



Cathay Financial Holdings

Operating Results ESG Performance

June 2020

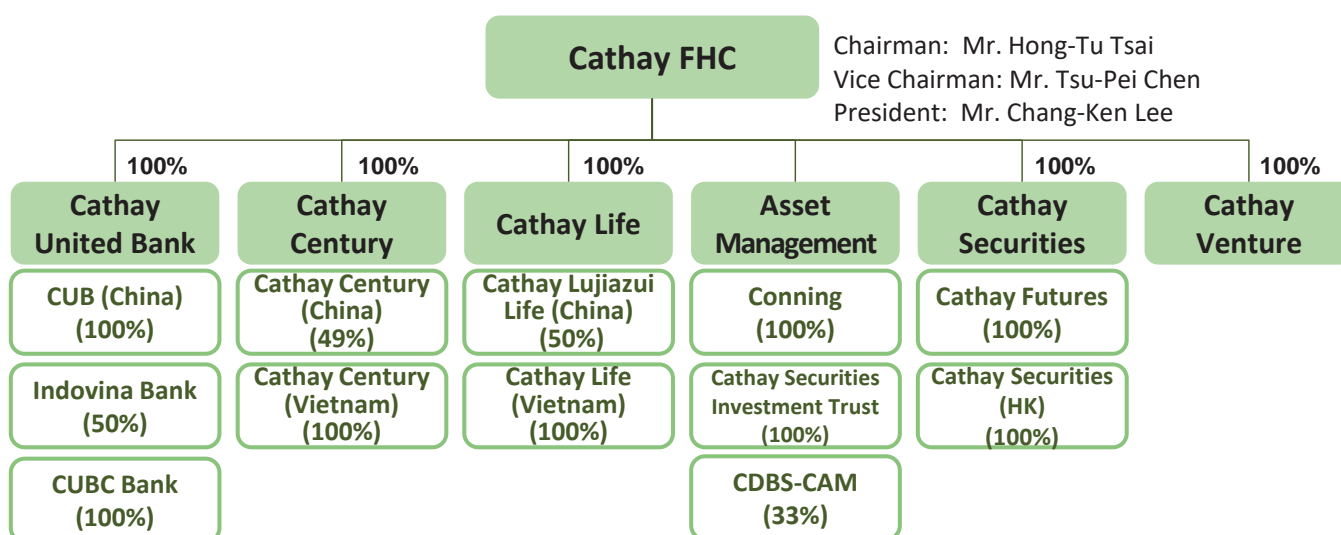
Disclaimer

- ❑ This document is provided by Cathay Financial Holding Co., Ltd. (the "Company"). Except for the numbers and information included in the Company's financial statements, the information contained in this document has not been audited or reviewed by any accountant or independent expert. The Company makes no express or implied representations or warranties as to the fairness, accuracy, completeness, or correctness of such information or opinions. This document is provided as of the date herein and will not be updated to reflect any changes hereafter. The Company, its affiliates and their representatives do not accept any responsibility or liability for any damage caused by their negligence or any other reasons, nor do they accept responsibility or liability for any loss or damages arising from the use of this document or the information contained herein or anything related to this document.
- ❑ This document may contain forward-looking statements, including but not limited to all statements that address activities, events or developments that the Company expects or anticipates to take place in the future based on the projections of the Company toward the future, and various factors and uncertainty beyond the Company's control. Therefore, the actual results may differ materially from those contained in the forward-looking statements.
- ❑ This document is not and cannot be construed as an offer to purchase or sell securities or other financial products or solicitation of an offer.
- ❑ This document may not be directly or indirectly reproduced, redistributed or forwarded to any other person and may not be published in whole or in part for any purpose.

Agenda

- Introduction of Cathay FHC
- 1Q20 Business Overview
- Overseas Expansion
- Business Performance Summary
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- ESG Performance
- Appendix

Cathay FHC: largest FHC, comprehensive products



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

- 2nd biggest non-life insurer
- Market share in total premium income: 10.9% (1Q20).

- No. 1 life insurer in terms of total assets and total premium
- Market share in total premium: 19.8% (1Q20).

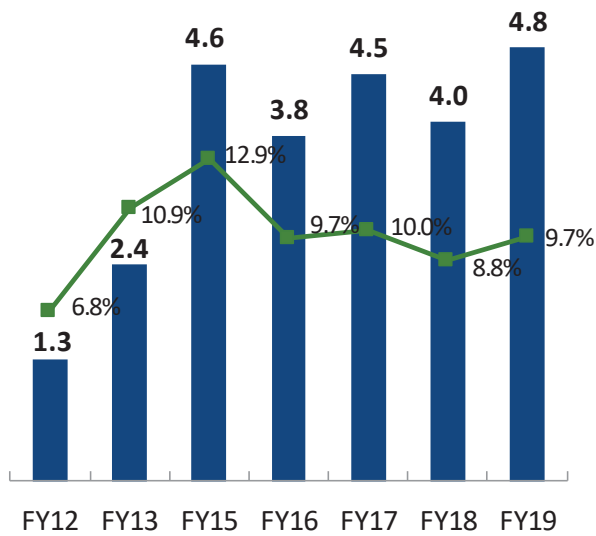
- Building global asset management platform
- Largest AUM among asset managers in Taiwan

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

Cathay FHC continued to deliver solid earnings

EPS & ROE

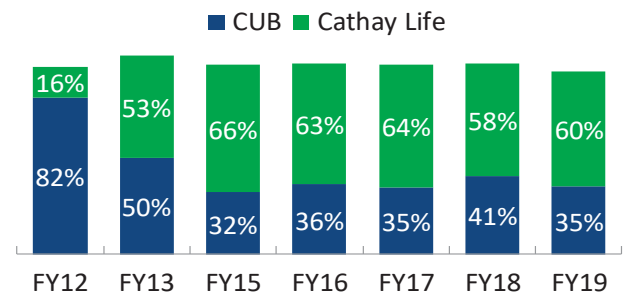
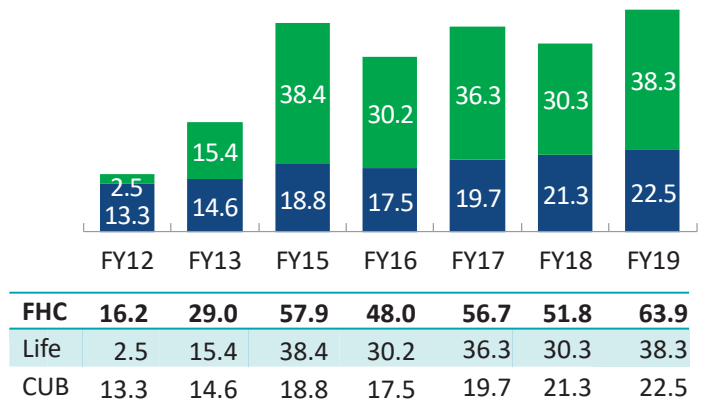
■ EPS ■ ROE (NT\$/%)



- 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).

Profit contribution

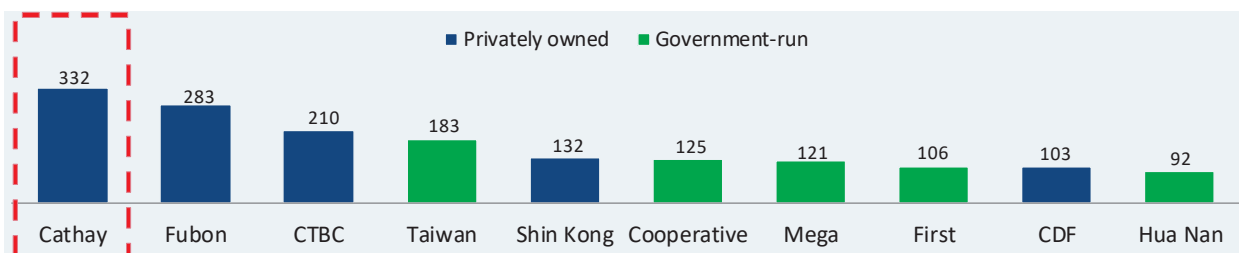
■ CUB ■ Cathay Life (NT\$BN)



Market leader in Taiwan's FIG sector

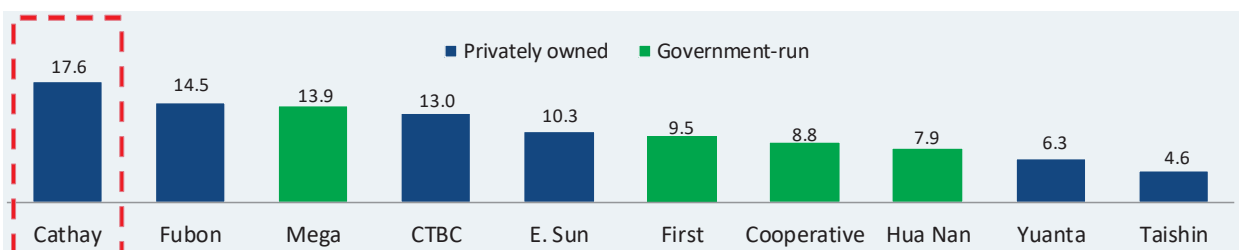
█ Largest listed financials group by market capitalization and assets.

Ranking of total asset (US\$bn)



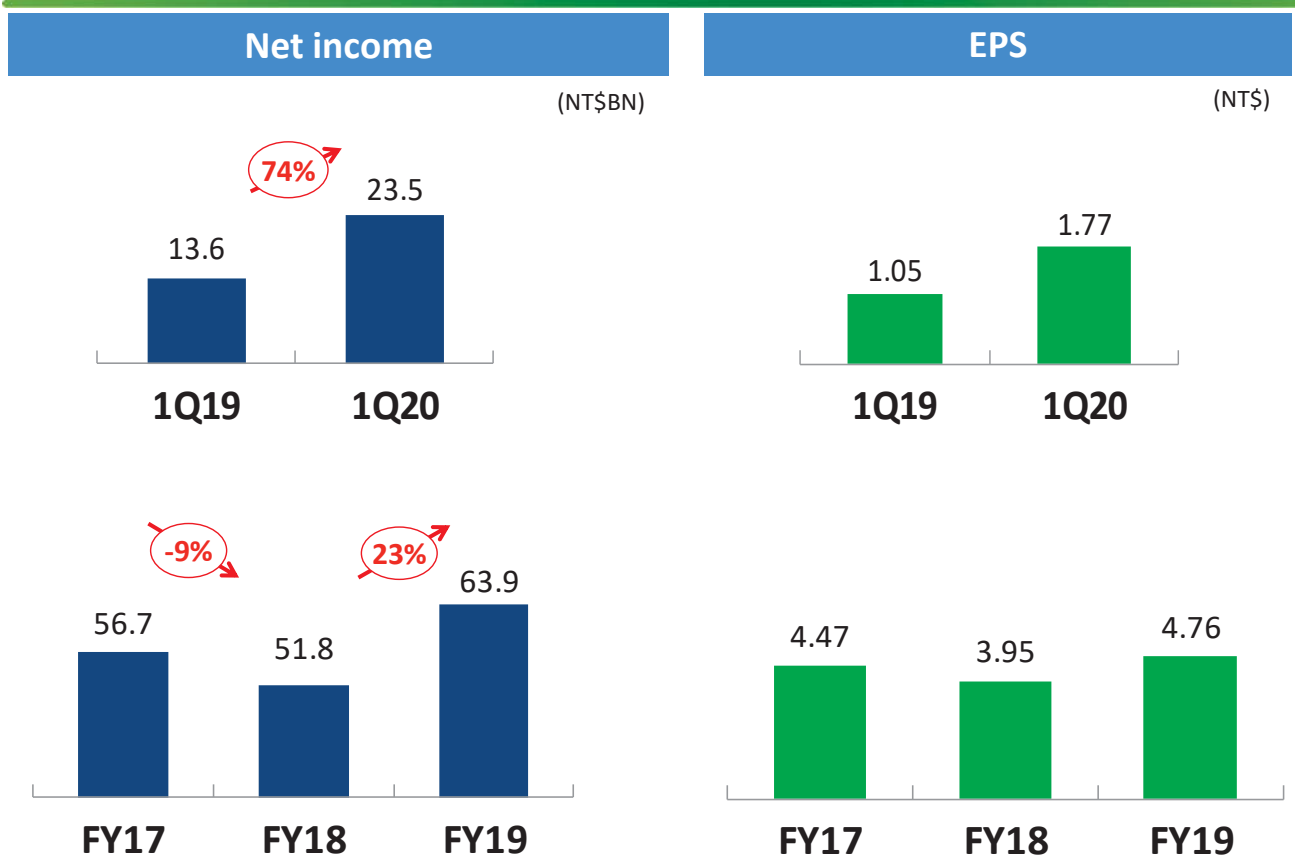
Note: Total assets as of March 31, 2020

Ranking of market cap (US\$bn)

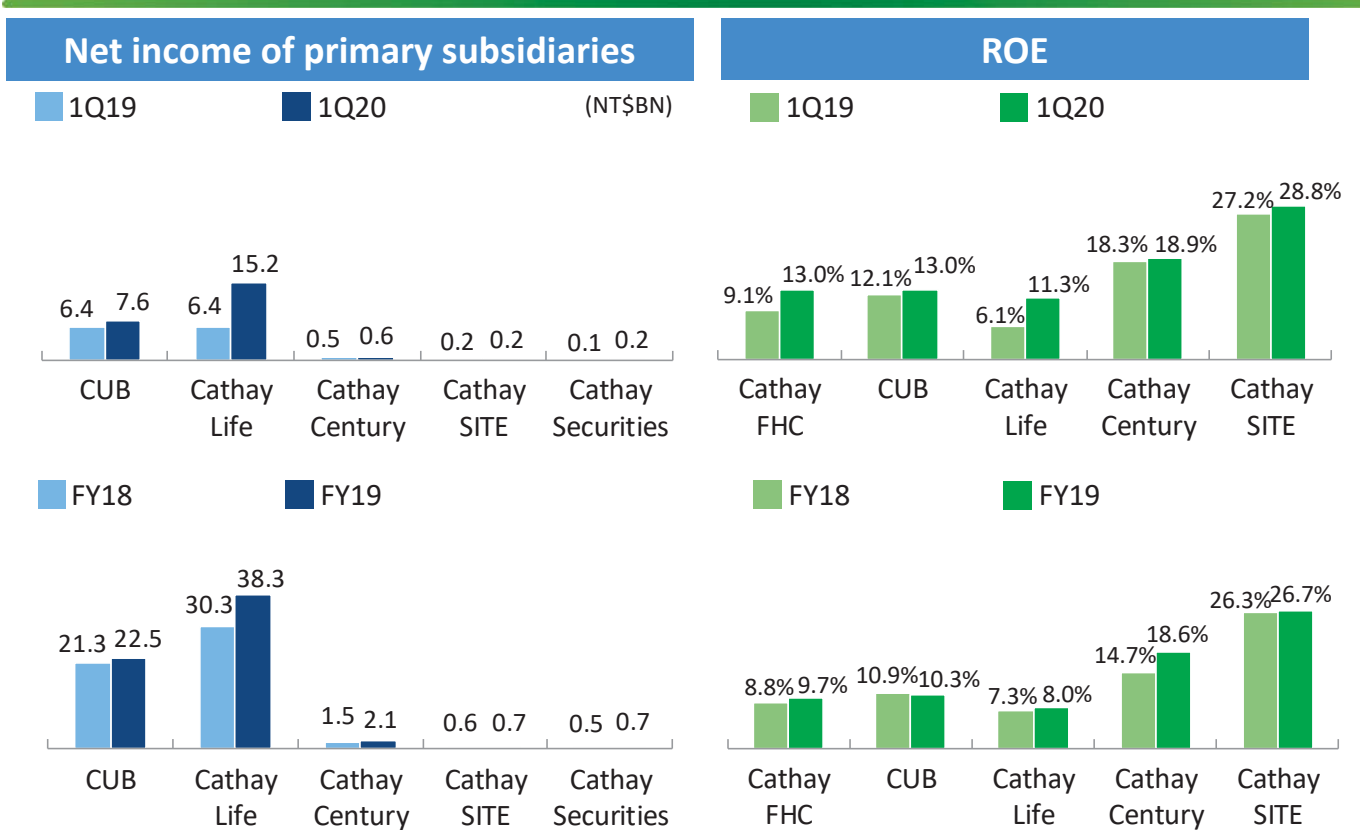


Note: Market capitalization as of May 29, 2020

Cathay FHC – Net income & EPS

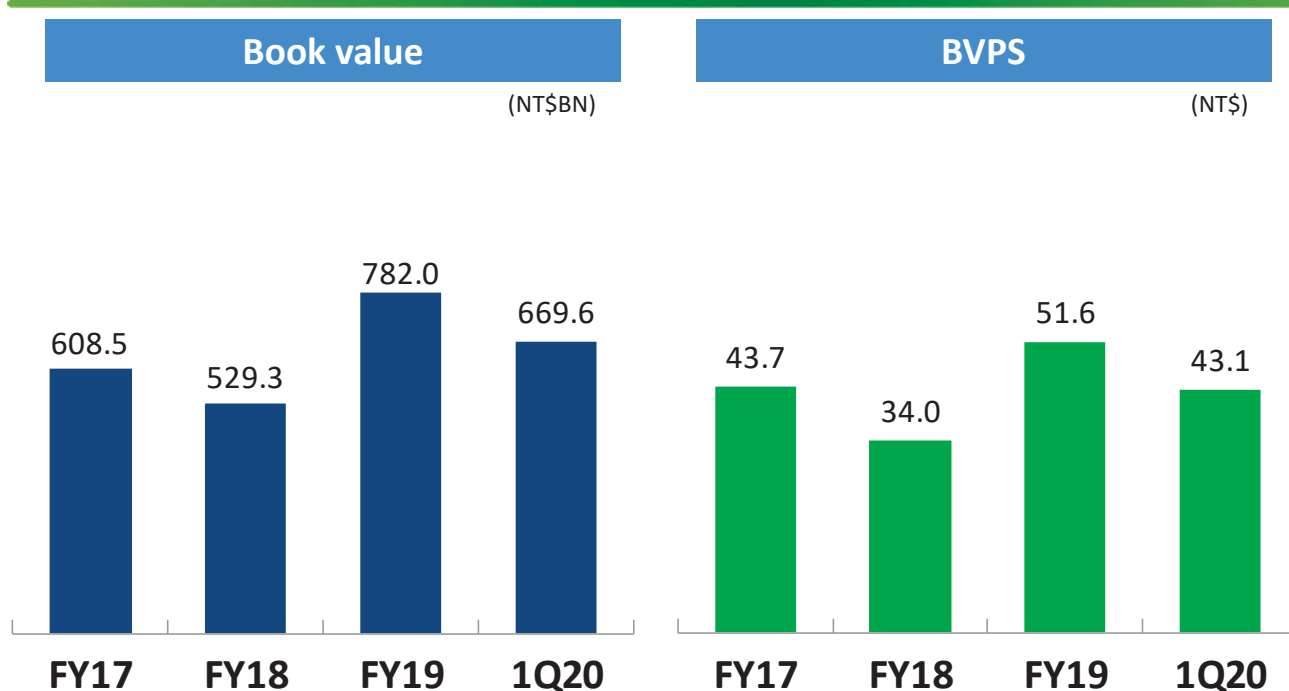


Cathay FHC – Net income & ROE



Note : Starting from 1Q18, ROE calculation was based on IFRS 9.

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.

Agenda

- Introduction of Cathay FHC
- **1Q20 Business Overview**
- Overseas Expansion
- Business Performance Summary
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- ESG Performance
- Appendix

1Q20 Business overview

Cathay United Bank

- Continued to adjust loan mix with benign credit quality. Net interest income grew steadily.
- Overseas expansion continued. Obtained Myanmar regulatory approval to set up Yangon branch.
- FX loan grew steadily. Offshore earnings accounted for 51% of pre-tax earnings.

Cathay Life

- Focused on value-driven strategy. FYP ranked No.1 in the industry.
- After-hedging investment yield reached 4.16%. Overall investment performance maintained stable.

Cathay Century

- Premium income grew 2% YoY. Remained in second place with 10.9% market share.
- Developed online business in China and enlarged local team in Vietnam. Overseas premium income continued to rise.

Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$780.5 BN.
- Recognized by Asia Asset Management, Benchmark and received Morning Star & Smart Magazine Taiwan Fund Award and TFF-Bloomberg Best Fund Award in 2020. Received 100 awards since its establishment.

Cathay Securities

- Brokerage business grew steadily. Sub-brokerage market share ranked No.1.
- Optimized customer experience with new digital business model.
- 1Q20 profit increased 119% YoY. Growth rate ranked No.1 in the industry.

Agenda

- Introduction of Cathay FHC
- 1Q20 Business Overview
- **Overseas Expansion**
- **Business Performance Summary**
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- ESG Performance
- Appendix

Cathay FHC in South East Asia

	China	Vietnam	Cambodia	Hong Kong	Singapore	Malaysia	Laos	Philippines	Thailand	Myanmar	Indonesia
Bank	7	36	16	1	1	1	1	1	1	1	1
Life	52 ⁽¹⁾	86 ⁽¹⁾									
P&C	28	2									
Asset Mgt.	1			1							
Securities				2							

Note: (1) Cathay Lujiazui Life and Cathay Life (Vietnam) footprints includes headquarter and branches.
 (2) Footprints in Thailand, Myanmar and Indonesia are rep. 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

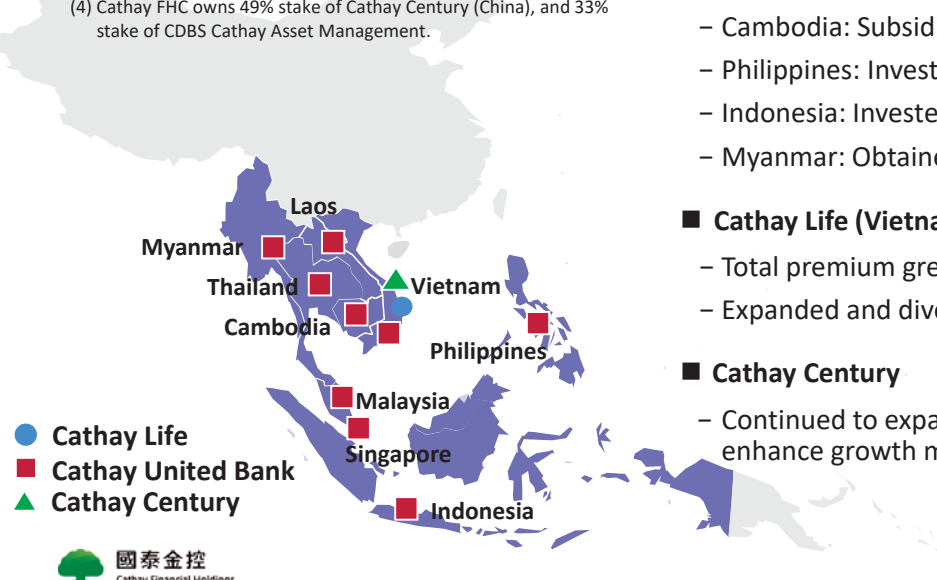
- Vietnam: Indovina Bank performed steadily.
- Cambodia: Subsidiary's businesses grew steadily.
- Philippines: Invested 23% stake in RCBC⁽³⁾
- Indonesia: Invested 37% stake in Bank Mayapada⁽³⁾
- Myanmar: Obtained approval for Yangon branch

■ Cathay Life (Vietnam)

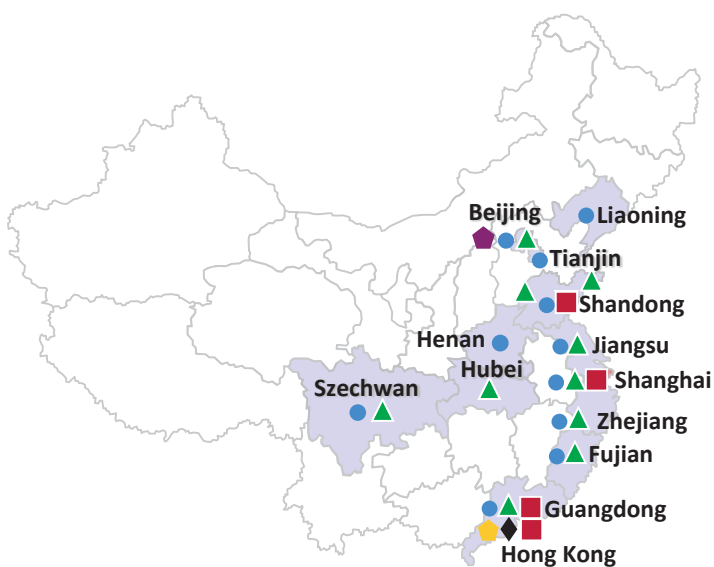
- Total premium grew 58% YoY to VND 322BN in 1Q20.
- Expanded and diversified distribution channels.

■ Cathay Century

- 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

- The China subsidiary performed steadily.

■ Cathay Lujiazui Life

- Each business line grew steadily.
- Total premium grew 9% YoY to RMB 0.9BN in 1Q20.

■ Cathay Century (China)

- Formed a strategic alliance with Ant Financial group. Actively developed eCommerce-related financial services.

■ Cathay Securities (HK)

- Each business line grew steadily.

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

- Continued to launch new products. Mainly focused on fixed income funds.

■ Conning Asia Pacific Limited

- Continued to expand asset management business.

Agenda

- Introduction of Cathay FHC
- 1Q20 Business Overview
- Overseas Expansion
- Business Performance Summary

Cathay United Bank

Cathay Life

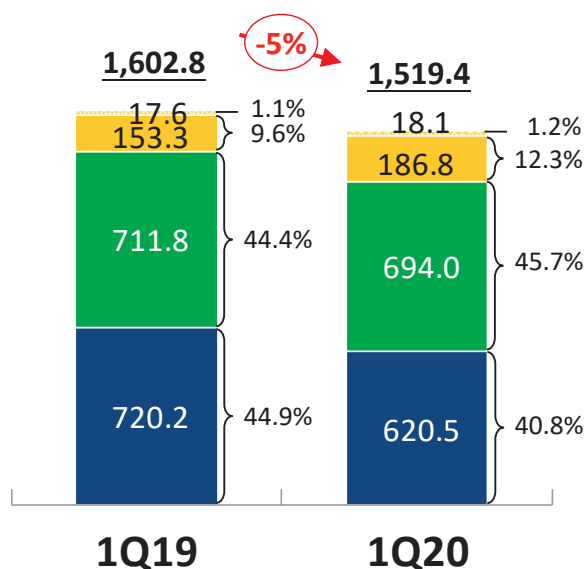
Cathay Century

- Cathay Life Embedded Value & Appraisal Value
- Cathay's CSR Efforts
- M&A Key Highlights
- Appendix

Cathay United Bank – Loan & Deposit breakdown

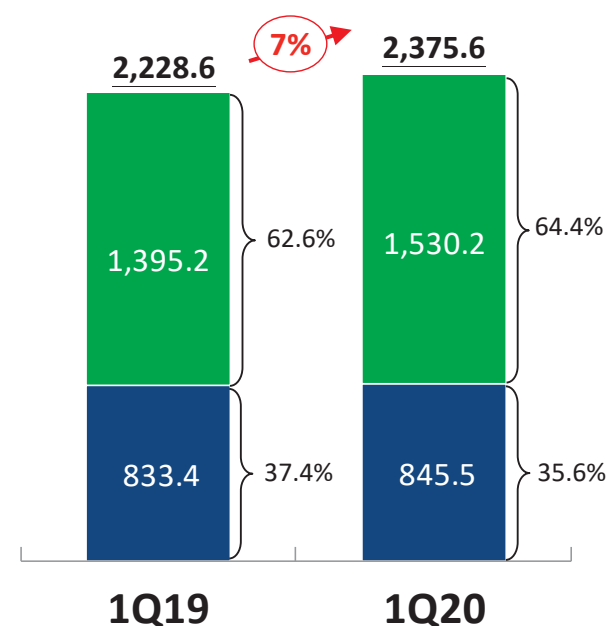
Loan breakdown (NT\$BN)

- Credit card related
- Consumer
- Mortgage
- Corporate

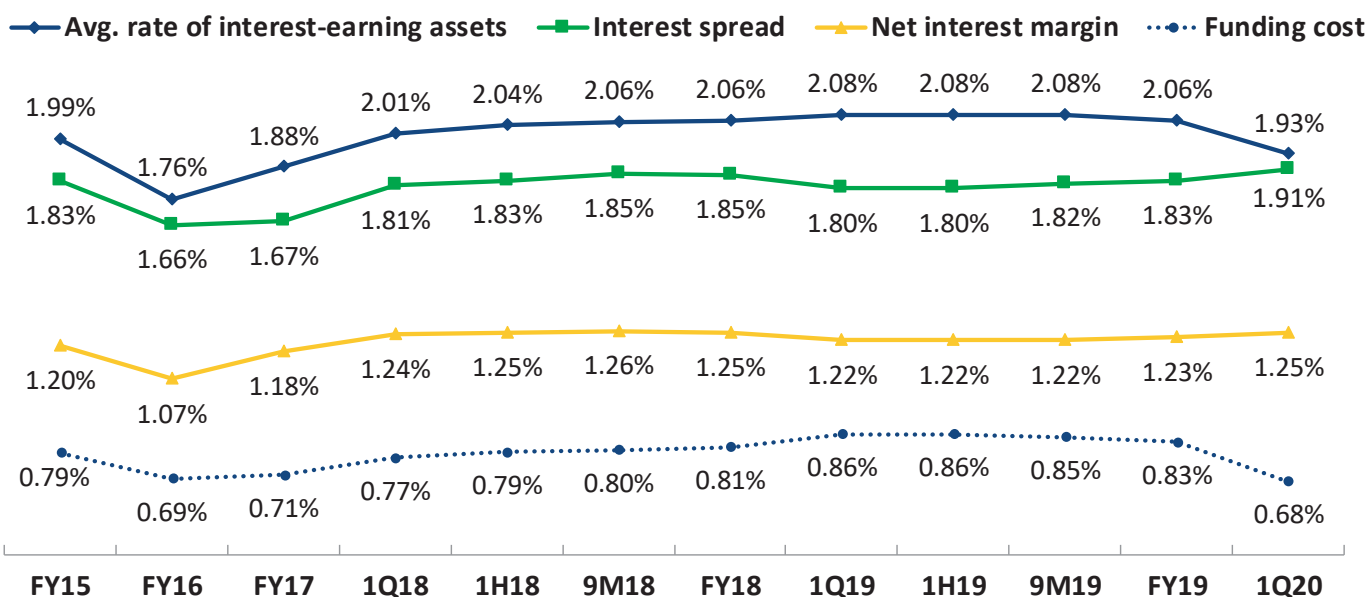


Deposit breakdown (NT\$BN)

- Demand deposit
- Time deposit



Cathay United Bank – Interest yields



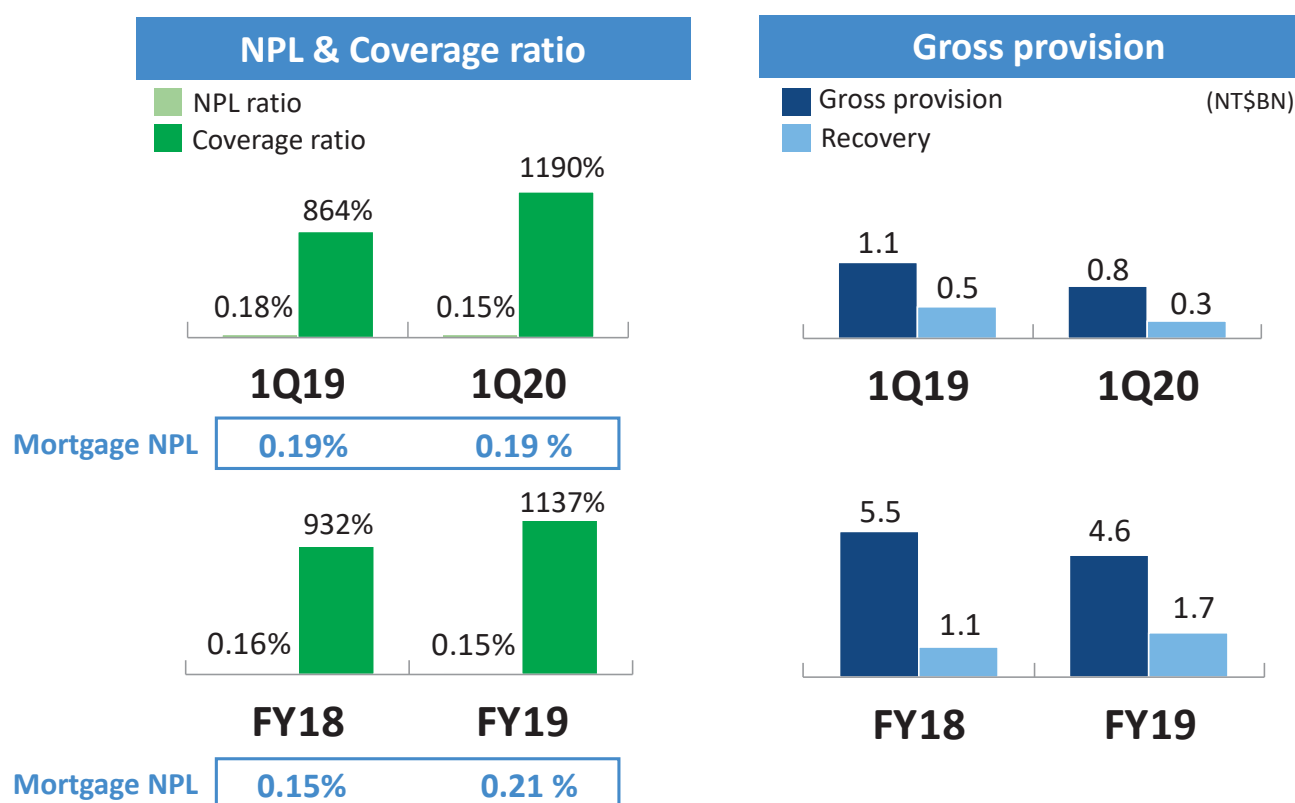
	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Quarterly Spread	1.81%	1.85%	1.90%	1.83%	1.80%	1.81%	1.85%	1.86%	1.91%
Quarterly NIM	1.24%	1.26%	1.27%	1.22%	1.22%	1.22%	1.23%	1.26%	1.25%
Quarterly NIM-pro forma excl. China ⁽²⁾	1.21%	1.22%	1.25%	1.22%	1.22%	1.22%	1.23%	1.26%	1.25%

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.



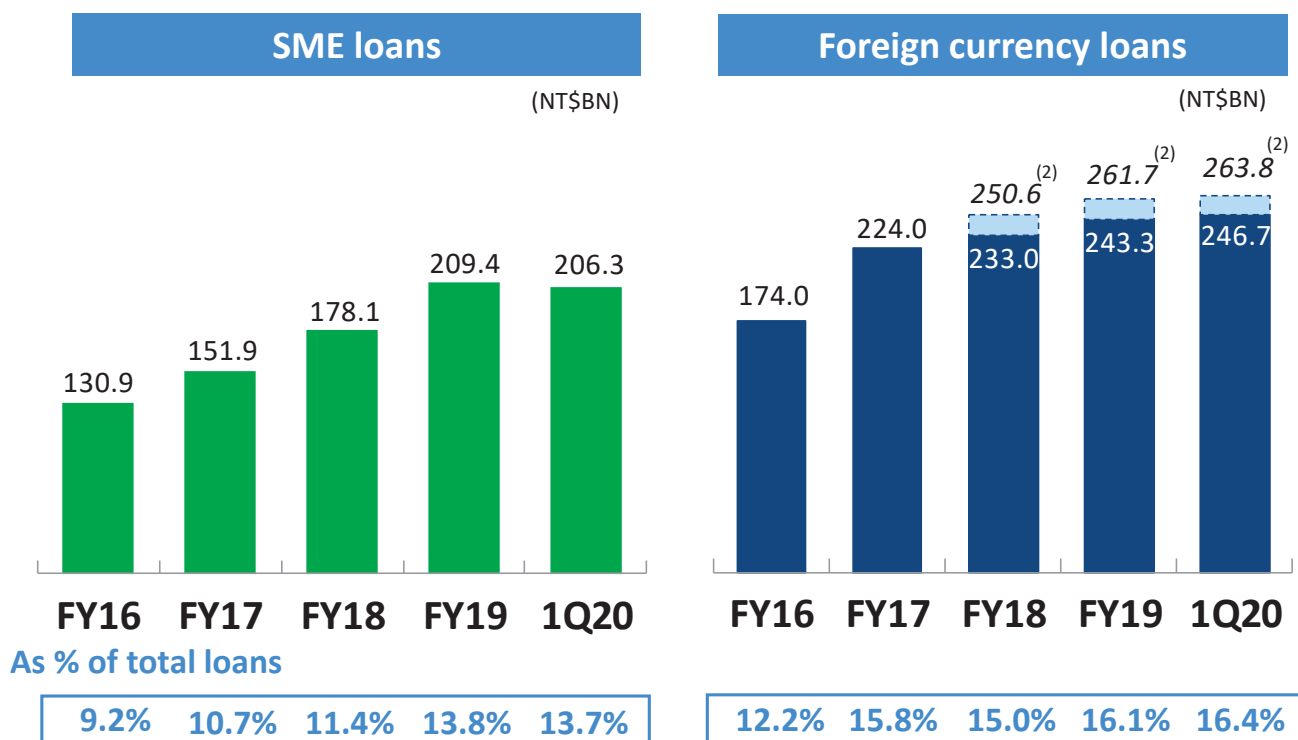
Cathay United Bank – Credit quality



Note : China subsidiary was launched in Sep 2018. Hence, 1Q19 & 1Q20 number excluded China subsidiary results. (NPL ratio: 0.00% and 0.69%, Gross provision: NT\$-36.7MN and NT-207MN, Recovery both were NT\$0MN ; preliminary).



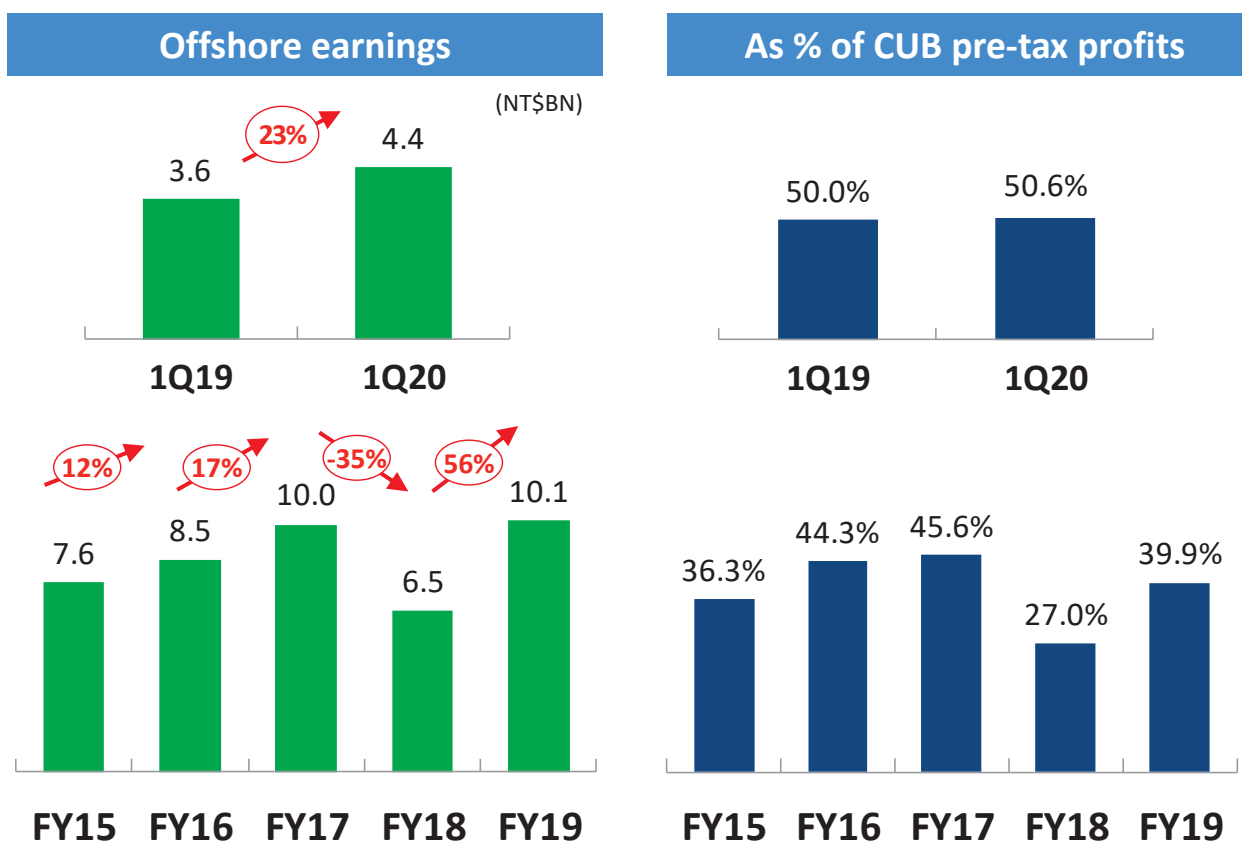
Cathay United Bank – SME & FX loans



Note : (1) Total loans exclude credit card revolving balance.

(2) China subsidiary was launched in Sep 2018, hence FY18, FY 19 and 1Q20 foreign currency loan balance excluded NT\$17.6BN , NT\$18.4BN and NT\$17.1BN from China subsidiary, respectively. (preliminary)

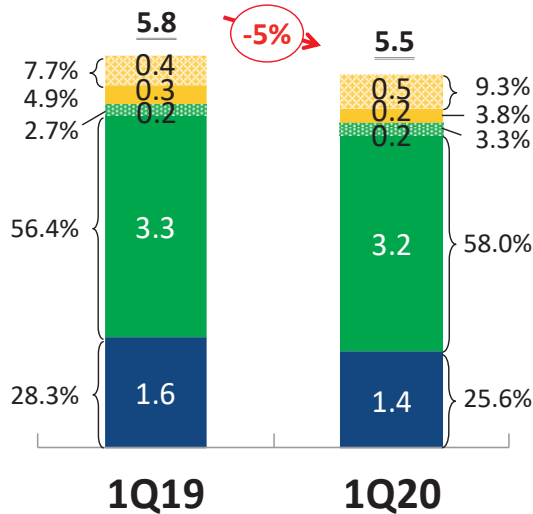
Cathay United Bank – Offshore earnings



Cathay United Bank – Fee income

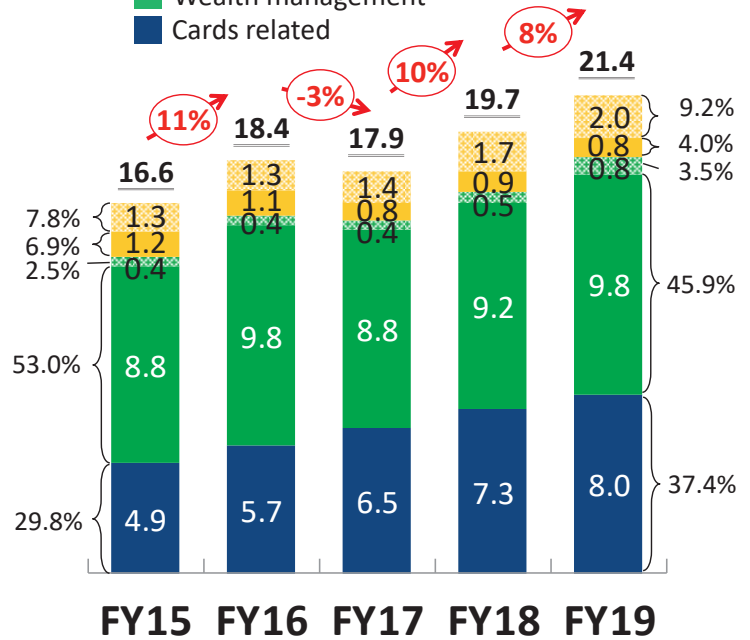
Quarterly fee income (NT\$BN)

- Others
- Syndicated loans
- FX
- Wealth management
- Cards related



Annual fee income (NT\$BN)

- Others
- Syndicated loans
- FX
- Wealth management
- Cards related

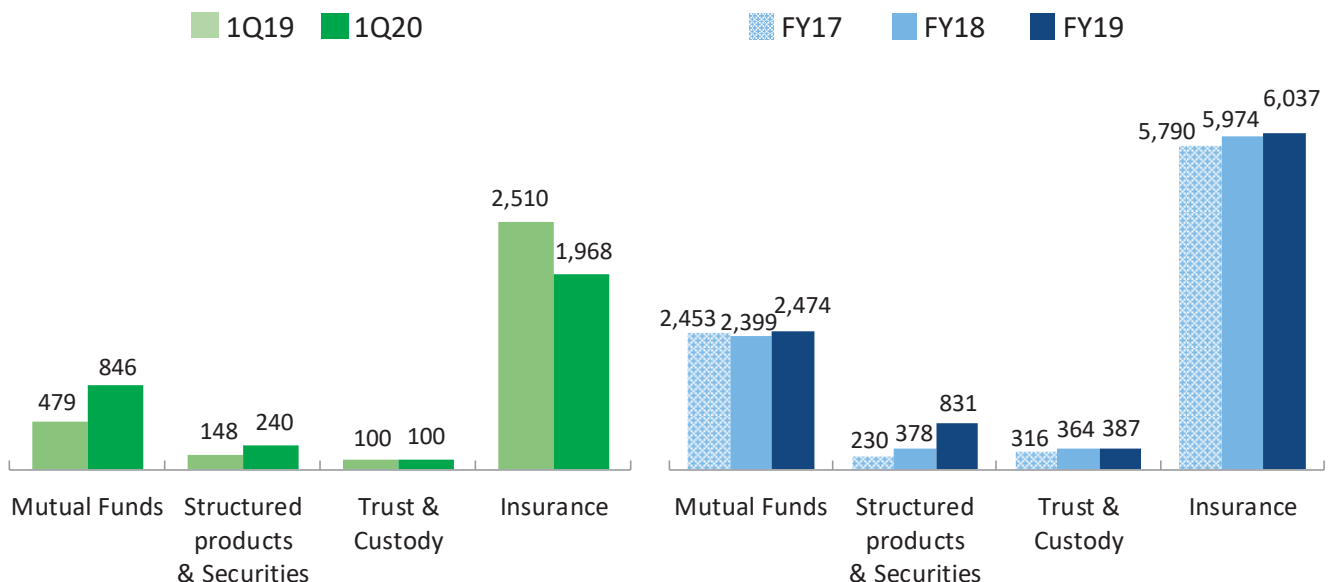


Note: China subsidiary was launched in Sep 2018, hence 1Q19 and 1Q 20 fee income excluded NT\$ 5.1MN and NT\$9.4MN; FY18 (Sep.-Dec.) and FY 19 excluded NT\$ 5.8MN and NT\$18.9MN from subsidiary, respectively. (preliminary)

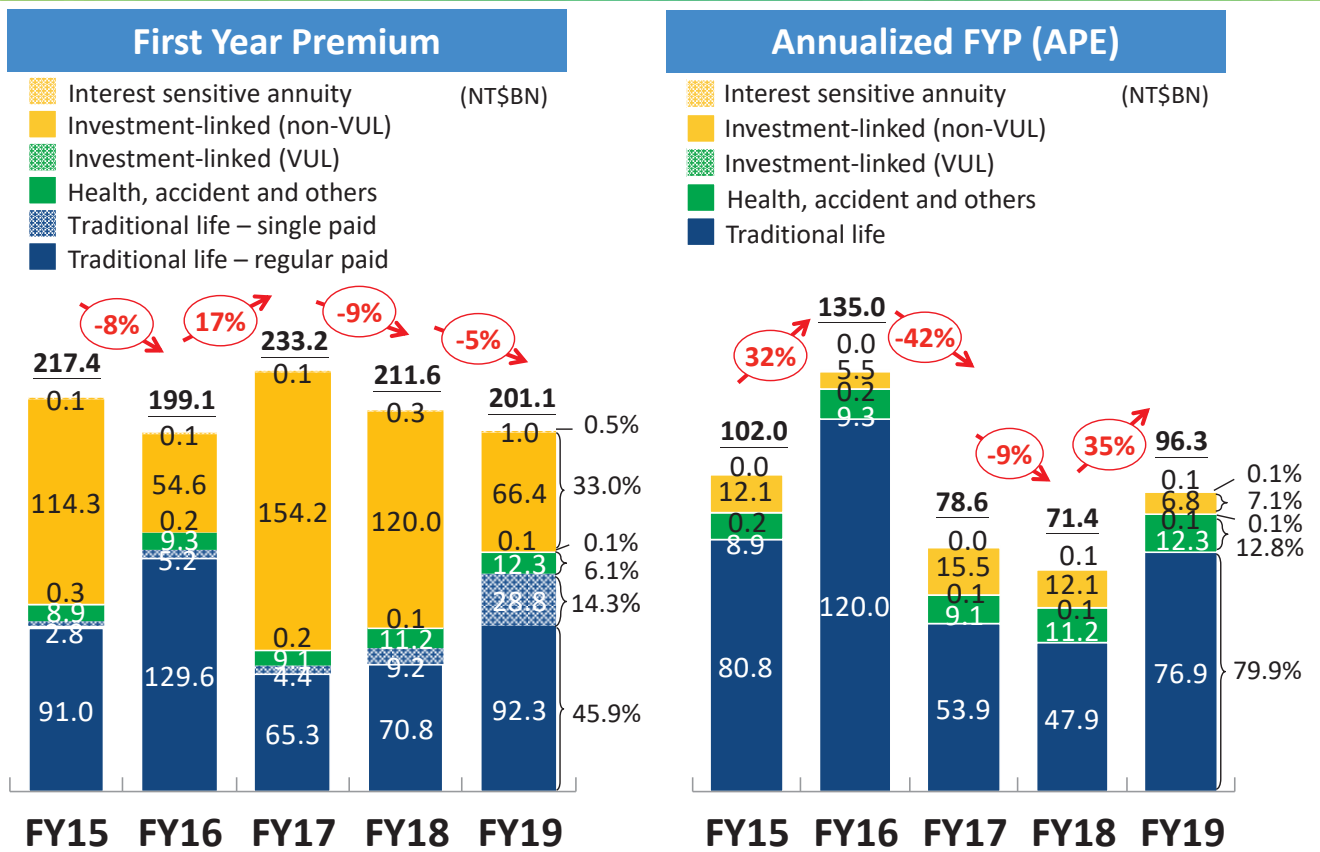
Cathay United Bank – Wealth management fee

Wealth management fee breakdown

(NT\$MN)	1Q19	1Q20	FY17	FY18	FY19
Wealth management fee income	3,252	3,182	8,837	9,183	9,808
YoY growth (%)	10.1%	-2.2%	-10.1%	3.9%	6.8%

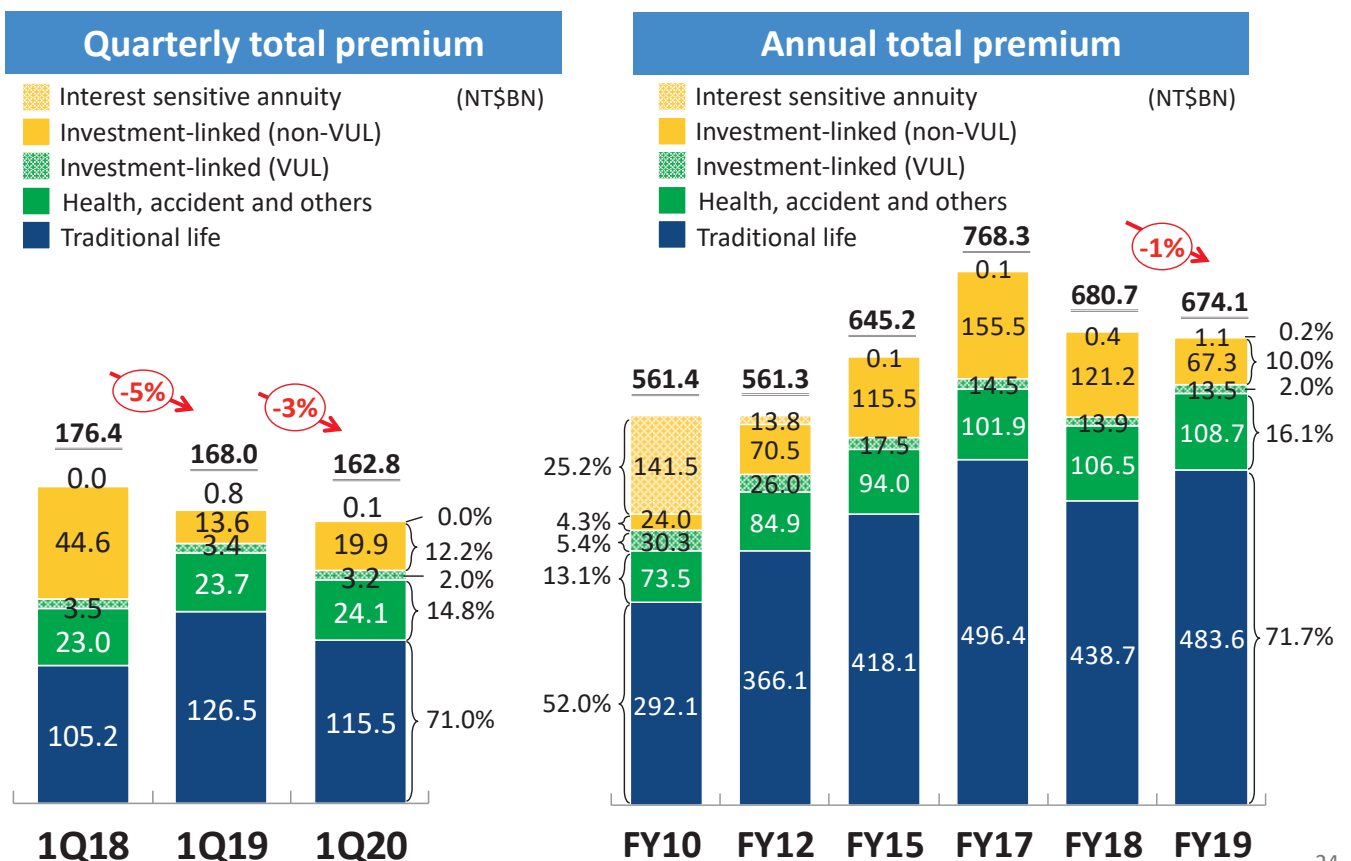


Cathay Life – Annual FYP & APE



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

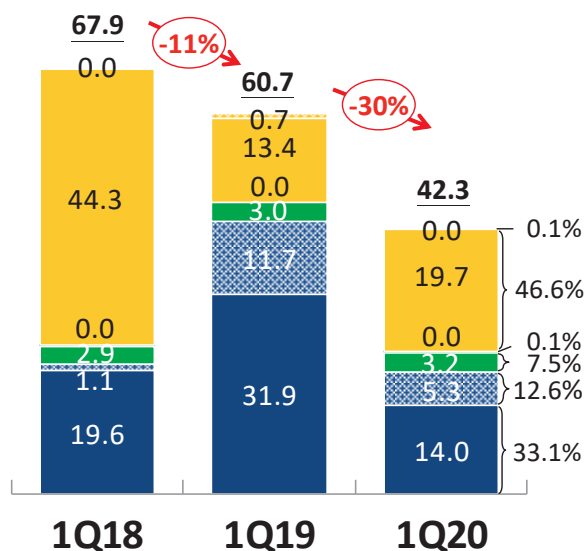
Cathay Life – Total premium



Cathay Life – Quarterly FYP & APE

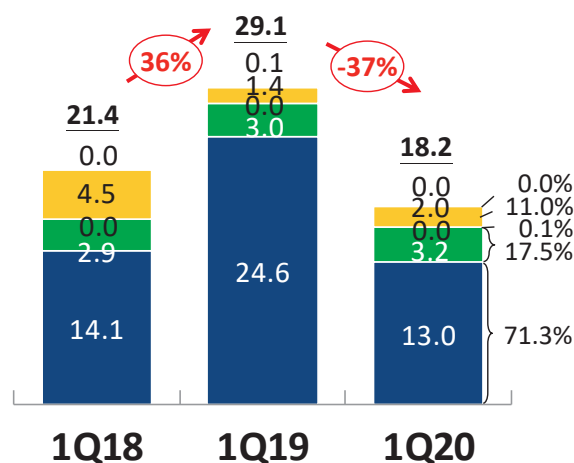
First Year Premium

- 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 – Value of new business

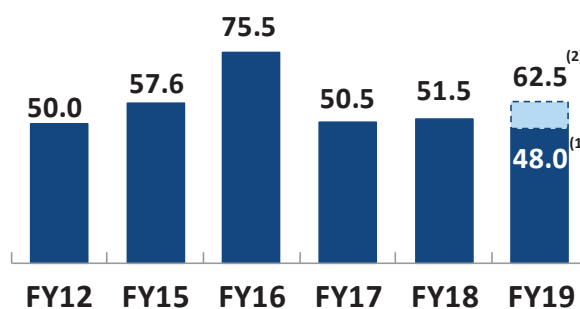
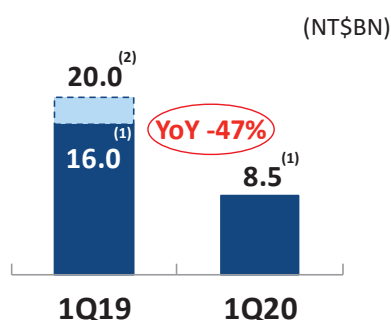
Value for New Business

Profit Margin	1Q19 ⁽¹⁾	1Q20 ⁽¹⁾
VNB/FYP	26%	20%
VNB/FYP (excl. Investment-linked (non-VUL))	33%	35%
VNB/APE	55%	47%

Value for New Business (annual)

Profit Margin	FY12	FY15	FY16	FY17	FY18	FY19 ⁽²⁾	FY19 ⁽¹⁾
VNB/FYP	19%	27%	38%	22%	24%	31%	24%
VNB/APE	54%	57%	56%	64%	72%	65%	50%

(NT\$BN)

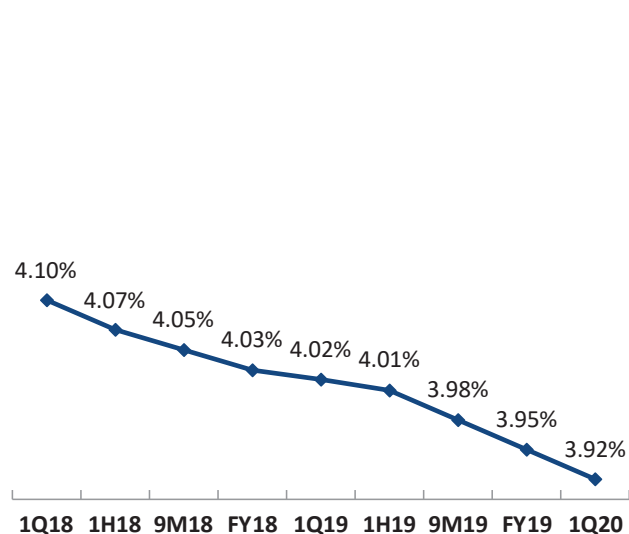


Note : (1) 1Q19, FY19 and 1Q20 VNB were based on 2019 Embedded Value assumptions.

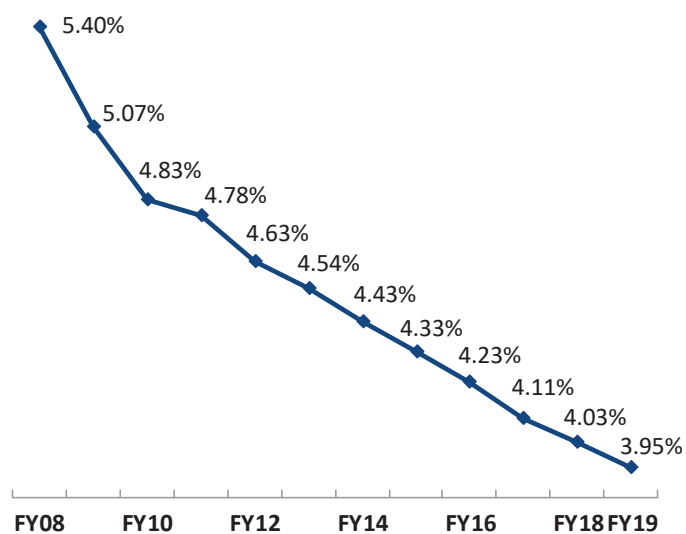
(2) Based on 2018 Embedded Value assumptions, 1Q19 & FY19 VNB were NT\$20.0BN and NT\$62.5BN ; VNB/FYP were 33% and 31% , VNB/FYPE were 69% and 65%, respectively.

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

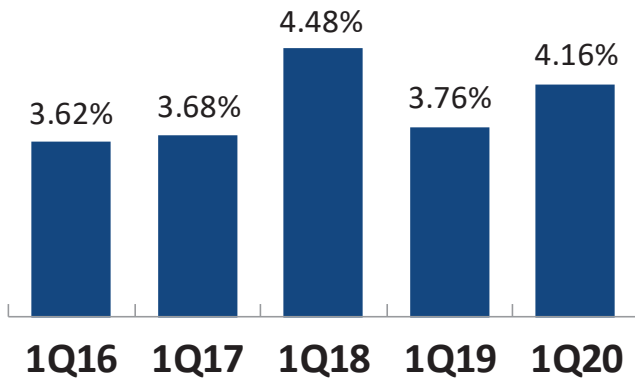
(NT\$BN)	FY17	FY18	FY19			1Q20		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Total investments⁽¹⁾	5,502.6	5,761.0	6,415.0			6,367.1		
Cash & Cash equivalents	1.6%	1.1%	3.7%	237	0.6%	2.4%	152	0.5%
Equity- Domestic	8.4%	7.5%	5.0%	322	7.9%	5.8%	372	5.8%
Equity- International ⁽²⁾	6.3%	6.7%	5.8%	370	6.5%	6.2%	396	8.0%
Bond- Domestic	5.5%	5.0%	7.9%	505	5.7%	8.1%	516	6.9%
Bond- International ⁽¹⁾⁽²⁾	55.7%	58.6%	58.9%	3,777	5.3%	58.9%	3,749	5.9%
Mortgage & Secured loans	8.1%	7.1%	5.3%	341	2.1%	5.1%	325	2.2%
Policy loans	3.0%	3.0%	2.7%	171	5.6%	2.7%	171	5.4%
Real estate	9.2%	8.7%	8.2%	526	2.7%	8.2%	525	2.6%
Others	2.4%	2.4%	2.6%	165		2.5%	161	

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

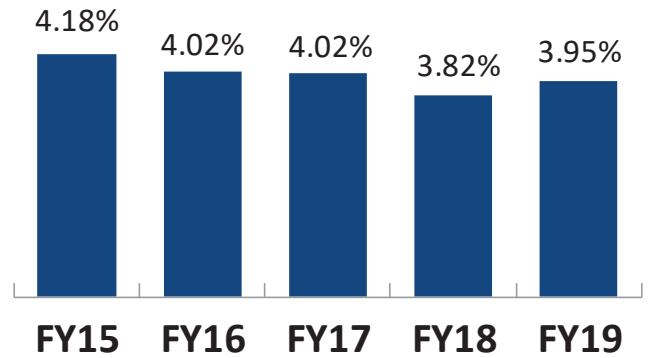
(2) Yields of international equity and international bond are pre-hedge investment yields.

Cathay Life – Investment performance highlight

After-hedging investment yield

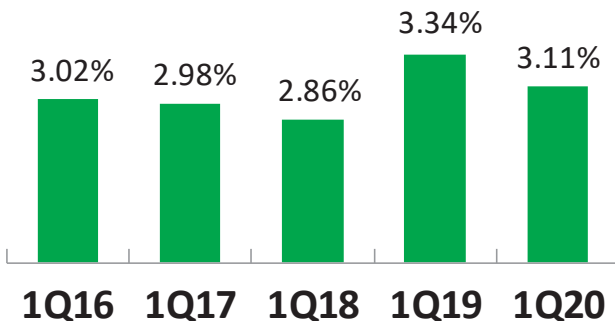


After-hedging investment yield



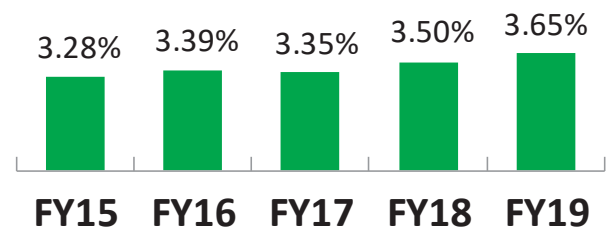
Cathay Life – Investment performance highlight

Pre-hedging recurring yield



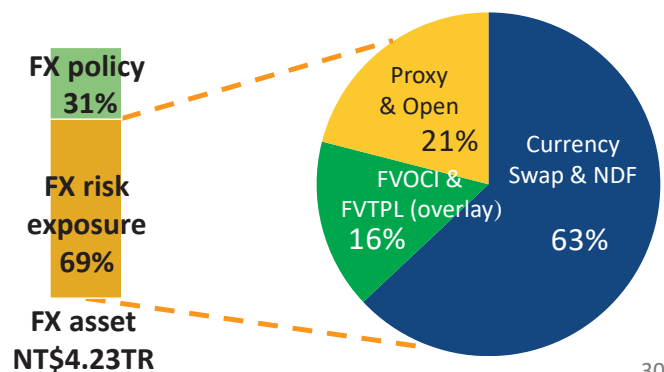
Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

Pre-hedging recurring yield

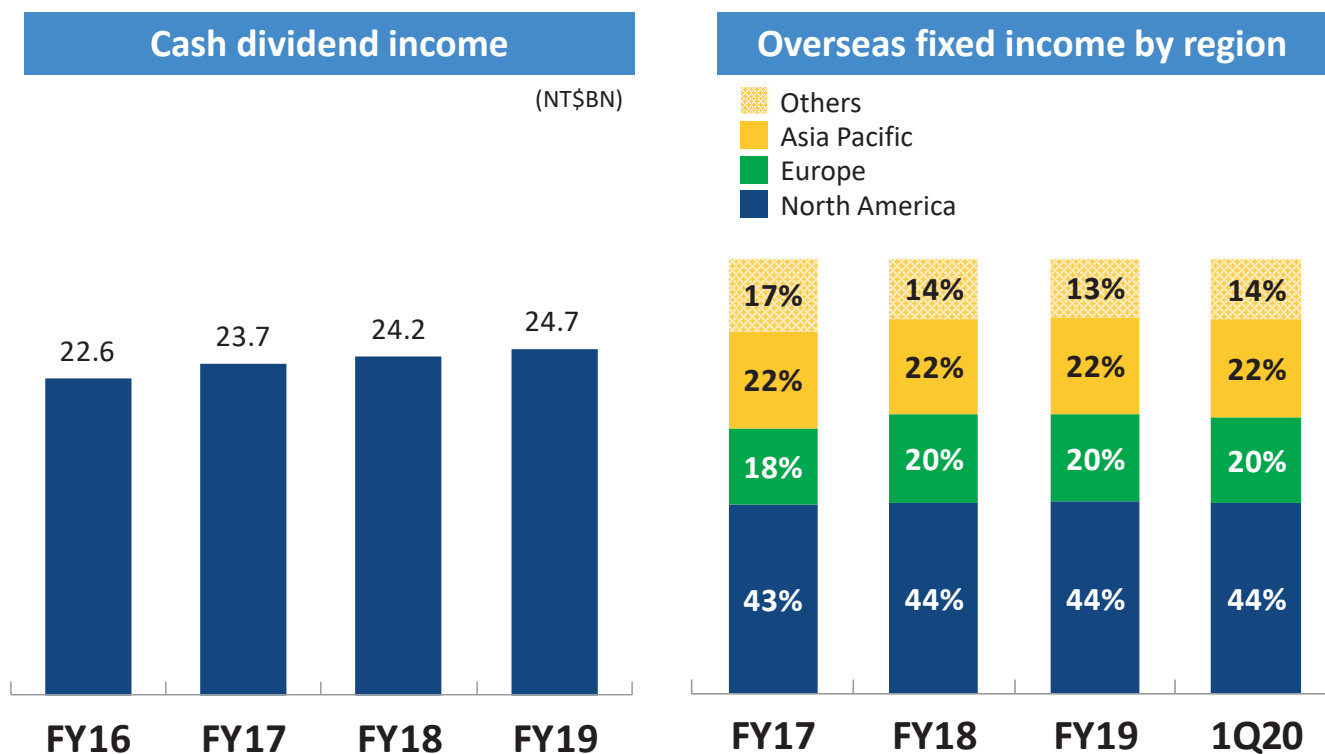


Currency hedging structure

1Q20 Hedging cost 1.69%

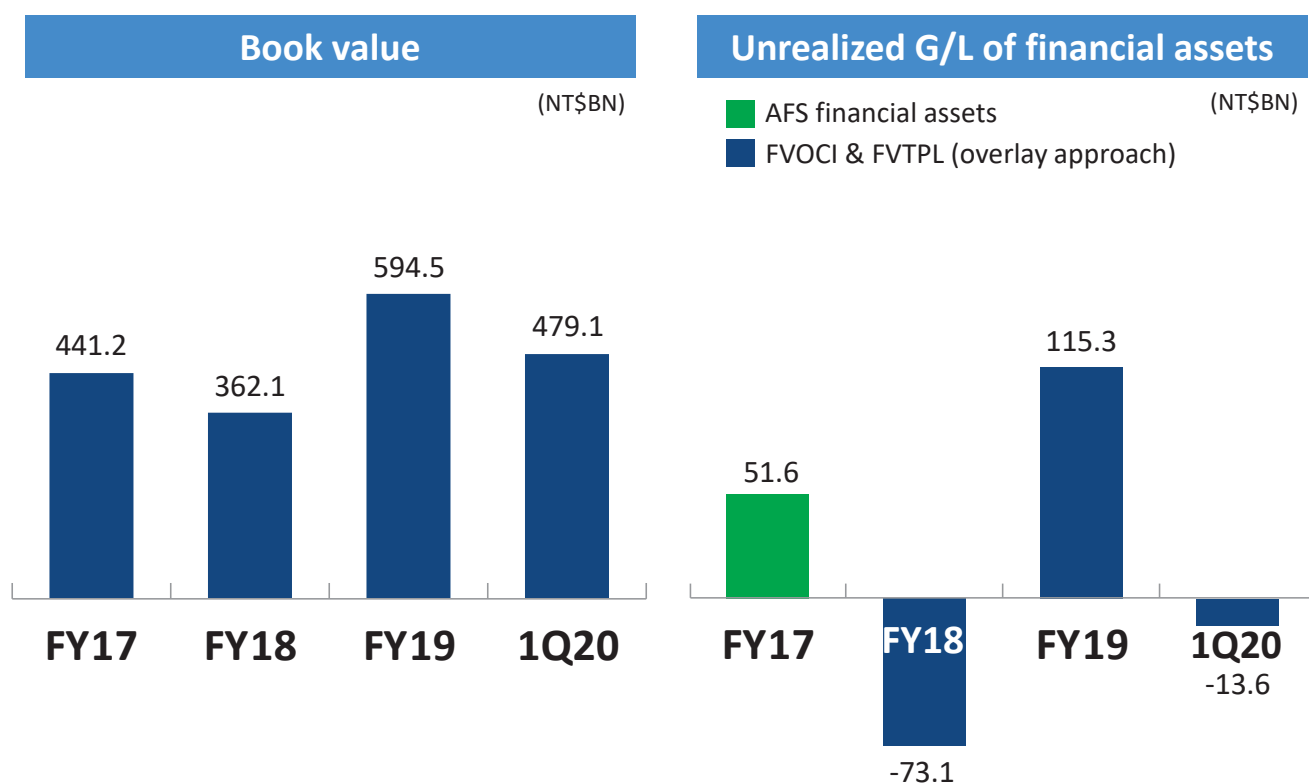


Cathay Life – Cash dividend income & Overseas fixed income by region

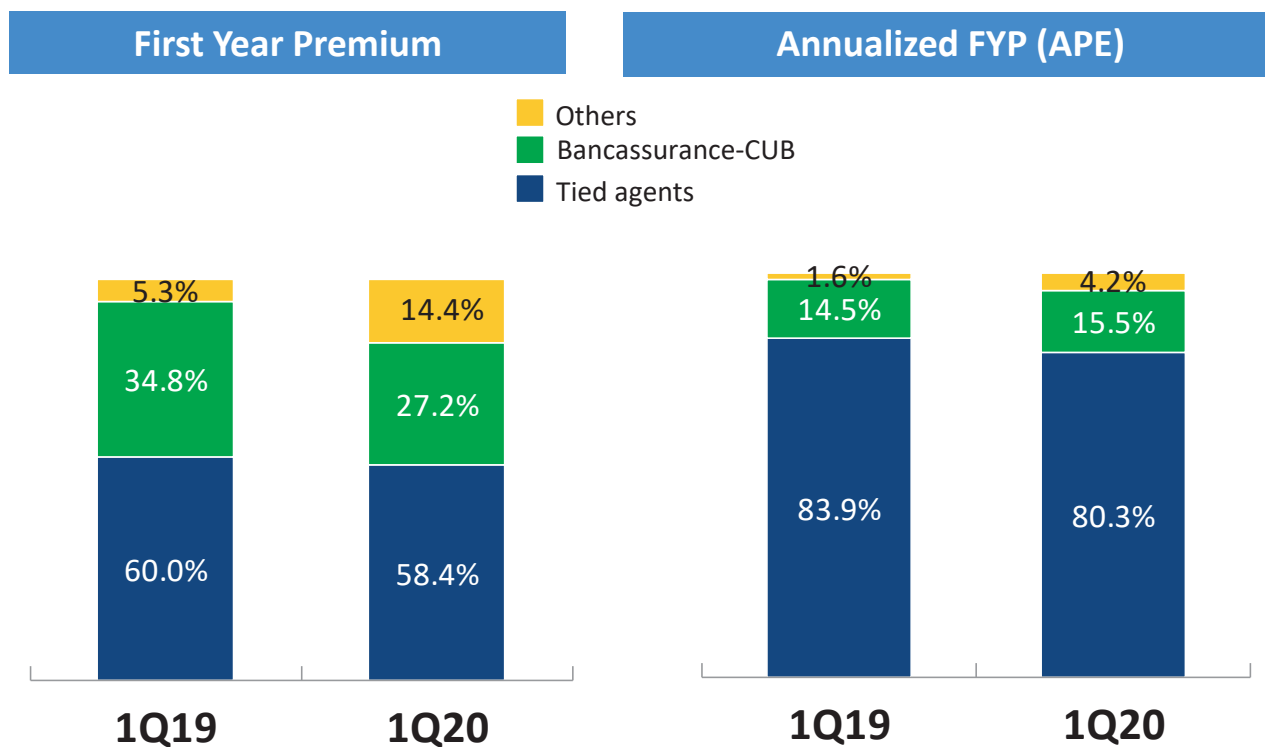


Note: Exclude overseas deposit.

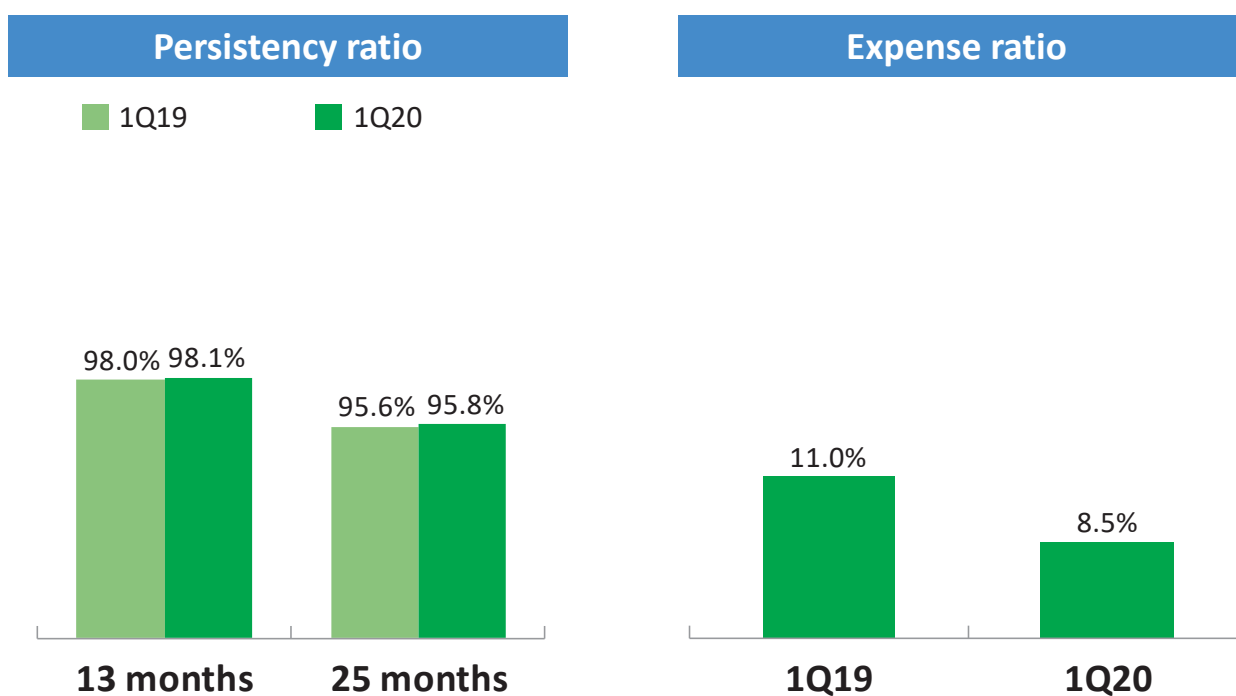
Cathay Life – Book value & Unrealized G/L of financial assets



Cathay Life – Distribution channel



Cathay Life – Operational indicators



Agenda

- Introduction of Cathay FHC
- 1Q20 Business Overview
- Overseas Expansion
- Business Performance Summary

Cathay United Bank

Cathay Life

Cathay Century

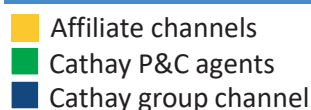
- ESG Performance
- Appendix

Cathay Century – Premium income & Distribution channel

Premium income (NT\$BN)

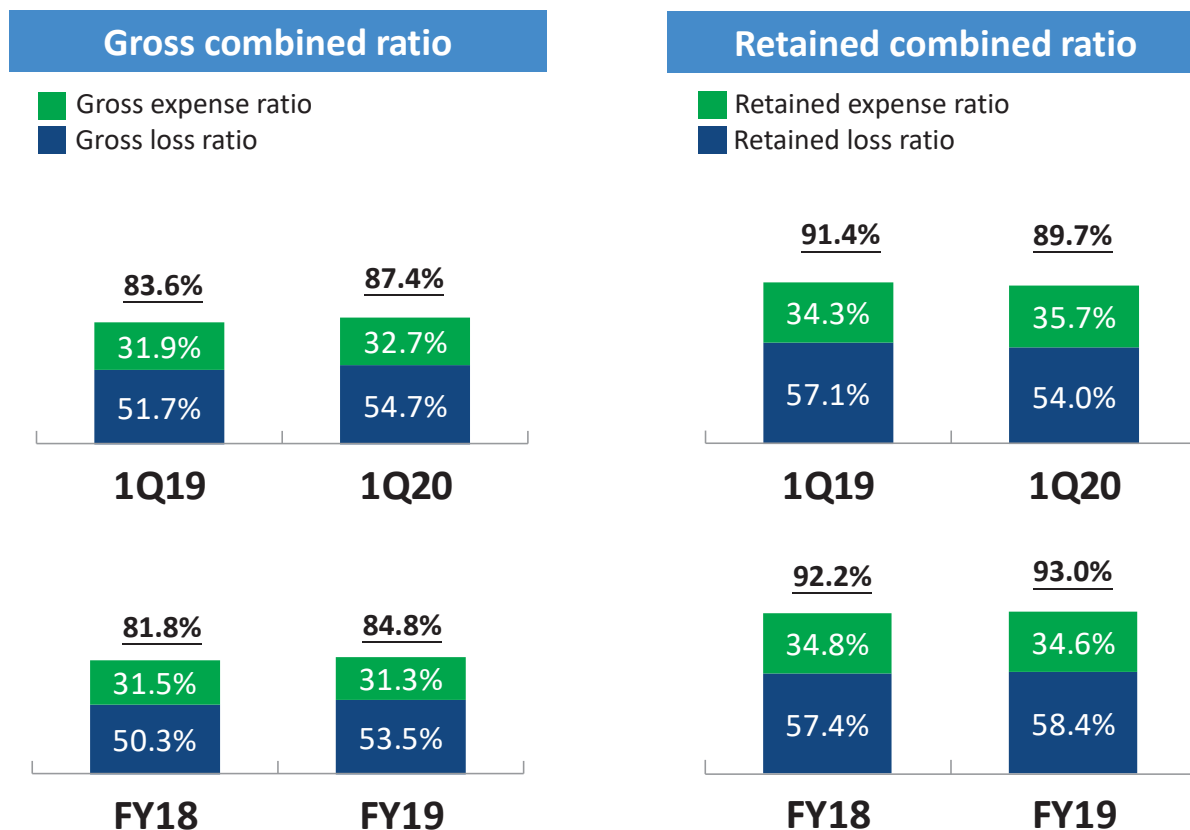


Distribution channel



Market share	11.8%	10.9%
Retention	78.5%	77.9%

Cathay Century – Combined ratio



Agenda

- Introduction of Cathay FHC
- 1Q20 Business Overview
- Overseas Expansion
- Business Performance Summary
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **ESG Performance**
- Appendix

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

Board Operation

Board

Audit Committees

Corporate Governance and Nomination Committees

Remuneration Committees

Corporate Sustainability Committees

Company Secretary
(Chief of Administration ,VP level)

Diversity & Profession

Assessment of diversity

Gender	Race
Age	Industry experience
Nationality	Skills & Knowledge

Female on board

78% subsidiaries

Female independent director

Cathay FHC
Cathay Securities

Performance

Board and Functional Committees Performance Evaluation Policy

Internal evaluation
External evaluation
Include CS performance

Meetings Attendance in 2019

90%

Awards

Corporate Governance Evaluation

Top 5%

(Taiwan Stock Exchange)

CG6011 Corporate Governance System Assessment

Highest Rating

(Taiwan Corporate Governance Association)

Financial Inclusion



Microinsurance

- Provide basic protection for the economically disadvantaged
- Ranked first in the domestic micro insurance market



Health-promoted Insurance

- 8 health-promoted insurance policies are available for applying to Cather Walker project
- As of the end of 2019, the 220,000 participants on Cathay Walker walked approximately 175.4 billion steps



Microfinance

- Financed Cambodia’s micro finance institutions (MFIs)
- As of the end of 2019, CUB has provided US\$59 million loans to MFIs



Friendly and Convenient Claim Services

- The first in Taiwan to provide claim payments automatically deducted from hospitalization expenses
- As of the end of 2019, 1.55 million policyholders have participated



Support Social Enterprise

- Provide preferential loans to help social enterprises grow
- As of the end of 2019, CUB has provided NT\$21.32 million loans to 8 social enterprises



Small Amount Whole Life Insurance

- Provide basic protection to relatively elders who have difficulty obtaining required insurance
- As of the end of 2019, Cathay Life provides basic economic security for approximately 200,000 policyholders, the highest in the industry

Sustainable supply chain management

Sustainable procurement procedure

Cathay FHC is the first financial institution worldwide implemented the ISO 20400 Sustainable Procurement Guidelines. Also, we embedded the ESG factors into our procurement process.



Performance

Supplier engage conferences in 2019	2	
-------------------------------------	---	--

Sustainability declaration signing rate	100%	
---	------	--

Sustainability training for suppliers	100%	
---------------------------------------	------	--

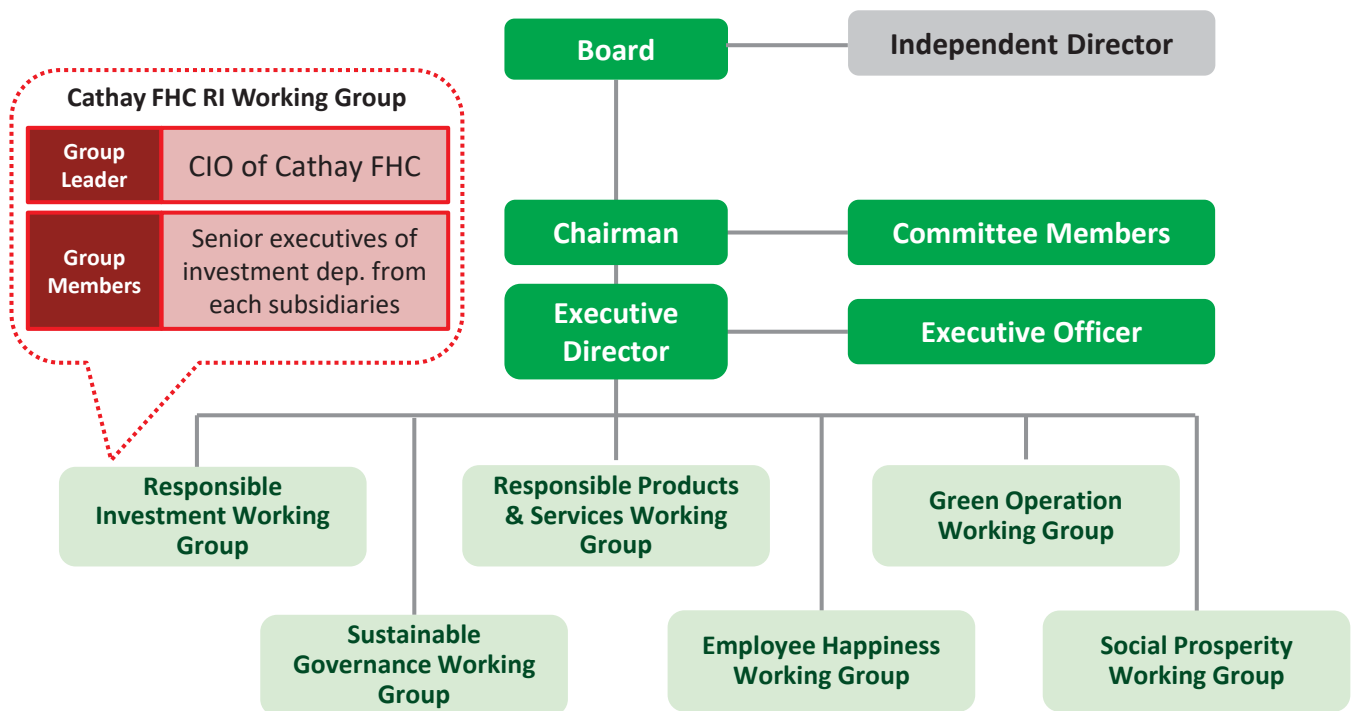
Local procurement ratio	95% above	
-------------------------	-----------	--

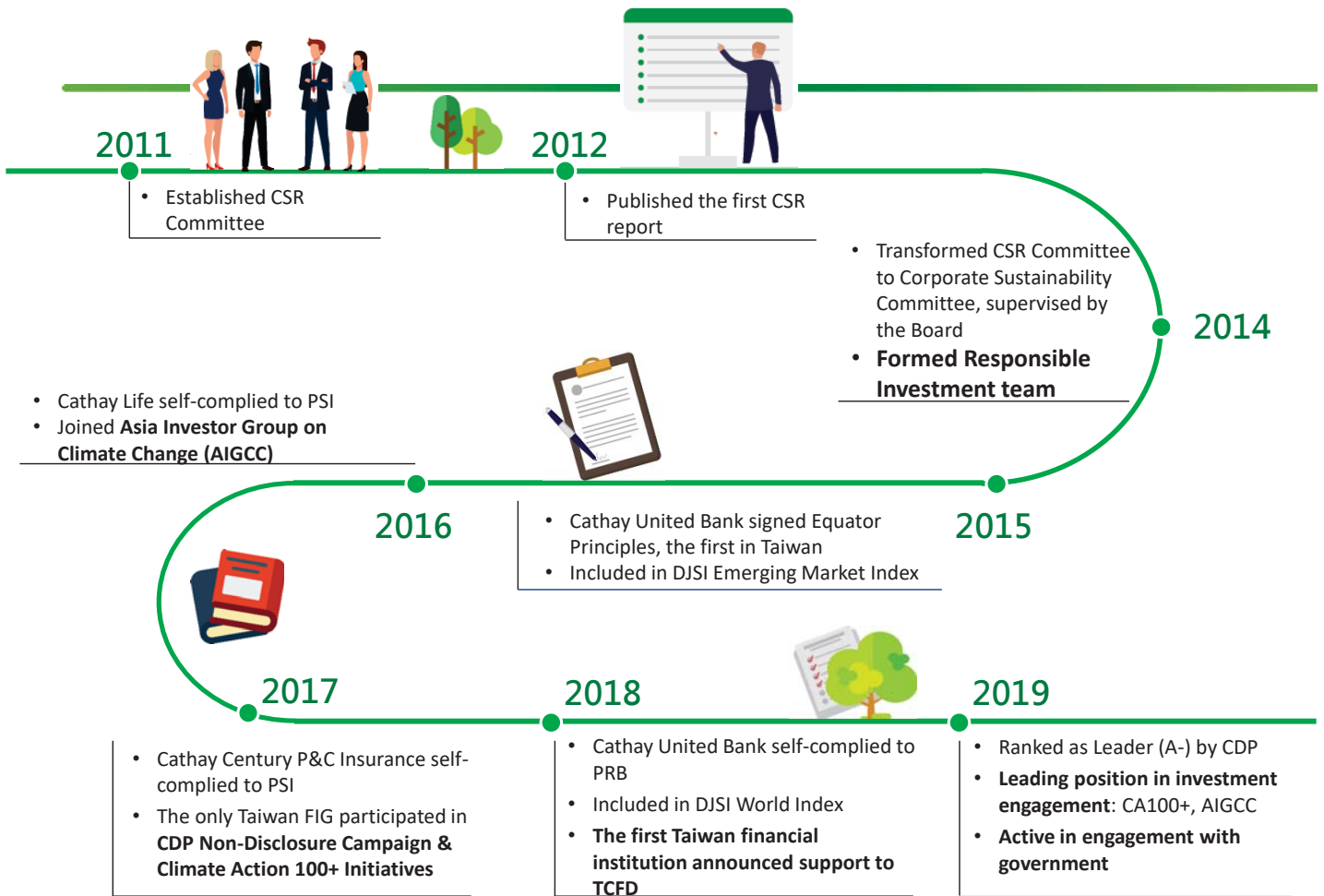
Well-recognized corporate sustainability performance

Recognized by local regulatory authorities	Recognized by ESG ratings agencies	Recognized by Media
<p>Top 5 % Corporate Governance</p>  <p>Over 1,000 listed companies</p> <p>TWSE Corporate Governance Evaluation</p>	<p>MEMBER OF Dow Jones Sustainability Indices</p> <p>In collaboration with </p> <p>Included in DJSI World & DJSI EM</p>	<p> CS 天下企業公民 Excellence in Corporate Social Responsibility</p> <p>Top 10 World Corporate Citizen for 7 consecutive years, Top 4 in 2019</p>
<p></p> <p>FTSE4Good TIP Taiwan ESG Index</p> <p>Included in FTSE4Good TIP Taiwan ESG Index since 2017</p>	<p> ESG Research IVA RATING A</p> <p> A- level</p> <p></p>	<p> CSR 2020第十六屆 (編年雜誌) 第三屆社會之星暨第一屆USR</p> <p>Exemplary Award CSR Annual Survey (Finance Division)</p>
<p>Note: The FTSE4Good TIP Taiwan ESG Index is designed by FTSE Russell and Taiwan Index Plus Corp (TIP), wholly-owned subsidiary of Taiwan Stock Exchange.</p> <p></p>	<p> BEST EM PERFORMERS</p> <p></p>	<p> ESG THE ASSET BENCHMARK AWARDS 2020</p> <p>ESG Corporate awards Platinum</p> <p> AREA RESPONSIBLE ENTREPRENEURSHIP AWARDS</p> <p>Corporate Governance Award</p>

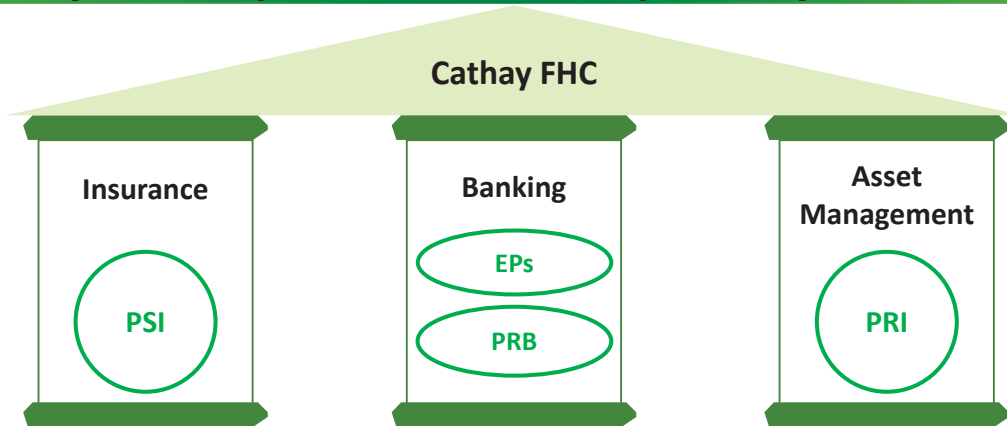
Corporate Sustainability Committee reports to the Board

- Cathay FHC Corporate Sustainability (CS) Committee comprises six Working Groups.
- The Independent Director supervises CS Committee.





Sustainability: Cathay FHC's core competency



Key initiatives	<ul style="list-style-type: none"> ➢ 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. 	<ul style="list-style-type: none"> ➢ In 2015, CUB was the first Taiwanese financial institution signing the Equator Principles (EPs). ➢ In 2018, CUB committed to self-comply with Principle of Responsible Banking (PRB) to strengthen corporate sustainability 	<ul style="list-style-type: none"> ➢ Conning Inc., subsidiary of Conning Holding which was acquired by Cathay FHC, is the PRI signatory. ➢ Conning's subsidiary Octagon Credit Investors has signed PRI in 2020.
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

Participating in global and domestic ESG initiatives

Initiatives	Time joined
CDP	<ul style="list-style-type: none"> Cathay FHC (2012)
Low Carbon Investment Registry	<ul style="list-style-type: none"> Cathay FHC (2014)
Taiwan Stewardship Principles	<ul style="list-style-type: none"> Cathay Life & Cathay SITE (2016) Cathay Century Insurance (2017) Cathay United Bank & Cathay Securities (2018)
Asia Investor Group on Climate Change (AIGCC)	<ul style="list-style-type: none"> Cathay FHC (2016)
CDP Non-disclosure engagement campaign	<ul style="list-style-type: none"> Cathay FHC (2017)
Climate Action 100+	<ul style="list-style-type: none"> Cathay Life & Cathay SITE (2017)
PRI (signatory / voluntary self-complied)	<ul style="list-style-type: none"> Conning Inc. (PRI signatory in 2015) Cathay Life (voluntary self-complied in 2015)
PSI (voluntary self-complied)	<ul style="list-style-type: none"> Cathay Life (2016) Cathay Century Insurance (2017)
PRB (voluntary self-complied)	<ul style="list-style-type: none"> Cathay United Bank (2018)
TCFD	<ul style="list-style-type: none"> Cathay FHC (2017)

Note: Cathay self-complied UN initiatives as Taiwan is not the member state in UN



國泰金控
Cathay Financial Holdings

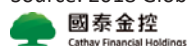
Any unauthorized copying, distribution or other use of this presentation is prohibited.

47

7 responsible investment strategies of institutional investor

Investment strategies	Features
Negative/exclusionary screening	The exclusion from a fund or portfolio of certain sectors, companies or practices based on specific ESG criteria.
Positive/best-in-class screening	Investment in sectors, companies or projects selected from a defined universe for positive ESG performance relative to industry peers
Norms-based screening	Screening of investments based on compliance with international norms and standards such as those issued by the OECD, ILO, UN and UNICEF
Integration of ESG factors	The systematic and explicit consideration by investment managers of environmental, social and governance factors into financial analysis
Sustainability themed investing	Investment in themes or assets that address specific sustainability issues such as climate change, renewable energy
Impact/community investing	Targeted investments aimed at solving social or environmental problems.
Corporate engagement and shareholder action	Employing shareholder power to influence corporate behavior through direct corporate engagement (i.e. communicating with senior management and/or boards of companies), filing or co-filing shareholder proposals, and proxy voting that is guided by comprehensive ESG guidelines.

Source: 2018 Global Sustainable Investment Review, GSIA



國泰金控
Cathay Financial Holdings

Any unauthorized copying, distribution or other use of this presentation is prohibited.

48

Negative/exclusionary screening is the major RI strategy

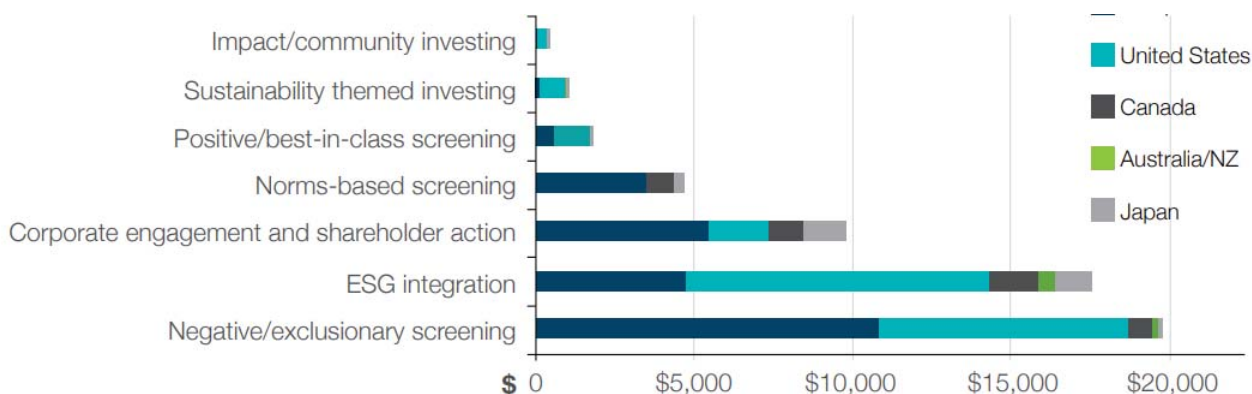
GSIA has defined 7 responsible investment strategies, the largest sustainable investment strategies globally is negative/exclusionary screening, then the second is integration of ESG factors

- **Negative/exclusionary screening :**

The exclusion from a fund or portfolio of certain sectors, companies or practices based on specific ESG criteria.

- **Integration of ESG factors :**

The systematic and explicit consideration by investment managers of environmental, social and governance factors into financial analysis

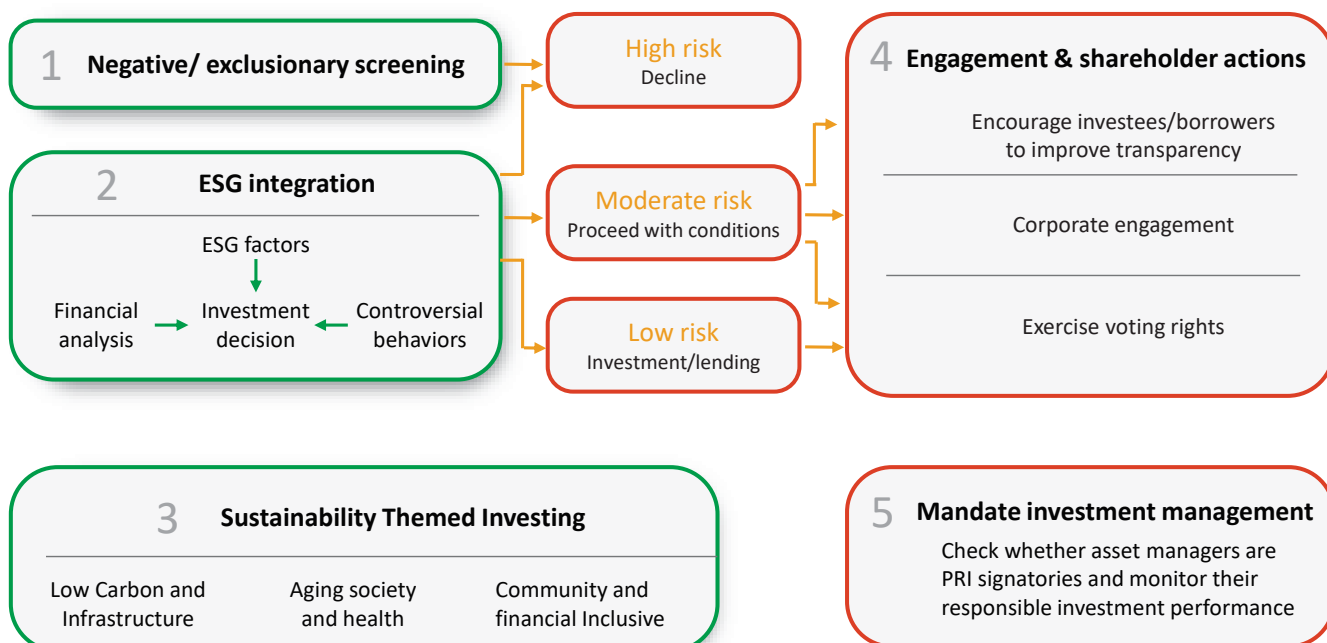


Note: Asset values are expressed in billions of US dollars. Reference: 2018 Global Sustainable Investment Review, GSIA

Cathay FHC responsible investment and lending processes

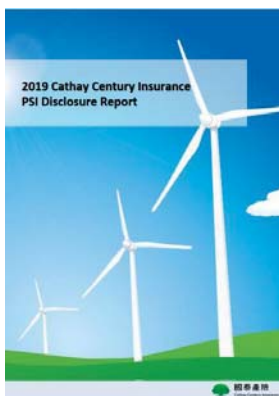
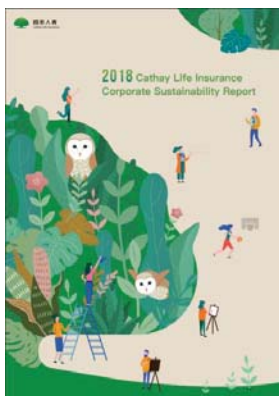
Investment/ Lending Process

Engagements after Investment/ Lending



Cathay PSI & RI Progress Reports

PSI Disclosure Report



Voting Results

Cathay Life Insurance



Five subsidiaries (Cathay Life, Cathay Century, CUB, Cathay SITE and Cathay Securities) are signatories to the Taiwan Stewardship Principles for Institutional Investors and disclose voting results every year.

Cathay Century P&C Insurance

2019 Voting Summary

During the period from 1/1/2019 to 31/12/2019, Cathay Century Insurance voted at a total of 70 of shareholder meetings, covering 476 resolutions. The following table indicates votes on resolutions per proposal category.

Category	Resolutions	Votes For	Votes Against	Abstentions
Financial Reports	71	71	0	0
Capitalization	102	102	0	0
Routine Business	229	228	0	1
Directors Related: Election	29	0	0	29
Directors Related: Other	40	40	0	0
Remuneration	4	4	0	0
Reorganization and Mergers	1	1	0	0
Other	0	0	0	0
Total	476	93.7%	0.0%	6.3%

*Subject to Article 146-1 and Article 146-5 of Insurance Act in Taiwan, insurance companies cannot cast a vote in the election of directors or supervisors at the company being invested.
**We also communicate with top management of the investee companies in the forms of telephone conferences, forums, company results meetings, or attending shareholders' meetings. We visited 104 companies with a total of 131 meetings in 2019.

Themed Investment corresponds to Cathay Sustainability Focus Area

Low-carbon

- Low-carbon
NT\$165 billion

Infrastructure

- Infrastructure
NT\$659 billion

Aging Society and Health

Total: NT\$416 billion

Community and Inclusive Finance

Total: NT\$9.2 billion

Renewable Energy – Wind



Provided financing to offshore wind farms a total installed capacity of **768 MW**

Renewable Energy – Solar



Provided financing to **over 2,000** solar power stations a total installed capacity of **517 MW**

Reduce Carbon Emission



Reduce CO2 emissions by over **1.6 million** metric tons/yr

Bring positive environmental impact by solar & wind power loan

Wind Power



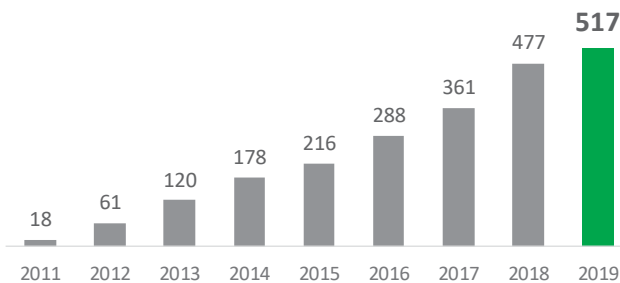
Solar Power



Green Insurance



Solar power station financing loans total installed capacity in Taiwan and overseas (MW)



Environment Impact



Total installed capacity of solar power and wind turbines financing as of the end of 2019

1,285MW



Expected CO2 emissions per years

1.6 million Metric tons



Carbon emissions reduced by solar power devices and offshore wind turbines in 2018 equal to carbon absorption of Da'an Forest Park

4,283 Da'an Forest Parks



Cumulative insured amount for hydroelectric power plants, solar power plants, and offshore wind farms constructions and equipment

91.3 billion



Green vehicles insured as of 2019

21,832 Green vehicles



Public bicycles riders insured in 2019

17.2 million Bicycle riders

Global ESG initiatives – CDP & LCI Registry



- 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-Disclosure Campaign** since 2017. Engage companies respectively to encourage Cathay's investee companies to respond CDP questionnaires.
- Cathay' response rate in 2017 and 2018 was 19% and 14% respectively, higher than the overall response rate. **The response rate in 2019 was 14% which was ranked top 9 globally.**



- Cathay FHC was **the only Taiwanese financial institution joining Low Carbon Investment Registry** initiated by GIC in 2014.
- The low carbon investment amount NT\$ 165 billion as of December 2019.

Global ESG initiatives – AIGCC & Climate Action 100+



- Cathay FHC joined AIGCC in 2016 and participates in the monthly conference calls discussing the global trends of climate change.
- Sophia Cheng, CIO of Cathay FHC, was appointed as the chair of AIGCC in November 2018.



- Climate Action 100+ initiative has more than 450 signatories, who manage more than USD \$40 trillion in assets under management. **Cathay Life and Cathay SITE are only two signatories in Taiwan.**
- Cathay has been engaging with 3 Taiwanese companies respectively to urge them curb emissions, Improve governance and strengthen climate-related financial disclosures.

Urging corporates awareness on climate change since 2017

2017 Climate Change Roundtable

- Over 20 top managements from leading industries and institutions had interactive discussion with Mr. Al Gore.
- All delegates shared their opinions on climate change and their climate actions.



2018 Climate Change Forum

- Co-hosted the forum with CDP and PwC to educate our investee companies on CDP and TCFD details. A total of 86 individuals and 55 enterprises participated.



Over 150 participants joined 2019 Climate Change Forum



Invited the regulator and all listed companies in 2019



Global progress on TCFD

Deep carbon reduction in Taiwan

Corporate experience on TCFD

Corporate experience: carbon reduction
Circular economy

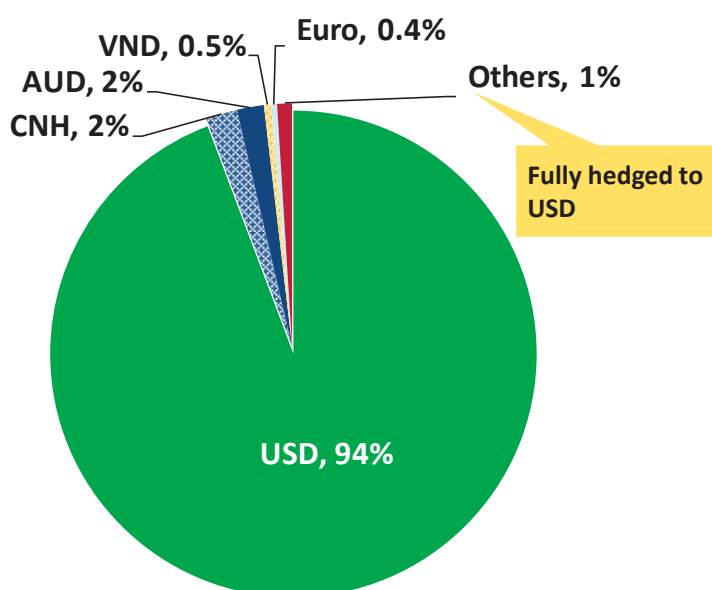
This page intentionally left blank

Agenda

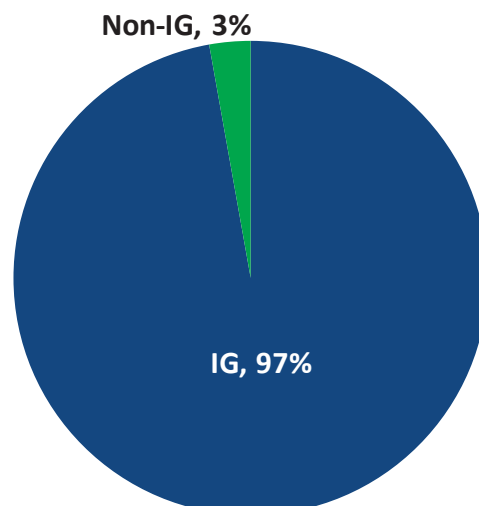
- Introduction of Cathay FHC
- 1Q20 Business Overview
- Overseas Expansion
- Business Performance Summary
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- ESG Performance
- Appendix

Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (1Q20)

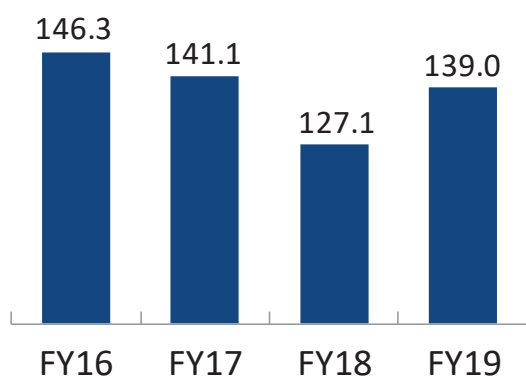


Overseas bond by rating (1Q20)

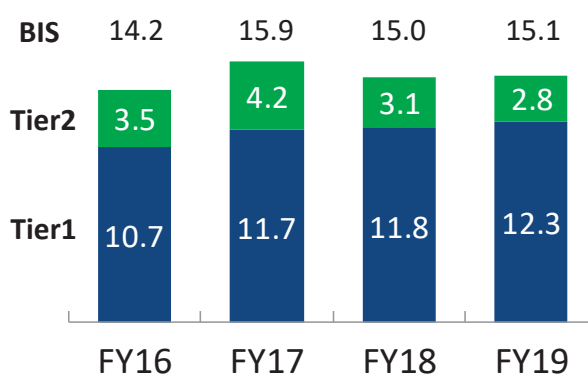


Capital adequacy

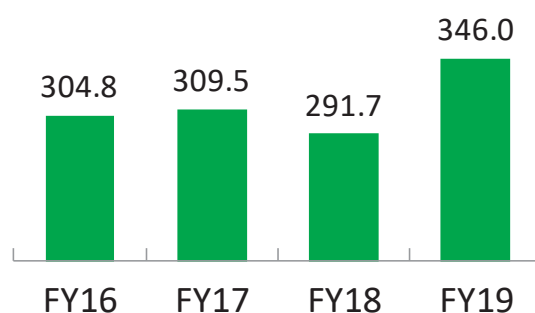
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC (%)



Embedded Value & Appraisal Value

NT\$BN, except for per share figures

Valuation date	2018/12/31	2019/12/31
In-force business investment yield	3.95% ~ Year 2038 5.00% for NTD policies 4.64% ~ Year 2038 5.78% for USD policies (Equivalent investment yield: 4.38% Rolling over to 2019: 4.44%)	3.57% ~ Year 2039 4.61% for NTD policies 4.36% ~ Year 2039 5.24% for USD policies (Equivalent investment yield: 3.86%)
Risk discount rate	10%	9.5%
Adjusted net worth	387	621
Value of in-force business	722	550
Cost of capital (CoC)	-210	-236
Value of in-force business (After CoC)	512	314
Embedded Value (EV)	898	935
EV / per share	156.9 (71.5)	159.8 (74.1)
Future one year's new business investment yield	3.13% ~ Year 2038 4.86% for NTD policies 4.66% ~ Year 2038 5.79% for USD policies	2.41% ~ Year 2039 4.35% for NTD policies 3.86% ~ Year 2039 5.15% for USD policies
Value of future one year's new business (After CoC)	52.0	35.0
Appraisal Value (AV)	1,351	1,242
AV / per share	235.9 (107.5)	212.3 (98.4)

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

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

(3) The outstanding shares of Cathay Life in 2018 and 2019 are 5.73bn and 5.85bn, respectively.

(4) The outstanding shares of Cathay FHC in 2018 and 2019 are 12.56bn and 12.62bn, respectively.

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



國泰金控
Cathay Financial Holdings

63

Summary

NT\$BN, except for per share figures

Valuation date		2018	2019	Growth rate	1Q20
Embedded value	Equity	357	589	65%	--
	Adjusted net worth	387	621	60%	--
	Value of in-force business(before CoC)	722	550	-24%	--
	Cost of capital (CoC)	-210	-236	12%	--
	Value in-force business (after CoC)	512	314	-39%	--
	Embedded value	898	935	4%	--
Value of one year's new business	First year premium (FYP)	211.6	201.1	-5%	42.3
	First year premium equivalent (FYPE)	71.4	96.3	35%	18.2
	Value of one year's new business (V1NB)	51.5	48.0	-7%	8.5
	Profit margin (V1NB/FYP)	24%	24%	--	20%
	Profit margin (V1NB/FYPE)	72%	50%	--	47%
	Profit margin (V1NB/FYP)(investment-linked(non-VUL)is excluded)	52%	34%	--	35%
Appraisal value (20 years NB)	Multiple	8.7	8.8	--	--
	Appraisal value	1,351	1,242	-8%	--
Basic Value per share	EV / per share of Cathay FHC	71.5	74.1	4%	--
	AV / per share of Cathay FHC	107.5	98.4	-8%	--

Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares in 2018 and 2019, which are 12.56bn and 12.62bn, respectively.

(2) Totals may not sum due to rounding.

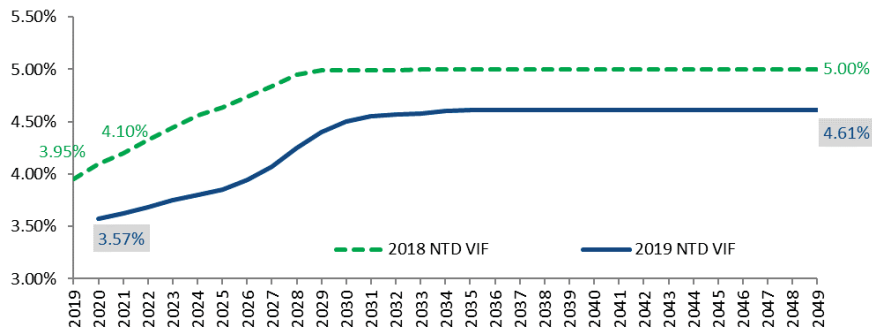


國泰金控
Cathay Financial Holdings

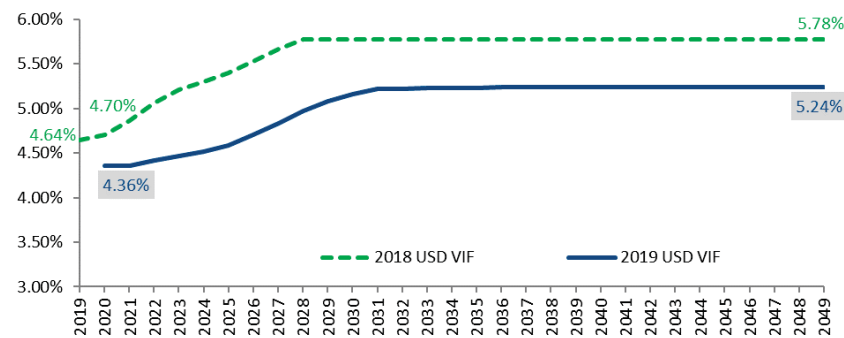
64

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 2018 & 2019.

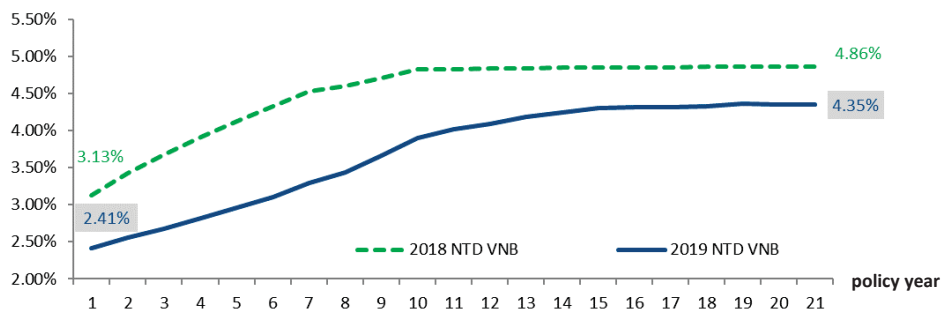


■ Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2018 & 2019.

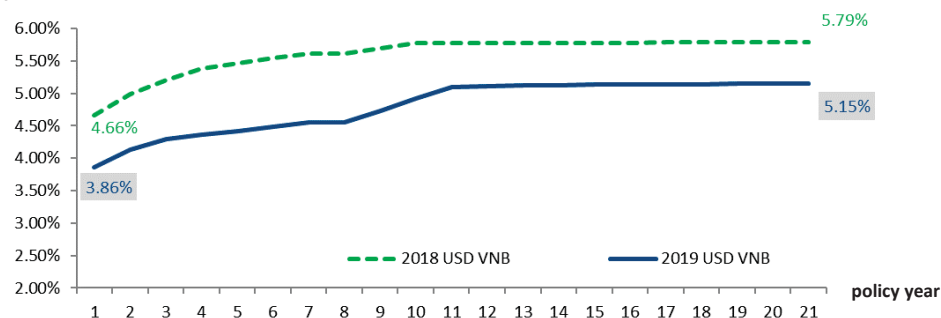


Economic Assumptions: Future one year's new business investment yield

■ Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2018 & 2019.



■ Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2018 & 2019.



Cathay Financial Holdings (NT\$MN)				FY19/ FY18			1Q20/ 1Q19
<u>Income Statement Data (Consolidated)</u>	FY17	FY18	FY19	% Chg	1Q19	1Q20	% Chg
Operating Income							
Net interest income	168,461	180,628	196,367	9%	48,143	48,280	0%
Net commission and fee	1,070	7,312	2,346	-68%	(528)	2,308	537%
Net earned premium	624,617	576,811	631,487	9%	159,865	149,672	-6%
Change in liability reserve	(445,833)	(334,122)	(394,074)	18%	(87,353)	(116,255)	33%
Net claims payment	(295,503)	(368,656)	(365,669)	-1%	(102,420)	(70,541)	-31%
Investment income	62,065	82,634	89,621	8%	22,423	25,974	16%
Contribution from associates-equity method	1,298	1,004	1,149	14%	284	(389)	-237%
Other net non-interest income	22,446	(6,421)	587	109%	(2,681)	6,786	353%
Bad debt expense	(3,460)	(4,599)	(2,205)	-52%	(437)	(334)	-24%
Operating expense	(75,526)	(78,992)	(89,050)	13%	(21,769)	(19,194)	-12%
Income before taxes	59,636	55,599	70,557	27%	15,527	26,310	69%
Income taxes	(2,962)	(3,777)	(6,698)	77%	(1,977)	(2,796)	41%
Net income	56,673	51,822	63,859	23%	13,550	23,513	74%
EPS (NT\$)	4.47	3.95	4.76		1.05	1.77	
Dividend Payout							
Cash dividend per share	2.50	1.50	2.00				
Stock dividend per share	0.00	0.00	0.00				
Weighted average outstanding shares (Millions of common shares)	12,563	12,563	12,618				
Balance Sheet Data (Consolidated)							
Total assets	8,841,510	9,224,484	10,065,479		9,542,838	10,038,125	
Total shareholders' equity	608,471	529,289	782,027		661,118	669,552	
Operating Metrics							
ROAE (Consolidated)	9.96%	8.83%	9.74%		9.11%	12.96%	
ROAA (Consolidated)	0.67%	0.57%	0.66%		0.58%	0.94%	
Double leverage ratio(inc. preferred stock)	108%	112%	110%		110%	111%	
Capital Adequacy Metrics							
Capital Adequacy Ratio	141%	127%	139%				

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\$MMN)

				FY19/ FY18			1Q20/ 1Q19
Income Statement Data (Consolidated)	FY17	FY18	FY19	% Chg	1Q19	1Q20	% Chg
Net written premium	608,404	559,386	608,641	9%	155,519	144,344	-7%
Net earned premium	607,547	558,929	607,820	9%	155,749	144,868	-7%
Reinsurance commission earned	301	762	356	-53%	(9)	9	194%
Fee income	9,468	9,148	8,450	-8%	1,957	2,229	14%
Recurring investment income	173,846	197,281	228,037	16%	52,437	51,104	-3%
Gain on disposal of investment							
Realized gain (loss)-Equity	43,625	49,374	38,929	-21%	13,805	16,040	16%
Realized gain (loss)-Debt	21,233	15,092	36,365	141%	5,661	21,124	273%
Gain on investment property	(756)	(740)	912	223%	(2)	19	1306%
FX and others, net	(28,258)	(44,019)	(61,689)	-40%	(15,629)	(20,181)	-29%
Investment income, net	209,691	216,988	242,553	12%	56,272	68,107	21%
Other operating income	5,069	5,508	6,107	11%	1,420	1,603	13%
Separate account revenues	44,304	28,084	63,653	127%	24,825	(24,484)	-199%
Net claims payment	(284,023)	(357,244)	(349,158)	-2%	(100,063)	(67,386)	-33%
Changes in liability reserves	(445,843)	(333,716)	(393,679)	18%	(87,126)	(116,371)	34%
Acquisition and commission expense	(32,507)	(33,900)	(43,834)	29%	(11,543)	(7,326)	-37%
Other operating costs	(6,418)	(7,765)	(6,394)	-18%	(1,440)	(1,679)	17%
Financial cost	(1,963)	(2,331)	(2,730)	17%	(643)	(664)	3%
Separate account expense	(44,304)	(28,084)	(63,653)	127%	(24,825)	24,484	-199%
Operating expense	(28,790)	(29,165)	(30,692)	5%	(7,828)	(7,289)	-7%
Net non-operating income	1,442	1,312	1,710	30%	358	404	13%
Income taxes	2,294	1,773	(2,216)	225%	(659)	(1,287)	95%
Net income	36,268	30,297	38,293	26%	6,446	15,217	136%
Balance Sheet Data							
Total assets	6,097,655	6,391,395	7,085,624		6,649,760	6,974,781	
General account	5,542,385	5,844,430	6,478,081		6,064,672	6,461,667	
Separate account	555,269	546,964	607,542		585,088	513,114	
Reserves for life insurance liabilities	4,944,292	5,313,167	5,683,424		5,407,866	5,789,888	
Total liabilities	5,656,473	6,029,265	6,491,106		6,167,612	6,495,638	
Total shareholders' equity	441,181	362,129	594,518		482,148	479,143	
Operating Metrics (Standalone)							
First Year Premium(FYP)	233,250	211,588	201,064		60,711	42,323	
First Year Premium Equivalent(FYPE)	78,602	71,372	96,313		29,098	18,211	
Expense ratio	8.6%	9.6%	10.6%		11.0%	8.5%	
13-M persistency ratio	98.2%	98.4%	98.0%		98.0%	98.1%	
25-M persistency ratio	94.3%	94.7%	96.4%		95.6%	95.8%	
ROAE	9.01%	7.25%	8.01%		6.11%	11.34%	
ROAA	0.62%	0.48%	0.57%		0.40%	0.87%	
Capital Adequacy Metrics (Standalone)							
RBC ratio	309%	292%	346%				

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 Life adopted IFRS9. The comparative information for prior periods was not restated.

Cathay United Bank

(NT\$MN)	FY19/ FY18				1Q20/ 1Q19		
	FY17	FY18	FY19	% Chg	1Q19	1Q20	% Chg
<u>Income Statement Data (Consolidated)</u>							
Operating Income							
Net interest income	29,701	33,397	36,446	9%	8,844	9,116	3%
Fee income	14,862	16,678	17,090	2%	4,671	4,442	-5%
Investment income	9,442	9,862	8,996	-9%	3,201	3,871	21%
Other income	1,216	918	594	-35%	92	280	204%
Net operating income	55,222	60,855	63,126	4%	16,808	17,710	5%
Operating expenses	(29,301)	(31,340)	(33,806)	8%	(8,615)	(8,205)	-5%
Pre-provision profit	25,920	29,515	29,320	-1%	8,193	9,504	16%
Net provisions for possible losses	(3,494)	(5,032)	(2,853)	-43%	(750)	(589)	-21%
Income before taxes	22,426	24,483	26,467	8%	7,443	8,915	20%
Income tax	(2,763)	(3,230)	(3,981)	23%	(1,070)	(1,315)	23%
Net income	19,664	21,253	22,486	6%	6,373	7,600	19%
<u>Balance Sheet Data</u>							
Total assets	2,735,704	2,843,881	2,973,496		2,888,130	3,070,575	
Loans, net	1,434,558	1,595,323	1,553,151		1,623,041	1,541,243	
Financial assets	859,590	878,001	897,677		835,796	1,007,703	
Total liability	2,553,396	2,638,074	2,741,601		2,672,499	2,835,055	
Deposits	2,098,368	2,227,662	2,335,331		2,248,100	2,402,191	
Financial Debenture Payable	63,350	55,600	53,900		55,600	53,900	
Total shareholders' equity	182,308	205,807	231,895		215,631	235,520	
<u>Operating Metrics</u>							
Cost income ratio	53.06%	51.50%	53.55%		51.25%	46.33%	
ROAE	11.49%	10.86%	10.27%		12.10%	13.01%	
ROAA	0.74%	0.76%	0.77%		0.89%	1.01%	
<u>Assets Quality (Standalone)</u>							
NPL	2,982	2,563	2,286		2,870	2,215	
NPL ratio	0.21%	0.16%	0.15%		0.18%	0.15%	
NPL provisions	22,553	23,879	25,983		24,804	26,355	
Coverage ratio	756%	932%	1137%		864%	1190%	
<u>Capital Adequacy Metrics (Standalone)</u>							
BIS ratio	15.9%	15.0%	15.1%				
Tier I Ratio	11.7%	11.8%	12.3%				
<u>LDR (Standalone)</u>							
LDR	68.3%	70.7%	65.5%		71.1%	63.2%	
TWD LDR	73.7%	77.7%	70.1%		77.7%	68.3%	
FX LDR	49.1%	46.6%	48.8%		48.2%	45.9%	

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 United Bank adopted IFRS9. The comparative information for prior periods was not restated.

Cathay Century

(NT\$MM)	FY19/				1Q20/	
	FY17	FY18	FY19	FY18 % Chg	1Q19	1Q19 % Chg
Income Statement Data (Consolidated)						
Premium income	21,878	23,186	25,343	9%	5,775	5,847 1%
Net written premium	16,610	17,797	19,550	10%	4,482	4,548 1%
Net earned premium	16,344	17,349	19,077	10%	4,456	4,739 6%
Reinsurance commission earned	489	556	572	3%	162	144 -11%
Fee income	42	43	42	-1%	11	13 14%
Investment	892	640	1,020	59%	205	150 -27%
Interest income	547	559	555	-1%	132	141 7%
Other investment income, net	345	81	465	473%	74	9 -87%
Other operating income	0	0	0	0%	0	0 0%
Net claims payment	(9,138)	(9,408)	(10,321)	10%	(2,289)	(2,623) 15%
Changes in liability reserves	10	(406)	(395)	-3%	(227)	117 -151%
Commissions and other operating costs	(2,859)	(3,043)	(3,409)	12%	(764)	(806) 5%
Operating expenses	(3,609)	(3,848)	(4,097)	6%	(974)	(1,021) 5%
Operating income	2,170	1,883	2,490	32%	579	713 23%
Net non-operating income	(16)	(24)	5	123%	0	0 21%
Income taxes	(297)	(349)	(389)	11%	(98)	(136) 40%
Net income	1,858	1,510	2,106	40%	482	577 20%
Balance Sheet Data						
Total assets	38,351	37,956	43,008		38,749	40,955
Total stockholders' equity	10,517	10,025	12,656		10,999	11,830
Operating Metrics						
Gross Combined ratio	80.0%	81.8%	84.8%		83.6%	87.4%
Net Combined ratio	90.9%	92.2%	93.0%		91.4%	89.7%
ROAE	18.83%	14.69%	18.57%		18.34%	18.86%
ROAA	4.85%	3.96%	5.19%		5.02%	5.50%
Capital Adequacy Metrics						
RBC ratio (Standalone)	392%	370%	339%			

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 Century adopted IFRS9. The comparative information for prior periods was not restated.

Note
