



2018 Fourth Quarter Briefing

March 2019

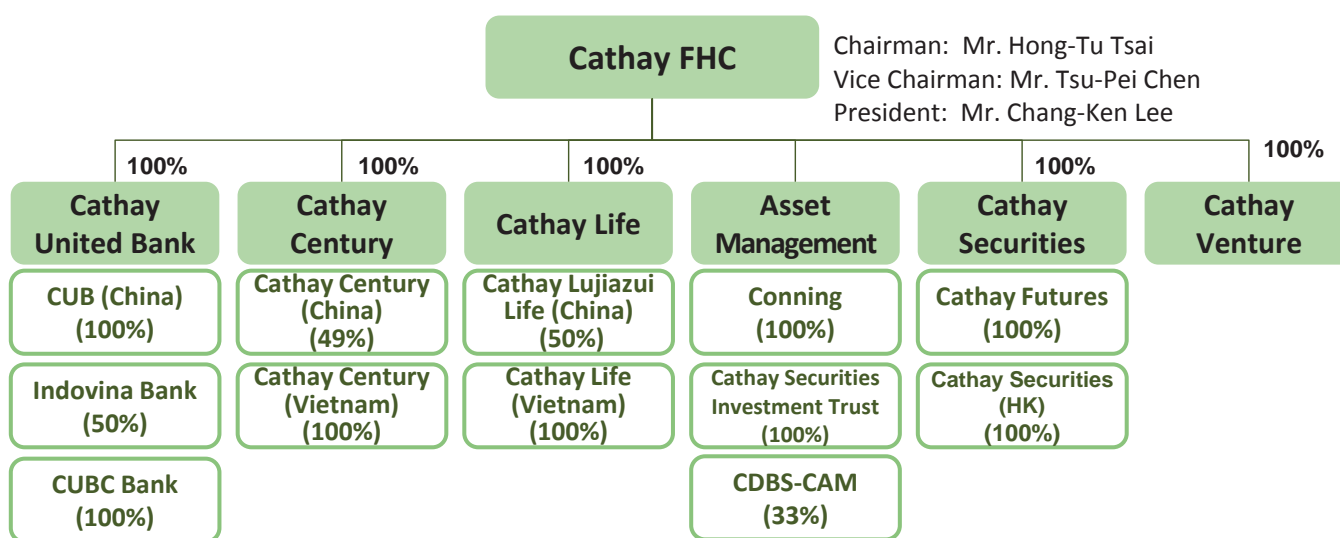
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Agenda

- Introduction of Cathay FHC
- 2018 Business Overview and 2019 Outlook
- Overseas Expansion
- Business Performance Summary
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- 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

- 2nd biggest non-life insurer
- Market share in total premium income: 13.0% (FY18).

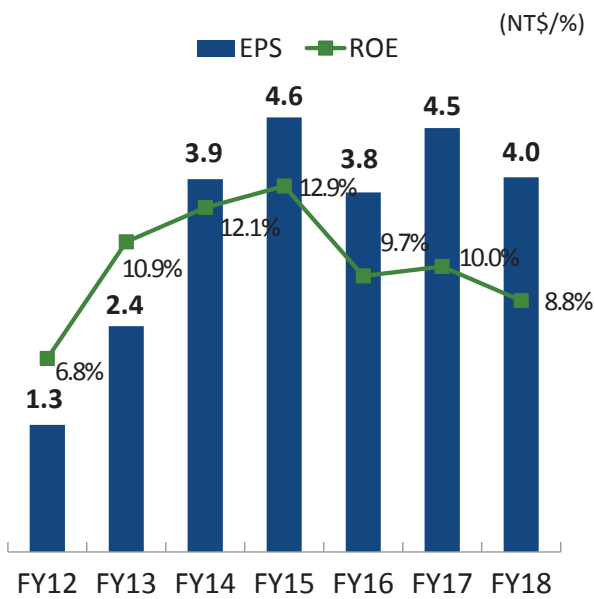
- No. 1 life insurer in terms of total assets and total premium
- Market share in total premium: 19.4% (FY18).

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

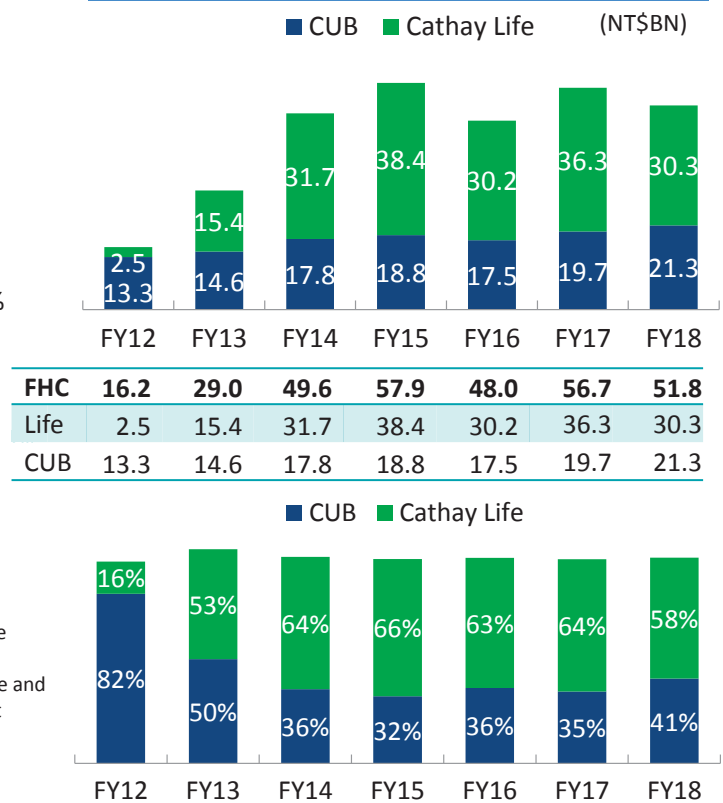
- Investment banking, brokerage, and prop trading businesses
- Strong underwriting and capital raising platform
- Diversified products and services

Cathay's earnings accelerates as life turnarounds

EPS & ROE



Profit contribution

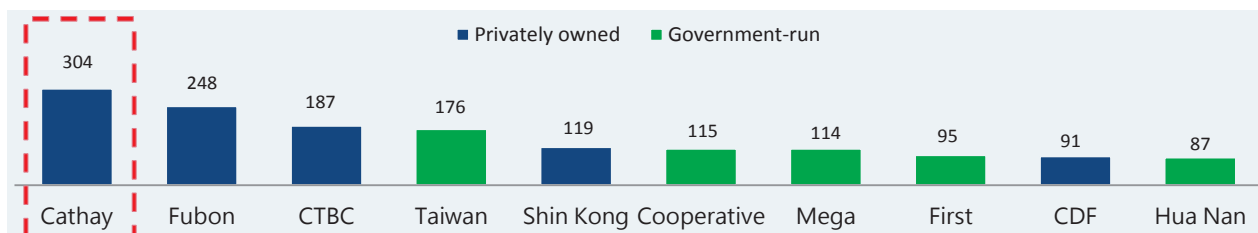


- Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.
 (2) Since Cathay FHC has more subsidiaries other than Cathay Life and CUB, besides, due to affiliate transactions, the Cathay FHC net income might not equal to the sum of Cathay Life and CUB's.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

Market leader in Taiwan's FIG sector

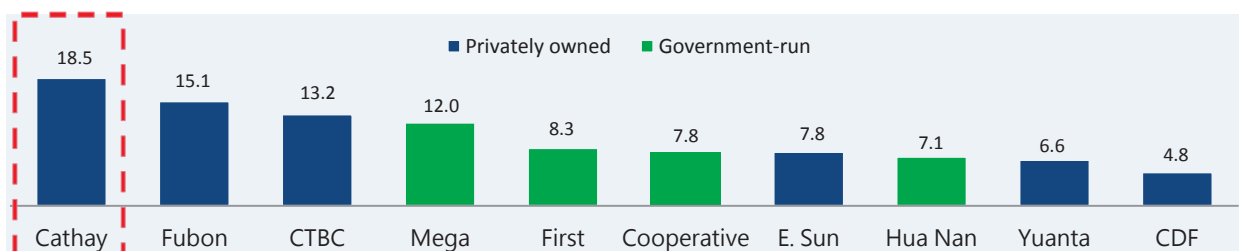
- █ Largest listed financials group by market capitalization and assets.

Ranking of total asset (US\$bn)



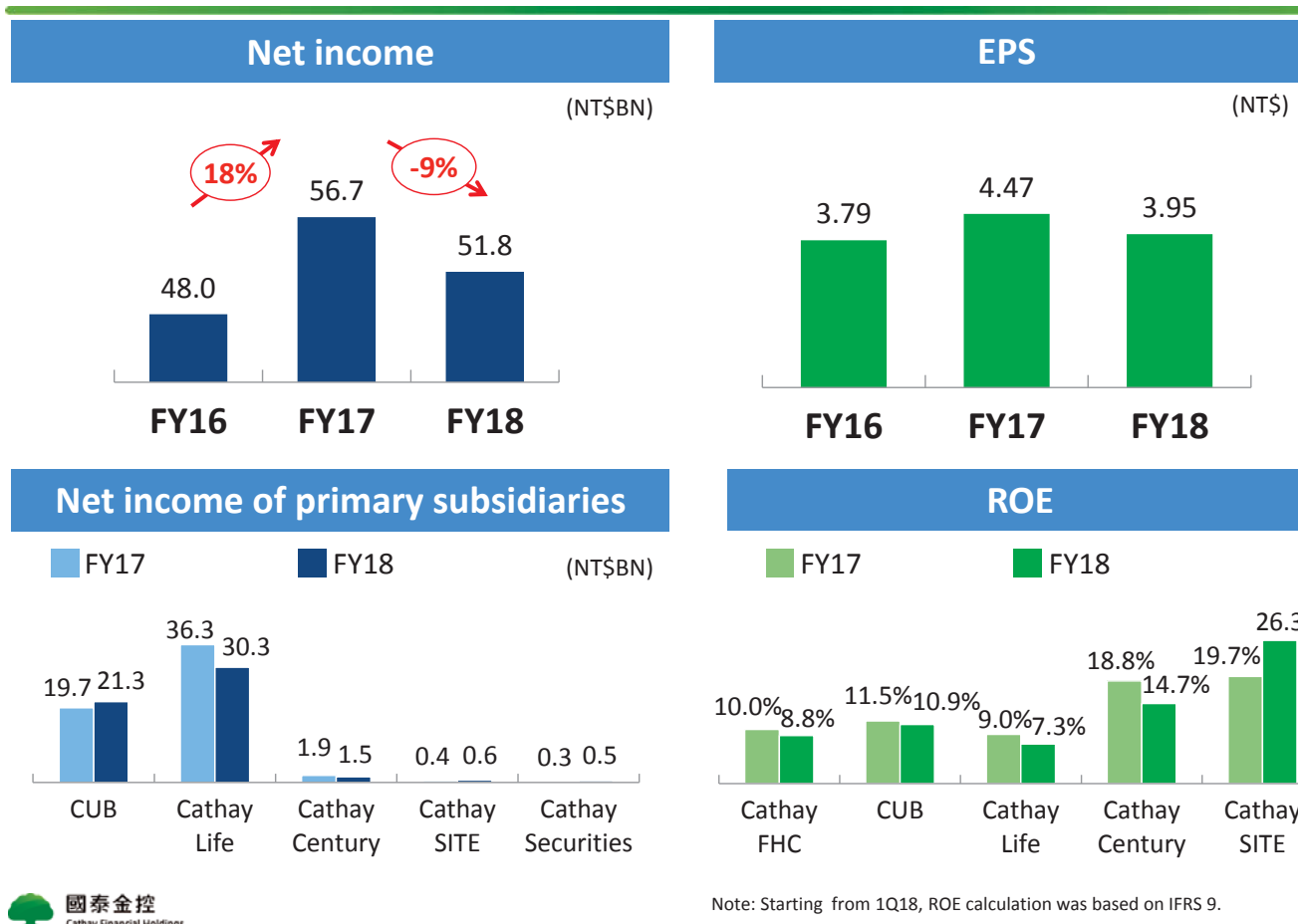
Note: Total assets as of Sep. 30, 2018

Ranking of market cap (US\$bn)

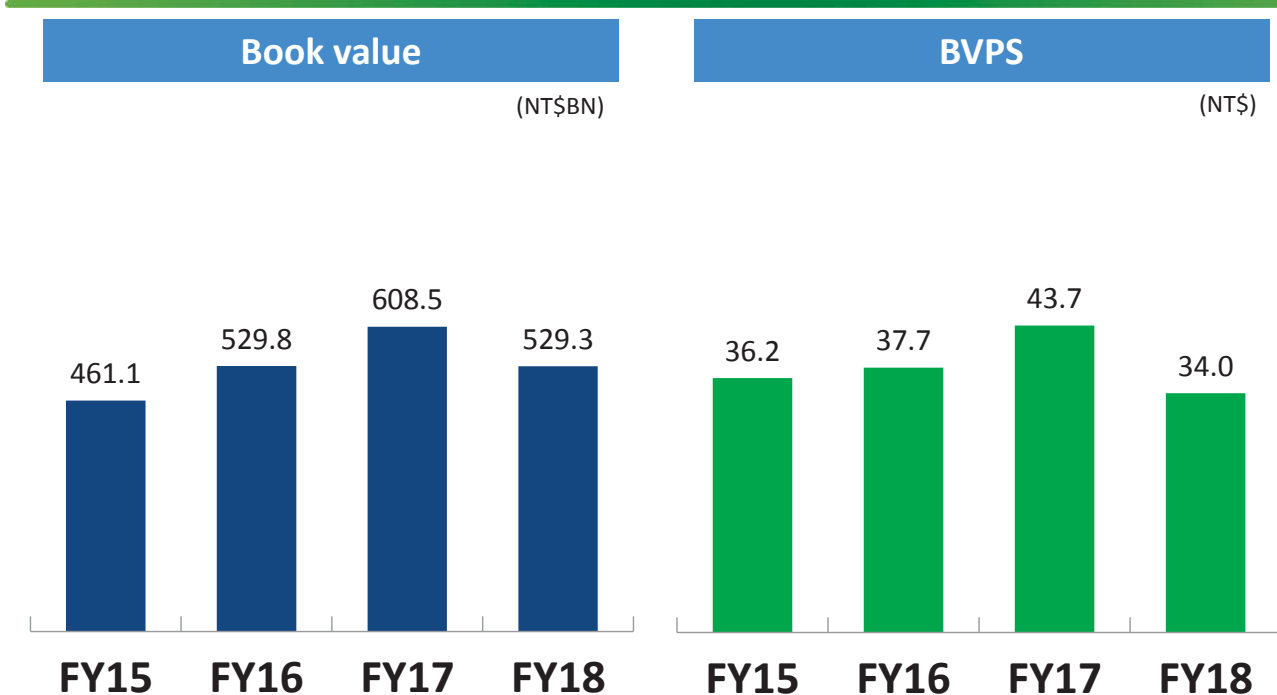


Note: Market capitalization as of Feb. 27, 2019

Cathay FHC – Net income & EPS



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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2018 Business overview

Cathay United Bank

- Delivered solid loan and deposit growth with benign credit quality.
- Overseas expansion continued. FX loan grew steadily.
- Fee income continued to increase. Credit card fee grew 13% YoY. Number of active cards ranked No.1 in the industry.

Cathay Life

- Focused on value-driven strategy. FYP and FYPE remained No. 1 in the industry. FYP for protection products grew ~50% YoY.
- Cost of liability continued to improve. Pre-hedging recurring yield increased to 3.5%.
- Maintained solid capital position with RBC ratio of 292%.

Cathay Century

- Premium income grew 6% YoY. Remained in second place with 13.0% 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\$635.1 BN.
- Received "Best Institutional House" and "Best New ETF" awards from Asia Asset Management and "Risk Management Award" from Benchmark magazine. Selected by Thomson Reuters Lipper and Morningstar as "Taiwan Fund Award" winner.

Cathay Securities

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

2019 Outlook

Cathay United Bank

- Continue to adjust loan mix. Maintain benign asset quality.
- Increase credit card and wealth management fee income.
- Continue to expand overseas business and increase offshore earnings.

Cathay Life

- Focus on the sales of regular-paid products, foreign currency denominated policies and investment linked policies to improve value of new business.
- Continue to enhance capital efficiency and maintain stable hedging cost.

Cathay Century

- Grow both personal and commercial insurance.
- Increase the efficiency of capital and net profits.
- Develop online business in China and enlarged local team in Vietnam.

Cathay SITE

- Offer comprehensive product lines to meet customers' needs.
- Integrate global asset management business to broaden international exposure.
- Leverage group resources and expand external distribution channels to increase AUM.

Cathay Securities

- Utilize digital technology to enhance cross-selling synergy and broaden client base.
- Enhance existing platform and develop innovative products.
- Continue to expand overseas business.

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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 | 15 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Life | 51 ⁽¹⁾ | 59 | | | | | | | | | |
| P&C | 27 | 2 | | | | | | | | | |
| Asset Mgt. | 1 | | | 1 | | | | | | | |
| Securities | | | | 1 | | | | | | | |

Note: (1) Henan branch office opened in January, 2019.

(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

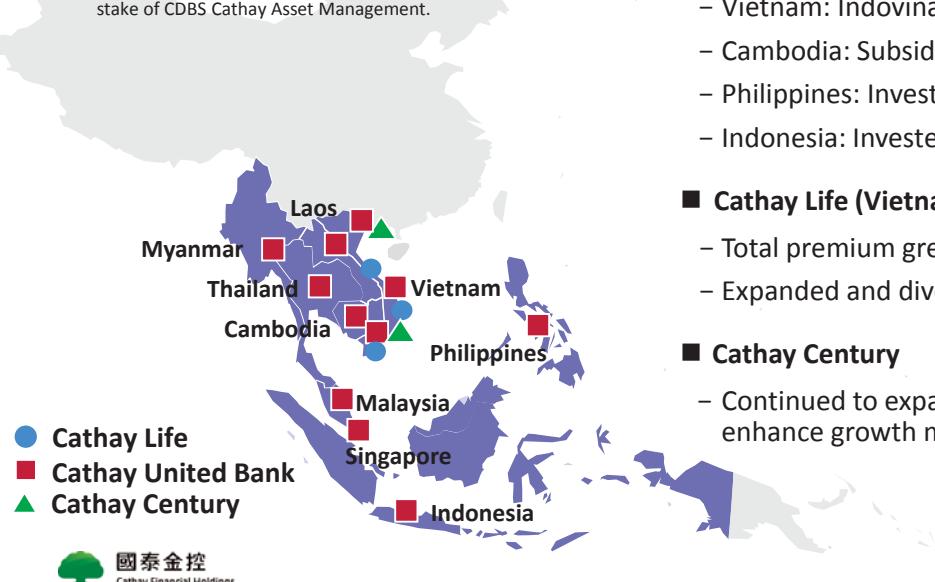
- Vietnam: Indovina Bank performed steadily.
- Cambodia: Subsidiary's businesses grew steadily.
- Philippines: Invested 23% stake in RCBC⁽³⁾
- Indonesia: Invested 40% stake in Bank Mayapada⁽³⁾

■ Cathay Life (Vietnam)

- Total premium grew 51% YoY to VND 691BN in 2018.
- Expanded and diversified distribution channels.

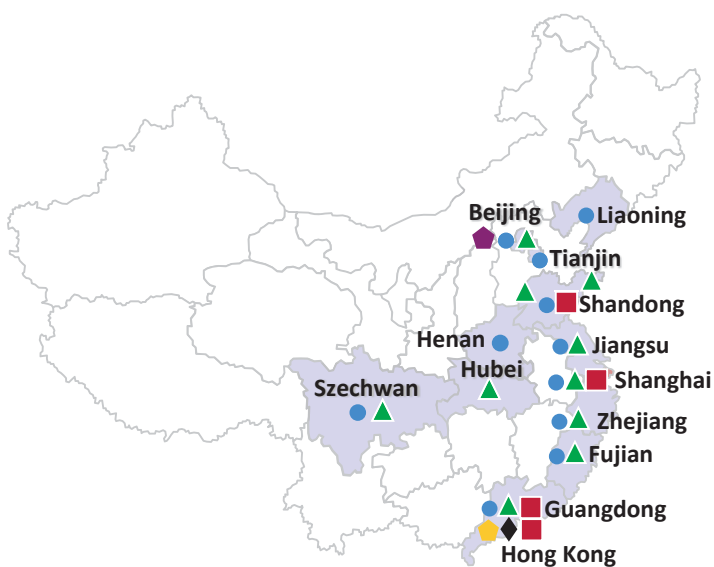
■ Cathay Century

- Continued to expand local distribution channels to enhance growth momentum.



- Cathay Life
- Cathay United Bank
- ▲ Cathay Century

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

- Upgrade China operation into a fully-owned local subsidiary in Sep. 2018.

■ Cathay Lujiazui Life

- Total premium grew 46% YoY to RMB 2.3BN in 2018.

■ Cathay Century (China)

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

■ 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

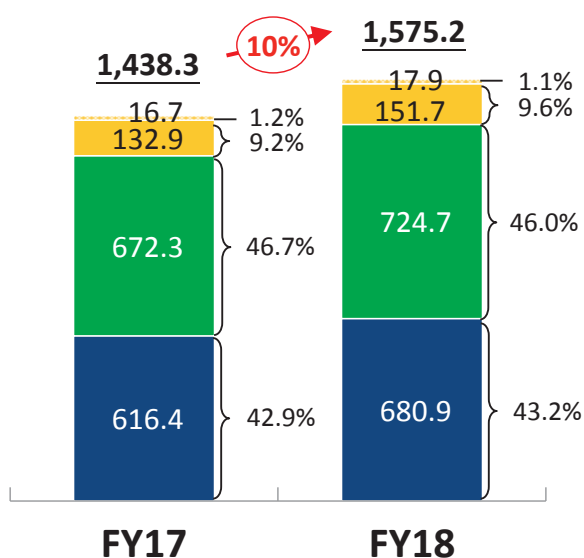
Cathay Century

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Cathay United Bank – Loan & Deposit breakdown

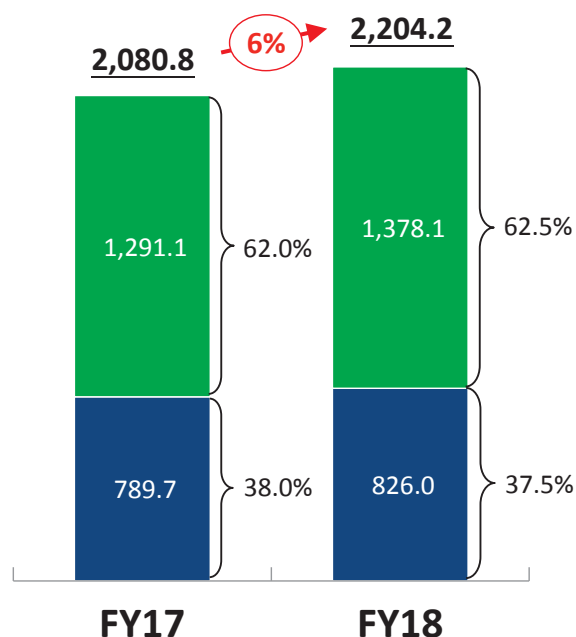
Loan breakdown (NT\$BN)

- Credit Card related
- Consumer
- Mortgage
- Corporate



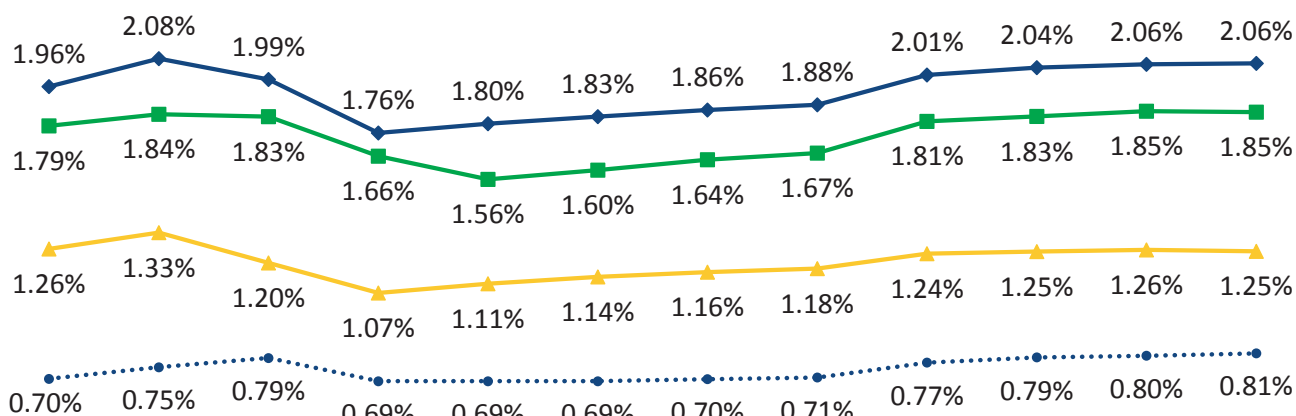
Deposit breakdown (NT\$BN)

- Demand Deposit
- Time Deposit



Cathay United Bank – Interest yields

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



| | FY13 | FY14 | FY15 | FY16 | 1Q17 | 1H17 | 9M17 | FY17 | 1Q18 | 1H18 | 9M18 | FY18 |
|--|------|------|------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Quarterly | | | | <u>4Q16</u> | <u>1Q17</u> | <u>2Q17</u> | <u>3Q17</u> | <u>4Q17</u> | <u>1Q18</u> | <u>2Q18</u> | <u>3Q18</u> | <u>4Q18</u> |
| Spread | | | | 1.59% | 1.56% | 1.64% | 1.74% | 1.76% | 1.81% | 1.85% | 1.90% | 1.83% |
| NIM | | | | 1.10% | 1.11% | 1.18% | 1.20% | 1.22% | 1.24% | 1.26% | 1.27% | 1.22% |
| NIM-pro forma excl. China⁽²⁾ | | | | | | | | 1.19% | 1.21% | 1.22% | 1.25% | 1.22% |

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

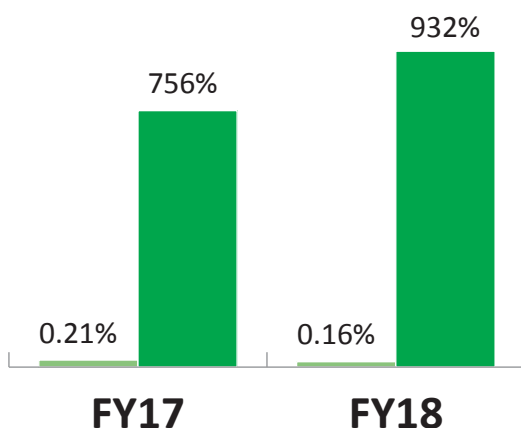
(2) China subsidiary was launched in Sep 2018. Hence, since 9M18, China subsidiary results was excluded.



Cathay United Bank – Credit quality

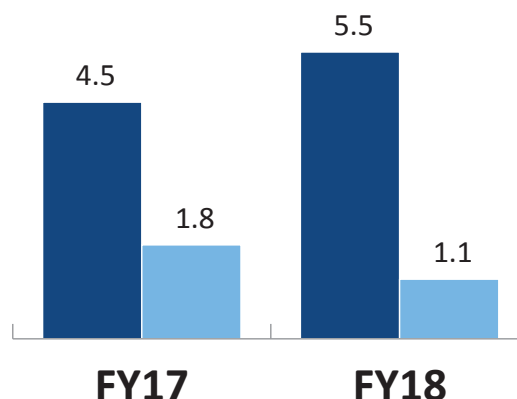
NPL & Coverage ratio

■ NPL ratio
■ Coverage ratio



Gross provision

■ Gross provision (NT\$BN)
■ Recovery



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

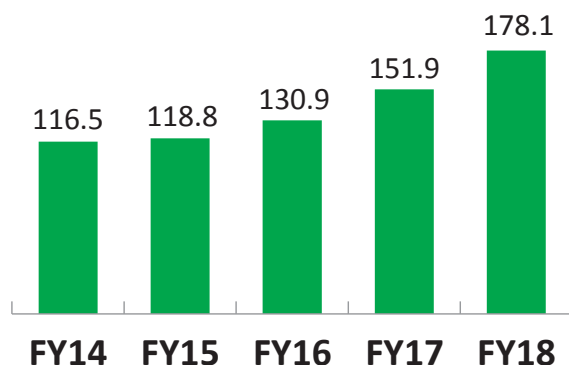
Note : China subsidiary was launched in Sep 2018. Hence, FY18 number excluded China subsidiary results. (NPL ratio: 0.18%, Coverage ratio: 1762.67%, Gross provision: NT\$10.6MN, Recovery: 0; preliminary).



Cathay United Bank – SME & FX loans

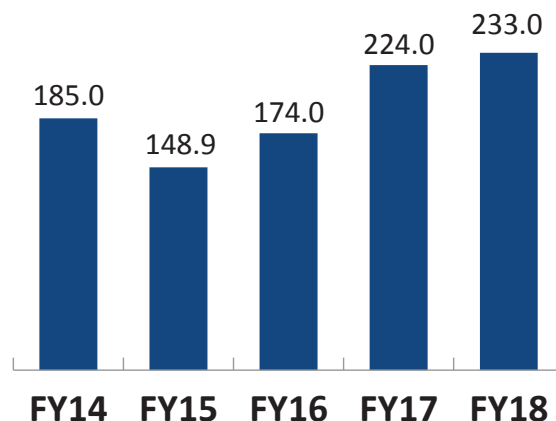
SME loans

(NT\$BN)



Foreign currency loans

(NT\$BN)



As % of total loans

10.5% 10.5% 9.2% 10.7% 11.4%

16.6% 13.3% 12.2% 15.8% 15.0%

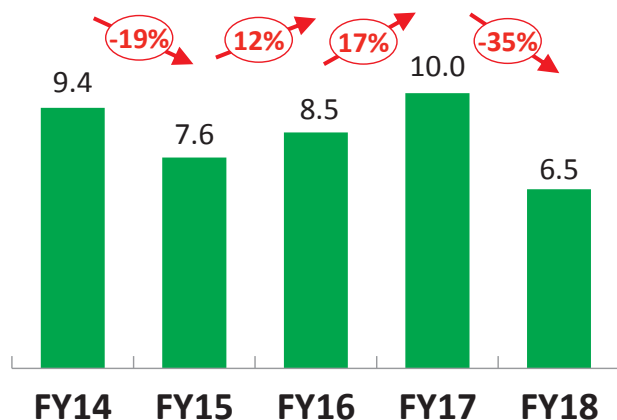
Note : (1) Total loans exclude credit card revolving balance.

(2) China subsidiary was launched in Sep 2018, hence FY18 foreign currency balance excluded NT\$18BN (preliminary) from China subsidiary.

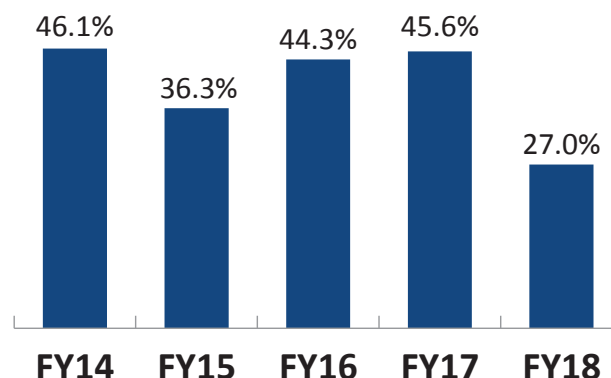
Cathay United Bank – Offshore earnings

Offshore earnings

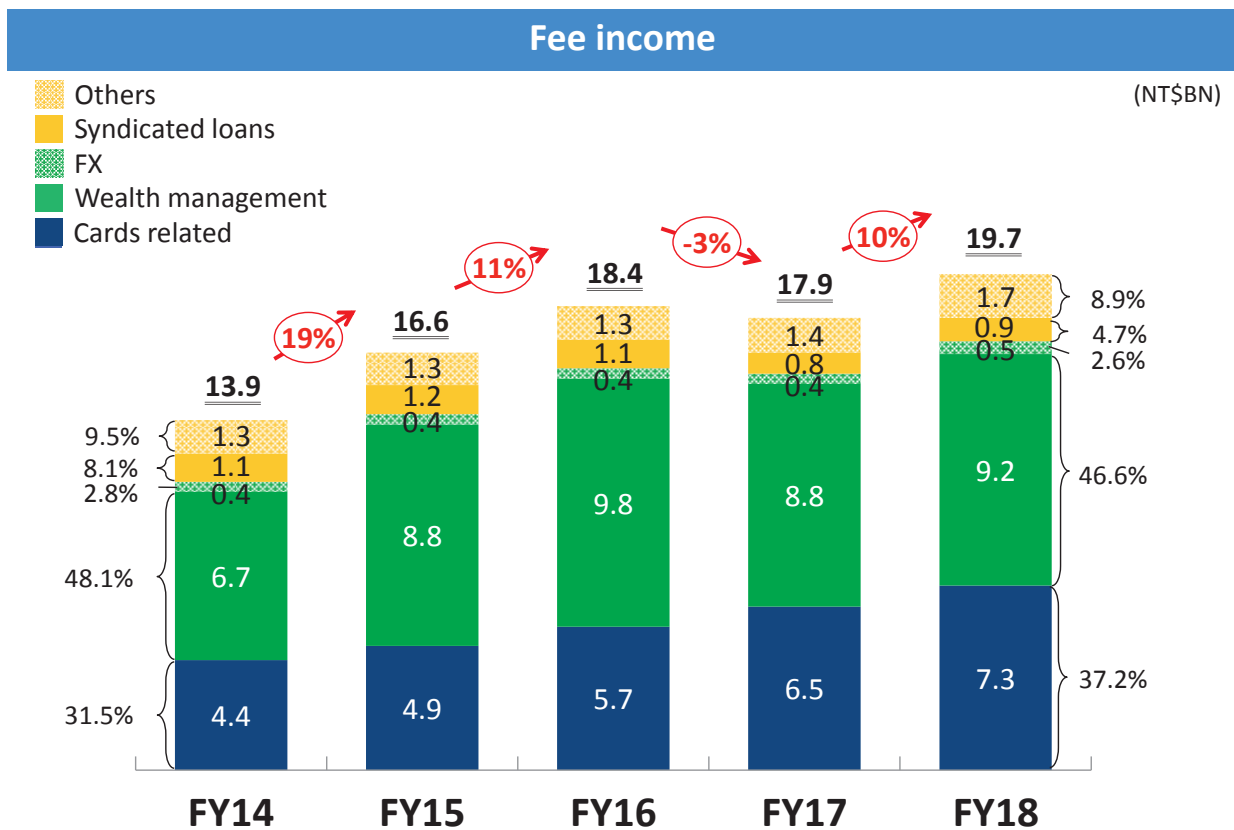
(NT\$BN)



As % of CUB pre-tax profits



Cathay United Bank – Fee income

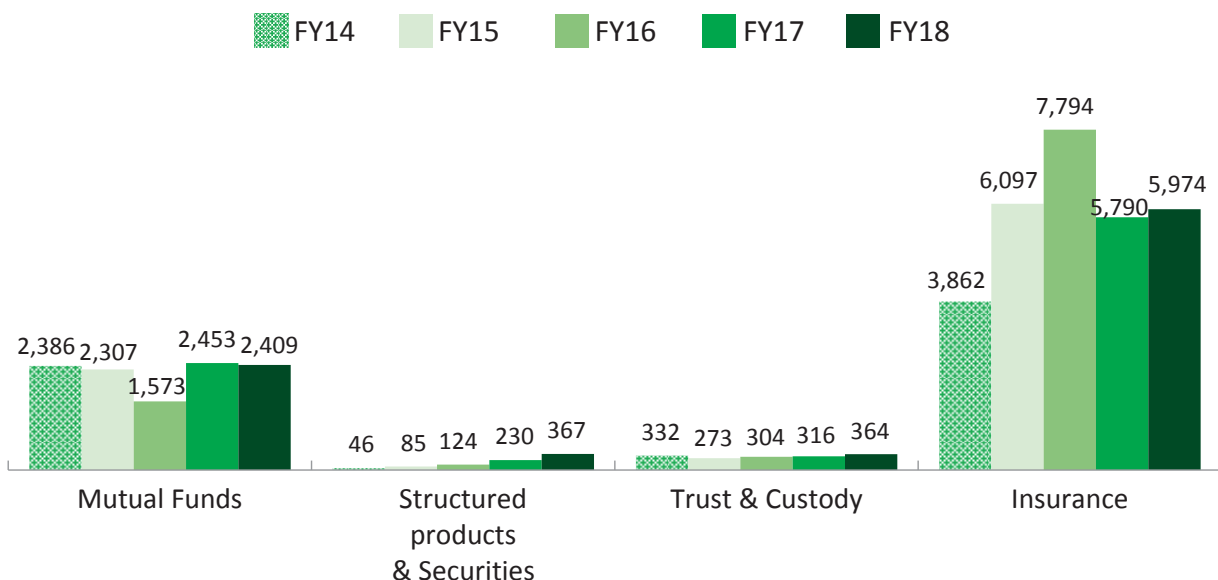


Note : China subsidiary was launched in Sep 2018, hence FY18 fee income excluded NT\$ 5.8MN (preliminary) from China subsidiary.

Cathay United Bank – Wealth management fee

Wealth management fee breakdown

| (NT\$MN) | FY14 | FY15 | FY16 | FY17 | FY18 |
|-------------------------------------|--------------|--------------|--------------|---------------|--------------|
| Wealth management fee income | 6,673 | 8,779 | 9,828 | 8,837 | 9,183 |
| YoY growth (%) | 29.2% | 31.6% | 11.9% | -10.1% | 3.9% |



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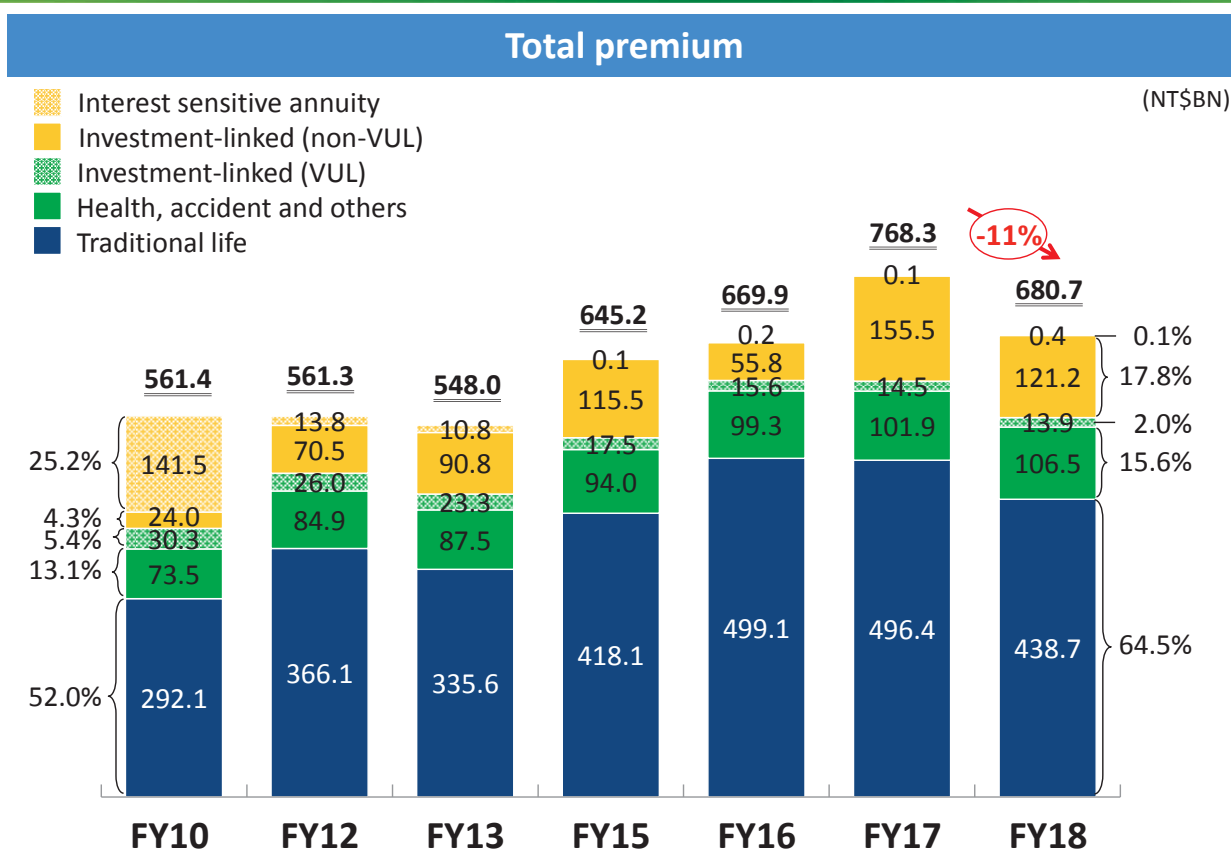
Cathay United Bank

Cathay Life

Cathay Century

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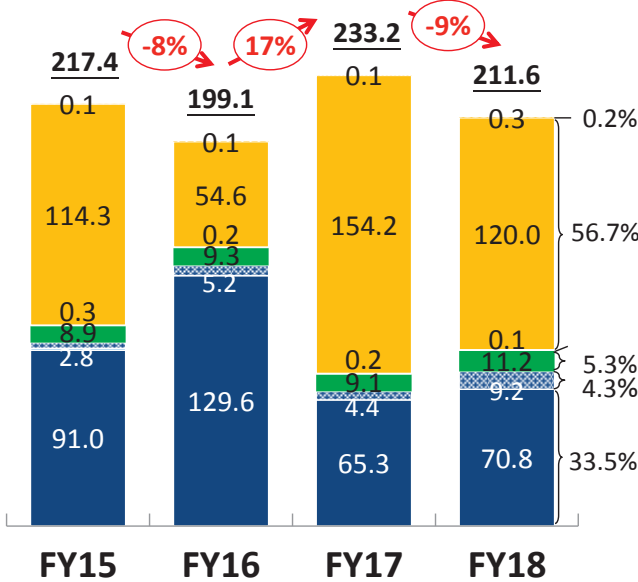
Cathay Life – Total premium



Cathay Life – FYP & APE

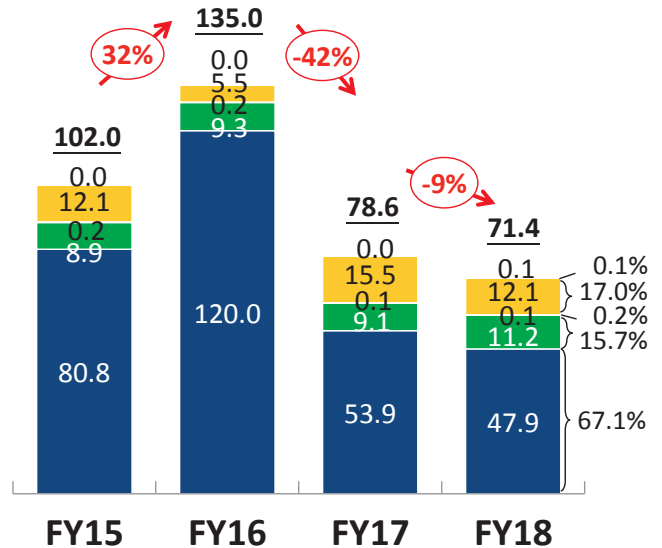
First Year Premium

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



Annualized FYP (APE)

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



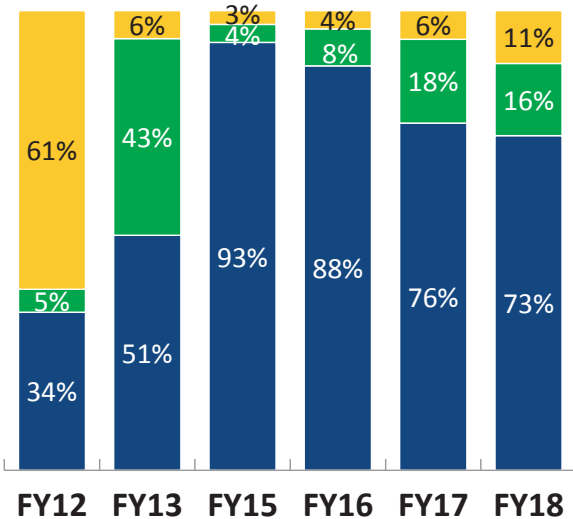
Note: Annualized FYP = 10% x single-paid FYP + 20% x 2-yr-paid FYP + ... + 50% x 5-yr-paid FYP + 100% x 6-yr and above payment term FYP



Cathay Life – Regular paid policies & VNB

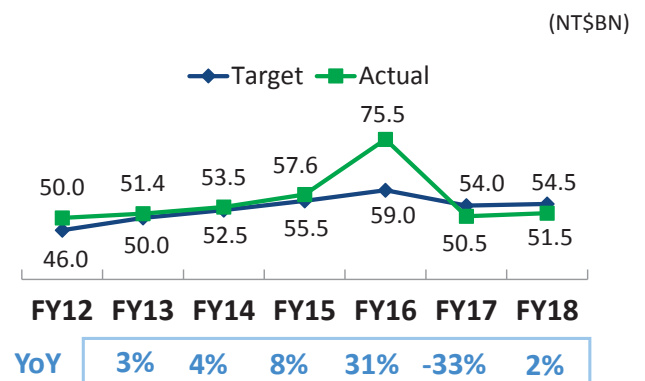
Breakdown of traditional FYP

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



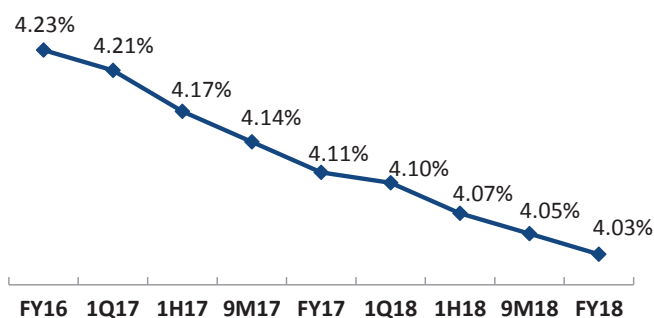
Value for New Business

| Profit Margin | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 |
|---------------|------|------|------|------|------|------|------|
| VNB/FYP | 19% | 26% | 23% | 27% | 38% | 22% | 24% |
| VNB/FYPE | 54% | 70% | 75% | 57% | 56% | 64% | 72% |

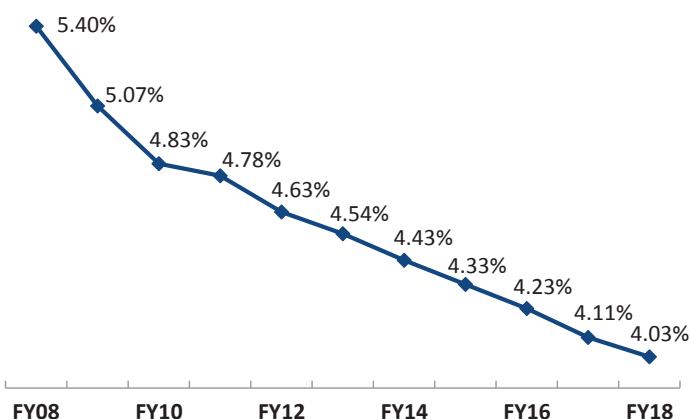


Cathay Life – Cost of liability

Cost of liability (quarterly)



Cost of Liability (annual)



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

Cathay Life – Investment portfolio

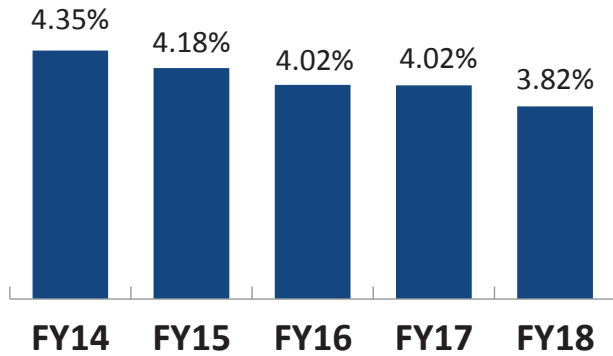
| (NT\$BN) | FY15 | FY16 | FY17 | | | FY18 | | |
|---------------------------------------|---------|---------|---------|--------|--------|---------|--------|--------|
| Total investments ⁽¹⁾ | 4,636.6 | 5,001.1 | 5,502.6 | | | 5,761.0 | | |
| | Weight | Weight | Weight | Amount | Return | Weight | Amount | Return |
| Cash & Cash equivalents | 1.3% | 1.3% | 1.6% | 87 | 0.5% | 1.1% | 61 | 0.6% |
| Equity- Domestic | 7.4% | 7.9% | 8.4% | 465 | 9.1% | 7.5% | 431 | 9.6% |
| Equity- International ⁽²⁾ | 6.2% | 6.4% | 6.3% | 347 | 8.3% | 6.7% | 388 | 8.7% |
| Bond- Domestic | 8.0% | 6.5% | 5.5% | 305 | 2.1% | 5.0% | 287 | 3.6% |
| Bond- International ⁽¹⁾⁽²⁾ | 50.6% | 53.8% | 55.7% | 3,063 | 5.0% | 58.6% | 3,374 | 4.6% |
| Mortgage & Secured loans | 10.2% | 8.9% | 8.1% | 444 | 1.8% | 7.1% | 411 | 2.0% |
| Policy loans | 3.6% | 3.3% | 3.0% | 166 | 5.8% | 3.0% | 170 | 5.8% |
| Real estate | 10.5% | 9.8% | 9.2% | 496 | 2.3% | 8.7% | 501 | 2.3% |
| Others | 2.1% | 2.2% | 2.4% | 130 | | 2.4% | 140 | |

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

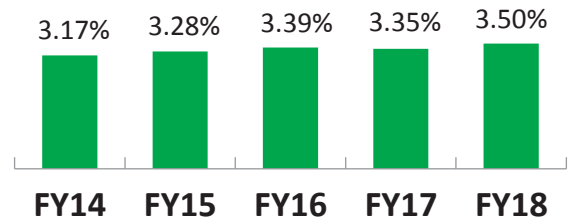
(2) Yields of international equity and international bond are pre-hedge investment yields.

Cathay Life – Investment performance highlight

After-hedging investment yield

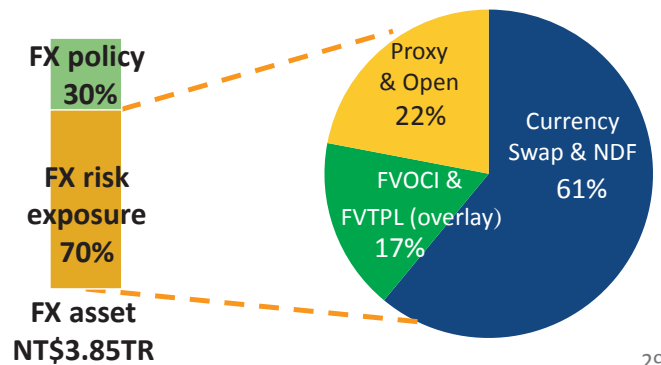


Pre-hedging recurring yield



Currency hedging structure

FY18 Hedging cost 1.28%

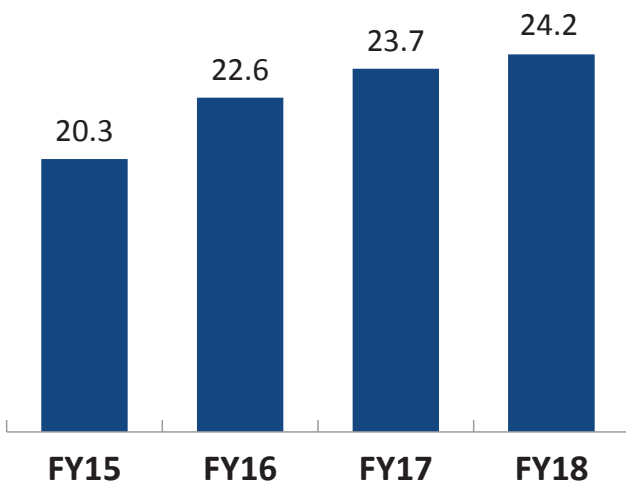


Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

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

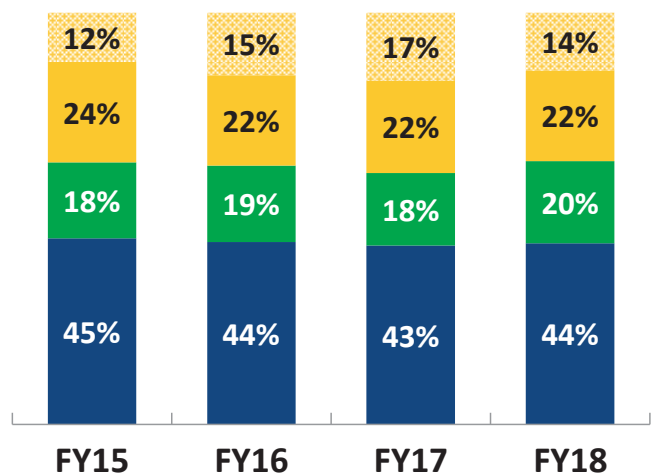
Cash dividend income

(NT\$BN)



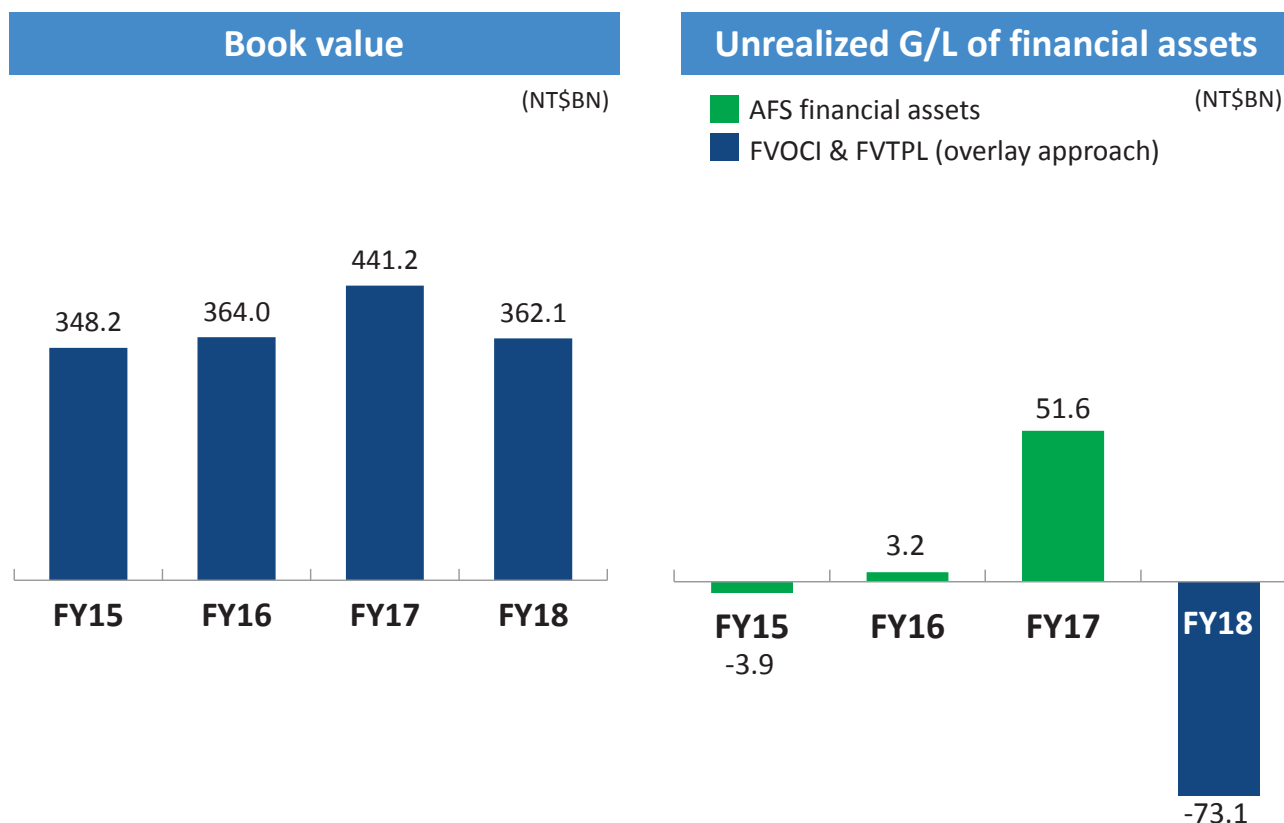
Overseas fixed income by region

- Others
- Asia Pacific
- Europe
- North America

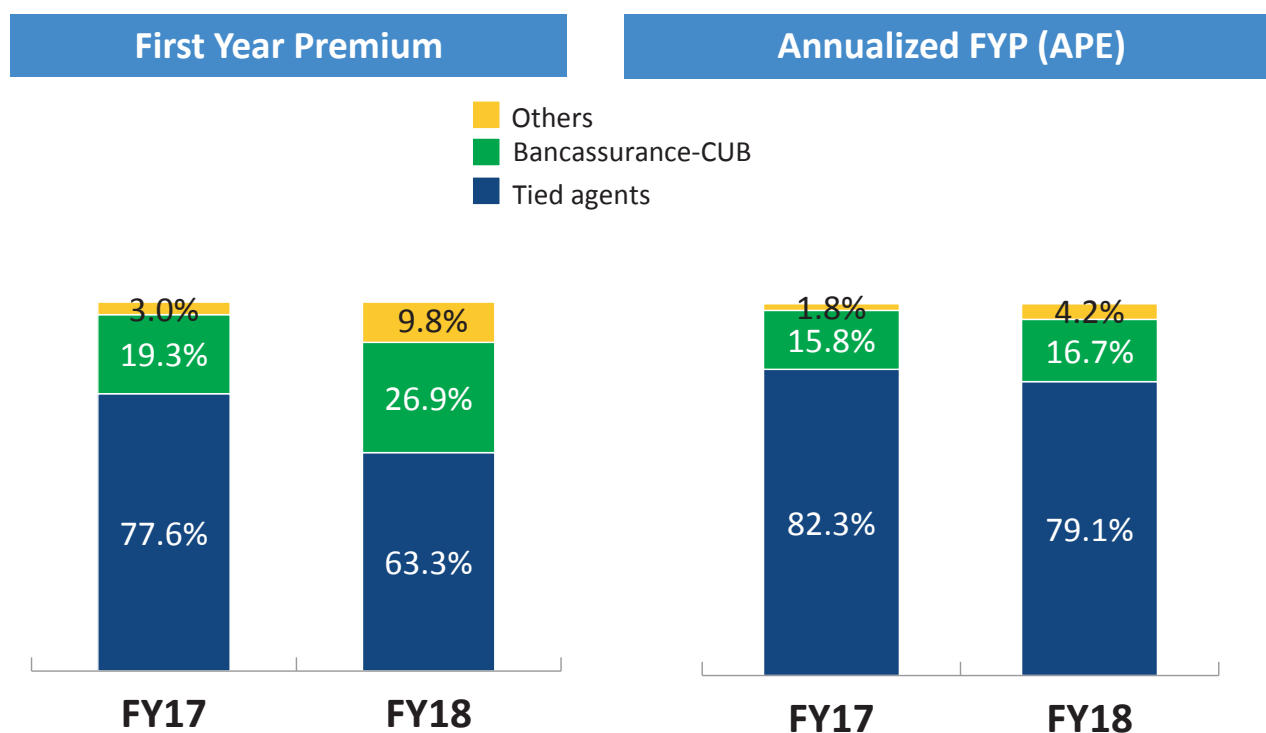


Note: Exclude overseas deposit.

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



Cathay Life – Distribution channel

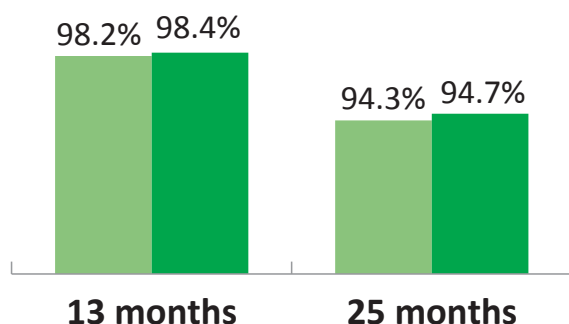


Cathay Life – Operational indicators

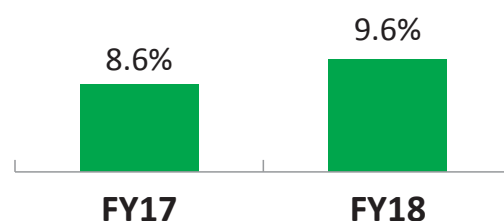
Persistency ratio

FY17

FY18



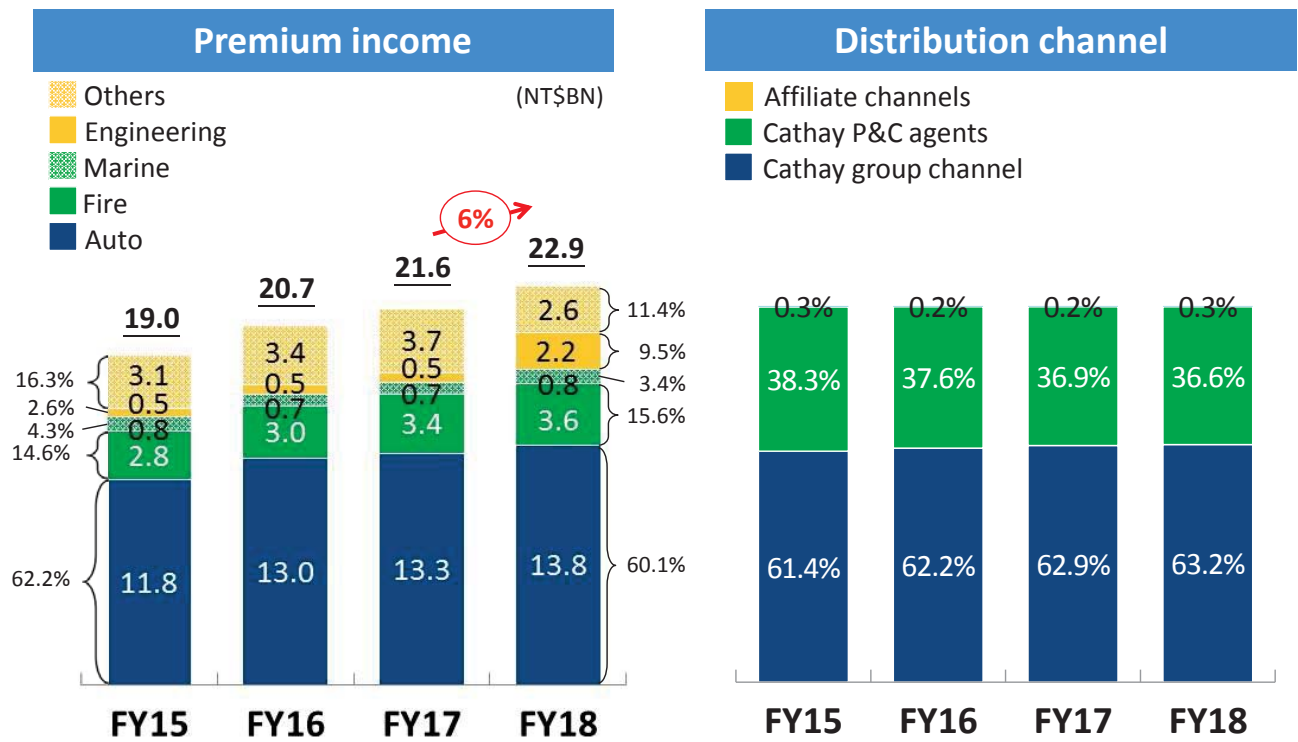
Expense ratio



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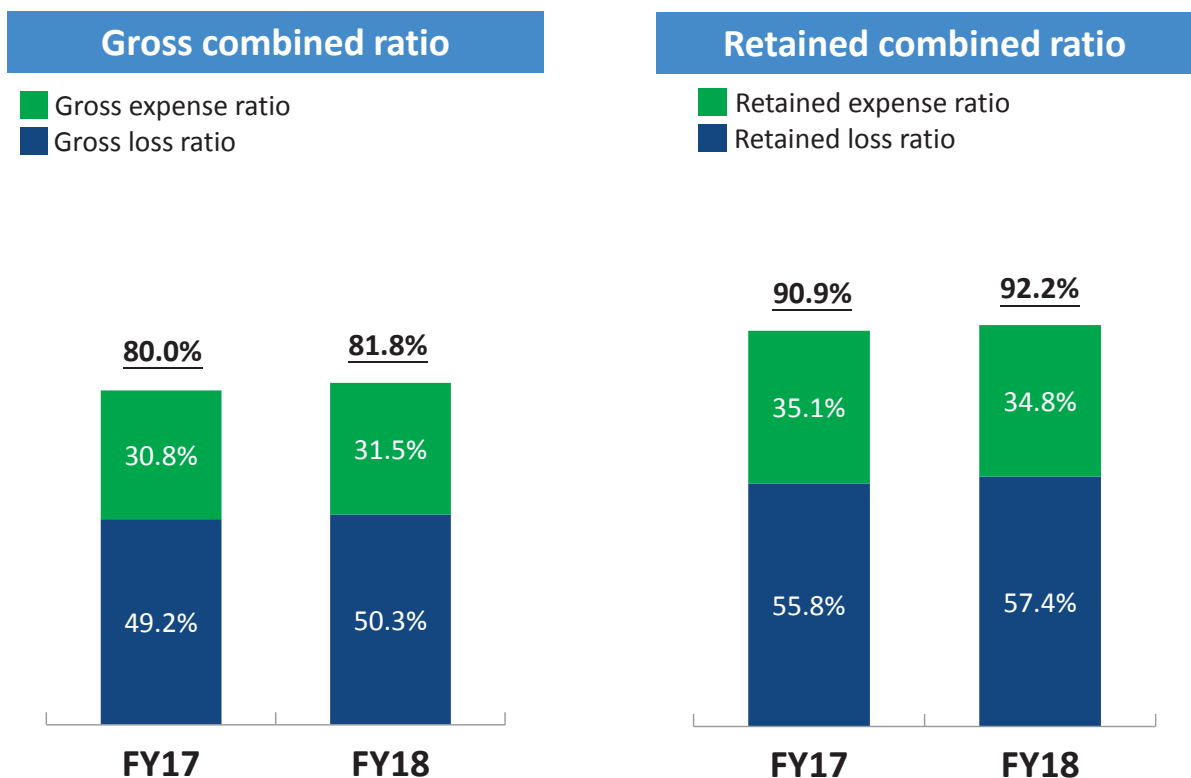
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Cathay Century – Premium income & Distribution channel



| | | | | |
|--------------|-------|-------|-------|-------|
| Market share | 13.3% | 13.6% | 13.1% | 13.0% |
| Retention | 74.9% | 75.7% | 76.2% | 77.1% |

Cathay Century – Combined ratio



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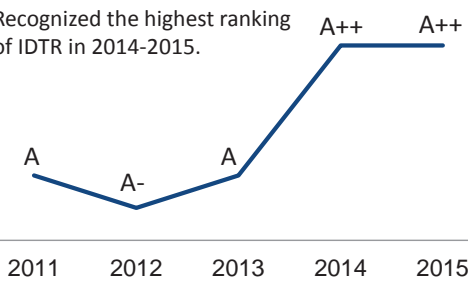
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Continuous efforts in CSR

Superior Corporate Governance Performance

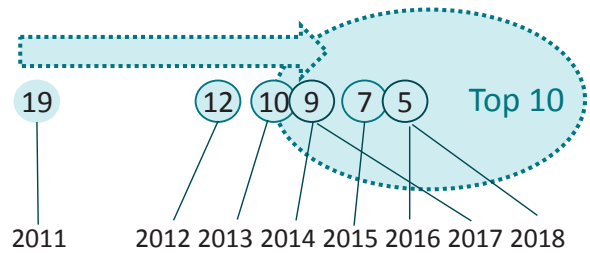
Recognized the highest ranking of IDTR in 2014-2015.



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

Ranked Top 10 of Taiwan Corporate Citizenship Award

Ranked top 10 for 6 consecutive years



Recognized by representative international ESG institutions

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

vigeo eiris
BEST EM PERFORMERS

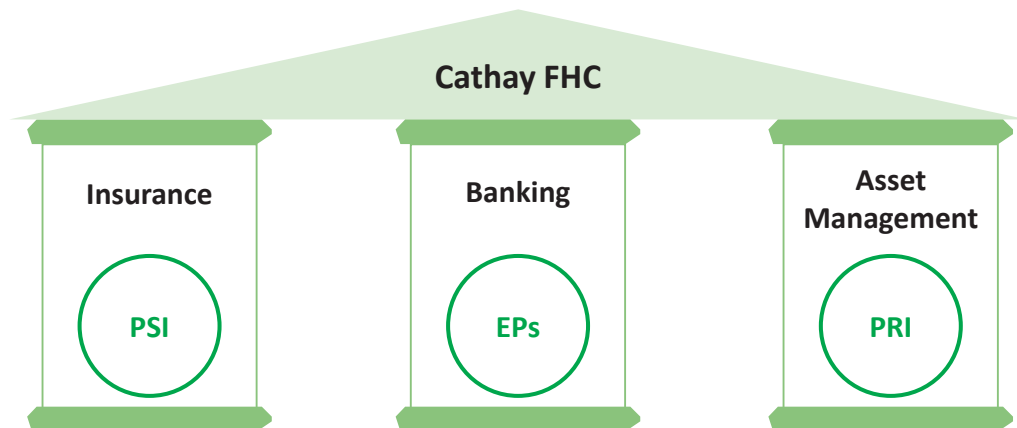
- ✓ Selected in DJSI Emerging Markets since 2015
- ✓ Selected in DJSI World in 2018
- ✓ The first Taiwan insurance company included in DJSI

- ✓ Constituents of Vigeo Eiris Best EM Performers

Note:

1. Information Disclosure and Transparency Ranking (IDTR) is an important evaluation initiated by TWSE.
2. Taiwan Corporate Citizenship Award is ranked by Taiwan Common Wealth Magazine.

Cathay FHC integrates sustainability into business



Key initiatives

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

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

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

Team in-charge

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

Sustainable Finance Management Section in Cathay United Bank

Responsible investments team under Cathay FHC CS committee

Integrating ESG issues into all business processes

| Business Processes | Risk Management | Products & Services | Operation | After-Sales Management | Investment |
|---------------------------------------|--|---|--|--|---|
| Integrating ESG into Business Process | <ul style="list-style-type: none"> 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 |

Actively participate in Global ESG initiatives



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



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



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



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

Agenda

- Introduction of Cathay FHC
- 2018 Business Overview and 2019 Outlook
- Overseas Expansion
- Business Performance Summary
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- Cathay's CSR Efforts
- **M&A Key Highlights**
- Appendix

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\$133 BN AuM (FY18)
- 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 | 48.0 | North America | 68.8 |
| Property-Casualty | 42.3 | Asia | 45.1 |
| Others | 18.4 | Continental Europe | 10.3 |
| Retail | 13.8 | United Kingdom | 6.4 |
| Pension | 10.3 | Bermuda | 1.5 |
| Total AUM | 132.8 | Other | 0.7 |
| | | Total AUM | 132.8 |

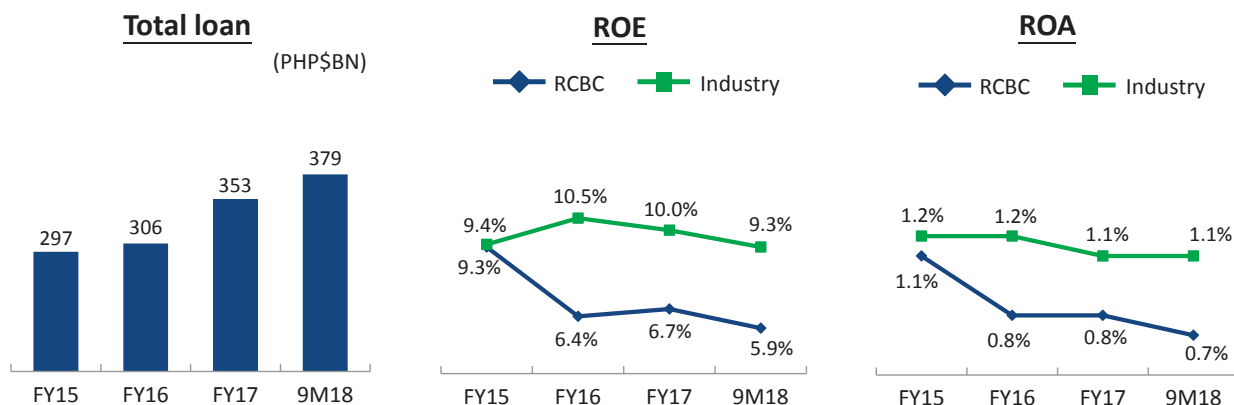
Note: Totals may not sum due to rounding.

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

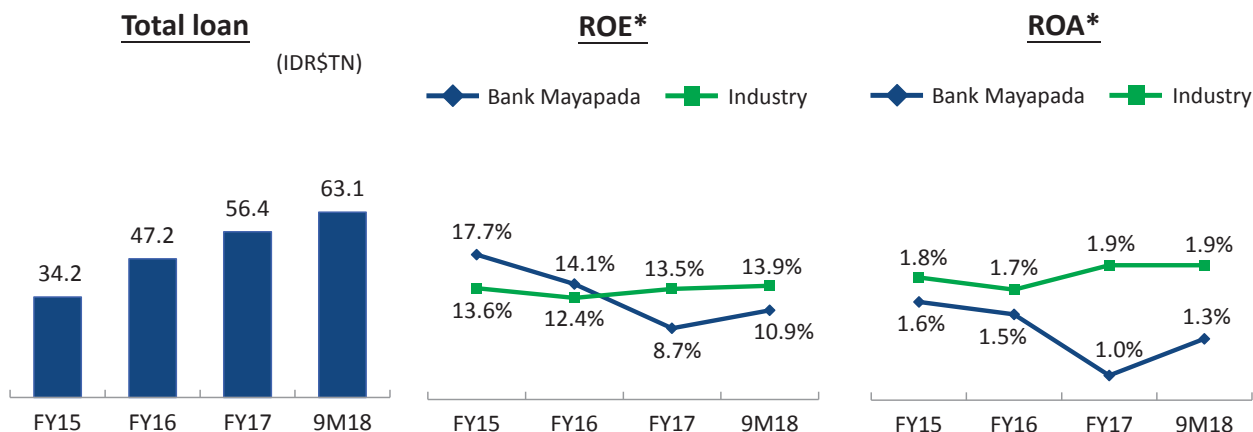
- RCBC is one of the large private-owned banks in terms of total assets, with 509 branches and over 6,886 employees at the end of 2018.



M&A Transaction: Bank Mayapada in Indonesia

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

Bank Mayapada’s Performance



Note: ROE: Profit After Tax/Average Total Equity, ROA: Profit After Tax/Average Total Assets

Embedded Value & Appraisal Value

NT\$BN, except for per share figures

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

Note: (1) EV/AV calculation does not include business of Cathay Life in China and Vietnam.
(2) per share = per share of Cathay Life; (per share) = per share of Cathay FHC
(3) The outstanding shares of Cathay Life in 2016 and 2017 are 5.3bn and 5.7bn, respectively. The increase of outstanding shares of Cathay Life in 2017 reflects capital injection in June 2018.
(4) The outstanding shares of Cathay FHC in 2016 and 2017 are 12.6bn.
(5) May not sum to total due to rounding.

Summary

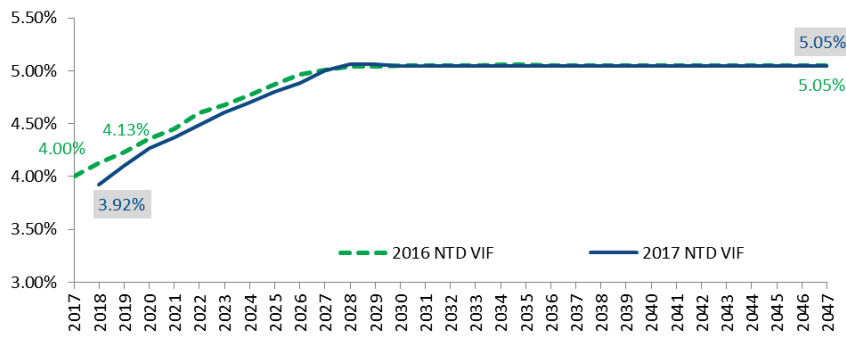
NT\$BN, except for per share figures

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

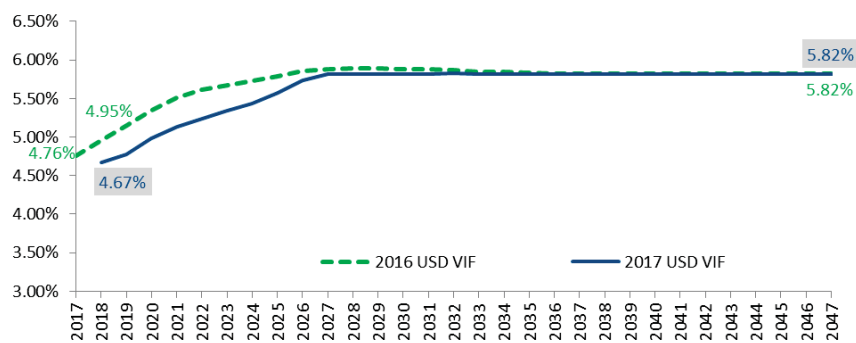
Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares 12.6bn.
(2) Totals may not sum due to rounding.

Economic Assumptions: In-force business investment yield

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

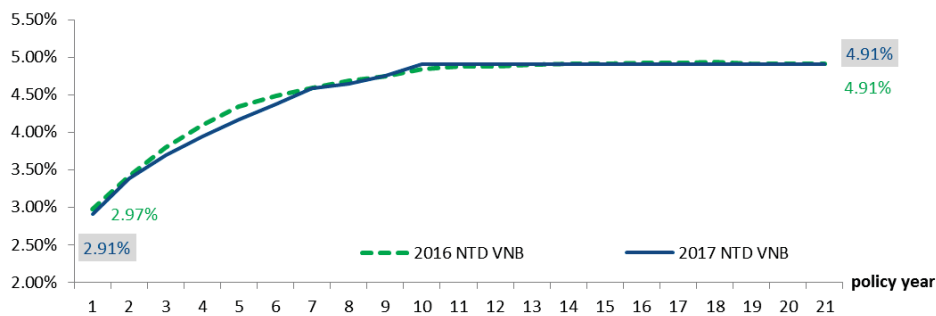


- Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2016 & 2017.

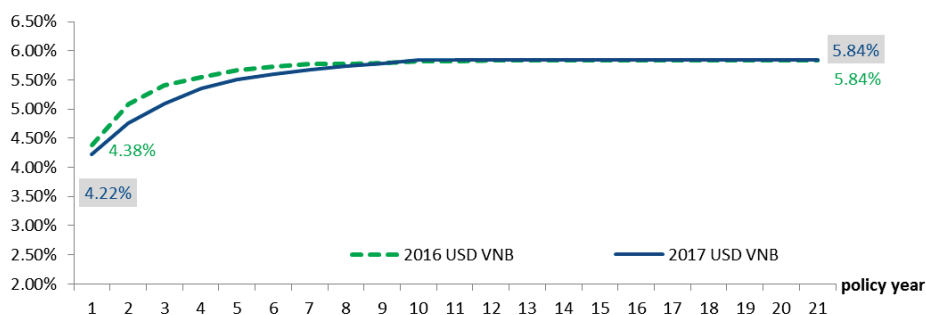


Economic Assumptions: Future one year's new business investment yield

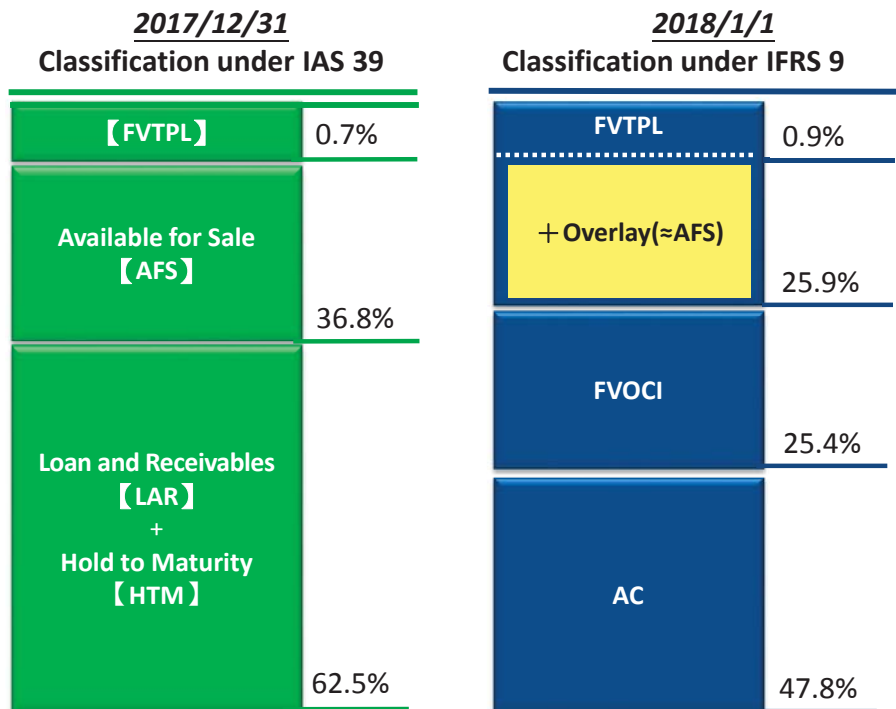
- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2016 & 2017.



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



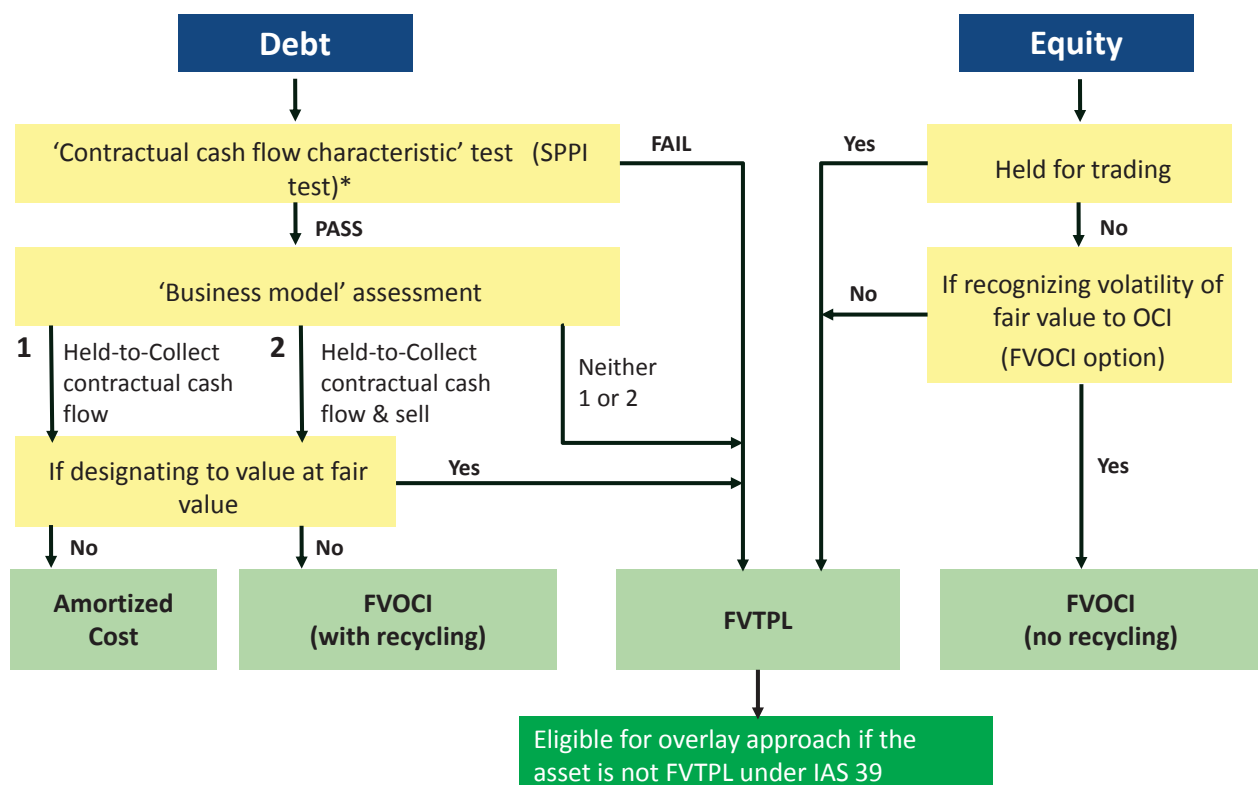
Cathay Life - Asset reclassification under IFRS 9



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

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

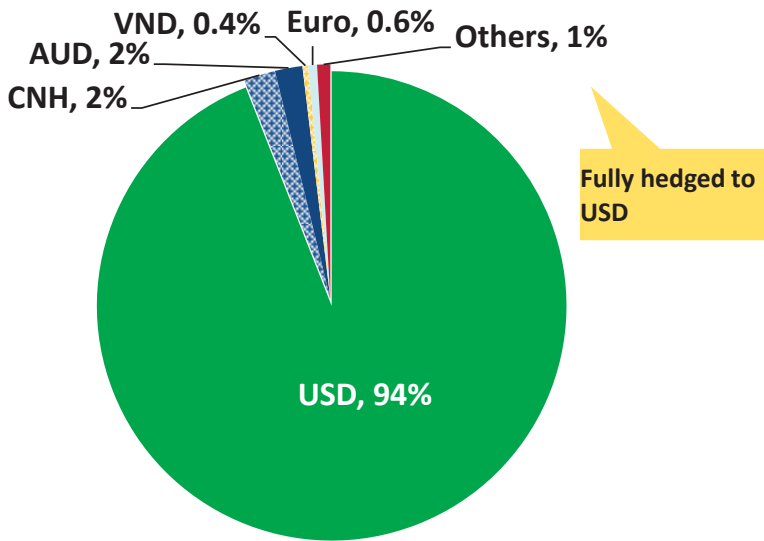
Asset classification under IFRS 9 with overlay approach



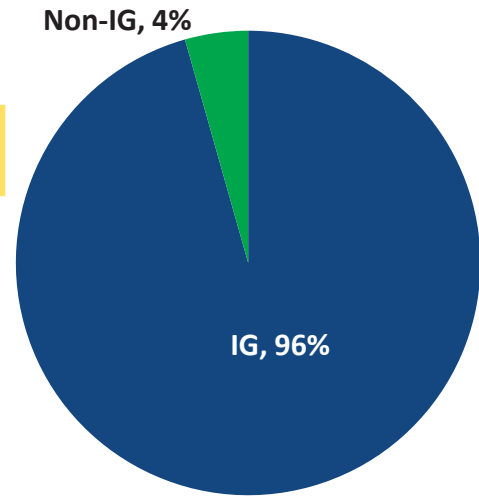
*SPPI means cash flow are solely payments of the principal and interests on the principal amount outstanding. Interests consist of the consideration of time value and credit risk associated with the principal.

Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (FY18)

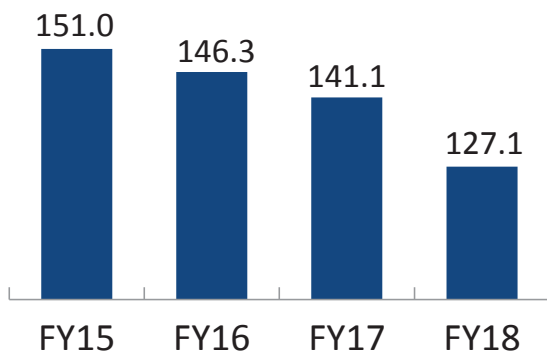


Overseas bond by rating (FY18)

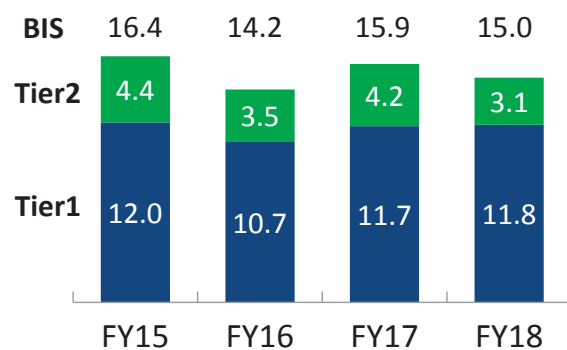


Capital adequacy

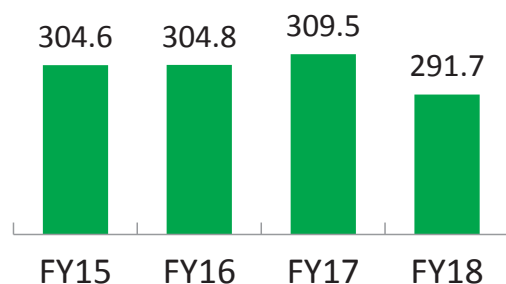
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC (%)



Cathay Financial Holdings
(NT\$MMN)

| Income Statement Data (Consolidated) | FY16 | FY17 | FY18 | FY18/ | 4Q17 | 4Q18 | 4Q18/ |
|--|-------------|-------------|-------------|--------------|-------------|-------------|--------------|
| | | | | FY17 | | | % Chg |
| Operating Income | | | | | | | |
| Net interest income | 153,478 | 168,461 | 180,628 | 7% | 43,480 | 48,223 | 11% |
| Net commission and fee | (8,050) | 1,070 | 2,883 | 170% | (607) | (36) | 94% |
| Net earned premium | 622,916 | 624,617 | 576,811 | -8% | 173,932 | 171,190 | -2% |
| Change in liability reserve | (408,614) | (445,833) | (334,122) | -25% | (126,543) | (94,801) | -25% |
| Net claims payment | (308,697) | (295,503) | (368,656) | 25% | (76,720) | (105,240) | 37% |
| Investment income | 37,782 | 62,065 | 82,634 | 33% | 12,094 | 1,249 | -90% |
| Contribution from associates-equity method | 1,202 | 1,298 | 1,004 | -23% | 223 | (38) | -117% |
| Other net non-interest income | 40,606 | 22,446 | (1,378) | -106% | 3,813 | (621) | -116% |
| Bad debt expense | (5,232) | (3,460) | (4,599) | 33% | (1,579) | (2,534) | 60% |
| Operating expense | (75,207) | (75,526) | (79,606) | 5% | (21,544) | (21,201) | -2% |
| Income before taxes | 50,185 | 59,636 | 55,599 | -7% | 6,548 | (3,809) | -158% |
| Income taxes | (2,145) | (2,962) | (3,777) | 27% | 1,865 | 1,034 | 45% |
| Net income | 48,039 | 56,673 | 51,822 | -9% | 8,412 | (2,775) | -133% |
| EPS (NT\$) | 3.79 | 4.47 | 3.95 | | 0.66 | (0.23) | |
| Dividend Payout | | | | | | | |
| Cash dividend per share | 2.00 | 2.50 | | | | | |
| Stock dividend per share | 0.00 | 0.00 | | | | | |
| Weighted average outstanding shares (Millions of common shares) | 12,563 | 12,563 | 12,563 | | | | |
| Balance Sheet Data (Consolidated) | | | | | | | |
| Total assets | 8,135,137 | 8,841,510 | 9,224,484 | | | | |
| Total shareholders' equity | 529,824 | 608,471 | 529,289 | | | | |
| Operating Metrics | | | | | | | |
| ROAE (Consolidated) | 9.70% | 9.96% | 8.83% | | | | |
| ROAA (Consolidated) | 0.61% | 0.67% | 0.57% | | | | |
| Double leverage ratio(inc. preferred stock) | 105% | 108% | 112% | | | | |
| Capital Adequacy Metrics | | | | | | | |
| Capital Adequacy Ratio | 146% | 141% | 127% | | | | |

Notes:

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(2) Total may not sum due to rounding.

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

Cathay Life

(NT\$MN)

| <u>Income Statement Data (Consolidated)</u> | FY16 | FY17 | FY18 | FY18/ FY17 | 4Q17 | 4Q18 | 4Q18/ 4Q17 |
|---|-----------|-----------|-----------|---------------|-----------|-----------|---------------|
| | | | | % Chg | | | % Chg |
| Net written premium | 605,910 | 608,404 | 559,386 | -8% | 169,696 | 166,666 | -2% |
| Net earned premium | 605,231 | 607,547 | 558,929 | -8% | 169,010 | 165,997 | -2% |
| Reinsurance commission earned | 363 | 301 | 762 | 153% | 7 | 306 | 4591% |
| Fee income | 5,542 | 9,468 | 9,148 | -3% | 2,556 | 2,082 | -19% |
| Recurring investment income | 161,051 | 173,846 | 197,281 | 13% | 40,690 | 47,099 | 16% |
| Gain on disposal of investment | | | | | | | |
| Realized gain (loss)-Equity | 18,210 | 43,625 | 49,374 | 13% | 10,323 | 4,430 | -57% |
| Realized gain (loss)-Debt | 29,382 | 21,233 | 15,092 | -29% | 4,763 | 2,358 | -50% |
| Gain on investment property | 5,000 | (756) | (740) | 2% | (384) | (108) | 72% |
| FX and others, net | (21,333) | (28,258) | (44,019) | -56% | (6,509) | (14,854) | -128% |
| Investment income, net | 192,310 | 209,691 | 216,988 | 3% | 48,882 | 38,925 | -20% |
| Other operating income | 5,032 | 5,069 | 5,508 | 9% | 1,298 | 1,470 | 13% |
| Separate account revenues | 39,589 | 44,304 | 28,084 | -37% | 8,052 | (1,596) | -120% |
| Net claims payment | (297,201) | (284,023) | (357,244) | 26% | (73,107) | (101,642) | 39% |
| Changes in liability reserves | (408,398) | (445,843) | (333,716) | -25% | (126,658) | (94,603) | -25% |
| Acquisition and commission expense | (38,901) | (32,507) | (33,900) | 4% | (9,455) | (9,150) | -3% |
| Other operating costs | (6,381) | (6,418) | (7,765) | 21% | (1,816) | (2,059) | 13% |
| Financial cost | (413) | (1,963) | (2,331) | 19% | (590) | (592) | 0% |
| Separate account expense | (39,589) | (44,304) | (28,084) | -37% | (8,052) | 1,596 | -120% |
| Operating expense | (30,768) | (28,790) | (29,165) | 1% | (7,578) | (7,614) | 0% |
| Net non-operating income | 1,956 | 1,442 | 1,312 | -9% | 424 | 245 | -42% |
| Income taxes | 1,861 | 2,294 | 1,773 | -23% | 2,346 | 683 | -71% |
| Net income | 30,235 | 36,268 | 30,297 | -16% | 5,317 | (5,952) | -212% |

Balance Sheet Data

| | | | |
|---|-----------|-----------|-----------|
| Total assets | 5,556,950 | 6,097,655 | 6,391,395 |
| General account | 5,058,936 | 5,542,385 | 5,844,430 |
| Separate account | 498,014 | 555,269 | 546,964 |
| Reserves for life insurance liabilities | 4,567,324 | 4,944,292 | 5,313,167 |
| Total liabilities | 5,192,967 | 5,656,473 | 6,029,265 |
| Total shareholders' equity | 363,984 | 441,181 | 362,129 |

Operating Metrics (Standalone)

| | | | |
|-------------------------------------|---------|---------|---------|
| First Year Premium(FYP) | 199,082 | 233,250 | 211,588 |
| First Year Premium Equivalent(FYPE) | 135,035 | 78,602 | 71,372 |
| Expense ratio | 10.3% | 8.6% | 9.6% |
| 13-M persistency ratio | 98.3% | 98.2% | 98.4% |
| 25-M persistency ratio | 92.2% | 94.3% | 94.7% |
| ROAE | 8.49% | 9.01% | 7.25% |
| ROAA | 0.56% | 0.62% | 0.48% |

Capital Adequacy Metrics (Standalone)

| | | | |
|-----------|------|------|------|
| RBC ratio | 305% | 309% | 292% |
|-----------|------|------|------|

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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) | FY18/ FY17 | | | | 4Q18/ 4Q17 | | |
|--|---------------|---------------|---------------|------------|---------------|---------------|------------|
| <u>Income Statement Data (Consolidated)</u> | FY16 | FY17 | FY18 | % Chg | 4Q17 | 4Q18 | % Chg |
| Operating Income | | | | | | | |
| Net interest income | 25,910 | 29,701 | 33,397 | 12% | 7,608 | 8,799 | 16% |
| Fee income | 15,745 | 14,862 | 16,678 | 12% | 3,243 | 3,805 | 17% |
| Investment income | 8,278 | 9,442 | 9,862 | 4% | 2,157 | 1,073 | -50% |
| Other income | 1,222 | 1,216 | 918 | -25% | 234 | 299 | 28% |
| Net operating income | 51,154 | 55,222 | 60,855 | 10% | 13,241 | 13,976 | 6% |
| Operating expenses | (26,959) | (29,301) | (31,340) | 7% | (8,700) | (8,233) | -5% |
| Pre-provision profit | 24,195 | 25,920 | 29,515 | 14% | 4,541 | 5,743 | 26% |
| Net provisions for possible losses | (4,455) | (3,494) | (5,032) | 44% | (1,616) | (2,720) | 68% |
| Income before taxes | 19,740 | 22,426 | 24,483 | 9% | 2,926 | 3,023 | 3% |
| Income tax | (2,229) | (2,763) | (3,230) | 17% | (280) | (174) | -38% |
| Net income | 17,511 | 19,664 | 21,253 | 8% | 2,646 | 2,849 | 8% |
| Balance Sheet Data | | | | | | | |
| Total assets | 2,566,669 | 2,735,704 | 2,843,881 | | | | |
| Loans, net | 1,437,531 | 1,434,558 | 1,595,323 | | | | |
| Financial assets | 849,989 | 859,590 | 878,001 | | | | |
| Total liability | 2,406,701 | 2,553,396 | 2,638,074 | | | | |
| Deposits | 2,032,600 | 2,098,368 | 2,227,662 | | | | |
| Financial Debenture Payable | 51,900 | 63,350 | 55,600 | | | | |
| Total shareholders' equity | 159,968 | 182,308 | 205,807 | | | | |
| Operating Metrics | | | | | | | |
| Cost income ratio | 52.70% | 53.06% | 51.50% | | | | |
| ROAE | 11.06% | 11.49% | 10.86% | | | | |
| ROAA | 0.71% | 0.74% | 0.76% | | | | |
| Assets Quality (Standalone) | | | | | | | |
| NPL | 2,133 | 2,982 | 2,563 | | | | |
| NPL ratio | 0.15% | 0.21% | 0.16% | | | | |
| NPL provisions | 19,686 | 22,553 | 23,879 | | | | |
| Coverage ratio | 923% | 756% | 932% | | | | |
| Capital Adequacy Metrics (Standalone) | | | | | | | |
| BIS ratio | 14.2% | 15.9% | 15.0% | | | | |
| Tier I Ratio | 10.7% | 11.7% | 11.9% | | | | |
| LDR (Standalone) | | | | | | | |
| TWD LDR | 78.8% | 73.7% | 77.7% | | | | |
| FX LDR | 40.4% | 49.1% | 46.6% | | | | |

Notes:

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Cathay Century

| (NT\$MM) | | | | | FY18/ FY17 | | | 4Q18/ 3Q17 |
|---|---------|---------|---------|-------|---------------|---------|--------|---------------|
| <u>Income Statement Data (Consolidated)</u> | FY16 | FY17 | FY18 | % Chg | 4Q17 | 4Q18 | % Chg | |
| Premium income | 22,774 | 21,878 | 23,186 | 6% | 5,830 | 6,144 | 5% | |
| Net written premium | 17,390 | 16,610 | 17,797 | 7% | 4,355 | 4,635 | 6% | |
| Net earned premium | 17,213 | 16,344 | 17,349 | 6% | 4,163 | 4,437 | 7% | |
| Reinsurance commission earned | 526 | 489 | 556 | 14% | 134 | 162 | 21% | |
| Fee income | 44 | 42 | 43 | 3% | 10 | 11 | 4% | |
| Investment | 2,082 | 892 | 640 | -28% | 128 | (165) | -228% | |
| Interest income | 568 | 547 | 559 | 2% | 138 | 138 | 0% | |
| Other investment income, net | 1,514 | 345 | 81 | -76% | (9) | (303) | -3181% | |
| Other operating income | 0 | 0 | 0 | | 0 | 0 | | |
| Net claims payment | (9,559) | (9,138) | (9,408) | 3% | (2,389) | (2,433) | 2% | |
| Changes in liability reserves | (209) | 10 | (406) | 4148% | 116 | (198) | 271% | |
| Commissions and other operating costs | (3,015) | (2,859) | (3,043) | 6% | (756) | (800) | 6% | |
| Operating expenses | (4,248) | (3,609) | (3,848) | 7% | (969) | (1,028) | 6% | |
| Operating income | 2,834 | 2,170 | 1,883 | -13% | 438 | (13) | -103% | |
| Net non-operating income | (1) | (16) | (24) | -53% | (2) | (15) | -675% | |
| Income taxes | (492) | (297) | (349) | 18% | (81) | (40) | -50% | |
| Net income | 2,342 | 1,858 | 1,510 | -19% | 356 | (68) | -119% | |
| <u>Balance Sheet Data</u> | | | | | | | | |
| Total assets | 38,250 | 38,351 | 37,956 | | | | | |
| Total stockholders' equity | 9,216 | 10,517 | 10,025 | | | | | |
| <u>Operating Metrics</u> | | | | | | | | |
| Gross Combined ratio | 99.3% | 80.0% | 81.8% | | | | | |
| Net Combined ratio | 93.3% | 90.9% | 92.2% | | | | | |
| ROAE | 28.50% | 18.83% | 14.69% | | | | | |
| ROAA | 5.83% | 4.85% | 3.96% | | | | | |
| <u>Capital Adequacy Metrics</u> | | | | | | | | |
| RBC ratio (Standalone) | 385% | 392% | 370% | | | | | |

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.