



**國泰金控**

Cathay Financial Holdings

# 2020 First Half Briefing

August 2020



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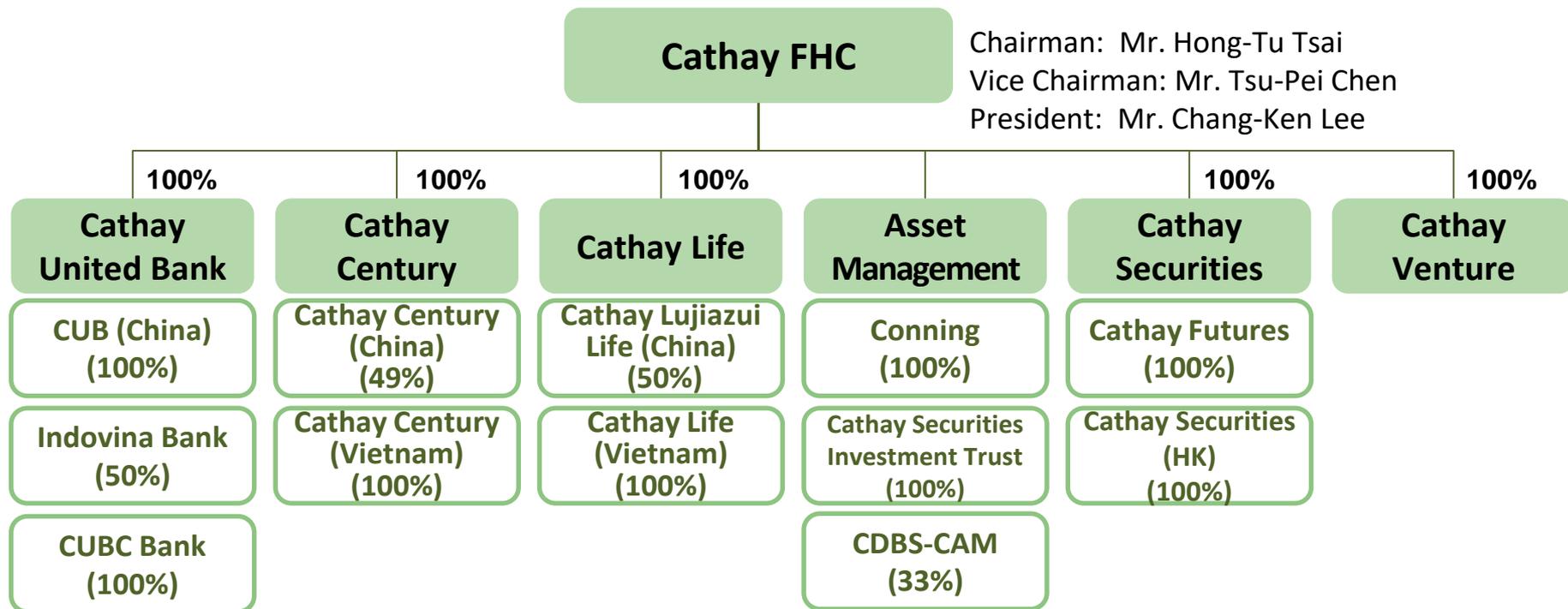
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# Agenda

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

# Cathay FHC: largest FHC, comprehensive products



- One of the largest private banks in terms of total assets
- No. 2 credit card issuer
- The largest brokerage settlement bank

- 2<sup>nd</sup> biggest non-life insurer
- Market share in total premium income: 11.6% (1H20).

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

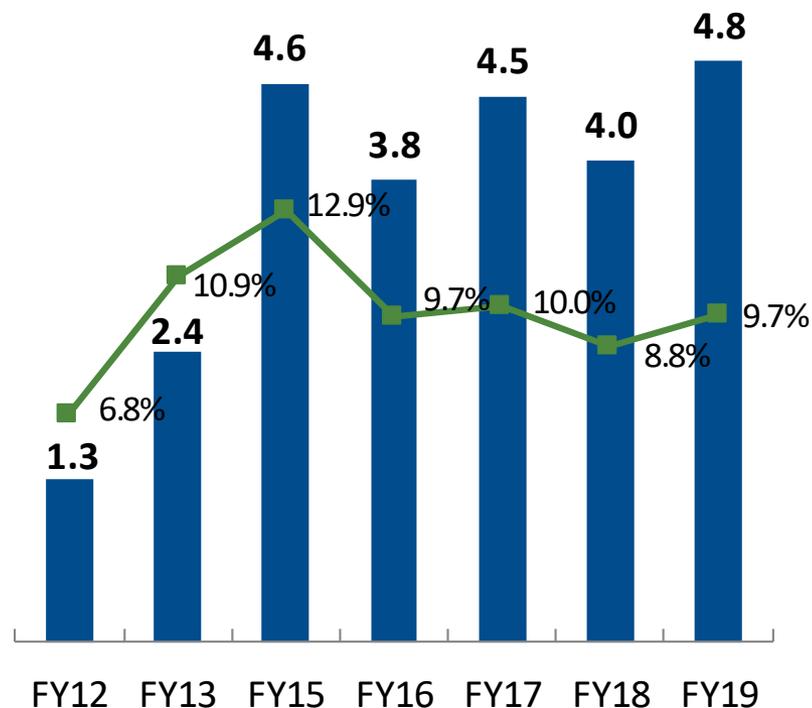
- Building global asset management platform
- Largest AUM among asset managers in Taiwan

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

# Cathay FHC continued to deliver solid earnings

## EPS & ROE

■ EPS ■ ROE (NT\$/%)



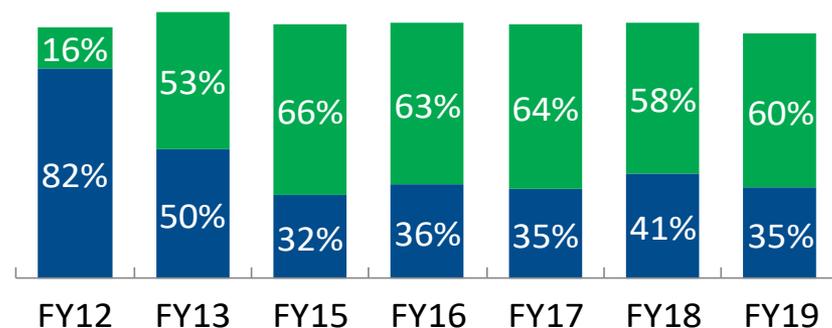
## Profit contribution

■ CUB ■ Cathay Life (NT\$BN)



|            |             |             |             |             |             |             |             |
|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>FHC</b> | <b>16.2</b> | <b>29.0</b> | <b>57.9</b> | <b>48.0</b> | <b>56.7</b> | <b>51.8</b> | <b>63.9</b> |
| Life       | 2.5         | 15.4        | 38.4        | 30.2        | 36.3        | 30.3        | 38.3        |
| CUB        | 13.3        | 14.6        | 18.8        | 17.5        | 19.7        | 21.3        | 22.5        |

■ CUB ■ Cathay Life



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

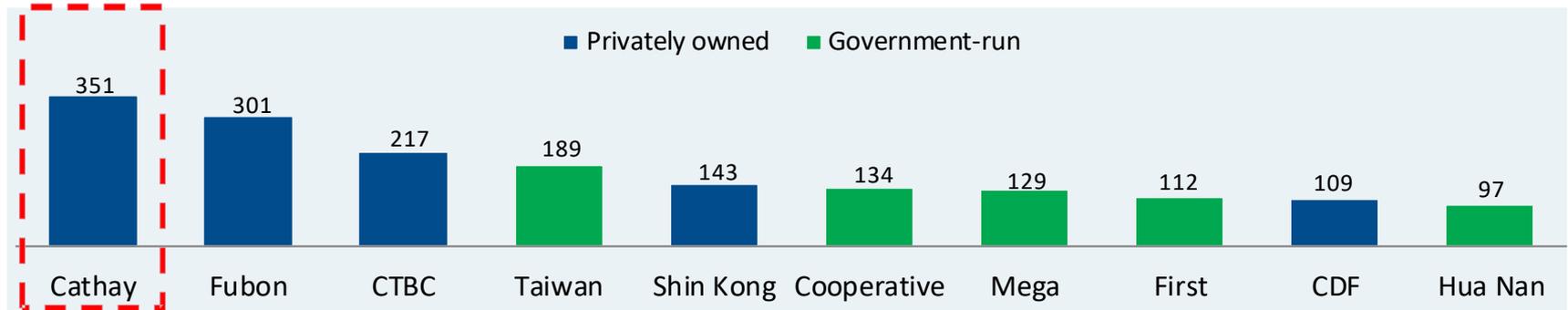
(2) Since Cathay FHC has more subsidiaries other than Cathay Life and CUB, besides, due to affiliate transactions, the Cathay FHC net income might not equal to the sum of Cathay Life and CUB's.

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

# Market leader in Taiwan's FIG sector

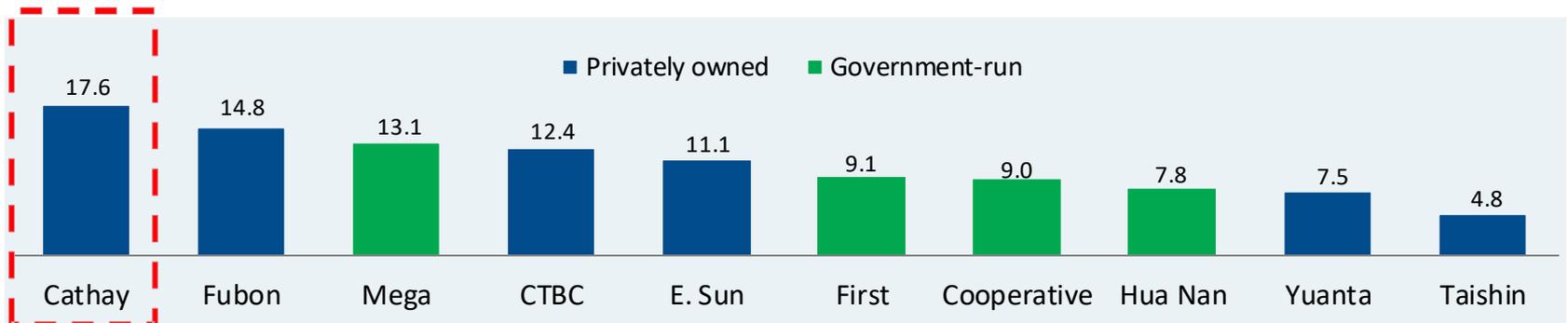
- Largest listed financials group by market capitalization and assets.

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



Note: Total assets as of June 30, 2020

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



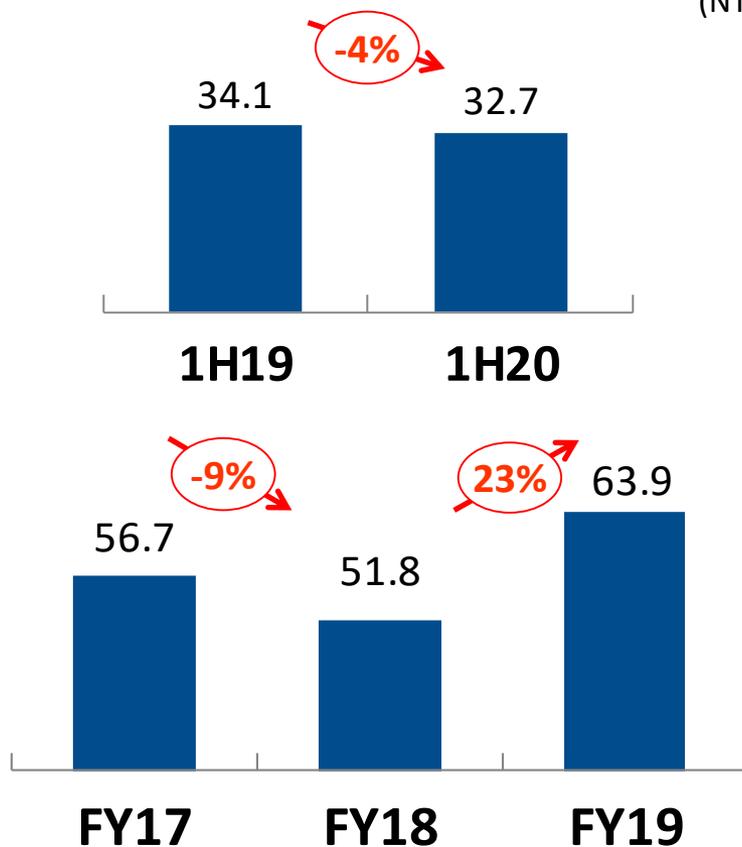
Note: Market capitalization as of September 30, 2020

# Cathay FHC – Net income & EPS

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

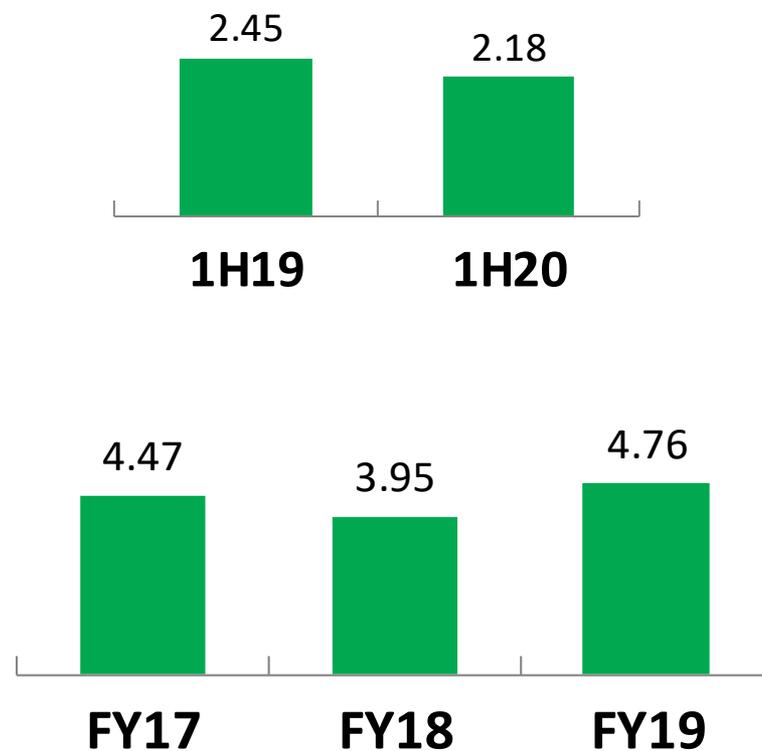
## Net income

(NT\$BN)



## EPS

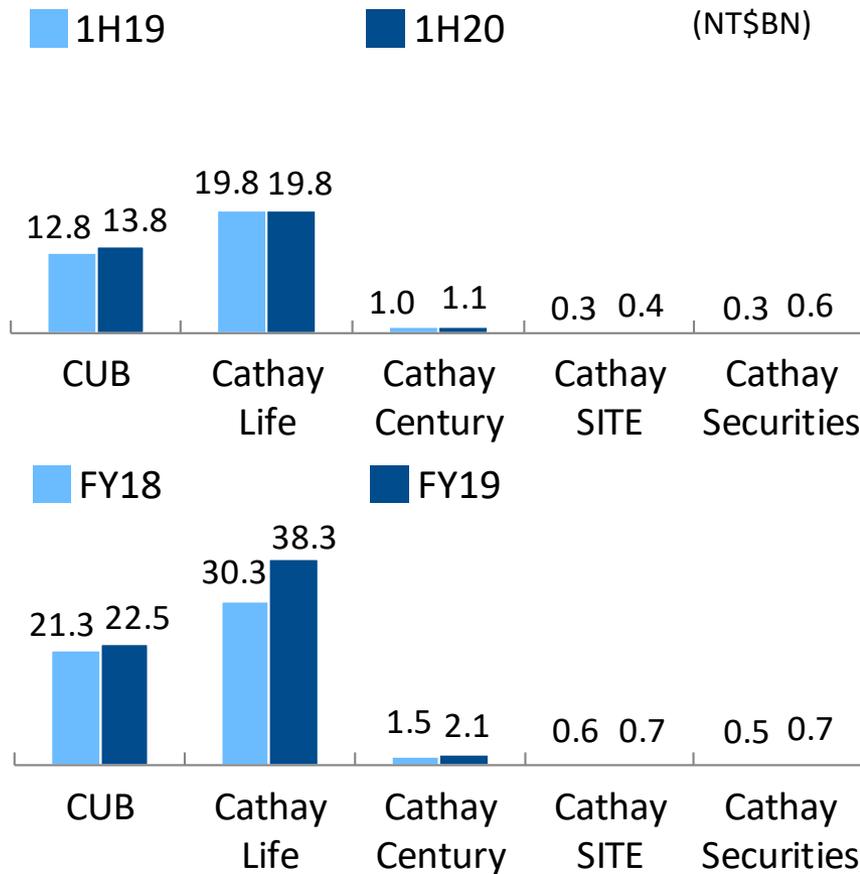
(NT\$)



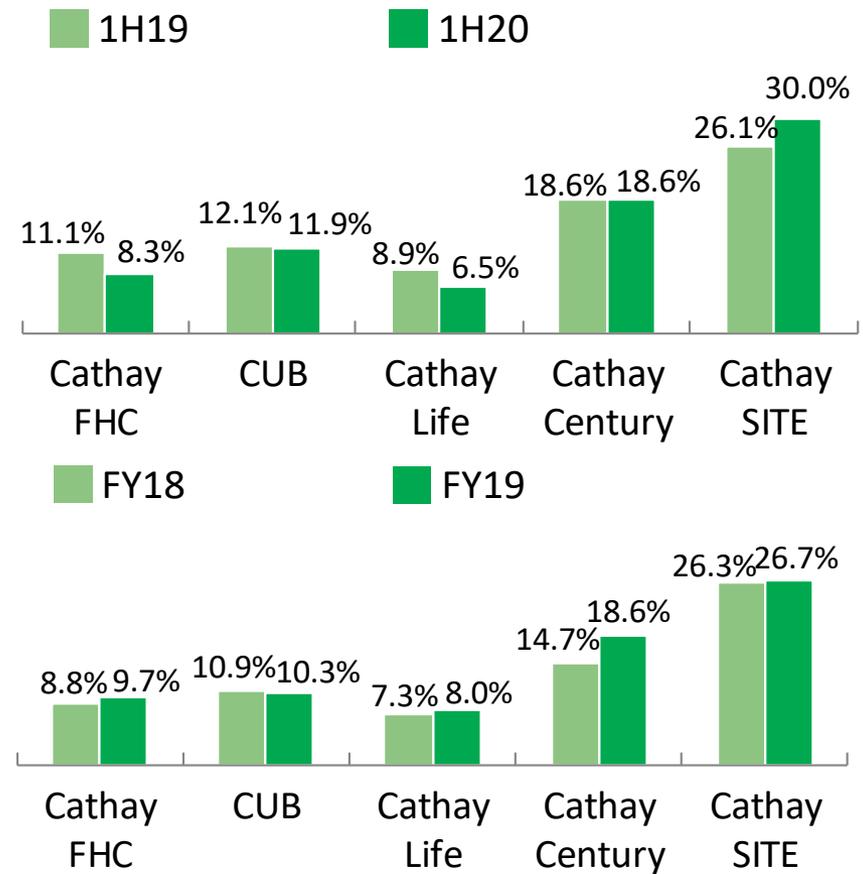
# Cathay FHC – Net income & ROE

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

## Net income of primary subsidiaries

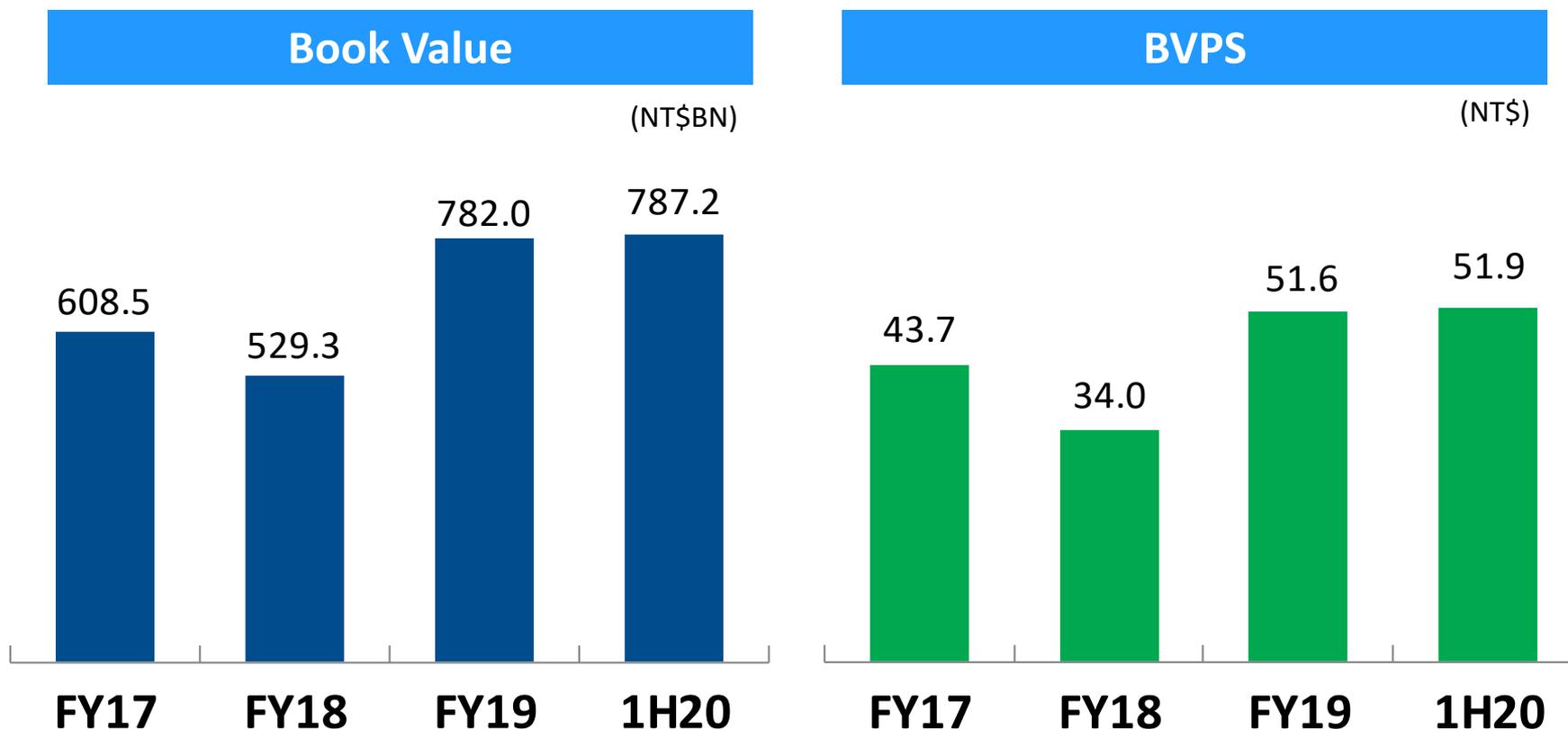


## ROE



# Cathay FHC – Book value & BVPS

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



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

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- Appendix

# 1H20 Business overview

## Cathay United Bank

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

## Cathay Life

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

## Cathay Century

- Premium income grew 2% YoY. Remained in second place with 11.6% market share.
- Developed online business in China and enlarged local team in Vietnam. Overseas premium income continued to rise.

## Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$872.5 BN.
- Recognized by Asia Asset Management, Benchmark and received Asset Management Company of the Year by The Asset in 2020.

## Cathay Securities

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

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# Cathay FHC in South East Asia

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

Note: (1) Cathay Lujiazui Life and Cathay Life (Vietnam) footprints includes headquarter and branches.

(2) Footprints in Thailand, Myanmar and Indonesia are rep. offices.

(3) Investments in RCBC and Bank Mayapada are funded by Cathay Life.

(4) Cathay FHC owns 49% stake of Cathay Century (China), and 33% stake of CDBS Cathay Asset Management.



## ■ Banking

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

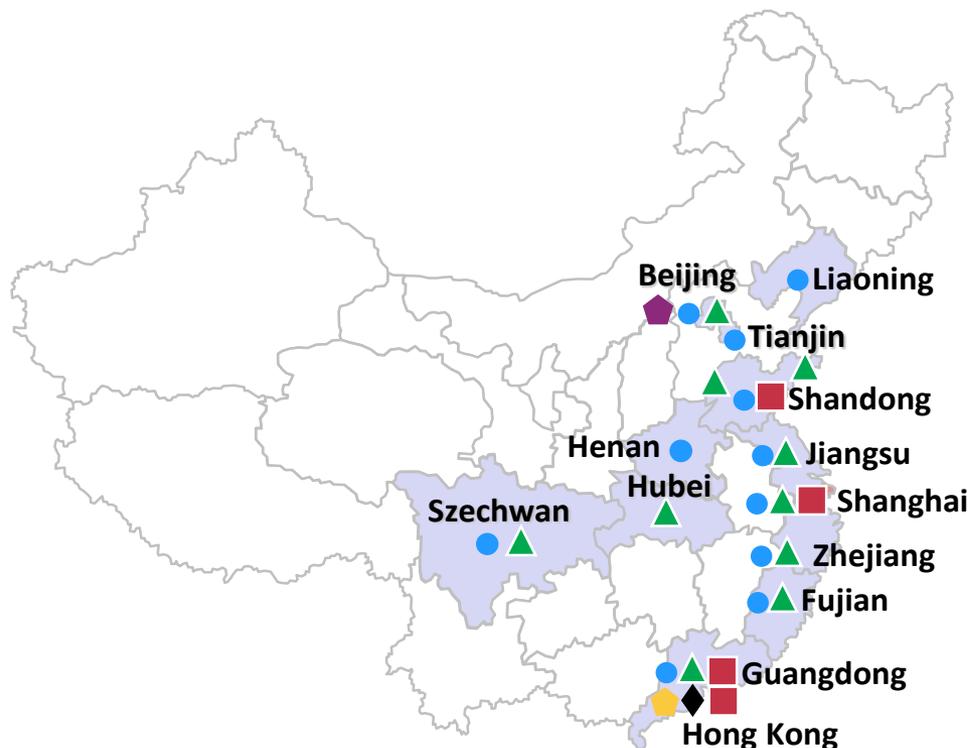
## ■ Cathay Life (Vietnam)

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

## ■ Cathay Century

- Continued to expand local distribution channels to enhance growth momentum.

# Cathay FHC in China



- Cathay Lujiazui Life
- Cathay United Bank
- ▲ Cathay Century (China)
- ◆ Cathay Securities
- ◆ Conning Asia Pacific Limited
- ◆ CDBS Cathay Asset Management Company

## ■ Cathay United Bank

- The China subsidiary performed steadily.
- Obtained S&P Credit Ratings in July. ('BBB+' long-term and 'A-2' short-term)

## ■ Cathay Lujiazui Life

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

## ■ Cathay Century (China)

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

## ■ Cathay Securities (HK)

- Each business line grew steadily.

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

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

## ■ Conning Asia Pacific Limited

- Continued to expand asset management business.

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Cathay United Bank

Cathay Life

Cathay Century

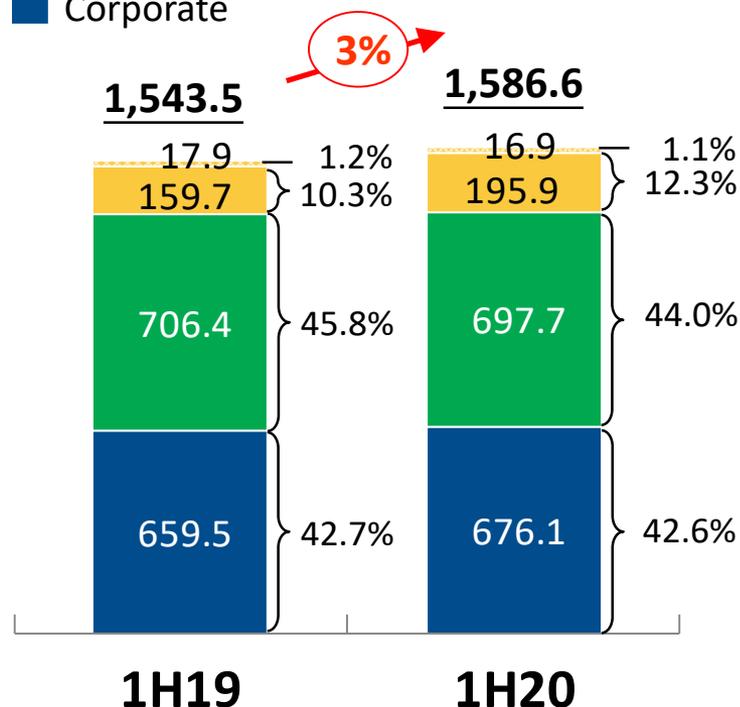
- Cathay's CSR Efforts
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# Cathay United Bank – Loan & Deposit breakdown

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

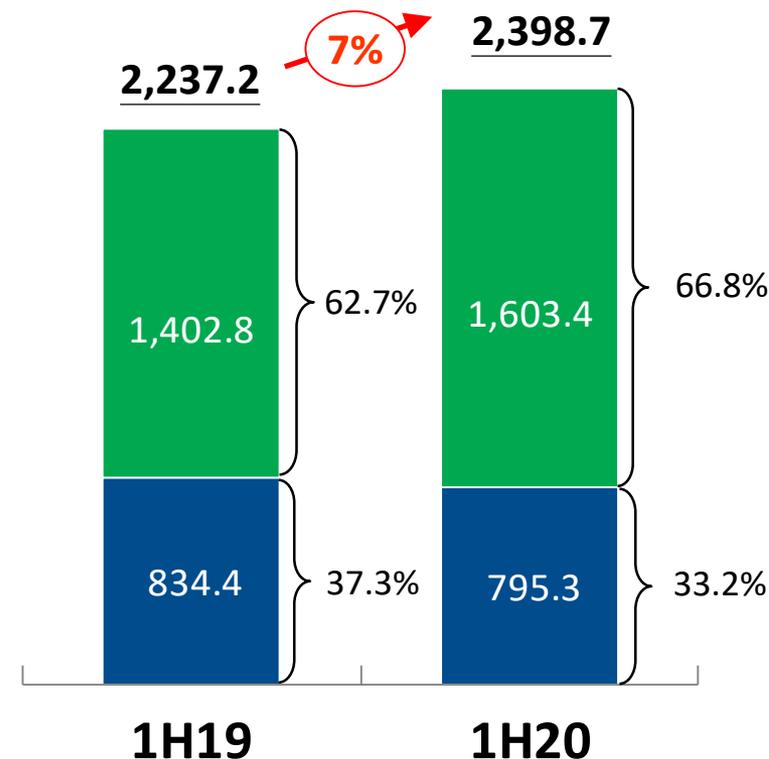
## Loan breakdown

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



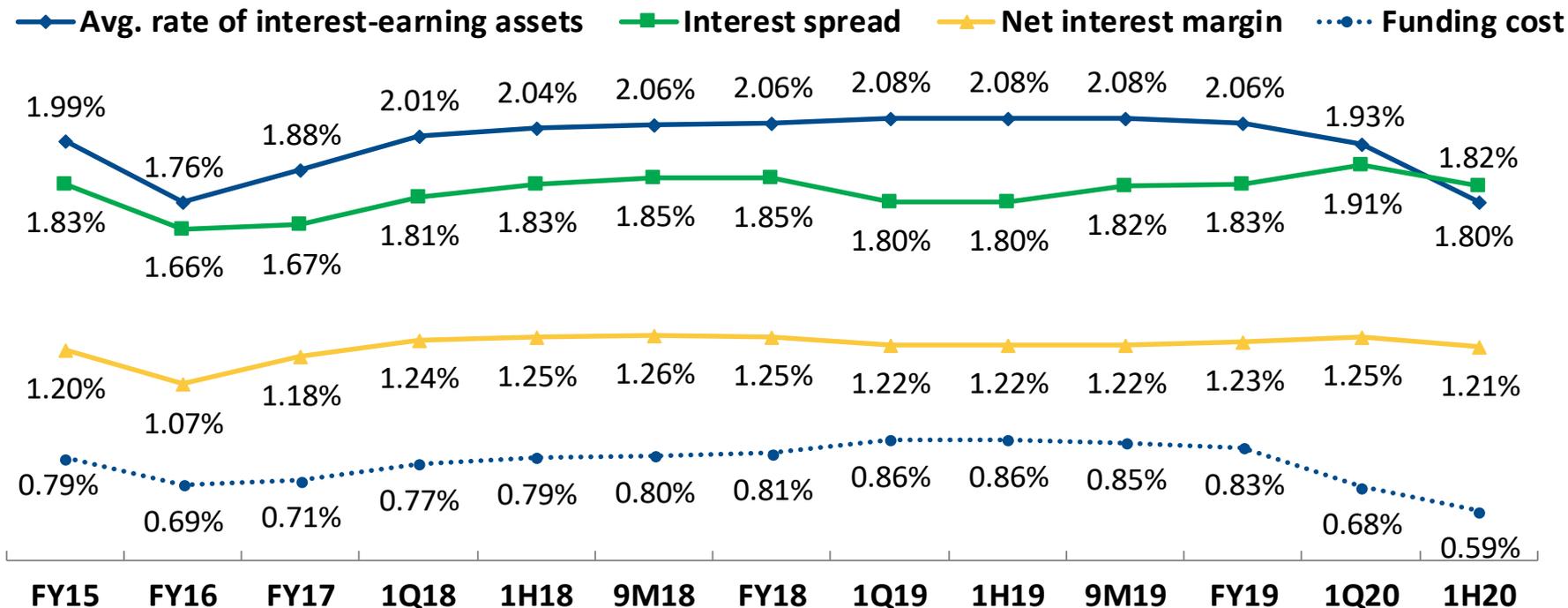
## Deposit breakdown

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



# Cathay United Bank – Interest yields

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



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

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

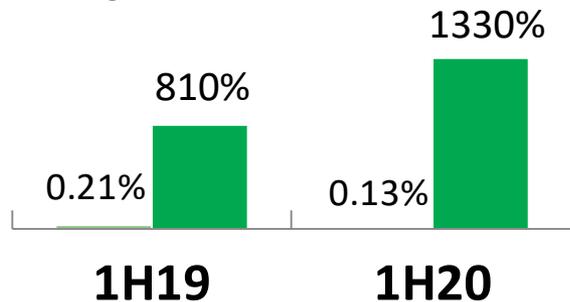
(2) China subsidiary was launched in Sep 2018. Hence, since 9M18, China subsidiary results was excluded.

# Cathay United Bank – Credit quality

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

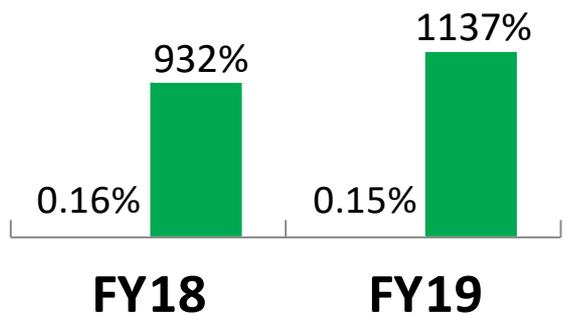
## NPL & Coverage ratio

- NPL ratio
- Coverage ratio



Mortgage NPL

0.23%      0.17%

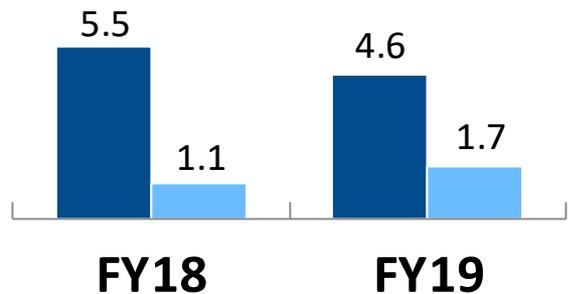
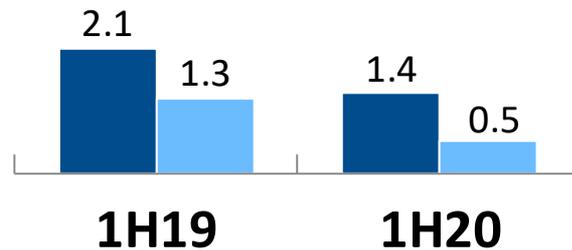


Mortgage NPL

0.15%      0.21%

## Gross provision

Gross provision (NT\$BN)  
Recovery



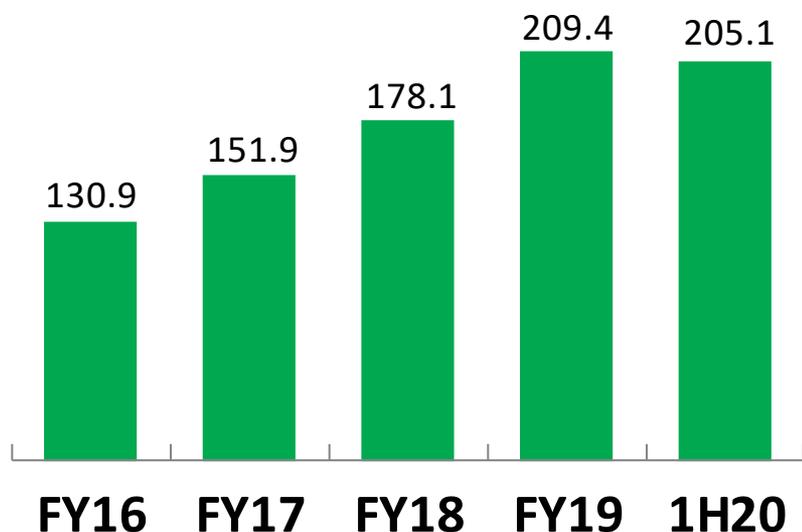
Note : China subsidiary was launched in Sep 2018. Hence, 1H19 & 1H20 number excluded China subsidiary results. (NPL ratio: 0% and 0.22%, Gross provision: NT\$-40.9MN and NT\$ 7MN, Recovery: NT\$36.2MN and NT\$ 0MN; preliminary).

# Cathay United Bank – SME & FX loans

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

## SME loans

(NT\$BN)

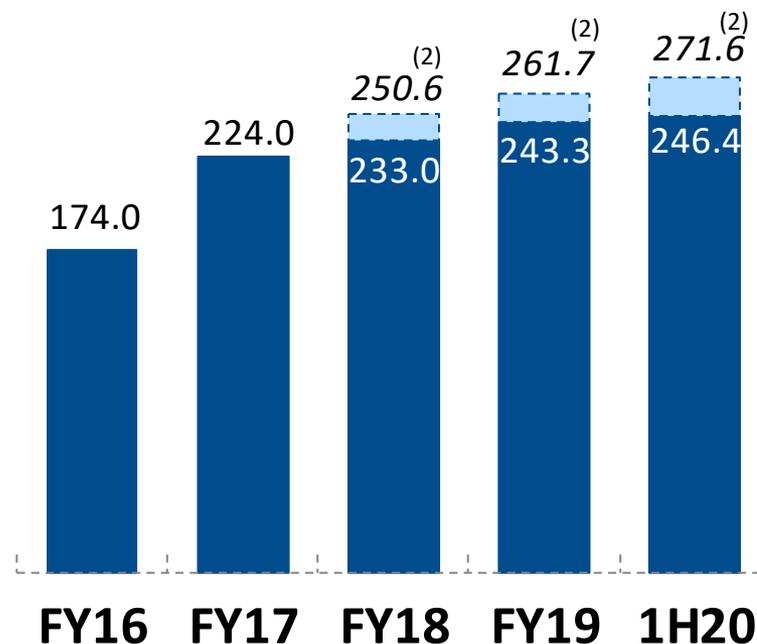


As % of total loans

9.2% 10.7% 11.4% 13.8% 13.1%

## Foreign currency loans

(NT\$BN)



12.2% 15.8% 15.0% 16.1% 15.7%

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

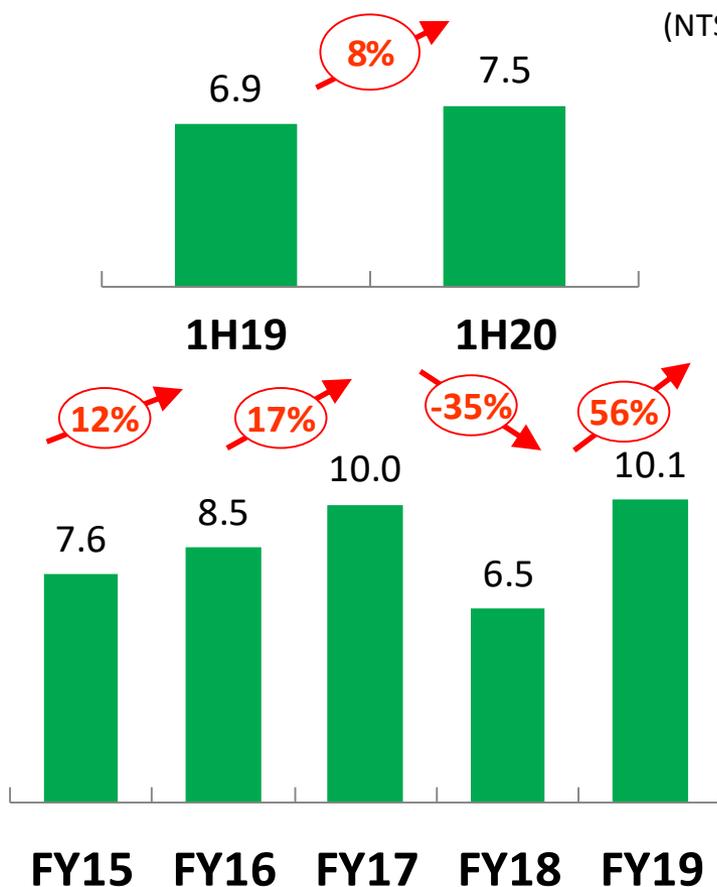
(2) China subsidiary was launched in Sep 2018, hence FY18, FY19 and 1H20 foreign currency loan balance excluded NT\$17.6BN , NT\$18.4BN and NT\$25.2BN from China subsidiary, respectively. (preliminary)

# Cathay United Bank – Offshore earnings

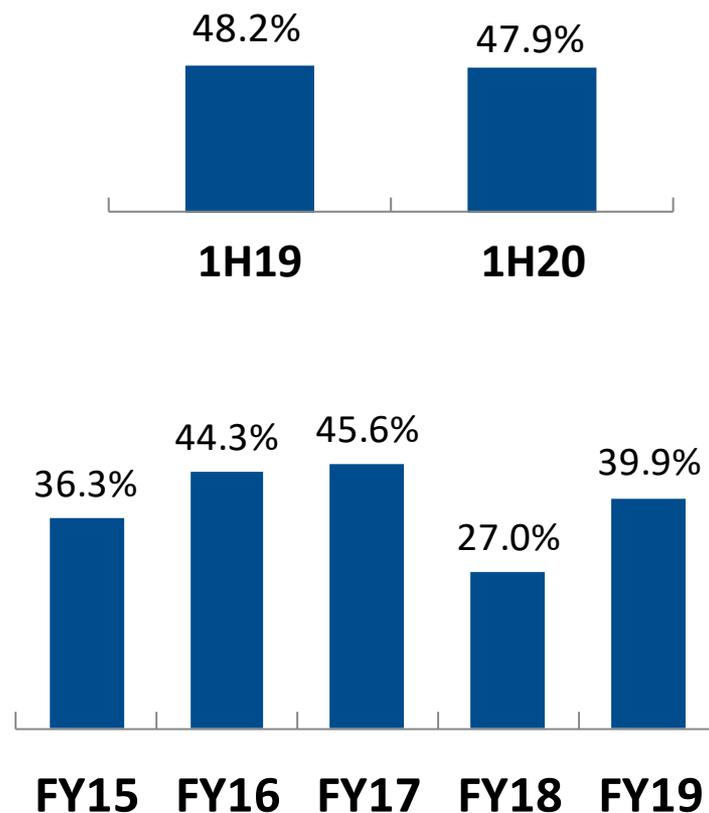
- Expand overseas business by deepening overseas presence and capture investment opportunities. Offshore earnings grew 8% YoY and accounted for 48% of pre-tax earnings.

## Offshore earnings

(NT\$BN)



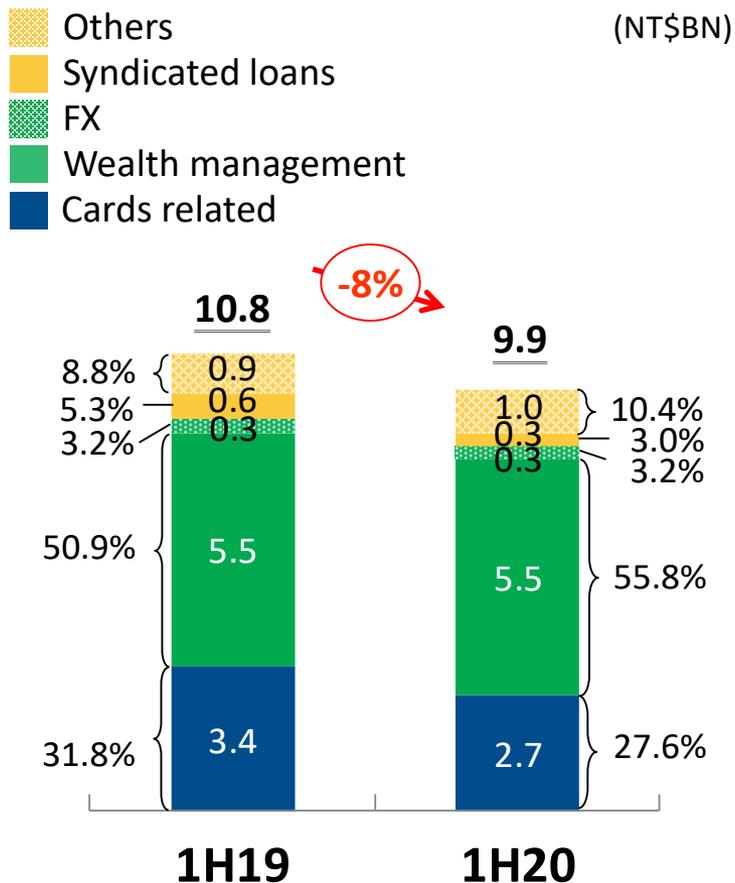
## As % of CUB pre-tax profits



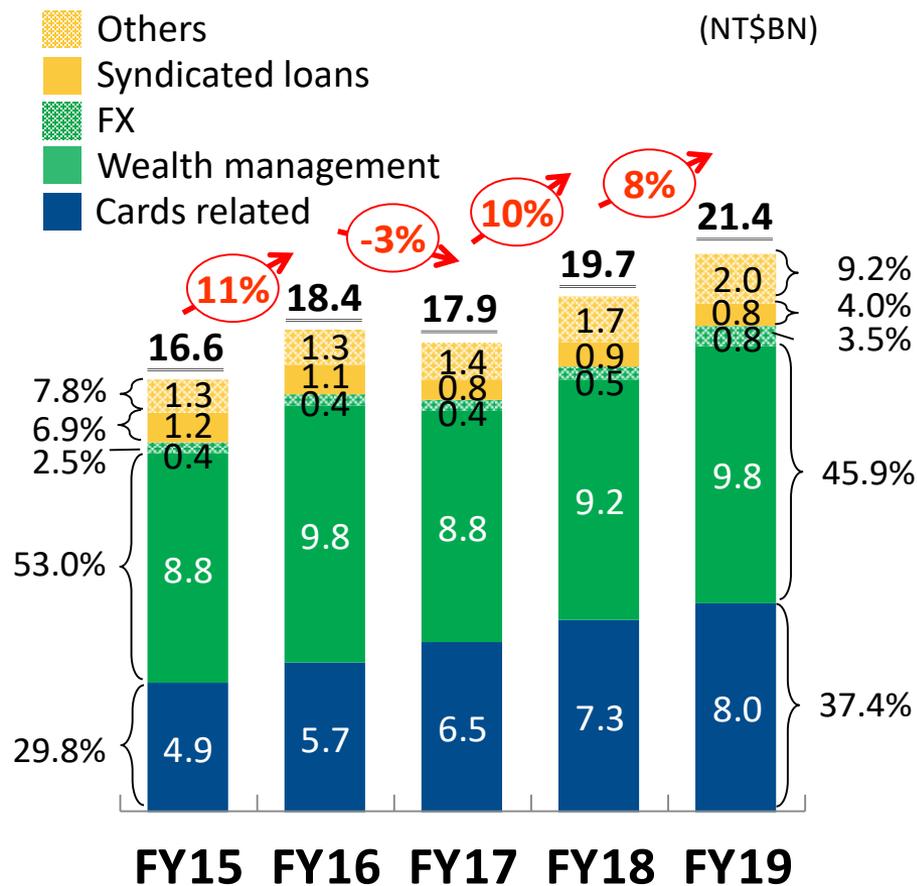
# Cathay United Bank – Fee income

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

## Quarterly fee income



## Annual fee income



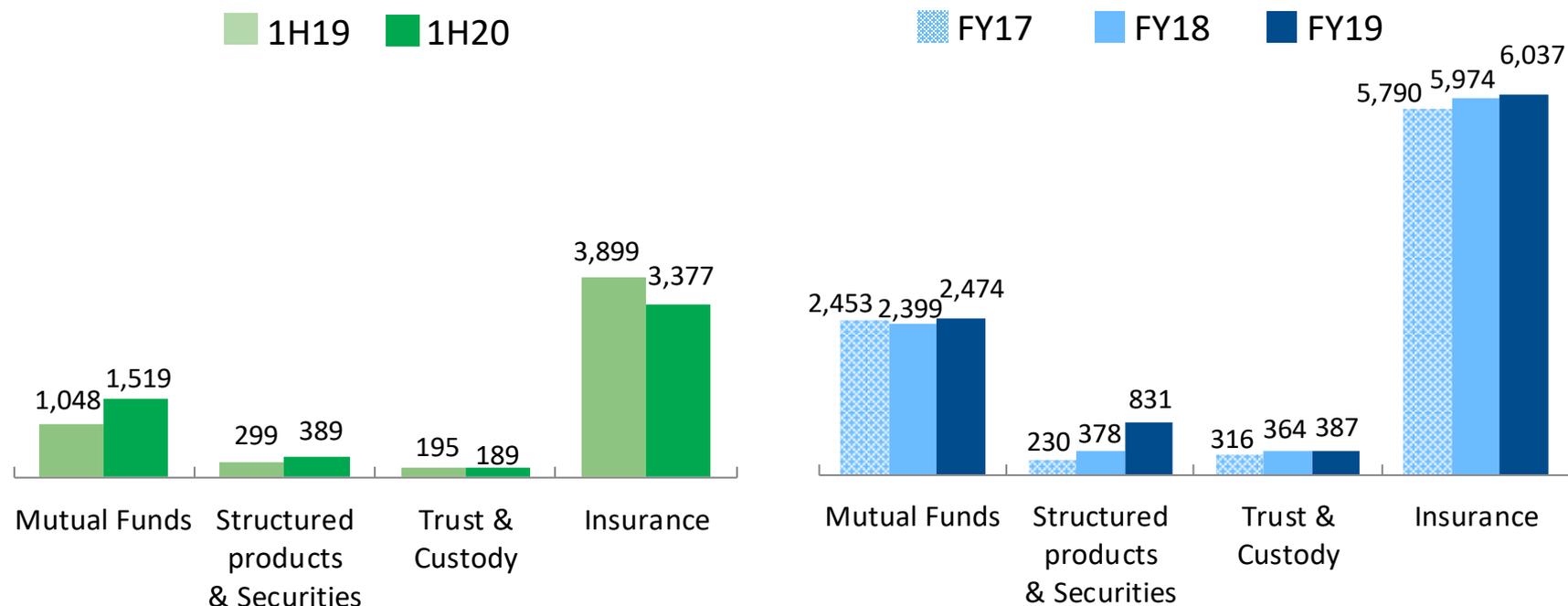
Note : China subsidiary was launched in Sep 2018, hence 1H19 and 1H20 fee income excluded NT\$ 8.9MN and NT\$16.1MN; FY18 (Sep.-Dec.) and FY19 excluded NT\$ 5.8MN and NT\$18.9MN from subsidiary, respectively. (preliminary)

# Cathay United Bank – Wealth management fee

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

## Wealth management fee breakdown

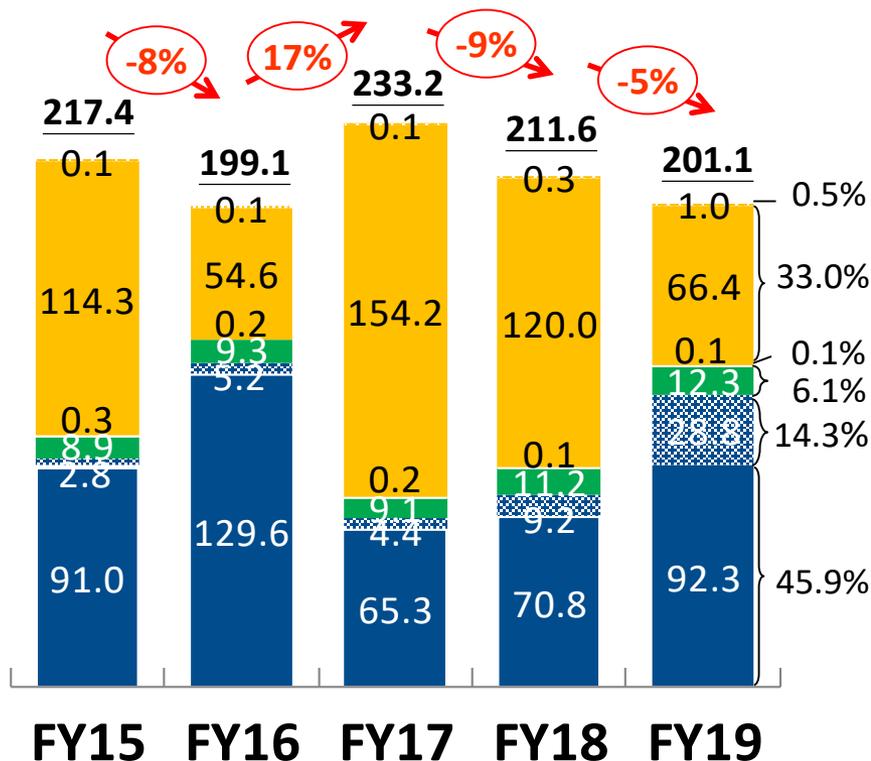
| (NT\$MN)                     | 1H19  | 1H20  | FY17   | FY18  | FY19  |
|------------------------------|-------|-------|--------|-------|-------|
| Wealth management fee income | 5,476 | 5,541 | 8,837  | 9,183 | 9,808 |
| YoY growth (%)               | 6.7%  | 1.2%  | -10.1% | 3.9%  | 6.8%  |



# Cathay Life – Annual FYP & APE

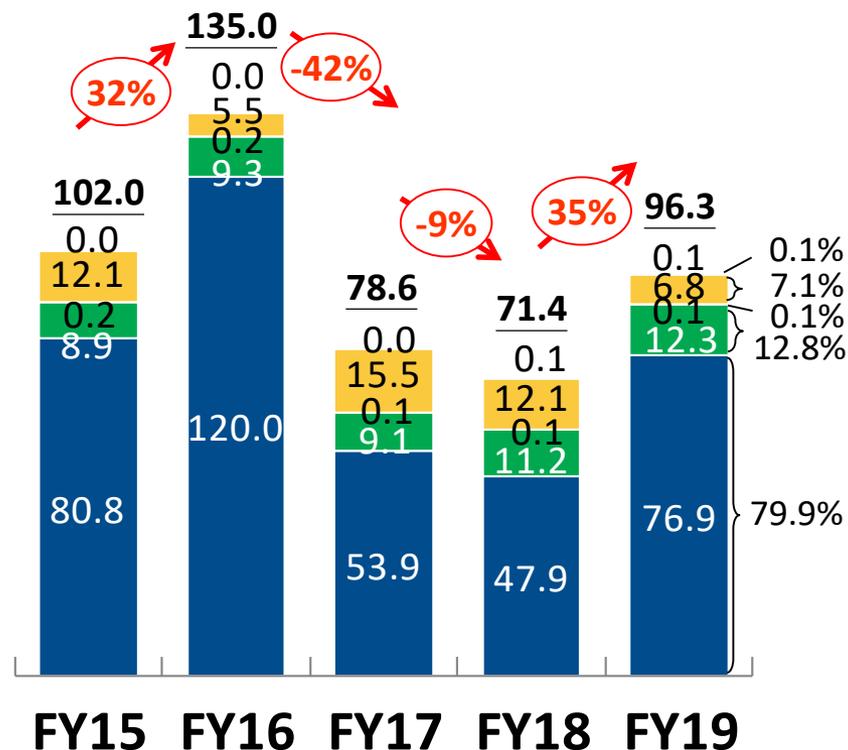
## First Year Premium

- 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 FYP (APE)

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

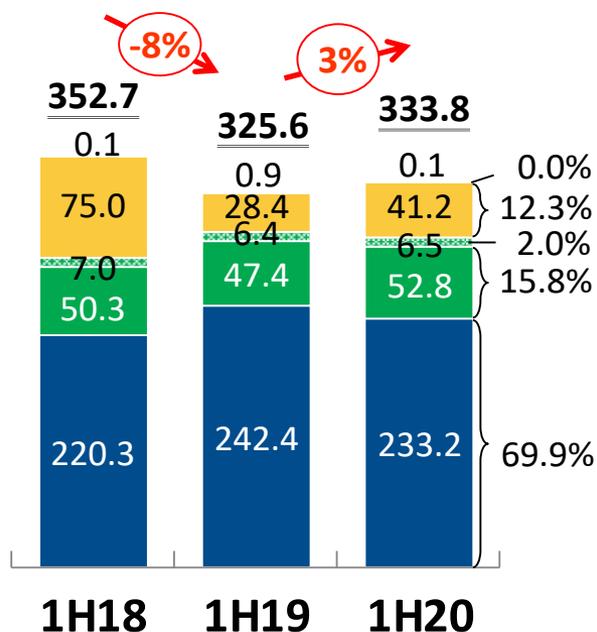


# Cathay Life – Total premium

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

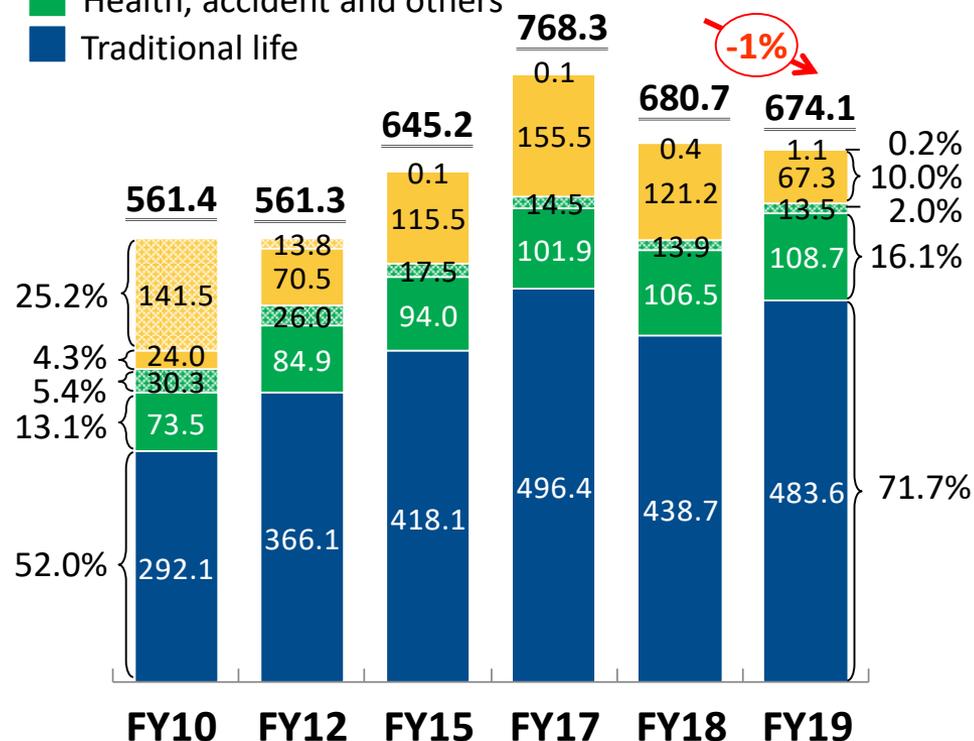
## Quarterly total premium

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



## Annual total premium

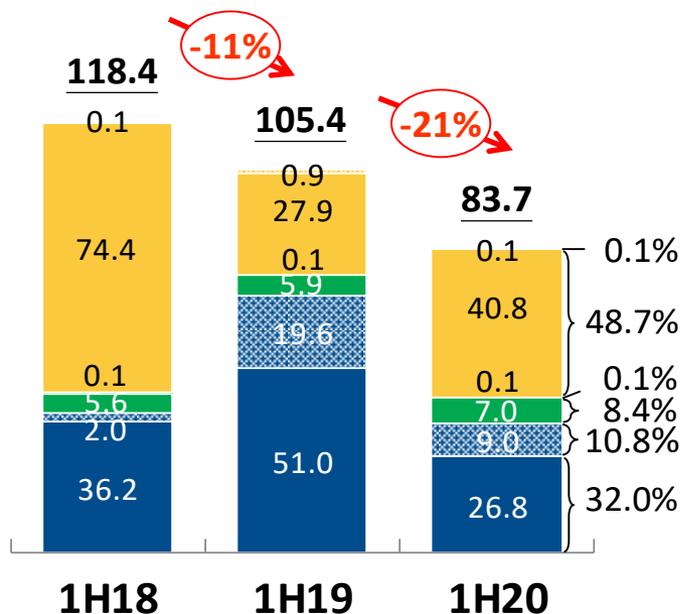
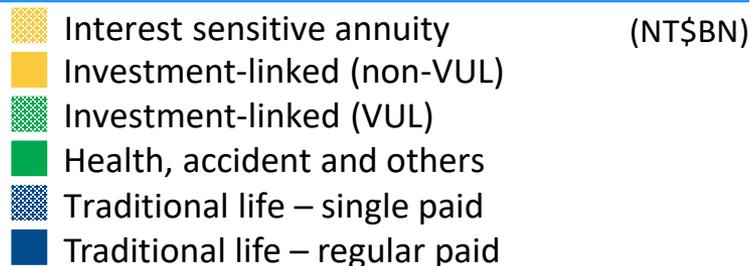
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- Health, accident and others
- Traditional life



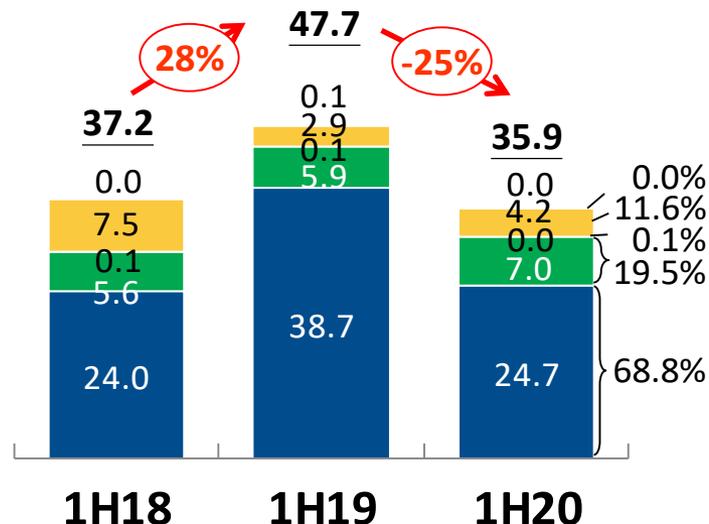
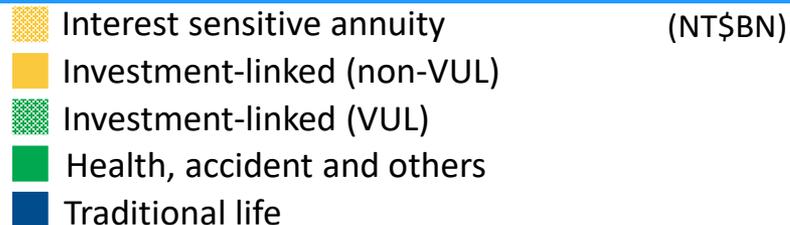
# Cathay Life – Quarterly FYP & APE

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

## First Year Premium



## Annualized FYP (APE)



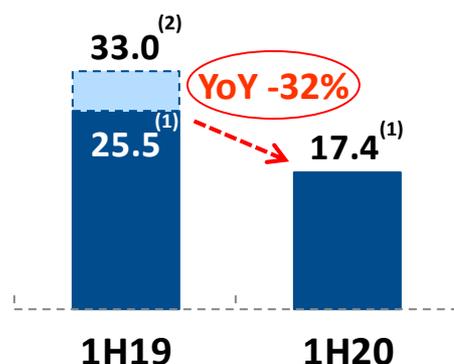
# Cathay Life –Value of new business

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

## Value for New Business

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

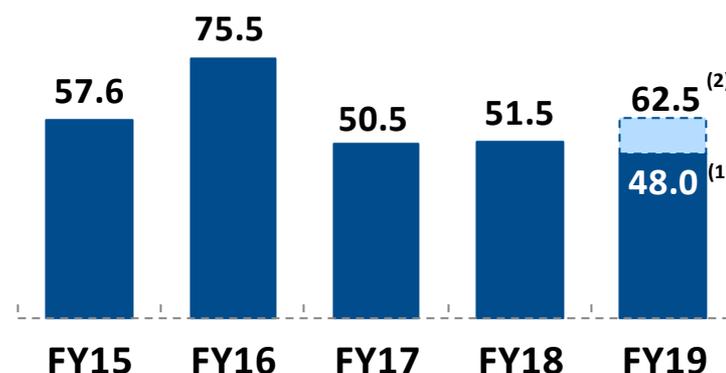
(NT\$BN)



## Value for New Business (annual)

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

(NT\$BN)



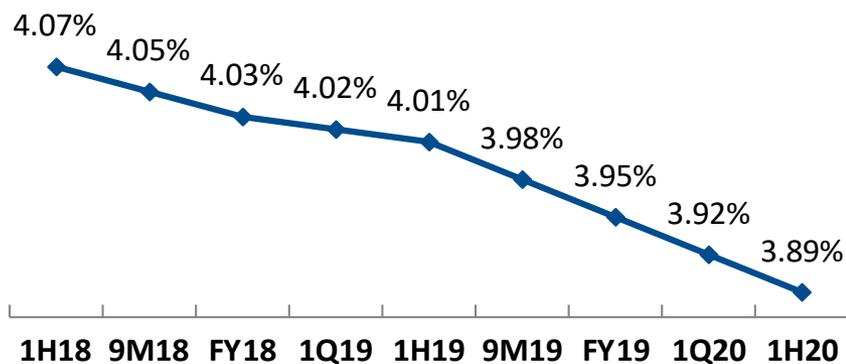
Note : (1) 1H19, FY19 and 1H20 VNB were based on 2019 Embedded Value assumptions.

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

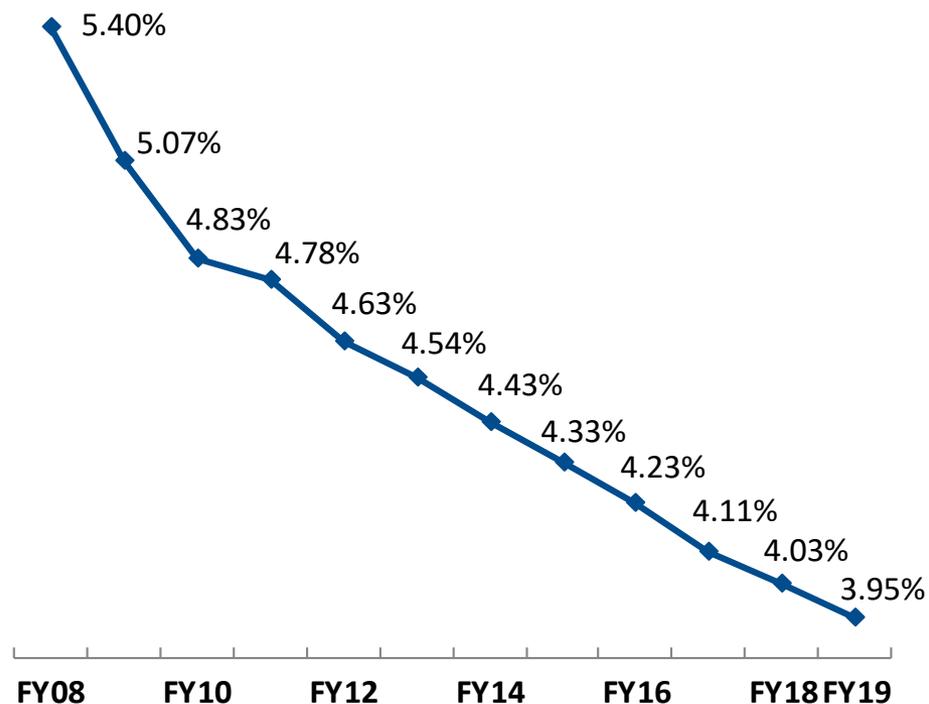
# Cathay Life – Cost of liability

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

## Cost of liability (quarterly)



## Cost of liability (annual)



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

# Cathay Life – Investment portfolio

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

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

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

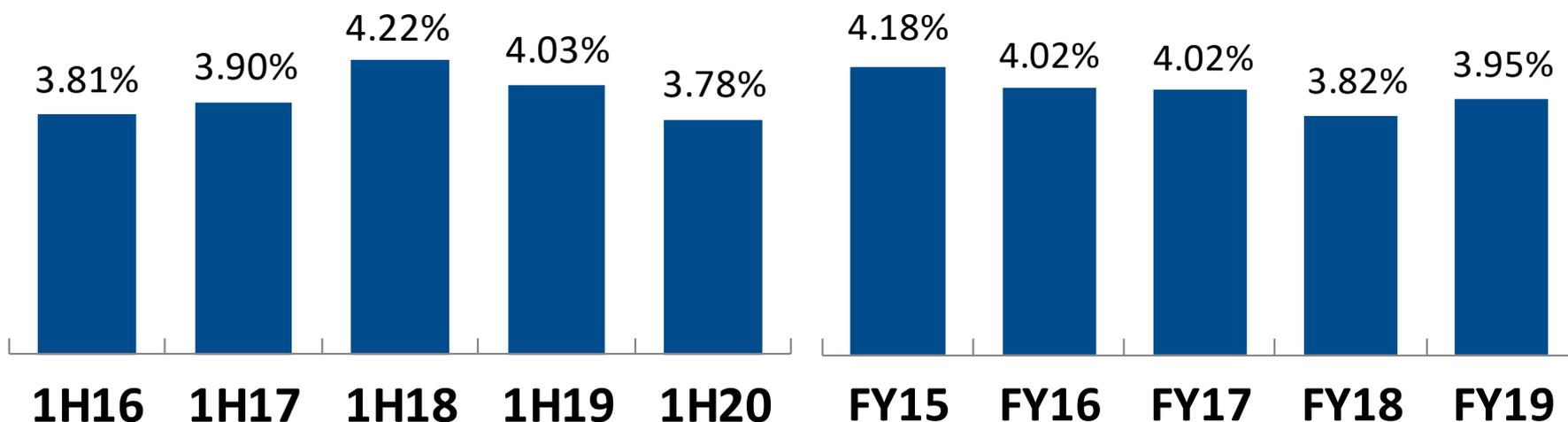
(2) Yields of international equity and international bond are pre-hedge investment yields.

# Cathay Life – Investment performance highlight

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

## After-hedging investment yield

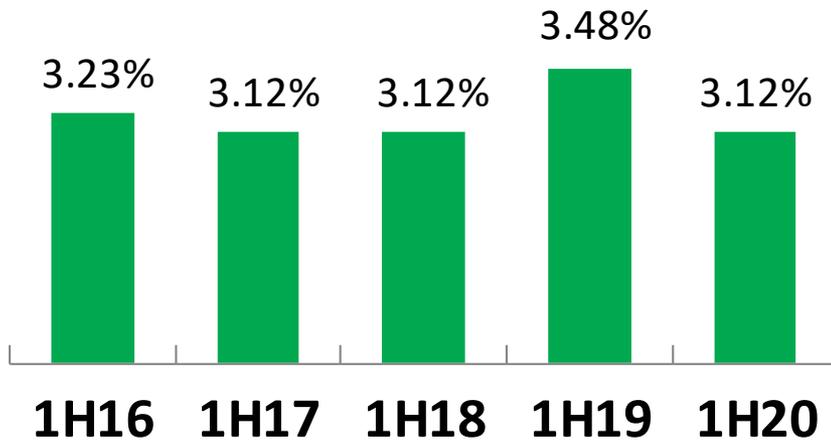
## After-hedging investment yield



# Cathay Life – Investment performance highlight

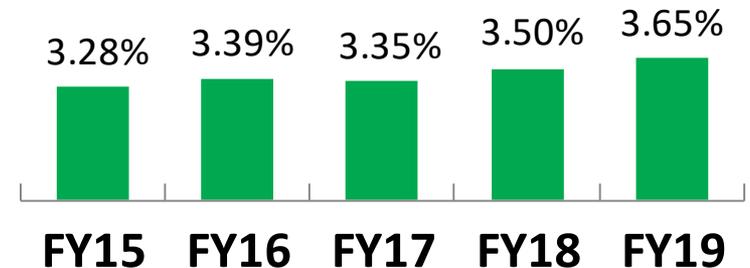
- Higher cash level and better credit rating mix led to lower pre-hedging recurring yield.
- NTD was stronger than other Asian currencies, affecting the proxy hedging effectiveness.
- Additional provision of NT\$2 billion to reduce the impact of FX volatility.

## Pre-hedging recurring yield



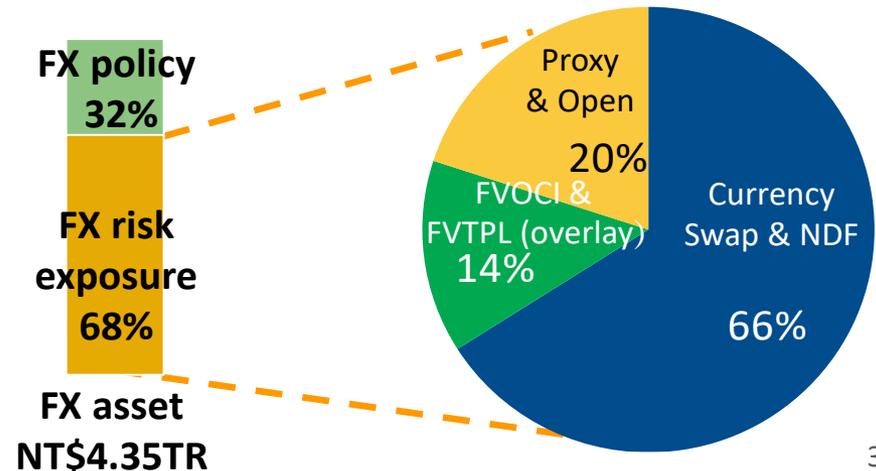
Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

## Pre-hedging recurring yield



## Currency hedging structure

**1H20 Hedging cost 1.84%**

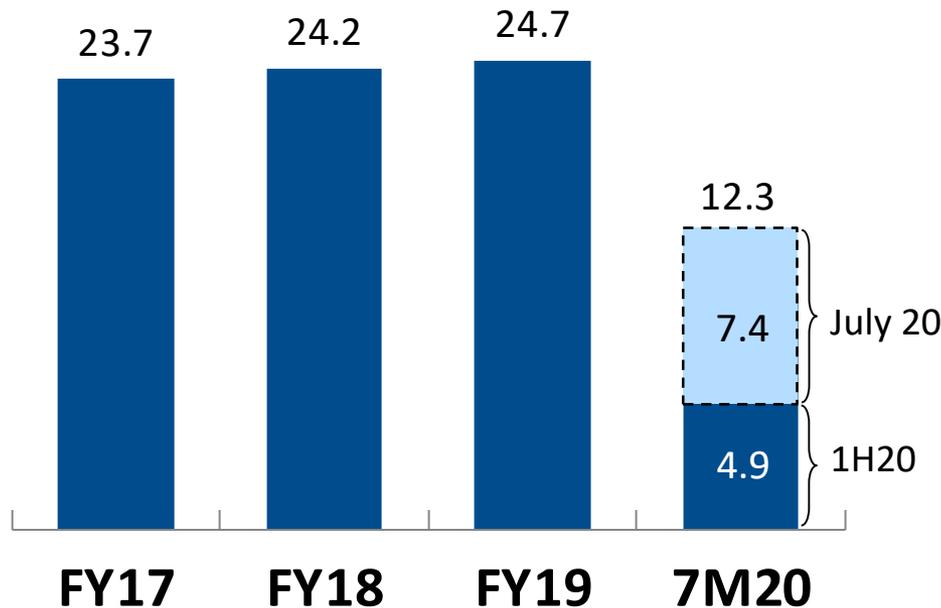


# Cathay Life – Cash dividend income & Overseas fixed income by region

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

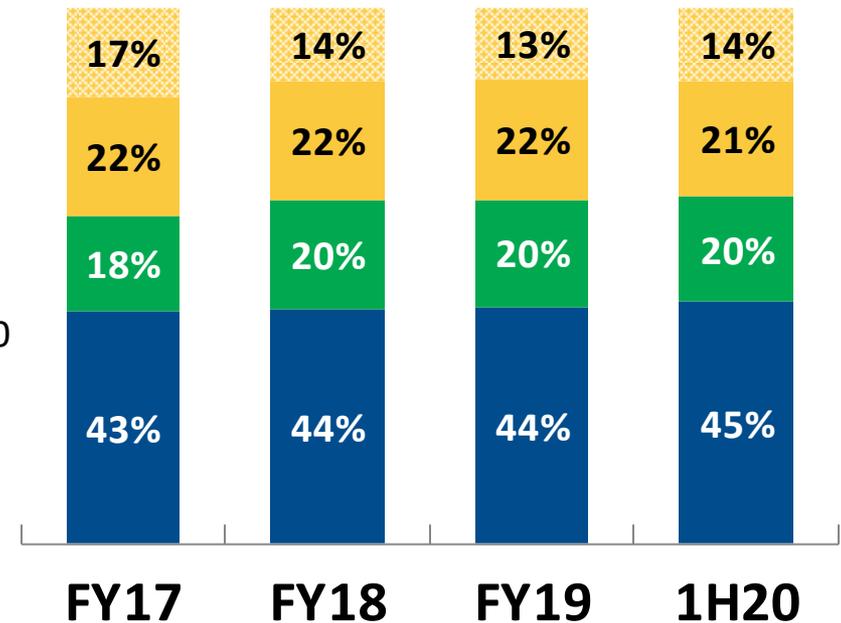
## Cash dividend income

(NT\$BN)



## Overseas fixed income by region

- Others
- Asia Pacific
- Europe
- North America



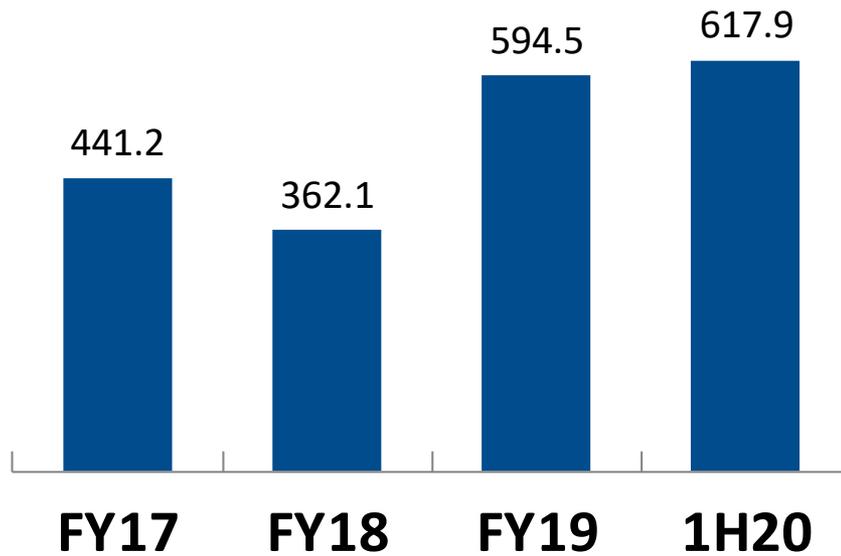
Note: Exclude overseas deposit.

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

- Booked value and unrealized gain reached record high.

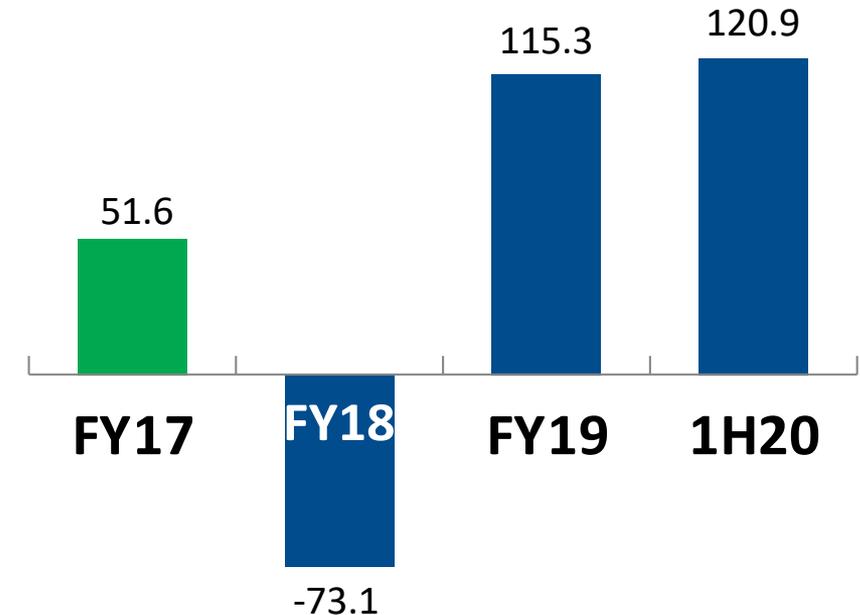
## Book value

(NT\$BN)



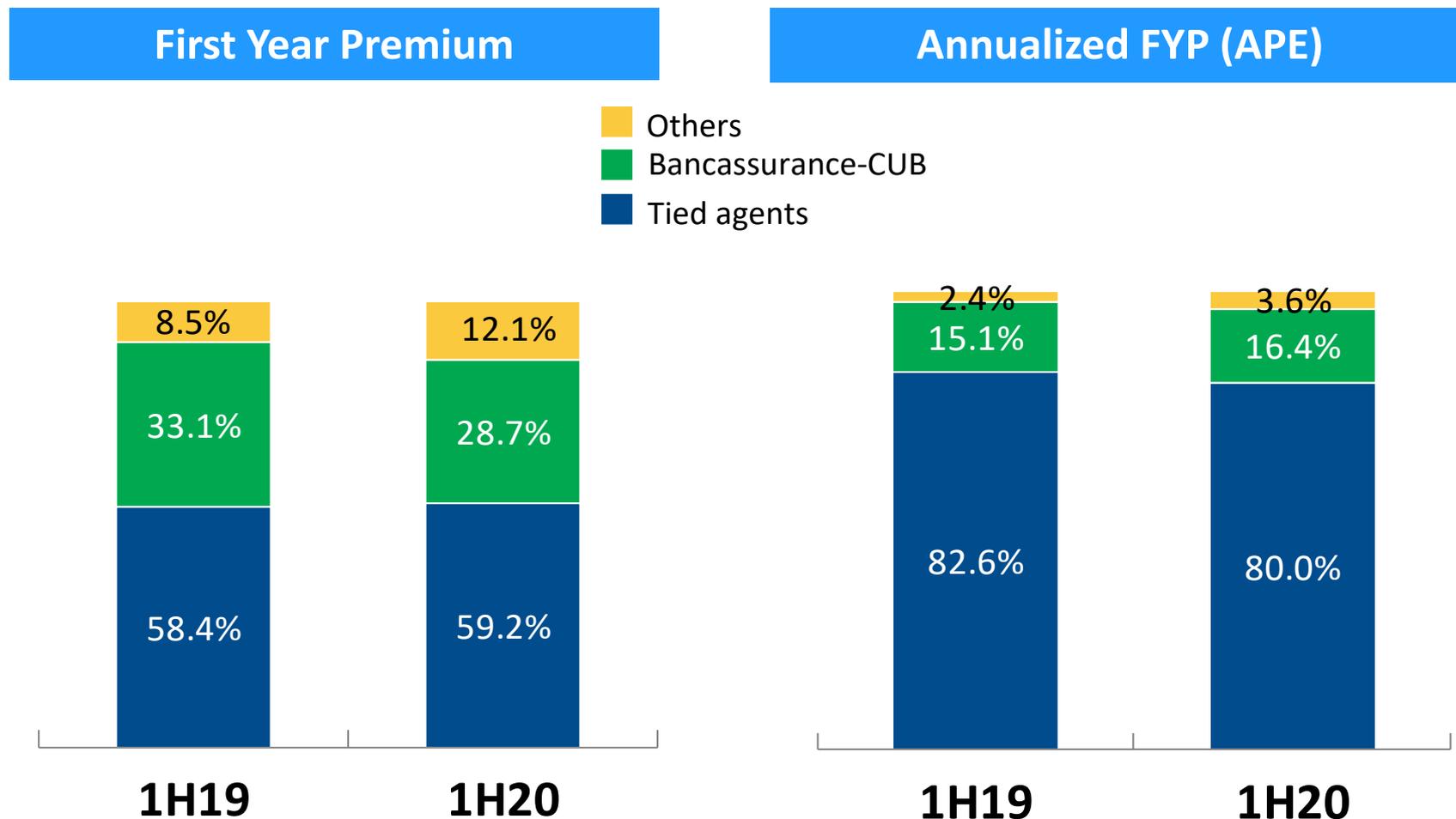
## Unrealized G/L of financial assets

- AFS financial assets (NT\$BN)
- FVOCI & FVTPL (overlay approach) (NT\$BN)



# Cathay Life – Distribution channel

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



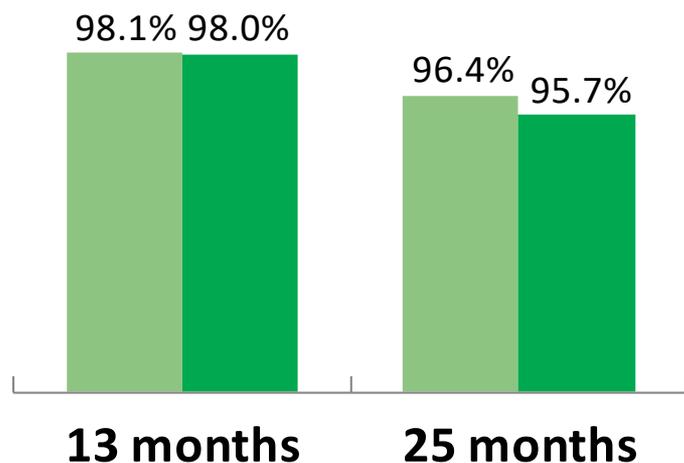
# Cathay Life – Operational indicators

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

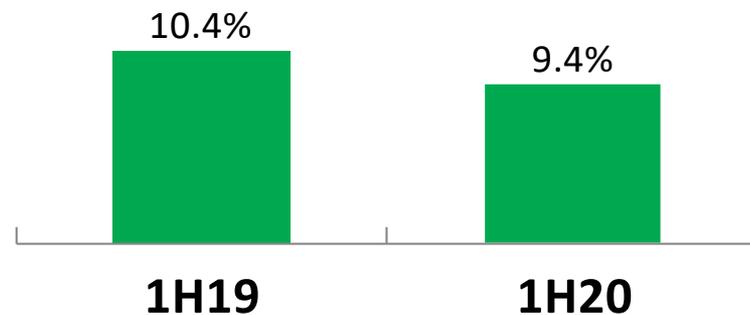
## Persistency ratio

■ 1H19

■ 1H20



## Expense ratio



# Agenda

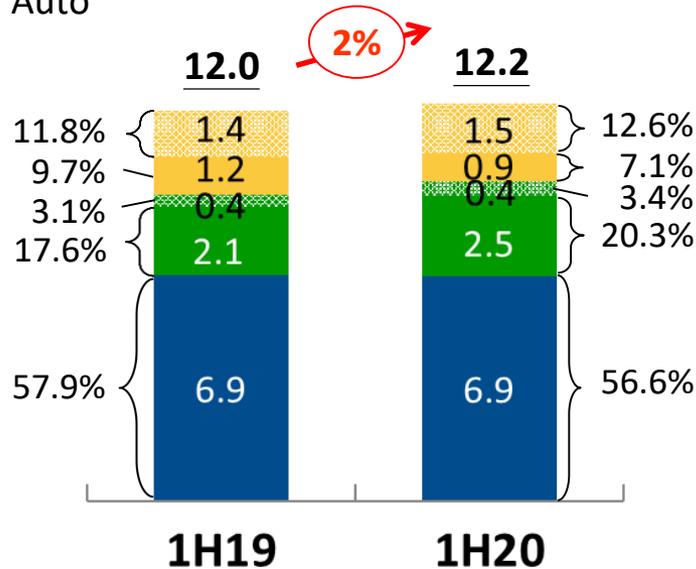
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- **Introduction of Cathay FHC**
- **1H20 Business Overview**
- **Overseas Expansion**
- **Business Performance Summary**
  - Cathay United Bank
  - Cathay Life
  - Cathay Century**
- **Cathay's CSR Efforts**
- **Appendix**

# Cathay Century – Premium income & Distribution channel

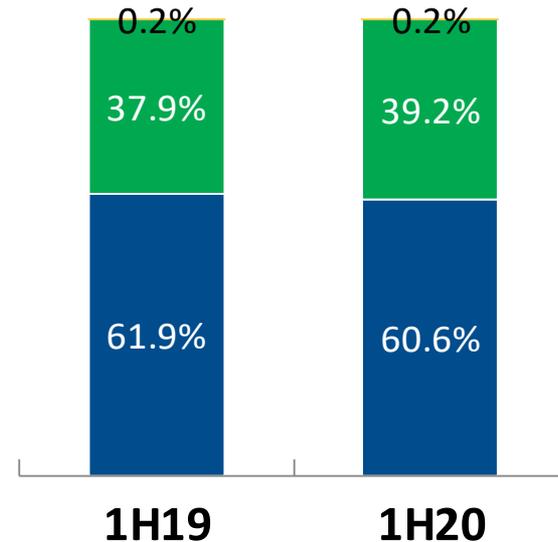
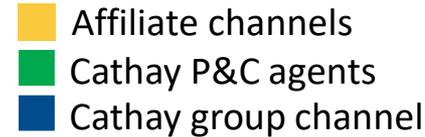
- Premium income grew steadily. Market share was 11.6% and ranked No. 2 in the industry.
- Benefiting from cross-selling synergy, over 60% of premium income was generated by the group's channel.

## Premium income



|              |       |       |
|--------------|-------|-------|
| Market share | 12.4% | 11.6% |
| Retention    | 76.4% | 75.6% |

## Distribution channel

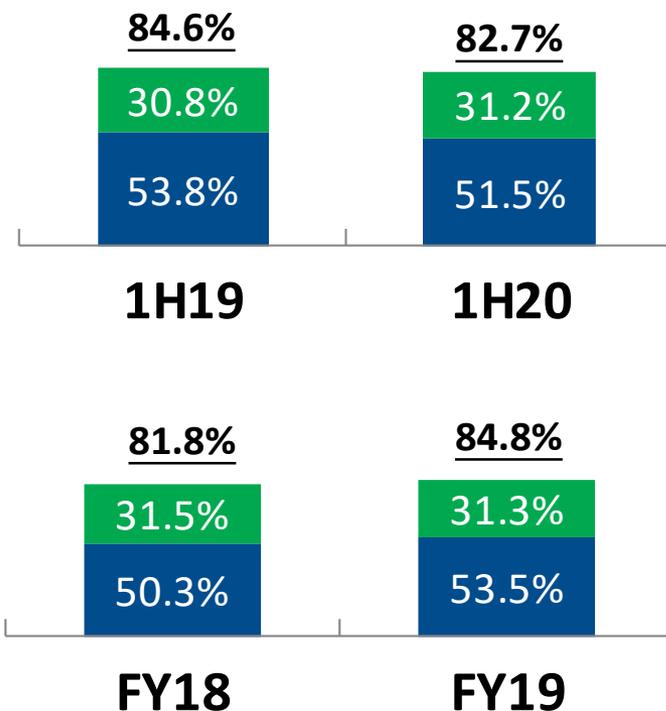


# Cathay Century – Combined ratio

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

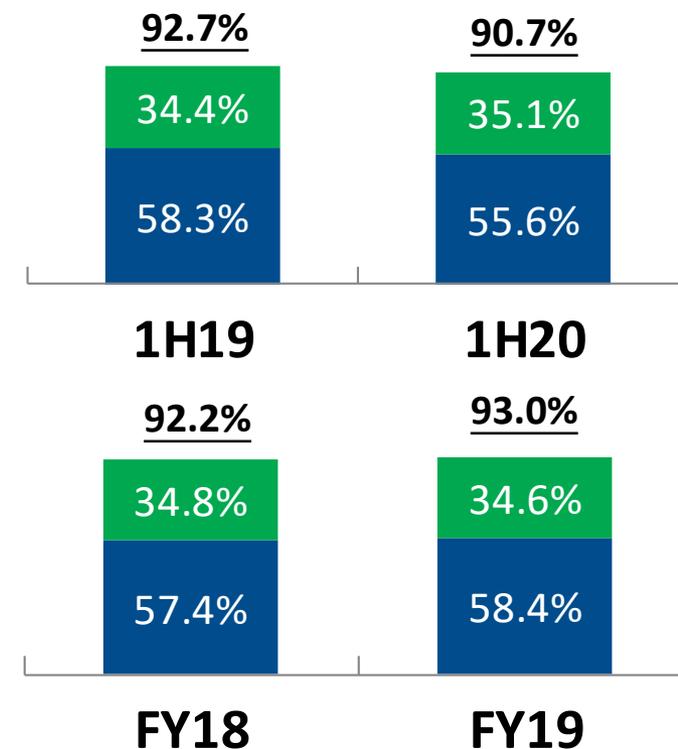
## Gross combined ratio

- Gross expense ratio
- Gross loss ratio



## Retained combined ratio

- Retained expense ratio
- Retained loss ratio



# Agenda

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- Introduction of Cathay FHC
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- **Cathay's CSR Efforts**
- Appendix

# Continuous efforts in CSR

## Recognized by local regulatory authorities

Top5 %



Over 1000 listed companies

TWSE Corporate Governance Evaluation



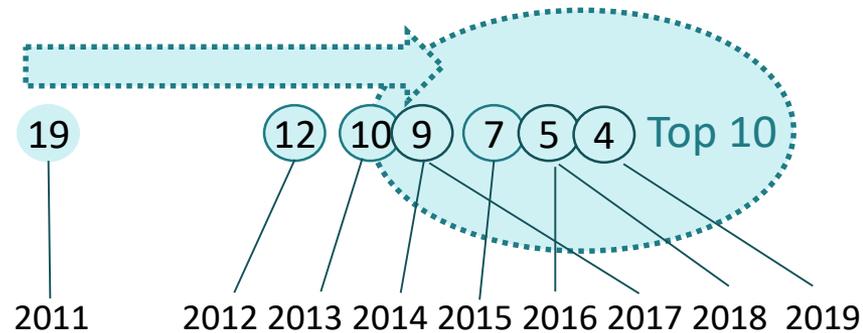
FTSE4Good  
TIP Taiwan ESG Index



Initial constituents of the  
FTSE4Good TIP Taiwan ESG Index.

## Ranked Top 10 in the Taiwan Corporate Citizenship Award

Ranked top 10 for 6 consecutive years



## Recognized by representative international ESG institutions

MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM

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

MSCI

ESG Research

IVA RATING

**A**



**A- level**



SUSTAINALYTICS

Global Universe

Rank

Percentile

464 out of 9765

6th

vigeo eiris

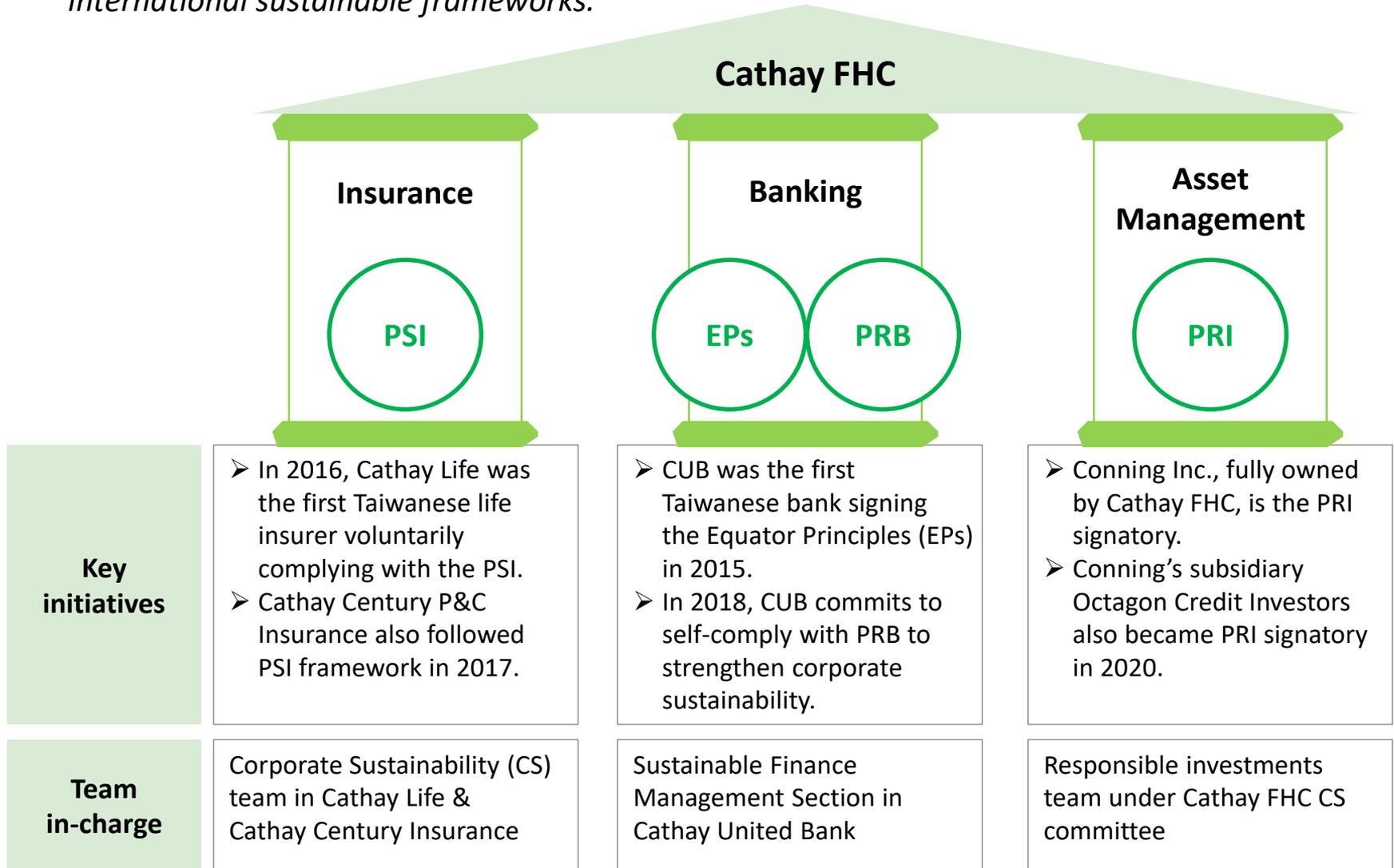
BEST EM PERFORMERS



FTSE4Good

# Integrating sustainability into our business

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



# Integrating ESG issues into all business processes

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

# Actively participate in Global ESG initiatives



- ❑ Cathay FHC was **the first Taiwan financial institution to join the CDP in 2012** aiming to improve the carbon emission data transparency of Cathay's investee companies and loan customers.
- ❑ Participated in the **CDP non-discloser engagement campaign** since 2017 encouraging Cathay's investee companies to respond to CDP questionnaires.
- ❑ Cathay' response rate in 2017 and 2018 was 19% and 14% respectively, higher than the overall response rate. The **response rate in 2019 was 14% which was ranked top 9 globally.**
- ❑ Cathay FHC was **the only Taiwan financial institution to join the Low Carbon Investment Registry** initiated by GIC in 2014.
- ❑ The low carbon investment amount registered in 2019 reached US\$ 5.49 billion.
- ❑ **Cathay FHC joined AIGCC in 2016** and participates in the monthly conference calls discussing global trends in climate change.
- ❑ Sophia Cheng, CIO of Cathay FHC, was appointed as the chair of AIGCC in November 2018.
- ❑ Climate Action 100+ initiative has more than 450 signatories, who manage more than USD \$40 trillion in assets under management. **Cathay Life and Cathay SITE are only two signatories in Taiwan.**
- ❑ Engaging 100 systemically important emitters and encouraging them to curb emissions, Improve governance and strengthen climate-related financial disclosures. **Cathay has been engaging with Taiwanese companies.**

# Embedded Value & Appraisal Value

NT\$BN, except for per share figures

| Valuation date                                      | 2018/12/31  | 2019/12/31   |
|---|---|--|
| In-force business investment yield                  | 3.95% ~ Year 2038 5.00%<br>for NTD policies<br>4.64% ~ Year 2038 5.78%<br>for USD policies<br>(Equivalent investment yield: 4.38%<br>Rolling over to 2019: 4.44%) | 3.57% ~ Year 2039 4.61%<br>for NTD policies<br>4.36% ~ Year 2039 5.24%<br>for USD policies<br>(Equivalent investment yield: 3.86%) |
| Risk discount rate                                  | 10%   | 9.5%   |
| Adjusted net worth                                  | 387   | 621  |
| Value of in-force business                          | 722   | 550  |
| Cost of capital (CoC)                               | -210  | -236   |
| Value of in-force business (After CoC)              | 512   | 314  |
| Embedded Value (EV)                                 | 898   | 935  |
| EV / per share                                      | 156.9 (71.5)  | 159.8 (74.1)   |
| Future one year's new business investment yield     | 3.13% ~ Year 2038 4.86%<br>for NTD policies<br>4.66% ~ Year 2038 5.79%<br>for USD policies  | 2.41% ~ Year 2039 4.35%<br>for NTD policies<br>3.86% ~ Year 2039 5.15%<br>for USD policies   |
| Value of future one year's new business (After CoC) | 52.0  | 35.0   |
| Appraisal Value (AV)                                | 1,351   | 1,242  |
| AV / per share                                      | 235.9 (107.5)   | 212.3 (98.4)   |

- Note: (1) EV/AV calculation does not include business of Cathay Life in China and Vietnam.  
(2) per share = per share of Cathay Life; (per share) = per share of Cathay FHC  
(3) The outstanding shares of Cathay Life in 2018 and 2019 are 5.73bn and 5.85bn, respectively.  
(4) The outstanding shares of Cathay FHC in 2018 and 2019 are 12.56bn and 12.62bn, respectively.  
(5) May not sum to total due to rounding.

# Summary

NT\$BN, except for per share figures

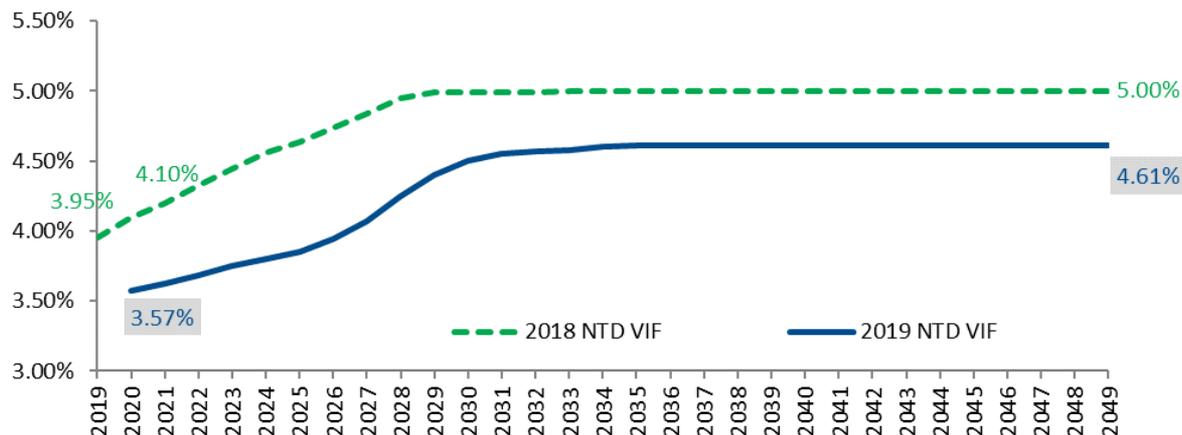
| Valuation date                   |   | 2018  | 2019  | Growth rate | 1Q20 |
|----------------------------------|---|-------|-------|-------------|------|
| Embedded value                   | Equity  | 357   | 589   | 65%         | --   |
|                                  | Adjusted net worth  | 387   | 621   | 60%         | --   |
|                                  | Value of in-force business(before CoC)                          | 722   | 550   | -24%        | --   |
|                                  | Cost of capital (CoC)   | -210  | -236  | 12%         | --   |
|                                  | Value in-force business (after CoC)                             | 512   | 314   | -39%        | --   |
|                                  | Embedded value  | 898   | 935   | 4%          | --   |
| Value of one year's new business | First year premium (FYP)  | 211.6 | 201.1 | -5%         | 42.3 |
|                                  | First year premium equivalent (FYPE)                            | 71.4  | 96.3  | 35%         | 18.2 |
|                                  | Value of one year's new business (V1NB)                         | 51.5  | 48.0  | -7%         | 8.5  |
|                                  | Profit margin (V1NB/FYP)  | 24%   | 24%   | --          | 20%  |
|                                  | Profit margin (V1NB/FYPE)                                       | 72%   | 50%   | --          | 47%  |
|                                  | Profit margin (V1NB/FYP)(investment-linked(non-VUL)is excluded) | 52%   | 34%   | --          | 35%  |
| Appraisal value (20 years NB)    | Multiple  | 8.7   | 8.8   | --          | --   |
|                                  | Appraisal value   | 1,351 | 1,242 | -8%         | --   |
| Basic Value per share            | EV / per share of Cathay FHC                                    | 71.5  | 74.1  | 4%          | --   |
|                                  | AV / per share of Cathay FHC                                    | 107.5 | 98.4  | -8%         | --   |

Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares in 2018 and 2019, which are 12.56bn and 12.62bn, respectively.

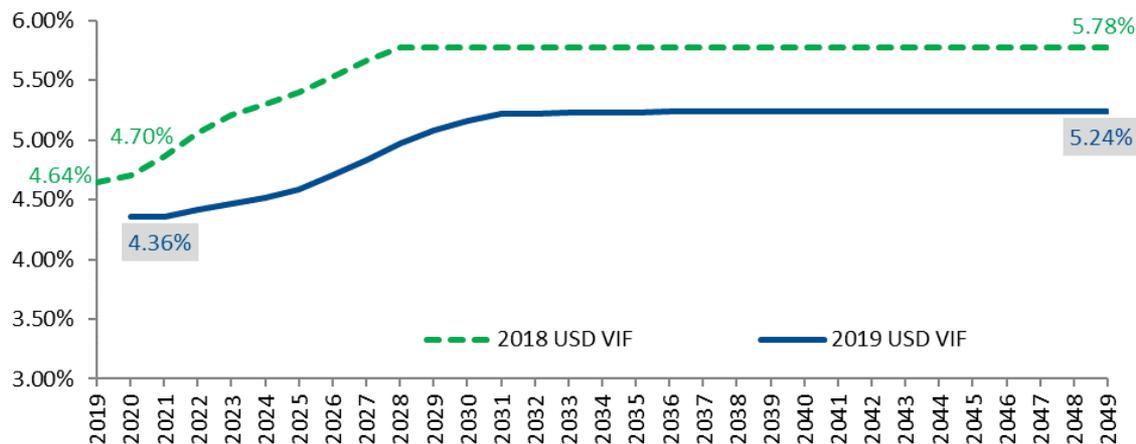
(2) Totals may not sum due to rounding.

# Economic Assumptions: In-force business investment yield

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

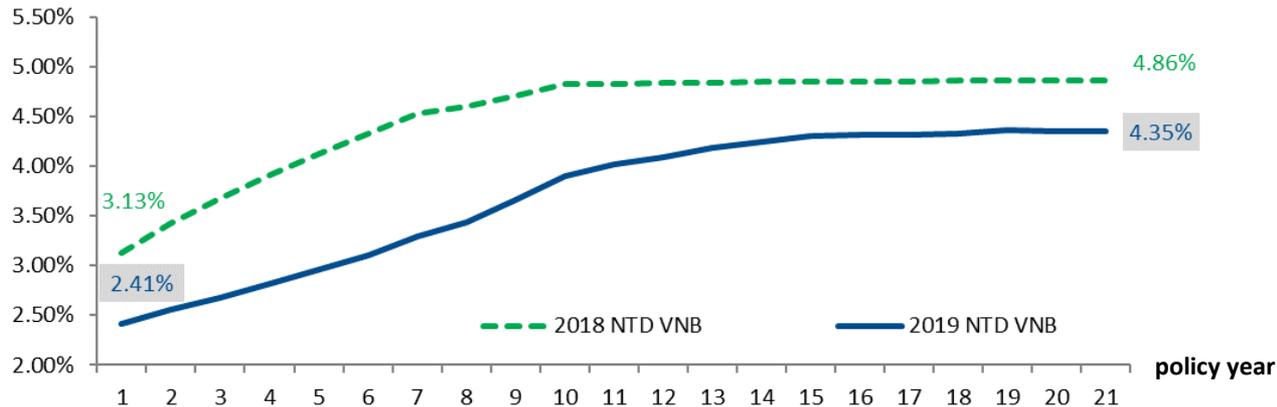


- Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2018 & 2019.

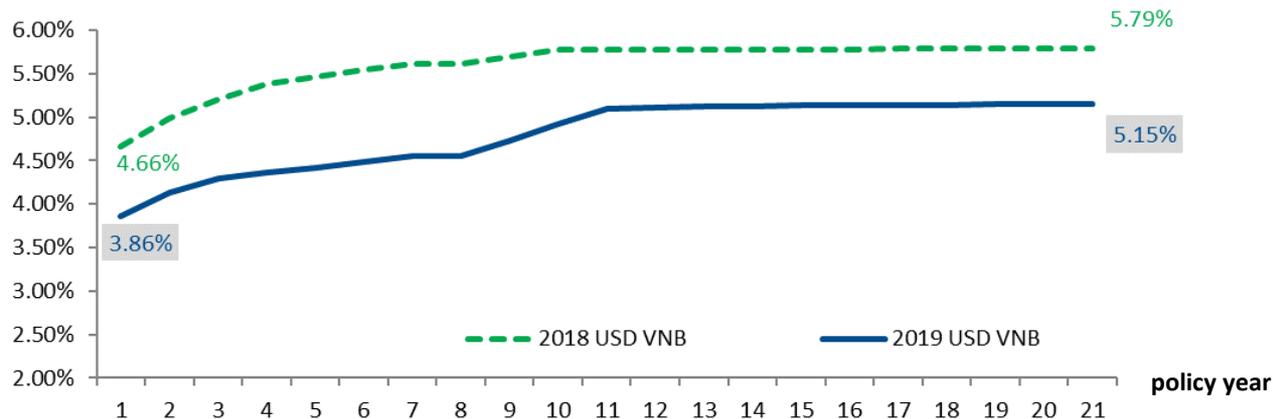


# Economic Assumptions: Future one year's new business investment yield

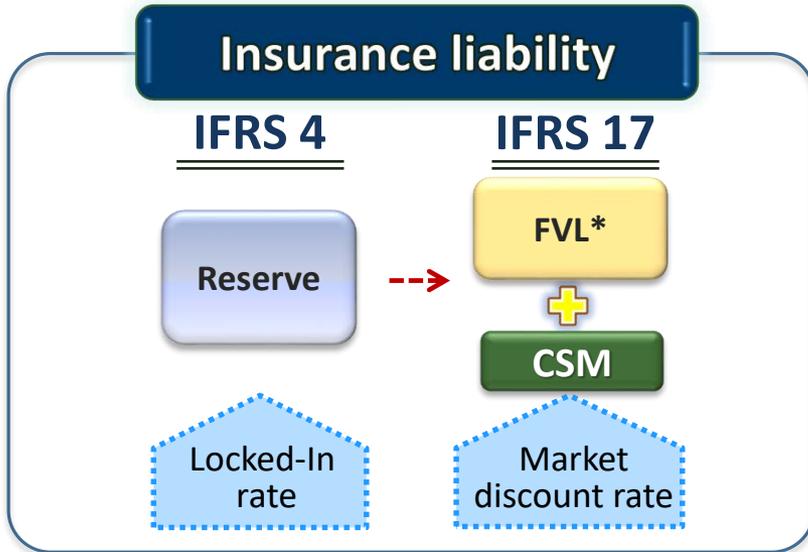
- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2018 & 2019.



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



# IFRS 17 – Measurement



## Profit indicators of new products



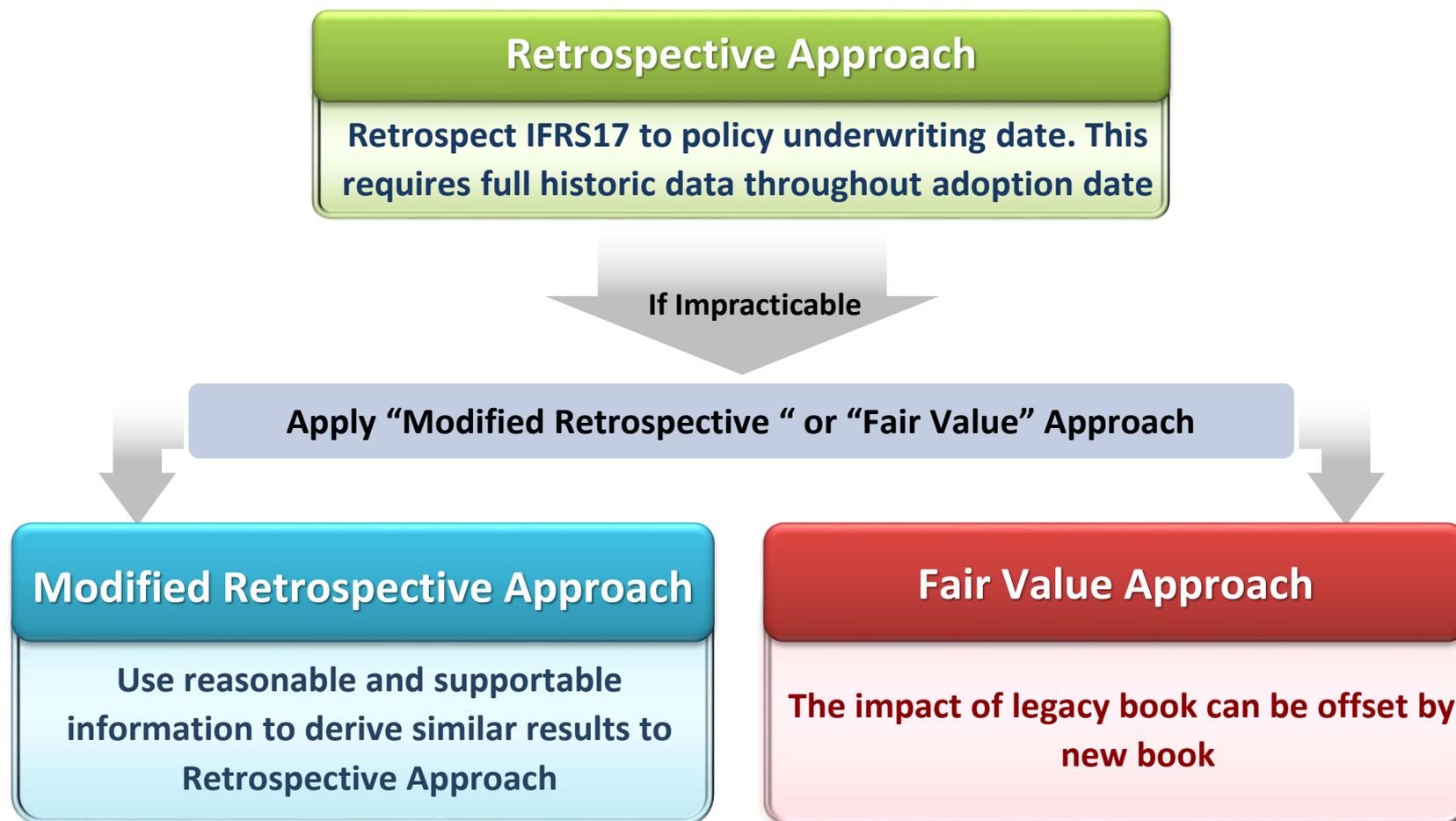
- Note: 1. Fulfillment Value of Liabilities (FVL): present value of future cashflows derived from insurance sold, based on market discount rate at valuation date and most recent available actuarial assumptions.
2. Contractual Service Margin (CSM): present value of future unearned profit from insurance contracts to be recognized in the remaining service period.

## VNB vs CSM

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

**Comparable among companies**

# IFRS 17 – Adoption date



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

# Accounting impact from IFRS 17

---

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

# IFRS 17 impact & preparation

## Benefiting from IFRS 17

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



## Value-driven product strategy

### CSM-focused products

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



## Capital plan

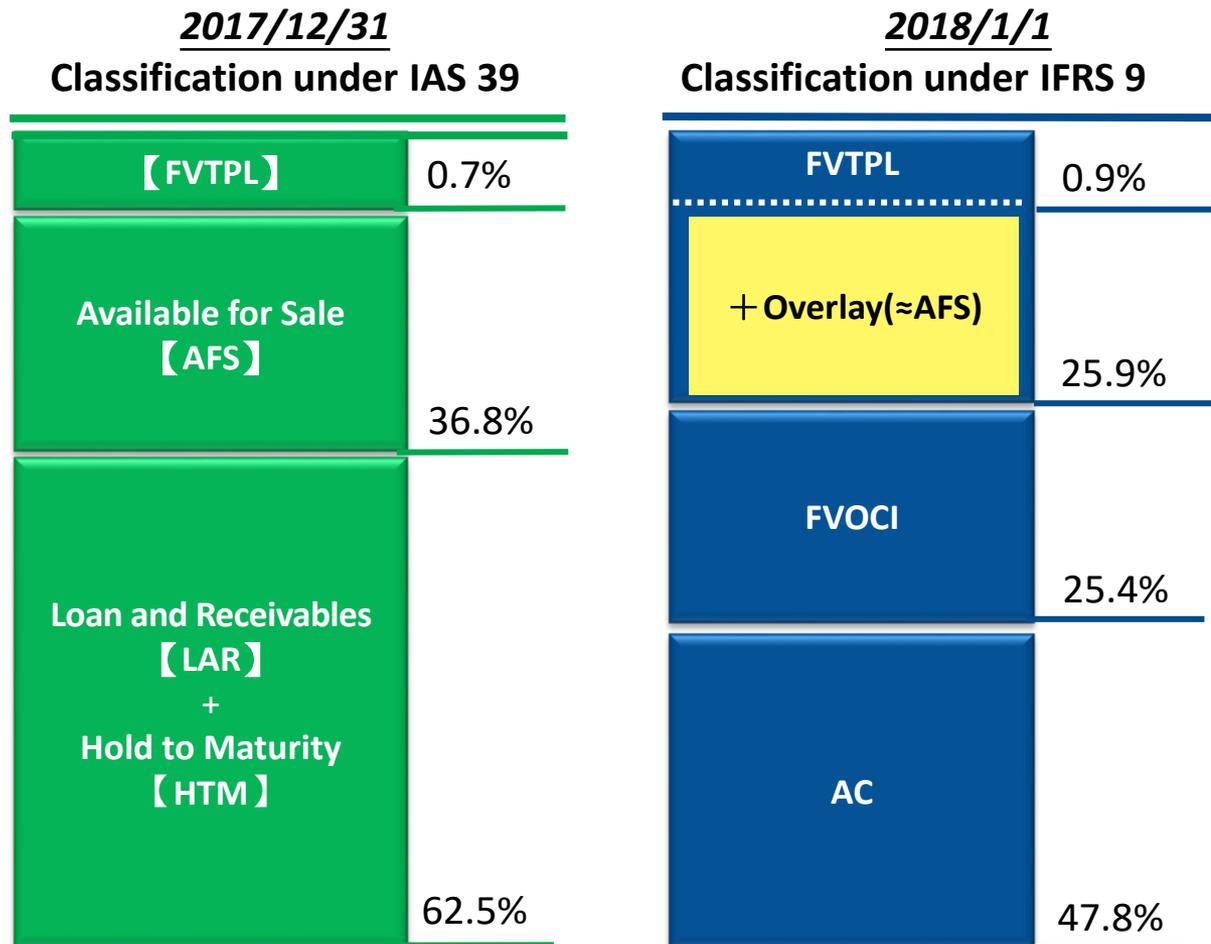
### Capital market volatility and IFRS 17 adoption

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

## Healthier Industry development

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

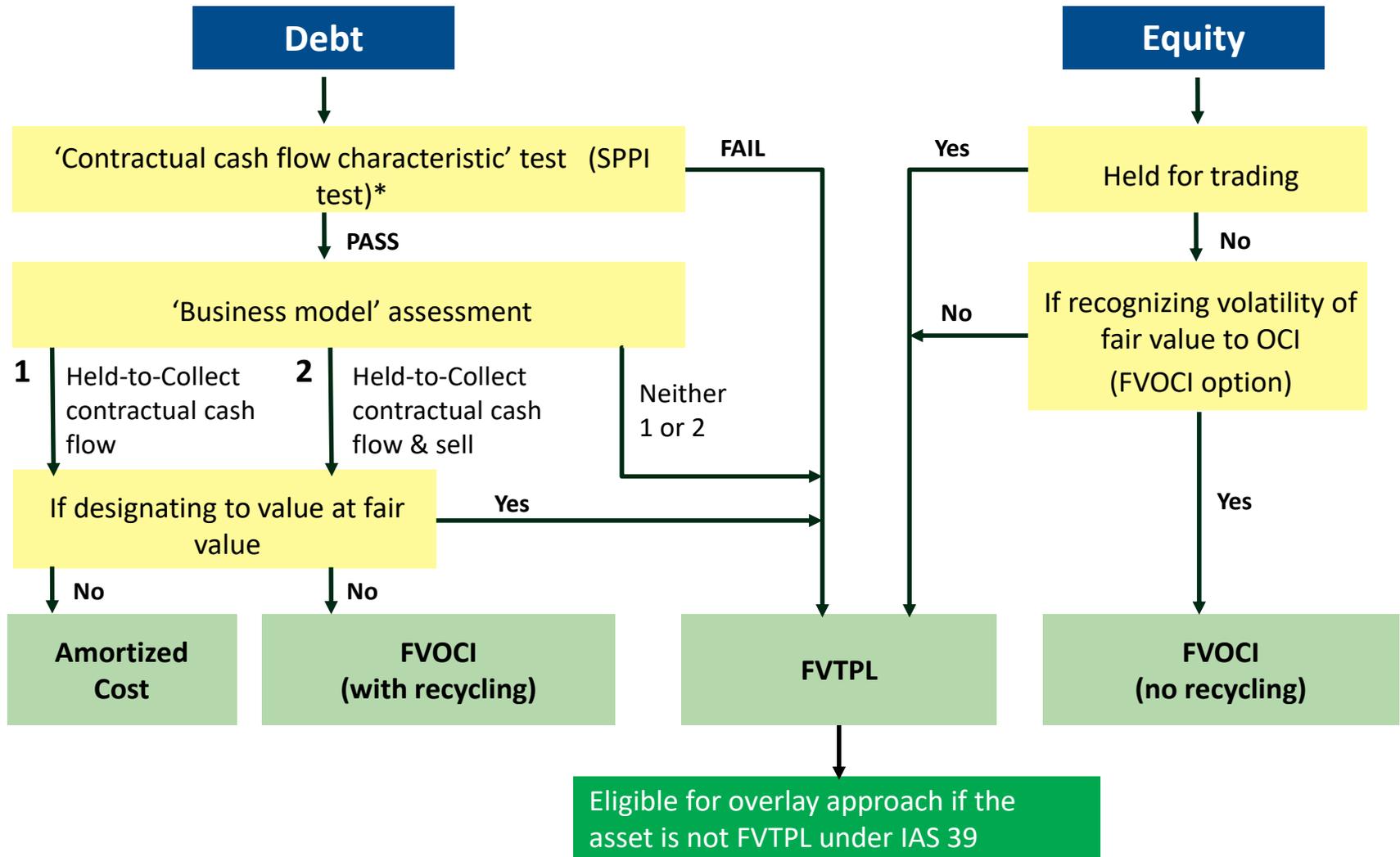
# Cathay Life - Asset reclassification under IFRS 9



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

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

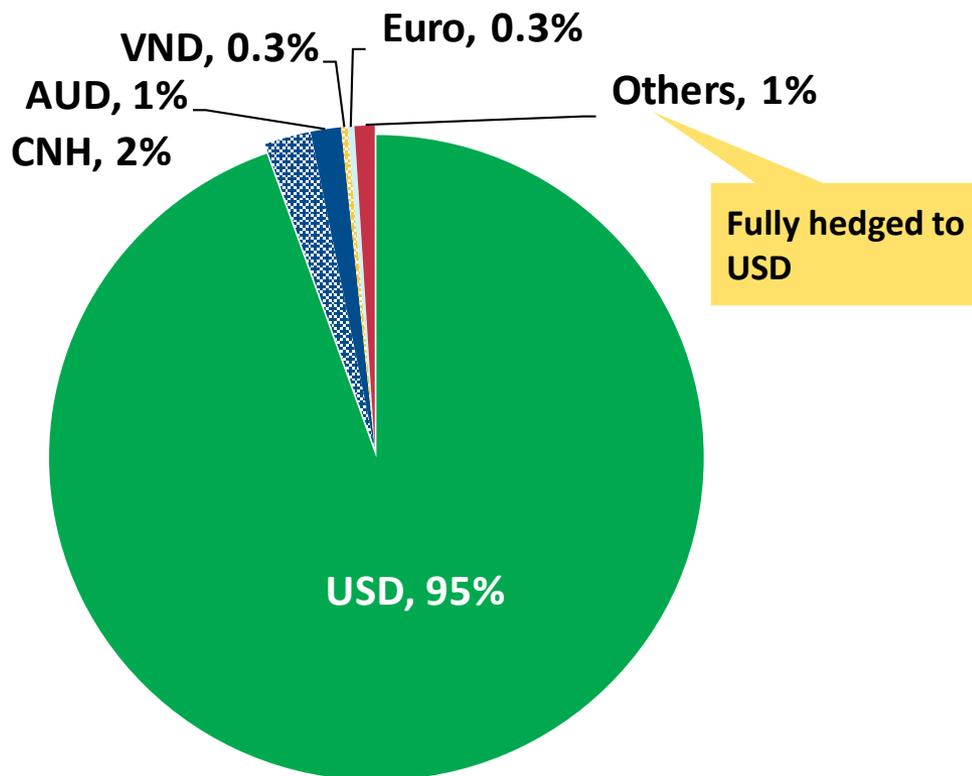
# Asset classification under IFRS 9 with overlay approach



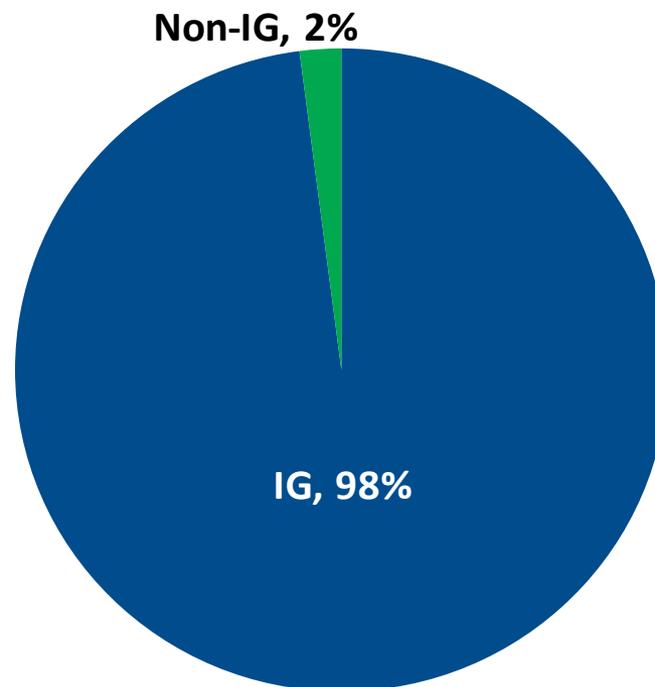
Note: **SPPI** means cash flow are solely payments of the principal and interests on the principal amount outstanding. Interests consist of the consideration of time value and credit risk associated with the principal.

# Cathay Life – Overseas bond breakdown by currency and rating

## Overseas bond by currency (1H20)

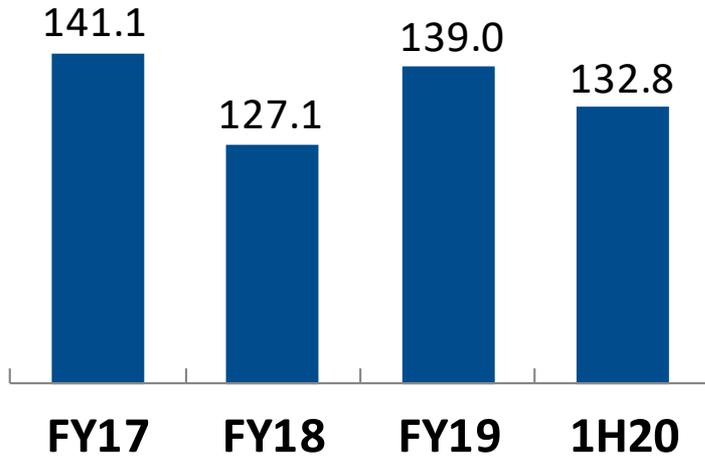


## Overseas bond by rating (1H20)

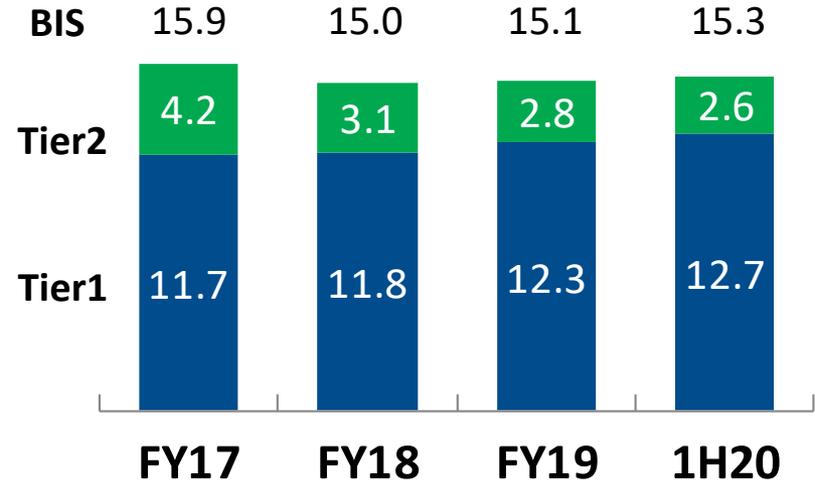


# Capital adequacy

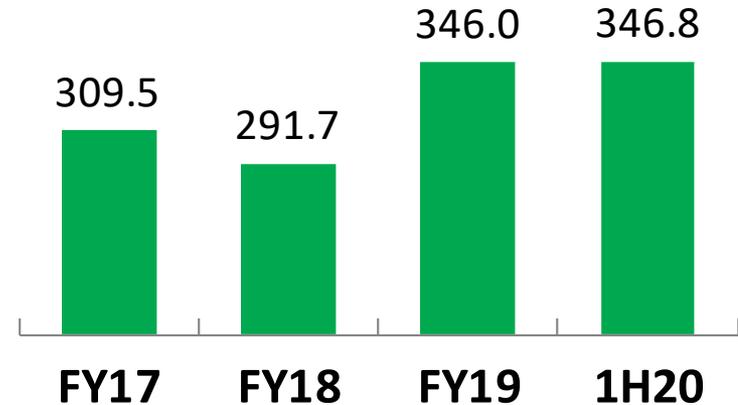
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC (%)



| Cathay Financial Holdings<br>(NT\$MN)                              | FY19/<br>FY18 |            | 1H20/<br>1H19 |           | 2Q20/<br>2Q19 |        |           |           |        |
|--|---------------|------------|---------------|-----------|---------------|--------|-----------|-----------|--------|
|  | FY18          | FY19       | % Chg         | 1H19      | 1H20          | % Chg  | 2Q19      | 2Q20      | % Chg  |
| <b>Income Statement Data (Consolidated)</b>                        |               |            |               |           |               |        |           |           |        |
| <b>Operating Income</b>  |               |            |               |           |               |        |           |           |        |
| Net interest income  | 180,628       | 196,367    | 9%            | 97,402    | 95,905        | -2%    | 49,259    | 47,625    | -3%    |
| Net commission and fee   | 7,312         | 2,346      | -68%          | 1,070     | 2,799         | 162%   | 1,598     | 491       | -69%   |
| Net earned premium   | 576,811       | 631,487    | 9%            | 309,381   | 304,967       | -1%    | 149,516   | 155,295   | 4%     |
| Change in liability reserve  | (334,122)     | (394,074)  | 18%           | (160,048) | (241,909)     | 51%    | (72,695)  | (125,655) | 73%    |
| Net claims payment   | (368,656)     | (365,669)  | -1%           | (212,677) | (135,945)     | -36%   | (110,257) | (65,404)  | -41%   |
| Investment income  | 82,634        | 89,621     | 8%            | 53,803    | 52,128        | -3%    | 31,379    | 26,154    | -17%   |
| Contribution from associates-equity method                         | 1,004         | 1,149      | 14%           | 760       | (13,010)      | -1811% | 476       | (12,622)  | -2751% |
| Other net non-interest income                                      | (6,421)       | 587        | 109%          | (6,923)   | 14,306        | 307%   | (4,242)   | 7,520     | 277%   |
| Bad debt expense   | (4,599)       | (2,205)    | -52%          | (233)     | (920)         | 294%   | 204       | (587)     | 388%   |
| Operating expense  | (78,992)      | (89,050)   | 13%           | (42,797)  | (40,498)      | -5%    | (21,028)  | (21,304)  | 1%     |
| <b>Income before taxes</b>   | 55,599        | 70,557     | 27%           | 39,737    | 37,824        | -5%    | 24,210    | 11,514    | -52%   |
| Income taxes   | (3,777)       | (6,698)    | 77%           | (5,603)   | (5,122)       | -9%    | (3,626)   | (2,326)   | -36%   |
| Net income   | 51,822        | 63,859     | 23%           | 34,134    | 32,702        | -4%    | 20,584    | 9,188     | -55%   |
| EPS (NT\$)   | 3.95          | 4.76       |               | 2.45      | 2.18          |        | 1.40      | 0.41      |        |
| <b>Dividend Payout</b>   |               |            |               |           |               |        |           |           |        |
| Cash dividend per share  | 1.50          | 2.00       |               |           |               |        |           |           |        |
| Stock dividend per share   | 0.00          | 0.00       |               |           |               |        |           |           |        |
| Weighted average outstanding shares<br>(Millions of common shares) | 12,563        | 12,618     |               | 12,563    | 13,169        |        |           |           |        |
| <b>Balance Sheet Data (Consolidated)</b>                           |               |            |               |           |               |        |           |           |        |
| Total assets   | 9,224,484     | 10,065,479 |               | 9,738,311 | 10,346,869    |        |           |           |        |
| Total shareholders' equity   | 529,289       | 782,027    |               | 698,747   | 787,239       |        |           |           |        |
| <b>Operating Metrics</b>   |               |            |               |           |               |        |           |           |        |
| ROAE (Consolidated)  | 8.83%         | 9.74%      |               | 11.12%    | 8.34%         |        |           |           |        |
| ROAA (Consolidated)  | 0.57%         | 0.66%      |               | 0.72%     | 0.64%         |        |           |           |        |
| Double leverage ratio(inc. preferred stock)                        | 112%          | 110%       |               | 111%      | 112%          |        |           |           |        |
| <b>Capital Adequacy Metrics</b>                                    |               |            |               |           |               |        |           |           |        |
| Capital Adequacy Ratio   | 127%          | 139%       |               | 129%      | 133%          |        |           |           |        |

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

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

**Balance Sheet Data**

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

**Operating Metrics (Standalone)**

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

**Capital Adequacy Metrics (Standalone)**

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

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(2) Total may not sum due to rounding.

(3) Starting from 2018/1/1, Cathay Life adopted IFRS9. The comparative information for prior periods was not restated.

**Cathay United Bank**

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

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**Cathay Century**

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

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