

2015 First Quarter Briefing

May 2015



國泰金控

Cathay
Financial Holdings

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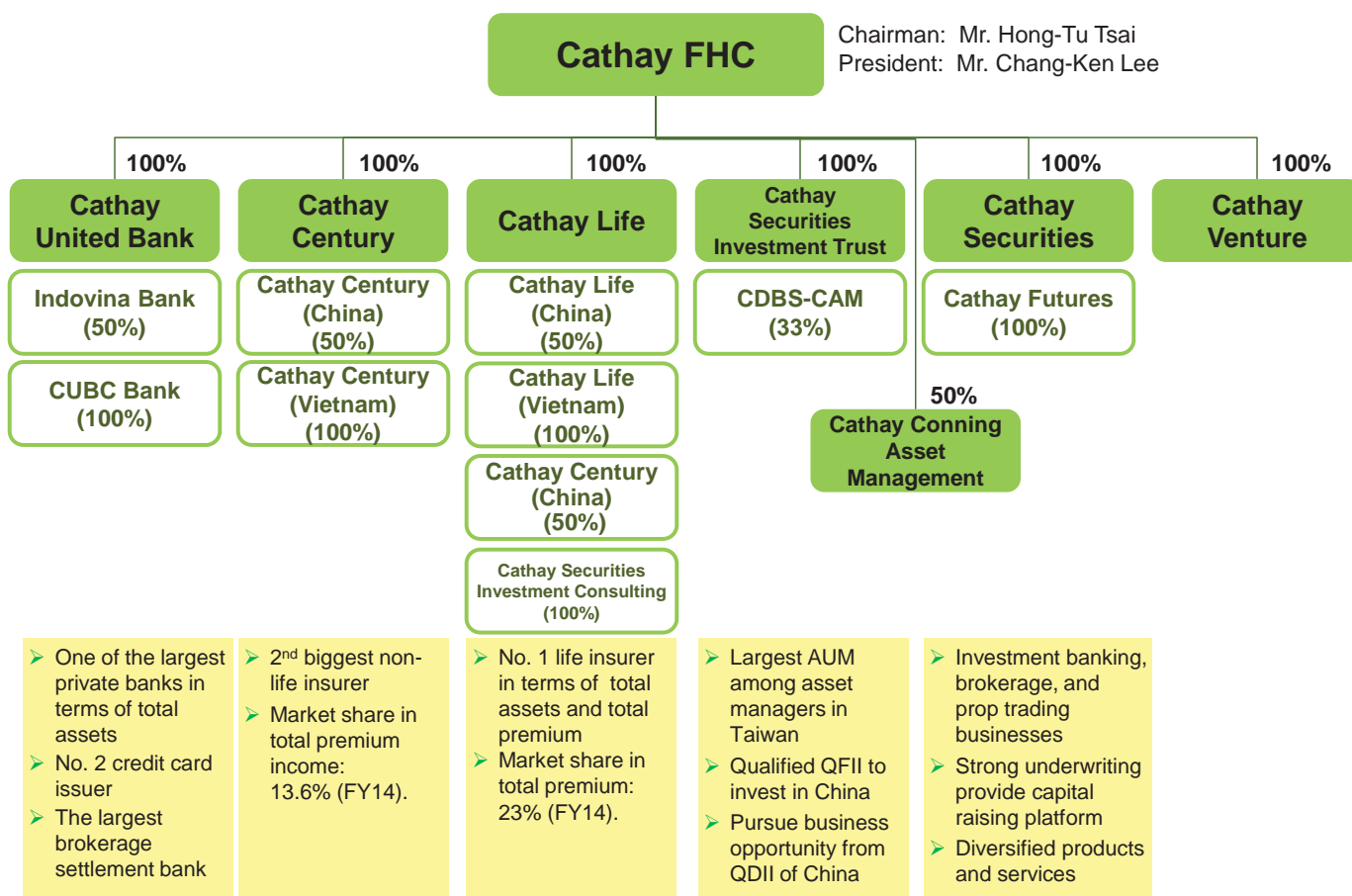
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Agenda

- **Introduction of Cathay FHC**
- **1Q15 Business overview**
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Overseas expansion**
- **Cathay Life Embedded value & appraisal value**
- **Appendix**

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Cathay FHC: largest FHC, comprehensive products

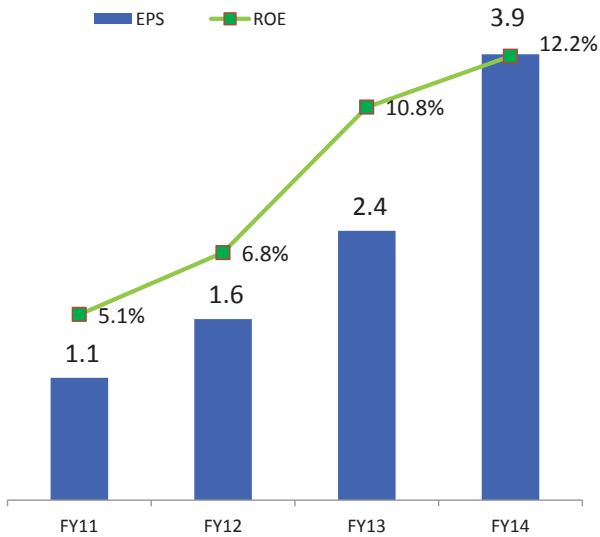


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Cathay's earnings accelerates as life turnarounds

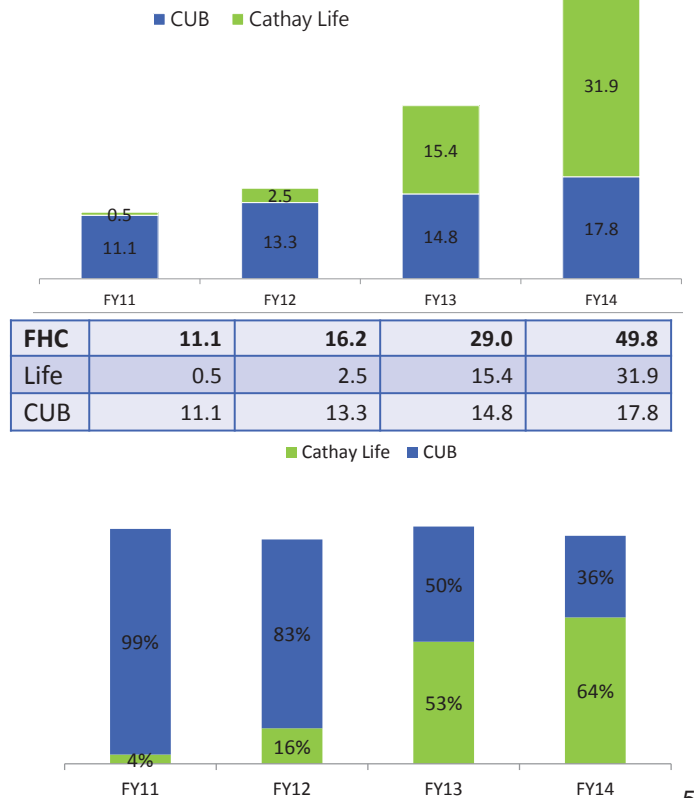
EPS & ROE

(NT\$)



Profit contribution

(NT\$ BN)

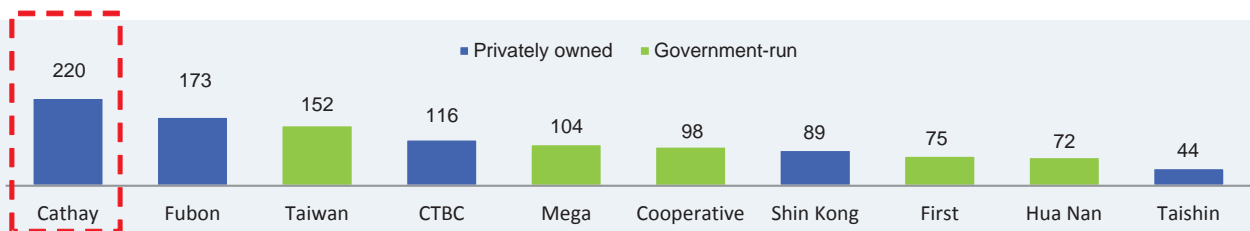


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Market leader in Taiwan's FIG sector

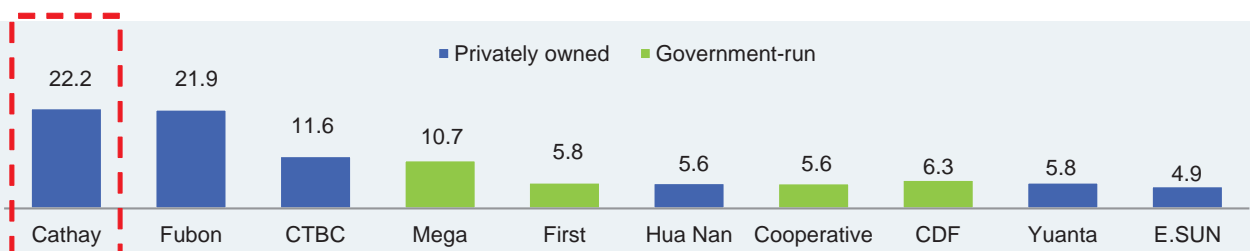
- Largest listed financials group by market capitalization and assets.

Ranking of total asset (US\$bn)



Note: Total assets as of Dec.31, 2014

Ranking of market cap (US\$bn)



Note: Market capitalization as of May.5, 2015

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1Q15 Business overview

Cathay United Bank

- Delivered 5% loan growth with benign asset quality
- Fee income grew by 28% YoY
- Continued to expand overseas footprints; obtained approval to set up Manila branch and Jiading sub-branch

Cathay Life

- Regular-paid dominated traditional life FYP, ranked No.1 by FYPE
- Overseas investment increased to 50.9%; investment performance continued to improve, after-hedging investment yield reached 4.5%

Cathay Century

- Market share reached 11%, maintained No.2 market position
- Promoted high margin products; improved investment performance
- Offshore business continued to grow

Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$441BN
- Continued to launch new products to develop retail & institutional clients business
- Highly regarded by clients, rewarded by "Asia Asset Management Journal" with "2014 Best Institutional House" and "2014 Best Domestic Equity Fund"

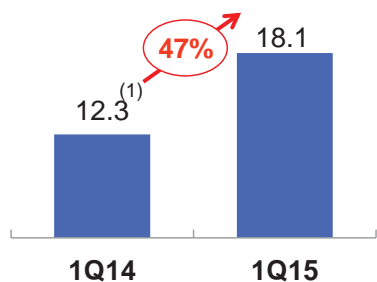
Cathay Securities

- Each business line grew nicely. Delivered significant growth with 1Q15 net profits. Earnings and EPS both reached historically high

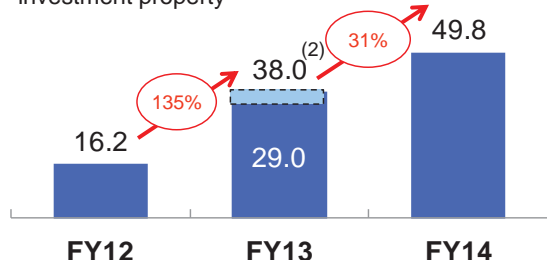
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Cathay FHC – Net income & EPS

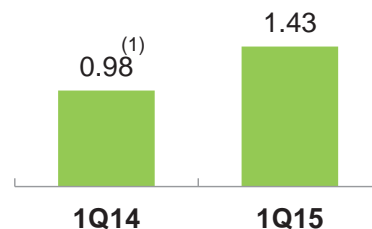
Net income (NT\$BN)



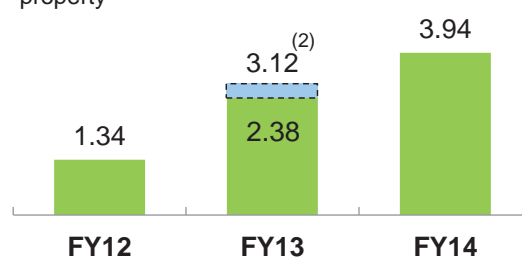
■ Impact to net income from fair value method on investment property



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 1Q14. The adjustments to Cathay FHC and its subsidiaries are relatively small. Please refer to page 64 for reference.

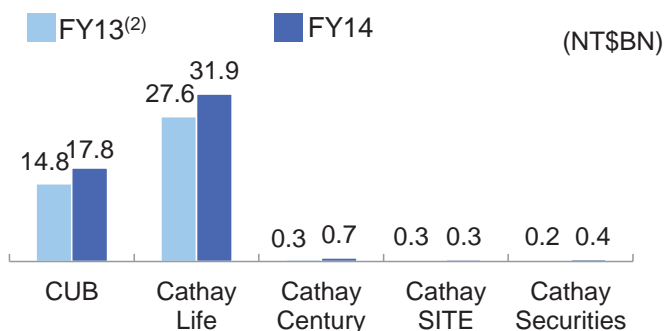
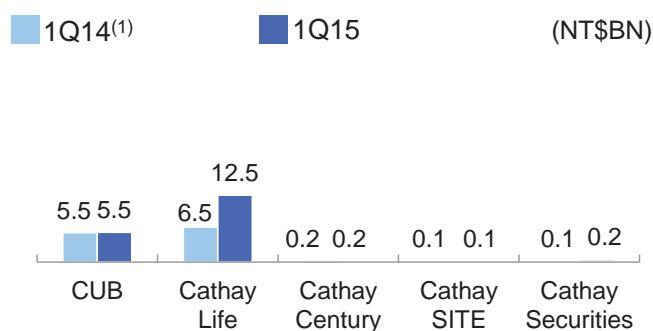
(2) FY13 figures reflected the impact from applying fair value method on investment property, starting 2014/1/1. The impact to FY13 net income and EPS of Cathay FHC was NT\$9.0BN and NT\$0.74, respectively.

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

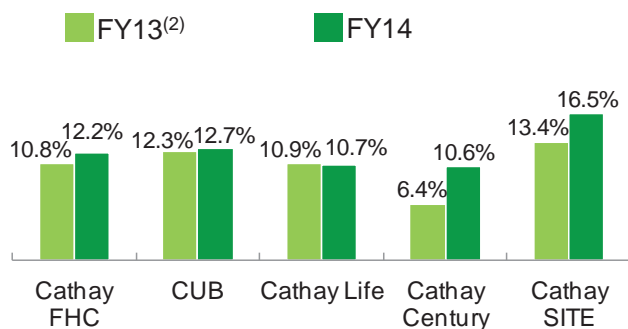
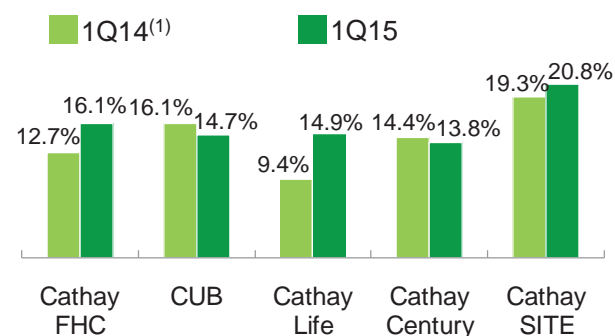
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Cathay FHC – Financial results of subsidiaries

Net income of primary subsidiaries



ROE

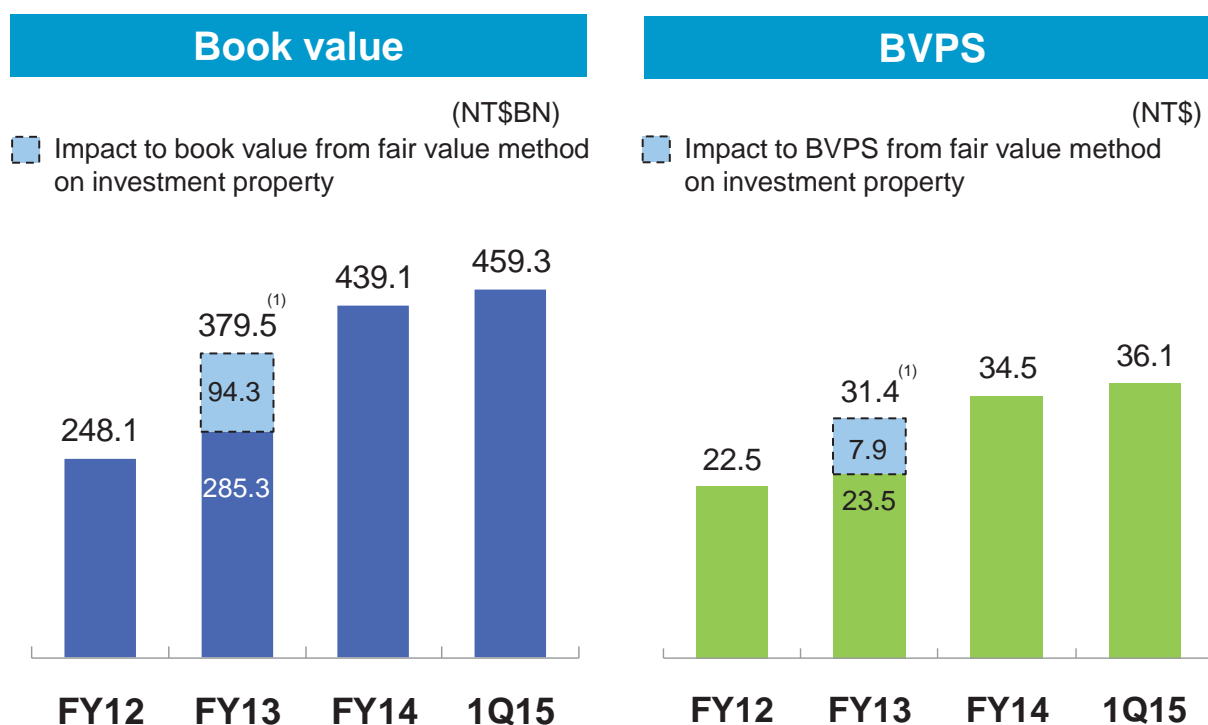


Note: (1) Starting from 2015/1/1, Cathay FHC adopts IFRS 2013 version, the related impacts are traced back to 1Q14. The adjustments to Cathay FHC and its subsidiaries are relatively small. Please refer to page 64 for reference.

(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 64 for reference.

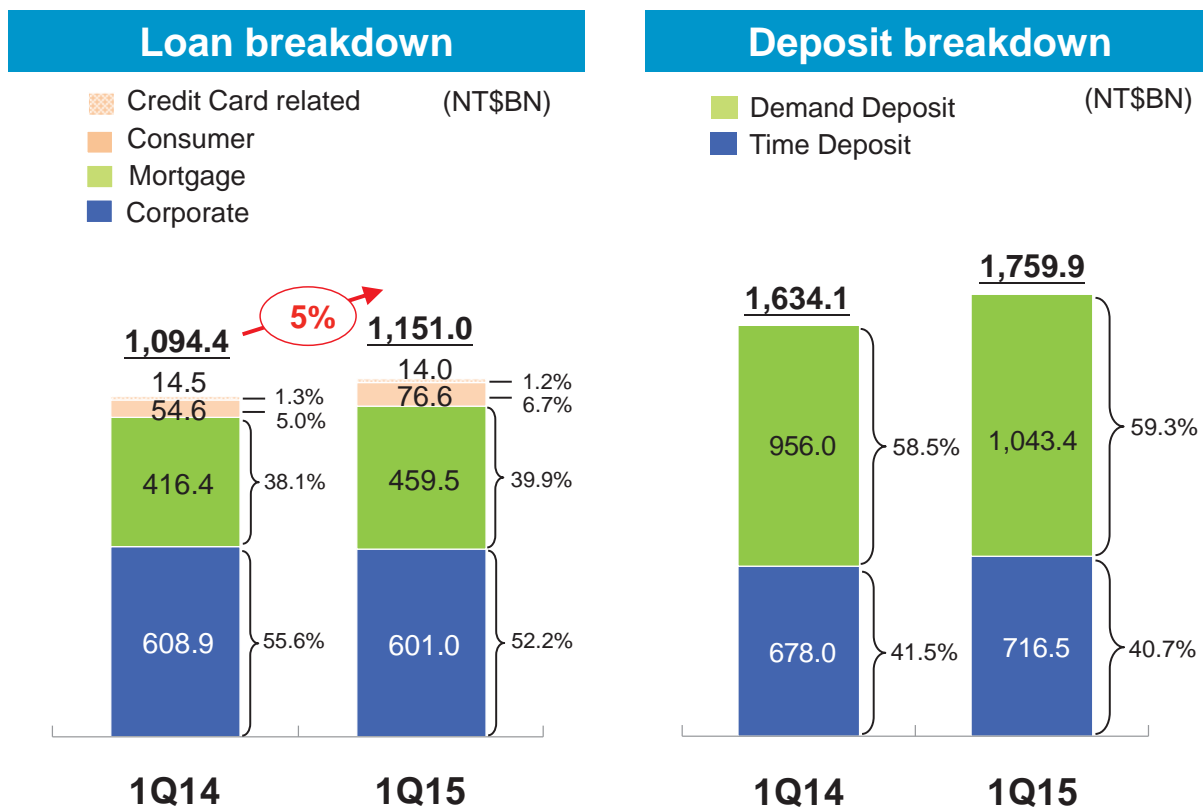
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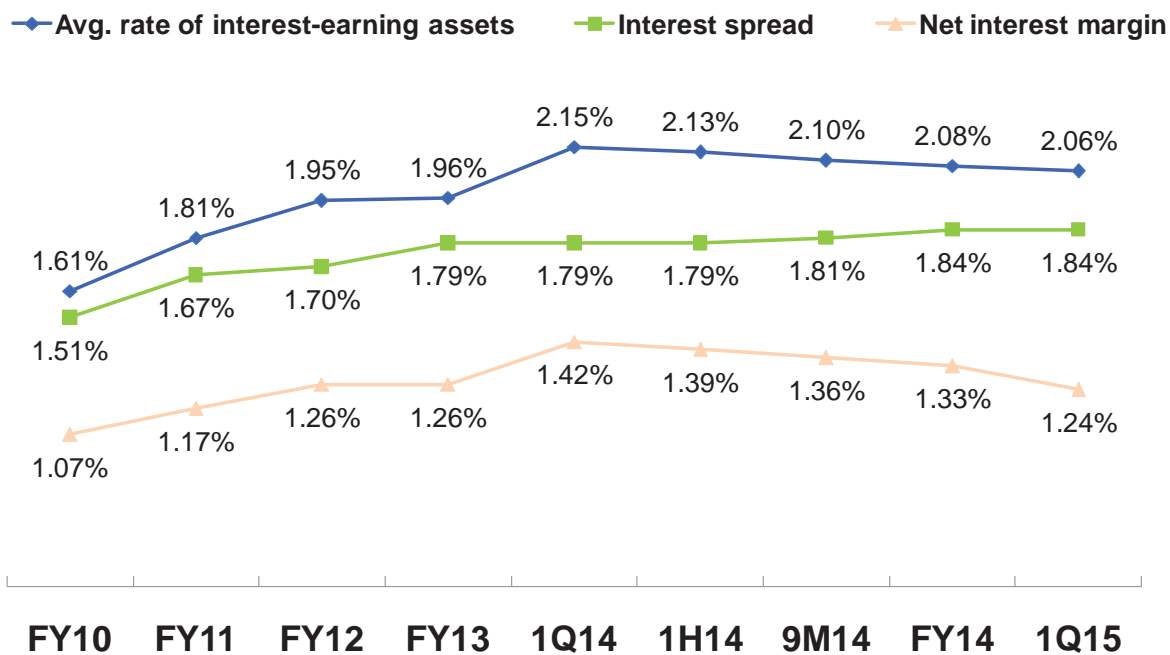
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Cathay United Bank – Loan & deposit breakdown



Note: Totals may not sum due to rounding.

Cathay United Bank – Interest yields

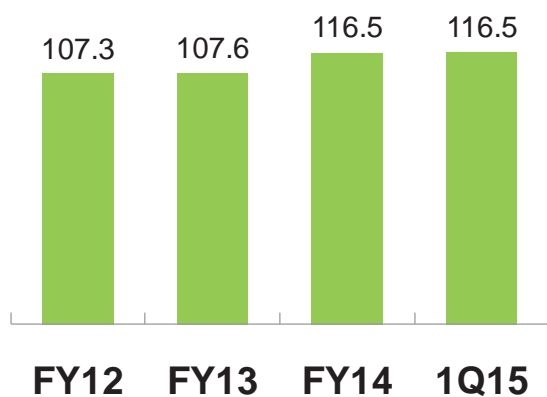


Note: Credit card related loans are included in the calculation of interest spread.

Cathay United Bank – SME & FX loans

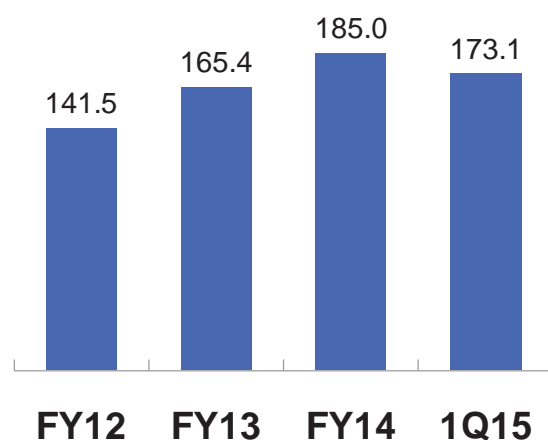
SME loans

(NT\$BN)



Foreign currency loans

(NT\$BN)



As % of total loans

11.5%	10.5%	10.5%	10.2%
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15.1%	16.1%	16.6%	15.2%
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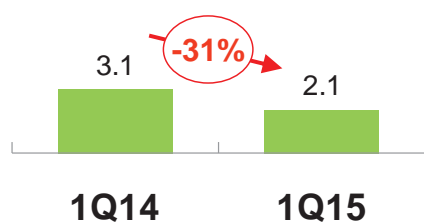
Note: Total loans exclude credit card revolving balance.

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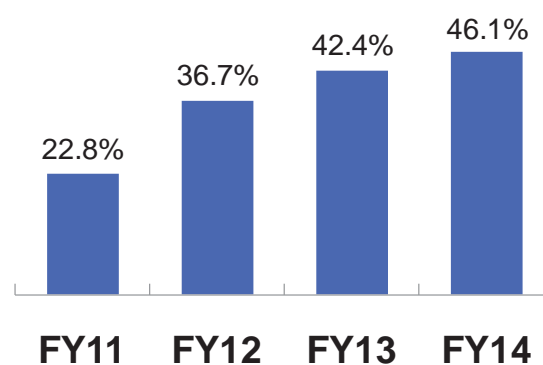
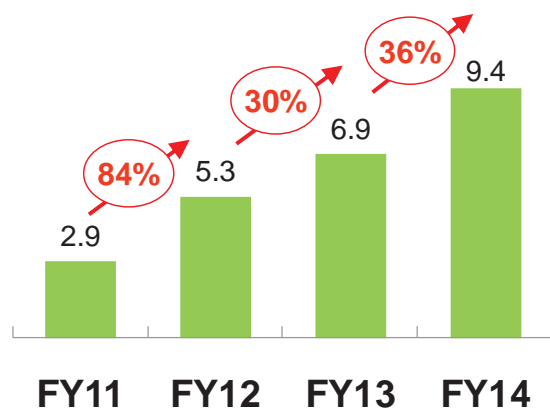
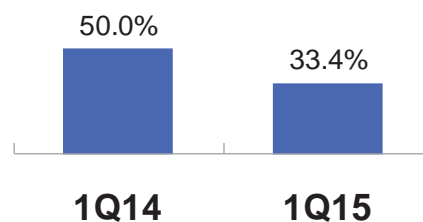
Cathay United Bank – Offshore earnings

Offshore earnings

(NT\$BN)



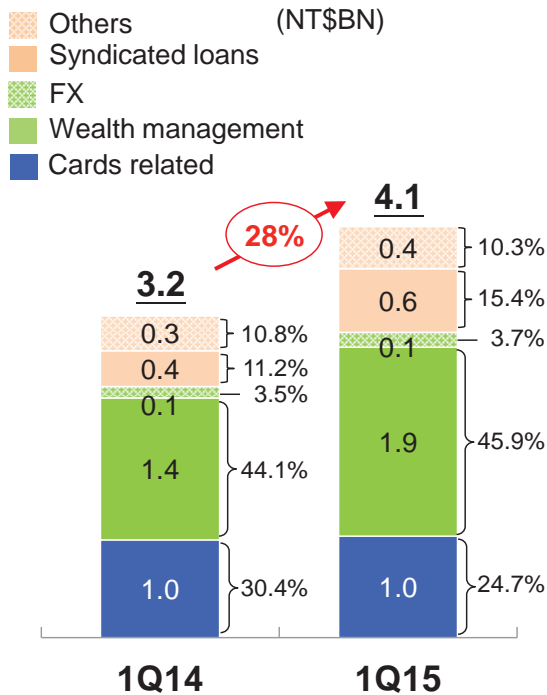
As % of CUB pre-tax profits



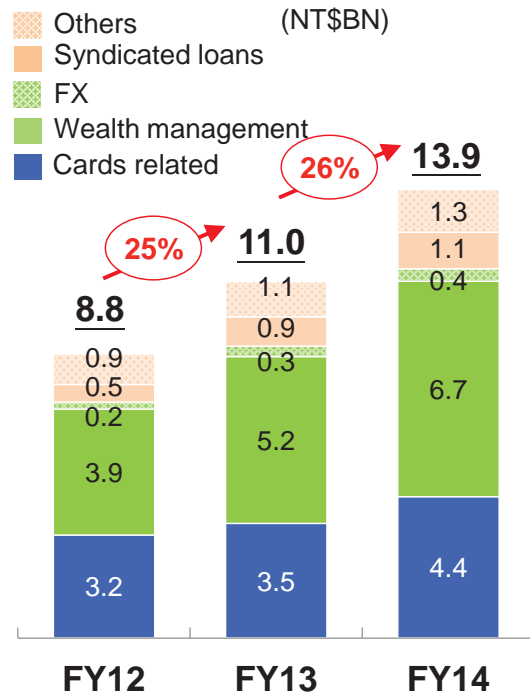
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Cathay United Bank – Fee income

Fee income breakdown (quarterly)



Fee income breakdown (annual)



Note: Totals may not sum due to rounding.

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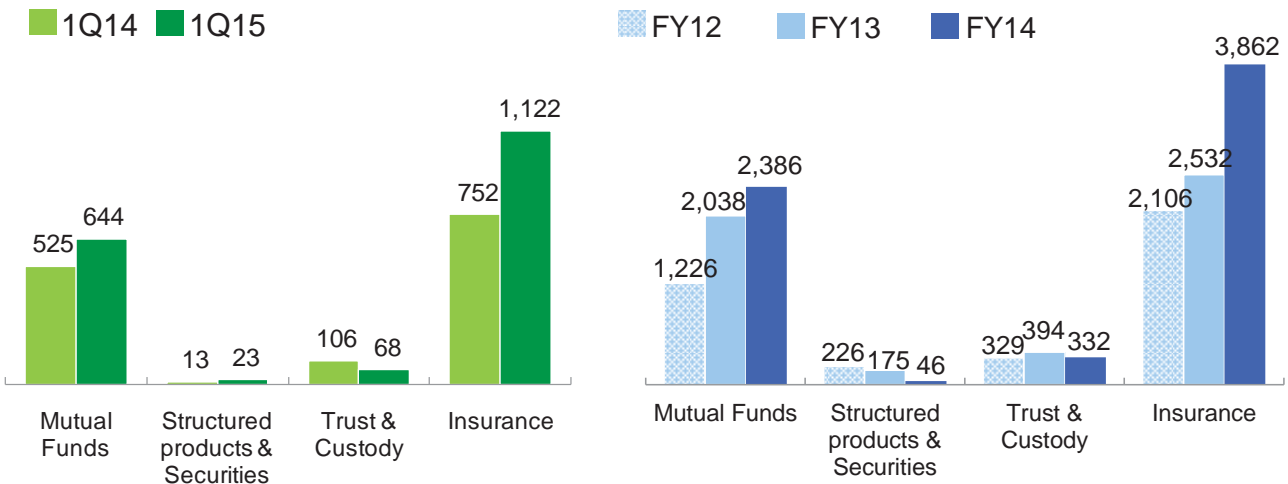
Cathay United Bank – Wealth management fee

Wealth management fee breakdown

(NT\$MN)	1Q14	1Q15	FY12	FY13	FY14
Wealth Management Fee Income*	1,399	1,862	3,894	5,163	6,673
YoY growth (%)	24.4%	33.1%	17.7%	32.6%	29.2%

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

Revenue from DCI, SI & others	413	97	141	1,159	1,934
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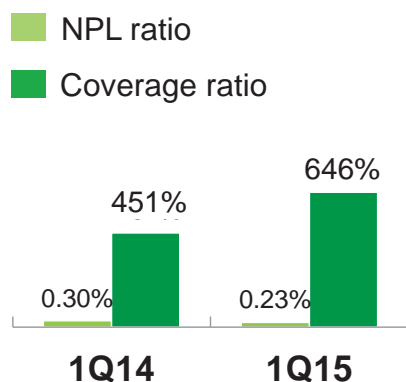


Note: (1) Wealth management fee excludes revenue from DCI, SI and others.
 (2) Totals may not sum due to rounding.

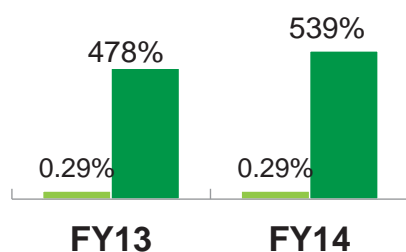
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Cathay United Bank – Credit quality

NPL & Coverage ratio

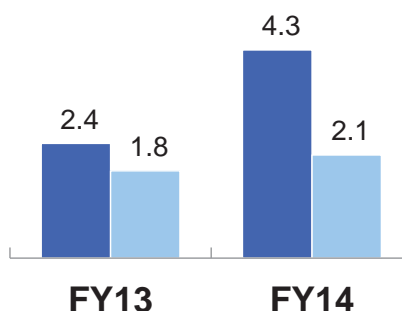
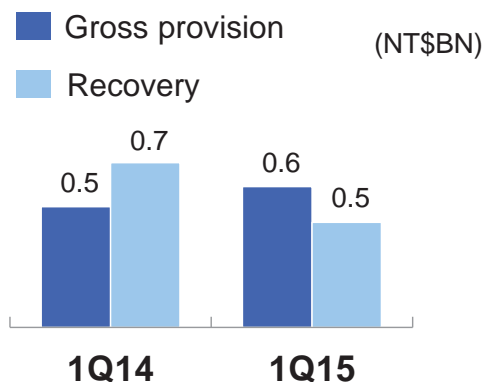


Mortgage NPL **0.04%** **0.07%**



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

Gross provision



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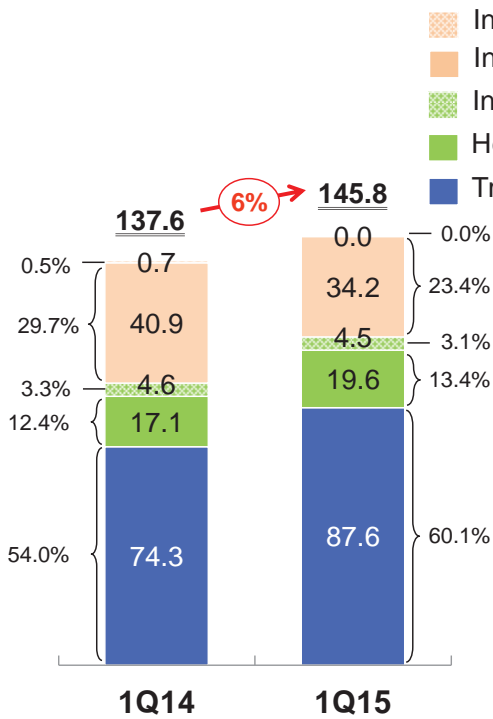
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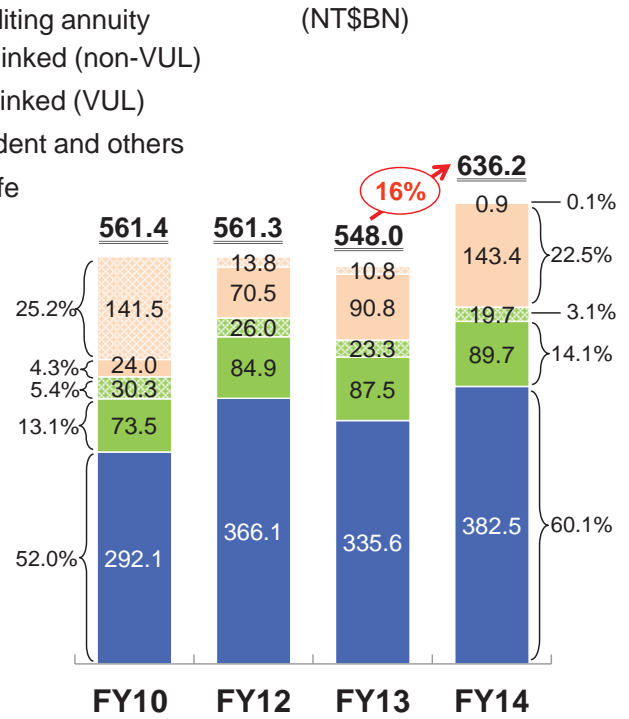
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Cathay Life – Total premium

Total premium (quarterly)



Total premium (annual)

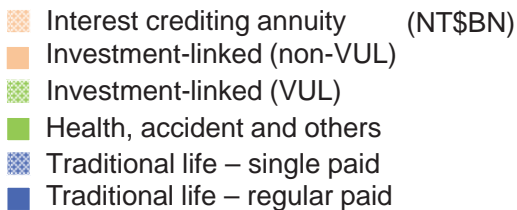


Note: Totals may not sum due to rounding.

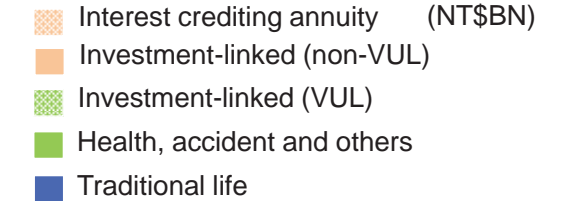
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Cathay Life – FYP & FYPE

FYP



FYPE



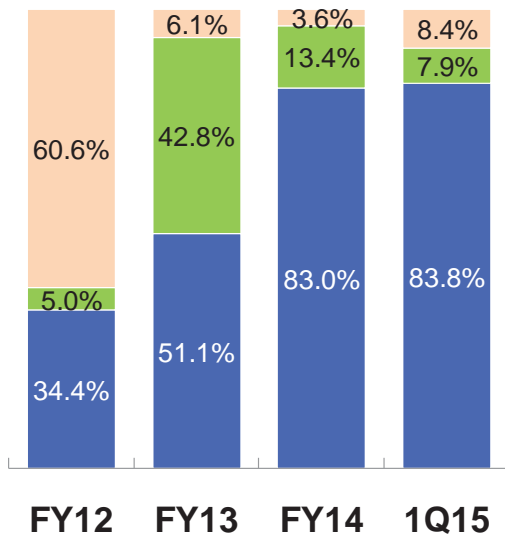
Note: Totals may not sum due to rounding.

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Cathay Life – Regular paid policies remain as focus

Breakdown of Traditional FYP

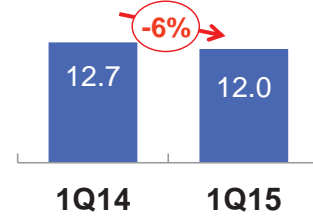
- Traditional life – single paid
- Traditional life - 2 year regular paid
- Traditional life - 3 year and above regular paid



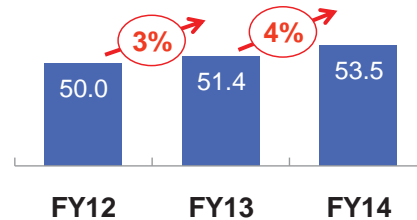
Note: Totals may not sum due to rounding.

VNB

Profit Margin	1Q14	1Q15
VNB/FYP	21%	23%
VNB/FYPE	73%	74%



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

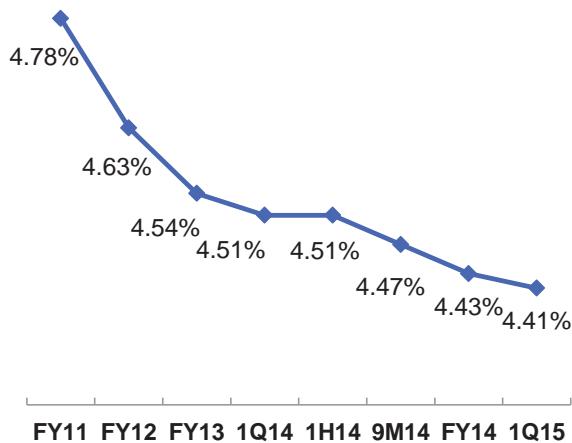


Note : FY14 and 1Q15 VNB is based on Cathay Life's 2014 EV actuarial assumptions.

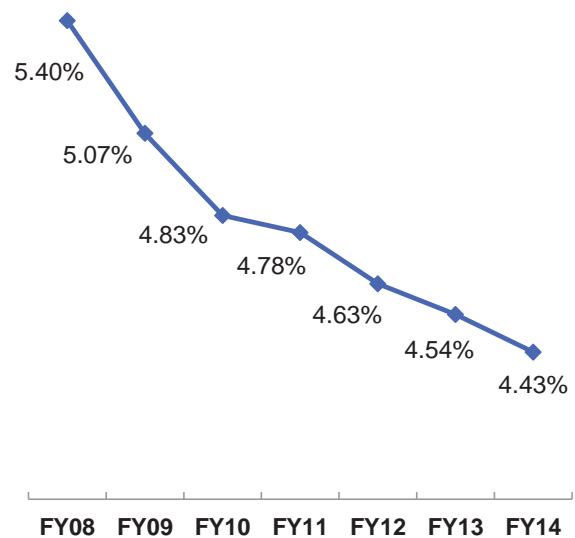
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Cathay Life – Cost of liability

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	1Q15		
Total investments ⁽¹⁾	3,283.7	3,785.1	4,169.1	4,239.6		
	Weight	Weight	Weight	Amount	Weight	Amount
Cash & Cash equivalents	8.2%	3.7%	3.2%	131.6	3.0%	128.9
Equity- Domestic	8.1%	8.9%	8.4%	350.9	8.2%	346.8
Equity- International	4.3%	4.9%	5.0%	209.4	5.4%	227.7
Bond- Domestic	16.6%	14.4%	11.0%	459.2	10.6%	449.9
Bond- International ⁽¹⁾	39.6%	38.9%	43.6%	1,816.7	44.9%	1905.6
Mortgage & Secured loans	10.3%	12.2%	12.7%	529.6	12.4%	527.1
Policy loans	5.5%	4.7%	4.0%	166.4	3.8%	162.0
Real estate ⁽²⁾	5.6%	10.6%	10.5%	439.4	10.4%	440.1
Others	1.8%	1.7%	1.6%	65.9	1.2%	51.5

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

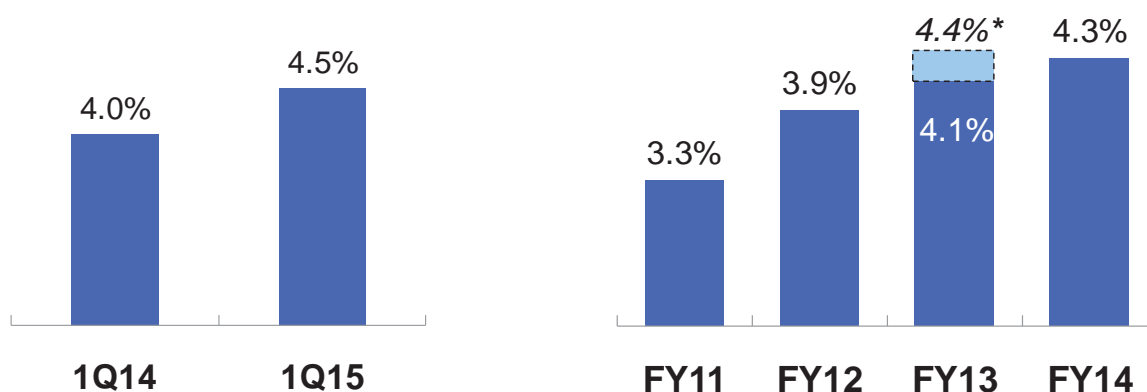
(2) Real estate included 2013/1/1 IFRS adoption appraisal gain NT\$71.3BN from investment property and the impact of NT\$133.1BN from the change to fair value method on investment property on 2014/1/1. FY2014 appraisal gain from subsequent measurement of investment property is NT\$16.6BN.

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Cathay Life – Investment performance highlight

After-hedging investment yield

After-hedging investment yield
(annual)

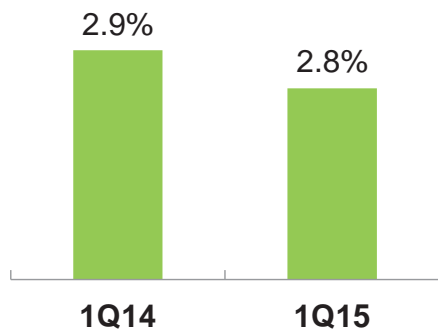


Note: FY13 (4.4%) was pro forma adjusted number of fair value method on investment property.

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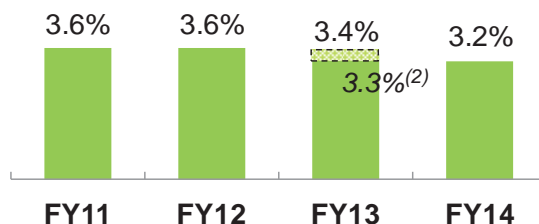
Cathay Life – Investment performance highlight

Pre-hedging recurring yield⁽¹⁾

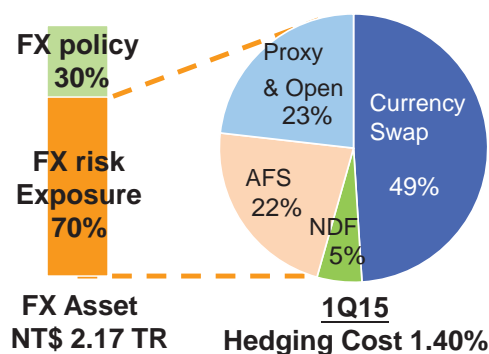


Note: (1) Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend. Most dividend will be recognized in 2Q & 3Q.
 (2) FY13 (3.3%) was pro forma adjusted number of fair value method on investment property.

Pre-hedging recurring yield



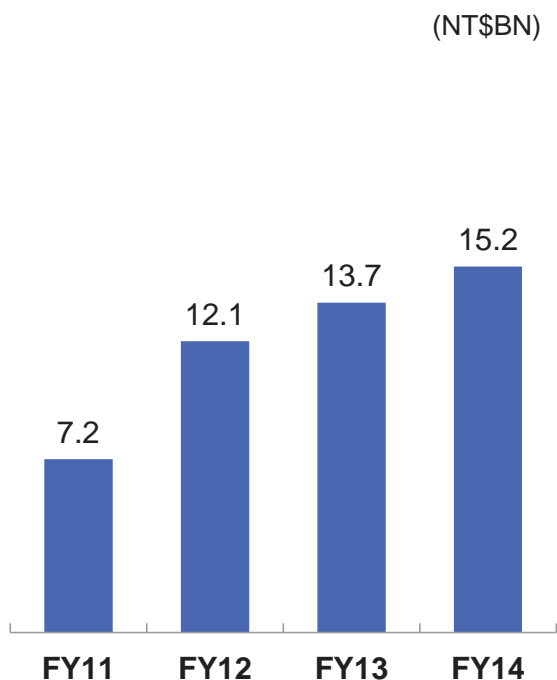
Currency Hedging Structure



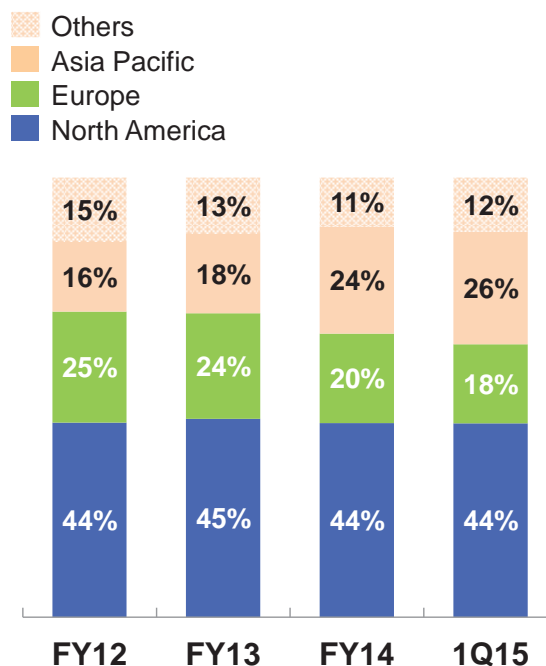
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Cathay Life – Cash dividend & Overseas fixed income by region

Cash dividend



Overseas Fixed Income by Region*

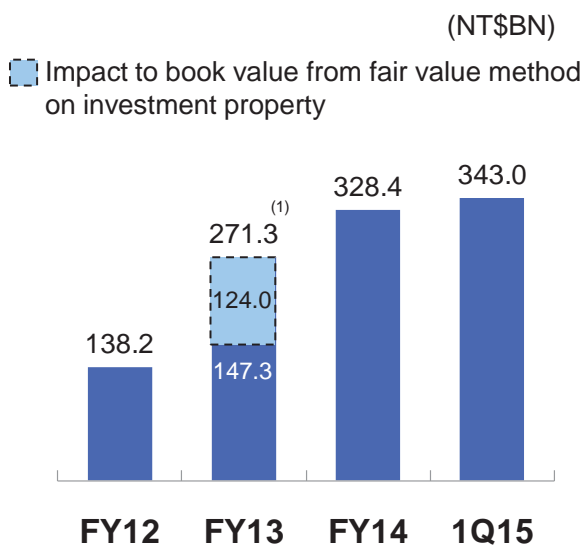


Note: Exclude overseas deposit and equity.

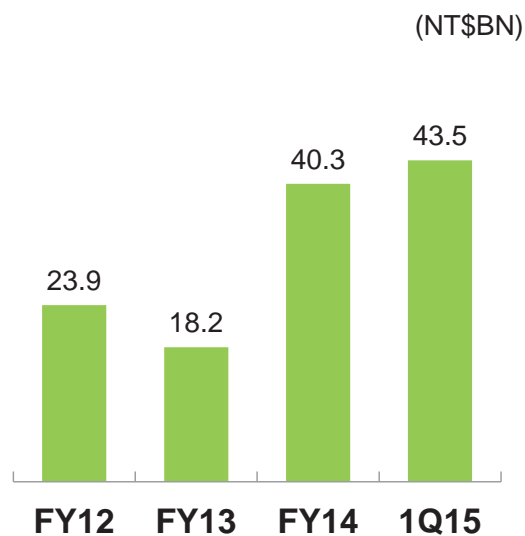
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Cathay Life – Book value & Unrealized G/L of AFS financial assets

Book value



Unrealized G/L of AFS financial assets



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

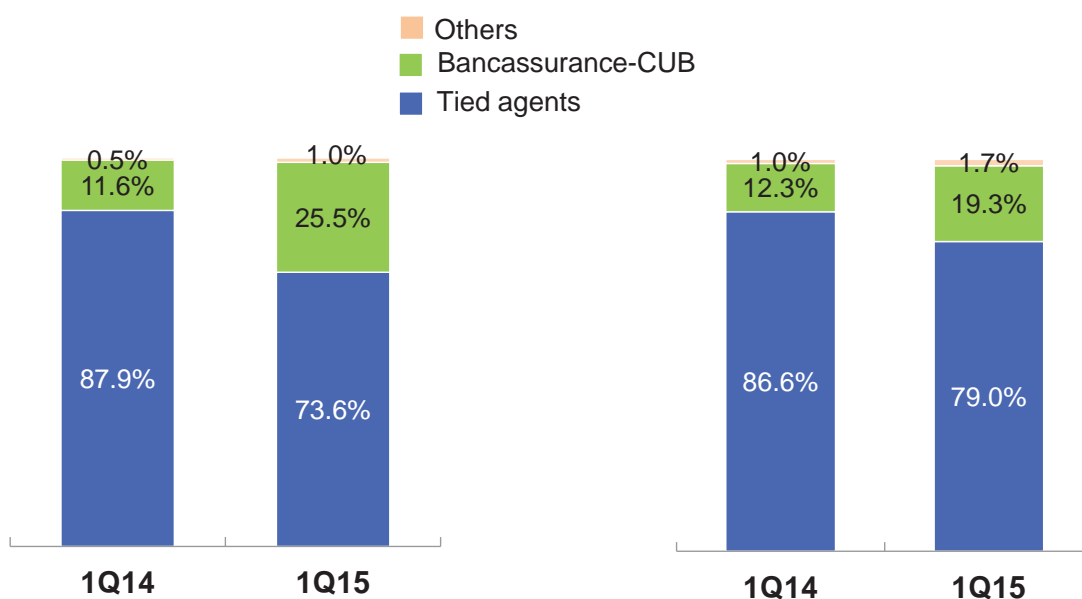
(2) Starting from FY12, book value included minority interest, BVPS excluded minority interest. Starting from 2015/1/1, Cathay FHC adopts IFRS 2013 version, the related impacts are traced back to FY14. The adjustments to Cathay Life are relatively small. Please refer to page 64 for reference.

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Cathay Life – Distribution channel

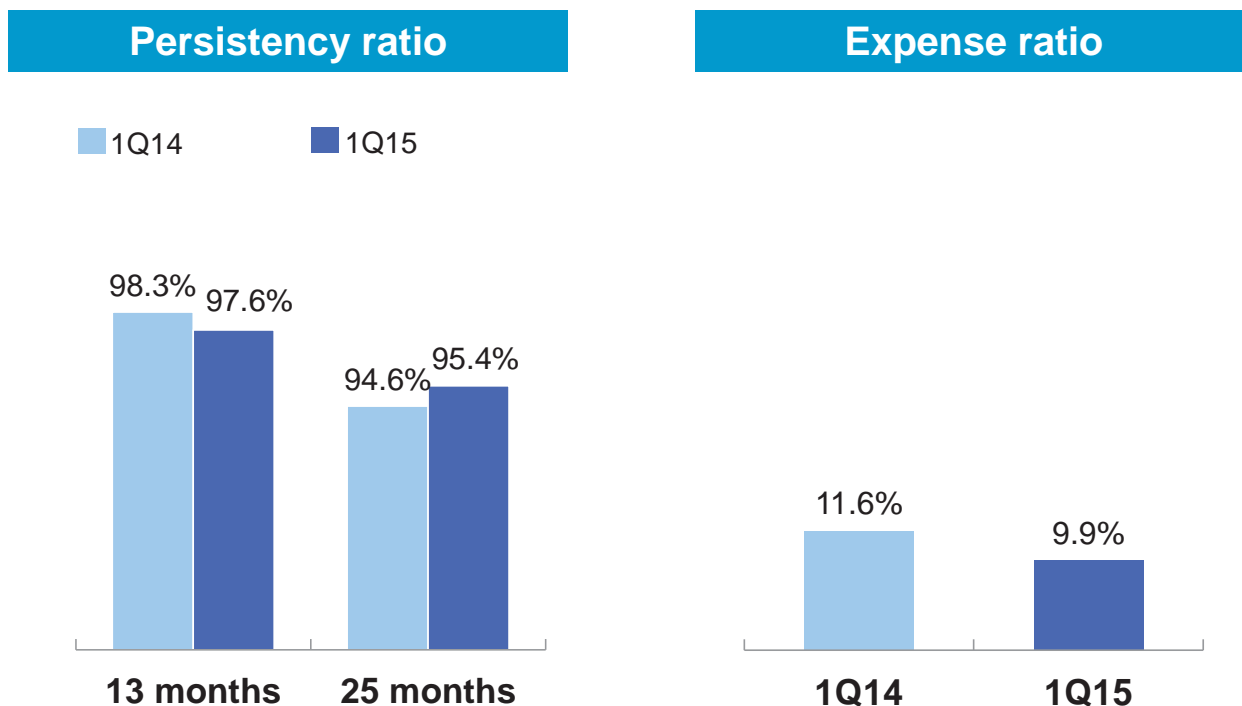
FYP

FYPE



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Cathay Life – Operational indicators



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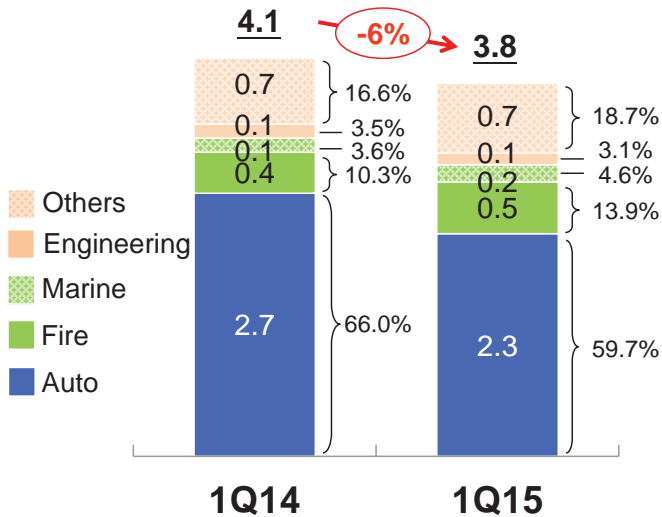
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Cathay Century

Premium income

(NT\$BN)

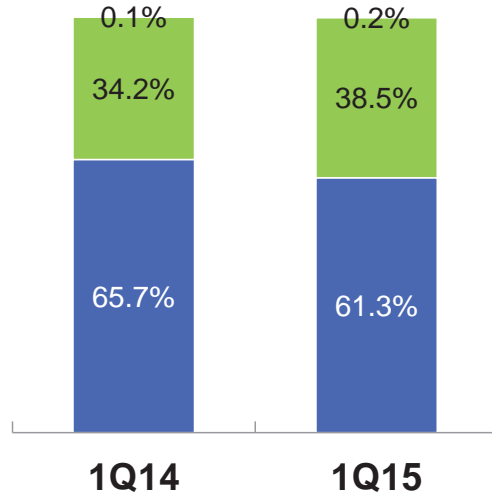


Market share	12.1%	11.1%
Retention	78.7%	74.1%

Note: Totals may not sum due to rounding.

Distribution channel

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

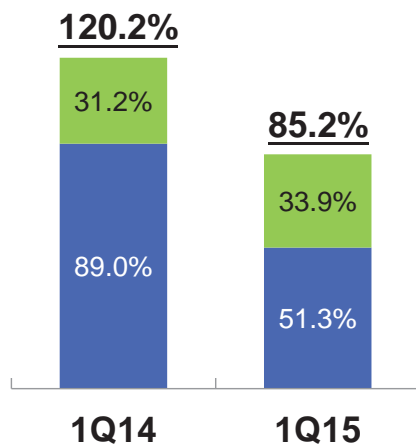


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Cathay Century – Combined ratio

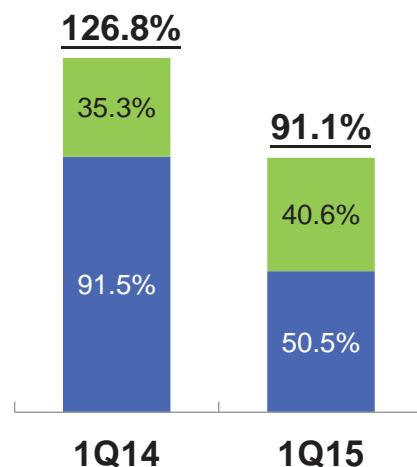
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



Retained combined ratio

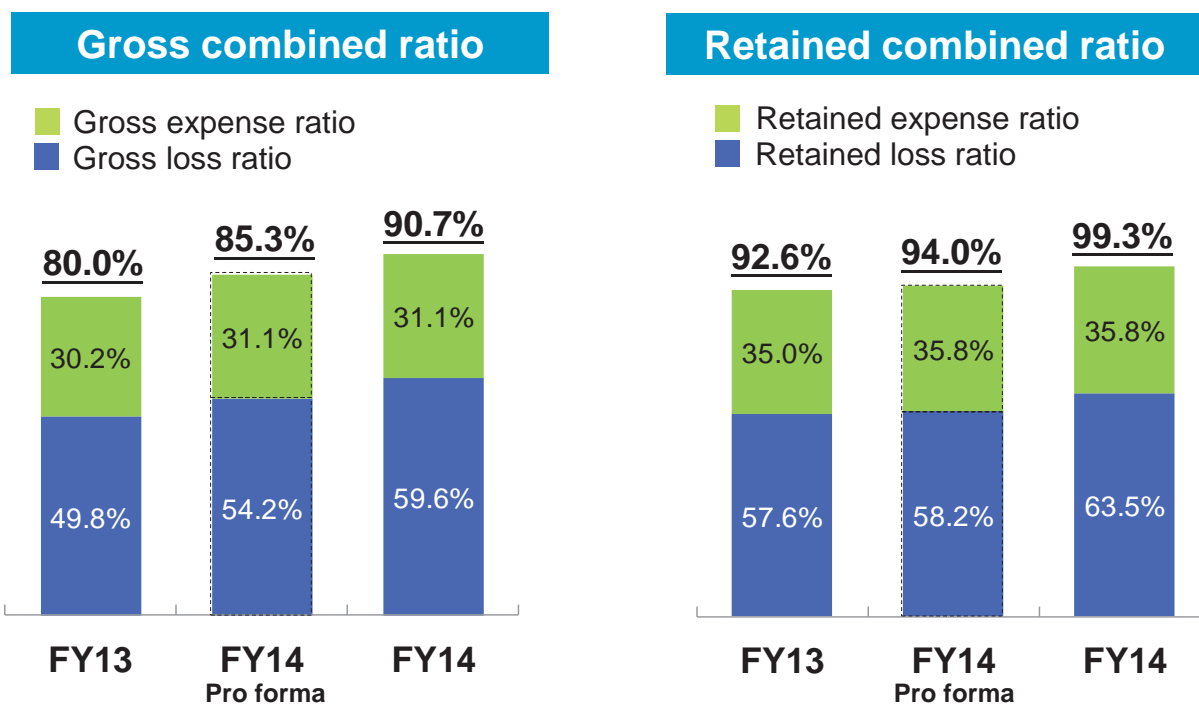
- Retained expense ratio
- Retained loss ratio



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)



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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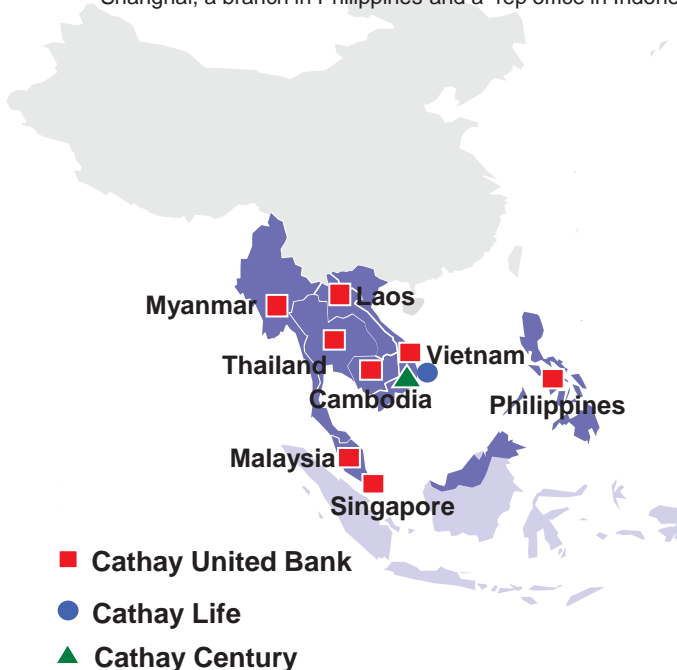
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Cathay FHC in South East Asia

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



■ 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 will be opened in 2Q15. Philippines Manila branch will be opened in 2H15

■ Cathay Life

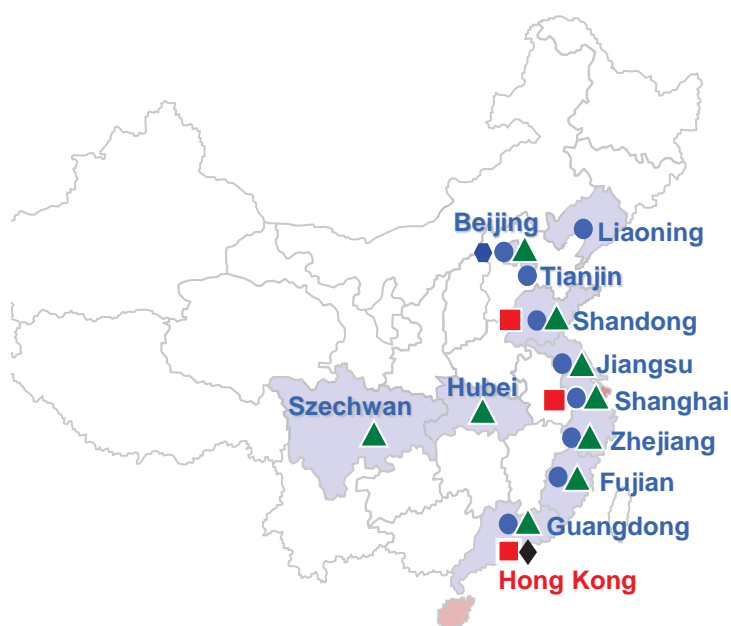
- Received approval to invest 20% stake in RCBC (Philippines) and 40% stake in Bank Mayapada (Indonesia)
- Cathay Life (Vietnam) has performed steadily

■ Cathay Century

- Each business line has performed steadily

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Cathay FHC in China



- Cathay Life (China)
- Cathay United Bank
- ▲ Cathay Century (China)
- ◆ Cathay Conning Asset Management
- CDBS Cathay Asset Management Company

■ Cathay United Bank

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

■ Cathay Life (China)

- 1Q15 solvency ratio 356%
- Agent productivity grew by 50% YoY in 1Q15

■ Cathay Century (China)

- Strong premium income growth in 1Q15 up by 18% YoY

■ JV with Conning (CCAM)

- AUM amounted to USD\$1.13BN in 1Q15

■ Cathay Securities

- Applying to acquire Horizon Securities (Hong Kong) to enhance overseas capacity

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

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

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Agenda

- Introduction of Cathay FHC
- 1Q15 Business overview
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- Overseas expansion
- **Cathay Life Embedded value & appraisal value**
- Appendix

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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 share	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 share	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

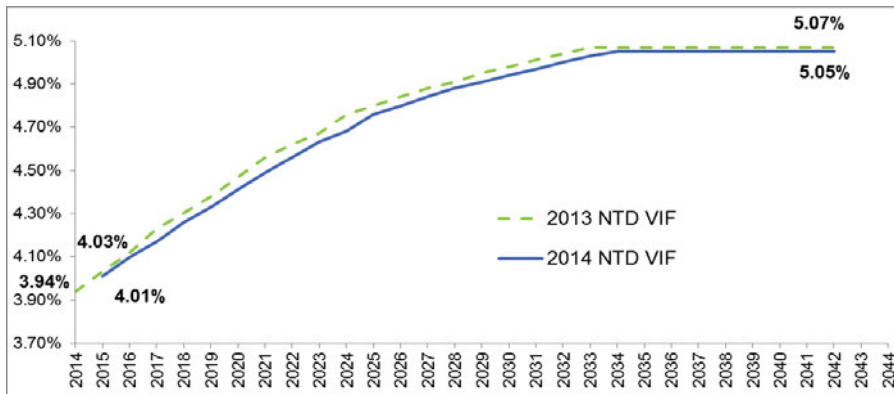
(3) EV and AV per FHC share of 2013 is based on 2013 weighted average of outstanding shares. If the weighted average of outstanding shares in 2014 were used, EV and AV per FHC share of 2013 would be 50.5 and 87.0, respectively.

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

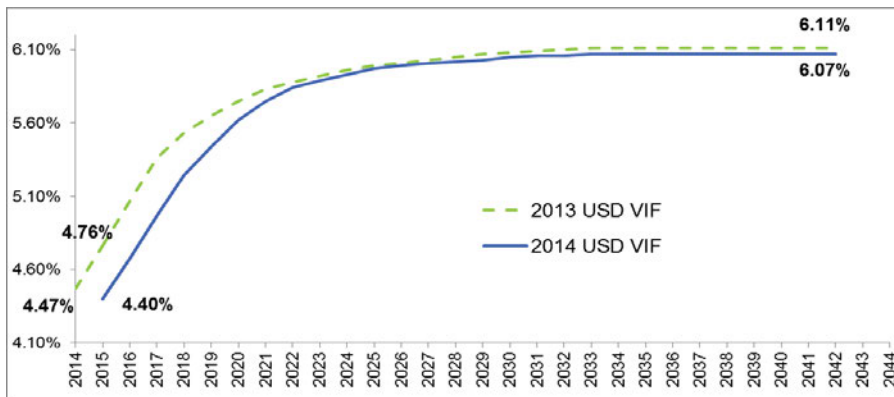
40

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.



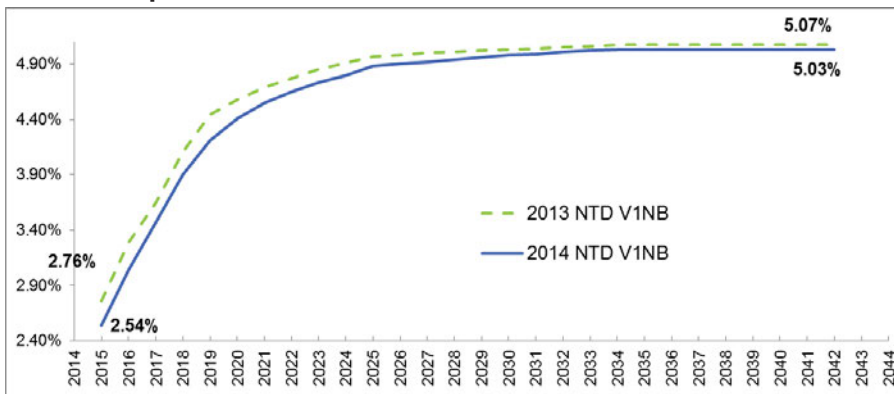
- Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2013 & 2014.



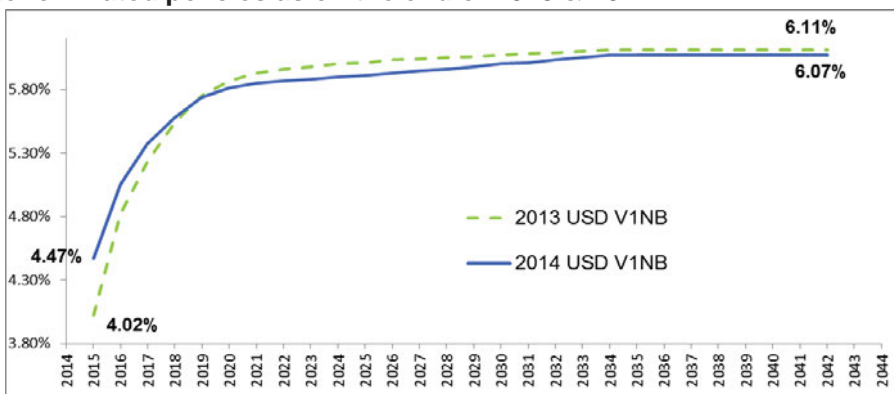
41

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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Cost of capital projection and non-economic assumptions

■ RBC capital requirement:

Apply 2014 RBC formula announced by Insurance Bureau to project future capital requirement.

1. K factor = 0.5.
2. Capital Requirement = 200% RBC.
3. Risk-based capital calculation reflects company's current and future operation status.
4. C3 risk capital of traditional products includes 10% of its previous year's C3 risk capital in all projection years.
5. Reflect all changes of RBC formula announced by Insurance Bureau in 2014.
 - (1) formula of total risk-based capital has been changed to reflect the reclassification of currency risk..
 - (2) the risk-based factors for overseas insurance-related enterprise, overseas stocks and beneficial certificates, and overseas real estate have been adjusted.
 - (3) the risk-based factors for long-term health insurance have been adjusted.

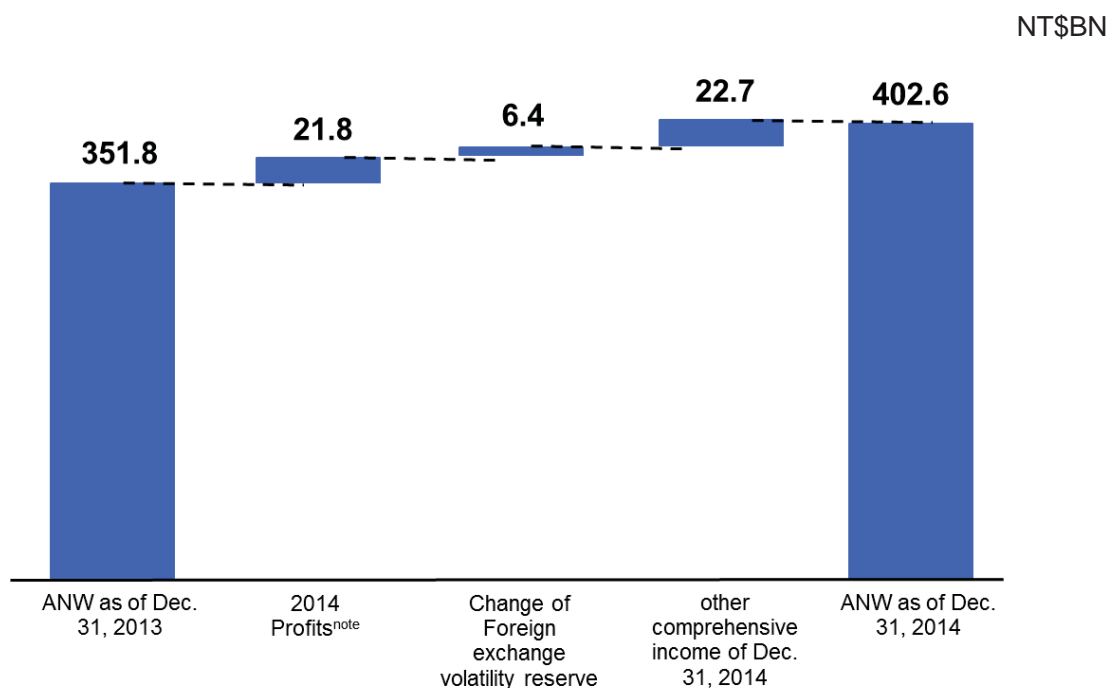
■ Experience rate:

Experience Rate	Assumptions
Mortality Rate	In accordance with Cathay's most updated mortality trends.
Morbidity Rate	In accordance with Cathay's most updated morbidity trends and varied by product type.
Lapse Rate	In accordance with Cathay's most updated lapse rate trends and varied by product type.
Expenses assumption	In accordance with Cathay's most updated expense analysis and varied by product type; commissions are based on the actual commission rates.

■ PricewaterhouseCoopers Asia Actuarial Services provides an independent review of the actuarial assumptions on EV.

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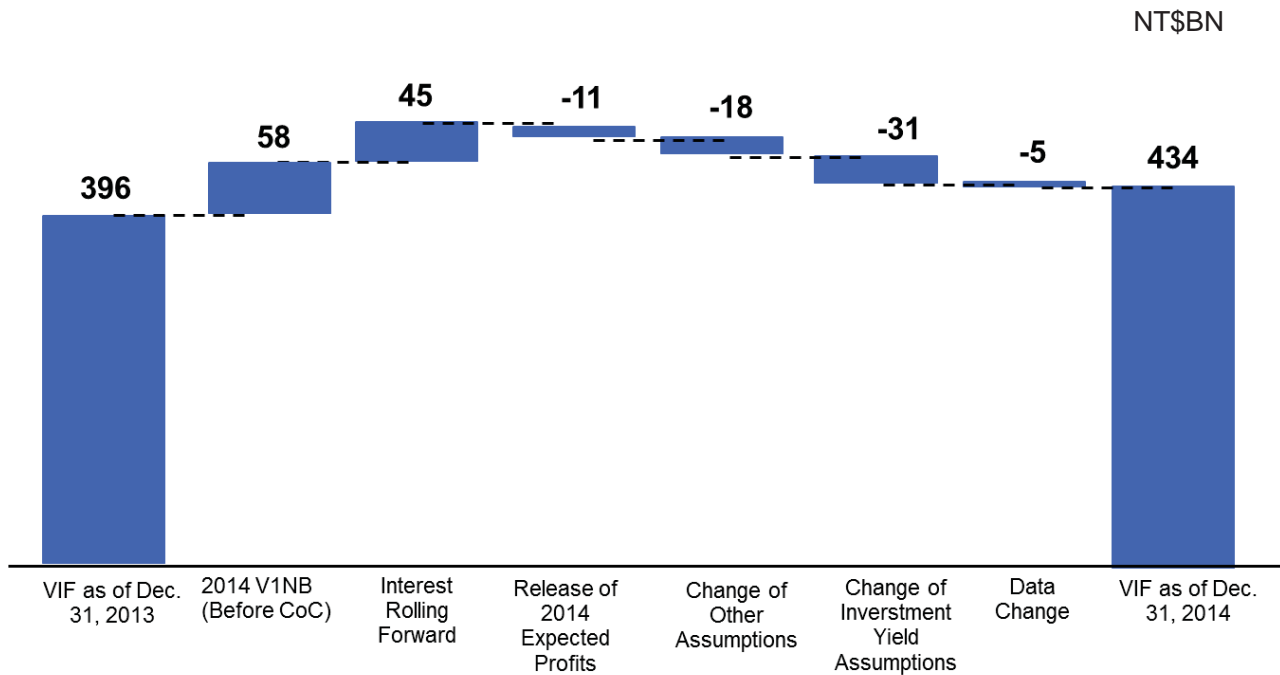
Analysis of change in Adjusted Net Worth (ANW)



Note: The profit of 2014 is 31.8 billion. However, 10 billion is recovered from special reserve of unrealized gains on property, which is already reflected in ANW of 2013. Thus, reflect 21.8 billion in the item "2014 Profits".

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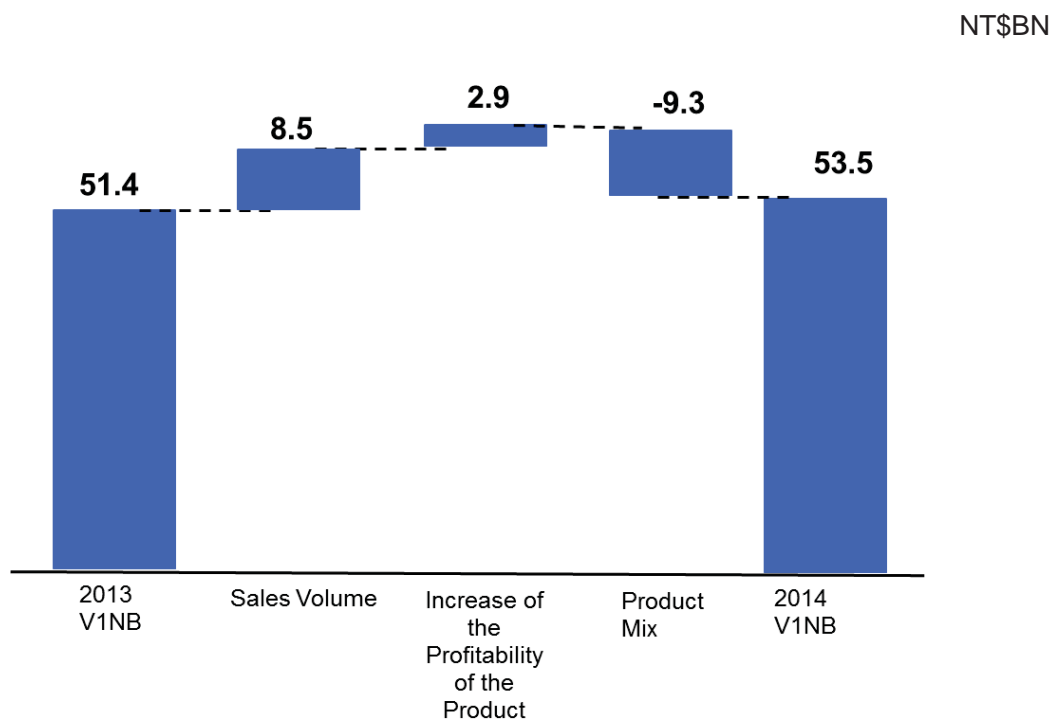
Analysis of change in value of in-force business (VIF)



■ The value of one year new business (after cost of capital) of 2014 is 53.5 billion.

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Analysis of change in value of one year's new business (V1NB)



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Sensitivity Analysis

NT\$BN, except for per share figures

Valuation date	2013/12/31					
	Investment yield - 0.25%	Investment yield + 0.25%	Investment yield + 0.25% (capped) ⁽¹⁾	Base Case	Discount rate - 0.5%	Discount rate + 0.5%
Adjusted net worth	403	403	403	403	403	403
Value of in-force business	338	530	501	434	466	406
Cost of capital (CoC)	-134	-122	-124	-128	-123	-132
Value of in-force business (After CoC)	205	408	377	306	343	274
Embedded Value	607	810	780	709	745	676
EV / per share	114.4 (48.3)	152.6 (64.5)	147.0 (62.1)	133.6 (56.4)	140.4 (59.3)	127.4 (53.8)
Appraisal Value	1,054	1,321	1,266	1,191	1,250	1,137
Value of future one year's new business (After CoC)	50.2	60.8	56.9	55.5	59.8	51.6
AV / per share	198.6 (83.9)	248.9 (105.2)	238.6 (100.8)	224.4 (94.8)	235.5 (99.5)	214.2 (90.5)

Note: (1) "Investment yield +0.25% (capped)": the investment return is capped by 5.05% for NTD policies, 6.07% for USD policies, and 3.02% for interest crediting annuity.

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

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YoY Comparison

Under the different discount rate assumption (9.5%~10.5%), the results of the Year 2013 & 2014 go as follows.

NT\$BN

Valuation date	2013/12/31	2014/12/31
Embedded Value	607~666	676~745
Value of future one year's new business	48.9~56.5	51.6~59.8
Appraisal Value	1,029~1,158	1,137~1,250

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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 share of Cathay FHC	55.0 ⁽¹⁾	56.4 ⁽²⁾	3%	--
	AV / per share of Cathay FHC	94.7 ⁽¹⁾	94.8 ⁽²⁾	0%	--
Adjusted Value per share	EV / per share of Cathay FHC	50.5 ⁽²⁾	56.4 ⁽²⁾	11%	--
	AV / per share of Cathay FHC	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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- **Appendix**

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Equator Principles

Origin

In 2003, the Equator Principles (EPs) were established by World Bank, International Finance Corporation (IFC) and other leading financial institutions in the world. It is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.

Purpose

Members of the EPs commit to implementing the EPs in their internal environmental and social policies, procedures and standards for financing projects and will request clients to comply with the EPs. Therefore, it can promote responsible environmental stewardship and socially responsible development.

Connotation

The EP is a set of 10 voluntary principles. Equator Principles Financial Institutions (EPFIs) should only provide loans to projects which borrowers will comply with the EPs to protect the environment.

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EPFIs in the World

EPFIs in the World

1. There are 80 financial institutions in more than 30 countries that adopt the EPs as of March, 2015.
2. EPFIs in Asia : Mizuho Bank, Bank of Tokyo-Mitsubishi UFJ, Sumitomo Mitsui Banking Corporation, Industrial Bank (China), IDFC(India) and Cathay United Bank.

Region	Europe	North America	Latin America	Africa	Oceania	Asia	Middle East
Member no.	34	14	10	9	5	6	2

CUB is the only EPFI in Taiwan

1. **FSC encourages banks to adopt the EPs:** In April 2014, The Bankers Association of ROC added an article in its Credit Policy for Member Banks, stating that we should consider the borrower's records on Environmental Protection, Enterprise Credibility and Integrity, and Social Responsibility while examining and assessing its project finance.
2. **Cathay United Bank is currently the first EPFI in Taiwan.**
3. **Future planning:** Consulting professional institutions for assistance in planning the EPs system; Implement internal EPs training; Communicate with clients; Establish the EPs risk evaluation and management system for project financing; Plan to start cooperation with other EPFIs to participate in international project financing, etc.

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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

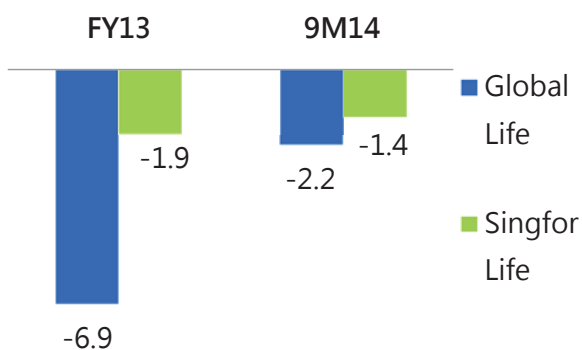
❖ Exercise corporate social responsibility and provide the strength and stability to the policyholders of the Companies and the general public.

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Financial Review of Global Life and Singfor Life

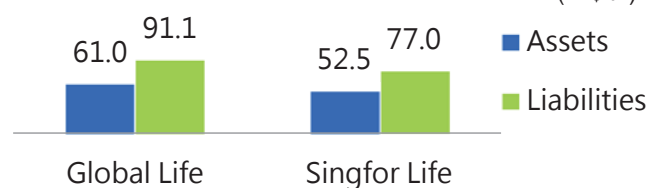
Profit and Loss

(NT\$ bn)

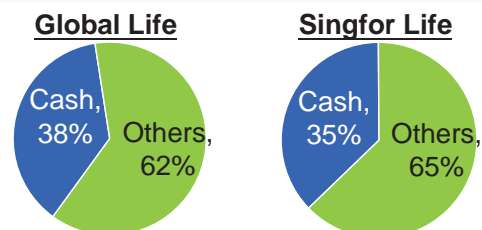


Assets and Liabilities

(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.

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 \$92 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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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 is expected to be completed by the first half of 2015 ■ The parties plan to sign the contracts in Manila, Philippine on December 17th, 2014
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 of Stage 1 is subject to the approval from regulators in Taiwan. Closing for Stage 1 is expected by 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 – Horizon Securities (HK)

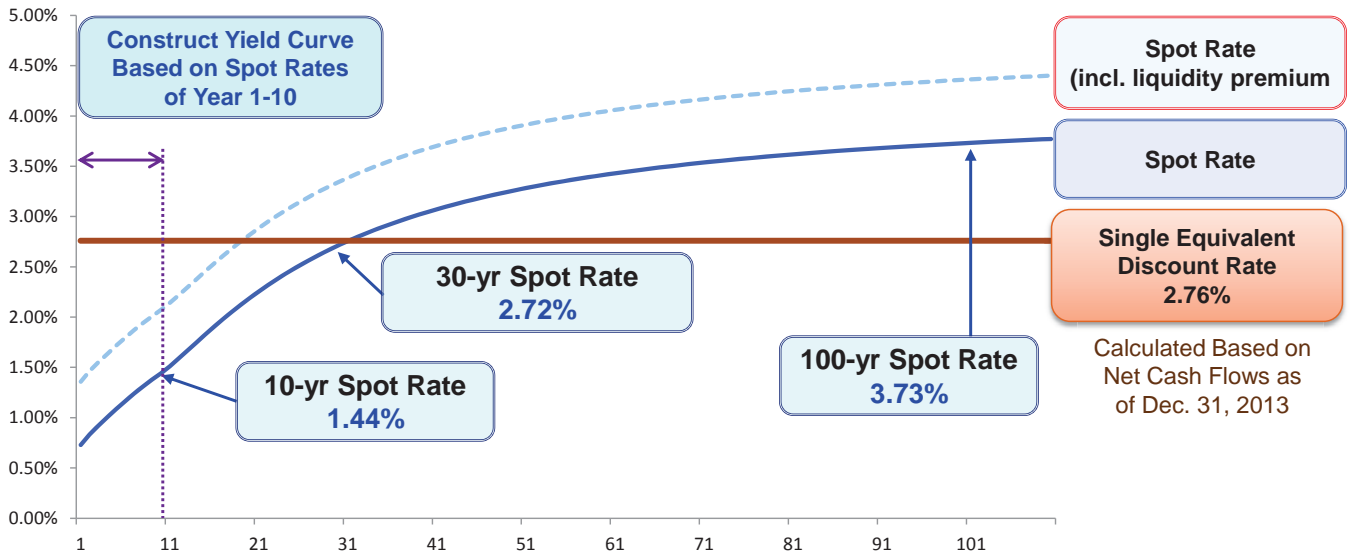
Transaction Structure	<ul style="list-style-type: none"> ■ Cathay Securities Corporation will acquire 100% stake of Horizon Securities (HK) in cash.
Purchase Price	<ul style="list-style-type: none"> ■ Total consideration will be around 1.0x of Horizon Securities (HK)'s Equity. As of Dec. 31, 2014, its equity value is around HKD \$38 million
Regulatory Approval	<ul style="list-style-type: none"> ■ The transaction is subject to the regulatory approval in Taiwan and HK; expected closing in the second half of 2015
Strategic Rationale	<ul style="list-style-type: none"> ■ Acquire Type 1 license: "Dealing in securities" and a Type 4 license: "Advising on securities" ■ Expand access to new markets and channels and complete financial services platform by connecting Taiwan, Hong Kong and Greater China

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

NTD Risk-free Rate

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

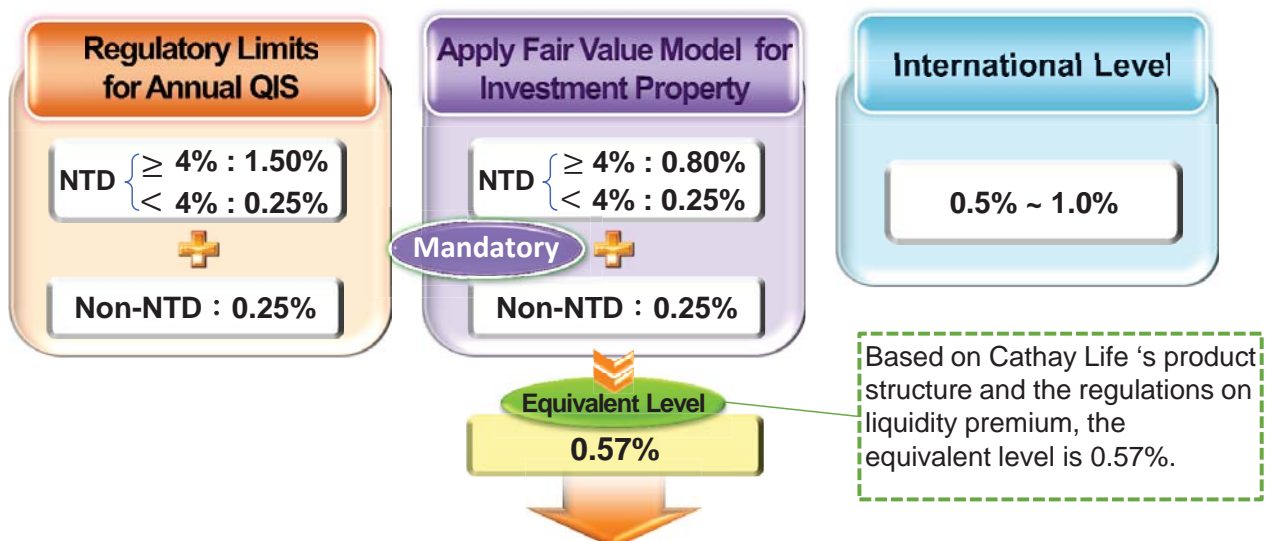


Note: The "Spot Rate" mentioned above refers to 3-yr daily MA yield curve.

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Fair Value of Insurance Contracts: Liquidity Premium

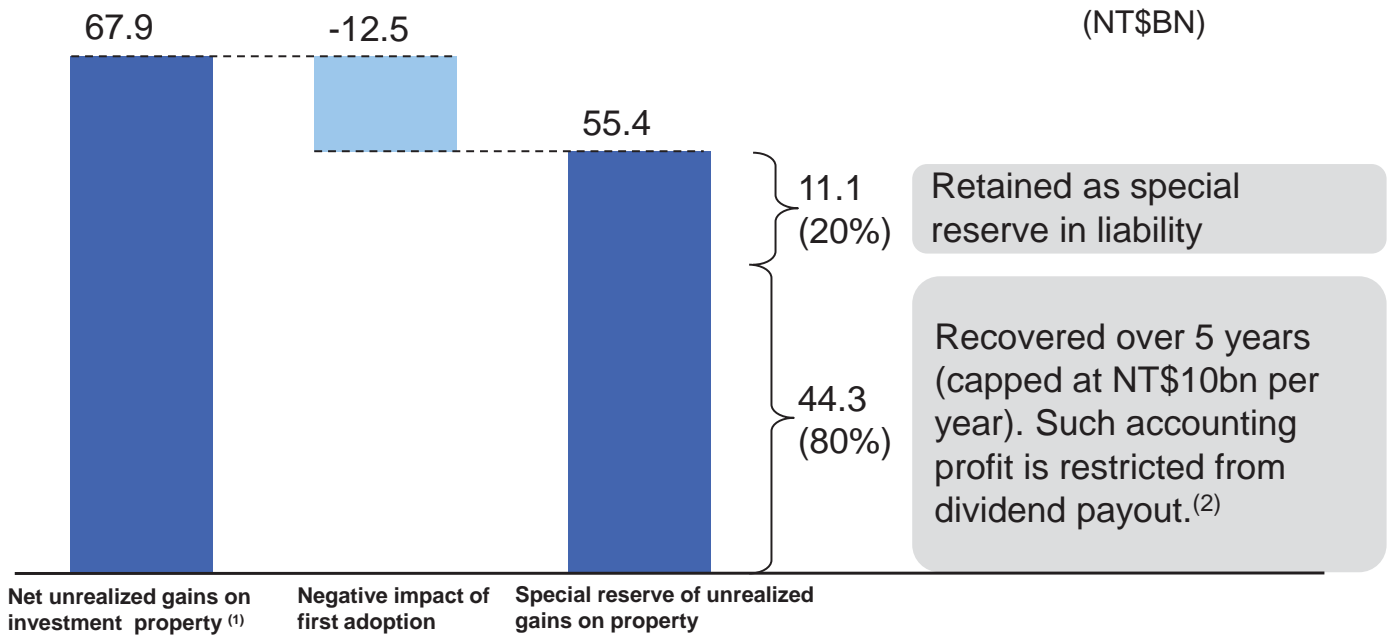
If insurers apply fair value model for investment property, their insurance liabilities should also be assessed under fair value basis. Taiwan adopts a relatively strict standard of liquidity premium compared to the international level of 0.5%~1%.



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

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Special reserve of unrealized gains on property

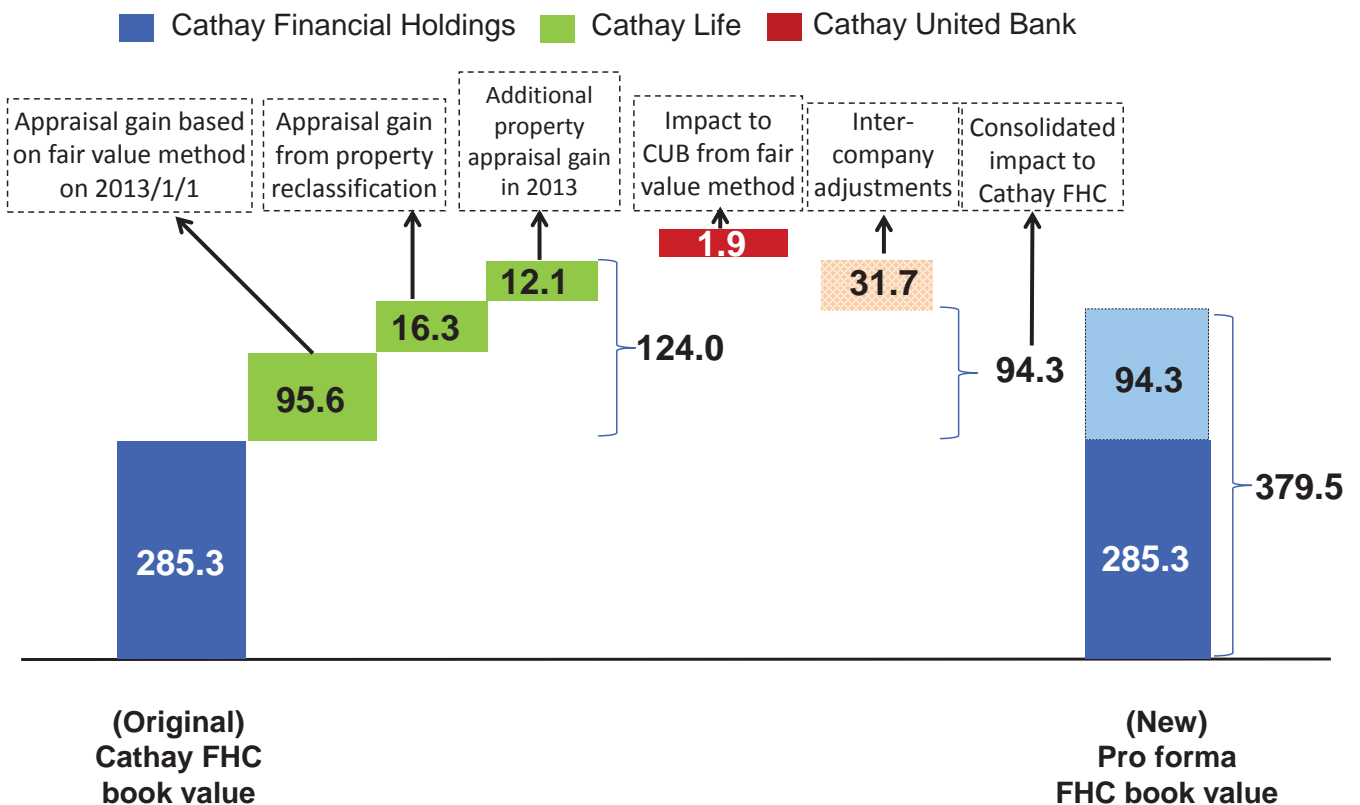


Note: (1) Net unrealized gains on investment property is calculated by discounting rental income at industry average WACC(3.29%), net of related taxes. The amount is therefore well below the property market value.

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

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Illustration of 2013 pro forma BV of Cathay FHC

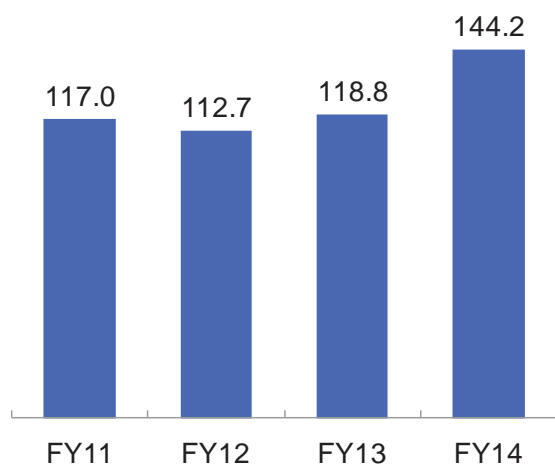


Note: Totals may not sum due to rounding.

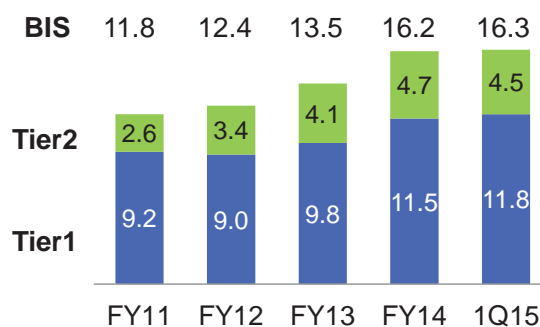
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Capital adequacy

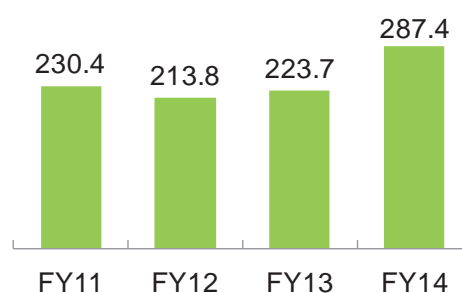
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC(%)



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Impact from adopting IFRS 2013

Time	IFRS 2010			IFRS 2013			Difference		
	FY14	1Q14		FY14	1Q14		FY14	1Q14	
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	12.4	12.76%	439.1	12.3	12.67%	0.8	-0.026	-0.09%
CUB	148.2	5.5	16.01%	147.6	5.5	16.09%	-0.540	0.004	0.08%
Life	327.0	6.6	9.52%	328.4	6.5	9.38%	1.386	-0.030	-0.14%
P&C	6.9	0.2	14.21%	6.8	0.2	14.40%	-0.039	0.000	0.19%
SITE	2.2	0.1	19.31%	2.2	0.1	19.28%	0.005	0.000	-0.03%
Securities	6.2	0.1	10.36%	6.2	0.1	10.32%	-0.004	0.000	-0.04%

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Thank You

Cathay Financial Holdings

(NT\$MN)			FY14/ FY13 % Chg	1Q14	1Q15	1Q15/ 1Q14 % Chg
Income Statement Data (Consolidated)						
Operating Income						
Net interest income	114,558	125,083	9%	30,544	32,879	8%
Net commission and fee	791	369	-53%	223	337	51%
Net earned premium	441,427	488,327	11%	94,642	112,390	19%
Change in liability reserve	(293,570)	(290,800)	-1%	(60,276)	(70,366)	17%
Net claims payment	(228,125)	(285,869)	25%	(56,537)	(64,736)	15%
Investment income	56,350	75,849	35%	14,506	12,550	-13%
Contribution from associates-equity method	157	168	7%	30	52	73%
Other net non-interest income	6,972	3,449	-51%	2,294	10,685	366%
Bad debt expense	(1,484)	(2,982)	101%	8	(112)	-1563%
Operating expense	(54,277)	(57,350)	6%	(12,806)	(13,774)	8%
Income before taxes	42,799	56,243	31%	12,628	19,906	58%
Income taxes	(4,779)	(6,458)	35%	(301)	(1,797)	497%
Net income	38,020	49,785	31%	12,327	18,109	47%
EPS (NT\$)	3.12	3.94		0.98	1.43	
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		6,372,733	7,045,009	
Total shareholders' equity	379,510	439,120		396,711	459,317	
Operating Metrics						
ROAE (Consolidated)	10.82%	12.10%		12.67%	16.12%	
ROAA (Consolidated)	0.65%	0.76%		0.79%	1.04%	
Double leverage ratio(inc. preferred stock)	111%	113%		110%	112%	
Capital Adequacy Metrics						
Capital Adequacy Ratio	119%	144%				

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) Starting from 2015/1/1, Cathay FHC adopted IFRS 2013 version and has adjusted 1Q14 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/ FY13			1Q15/ 1Q14
	FY13	FY14	% Chg	1Q14	1Q15	% Chg
Income Statement Data (Consolidated)						
Net written premium	426,804	472,630	11%	91,050	109,040	20%
Net earned premium	418,262	471,849	13%	91,369	109,443	20%
Reinsurance commission earned	11,610	4,740	-59%	1,676	6	-100%
Fee income	3,090	5,943	92%	1,073	1,648	54%
Recurring investment income	113,932	124,152	9%	28,157	29,513	5%
Gain on disposal of investment						
Realized gain (loss)-Equity	16,586	23,357	41%	8,835	18,561	110%
Realized gain (loss)-Debt	14,604	12,828	-12%	3,346	7,629	128%
Investment property appraisal gains	13,045	16,579	27%	0	(16)	-
FX and others, net	(4,197)	(7,166)	71%	(1,901)	(8,067)	324%
Investment income, net	153,970	169,750	10%	38,439	47,620	24%
Other operating income	1,275	9	-99%	0	5	2805%
Separate account revenues	90,719	115,040	27%	54,945	5,915	-89%
Net claims payment	(210,029)	(275,195)	31%	(54,920)	(63,400)	15%
Changes in liability reserves	(292,978)	(290,109)	-1%	(59,932)	(70,027)	17%
Acquisition and commission expense	(34,188)	(32,405)	-5%	(7,722)	(7,193)	-7%
Other operating costs	(5,570)	(4,544)	-18%	(1,059)	(1,112)	5%
Financial cost	303	(106)	-135%	51	(277)	-642%
Separate account expense	(90,719)	(115,040)	27%	(54,945)	(5,915)	-89%
Operating expense	(15,677)	(16,724)	7%	(3,427)	(3,973)	16%
Net non-operating income	1,156	1,482	28%	566	326	-42%
Income taxes	(3,657)	(2,834)	-22%	414	(565)	-236%
Net income	27,569	31,854	16%	6,527	12,501	92%
Balance Sheet Data						
Total assets	4,195,229	4,704,976		4,323,427	4,756,210	
General account	3,818,977	4,242,710		3,909,485	4,290,988	
Separate account	376,253	462,267		413,942	465,222	
Reserves for life insurance liabilities	3,448,659	3,770,679		3,515,865	3,827,665	
Total liabilities	3,923,923	4,376,595		4,040,876	4,413,256	
Total shareholders' equity	271,306	328,382		282,551	342,954	
Operating Metrics						
First Year Premium(FYP)	200,419	233,379		61,007	52,270	
First Year Premium Equivalent(FYPE)	73,461	71,138		17,286	16,174	
Expense ratio	11.5%	9.9%		11.6%	9.9%	
13-M persistency ratio	98.2%	97.9%		98.3%	97.6%	
25-M persistency ratio	94.7%	94.9%		94.6%	95.4%	
ROAE	10.92%	10.54%		9.38%	14.90%	
ROAA	0.69%	0.71%		0.61%	1.06%	
Capital Adequacy Metrics						
RBC ratio (Standalone)	224%	287%				

Notes:

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(2) Starting from 2015/1/1, Cathay Life adopted IFRS 2013 version and has adjusted 1Q14 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 United Bank

(NT\$MN)			FY14/ FY13 % Chg	1Q14	1Q15	1Q15/ 1Q14 % Chg
Income Statement Data (Consolidated)	FY13	FY14				
Operating Income						
Net interest income	21,915	25,779	18%	6,205	6,645	7%
Fee income	9,204	11,806	28%	2,634	3,570	36%
Investment income	5,650	7,384	31%	2,060	1,477	-28%
other income	956	1,064	11%	396	498	26%
Net operating income	37,725	46,033	22%	11,294	12,190	8%
Operating expenses	(20,216)	(22,822)	13%	(5,198)	(5,601)	8%
Pre-provision profit	17,509	23,211	33%	6,096	6,589	8%
Net provisions for possible losses	(542)	(2,471)	356%	135	(186)	-237%
Income before taxes	16,967	20,741	22%	6,231	6,404	3%
Income tax	(2,188)	(2,892)	32%	(775)	(871)	12%
Net income	14,780	17,848	21%	5,456	5,532	1%
Balance Sheet Data						
Total assets	1,988,774	2,243,958		2,042,864	2,288,085	
Loans, net	1,031,105	1,119,281		1,084,969	1,143,724	
Financial assets	638,727	649,497		593,842	716,346	
Total liability	1,855,610	2,096,340		1,904,164	2,134,919	
Deposits	1,615,860	1,739,023		1,629,387	1,764,800	
Financial Debenture Payable	52,417	67,614		52,513	67,400	
Total shareholders' equity	133,164	147,617		138,700	153,166	
Operating Metrics						
Cost income ratio	53.59%	49.58%		46.03%	45.95%	
ROAE	12.33%	12.71%		16.09%	14.71%	
ROAA	0.78%	0.84%		0.98%	0.98%	
Assets Quality						
NPL	3,013	3,277		3,243	2,649	
NPL ratio	0.29%	0.29%		0.30%	0.23%	
NPL provisions	14,494	15,782		14,623	17,108	
Coverage ratio	478%	539%		451%	646%	
Capital Adequacy Metrics						
BIS ratio (Standalone)	13.5%	16.2%				
Tier I Ratio (Standalone)	10.1%	11.5%				

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Cathay Century

(NT\$MM)			FY14/ FY13			1Q15/ 1Q14
Income Statement Data (Consolidated)	FY13	FY14	% Chg	1Q14	1Q15	% Chg
Premium income	19,727	21,279	8%	4,727	4,605	-3%
Net written premium	15,280	16,080	5%	3,623	3,502	-3%
Net earned premium	14,156	15,626	10%	3,728	3,885	4%
Reinsurance commission earned	470	683	45%	163	114	-30%
Fee income	36	45	27%	9	3	-62%
Investment	715	918	28%	149	254	70%
Interest income	444	569	28%	135	138	2%
Other investment income, net	271	348	29%	14	116	753%
Net claims payment	(7,835)	(8,747)	12%	(1,914)	(1,950)	2%
Changes in liability reserves	(592)	(691)	17%	(344)	(338)	-2%
Commissions and other operating costs	(1,083)	(1,210)	12%	(267)	(273)	2%
Operating expenses	(5,328)	(5,824)	9%	(1,307)	(1,390)	6%
Operating income	538	800	49%	217	305	40%
Net non-operating income	9	29	238%	21	(5)	-123%
Income taxes	(218)	(174)	-20%	(30)	(58)	94%
Net income	329	656	99%	209	242	16%
Balance Sheet Data						
Total assets	31,709	35,863		32,857	35,131	
Total shareholders' equity	5,511	6,829		6,146	7,144	
Operating Metrics						
Gross Combined ratio	80.0%	90.7%		120.2%	85.2%	
Net Combined ratio	92.6%	99.3%		126.8%	91.1%	
ROAE	6.37%	10.71%		14.40%	13.84%	
ROAA	1.08%	1.94%		2.58%	2.72%	
Capital Adequacy Metrics						
RBC ratio (Standalone)	312%	324%				

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

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