



2020 First Half Briefing

August 2020

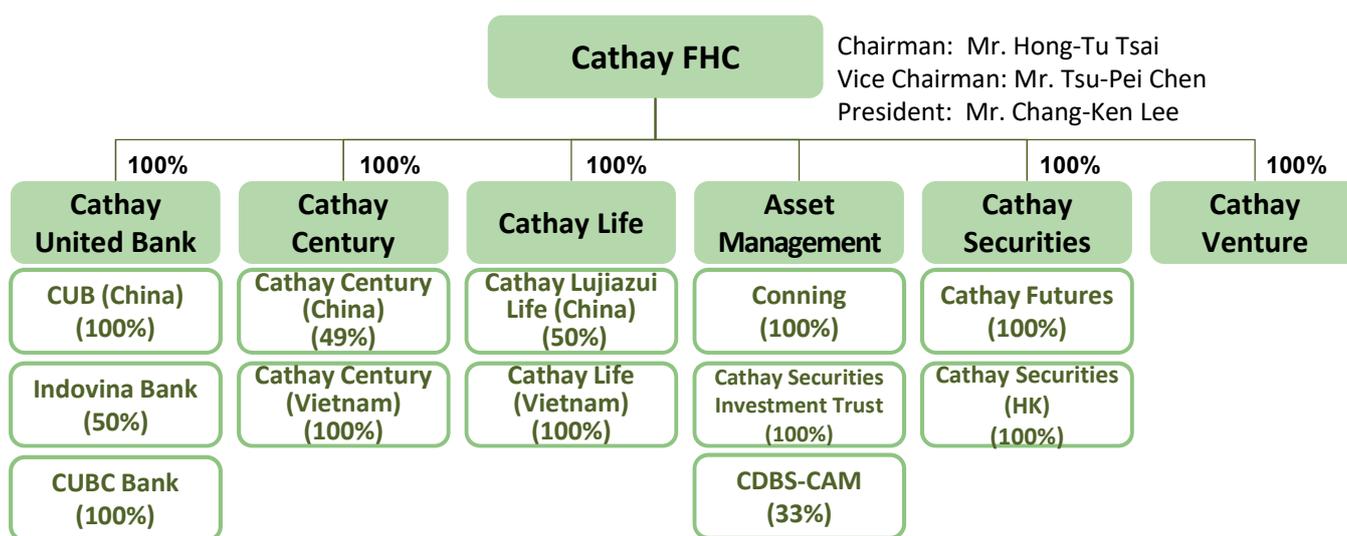
Disclaimer

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- ❑ This document may not be directly or indirectly reproduced, redistributed or forwarded to any other person and may not be published in whole or in part for any purpose.

Agenda

- Introduction of Cathay FHC
- 1H20 Business Overview
- 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: 11.6% (1H20).

- No. 1 life insurer in terms of total assets and total premium
- Market share in total premium: 20.8% (1H20).

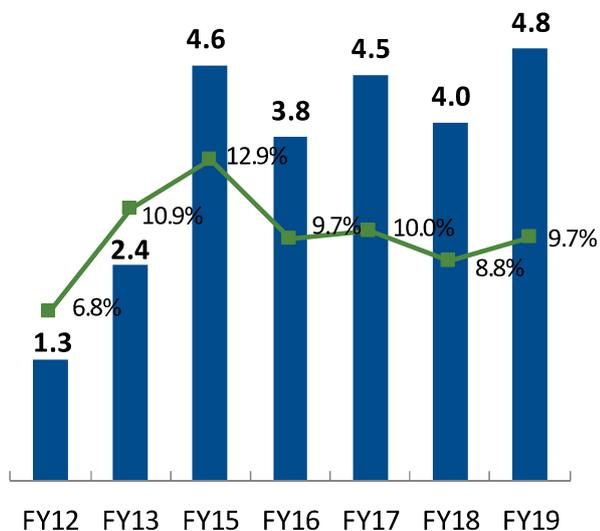
- Building global asset management platform
- Largest AUM among asset managers in Taiwan

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

Cathay FHC continued to deliver solid earnings

EPS & ROE

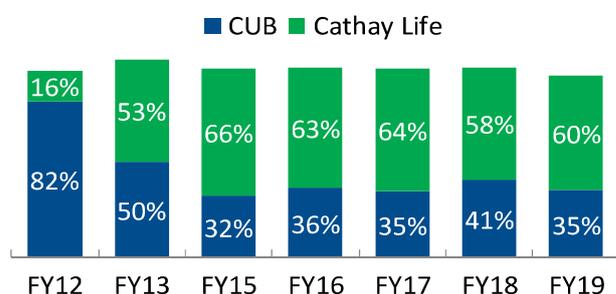
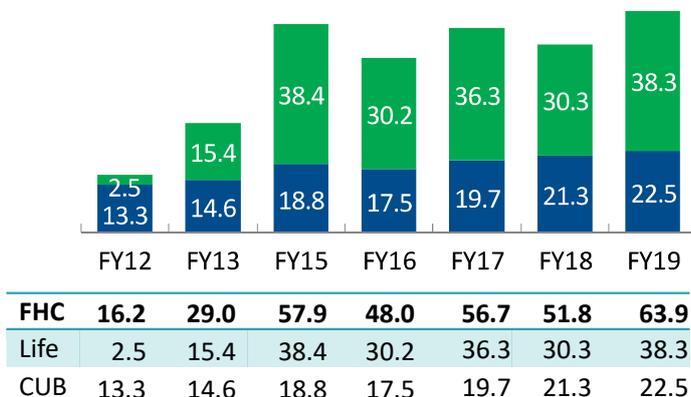
■ EPS ■ ROE (NT\$/%)



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

Profit contribution

■ CUB ■ Cathay Life (NT\$BN)



Market leader in Taiwan's FIG sector

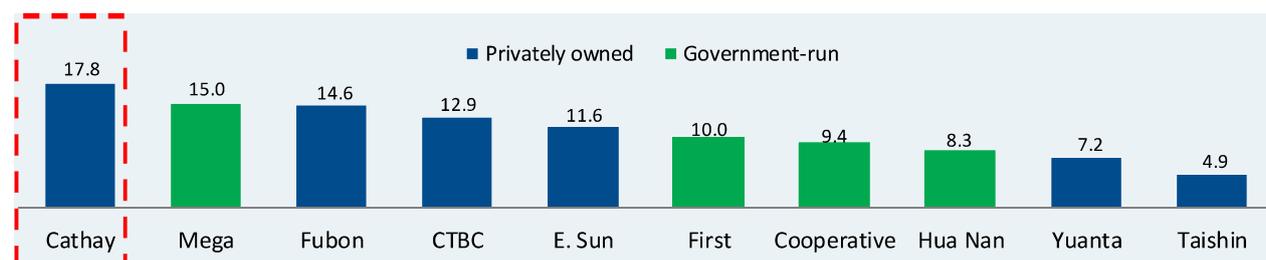
□ Largest listed financials group by market capitalization and assets.

Ranking of total asset (US\$bn)



Note: Total assets as of March 31, 2020

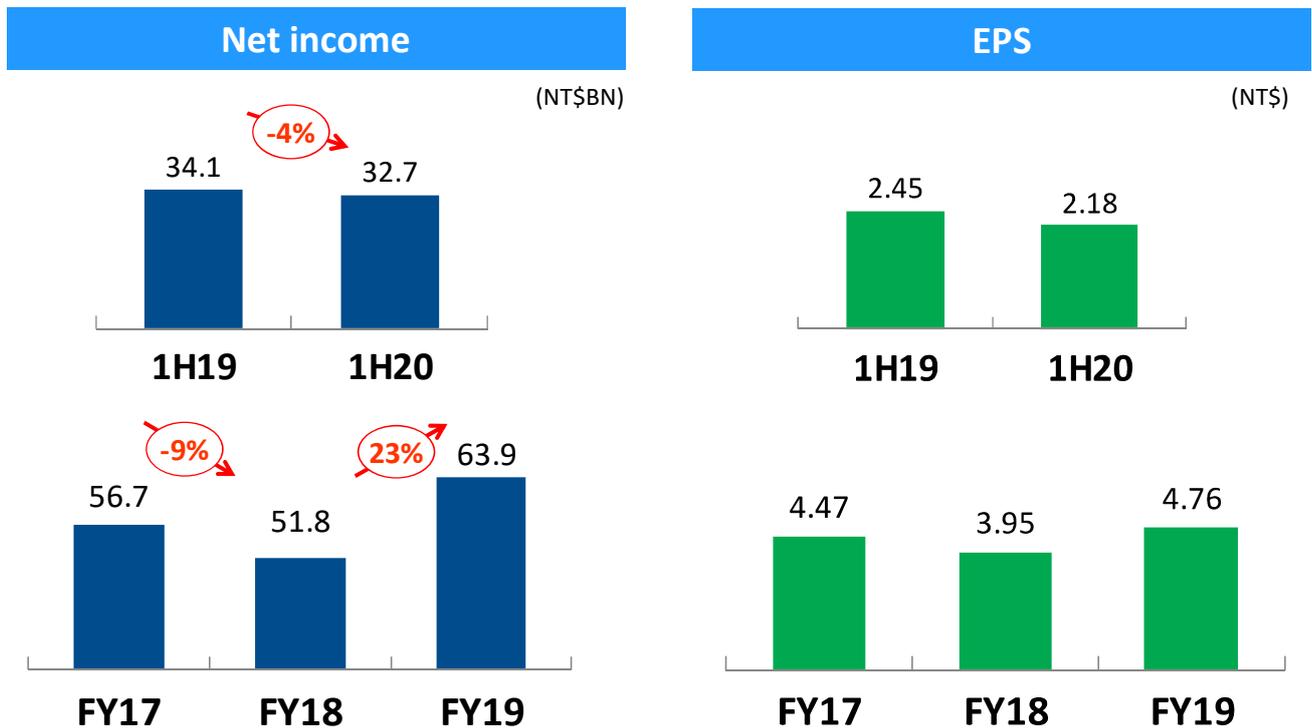
Ranking of market cap (US\$bn)



Note: Market capitalization as of July 31, 2020

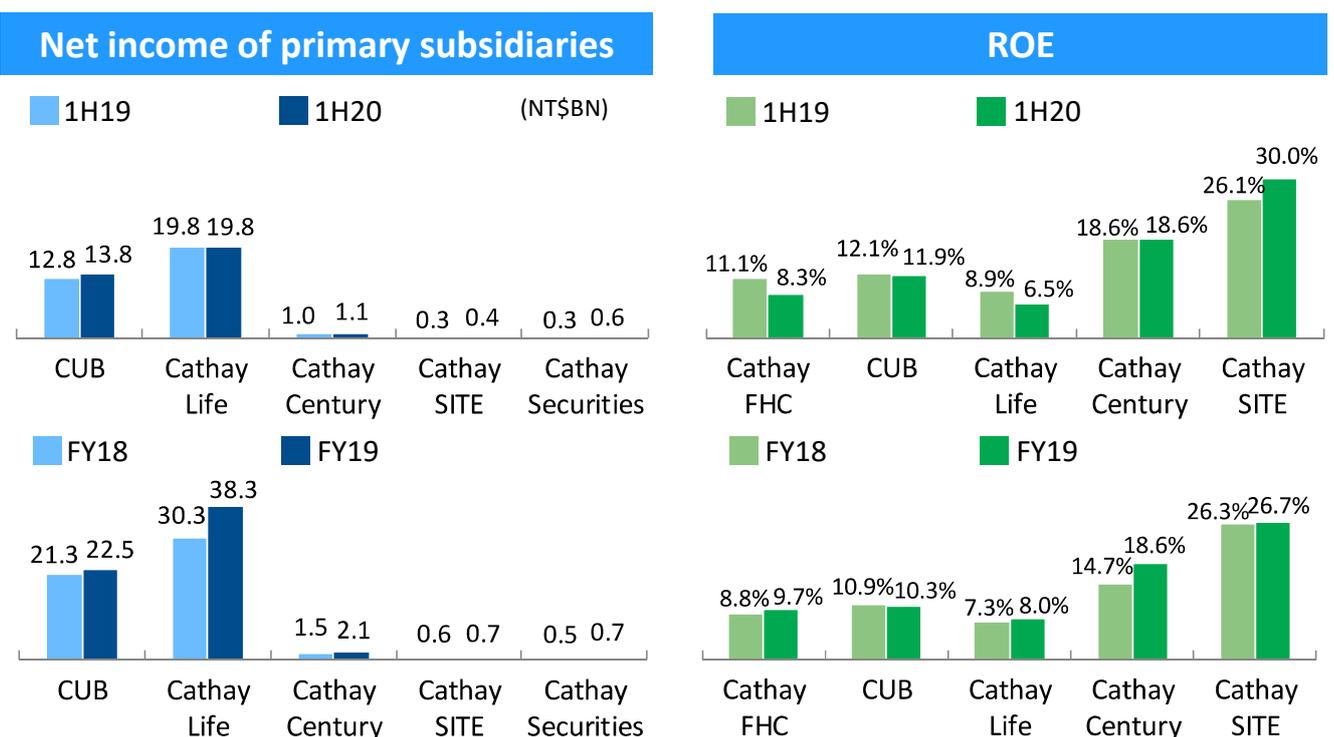
Cathay FHC – Net income & EPS

Net income declined 4% YoY due to the recognition of tax expenses on undistributed earnings.



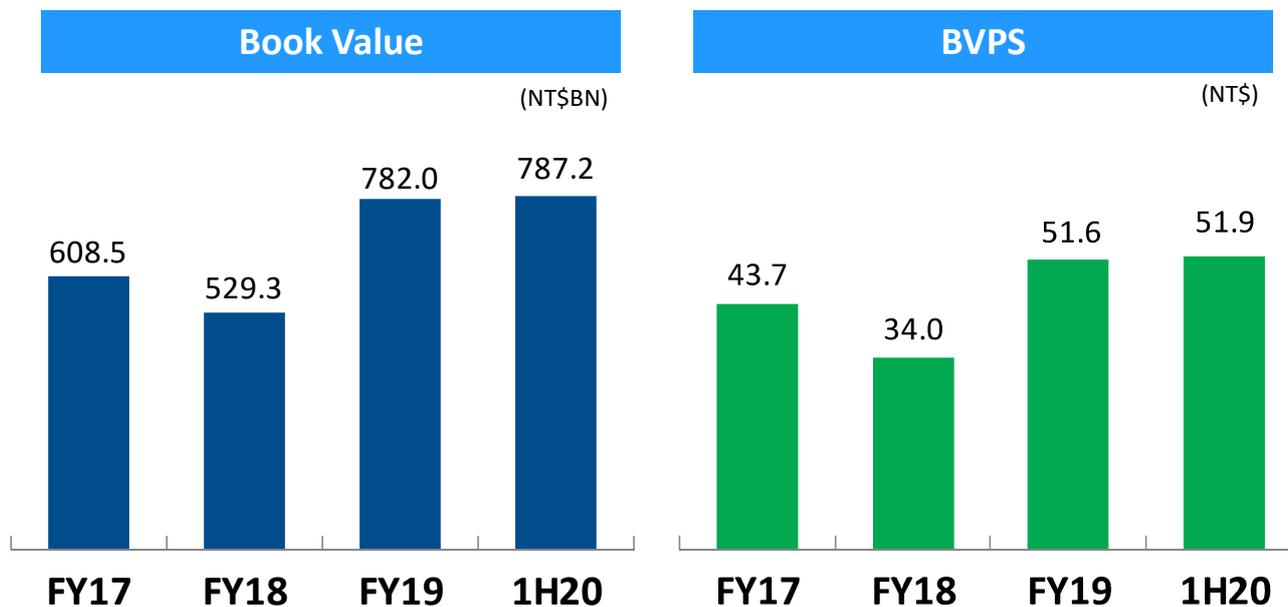
Cathay FHC – Net income & ROE

- CUB net income increased 9% YoY driven by higher investment income and lower expenses.
- P&C, Asset Management and Securities subsidiaries delivered double digit growth in net income.



Cathay FHC – Book value & BVPS

□ Book value reached record high, led by favorable capital markets.



Note : (1) Book value includes preferred shares and minority interests, BVPS represented BVPS attributable to common shareholders.
(2) Starting Jan.1, 2018, the reporting was based on IFRS 9.

Agenda

- Introduction of Cathay FHC
- **1H20 Business Overview**
- Overseas Expansion
- Business Performance Summary
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- Cathay's CSR Efforts
- Appendix

1H20 Business overview

Cathay United Bank

- Delivered steady loan and deposit growth with benign credit quality.
- Overseas expansion continued. Planned to open Yangon branch in Myanmar by the end of this year.
- Offshore earnings grew 8% YoY, accounted for 48% of pre-tax earnings.

Cathay Life

- Focused on value-driven strategy. Total premium grew steadily driven by the growth of renewal premium. Both FYP and FYPE ranked No.1 in the industry.
- Maintained solid capital position with RBC ratio of 347%.

Cathay Century

- Premium income grew 2% YoY. Remained in second place with 11.6% 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\$872.5 BN.
- Recognized by Asia Asset Management, Benchmark and received Asset Management Company of the Year by The Asset in 2020.

Cathay Securities

- Brokerage business grew steadily. Sub-brokerage market share ranked No.1.
- Optimized customer experience with new digital business model.
- 1H20 profit increased significantly.

Agenda

- Introduction of Cathay FHC
- 1H20 Business Overview
- **Overseas Expansion**
- Business Performance Summary
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- Cathay's CSR Efforts
- Appendix

Cathay FHC in South East Asia

	China	Vietnam	Cambodia	Hong Kong	Singapore	Malaysia	Laos	Philippines	Thailand	Myanmar	Indonesia
Bank	7	36	16	1	1	1	1	1	1	1	1
Life	53 ⁽¹⁾	97 ⁽¹⁾									
P&C	28	2									
Asset Mgt.	1			1							
Securities				2							

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

■ Banking

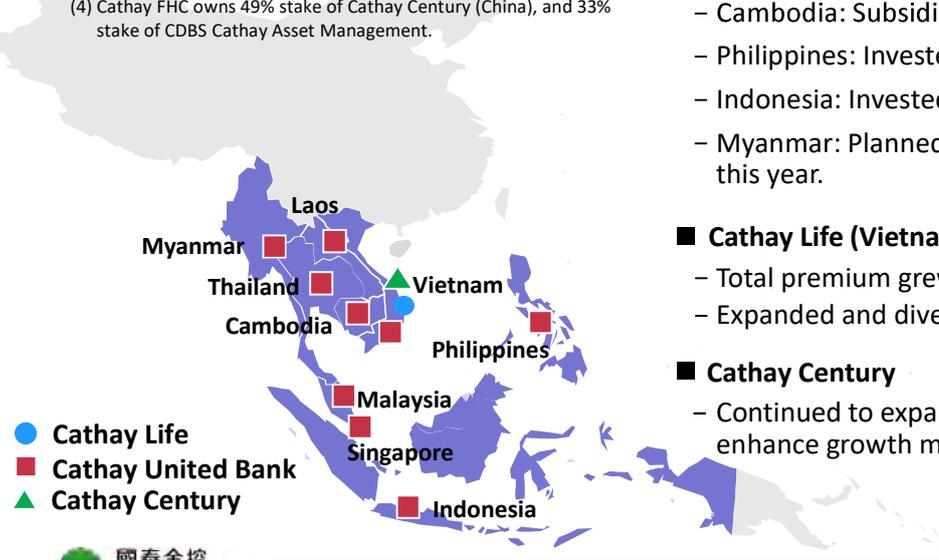
- Vietnam: Indovina Bank performed steadily.
- Cambodia: Subsidiary's businesses grew steadily.
- Philippines: Invested 23% stake in RCBC⁽³⁾
- Indonesia: Invested 37% stake in Bank Mayapada⁽³⁾
- Myanmar: Planned to open Yangon branch by the end of this year.

■ Cathay Life (Vietnam)

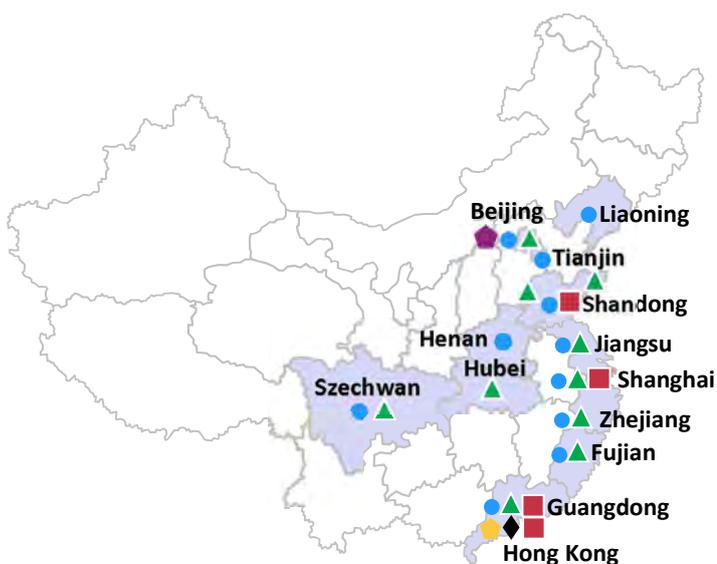
- Total premium grew 57% YoY to VND 732BN in 1H20.
- Expanded and diversified distribution channels.

■ 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.
- Obtained S&P Credit Ratings in July. ('BBB+' long-term and 'A-2' short-term)

■ Cathay Lujiazui Life

- Each business line grew steadily.
- Total premium grew 8% YoY to RMB 1.5BN in 1H20.

■ Cathay Century (China)

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

■ Cathay Securities (HK)

- Each business line grew steadily.

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

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

■ Conning Asia Pacific Limited

- Continued to expand asset management business.

Agenda

- Introduction of Cathay FHC
- 1H20 Business Overview
- Overseas Expansion
- Business Performance Summary

Cathay United Bank

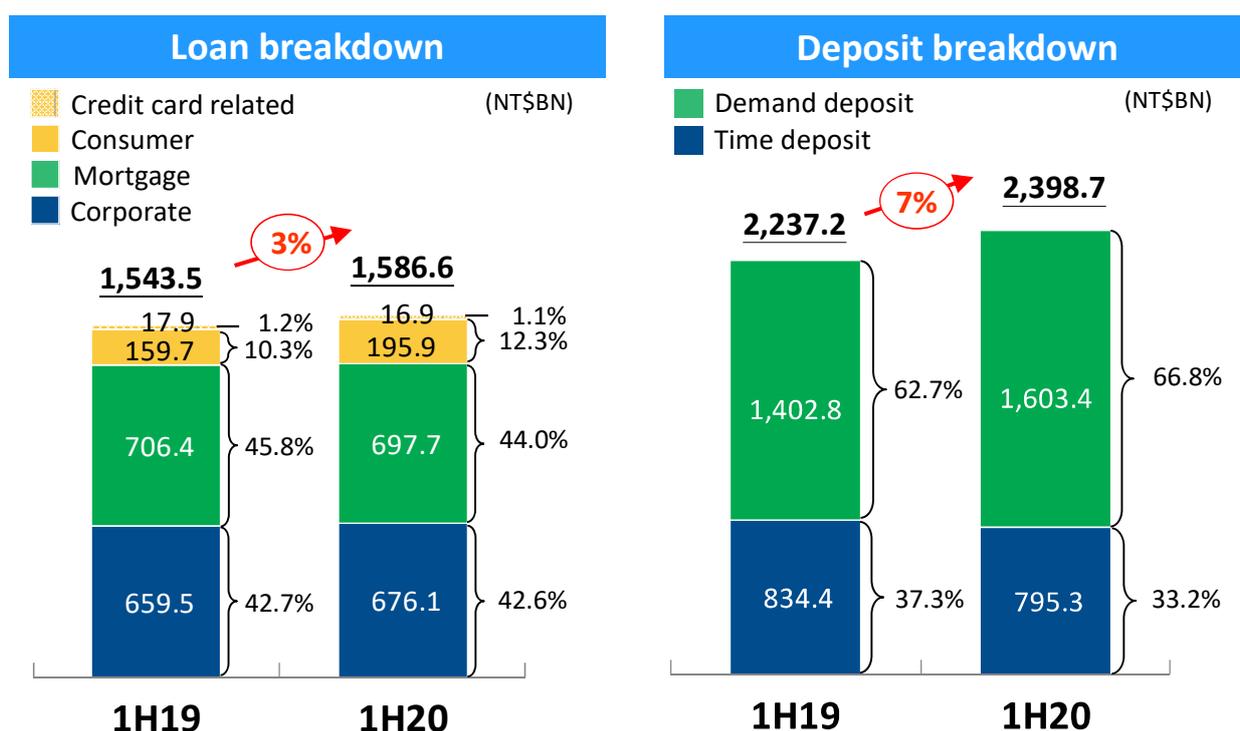
Cathay Life

Cathay Century

- Cathay's CSR Efforts
- Appendix

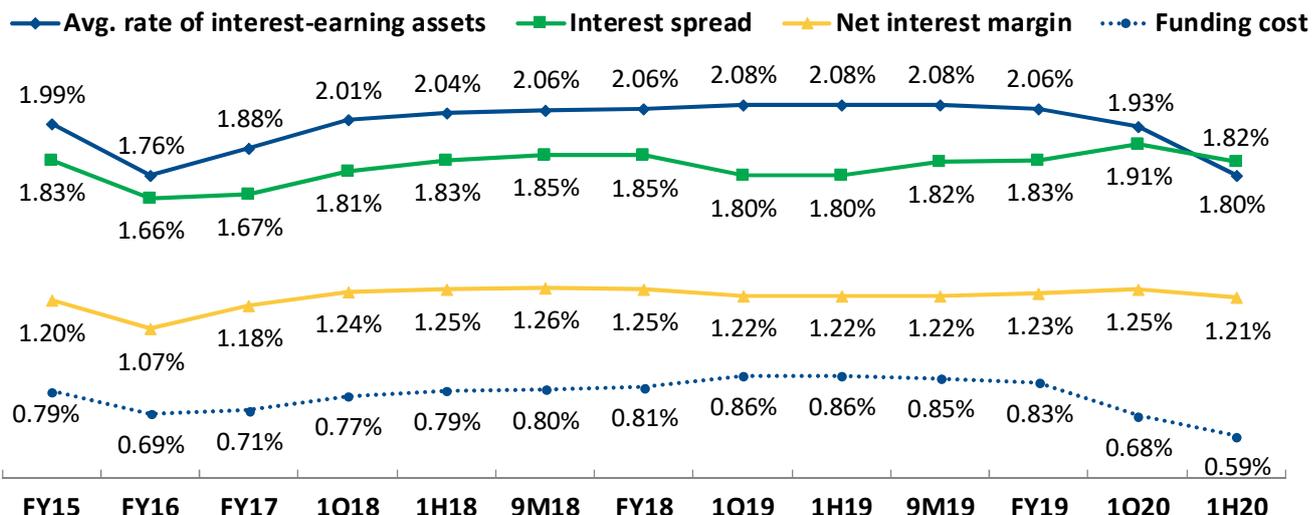
Cathay United Bank – Loan & Deposit breakdown

- Enhanced loan mix with growth in consumer, SME and foreign currency loan.
- Deposit grew solidly with higher demand-deposit ratio.



Cathay United Bank – Interest yields

Interest spread and NIM declined QoQ due to adverse impact of rate cut with loan repricing.



Quarterly	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Spread	1.81%	1.85%	1.90%	1.83%	1.80%	1.81%	1.85%	1.86%	1.91%	1.73%
NIM	1.24%	1.26%	1.27%	1.22%	1.22%	1.22%	1.23%	1.26%	1.25%	1.17%
NIM-pro forma excl. China ⁽²⁾	1.21%	1.22%	1.25%	1.22%	1.22%	1.22%	1.23%	1.26%	1.25%	1.17%

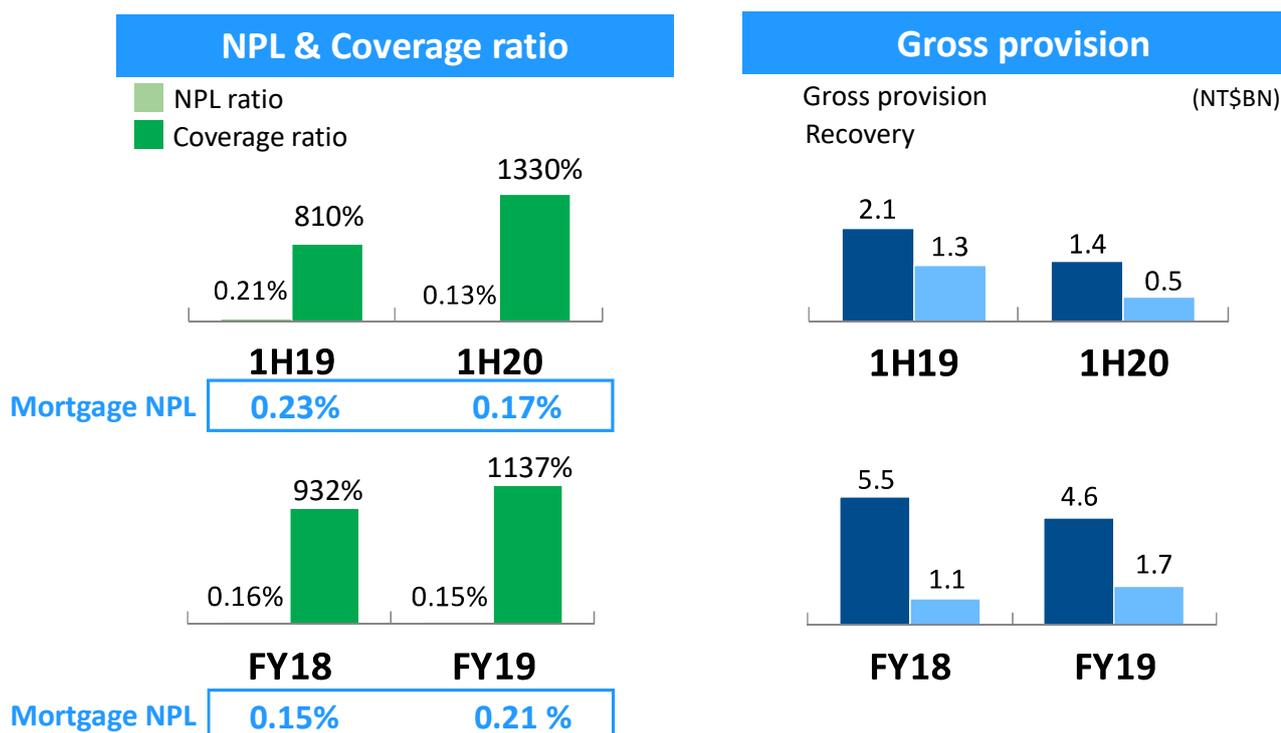
Note : (1) Credit card related loans are included in the calculation of interest spread.

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

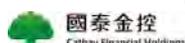


Cathay United Bank – Credit quality

Asset quality remained benign. NPL reduced to 0.13% and coverage ratio increased to 1330%.

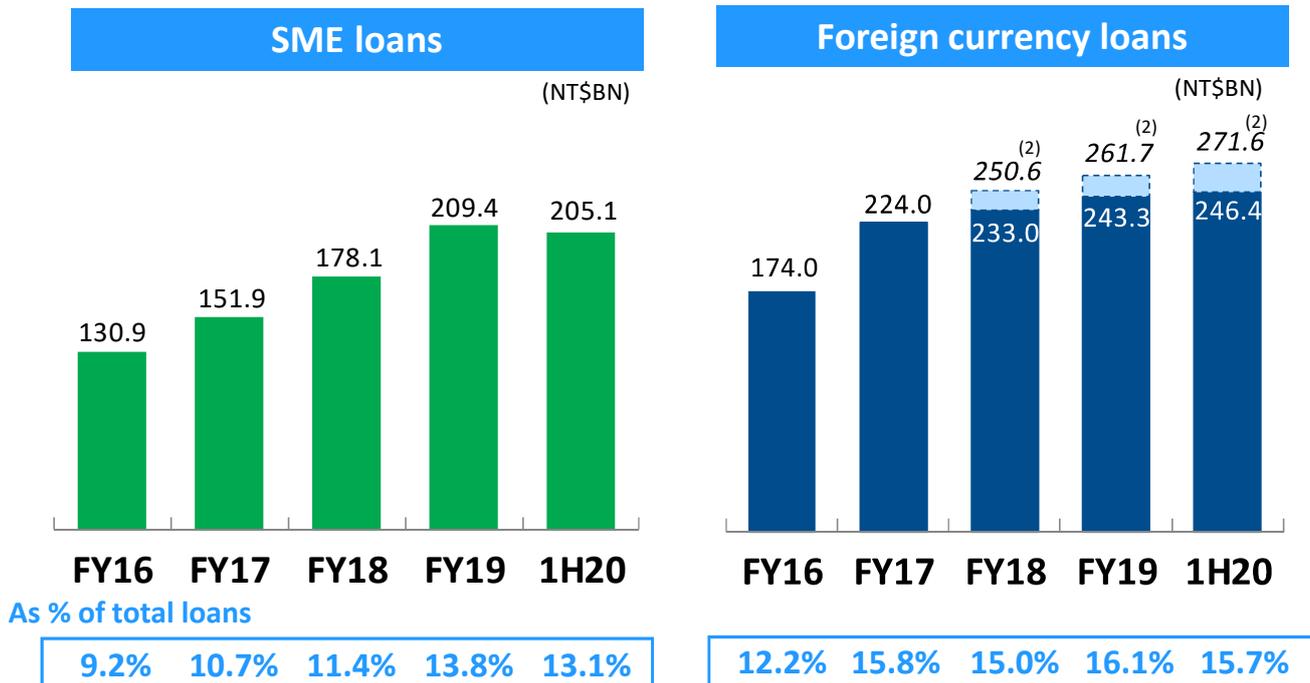


Note : China subsidiary was launched in Sep 2018. Hence, 1H19 & 1H20 number excluded China subsidiary results. (NPL ratio: 0% and 0.22%, Gross provision: NT\$-40.9MN and NT\$ 7MN, Recovery: NT\$36.2MN and NT\$ 0MN; preliminary).



Cathay United Bank – SME & FX loans

- Grow SME and Foreign currency loans while ensuring asset quality.



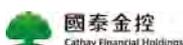
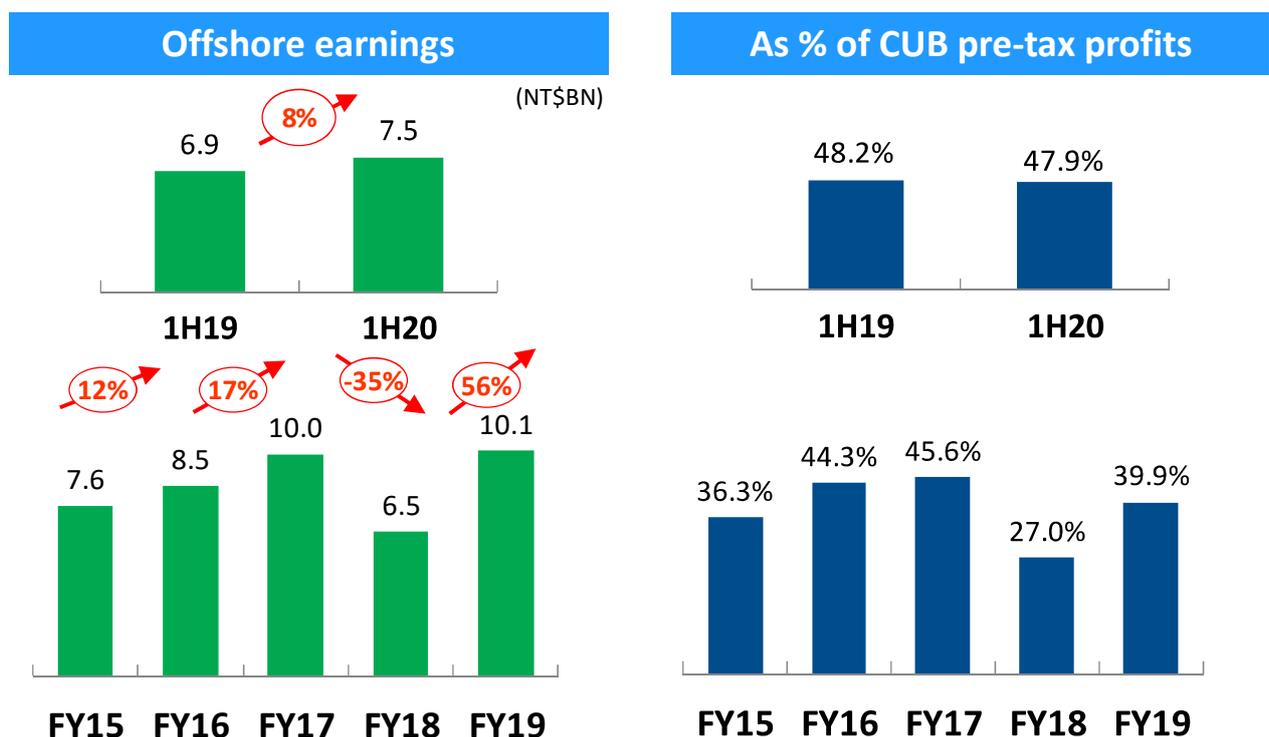
Note : (1) Total loans exclude credit card revolving balance.

(2) China subsidiary was launched in Sep 2018, hence FY18, FY19 and 1H20 foreign currency loan balance excluded NT\$17.6BN , NT\$18.4BN and NT\$25.2BN from China subsidiary, respectively. (preliminary)



Cathay United Bank – Offshore earnings

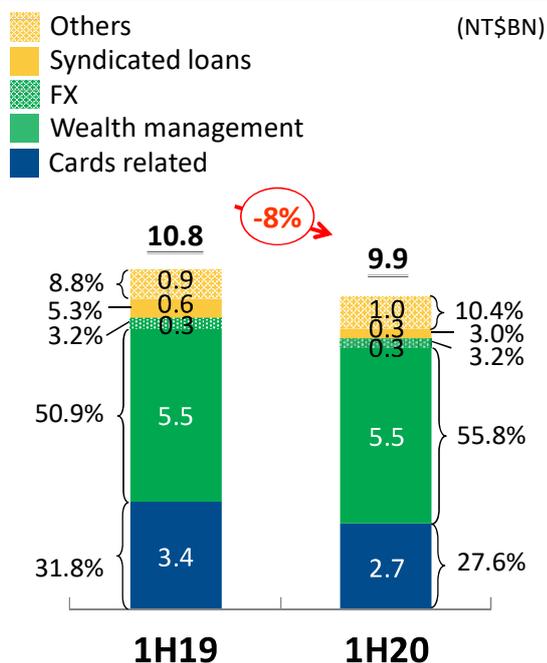
- Expand overseas business by deepening overseas presence and capture investment opportunities. Offshore earnings grew 8% YoY and accounted for 48% of pre-tax earnings.



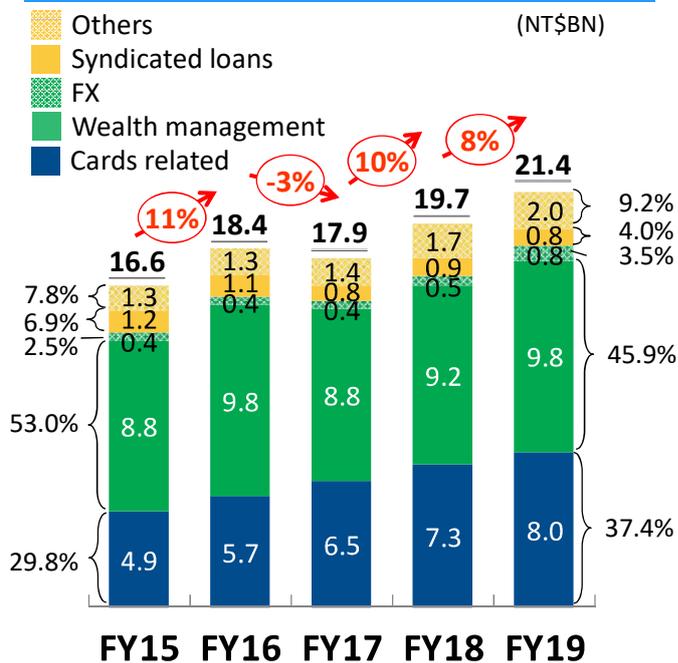
Cathay United Bank – Fee income

- Fee income declined 8% YoY due to decreased consumption momentum under COVID-19 pandemic and lower credit card fee.

Quarterly fee income



Annual fee income



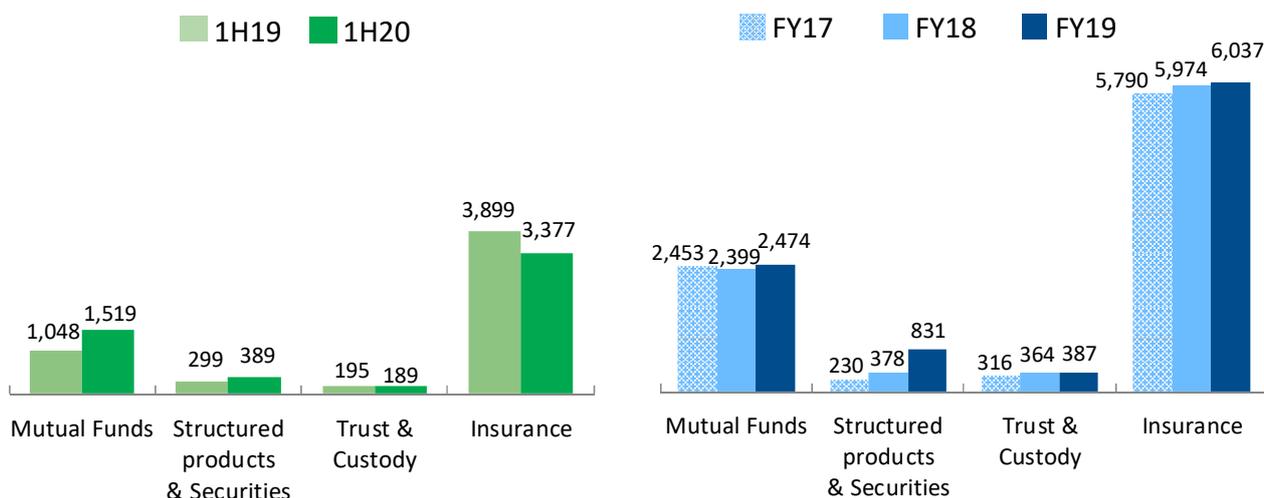
Note: China subsidiary was launched in Sep 2018, hence 1H19 and 1H20 fee income excluded NT\$ 8.9MN and NT\$16.1MN; FY18 (Sep.-Dec.) and FY19 excluded NT\$ 5.8MN and NT\$18.9MN from subsidiary, respectively. (preliminary)

Cathay United Bank – Wealth management fee

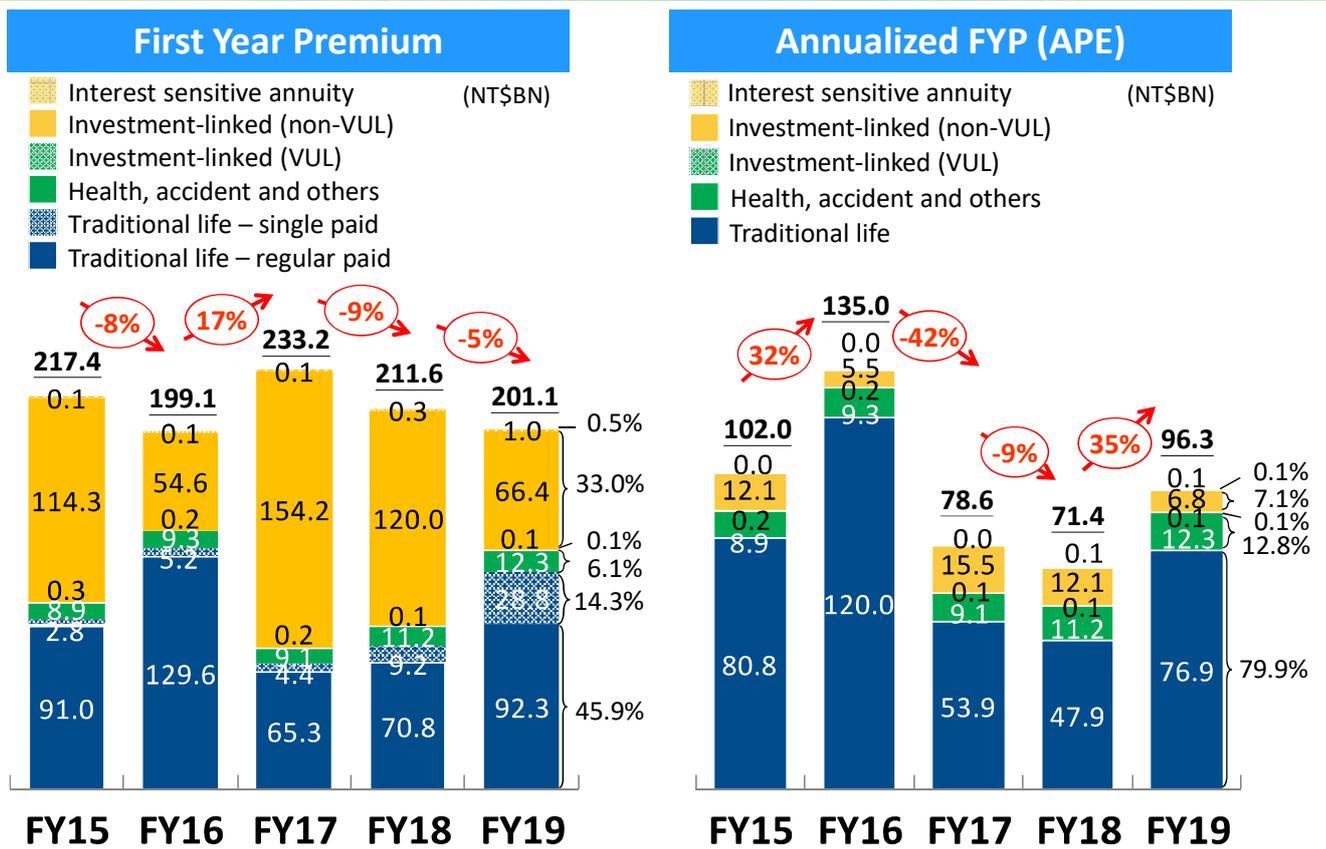
- Wealth management fee increased 1.2% YoY, driven by strong growth in mutual funds and securities product offsetting the decline in bancassurance fee.

Wealth management fee breakdown

(NT\$MN)	1H19	1H20	FY17	FY18	FY19
Wealth management fee income	5,476	5,541	8,837	9,183	9,808
YoY growth (%)	6.7%	1.2%	-10.1%	3.9%	6.8%



Cathay Life – Annual FYP & APE

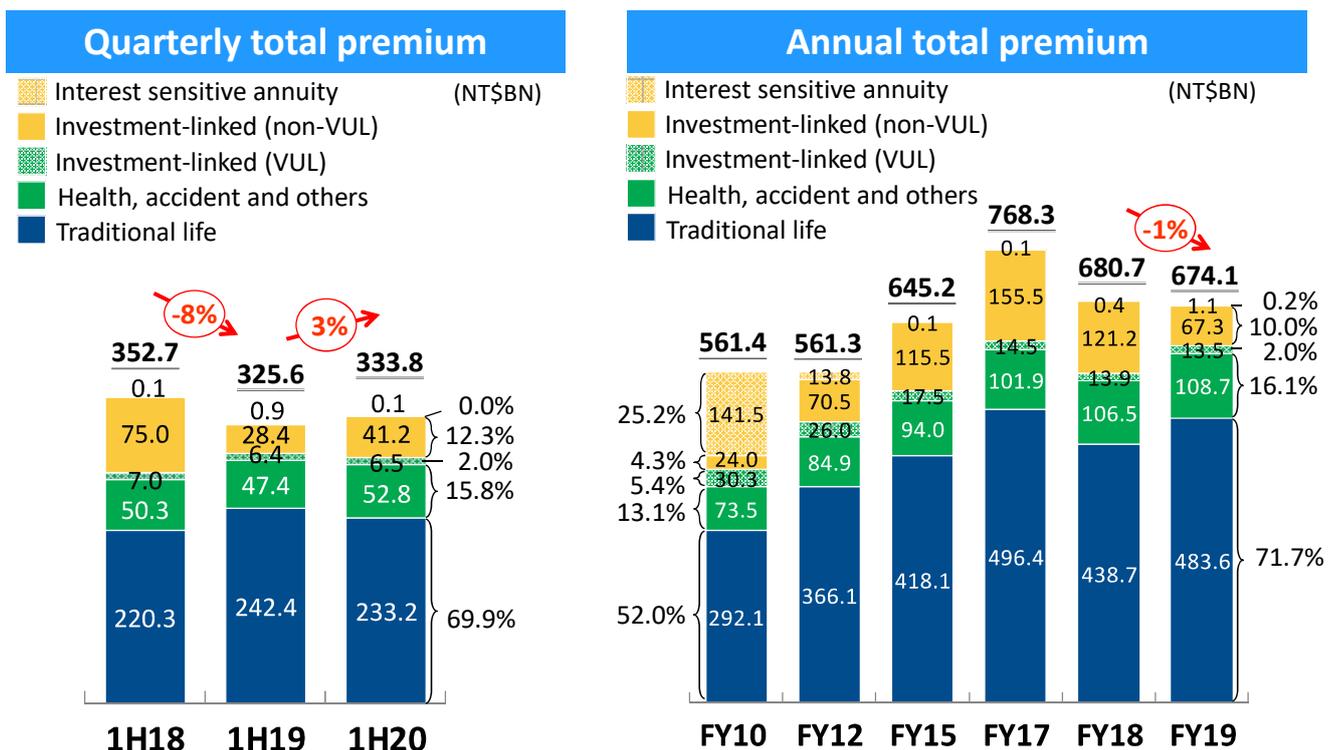


國泰金控
Cathay Financial Holdings

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

Cathay Life – Total premium

Total premium increased 3% YoY, driven by the growth in renewal premium.

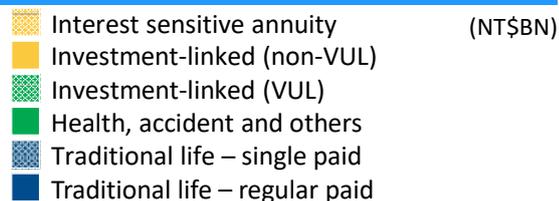


國泰金控
Cathay Financial Holdings

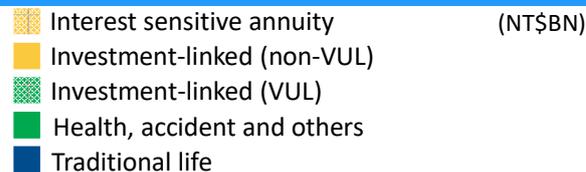
Cathay Life – Quarterly FYP & APE

- FYP declined 21% YoY due to the impact of COVID-19 pandemic and lower policy reserve rate. FYPE also declined, reflecting the increase in sales of single-paid investment-linked products.
- FYP and FYPE ranked No. 1 in the industry.

First Year Premium



Annualized FYP (APE)



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

25

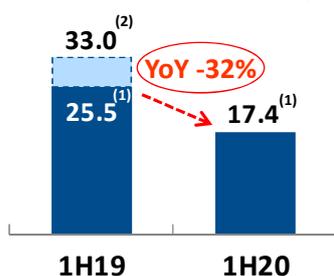
Cathay Life – Value of new business

- VNB and VNB margin declined due to lower sales volume and product mix change impacted by COVID-19 pandemic and lower policy reserve rate.
- VNB margin increased to 38% if excluding the impact of product mix change.

Value for New Business

Profit Margin	1H19 ⁽¹⁾	1H20 ⁽¹⁾
VNB/FYP	24%	21%
VNB/FYP (excl. Investment-linked (non-VUL))	32%	38%
VNB/FYPE	54%	48%

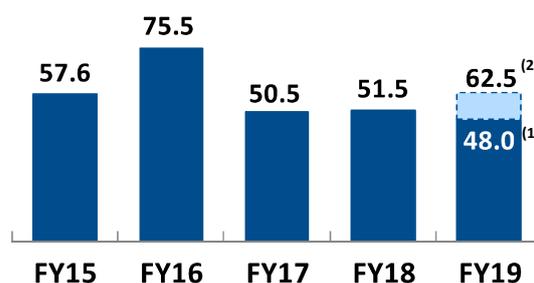
(NT\$BN)



Value for New Business (annual)

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

(NT\$BN)



Note : (1) 1H19, FY19 and 1H20 VNB were based on 2019 Embedded Value assumptions.

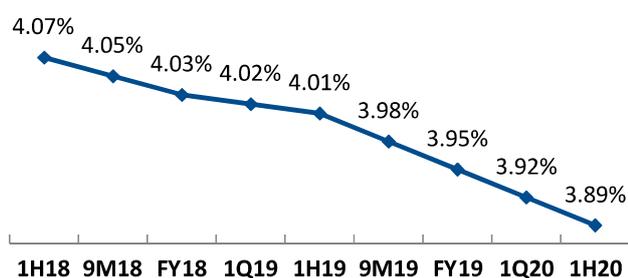
(2) Based on 2018 Embedded Value assumptions, 1H19 & FY19 VNB were NT\$33.0BN and NT\$62.5BN ; VNB/FYP were both 31% , VNB/FYPE were 69% and 65%, respectively.

26

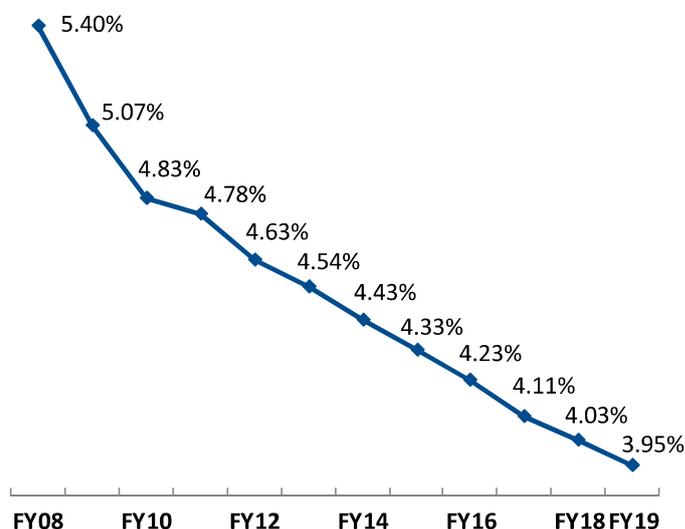
Cathay Life – Cost of liability

- Continued to strengthen value drive strategy. Cost of liability continued to improve.

Cost of liability (quarterly)



Cost of liability (annual)



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.

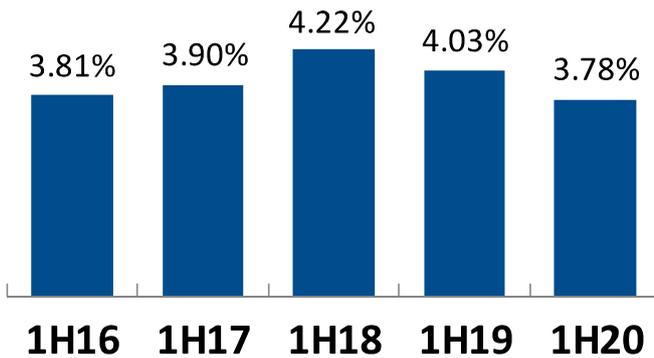
(NT\$BN)	FY17	FY18	FY19			1H20		
Total investments⁽¹⁾	5,502.6	5,761.0	6,415.0			6,633.1		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	1.6%	1.1%	3.7%	237	0.6%	3.9%	260	0.5%
Equity- Domestic	8.4%	7.5%	5.0%	322	7.9%	6.0%	399	8.8%
Equity- International ⁽²⁾	6.3%	6.7%	5.8%	370	6.5%	5.3%	351	1.4%
Bond- Domestic	5.5%	5.0%	7.9%	505	5.7%	8.2%	543	6.8%
Bond- International ⁽¹⁾⁽²⁾	55.7%	58.6%	58.9%	3,777	5.3%	59.1%	3,921	5.8%
Mortgage & Secured loans	8.1%	7.1%	5.3%	341	2.1%	4.8%	321	1.9%
Policy loans	3.0%	3.0%	2.7%	171	5.6%	2.5%	168	5.5%
Real estate	9.2%	8.7%	8.2%	526	2.7%	8.0%	528	3.2%
Others	2.4%	2.4%	2.6%	165		2.1%	142	

Note: (1) Total assets excluded separate account assets; international bond includes foreign currency deposit and related adjustments
(2) Yields of international equity and international bond are pre-hedge investment yields.

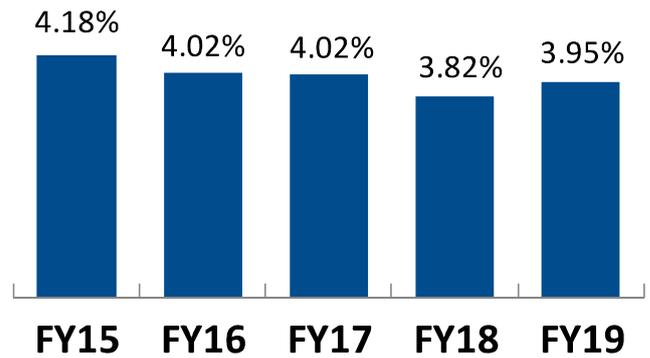
Cathay Life – Investment performance highlight

- After-hedging investment yield declined due to the one-off investment loss recognized under equity method and higher hedging cost.

After-hedging investment yield



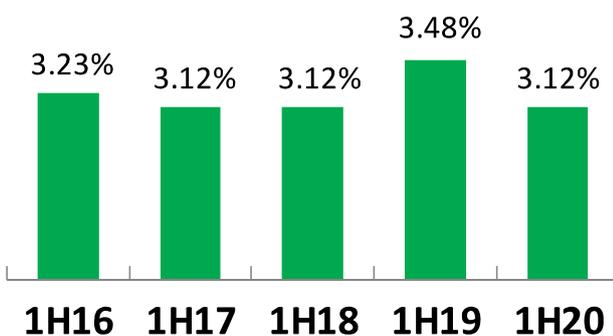
After-hedging investment yield



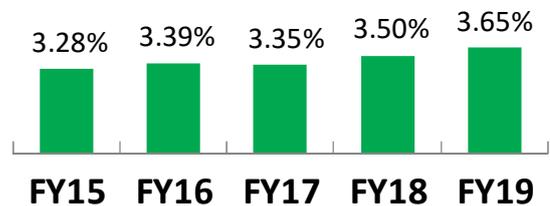
Cathay Life – Investment performance highlight

- Higher cash level and better credit rating mix led to lower pre-hedging recurring yield.
- NTD was stronger than other Asian currencies, affecting the proxy hedging effectiveness.
- Additional provision of NT\$2 billion to reduce the impact of FX volatility.

Pre-hedging recurring yield

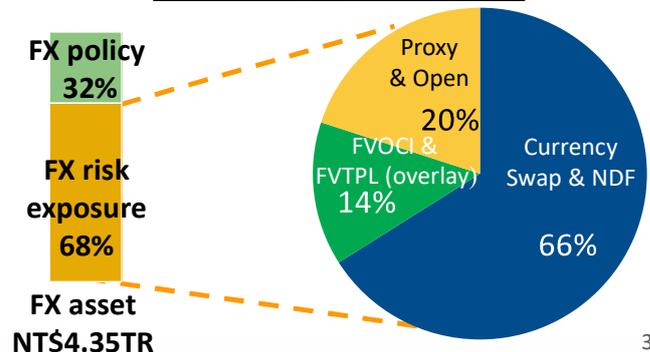


Pre-hedging recurring yield



Currency hedging structure

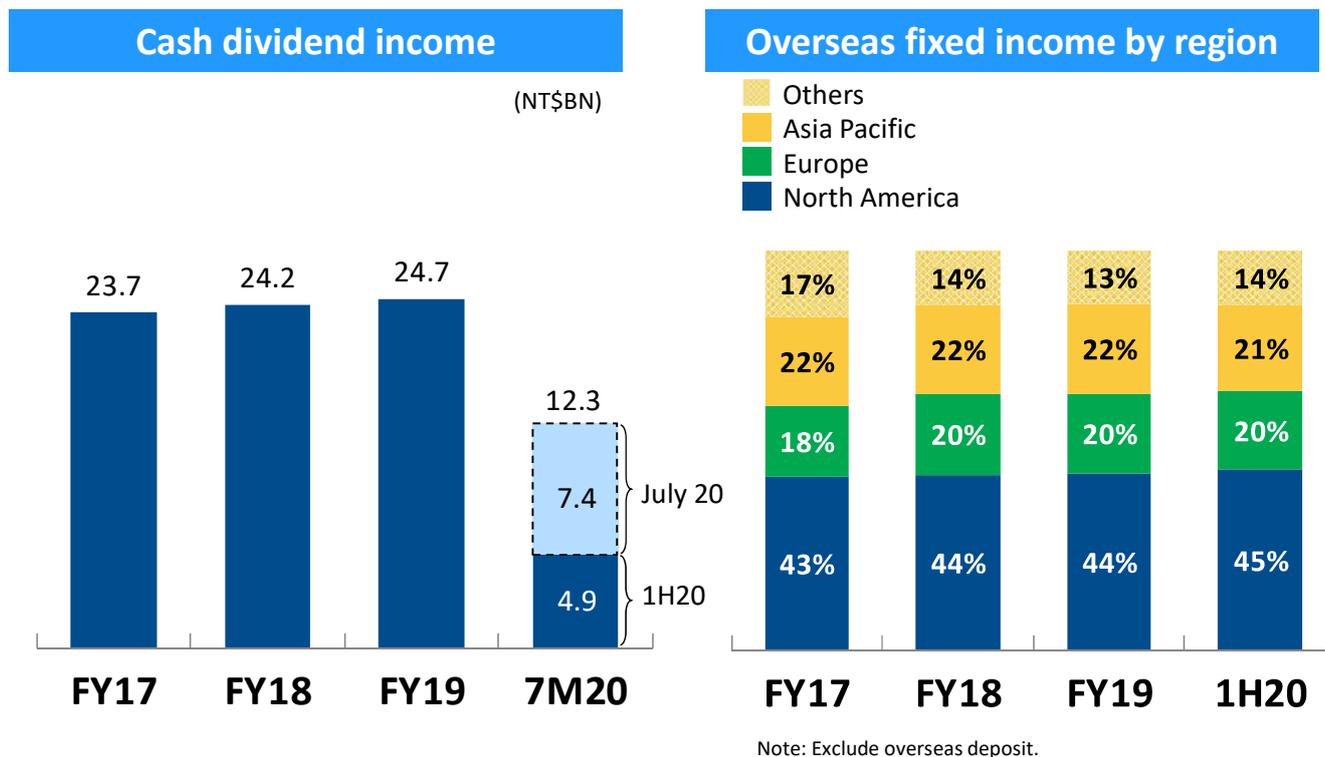
1H20 Hedging cost 1.84%



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

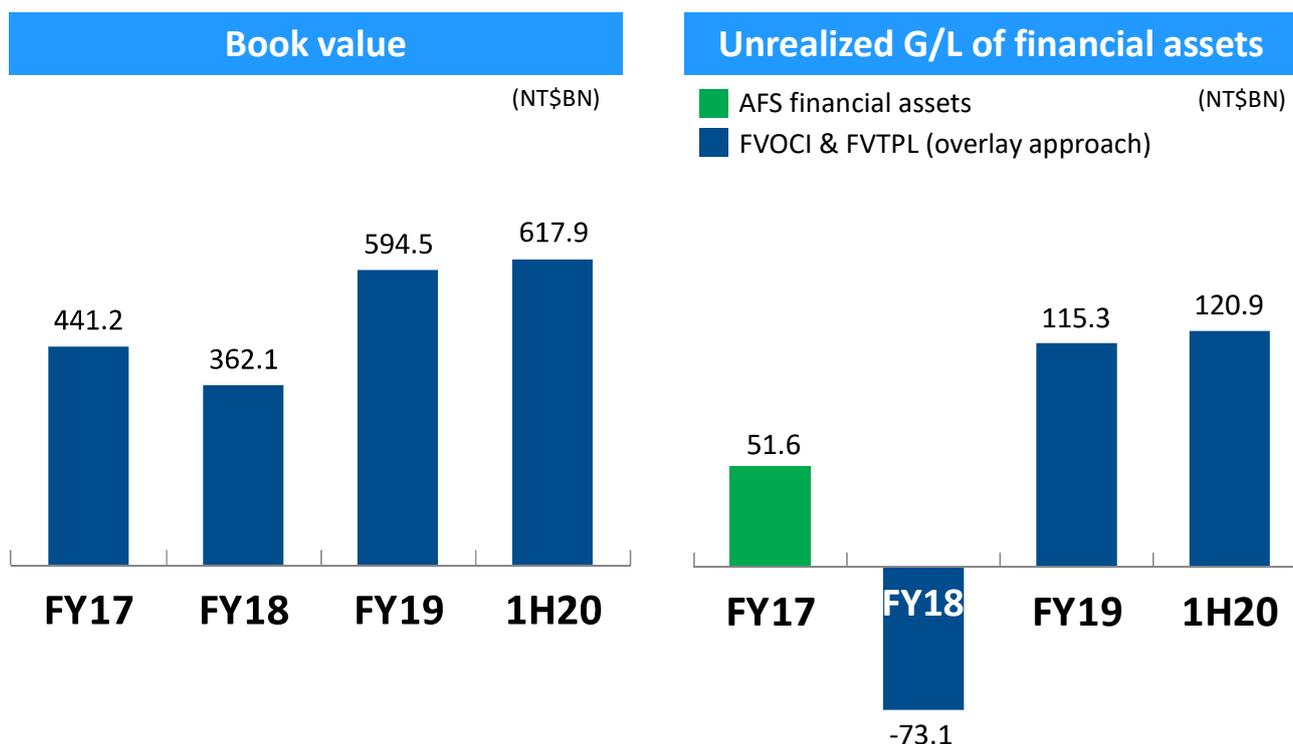
Cathay Life – Cash dividend income & Overseas fixed income by region

- 7M20 cash dividend income reached NT\$12.3 billion. Adjusted stock portfolio while realizing capital gains in 1H20.



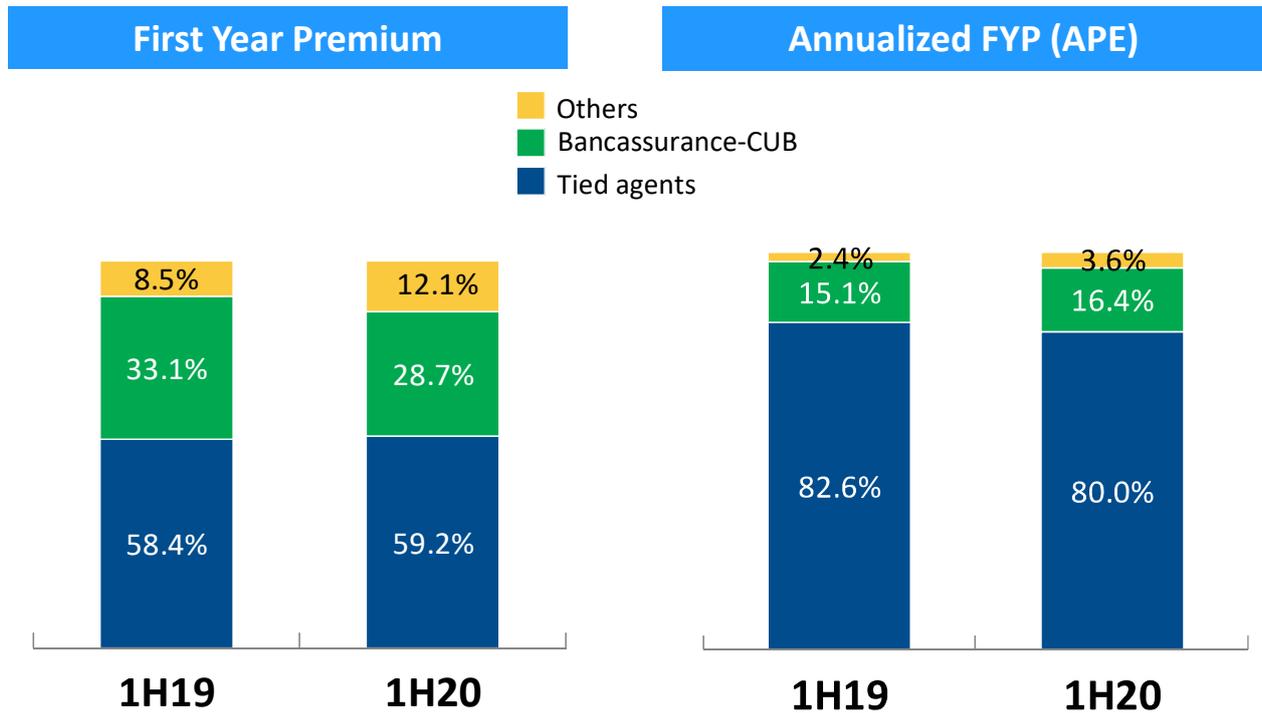
Cathay Life – Book value & Unrealized G/L of financial assets

- Booked value and unrealized gain reached record high.



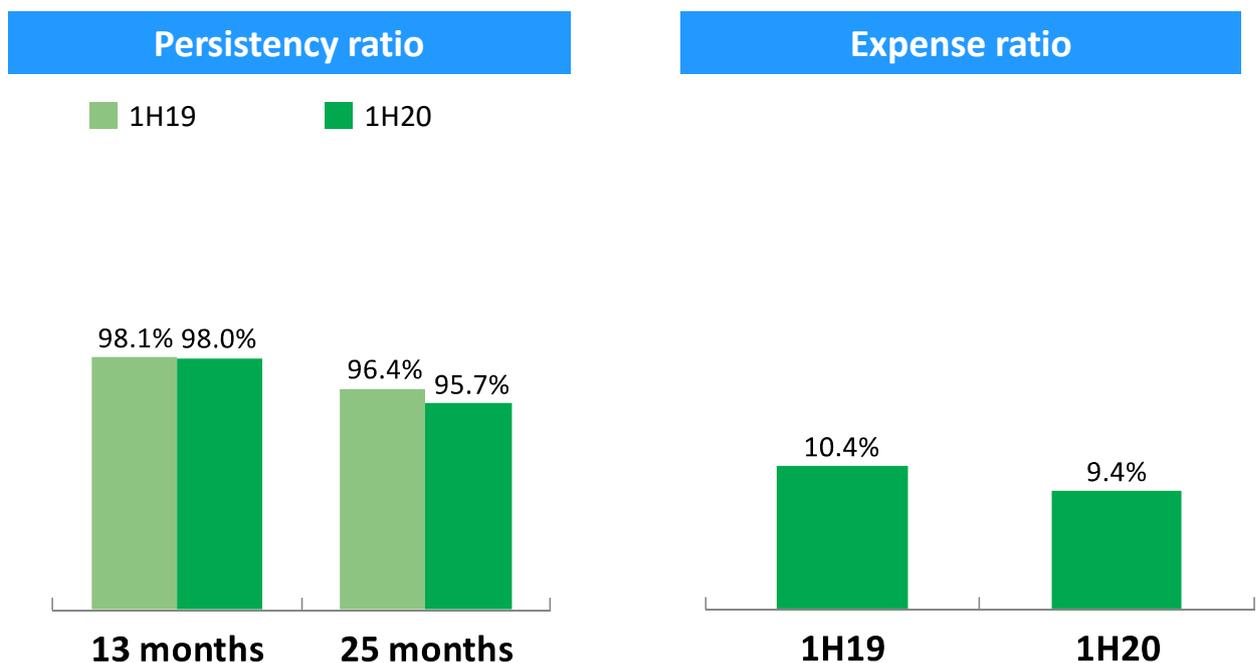
Cathay Life – Distribution channel

- 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.



Agenda

- Introduction of Cathay FHC
- 1H20 Business Overview
- Overseas Expansion
- Business Performance Summary

Cathay United Bank

Cathay Life

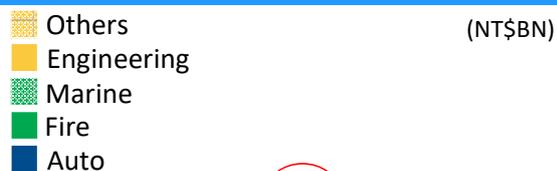
Cathay Century

- Cathay's CSR Efforts
- Appendix

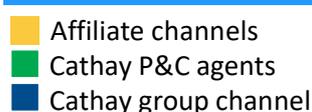
Cathay Century – Premium income & Distribution channel

- Premium income grew steadily. Market share was 11.6% and ranked No. 2 in the industry.
- Benefiting from cross-selling synergy, over 60% of premium income was generated by the group's channel.

Premium income (NT\$BN)



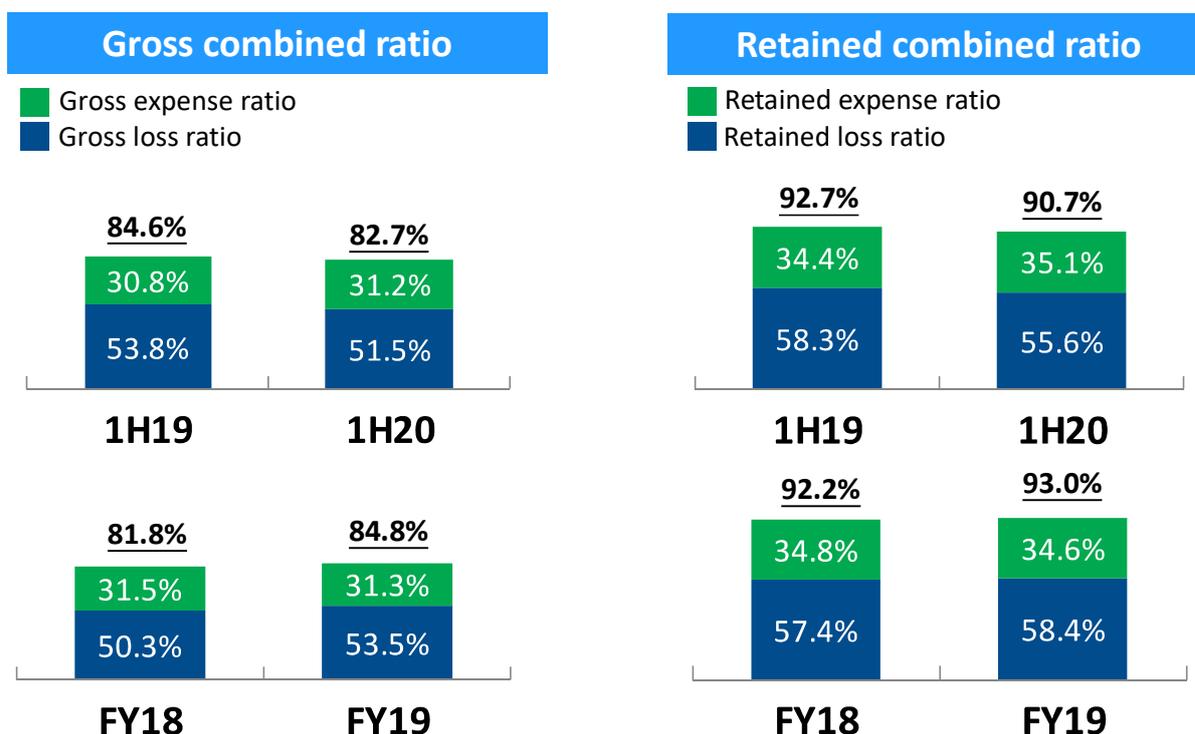
Distribution channel



Market share	12.4%	11.6%
Retention	76.4%	75.6%

Cathay Century – Combined ratio

- Gross combined ratio and retained combined ratio decreased by 1.9% and 2% respectively due to the improved loss ratio from voluntary auto business and less loss from commercial fire insurance.



Agenda

- Introduction of Cathay FHC
- 1H20 Business Overview
- Overseas Expansion
- Business Performance Summary
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- Cathay's CSR Efforts**
- Appendix

Continuous efforts in CSR

Recognized by local regulatory authorities

Top 5 %



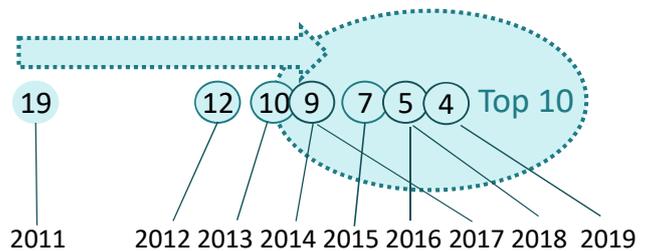
TWSE Corporate Governance Evaluation



Initial constituents of the FTSE4Good TIP Taiwan ESG Index.

Ranked Top 10 in the Taiwan Corporate Citizenship Award

Ranked top 10 for 6 consecutive years



Recognized by representative international ESG institutions



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

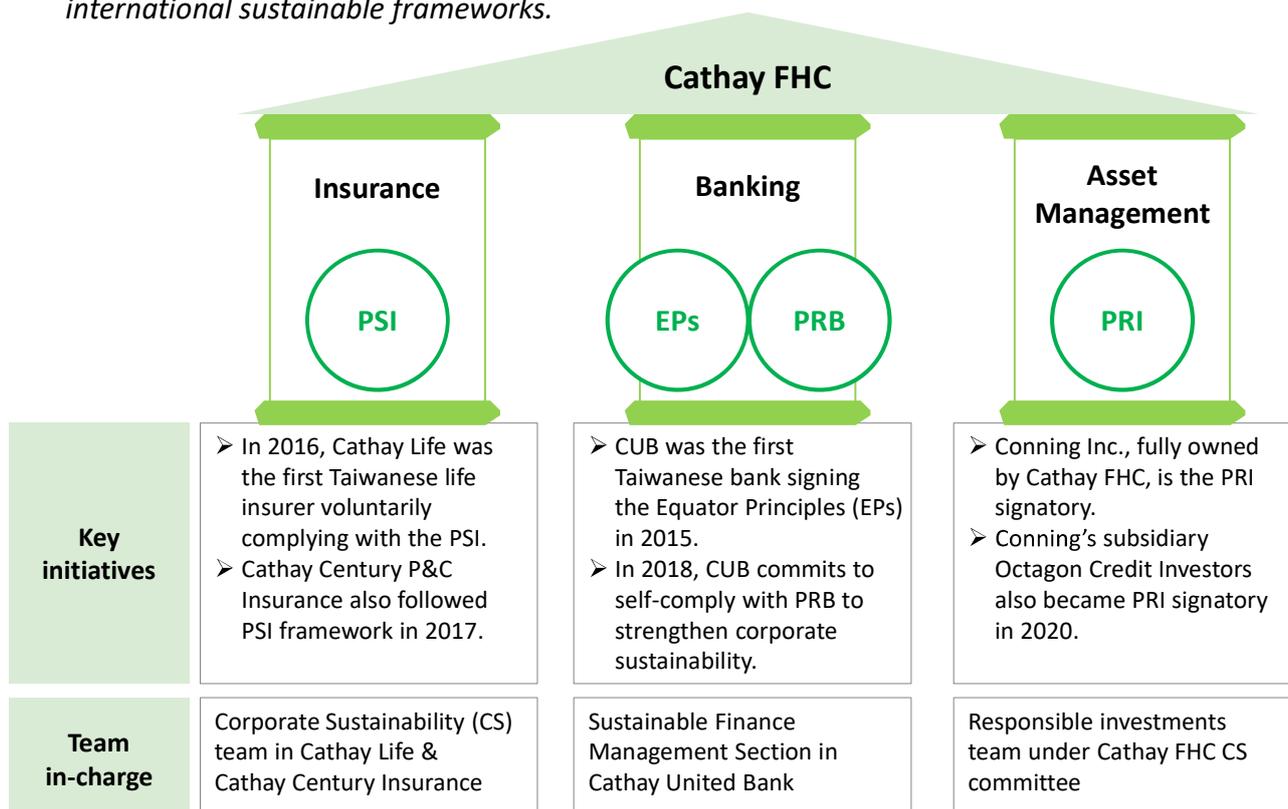


SUSTAINALYTICS Global Universe	
Rank	Percentile
464 out of 9765	6th



Integrating sustainability into our business

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



Integrating ESG issues into all business processes

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

Actively participate in Global ESG initiatives



- Cathay FHC was **the first Taiwan financial institution to join the CDP in 2012** aiming to improve the carbon emission data transparency of Cathay's investee companies and loan customers.
- Participated in the **CDP non-discloser engagement campaign** since 2017 encouraging Cathay's investee companies to respond to CDP questionnaires.
- Cathay' response rate in 2017 and 2018 was 19% and 14% respectively, higher than the overall response rate. The **response rate in 2019 was 14% which was ranked top 9 globally.**



- Cathay FHC was **the only Taiwan financial institution to join the Low Carbon Investment Registry** initiated by GIC in 2014.
- The low carbon investment amount registered in 2019 reached US\$ 5.49 billion.



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



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

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

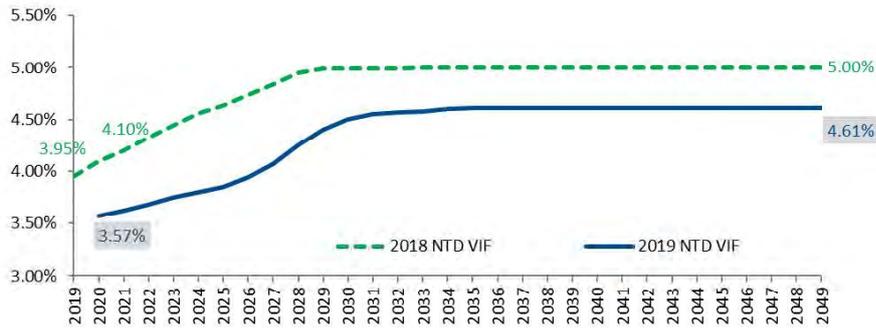
Valuation date		2018	2019	Growth rate	1Q20
Embedded value	Equity	357	589	65%	--
	Adjusted net worth	387	621	60%	--
	Value of in-force business(before CoC)	722	550	-24%	--
	Cost of capital (CoC)	-210	-236	12%	--
	Value in-force business (after CoC)	512	314	-39%	--
	Embedded value	898	935	4%	--
Value of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

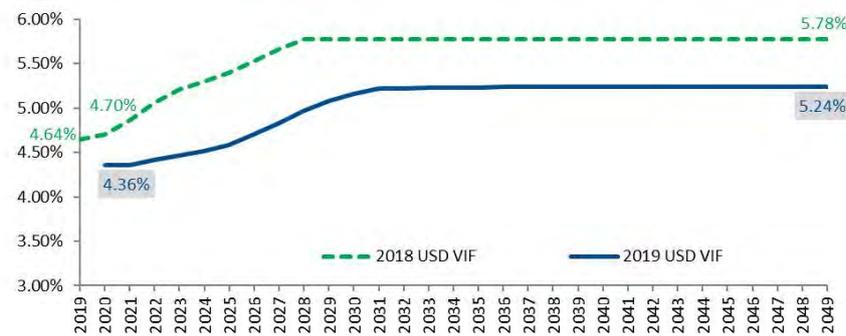
(2) Totals may not sum due to rounding.

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.

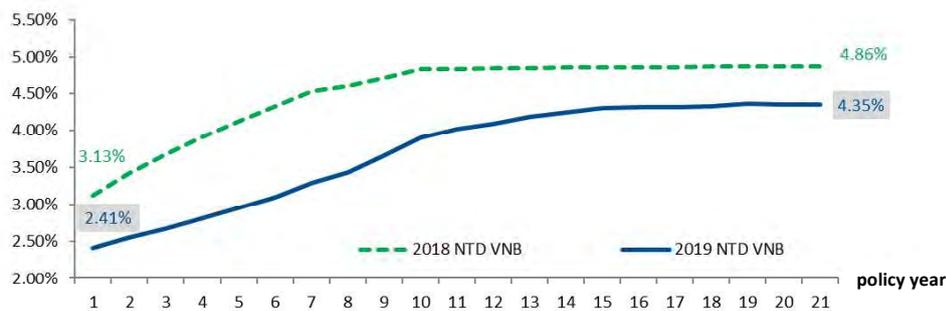


■ Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2018 & 2019.



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

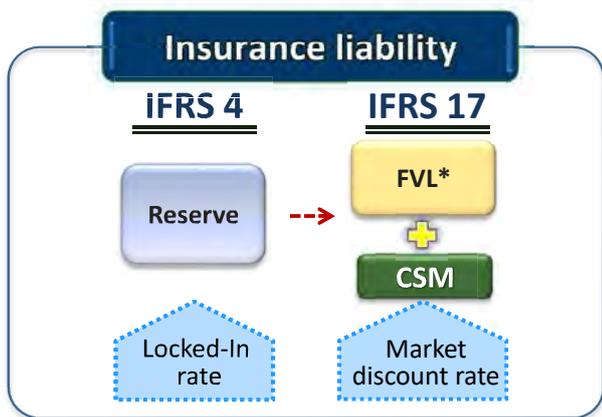
■ Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2018 & 2019.



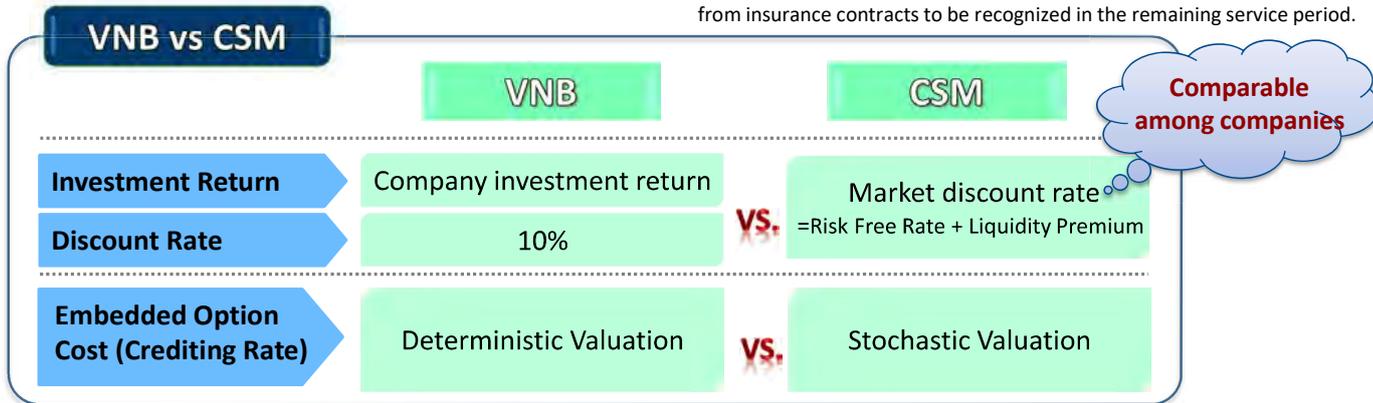
■ Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2018 & 2019.



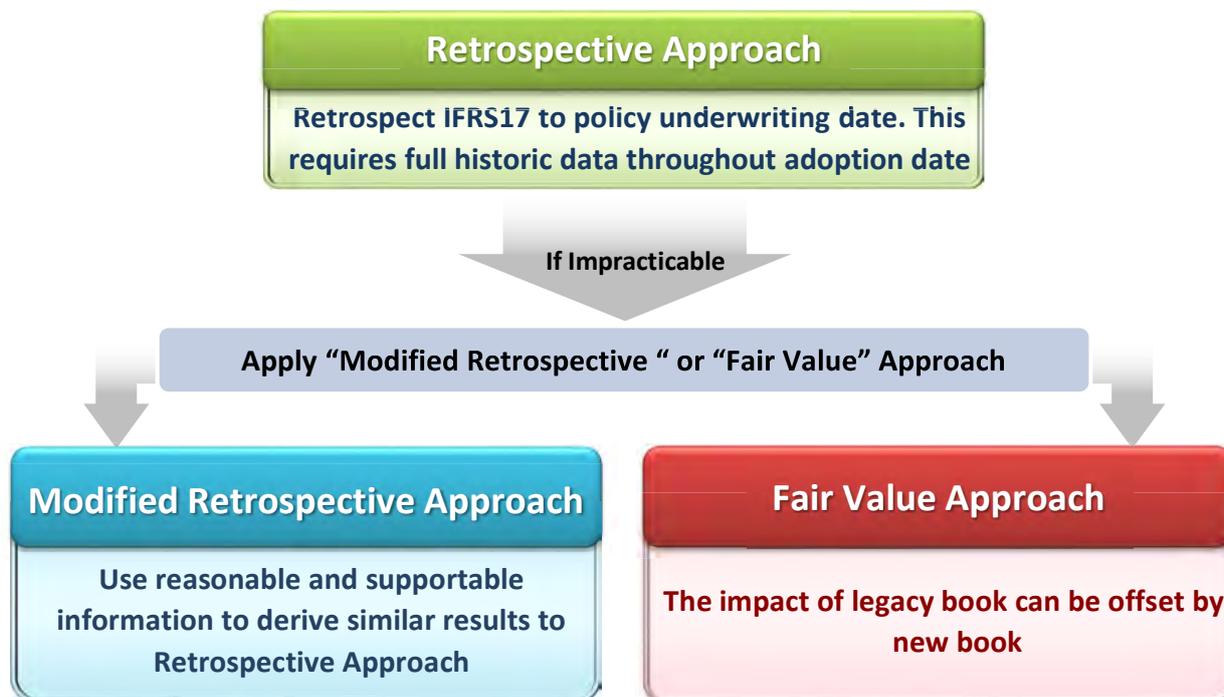
IFRS 17 – Measurement



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.



IFRS 17 – Adoption date



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

Accounting impact from IFRS 17

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

IFRS 17 impact & preparation

Benefiting from IFRS 17

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



Value-driven product strategy

CSM-focused products

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



Capital plan

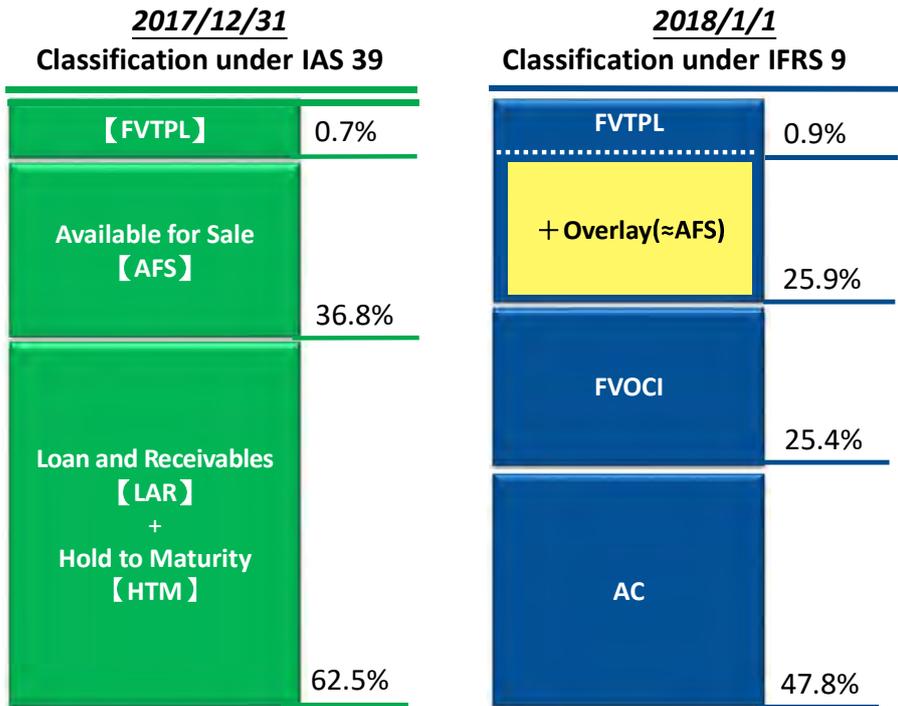
Capital market volatility and IFRS 17 adoption

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

Healthier Industry development

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

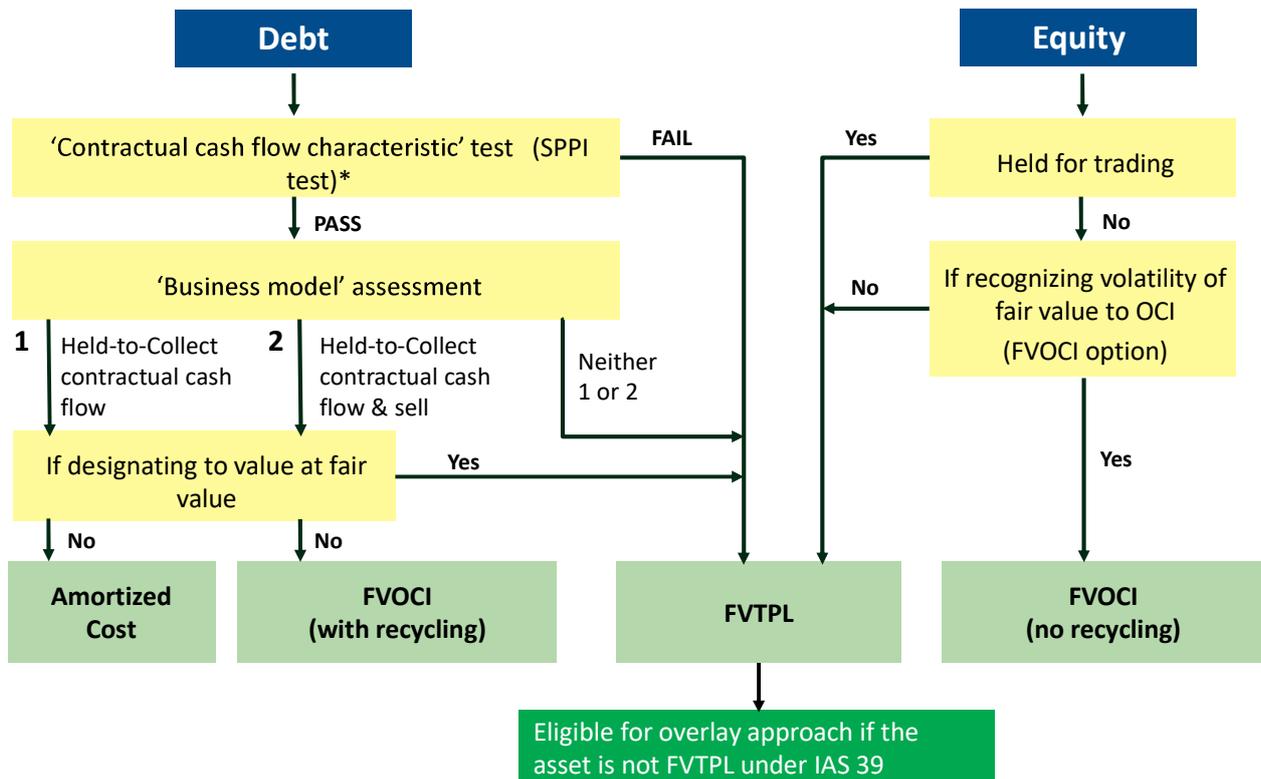
Cathay Life - Asset reclassification under IFRS 9



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

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

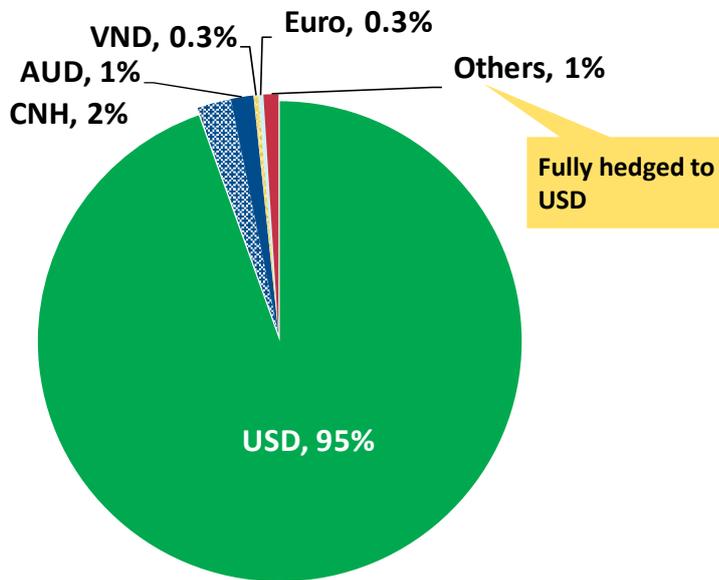
Asset classification under IFRS 9 with overlay approach



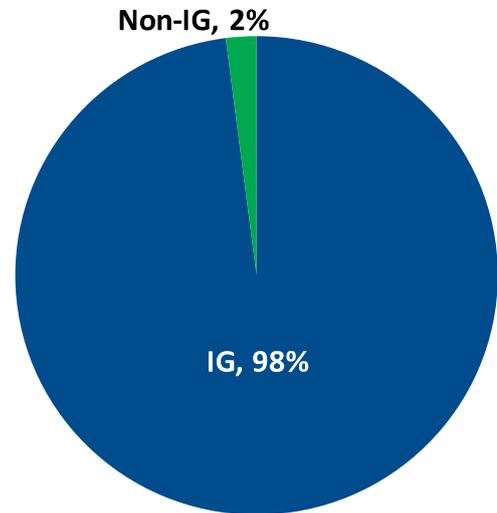
Note: SPPI means cash flow are solely payments of the principal and interests on the principal amount outstanding. Interests consist of the consideration of time value and credit risk associated with the principal.

Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (1H20)

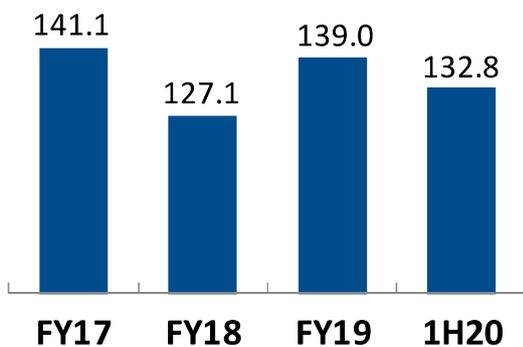


Overseas bond by rating (1H20)

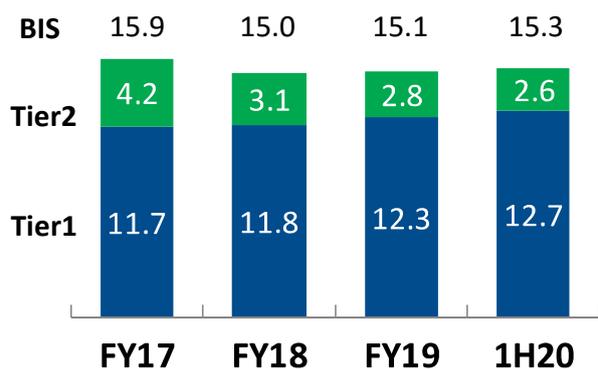


Capital adequacy

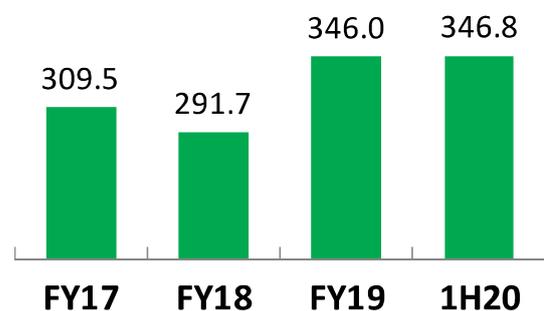
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC (%)



Cathay Financial Holdings (NT\$MN)	FY19/ FY18			1H20/ 1H19			2Q20/ 2Q19		
	FY18	FY19	% Chg	1H19	1H20	% Chg	2Q19	2Q20	% Chg
Income Statement Data (Consolidated)									
Operating Income									
Net interest income	180,628	196,367	9%	97,402	95,905	-2%	49,259	47,625	-3%
Net commission and fee	7,312	2,346	-68%	1,070	2,799	162%	1,598	491	-69%
Net earned premium	576,811	631,487	9%	309,381	304,967	-1%	149,516	155,295	4%
Change in liability reserve	(334,122)	(394,074)	18%	(160,048)	(241,909)	51%	(72,695)	(125,655)	73%
Net claims payment	(368,656)	(365,669)	-1%	(212,677)	(135,945)	-36%	(110,257)	(65,404)	-41%
Investment income	82,634	89,621	8%	53,803	52,128	-3%	31,379	26,154	-17%
Contribution from associates-equity method	1,004	1,149	14%	760	(13,010)	-1811%	476	(12,622)	-2751%
Other net non-interest income	(6,421)	587	109%	(6,923)	14,306	307%	(4,242)	7,520	277%
Bad debt expense	(4,599)	(2,205)	-52%	(233)	(920)	294%	204	(587)	388%
Operating expense	(78,992)	(89,050)	13%	(42,797)	(40,498)	-5%	(21,028)	(21,304)	1%
Income before taxes	55,599	70,557	27%	39,737	37,824	-5%	24,210	11,514	-52%
Income taxes	(3,777)	(6,698)	77%	(5,603)	(5,122)	-9%	(3,626)	(2,326)	-36%
Net income	51,822	63,859	23%	34,134	32,702	-4%	20,584	9,188	-55%
EPS (NT\$)	3.95	4.76		2.45	2.18		1.40	0.41	
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		12,563	13,169				
Balance Sheet Data (Consolidated)									
Total assets	9,224,484	10,065,479		9,738,311	10,346,869				
Total shareholders' equity	529,289	782,027		698,747	787,239				
Operating Metrics									
ROAE (Consolidated)	8.83%	9.74%		11.12%	8.34%				
ROAA (Consolidated)	0.57%	0.66%		0.72%	0.64%				
Double leverage ratio(inc. preferred stock)	112%	110%		111%	112%				
Capital Adequacy Metrics									
Capital Adequacy Ratio	127%	139%		129%	133%				

Notes:

- (1) All data and information on this page is provided for informational purposes only, and may subject to adjustment.
For more details, please refer to our official financial reports.
- (2) Total may not sum due to rounding.
- (3) Starting from 2018/1/1, Cathay FHC adopted IFRS9. The comparative information for prior periods was not restated.

Cathay Life
 (NT\$MMN)

	FY19/ FY18			1H20/ 1H19			2Q20/ 2Q19		
	FY18	FY19	% Chg	1H19	1H20	% Chg	2Q19	2Q20	% Chg
Income Statement Data (Consolidated)									
Net written premium	559,386	608,641	9%	298,510	294,076	-1%	142,991	149,732	5%
Net earned premium	558,929	607,820	9%	298,619	294,226	-1%	142,870	149,358	5%
Reinsurance commission earned	762	356	-53%	14	7	-49%	23	(2)	-107%
Fee income	9,148	8,450	-8%	4,066	4,179	3%	2,109	1,950	-8%
Recurring investment income	197,281	228,037	16%	110,267	105,825	-4%	57,829	54,721	-5%
Gain on disposal of investment									
Realized gain (loss)-Equity	49,374	38,929	-21%	25,763	35,647	38%	11,958	19,606	64%
Realized gain (loss)-Debt	15,092	36,365	141%	13,829	38,510	178%	8,168	17,386	113%
Gain on investment property	(740)	912	223%	627	1,898	203%	629	1,879	199%
FX and others, net	(44,019)	(61,689)	-40%	(28,954)	(57,558)	-99%	(13,324)	(37,377)	-181%
Investment income, net	216,988	242,553	12%	121,532	124,322	2%	65,260	56,215	-14%
Other operating income	5,508	6,107	11%	2,943	3,173	8%	1,524	1,570	3%
Separate account revenues	28,084	63,653	127%	38,670	10,672	-72%	13,845	35,157	154%
Net claims payment	(357,244)	(349,158)	-2%	(205,354)	(128,371)	-37%	(105,291)	(60,985)	-42%
Changes in liability reserves	(333,716)	(393,679)	18%	(159,886)	(242,222)	51%	(72,760)	(125,851)	73%
Acquisition and commission expense	(33,900)	(43,834)	29%	(20,467)	(17,821)	-13%	(8,924)	(10,495)	18%
Other operating costs	(7,765)	(6,394)	-18%	(2,911)	(3,198)	10%	(1,471)	(1,519)	3%
Financial cost	(2,331)	(2,730)	17%	(1,276)	(1,040)	-18%	(633)	(377)	-40%
Separate account expense	(28,084)	(63,653)	127%	(38,670)	(10,672)	-72%	(13,845)	(35,157)	154%
Operating expense	(29,165)	(30,692)	5%	(15,216)	(14,583)	-4%	(7,388)	(7,294)	-1%
Net non-operating income	1,312	1,710	30%	860	849	-1%	502	445	-11%
Income taxes	1,773	(2,216)	225%	(3,131)	271	-109%	(2,472)	1,558	-163%
Net income	30,297	38,293	26%	19,794	19,790	0%	13,348	4,573	-66%

Balance Sheet Data

Total assets	6,391,395	7,085,624		6,826,693	7,274,177	
General account	5,844,430	6,478,081		6,229,895	6,702,942	
Separate account	546,964	607,542		596,798	571,235	
Reserves for life insurance liabilities	5,313,167	5,683,424		5,494,276	5,894,301	
Total liabilities	6,029,265	6,491,106		6,296,118	6,656,270	
Total shareholders' equity	362,129	594,518		530,575	617,908	

Operating Metrics (Standalone)

First Year Premium(FYP)	211,588	201,064		105,377	83,738	
First Year Premium Equivalent(FYPE)	71,372	96,313		47,676	35,941	
Expense ratio	9.6%	10.6%		10.4%	9.4%	
13-M persistency ratio	98.4%	98.0%		98.1%	98.0%	
25-M persistency ratio	94.7%	96.4%		96.4%	95.7%	
ROAE	7.25%	8.01%		8.87%	6.53%	
ROAA	0.48%	0.57%		0.60%	0.55%	

Capital Adequacy Metrics (Standalone)

RBC ratio	292%	346%		333%	347%	
-----------	------	------	--	------	------	--

Notes:

- (1) All data and information on this page is provided for informational purposes only, and may subject to adjustment.
For more details, please refer to our official financial reports.
- (2) Total may not sum due to rounding.
- (3) Starting from 2018/1/1, Cathay Life adopted IFRS9. The comparative information for prior periods was not restated.

Cathay United Bank

(NT\$MN)	FY19/ FY18			1H20/ 1H19			2Q20/ 2Q19		
	FY18	FY19	% Chg	1H19	1H20	% Chg	2Q19	2Q20	% Chg
Income Statement Data (Consolidated)									
Operating Income									
Net interest income	33,397	36,446	9%	17,906	17,945	0%	9,062	8,828	-3%
Fee income	16,678	17,090	2%	8,483	7,962	-6%	3,812	3,519	-8%
Investment income	9,862	8,996	-9%	5,842	6,794	16%	2,641	2,923	11%
Other income	918	594	-35%	320	461	44%	228	181	-21%
Net operating income	60,855	63,126	4%	32,551	33,161	2%	15,743	15,452	-2%
Operating expenses	(31,340)	(33,806)	8%	(16,734)	(15,801)	-6%	(8,119)	(7,595)	-6%
Pre-provision profit	29,515	29,320	-1%	15,817	17,361	10%	7,624	7,856	3%
Net provisions for possible losses	(5,032)	(2,853)	-43%	(917)	(1,272)	39%	(168)	(683)	307%
Income before taxes	24,483	26,467	8%	14,900	16,089	8%	7,456	7,174	-4%
Income tax	(3,230)	(3,981)	23%	(2,136)	(2,240)	5%	(1,066)	(924)	-13%
Net income	21,253	22,486	6%	12,764	13,849	9%	6,390	6,249	-2%
Balance Sheet Data									
Total assets	2,843,881	2,973,496		2,904,478	3,058,052				
Loans, net	1,595,323	1,553,151		1,562,186	1,615,552				
Financial assets	878,001	897,677		855,096	1,018,013				
Total liability	2,638,074	2,741,601		2,688,987	2,823,362				
Deposits	2,227,662	2,335,331		2,264,001	2,443,394				
Financial Debenture Payable	55,600	53,900		55,400	53,800				
Total shareholders' equity	205,807	231,895		215,491	234,690				
Operating Metrics									
Cost income ratio	51.50%	53.55%		51.41%	47.65%				
ROAE	10.86%	10.27%		12.12%	11.87%				
ROAA	0.76%	0.77%		0.89%	0.92%				
Assets Quality (Standalone)									
NPL	2,563	2,286		3,155	1,998				
NPL ratio	0.16%	0.15%		0.21%	0.13%				
NPL provisions	23,879	25,983		25,550	26,583				
Coverage ratio	932%	1137%		810%	1330%				
Capital Adequacy Metrics (Standalone)									
BIS ratio	15.0%	15.1%		13.8%	15.3%				
Tier I Ratio	11.8%	12.3%		11.0%	12.7%				
LDR (Standalone)									
LDR	70.7%	65.5%		68.2%	65.4%				
TWD LDR	77.7%	70.1%		73.6%	71.3%				
FX LDR	46.6%	48.8%		49.1%	45.5%				

Notes:

- (1) All data and information on this page is provided for informational purposes only, and may subject to adjustment.
For more details, please refer to our official financial reports.
- (2) Total may not sum due to rounding.
- (3) Starting from 2018/1/1, Cathay United Bank adopted IFRS9. The comparative information for prior periods was not restated.

Cathay Century

(NT\$MM)	FY19/ FY18			1H20/ 1H19			1Q20/ 1Q19		
	FY18	FY19	% Chg	1H19	1H20	% Chg	2Q19	2Q20	% Chg
Income Statement Data (Consolidated)									
Premium income	23,186	25,343	9%	12,164	12,391	2%	6,389	6,544	2%
Net written premium	17,797	19,550	10%	9,232	9,354	1%	4,749	4,806	1%
Net earned premium	17,349	19,077	10%	9,075	9,368	3%	4,619	4,629	0%
Reinsurance commission earned	556	572	3%	298	283	-5%	136	139	2%
Fee income	43	42	-1%	22	24	8%	11	11	1%
Investment	640	1,020	59%	401	415	3%	196	264	35%
Interest income	559	555	-1%	269	281	4%	137	140	2%
Other investment income, net	81	465	473%	132	134	2%	58	125	114%
Other operating income	0	0	0%	0	0	0%	0	0	0%
Net claims payment	(9,408)	(10,321)	10%	(4,899)	(5,350)	9%	(2,610)	(2,727)	4%
Changes in liability reserves	(406)	(395)	-3%	(163)	313	-293%	65	196	204%
Commissions and other operating costs	(3,043)	(3,409)	12%	(1,569)	(1,642)	5%	(804)	(835)	4%
Operating expenses	(3,848)	(4,097)	6%	(1,966)	(2,039)	4%	(992)	(1,018)	3%
Operating income	1,883	2,490	32%	1,200	1,373	14%	621	659	6%
Net non-operating income	(24)	5	123%	(0)	1	1058%	(0)	0	142%
Income taxes	(349)	(389)	11%	(204)	(243)	19%	(106)	(107)	1%
Net income	1,510	2,106	40%	996	1,130	13%	514	553	7%
Balance Sheet Data									
Total assets	37,956	43,008		40,267	43,269				
Total stockholders' equity	10,025	12,656		11,371	11,596				
Operating Metrics									
Gross Combined ratio	81.8%	84.8%		84.6%	82.7%				
Net Combined ratio	92.2%	93.0%		92.7%	90.7%				
ROAE	14.69%	18.57%		18.63%	18.63%				
ROAA	3.96%	5.19%		5.09%	5.09%				
Capital Adequacy Metrics									
RBC ratio (Standalone)	370%	339%		367%	307%				

Notes:

- (1) All data and information on this page is provided for informational purposes only, and may subject to adjustment. For more details, please refer to our official financial reports.
- (2) Total may not sum due to rounding.
- (3) Starting from 2018/1/1, Cathay Century adopted IFRS9. The comparative information for prior periods was not restated.