



國泰金控

Cathay Financial Holdings

2023 Third Quarter Briefing

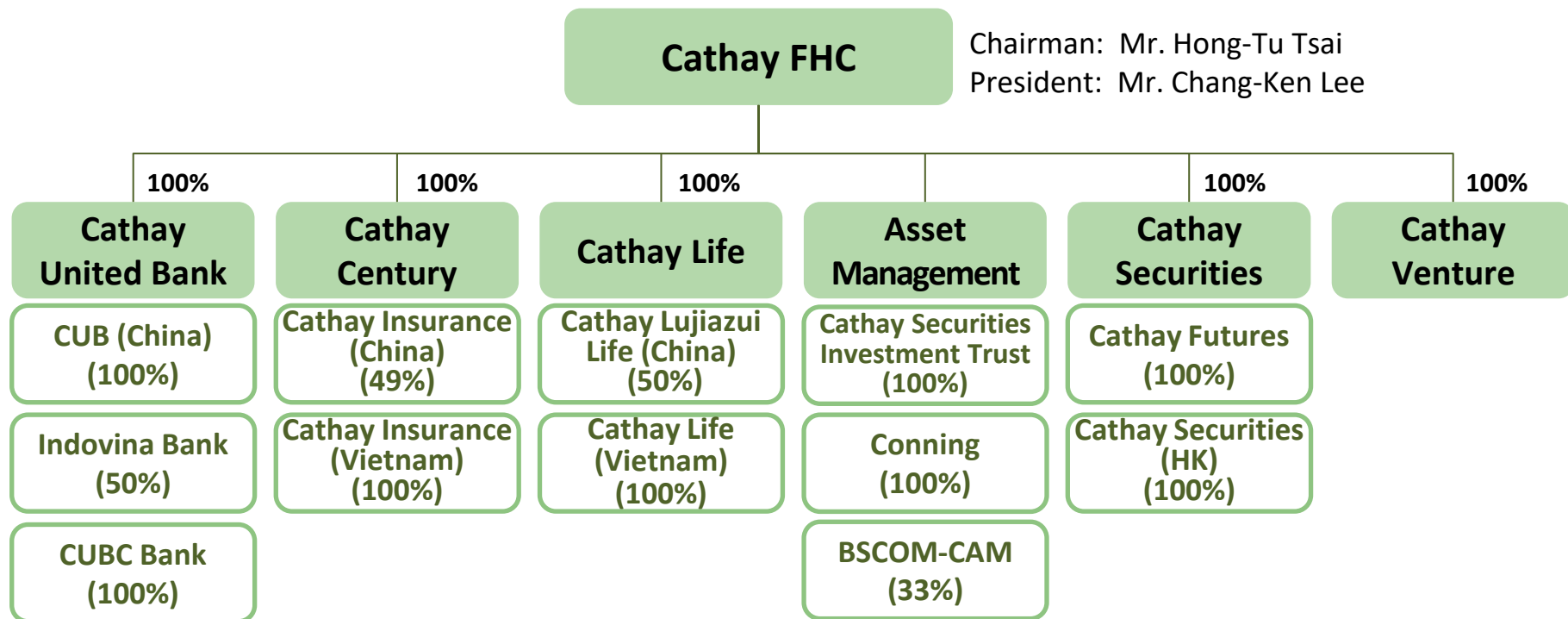
November 2023



Agenda

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

Cathay FHC: largest FHC, comprehensive products



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

- 2nd biggest non-life insurer
- Market share in total premium income: 13.0% (9M23)

- No. 1 life insurer in terms of total assets and total premium
- Market share in total premium: 20.9% (9M23)

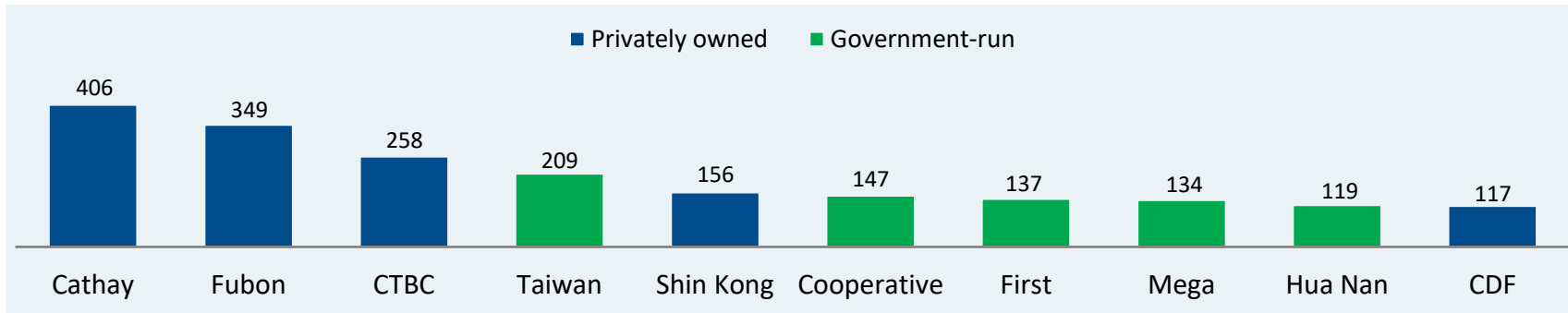
- Largest AUM among asset managers in Taiwan
- Extending global asset management products and services

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

Market leader in Taiwan's FIG sector

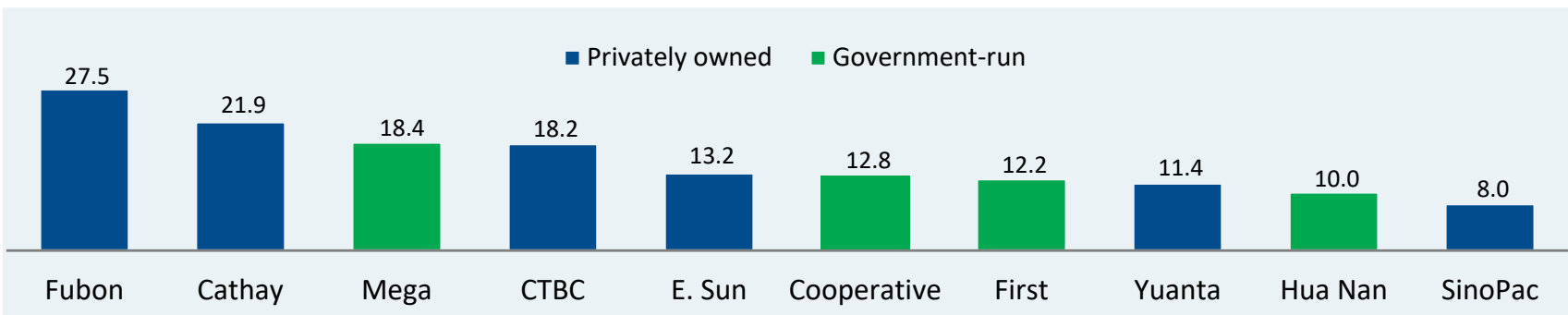
- Largest listed financial group by assets.

Ranking of total asset (US\$bn)



Note: Total assets as of September 30, 2023

Ranking of market cap (US\$bn)



Note: Market capitalization as of December 29, 2023

Cathay FHC's continuous effort in ESG integration



2011

- Established CSR Committee

- Formed Responsible Investment Team

2014

- Included in DJSI Emerging Market Index
- Cathay United Bank (CUB) signed **Equator Principles**, a first in Taiwan

2015

Member of
Dow Jones Sustainability Indices

Powered by the S&P Global CSA

2016

- Joined **Asia Investor Group on Climate Change (AIGCC)**
- Cathay Life self-compliance with **PSI**

- First Taiwan FIG to disclose **carbon footprints in investment portfolio**
- Active in engagement with government on climate governance

- Included in DJSI World Index
- Among the first to sign on **TCFD** initiative
- Cathay United Bank self-compliance with **PRB**

- The only Taiwan FIG joined **CDP Non-Disclosure Campaign & Climate Action 100+ Initiatives**
- Cathay Century P&C Insurance self-compliance with **PSI**

- Joined **Ceres Valuing Water Finance Task Force**

- Cathay Securities published ESG rating reports on individual listed companies

2020

2019



2018



2017

2021



2022

RE100



2023



- Issued ESG integration report certified by third party
- Participated in **Asian Utilities Engagement Program**

- Selected by The Investor Agenda for its global top-10 best-practice case studies in the Investor Climate Action Plans (ICAPs)
- Became **RE100 member**, the first financial institution in Taiwan
- Received **SBTi validation of decarbonization targets**
- Participated in **TNFD, Ceres Valuing Water Finance Initiative, The Partnership for Biodiversity Accounting Financials (PBAF)**

- Participated in **Business For Nature**
- Participated in **Nature Action 100**

Renowned corporate sustainability performance

Global

Member of
**Dow Jones
Sustainability Indices**

Powered by the S&P Global CSA

Included in
DJSI World & DJSI EM



FTSE4Good



Gender-Equality index



ESG Research

IVA RATING

AA



A level



ESG
**INDUSTRY
TOP RATED**



ESG
**REGIONAL
TOP RATED**



First Taiwan FI



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Asia 6th approval



2022 & 2023 ICAPs

Global best practice



TCFD Status Report

Corporate case

Taiwan

Top-5%
Corporate Governance

Over 1,000 listed companies

TWSE Corporate Governance Evaluation



天下企業公民
Excellence in Corporate Social Responsibility

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



Global Views

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



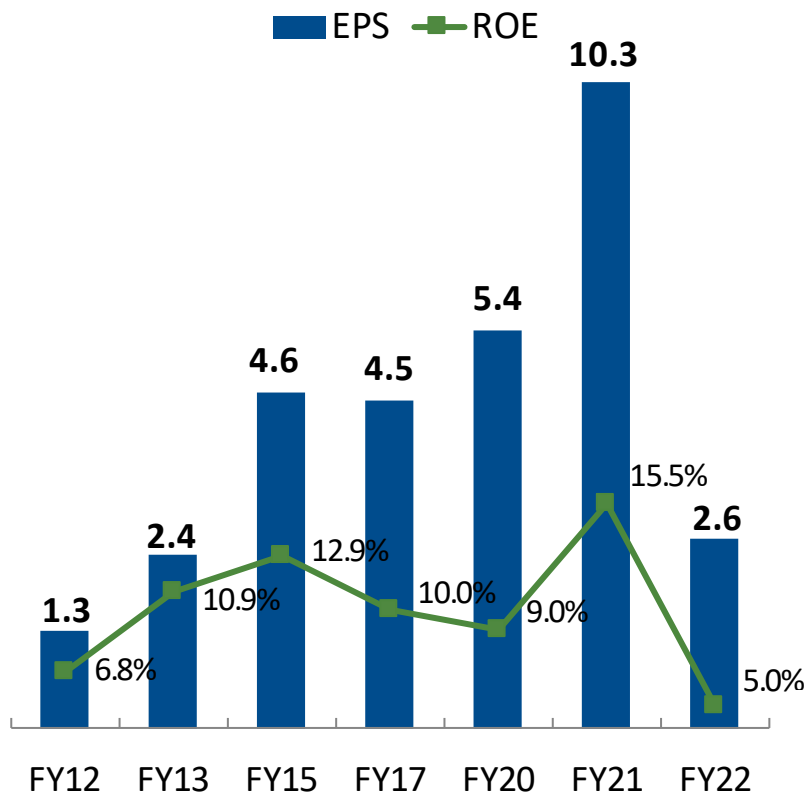
2023 Taiwan Corporate
Sustainability Awards



Cathay FHC continued to deliver solid earnings

EPS & ROE

(NT\$/%)

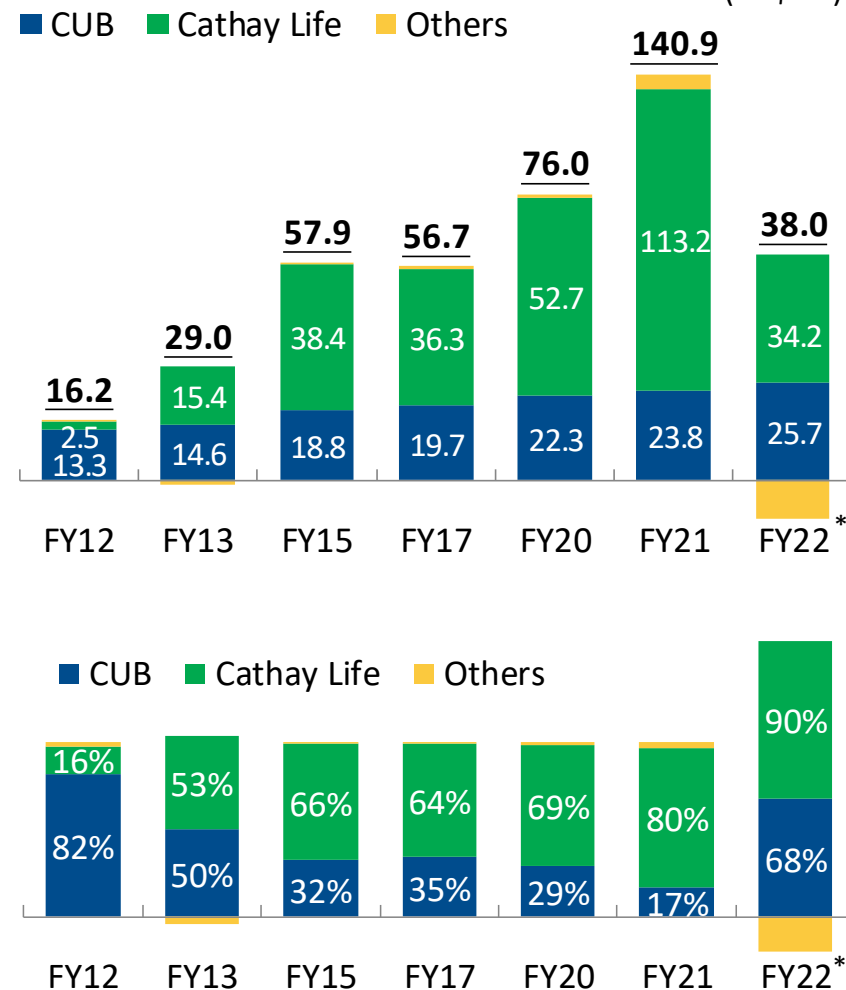


Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.

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

Profit contribution

(NT\$BN)



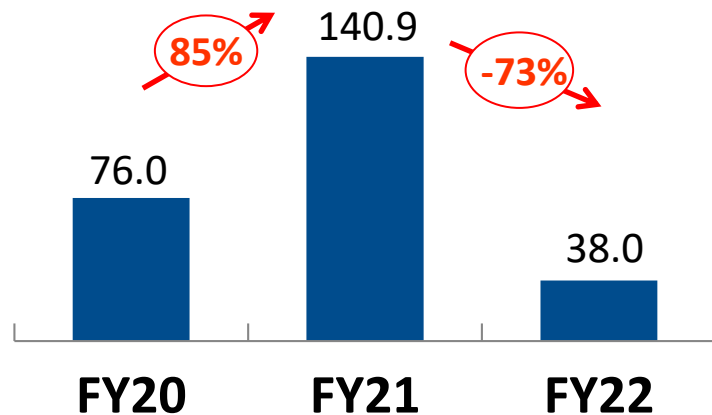
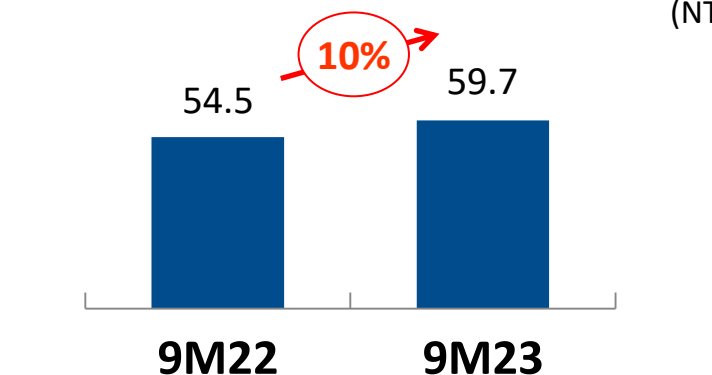
* Cathay Century reported a net loss of NT\$19.6bn due to pandemic insurance losses.

Cathay FHC – Net income & EPS

- 9M23 earnings has already surpassed 2022 full year's figure, driven by solid core subsidiary businesses.

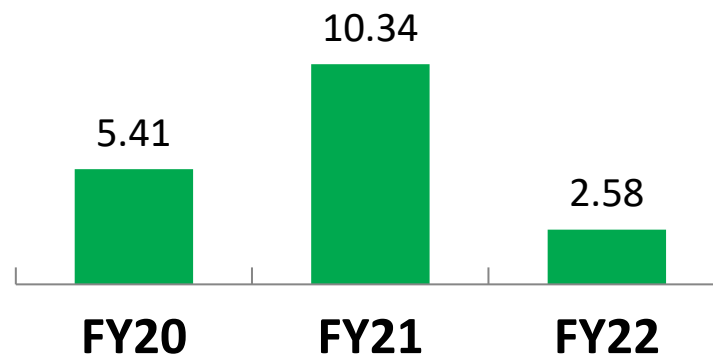
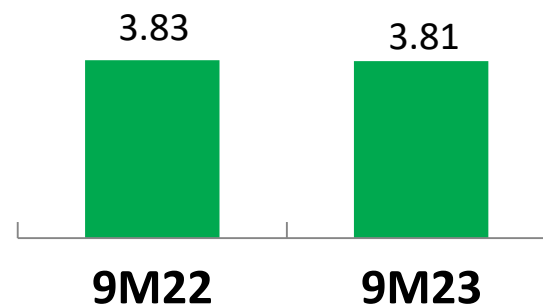
Net income

(NT\$BN)



EPS

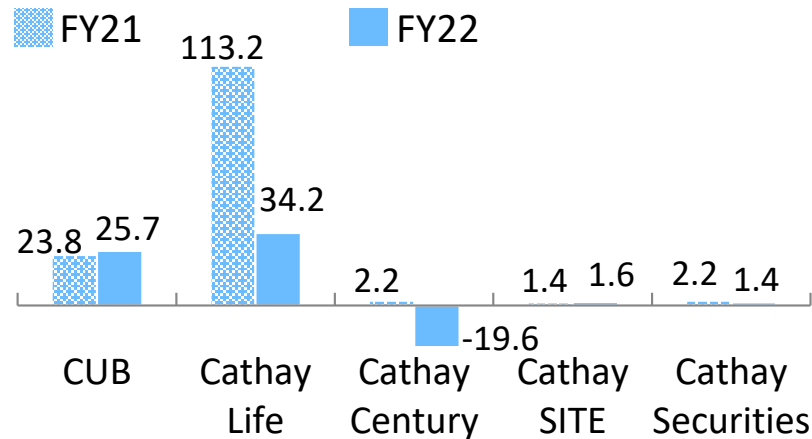
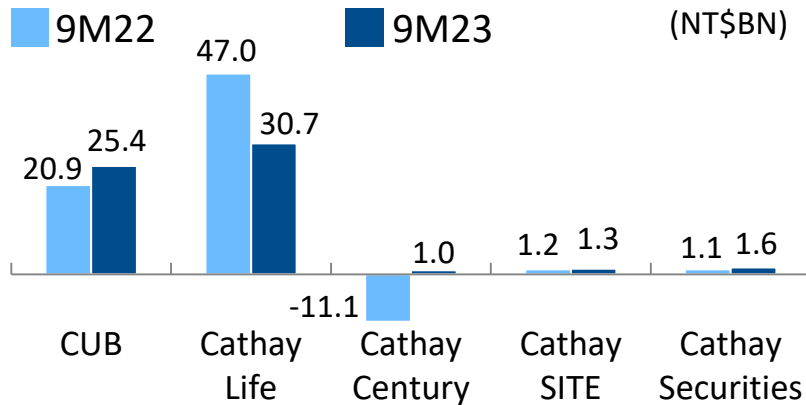
(NT\$)



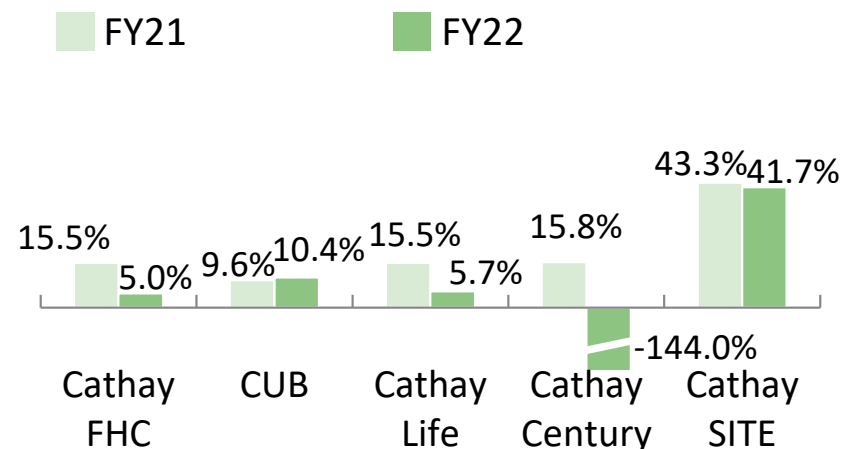
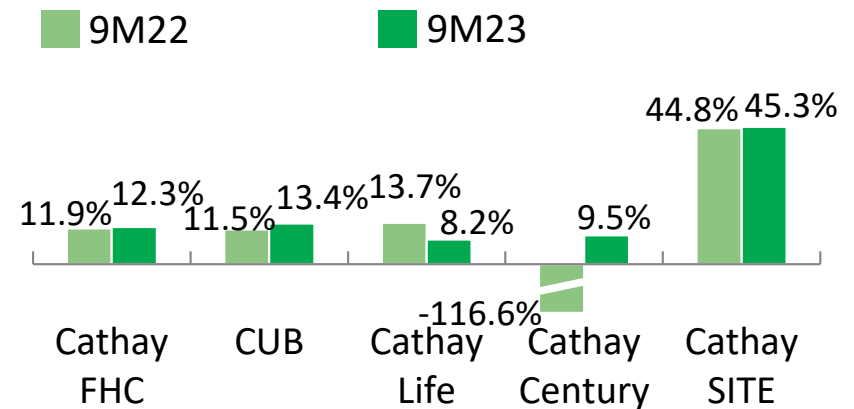
Cathay FHC – Net income & ROE

- CUB delivered strong core earnings; net profit rose 22% YoY to a new 9M record. SITE and Securities respectively achieved their highest and second-highest historical 9M records.
- Life's earnings recovered YTD; recurring income sustained YoY growth and underwriting profits remained steady. Cathay Century's profit also recovered YTD with pandemic insurance fading out.

Net income of primary subsidiaries

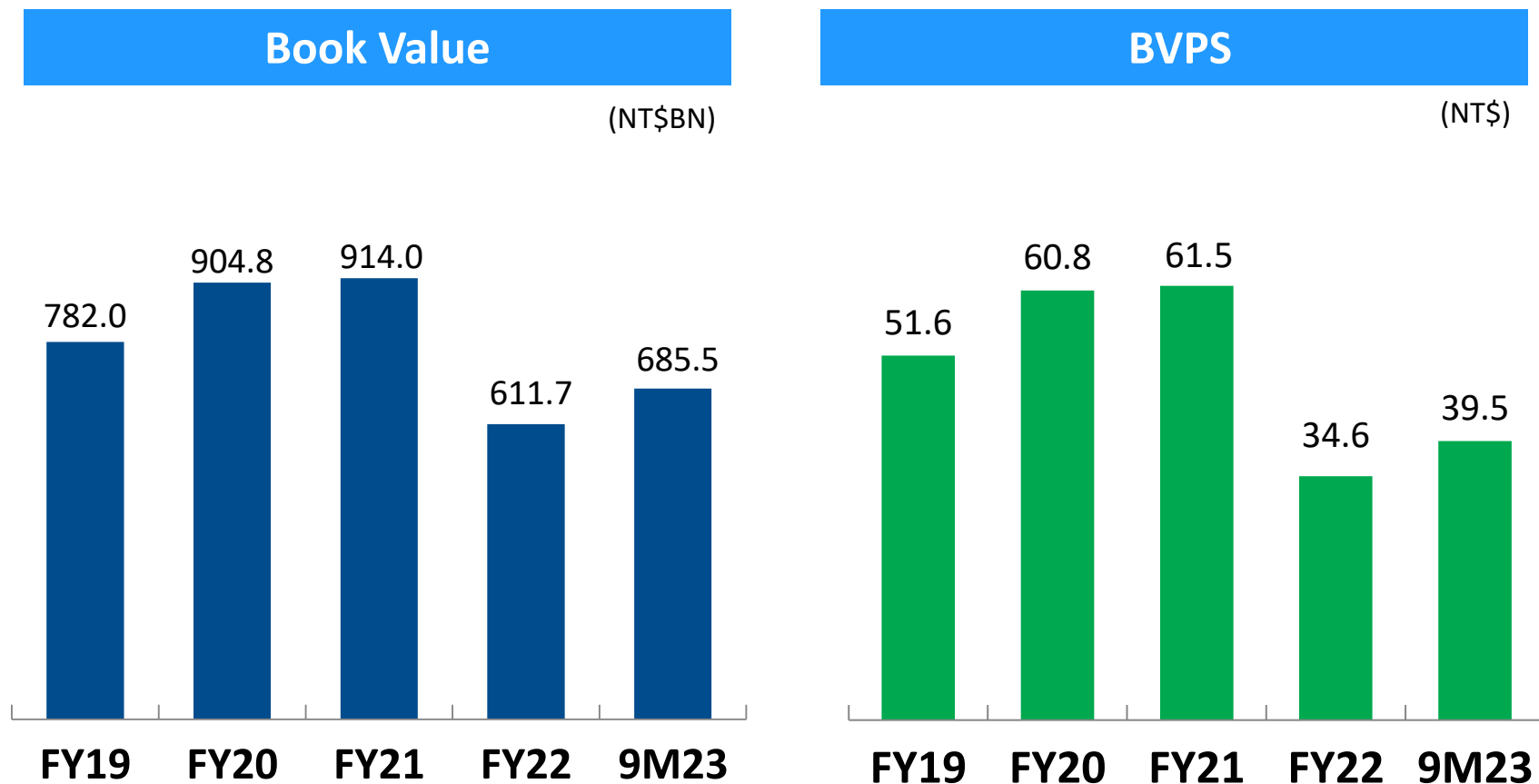


ROE



Cathay FHC – Book value & BVPS

- Book value recovered YTD, supported by earnings contributions and rebound in mark-to-market value of financial assets.



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

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

9M23 Business overview

Cathay United Bank

- 9M23 net income set a record high for the Jan–Sep period, with 22% growth YoY.
- Delivered double-digit growth in deposits and loans. Asset quality was benign. Net interest income grew 10% YoY.
- Net fee income saw double-digit growth, driven by WM and credit card fees.

Cathay Life

- Adhered to a value-driven strategy. FYP for Health and Accident policies grew 12% YoY. FYP and APE ranked No. 1 in the industry.
- Hedging costs contained well. Recurring yield continued to improve; interest income showed double-digit YoY growth.

Cathay Century

- Premium income rose 12% YoY, with 13% market share. YTD net income recovered due to fading impact of pandemic insurance and continued business quality control.
- Enhanced online business in China. Accelerated development of Vietnam business and increased premium income via digital transformation.

Cathay SITE

- 9M23 net income set a record high for the Jan–Sep period. Ranked No. 1 in AUM, totaling NT\$1.49tn. Earned wide acclaim for various products.
- Selected in “Plan to Advance Excellence for SITEs” by the FSC for 9 years. Received Benchmark Taiwan Annual Fund Awards among a total of 32 awards in 2023 to date.

Cathay Securities

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

Agenda

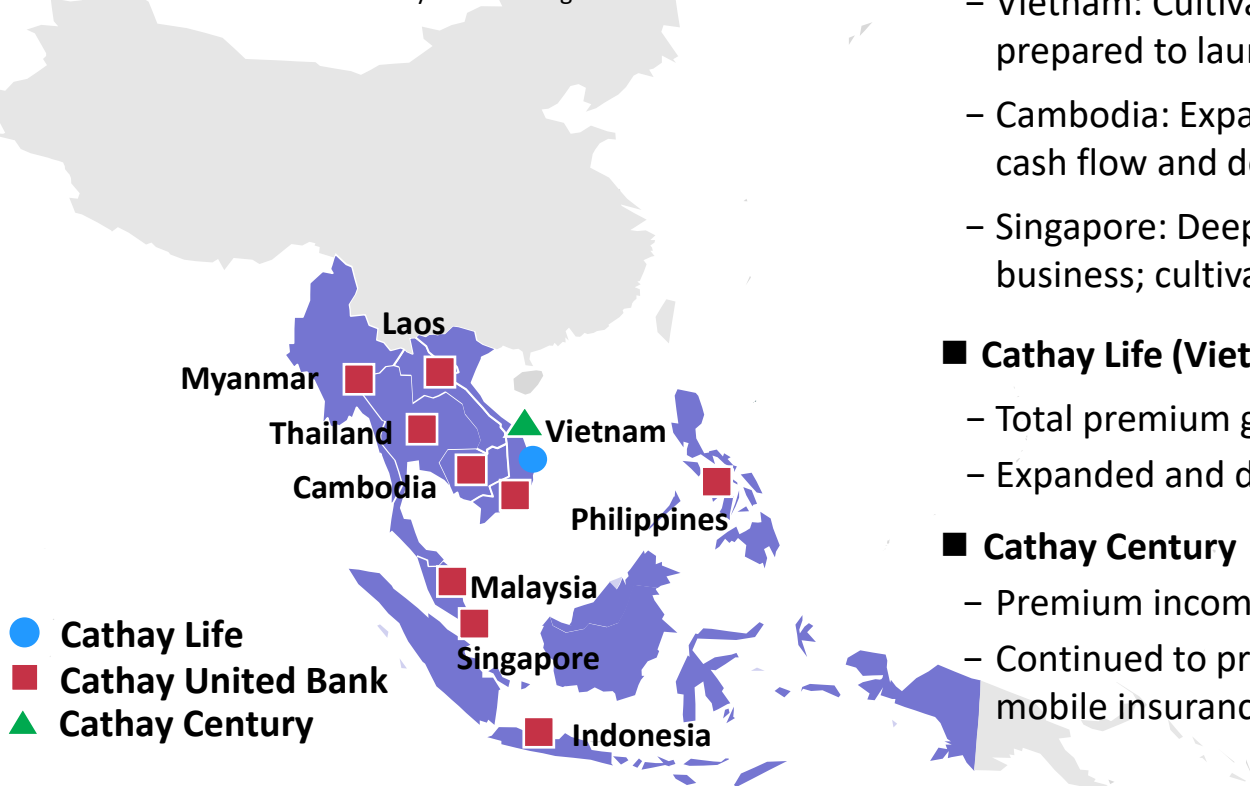
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Cathay FHC in Southeast Asia

	China	Vietnam	Cambodia	Hong Kong	Singapore	Malaysia	Laos	Philippines	Myanmar	Thailand	Indonesia
Bank	7	37	16	1	1	1	1	1	1	1	1
Life	51	150									
P&C	26	2									
Asset Mgt.	1			1							
Securities				2							

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

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



■ Banking

- Vietnam: Cultivated local and cross-border customers; prepared to launch digital consumer business.
- Cambodia: Expanded customer base and attracted cash flow and deposits via digital applications.
- Singapore: Deepened cross-border corporate banking business; cultivated local and cross-border customers.

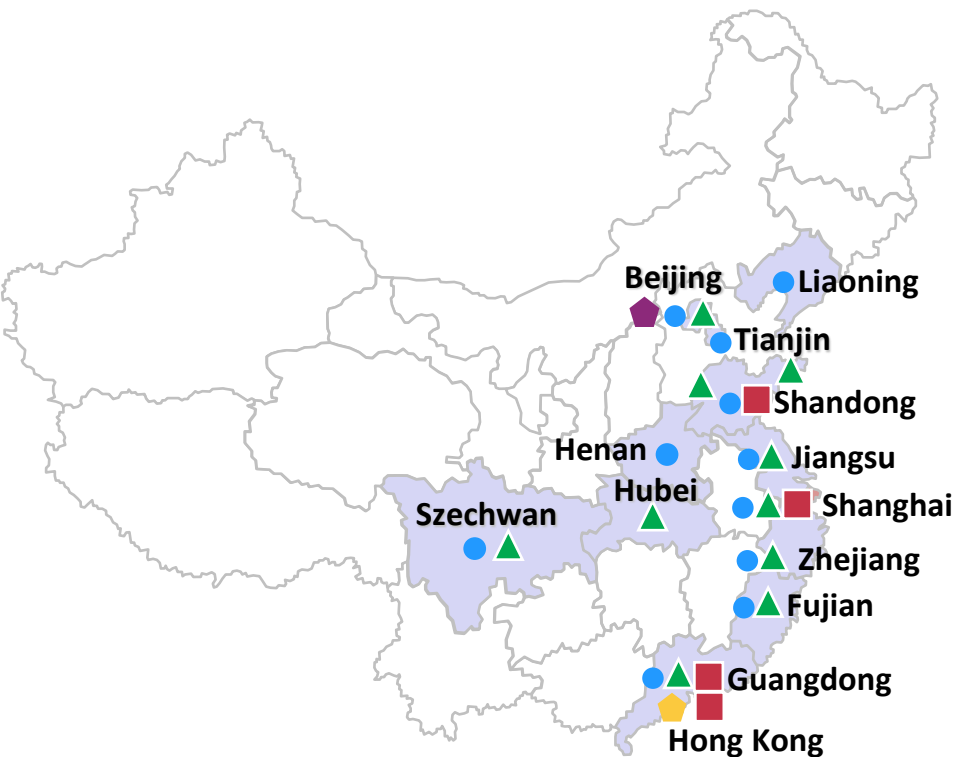
■ Cathay Life (Vietnam)

- Total premium grew YoY to 2.1tn VND in 9M23.
- Expanded and diversified distribution channels.

■ Cathay Century

- Premium income grew to 457bn VND in 9M23.
- Continued to promote digital transformation and mobile insurance app.

Cathay FHC in China



● Cathay Lujiazui Life

■ Cathay United Bank

▲ Cathay Century (China)

◆ Cathay Securities

◆ BSCOM Cathay Asset Management Company

■ Cathay United Bank

- China subsidiary actively developed green finance services, promoting green deposits and loans, and providing customers with more comprehensive services.

■ Cathay Lujiazui Life

- Total premium grew 69% YoY to 4.9bn RMB in 9M23.
- Grew business in scale and value through agent workforce and multiple-channel development.

■ Cathay Century (China)

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

■ Cathay Securities (HK)

- Continued to grow local and cross-border business.

■ BSCOM Cathay Asset Management

- Business remained steady.

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Cathay United Bank

Cathay Life

Cathay Century

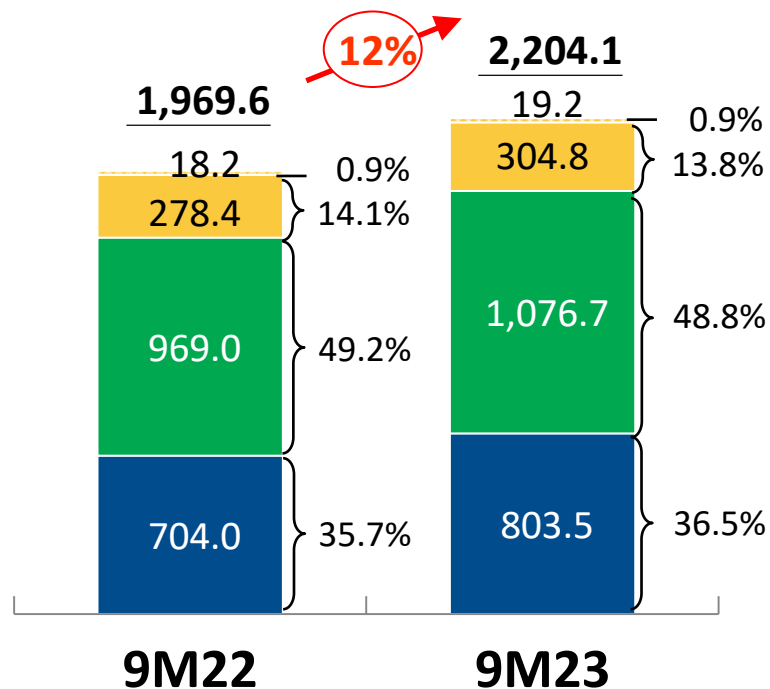
- Cathay's ESG efforts
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Cathay United Bank – Loan & deposit breakdown

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

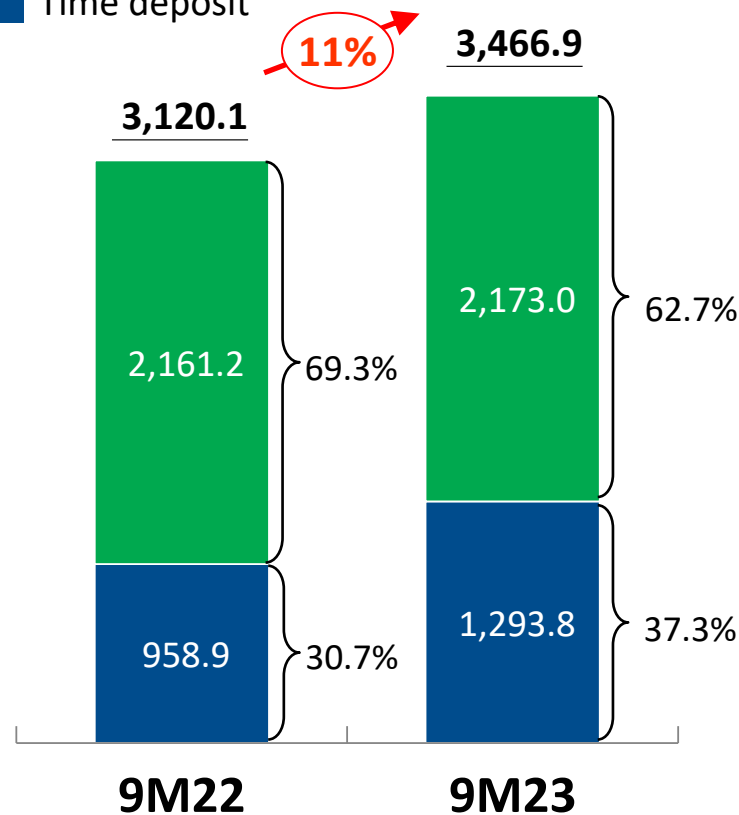
Loan breakdown

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



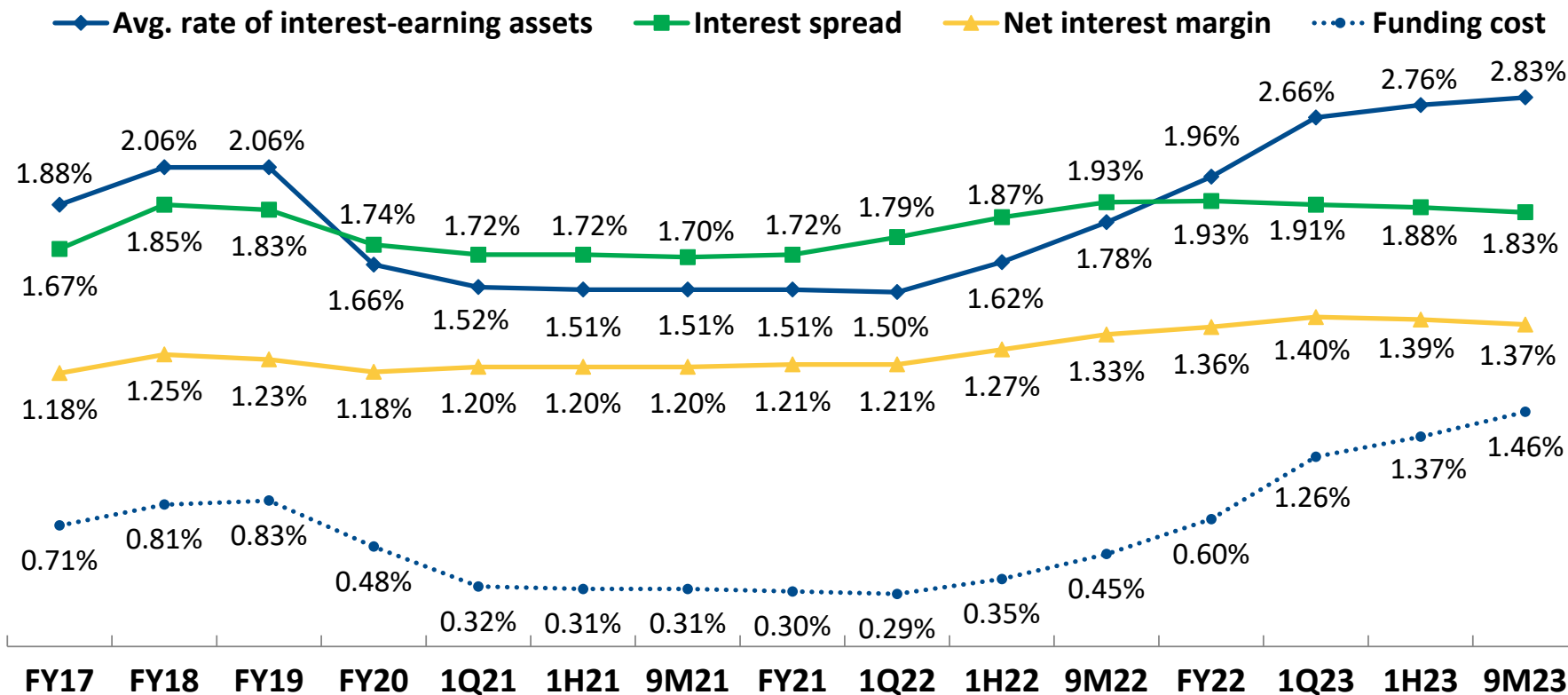
Deposit breakdown

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



Cathay United Bank – Interest yield

9M23 NIM increased YoY while declining QoQ due to increase in FX deposits amid rising interest rates.



Quarterly	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
Spread	1.69%	1.72%	1.71%	1.69%	1.74%	1.79%	1.94%	2.02%	1.96%	1.91%	1.84%	1.73%
NIM	1.17%	1.20%	1.20%	1.21%	1.22%	1.21%	1.33%	1.45%	1.46%	1.40%	1.37%	1.36%

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

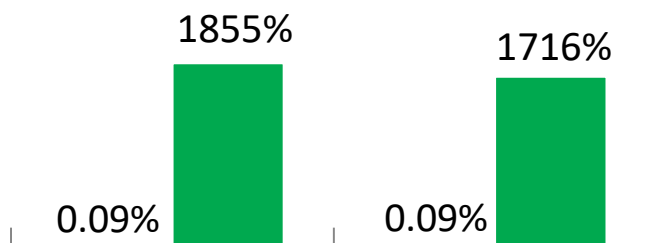
(2) China subsidiary was launched in Sep 2018. Hence, since 9M18, China subsidiary results was excluded.

Cathay United Bank – Credit quality

Asset quality remained benign, with NPL at 0.09% and coverage ratio at 1716%.

NPL & Coverage ratio

NPL ratio
Coverage ratio



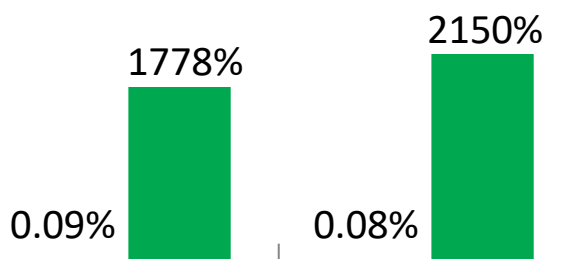
9M22

9M23

Mortgage NPL

0.06 %

0.08 %



FY21

FY22

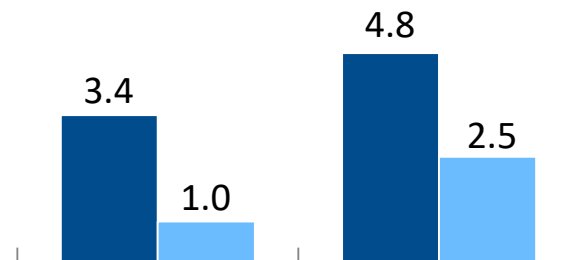
Mortgage NPL

0.08 %

0.06 %

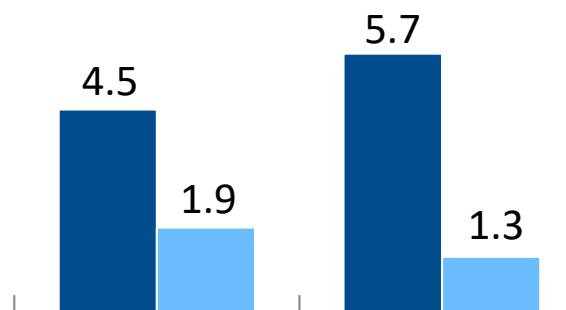
Gross provision

Gross provision (NT\$BN)
Recovery



9M22

9M23



FY21

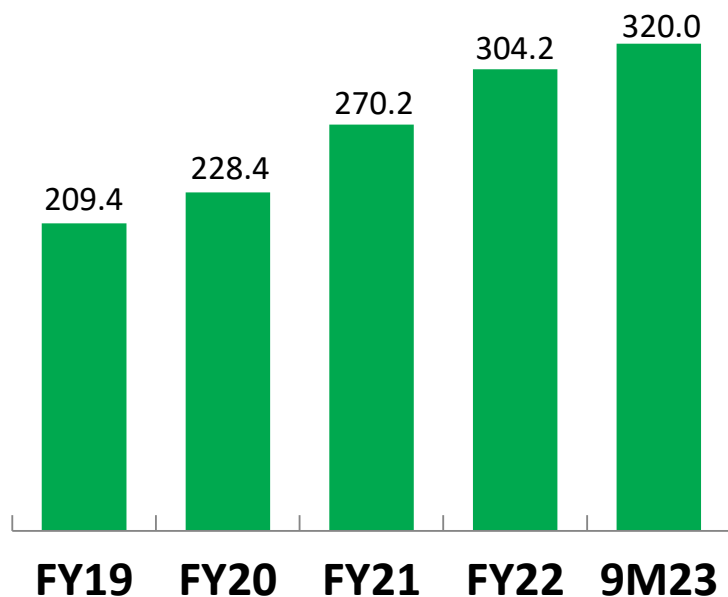
FY22

Cathay United Bank – SME & FX loans

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

SME loans

(NT\$BN)

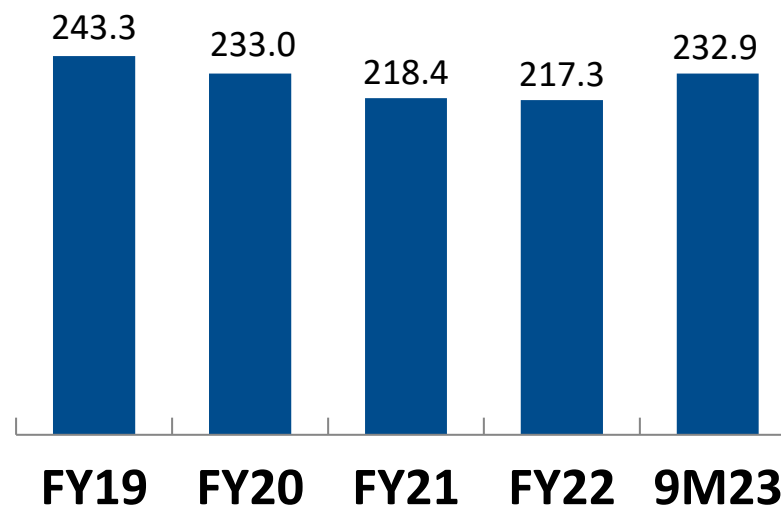


As % of total loans

13.8% 14.1% 15.3% 15.3% 14.6%

Foreign currency loans

(NT\$BN)



16.1% 14.4% 12.4% 10.9% 10.7%

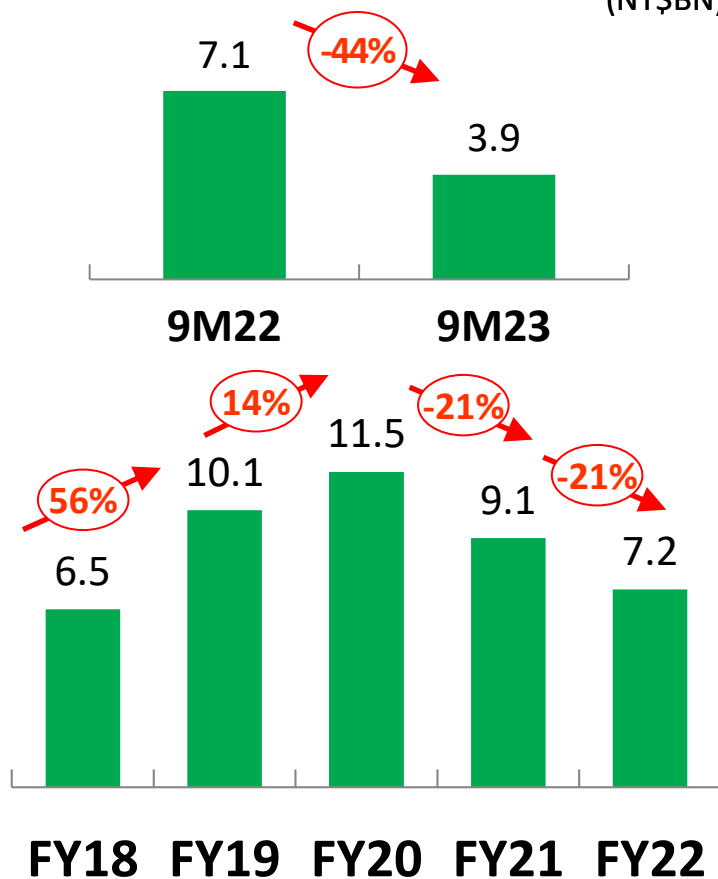


Cathay United Bank – Offshore earnings

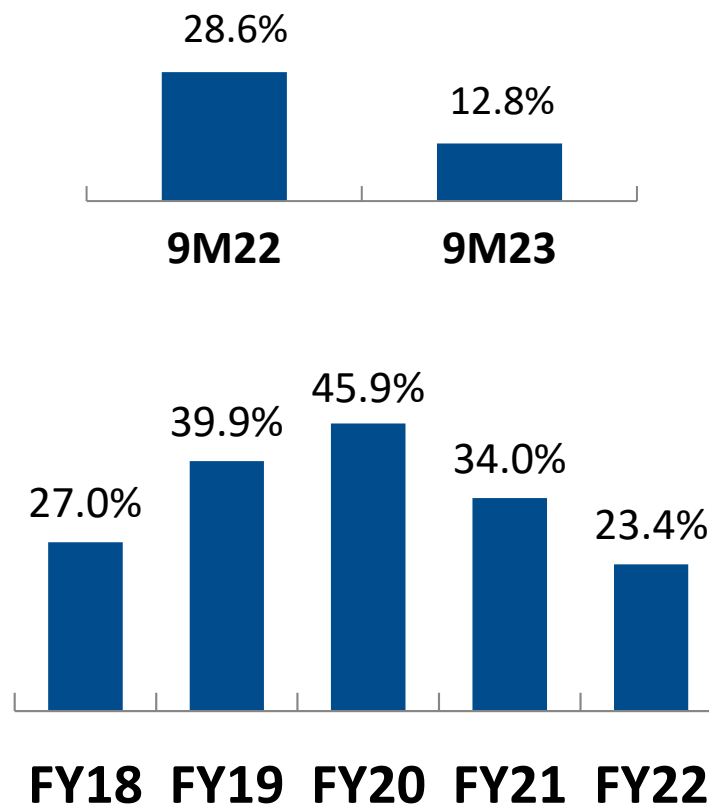
Offshore earnings declined due to lower YoY investment income.

Offshore earnings

(NT\$BN)



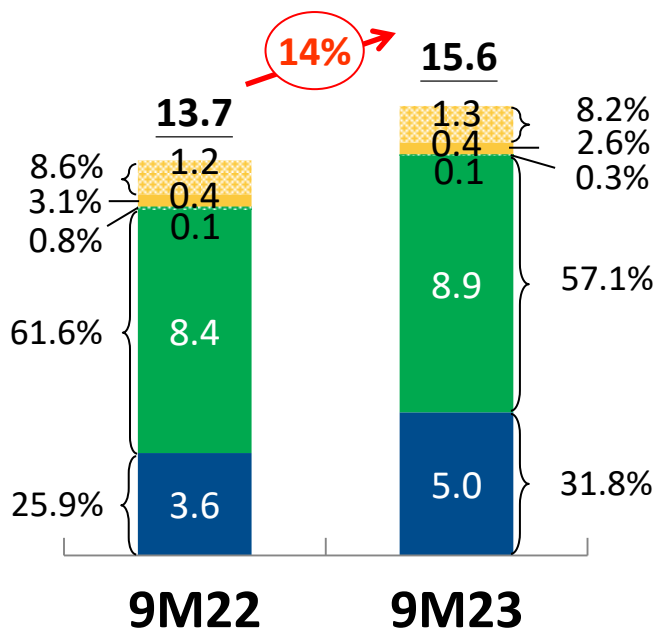
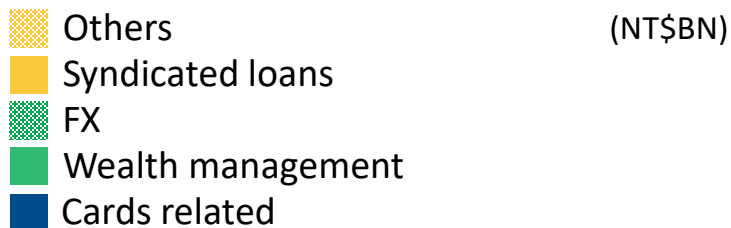
As % of CUB pre-tax profits



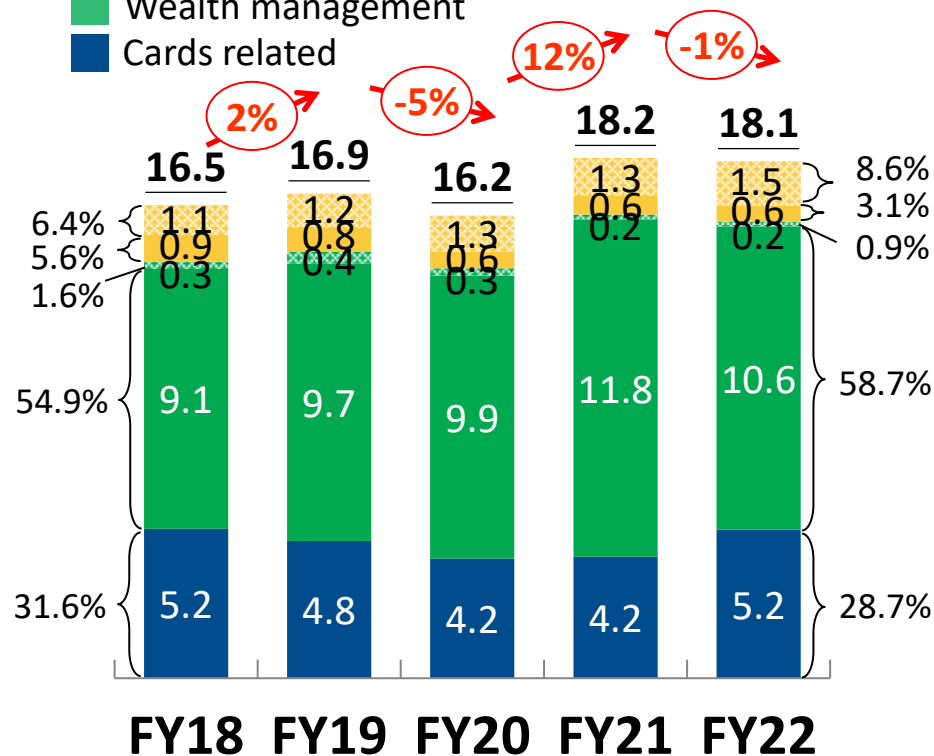
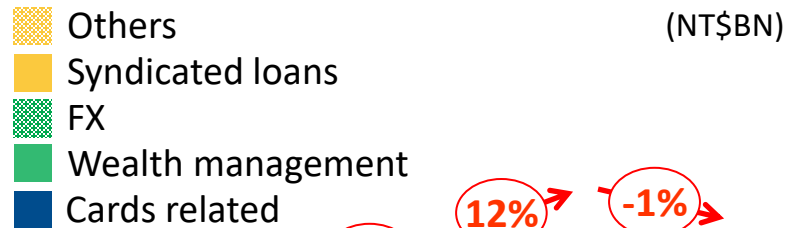
Cathay United Bank – Net fee income

Net fee income increased 14% YoY, driven by solid growth in wealth management and credit card fees.

Quarterly net fee income



Annual net fee income

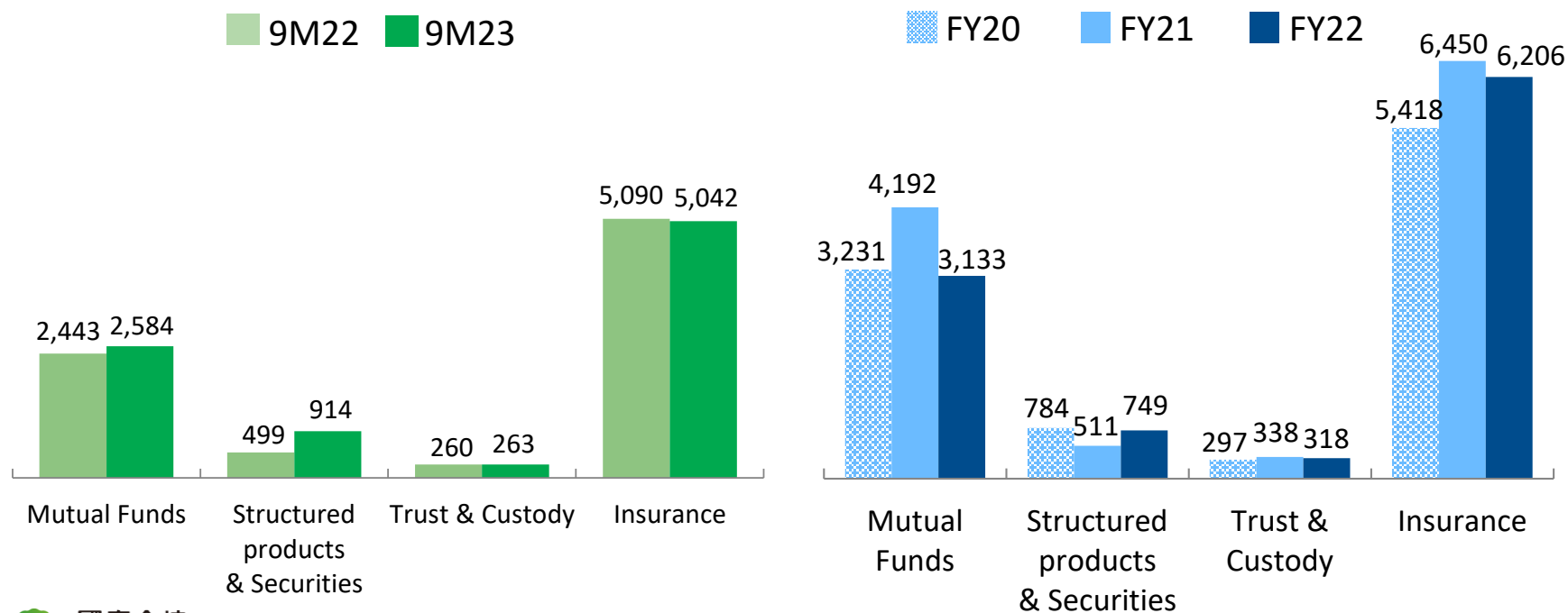


Cathay United Bank – Wealth management fees

- WM fees grew 5.5% YoY, driven by significant growth in securities fees and a recovery in growth momentum in mutual funds.
- WM customers and AUM continued to show steady growth.

Wealth management fees breakdown

(NT\$MN)	9M22	9M23	FY20	FY21	FY22
Wealth management fee income	8,447	8,915	9,878	11,783	10,595
YoY growth (%)	-10.2%	5.5%	1.9%	19.3%	-10.1%



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Cathay United Bank

Cathay Life

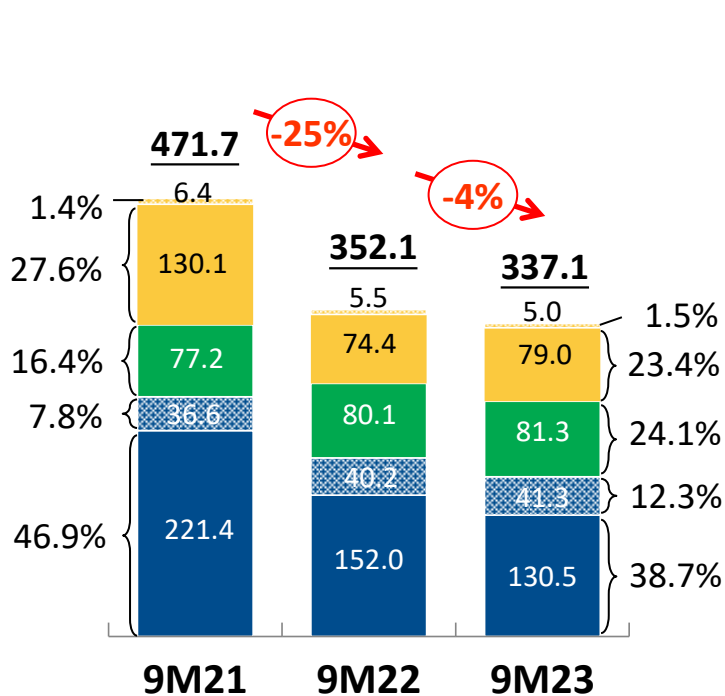
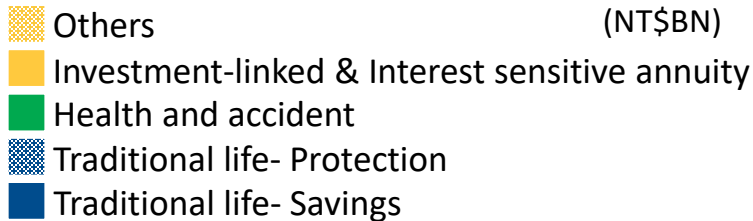
Cathay Century

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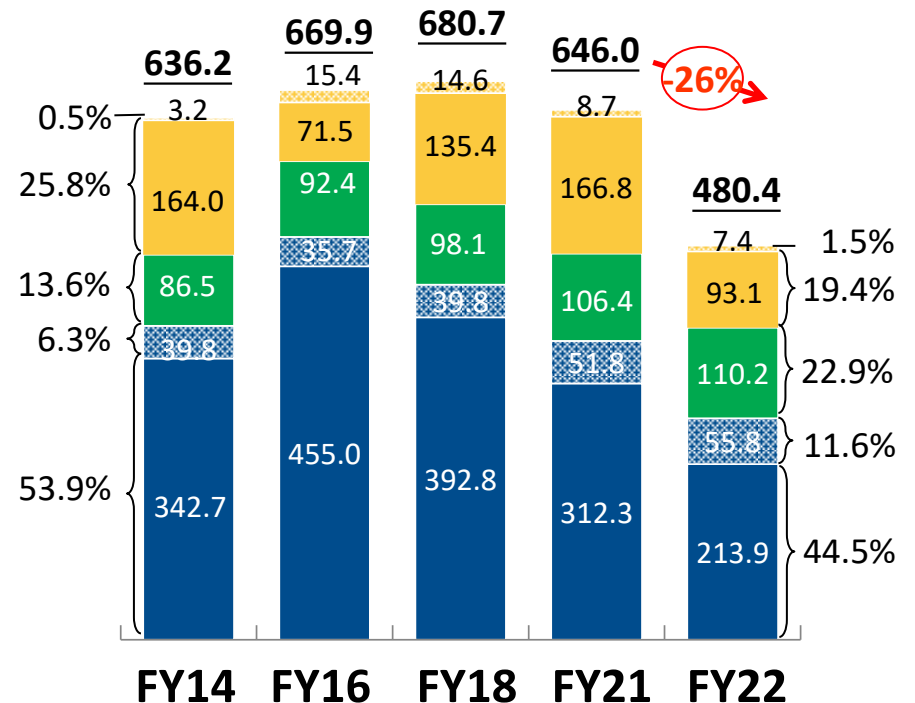
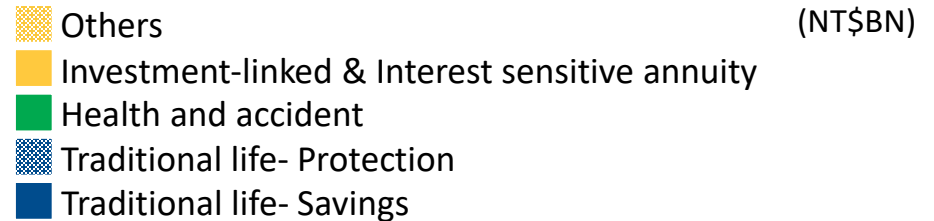
Cathay Life – Total premium

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

Quarterly total premium



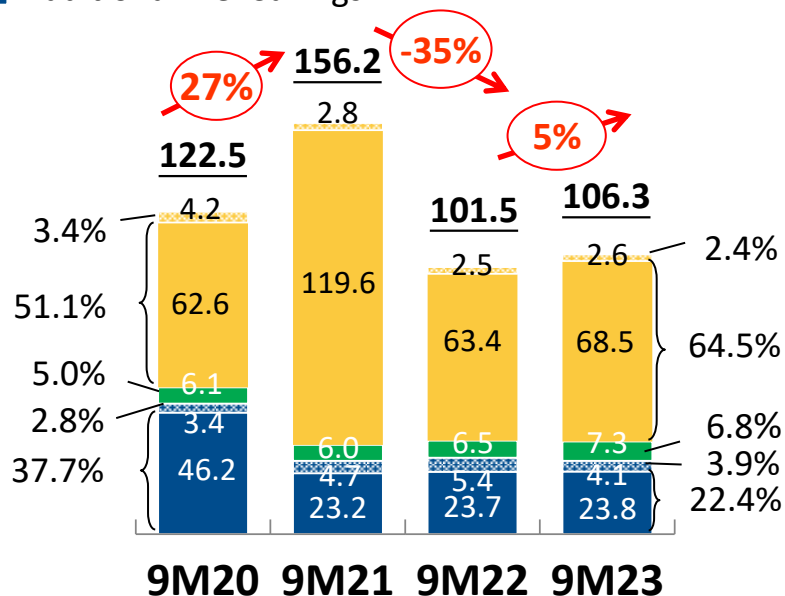
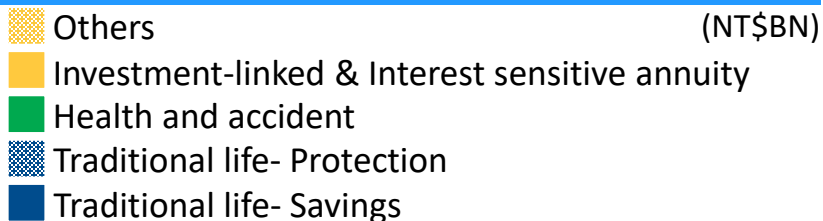
Annual total premium



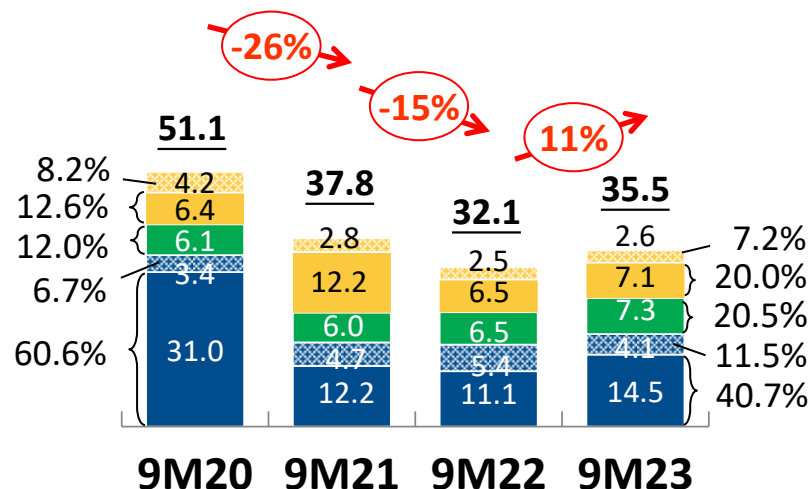
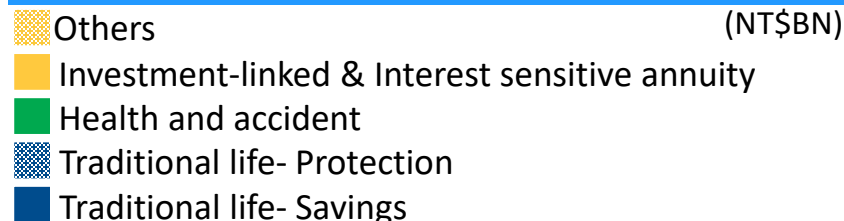
Cathay Life – Quarterly FYP & APE

- FYP and APE respectively rose by 5% and 11%, attributable to an increase in sales volume of ILP and traditional long-term regular-premium products.
- FYP for health and accident products grew 12% YoY, supporting the CSM.

First Year Premium



Annualized FYP (APE)



FX polices %
(excl. Investment-linked)

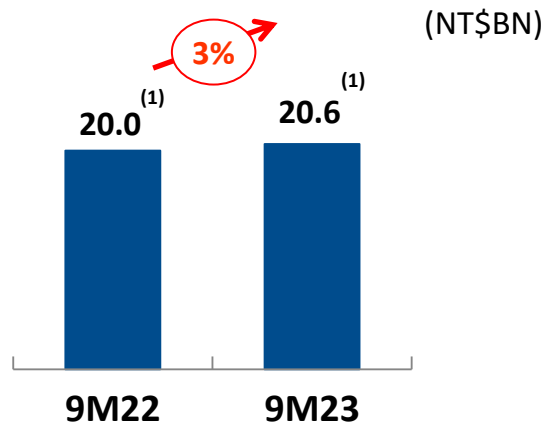
68% 72% 72% 54%

Cathay Life – Value of new business

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

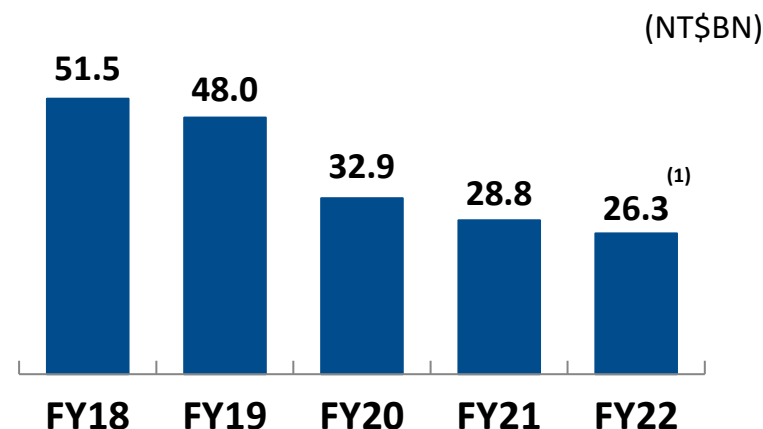
Value of new business

Profit Margin	9M22 ⁽¹⁾	9M23 ⁽¹⁾
VNB/FYP	20%	19%
VNB/FYP (excl. ILP (non-VUL))	47%	47%
VNB/APE	63%	58%



Value of new business (annual)

Profit Margin	FY18	FY19	FY20	FY21	FY22 ⁽¹⁾
VNB/FYP	24%	24%	20%	14%	20%
VNB/APE	72%	50%	53%	56%	62%



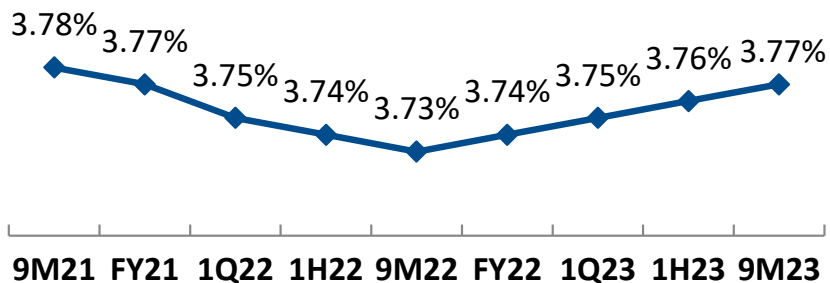
Note : (1) 9M22, FY22 and 9M23 VNB were based on 2022 Embedded Value assumptions.

(2) Based on 2021 Embedded Value assumptions, 9M22 & FY22 VNB were NT\$20.4BN and NT\$26.6BN ; VNB/FYP were 20% and 21% , VNB/APE were 64% and 63%, respectively.

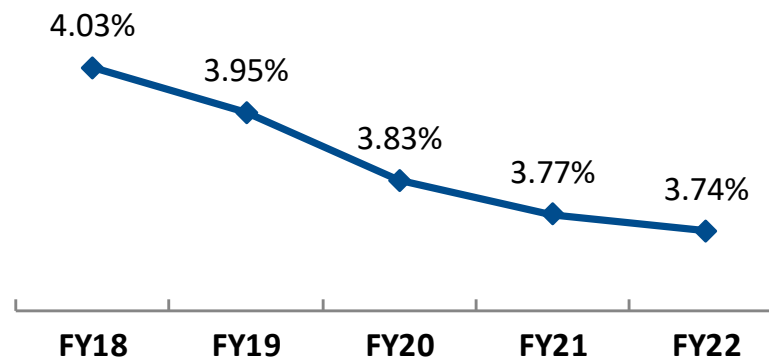
Cathay Life – Cost of liability and break-even asset yield

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

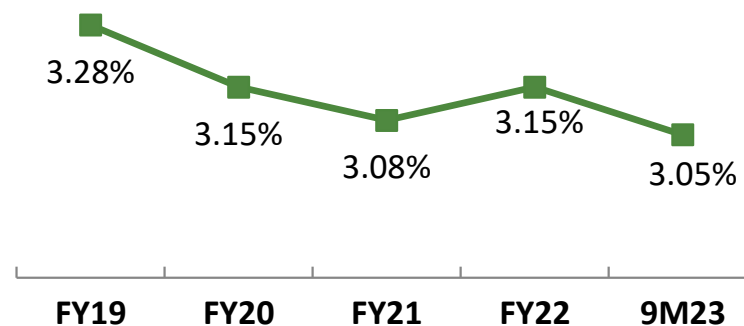
Cost of liability (quarterly)



Cost of liability (annual)



Break-even asset yield



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

Cathay Life – Investment portfolio

(NT\$BN)	FY20	FY21	FY22			9M23		
Total investments⁽¹⁾	6,945.1	7,254.1	7,330.6			7,600.3		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	6.1%	4.4%	4.1%	300	0.7%	2.3%	174	1.7%
Equity- Domestic	6.3%	7.2%	5.1%	373	8.2%	6.2%	472	8.7%
Equity- International ⁽²⁾	5.9%	6.4%	5.6%	408	4.8%	5.6%	429	6.0%
Bond- Domestic	8.0%	7.9%	7.1%	517	3.2%	7.7%	583	4.9%
Bond- International ⁽²⁾	57.0%	57.7%	61.9%	4,539	3.7%	62.7%	4,763	3.8%
Mortgage & Secured loans	4.5%	4.2%	3.8%	280	2.1%	3.1%	239	2.5%
Policy loans	2.4%	2.3%	2.3%	167	5.3%	2.2%	168	5.1%
Real estate	7.7%	7.6%	7.7%	562	2.7%	7.5%	568	2.4%
Others	2.2%	2.3%	2.5%	182		2.7%	204	

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

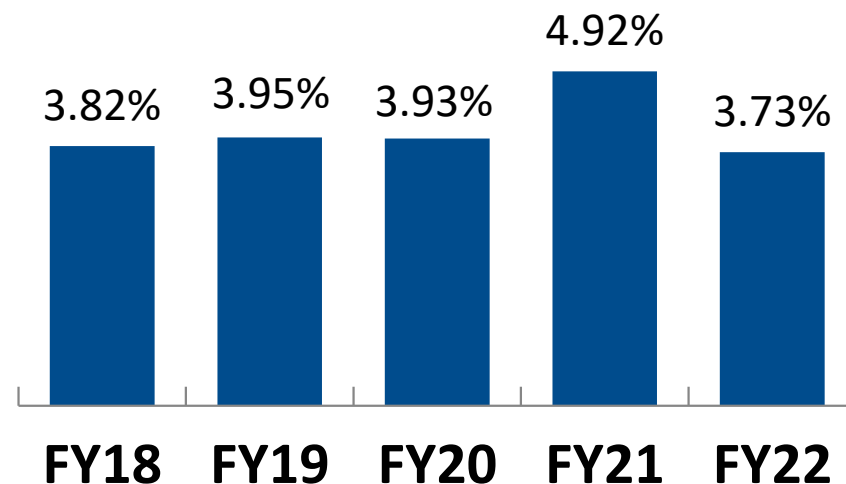
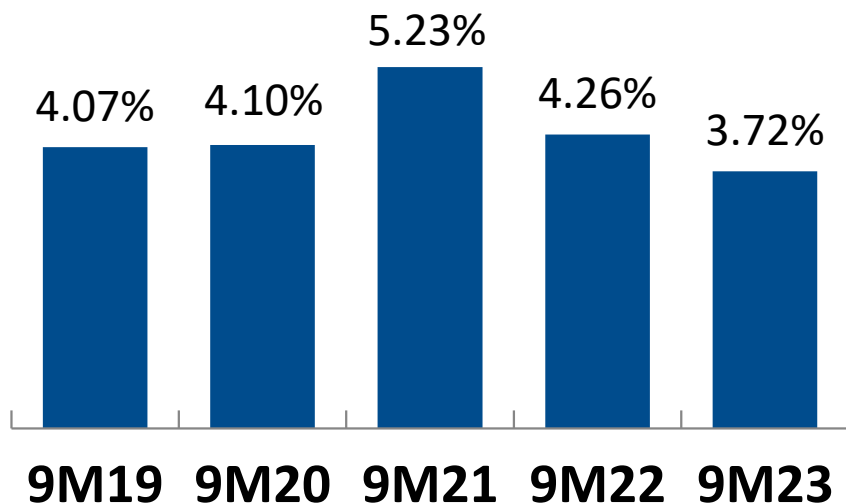
(2) Yields of international equity and international bond are pre-hedge investment yields.

Cathay Life – Investment performance highlights

- 9M22 benefited from substantial FX gains due to ~13% TWD depreciation; 9M23 after-hedging investment yield reflected higher hedging costs YoY.

After-hedging investment yield

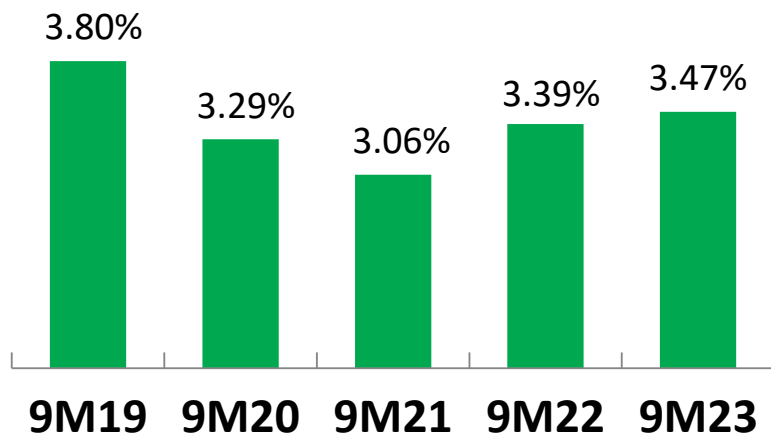
After-hedging investment yield



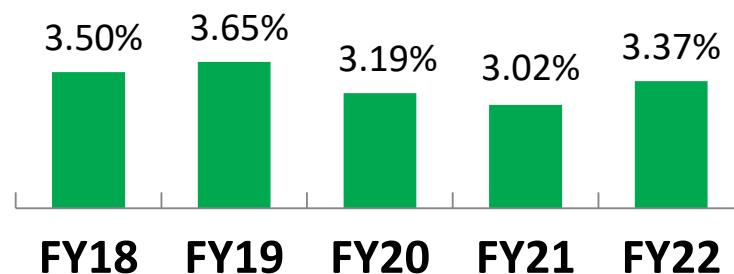
Cathay Life – Investment performance highlights

- 9M23 recurring yield retained an upward trend, with interest income showing double-digit YoY growth.
- Hedging costs improved QoQ, owing to TWD depreciation in 3Q23 and effective proxy hedging.

Pre-hedging recurring yield

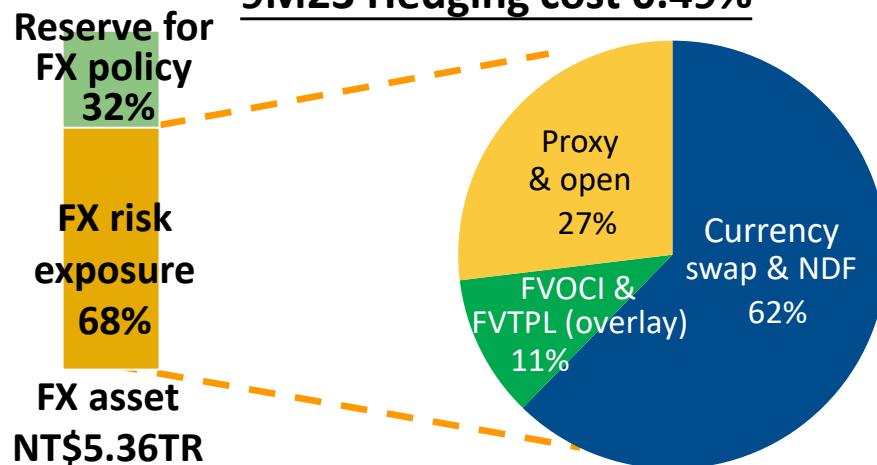


Pre-hedging recurring yield



Currency hedging structure

9M23 Hedging cost 0.49%



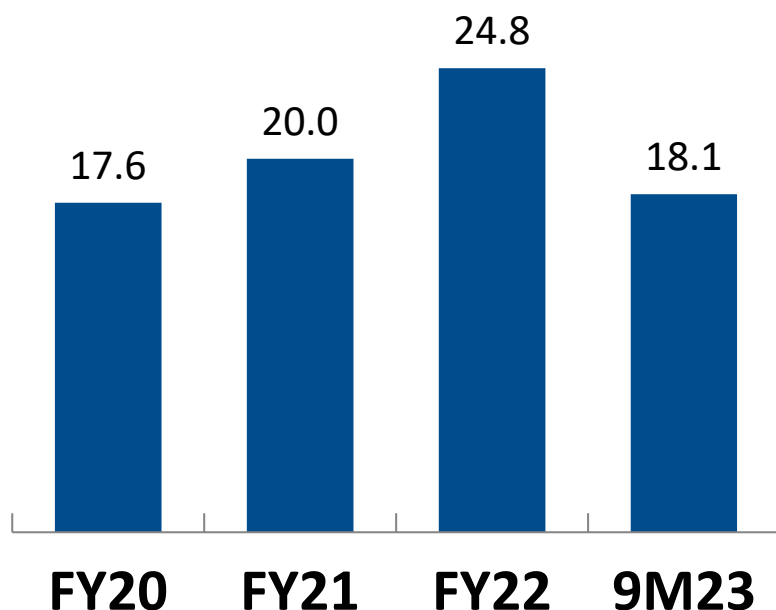
Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

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

- 9M23 cash dividend income was NT\$18.1bn, with dynamic adjustments to the stock portfolio YTD.
- Seized opportunity brought by rising rates to increase position in US bonds, leading to an increase in proportion of overseas fixed income investments based in North America, at 51%.

Cash dividend income

(NT\$BN)



Overseas fixed income by region



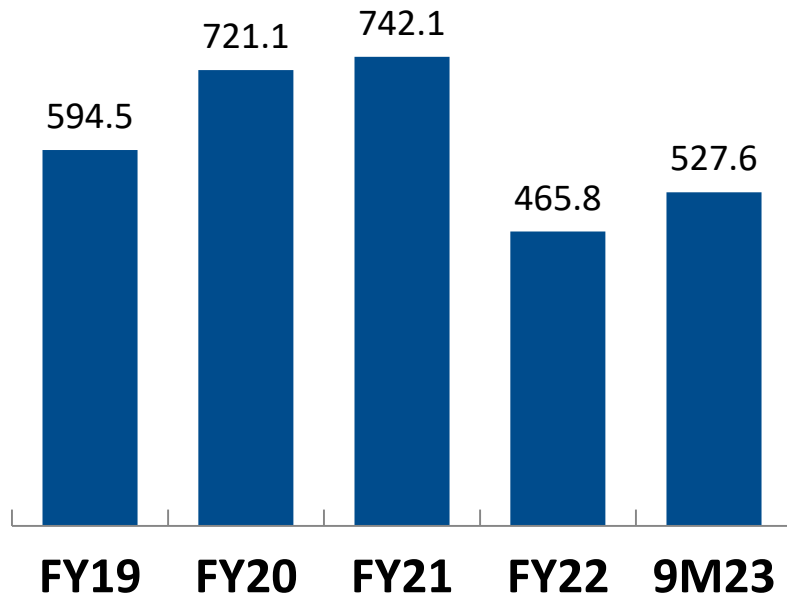
Note: Exclude overseas deposit.

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

- 9M23 book value increased YTD, supported by earnings contributions and rebound in unrealized G/L.
- 9M23 unrealized G/L recovered YTD owing to rebound in equity markets.

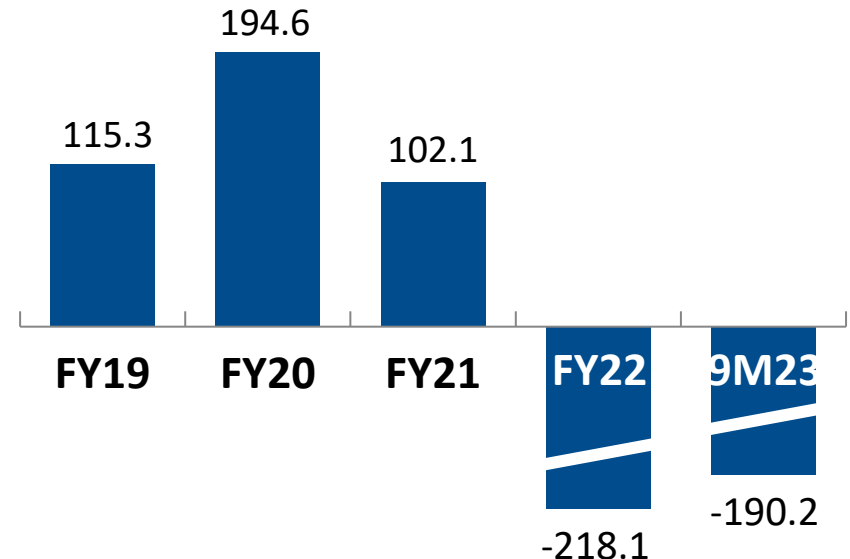
Book value

(NT\$BN)



Unrealized G/L of financial assets

(NT\$BN)

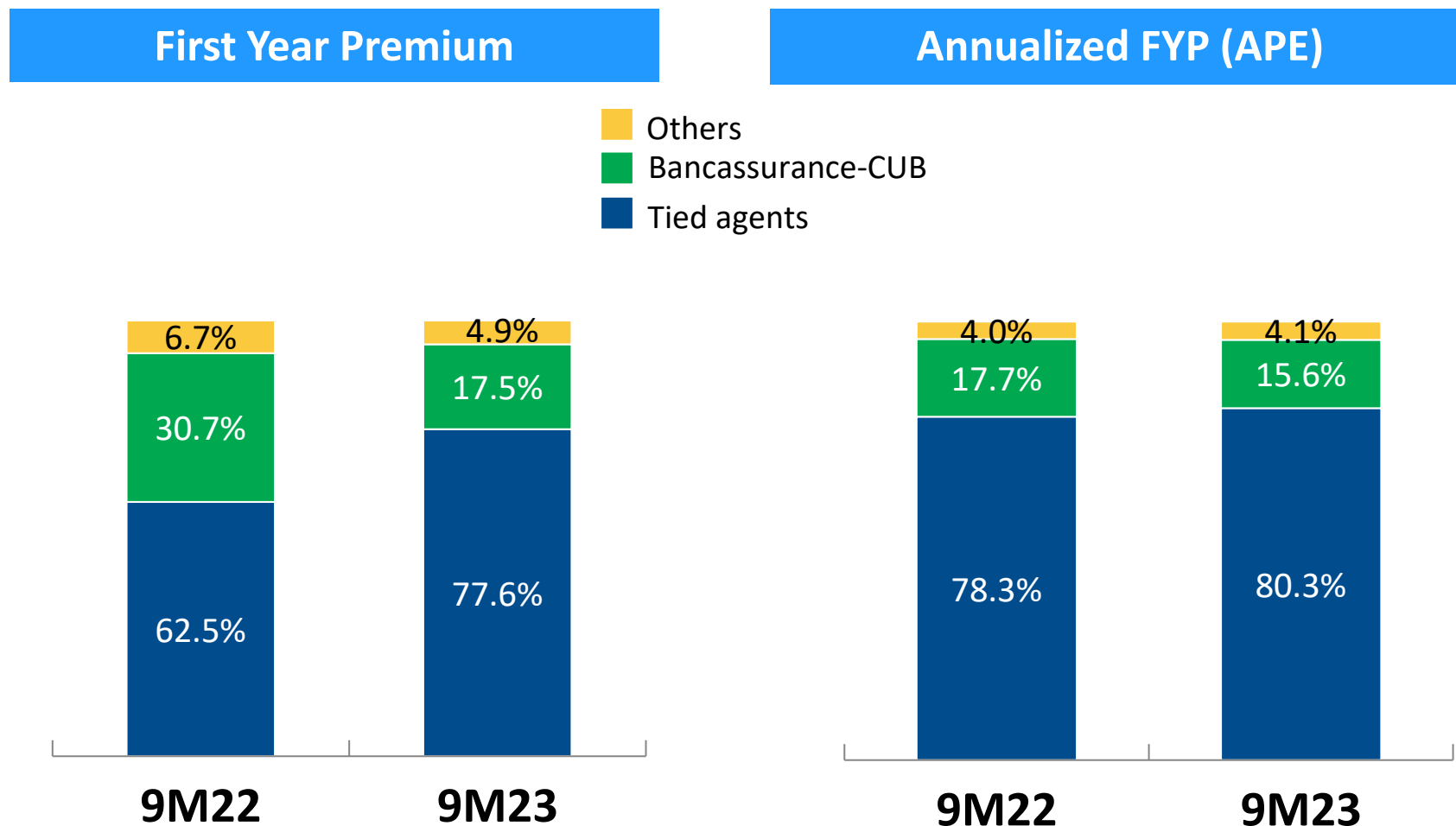


Note: (1) Cathay Life changed its business model for financial asset classification on 2022/10/1 in accordance with IFRS 9 and the guidance by Accounting Research and Development Foundation.

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

Cathay Life – Distribution channels

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



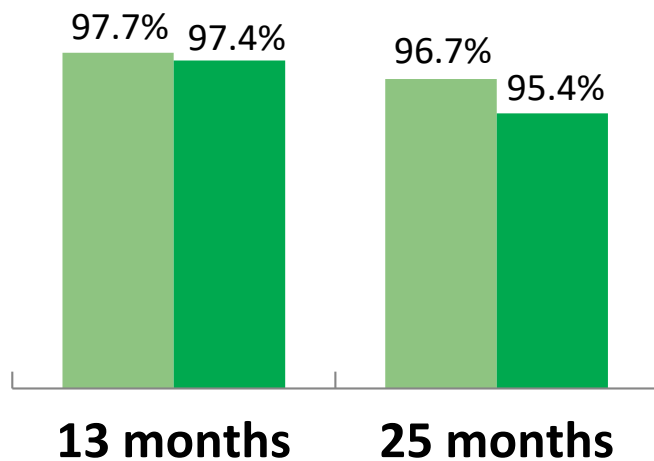
Cathay Life – Operational indicators

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

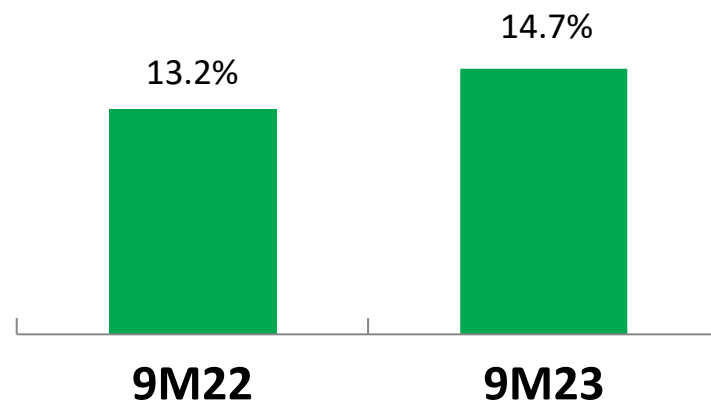
Persistency ratio

9M22

9M23



Expense ratio



Agenda

- Introduction of Cathay FHC
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Cathay United Bank

Cathay Life

Cathay Century

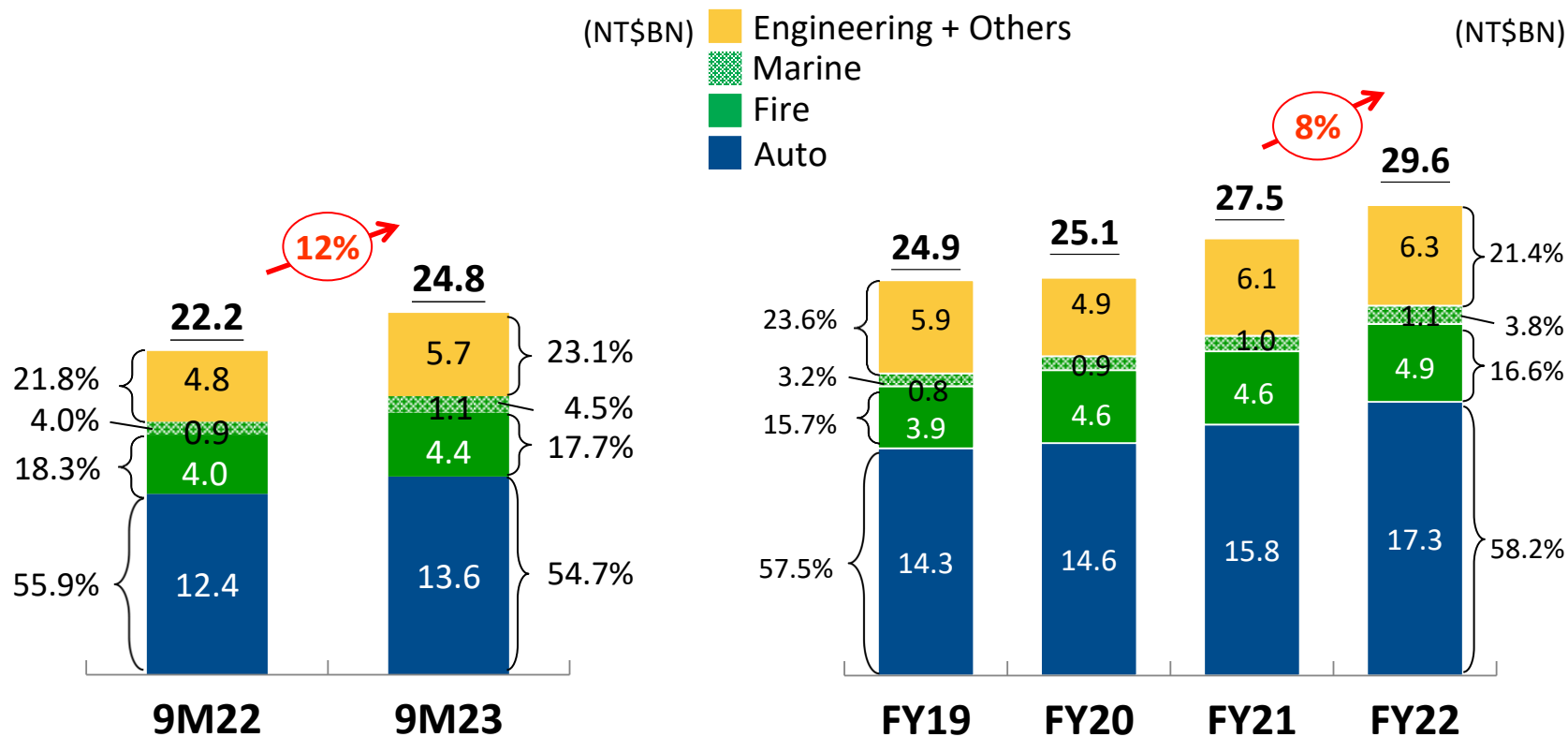
- Cathay's ESG efforts
- Appendix

Cathay Century – Premium income

□ Premium income showed double-digit growth YoY. Market share was 13%.

Premium income

Premium income (annual)



Market share	12.6%	13.0%	13.1%	12.3%	12.4%	12.8%
Retention	71.7%	69.0%	77.7%	76.4%	74.3%	73.4%

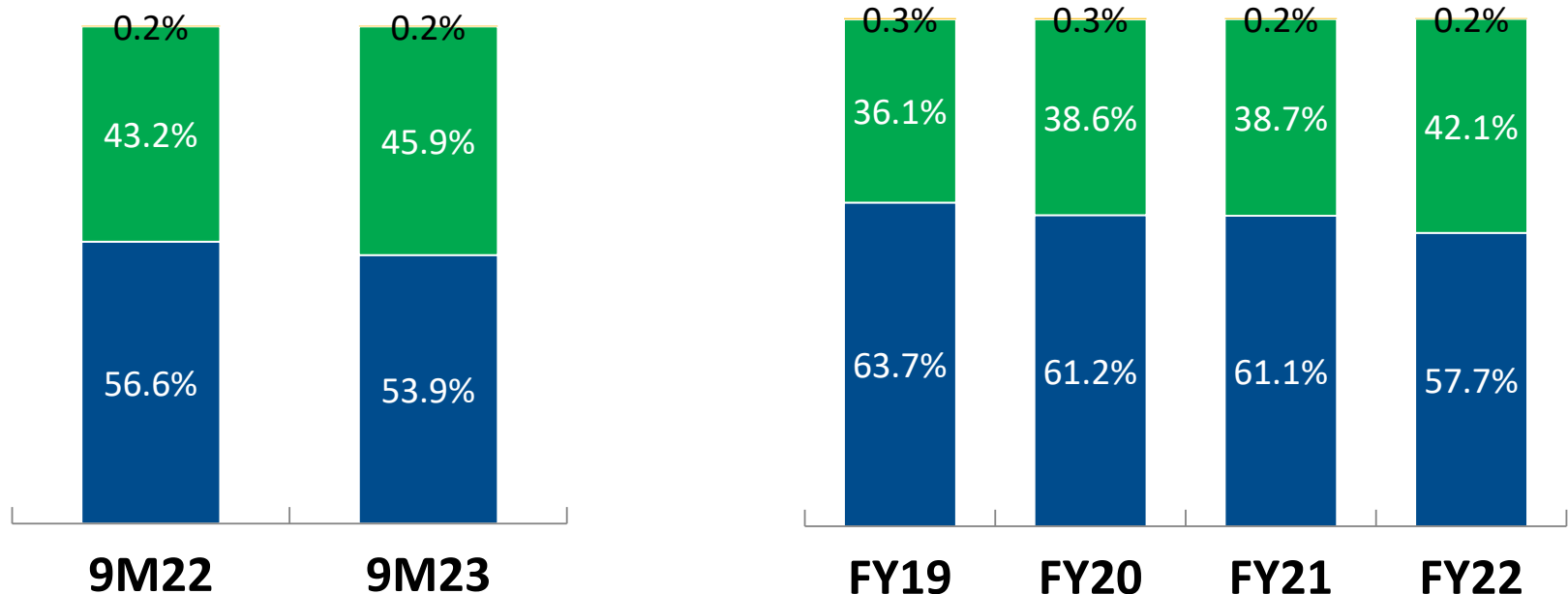
Cathay Century – Distribution channels

- Benefiting from cross-selling synergy, over 50% of premium income was generated by the group channel.

Distribution channel

Distribution channel (annual)

- Affiliate channels
- Cathay P&C agents
- Cathay group channel

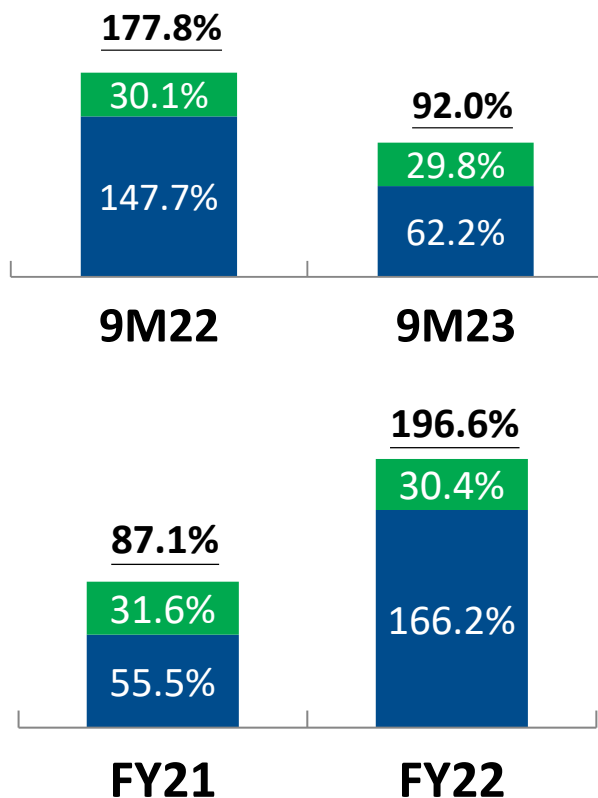


Cathay Century – Combined ratio

- Gross combined ratio and retained combined ratio each declined due to the lower loss ratio resulting from the fading impact of pandemic insurance YTD.

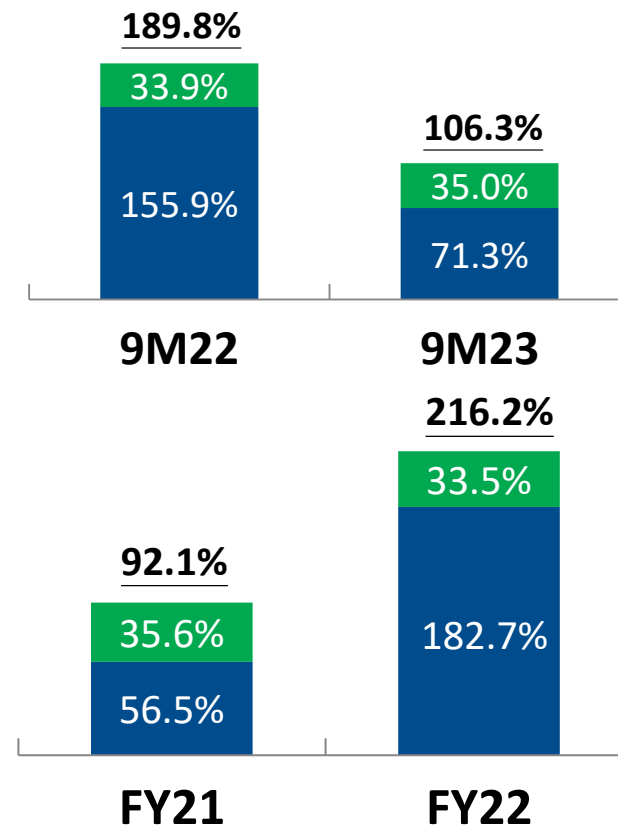
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



Retained combined ratio

- Retained expense ratio
- Retained loss ratio



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Cathay's sustainability strategies and goals



Climate

Low-carbon economy

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

Sustainable environment

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



Health

Health promotion

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

Financial health

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



Empowerment

Workplace Empowerment

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

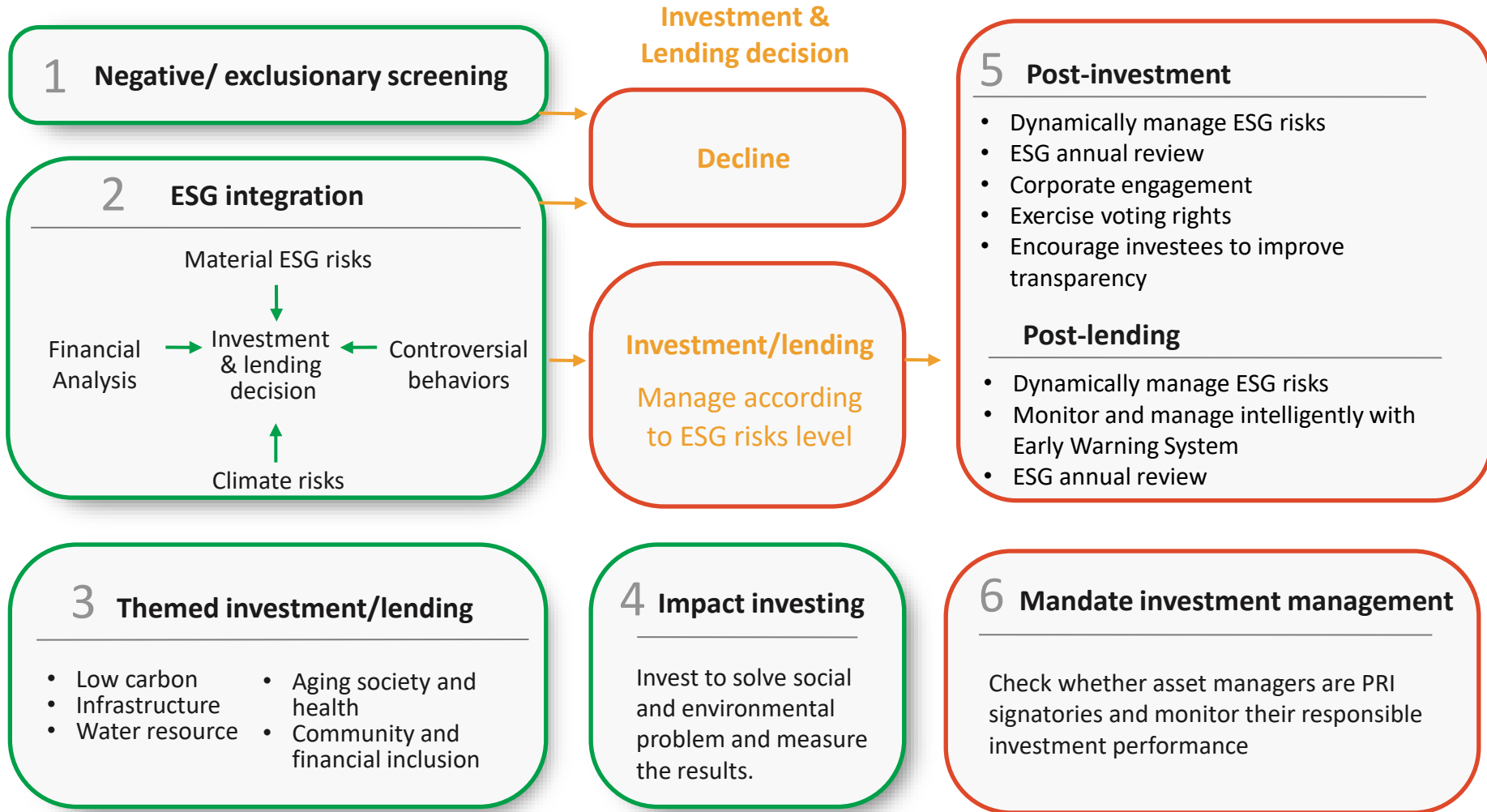
Social Empowerment

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

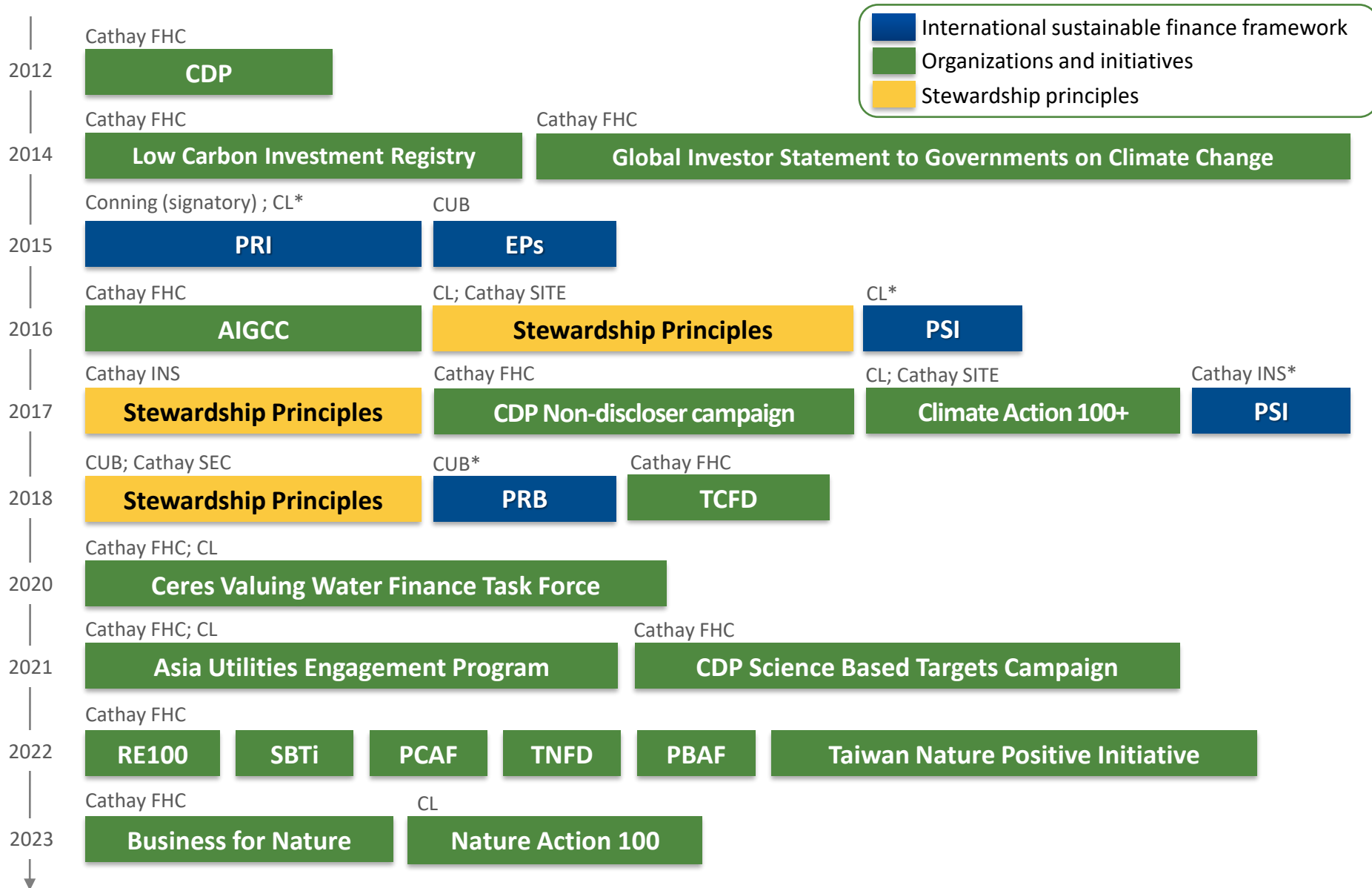
Integrating ESG into responsible investment and lending

Investment/ Lending Process

Engagements after Investment/ Lending



Participation in climate actions and nature initiatives



Zero-carbon operations by 2050

Cathay “zero-carbon operation transition”



Low-carbon operation transition since 2017

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

RE 100 Became a RE100 member in 2022

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



SCIENCE
BASED
TARGETS

Zero-carbon milestones

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

2017

2020

2025

2030

Set a 5-year carbon reduction target of

5%

Ahead of target, achieved cumulative carbon reduction of

6.76%

Usage of renewable energy for **headquarters**

100%

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

100%

Net Zero emissions in financial assets by 2050

• Science-Based Targets

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

• Coal-Exit Strategy

✓ Lending
















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





Leveraging financial competence to support sustainability


2022 Sustainability themed investment / lending


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


Define low-carbon sectors based on Low Carbon Registry Taxonomy



 Renewable energy


 Buildings

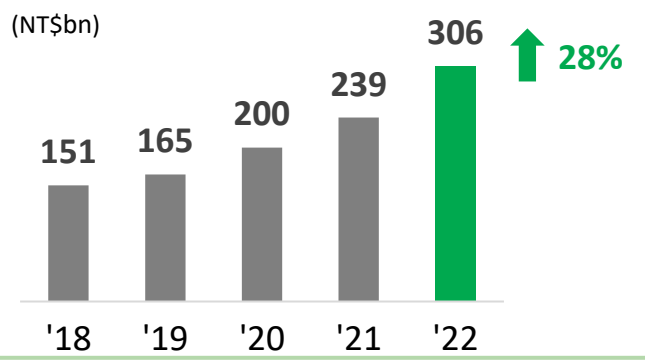

 Waste recycling


 Transportation


 Energy-efficiency


 Green bonds

Low-carbon investment/lending grew YoY



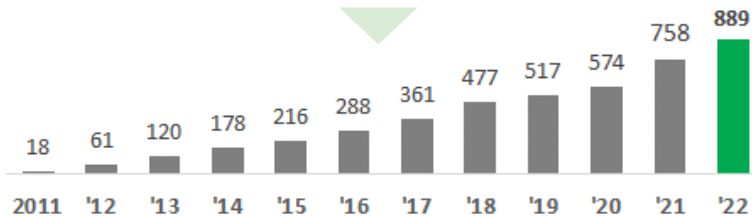
Hastening positive environmental change with green products

Pioneers in renewable energy financing

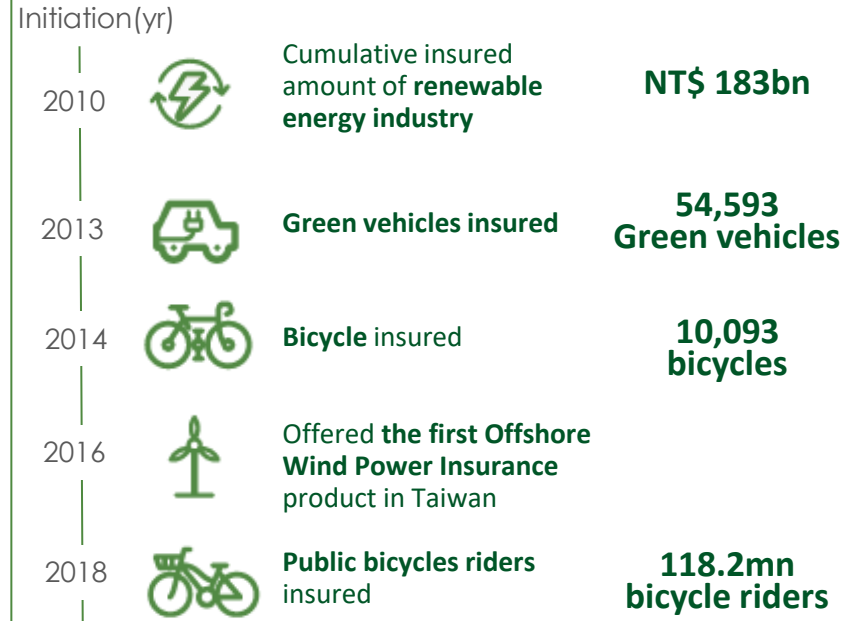


 Total capacity of financed solar power stations and wind turbines **2,262 MW**

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



First in the industry – Green Insurance



Providing green finance services across various markets and industries



Sustainability-linked loan (SLL)

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

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



Green deposit

Utilized by over 30 companies of NT\$10bn

1st Taiwan financial group to launch green deposits in China

Health promotion – from compensation to prevention

Fitback app health promotion program



Compensation ▶▶▶ Prevention

Utilize health promotion programs to increase health awareness

Track health habits



steps



heart rate



sleep



fitness



aerobic

Health ecosystem

Fitness programs

Health counselling

Dietary supplements

Fitness gear

Expand influence

Policyholders

General public

Employees

Fitback app: spillover-feature insurance products

Health habit targets

Premium discounts

Increased Benefit

Increased insured amount



Facilitating health promotion through technology

806,000 members



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



Financial health – financial inclusion



Small amount whole life insurance

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



Microinsurance

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



Elderly-friendly products

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



Microfinance

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



accessibility via digital platforms



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



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



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



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



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

Building a workplace of diversity, equity & inclusion



Creating a culture of diversity, equity, and inclusion

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

Woman empowerment



69%
women employees



54%
women in manager positions



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

“Career FlexiPacing” program

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



Flexible WFH arrangement



Continue to upskill via online courses



Cloud-based library for continuous learning



Employee Assistance Program (EAP)

Agenda

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Embedded Value & Appraisal Value

NT\$BN, except for per share figures

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

Note: (1) EV/AV calculation does not include business of Cathay Life in China and Vietnam.

(2) per share = per share of Cathay Life; (per share) = per share of Cathay FHC

(3) The outstanding shares of Cathay Life in 2021 and 2022 are 5.85bn and 6.35bn, respectively.

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

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

Summary

NT\$BN, except for per share figures

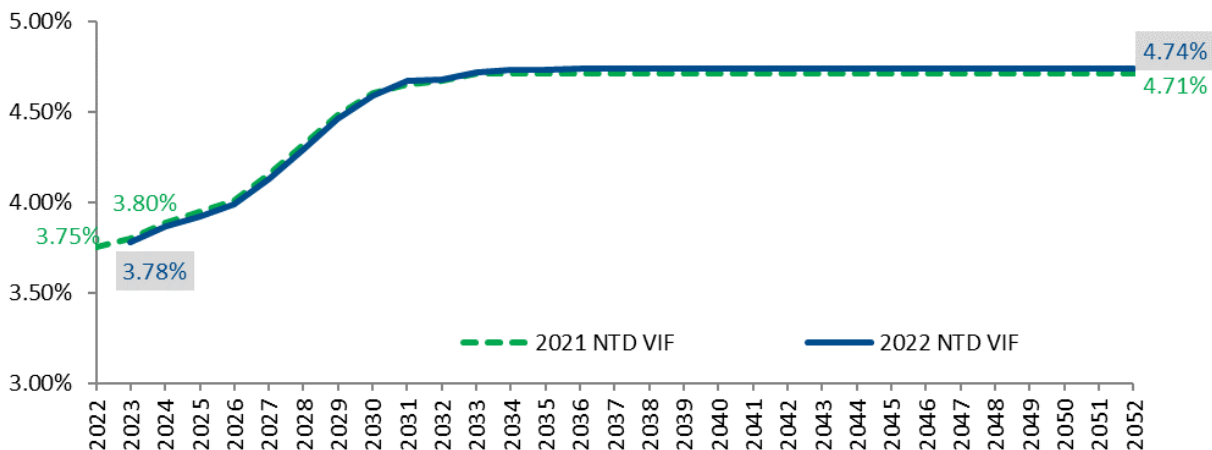
Valuation date		2021	2022	Growth rate	1Q23
Embedded value	Equity	734	457	-38%	--
	Adjusted net worth	757	520	-31%	--
	Value of in-force business (before CoC)	717	780	9%	--
	Cost of capital (CoC)	-275	-311	13%	--
	Value of in-force business (after CoC)	442	469	6%	--
	Embedded value	1,199	988	-18%	--
Value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

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

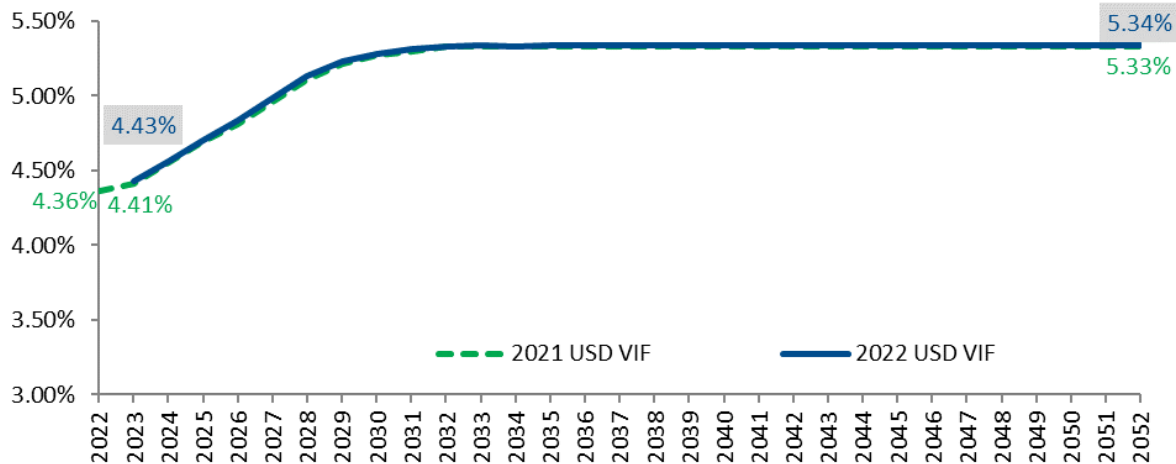
(2) Totals may not sum due to rounding.

Economic Assumptions: In-force business investment yield

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

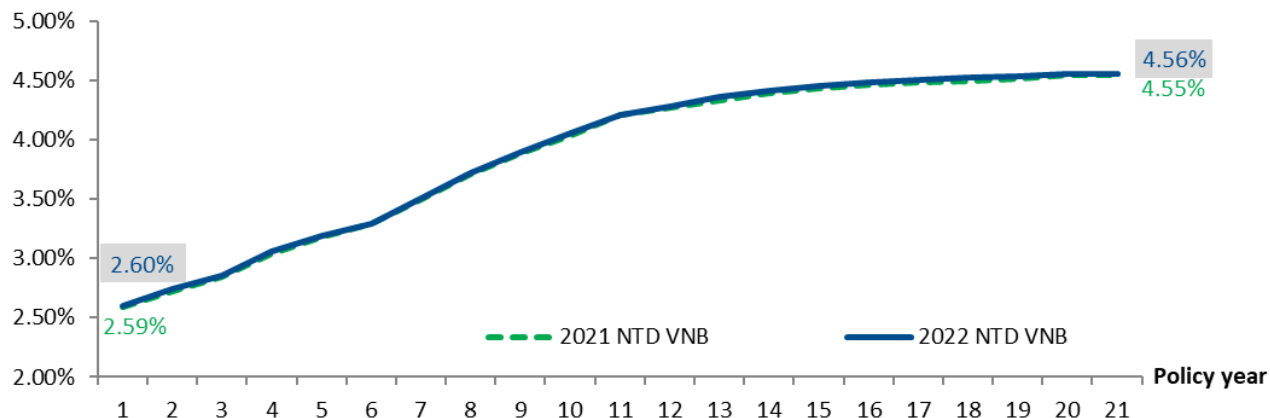


- Investment return assumptions for the value of in-force business of USD-denominated policies as of the end of 2021 & 2022.

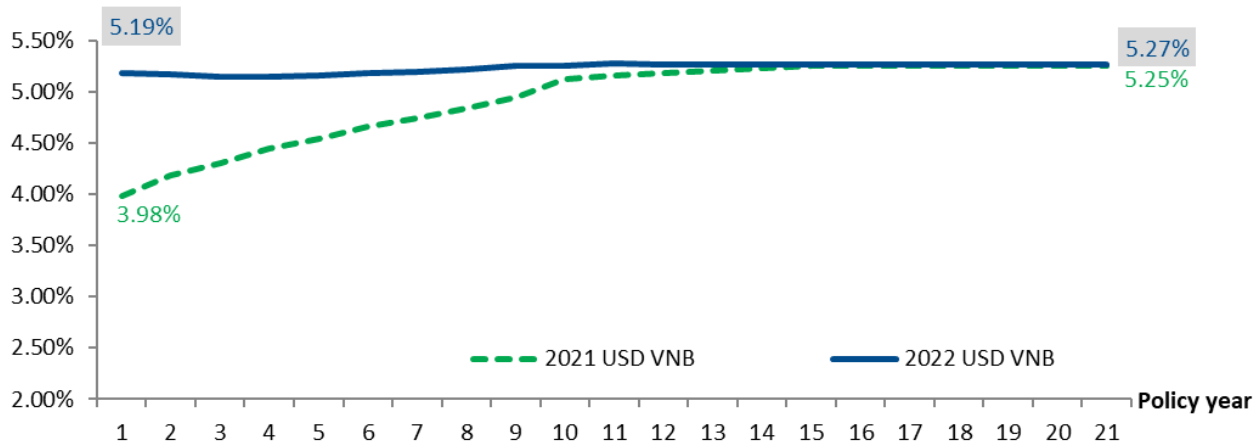


Economic Assumptions: Future one year's new business investment yield

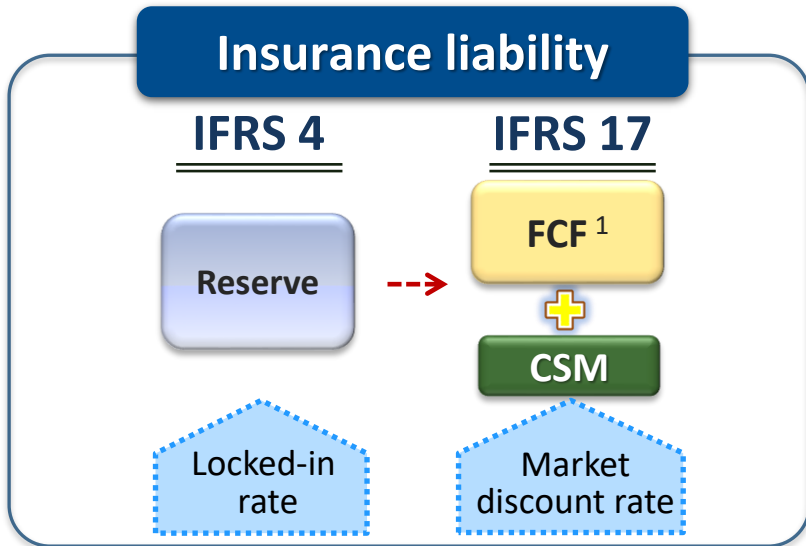
- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2021 & 2022.



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



CSM - New product profit indicator under IFRS 17

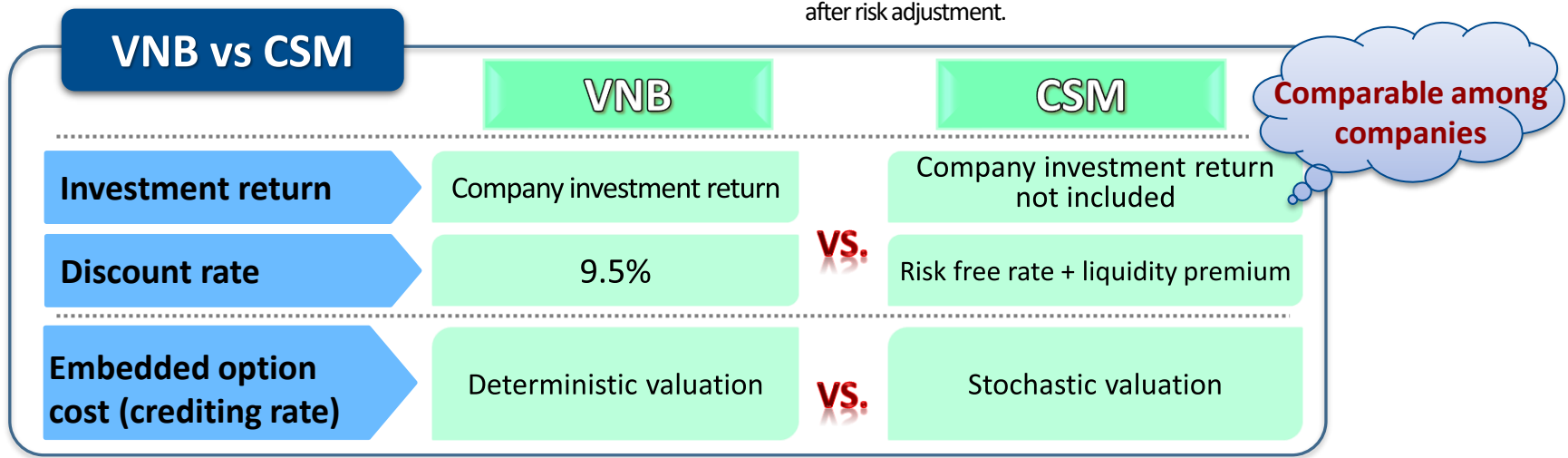


New product profit indicator

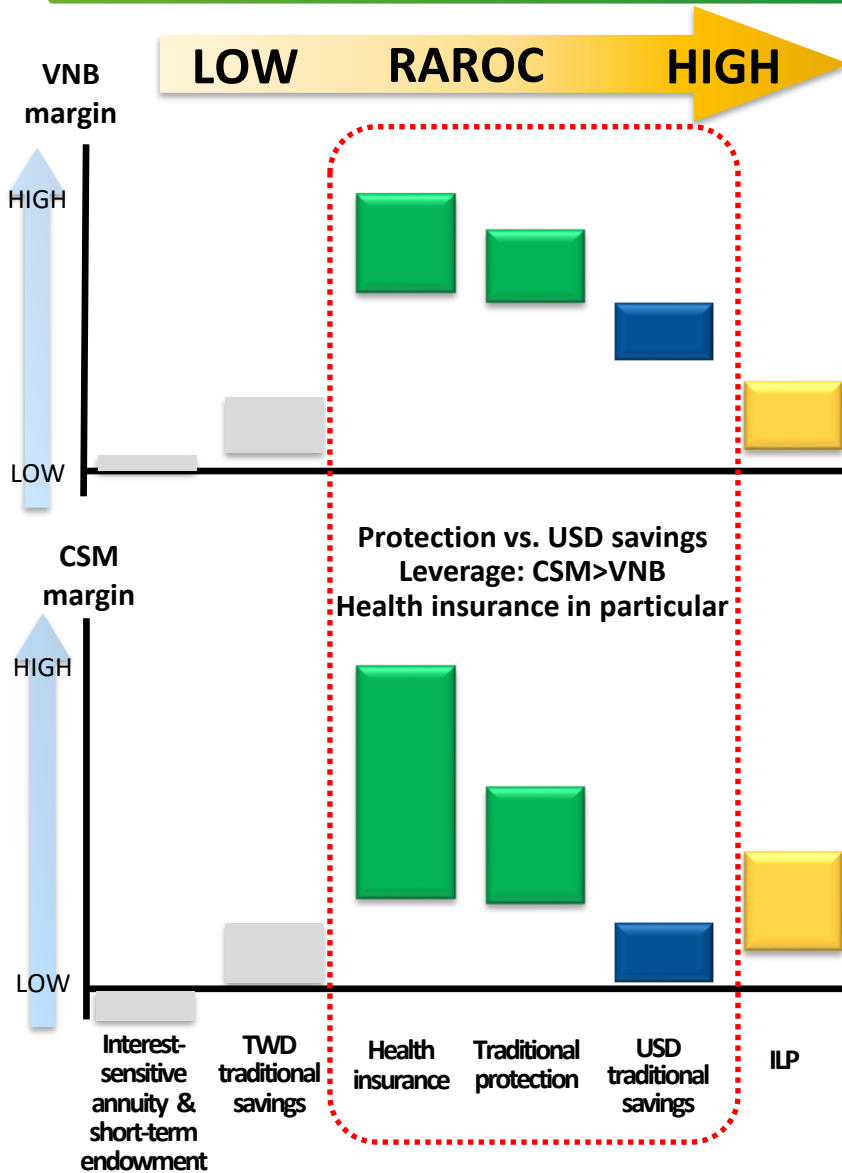
- VNB** Value of new business (reflects company perspective on profit)
- CSM** Contractual service margin² (unearned profit from liabilities)
- RAROC** Risk-adjusted return on capital³

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

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



Focus on high CSM and RAROC products



Interest-sensitive annuity & short-term endowment

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

TWD-denominated traditional savings

- Foreign currency risk, difficult for ALM
- Low RAROC

Key products

Health insurance & traditional protection

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

USD-denominated traditional savings

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

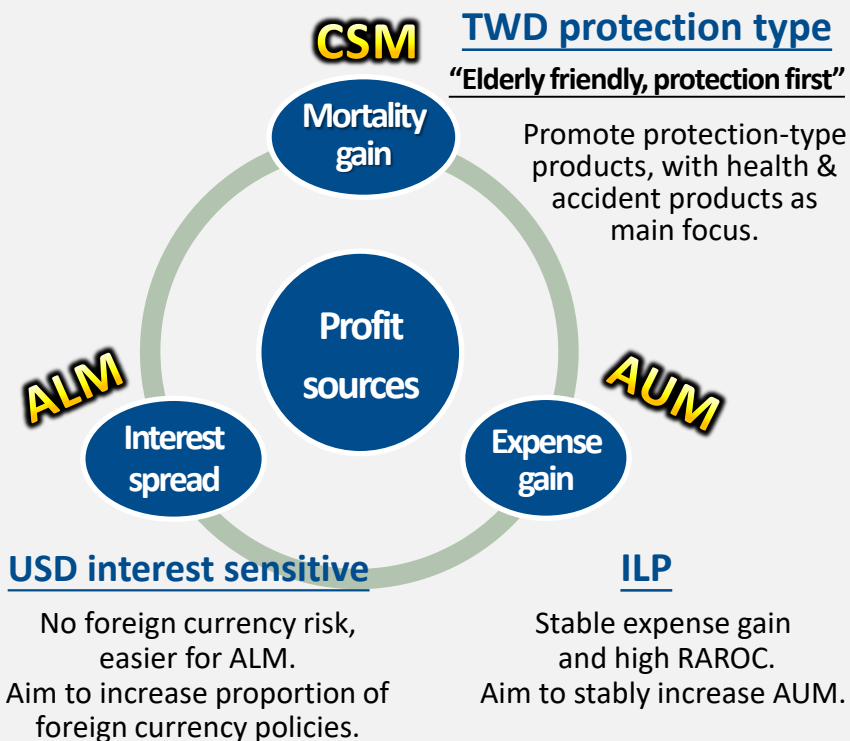
Investment-linked products (ILPs)

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

CSM accumulation is the top priority for IFRS 17 adoption

Product strategy

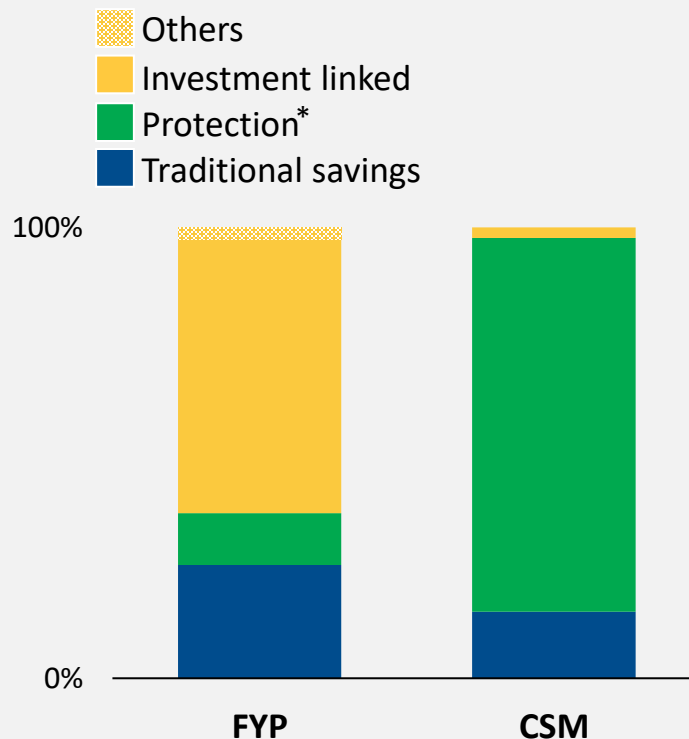
- CSM accumulation is Cathay Life's top priority
- Taking ALM and trade-off between profit and capital charge into account



Distribution channels

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

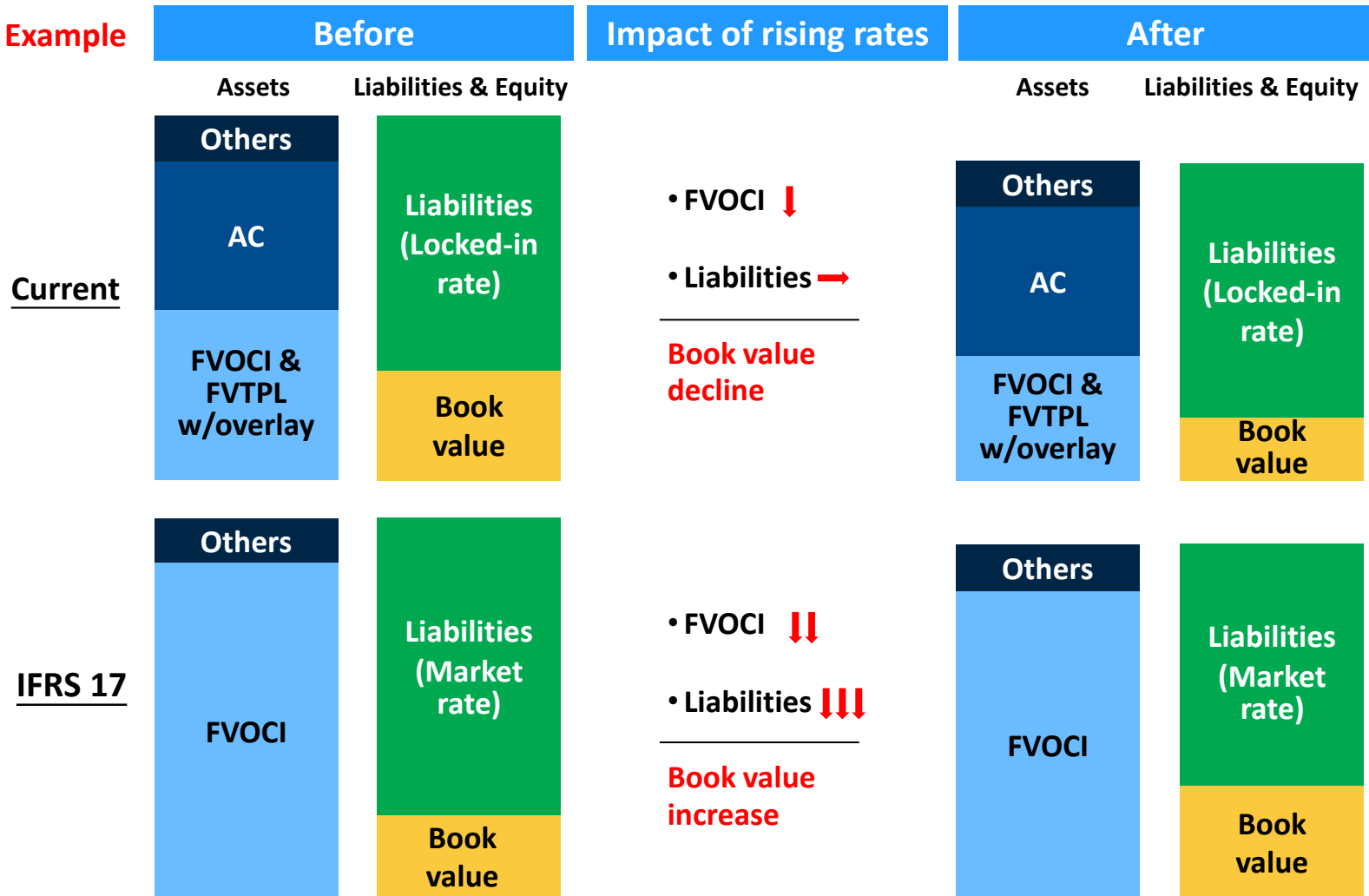
FYP & CSM contribution (FY22)



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

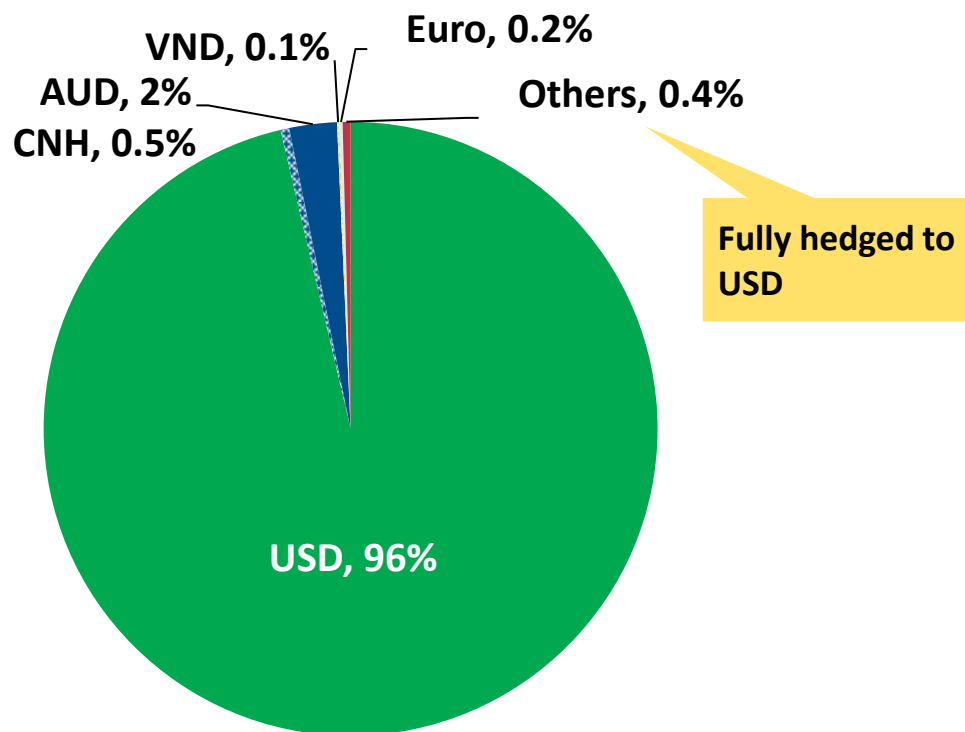
- Based on IFRS 17, book value increased, as the decline in liabilities exceeded that of assets, with assets and liabilities each marked to market.

Example

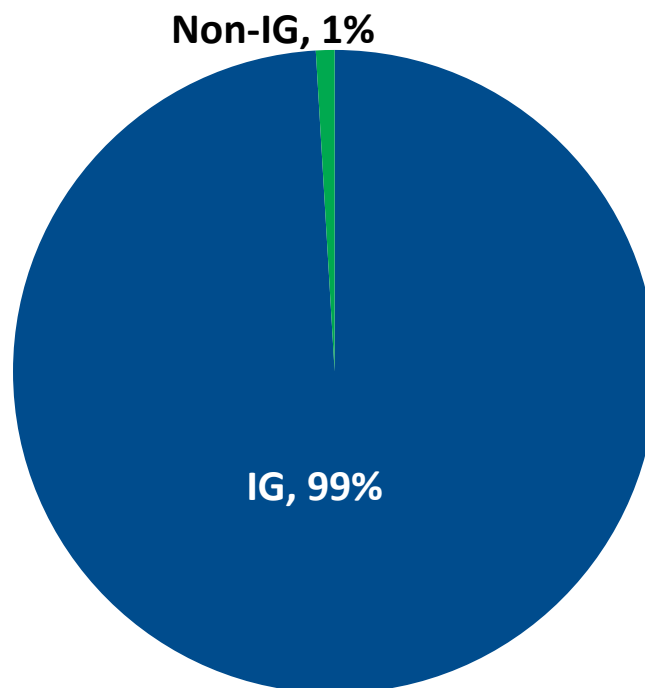


Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (9M23)

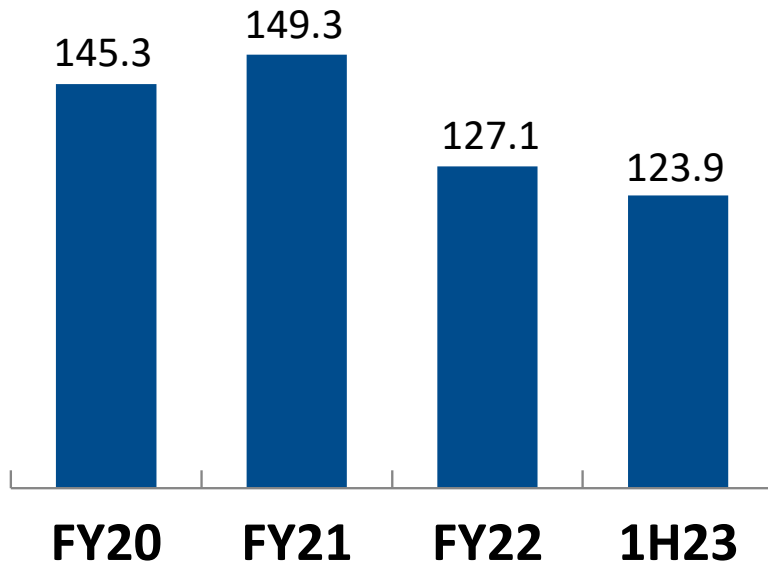


Overseas bond by rating (9M23)

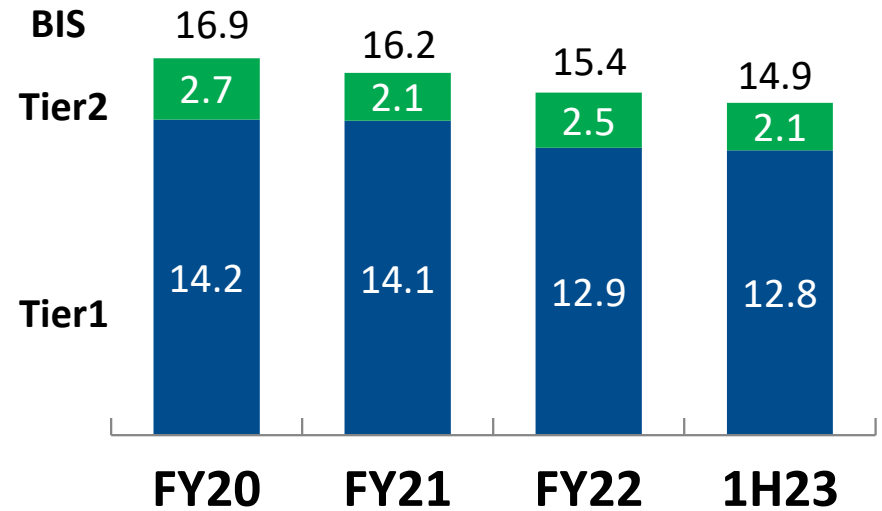


Capital adequacy

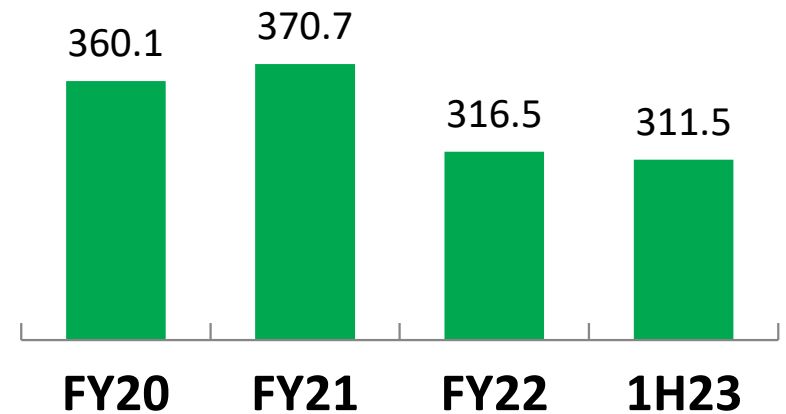
Cathay FHC CAR (%)



CUB capital adequacy (%)



Cathay Life RBC (%)



Cathay Financial Holdings
 (NT\$MMN)

	FY22/ FY21			9M23/ 9M22			3Q23/ 3Q22		
	FY21	FY22	% Chg	9M22	9M23	% Chg	3Q22	3Q23	% Chg
Income Statement Data (Consolidated)									
Operating Income									
Net interest income	194,882	226,163	16%	164,180	182,426	11%	58,891	61,925	5%
Net commission and fee	12,649	15,421	22%	12,133	11,678	-4%	3,780	4,342	15%
Net earned premium	524,187	439,719	-16%	317,073	305,394	-4%	102,161	90,513	-11%
Change in liability reserve	(377,408)	(198,098)	-48%	(168,344)	(94,721)	-44%	(37,531)	(21,061)	-44%
Net claims payment	(305,703)	(438,283)	43%	(292,672)	(337,573)	15%	(120,022)	(113,663)	-5%
Investment income	190,944	132,185	-31%	141,440	70,606	-50%	40,329	36,368	-10%
Contribution from associates-equity method	1,807	2,266	25%	2,077	2,020	-3%	833	657	-21%
Other net non-interest income	7,197	(36,038)	-601%	(37,740)	7,890	121%	(17,277)	(113)	99%
Bad debt expense	(3,484)	(4,778)	37%	(2,358)	(2,173)	-8%	(1,145)	(912)	-20%
Operating expense	(85,543)	(88,610)	4%	(64,947)	(74,544)	15%	(22,933)	(25,716)	12%
Income before taxes	159,526	49,948	-69%	70,841	71,002	0%	7,085	32,339	356%
Income taxes	(18,637)	(11,986)	-36%	(16,362)	(11,258)	-31%	(1,920)	(5,612)	192%
Net income	140,889	37,962	-73%	54,479	59,744	10%	5,166	26,726	417%
Net income to parent company	139,514	37,359	-73%	53,894	59,252	10%	5,086	26,756	426%
EPS (NT\$)	10.34	2.58		3.83	3.81		0.38	1.83	
Dividend Payout									
Cash dividend per share	3.50	0.90							
Stock dividend per share	0.00	0.00							
Weighted average outstanding shares (Millions of common shares)	13,169	13,190		13,169	14,669				
Balance Sheet Data (Consolidated)									
Total assets	11,594,361	12,070,886		11,889,627	12,897,827				
Total shareholders' equity	914,039	611,708		306,643	685,452				
Equity attributable to parent company	902,038	598,840		294,878	671,790				
Operating Metrics									
ROAE (Consolidated)	15.49%	4.98%		11.90%	12.28%				
ROAA (Consolidated)	1.25%	0.32%		0.62%	0.64%				
Double leverage ratio(inc. preferred stock)	113%	122%		147%	121%				
Capital Adequacy Metrics									
Capital Adequacy Ratio	149%	127%							

Notes:

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Cathay Life
 (NT\$MN)

Income Statement Data (Consolidated)	FY22/ FY21			9M23/ 9M22			3Q23/ 3Q22		
	FY21	FY22	% Chg	9M22	9M23	% Chg	3Q22	3Q23	% Chg
Net written premium	499,102	410,186	-18%	294,881	283,608	-4%	93,736	82,740	-12%
Net earned premium	498,398	409,196	-18%	294,928	283,585	-4%	93,647	82,710	-12%
Reinsurance commission earned	388	527	36%	20	21	9%	5	6	30%
Fee income	10,715	10,804	1%	8,119	8,391	3%	2,696	3,007	12%
Recurring investment income	214,968	242,608	13%	183,507	196,288	7%	69,258	70,312	2%
Gain on disposal of investment									
Realized gain (loss)-Equity	116,191	23,289	-80%	24,721	33,010	34%	(2,851)	8,131	385%
Realized gain (loss)-Debt	63,127	5,572	-91%	8,230	3,729	-55%	(2,817)	326	112%
Gain on investment property	1,106	2,735	147%	1,900	(203)	-111%	(12)	(165)	-1224%
FX and others, net	(46,445)	(2,907)	94%	12,257	(19,736)	-261%	4,921	3,462	-30%
Investment income, net	348,947	271,296	-22%	230,615	213,087	-8%	68,499	82,066	20%
Other operating income	8,754	8,726	0%	6,372	7,885	24%	2,238	2,806	25%
Separate account revenues	77,919	(933)	-101%	(13,370)	42,444	417%	6,822	5,001	-27%
Net claims payment	(287,850)	(398,511)	38%	(263,880)	(312,358)	18%	(101,413)	(108,161)	7%
Changes in liability reserves	(376,771)	(188,389)	-50%	(164,868)	(103,601)	-37%	(38,248)	(21,084)	-45%
Acquisition and commission expense	(34,445)	(30,977)	-10%	(22,844)	(26,640)	17%	(8,176)	(8,687)	6%
Other operating costs	(8,056)	(6,729)	-16%	(4,932)	(5,724)	16%	(1,754)	(2,010)	15%
Financial cost	(3,114)	(3,817)	23%	(2,742)	(3,459)	26%	(1,047)	(1,274)	22%
Separate account expense	(77,919)	933	-101%	13,370	(42,444)	417%	(6,822)	(5,001)	-27%
Operating expense	(32,448)	(32,301)	0%	(24,194)	(26,088)	8%	(8,037)	(8,992)	12%
Net non-operating income	1,563	1,859	19%	1,280	2,115	65%	385	1,026	166%
Income taxes	(12,916)	(7,513)	-42%	(10,858)	(6,552)	-40%	(2,307)	(3,887)	68%
Net income	113,166	34,169	-70%	47,016	30,662	-35%	6,488	17,527	170%
Net income to parent company	112,231	33,667	-70%	46,681	30,262	-35%	6,433	17,517	172%

Balance Sheet Data (Consolidated)

Total assets	8,073,161	8,172,430		8,046,202	8,584,176
General account	7,348,951	7,517,003		7,396,842	7,869,446
Separate account	724,210	655,427		649,360	714,730
Reserves for life insurance liabilities	6,413,221	6,794,562		6,820,373	6,969,471
Total liabilities	7,331,028	7,706,641		7,870,301	8,056,526
Total shareholders' equity	742,133	465,789		175,901	527,649
Equity attributable to parent company	734,443	456,817		168,337	517,954

Operating Metrics (Standalone)

First Year Premium(FYP)	202,394	129,343		101,493	106,297
First Year Premium Equivalent(FYPE)	50,997	42,434		32,065	35,474
Expense ratio	11.2%	12.8%		13.2%	14.7%
13-M persistency ratio	98.4%	97.7%		97.7%	97.4%
25-M persistency ratio	96.3%	96.6%		96.7%	95.4%
ROAE (Consolidated)	15.47%	5.66%		13.66%	8.23%
ROAA (Consolidated)	1.44%	0.42%		0.78%	0.49%

Capital Adequacy Metrics (Standalone)

RBC ratio	371%	316%
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Cathay United Bank (NT\$MN)	FY22/ FY21			9M23/ 9M22			3Q23/ 3Q22		
	FY21	FY22	% Chg	9M22	9M23	% Chg	3Q22	3Q23	% Chg
Income Statement Data (Consolidated)									
Operating Income									
Net interest income	38,539	48,704	26%	34,913	38,501	10%	13,006	12,687	-2%
Net fee income	18,346	18,246	-1%	13,855	15,714	13%	4,913	5,115	4%
Investment income	6,956	6,711	-4%	5,691	12,464	119%	2,370	4,830	104%
Other income	502	1,180	135%	760	617	-19%	113	116	2%
Net operating income	64,342	74,841	16%	55,220	67,296	22%	20,402	22,748	11%
Operating expenses	(33,877)	(38,307)	13%	(27,232)	(33,097)	22%	(10,176)	(11,493)	13%
Pre-provision profit	30,466	36,534	20%	27,988	34,199	22%	10,226	11,255	10%
Net provisions for possible losses	(2,986)	(5,524)	85%	(2,763)	(3,208)	16%	(1,246)	(1,661)	33%
Income before taxes	27,480	31,010	13%	25,225	30,991	23%	8,980	9,594	7%
Income tax	(3,671)	(5,299)	44%	(4,312)	(5,570)	29%	(1,531)	(1,717)	12%
Net income	23,808	25,712	8%	20,913	25,421	22%	7,449	7,876	6%
Net income to parent company	23,344	25,590	10%	20,638	25,329	23%	7,408	7,919	7%
Balance Sheet Data (Consolidated)									
Total assets	3,499,323	3,887,031		3,839,977	4,294,285				
Loans, net	1,807,077	2,045,082		2,002,636	2,243,096				
Financial assets	1,110,788	1,268,349		1,262,820	1,401,945				
Total liability	3,248,596	3,645,307		3,603,968	4,030,736				
Deposits	2,935,694	3,246,162		3,170,303	3,525,203				
Financial Debenture Payable	46,800	37,147		37,000	27,100				
Total shareholders' equity	250,727	241,724		236,009	263,550				
Equity attributable to parent company	246,351	237,734		231,708	259,485				
Operating Metrics (Consolidated)									
Cost income ratio	52.65%	51.18%		49.32%	49.18%				
ROAE	9.57%	10.44%		11.46%	13.42%				
ROAA	0.71%	0.70%		0.76%	0.83%				
Assets Quality (Standalone)									
NPL	1,578	1,510		1,663	2,066				
NPL ratio	0.09%	0.08%		0.09%	0.09%				
NPL provisions	28,064	32,459		30,855	35,466				
Coverage ratio	1778%	2150%		1855%	1716%				
Capital Adequacy Metrics (Standalone)									
BIS ratio	16.2%	15.4%							
Tier I Ratio	14.1%	12.9%							
LDR (Standalone)									
LDR	61.4%	62.4%		62.5%	63.0%				
TWD LDR	69.2%	75.4%		73.9%	77.6%				
FX LDR	34.1%	25.8%		29.0%	24.5%				

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Cathay Century
 (NT\$MM)

Income Statement Data (Consolidated)	FY22/ FY21			9M23/ 9M22			3Q23/ 3Q22		
	FY21	FY22	% Chg	9M22	9M23	% Chg	3Q22	3Q23	% Chg
Premium income	28,015	30,266	8%	22,624	25,315	12%	7,392	8,622	17%
Net written premium	20,718	22,084	7%	16,126	17,352	8%	5,438	5,992	10%
Net earned premium	19,903	21,703	9%	16,063	17,429	9%	5,492	6,018	10%
Reinsurance commission earned	857	900	5%	697	832	19%	244	314	29%
Fee income	46	49	7%	38	39	3%	12	12	2%
Investment	1,363	595	-56%	659	986	50%	(123)	371	401%
Interest income	539	636	18%	463	492	6%	163	162	-1%
Other investment income, net	824	(41)	-105%	196	494	152%	(287)	209	173%
Other operating income	0	157	0%	146	90	-38%	79	64	-18%
Net claims payment	(10,470)	(29,677)	183%	(21,707)	(19,979)	-8%	(15,289)	(3,347)	-78%
Changes in liability reserves	(637)	(9,709)	1423%	(3,476)	8,879	-355%	717	22	-97%
Commissions and other operating costs	(3,765)	(3,916)	4%	(2,889)	(3,183)	10%	(992)	(1,102)	11%
Operating expenses	(4,772)	(4,636)	-3%	(3,460)	(3,923)	13%	(1,162)	(1,433)	23%
Operating income	2,525	(24,533)	-1071%	(13,929)	1,170	108%	(11,023)	920	108%
Net non-operating income	42	8	-81%	(3)	(0)	91%	(1)	(1)	-73%
Income taxes	(392)	4,904	-1352%	2,809	(199)	107%	2,190	(130)	106%
Net income	2,175	(19,622)	-1002%	(11,123)	971	109%	(8,834)	789	109%
Balance Sheet Data (Consolidated)									
Total assets	49,900	60,596		52,721	55,834				
Total stockholders' equity	14,447	12,800		10,991	14,365				
Operating Metrics (Standalone)									
Gross Combined ratio	87.1%	196.6%		177.8%	92.0%				
Net Combined ratio	92.1%	216.2%		189.8%	106.3%				
ROAE (Consolidated)	15.78%	-144.03%		-116.60%	9.53%				
ROAA (Consolidated)	4.62%	-35.52%		-28.90%	2.22%				
Capital Adequacy Metrics									
RBC ratio (Standalone)	284%	369%							

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