

2016 First Quarter Briefing

June 2016



國泰金控

Cathay
Financial Holdings

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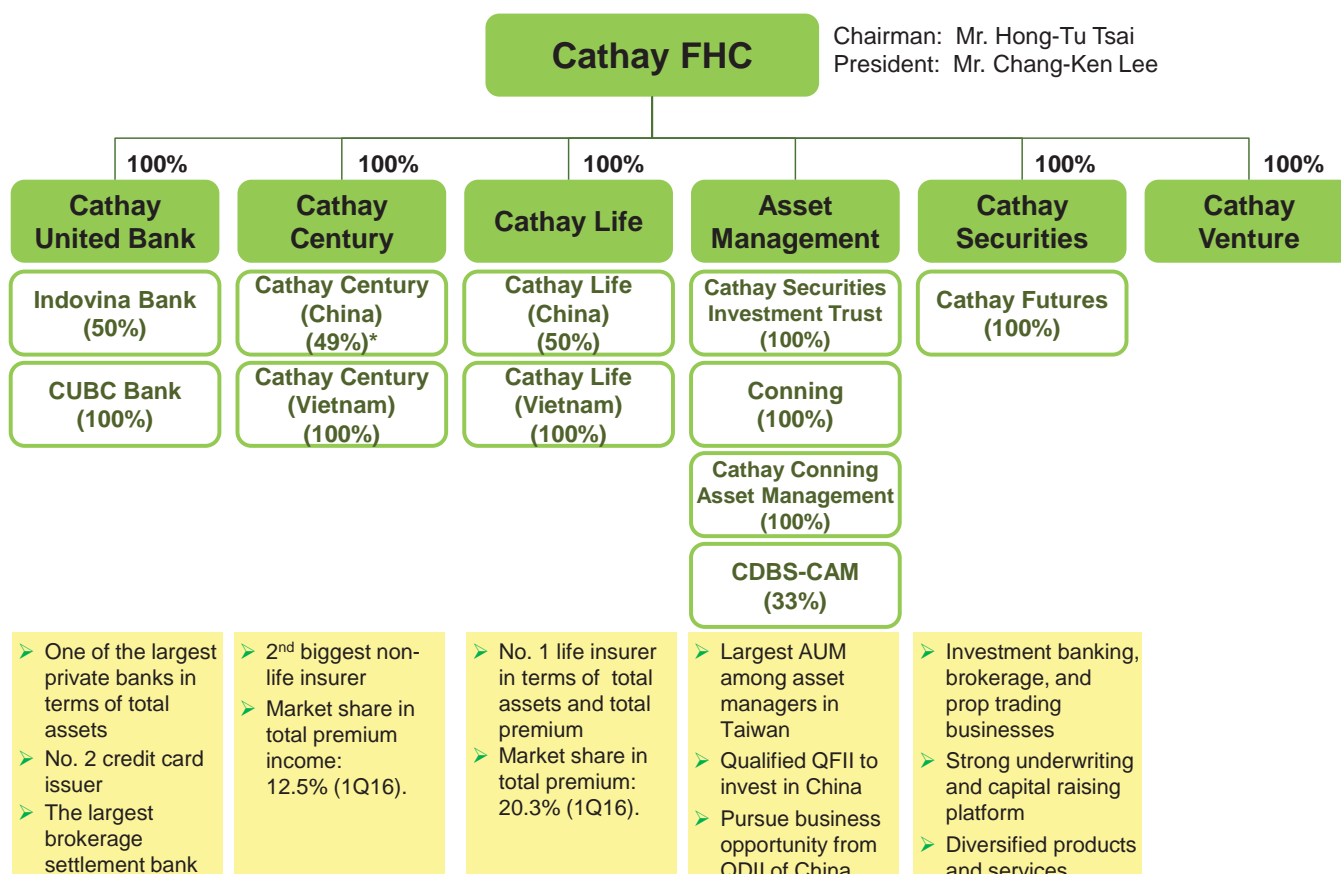
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Agenda

- **Introduction of Cathay FHC**
- **1Q16 Business Overview**
- **Overseas Expansion**
- **Business Performance Summary**
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Cathay's CSR Efforts**
- **M&A Key Highlights**
- **Cathay Life Embedded Value & Appraisal Value**
- **Appendix**

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Cathay FHC: largest FHC, comprehensive products



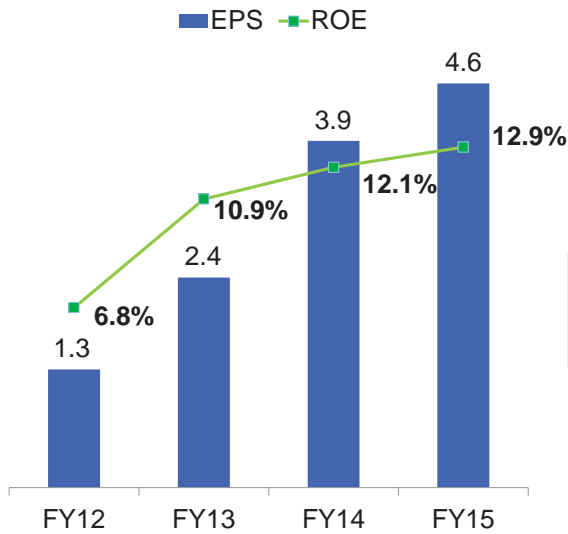
* The capital injection from Ant Financial is subject to the regulatory approval

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Cathay's earnings accelerates as life turnarounds

EPS & ROE

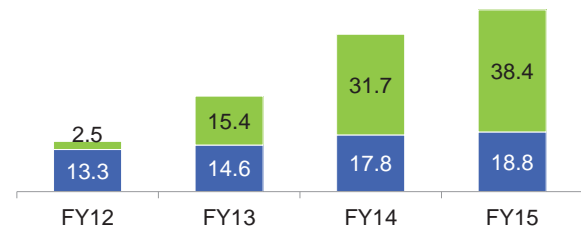
(NT\$)



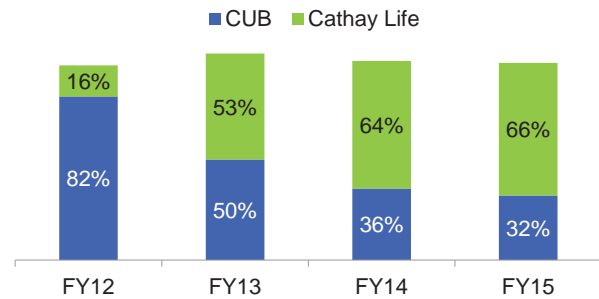
Profit contribution

(NT\$ BN)

■ CUB ■ Cathay Life



	FY12	FY13	FY14	FY15
FHC	16.2	29.0	49.6	57.9
Life	2.5	15.4	31.7	38.4
CUB	13.3	14.6	17.8	18.8



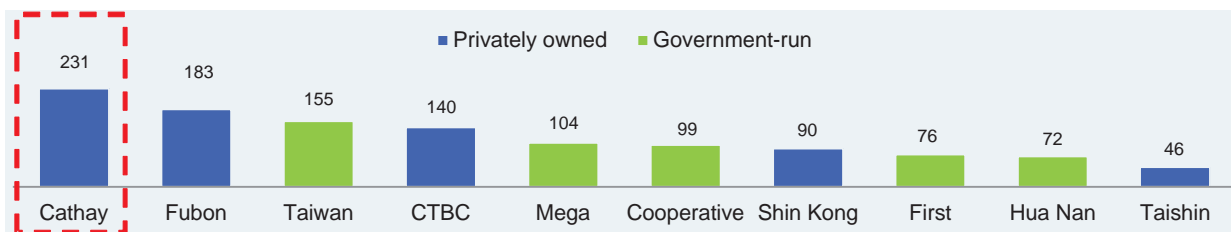
- Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.
 (2) Since Cathay FHC has more subsidiaries other than Cathay Life and CUB, besides, due to affiliate transactions, the Cathay FHC net income might not equal to the sum of Cathay Life and CUB's.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

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Market leader in Taiwan's FIG sector

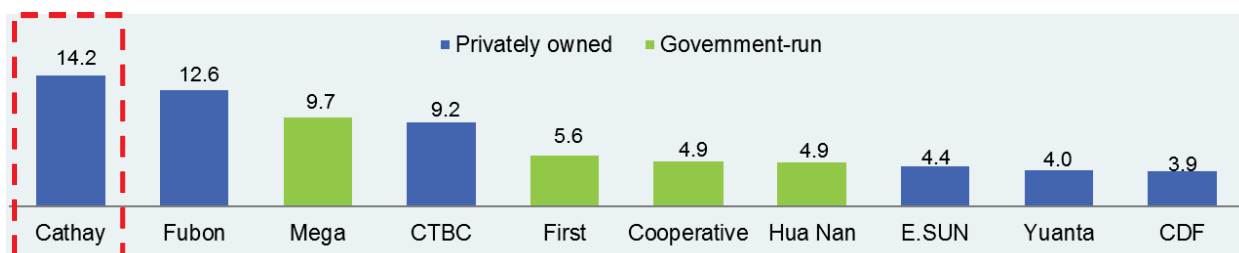
- Largest listed financials group by market capitalization and assets.

Ranking of total asset (US\$bn)



Note: Total assets as of Dec.31, 2015

Ranking of market cap (US\$bn)

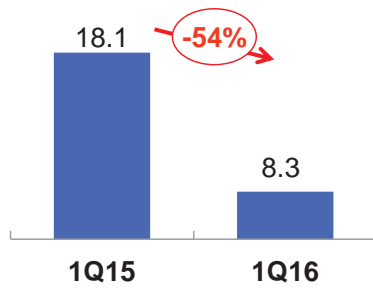


Note: Market capitalization as of Apr.15, 2016

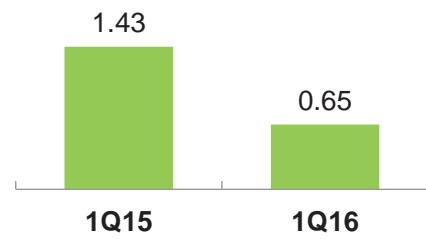
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Cathay FHC – Net income & EPS

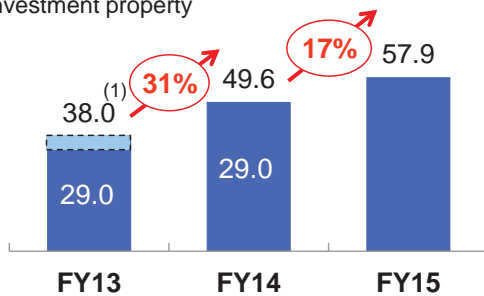
Net income (NT\$BN)



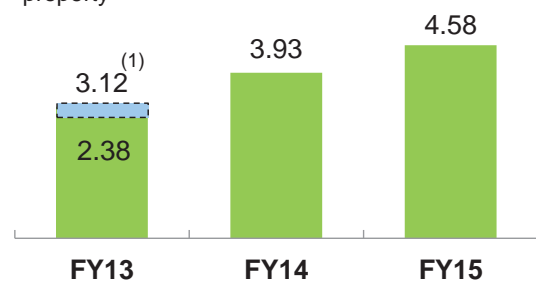
Adjusted EPS (NT\$)



■ Impact to net income from fair value method on investment property



■ Impact to EPS from fair value method on investment property

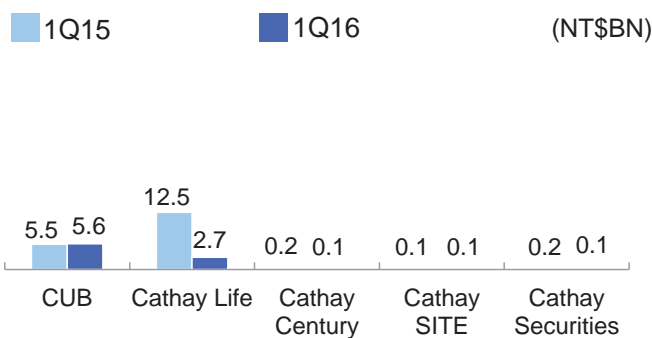


Note: (1) FY13 figures reflected the impact from applying fair value method on investment property, starting 2014/1/1. The impact to FY13 net income and EPS of Cathay FHC was NT\$9.0BN and NT\$0.74, respectively.
 (2) EPS has been adjusted for stock dividend (stock split).

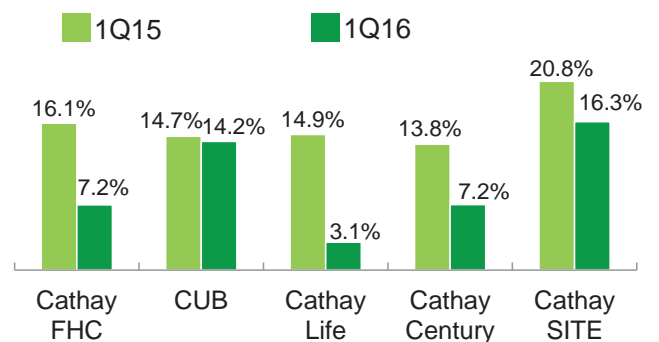
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Cathay FHC – Financial results of subsidiaries

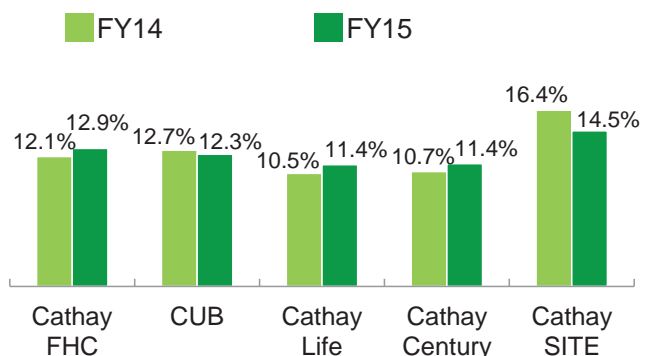
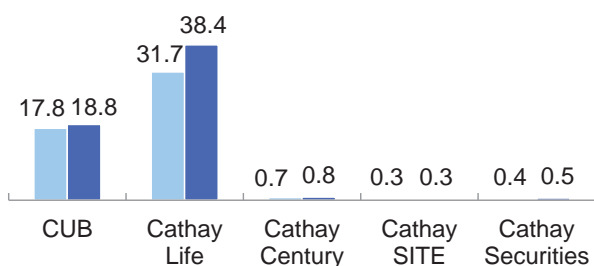
Net income of primary subsidiaries



ROE



Net income of primary subsidiaries



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1Q16 Business overview

Cathay United Bank

- Delivered 5% loan growth with benign credit quality
- Fee income grew by 21% YoY, wealth management fee grew by 58%
- Continued to expand overseas business; planned to open Shenzhen branch in 3Q16

Cathay Life

- FYPE grew by 146% YoY, ranked No.1 by FYPE
- Value of New Business grew by 71% YoY, VNB margin increased substantially
- Overseas investment reached 58%; pre-hedging recurring yield improved gradually

Cathay Century

- Premium income grew by 26% YoY
- Market share reached 12.5%, maintained No.2 market position
- Offshore business continued to grow

Cathay SITE

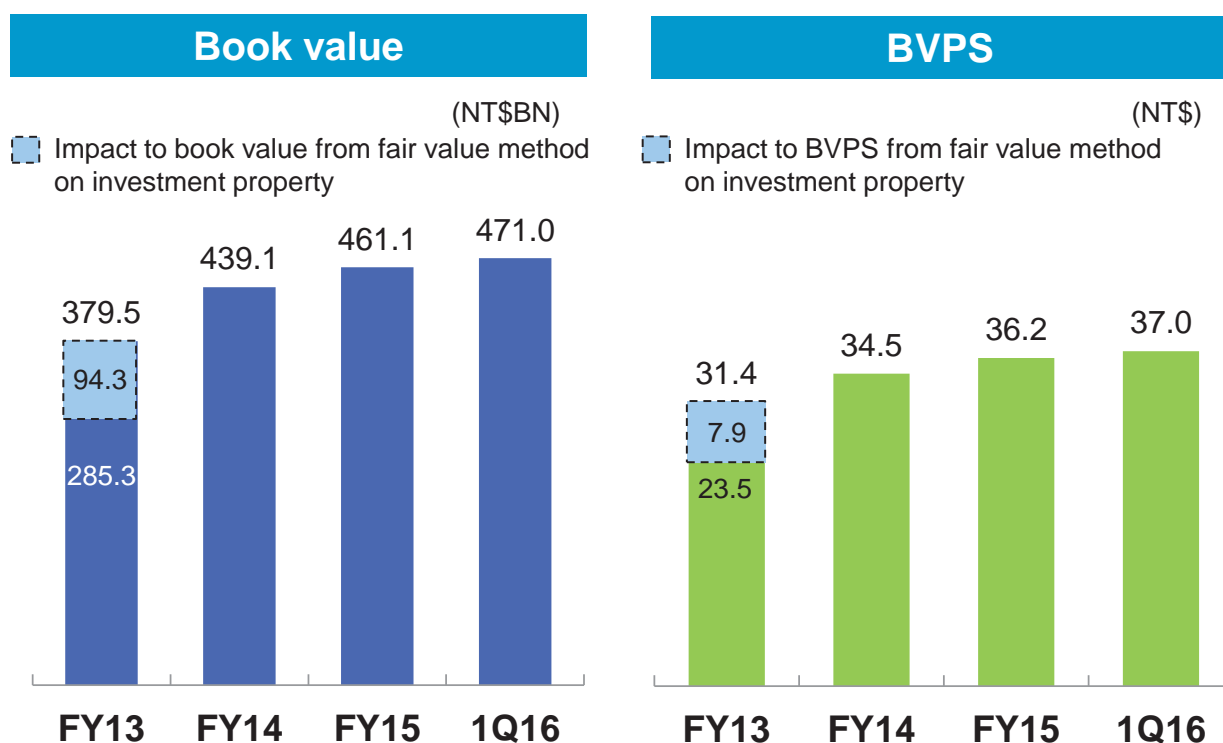
- Ranked No.1 in terms of AUM, which amounted to NT\$433BN
- Taiwan Futures Exchange, Lipper and Smart rewarded Cathay Mandarin Fund and Cathay Global Infrastructure Fund with "Taiwan Fund Award" in 2016, and Asia Investors rewarded Cathay SITE with "Market Award - Taiwan" in 2015

Cathay Securities

- Sub-brokerage business ranked No.1 in the industry
- Deepened digital technology applications and enhanced business efficiency

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Cathay FHC – Book value & BVPS



Note: FY13 figures reflected the impact from applying fair value method on investment property

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Cathay FHC in South East Asia

	China	Vietnam	Cambodia	Hong Kong	Singapore	Malaysia	Laos	Philippines	Thailand	Myanmar	Indonesia
Bank	6*	37	16	1	1	1	1	1	1	1	1
Life	30	10									
P&C	26	2									
Asset Mgt	1			1							
Securities				1							

Note: Footprints in Thailand, Myanmar and Indonesia are representative offices. CUB obtained the approval to set up Shenzhen branch.



Banking

- Vietnam: Business has performed steadily with solid financial performance and superior asset quality
- Cambodia: Owns most footprints among Taiwanese banks
- Philippines: Invest 22.3% stake in RCBC*
- Indonesia: Invest 24.9% stake in Bank Mayapada*

Cathay Life

- Cathay Life (Vietnam) has performed steadily. Continue to expand agent force.

Cathay Century

- Continue to expand local channels to enhance growth momentum

Note: Investments in RCBC and Bank Mayapada are funded by Cathay Life. 13

Cathay FHC in China



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

Cathay United Bank

- Each business line has performed steadily in Shanghai branch.
- Plan to open Shenzhen branch in 3Q16

Cathay Life (China)

- 1Q16 solvency ratio 284%
- Reported pre-tax profits of 31MN RMB in 1Q16

Cathay Century (China)

- Strong premium income growth of 12% YoY
- Increase footprints to extend offshore business
- Capital injection from Ant Financial is subject to regulatory approval

Cathay Securities (HK)

- Each business line has performed steadily

JV with China Development Bank Securities (CDBS Cathay Asset Management)

- Continue to launch new products, mainly focus on fixed income funds

Conning

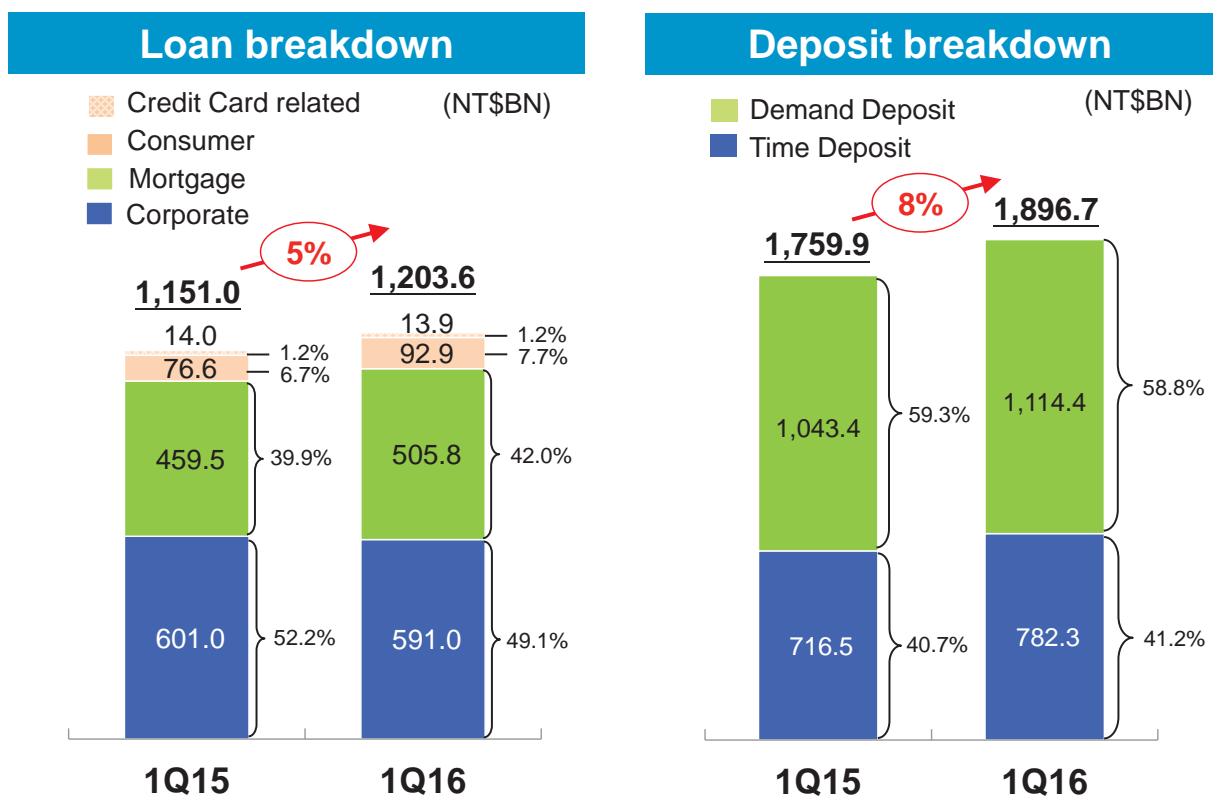
- Continue to expand asset management business

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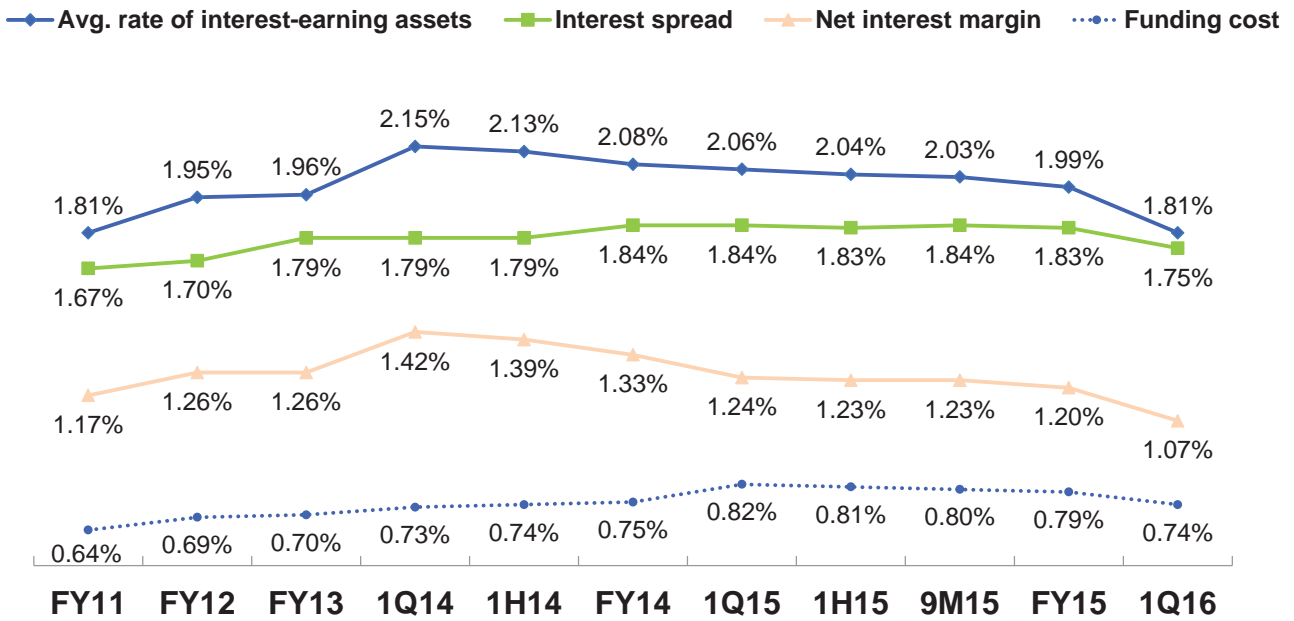
Cathay United Bank – Loan & deposit breakdown



Note: Totals may not sum due to rounding.

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Cathay United Bank – Interest yields



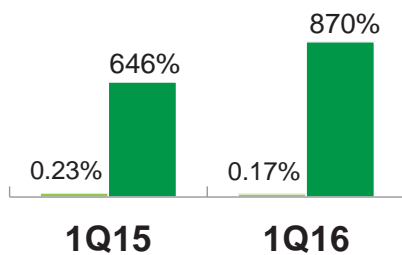
Note: Credit card related loans are included in the calculation of interest spread.

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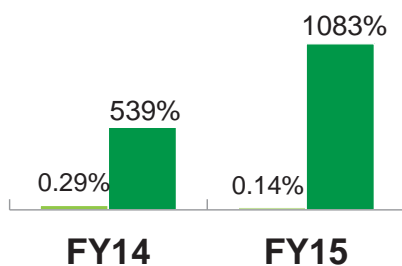
Cathay United Bank – Credit quality

NPL & Coverage ratio

- NPL ratio
- Coverage ratio



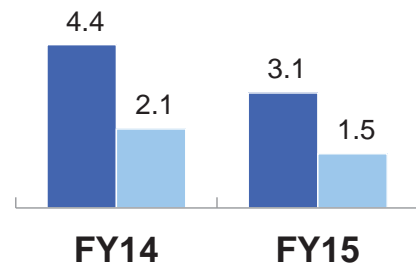
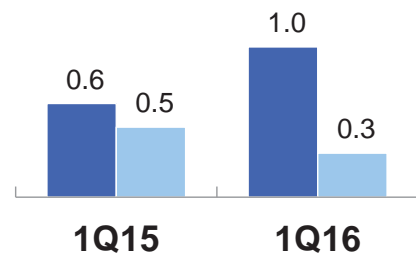
Mortgage NPL **0.07%** **0.05%**



Mortgage NPL **0.04%** **0.04%**

Gross provision

- Gross provision (NT\$BN)
- Recovery

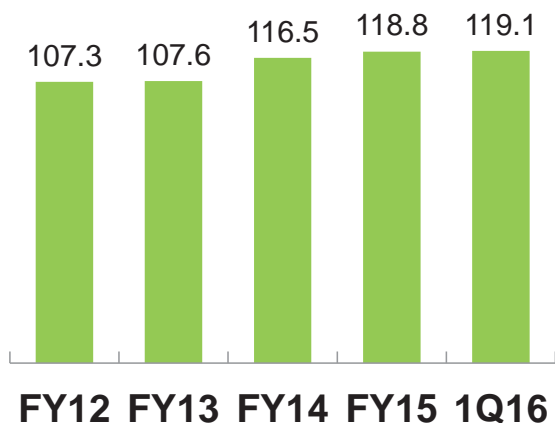


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Cathay United Bank – SME & FX loans

SME loans

(NT\$BN)



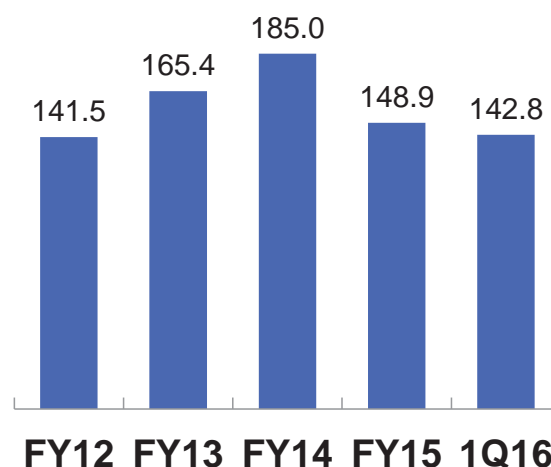
As % of total loans

11.5% 10.5% 10.5% 10.6% 10.0%

Note: Total loans exclude credit card revolving balance.

Foreign currency loans

(NT\$BN)



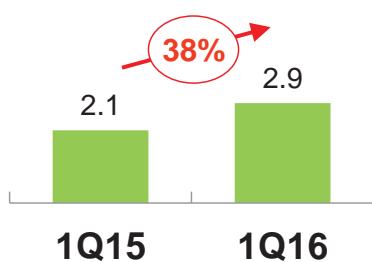
15.1% 16.1% 16.6% 13.3% 12.0%

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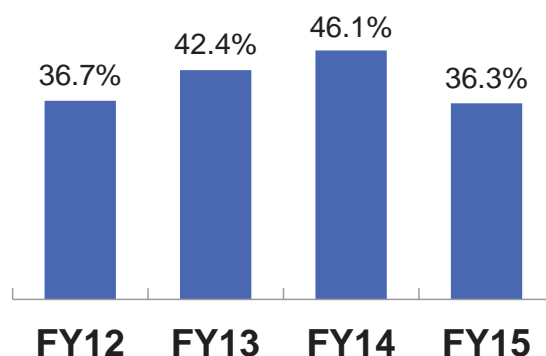
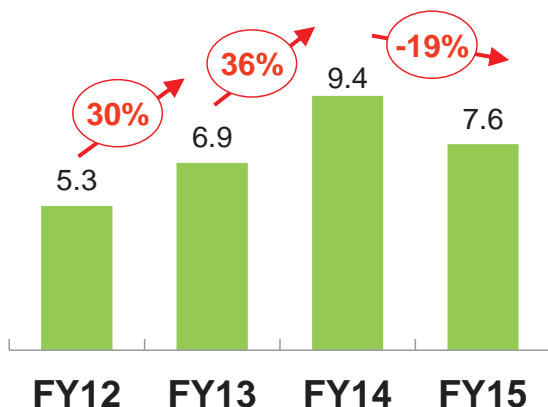
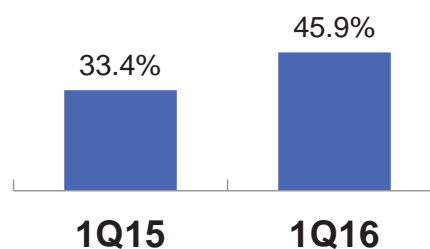
Cathay United Bank – Offshore earnings

Offshore earnings

(NT\$BN)



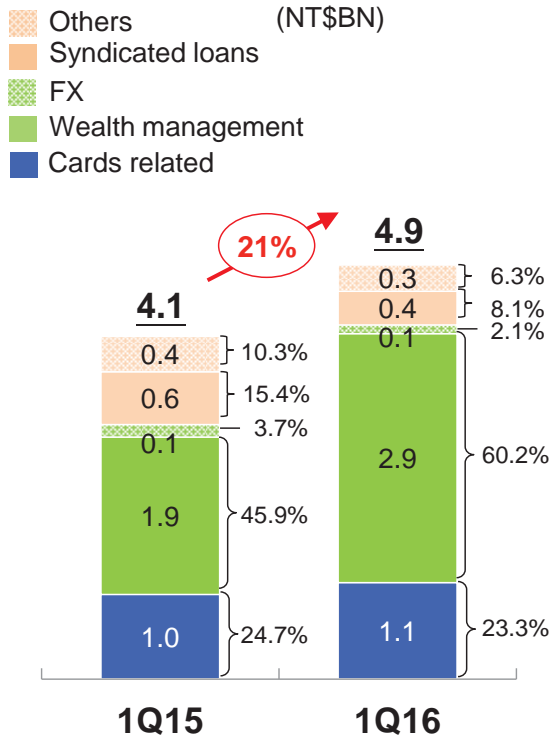
As % of CUB pre-tax profits



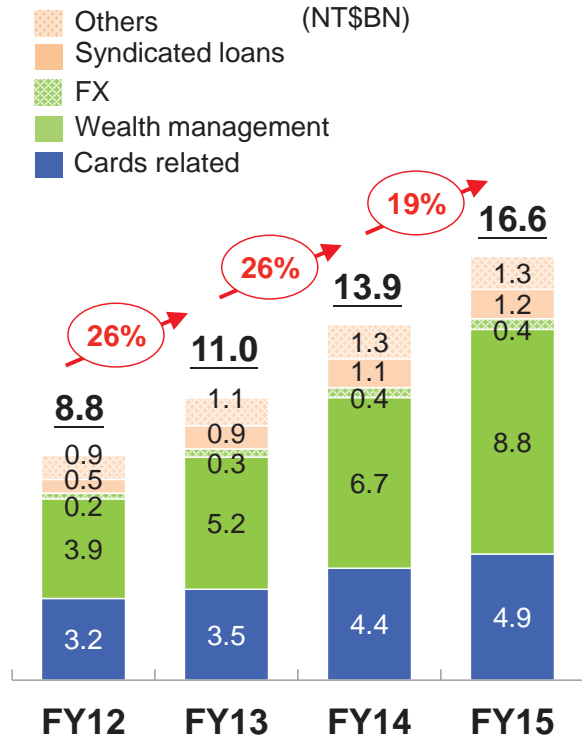
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Cathay United Bank – Fee income

Fee income breakdown (quarterly)



Fee income breakdown (annual)



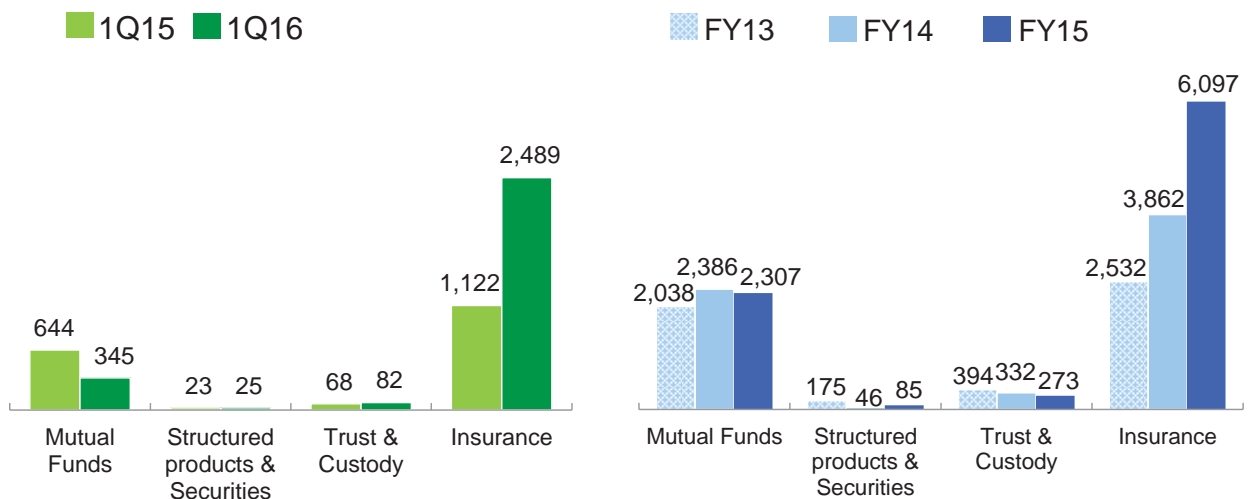
Note: Totals may not sum due to rounding.

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Cathay United Bank – Wealth management fee

Wealth management fee breakdown

(NT\$MN)	1Q15	1Q16	FY13	FY14	FY15
Wealth Management Fee Income*	1,862	2,948	5,163	6,673	8,779
YoY growth (%)	33.1%	58.3%	32.6%	29.2%	31.6%



Note: (1) Wealth management fee excludes revenue from DCI, SI and others.
 (2) Totals may not sum due to rounding.

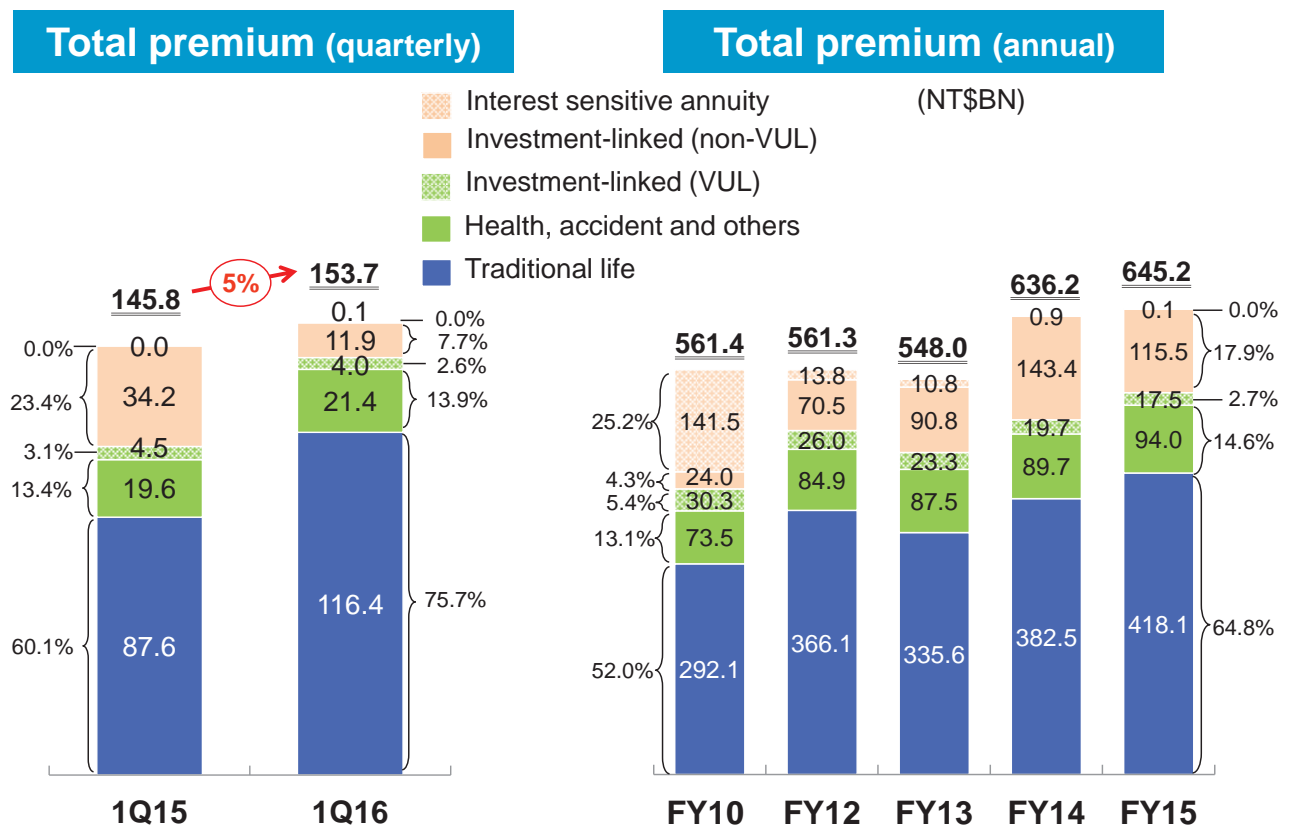
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Cathay Life – Total premium



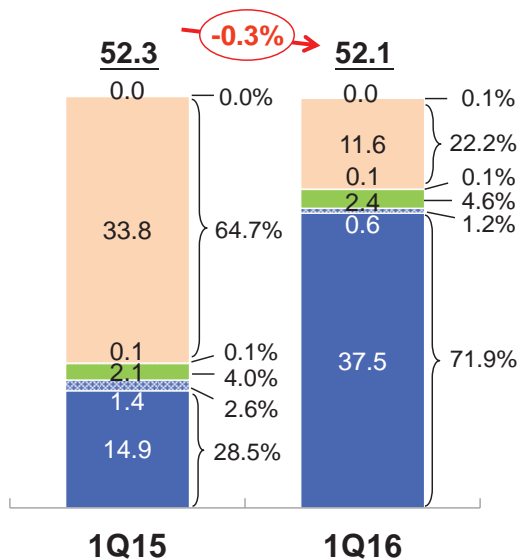
Note: Totals may not sum due to rounding.

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Cathay Life – FYP & FYPE

First Year Premium

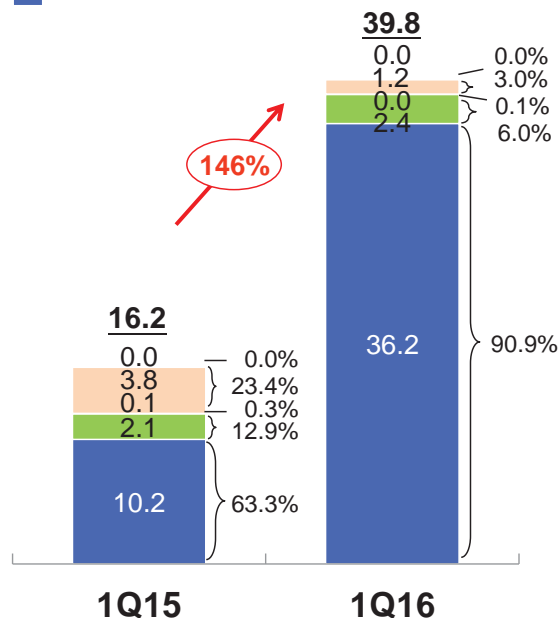
- Interest sensitive annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life – single paid
- Traditional life – regular paid



Note: Totals may not sum due to rounding.

Annualized First Year Premium

- Interest sensitive annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life

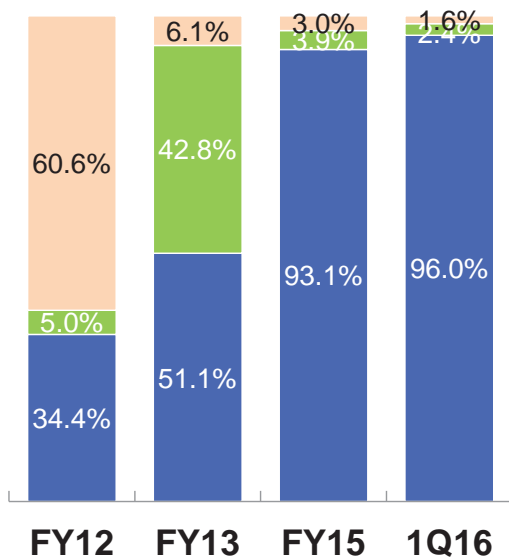


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Cathay Life – Regular paid policies remain as focus

Breakdown of Traditional FYP

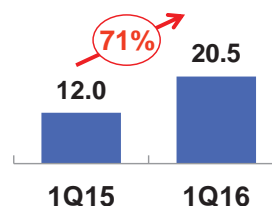
- Traditional life – single paid
- Traditional life - 2 year regular paid
- Traditional life - 3 year and above regular paid



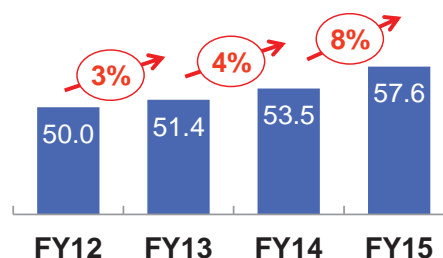
Note: Totals may not sum due to rounding.

Value of New Business

Profit Margin	1Q15	1Q16
VNB/FYP	23%	39%
VNB/FYPE	74%	51%



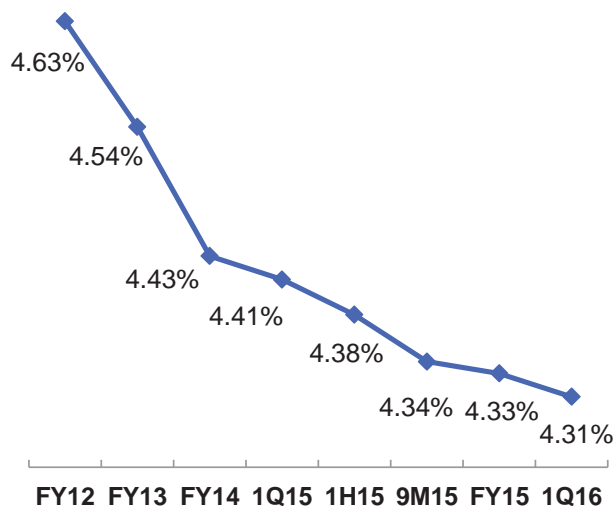
Profit Margin	FY12	FY13	FY14	FY15
VNB/FYP	19%	26%	23%	27%
VNB/FYPE	54%	70%	75%	57%



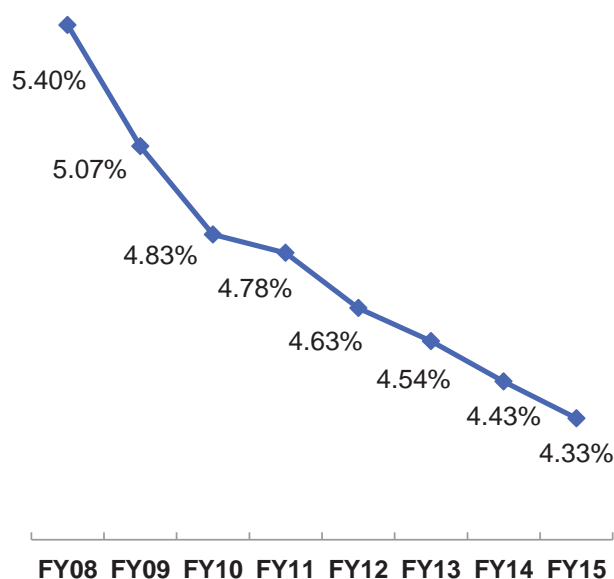
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Cathay Life – Cost of liability

Cost of liability (quarterly)



Cost of Liability (annual)



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

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Cathay Life – Investment portfolio

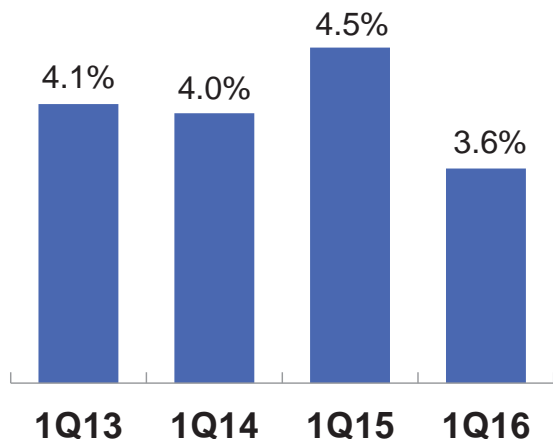
(NT\$BN)	4Q13	4Q14	4Q15		1Q16		
Total investments⁽¹⁾	3,785.1	4169.1	4,636.6		4,691.0		
	Weight	Weight	Weight	Amount	Weight	Amount	Yield
Cash & Cash equivalents	3.7%	3.2%	1.3%	61.1	3.4%	159.8	0.5%
Equity- Domestic	8.9%	8.4%	7.4%	343.0	7.2%	339.1	6.2%
Equity- International ⁽²⁾	4.9%	5.0%	6.2%	289.2	6.1%	284.8	3.8%
Bond- Domestic	14.4%	11.0%	8.0%	373.0	7.3%	341.7	2.6%
Bond- International ⁽¹⁾⁽²⁾	38.9%	43.6%	50.6%	2,344.8	50.2%	2,353.0	4.8%
Mortgage & Secured loans	12.2%	12.7%	10.2%	471.5	9.9%	462.1	2.0%
Policy loans	4.7%	4.0%	3.6%	169.2	3.5%	166.3	5.9%
Real estate	10.6%	10.5%	10.5%	489.0	10.4%	489.4	2.6%
Others	1.7%	1.6%	2.1%	95.8	2.0%	94.7	

Note: (1) Total assets excluded separate account assets; international bond includes foreign currency deposit and related adjustments
 (2) Yields of international equity and international bond are pre-hedge investment yields.

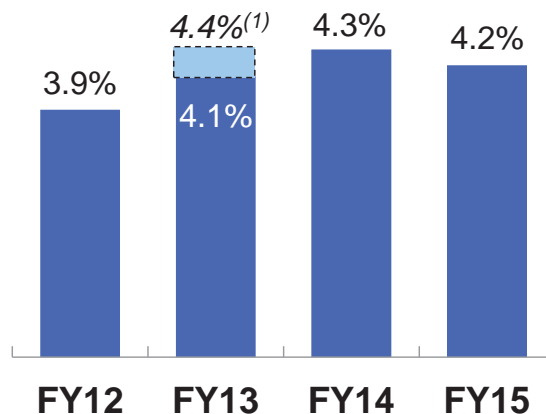
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Cathay Life – Investment performance highlight

After-hedging investment yield



After-hedging investment yield (annual)

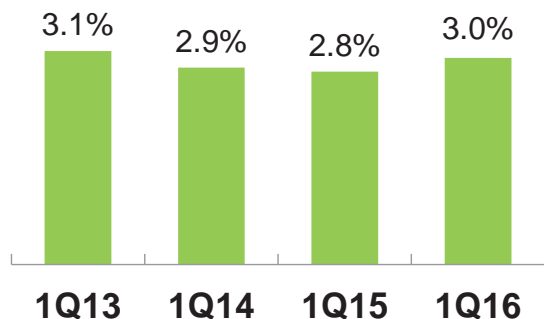


Note: FY13 (4.4%) was pro forma adjusted number of fair value method on investment property.

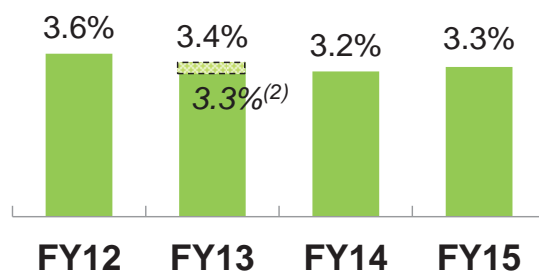
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Cathay Life – Investment performance highlight

Pre-hedging recurring yield

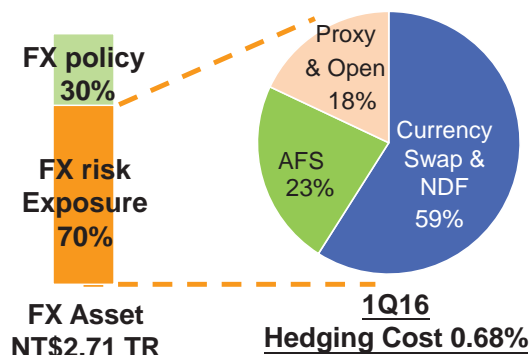


Pre-hedging recurring yield



Note: (1) Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend. Most dividend will be recognized in 2Q & 3Q.
(2) FY13 (3.3%) was pro forma adjusted number of fair value method on investment property.

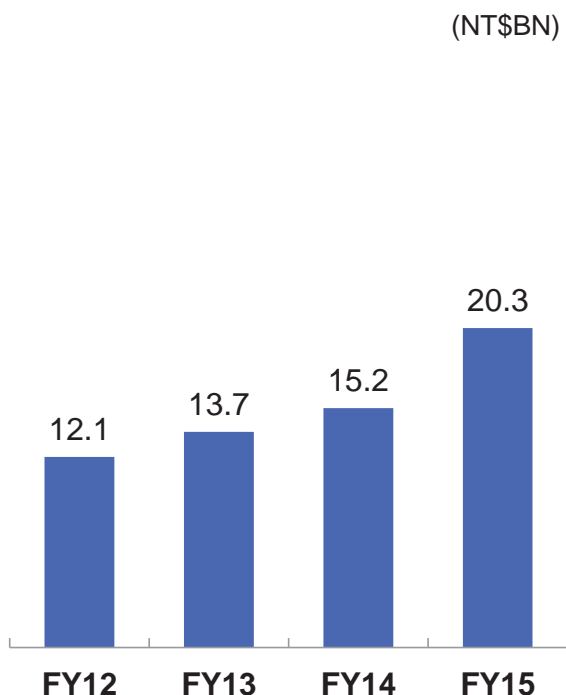
Currency Hedging Structure



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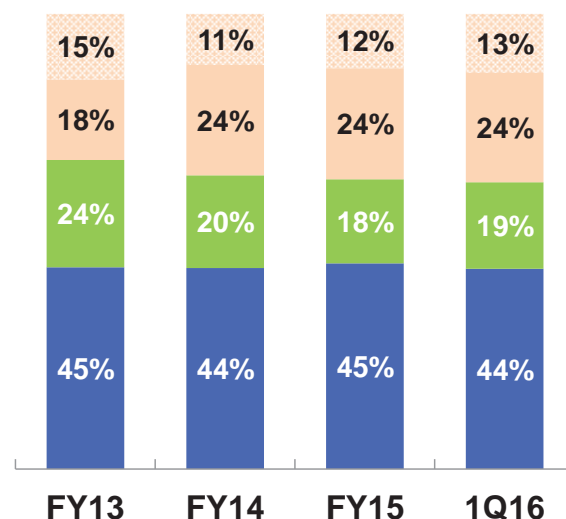
Cathay Life – Cash dividend & Overseas fixed income by region

Cash dividend



Overseas Fixed Income by Region*

- Others
- Asia Pacific
- Europe
- North America



Note: Exclude overseas deposit and equity.

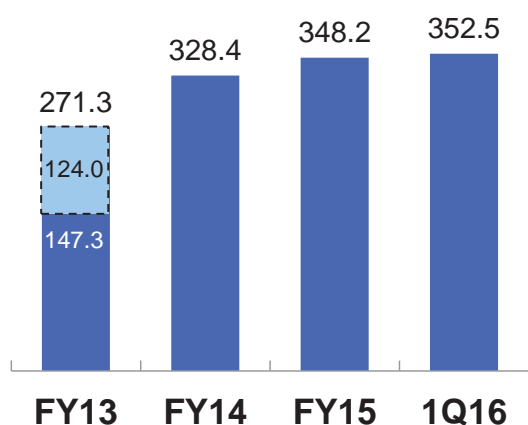
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Cathay Life – Book value & Unrealized G/L of AFS financial assets

Book value

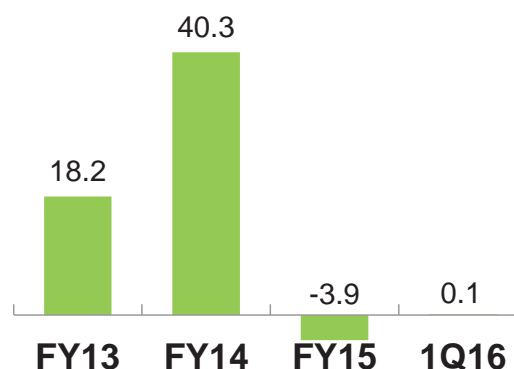
(NT\$BN)

■ Impact to book value from fair value method on investment property



Unrealized G/L of AFS financial assets

(NT\$BN)



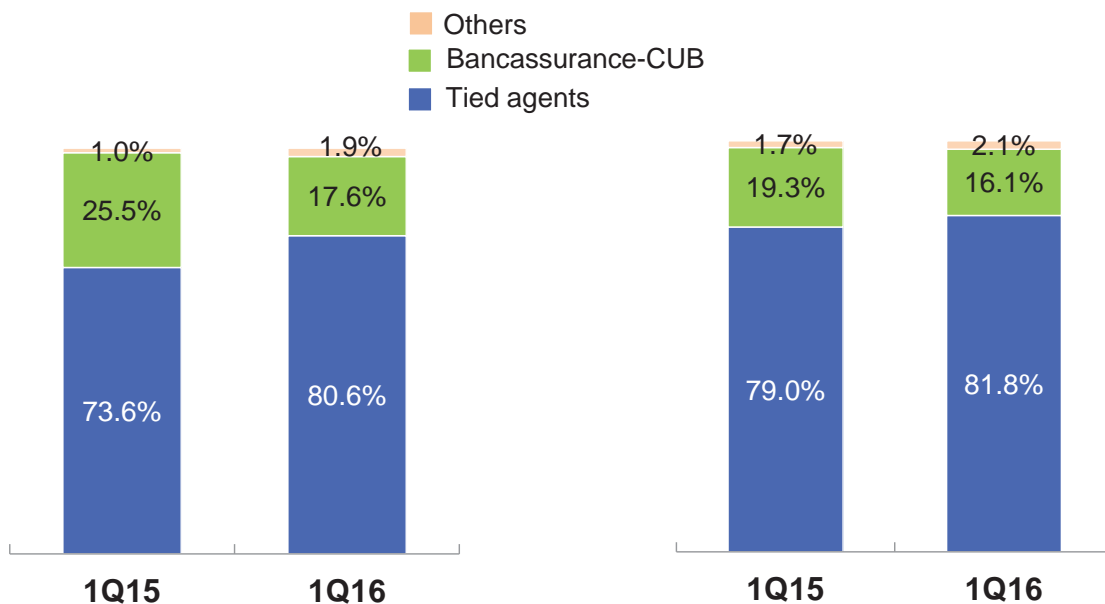
Note: FY13 figures reflected the impact from applying fair value method on investment property

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Cathay Life – Distribution channel

First Year Premium

Annualized First Year Premium

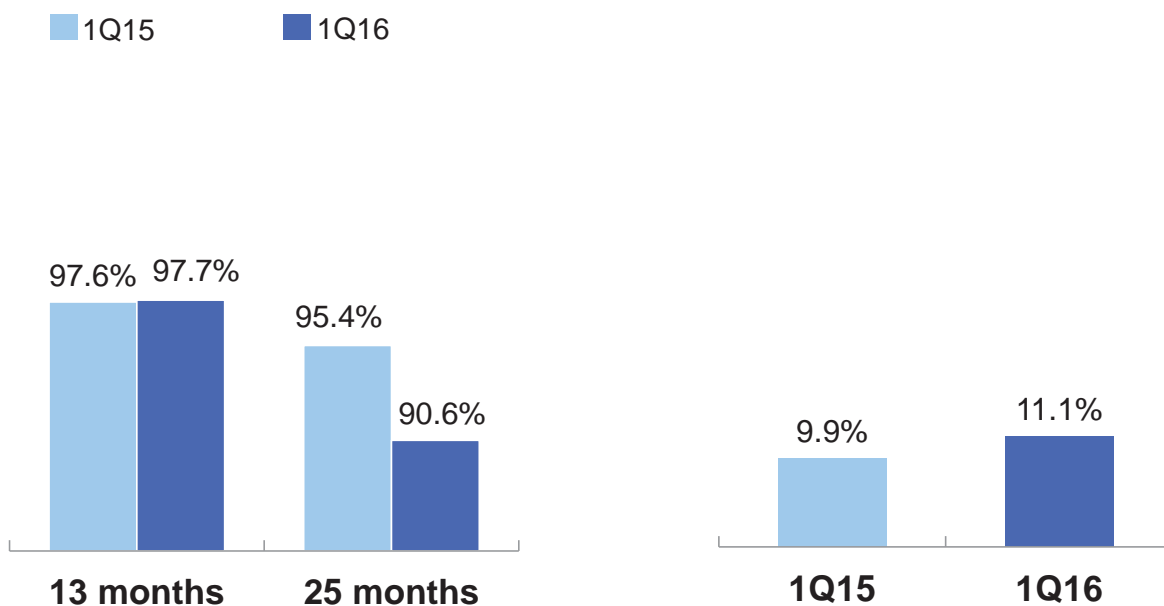


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Cathay Life – Operational indicators

Persistency ratio

Expense ratio



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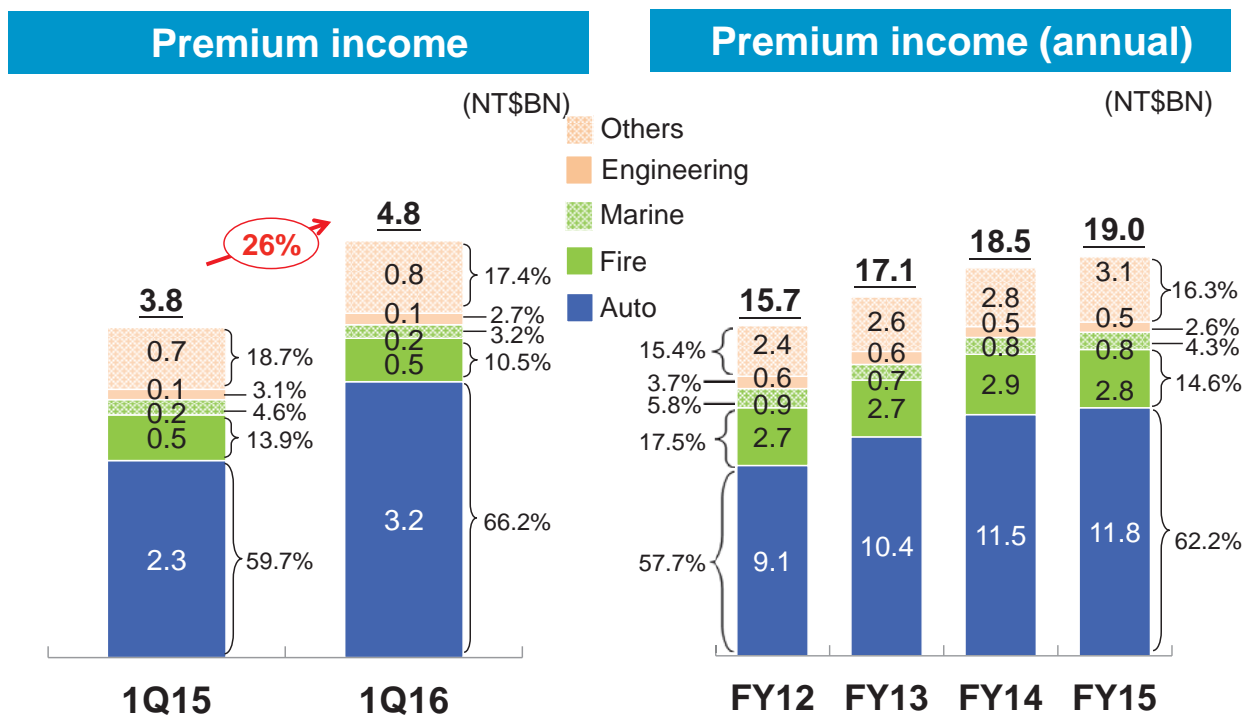
Cathay United Bank
Cathay Life

Cathay Century

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Cathay Century – Premium income



Market share	11.1%	12.5%	12.7%	13.4%	13.6%	13.3%
Retention	74.1%	76.6%	74.3%	76.1%	76.9%	74.9%

Note: Totals may not sum due to rounding.

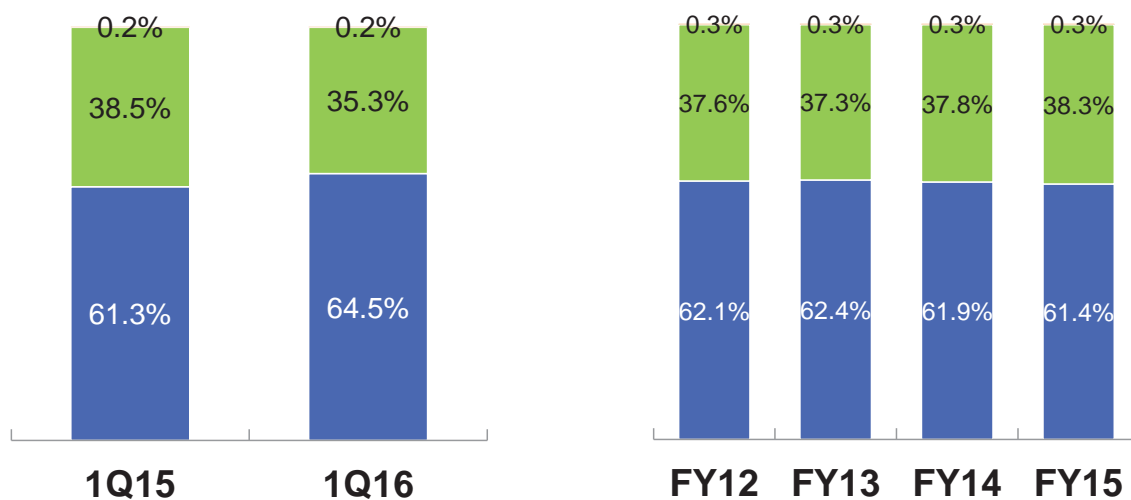
36

Cathay Century – Distribution

Distribution channel

Distribution channel (annual)

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



Note: Totals may not sum due to rounding.

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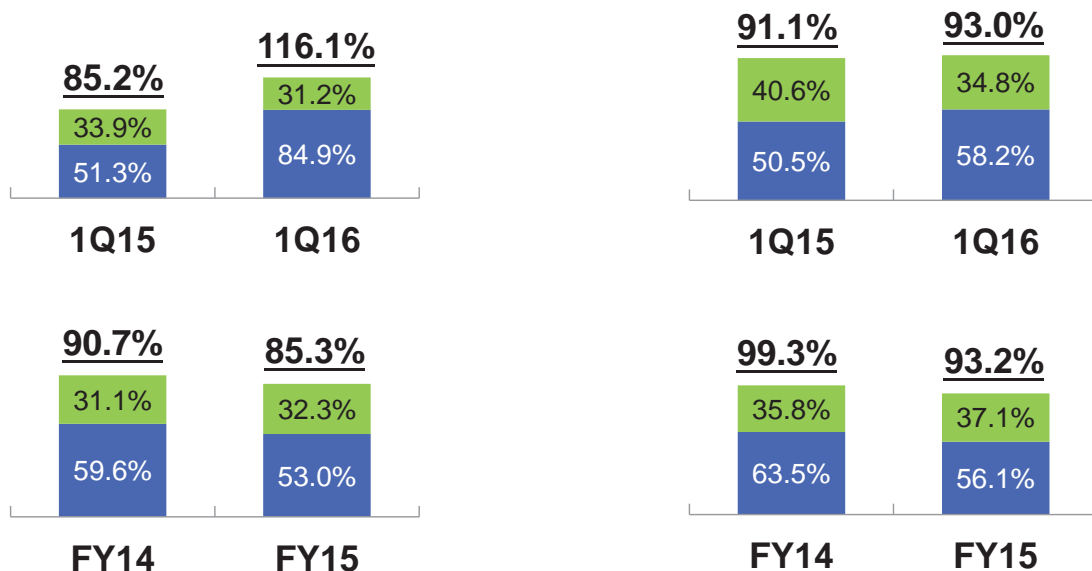
Cathay Century – Combined ratio

Gross combined ratio

Retained combined ratio

- Gross expense ratio
- Gross loss ratio

- Retained expense ratio
- Retained loss ratio



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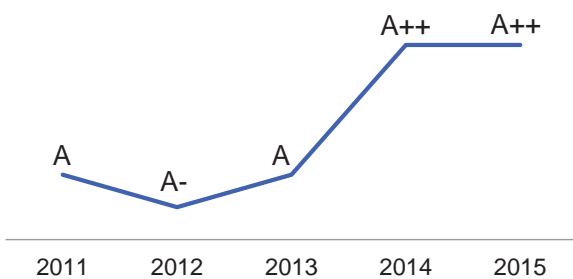
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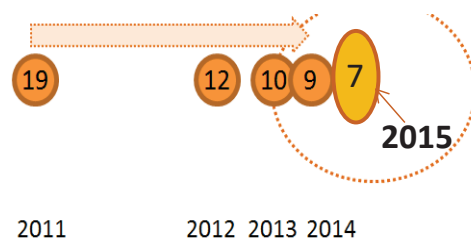
Continuous efforts in CSR

Recognized the highest ranking of IDTR in 2014-2015

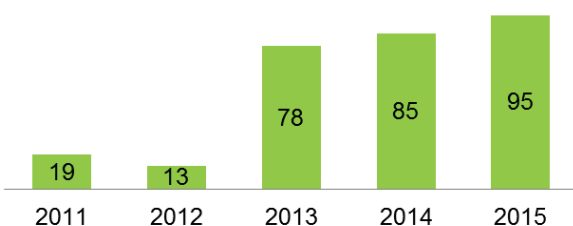


Ranked Top 7 of Taiwan Corporate Citizenship Award

Top 7 among Taiwan companies
Top 2 in Financial sector in Taiwan



CDP disclosure score exceeded the worldwide industry average



The leader to be recognized by DJSI and Equator Principles

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Top 1 among Taiwan life insurance companies

Top 2 in Taiwan financial sector



Top 1 in Taiwan

Top 6 in Asia

Note:

1. Information Disclosure and Transparency Ranking (IDTR) is an important evaluation initiated by TWSE.
2. Taiwan Corporate Citizenship Award is ranked by Taiwan Common Wealth Magazine.
3. CDP has the largest database of corporate climate change related information.

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Incorporate in the DJSI emerging markets index

- ❑ Cathay FHC has been selected as a DJSI Emerging Markets Component in Sep. 2015
- ❑ Cathay FHC is committed to develop ESG in the long term. The company attained the highest rating of A++ from TWSE Information Disclosure and Transparency Ranking, and became one of the top 5% of listed companies in Corporate Governance Evaluation of Taiwan

DJSI in the World

- ❑ Dow Jones Sustainability Index (DJSI) launched in 1999, which is based on an analysis of corporate economic, environmental and social performance and select top 10% performers in each industry as its index components. The DJSI now is the most recognized sustainability index in the world.

MEMBER OF
**Dow Jones
 Sustainability Indices**
 In Collaboration with RobecoSAM

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CUB is the first EPFI in Taiwan

EPFIs in the World

- ❑ 82 Equator Principles Financial Institutions (EPFIs) in 36 countries have officially adopted the EP as of March 2016 .
- ❑ 8 of EPFIs are Asian financial institutions.

Region	Europe	North America	Latin America	Africa	Oceania	Asia	Middle East
EPFIs no.	33	14	10	9	5	8	3



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M&A Transaction: Conning in USA

- Cathay Life acquired 100% stake of Conning Holdings Corporation in 2015 for US\$240 million. P/AuM was 0.26% upon announcement
- Cathay FHC expected to expand its global presence in asset management and realize “Banking + Insurance + Asset Management” strategy

Conning Asset Management

- Founded in 1912, Conning is a leading global investment management firm focusing on insurers and pension funds. It ranks as top 10 globally in insurance mandate with \$88 billion AuM (4Q15)
- Conning operates through its offices in North America, Europe and Asia

Assets by Client Type (US\$MN)	Assets	Assets by Region (US\$MN)	Assets
Property-Casualty	41,516	North America	67,227
Life	41,196	United Kingdom	5,441
Healthcare	1,632	Bermuda	1,351
Pension	2,988	Continental Europe	1,886
Other	1,346	APAC	12,565
		Other	209
Total AUM	88,679	Total AUM	88,679

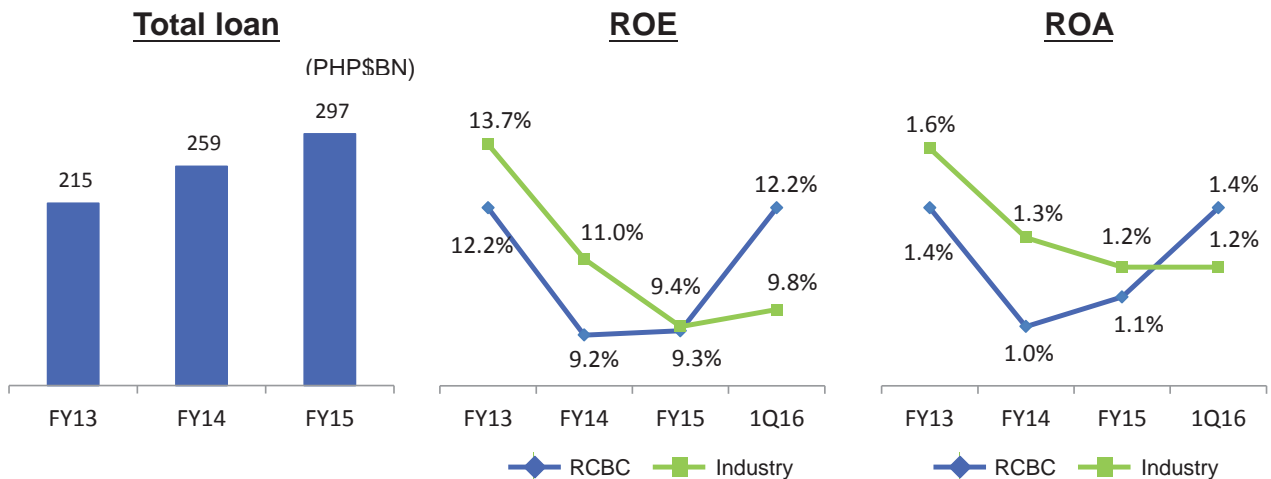
44

M&A Transaction: RCBC in Philippines

- Cathay Life invested in 20% shares of Rizal Commercial Banking Corporation (“RCBC”) with 3 board seats of the company in 2015. Total investment was PHP17.92 billion (c. US\$400 million). Post-money P/B was c.1.57x upon announcement
- Cathay Life may increase its investment in RCBC via placement or open market purchase, up to 30%

RCBC’s Performance

- RCBC is one of the large private-owned banks in terms of total assets, with 448 branches and about 6,000 employees

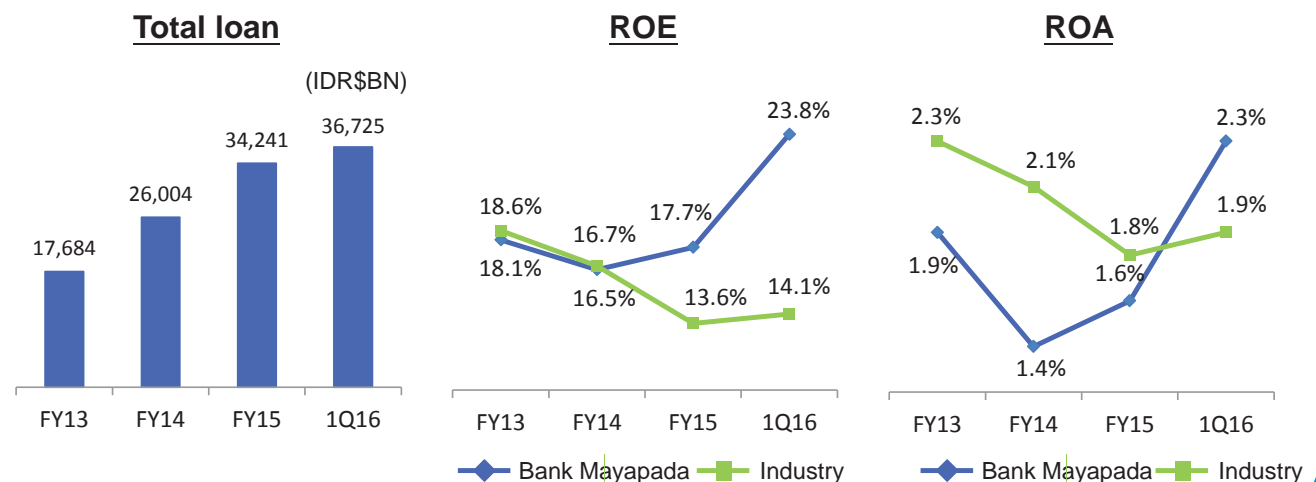


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M&A Transaction: Bank Mayapada in Indonesia

- Cathay Life is in the process of acquiring a 40% stake in PT Bank Mayapada International, Tbk (“Bank Mayapada”)
 - Stage 1 : acquire 24.9% stake (USD 164 mn) – completed in 1H15
 - Stage 2 : acquire 15.1% stake – subject to OJK’s approval
- Total investment will be ~IDR3.52tn (USD 295 million), representing a ~3.15x P/B multiple upon announcement

Bank Mayapada’s Performance



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Embedded Value & Appraisal Value

(NT\$BN)

Valuation date	2014/12/31	2015/12/31
In-force business investment yield	4.01% ~ Year 2034 5.05% for NTD policies 4.40% ~ Year 2034 6.07% for USD policies 2.75% ~ Year 2034 3.02% for Interest crediting annuity (Equivalent investment yield: 4.46% rolling over to 2015: 4.49%)	3.95% ~ Year 2035 5.02% for NTD policies 4.67% ~ Year 2035 5.81% for USD policies 2.77% ~ Year 2035 3.00% for Interest crediting annuity (Equivalent investment yield: 4.40%)
Future one year's new business investment yield	2.54% ~ Year 2034 5.03% for NTD policies 4.47% ~ Year 2034 6.07% for USD policies 2.19% ~ Year 2034 2.62% for Interest crediting annuity	2.96% ~ Year 2035 4.90% for NTD policies 4.37% ~ Year 2035 5.81% for USD policies 1.98% ~ Year 2035 2.28% for Interest crediting annuity
Risk discount rate	10%	10%
Adjusted net worth	403	393
Value of in-force business	434	490
Cost of capital (CoC)	-128	-148
Value of in-force business (After CoC)	306	342
Embedded Value (EV)	709	735
EV / per share	133.6 (56.4)	138.5 (58.5)
Appraisal Value (AV)	1,191	1,249
Value of future one year's new business (After CoC)	55.5	59.0
AV / per share	224.4 (94.8)	235.3 (99.4)

Note: (1) EV/AV calculation does not include business of Cathay Life in China and Vietnam.
(2) per share = per share of Cathay Life; (per share) = per share of Cathay FHC
(3) The outstanding shares of Cathay Life and Cathay FHC are 5.3bn and 12.6bn, respectively.
(4) May not sum to total due to rounding.

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Summary

(NT\$BN)

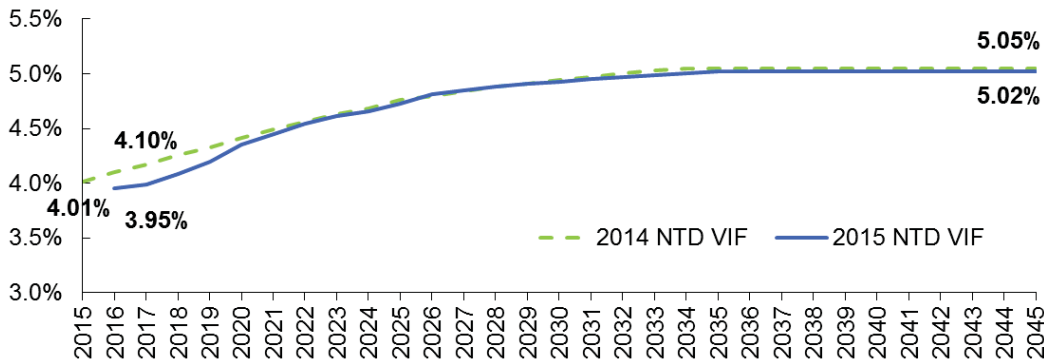
Valuation date		2014	2015	Growth rate	1Q16
Embedded value	Equity	325	346	6%	--
	Adjusted net worth	403	393	-2%	--
	Value of in-force business	434	490	13%	--
	Cost of capital (CoC)	-128	-148	16%	--
	Value in-force business (after CoC)	306	342	12%	--
	Embedded value	709	735	4%	--
Value of one year's new business	First year premium (FYP)	233.4	217.4	-7%	52.1
	First year premium equivalent (FYPE)	71.1	102.0	43%	39.8
	Value of one year's new business (V1NB)	53.5	57.6	8%	20.5
	Profit margin (V1NB/FYP)	23%	27%	--	39%
	Profit margin (V1NB/FYPE)	75%	57%	--	51%
	Profit margin (V1NB/FYP)(investment-linked(non-VUL)is excluded)	53%	53%	--	50%
Appraisal value (20 years NB)	Multiple	8.7	8.7	--	--
	Appraisal value	1,191	1,249	5%	--
Basic Value per share	EV / per share of Cathay FHC	56.4	58.5	4%	--
	AV / per share of Cathay FHC	94.8	99.4	5%	--

Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares 12.6bn.
(2) Totals may not sum due to rounding.

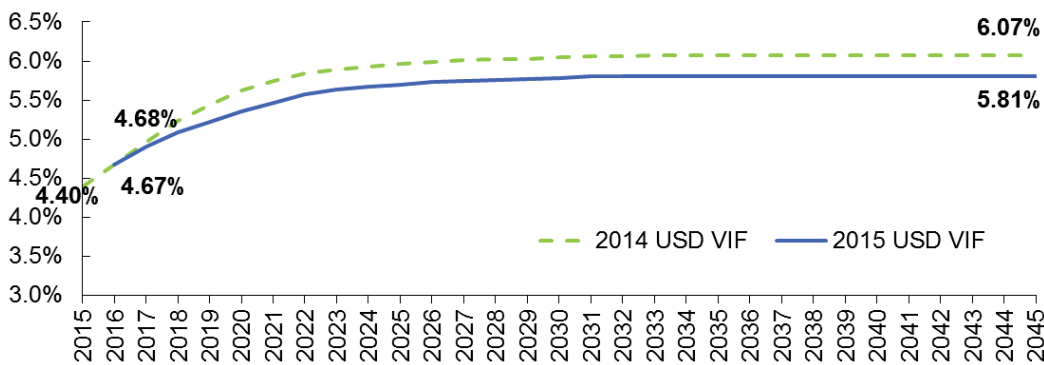
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Economic Assumptions: In-force business investment yield

- Investment return assumptions for the value of in force business of NTD-denominated policies as of the end of 2014 & 2015.



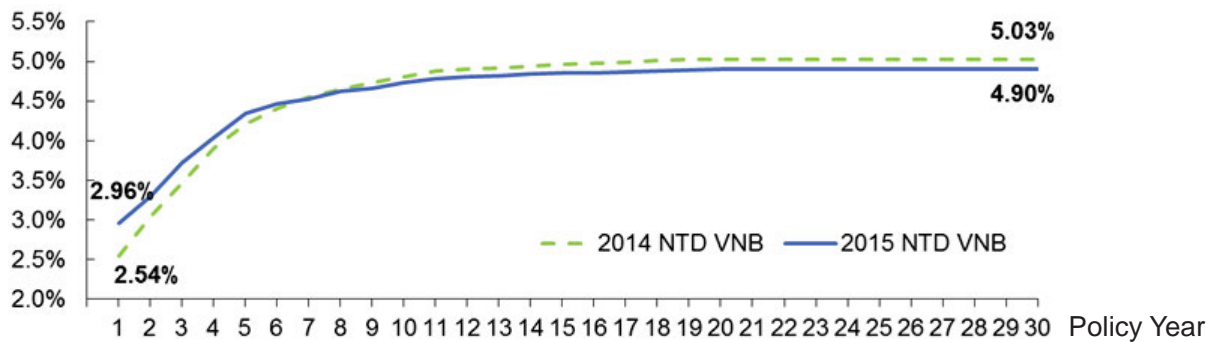
- Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2014 & 2015.



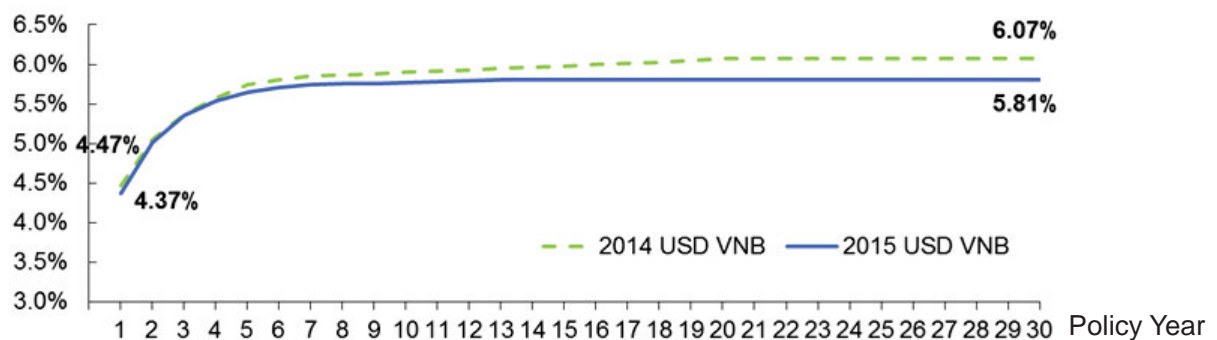
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Economic Assumptions: Future one year's new business investment yield

- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2014 & 2015.



- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2014 & 2015.



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Cost of Capital Projection and Non-economic Assumptions

■ RBC capital requirement:

Apply 2015 RBC formula announced by Insurance Bureau to project future capital requirement.

1. Capital Requirement = 200% RBC.
2. Risk-based capital calculation reflects company's current and future operation status.
3. C3 risk capital of traditional products includes 30% of its previous year's C3 risk capital in all projection years.
4. In 2015, the base risk factors of domestic listed stocks (not served as directors or supervisors), equity funds, and balanced funds are adjusted from 0.2411 to 0.2274. Considering this is a temporary measure only applied in 2015, we do not reflect this change in COC estimate.

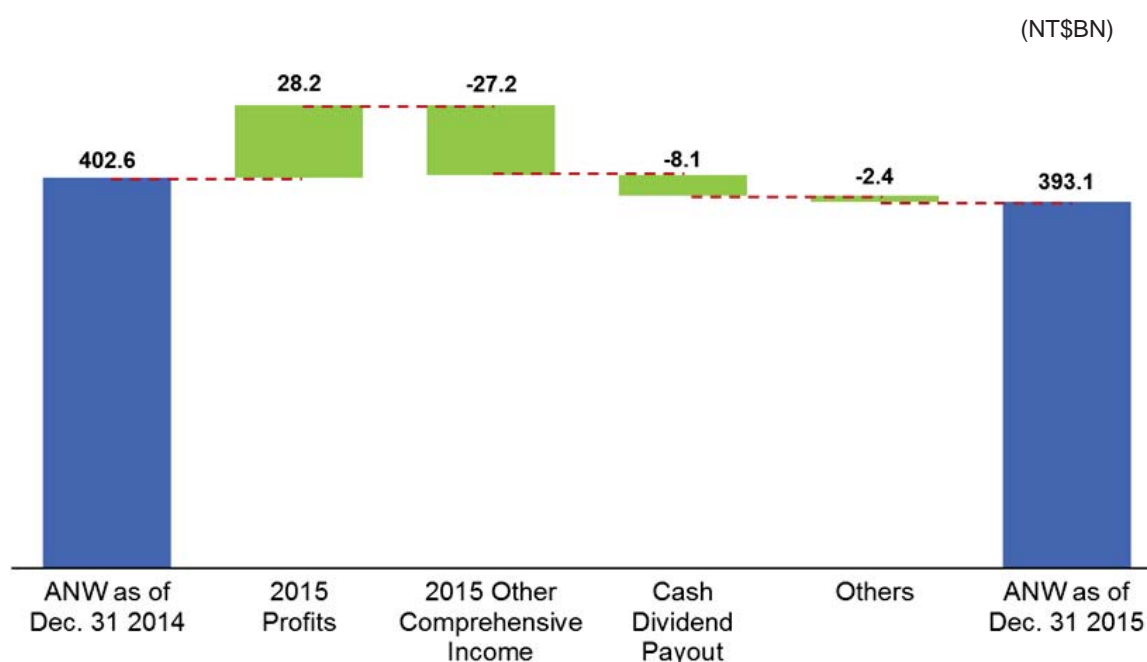
■ Experience rate:

Experience Rate	Assumptions
Mortality Rate	In accordance with Cathay's most updated mortality trends.
Morbidity Rate	In accordance with Cathay's most updated morbidity trends and varied by product type.
Lapse Rate	In accordance with Cathay's most updated lapse rate trends and varied by product type.
Expenses assumption	In accordance with Cathay's most updated expense analysis and varied by product type; commissions are based on the actual commission rates.

- PricewaterhouseCoopers Asia Actuarial Services provides an independent review of the actuarial assumptions on EV.

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Analysis of change in Adjusted Net Worth (ANW)

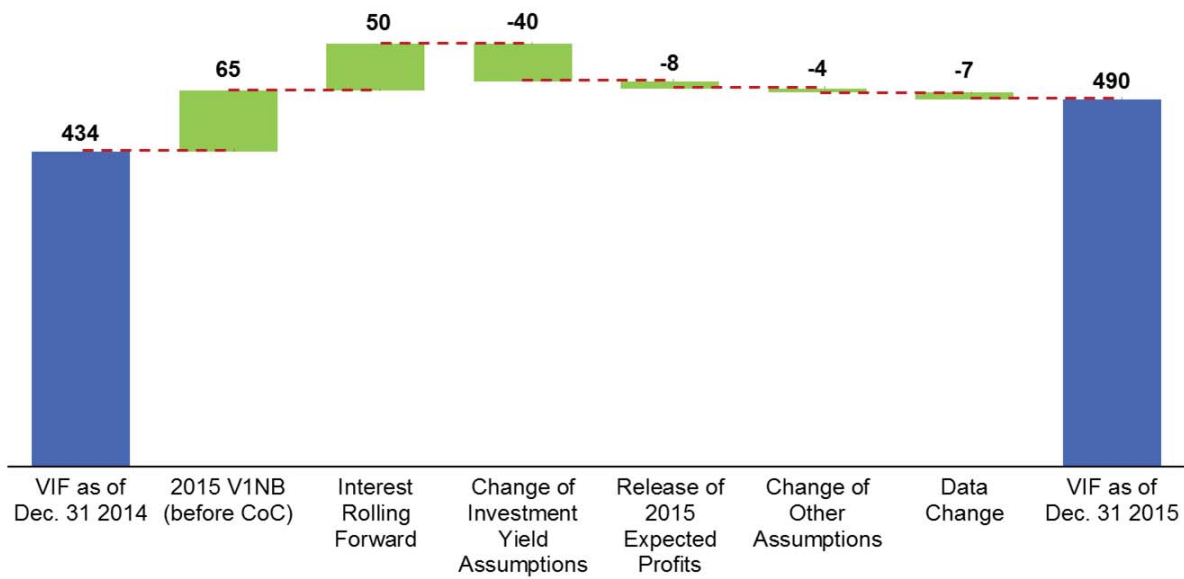


- Note: 1. The profit of 2015 is 38.2 billion. However, 10 billion is recovered from special reserve of unrealized gains on property, which is already reflected in ANW of 2014. Thus, reflect 28.2 billion in the item "2015 Profits".
2. Others include revision of IFRS19, change of foreign exchange volatility reserve and goodwill.

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

(NT\$BN)

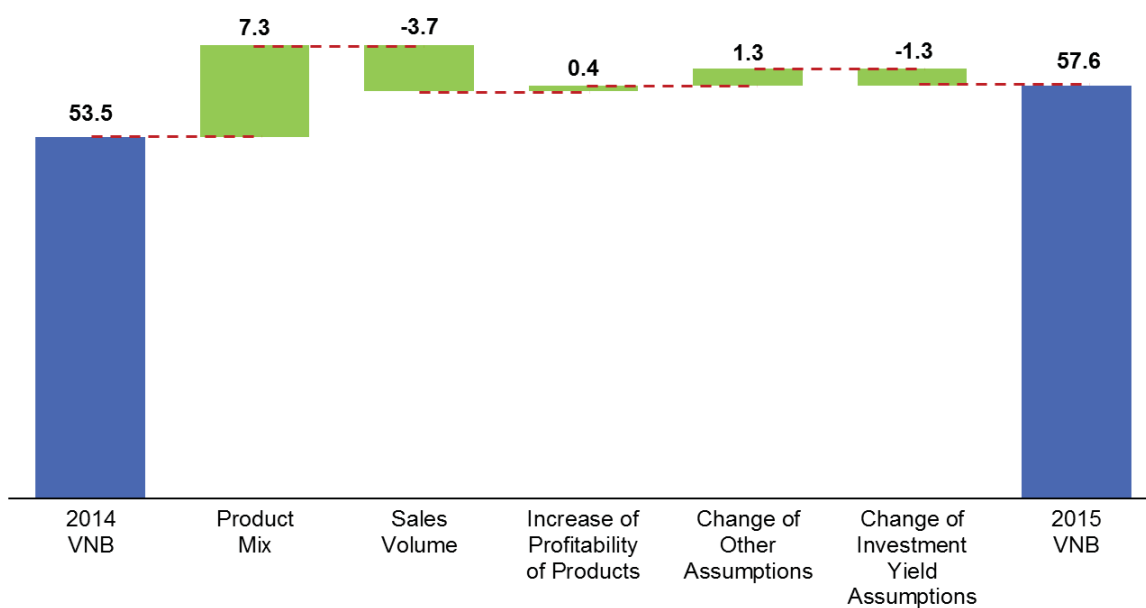


- The value of one year new business (after cost of capital) of 2015 is 57.6 billion.

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Analysis of change in value of one year's new business (V1NB)

(NT\$BN)



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Sensitivity Analysis

NT\$BN, except for per share figures

Valuation date	2015/12/31					
	Investment yield - 0.25%	Investment yield + 0.25%	Investment yield + 0.25% (capped) ⁽¹⁾	Base Case	Discount rate - 0.5%	Discount rate + 0.5%
Adjusted net worth	393	393	393	393	393	393
Value of in-force business	380	600	563	490	524	459
Cost of capital (CoC)	-155	-141	-143	-148	-143	-153
Value of in-force business (After CoC)	225	459	419	342	381	307
Embedded Value	618	852	812	735	774	700
EV / per share	116.4 (49.2)	160.5 (67.8)	153.0 (64.6)	138.5 (58.5)	145.8 (61.6)	131.9 (55.7)
Appraisal Value	1,078	1,418	1,356	1,249	1,323	1,182
Value of future one year's new business (After CoC)	51.8	66.3	62.7	59.0	63.9	54.6
AV / per share	203.1 (85.8)	267.2 (112.9)	255.5 (107.9)	235.3 (99.4)	249.3 (105.3)	222.7 (94.1)

Note: (1) "Investment yield +0.25% (capped)" : the investment return is capped by 5.02% for NTD policies, 5.81% for USD policies, and 3.00% for interest crediting annuity.

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

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YoY Comparison

Under the different discount rate assumption (9.5%~10.5%), the results of the Year 2014 & 2015 go as follows.

(NT\$BN)

Valuation date	2014/12/31	2015/12/31
Embedded Value	676~745	700~774
Value of future one year's new business	51.6~59.8	54.6~63.9
Appraisal Value	1,137~1,250	1,182~1,323

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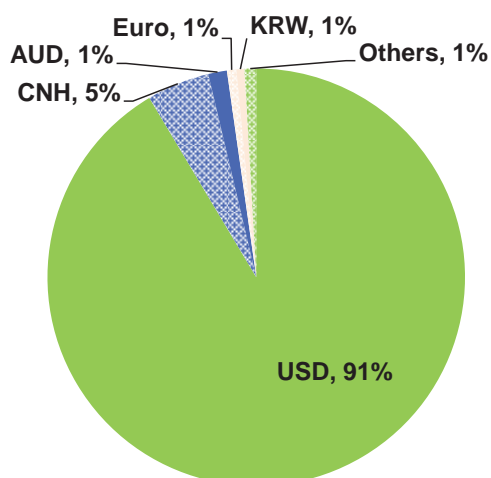
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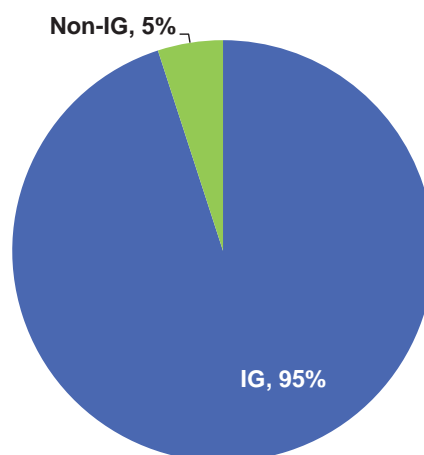
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Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (1Q16)



Overseas bond by rating (1Q16)



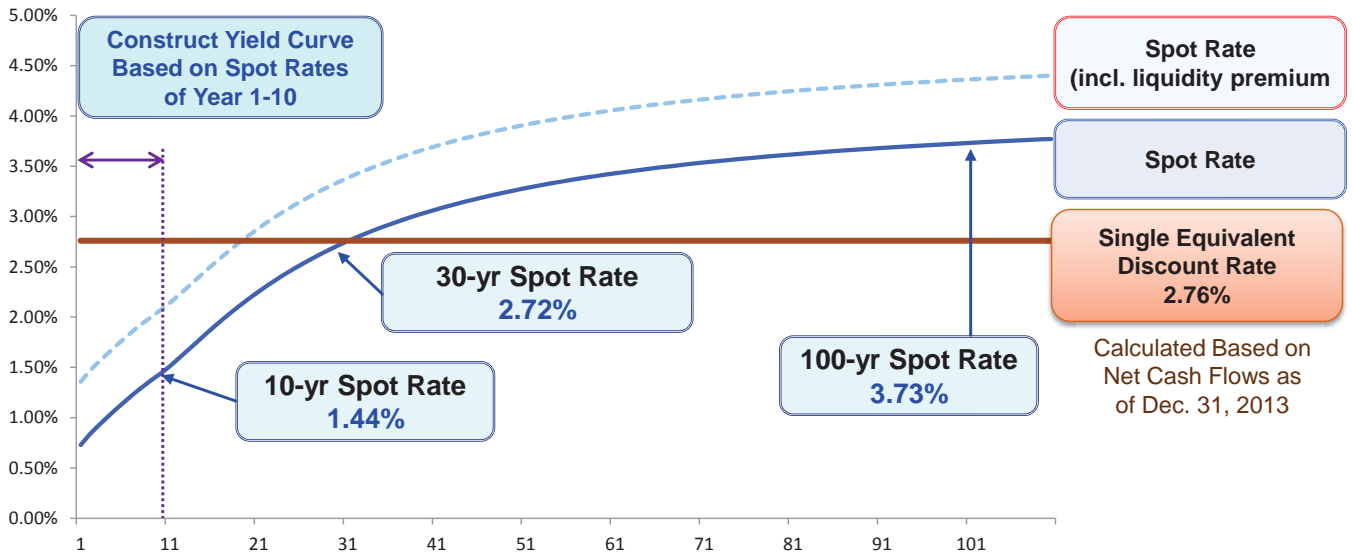
Note: Totals may not sum due to rounding.

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Fair Value of Insurance Contracts: Risk-free Rate (NTD)

NTD Risk-free Rate

Calculate 3-yr daily MA yield curve based on the zero coupon yield curve announced by OTC (Svensson) and use the extrapolation method provided by [EU Solvency II QIS 5](#) to construct the complete yield curve.

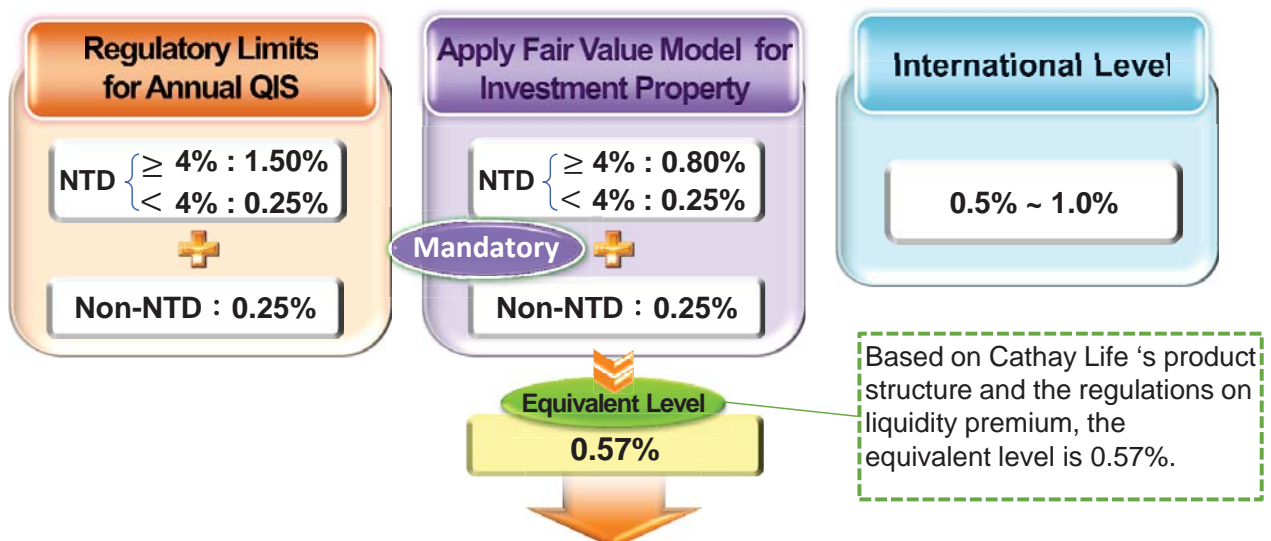


Note: The "Spot Rate" mentioned above refers to 3-yr daily MA yield curve.

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Fair Value of Insurance Contracts: Liquidity Premium

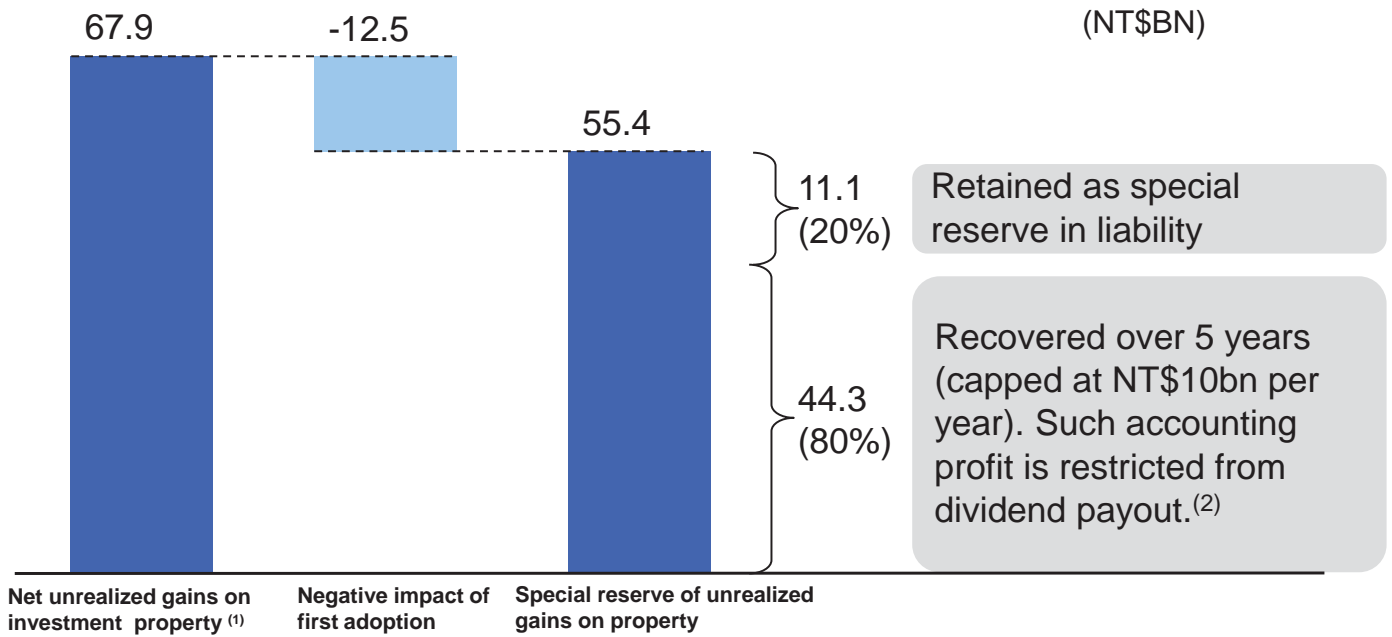
If insurers apply fair value model for investment property, their insurance liabilities should also be assessed under fair value basis. Taiwan adopts a relatively strict standard of liquidity premium compared to the international level of 0.5%~1%.



According to the regulations on liquidity premium mentioned above, Cathay Life's reserve is enough and allowed to recognize after tax full amount of investment property appraisal gain under fair value method into shareholder's equity.

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Special reserve of unrealized gains on property

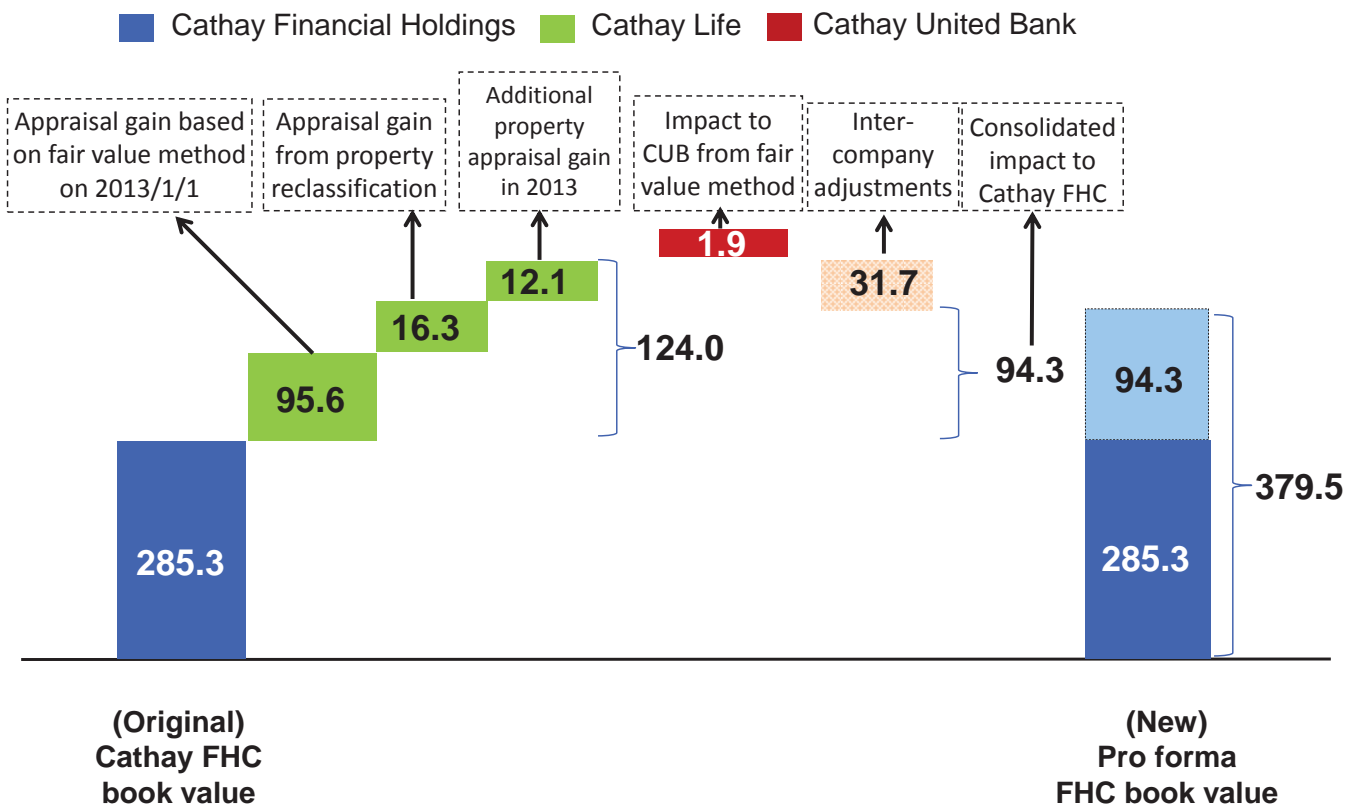


Note: (1) Net unrealized gains on investment property is calculated by discounting rental income at industry average WACC(3.29%), net of related taxes. The amount is therefore well below the property market value.

(2) The recovery of such special reserve is subject to regulatory approval each year. Hence, the actual recovery depends on the fair valuation results each year.

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Illustration of 2013 pro forma BV of Cathay FHC

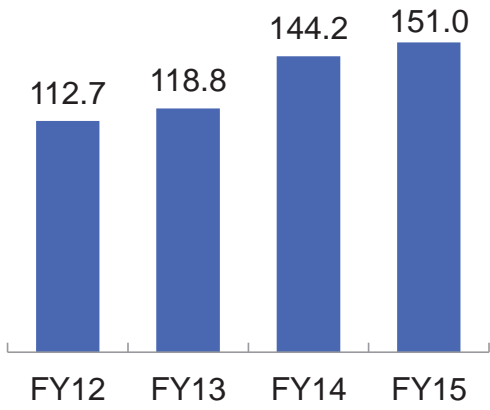


Note: Totals may not sum due to rounding.

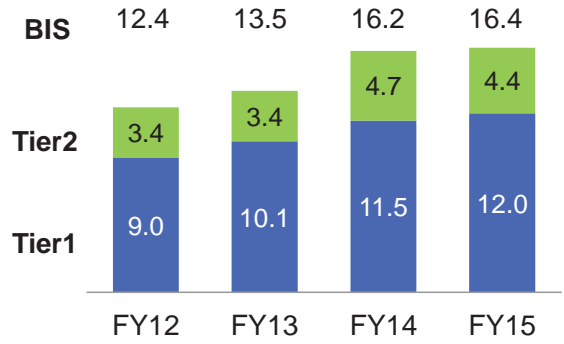
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Capital adequacy

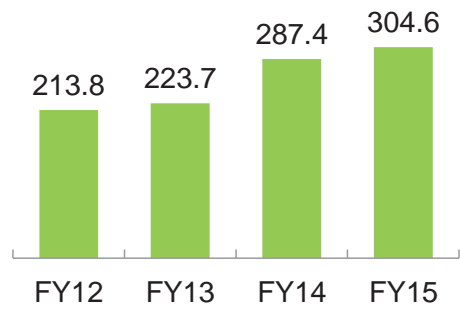
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC(%)



Cathay Financial Holdings

(NT\$MN)			FY15/ FY14			1Q16/ 1Q15
Income Statement Data (Consolidated)	FY14	FY15	% Chg	1Q15	1Q16	% Chg
Operating Income						
Net interest income	125,123	139,962	12%	32,879	37,588	14%
Net commission and fee	369	(4,480)	-1313%	337	(3,011)	-993%
Net earned premium	488,327	535,858	10%	112,390	143,931	28%
Change in liability reserve	(290,800)	(306,598)	5%	(70,366)	(94,330)	34%
Net claims payment	(285,869)	(309,104)	8%	(64,736)	(73,326)	13%
Investment income	75,751	63,734	-16%	12,550	9,000	-28%
Contribution from associates-equity method	168	1,108	561%	52	501	870%
Other net non-interest income	3,449	14,188	311%	10,685	5,620	-47%
Bad debt expense	(2,982)	(2,467)	-17%	(112)	(637)	467%
Operating expense	(57,477)	(65,067)	13%	(13,774)	(17,035)	24%
Income before taxes	56,058	67,132	20%	19,906	8,301	-58%
Income taxes	(6,427)	(9,250)	44%	(1,797)	37	-102%
Net income	49,631	57,882	17%	18,109	8,338	-54%
EPS (NT\$)	3.93	4.58		1.43	0.65	
Dividend Payout						
Cash dividend per share	2.00	2.00				
Stock dividend per share	0.00	0.00				
Weighted average outstanding shares (Millions of shares)	12,563	12,563		12,563	12,563	
Balance Sheet Data						
Total assets	6,944,837	7,568,975		7,045,009	7,636,684	
Total shareholders' equity	439,120	461,062		459,317	470,970	
Operating Metrics						
ROAE (Consolidated)	12.10%	12.86%		16.12%	7.16%	
ROAA (Consolidated)	0.76%	0.80%		1.04%	0.44%	
Double leverage ratio(inc. preferred stock)	113%	111%		112%	110%	
Capital Adequacy Metrics						
Capital Adequacy Ratio	144%	151%				

Notes:

(1) All data and information on this page is provided for informational purposes only, and may subject to adjustment.

For more details, please refer to our official financial reports.

(2) Starting from 2015/1/1, Cathay FHC adopted IFRS 2013 version and has adjusted FY14 financial data to pro-forma basis. FY14 total assets, liabilities, and shareholders' equity have also been adjusted accordingly.

(3) Total may not sum due to rounding.

Cathay Life

(NT\$MN)	FY15/			1Q16/		
	FY14	FY15	% Chg	1Q15	1Q16	% Chg
Income Statement Data (Consolidated)	FY14	FY15	% Chg	1Q15	1Q16	% Chg
Net written premium	472,630	519,014	10%	109,040	139,638	28%
Net earned premium	471,849	518,250	10%	109,443	139,932	28%
Reinsurance commission earned	4,740	200	-96%	6	12	80%
Fee income	5,943	5,762	-3%	1,648	1,348	-18%
Recurring investment income	124,152	140,977	14%	29,513	35,196	19%
Gain on disposal of investment						
Realized gain (loss)-Equity	23,357	30,072	29%	18,561	6,058	-67%
Realized gain (loss)-Debt	12,828	14,804	15%	7,629	5,070	-34%
Investment property appraisal gains	16,579	11,074	-33%	(16)	(7)	-53%
FX and others, net	(7,166)	(13,101)	83%	(8,067)	(3,498)	-57%
Investment income, net	169,750	183,827	8%	47,620	42,819	-10%
Other operating income	9	914	9777%	5	1,104	21739%
Separate account revenues	115,040	17,303	-85%	5,915	7,481	26%
Net claims payment	(275,195)	(298,102)	8%	(63,400)	(70,801)	12%
Changes in liability reserves	(290,109)	(305,864)	5%	(70,027)	(94,225)	35%
Acquisition and commission expense	(32,405)	(33,238)	3%	(7,193)	(10,288)	43%
Other operating costs	(4,544)	(5,541)	22%	(1,112)	(1,667)	50%
Financial cost	(106)	(296)	179%	(277)	(15)	-95%
Separate account expense	(115,040)	(17,303)	-85%	(5,915)	(7,481)	26%
Operating expense	(16,869)	(23,021)	36%	(3,973)	(6,883)	73%
Net non-operating income	1,482	1,265	-15%	326	418	28%
Income taxes	(2,810)	(5,710)	103%	(565)	927	-264%
Net income	31,734	38,447	21%	12,501	2,679	-79%

Balance Sheet Data

Total assets	4,704,976	5,180,081		4,756,210	5,211,934
General account	4,242,710	4,699,512		4,290,988	4,732,379
Separate account	462,267	480,568		465,222	479,554
Reserves for life insurance liabilities	3,770,679	4,228,117		3,827,665	4,287,444
Total liabilities	4,376,595	4,831,846		4,413,256	4,859,444
Total shareholders' equity	328,382	348,235		342,954	352,490

Operating Metrics

First Year Premium(FYP)	233,379	217,378		52,270	52,111
First Year Premium Equivalent(FYPE)	71,147	102,002		16,172	39,821
Expense ratio	9.9%	10.3%		9.9%	11.1%
13-M persistency ratio	97.9%	97.6%		97.6%	97.7%
25-M persistency ratio	94.9%	91.8%		95.4%	90.6%
ROAE	10.54%	11.36%		14.90%	3.06%
ROAA	0.71%	0.78%		1.06%	0.21%

Capital Adequacy Metrics

RBC ratio (Standalone)	287%	305%
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Notes:

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Cathay United Bank

(NT\$MN)			FY15/ FY14			1Q16/ 1Q15
Income Statement Data (Consolidated)	FY14	FY15	% Chg	1Q15	1Q16	% Chg
Operating Income						
Net interest income	25,779	26,729	4%	6,645	6,210	-7%
Fee income	11,806	14,344	21%	3,570	4,302	21%
Investment income	7,326	5,599	-24%	1,477	2,254	53%
other income	1,064	1,380	30%	498	561	13%
Net operating income	45,975	48,052	5%	12,190	13,327	9%
Operating expenses	(22,804)	(24,851)	9%	(5,601)	(6,166)	10%
Pre-provision profit	23,170	23,201	0%	6,589	7,161	9%
Net provisions for possible losses	(2,471)	(1,922)	-22%	(186)	(720)	288%
Income before taxes	20,700	21,279	3%	6,404	6,441	1%
Income tax	(2,885)	(2,513)	-13%	(871)	(796)	-9%
Net income	17,814	18,767	5%	5,532	5,645	2%
Balance Sheet Data						
Total assets	2,243,958	2,383,377		2,288,085	2,414,877	
Loans, net	1,119,281	1,127,807		1,143,724	1,199,942	
Financial assets	649,497	791,192		716,346	873,962	
Total liability	2,096,340	2,226,608		2,134,919	2,252,550	
Deposits	1,739,023	1,881,657		1,764,800	1,907,621	
Financial Debenture Payable	67,614	51,900		67,400	51,900	
Total shareholders' equity	147,617	156,769		153,166	162,327	
Operating Metrics						
Cost income ratio	49.60%	51.72%		45.95%	46.27%	
ROAE	12.71%	12.33%		14.71%	14.15%	
ROAA	0.84%	0.81%		0.98%	0.94%	
Assets Quality						
NPL	3,277	1,599		2,649	2,034	
NPL ratio	0.29%	0.14%		0.23%	0.17%	
NPL provisions	17,675	17,323		17,108	17,700	
Coverage ratio	539%	1083%		646%	870%	
Capital Adequacy Metrics						
BIS ratio (Standalone)	16.2%	16.4%				
Tier I Ratio (Standalone)	11.5%	12.0%				

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Cathay Century

(NT\$MN)	FY15/ FY14			1Q16/ 1Q15		
	FY14	FY15	% Chg	1Q15	1Q16	% Chg
Income Statement Data (Consolidated)						
Premium income	21,279	22,449	5%	4,605	5,682	23%
Net written premium	16,080	17,254	7%	3,502	4,447	27%
Net earned premium	15,626	17,169	10%	3,885	4,365	12%
Reinsurance commission earned	683	517	-24%	114	145	26%
Fee income	45	48	5%	3	11	244%
Investment	918	972	6%	254	167	-34%
Interest income	609	564	-7%	138	152	11%
Other investment income, net	308	408	32%	116	15	-87%
Other operating income	7	15	101%	0	1	-
Net claims payment	(8,747)	(9,292)	6%	(1,950)	(2,500)	28%
Changes in liability reserves	(691)	(734)	6%	(338)	(106)	-69%
Commissions and other operating costs	(1,218)	(1,402)	15%	(273)	(348)	27%
Operating expenses	(5,823)	(6,197)	6%	(1,390)	(1,553)	12%
Operating income	801	1,095	37%	305	183	-40%
Net non-operating income	29	(4)	-114%	(5)	(6)	23%
Income taxes	(174)	(287)	65%	(58)	(46)	-21%
Net income	657	804	22%	242	131	-46%
Balance Sheet Data						
Total assets	35,863	42,106		35,131	42,637	
Total shareholders' equity	6,829	7,219		7,144	7,374	
Operating Metrics						
Gross Combined ratio	90.7%	85.3%		85.2%	116.1%	
Net Combined ratio	99.3%	93.2%		91.1%	93.0%	
ROAE	10.71%	11.44%		13.84%	7.19%	
ROAA	1.94%	2.06%		2.72%	1.24%	
Capital Adequacy Metrics						
RBC ratio (Standalone)	324%	359%				

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