



國泰金控

Cathay Financial Holdings

2024 First Quarter Briefing

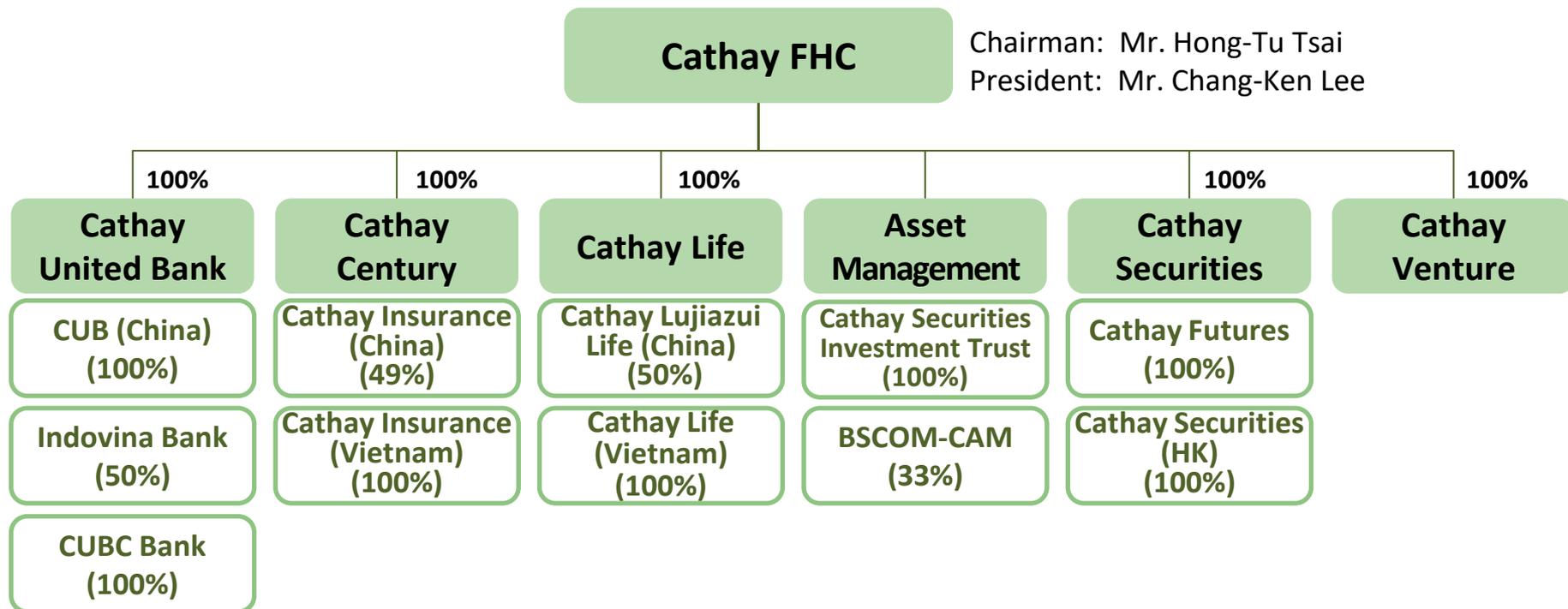
May 2024



Agenda

- ❑ **Introduction of Cathay FHC**
- ❑ **Business overview**
- ❑ **Overseas expansion**
- ❑ **Business performance summary**
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- ❑ **Cathay Life embedded value & appraisal value**
- ❑ **Cathay's ESG efforts**
- ❑ **Appendix**

Cathay FHC: largest FHC, comprehensive products



- One of the largest private banks in terms of total assets
- The largest brokerage settlement bank

- 2nd biggest non-life insurer
- Market share in total premium income: 12.7% (1Q24)

- No. 1 life insurer in terms of total assets and total premium
- Market share in total premium: 19.2% (1Q24)

- Largest AUM among asset managers in Taiwan
- Extending global asset management products and services

- Innovative digital business model
- Investment banking, brokerage, and proprietary trading businesses

Market leader in Taiwan's FIG sector

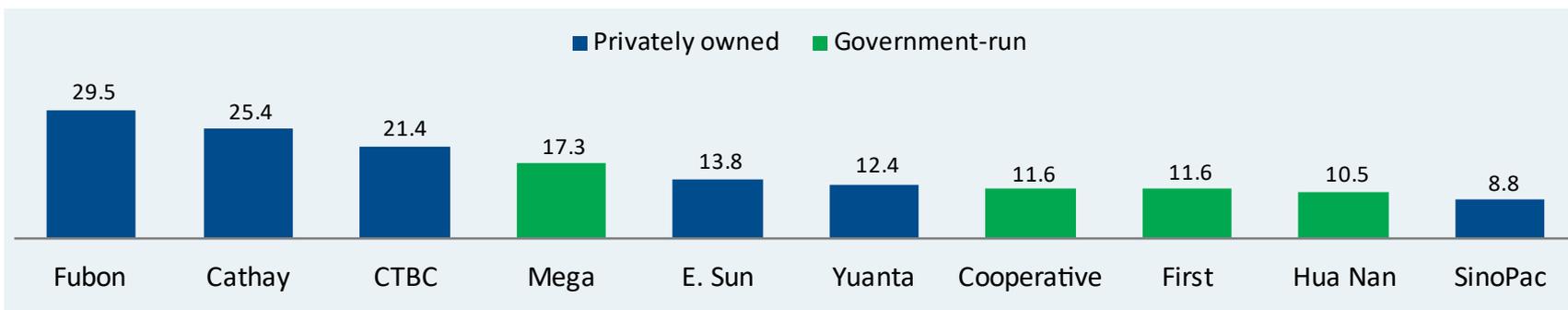
- Largest listed financial group by assets.

Ranking of total asset (US\$bn)



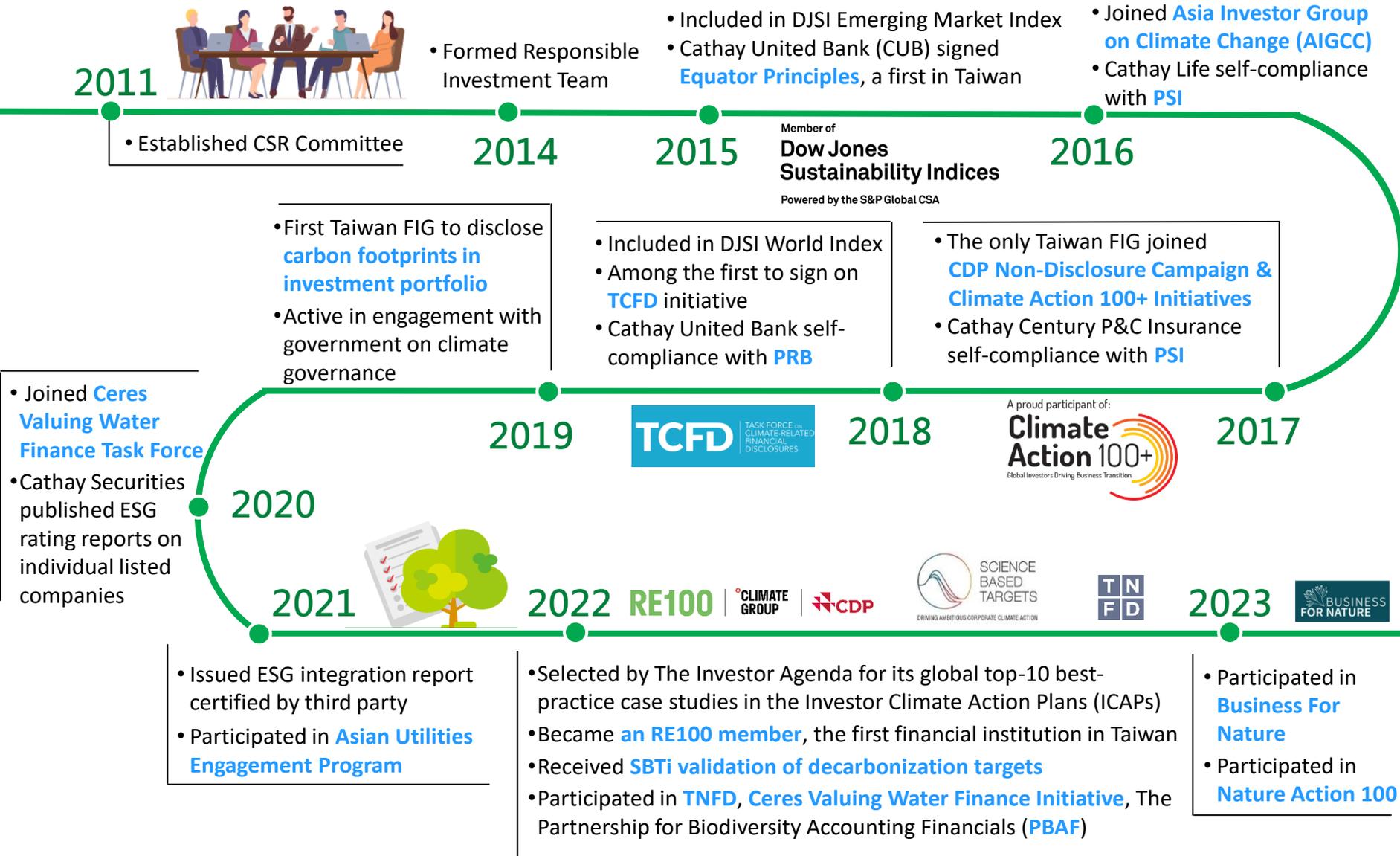
Note: Total assets as of March 31, 2024

Ranking of market cap (US\$bn)



Note: Market capitalization as of May 31, 2024

Cathay FHC's continuous effort in ESG integration



Empowering financial services with digital, data and technology

cube **One-stop digital financial services**

CUB digital users increased to over 7mn

Year	Users (Mn)
'18	~1.5
'19	~1.8
'20	~2.2
'21	~2.8
'22	~3.5
'23	>7.0

FitBack 動不動就健康 **健康吧** **Enlarged digital health promotion**

Integrated spillover policies with health promotion services — **FitBack** program

Members exceeded 1mn, highest in the industry

Diversified financial innovation

AI BLOCKCHAIN CLOUD

DATA ECOSYSTEM

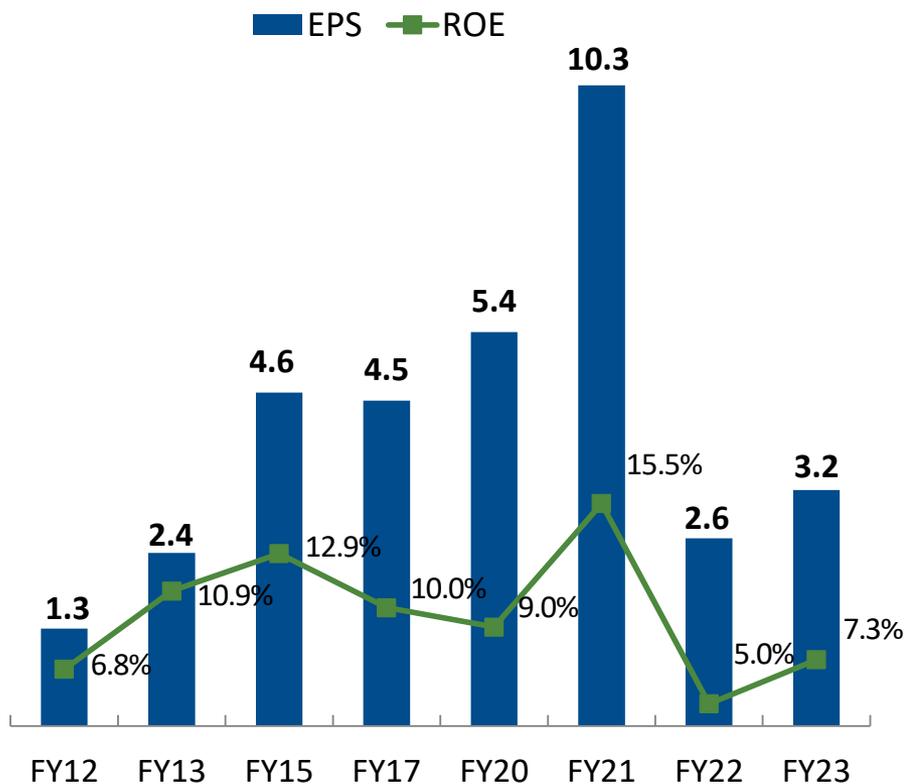
Overseas digitalization

CUB Cambodia launched mBanking APP, leveraging digital tools to develop consumer banking business

Cathay FHC continued to deliver solid earnings

EPS & ROE

(NT\$/%)

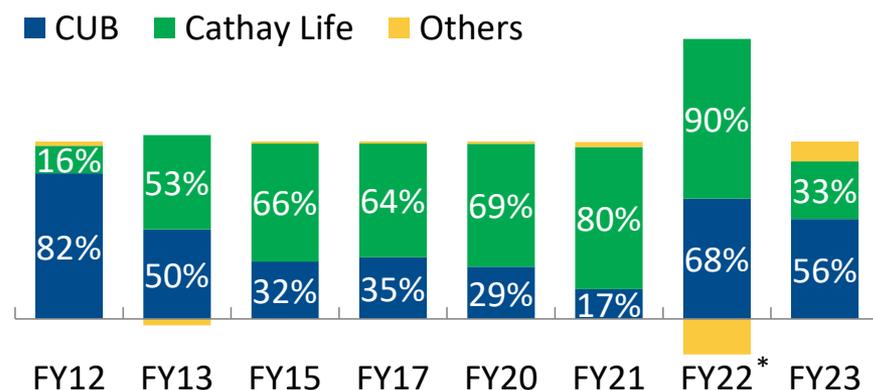
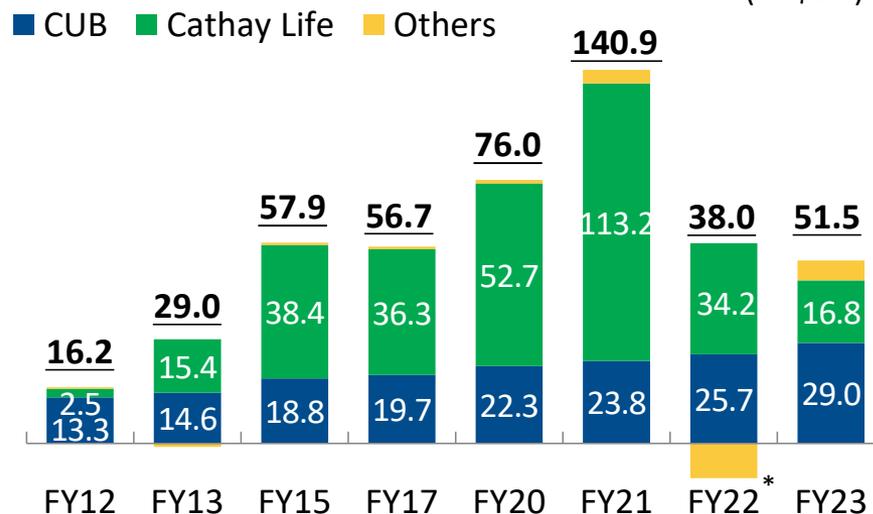


Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.

(2) EPS has been adjusted for stock dividend (stock split).

Profit contribution

(NT\$BN)



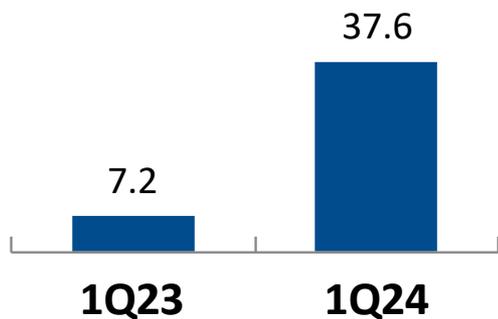
* Cathay Century reported a net loss of NT\$19.6bn due to pandemic insurance losses.

Cathay FHC – Net income & EPS

- 1Q24 net income reached the second-highest record for the first quarter, with strong core business momentum across all subsidiaries.

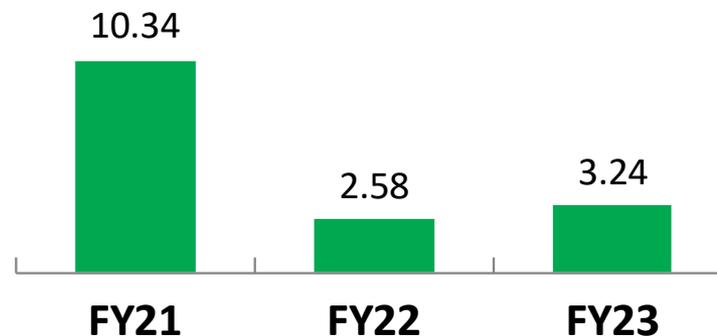
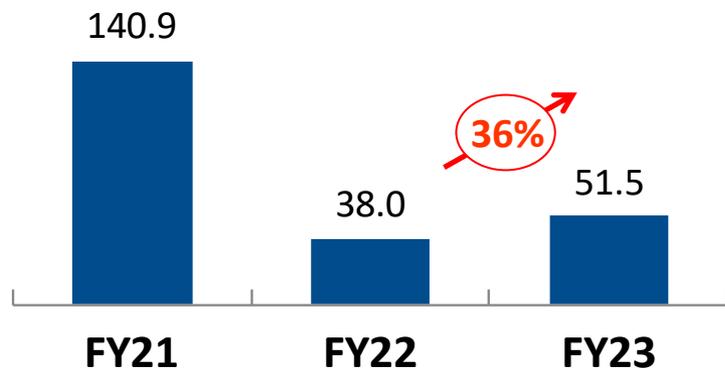
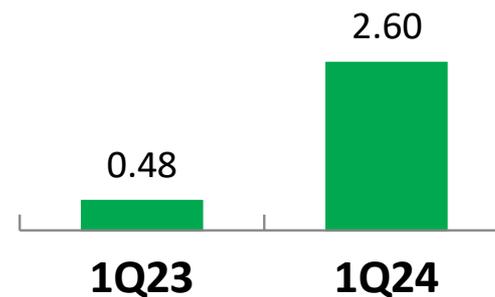
Net income

(NT\$BN)



EPS

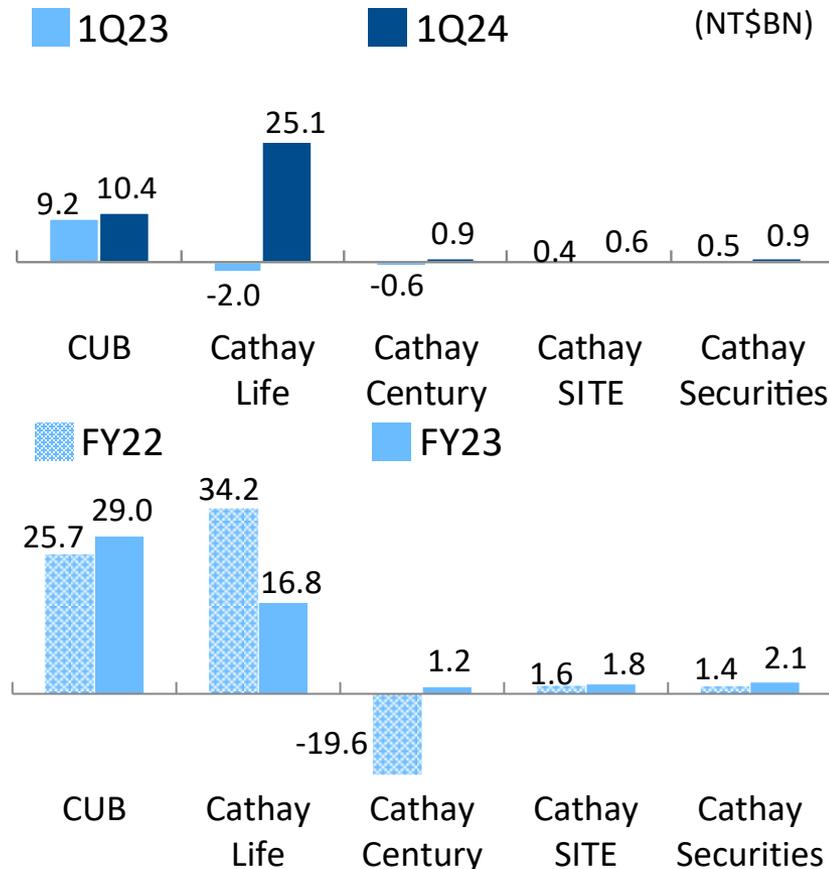
(NT\$)



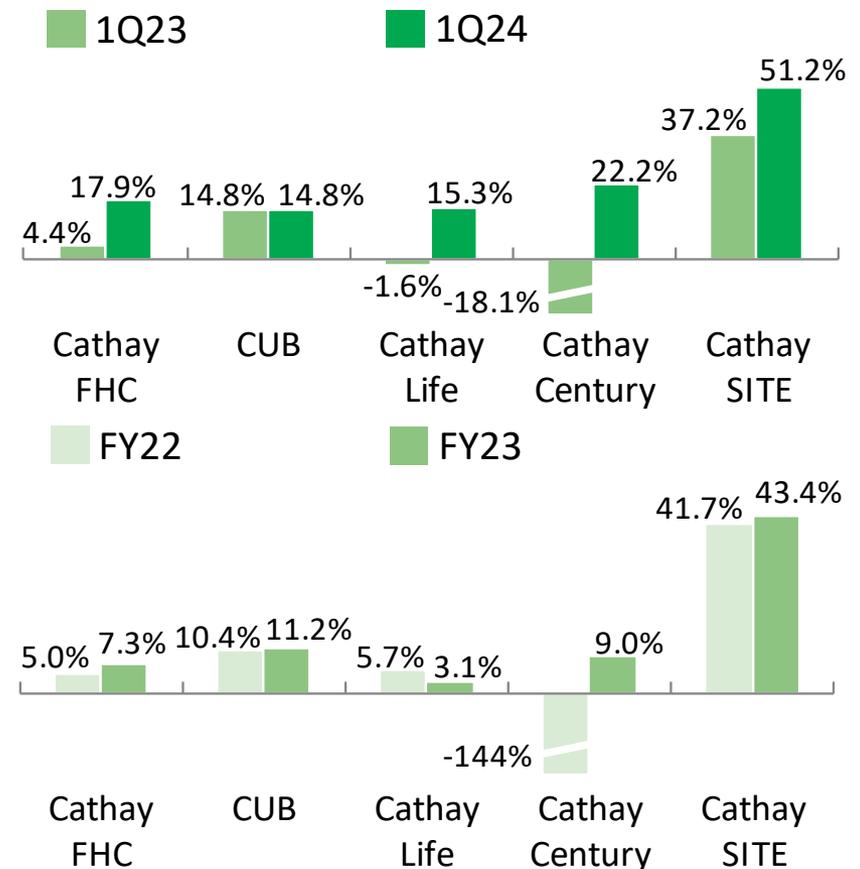
Cathay FHC – Net income & ROE

- CUB, Cathay Century, Cathay SITE and Cathay Securities each delivered record high 1Q earnings.
- Cathay Life's 1Q24 net income has already surpassed 2023 full year's figure; recurring income sustained YoY growth, investment performance was strong, and underwriting profits retained steady.

Net income of primary subsidiaries

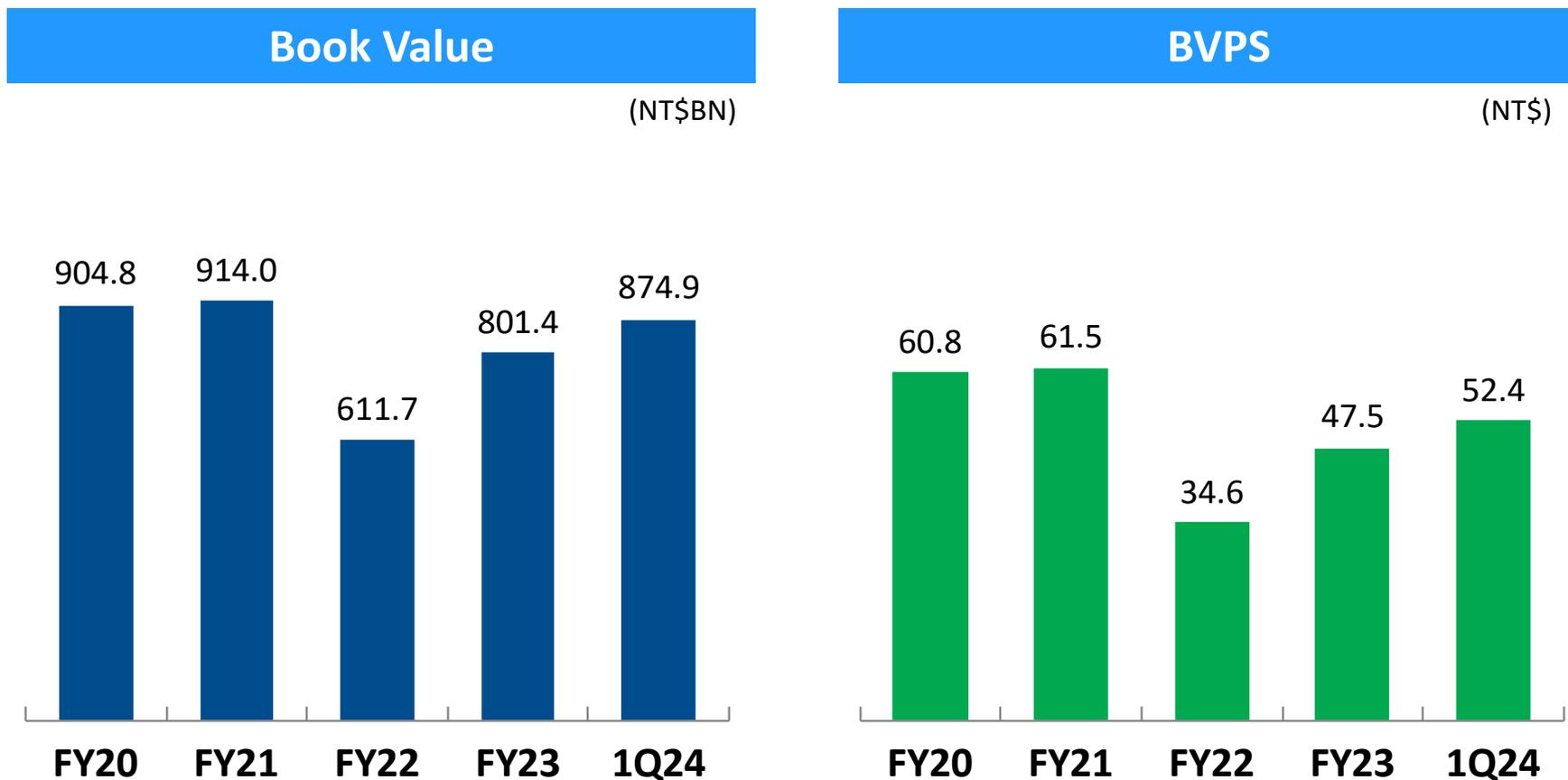


ROE



Cathay FHC – Book value & BVPS

- Book value continued to increase YTD, supported by earnings contributions and the rise in equity markets.



Note: (1) Cathay Life changed its business model for financial asset classification on 2022/10/1 in accordance with IFRS 9 and the guidance by Accounting Research and Development Foundation.

(2) Book value includes preferred shares and minority interests. BVPS represented BVPS attributable to common shareholders.

1Q24 Business overview

Cathay United Bank

- 1Q24 net income set a record high for the January–March period, with 14% growth YoY.
- Delivered robust loan growth. Net interest income grew steadily YoY. Asset quality maintained benign.
- Net fee income grew 43% YoY, driven by strong growth in WM and credit card fees.

Cathay Life

- Adhered to a value-driven strategy. APE and VNB grew 28% and 32% YoY, respectively, driven by strong sales growth in long-term regular-premium products.
- Recurring yield increased by 8bps YoY; overall investment performance was strong, with after-hedging investment yield reaching 4.39%.
- Book value continued to rise, with E/A of 8.8%.

Cathay Century

- Premiums increased 16% YoY, with 12.7% market share. Maintained steady underwriting profits by focusing on both quality and quantity, as well as ongoing risk management.
- Strengthened online business in China. Accelerated digital transformation and business expansion in Vietnam.

Cathay SITE

- Set record-high first-quarter earnings. Ranked No. 1 in AUM, amounting to NT\$1.83tn. Earned wide acclaim for various products.
- Received numerous awards, including Best Fund/Institution House, from AsianInvestor, Asia Asset Management, and Benchmark.

Cathay Securities

- Optimized customer experience via digital-only business model, focused on digital customers to increase customer base, and expanded domestic brokerage market share.
- Enriched product lines and platform functions in sub-brokerage business.

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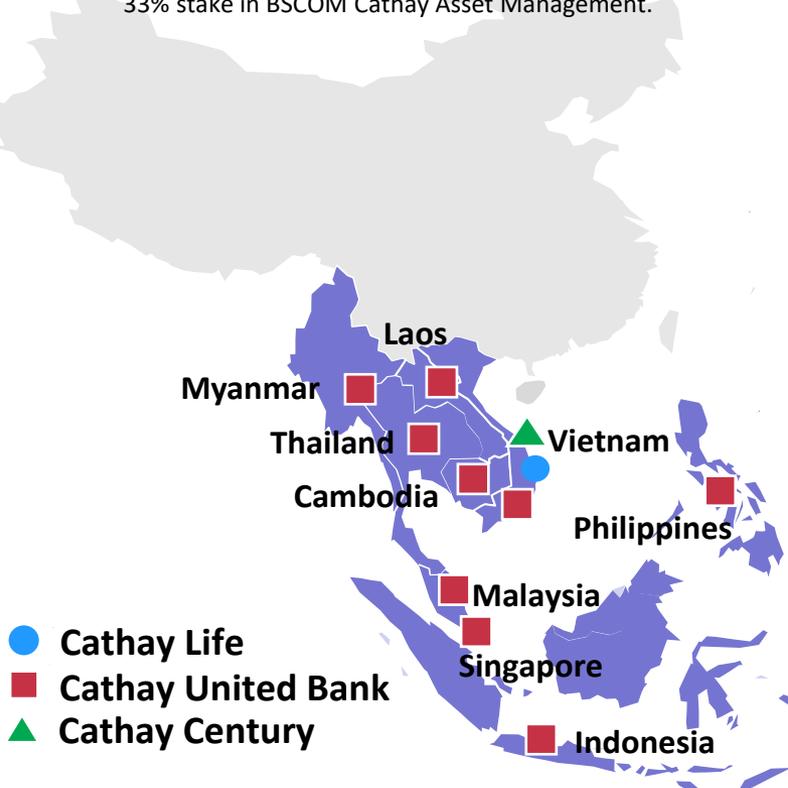
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Cathay FHC in Southeast Asia

	China	Vietnam	Cambodia	Hong Kong	Singapore	Malaysia	Laos	Philippines	Myanmar	Thailand	Indonesia
Bank	7	37	15	1	1	1	1	1	1	1	1
Life	51	148									
P&C	26	2									
Asset Mgt.	1										
Securities				2							

Note: (1) Footprints in Thailand and Indonesia are rep. offices.

(2) Cathay FHC owns 49% stake in Cathay Century (China), and 33% stake in BSCOM Cathay Asset Management.



■ Banking

- Vietnam: Launched digital retail banking in March, introducing CUB Vietnam App and digital consumer loans.
- Cambodia: Expanded customer base and attracted cash flow and deposits via digital applications and promotions.
- Singapore: Deepened cross-border corporate banking business; cultivated local and cross-border customers.

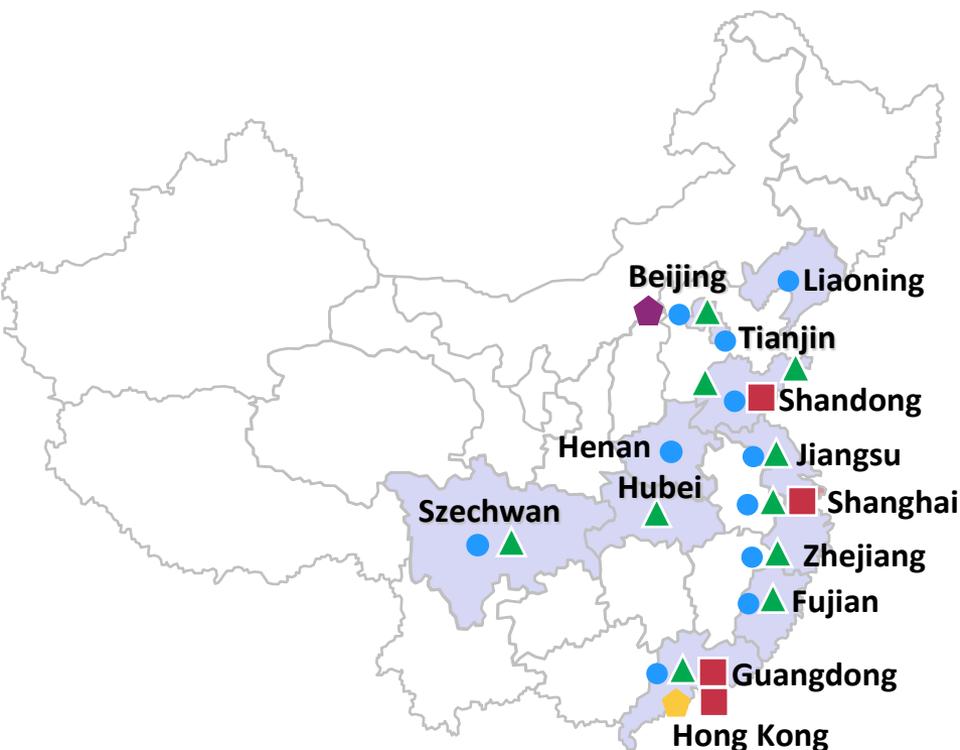
■ Cathay Life (Vietnam)

- Total premium grew 14% YoY to 0.8tn VND in 1Q24.
- Expanded and diversified distribution channels.

■ Cathay Century

- Premium income grew to 162bn VND in 1Q24.
- Continued to promote digital transformation and mobile insurance app.

Cathay FHC in China



- Cathay Lujiazui Life
- Cathay United Bank
- ▲ Cathay Century (China)
- ◆ Cathay Securities
- ◆ BSCOM Cathay Asset Management Company

■ Cathay United Bank

- China subsidiary continues prudent operations, focusing on industries and customers with growth potential, and expanding cross-border business.

■ Cathay Lujiazui Life

- Total premium grew 22% YoY to 1.7bn RMB in 1Q24.
- Grew business in scale and value through agent workforce and multiple-channel development.

■ Cathay Century (China)

- Formed a strategic alliance with Ant Group. Actively developed e-commerce financial services, with ~90% of premium from online channels.

■ Cathay Securities (HK)

- Continued to grow local and cross-border business.

■ BSCOM Cathay Asset Management

- Business remained steady.

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Cathay United Bank

Cathay Life

Cathay Century

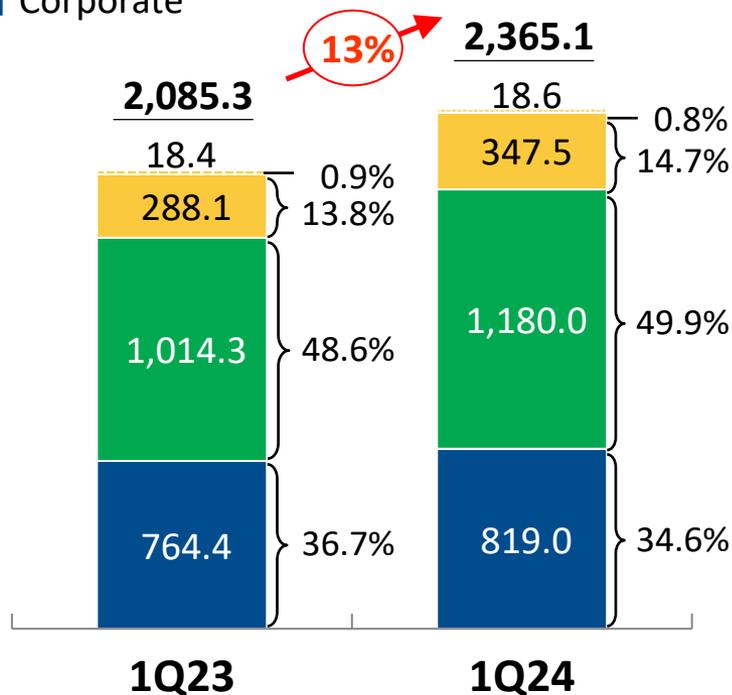
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Cathay United Bank – Loan & deposit breakdown

- Loan growth was robust, with mortgage and consumer loans showing double-digit growth.
- Deposits saw solid growth; maintained the advantage of high demand-deposit ratio.

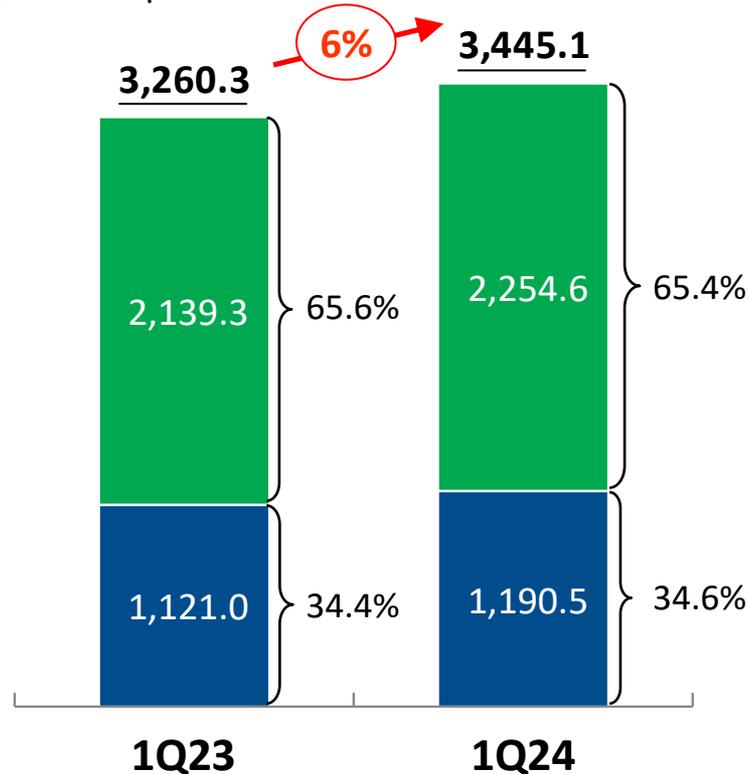
Loan breakdown

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



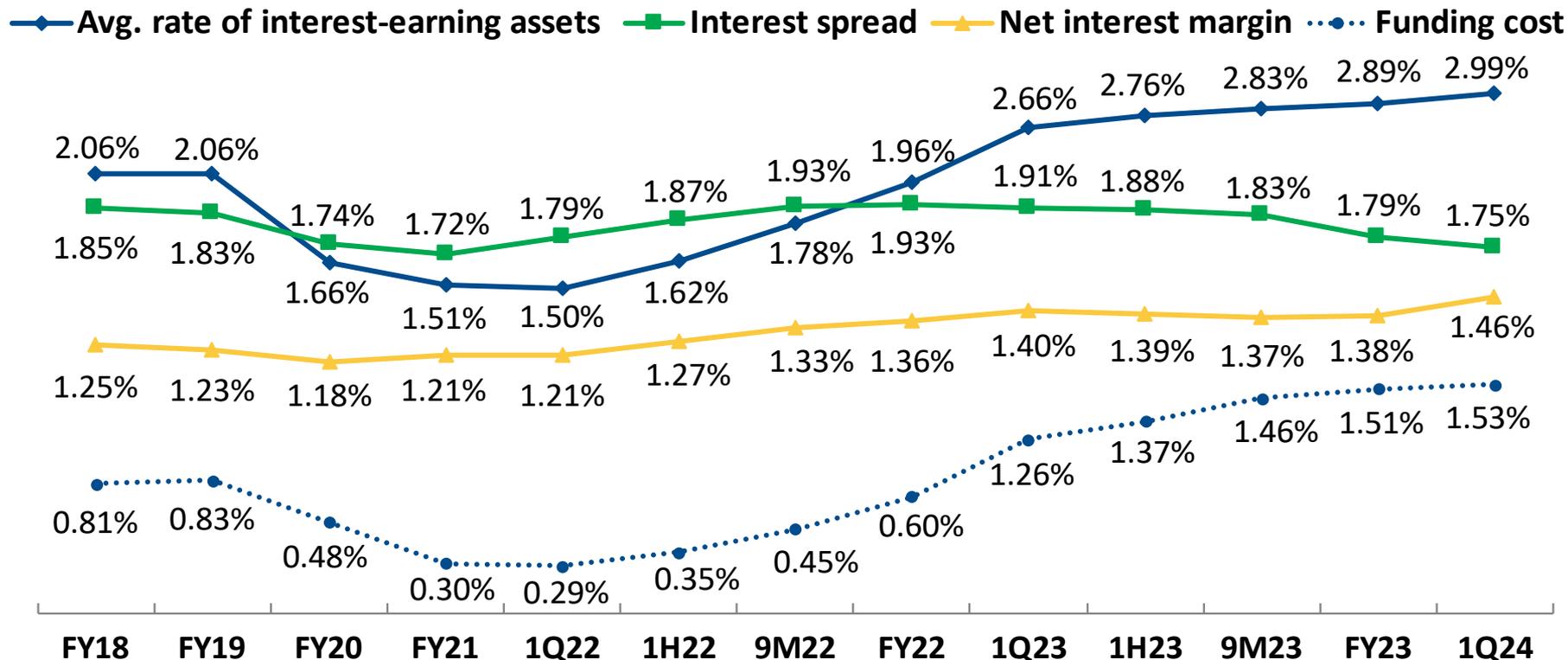
Deposit breakdown

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



Cathay United Bank – Interest yield

- 1Q24 spread and NIM both increased QoQ due to lower funding costs, resulting from a decrease in foreign currency deposits.



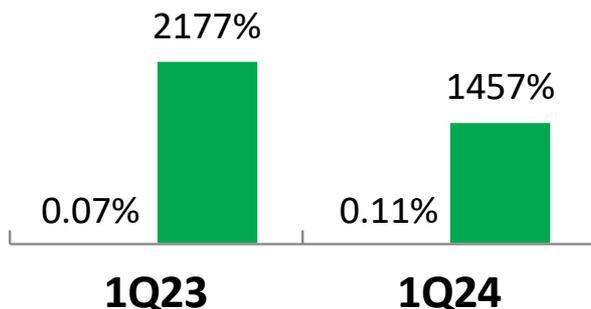
Quarterly	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Spread	1.74%	1.79%	1.94%	2.02%	1.96%	1.91%	1.84%	1.73%	1.70%	1.75%
NIM	1.22%	1.21%	1.33%	1.45%	1.46%	1.40%	1.37%	1.36%	1.40%	1.46%

Cathay United Bank – Credit quality

Asset quality remained benign, with NPL at 0.11% and coverage ratio at 1457%.

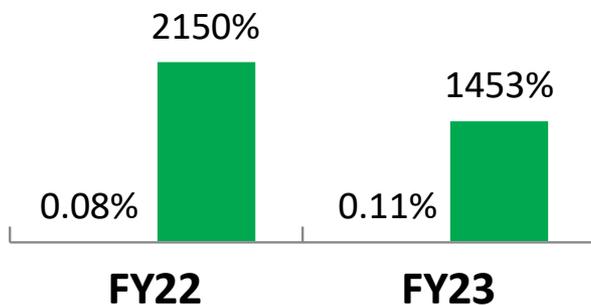
NPL & Coverage ratio

NPL ratio
Coverage ratio



Mortgage NPL

0.05 % 0.10 %

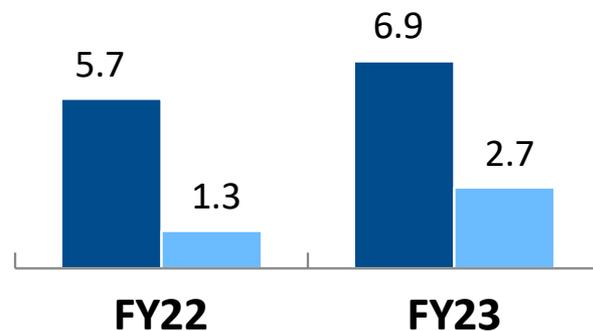
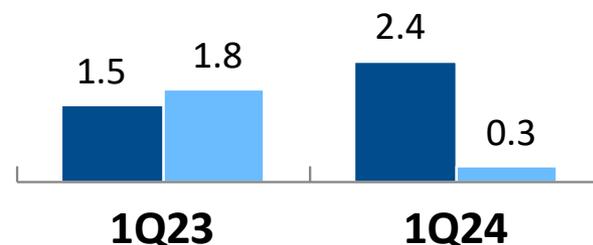


Mortgage NPL

0.06 % 0.10 %

Gross provision

Gross provision (NT\$BN)
Recovery

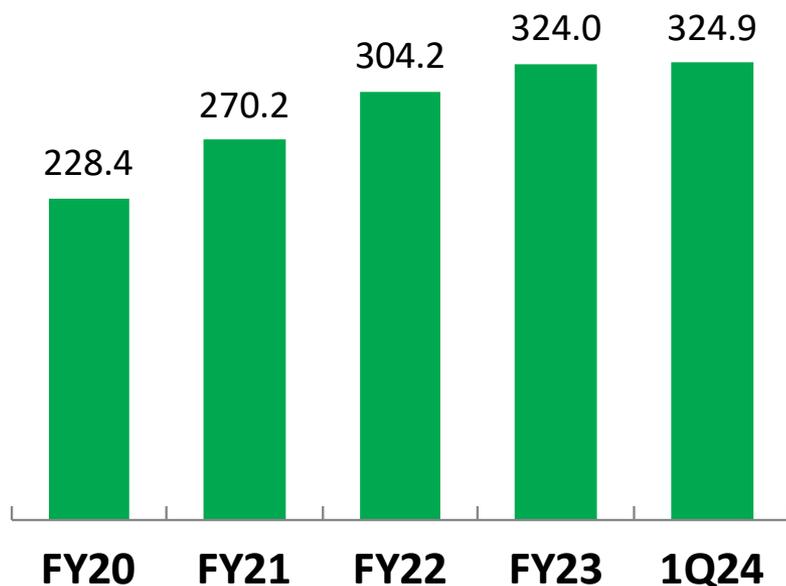


Cathay United Bank – SME & FX loans

- SME loans continued to show steady growth.
- CUB aims to grow foreign currency loans while ensuring asset quality.

SME loans

(NT\$BN)

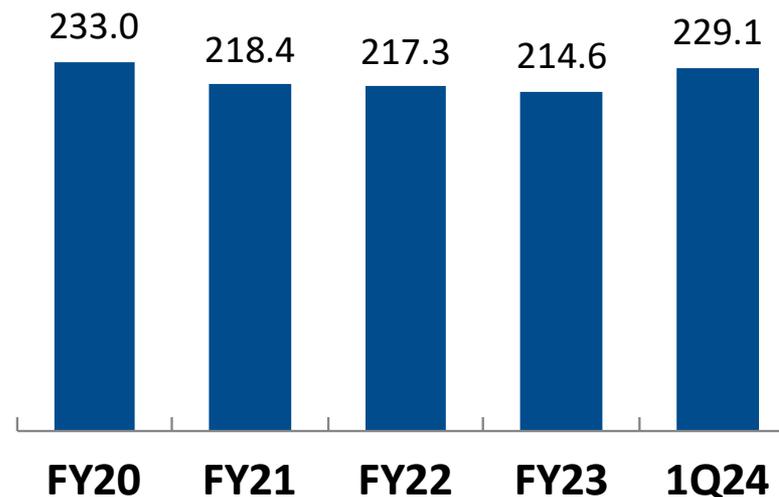


As % of total loans

14.1% 15.3% 15.3% 14.5% 13.8%

Foreign currency loans

(NT\$BN)



14.4% 12.4% 10.9% 9.6% 9.8%

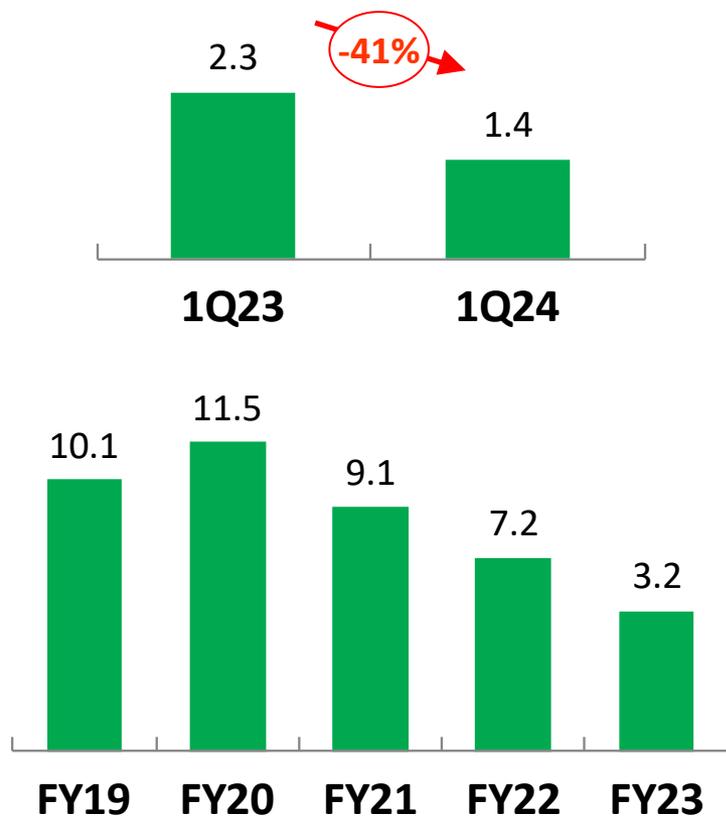


Cathay United Bank – Offshore earnings

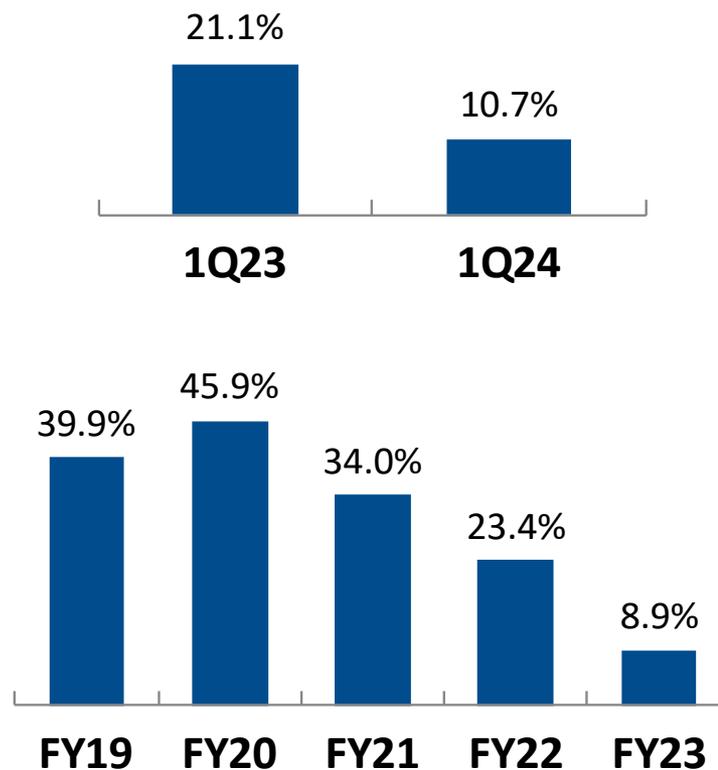
- Offshore earnings declined due to a high YoY base from the recovery of a single case in 1Q23.

Offshore earnings

(NT\$BN)



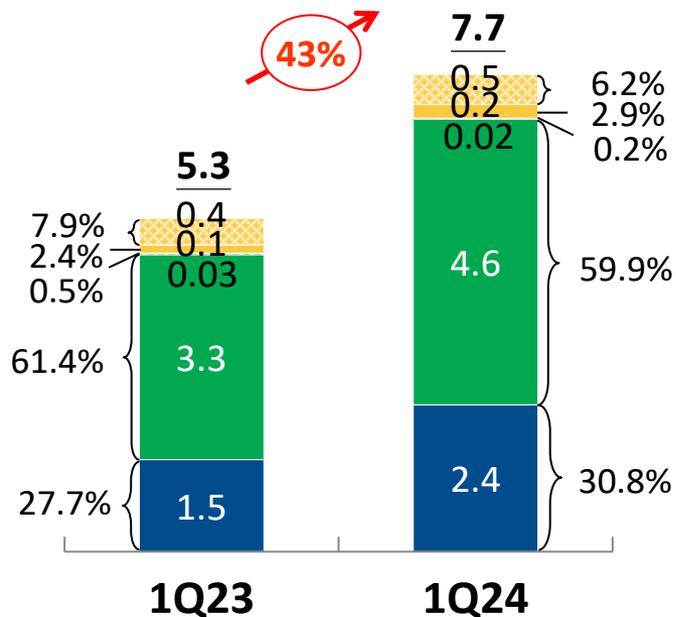
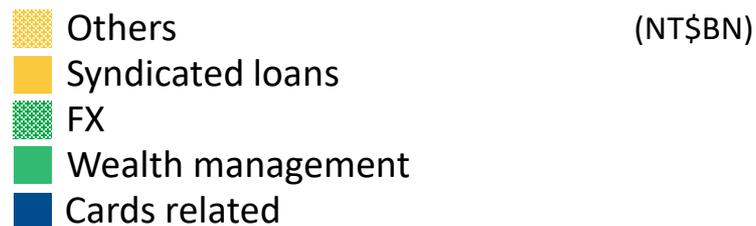
As % of CUB pre-tax profits



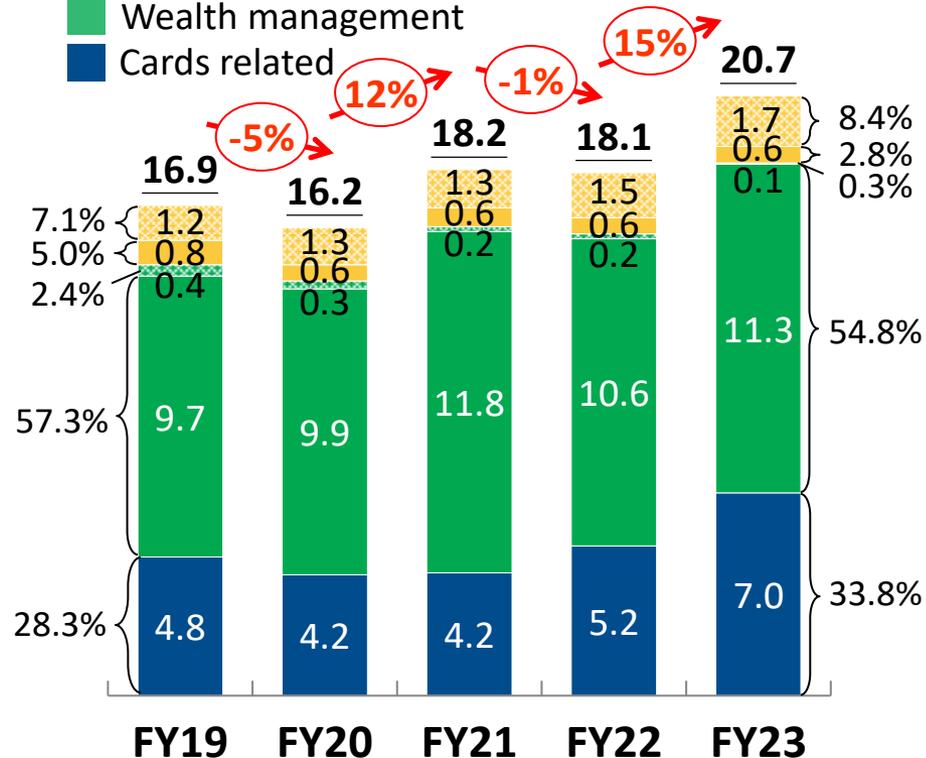
Cathay United Bank – Net fee income

- Net fee income grew 43% YoY, driven by strong wealth management fees from robust sales across WM products, and significant growth in credit card fees due to changes in the credit card spending mix.

Quarterly net fee income



Annual net fee income

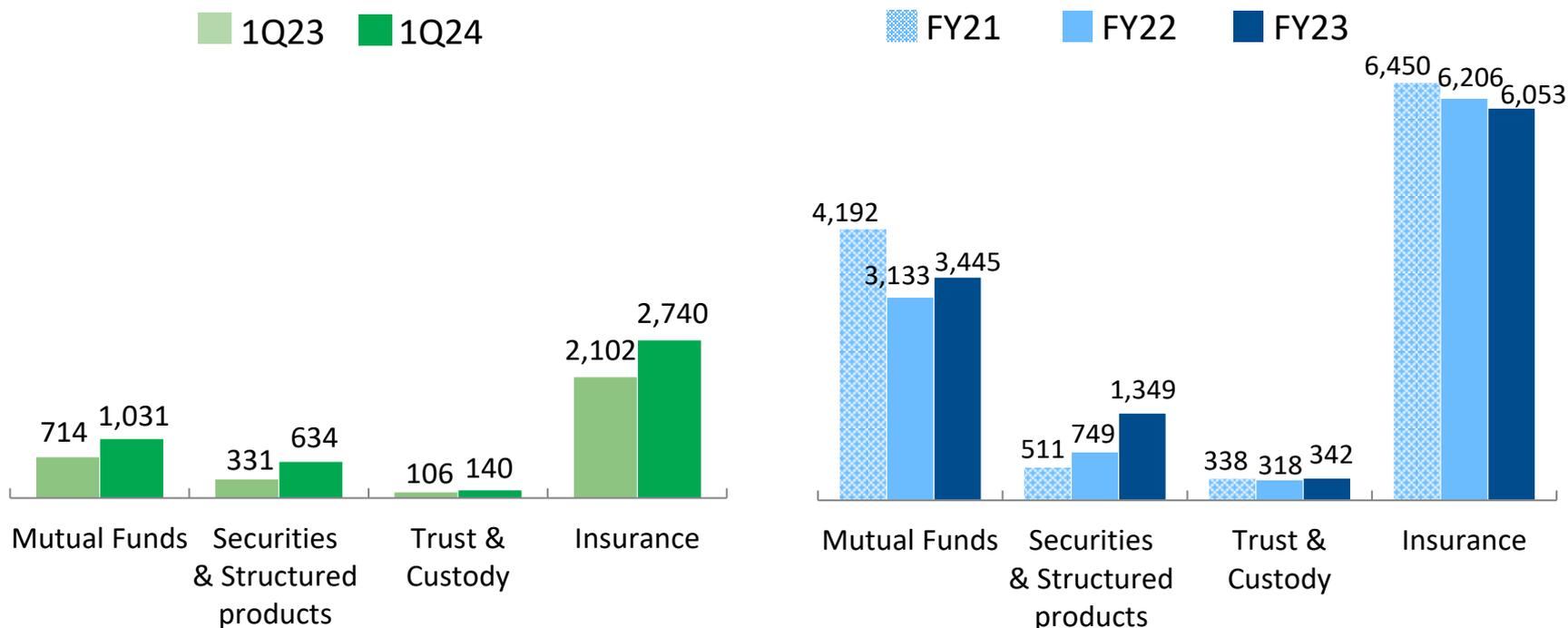


Cathay United Bank – Wealth management fees

- WM fees grew 40% YoY, driven by strong sales growth in mutual funds, overseas bonds and bancassurance products.

Wealth management fees breakdown

(NT\$MN)	1Q23	1Q24	FY21	FY22	FY23
Wealth management fee income	3,285	4,586	11,783	10,595	11,344
YoY growth (%)	-11.2%	39.6%	19.3%	-10.1%	7.1%



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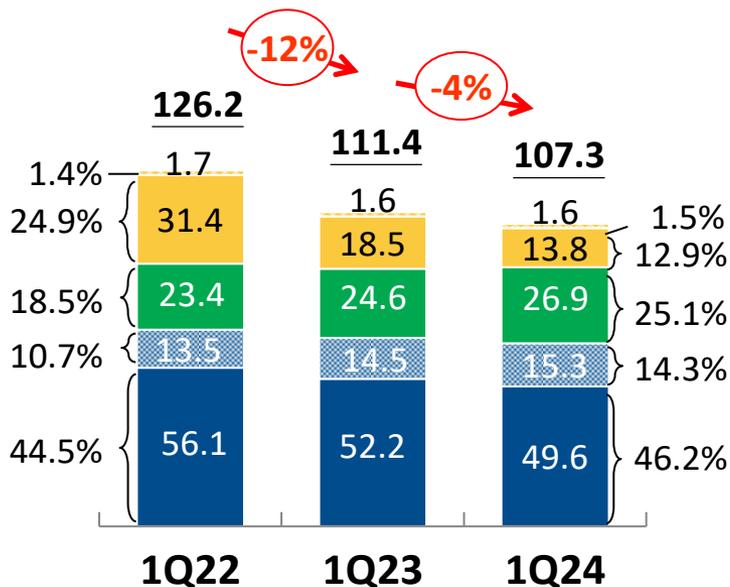
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Cathay Life – Total premium

- Total premium showed a modest YoY decline, while premium from high CSM protection products grew 8% YoY.

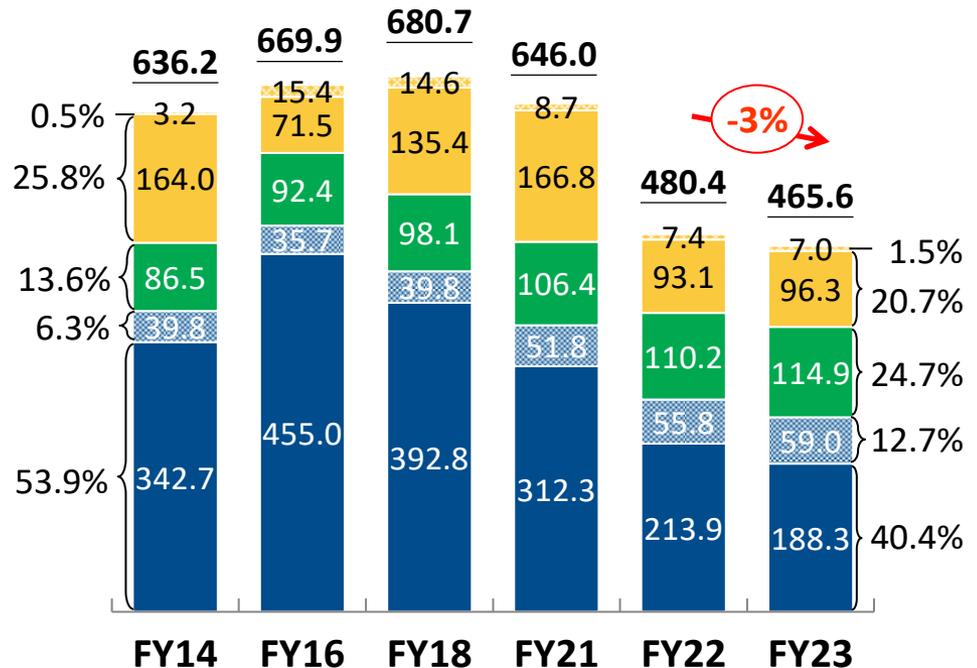
Quarterly total premium

- Others (NT\$BN)
- Investment-linked & Interest sensitive annuity
- Health and accident
- Traditional life- Protection
- Traditional life- Savings



Annual total premium

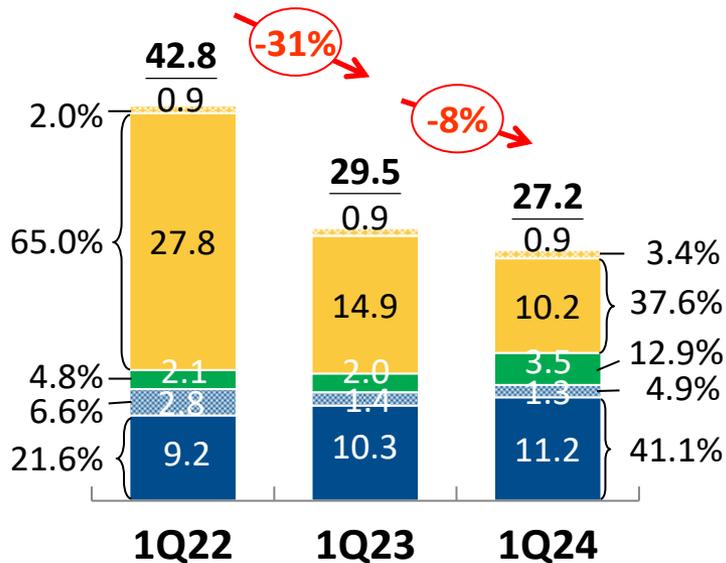
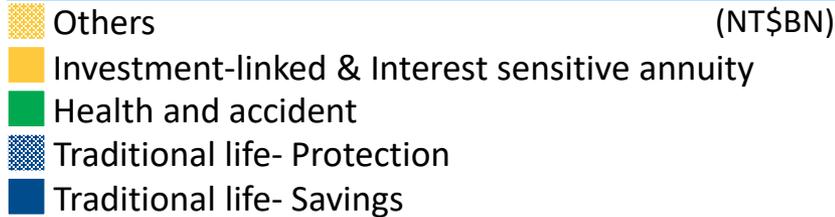
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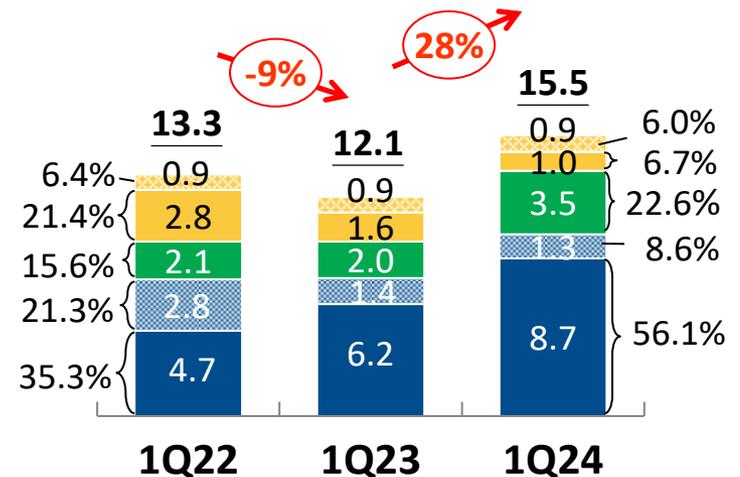
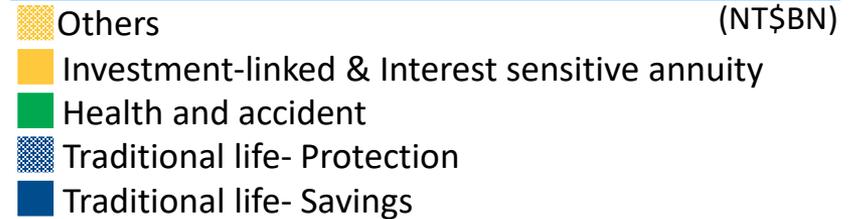
Cathay Life – FYP & APE

- APE increased 28% YoY, attributable to strong FYP growth in long-term traditional regular-premium products. FYP for ILP slowed down due to regulation change in FY23.
- Health and accident insurance saw strong FYP growth YoY, supporting CSM.

First Year Premium



Annualized FYP (APE)



FX polices %
(excl. Investment-linked)

76% 59% 59%

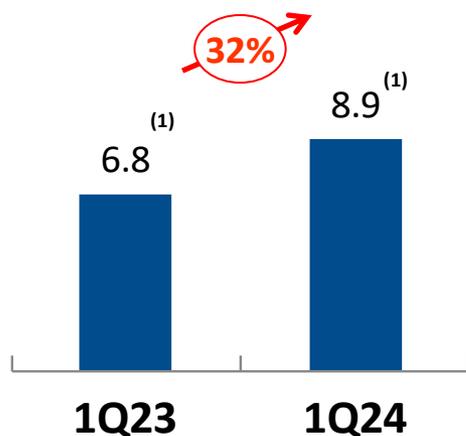
Cathay Life – Value of new business

- VNB increased 32% YoY, driven by strong FYP growth in traditional long-term regular-premium products.
- VNB/FYP rose notably YoY, owing to a lower FYP contribution from ILP.

Value of new business

Profit Margin	1Q23 ⁽¹⁾	1Q24 ⁽¹⁾
VNB/FYP	23%	33%
VNB/APE	56%	58%

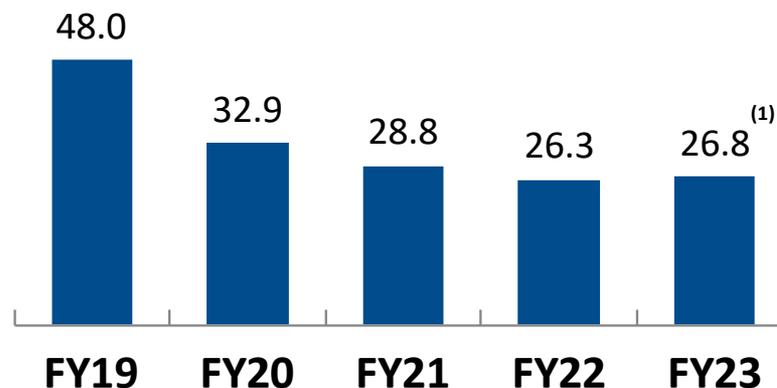
(NT\$BN)



Value of new business (annual)

Profit Margin	FY19	FY20	FY21	FY22	FY23 ⁽¹⁾
VNB/FYP	24%	20%	14%	20%	20%
VNB/APE	50%	53%	56%	62%	56%

(NT\$BN)



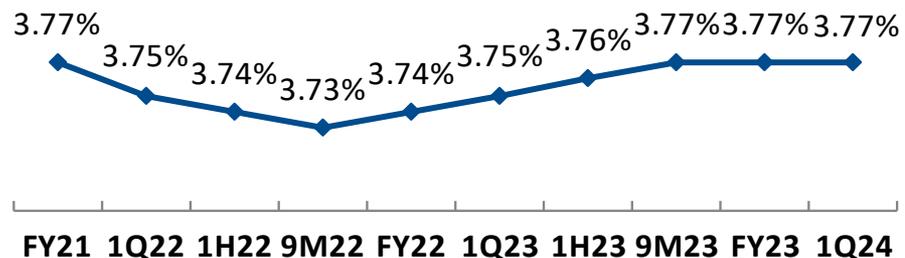
Note : (1) 1Q23、FY23 and 1Q24 VNB were based on 2023 Embedded Value assumptions.

(2) Based on 2022 Embedded Value assumptions, 1Q23 & FY23 VNB were NT\$7.0BN and NT\$27.6BN ; VNB/FYP were 24% and 21% , both VNB/APE were 58%.

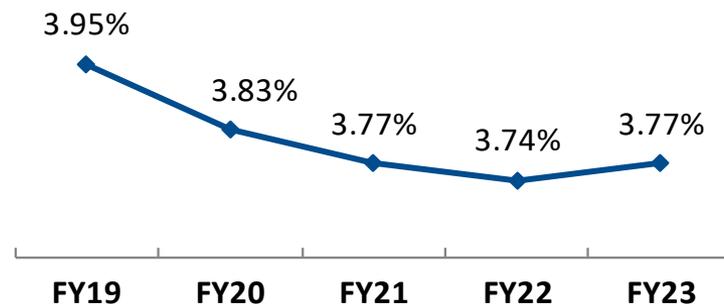
Cathay Life – Cost of liability and break-even asset yield

- COL remained flat QoQ; the break-even asset yield continued to improve.

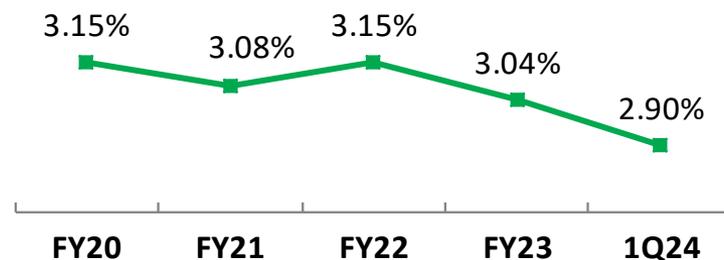
Cost of liability (quarterly)



Cost of liability (annual)



Break-even asset yield



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

Cathay Life – Investment portfolio

(NT\$BN)	FY21	FY22	FY23			1Q24		
Total investments⁽¹⁾	7,254.1	7,330.6	7,638.1			7,815.3		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	4.4%	4.1%	2.6%	199	2.0%	2.5%	194	2.5%
Equity- Domestic	7.2%	5.1%	6.6%	504	7.4%	7.3%	569	14.8%
Equity- International ⁽²⁾	6.4%	5.6%	5.6%	427	5.5%	5.6%	436	19.2%
Bond- Domestic	7.9%	7.1%	8.1%	622	4.8%	8.1%	631	5.3%
Bond- International ⁽²⁾	57.7%	61.9%	61.8%	4,718	3.8%	61.7%	4,818	3.8%
Mortgage & Secured loans	4.2%	3.8%	3.0%	230	2.5%	2.9%	224	2.5%
Policy loans	2.3%	2.3%	2.2%	170	5.1%	2.2%	169	4.9%
Real estate	7.6%	7.7%	7.5%	577	2.4%	7.5%	583	2.5%
Others	2.3%	2.5%	2.5%	192	0.9%	2.4%	190	-0.5%

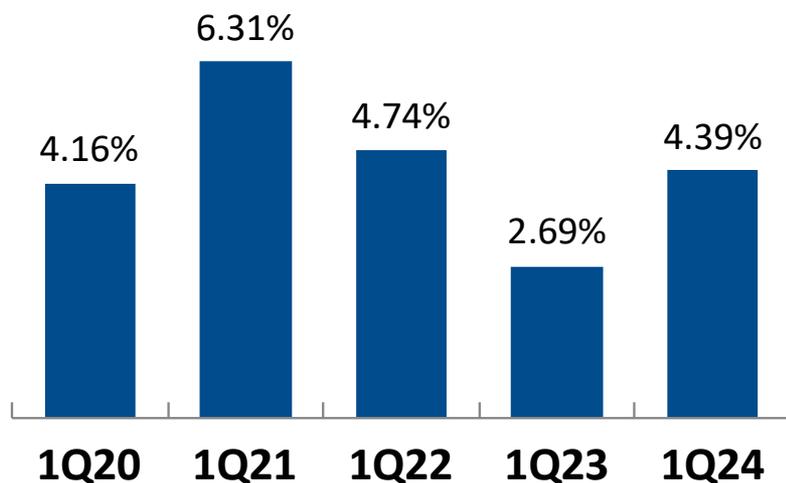
Note: (1) Total assets excluded separate account assets.

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

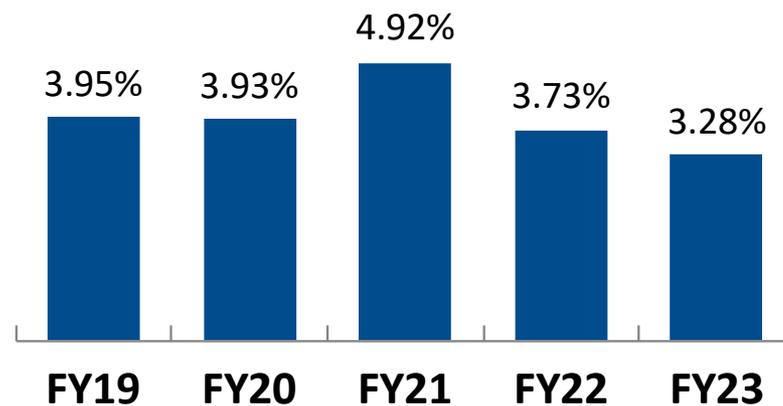
Cathay Life – Investment performance highlights

- 1Q24 after-hedging investment yield increased YoY due to capital gains from favorable stock markets and adjustments in long-term asset allocation in overseas PE funds.

After-hedging investment yield



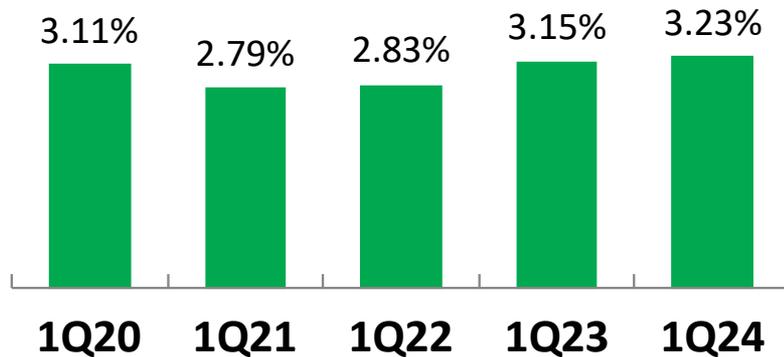
After-hedging investment yield



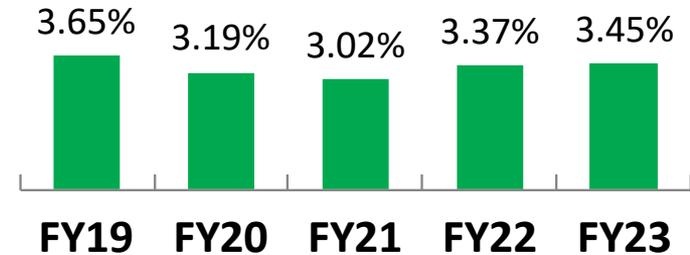
Cathay Life – Investment performance highlights

- Pre-hedging recurring yield rose 8bps YoY, driven by expanded position and higher yield in fixed income, with interest income showing sustained growth.
- 1Q24 annualized hedging cost was 1.21%. Costs for traditional hedging tools remained high due to the elevated TWD-USD interest spread.

Pre-hedging recurring yield

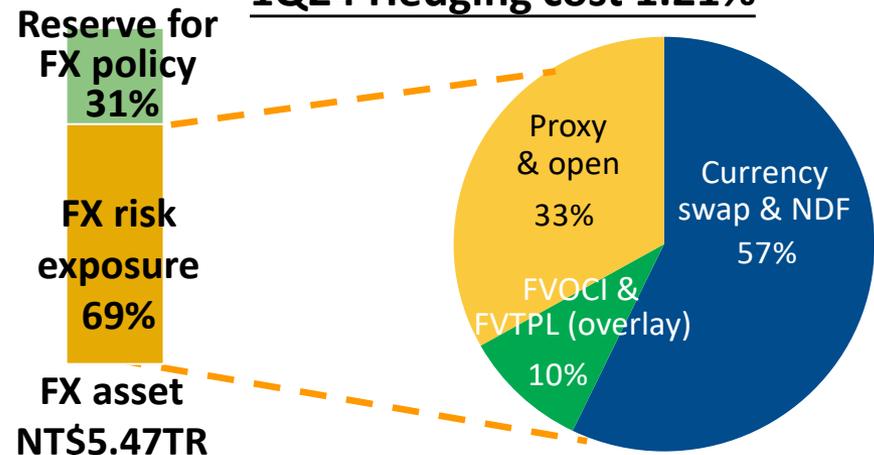


Pre-hedging recurring yield



Currency hedging structure

1Q24 Hedging cost 1.21%



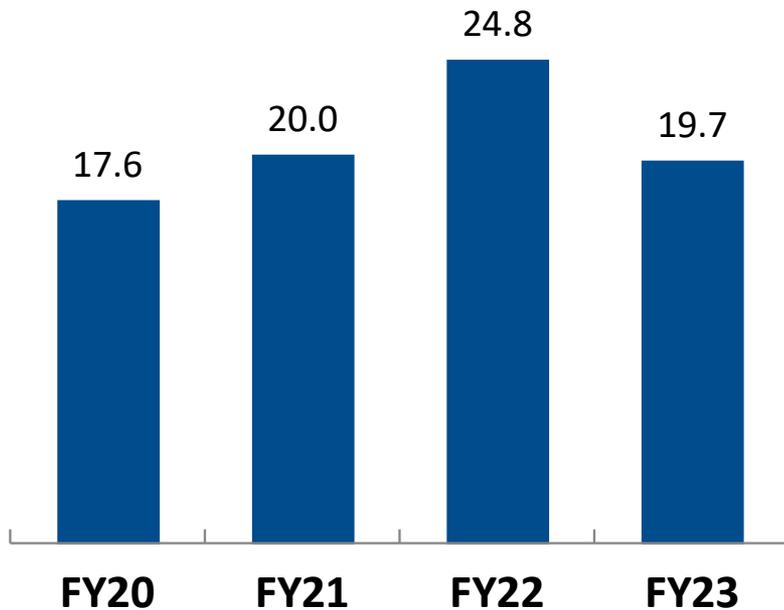
Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

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

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

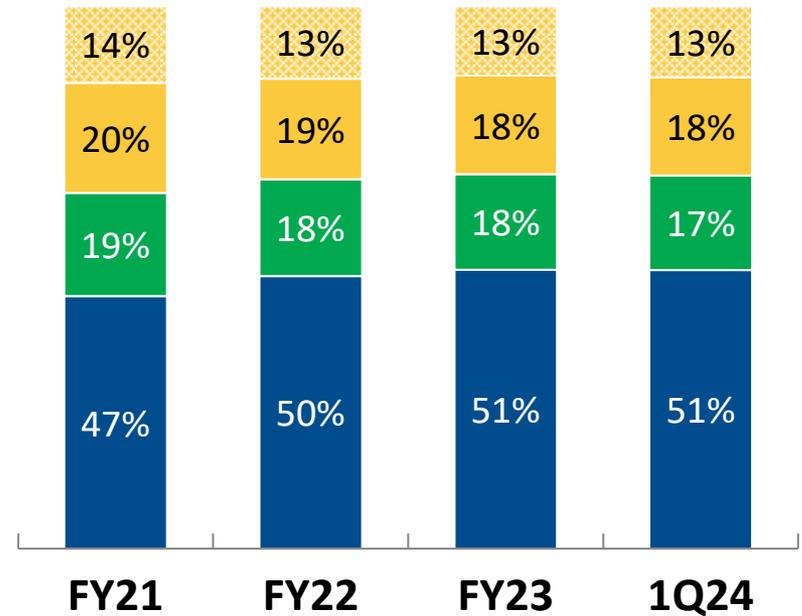
Cash dividend income

(NT\$BN)



Overseas fixed income by region

■ Others
■ Asia Pacific
■ Europe
■ North America



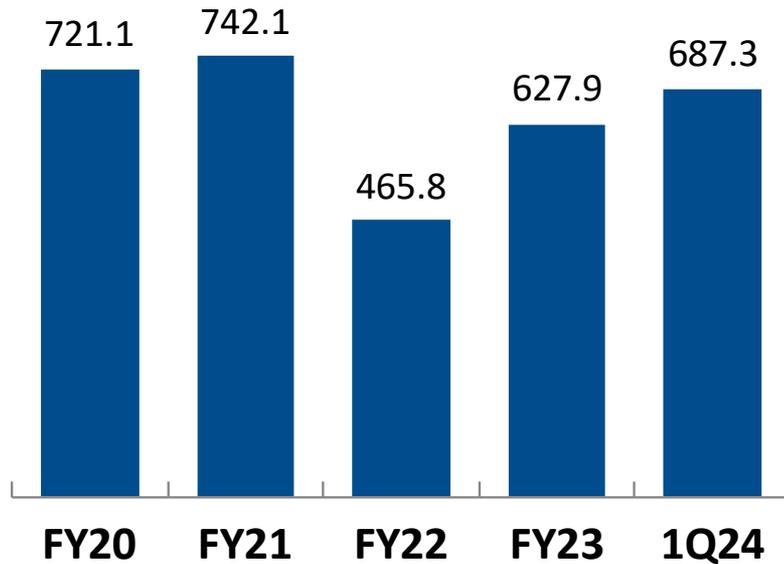
Note: Exclude overseas deposit.

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

- Book value increased YTD, supported by earnings contributions and rebound in unrealized G/L. Equity-to-asset ratio increased to 8.8%.
- Unrealized G/L recovered YTD owing to the rise in equity markets.

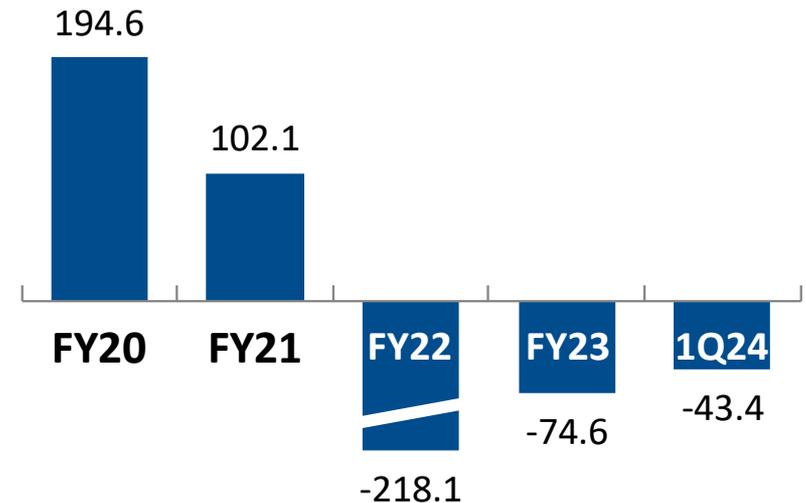
Book value

(NT\$BN)



Unrealized G/L of financial assets

(NT\$BN)



Note: (1) Cathay Life changed its business model for financial asset classification on 2022/10/1 in accordance with IFRS 9 and the guidance by Accounting Research and Development Foundation.

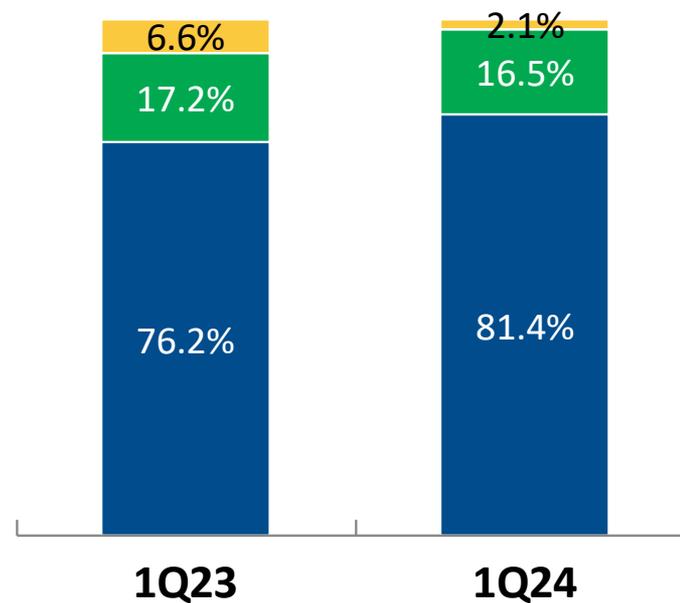
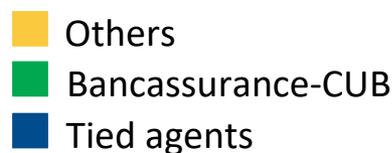
(2) Unrealized G/L of financial assets are the combination of FVOCI & FVTPL (overlay approach).

Cathay Life – Distribution channels

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

First Year Premium

Annualized FYP (APE)



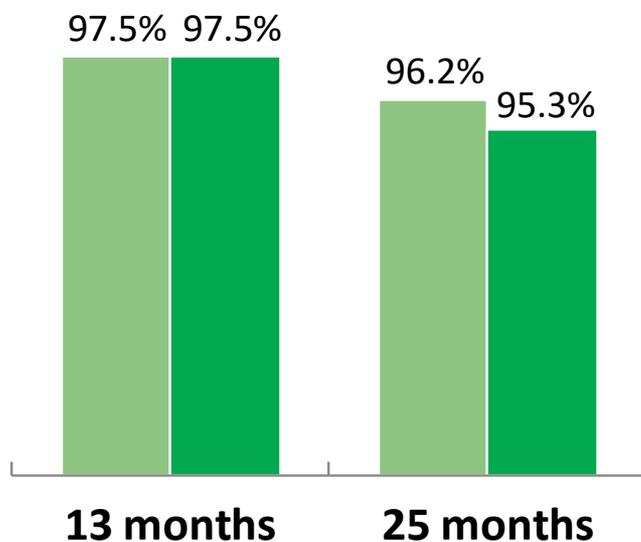
Cathay Life – Operational indicators

- Persistency ratio remained high, exceeding 95%
- Expense ratio increased YoY, attributable to increased sales of traditional long-term regular-premium products.

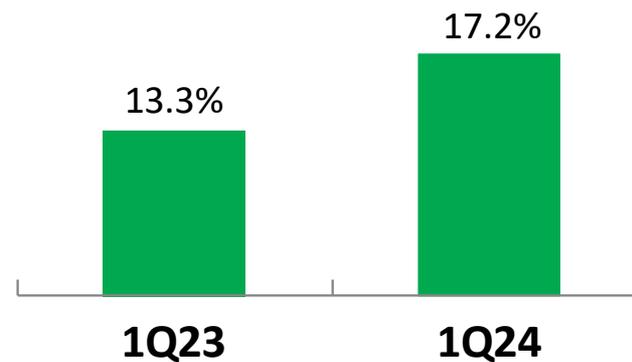
Persistency ratio

■ 1Q23

■ 1Q24



Expense ratio



Agenda

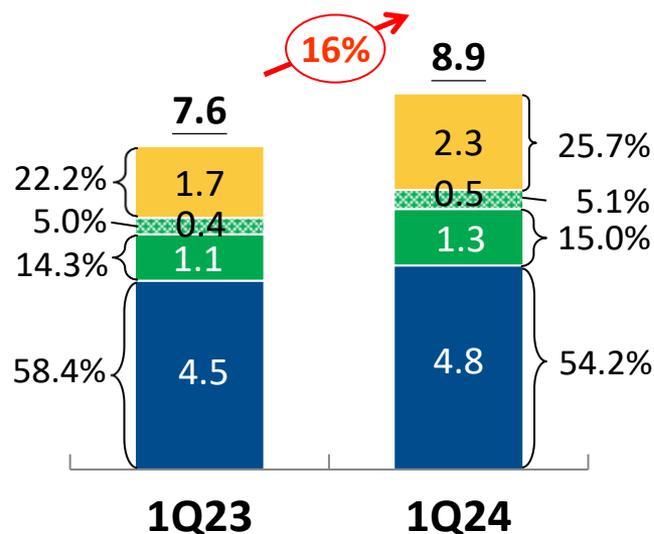
- Introduction of Cathay FHC
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 - Cathay Life
 - Cathay Century
- Cathay Life embedded value & appraisal value
- Cathay's ESG efforts
- Appendix

Cathay Century – Premium income & distribution channel

□ Premium income showed robust growth. Market share was 12.7%.

Premium income

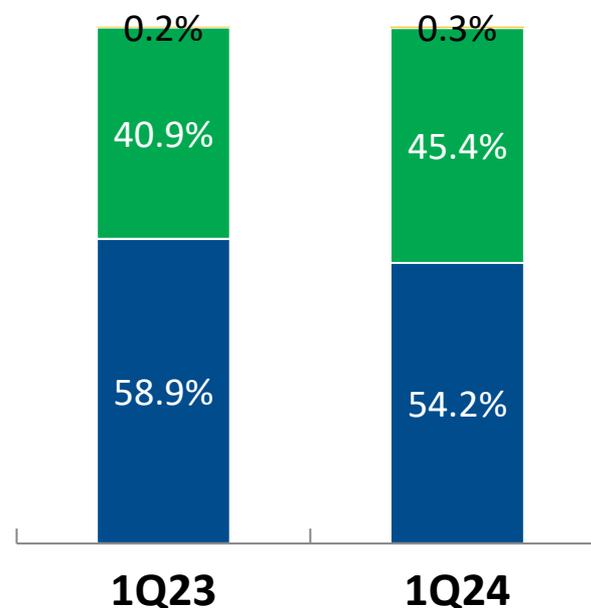
- Engineering + Others (NT\$BN)
- Marine
- Fire
- Auto



Market share	11.9%	12.7%
Retention	71.5%	68.8%

Distribution channel

- Affiliate channels (NT\$BN)
- Cathay P&C agents
- Cathay group channel

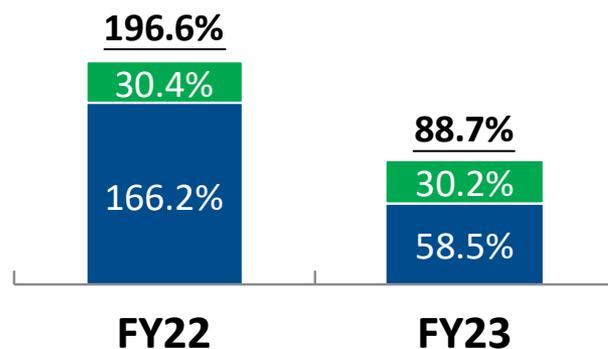
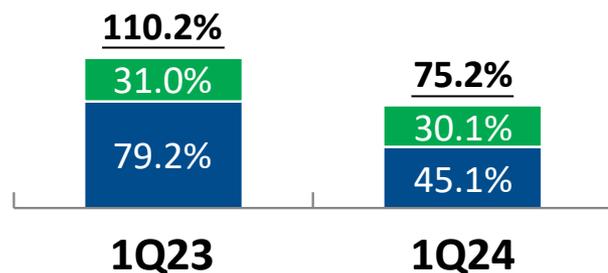


Cathay Century – Combined ratio

- Gross combined ratio and retained combined ratio each declined due to the lower loss ratio, as the impact of pandemic insurance ended.

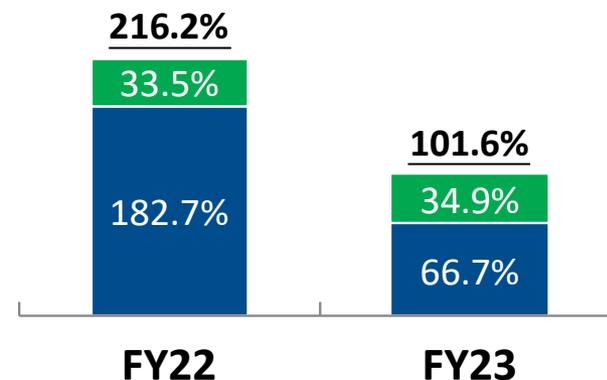
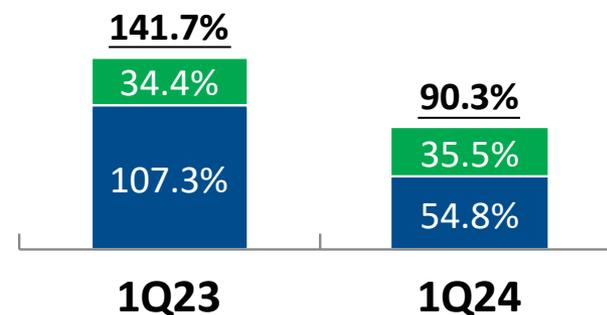
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



Retained combined ratio

- Retained expense ratio
- Retained loss ratio



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- ❑ Appendix

Embedded Value & Appraisal Value

NT\$BN, except for per share figures

Valuation date	2022/12/31	2023/12/31
In-force business investment yield	3.78% ~ Year 2042 4.74% for NTD policies 4.43% ~ Year 2042 5.34% for USD policies (Equivalent investment yield: 4.12% Rolling over to 2023: 4.18%)	3.88% ~ Year 2043 4.75% for NTD policies 4.57% ~ Year 2043 5.35% for USD policies (Equivalent investment yield: 4.19%)
Risk discount rate	9.5%	9.5%
Adjusted net worth	520	652
Value of in-force business	780	835
Cost of capital (CoC)	-311	-348
Value of in-force business (After CoC)	469	488
Embedded Value (EV)	988	1,140
EV / per share	155.6(74.9)	179.5(77.7)
Future one year's new business investment yield	2.60% ~ Year 2042 4.56% for NTD policies 5.19% ~ Year 2042 5.27% for USD policies	2.62% ~ Year 2043 4.58% for NTD policies 5.21% ~ Year 2043 5.28% for USD policies
Value of future one year's new business (After CoC)	27.5	28.0
Appraisal Value (AV)	1,229	1,386
AV / per share	193.6(93.2)	218.2(94.5)

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 2022 and 2023 are 6.35bn .

(4) The outstanding shares of Cathay FHC in 2022 and 2023 are 13.19bn and 14.67bn, respectively.

(5) Totals may not sum due to rounding.

Summary

NT\$BN, except for per share figures

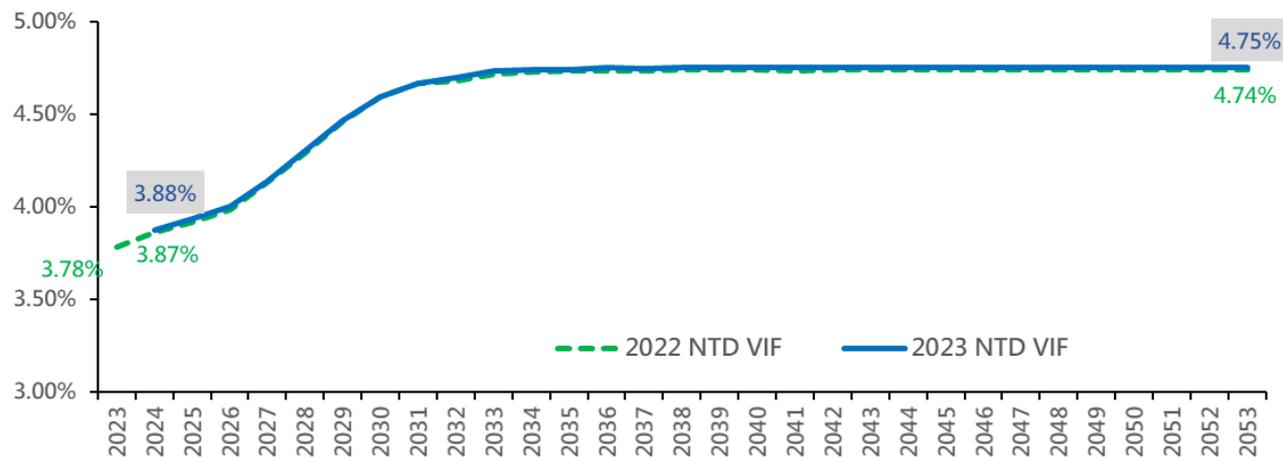
Valuation date		2022	2023	Growth rate	1Q24
Embedded value	Equity	457	618	35%	--
	Adjusted net worth	520	652	26%	--
	Value of in-force business (before CoC)	780	835	7%	--
	Cost of capital (CoC)	-311	-348	12%	--
	Value of in-force business (after CoC)	469	488	4%	--
	Embedded value	988	1,140	15%	--
Value of one year's new business	First year premium (FYP)	129.3	132.9	3%	27.2
	First year premium equivalent (FYPE)	42.4	47.4	12%	15.5
	Value of one year's new business (V1NB)	26.3	26.8	2%	8.9
	Profit margin (V1NB/FYP)	20%	20%	--	33%
	Profit margin (V1NB/FYPE)	62%	56%	--	58%
	Profit margin (V1NB/FYP)(investment-linked(non-VUL)is excluded)	46%	47%	--	51%
Appraisal value (20 years NB)	Multiple	8.8	8.8	--	--
	Appraisal value	1,229	1,386	13%	--
Basic Value per share	EV / per share of Cathay FHC	74.9	77.7	4%	--
	AV / per share of Cathay FHC	93.2	94.5	1%	--

Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares in 2022 and 2023, which are 13.19bn and 14.67bn, respectively.

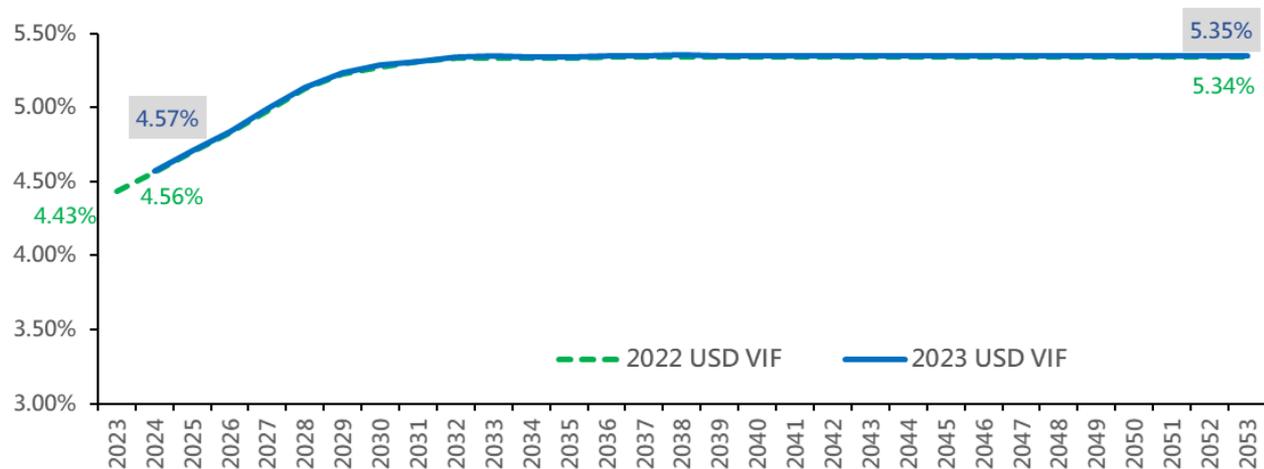
(2) Totals may not sum due to rounding.

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 2022 & 2023.

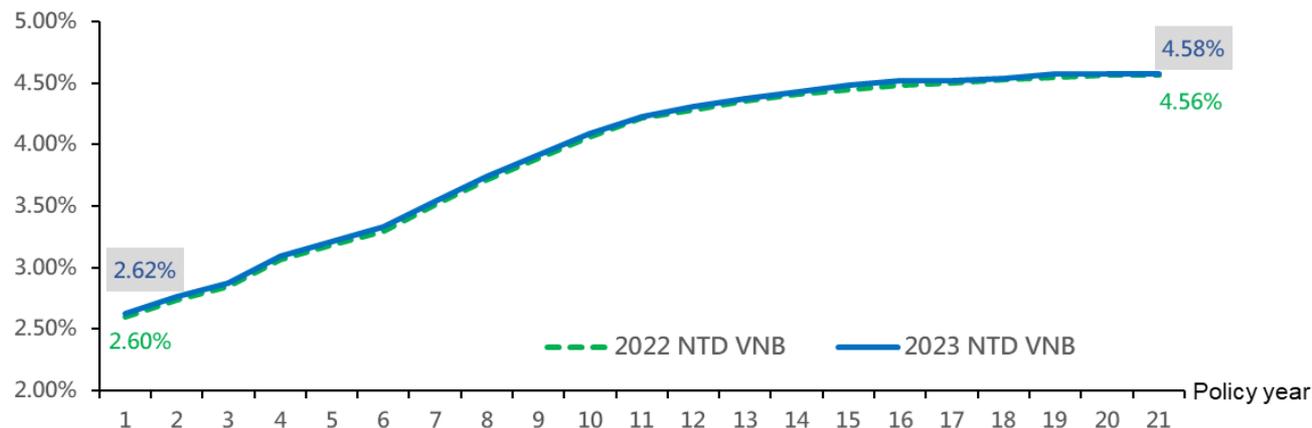


- Investment return assumptions for the value of in-force business of USD-denominated policies as of the end of 2022 & 2023.

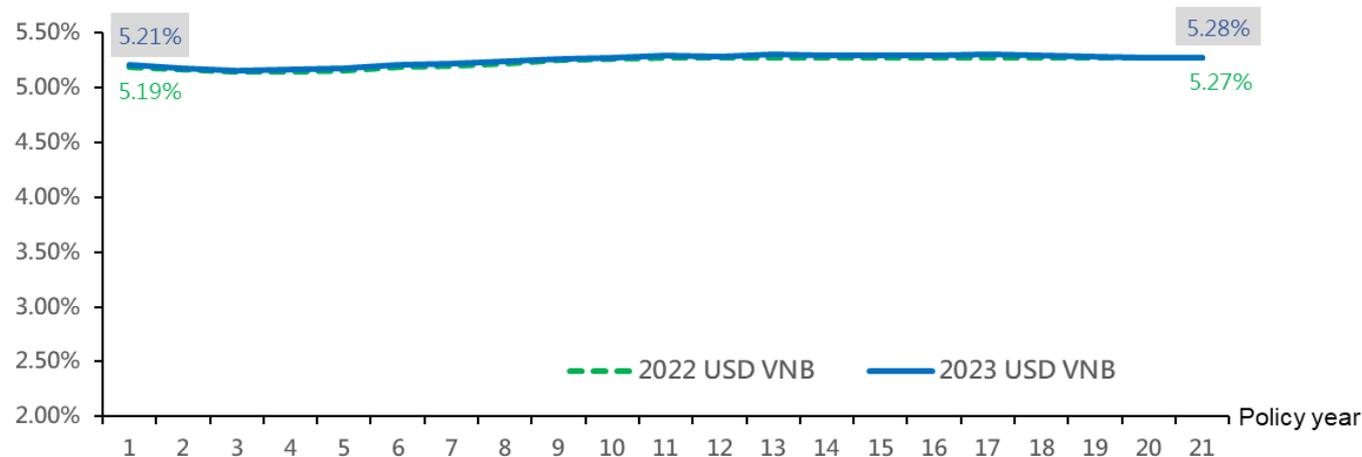


Economic Assumptions: Future one year's new business investment yield

- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2022 & 2023.



- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2022 & 2023.



Cost of Capital Projection and Non-economic Assumptions

■ RBC capital requirement:

Apply 2023 RBC formula announced by Insurance Bureau to project future capital requirement.

1. Capital Requirement = 200% RBC; Risk-based capital calculation reflects company's current and future operation status.
2. Reflect the following RBC calculation changes in 2023 :
 - (1) Risk factor of stocks increased after incorporating counter-cyclical measures amid rising stock indices.
 - (2) The changes of C3 risk factor (x) of traditional products

x	2023	2024	2025
Before	0.9	1.0	1.2
After	0.8	0.9	1.0

* : C3 risk capital of traditional products is calculated as $\min[\text{interest rate risk capital calculated based on one-year negative spread} + (x+y) \times \text{the highest C3 risk capital in the recent 5 years, ICS interest rate risk capital}]$, which was the enhancement measures of C3 interest risk announced by Insurance Bureau in 2021.

- (3) Revision of risk factors for domestic private equity funds and venture capital funds

Risk factors	Funds which invest 100% in domestic infrastructure	Funds which invest in domestic infrastructure, 5+2 & six core strategic industries
Before	33.75%	
After	10.18%	17.25%

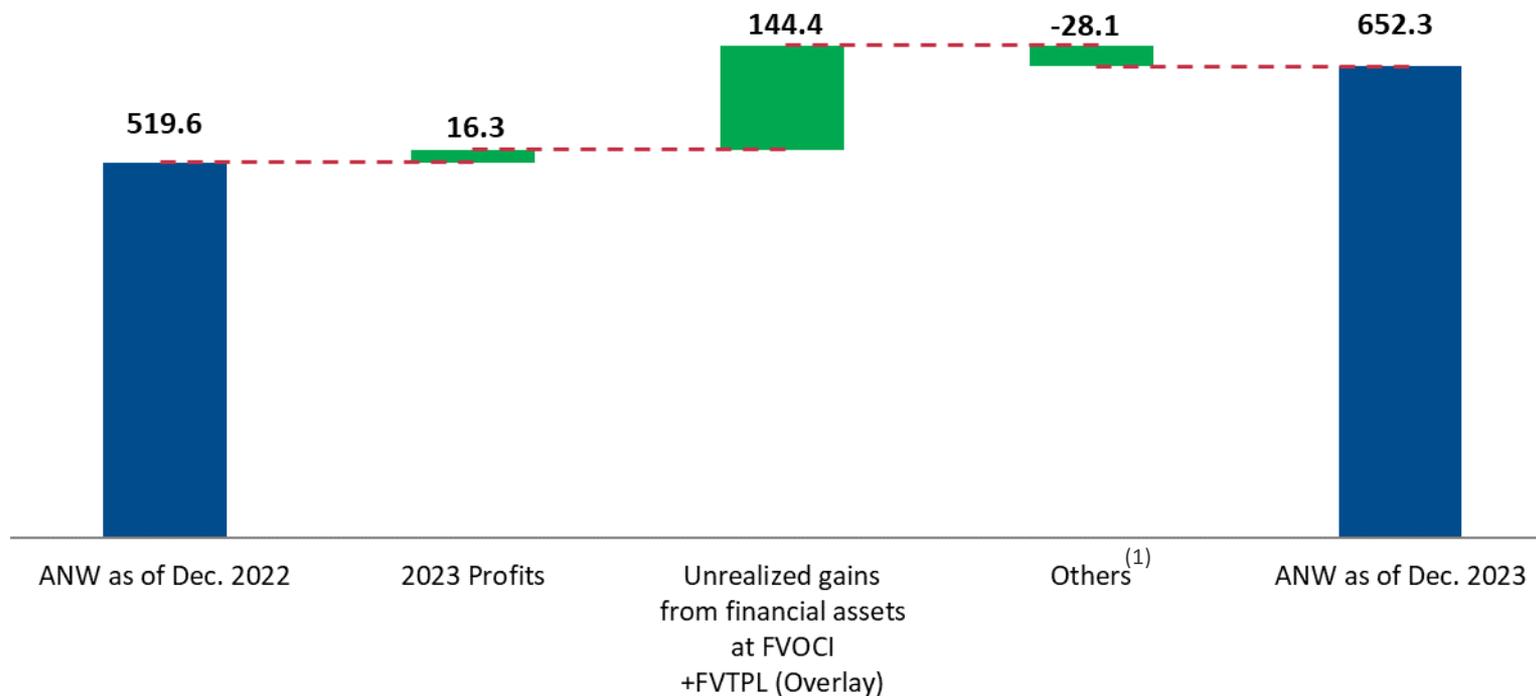
■ Experience rate:

Experience Rate	Assumptions
Mortality Rate	In accordance with Cathay's most updated mortality trends.
Morbidity Rate	In accordance with Cathay's most updated morbidity trends and varied by product type.
Lapse Rate	In accordance with Cathay's most updated lapse rate trends and varied by product type.
Expenses assumption	In accordance with Cathay's most updated expense analysis and varied by product type; commissions are based on the actual commission rates.

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

Analysis of change in Adjusted Net Worth (ANW)

NT\$BN

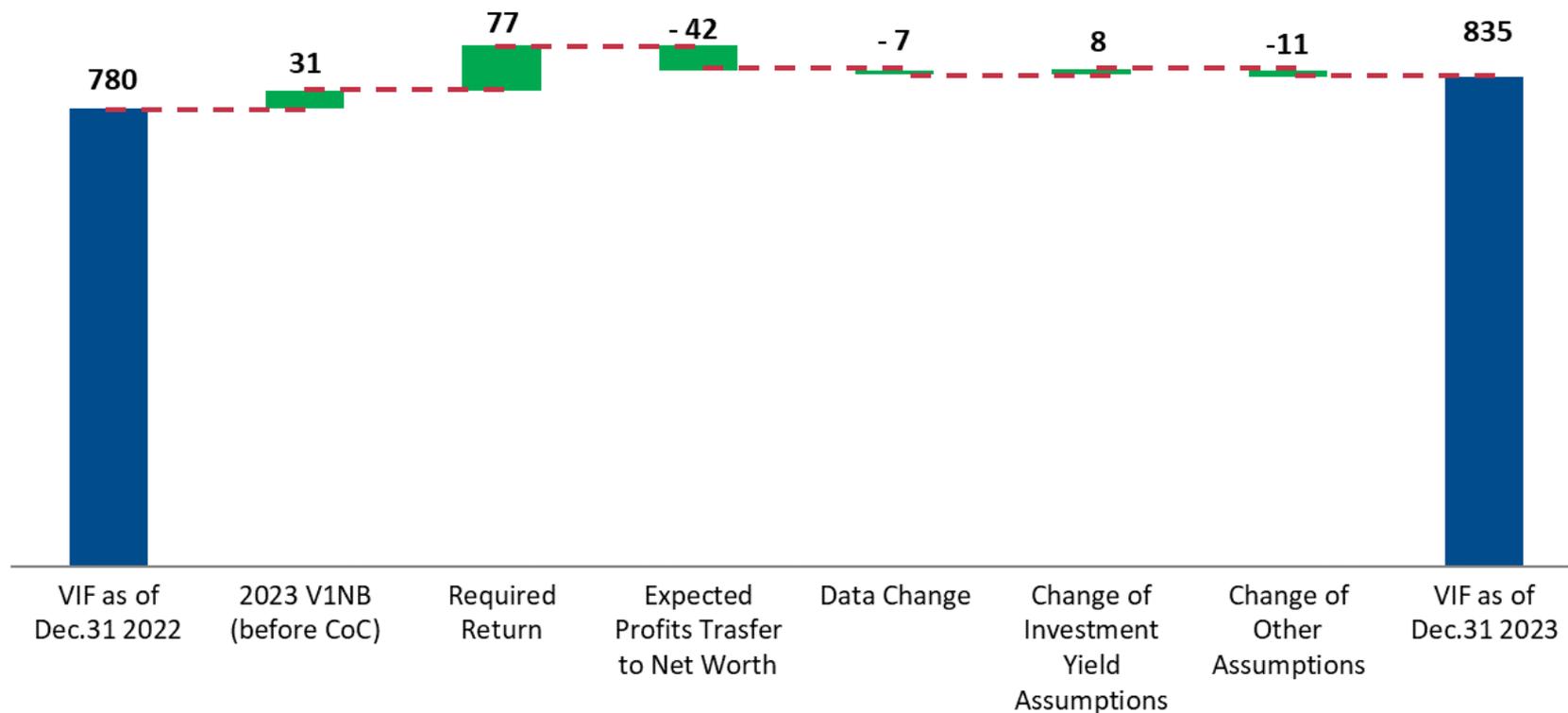


Note:

(1) Others primarily include change of foreign exchange volatility reserve.

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

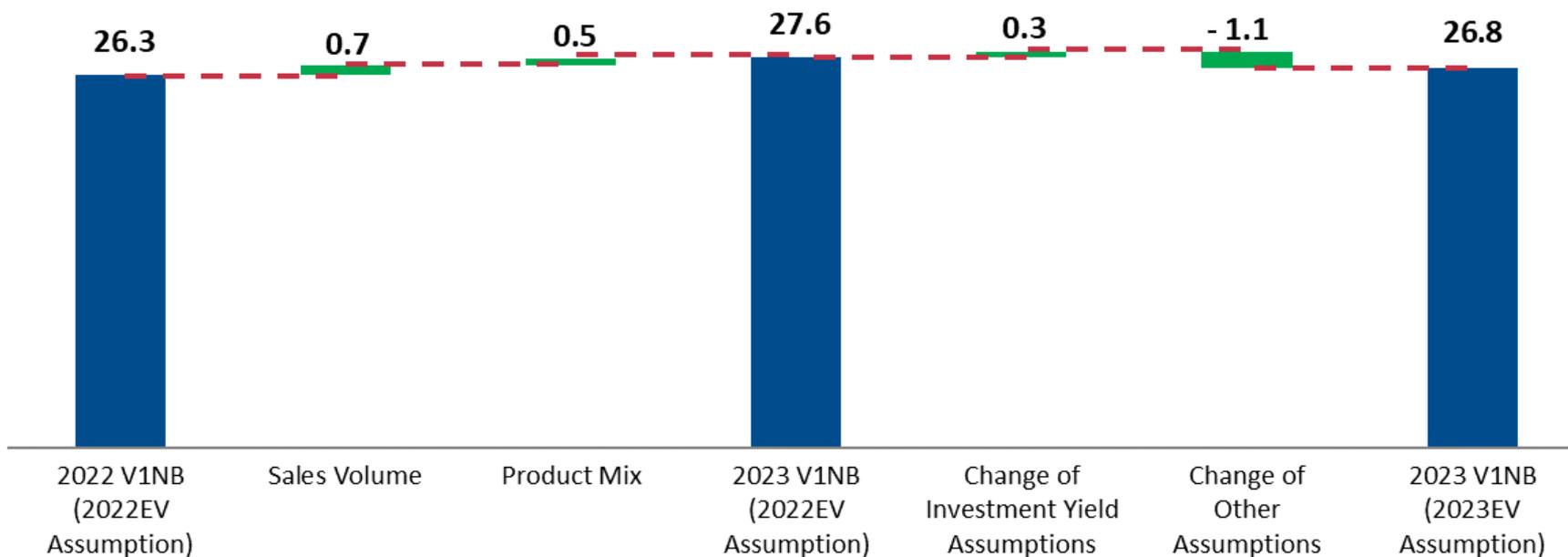
NT\$BN



- The value of one year new business (after CoC) of 2023 is 27.6 billion.

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

NT\$BN



Sensitivity Analysis

NT\$BN, except for per share figures

Valuation date	2023/12/31					
	Investment yield – 0.25%	Investment yield + 0.25%	Investment yield + 0.25% (capped) ⁽¹⁾	Base Case (Discount rate 9.5%)	Discount rate – 0.5%	Discount rate + 0.5%
Adjusted net worth	652	652	652	652	652	652
Value of in-force business	677	993	904	835	887	789
Cost of capital (CoC)	-361	-335	-342	-348	-334	-360
Value of in-force business (After CoC)	317	659	562	488	553	429
Embedded Value	969	1,311	1,214	1,140	1,205	1,082
EV / per share	152.6 (66.1)	206.4 (89.4)	191.2 (82.8)	179.5 (77.7)	189.7 (82.2)	170.3 (73.7)
Appraisal Value	1,196	1,574	1,466	1,386	1,469	1,311
Value of future one year's new business (After CoC)	24.5	31.6	29.0	28.0	30.3	25.9
AV / per share	188.3 (81.5)	247.8 (107.3)	230.8 (99.9)	218.2 (94.5)	231.3 (100.2)	206.3 (89.3)

Note: (1) "Investment yield +0.25% (capped)" : the investment return is capped by 4.75% for NTD policies and 5.35% for USD policies.

(2) Totals may not sum due to rounding.

YoY Comparison

Under different discount rate assumptions, the results of the Year 2022 & 2023 go as follows.

NT\$BN

Valuation date	2022/12/31	2023/12/31
Embedded Value	933~1,049	1,082~1,205
Value of future one year's new business	25.4~29.8	25.9~30.3
Appraisal Value	1,158~1,308	1,311~1,469

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Renowned corporate sustainability performance

Global

Member of
**Dow Jones
Sustainability Indices**

Powered by the S&P Global CSA

Included in
DJSI World & DJSI EM



FTSE4Good



Gender-Equality index



ESG Research

IVA RATING

AA



A level



ESG
INDUSTRY
TOP RATED



ESG
REGIONAL
TOP RATED



First Taiwan FI



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Asia 6th approval



2022 & 2023 ICAPs

Global best practice



TCFD Status Report

Corporate case

Taiwan

Top-20%
Corporate Governance

Over 1,000 listed companies

TWSE Corporate Governance Evaluation



天下企業公民
Excellence in Corporate Social Responsibility

Top-10 World Corporate Citizen
for **11** years. **Top 3** in 2023



Global Views

First Prize in Annual Survey for **3** years
(Finance & Insurance),
selected for "Annual Honor Roll" in 2022



2023 Taiwan Corporate
Sustainability Awards



Cathay's sustainability strategies and goals



Climate

Low-carbon economy

- Net-zero emissions across financial assets by 2050
- Leadership in climate engagement
- Comprehensive financial solutions for climate change

Sustainable environment

- Zero-carbon operations by 2050
 - Green operations
 - Green energy
 - Green real estate



Health

Health promotion

- Expansion of the health ecosystem
- Support for rehabilitation
- Development of elderly-friendly services

Financial health

- The industry's top guardian of customer assets
- Benchmark enterprise for financial inclusion in Taiwan



Empowerment

Workplace Empowerment

- Employee reskilling and upskilling
- Leadership pipeline development
- Fostering workplace diversity, equity and inclusion

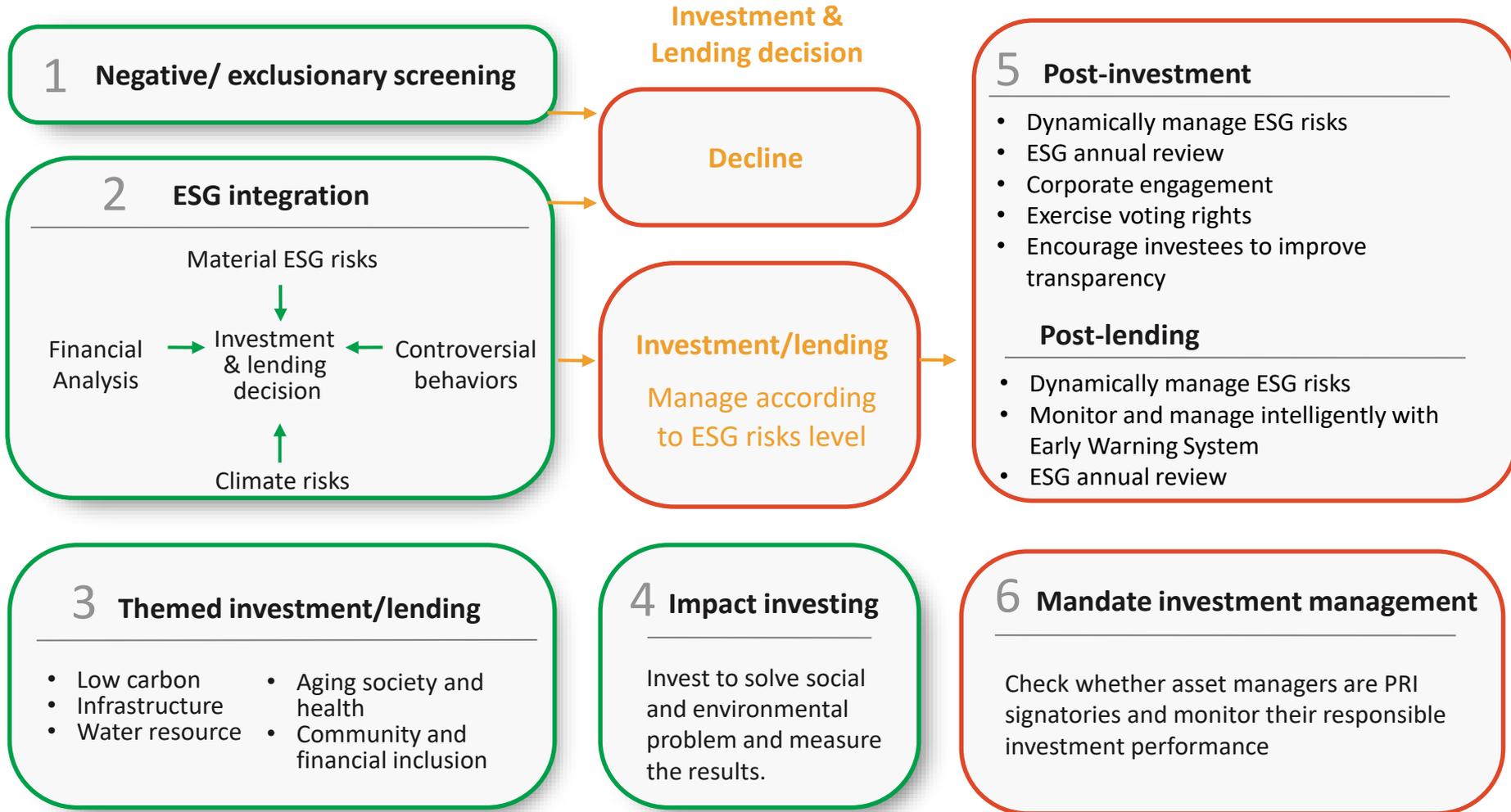
Social Empowerment

- Youth empowerment
- Women's empowerment
- Support for the underprivileged

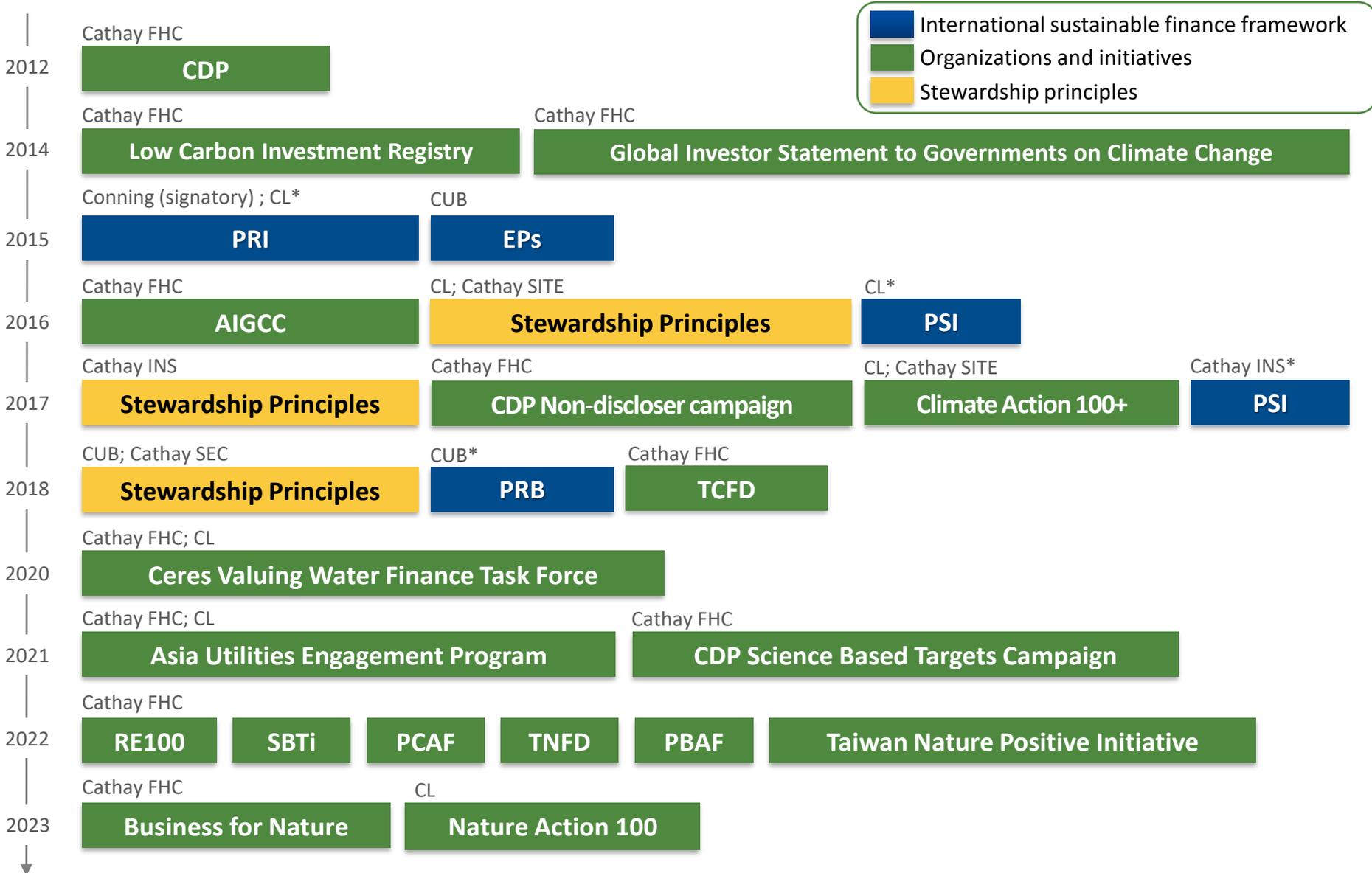
Integrating ESG into responsible investment and lending

Investment/ Lending Process

Engagements after Investment/ Lending



Participation in climate actions and nature initiatives



Zero-carbon operations by 2050

Cathay “zero-carbon operation transition”



Low-carbon operation transition since 2017

Reduced carbon emissions via “equipment replacement,” “green real estate,” and “product carbon footprint,” etc.

RE 100 Became an RE100 member in 2022

- Join the “RE100” initiative
- Incorporate carbon-reduction matrix into top management’s KPI



SCIENCE
BASED
TARGETS

Zero-carbon milestones

- Received SBTi validation of carbon reduction
- Zero-carbon operation transition

2017

2020

2025

2030

Set a 5-year carbon reduction target of

5%

Ahead of target, achieved cumulative carbon reduction of

6.76%

Usage of renewable energy for **headquarters**

100%

Usage of renewable energy for **all locations in Taiwan**

100%

Net Zero emissions in financial assets by 2050

• Science-Based Targets

Asset Class	Target
Listed equity & bonds	S1+S2 reduce to 2.68° C and S1+S2+S3 reduce to 2.79° C by 2026
Electricity generation project finance	Reduce GHG emission 33% per MWh by 2026 from a 2019 base year
Corporate loans – commercial real estate	Reduce GHG emission 39% per square meter by 2026 from a 2019 base year
Corporate loans – electricity generation industry	Reduce GHG emission 69% per MWh by 2035 from a 2019 base year
Corporate loans – Other long term loans	<ul style="list-style-type: none"> Reduce GHG emissions from finance, retail, service, food, loading and real estate development sectors within other long-term corporate loan portfolio 73% per square meter by 2035 from a 2019 base year 33% of other long-term corporate loan portfolio by loan value within the fossil fuel, electrical and electronic equipment, general manufacturing, and semiconductor sectors setting SBTi validated targets by 2026

• Coal-Exit Strategy

✓ Lending



✓ Exclude investments in coal value chain with a coal share of revenue (CSR) above certain % without active transition to renewable energy

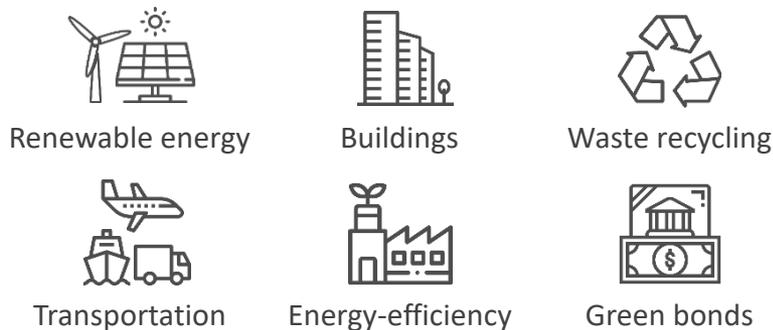


Leveraging financial competence to support sustainability

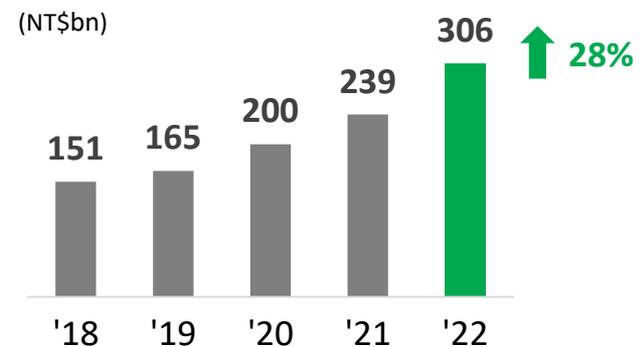
2022 Sustainability themed investment / lending

(NT\$)	 Low carbon	 Infrastructure	 Aging society and health	 Community and inclusive finance	 Water resources
Investment	267.9bn	832.9bn	464.4bn	3.1bn	6.1bn
Lending	37.9bn	78.1bn	44.8bn	5.2bn	1.2bn
Related to SDGs	 7 AFFORDABLE AND CLEAN ENERGY  13 CLIMATE ACTION	 11 SUSTAINABLE CITIES AND COMMUNITIES	 3 GOOD HEALTH AND WELL-BEING	 1 NO POVERTY  4 QUALITY EDUCATION	 3 GOOD HEALTH AND WELL-BEING  6 CLEAN WATER AND SANITATION

Define low-carbon sectors based on Low Carbon Registry Taxonomy



Low-carbon investment/lending grew YoY

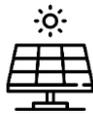


Hastening positive environmental change with green products

Pioneers in renewable energy financing



Wind Power



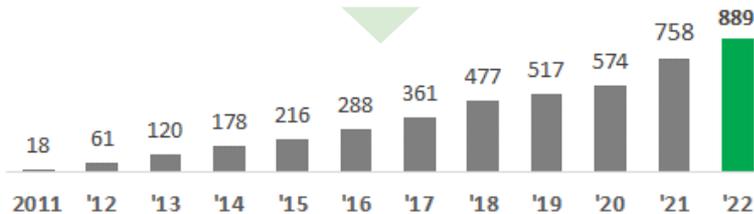
Solar Power



Total capacity of financed solar power stations and wind turbines

2,262 MW

Total capacity of loan-financed solar power stations installed in Taiwan and overseas (MW)



First in the industry – Green Insurance

Initiation (yr)

2010



Cumulative insured amount of renewable energy industry

NT\$ 183bn

2013



Green vehicles insured

54,593 Green vehicles

2014



Bicycle insured

10,093 bicycles

2016



Offered the first Offshore Wind Power Insurance product in Taiwan

2018



Public bicycles riders insured

118.2mn bicycle riders

Providing green finance services across various markets and industries



Sustainability-linked loan (SLL)

Approved ~30 SLLs in Taiwan, Hong Kong, the Philippines, Singapore, and Australia

Signed **1st SLL agreement ever issued in Philippines**



Green deposit

Utilized by over 30 companies of NT\$10bn

1st Taiwan financial group to launch green deposits in China

Health promotion – from compensation to prevention

Fitback app health promotion program



Compensation ▶▶▶ Prevention

Utilize health promotion programs to increase health awareness

Track health habits



Health ecosystem



Expand influence



Fitback app: spillover-feature insurance products

Health habit targets

Premium discounts

Increased Benefit

Increased insured amount



Facilitating health promotion through technology

806,000 members

Users collectively walked **849 billion steps**, which is equivalent to 662 round trips to the moon.



Financial health – financial inclusion



Small amount whole life insurance

- Provided basic coverage to relatively elders who have difficulty obtaining required insurance
- Cathay Life provided basic economic security for ~258,000 policyholders, the highest in the industry



Microinsurance

- Provided basic protection of NT\$105.5bn for over 313,000 economically disadvantaged



Elderly-friendly products

- Specialized cancer insurance to elders with physical conditions excluded from standard qualification
- Launched in June 2022 and issued 65,000 policies in six months



Microfinance

- Financed Cambodia's micro finance institutions (MFIs)
- CUB has provided US\$74mm loans to MFIs



accessibility via digital platforms



CUBE App, connecting Bank, Life, P&C and Securities services, provides one-stop digital financial services.



Chatbot Alpha serves over 1.5mn monthly online users from all Cathay channels.



CVX is the first remote life insurance application platform in Taiwan.



BeSafe, providing fragmented insurance products, enables customers to customize their own insurance policies.



Cathay Securities App, with over 1mn customers, offers all-in-one digital investment services.

Building a workplace of diversity, equity & inclusion



Creating a culture of diversity, equity, and inclusion

- **Raise awareness** by providing training courses on unconscious bias, psychological safety, and inclusive culture.
- **Collect employee feedback to create case studies** for internal advocacy.
- **Enhance HR procedures** to prevent talent loss due to unconscious biases.
- **Ongoing communication** via internal events and meetings.

Woman empowerment



69%
women employees



54%
women in manager positions



15% women on the Board of Directors,
up from **8%** in 2021

“Career FlexiPacing” program

Empowering employees to achieve long-term career growth while managing work-life balance



Flexible WFH arrangement



Continue to upskill via online courses



Cloud-based library for continuous learning



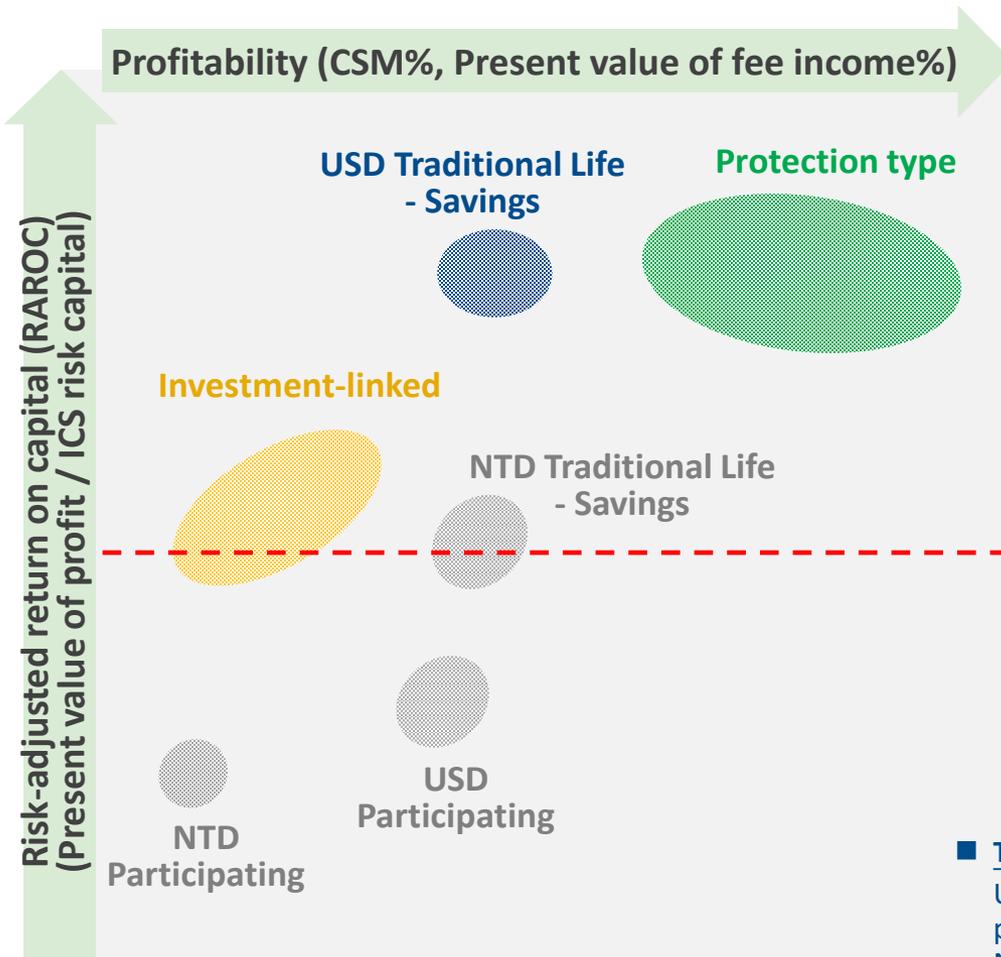
Employee Assistance Program (EAP)

Agenda

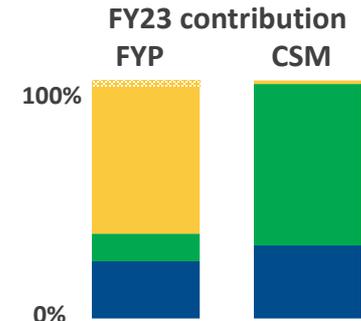
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Focus on high CSM and RAROC products

- CSM accumulation is top priority
- Taking profitability, volume(FYP) and capital charge into consideration



- Protection type**
NTD Health & Accident products are key focus
Superior CSM contribution

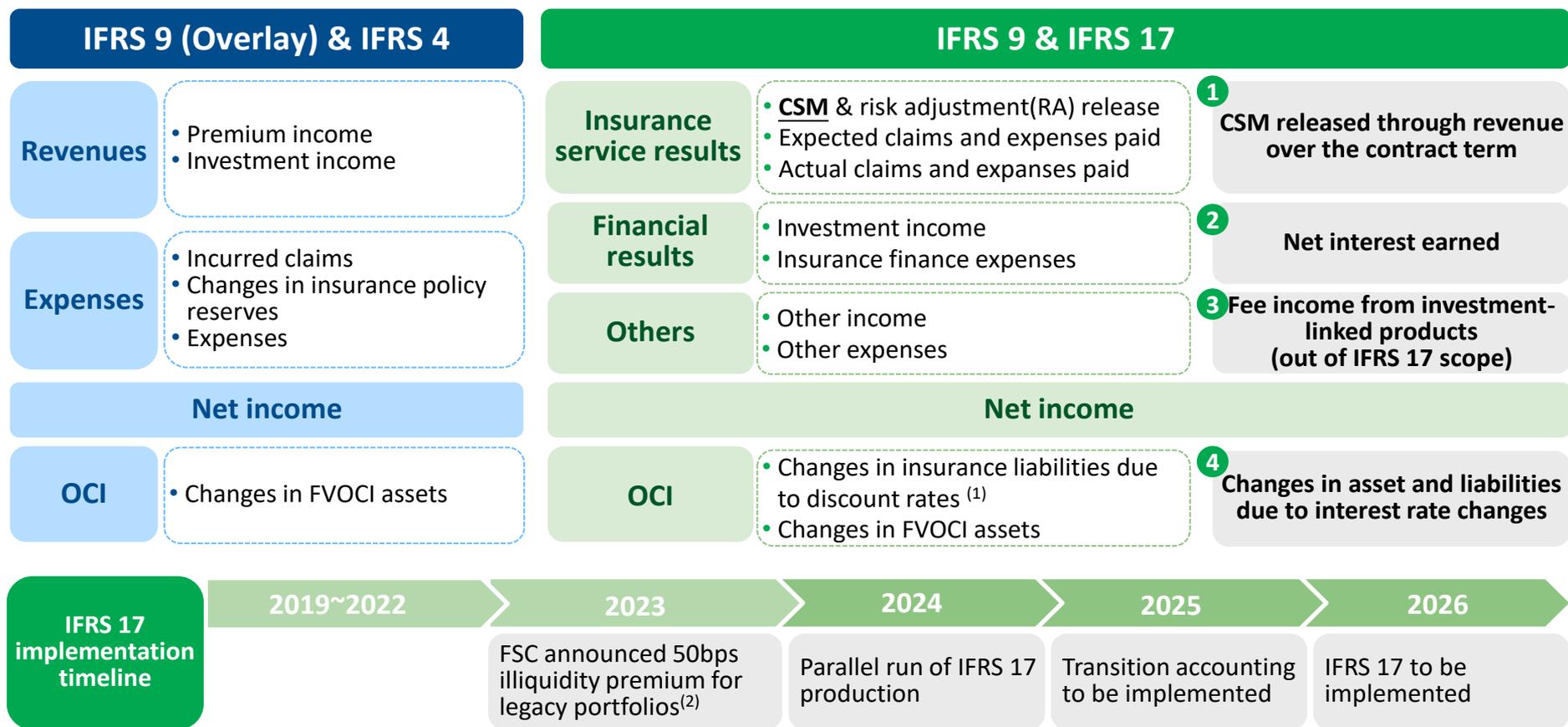


- Traditional life -savings**
USD interest sensitive life policies are the key products
No foreign currency risk, easier for ALM

- Investment-linked products(ILP)**
Stable fee income, no interest rate risk and low capital charge
Aim to stably increase AUM

Enhancing transparency and comparability under IFRS 17

- ❑ Mart-to-market valuation for insurance liabilities
- ❑ Profit of insurance policies recognized as CSM (as a liability item) and released through revenue over the contract term



Transitional measures ease capital pressure under TW-ICS

		RBC	TW-ICS
Adopted framework		RBC (NAIC)	ICS (IAIS)
Valuation	Fixed income	Amortized cost	Mark-to-market
	Stock	Average market value over half-year period	
	Insurance liability	Locked-in basis	
Capital resources		Other method (equity \pm adj.)	Tiering
Risk measure		VaR 95%	VaR 99.5%
Risk calculation		Factor-based	Stress approach (primarily), factor-based

Transitional measures

- **Linear increase of the capital requirement over a 15-year phase-in period**
 - Net fair value impacts from assets and liabilities for legacy portfolios
 - Interest rate risk: from initial 50% to 100%
 - Longevity/lapse/expense/catastrophe risks: from initial 0% to 100%
 - Equity and real estate risk factors linearly converge to TW-ICS from RBC

Localization

- **Localization equity and real estate risk factors**

Risk factor	RBC	ICS (IAIS)	TW-ICS
Taiwan listed equities	21.65% (TWSE), 30% (OTC)	48% (EM)	35%
Domestic real estate	7.81%	25%	15%
Domestic public infrastructure	1.28%	49% (other equity)	1.28%*

Response to the implementation of IFRS 17 and TW-ICS

- ❑ Proactively participating in the international field testing of IFRS 17 and ICS since 2015
- ❑ Refining business strategies since 2020 in response to the implementation of IFRS 17 and TW-ICS, focusing on new business profitability, investments and capital planning



Product Strategy

Profitability under new framework is confirmed

- ✔ Focus on not only returns but risks, namely risk-adjusted return
- ✔ Shift to protection-type, USD interest sensitive life and ILPs



Investments

Liability-driven investments

- ✔ Risk-adjusted return on capital (RAROC) consideration under TW-ICS
- ✔ More fixed income assets to manage interest rate risks



Capital

Capital raising plan to create buffer for market fluctuation

- ✔ NT\$35bn common equity injection in 2022; NT\$35bn and NT\$50bn subordinated debt issuance in 2023 and 1H24, respectively.



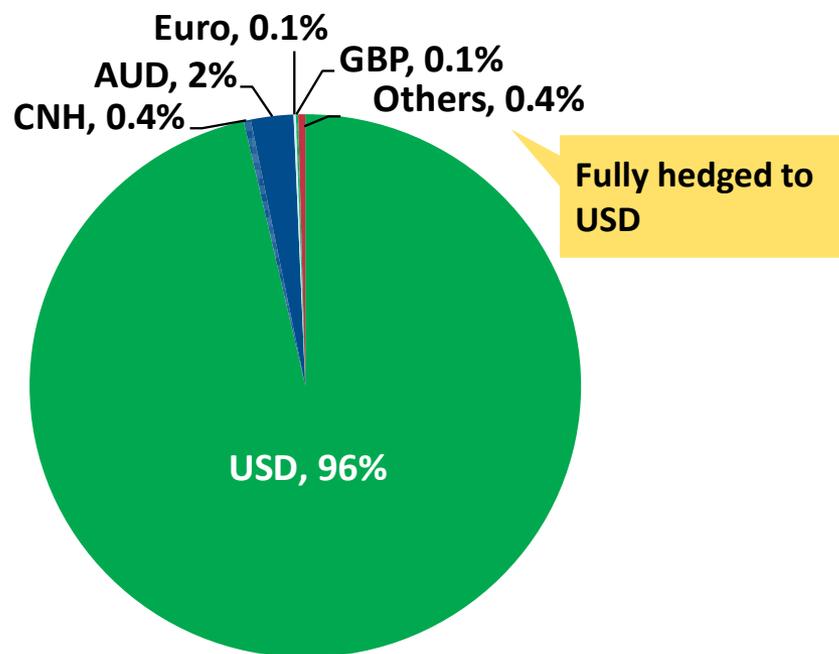
Asset Liability Management

Strengthen interest rate risk management

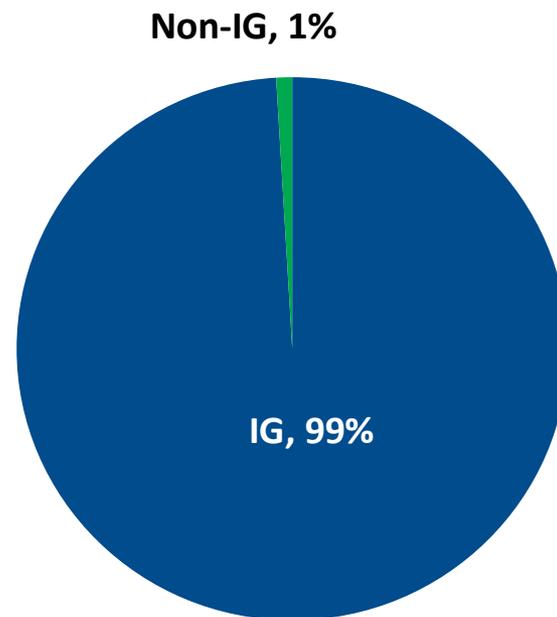
- ✔ Advance duration management, including effective and dollar duration
- ✔ Employ interest rate headage as needed

Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (1Q24)

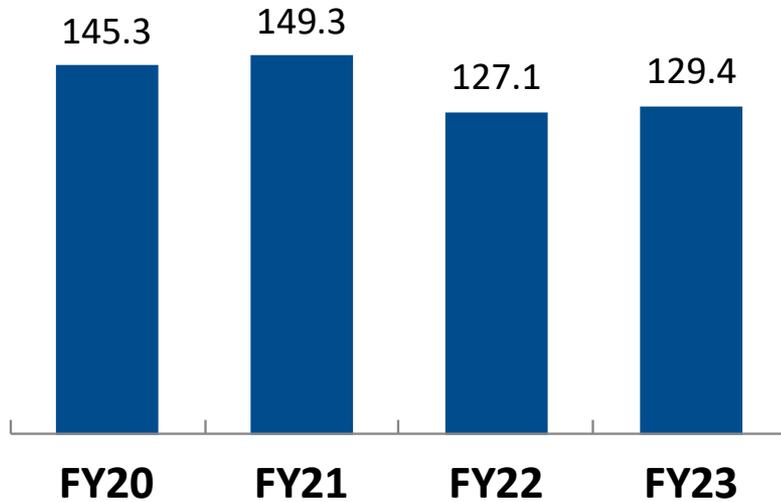


Overseas bond by rating (1Q24)

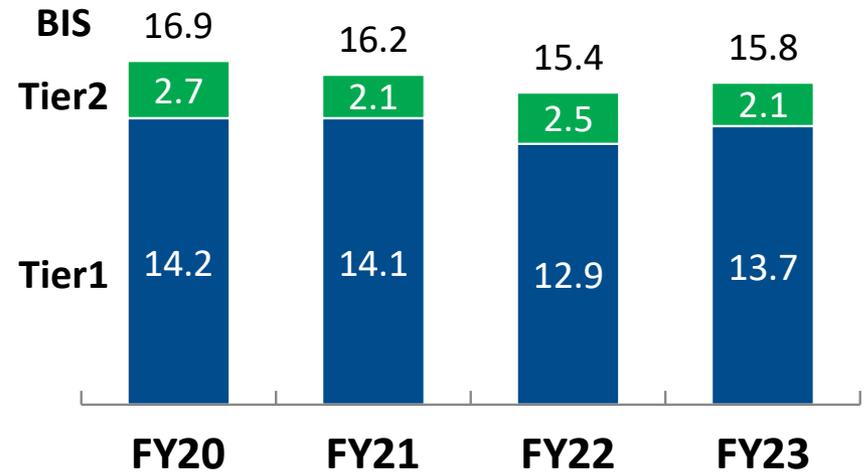


Capital adequacy

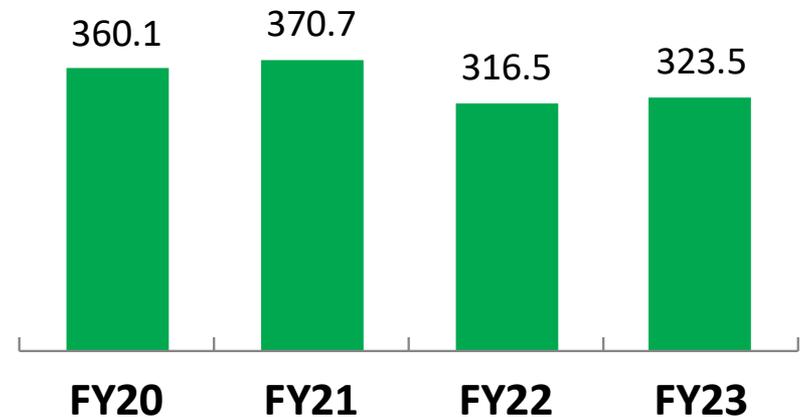
Cathay FHC CAR (%)



CUB capital adequacy (%)



Cathay Life RBC (%)



Cathay Financial Holdings

(NT\$MN)

Income Statement Data (Consolidated)

	FY21	FY22	FY23	FY23/ FY22 % Chg	1Q23	1Q24	1Q24/ 1Q23 % Chg
Operating Income							
Net interest income	194,882	226,163	245,630	9%	59,519	62,425	5%
Net commission and fee	12,649	15,421	17,751	15%	2,198	3,418	56%
Net earned premium	524,187	439,719	431,638	-2%	107,518	109,709	2%
Change in liability reserve	(377,408)	(198,098)	(139,104)	-30%	(38,219)	(46,210)	21%
Net claims payment	(305,703)	(438,283)	(461,707)	5%	(110,564)	(102,612)	-7%
Investment income	190,944	132,185	39,321	-70%	(720)	54,136	7617%
Contribution from associates-equity method	1,807	2,266	1,951	-14%	685	550	-20%
Other net non-interest income	7,197	(36,038)	29,588	182%	7,721	(11,283)	-246%
Bad debt expense	(3,484)	(4,778)	(4,103)	-14%	346	(2,302)	765%
Operating expense	(85,543)	(88,610)	(102,496)	16%	(21,304)	(24,827)	17%
Income before taxes	159,526	49,948	58,469	17%	7,179	43,005	499%
Income taxes	(18,637)	(11,986)	(6,955)	-42%	(6)	(5,442)	94612%
Net income	140,889	37,962	51,514	36%	7,173	37,562	424%
Net income to parent company	139,514	37,359	50,929	36%	7,009	38,109	444%

EPS (NT\$)	10.34	2.58	3.24		0.48	2.60	
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Dividend Payout

Cash dividend per share	3.50	0.90	2.00				
Stock dividend per share	0.00	0.00	0.00				
Weighted average outstanding shares (Millions of common shares)	13,169	13,190	14,669				

Balance Sheet Data (Consolidated)

Total assets	11,594,361	12,070,886	12,811,120		12,247,812	13,081,009	
Total shareholders' equity	914,039	611,708	801,446		695,847	874,866	
Equity attributable to parent company	902,038	598,840	788,055		682,411	860,827	

Operating Metrics

ROAE (Consolidated)	15.49%	4.98%	7.29%		4.39%	17.93%	
ROAA (Consolidated)	1.25%	0.32%	0.41%		0.24%	1.16%	
Double leverage ratio(inc. preferred stock)	113%	122%	118%		119%	117%	

Capital Adequacy Metrics

Capital Adequacy Ratio	149%	127%	129%				
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Cathay Life

(NT\$MMN)

Income Statement Data (Consolidated)

	FY21	FY22	FY23	FY23/ FY22 % Chg	1Q23	1Q24	1Q24/ 1Q23 % Chg
Net written premium	499,102	410,186	401,229	-2%	100,578	102,387	2%
Net earned premium	498,398	409,196	400,118	-2%	101,139	102,758	2%
Reinsurance commission earned	388	527	424	-20%	6	6	-4%
Fee income	10,715	10,804	11,728	9%	2,626	3,101	18%
Recurring investment income	214,968	242,608	259,899	7%	58,995	63,271	7%
Gain on disposal of investment							
Realized gain (loss)-Equity	116,191	23,289	40,940	76%	13,356	39,076	193%
Realized gain (loss)-Debt	63,127	5,572	4,158	-25%	2,245	931	-59%
Gain on investment property	1,106	2,735	(70)	-103%	(4)	(3)	30%
FX and others, net	(46,445)	(2,907)	(51,639)	-1676%	(23,019)	(16,976)	26%
Investment income, net	348,947	271,296	253,289	-7%	51,572	86,298	67%
Other operating income	8,754	8,726	10,537	21%	303	350	16%
Separate account revenues	77,919	(933)	56,586	6164%	16,118	26,630	65%
Net claims payment	(287,850)	(398,511)	(429,157)	8%	(96,727)	(98,222)	2%
Changes in liability reserves	(376,771)	(188,389)	(147,994)	-21%	(46,358)	(45,923)	-1%
Acquisition and commission expense	(34,445)	(30,977)	(33,700)	9%	(7,668)	(10,798)	41%
Other operating costs	(8,056)	(6,729)	(7,813)	16%	(1,535)	(1,802)	17%
Financial cost	(3,114)	(3,817)	(4,828)	26%	(1,086)	(1,338)	23%
Separate account expense	(77,919)	933	(56,586)	6164%	(16,118)	(26,630)	65%
Operating expense	(32,448)	(32,301)	(36,465)	13%	(6,624)	(7,430)	12%
Net non-operating income	1,563	1,859	2,753	48%	493	548	11%
Income taxes	(12,916)	(7,513)	(2,125)	-72%	1,811	(2,427)	234%
Net income	113,166	34,169	16,766	-51%	(2,047)	25,120	1327%
Net income to parent company	112,231	33,667	16,343	-51%	(2,156)	25,735	1294%

Balance Sheet Data (Consolidated)

Total assets	8,073,161	8,172,430	8,536,002		8,234,528	8,818,307
General account	7,348,951	7,517,003	7,808,336		7,562,792	8,041,722
Separate account	724,210	655,427	727,666		671,736	776,585
Reserves for life insurance liabilities	6,413,221	6,794,562	6,919,383		6,819,236	7,040,809
Total liabilities	7,331,028	7,706,641	7,908,127		7,698,368	8,131,053
Total shareholders' equity	742,133	465,789	627,875		536,160	687,254
Equity attributable to parent company	734,443	456,817	618,419		526,766	677,359

Operating Metrics (Standalone)

First Year Premium(FYP)	202,394	129,343	132,871		29,538	27,162
First Year Premium Equivalent(FYPE)	50,997	42,434	47,415		12,095	15,493
Expense ratio	11.2%	12.8%	13.7%		13.3%	17.2%
13-M persistency ratio	98.4%	97.7%	97.3%		97.5%	97.5%
25-M persistency ratio	96.3%	96.6%	95.4%		96.2%	95.3%
ROAE (Consolidated)	15.47%	5.66%	3.07%		-1.63%	15.28%
ROAA (Consolidated)	1.44%	0.42%	0.20%		-0.10%	1.16%

Capital Adequacy Metrics (Standalone)

RBC ratio	371%	316%	323%
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Cathay United Bank (NT\$MN)					FY23/ FY22			1Q24/ 1Q23
<u>Income Statement Data (Consolidated)</u>	FY21	FY22	FY23	% Chg	1Q23	1Q24	% Chg	
Operating Income								
Net interest income	38,539	48,704	51,743	6%	12,769	13,676	7%	
Net fee income	18,346	18,246	20,844	14%	5,384	7,700	43%	
Investment income	6,956	6,711	13,476	101%	2,934	5,446	86%	
Other income	502	1,180	835	-29%	153	201	32%	
Net operating income	64,342	74,841	86,898	16%	21,240	27,024	27%	
Operating expenses	(33,877)	(38,307)	(45,752)	19%	(10,245)	(11,761)	15%	
Pre-provision profit	30,466	36,534	41,146	13%	10,995	15,263	39%	
Net provisions for possible losses	(2,986)	(5,524)	(5,077)	-8%	99	(2,383)	2510%	
Income before taxes	27,480	31,010	36,069	16%	11,094	12,880	16%	
Income tax	(3,671)	(5,299)	(7,102)	34%	(1,924)	(2,457)	28%	
Net income	23,808	25,712	28,967	13%	9,170	10,423	14%	
Net income to parent company	23,344	25,590	28,805	13%	9,113	10,354	14%	
<u>Balance Sheet Data (Consolidated)</u>								
Total assets	3,499,323	3,887,031	4,233,701		4,002,639	4,216,748		
Loans, net	1,807,077	2,045,082	2,280,571		2,117,905	2,399,689		
Financial assets	1,110,788	1,268,349	1,403,347		1,321,485	1,320,752		
Total liability	3,248,596	3,645,307	3,957,835		3,747,597	3,929,494		
Deposits	2,935,694	3,246,162	3,543,558		3,293,675	3,508,564		
Financial Debenture Payable	46,800	37,147	27,100		37,146	27,100		
Total shareholders' equity	250,727	241,724	275,866		255,042	287,254		
Equity attributable to parent company	246,351	237,734	271,931		250,908	283,110		
<u>Operating Metrics (Consolidated)</u>								
Cost income ratio	52.65%	51.18%	52.65%		48.23%	43.52%		
ROAE	9.57%	10.44%	11.19%		14.77%	14.81%		
ROAA	0.71%	0.70%	0.71%		0.93%	0.99%		
<u>Assets Quality (Standalone)</u>								
NPL	1,578	1,510	2,519		1,532	2,629		
NPL ratio	0.09%	0.08%	0.11%		0.07%	0.11%		
NPL provisions	28,064	32,459	36,609		33,345	38,314		
Coverage ratio	1778%	2150%	1453%		2177%	1457%		
<u>Capital Adequacy Metrics (Standalone)</u>								
BIS ratio	16.2%	15.4%	15.8%					
Tier 1 ratio	14.1%	12.9%	13.7%					
CET1 ratio	12.6%	11.0%	12.0%					
<u>LDR (Standalone)</u>								
LDR	61.4%	62.4%	64.1%		63.4%	68.1%		
TWD LDR	69.2%	75.4%	79.8%		76.6%	81.1%		
FX LDR	34.1%	25.8%	22.5%		25.7%	27.5%		

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Cathay Century
 (NT\$MM)

Income Statement Data (Consolidated)	FY21	FY22	FY23	FY23/	1Q23	1Q24	1Q24/
				FY22			% Chg
Premium income	28,015	30,266	34,273	13%	7,765	9,047	17%
Net written premium	20,718	22,084	24,022	9%	5,532	6,209	12%
Net earned premium	19,903	21,703	23,448	8%	5,606	5,908	5%
Reinsurance commission earned	857	900	1,117	24%	233	329	41%
Fee income	46	49	50	2%	14	14	4%
Investment	1,363	595	948	59%	303	558	84%
Interest income	539	636	674	6%	163	183	12%
Other investment income, net	824	(41)	275	766%	140	375	168%
Other operating income	0	157	51	-67%	0	20	0%
Net claims payment	(10,470)	(29,677)	(23,240)	-22%	(12,840)	(2,919)	-77%
Changes in liability reserves	(637)	(9,709)	8,891	-192%	8,139	(286)	104%
Commissions and other operating costs	(3,765)	(3,916)	(4,376)	12%	(1,027)	(1,107)	8%
Operating expenses	(4,772)	(4,636)	(5,374)	16%	(1,191)	(1,508)	27%
Operating income	2,525	(24,533)	1,514	106%	(764)	1,009	232%
Net non-operating income	42	8	12	50%	1	(1)	-223%
Income taxes	(392)	4,904	(281)	106%	188	(140)	175%
Net income	2,175	(19,622)	1,246	106%	(575)	868	251%
Balance Sheet Data (Consolidated)							
Total assets	49,900	60,596	55,446		51,488	57,738	
Total stockholders' equity	14,447	12,800	14,982		12,590	16,231	
Operating Metrics (Standalone)							
Gross Combined ratio	87.1%	196.6%	88.7%		110.2%	75.2%	
Net Combined ratio	92.1%	216.2%	101.6%		141.7%	90.3%	
ROAE (Consolidated)	15.78%	-144.03%	8.97%		-18.13%	22.24%	
ROAA (Consolidated)	4.62%	-35.52%	2.15%		-4.11%	6.13%	
Capital Adequacy Metrics							
RBC ratio (Standalone)	284%	369%	351%				

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