

2017 First Half Briefing

September 2017



國泰金控

Cathay
Financial Holdings

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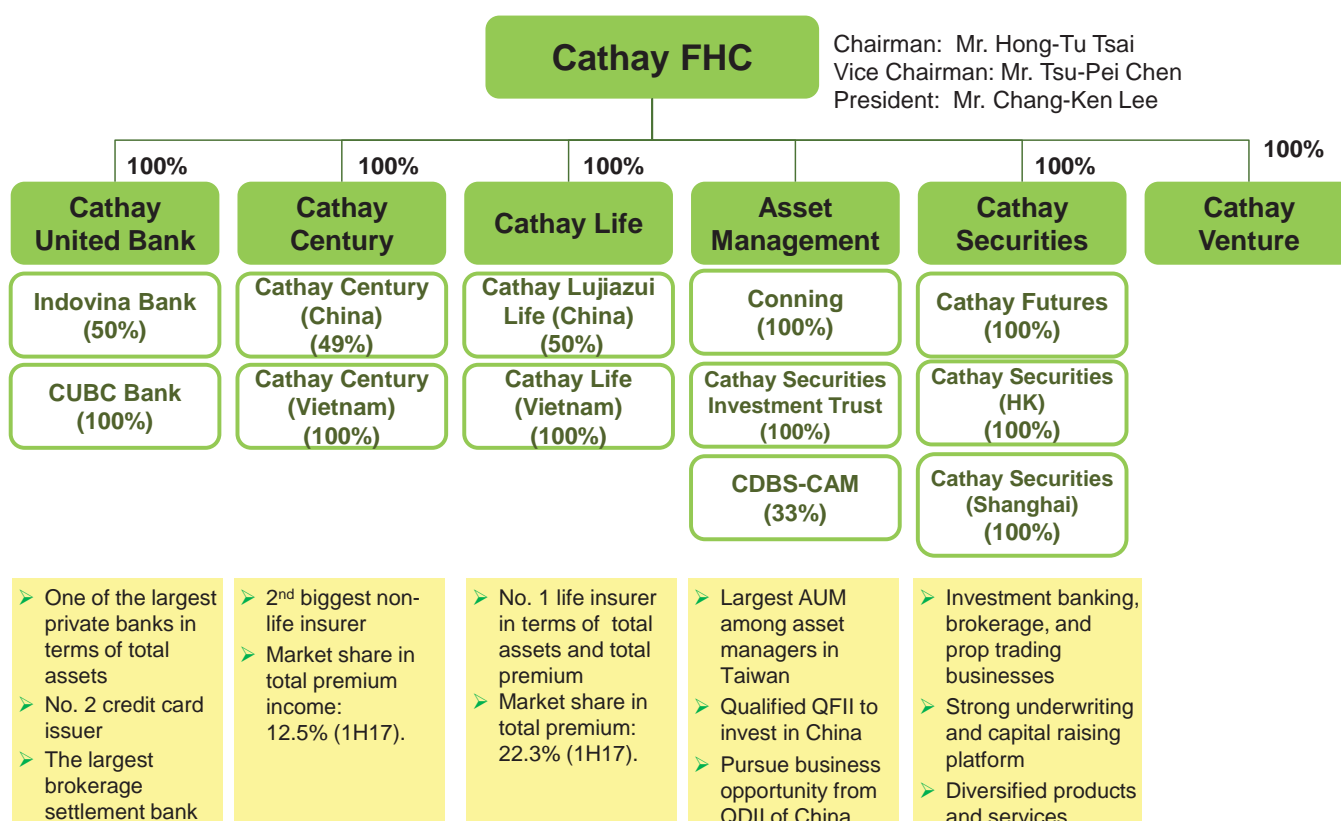
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Agenda

- **Introduction of Cathay FHC**
- **1H17 Business Overview**
- **Overseas Expansion**
- **Business Performance Summary**
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Cathay's CSR Efforts**
- **M&A Key Highlights**
- **Appendix**

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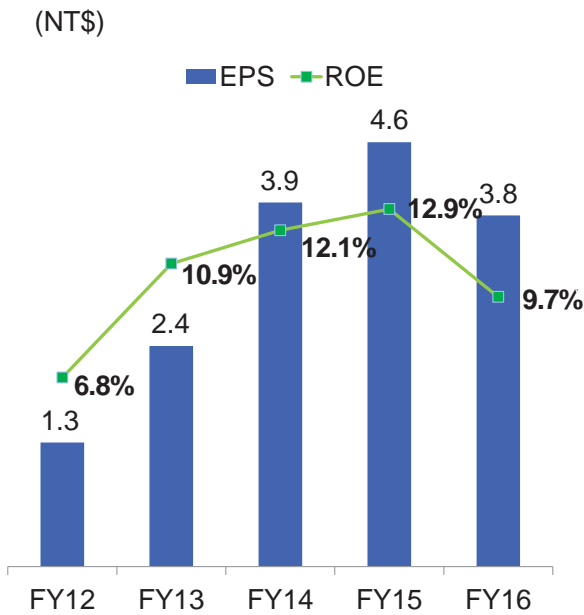
Cathay FHC: largest FHC, comprehensive products



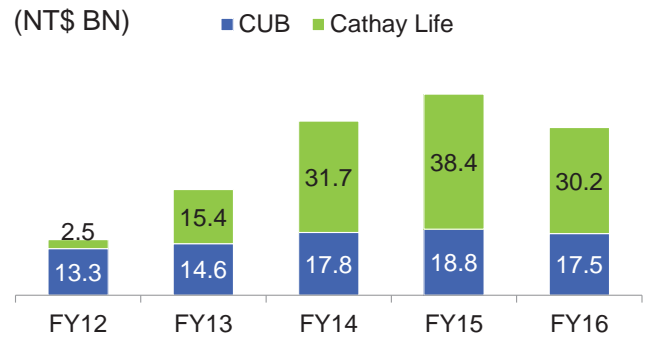
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Cathay's earnings accelerates as life turnarounds

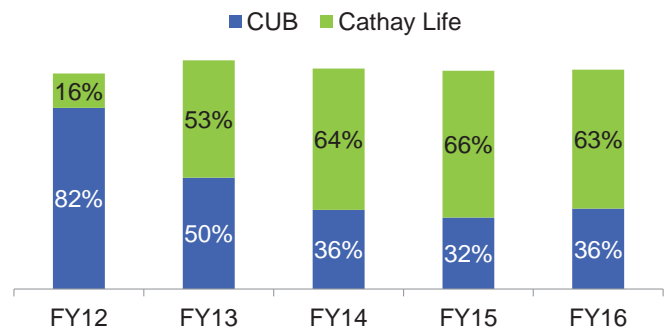
EPS & ROE



Profit contribution



FHC	16.2	29.0	49.6	57.9	48.0
Life	2.5	15.4	31.7	38.4	30.2
CUB	13.3	14.6	17.8	18.8	17.5



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

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

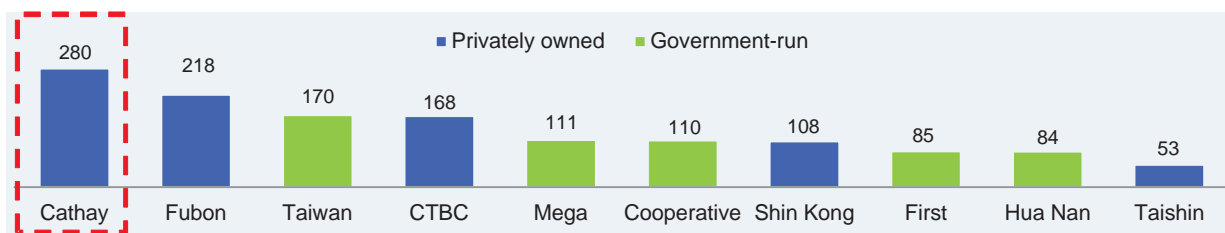
(3) EPS has been adjusted for stock dividend (stock split).

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Market leader in Taiwan's FIG sector

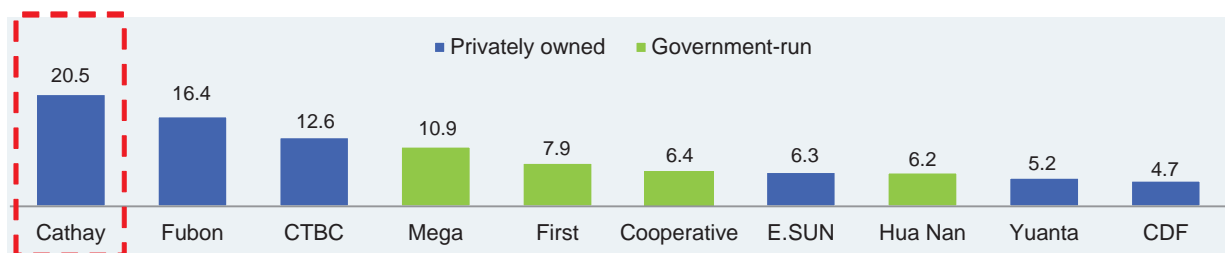
□ Largest listed financials group by market capitalization and assets.

Ranking of total asset (US\$bn)



Note: Total assets as of June. 30, 2017

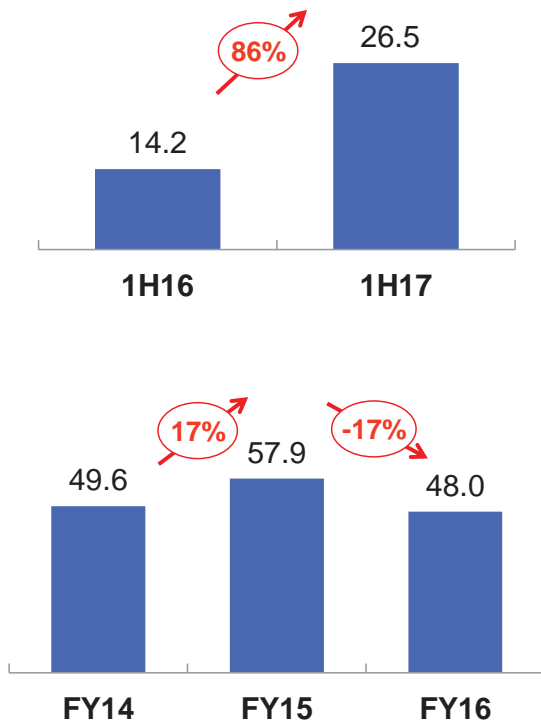
Ranking of market cap (US\$bn)



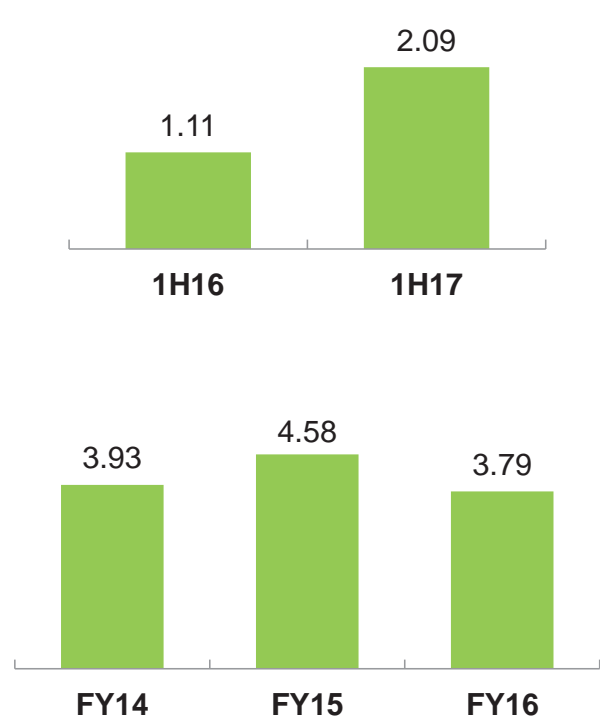
Note: Market capitalization as of Aug. 31, 2017

Cathay FHC – Net income & EPS

Net income (NT\$BN)



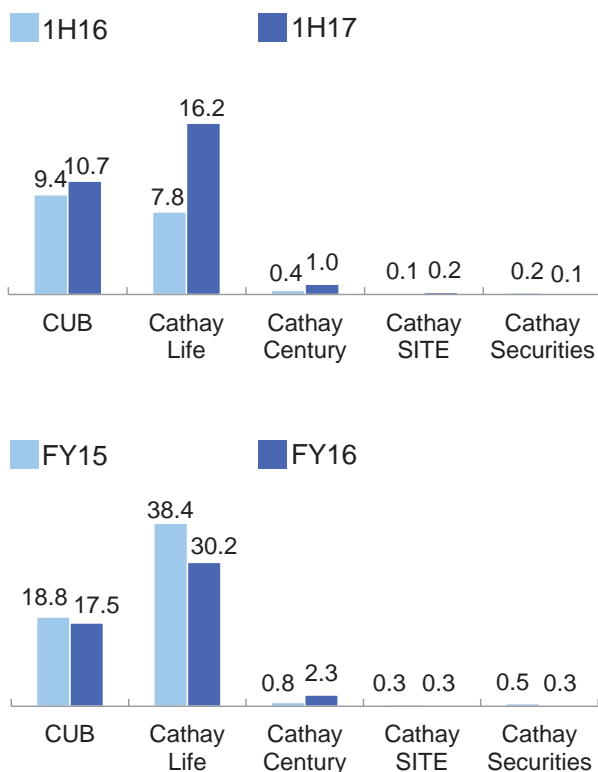
EPS (NT\$)



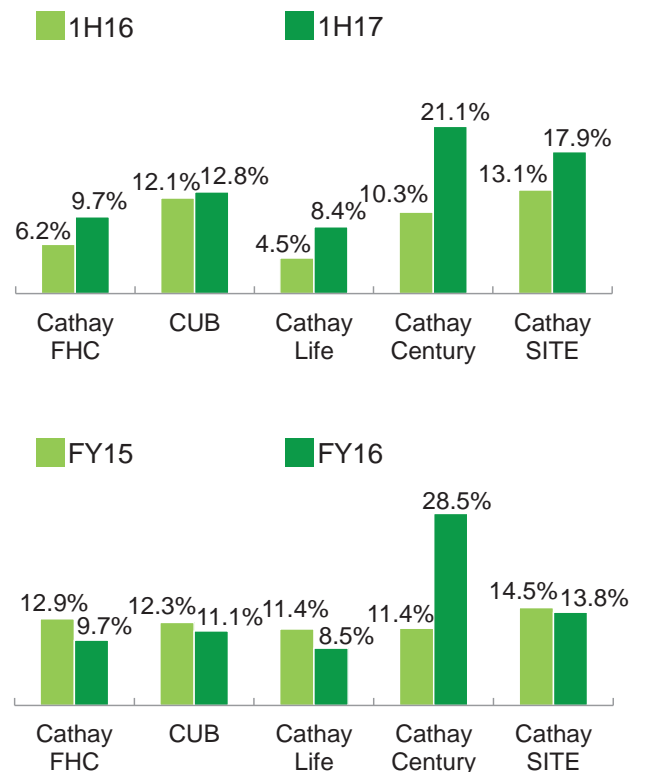
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Cathay FHC – Net income & EPS

Net income of primary subsidiaries

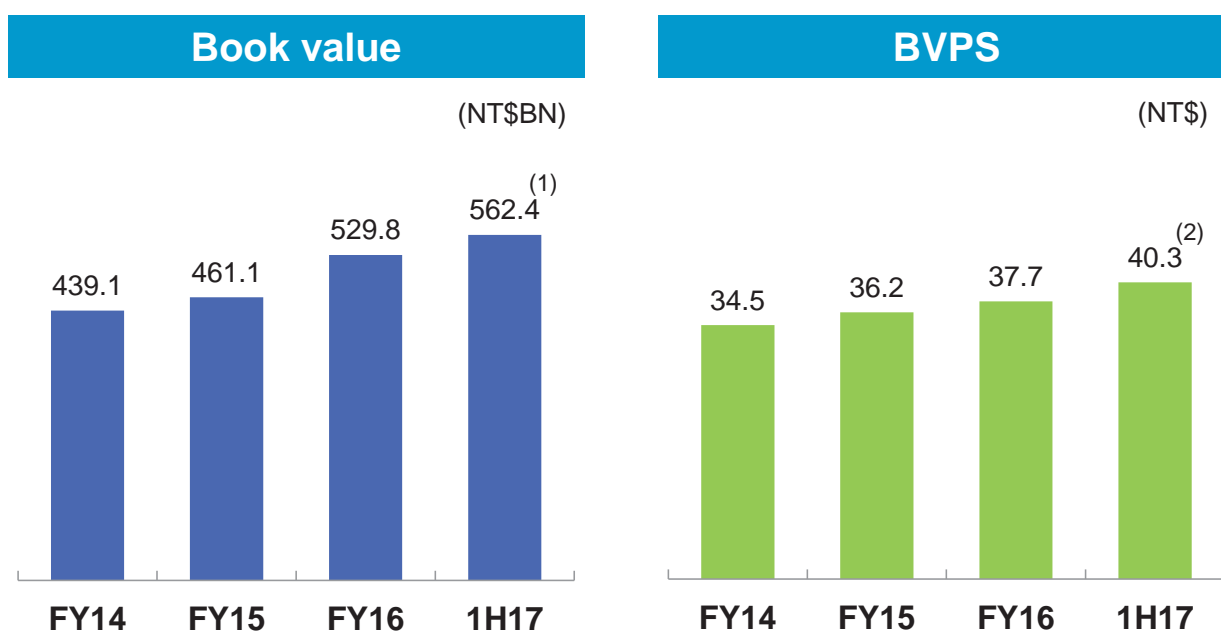


ROE



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Cathay FHC – Book value & BVPS



Note: (1) FY16 and 1H17 book value both include preferred shares NT\$50.0BN.

(2) FY16 and 1H17 BVPS represented the BVPS attributable to common shareholders. If FY16 and 1H17 BVPS were calculated by "book value / outstanding common shares", it would be NT\$41.7 and NT\$44.3, respectively.

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1H17 Business overview

Cathay United Bank

- Delivered 11% loan growth with benign credit quality
- Credit card fee continued to grow by 15% YoY
- Offshore earnings accounted for 44% of pretax earnings

Cathay Life

- Continued value-driven strategy; FYPE ranked No.1 in the industry
- Overseas investment reached 60%, overall investment performance maintained stable
- RBC ratio was 308%, remained solid capital adequacy

Cathay Century

- Premium income grew by 5% YoY
- Market share reached 12.5%, maintained No.2 market position
- Offshore business continued to grow

Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$522BN
- Received “Best Institutional House” by Asia Asset Management and “Taiwan Fund Award” by Taipei Foundation of Finance, Lipper and Smart in 2017

Cathay Securities

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

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Agenda

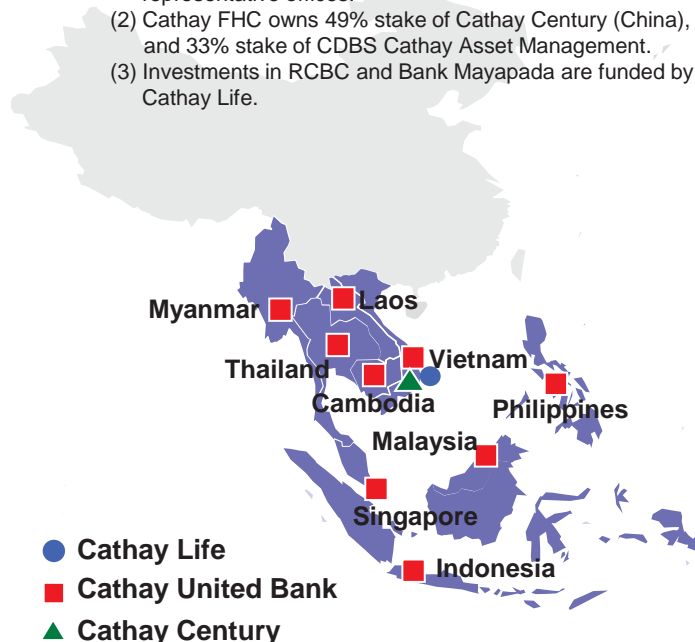
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Cathay FHC in South East Asia

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

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



Banking

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

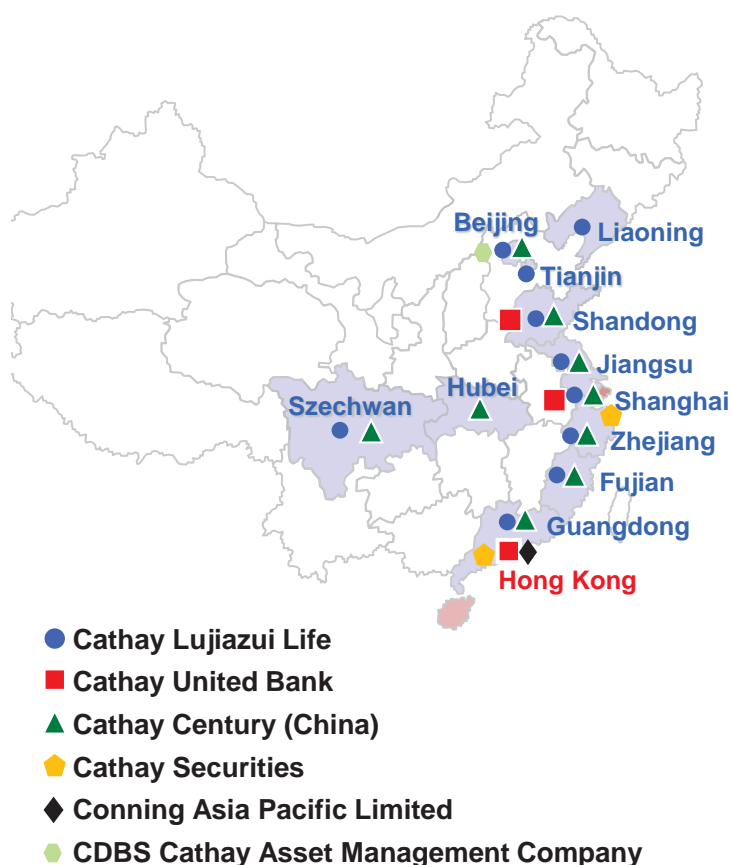
Cathay Life

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

Cathay Century

- Continues to expand local channels to enhance growth momentum

Cathay FHC in China



Cathay United Bank

- Applying license for Shanghai subsidiary

Cathay Lujiazui Life

- 1H17 solvency ratio reached 189%
- Continues to expand local business

Cathay Century (China)

- Forms a strategic alliance with Ant Financial group; now new business lines smoothly growing

Cathay Securities (HK)

- Each business line has performed steadily

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

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

Conning Asia Pacific Limited

- Continues to expand asset management business

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Cathay United Bank

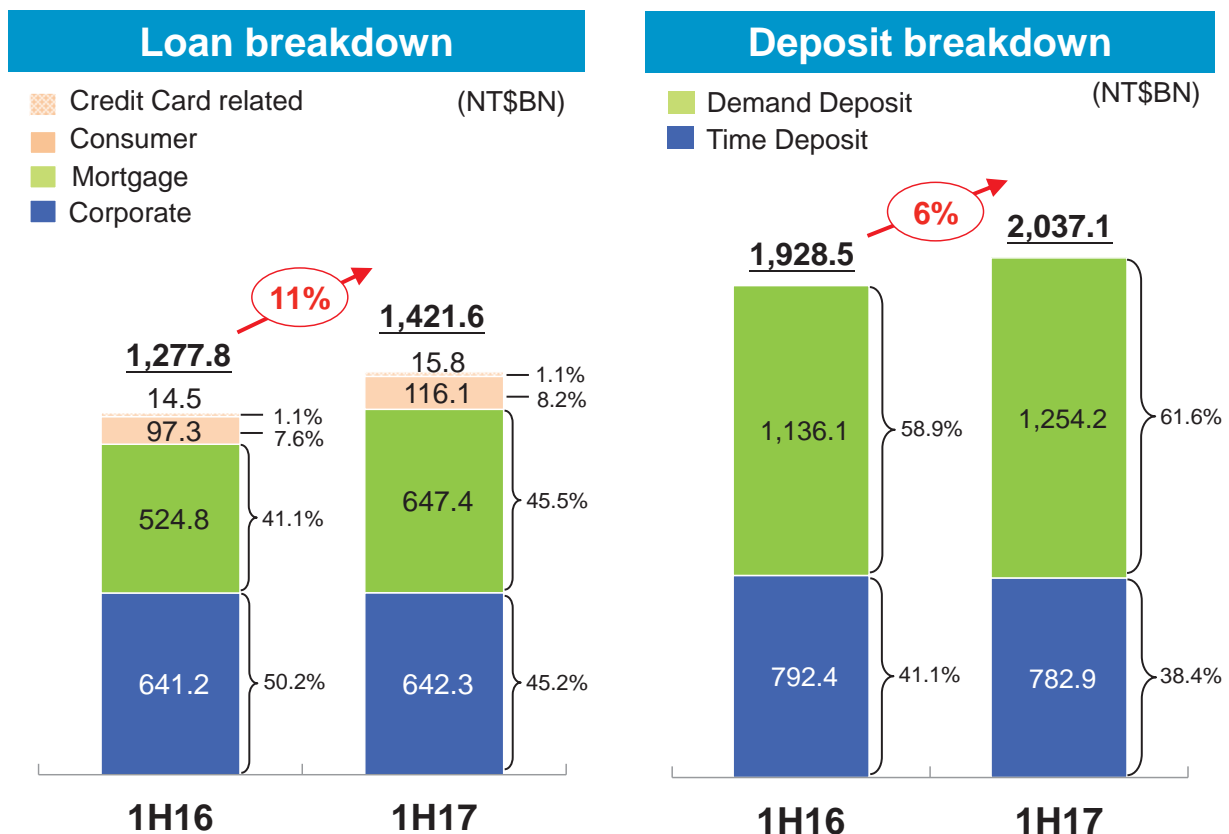
Cathay Life

Cathay Century

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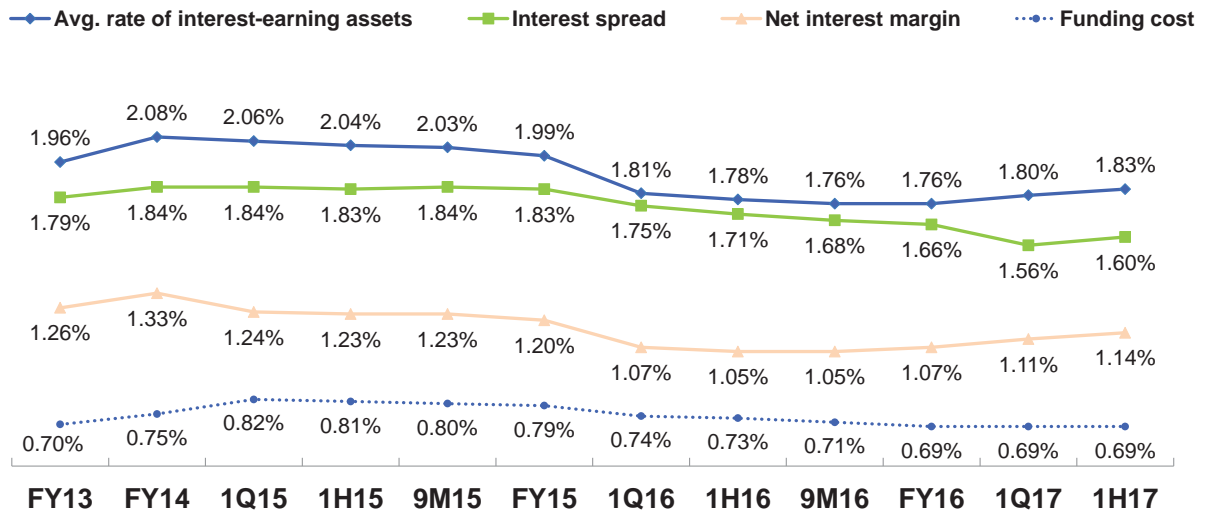
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Cathay United Bank – Loan & deposit breakdown



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Cathay United Bank – Interest yields



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

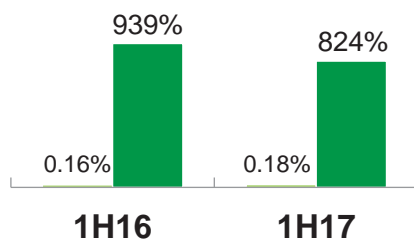
Note: Credit card related loans are included in the calculation of interest spread.

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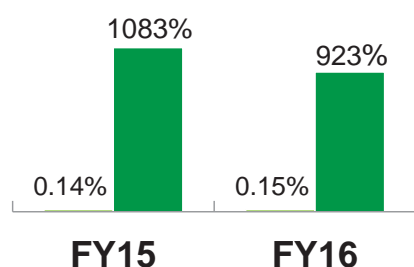
Cathay United Bank – Credit quality

NPL & Coverage ratio

- NPL ratio
- Coverage ratio



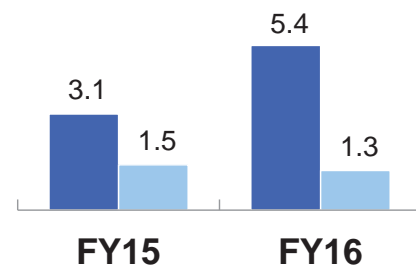
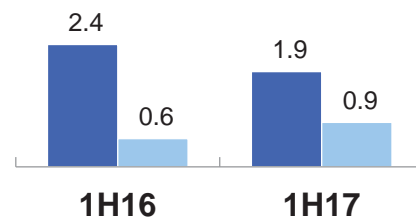
Mortgage NPL **0.06%** **0.11%**



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

Gross provision

- Gross provision (NT\$BN)
- Recovery

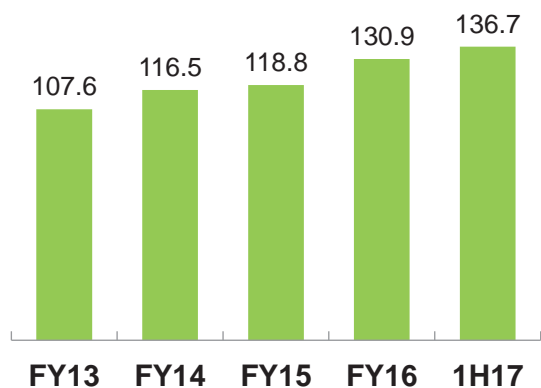


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Cathay United Bank – SME & FX loans

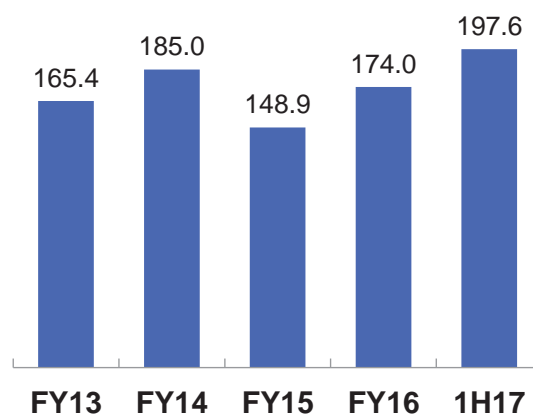
SME loans

(NT\$BN)



Foreign currency loans

(NT\$BN)



As % of total loans

10.5% 10.5% 10.6% 9.2% 9.7%

16.1% 16.6% 13.3% 12.2% 14.1%

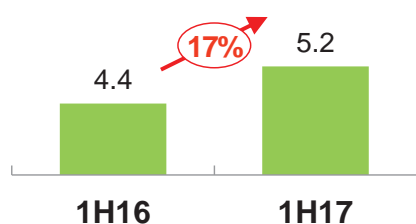
Note: Total loans exclude credit card revolving balance.

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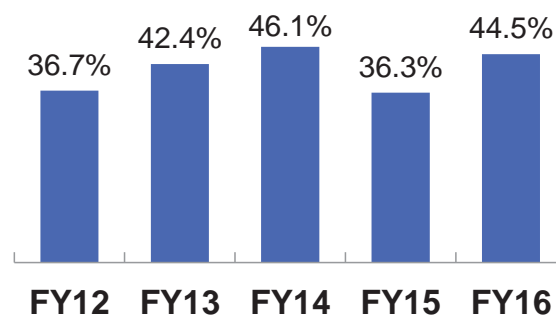
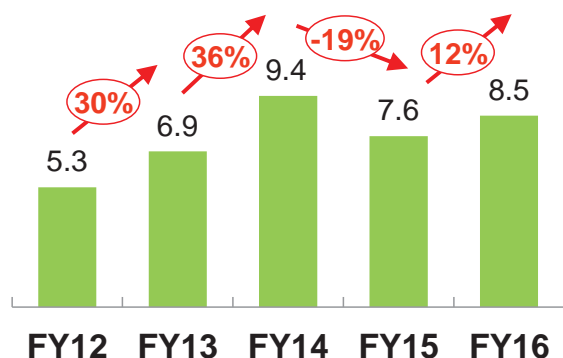
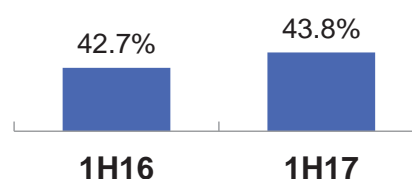
Cathay United Bank – Offshore earnings

Offshore earnings

(NT\$BN)



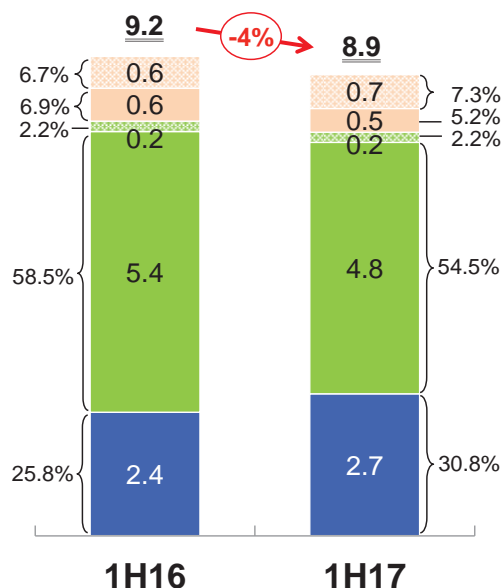
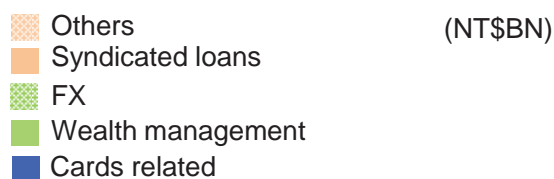
As % of CUB pre-tax profits



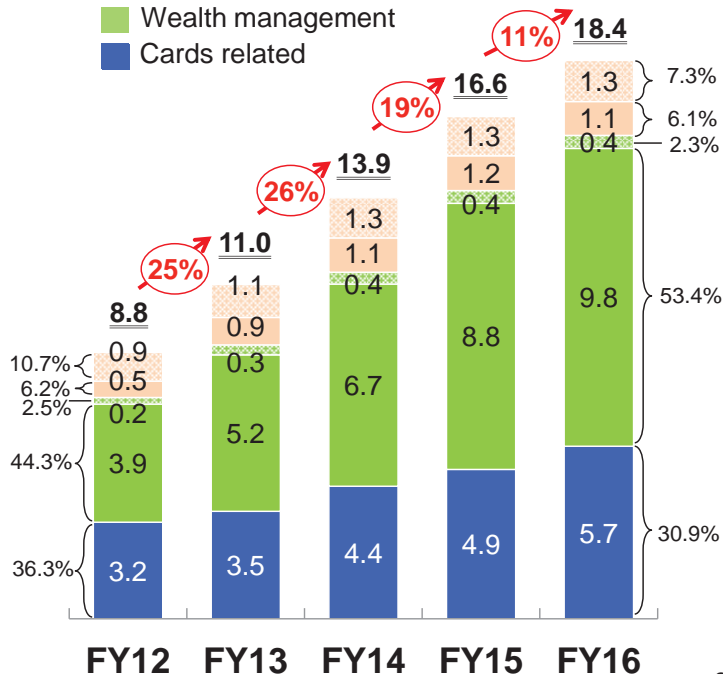
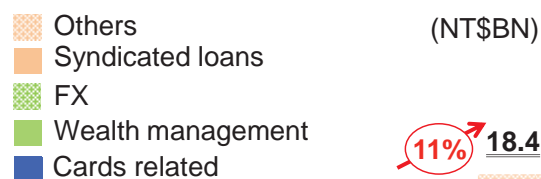
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Cathay United Bank – Fee income

Fee income breakdown (quarterly)



Fee income breakdown (annual)

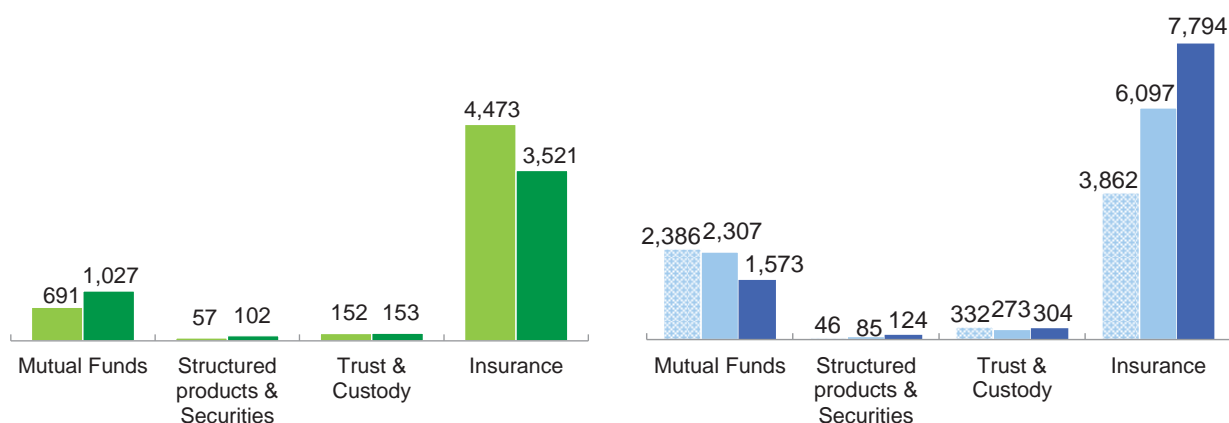


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Cathay United Bank – Wealth management fee

Wealth management fee breakdown

(NT\$MN)	1H16	1H17	FY14	FY15	FY16
Wealth Management Fee Income	5,388	4,825	6,673	8,779	9,828
YoY growth (%)	19.0%	-10.4%	29.2%	31.6%	11.9%

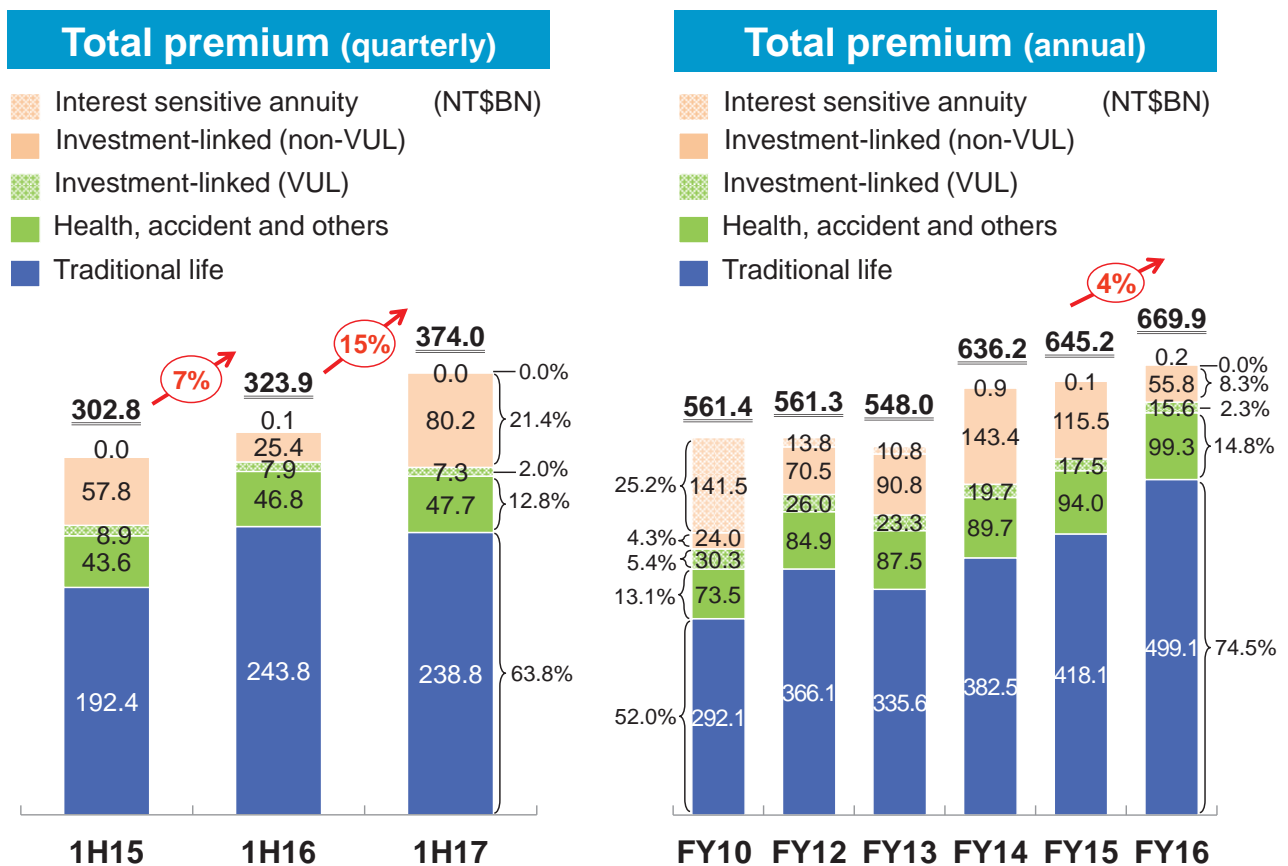


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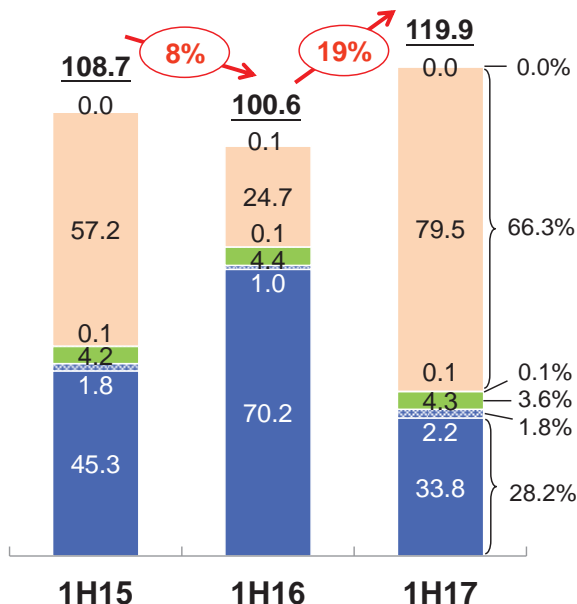
Cathay Life – Total premium



Cathay Life – FYP & FYPE

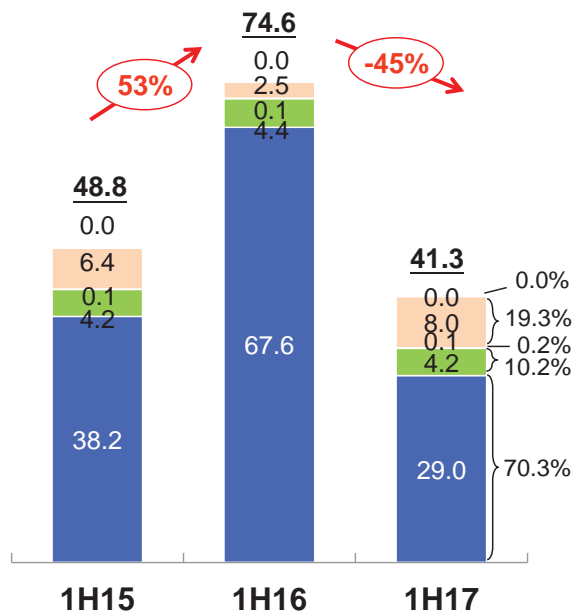
First Year Premium

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



Annualized First Year Premium

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

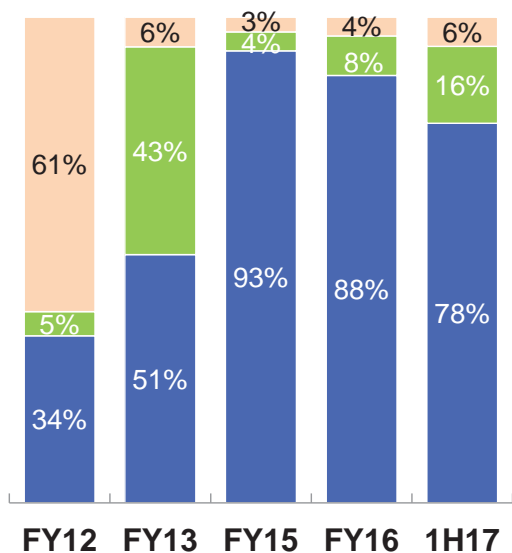


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Cathay Life – Regular paid policies remain as focus

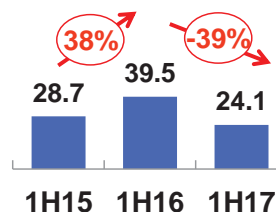
Breakdown of Traditional FYP

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

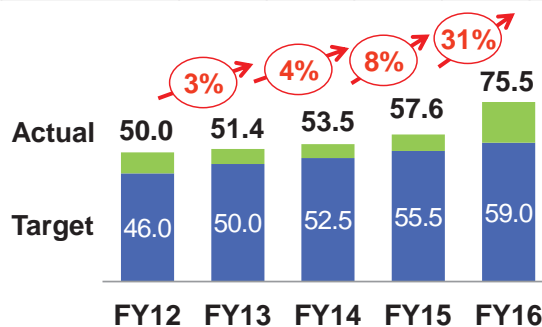


Value for New Business

Profit Margin	1H15	1H16	1H17
VNB/FYP	26%	39%	20%
VNB/FYPE	59%	53%	58%



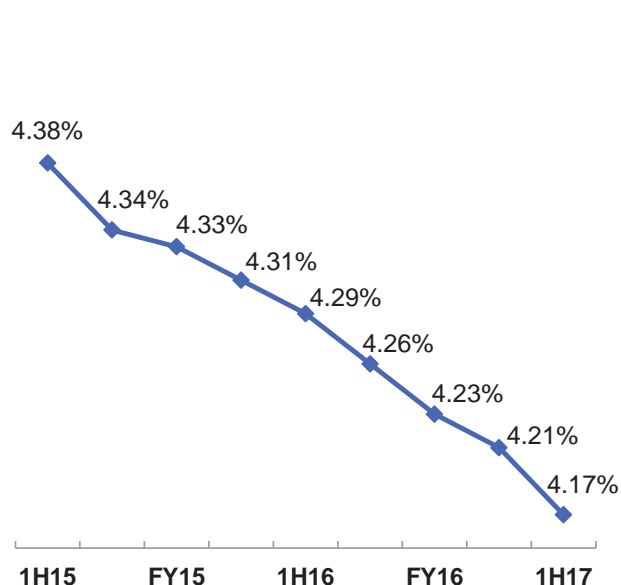
Profit Margin	FY12	FY13	FY14	FY15	FY16
VNB/FYP	19%	26%	23%	27%	38%
VNB/FYPE	54%	70%	75%	57%	56%



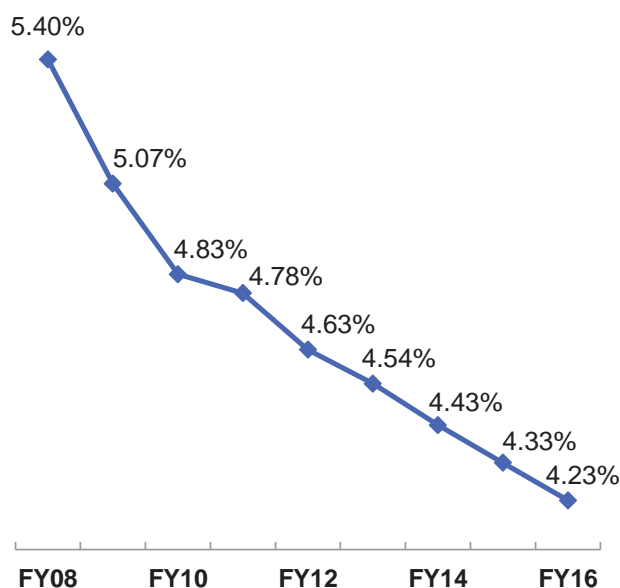
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Cathay Life – Cost of liability

Cost of liability (quarterly)



Cost of Liability (annual)



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

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Cathay Life – Investment portfolio

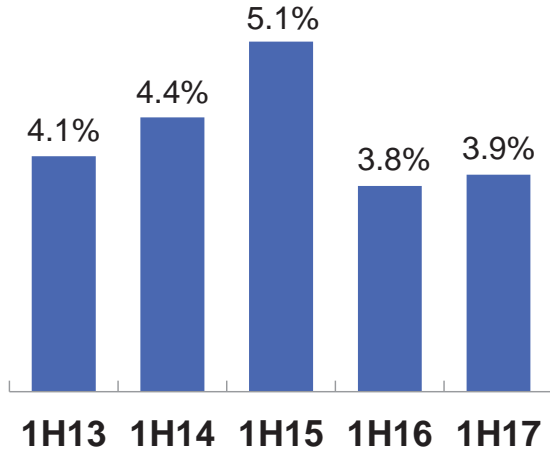
(NT\$BN)	FY14	FY15	FY16		1H17			
Total investments⁽¹⁾	4169.1	4,636.6	5,001.1		5,239.7			
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	3.2%	1.3%	1.3%	63.1	0.5%	4.0%	210.0	0.6%
Equity- Domestic	8.4%	7.4%	7.9%	393.9	5.0%	7.7%	404.9	8.1%
Equity- International ⁽²⁾	5.0%	6.2%	6.4%	319.0	5.0%	6.6%	347.6	8.9%
Bond- Domestic	11.0%	8.0%	6.5%	327.1	2.3%	6.0%	315.7	2.0%
Bond- International ⁽¹⁾⁽²⁾	43.6%	50.6%	53.8%	2,692.3	5.7%	52.5%	2,750.5	5.1%
Mortgage & Secured loans	12.7%	10.2%	8.9%	445.2	1.9%	8.5%	443.2	1.8%
Policy loans	4.0%	3.6%	3.3%	164.9	6.1%	3.1%	164.9	5.7%
Real estate	10.5%	10.5%	9.8%	487.9	3.3%	9.4%	493.7	2.2%
Others	1.6%	2.1%	2.2%	107.8		2.1%	109.2	

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

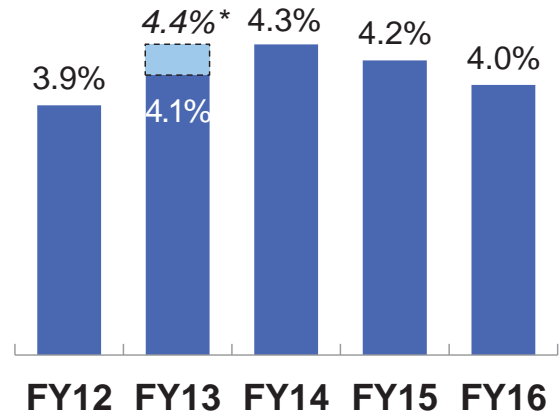
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Cathay Life – Investment performance highlight

After-hedging investment yield



After-hedging investment yield (annual)

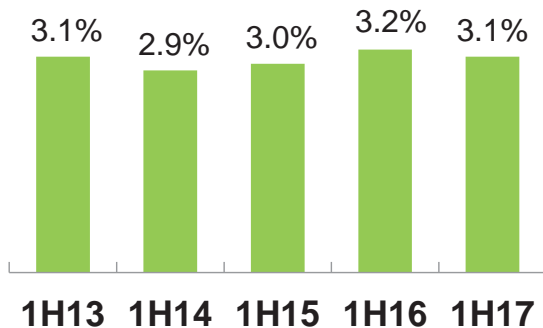


Note: FY13 (4.4%) was pro forma adjusted number of fair value method on investment property.

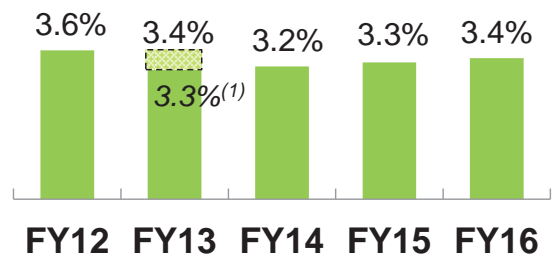
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Cathay Life – Investment performance highlight

Pre-hedging recurring yield

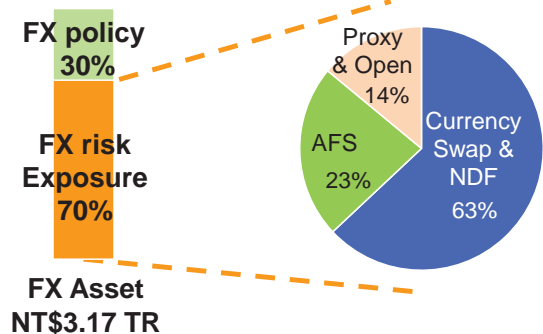


Pre-hedging recurring yield



Currency Hedging Structure

1H17 Hedging cost 1.11%

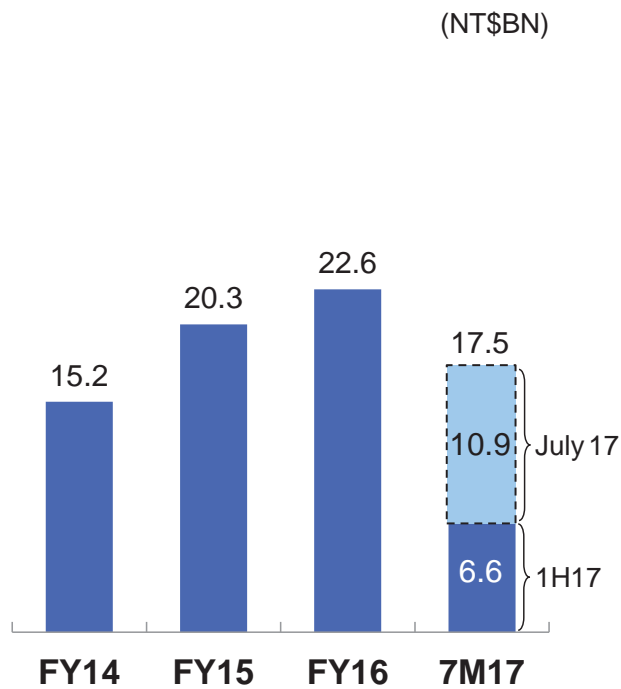


Note: (1) FY13 (3.3%) was pro forma adjusted number of fair value method on investment property.
 (2) Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend. Most dividend will be recognized in 2Q & 3Q.

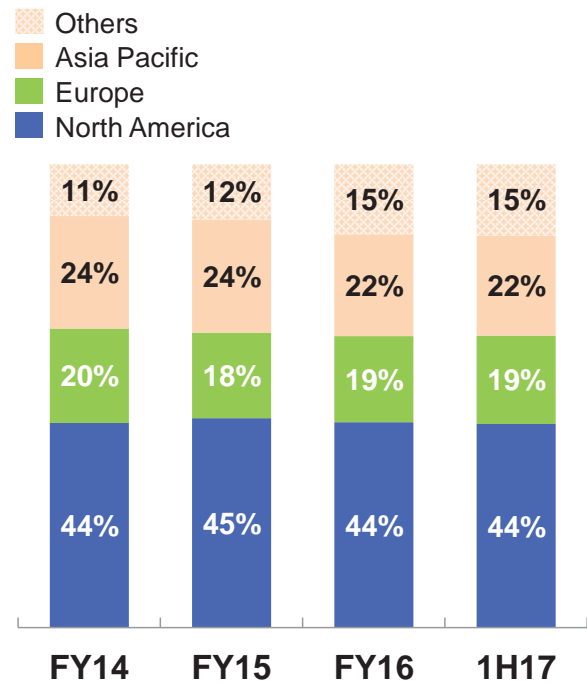
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Cathay Life – Cash dividend income & Overseas fixed income by region

Cash dividend income



Overseas fixed income by region*

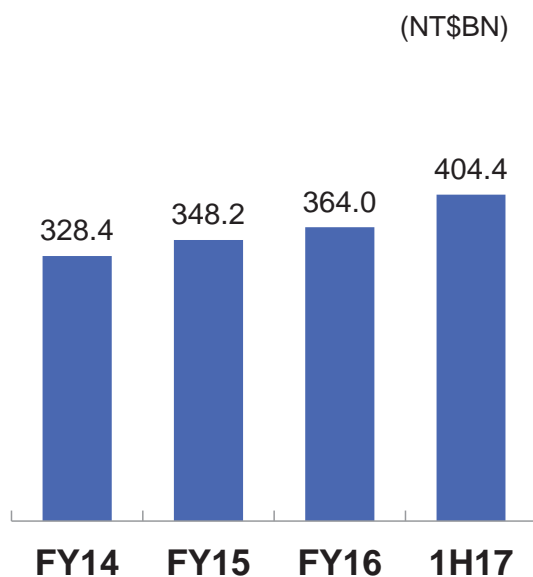


Note: Exclude overseas deposit and equity.

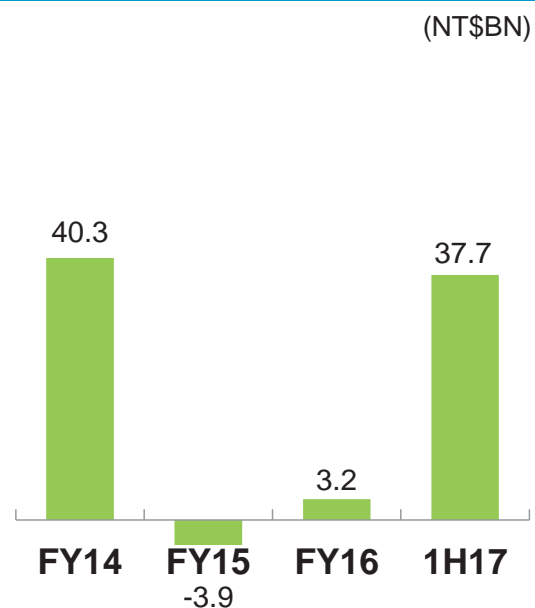
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Cathay Life – Book value & Unrealized G/L of AFS financial assets

Book value



Unrealized G/L of AFS financial assets

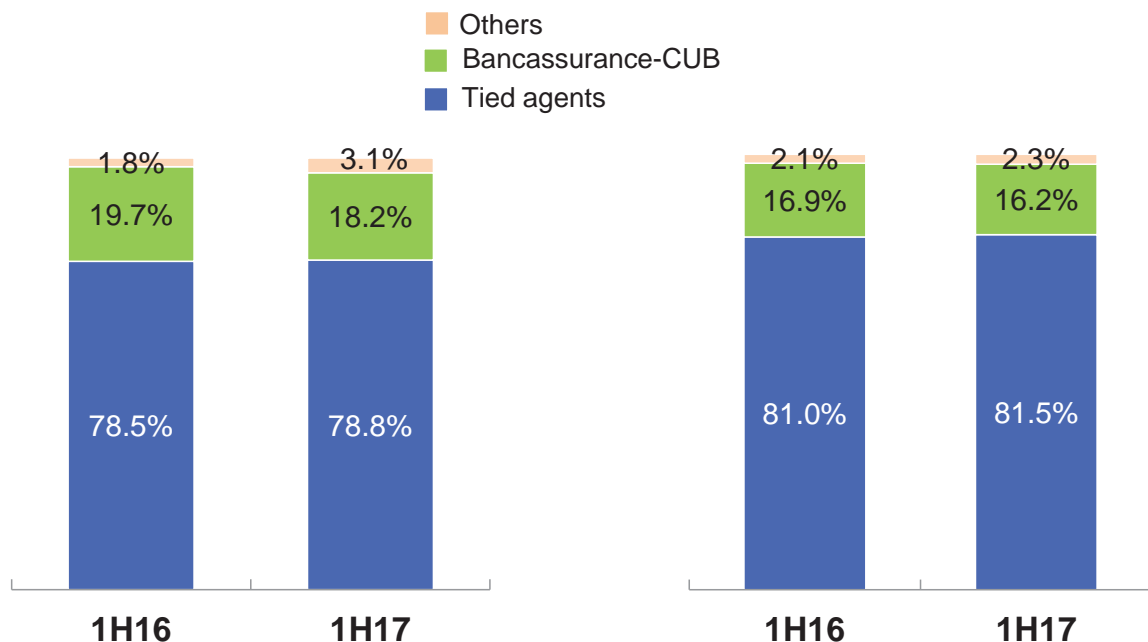


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Cathay Life – Distribution channel

First Year Premium

Annualized First Year Premium

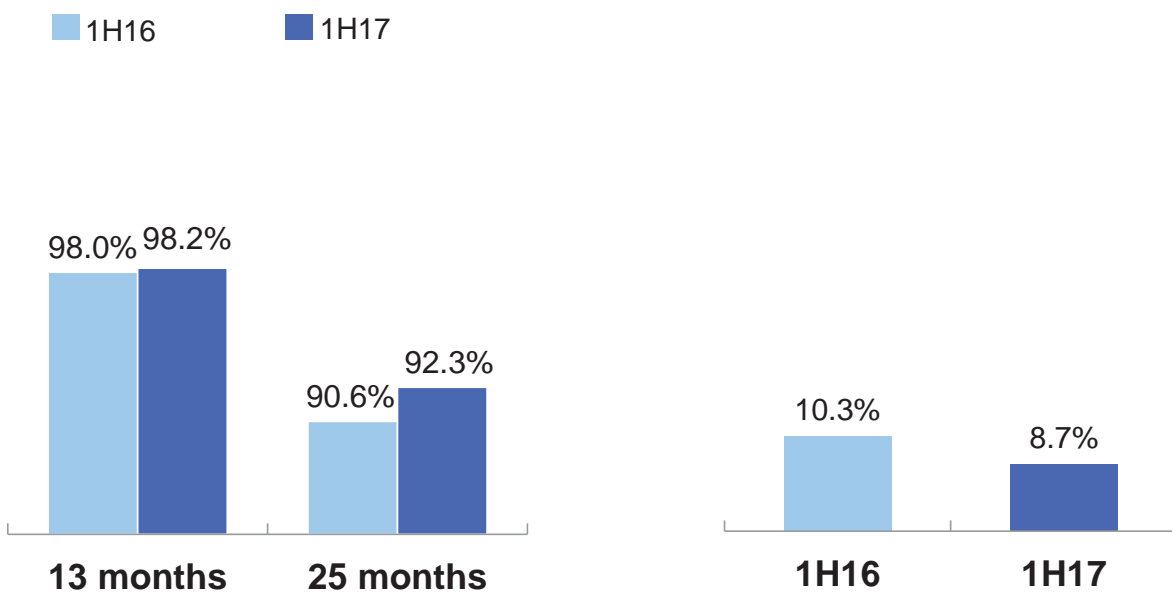


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Cathay Life – Operational indicators

Persistency ratio

Expense ratio



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Cathay Life

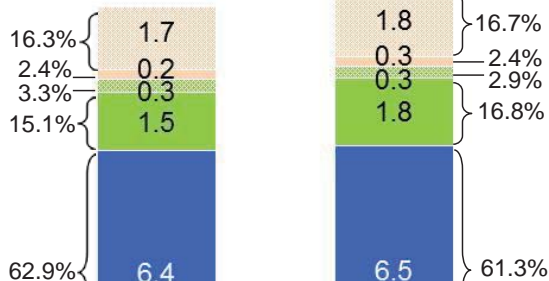
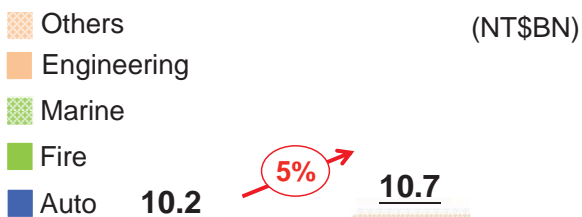
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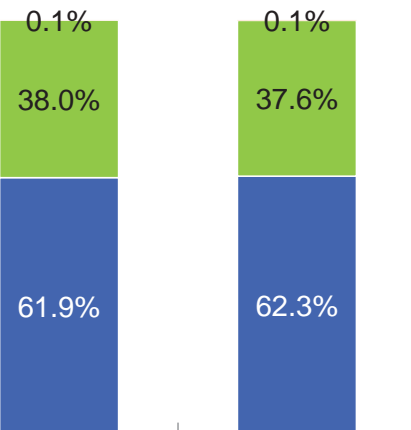
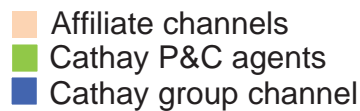
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Cathay Century – Premium income & distribution

Premium income (NT\$BN)



Distribution channel



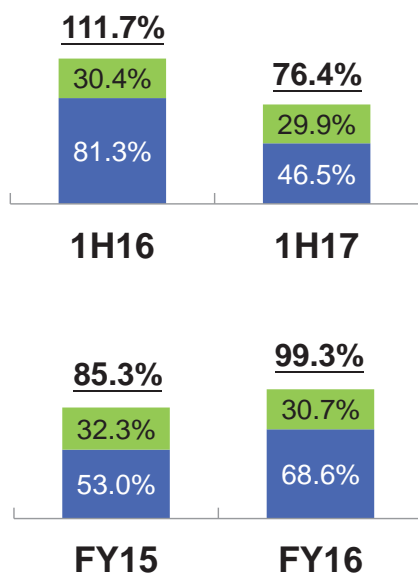
Market share	13.0%	12.5%
Retention	74.3%	75.7%

36

Cathay Century – Combined ratio

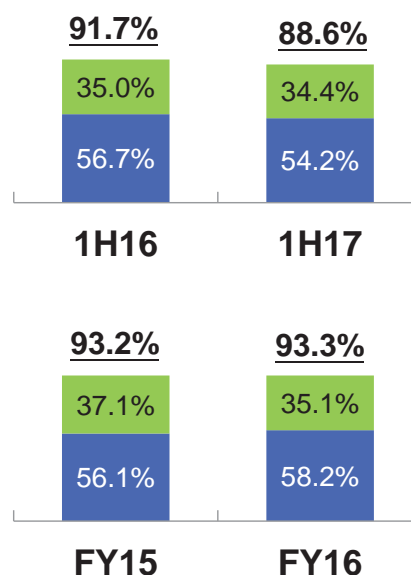
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



Retained combined ratio

- Retained expense ratio
- Retained loss ratio



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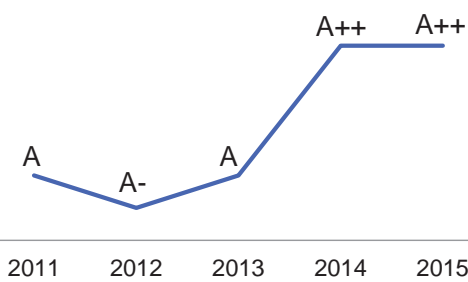
Agenda

- Introduction of Cathay FHC
- 1H17 Business Overview
- Overseas Expansion
- Business Performance Summary
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Cathay's CSR Efforts**
- M&A Key Highlights
- Appendix

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Continuous efforts in CSR

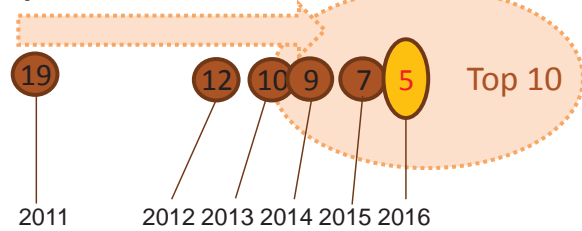
Recognized the highest ranking of IDTR in 2014-2015



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

Ranked Top 5 of Taiwan Corporate Citizenship Award

Top 7 among Taiwan companies
Top 2 in Taiwan Financial sector



Recognized by representative international ESG institutions

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

vigeo eiris
RANKING
Emerging 70

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

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

Note:

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

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Incorporate in the DJSI emerging markets index

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

DJSI in the World

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

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CUB is the first EPFI in Taiwan

EPFIs in the World

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

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



41

Cathay Life complies with the PSI

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

PSI in the World

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



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M&A Transaction: Conning in USA

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

Conning Asset Management

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

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

Note: Totals may not sum due to rounding.

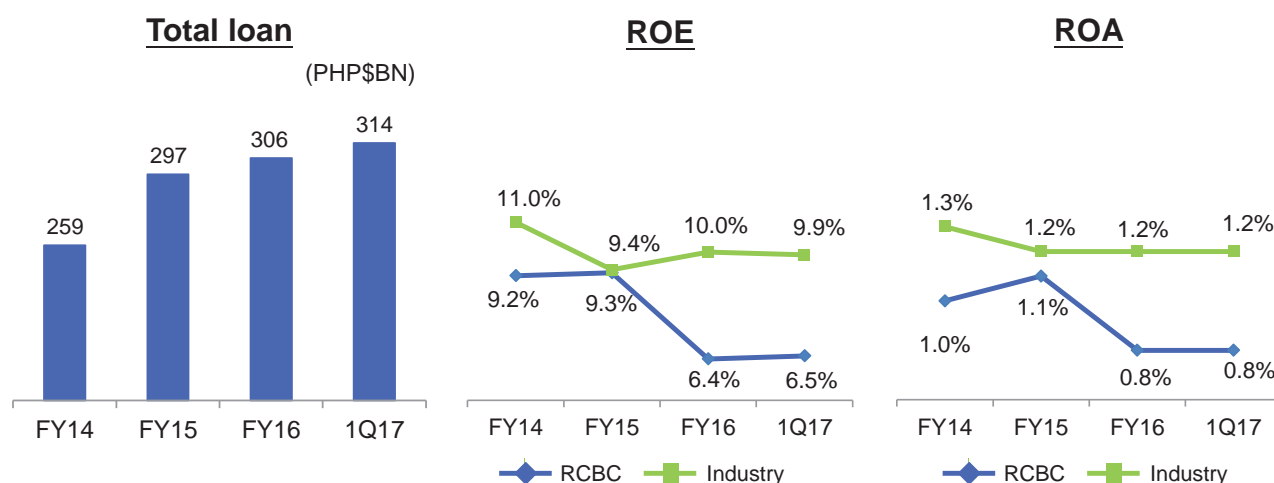
43

M&A Transaction: RCBC in Philippines

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

RCBC's Performance

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

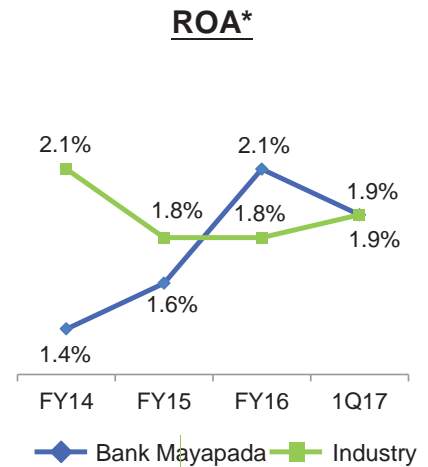
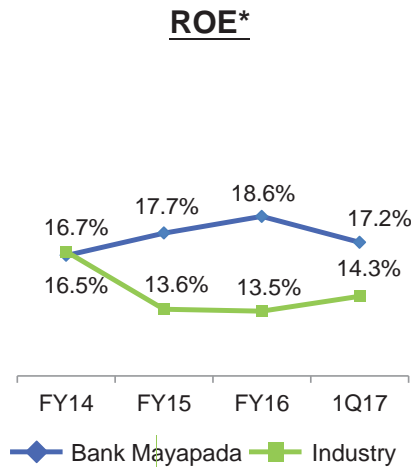
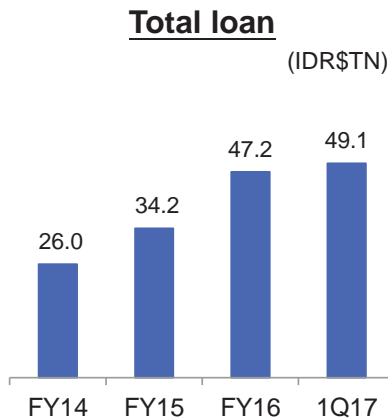


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M&A Transaction: Bank Mayapada in Indonesia

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

Bank Mayapada's Performance



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

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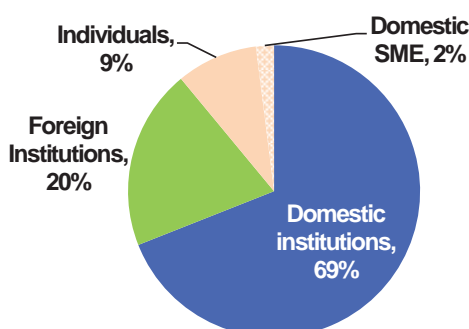
M&A Transaction: Bank of Nova Scotia in Malaysia

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

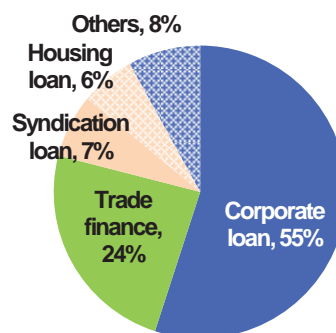
BNSB's Introduction

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

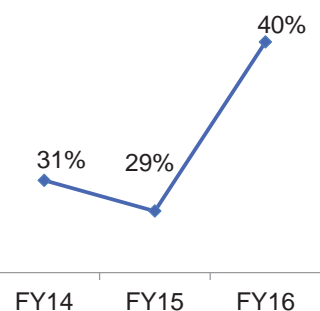
Loan by customer type



Loan by product type



Tier 1 ratio



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Embedded Value & Appraisal Value

NT\$BN, except for per share figures

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

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

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Summary

NT\$BN, except for per share figures

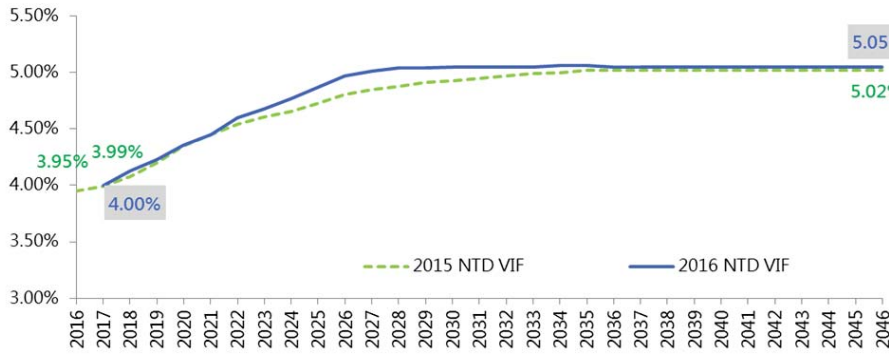
Valuation date		2015	2016	Growth rate	1Q17
Embedded value	Equity	346	361	4%	--
	Adjusted net worth	393	392	0%	--
	Value of in-force business(before CoC)	490	633	29%	--
	Cost of capital (CoC)	-148	-169	14%	--
	Value in-force business (after CoC)	342	464	36%	--
	Embedded value	735	856	16%	--
Value of one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

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

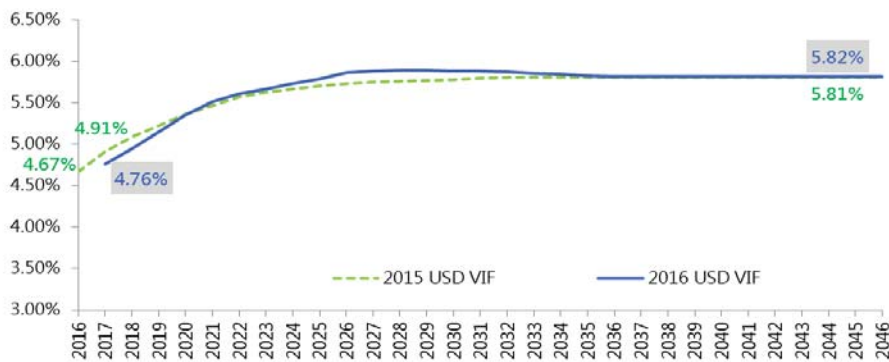
48

Economic Assumptions: In-force business investment yield

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



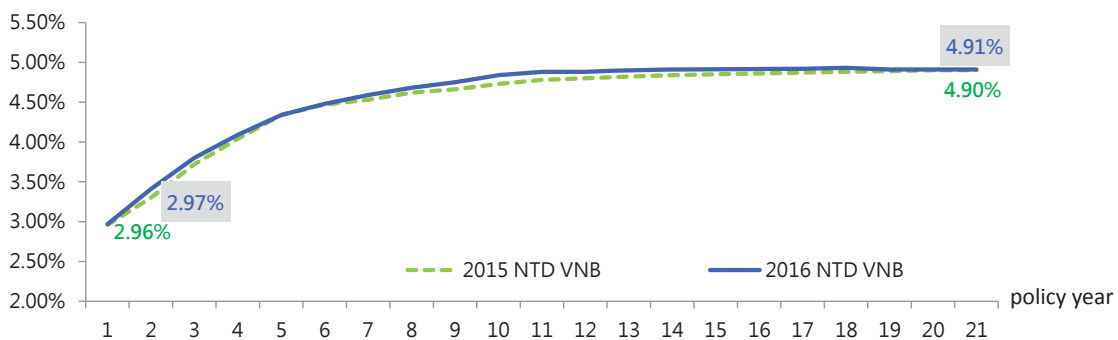
- Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2015 & 2016.



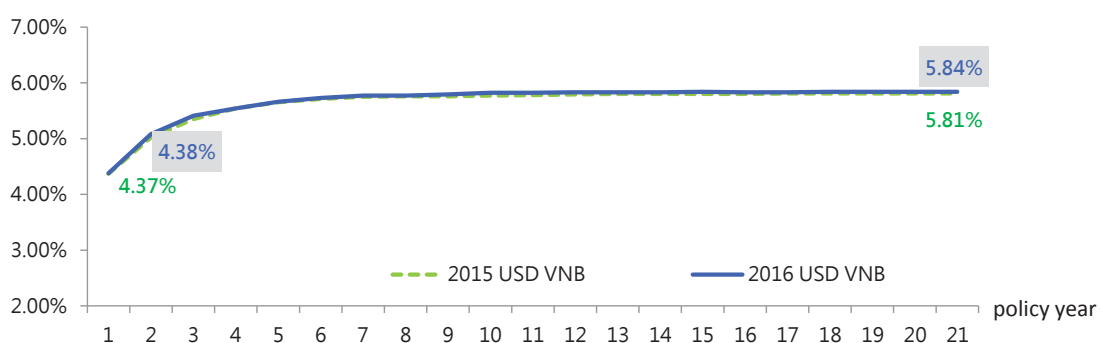
49

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

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



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

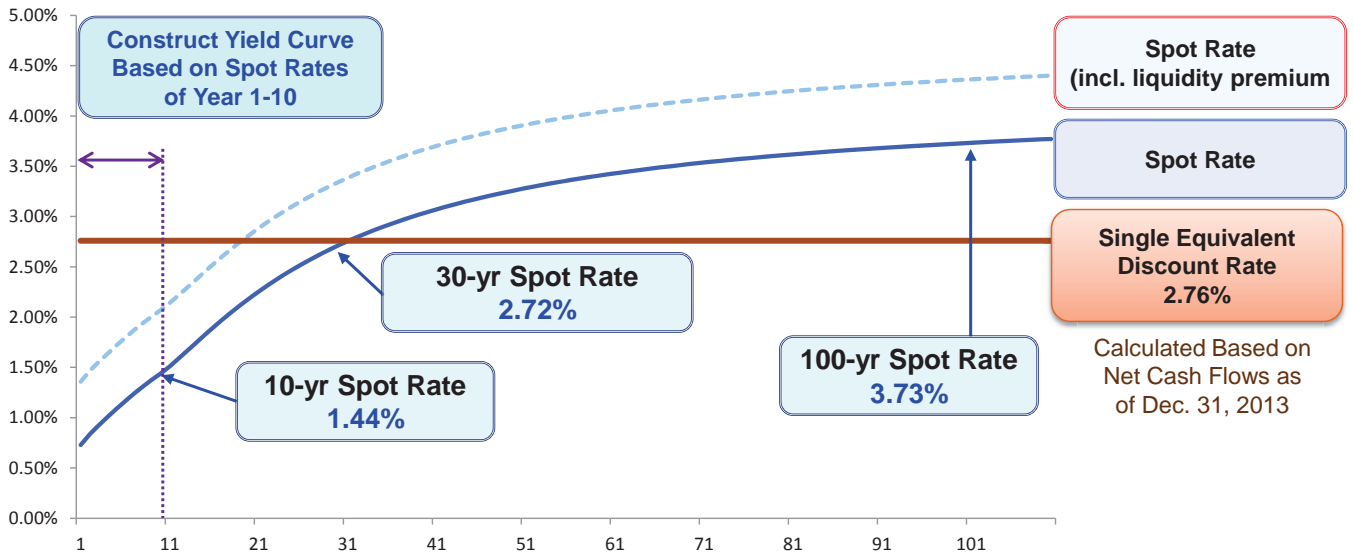


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Fair Value of Insurance Contracts: Risk-free Rate (NTD)

NTD Risk-free Rate

Calculate 3-yr daily MA yield curve based on the zero coupon yield curve announced by OTC (Svensson) and use the extrapolation method provided by [EU Solvency II QIS 5](#) to construct the complete yield curve.

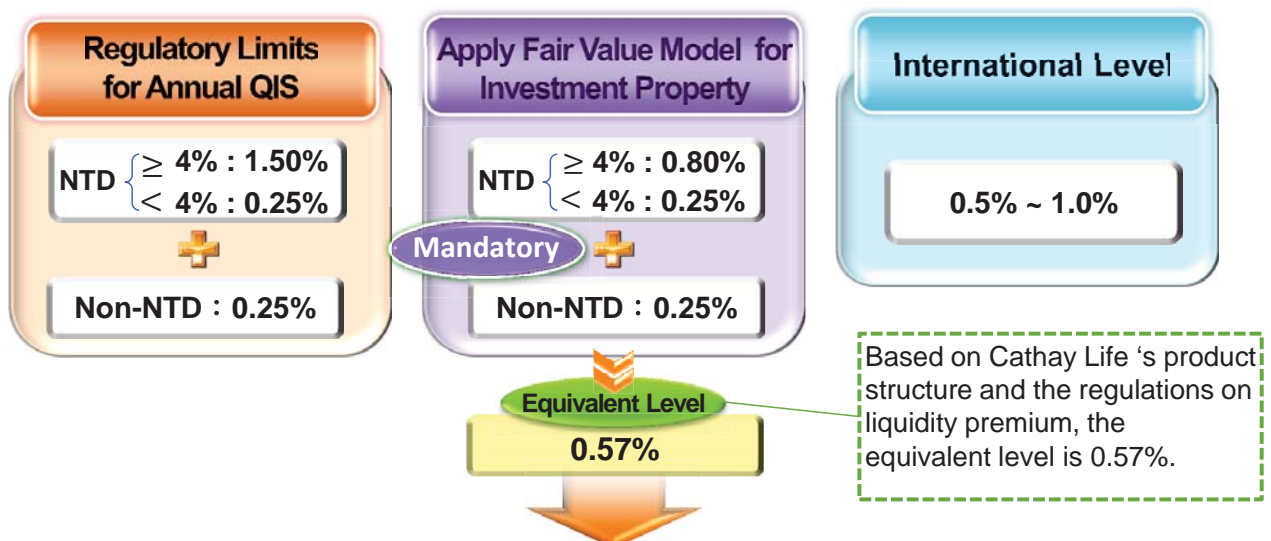


Note: The "Spot Rate" mentioned above refers to 3-yr daily MA yield curve.

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Fair Value of Insurance Contracts: Liquidity Premium

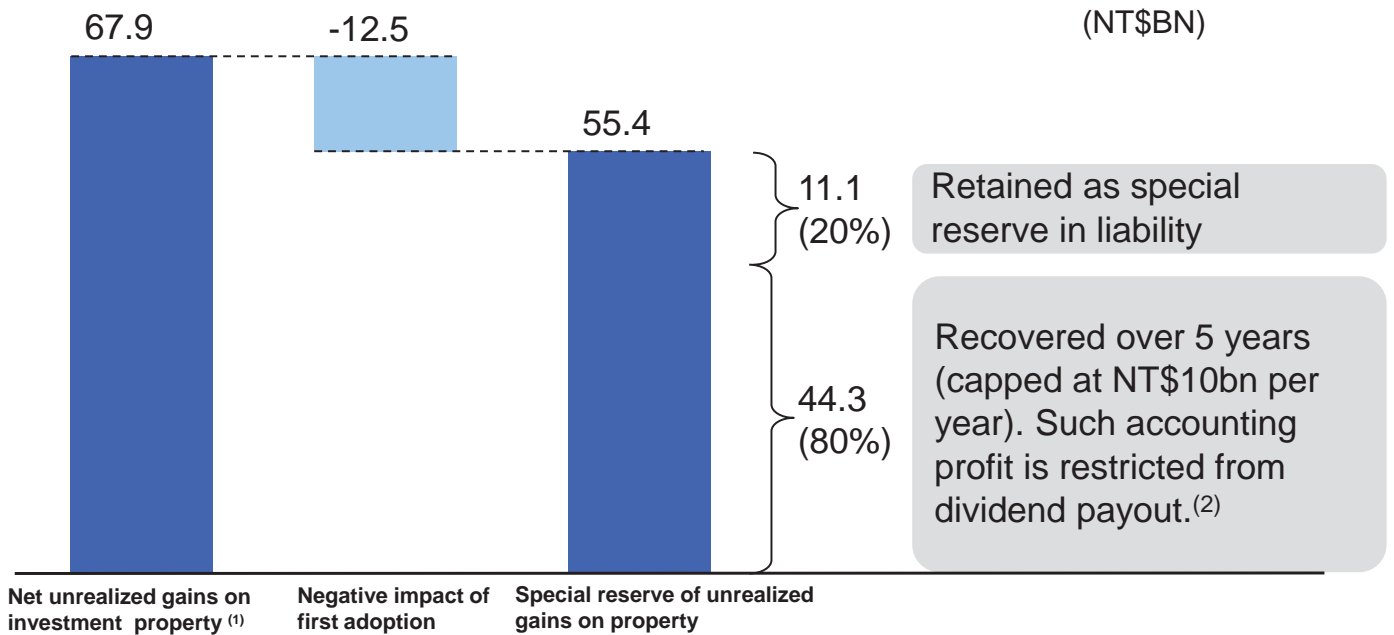
If insurers apply fair value model for investment property, their insurance liabilities should also be assessed under fair value basis. Taiwan adopts a relatively strict standard of liquidity premium compared to the international level of 0.5%~1%.



According to the regulations on liquidity premium mentioned above, Cathay Life's reserve is enough and allowed to recognize after tax full amount of investment property appraisal gain under fair value method into shareholder's equity.

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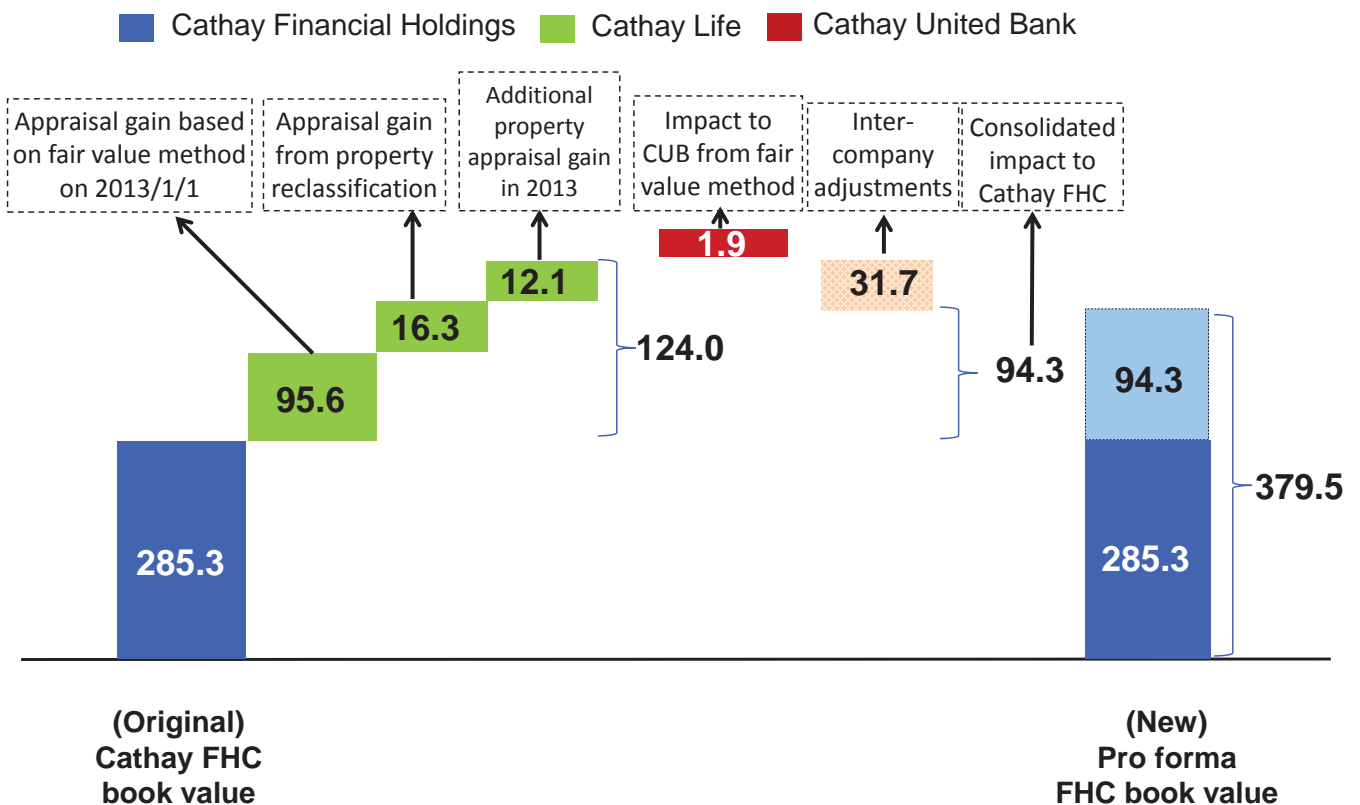
Special reserve of unrealized gains on property



Note: (1) Net unrealized gains on investment property is calculated by discounting rental income at industry average WACC(3.29%), net of related taxes. The amount is therefore well below the property market value.

(2) The recovery of such special reserve is subject to regulatory approval each year. Hence, the actual recovery depends on the fair valuation results each year.

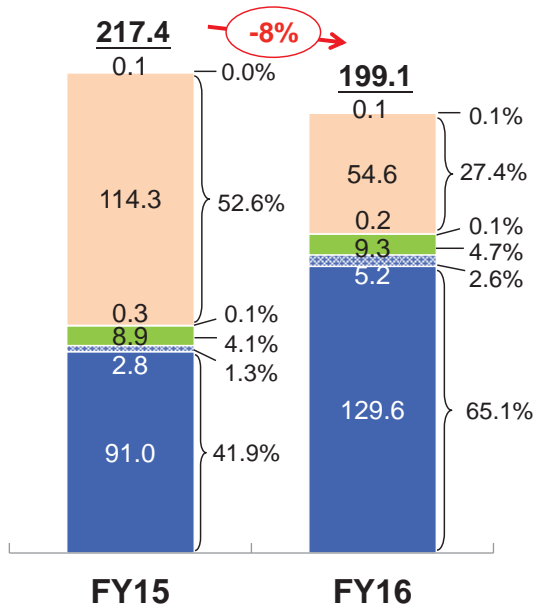
Illustration of 2013 pro forma BV of Cathay FHC



Cathay Life – FYP & FYPE

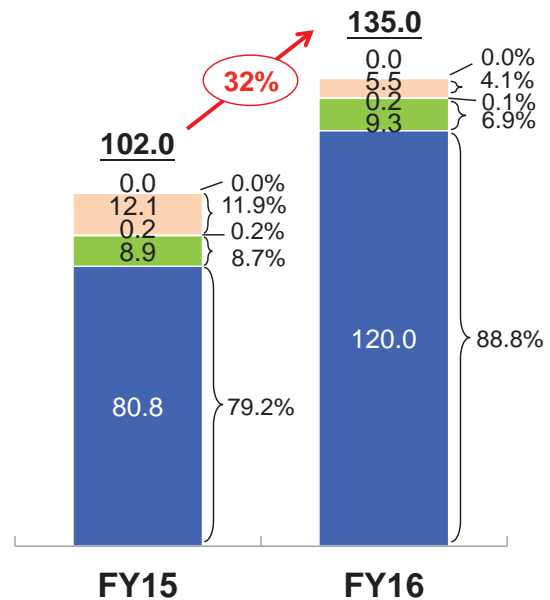
First Year Premium

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



Annualized First Year Premium

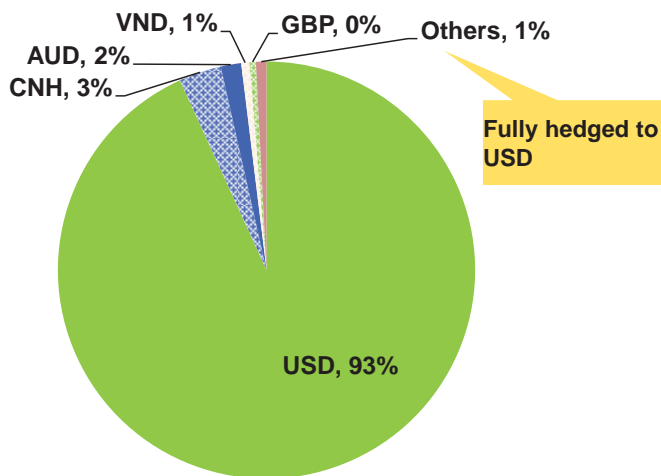
- Interest sensitive annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life



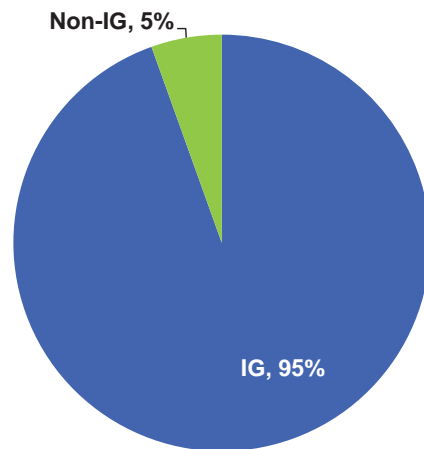
55

Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (1H17)



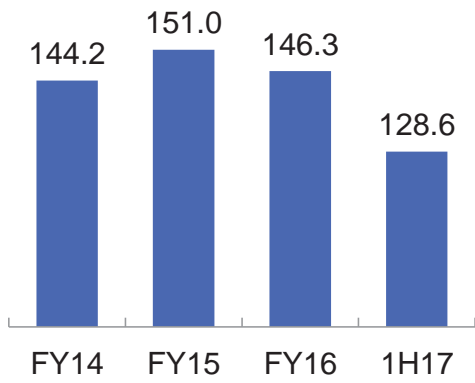
Overseas bond by rating



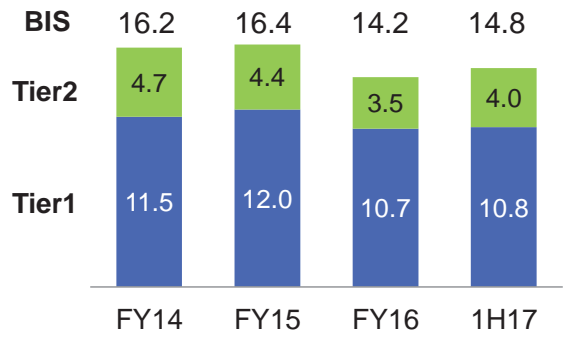
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Capital adequacy

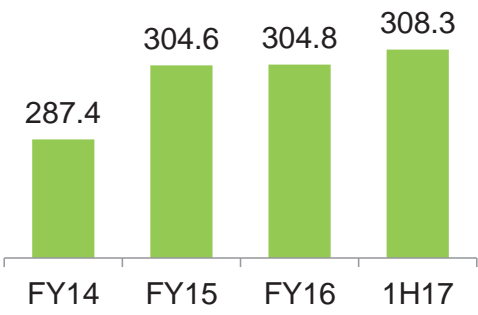
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC(%)



Cathay Financial Holdings (NT\$MN)	FY16/ FY15			1H17/ 1H16		2Q17/ 2Q16			
	FY15	FY16	% Chg	1H16	1H17	% Chg	2Q16	2Q17	% Chg
Income Statement Data (Consolidated)									
Operating Income									
Net interest income	139,998	153,478	10%	76,073	81,964	8%	38,477	41,439	8%
Net commission and fee	(4,480)	(7,913)	-77%	(4,170)	256	106%	(1,998)	472	124%
Net earned premium	535,858	622,916	16%	302,944	299,246	-1%	159,013	155,371	-2%
Change in liability reserve	(306,598)	(408,614)	-33%	(200,572)	(208,596)	-4%	(106,242)	(110,023)	-4%
Net claims payment	(309,104)	(308,697)	0%	(147,989)	(146,689)	1%	(74,663)	(73,378)	2%
Investment income	63,734	37,782	-41%	19,660	23,272	18%	10,660	18,207	71%
Contribution from associates-equity method	1,108	1,202	9%	762	690	-9%	260	218	-16%
Other net non-interest income	14,151	40,512	186%	10,816	15,623	44%	5,213	5,106	-2%
Bad debt expense	(2,467)	(5,232)	-112%	(2,310)	(1,274)	45%	(1,673)	(954)	43%
Operating expense	(65,067)	(75,250)	-16%	(35,462)	(34,847)	2%	(17,596)	(17,671)	0%
Income before taxes	67,132	50,185	-25%	19,752	29,646	50%	11,451	18,787	64%
Income taxes	(9,250)	(2,145)	77%	(5,509)	(3,191)	42%	(5,546)	(3,123)	44%
Net income	57,882	48,039	-17%	14,243	26,455	86%	5,905	15,665	165%
EPS (NT\$)	4.58	3.79		1.11	2.09		0.46	1.24	
Dividend Payout									
Cash dividend per share	2.00	2.00							
Stock dividend per share	0.00	0.00							
Weighted average outstanding shares (Millions of common shares)	12,563	12,563		12,563	12,563				
Balance Sheet Data									
Total assets	7,568,975	8,135,137		7,807,698	8,463,548				
Total shareholders' equity	461,062	529,824		456,655	562,421				
Operating Metrics									
ROAE (Consolidated)	12.86%	9.70%		6.21%	9.69%				
ROAA (Consolidated)	0.80%	0.61%		0.37%	0.64%				
Double leverage ratio(inc. preferred stock)	111%	105%		111%	108%				
Capital Adequacy Metrics									
Capital Adequacy Ratio	151%	146%		130%	129%				

Notes:

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

Cathay Life

(NT\$MN)

Income Statement Data (Consolidated)	FY16/ FY15			1H17/ 1H16			2Q17/ 2Q16		
	FY15	FY16	% Chg	1H16	1H17	% Chg	2Q16	2Q17	% Chg
Net written premium	519,014	605,910	17%	294,023	291,336	-1%	154,385	151,225	-2%
Net earned premium	518,250	605,231	17%	293,969	291,408	-1%	154,037	150,915	-2%
Reinsurance commission earned	200	363	81%	362	287	-21%	350	234	-33%
Fee income	5,762	5,542	-4%	2,726	4,611	69%	1,379	2,022	47%
Recurring investment income	140,977	161,051	14%	76,056	79,127	4%	40,627	41,578	2%
Gain on disposal of investment									
Realized gain (loss)-Equity	30,072	14,346	-52%	3,941	33,823	758%	(1,641)	16,242	1090%
Realized gain (loss)-Debt	14,804	29,382	98%	7,133	11,569	62%	2,063	6,338	207%
Gain on investment property	11,074	5,000	-55%	5,351	(355)	-107%	5,115	(354)	-107%
FX and others, net	(13,101)	(17,469)	-33%	(2,367)	(24,419)	-932%	1,131	(10,764)	-1052%
Investment income, net	183,827	192,310	5%	90,114	99,745	11%	47,295	53,041	12%
Other operating income	914	5,032	450%	2,380	2,469	4%	1,276	1,301	2%
Separate account revenues	17,303	39,589	129%	19,908	20,522	3%	12,426	15,702	26%
Net claims payment	(298,102)	(297,201)	0%	(142,445)	(141,820)	0%	(71,644)	(70,449)	2%
Changes in liability reserves	(305,864)	(408,398)	-34%	(200,198)	(208,429)	-4%	(105,974)	(109,991)	-4%
Acquisition and commission expense	(33,238)	(38,901)	-17%	(18,119)	(15,566)	14%	(7,831)	(7,335)	6%
Other operating costs	(5,541)	(6,381)	-15%	(3,206)	(2,847)	11%	(1,538)	(1,314)	15%
Financial cost	(296)	(413)	-40%	(164)	(767)	-367%	(150)	(474)	-217%
Separate account expense	(17,303)	(39,589)	-129%	(19,908)	(20,522)	-3%	(12,426)	(15,702)	-26%
Operating expense	(23,021)	(30,768)	-34%	(15,579)	(14,134)	9%	(8,696)	(7,023)	19%
Net non-operating income	1,265	1,956	55%	968	719	-26%	550	349	-37%
Income taxes	(5,710)	1,861	133%	(2,990)	541	118%	(3,917)	(192)	95%
Net income	38,447	30,235	-21%	7,818	16,214	107%	5,138	11,083	116%

Balance Sheet Data

Total assets	5,179,877	5,556,950		5,336,165	5,821,673
General account	4,699,309	5,058,936		4,847,690	5,288,624
Separate account	480,568	498,014		488,475	533,049
Reserves for life insurance liabilities	4,228,117	4,567,324		4,377,792	4,718,697
Total liabilities	4,831,642	5,192,967		4,989,690	5,417,319
Total shareholders' equity	348,235	363,984		346,476	404,353

Operating Metrics

First Year Premium(FYP)	217,378	199,082		100,559	119,896
First Year Premium Equivalent(FYPE)	102,002	135,035		74,635	41,282
Expense ratio	10.3%	10.3%		10.3%	8.7%
13-M persistency ratio	97.6%	98.3%		98.0%	98.2%
25-M persistency ratio	91.8%	92.2%		90.6%	92.3%
ROAE	11.36%	8.49%		4.50%	8.44%
ROAA	0.78%	0.56%		0.30%	0.57%

Capital Adequacy Metrics

RBC ratio (Standalone)	305%	305%		288%	308%
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Cathay United Bank

(NT\$MN)	FY16/			1H17/			2Q17/		
	FY15	FY16	FY15 % Chg	1H16	1H17	1H16 % Chg	2Q16	2Q17	2Q16 % Chg
<u>Income Statement Data (Consolidated)</u>									
Operating Income									
Net interest income	26,729	25,910	-3%	12,331	14,440	17%	6,121	7,408	21%
Fee income	14,344	15,745	10%	7,982	7,419	-7%	3,680	3,569	-3%
Investment income	5,599	8,278	48%	4,142	4,261	3%	1,888	2,793	48%
Other income	1,380	1,222	-12%	759	538	-29%	199	255	29%
Net operating income	48,052	51,154	6%	25,214	26,658	6%	11,887	14,025	18%
Operating expenses	(24,851)	(26,959)	-8%	(12,657)	(13,077)	-3%	(6,491)	(6,527)	-1%
Pre-provision profit	23,201	24,195	4%	12,557	13,581	8%	5,396	7,498	39%
Net provisions for possible losses	(1,922)	(4,455)	-132%	(1,933)	(1,308)	32%	(1,213)	(937)	23%
Income before taxes	21,279	19,740	-7%	10,624	12,273	16%	4,183	6,561	57%
Income tax	(2,513)	(2,229)	11%	(1,176)	(1,552)	-32%	(381)	(848)	-123%
Net income	18,767	17,511	-7%	9,447	10,721	13%	3,803	5,713	50%
<u>Balance Sheet Data</u>									
Total assets	2,383,377	2,566,669		2,458,952	2,626,136				
Loans, net	1,127,807	1,437,531		1,275,704	1,417,573				
Financial assets	791,192	849,989		858,748	812,764				
Total liability	2,226,608	2,406,701		2,302,570	2,451,877				
Deposits	1,881,657	2,032,600		1,941,807	2,053,747				
Financial Debenture Payable	51,900	51,900		51,900	63,350				
Total shareholders' equity	156,769	159,968		156,382	174,259				
<u>Operating Metrics</u>									
Cost income ratio	51.72%	52.70%		50.20%	49.06%				
ROAE	12.33%	11.06%		12.07%	12.83%				
ROAA	0.81%	0.71%		0.78%	0.83%				
<u>Assets Quality</u>									
NPL	1,599	2,133		1,991	2,556				
NPL ratio	0.14%	0.15%		0.16%	0.18%				
NPL provisions	17,323	19,686		18,704	21,075				
Coverage ratio	1083%	923%		939%	824%				
<u>Capital Adequacy Metrics</u>									
BIS ratio (Standalone)	16.4%	14.2%		15.2%	14.8%				
Tier I Ratio (Standalone)	12.0%	10.7%		11.3%	10.8%				

Notes:

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

Cathay Century

(NT\$MM)	FY16/ FY15			1H17/ 1H16			2Q17/ 2Q16		
<u>Income Statement Data (Consolidated)</u>	FY15	FY16	% Chg	1H16	1H17	% Chg	2Q16	2Q17	% Chg
Premium income	22,449	22,774	1%	12,011	10,786	-10%	6,329	5,706	-10%
Net written premium	17,254	17,390	1%	9,139	8,129	-11%	4,692	4,212	-10%
Net earned premium	17,169	17,213	0%	8,897	7,989	-10%	4,531	4,110	-9%
Reinsurance commission earned	517	526	2%	296	247	-16%	151	124	-18%
Fee income	48	44	-7%	24	21	-13%	13	11	-15%
Investment	972	2,082	114%	383	399	4%	215	220	2%
Interest income	564	568	1%	291	269	-8%	139	138	-1%
Other investment income, net	408	1,514	271%	92	130	42%	76	82	7%
Other operating income	15	0	-100%	2	0	-100%	1	0	-100%
Net claims payment	(9,292)	(9,559)	-3%	(4,747)	(4,246)	11%	(2,247)	(2,230)	1%
Changes in liability reserves	(734)	(209)	71%	(374)	(167)	55%	(268)	(32)	88%
Commissions and other operating costs	(1,402)	(1,289)	8%	(1,604)	(1,378)	14%	(831)	(699)	16%
Operating expenses	(6,197)	(5,974)	4%	(2,379)	(1,756)	26%	(1,251)	(895)	28%
Operating income	1,095	2,834	159%	498	1,111	123%	315	608	93%
Net non-operating income	(4)	(1)	81%	(3)	(9)	-172%	3	(4)	-226%
Income taxes	(287)	(492)	-71%	(112)	(149)	-33%	(66)	(86)	-30%
Net income	804	2,342	191%	383	953	149%	252	518	106%
Balance Sheet Data									
Total assets	42,106	38,250		44,970	38,940				
Total stockholders' equity	7,219	9,216		7,673	8,830				
Operating Metrics									
Gross Combined ratio	85.3%	99.3%		111.7%	76.4%				
Net Combined ratio	93.2%	93.3%		91.7%	88.6%				
ROAE	11.44%	28.50%		10.28%	21.13%				
ROAA	2.06%	5.83%		1.76%	4.94%				
Capital Adequacy Metrics									
RBC ratio (Standalone)	359%	385%		365%	347%				

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