



國泰金控

Cathay Financial Holdings

2020 Fourth Quarter Briefing

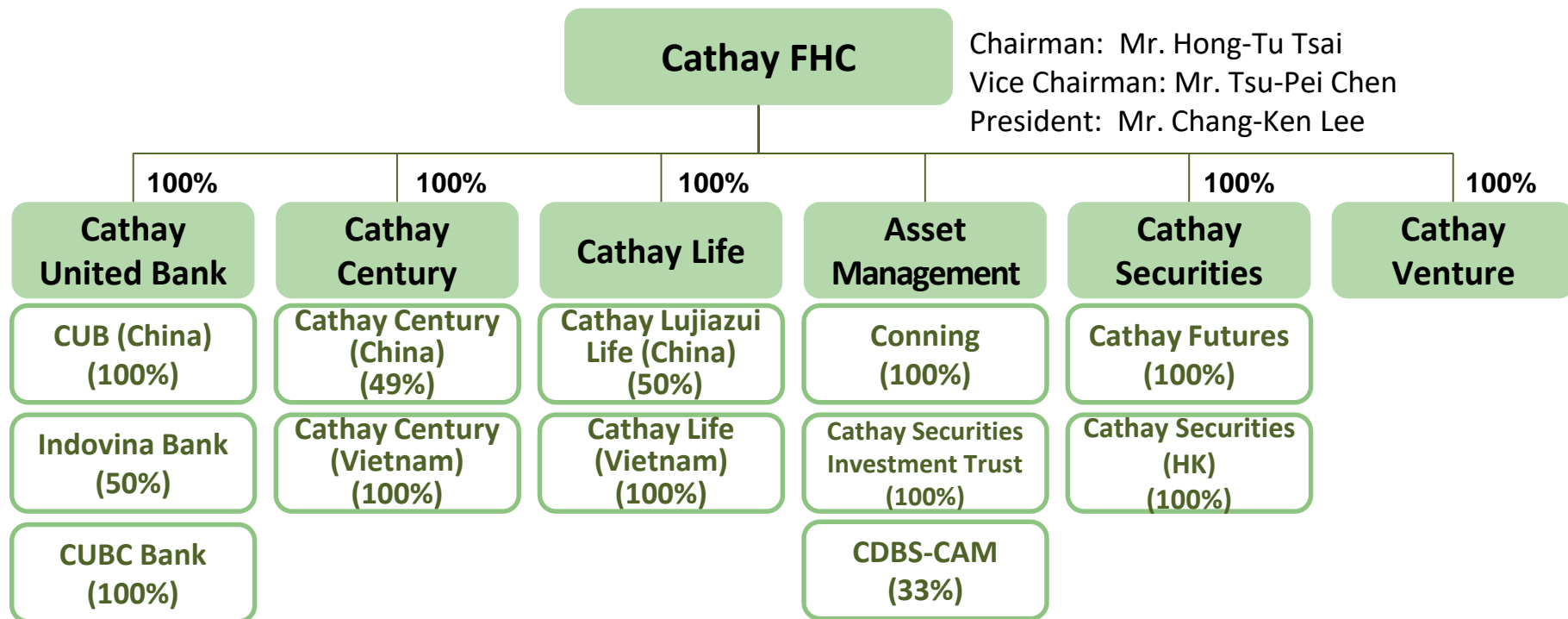
March 2021



Agenda

- **Introduction of Cathay FHC**
- **2020 Business Overview and 2021 Outlook**
- **Overseas Expansion**
- **Business Performance Summary**
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Cathay's CSR Efforts**
- **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: 12.3% (FY20).

- No. 1 life insurer in terms of total assets and total premium
- Market share in total premium: 21.1% (FY20).

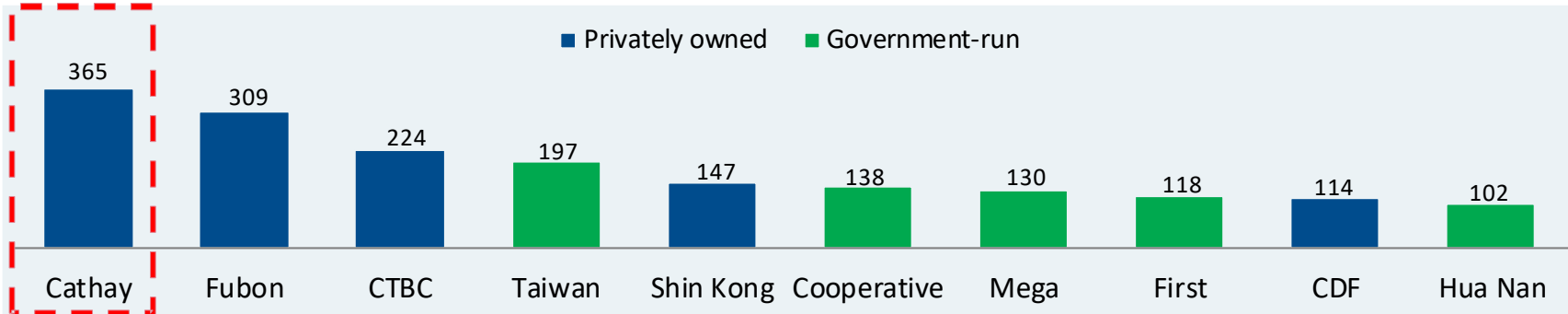
- Building global asset management platform
- Largest AUM among asset managers in Taiwan

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

Market leader in Taiwan's FIG sector

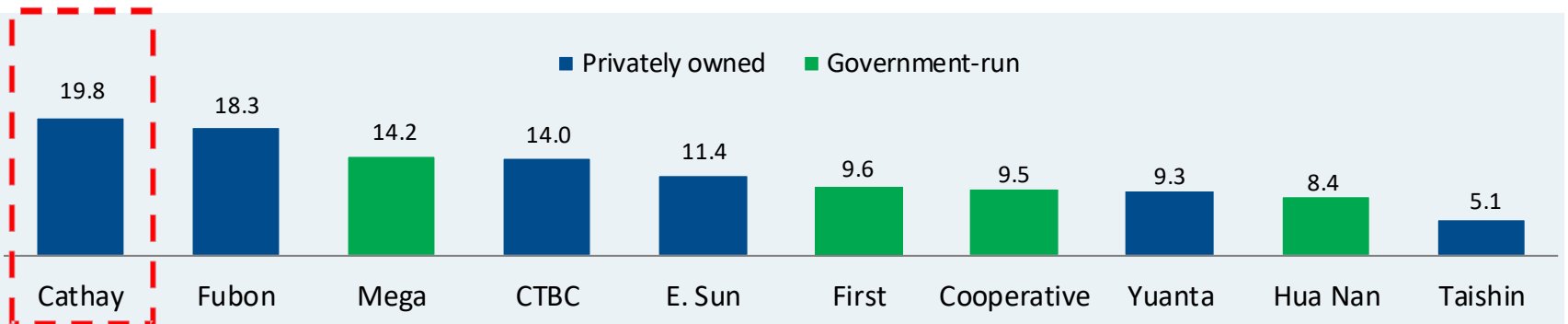
- Largest listed financials group by market capitalization and assets.

Ranking of total asset (US\$bn)



Note: Total assets as of September 30, 2020

Ranking of market cap (US\$bn)



Note: Market capitalization as of February 26, 2021

Cathay FHC's continuous effort in ESG integration

2011



- Established CSR Committee

2012

- Published the first CSR report



- Transformed CSR Committee to Corporate Sustainability Committee, supervised by the Board
- Formed Responsible Investment team

2014

- Cathay Life self-complied to PSI
- Joined Asia Investor Group on Climate Change (AIGCC)



2016

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

2015

2017

- Cathay Century P&C Insurance self-complied to PSI
- The only Taiwan FIG participated in CDP Non-Disclosure Campaign & Climate Action 100+ Initiatives

2018

- Cathay United Bank self-complied to PRB
- Included in DJSI World Index
- Pioneered to sign on TCFD initiative

2019

- Ranked as Leader (A-) by CDP
- Leading position in investment engagement: CA100+, AIGCC
- Active in engagement with government



Participating in global and domestic ESG initiatives

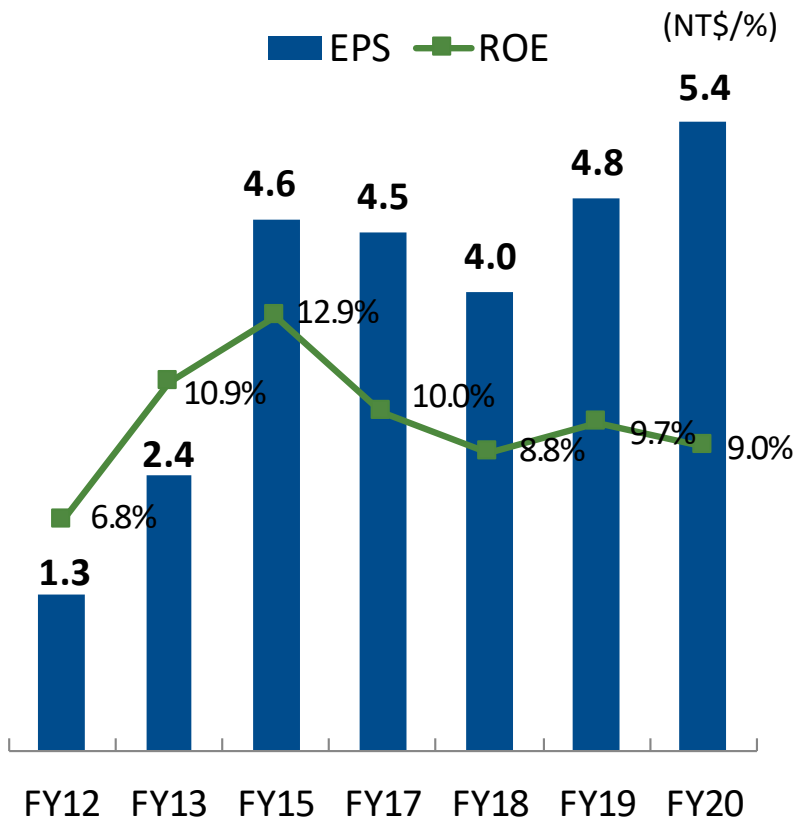
| Initiatives | Joined company / Time |
|---|--|
| CDP | <ul style="list-style-type: none"> Cathay FHC (2012) |
| Low Carbon Investment Registry | <ul style="list-style-type: none"> Cathay FHC (2014) |
| Taiwan Stewardship Principles | <ul style="list-style-type: none"> Cathay Life & Cathay SITE (2016) Cathay Century Insurance (2017) Cathay United Bank & Cathay Securities (2018) |
| Asia Investor Group on Climate Change (AIGCC) | <ul style="list-style-type: none"> Cathay FHC (2016) |
| CDP Non-disclosure engagement campaign | <ul style="list-style-type: none"> Cathay FHC (2017) |
| Climate Action 100+ | <ul style="list-style-type: none"> Cathay Life & Cathay SITE (2017) |
| PRI (signatory / voluntary self-complied) | <ul style="list-style-type: none"> Conning Inc. (PRI signatory in 2015) Cathay Life (voluntary self-complied in 2015) |
| PSI (voluntary self-complied) | <ul style="list-style-type: none"> Cathay Life (2016) Cathay Century Insurance (2017) |
| PRB (voluntary self-complied) | <ul style="list-style-type: none"> Cathay United Bank (2018) |
| TCFD | <ul style="list-style-type: none"> Cathay FHC (2018) |
| Valuing Water Finance Task Force | <ul style="list-style-type: none"> Cathay FHC & Cathay Life (2020) |

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

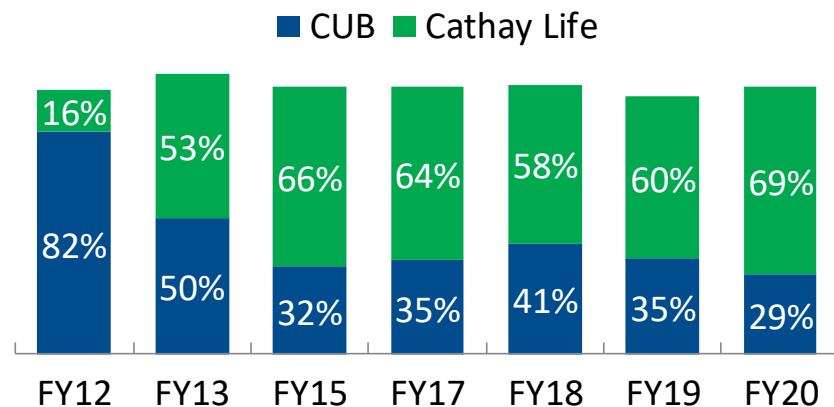
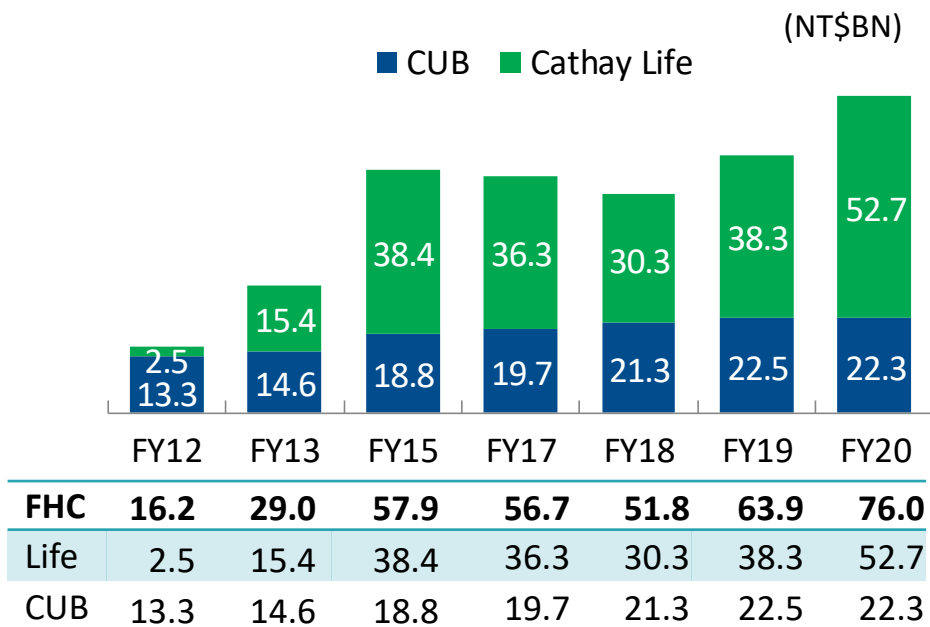
For more information please refer to "Cathay's CSR Efforts" page 40~49

Cathay FHC continued to deliver solid earnings

EPS & ROE



Profit contribution



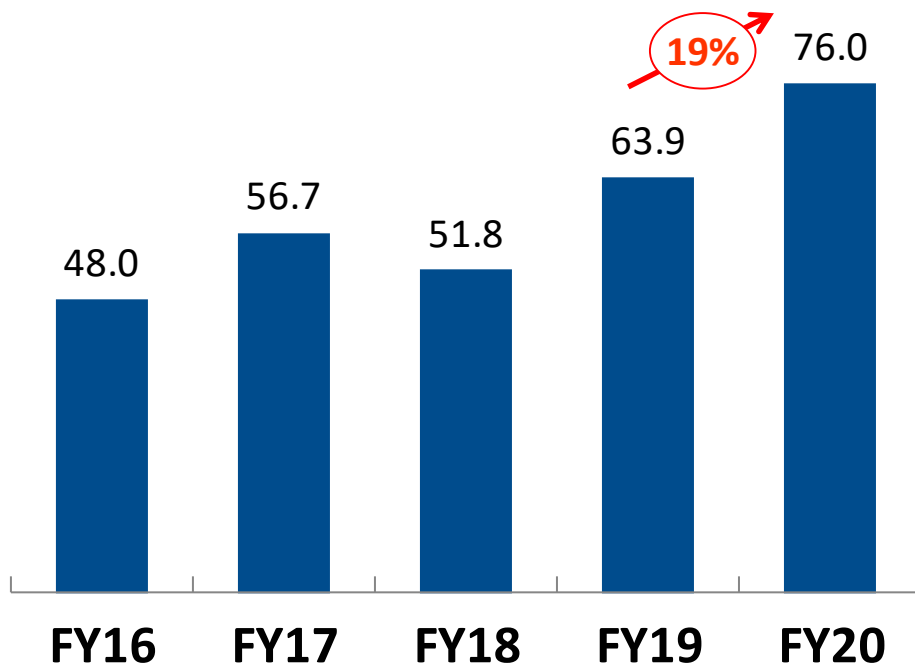
- Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.
 (2) Since Cathay FHC has more subsidiaries other than Cathay Life and CUB, besides, due to affiliate transactions, the Cathay FHC net income might not equal to the sum of Cathay Life and CUB's.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

Cathay FHC – Net income & EPS

□ FY20 net income reached historic high driven by sound investment performance.

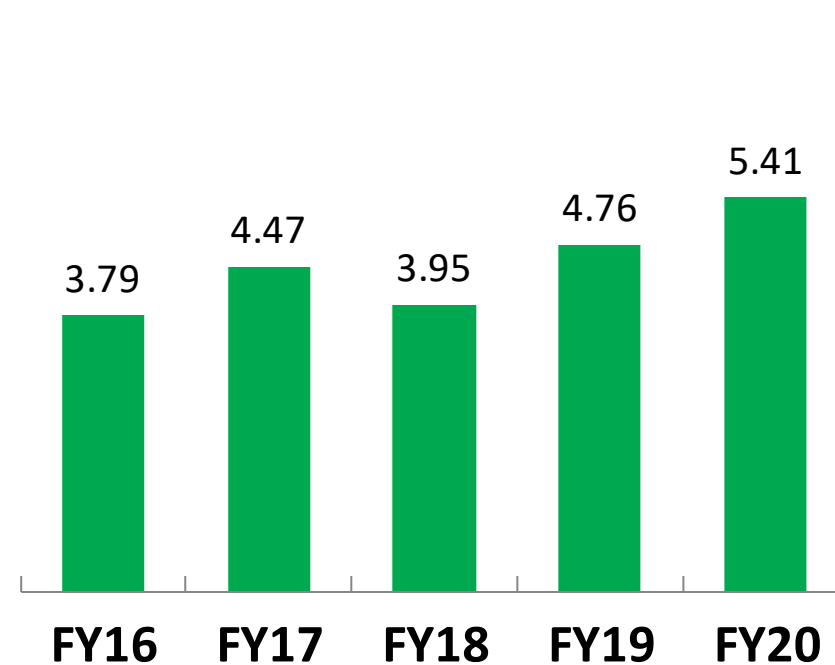
Net income

(NT\$BN)



EPS

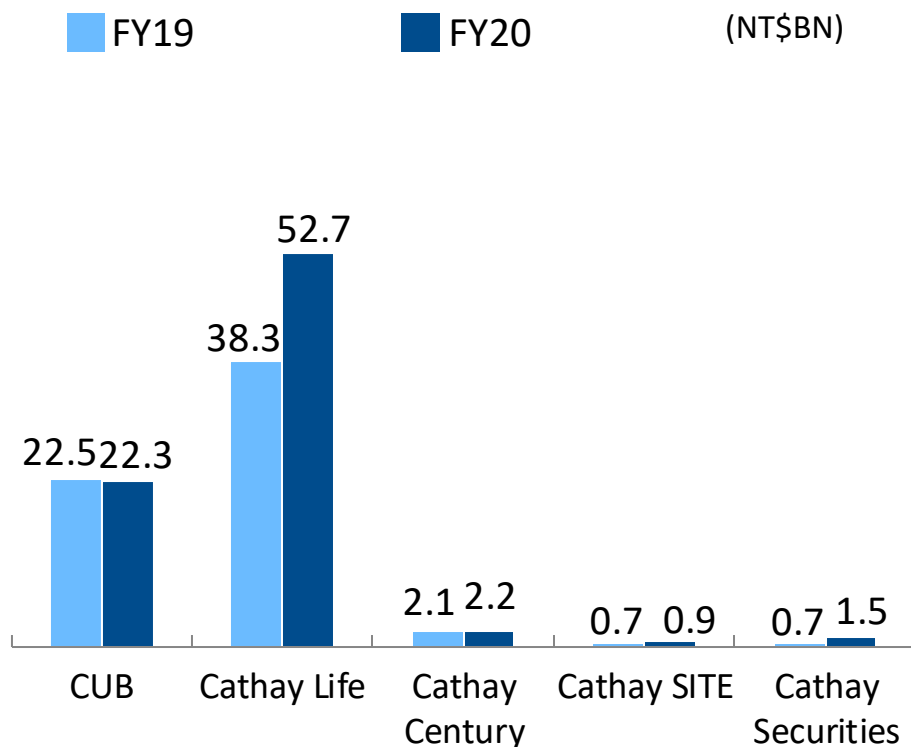
(NT\$)



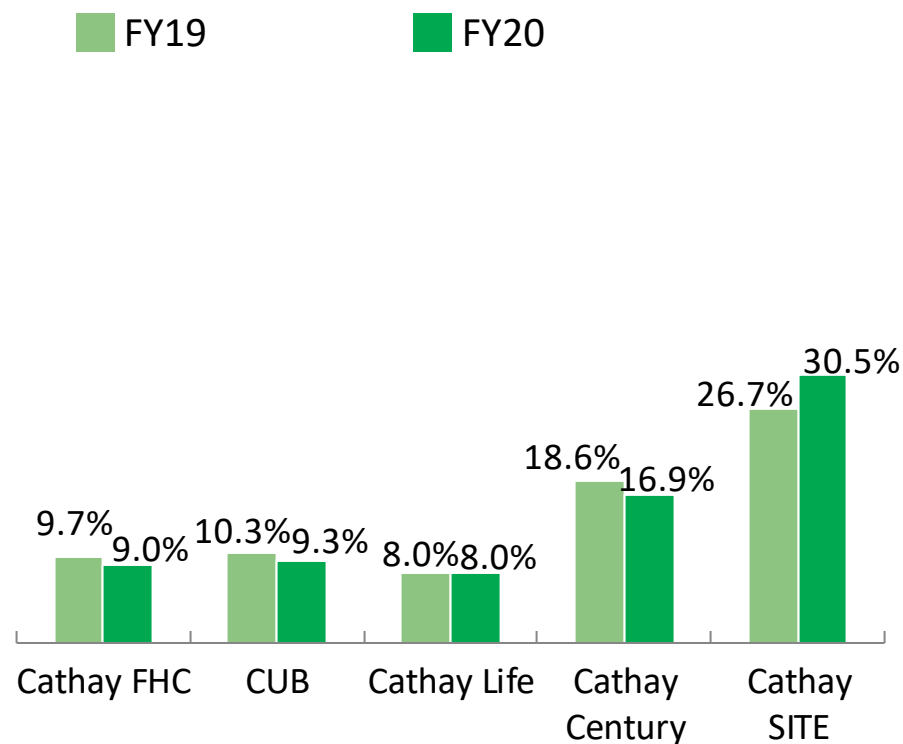
Cathay FHC – Net income & ROE

- Cathay Life net income increased 38% YoY to all-time high driven by better investment income.
- Asset Management and Securities subsidiaries' earnings also set new records.

Net income of primary subsidiaries

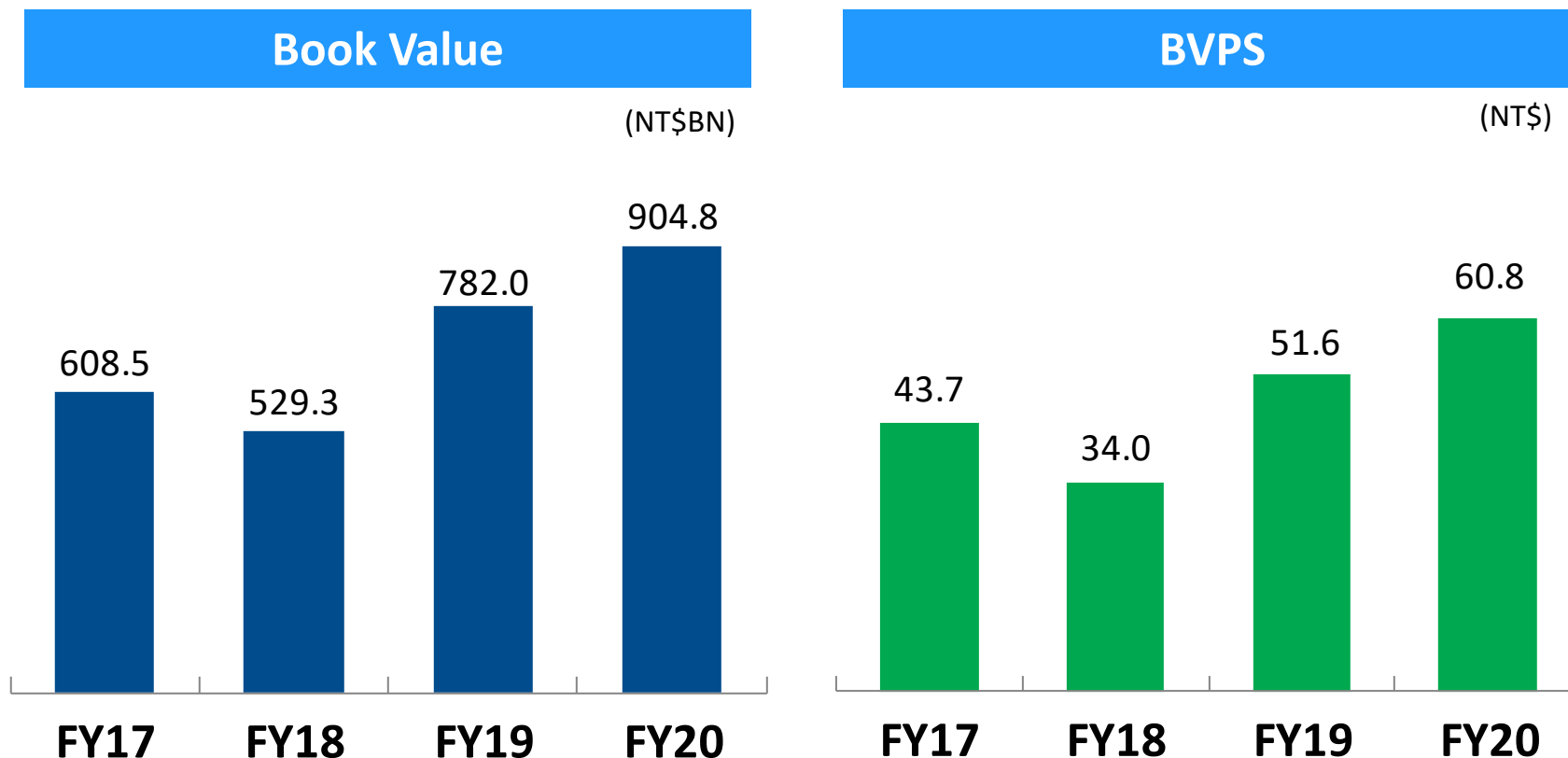


ROE



Cathay FHC – Book value & BVPS

- Book value reached a record high due to earnings contribution and increase in the unrealized gains from financial assets.



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.

2020 Business overview

Cathay United Bank

- Delivered steady loan and deposit growth with benign credit quality.
- Overseas expansion continued. Offshore earnings grew 14% YoY, accounted for 46% of pre-tax earnings.
- Wealth management fee grew steadily, driven by mutual fund sales.

Cathay Life

- Focused on value-driven strategy. Both FYP and APE ranked No.1 in the industry.
- Earnings hit a record high driven by sound investment performance.
- RBC and E/A reached 360% and 10.6% respectively. Solid capital position provided buffer against the market volatility.

Cathay Century

- Premium income grew steadily. Remained in second place with 12.3% 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\$1,050 BN.
- Recognized by Asia Asset Management, Benchmark and received TFF-Bloomberg Best Fund Award in 2020.
- Received “Plan to Advance Excellence for SITEs” preferential treatment from FSC.

Cathay Securities

- Optimized customer experience with new digital business model.
- FY20 earnings increased significantly to all-time high.

2021 Outlook

Cathay United Bank

- Grow loan steadily with benign asset quality.
- Leverage group synergy and develop diversified products to increase competitiveness in wealth management business.
- Continue to expand and deepen overseas presence. Increase offshore earnings.

Cathay Life

- Focus on the sales of protection policies, foreign currency denominated policies and investment linked policies to increase value of new business.
- Adjust investment portfolio dynamically. Continue dynamic hedging strategy to maintain stable hedging cost.

Cathay Century

- Grow business with quality & quantity. Implement risk control and compliance.
- Enhance capital efficiency. Grow both personal and commercial insurance business. Grow business and net profits steadily.
- Deepen local presence in Vietnam and develop digital platform and services.

Cathay SITE

- Offer comprehensive product lines to meet customers' needs.
- Integrate global asset management resources and expand distribution channels.

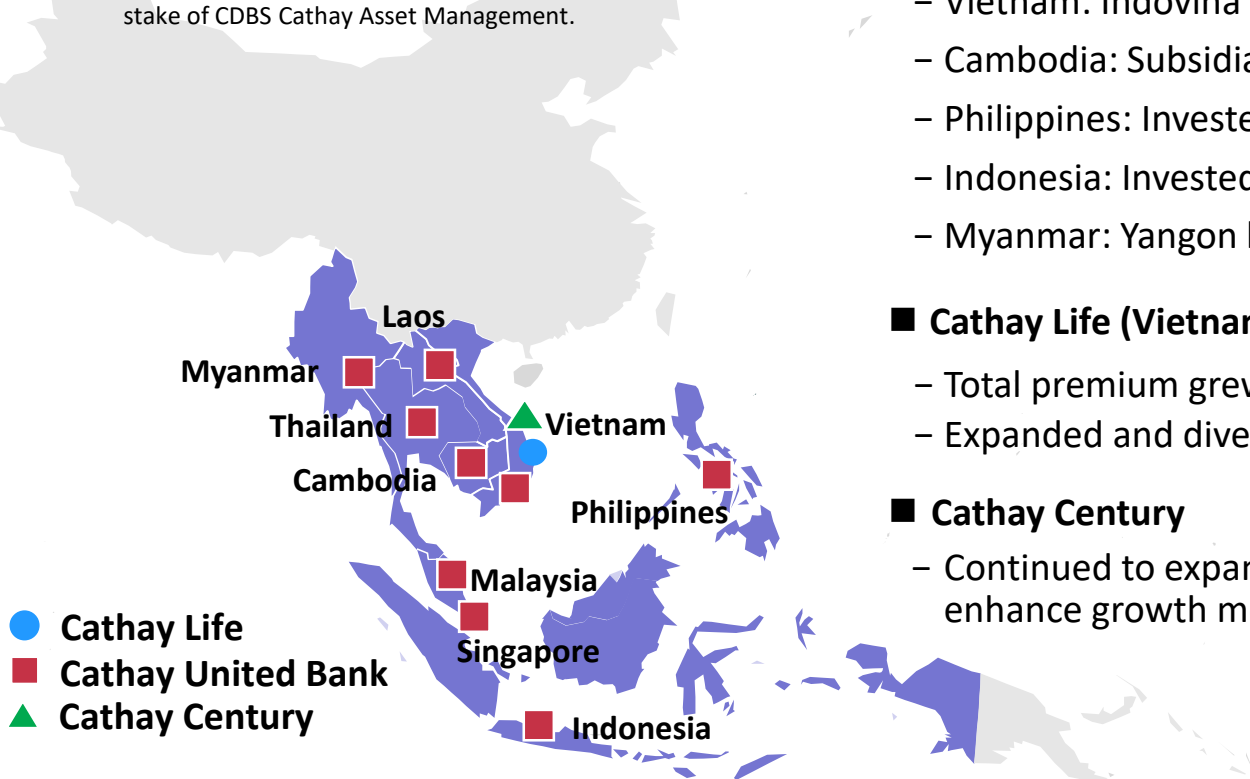
Cathay Securities

- Continue to utilize digital technology to increase customer base and enhance user experience.
- Enhance existing products and platform to meet customers' needs.

Cathay FHC in South East Asia

| | China | Vietnam | Cambodia | Hong Kong | Singapore | Malaysia | Laos | Philippines | Myanmar | Thailand | Indonesia |
|------------|-------|---------|----------|-----------|-----------|----------|------|-------------|---------|----------|-----------|
| Bank | 7 | 36 | 16 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Life | 53 | 119 | | | | | | | | | |
| P&C | 26 | 2 | | | | | | | | | |
| Asset Mgt. | 1 | | | 1 | | | | | | | |
| Securities | | | | 2 | | | | | | | |

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



■ Banking

- Vietnam: Indovina Bank performed steadily.
- Cambodia: Subsidiary's businesses grew steadily.
- Philippines: Invested in RCBC.⁽²⁾
- Indonesia: Invested in Bank Mayapada.⁽²⁾
- Myanmar: Yangon branch opened on Jan. 8.

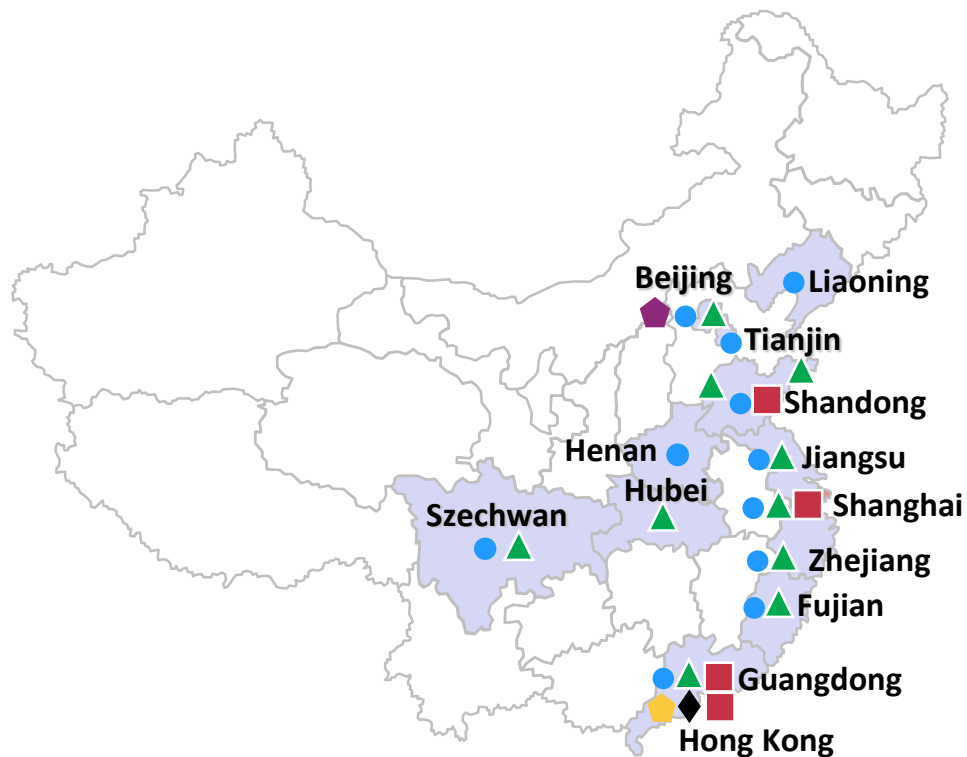
■ Cathay Life (Vietnam)

- Total premium grew 53% YoY to VND 1.61TN in FY20.
- 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**
 - Total premium grew 11% YoY to RMB 3BN in FY20.
 - Earnings grew steadily.
- **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)**
 - Business line grew steadily.
- **Conning Asia Pacific Limited**
 - Continued to expand asset management business.

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Cathay United Bank

Cathay Life

Cathay Century

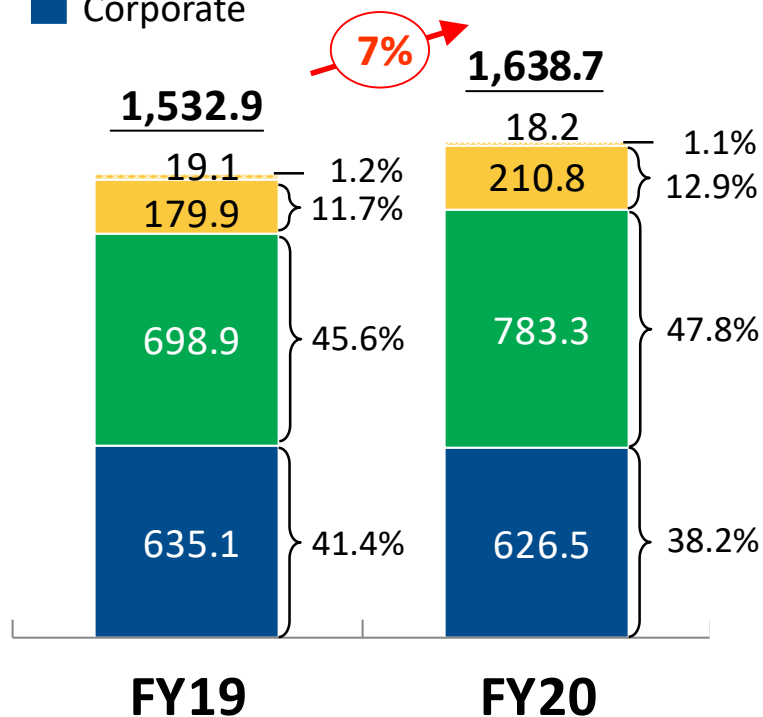
- Cathay's CSR Efforts
- Appendix

Cathay United Bank – Loan & Deposit breakdown

- Total loan balance increased YoY due to growth in consumer loan and mortgage.
- Deposit grew solidly with higher demand-deposit ratio.

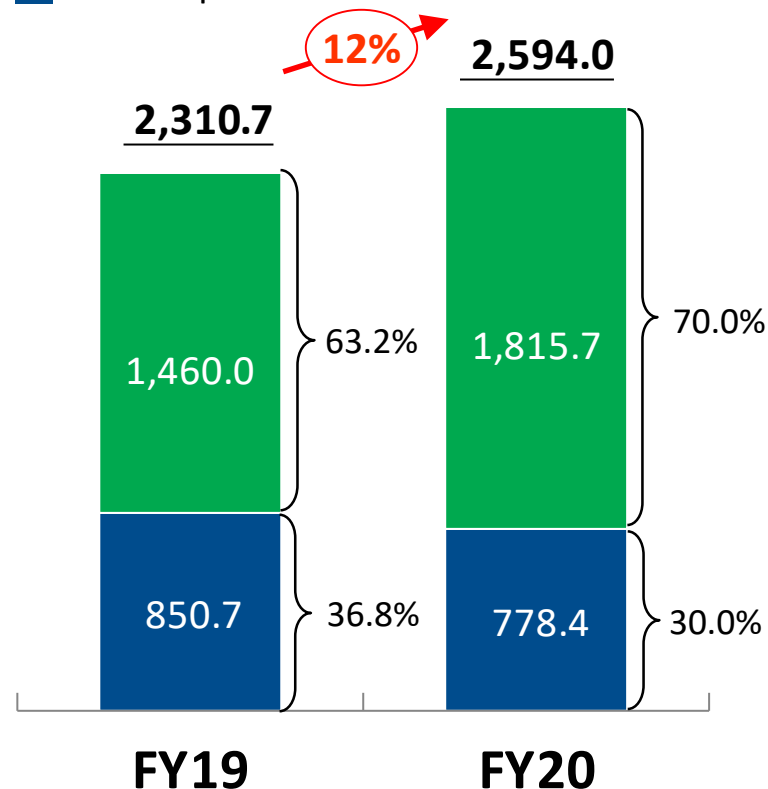
Loan breakdown

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



Deposit breakdown

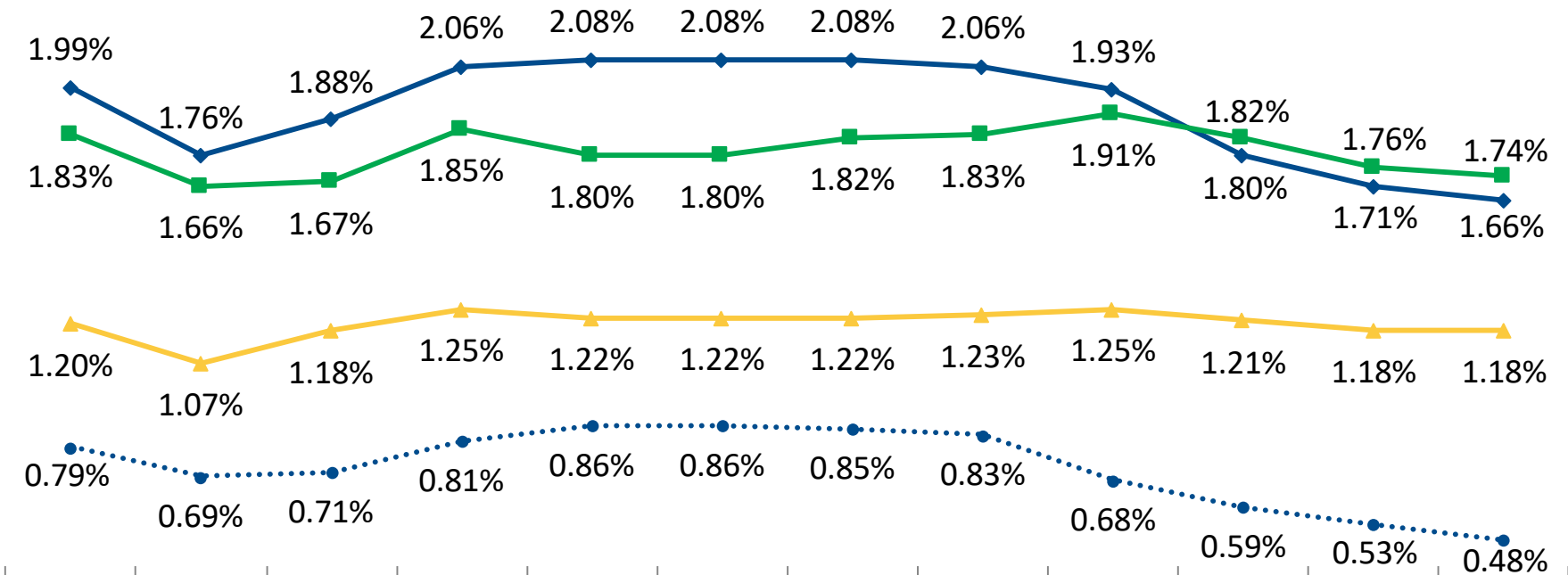
- Demand deposit (NT\$BN)
- Time deposit



Cathay United Bank – Interest yields

□ 4Q20 NIM and spread rebounded driven by lower funding cost.

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



| | FY15 | FY16 | FY17 | FY18 | 1Q19 | 1H19 | 9M19 | FY19 | 1Q20 | 1H20 | 9M20 | FY20 |
|------------------|------|------|------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Quarterly | | | | 4Q18 | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 |
| Spread | | | | 1.83% | 1.80% | 1.81% | 1.85% | 1.86% | 1.91% | 1.73% | 1.65% | 1.69% |
| NIM | | | | 1.22% | 1.22% | 1.22% | 1.23% | 1.26% | 1.25% | 1.17% | 1.13% | 1.17% |

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

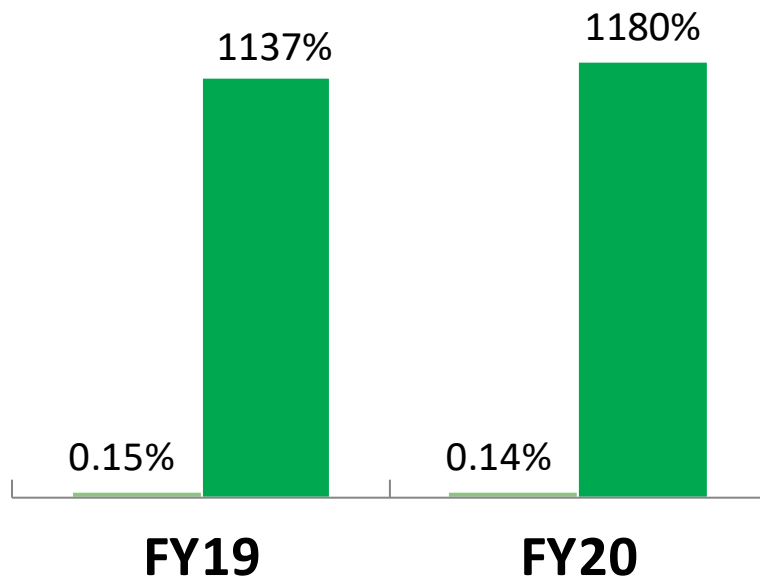
(2) China subsidiary was launched in Sep 2018. Hence, since 9M18, China subsidiary results was excluded.

Cathay United Bank – Credit quality

- Asset quality remained benign with NPL at 0.14% and coverage ratio at 1180%.

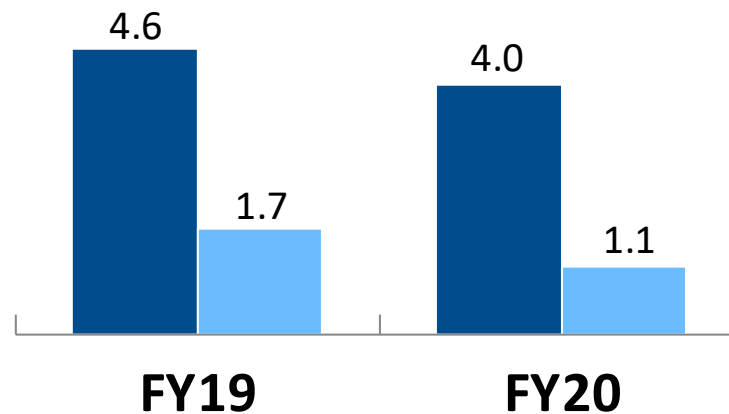
NPL & Coverage ratio

- NPL ratio
- Coverage ratio



Gross provision

- Gross provision (NT\$BN)
- Recovery



Mortgage NPL

0.21%

0.11%

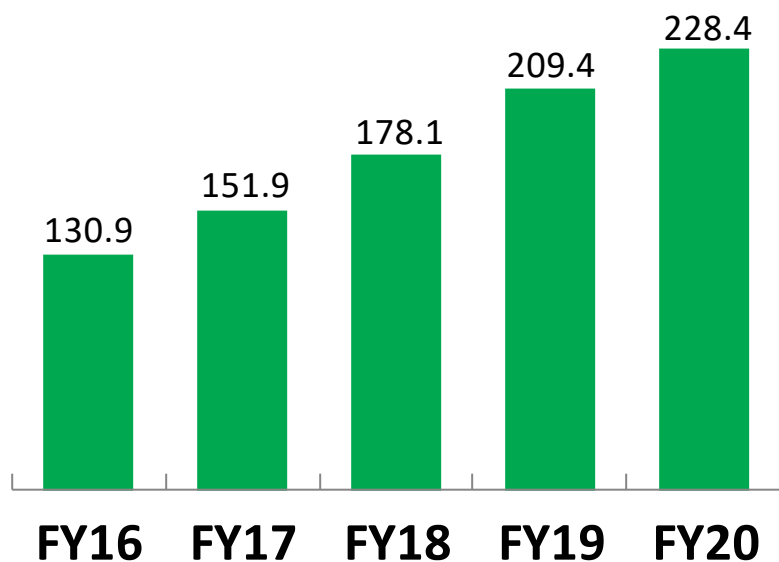
Note : China subsidiary was launched in Sep 2018. Hence, FY19 & FY20 number excluded China subsidiary results. (NPL ratio: both are 0%, Gross provision: NT\$ 26.1MN and NT\$ -1.7MN, Recovery: NT\$36.2MN and NT\$ 0MN; preliminary).

Cathay United Bank – SME & FX loans

- Grow SME and foreign currency loans while ensuring asset quality.
- FY20 Foreign currency loan grew 1% YoY; the decline shown reflected currency appreciation of Taiwan dollar.

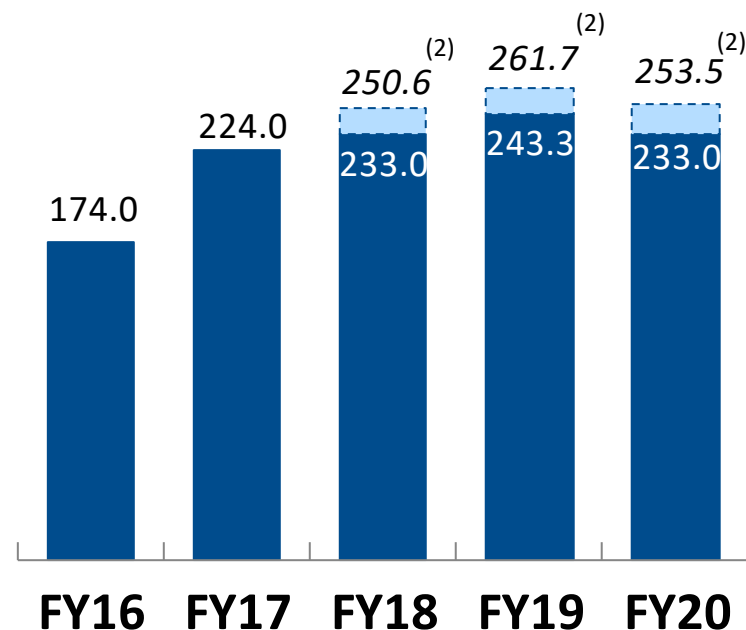
SME loans

(NT\$BN)



Foreign currency loans

(NT\$BN)



As % of total loans

9.2% 10.7% 11.4% 13.8% 14.1%

12.2% 15.8% 15.0% 16.1% 14.4%

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

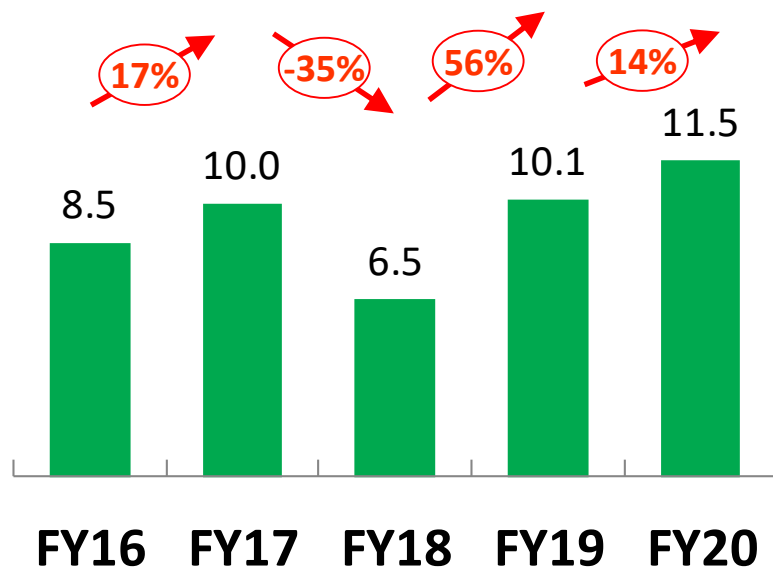
(2) China subsidiary was launched in Sep 2018, hence FY18, FY19 and FY20 foreign currency loan balance excluded NT\$17.6BN , NT\$18.4BN and NT\$20.5BN from China subsidiary, respectively. (preliminary)

Cathay United Bank – Offshore earnings

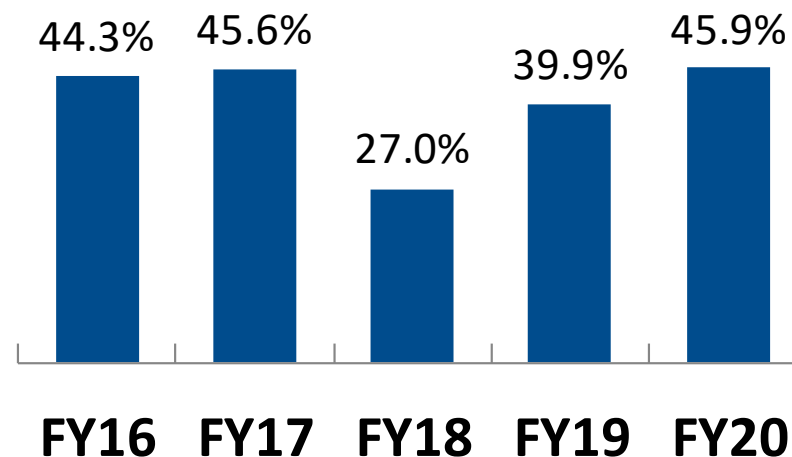
- Expand overseas business by deepening overseas presence and capture investment opportunities. Offshore earnings grew 14% YoY and accounted for 46% of pre-tax earnings.

Offshore earnings

(NT\$BN)

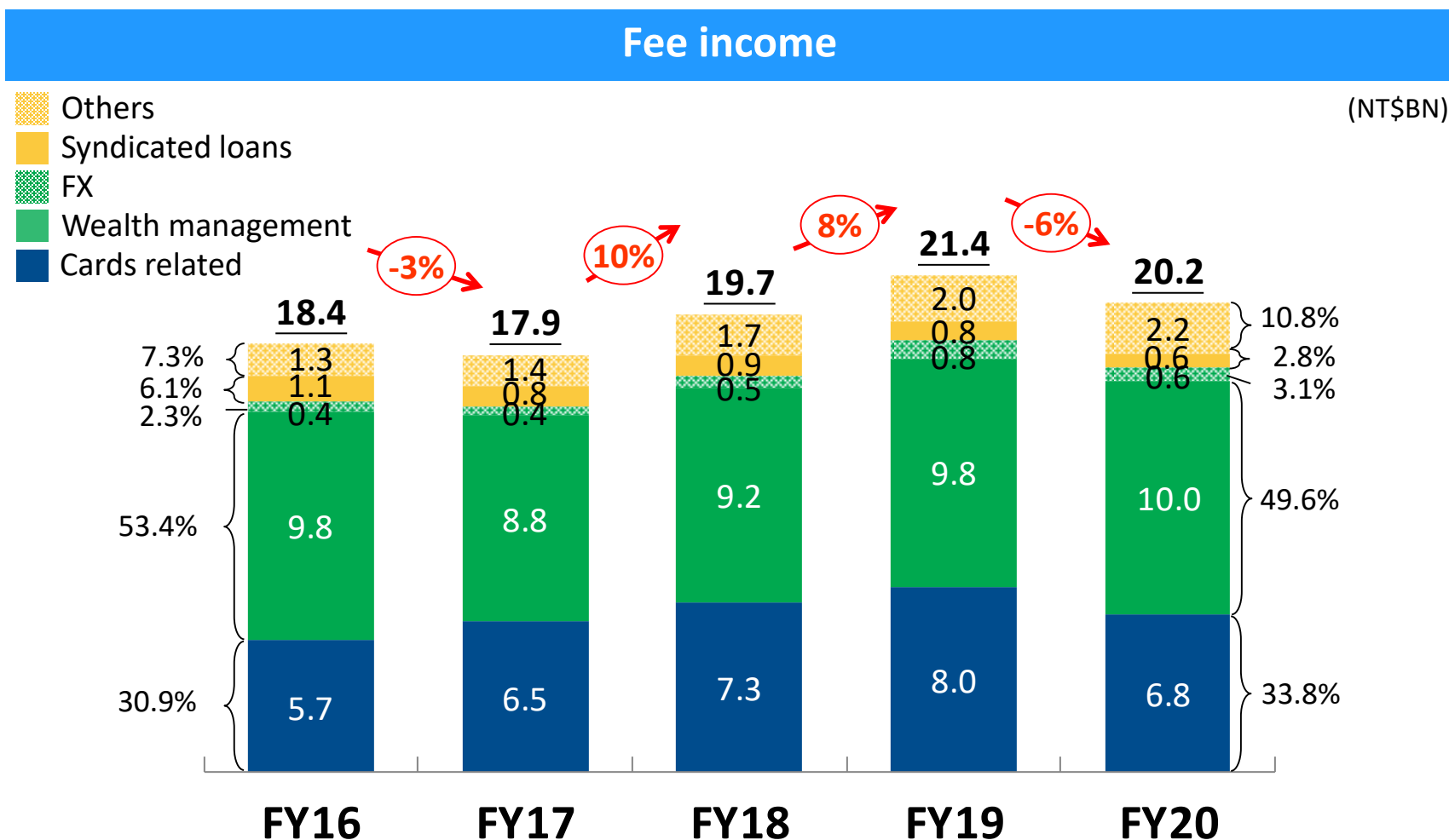


As % of CUB pre-tax profits



Cathay United Bank – Fee income

- Fee income declined 6% YoY due to decreased consumption under COVID-19 pandemic and lower credit card fee.



Note : China subsidiary was launched in Sep 2018, hence FY18 (Sep.-Dec.) 、 FY19 and FY20 excluded NT\$ 5.8MN 、 NT\$18.9MN and NT\$35.4MN from subsidiary, respectively. (preliminary)

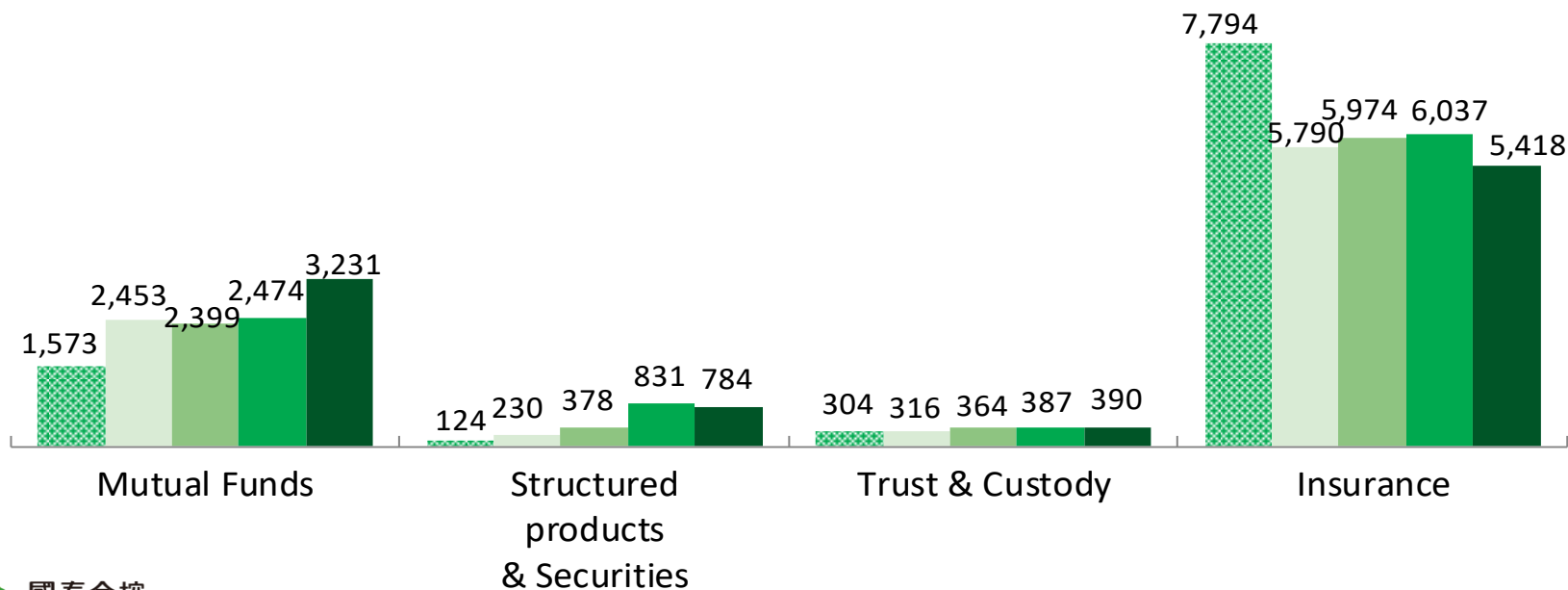
Cathay United Bank – Wealth management fee

- Wealth management fee increased 1.9% YoY, driven by strong growth in mutual funds more than offsetting the decline in bancassurance fee.

Wealth management fee breakdown

| (NT\$MN) | FY16 | FY17 | FY18 | FY19 | FY20 |
|------------------------------|-------|--------|-------|-------|-------|
| Wealth management fee income | 9,828 | 8,837 | 9,183 | 9,808 | 9,991 |
| YoY growth (%) | 11.9% | -10.1% | 3.9% | 6.8% | 1.9% |

■ FY16
 ■ FY17
 ■ FY18
 ■ FY19
 ■ FY20



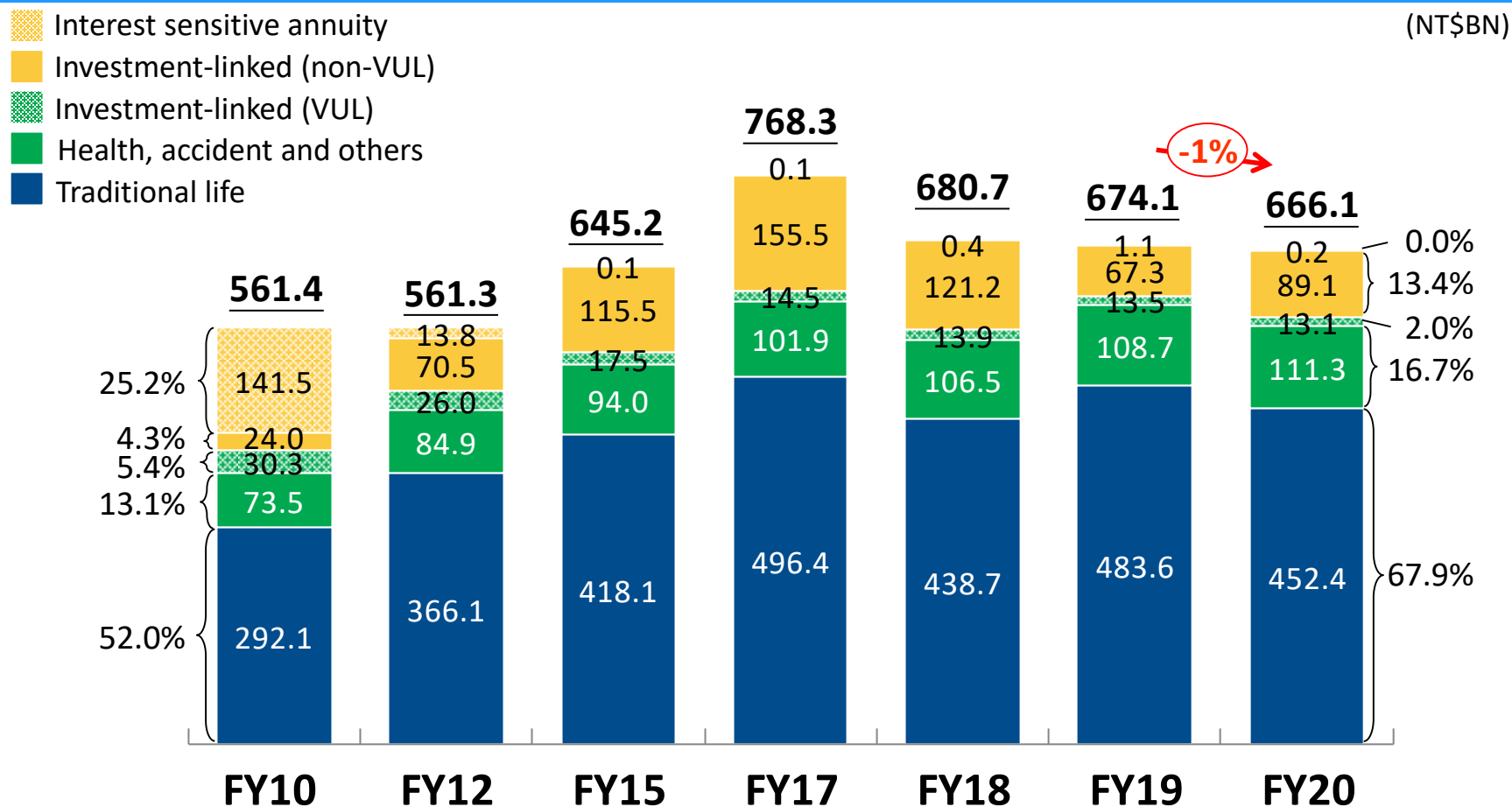
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Cathay Life – Total premium

- Total premium decreased 1% YoY due to lower FYP.
- Renewal premium grew 7% YoY driven by protection and regular paid traditional products.

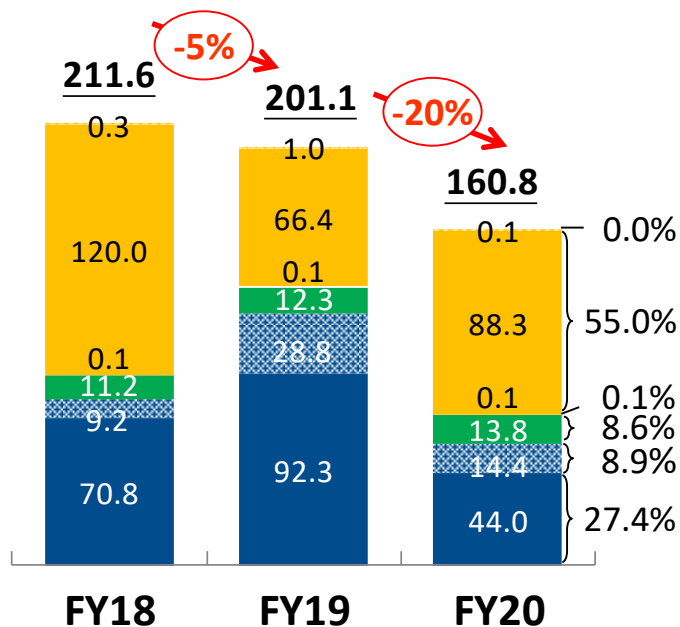
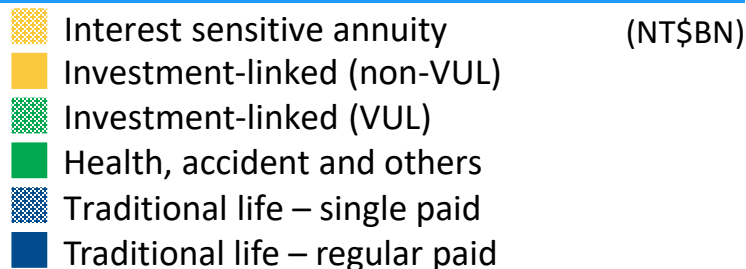
Quarterly total premium



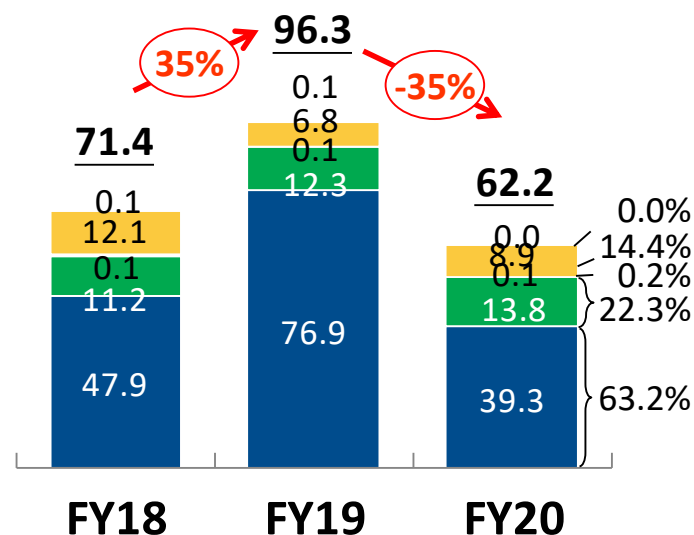
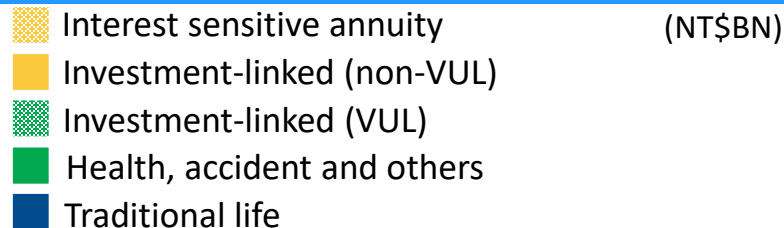
Cathay Life – Quarterly FYP & APE

- FYP declined 20% YoY due to lower policy reserve rate. APE also declined, reflecting the increase in sales of single-paid investment-linked products.
- FYP and APE ranked No. 1 in the industry.

First Year Premium



Annualized FYP (APE)



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

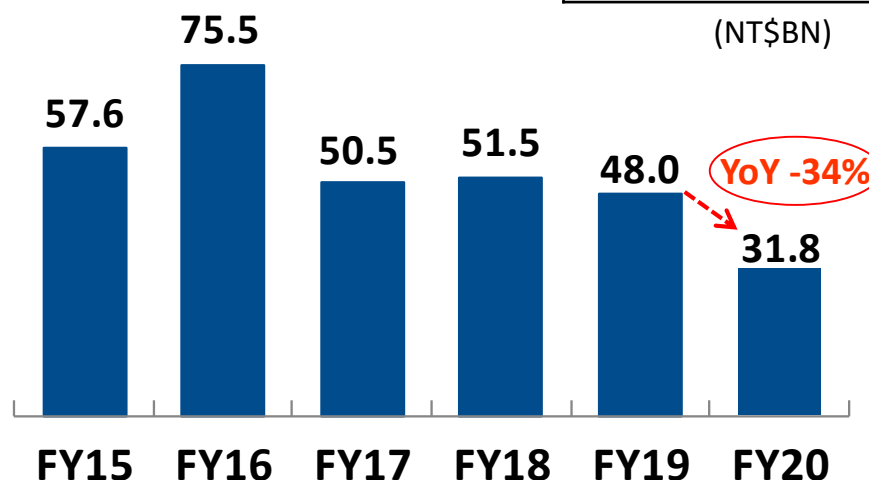
Cathay Life –Value of new business

- VNB and VNB margin declined due to lower sales volume and product mix change impacted by lower policy reserve rate.
- VNB margin increased to 40% if excluding the impact of product mix change.

Value for New Business (annual)

| Profit Margin | FY15 | FY16 | FY17 | FY18 | FY19 |
|---------------|------|------|------|------|------|
| VNB/FYP | 27% | 38% | 22% | 24% | 31% |
| VNB/APE | 57% | 56% | 64% | 72% | 65% |

| Profit Margin | FY19 | FY20 |
|--|------|------|
| VNB/FYP | 24% | 20% |
| VNB/FYP (excl. Investment-linked (non-VUL)) | 34% | 40% |
| VNB/APE | 50% | 51% |

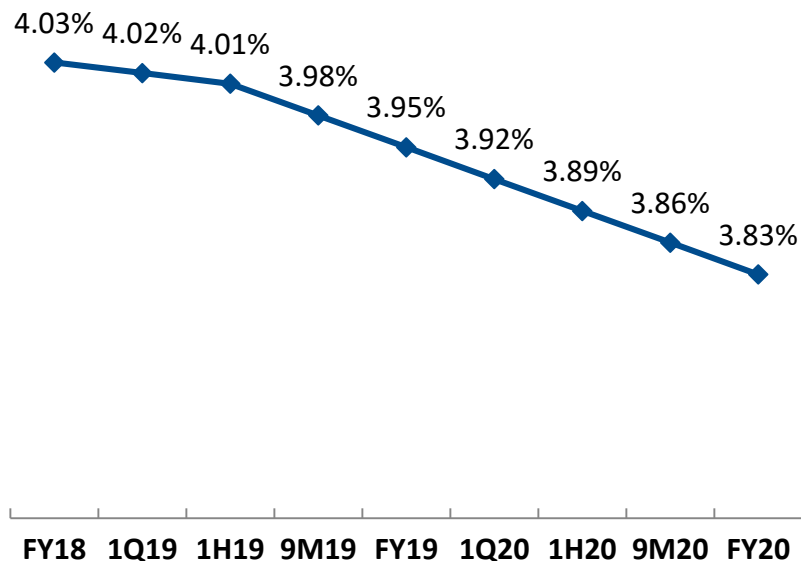


Note : FY19 and FY20 VNB were based on 2019 Embedded Value assumptions. Based on 2018 Embedded Value assumptions, FY19 VNB were NT\$62.5BN, VNB/FYP were 31%, VNB/APE were 65%.

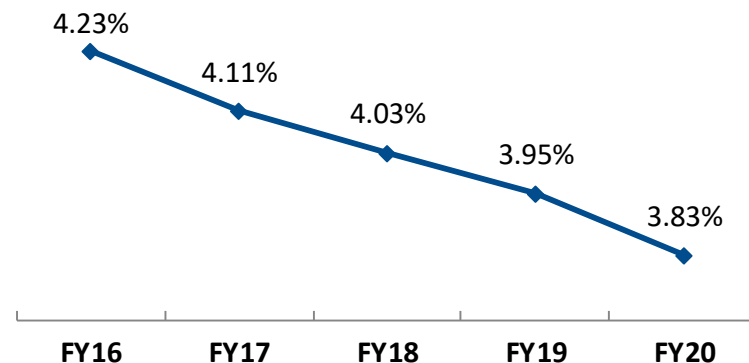
Cathay Life – Cost of liability and break-even asset yield

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

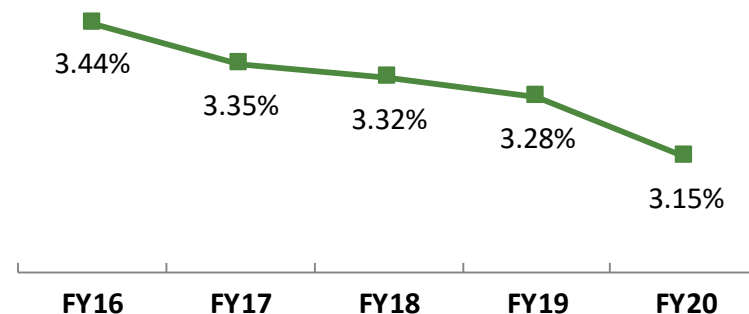
Cost of liability (quarterly)



Cost of liability (annual)



Break-even asset yield



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

Cathay Life – Investment portfolio

- Dynamically adjust the investment portfolio to reduce the impact of market volatility.

| (NT\$BN) | FY17 | FY18 | FY19 | | | FY20 | | |
|--|----------------|----------------|----------------|--------|--------|----------------|--------|--------|
| Total investments⁽¹⁾ | 5,502.6 | 5,761.0 | 6,415.0 | | | 6,945.1 | | |
| | Weight | Weight | Weight | Amount | Return | Weight | Amount | Return |
| Cash & Cash equivalents | 1.6% | 1.1% | 3.7% | 237 | 0.6% | 4.8% | 335 | 0.4% |
| Equity- Domestic | 8.4% | 7.5% | 5.0% | 322 | 7.9% | 6.3% | 438 | 13.5% |
| Equity- International ⁽²⁾ | 6.3% | 6.7% | 5.8% | 370 | 6.5% | 5.9% | 407 | 5.5% |
| Bond- Domestic | 5.5% | 5.0% | 7.9% | 505 | 5.7% | 8.0% | 553 | 4.6% |
| Bond- International ⁽¹⁾⁽²⁾ | 55.7% | 58.6% | 58.9% | 3,777 | 5.3% | 58.0% | 4,028 | 5.5% |
| Mortgage & Secured loans | 8.1% | 7.1% | 5.3% | 341 | 2.1% | 4.5% | 311 | 1.7% |
| Policy loans | 3.0% | 3.0% | 2.7% | 171 | 5.6% | 2.4% | 167 | 5.6% |
| Real estate | 9.2% | 8.7% | 8.2% | 526 | 2.7% | 7.7% | 537 | 2.9% |
| Others | 2.4% | 2.4% | 2.6% | 165 | | 2.4% | 168 | |

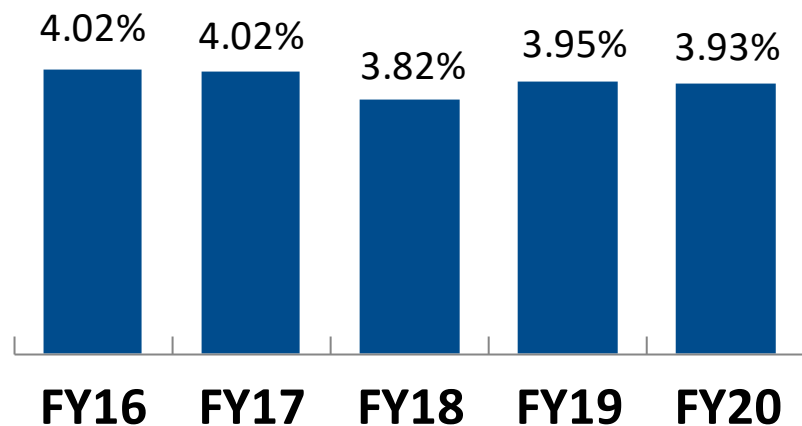
Note: (1) Total assets excluded separate account assets; international bond includes foreign currency deposit and related adjustments

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

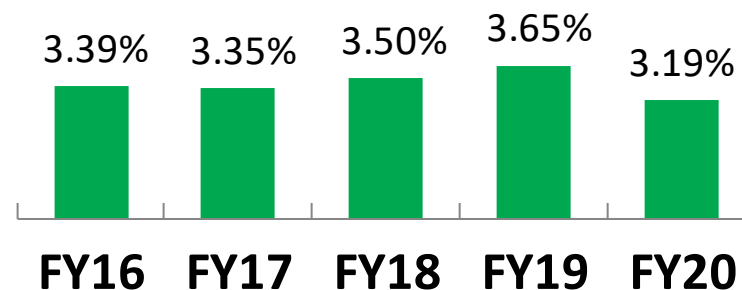
Cathay Life – Investment performance highlight

- Higher cash level and better credit rating mix led to lower pre-hedging recurring yield.
- Hedging cost improved in 4Q20 due to better proxy hedging effectiveness. Additional provision to reduce the impact of FX volatility.

After-hedging investment yield

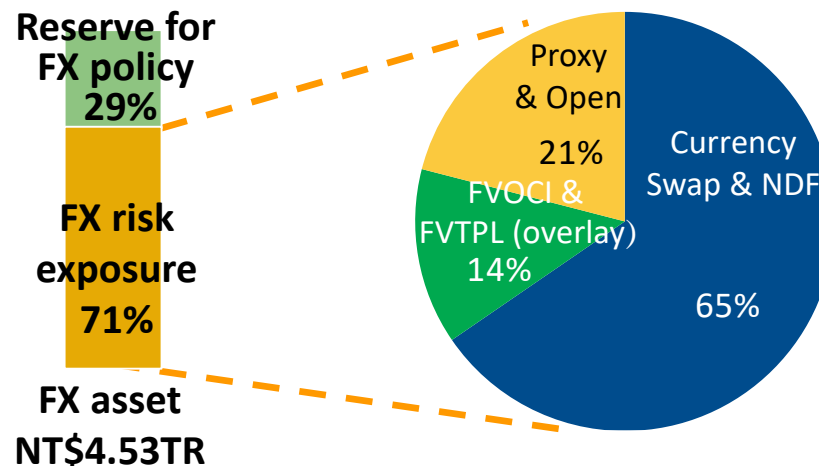


Pre-hedging recurring yield



Currency hedging structure

FY20 Hedging cost 1.72%



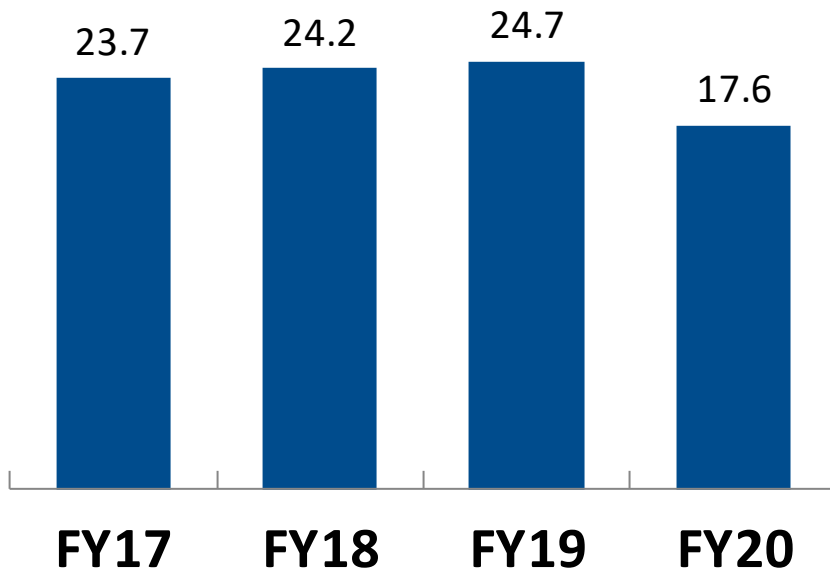
Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

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

□ Lower cash dividend income driven by equity portfolio adjustment with higher capital gains.

Cash dividend income

(NT\$BN)



Overseas fixed income by region



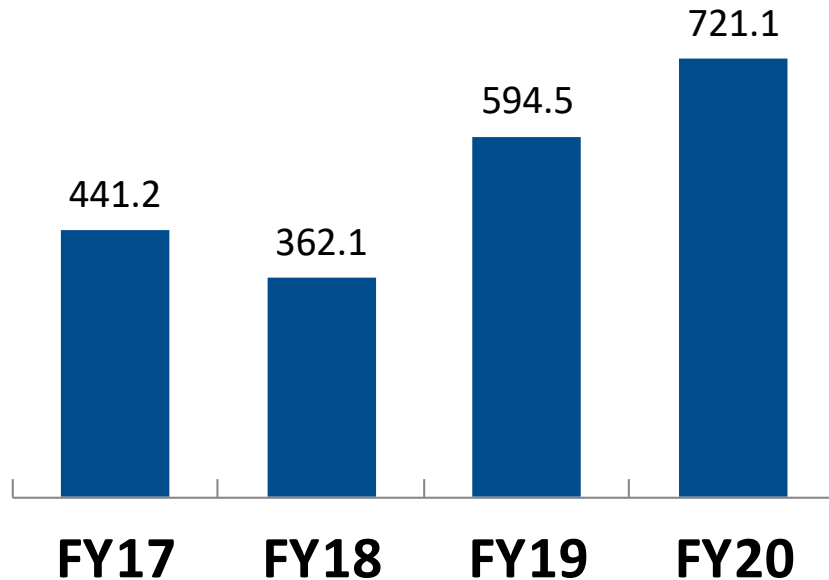
Note: Exclude overseas deposit.

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

- Book value and unrealized gain both reached record highs.

Book value

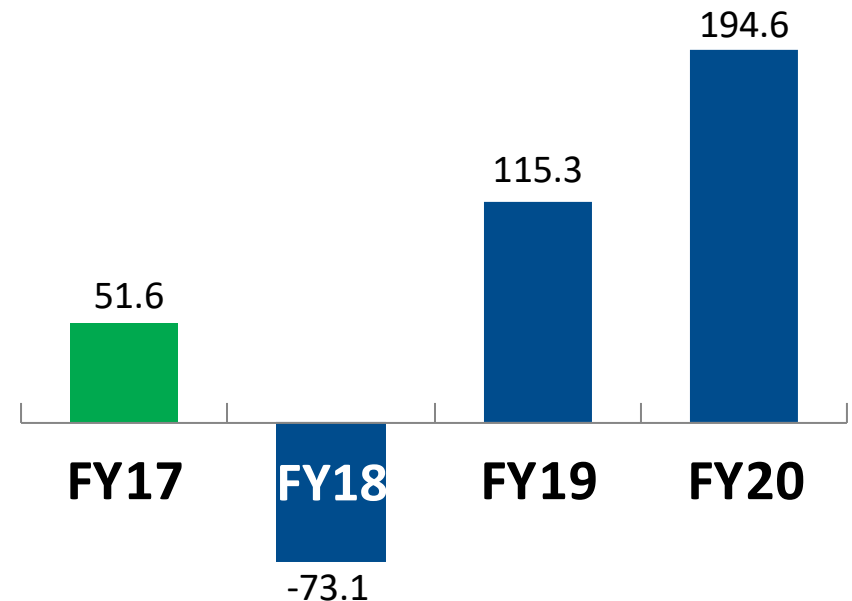
(NT\$BN)



Unrealized G/L of financial assets

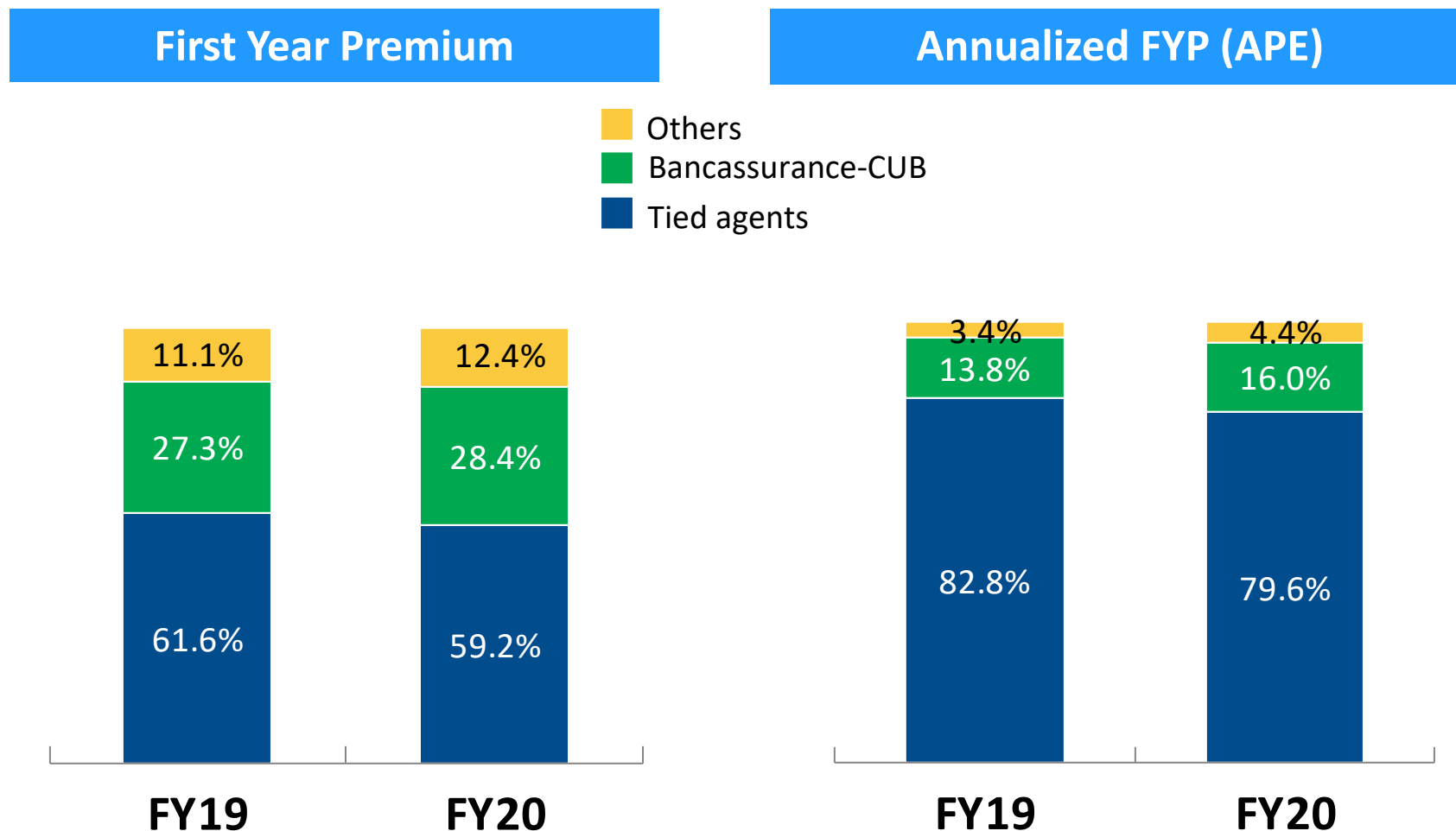
(NT\$BN)

- AFS financial assets
- FVOCI & FVTPL (overlay approach)



Cathay Life – Distribution channel

- Premium income was mainly generated by Cathay Life agents and Cathay United Bank. Group's strong selling capability provides solid contribution to premium income and VNB.



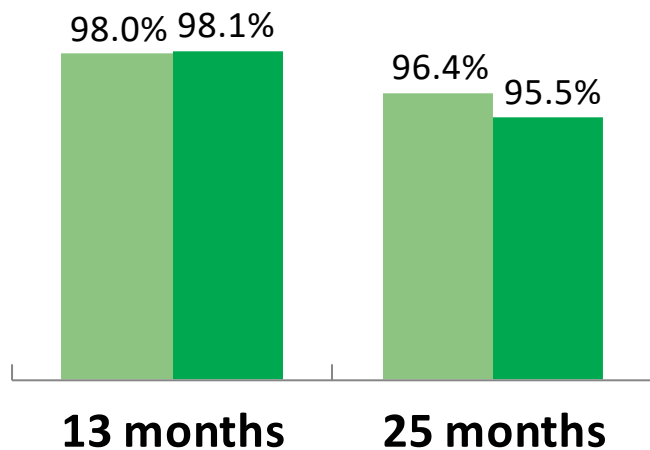
Cathay Life – Operational indicators

- Expense ratio improved due to lower underwriting cost and commission fee, resulting from lower FYP and increased sales in investment-linked policies.

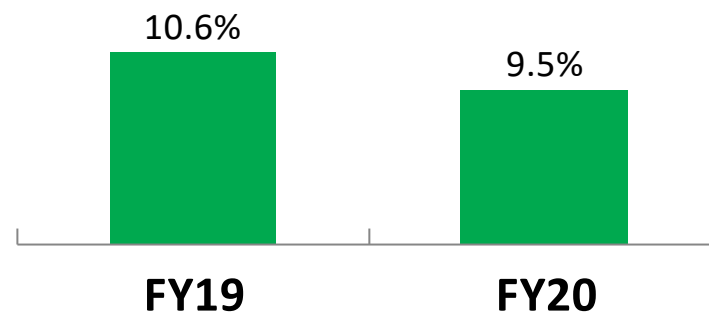
Persistency ratio

FY19

FY20



Expense ratio

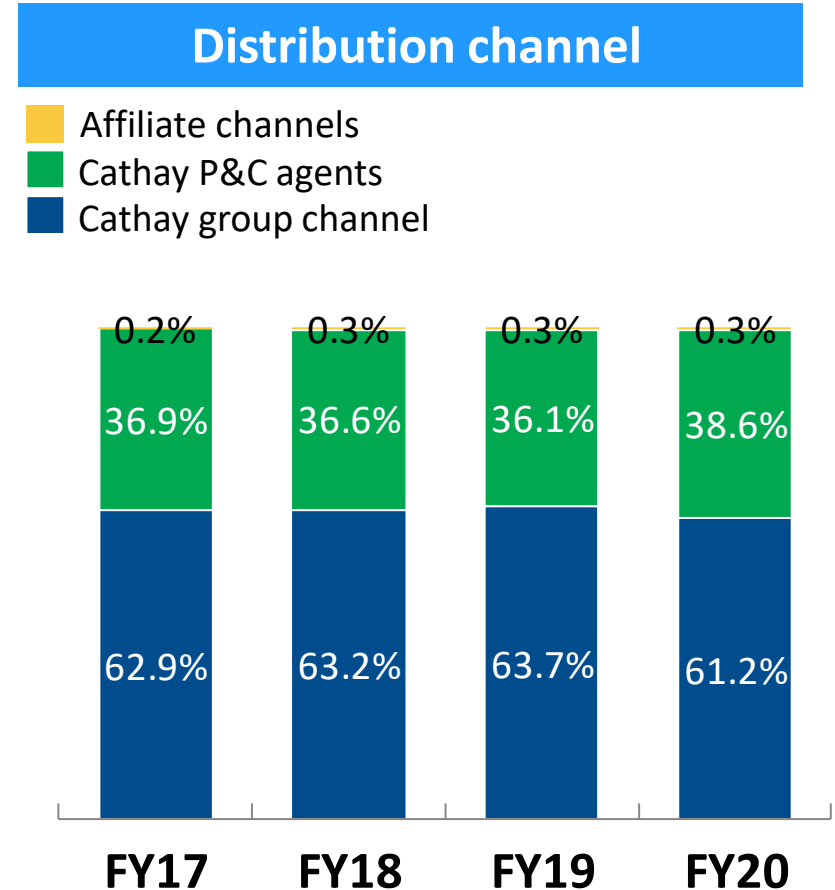
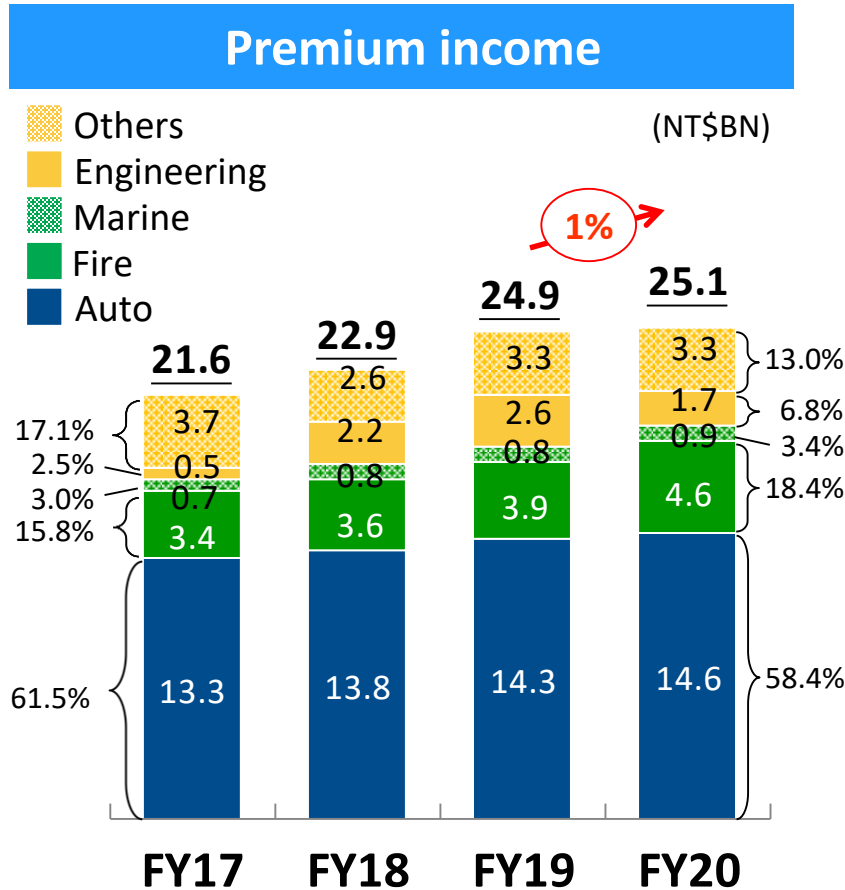


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- Appendix

Cathay Century – Premium income

- Premium income grew steadily. Market share was 12.3% and ranked No. 2 in the industry.
- Benefiting from cross-selling synergy, over 60% of premium income was generated by the group's channel.



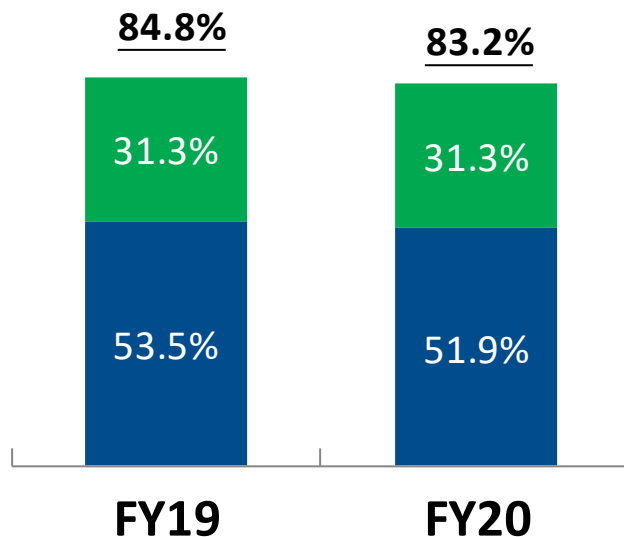
| | | | | |
|--------------|-------|-------|-------|-------|
| Market share | 13.1% | 13.0% | 13.1% | 12.3% |
| Retention | 76.2% | 77.1% | 77.7% | 76.4% |

Cathay Century – Combined ratio

□ Gross combined ratio and retained combined ratio remained stable.

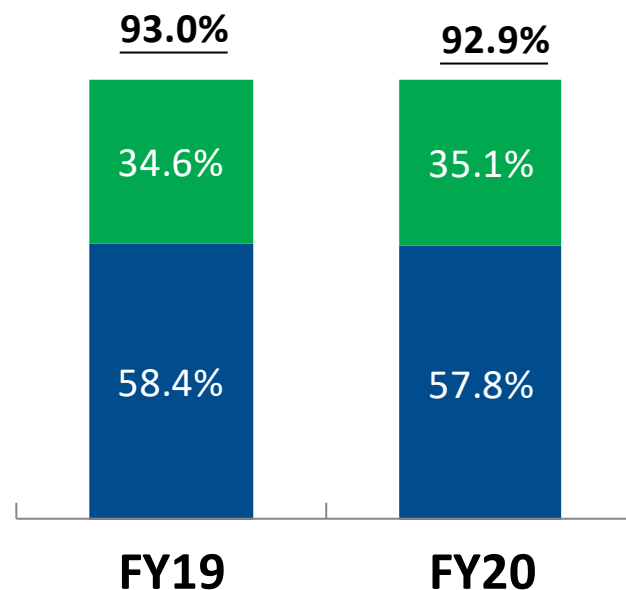
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



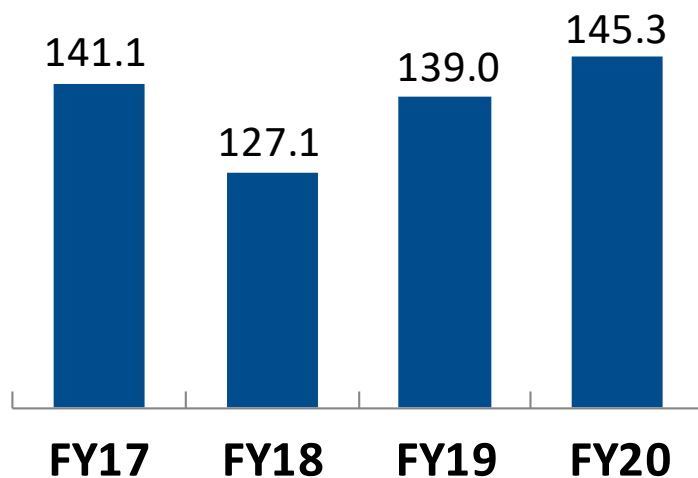
Retained combined ratio

- Retained expense ratio
- Retained loss ratio

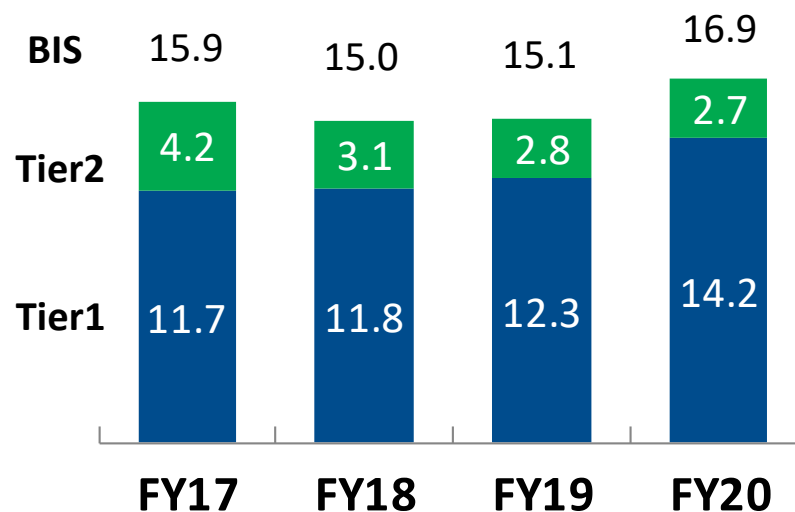


Capital adequacy

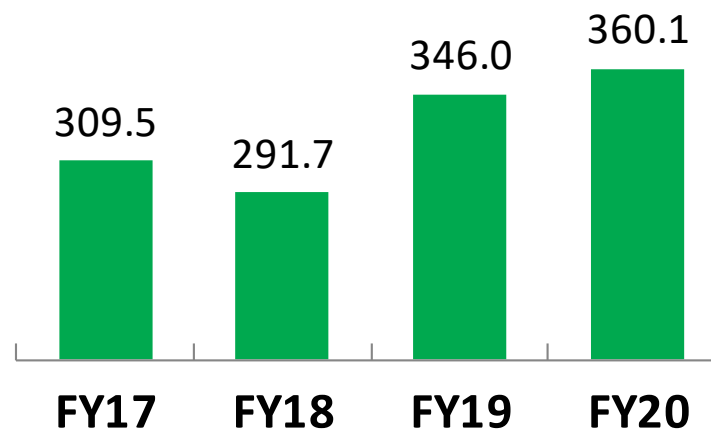
Cathay FHC CAR (%)



CUB Capital Adequacy (%)

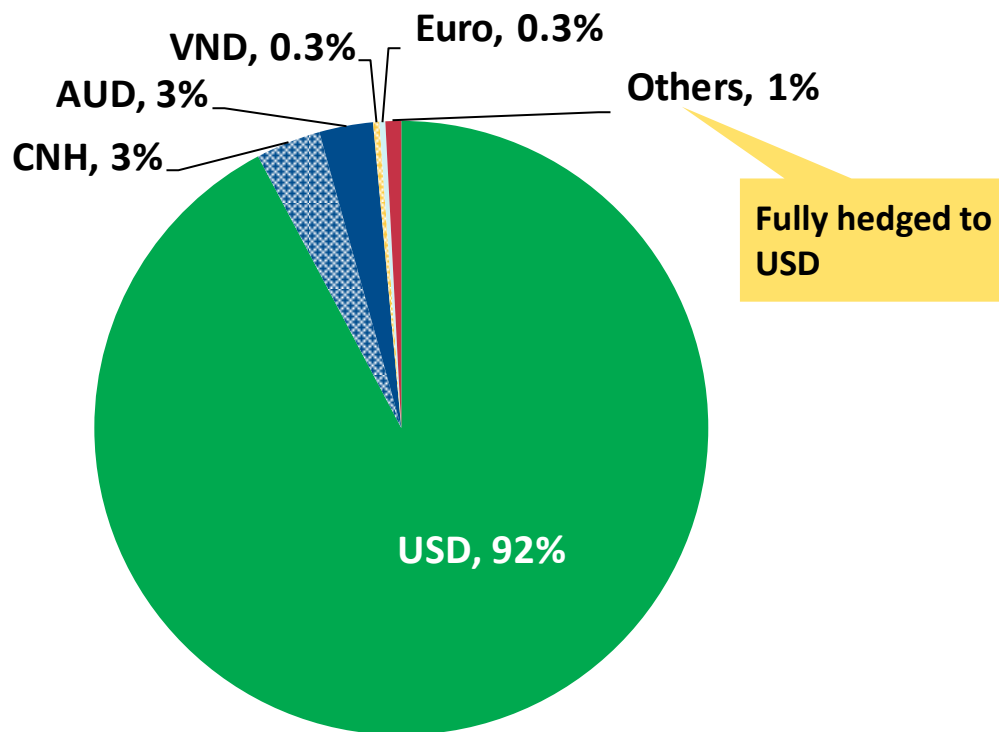


Cathay Life RBC (%)

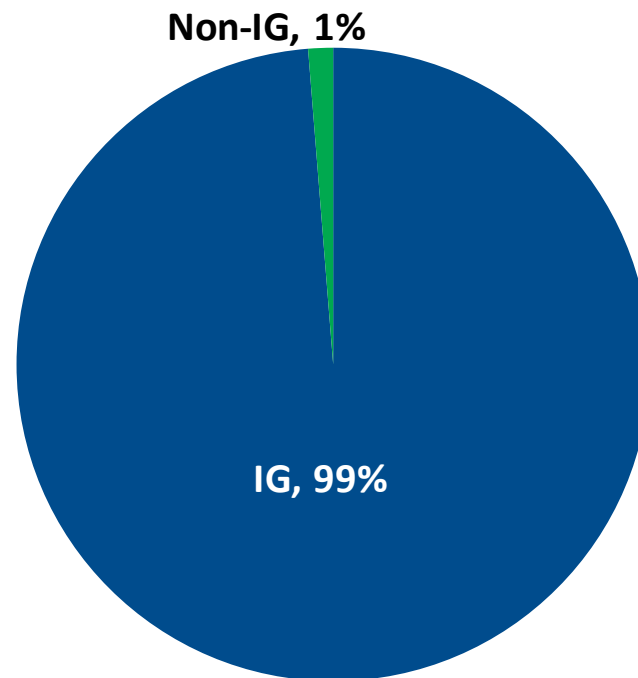


Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (FY20)



Overseas bond by rating (FY20)



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Well-recognized corporate sustainability performance

Recognized by local regulatory authorities

**Top 5 %
Corporate Governance**

Over 1,000 listed companies

TWSE Corporate Governance Evaluation



**FTSE4Good
TIP Taiwan ESG Index**

Included in
FTSE4Good TIP Taiwan ESG Index
since 2017

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

Recognized by ESG ratings agencies

MEMBER OF
**Dow Jones
Sustainability Indices**
In collaboration with  a RobecoSAM brand

Included in
DJSI World & DJSI EM



AA



FTSE4Good

Recognized by Media



Top 10 World Corporate Citizen for 8 consecutive years, **Top 4** in 2020



Exemplary Award
CSR Annual Survey
(Finance Division)



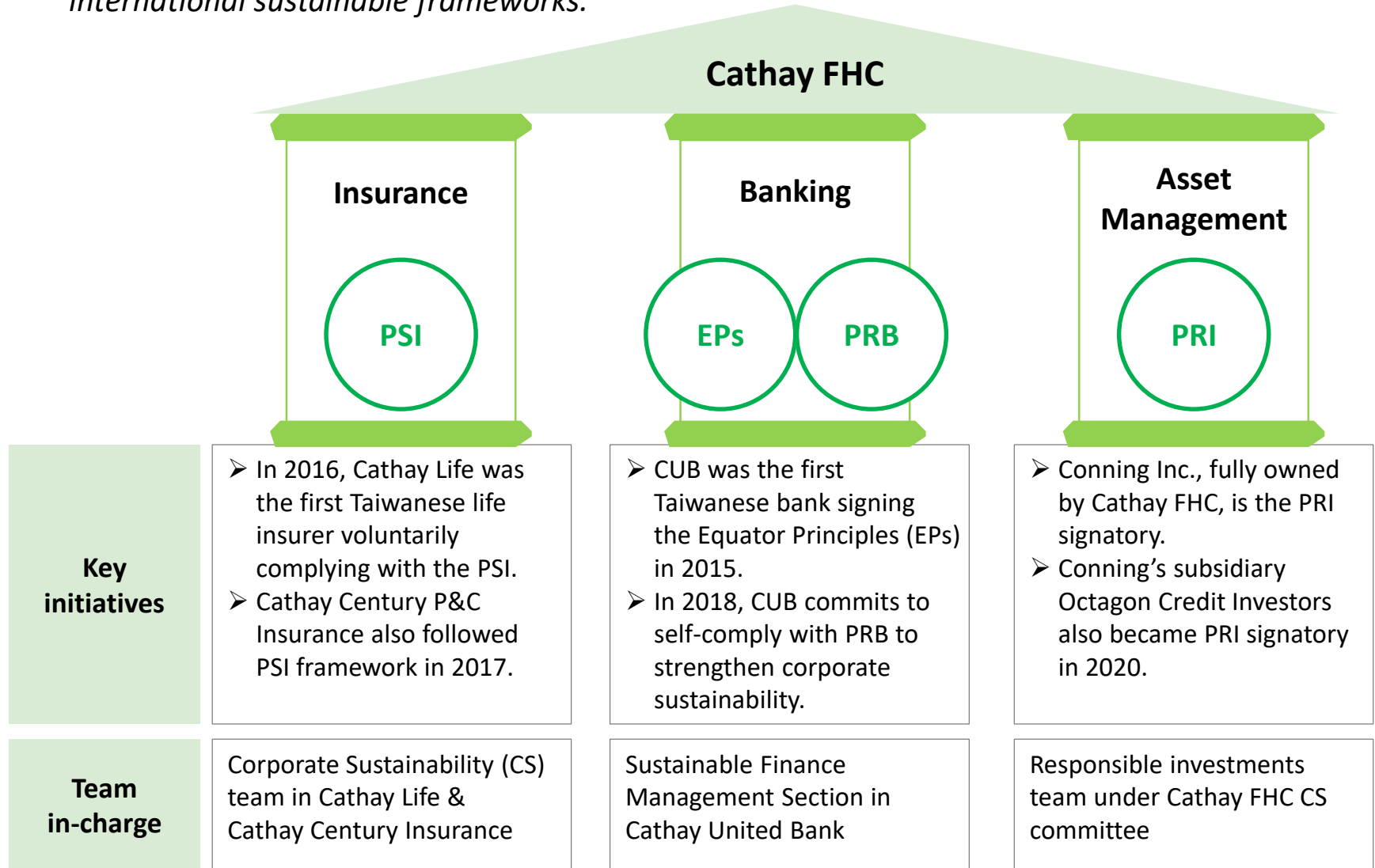
ESG Corporate Awards
Platinum



Corporate Governance Award

Integrating sustainability into our business

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



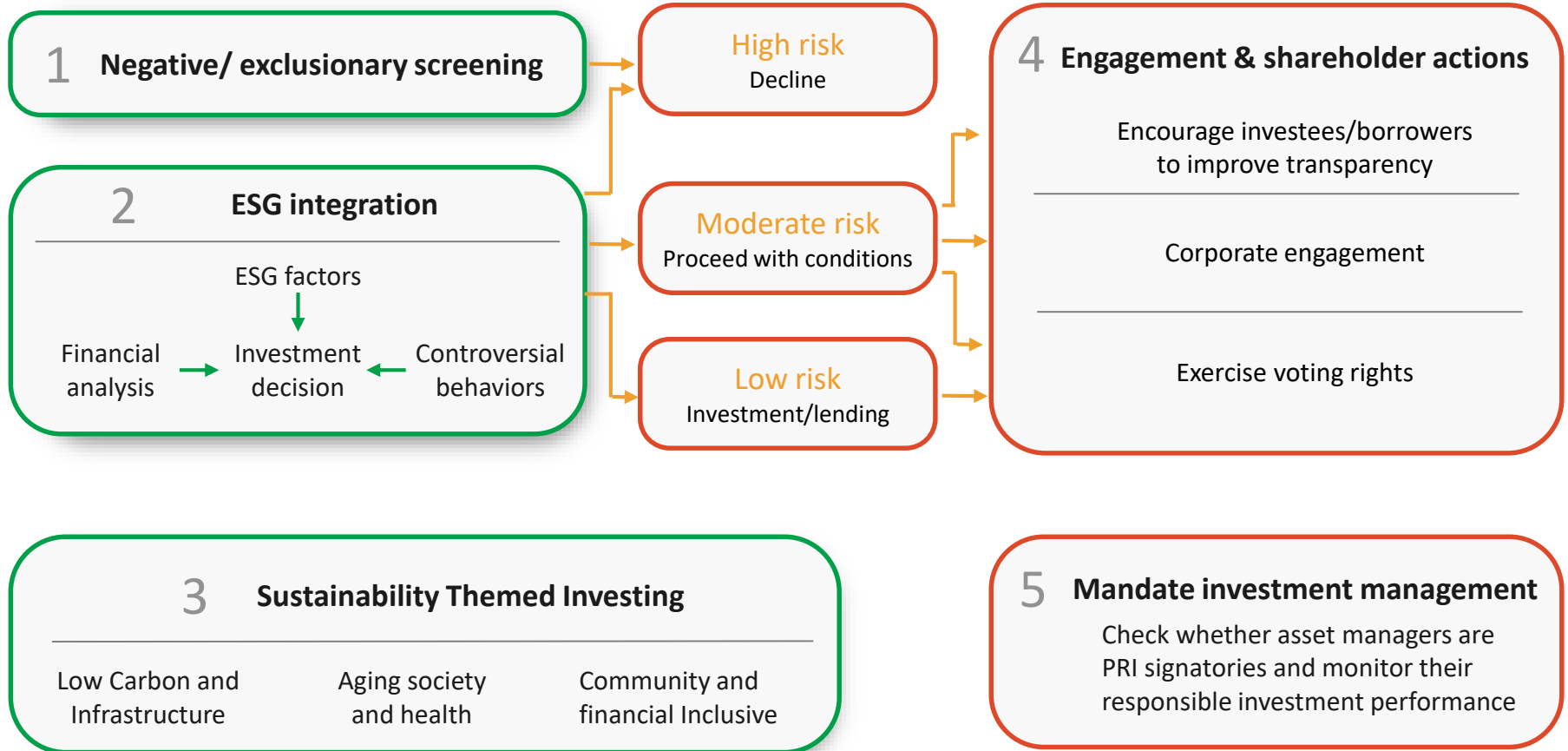
Integrating ESG issues into all business processes

| Business Processes | Risk Management | Products & Services | Operation | After-Sales Management | Investment |
|---|---|---|--|--|---|
| <p>Integrating ESG into Business Process</p> | <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 |

Integrating ESG into responsible investment and lending

Investment/ Lending Process

Engagements after Investment/ Lending

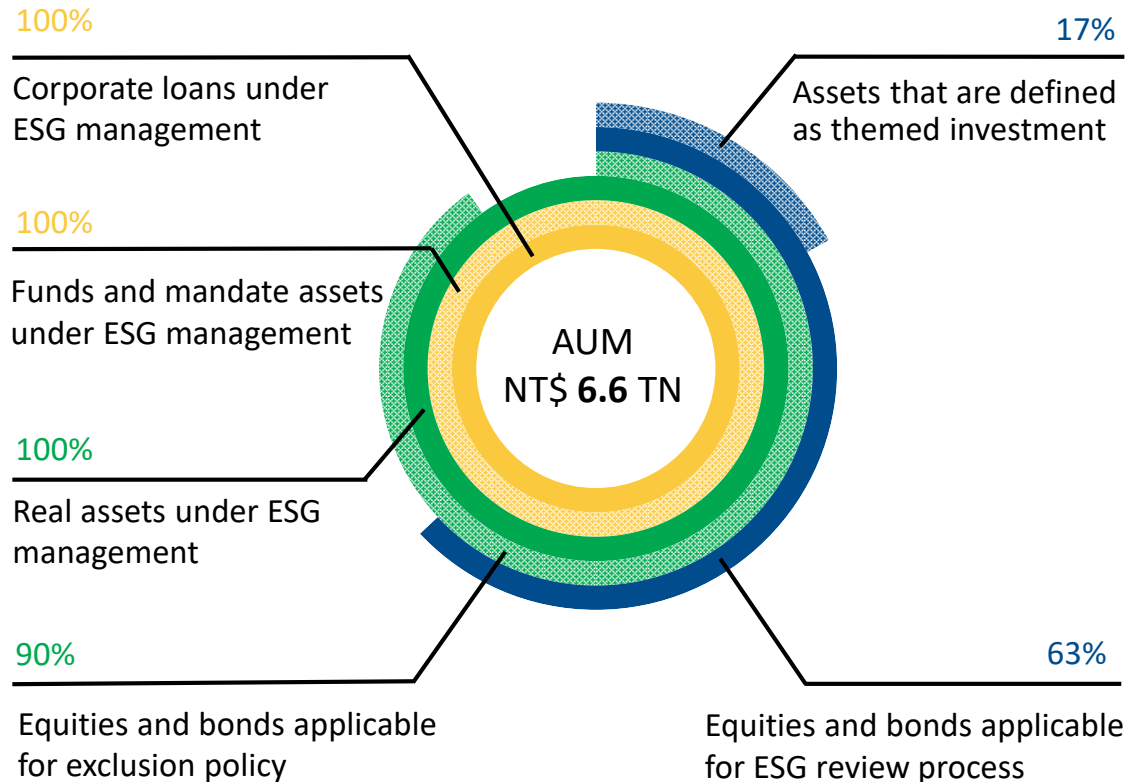


Implementing responsible investment across multiple asset classes

Responsible investment/lending policies

- Responsible Investment and Lending Policy
- Investment and Lending Exclusion Policy
- Stewardship Policy
- Engagement Policy
- Voting Policy
- Rules Governing Project Finance and Equator Principles
- Responsible Property Investment and Management Policy

NT\$6.6 TN assets under responsible investment and lending



Actively participating in Global ESG initiatives

Asia Investor Group on Climate Change (AIGCC)

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.



Low Carbon Investment Registry

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.



Climate Governance Initiatives

Participated in “Global Investor Statement to Governments on Climate Change” since 2014, urging governments of the G7 and G20 nations to fulfill their commitments to Paris Agreement.

Signed “The Investor Agenda” in 2018 to support low carbon investment, corporate engagement, TCFD climate disclosures and policy advocacy.

Supported TCFD initiative since 2018, actively managing climate-related risks.



Engaging with investee companies of ESG improvement

Engagement policies and strategies

Cathay defined “**climate change**” and “**ESG**” as the main engagement strategy.

Aimed to strengthen Taiwan corporates’ awareness and capability in response to climate risks and opportunities.

Urged Taiwan corporates to enhance ESG disclosures in line with global standards.

ESG
Improvement

Investee engagement

More than 500 signatories with AUM over USD 47 trillion have joined Climate Action 100+ to engage 100 systemically important emitters and encourage them to curb emissions, improve governance and strengthen climate-related financial disclosures. **Cathay Life and Cathay SITE are only two signatories in Taiwan.**

Cathay has been engaging with Taiwanese companies.



CDP non-disclosure campaign

The only financial institution in Taiwan has **participated in the CDP non-discloser engagement campaign for 3 consecutive years, encouraging Cathay’s investee companies to respond to CDP questionnaires.**

Cathay’ response rate in 2017 and 2018 was higher than the overall response rate. The **response rate in 2019 ranked top 9 globally.**



Bring positive environmental impact by solar & wind power loan

Wind Power



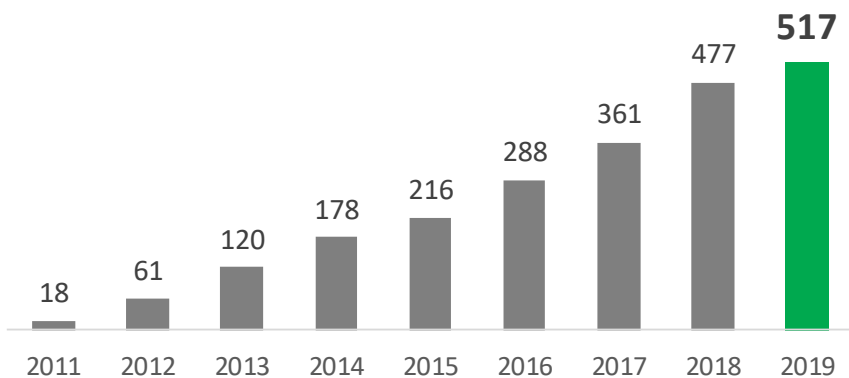
Solar Power



Green Insurance



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



Environment Impact



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

1,285MW



Expected CO2 emissions reduction per years

1.6 million Metric tons



Carbon emissions reduced by solar power devices and offshore wind turbines in 2019 equal to carbon absorption of Da'an Forest Park

4,283 Da'an Forest Parks



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

91.3 billion



Green vehicles insured as of 2019

21,832 Green vehicles



Public bicycles riders insured as of 2019

17.2 million Bicycle riders

Commitment to TCFD implementation

2015/12 Financial Stability Board (FSB) established TCFD

2017

TCFD released final Recommendations report

2018

Supported by global companies and investors

2018/02 Cathay FHC worked with consultants to build climate-related governance and strategies, identify climate risks/opportunities, and worked on scenario analysis.

2018/05 **Signed on TCFD initiative** and committed to disclose climate-related information align with TCFD recommendations. Benchmark global best practices on TCFD implementation.

2018/11 CEO appointed the Chief Risk Officer (CRO) to supervise and manage climate-related risks in assets and liabilities.

2018/12 **Cathay established TCFD task force led by the CRO to manage the impact of climate-related risks on important assets and products.**

2019

2019/04 Cathay TCFD task force **reported scheduled milestone and communicated with external stakeholders.**

2019/08 Cathay TCFD task force planned to put emphasis on comprehensive quantitative analysis and scenario analysis of climate risks, and to incorporate the results of these analysis to improve management processes.

2020

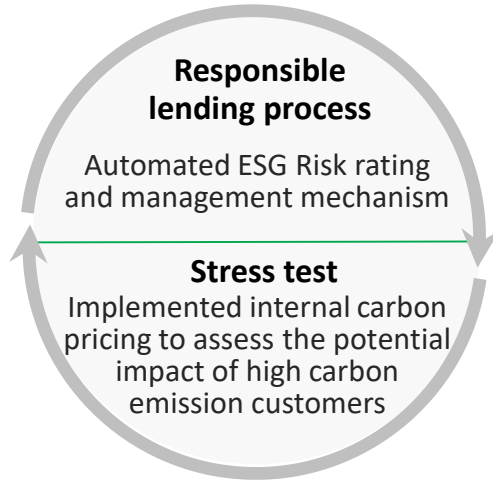
Submitted climate-related risk supervision results to the Board of Directors.

How companies can engage in TCFD initiative:

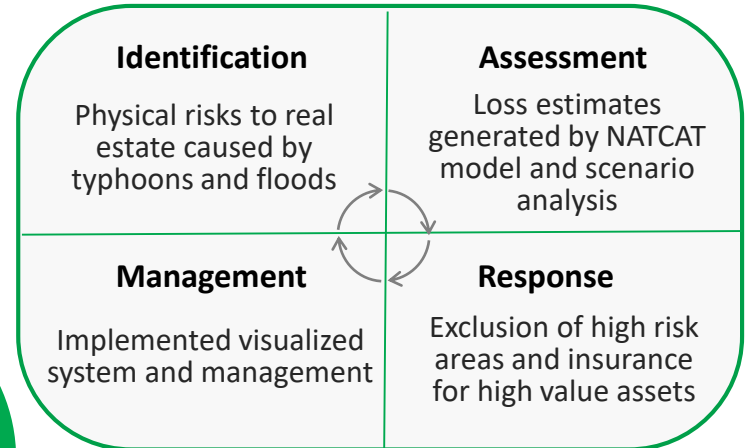
1. Agree with the wording of the commitment
2. Sign the commitment
3. Report climate-related financial information following the TCFD recommendations as fully as practicable within 3 years
4. Use the CDSB Framework or other applicable reporting frameworks for disclosure

Integrating climate risks/opportunities into businesses

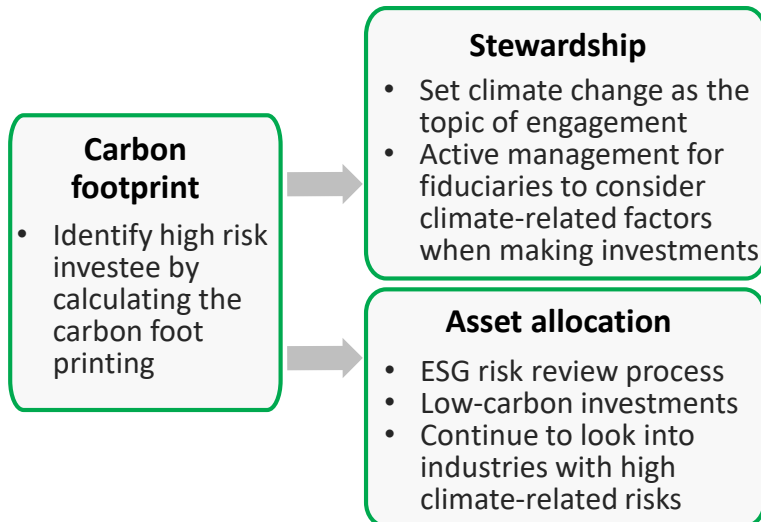
Corporate lending



Self-owned real estate & mortgages

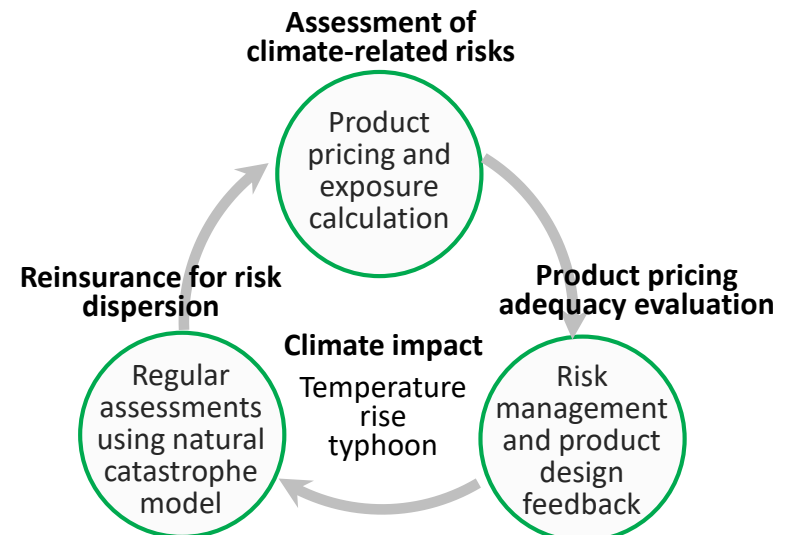


Responsible securities



Transition Risk
TCFD risk Assessment & management
Physical Risk

Life & property insurance Products



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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

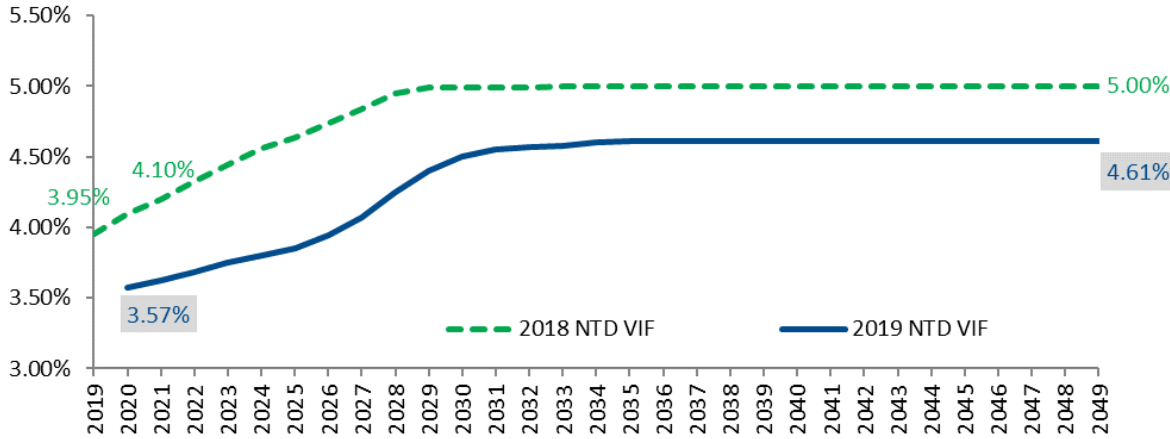
| Valuation date | | 2018 | 2019 | Growth rate | 1Q20 |
|----------------------------------|---|-------|-------|-------------|------|
| Embedded value | Equity | 357 | 589 | 65% | -- |
| | Adjusted net worth | 387 | 621 | 60% | -- |
| | Value of in-force business(before CoC) | 722 | 550 | -24% | -- |
| | 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.

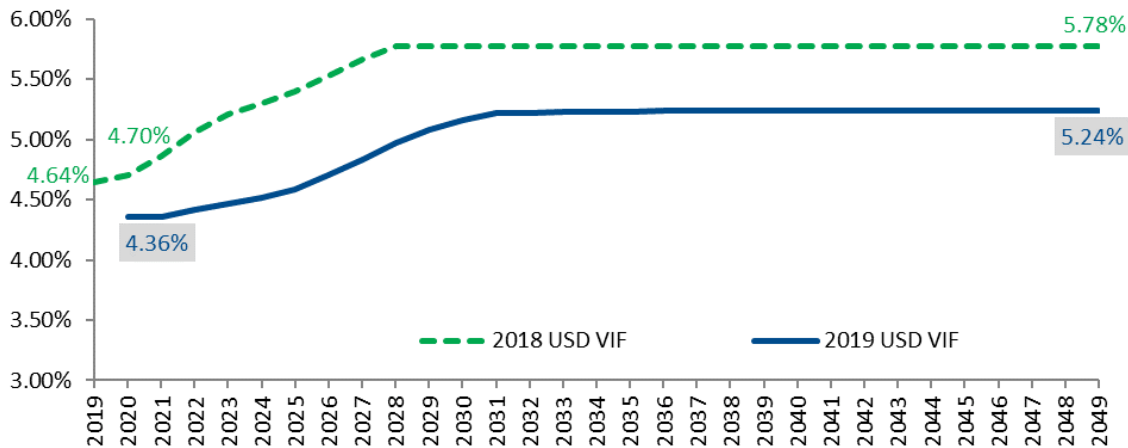
(2) Totals may not sum due to rounding.

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.

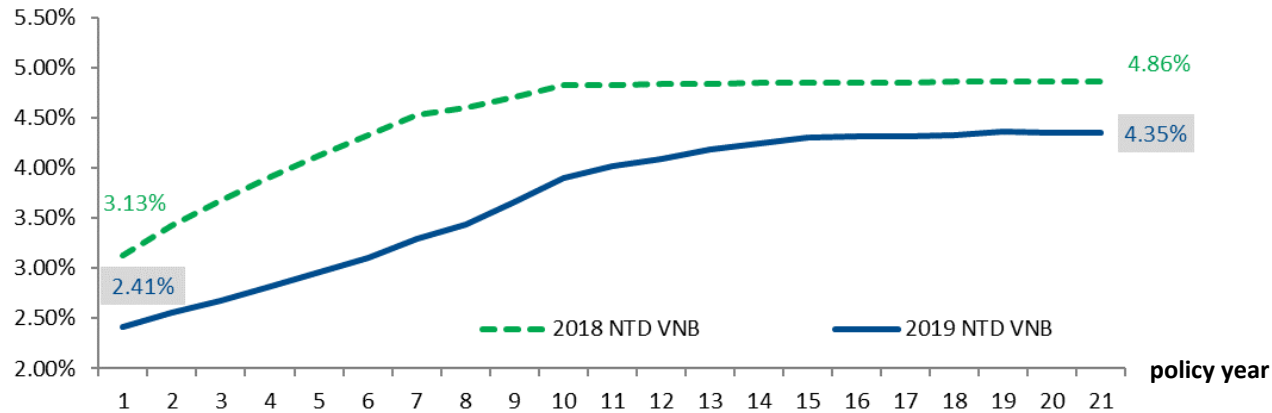


- Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2018 & 2019.

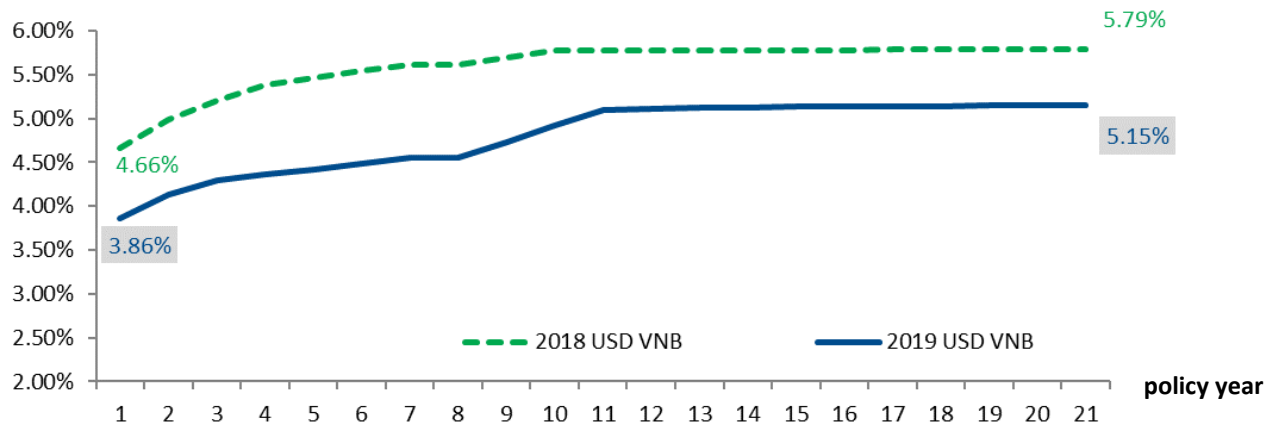


Economic Assumptions: Future one year's new business investment yield

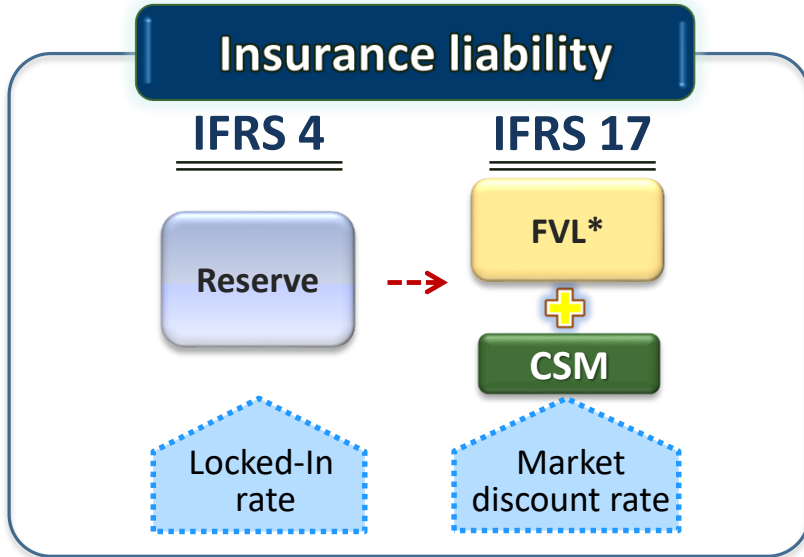
- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2018 & 2019.



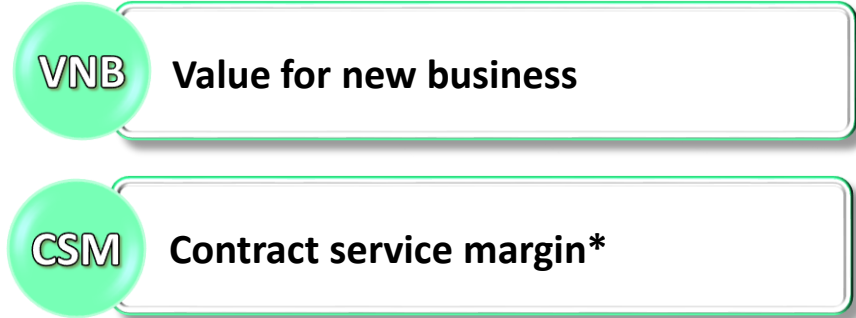
- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2018 & 2019.



IFRS 17 – Measurement



Profit indicators of new products



Note: 1. Fulfillment Value of Liabilities (FVL): present value of future cashflows derived from insurance sold, based on market discount rate at valuation date and most recent available actuarial assumptions.

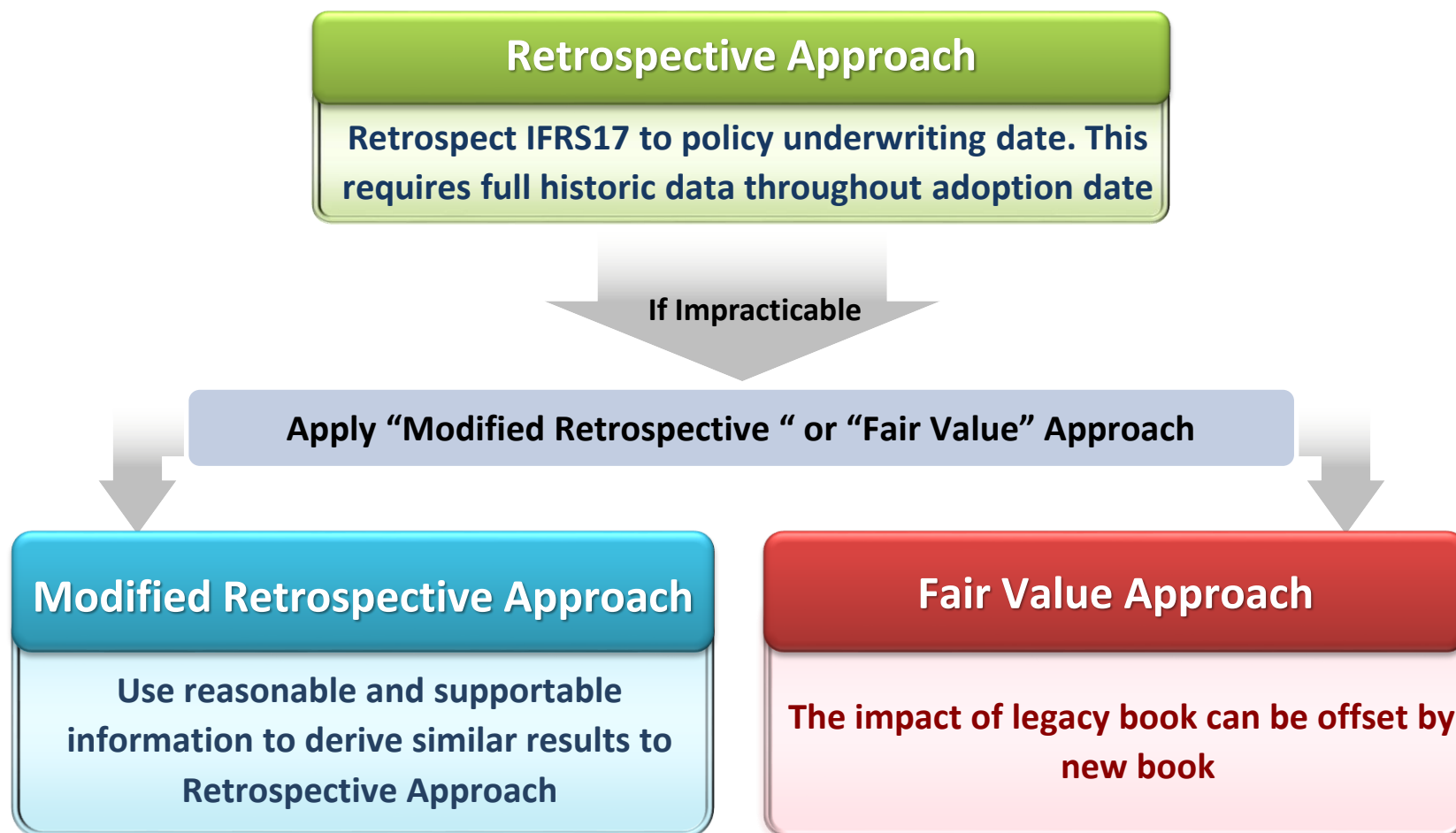
2. Contractual Service Margin (CSM): present value of future unearned profit from insurance contracts to be recognized in the remaining service period.

VNB vs CSM

| | VNB | VS. | CSM |
|--|---------------------------|-----|-------------------------------------|
| Investment Return | Company investment return | | Market discount rate |
| Discount Rate | 10% | | =Risk Free Rate + Liquidity Premium |
| Embedded Option Cost (Crediting Rate) | Deterministic Valuation | | Stochastic Valuation |

Comparable among companies

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 Financial Holdings
(NT\$MN)

| | | | | FY20/ FY19 % Chg | 4Q19 | 4Q20 | 4Q20/ 4Q19 % Chg |
|--|---------------|---------------|---------------|------------------------|--------------|---------------|------------------------|
| Income Statement Data (Consolidated) | | | | | | | |
| Operating Income | | | | | | | |
| Net interest income | 180,628 | 196,367 | 190,930 | -3% | 49,426 | 47,945 | -3% |
| Net commission and fee | 7,312 | 2,346 | 7,244 | 209% | (438) | 1,909 | 535% |
| Net earned premium | 576,811 | 631,487 | 602,806 | -5% | 184,747 | 165,716 | -10% |
| Change in liability reserve | (334,122) | (394,074) | (462,094) | 17% | (137,238) | (121,746) | -11% |
| Net claims payment | (368,656) | (365,669) | (289,808) | -21% | (78,590) | (81,072) | 3% |
| Investment income | 82,634 | 89,797 | 124,347 | 38% | 12,690 | 25,266 | 99% |
| Contribution from associates-equity method | 1,004 | 1,149 | (12,085) | -1152% | 505 | 365 | -28% |
| Other net non-interest income | (6,421) | 411 | 6,480 | 1475% | 4,847 | (4,365) | -190% |
| Bad debt expense | (4,599) | (2,205) | (3,178) | 44% | (1,585) | (1,429) | -10% |
| Operating expense | (78,992) | (89,050) | (83,027) | -7% | (25,136) | (22,262) | -11% |
| Income before taxes | 55,599 | 70,557 | 81,616 | 16% | 9,227 | 10,327 | 12% |
| Income taxes | (3,777) | (6,698) | (5,658) | -16% | 2,480 | 1,216 | -51% |
| Net income | 51,822 | 63,859 | 75,958 | 19% | 11,707 | 11,543 | -1% |
| EPS (NT\$) | 3.95 | 4.76 | 5.41 | | 0.90 | 0.86 | |
| Dividend Payout | | | | | | | |
| Cash dividend per share | 1.50 | 2.00 | | | | | |
| Stock dividend per share | 0.00 | 0.00 | | | | | |
| Weighted average outstanding shares (Millions of common shares) | 12,563 | 12,618 | 13,169 | | | | |
| Balance Sheet Data (Consolidated) | | | | | | | |
| Total assets | 9,224,484 | 10,065,479 | 10,950,472 | | | | |
| Total shareholders' equity | 529,289 | 782,027 | 904,776 | | | | |
| Operating Metrics | | | | | | | |
| ROAE (Consolidated) | 8.83% | 9.74% | 9.01% | | | | |
| ROAA (Consolidated) | 0.57% | 0.66% | 0.72% | | | | |
| Double leverage ratio(inc. preferred stock) | 112% | 110% | 111% | | | | |
| Capital Adequacy Metrics | | | | | | | |
| Capital Adequacy Ratio | 127% | 139% | 145% | | | | |

Notes:

- (1) All data and information on this page is provided for informational purposes only, and may subject to adjustment.
For more details, please refer to our official financial reports.
- (2) Total may not sum due to rounding.

Cathay Life

(NT\$MN)

Income Statement Data (Consolidated)

| | FY18 | FY19 | FY20 | FY20/ FY19 % Chg | 4Q19 | 4Q20 | 4Q20/ 4Q19 % Chg |
|------------------------------------|-----------|-----------|-----------|------------------------|-----------|-----------|------------------------|
| Net written premium | 559,386 | 608,641 | 580,261 | -5% | 178,293 | 159,658 | -10% |
| Net earned premium | 558,929 | 607,820 | 579,563 | -5% | 177,600 | 158,849 | -11% |
| Reinsurance commission earned | 762 | 356 | 533 | 50% | 334 | 520 | 56% |
| Fee income | 9,148 | 8,450 | 8,701 | 3% | 2,222 | 2,291 | 3% |
| Recurring investment income | 197,281 | 228,037 | 212,247 | -7% | 47,514 | 49,136 | 3% |
| Gain on disposal of investment | | | | | | | |
| Realized gain (loss)-Equity | 49,374 | 38,929 | 74,997 | 93% | 10,211 | 16,488 | 61% |
| Realized gain (loss)-Debt | 15,092 | 36,365 | 64,964 | 79% | 14,395 | 10,790 | -25% |
| Gain on investment property | (740) | 912 | 1,881 | 106% | 290 | (1) | -100% |
| FX and others, net | (44,019) | (61,689) | (90,182) | -46% | (15,443) | (17,099) | -11% |
| Investment income, net | 216,988 | 242,553 | 263,907 | 9% | 56,968 | 59,313 | 4% |
| Other operating income | 5,508 | 6,107 | 6,978 | 14% | 1,700 | 1,560 | -8% |
| Separate account revenues | 28,084 | 63,653 | 73,396 | 15% | 17,353 | 40,181 | 132% |
| Net claims payment | (357,244) | (349,158) | (273,049) | -22% | (73,304) | (75,767) | 3% |
| Changes in liability reserves | (333,716) | (393,679) | (462,233) | 17% | (137,130) | (121,758) | -11% |
| Acquisition and commission expense | (33,900) | (43,834) | (35,815) | -18% | (14,033) | (9,677) | -31% |
| Other operating costs | (7,765) | (6,394) | (6,635) | 4% | (2,019) | (1,344) | -33% |
| Financial cost | (2,331) | (2,730) | (2,501) | -8% | (704) | (734) | 4% |
| Separate account expense | (28,084) | (63,653) | (73,396) | 15% | (17,353) | (40,181) | 132% |
| Operating expense | (29,165) | (30,692) | (29,565) | -4% | (7,846) | (7,631) | -3% |
| Net non-operating income | 1,312 | 1,710 | 1,589 | -7% | 515 | 392 | -24% |
| Income taxes | 1,773 | (2,216) | 1,209 | -155% | 3,413 | 1,819 | -47% |
| Net income | 30,297 | 38,293 | 52,682 | 38% | 7,716 | 7,834 | 2% |

Balance Sheet Data

| | | | |
|---|-----------|-----------|-----------|
| Total assets | 6,391,395 | 7,085,624 | 7,675,559 |
| General account | 5,844,430 | 6,478,081 | 7,033,875 |
| Separate account | 546,964 | 607,542 | 641,685 |
| Reserves for life insurance liabilities | 5,313,167 | 5,683,424 | 6,085,534 |
| Total liabilities | 6,029,265 | 6,491,106 | 6,954,433 |
| Total shareholders' equity | 362,129 | 594,518 | 721,126 |

Operating Metrics (Standalone)

| | | | |
|-------------------------------------|---------|---------|---------|
| First Year Premium(FYP) | 211,588 | 201,064 | 160,771 |
| First Year Premium Equivalent(FYPE) | 71,372 | 96,313 | 62,182 |
| Expense ratio | 9.6% | 10.6% | 9.5% |
| 13-M persistency ratio | 98.4% | 98.0% | 98.1% |
| 25-M persistency ratio | 94.7% | 96.4% | 95.5% |
| ROAE | 7.25% | 8.01% | 8.01% |
| ROAA | 0.48% | 0.57% | 0.71% |

Capital Adequacy Metrics (Standalone)

| | | | |
|-----------|------|------|------|
| RBC ratio | 292% | 346% | 360% |
|-----------|------|------|------|

Notes:

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(2) Total may not sum due to rounding.

Cathay United Bank

| (NT\$MN) | | | | FY20/ FY19 | | | 4Q20/ 4Q19 |
|--|-----------|-----------|-----------|---------------|---------|---------|---------------|
| <u>Income Statement Data (Consolidated)</u> | FY18 | FY19 | FY20 | % Chg | 4Q19 | 4Q20 | % Chg |
| Operating Income | | | | | | | |
| Net interest income | 33,397 | 36,446 | 35,223 | -3% | 9,393 | 8,938 | -5% |
| Fee income | 16,678 | 17,090 | 16,331 | -4% | 4,009 | 3,697 | -8% |
| Investment income | 9,862 | 8,996 | 9,482 | 5% | 792 | 934 | 18% |
| Other income | 918 | 594 | 855 | 44% | 142 | 205 | 44% |
| Net operating income | 60,855 | 63,126 | 61,891 | -2% | 14,336 | 13,774 | -4% |
| Operating expenses | (31,340) | (33,806) | (32,686) | -3% | (8,786) | (8,622) | -2% |
| Pre-provision profit | 29,515 | 29,320 | 29,205 | 0% | 5,550 | 5,152 | -7% |
| Net provisions for possible losses | (5,032) | (2,853) | (3,382) | 19% | (1,302) | (1,475) | 13% |
| Income before taxes | 24,483 | 26,467 | 25,823 | -2% | 4,248 | 3,677 | -13% |
| Income tax | (3,230) | (3,981) | (3,512) | -12% | (884) | (574) | -35% |
| Net income | 21,253 | 22,486 | 22,311 | -1% | 3,365 | 3,104 | -8% |
| Balance Sheet Data | | | | | | | |
| Total assets | 2,843,881 | 2,973,496 | 3,229,460 | | | | |
| Loans, net | 1,595,323 | 1,553,151 | 1,661,296 | | | | |
| Financial assets | 878,001 | 897,677 | 1,028,595 | | | | |
| Total liability | 2,638,074 | 2,741,601 | 2,982,805 | | | | |
| Deposits | 2,227,662 | 2,335,331 | 2,648,995 | | | | |
| Financial Debenture Payable | 55,600 | 53,900 | 53,800 | | | | |
| Total shareholders' equity | 205,807 | 231,895 | 246,656 | | | | |
| Operating Metrics | | | | | | | |
| Cost income ratio | 51.50% | 53.55% | 52.81% | | | | |
| ROAE | 10.86% | 10.27% | 9.32% | | | | |
| ROAA | 0.76% | 0.77% | 0.72% | | | | |
| Assets Quality (Standalone) | | | | | | | |
| NPL | 2,563 | 2,286 | 2,274 | | | | |
| NPL ratio | 0.16% | 0.15% | 0.14% | | | | |
| NPL provisions | 23,879 | 25,983 | 26,846 | | | | |
| Coverage ratio | 932% | 1137% | 1180% | | | | |
| Capital Adequacy Metrics (Standalone) | | | | | | | |
| BIS ratio | 15.0% | 15.1% | 16.9% | | | | |
| Tier I Ratio | 11.8% | 12.3% | 14.2% | | | | |
| LDR (Standalone) | | | | | | | |
| LDR | 70.7% | 65.5% | 62.5% | | | | |
| TWD LDR | 77.7% | 70.1% | 69.7% | | | | |
| FX LDR | 46.6% | 48.8% | 38.7% | | | | |

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Cathay Century

| (NT\$MM) | | | | FY20/ FY19 | | | 4Q20/ 4Q19 |
|---|--------------|--------------|--------------|---------------|------------|------------|---------------|
| | FY18 | FY19 | FY20 | % Chg | 4Q19 | 4Q20 | % Chg |
| Income Statement Data (Consolidated) | | | | | | | |
| Premium income | 23,186 | 25,343 | 25,498 | 1% | 7,150 | 7,062 | -1% |
| Net written premium | 17,797 | 19,550 | 19,413 | -1% | 5,598 | 5,281 | -6% |
| Net earned premium | 17,349 | 19,077 | 18,848 | -1% | 5,196 | 4,762 | -8% |
| Reinsurance commission earned | 556 | 572 | 572 | 0% | 145 | 160 | 10% |
| Fee income | 43 | 42 | 45 | 6% | 10 | 10 | 1% |
| Investment | 640 | 1,020 | 1,254 | 23% | 257 | 304 | 19% |
| Interest income | 559 | 555 | 546 | -2% | 144 | 129 | -10% |
| Other investment income, net | 81 | 465 | 708 | 52% | 113 | 175 | 55% |
| Other operating income | 0 | 0 | 0 | 0% | 0 | 0 | 0% |
| Net claims payment | (9,408) | (10,321) | (10,669) | 3% | (2,840) | (2,732) | -4% |
| Changes in liability reserves | (406) | (395) | 139 | -135% | (108) | 12 | -111% |
| Commissions and other operating costs | (3,043) | (3,409) | (3,411) | 0% | (1,014) | (966) | -5% |
| Operating expenses | (3,848) | (4,097) | (4,224) | 3% | (1,118) | (1,192) | 7% |
| Operating income | 1,883 | 2,490 | 2,553 | 3% | 528 | 360 | -32% |
| Net non-operating income | (24) | 5 | 5 | 1% | 6 | 5 | -14% |
| Income taxes | (349) | (389) | (385) | -1% | (75) | (58) | -22% |
| Net income | 1,510 | 2,106 | 2,174 | 3% | 459 | 307 | -33% |
| Balance Sheet Data | | | | | | | |
| Total assets | 37,956 | 43,008 | 44,298 | | | | |
| Total stockholders' equity | 10,025 | 12,656 | 13,130 | | | | |
| Operating Metrics | | | | | | | |
| Gross Combined ratio | 81.8% | 84.8% | 83.2% | | | | |
| Net Combined ratio | 92.2% | 93.0% | 92.9% | | | | |
| ROAE | 14.69% | 18.57% | 16.86% | | | | |
| ROAA | 3.96% | 5.19% | 4.98% | | | | |
| Capital Adequacy Metrics | | | | | | | |
| RBC ratio (Standalone) | 370% | 339% | 323% | | | | |

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