



**國泰金控**

Cathay Financial Holdings

# 2023 Second Quarter Briefing

August 2023

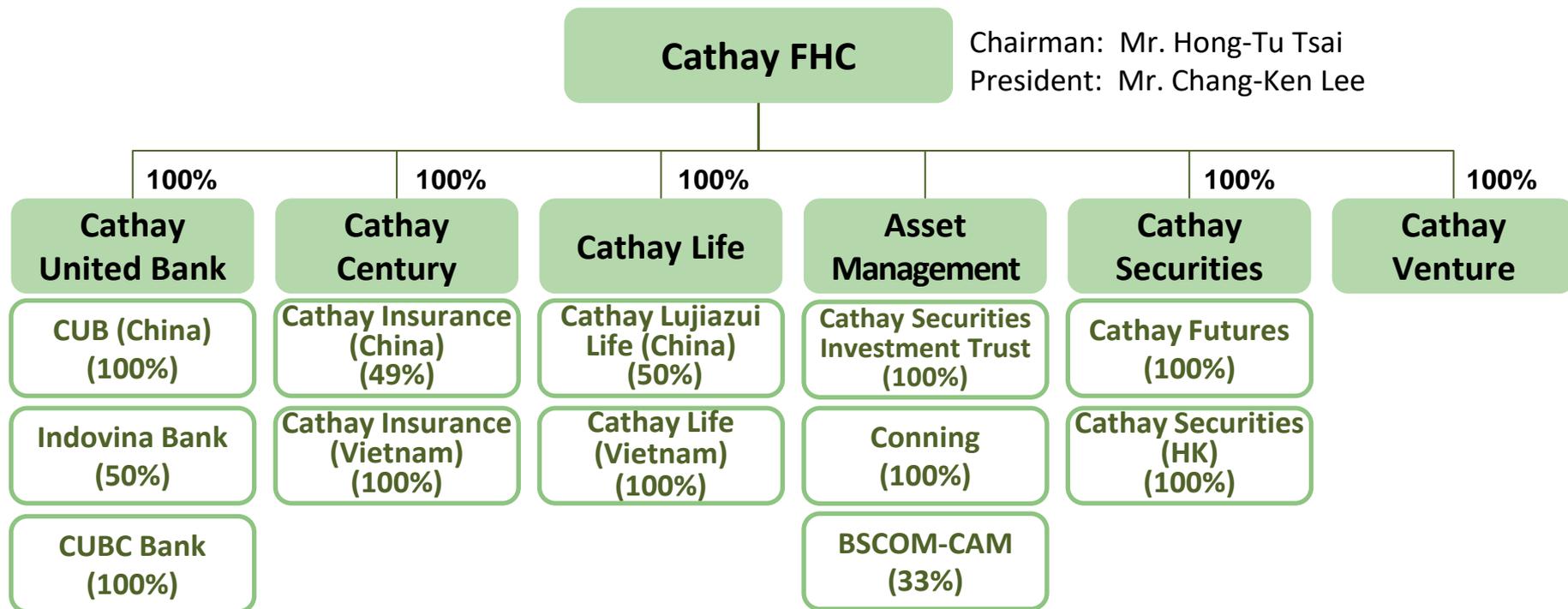


# Agenda

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- **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
- The largest brokerage settlement bank

- 2<sup>nd</sup> biggest non-life insurer
- Market share in total premium income: 12.7% (1H23)

- No. 1 life insurer in terms of total assets and total premium
- Market share in total premium: 21.1% (1H23)

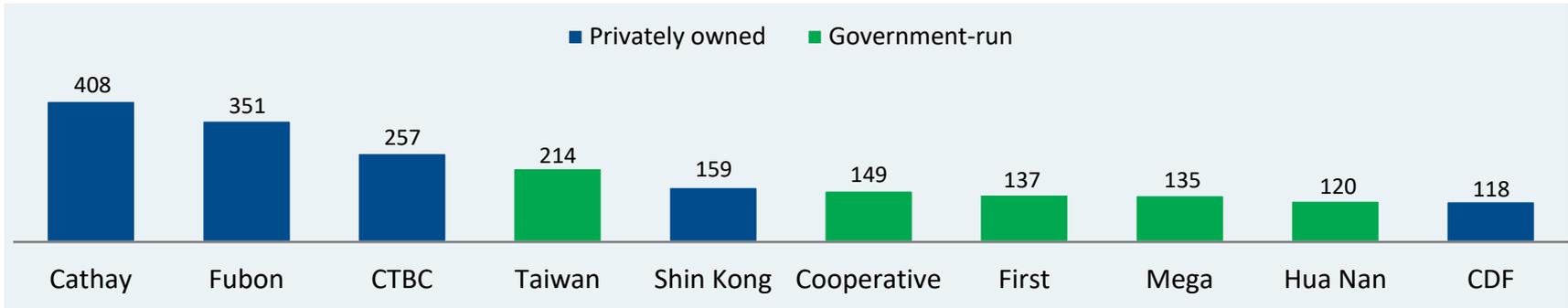
- Largest AUM among asset managers in Taiwan
- Extending global asset management products and services

- Innovative digital business model
- Investment banking, brokerage, and proprietary trading businesses

# Market leader in Taiwan's FIG sector

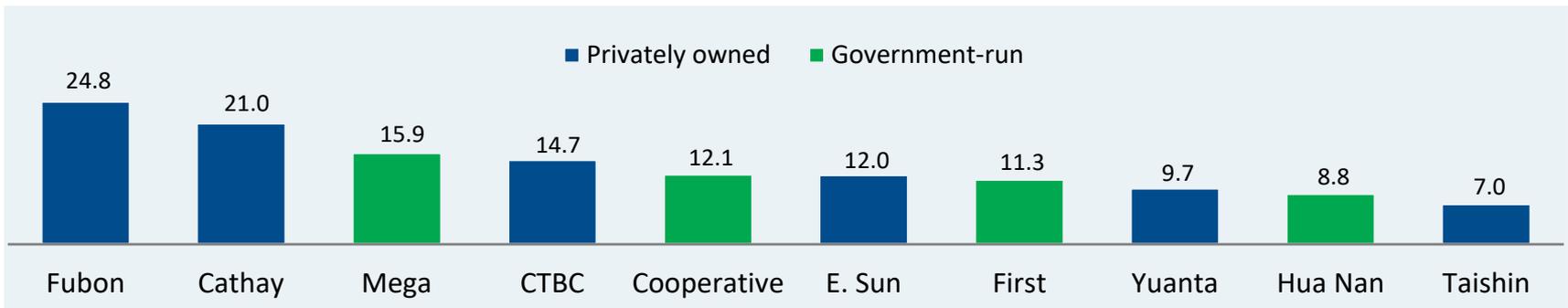
- Largest listed financial group by assets.

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



Note: Total assets as of June 30, 2023

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



Note: Market capitalization as of August 31, 2023

# Cathay FHC's continuous effort in ESG integration



2011

- Established CSR Committee

- Formed Responsible Investment Team

2014

2015

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

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

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

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

- Joined **Ceres Valuing Water Finance Task Force**

- Cathay Securities published ESG rating reports on individual listed companies

2020

2019



2018



2017

2021



2022

RE100



2023



- Issued ESG integration report certified by third party
- Participated in **Asian Utilities Engagement Program**

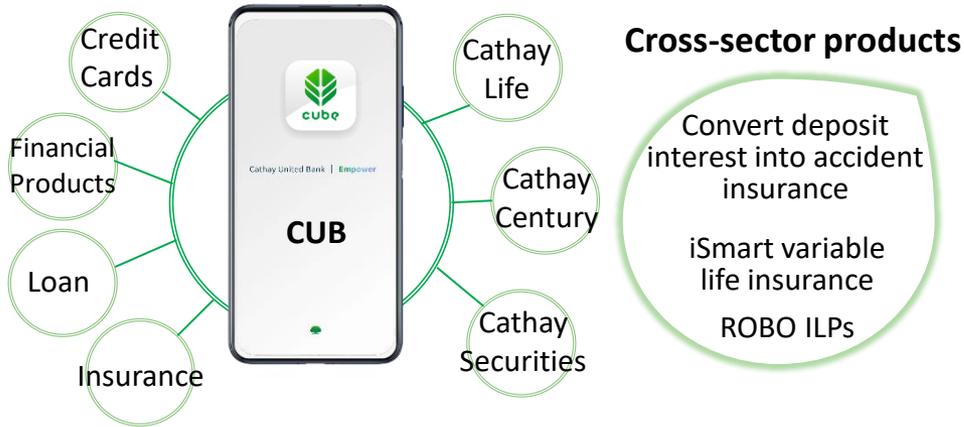
- Selected by The Investor Agenda for its global top-10 best-practice case studies in the Investor Climate Action Plans (ICAPs)
- Became **RE100 member**, the first financial institution in Taiwan
- Received **SBTi validation of decarbonization targets**
- Participated in **TNFD, Ceres Valuing Water Finance Initiative, The Partnership for Biodiversity Accounting Financials (PBAF)**

- Participated in **Business For Nature**

# Empowering financial services with digital, data and technology

## One-stop digital financial services

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



## Digital health promotion

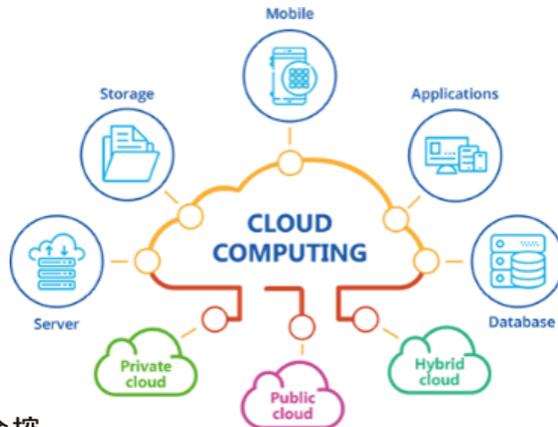


FitBack app leverages big data analysis, insurance expertise, and technological innovation in interactions with policyholders



## Cloud readiness

Optimize cloud strategy and enhance digital development



## Digitalization in overseas subsidiaries

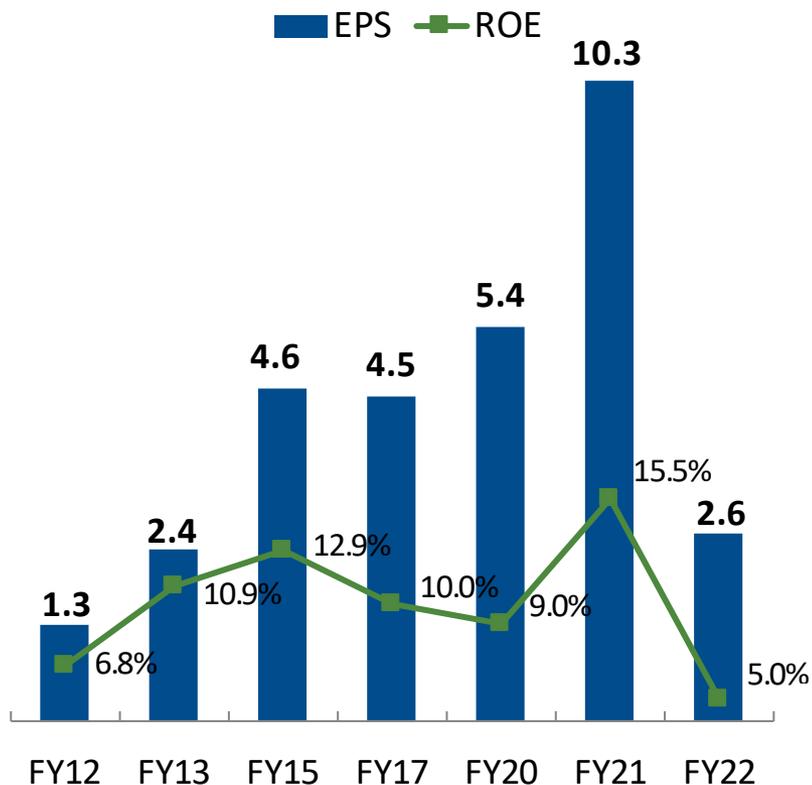
Continue digitalization in Vietnam and Cambodia to accelerate business and enhance customer experience



# Cathay FHC continued to deliver solid earnings

## EPS & ROE

(NT\$/%)

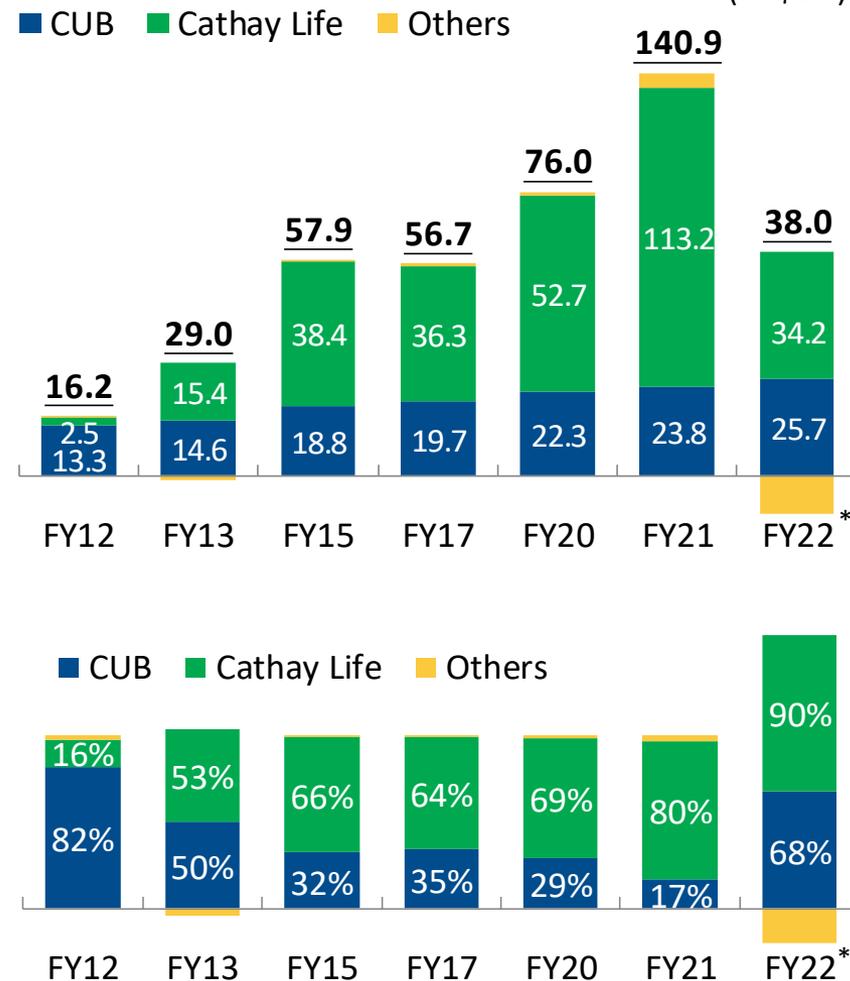


Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.

(2) EPS has been adjusted for stock dividend (stock split).

## Profit contribution

(NT\$BN)



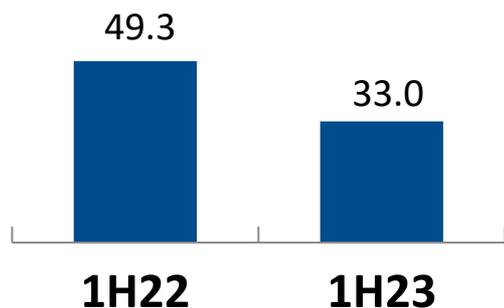
\* Cathay Century reported a net loss of NT\$19.6bn due to pandemic insurance losses.

# Cathay FHC – Net income & EPS

- 1H22 set a high base period for net income, benefiting from TWD depreciation and higher capital gains; 1H23 net income reflected moderate capital gains, with recurring income showing a meaningful increase.

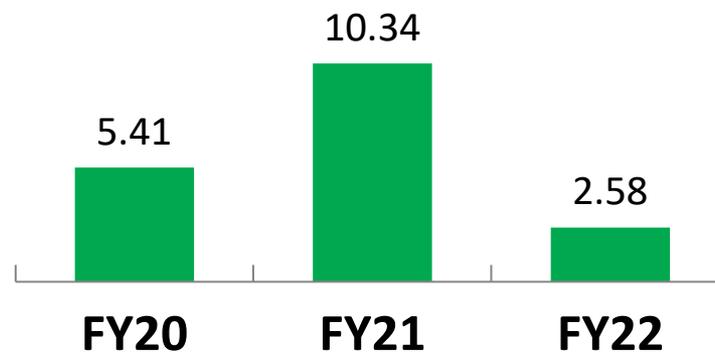
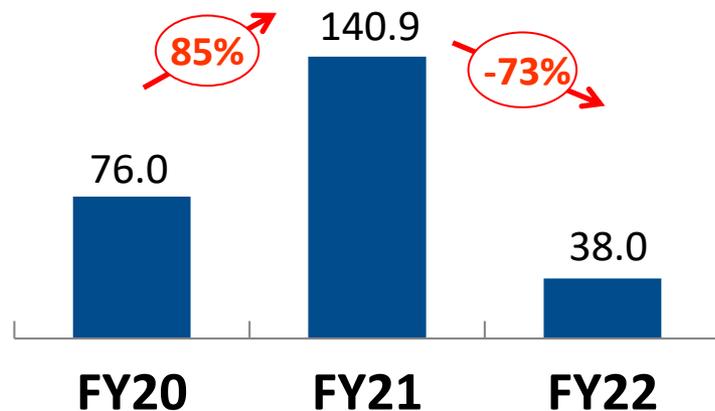
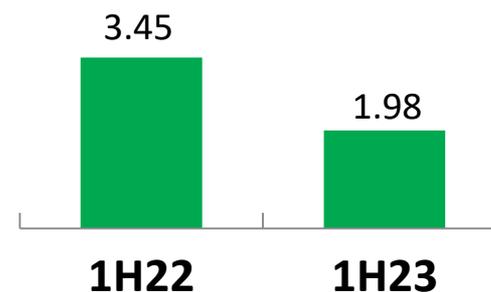
## Net income

(NT\$BN)



## EPS

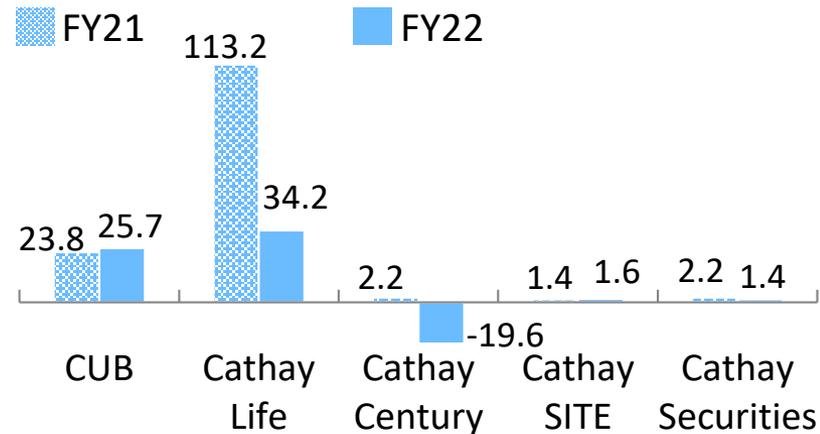
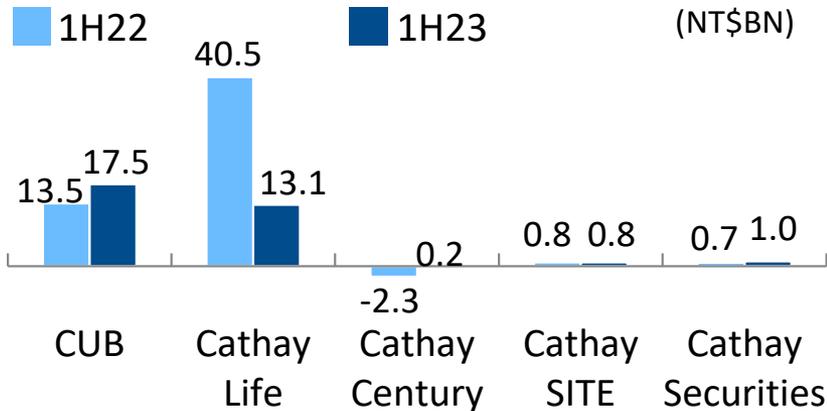
(NT\$)



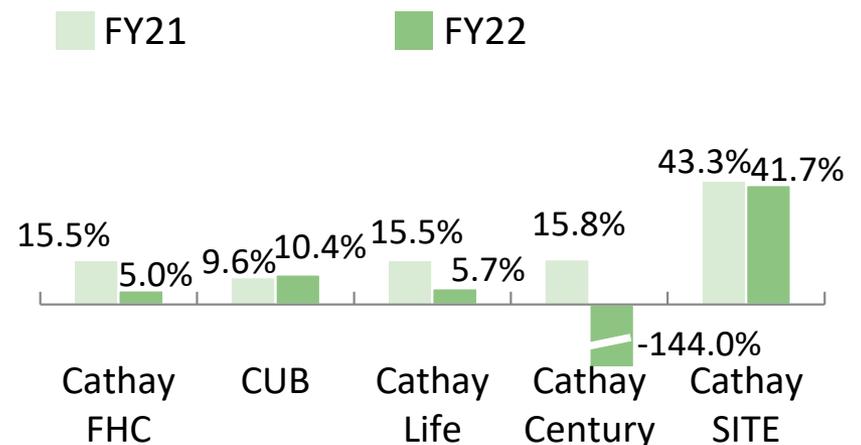
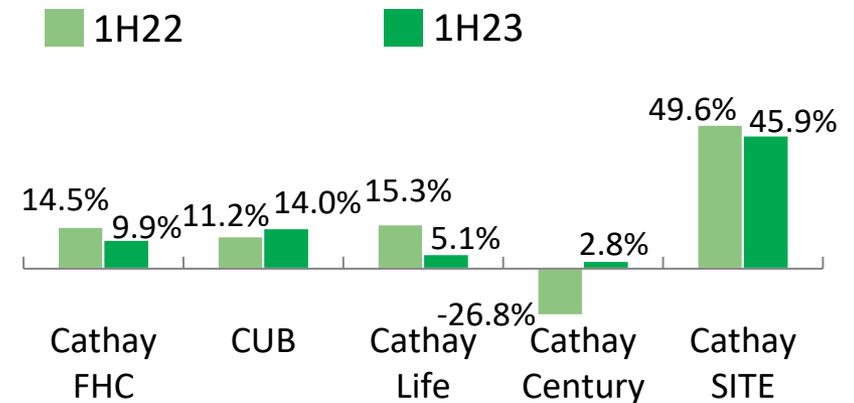
# Cathay FHC – Net income & ROE

- CUB delivered strong core earnings; net profit rose 30% YoY to a new 1H record. SITE and Securities each delivered their second-highest historical 1H records.
- Life's YoY earnings reflected high 1H22 base; recurring income saw double-digit YoY growth. Cathay Century profit turned positive in 1H23 with pandemic insurance fading out.

## Net income of primary subsidiaries

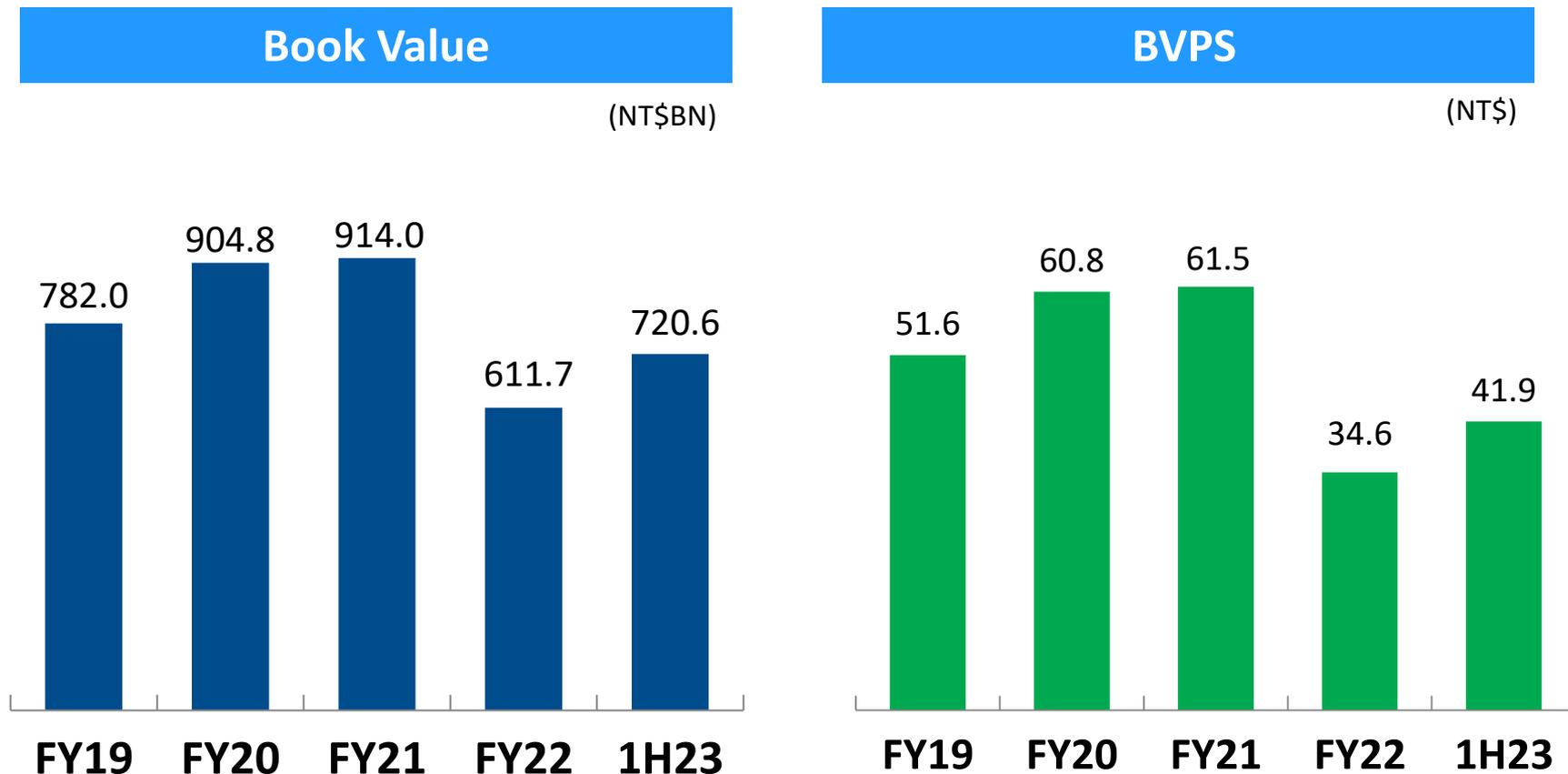


## ROE



# Cathay FHC – Book value & BVPS

- Book value recovered YTD following rebound in mark-to-market value of financial assets and earnings contributions.



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.

# 1H23 Business Overview

## Cathay United Bank

- 1H23 net income set a record high for the January–June period, with 30% growth YoY.
- Delivered double-digit growth in deposits and loans. Asset quality was benign. Net interest income grew 18% YoY.
- Net fee income saw double-digit growth, driven by strong growth in credit card fees.

## Cathay Life

- Adhered to a value-driven strategy. FYP and APE ranked No. 1 in the industry.
- Hedging costs were well managed. Recurring yield continued to improve; interest income showed double-digit YoY growth.
- RBC reached 312%. Book value recovered, with an equity-to-asset ratio of 7.6%.

## Cathay Century

- Premium income rose 9% YoY, with 12.7% market share. 2Q23 net income recovered due to fading impact of pandemic insurance and continued business quality control.
- Enhanced online business in China. Accelerated development of Vietnam business and increased premium income via digital transformation.

## Cathay SITE

- Ranked No. 1 in AUM, reaching a new record of NT\$1.47tn.
- Recognized by *Asia Asset Management* and *The Asset*. Received TFF-Bloomberg Best Fund Award and *Smart* Best Fund Award among a total of 27 awards in 2023 to date.

## Cathay Securities

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

# Agenda

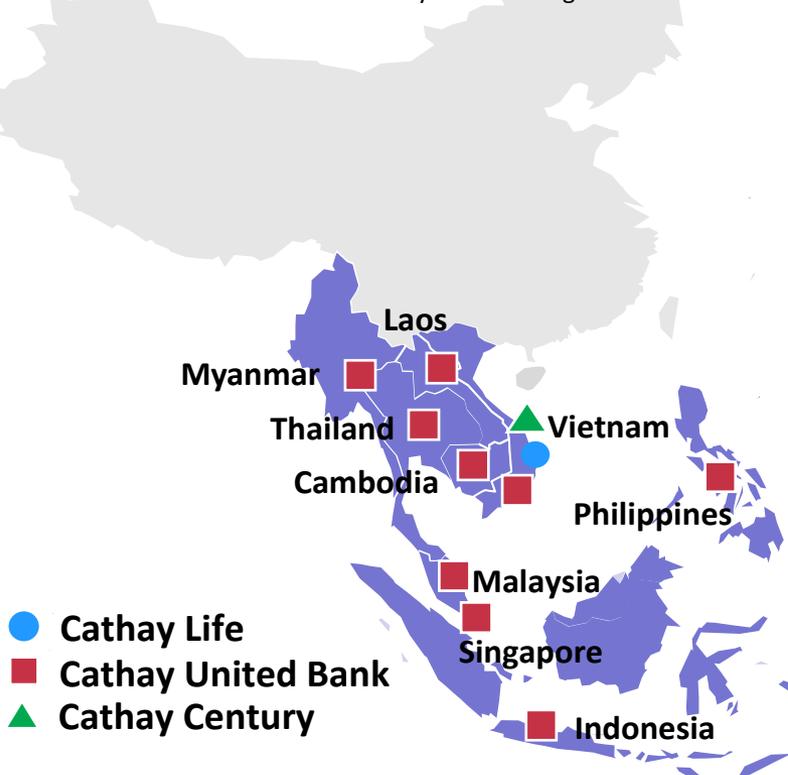
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# Cathay FHC in Southeast Asia

	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	51	150									
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 over 50% YoY at Ho Chi Minh City Branch. Expected to launch digital consumer business in 2H23.
- Cambodia: Launched new mobile banking app, providing payment and account opening services.
- Singapore: Deepened cross-border corporate banking business; cultivated local and cross-border customers.

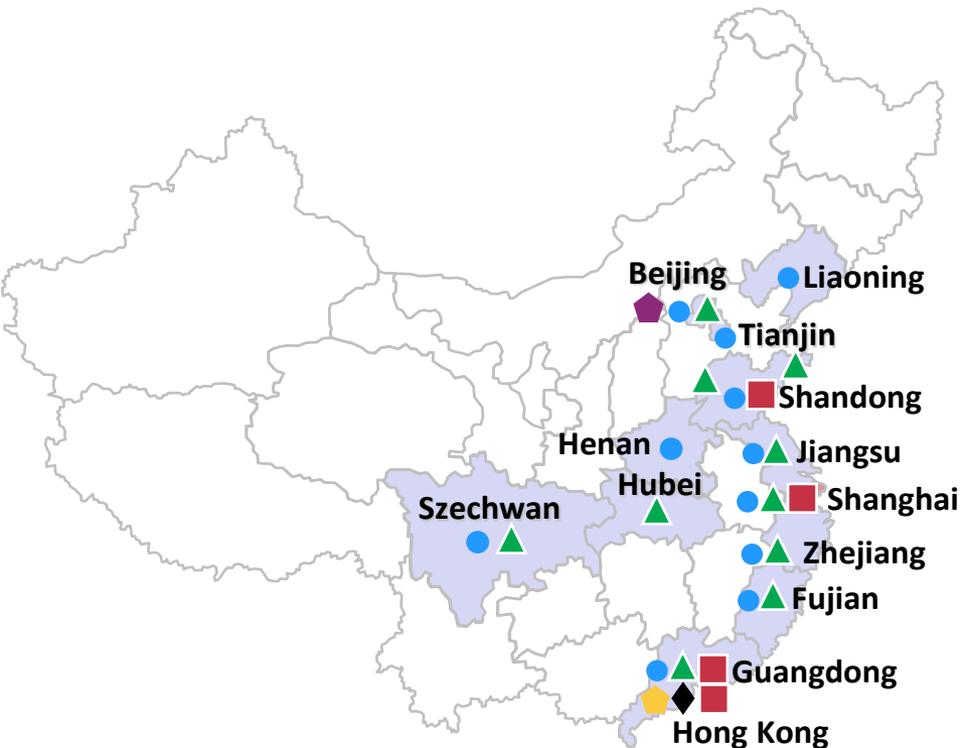
## ■ Cathay Life (Vietnam)

- Total premium grew 7% YoY to 1.4tn VND in 1H23.
- Expanded and diversified distribution channels.

## ■ Cathay Century

- Premium income grew to 326bn VND in 1H23.
- 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 escrow accounts and USD green deposits in 2Q23, providing corporate customers with more comprehensive services.

## ■ Cathay Lujiazui Life

- Total premium grew 72% YoY to 3.3bn RMB in 1H23.
- 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

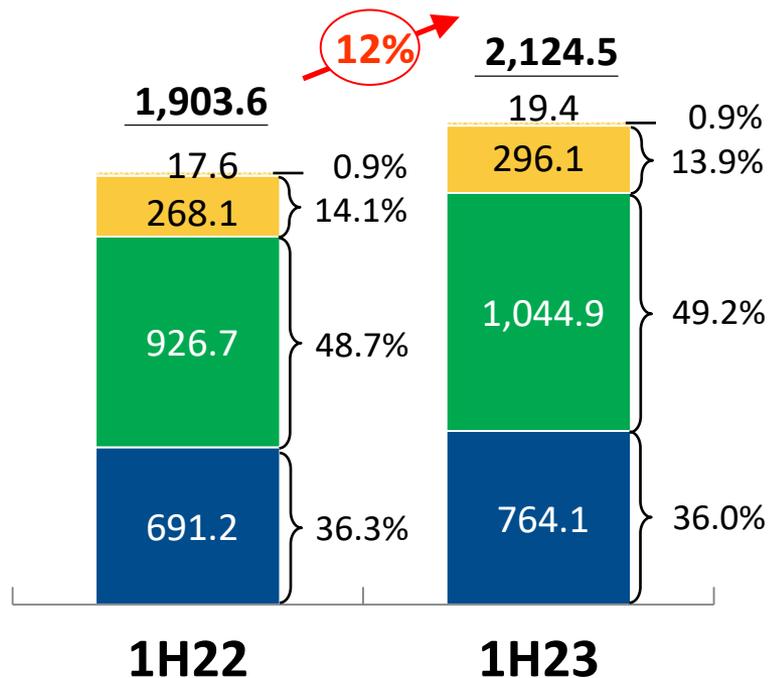
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# Cathay United Bank – Loan & deposit breakdown

- Loan growth was robust, with double-digit growth across each sector.
- Deposits saw solid growth, with high demand-deposit ratio advantage.

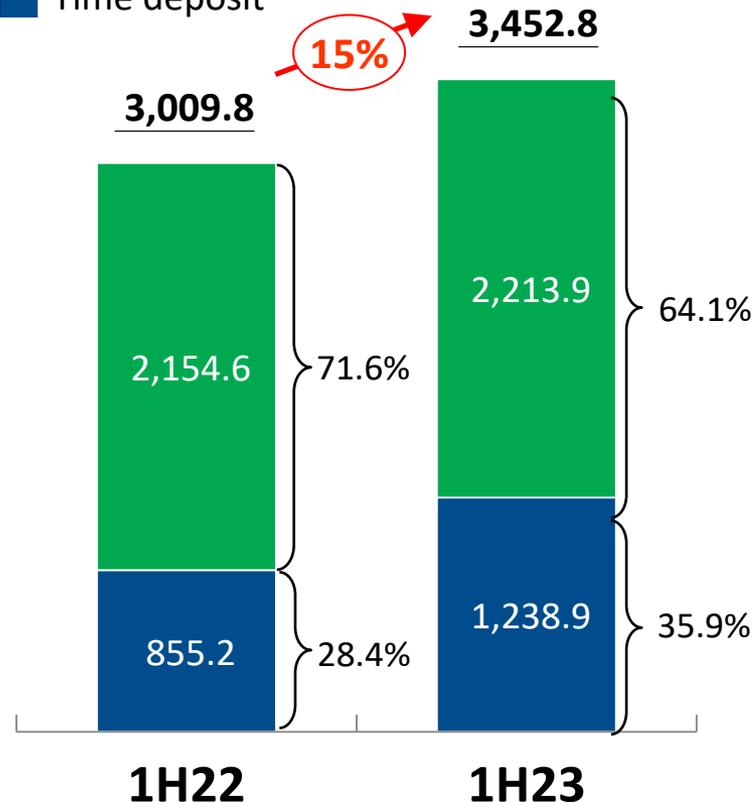
## Loan breakdown

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



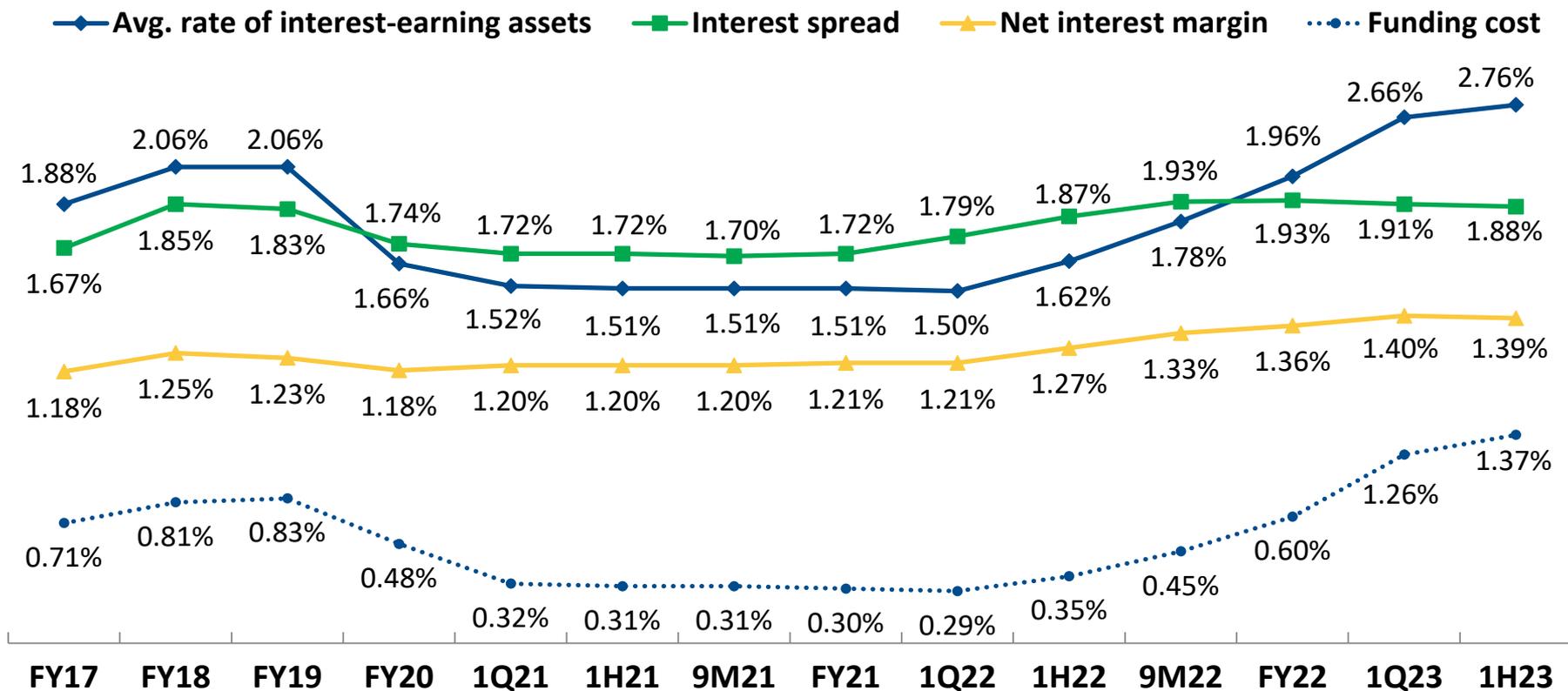
## Deposit breakdown

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



# Cathay United Bank – Interest yield

□ 1H23 NIM increased YoY while declining QoQ due to increase in FX deposits amid rising interest rates.



	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
<b>Quarterly Spread</b>	1.69%	1.72%	1.71%	1.69%	1.74%	1.79%	1.94%	2.02%	1.96%	1.91%	1.84%
<b>Quarterly NIM</b>	1.17%	1.20%	1.20%	1.21%	1.22%	1.21%	1.33%	1.45%	1.46%	1.40%	1.37%

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

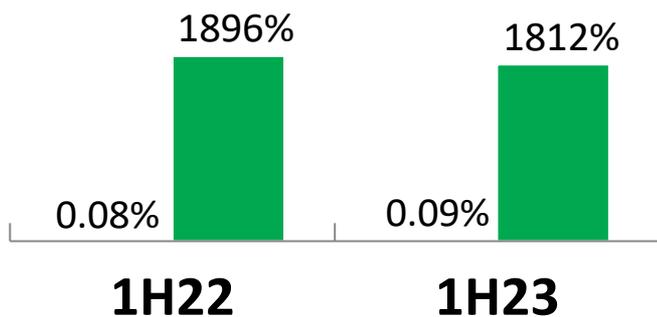
(2) China subsidiary was launched in Sep 2018. Hence, since 9M18, China subsidiary results was excluded.

# Cathay United Bank – Credit quality

- Asset quality remained benign, with NPL at 0.09% and coverage ratio at 1812%.

## NPL & Coverage ratio

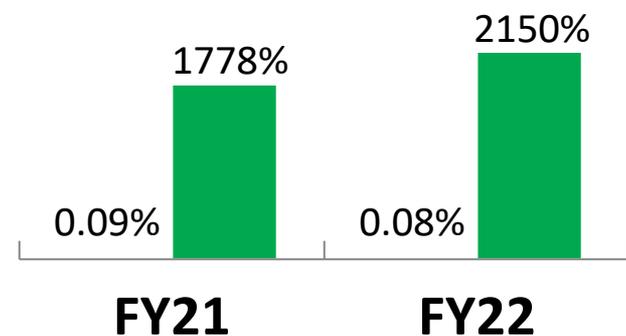
- NPL ratio
- Coverage ratio



Mortgage NPL

0.07 %

0.07 %



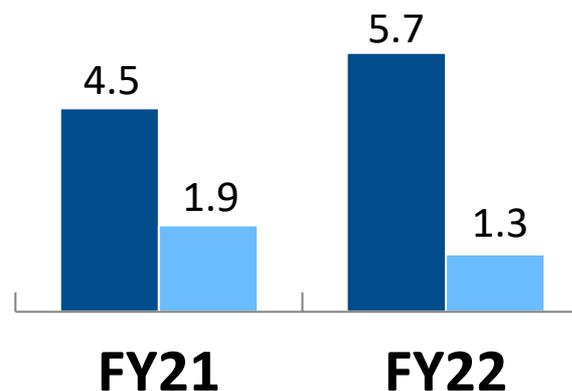
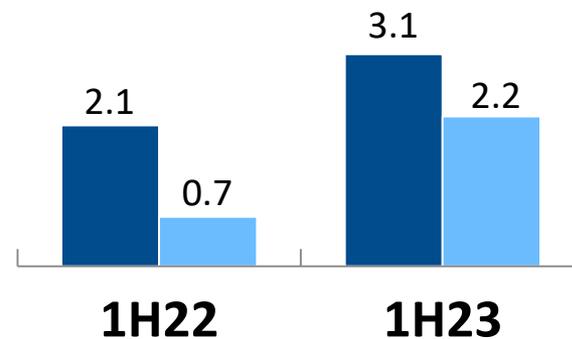
Mortgage NPL

0.08 %

0.06 %

## Gross provision

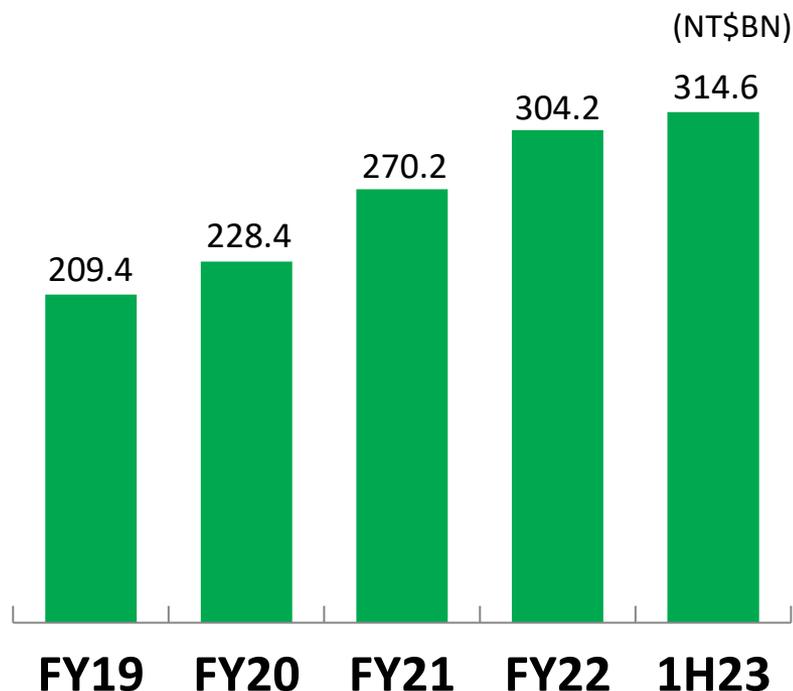
- Gross provision (NT\$BN)
- Recovery



# Cathay United Bank – SME & FX loans

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

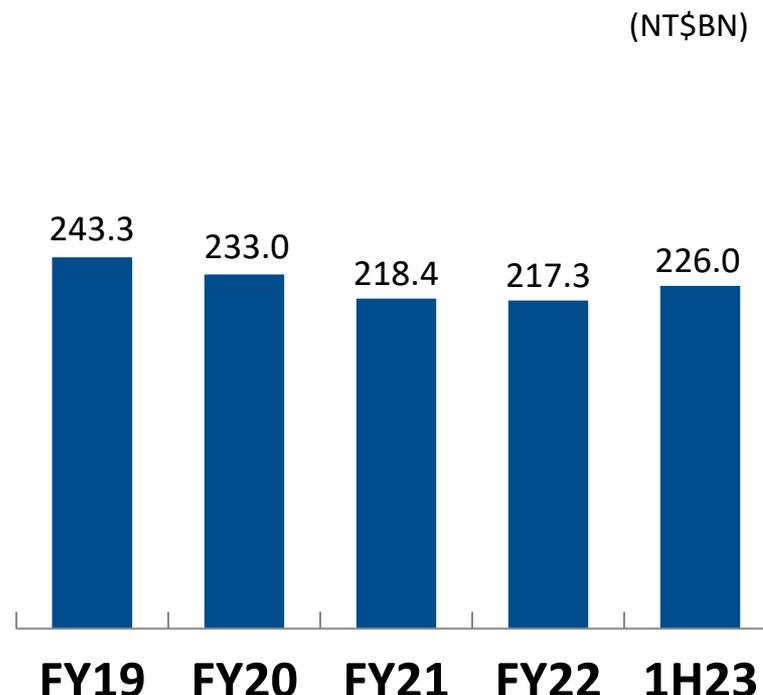
## SME loans



As % of total loans

13.8% 14.1% 15.3% 15.3% 14.9%

## Foreign currency loans



16.1% 14.4% 12.4% 10.9% 10.7%

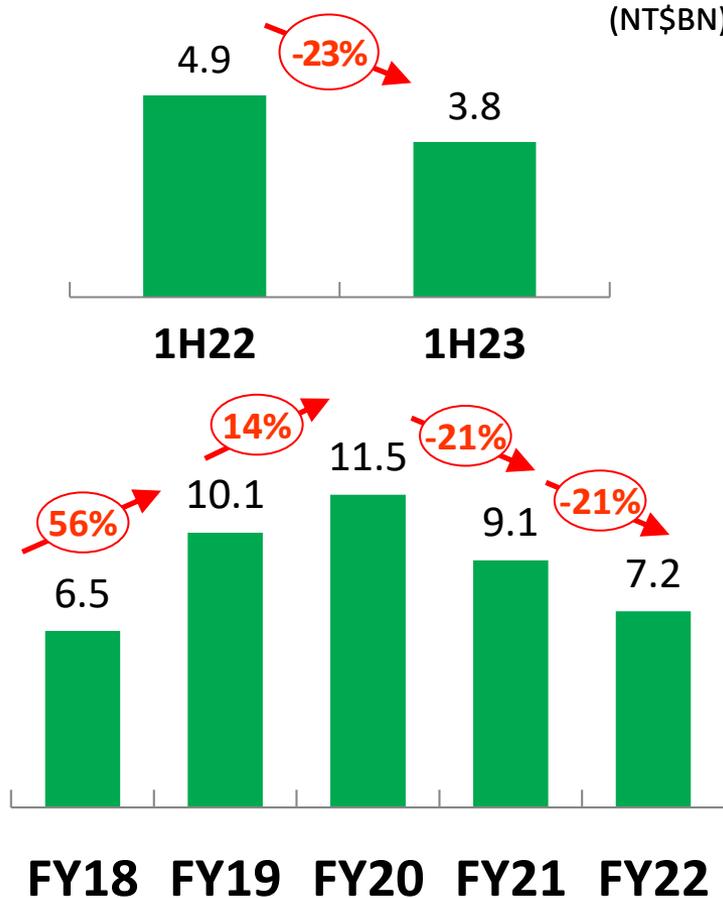


# Cathay United Bank – Offshore earnings

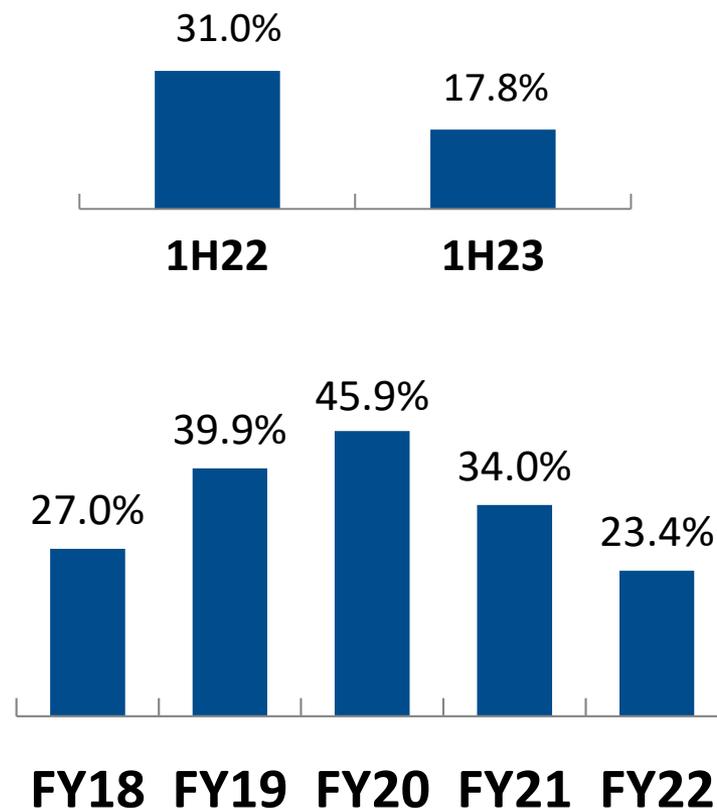
- Offshore earnings declined due to lower YoY investment income.

## Offshore earnings

(NT\$BN)



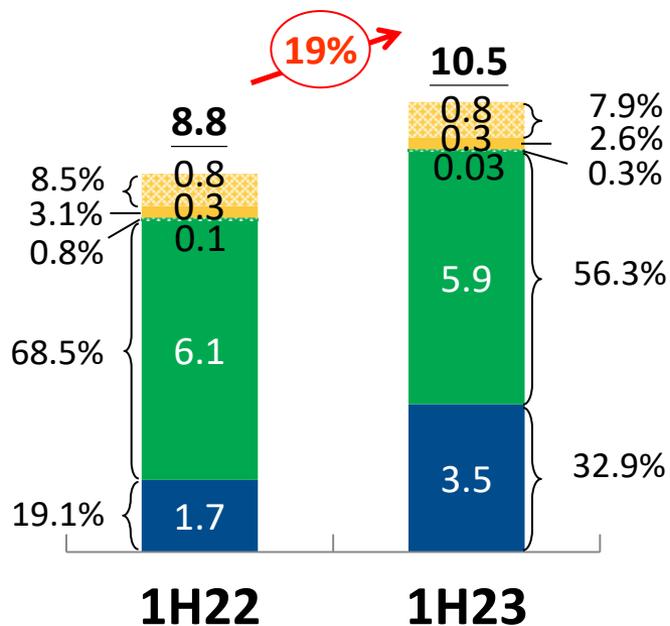
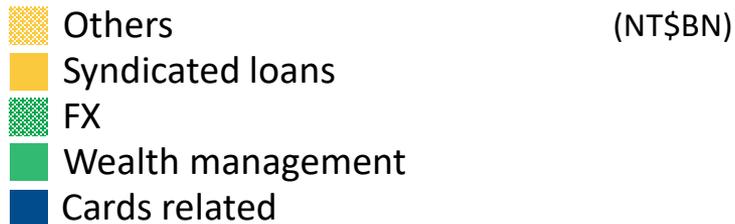
## As % of CUB pre-tax profits



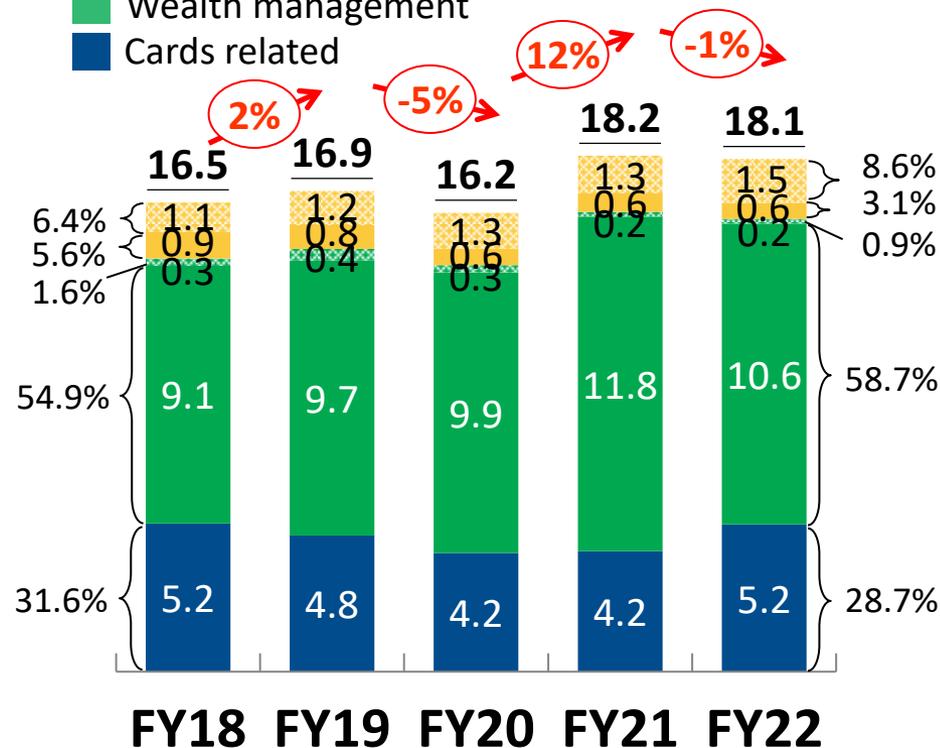
# Cathay United Bank – Net fee income

Net fee income increased 19% YoY, driven by exponential growth in credit card fees.

## Quarterly net fee income



## Annual net fee income

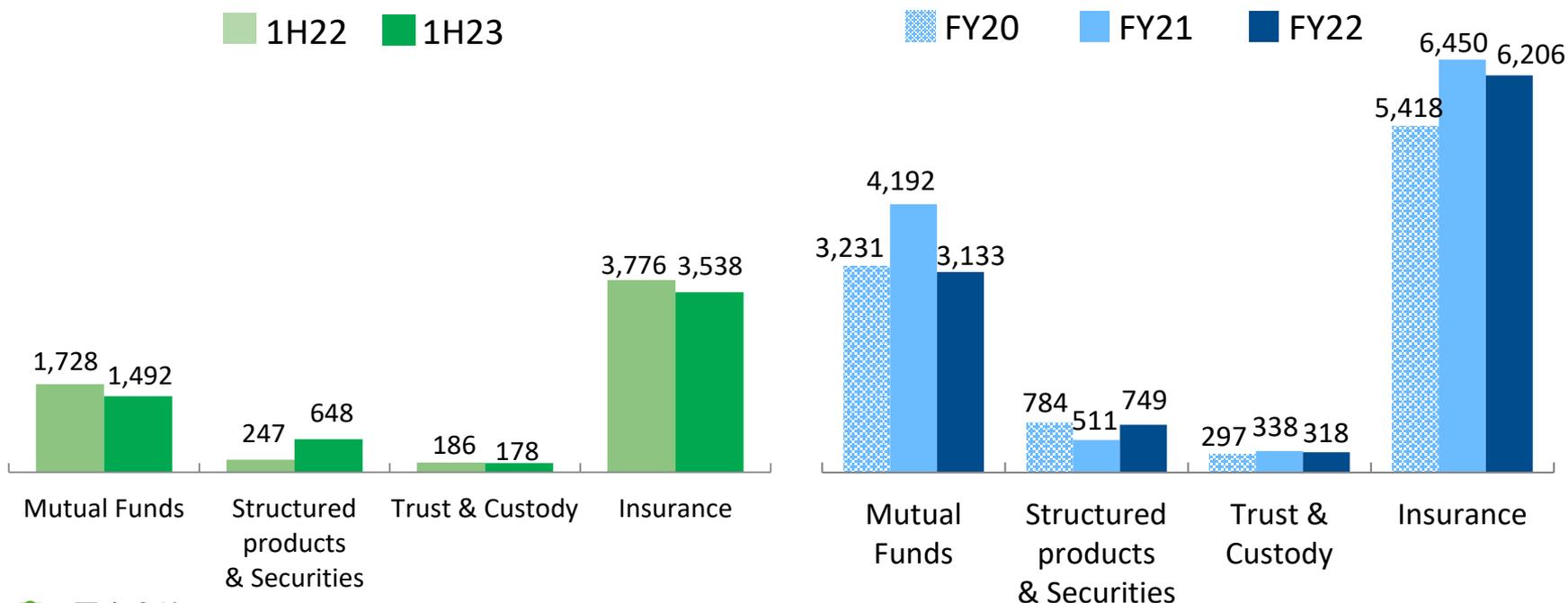


# Cathay United Bank – Wealth management fees

- Securities fees saw significant growth YoY, largely offsetting the decline in fees from other WM products; 1H23 YoY decline in WM fees was notably smaller than YoY decline for 1Q23.
- WM customers and AUM continued to show steady growth.

## Wealth management fees breakdown

(NT\$MN)	1H22	1H23	FY20	FY21	FY22
Wealth management fee income	6,056	5,924	9,878	11,783	10,595
YoY growth (%)	-3.8%	-2.2%	1.9%	19.3%	-10.1%



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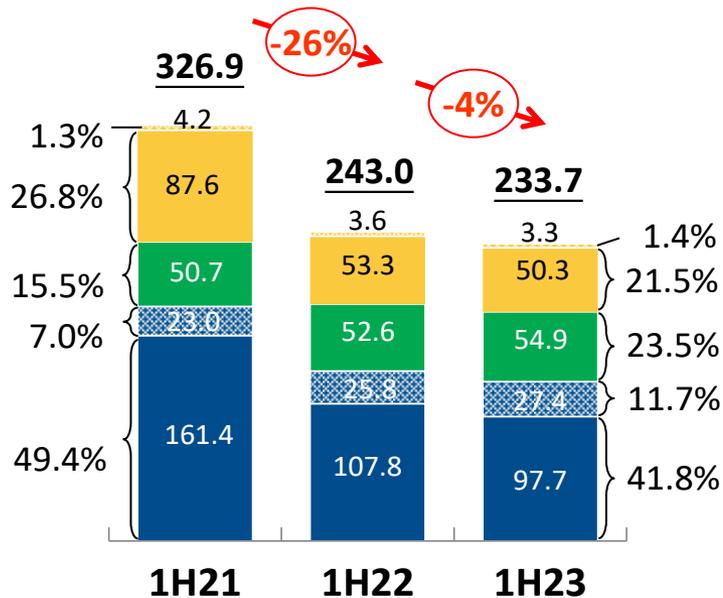
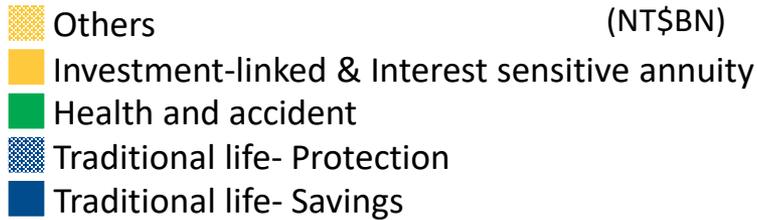
Cathay Century

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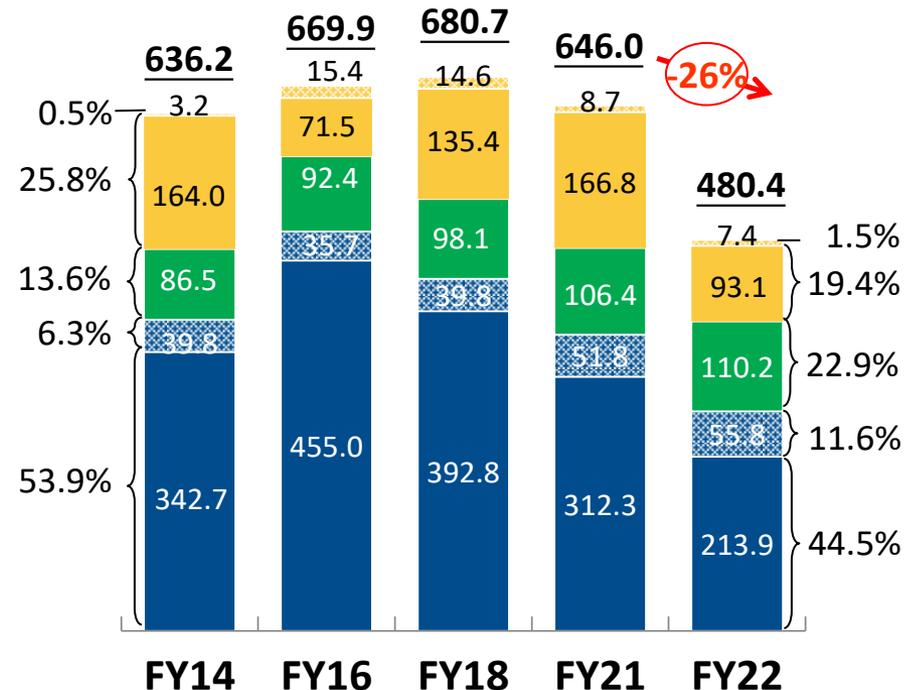
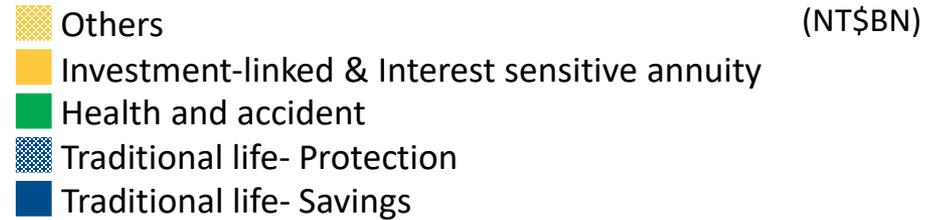
# Cathay Life – Total premium

- Total premium showed a modest YoY decline, while premium from high CSM protection products grew 5% YoY.

## Quarterly total premium



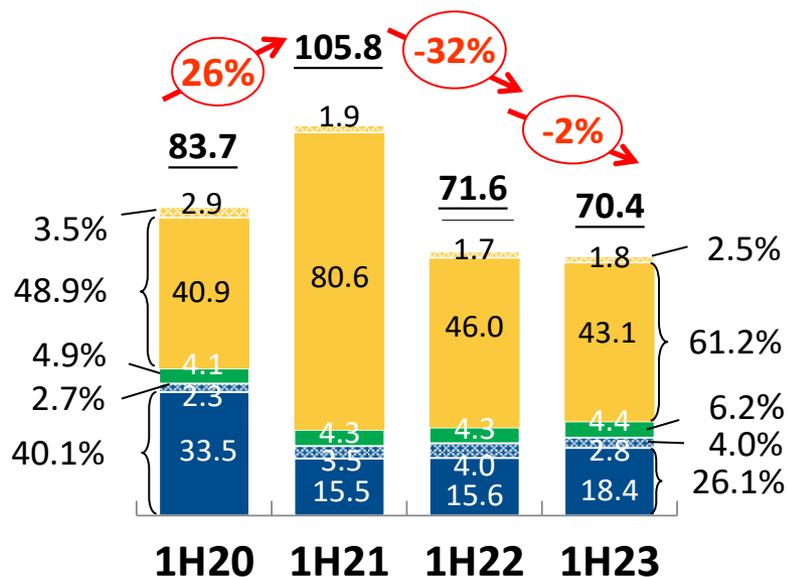
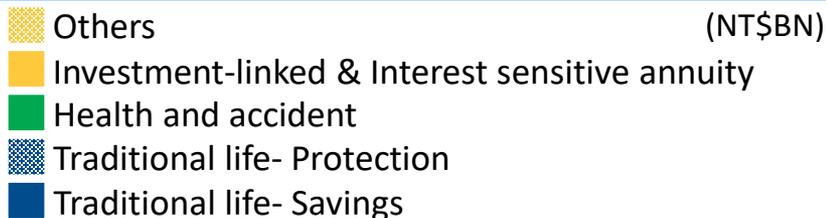
## Annual total premium



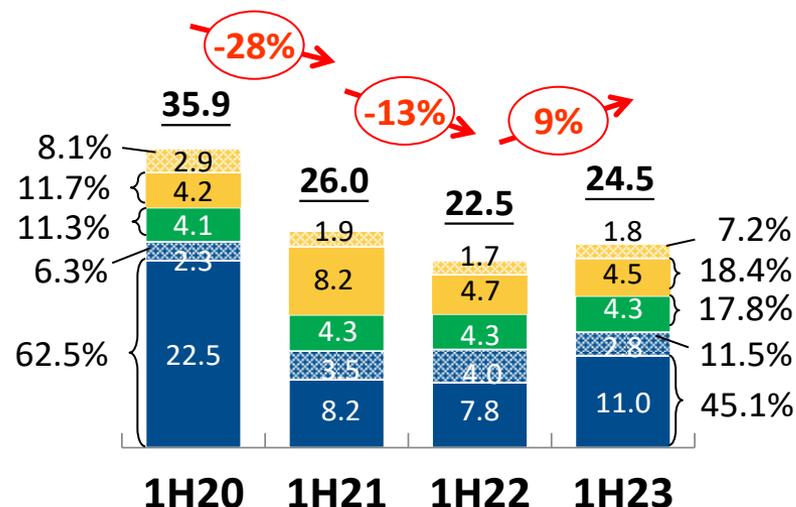
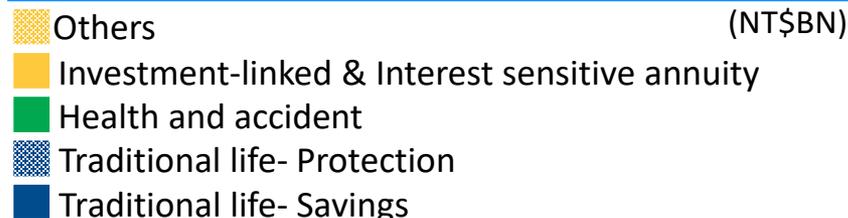
# Cathay Life – Quarterly FYP & APE

- APE grew 9% YoY following increase in FYP for traditional long-term regular-premium products; FYP declined YoY due to high 1Q22 base.

## First Year Premium



## Annualized FYP (APE)



FX polices %  
(excl. Investment-linked)

67% 71% 72% 56%

# Cathay Life – Value of new business

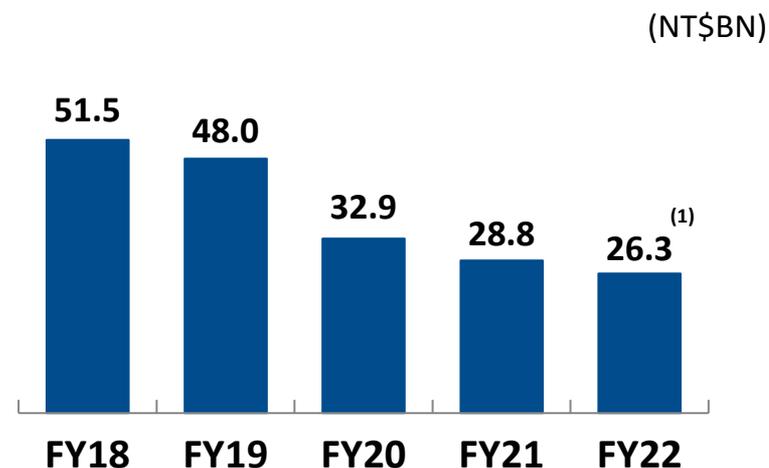
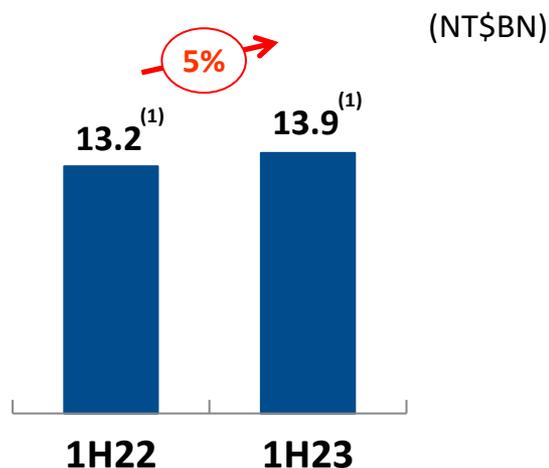
- VNB increased 5% YoY, owing to higher sales volume from traditional long-term regular-premium products.

## Value for New Business

Profit Margin	1H22 <sup>(1)</sup>	1H23 <sup>(1)</sup>
VNB/FYP	18%	20%
VNB/APE	59%	57%

## Value for New Business (annual)

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



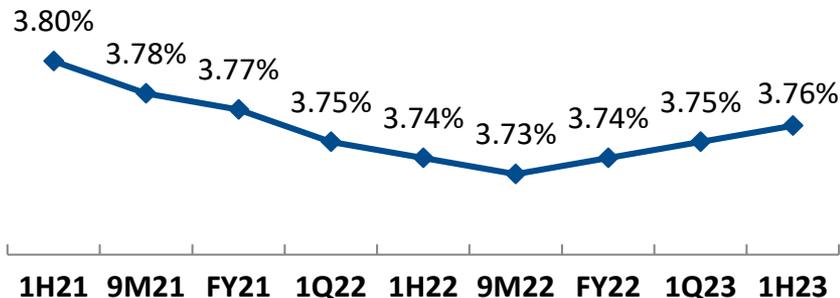
Note : (1) 1H22, FY22 and 1H23 VNB were based on 2022 Embedded Value assumptions.

(2) Based on 2021 Embedded Value assumptions, 1H22 & FY22 VNB were NT\$13.6BN and NT\$26.6BN ; VNB/FYP were 19% and 21% , VNB/APE were 60% and 63%, respectively.

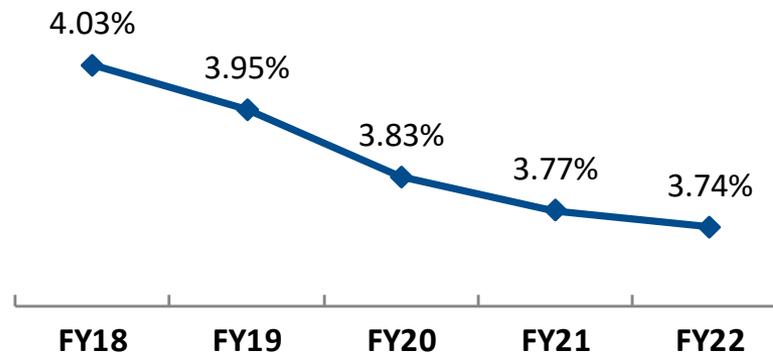
# Cathay Life – Cost of liability and break-even asset yield

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

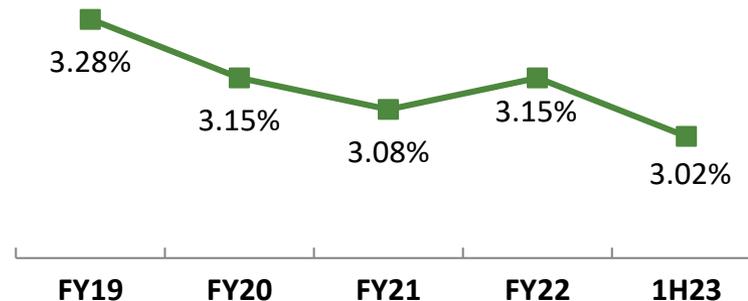
## Cost of liability (quarterly)



## Cost of liability (annual)



## Break-even asset yield



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

# Cathay Life – Investment portfolio

(NT\$BN)	FY20	FY21	FY22			1H23		
<b>Total investments<sup>(1)</sup></b>	<b>6,945.1</b>	<b>7,254.1</b>	<b>7,330.6</b>			<b>7,529.1</b>		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	6.1%	4.4%	4.1%	300	0.7%	3.5%	266	1.6%
Equity- Domestic	6.3%	7.2%	5.1%	373	8.2%	5.8%	438	8.0%
Equity- International <sup>(2)</sup>	5.9%	6.4%	5.6%	408	4.8%	5.5%	418	6.9%
Bond- Domestic	8.0%	7.9%	7.1%	517	3.2%	7.5%	568	5.1%
Bond- International <sup>(2)</sup>	57.0%	57.7%	61.9%	4,539	3.7%	61.9%	4,663	3.8%
Mortgage & Secured loans	4.5%	4.2%	3.8%	280	2.1%	3.3%	250	2.5%
Policy loans	2.4%	2.3%	2.3%	167	5.3%	2.2%	166	5.1%
Real estate	7.7%	7.6%	7.7%	562	2.7%	7.5%	567	2.4%
Others	2.2%	2.3%	2.5%	182		2.6%	193	

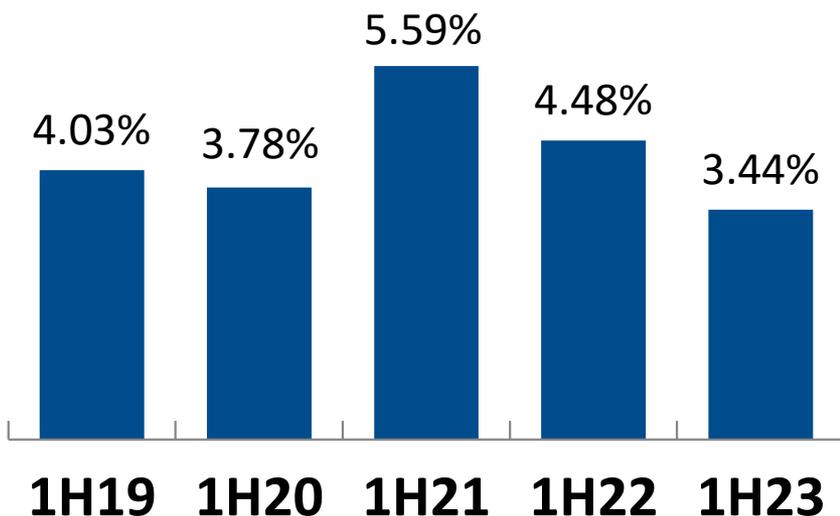
Note: (1) Total assets excluded separate account assets.

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

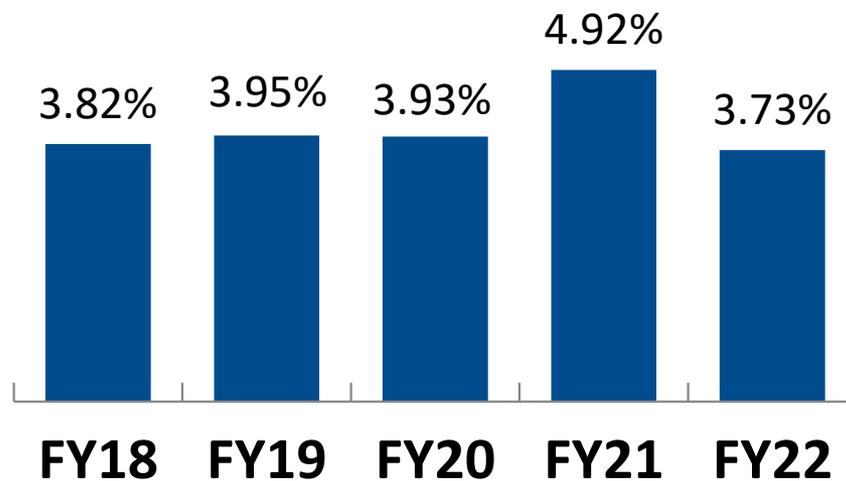
# Cathay Life – Investment performance highlights

- 1H22 benefited from higher capital gains in 1Q22 and substantial FX gains from ~7% TWD depreciation; 1H23 after-hedging investment yield reflected moderate capital gains, while recurring income showed strong growth.

## After-hedging investment yield



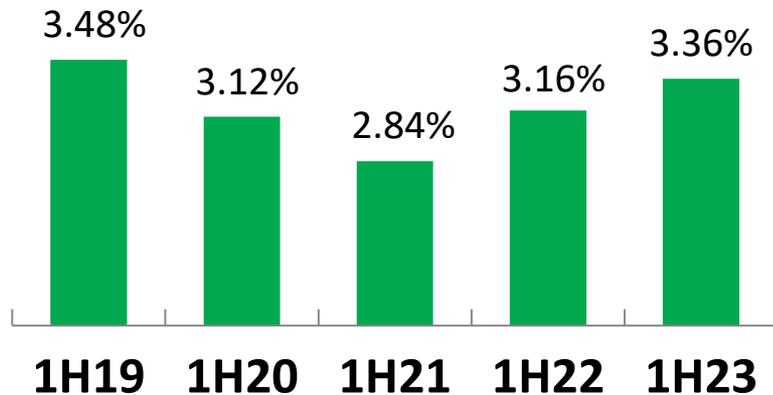
## After-hedging investment yield



# Cathay Life – Investment performance highlights

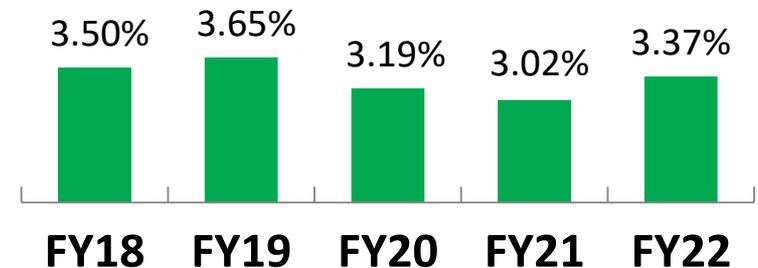
- 1H23 recurring yield retained an upward trend, with interest income showing double-digit YoY growth.
- Hedging costs improved substantially QoQ, owing to TWD depreciation in 2Q23 and effective proxy hedging.

## Pre-hedging recurring yield

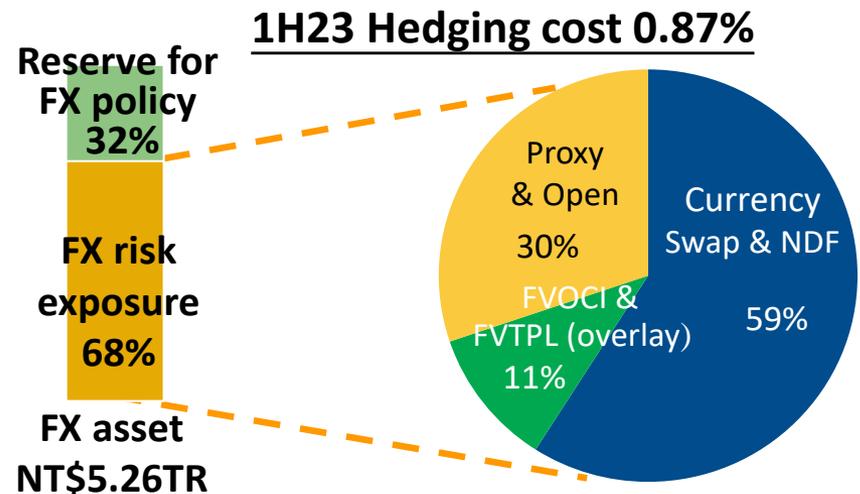


Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

## Pre-hedging recurring yield



## Currency hedging structure

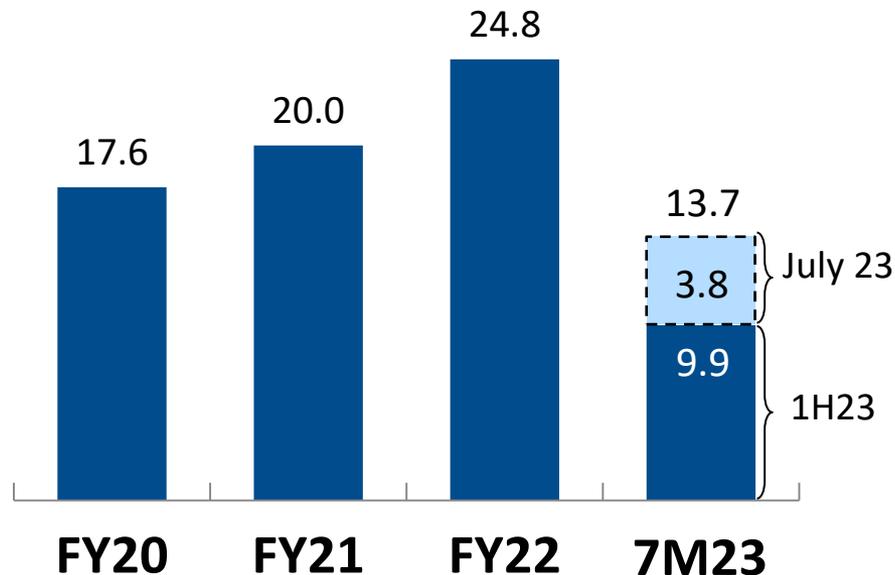


# Cathay Life – Cash dividend income & overseas fixed income by region

- 7M23 accumulated cash dividend income was NT\$13.7bn.
- Seized opportunity brought by rising rates to increase position in US bonds, leading to an increase in proportion of overseas fixed income investments based in North America, at 51%.

## Cash dividend income

(NT\$BN)



## Overseas fixed income by region



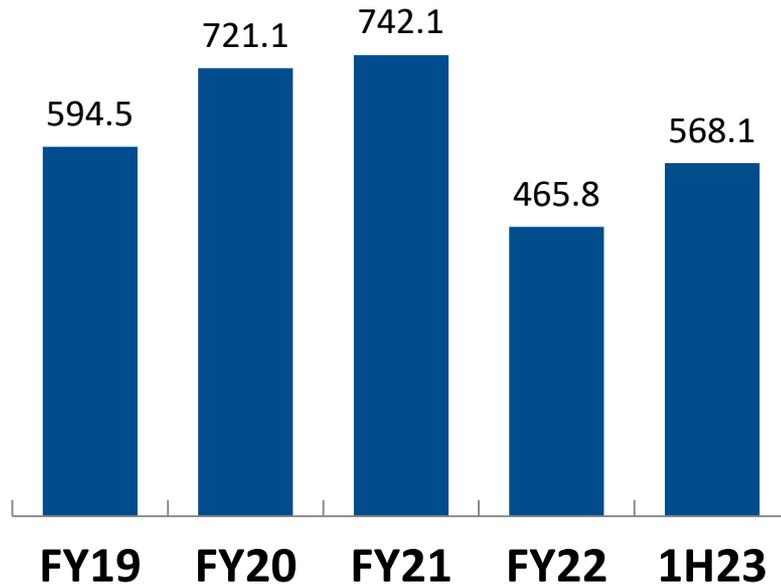
Note: Exclude overseas deposit.

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

- 1H23 book value continued to increase YTD; equity-to-asset ratio reached 7.6%.
- 1H23 unrealized G/L recovered YTD owing to rebound in mark-to-market value of financial assets.

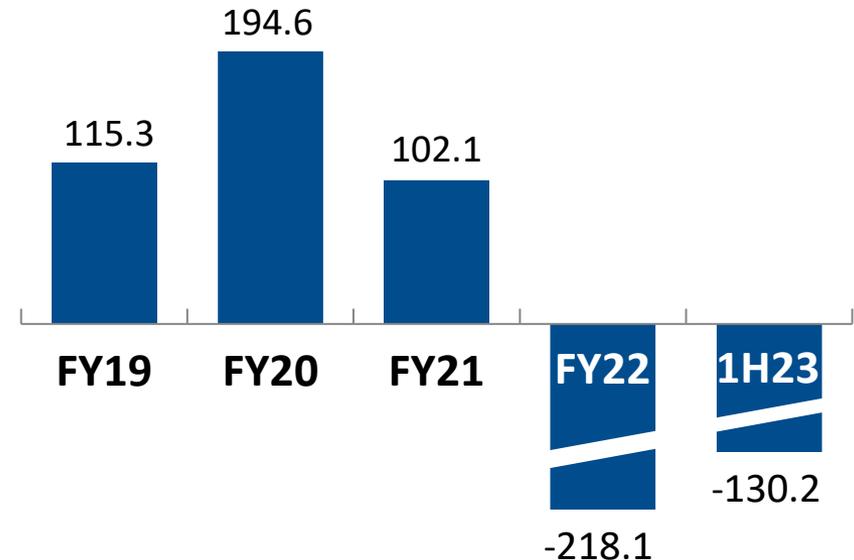
## Book value

(NT\$BN)



## Unrealized G/L of financial assets

(NT\$BN)

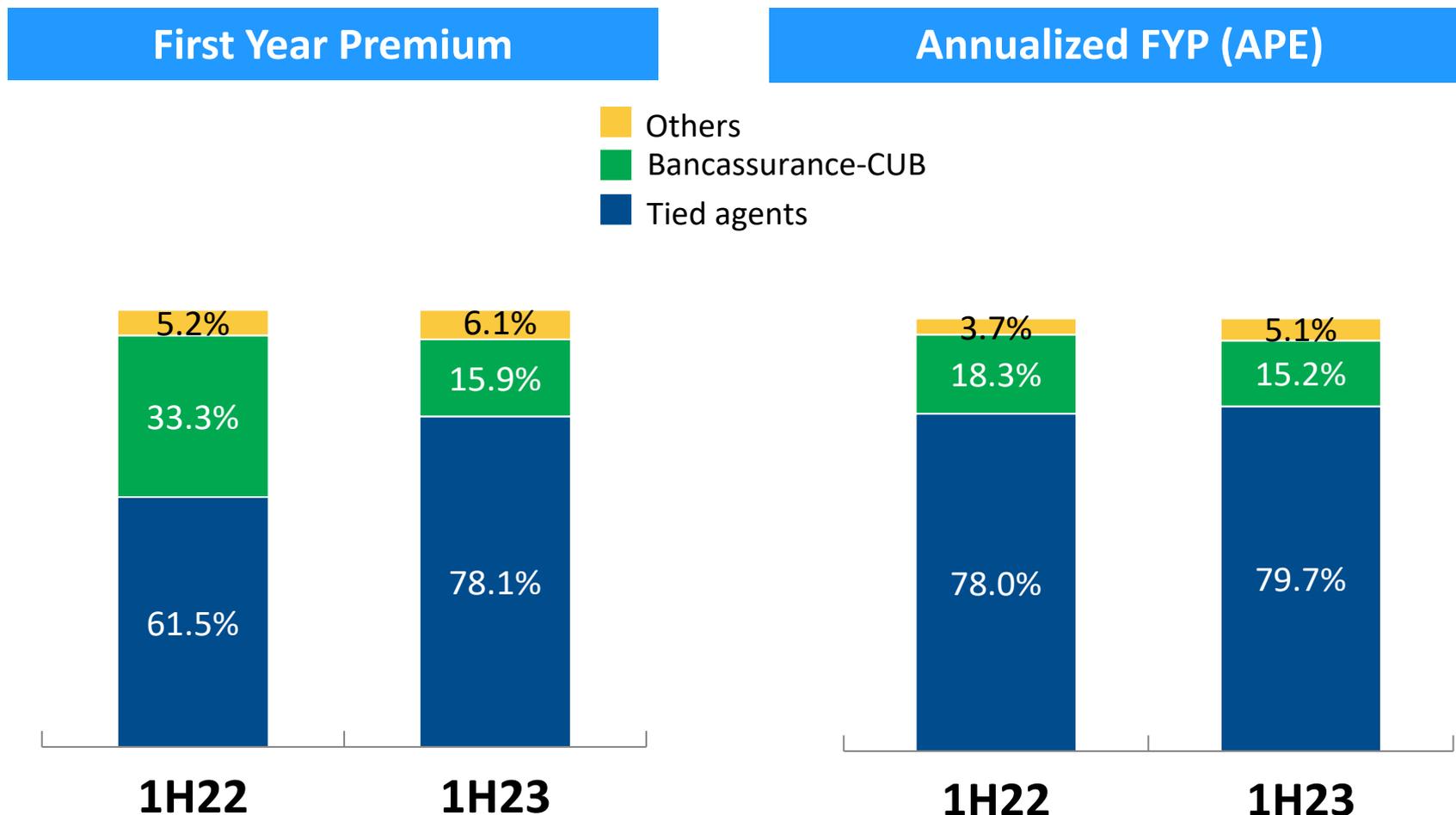


Note: (1) Cathay Life changed its business model for financial asset classification on 2022/10/1 in accordance with IFRS 9 and the guidance by Accounting Research and Development Foundation.

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

# Cathay Life – Distribution channels

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



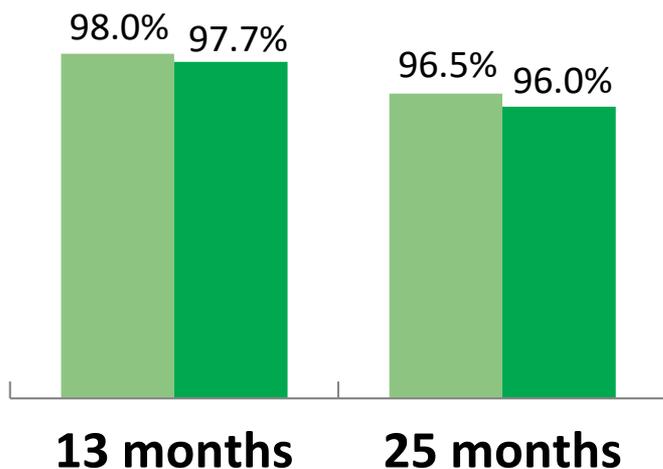
# Cathay Life – Operational indicators

- Expense ratio increased YoY, attributable to increased sales of traditional long-term regular-premium products.

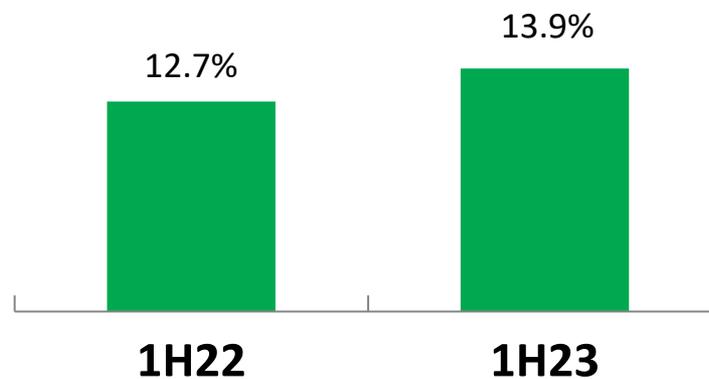
## Persistency ratio

1H22

1H23



## Expense ratio



# Agenda

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

Cathay United Bank

Cathay Life

Cathay Century

- Cathay's ESG Efforts
- Appendix

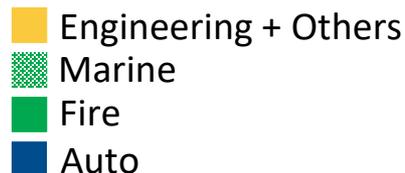
# Cathay Century – Premium income

- Premium income showed steady growth. Market share was 12.7%.

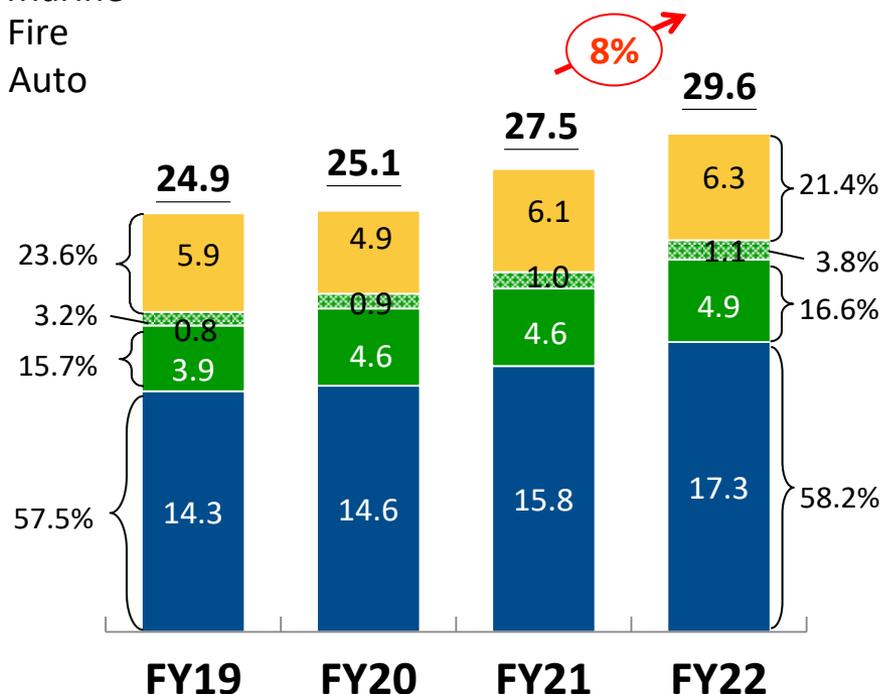
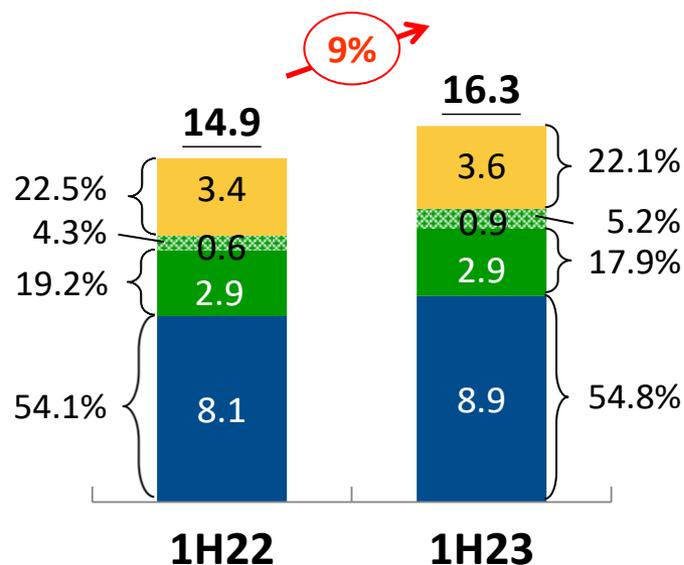
## Premium income

## Premium income (annual)

(NT\$BN)



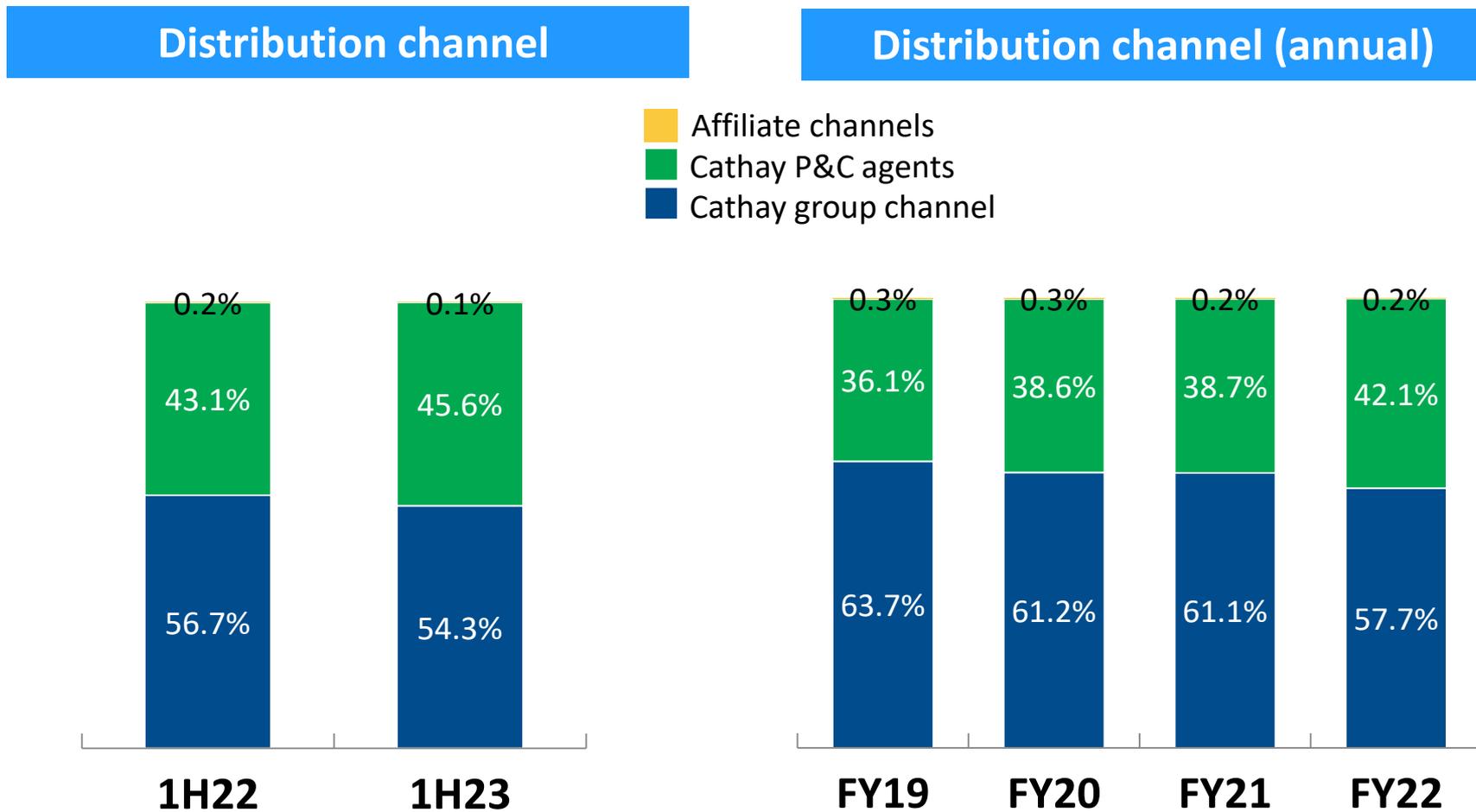
(NT\$BN)



Market share	12.3%	12.7%	13.1%	12.3%	12.4%	12.8%
Retention	70.5%	68.5%	77.7%	76.4%	74.3%	73.4%

# Cathay Century – Distribution channels

Benefiting from cross-selling synergy, over 50% of premium income was generated by the group channel.

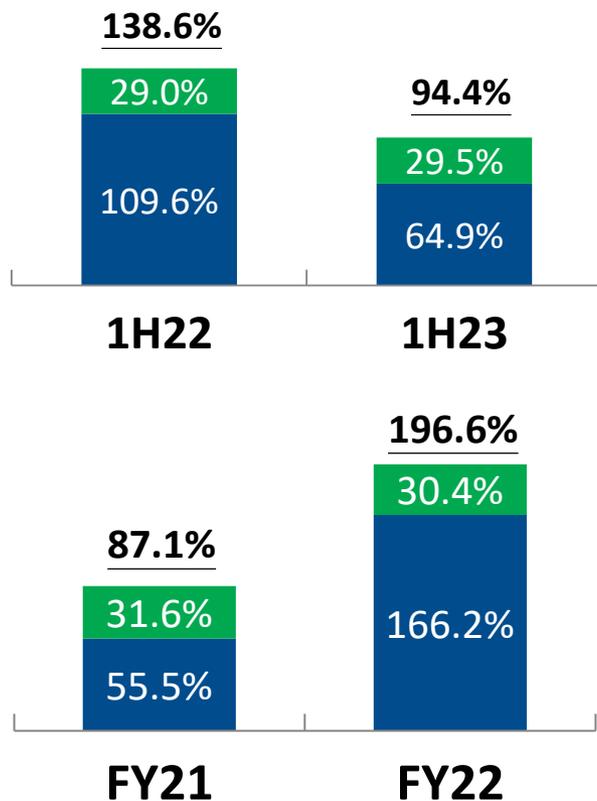


# Cathay Century – Combined ratio

- Gross combined ratio and retained combined ratio each declined due to the lower loss ratio resulting from the fading impact of pandemic insurance in 2Q23.

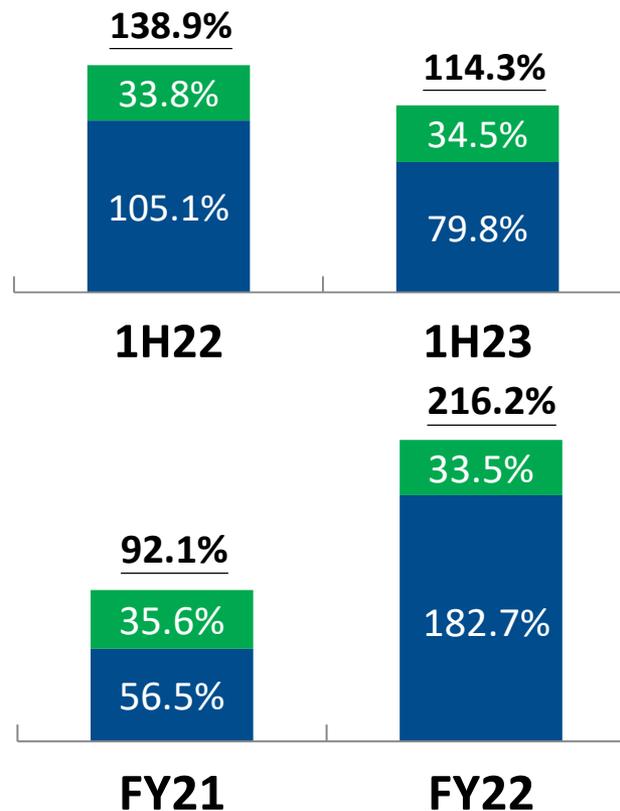
## Gross combined ratio

- Gross expense ratio
- Gross loss ratio



## Retained combined ratio

- Retained expense ratio
- Retained loss ratio



# Agenda

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- Introduction of Cathay FHC
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Cathay United Bank

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



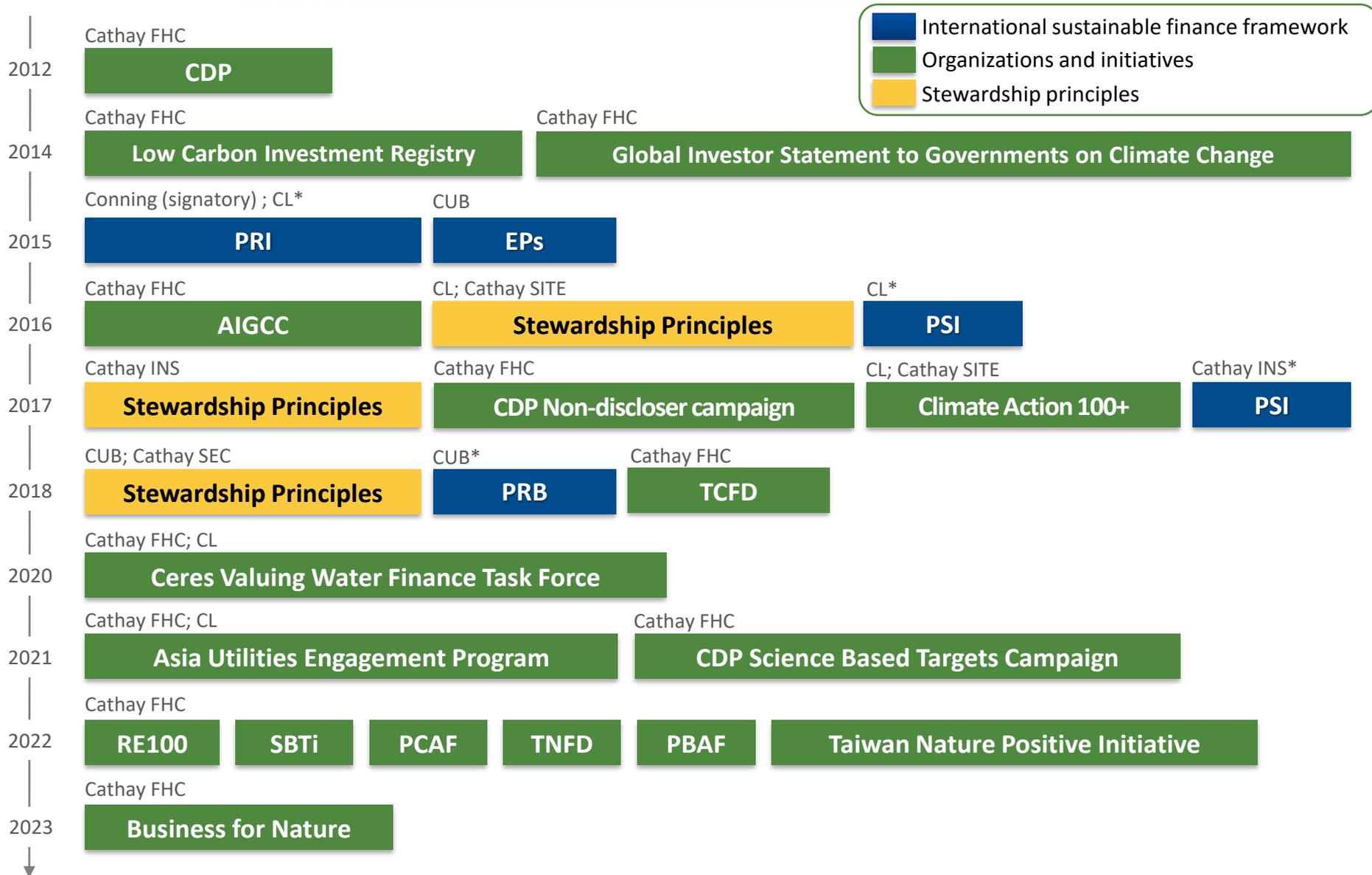
Global Views

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



2022 Taiwan Corporate  
Sustainability Awards

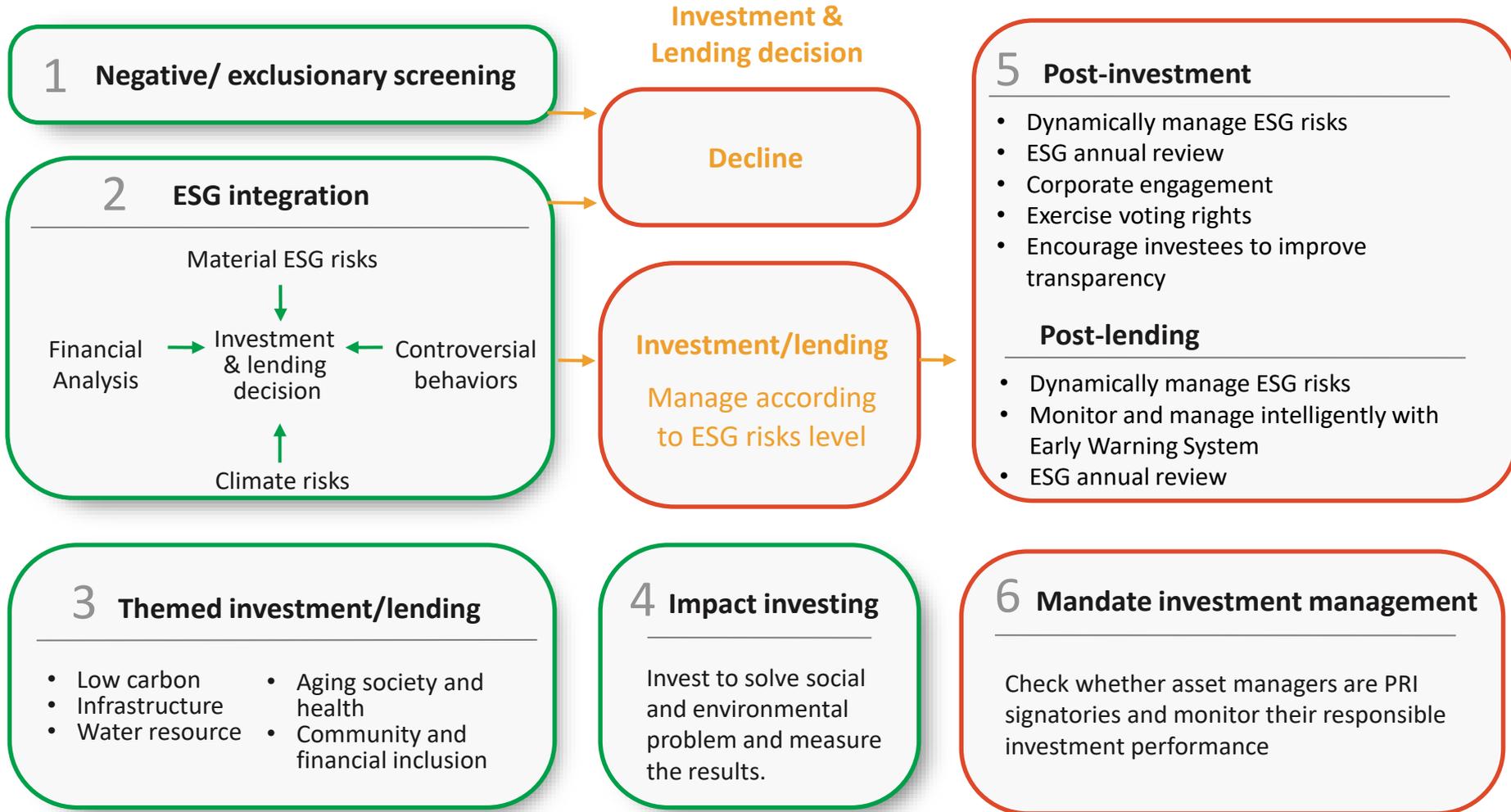
# Participation in climate actions and nature initiatives



# Integrating ESG into responsible investment and lending

## Investment/ Lending Process

## Engagements after Investment/ Lending



# 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, equity and inclusion

### Social Empowerment

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

# Zero-carbon operations by 2050

## Cathay “zero-carbon operation transition”



### Low-carbon operation transition since 2017

Reduced carbon emissions via “equipment replacement,” “green real estate,” and “product carbon footprint,” etc.

### RE 100 Became a RE100 member in 2022

- Join the “RE100” initiative
- Incorporate carbon-reduction matrix into top management’s KPI



SCIENCE  
BASED  
TARGETS

### Zero-carbon milestones

- Received SBTi validation of carbon reduction
- Zero-carbon operation transition

2017

2020

2025

2030

Set a 5-year carbon reduction target of

**5%**

Ahead of target, achieved cumulative carbon reduction of

**6.76%**

Usage of renewable energy for **headquarters**

**100%**

Usage of renewable energy for **all locations in Taiwan**

**100%**

# Net Zero emissions in financial assets by 2050

## • Science-Based Targets

Asset Class	Target
Listed equity & bonds	S1+S2 reduce to 2.68° C and S1+S2+S3 reduce to 2.79° C by 2026
Electricity generation project finance	Reduce GHG emission 33% per MWh by 2026 from a 2019 base year
Corporate loans – commercial real estate	Reduce GHG emission 39% per square meter by 2026 from a 2019 base year
Corporate loans – electricity generation industry	Reduce GHG emission 69% per MWh by 2035 from a 2019 base year
Corporate loans – Other long term loans	<ul style="list-style-type: none"> <li>Reduce GHG emissions from finance, retail, service, food, loading and real estate development sectors within other long-term corporate loan portfolio 73% per square meter by 2035 from a 2019 base year</li> <li>33% of other long-term corporate loan portfolio by loan value within the fossil fuel, electrical and electronic equipment, general manufacturing, and semiconductor sectors setting SBTi validated targets by 2026</li> </ul>

## • Coal-Exit Strategy

### ✓ Lending



### ✓ Exclude investments in coal value chain with a coal share of revenue (CSR) above certain % without active transition to renewable energy



# Leveraging financial competence to support sustainability

## 2022 Sustainability themed investment / lending

(NT\$)	 Low carbon	 Infrastructure	 Aging society and health	 Community and inclusive finance	 Water resources
<b>Investment</b>	267.9bn	832.9bn	464.4bn	3.1bn	6.1bn
<b>Lending</b>	37.9bn	78.1bn	44.8bn	5.2bn	1.2bn
<b>Related to SDGs</b>	 7 AFFORDABLE AND CLEAN ENERGY  13 CLIMATE ACTION	 11 SUSTAINABLE CITIES AND COMMUNITIES	 3 GOOD HEALTH AND WELL-BEING	 1 NO POVERTY  4 QUALITY EDUCATION	 3 GOOD HEALTH AND WELL-BEING  6 CLEAN WATER AND SANITATION

### Define low-carbon sectors based on Low Carbon Registry Taxonomy

  
 Renewable energy

  
 Buildings

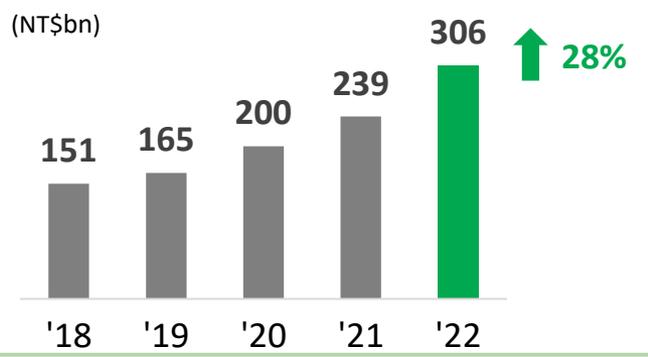
  
 Waste recycling

  
 Transportation

  
 Energy-efficiency

  
 Green bonds

### Low-carbon investment/lending grew YoY

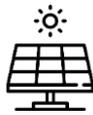


# Hastening positive environmental change with green products

## Pioneers in renewable energy financing



**Wind Power**



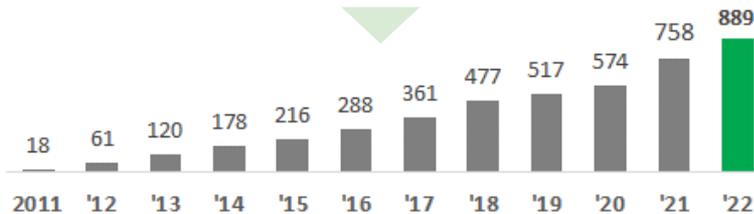
**Solar Power**



Total capacity of financed solar power stations and wind turbines

**2,262 MW**

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



## First in the industry – Green Insurance

Initiation(yr)

2010



Cumulative insured amount of renewable energy industry

**NT\$ 183bn**

2013



Green vehicles insured

**54,593 Green vehicles**

2014



Bicycle insured

**10,093 bicycles**

2016



Offered the first Offshore Wind Power Insurance product in Taiwan

2018



Public bicycles riders insured

**118.2mn bicycle riders**

## Providing green finance services across various markets and industries



### Sustainability-linked loan (SLL)

Approved ~30 SLLs in Taiwan, Hong Kong, the Philippines, Singapore, and Australia

Signed **1st SLL agreement ever issued in Philippines**



### Green deposit

Utilized by over 30 companies of NT\$10bn

**1st Taiwan financial group to launch green deposits in China**

# Health promotion – from compensation to prevention

## Fitback app health promotion program



Compensation ▶▶▶ Prevention

Utilize health promotion programs to increase health awareness

Track health habits



Health ecosystem



Expand influence



## Fitback app: spillover-feature insurance products

Health habit targets

Premium discounts → Increased Benefit → Increased insured amount



## Facilitating health promotion through technology

806,000 members

Users collectively walked **849 billion steps**, which is equivalent to 662 round trips to the moon.



# Financial health – financial inclusion



## Small amount whole life insurance

- Provided basic coverage to relatively elders who have difficulty obtaining required insurance
- Cathay Life provided basic economic security for ~258,000 policyholders, the highest in the industry



## Microinsurance

- Provided basic protection of NT\$105.5bn for over 313,000 economically disadvantaged



## Elderly-friendly products

- Specialized cancer insurance to elders with physical conditions excluded from standard qualification
- Launched in June 2022 and issued 65,000 policies in six months



## Microfinance

- Financed Cambodia's micro finance institutions (MFIs)
- CUB has provided US\$74mm loans to MFIs



## accessibility via digital platforms



**CUBE App**, connecting Bank, Life, P&C and Securities services, provides one-stop digital financial services.



**Chatbot Alpha** serves over 1.5mn monthly online users from all Cathay channels.



**CVX** is the first remote life insurance application platform in Taiwan.



**BeSafe**, providing fragmented insurance products, enables customers to customize their own insurance policies.



**Cathay Securities App**, with over 1mn customers, offers all-in-one digital investment services.

# Building a workplace of diversity, equity & inclusion



## Creating a culture of diversity, equity, and inclusion

- **Raise awareness** by providing training courses on unconscious bias, psychological safety, and inclusive culture.
- **Collect employee feedback to create case studies** for internal advocacy.
- **Enhance HR procedures** to prevent talent loss due to unconscious biases.
- **Ongoing communication** via internal events and meetings.

## Woman empowerment



**69%**  
women employees



**54%**  
women in manager positions



**15%** women on the Board of Directors,  
up from **8%** in 2021

## “Stay on Board” family support for talents

Empowering employees to achieve long-term career growth while managing work-life balance



Flexible WFH arrangement



Continue to upskill via online courses



Cloud-based library for continuous learning



Employee Assistance Program (EAP)

# Embedded Value & Appraisal Value

NT\$BN, except for per share figures

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

Note: (1) EV/AV calculation does not include business of Cathay Life in China and Vietnam.

(2) per share = per share of Cathay Life; (per share) = per share of Cathay FHC

(3) The outstanding shares of Cathay Life in 2021 and 2022 are 5.85bn and 6.35bn, respectively.

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

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

# Summary

NT\$BN, except for per share figures

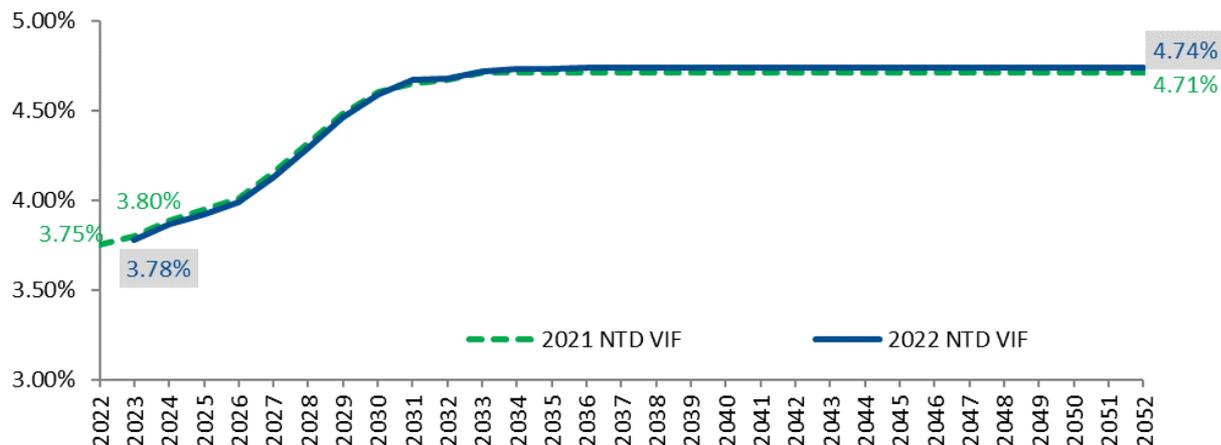
Valuation date		2021	2022	Growth rate	1Q23
Embedded value	Equity	734	457	-38%	--
	Adjusted net worth	757	520	-31%	--
	Value of in-force business (before CoC)	717	780	9%	--
	Cost of capital (CoC)	-275	-311	13%	--
	Value of in-force business (after CoC)	442	469	6%	--
	Embedded value	1,199	988	-18%	--
Value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

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

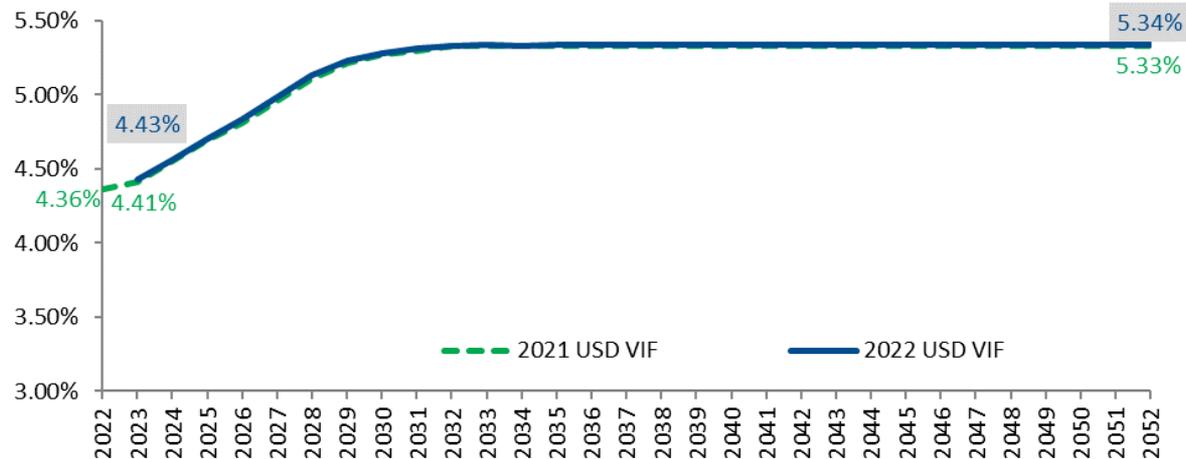
(2) Totals may not sum due to rounding.

# Economic Assumptions: In-force business investment yield

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

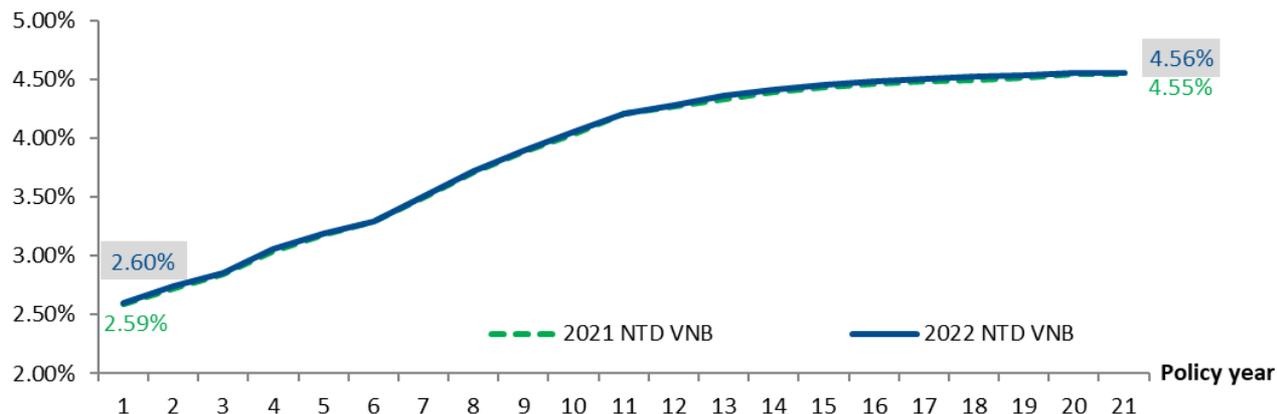


- Investment return assumptions for the value of in-force business of USD-denominated policies as of the end of 2021 & 2022.

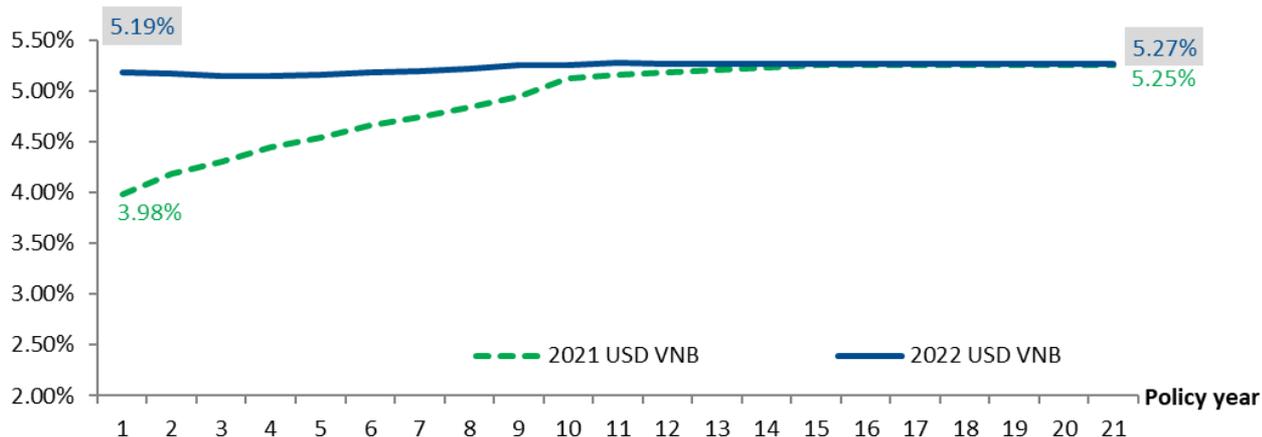


# Economic Assumptions: Future one year's new business investment yield

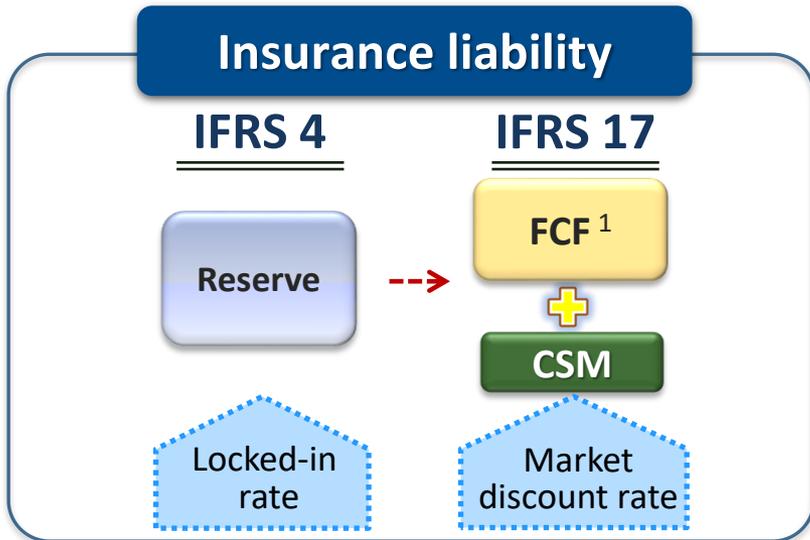
- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2021 & 2022.



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



# CSM - New product profit indicator under IFRS 17

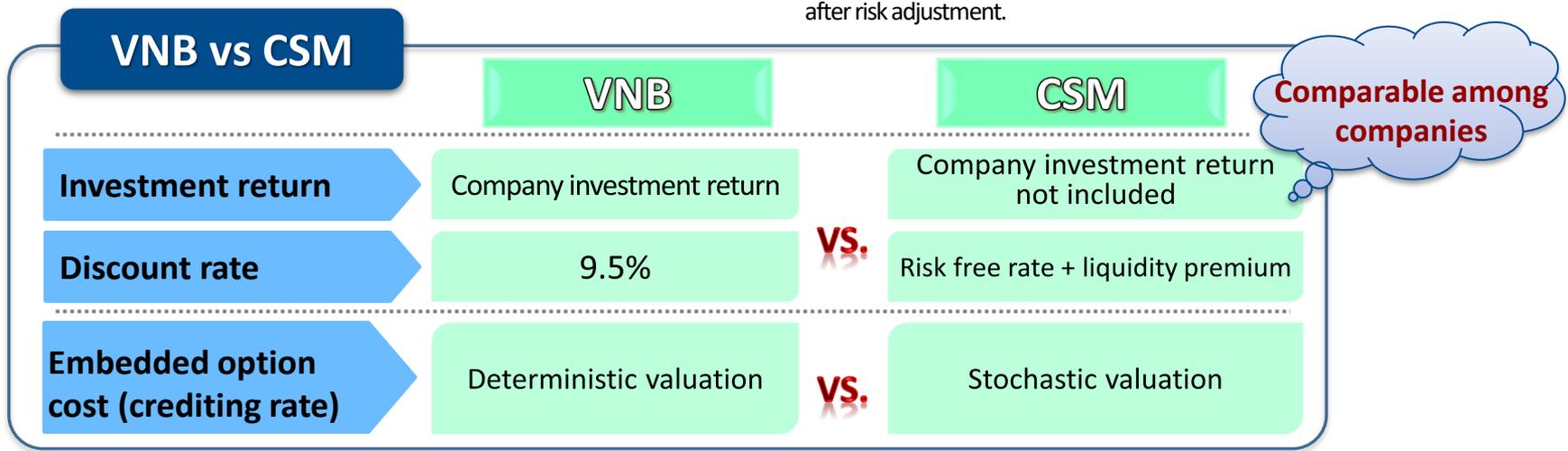


## New product profit indicator

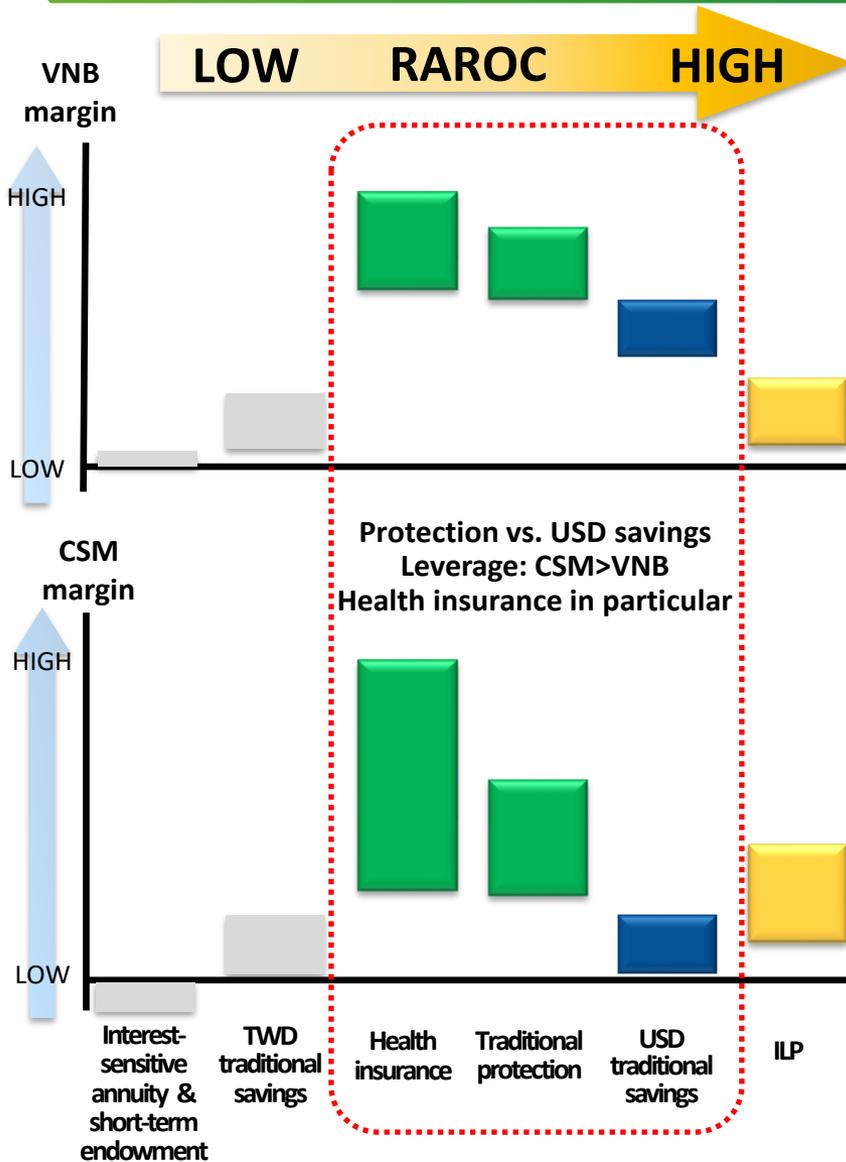
- VNB** Value of new business (reflects company perspective on profit)
- CSM** Contractual service margin<sup>2</sup> (unearned profit from liabilities)
- RAROC** Risk-adjusted return on capital<sup>3</sup>

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

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



# Focus on high CSM and RAROC products



Interest-sensitive annuity & short-term endowment

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

TWD-denominated traditional savings

- Foreign currency risk, difficult for ALM
- Low RAROC

## Key products

Health insurance & traditional protection

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

USD-denominated traditional savings

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

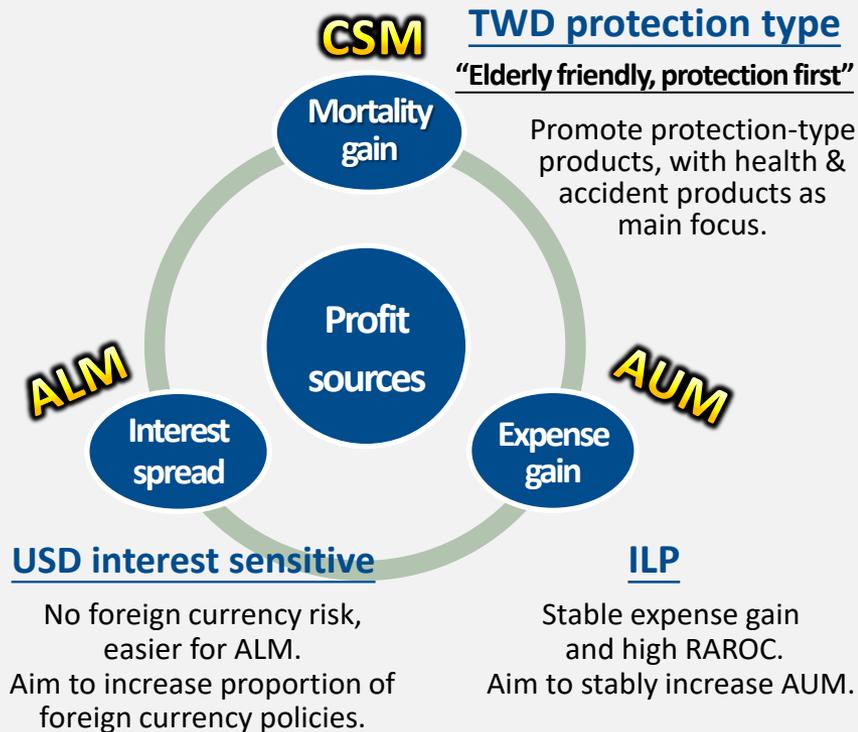
Investment-linked products (ILPs)

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

# CSM accumulation is the top priority for IFRS 17 adoption

## Product strategy

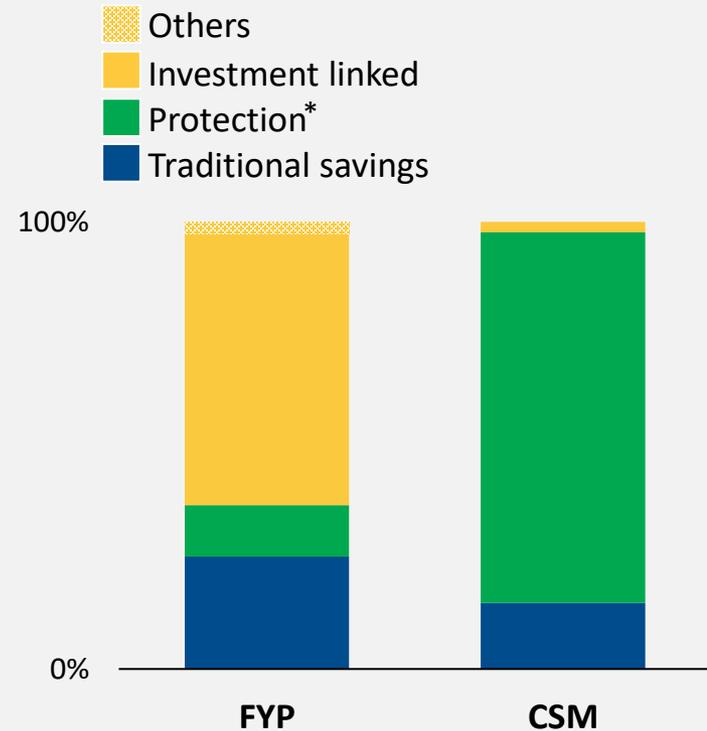
- CSM accumulation is Cathay Life's top priority
- Taking ALM and trade-off between profit and capital charge into account



## Distribution channels

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

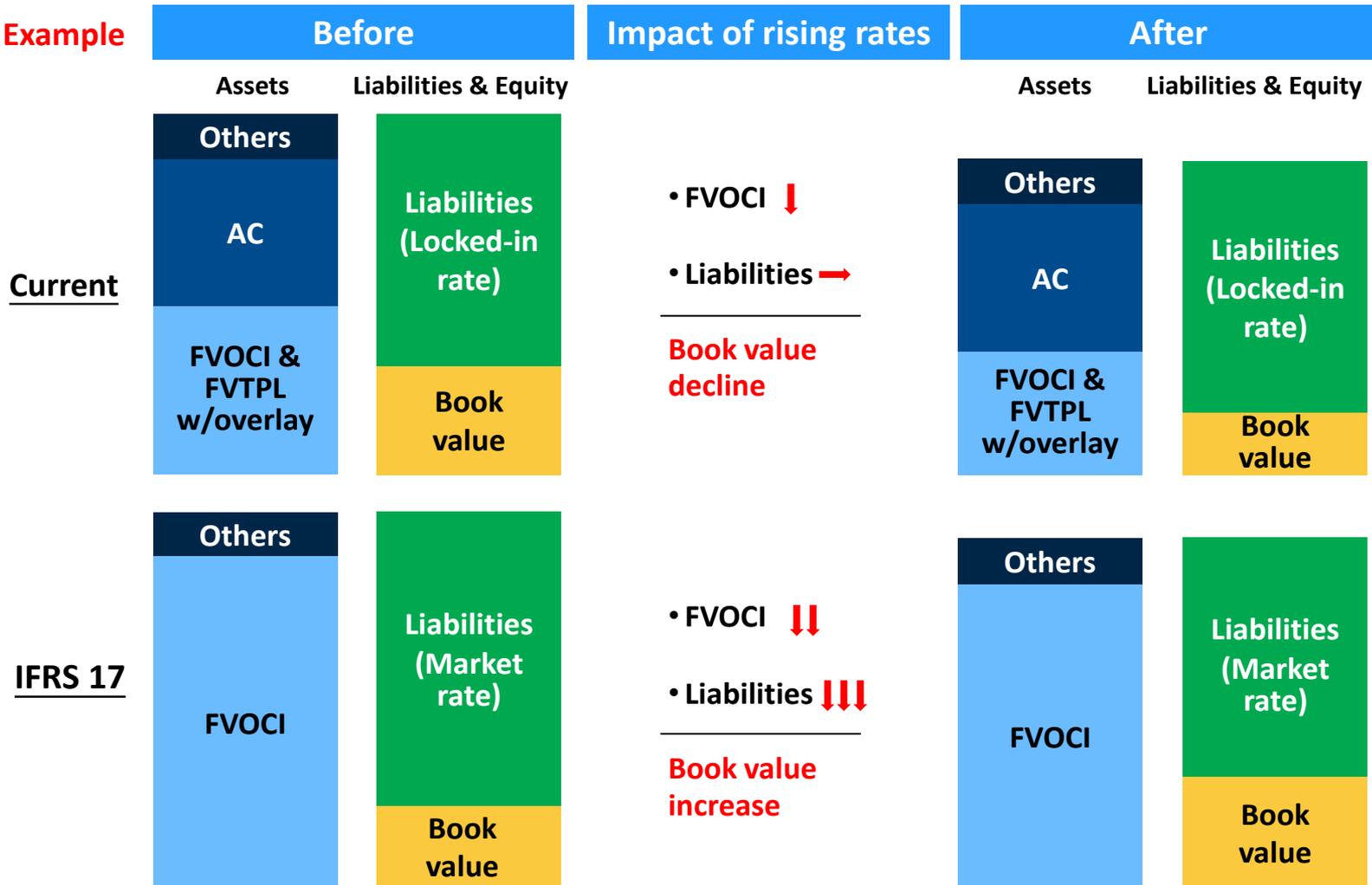
### FYP & CSM contribution (FY22)



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

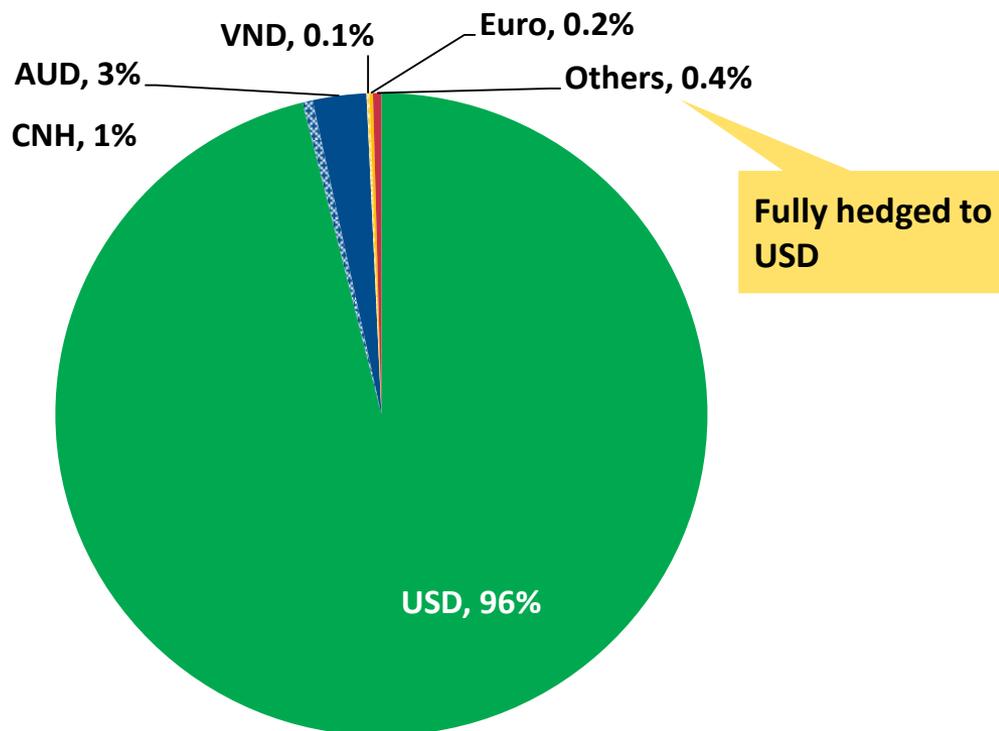
- Based on IFRS 17, book value increased, as the decline in liabilities exceeded that of assets, with assets and liabilities each marked to market.

## Example

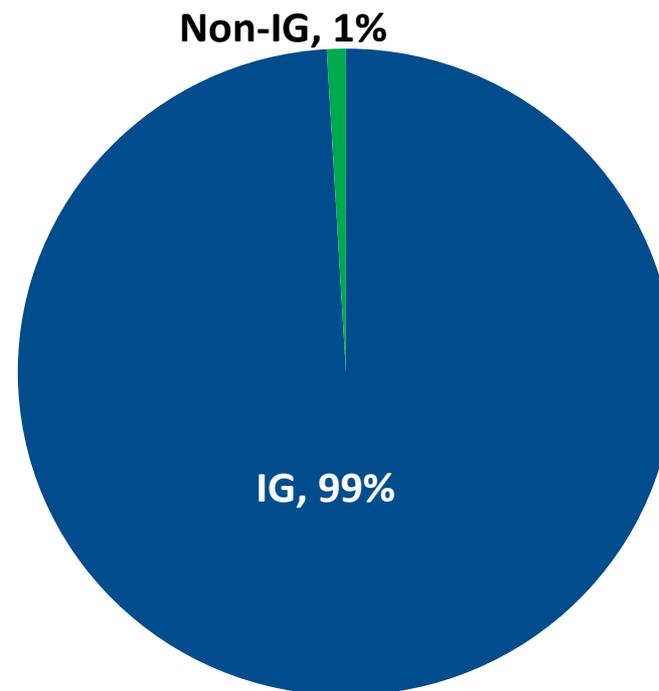


# Cathay Life – Overseas bond breakdown by currency and rating

## Overseas bond by currency (1H23)

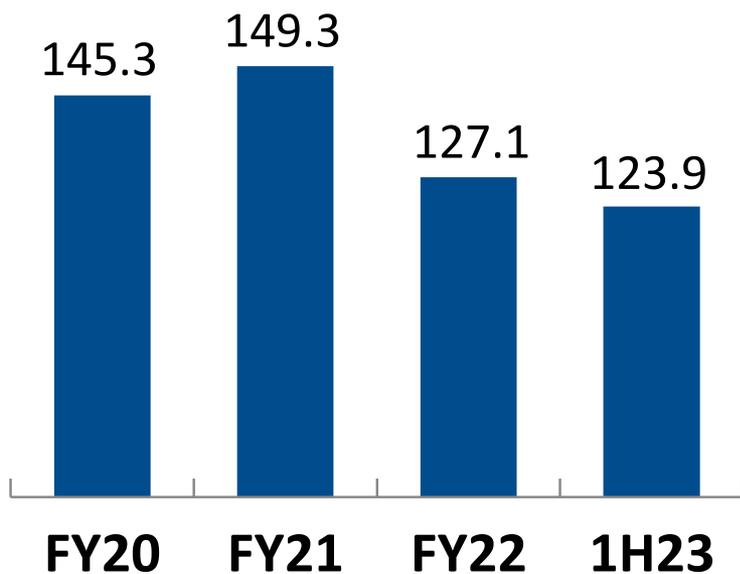


## Overseas bond by rating (1H23)

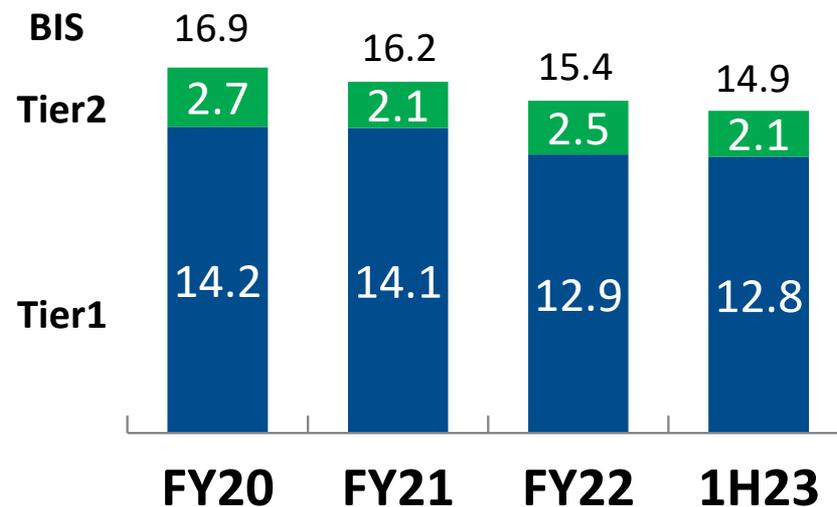


# Capital adequacy

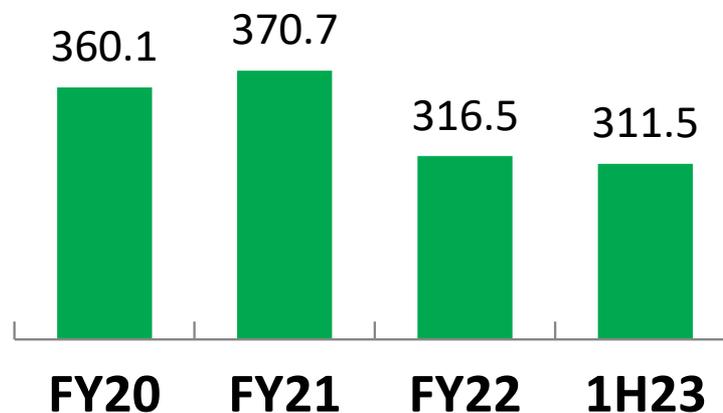
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC (%)



**Cathay Financial Holdings**

(NT\$MN)

	FY22/			1H23/			2Q23/		
	FY21	FY22	FY21 % Chg	1H22	1H23	1H22 % Chg	2Q22	2Q23	2Q22 % Chg
<b><u>Income Statement Data (Consolidated)</u></b>									
<b>Operating Income</b>									
Net interest income	194,882	226,163	16%	105,289	120,501	14%	55,246	60,988	10%
Net commission and fee	12,649	15,421	22%	8,353	7,336	-12%	4,090	3,138	-23%
Net earned premium	524,187	439,719	-16%	214,912	214,881	0%	107,595	107,363	0%
Change in liability reserve	(377,408)	(198,098)	-48%	(130,814)	(73,660)	-44%	(59,793)	(35,441)	-41%
Net claims payment	(305,703)	(438,283)	43%	(172,650)	(223,910)	30%	(95,072)	(113,346)	19%
Investment income	190,944	132,185	-31%	101,111	34,238	-66%	42,312	34,919	-17%
Contribution from associates-equity method	1,807	2,266	25%	1,243	1,363	10%	816	679	-17%
Other net non-interest income	7,197	(36,038)	-601%	(20,462)	8,003	139%	(9,267)	261	103%
Bad debt expense	(3,484)	(4,778)	37%	(1,213)	(1,261)	4%	(1,166)	(1,607)	38%
Operating expense	(85,543)	(88,610)	4%	(42,014)	(48,828)	16%	(20,814)	(25,528)	23%
<b>Income before taxes</b>	159,526	49,948	-69%	63,756	38,664	-39%	23,947	31,426	31%
Income taxes	(18,637)	(11,986)	-36%	(14,442)	(5,646)	-61%	(9,009)	(5,582)	-38%
Net income	140,889	37,962	-73%	49,313	33,018	-33%	14,938	25,844	73%
Net income to parent company	139,514	37,359	-73%	48,808	32,496	-33%	14,601	25,487	75%
EPS (NT\$)	10.34	2.58		3.45	1.98		0.85	1.50	
<b><u>Dividend Payout</u></b>									
Cash dividend per share	3.50	0.90							
Stock dividend per share	0.00	0.00							
Weighted average outstanding shares (Millions of common shares)	13,169	13,190		13,169	14,669				
<b><u>Balance Sheet Data (Consolidated)</u></b>									
Total assets	11,594,361	12,070,886		11,583,284	12,709,227				
Total shareholders' equity	914,039	611,708		451,393	720,567				
Equity attributable to parent company	902,038	598,840		439,579	707,204				
<b><u>Operating Metrics</u></b>									
ROAE (Consolidated)	15.49%	4.98%		14.45%	9.91%				
ROAA (Consolidated)	1.25%	0.32%		0.85%	0.53%				
Double leverage ratio(inc. preferred stock)	113%	122%		131%	120%				
<b><u>Capital Adequacy Metrics</u></b>									
Capital Adequacy Ratio	149%	127%		133%	124%				

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**Cathay Life**  
**(NT\$MMN)**

	FY22/ FY21			1H23/ 1H22			2Q23/ 2Q22		
	FY21	FY22	% Chg	1H22	1H23	% Chg	2Q22	2Q23	% Chg
<b>Income Statement Data (Consolidated)</b>									
Net written premium	499,102	410,186	-18%	201,145	200,868	0%	99,907	100,290	0%
Net earned premium	498,398	409,196	-18%	201,281	200,875	0%	99,334	99,735	0%
Reinsurance commission earned	388	527	36%	15	15	2%	8	9	19%
Fee income	10,715	10,804	1%	5,423	5,384	-1%	2,725	2,758	1%
Recurring investment income	214,968	242,608	13%	114,248	125,976	10%	62,369	66,966	7%
Gain on disposal of investment									
Realized gain (loss)-Equity	116,191	23,289	-80%	27,572	24,879	-10%	10,397	11,482	10%
Realized gain (loss)-Debt	63,127	5,572	-91%	11,047	3,404	-69%	56	1,159	1968%
Gain on investment property	1,106	2,735	147%	1,913	(38)	-102%	1,363	(34)	-102%
FX and others, net	(46,445)	(2,907)	94%	7,336	(23,199)	-416%	1,264	(354)	-128%
Investment income, net	348,947	271,296	-22%	162,116	131,021	-19%	75,449	79,219	5%
Other operating income	8,754	8,726	0%	4,135	5,079	23%	2,120	2,654	25%
Separate account revenues	77,919	(933)	-101%	(20,191)	37,443	285%	(19,881)	21,325	207%
Net claims payment	(287,850)	(398,511)	38%	(162,467)	(204,198)	26%	(87,937)	(107,471)	22%
Changes in liability reserves	(376,771)	(188,389)	-50%	(126,620)	(82,517)	-35%	(56,014)	(36,159)	-35%
Acquisition and commission expense	(34,445)	(30,977)	-10%	(14,669)	(17,953)	22%	(6,707)	(10,285)	53%
Other operating costs	(8,056)	(6,729)	-16%	(3,178)	(3,715)	17%	(1,502)	(1,889)	26%
Financial cost	(3,114)	(3,817)	23%	(1,694)	(2,185)	29%	(835)	(1,093)	31%
Separate account expense	(77,919)	933	-101%	20,191	(37,443)	285%	19,881	(21,325)	207%
Operating expense	(32,448)	(32,301)	0%	(16,157)	(17,096)	6%	(7,681)	(8,476)	10%
Net non-operating income	1,563	1,859	19%	895	1,089	22%	437	597	37%
Income taxes	(12,916)	(7,513)	-42%	(8,550)	(2,665)	-69%	(4,944)	(4,418)	-11%
Net income	113,166	34,169	-70%	40,528	13,134	-68%	14,452	15,181	5%
Net income to parent company	112,231	33,667	-70%	40,248	12,746	-68%	14,206	14,901	5%

**Balance Sheet Data (Consolidated)**

Total assets	8,073,161	8,172,430		7,885,085	8,449,237
General account	7,348,951	7,517,003		7,239,478	7,737,780
Separate account	724,210	655,427		645,607	711,458
Reserves for life insurance liabilities	6,413,221	6,794,562		6,664,309	6,889,006
Total liabilities	7,331,028	7,706,641		7,569,397	7,881,182
Total shareholders' equity	742,133	465,789		315,688	568,055
Equity attributable to parent company	734,443	456,817		307,964	558,491

**Operating Metrics (Standalone)**

First Year Premium(FYP)	202,394	129,343		71,632	70,392
First Year Premium Equivalent(FYPE)	50,997	42,434		22,493	24,493
Expense ratio	11.2%	12.8%		12.7%	13.9%
13-M persistency ratio	98.4%	97.7%		98.0%	97.7%
25-M persistency ratio	96.3%	96.6%		96.5%	96.0%
ROAE (Consolidated)	15.47%	5.66%		15.33%	5.08%
ROAA (Consolidated)	1.44%	0.42%		1.02%	0.32%

**Capital Adequacy Metrics (Standalone)**

RBC ratio	371%	316%		337%	312%
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Cathay United Bank (NT\$MN)	FY22/ FY21			1H23/ 1H22			2Q23/ 2Q22		
	FY21	FY22	% Chg	1H22	1H23	% Chg	2Q22	2Q23	% Chg
<b>Income Statement Data (Consolidated)</b>									
<b>Operating Income</b>									
Net interest income	38,539	48,704	26%	21,908	25,814	18%	11,748	13,044	11%
Fee income	18,346	18,246	-1%	8,942	10,599	19%	3,658	5,215	43%
Investment income	6,956	6,711	-4%	3,322	7,634	130%	2,066	4,700	127%
Other income	502	1,180	135%	648	502	-23%	514	349	-32%
<b>Net operating income</b>	<b>64,342</b>	<b>74,841</b>	<b>16%</b>	<b>34,819</b>	<b>44,548</b>	<b>28%</b>	<b>17,986</b>	<b>23,308</b>	<b>30%</b>
Operating expenses	(33,877)	(38,307)	13%	(17,056)	(21,604)	27%	(8,825)	(11,359)	29%
<b>Pre-provision profit</b>	<b>30,466</b>	<b>36,534</b>	<b>20%</b>	<b>17,762</b>	<b>22,945</b>	<b>29%</b>	<b>9,161</b>	<b>11,950</b>	<b>30%</b>
Net provisions for possible losses	(2,986)	(5,524)	85%	(1,517)	(1,547)	2%	(1,221)	(1,646)	35%
<b>Income before taxes</b>	<b>27,480</b>	<b>31,010</b>	<b>13%</b>	<b>16,245</b>	<b>21,397</b>	<b>32%</b>	<b>7,941</b>	<b>10,304</b>	<b>30%</b>
Income tax	(3,671)	(5,299)	44%	(2,781)	(3,853)	39%	(1,349)	(1,929)	43%
<b>Net income</b>	<b>23,808</b>	<b>25,712</b>	<b>8%</b>	<b>13,464</b>	<b>17,544</b>	<b>30%</b>	<b>6,592</b>	<b>8,375</b>	<b>27%</b>
<b>Net income to parent company</b>	<b>23,344</b>	<b>25,590</b>	<b>10%</b>	<b>13,230</b>	<b>17,409</b>	<b>32%</b>	<b>6,497</b>	<b>8,296</b>	<b>28%</b>
<b>Balance Sheet Data (Consolidated)</b>									
Total assets	3,499,323	3,887,031		3,664,738	4,222,288				
Loans, net	1,807,077	2,045,082		1,937,733	2,159,673				
Financial assets	1,110,788	1,268,349		1,260,201	1,356,624				
Total liability	3,248,596	3,645,307		3,432,518	3,962,622				
Deposits	2,935,694	3,246,162		3,064,392	3,478,609				
Financial Debenture Payable	46,800	37,147		43,064	27,100				
Total shareholders' equity	250,727	241,724		232,221	259,666				
Equity attributable to parent company	246,351	237,734		228,052	255,771				
<b>Operating Metrics (Consolidated)</b>									
Cost income ratio	52.65%	51.18%		48.99%	48.49%				
ROAE	9.57%	10.44%		11.15%	14.00%				
ROAA	0.71%	0.70%		0.75%	0.87%				
<b>Assets Quality (Standalone)</b>									
NPL	1,578	1,510		1,568	1,894				
NPL ratio	0.09%	0.08%		0.08%	0.09%				
NPL provisions	28,064	32,459		29,723	34,307				
Coverage ratio	1778%	2150%		1896%	1812%				
<b>Capital Adequacy Metrics (Standalone)</b>									
BIS ratio	16.2%	15.4%		14.9%	14.9%				
Tier I Ratio	14.1%	12.9%		12.4%	12.8%				
<b>LDR (Standalone)</b>									
LDR	61.4%	62.4%		62.7%	61.0%				
TWD LDR	69.2%	75.4%		73.0%	76.2%				
FX LDR	34.1%	25.8%		31.0%	22.9%				

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**Cathay Century**  
 (NT\$MM)

<b>Income Statement Data (Consolidated)</b>	<b>FY22/ FY21</b>			<b>1H23/ 1H22</b>			<b>2Q23/ 2Q22</b>		
	<b>FY21</b>	<b>FY22</b>	<b>% Chg</b>	<b>1H22</b>	<b>1H23</b>	<b>% Chg</b>	<b>2Q22</b>	<b>2Q23</b>	<b>% Chg</b>
Premium income	28,015	30,266	8%	15,232	16,693	10%	8,295	8,928	8%
Net written premium	20,718	22,084	7%	10,688	11,360	6%	5,543	5,828	5%
Net earned premium	19,903	21,703	9%	10,571	11,410	8%	5,350	5,805	8%
Reinsurance commission earned	857	900	5%	453	518	14%	243	285	17%
Fee income	46	49	7%	26	27	4%	12	13	4%
Investment	1,363	595	-56%	783	615	-21%	240	312	30%
Interest income	539	636	18%	300	330	10%	147	167	13%
Other investment income, net	824	(41)	-105%	483	286	-41%	93	146	57%
Other operating income	0	157	0%	67	26	-61%	33	26	-22%
Net claims payment	(10,470)	(29,677)	183%	(6,418)	(16,631)	159%	(3,896)	(3,791)	-3%
Changes in liability reserves	(637)	(9,709)	1423%	(4,193)	8,857	-311%	(3,779)	718	-119%
Commissions and other operating costs	(3,765)	(3,916)	4%	(1,897)	(2,081)	10%	(1,011)	(1,054)	4%
Operating expenses	(4,772)	(4,636)	-3%	(2,298)	(2,490)	8%	(1,061)	(1,300)	23%
<b>Operating income</b>	2,525	(24,533)	-1071%	(2,906)	250	109%	(3,868)	1,014	126%
Net non-operating income	42	8	-81%	(2)	1	130%	(1)	(0)	84%
Income taxes	(392)	4,904	-1352%	620	(69)	111%	744	(257)	135%
Net income	2,175	(19,622)	-1002%	(2,289)	181	108%	(3,125)	757	124%
<b>Balance Sheet Data (Consolidated)</b>									
Total assets	49,900	60,596		62,856	54,593				
Total stockholders' equity	14,447	12,800		19,706	13,568				
<b>Operating Metrics (Standalone)</b>									
Gross Combined ratio	87.1%	196.6%		138.6%	94.4%				
Net Combined ratio	92.1%	216.2%		138.9%	114.3%				
ROAE (Consolidated)	15.78%	-144.03%		-26.81%	2.75%				
ROAA (Consolidated)	4.62%	-35.52%		-8.12%	0.63%				
<b>Capital Adequacy Metrics</b>									
RBC ratio (Standalone)	284%	369%		450%	355%				

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