

# 2015 First Quarter Briefing

May 2015



國泰金控

Cathay  
Financial Holdings

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# Agenda

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

# 1Q15 Business overview

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## 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%
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## Cathay Century

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

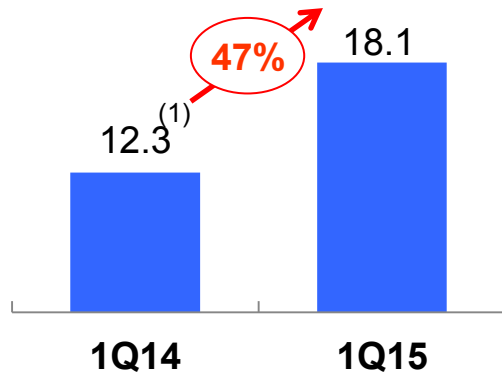
- Ranked No.1 in terms of AUM, which amounted to NT\$441BN
  - Continued to launch new products to develop retail & institutional clients business
  - Highly regarded by clients, rewarded by “Asia Asset Management Journal” with “2014 Best Institutional House” and “2014 Best Domestic Equity Fund”
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##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

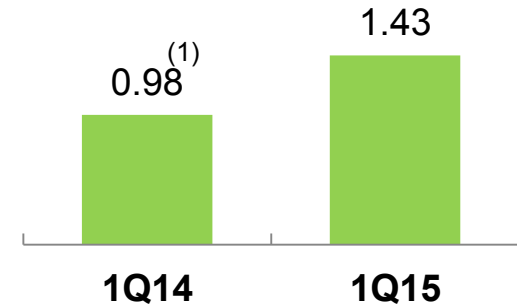
- Each business line grew nicely. Delivered significant growth with 1Q15 net profits. Earnings and EPS both reached historically high

# Cathay FHC – Net income & EPS

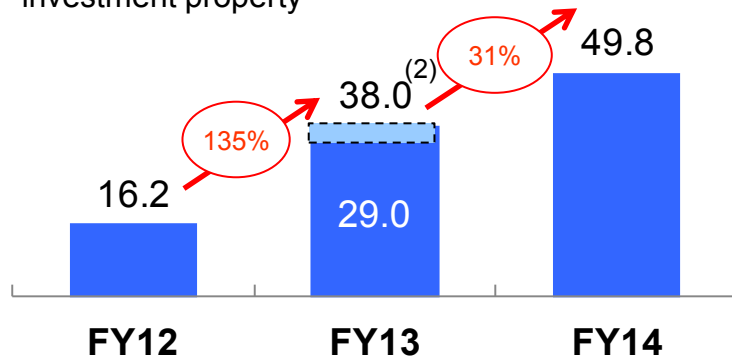
## Net income (NT\$BN)



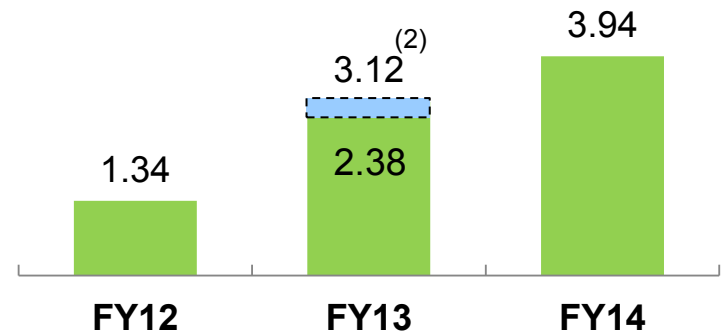
## Adjusted EPS (NT\$)



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



■ Impact to EPS from fair value method on investment property



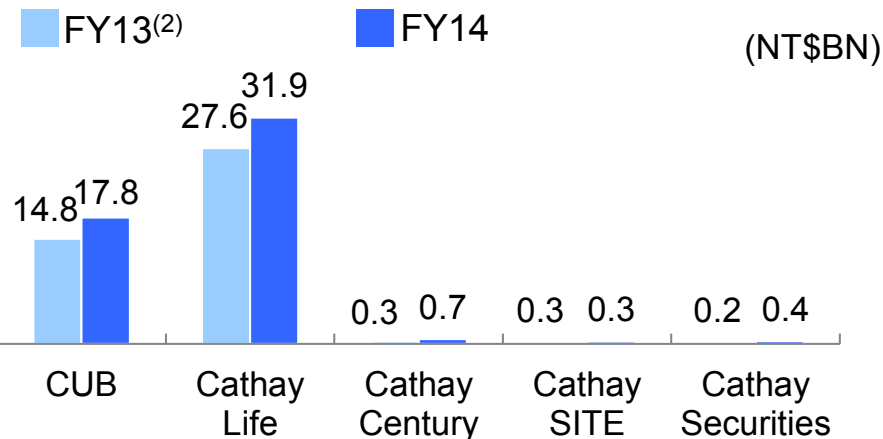
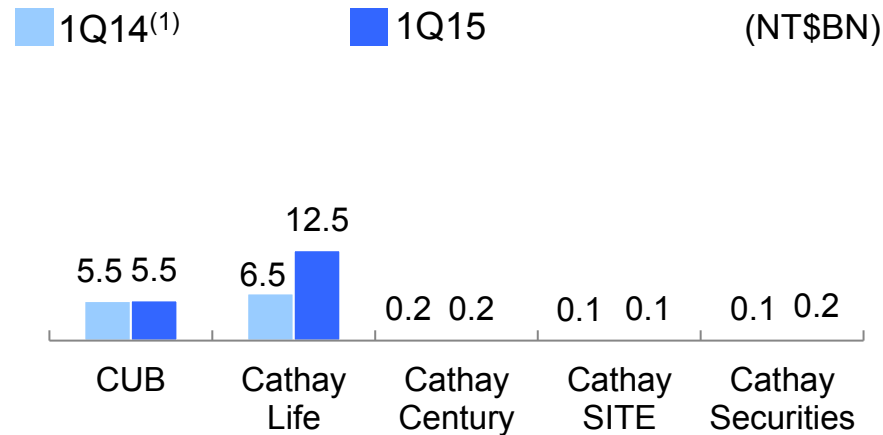
Note: (1) Starting from 2015/1/1, Cathay FHC adopts IFRS 2013 version, the related impacts are traced back to 1Q14. The adjustments to Cathay FHC and its subsidiaries are relatively small. Please refer to page 48 for reference.

(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.

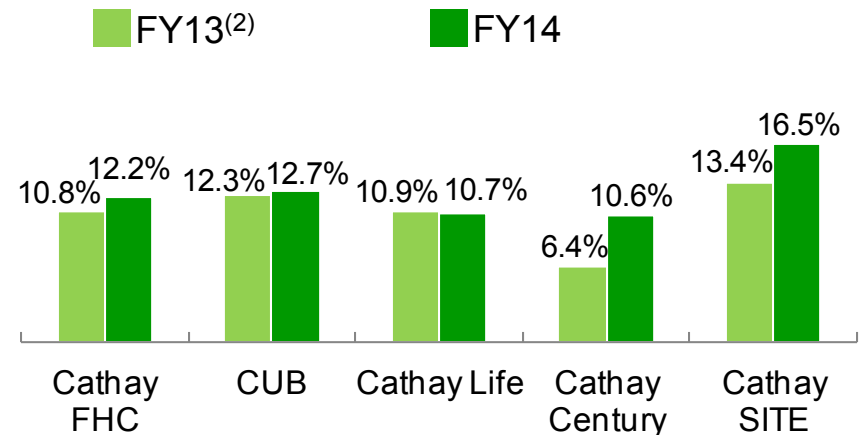
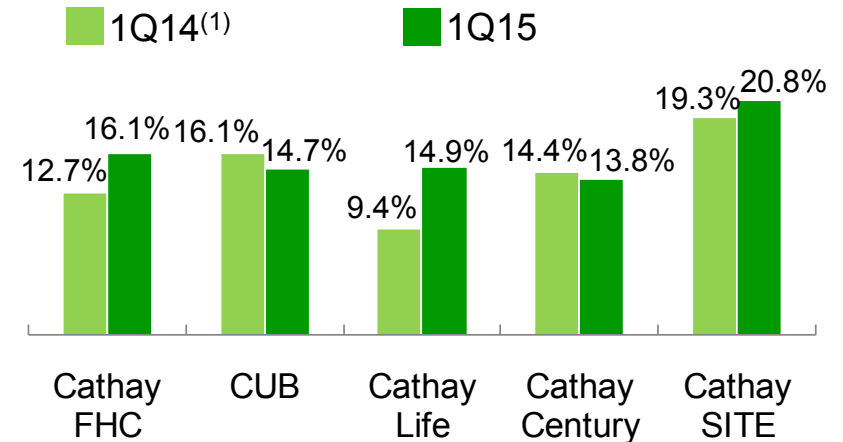
(3) EPS has been adjusted for stock dividend (stock split).

# 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 48 for reference.

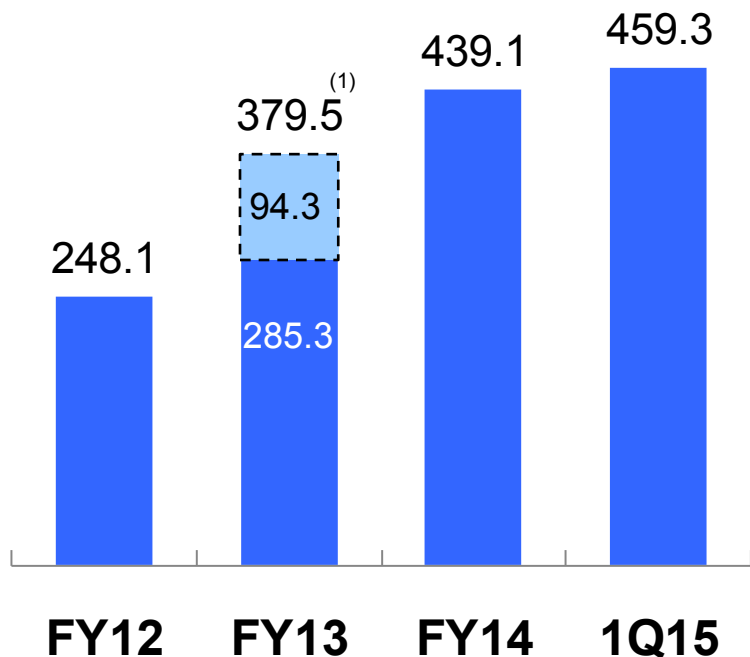
(2) FY13 ROE reflected the impact from applying fair value method on investment property, starting 2014/1/1. The impact to FY13 ROE of Cathay FHC, CUB and Cathay Life was -0.1%, -0.1% and 0.1% respectively.

# Cathay FHC – Book value & BVPS

## Book value

(NT\$BN)

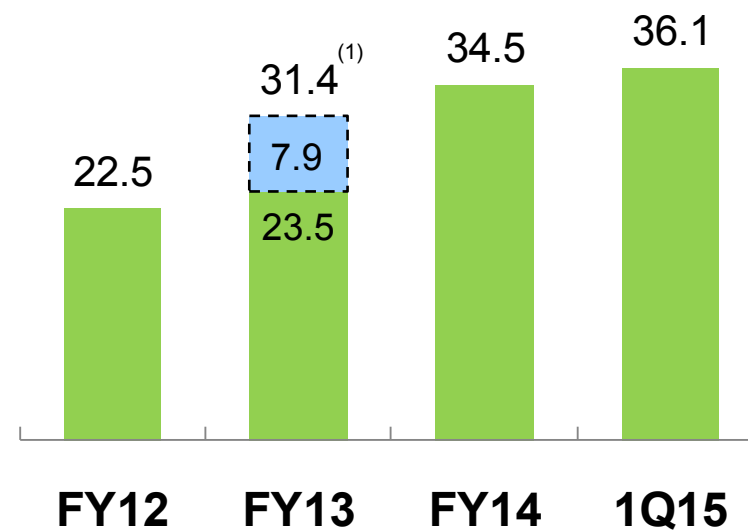
■ Impact to book value from fair value method on investment property



## BVPS

(NT\$)

■ Impact to BVPS 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 FHC and its subsidiaries are relatively small. Please refer to page 48 for reference.

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  - Cathay Life

  - Cathay Century

- **Overseas expansion**





- **Cathay Life Embedded value & appraisal value**

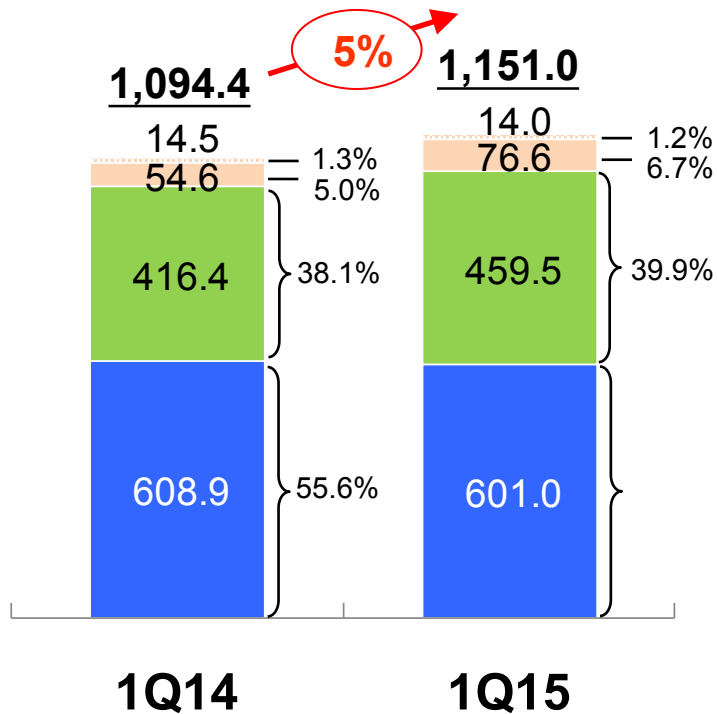
- **Appendix**





# Cathay United Bank – Loan & deposit breakdown

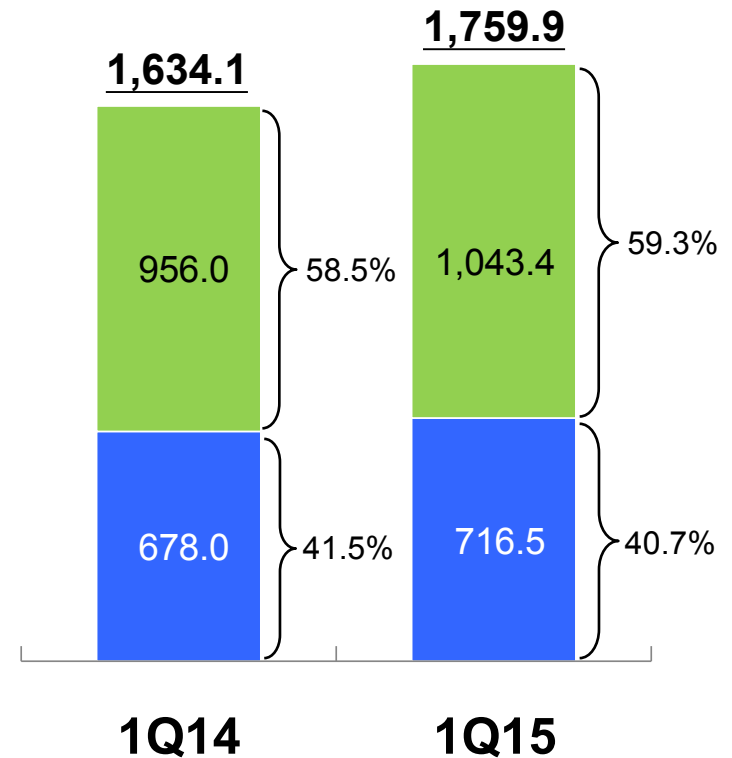
## Loan breakdown

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



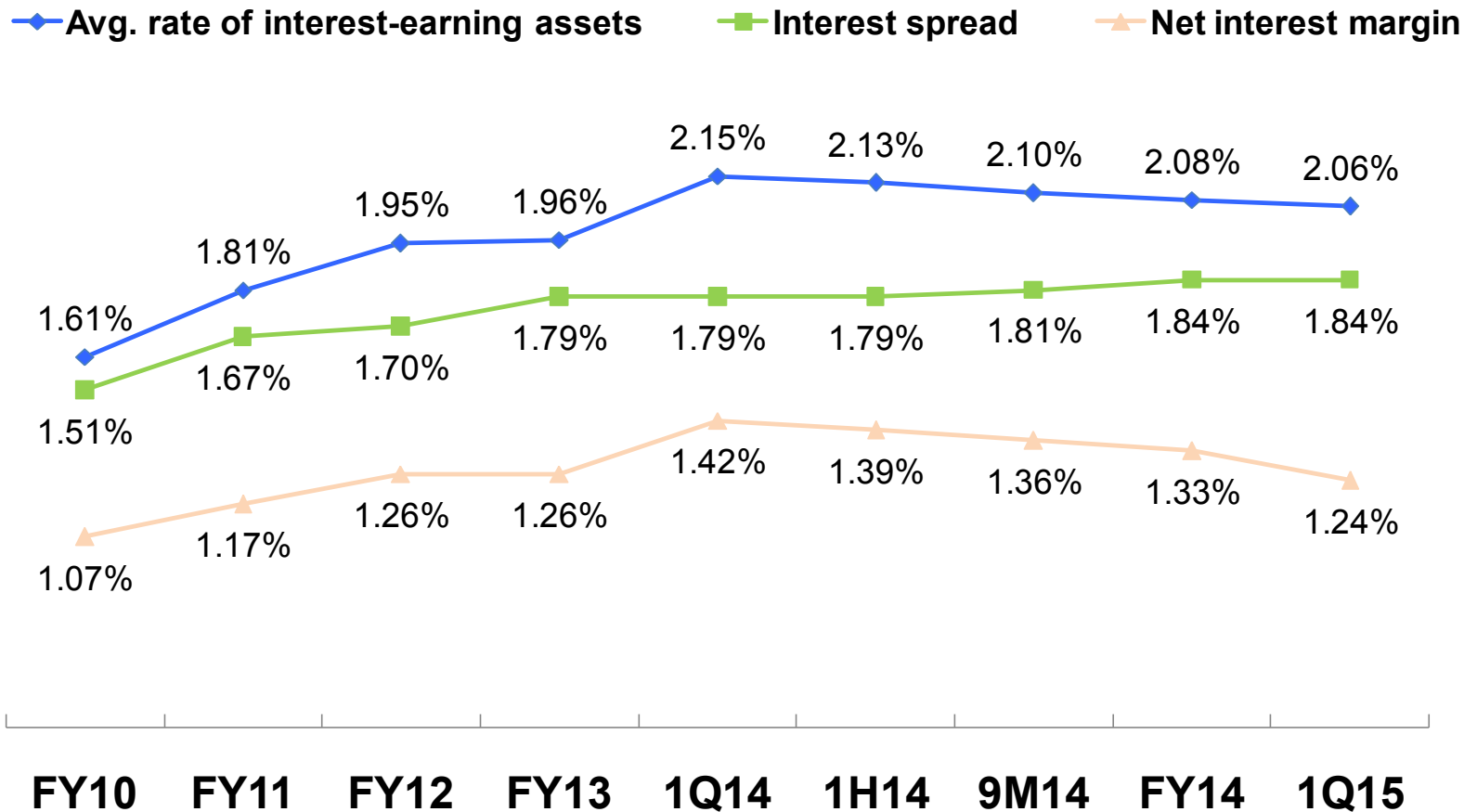
## Deposit breakdown

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



Note: Totals may not sum due to rounding.

# Cathay United Bank – Interest yields

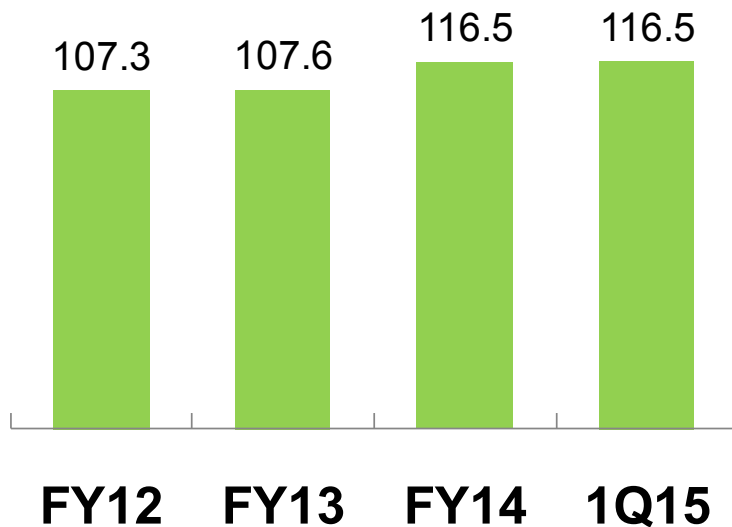


Note: Credit card related loans are included in the calculation of interest spread.

# Cathay United Bank – SME & FX loans

## SME loans

(NT\$BN)

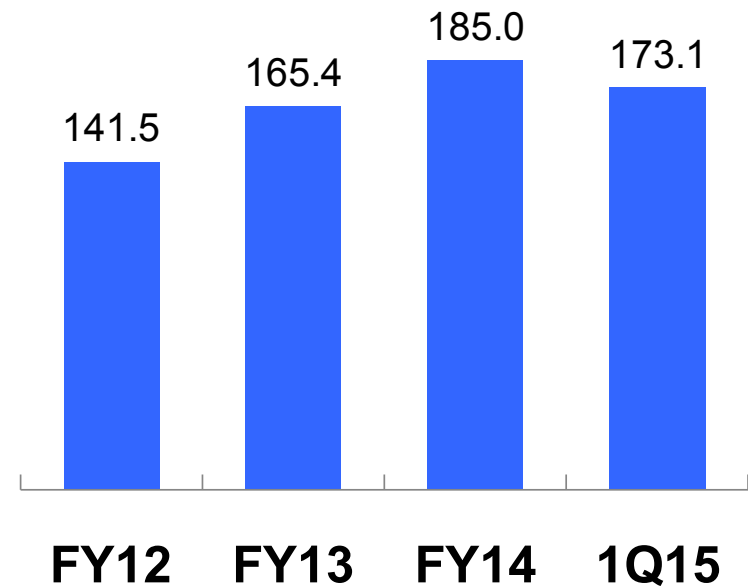


As % of total loans

11.5% 10.5% 10.5% 10.2%

## Foreign currency loans

(NT\$BN)



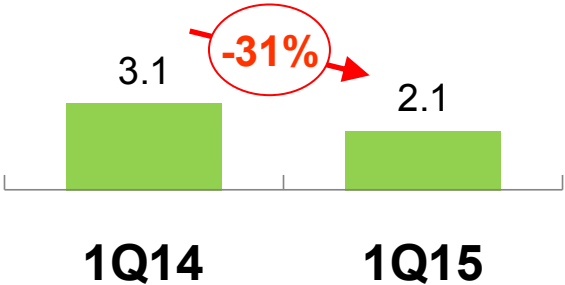
15.1% 16.1% 16.6% 15.2%

Note: Total loans exclude credit card revolving balance.

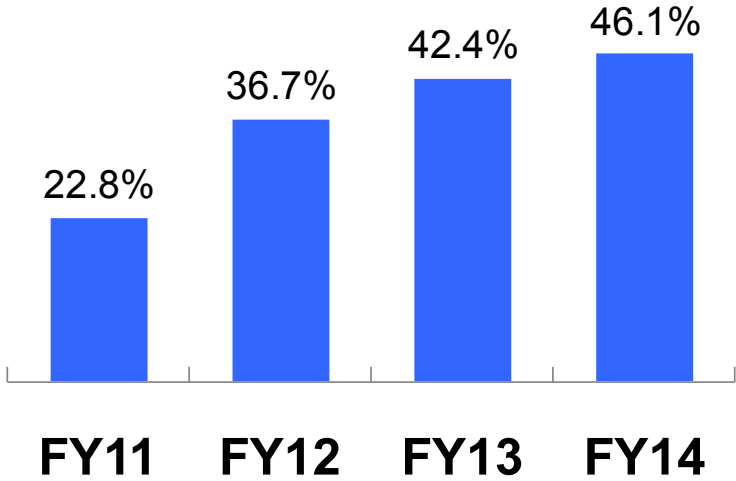
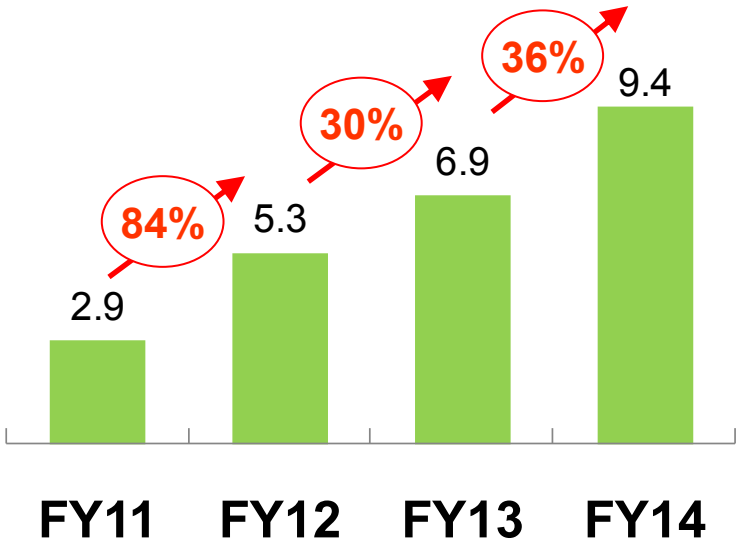
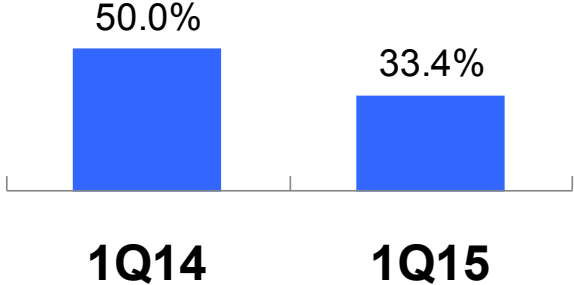
# Cathay United Bank – Offshore earnings

## Offshore earnings

(NT\$BN)

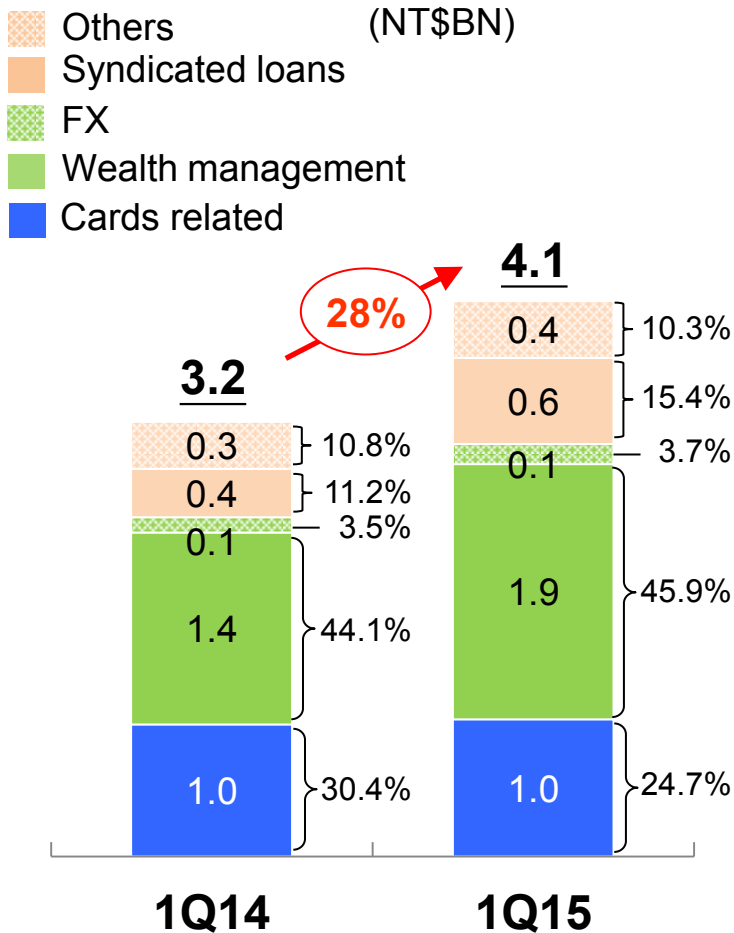


## As % of CUB pre-tax profits

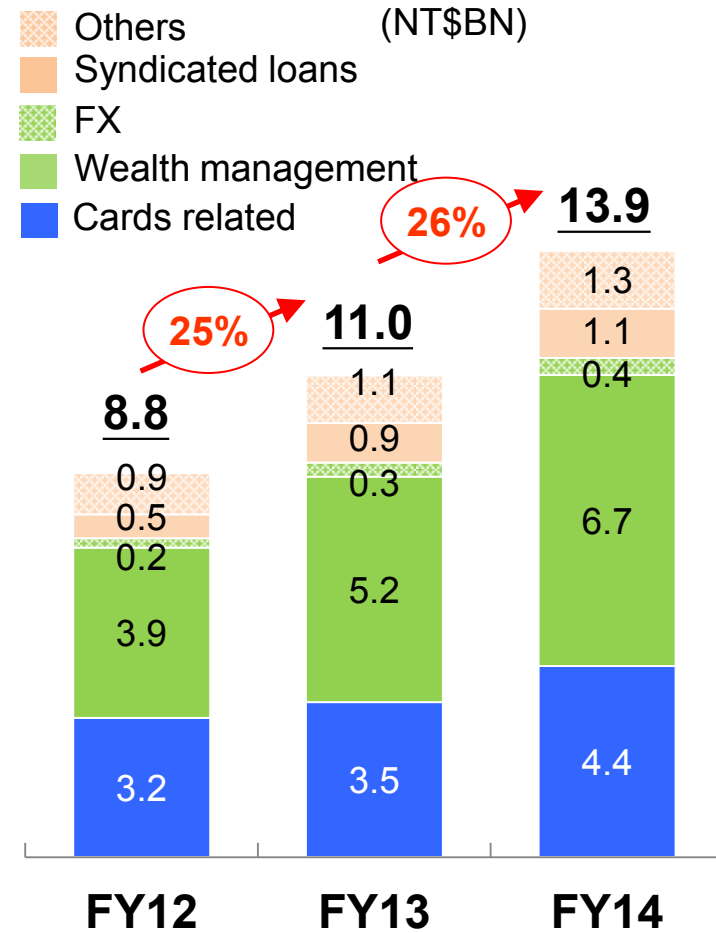


# Cathay United Bank – Fee income

## Fee income breakdown (quarterly)



## Fee income breakdown (annual)



Note: Totals may not sum due to rounding.

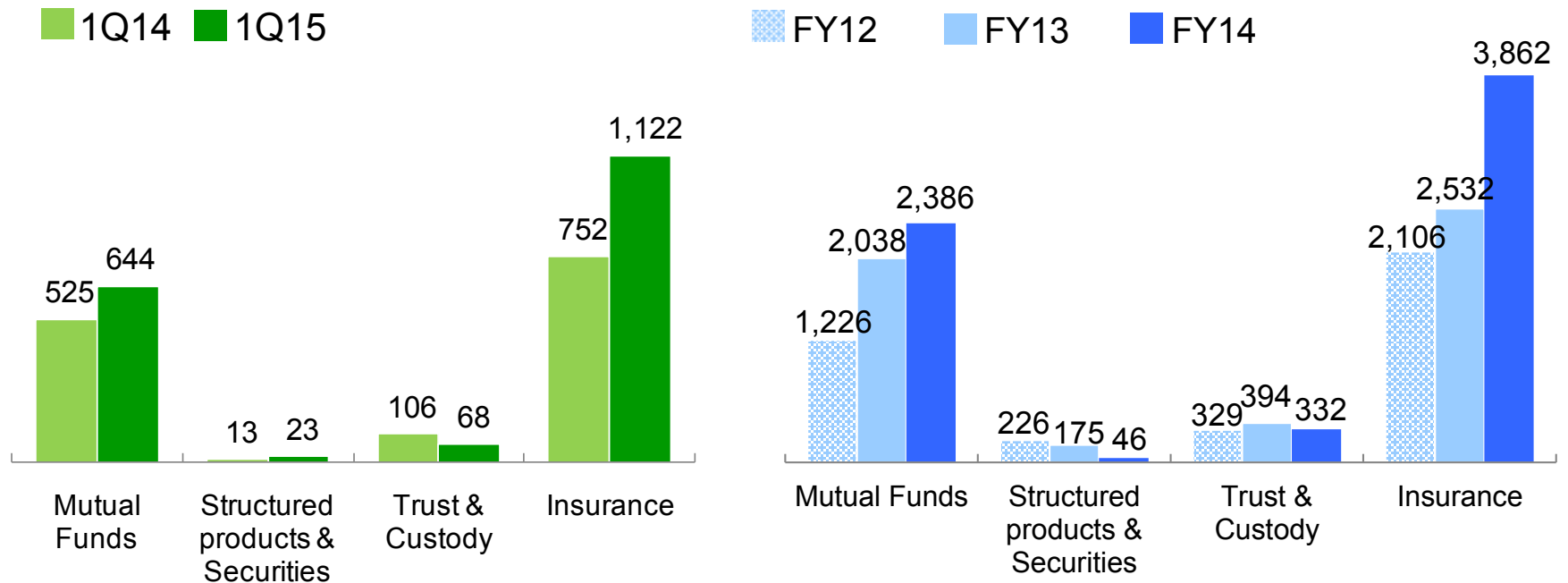
# Cathay United Bank – Wealth management fee breakdown

## Wealth management fee breakdown

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

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

<b>Revenue from DCI, SI &amp; others</b>	<b>413</b>	<b>97</b>	<b>141</b>	<b>1,159</b>	<b>1,934</b>
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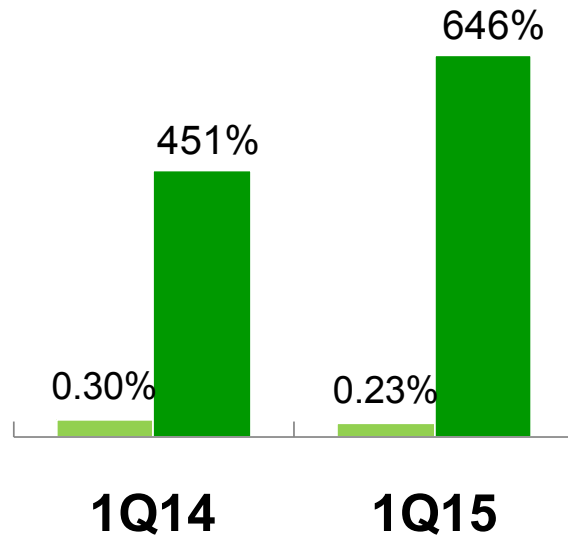


Note: (1) Wealth management fee excludes revenue from DCI, SI and others.  
 (2) Totals may not sum due to rounding.

# Cathay United Bank – Credit quality

## NPL & Coverage ratio

- NPL ratio
- Coverage ratio

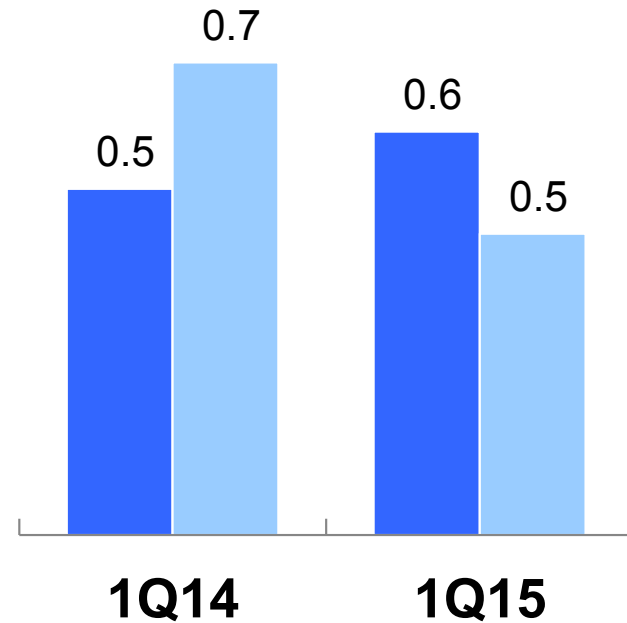


Mortgage NPL

0.04%      0.07%

## Gross provision

- Gross provision (NT\$BN)
- Recovery



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- **Appendix**



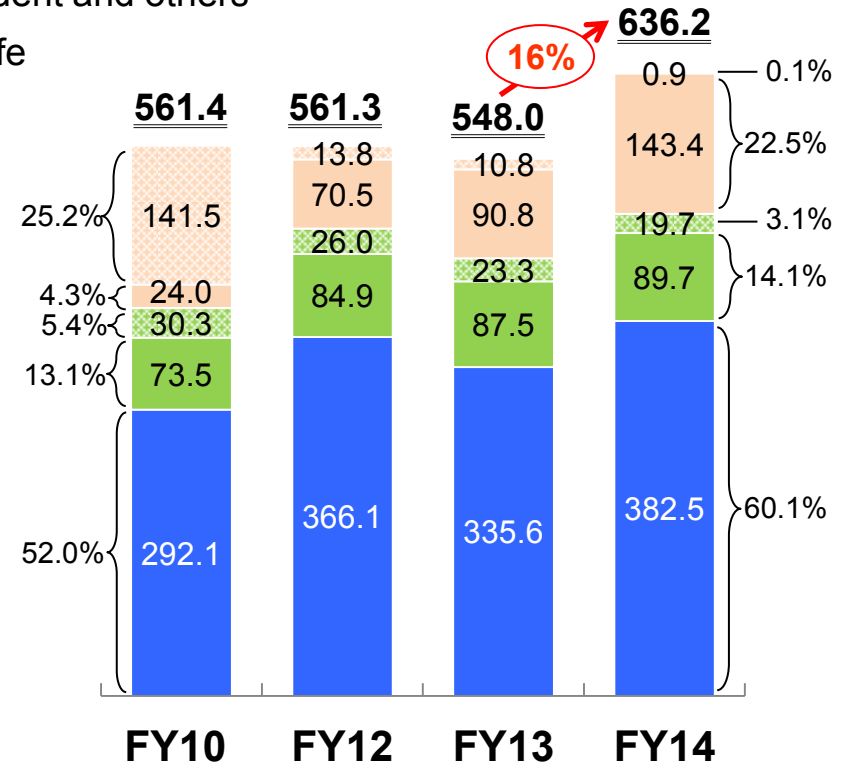
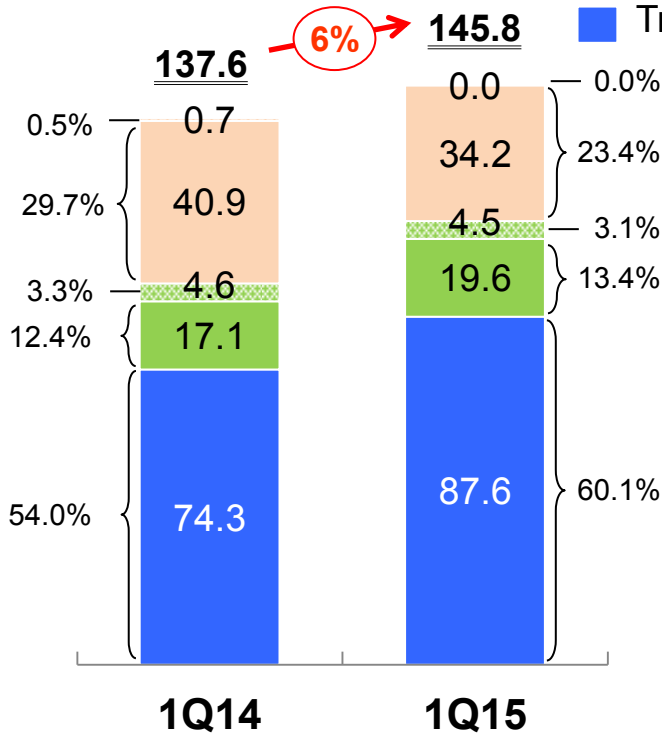
# Cathay Life – Total premium

## Total premium (quarterly)

## Total premium (annual)

(NT\$BN)







- Interest crediting annuity
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life

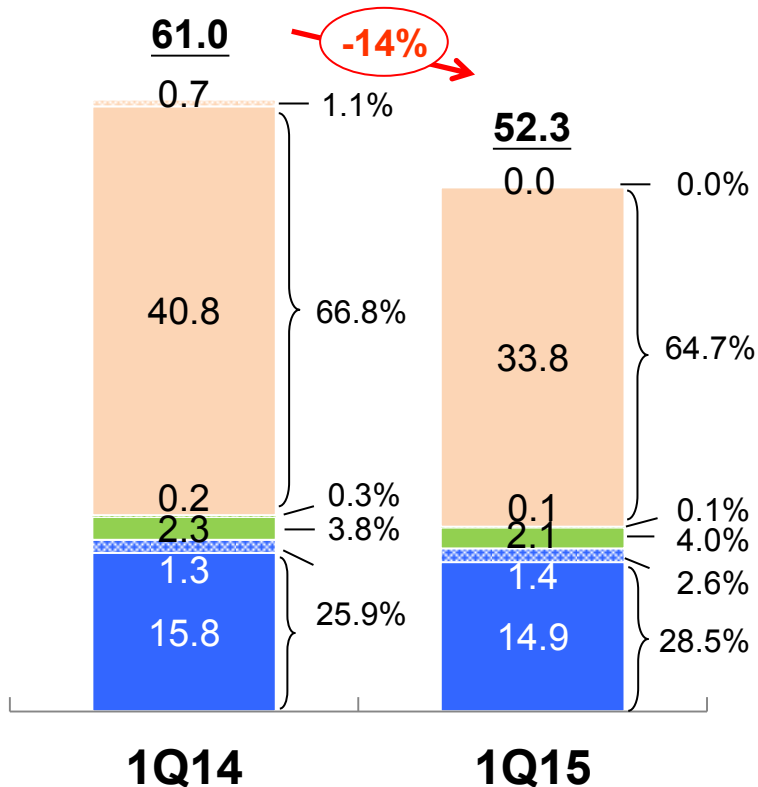


Note: Totals may not sum due to rounding.






# Cathay Life – FYP & FYPE

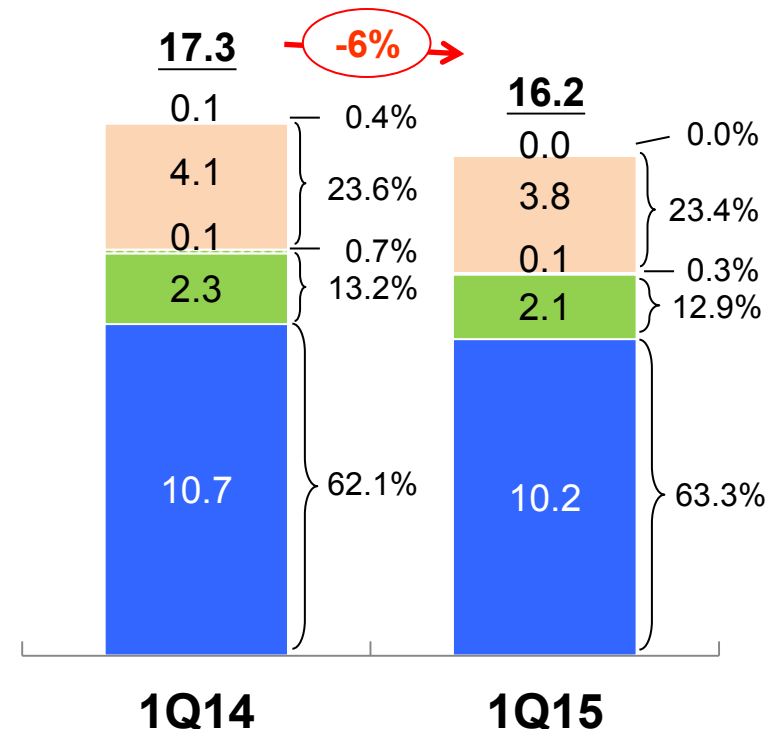
## FYP

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



## FYPE

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

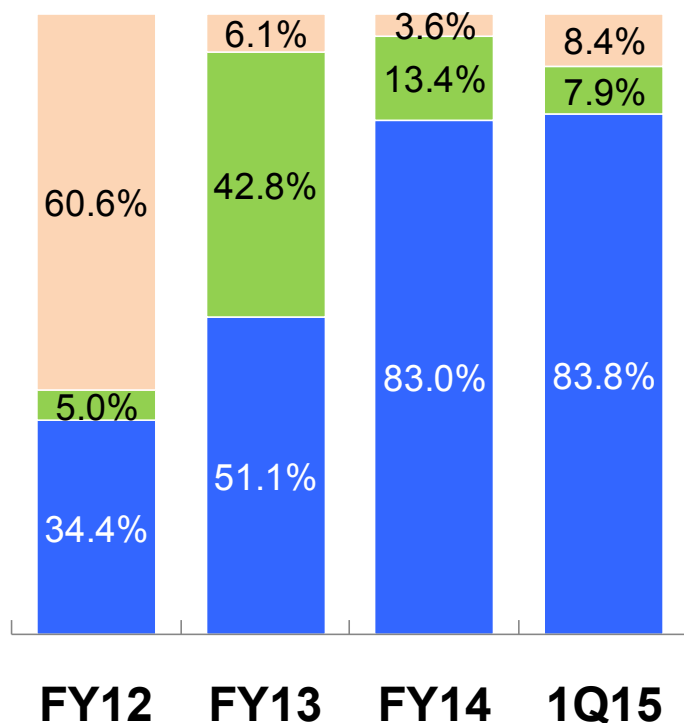


Note: Totals may not sum due to rounding.

# Cathay Life – Regular paid policies remain as focus

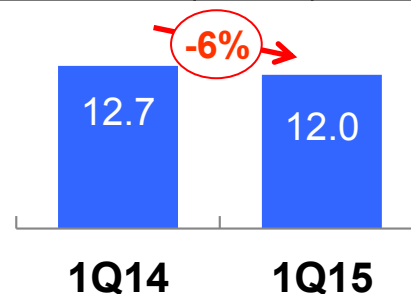
## Breakdown of Traditional FYP

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

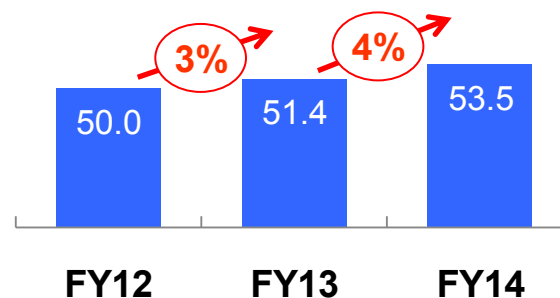


## VNB

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%

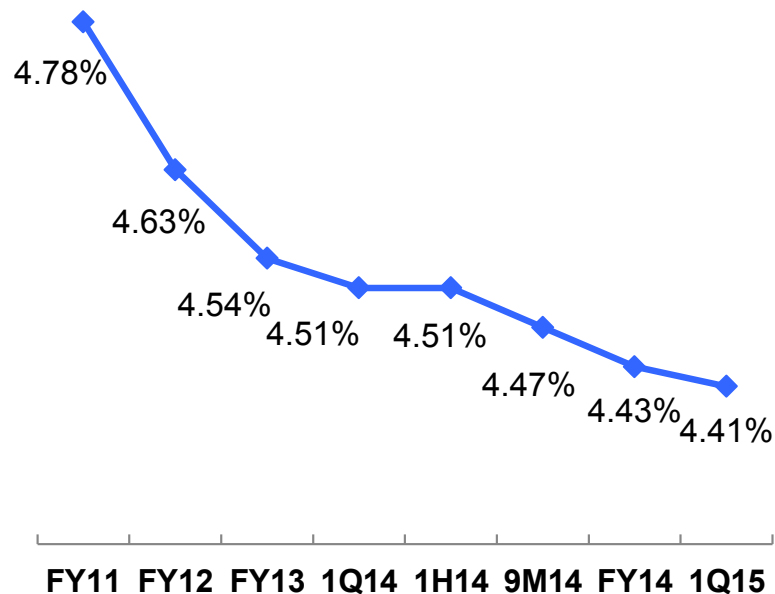


Note: Totals may not sum due to rounding.

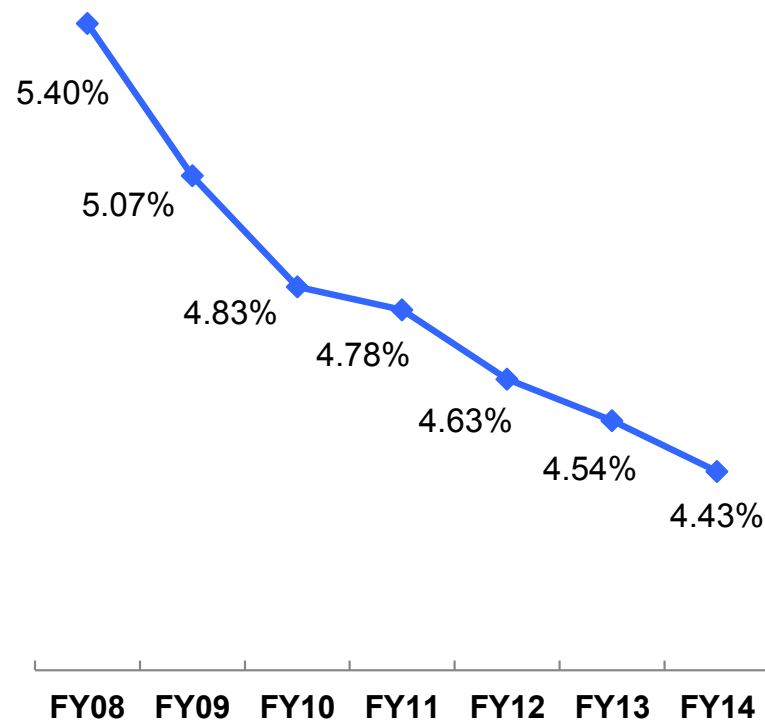
Note : FY14 and 1Q15 VNB is based on Cathay Life's 2014 EV actuarial assumptions.

# Cathay Life – Cost of liability

## Cost of liability (quarterly)



## Cost of Liability (annual)



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

# Cathay Life – Investment portfolio

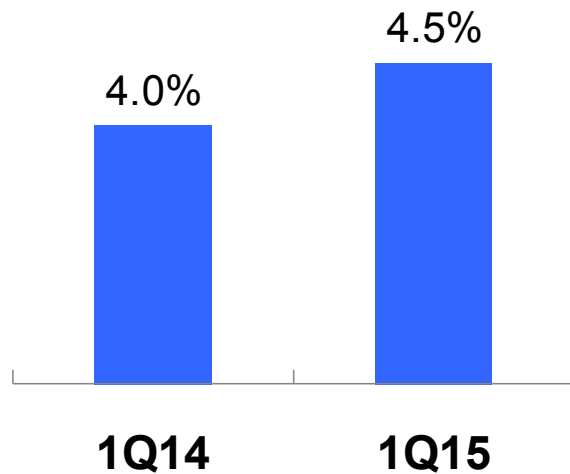
(NT\$BN)	4Q12	4Q13	4Q14	1Q15		
<b>Total investments<sup>(1)</sup></b>	<b>3,283.7</b>	<b>3,785.1</b>	<b>4,169.1</b>	<b>4,239.6</b>		
	<b>Weight</b>	<b>Weight</b>	<b>Weight</b>	<b>Amount</b>	<b>Weight</b>	<b>Amount</b>
<b>Cash &amp; Cash equivalents</b>	<b>8.2%</b>	<b>3.7%</b>	<b>3.2%</b>	<b>131.6</b>	<b>3.0%</b>	<b>128.9</b>
<b>Equity- Domestic</b>	<b>8.1%</b>	<b>8.9%</b>	<b>8.4%</b>	<b>350.9</b>	<b>8.2%</b>	<b>346.8</b>
<b>Equity- International</b>	<b>4.3%</b>	<b>4.9%</b>	<b>5.0%</b>	<b>209.4</b>	<b>5.4%</b>	<b>227.7</b>
<b>Bond- Domestic</b>	<b>16.6%</b>	<b>14.4%</b>	<b>11.0%</b>	<b>459.2</b>	<b>10.6%</b>	<b>449.9</b>
<b>Bond- International<sup>(1)</sup></b>	<b>39.6%</b>	<b>38.9%</b>	<b>43.6%</b>	<b>1,816.7</b>	<b>44.9%</b>	<b>1905.6</b>
<b>Mortgage &amp; Secured loans</b>	<b>10.3%</b>	<b>12.2%</b>	<b>12.7%</b>	<b>529.6</b>	<b>12.4%</b>	<b>527.1</b>
<b>Policy loans</b>	<b>5.5%</b>	<b>4.7%</b>	<b>4.0%</b>	<b>166.4</b>	<b>3.8%</b>	<b>162.0</b>
<b>Real estate<sup>(2)</sup></b>	<b>5.6%</b>	<b>10.6%</b>	<b>10.5%</b>	<b>439.4</b>	<b>10.4%</b>	<b>440.1</b>
<b>Others</b>	<b>1.8%</b>	<b>1.7%</b>	<b>1.6%</b>	<b>65.9</b>	<b>1.2%</b>	<b>51.5</b>

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

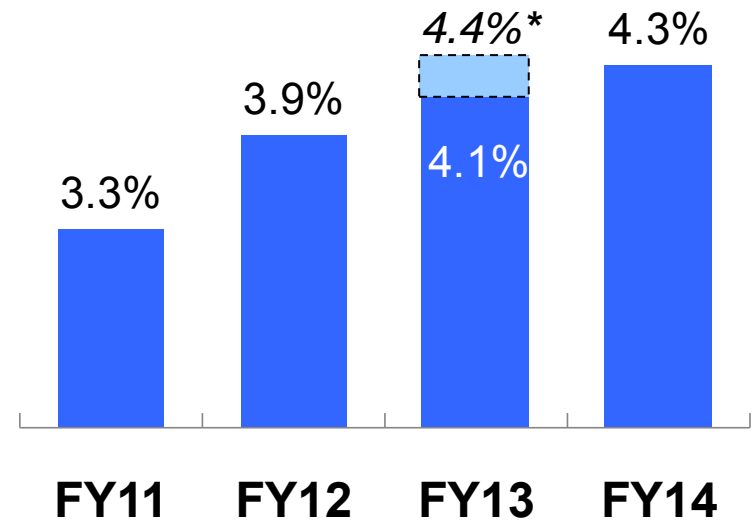
(2) Real estate included 2013/1/1 IFRS adoption appraisal gain NT\$71.3BN from investment property and the impact of NT\$133.1BN from the change to fair value method on investment property on 2014/1/1. FY2014 appraisal gain from subsequent measurement of investment property is NT\$16.6BN.

# Cathay Life – Investment performance highlight

After-hedging investment yield



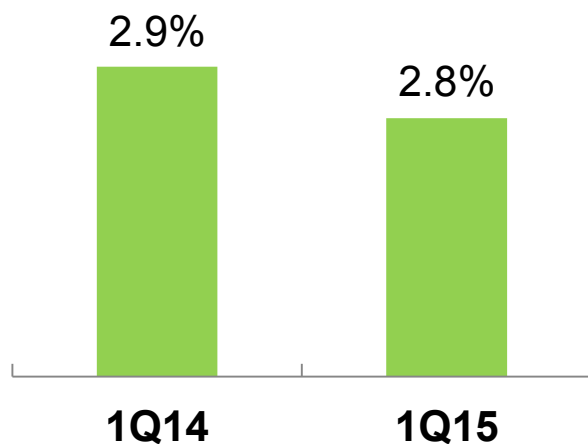
After-hedging investment yield  
(annual)



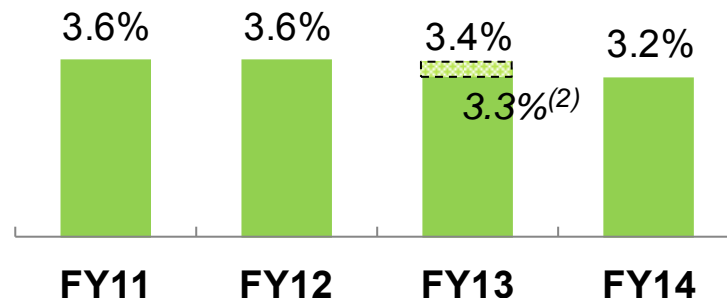
Note: FY13 (4.4% ) was pro forma adjusted number of fair value method on investment property.

# Cathay Life – Investment performance highlight

## Pre-hedging recurring yield<sup>(1)</sup>

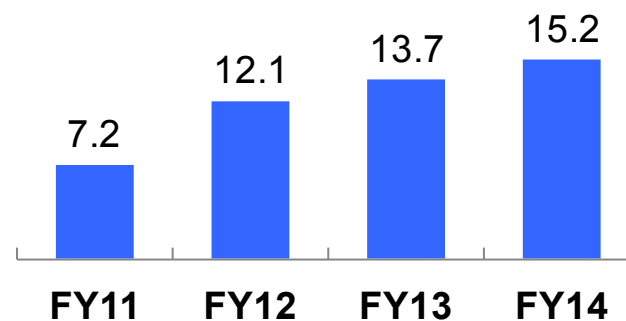


## Pre-hedging recurring yield



## Cash dividend

(NT\$BN)



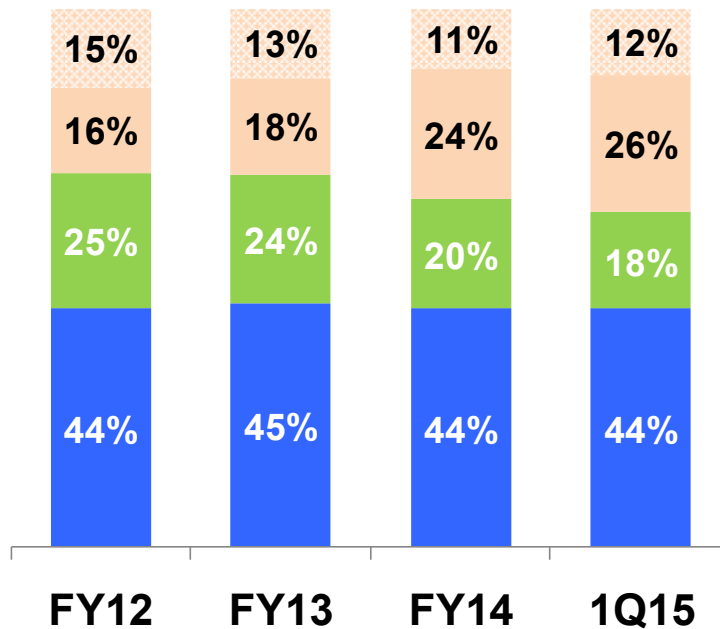
Note: (1) Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend. Most dividend will be recognized in 2Q & 3Q.

(2) FY13 (3.3%) was pro forma adjusted number of fair value method on investment property.

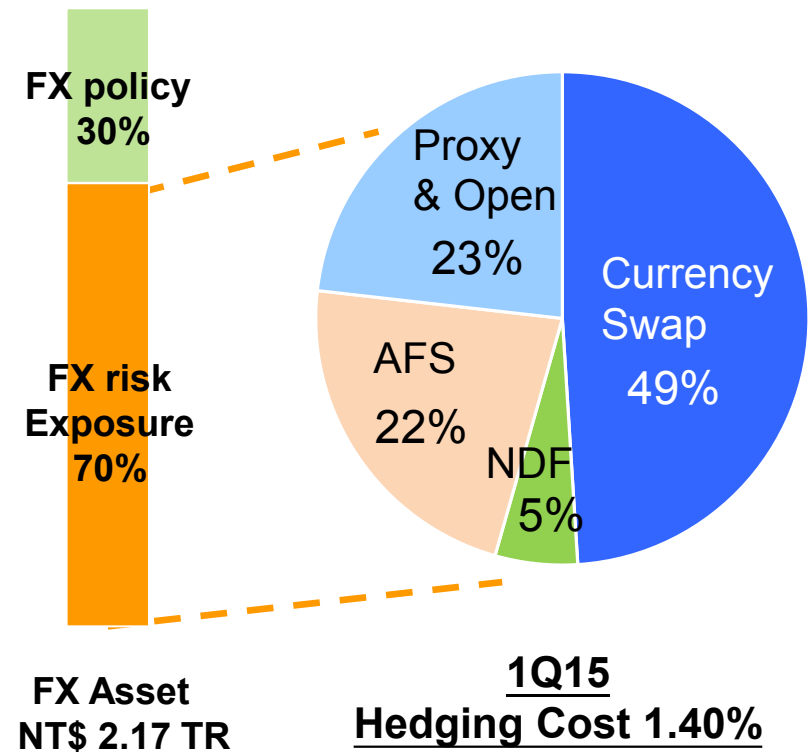
# Cathay Life – Overseas fixed income investment region & Hedging structure

## Overseas Fixed Income by Region

- Others
- Asia Pacific
- Europe
- North America



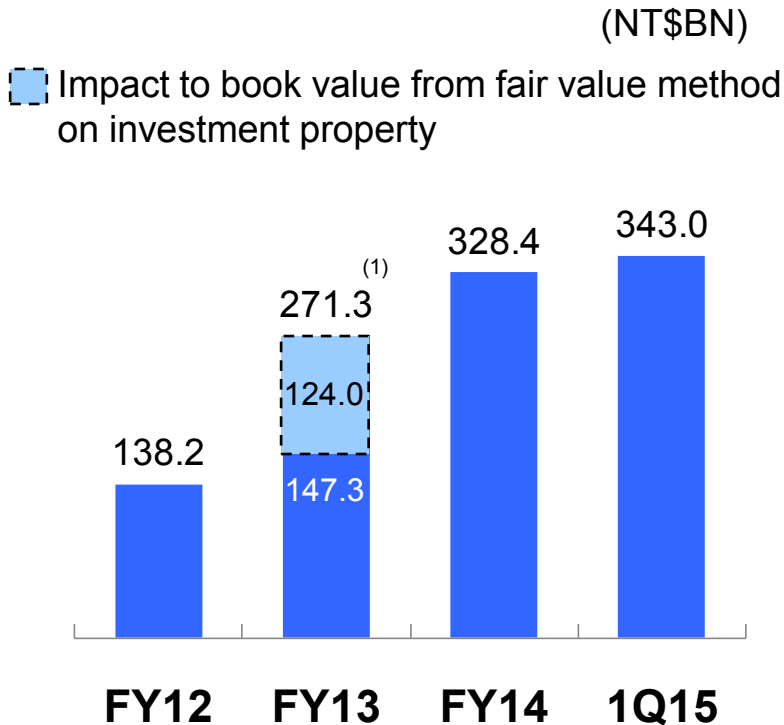
## Currency Hedging Structure



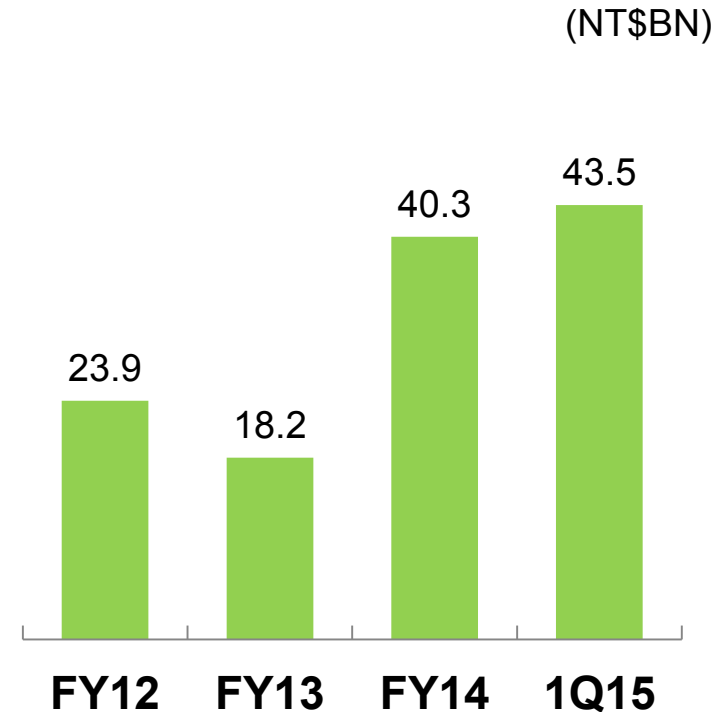


# Cathay Life – Book value & Unrealized G/L of AFS financial assets

## Book value



## Unrealized G/L of AFS financial assets



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

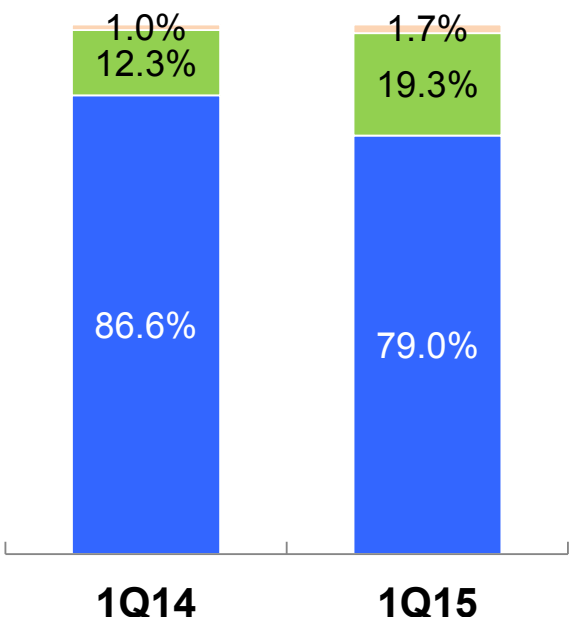
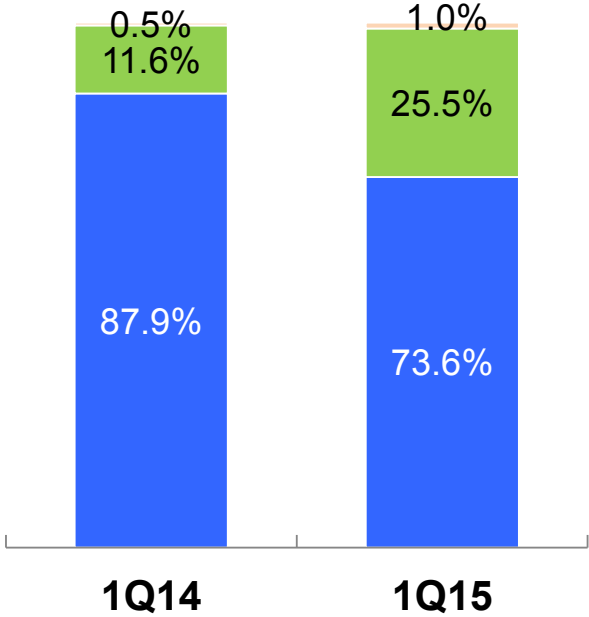
(2) Starting from FY12, book value included minority interest, BVPS excluded minority interest. Starting from 2015/1/1, Cathay FHC adopts IFRS 2013 version, the related impacts are traced back to FY14. The adjustments to Cathay Life are relatively small. Please refer to page 48 for reference.

# Cathay Life – Distribution channel

FYP

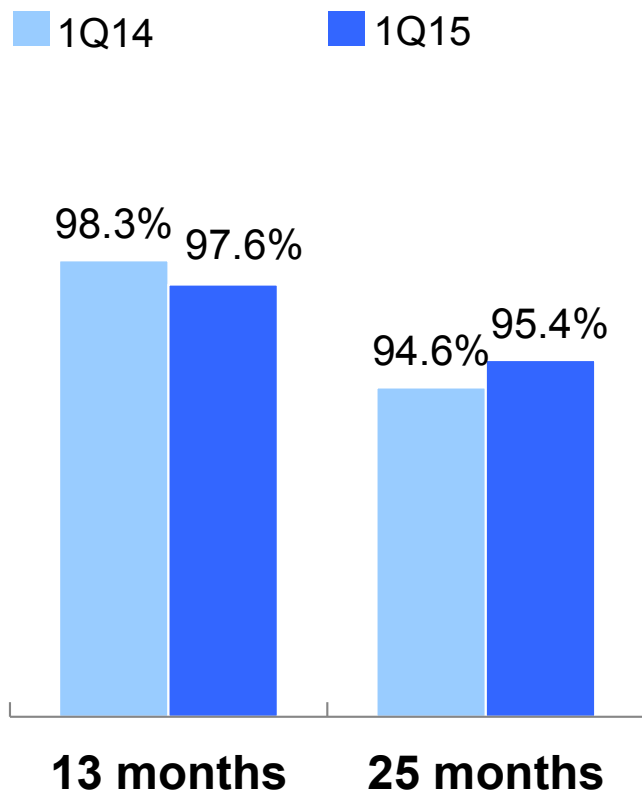
FYPE

- Others
- Bancassurance-CUB
- Tied agents

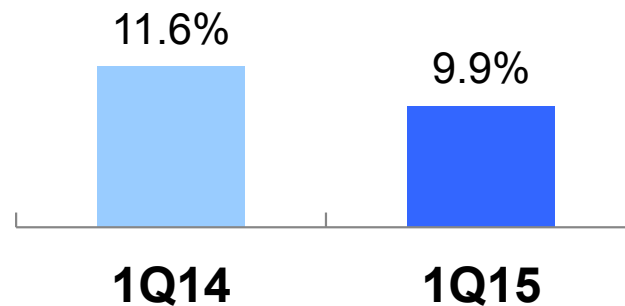


# Cathay Life – Operational indicators

## Persistency ratio



## Expense ratio



# Agenda

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- **Overseas expansion**

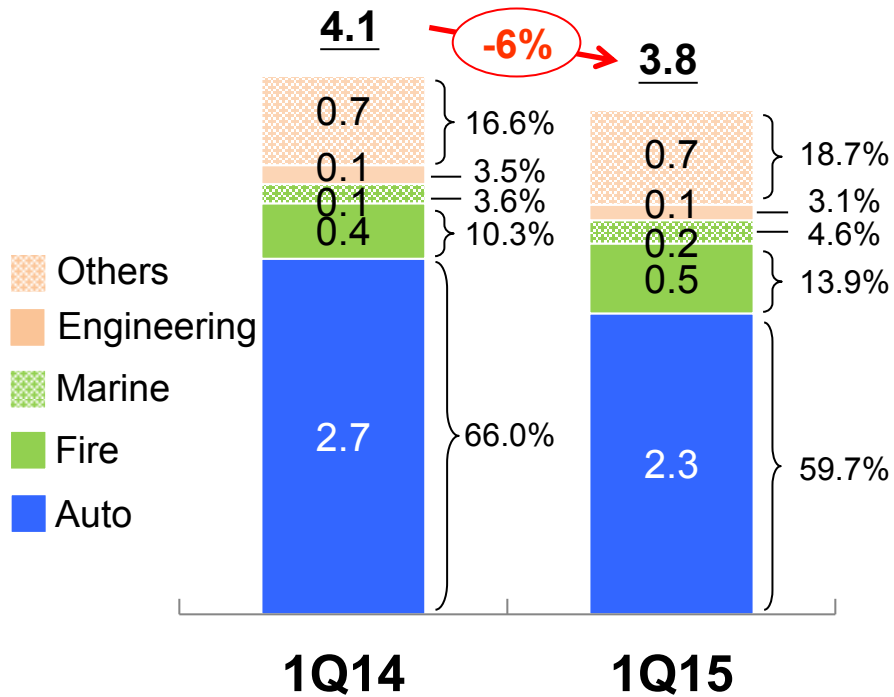
- **Cathay Life Embedded value & appraisal value**

- **Appendix**

# Cathay Century

## Premium income

(NT\$BN)

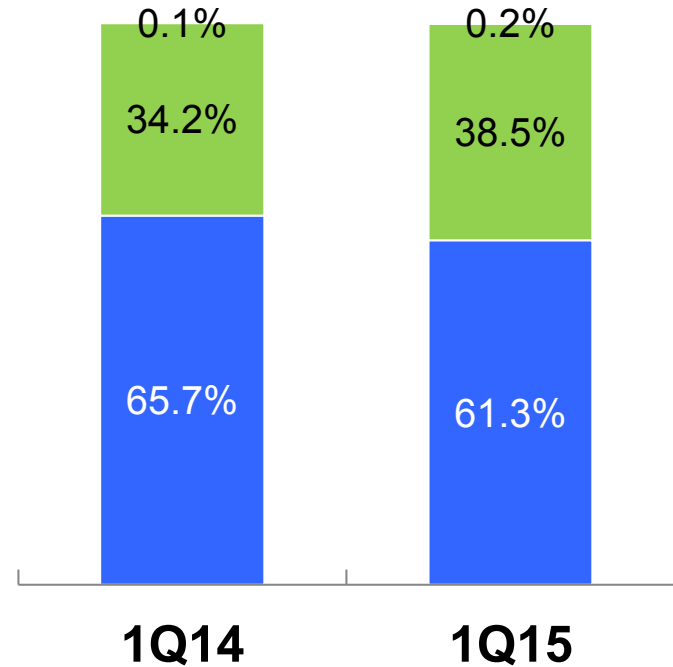


Market share	12.1%	11.1%
Retention	78.7%	74.1%

Note: Totals may not sum due to rounding.

## Distribution channel

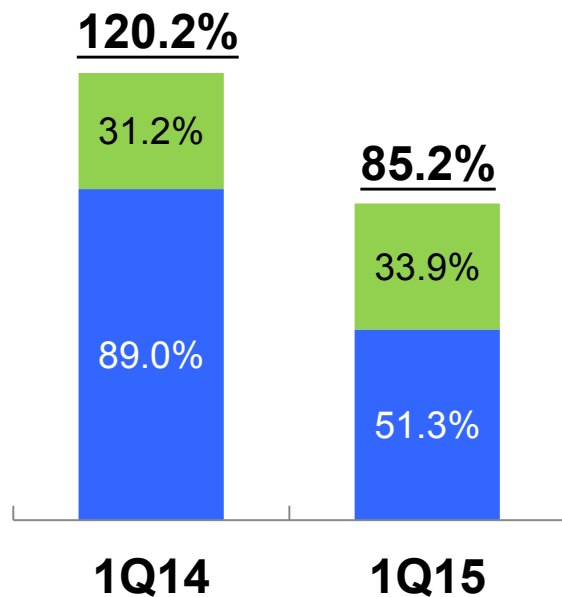
- Affiliate channels
- Cathay P&C agents
- Cathay group channel



# Cathay Century – Combined ratio

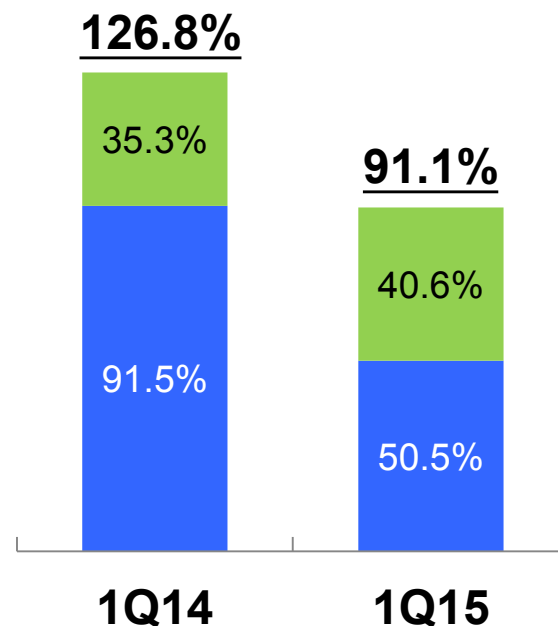
## Gross combined ratio

- Gross expense ratio
- Gross loss ratio



## Retained combined ratio

- Retained expense ratio
- Retained loss ratio

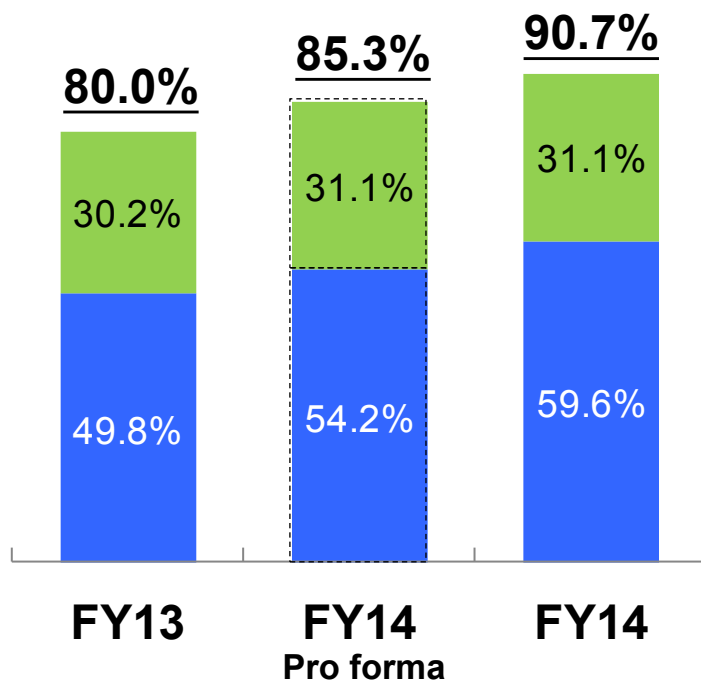


Note: From 2014/1/1, the loss provisions rules on compulsory car insurance was changed and the regulatory change cause an one-off impact on the of 2014 loss ratios.

# Cathay Century – Combined ratio (annual)

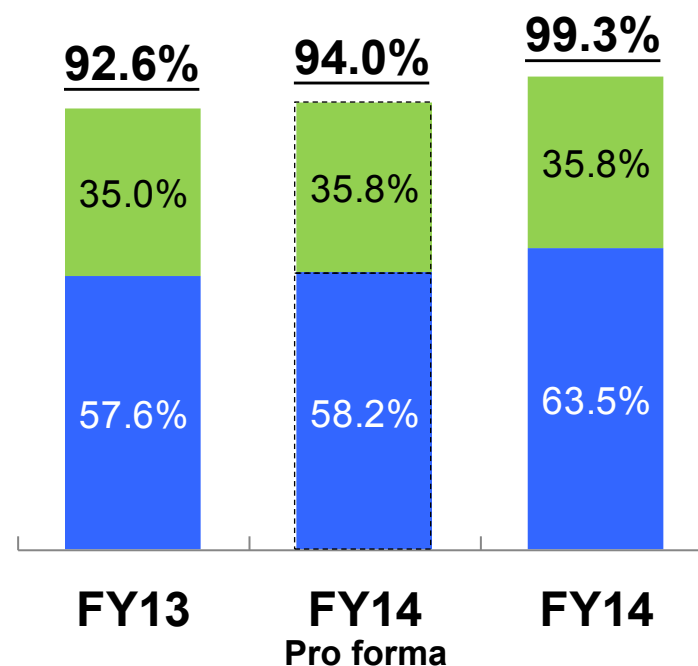
## Gross combined ratio

- 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.

# Agenda

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- **1Q15 Business overview**

  - Cathay United Bank

  - Cathay Life

  - Cathay Century

- **Overseas expansion**

- **Cathay Life Embedded value & appraisal value**

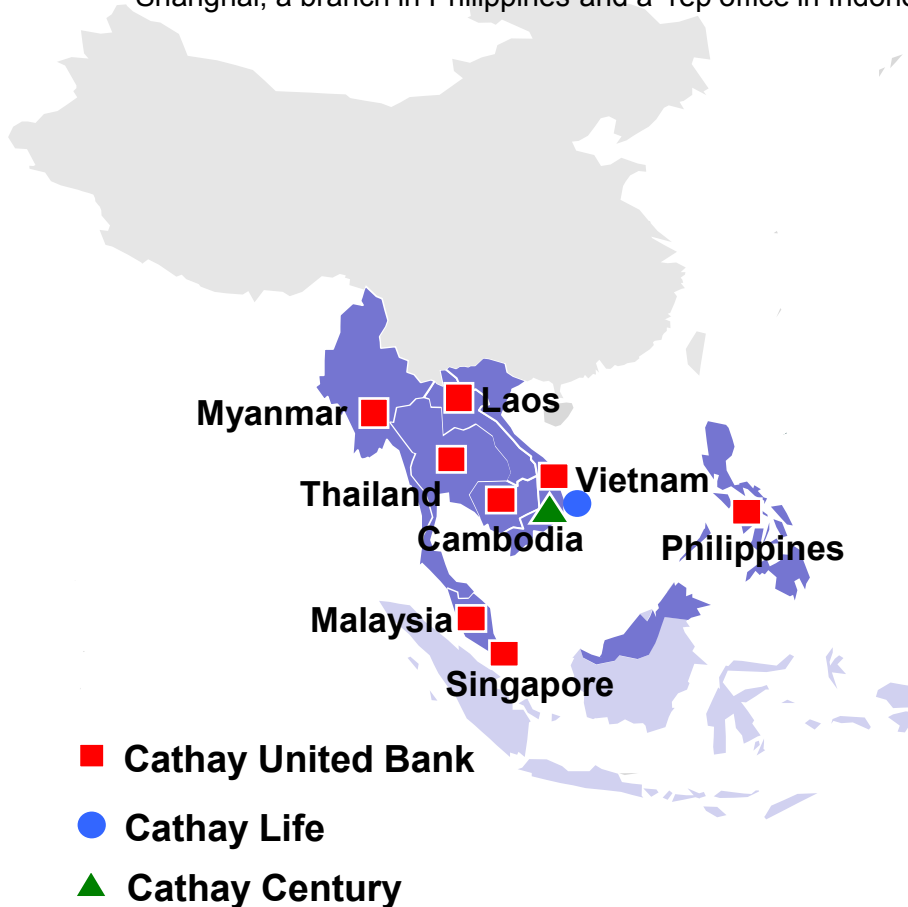
- **Appendix**



# 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

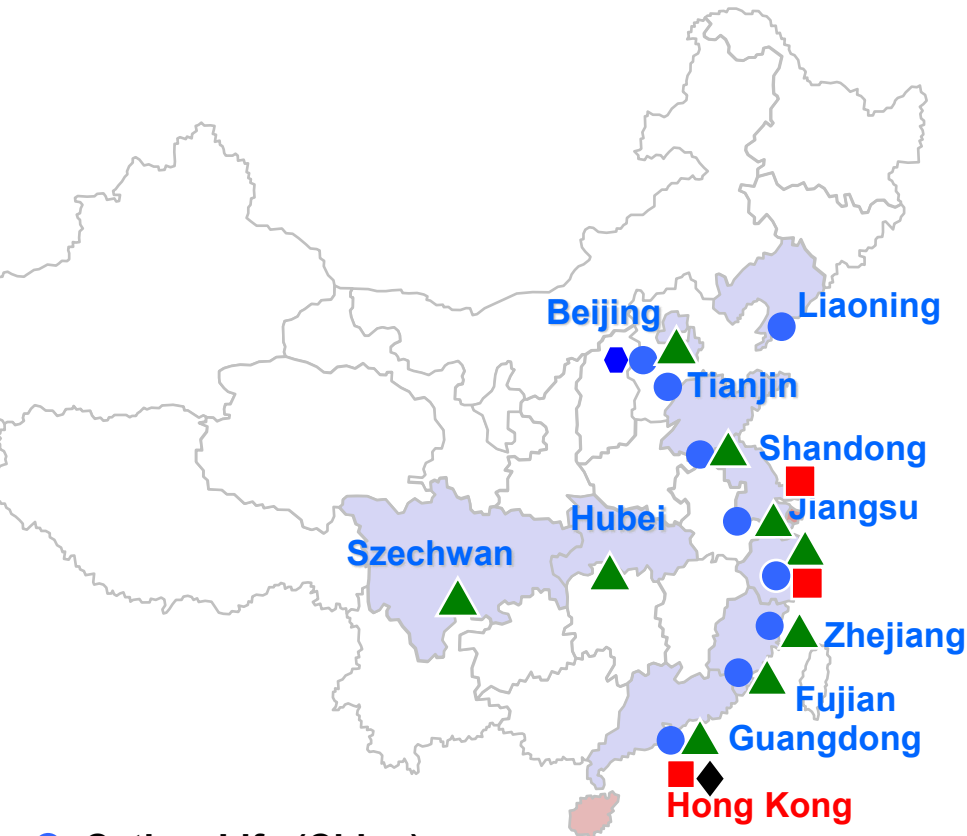
## ■ Cathay Life

- 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

# 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

# Agenda

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- **1Q15 Business overview**

  - Cathay United Bank

  - Cathay Life

  - Cathay Century

- **Overseas expansion**

- **Cathay Life Embedded value & appraisal value**

- **Appendix**

# Embedded Value & Appraisal Value

Valuation date	2013/12/31	2014/12/31
<b>In-force business investment yield</b>	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%)
<b>Future one year's new business investment yield</b>	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
<b>Risk discount rate</b>	10%	10%
<b>Adjusted net worth</b>	352	403
<b>Value of in-force business</b>	396	434
<b>Cost of capital (CoC)</b>	-113	-128
<b>Value of in-force business (After CoC)</b>	283	306
<b>Embedded Value (EV)</b>	635	709
<b>EV / per share</b>	119.7 (55.0) <sup>(3)</sup>	133.6(56.4)
<b>Appraisal Value (AV)</b>	1,093	1,191
<b>Value of future one year's new business (After CoC)</b>	52.5	55.5
<b>AV / per share</b>	206.0 (94.7) <sup>(3)</sup>	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.

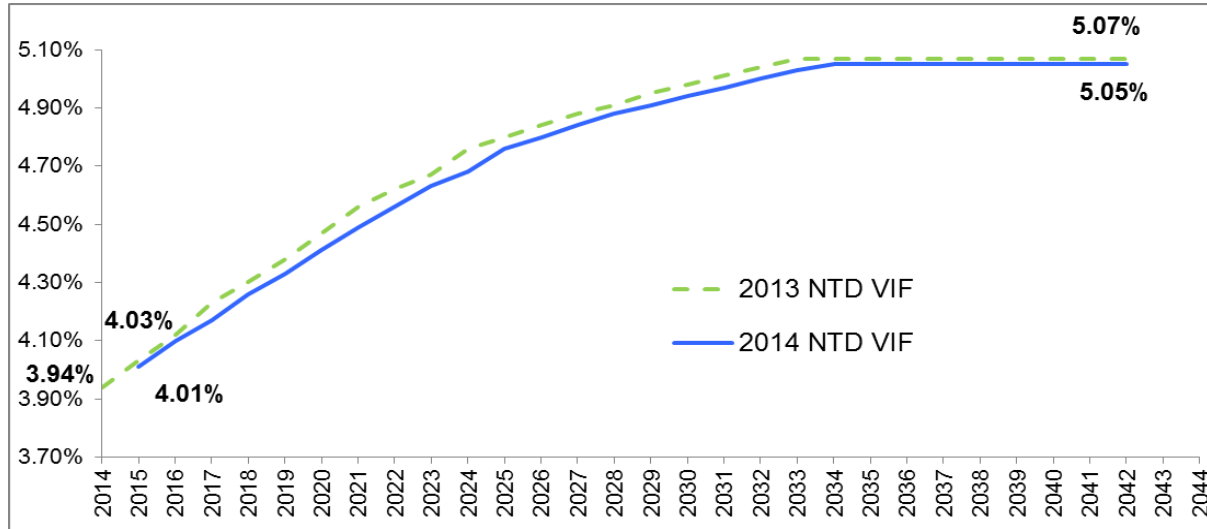
(2) per share = per share of Cathay Life; (per share) = per share of Cathay FHC

(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.

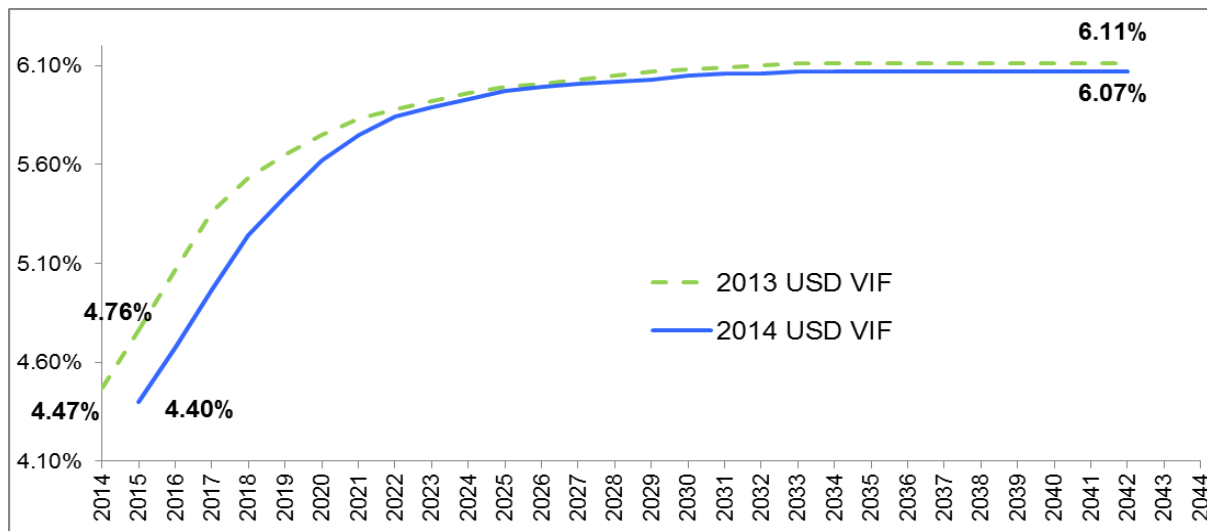
(4) May not sum to total due to rounding..

# 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.

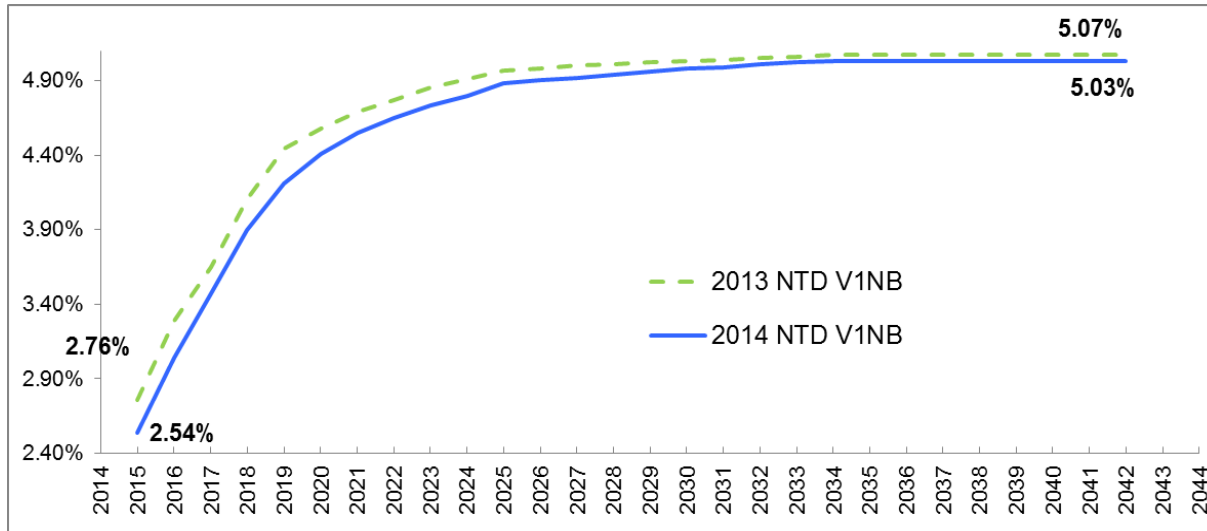


- Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2013 & 2014.

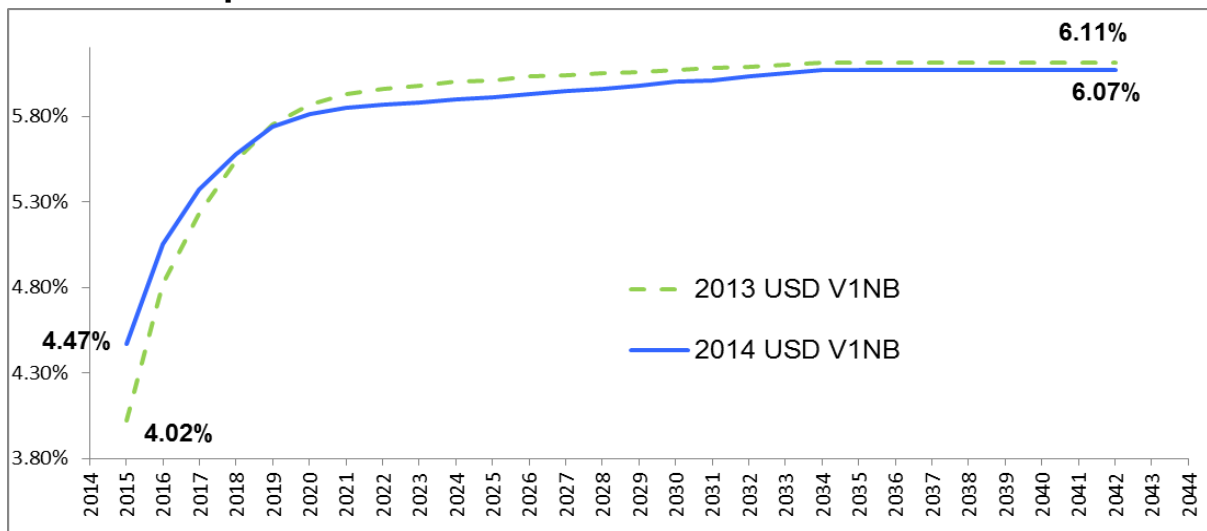


# Economic Assumptions: Future one year's new business investment yield

- 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.



# Cost of Capital Projection and Non-economic Assumptions

## ■ RBC capital requirement:

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

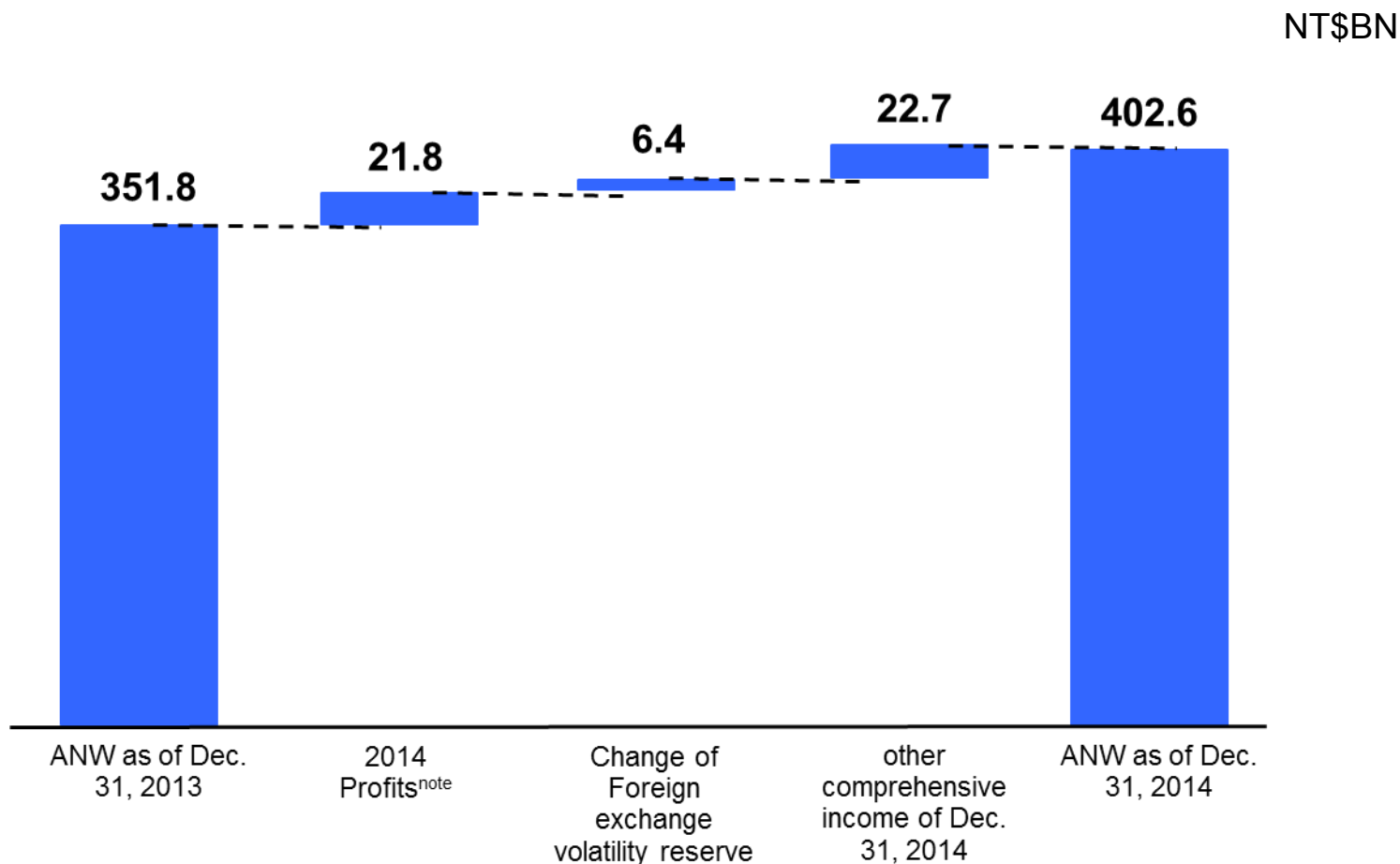
1. K factor = 0.5.
2. Capital Requirement = 200% RBC.
3. Risk-based capital calculation reflects company's current and future operation status.
4. C3 risk capital of traditional products includes 10% of its previous year's C3 risk capital in all projection years.
5. Reflect all changes of RBC formula 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.

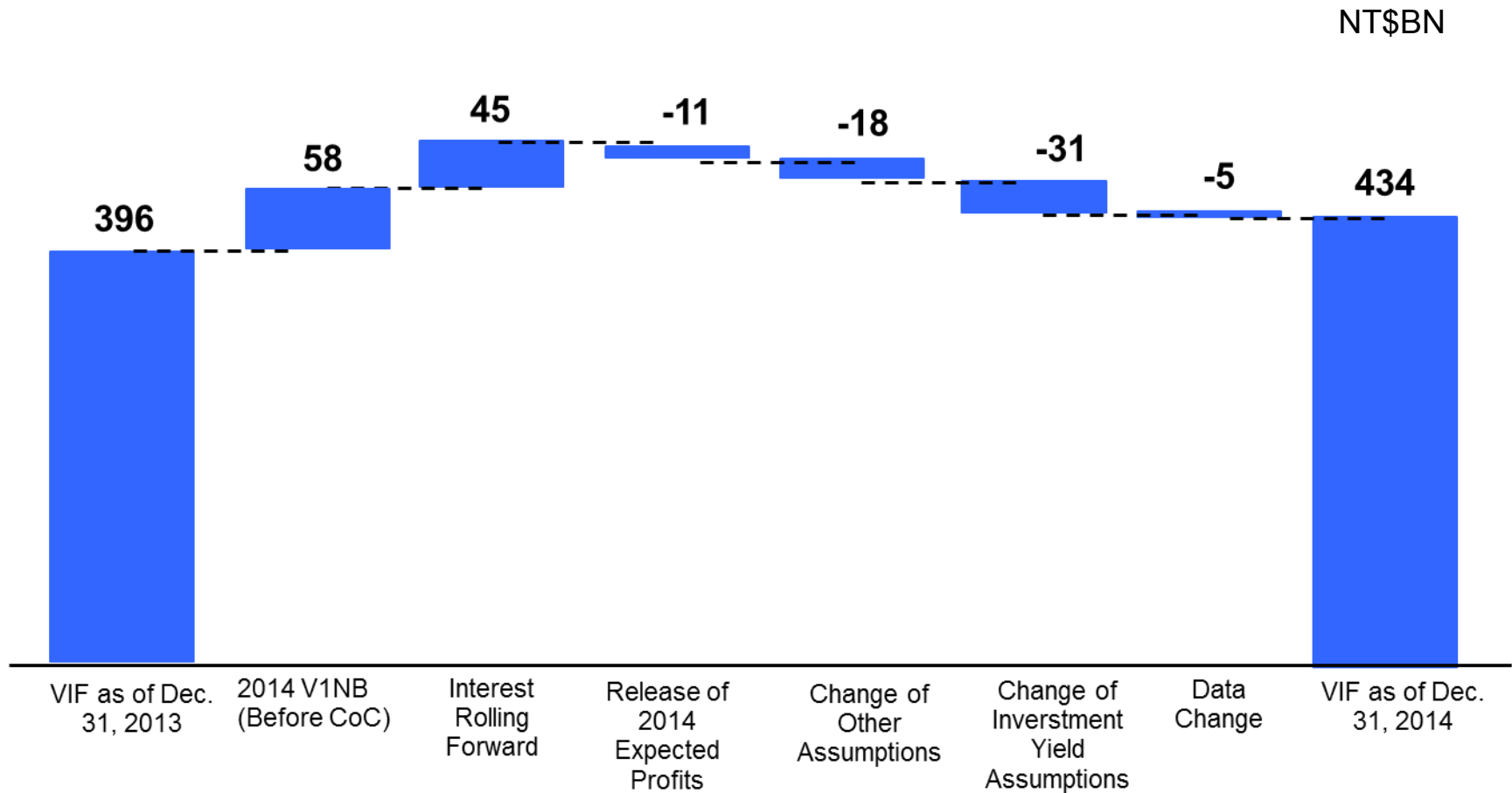
# Analysis of change in Adjusted Net Worth (ANW)



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”.



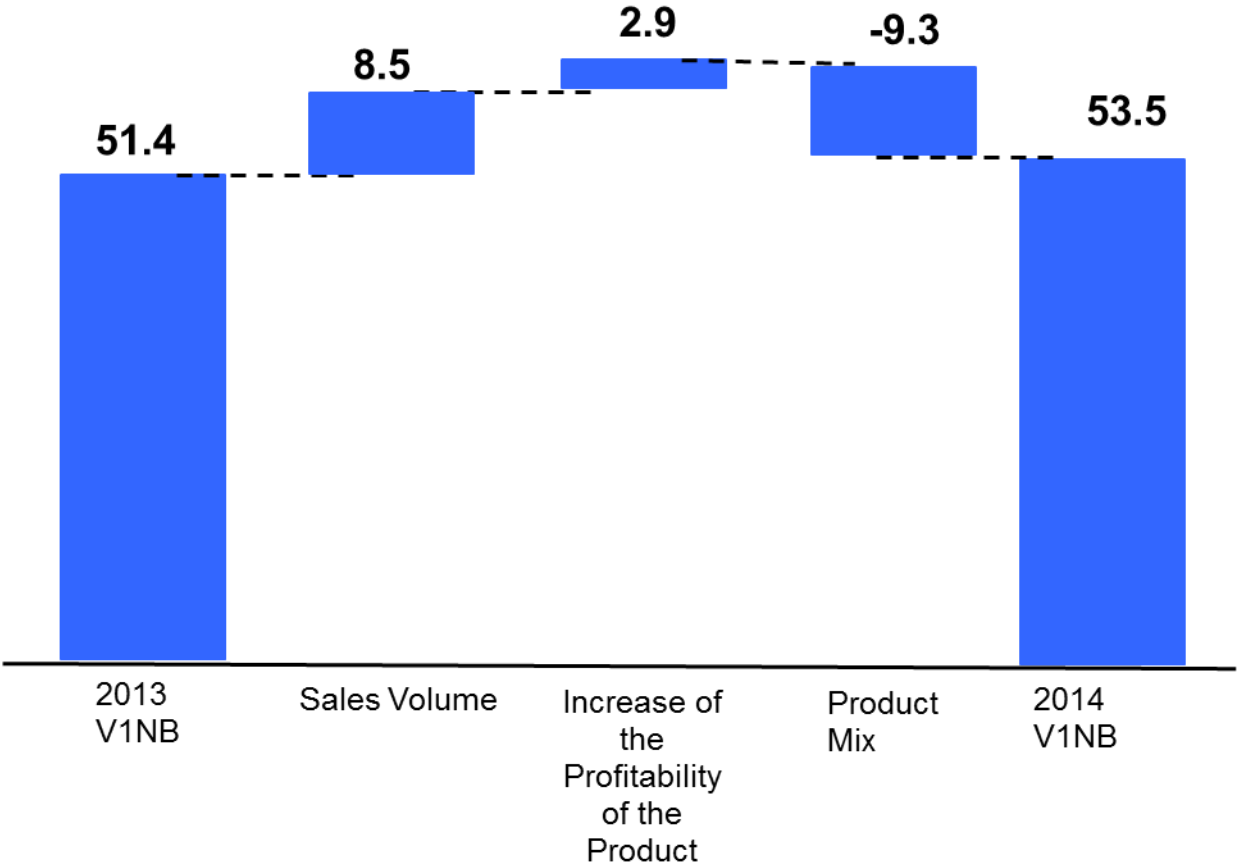
# Analysis of change in value of in-force business (VIF)



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

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

NT\$BN



# Sensitivity Analysis

NT\$BN, except for per share figures

Valuation date	2013/12/31					
Assumption	Investment yield - 0.25%	Investment yield + 0.25%	Investment yield + 0.25% (capped) <sup>(1)</sup>	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.

# YoY Comparison

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

NT\$BN

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

# Summary

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

# Agenda

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- **1Q15 Business overview**

  - Cathay United Bank

  - Cathay Life

  - Cathay Century

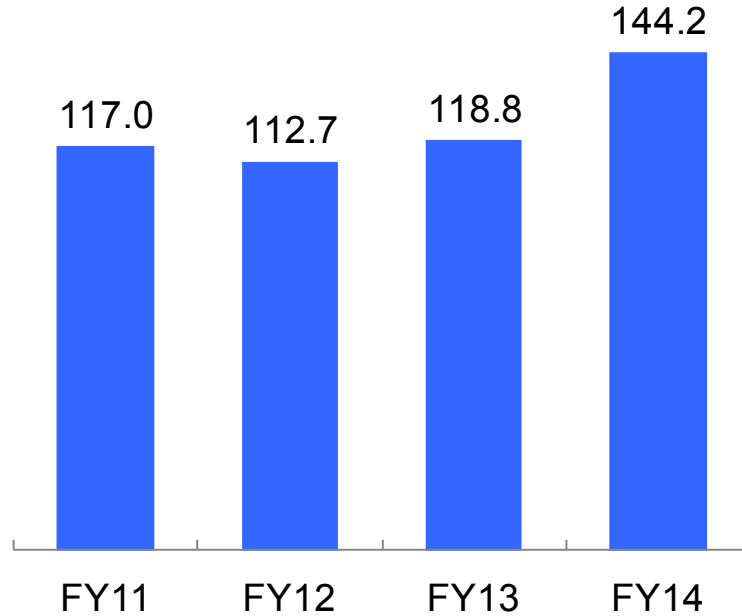
- **Overseas expansion**

- **Cathay Life Embedded value & appraisal value**

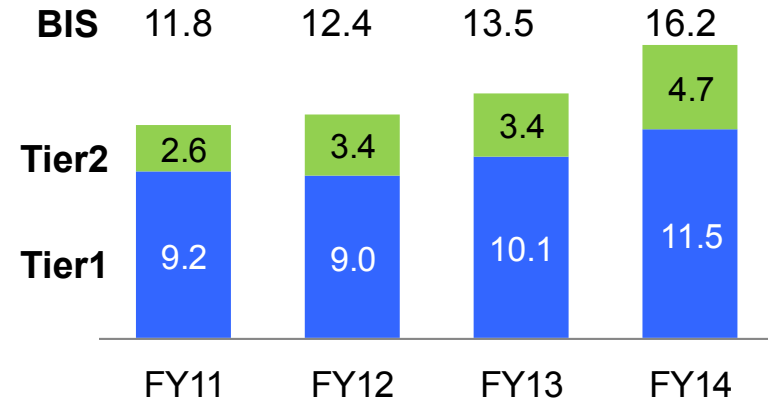
- **Appendix**

# Capital adequacy

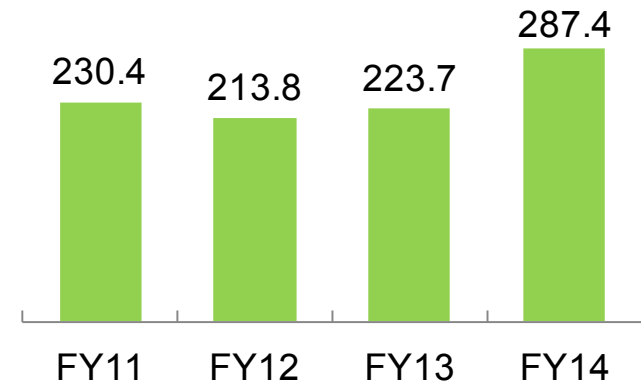
## Cathay FHC CAR (%)



## CUB Capital Adequacy (%)



## Cathay Life RBC(%)



# 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%





Thank You

**Cathay Financial Holdings**

(NT\$MN)			FY14/ FY13 % Chg	1Q14	1Q15	1Q15/ 1Q14 % Chg
<b>Income Statement Data (Consolidated)</b>						
<b>Operating Income</b>						
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%
<b>Income before taxes</b>	42,799	56,243	31%	12,628	19,906	58%
Income taxes	(4,779)	(6,458)	35%	(301)	(1,797)	497%
<b>Net income</b>	38,020	49,785	31%	12,327	18,109	47%
EPS (NT\$)	3.12	3.94		0.98	1.43	
<b>Dividend Payout</b>						
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	
<b>Balance Sheet Data</b>						
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	
<b>Operating Metrics</b>						
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%	
<b>Capital Adequacy Metrics</b>						
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
<b>Income Statement Data (Consolidated)</b>						
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%
<b>Net income</b>	<b>27,569</b>	<b>31,854</b>	<b>16%</b>	<b>6,527</b>	<b>12,501</b>	<b>92%</b>
<b>Balance Sheet Data</b>						
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	
<b>Operating Metrics</b>						
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%	
<b>Capital Adequacy Metrics</b>						
RBC ratio (Standalone)	224%	287%				

## Notes:

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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
<b>Income Statement Data (Consolidated)</b>						
<b>Operating Income</b>						
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%
<b>Net operating income</b>	<b>37,725</b>	<b>46,033</b>	<b>22%</b>	<b>11,294</b>	<b>12,190</b>	<b>8%</b>
Operating expenses	(20,216)	(22,822)	13%	(5,198)	(5,601)	8%
<b>Pre-provision profit</b>	<b>17,509</b>	<b>23,211</b>	<b>33%</b>	<b>6,096</b>	<b>6,589</b>	<b>8%</b>
Net provisions for possible losses	(542)	(2,471)	356%	135	(186)	-237%
<b>Income before taxes</b>	<b>16,967</b>	<b>20,741</b>	<b>22%</b>	<b>6,231</b>	<b>6,404</b>	<b>3%</b>
Income tax	(2,188)	(2,892)	32%	(775)	(871)	12%
<b>Net income</b>	<b>14,780</b>	<b>17,848</b>	<b>21%</b>	<b>5,456</b>	<b>5,532</b>	<b>1%</b>
<b>Balance Sheet Data</b>						
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	
<b>Operating Metrics</b>						
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%	
<b>Assets Quality</b>						
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%	
<b>Capital Adequacy Metrics</b>						
BIS ratio (Standalone)	13.5%	16.2%				
Tier I Ratio (Standalone)	10.1%	11.5%				

**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 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 Century**

(NT\$MM)			FY14/ FY13			1Q15/ 1Q14
<b>Income Statement Data (Consolidated)</b>	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%
<b>Operating income</b>	538	800	49%	217	305	40%
Net non-operating income	9	29	238%	21	(5)	-123%
Income taxes	(218)	(174)	-20%	(30)	(58)	94%
<b>Net income</b>	329	656	99%	209	242	16%
<b>Balance Sheet Data</b>						
Total assets	31,709	35,863		32,857	35,131	
Total shareholders' equity	5,511	6,829		6,146	7,144	
<b>Operating Metrics</b>						
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%	
<b>Capital Adequacy Metrics</b>						
RBC ratio (Standalone)	312%	324%				

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

(4) Total may not sum due to rounding.