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# 2013 First Half Briefing



國泰金控

Cathay Financial Holdings

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# Agenda

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- **1H13 Business highlights**
- **1H13 Financial results**
  - Cathay United Bank
  - Cathay Life
  - Cathay Century
- **Overseas expansion**
- **Appendix**
  - Property reappraisal
  - Embedded value & appraisal value
  - Recovery plan for special reserve of unrealized gains on property

# 1H13 Business highlights

## Cathay United Bank

- Loan maintained flat with benign credit quality
- Fee income grew by 24.1% YoY
- Offshore earnings and its contribution to pre-tax profits kept increasing

## Cathay Life

- Regular-paid products accounted for 95.3% of traditional policies; ranked No.1 by FYPE
- Cash position 5.9%; overseas investment 42.9%; hedging cost 0.14%
- Sufficient capital adequacy ratio; RBC ratio above 250%

## Cathay Century

- Market share increased to 12.8%, premium income grew by 9.9% YoY; maintained No.2 market position
- Expanded business development in China and Vietnam, premium income up by 81% and 68% YoY, respectively

## Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$381BN
- Continued to launch new products and broaden the business of individual & institutional clients

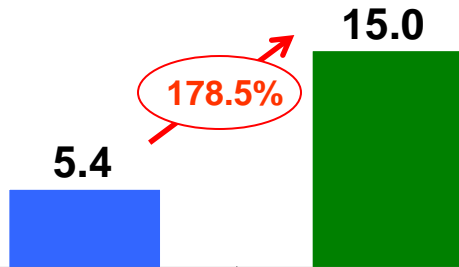
## Cathay Securities

- Each business line performed steadily
- Underwriting volume increased significantly YoY

# Cathay FHC — Net income & EPS

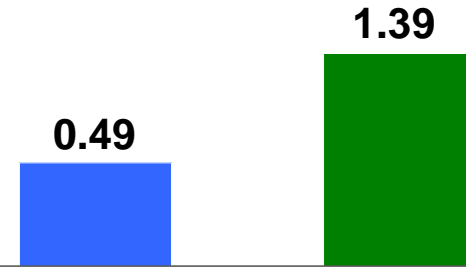
## Net income

1H12 1H13 (NT\$BN)

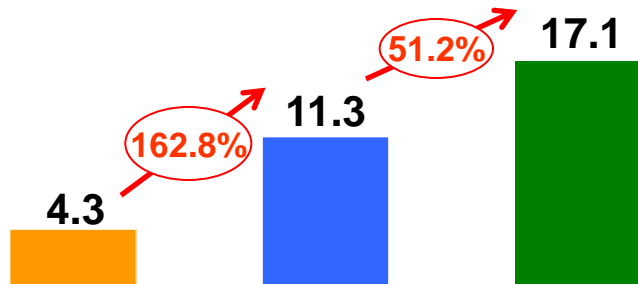


## EPS

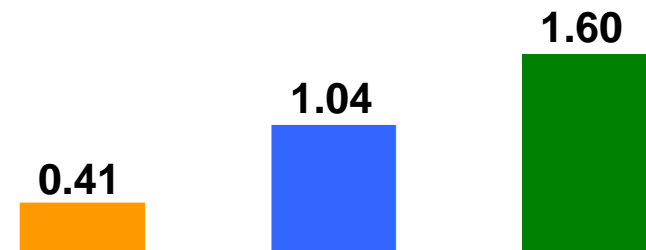
1H12 1H13 (NT\$)



FY10 FY11 FY12 (NT\$BN)



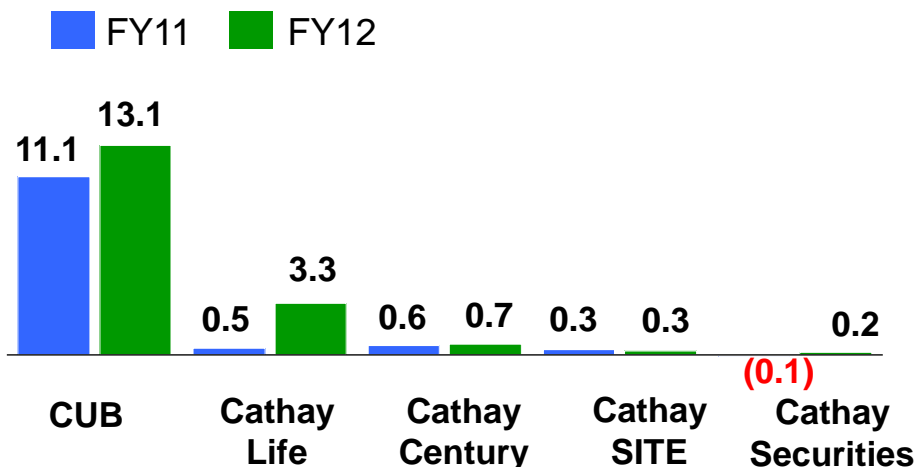
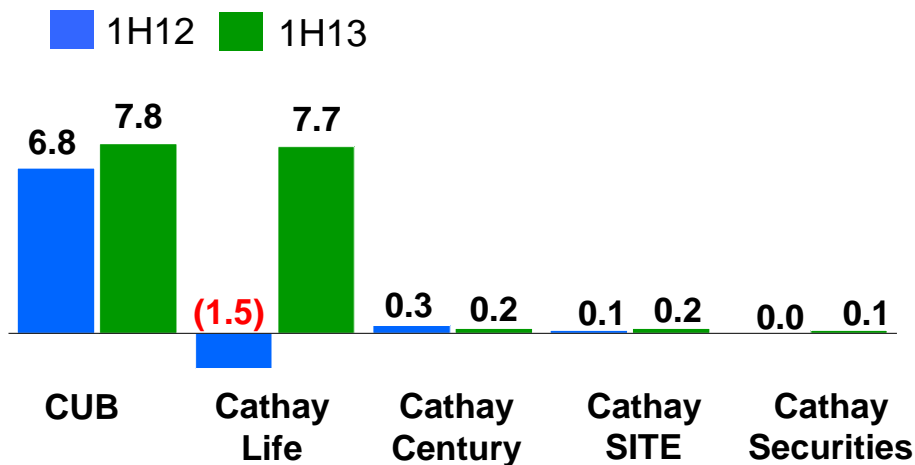
FY10 FY11 FY12 (NT\$)



Note: (1) Data of 1H12 & 1H13 was based on IFRS principle; net income calculation included minority interest; EPS excluded minority interest  
 (2) Cathay FHC 1H13 EPS included the impact of - NT\$ 0.29 from provision for FX fluctuation reserve and + NT\$ 0.47 from recovery of special reserve on property unrealized gains.

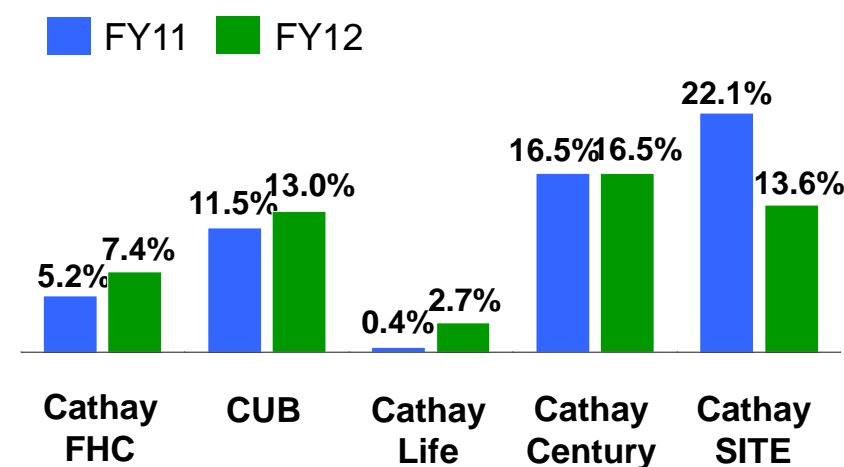
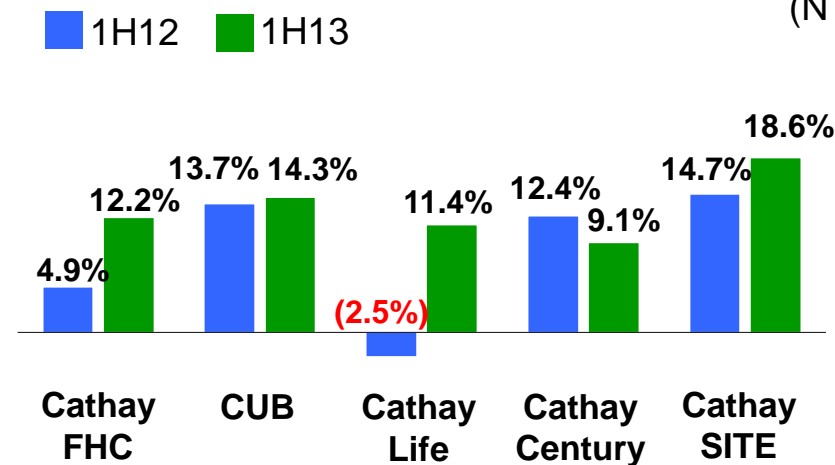
# Cathay FHC — Net income & EPS

## Net income of primary subsidiaries



## ROE

(NT\$)

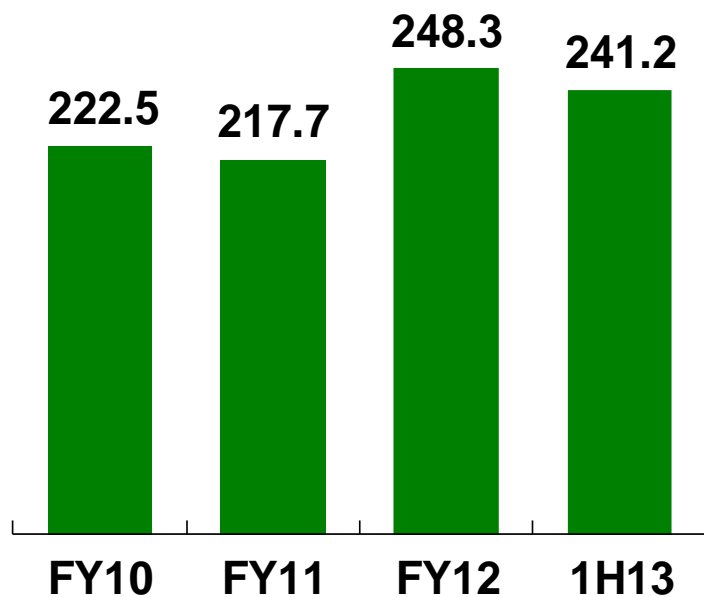


Note: Cathay Life 1H13 net income included the impact from provision for FX fluctuation reserve and recovery of special reserve on property unrealized gains.

# Cathay FHC — Book value & BVPS

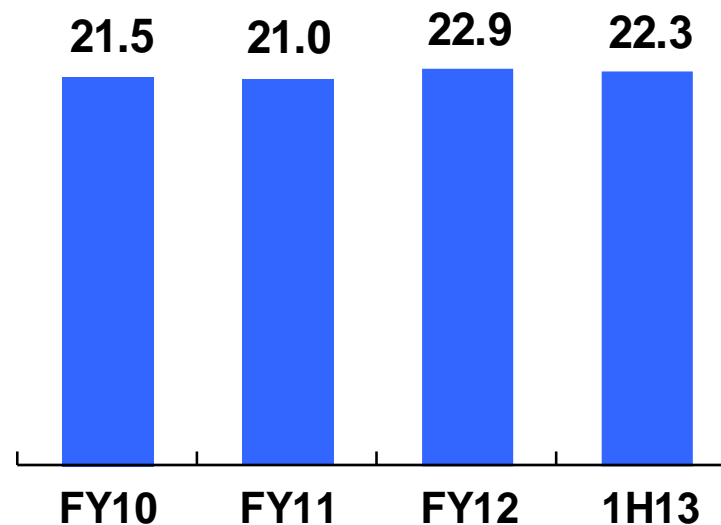
## Book value

(NT\$BN)



## BVPS

(NT\$)



Note: Figures of FY12 & 1H13 were under IFRS principle: book value included minority interest, while BVPS excluded minority interest

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- **1H13 Business highlights**

- **1H13 Financial results**

  - Cathay United Bank**

  - Cathay Life**

  - Cathay Century**

- **Overseas expansion**

- **Appendix**

  - Property reappraisal**

  - Embedded value & appraisal value**

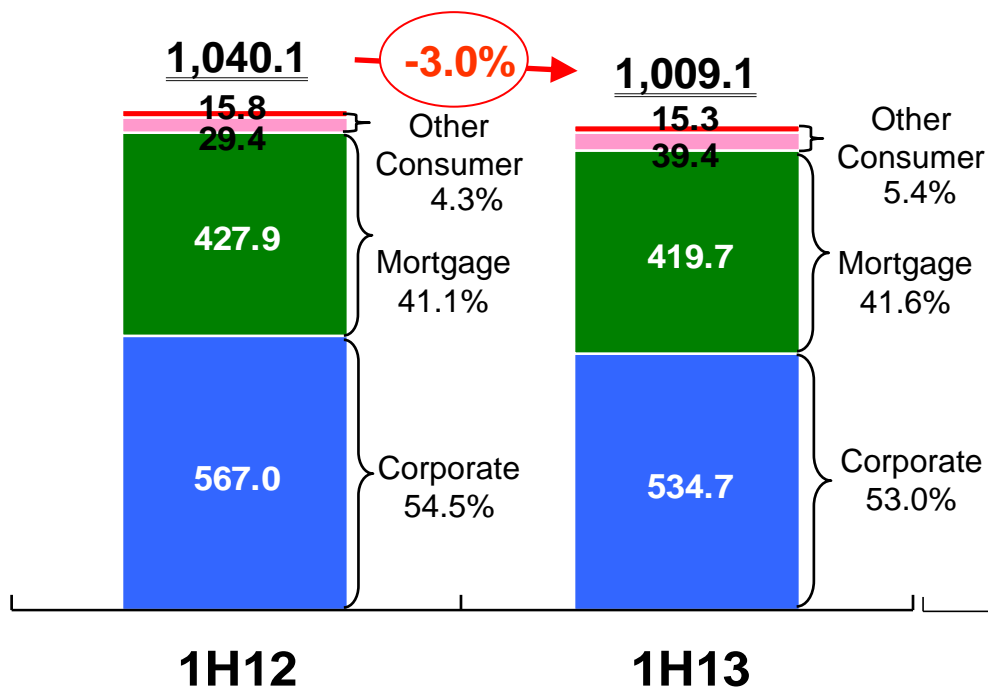
  - Recovery plan for special reserve of unrealized gains on property**



# Cathay United Bank — Loan & Deposit breakdown

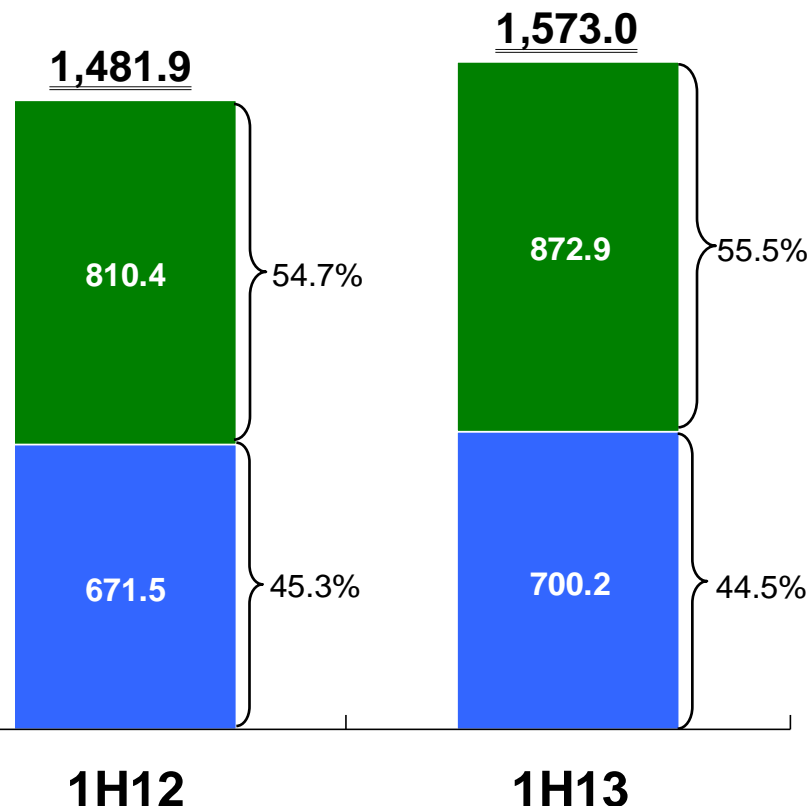
## Loan breakdown

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



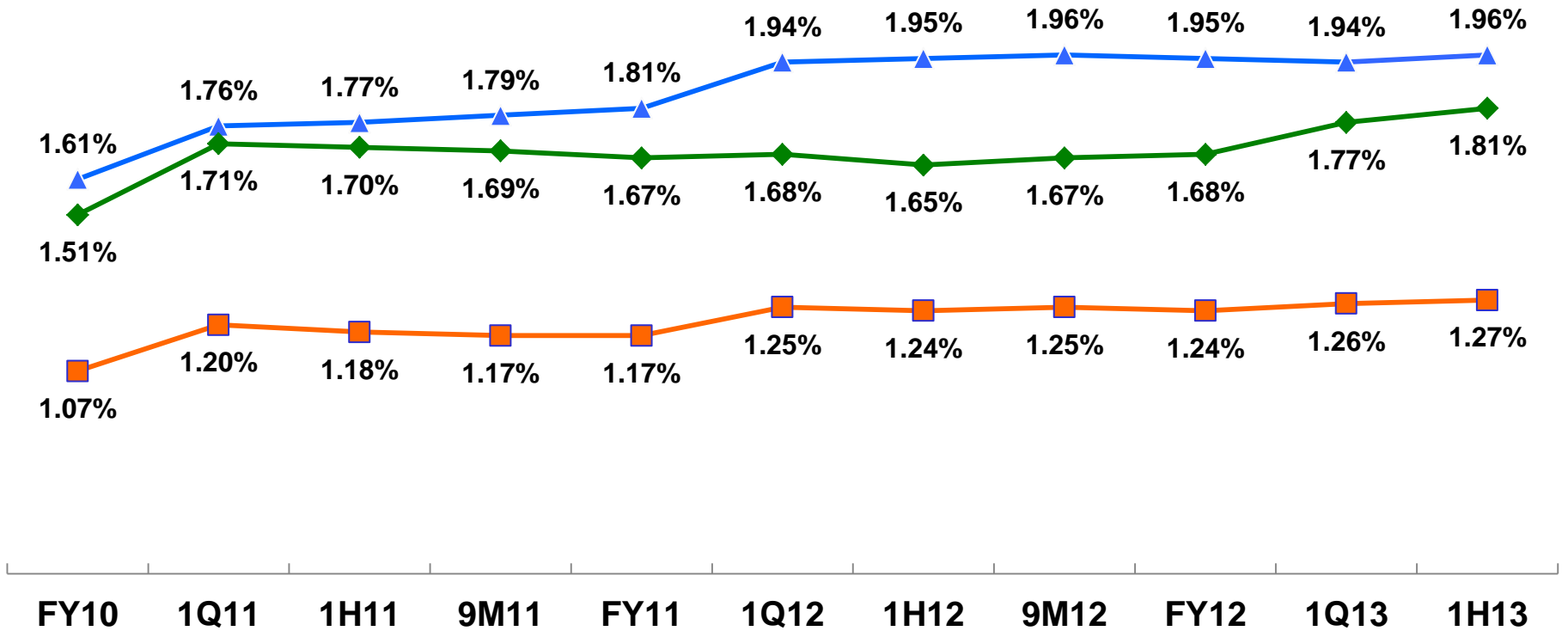
## Deposit breakdown

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



# Cathay United Bank – Interest yields

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

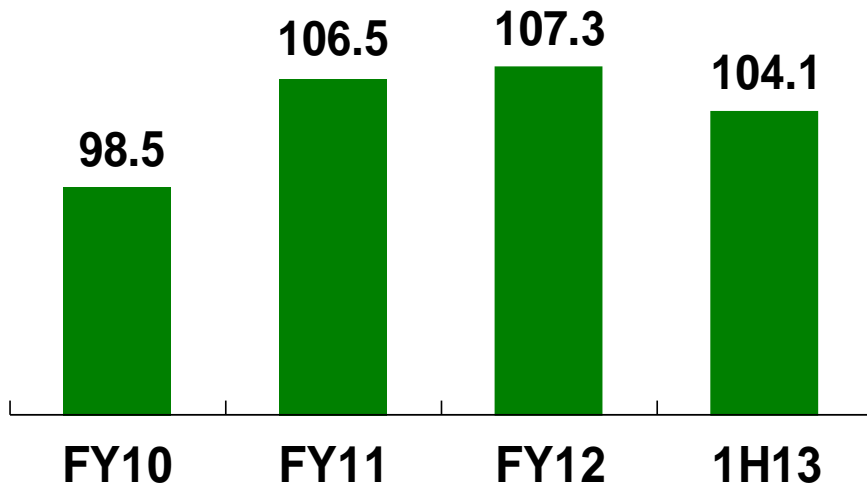


Note: Credit card related loans are included in the calculation

# Cathay United Bank — SME & Foreign currency loans

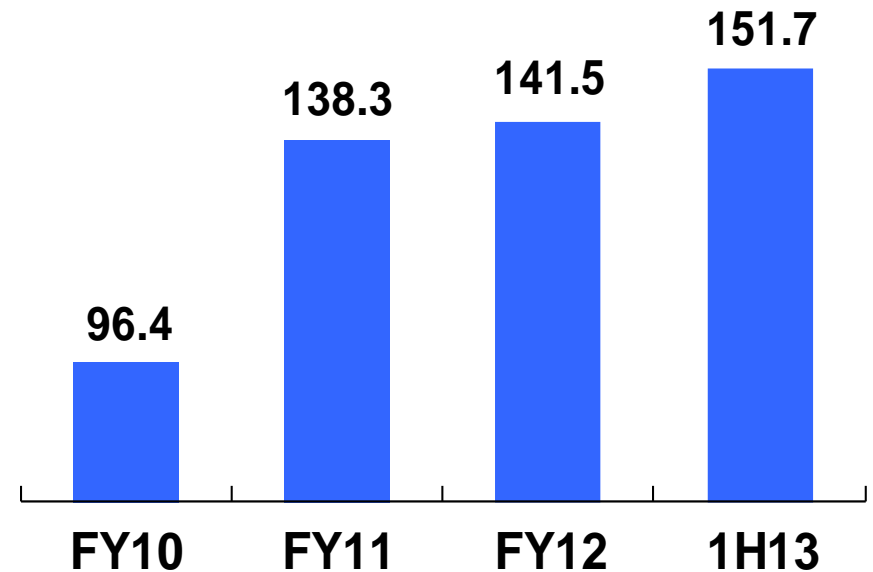
## SME loans

(NT\$BN)



## Foreign currency loans

(NT\$BN)



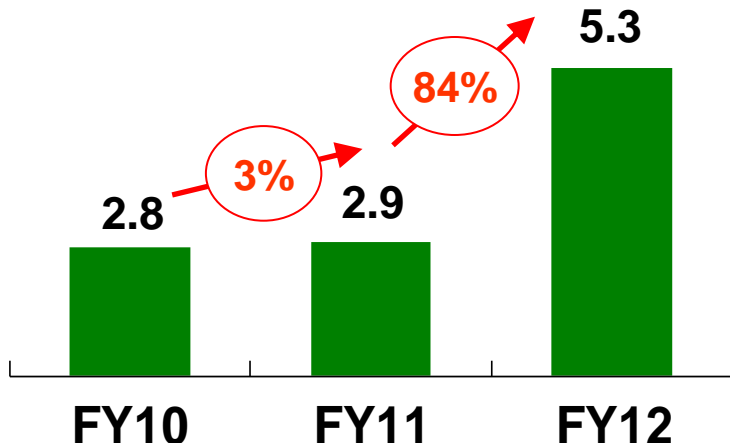
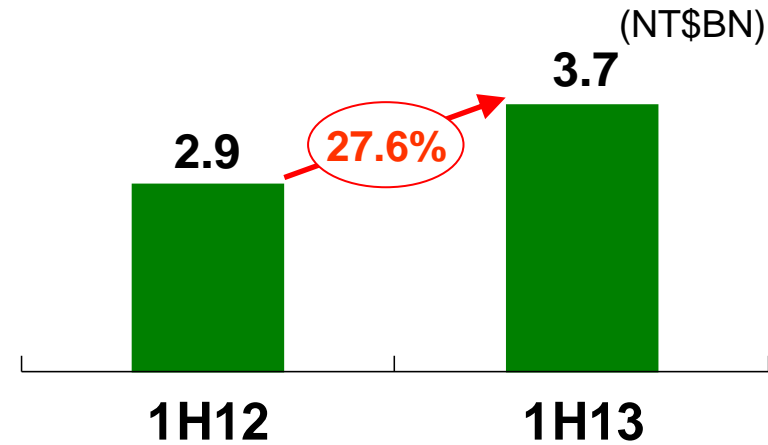
As % of total loans

10.9% 10.6% 10.6% 10.3%

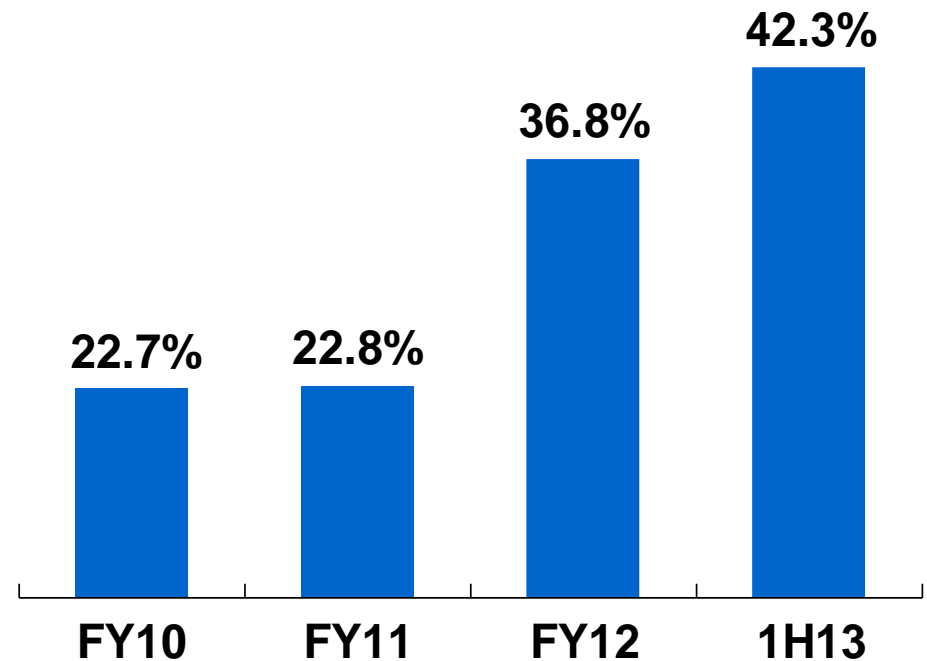
10.7% 13.7% 14.0% 15.0%

# Cathay United Bank – Offshore earnings

## Offshore earnings



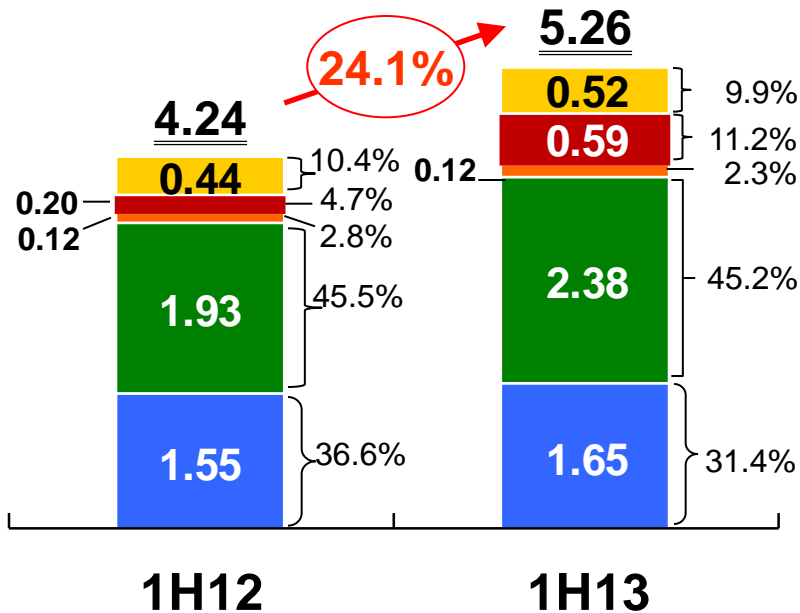
## As % of CUB pre-tax profits



# Cathay United Bank – Fee income

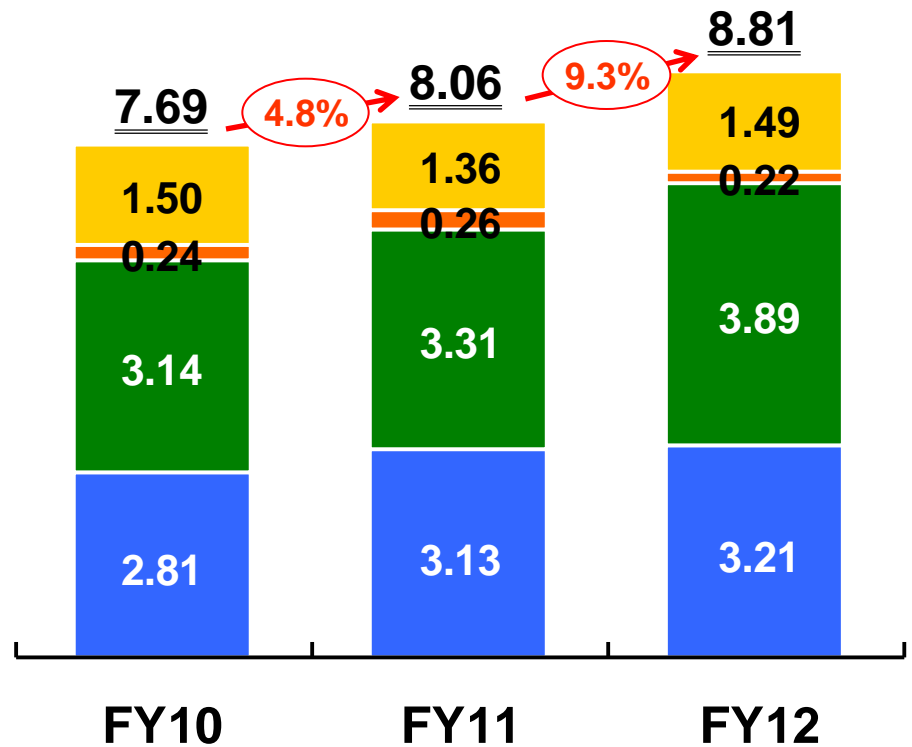
## Fee income breakdown

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



## Fee income breakdown (annual)

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



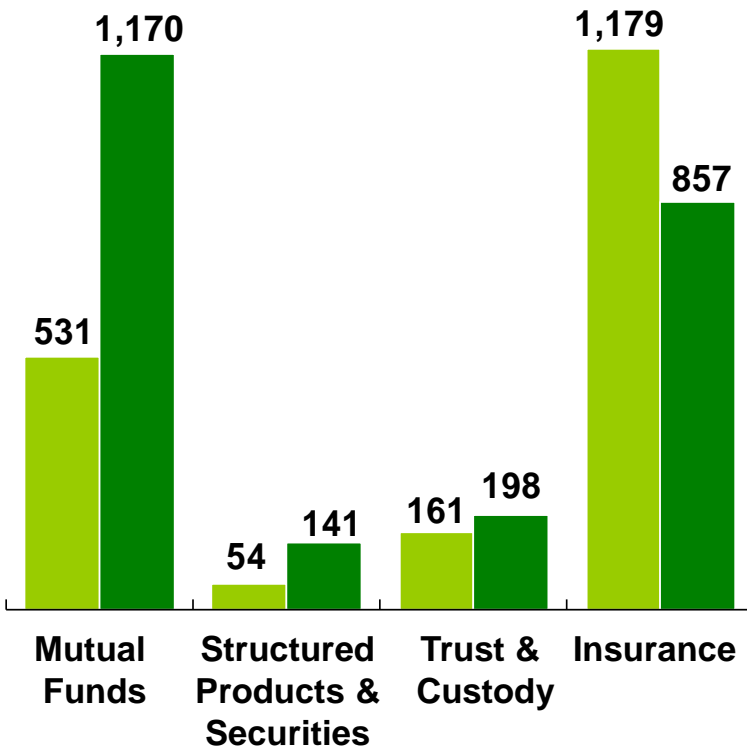
Note: Totals may not sum due to rounding

# Cathay United Bank – Wealth management

## Wealth management fee breakdown

■ 1H12 ■ 1H13 (NT\$MN)

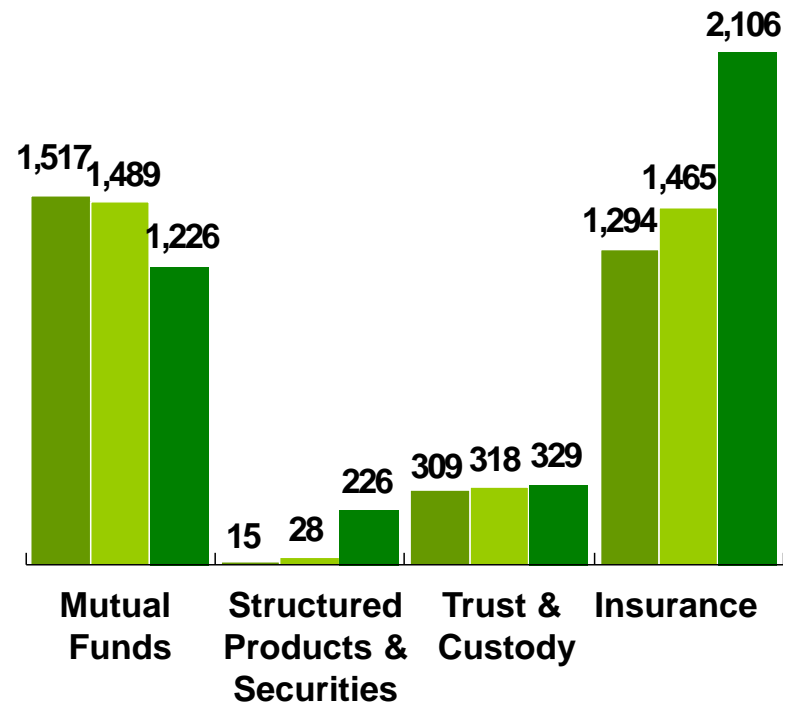
	1H12	1H13
Fee income	1,929	2,378
YoY growth	11.2%	23.3%



## Wealth management fee breakdown (annual)

■ FY10 ■ FY11 ■ FY12 (NT\$MN)

	FY10	FY11	FY12
Fee income	3,142	3,309	3,894
YoY growth	52.4%	5.3%	17.7%

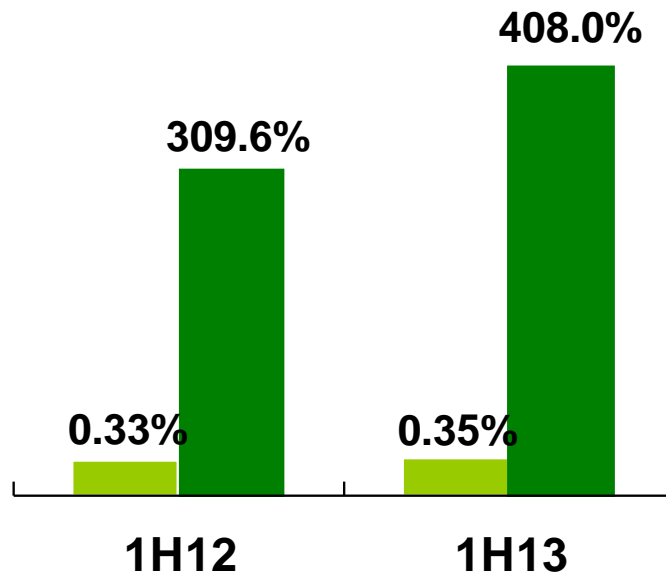


Note: Wealth management fee in 1H13 excludes NT\$357 mm of revenue from DCI, SI and others.

# Cathay United Bank – Credit quality

## NPL & Coverage ratio

- NPL ratio
- Coverage ratio

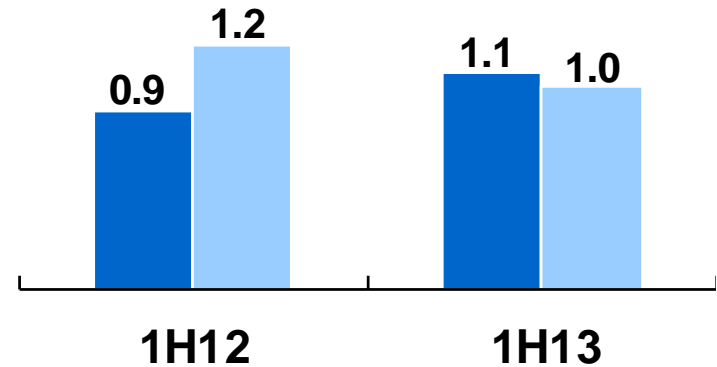


Mortgage NPL	0.07%	0.04%
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## Gross provision

(NT\$BN)

- Gross provision
- Recovery



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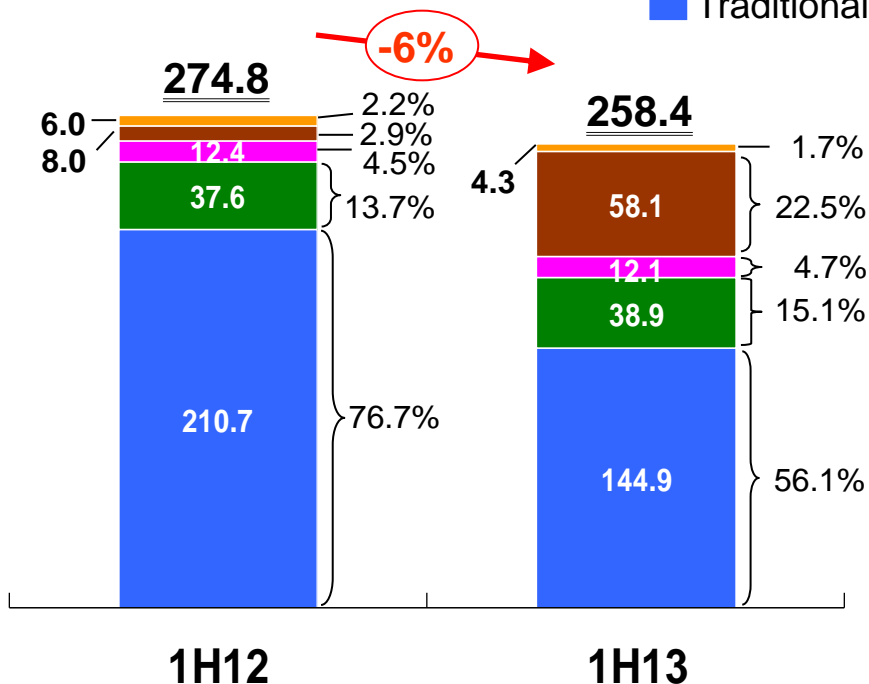


# Cathay Life – Total premium

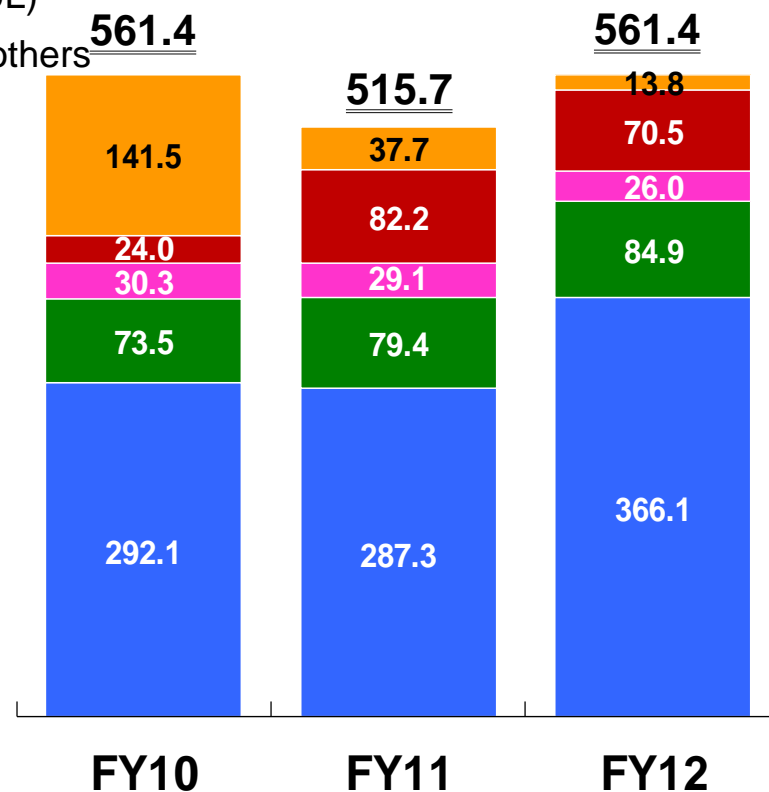
## Total premium

(NT\$BN)

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



## Total premium (annual)

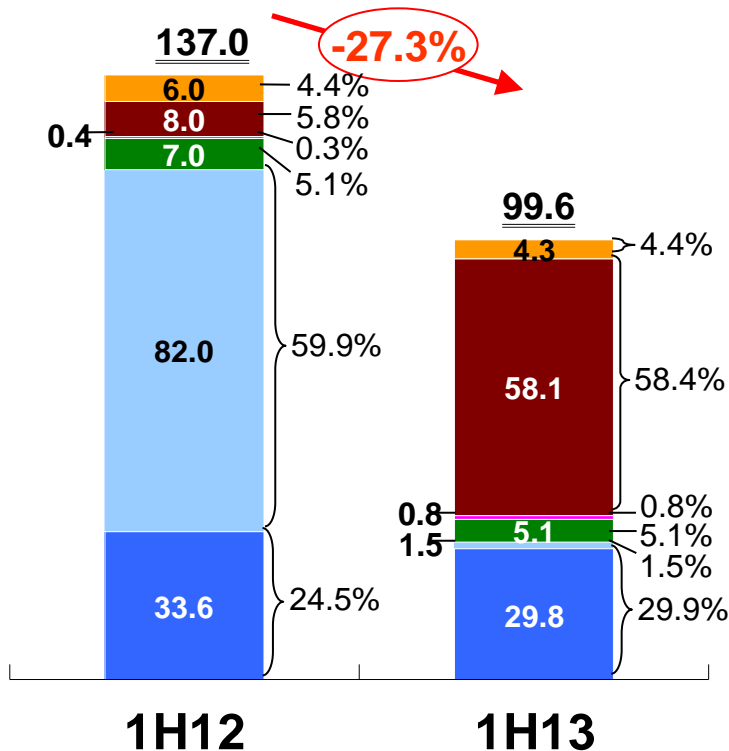


Note: Totals may not sum due to rounding

# Cathay Life — FYP/ FYPE

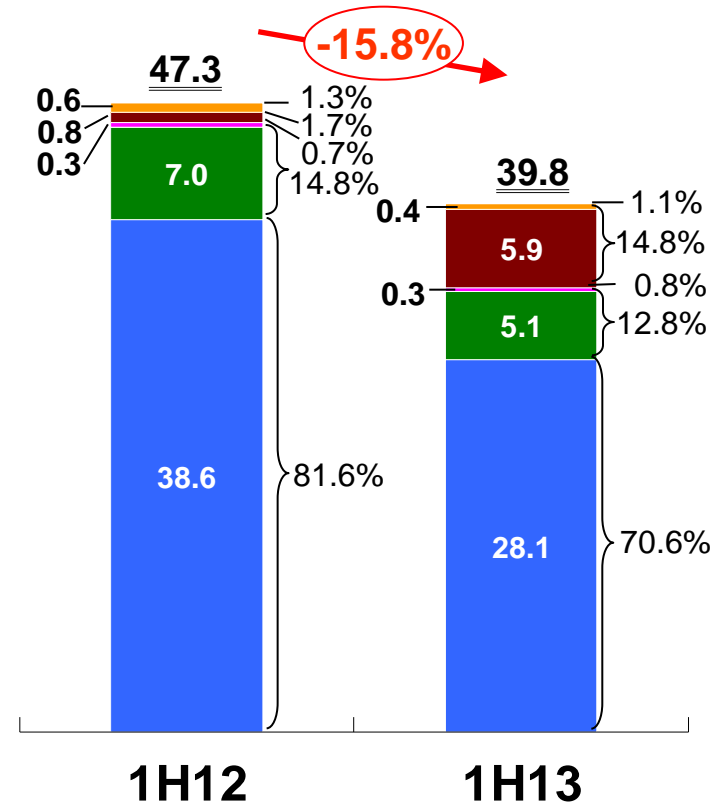
## FYP

- 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

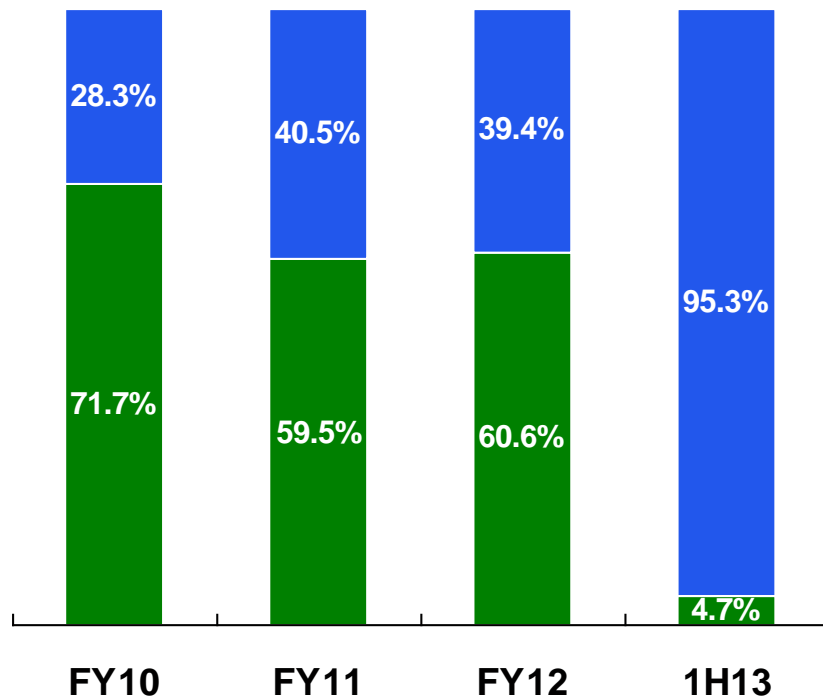


Note: Totals may not sum due to rounding

# Cathay Life– Regular paid policies improve margin and VNB

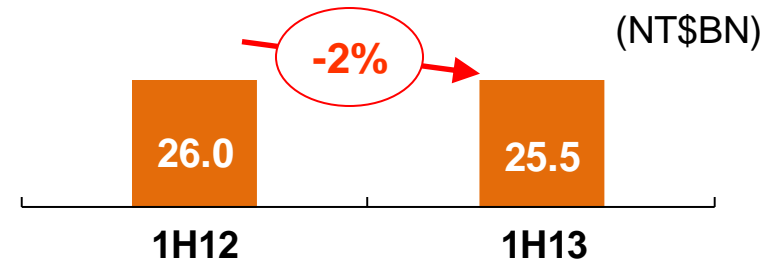
## Breakdown of Traditional FYP

- Traditional life - regular paid
- Traditional life - single paid

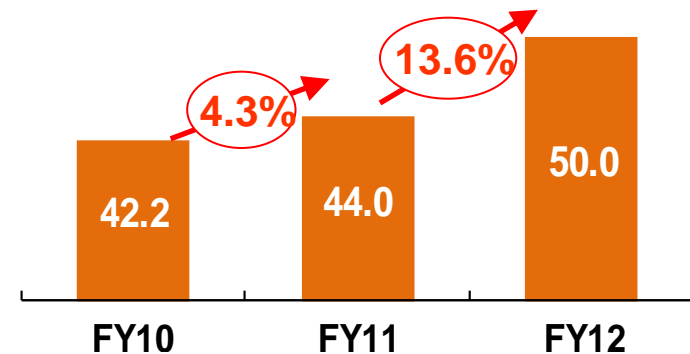


## VNB

Profit Margin	1H12	1H13
VNB/FYP	19%	26%
VNB/FYPE	55%	64%



Profit Margin	FY10	FY11	FY12
VNB/FYP	13%	17%	19%
VNB/FYPE	54%	55%	54%



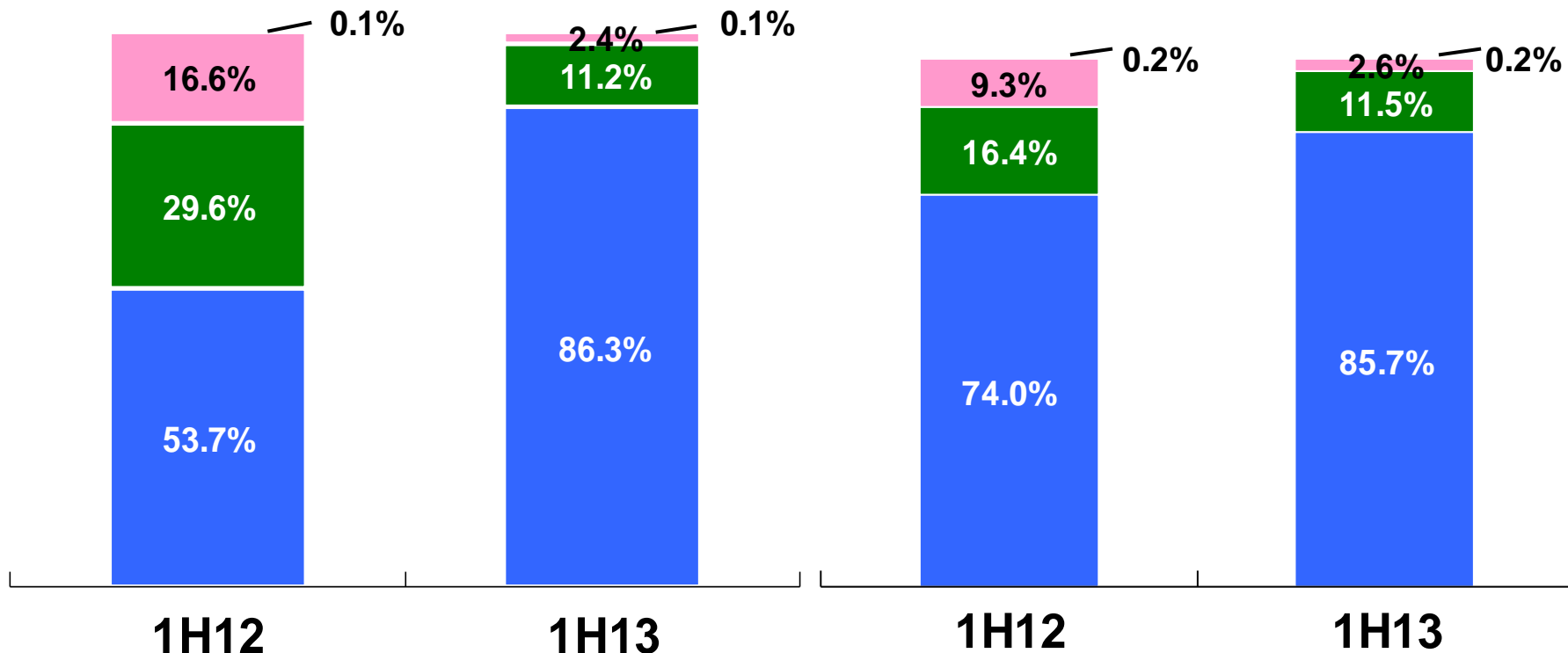
# Cathay Life — Distribution channel

FYP

FYPE

- Others
- Bancassurance-external
- Bancassurance-CUB
- Tied agents

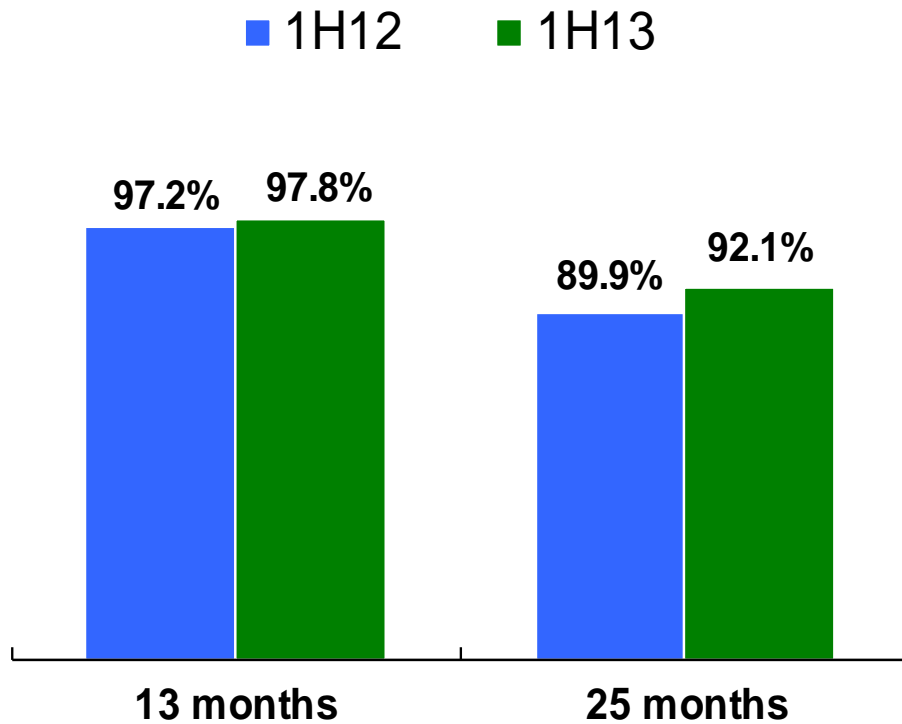
- Others
- Bancassurance-external
- Bancassurance-CUB
- Tied agents



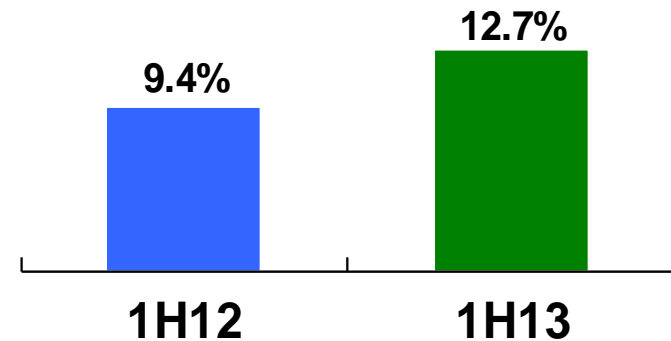
Note: Totals may not sum due to rounding

# Cathay Life – Operational indicators

## Persistency ratio

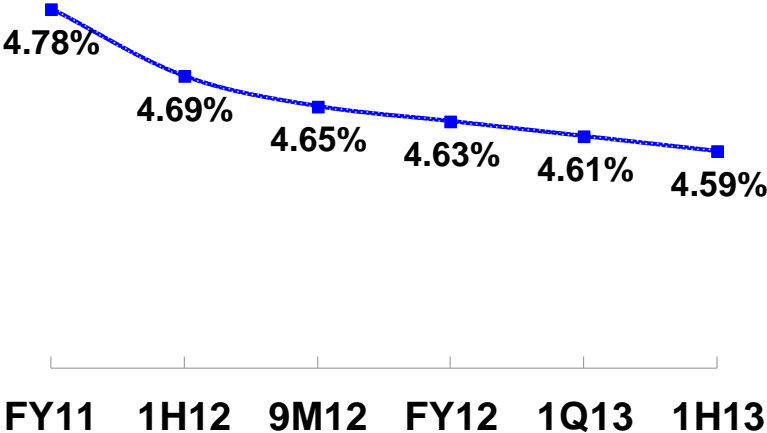


## Expense ratio

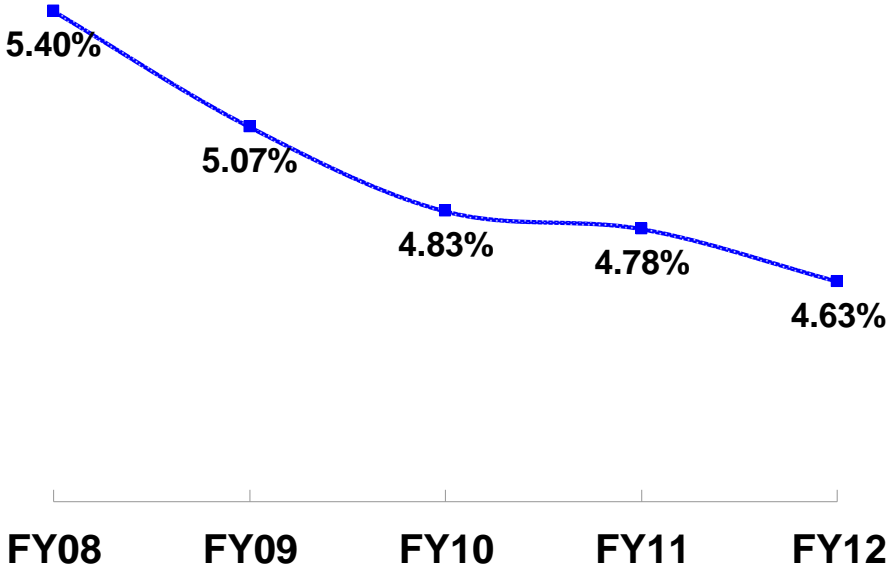


# Cathay Life – Cost of liability

Cost of liability (quarterly)



Cost of liability (annual)



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

# Cathay Life – Investment portfolio

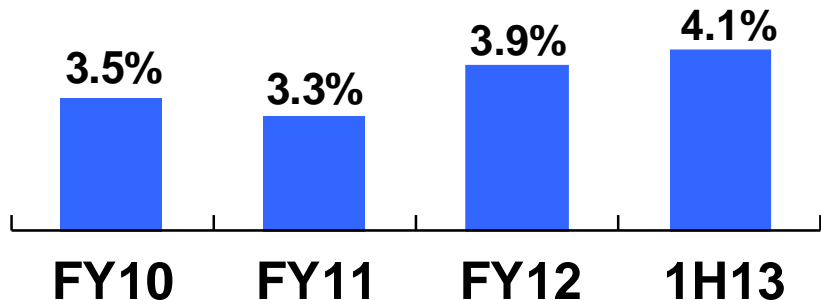
(NT\$BN)	4Q10	4Q11	4Q12	1H13		
<b>Total investments<sup>(1)</sup></b>	<b>2,745.30</b>	<b>2,959.2</b>	<b>3,283.7</b>	<b>3,469.3</b>		
	Weight	Weight	Weight	Amount	Weight	Amount
<b>Cash &amp; Cash equivalents</b>	<b>12.9%</b>	<b>8.6%</b>	<b>8.2%</b>	<b>268.7</b>	<b>5.9%</b>	<b>203.1</b>
<b>Equity- Domestic</b>	<b>7.3%</b>	<b>8.5%</b>	<b>8.1%</b>	<b>267.5</b>	<b>9.0%</b>	<b>310.9</b>
<b>Equity- International</b>	<b>1.7%</b>	<b>4.0%</b>	<b>4.3%</b>	<b>141.7</b>	<b>4.5%</b>	<b>156.9</b>
<b>Bond- Domestic</b>	<b>15.6%</b>	<b>16.4%</b>	<b>16.6%</b>	<b>544.7</b>	<b>16.2%</b>	<b>561.2</b>
<b>Bond- International<sup>(2)</sup></b>	<b>38.5%</b>	<b>38.6%</b>	<b>39.6%</b>	<b>1,299.9</b>	<b>38.4%</b>	<b>1,333.8</b>
<b>Mortgage &amp; Secured loans</b>	<b>10.6%</b>	<b>10.2%</b>	<b>10.3%</b>	<b>337.3</b>	<b>11.7%</b>	<b>406.4</b>
<b>Policy loans</b>	<b>7.0%</b>	<b>6.4%</b>	<b>5.5%</b>	<b>181.6</b>	<b>5.1%</b>	<b>177.1</b>
<b>Real estate</b>	<b>5.0%</b>	<b>5.4%</b>	<b>5.6%</b>	<b>183.5</b>	<b>7.4%</b>	<b>256.6</b>
<b>Others</b>	<b>1.5%</b>	<b>2.0%</b>	<b>1.8%</b>	<b>58.8</b>	<b>1.8%</b>	<b>63.1</b>

Note (1): Total assets excluded from separate account assets; totals may not sum due to rounding

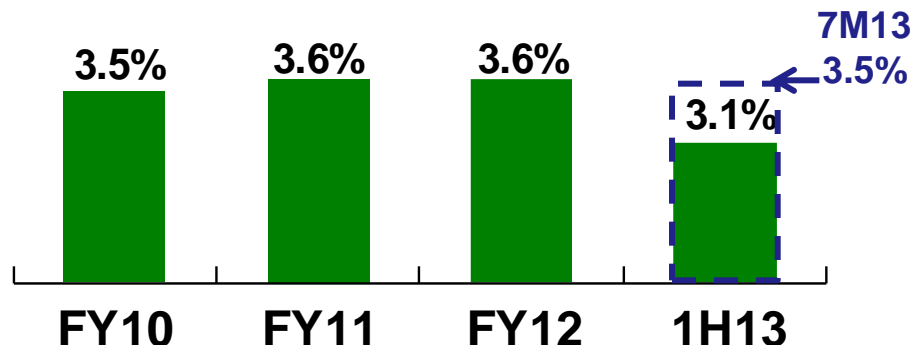
(2): Includes foreign currency deposit and related adjustments

# Cathay Life – Investment performance highlight

## After-hedging investment yield



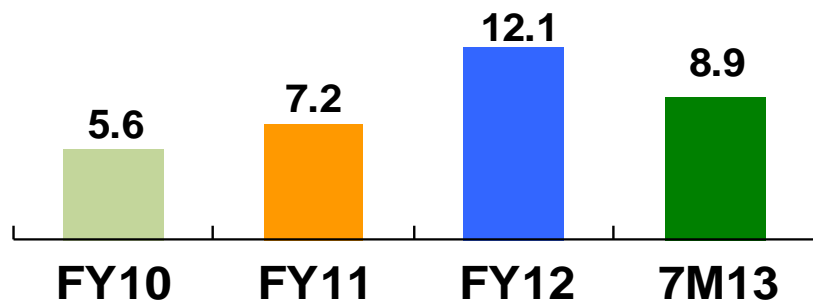
## Pre-hedging recurring yield



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

## Cash dividend

(NT\$BN)



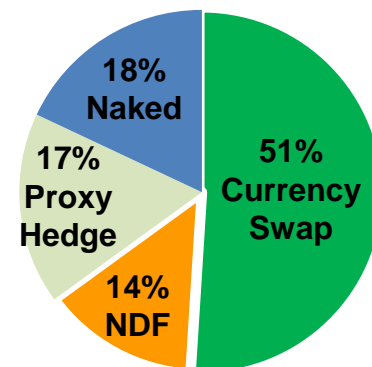
## Annualized Hedging cost

1H13 Net hedging cost

0.14%

CS & NDF hedging

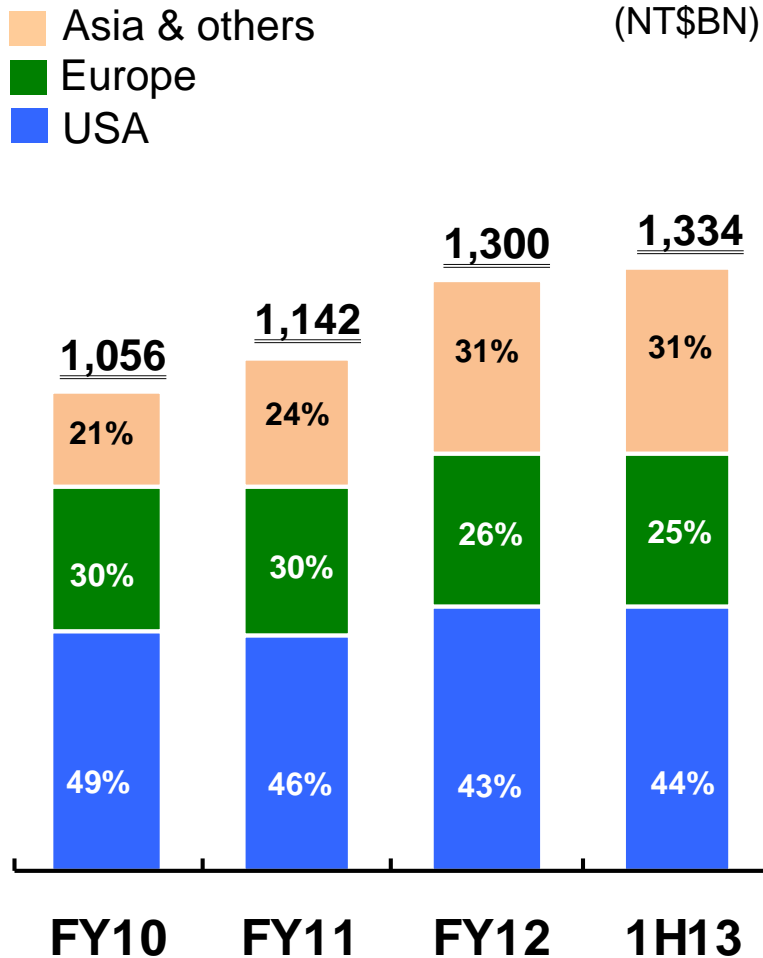
0.32%





# Cathay Life – International bond investment highlight

## Overseas Bond by Region



## Top 5 of European Exposure

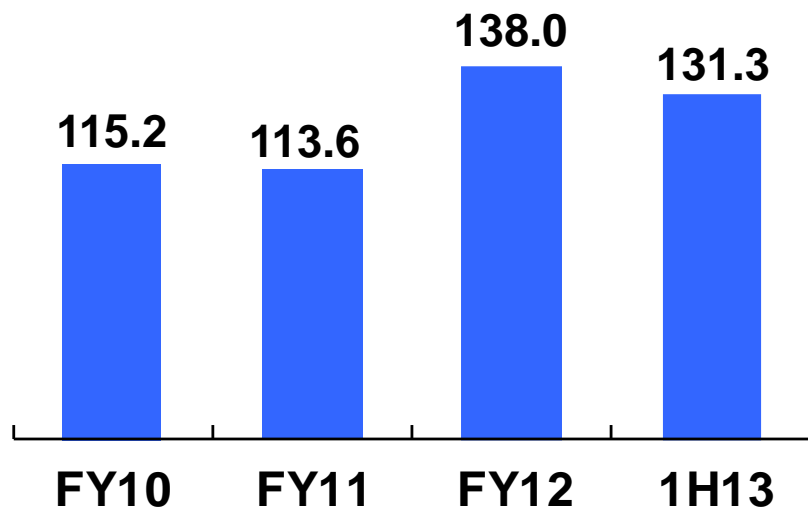
Country	As % of international bond investment
UK	7.4
Germany	5.7
France	4.6
Netherlands	2.7
Switzerland	1.0
<b>Total</b>	<b>21.4</b>

Note: Top 5 countries account for 87% of European exposure

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

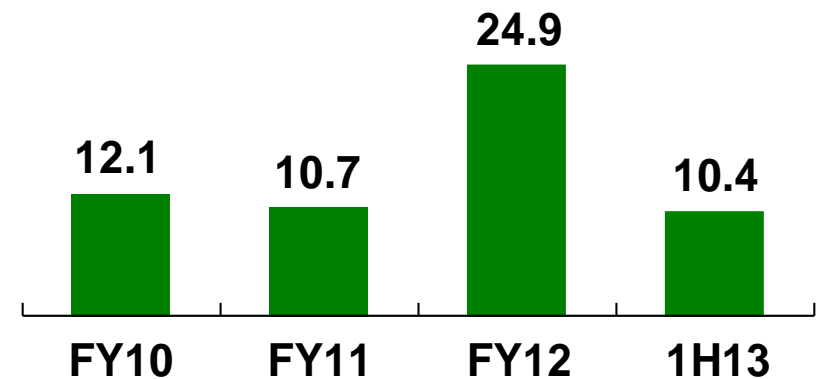
## Book value

(NT\$BN)



## Unrealized G/L of AFS financial assets

(NT\$BN)



Note: Figures of FY12 & 1H13 were under IFRS principle: book value included minority interest

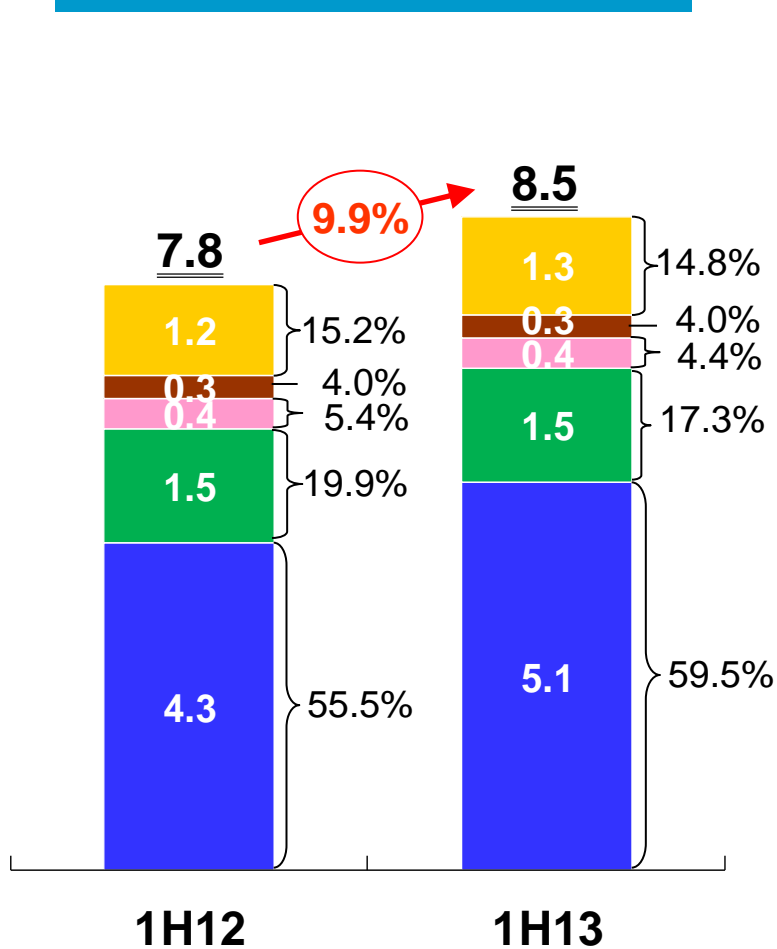
# Agenda

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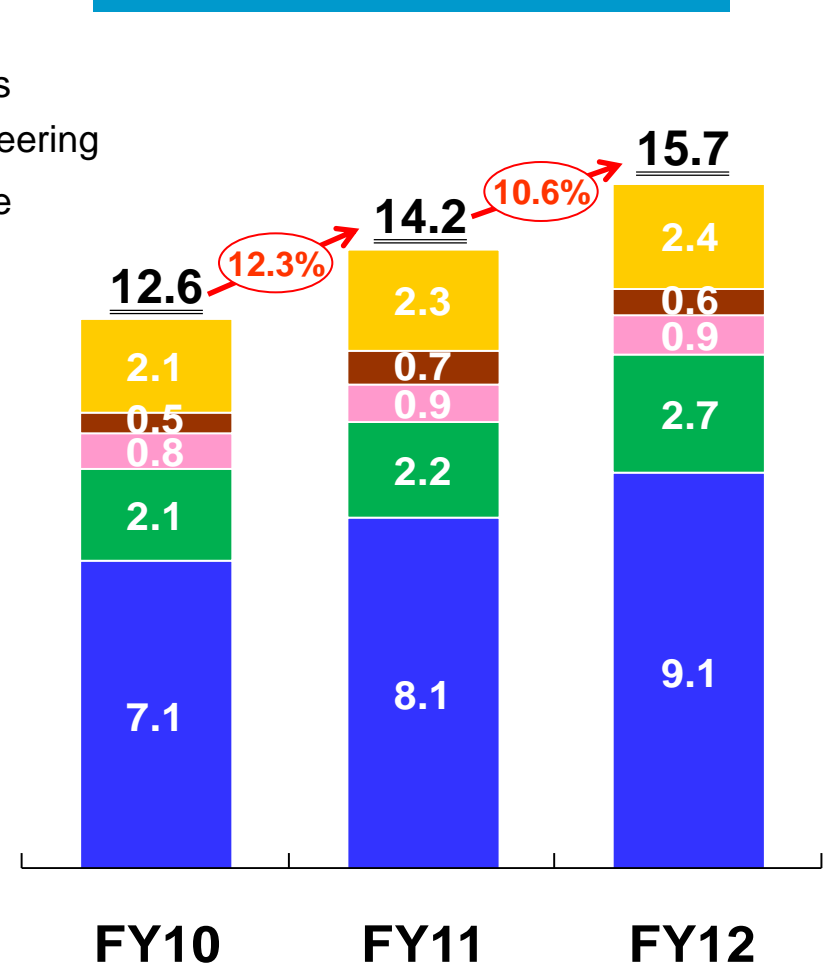
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# Cathay Century – Premium income

## Premium income



## Premium income



Mkt share 12.2%

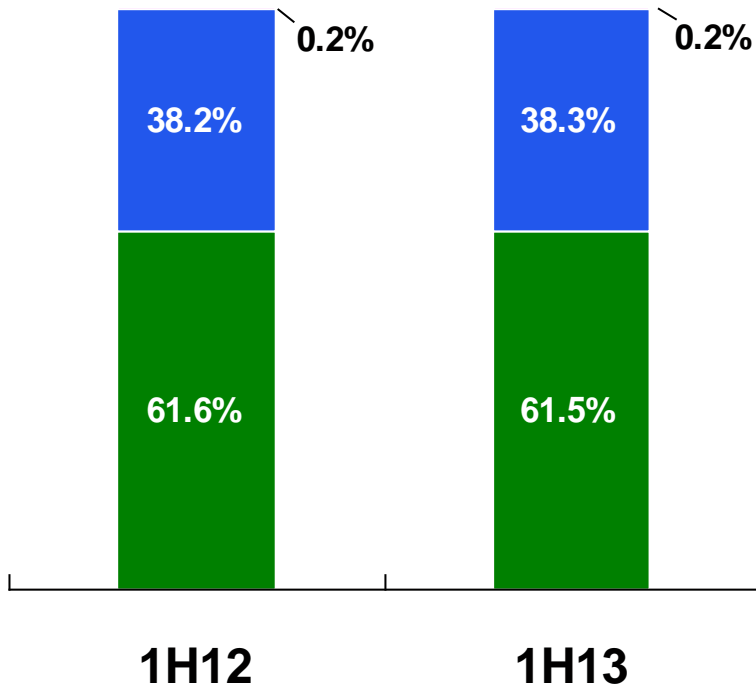
12.8%

Note: Totals may not sum due to rounding

# Cathay Century – Distribution channel

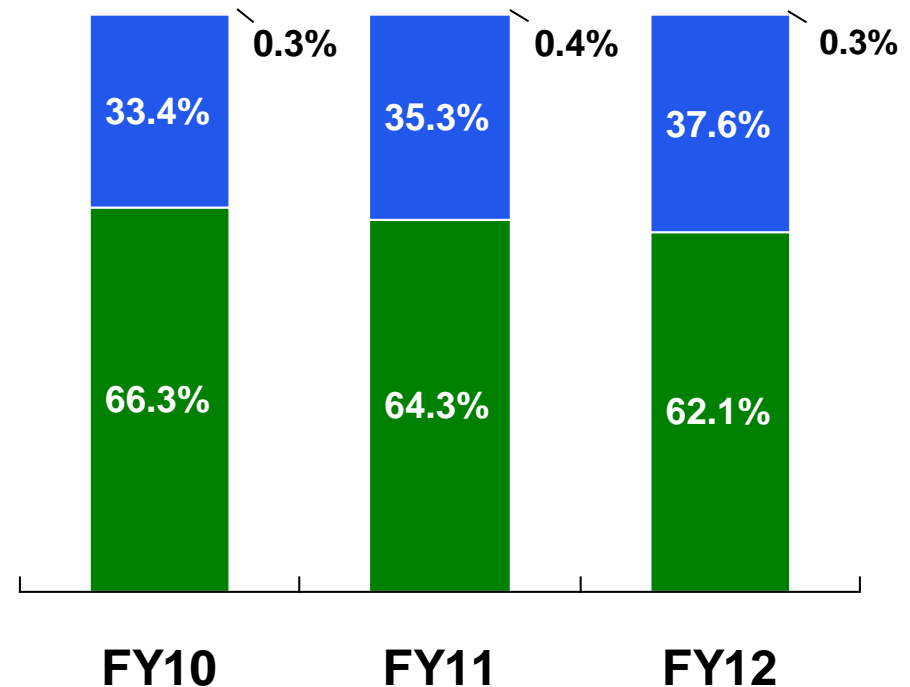
## Distribution channel

- Others
- Cathay P&C agents
- Cathay group channel



## Distribution channel

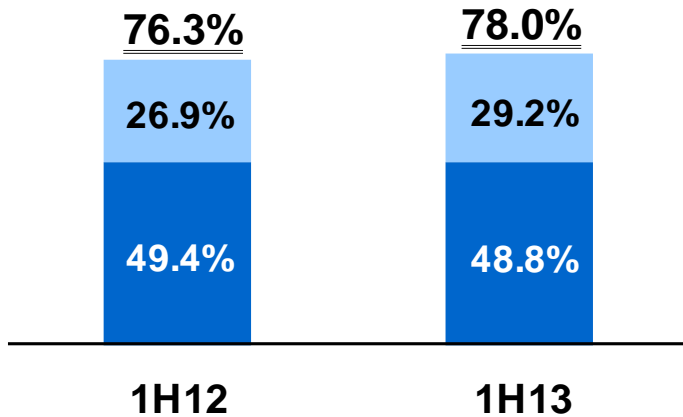
- Others
- Cathay P&C agents
- Cathay group channel



# Cathay Century – Combined ratio

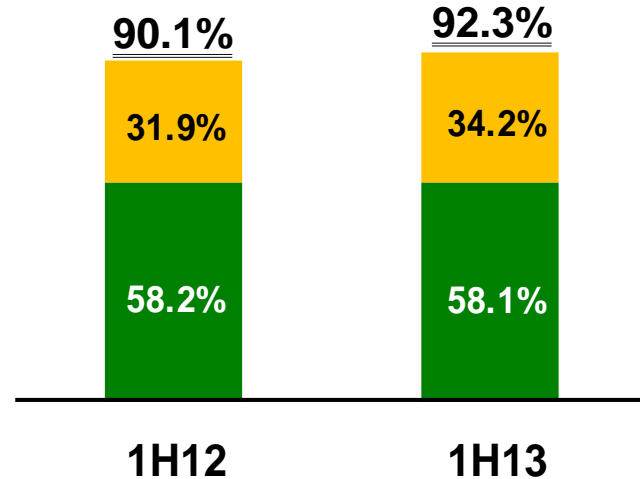
## Gross combined ratio

- Gross expense ratio
- Gross loss ratio

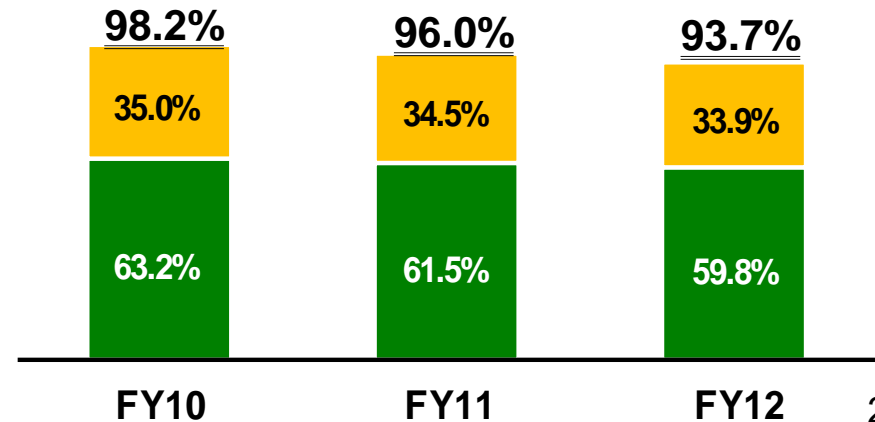
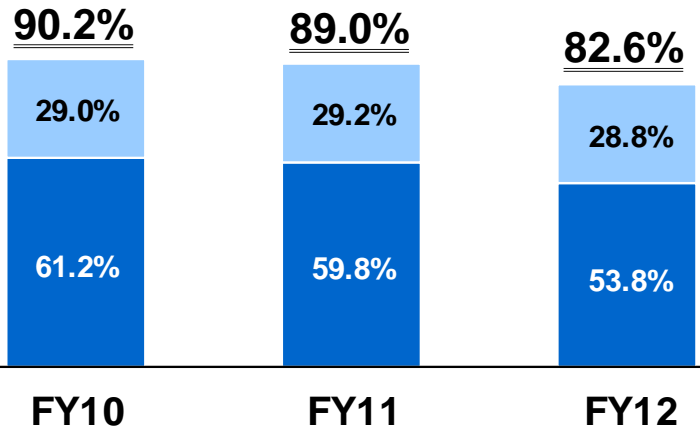


## Retained combined ratio

- Retained expense ratio
- Retained loss ratio



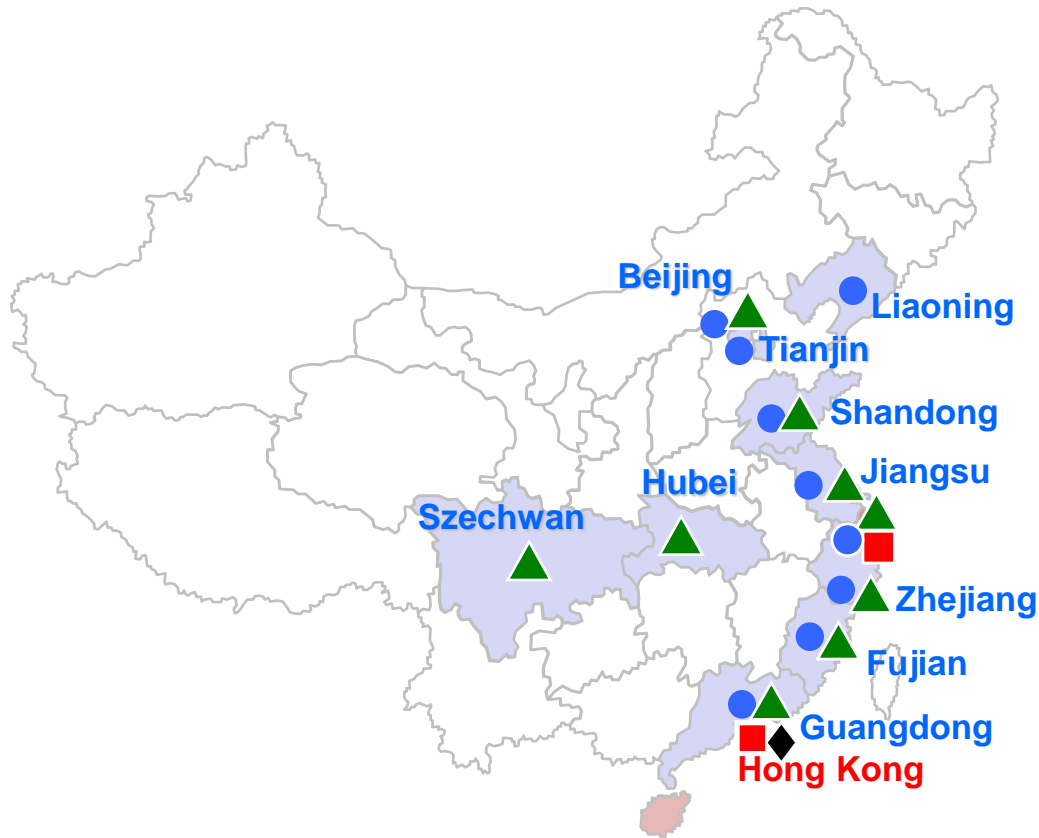
Retained ratio 72.8% 74.4%



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# Cathay FHC in China



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

## ■ Cathay United Bank

- Each business line performed steadily
- Plan to apply Minhang Sub-branch and Qingdao Branch

## ■ Cathay Life (China)

- Total premium grew by 8.3% YoY in 1H13
- Enhanced market segmentation strategy to improve underwriting quality

## ■ Cathay Century (China)

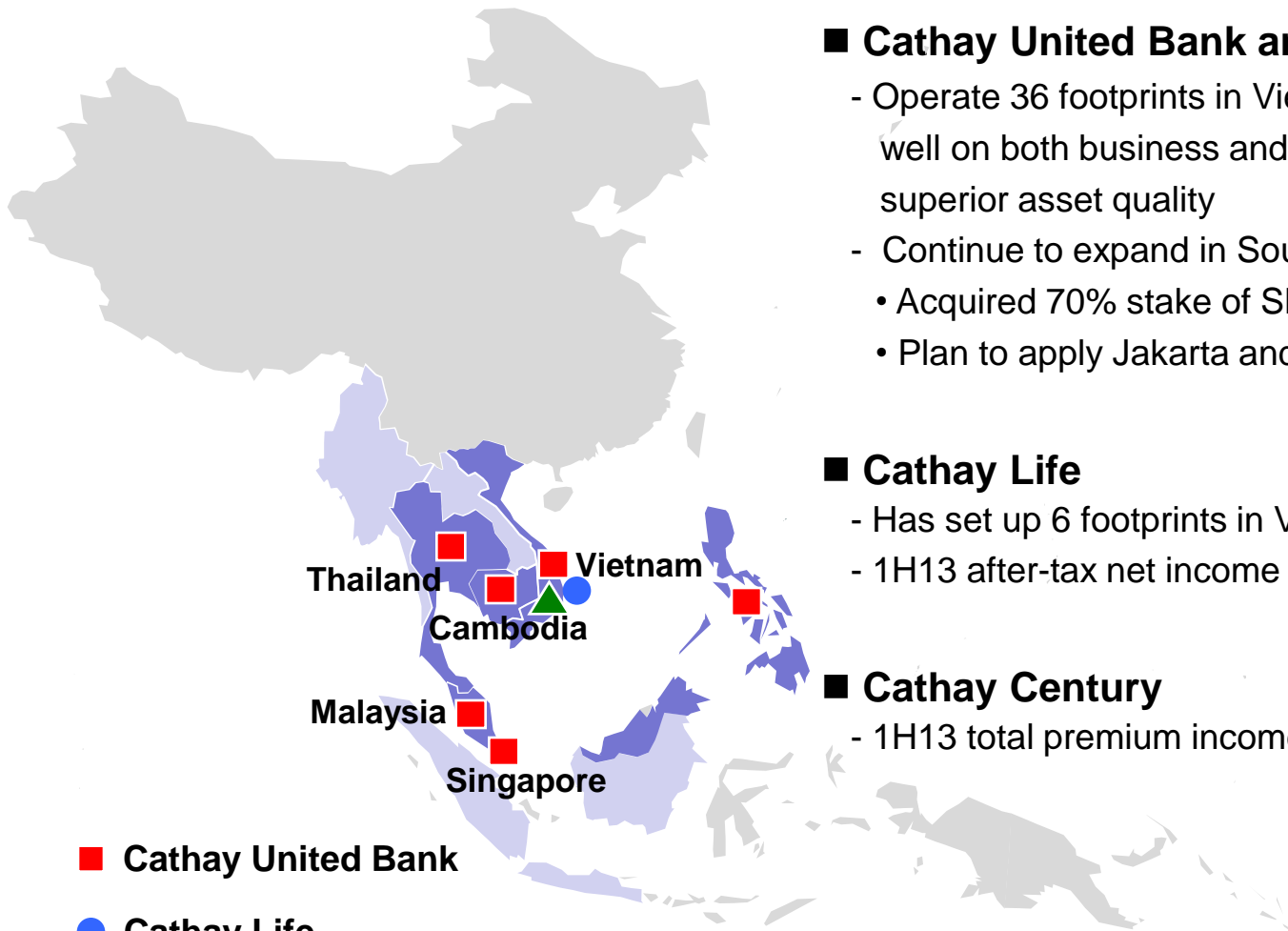
- Strong premium income growth in 1H13, up by 81% YoY
- Has set up 18 business footprints in 17 cities

## ■ CCAM

- Began operation last Sep.; AUM amounted to USD\$ 961MN in 1H13



# Cathay FHC in South East Asia



## ■ Cathay United Bank and Indovina Bank

- Operate 36 footprints in Vietnam; performed well on both business and financial sides; maintained superior asset quality
- Continue to expand in South East Asia
  - Acquired 70% stake of SBC in Cambodia
  - Plan to apply Jakarta and Yangon (Myanmar) office

## ■ Cathay Life

- Has set up 6 footprints in Vietnam
- 1H13 after-tax net income was NT\$ 45.3MN

## ■ Cathay Century

- 1H13 total premium income increased by 68% YoY

■ Cathay United Bank

● Cathay Life

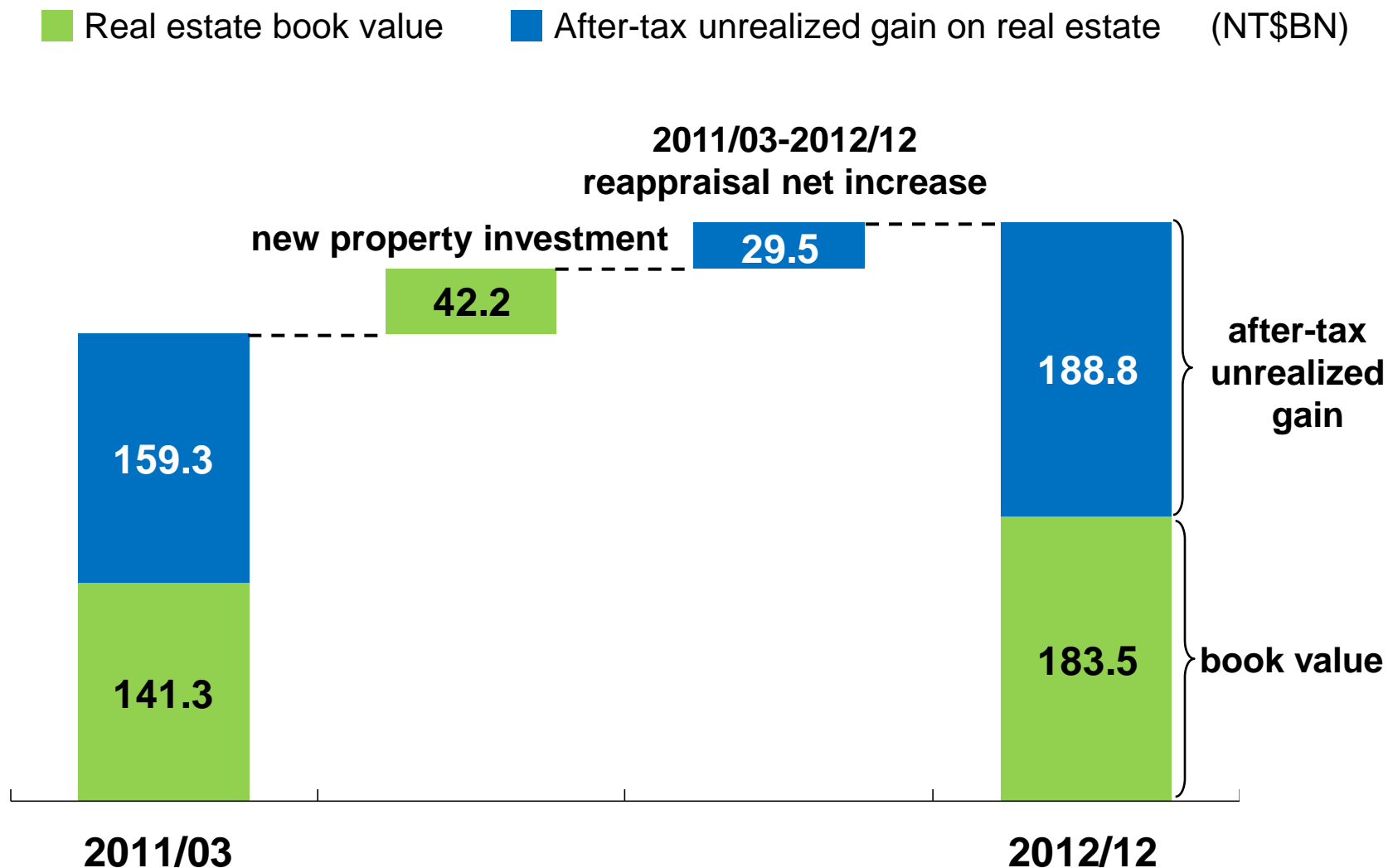
▲ Cathay Century

# Agenda

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- **1H13 Business highlights**
- **1H13 Financial results**
  - Cathay United Bank
  - Cathay Life
  - Cathay Century
- **Overseas expansion**
- **Appendix**
  - Property reappraisal
  - Embedded value & appraisal value
  - Recovery plan for special reserve of unrealized gains on property

# Appendix: Cathay Life's property reappraisal



# Appendix: EV & AV Summary

		NT\$BN			
Valuation date		2011	2012	Difference	Growth rate
Embedded value	Equity	112	135	23	20%
	Cost of capital	-76	-82	-6	-8%
	Adjusted net worth (After CoC)	199	242	43	22%
	Value in force	276	323	47	17%
	Embedded value	475	565	90	19%
Value of one year's new business	First year premium (FYP)	256	267	12	5%
	First year premium equivalent (FYPE)	81	92	11	14%
	Value of one year's new business (VNB)	44	50	6	14%
	Profit margin (VNB/FYP)	17%	19%	2%	-
	Profit margin (VNB/FYPE)	55%	54%	-1%	-
Appraisal value (20 years NB)	Multiple	8.6	8.7	0.1	-
	Appraisal value	870	1,001	131	15%
Value per share <sup>(1)</sup>	EV / per share	46.1	53.0	6.9	15%
	AV / per share	84.5	93.9	9.4	11%

Note: (1) per share = per share of Cathay FHC  
 (2) Totals may not sum due to rounding.

# Appendix: Embedded Value & Appraisal Value

NT\$BN, except for per share figures

Valuation date	2011/12/31	2012/12/31
In-force investment yield	3.8% ~ Year 2031 5% for General account 2.71% ~ Year 2031 3.2% for Interest crediting annuity	3.8% ~ Year 2032 5.03% for NTD policies 4.3% ~ Year 2032 6.14% for USD policies 2.68% ~ Year 2032 3.11% for Interest crediting annuity
One year's new business investment yield		2.73%~ Year 2032 5.03% for NTD policies 4.02% ~ Year 2032 6.14% for USD policies 2.38% ~ Year 2032 2.66% for Interest crediting annuity
Discount rate	10%	10%
Cost of Capital (CoC)	-76	-82
Adjusted net worth (After CoC)	199	242
Value of in force business	276	323
<b>Embedded Value</b>	<b>475</b>	<b>565</b>
EV / per share	89.4 (46.1)	106.5(53.0)
<b>Appraisal Value</b>	<b>870</b>	<b>1,001</b>
Value of future 1 year's new business (After CoC)	46	50
<b>AV / per share</b>	<b>163.9 (84.5)</b>	<b>188.6(93.9)</b>

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

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

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

# Appendix: Sensitivity Analysis of EV

NT\$BN, except for per share figures

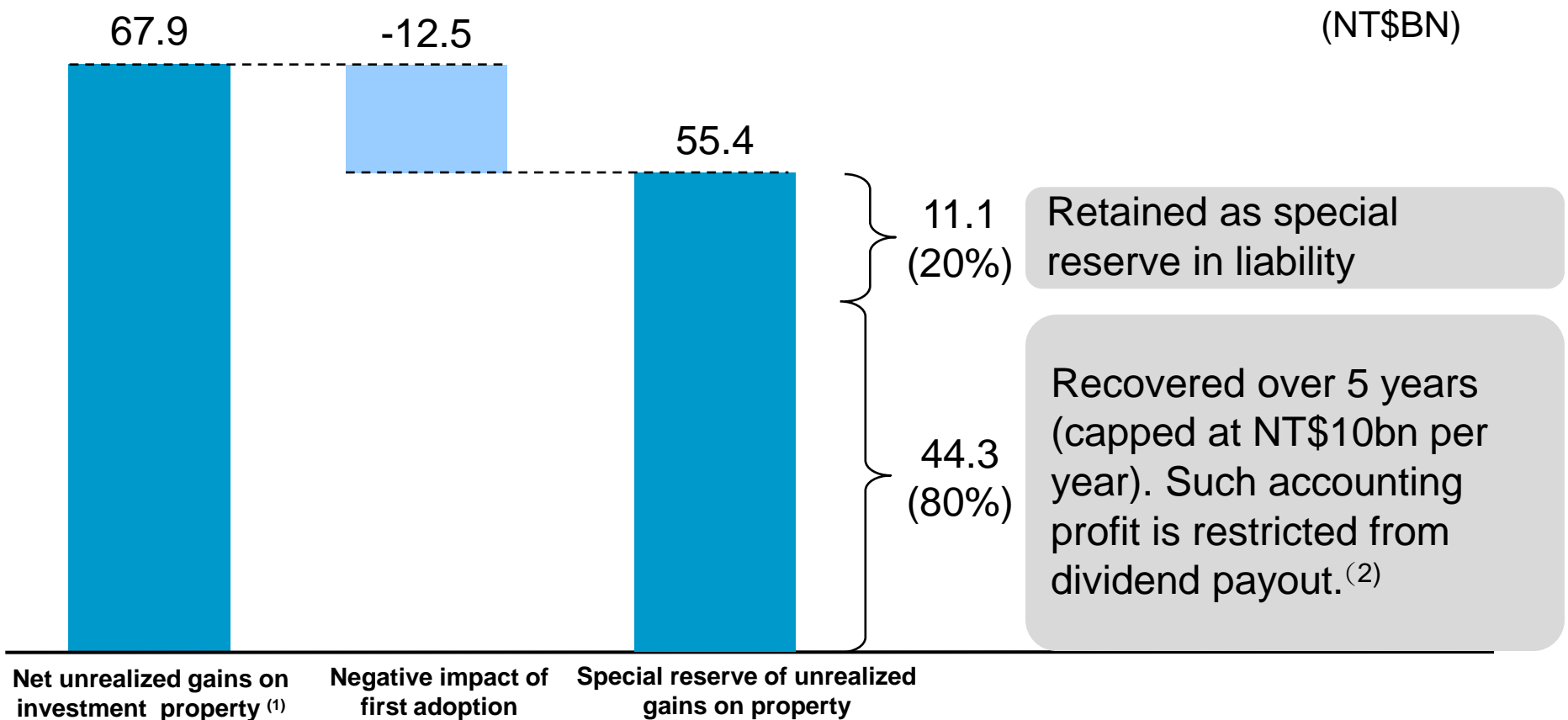
Valuation date	2012/12/31					
Assumption	Investment yield - 0.25%	Investment yield + 0.25%	Investment yield + 0.25% (capped) <sup>(1)</sup>	Base Case	Discount rate – 0.5%	Discount rate + 0.5%
Cost of capital	-86	-78	-78	-82	-79	-85
Adjusted net worth (After CoC)	238	246	246	242	246	240
Value of in force business	250	396	378	323	345	303
Embedded Value	487	642	624	565	590	543
EV / per share	91.8(45.7)	121.0(60.2)	117.6(58.5)	106.5(53.0)	111.2(55.3)	102.3(50.9)
Appraisal Value	900	1,092	1,067	1,001	1,055	948
Value of future 1 year's new business (After CoC)	46	54	52	50	54	47
AV / per share	169.6(84.4)	205.8(102.4)	201.1(100.0)	188.6(93.9)	198.8(98.9)	178.6(88.9)

Note: (1) "Investment yield +0.25% (capped)" : the investment return is capped by 5.03% for NTD policies, 6.14% for USD policies, and 3.11% for interest crediting annuity.

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

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

# Appendix: 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.

*Q&A*





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

	(ROC GAAP)			(IFRS)		1H13/ 1H12	(IFRS)		2Q13/ 2Q12
	FY10	FY11	FY12	1H12	1H13	% Chg	2Q12	2Q13	% Chg
<b><u>Income Statement Data (Consolidated)</u></b>									
<b>Operating Income</b>									
Net interest income	92,741	105,055	112,816	54,980	56,980	4%	27,158	28,290	4%
Net commission and fee	185	920	2,225	1,588	1,773	12%	1,382	1,712	24%
Net earned premium	448,216	398,192	457,392	249,308	185,905	-25%	111,880	96,367	-14%
Change in liability reserve	(235,134)	(196,217)	(307,362)	(182,532)	(125,623)	-31%	(79,322)	(58,499)	-26%
Net claims payment	(278,363)	(259,386)	(229,037)	(106,893)	(100,068)	-6%	(52,946)	(55,005)	4%
Investment income	13,721	(638)	25,696	12,359	19,605	59%	7,229	8,504	18%
Contribution from associates-equity method	245	107	(50)	18	16	-9%	(5)	(7)	42%
Other net non-interest income	4,698	10,536	9,719	1,376	4,563	232%	671	1,088	62%
Bad debt expense	0	(1,063)	(3,172)	(272)	(538)	98%	(231)	(449)	95%
Operating expense	(43,744)	(47,889)	(51,209)	(24,101)	(25,686)	7%	(12,237)	(12,907)	5%
Income before taxes	2,565	9,618	17,020	5,831	16,927	190%	3,579	9,095	154%
Income taxes	1,718	1,667	38	(453)	(1,953)	331%	(631)	(1,185)	88%
Net income	4,283	11,285	17,058	5,378	14,974	178%	2,949	7,910	168%
EPS (NT\$)	0.39	1.04	1.60	0.49	1.39		0.28	0.74	
<b><u>Dividend Payout</u></b>									
Cash dividend per share	0.60	0.50	0.70	-	-				
Stock dividend per share	0.20	0.50	0.70	-	-				
Outstanding shares (Millions of shares)	10,154	10,158	10,665	10,665	10,665				
<b><u>Balance Sheet Data</u></b>									
Total assets	4,689,190	5,005,403	5,435,303	5,271,516	5,754,448				
Total shareholders' equity	222,507	217,712	248,584	222,731	241,197				
<b><u>Operating Metrics</u></b>									
ROAE (Consolidated)	2.0%	5.1%	7.3%	4.9%	12.2%				
ROAA (Consolidated)	0.1%	0.2%	0.3%	0.2%	0.5%				
Double leverage ratio(inc. preferred stock)	111.5%	119.0%	115.6%	117.8%	120.1%				
<b><u>Capital Adequacy Metrics</u></b>									
Capital Adequacy Ratio (Standalone)	145%	126%	120%	120%	124%				

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  - (2) Numbers of FY10-12 are based on ROC GAAP. The rest are based on IFRS.
  - (3) Cathay FHC 1H13 EPS included the impact of - NT\$ 0.29 from provision for FX fluctuation reserve and + NT\$ 0.47 from recovery of special reserve on property unrealized gains.
  - (4) Total may not sum due to rounding.

Cathay Life (NT\$MN)	(ROC GAAP)			(IFRS)		1H13/ 1H12	(IFRS)		2Q13/ 2Q12/
	FY10	FY11	FY12	1H12	1H13	% Chg	2Q12	2Q13	% Chg
<b>Income Statement Data (Consolidated)</b>									
Net written premium	439,699	388,122	445,658	244,168	184,660	-24%	109,280	95,764	-12%
Net earned premium	438,463	390,184	445,573	244,309	179,784	-26%	109,283	93,095	-15%
Reinsurance commission earned	9,254	11,737	14,371	7,480	6,051	-19%	3,796	3,078	-19%
Fee income	2,213	2,872	2,581	1,054	1,636	55%	523	787	50%
Investment income and financial cost	90,241	92,310	120,131	56,423	68,876	22%	29,369	34,472	17%
Other operating income	1,430	1,621	1,610	812	682	-16%	346	356	3%
Separate account revenues	54,653	87,360	104,180	27,691	44,451	61%	6,008	6,543	9%
Net claims payment	(272,907)	(253,108)	(221,754)	(103,485)	(96,173)	-7%	(51,101)	(53,041)	4%
Changes in liability reserves	(232,542)	(197,431)	(306,017)	(182,366)	(125,377)	-31%	(79,222)	(61,415)	-22%
Acquisition and commission expense	(30,114)	(32,812)	(33,722)	(16,309)	(16,940)	4%	(7,671)	(8,006)	4%
Other operating costs	(3,488)	(4,396)	(4,842)	(2,323)	(2,731)	18%	(1,051)	(1,583)	51%
Separate account expense	(54,653)	(87,360)	(104,180)	(27,691)	(44,451)	61%	(6,008)	(6,543)	9%
Operating expense	(13,880)	(15,211)	(17,493)	(8,429)	(7,996)	-5%	(4,587)	(4,065)	-11%
Net non-operating income	1,254	934	965	480	503	5%	254	344	35%
Income taxes	3,100	3,548	1,752	849	(617)	-	8	(391)	-
Net income	(6,978)	248	3,157	(1,505)	7,698	-	(54)	3,632	-
<b>Balance Sheet Data</b>									
Total assets	3,059,952	3,289,797	3,646,667	3,540,154	3,857,067				
General account	2,790,701	2,995,746	3,317,110	3,245,371	3,505,164				
Separate account	269,251	294,051	329,557	294,783	351,903				
Reserves for life insurance liabilities	2,597,016	2,803,537	3,097,242	3,032,660	3,282,069				
Total liabilities	2,944,762	3,176,238	3,510,381	3,420,544	3,725,746				
Total shareholders' equity	115,190	113,558	136,286	119,610	131,321				
<b>Operating Metrics</b>									
First Year Premium(FYP)	330,101	255,530	267,169	137,035	99,566				
First Year Premium Equivalent(FYPE)	78,809	80,517	91,773	47,307	39,824				
Expense ratio	7.7%	11.1%	10.5%	9.4%	12.7%				
13-M persistency ratio	96.2%	97.1%	97.3%	97.2%	97.8%				
25-M persistency ratio	85.8%	89.7%	91.8%	89.9%	92.1%				
ROAE	-5.7%	0.4%	2.7%	-2.5%	11.4%				
ROAA	-0.2%	0.01%	0.1%	-0.1%	0.4%				
<b>Capital Adequacy Metrics</b>									
RBC ratio (Standalone)	295%	260%	234%	247%	252%				

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- (3) Cathay Life 1H13 net income included the impact from provision for FX fluctuation reserve and recovery of special reserve on property unrealized gains.
- (4) ROAE & ROAA of FY10-12 are standalone figures.
- (5) Total may not sum due to rounding.

**Cathay United Bank**

(NT\$MN)	(ROC GAAP)			(IFRS)		1H13/ 1H12	(IFRS)		2Q13/ 2Q12/
	FY10	FY11	FY12	1H12	1H13	% Chg	2Q12	2Q13	% Chg
<b>Income Statement Data (Consolidated)</b>									
<b>Operating Income</b>									
Net interest income	15,470	18,719	21,153	10,503	10,775	3%	5,248	5,487	5%
Fee income	6,609	6,825	7,348	3,528	4,412	25%	1,711	2,328	36%
Investment income	3,745	4,038	3,742	1,748	2,503	43%	815	1,342	65%
other income	2,016	932	2,334	372	437	17%	165	274	66%
<b>Net operating income</b>	<b>27,841</b>	<b>30,514</b>	<b>34,577</b>	<b>16,152</b>	<b>18,126</b>	<b>12%</b>	<b>7,939</b>	<b>9,432</b>	<b>19%</b>
Operating expenses	(15,160)	(16,715)	(17,581)	(8,729)	(9,142)	5%	(4,250)	(4,577)	8%
<b>Pre-provision profit</b>	<b>12,681</b>	<b>13,799</b>	<b>16,996</b>	<b>7,423</b>	<b>8,985</b>	<b>21%</b>	<b>3,689</b>	<b>4,855</b>	<b>32%</b>
Net provisions for possible losses	0	(627)	(2,126)	328	34	-90%	11	(90)	-913%
<b>Income before taxes</b>	<b>12,681</b>	<b>13,172</b>	<b>14,870</b>	<b>7,751</b>	<b>9,019</b>	<b>16%</b>	<b>3,700</b>	<b>4,765</b>	<b>29%</b>
Income tax	(1,170)	(1,744)	(1,602)	(941)	(1,196)	27%	(424)	(605)	43%
<b>Net income</b>	<b>11,511</b>	<b>11,428</b>	<b>13,268</b>	<b>6,810</b>	<b>7,823</b>	<b>15%</b>	<b>3,276</b>	<b>4,160</b>	<b>27%</b>
<b>Balance Sheet Data</b>									
Total assets	1,603,235	1,738,125	1,814,643	1,743,767	1,900,748				
Loans, net	900,995	1,001,926	1,003,183	1,031,259	996,777				
Financial assets	496,571	506,241	560,469	539,600	627,150				
Total liability	1,505,262	1,636,798	1,708,630	1,645,255	1,787,876				
Deposits	1,342,231	1,484,029	1,539,774	1,475,452	1,570,468				
Financial Debenture Payable	23,655	36,024	42,519	40,199	52,649				
Total shareholders' equity	97,974	101,327	106,012	98,512	112,872				
<b>Operating Metrics</b>									
Cost income ratio	54.5%	55.3%	50.9%	54.1%	50.3%				
ROAE	12.0%	11.5%	13.0%	13.7%	14.3%				
ROAA	0.7%	0.7%	0.8%	0.8%	0.8%				
<b>Assets Quality</b>									
NPL	2,520	2,807	3,373	3,426	3,464				
NPL ratio	0.28%	0.28%	0.34%	0.33%	0.35%				
NPL provisions	6,902	9,308	13,037	10,607	14,133				
Coverage ratio	277.2%	331.6%	386.5%	309.6%	408.0%				
<b>Capital Adequacy Metrics</b>									
BIS ratio (Standalone)	11.2%	11.8%	12.4%	11.0%	13.1%				
Tier I Ratio (Standalone)	9.6%	9.2%	9.0%	8.3%	9.2%				
BIS ratio (Consolidated)	11.4%	12.0%	12.6%	11.0%	13.1%				
Tier I Ratio (Consolidated)	9.7%	9.4%	9.2%	8.3%	9.2%				

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(4) Total may not sum due to rounding

**Cathay Century**

(NT\$MM)	FY10	FY11	FY12	1H12	1H13	1H13/ 1H12	2Q13/		2Q13/ 2Q12/
						% Chg	2Q12	2Q13	% Chg
<b>Income Statement Data (Consolidated)</b>									
Premium income	12,958	14,955	17,040	8,380	9,635	15%	4,641	5,208	12%
Net written premium	9,336	10,911	12,614	6,074	7,272	20%	3,277	3,802	16%
Net earned premium	9,135	9,995	11,724	5,454	6,604	21%	2,817	3,492	24%
Reinsurance commission earned	361	406	464	228	259	14%	111	132	18%
Fee income	29	32	33	16	17	6%	9	10	14%
Investment	492	477	595	300	312	4%	116	194	67%
Interest income	332	377	413	194	194	0%	103	101	-2%
Other investment income, net	160	100	182	106	119	12%	13	93	591%
Other operating income	1	0	0	0	0	-	0	0	
Net claims payment	(4,765)	(5,850)	(6,669)	(3,085)	(3,629)	18%	(1,630)	(1,822)	12%
Changes in liability reserves	(1,154)	82	(369)	(167)	(245)	47%	(85)	(292)	242%
Commissions and other operating costs	(587)	(655)	(774)	(350)	(504)	44%	(187)	(275)	47%
Operating expenses	(3,310)	(3,887)	(4,433)	(2,040)	(2,498)	22%	(1,071)	(1,314)	23%
Operating income	202	601	571	356	315	-11%	79	124	57%
Net non-operating income	29	22	(9)	(5)	11	-	(5)	2	-
Income taxes	(40)	(133)	(195)	(75)	(105)	39%	(30)	(61)	104%
Net income	191	491	366	276	221	-20%	44	65	47%
<b>Balance Sheet Data</b>									
Total assets	23,839	27,041	29,131	29,188	31,331				
Total stockholders' equity	4,171	4,436	4,884	4,549	4,937				
<b>Operating Metrics</b>									
Gross Combined ratio	90.2%	89.0%	82.6%	76.3%	78.0%				
Net Combined ratio	98.2%	96.0%	93.7%	90.1%	92.3%				
ROAE	7.8%	16.5%	16.5%	12.4%	9.1%				
ROAA	1.4%	2.5%	2.6%	2.0%	1.5%				
<b>Capital Adequacy Metrics</b>									
RBC ratio (Standalone)	271%	301%	314%	307%	315%				

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