



# 2018 First Quarter Briefing

June 2018

## Disclaimer

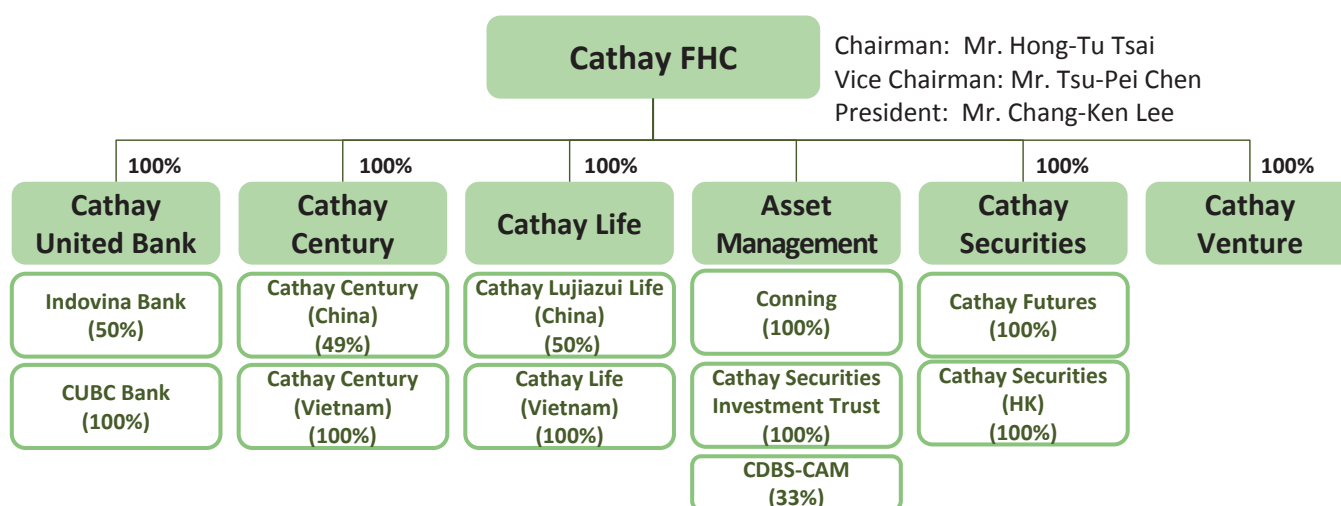
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# Agenda

- Introduction of Cathay FHC
- 1Q18 Business overview
- Overseas Expansion
- Business Performance Summary
  - Cathay United Bank
  - Cathay Life
  - Cathay Century
- Cathay Life Embedded Value & Appraisal Value
- Cathay's CSR Efforts
- M&A Key Highlights
- Appendix

## Cathay FHC: largest FHC, comprehensive products



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

- 2<sup>nd</sup> biggest non-life insurer
- Market share in total premium income: 11.8% (1Q18).

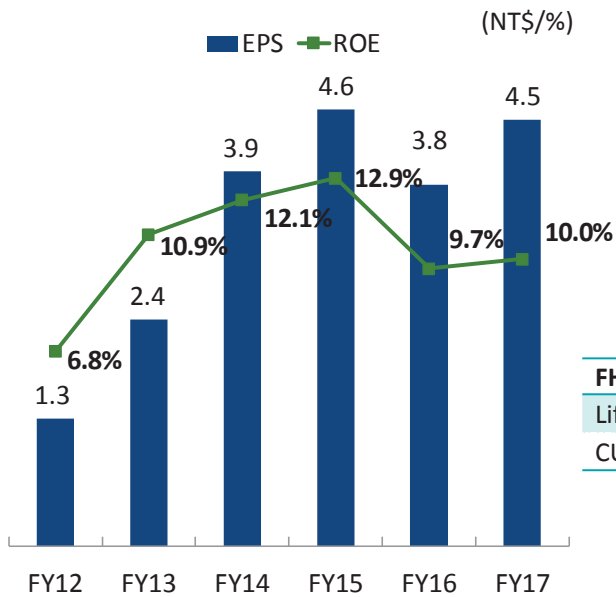
- No. 1 life insurer in terms of total assets and total premium
- Market share in total premium: 19.6% (1Q18).

- Largest AUM among asset managers in Taiwan
- Qualified QFII to invest in China
- Pursue business opportunity from QDII of China

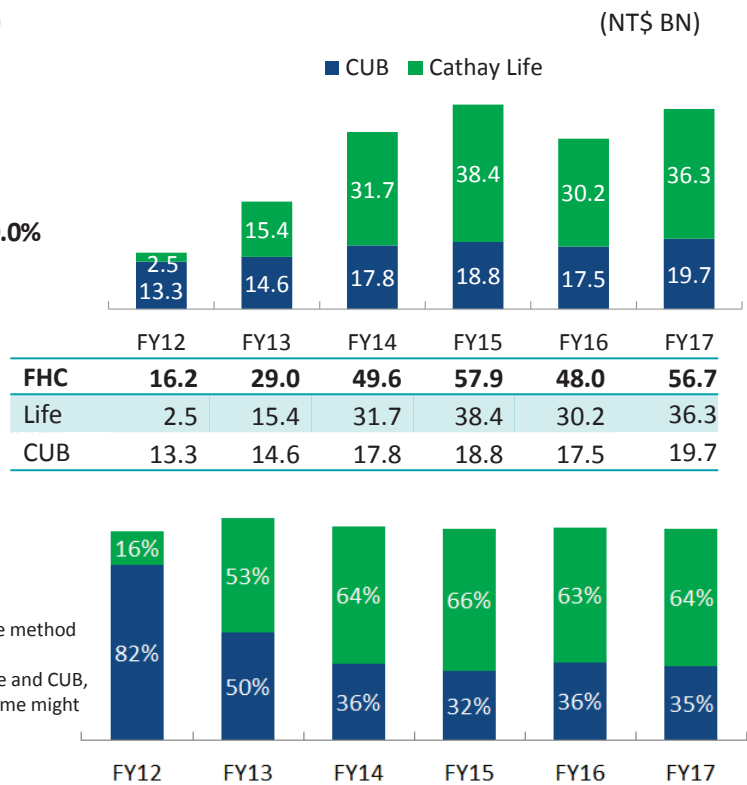
- Investment banking, brokerage, and prop trading businesses
- Strong underwriting and capital raising platform
- Diversified products and services

# Cathay's earnings accelerates as life turnarounds

## EPS & ROE



## Profit contribution

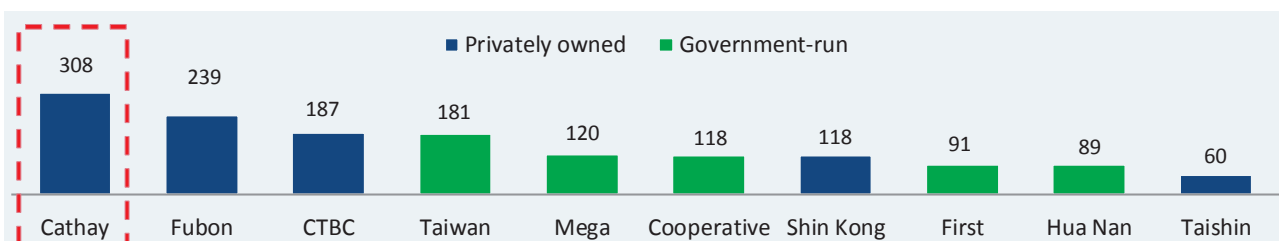


- Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.  
 (2) Since Cathay FHC has more subsidiaries other than Cathay Life and CUB, besides, due to affiliate transactions, the Cathay FHC net income might not equal to the sum of Cathay Life and CUB's.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

# Market leader in Taiwan's FIG sector

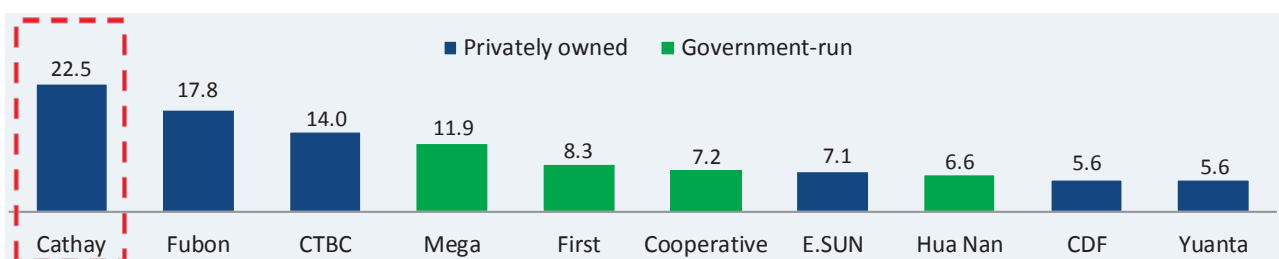
█ Largest listed financials group by market capitalization and assets.

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



Note: Total assets as of Mar. 31, 2018

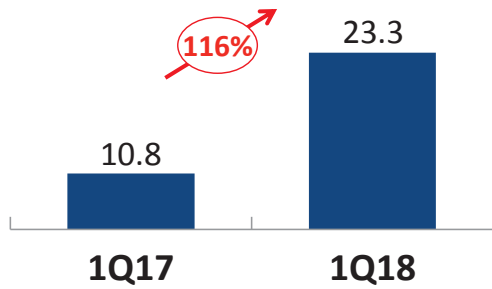
## Ranking of market cap (US\$bn)



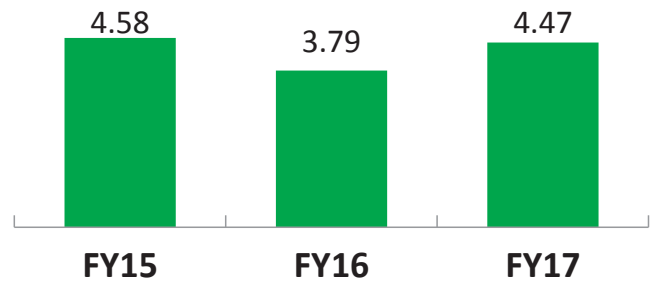
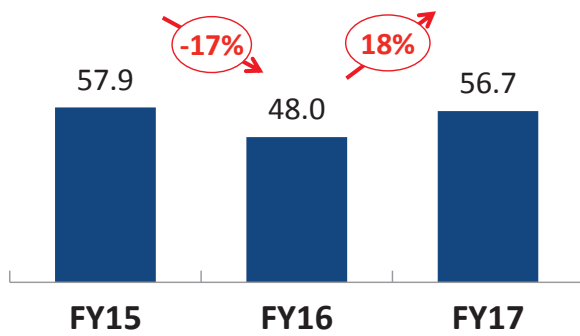
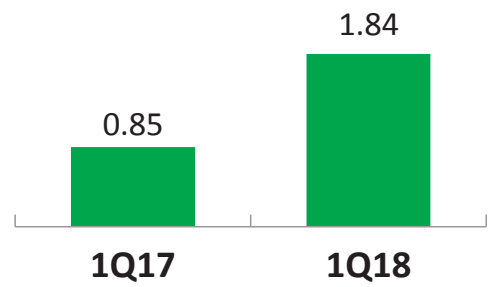
Note: Market capitalization as of May 31, 2018

# Cathay FHC – Net income & EPS

## Net income (NT\$BN)

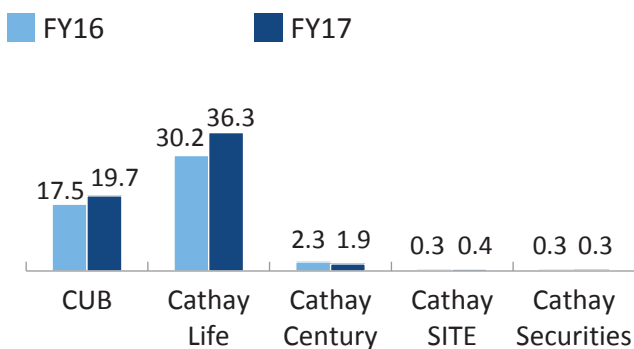
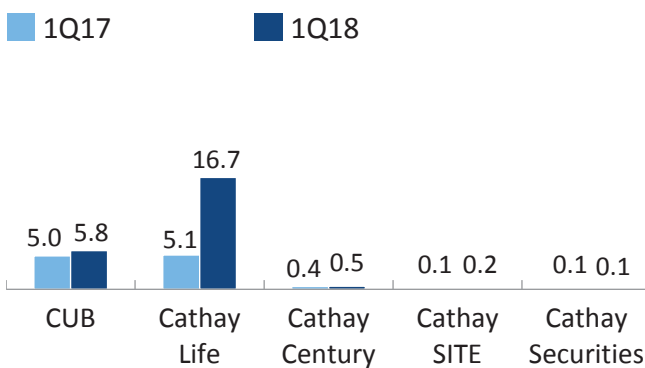


## EPS (NT\$)

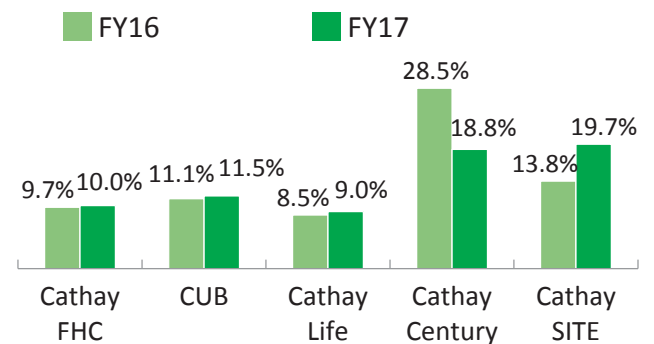
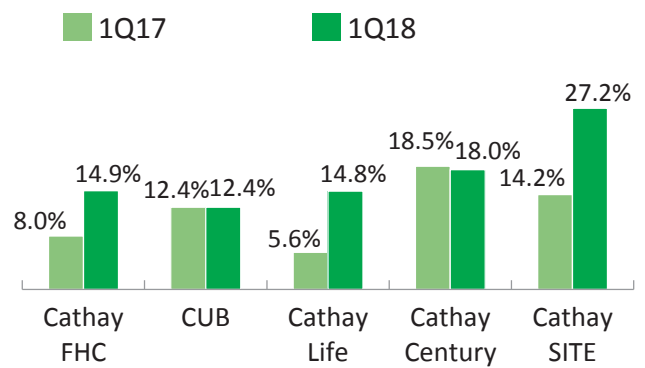


# Cathay FHC – Net income & EPS

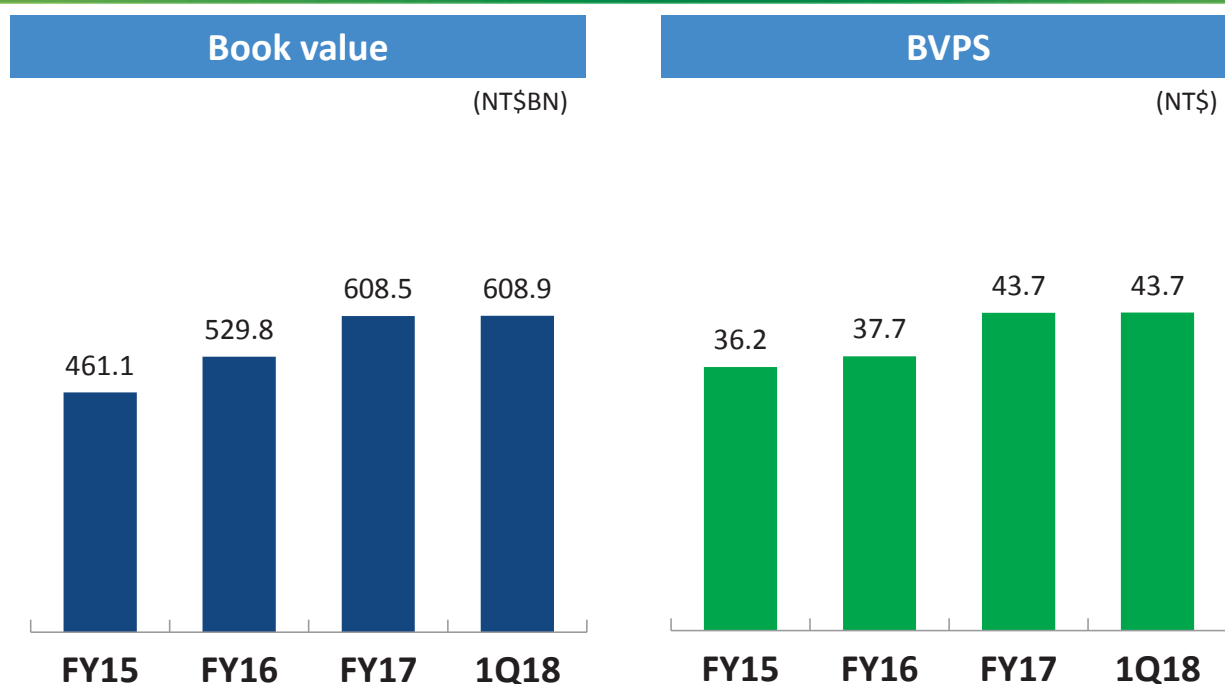
## Net income of primary subsidiaries



## ROE



# Cathay FHC – Book value & BVPS



Note: (1) Book value includes preferred shares and minority interests, BVPS represented BVPS attributable to common shareholders.  
(2) Starting Jan.1, 2018, the reporting was based on IFRS 9.

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# 1Q18 Business overview

## Cathay United Bank

- Loan and deposit delivered mild growth with benign credit quality.
- Continued to expand overseas business. FX loan grew 21% YoY.
- Wealth management and credit card fee grew by 12% and 21% YoY respectively. Active card number ranked No.1 in the industry.

## Cathay Life

- Focused on value-driven strategy with investment-linked and traditional life regular paid policies. FYP and FYPE remained No. 1 in the industry.
- After-hedging investment yield reached 4.5%. Overall investment performance maintained stable.

## Cathay Century

- Premium income grew 6% YoY. Remained in second place with 11.8% market share.
- Deepened overseas operation and elevate service quality. Developed online products in China and enlarged localized management team in Vietnam.

## Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$608 BN.
- Received "Best Institutional House" and "Best New ETF" awards from Asia Asset Management and "Risk Management Award" from Benchmark magazine. Selected by Thomson Reuters Lipper and Morningstar as "Taiwan Fund Award" winner.

## Cathay Securities

- Brokerage business grew steadily. Sub-brokerage market share ranked No.1.
- Optimized customer experience with new digital business model.

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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	44 <sup>(1)</sup>	44									
P&C	26	2									
Asset Mgt.	1			1							
Securities				1							

Note: (1) Cathay Lujiazui Life obtained approval to set up a branch office in Henan, China.

(2) Footprints in Thailand, Myanmar and Indonesia are representative offices.

(3) Investments in RCBC and Bank Mayapada are funded by Cathay Life.

(4) Cathay FHC owns 49% stake of Cathay Century (China), and 33% stake of CDBS Cathay Asset Management.



## Banking

- Vietnam: Indovina Bank posts solid results
- Cambodia: Subsidiary's businesses grows steadily
- Philippines: Invests 23% stake in RCBC<sup>(3)</sup>
- Indonesia: Invests 40% stake in Bank Mayapada<sup>(3)</sup>

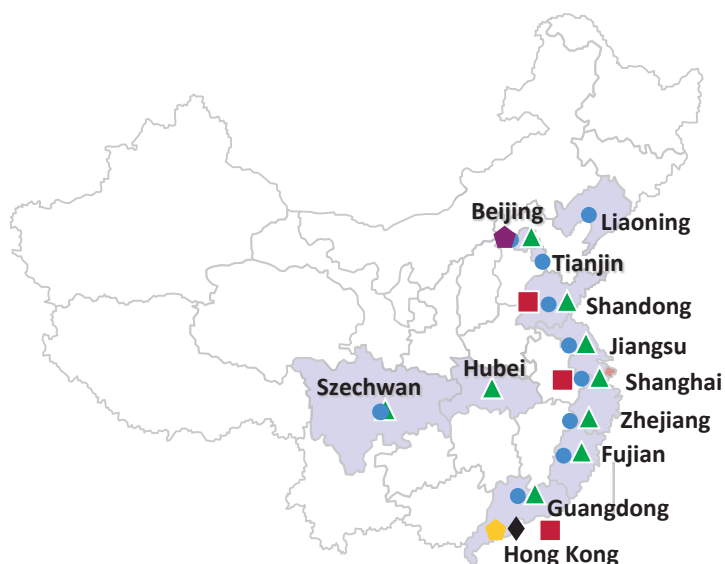
## Cathay Life ( Vietnam )

- Total premium grew 56% YoY to VND129BN in 1Q18
- Expands and diversifies distribution channels

## Cathay Century

- Continues to expand local distribution channels to enhance growth momentum

# Cathay FHC in China



● Cathay Lujiazui Life

■ Cathay United Bank

▲ Cathay Century (China)

◆ Cathay Securities

◆ Conning Asia Pacific Limited

◆ CDBS Cathay Asset Management Company

## Cathay United Bank

- Expects to convert Shanghai branch into subsidiary in 2018

## Cathay Lujiazui Life

- Total premium grew 52% YoY to RMB 709MN in 1Q18

## Cathay Century (China)

- Forms a strategic alliance with Ant Financial group to capture new business opportunities

## Cathay Securities (HK)

- Each business line grows steadily

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

- Continues to launch new products. Mainly focus on fixed income funds

## Conning Asia Pacific Limited

- Continues to expand asset management business

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## Cathay United Bank

Cathay Life

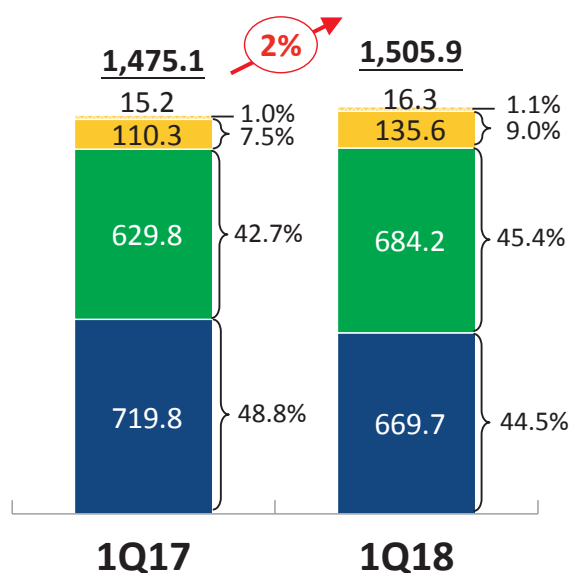
Cathay Century

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## Cathay United Bank – Loan & deposit breakdown

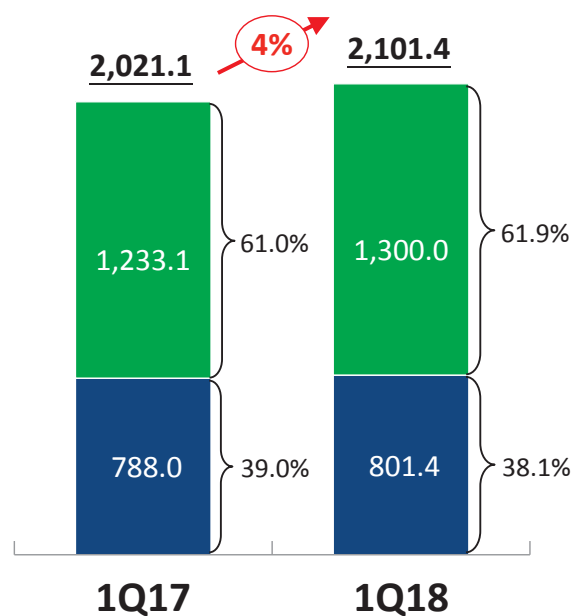
### Loan breakdown (NT\$BN)

- Credit Card related
- Consumer
- Mortgage
- Corporate



### Deposit breakdown (NT\$BN)

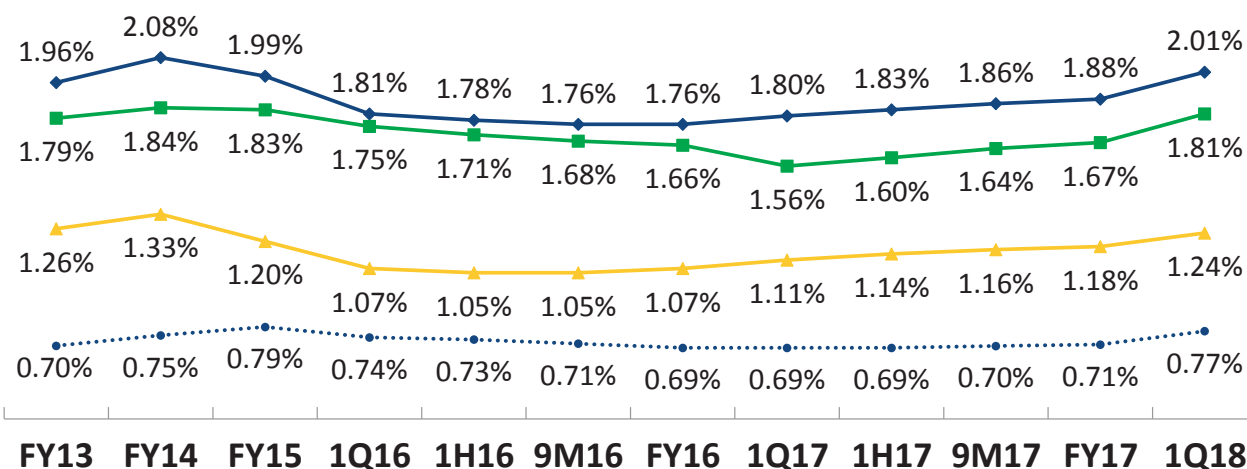
- Demand Deposit
- Time Deposit





# Cathay United Bank – Interest yields

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



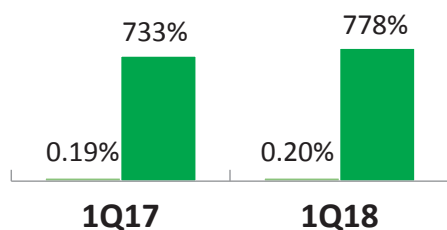
	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
Quarterly Spread	1.81%	1.75%	1.68%	1.62%	1.59%	1.56%	1.64%	1.74%	1.76%	1.81%
Quarterly NIM	1.12%	1.07%	1.02%	1.06%	1.10%	1.11%	1.18%	1.20%	1.22%	1.24%

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

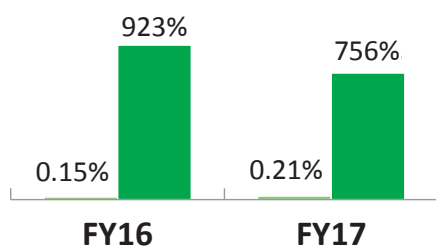
# Cathay United Bank – Credit quality

## NPL & Coverage ratio

■ NPL ratio  
■ Coverage ratio



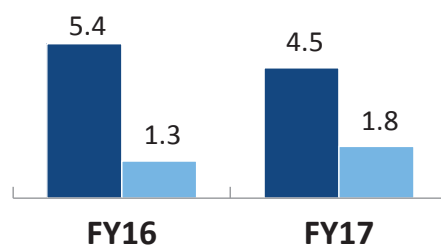
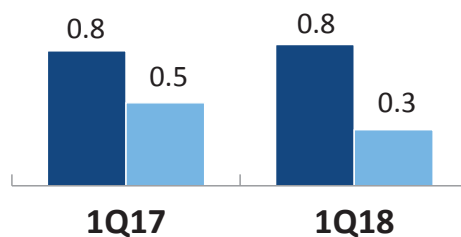
Mortgage NPL **0.10%** **0.14%**



Mortgage NPL **0.08%** **0.15%**

## Gross provision

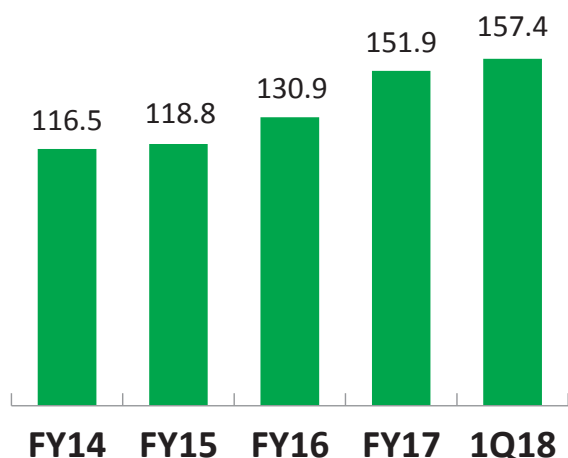
■ Gross provision (NT\$BN)  
■ Recovery



# Cathay United Bank – SME & FX loans

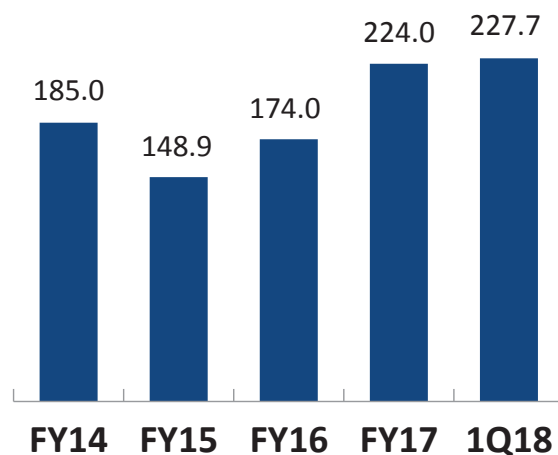
## SME loans

(NT\$BN)



## Foreign currency loans

(NT\$BN)



### As % of total loans

10.5% 10.5% 9.2% 10.7% 10.6%

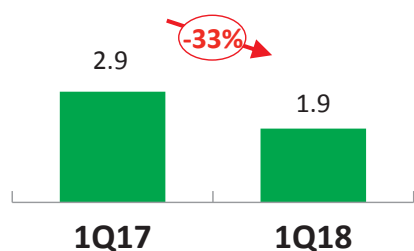
16.6% 13.3% 12.2% 15.8% 15.3%

Note: Total loans exclude credit card revolving balance.

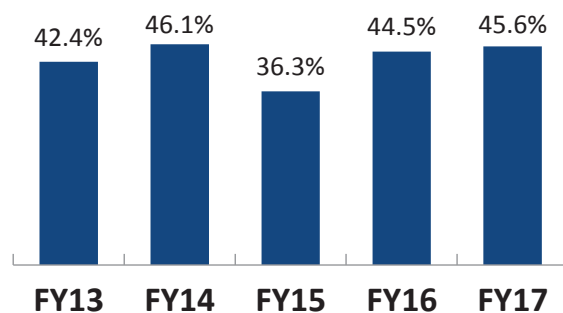
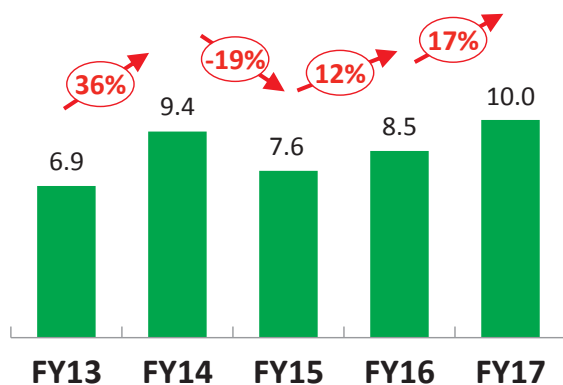
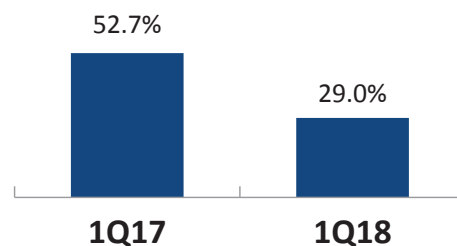
# Cathay United Bank – Offshore earnings

## Offshore earnings

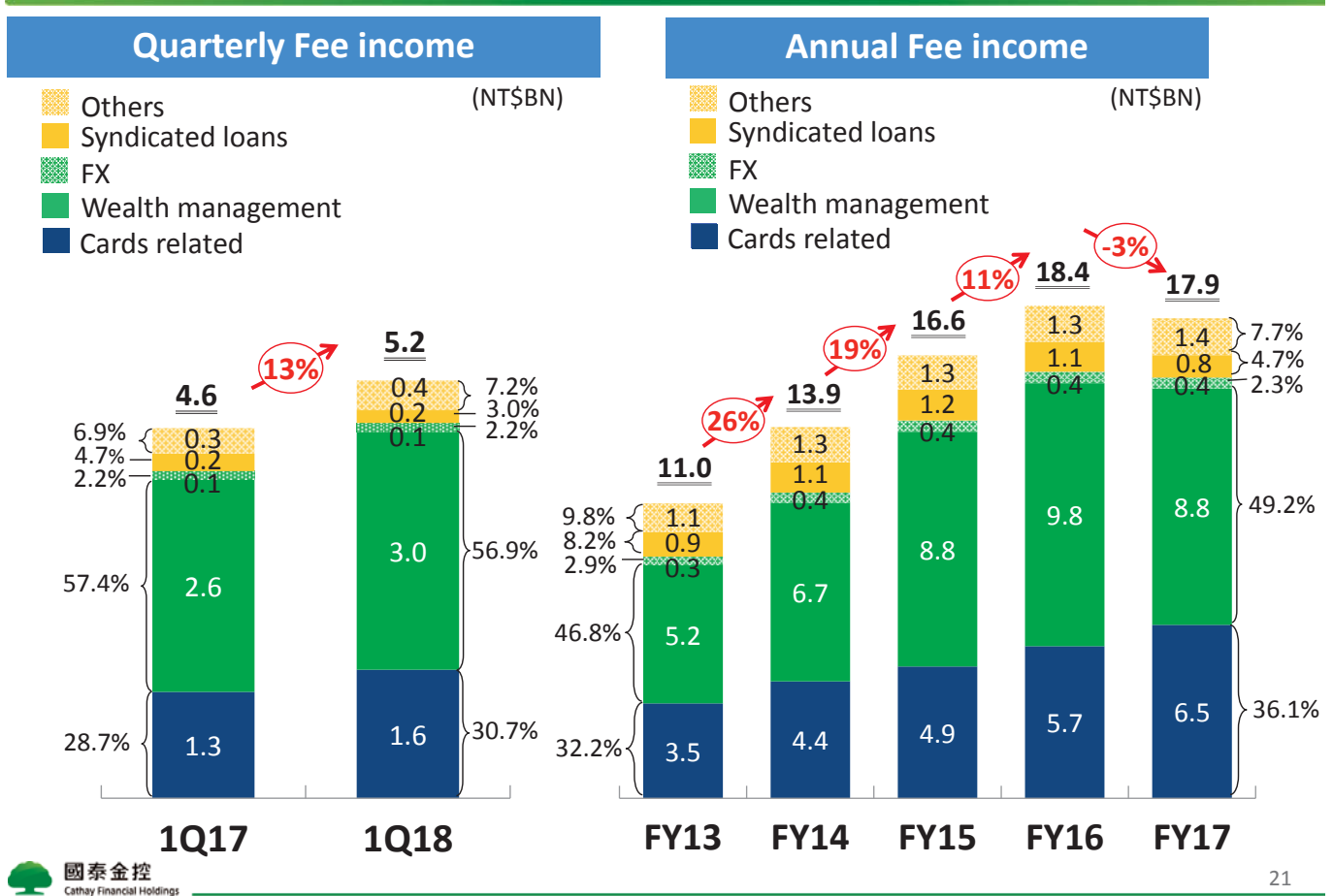
(NT\$BN)



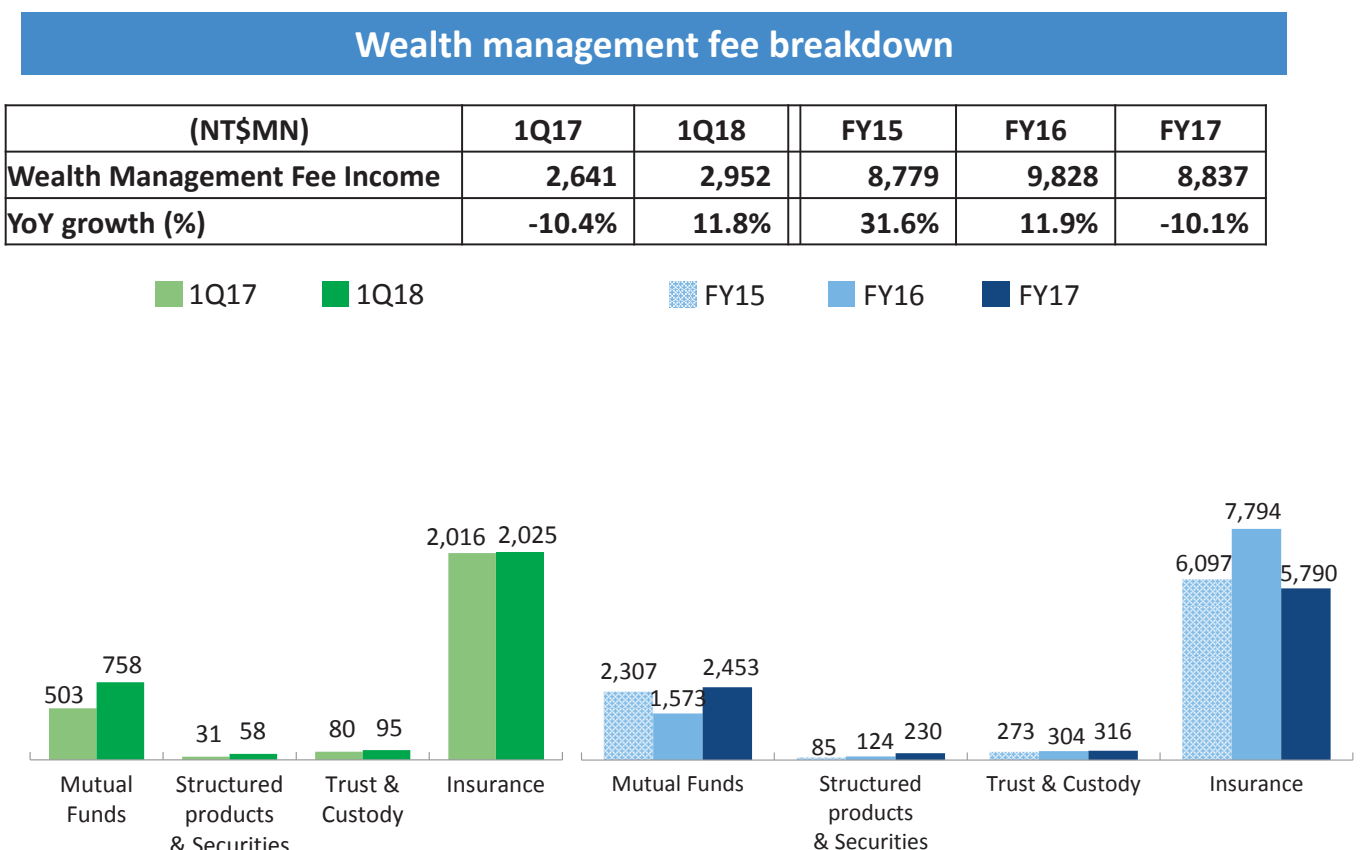
## As % of CUB pre-tax profits



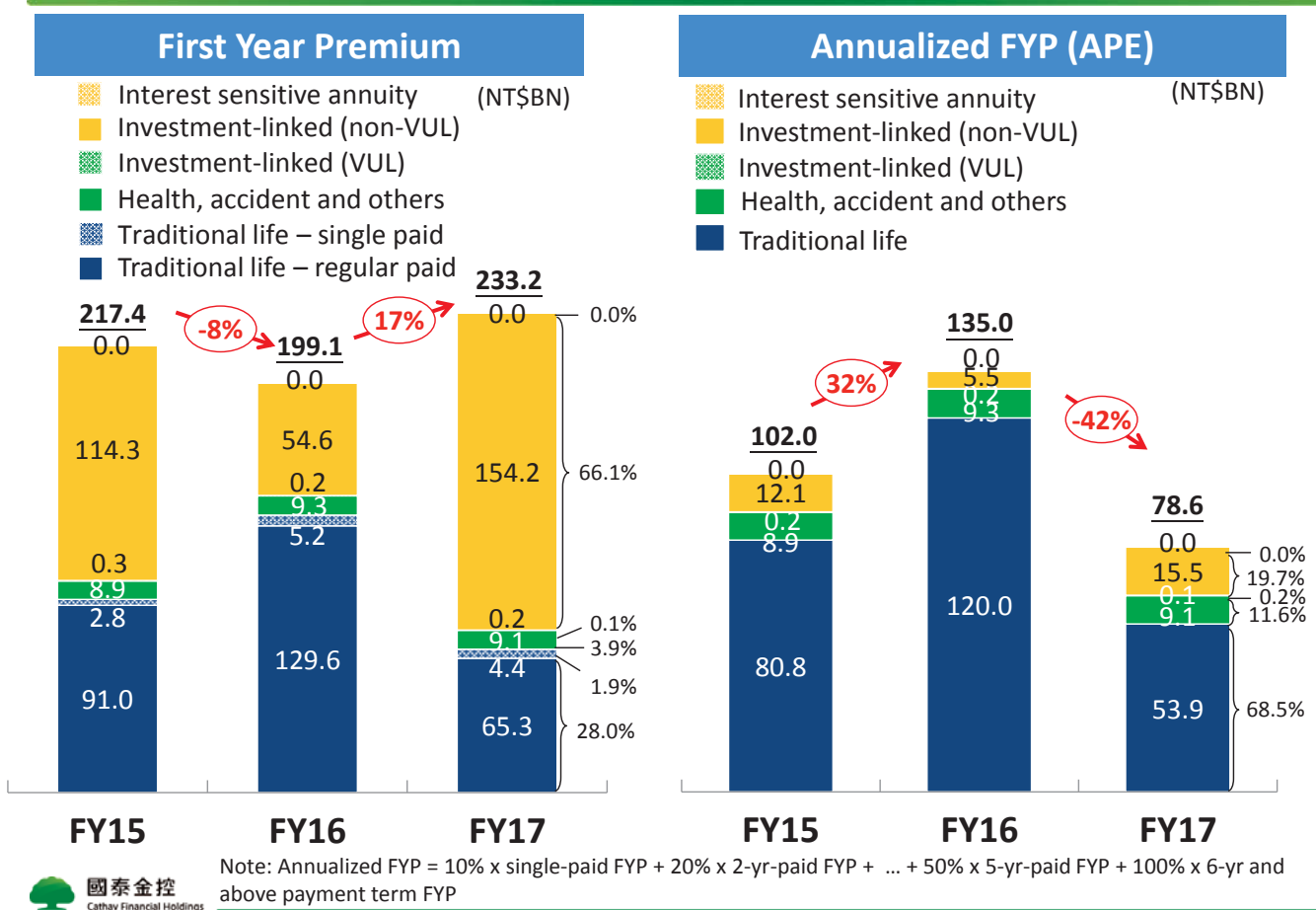
# Cathay United Bank – Fee income



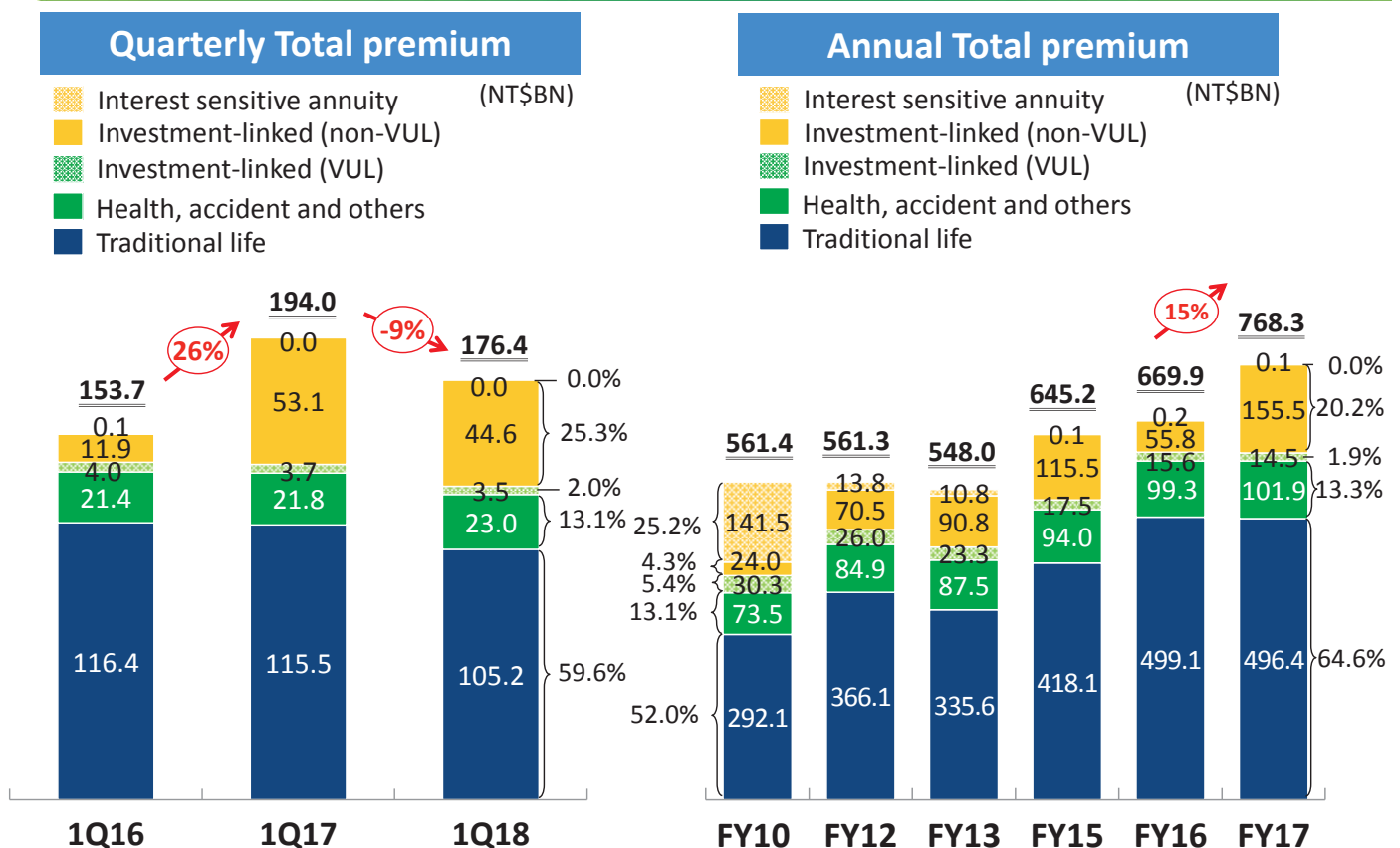
# Cathay United Bank – Wealth management fee



# Cathay Life – Annual FYP & APE



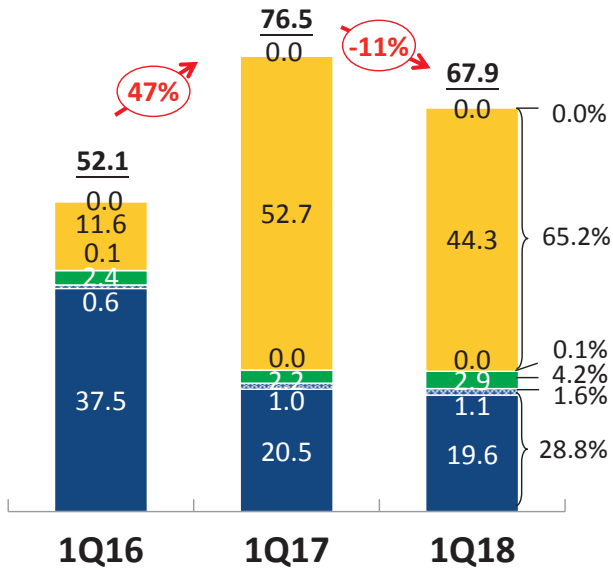
# Cathay Life – Total premium



# Cathay Life – Quarterly FYP & APE

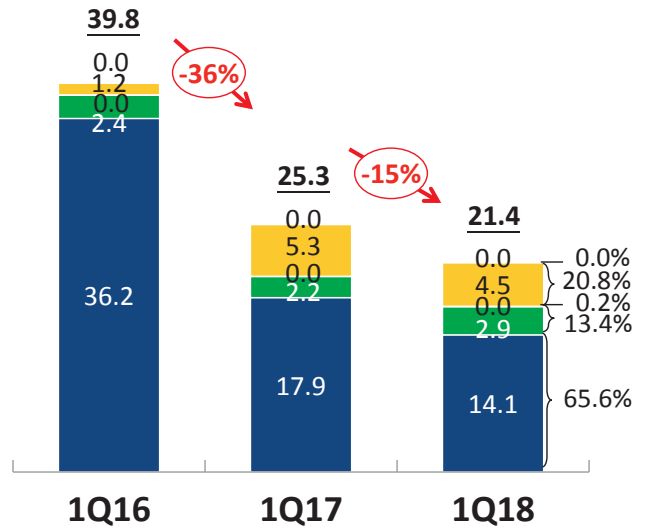
## First Year Premium

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



## Annualized FYP (APE)

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

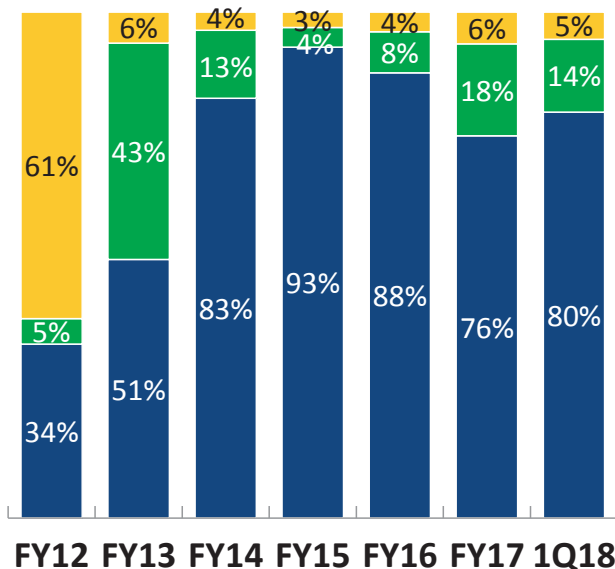


Note: Annualized FYP = 10% x single-paid FYP + 20% x 2-yr-paid FYP + ... + 50% x 5-yr-paid FYP + 100% x 6-yr and above payment term FYP

# Cathay Life – Regular paid policies remain as focus

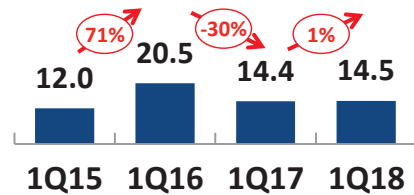
## Breakdown of Traditional FYP

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

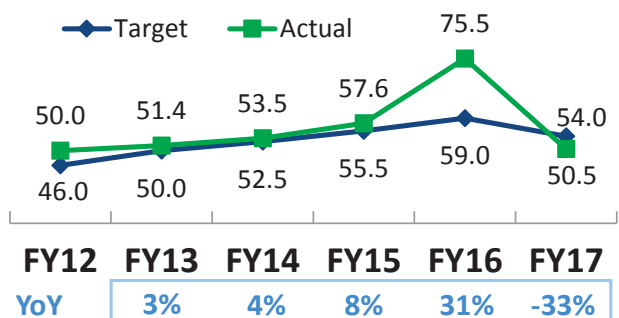


## Value for New Business

Profit Margin	1Q15	1Q16	1Q17	1Q18
VNB/FYP	23%	39%	19%	21%
VNB/FYPE	74%	51%	57%	68%

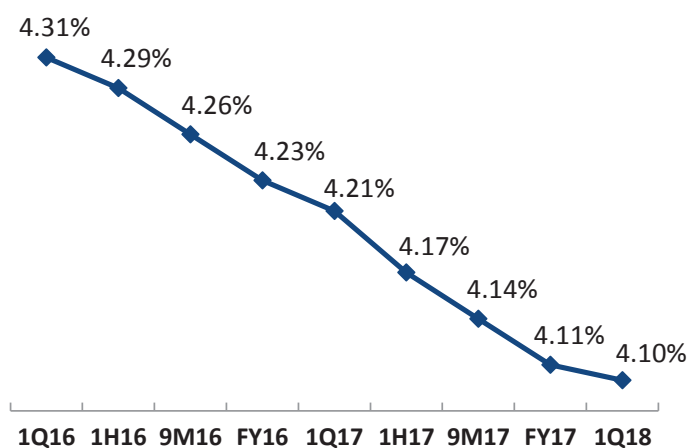


Profit Margin	FY12	FY13	FY14	FY15	FY16	FY17
VNB/FYP	19%	26%	23%	27%	38%	22%
VNB/FYPE	54%	70%	75%	57%	56%	64%

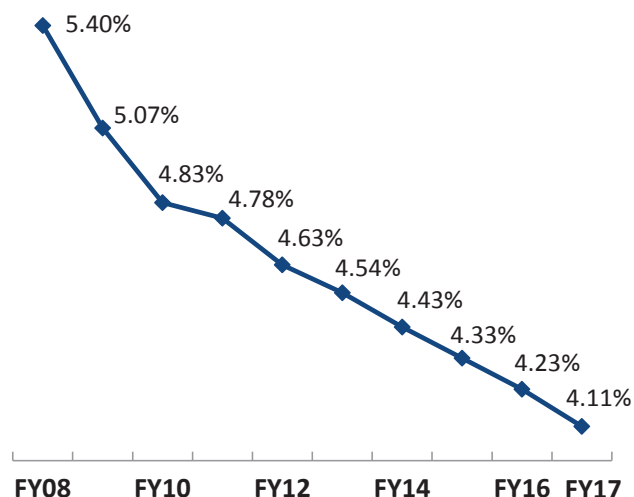


# Cathay Life – Cost of liability

## Cost of liability (quarterly)



## Cost of Liability (annual)



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

# Cathay Life – Investment portfolio

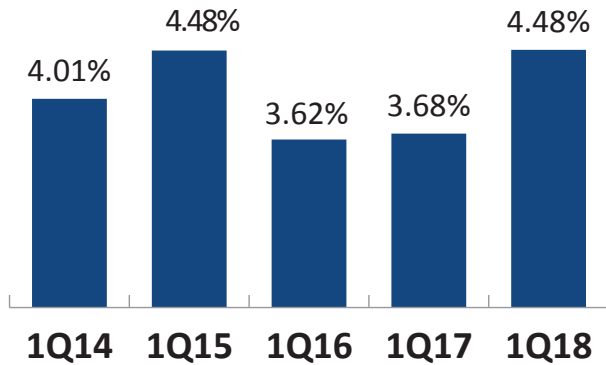
(NT\$BN)	FY15	FY16	FY17			1Q18		
<b>Total investments<sup>(1)</sup></b>	<b>4,636.6</b>	<b>5,001.1</b>	<b>5,502.6</b>			<b>5,555.5</b>		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	1.3%	1.3%	1.6%	87	0.5%	2.4%	131	0.5%
Equity- Domestic	7.4%	7.9%	8.4%	465	9.1%	8.2%	454	9.8%
Equity- International <sup>(2)</sup>	6.2%	6.4%	6.3%	347	8.3%	6.4%	357	18.0%
Bond- Domestic	8.0%	6.5%	5.5%	305	2.1%	5.5%	305	2.8%
Bond- International <sup>(1)(2)</sup>	50.6%	53.8%	55.7%	3,063	5.0%	55.4%	3,076	4.9%
Mortgage & Secured loans	10.2%	8.9%	8.1%	444	1.8%	7.9%	436	1.9%
Policy loans	3.6%	3.3%	3.0%	166	5.8%	3.0%	166	5.6%
Real estate	10.5%	9.8%	9.2%	496	2.3%	9.0%	498	2.6%
Others	2.1%	2.2%	2.4%	130		2.4%	133	

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

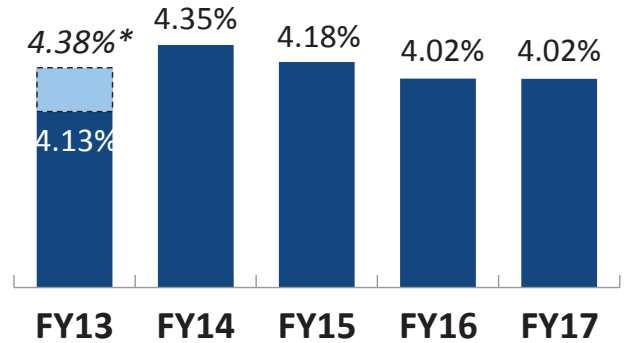
(2) Yields of international equity and international bond are pre-hedge investment yields.

# Cathay Life – Investment performance highlight

## After-hedging investment yield



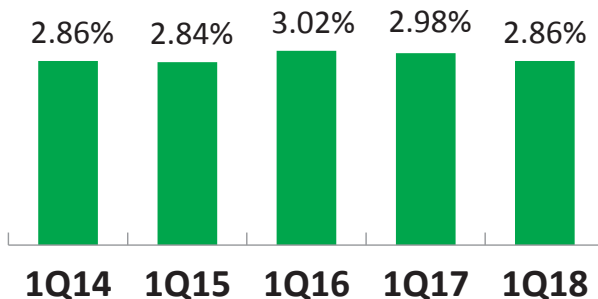
## After-hedging investment yield



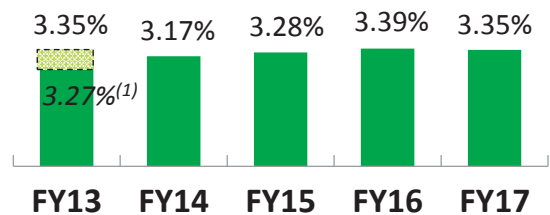
Note: FY13 (4.38%) was pro forma adjusted number of fair value method on investment property.

# Cathay Life – Investment performance highlight

## Pre-hedging recurring yield

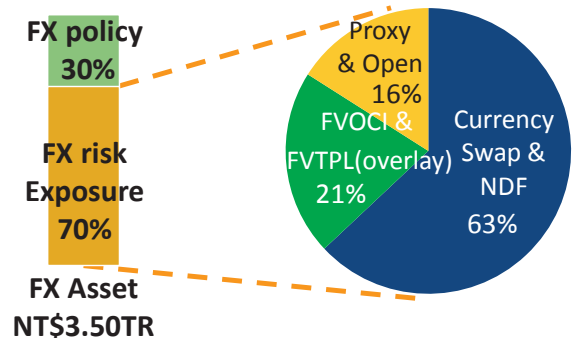


## Pre-hedging recurring yield



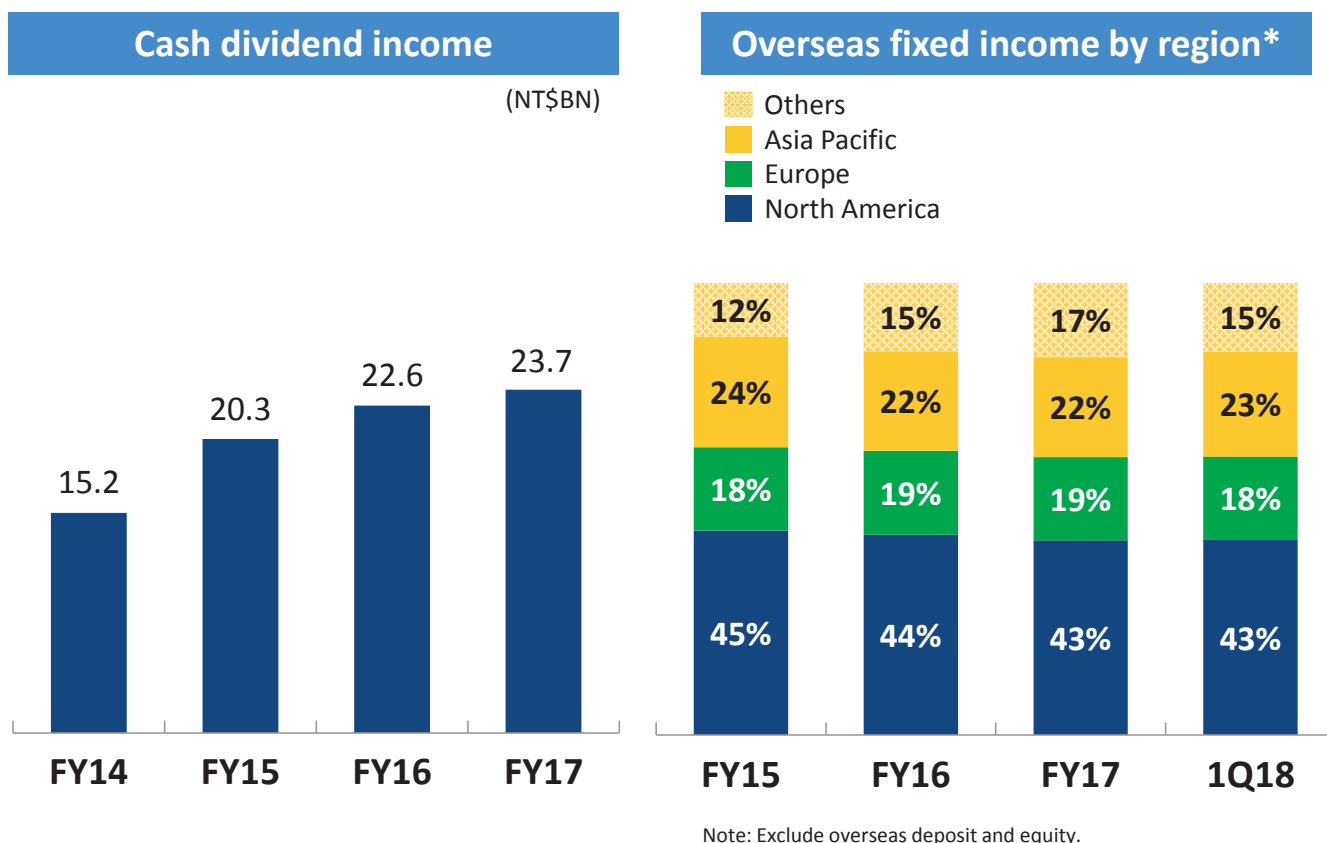
## Currency Hedging Structure

**1Q18 Hedging cost 1.32%**

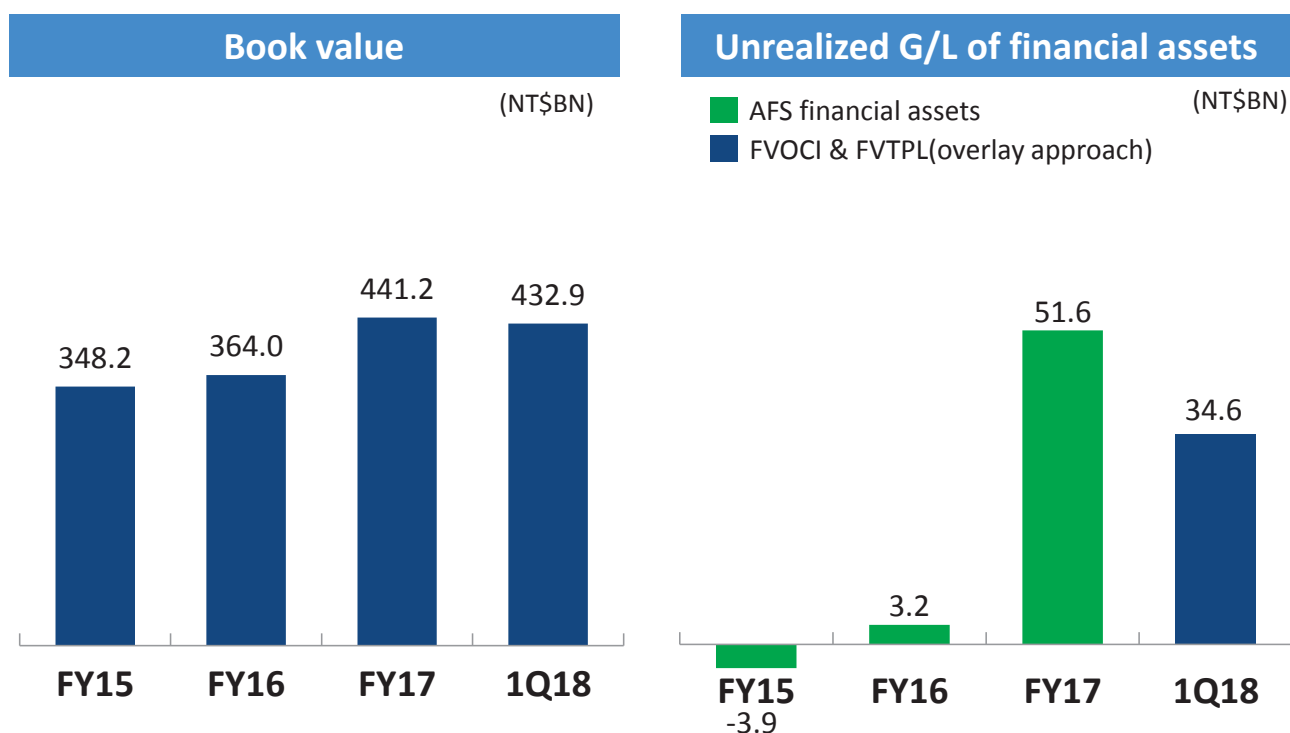


Note: (1) FY13 (3.27%) was pro forma adjusted number of fair value method on investment property.  
 (2) Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend. Most dividend will be recognized in 2Q & 3Q.

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

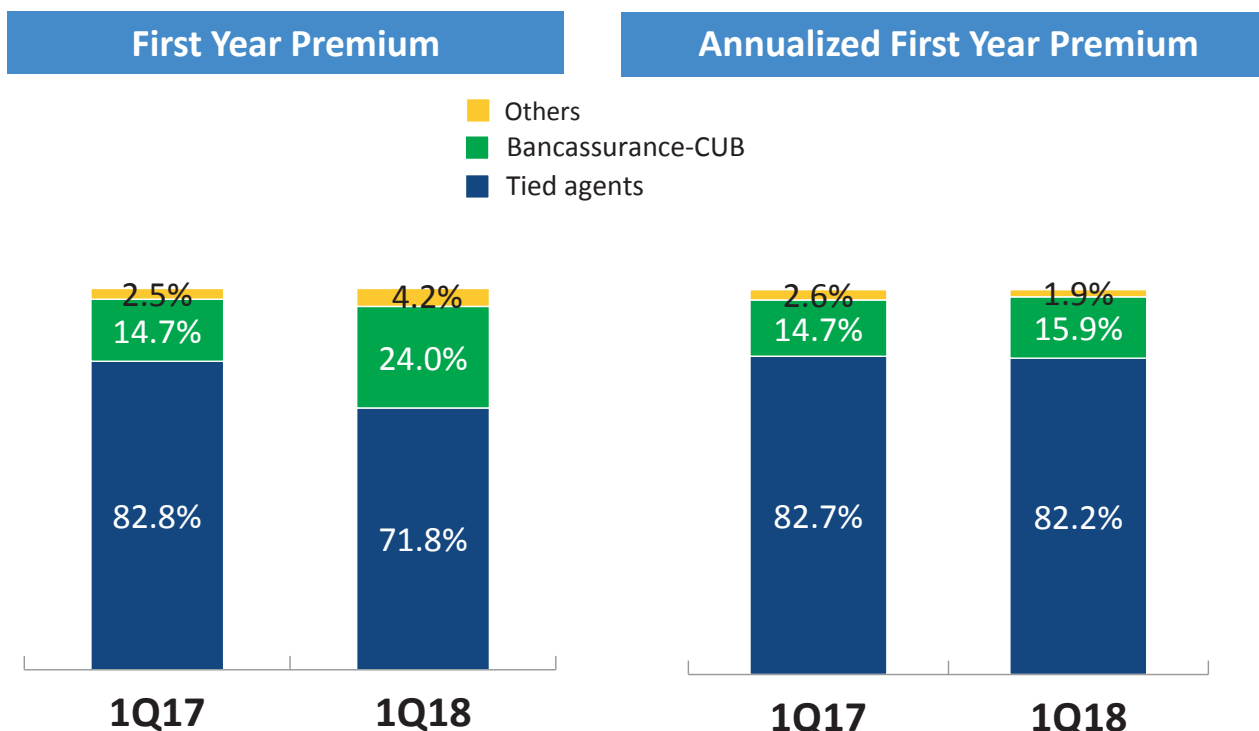


# Cathay Life – Book value & Unrealized G/L of AFS financial assets

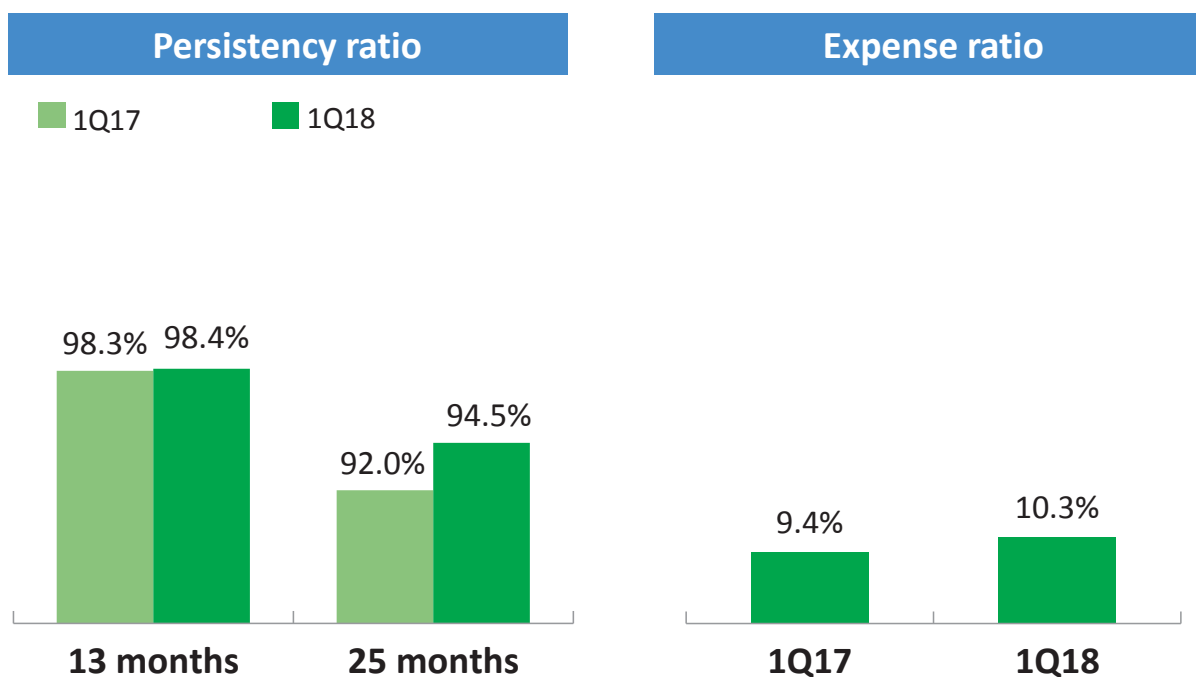




# Cathay Life – Distribution channel



# Cathay Life – Operational indicators



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Cathay United Bank

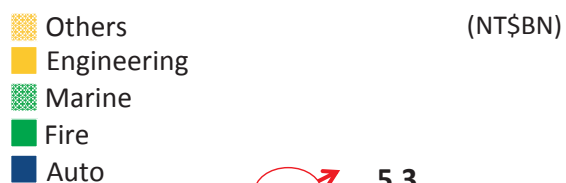
Cathay Life

Cathay Century

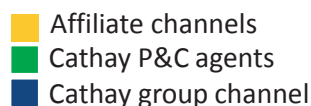
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## Cathay Century – Premium income & distribution

### Premium income (NT\$BN)



### Distribution channel

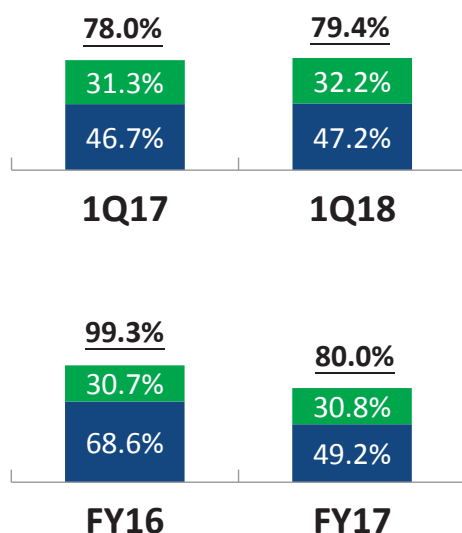


Market share	12.0%	11.8%
Retention	77.2%	79.4%

# Cathay Century – Combined ratio

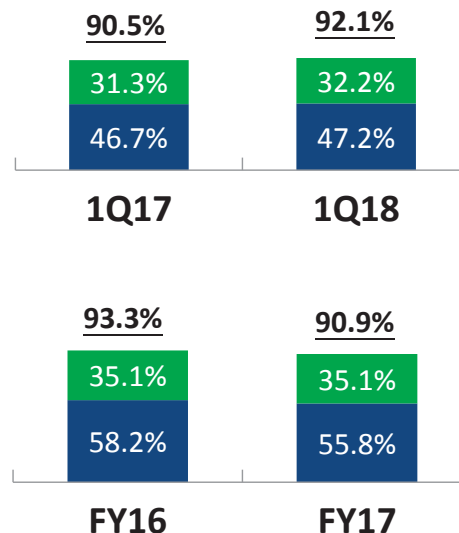
## Gross combined ratio

- Gross expense ratio
- Gross loss ratio



## Retained combined ratio

- Retained expense ratio
- Retained loss ratio



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# Embedded Value & Appraisal Value

NT\$BN, except for per share figures

Valuation date	2016/12/31	2017/12/31
In-force business investment yield	4.00% ~ Year 2036 5.05% for NTD policies 4.76% ~ Year 2036 5.82% for USD policies (Equivalent investment yield: 4.50% Rolling over to 2017: 4.51%)	3.92% ~ Year 2037 5.05% for NTD policies 4.67% ~ Year 2037 5.82% for USD policies (Equivalent investment yield: 4.43%)
Risk discount rate	10%	10%
Adjusted net worth	392	464
Value of in-force business	633	670
Cost of capital (CoC)	-169	-190
Value of in-force business (After CoC)	464	480
Embedded Value (EV)	856	944
EV / per share	161.3(68.1)	164.8(75.1)
Future one year's new business investment yield	2.97% ~ Year 2036 4.91% for NTD policies 4.38% ~ Year 2036 5.84% for USD policies	2.91% ~ Year 2037 4.91% for NTD policies 4.22% ~ Year 2037 5.84% for USD policies
Value of future one year's new business (After CoC)	54.0	54.5
Appraisal Value (AV)	1,328	1,416
AV / per share	250.3(105.7)	247.3(112.7)

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 2016 and 2017 are 5.3bn and 5.7bn, respectively. The increase of outstanding shares of Cathay Life in 2017 reflects capital injection in June 2018.  
 (4) The outstanding shares of Cathay FHC in 2016 and 2017 are 12.6bn.  
 (5) May not sum to total due to rounding.

## Summary

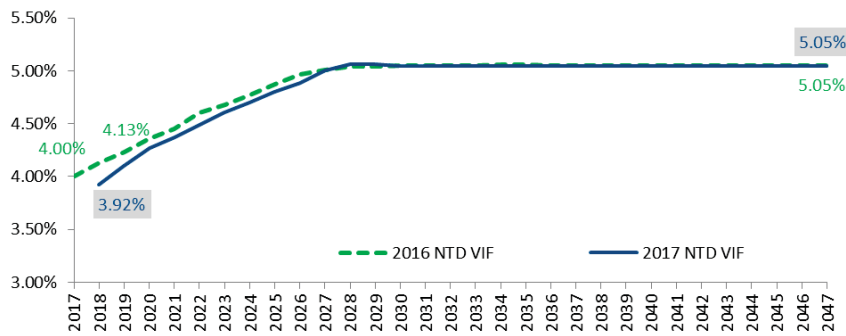
NT\$BN, except for per share figures

Valuation date		2016	2017	Growth rate	1Q18
Embedded value	Equity	361	436	21%	--
	Adjusted net worth	392	464	18%	--
	Value of in-force business(before CoC)	633	670	6%	--
	Cost of capital (CoC)	-169	-190	12%	--
	Value in-force business (after CoC)	464	480	3%	--
	Embedded value	856	944	10%	--
Value of one year's new business	First year premium (FYP)	199.1	233.2	17%	67.9
	First year premium equivalent (FYPE)	135.0	78.6	-41%	21.4
	Value of one year's new business (V1NB)	75.5	50.5	-33%	14.5
	Profit margin (V1NB/FYP)	38%	22%	--	21%
	Profit margin (V1NB/FYPE)	56%	64%	--	68%
	Profit margin (V1NB/FYP)(investment-linked(non-VUL)is excluded)	51%	57%	--	55%
Appraisal value (20 years NB)	Multiple	8.7	8.7	--	--
	Appraisal value	1,328	1,416	7%	--
Basic Value per share	EV / per share of Cathay FHC	68.1	75.1	10%	--
	AV / per share of Cathay FHC	105.7	112.7	7%	--

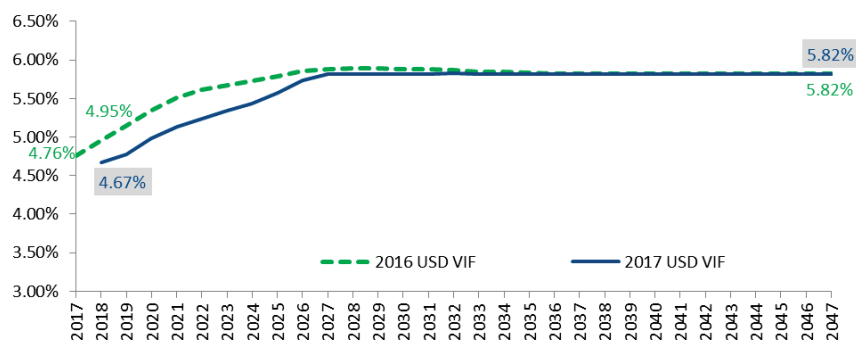
Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares 12.6bn.  
 (2) Totals may not sum due to rounding.

# 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 2016 & 2017.

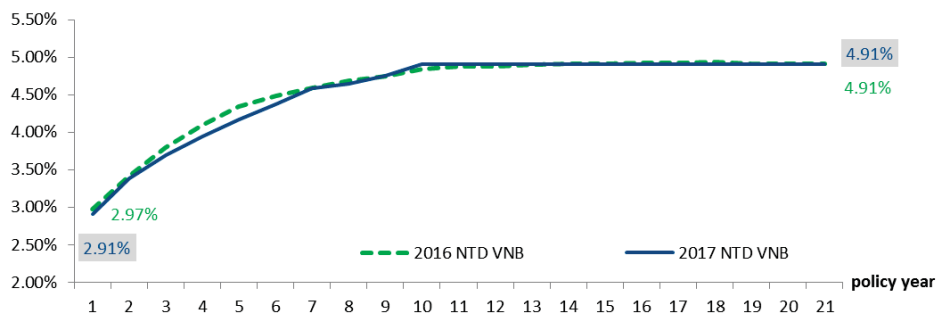


- Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2016 & 2017.

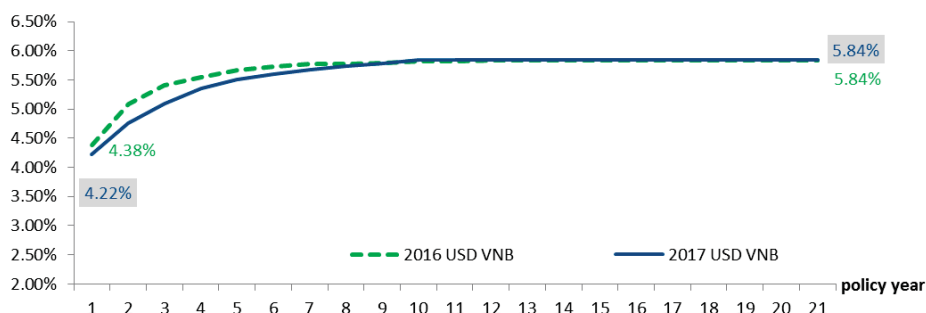


# Economic Assumptions: Future one year's new business investment yield

- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2016 & 2017.



- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2016 & 2017.



# Cost of Capital Projection and Non-economic Assumptions

## ■ RBC capital requirement:

Apply 2017 RBC formula announced by Insurance Bureau to project future capital requirement.

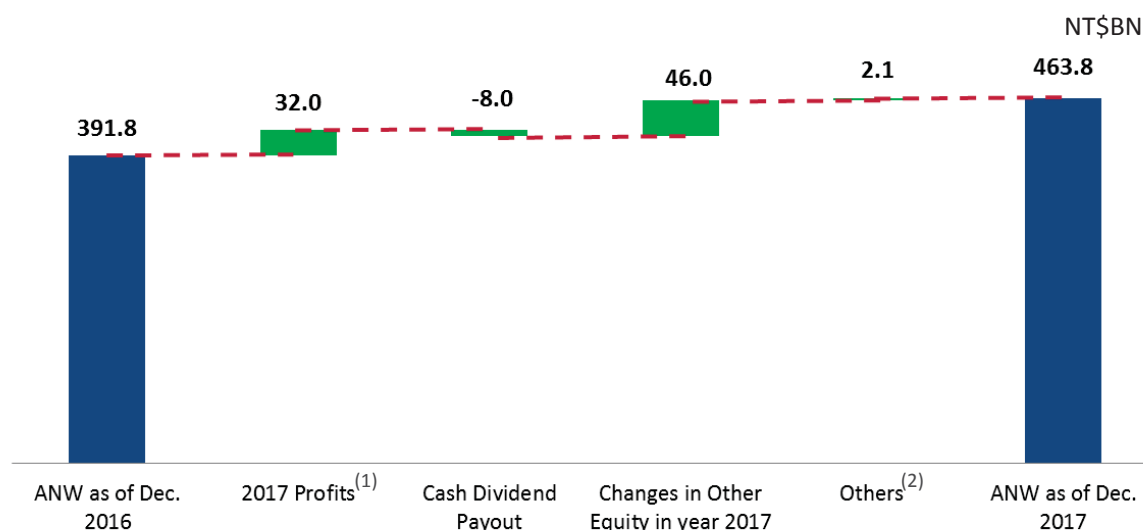
1. Capital Requirement = 200% RBC.
2. Risk-based capital calculation reflects company's current and future operation status.
3. Reflect RBC calculation change in 2017
  - ① For C3 risk capital of traditional products, the extra risk factor applied to previous year's C3 risk capital is increased from 40% to 50%. This change is reflected in all projection years.
  - ② The calculation of asset concentration risk is adjusted to reflect the change in bond classification from 3 categories to 4 categories.

## ■ Experience rate:

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

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

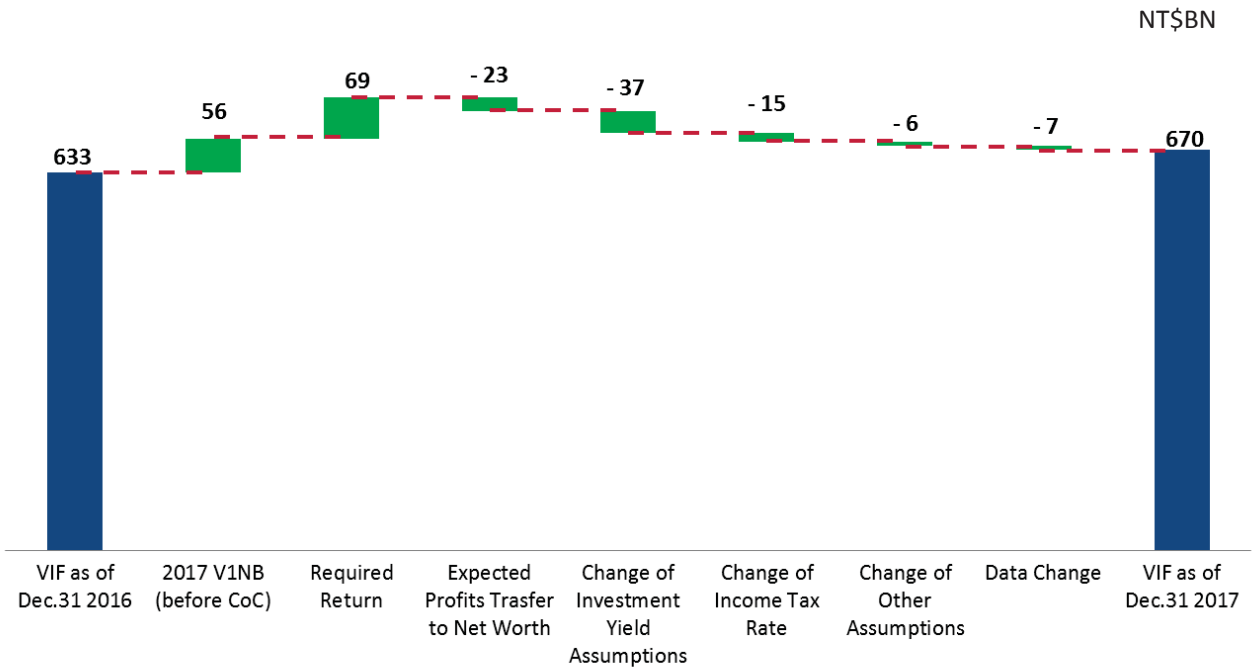
# Analysis of change in Adjusted Net Worth (ANW)



Note:

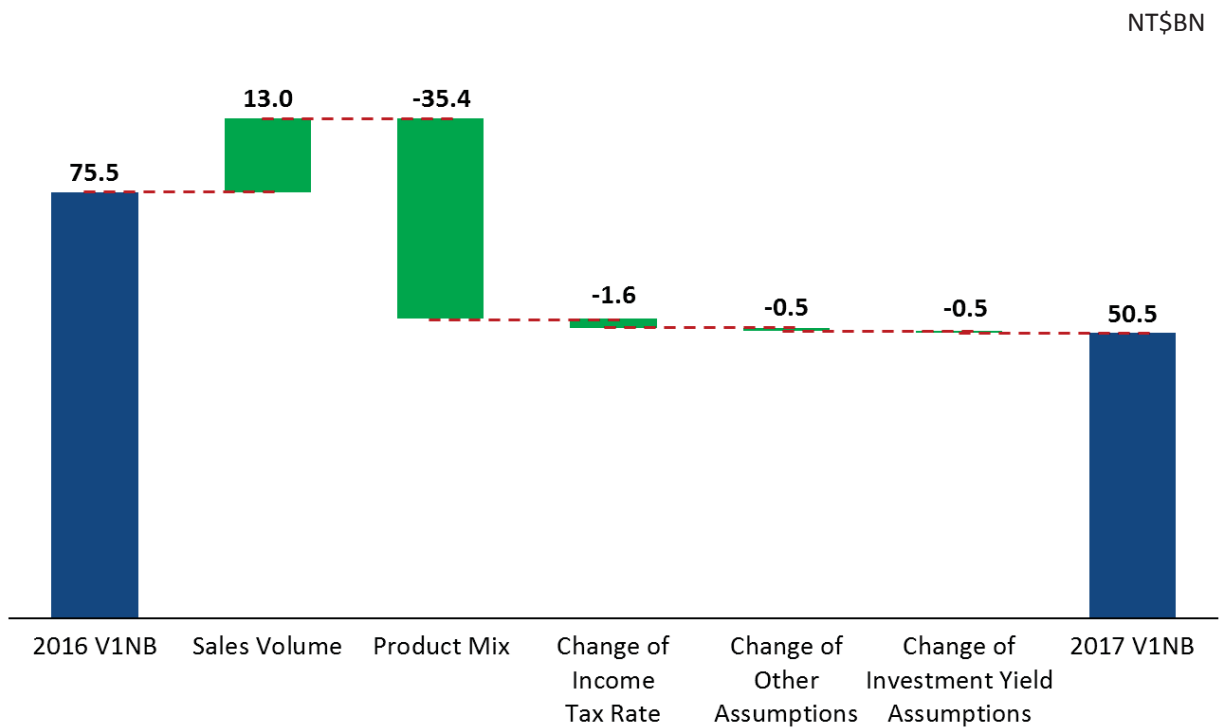
- (1) The profit of 2017 is 36.3 billion. However, 4.3 billion is recovered from special reserve of unrealized gains on property, which is already reflected in ANW of 2016. Thus, we reflect the remaining 32.0 billion in the item "2017 Profits".
- (2) Others include change of foreign exchange volatility reserve 1.7 billion.

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



■ The value of one year new business (after CoC) of 2017 is 50.5 billion.

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



# Sensitivity Analysis

NT\$BN, except for per share figures

Valuation date	2017/12/31					
	Investment yield - 0.25%	Investment yield + 0.25%	Investment yield + 0.25% (capped) <sup>(1)</sup>	Base Case	Discount rate - 0.5%	Discount rate + 0.5%
Adjusted net worth	464	464	464	464	464	464
Value of in-force business	549	791	735	670	713	631
Cost of capital (CoC)	-199	-181	-185	-190	-183	-197
Value of in-force business (After CoC)	350	610	550	480	530	435
Embedded Value	813	1,074	1,014	944	994	899
EV / per share	142.1 (64.8)	187.5 (85.5)	177.1 (80.7)	164.8 (75.1)	173.6 (79.1)	156.9 (71.5)
Appraisal Value	1,249	1,578	1,500	1,416	1,493	1,347
Value of future one year's new business (After CoC)	48.9	60.2	56.3	54.5	58.7	50.7
AV / per share	218.0 (99.4)	275.6 (125.6)	262.0 (119.4)	247.3 (112.7)	260.7 (118.9)	235.2 (107.2)

Note: (1) "Investment yield +0.25% (capped)" : the investment return is capped by 5.05% for NTD policies and 5.82% for USD policies.

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

## YoY Comparison

Under the different discount rate assumption (9.5%~10.5%), the results of the Year 2016 & 2017 go as follows.

Valuation date	NT\$BN	
	2016/12/31	2017/12/31
Embedded Value	813~903	899~994
Value of future one year's new business	50.2~58.3	50.7~58.7
Appraisal Value	1,266~1,394	1,347~1,493



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## Agenda

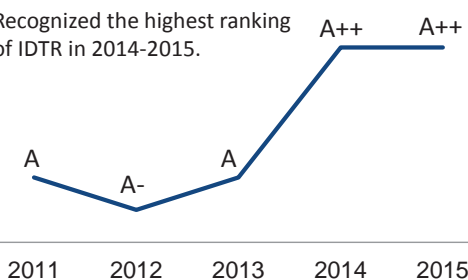
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# Continuous efforts in CSR

## Superior Corporate Governance Performance

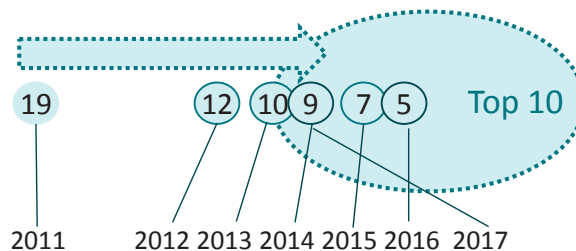
Recognized the highest ranking of IDTR in 2014-2015.



Cathay FHC has been ranked as top 5% of TWSE Corporate Governance Evaluation in 2017.

## Ranked Top 10 of Taiwan Corporate Citizenship Award

Ranked top 10 for 5 consecutive years



## Recognized by representative international ESG institutions

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

**vigeo eiris**  
BEST EM PERFORMERS

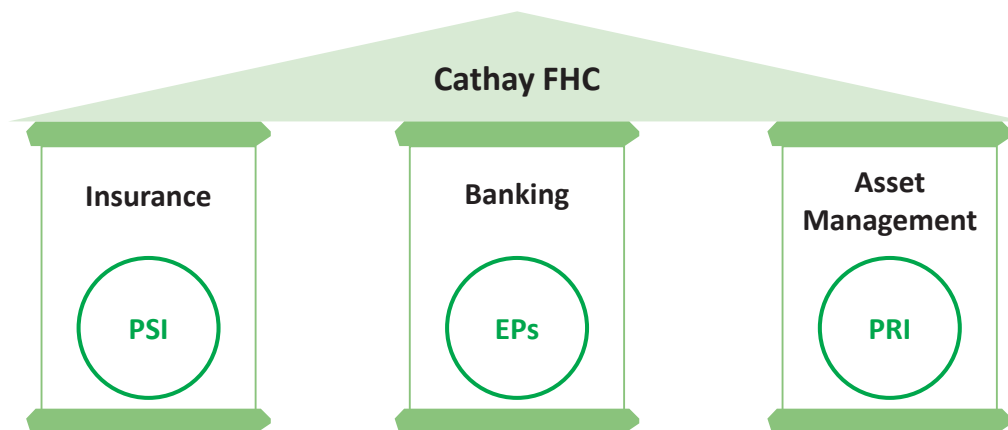
- ✓ Selected in DJSI Emerging Markets since 2015
- ✓ The first Taiwan insurance company included in DJSI

- ✓ Constituents of Vigeo Eiris Best EM Performers

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.

# Cathay FHC integrates sustainability into business



### Key initiatives

- In 2016, Cathay Life was the first Taiwanese life insurer voluntarily complying with the PSI.
- Cathay Century P&C Insurance also followed PSI framework in 2017.

- In 2015, CUB was the first Taiwanese financial institution signing the Equator Principles (EPs).

- Conning Inc., subsidiary of Conning Holding which was acquired by Cathay FHC, is the PRI signatory.
- Cathay SITE also signed Taiwan Stewardship Code in 2016.

### Team in-charge

Corporate Sustainability (CS) team in Cathay Life and Cathay Century

Sustainable Finance Management Section in Cathay United Bank

Responsible investments team under Cathay FHC CS committee

# Integrating ESG issues into all business processes

Business Processes	Risk Management	Products & Services	Operation	After-Sales Management	Investment
Integrating ESG into Business Process	<ul style="list-style-type: none"> <li>Consider ESG emerging risks</li> <li>Improve the management of climate risk and opportunity by following TCFD framework</li> <li>Set investment/lending limits and management procedures</li> </ul>	<ul style="list-style-type: none"> <li>Fintech and one-stop service</li> <li>Strengthen the green finance and inclusive finance services</li> <li>Integrate ESG issues to the underwriting and lending processes</li> </ul>	<ul style="list-style-type: none"> <li>Paperless operations and Fintech</li> <li>GHG inventory and carbon emission reduction</li> <li>Water and waste control</li> </ul>	<ul style="list-style-type: none"> <li>Review the product details and offer flexibility to customers when significant ESG incidents occur</li> <li>Trigger critical disaster claims mechanism when significant ESG incidents occur</li> <li>Disclose EPs projects</li> </ul>	<ul style="list-style-type: none"> <li>Exclusion policy</li> <li>ESG integration</li> <li>Sustainability themed investing</li> <li>Corporate engagement and shareholders' actions</li> <li>Investment mandate management</li> </ul>

## Actively participate in Global ESG initiatives



- Cathay FHC was **the first Taiwanese financial institution joining CDP in 2012** aiming to improve the carbon emission data transparency of Cathay's investee companies and loan customers.
- Participated in the **CDP non-discloser engagement campaign** since 2017 encouraging Cathay's investee companies to respond CDP questionnaires.
- The **response rate in 2017 reached 19%**, higher than overall response rate.



- Cathay FHC was **the only Taiwanese financial institution joining Low Carbon Investment Registry** initiated by GIC in 2014.
- The low carbon investment amount registered in 2015 reached US\$ 1.73 billion.



- **Cathay FHC joined AIGCC in 2016** and participates in the monthly conference calls discussing the global trends of climate change.



- Cathay Life and Cathay SITE are the **signatories of Climate Action 100+ initiatives**.
- Cathay will **engage with Taiwanese companies who are the substantial greenhouse emitters** by encouraging them to disclose the impact of climate-related risks and opportunities based on TCFD recommendation.

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## M&A Transaction: Conning in USA

- Cathay Life acquired 100% stake of Conning Holdings Corporation in 2015 for US\$240 MN. 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 US\$123 BN AuM (1Q2018)
- Conning operates through its offices in North America, Europe and Asia

<u>Assets by Client Type (US\$BN)</u>	<u>Assets</u>	<u>Assets by Region (US\$BN)</u>	<u>Assets</u>
Life	46.2	North America	68.4
Property-Casualty	42.1	APAC	43.8
Managed CLO Funds	13.8	United Kingdom	6.6
Mutual Fund	8.1	Continental Europe	1.6
Pension Plans	5.8	Bermuda	1.6
Healthcare	2.2	Other	0.5
Banks	1.7		
Others	2.7		
<b>Total AUM</b>	<b>122.6</b>	<b>Total AUM</b>	<b>122.6</b>

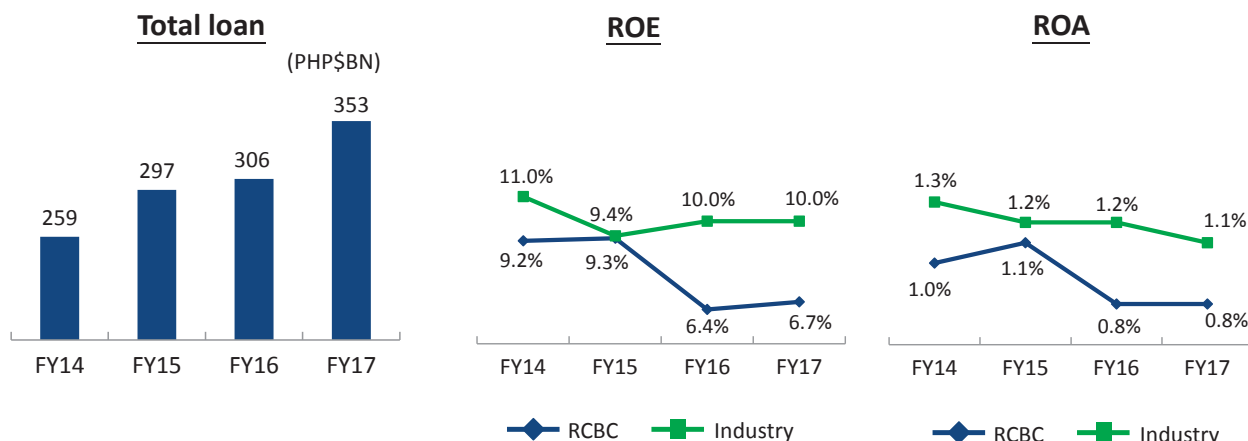
Note: Totals may not sum due to rounding.

## 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 PHP\$17.9 BN (c. US\$400 MN). 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

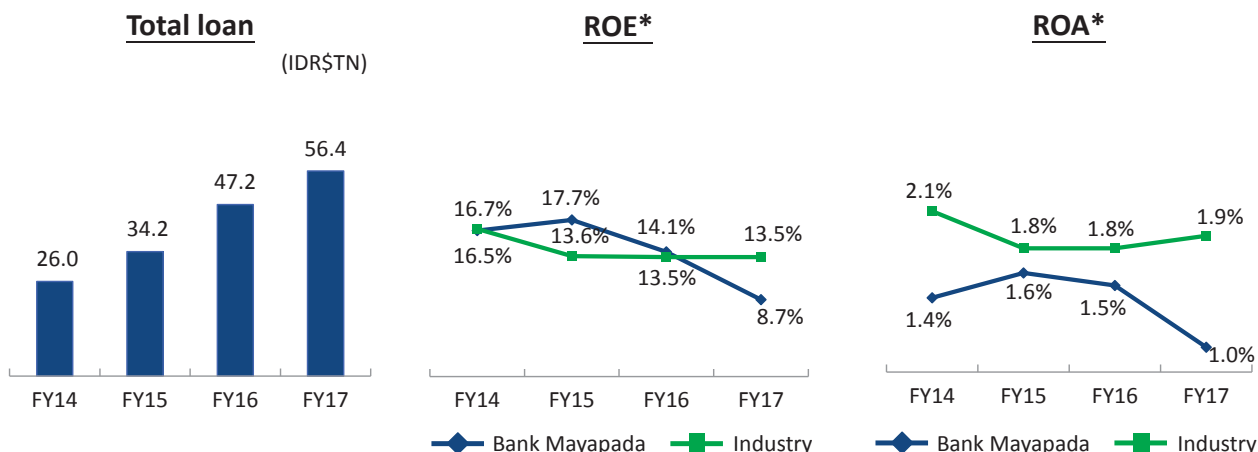
- RCBC is one of the large private-owned banks in terms of total assets, with 503 branches and over 6,000 employees



## M&A Transaction: Bank Mayapada in Indonesia

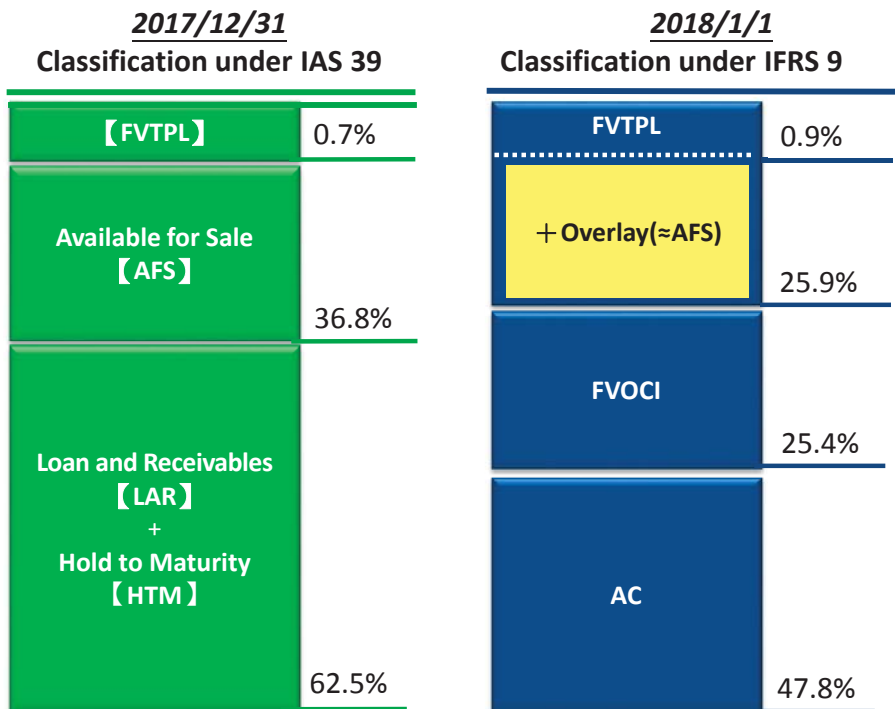
- Cathay Life has completed the acquisition of 40% stake in PT Bank Mayapada International, Tbk (“Bank Mayapada”)
  - Stage 1 : acquire 24.9% stake (US\$ 164 MN) – completed in 1H15
  - Stage 2 : acquire 15.1% stake – completed in Oct 2016
- Total investment was ~IDR\$3.52 TN (US\$ 295 MN), representing a ~3.15x P/B multiple upon announcement

### Bank Mayapada’s Performance



Note: ROE: Profit After Tax/Average Total Equity, ROA: Profit After Tax/Average Total Assets; ROE and ROA in the unaudited report are 25.5%(=Profit After Tax /Average Core Capital (Tier1) and 2.4%(=Profit Before Tax/Average Total Assets) respectively.

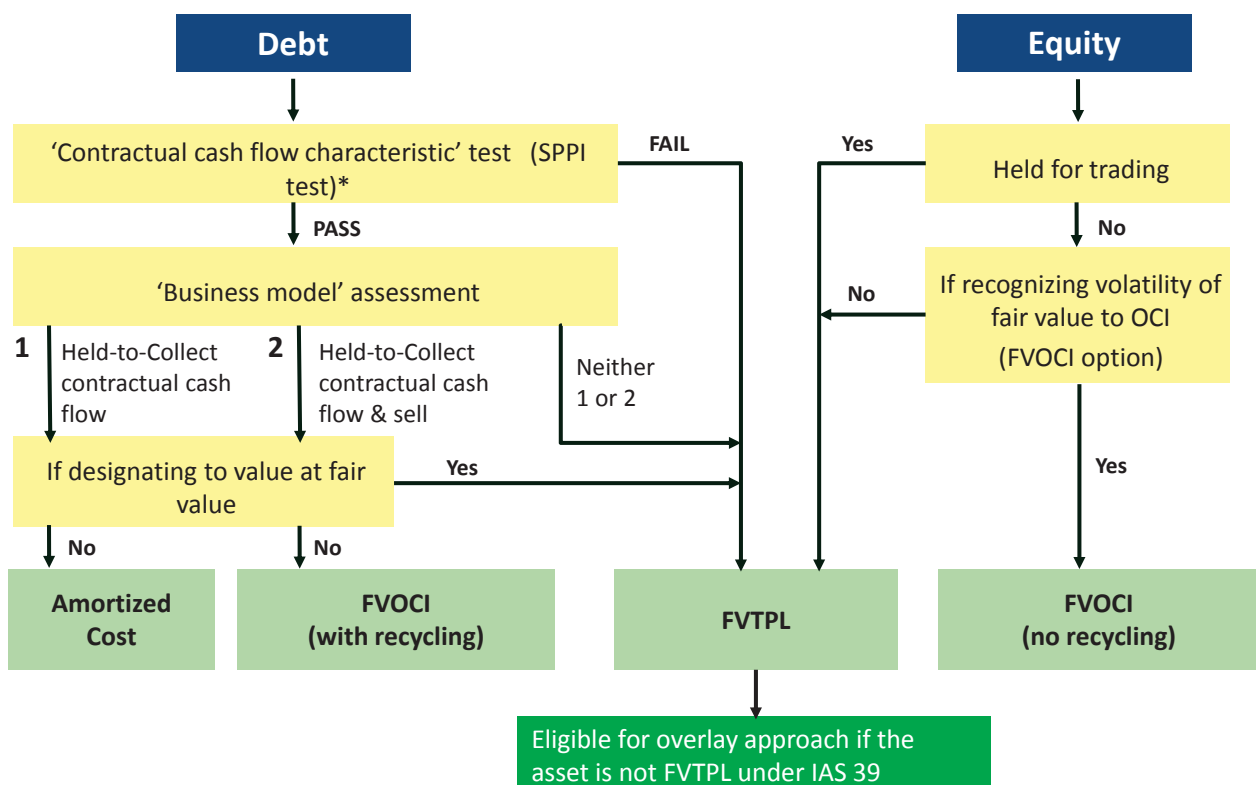
# Cathay Life - Asset reclassification under IFRS 9



Cathay Life's book value increased by NT\$32.6 bn.

Note: FVTPL stands for Fair Value through Profit or Loss, FVOCI stands for Fair Value through Other Comprehensive Income, and AC stands for Amortized Cost.

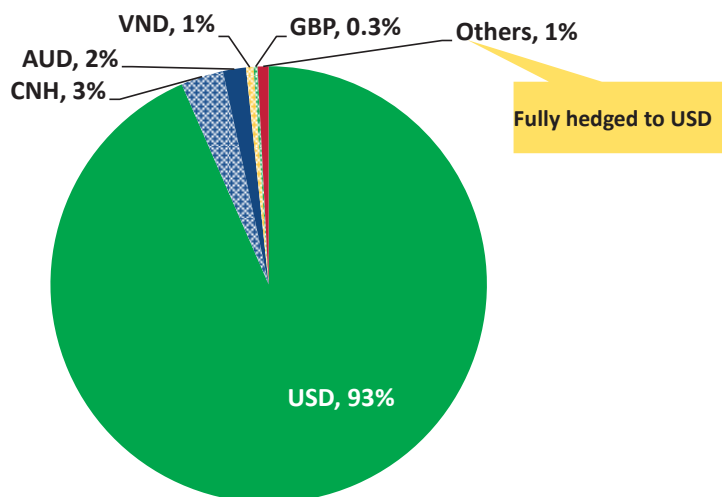
## Asset classification under IFRS 9 with overlay approach



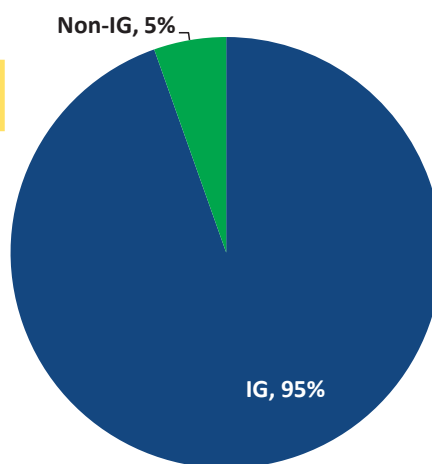
\*SPPI means cash flow are solely payments of the principal and interests on the principal amount outstanding. Interests consist of the consideration of time value and credit risk associated with the principal.

# Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (1Q18)

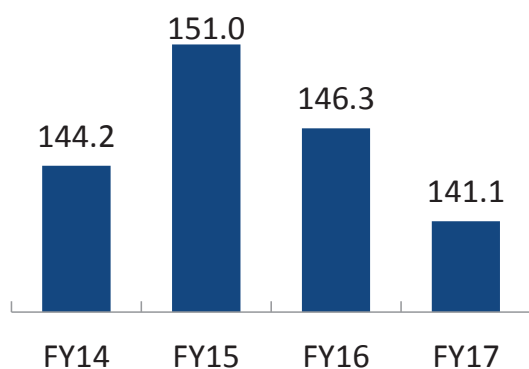


Overseas bond by rating (1Q18)

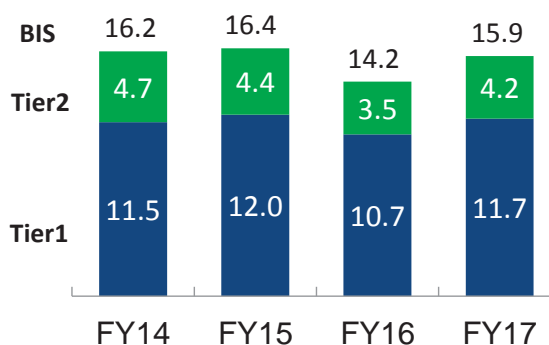


## Capital adequacy

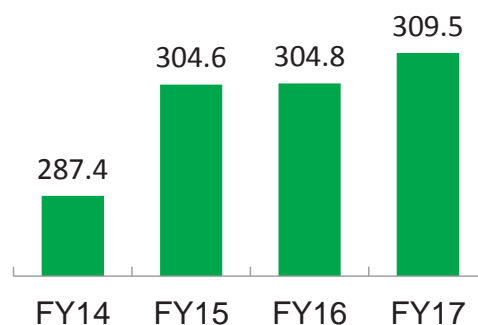
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC(%)



**Cathay Financial Holdings**  
**(NT\$MN)**

	FY15	FY16	FY17	FY17/ FY16 % Chg	1Q17	1Q18	1Q18/ 1Q17 % Chg
<b><u>Income Statement Data (Consolidated)</u></b>							
<b>Operating Income</b>							
Net interest income	139,998	153,478	168,461	10%	40,525	41,104	1%
Net commission and fee	(4,480)	(8,050)	1,070	113%	(216)	978	553%
Net earned premium	535,858	622,916	624,617	0%	143,875	136,368	-5%
Change in liability reserve	(306,598)	(408,614)	(445,833)	-9%	(98,573)	(79,909)	19%
Net claims payment	(309,104)	(308,697)	(295,503)	4%	(73,311)	(89,750)	-22%
Investment income	63,734	37,782	62,065	64%	5,064	31,162	515%
Contribution from associates-equity method	1,108	1,202	1,298	8%	472	67	-86%
Other net non-interest income	14,151	40,606	22,446	-45%	10,517	1,215	-88%
Bad debt expense	(2,467)	(5,232)	(3,460)	34%	(319)	(417)	-30%
Operating expense	(65,067)	(75,207)	(75,526)	0%	(17,176)	(19,020)	-11%
<b>Income before taxes</b>	<b>67,132</b>	<b>50,185</b>	<b>59,636</b>	<b>19%</b>	<b>10,859</b>	<b>21,799</b>	<b>101%</b>
Income taxes	(9,250)	(2,145)	(2,962)	-38%	(68)	1,458	2233%
Net income	57,882	48,039	56,673	18%	10,790	23,257	116%
EPS (NT\$)	4.58	3.79	4.47		0.85	1.84	
<b><u>Dividend Payout</u></b>							
Cash dividend per share	2.00	2.00					
Stock dividend per share	0.00	0.00					
Weighted average outstanding shares (Millions of common shares)	12,563	12,563	12,563		12,563	12,563	
<b><u>Balance Sheet Data</u></b>							
Total assets	7,568,975	8,135,137	8,841,510		8,279,518	8,961,966	
Total shareholders' equity	461,062	529,824	608,471		543,293	608,892	
<b><u>Operating Metrics</u></b>							
ROAE (Consolidated)	12.86%	9.70%	9.96%		8.04%	14.85%	
ROAA (Consolidated)	0.80%	0.61%	0.67%		0.53%	1.04%	
Double leverage ratio(inc. preferred stock)	111%	105%	108%		105%	108%	
<b><u>Capital Adequacy Metrics</u></b>							
Capital Adequacy Ratio	151%	146%	141%				

**Notes:**

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

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

(2) Total may not sum due to rounding.

(3) Starting from 2018/1/1, Cathay FHC adopted IFRS9. The comparative information for prior periods was not restated.



**Cathay Life**

(NT\$MN)

<b>Income Statement Data (Consolidated)</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY17/</b>	<b>1Q17</b>	<b>1Q18</b>	<b>1Q18/</b>
				<b>FY16</b>			<b>% Chg</b>
Net written premium	519,014	605,910	608,404	0%	140,111	132,246	-6%
Net earned premium	518,250	605,231	607,547	0%	140,493	132,524	-6%
Reinsurance commission earned	200	363	301	-17%	52	55	6%
Fee income	5,762	5,542	9,468	71%	2,589	2,660	3%
Recurring investment income	140,977	161,051	173,846	8%	37,549	40,343	7%
Gain on disposal of investment							
Realized gain (loss)-Equity	30,072	18,210	43,625	140%	14,743	25,090	70%
Realized gain (loss)-Debt	14,804	29,382	21,233	-28%	5,231	8,810	68%
Gain on investment property	11,074	5,000	(756)	-115%	(2)	(19)	-1125%
FX and others, net	(13,101)	(21,333)	(28,258)	-32%	(10,817)	(11,141)	-3%
Investment income, net	183,827	192,310	209,691	9%	46,704	63,083	35%
Other operating income	914	5,032	5,069	1%	1,168	1,290	10%
Separate account revenues	17,303	39,589	44,304	12%	4,820	2,678	-44%
Net claims payment	(298,102)	(297,201)	(284,023)	4%	(71,370)	(87,255)	-22%
Changes in liability reserves	(305,864)	(408,398)	(445,843)	-9%	(98,438)	(80,035)	19%
Acquisition and commission expense	(33,238)	(38,901)	(32,507)	16%	(8,232)	(8,620)	-5%
Other operating costs	(5,541)	(6,381)	(6,418)	-1%	(1,533)	(2,063)	-35%
Financial cost	(296)	(413)	(1,963)	-375%	(293)	(568)	-94%
Separate account expense	(17,303)	(39,589)	(44,304)	-12%	(4,820)	(2,678)	44%
Operating expense	(23,021)	(30,768)	(28,790)	6%	(7,112)	(7,366)	-4%
Net non-operating income	1,265	1,956	1,442	-26%	370	324	-12%
Income taxes	(5,710)	1,861	2,294	23%	733	2,697	268%
Net income	38,447	30,235	36,268	20%	5,131	16,727	226%
<b>Balance Sheet Data</b>							
Total assets	5,179,877	5,556,950	6,097,655		5,611,606	6,176,772	
General account	4,699,309	5,058,936	5,542,385		5,104,057	5,617,725	
Separate account	480,568	498,014	555,269		507,549	559,047	
Reserves for life insurance liabilities	4,228,117	4,567,324	4,944,292		4,602,079	4,999,017	
Total liabilities	4,831,642	5,192,967	5,656,473		5,239,024	5,743,851	
Total shareholders' equity	348,235	363,984	441,181		372,583	432,921	
<b>Operating Metrics</b>							
First Year Premium(FYP)	217,378	199,082	233,250		76,546	67,879	
First Year Premium Equivalent(FYPE)	102,002	135,035	78,602		25,348	21,443	
Expense ratio	10.3%	10.3%	8.6%		9.4%	10.3%	
13-M persistency ratio	97.6%	98.3%	98.2%		98.3%	98.4%	
25-M persistency ratio	91.8%	92.2%	94.3%		92.0%	94.5%	
ROAE	11.36%	8.49%	9.01%		5.57%	14.76%	
ROAA	0.78%	0.56%	0.62%		0.37%	1.09%	
<b>Capital Adequacy Metrics</b>							
RBC ratio (Standalone)	305%	305%	309%				

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- (3) Starting from 2018/1/1, Cathay Life adopted IFRS9. The comparative information for prior periods was not restated.

**Cathay United Bank**

(NT\$MN)				FY17/ FY16			1Q18/ 1Q17
<u>Income Statement Data (Consolidated)</u>	FY15	FY16	FY17	% Chg	1Q17	1Q18	% Chg
<b>Operating Income</b>							
Net interest income	26,729	25,910	29,701	15%	7,033	7,711	10%
Fee income	14,344	15,745	14,862	-6%	3,850	4,483	16%
Investment income	5,599	8,278	9,442	14%	1,468	2,075	41%
Other income	1,380	1,222	1,216	0%	282	179	-37%
<b>Net operating income</b>	<b>48,052</b>	<b>51,154</b>	<b>55,222</b>	<b>8%</b>	<b>12,633</b>	<b>14,448</b>	<b>14%</b>
Operating expenses	(24,851)	(26,959)	(29,301)	-9%	(6,550)	(7,075)	-8%
<b>Pre-provision profit</b>	<b>23,201</b>	<b>24,195</b>	<b>25,920</b>	<b>7%</b>	<b>6,083</b>	<b>7,373</b>	<b>21%</b>
Net provisions for possible losses	(1,922)	(4,455)	(3,494)	22%	(370)	(433)	-17%
<b>Income before taxes</b>	<b>21,279</b>	<b>19,740</b>	<b>22,426</b>	<b>14%</b>	<b>5,712</b>	<b>6,940</b>	<b>21%</b>
Income tax	(2,513)	(2,229)	(2,763)	-24%	(704)	(1,136)	-61%
<b>Net income</b>	<b>18,767</b>	<b>17,511</b>	<b>19,664</b>	<b>12%</b>	<b>5,008</b>	<b>5,803</b>	<b>16%</b>
<b>Balance Sheet Data</b>							
Total assets	2,383,377	2,566,669	2,735,704		2,642,894	2,777,640	
Loans, net	1,127,807	1,437,531	1,434,558		1,471,529	1,503,695	
Financial assets	791,192	849,989	859,590		798,861	922,363	
Total liability	2,226,608	2,406,701	2,553,396		2,478,535	2,587,301	
Deposits	1,881,657	2,032,600	2,098,368		2,037,125	2,117,166	
Financial Debenture Payable	51,900	51,900	63,350		51,900	59,500	
Total shareholders' equity	156,769	159,968	182,308		164,359	190,339	
<b>Operating Metrics</b>							
Cost income ratio	51.72%	52.70%	53.06%		51.85%	48.97%	
ROAE	12.33%	11.06%	11.49%		12.35%	12.35%	
ROAA	0.81%	0.71%	0.74%		0.77%	0.84%	
<b>Assets Quality</b>							
NPL	1,599	2,133	2,982		2,753	2,917	
NPL ratio	0.14%	0.15%	0.21%		0.19%	0.20%	
NPL provisions	17,323	19,686	22,553		20,172	22,701	
Coverage ratio	1083%	923%	756%		733%	778%	
<b>Capital Adequacy Metrics</b>							
BIS ratio (Standalone)	16.4%	14.2%	15.9%				
Tier I Ratio (Standalone)	12.0%	10.7%	11.7%				

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**Cathay Century**

(NT\$MM)				FY17/ FY16			1Q18/ 1Q17
	FY15	FY16	FY17	% Chg	1Q17	1Q18	% Chg
<b>Income Statement Data (Consolidated)</b>							
Premium income	22,449	22,774	21,878	-4%	5,080	5,364	6%
Net written premium	17,254	17,390	16,610	-4%	3,917	4,254	9%
Net earned premium	17,169	17,213	16,344	-5%	3,879	4,153	7%
Reinsurance commission earned	517	526	489	-7%	124	141	14%
Fee income	48	44	42	-6%	10	11	11%
Investment	972	2,082	892	-57%	180	247	37%
Interest income	564	568	547	-4%	131	134	2%
Other investment income, net	408	1,514	345	-77%	49	112	131%
Other operating income	15	0	0		0	0	0%
Net claims payment	(9,292)	(9,559)	(9,138)	4%	(2,015)	(2,411)	-20%
Changes in liability reserves	(734)	(209)	10	105%	(135)	125	193%
Commissions and other operating costs	(1,402)	(3,015)	(2,859)	5%	(679)	(763)	-13%
Operating expenses	(6,197)	(4,248)	(3,609)	15%	(861)	(907)	-5%
<b>Operating income</b>	1,095	2,834	2,170	-23%	503	596	18%
Net non-operating income	(4)	(1)	(16)	-1862%	(5)	(5)	13%
Income taxes	(287)	(492)	(297)	40%	(62)	(109)	-75%
Net income	804	2,342	1,858	-21%	436	483	11%
<b>Balance Sheet Data</b>							
Total assets	42,106	38,250	38,351		37,904	38,171	
Total stockholders' equity	7,219	9,216	10,517		9,627	10,917	
<b>Operating Metrics</b>							
Gross Combined ratio	85.3%	99.3%	80.0%		78.0%	79.4%	
Net Combined ratio	93.2%	93.3%	90.9%		90.5%	92.1%	
ROAE	11.44%	28.50%	18.83%		18.50%	18.01%	
ROAA	2.06%	5.83%	4.85%		4.58%	5.05%	
<b>Capital Adequacy Metrics</b>							
RBC ratio (Standalone)	359%	385%	392%				

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