



**國泰金控**

Cathay Financial Holdings

# 2022 First Quarter Briefing

May 2022



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# Agenda

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- ❑ **1Q22 Business Overview**
- ❑ **Overseas Expansion**
- ❑ **Business Performance Summary**
  - Cathay United Bank
  - Cathay Life
  - Cathay Century
- ❑ **Cathay Life Embedded Value & Appraisal Value**
- ❑ **Appendix**

# 1Q22 Business overview

## Cathay United Bank

- Delivered robust growth in deposits and loans. Asset quality was benign. Interest spread expanded, and net interest income saw 10% YoY growth.
- Net fee income grew 15% YoY, driven by robust YoY fee growth in wealth management, credit cards, and syndicated loans.

## Cathay Life

- Adhered to a value-driven strategy. Protection-type FYP grew 21% YoY. AUM for investment-linked products (ILPs) rose to over NT\$700bn, ranking No. 1 in the industry.
- Delivered sound investment performance with an after-hedging investment yield of 4.7%.
- EV increased by NT\$55bn (or 5%) to NT\$1,199bn (or NT\$91.0 per share of FHC).

## Cathay Century

- Premium income rose 14% YoY, with 11.6% market share. Continued to provide diversified insurance services, well-rounded coverage concepts, and customer-centric products.
- Developed online business in China. Accelerated development of Vietnam business and increased premium income via digital transformation and mobile applications.

## Cathay SITE

- Ranked No. 1 in AUM, amounting to NT\$1.24tn. Earned wide acclaim for various new products. 1Q22 net profit set a record high for the first-quarter period.
- Recognized by Asia Asset Management and Benchmark. Received TFF-Bloomberg Best Fund Award and Golden Goblet Award in 2022.

## Cathay Securities

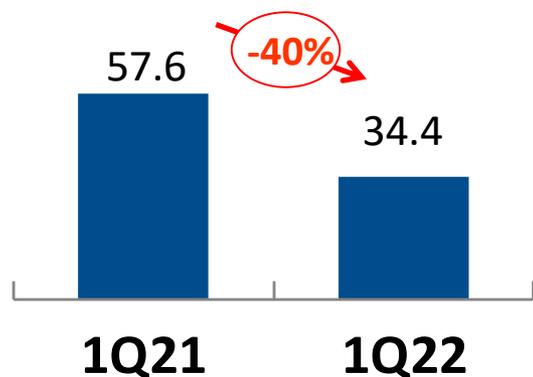
- Optimized customer experience with a digital-only business model; focused on digital customers to increase customer base.
- Number of customers grew steadily, with total number of open accounts reaching 1.27mn as of 1Q22.

# Cathay FHC – Net income & EPS

- 1Q22 earnings were the second highest ever recorded in the first-quarter period. YoY decline was mainly due to the higher base period for investment gains and favorable financial markets in the previous year.

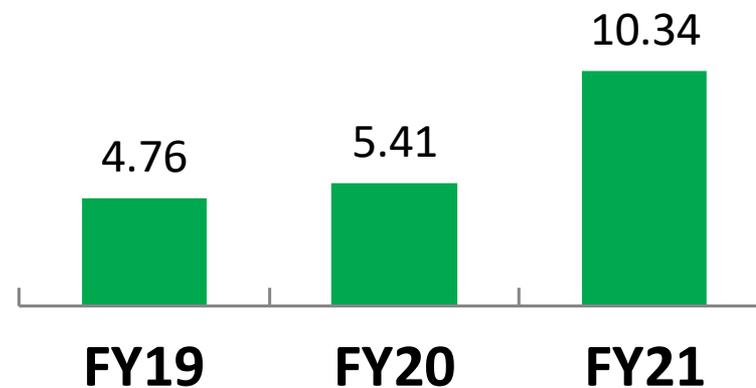
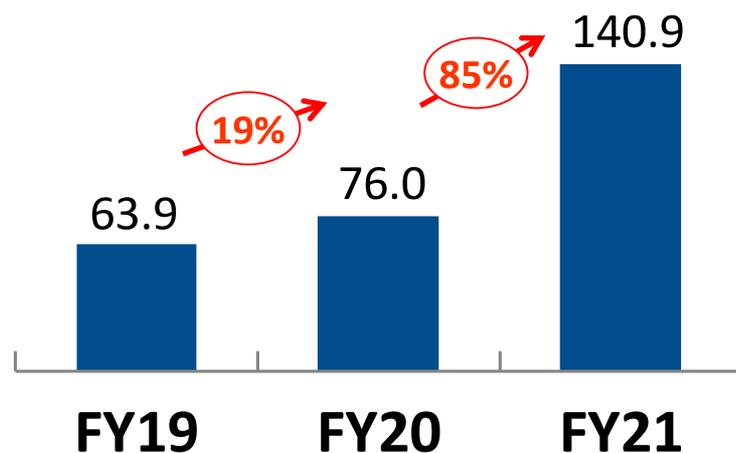
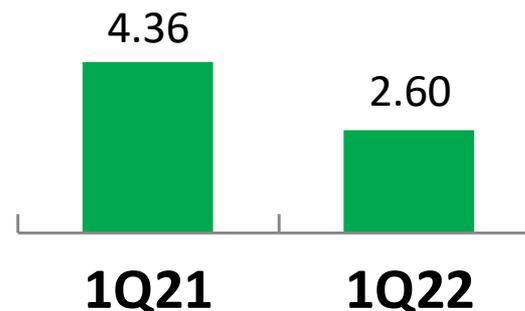
## Net income

(NT\$BN)



## EPS

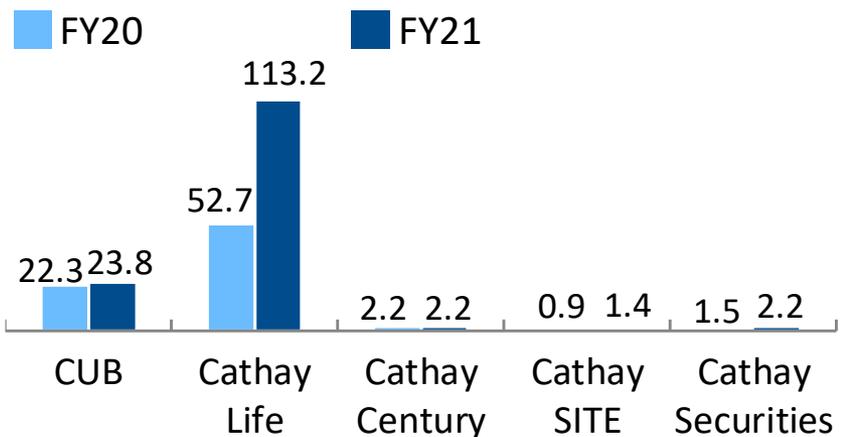
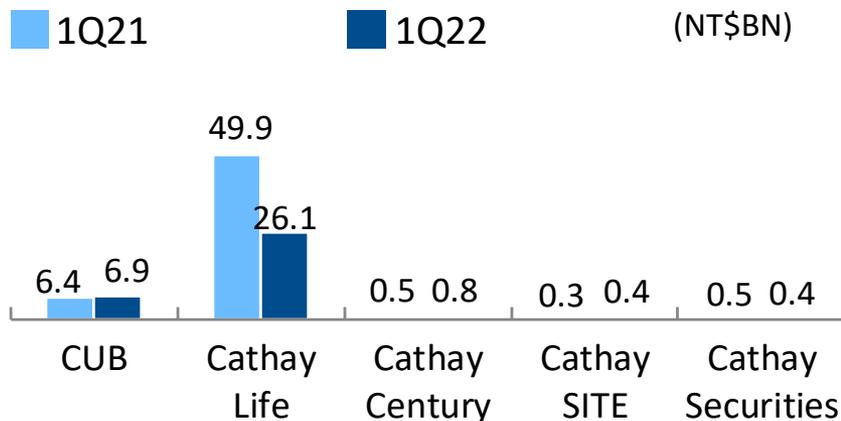
(NT\$)



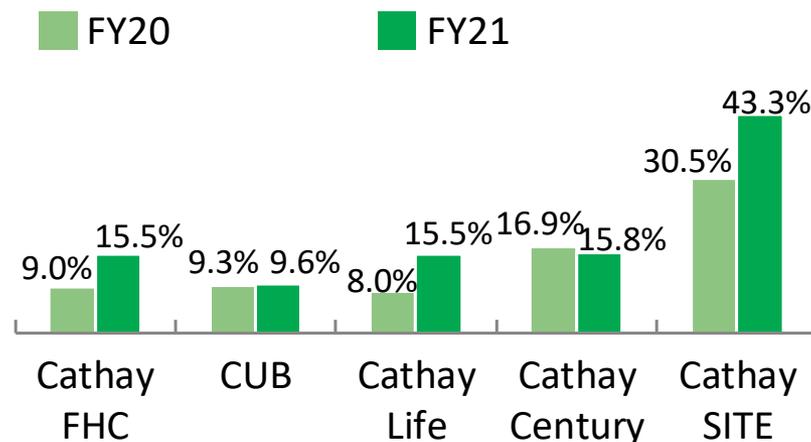
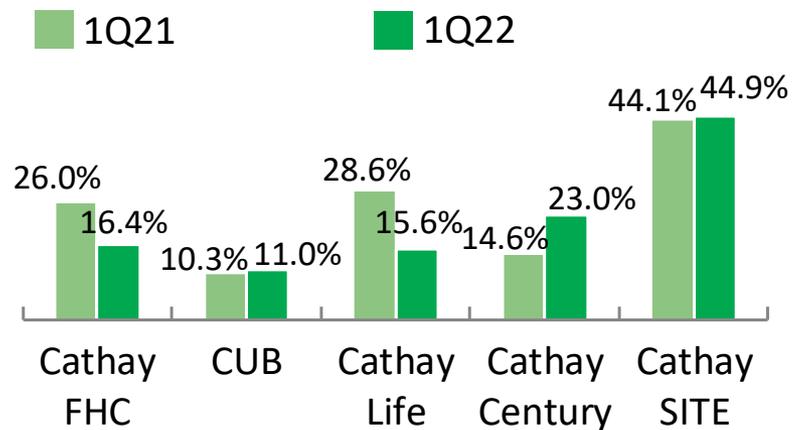
# Cathay FHC – Net income & ROE

- CUB earnings grew 7% YoY, driven by robust net interest income and fee income. Cathay Century and Cathay SITE each had record-high 1Q22 earnings.
- Cathay Life delivered its second-highest historical 1Q earnings. The YoY decline was due to the higher base period for capital gains in 1Q21.

## Net income of primary subsidiaries

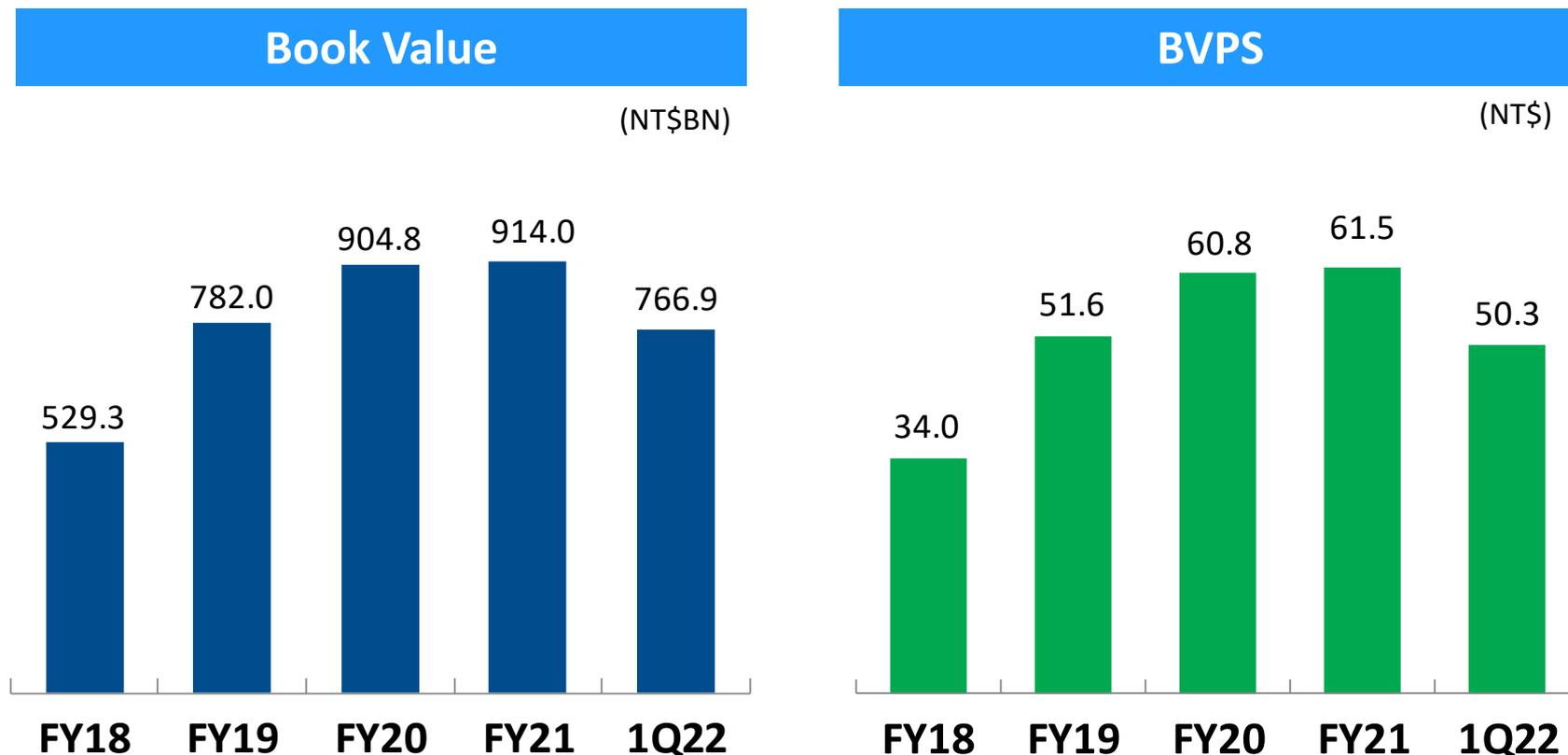


## ROE



# Cathay FHC – Book value & BVPS

□ Book value declined in 1Q22, reflecting rising bond yields and falling equity markets.



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.

# Agenda

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□ 1Q22 Business Overview

□ Overseas Expansion

□ Business Performance Summary

Cathay United Bank

Cathay Life

Cathay Century

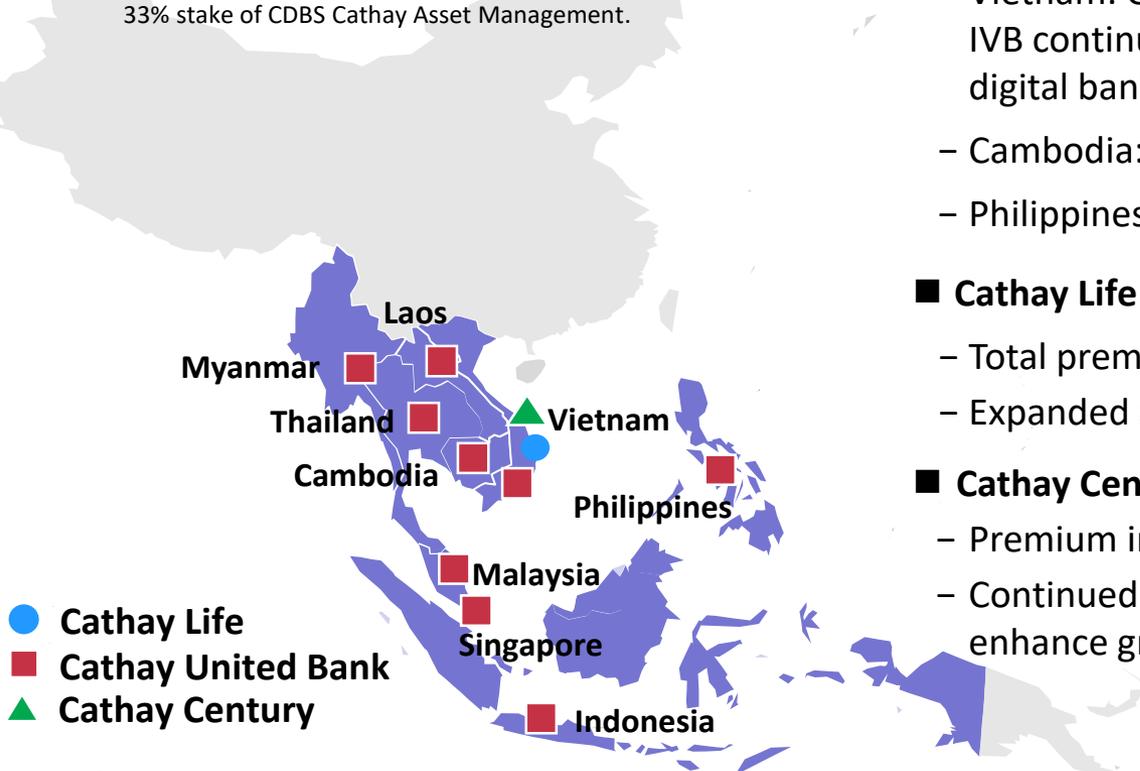
□ Cathay Life Embedded Value & Appraisal Value

□ Appendix

# Cathay FHC in South East Asia

	China	Vietnam	Cambodia	Hong Kong	Singapore	Malaysia	Laos	Philippines	Myanmar	Thailand	Indonesia
Bank	7	36	16	1	1	1	1	1	1	1	1
Life	53	148									
P&C	26	2									
Asset Mgt.	1			1							
Securities				2							

Note: (1) Footprints in Thailand and Indonesia are rep. offices.  
 (2) Investments in RCBC are funded by Cathay Life.  
 (3) Cathay FHC owns 49% stake of Cathay Century (China), and 33% stake of CDBS Cathay Asset Management.



## ■ Banking

- Vietnam: Opened Ho Chi Minh City Branch in April. IVB continued to expand in corporate, consumer, and digital banking business.
- Cambodia: Local subsidiary's business grew steadily.
- Philippines: Invested in RCBC.<sup>(2)</sup>

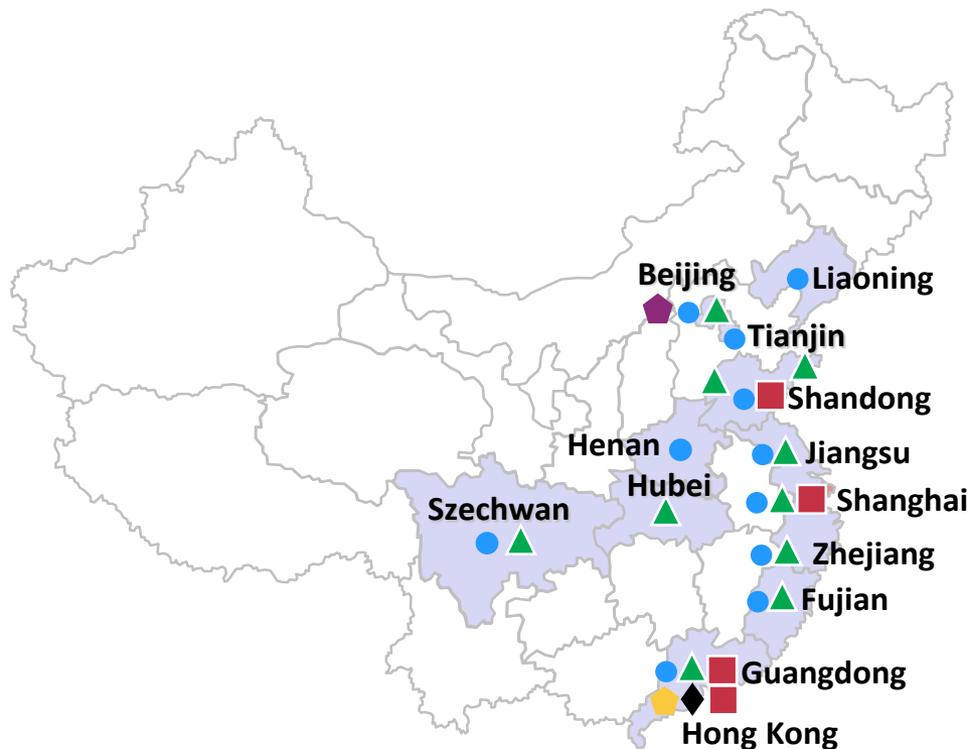
## ■ Cathay Life (Vietnam)

- Total premium grew 11% YoY to 558bn VND in 1Q22.
- Expanded and diversified distribution channels.

## ■ Cathay Century

- Premium income grew to 110bn VND in 1Q22.
- Continued 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**
  - China subsidiary saw steady performance.
  - HK branch issued its first structured product, providing greater flexibility in asset allocation for high-net-worth customers.
- **Cathay Lujiazui Life**
  - Total premium grew 8% YoY to 1.2bn RMB in 1Q22.
  - Reinforced mid-to-high-end customer base; enhanced efficiency through digitalization management tools.
- **Cathay Century (China)**
  - Formed a strategic alliance with Ant Group. Actively developed e-commerce financial services.
- **Cathay Securities (HK)**
  - Continued to grow local and cross-border business.
- **JV with China Development Bank Securities (CDBS Cathay Asset Management)**
  - Business remained steady.
- **Conning Asia Pacific Limited**
  - Continued to expand asset management business.

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- **1Q22 Business Overview**
- **Overseas Expansion**
- **Business Performance Summary**

## Cathay United Bank

Cathay Life

Cathay Century

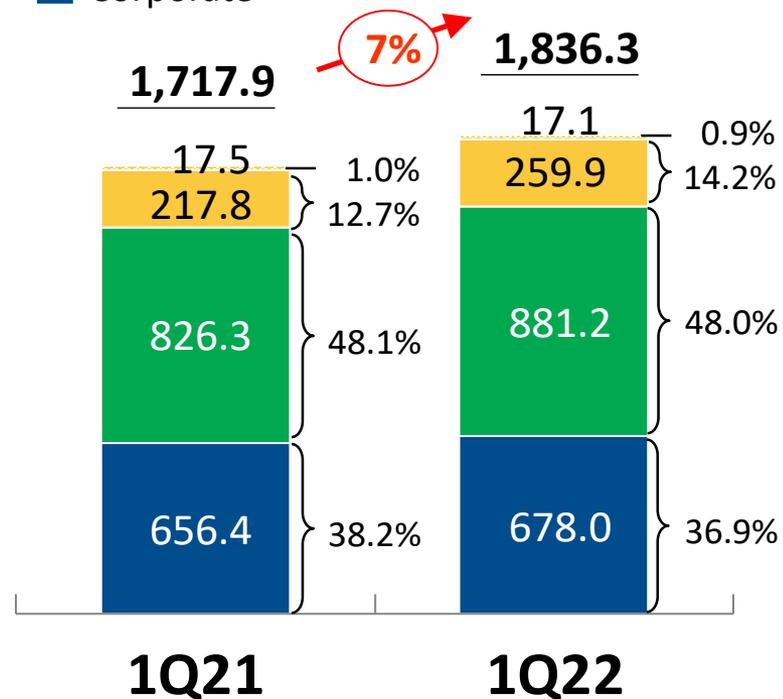
- **Cathay Life Embedded Value & Appraisal Value**
- **Appendix**

# Cathay United Bank – Loan & deposit breakdown

- Robust loan growth across consumer, mortgage, and corporate loans.
- Solid growth in deposits, with demand-deposit ratio over 70%.

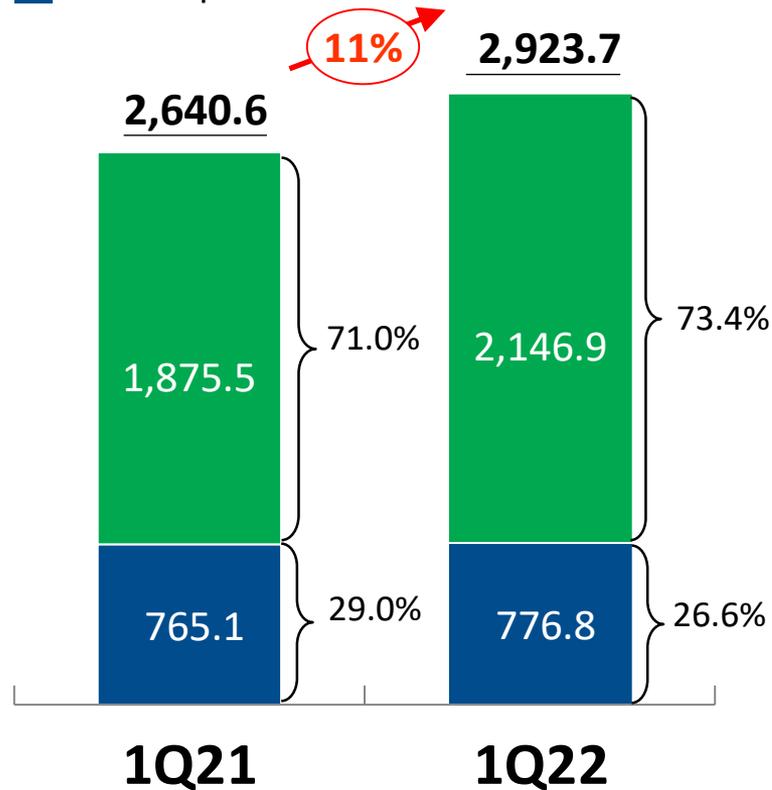
## Loan breakdown

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



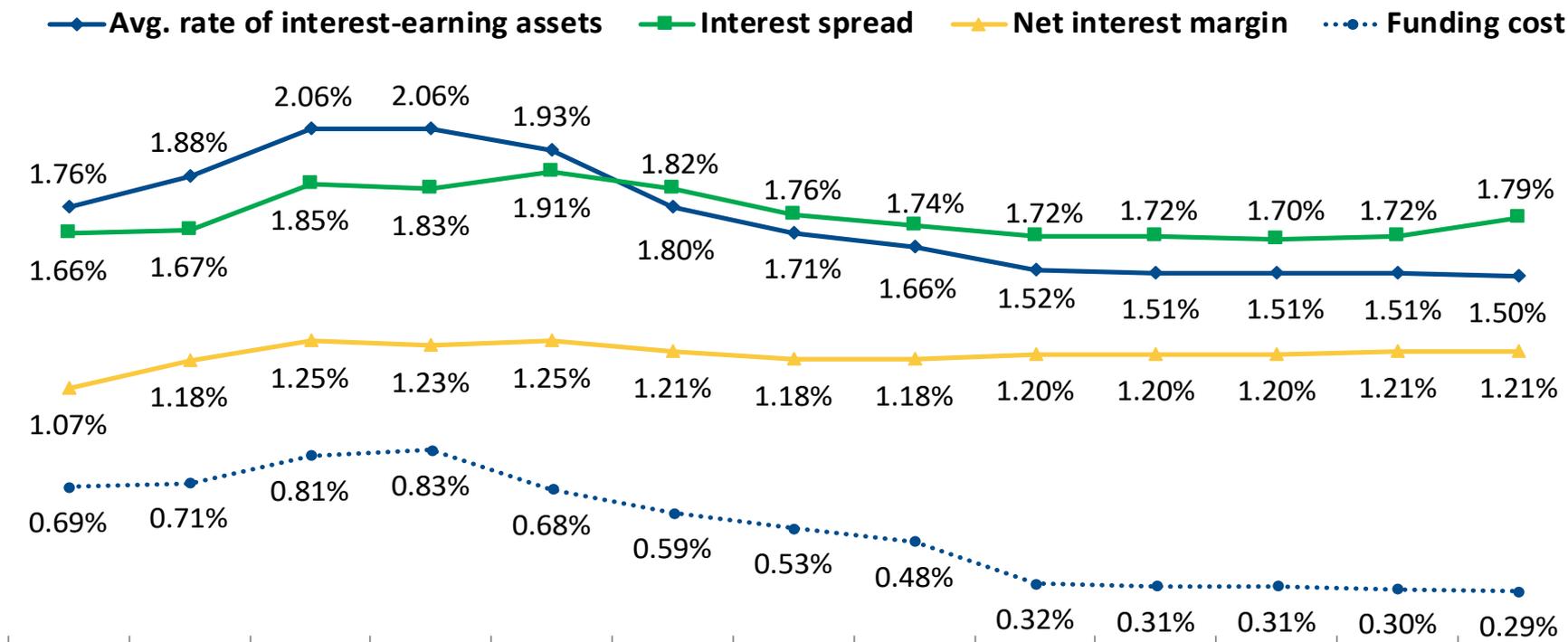
## Deposit breakdown

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



# Cathay United Bank – Interest yield

- 1Q22 interest spread expanded, attributable to optimized loan mix and increase in lending yield. The reduced FX bond position led to a slight QoQ decline in NIM.



	FY16	FY17	FY18	FY19	1Q20	1H20	9M20	FY20	1Q21	1H21	9M21	FY21	1Q22	
<b>Quarterly</b>					<u>4Q19</u>	<u>1Q20</u>	<u>2Q20</u>	<u>3Q20</u>	<u>4Q20</u>	<u>1Q21</u>	<u>2Q21</u>	<u>3Q21</u>	<u>4Q21</u>	<u>1Q22</u>
<b>Spread</b>					1.86%	1.91%	1.73%	1.65%	1.69%	1.72%	1.71%	1.69%	1.74%	1.79%
<b>NIM</b>					1.26%	1.25%	1.17%	1.13%	1.17%	1.20%	1.20%	1.21%	1.22%	1.21%

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

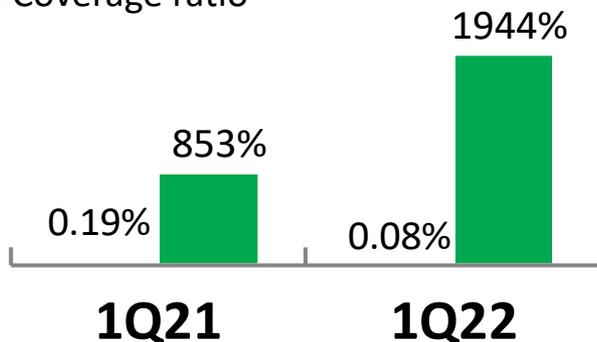
(2) China subsidiary was launched in Sep 2018. Hence, since 9M18, China subsidiary results was excluded.

# Cathay United Bank – Credit quality

- Asset quality remained benign with NPL at 0.08% and coverage ratio at 1944%.

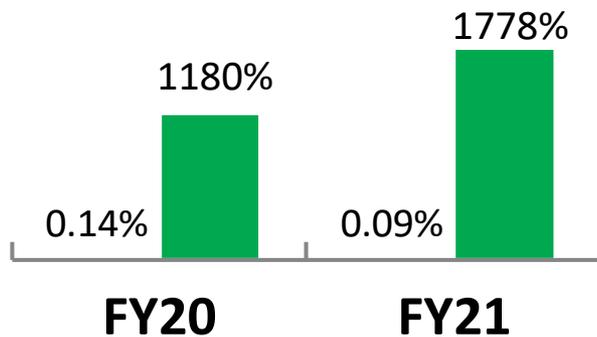
## NPL & Coverage ratio

- NPL ratio
- Coverage ratio



Mortgage NPL

0.10 %      0.08 %

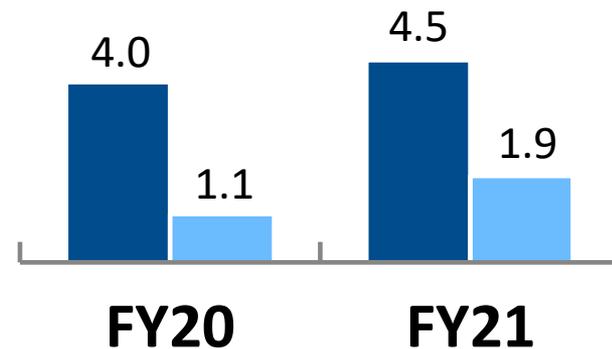
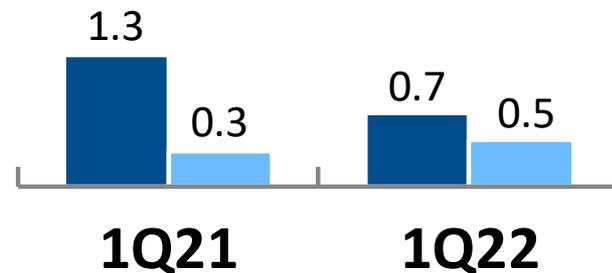


Mortgage NPL

0.11 %      0.08 %

## Gross provision

- Gross provision (NT\$BN)
- Recovery

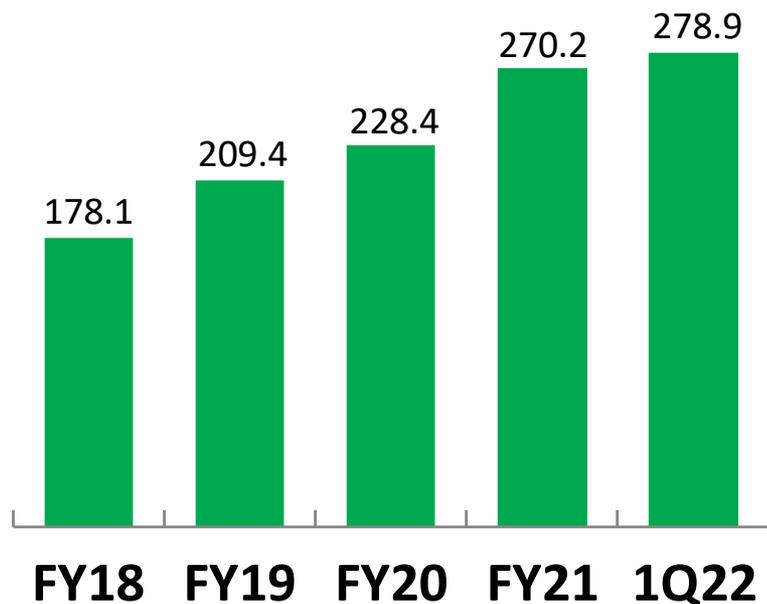


# Cathay United Bank – SME & FX loans

- SME loans continued to show solid growth.
- Foreign currency loans grew 4% YTD while showing muted growth if excluding the impact from TWD depreciation.

## SME loans

(NT\$BN)

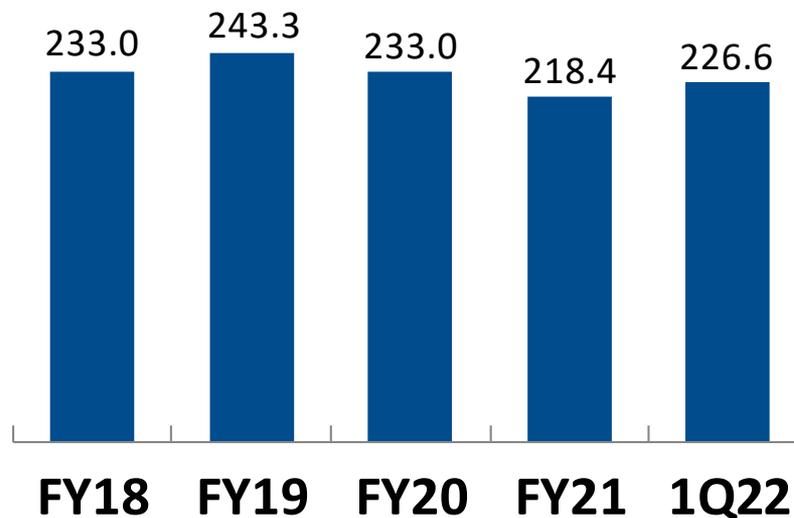


As % of total loans

11.4% 13.8% 14.1% 15.3% 15.3%

## Foreign currency loans

(NT\$BN)



15.0% 16.1% 14.4% 12.4% 12.5%

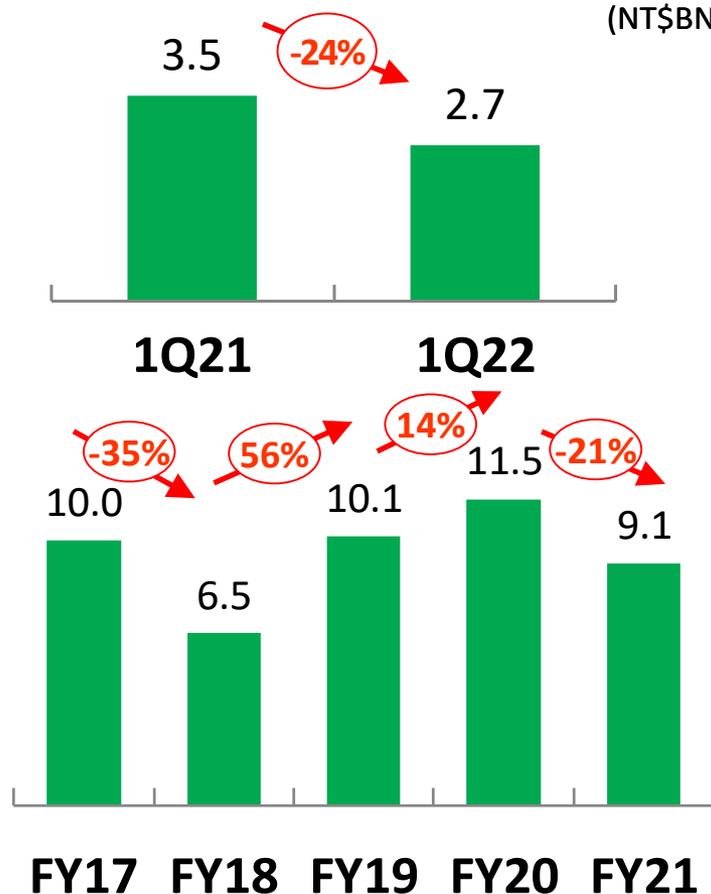


# Cathay United Bank – Offshore earnings

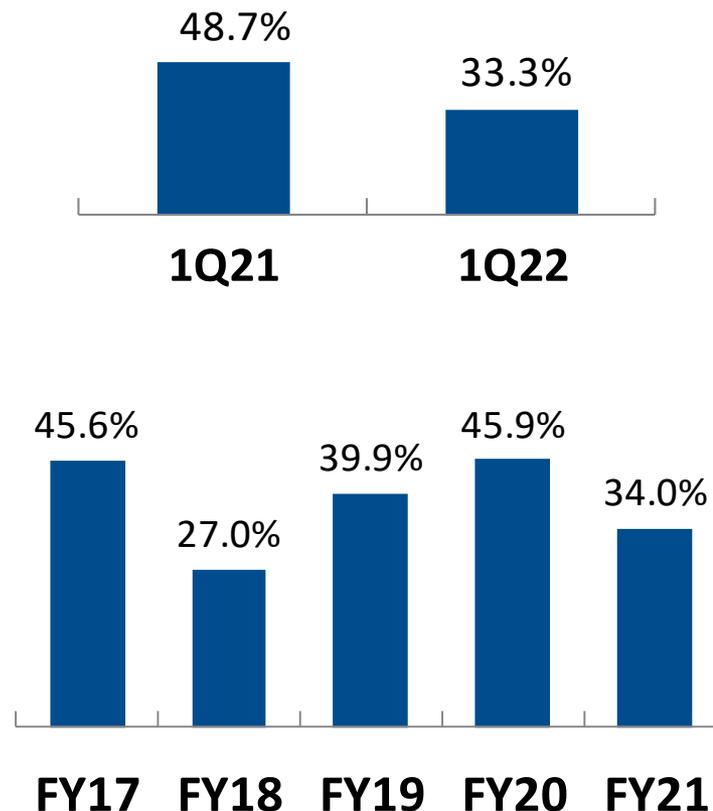
- Offshore earnings declined mainly due to lower YoY investment income.

## Offshore earnings

(NT\$BN)



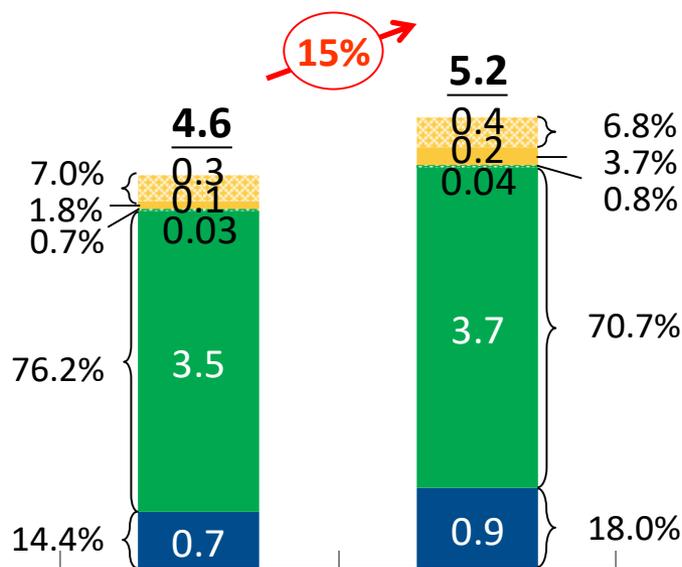
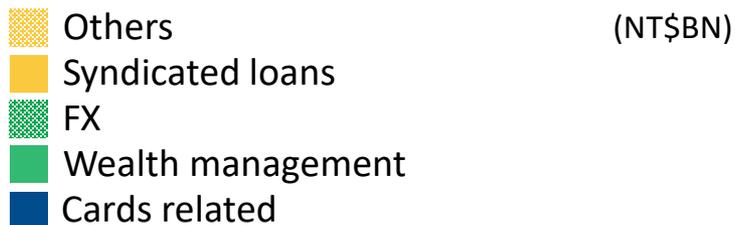
## As % of CUB pre-tax profits



# Cathay United Bank – Net fee income

- Fee income grew 15% YoY, driven by successive wealth management fee growth, strong growth in credit card fees, and fee rebound from syndicated loans.

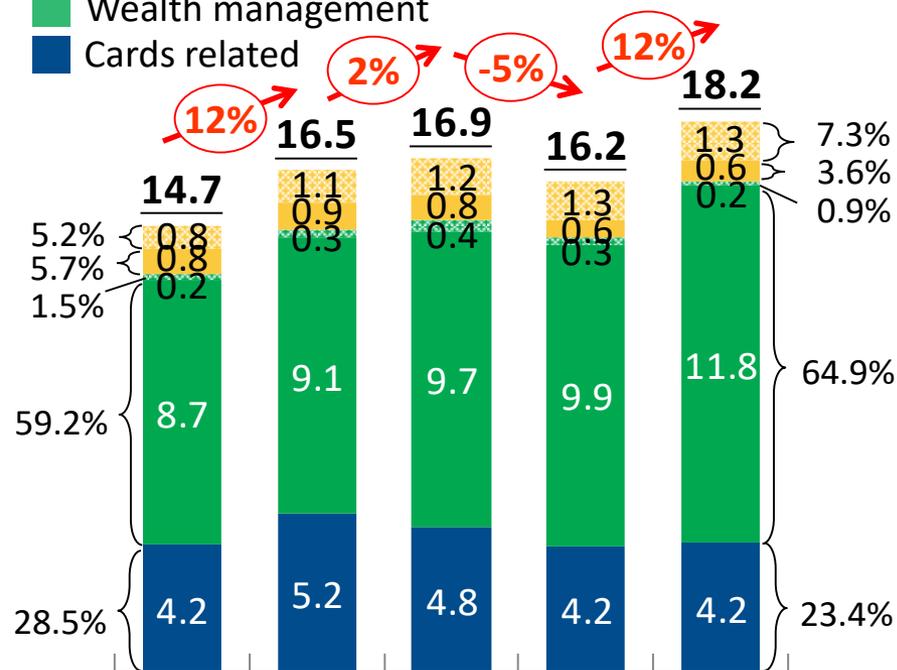
## Quarterly net fee income



1Q21

1Q22

## Annual net fee income



FY17 FY18 FY19 FY20 FY21

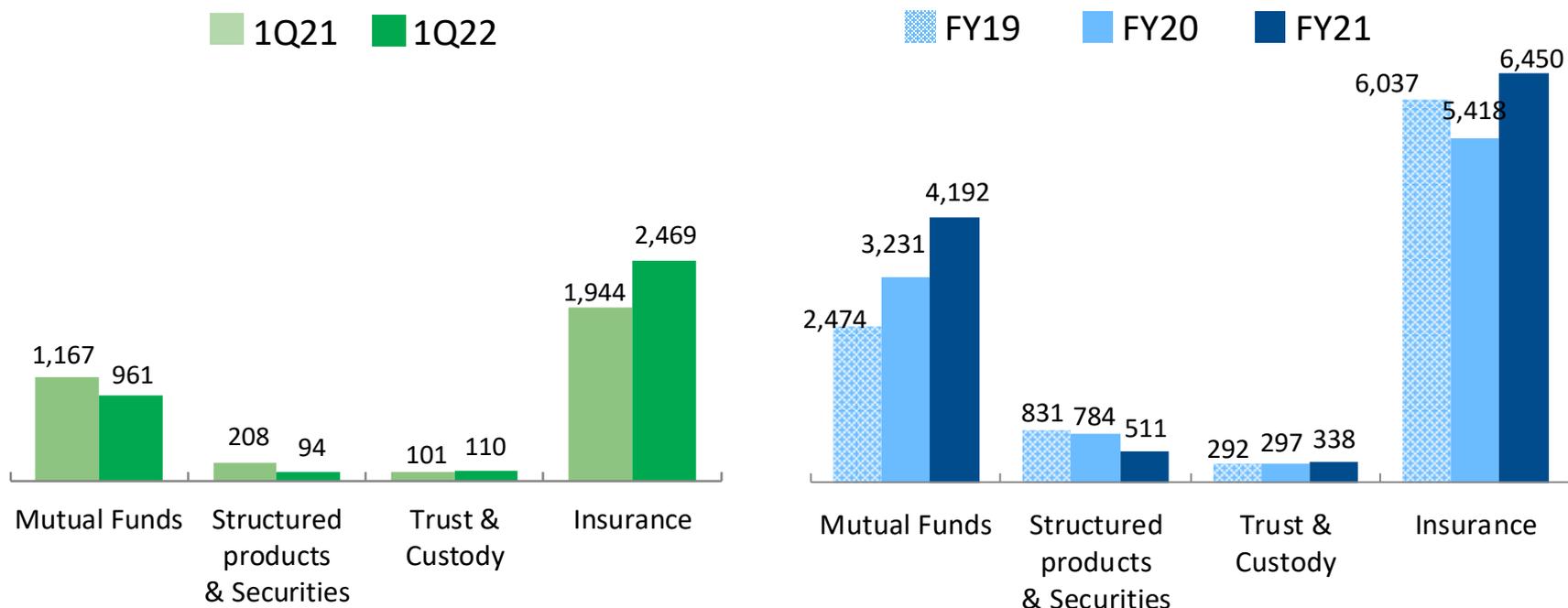


# Cathay United Bank – Wealth management fees

- Wealth management fees increased 6% YoY, bolstered by strong growth in bancassurance fees.

## Wealth management fees breakdown

(NT\$MN)	1Q21	1Q22	FY19	FY20	FY21
Wealth management fee income	3,480	3,700	9,695	9,878	11,783
YoY growth (%)	9.9%	6.3%	6.9%	1.9%	19.3%



# Agenda

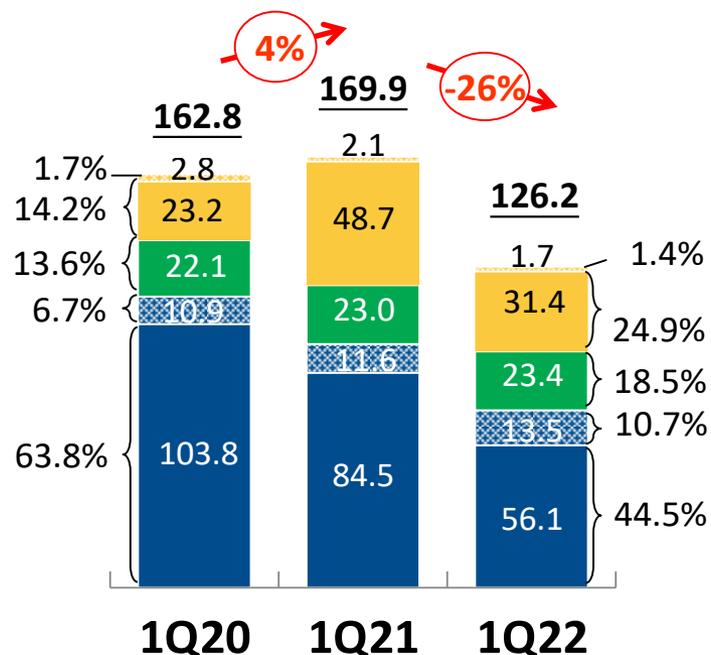
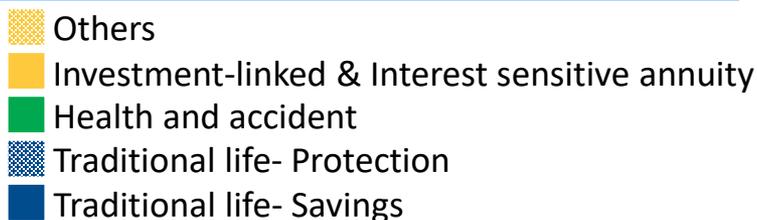
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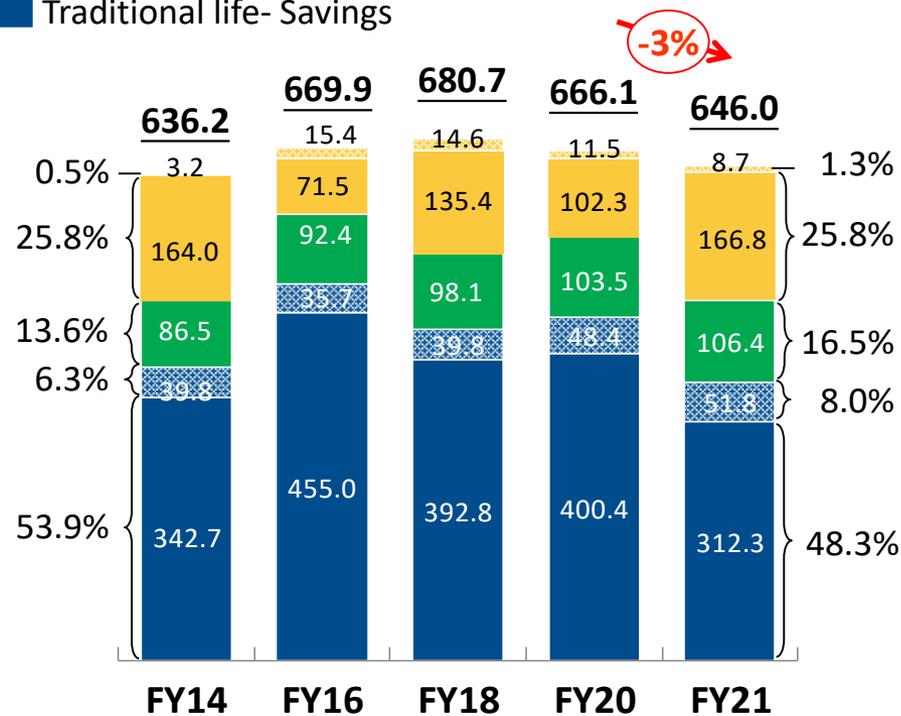
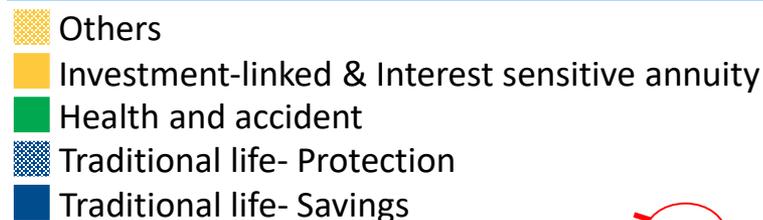
# Cathay Life – Total premium

- Total premium declined YoY due to the high 1Q21 base for ILPs and lower renewal premium, reflecting the end of regular premium payment terms for some top-selling products.

## Quarterly total premium



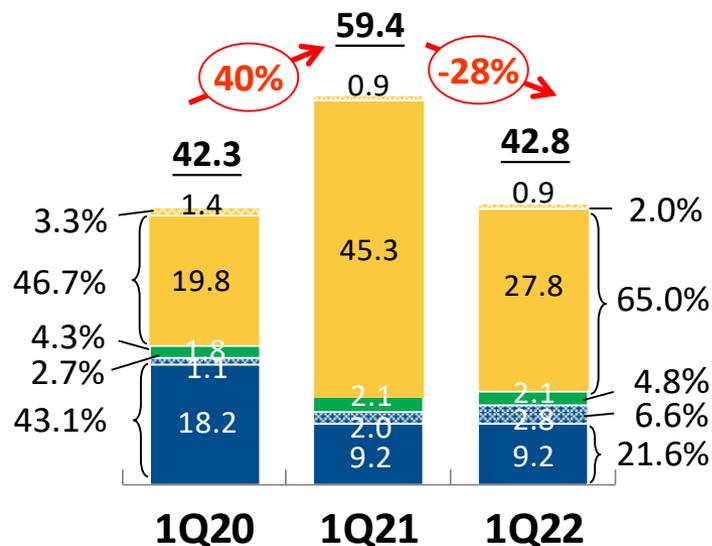
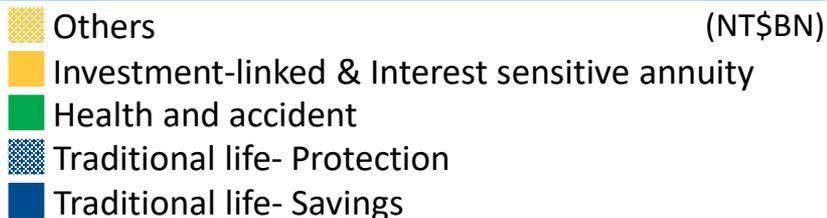
## Annual total premium



# Cathay Life – Quarterly FYP & APE

- FYP and APE declined YoY due to the high base period for ILPs in 1Q21, which saw favorable capital markets.
- FYP for protection-type policies grew 21% YoY, supporting the contractual service margin (CSM).

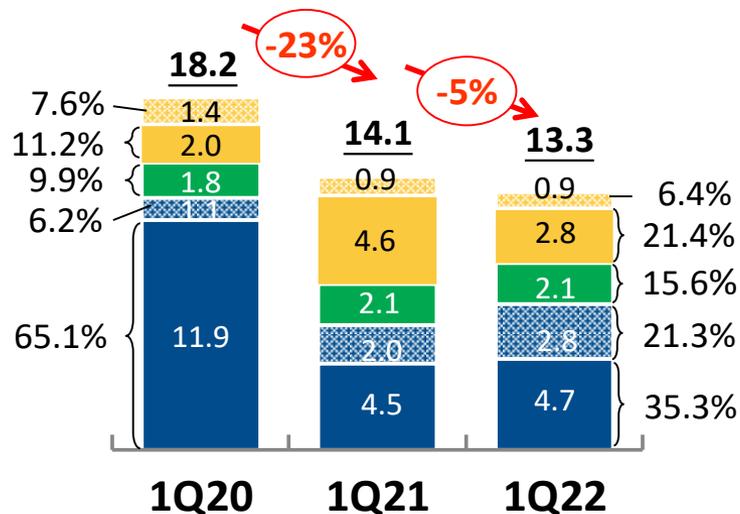
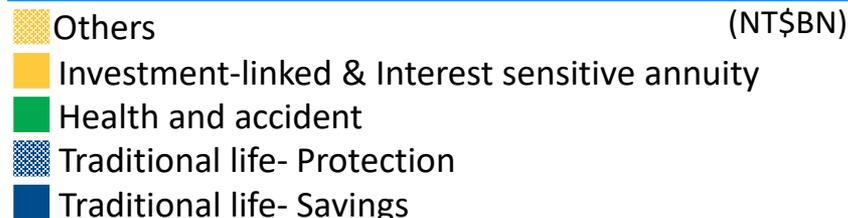
## First Year Premium



FX polices %  
(excl. investment-linked)

**61%**      **74%**      **76%**

## Annualized FYP (APE)



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

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

# Cathay Life –Value of new business

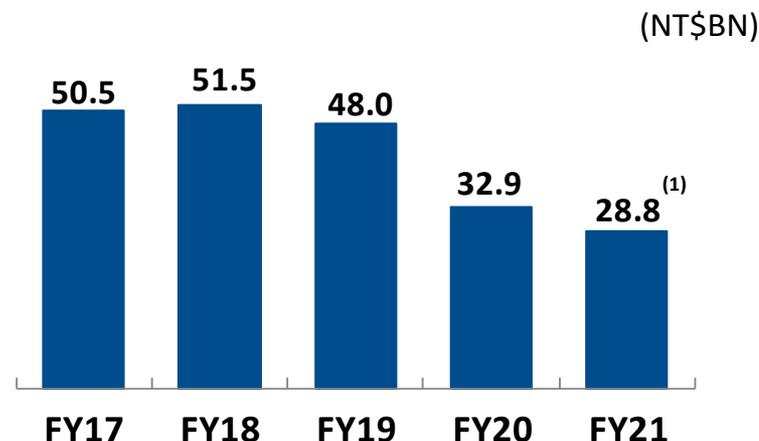
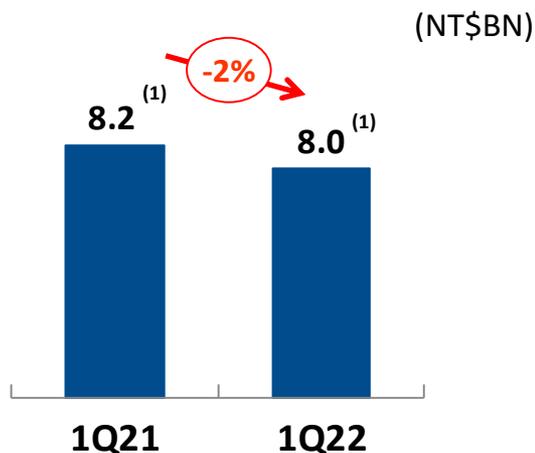
- VNB declined due to the higher 1Q21 base for sales volume of ILPs.
- VNB margin increased, attributable to continued efforts in growing high-CSM protection-type products.

## Value for New Business

Profit Margin	1Q21 <sup>(1)</sup>	1Q22 <sup>(1)</sup>
VNB/FYP	14%	19%
VNB/FYPE	59%	60%

## Value for New Business (annual)

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



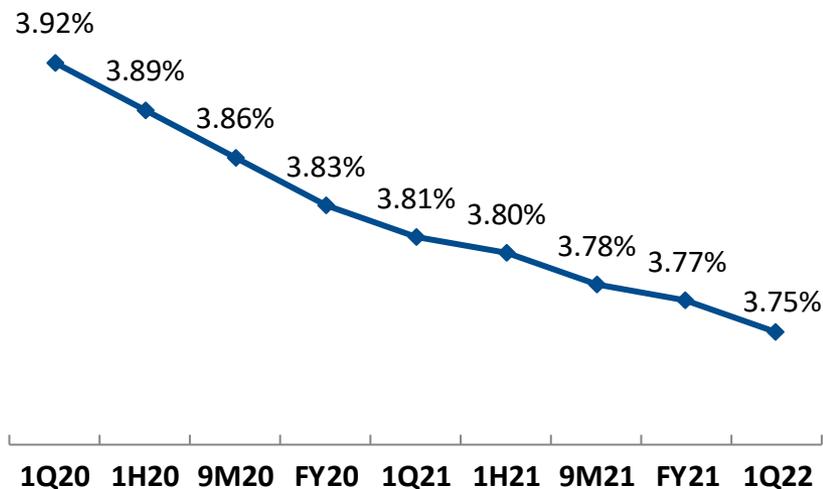
Note : (1) 1Q21, FY21 and 1Q22 VNB were based on 2021 Embedded Value assumptions.

(2) Based on 2020 Embedded Value assumptions, 1Q21 & FY21 VNB were NT\$8.3BN and NT\$28.8BN ; VNB/FYP were both 14% , VNB/FYPE were 59% and 56%, respectively.

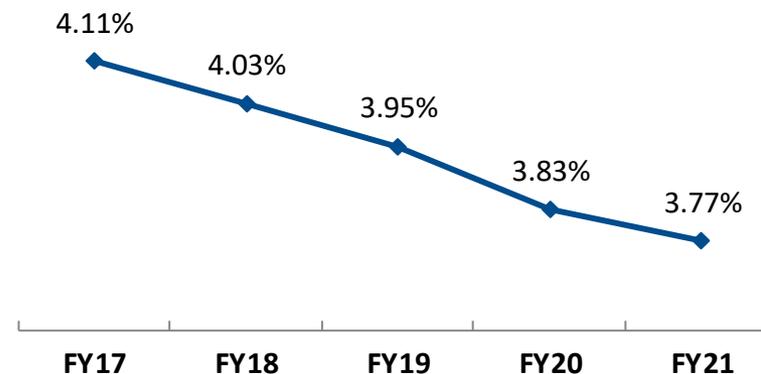
# Cathay Life – Cost of liability and break-even asset yield

- Continued to strengthen value-driven strategy.
- Cost of liability and break-even asset yield continued to improve.

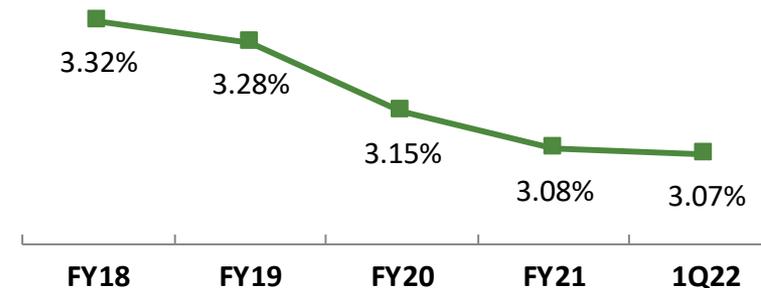
## Cost of liability (quarterly)



## Cost of liability (annual)



## Break-even asset yield



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

# Cathay Life – Investment portfolio

(NT\$BN)	FY19	FY20	FY21			1Q22		
<b>Total investments<sup>(1)</sup></b>	<b>6,415.0</b>	<b>6,945.1</b>	<b>7,254.1</b>			<b>7,209.2</b>		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	3.7%	4.8%	3.2%	234	0.2%	1.6%	115	0.2%
Equity- Domestic	5.0%	6.3%	7.2%	519	20.9%	6.7%	485	10.5%
Equity- International <sup>(2)</sup>	5.8%	5.9%	6.4%	465	11.6%	6.3%	454	8.8%
Bond- Domestic	7.9%	8.0%	7.9%	572	1.7%	8.5%	615	2.2%
Bond- International <sup>(1)(2)</sup>	58.9%	58.0%	58.5%	4,246	5.3%	59.9%	4,315	4.3%
Mortgage & Secured loans	5.3%	4.5%	4.4%	308	1.4%	4.2%	302	1.9%
Policy loans	2.7%	2.4%	2.3%	170	5.4%	2.3%	168	5.6%
Real estate	8.2%	7.7%	7.4%	548	2.4%	7.6%	550	2.8%
Others	2.6%	2.4%	2.6%	191		2.9%	206	

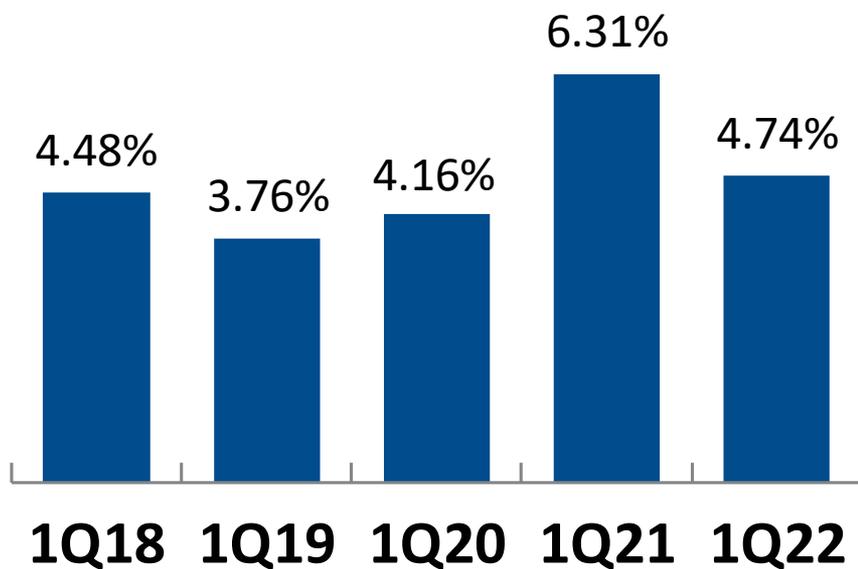
Note: (1) Total assets excluded separate account assets; international bond includes foreign currency deposit and related adjustments

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

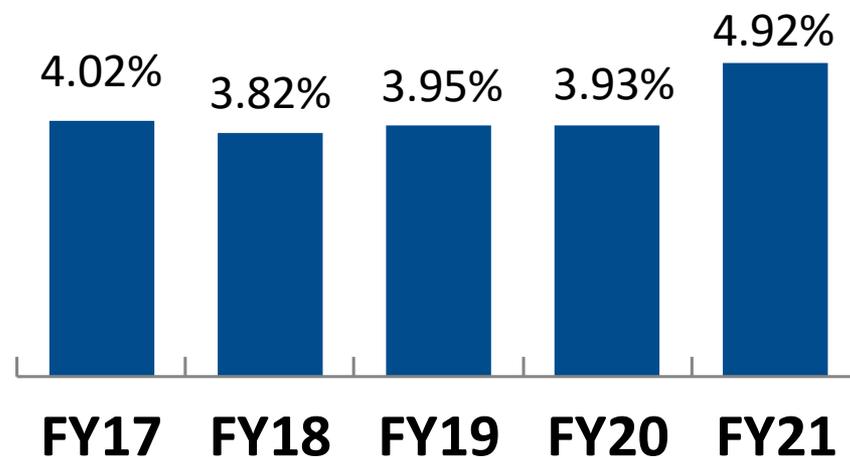
# Cathay Life – Investment performance highlights

- After-hedging investment yield remained benign. The YoY decline was mainly due to the higher base period for investment gains and comparatively favorable financial markets in 1Q21.

## After-hedging investment yield



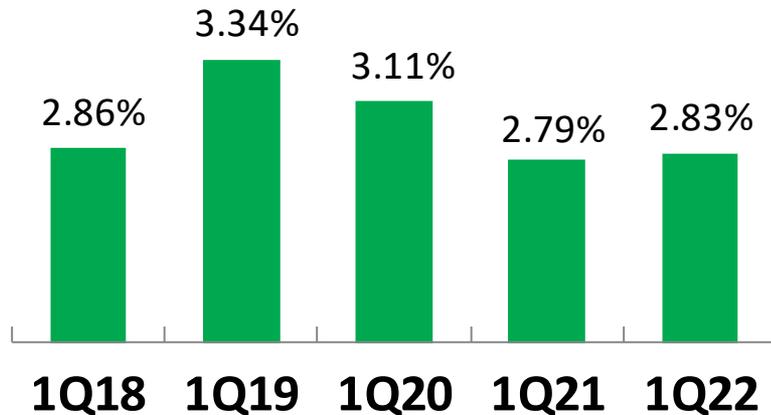
## After-hedging investment yield



# Cathay Life – Investment performance highlights

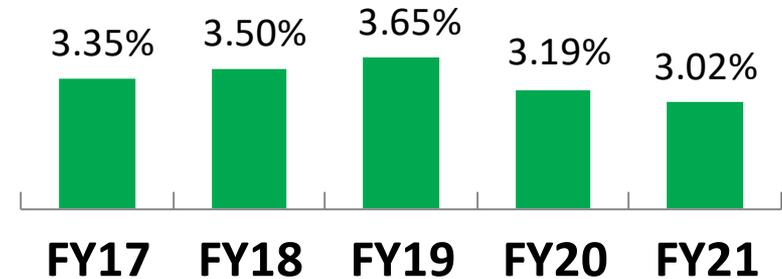
- Pre-hedging recurring yield rose YoY. Overseas bond yield surged YTD, which should enhance recurring income.
- Hedging costs improved substantially with a gain of 0.43% owing to TWD depreciation and effective proxy hedging.

## Pre-hedging recurring yield



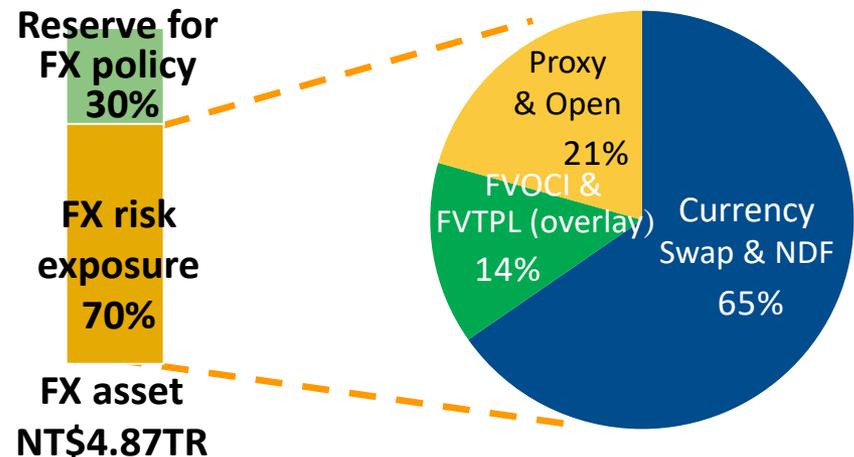
Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

## Pre-hedging recurring yield



## Currency hedging structure

**1Q22 Hedging cost -0.43% (Gain)**

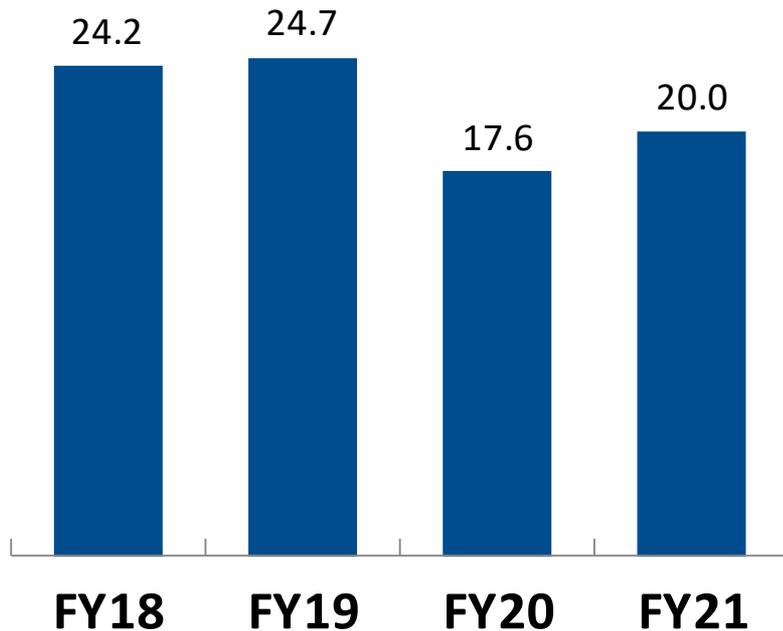


# Cathay Life – Cash dividend income & overseas fixed income by region

- Diversified fixed-income investments across regions to balance risk and return.

## Cash dividend income

(NT\$BN)



## Overseas fixed income by region



FY19 FY20 FY21 1Q22

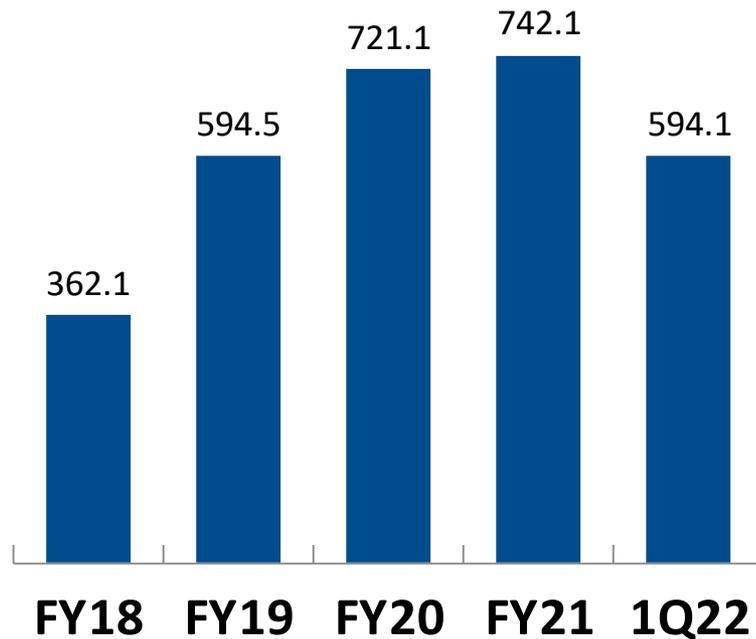
Note: Exclude overseas deposit.

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

- Book value and unrealized G/L declined, reflecting rising bond yields and falling equity markets.
- Based on IFRS 17, book value increased by over NT\$100bn between 9M21 and 1Q22, as the decline in liabilities exceeded that in assets, with assets and liabilities each marked to market.

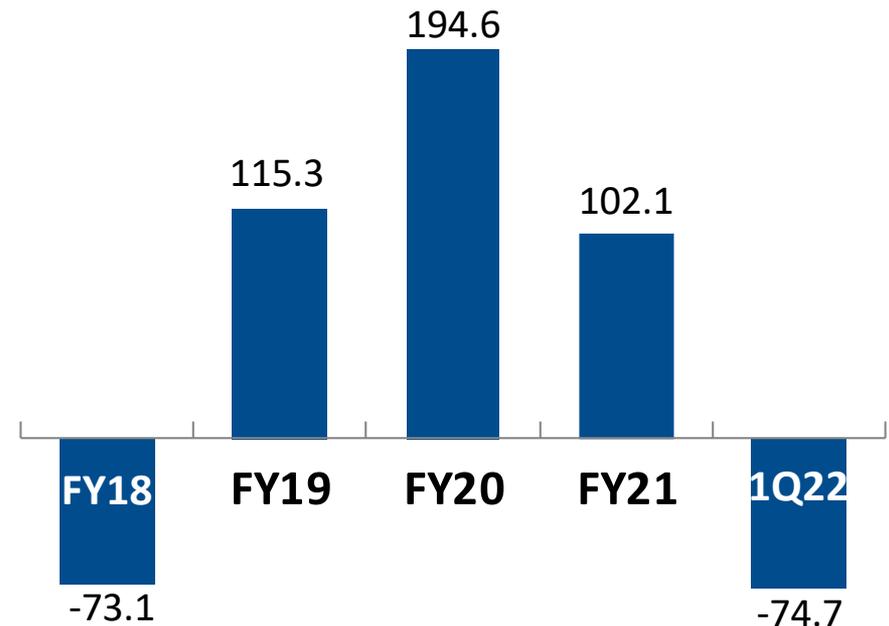
## Book value

(NT\$BN)



## Unrealized G/L of financial assets

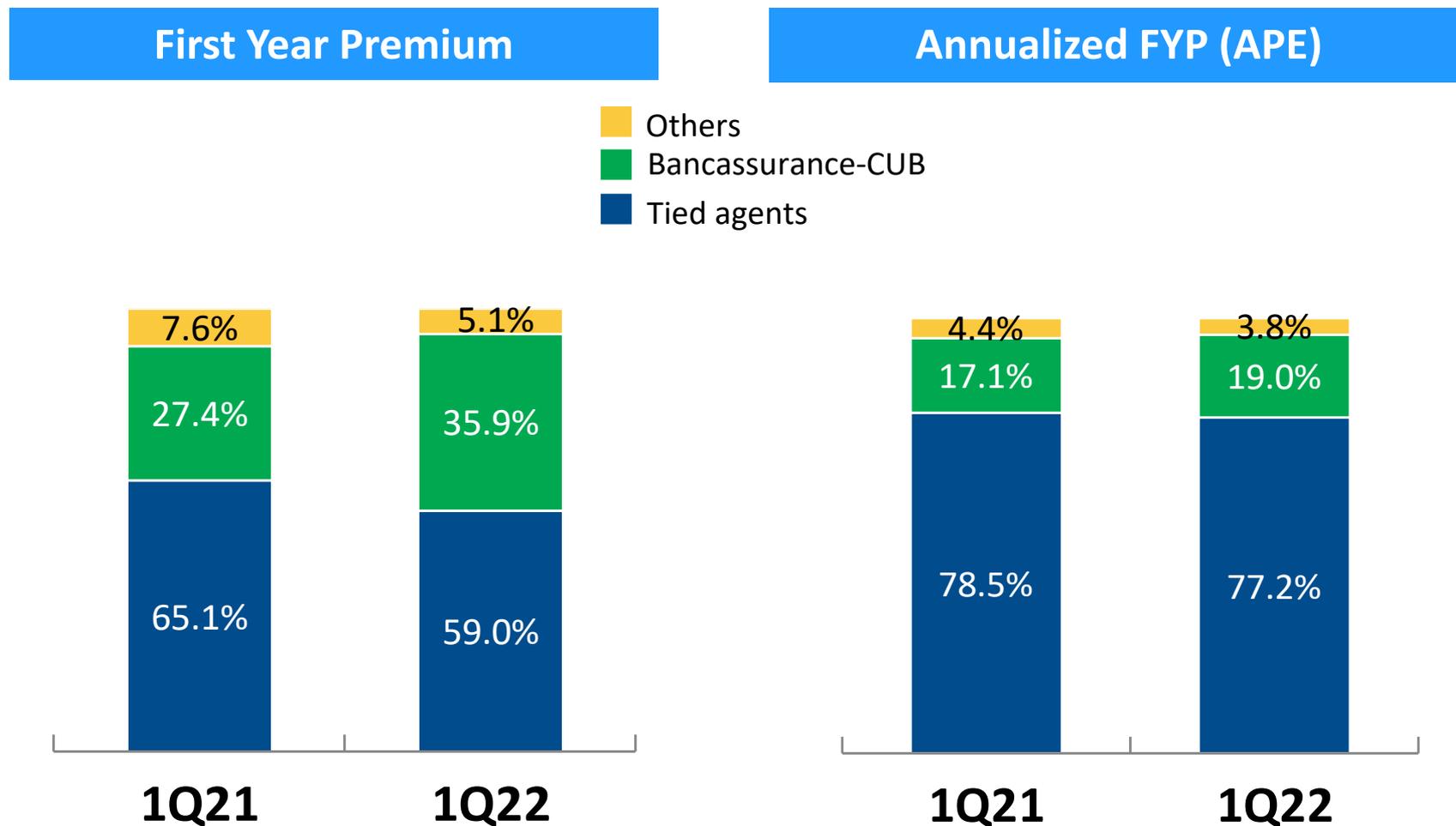
(NT\$BN)



Note: FVOCI & FVTPL (overlay approach)

# Cathay Life – Distribution channels

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

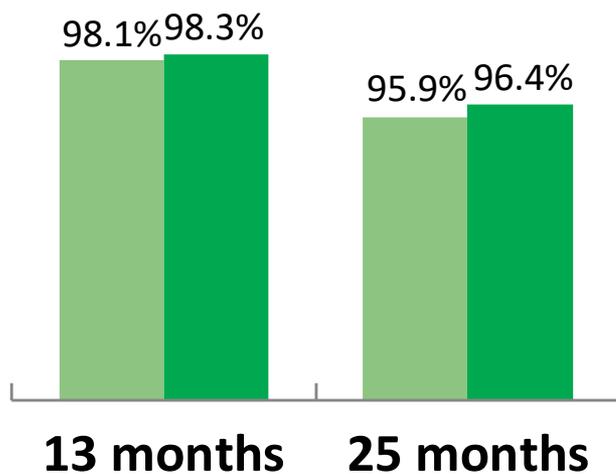


# Cathay Life – Operational indicators

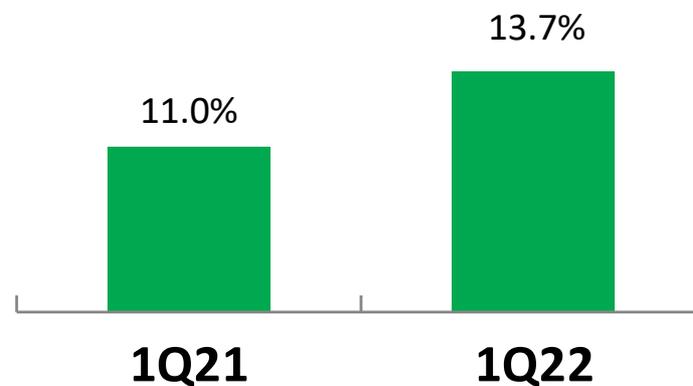
- Total expenses remained steady YoY while total premium declined, resulting in a higher expense ratio.

## Persistency ratio

■ 1Q21      ■ 1Q22



## Expense ratio



# Agenda

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- **1Q22 Business Overview**
- **Overseas Expansion**
- **Business Performance Summary**

Cathay United Bank

Cathay Life

Cathay Century

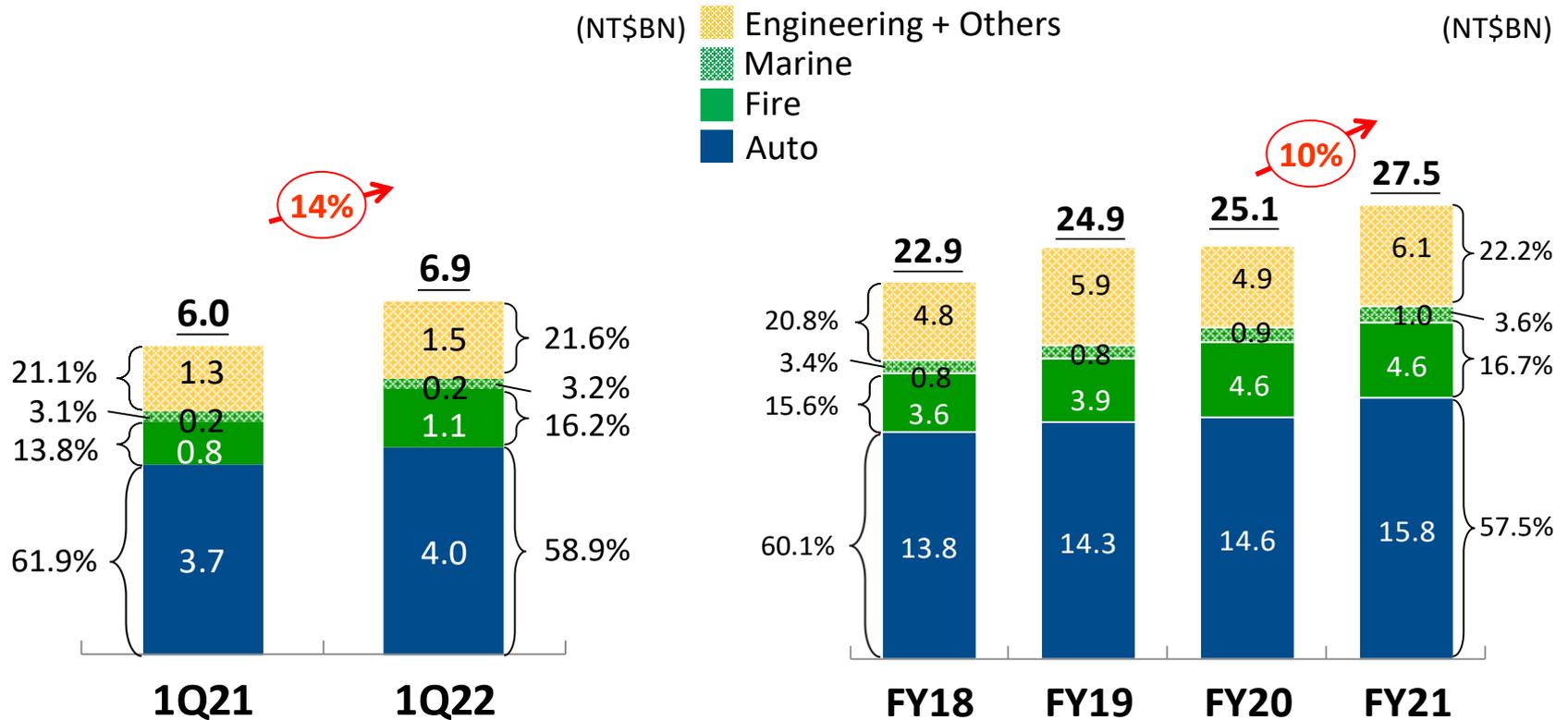
- **Cathay Life Embedded Value & Appraisal Value**
- **Appendix**

# Cathay Century – Premium income

□ Premium income grew 14% YoY. Market share was 11.6%.

## Premium income

## Premium income (annual)



Market share	10.7%	11.6%	13.0%	13.1%	12.3%	12.4%
Retention	76.1%	74.1%	77.1%	77.7%	76.4%	74.3%

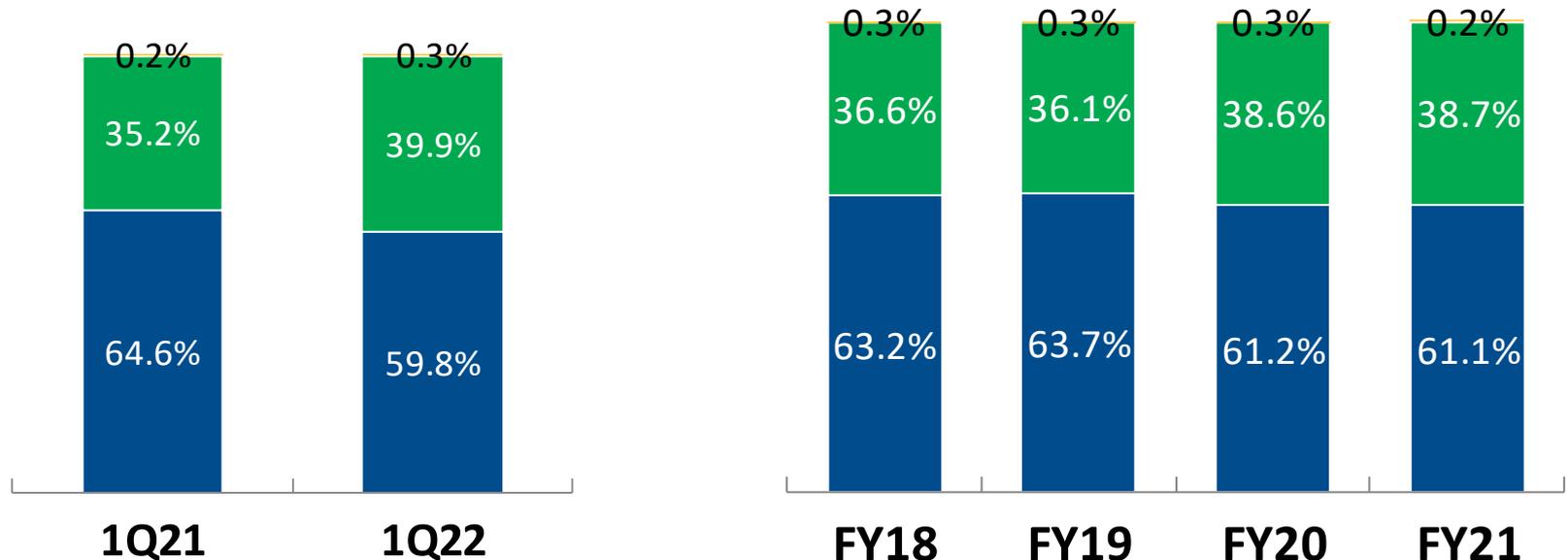
# Cathay Century – Distribution channel

- Proportion of premium income generated by Cathay P&C agents increased to 40% in 1Q22.
- Benefiting from cross-selling synergy, 60% of premium income was generated by the group channel.

## Distribution channel

## Distribution channel (annual)

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

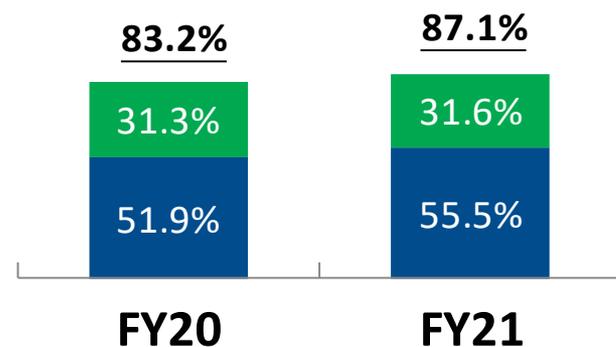
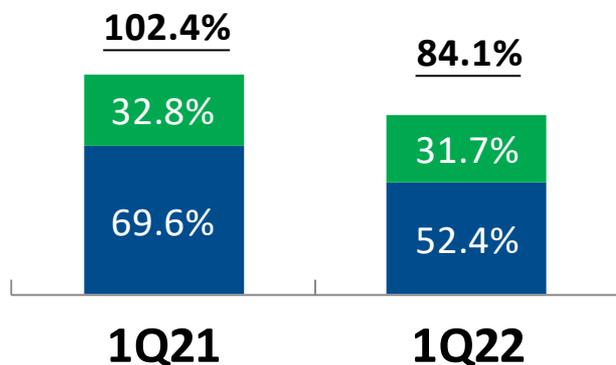


# Cathay Century – Combined ratio

- Gross combined ratio and retained combined ratio declined due to the higher YoY base for loss ratio, resulting from relatively large claim events from commercial fire insurance in 1Q21.

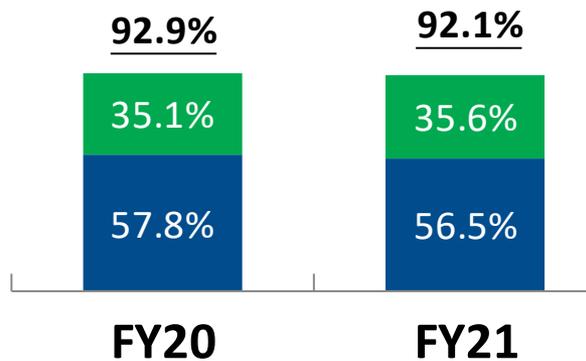
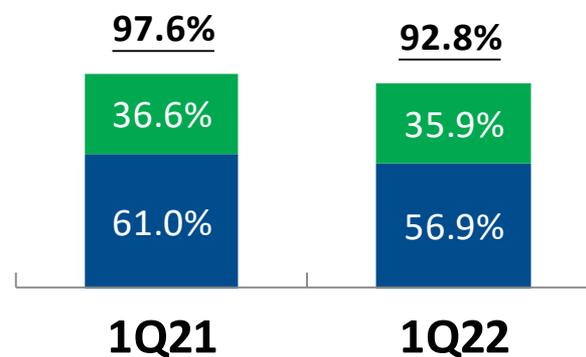
## Gross combined ratio

- Gross expense ratio
- Gross loss ratio



## Retained combined ratio

- Retained expense ratio
- Retained loss ratio



# Agenda

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- ❑ **1Q22 Business Overview**
- ❑ **Overseas Expansion**
- ❑ **Business Performance Summary**
  - Cathay United Bank
  - Cathay Life
  - Cathay Century
- ❑ **Cathay Life Embedded Value & Appraisal Value**
- ❑ **Appendix**

# Embedded Value & Appraisal Value

NT\$BN, except for per share figures

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

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

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

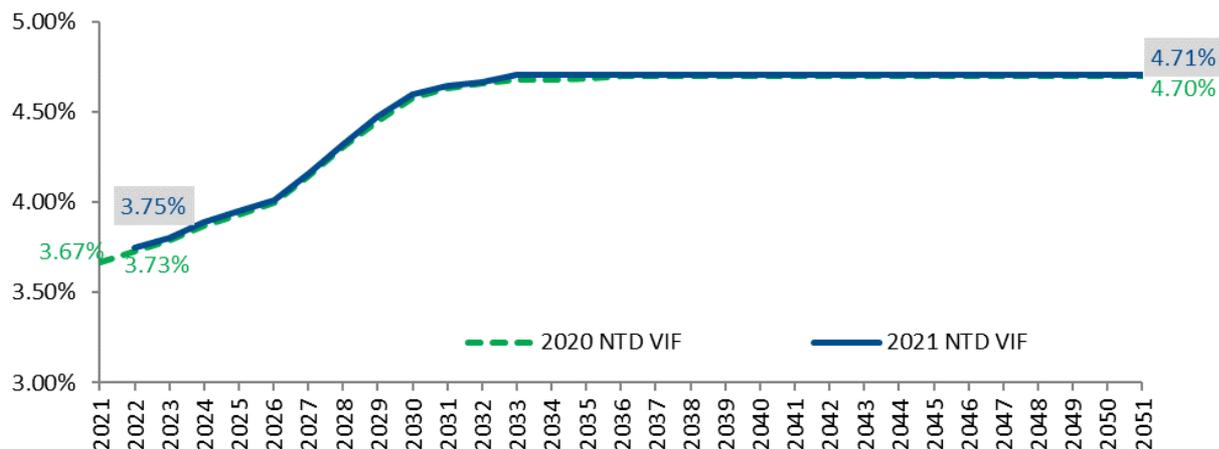
(3) The outstanding shares of Cathay Life in 2020 and 2021 are 5.85bn.

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

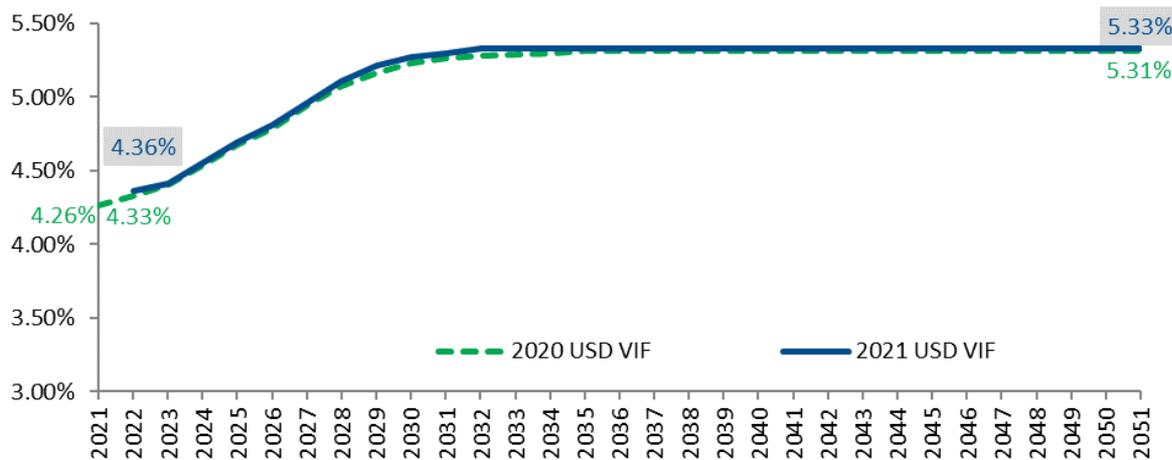
(5) May not sum to total due to rounding.

# Economic Assumptions: In-force business investment yield

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

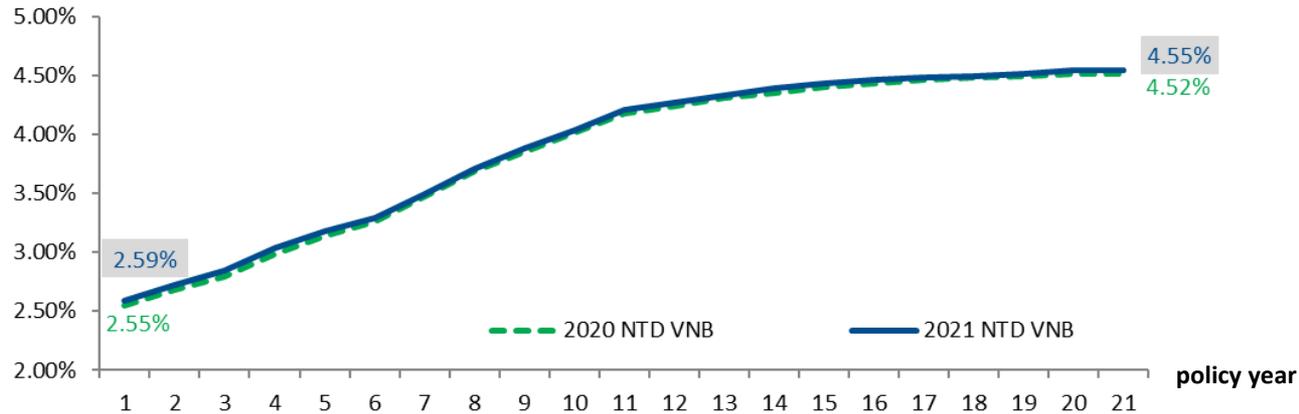


- Investment return assumptions for the value of in-force business of USD-denominated policies as of the end of 2020 & 2021.

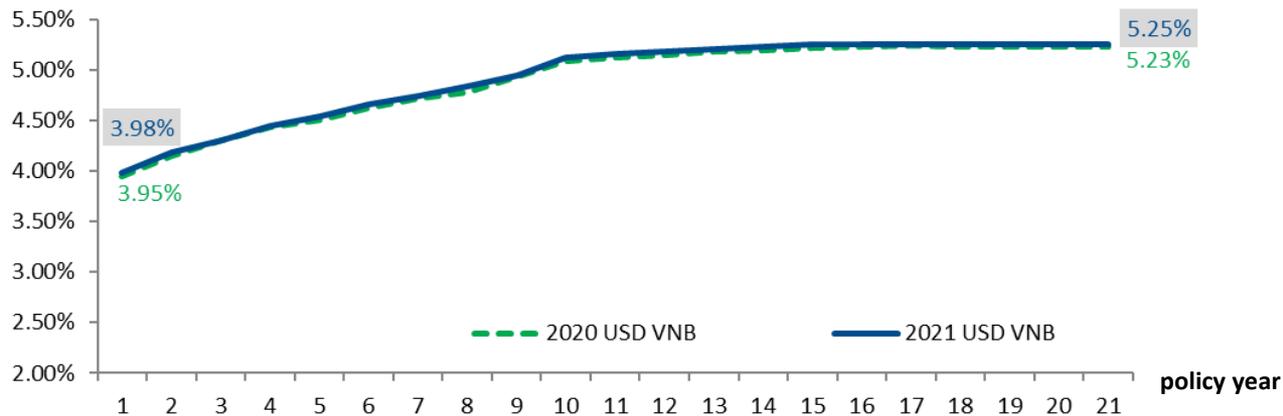


# Economic Assumptions: Future one year's new business investment yield

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



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



# Cost of Capital Projection and Non-economic Assumptions

## ■ RBC capital requirement:

Apply 2021 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 changes in 2021 :

C3 risk capital of traditional products is calculated as  $\min[\text{interest rate risk capital calculated based on one-year negative spread} + (x+y) \times \text{the highest C3 risk capital in the recent 5 years, ICS interest rate risk capital}]$

	x	y
Before	0.5	0
After	x is lifted from 0.6* to 1.2 annually	The value of y, which increases from 0.5 to 1.0 annually, should be applied if the ratio of the ICS interest rate risk capital divided by the RBC C3 risk capital in the recent year is greater than the level specified by the Insurance Bureau for each year.

\*: Cathay life voluntarily increased the x coefficient of 2021 to 0.7, where 0.6 is specified by the Insurance Bureau.

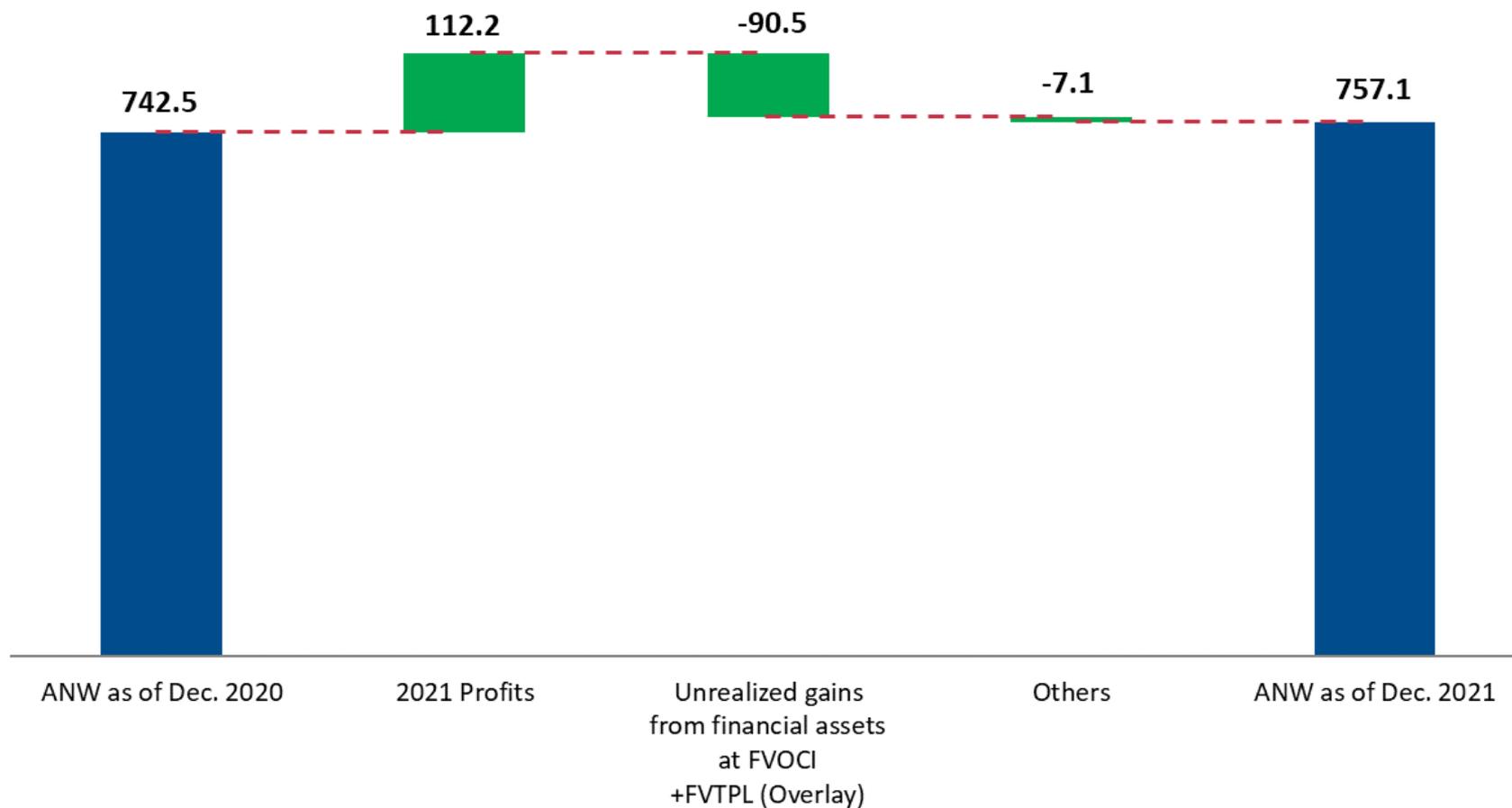
## ■ Experience rate:

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.

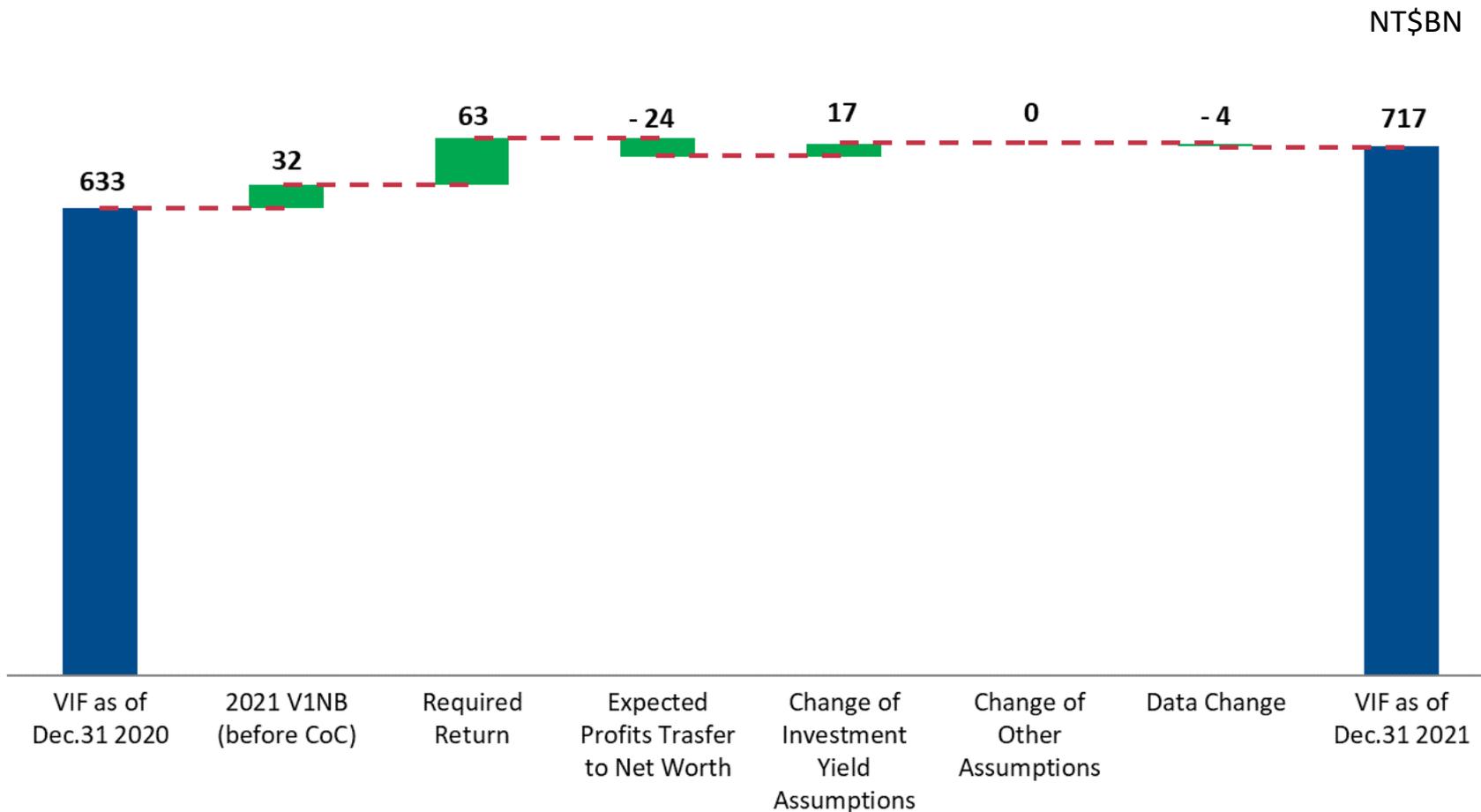
- PricewaterhouseCoopers Asia Actuarial Services provides an independent review of the actuarial assumptions on EV.

# Analysis of change in Adjusted Net Worth (ANW)

NT\$BN



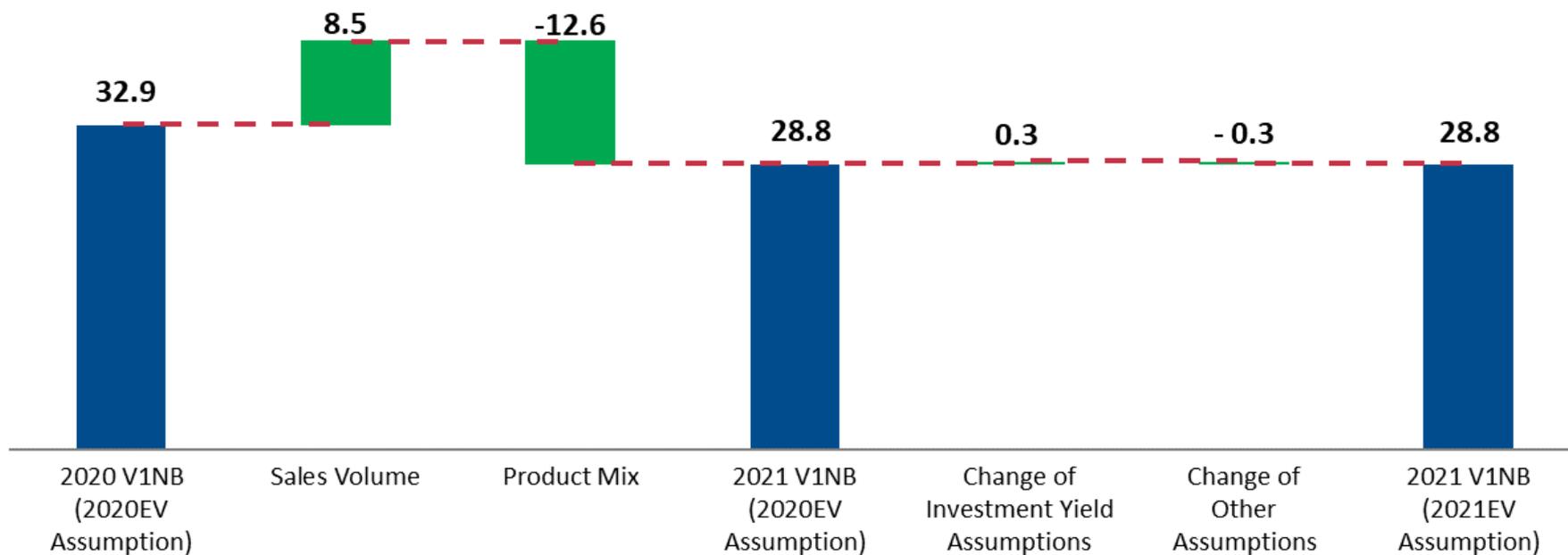
# Analysis of change in value of in-force business (VIF)



- The value of one year new business (after CoC) of 2021 is 28.8 billion.

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

NT\$BN



# Sensitivity Analysis

NT\$BN, except for per share figures

Valuation date	2021/12/31					
	Investment yield – 0.25%	Investment yield + 0.25%	Investment yield + 0.25% (capped) <sup>(1)</sup>	Base Case (Discount rate 9.5%)	Discount rate – 0.5%	Discount rate + 0.5%
Adjusted net worth	757	757	757	757	757	757
Value of in-force business	567	867	794	717	763	675
Cost of capital (CoC)	-285	-265	-270	-275	-264	-285
Value of in-force business (After CoC)	282	602	524	442	500	390
<b>Embedded Value</b>	<b>1,039</b>	<b>1,359</b>	<b>1,282</b>	<b>1,199</b>	<b>1,257</b>	<b>1,147</b>
EV / per share	177.6 (78.9)	232.2 (103.2)	219.0 (97.3)	204.9 (91.0)	214.7 (95.4)	196.1 (87.1)
<b>Appraisal Value</b>	<b>1,287</b>	<b>1,635</b>	<b>1,552</b>	<b>1,462</b>	<b>1,539</b>	<b>1,393</b>
Value of future one year's new business (After CoC)	26.7	33.3	31.8	30.0	32.5	27.7
AV / per share	219.9 (97.7)	279.5 (124.2)	265.2 (117.9)	249.9 (111.0)	263.0 (116.9)	238.0 (105.8)

Note: (1) "Investment yield +0.25% (capped)" : the investment return is capped by 4.71% for NTD policies and 5.33% for USD policies.

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

# YoY Comparison

Under different discount rate assumptions, the results of the Year 2020 & 2021 go as follows.

NT\$BN

<b>Valuation date</b>	<b>2020/12/31</b>	<b>2021/12/31</b>
<b>Embedded Value</b>	<b>1,097~1,196</b>	<b>1,147~1,257</b>
<b>Value of future one year's new business</b>	<b>32.0~37.3</b>	<b>27.7~32.5</b>
<b>Appraisal Value</b>	<b>1,374~1,526</b>	<b>1,393~1,539</b>

# Summary

NT\$BN, except for per share figures

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

Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares in 2020 and 2021, which is 13.17bn.

(2) Totals may not sum due to rounding.

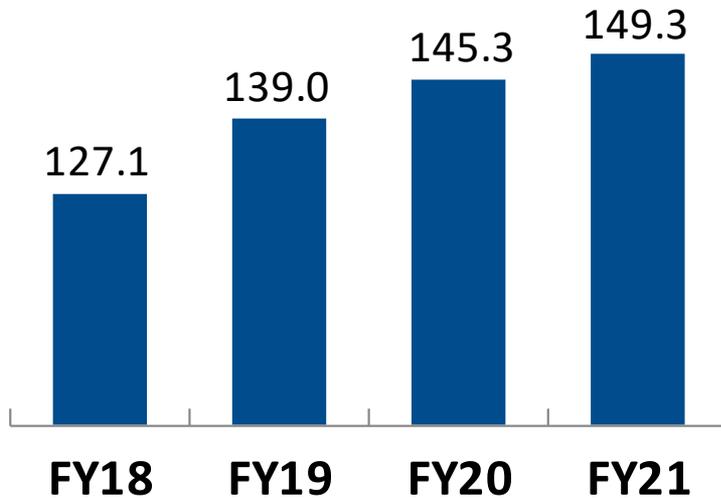
# Agenda

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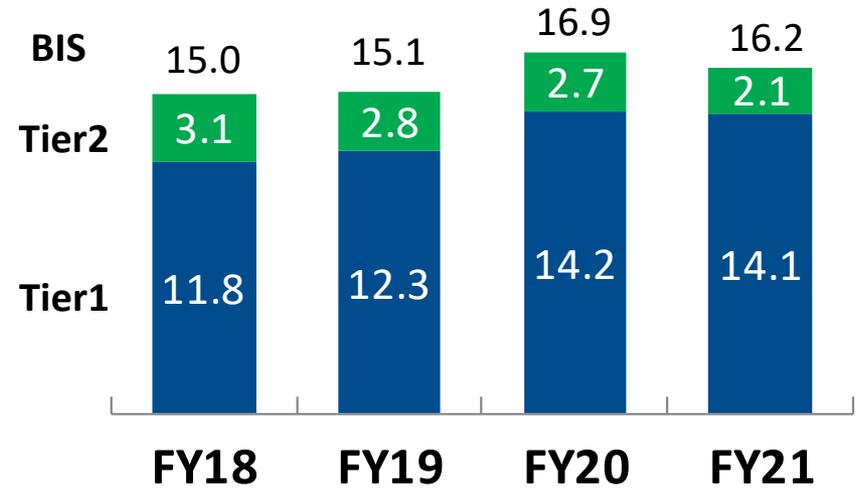
- ❑ **1Q22 Business Overview**
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# Capital adequacy

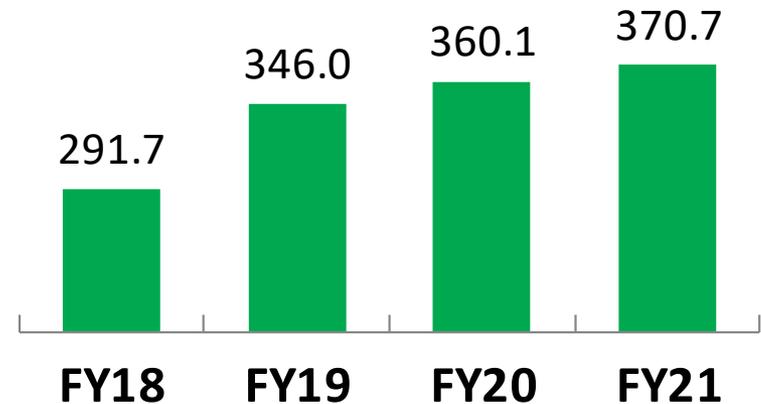
## Cathay FHC CAR (%)



## CUB Capital Adequacy (%)



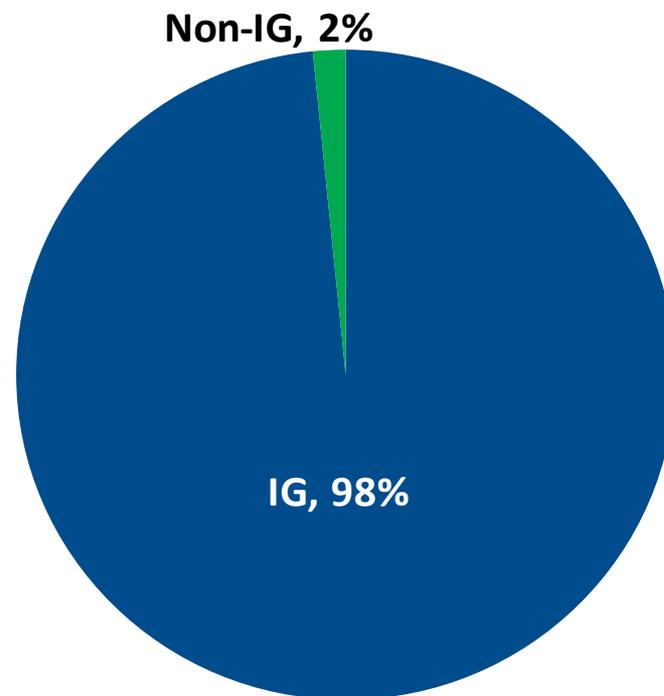
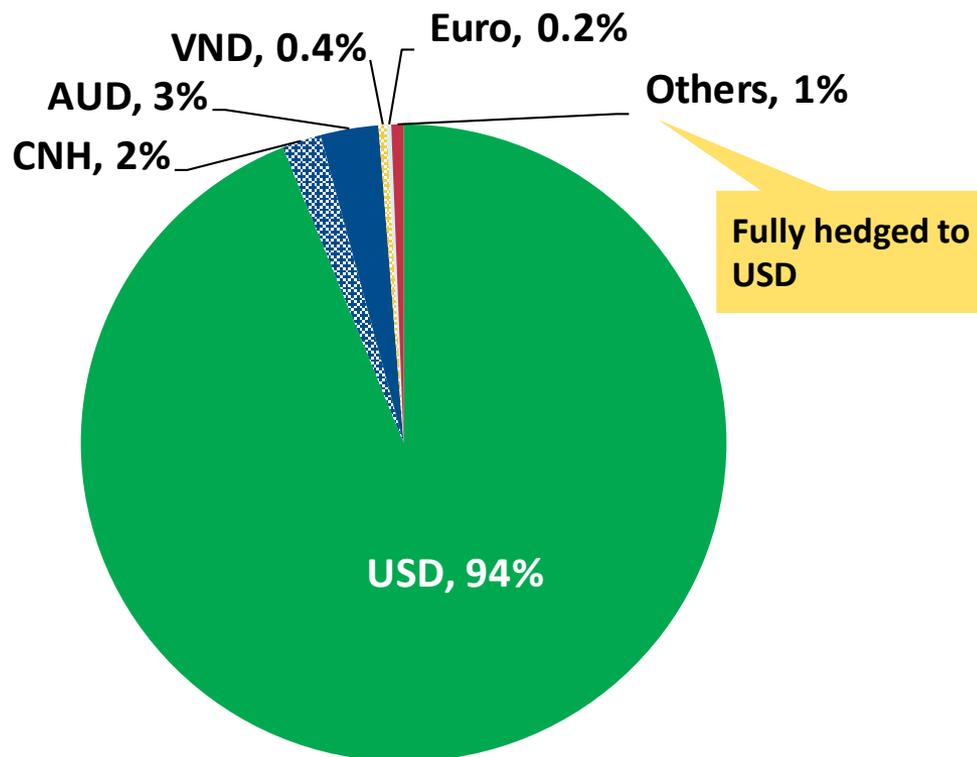
## Cathay Life RBC (%)



# Cathay Life – Overseas bond breakdown by currency and rating

## Overseas bond by currency (1Q22)

## Overseas bond by rating (1Q22)



# Cathay FHC's commitment to net-zero carbon emissions

**2018** Began disclosing carbon footprints in the investment portfolio.

**2019** CUB ceased extending loans for both new and existing coal-fired power generation projects. Cathay Life Insurance excluded power generation companies from investment in cases where over 50% of revenue comes from coal-fired power generation without active transition to renewable energy.

**2020** Integrated carbon-reduction performance into CEO's KPI.

**2022** Committed to setting science-based targets (SBTs).  
Became an RE100 member.

**2025** 100% renewable energy goal for headquarters of Cathay FHC, Cathay Life, CUB, and Cathay Century.

**2030** 100% renewable energy goal for all business operation sites in Taiwan.

**2050** Net-zero carbon emissions goal

# Cathay FHC's continuous effort in ESG integration



2011

- Established CSR Committee

- Formed Responsible Investment Team

2014

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

2015

Member of  
**Dow Jones Sustainability Indices**

Powered by the S&P Global CSA

2016

- Joined **Asia Investor Group on Climate Change (AIGCC)**
- Cathay Life self-compliance with PSI

- First Taiwan FIG to disclose carbon footprints in investment portfolio
- Active in engagement with government on climate governance

2019

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



2018

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



2017

2020

- Joined **Ceres Valuing Water Finance Task Force**
- Launched the Taiwan Sustainable Investment Survey
- Cathay Securities published ESG rating reports on individual listed companies

2021



- Issued ESG integration report certified by third party
- Committed 100% renewable energy by 2030
- Participated in **Asian Utilities Engagement Program**

2022

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

- Selected by **The Investor Agenda for its global top-10 best-practice case studies** in the Investor Climate Action Plans (ICAPs)
- **Became RE100 member**, the first financial institution in Taiwan

# Renowned corporate sustainability performance

## Recognized by local regulatory authorities

**Top-5%  
Corporate Governance**

Over 1,000 listed companies

TWSE Corporate Governance Evaluation



**FTSE4Good  
TIP Taiwan ESG Index**

Included in  
**FTSE4Good TIP Taiwan ESG Index**  
since 2017

Note: The FTSE4Good TIP Taiwan ESG Index is maintained by FTSE Russell and Taiwan Index Plus Corp. (TIP), a wholly owned subsidiary of Taiwan Stock Exchange.

## Recognized by ESG ratings agencies

Member of  
**Dow Jones  
Sustainability Indices**

Powered by the S&P Global CSA

Included in  
**DJSI World & DJSI EM**



## Recognized by Media



Top-10 World Corporate Citizen  
for **9** consecutive years,  
**Top-3** in 2021



Global Views

**First Prize** in Annual Survey  
for **3** consecutive year  
**(Finance & Insurance)**



2021 Taiwan Corporate  
Sustainability Awards

**Thank you**



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

<b>Income Statement Data (Consolidated)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY21/</b>	<b>1Q21</b>	<b>1Q22</b>	<b>1Q22/</b>
				<b>FY20</b>			<b>% Chg</b>
<b>Operating Income</b>							
Net interest income	196,367	190,930	194,882	2%	48,052	50,042	4%
Net commission and fee	2,346	7,244	12,649	75%	2,732	4,263	56%
Net earned premium	631,487	602,806	524,187	-13%	132,619	107,317	-19%
Change in liability reserve	(394,074)	(462,094)	(377,408)	-18%	(103,848)	(71,021)	-32%
Net claims payment	(365,669)	(289,808)	(305,703)	5%	(67,388)	(77,578)	15%
Investment income	89,797	124,347	190,944	54%	71,438	58,799	-18%
Contribution from associates-equity method	1,149	(12,085)	1,807	115%	567	428	-25%
Other net non-interest income	411	6,480	7,197	11%	1,588	(11,195)	-805%
Bad debt expense	(2,205)	(3,178)	(3,484)	10%	(1,322)	(48)	-96%
Operating expense	(89,050)	(83,027)	(85,543)	3%	(20,574)	(21,200)	3%
<b>Income before taxes</b>	<b>70,557</b>	<b>81,616</b>	<b>159,526</b>	<b>95%</b>	<b>63,864</b>	<b>39,808</b>	<b>-38%</b>
Income taxes	(6,698)	(5,658)	(18,637)	229%	(6,297)	(5,433)	-14%
Net income	63,859	75,958	140,889	85%	57,567	34,375	-40%
EPS (NT\$)	4.76	5.41	10.34		4.36	2.60	
<b>Dividend Payout</b>							
Cash dividend per share	2.00	2.50	3.50				
Stock dividend per share	0.00	0.00	0.00				
Weighted average outstanding shares (Millions of common shares)	12,618	13,169	13,169				
<b>Balance Sheet Data (Consolidated)</b>							
Total assets	10,065,479	10,950,472	11,594,361		11,080,842	11,709,049	
Total shareholders' equity	782,027	904,776	914,039		864,825	766,879	
Equity attributable to parent company	771,747	893,061	902,038		853,755	754,727	
<b>Operating Metrics</b>							
ROAE (Consolidated)	9.74%	9.01%	15.49%		26.02%	16.36%	
ROAA (Consolidated)	0.66%	0.72%	1.25%		2.09%	1.18%	
Double leverage ratio(inc. preferred stock)	110%	111%	113%		111%	115%	
<b>Capital Adequacy Metrics</b>							
Capital Adequacy Ratio	139%	145%	149%				

**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.

**Cathay Life**

(NT\$MN)

**Income Statement Data (Consolidated)**

	FY19	FY20	FY21	FY21/ FY20 % Chg	1Q21	1Q22	1Q22/ 1Q21 % Chg
Net written premium	608,641	580,261	499,102	-14%	127,243	101,238	-20%
Net earned premium	607,820	579,563	498,398	-14%	127,786	101,947	-20%
Reinsurance commission earned	356	533	388	-27%	5	7	45%
Fee income	8,450	8,701	10,715	23%	2,494	2,698	8%
Recurring investment income	228,037	212,247	214,968	1%	49,199	51,880	5%
Gain on disposal of investment							
Realized gain (loss)-Equity	38,929	74,997	116,191	55%	47,132	17,175	-64%
Realized gain (loss)-Debt	36,365	64,964	63,127	-3%	28,452	10,991	-61%
Gain on investment property	912	1,881	1,106	-41%	(12)	550	4787%
FX and others, net	(61,689)	(90,182)	(46,445)	48%	(15,287)	6,071	140%
Investment income, net	242,553	263,907	348,947	32%	109,485	86,667	-21%
Other operating income	6,107	6,978	8,754	25%	1,950	2,015	3%
Separate account revenues	63,653	73,396	77,919	6%	39,233	(310)	-101%
Net claims payment	(349,158)	(273,049)	(287,850)	5%	(64,204)	(74,530)	16%
Changes in liability reserves	(393,679)	(462,233)	(376,771)	-18%	(103,606)	(70,607)	-32%
Acquisition and commission expense	(43,834)	(35,815)	(34,445)	-4%	(8,761)	(7,961)	-9%
Other operating costs	(6,394)	(6,635)	(8,056)	21%	(1,878)	(1,676)	-11%
Financial cost	(2,730)	(2,501)	(3,114)	25%	(736)	(859)	17%
Separate account expense	(63,653)	(73,396)	(77,919)	6%	(39,233)	310	-101%
Operating expense	(30,692)	(29,565)	(32,448)	10%	(7,905)	(8,476)	7%
Net non-operating income	1,710	1,589	1,563	-2%	412	458	11%
Income taxes	(2,216)	1,209	(12,916)	1168%	(5,175)	(3,606)	-30%
Net income	38,293	52,682	113,166	115%	49,867	26,076	-48%

**Balance Sheet Data**

Total assets	7,085,624	7,675,559	8,073,161		7,770,034	8,086,799
General account	6,478,081	7,033,875	7,348,951		7,098,919	7,372,110
Separate account	607,542	641,685	724,210		671,115	714,690
Reserves for life insurance liabilities	5,683,424	6,085,534	6,413,221		6,187,240	6,550,721
Total liabilities	6,491,106	6,954,433	7,331,028		7,096,306	7,492,741
Total shareholders' equity	594,518	721,126	742,133		673,727	594,059
Equity attributable to parent company	588,619	713,727	734,443		666,603	586,304

**Operating Metrics (Standalone)**

First Year Premium(FYP)	201,064	160,771	202,394		59,449	42,801
First Year Premium Equivalent(FYPE)	96,313	62,182	50,997		14,067	13,322
Expense ratio	10.6%	9.5%	11.2%		11.0%	13.7%
13-M persistency ratio	98.0%	98.1%	98.4%		98.1%	98.3%
25-M persistency ratio	96.4%	95.5%	96.3%		95.9%	96.4%
ROAE	8.01%	8.01%	15.47%		28.60%	15.61%
ROAA	0.57%	0.71%	1.44%		2.58%	1.29%

**Capital Adequacy Metrics (Standalone)**

RBC ratio	346%	360%	371%
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**Cathay United Bank**

(NT\$MN)					FY21/ FY20		
<u>Income Statement Data (Consolidated)</u>	FY19	FY20	FY21	% Chg	1Q21	1Q22	1Q22/ 1Q21
<b>Operating Income</b>							
Net interest income	36,446	35,223	38,539	9%	9,212	10,160	10%
Fee income	17,090	16,331	18,346	12%	4,617	5,283	14%
Investment income	8,996	9,482	6,956	-27%	2,364	1,255	-47%
Other income	594	855	502	-41%	111	134	21%
<b>Net operating income</b>	63,126	61,891	64,342	4%	16,305	16,832	3%
Operating expenses	(33,806)	(32,686)	(33,877)	4%	(7,756)	(8,231)	6%
<b>Pre-provision profit</b>	29,320	29,205	30,466	4%	8,548	8,601	1%
Net provisions for possible losses	(2,853)	(3,382)	(2,986)	-12%	(1,245)	(296)	-76%
<b>Income before taxes</b>	26,467	25,823	27,480	6%	7,304	8,305	14%
Income tax	(3,981)	(3,512)	(3,671)	5%	(900)	(1,432)	59%
<b>Net income</b>	22,486	22,311	23,808	7%	6,404	6,872	7%
<b>Balance Sheet Data</b>							
Total assets	2,973,496	3,229,460	3,499,323		3,273,976	3,598,439	
Loans, net	1,553,151	1,661,296	1,807,077		1,743,601	1,870,624	
Financial assets	897,677	1,028,595	1,110,788		1,057,436	1,233,934	
Total liability	2,741,601	2,982,805	3,248,596		3,021,528	3,347,604	
Deposits	2,335,331	2,648,995	2,935,694		2,696,407	2,987,059	
Financial Debenture Payable	53,900	53,800	46,800		52,300	47,361	
Total shareholders' equity	231,895	246,656	250,727		252,447	250,835	
Equity attributable to parent company	227,486	242,297	246,351		248,453	246,365	
<b>Operating Metrics</b>							
Cost income ratio	53.55%	52.81%	52.65%		47.57%	48.90%	
ROAE	10.27%	9.32%	9.57%		10.26%	10.96%	
ROAA	0.77%	0.72%	0.71%		0.79%	0.77%	
<b>Assets Quality (Standalone)</b>							
NPL	2,286	2,274	1,578		3,233	1,478	
NPL ratio	0.15%	0.14%	0.09%		0.19%	0.08%	
NPL provisions	25,983	26,846	28,064		27,583	28,721	
Coverage ratio	1137%	1180%	1778%		853%	1944%	
<b>Capital Adequacy Metrics (Standalone)</b>							
BIS ratio	15.1%	16.9%	16.2%				
Tier I Ratio	12.3%	14.2%	14.1%				
<b>LDR (Standalone)</b>							
LDR	65.5%	62.5%	61.4%		64.4%	62.2%	
TWD LDR	70.1%	69.7%	69.2%		71.7%	71.1%	
FX LDR	48.8%	38.7%	34.1%		39.6%	33.1%	

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**Cathay Century**

(NT\$MM)					FY21/ FY20	1Q22/ 1Q21	
	FY19	FY20	FY21	% Chg	1Q21	1Q22	% Chg
<b>Income Statement Data (Consolidated)</b>							
Premium income	25,343	25,498	28,015	10%	6,057	6,936	15%
Net written premium	19,550	19,413	20,718	7%	4,609	5,145	12%
Net earned premium	19,077	18,848	19,903	6%	4,550	5,221	15%
Reinsurance commission earned	572	572	857	50%	142	210	48%
Fee income	42	45	46	1%	12	13	15%
Investment	1,020	1,254	1,363	9%	480	543	13%
Interest income	555	546	539	-1%	136	153	13%
Other investment income, net	465	708	824	16%	345	390	13%
Other operating income	0	0	0	0%	0	34	0%
Net claims payment	(10,321)	(10,669)	(10,470)	-2%	(2,474)	(2,522)	2%
Changes in liability reserves	(395)	139	(637)	558%	(242)	(414)	71%
Commissions and other operating costs	(3,409)	(3,411)	(3,765)	10%	(836)	(886)	6%
Operating expenses	(4,097)	(4,224)	(4,772)	13%	(1,068)	(1,237)	16%
<b>Operating income</b>	2,490	2,553	2,525	-1%	564	962	71%
Net non-operating income	5	5	42	671%	(1)	(2)	-28%
Income taxes	(389)	(385)	(392)	2%	(71)	(125)	75%
Net income	2,106	2,174	2,175	0%	491	836	70%
<b>Balance Sheet Data</b>							
Total assets	43,008	44,298	49,900		45,849	49,910	
Total stockholders' equity	12,656	13,130	14,447		13,808	14,573	
<b>Operating Metrics</b>							
Gross Combined ratio	84.8%	83.2%	87.1%		102.4%	84.1%	
Net Combined ratio	93.0%	92.9%	92.1%		97.6%	92.8%	
ROAE	18.57%	16.86%	15.78%		14.59%	23.04%	
ROAA	5.19%	4.98%	4.62%		4.36%	6.70%	
<b>Capital Adequacy Metrics</b>							
RBC ratio (Standalone)	339%	323%	284%				

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