

2015 First Half Briefing

September 2015



國泰金控

Cathay
Financial Holdings

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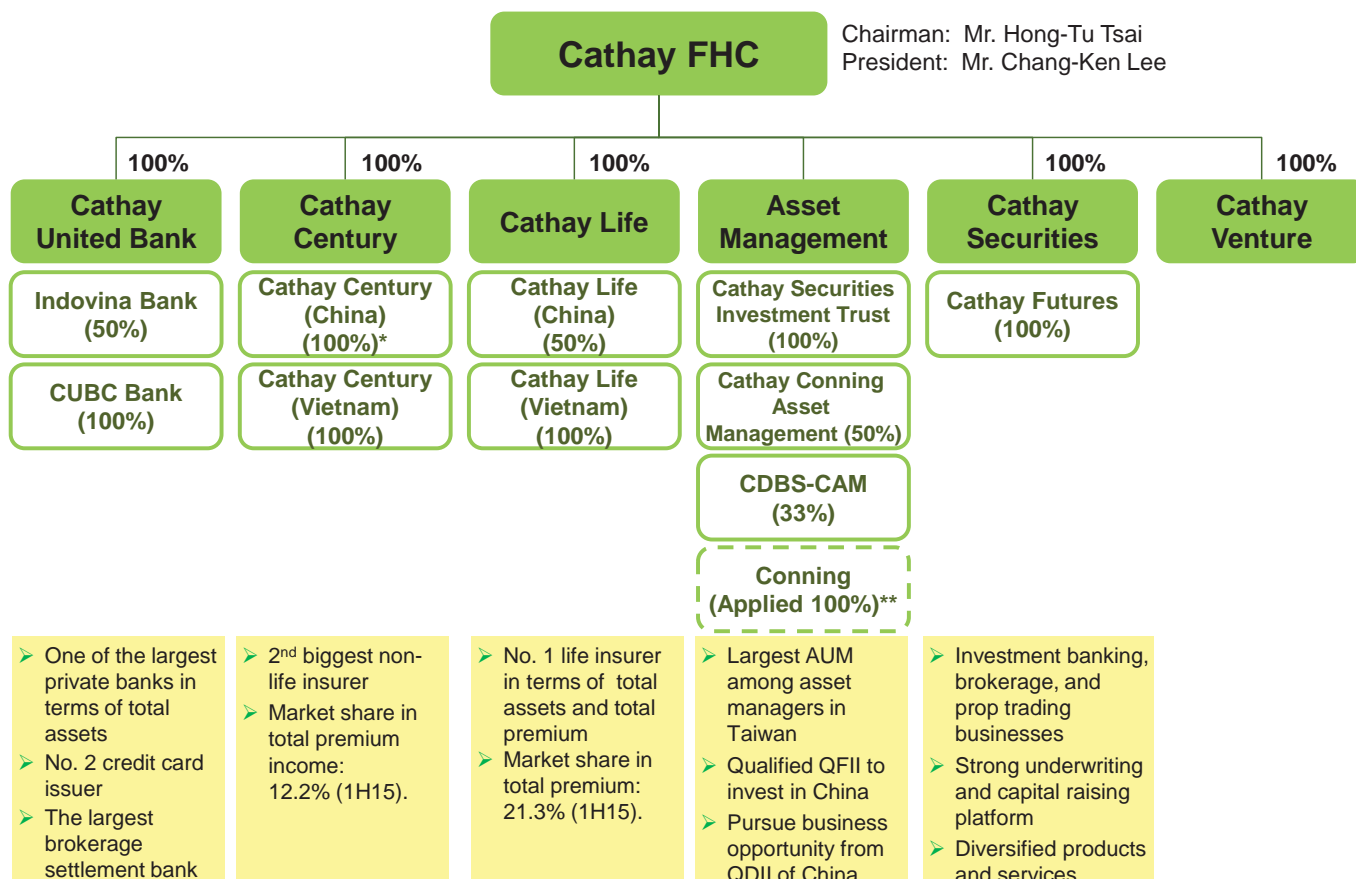
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Agenda

- **Introduction of Cathay FHC**
- **1H15 Business overview**
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Overseas expansion**
- **Appendix**

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Cathay FHC: largest FHC, comprehensive products



* Cathay Century and Cathay Life own 50% of Cathay Century (China) respectively

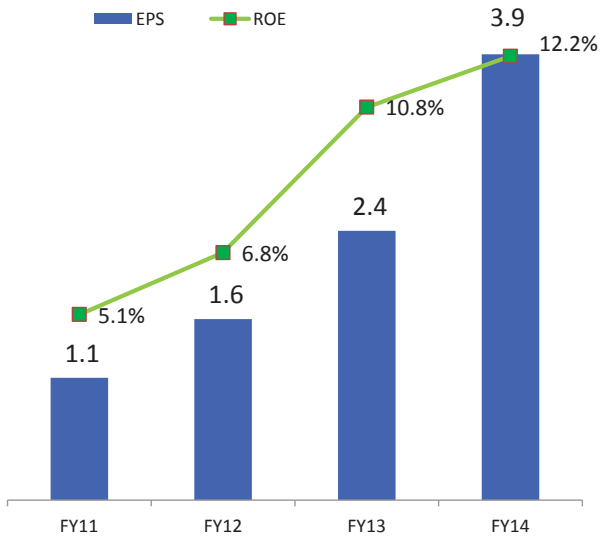
** Acquisition of Conning is subject to the regulatory approval

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Cathay's earnings accelerates as life turnarounds

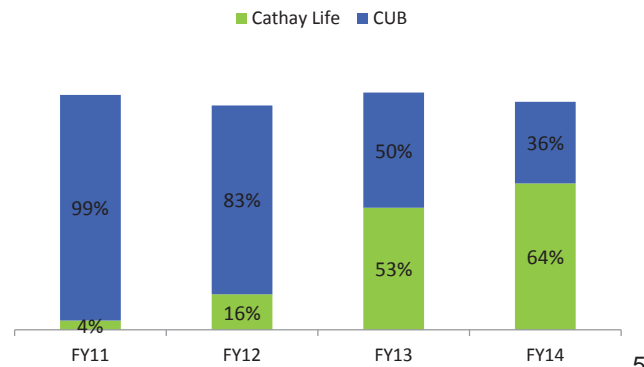
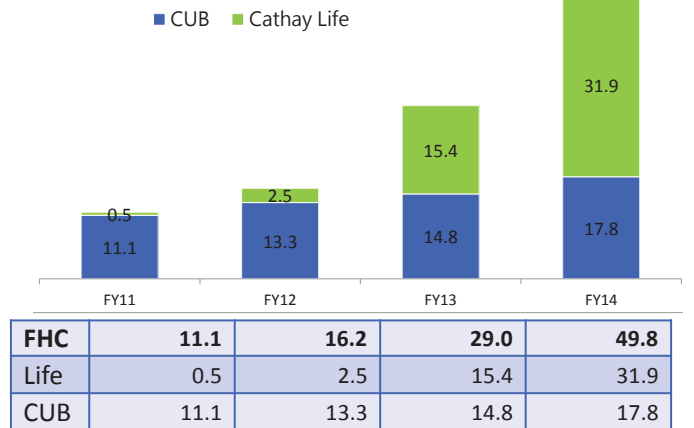
EPS & ROE

(NT\$)



Profit contribution

(NT\$ BN)

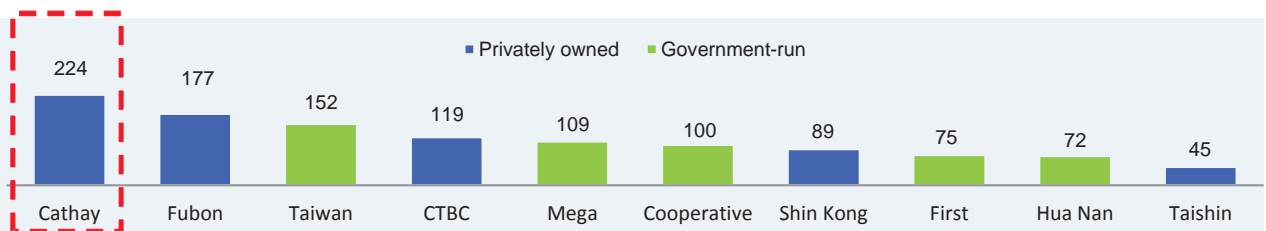


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Market leader in Taiwan's FIG sector

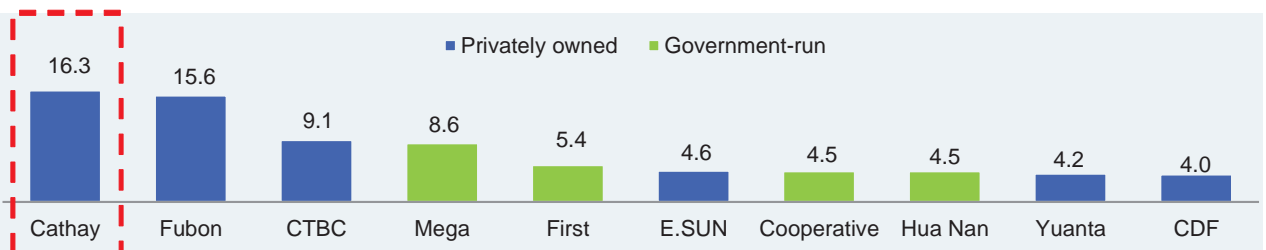
□ Largest listed financials group by market capitalization and assets.

Ranking of total asset (US\$bn)



Note: Total assets as of Mar.31, 2015

Ranking of market cap (US\$bn)



Note: Market capitalization as of August 21, 2015

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Agenda

■ Introduction of Cathay FHC

■ 1H15 Business overview

Cathay United Bank

Cathay Life

Cathay Century

■ Overseas expansion

■ Appendix

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1H15 Business overview

Cathay United Bank

- Loan maintained stable with benign credit quality
- Fee income grew by 36% YoY, wealth management fee grew by 60%
- Continued to expand overseas footprints; Indonesia Jakarta rep. office has opened in 2Q15. Philippines Manila branch will be opened in 2H15

Cathay Life

- Regular-paid policies accounted for 96% of traditional life FYP, ranked No.1 by FYPE
- Maintained robust capital adequacy, RBC ratio reached 295%
- Overseas investment increased to 52.6%; investment performance continued to improve, after-hedging investment yield reached 5.1%

Cathay Century

- Market share reached 12.2%, maintained No.2 market position
- Keep reducing loss ratio and improving investment performance; after-tax profit grew by 104% YoY
- Offshore business continued to grow

Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$430BN
- Highly regarded by clients, rewarded by "Asia Investors" with "Market Award - Taiwan" in 2015 and by "Asia Asset Management Journal" with "2014 Best Institutional House" and "2014 Best Domestic Equity Fund" in 2014

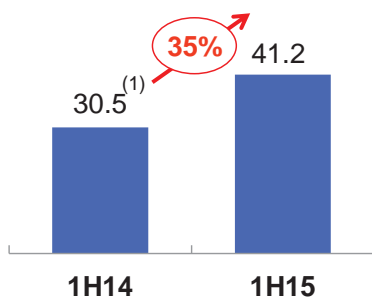
Cathay Securities

- Delivered significant growth with 1H15 net profits. Earnings and EPS both reached historical high
- Aggressively grew brokerage, sub-brokerage and IPO & SPO business

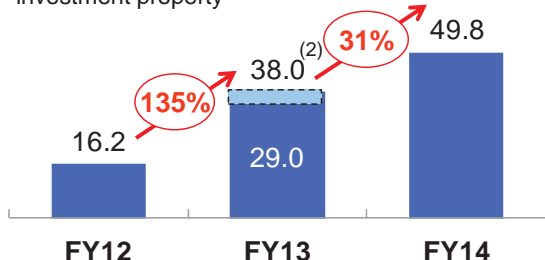
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Cathay FHC – Net income & EPS

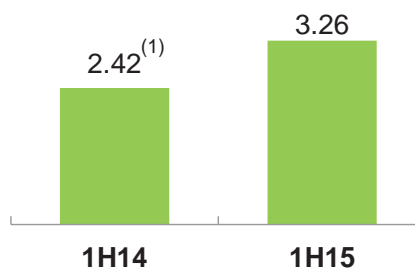
Net income (NT\$BN)



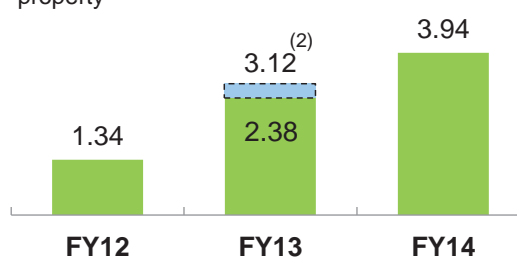
■ Impact to net income from fair value method on investment property



Adjusted EPS (NT\$)



■ Impact to EPS from fair value method on investment property



Note: (1) Starting from 2015/1/1, Cathay FHC adopts IFRS 2013 version, the related impacts are traced back to 1H14. The adjustments to Cathay FHC and its subsidiaries are relatively small. Please refer to page 56 for reference.

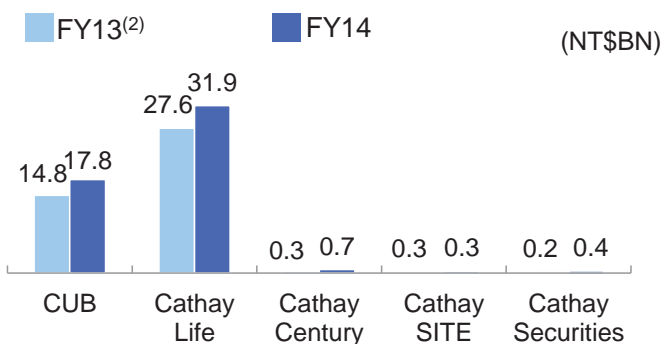
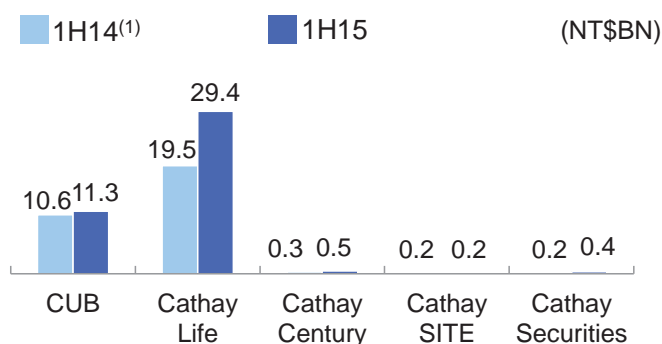
(2) FY13 figures reflected the impact from applying fair value method on investment property, starting 2014/1/1. The impact to FY13 net income and EPS of Cathay FHC was NT\$9.0BN and NT\$0.74, respectively.

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

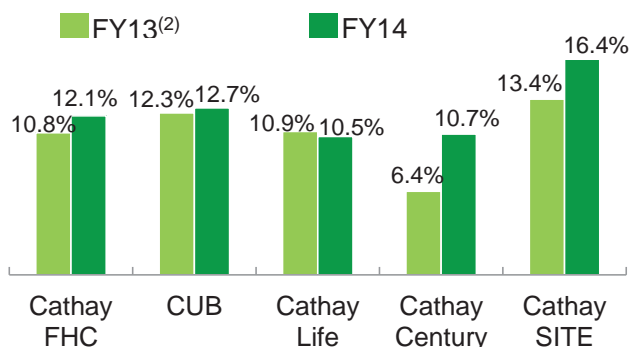
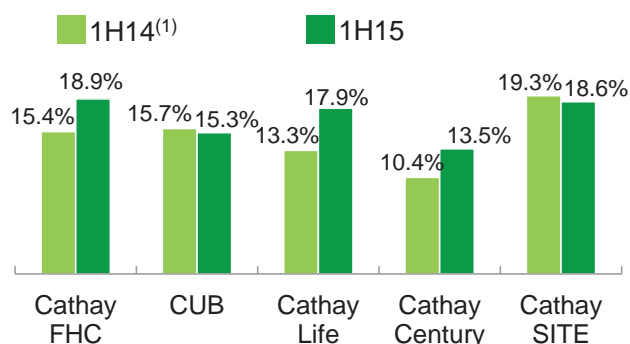
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Cathay FHC – Financial results of subsidiaries

Net income of primary subsidiaries (NT\$BN)



ROE

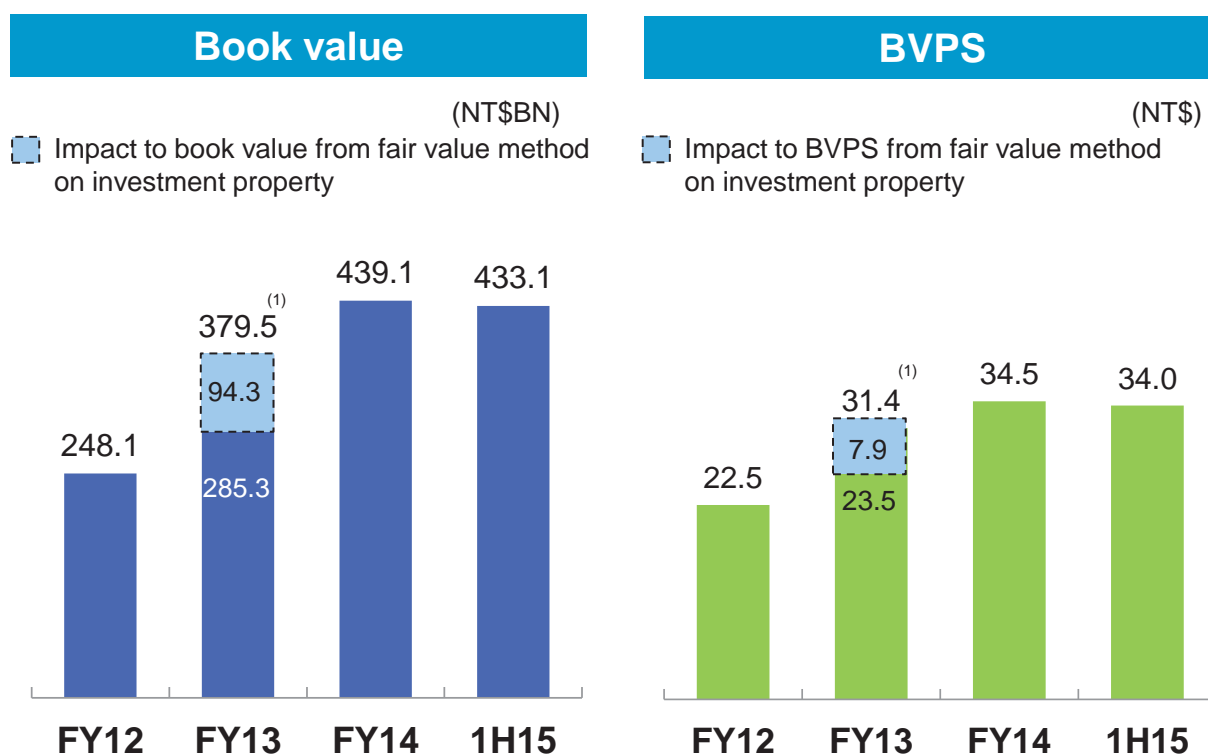


Note: (1) Starting from 2015/1/1, Cathay FHC adopts IFRS 2013 version, the related impacts are traced back to 1H14. The adjustments to Cathay FHC and its subsidiaries are relatively small. Please refer to page 56 for reference.

(2) FY13 ROE reflected the impact from applying fair value method on investment property, starting 2014/1/1. The impact to FY13 ROE of Cathay FHC, CUB and Cathay Life was -0.1%, -0.1% and 0.1% respectively.

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Cathay FHC – Book value & BVPS



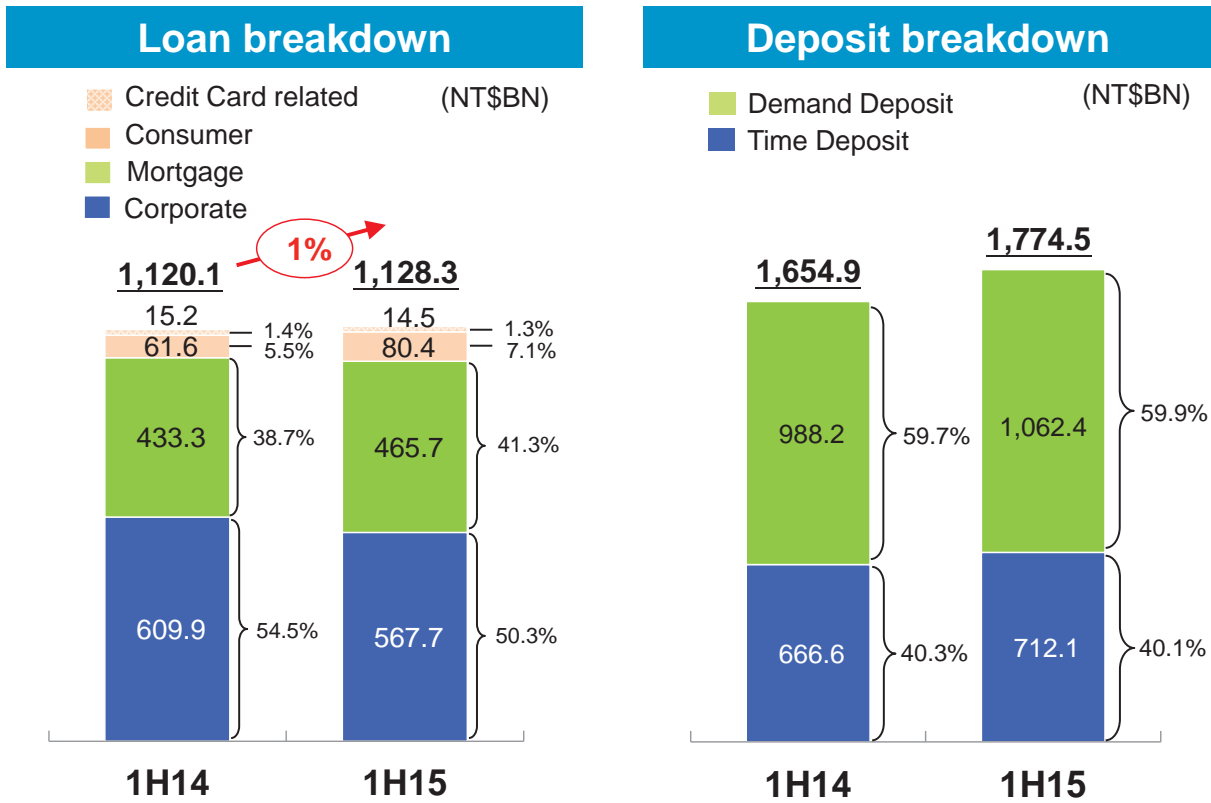
Note: (1) FY13 figures reflected the impact from applying fair value method on investment property
 (2) Starting from FY12, book value included minority interest, BVPS excluded minority interest. Starting from 2015/1/1, Cathay FHC adopts IFRS 2013 version, the related impacts are traced back to FY14. The adjustments to Cathay FHC and its subsidiaries are relatively small. Please refer to page 56 for reference.

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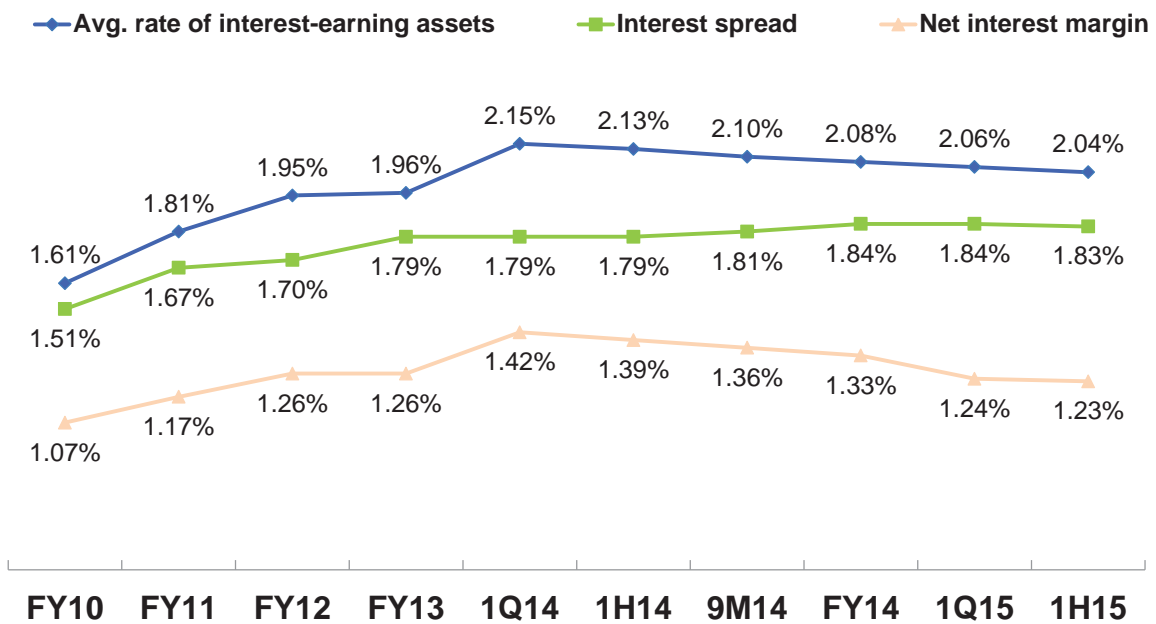
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Cathay United Bank – Loan & deposit breakdown



Note: Totals may not sum due to rounding.

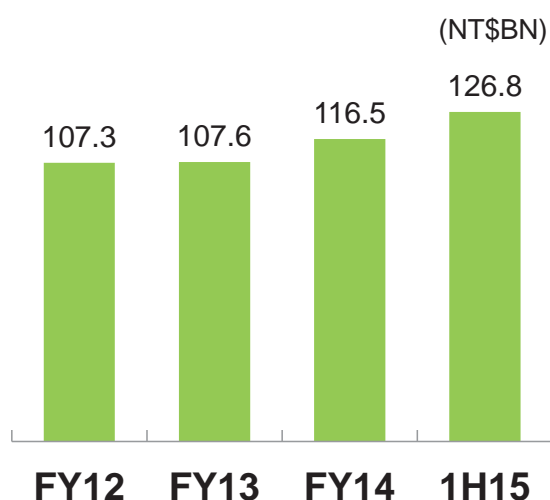
Cathay United Bank – Interest yields



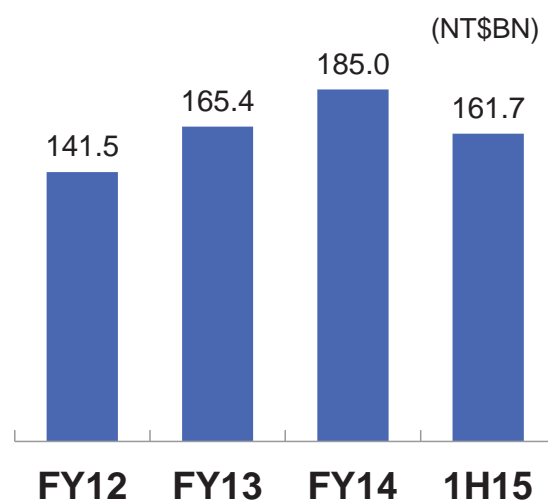
Note: Credit card related loans are included in the calculation of interest spread.

Cathay United Bank – SME & FX loans

SME loans



Foreign currency loans



As % of total loans

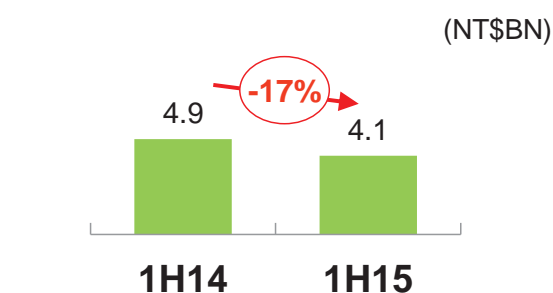


Note: Total loans exclude credit card revolving balance.

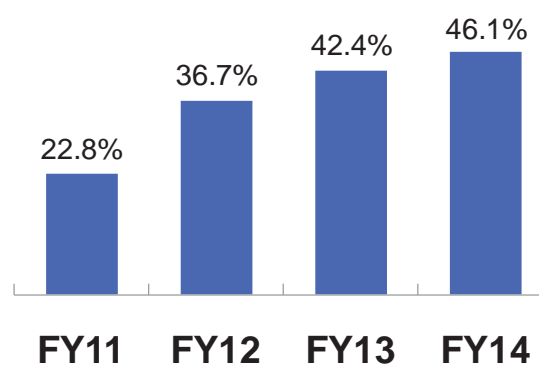
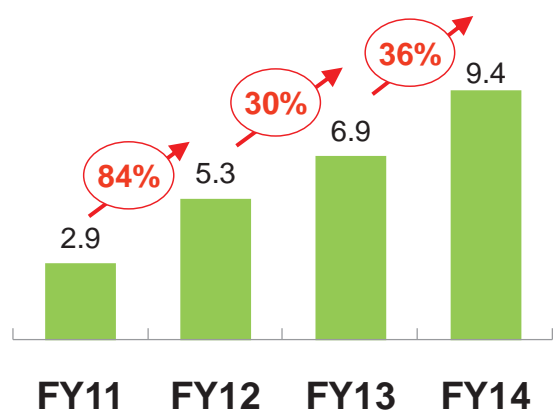
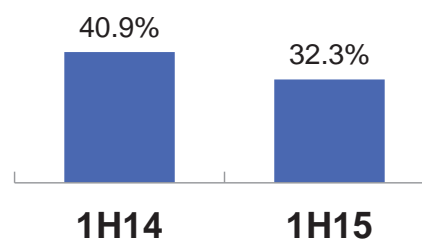
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Cathay United Bank – Offshore earnings

Offshore earnings



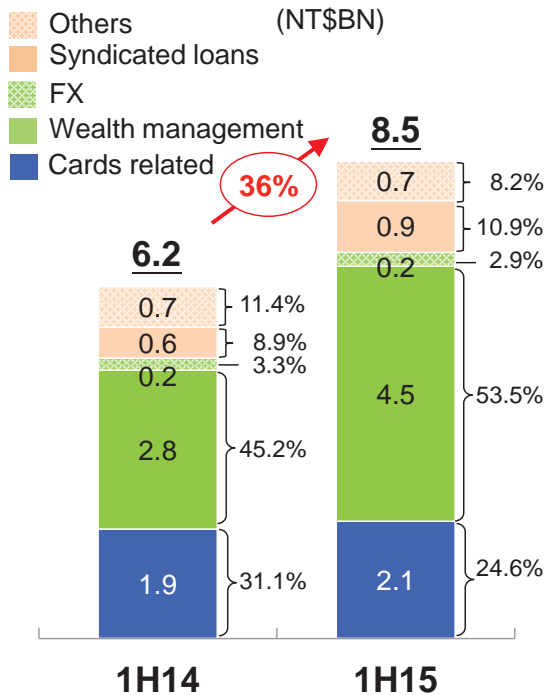
As % of CUB pre-tax profits



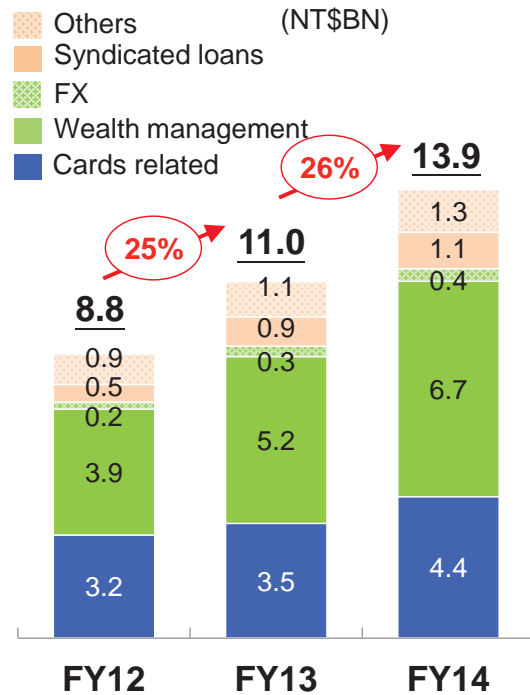
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Cathay United Bank – Fee income

Fee income breakdown (quarterly)



Fee income breakdown (annual)



Note: Totals may not sum due to rounding.

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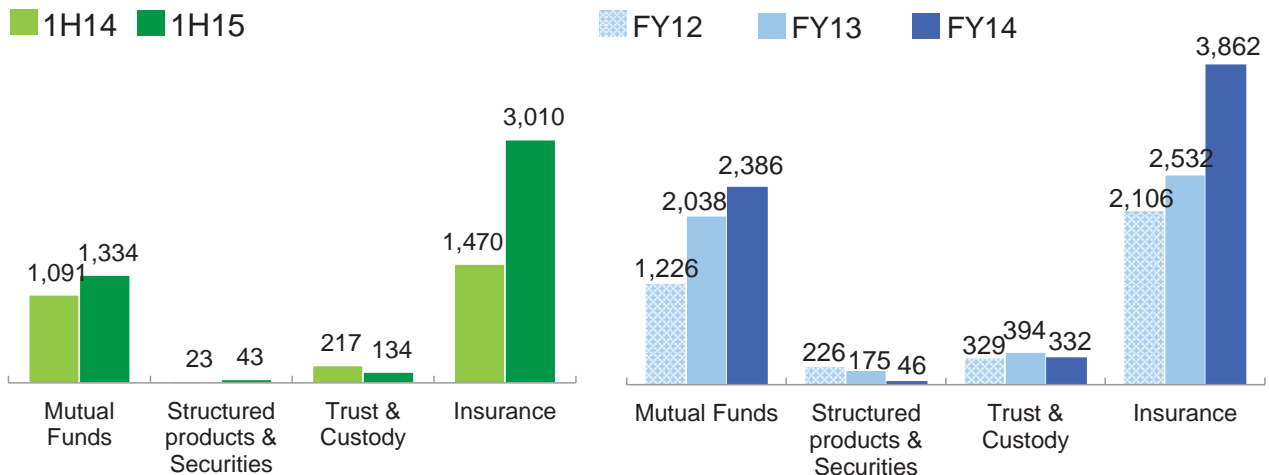
Cathay United Bank – Wealth management fee

Wealth management fee breakdown

(NT\$MN)	1H14	1H15	FY12	FY13	FY14
Wealth Management Fee Income*	2,824	4,528	3,894	5,163	6,673
YoY growth (%)	18.8%	60.3%	17.7%	32.6%	29.2%

*Wealth management fee excludes revenue from DCI, SI and others

Revenue from DCI, SI & others	1,121	160	141	1,159	1,934
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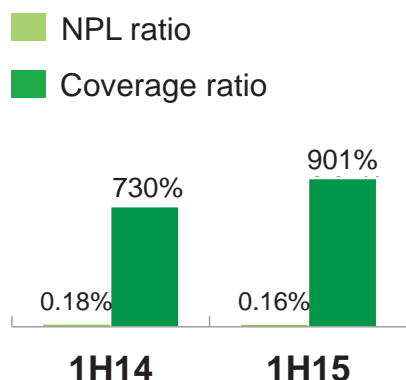


Note: (1) Wealth management fee excludes revenue from DCI, SI and others.
 (2) Totals may not sum due to rounding.

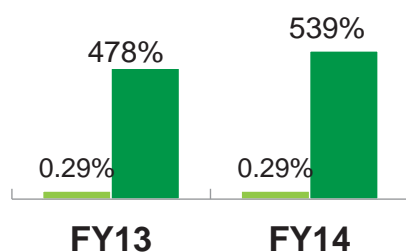
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Cathay United Bank – Credit quality

NPL & Coverage ratio

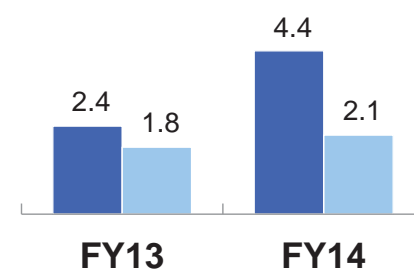
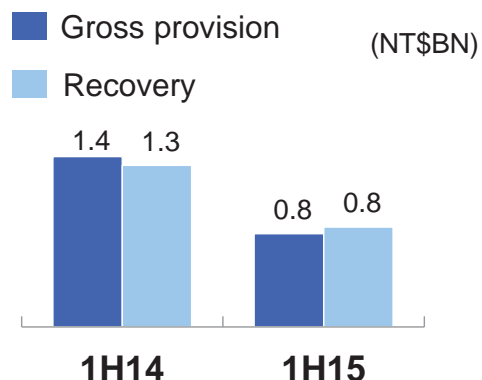


Mortgage NPL **0.05%** **0.07%**



Mortgage NPL **0.02%** **0.04%**

Gross provision



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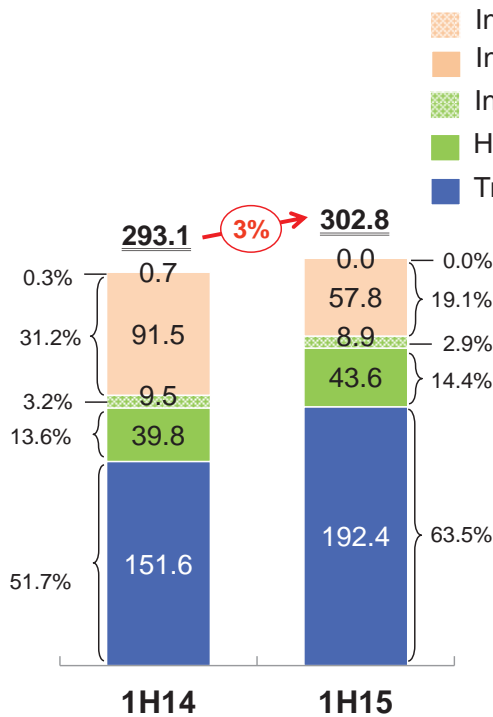
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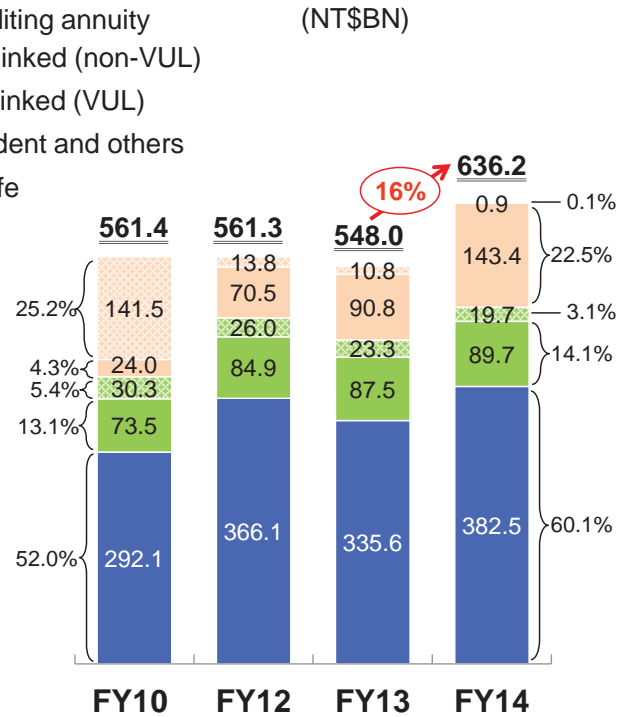
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Cathay Life – Total premium

Total premium (quarterly)



Total premium (annual)

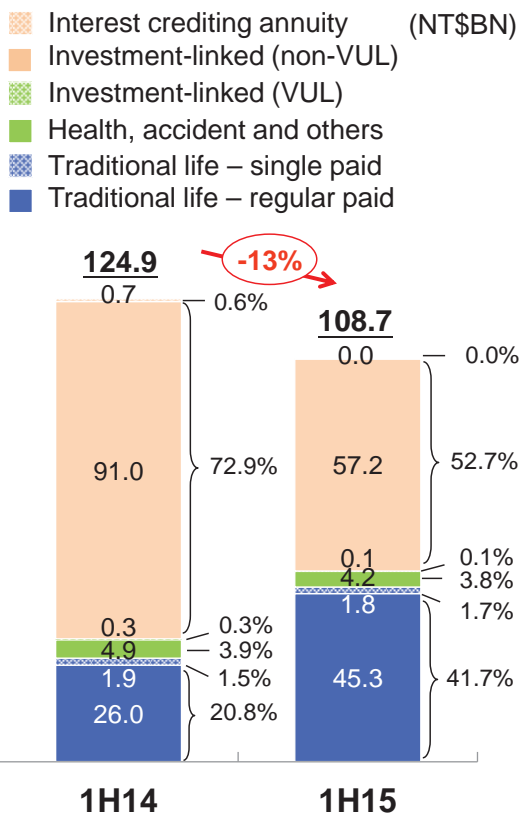


Note: Totals may not sum due to rounding.

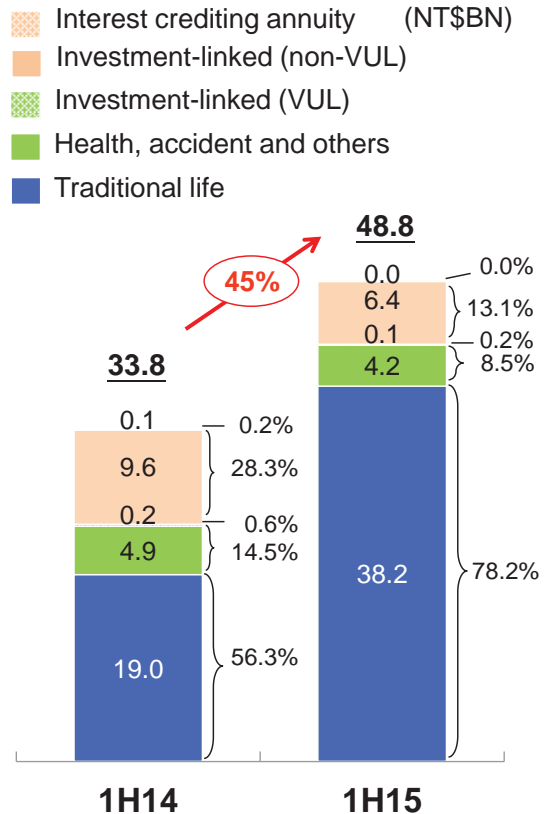
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Cathay Life – FYP & FYPE

FYP



FYPE



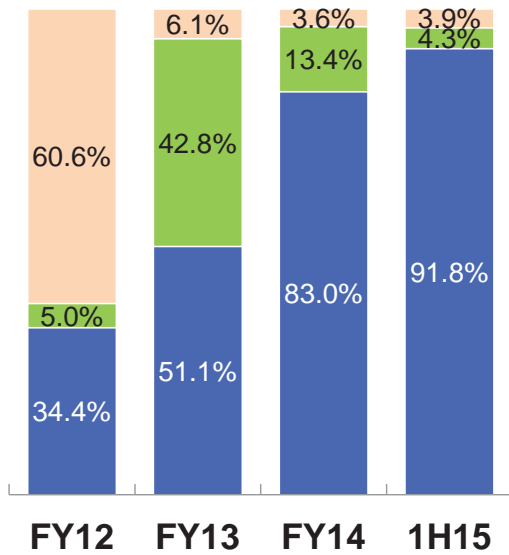
Note: Totals may not sum due to rounding.

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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

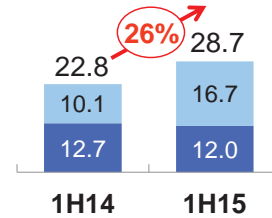


Note: Totals may not sum due to rounding.

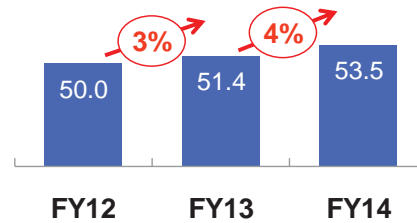
VNB

Profit Margin	1H14	1H15
VNB/FYP	18%	26%
VNB/FYPE	67%	59%

■ 2Q ■ 1Q



Profit Margin	FY12	FY13	FY14
VNB/FYP	19%	26%	23%
VNB/FYPE	54%	70%	75%

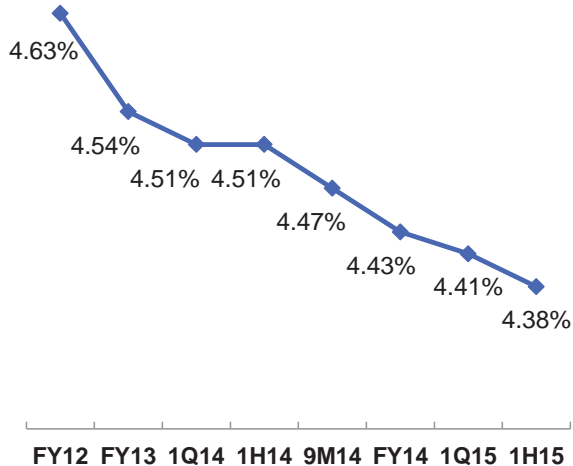


Note: FY14 and 1H15 VNB is based on Cathay Life's 2014 EV actuarial assumptions.

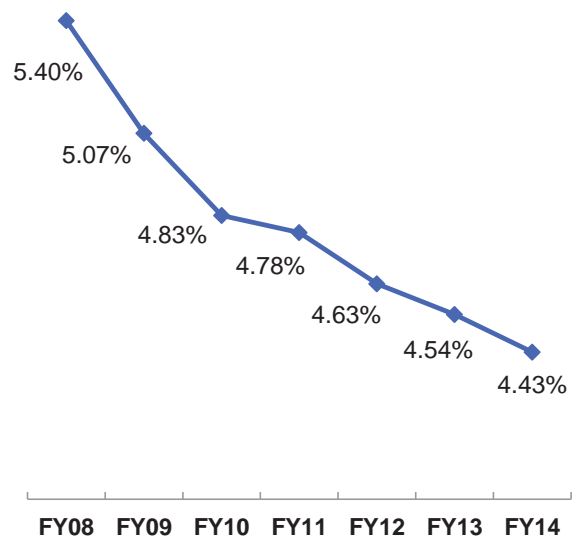
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Cathay Life – Cost of liability

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)	4Q12	4Q13	4Q14	1H15		
Total investments ⁽¹⁾	3,283.7	3,785.1	4,169.1	4,314.3		
	Weight	Weight	Weight	Amount	Weight	Amount
Cash & Cash equivalents	8.2%	3.7%	3.2%	131.6	2.8%	121.4
Equity- Domestic	8.1%	8.9%	8.4%	350.9	8.8%	377.6
Equity- International	4.3%	4.9%	5.0%	209.4	5.8%	251.7
Bond- Domestic	16.6%	14.4%	11.0%	459.2	9.5%	411.4
Bond- International ⁽¹⁾	39.6%	38.9%	43.6%	1,816.7	45.1%	1,947.3
Mortgage & Secured loans	10.3%	12.2%	12.7%	529.6	11.8%	507.4
Policy loans	5.5%	4.7%	4.0%	166.4	3.7%	159.2
Real estate ⁽²⁾	5.6%	10.6%	10.5%	439.4	11.2%	484.2
Others	1.8%	1.7%	1.6%	65.9	1.3%	54.2

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

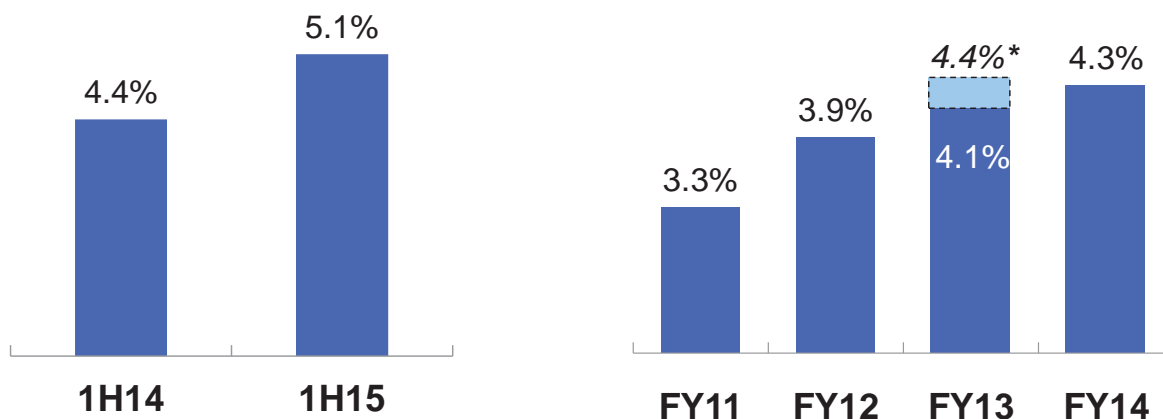
(2) Real estate included 2013/1/1 IFRS adoption appraisal gain NT\$71.3BN from investment property and the impact of NT\$133.1BN from the change to fair value method on investment property on 2014/1/1. FY2014 appraisal gain from subsequent measurement of investment property is NT\$16.6BN.

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Cathay Life – Investment performance highlight

After-hedging investment yield

After-hedging investment yield
(annual)

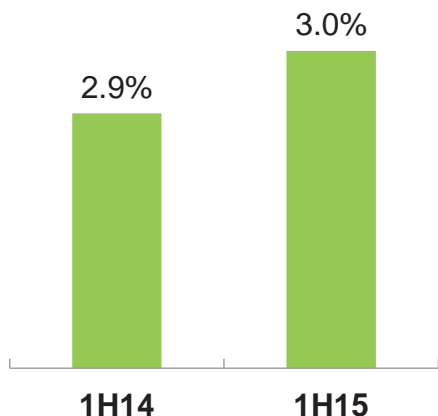


Note: FY13 (4.4%) was pro forma adjusted number of fair value method on investment property.

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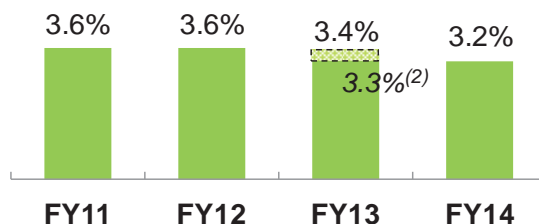
Cathay Life – Investment performance highlight

Pre-hedging recurring yield⁽¹⁾

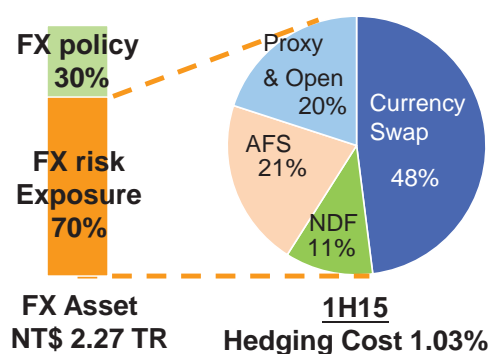


Note: (1) Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend. Most dividend will be recognized in 2Q & 3Q.
 (2) FY13 (3.3%) was pro forma adjusted number of fair value method on investment property.

Pre-hedging recurring yield



Currency Hedging Structure

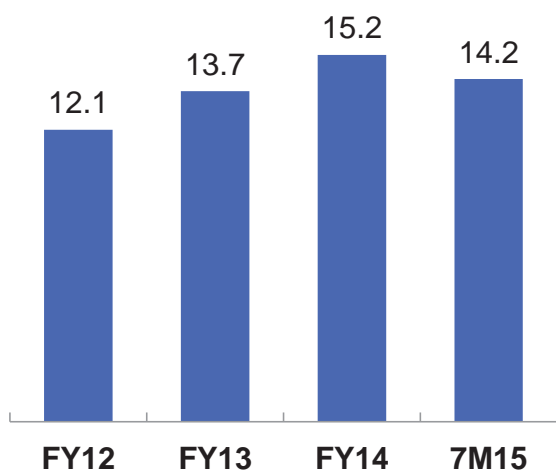


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Cathay Life – Cash dividend & Overseas fixed income by region

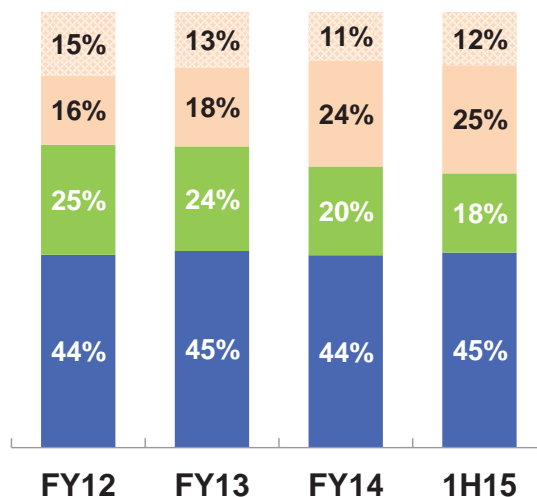
Cash dividend

(NT\$BN)



Overseas Fixed Income by Region*

Others
 Asia Pacific
 Europe
 North America



Note: Exclude overseas deposit and equity.

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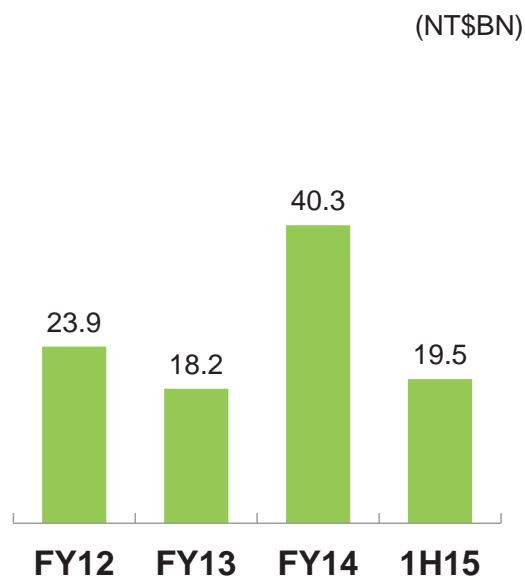
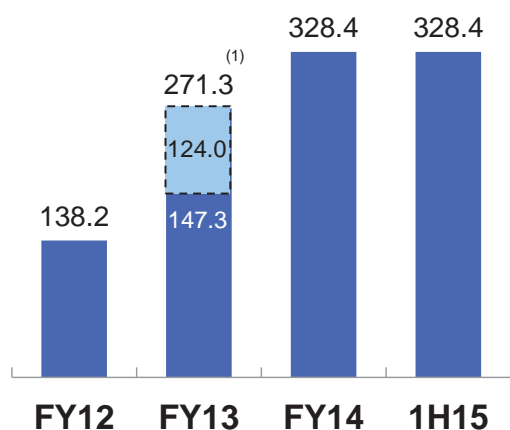
Cathay Life – Book value & Unrealized G/L of AFS financial assets

Book value

Unrealized G/L of AFS financial assets

(NT\$BN)

■ Impact to book value from fair value method on investment property



Note: (1) FY13 figures reflected the impact from applying fair value method on investment property

(2) Starting from FY12, book value included minority interest, BVPS excluded minority interest. Starting from 2015/1/1, Cathay FHC adopts IFRS 2013 version, the related impacts are traced back to FY14. The adjustments to Cathay Life are relatively small. Please refer to page 56 for reference.

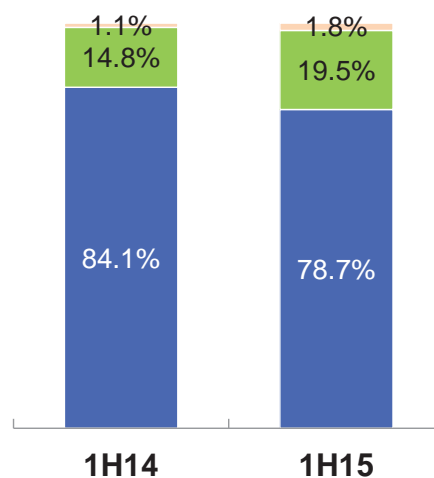
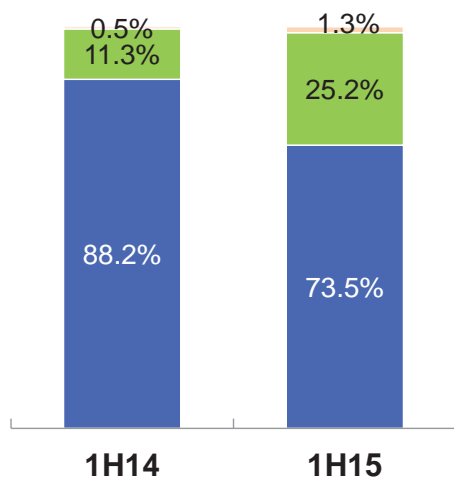
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Cathay Life – Distribution channel

FYP

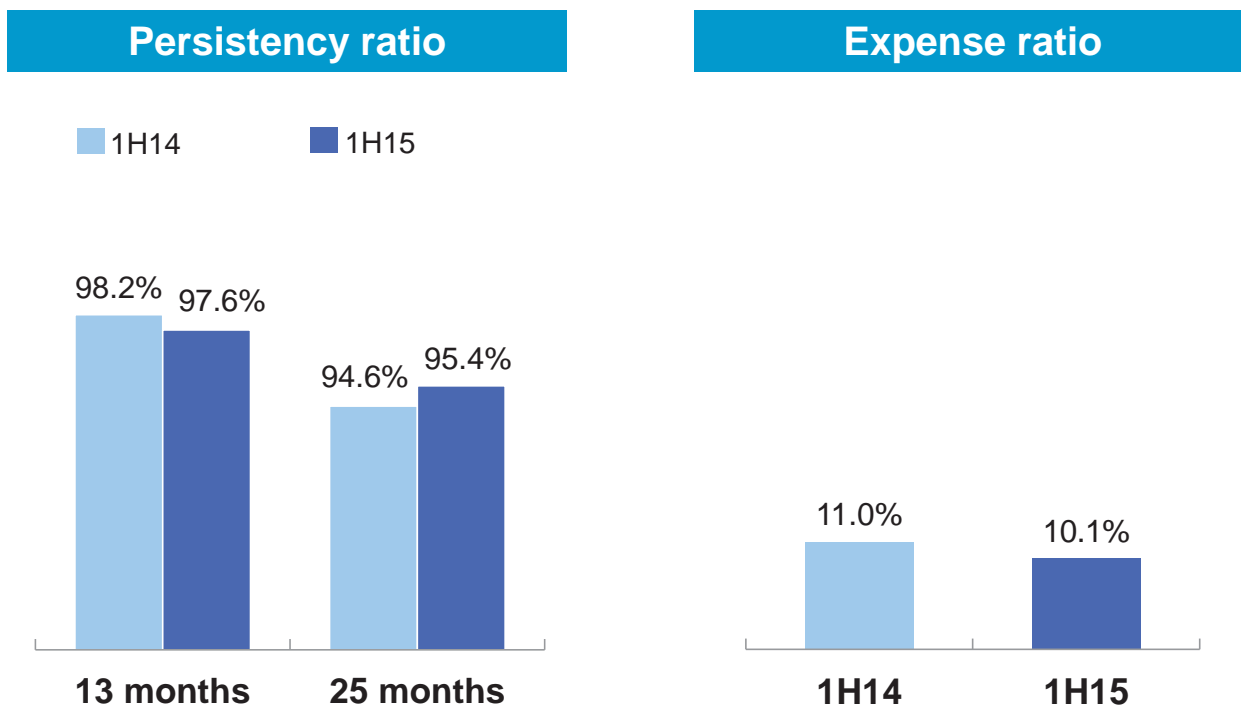
FYPE

■ Others
■ Bancassurance-CUB
■ Tied agents



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Cathay Life – Operational indicators



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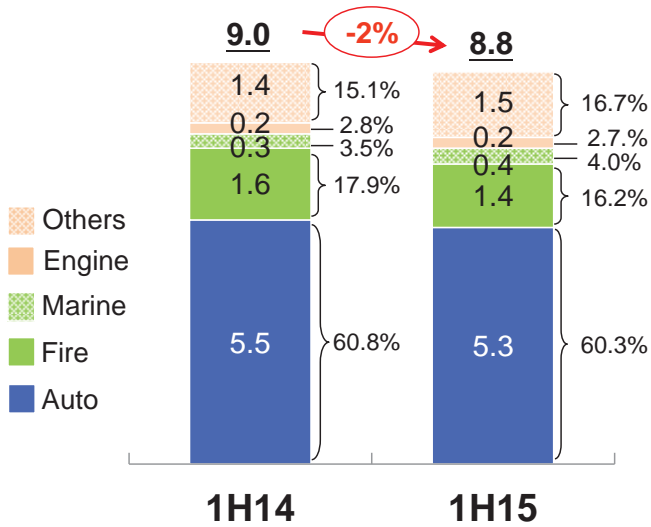
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Cathay Century

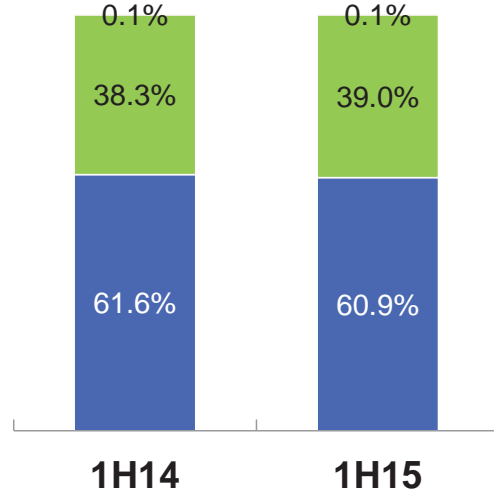
Premium income

(NT\$BN)



Distribution channel

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



Market share	13.0%	12.2%
Retention	76.3%	74.3%

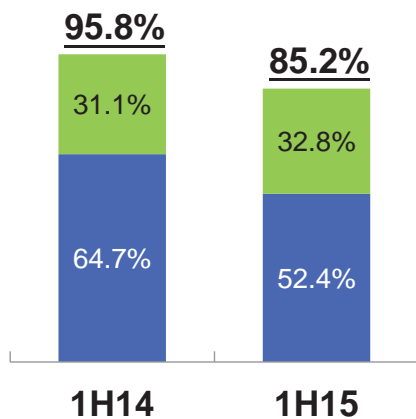
Note: Totals may not sum due to rounding.

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Cathay Century – Combined ratio

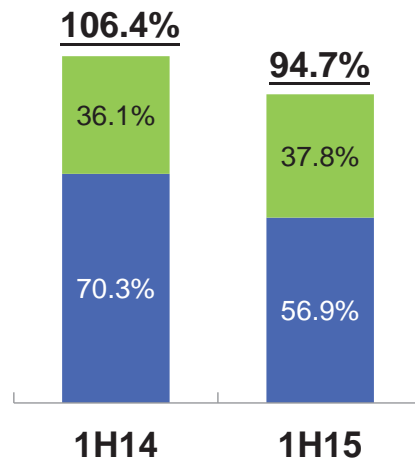
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



Retained combined ratio

- Retained expense ratio
- Retained loss ratio



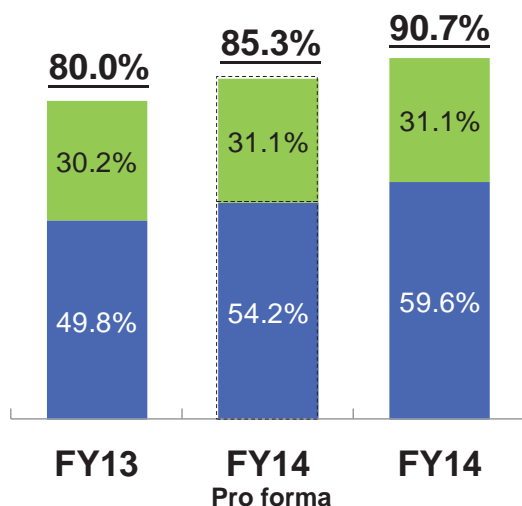
Note: From 2014/1/1, the loss provisions rules on compulsory car insurance was changed and the regulatory change cause an one-off impact on the of 2014 loss ratios.

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Cathay Century – Combined ratio (annual)

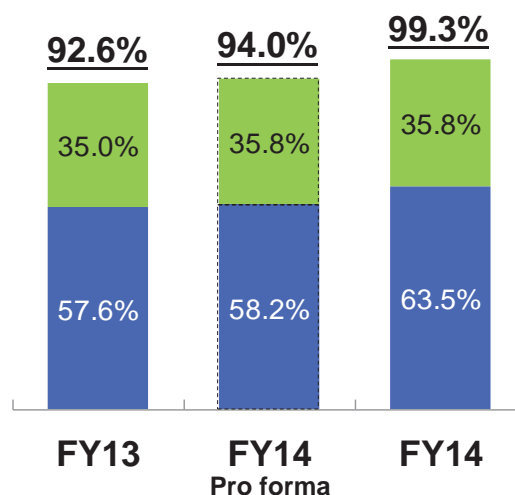
Gross combined ratio

■ Gross expense ratio
■ Gross loss ratio



Retained combined ratio

■ Retained expense ratio
■ Retained loss ratio



Note: From 2014/1/1, the loss provisions rules on compulsory car insurance was changed and the loss ratio increased significantly compared to last year. However, the shortfall between retained earned pure premium and net loss provision plus claim payment was offset by recovery of special reserve and therefore has no impact on net profit.

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Agenda

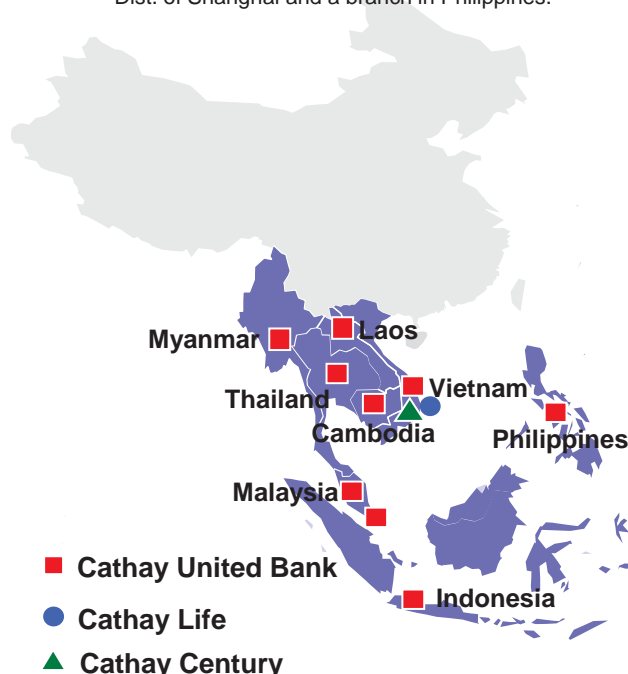
- Introduction of Cathay FHC
- 1H15 Business overview
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Overseas expansion**
- Appendix

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Cathay FHC in South East Asia

	China	Vietnam	Cambodia	Hong Kong	Singapore	Malaysia	Laos	Philippines	Thailand	Myanmar	Indonesia
Bank	5*	36	16	1	1	1	1	1*	1	1	1
Life	31	6									
P&C	21	2									
Asset Mgt	1			1							

* Footprints in Thailand, Myanmar and Indonesia are representative offices. CUB obtained approval to set up a sub-branch in Jiading Dist. of Shanghai and a branch in Philippines.



■ Cathay United Bank

- Business in Vietnam performed steadily with solid financial performance and superior asset quality
- Owns most footprints among Taiwanese banks in Cambodia
- Indonesia Jakarta rep. office has opened in 2Q15. Philippines Manila branch will be opened in 2H15

■ Cathay Life

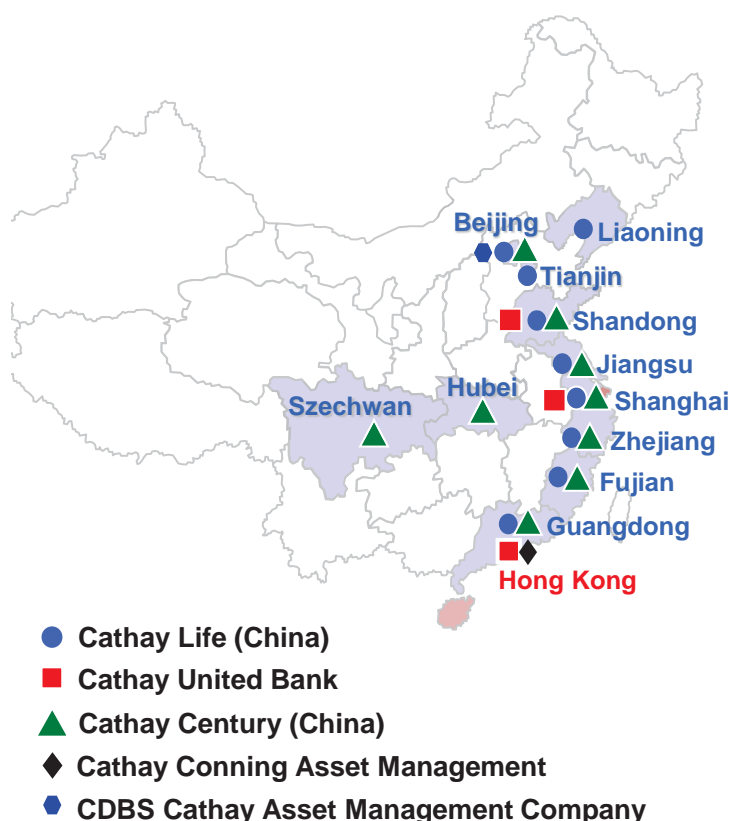
- Investment of 20% stake in RCBC (Philippines) and 24.9% stake in Bank Mayapada (Indonesia) has completed
- Cathay Life (Vietnam) has performed steadily

■ Cathay Century

- Each business line has performed steadily

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Cathay FHC in China



■ Cathay United Bank

- Each business line has performed steadily in Shanghai branch, obtained approval to set up sub-branch in Jiading Dist.
- Applying for Shenzhen branch and Planning to upgrade Shanghai branch into subsidiary

■ Cathay Life (China)

- 1H15 solvency ratio 368%
- Reported pre-tax profits of 115MN RMB in 1H15

■ Cathay Century (China)

- Strong premium income growth in 1H15 up by 17% YoY

■ JV with Conning (CCAM)

- AUM amounted to USD\$1.15BN in 1H15

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

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

■ Cathay Securities

- Acquisition of Horizon Securities (Hong Kong) expected to completed in 2H15

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Agenda

- **Introduction of Cathay FHC**
- **1H15 Business overview**
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Overseas expansion**
- **Appendix**

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CUB is the first EPFI in Taiwan

- **Equator principles: sustainability and environmental protection**
 - CUB became the Equator Principles Financial Institutions (EPFIs) in Mar. 2015.
 - Being an EP signatory not only reinforces CUB's corporate commitment to sustainability and environmental protection, but also helps CUB integrate long established environmental and social risk evaluation system.
- **Cathay FHC will continue to develop its sustainable finance policy with its subsidiaries.**



EPFIs in the World

There are 80 financial institutions in more than 30 countries that adopt the EPs as of March, 2015.

- EPFIs in Asia : Mizuho Bank, Bank of Tokyo-Mitsubishi UFJ, Sumitomo Mitsui Banking Corporation, Industrial Bank (China), IDFC(India) and Cathay United Bank.

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Takeover of Global Life and Singfor Life : Transaction Overview

Transaction

- The takeover of the assets, liabilities and operations of Global Life and Singfor Life. (the “Companies”)
- Transaction Price : Subsidization of NTD\$ 30.3 bn by Taiwan Insurance Guarantee Funds

Support Measures

- Increase asset allocation flexibility
- Relax certain related regulations

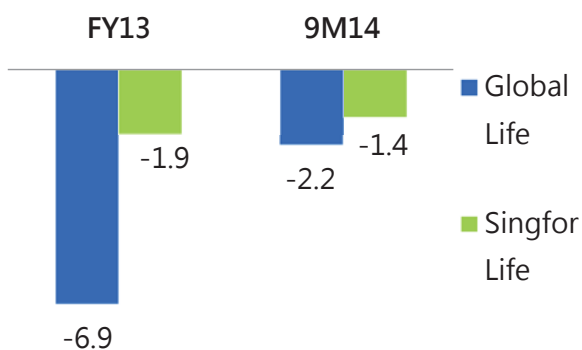
❖ Exercise corporate social responsibility and provide the strength and stability to the policyholders of the Companies and the general public.

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Financial Review of Global Life and Singfor Life

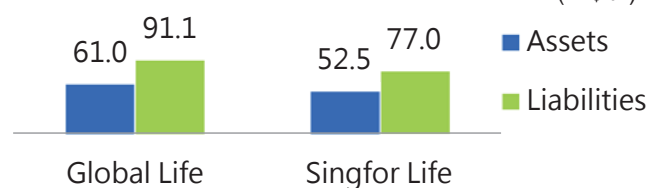
Profit and Loss

(NT\$ bn)

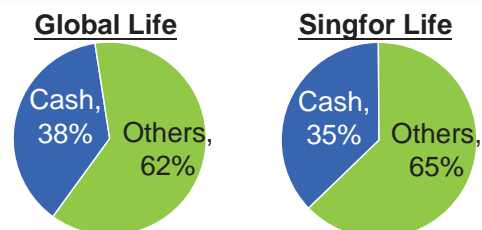


Assets and Liabilities

(NT\$ bn)



Assets Allocation



- Target companies suffered losses due to :
 - Insufficient assets versus liabilities
 - Inefficient asset allocation
 - Subject to burdensome provisioning
- ➔ The TIGF is providing a subsidy and the FSC is providing certain regulatory support measures, the takeover will not have an adverse impact on the operations, shareholder’s equity and solvency of Cathay Life.

Embedded Value & Appraisal Value

Valuation date	2013/12/31	2014/12/31
In-force business investment yield	3.94% ~ Year 2033 5.07% for NTD policies 4.47% ~ Year 2033 6.11% for USD policies 2.71% ~ Year 2033 3.10% for Interest crediting annuity (Equivalent investment yield: 4.39% rolling over to 2014: 4.54%)	4.01% ~ Year 2034 5.05% for NTD policies 4.40% ~ Year 2034 6.07% for USD policies 2.75% ~ Year 2034 3.02% for Interest crediting annuity (Equivalent investment yield: 4.46%)
Future one year's new business investment yield	2.76% ~ Year 2033 5.07% for NTD policies 4.02% ~ Year 2033 6.11% for USD policies 2.42% ~ Year 2033 2.67% for Interest crediting annuity	2.54% ~ Year 2034 5.03% for NTD policies 4.47% ~ Year 2034 6.07% for USD policies 2.19% ~ Year 2034 2.62% for Interest crediting annuity
Risk discount rate	10%	10%
Adjusted net worth	352	403
Value of in-force business	396	434
Cost of capital (CoC)	-113	-128
Value of in-force business (After CoC)	283	306
Embedded Value (EV)	635	709
EV per shr (EV per FHC shr)	119.7 (55.0) ⁽³⁾	133.6(56.4)
Appraisal Value (AV)	1,093	1,191
Value of future one year's new business (After CoC)	52.5	55.5
AV per shr (AV per FHC shr)	206.0 (94.7) ⁽³⁾	224.4(94.8)

Note: (1) EV/AV calculation does not include business of Cathay Life in China and Vietnam. In addition, EV/AV calculation does not include the takeover of the assets, liabilities and operations of Global Life Insurance and Singfor Life Insurance.

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

(3) EV and AV per FHC share of 2013 is based on 2013 weighted average of outstanding shares. If the weighted average of outstanding shares in 2014 were used, EV and AV per FHC share of 2013 would be 50.5 and 87.0, respectively.

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

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Summary

Valuation date		2013	2014	Growth rate	1Q15
Embedded value	Equity	271	325	20%	--
	Adjusted net worth	352	403	14%	--
	Value of in-force business	396	434	10%	--
	Cost of capital (CoC)	-113	-128	14%	--
	Value in-force business (after CoC)	283	306	8%	--
	Embedded value	635	709	12%	--
Value of one year's new business	First year premium (FYP)	200.4	233.4	16%	52.3
	First year premium equivalent (FYPE)	73.5	71.1	-3%	16.2
	Value of one year's new business (V1NB)	51.4	53.5	4%	12.0
	Profit margin (V1NB/FYP)	26%	23%	--	23%
	Profit margin (V1NB/FYPE)	70%	75%	--	74%
	Profit margin (V1NB/FYP)(investment-linked(non-VUL)is excluded)	44%	53%	--	60%
Appraisal value (20 years NB)	Multiple	8.7	8.7	--	--
	Appraisal value	1,093	1,191	9%	--
Basic Value per share	EV per FHC shr	55.0 ⁽¹⁾	56.4 ⁽²⁾	3%	--
	AV per FHC shr	94.7 ⁽¹⁾	94.8 ⁽²⁾	0%	--
Adjusted Value per share	EV per FHC shr	50.5 ⁽²⁾	56.4 ⁽²⁾	11%	--
	AV per FHC shr	87.0 ⁽²⁾	94.8 ⁽²⁾	9%	--

Note: (1) Basic EV and AV per share is based on 2013 weighted average of outstanding shares 11.5bn.

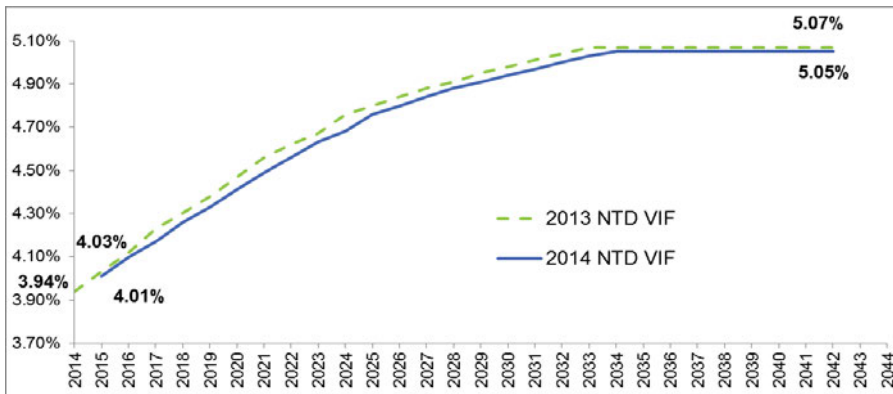
(2) Adjusted EV and AV per share calculation is based on 2014 weighted average of outstanding shares 12.6bn.

(3) Totals may not sum due to rounding.

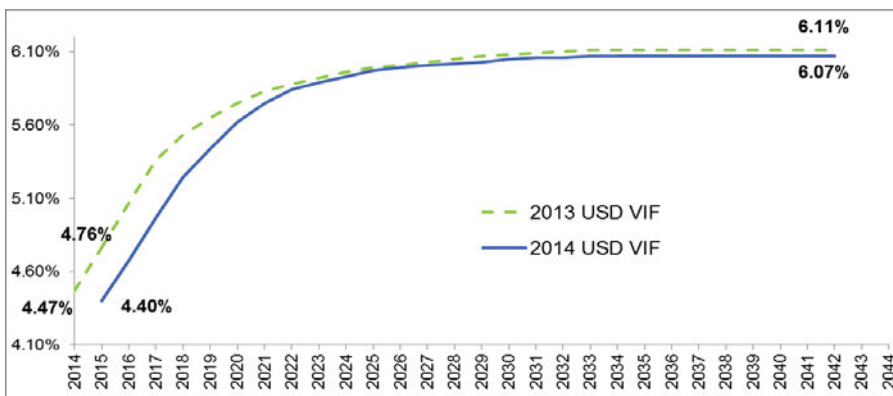
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Economic Assumptions: In-force business investment yield

- Investment return assumptions for the value of in force business of NTD-denominated policies as of the end of 2013 & 2014.



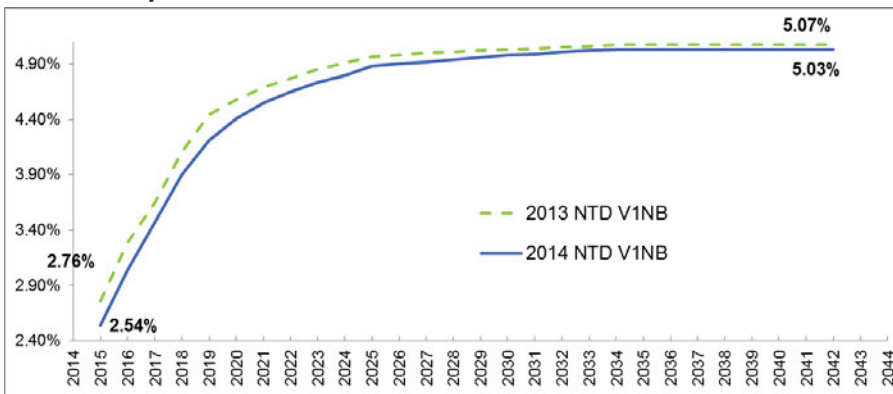
- Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2013 & 2014.



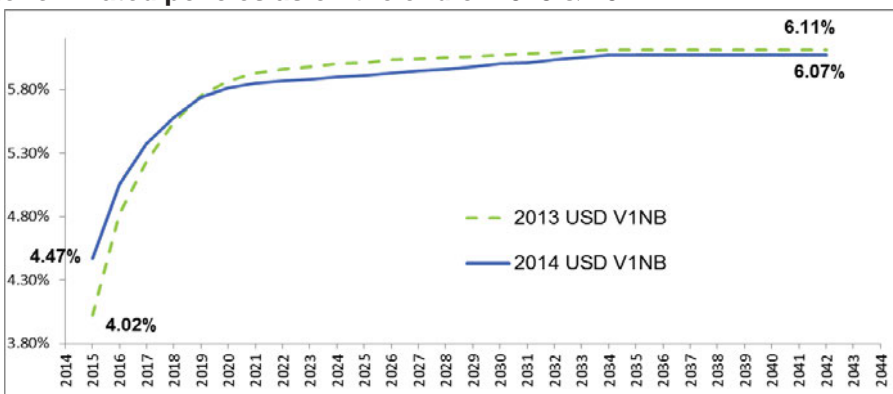
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Economic Assumptions: Future one year's new business investment yield

- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2013 & 2014.



- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2013 & 2014.



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Transaction Overview – RCBC

Transaction Structure	<ul style="list-style-type: none"> ■ Investment in 280 million shares of Rizal Commercial Banking Corporation (“RCBC”), which consist of both new and existing shares ■ Post transaction, Cathay Life Insurance (“Cathay”) will own 20% of RCBC with 3 board seats of the company ■ Depending on market conditions, Cathay may increase its investment in RCBC, via placement or open market purchase, to no more than 30% in the future
Purchase Price	<ul style="list-style-type: none"> ■ PHP64.00 per share. Total consideration of acquiring 280 million shares would be PHP17.92 billion (c. US\$400 million or NT\$12.55 billion*). Post-money P/B is c.1.57x
Regulatory Approval	<ul style="list-style-type: none"> ■ After board approvals, the signing of definitive agreements and the regulatory approval from both countries, the transaction has been completed.
Strategic Rationale	<ul style="list-style-type: none"> ■ Strong potential of the Philippine market ■ Expand regional banking platform ■ Stable investment return ■ Potential strategic cooperation

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Transaction Overview – Bank Mayapada

Transaction Structure	<ul style="list-style-type: none"> ■ Cathay Life will acquire a 40% stake in PT Bank Mayapada International, Tbk (“Bank Mayapada”) from selling shareholders: <ul style="list-style-type: none"> • Stage 1 : acquire 24.9% stake • Stage 2 : acquire 15.1% stake
Purchase Price	<ul style="list-style-type: none"> ■ Total consideration is ~IDR3.52tn (~NT\$8.7bn), representing a P/B multiple of ~3.15x
Timetable	<ul style="list-style-type: none"> ■ Closing for Stage 1 has been completed in the first half of 2015 ■ Closing of Stage 2 is subject to Fit and Proper Test as stipulated by the Indonesia Financial Services Authority (“OJK”)
Strategic Rationale	<ul style="list-style-type: none"> ■ Participation in Indonesia’s growth opportunity ■ Stable investment return ■ Expansion of regional banking platform ■ Potential strategic cooperation

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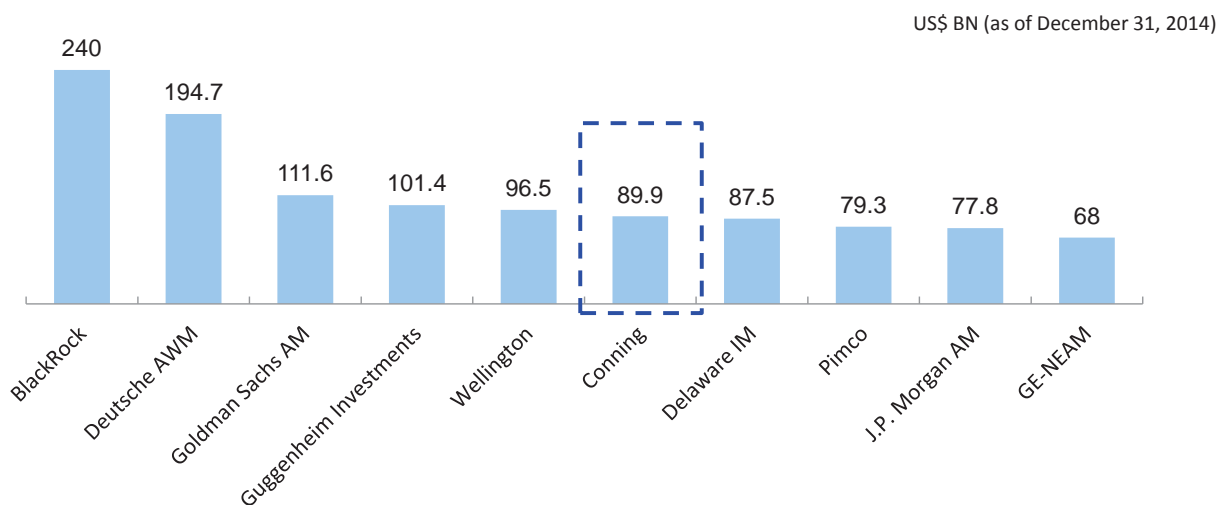
Transaction Overview – Conning

Transaction Structure	<ul style="list-style-type: none"> ■ Conning Holdings Corporation (“Conning”) is a leading asset manager for insurance and pension clients with \$90 billion in AuM ■ Cathay Life Insurance Company (“Cathay Life”) will acquire 100% of Conning
Purchase Price	<ul style="list-style-type: none"> ■ Acquisition price of US\$240 million in cash <ul style="list-style-type: none"> • P/AuM of 0.26% based on AuM as of September 30, 2014 ■ Cathay Financial Holdings will sell its approximately 10% stake in Conning to Cathay Life <ul style="list-style-type: none"> • Pre tax disposal gain amounts to US\$ 5 million
Regulatory Approval	<ul style="list-style-type: none"> ■ The transaction is subject to the regulatory approval in Taiwan, US, UK and HK; expected closing in second half of 2015
Strategic Rationale	<ul style="list-style-type: none"> ■ Transaction will significantly expand Cathay’s global presence in asset management ■ Significant step forward in realizing “ Banking + Insurance + Asset Management” strategy

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“Banking + Insurance + Asset Management”

- Conning ranked as 6th largest in global insurance asset management industry
- Acquisition of a world-class asset management business led by an experienced management team
- Asset management is a capital-light business that can generate steady fee income

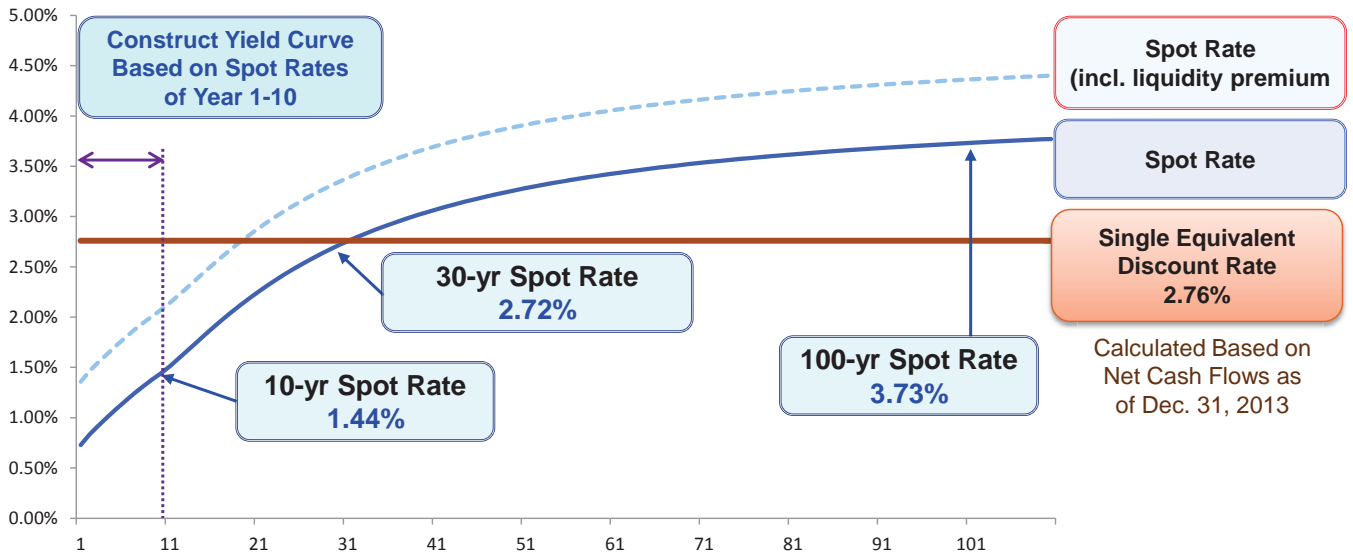


Note : Global non-affiliated GA assets
 Source : The Insurance Investment Outsourcing Report (2015 Edition)

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.

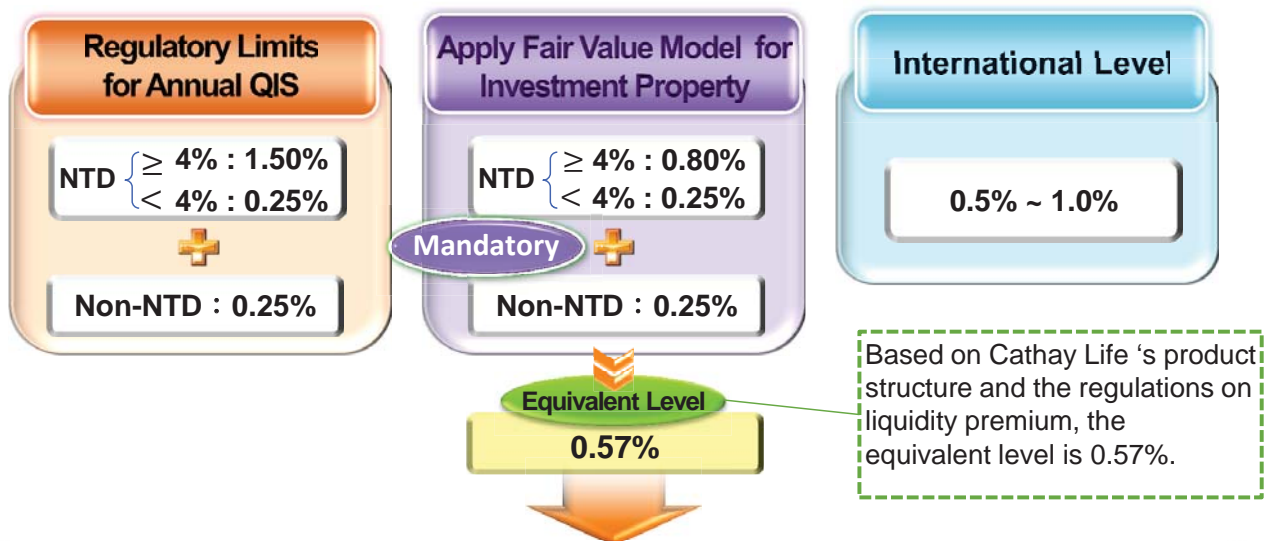


Note: The "Spot Rate" mentioned above refers to 3-yr daily MA yield curve.

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Fair Value of Insurance Contracts: Liquidity Premium

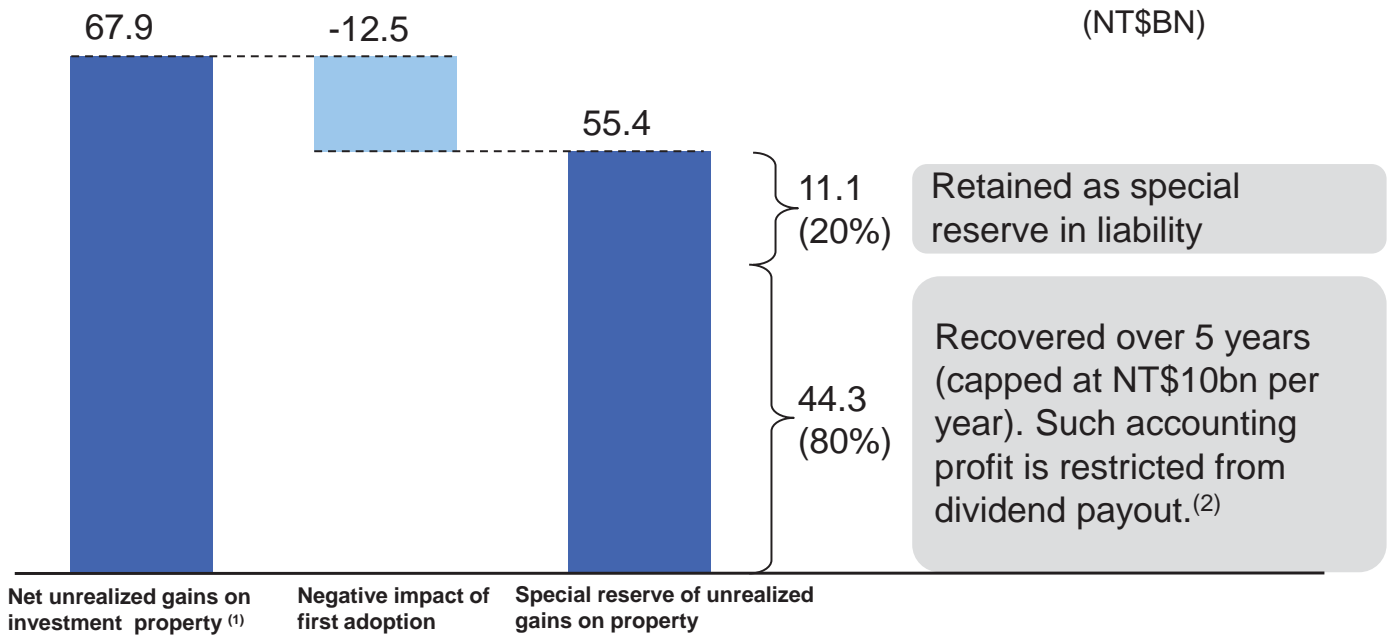
If insurers apply fair value model for investment property, their insurance liabilities should also be assessed under fair value basis. Taiwan adopts a relatively strict standard of liquidity premium compared to the international level of 0.5%~1%.



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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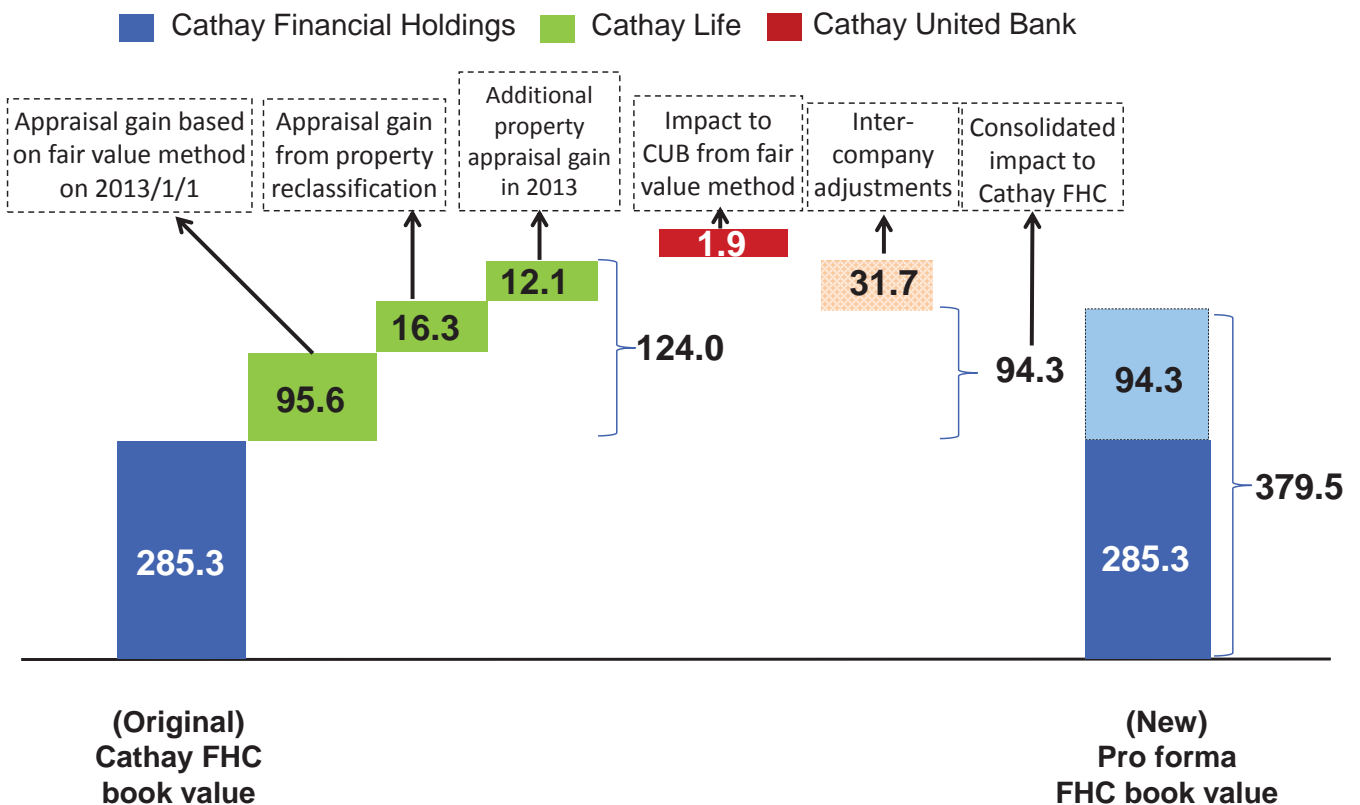
Special reserve of unrealized gains on property



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.

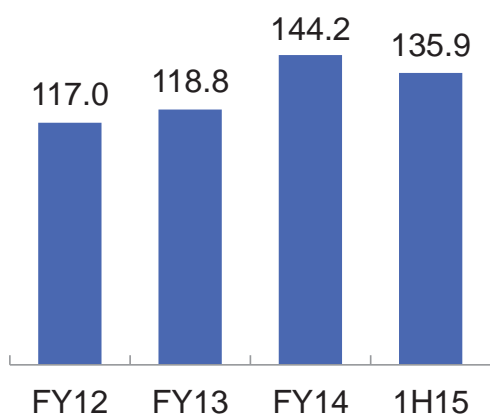
(2) The recovery of such special reserve is subject to regulatory approval each year. Hence, the actual recovery depends on the fair valuation results each year.

Illustration of 2013 pro forma BV of Cathay FHC

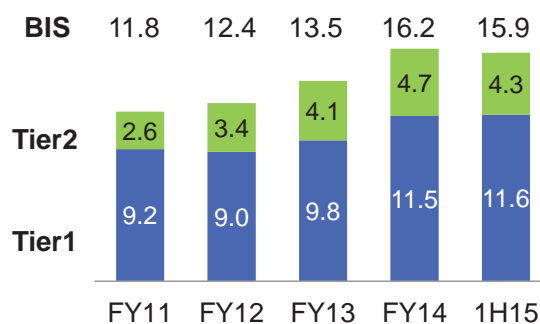


Capital adequacy

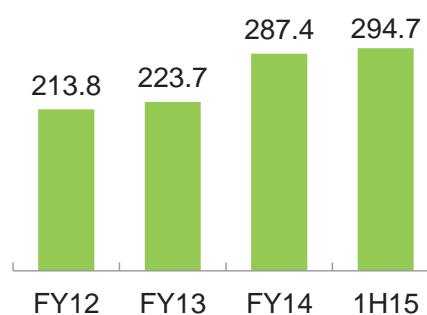
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC(%)



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Impact from adopting IFRS 2013

Time	IFRS 2010			IFRS 2013			Difference		
	FY14	1H14		FY14	1H14		FY14	1H14	
Item	BV (NT\$ BN)	Earnings (NT\$ BN)	ROE (%)	BV (NT\$ BN)	Earnings (NT\$ BN)	ROE (%)	BV (NT\$ BN)	Earnings (NT\$ BN)	ROE (%)
FHC	438.3	30.6	15.49%	439.1	30.5	15.38%	0.8	-0.053	-0.11%
CUB	148.2	10.6	15.63%	147.6	10.6	15.70%	-0.540	0.007	0.07%
Life	327.0	19.6	13.50%	328.4	19.5	13.34%	1.386	-0.060	-0.16%
P&C	6.9	0.3	10.29%	6.8	0.3	10.43%	-0.039	0.000	0.14%
SITE	2.2	0.2	19.28%	2.2	0.2	19.25%	0.005	0.000	-0.03%
Securities	6.2	0.2	8.62%	6.2	0.2	8.63%	-0.004	0.000	0.01%

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Thank You

Cathay Financial Holdings

(NT\$MN)			FY14/ FY13 % Chg	1H14	1H15	1H15/ 1H14 % Chg	2Q14	2Q15	2Q15/ 2Q14 % Chg
Income Statement Data (Consolidated)									
Operating Income									
Net interest income	114,558	125,083	9%	61,508	66,310	8%	30,964	33,431	8%
Net commission and fee	791	369	-53%	2,010	(1,299)	-165%	1,788	(1,636)	-192%
Net earned premium	441,427	488,327	11%	198,117	247,114	25%	103,475	134,724	30%
Change in liability reserve	(293,570)	(290,800)	-1%	(107,058)	(159,253)	49%	(46,782)	(88,887)	90%
Net claims payment	(228,125)	(285,869)	25%	(136,280)	(133,480)	-2%	(79,743)	(68,744)	-14%
Investment income	56,350	75,849	35%	38,745	43,534	12%	24,239	30,984	28%
Contribution from associates-equity method	157	168	7%	67	284	322%	38	233	521%
Other net non-interest income	6,972	3,449	-51%	2,944	14,445	391%	650	3,760	478%
Bad debt expense	(1,484)	(2,982)	101%	(443)	(167)	-62%	(450)	(55)	-88%
Operating expense	(54,277)	(57,350)	6%	(26,330)	(28,412)	8%	(13,523)	(14,638)	8%
Income before taxes	42,799	56,243	31%	33,282	49,078	47%	20,654	29,172	41%
Income taxes	(4,779)	(6,458)	35%	(2,733)	(7,844)	187%	(2,432)	(6,047)	149%
Net income	38,020	49,785	31%	30,549	41,234	35%	18,222	23,125	27%
EPS (NT\$)	3.12	3.94		2.42	3.26		1.44	1.83	
Dividend Payout									
Cash dividend per share	1.50	2.00							
Stock dividend per share	0.50	0.00							
Weighted average outstanding shares (Millions of shares)	12,124	12,563		12,563	12,563				
Balance Sheet Data									
Total assets	6,177,273	6,944,837		6,502,704	7,122,539				
Total shareholders' equity	379,510	439,120		412,797	433,101				
Operating Metrics									
ROAE (Consolidated)	10.82%	12.10%		15.38%	18.91%				
ROAA (Consolidated)	0.65%	0.76%		0.96%	1.17%				
Double leverage ratio(inc. preferred stock)	111%	113%		113%	115%				
Capital Adequacy Metrics									
Capital Adequacy Ratio	119%	144%		120%	136%				

Notes:

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(2) Starting from 2015/1/1, Cathay FHC adopted IFRS 2013 version and has adjusted 1H14 financial data to pro-forma basis. 2014 total assets, liabilities, and shareholders' equity have also been adjusted accordingly.

(3) Total may not sum due to rounding.

Cathay Life

(NT\$MN)	FY14/			1H15/			2Q15/		
	FY13	FY14	FY13	1H14	1H15	1H14	2Q14	2Q15	2Q14
Income Statement Data (Consolidated)			% Chg			% Chg			% Chg
Net written premium	426,804	472,630	11%	190,534	239,409	26%	99,484	130,370	31%
Net earned premium	418,262	471,849	13%	190,433	239,406	26%	99,063	129,963	31%
Reinsurance commission earned	11,610	4,740	-59%	3,555	282	-92%	1,880	276	-85%
Fee income	3,090	5,943	92%	2,990	3,108	4%	1,917	1,460	-24%
Recurring investment income	113,932	124,152	9%	57,213	62,672	10%	29,056	33,159	14%
Gain on disposal of investment									
Realized gain (loss)-Equity	16,586	23,357	41%	13,456	34,690	158%	4,620	16,129	249%
Realized gain (loss)-Debt	14,604	12,828	-12%	4,811	10,530	119%	1,465	2,901	98%
Investment property appraisal gains	13,045	16,579	27%	16,376	11,311	-31%	16,376	11,327	-31%
FX and others, net	(4,197)	(7,166)	71%	(6,345)	(11,684)	84%	(4,444)	(3,618)	-19%
Investment income, net	153,970	169,750	10%	85,512	107,519	26%	47,073	59,899	27%
Other operating income	1,275	9	-99%	3	6	72%	3	1	-72%
Separate account revenues	90,719	115,040	27%	96,407	6,157	-94%	41,461	242	-99%
Net claims payment	(210,029)	(275,195)	31%	(131,889)	(129,007)	-2%	(76,969)	(65,607)	-15%
Changes in liability reserves	(292,978)	(290,109)	-1%	(106,317)	(158,815)	49%	(46,385)	(88,788)	91%
Acquisition and commission expense	(34,188)	(32,405)	-5%	(15,185)	(16,117)	6%	(7,463)	(8,923)	20%
Other operating costs	(5,570)	(4,544)	-18%	(1,998)	(2,459)	23%	(939)	(1,347)	43%
Financial cost	303	(106)	-135%	(148)	(438)	196%	(199)	(161)	-19%
Separate account expense	(90,719)	(115,040)	27%	(96,407)	(6,157)	-94%	(41,461)	(242)	-99%
Operating expense	(15,677)	(16,724)	7%	(7,239)	(8,763)	21%	(3,812)	(4,790)	26%
Net non-operating income	1,156	1,482	28%	897	673	-25%	331	347	5%
Income taxes	(3,657)	(2,834)	-22%	(1,098)	(6,014)	448%	(1,512)	(5,450)	260%
Net income	27,569	31,854	16%	19,515	29,380	51%	12,988	16,879	30%

Balance Sheet Data

Total assets	4,195,229	4,704,976		4,400,355	4,813,402
General account	3,818,977	4,242,710		3,959,760	4,347,890
Separate account	376,253	462,267		440,595	465,512
Reserves for life insurance liabilities	3,448,659	3,770,679		3,552,885	3,909,142
Total liabilities	3,923,923	4,376,595		4,089,001	4,484,962
Total shareholders' equity	271,306	328,382		311,354	328,440

Operating Metrics

First Year Premium(FYP)	200,419	233,379		124,900	108,717
First Year Premium Equivalent(FYPE)	73,461	71,138		33,790	48,842
Expense ratio	11.5%	9.9%		11.0%	10.1%
13-M persistency ratio	98.2%	97.9%		98.2%	97.6%
25-M persistency ratio	94.7%	94.9%		94.6%	95.4%
ROAE	10.92%	10.54%		13.34%	17.89%
ROAA	0.69%	0.71%		0.91%	1.23%

Capital Adequacy Metrics

RBC ratio (Standalone)	224%	287%		237%	295%
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Cathay United Bank

(NT\$MN)			FY14/ FY13			1H15/ 1H14		2Q15/ 2Q14	
Income Statement Data (Consolidated)	FY13	FY14	% Chg	1H14	1H15	% Chg	2Q14	2Q15	% Chg
Operating Income									
Net interest income	21,915	25,779	18%	12,578	13,375	6%	6,374	6,729	6%
Fee income	9,204	11,806	28%	5,196	7,432	43%	2,563	3,863	51%
Investment income	5,650	7,384	31%	4,421	2,875	-35%	2,361	1,399	-41%
other income	956	1,064	11%	609	776	27%	213	278	30%
Net operating income	37,725	46,033	22%	22,805	24,458	7%	11,511	12,268	7%
Operating expenses	(20,216)	(22,822)	13%	(10,438)	(11,625)	11%	(5,240)	(6,024)	15%
Pre-provision profit	17,509	23,211	33%	12,367	12,834	4%	6,271	6,244	0%
Net provisions for possible losses	(542)	(2,471)	356%	(128)	(66)	-48%	(263)	120	-146%
Income before taxes	16,967	20,741	22%	12,239	12,768	4%	6,008	6,364	6%
Income tax	(2,188)	(2,892)	32%	(1,604)	(1,484)	-7%	(828)	(613)	-26%
Net income	14,780	17,848	21%	10,635	11,284	6%	5,180	5,752	11%
Balance Sheet Data									
Total assets	1,988,774	2,243,958		2,089,835	2,304,831				
Loans, net	1,031,105	1,119,281		1,109,998	1,121,224				
Financial assets	638,727	649,497		592,774	746,694				
Total liability	1,855,610	2,096,340		1,951,528	2,156,709				
Deposits	1,615,860	1,739,023		1,650,317	1,782,017				
Financial Debenture Payable	52,417	67,614		67,215	67,195				
Total shareholders' equity	133,164	147,617		138,307	148,122				
Operating Metrics									
Cost income ratio	53.59%	49.58%		45.77%	47.53%				
ROAE	12.33%	12.71%		15.70%	15.26%				
ROAA	0.78%	0.84%		1.04%	0.99%				
Assets Quality									
NPL	3,013	3,277		2,039	1,794				
NPL ratio	0.29%	0.29%		0.18%	0.16%				
NPL provisions	14,494	15,782		14,874	16,166				
Coverage ratio	478%	539%		730%	901%				
Capital Adequacy Metrics									
BIS ratio (Standalone)	13.5%	16.2%		13.9%	15.9%				
Tier I Ratio (Standalone)	10.1%	11.5%		9.8%	11.6%				

Notes:

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For more details, please refer to our official financial reports.

(2) Starting from 2015/1/1, Cathay United Bank adopted IFRS 2013 version and has adjusted 1H14 financial data to pro-forma basis.

2014 total assets, liabilities, and shareholders' equity have also been adjusted accordingly.

(3) Total may not sum due to rounding.

Cathay Century

(NT\$MM)	FY14/			1H15/			2Q15/		
	FY13	FY14	FY13 % Chg	1H14	1H15	1H14 % Chg	2Q14	2Q15	2Q14 % Chg
Income Statement Data (Consolidated)									
Premium income	19,727	21,279	8%	10,345	10,413	1%	5,618	5,809	3%
Net written premium	15,280	16,080	5%	7,752	7,937	2%	4,129	4,435	7%
Net earned premium	14,156	15,626	10%	7,637	8,027	5%	3,909	4,143	6%
Reinsurance commission earned	470	683	45%	348	261	-25%	185	146	-21%
Fee income	36	45	27%	21	23	9%	12	19	59%
Investment	715	918	28%	377	517	37%	229	264	15%
Interest income	444	569	28%	276	268	-3%	141	131	-7%
Other investment income, net	271	348	29%	101	249	146%	88	133	52%
Other operating income	0	0	-	4	5	0%	1	(3)	0%
Net claims payment	(7,835)	(8,747)	12%	(3,911)	(4,189)	7%	(1,997)	(2,239)	12%
Changes in liability reserves	(592)	(691)	17%	(740)	(438)	-41%	(396)	(99)	-75%
Commissions and other operating costs	(1,083)	(1,210)	12%	(569)	(642)	13%	(299)	(362)	22%
Operating expenses	(5,328)	(5,824)	9%	(2,851)	(2,948)	3%	(1,544)	(1,558)	1%
Operating income	538	800	49%	316	616	95%	99	311	215%
Net non-operating income	9	29	238%	32	(7)	-123%	10	(2)	-124%
Income taxes	(218)	(174)	-20%	(45)	(132)	194%	(15)	(74)	395%
Net income	329	656	99%	303	477	57%	94	235	149%
Balance Sheet Data									
Total assets	31,709	35,863		34,503	36,091				
Total shareholders' equity	5,511	6,829		6,175	7,265				
Operating Metrics									
Gross Combined ratio	80.0%	90.7%		95.8%	85.2%				
Net Combined ratio	92.6%	99.3%		106.4%	94.7%				
ROAE	6.37%	10.71%		10.43%	13.52%				
ROAA	1.08%	1.94%		1.83%	2.65%				
Capital Adequacy Metrics									
RBC ratio (Standalone)	312%	324%		277%	354%				

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2014 total assets, liabilities, and shareholders' equity have also been adjusted accordingly.

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