

# 2017 Third Quarter Briefing

November 2017



國泰金控

Cathay  
Financial Holdings

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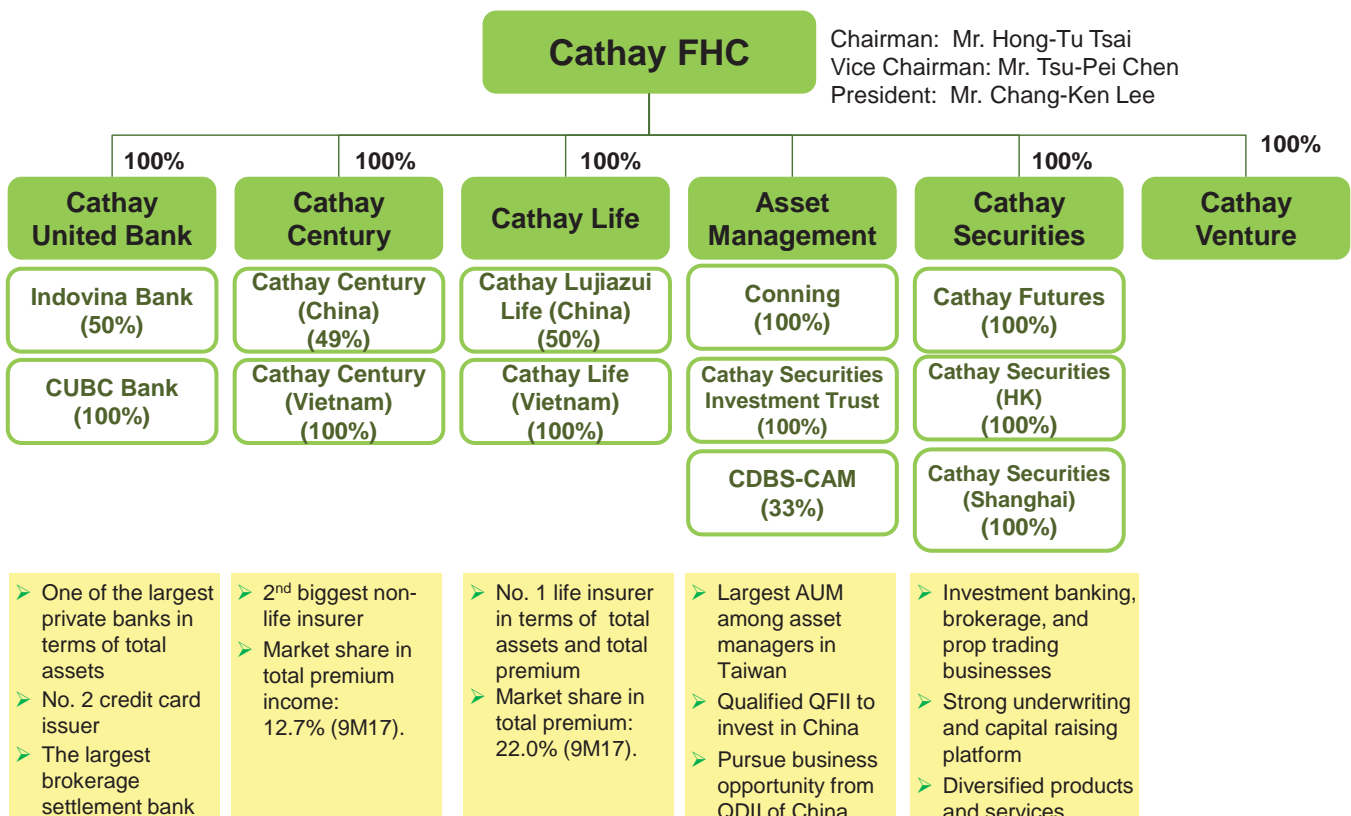
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# Agenda

- **Introduction of Cathay FHC**
- **9M17 Business Overview**
- **Overseas Expansion**
- **Business Performance Summary**
  - Cathay United Bank
  - Cathay Life
  - Cathay Century
- **Cathay's CSR Efforts**
- **M&A Key Highlights**
- **Appendix**

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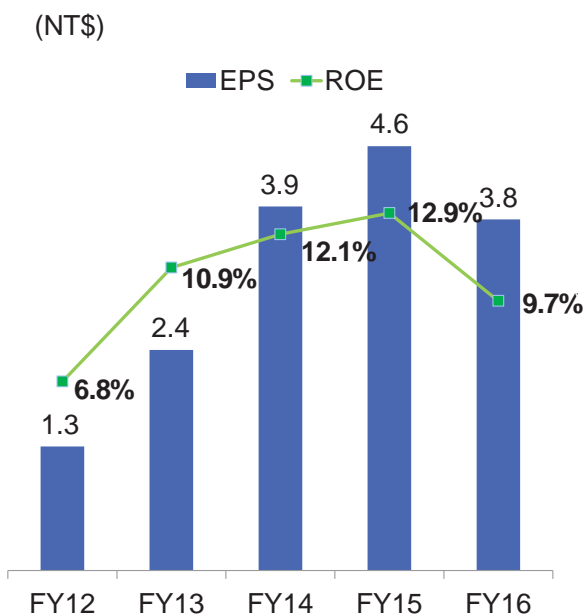
## Cathay FHC: largest FHC, comprehensive products



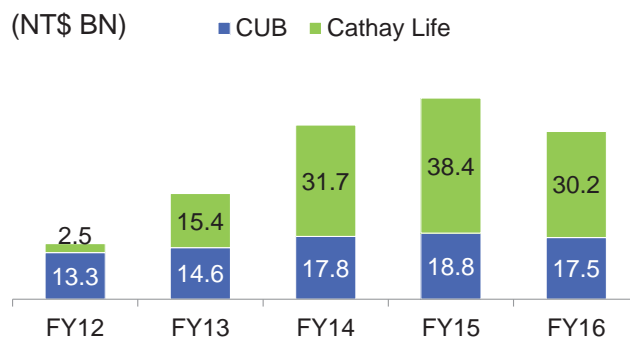
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# Cathay's earnings accelerates as life turnarounds

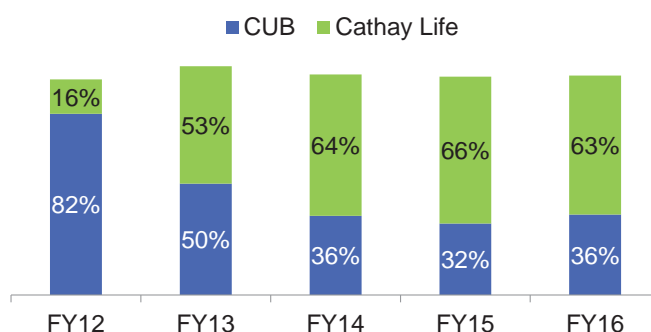
## EPS & ROE



## Profit contribution



	FY12	FY13	FY14	FY15	FY16
FHC	16.2	29.0	49.6	57.9	48.0
Life	2.5	15.4	31.7	38.4	30.2
CUB	13.3	14.6	17.8	18.8	17.5



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.

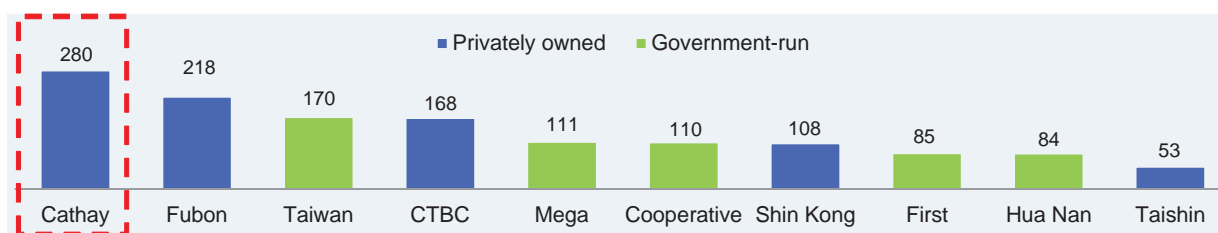
(3) EPS has been adjusted for stock dividend (stock split).

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## Market leader in Taiwan's FIG sector

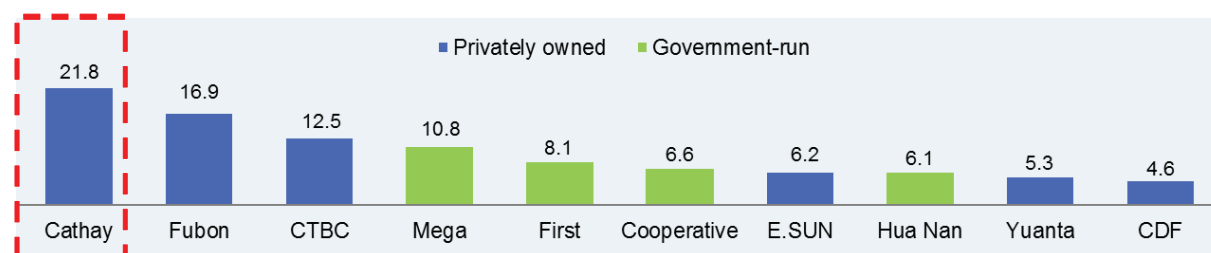
□ Largest listed financials group by market capitalization and assets.

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



Note: Total assets as of June. 30, 2017

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

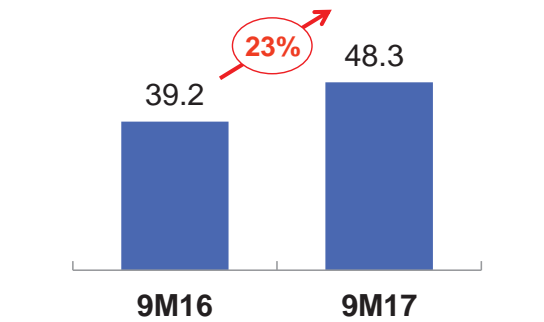


Note: Market capitalization as of Oct. 31, 2017

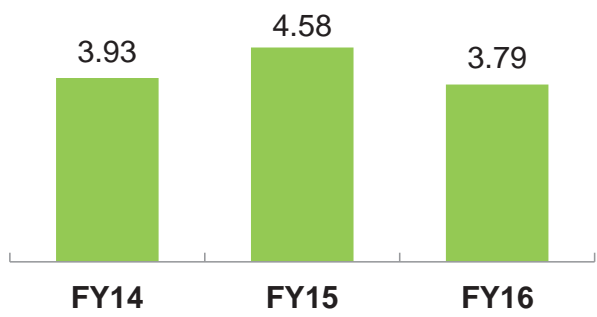
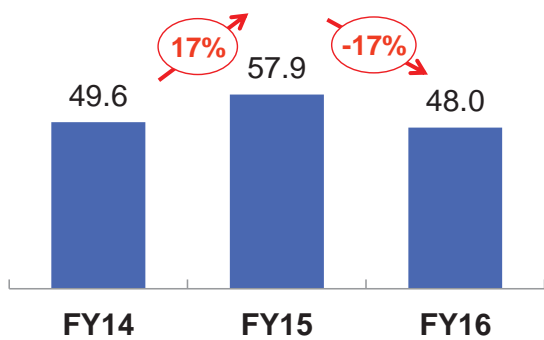
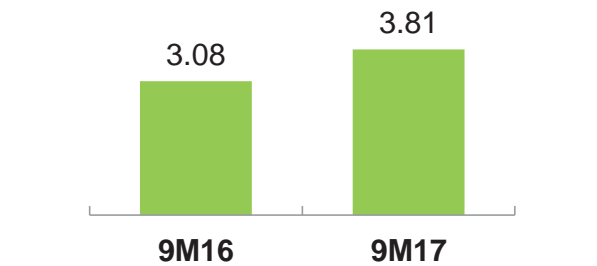
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# Cathay FHC – Net income & EPS

## Net income (NT\$BN)



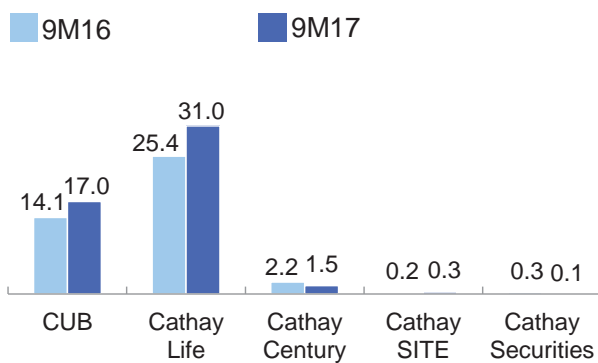
## EPS (NT\$)



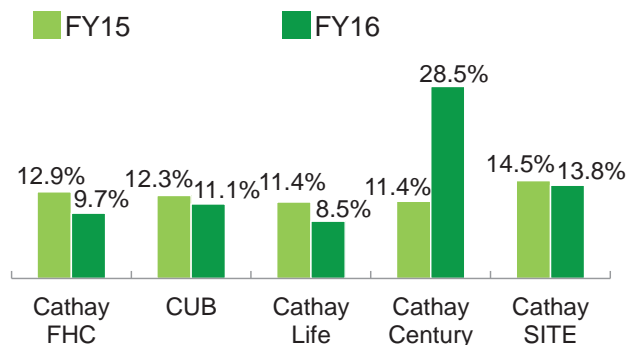
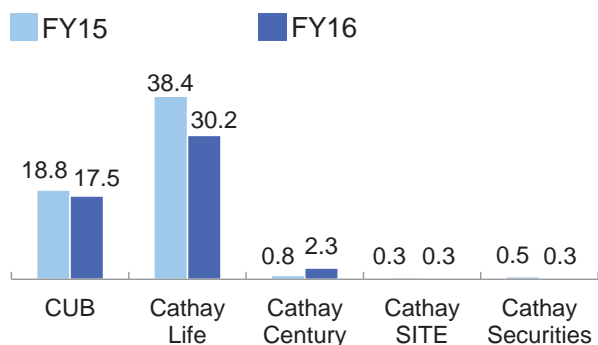
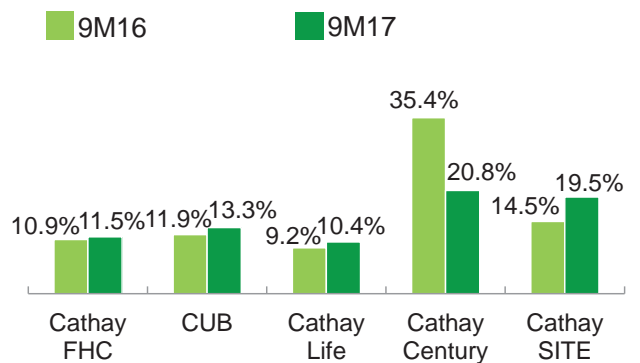
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# Cathay FHC – Net income & EPS

## Net income of primary subsidiaries

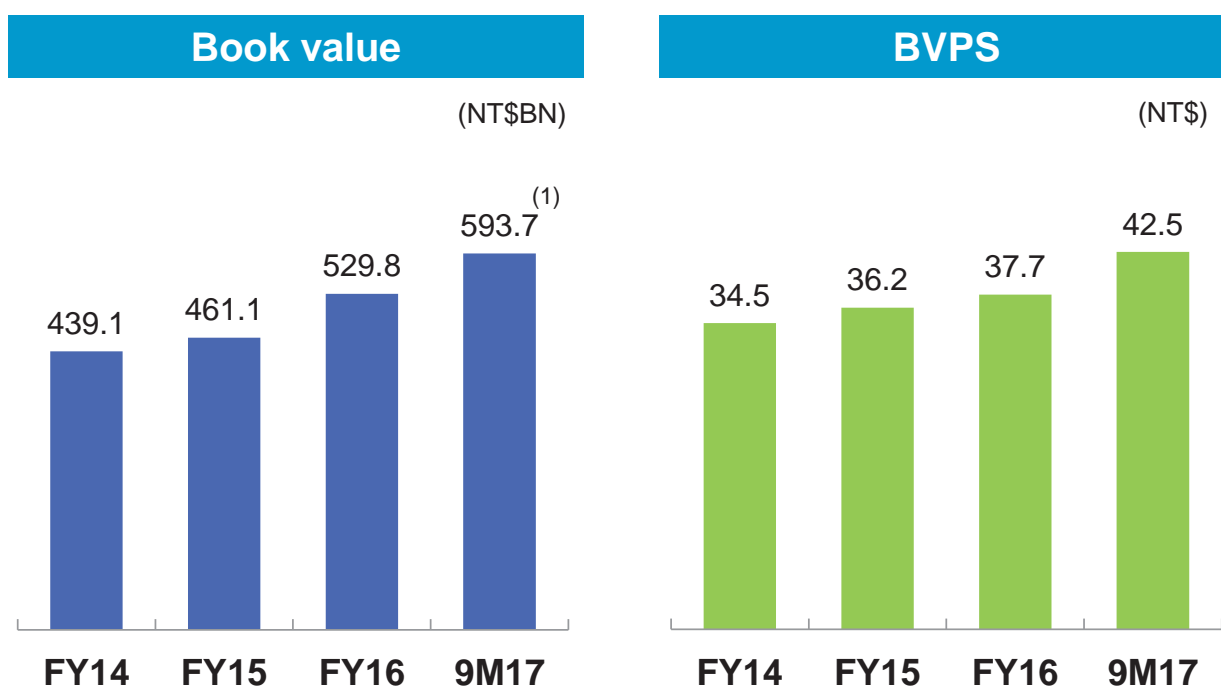


## ROE



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# Cathay FHC – Book value & BVPS



Note: (1) Book value includes preferred shares and minority interest, BVPS represented the BVPS attributable to common shareholders

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# 9M17 Business overview

## Cathay United Bank

- Delivered 13% loan growth with benign credit quality
- FX loan grew by 38% YoY, offshore earnings accounted for 43% of pretax earnings
- Credit card fee continued to grow by 19% YoY

## Cathay Life

- Continued value-driven strategy; FYPE ranked No.1 in the industry
- Overseas investment reached 62%, hedging cost improved to 0.94%, after-hedging investment yield reached 4.2%, overall investment performance maintained stable

## Cathay Century

- Premium income grew by 4% YoY
- Market share reached 12.7%, maintained No.2 market position
- Offshore business continued to grow

## Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$560BN
- Received “Best Institutional House” by Asia Asset Management and “Taiwan Fund Award” by Taipei Foundation of Finance, Lipper and Smart in 2017

## Cathay Securities

- Each business line grew steadily. Sub-brokerage business ranked No.1 in the industry
- Enhanced digital technology applications to optimize clients' experience.

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# Cathay FHC in South East Asia

	China	Vietnam	Cambodia	Hong Kong	Singapore	Malaysia	Laos	Philippines	Thailand	Myanmar	Indonesia
Bank	6	37	16	1	1	1	1	1	1	1	1
Life	39	38									
P&C	26	2									
Asset Mgt	1			1							
Securities	1			1							

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



## Banking

- Vietnam: Business performs steadily with solid financial performance
- Cambodia: Owns most footprints among Taiwanese banks
- Malaysia: Acquisition of BNS subject to local regulatory approval
- Philippines: Invests 23% stake in RCBC\*
- Indonesia: Invests 40% stake in Bank Mayapada\*

## Cathay Life

- Cathay Life (Vietnam) has performed steadily
- Continues to expand agent force
- Increases footprints to extend offshore business

## Cathay Century

- Continues to expand local 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

- Application for Shanghai subsidiary subject to local regulatory approval

## Cathay Lujiazui Life

- 9M17 solvency ratio reached 186%
- Continues to expand local business

## Cathay Century (China)

- Forms a strategic alliance with Ant Financial group and now grows new business lines smoothly

## Cathay Securities (HK)

- Each business line has performed steadily

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

- Continues to launch new products, mainly focus on fixed income funds

## Conning Asia Pacific Limited

- Continues to expand asset management business

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## Cathay United Bank

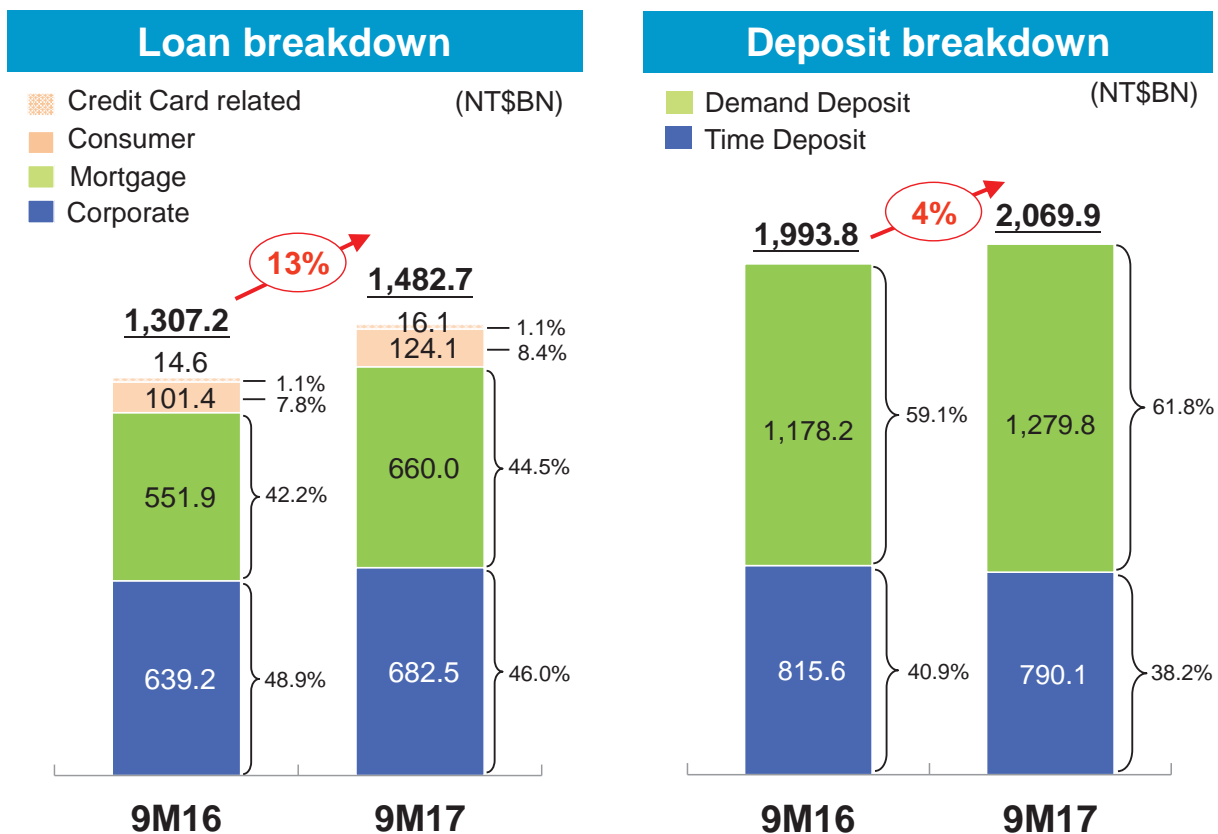
Cathay Life

Cathay Century

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## Cathay United Bank – Loan & deposit breakdown

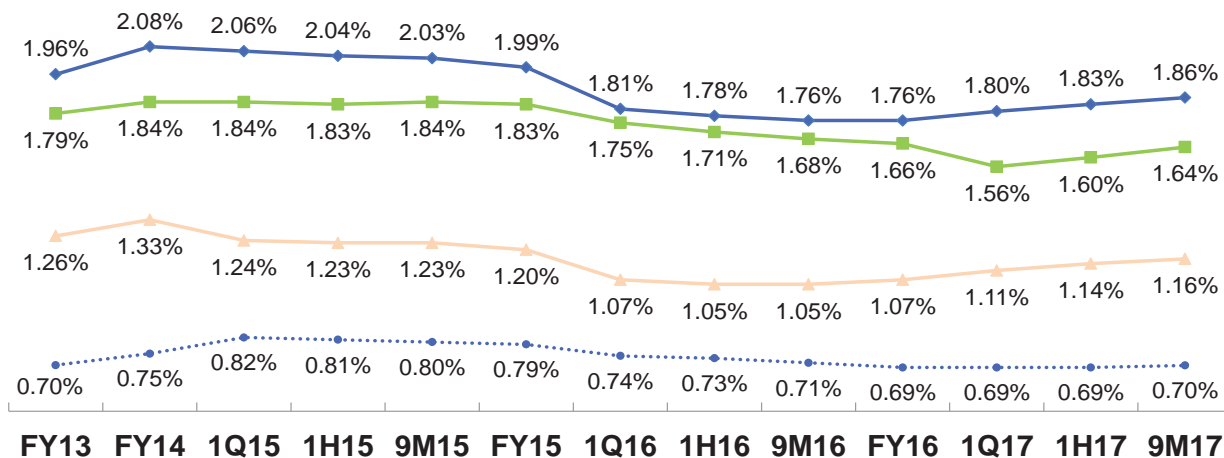


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# Cathay United Bank – Interest yields

— Avg. rate of interest-earning assets — Interest spread — Net interest margin — Funding cost



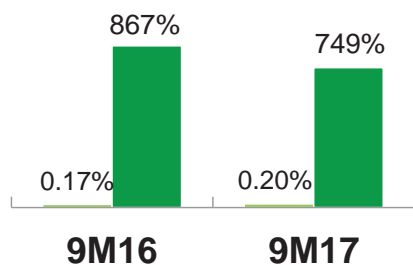
	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
Quarterly Spread	1.84%	1.83%	1.84%	1.81%	1.75%	1.68%	1.62%	1.59%	1.56%	1.64%	1.74%
Quarterly NIM	1.24%	1.22%	1.21%	1.12%	1.07%	1.02%	1.06%	1.10%	1.11%	1.18%	1.20%

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

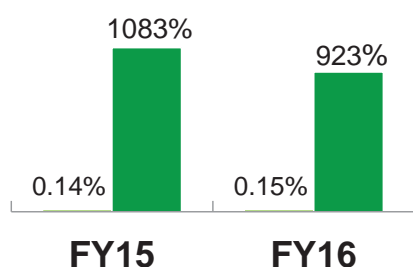
# Cathay United Bank – Credit quality

## NPL & Coverage ratio

■ NPL ratio  
■ Coverage ratio



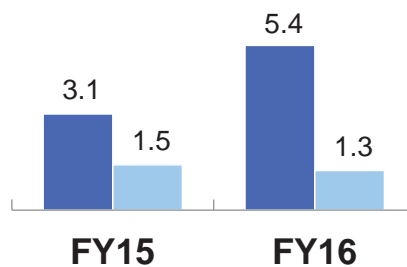
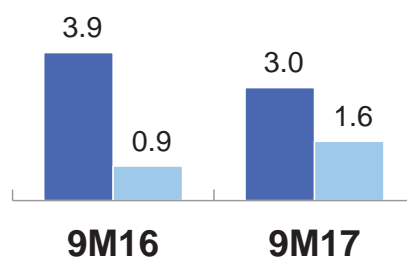
Mortgage NPL **0.07%** **0.14%**



Mortgage NPL **0.04%** **0.08%**

## Gross provision

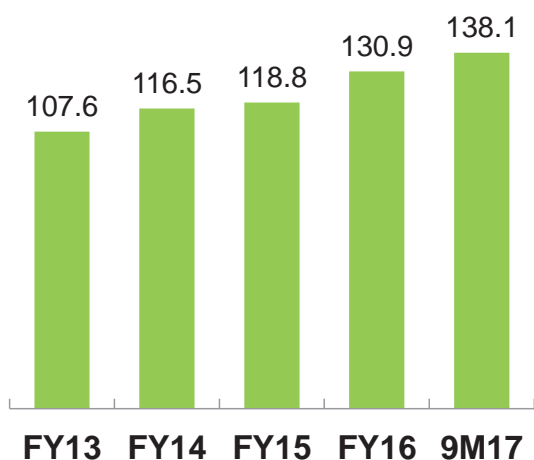
■ Gross provision (NT\$BN)  
■ Recovery



# Cathay United Bank – SME & FX loans

## SME loans

(NT\$BN)

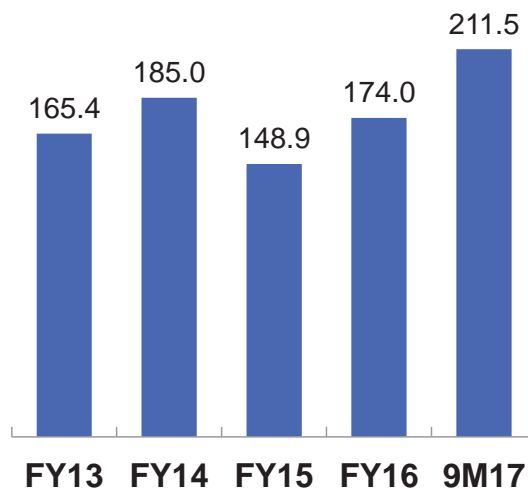


As % of total loans

10.5% 10.5% 10.6% 9.2% 9.4%

## Foreign currency loans

(NT\$BN)



16.1% 16.6% 13.3% 12.2% 14.4%

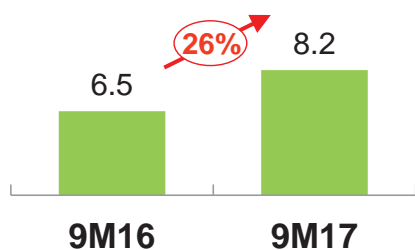
Note: Total loans exclude credit card revolving balance.

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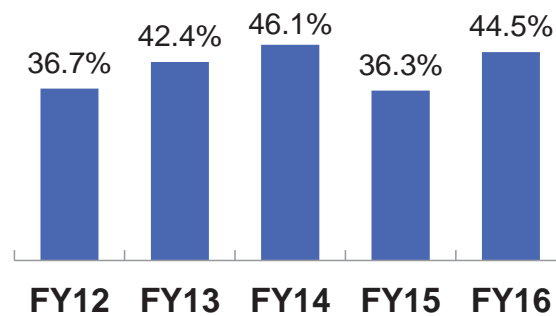
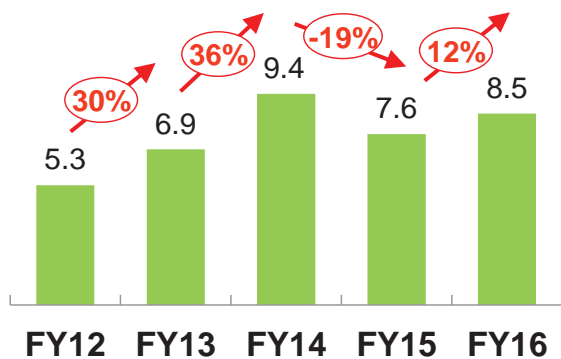
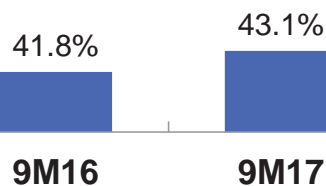
# Cathay United Bank – Offshore earnings

## Offshore earnings

(NT\$BN)



## As % of CUB pre-tax profits

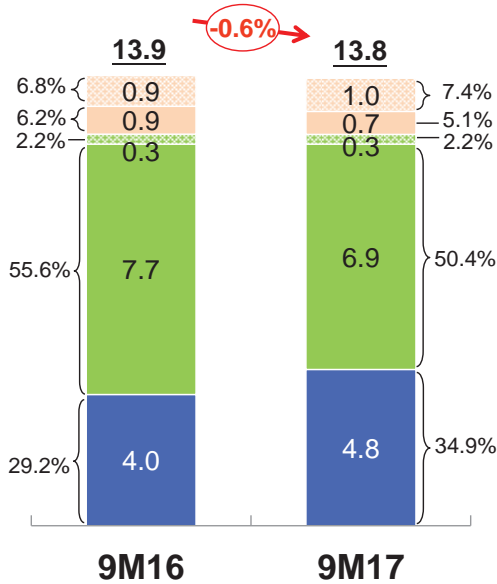


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# Cathay United Bank – Fee income

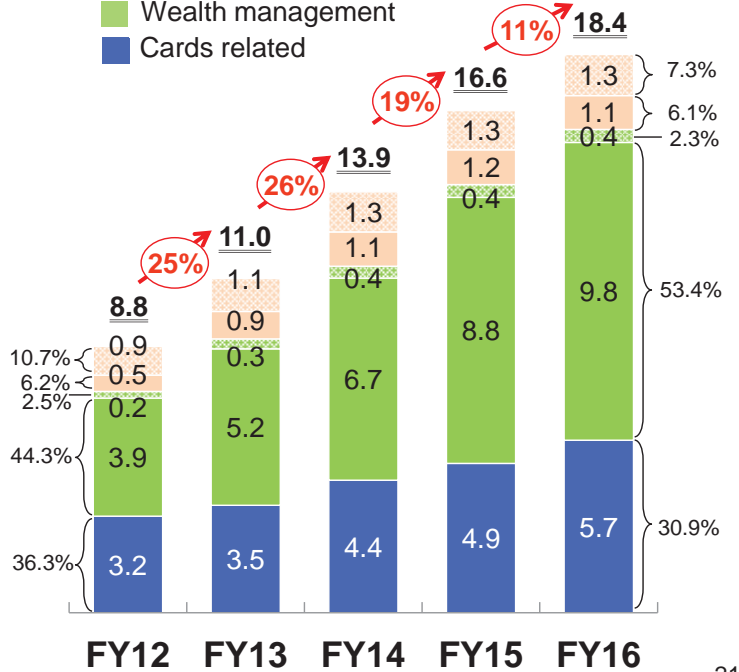
## Fee income breakdown (quarterly)

- Others
  - Syndicated loans
  - FX
  - Wealth management
  - Cards related
- (NT\$BN)



## Fee income breakdown (annual)

- Others
  - Syndicated loans
  - FX
  - Wealth management
  - Cards related
- (NT\$BN)

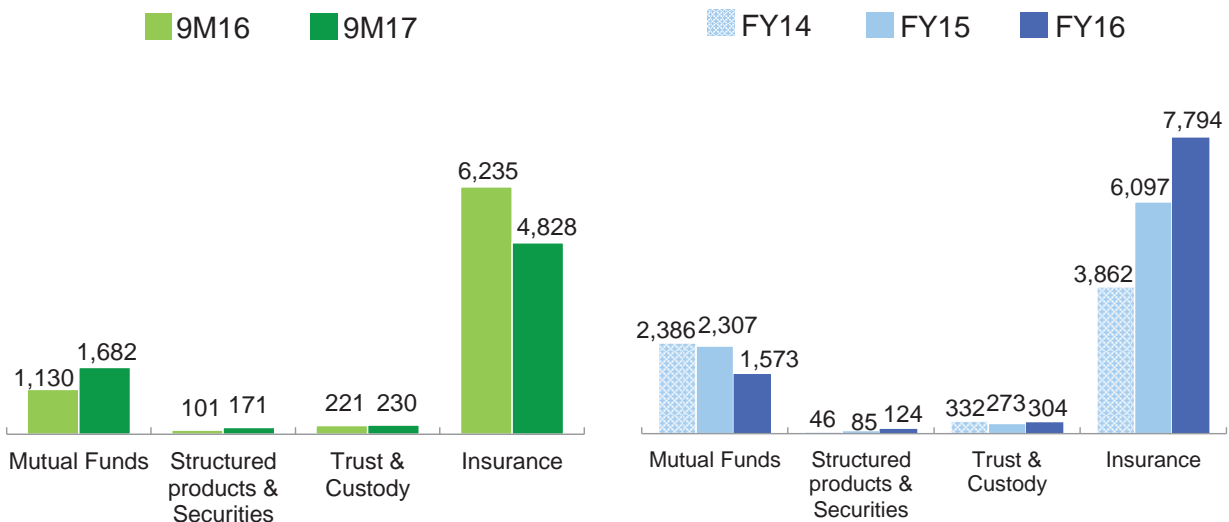


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# Cathay United Bank – Wealth management fee

## Wealth management fee breakdown

(NT\$MN)	9M16	9M17	FY14	FY15	FY16
Wealth Management Fee Income	7,708	6,944	6,673	8,779	9,828
YoY growth (%)	11.5%	-9.9%	29.2%	31.6%	11.9%

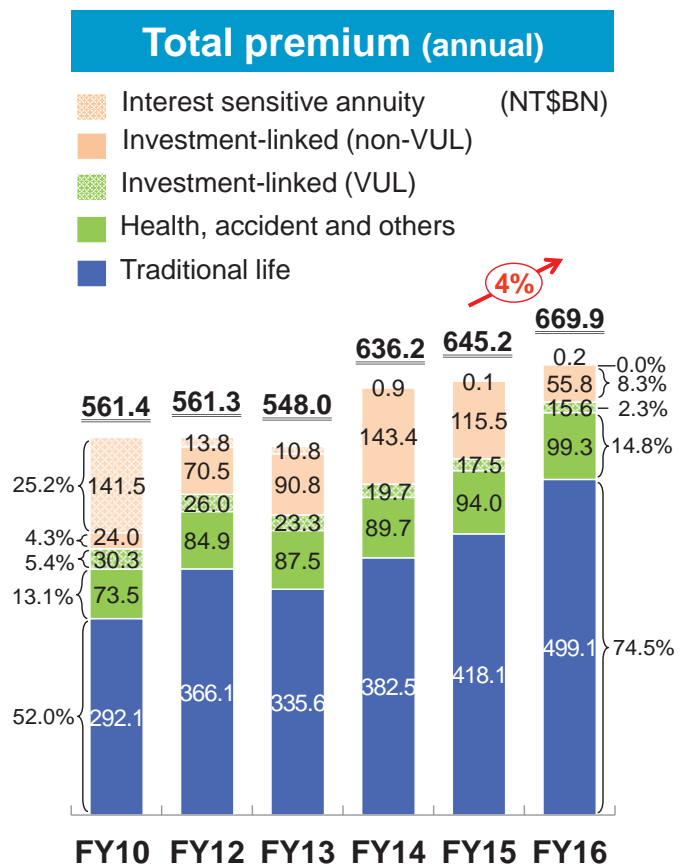
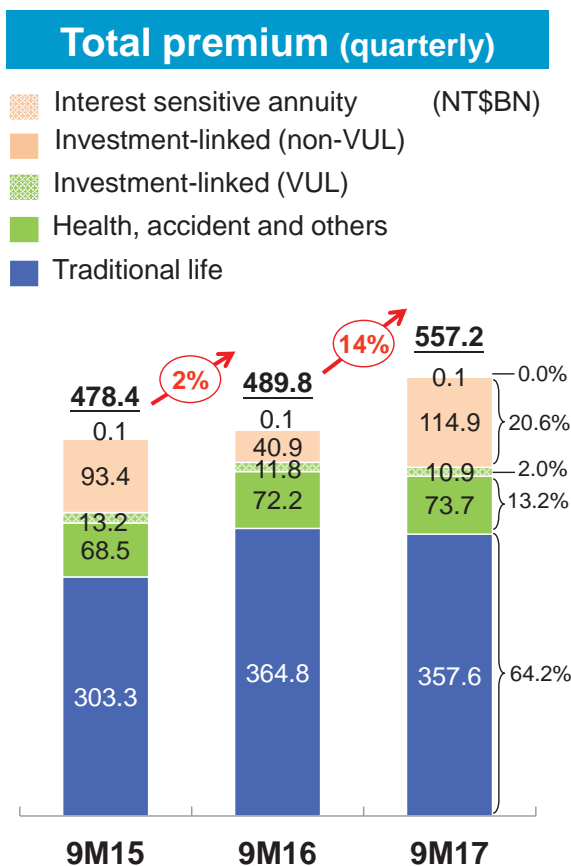


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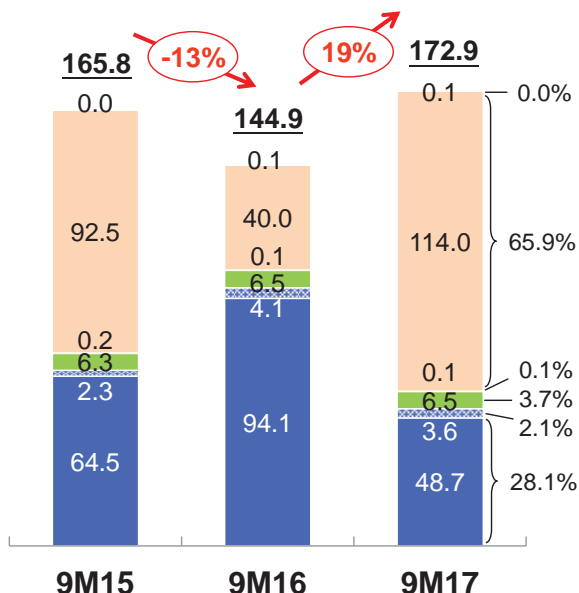
## Cathay Life – Total premium



# Cathay Life – FYP & FYPE

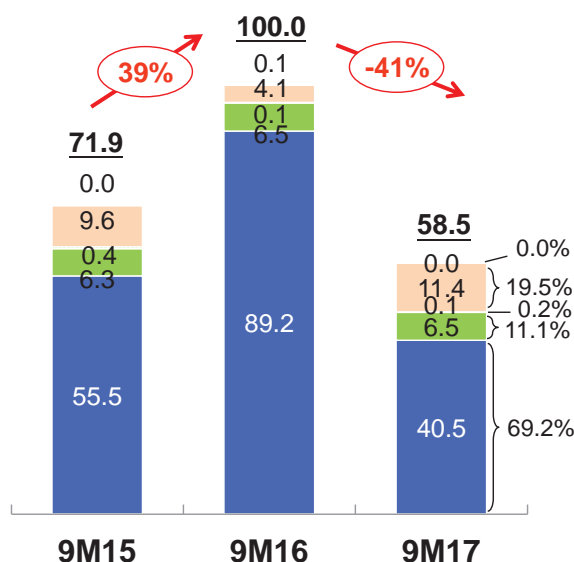
## First Year Premium

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



## Annualized First Year Premium

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

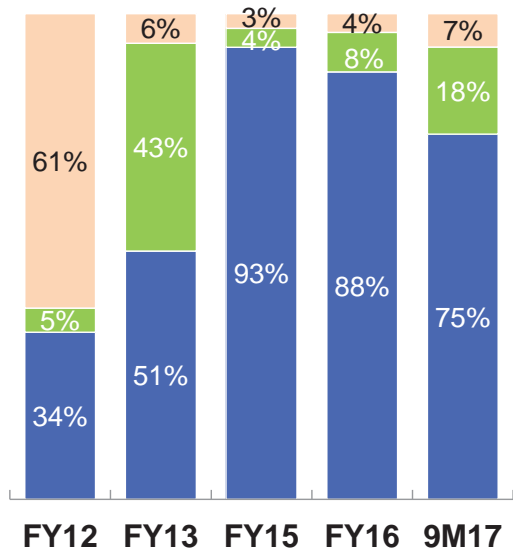


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# Cathay Life – Regular paid policies remain as focus

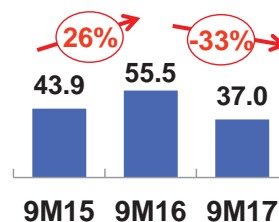
## Breakdown of Traditional FYP

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

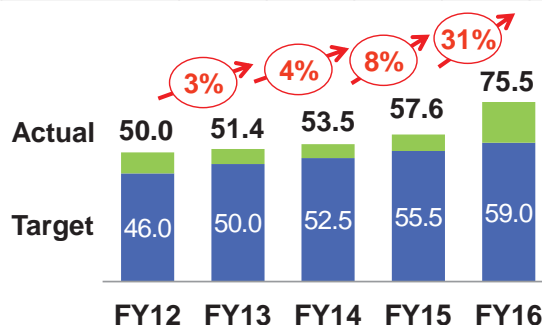


## Value for New Business

Profit Margin	9M15	9M16	9M17
VNB/FYP	27%	38%	21%
VNB/FYPE	61%	56%	63%



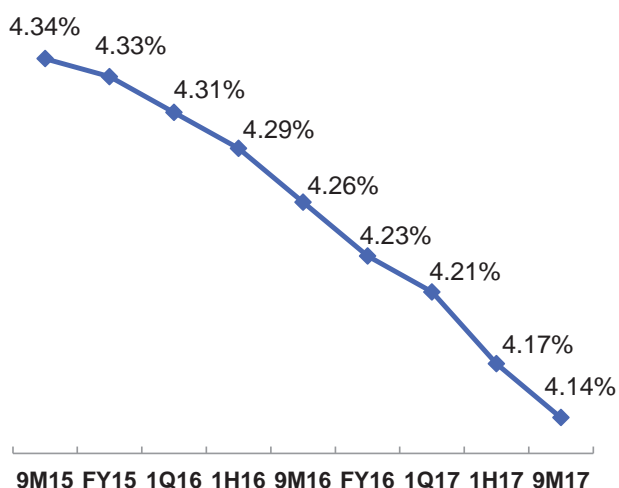
Profit Margin	FY12	FY13	FY14	FY15	FY16
VNB/FYP	19%	26%	23%	27%	38%
VNB/FYPE	54%	70%	75%	57%	56%



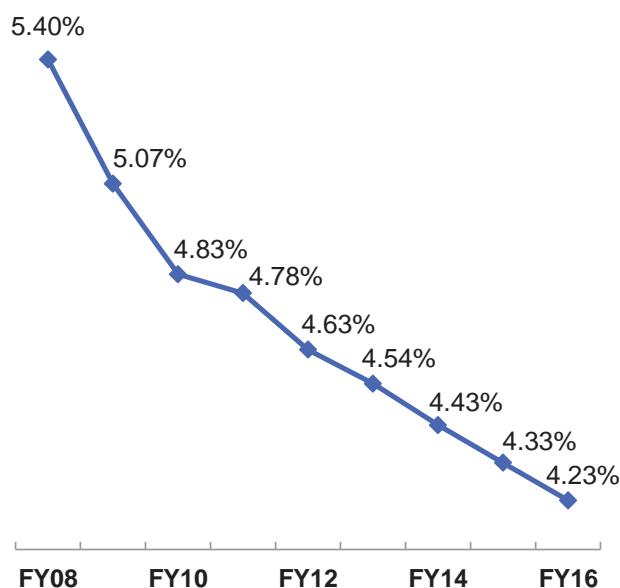
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# Cathay Life – Cost of liability

## Cost of liability (quarterly)



## Cost of Liability (annual)



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

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# Cathay Life – Investment portfolio

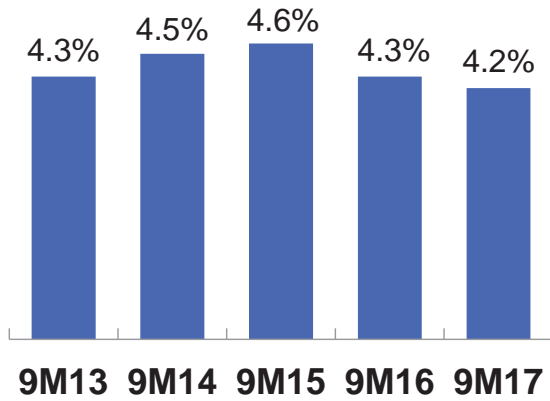
(NT\$BN)	FY14	FY15	FY16			9M17		
<b>Total investments<sup>(1)</sup></b>	<b>4169.1</b>	<b>4,636.6</b>	<b>5,001.1</b>			<b>5,364.5</b>		
	<b>Weight</b>	<b>Weight</b>	<b>Weight</b>	<b>Amount</b>	<b>Return</b>	<b>Weight</b>	<b>Amount</b>	<b>Return</b>
Cash & Cash equivalents	3.2%	1.3%	1.3%	63	0.5%	2.9%	155	0.5%
Equity- Domestic	8.4%	7.4%	7.9%	394	5.0%	8.2%	437	10.6%
Equity- International <sup>(2)</sup>	5.0%	6.2%	6.4%	319	5.0%	6.4%	345	8.8%
Bond- Domestic	11.0%	8.0%	6.5%	327	2.3%	5.6%	302	2.1%
Bond- International <sup>(1)(2)</sup>	43.6%	50.6%	53.8%	2,692	5.7%	54.5%	2,923	5.0%
Mortgage & Secured loans	12.7%	10.2%	8.9%	445	1.9%	8.3%	446	1.8%
Policy loans	4.0%	3.6%	3.3%	165	6.1%	3.1%	164	5.8%
Real estate	10.5%	10.5%	9.8%	488	3.3%	9.2%	496	2.3%
Others	1.6%	2.1%	2.2%	108		1.8%	98	

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.

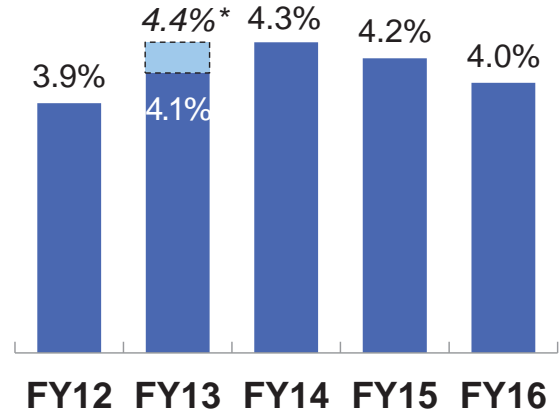
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# Cathay Life – Investment performance highlight

## After-hedging investment yield



## After-hedging investment yield (annual)

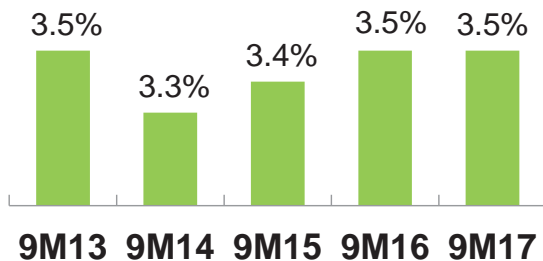


Note: FY13 (4.4%) was pro forma adjusted number of fair value method on investment property.

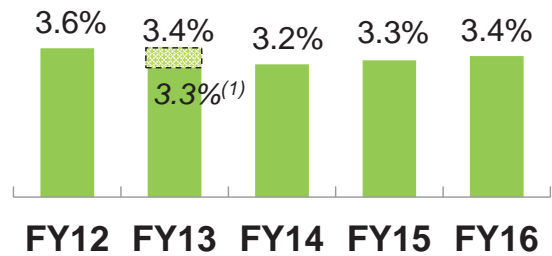
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# Cathay Life – Investment performance highlight

## Pre-hedging recurring yield

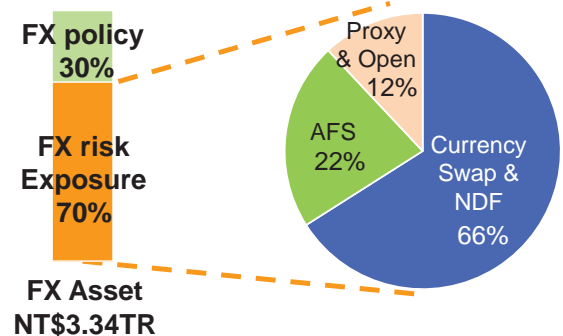


## Pre-hedging recurring yield



## Currency Hedging Structure

9M17 Hedging cost 0.94%



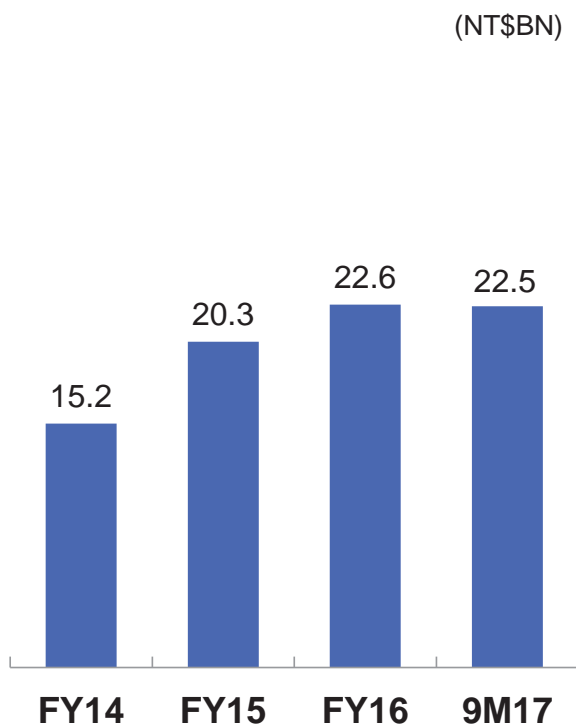
Note: (1) FY13 (3.3%) was pro forma adjusted number of fair value method on investment property.  
(2) Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend. Most dividend will be recognized in 2Q & 3Q.

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

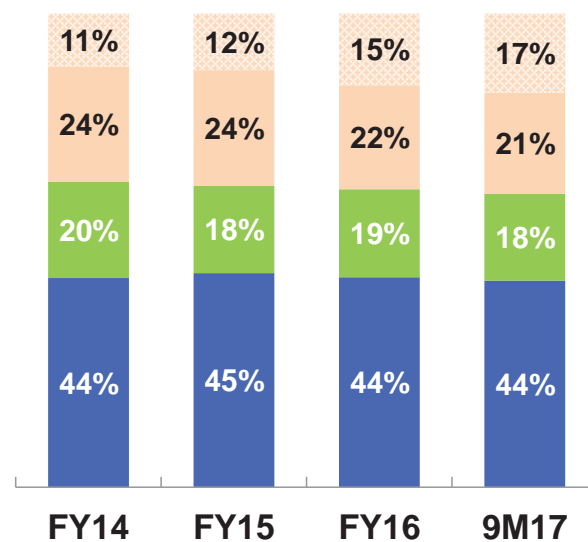
## Cash dividend income

(NT\$BN)



## Overseas fixed income by region\*

- Others
- Asia Pacific
- Europe
- North America



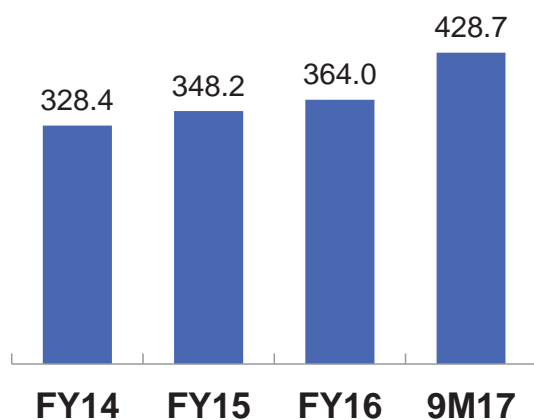
Note: Exclude overseas deposit and equity.

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

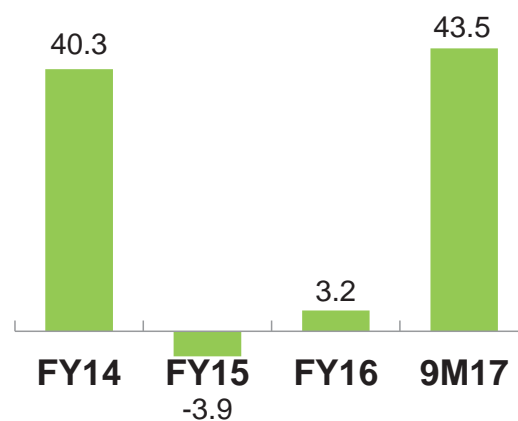
## Book value

(NT\$BN)



## Unrealized G/L of AFS financial assets

(NT\$BN)



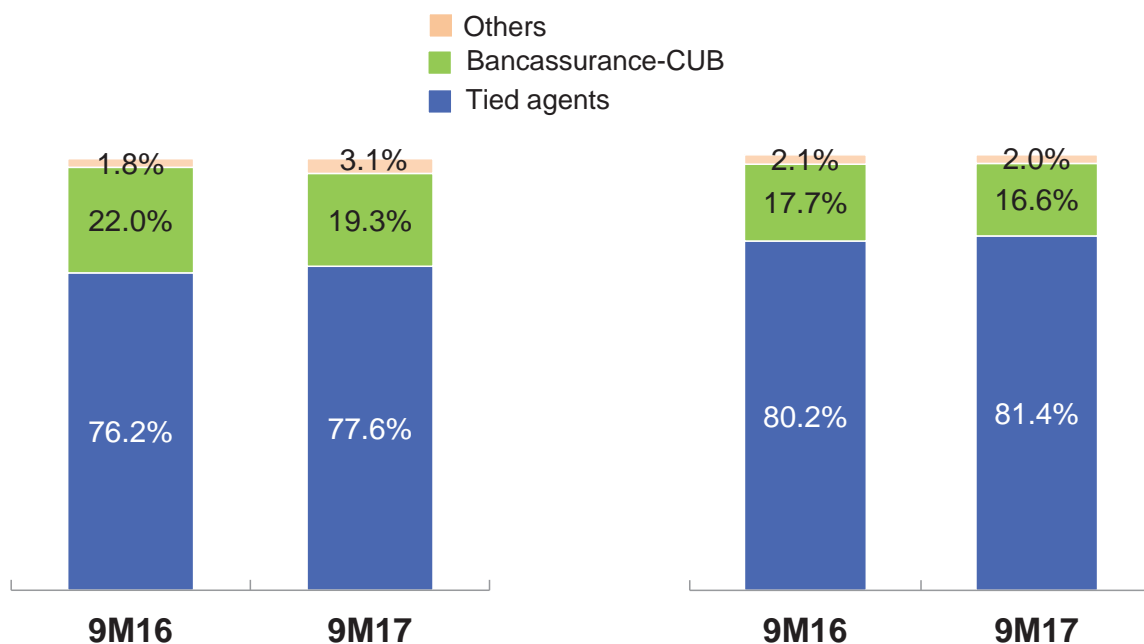
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# Cathay Life – Distribution channel

## First Year Premium

## Annualized First Year Premium

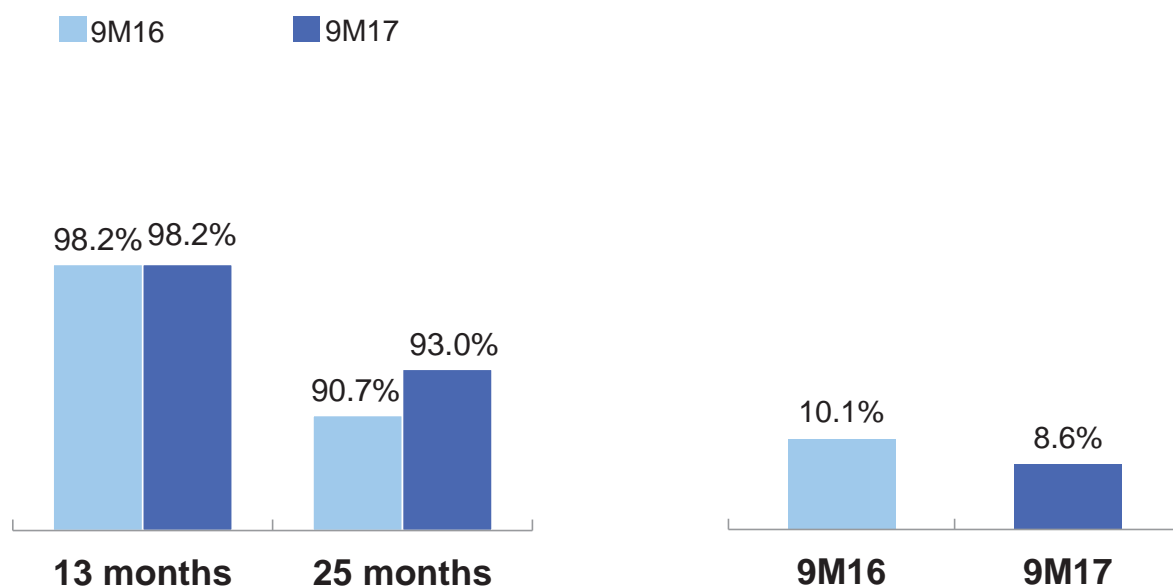


33

# Cathay Life – Operational indicators

## Persistency ratio

## Expense ratio



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# Agenda

- Introduction of Cathay FHC
- 9M17 Business Overview
- Overseas Expansion
- Business Performance Summary

Cathay United Bank  
Cathay Life

## Cathay Century

- Cathay's CSR Efforts
- M&A Key Highlights
- Appendix

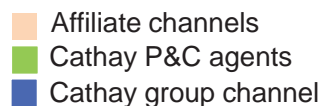
35

## Cathay Century – Premium income & distribution

### Premium income (NT\$BN)



### Distribution channel



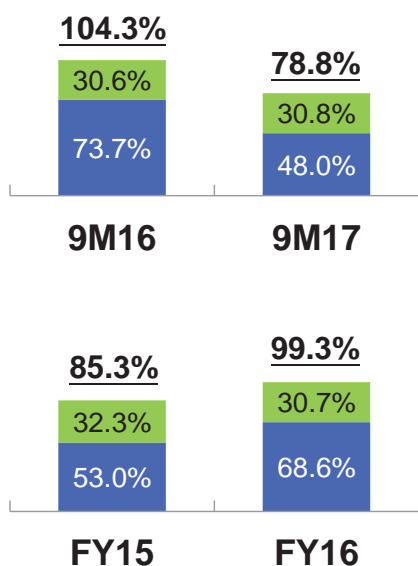
Market share	13.2%	12.7%
Retention	75.4%	76.6%

36

# Cathay Century – Combined ratio

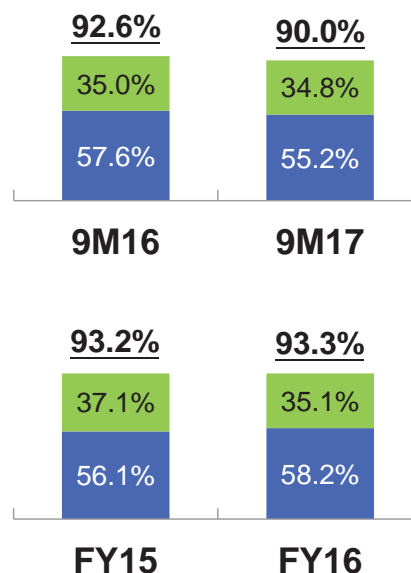
## Gross combined ratio

- Gross expense ratio
- Gross loss ratio



## Retained combined ratio

- Retained expense ratio
- Retained loss ratio



37

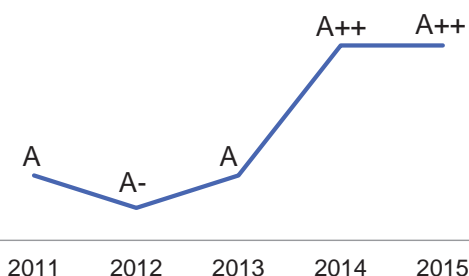
## Agenda

- Introduction of Cathay FHC
- 9M17 Business Overview
- Overseas Expansion
- Business Performance Summary
  - Cathay United Bank
  - Cathay Life
  - Cathay Century
- **Cathay's CSR Efforts**
- M&A Key Highlights
- Appendix

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# Continuous efforts in CSR

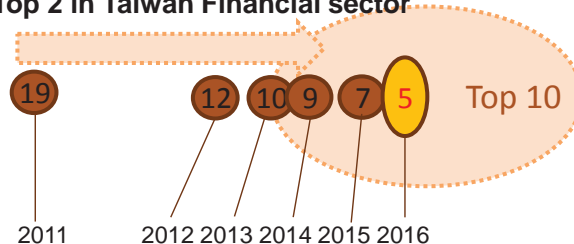
Recognized the highest ranking of IDTR in 2014-2015



Since 2016, IDTR has changed to Corporate Governance Evaluation. Cathay FHC ranked as top 20%

Ranked Top 5 of Taiwan Corporate Citizenship Award

Top 7 among Taiwan companies  
Top 2 in Taiwan Financial sector



Recognized by representative international ESG institutions

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

**vigeo eiris**  
RANKING  
Emerging 70

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

- ✓ Selected in the index since 2015
- ✓ The only insurance company included in the index

Note:

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

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## Incorporate in the DJSI emerging markets index

- Cathay FHC has been selected as a DJSI Emerging Markets Component since Sep. 2015
- Cathay FHC is the first Taiwan insurance company included in DJSI

### DJSI in the World

- Dow Jones Sustainability Index (DJSI) launched in 1999, which is based on an analysis of corporate economic, environmental and social performance and select top 10% performers in each industry as its index components. The DJSI now is the most recognized sustainability index in the world.

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In Collaboration with RobecoSAM

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# CUB is the first EPFI in Taiwan

## EPFIs in the World

- 90 Equator Principles Financial Institutions (EPFIs) in 37 countries have officially adopted the EP as of 2016 .
- 11 of EPFIs are Asian financial institutions.

Region	Europe	North America	Latin America	Africa	Oceania	Asia	Middle East
EPFIs no.	33	14	10	9	5	8	3



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# Cathay Life complies with the PSI

- Cathay Life insurance started to comply with the PSI at Q1 of 2016

## PSI in the World

- Launched at the 2012 UN Conference on Sustainable Development
- Served as a global framework for the insurance industry to address environmental, social and governance risks and opportunities.
- A total of 55 insurance companies signed the PSI initiative (2017/2). Eight signatories are from property insurers and reinsurers in the Asia region.



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## M&A Transaction: Conning in USA

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

### Conning Asset Management

- Founded in 1912, Conning is a leading global investment management firm focusing on insurers and pension funds. It ranks as top 10 globally in insurance mandate with US\$115 BN AuM (1H2017)
- Conning operates through its offices in North America, Europe and Asia

Assets by Client Type (US\$BN)	Assets	Assets by Region (US\$BN)	Assets
Life	46.8	North America	66.2
Property-Casualty	39.5	APAC	38.8
Managed CLO Funds	11.3	United Kingdom	7.1
Pension Plans	5.3	Continental Europe	1.5
Healthcare	1.7	Bermuda	1.2
Banks	1.7	Other	0.6
Others	2.7		
<b>Total AUM</b>	<b>115.2</b>	<b>Total AUM</b>	<b>115.2</b>

Note: Totals may not sum due to rounding.

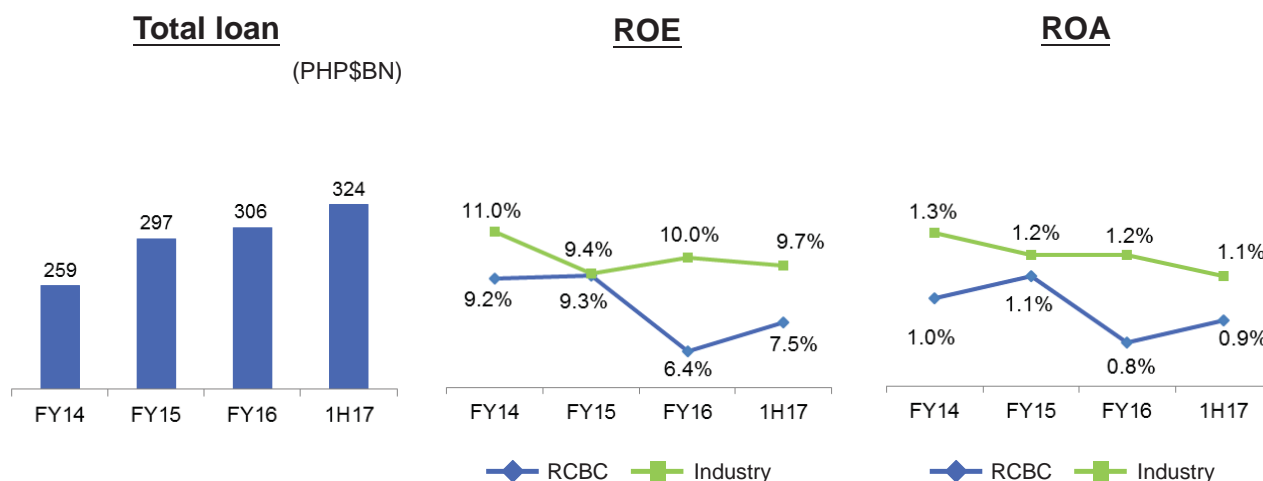
43

## M&A Transaction: RCBC in Philippines

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

### RCBC's Performance

- RCBC is one of the large private-owned banks in terms of total assets, with 495 branches and over 6,000 employees

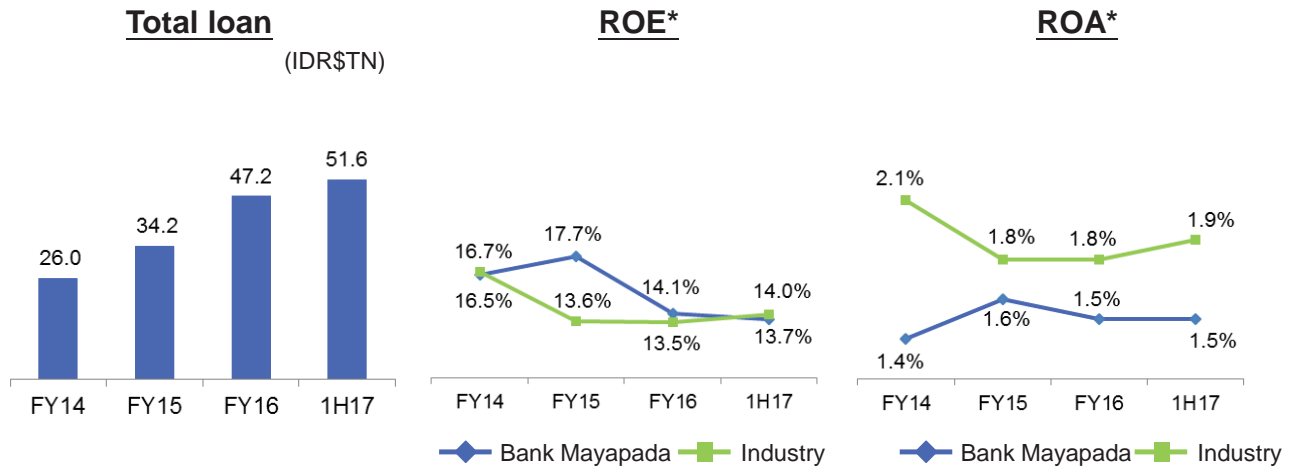


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# M&A Transaction: Bank Mayapada in Indonesia

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

## Bank Mayapada's Performance



Note: ROE: Profit After Tax/Average Total Equity, ROA: Profit After Tax/Average Total Assets; ROE and ROA in the unaudited report are 25.5%(=Profit After Tax /Average Core Capital (Tier1) and 2.4% (=Profit Before Tax/Average Total Assets) respectively.

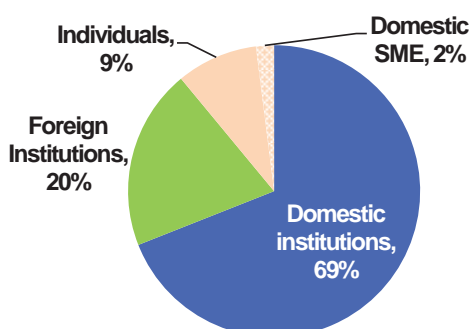
# M&A Transaction: Bank of Nova Scotia in Malaysia

- CUB and Cathay Life entered into an agreement with The Bank of Nova Scotia ("BNS") to acquire 100% stake in The Bank of Nova Scotia Berhad ("BNSB")
  - CUB and Cathay Life proposed to acquire 51% and 49% stake, respectively
- Total consideration of MYR 1,096 MN in cash (US\$255 MN), representing a ~1.15x P/B multiple
- The acquisition is subject to Malaysian regulatory approval and the execution of Share Purchase Agreement is expected to close in 2H17

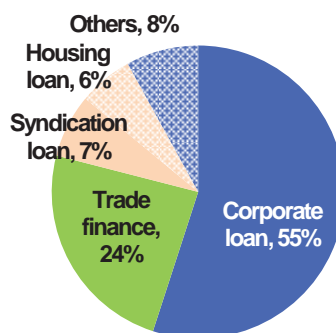
## BNSB's Introduction

- Founded in 1994, BNSB currently has three operation offices in Malaysia. Large local and foreign institutions are its primary clients.
- MYR 3.48 BN in assets, MYR 953 MN in net worth and 2.2% of ROAE (FY16)

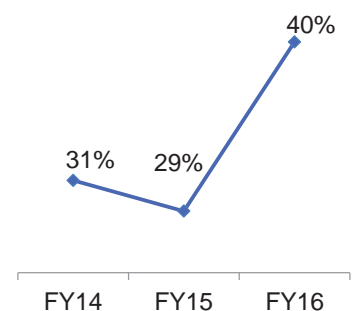
### Loan by customer type



### Loan by product type



### Tier 1 ratio



# Embedded Value & Appraisal Value

NT\$BN, except for per share figures

Valuation date	2015/12/31	2016/12/31
In-force business investment yield	3.95% ~ Year 2035 5.02% for NTD policies 4.67% ~ Year 2035 5.81% for USD policies (Equivalent investment yield: 4.40% rolling over to 2016: 4.45%)	4.00% ~ Year 2036 5.05% for NTD policies 4.76% ~ Year 2036 5.82% for USD policies (Equivalent investment yield: 4.50%)
Risk discount rate	10%	10%
Adjusted net worth	393	392
Value of in-force business	490	633
Cost of capital (CoC)	-148	-169
Value of in-force business (After CoC)	342	464
Embedded Value (EV)	735	856
EV / per share	138.5 (58.5)	161.3 (68.1)
Future one year's new business investment yield	2.96%~ Year 2035 4.90% for NTD policies 4.37% ~ Year 2035 5.81% for USD policies	2.97%~ Year 2036 4.91% for NTD policies 4.38% ~ Year 2036 5.84% for USD policies
Value of future one year's new business (After CoC)	59.0	54.0
Appraisal Value (AV)	1,249	1,328
AV / per share	235.3 (99.4)	250.3 (105.7)

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

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## Summary

NT\$BN, except for per share figures

Valuation date		2015	2016	Growth rate	1Q17
Embedded value	Equity	346	361	4%	--
	Adjusted net worth	393	392	0%	--
	Value of in-force business(before CoC)	490	633	29%	--
	Cost of capital (CoC)	-148	-169	14%	--
	Value in-force business (after CoC)	342	464	36%	--
	Embedded value	735	856	16%	--
Value of one year's new business	First year premium (FYP)	217.4	199.1	-8%	76.5
	First year premium equivalent (FYPE)	102.0	135.0	32%	25.3
	Value of one year's new business (V1NB)	57.6	75.5	31%	14.4
	Profit margin (V1NB/FYP)	27%	38%	--	19%
	Profit margin (V1NB/FYPE)	57%	56%	--	57%
	Profit margin (V1NB/FYP)(investment-linked(non-VUL)is excluded)	53%	51%	--	53%
Appraisal value (20 years NB)	Multiple	8.7	8.7	--	--
	Appraisal value	1,249	1,328	6%	--
Basic Value per share	EV / per share of Cathay FHC	58.5	68.1	16%	--
	AV / per share of Cathay FHC	99.4	105.7	6%	--

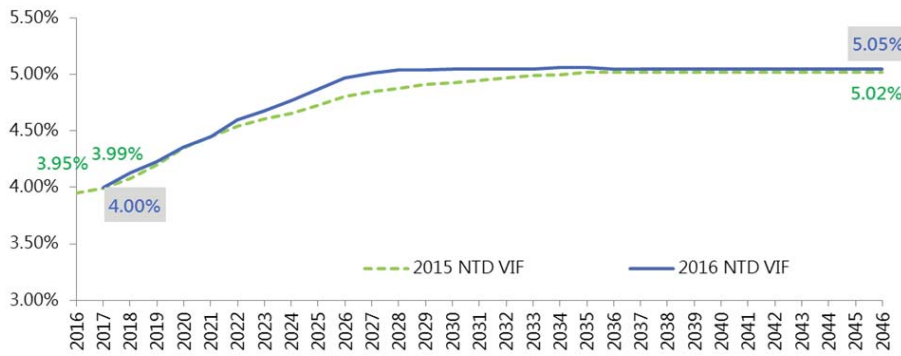
- Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares 12.6bn.  
(2) Totals may not sum due to rounding.

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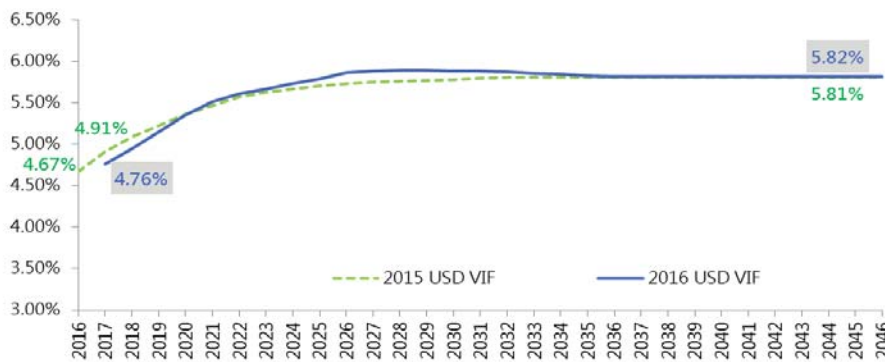


# Economic Assumptions: In-force business investment yield

- Investment return assumptions for the value of in force business of NTD-denominated policies as of the end of 2015 & 2016.



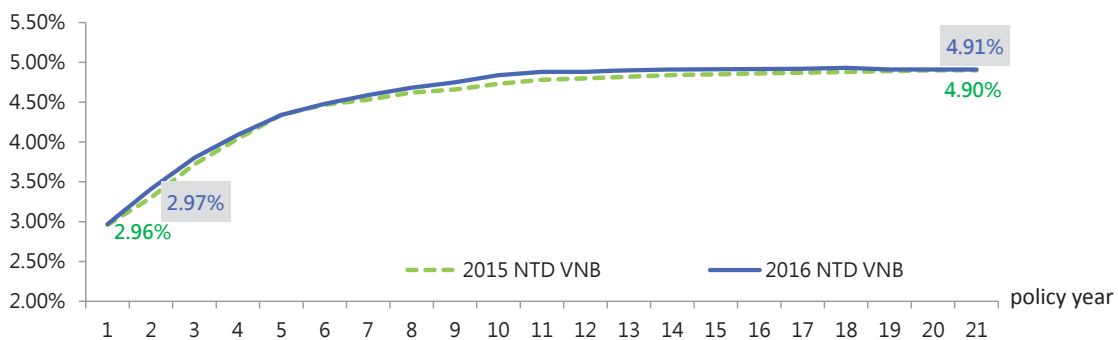
- Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2015 & 2016.



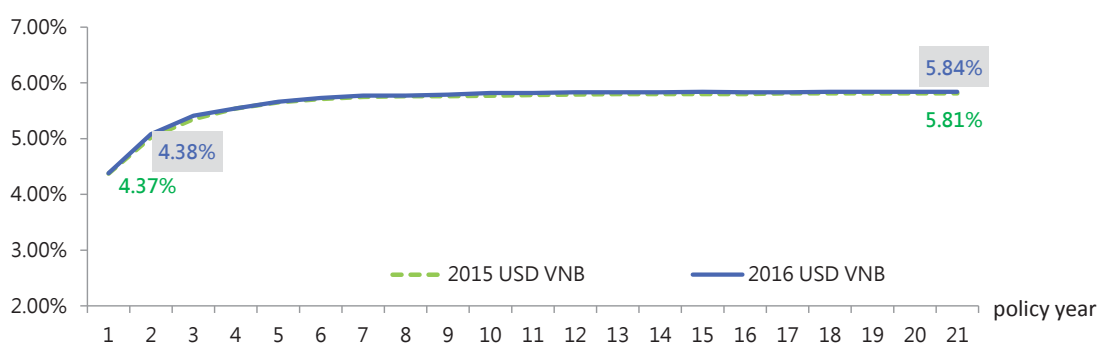
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# Economic Assumptions: Future one year's new business investment yield

- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2015 & 2016.

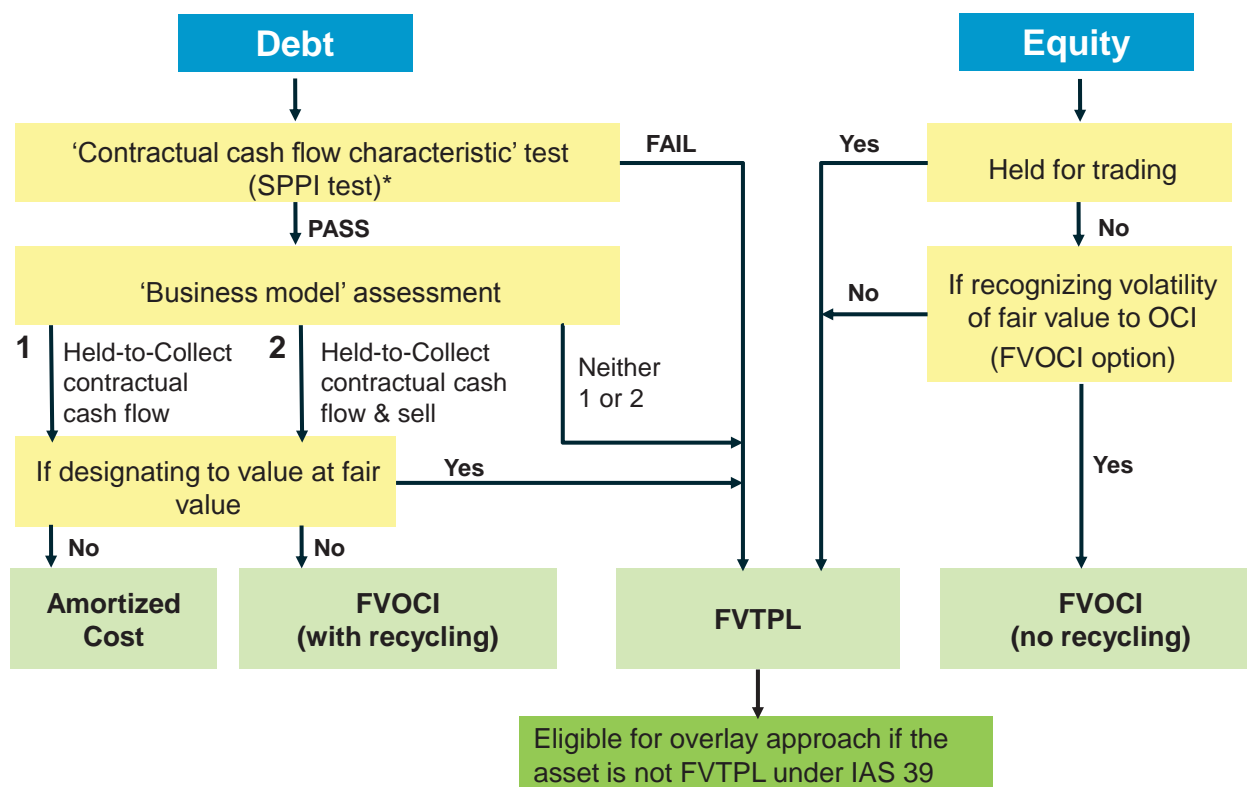


- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2015 & 2016.



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# Asset classification under IFRS 9 with overlay approach



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

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# Impacts and measures to IFRS 9 with overlay approach

- Taiwanese lifers will adopt IFRS 9 with overlay approach since 2018.

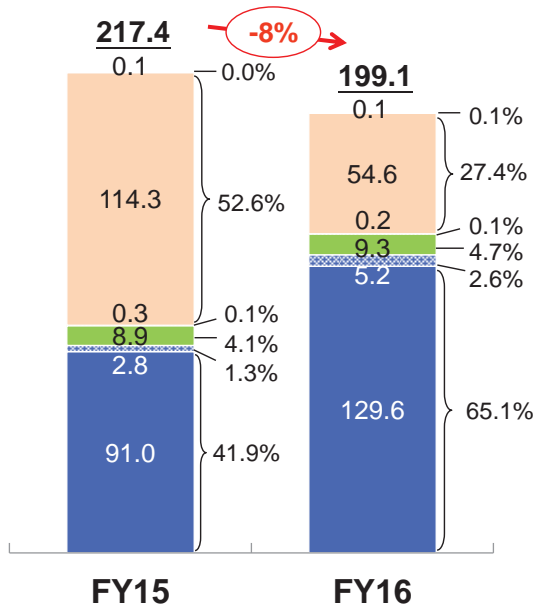
Impacts	Measures
<p><b>Minor impact on P/L</b></p> <ul style="list-style-type: none"> <li>Net income under IFRS 9 with overlay approach will be similar to net income under IAS 39.</li> </ul>	<ul style="list-style-type: none"> <li>Overlay Approach can be applied to those Equity/Fund/ETF/Bond failing to pass SPPI test and classified as FVTPL.</li> <li>MTM impact can be removed from P/L to OCI. The impact on P/L shall be limited.</li> </ul>
<p><b>Recognition of ECL</b></p> <ul style="list-style-type: none"> <li>Lifers will measure expected credit losses (ECL) by expected loss model.</li> </ul>	<ul style="list-style-type: none"> <li>ECL will have one-time effect on stockholders' equity.</li> <li>At the date of maturity or sale, ECL can be recycled through P/L if no credit event happens.</li> </ul>
<p><b>Increasing book value volatility</b></p> <ul style="list-style-type: none"> <li>To retain investment flexibility, some non-active fixed income investments may be reclassified as FVOCI leading to higher volatility of book value.</li> </ul>	<ul style="list-style-type: none"> <li>We concluded to maintain the disposal flexibility of fixed income investments classified as Amortized Cost (AC).</li> <li>For Cathay Life, AC will account for the majority of fixed income to prevent accounting mismatches and MTM impact to book value.</li> </ul>

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# Cathay Life – FYP & FYPE

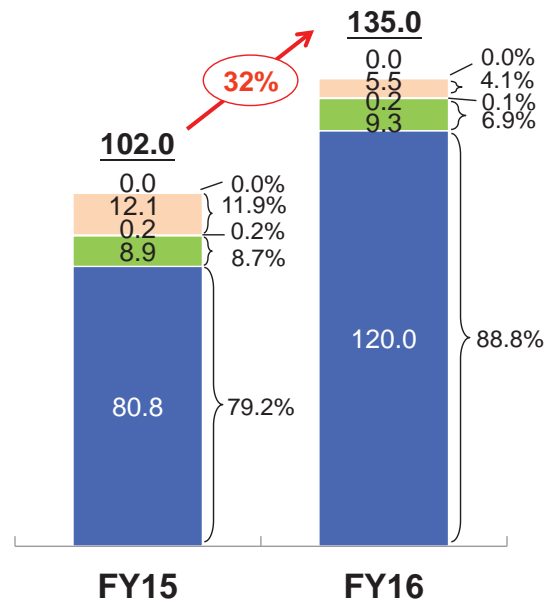
## First Year Premium

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



## Annualized First Year Premium

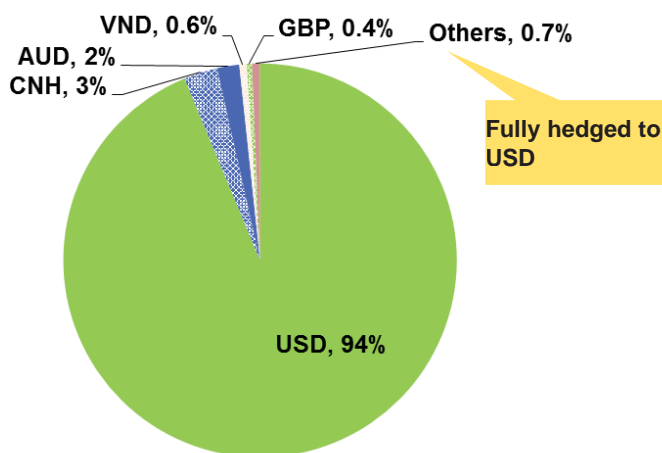
- Interest sensitive annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life



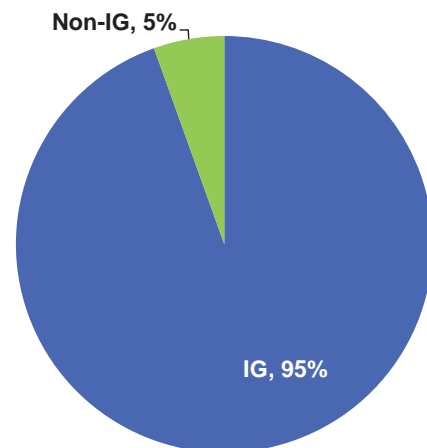
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# Cathay Life – Overseas bond breakdown by currency and rating

## Overseas bond by currency



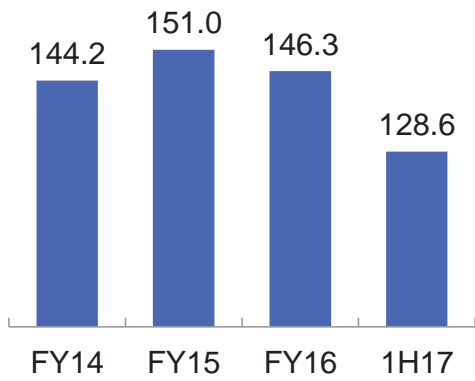
## Overseas bond by rating



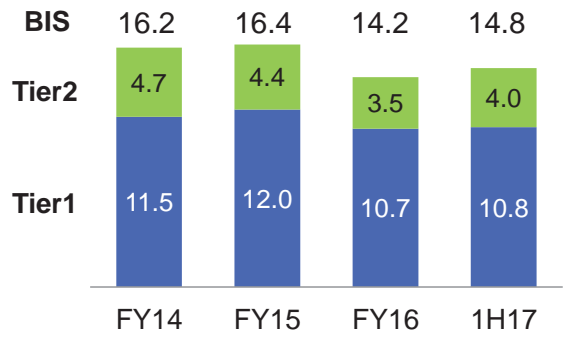
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# Capital adequacy

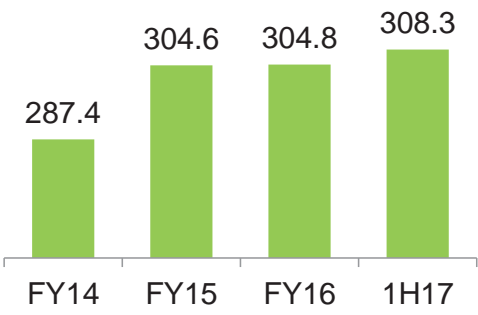
**Cathay FHC CAR (%)**



**CUB Capital Adequacy (%)**



**Cathay Life RBC(%)**



**Cathay Financial Holdings**  
**(NT\$MN)**

<b>Income Statement Data (Consolidated)</b>	<b>FY16/</b>			<b>9M17/</b>			<b>3Q17/</b>		
	<b>FY15</b>	<b>FY16</b>	<b>FY15 % Chg</b>	<b>9M16</b>	<b>9M17</b>	<b>9M16 % Chg</b>	<b>3Q16</b>	<b>3Q17</b>	<b>3Q16 % Chg</b>
<b>Operating Income</b>									
Net interest income	139,998	153,478	10%	114,089	124,981	10%	38,016	43,017	13%
Net commission and fee	(4,480)	(7,913)	-77%	(4,990)	1,677	134%	(1,455)	1,169	180%
Net earned premium	535,858	622,916	16%	455,197	450,685	-1%	152,253	151,439	-1%
Change in liability reserve	(306,598)	(408,614)	-33%	(305,034)	(319,290)	-5%	(104,462)	(110,694)	-6%
Net claims payment	(309,104)	(308,697)	0%	(223,110)	(218,783)	2%	(75,121)	(72,094)	4%
Investment income	63,734	37,782	-41%	32,684	49,972	53%	13,024	26,700	105%
Contribution from associates-equity method	1,108	1,202	9%	951	1,075	13%	189	385	103%
Other net non-interest income	14,151	40,512	186%	34,861	18,633	-47%	24,046	3,010	-87%
Bad debt expense	(2,467)	(5,232)	-112%	(3,783)	(1,881)	50%	(1,473)	(607)	59%
Operating expense	(65,067)	(75,250)	-16%	(53,903)	(53,981)	0%	(17,806)	(18,883)	-6%
<b>Income before taxes</b>	67,132	50,185	-25%	46,963	53,088	13%	27,211	23,442	-14%
Income taxes	(9,250)	(2,145)	77%	(7,714)	(4,827)	37%	(2,205)	(1,636)	26%
Net income	57,882	48,039	-17%	39,249	48,261	23%	25,006	21,806	-13%
EPS (NT\$)	4.58	3.79		3.08	3.81		1.98	1.72	
<b>Dividend Payout</b>									
Cash dividend per share	2.00	2.00							
Stock dividend per share	0.00	0.00							
Weighted average outstanding shares (Millions of common shares)	12,563	12,563		12,563	12,563				
<b>Balance Sheet Data</b>									
Total assets	7,568,975	8,135,137		7,940,728	8,722,609				
Total shareholders' equity	461,062	529,824		498,629	593,710				
<b>Operating Metrics</b>									
ROAE (Consolidated)	12.86%	9.70%		10.91%	11.45%				
ROAA (Consolidated)	0.80%	0.61%		0.67%	0.76%				
Double leverage ratio(inc. preferred stock)	111%	105%		110%	108%				
<b>Capital Adequacy Metrics</b>									
Capital Adequacy Ratio	151%	146%							

**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) Starting from 2015/1/1, Cathay FHC adopted IFRS 2013 version and has adjusted FY14 financial data to pro-forma basis.  
 FY14 total assets, liabilities, and shareholders' equity have also been adjusted accordingly.
- (3) Total may not sum due to rounding.

**Cathay Life**

(NT\$MN)

Income Statement Data (Consolidated)	FY16/ FY15			9M17/ 9M16			3Q17/ 3Q16		
	FY15	FY16	% Chg	9M16	9M17	% Chg	3Q16	3Q17	% Chg
Net written premium	519,014	605,910	17%	442,299	438,708	-1%	148,275	147,372	-1%
Net earned premium	518,250	605,231	17%	442,183	438,537	-1%	148,215	147,129	-1%
Reinsurance commission earned	200	363	81%	358	294	-18%	(3)	8	341%
Fee income	5,762	5,542	-4%	4,096	6,912	69%	1,370	2,301	68%
Recurring investment income	140,977	161,051	14%	123,943	133,157	7%	47,887	54,030	13%
Gain on disposal of investment									
Realized gain (loss)-Equity	30,072	14,346	-52%	12,135	33,302	174%	2,484	7,158	188%
Realized gain (loss)-Debt	14,804	29,382	98%	26,683	16,471	-38%	19,550	4,901	-75%
Gain on investment property	11,074	5,000	-55%	5,255	(372)	-107%	(96)	(17)	83%
FX and others, net	(13,101)	(17,469)	-33%	(15,892)	(21,749)	-37%	(7,817)	(5,009)	36%
Investment income, net	183,827	192,310	5%	152,123	160,809	6%	62,009	61,064	-2%
Other operating income	914	5,032	450%	3,640	3,771	4%	1,260	1,302	3%
Separate account revenues	17,303	39,589	129%	32,727	36,252	11%	12,819	15,731	23%
Net claims payment	(298,102)	(297,201)	0%	(214,856)	(210,916)	2%	(72,410)	(69,096)	5%
Changes in liability reserves	(305,864)	(408,398)	-34%	(304,943)	(319,184)	-5%	(104,745)	(110,755)	-6%
Acquisition and commission expense	(33,238)	(38,901)	-17%	(28,353)	(23,052)	19%	(10,234)	(7,486)	27%
Other operating costs	(5,541)	(6,381)	-15%	(4,569)	(4,602)	-1%	(1,363)	(1,755)	-29%
Financial cost	(296)	(413)	-40%	(365)	(1,373)	-277%	(200)	(606)	-203%
Separate account expense	(17,303)	(39,589)	-129%	(32,727)	(36,252)	-11%	(12,819)	(15,731)	-23%
Operating expense	(23,021)	(30,768)	-34%	(21,300)	(21,212)	0%	(5,721)	(7,078)	-24%
Net non-operating income	1,265	1,956	55%	1,394	1,018	-27%	426	299	-30%
Income taxes	(5,710)	1,861	133%	(4,045)	(52)	99%	(1,055)	(592)	44%
Net income	38,447	30,235	-21%	25,365	30,951	22%	17,547	14,736	-16%

**Balance Sheet Data**

Total assets	5,179,877	5,556,950		5,411,434	5,997,620
General account	4,699,309	5,058,936		4,914,886	5,447,814
Separate account	480,568	498,014		496,548	549,807
Reserves for life insurance liabilities	4,228,117	4,567,324		4,449,375	4,829,769
Total liabilities	4,831,642	5,192,967		5,027,777	5,568,892
Total shareholders' equity	348,235	363,984		383,657	428,728

**Operating Metrics**

First Year Premium(FYP)	217,378	199,082		144,945	172,869
First Year Premium Equivalent(FYPE)	102,002	135,035		100,016	58,515
Expense ratio	10.3%	10.3%		10.1%	8.6%
13-M persistency ratio	97.6%	98.3%		98.2%	98.2%
25-M persistency ratio	91.8%	92.2%		90.7%	93.0%
ROAE	11.36%	8.49%		9.24%	10.41%
ROAA	0.78%	0.56%		0.64%	0.71%

**Capital Adequacy Metrics**

RBC ratio (Standalone)	305%	305%
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**Cathay United Bank**

(NT\$MN)	FY16/ FY15			9M17/ 9M16			3Q17/ 3Q16		
	FY15	FY16	% Chg	9M16	9M17	% Chg	3Q16	3Q17	% Chg
<b>Income Statement Data (Consolidated)</b>									
<b>Operating Income</b>									
Net interest income	26,729	25,910	-3%	18,973	22,093	16%	6,642	7,652	15%
Fee income	14,344	15,745	10%	11,962	11,620	-3%	3,980	4,201	6%
Investment income	5,599	8,278	48%	6,561	7,286	11%	2,419	3,025	25%
Other income	1,380	1,222	-12%	1,083	982	-9%	323	445	37%
<b>Net operating income</b>	<b>48,052</b>	<b>51,154</b>	<b>6%</b>	<b>38,578</b>	<b>41,980</b>	<b>9%</b>	<b>13,365</b>	<b>15,323</b>	<b>15%</b>
Operating expenses	(24,851)	(26,959)	-8%	(19,596)	(20,601)	-5%	(6,939)	(7,524)	-8%
<b>Pre-provision profit</b>	<b>23,201</b>	<b>24,195</b>	<b>4%</b>	<b>18,982</b>	<b>21,379</b>	<b>13%</b>	<b>6,425</b>	<b>7,798</b>	<b>21%</b>
Net provisions for possible losses	(1,922)	(4,455)	-132%	(3,160)	(1,879)	41%	(1,227)	(571)	53%
<b>Income before taxes</b>	<b>21,279</b>	<b>19,740</b>	<b>-7%</b>	<b>15,822</b>	<b>19,501</b>	<b>23%</b>	<b>5,198</b>	<b>7,227</b>	<b>39%</b>
Income tax	(2,513)	(2,229)	11%	(1,715)	(2,483)	-45%	(539)	(931)	-73%
<b>Net income</b>	<b>18,767</b>	<b>17,511</b>	<b>-7%</b>	<b>14,107</b>	<b>17,017</b>	<b>21%</b>	<b>4,660</b>	<b>6,297</b>	<b>35%</b>
<b>Balance Sheet Data</b>									
Total assets	2,383,377	2,566,669		2,512,765	2,711,633				
Loans, net	1,127,807	1,437,531		1,305,440	1,478,363				
Financial assets	791,192	849,989		853,389	841,940				
Total liability	2,226,608	2,406,701		2,353,486	2,531,120				
Deposits	1,881,657	2,032,600		2,009,698	2,087,363				
Financial Debenture Payable	51,900	51,900		51,900	63,350				
Total shareholders' equity	156,769	159,968		159,279	180,512				
<b>Operating Metrics</b>									
Cost income ratio	51.72%	52.70%		50.80%	49.07%				
ROAE	12.33%	11.06%		11.90%	13.33%				
ROAA	0.81%	0.71%		0.77%	0.86%				
<b>Assets Quality</b>									
NPL	1,599	2,133		2,186	2,934				
NPL ratio	0.14%	0.15%		0.17%	0.20%				
NPL provisions	17,323	19,686		18,950	21,984				
Coverage ratio	1083%	923%		867%	749%				
<b>Capital Adequacy Metrics</b>									
BIS ratio (Standalone)	16.4%	14.2%							
Tier I Ratio (Standalone)	12.0%	10.7%							

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**Cathay Century**

(NT\$MM)	FY16/ FY15			9M17/ 9M16			3Q17/ 3Q16		
<b>Income Statement Data (Consolidated)</b>	FY15	FY16	% Chg	9M16	9M17	% Chg	3Q16	3Q17	% Chg
Premium income	22,449	22,774	1%	17,252	16,048	-7%	5,241	5,262	0%
Net written premium	17,254	17,390	1%	13,180	12,255	-7%	4,041	4,126	2%
Net earned premium	17,169	17,213	0%	13,182	12,180	-8%	4,285	4,192	-2%
Reinsurance commission earned	517	526	2%	411	355	-14%	115	108	-7%
Fee income	48	44	-7%	34	31	-7%	10	11	7%
Investment	972	2,082	114%	2,074	764	-63%	1,691	364	-78%
Interest income	564	568	1%	441	409	-7%	150	140	-7%
Other investment income, net	408	1,514	271%	1,633	354	-78%	1,541	224	-85%
Other operating income	15	0	-100%	0	0	0%	(2)	0	100%
Net claims payment	(9,292)	(9,559)	-3%	(7,363)	(6,750)	8%	(2,616)	(2,504)	4%
Changes in liability reserves	(734)	(209)	71%	(91)	(106)	-17%	284	61	-79%
Commissions and other operating costs	(1,402)	(1,289)	8%	(2,308)	(2,103)	9%	(704)	(725)	-3%
Operating expenses	(6,197)	(5,974)	4%	(3,321)	(2,641)	20%	(942)	(885)	6%
<b>Operating income</b>	1,095	2,834	159%	2,618	1,732	-34%	2,120	621	-71%
Net non-operating income	(4)	(1)	81%	(7)	(14)	-91%	(4)	(5)	-22%
Income taxes	(287)	(492)	-71%	(438)	(216)	51%	(326)	(67)	79%
Net income	804	2,342	191%	2,173	1,502	-31%	1,790	549	-69%
<b>Balance Sheet Data</b>									
Total assets	42,106	38,250		38,327	37,895				
Total stockholders' equity	7,219	9,216		9,140	10,035				
<b>Operating Metrics</b>									
Gross Combined ratio	85.3%	99.3%		104.3%	78.8%				
Net Combined ratio	93.2%	93.3%		92.6%	90.0%				
ROAE	11.44%	28.50%		35.42%	20.81%				
ROAA	2.06%	5.83%		7.21%	5.26%				
<b>Capital Adequacy Metrics</b>									
RBC ratio (Standalone)	359%	385%							

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