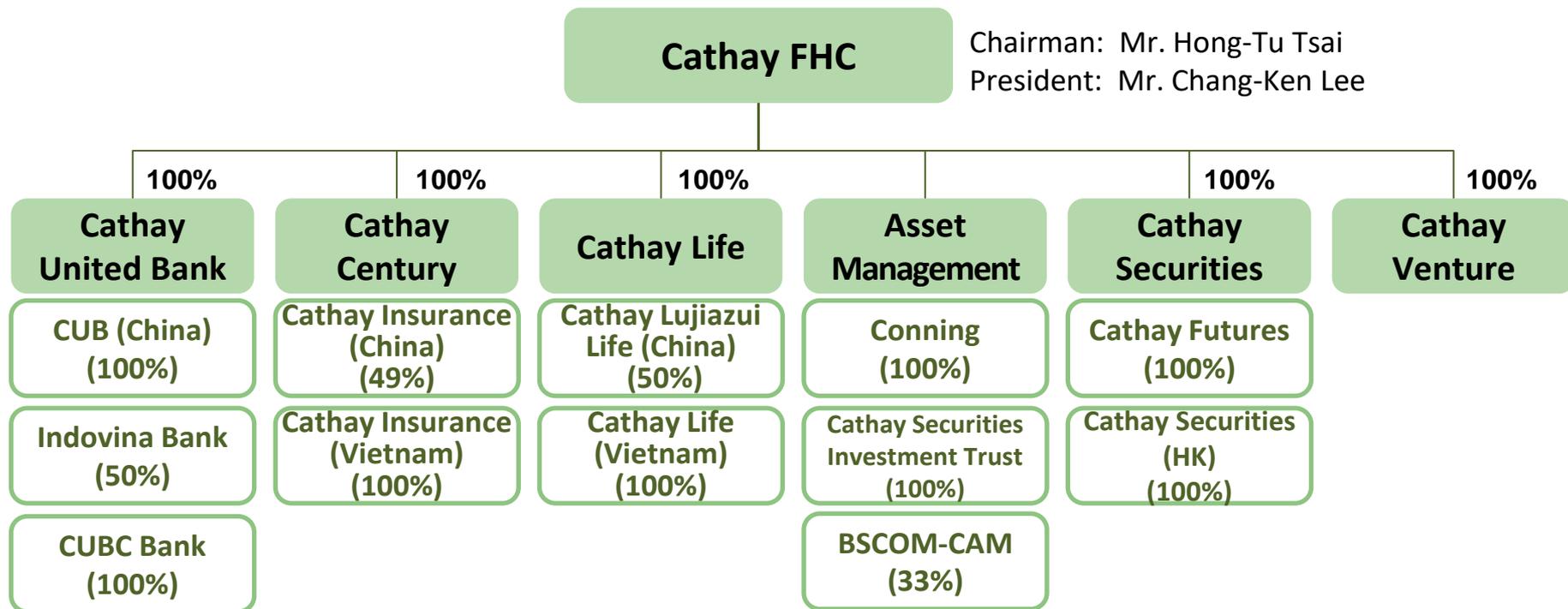
March 2023



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: 12.8% (FY22)

- No. 1 life insurer in terms of total assets and total premium
- Market share in total premium: 20.6% (FY22)

- 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

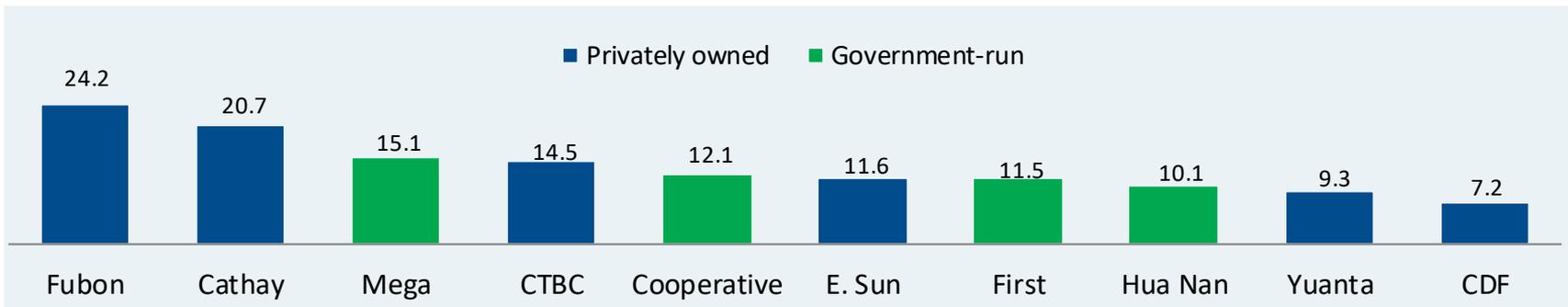
- Largest listed financial group by assets.

Ranking of total asset (US\$bn)



Note: Total assets as of December 31, 2022

Ranking of market cap (US\$bn)



Note: Market capitalization as of February 24, 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**



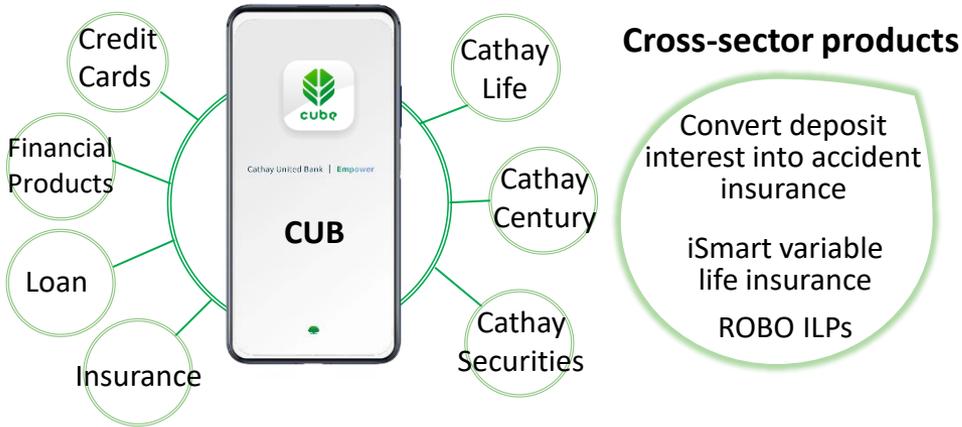
2022 **RE100** | **CLIMATE GROUP** | **CDP**

- 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

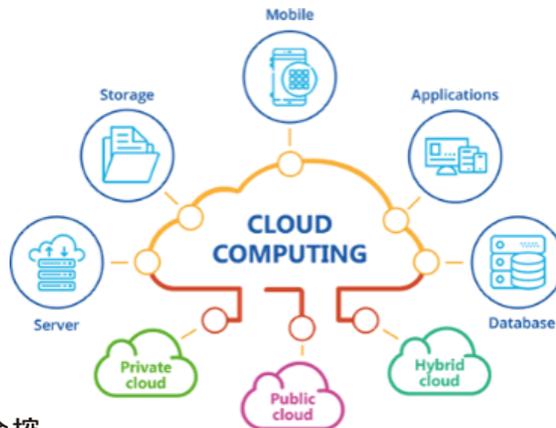


FitBack app leverages big data analysis, insurance expertise, and technological innovation in interactions with policyholders



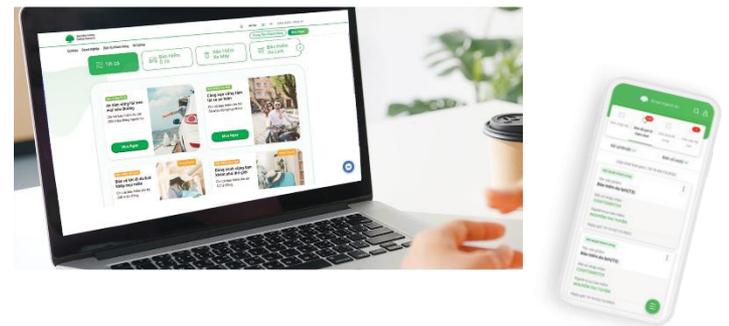
Cloud readiness

Optimize cloud strategy and enhance digital development



Digitalization in overseas subsidiaries

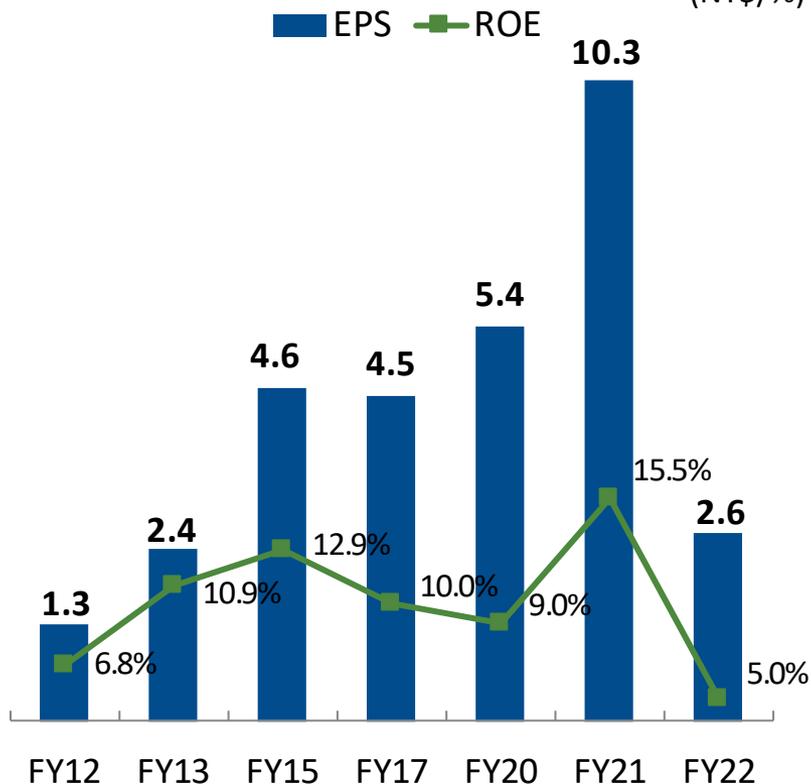
Continue digitalization in Vietnam and Cambodia to accelerate business and enhance customer experience



Cathay FHC continued to deliver solid earnings

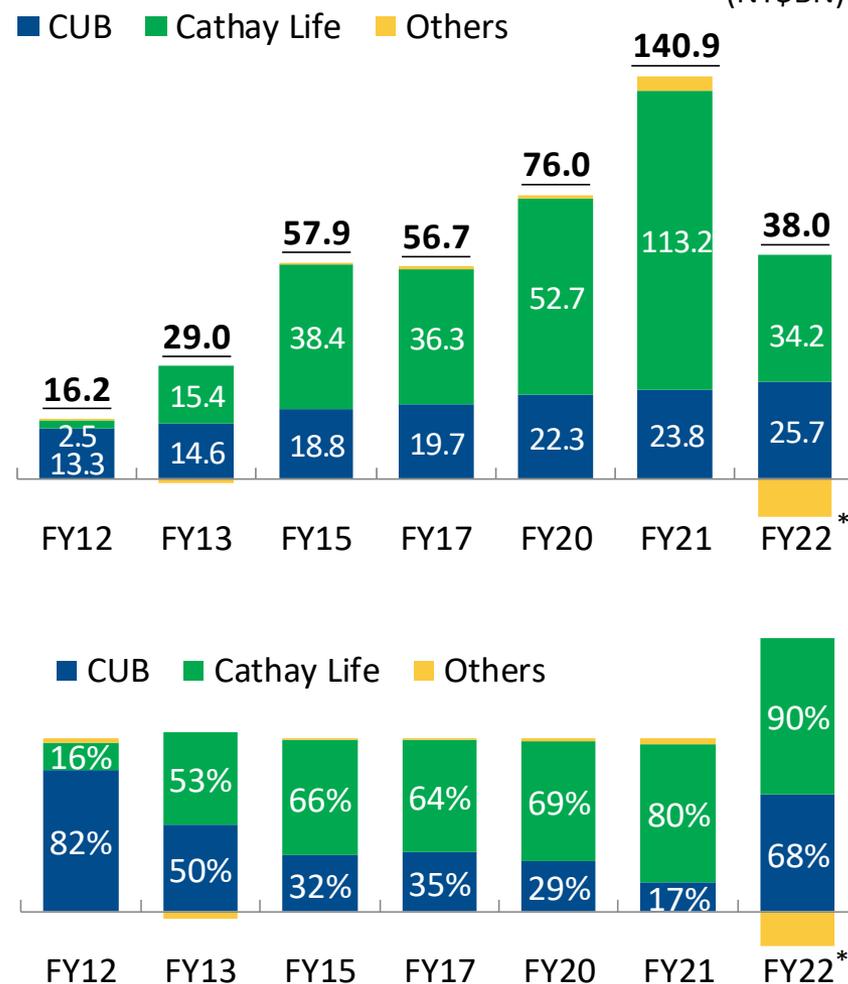
EPS & ROE

(NT\$/%)



Profit contribution

(NT\$BN)



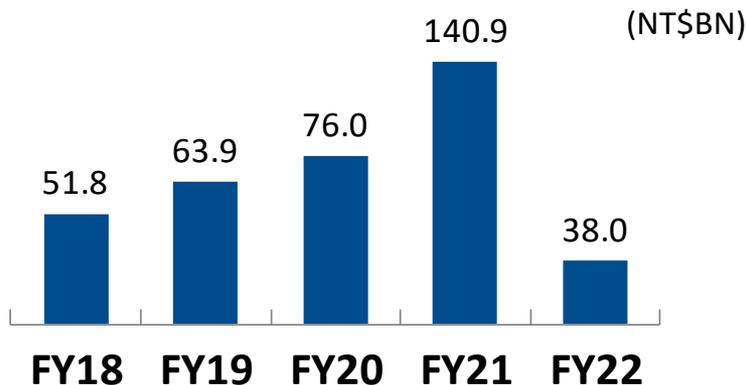
- Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.
 (2) Since Cathay FHC has more subsidiaries other than Cathay Life and CUB, besides, due to affiliate transactions, the Cathay FHC net income might not equal to the sum of Cathay Life and CUB's.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

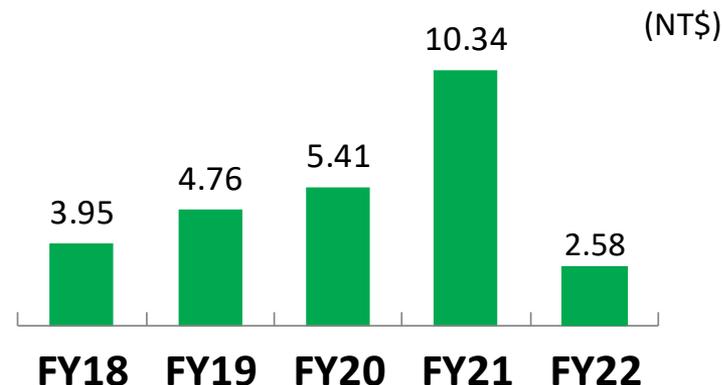
Cathay FHC – Net income & EPS

- FY22 earnings decline is attributable to pandemic insurance losses and capital market volatility.
- CUB earnings rose 8% YoY, driven by strong growth in net interest income. CUB and Cathay SITE reached record-high earnings.

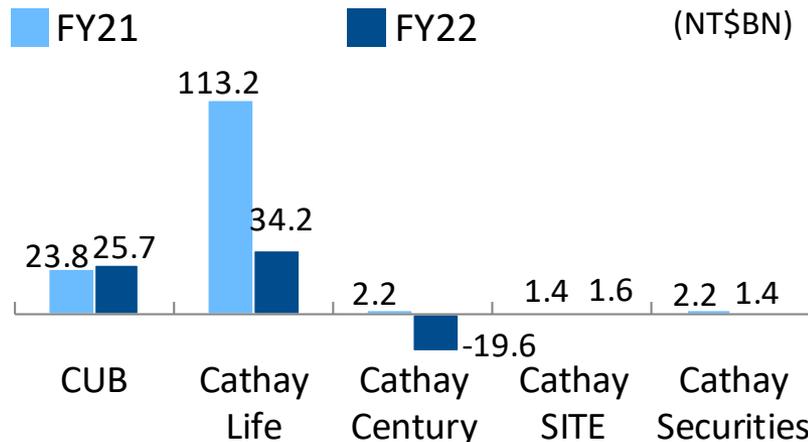
Net income



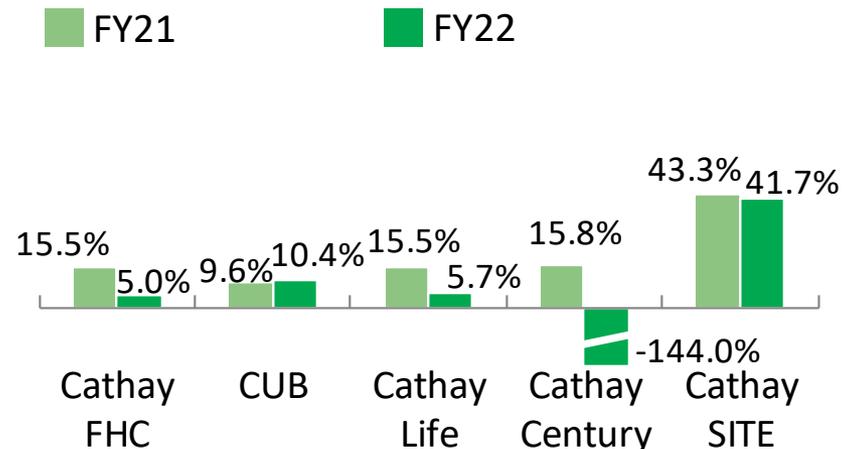
EPS



Net income of primary subsidiaries

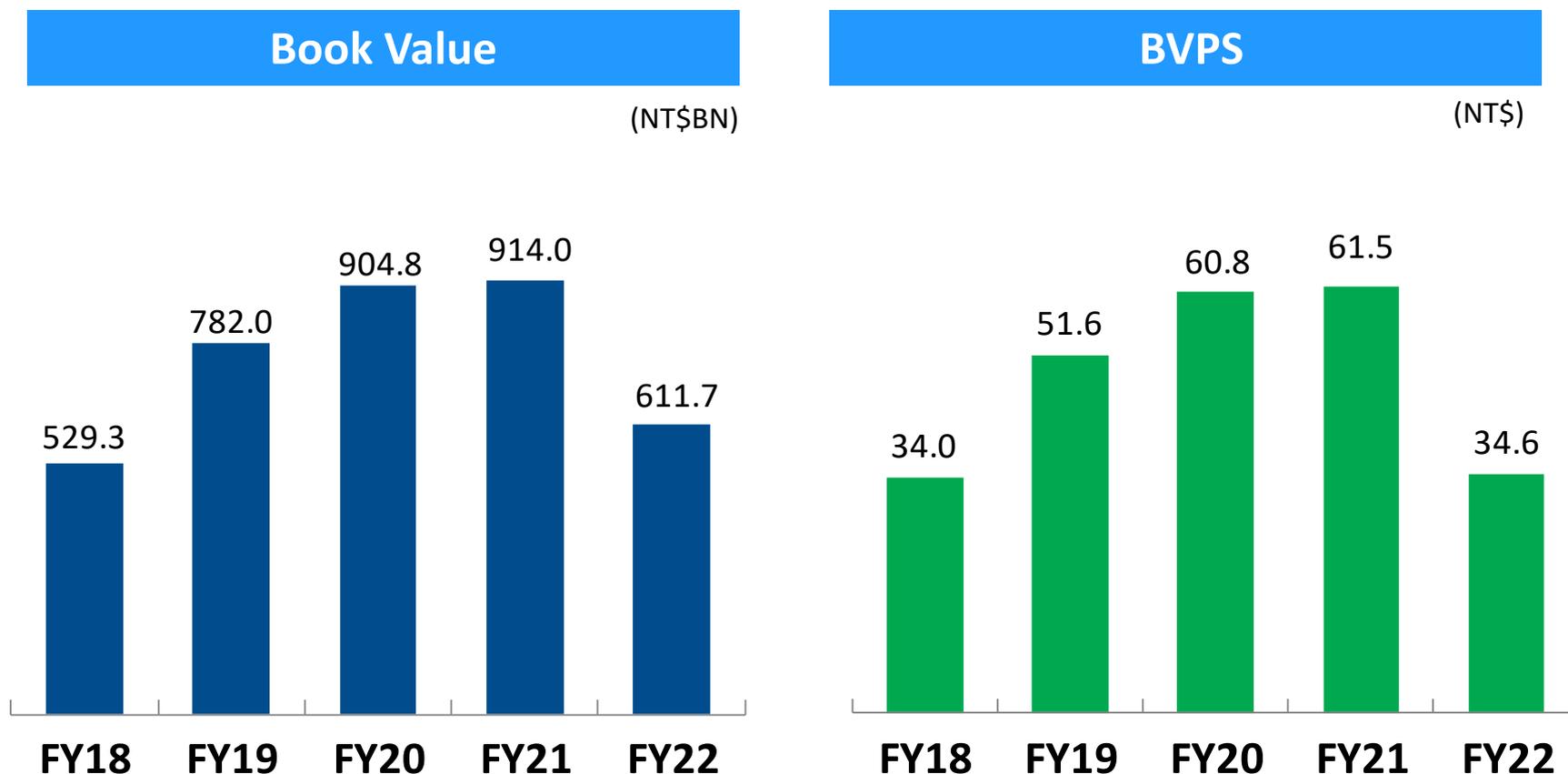


ROE



Cathay FHC – Book value & BVPS

- Book value declined in FY22, reflecting a sharp rise in bond yields and a decline in equity markets.



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.

2022 Business Overview

Cathay United Bank

- FY22 net income reached a record high, with 8% growth YoY.
- Delivered double-digit growth in deposits and loans. Asset quality was benign. NIM expanded, and net interest income grew 26% YoY, owing to rate hikes.

Cathay Life

- Adhered to a value-driven strategy; focused on protection-type of policies. FYP and APE each topped the industry.
- Hedging cost improved~1%; recurring yield increased 35bps.
- Maintained solid capital position with RBC ratio of 316% and E/A ratio of 6.5%.

Cathay Century

- Premium income rose 8% YoY, with 12.8% market share. Net loss reflected the impact of pandemic insurance. If excluding the impact from pandemic insurance, Cathay Century maintained stable profits.
- 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\$1.2tn. FY22 net profit set a record high.
- Recognized by Asia Asset Management and The Asset. Received Best Institutional House, Best ESG Manager, and ETF Manager of the Year.

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.

2023 Business Outlook

Cathay United Bank

- Expand wealth management business with well-rounded customer relationship management strategy.
- Strengthen corporate banking business; enhance capital efficiency.
- Enhance customer digital experience; expand and entrench overseas presence.

Cathay Life

- Continue the “Protection First, Elderly Friendly” strategy. Focus on protection-type products to prepare for adoption of IFRS 17 and ICS.
- Seek opportunities for quality stocks and bonds to enhance recurring income. Continue dynamic hedging strategy to maintain stable hedging costs.

Cathay Century

- Grow business while emphasizing quality and quantity. Reinforce risk control and compliance.
- Focus on customer-centric strategy to increase customer satisfaction and retention.
- Expand online business in China. Strengthen digital capabilities and develop opportunities for cross-industry cooperation in Vietnam.

Cathay SITE

- Focus on new product development and innovations in fintech applications and services.
- Integrate global asset management resources and expand distribution channels.
- Develop financial planning for retirement as well as for younger customers. Strengthen ESG investment process.

Cathay Securities

- Continue to utilize digital business model to increase customer base and enhance users' digital experience following customer-centric principles.
- Enrich product lines and platforms in sub-brokerage business.
- Expand domestic and overseas institutional business; integrate domestic and overseas products, platforms, and services.

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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	151									
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 30% YoY in 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.

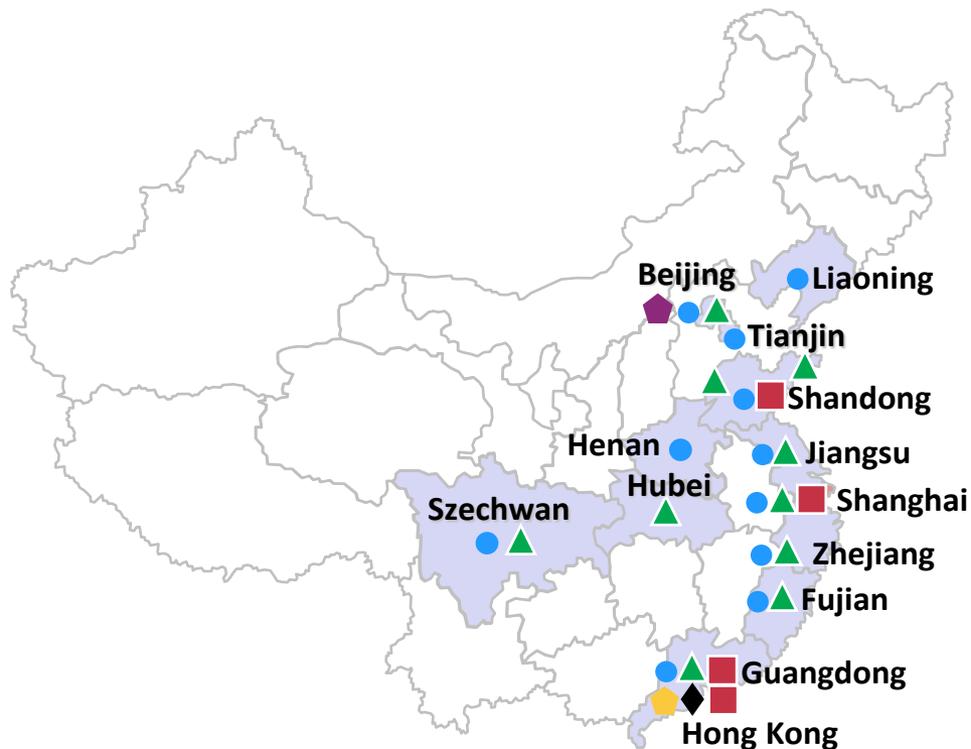
■ Cathay Life (Vietnam)

- Total premium grew 25% YoY to 2.8tn VND in FY22.
- Expanded and diversified distribution channels.

■ Cathay Century

- Premium income grew to 515.3bn VND in FY22.
- 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 deposits as the first Taiwanese bank to do so in China; continued to optimize customer base and expand green finance services.

■ Cathay Lujiazui Life

- Total premium grew 16% YoY to 3.9bn RMB in FY22.
- 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.

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Cathay United Bank

Cathay Life

Cathay Century

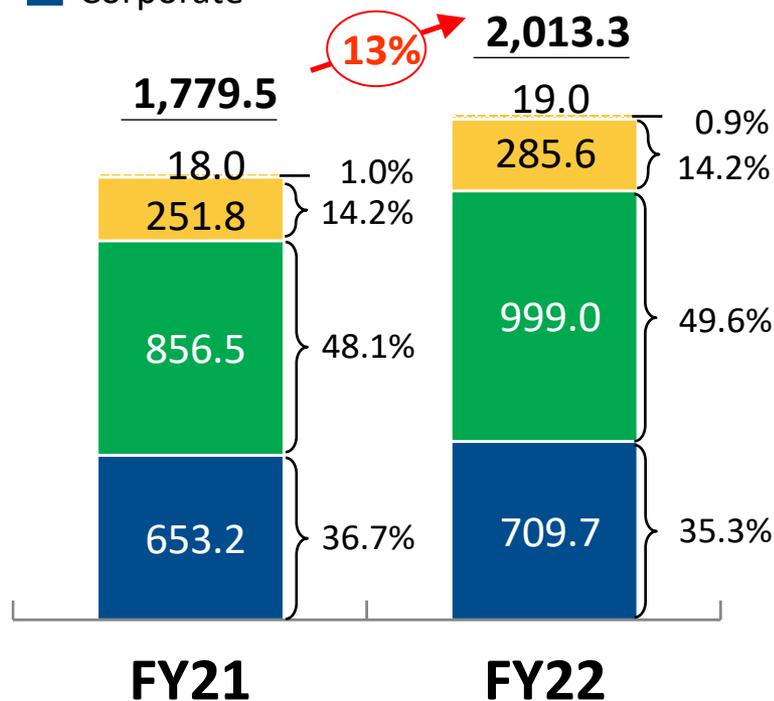
- Cathay's ESG efforts
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Cathay United Bank – Loan & deposit breakdown

- Loan growth was robust, with both mortgage and consumer loans showing double-digit growth.
- Deposits saw solid growth, with demand-deposit ratio of 68%.

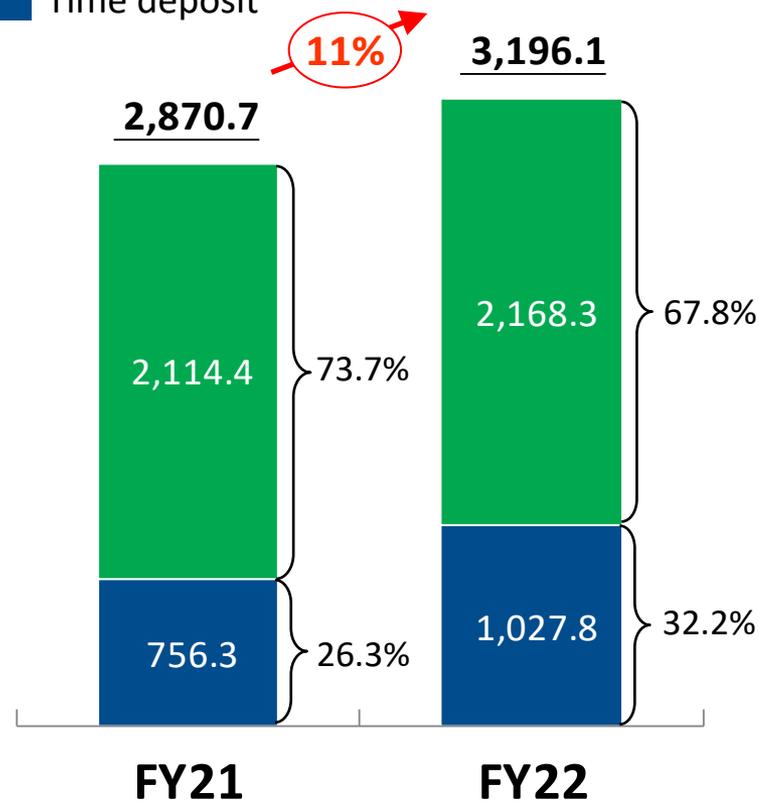
Loan breakdown

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



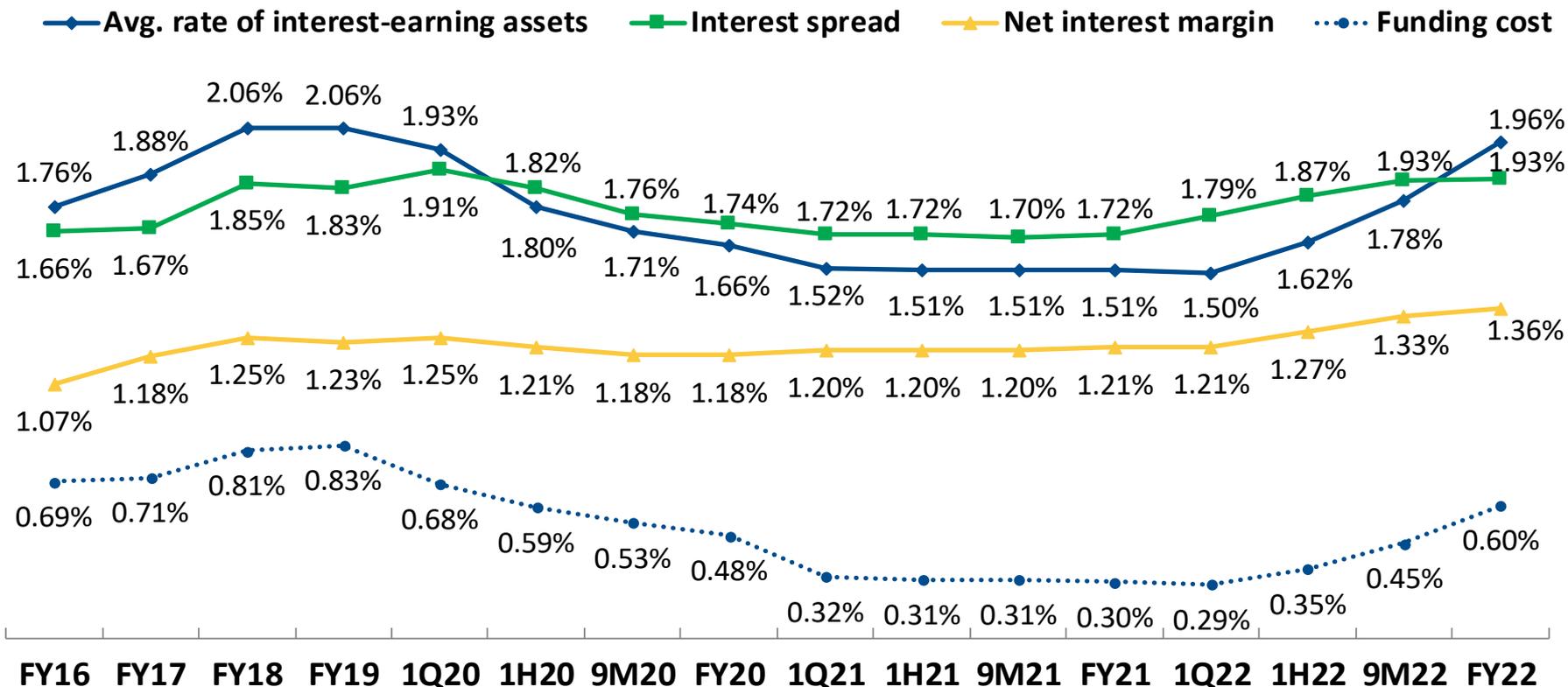
Deposit breakdown

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



Cathay United Bank – Interest yield

□ Benefiting from rising rates, FY22 NIM and interest spread increased significantly.



Quarterly	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
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%	1.96%
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%	1.46%

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

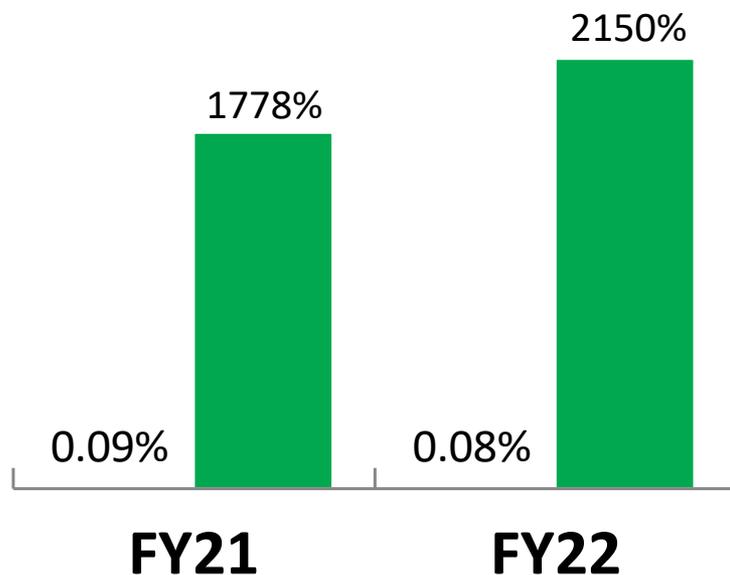
(2) China subsidiary was launched in Sep 2018. Hence, since 9M18, China subsidiary results was excluded.

Cathay United Bank – Credit quality

- Asset quality remained benign, with NPL at 0.08% and coverage ratio at 2150%.

NPL & Coverage ratio

- NPL ratio
- Coverage ratio



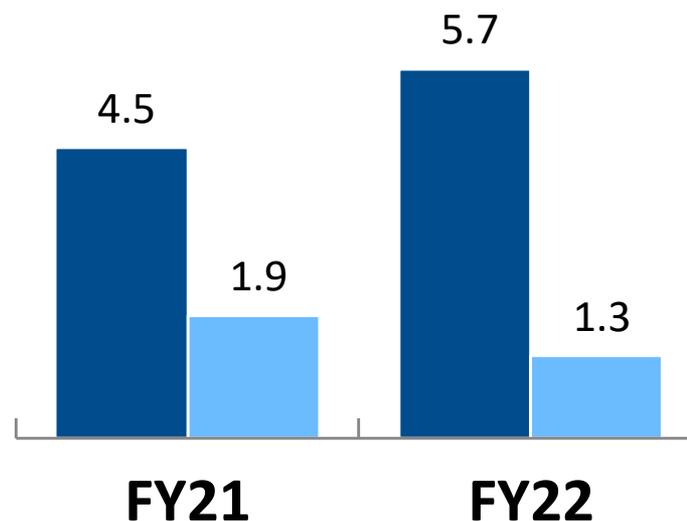
Mortgage NPL

0.08 %

0.06 %

Gross provision

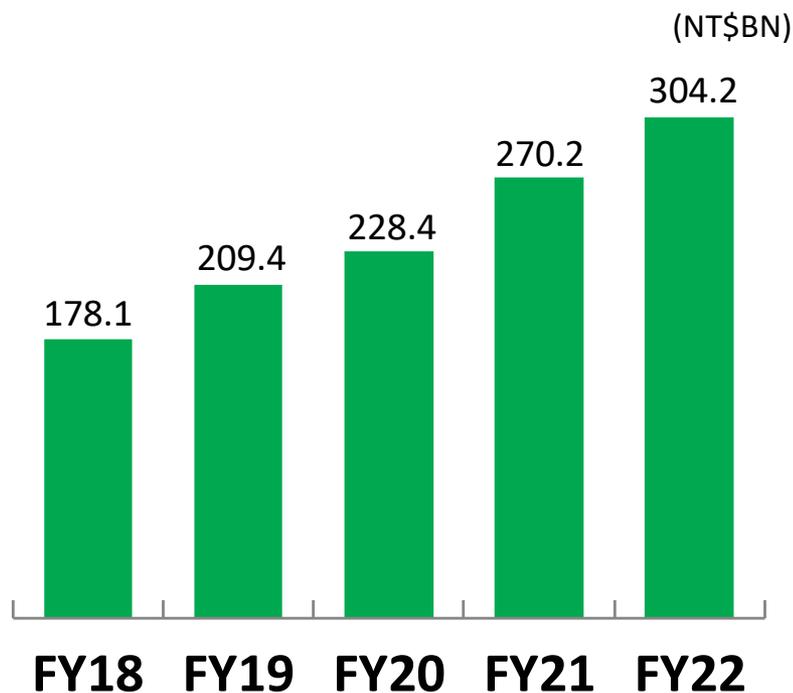
- Gross provision (NT\$BN)
- Recovery



Cathay United Bank – SME & FX loans

- SME loans grew 13% YoY.
- Aims to grow foreign currency loans while ensuring asset quality.

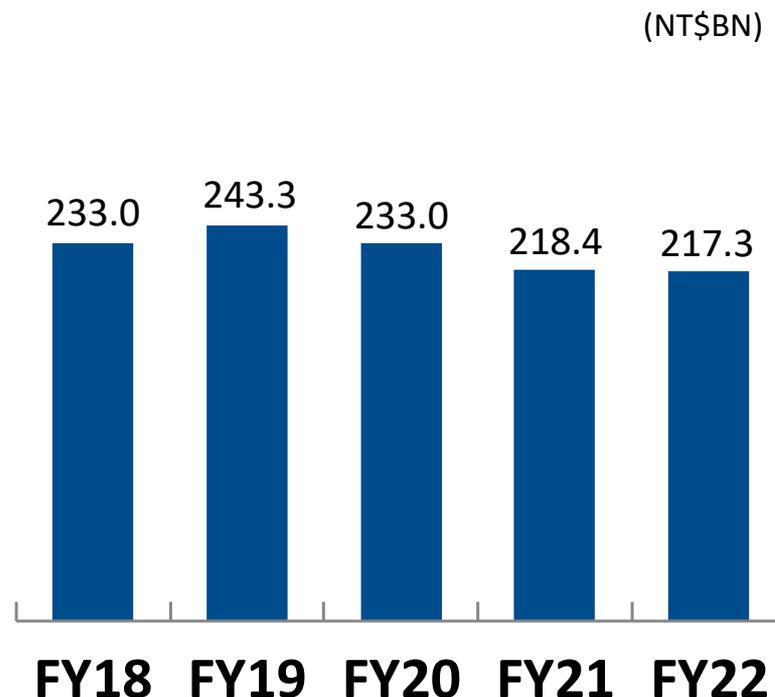
SME loans



As % of total loans

11.4% 13.8% 14.1% 15.3% 15.3%

Foreign currency loans



15.0% 16.1% 14.4% 12.4% 10.9%

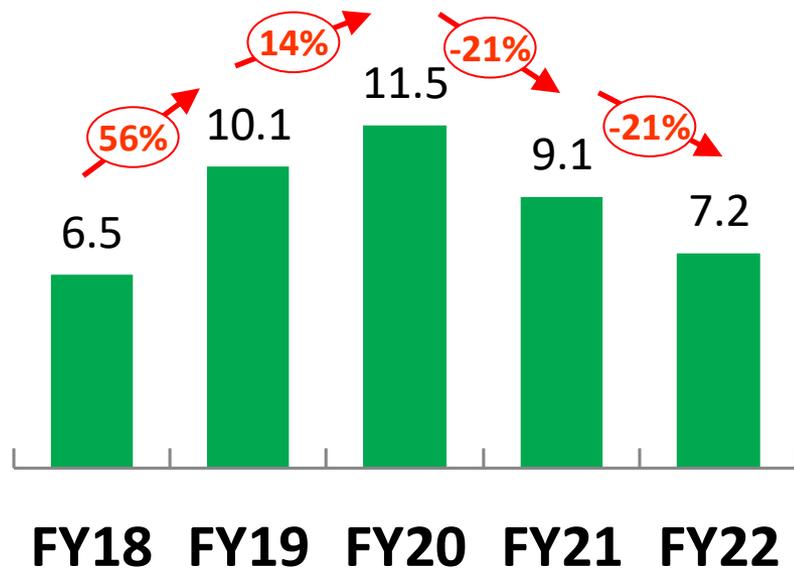


Cathay United Bank – Offshore earnings

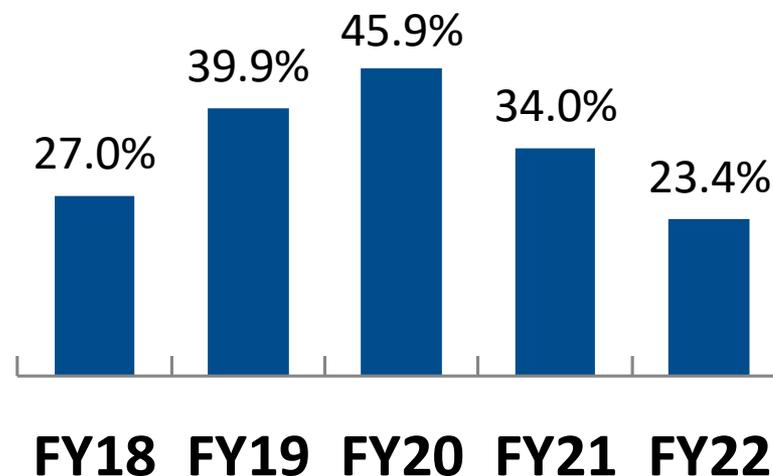
- Offshore earnings declined due to lower YoY investment income.

Offshore earnings

(NT\$BN)

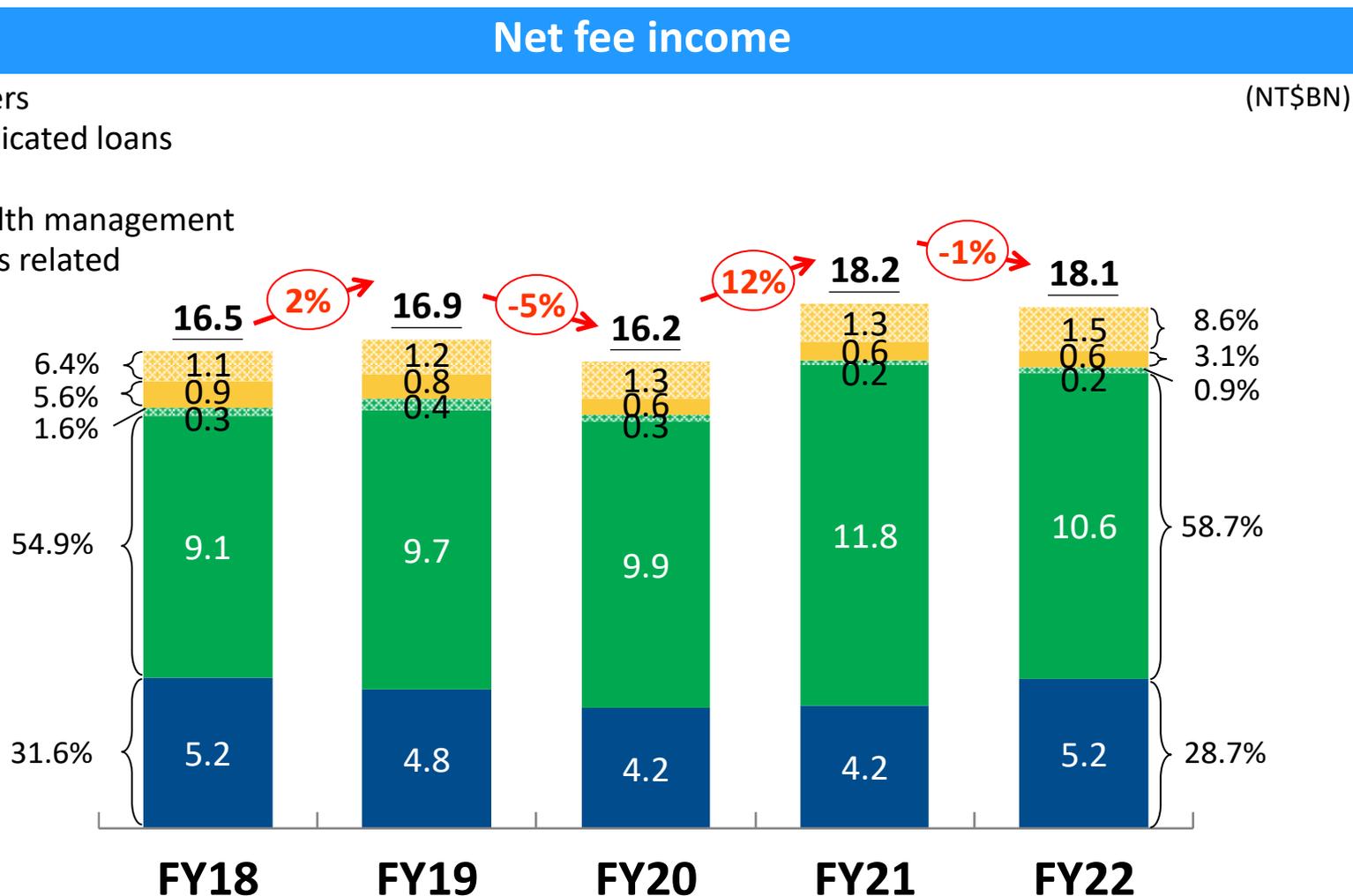


As % of CUB pre-tax profits



Cathay United Bank – Net fee income

- Robust growth in credit card fees offset a decline in wealth management fees, leading to a mild decline in net fee income.

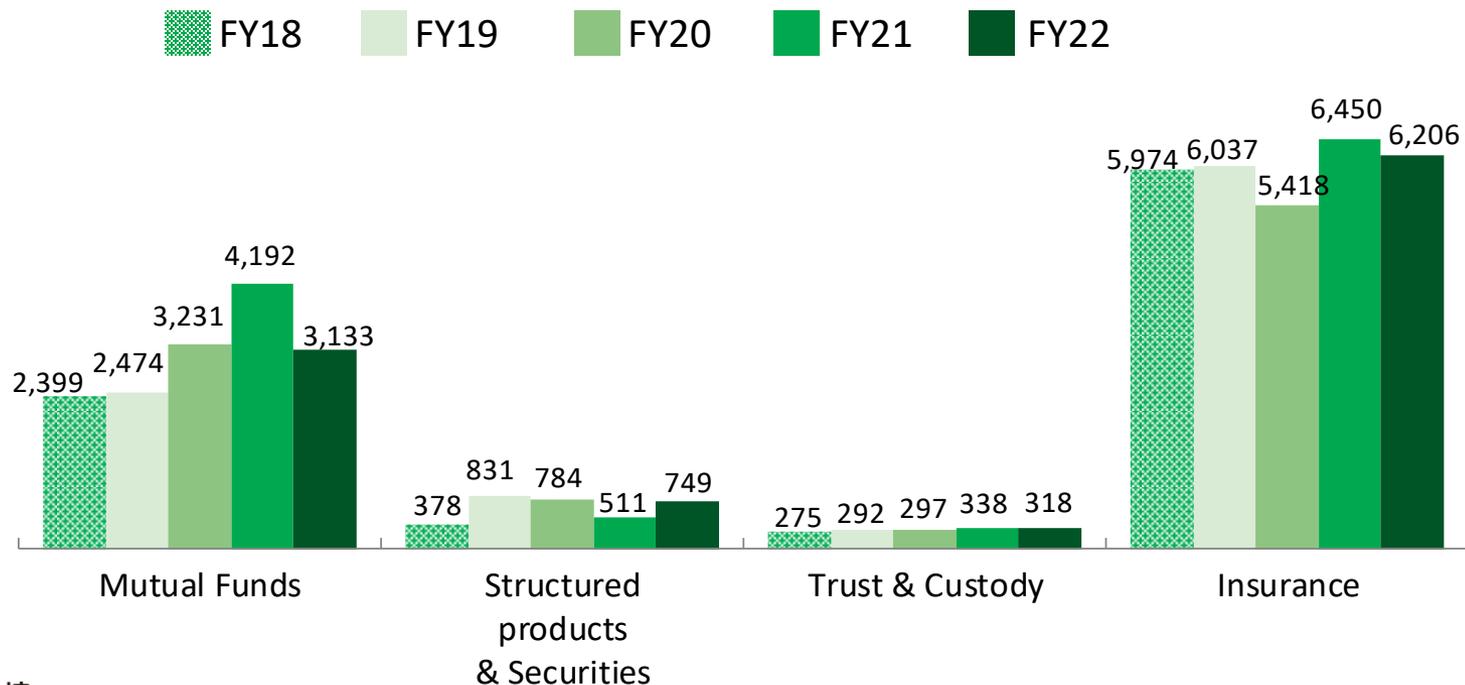


Cathay United Bank – Wealth management fees

- Wealth management fees declined 10% YoY, attributable to lower sales in mutual funds and investment-linked policies due to capital market volatility. Sales of overseas bond products increased, spurring ~50% growth in securities fees.

Wealth management fees breakdown

(NT\$MN)	FY18	FY19	FY20	FY21	FY22
Wealth management fees	9,070	9,695	9,878	11,783	10,595
YoY growth (%)	4.0%	6.9%	1.9%	19.3%	-10.1%



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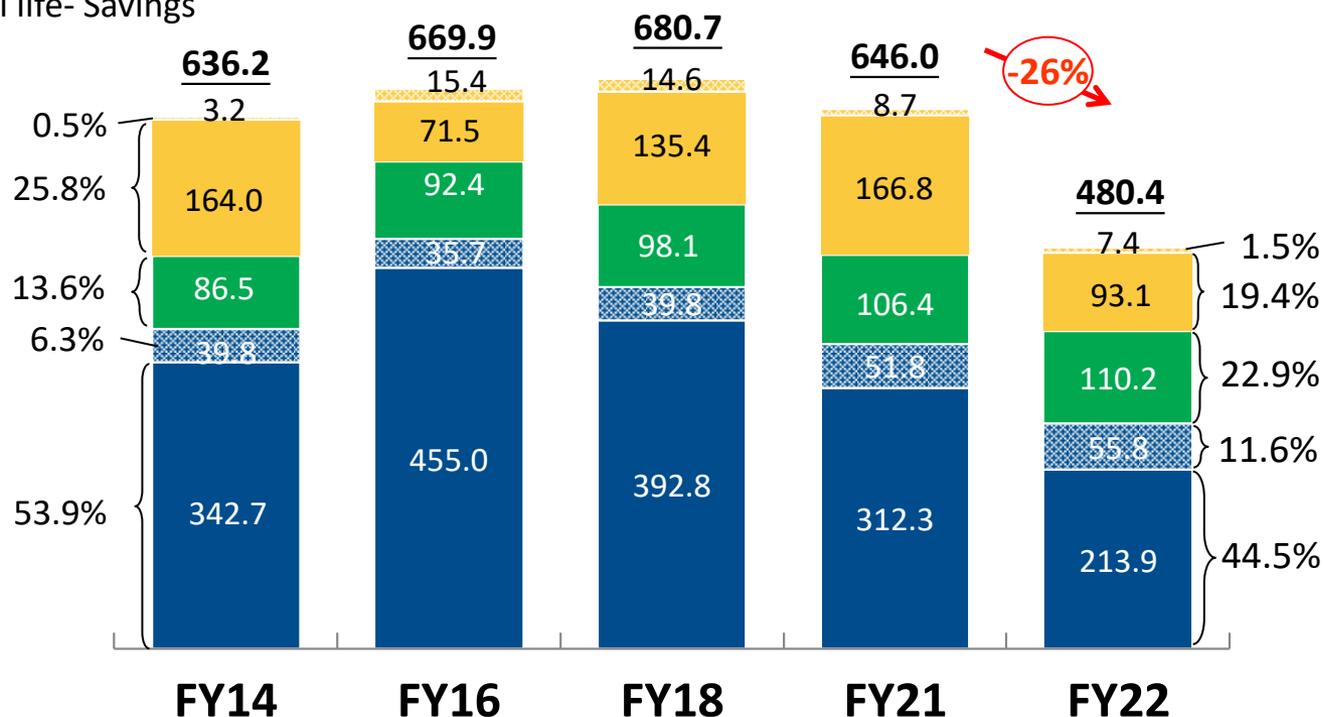
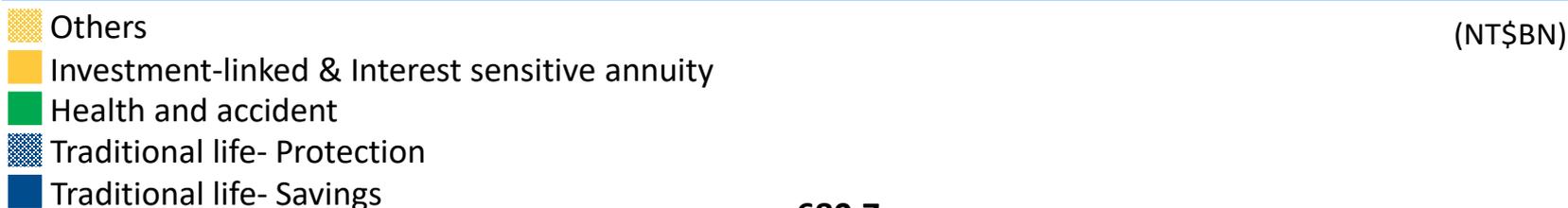
Cathay Century

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Cathay Life – Total premium

- Total premium declined YoY due to the high FY21 base for ILPs and lower renewal premium, reflecting the end of regular premium payment terms for some top-selling products.

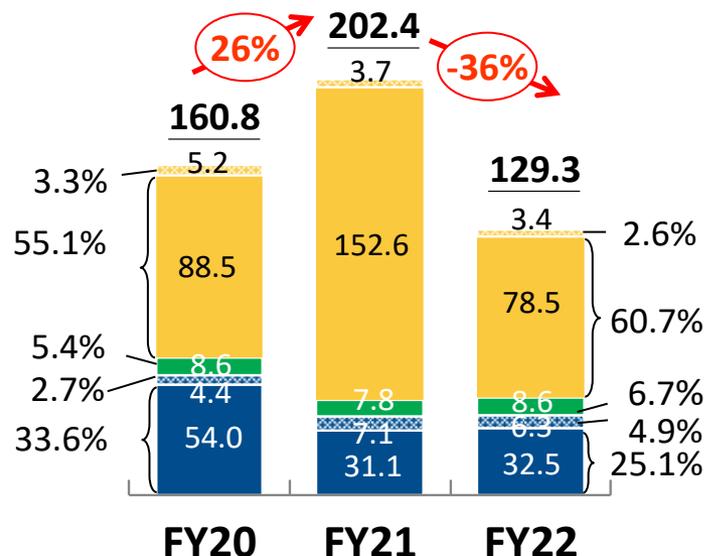
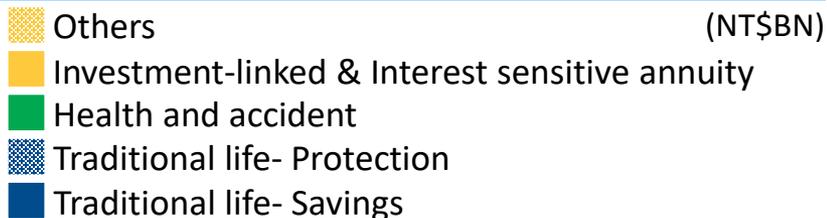
Total premium



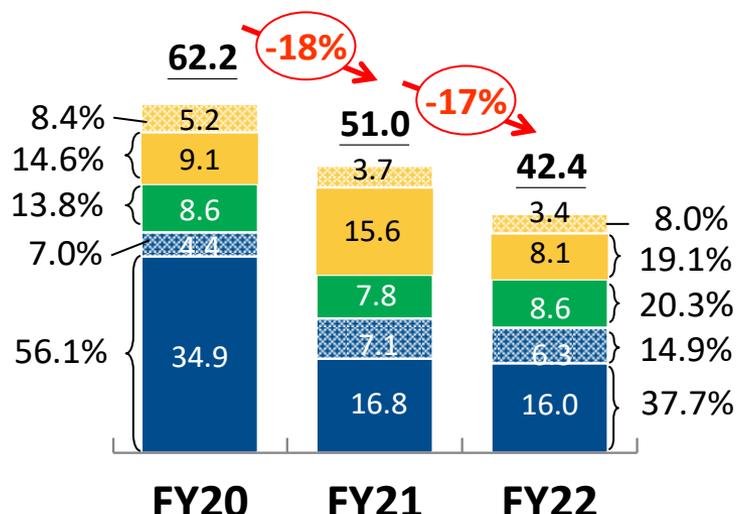
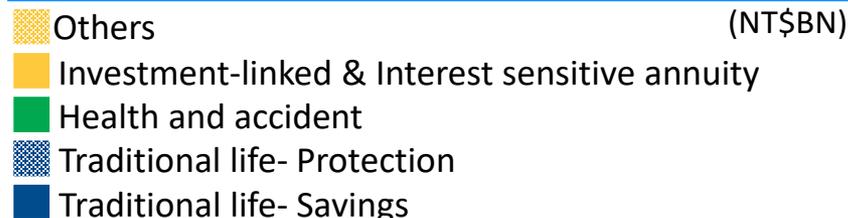
Cathay Life – FYP & APE

- FYP and APE declined YoY, owing to the high base period for ILPs in FY21, which saw favorable capital markets.
- Focused on protection-type policies to accumulate contractual service margin (CSM).

First Year Premium



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

FX polices %
(excl. investment-linked)

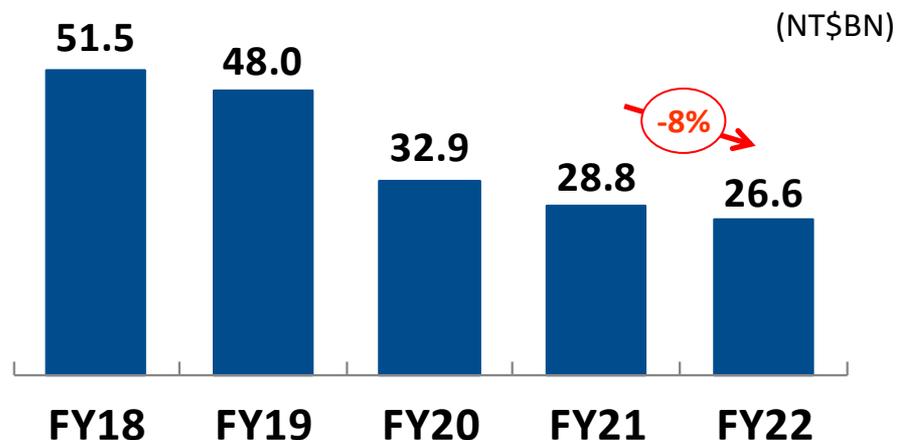
68% 72% 68%

Cathay Life – Value of new business

- VNB declined YoY due to the higher FY21 base for sales volume of ILPs.
- VNB margin increased, attributable to product mix change with higher proportion in high-CSM protection-type products.

Value of New Business

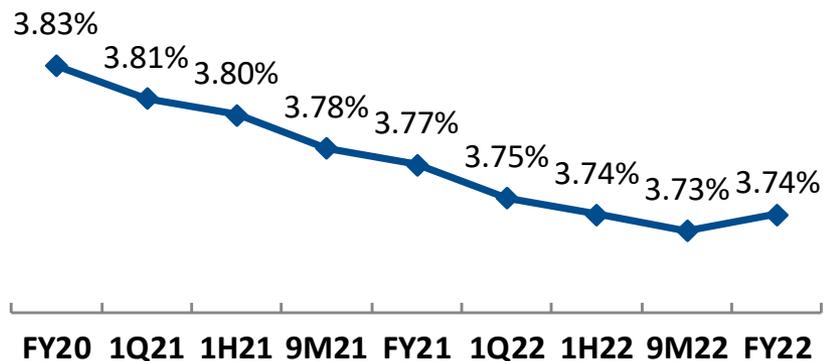
Profit Margin	FY18	FY19	FY20	FY21	FY22
VNB/FYP	24%	24%	20%	14%	21%
VNB/APE	72%	50%	53%	56%	63%



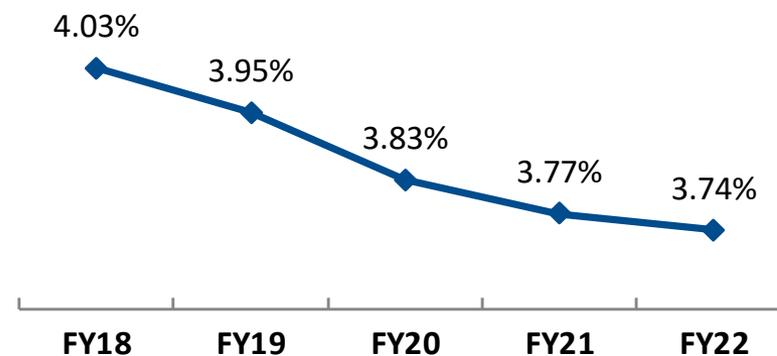
Cathay Life – Cost of liability and break-even asset yield

- COL rose slightly due to the declared rate increase for interest-sensitive policies and TWD appreciation.
- Break-even asset yield increased, owing to reduced total invested assets due to mark-to-market loss amid market volatility; if excluding this impact, break-even asset yield continued to improve.

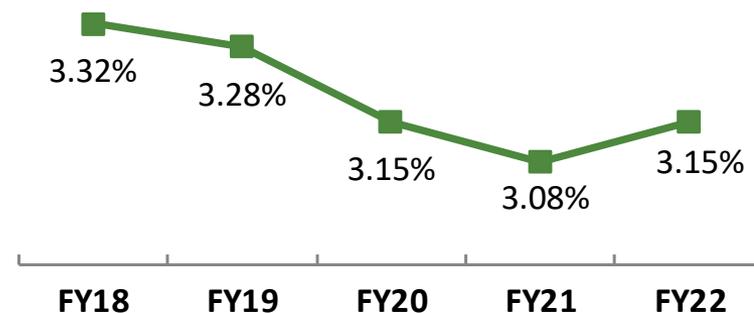
Cost of liability (quarterly)



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			FY22		
Total investments⁽¹⁾	6,415.0	6,945.1	7,254.1			7,330.6		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	4.9%	6.1%	4.4%	316	0.2%	4.1%	300	0.7%
Equity- Domestic	5.0%	6.3%	7.2%	519	20.9%	5.1%	373	8.2%
Equity- International ⁽²⁾	5.8%	5.9%	6.4%	465	11.6%	5.6%	408	4.8%
Bond- Domestic	7.9%	8.0%	7.9%	572	1.7%	7.1%	517	3.2%
Bond- International ⁽²⁾	58.0%	57.0%	57.7%	4,189	5.4%	61.9%	4,539	3.7%
Mortgage & Secured loans	5.3%	4.5%	4.2%	308	1.4%	3.8%	280	2.1%
Policy loans	2.7%	2.4%	2.3%	170	5.4%	2.3%	167	5.3%
Real estate	8.2%	7.7%	7.6%	548	2.4%	7.7%	562	2.7%
Others	2.3%	2.2%	2.3%	168		2.5%	182	

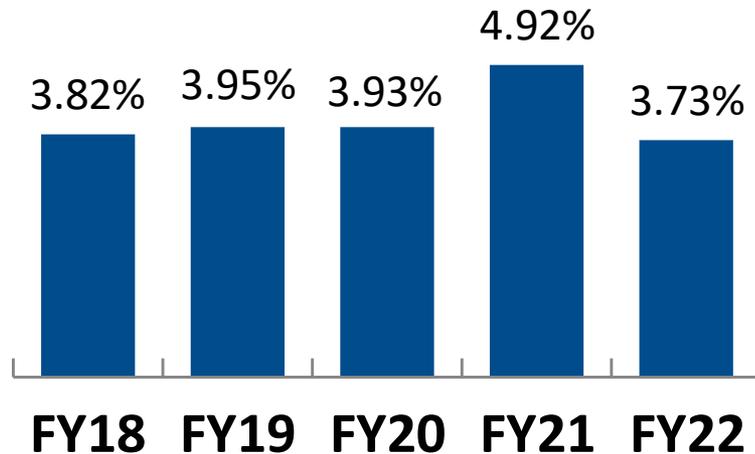
Note: (1) Total assets excluded separate account assets.

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

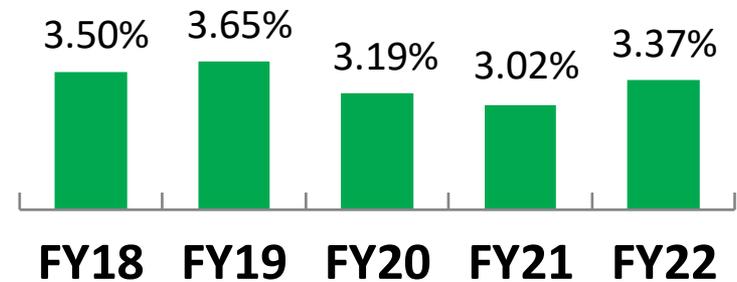
Cathay Life – Investment performance highlights

- Pre-hedging recurring yield rose 35bps as new money yield from overseas bonds surged in FY22 with expanded position; cash dividend income increased YoY.
- Hedging costs improved substantially, owing to TWD depreciation. After-hedging investment yield remained benign despite market turmoil in FY22.

After-hedging investment yield

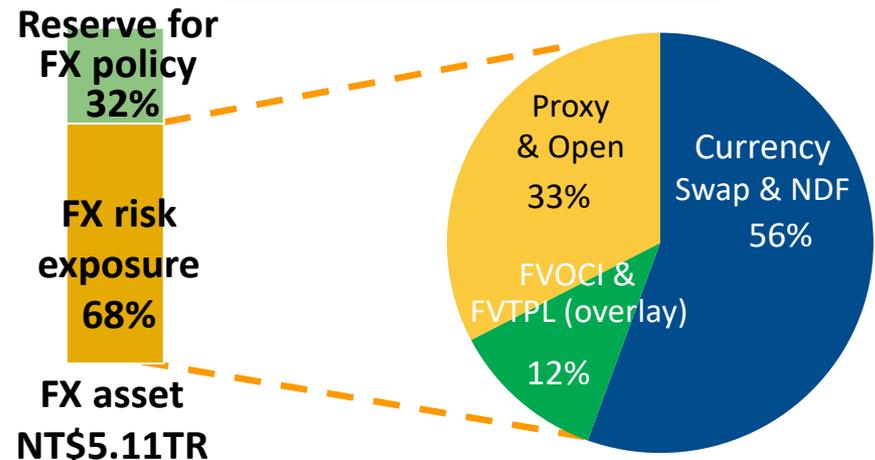


Pre-hedging recurring yield



Currency hedging structure

FY22 Hedging cost 0.14%



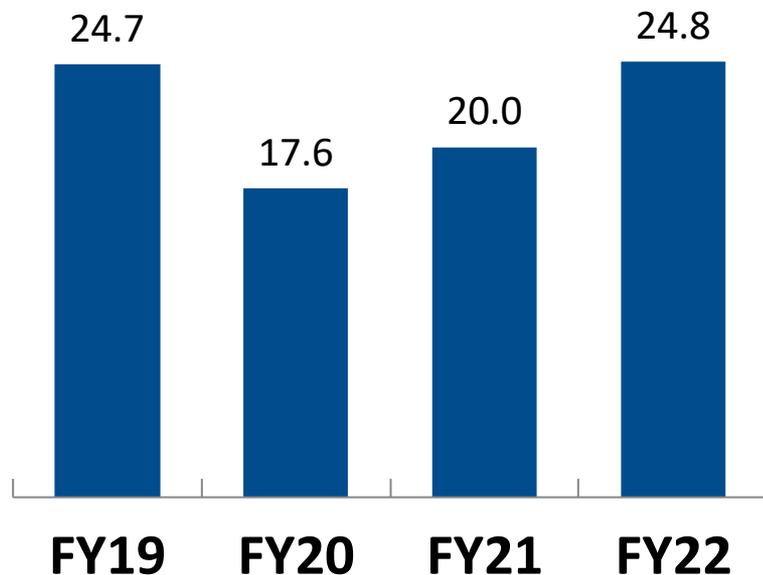
Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

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

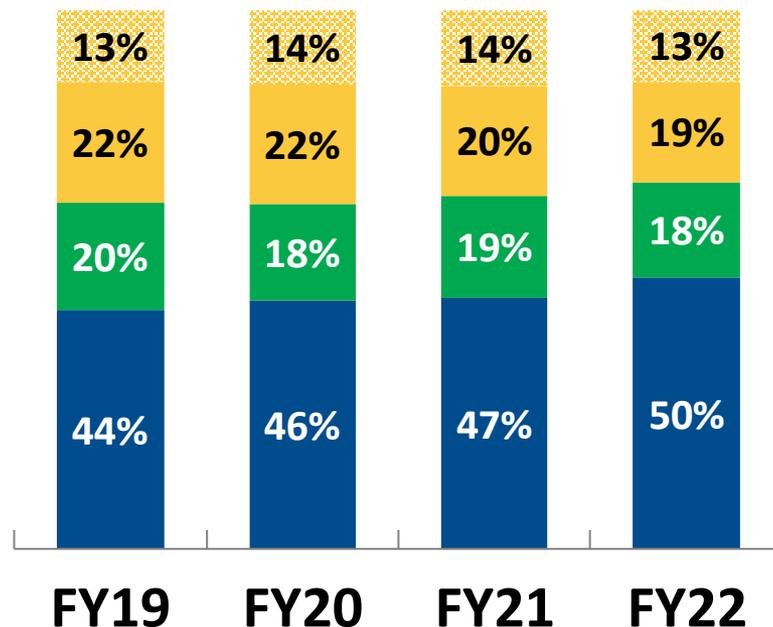
- Cash dividend income increased YoY to NT\$24.8bn.
- Proportion of fixed income in North America increased to 50% among all regions combined.

Cash dividend income

(NT\$BN)

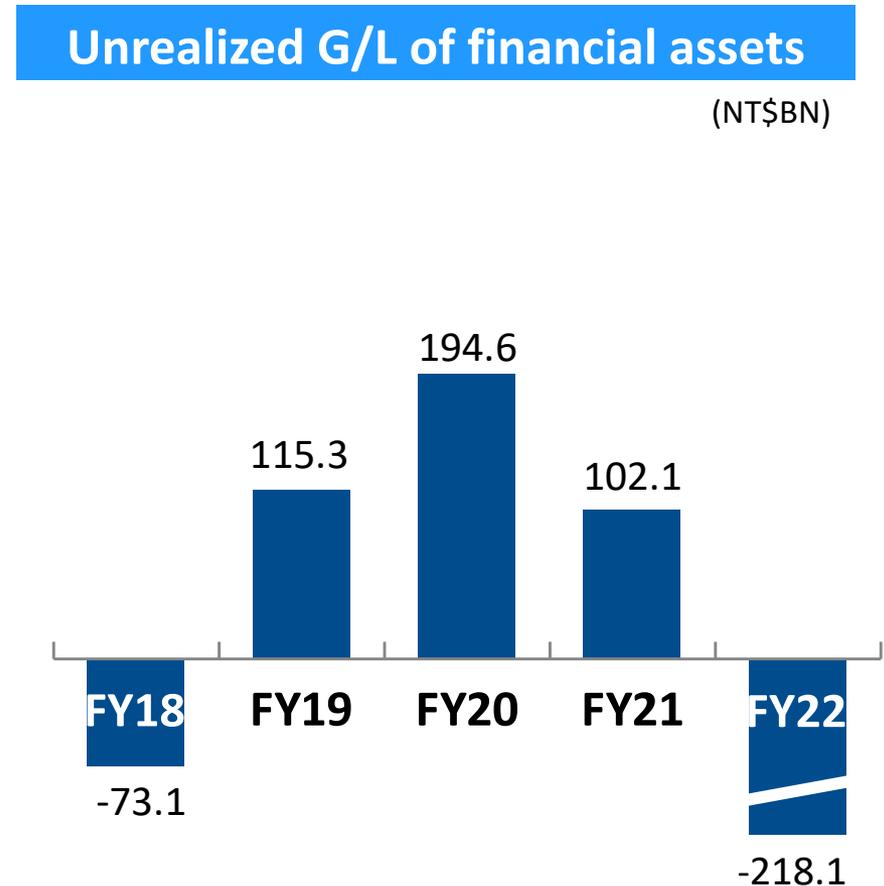
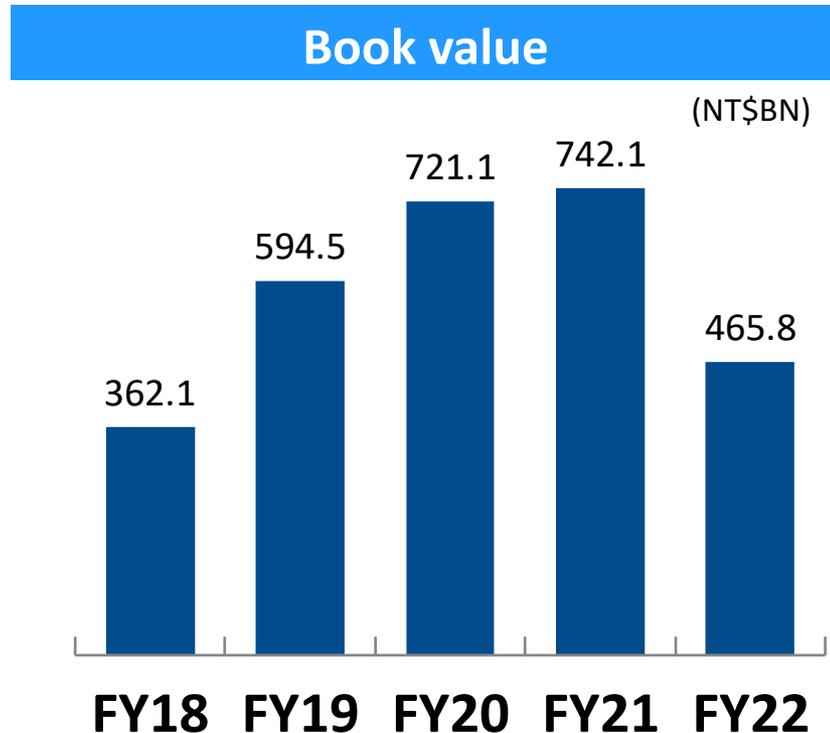


Overseas fixed income by region



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.



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).

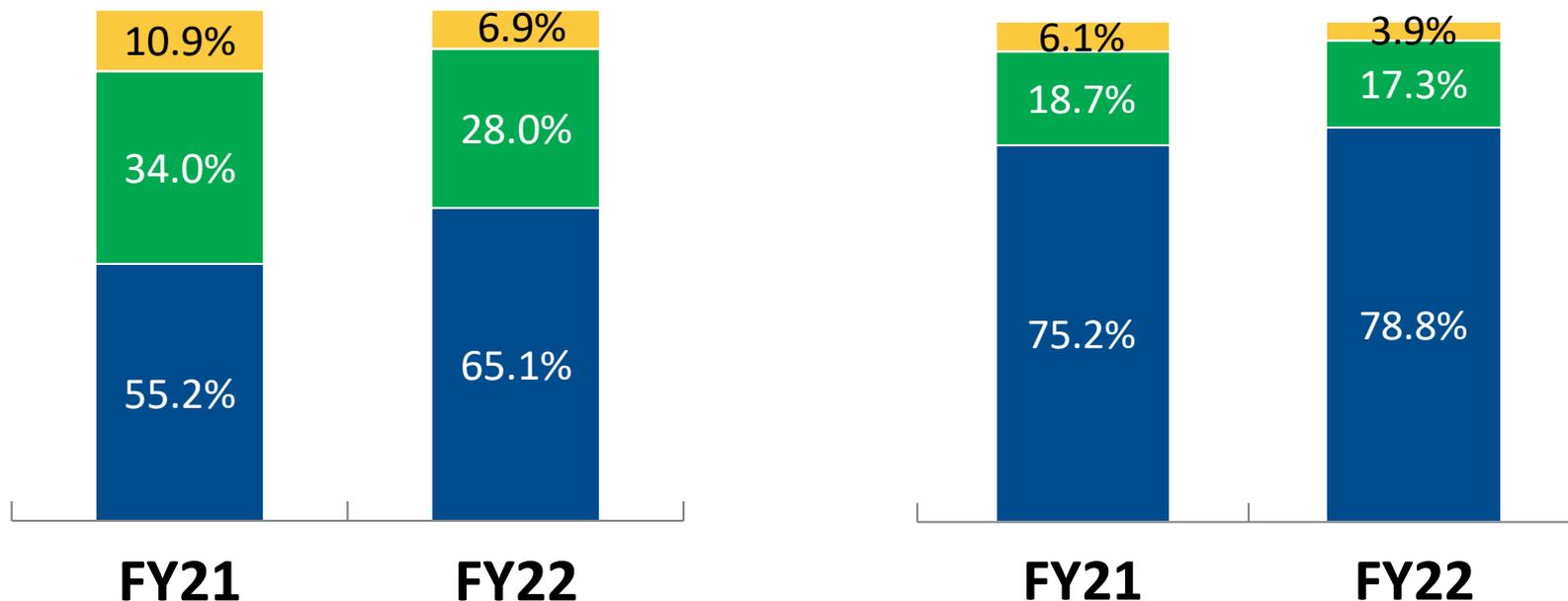
Cathay Life – Distribution channels

- 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.

First Year Premium

Annualized FYP (APE)

- Others
- Bancassurance-CUB
- Tied agents



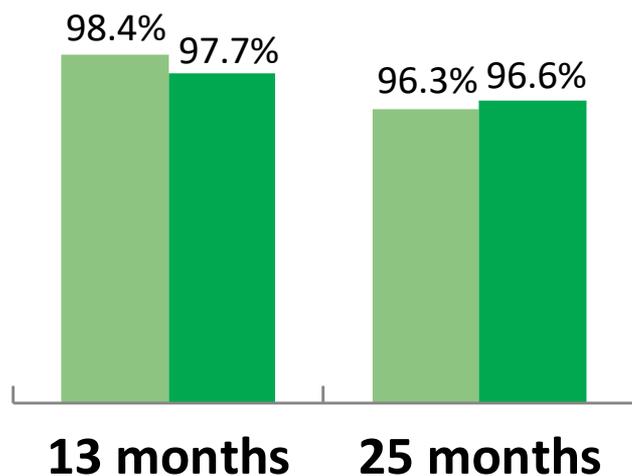
Cathay Life – Operational indicators

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

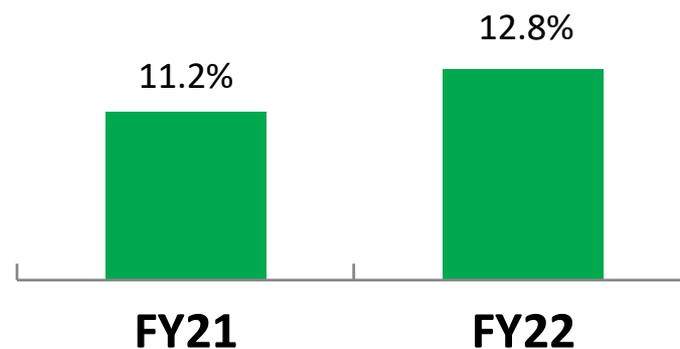
Persistency ratio

■ FY21

■ FY22



Expense ratio



Agenda

- Introduction of Cathay FHC
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- Overseas expansion
- Business performance summary

Cathay United Bank

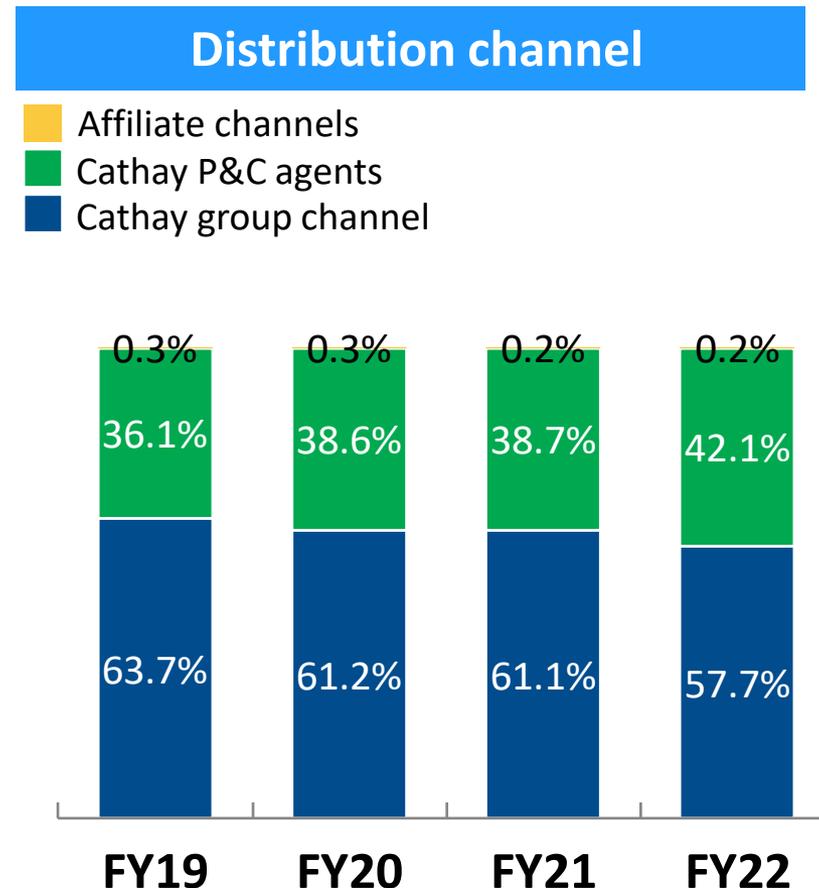
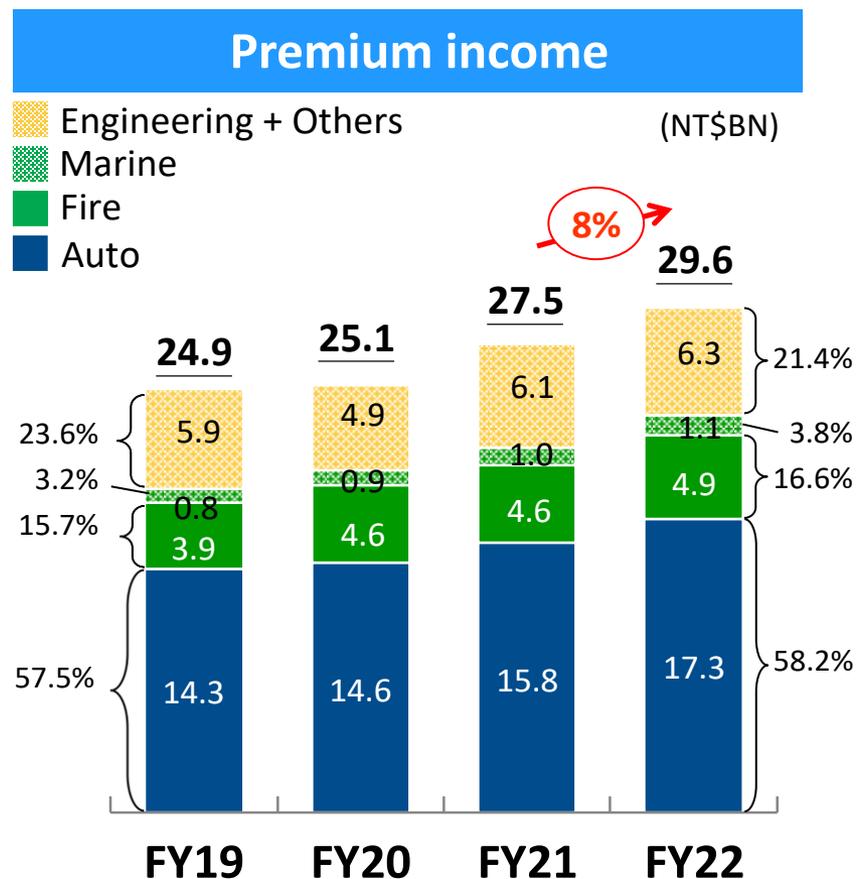
Cathay Life

Cathay Century

- Cathay's ESG efforts
- Appendix

Cathay Century – Premium income & distribution channels

- Premium income showed solid growth. Market share was 12.8%.
- Proportion of premium income generated by Cathay P&C agents increased to 42%. Benefiting from cross-selling synergy, over 50% of premium income was generated by the group channel.



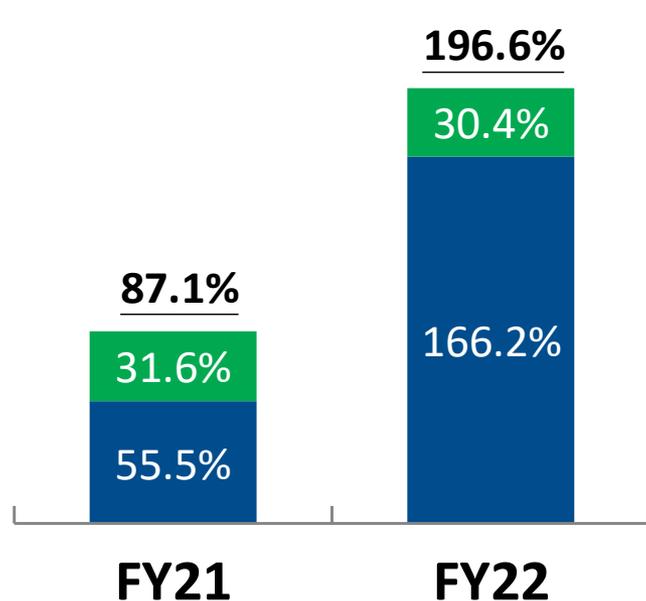
Market share	13.1%	12.3%	12.4%	12.8%
Retention	77.7%	76.4%	74.3%	73.4%

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.

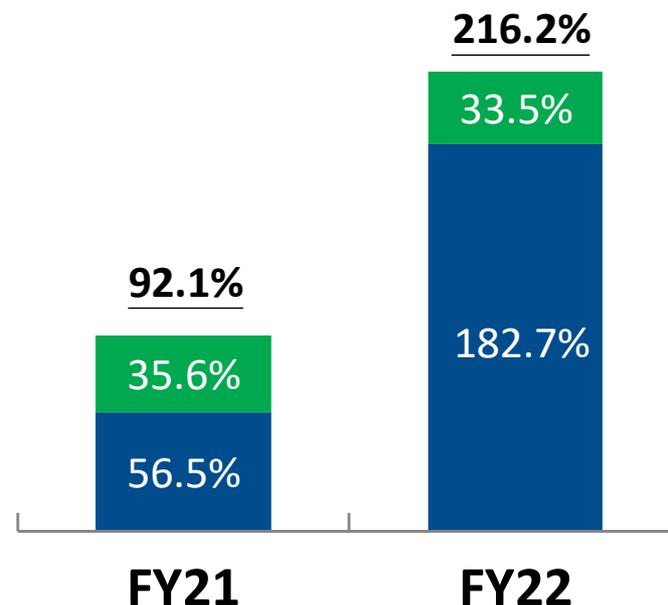
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



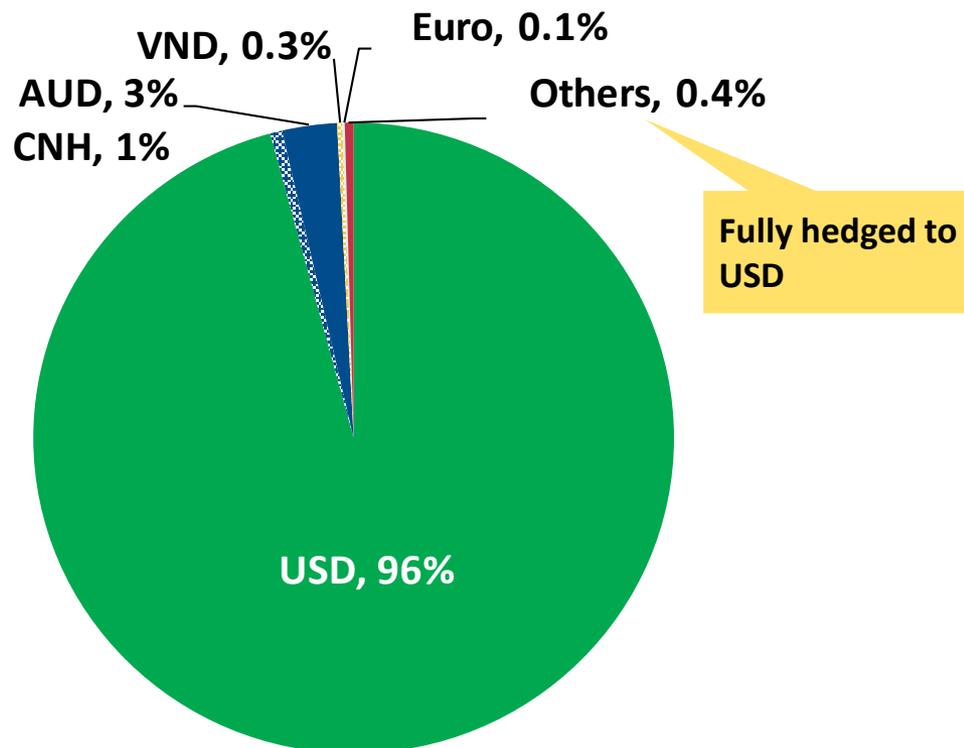
Retained combined ratio

- Retained expense ratio
- Retained loss ratio

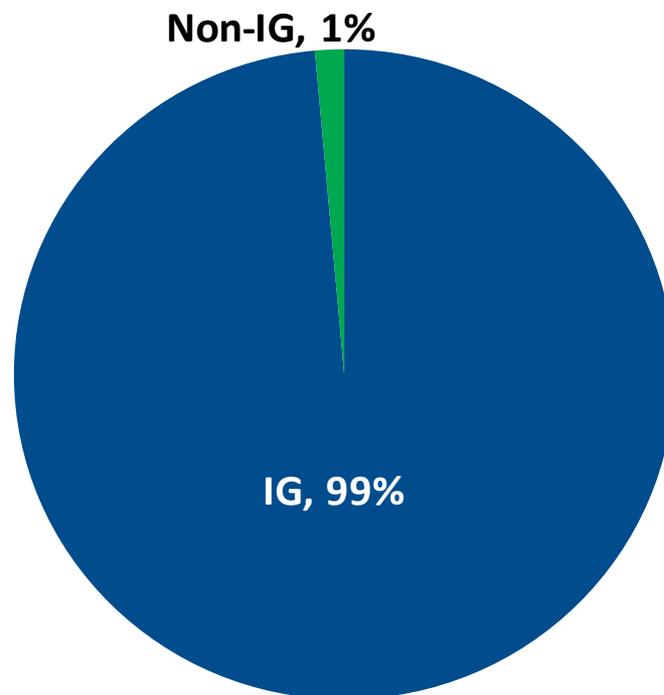


Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (FY22)

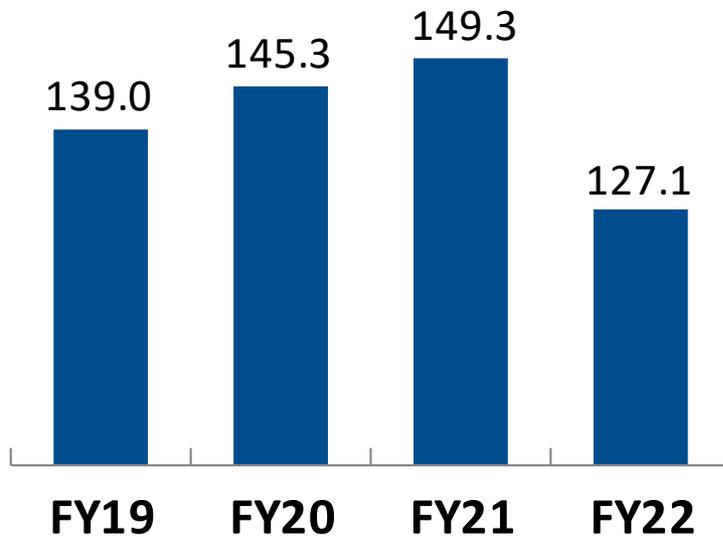


Overseas bond by rating (FY22)

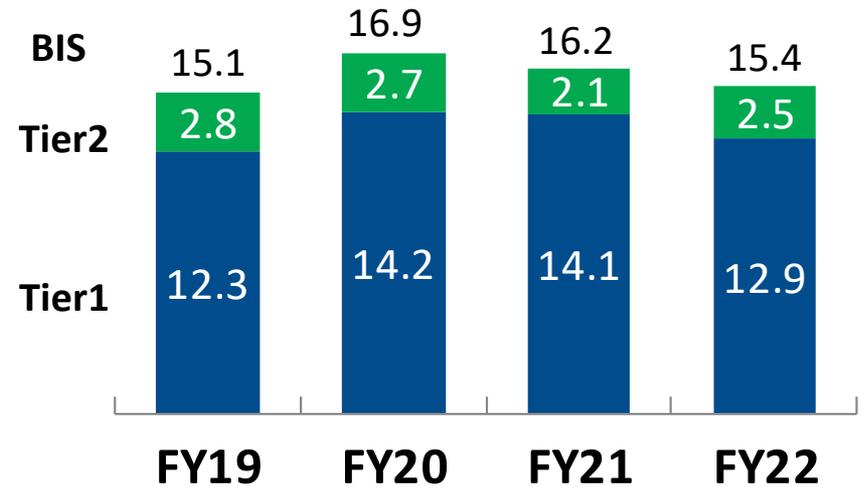


Capital adequacy

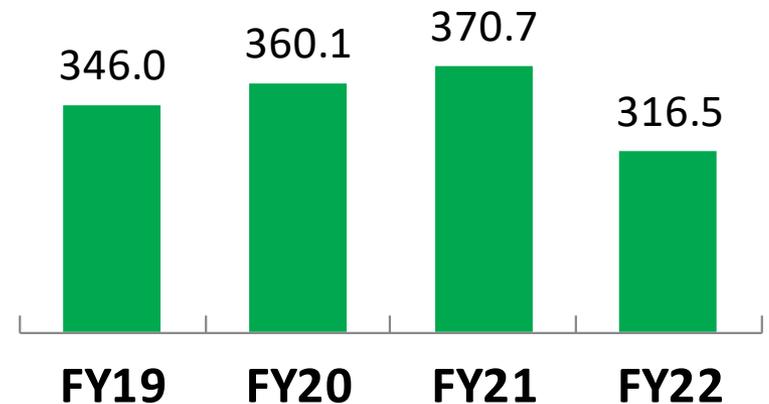
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC (%)



Agenda

- Introduction of Cathay FHC
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 - Cathay Life
 - Cathay Century
- **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

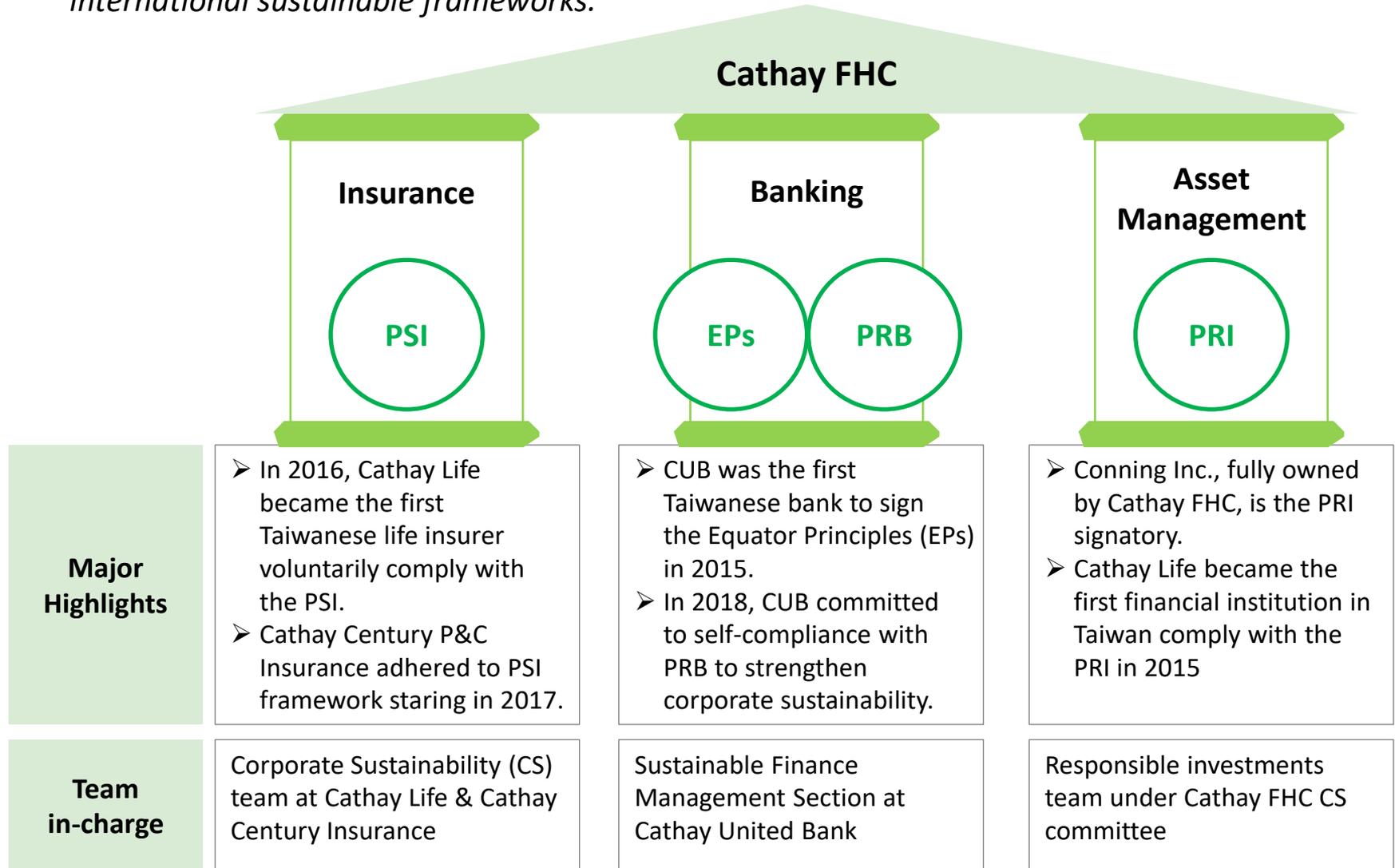
First Prize in Annual Survey for **3**
consecutive year (**Finance & Insurance**),
selected for **“Annual Honor Roll”** in 2022



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

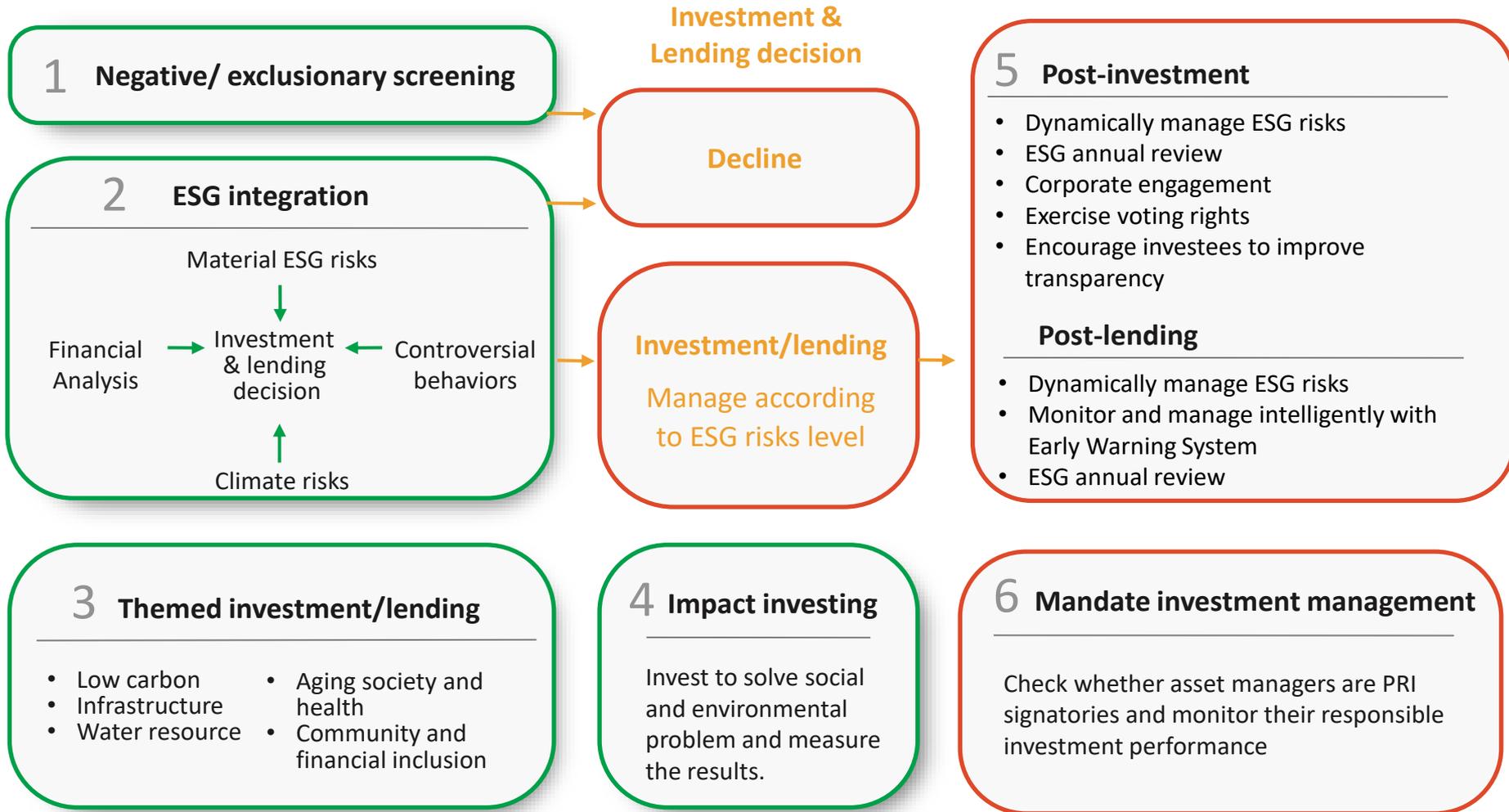
Social Empowerment

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

Integrating ESG into responsible investment and lending

Investment/ Lending Process

Engagements after Investment/ Lending

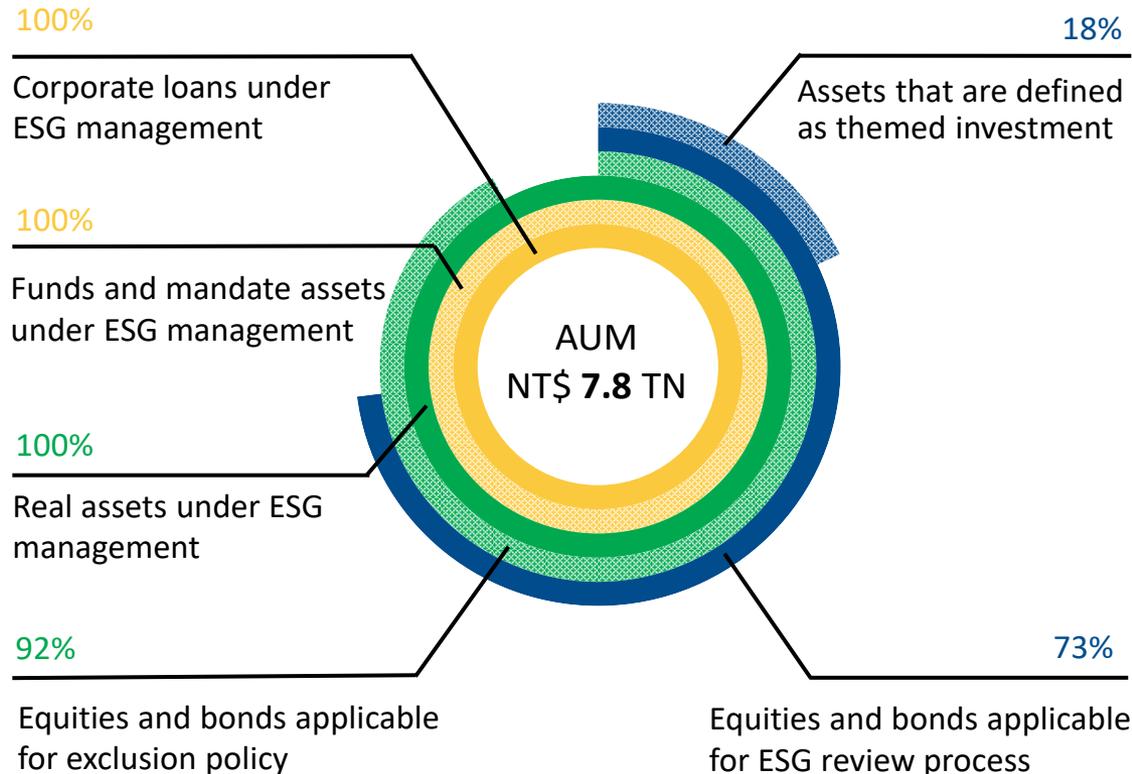


Implementing responsible investment across multiple asset classes

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.

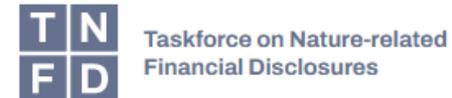
Supported TCFD initiative since 2018, actively managing climate-related risks.



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

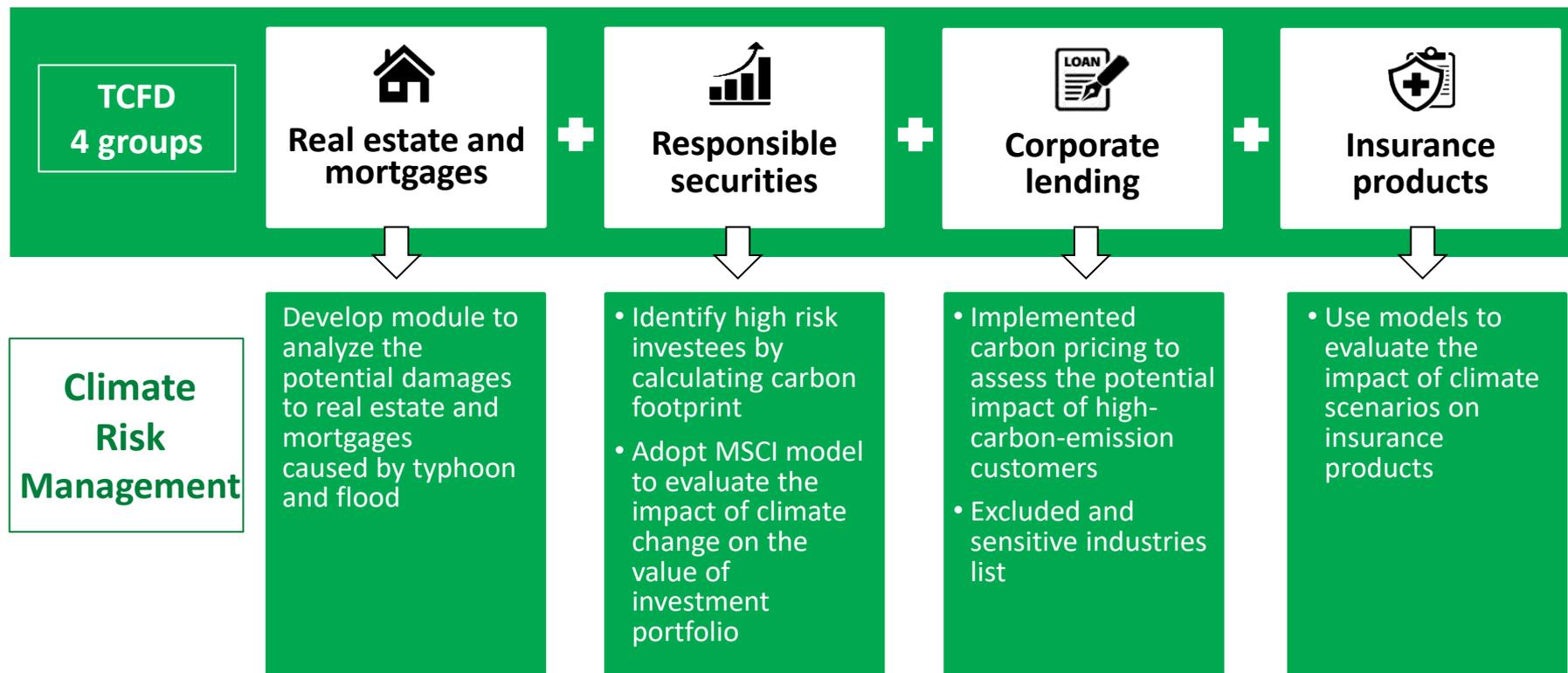
Cathay is the only financial institution in Taiwan that has **participated in the CDP Non-Discloser Campaign for 5 consecutive years, encouraging Cathay’s investee companies to respond to CDP questionnaires.**

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

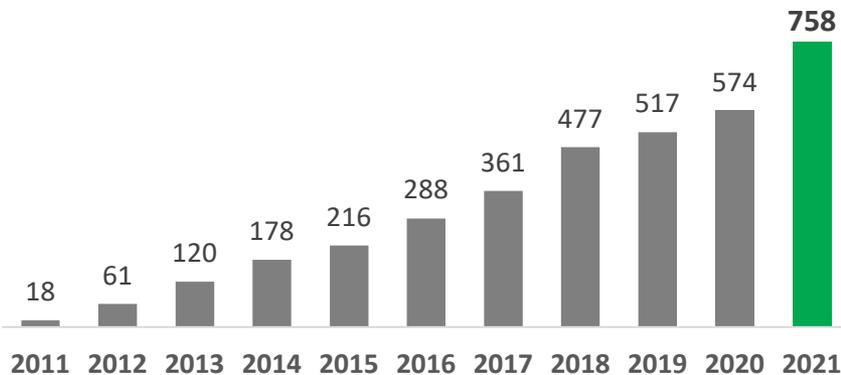
Pioneers in renewable energy financing



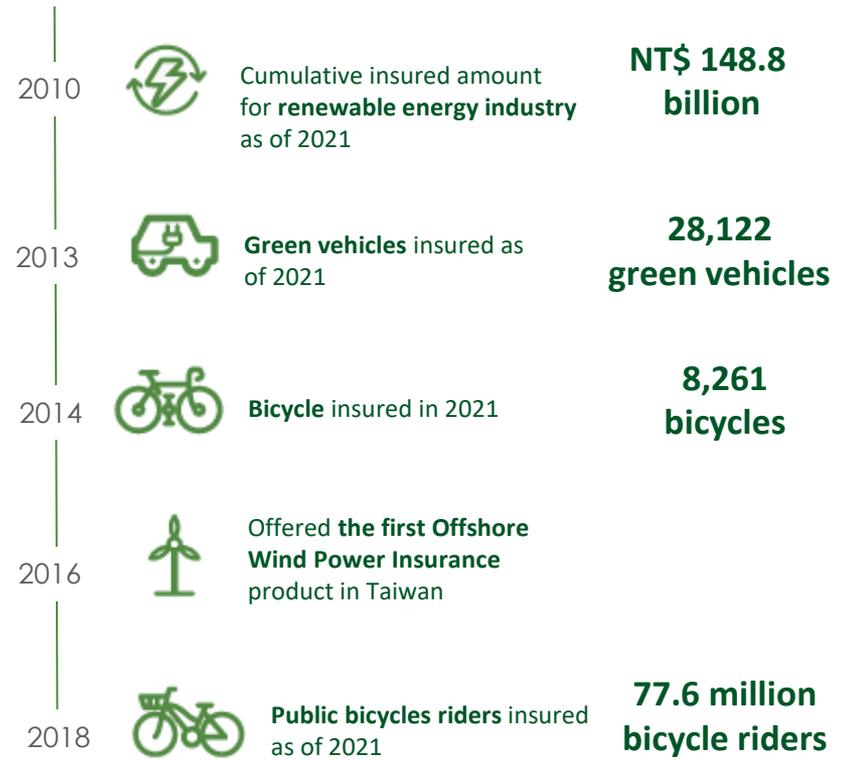
 Total capacity of **financed solar power stations and wind turbines** as of the end of 2021 **2,131 MW**

 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

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Cathay United Bank

Cathay Life

Cathay Century

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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

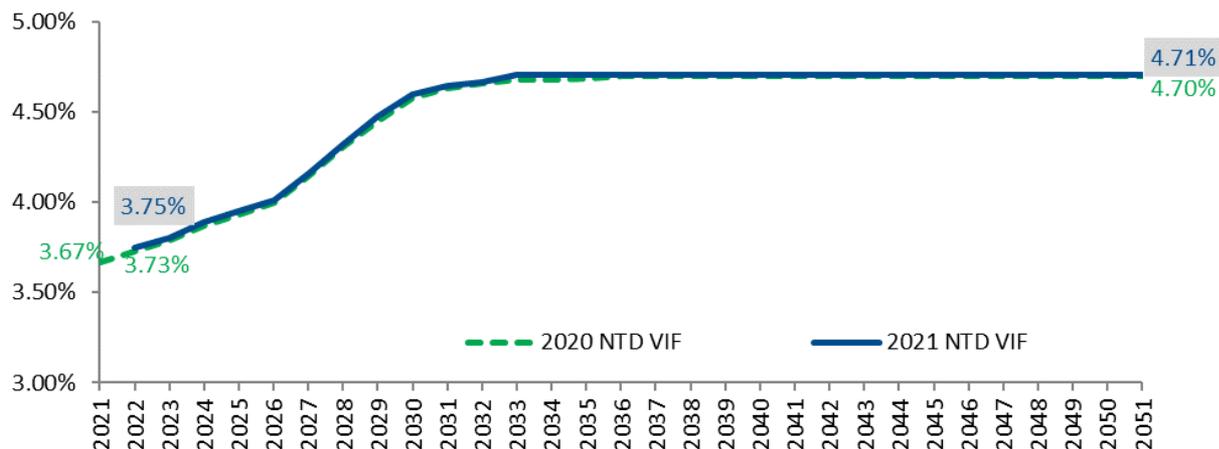
NT\$BN, except for per share figures

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%	--

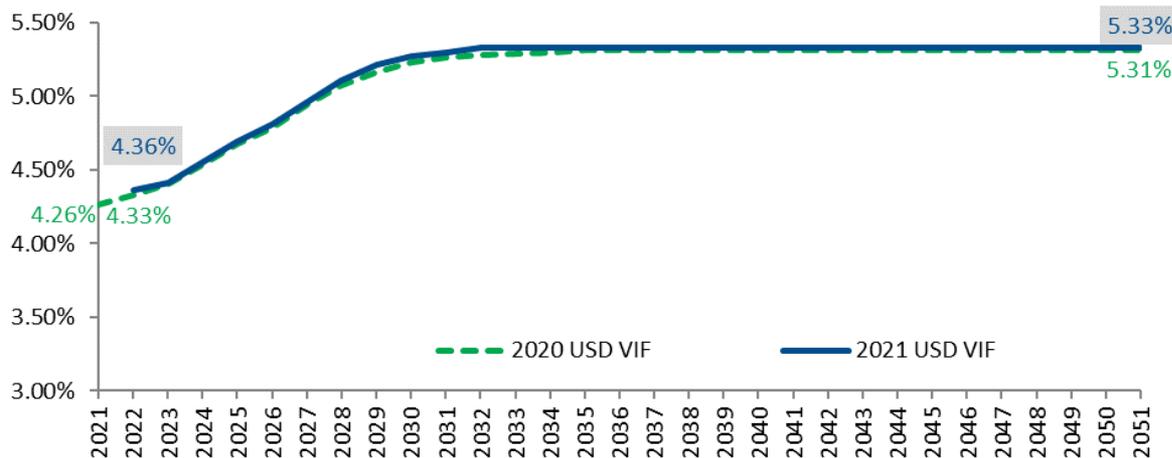
Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares in 2020 and 2021, which is 13.17bn.
 (2) Totals may not sum due to rounding.

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.

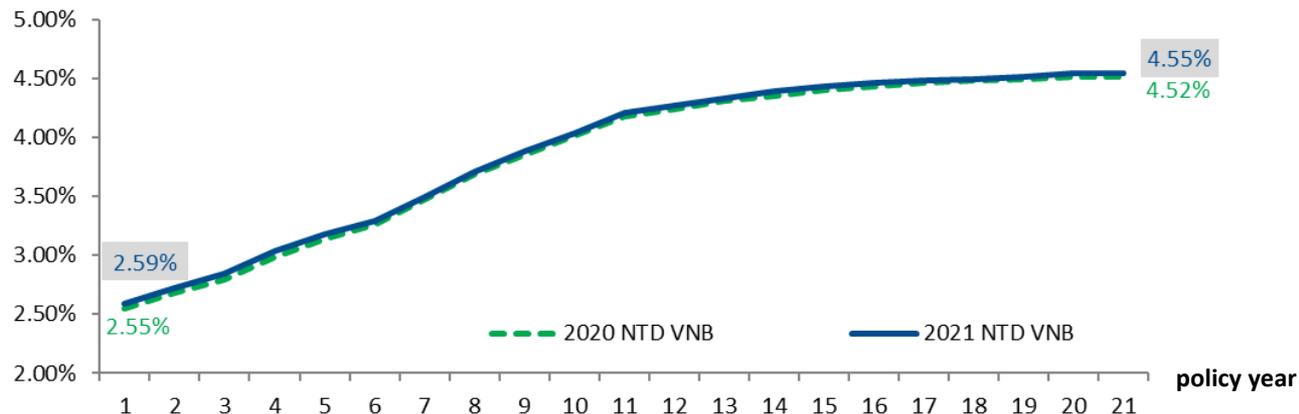


- Investment return assumptions for the value of in-force business of USD-denominated policies as of the end of 2020 & 2021.

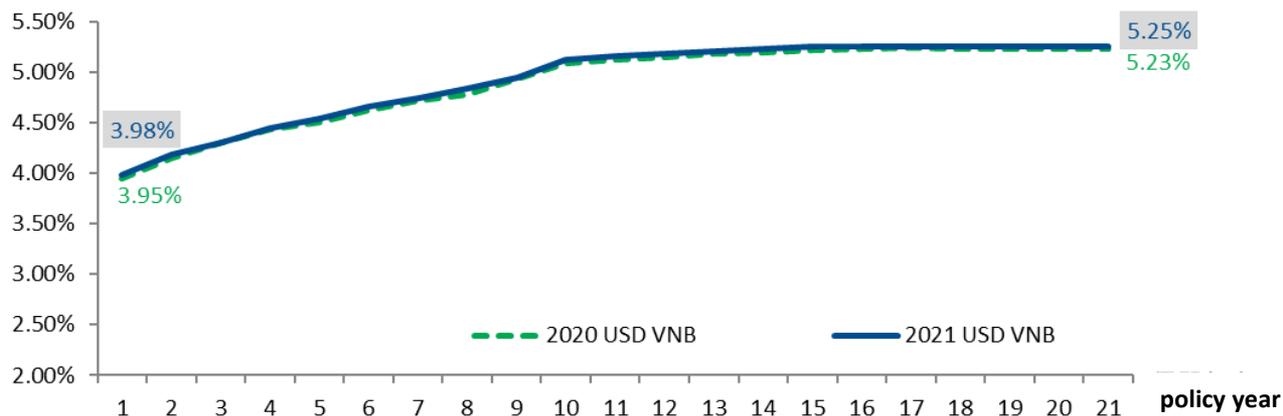


Economic Assumptions: Future one year's new business investment yield

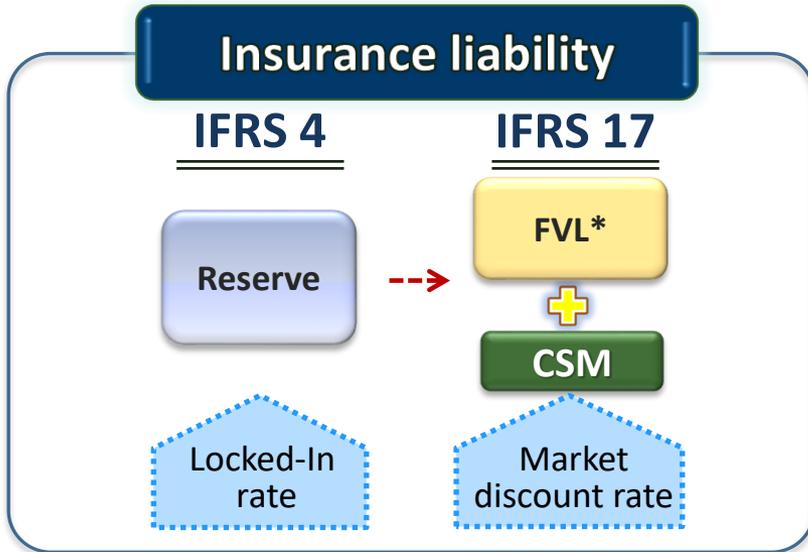
- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2020 & 2021.



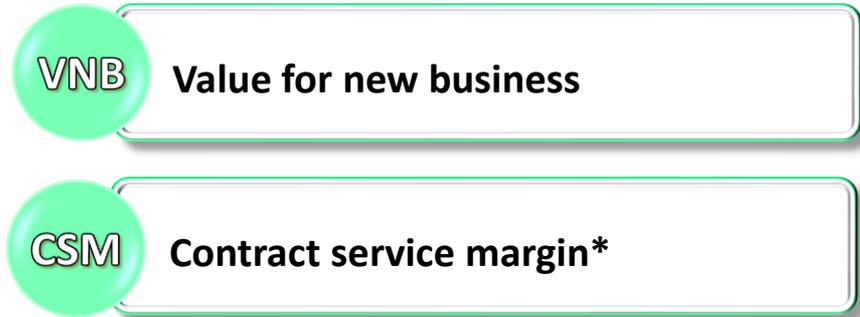
- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2020 & 2021.



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.

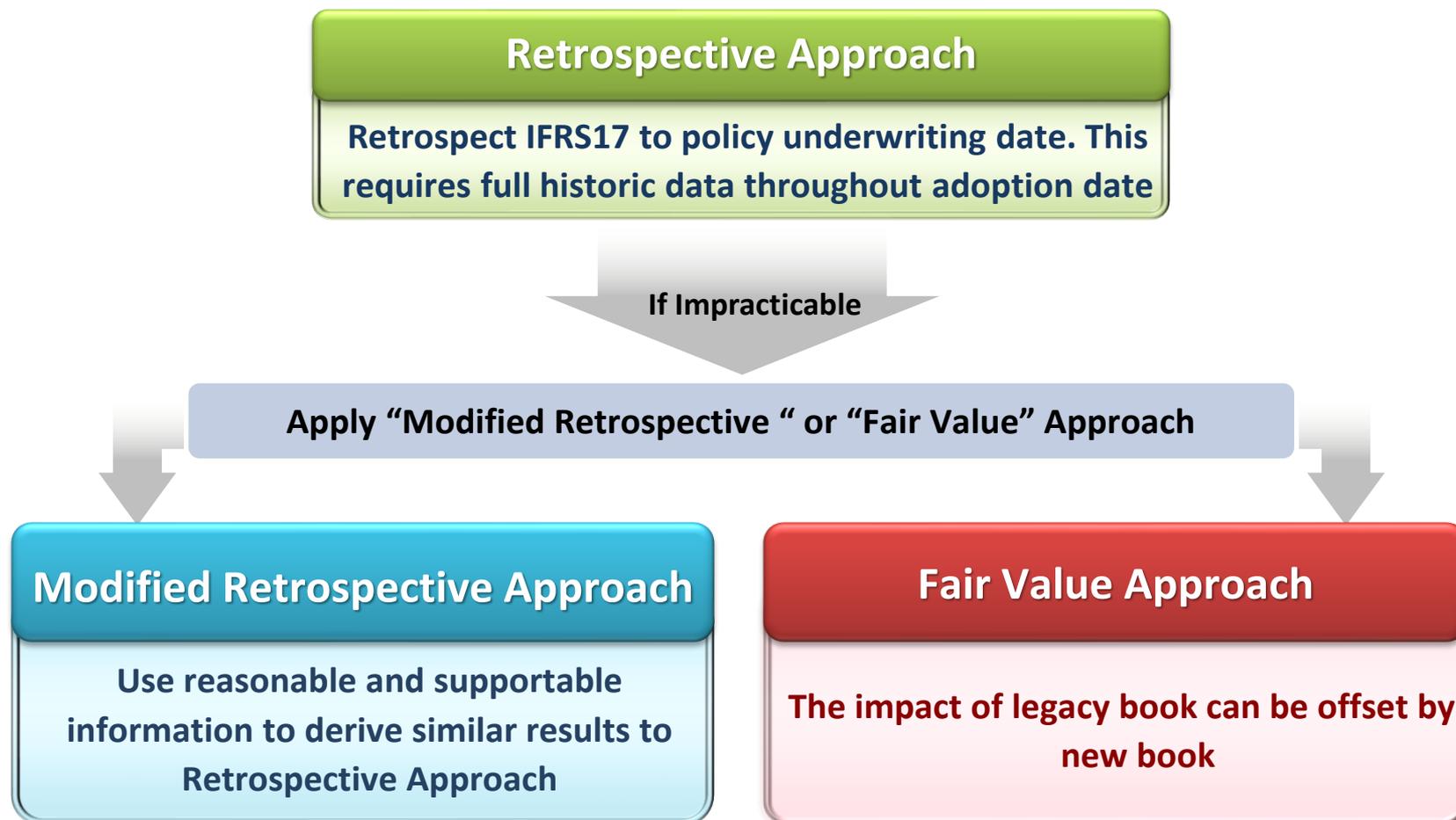
2. Contractual Service Margin (CSM): present value of future unearned profit from insurance contracts to be recognized in the remaining service period.

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

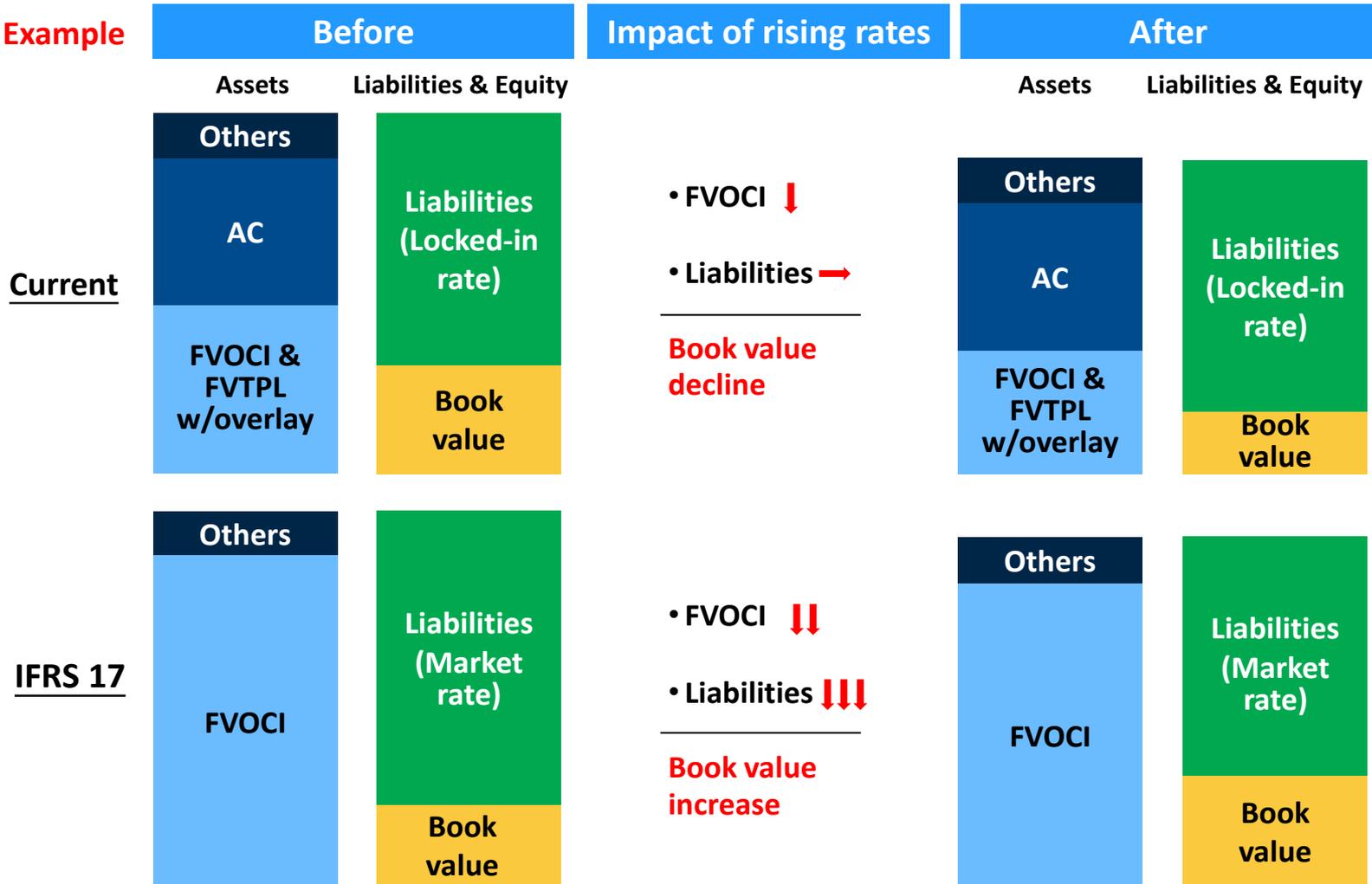
Healthier Industry development

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

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\$MN)

	FY20	FY21	FY22	FY22/ FY21 % Chg	4Q21	4Q22	4Q22/ 4Q21 % Chg
Income Statement Data (Consolidated)							
Operating Income							
Net interest income	190,930	194,882	226,163	16%	49,709	61,983	25%
Net commission and fee	7,244	12,649	15,421	22%	3,340	3,289	-2%
Net earned premium	602,806	524,187	439,719	-16%	149,510	122,646	-18%
Change in liability reserve	(462,094)	(377,408)	(198,098)	-48%	(103,684)	(29,754)	-71%
Net claims payment	(289,808)	(305,703)	(438,283)	43%	(86,274)	(145,611)	69%
Investment income	124,347	190,944	132,185	-31%	33,260	(9,254)	-128%
Contribution from associates-equity method	(12,085)	1,807	2,266	25%	191	189	-1%
Other net non-interest income	6,480	7,197	(36,038)	-601%	(1,362)	1,702	225%
Bad debt expense	(3,178)	(3,484)	(4,778)	37%	(270)	(2,419)	796%
Operating expense	(83,027)	(85,543)	(88,610)	4%	(22,971)	(23,663)	3%
Income before taxes	81,616	159,526	49,948	-69%	21,448	(20,893)	-197%
Income taxes	(5,658)	(18,637)	(11,986)	-36%	(2,928)	4,376	-249%
Net income	75,958	140,889	37,962	-73%	18,520	(16,517)	-189%
Net income to parent company	74,579	139,514	37,359	-73%	17,918	(16,535)	-192%
EPS (NT\$)	5.41	10.34	2.58		1.36	(1.25)	
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	13,190				
Balance Sheet Data (Consolidated)							
Total assets	10,950,472	11,594,361	12,070,886				
Total shareholders' equity	904,776	914,039	611,708				
Equity attributable to parent company	893,061	902,038	598,840				
Operating Metrics							
ROAE (Consolidated)	9.01%	15.49%	4.98%				
ROAA (Consolidated)	0.72%	1.25%	0.32%				
Double leverage ratio(inc. preferred stock)	111%	113%	122%				
Capital Adequacy Metrics							
Capital Adequacy Ratio	145%	149%	127%				

Notes:

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For more details, please refer to our official financial reports.
- (2) Total may not sum due to rounding.

Cathay Life

(NT\$MN)

Income Statement Data (Consolidated)

	FY20	FY21	FY22	FY22/ FY21 % Chg	4Q21	4Q22	4Q22/ 4Q21 % Chg
Net written premium	580,261	499,102	410,186	-18%	142,786	115,305	-19%
Net earned premium	579,563	498,398	409,196	-18%	141,858	114,268	-19%
Reinsurance commission earned	533	388	527	36%	373	507	36%
Fee income	8,701	10,715	10,804	1%	2,756	2,685	-3%
Recurring investment income	212,247	214,968	242,608	13%	51,911	59,102	14%
Gain on disposal of investment							
Realized gain (loss)-Equity	74,997	116,191	23,289	-80%	17,987	(1,433)	-108%
Realized gain (loss)-Debt	64,964	63,127	5,572	-91%	8,963	(2,658)	-130%
Gain on investment property	1,881	1,106	2,735	147%	(88)	834	1046%
FX and others, net	(90,182)	(46,445)	(2,907)	94%	(7,429)	(15,164)	-104%
Investment income, net	263,907	348,947	271,296	-22%	71,344	40,682	-43%
Other operating income	6,978	8,754	8,726	0%	2,779	2,354	-15%
Separate account revenues	73,396	77,919	(933)	-101%	18,158	12,436	-32%
Net claims payment	(273,049)	(287,850)	(398,511)	38%	(80,614)	(134,630)	67%
Changes in liability reserves	(462,233)	(376,771)	(188,389)	-50%	(103,438)	(23,521)	-77%
Acquisition and commission expense	(35,815)	(34,445)	(30,977)	-10%	(9,200)	(8,133)	-12%
Other operating costs	(6,635)	(8,056)	(6,729)	-16%	(2,089)	(1,797)	-14%
Financial cost	(2,501)	(3,114)	(3,817)	23%	(851)	(1,076)	26%
Separate account expense	(73,396)	(77,919)	933	-101%	(18,158)	(12,436)	-32%
Operating expense	(29,565)	(32,448)	(32,301)	0%	(8,432)	(8,108)	-4%
Net non-operating income	1,589	1,563	1,859	19%	421	578	37%
Income taxes	1,209	(12,916)	(7,513)	-42%	(1,991)	3,344	-268%
Net income	52,682	113,166	34,169	-70%	12,916	(12,847)	-199%
Net income to parent company	51,745	112,231	33,667	-70%	12,559	(13,013)	-204%

Balance Sheet Data (Consolidated)

Total assets	7,675,559	8,073,161	8,172,430
General account	7,033,875	7,348,951	7,517,003
Separate account	641,685	724,210	655,427
Reserves for life insurance liabilities	6,085,534	6,413,221	6,794,562
Total liabilities	6,954,433	7,331,028	7,706,641
Total shareholders' equity	721,126	742,133	465,789
Equity attributable to parent company	713,727	734,443	456,817

Operating Metrics (Standalone)

First Year Premium(FYP)	160,771	202,394	129,343
First Year Premium Equivalent(FYPE)	62,182	50,997	42,434
Expense ratio	9.5%	11.2%	12.8%
13-M persistency ratio	98.1%	98.4%	97.7%
25-M persistency ratio	95.5%	96.3%	96.6%
ROAE (Consolidated)	8.01%	15.47%	5.66%
ROAA (Consolidated)	0.71%	1.44%	0.42%

Capital Adequacy Metrics (Standalone)

RBC ratio	360%	371%	316%
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Notes:

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Cathay United Bank

(NT\$MN)				FY22/ FY21			4Q22/ 4Q21
<u>Income Statement Data (Consolidated)</u>	FY20	FY21	FY22	% Chg	4Q21	4Q22	% Chg
Operating Income							
Net interest income	35,223	38,539	48,704	26%	10,051	13,791	37%
Fee income	16,331	18,346	18,246	-1%	4,260	4,390	3%
Investment income	9,482	6,956	6,711	-4%	934	1,020	9%
Other income	855	502	1,180	135%	139	420	202%
Net operating income	61,891	64,342	74,841	16%	15,384	19,621	28%
Operating expenses	(32,686)	(33,877)	(38,307)	13%	(9,367)	(11,075)	18%
Pre-provision profit	29,205	30,466	36,534	20%	6,017	8,546	42%
Net provisions for possible losses	(3,382)	(2,986)	(5,524)	85%	(243)	(2,761)	1035%
Income before taxes	25,823	27,480	31,010	13%	5,774	5,786	0%
Income tax	(3,512)	(3,671)	(5,299)	44%	(805)	(987)	23%
Net income	22,311	23,808	25,712	8%	4,969	4,799	-3%
Net income to parent company	21,854	23,344	25,590	10%	4,716	4,952	5%
Balance Sheet Data (Consolidated)							
Total assets	3,229,460	3,499,323	3,887,031				
Loans, net	1,661,296	1,807,077	2,045,082				
Financial assets	1,028,595	1,110,788	1,268,349				
Total liability	2,982,805	3,248,596	3,645,307				
Deposits	2,648,995	2,935,694	3,246,162				
Financial Debenture Payable	53,800	46,800	37,147				
Total shareholders' equity	246,656	250,727	241,724				
Equity attributable to parent company	242,297	246,351	237,734				
Operating Metrics (Consolidated)							
Cost income ratio	52.81%	52.65%	51.18%				
ROAE	9.32%	9.57%	10.44%				
ROAA	0.72%	0.71%	0.70%				
Assets Quality (Standalone)							
NPL	2,274	1,578	1,510				
NPL ratio	0.14%	0.09%	0.08%				
NPL provisions	26,846	28,064	32,459				
Coverage ratio	1180%	1778%	2150%				
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%				
TWD LDR	69.7%	69.2%	75.4%				
FX LDR	38.7%	34.1%	25.8%				

Notes:

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Cathay Century

(NT\$MM)				FY22/ FY21			4Q22/ 4Q21
	FY20	FY21	FY22	% Chg	4Q21	4Q22	% Chg
Income Statement Data (Consolidated)							
Premium income	25,498	28,015	30,266	8%	7,790	7,643	-2%
Net written premium	19,413	20,718	22,084	7%	5,706	5,959	4%
Net earned premium	18,848	19,903	21,703	9%	5,304	5,640	6%
Reinsurance commission earned	572	857	900	5%	181	203	12%
Fee income	45	46	49	7%	10	11	12%
Investment	1,254	1,363	595	-56%	108	(64)	-160%
Interest income	546	539	636	18%	131	173	32%
Other investment income, net	708	824	(41)	-105%	(23)	(237)	-934%
Other operating income	0	0	157	0%	0	11	0%
Net claims payment	(10,669)	(10,470)	(29,677)	183%	(2,875)	(7,970)	177%
Changes in liability reserves	139	(637)	(9,709)	1423%	(246)	(6,233)	2431%
Commissions and other operating costs	(3,411)	(3,765)	(3,916)	4%	(958)	(1,027)	7%
Operating expenses	(4,224)	(4,772)	(4,636)	-3%	(1,457)	(1,175)	-19%
Operating income	2,553	2,525	(24,533)	-1071%	68	(10,604)	-15769%
Net non-operating income	5	42	8	-81%	44	11	-74%
Income taxes	(385)	(392)	4,904	-1352%	(46)	2,095	-4661%
Net income	2,174	2,175	(19,622)	-1002%	65	(8,498)	-13123%
Balance Sheet Data (Consolidated)							
Total assets	44,298	49,900	60,596				
Total stockholders' equity	13,130	14,447	12,800				
Operating Metrics (Standalone)							
Gross Combined ratio	83.2%	87.1%	196.6%				
Net Combined ratio	92.9%	92.1%	216.2%				
ROAE (Consolidated)	16.86%	15.78%	-144.03%				
ROAA (Consolidated)	4.98%	4.62%	-35.52%				
Capital Adequacy Metrics							
RBC ratio (Standalone)	323%	284%	369%				

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