

# 2018 First Quarter Briefing

May 2018



國泰金控

Cathay  
Financial Holdings

## Disclaimer

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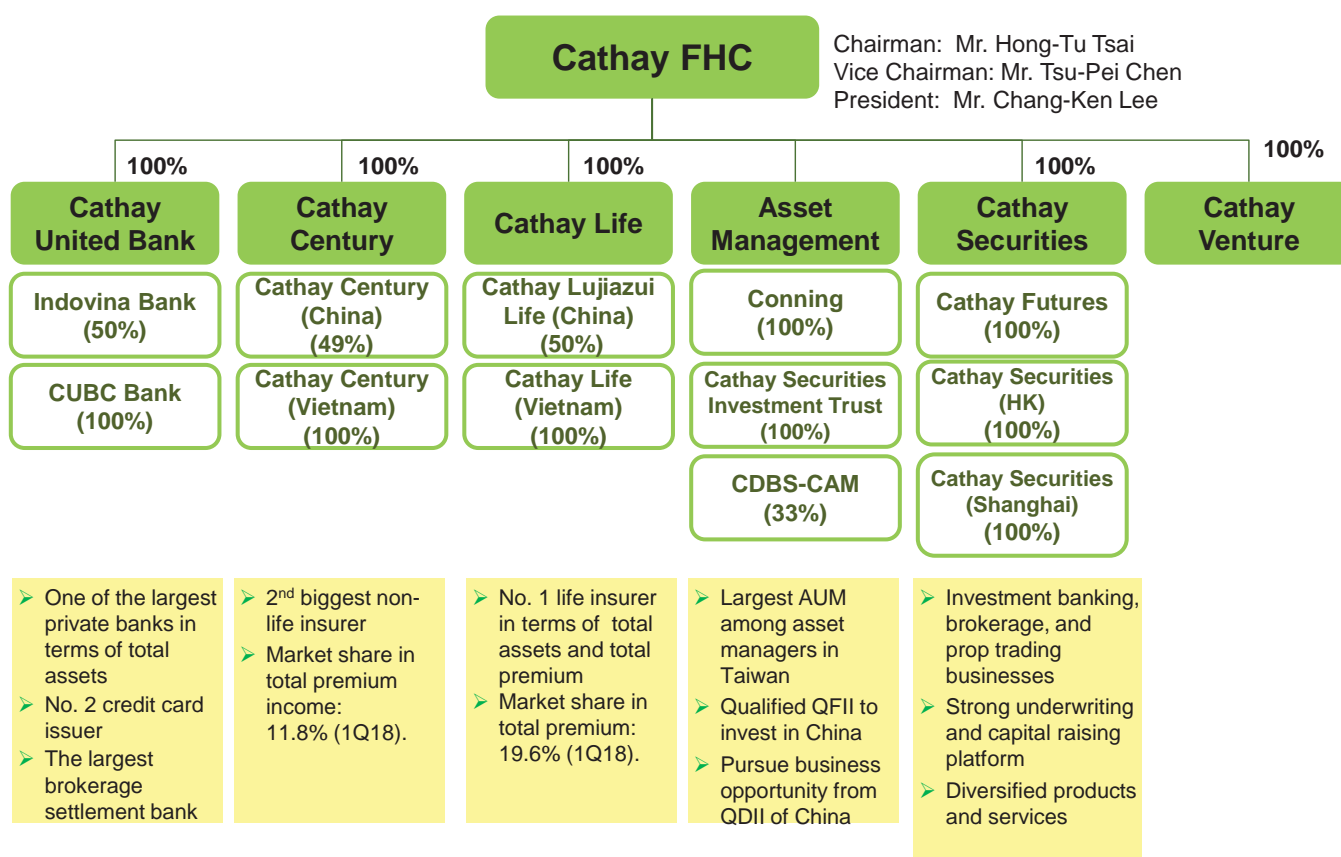
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# Agenda

- **Introduction of Cathay FHC**
- **1Q18 Business Overview**
- **Overseas Expansion**
- **Business Performance Summary**
  - Cathay United Bank
  - Cathay Life
  - Cathay Century
- **Cathay's CSR Efforts**
- **M&A Key Highlights**
- **Appendix**

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## Cathay FHC: largest FHC, comprehensive products

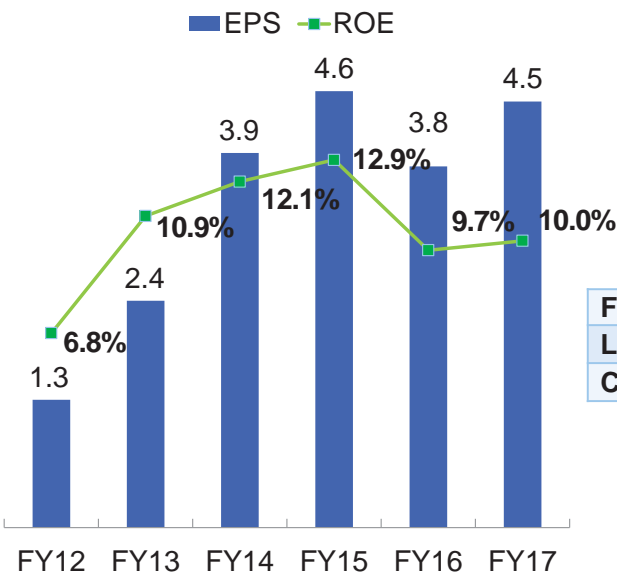


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# Cathay's earnings accelerates as life turnarounds

## EPS & ROE

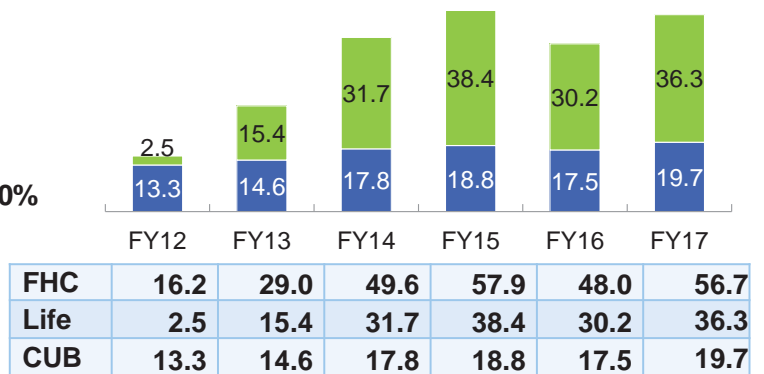
(NT\$/%)



## Profit contribution

(NT\$ BN)

■ CUB ■ Cathay Life

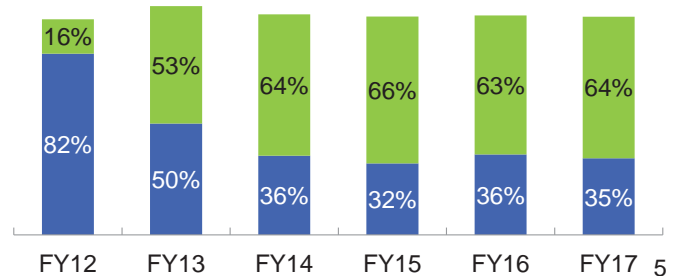


Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.

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

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

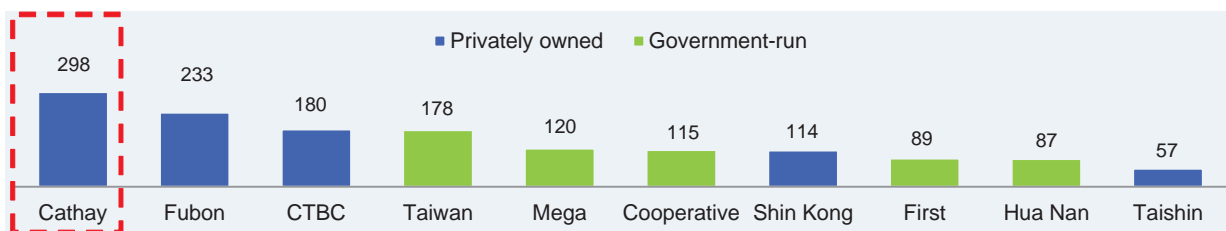
■ CUB ■ Cathay Life



## Market leader in Taiwan's FIG sector

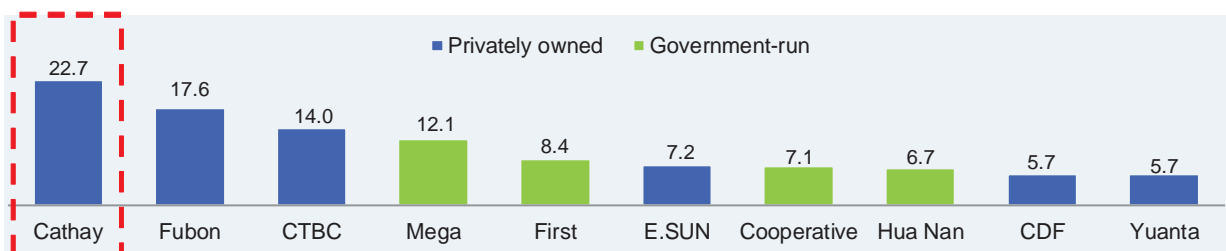
□ Largest listed financials group by market capitalization and assets.

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



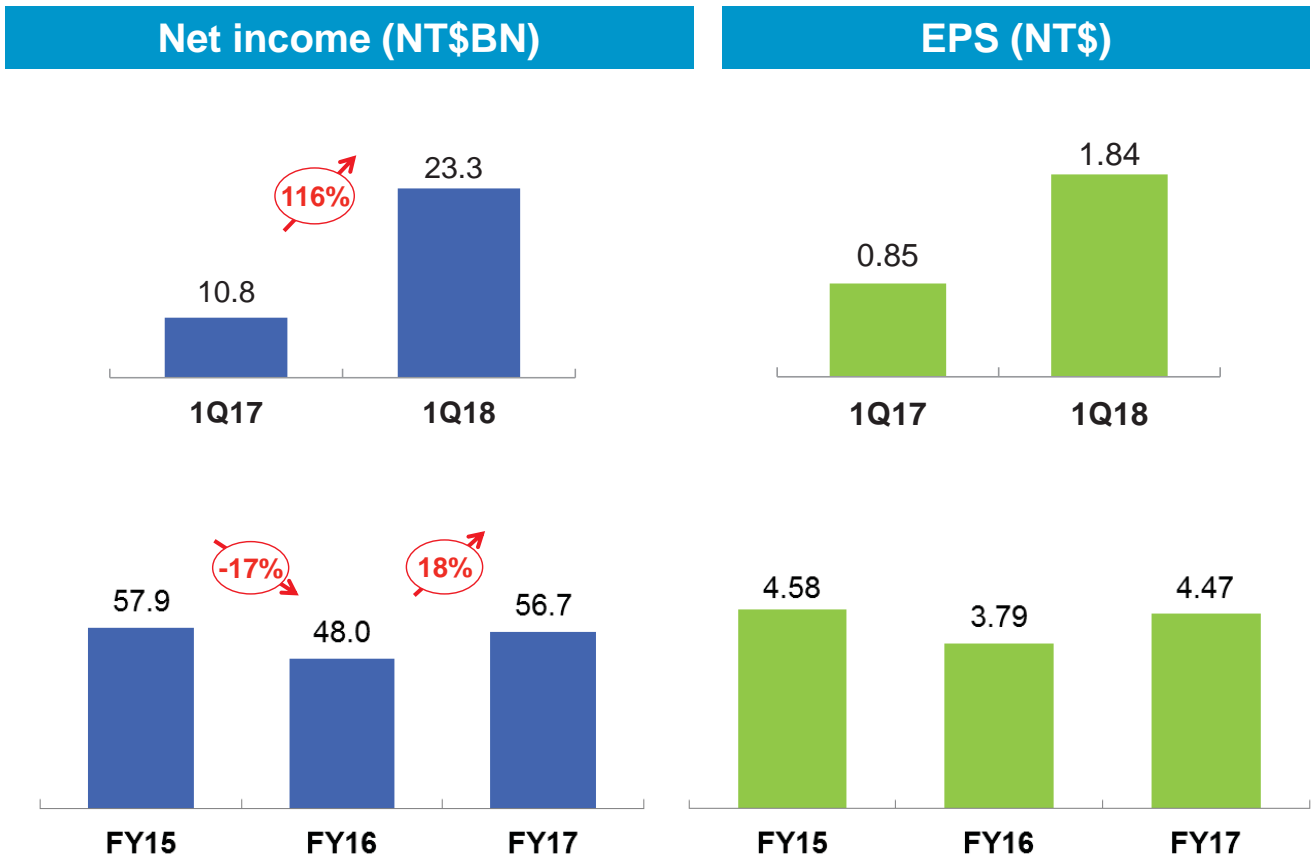
Note: Total assets as of Dec. 31, 2017

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



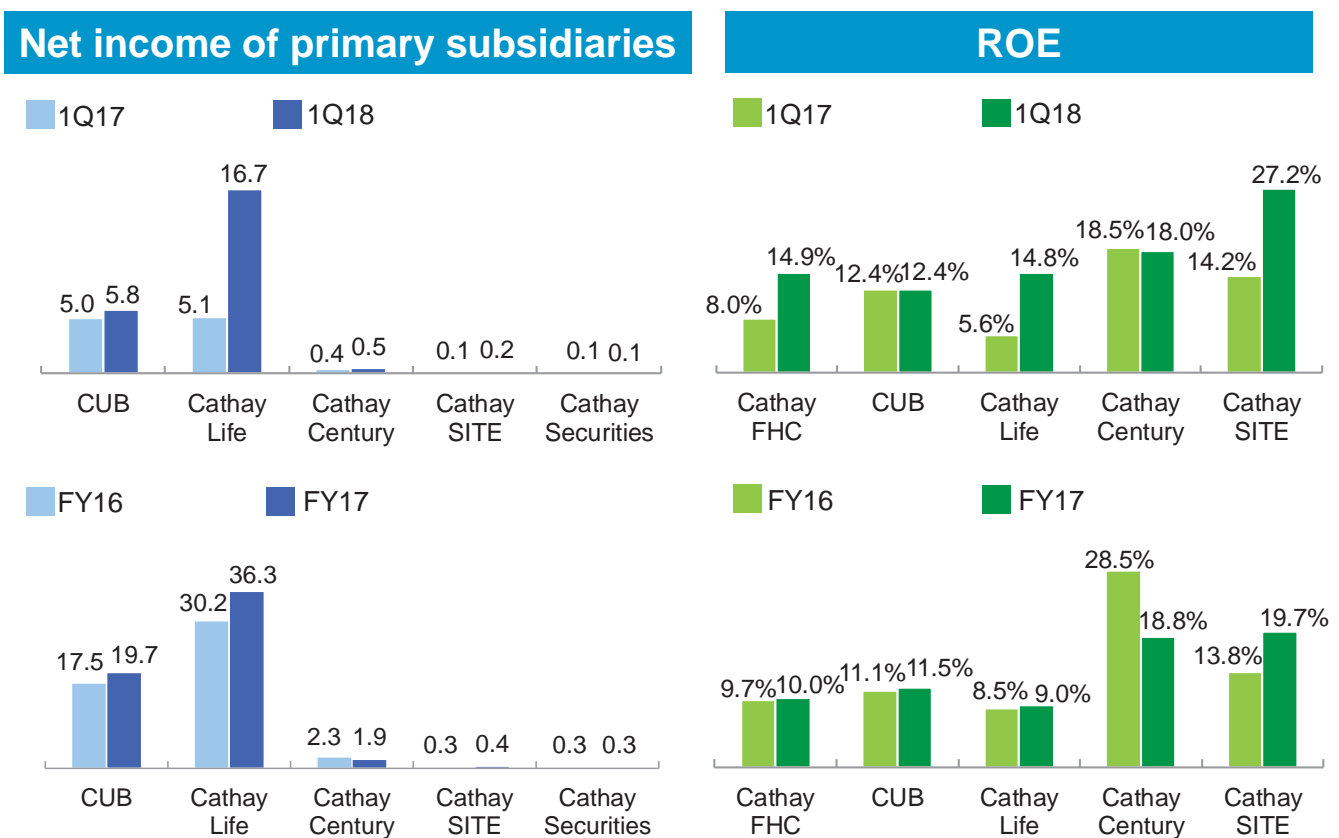
Note: Market capitalization as of Apr. 30, 2018

# Cathay FHC – Net income & EPS



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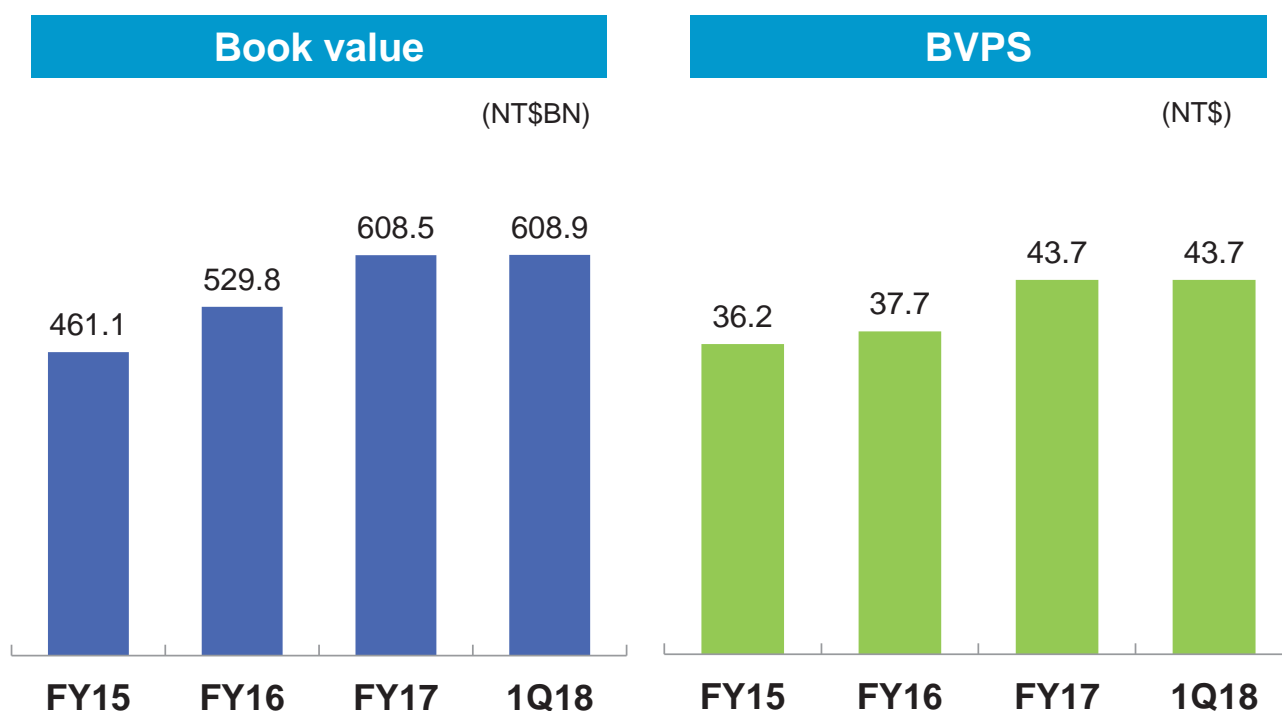
# Cathay FHC – Net income & EPS



Note: Starting 1Q18, ROE calculation was based on IFRS 9.

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# Cathay FHC – Book value & BVPS



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

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# 1Q18 Business overview

## Cathay United Bank

- Loan and deposit delivered mild growth with benign credit quality.
- Continued to expand overseas business. FX loan grew 21% YoY.
- Wealth management and credit card fee grew by 12% and 21% YoY respectively. Active card number ranked No.1 in the industry.

## Cathay Life

- Focused on value-driven strategy with investment-linked and traditional life regular paid policies. FYP and FYPE remained No. 1 in the industry.
- After-hedging investment yield reached 4.5%. Overall investment performance maintained stable.

## Cathay Century

- Premium income grew 6% YoY. Remained in second place with 11.8% market share.
- Deepened overseas operation and elevate service quality. Developed online products in China and enlarged localized management team in Vietnam.

## Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$608 BN.
- Received "Best Institutional House" and "Best New ETF" awards from Asia Asset Management and "Risk Management Award" from Benchmark magazine. Selected by Thomson Reuters Lipper and Morningstar as "Taiwan Fund Award" winner.

## Cathay Securities

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

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# Cathay FHC in South East Asia

	China	Vietnam	Cambodia	Hong Kong	Singapore	Malaysia	Laos	Philippines	Thailand	Myanmar	Indonesia
Bank	6	37	16	1	1	1	1	1	1	1	1
Life	44 <sup>(1)</sup>	44									
P&C	26	2									
Asset Mgt	1			1							
Securities	1			1							

Note: (1) Cathay Lujiazui Life obtained approval to set up a branch office in Henan, China.  
 (2) Footprints in Thailand, Myanmar and Indonesia are representative offices.  
 (3) Investments in RCBC and Bank Mayapada are funded by Cathay Life.  
 (4) Cathay FHC owns 49% stake of Cathay Century (China), and 33% stake of CDBS Cathay Asset Management.



## ■ Banking

- Vietnam: Indovina Bank posts solid results
- Cambodia: Subsidiary's businesses grows steadily
- Philippines: Invests 23% stake in RCBC<sup>(3)</sup>
- Indonesia: Invests 40% stake in Bank Mayapada<sup>(3)</sup>

## ■ Cathay Life ( Vietnam )

- Total premium grew 56% YoY to VND129BN in 1Q18
- Expands and diversifies distribution channels

## ■ Cathay Century

- Continues to expand local distribution channels to enhance growth momentum

# Cathay FHC in China



## ■ Cathay United Bank

- Expects to convert Shanghai branch into subsidiary in 2018

## ■ Cathay Lujiazui Life

- Total premium grew 52% YoY to RMB 709MN in 1Q18

## ■ Cathay Century (China)

- Forms a strategic alliance with Ant Financial group to capture new business opportunities

## ■ Cathay Securities (HK)

- Each business line grows steadily

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

- Continues to launch new products. Mainly focus on fixed income funds

## ■ Conning Asia Pacific Limited

- Continues to expand asset management business

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

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## Cathay United Bank

Cathay Life

Cathay Century

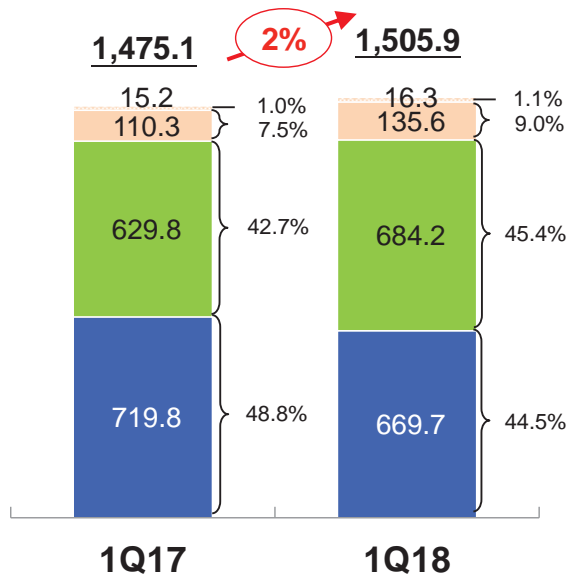
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## Cathay United Bank – Loan & deposit breakdown

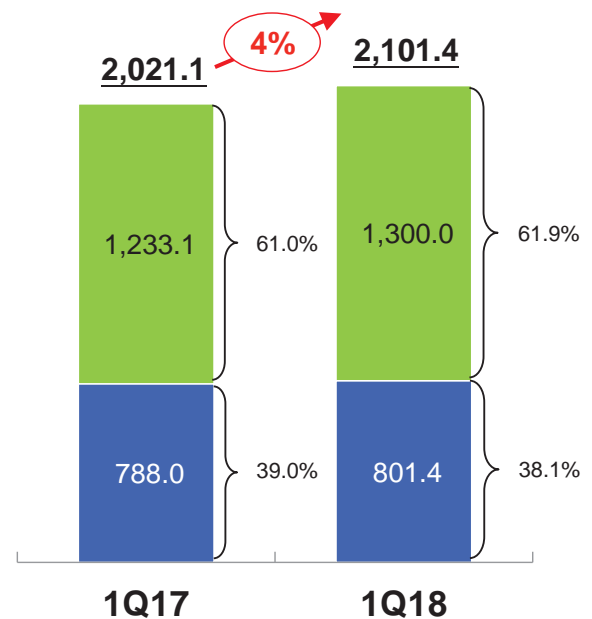
### Loan breakdown (NT\$BN)

- Credit Card related
- Consumer
- Mortgage
- Corporate



### Deposit breakdown (NT\$BN)

- Demand Deposit
- Time Deposit

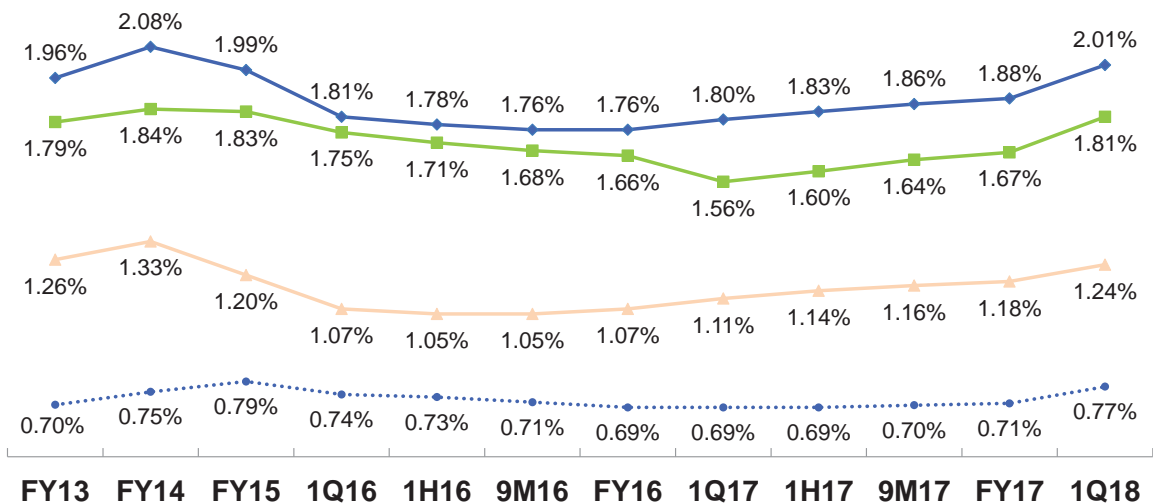


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# Cathay United Bank – Interest yields

◆ Avg. rate of interest-earning assets    ■ Interest spread    ▲ Net interest margin    ● Funding cost



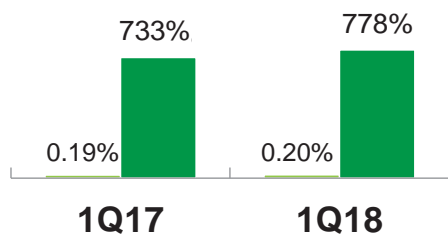
	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
Quarterly Spread	1.81%	1.75%	1.68%	1.62%	1.59%	1.56%	1.64%	1.74%	1.76%	1.81%
Quarterly NIM	1.12%	1.07%	1.02%	1.06%	1.10%	1.11%	1.18%	1.20%	1.22%	1.24%

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

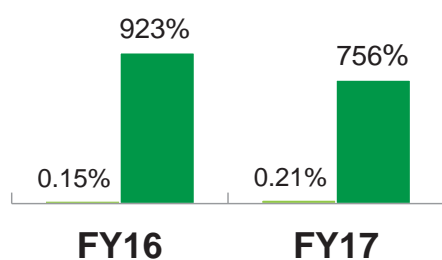
# Cathay United Bank – Credit quality

## NPL & Coverage ratio

■ NPL ratio  
■ Coverage ratio



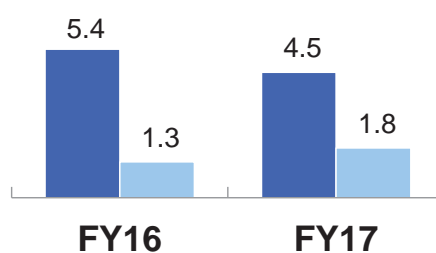
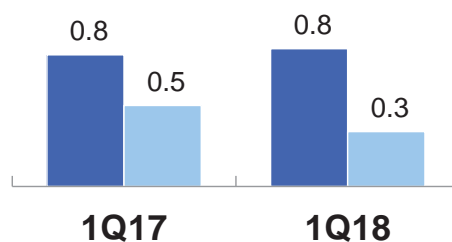
Mortgage NPL **0.10%**    **0.14%**



Mortgage NPL **0.08%**    **0.15%**

## Gross provision

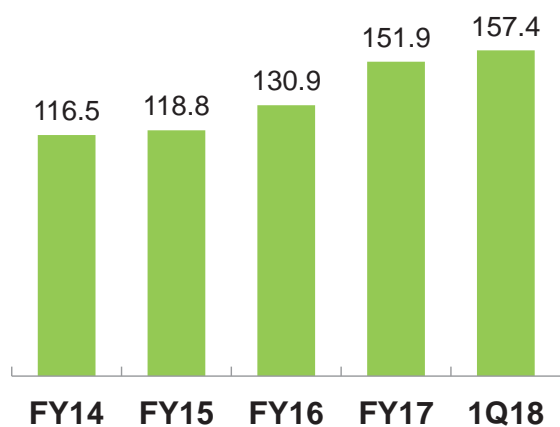
■ Gross provision (NT\$BN)  
■ Recovery



# Cathay United Bank – SME & FX loans

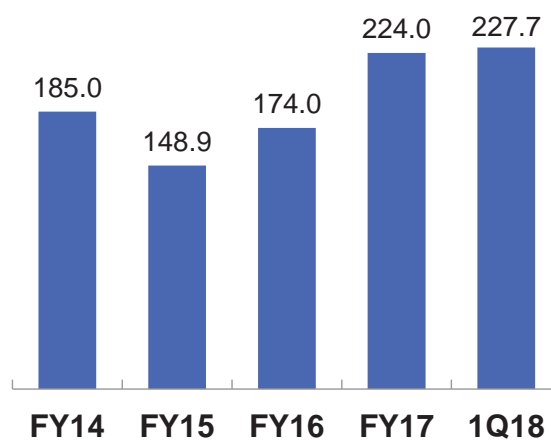
## SME loans

(NT\$BN)



## Foreign currency loans

(NT\$BN)



As % of total loans



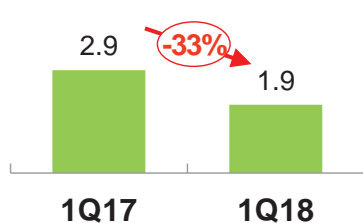
Note: Total loans exclude credit card revolving balance.

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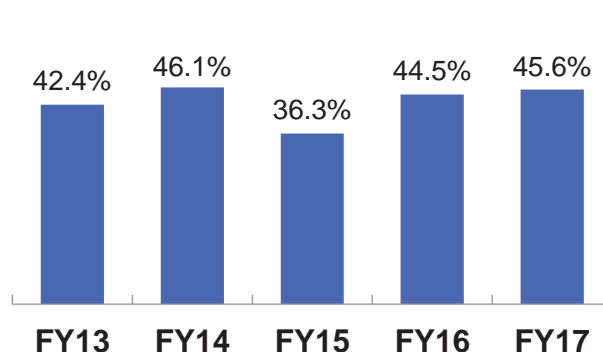
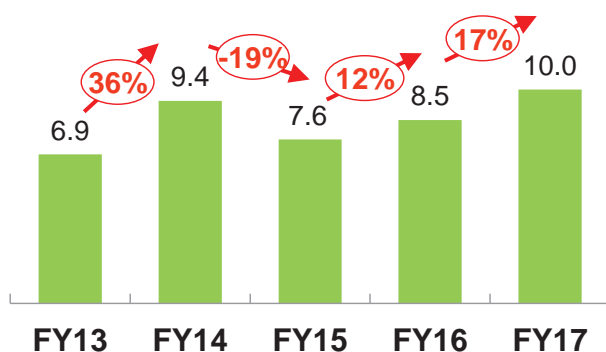
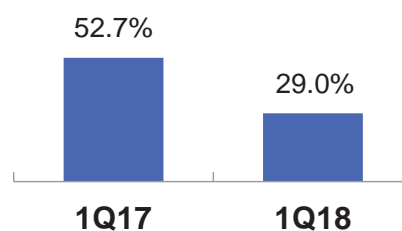
# Cathay United Bank – Offshore earnings

## Offshore earnings

(NT\$BN)



## As % of CUB pre-tax profits

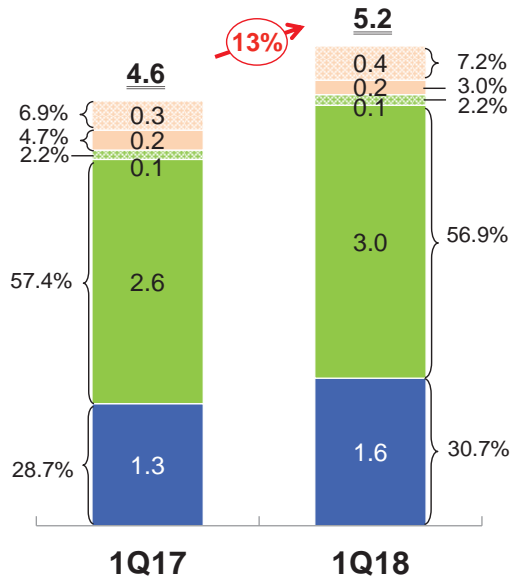


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# Cathay United Bank – Fee income

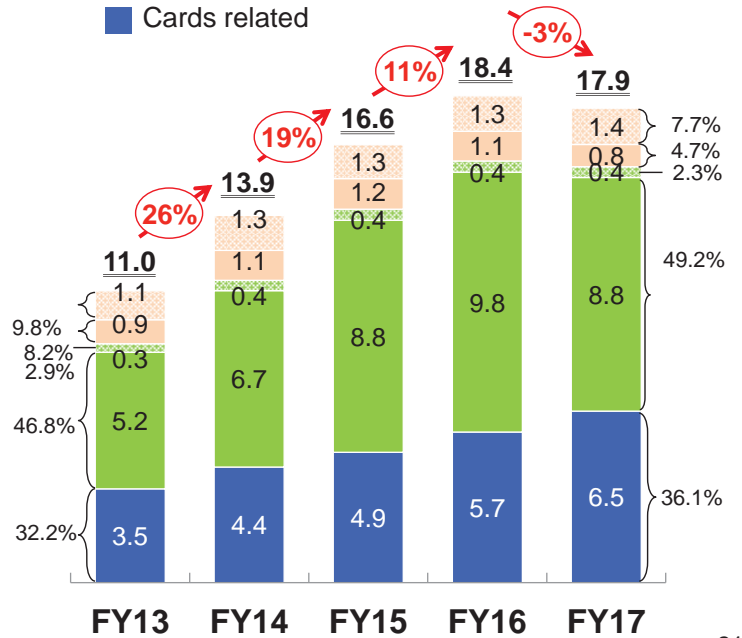
## Fee income breakdown (quarterly)

- Others (NT\$BN)
- Syndicated loans
- FX
- Wealth management
- Cards related



## Fee income breakdown (annual)

- Others (NT\$BN)
- Syndicated loans
- FX
- Wealth management
- Cards related

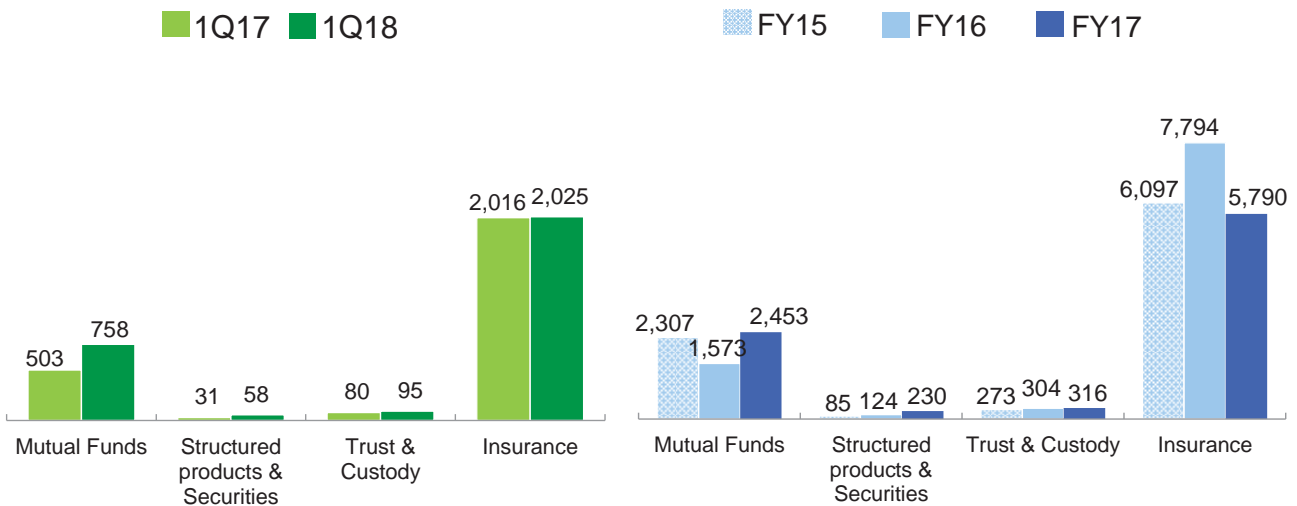


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# Cathay United Bank – Wealth management fee

## Wealth management fee breakdown

(NT\$MN)	1Q17	1Q18	FY15	FY16	FY17
Wealth Management Fee Income	2,641	2,952	8,779	9,828	8,837
YoY growth (%)	-10.4%	11.8%	31.6%	11.9%	-10.1%

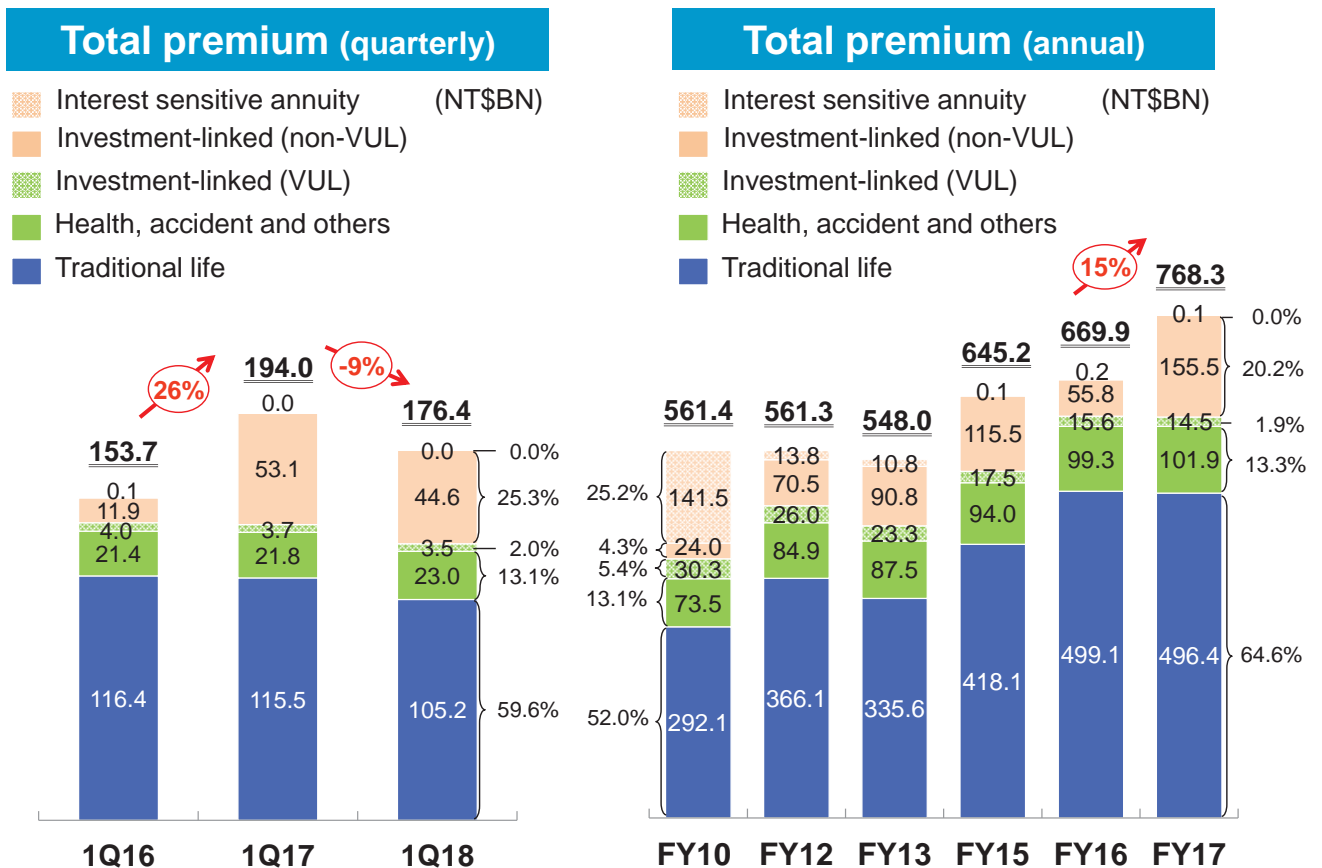


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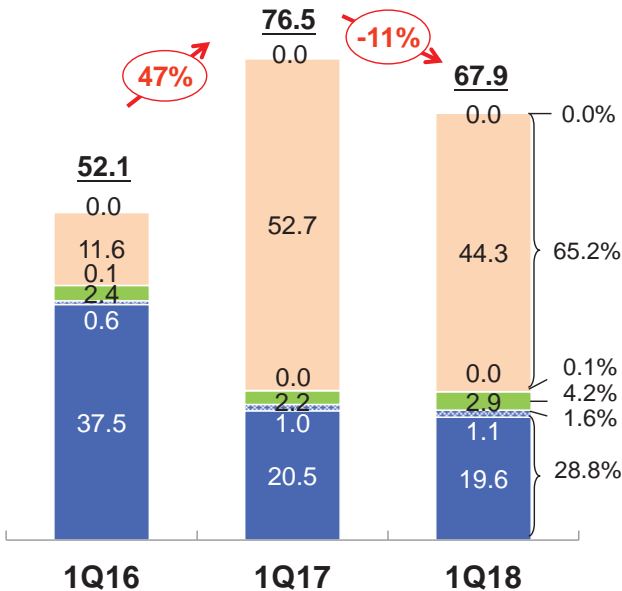
## Cathay Life – Total premium



# Cathay Life – FYP & FYPE

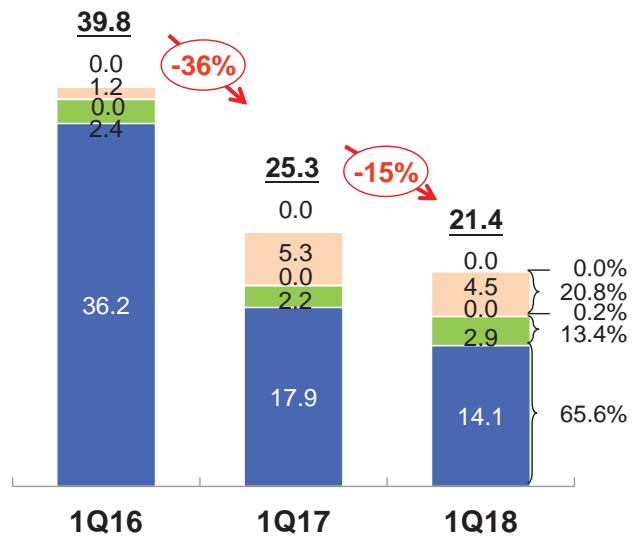
## First Year Premium

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



## Annualized First Year Premium

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

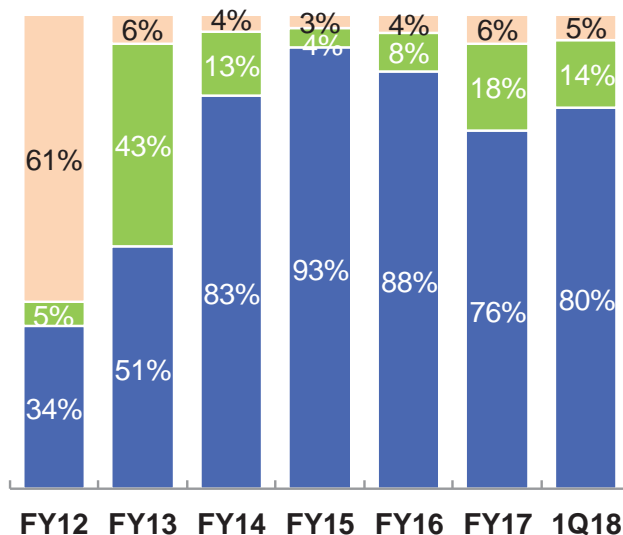


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# Cathay Life – Regular paid policies remain as focus

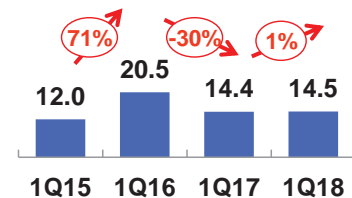
## Breakdown of Traditional FYP

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

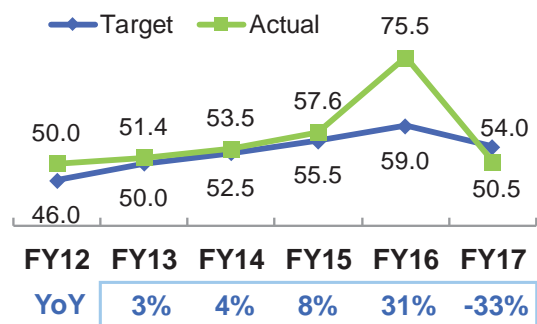


## Value for New Business

Profit Margin	1Q15	1Q16	1Q17	1Q18
VNB/FYP	23%	39%	19%	21%
VNB/FYPE	74%	51%	57%	68%



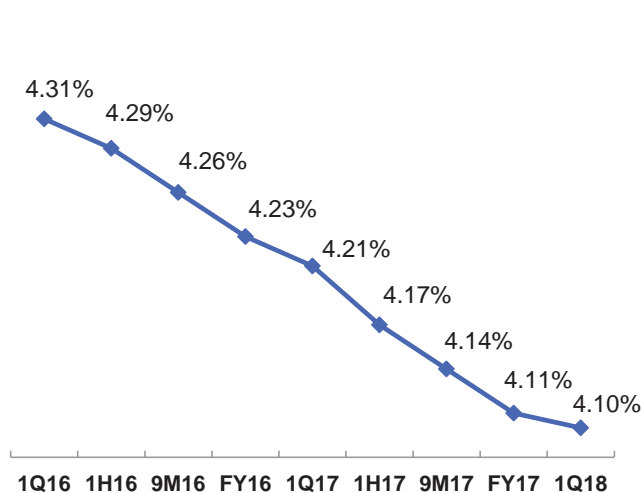
Profit Margin	FY12	FY13	FY14	FY15	FY16	FY17
VNB/FYP	19%	26%	23%	27%	38%	22%
VNB/FYPE	54%	70%	75%	57%	56%	64%



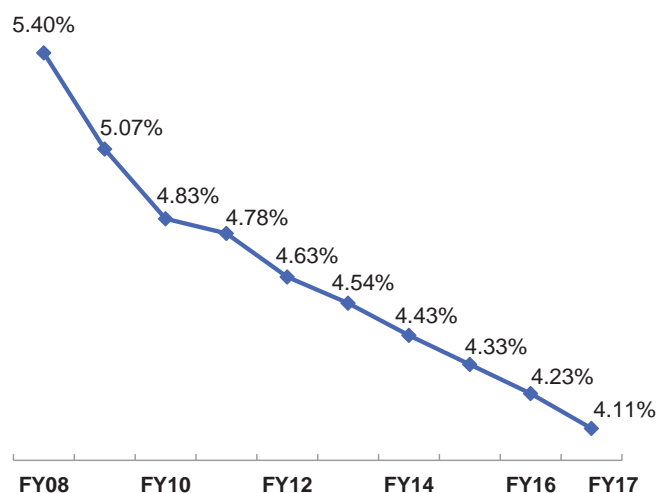
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# Cathay Life – Cost of liability

## 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

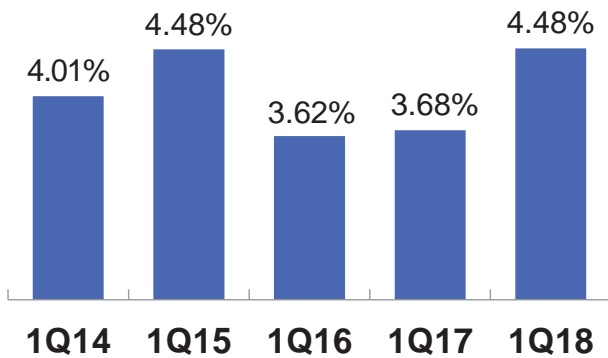
(NT\$BN)	FY15	FY16	FY17			1Q18		
Total investments <sup>(1)</sup>	4,636.6	5,001.1	5,502.6			5,555.5		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	1.3%	1.3%	1.6%	87	0.5%	2.4%	131	0.5%
Equity- Domestic	7.4%	7.9%	8.4%	465	9.1%	8.2%	454	9.8%
Equity- International <sup>(2)</sup>	6.2%	6.4%	6.3%	347	8.3%	6.4%	357	18.0%
Bond- Domestic	8.0%	6.5%	5.5%	305	2.1%	5.5%	305	2.8%
Bond- International <sup>(1)(2)</sup>	50.6%	53.8%	55.7%	3,063	5.0%	55.4%	3,076	4.9%
Mortgage & Secured loans	10.2%	8.9%	8.1%	444	1.8%	7.9%	436	1.9%
Policy loans	3.6%	3.3%	3.0%	166	5.8%	3.0%	166	5.6%
Real estate	10.5%	9.8%	9.2%	496	2.3%	9.0%	498	2.6%
Others	2.1%	2.2%	2.4%	130		2.4%	133	

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

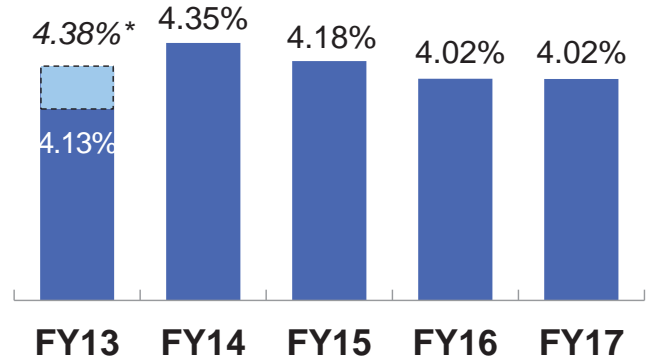
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# Cathay Life – Investment performance highlight

## After-hedging investment yield (quarterly)



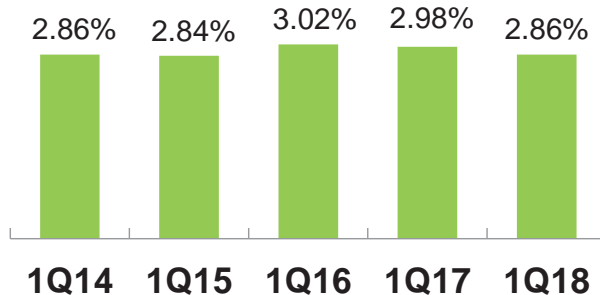
## After-hedging investment yield (annual)



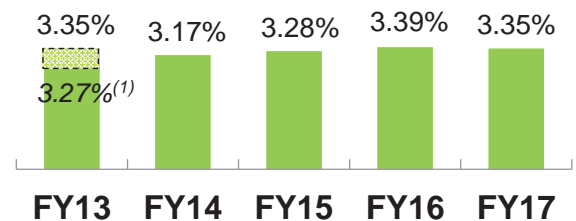
Note: FY13 (4.38%) was pro forma adjusted number of fair value method on investment property.

# Cathay Life – Investment performance highlight

## Pre-hedging recurring yield

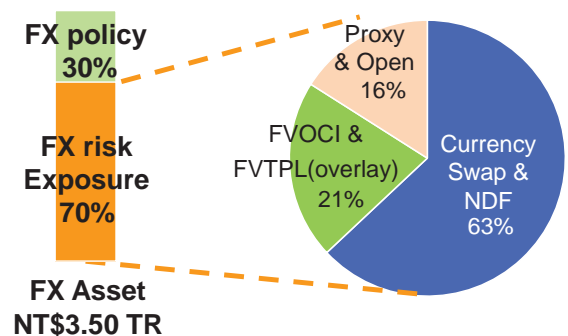


## Pre-hedging recurring yield



## Currency Hedging Structure

1Q18 Hedging cost 1.32%

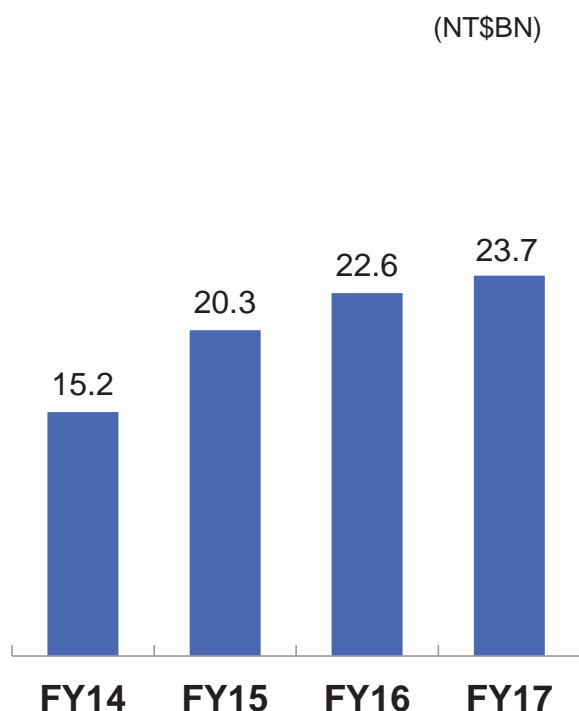


Note: (1) FY13 (3.27%) was pro forma adjusted number of fair value method on investment property.

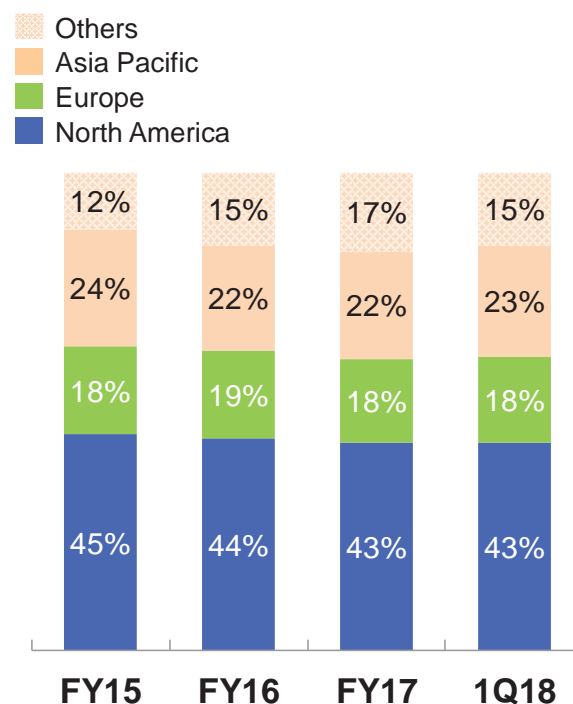
(2) Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend. Most dividend will be recognized in 2Q & 3Q.

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

## Cash dividend income



## Overseas fixed income by region\*

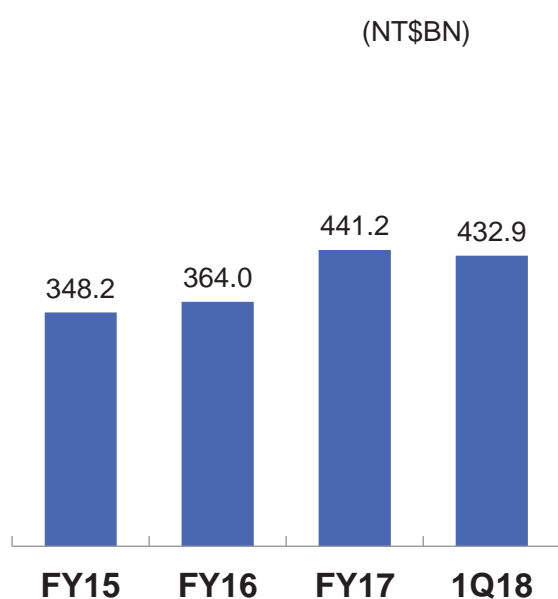


Note: Exclude overseas deposit and equity.

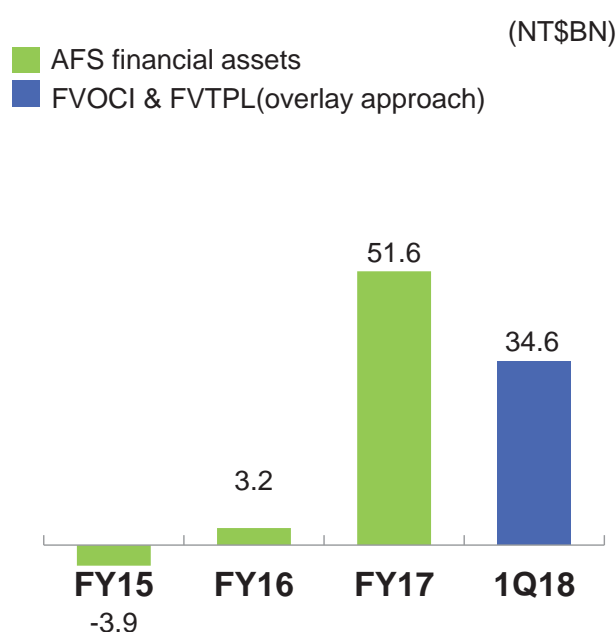
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# Cathay Life – Book value & Unrealized G/L of financial assets

## Book value



## Unrealized G/L of financial assets



Note: Starting Jan.1, 2018, the reporting was based on IFRS 9.

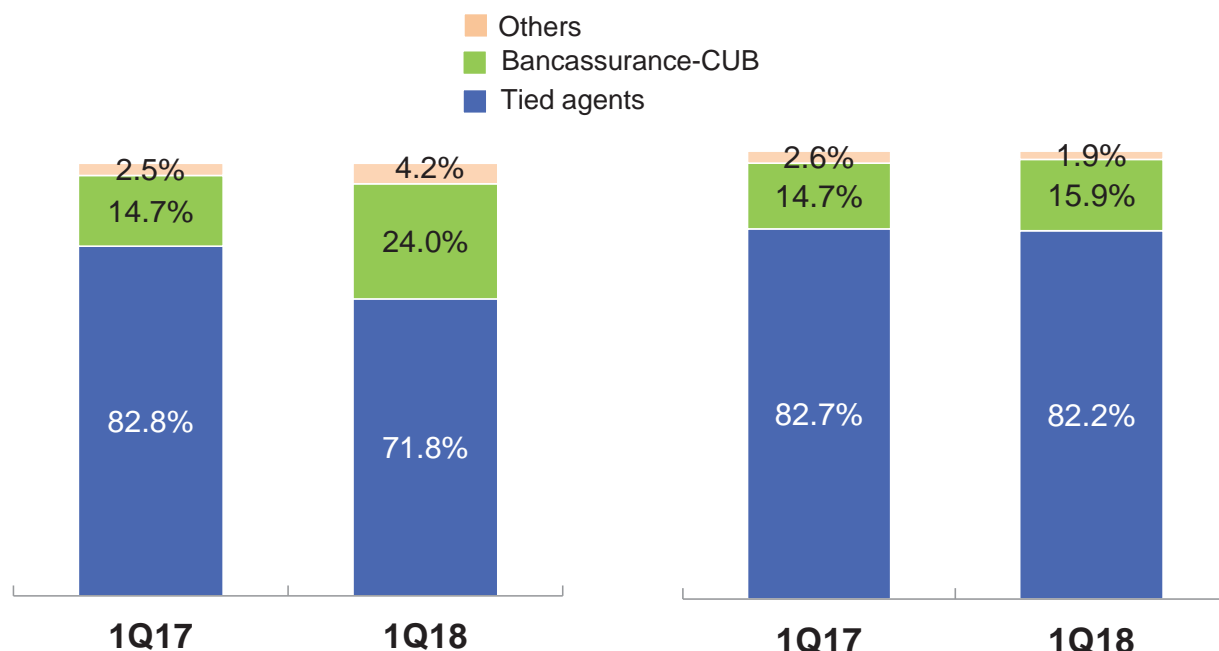
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# Cathay Life – Distribution channel

## First Year Premium

## Annualized First Year Premium

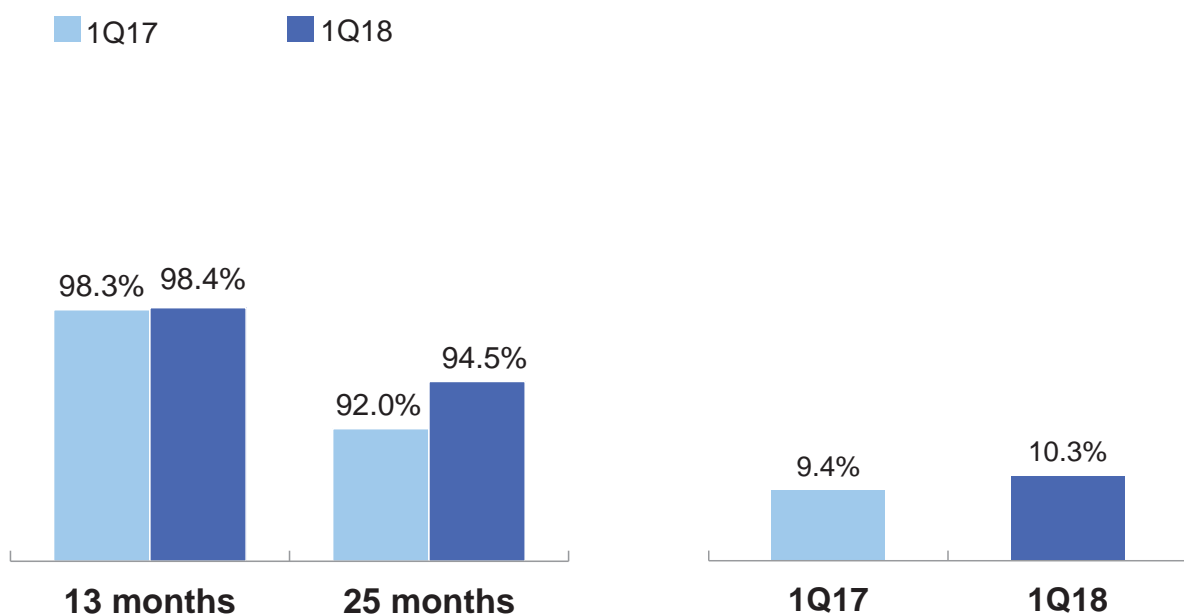


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# Cathay Life – Operational indicators

## Persistency ratio

## Expense ratio



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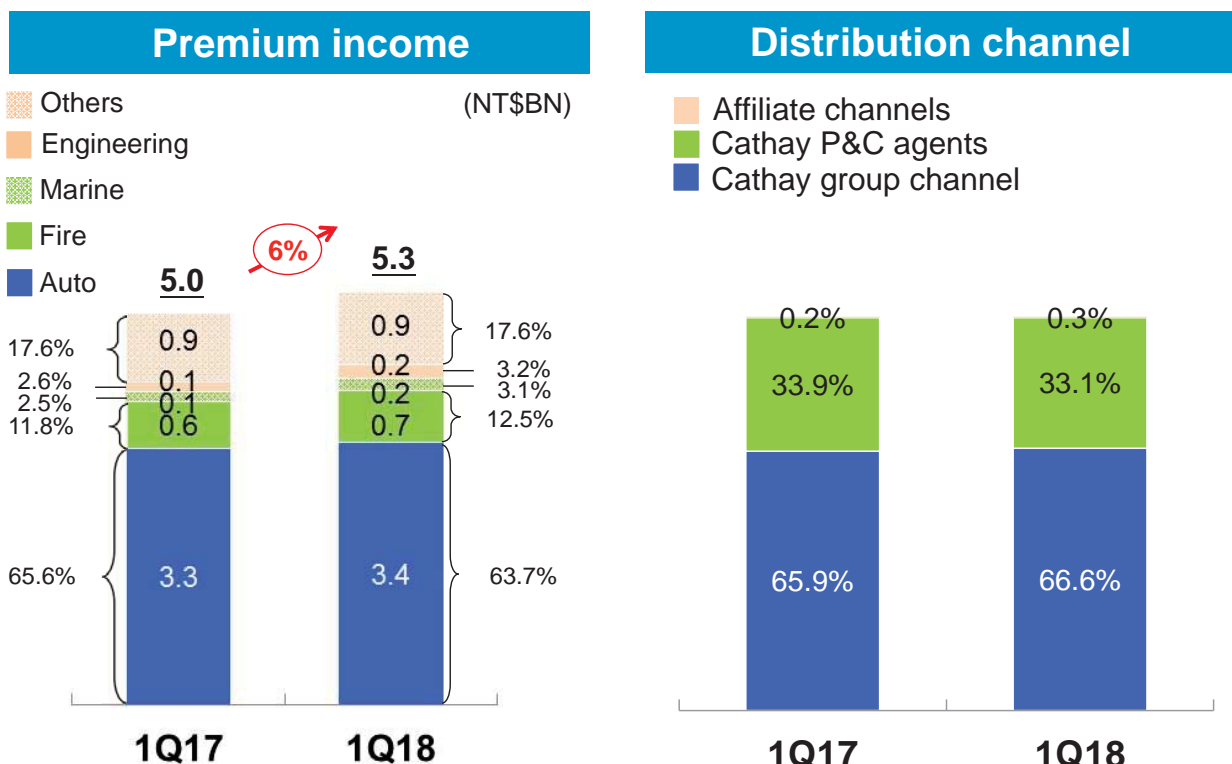
Cathay United Bank  
Cathay Life

## Cathay Century

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## Cathay Century – Premium income



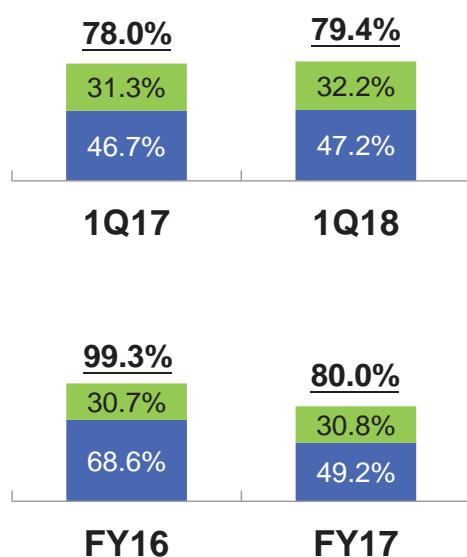
Market share	12.0%	11.8%
Retention	77.2%	79.4%

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# Cathay Century – Combined ratio

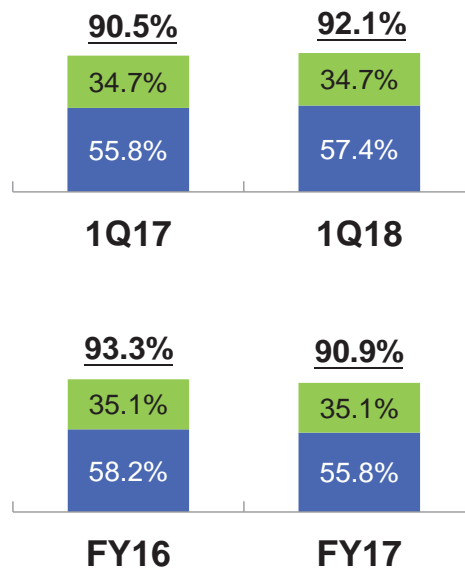
## Gross combined ratio

- Gross expense ratio
- Gross loss ratio



## Retained combined ratio

- Retained expense ratio
- Retained loss ratio



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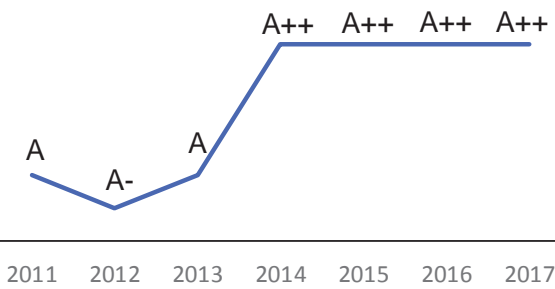
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# Continuous efforts in CSR

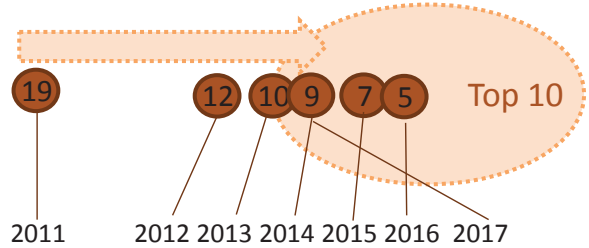
## Superior Corporate Governance



Since 2016, IDTR has changed to Corporate Governance Evaluation. Cathay FHC ranked as top 5%

## Ranked Top 10 of Taiwan Corporate Citizenship Award

### Ranked top 10 for 5 consecutive years



## Recognized by representative international ESG institutions



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



- ✓ Constituents of Vigeo Eiris Best EM Performers

Note:

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

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# Incorporate in the DJSI emerging markets index

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

## DJSI in the World

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



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# CUB is the first EPFI in Taiwan

## EPFIs in the World

- 92 Equator Principles Financial Institutions (EPFIs) in 37 countries have officially adopted the EP as of Jan 2018 .
- 12 of EPFIs are Asian financial institutions.

Region	Europe	North America	Latin America	Africa	Oceania	Asia	Middle East
EPFIs no.	39	14	10	9	5	12	3



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# Cathay Life complies with the PSI

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

## PSI in the World

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



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# Agenda

- Introduction of Cathay FHC
- 1Q18 Business Overview
- Overseas Expansion
- Business Performance Summary
  - Cathay United Bank
  - Cathay Life
  - Cathay Century
- Cathay's CSR Efforts
- **M&A Key Highlights**
- Appendix

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## M&A Transaction: Conning in USA

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

### Conning Asset Management

- Founded in 1912, Conning is a leading global investment management firm focusing on insurers and pension funds. It ranks as top 10 globally in insurance mandate with US\$123 BN AuM (1Q2018)
- Conning operates through its offices in North America, Europe and Asia

<u>Assets by Client Type (US\$BN)</u>	<u>Assets</u>	<u>Assets by Region (US\$BN)</u>	<u>Assets</u>
Life	46.2	North America	68.4
Property-Casualty	42.1	APAC	43.8
Managed CLO Funds	13.8	United Kingdom	6.6
Mutual Fund	8.1	Continental Europe	1.6
Pension Plans	5.8	Bermuda	1.6
Healthcare	2.2	Other	0.5
Banks	1.7		
Others	2.7		
<b>Total AUM</b>	<b>122.6</b>	<b>Total AUM</b>	<b>122.6</b>

Note: Totals may not sum due to rounding.

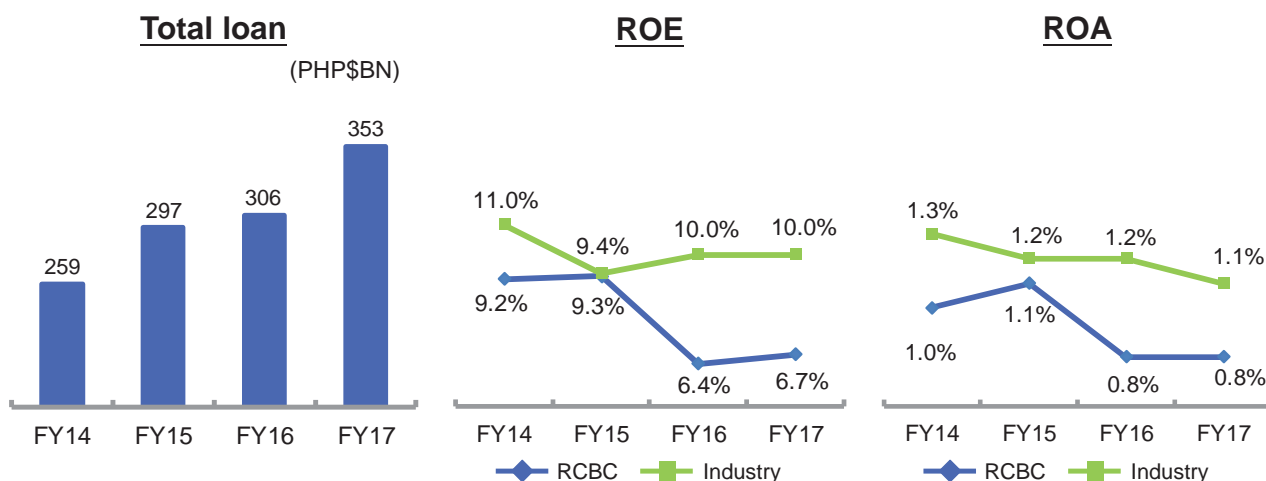
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## M&A Transaction: RCBC in Philippines

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

### RCBC’s Performance

- RCBC is one of the large private-owned banks in terms of total assets, with 503 branches and over 6,000 employees

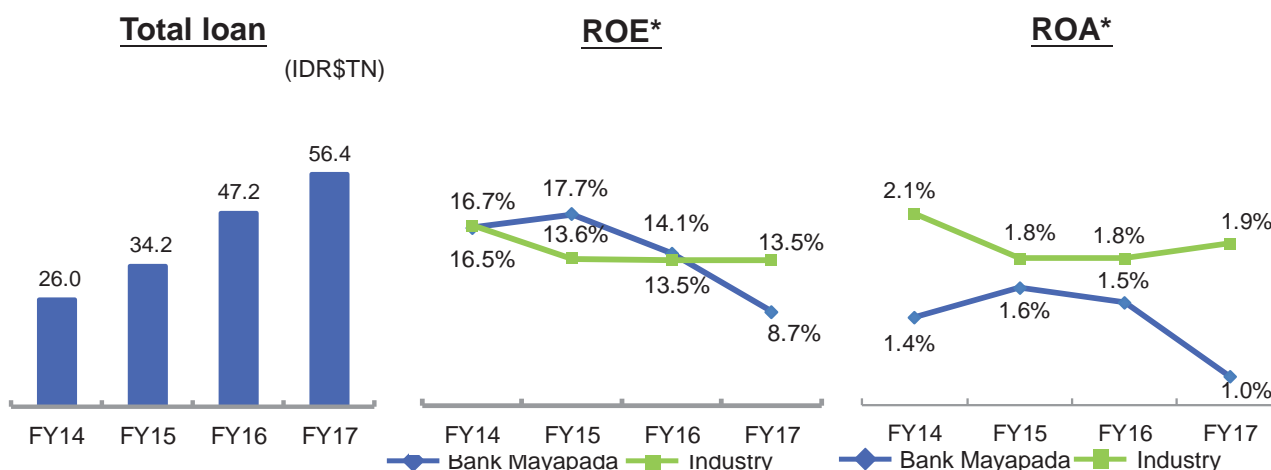


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## M&A Transaction: Bank Mayapada in Indonesia

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

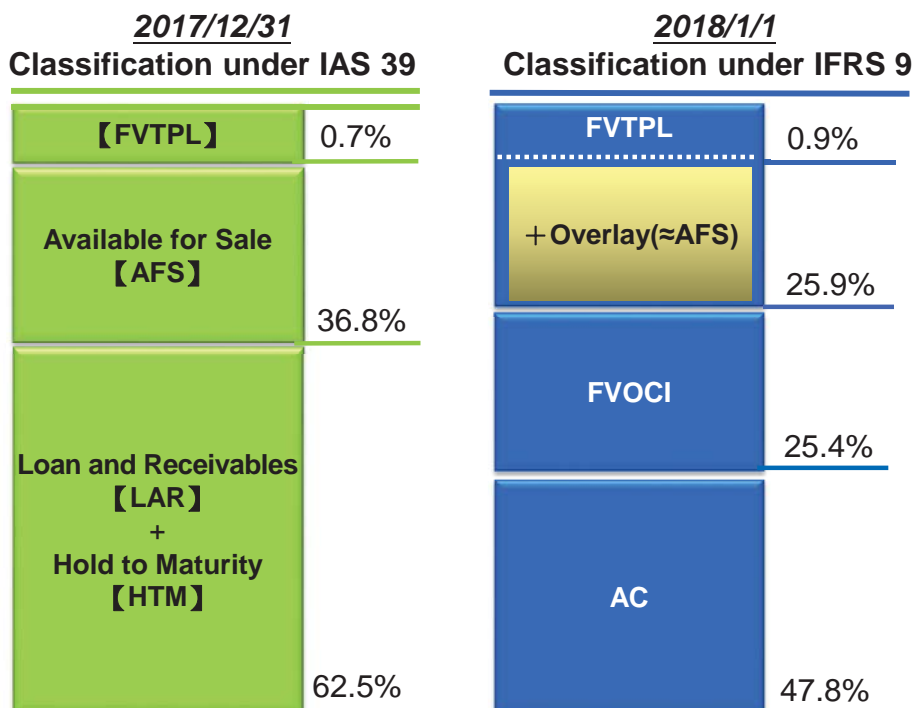
### Bank Mayapada’s Performance



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

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# Cathay Life - Asset reclassification under IFRS 9

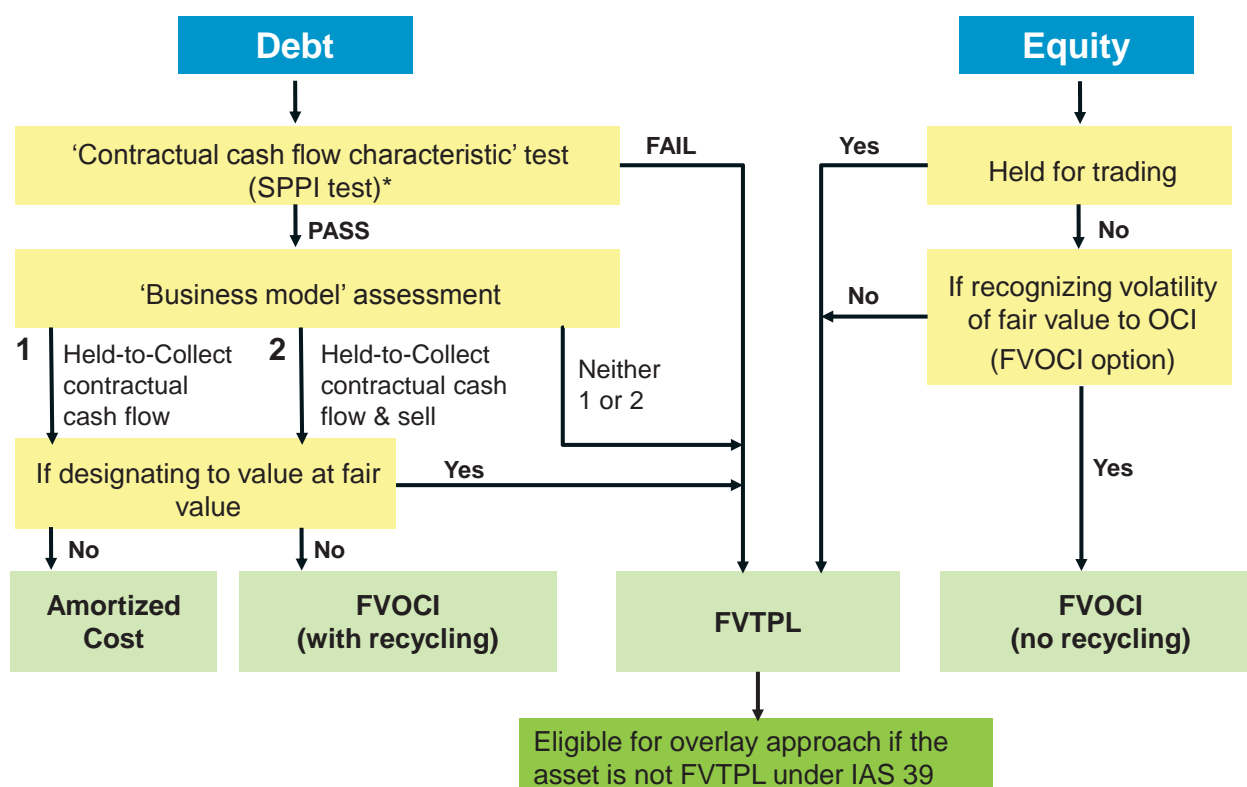


Cathay Life's book value increased by NT\$32.6 bn.

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

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## Asset classification under IFRS 9 with overlay approach



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

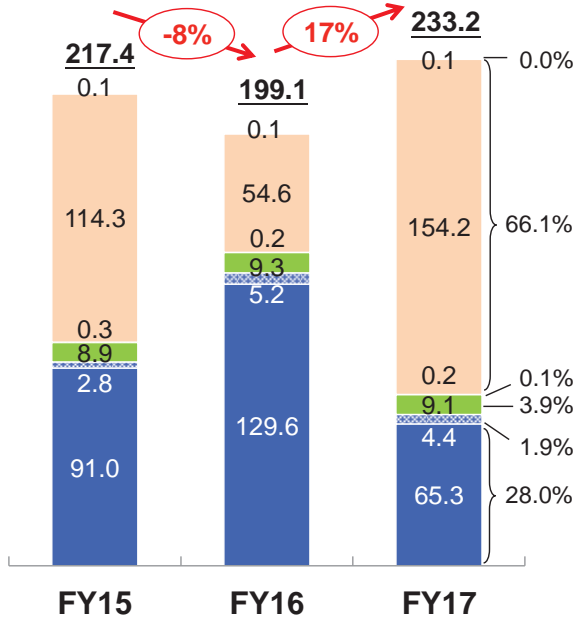
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# Cathay Life – FYP & FYPE

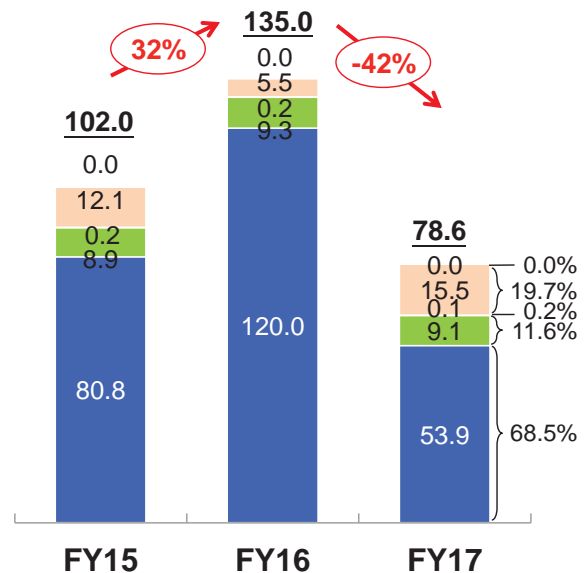
## First Year Premium

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



## Annualized First Year Premium

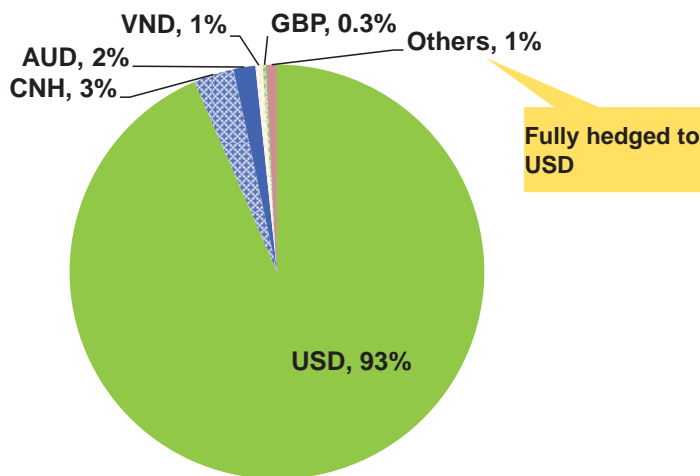
- Interest sensitive annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life



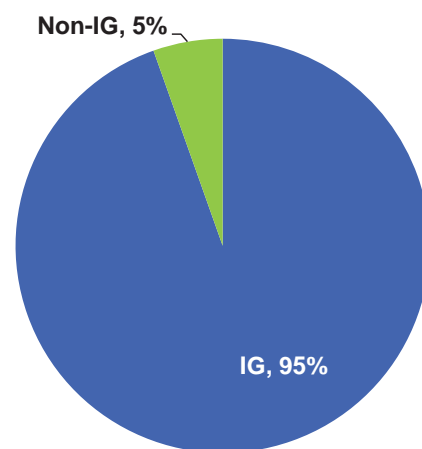
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# Cathay Life – Overseas bond breakdown by currency and rating

## Overseas bond by currency (1Q18)



## Overseas bond by rating (1Q18)



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# Embedded Value & Appraisal Value

NT\$BN, except for per share figures

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

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

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## Summary

NT\$BN, except for per share figures

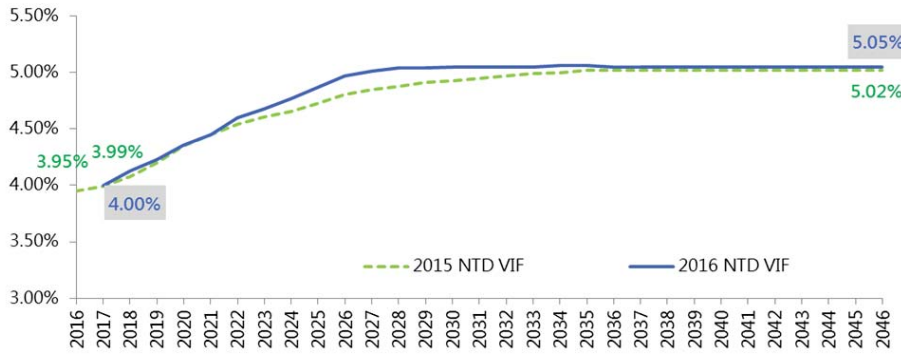
Valuation date		2015	2016	Growth rate	1Q17
Embedded value	Equity	346	361	4%	--
	Adjusted net worth	393	392	0%	--
	Value of in-force business(before CoC)	490	633	29%	--
	Cost of capital (CoC)	-148	-169	14%	--
	Value in-force business (after CoC)	342	464	36%	--
	Embedded value	735	856	16%	--
Value of one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

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

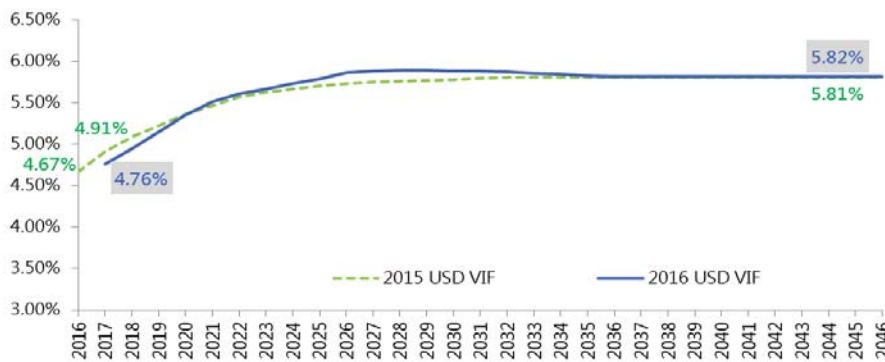
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# Economic Assumptions: In-force business investment yield

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



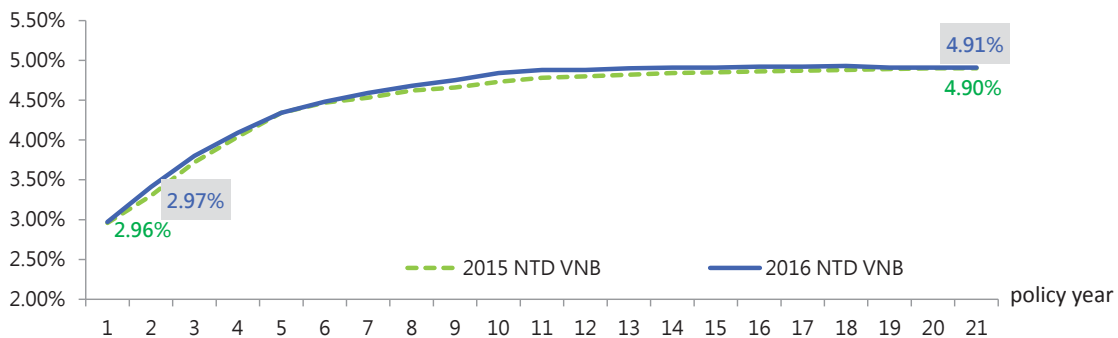
- Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2015 & 2016.



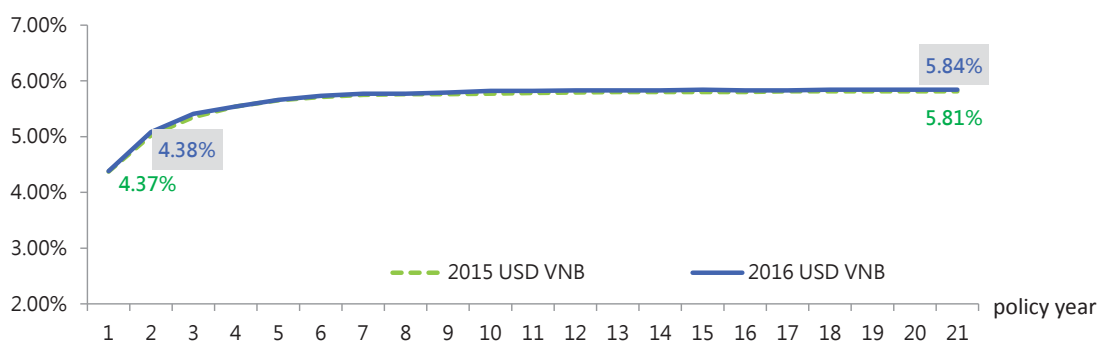
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# Economic Assumptions: Future one year's new business investment yield

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



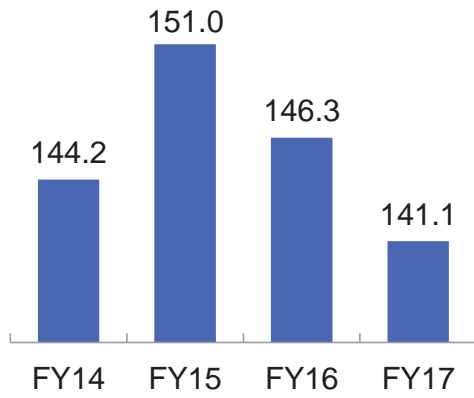
- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2015 & 2016.



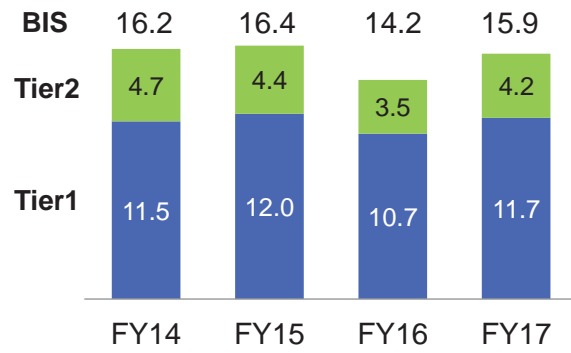
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# Capital adequacy

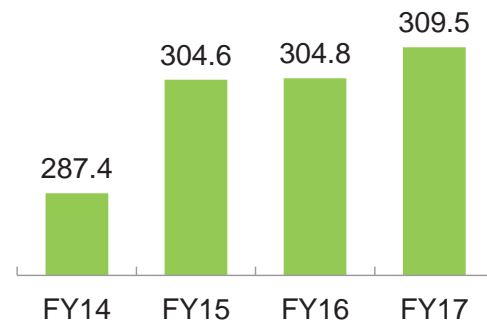
### Cathay FHC CAR (%)



### CUB Capital Adequacy (%)



### Cathay Life RBC(%)



**Cathay Financial Holdings**  
**(NT\$MN)**

	FY15	FY16	FY17	FY17/ FY16 % Chg	1Q17	1Q18	1Q18/ 1Q17 % Chg
<b><u>Income Statement Data (Consolidated)</u></b>							
<b>Operating Income</b>							
Net interest income	139,998	153,478	168,461	10%	40,525	41,104	1%
Net commission and fee	(4,480)	(8,050)	1,070	113%	(216)	978	553%
Net earned premium	535,858	622,916	624,617	0%	143,875	136,368	-5%
Change in liability reserve	(306,598)	(408,614)	(445,833)	-9%	(98,573)	(79,909)	19%
Net claims payment	(309,104)	(308,697)	(295,503)	4%	(73,311)	(89,750)	-22%
Investment income	63,734	37,782	62,065	64%	5,064	31,162	515%
Contribution from associates-equity method	1,108	1,202	1,298	8%	472	67	-86%
Other net non-interest income	14,151	40,606	22,446	-45%	10,517	1,215	-88%
Bad debt expense	(2,467)	(5,232)	(3,460)	34%	(319)	(417)	-30%
Operating expense	(65,067)	(75,207)	(75,526)	0%	(17,176)	(19,020)	-11%
<b>Income before taxes</b>	<b>67,132</b>	<b>50,185</b>	<b>59,636</b>	<b>19%</b>	<b>10,859</b>	<b>21,799</b>	<b>101%</b>
Income taxes	(9,250)	(2,145)	(2,962)	-38%	(68)	1,458	2233%
Net income	57,882	48,039	56,673	18%	10,790	23,257	116%
EPS (NT\$)	4.58	3.79	4.47		0.85	1.84	
<b><u>Dividend Payout</u></b>							
Cash dividend per share	2.00	2.00					
Stock dividend per share	0.00	0.00					
Weighted average outstanding shares (Millions of common shares)	12,563	12,563	12,563		12,563	12,563	
<b><u>Balance Sheet Data</u></b>							
Total assets	7,568,975	8,135,137	8,841,510		8,279,518	8,961,966	
Total shareholders' equity	461,062	529,824	608,471		543,293	608,892	
<b><u>Operating Metrics</u></b>							
ROAE (Consolidated)	12.86%	9.70%	9.96%		8.04%	14.85%	
ROAA (Consolidated)	0.80%	0.61%	0.67%		0.53%	1.04%	
Double leverage ratio(inc. preferred stock)	111%	105%	108%		105%	108%	
<b><u>Capital Adequacy Metrics</u></b>							
Capital Adequacy Ratio	151%	146%	141%				

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**Cathay Life**

(NT\$MN)

<b>Income Statement Data (Consolidated)</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY17/</b>	<b>1Q17</b>	<b>1Q18</b>	<b>1Q18/</b>
				<b>FY16</b>			<b>% Chg</b>
Net written premium	519,014	605,910	608,404	0%	140,111	132,246	-6%
Net earned premium	518,250	605,231	607,547	0%	140,493	132,524	-6%
Reinsurance commission earned	200	363	301	-17%	52	55	6%
Fee income	5,762	5,542	9,468	71%	2,589	2,660	3%
Recurring investment income	140,977	161,051	173,846	8%	37,549	40,343	7%
Gain on disposal of investment							
Realized gain (loss)-Equity	30,072	18,210	43,625	140%	14,743	25,090	70%
Realized gain (loss)-Debt	14,804	29,382	21,233	-28%	5,231	8,810	68%
Gain on investment property	11,074	5,000	(756)	-115%	(2)	(19)	-1125%
FX and others, net	(13,101)	(21,333)	(28,258)	-32%	(10,817)	(11,141)	-3%
Investment income, net	183,827	192,310	209,691	9%	46,704	63,083	35%
Other operating income	914	5,032	5,069	1%	1,168	1,290	10%
Separate account revenues	17,303	39,589	44,304	12%	4,820	2,678	-44%
Net claims payment	(298,102)	(297,201)	(284,023)	4%	(71,370)	(87,255)	-22%
Changes in liability reserves	(305,864)	(408,398)	(445,843)	-9%	(98,438)	(80,035)	19%
Acquisition and commission expense	(33,238)	(38,901)	(32,507)	16%	(8,232)	(8,620)	-5%
Other operating costs	(5,541)	(6,381)	(6,418)	-1%	(1,533)	(2,063)	-35%
Financial cost	(296)	(413)	(1,963)	-375%	(293)	(568)	-94%
Separate account expense	(17,303)	(39,589)	(44,304)	-12%	(4,820)	(2,678)	44%
Operating expense	(23,021)	(30,768)	(28,790)	6%	(7,112)	(7,366)	-4%
Net non-operating income	1,265	1,956	1,442	-26%	370	324	-12%
Income taxes	(5,710)	1,861	2,294	23%	733	2,697	268%
Net income	38,447	30,235	36,268	20%	5,131	16,727	226%
<b>Balance Sheet Data</b>							
Total assets	5,179,877	5,556,950	6,097,655		5,611,606	6,176,772	
General account	4,699,309	5,058,936	5,542,385		5,104,057	5,617,725	
Separate account	480,568	498,014	555,269		507,549	559,047	
Reserves for life insurance liabilities	4,228,117	4,567,324	4,944,292		4,602,079	4,999,017	
Total liabilities	4,831,642	5,192,967	5,656,473		5,239,024	5,743,851	
Total shareholders' equity	348,235	363,984	441,181		372,583	432,921	
<b>Operating Metrics</b>							
First Year Premium(FYP)	217,378	199,082	233,250		76,546	67,879	
First Year Premium Equivalent(FYPE)	102,002	135,035	78,602		25,348	21,443	
Expense ratio	10.3%	10.3%	8.6%		9.4%	10.3%	
13-M persistency ratio	97.6%	98.3%	98.2%		98.3%	98.4%	
25-M persistency ratio	91.8%	92.2%	94.3%		92.0%	94.5%	
ROAE	11.36%	8.49%	9.01%		5.57%	14.76%	
ROAA	0.78%	0.56%	0.62%		0.37%	1.09%	
<b>Capital Adequacy Metrics</b>							
RBC ratio (Standalone)	305%	305%	309%				

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**Cathay United Bank**

(NT\$MN)				FY17/ FY16			1Q18/ 1Q17
<u>Income Statement Data (Consolidated)</u>	FY15	FY16	FY17	% Chg	1Q17	1Q18	% Chg
<b>Operating Income</b>							
Net interest income	26,729	25,910	29,701	15%	7,033	7,711	10%
Fee income	14,344	15,745	14,862	-6%	3,850	4,483	16%
Investment income	5,599	8,278	9,442	14%	1,468	2,075	41%
Other income	1,380	1,222	1,216	0%	282	179	-37%
<b>Net operating income</b>	<b>48,052</b>	<b>51,154</b>	<b>55,222</b>	<b>8%</b>	<b>12,633</b>	<b>14,448</b>	<b>14%</b>
Operating expenses	(24,851)	(26,959)	(29,301)	-9%	(6,550)	(7,075)	-8%
<b>Pre-provision profit</b>	<b>23,201</b>	<b>24,195</b>	<b>25,920</b>	<b>7%</b>	<b>6,083</b>	<b>7,373</b>	<b>21%</b>
Net provisions for possible losses	(1,922)	(4,455)	(3,494)	22%	(370)	(433)	-17%
<b>Income before taxes</b>	<b>21,279</b>	<b>19,740</b>	<b>22,426</b>	<b>14%</b>	<b>5,712</b>	<b>6,940</b>	<b>21%</b>
Income tax	(2,513)	(2,229)	(2,763)	-24%	(704)	(1,136)	-61%
<b>Net income</b>	<b>18,767</b>	<b>17,511</b>	<b>19,664</b>	<b>12%</b>	<b>5,008</b>	<b>5,803</b>	<b>16%</b>
<b>Balance Sheet Data</b>							
Total assets	2,383,377	2,566,669	2,735,704		2,642,894	2,777,640	
Loans, net	1,127,807	1,437,531	1,434,558		1,471,529	1,503,695	
Financial assets	791,192	849,989	859,590		798,861	922,363	
Total liability	2,226,608	2,406,701	2,553,396		2,478,535	2,587,301	
Deposits	1,881,657	2,032,600	2,098,368		2,037,125	2,117,166	
Financial Debenture Payable	51,900	51,900	63,350		51,900	59,500	
Total shareholders' equity	156,769	159,968	182,308		164,359	190,339	
<b>Operating Metrics</b>							
Cost income ratio	51.72%	52.70%	53.06%		51.85%	48.97%	
ROAE	12.33%	11.06%	11.49%		12.35%	12.35%	
ROAA	0.81%	0.71%	0.74%		0.77%	0.84%	
<b>Assets Quality</b>							
NPL	1,599	2,133	2,982		2,753	2,917	
NPL ratio	0.14%	0.15%	0.21%		0.19%	0.20%	
NPL provisions	17,323	19,686	22,553		20,172	22,701	
Coverage ratio	1083%	923%	756%		733%	778%	
<b>Capital Adequacy Metrics</b>							
BIS ratio (Standalone)	16.4%	14.2%	15.9%				
Tier I Ratio (Standalone)	12.0%	10.7%	11.7%				

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## Cathay Century

(NT\$MM)				FY17/ FY16			1Q18/ 1Q17
	FY15	FY16	FY17	% Chg	1Q17	1Q18	% Chg
<b>Income Statement Data (Consolidated)</b>							
Premium income	22,449	22,774	21,878	-4%	5,080	5,364	6%
Net written premium	17,254	17,390	16,610	-4%	3,917	4,254	9%
Net earned premium	17,169	17,213	16,344	-5%	3,879	4,153	7%
Reinsurance commission earned	517	526	489	-7%	124	141	14%
Fee income	48	44	42	-6%	10	11	11%
Investment	972	2,082	892	-57%	180	247	37%
Interest income	564	568	547	-4%	131	134	2%
Other investment income, net	408	1,514	345	-77%	49	112	131%
Other operating income	15	0	0		0	0	0%
Net claims payment	(9,292)	(9,559)	(9,138)	4%	(2,015)	(2,411)	-20%
Changes in liability reserves	(734)	(209)	10	105%	(135)	125	193%
Commissions and other operating costs	(1,402)	(3,015)	(2,859)	5%	(679)	(763)	-13%
Operating expenses	(6,197)	(4,248)	(3,609)	15%	(861)	(907)	-5%
<b>Operating income</b>	1,095	2,834	2,170	-23%	503	596	18%
Net non-operating income	(4)	(1)	(16)	-1862%	(5)	(5)	13%
Income taxes	(287)	(492)	(297)	40%	(62)	(109)	-75%
Net income	804	2,342	1,858	-21%	436	483	11%
<b>Balance Sheet Data</b>							
Total assets	42,106	38,250	38,351		37,904	38,171	
Total stockholders' equity	7,219	9,216	10,517		9,627	10,917	
<b>Operating Metrics</b>							
Gross Combined ratio	85.3%	99.3%	80.0%		78.0%	79.4%	
Net Combined ratio	93.2%	93.3%	90.9%		90.5%	92.1%	
ROAE	11.44%	28.50%	18.83%		18.50%	18.01%	
ROAA	2.06%	5.83%	4.85%		4.58%	5.05%	
<b>Capital Adequacy Metrics</b>							
RBC ratio (Standalone)	359%	385%	392%				

### Notes:

(1) All data and information on this page is provided for informational purposes only, and may subject to adjustment.

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

(2) Total may not sum due to rounding.

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



