



**國泰金控**

Cathay Financial Holdings

# 2023 Fourth Quarter Briefing

March 2024

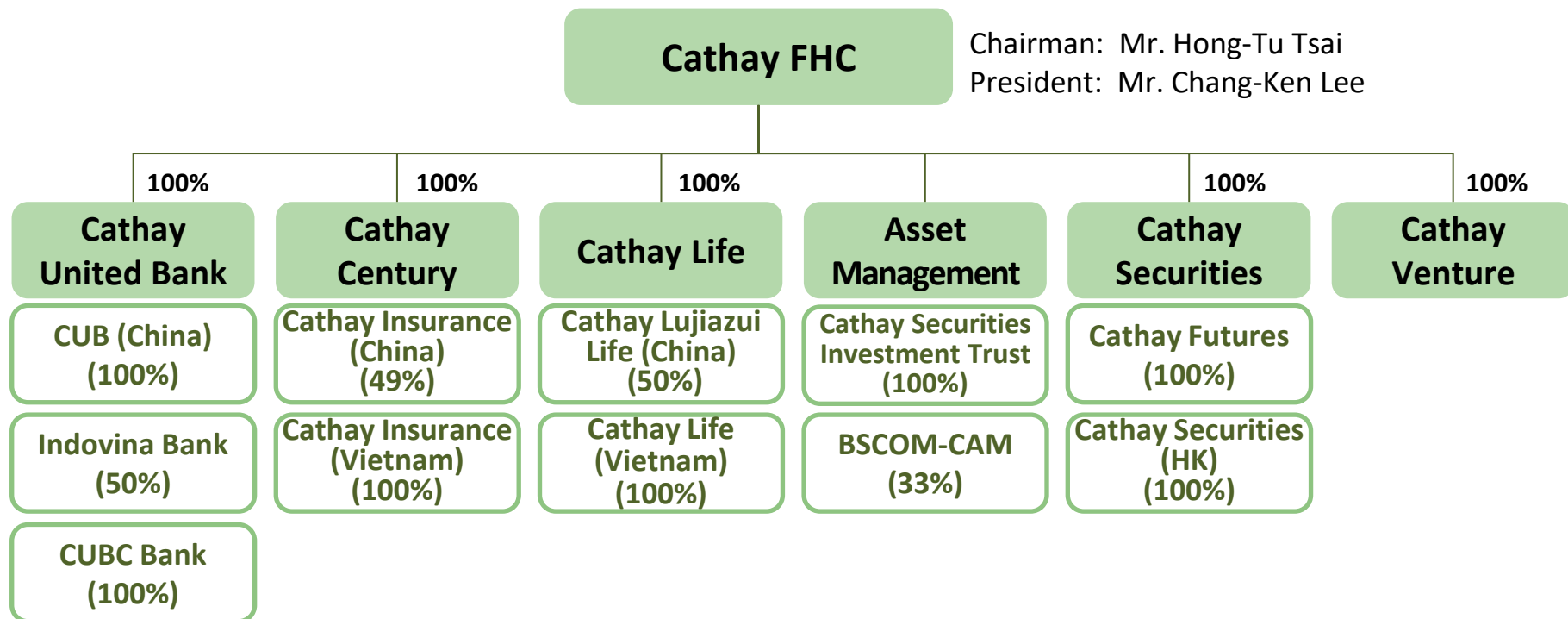


# Agenda

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

# Cathay FHC: largest FHC, comprehensive products



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

- 2<sup>nd</sup> biggest non-life insurer
- Market share in total premium income: 13.3% (FY23)

- No. 1 life insurer in terms of total assets and total premium
- Market share in total premium: 21.3% (FY23)

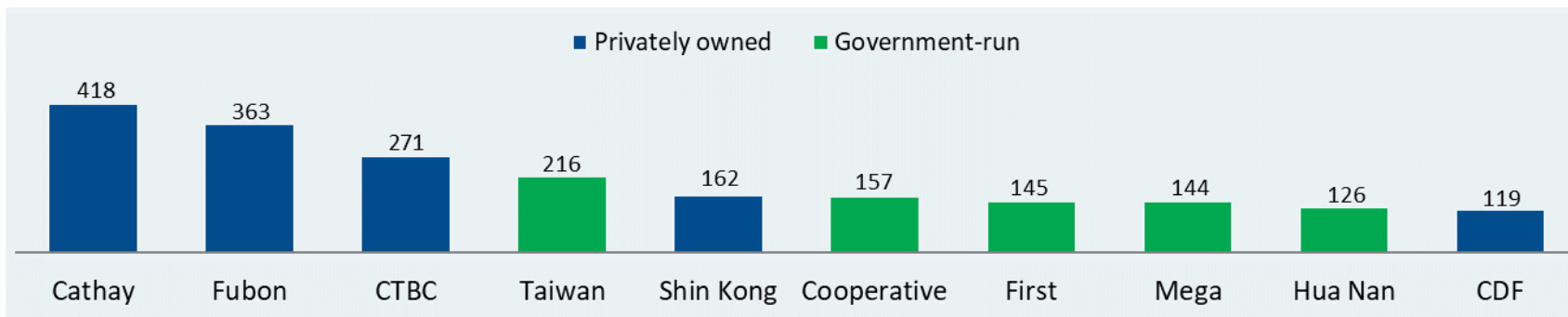
- Largest AUM among asset managers in Taiwan
- Extending global asset management products and services

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

# Market leader in Taiwan's FIG sector

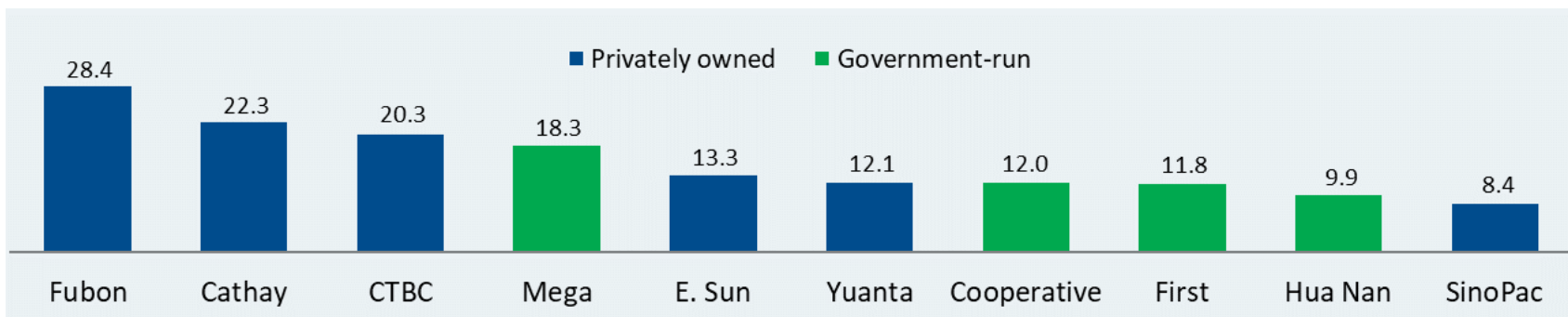
- Largest listed financial group by assets.

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



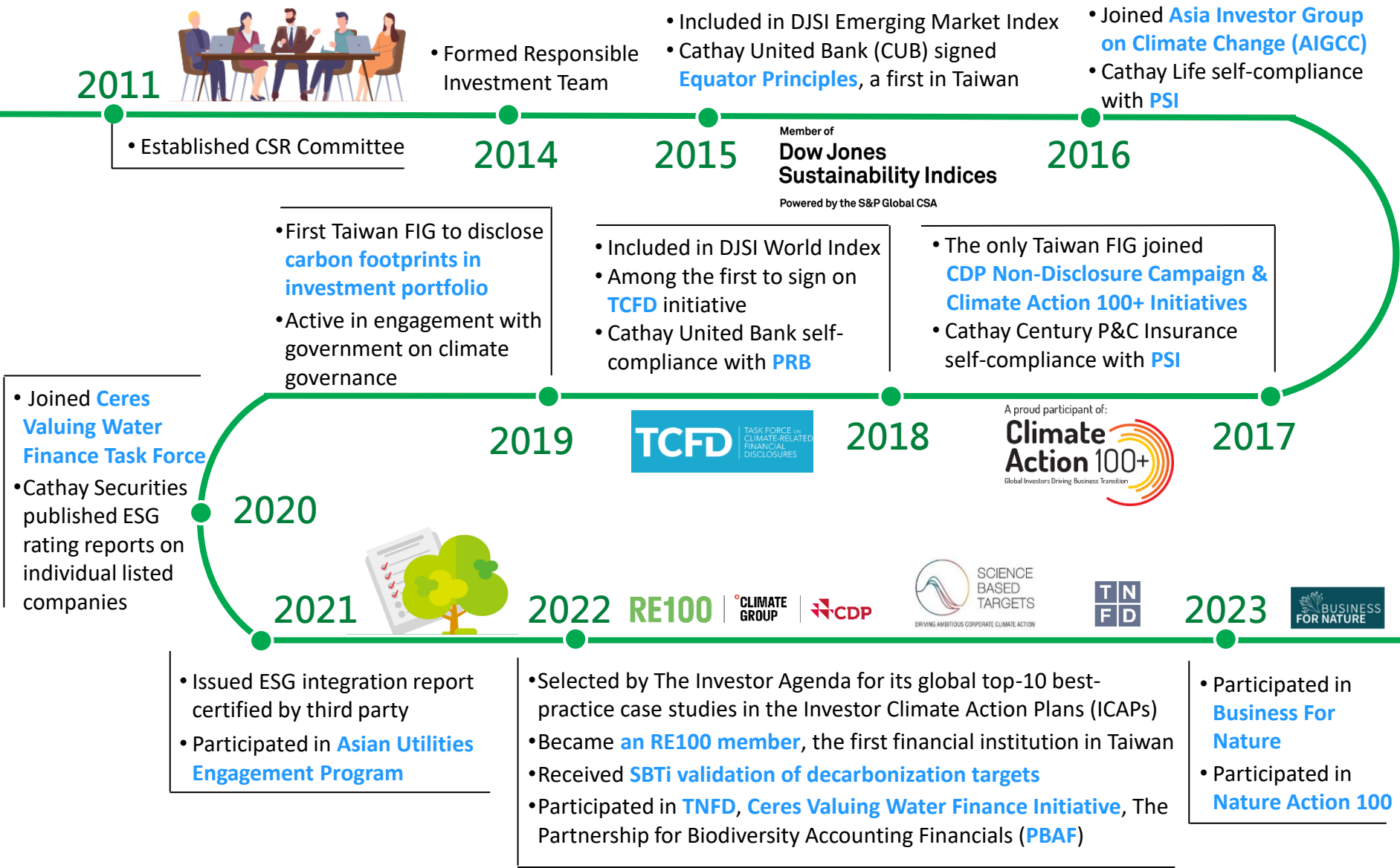
Note: Total assets as of December 31, 2023

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

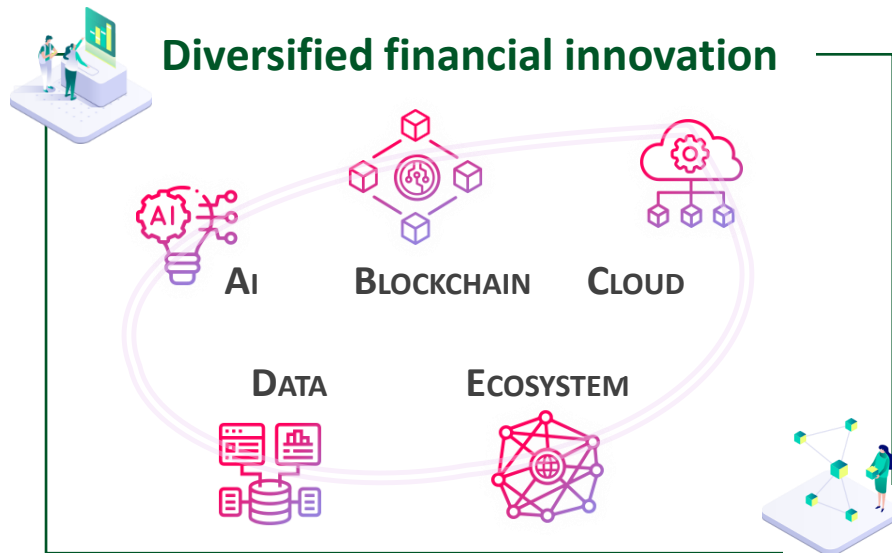
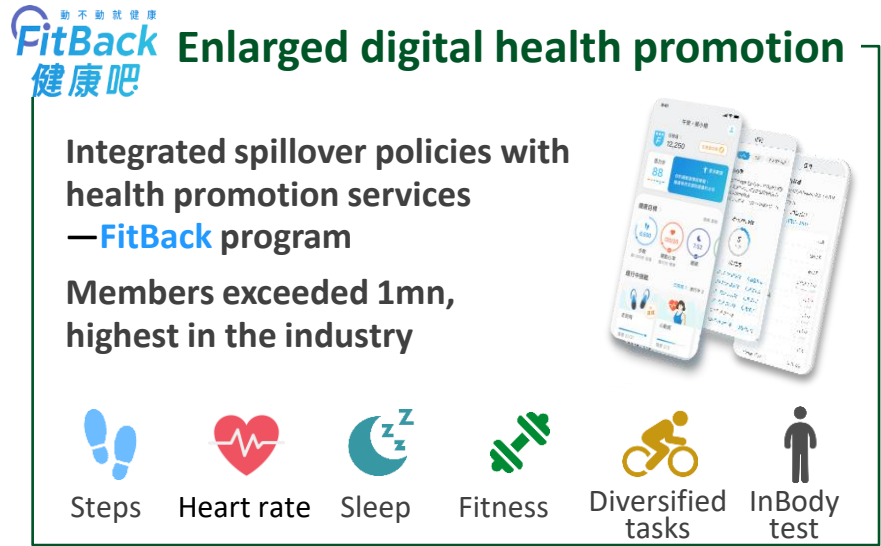
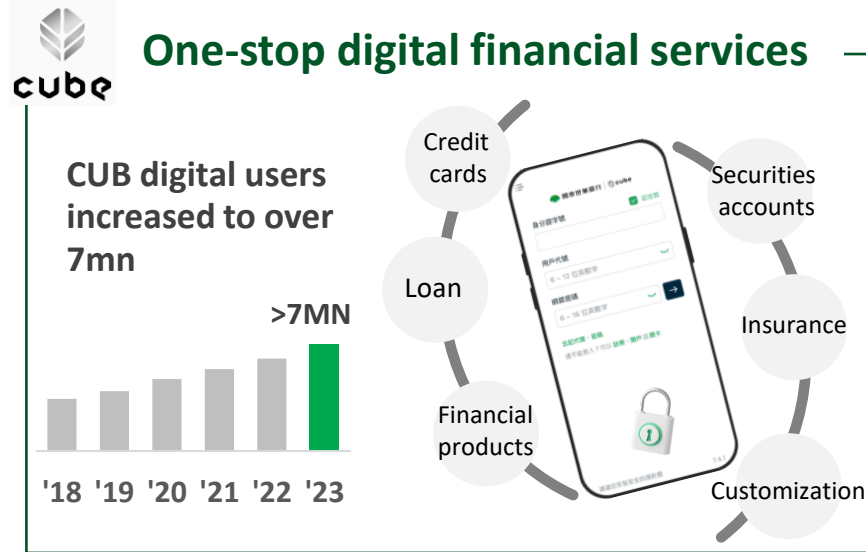


Note: Market capitalization as of March 31, 2024

# Cathay FHC's continuous effort in ESG integration



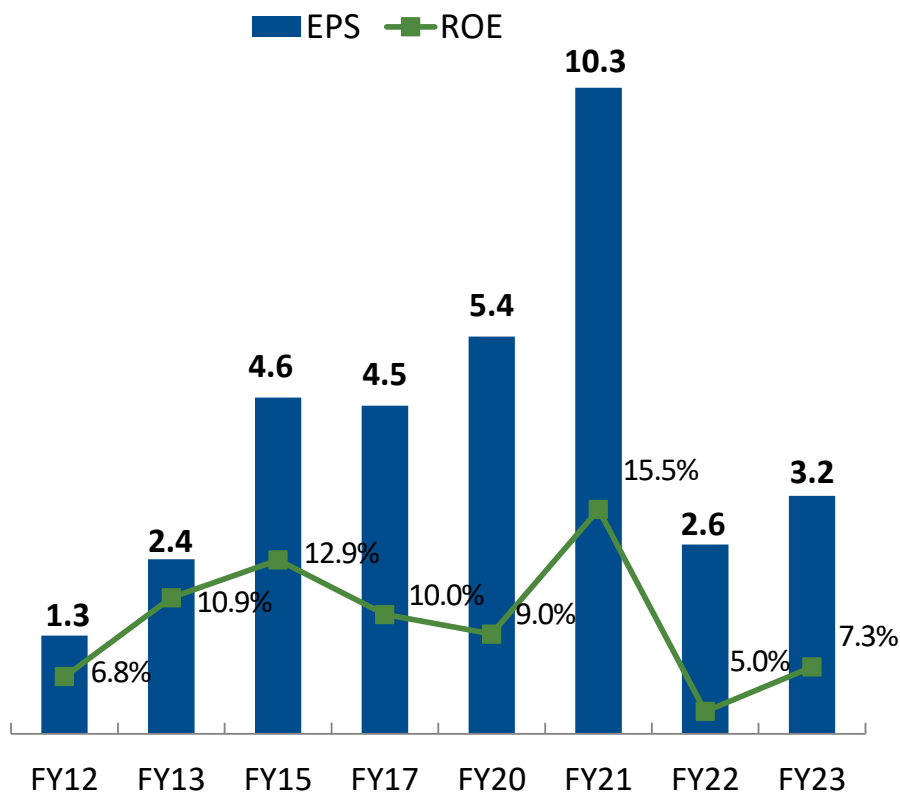
# 2023 Business overview – Empowering financial services with digital, data and technology



# Cathay FHC continued to deliver solid earnings

## EPS & ROE

(NT\$/%)

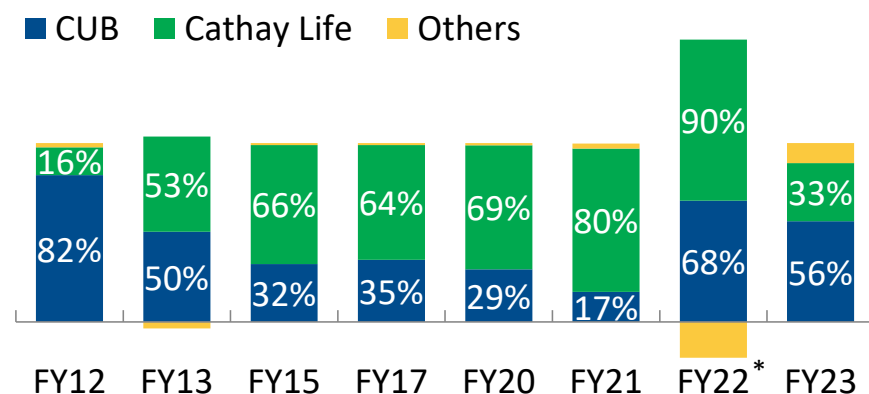
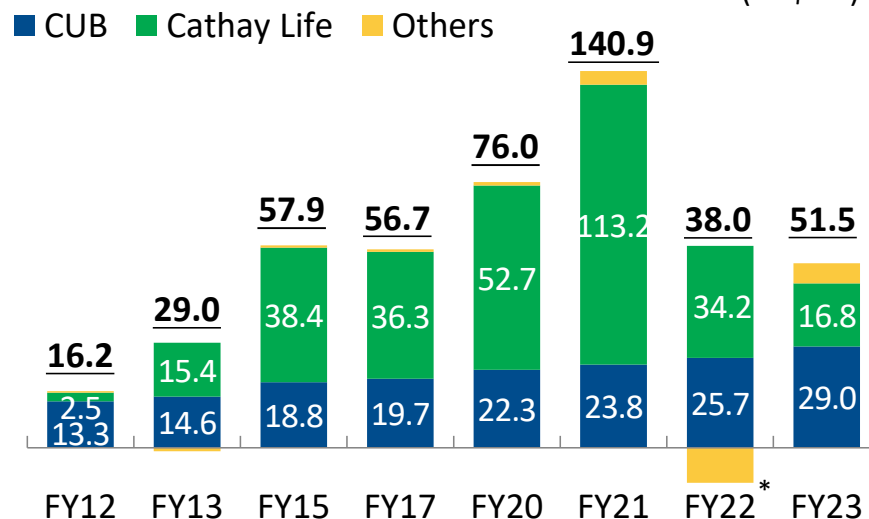


Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.

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

## Profit contribution

(NT\$BN)



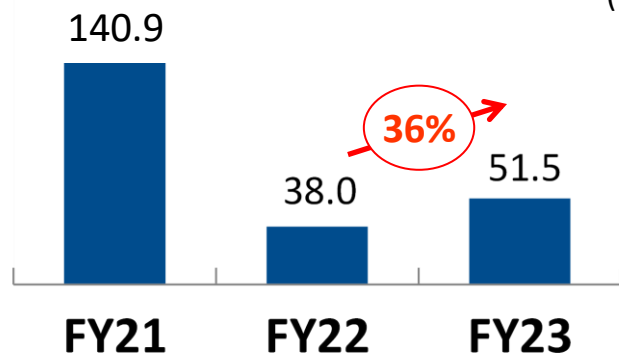
\* Cathay Century reported a net loss of NT\$19.6bn due to pandemic insurance losses.

# Cathay FHC – Net income & EPS

- FY23 earnings increased 36% YoY. CUB and SITE once again reached record-high earnings.
- CUB, SITE and Securities showed double-digit YoY growth in net income. Life's earnings reflected increased hedging costs. P&C's profit recovered as the impact of pandemic insurance subsided.

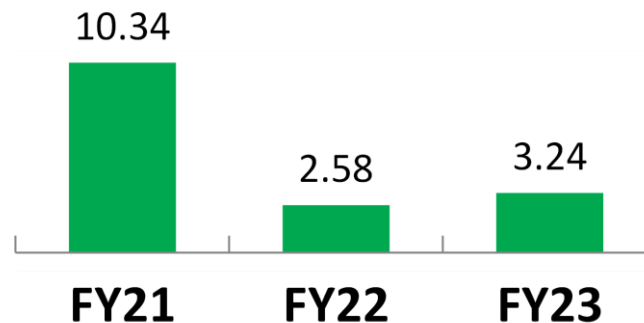
## Net income

(NT\$BN)



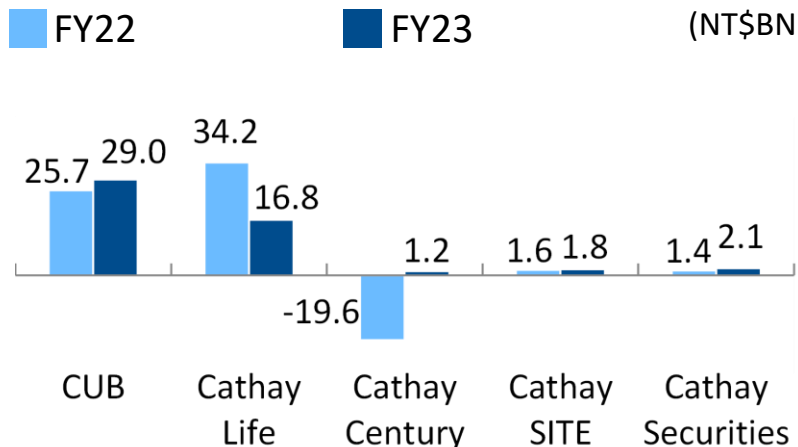
## EPS

(NT\$)

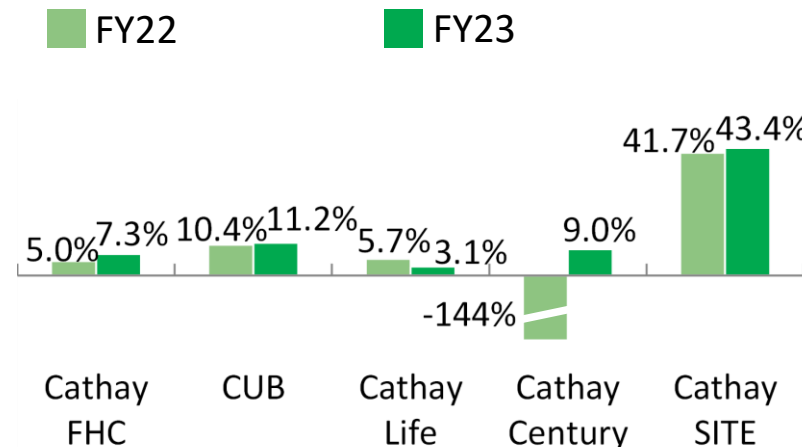


## Net income of primary subsidiaries

(NT\$BN)



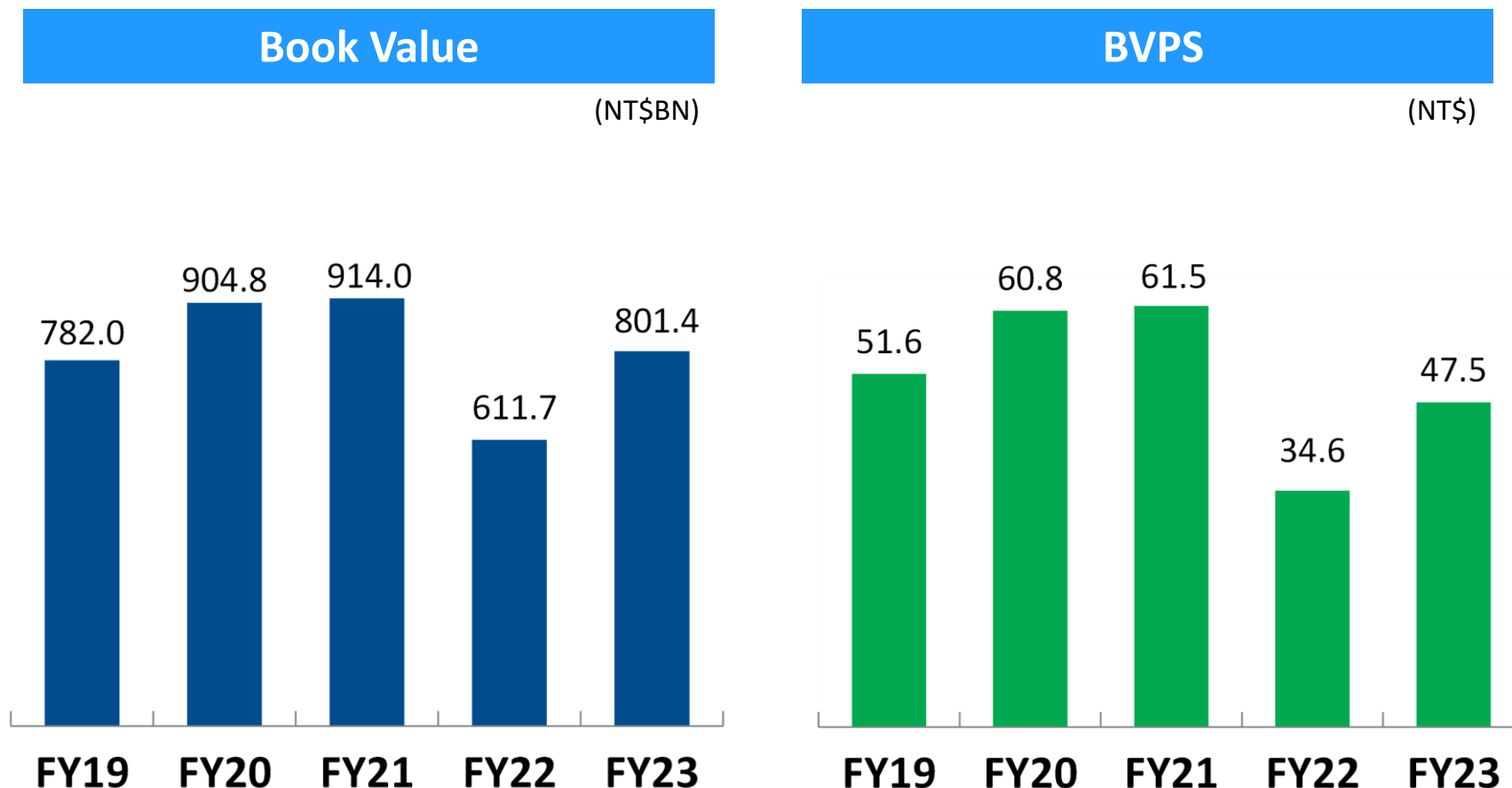
## ROE





# Cathay FHC – Book value & BVPS

- FY23 book value rallied YoY, following rebound in mark-to-market value of financial assets and earnings contributions.



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

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

# 2023 Business overview

## Cathay United Bank

- FY23 net income set a record high for the 3<sup>rd</sup> consecutive year, with 13% YoY growth.
- Showed robust growth in deposits and loans. Net interest income grew steadily YoY. Asset quality maintained benign.
- Net fee income grew 15% YoY, driven by solid growth in WM and a continued rise in credit card fees.

## Cathay Life

- Adhered to a value-driven strategy. FYP for Health and Accident policies showed double-digit YoY growth. FYP and APE ranked No. 1 in the industry.
- Hedging costs contained well. Recurring yield increased 8bps; interest income showed double-digit YoY growth.
- Maintained solid capital position with RBC ratio of 323% and E/A ratio above 8%.

## Cathay Century

- Premium income rose 13% YoY, with 13.3% market share. Underwriting profits grew steadily amidst the return to stable operations and ongoing quality control.
- Strengthened online business in China. Accelerated digital transformation and business expansion in Vietnam.

## Cathay SITE

- Delivered record-high annual earnings once again in FY23. Ranked No. 1 in AUM, totaling NT\$1.62tn. Earned wide acclaim for various products.
- Recognized by *Asia Asset Management* and *The Asset*. Received TFF-Bloomberg Best Fund Award and *Smart* Best Fund Award among a total of 38 awards in 2023.

## Cathay Securities

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

# 2024 Business Outlook

## Cathay United Bank

- Grow loans steadily and optimize loan mix while maintaining benign asset quality.
- Expand wealth management business by offering diversified products and deepening relationships with high-net-worth clients to boost WM fees.
- Deepen overseas presence and expand cross-border financial services; develop retail banking business via digital platforms.

## Cathay Life

- Continue the “Protection First, Elderly Friendly” strategy, aiming for customers' fulfilling retirement and healthy life. Focus on protection-type products to accumulate CSM.
- Seek the opportunities for quality stocks and bonds to enhance recurring income. Continue dynamic hedging strategy to maintain stable hedging costs.

## Cathay Century

- Pursue steady profit growth while balancing both quality and quantity, with risk control.
- Focus on customer-centric strategy. Enhance customer experience and digital development to increase customer satisfaction and stickiness.
- Expand online business in China. Continue to strengthen digital infrastructure and develop opportunities for cross-industry cooperation in Vietnam.

## Cathay SITE

- Focus on new product development and innovations in fintech applications and services.
- Integrate global asset management resources and expand distribution channels.
- Develop financial planning for retirement as well as for younger customers. Strengthen ESG investment process.

## Cathay Securities

- Optimize digital business models to enhance customer acquisition effectiveness via digital platforms and services for a broad clientele.
- Enhance products and service platforms to meet the diverse investment needs of customers.

# Agenda

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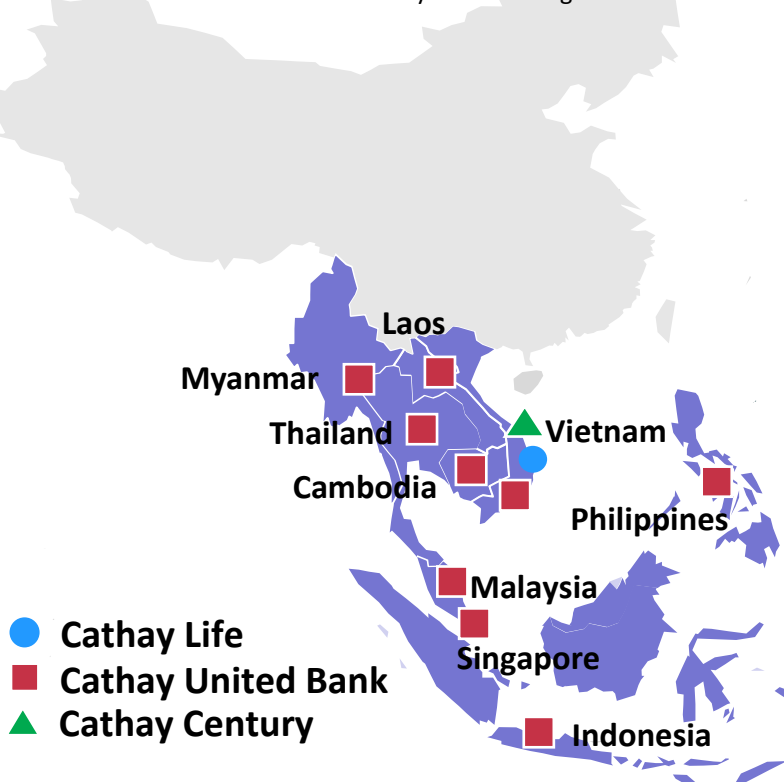
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# Cathay FHC in Southeast Asia

	China	Vietnam	Cambodia	Hong Kong	Singapore	Malaysia	Laos	Philippines	Myanmar	Thailand	Indonesia
Bank	7	37	15	1	1	1	1	1	1	1	1
Life	51	150									
P&C	26	2									
Asset Mgt.	1			1							
Securities				2							

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

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



## ■ Banking

- Vietnam: Cultivated local and cross-border customers; planned to expand retail business via digital platforms.
- Cambodia: Expanded customer base and attracted cash flow and deposits via digital applications.
- Singapore: Signed green trade loan with Apeiron Bioenergy to support the development of sustainable aviation fuel.

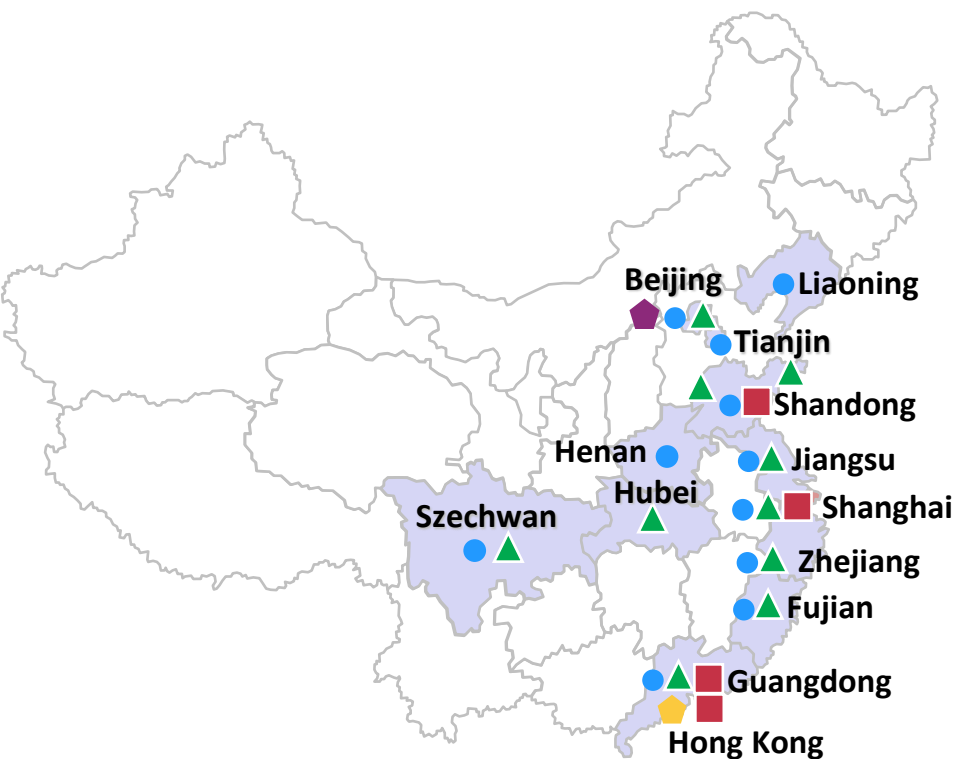
## ■ Cathay Life (Vietnam)

- Total premium grew 3% YoY to 2.9tn VND in FY23.
- Expanded and diversified distribution channels.

## ■ Cathay Century

- Premium income grew to 597bn VND in FY23.
- Continued to promote digital transformation and mobile insurance app.

# Cathay FHC in China



● Cathay Lujiazui Life

■ Cathay United Bank

▲ Cathay Century (China)

◆ Cathay Securities

◆ BSCOM Cathay Asset Management Company

## ■ Cathay United Bank

- China subsidiary continues prudent operations, carefully selecting customers with growth potential. Maintained growth momentum with zero NPL.

## ■ Cathay Lujiazui Life

- Total premium grew 55% YoY to 6.1bn RMB in FY23.
- Grew business in scale and value through agent workforce and multiple-channel development.

## ■ Cathay Century (China)

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

## ■ Cathay Securities (HK)

- Continued to grow local and cross-border business.

## ■ BSCOM Cathay Asset Management

- Business remained steady.

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Cathay United Bank

Cathay Life

Cathay Century

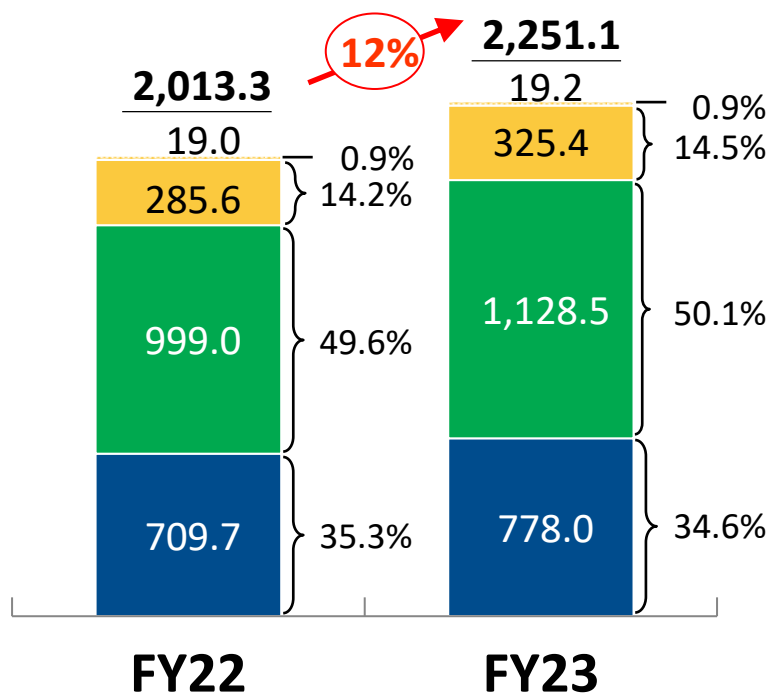
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# Cathay United Bank – Loan & deposit breakdown

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

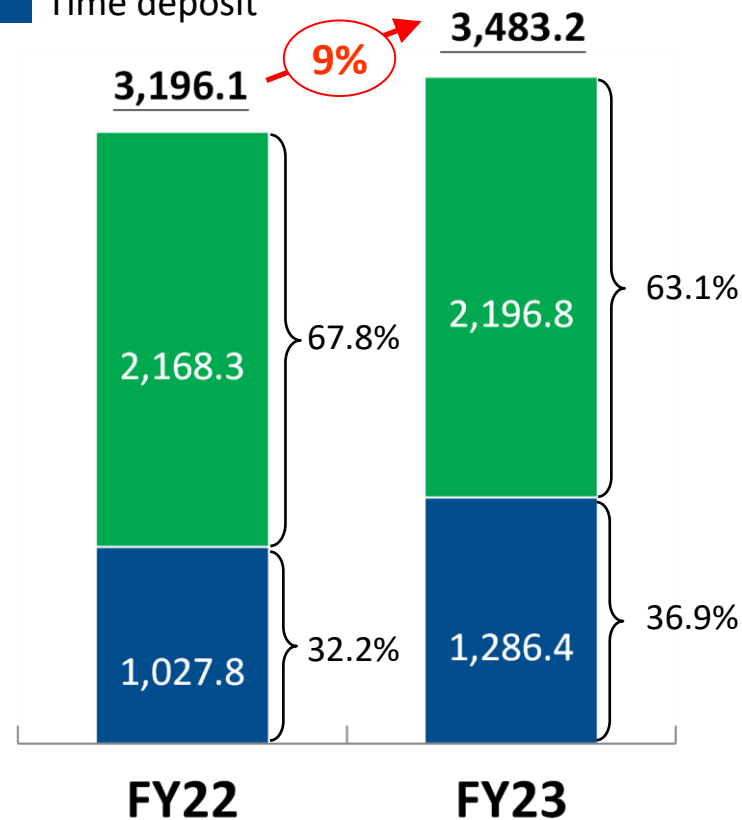
## Loan breakdown

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



## Deposit breakdown

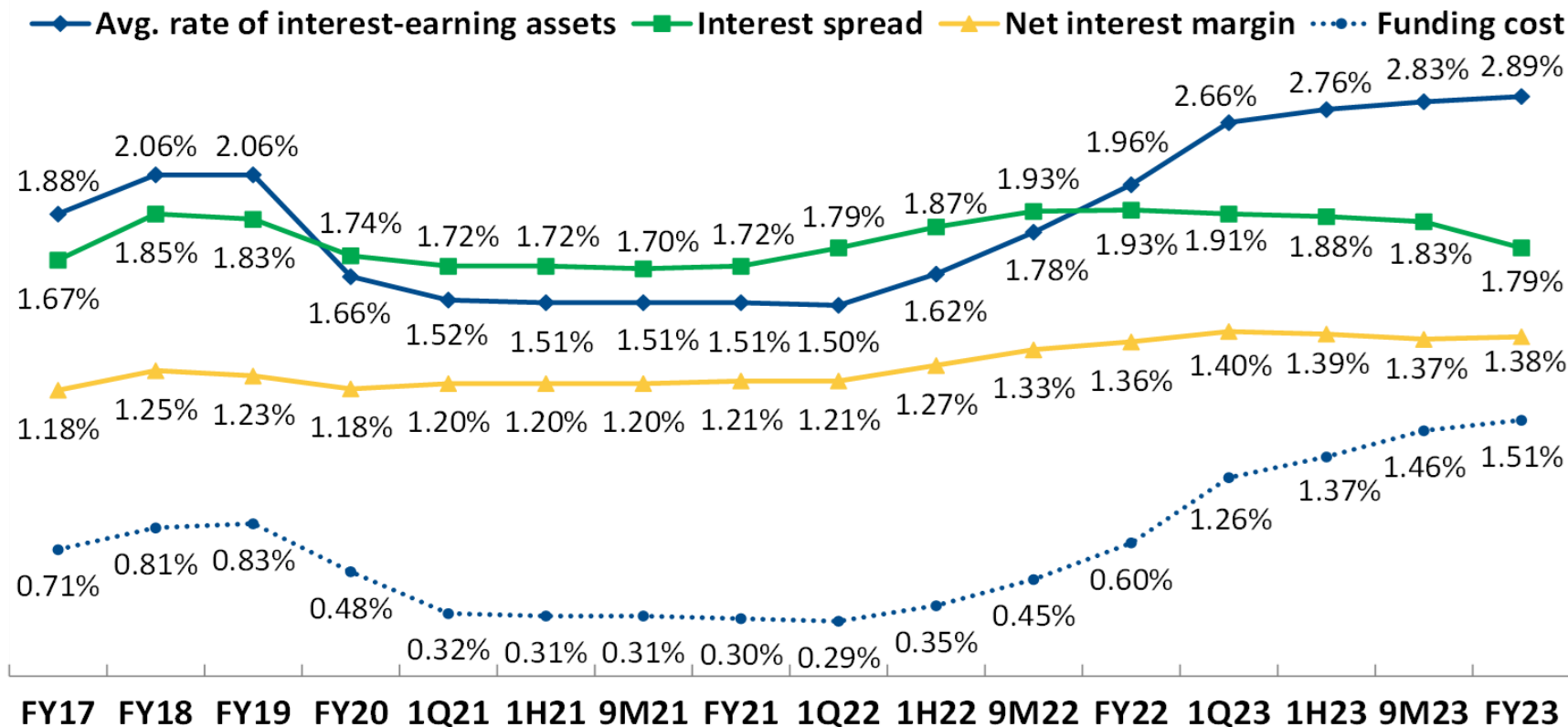
- Demand deposit (NT\$BN)
- Time deposit





# Cathay United Bank – Interest yield

□ FY23 NIM increased 2bps YoY and 4Q23 NIM rose 4bps QoQ, reflecting an expanded position and higher yield in FX financial assets, leading to increased asset yield.



	FY17	FY18	FY19	FY20	1Q21	1H21	9M21	FY21	1Q22	1H22	9M22	FY22	1Q23	1H23	9M23	FY23
<b>Quarterly</b>				<u>4Q20</u>	<u>1Q21</u>	<u>2Q21</u>	<u>3Q21</u>	<u>4Q21</u>	<u>1Q22</u>	<u>2Q22</u>	<u>3Q22</u>	<u>4Q22</u>	<u>1Q23</u>	<u>2Q23</u>	<u>3Q23</u>	<u>4Q23</u>
<b>Spread</b>	1.67%	1.85%	1.83%	1.69%	1.72%	1.71%	1.69%	1.74%	1.79%	1.94%	2.02%	1.96%	1.91%	1.84%	1.73%	1.70%
<b>NIM</b>	1.17%	1.25%	1.23%	1.17%	1.20%	1.20%	1.21%	1.22%	1.21%	1.33%	1.45%	1.46%	1.40%	1.37%	1.36%	1.40%

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

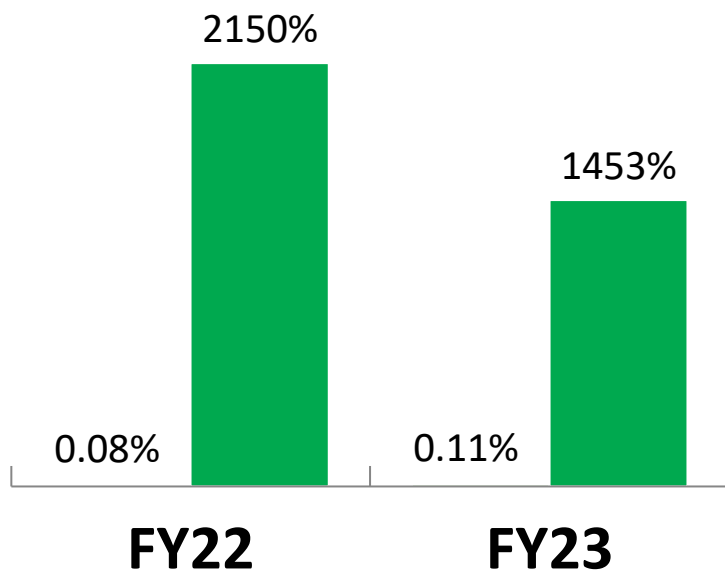
(2) China subsidiary was launched in Sep 2018. Hence, since 9M18, China subsidiary results was excluded.

# Cathay United Bank – Credit quality

- Asset quality remained benign, with NPL at 0.11% and coverage ratio at 1453%.

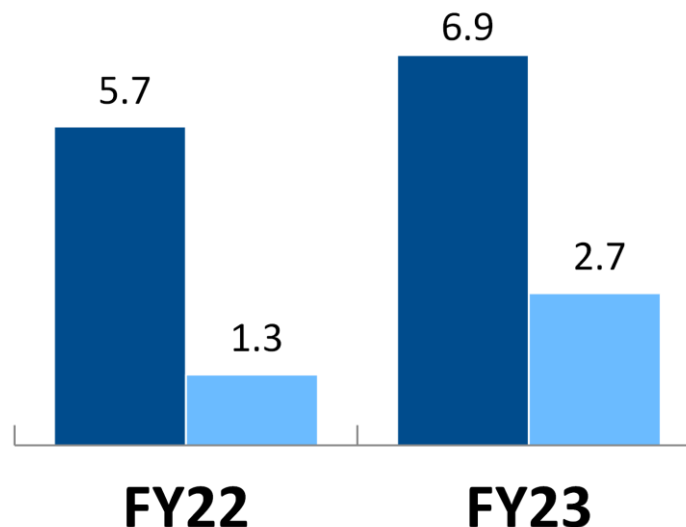
## NPL & Coverage ratio

- NPL ratio
- Coverage ratio



## Gross provision

- Gross provision (NT\$BN)
- Recovery



Mortgage NPL

0.06 %

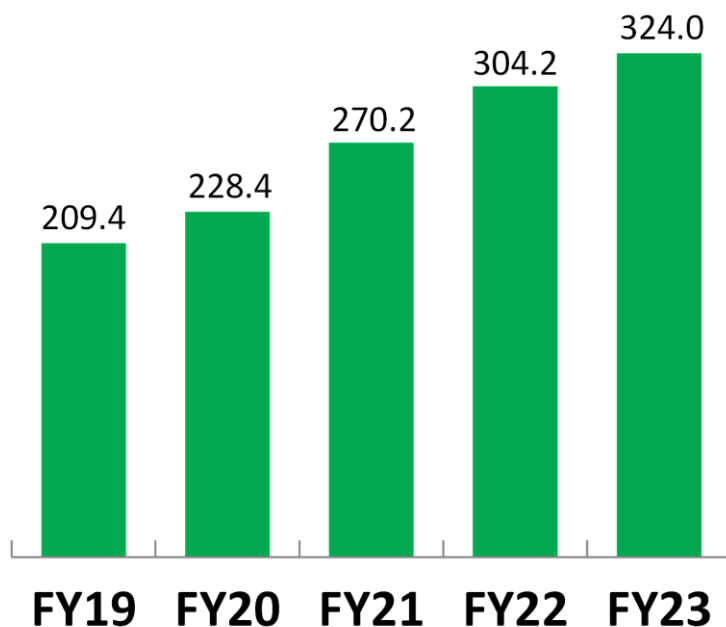
0.10 %

# Cathay United Bank – SME & FX loans

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

## SME loans

(NT\$BN)

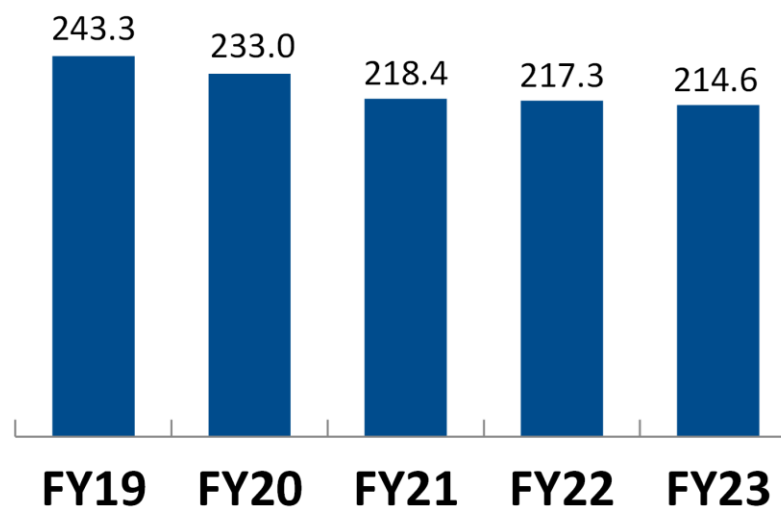


As % of total loans

13.8% 14.1% 15.3% 15.3% 14.5%

## Foreign currency loans

(NT\$BN)



16.1% 14.4% 12.4% 10.9% 9.6%

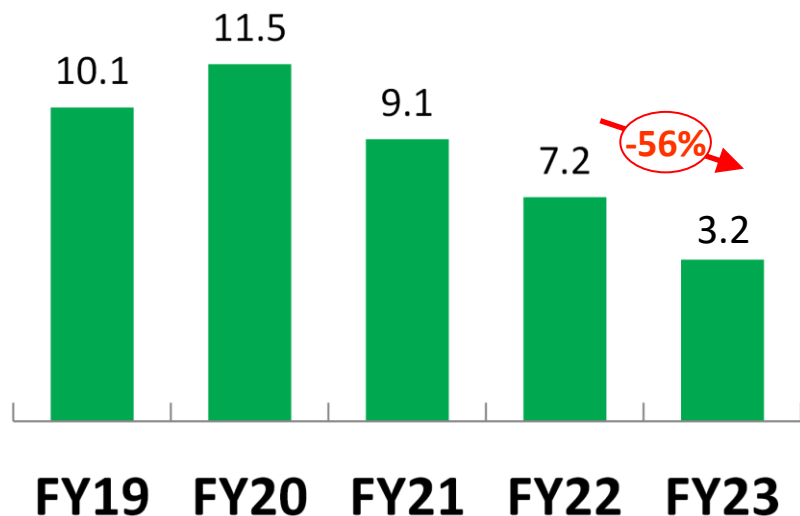


# Cathay United Bank – Offshore earnings

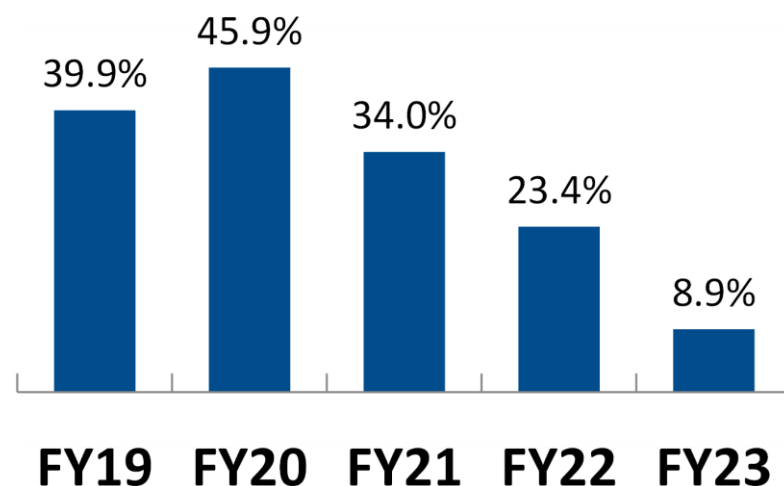
- FY23 offshore earnings declined YoY, attributable to lower investment income resulting from the optimization of the bond portfolio.

## Offshore earnings

(NT\$BN)



## As % of CUB pre-tax profits

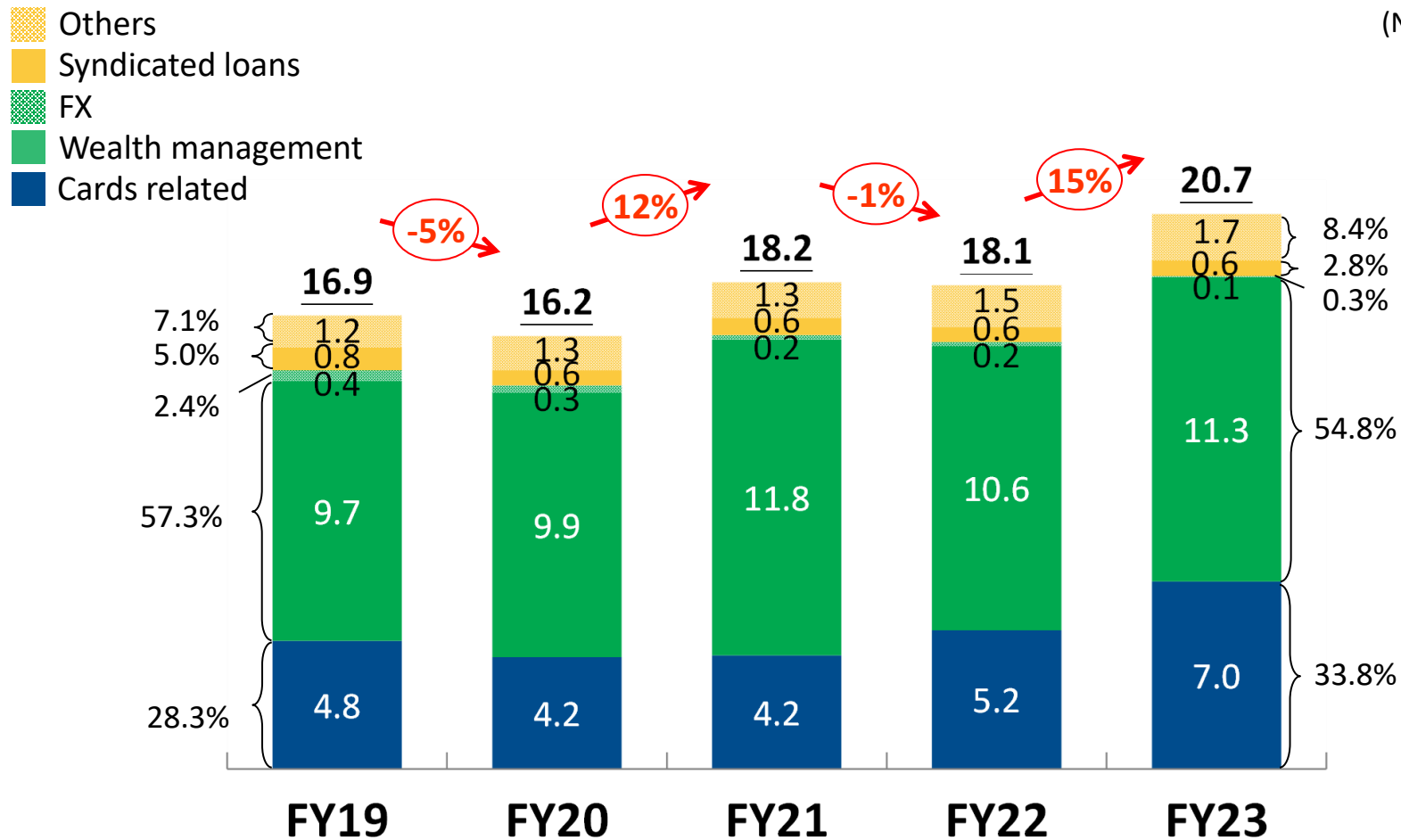


# Cathay United Bank – Net fee income

- Net fee income climbed 15% YoY, driven by robust growth in wealth management fees and over 30% YoY growth in credit card fees.

## Annual net fee income

(NT\$BN)

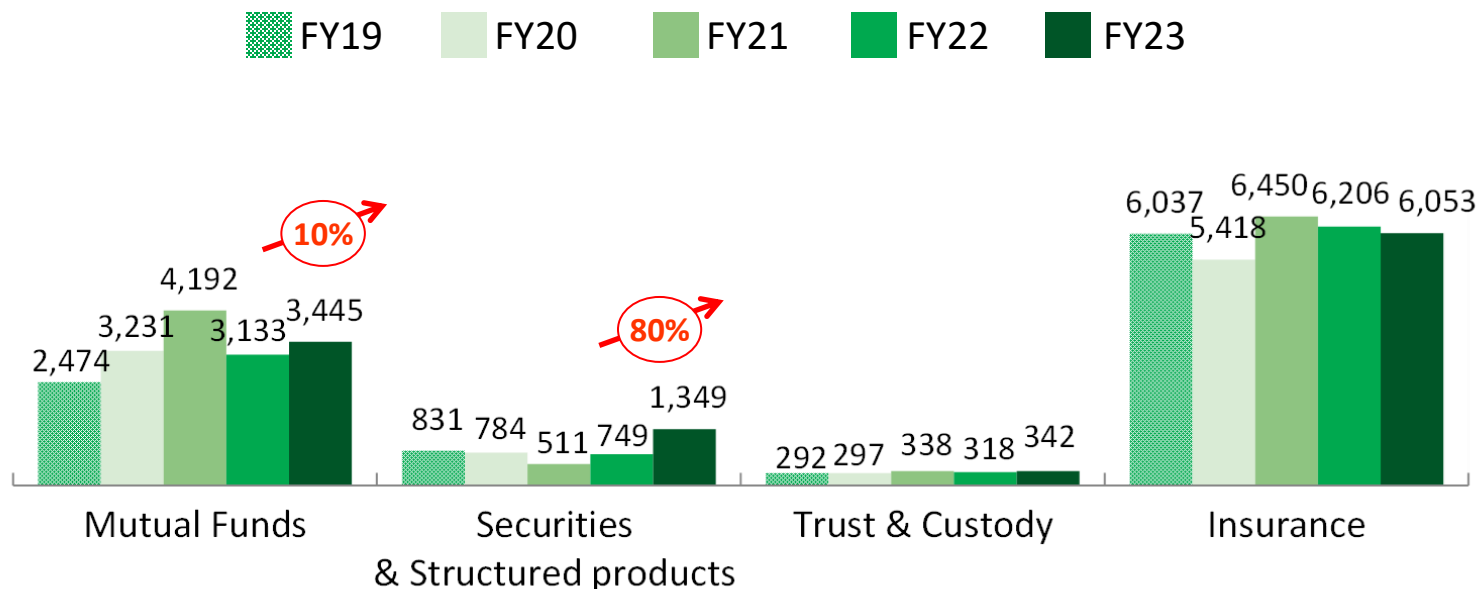


# Cathay United Bank – Wealth management fees

- WM fees grew 7% YoY, driven by significant growth in securities fees and recovery in sales growth momentum in mutual funds.

## Wealth management fees breakdown

(NT\$MN)	FY19	FY20	FY21	FY22	FY23
Wealth management fees	9,695	9,878	11,783	10,595	11,344
YoY growth (%)	6.9%	1.9%	19.3%	-10.1%	7.1%



Note : If including income from selling treasury products (bonds, structured products, and foreign exchange) of NT\$4.6bn, WM income would grow by 28% YoY.

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Cathay Life

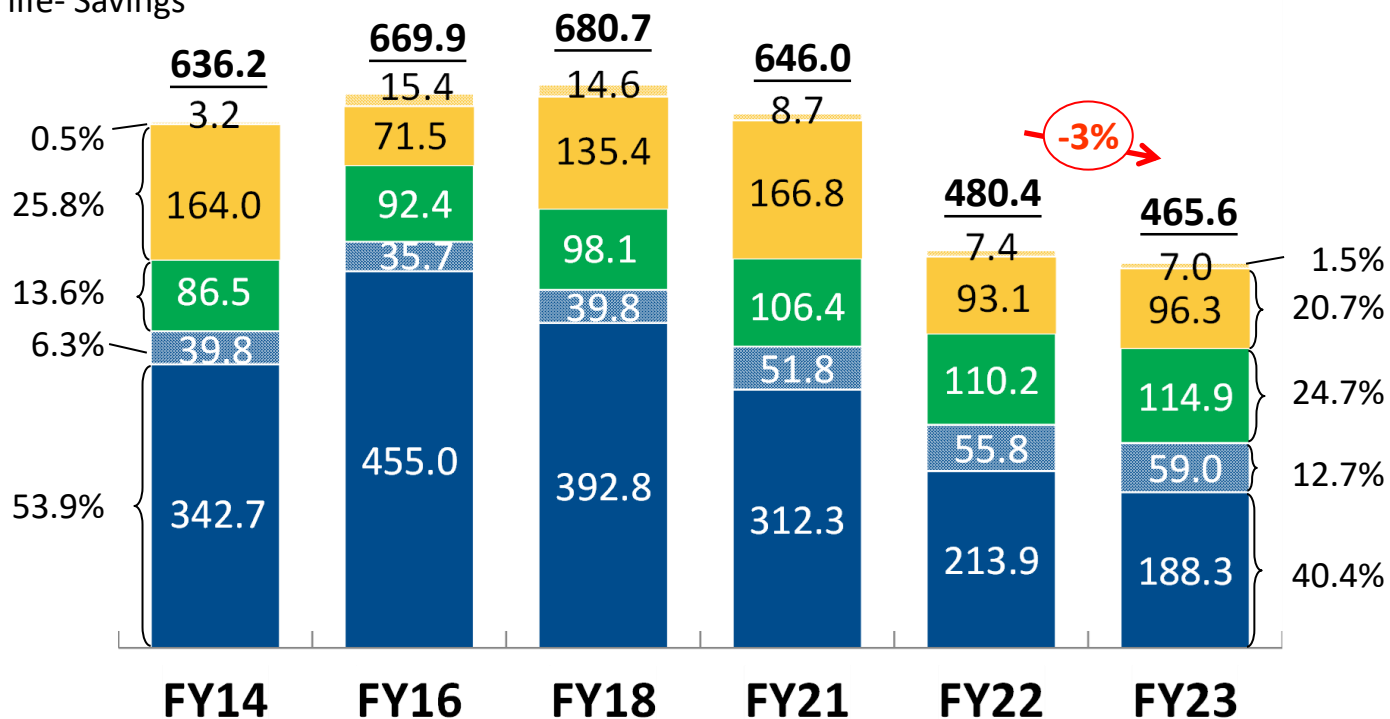
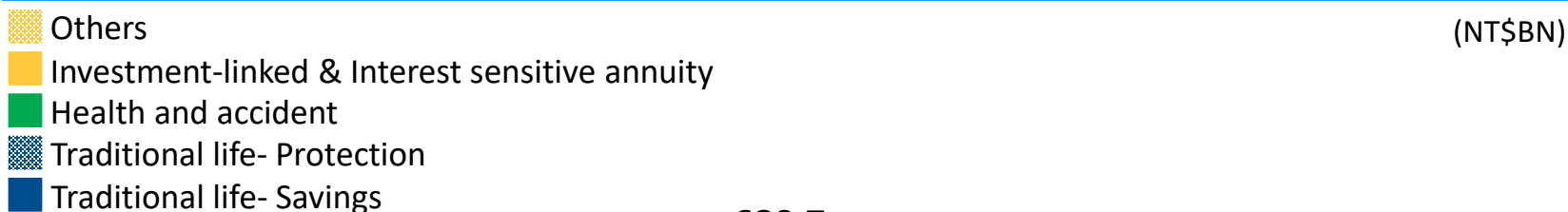
Cathay Century

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# Cathay Life – Total premium

- Total premium showed a modest YoY decline, while premium from high CSM protection products continued to demonstrate steady growth.

## Annual total premium

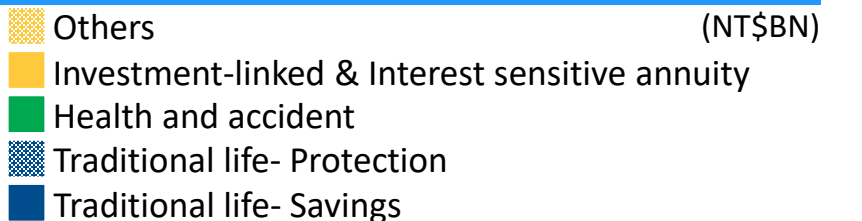




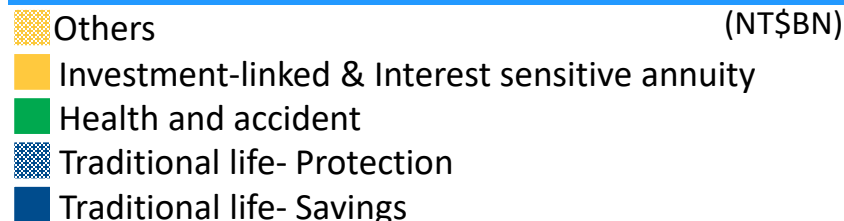
# Cathay Life – Quarterly FYP & APE

- FYP and APE respectively rose by 3% and 12%, attributable to an increase in sales volume of ILP and traditional long-term regular-premium products.
- FYP for health and accident products grew 13% YoY, supporting the CSM.

## First Year Premium



## Annualized FYP (APE)



FX policies %  
(excl. investment-linked)

73%

68%

53%

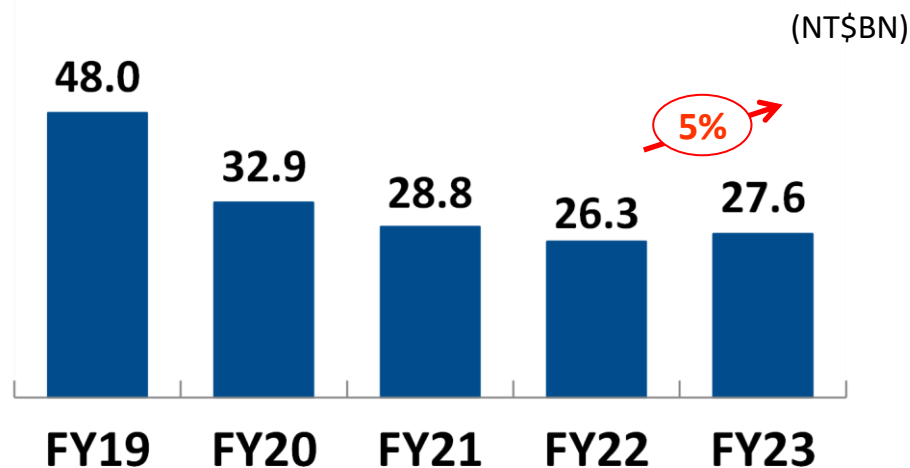
Note : Annualized FYP (APE) = 10% x single-paid FYP + 20% x 2-yr-paid FYP + ... + 50% x 5-yr-paid FYP + 100% x 6-yr and above payment term FYP

# Cathay Life – Value of new business

- VNB increased 5% YoY, owing to higher sales volume from traditional long-term regular-premium products.

## Value of New Business (annual)

Profit Margin	FY19	FY20	FY21	FY22	FY23
VNB/FYP	24%	20%	14%	20%	21%
VNB/APE	50%	53%	56%	62%	58%

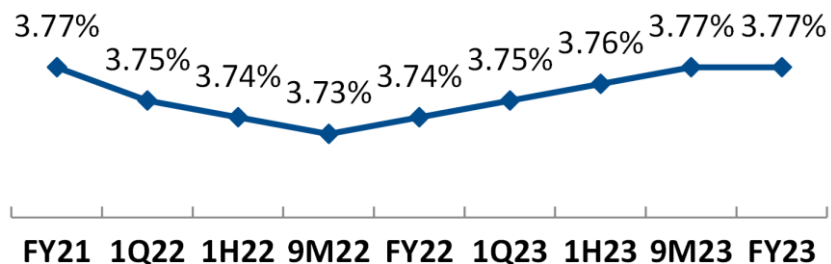


Note : FY22 and FY23 VNB were based on 2022 Embedded Value assumptions. Based on 2021 Embedded Value assumptions, FY22 VNB , VNB/FYP, VNB/APE were NT\$26.6BN ,21% ,63%, respectively.

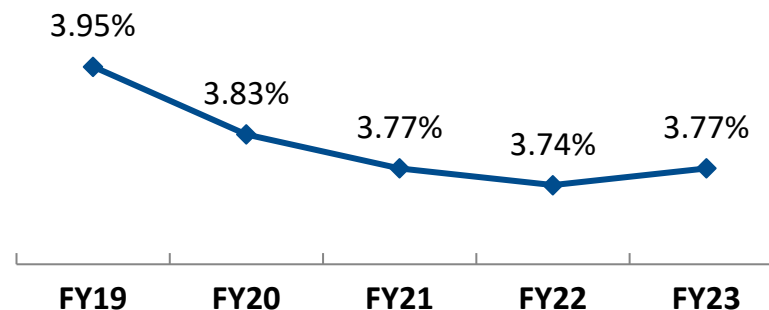
# Cathay Life – Cost of liability and break-even asset yield

- COL rose slightly due to the declared rate increase for interest-sensitive policies; break-even asset yield improved.

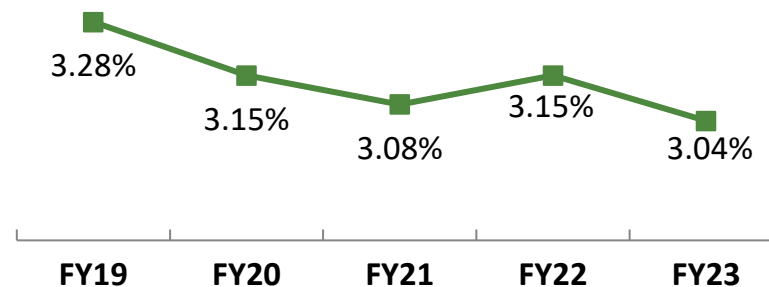
## Cost of liability (quarterly)



## Cost of liability (annual)



## Break-even asset yield



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

# Cathay Life – Investment portfolio

(NT\$BN)	FY20	FY21	FY22			FY23		
<b>Total investments<sup>(1)</sup></b>	<b>6,945.1</b>	<b>7,254.1</b>	<b>7,330.6</b>			<b>7,638.1</b>		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	6.1%	4.4%	4.1%	300	0.7%	2.6%	199	2.0%
Equity- Domestic	6.3%	7.2%	5.1%	373	8.2%	6.6%	504	7.4%
Equity- International <sup>(2)</sup>	5.9%	6.4%	5.6%	408	4.8%	5.6%	427	5.5%
Bond- Domestic	8.0%	7.9%	7.1%	517	3.2%	8.1%	622	4.8%
Bond- International <sup>(2)</sup>	57.0%	57.7%	61.9%	4,539	3.7%	61.8%	4,718	3.8%
Mortgage & Secured loans	4.5%	4.2%	3.8%	280	2.1%	3.0%	230	2.5%
Policy loans	2.4%	2.3%	2.3%	167	5.3%	2.2%	170	5.1%
Real estate	7.7%	7.6%	7.7%	562	2.7%	7.5%	577	2.4%
Others	2.2%	2.3%	2.5%	182		2.5%	192	0.9%

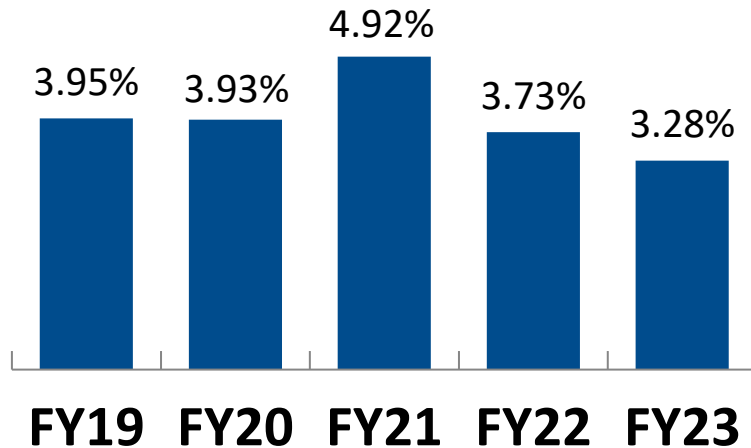
Note: (1) Total assets excluded separate account assets.

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

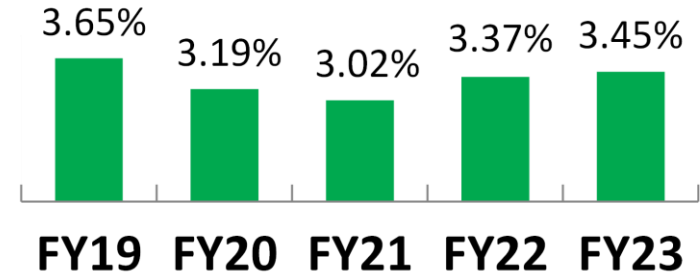
# Cathay Life – Investment performance highlights

- Pre-hedging recurring yield rose 8bps YoY, driven by expanded position and higher yield in fixed income, with interest income showing double-digit YoY growth.
- FY23 after-hedging investment yield declined YoY, reflecting increased hedging costs, while hedging costs remained well-contained within 1%.

## After-hedging investment yield

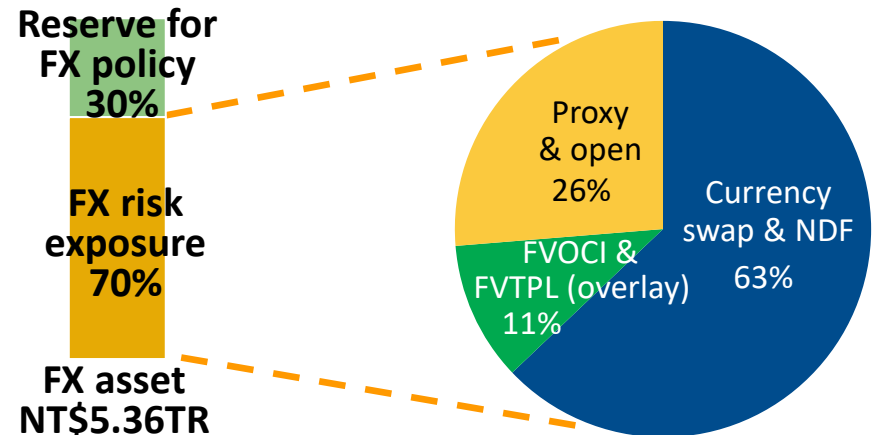


## Pre-hedging recurring yield



## Currency hedging structure

**FY23 Hedging cost 0.96%**



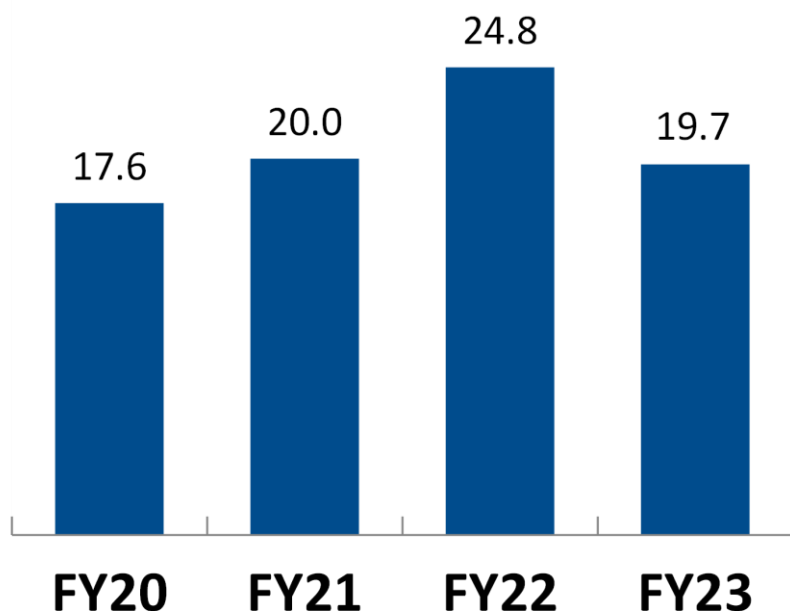
Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

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

- ❑ Cash dividend declined YoY due to dynamic adjustments to the stock portfolio.
- ❑ Seized opportunity brought by rising rates to increase position in US bonds, leading to an increase in proportion of overseas fixed income investments based in North America, at 51%.

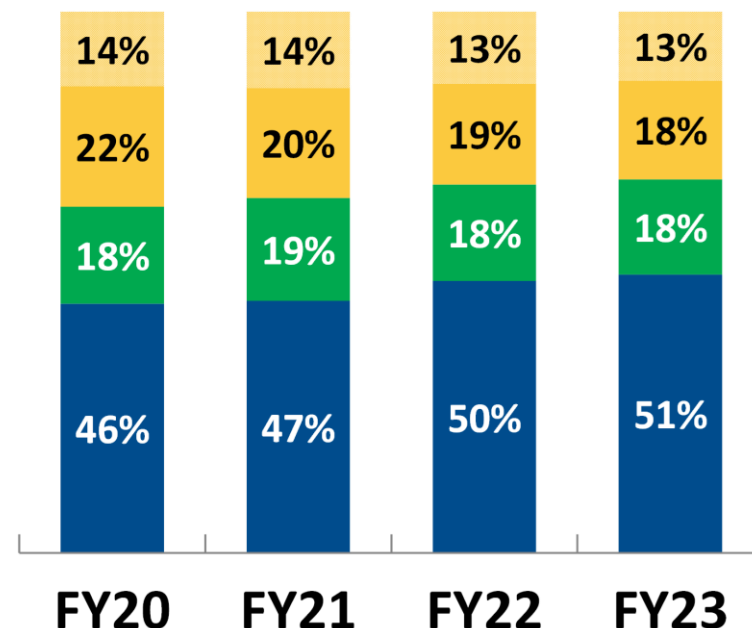
## Cash dividend income

(NT\$BN)



## Overseas fixed income by region

- Others
- Asia Pacific
- Europe
- North America



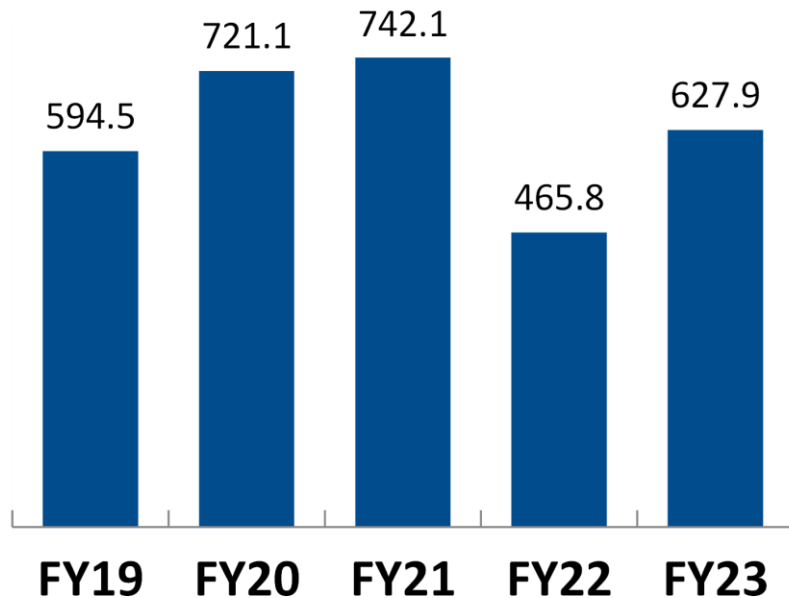
Note: Exclude overseas deposit.

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

- Book value increased YoY, supported by rebound in unrealized G/L and earnings contributions. Equity-to-asset ratio rebounded to over 8%.
- Unrealized G/L recovered YoY owing to rebound in mark-to-market value of equity and fixed income assets.

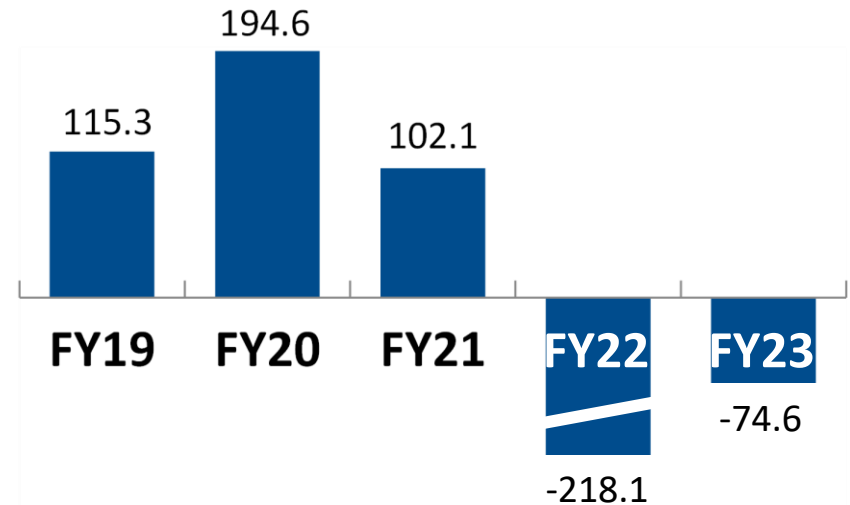
## Book value

(NT\$BN)



## Unrealized G/L of financial assets

(NT\$BN)



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

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

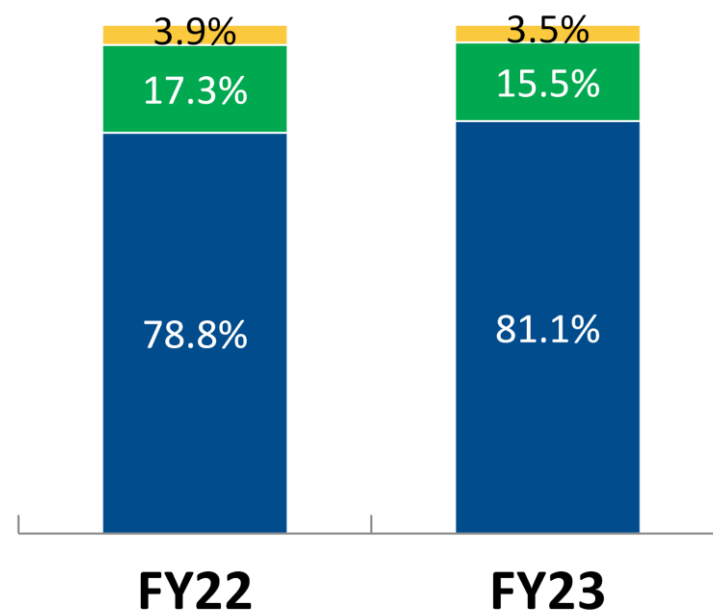
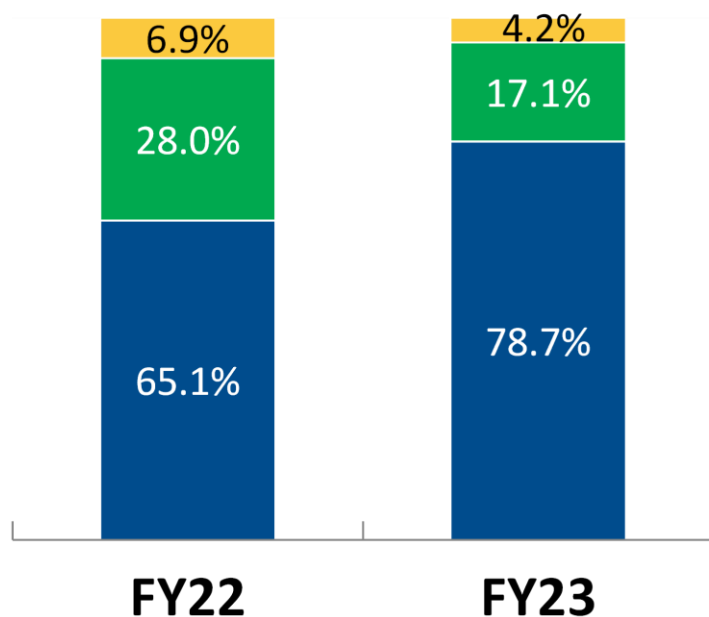
# Cathay Life – Distribution channels

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

## First Year Premium

## Annualized FYP (APE)

- Others
- Bancassurance-CUB
- Tied agents





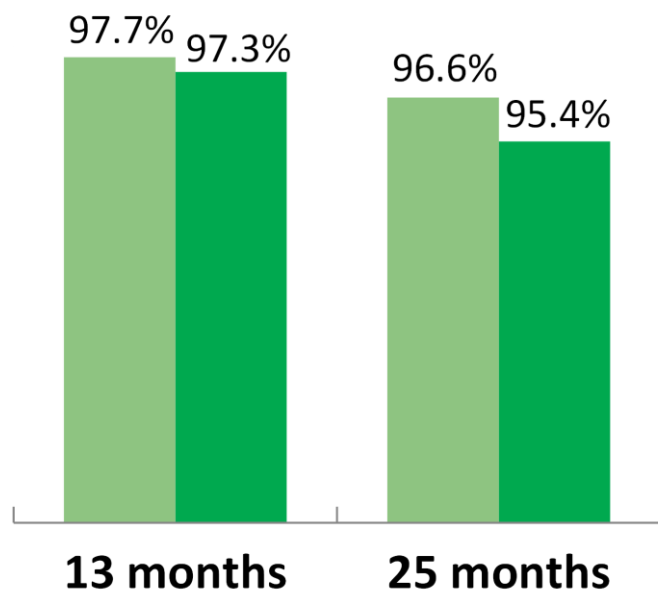
# Cathay Life – Operational indicators

- Expense ratio increased YoY, attributable to increased sales of traditional long-term regular-premium products and lower premium income.

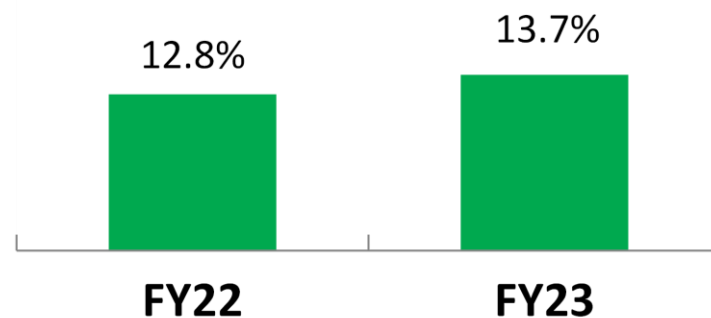
## Persistency ratio

FY22

FY23



## Expense ratio



# Agenda

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- Introduction of Cathay FHC
- Business overview
- Overseas expansion
- Business performance summary

Cathay United Bank

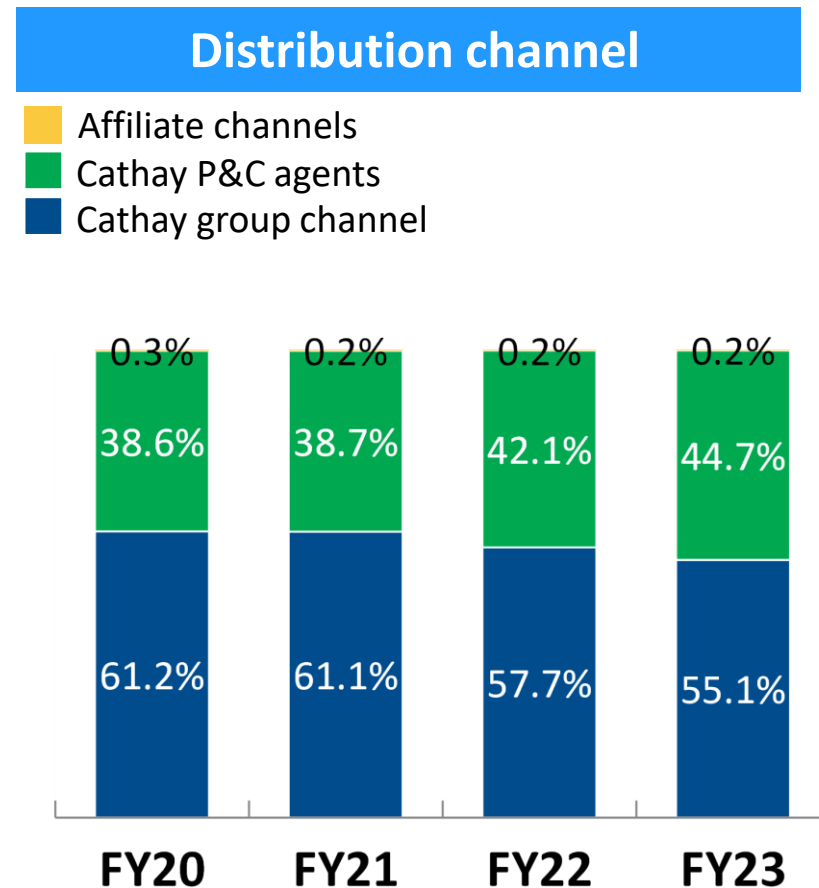
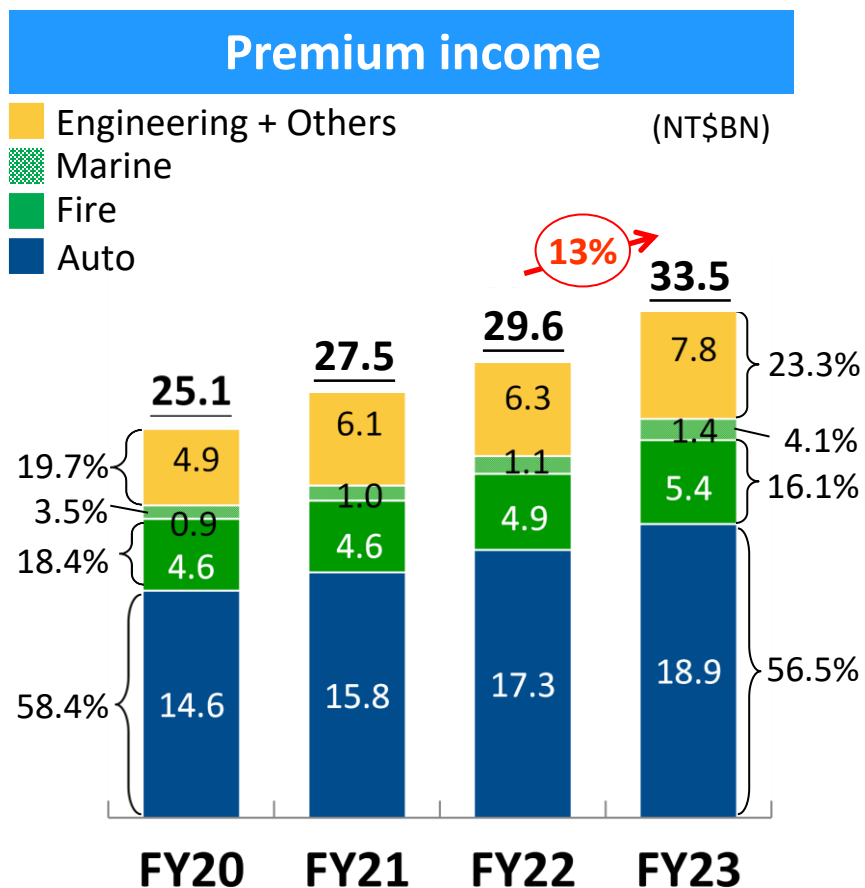
Cathay Life

Cathay Century

- Cathay's ESG efforts
- Appendix

# Cathay Century – Premium income & distribution channels

- Premium income showed double-digit growth. Market share was 13.3%.
- Benefiting from cross-selling synergy, over 50% of premium income was generated by the group channel.



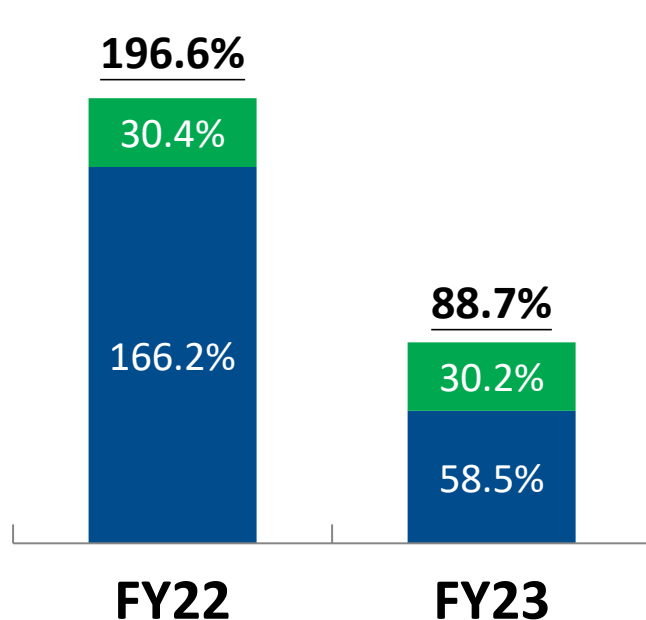
Market share	12.3%	12.4%	12.8%	13.3%
Retention	76.4%	74.3%	73.4%	70.5%

# Cathay Century – Combined ratio

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

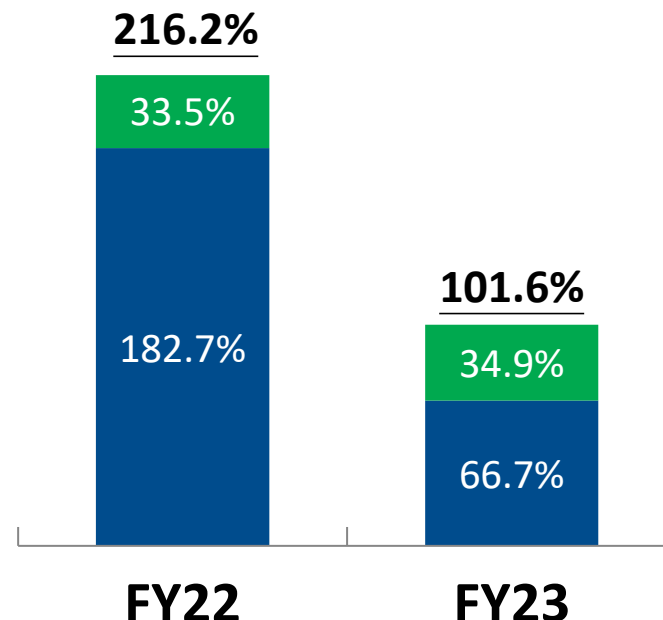
## Gross combined ratio

- Gross expense ratio
- Gross loss ratio



## Retained combined ratio

- Retained expense ratio
- Retained loss ratio



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# Agenda

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Cathay United Bank

Cathay Life

Cathay Century

- **Cathay's ESG efforts**
- Appendix

# Renowned corporate sustainability performance

## Global

Member of  
**Dow Jones  
Sustainability Indices**

Powered by the S&P Global CSA

Included in  
**DJSI World & DJSI EM**



FTSE4Good



Gender-Equality index



ESG Research

IVA RATING

AA



A level



ESG  
**INDUSTRY**  
TOP RATED



ESG  
**REGIONAL**  
TOP RATED



First Taiwan FI



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Asia 6<sup>th</sup> approval



2022 & 2023 ICAPs

Global best practice



TCFD Status Report

Corporate case

## Taiwan

Top-5%  
Corporate Governance

Over 1,000 listed companies

TWSE Corporate Governance Evaluation



天下企業公民  
Excellence in Corporate Social Responsibility

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



Global Views

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



2023 Taiwan Corporate  
Sustainability Awards

# Cathay's sustainability strategies and goals



## Climate

### Low-carbon economy

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

### Sustainable environment

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



## Health

### Health promotion

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

### Financial health

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



## Empowerment

### Workplace Empowerment

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

### Social Empowerment

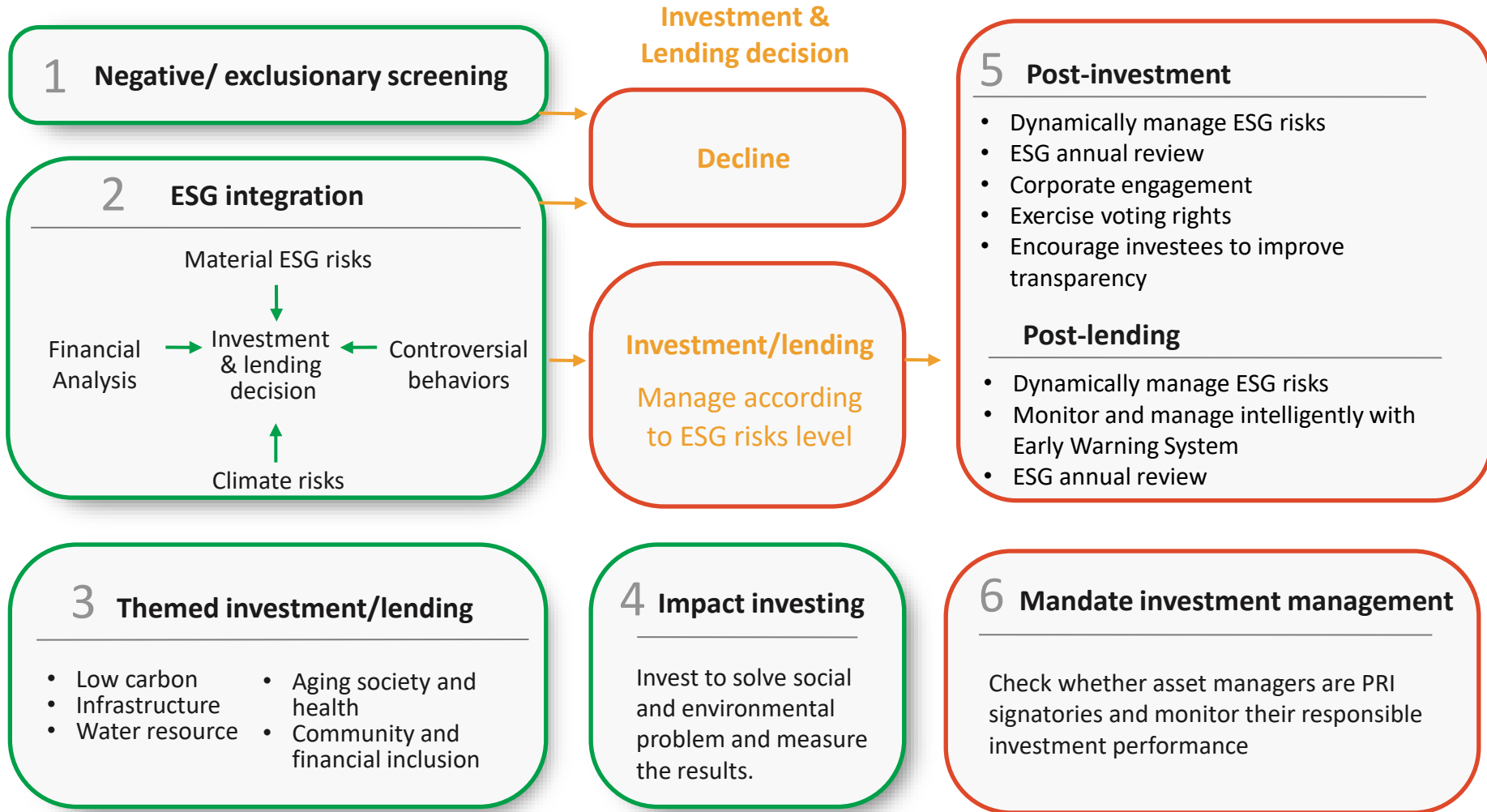
- Youth empowerment
- Women's empowerment
- Support for the underprivileged



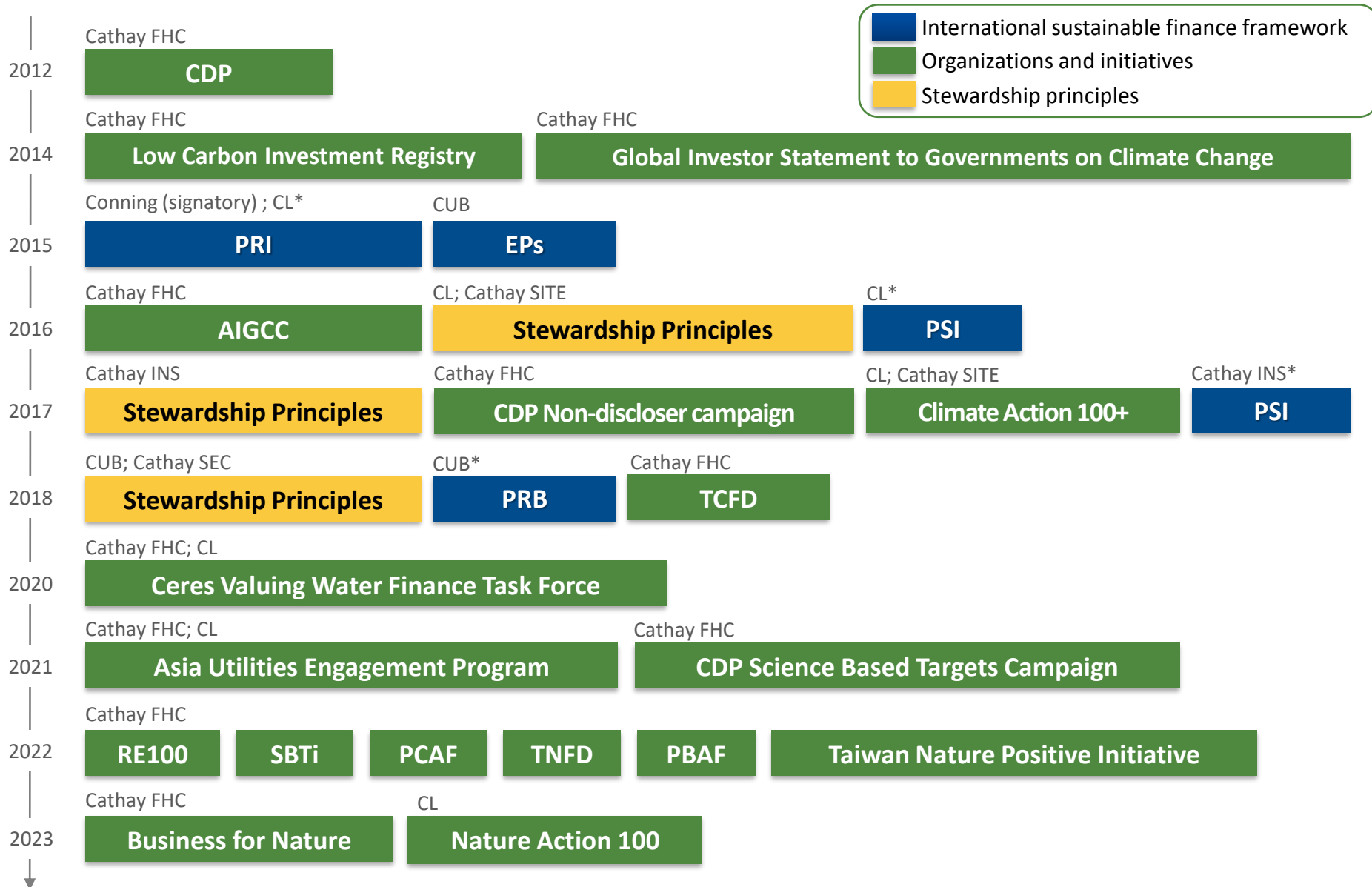
# Integrating ESG into responsible investment and lending

## Investment/ Lending Process

## Engagements after Investment/ Lending



# Participation in climate actions and nature initiatives



# Zero-carbon operations by 2050

## Cathay “zero-carbon operation transition”



### Low-carbon operation transition since 2017

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

### RE 100 Became an RE100 member in 2022

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



SCIENCE  
BASED  
TARGETS

### Zero-carbon milestones

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

2017

2020

2025

2030

Set a 5-year carbon reduction target of

**5%**

Ahead of target, achieved cumulative carbon reduction of

**6.76%**

Usage of renewable energy for **headquarters**

**100%**

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

**100%**

# Net Zero emissions in financial assets by 2050

## • Science-Based Targets

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

## • Coal-Exit Strategy

### ✓ Lending
















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





# Leveraging financial competence to support sustainability


## 2022 Sustainability themed investment / lending


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


### Define low-carbon sectors based on Low Carbon Registry Taxonomy


  
 Renewable energy

  
 Buildings

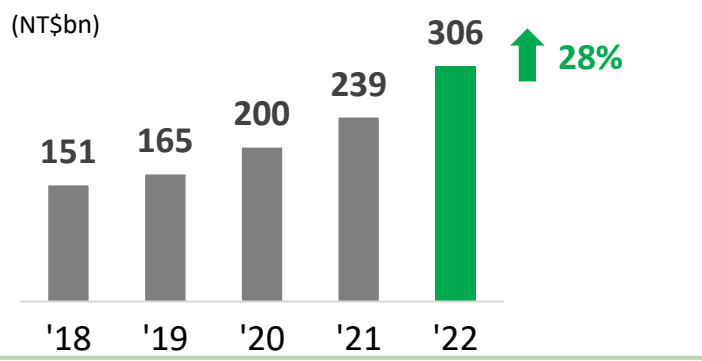
  
 Waste recycling

  
 Transportation

  
 Energy-efficiency

  
 Green bonds

### Low-carbon investment/lending grew YoY

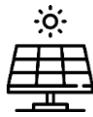


# Hastening positive environmental change with green products

## Pioneers in renewable energy financing



**Wind Power**



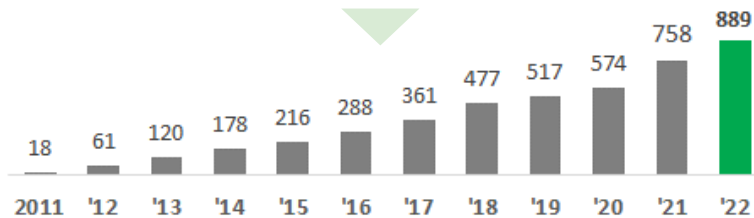
**Solar Power**



Total capacity of financed solar power stations and wind turbines

**2,262 MW**

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



## First in the industry – Green Insurance

Initiation (yr)

2010



Cumulative insured amount of renewable energy industry

**NT\$ 183bn**

2013



Green vehicles insured

**54,593 Green vehicles**

2014



Bicycle insured

**10,093 bicycles**

2016



Offered the first Offshore Wind Power Insurance product in Taiwan

2018



Public bicycles riders insured

**118.2mn bicycle riders**

## Providing green finance services across various markets and industries



### Sustainability-linked loan (SLL)

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

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



### Green deposit

Utilized by over 30 companies of NT\$10bn

**1st Taiwan financial group to launch green deposits in China**

# Health promotion – from compensation to prevention

## Fitback app health promotion program



Compensation ▶▶▶ Prevention

Utilize health promotion programs to increase health awareness

Track health habits



Health ecosystem



Expand influence



## Fitback app: spillover-feature insurance products

Health habit targets

Premium discounts → Increased Benefit → Increased insured amount



## Facilitating health promotion through technology

806,000 members

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



# Financial health – financial inclusion



## Small amount whole life insurance

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



## Microinsurance

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



## Elderly-friendly products

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



## Microfinance

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



## accessibility via digital platforms



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



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



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



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



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



# Building a workplace of diversity, equity & inclusion



## Creating a culture of diversity, equity, and inclusion

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

## Woman empowerment



**69%**  
women employees



**54%**  
women in manager positions



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

## “Career FlexiPacing” program

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



Flexible WFH arrangement



Continue to upskill via online courses



Cloud-based library for continuous learning



Employee Assistance Program (EAP)

# Agenda

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- **Business performance summary**

Cathay United Bank

Cathay Life

Cathay Century

- **Cathay's ESG efforts**

- **Appendix**

# Embedded Value & Appraisal Value

NT\$BN, except for per share figures

Valuation date	2021/12/31	2022/12/31
In-force business investment yield	3.75% ~ Year 2041 4.71% for NTD policies 4.36% ~ Year 2041 5.33% for USD policies (Equivalent investment yield: 4.06% Rolling over to 2022: 4.11%)	3.78% ~ Year 2042 4.74% for NTD policies 4.43% ~ Year 2042 5.34% for USD policies (Equivalent investment yield: 4.12%)
Risk discount rate	9.5%	9.5%
Adjusted net worth	757	520
Value of in-force business	717	780
Cost of capital (CoC)	-275	-311
Value of in-force business (After CoC)	442	469
Embedded Value (EV)	1,199	988
EV / per share	204.9(91.0)	155.6(74.9)
Future one year's new business investment yield	2.59% ~ Year 2041 4.55% for NTD policies 3.98% ~ Year 2041 5.25% for USD policies	2.60% ~ Year 2042 4.56% for NTD policies 5.19% ~ Year 2042 5.27% for USD policies
Value of future one year's new business (After CoC)	30.0	27.5
Appraisal Value (AV)	1,462	1,229
AV / per share	249.9(111.0)	193.6(93.2)

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 2021 and 2022 are 5.85bn and 6.35bn, respectively.

(4) The outstanding shares of Cathay FHC in 2021 and 2022 are 13.17bn and 13.19bn, respectively.

(5) May not sum to total due to rounding.

# Summary

NT\$BN, except for per share figures

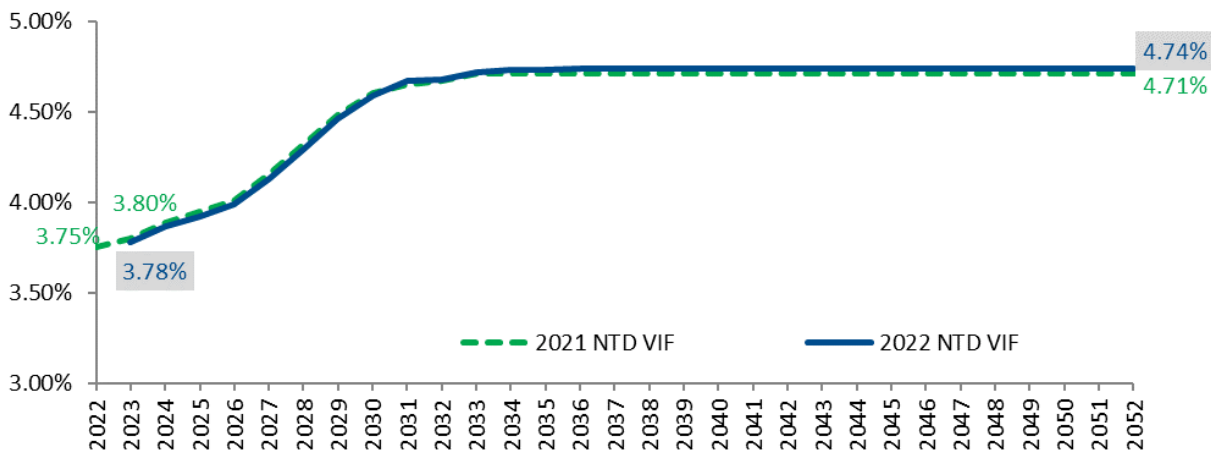
Valuation date		2021	2022	Growth rate	1Q23
Embedded value	Equity	734	457	-38%	--
	Adjusted net worth	757	520	-31%	--
	Value of in-force business (before CoC)	717	780	9%	--
	Cost of capital (CoC)	-275	-311	13%	--
	Value of in-force business (after CoC)	442	469	6%	--
	Embedded value	1,199	988	-18%	--
Value of one year's new business	First year premium (FYP)	202.4	129.3	-36%	29.5
	First year premium equivalent (FYPE)	51.0	42.4	-17%	12.1
	Value of one year's new business (V1NB)	28.8	26.3	-9%	7.0
	Profit margin (V1NB/FYP)	14%	20%	--	24%
	Profit margin (V1NB/FYPE)	56%	62%	--	58%
	Profit margin (V1NB/FYP)(investment-linked(non-VUL)is excluded)	49%	46%	--	44%
Appraisal value (20 years NB)	Multiple	8.8	8.8	--	--
	Appraisal value	1,462	1,229	-16%	--
Basic Value per share	EV / per share of Cathay FHC	91.0	74.9	-18%	--
	AV / per share of Cathay FHC	111.0	93.2	-16%	--

Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares in 2021 and 2022, which are 13.17bn and 13.19bn, respectively.

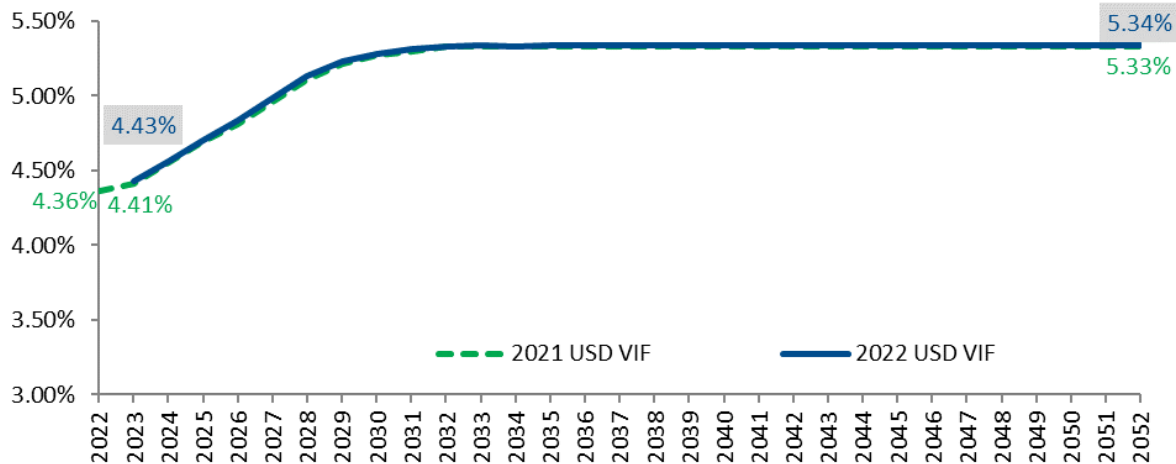
(2) Totals may not sum due to rounding.

# 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 2021 & 2022.

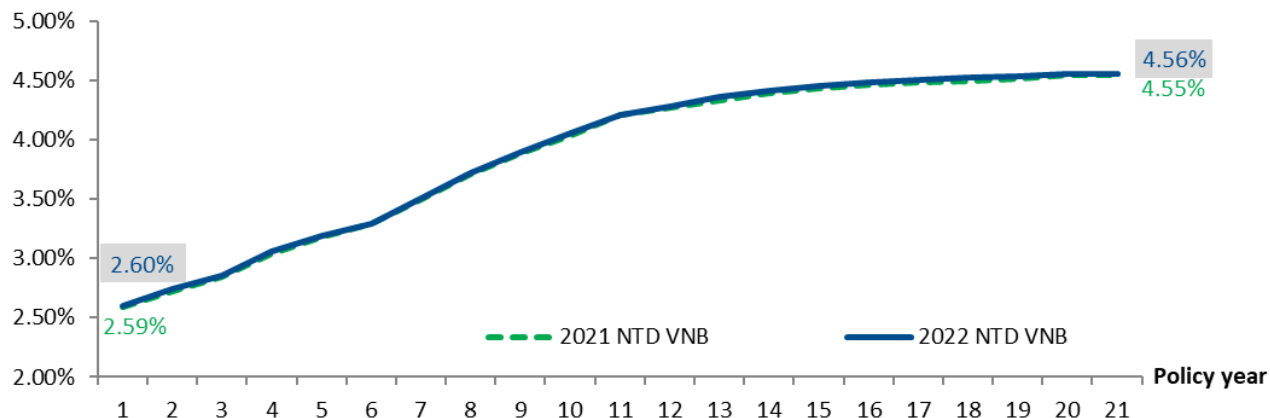


- Investment return assumptions for the value of in-force business of USD-denominated policies as of the end of 2021 & 2022.

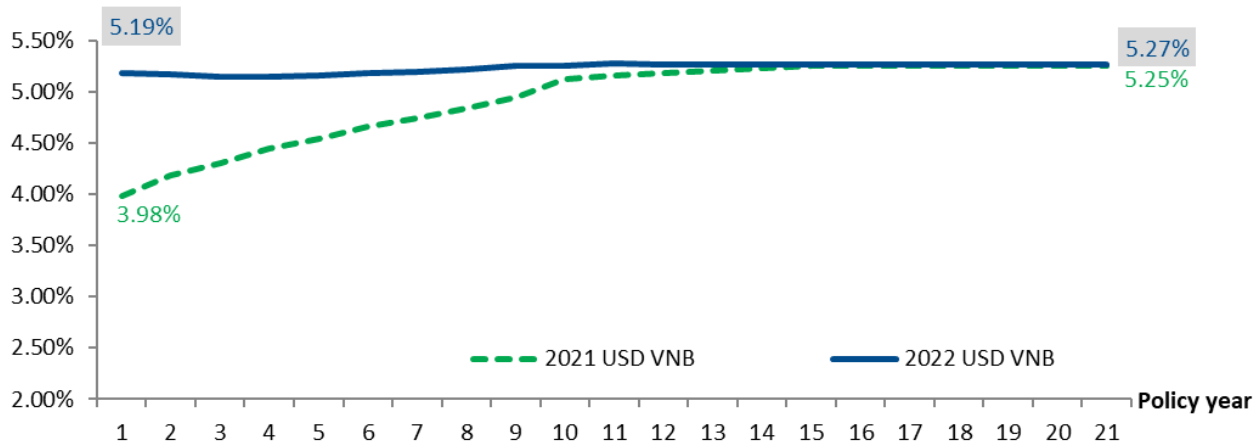


# Economic Assumptions: Future one year's new business investment yield

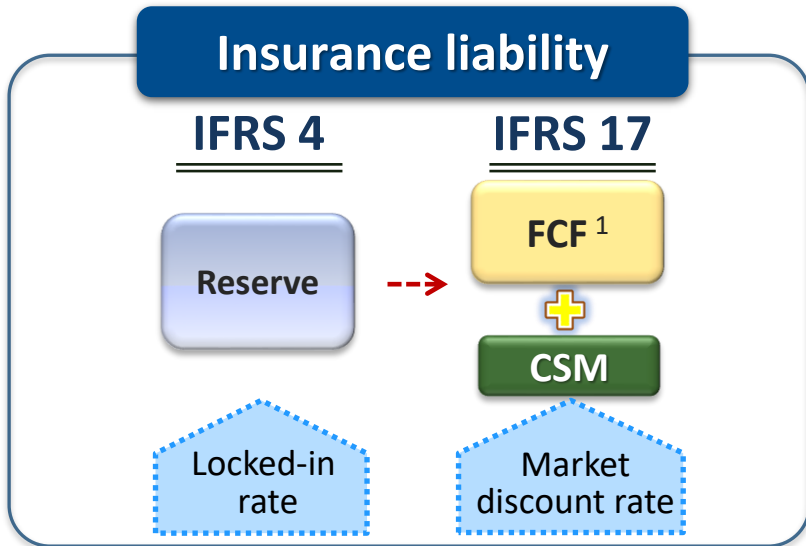
- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2021 & 2022.



- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2021 & 2022.



# CSM - New product profit indicator under IFRS 17



## New product profit indicator

- VNB** Value of new business  
(reflects company perspective on profit)
- CSM** Contractual service margin<sup>2</sup>  
(unearned profit from liabilities)
- RAROC** Risk-adjusted return on capital<sup>3</sup>

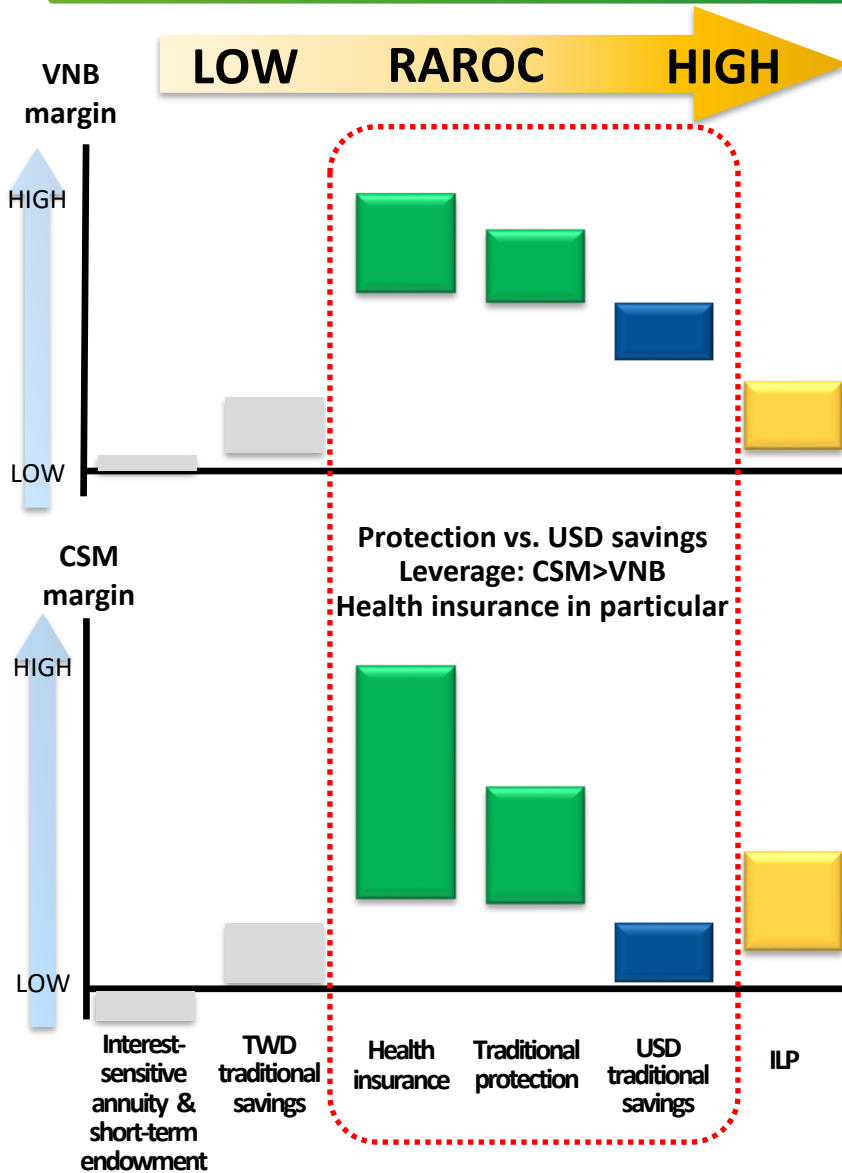
Note: 1. Fulfillment Cash Flow (FCF) (=BEL+RA): Present value of future cash flows derived from insurance sold, based on market discount rate at valuation date and most recent available actuarial assumptions.

Note: 2. Contractual Service Margin (CSM): Present value of future unearned profit for insurance contracts recognized in the remaining service period.  
 3. Risk Adjusted Return on Capital (RAROC): The financial performance measurement after risk adjustment.

VNB vs CSM		VNB	VS.	CSM
Investment return		Company investment return		Company investment return not included
Discount rate		9.5%		Risk free rate + liquidity premium
Embedded option cost (crediting rate)		Deterministic valuation		Stochastic valuation

**Comparable among companies**

# Focus on high CSM and RAROC products



Interest-sensitive annuity & short-term endowment

- CSM < 0
- One-off losses recognized under IFRS 17

TWD-denominated traditional savings

- Foreign currency risk, difficult for ALM
- Low RAROC

## Key products

Health insurance & traditional protection

- High VNB & CSM, health insurance in particular
- Meets market demand in aging society
- Development of payment-in-kind insurance & products w/ spillover effects

USD-denominated traditional savings

- No foreign currency risk, easier for ALM
- Adjustment of interest-sensitive product crediting rate according to market situation on a rolling basis, manageable interest rate risk

Investment-linked products (ILPs)

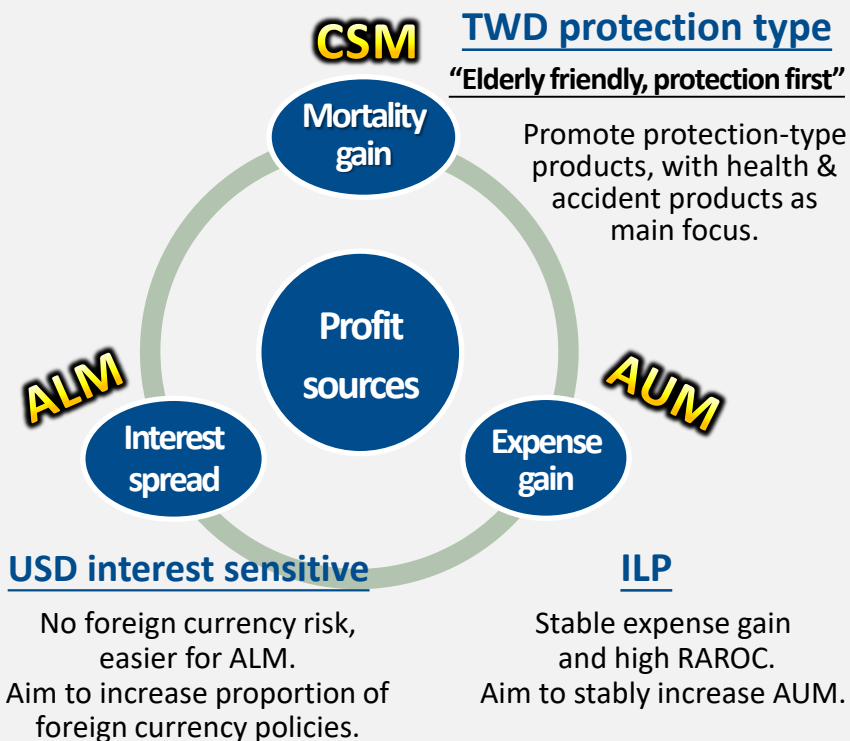
- Stable expense gain
- Low capital charge
- Higher RAROC than traditional products



# CSM accumulation is the top priority for IFRS 17 adoption

## Product strategy

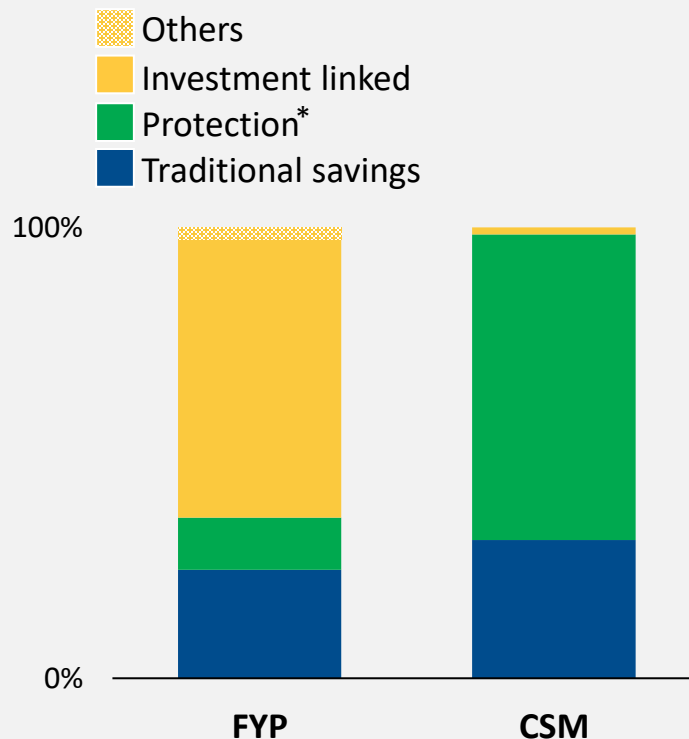
- CSM accumulation is Cathay Life's top priority
- Taking ALM and trade-off between profit and capital charge into account



## Distribution channels

- Protection products contribute superior CSM
- Health & accident product sales as agent KPI

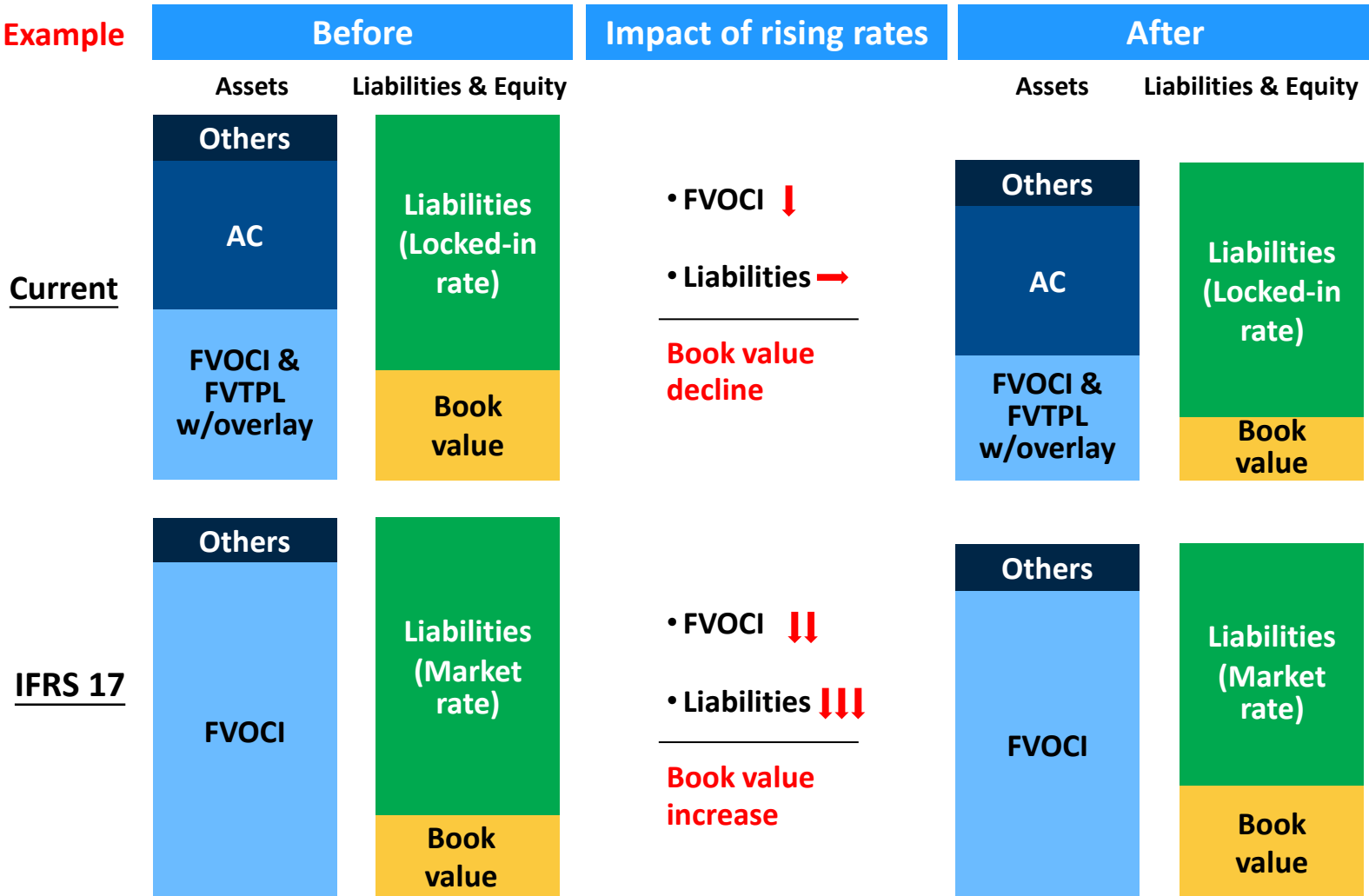
### FYP & CSM contribution (FY23)



# Impact of 2022 rate hikes on Cathay Life's book value

- Based on IFRS 17, book value increased, as the decline in liabilities exceeded that of assets, with assets and liabilities each marked to market.

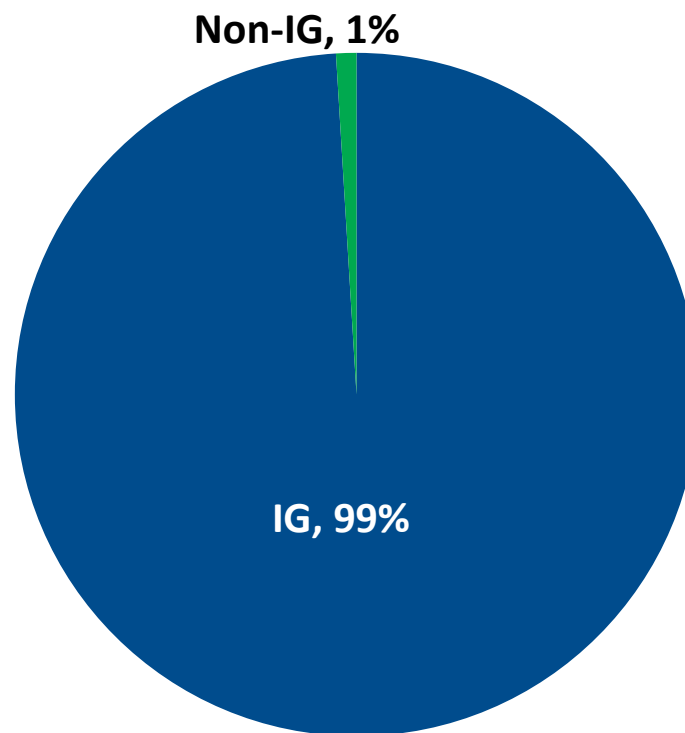
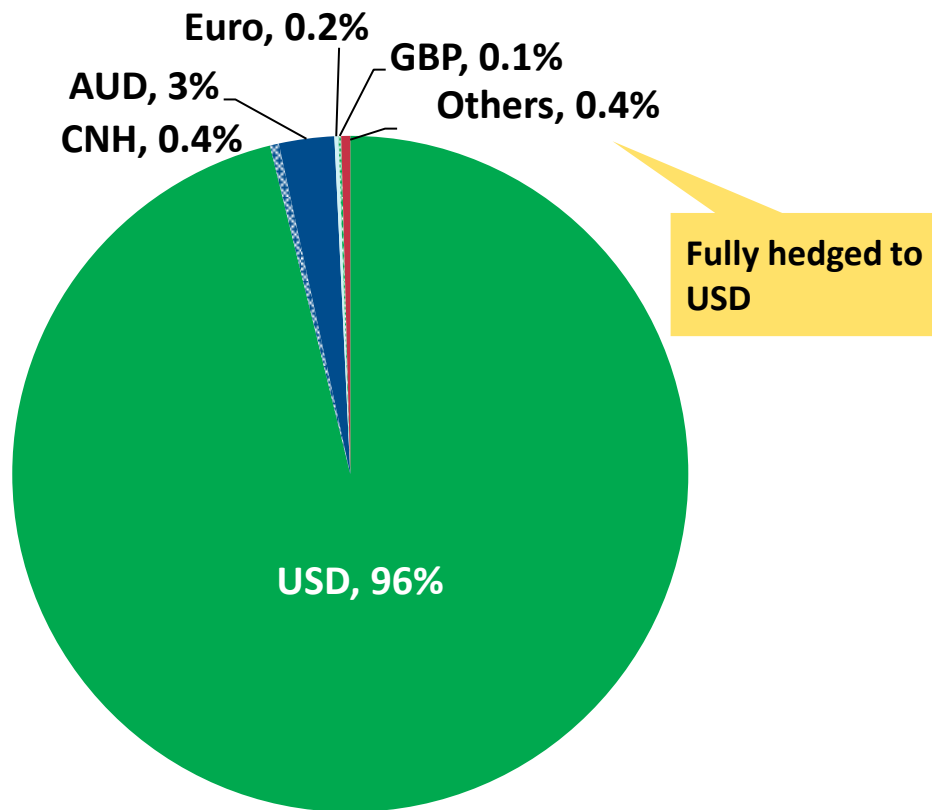
## Example



# Cathay Life – Overseas bond breakdown by currency and rating

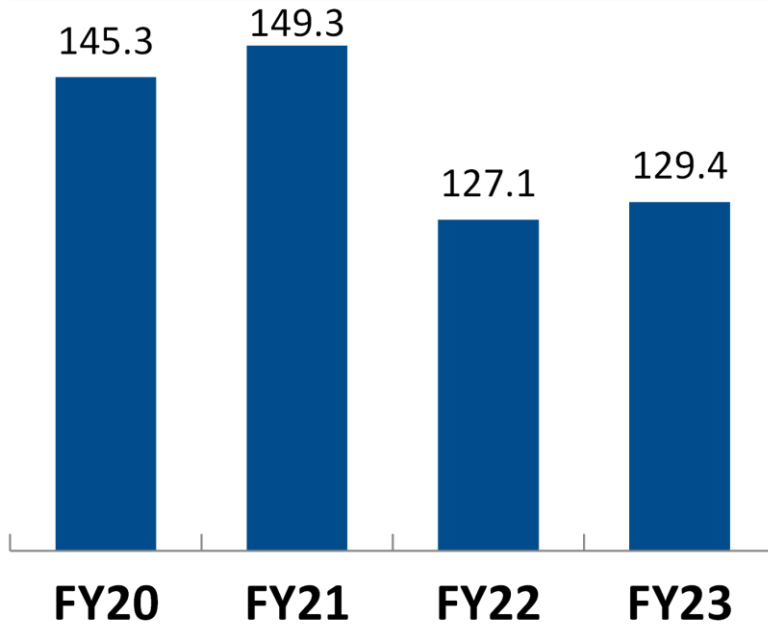
## Overseas bond by currency (FY23)

## Overseas bond by rating (FY23)

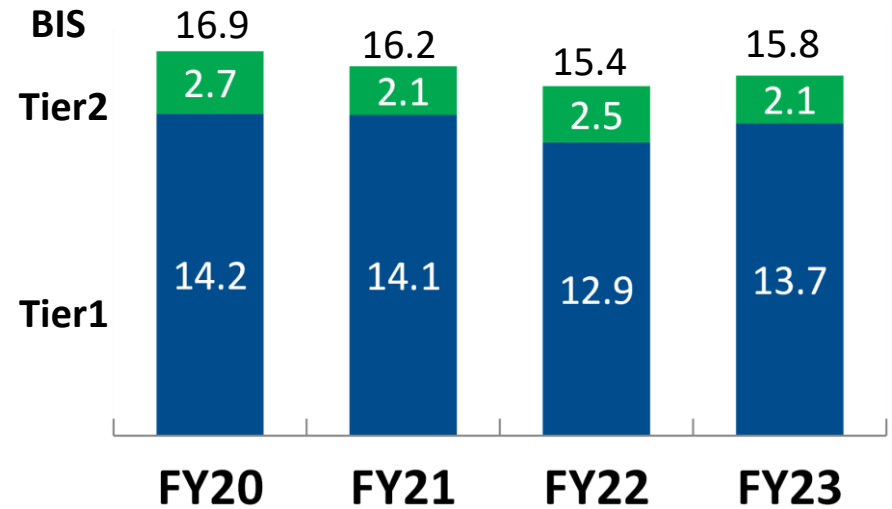


# Capital adequacy

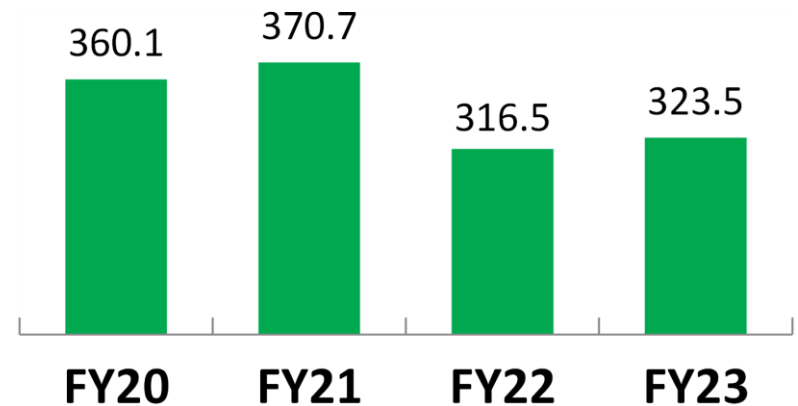
Cathay FHC CAR (%)



CUB capital adequacy (%)



Cathay Life RBC (%)



**Cathay Financial Holdings**

(NT\$MN)

**Income Statement Data (Consolidated)**

	FY21	FY22	FY23	FY23/ FY22 % Chg	4Q22	4Q23	4Q23/ 4Q22 % Chg
<b>Operating Income</b>							
Net interest income	194,882	226,163	245,630	9%	61,983	63,203	2%
Net commission and fee	12,649	15,421	17,751	15%	3,289	6,073	85%
Net earned premium	524,187	439,719	431,638	-2%	122,646	126,244	3%
Change in liability reserve	(377,408)	(198,098)	(139,104)	-30%	(29,754)	(44,382)	49%
Net claims payment	(305,703)	(438,283)	(461,707)	5%	(145,611)	(124,134)	-15%
Investment income	190,944	132,185	39,321	-70%	(9,254)	(31,285)	-238%
Contribution from associates-equity method	1,807	2,266	1,951	-14%	189	(69)	-136%
Other net non-interest income	7,197	(36,038)	29,588	182%	1,702	21,699	1175%
Bad debt expense	(3,484)	(4,778)	(4,103)	-14%	(2,419)	(1,930)	-20%
Operating expense	(85,543)	(88,610)	(102,496)	16%	(23,663)	(27,952)	18%
<b>Income before taxes</b>	159,526	49,948	58,469	17%	(20,893)	(12,533)	40%
Income taxes	(18,637)	(11,986)	(6,955)	-42%	4,376	4,303	-2%
Net income	140,889	37,962	51,514	36%	(16,517)	(8,230)	50%
Net income to parent company	139,514	37,359	50,929	36%	(16,535)	(8,323)	50%

EPS (NT\$)	10.34	2.58	3.24		(1.25)	(0.57)	
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**Dividend Payout**

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

**Balance Sheet Data (Consolidated)**

Total assets	11,594,361	12,070,886	12,811,120				
Total shareholders' equity	914,039	611,708	801,446				
Equity attributable to parent company	902,038	598,840	788,055				

**Operating Metrics**

ROAE (Consolidated)	15.49%	4.98%	7.29%				
ROAA (Consolidated)	1.25%	0.32%	0.41%				
Double leverage ratio(inc. preferred stock)	113%	122%	118%				

**Capital Adequacy Metrics**

Capital Adequacy Ratio	149%	127%	129%				
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**Notes:**

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**Cathay Life**  
 (NT\$MMN)

<b>Income Statement Data (Consolidated)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY23/</b>	<b>4Q22</b>	<b>4Q23</b>	<b>4Q23/</b>
				<b>FY22</b>			<b>% Chg</b>
Net written premium	499,102	410,186	401,229	-2%	115,305	117,621	2%
Net earned premium	498,398	409,196	400,118	-2%	114,268	116,533	2%
Reinsurance commission earned	388	527	424	-20%	507	402	-21%
Fee income	10,715	10,804	11,728	9%	2,685	3,337	24%
Recurring investment income	214,968	242,608	259,899	7%	59,102	63,611	8%
Gain on disposal of investment							
Realized gain (loss)-Equity	116,191	23,289	40,940	76%	(1,433)	7,931	654%
Realized gain (loss)-Debt	63,127	5,572	4,158	-25%	(2,658)	429	116%
Gain on investment property	1,106	2,735	(70)	-103%	834	133	-84%
FX and others, net	(46,445)	(2,907)	(51,639)	-1676%	(15,164)	(31,903)	-110%
Investment income, net	348,947	271,296	253,289	-7%	40,682	40,201	-1%
Other operating income	8,754	8,726	10,537	21%	2,354	2,652	13%
Separate account revenues	77,919	(933)	56,586	6164%	12,436	14,143	14%
Net claims payment	(287,850)	(398,511)	(429,157)	8%	(134,630)	(116,799)	-13%
Changes in liability reserves	(376,771)	(188,389)	(147,994)	-21%	(23,521)	(44,394)	89%
Acquisition and commission expense	(34,445)	(30,977)	(33,700)	9%	(8,133)	(7,060)	-13%
Other operating costs	(8,056)	(6,729)	(7,813)	16%	(1,797)	(2,088)	16%
Financial cost	(3,114)	(3,817)	(4,828)	26%	(1,076)	(1,369)	27%
Separate account expense	(77,919)	933	(56,586)	6164%	(12,436)	(14,143)	14%
Operating expense	(32,448)	(32,301)	(36,465)	13%	(8,108)	(10,377)	28%
Net non-operating income	1,563	1,859	2,753	48%	578	639	10%
Income taxes	(12,916)	(7,513)	(2,125)	-72%	3,344	4,428	32%
Net income	113,166	34,169	16,766	-51%	(12,847)	(13,895)	-8%
Net income to parent company	112,231	33,667	16,343	-51%	(13,013)	(13,919)	-7%
<b>Balance Sheet Data (Consolidated)</b>							
Total assets	8,073,161	8,172,430	8,536,002				
General account	7,348,951	7,517,003	7,808,336				
Separate account	724,210	655,427	727,666				
Reserves for life insurance liabilities	6,413,221	6,794,562	6,919,383				
Total liabilities	7,331,028	7,706,641	7,908,127				
Total shareholders' equity	742,133	465,789	627,875				
Equity attributable to parent company	734,443	456,817	618,419				
<b>Operating Metrics (Standalone)</b>							
First Year Premium(FYP)	202,394	129,343	132,871				
First Year Premium Equivalent(FYPE)	50,997	42,434	47,415				
Expense ratio	11.2%	12.8%	13.7%				
13-M persistency ratio	98.4%	97.7%	97.3%				
25-M persistency ratio	96.3%	96.6%	95.4%				
ROAE (Consolidated)	15.47%	5.66%	3.07%				
ROAA (Consolidated)	1.44%	0.42%	0.20%				
<b>Capital Adequacy Metrics (Standalone)</b>							
RBC ratio	371%	316%	323%				

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Cathay United Bank (NT\$MMN)				FY23/ FY22			4Q23/ 4Q22
<u>Income Statement Data (Consolidated)</u>	FY21	FY22	FY23	% Chg	4Q22	4Q23	% Chg
<b>Operating Income</b>							
Net interest income	38,539	48,704	51,743	6%	13,791	13,243	-4%
Net fee income	18,346	18,246	20,844	14%	4,390	5,129	17%
Investment income	6,956	6,711	13,476	101%	1,020	1,012	-1%
Other income	502	1,180	835	-29%	420	218	-48%
<b>Net operating income</b>	<b>64,342</b>	<b>74,841</b>	<b>86,898</b>	<b>16%</b>	<b>19,621</b>	<b>19,602</b>	<b>0%</b>
Operating expenses	<b>(33,877)</b>	<b>(38,307)</b>	<b>(45,752)</b>	<b>19%</b>	<b>(11,075)</b>	<b>(12,655)</b>	<b>14%</b>
<b>Pre-provision profit</b>	<b>30,466</b>	<b>36,534</b>	<b>41,146</b>	<b>13%</b>	<b>8,546</b>	<b>6,947</b>	<b>-19%</b>
Net provisions for possible losses	<b>(2,986)</b>	<b>(5,524)</b>	<b>(5,077)</b>	<b>-8%</b>	<b>(2,761)</b>	<b>(1,869)</b>	<b>-32%</b>
<b>Income before taxes</b>	<b>27,480</b>	<b>31,010</b>	<b>36,069</b>	<b>16%</b>	<b>5,786</b>	<b>5,078</b>	<b>-12%</b>
Income tax	<b>(3,671)</b>	<b>(5,299)</b>	<b>(7,102)</b>	<b>34%</b>	<b>(987)</b>	<b>(1,532)</b>	<b>55%</b>
<b>Net income</b>	<b>23,808</b>	<b>25,712</b>	<b>28,967</b>	<b>13%</b>	<b>4,799</b>	<b>3,546</b>	<b>-26%</b>
<b>Net income to parent company</b>	<b>23,344</b>	<b>25,590</b>	<b>28,805</b>	<b>13%</b>	<b>4,952</b>	<b>3,477</b>	<b>-30%</b>
<b><u>Balance Sheet Data (Consolidated)</u></b>							
Total assets	3,499,323	3,887,031	4,233,701				
Loans, net	1,807,077	2,045,082	2,280,571				
Financial assets	1,110,788	1,268,349	1,403,347				
Total liability	3,248,596	3,645,307	3,957,835				
Deposits	2,935,694	3,246,162	3,543,558				
Financial Debenture Payable	46,800	37,147	27,100				
Total shareholders' equity	250,727	241,724	275,866				
Equity attributable to parent company	246,351	237,734	271,931				
<b><u>Operating Metrics (Consolidated)</u></b>							
Cost income ratio	52.65%	51.18%	52.65%				
ROAE	9.57%	10.44%	11.19%				
ROAA	0.71%	0.70%	0.71%				
<b><u>Assets Quality (Standalone)</u></b>							
NPL	1,578	1,510	2,519				
NPL ratio	0.09%	0.08%	0.11%				
NPL provisions	28,064	32,459	36,609				
Coverage ratio	1778%	2150%	1453%				
<b><u>Capital Adequacy Metrics (Standalone)</u></b>							
BIS ratio	16.2%	15.4%	15.8%				
Tier 1 ratio	14.1%	12.9%	13.7%				
CET1 ratio	12.6%	11.0%	12.0%				
<b><u>LDR (Standalone)</u></b>							
LDR	61.4%	62.4%	64.1%				
TWD LDR	69.2%	75.4%	79.8%				
FX LDR	34.1%	25.8%	22.5%				

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**Cathay Century**  
 (NT\$MM)

<b>Income Statement Data (Consolidated)</b>	FY21	FY22	FY23	FY23/ FY22	4Q22	4Q23	4Q23/ 4Q22
				% Chg			% Chg
Premium income	28,015	30,266	34,273	13%	7,643	8,958	17%
Net written premium	20,718	22,084	24,022	9%	5,959	6,671	12%
Net earned premium	19,903	21,703	23,448	8%	5,640	6,019	7%
Reinsurance commission earned	857	900	1,117	24%	203	284	40%
Fee income	46	49	50	2%	11	11	-4%
Investment	1,363	595	948	59%	(64)	(38)	42%
Interest income	539	636	674	6%	173	182	5%
Other investment income, net	824	(41)	275	766%	(237)	(220)	7%
Other operating income	0	157	51	-67%	11	(39)	-446%
Net claims payment	(10,470)	(29,677)	(23,240)	-22%	(7,970)	(3,262)	-59%
Changes in liability reserves	(637)	(9,709)	8,891	-192%	(6,233)	11	-100%
Commissions and other operating costs	(3,765)	(3,916)	(4,376)	12%	(1,027)	(1,193)	16%
Operating expenses	(4,772)	(4,636)	(5,374)	16%	(1,175)	(1,451)	23%
<b>Operating income</b>	2,525	(24,533)	1,514	106%	(10,604)	344	103%
Net non-operating income	42	8	12	50%	11	12	11%
Income taxes	(392)	4,904	(281)	106%	2,095	(82)	104%
Net income	2,175	(19,622)	1,246	106%	(8,498)	275	103%
<b>Balance Sheet Data (Consolidated)</b>							
Total assets	49,900	60,596	55,446				
Total stockholders' equity	14,447	12,800	14,982				
<b>Operating Metrics (Standalone)</b>							
Gross Combined ratio	87.1%	196.6%	88.7%				
Net Combined ratio	92.1%	216.2%	101.6%				
ROAE (Consolidated)	15.78%	-144.03%	8.97%				
ROAA (Consolidated)	4.62%	-35.52%	2.15%				
<b>Capital Adequacy Metrics</b>							
RBC ratio (Standalone)	284%	369%	351%				

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