



# 2020 First Quarter Briefing

May 2020

## Disclaimer

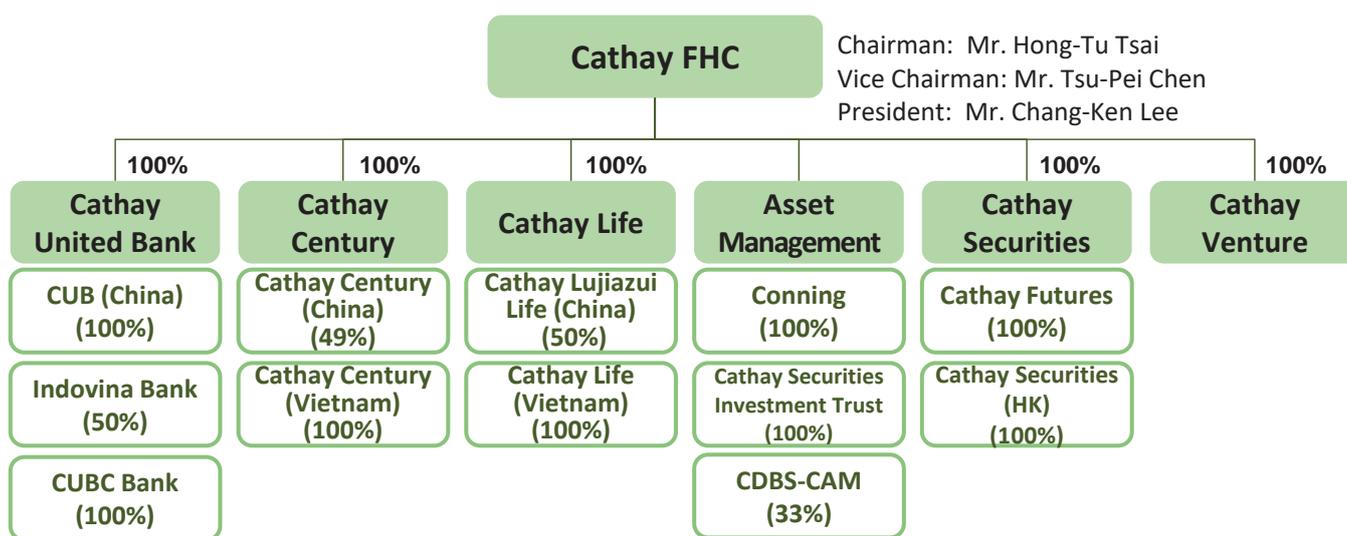
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# Agenda

- 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 FHC: largest FHC, comprehensive products



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

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

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

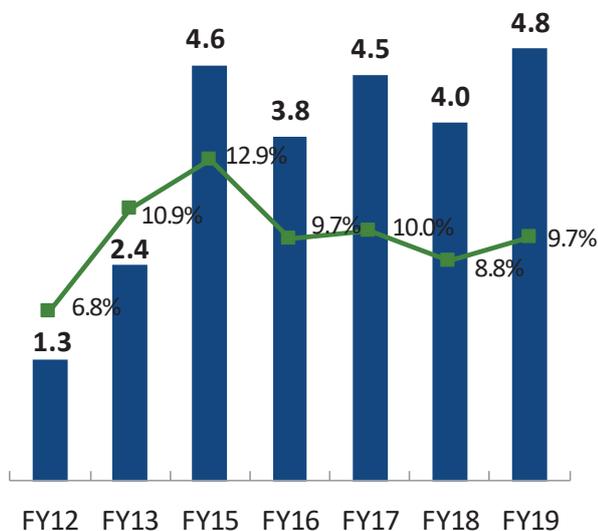
- Building global asset management platform
- Largest AUM among asset managers in Taiwan

- 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

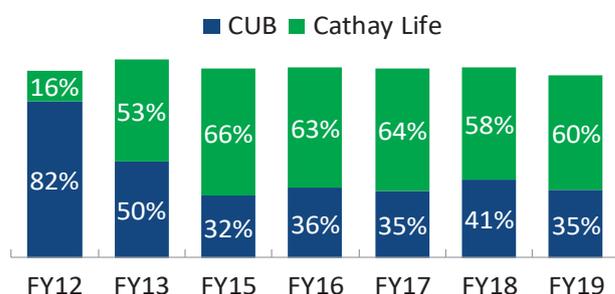
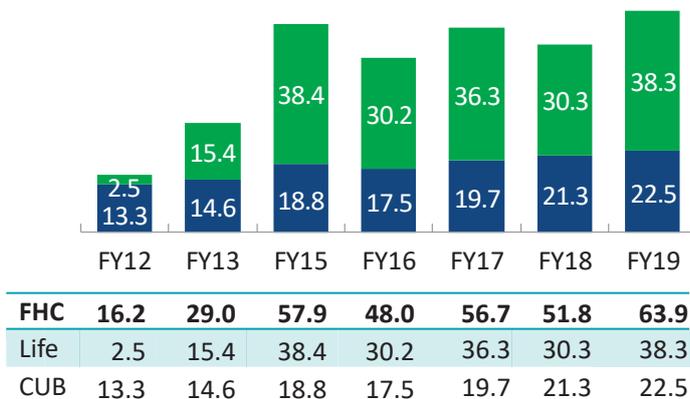
■ EPS ■ ROE (NT\$/%)



- 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

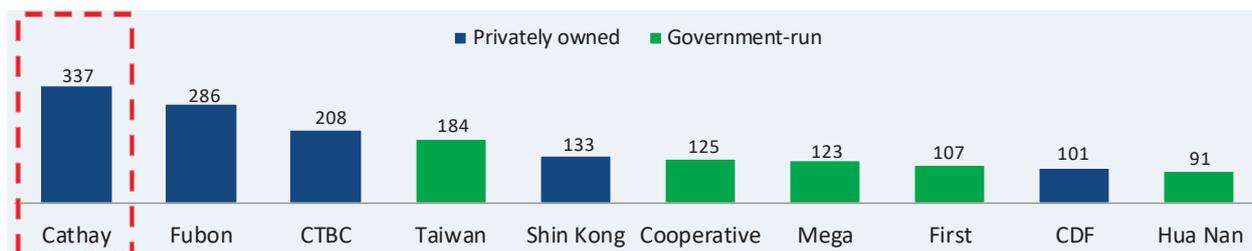
■ CUB ■ Cathay Life (NT\$BN)



# Market leader in Taiwan's FIG sector

█ Largest listed financials group by market capitalization and assets.

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



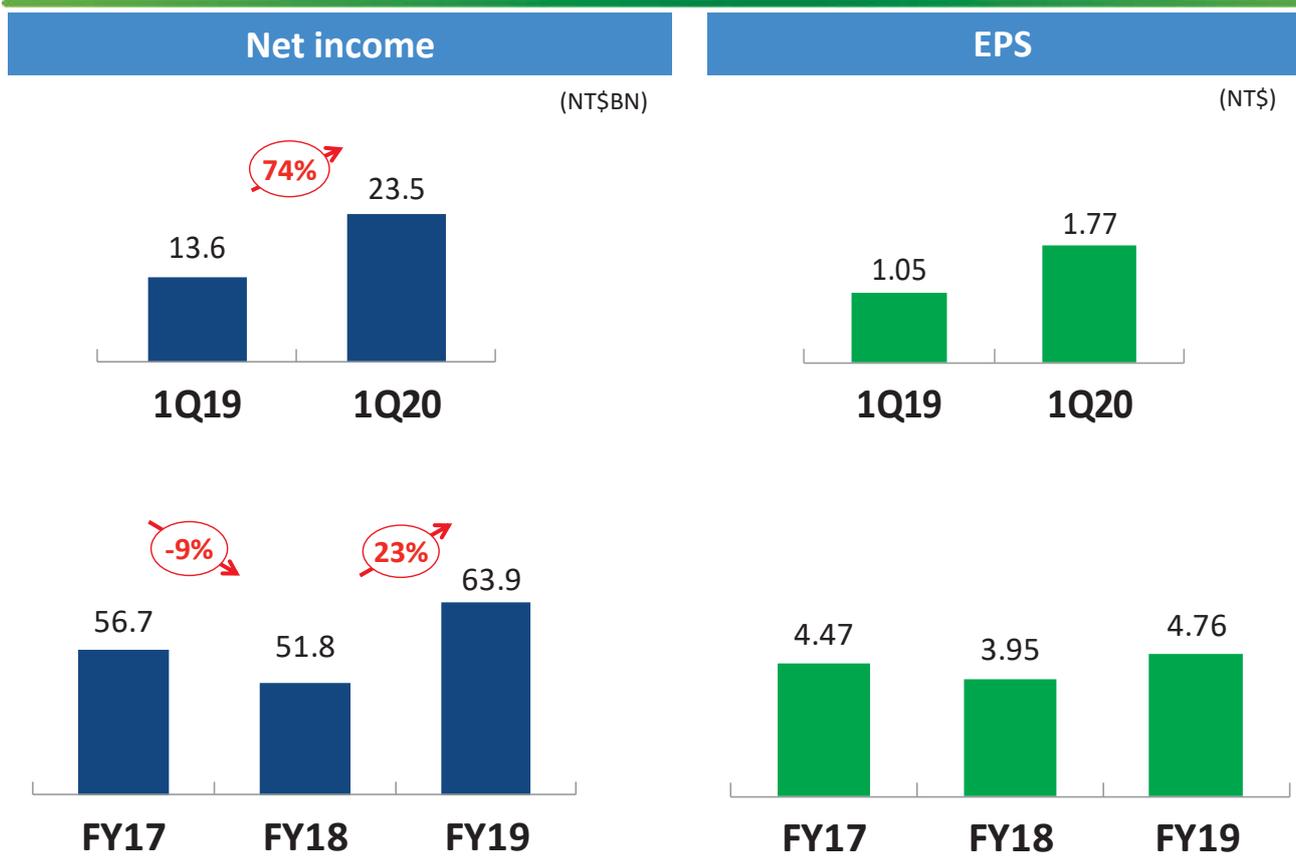
Note: Total assets as of December 31, 2019

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

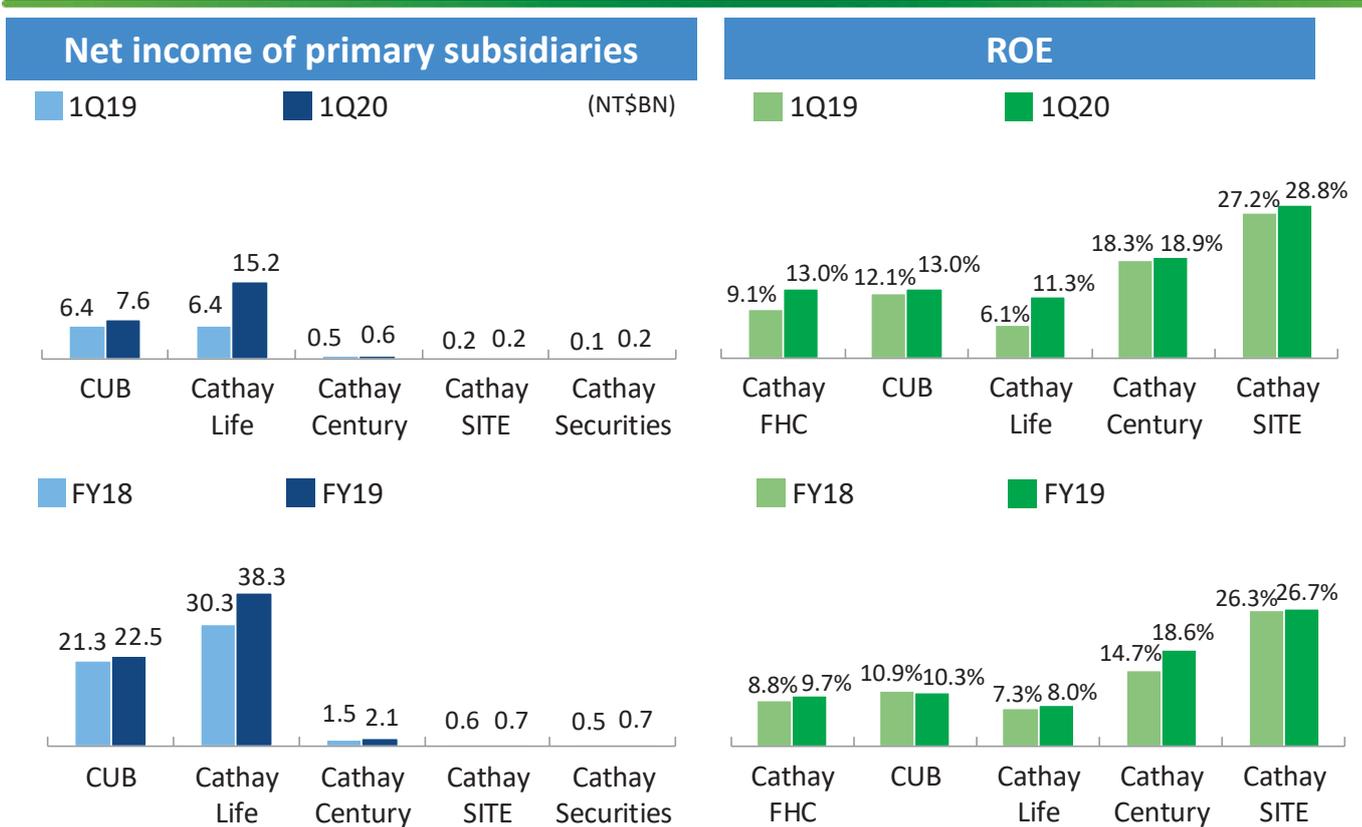


Note: Market capitalization as of April 30, 2020

# Cathay FHC – Net income & EPS

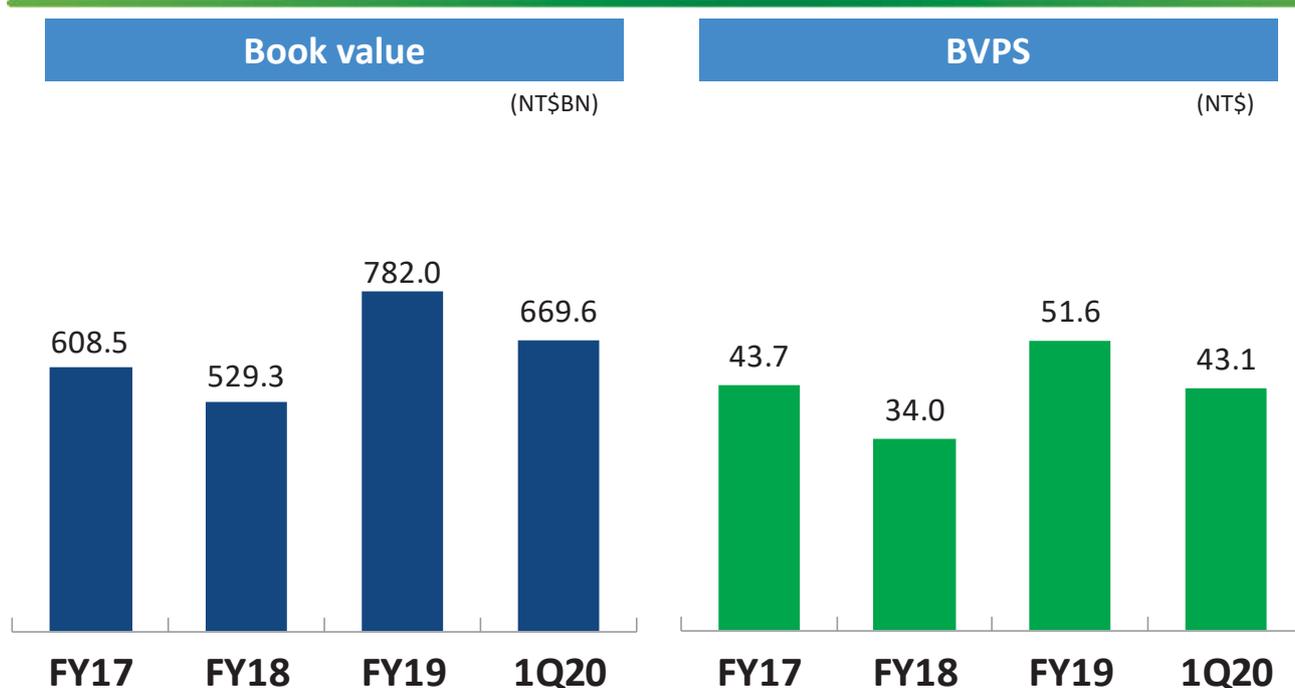


# Cathay FHC – Net income & ROE



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.

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# 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.

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# 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 <sup>(1)</sup>	86 <sup>(1)</sup>									
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

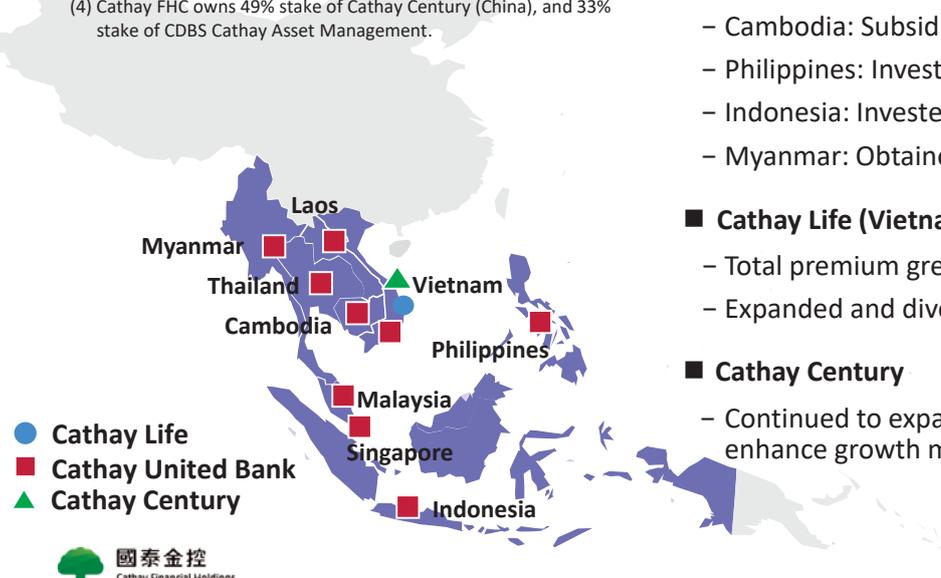
- Vietnam: Indovina Bank performed steadily.
- Cambodia: Subsidiary's businesses grew steadily.
- Philippines: Invested 23% stake in RCBC<sup>(3)</sup>
- Indonesia: Invested 37% stake in Bank Mayapada<sup>(3)</sup>
- Myanmar: Obtained approval for Yangon branch

## ■ Cathay Life (Vietnam)

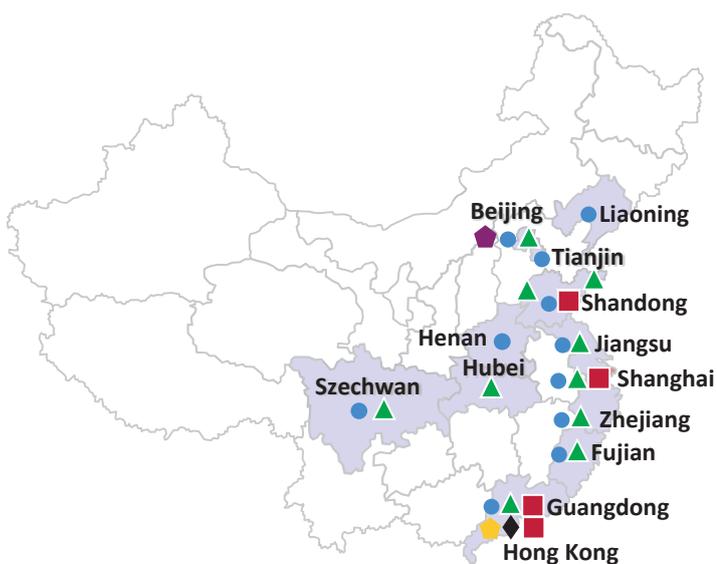
- Total premium grew 58% YoY to VND 322BN in 1Q20.
- Expanded and diversified distribution channels.

## ■ 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.

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## Cathay United Bank

Cathay Life

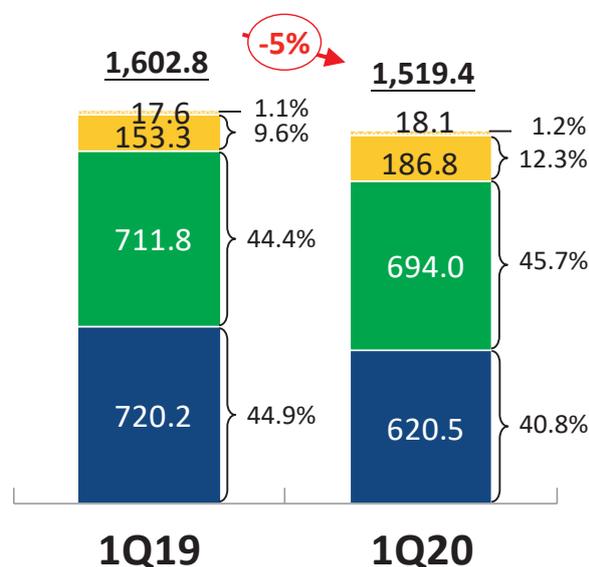
Cathay Century

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## Cathay United Bank – Loan & Deposit breakdown

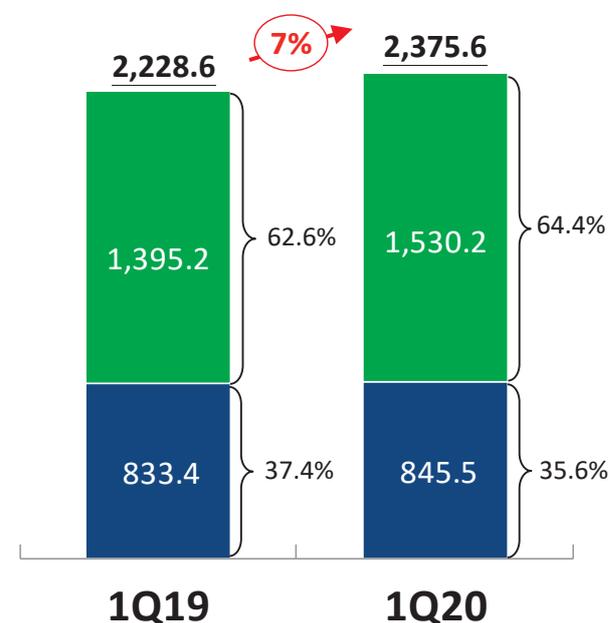
### Loan breakdown (NT\$BN)

- Credit card related
- Consumer
- Mortgage
- Corporate

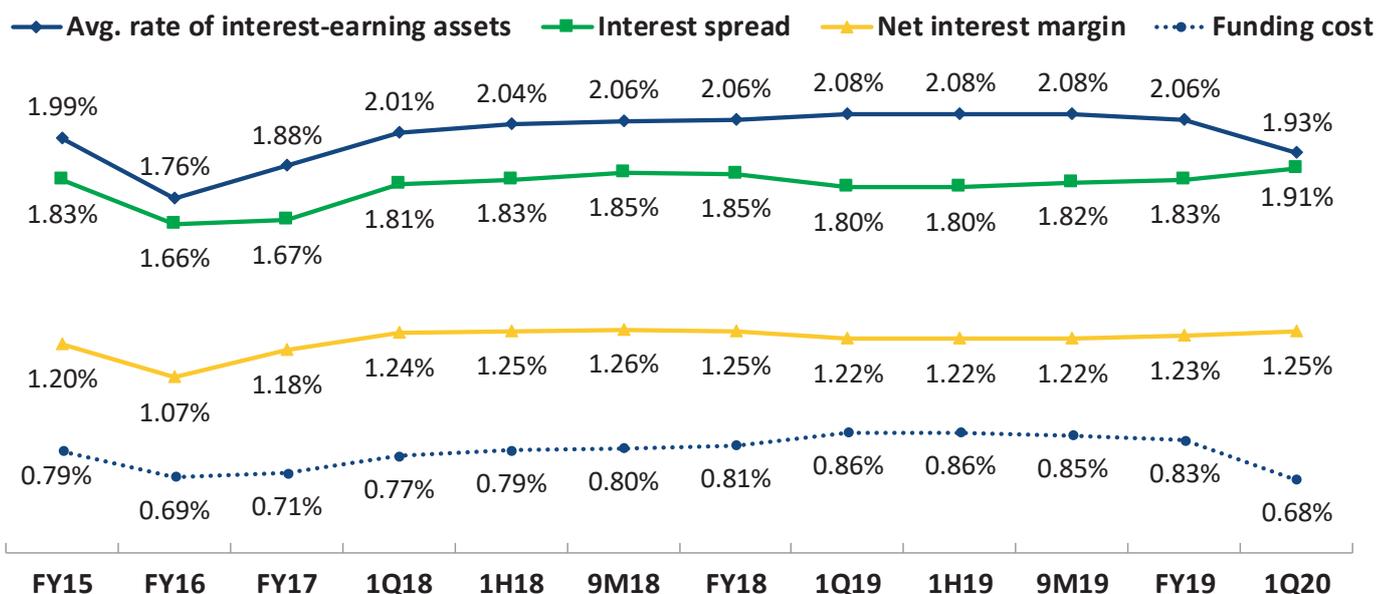


### Deposit breakdown (NT\$BN)

- Demand deposit
- Time deposit



# Cathay United Bank – Interest yields



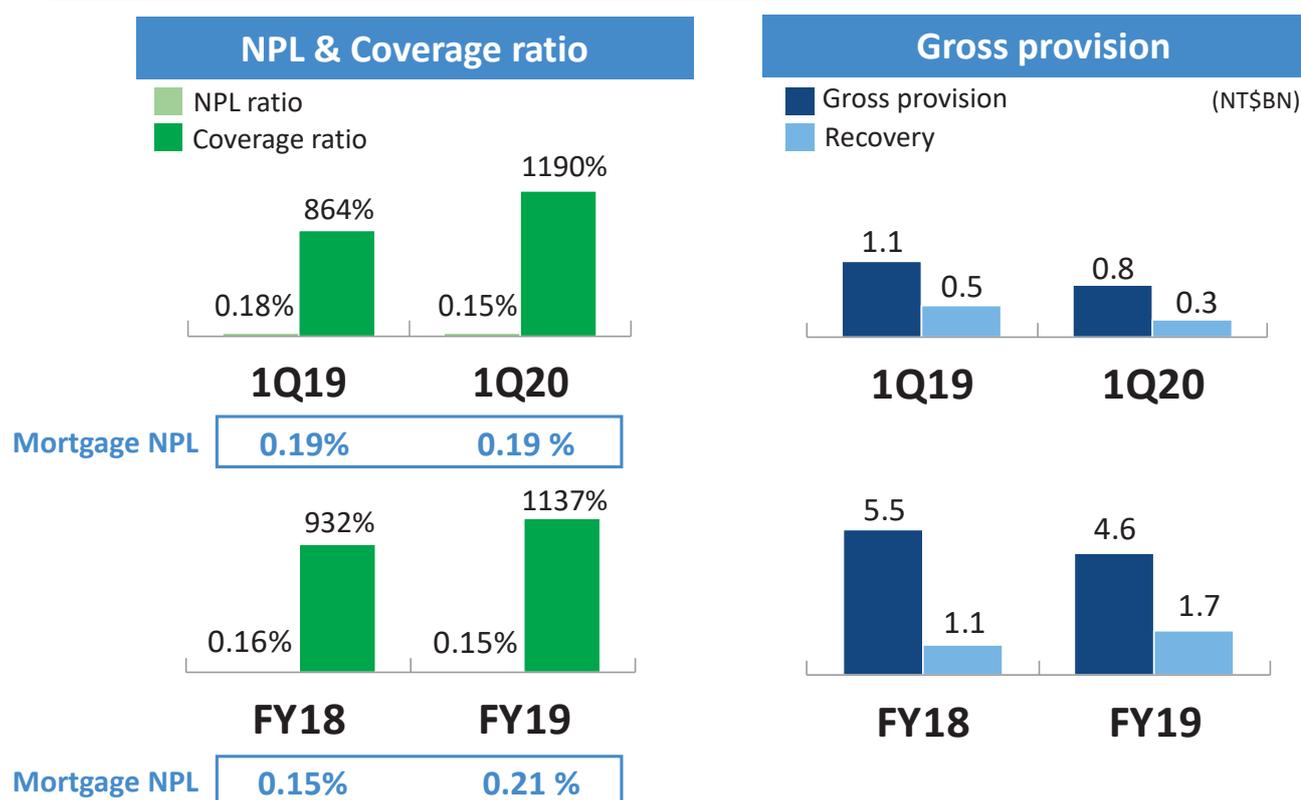
Quarterly	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Spread	1.81%	1.85%	1.90%	1.83%	1.80%	1.81%	1.85%	1.86%	1.91%
NIM	1.24%	1.26%	1.27%	1.22%	1.22%	1.22%	1.23%	1.26%	1.25%
NIM-pro forma excl. China <sup>(2)</sup>	1.21%	1.22%	1.25%	1.22%	1.22%	1.22%	1.23%	1.26%	1.25%

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

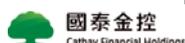
(2) China subsidiary was launched in Sep 2018. Hence, since 9M18, China subsidiary results was excluded.



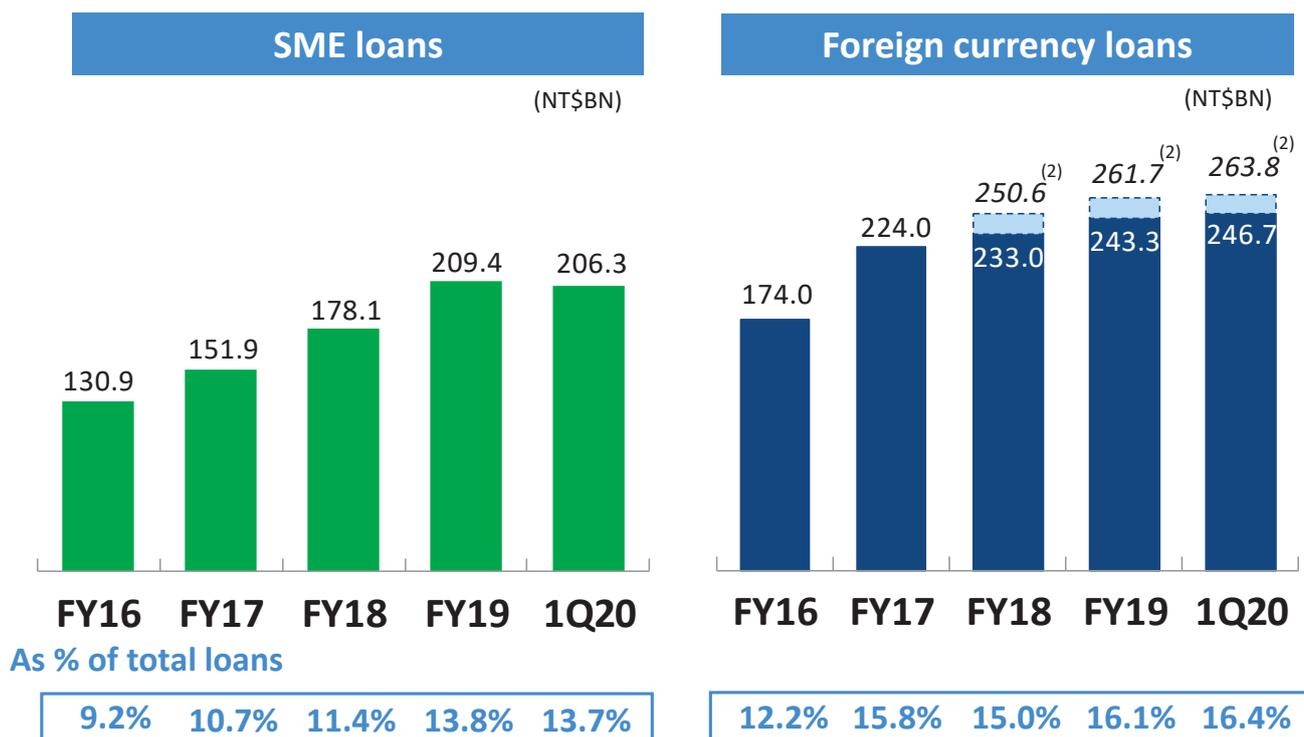
# Cathay United Bank – Credit quality



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).



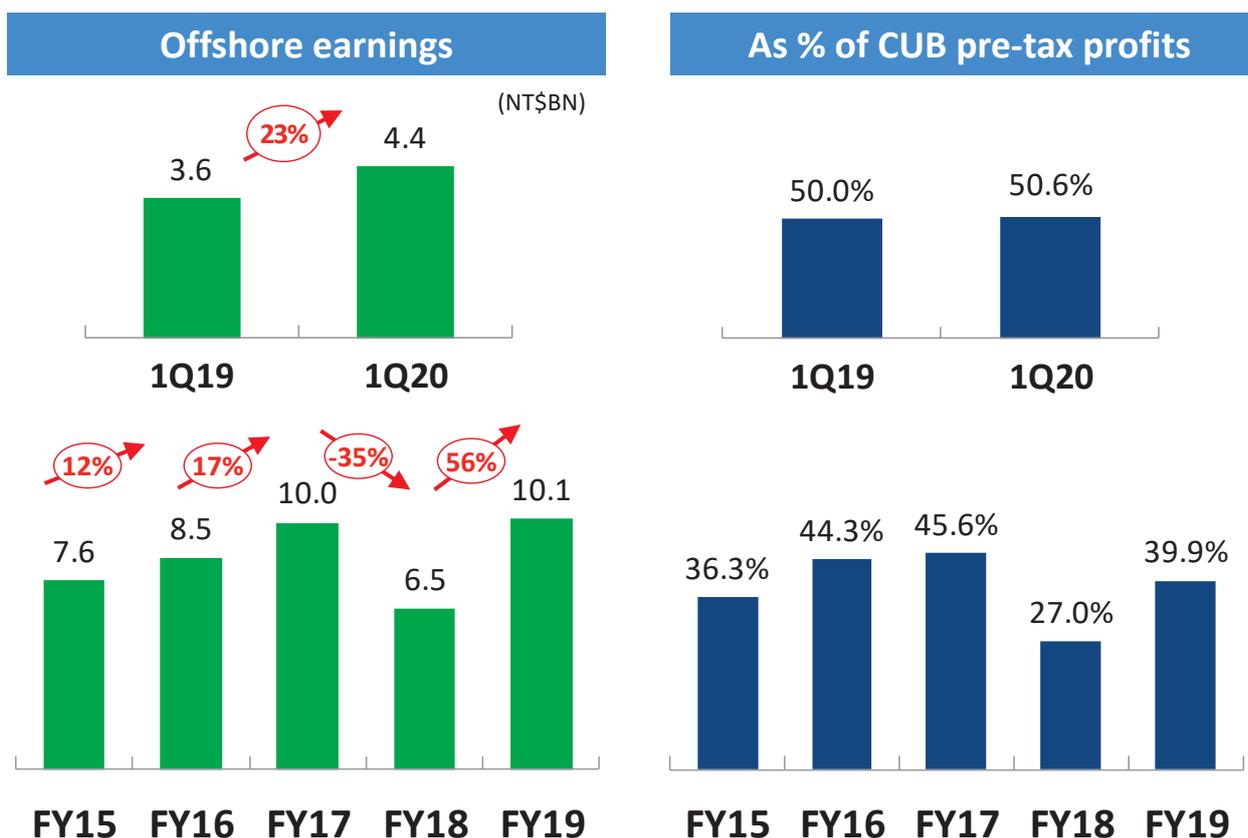
# Cathay United Bank – SME & FX loans



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

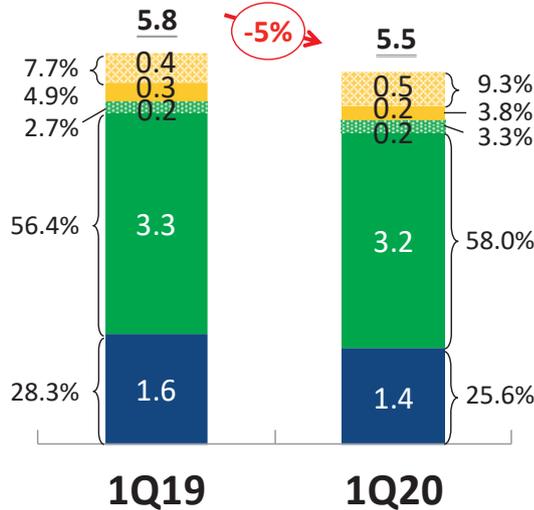
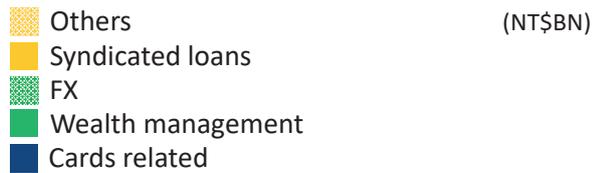
(2) China subsidiary was launched in Sep 2018, hence FY18, FY 19 and 1Q20 foreign currency loan balance excluded NT\$17.6BN , NT\$18.4BN and NT\$17.1BN from China subsidiary, respectively. (preliminary)

# Cathay United Bank – Offshore earnings

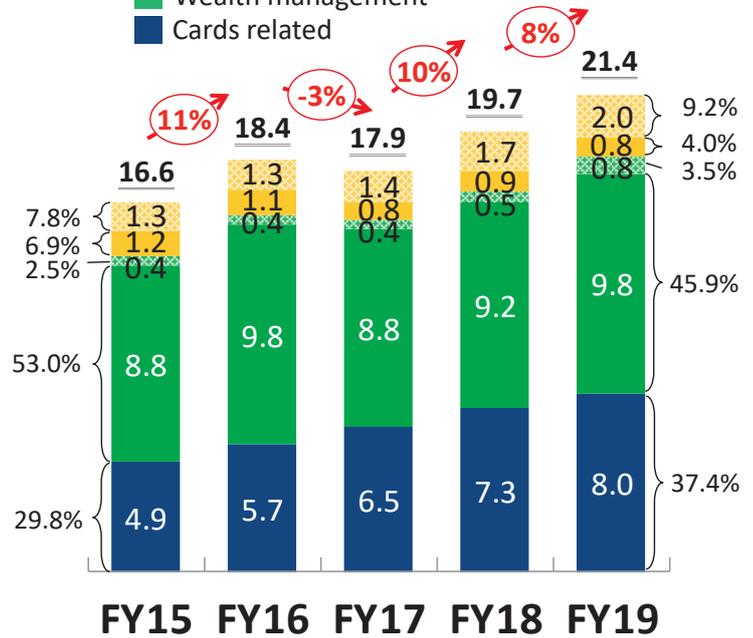
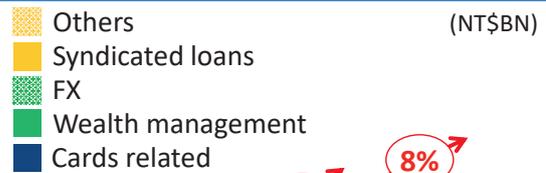


# Cathay United Bank – Fee income

## Quarterly fee income (NT\$BN)



## Annual fee income (NT\$BN)

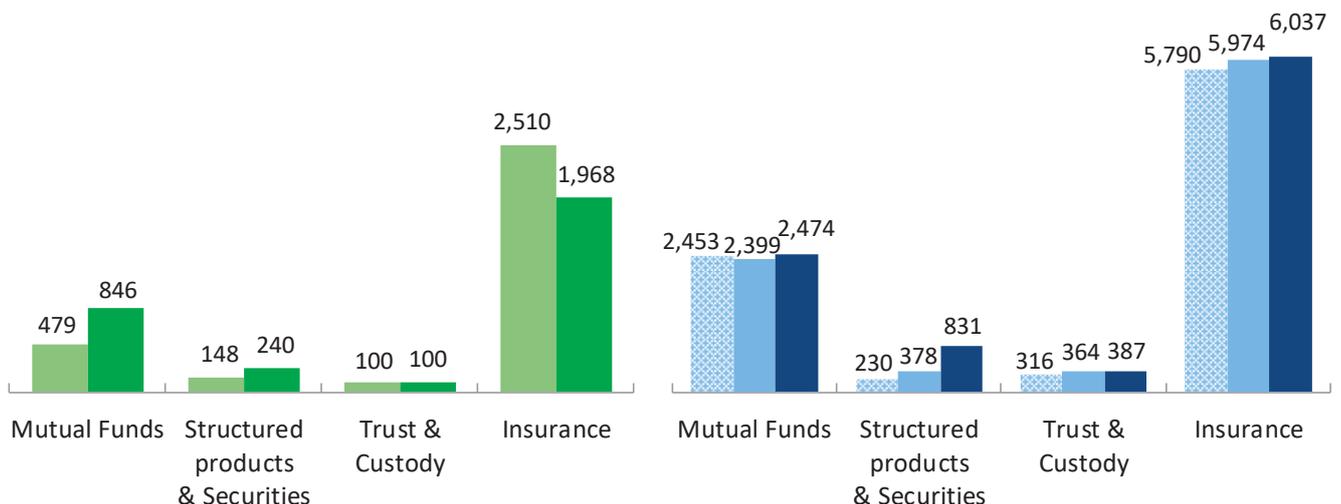


Note : China subsidiary was launched in Sep 2018, hence 1Q19 and 1Q 20 fee income excluded NT\$ 5.1MN and NT\$9.4MN; FY18 (Sep.-Dec.) and FY 19 excluded NT\$ 5.8MN and NT\$18.9MN from subsidiary, respectively. (preliminary)

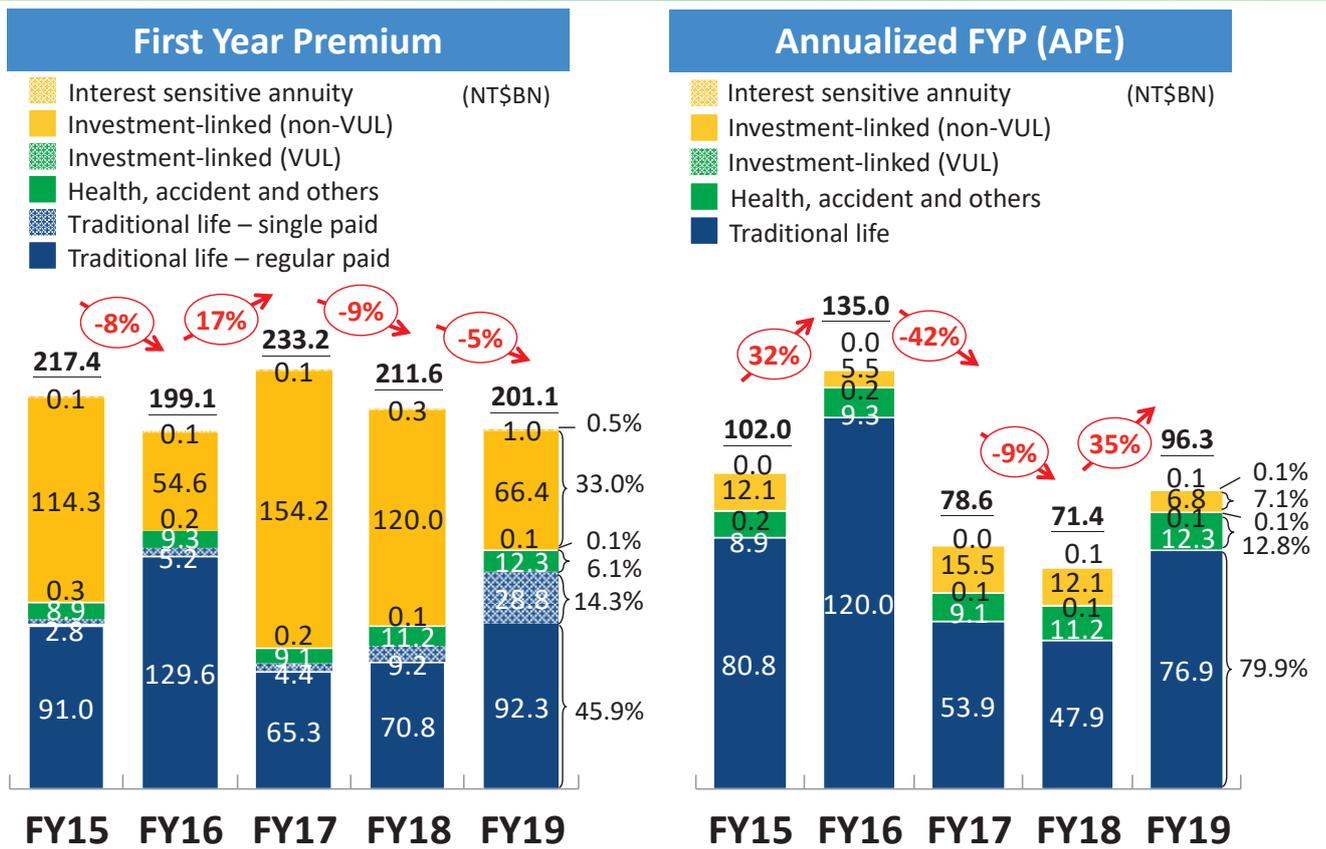
# Cathay United Bank – Wealth management fee

## 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%

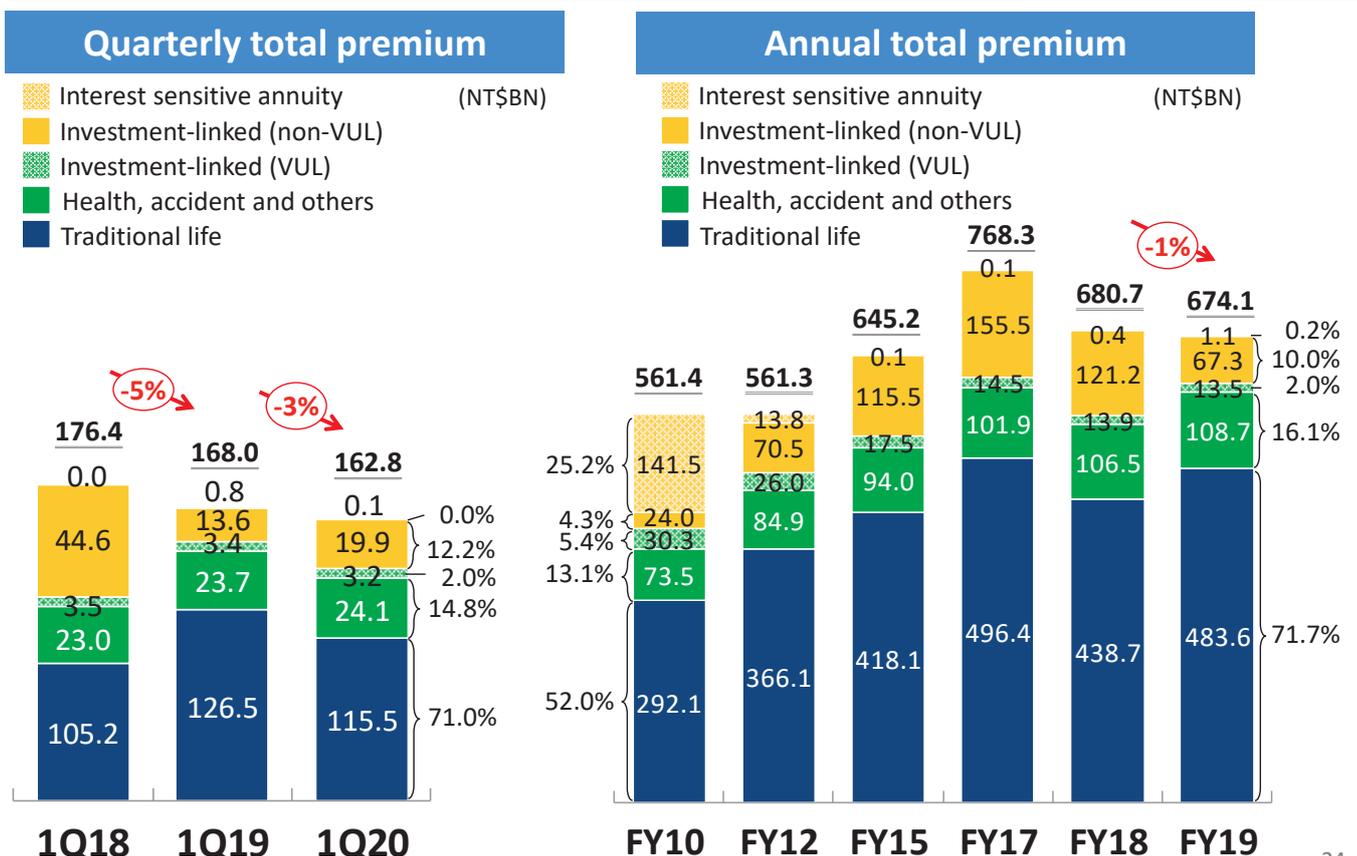


# Cathay Life – Annual FYP & APE



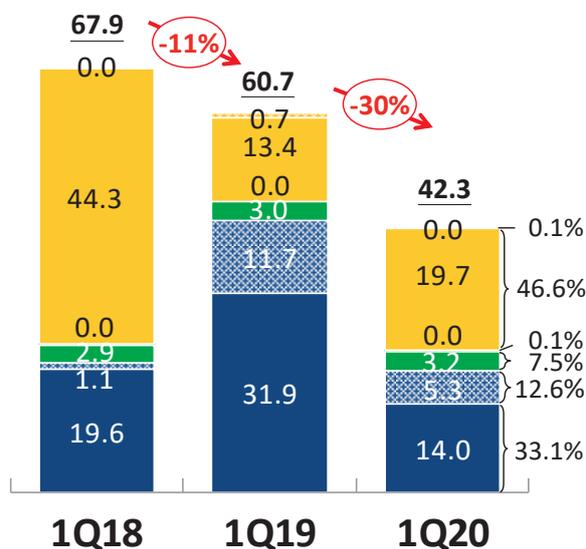
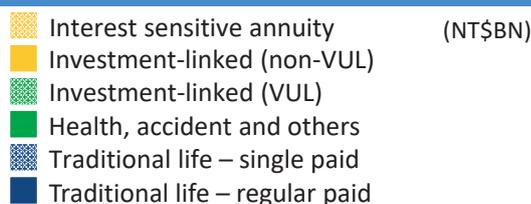
Note: Annualized FYP = 10% x single-paid FYP + 20% x 2-yr-paid FYP + ... + 50% x 5-yr-paid FYP + 100% x 6-yr and above payment term FYP

# Cathay Life – Total premium

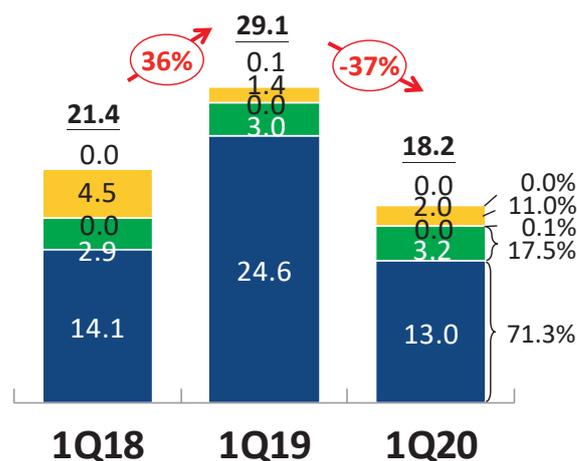
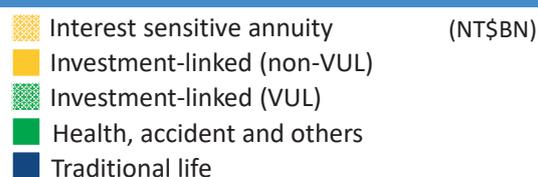


# Cathay Life – Quarterly FYP & APE

## First Year Premium



## Annualized 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

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# Cathay Life – Value of new business

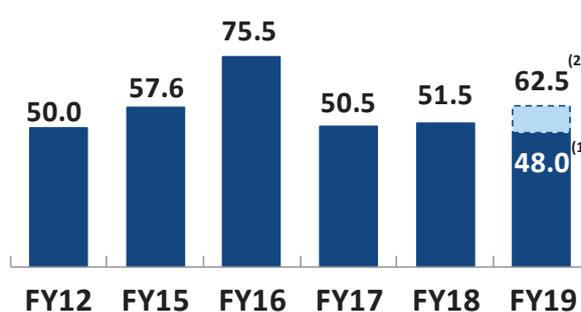
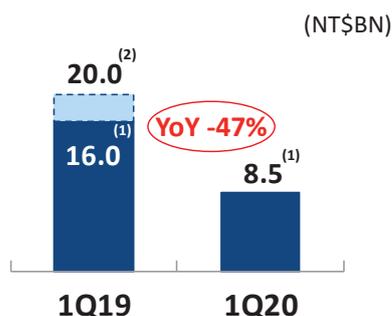
## Value for New Business

Profit Margin	1Q19 <sup>(1)</sup>	1Q20 <sup>(1)</sup>
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 <sup>(2)</sup>	FY19 <sup>(1)</sup>
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.

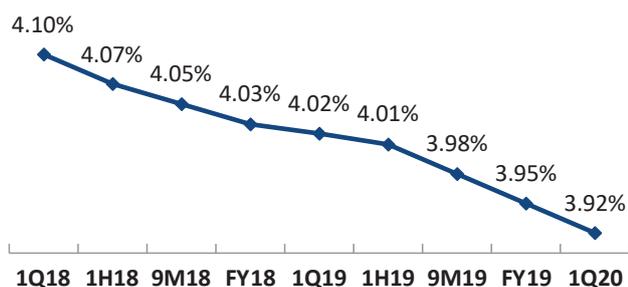
(2) Based on 2018 Embedded Value assumptions, 1Q19 & FY19 VNB were NT\$20.0BN and NT\$62.5BN ; VNB/FYP were 33% and 31% , VNB/FYPE were 69% and 65%, respectively.



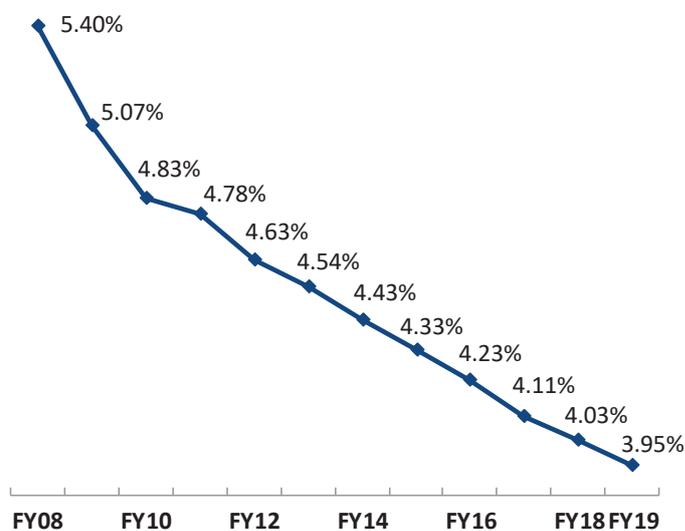
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# Cathay Life – Cost of liability

## Cost of liability (quarterly)



## Cost of liability (annual)



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

# Cathay Life – Investment portfolio

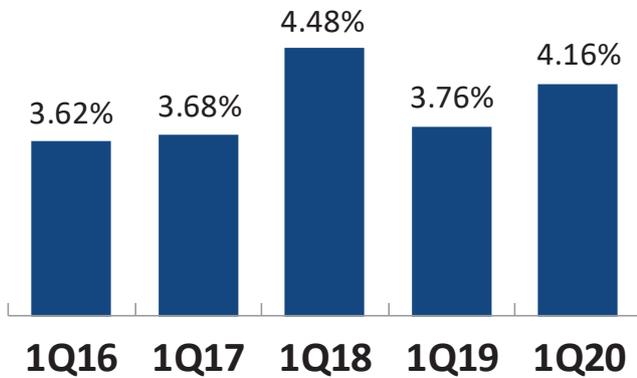
(NT\$BN)	FY17	FY18	FY19			1Q20		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
<b>Total investments<sup>(1)</sup></b>	<b>5,502.6</b>	<b>5,761.0</b>	<b>6,415.0</b>			<b>6,367.1</b>		
Cash & Cash equivalents	1.6%	1.1%	3.7%	237	0.6%	2.4%	152	0.5%
Equity- Domestic	8.4%	7.5%	5.0%	322	7.9%	5.8%	372	5.8%
Equity- International <sup>(2)</sup>	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 <sup>(1)(2)</sup>	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

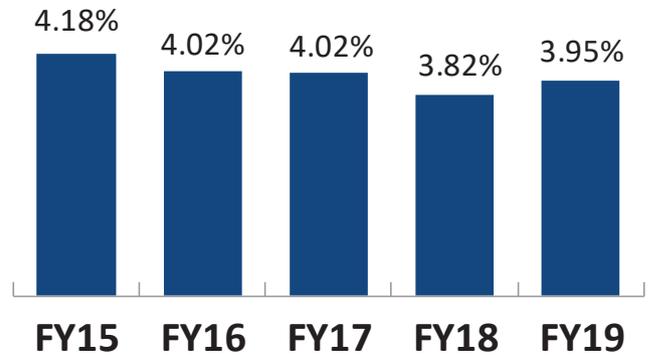
(2) Yields of international equity and international bond are pre-hedge investment yields.

# Cathay Life – Investment performance highlight

After-hedging investment yield

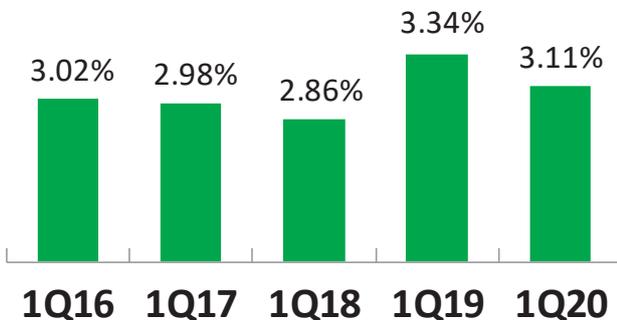


After-hedging investment yield



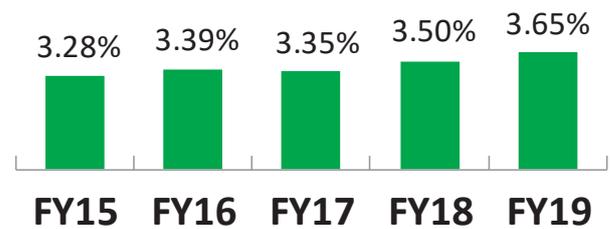
# Cathay Life – Investment performance highlight

Pre-hedging recurring yield



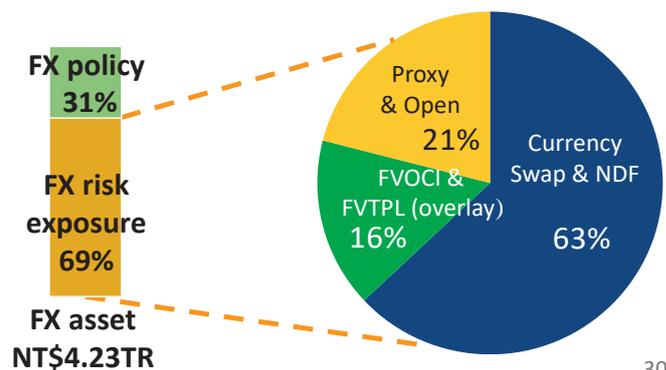
Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

Pre-hedging recurring yield

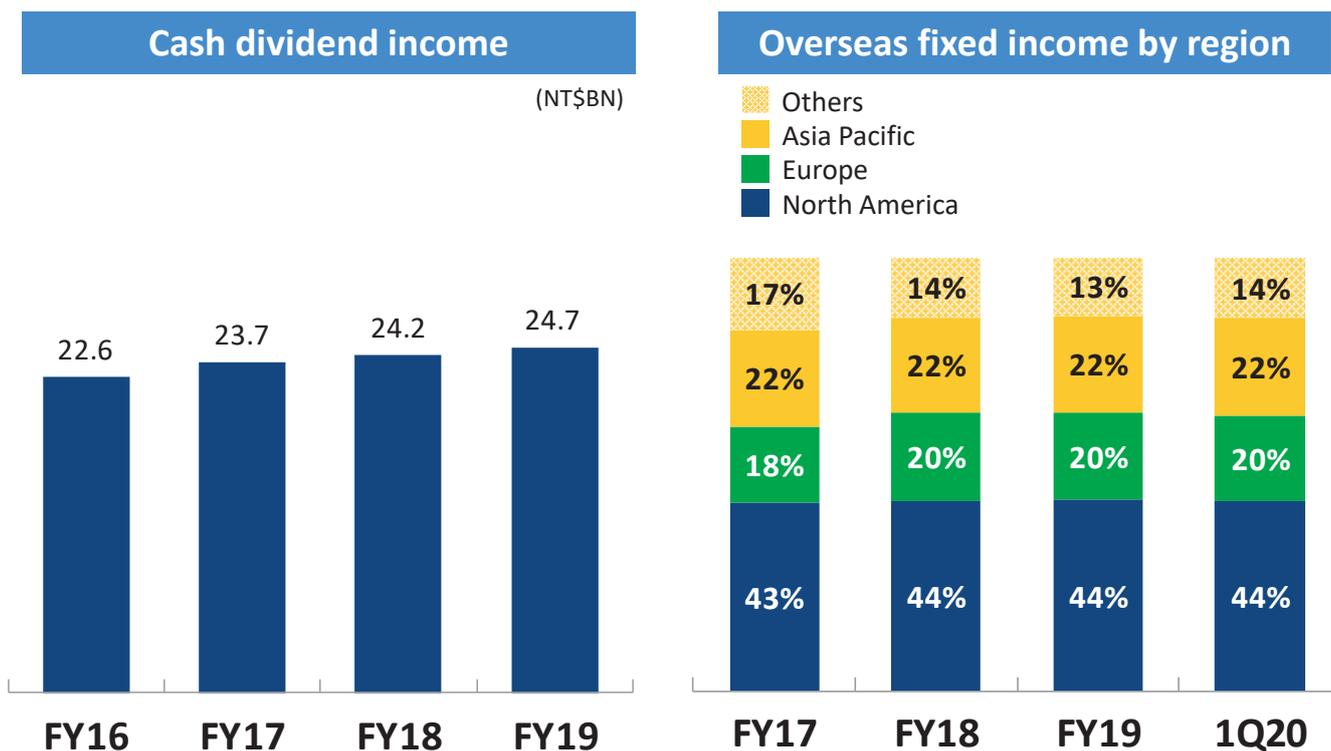


Currency hedging structure

1Q20 Hedging cost 1.69%

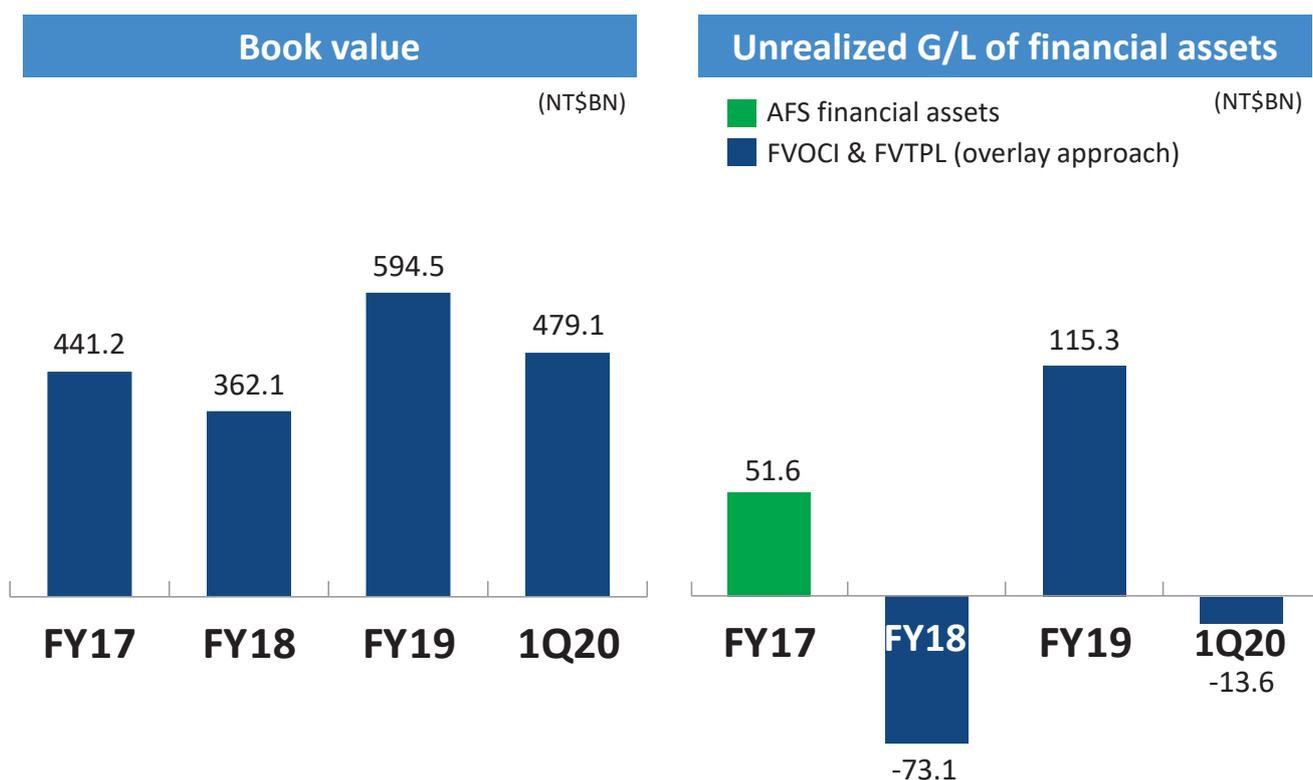


# Cathay Life – Cash dividend income & Overseas fixed income by region

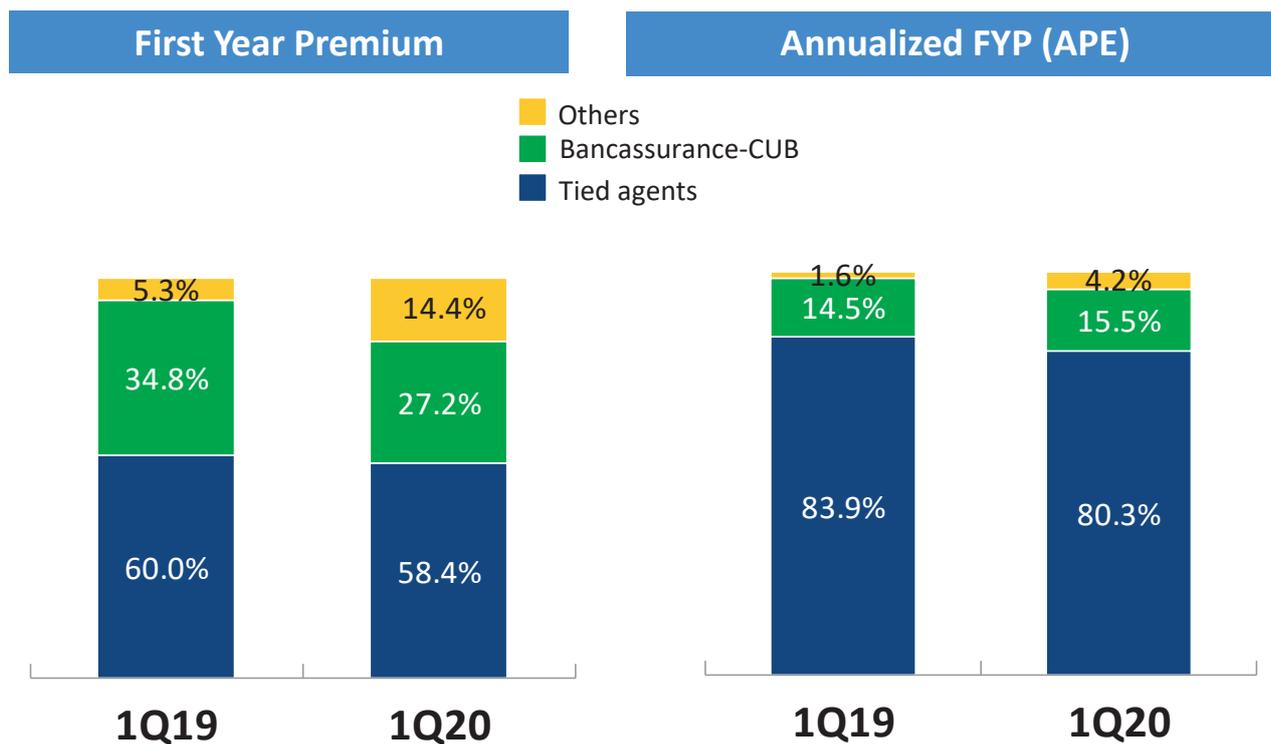


Note: Exclude overseas deposit.

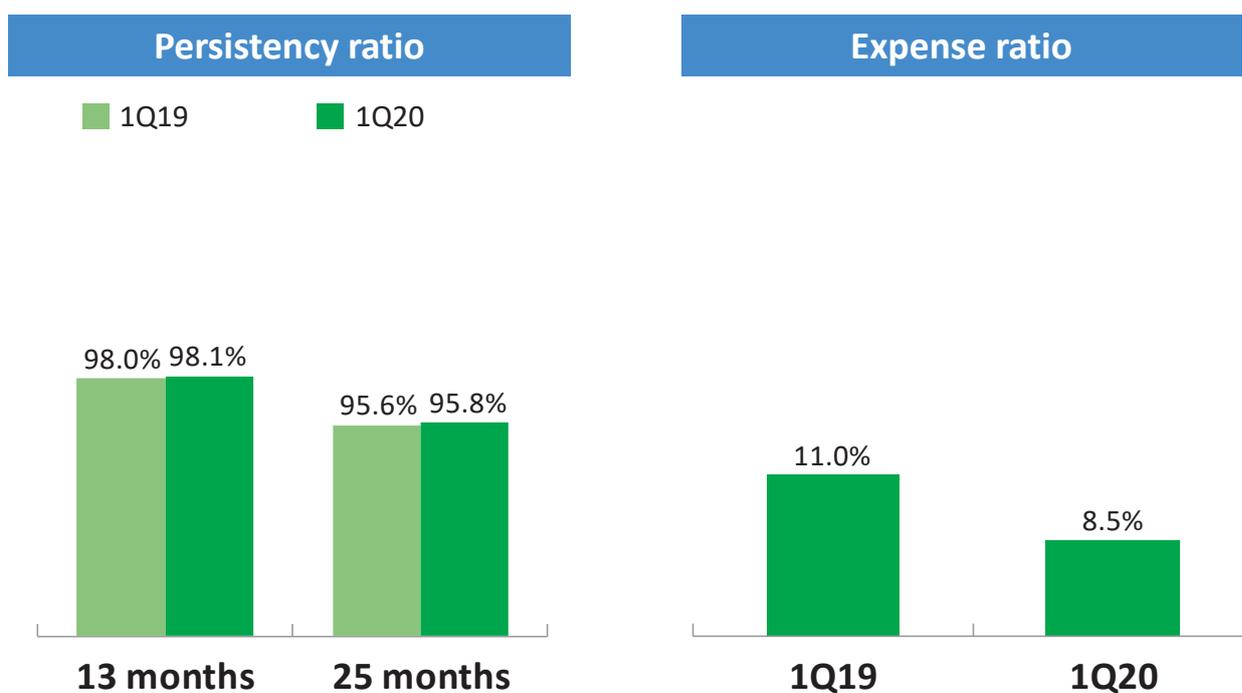
# Cathay Life – Book value & Unrealized G/L of financial assets



# Cathay Life – Distribution channel



# Cathay Life – Operational indicators



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Cathay United Bank

Cathay Life

Cathay Century

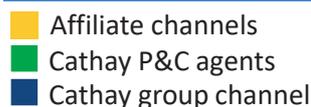
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## Cathay Century – Premium income & Distribution channel

### Premium income (NT\$BN)

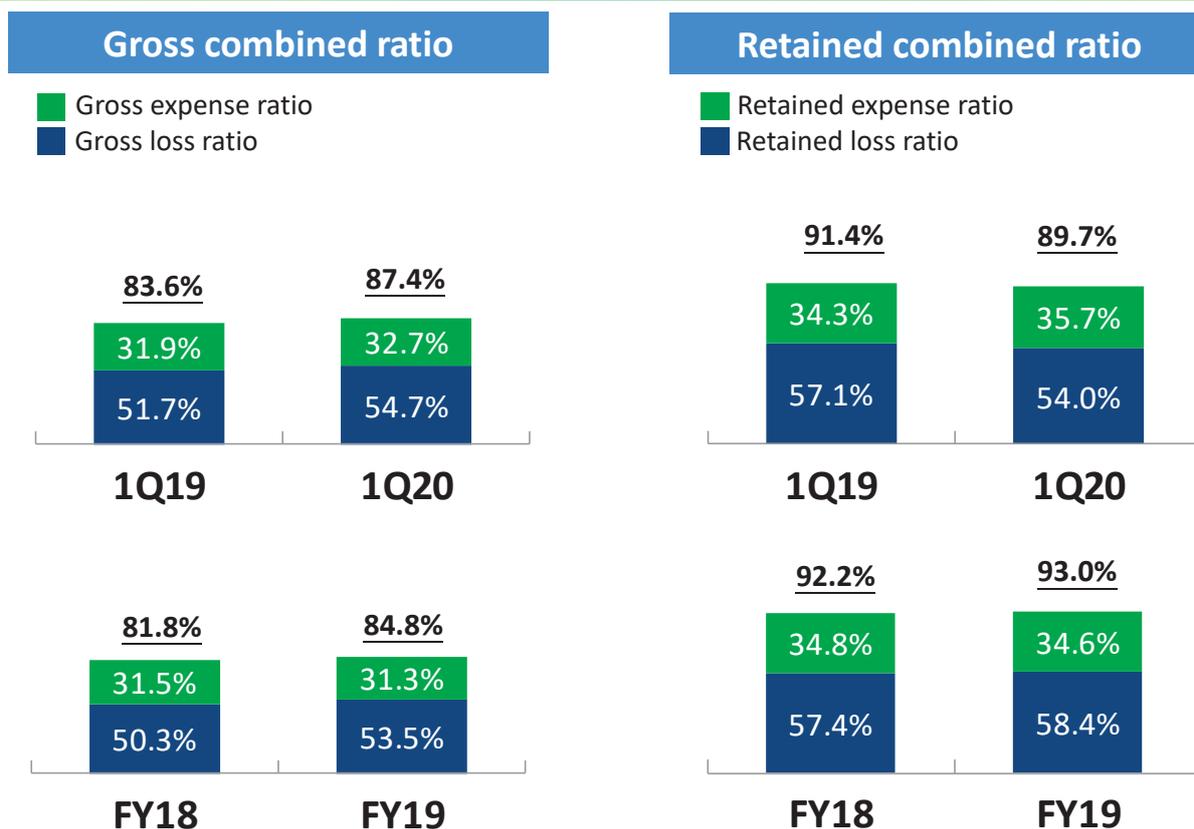


### Distribution channel



Market share	11.8%	10.9%
Retention	78.5%	77.9%

# Cathay Century – Combined ratio



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# 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.

## Summary

NT\$BN, except for per share figures

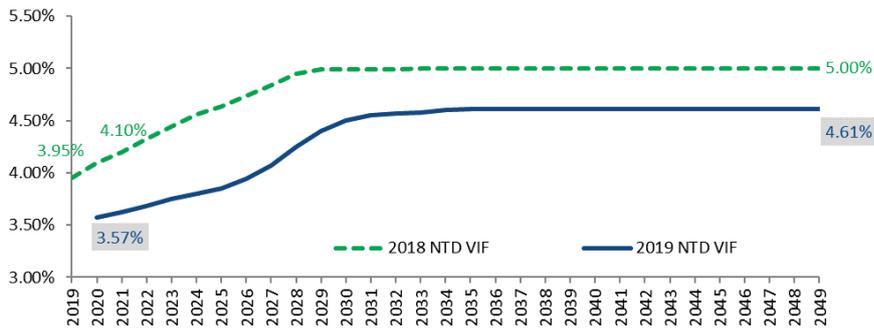
Valuation date		2018	2019	Growth rate	1Q20
Embedded value	Equity	357	589	65%	--
	Adjusted net worth	387	621	60%	--
	Value of in-force business(before CoC)	722	550	-24%	--
	Cost of capital (CoC)	-210	-236	12%	--
	Value in-force business (after CoC)	512	314	-39%	--
	Embedded value	898	935	4%	--
Value of 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.

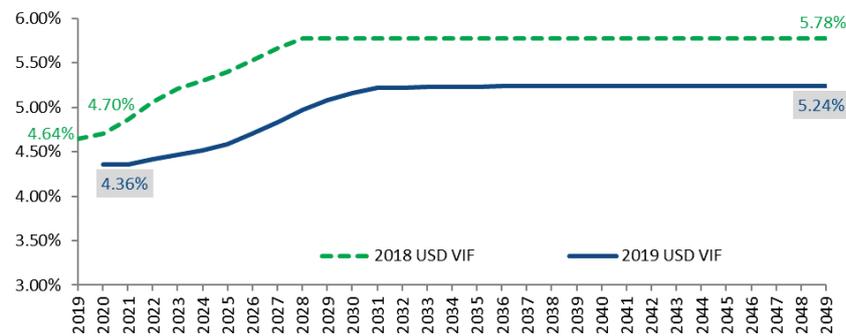
(2) Totals may not sum due to rounding.

# 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.

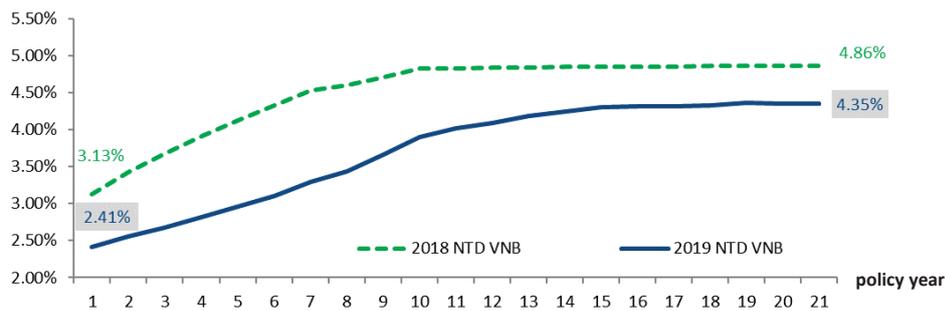


■ Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2018 & 2019.

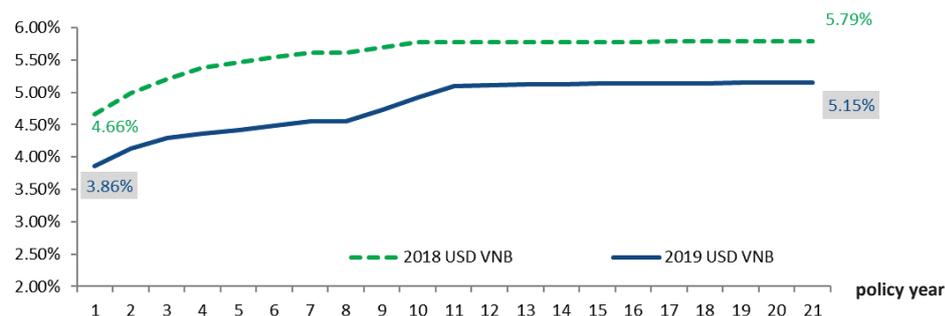


# Economic Assumptions: Future one year's new business investment yield

■ 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.



# Cost of Capital Projection and Non-economic Assumptions

## ■ RBC capital requirement:

Apply 2019 RBC formula announced by Insurance Bureau to project future capital requirement.

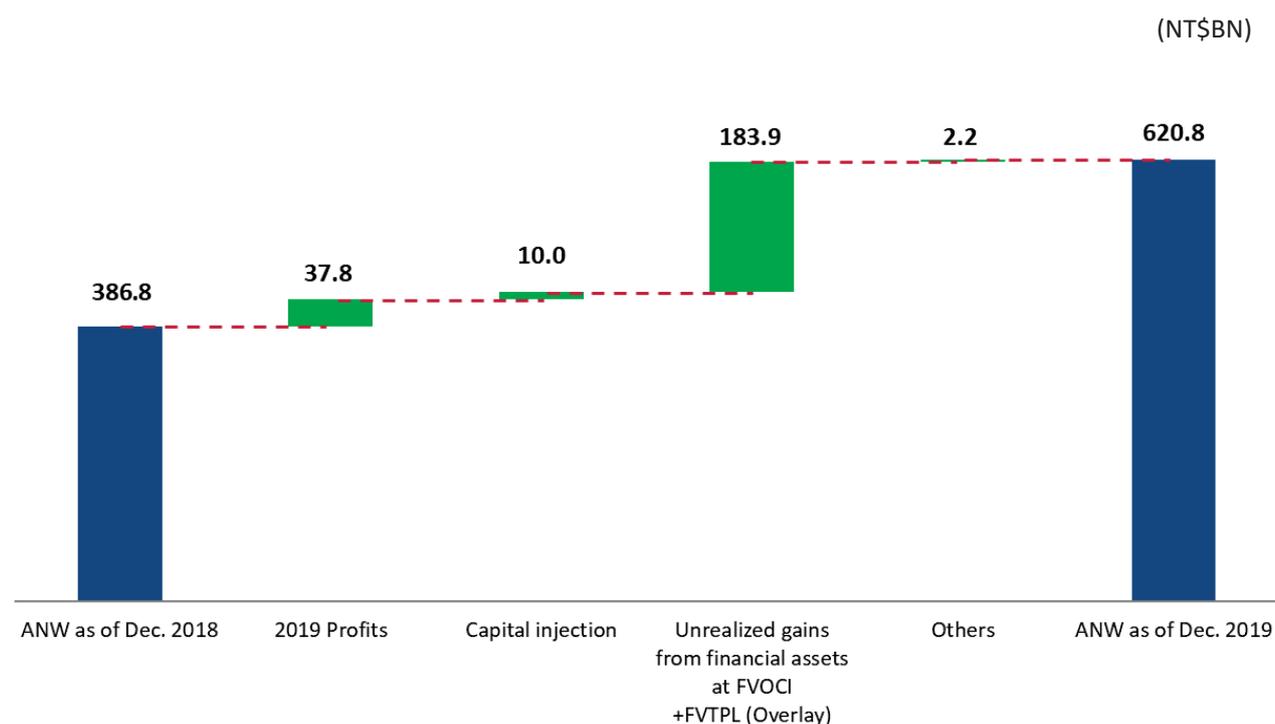
1. Capital Requirement = 200% RBC.
2. Risk-based capital calculation reflects company's current and future operation status.
3. Reflect RBC calculation changes in 2019, mainly include :
  - (1) Risk factors of stock incorporate counter-cyclical measures
  - (2) Adjustments of classification and risk factors regarding NTD-denominated bond ETFs which track foreign assets performance
  - (3) Imposition of foreign exchange risk on CO (Asset risk -affiliate risk)

## ■ 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.

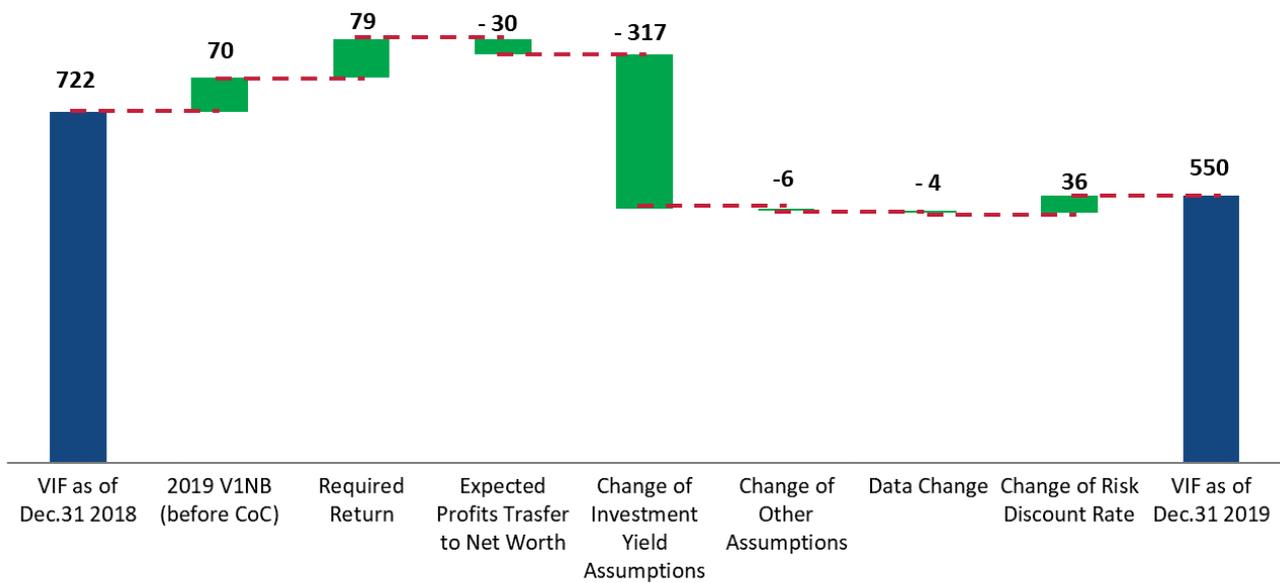
- PricewaterhouseCoopers Asia Actuarial Services provides an independent review of the actuarial assumptions on EV.

# Analysis of change in Adjusted Net Worth (ANW)



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

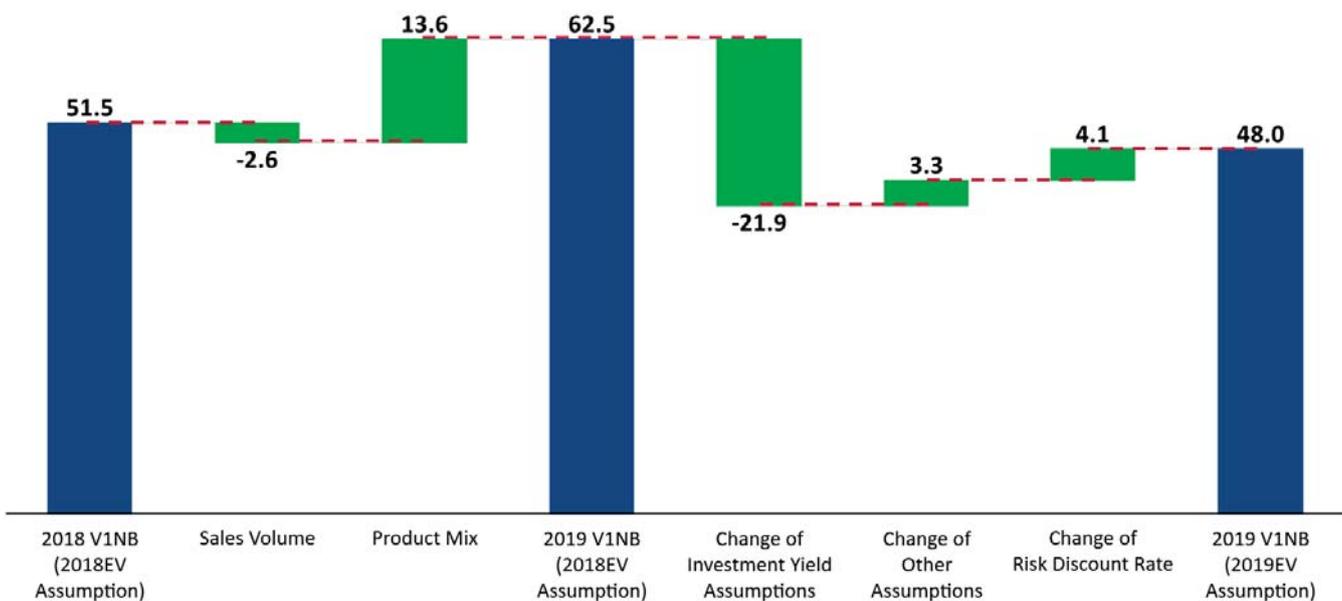
(NT\$BN)



■ The value of one year new business (after CoC) of 2019 is 62.5 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	2019/12/31						
	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%	Discount rate + 0.5%, Investment yield - 0.25%
Adjusted net worth	621	621	621	621	621	621	621
Value of in-force business	407	693	635	550	590	515	379
Cost of capital (CoC)	-247	-225	-229	-236	-227	-244	-255
Value of in-force business (After CoC)	160	468	406	314	363	271	125
Embedded Value	781	1,089	1,027	935	984	892	745
EV / per share	133.5 (61.9)	186.1 (86.3)	175.5 (81.4)	159.8 (74.1)	168.1 (78.0)	152.4 (70.7)	127.4 (59.1)
Appraisal Value	1,055	1,421	1,350	1,242	1,318	1,172	994
Value of future one year's new business (After CoC)	30.2	39.8	37.5	35.0	38.1	32.2	27.7
AV / per share	180.3 (83.6)	242.9 (112.6)	230.7 (107.0)	212.3 (98.4)	225.2 (104.4)	200.4 (92.9)	169.9 (78.8)

Note: (1) "Investment yield +0.25% (capped)": the investment return is capped by 4.61% for NTD policies and 5.24% for USD policies.

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

## YoY Comparison

Under different discount rate assumptions, the results of the Year 2018 & 2019 go as follows.

Valuation date	NT\$BN	
	2018/12/31	2019/12/31
Embedded Value	849~953	892~984
Value of future one year's new business	48.1~56.3	32.2~38.1
Appraisal Value	1,263~1,449	1,172~1,318

Note : Discount rate assumptions of 2018/12/31 are 9.5%~10.5%, discount rate assumptions of 2019/12/31 are 9.0%~10.0%.

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## Agenda

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- 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

# Continuous efforts in CSR

## Recognized by local regulatory authorities

Top 5 %



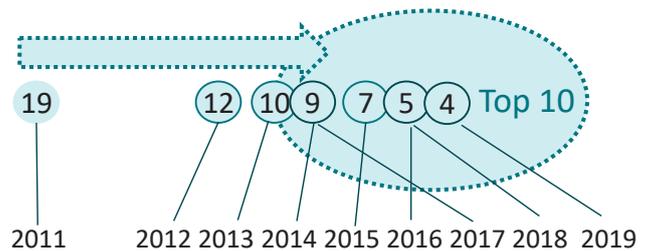
TWSE Corporate Governance Evaluation



Initial constituents of the FTSE4Good TIP Taiwan ESG Index.

## Ranked Top 10 in the Taiwan Corporate Citizenship Award

Ranked top 10 for 6 consecutive years



## Recognized by representative international ESG institutions

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

- ✓ Selected in DJSI Emerging Markets since 2015
- ✓ Selected in DJSI World since 2018
- ✓ RobecoSAM Silver Class

MSCI  
ESG Research  
IVA RATING  
**A**

**CDP**  
**A- level**

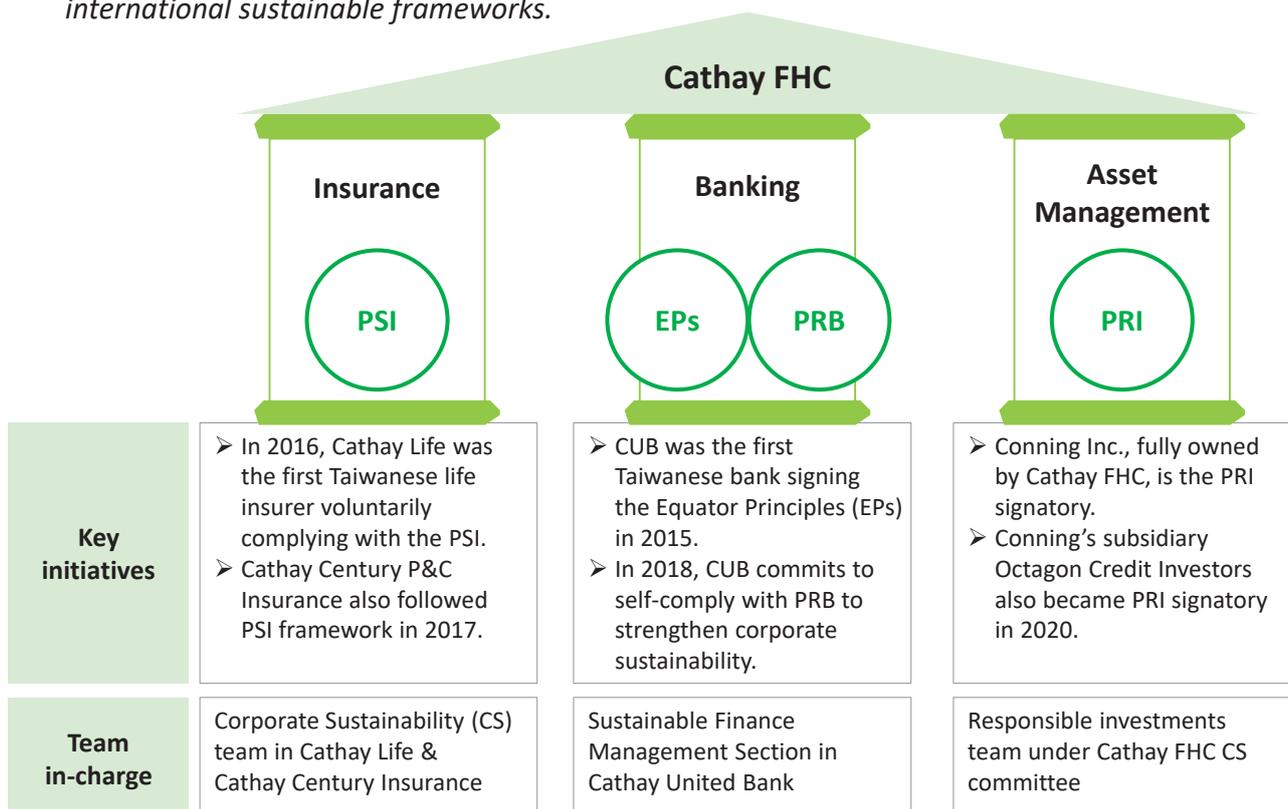
**SUSTAINALYTICS**  
Global Universe  
Rank: 464 out of 9765  
Percentile: 6th

**vigeo eiris**  
BEST EM PERFORMERS

**FTSE4Good**

# Integrating sustainability into our business

- Cathay integrates sustainability into major three business groups in accordance with the international sustainable frameworks.



# Integrating ESG issues into all business processes

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

## Actively participate in Global ESG initiatives



- Cathay FHC was **the first Taiwan financial institution to join the CDP in 2012** aiming to improve the carbon emission data transparency of Cathay's investee companies and loan customers.
- Participated in the **CDP non-discloser engagement campaign** since 2017 encouraging Cathay's investee companies to respond to 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 Taiwan financial institution to join the Low Carbon Investment Registry** initiated by GIC in 2014.
- The low carbon investment amount registered in 2019 reached US\$ 5.49 billion.



- **Cathay FHC joined AIGCC in 2016** and participates in the monthly conference calls discussing global trends in 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.**
- Engaging 100 systemically important emitters and encouraging them to curb emissions, Improve governance and strengthen climate-related financial disclosures. **Cathay has been engaging with Taiwanese companies.**

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## M&A Transaction: Conning in USA

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

### Conning Asset Management

- Founded in 1912, Conning is a leading global investment management firm focusing on insurers and pension funds. It ranks as top 10 globally in insurance mandate with US\$168.4BN AuM (1Q20)
- Conning operates through its offices in North America, Europe and Asia

<u>Assets by Client Type (US\$BN)</u>	<u>Assets</u>	<u>Assets by Region (US\$BN)</u>	<u>Assets</u>
Life	71.3	Asia	74.4
Property-Casualty	44.6	North America	72.0
Others	19.0	Continental Europe	13.7
Retail	19.0	United Kingdom	5.6
Pension	14.5	Bermuda	1.8
<b>Total AUM</b>	<b>168.4</b>	Other	0.9
		<b>Total AUM</b>	<b>168.4</b>

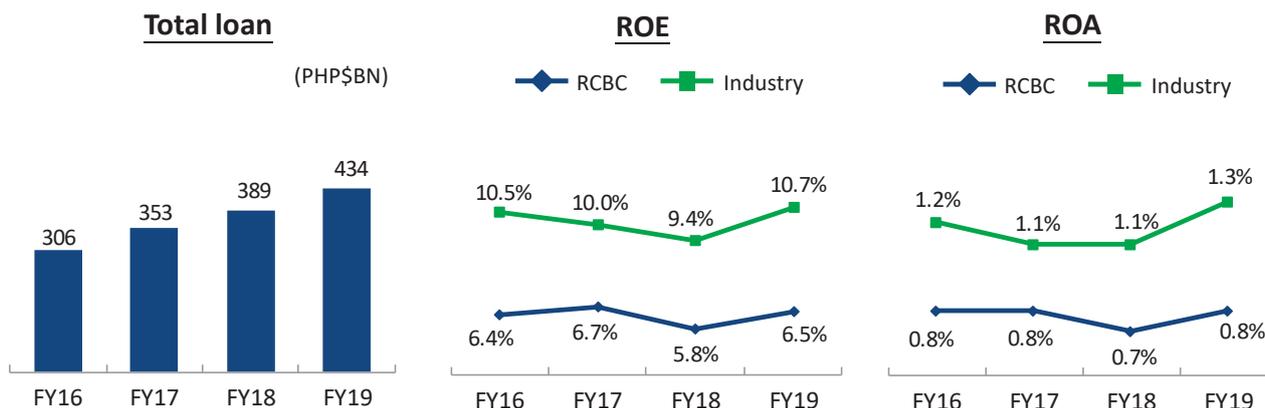
Note: Totals may not sum due to rounding.

## M&A Transaction: RCBC in Philippines

- Cathay Life invested in 20% shares of Rizal Commercial Banking Corporation (“RCBC”) with 3 board seats of the company in 2015. Total investment was PHP\$17.9 BN (c. US\$400 MN). Post-money P/B was c.1.57x upon announcement
- Cathay Life may increase its investment in RCBC via placement or open market purchase, up to 30%

### RCBC’s Performance

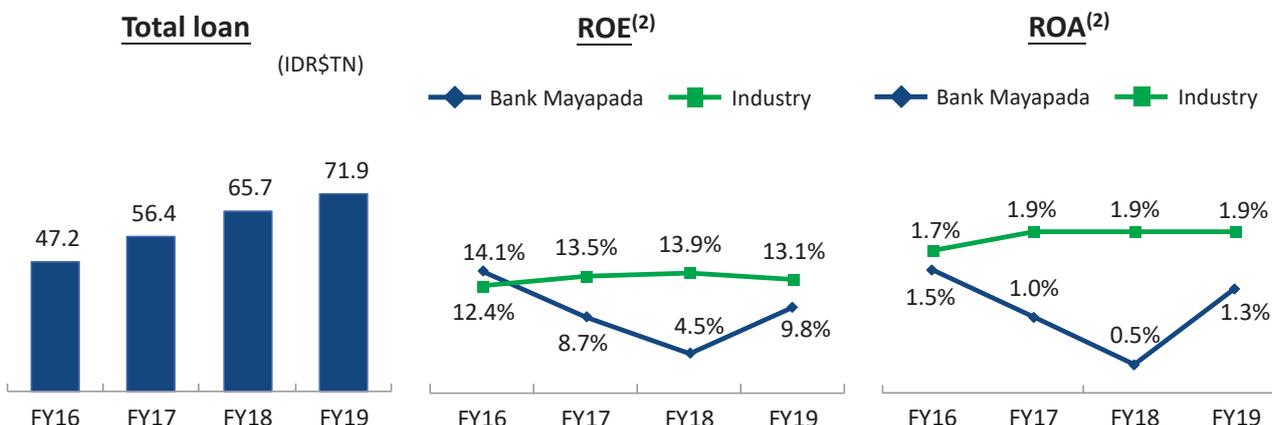
- RCBC is one of the large private-owned banks in terms of total assets, with 507 branches and 6,611 employees at the end of December 2019.



## M&A Transaction: Bank Mayapada in Indonesia

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

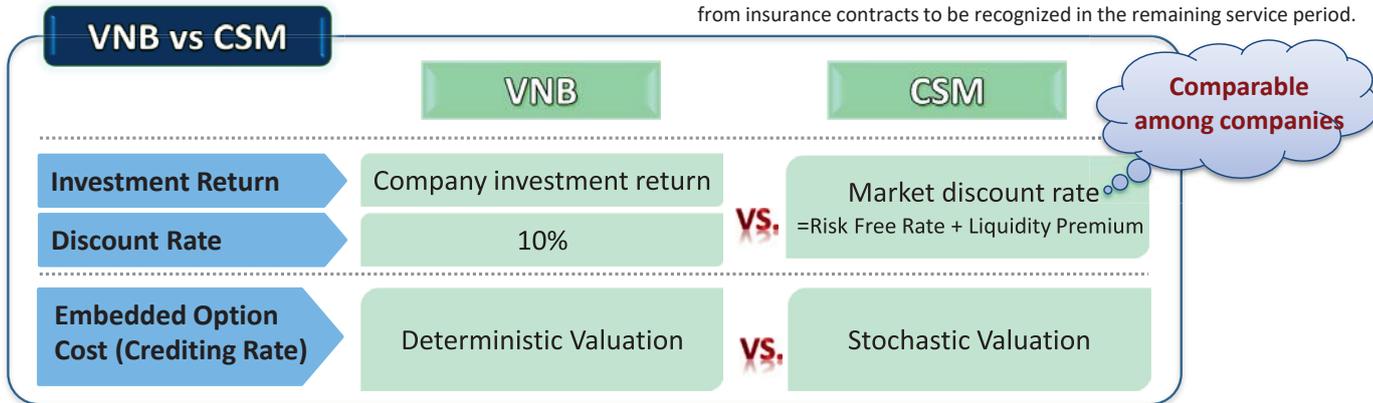
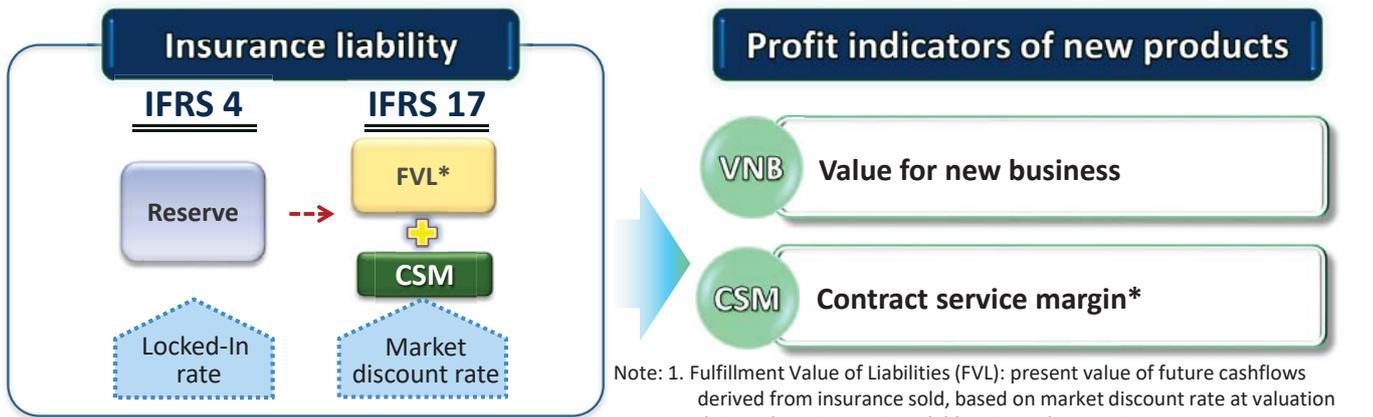
### Bank Mayapada’s Performance



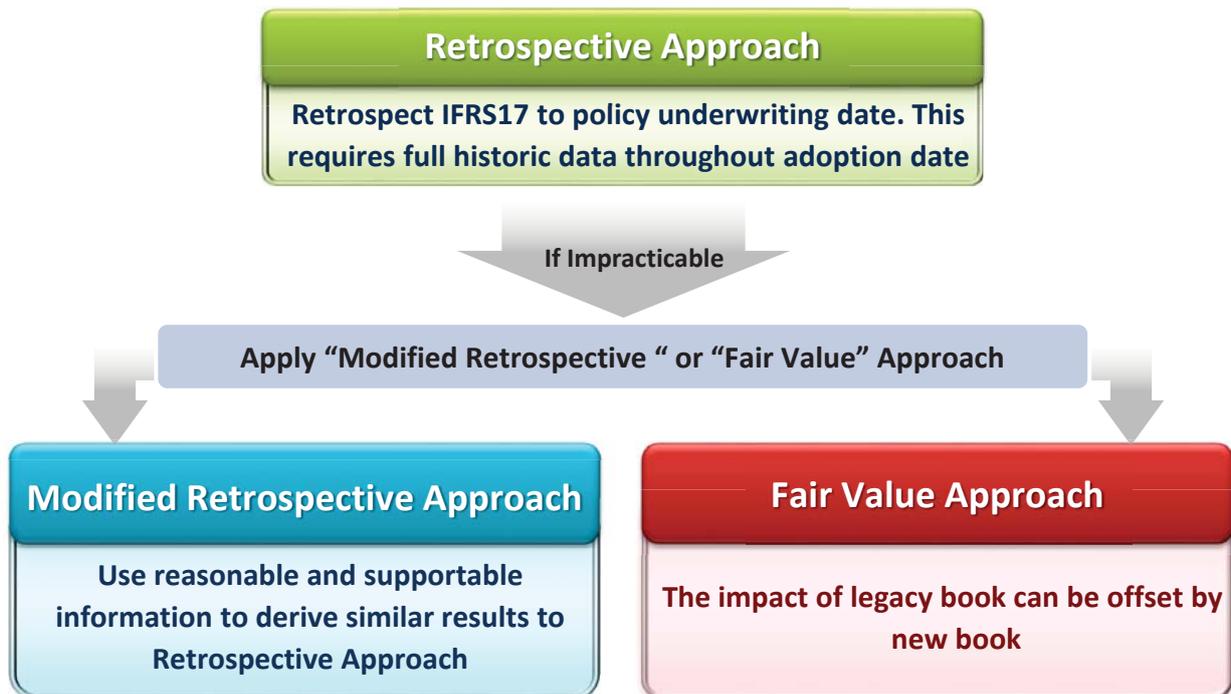
Note: (1) After the new share issued in Oct 2019, Cathay life owned 37% stake.

(2) ROE: Profit After Tax/Average Total Equity, ROA: Profit After Tax/Average Total Assets

# IFRS 17 – Measurement



# IFRS 17 – Adoption date



Note: Legacy book - contracts with guaranteed rates  $\geq 4\%$   
 New book - contracts with guaranteed rates  $< 4\%$

## Accounting impact from IFRS 17

- ❑ IFRS 17 implementation changes the measurement of insurance liability. It does not affect the value of insurance contracts but affects the timing of profit recognition for insurance services.
- ❑ Insurers need to mark to market both assets and liabilities.
- ❑ It may increase the volatility of shareholders' equity, hence asset-liability management expertise is critical.

## IFRS 17 impact & preparation

### Benefiting from IFRS 17

- The impact from legacy book is fully reflected on adoption date
- Reduce the interest expense of insurance liability thereafter



### Value-driven product strategy

#### CSM-focused products

- Protection products with superior CSM margin (CSM/FYP)
- Savings products with positive CSM



### Capital plan

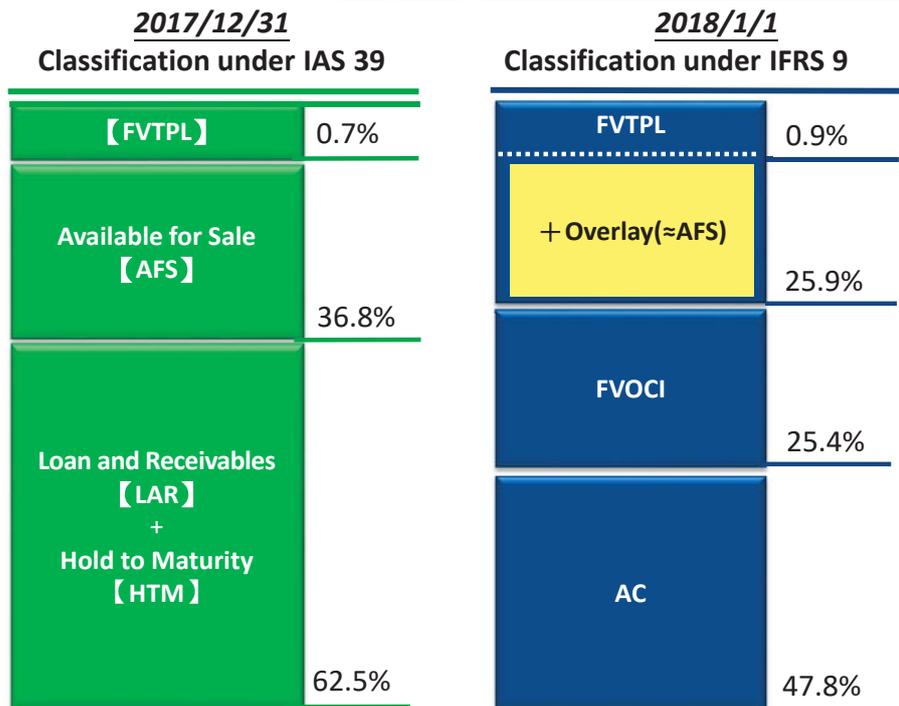
#### Capital market volatility and IFRS 17 adoption

- Build adequate capital buffer
- Early preparation ahead of the industry

### Healthier Industry development

- Better risk-pricing disciplines among competitors restore industry profit margins
- Strong ALM expertise is critical for achieving stable financial performance

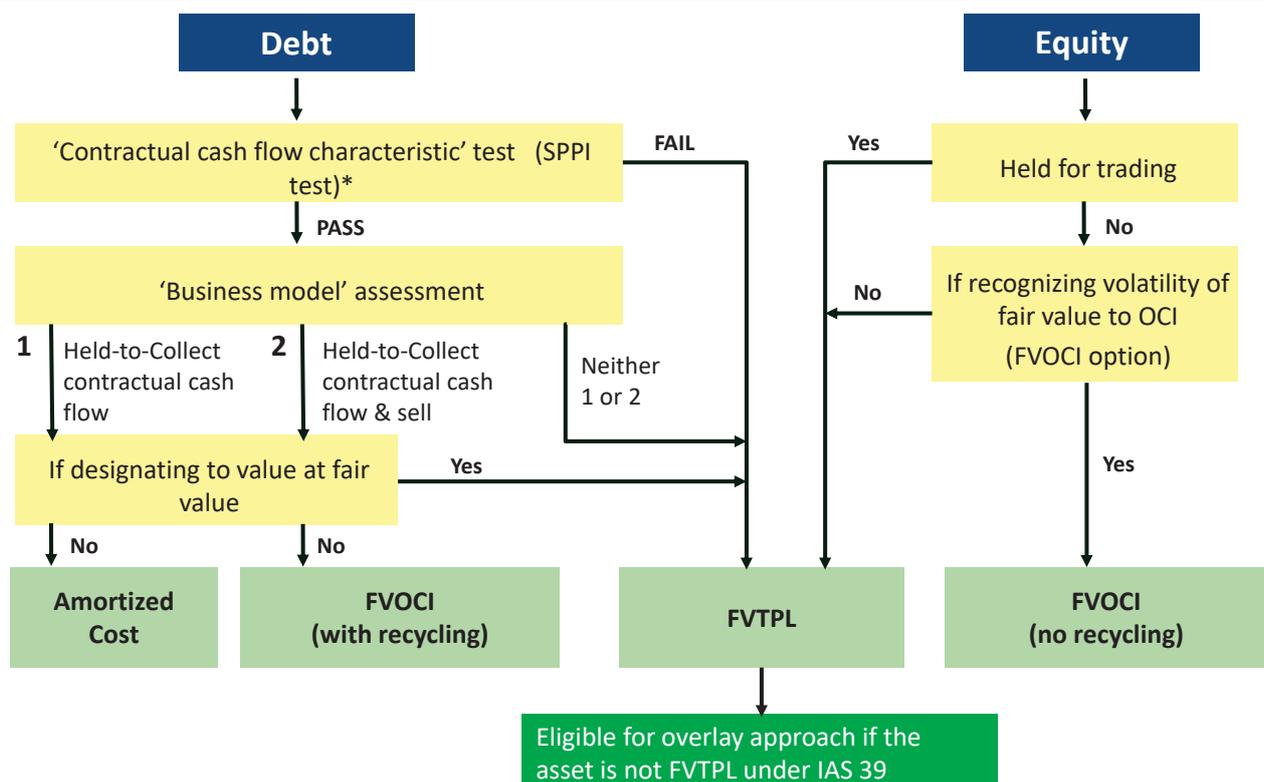
# Cathay Life - Asset reclassification under IFRS 9



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

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

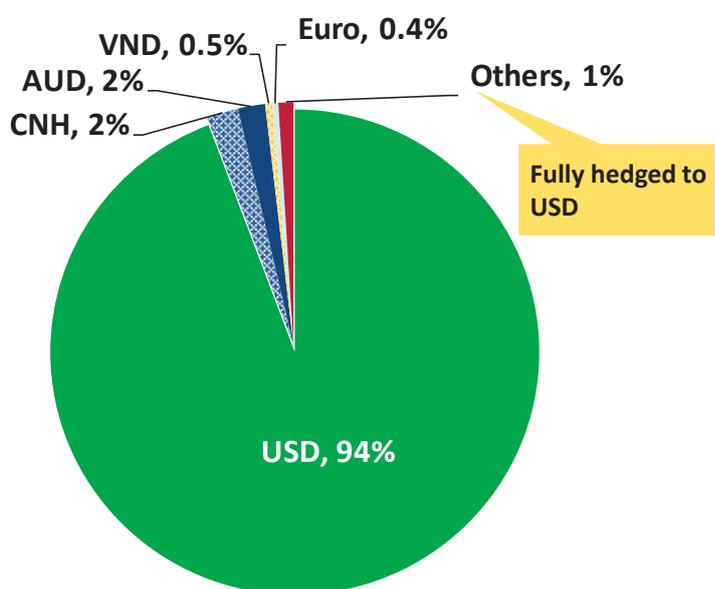
## Asset classification under IFRS 9 with overlay approach



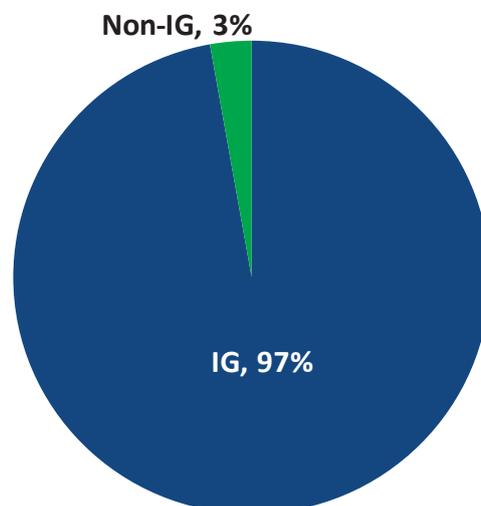
Note: SPPI means cash flow are solely payments of the principal and interests on the principal amount outstanding. Interests consist of the consideration of time value and credit risk associated with the principal.

# Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (1Q20)

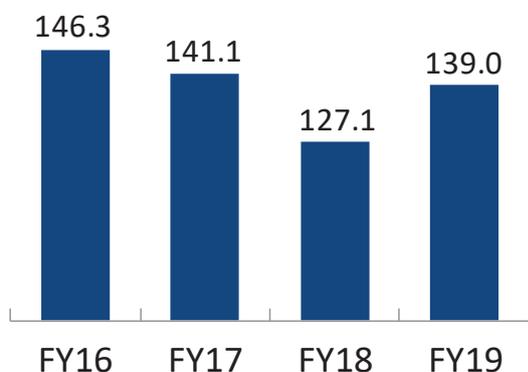


Overseas bond by rating (1Q20)

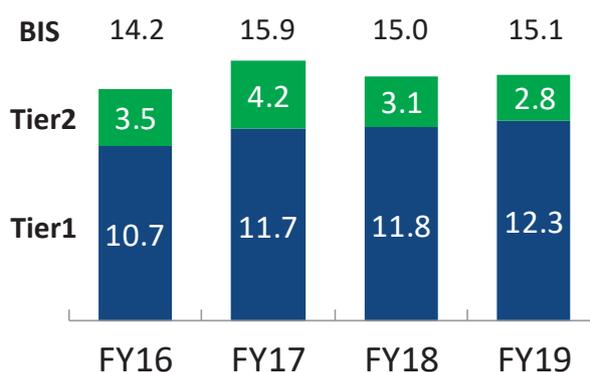


## Capital adequacy

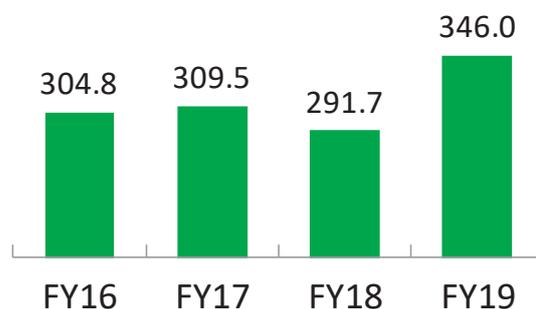
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC (%)



Cathay Financial Holdings (NT\$MN)				FY19/ FY18			1Q20/ 1Q19
<u>Income Statement Data (Consolidated)</u>	FY17	FY18	FY19	% Chg	1Q19	1Q20	% Chg
<b>Operating Income</b>							
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%
<b>Income before taxes</b>	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	
<b>Dividend Payout</b>							
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				
<b>Balance Sheet Data (Consolidated)</b>							
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	
<b>Operating Metrics</b>							
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%	
<b>Capital Adequacy Metrics</b>							
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
<b>Income Statement Data (Consolidated)</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>% Chg</b>	<b>1Q19</b>	<b>1Q20</b>	<b>% Chg</b>
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%
<b>Balance Sheet Data</b>							
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	
<b>Operating Metrics (Standalone)</b>							
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%	
<b>Capital Adequacy Metrics (Standalone)</b>							
RBC ratio	309%	292%	346%				

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

**Cathay United Bank**

(NT\$MN)	FY19/				1Q20/		
	FY17	FY18	FY19	FY18	1Q19	1Q20	1Q19
<u>Income Statement Data (Consolidated)</u>				% Chg			% Chg
<b>Operating Income</b>							
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%
<b>Net operating income</b>	<b>55,222</b>	<b>60,855</b>	<b>63,126</b>	<b>4%</b>	<b>16,808</b>	<b>17,710</b>	<b>5%</b>
Operating expenses	(29,301)	(31,340)	(33,806)	8%	(8,615)	(8,205)	-5%
<b>Pre-provision profit</b>	<b>25,920</b>	<b>29,515</b>	<b>29,320</b>	<b>-1%</b>	<b>8,193</b>	<b>9,504</b>	<b>16%</b>
Net provisions for possible losses	(3,494)	(5,032)	(2,853)	-43%	(750)	(589)	-21%
<b>Income before taxes</b>	<b>22,426</b>	<b>24,483</b>	<b>26,467</b>	<b>8%</b>	<b>7,443</b>	<b>8,915</b>	<b>20%</b>
Income tax	(2,763)	(3,230)	(3,981)	23%	(1,070)	(1,315)	23%
<b>Net income</b>	<b>19,664</b>	<b>21,253</b>	<b>22,486</b>	<b>6%</b>	<b>6,373</b>	<b>7,600</b>	<b>19%</b>
<b>Balance Sheet Data</b>							
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	
<b>Operating Metrics</b>							
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%	
<b>Assets Quality (Standalone)</b>							
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%	
<b>Capital Adequacy Metrics (Standalone)</b>							
BIS ratio	15.9%	15.0%	15.1%				
Tier I Ratio	11.7%	11.8%	12.3%				
<b>LDR (Standalone)</b>							
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%	

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**Cathay Century**

(NT\$MM)	FY19/				1Q20/	
	FY17	FY18	FY19	FY18 % Chg	1Q19	1Q19 % Chg
<b>Income Statement Data (Consolidated)</b>						
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%
<b>Operating income</b>	<b>2,170</b>	<b>1,883</b>	<b>2,490</b>	<b>32%</b>	<b>579</b>	<b>713 23%</b>
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%
<b>Balance Sheet Data</b>						
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
<b>Operating Metrics</b>						
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%
<b>Capital Adequacy Metrics</b>						
RBC ratio (Standalone)	392%	370%	339%			

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## **Note**

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