

Cathay FHC Business Overview

November 2013



國泰金控

Cathay Financial Holdings

Disclaimer

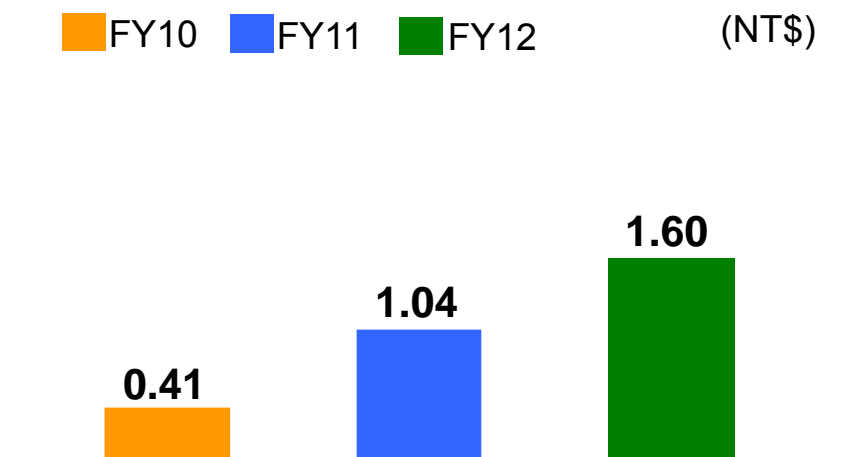
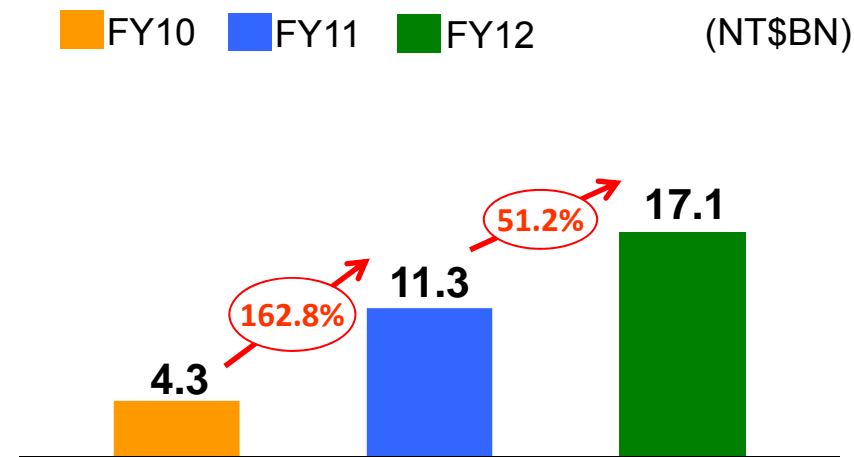
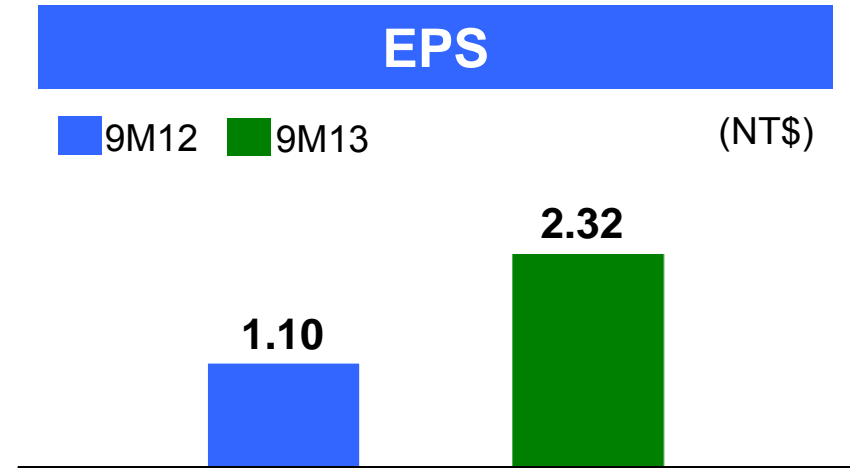
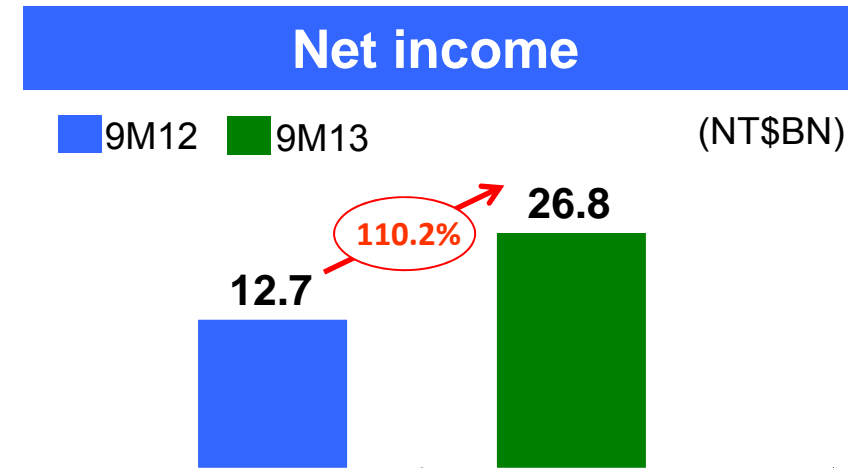
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Cathay Financial Holdings

Cathay FHC — Net income & EPS

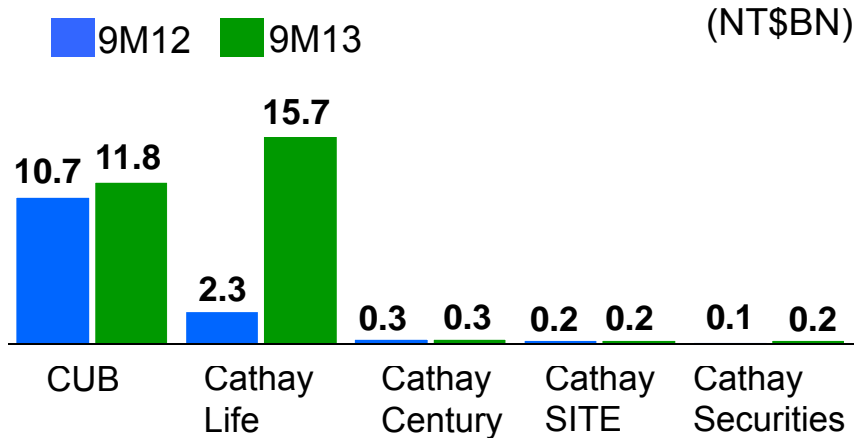


Note: (1) Data of 9M12 & 9M13 was based on IFRS principle; net income calculation included minority interest; EPS excluded minority interest
 (2) Cathay FHC 9M13 EPS included the impact of - NT\$ 0.31 from provision for FX fluctuation reserve and + NT\$ 0.65 from recovery of special reserve on property unrealized gains.

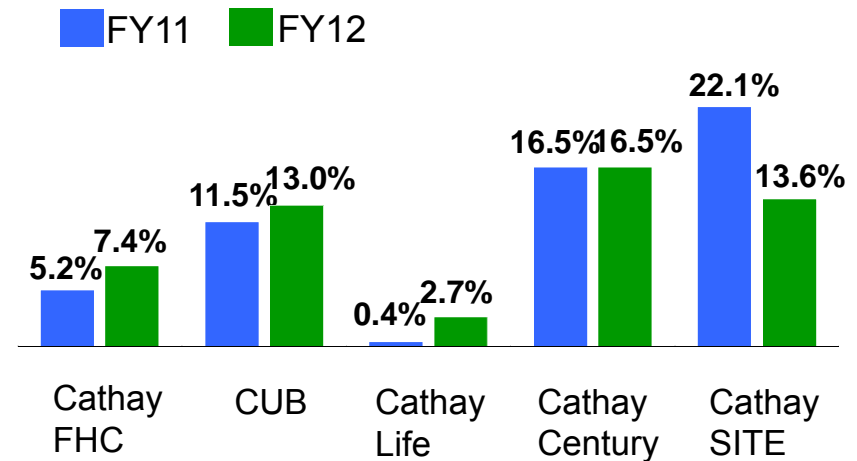
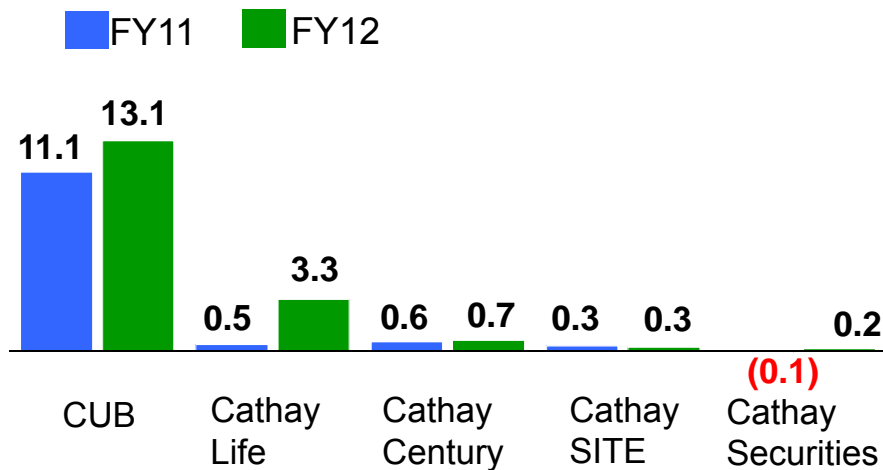
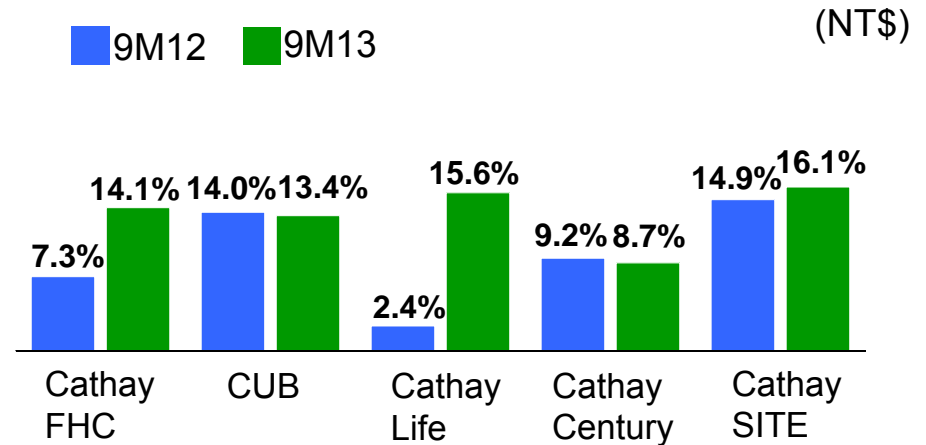


Cathay FHC — Net income & ROE

Net income of primary subsidiaries



ROE



Note: Cathay Life 9M13 net income included the impact from provision for FX fluctuation reserve and recovery of special reserve on property unrealized gains.



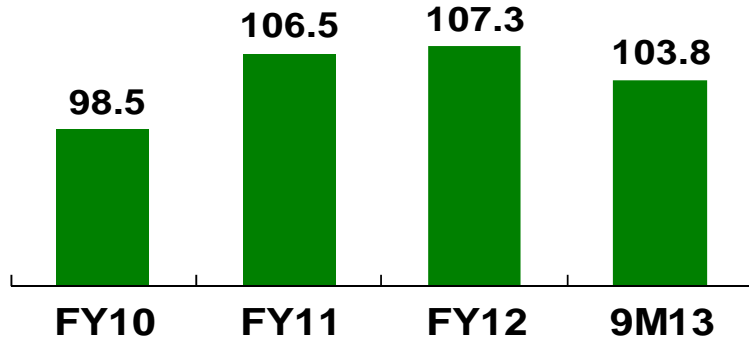
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Cathay Financial Holdings

Cathay United Bank-SME & FX loans

SME loans

(NT\$BN)

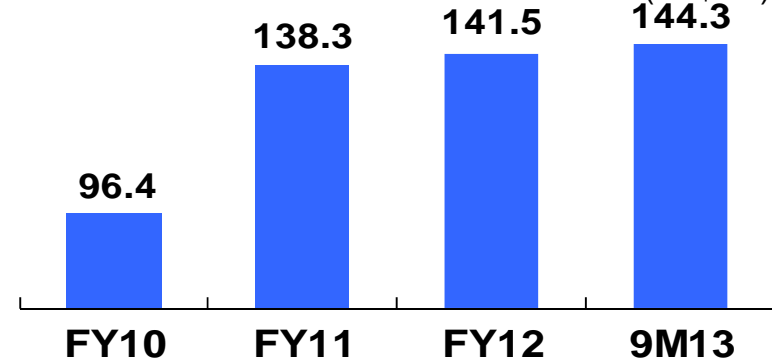


As % of total loans

10.9% 10.6% 10.6% 10.6%

Foreign currency loans

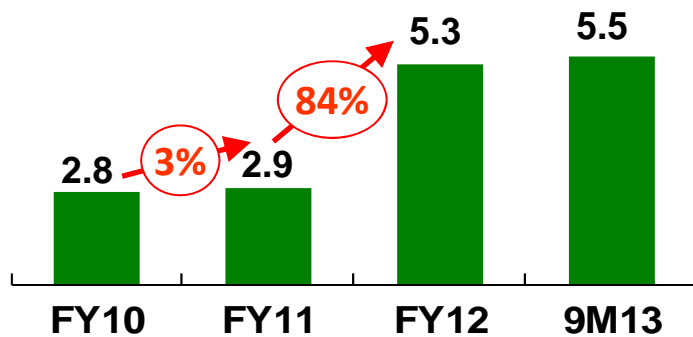
(NT\$BN)



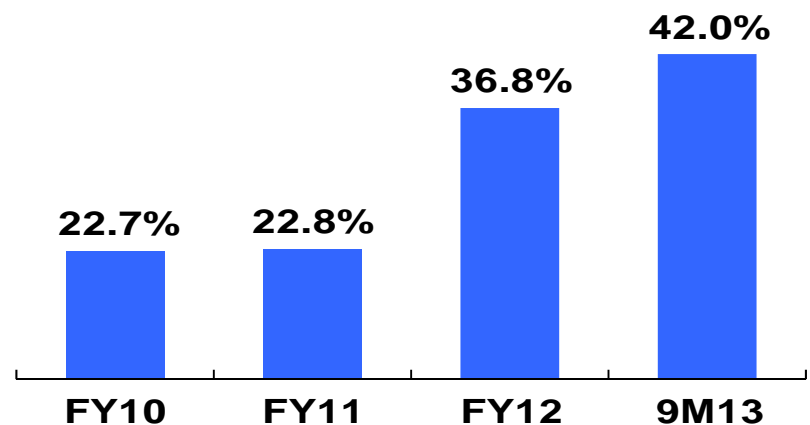
10.7% 13.7% 14.0% 14.7%

Offshore earnings

(NT\$BN)



As % of CUB pre-tax profits



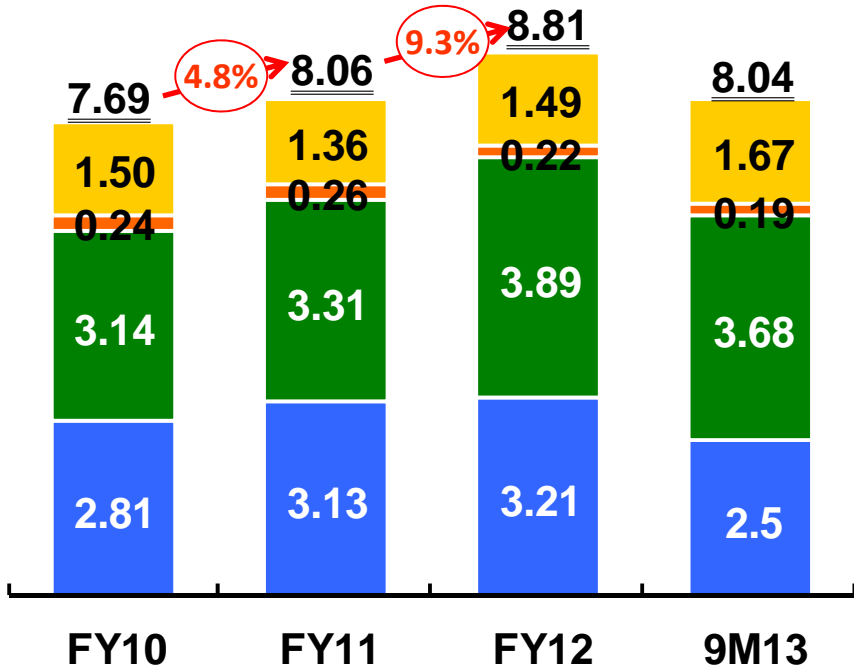
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Cathay Financial Holdings

Cathay United Bank-Fee income

Fee income breakdown

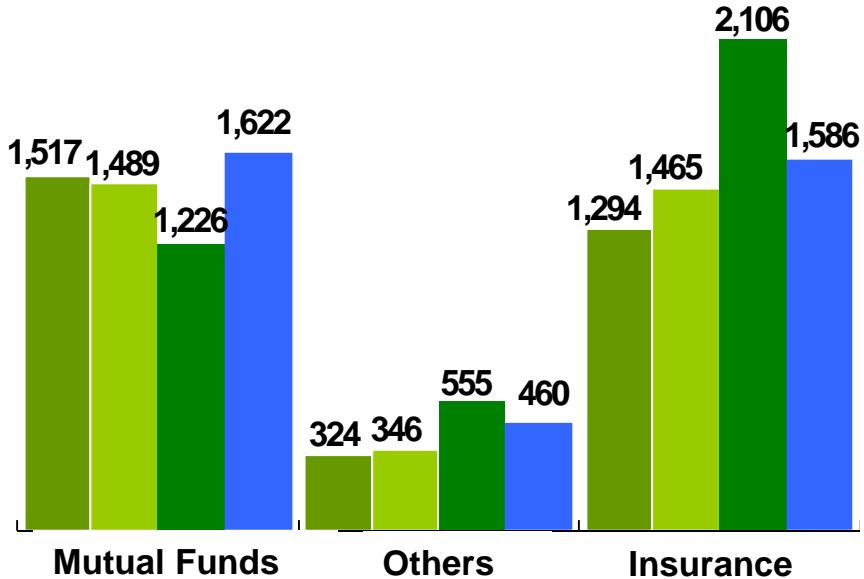
- Others (NT\$BN)
- FX
- Wealth management
- Cards related



Wealth management fee

- FY10
- FY11
- FY12
- 9M13 (NT\$MN)

	FY10	FY11	FY12	9M13
Fee income	3,142	3,309	3,894	3,684
YoY growth	52.4%	5.3%	17.7%	29.1%

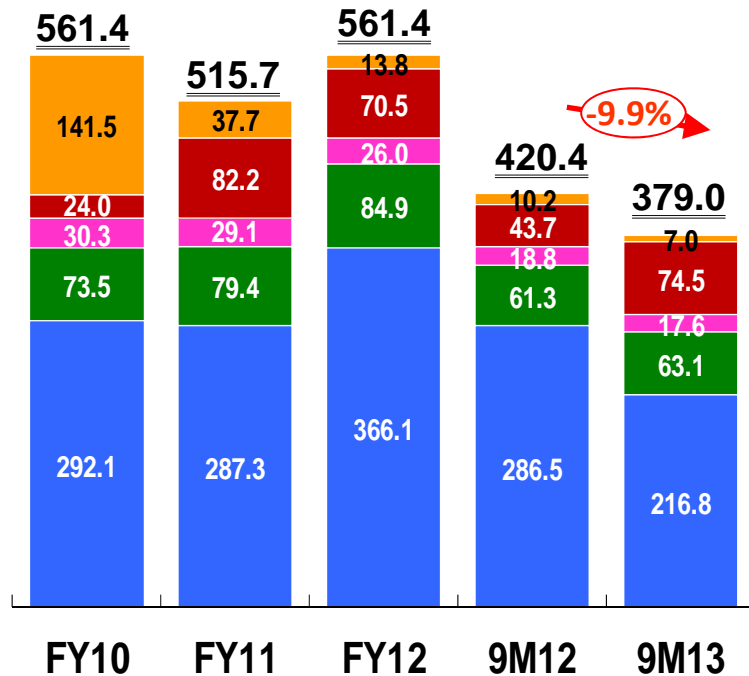


Note: Wealth management fee excludes revenue from DCI and SI of NT\$ 102 mm in 9M12 and NT\$ 780 mm in 9M13.

Cathay Life – Total premium & FYP

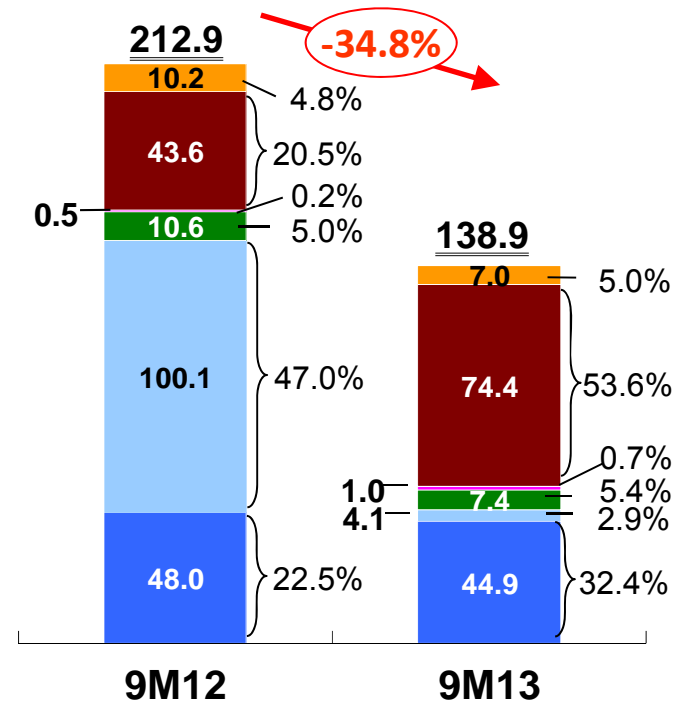
Total premium

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



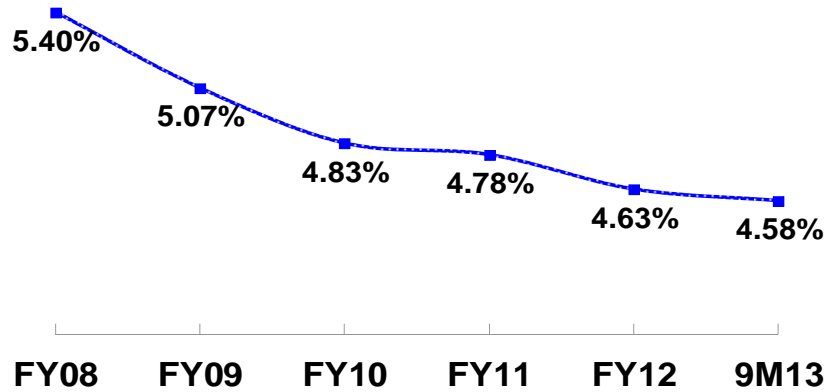
FYP

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



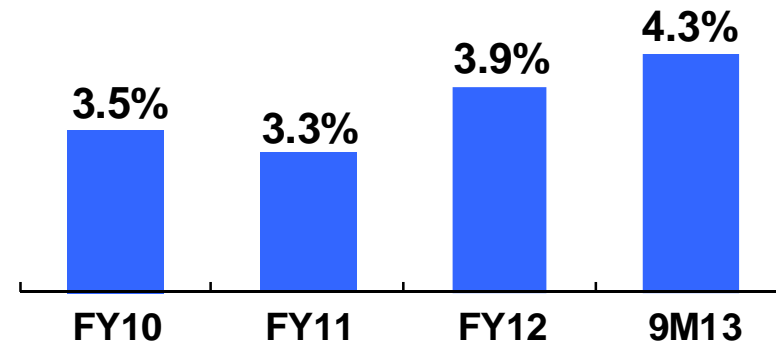
Cathay Life Cost of liability & Investment performance

Cost of liability (annual) +3Q13

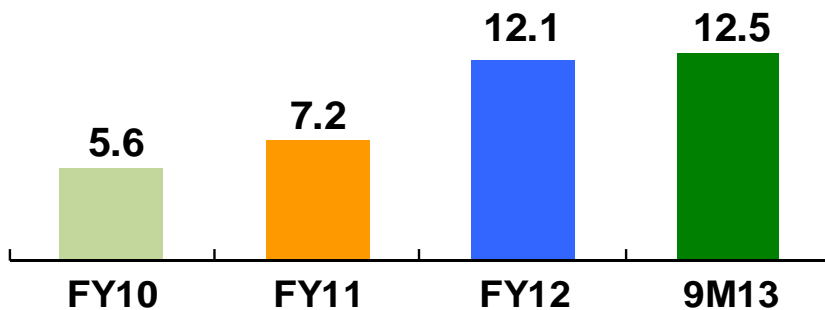


Note: The figures of cost of liability are reserve-based

After-hedging investment yield



Cash dividend



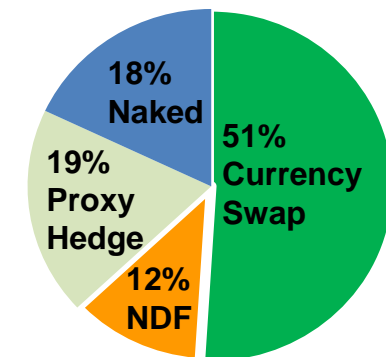
Annualized Hedging cost

9M13 Net hedging cost

0.27%

CS & NDF hedging

0.33%

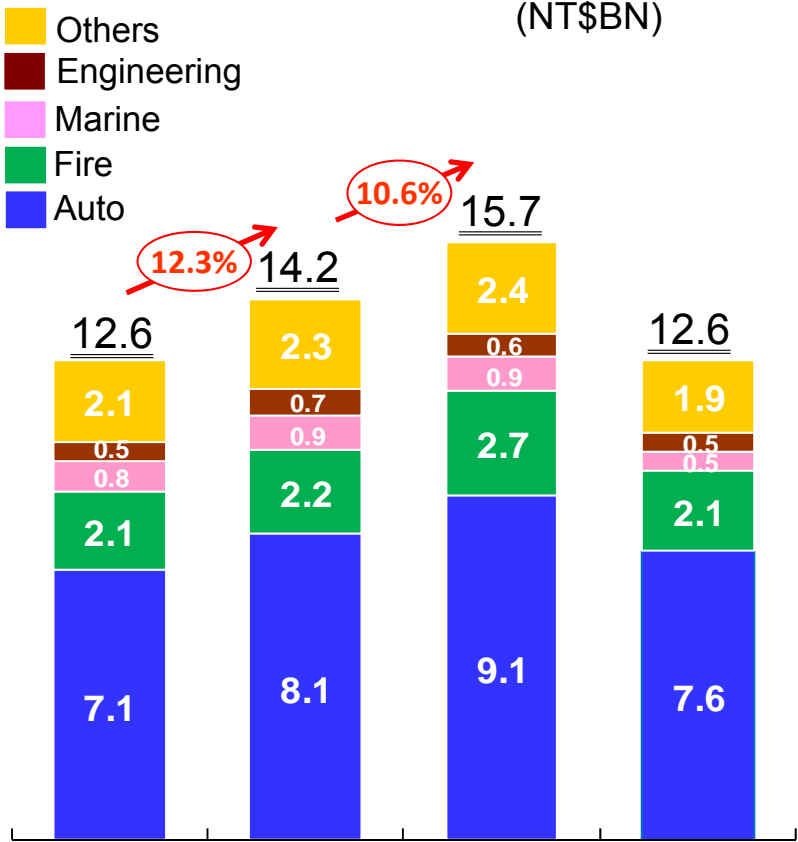


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Cathay Financial Holdings

Cathay Century – Premium income & Combined ratio

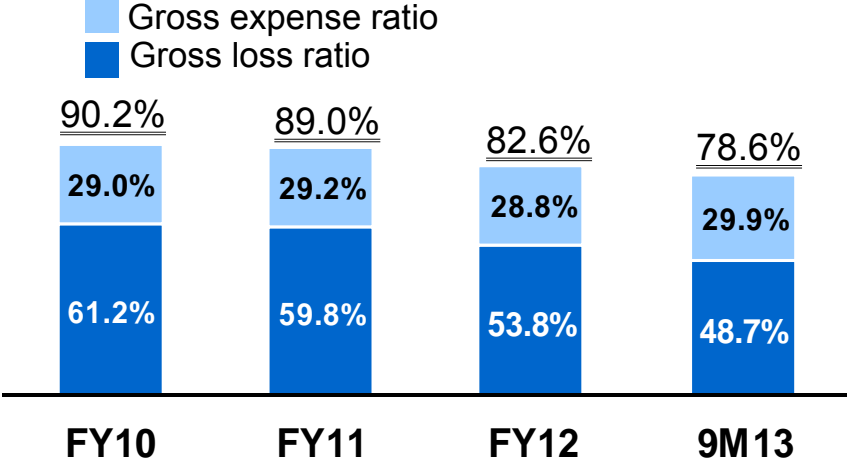
Premium income



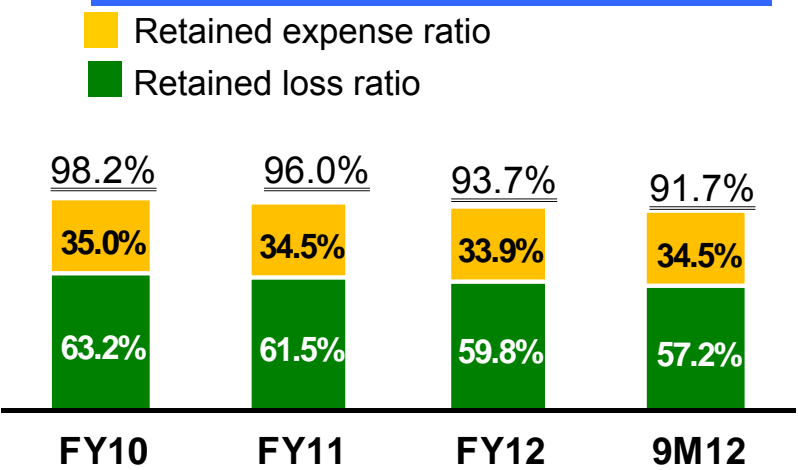
Mkt share

FY10	FY11	FY12	9M13
11.6%	12.2%	12.7%	13.0%

Gross combined ratio

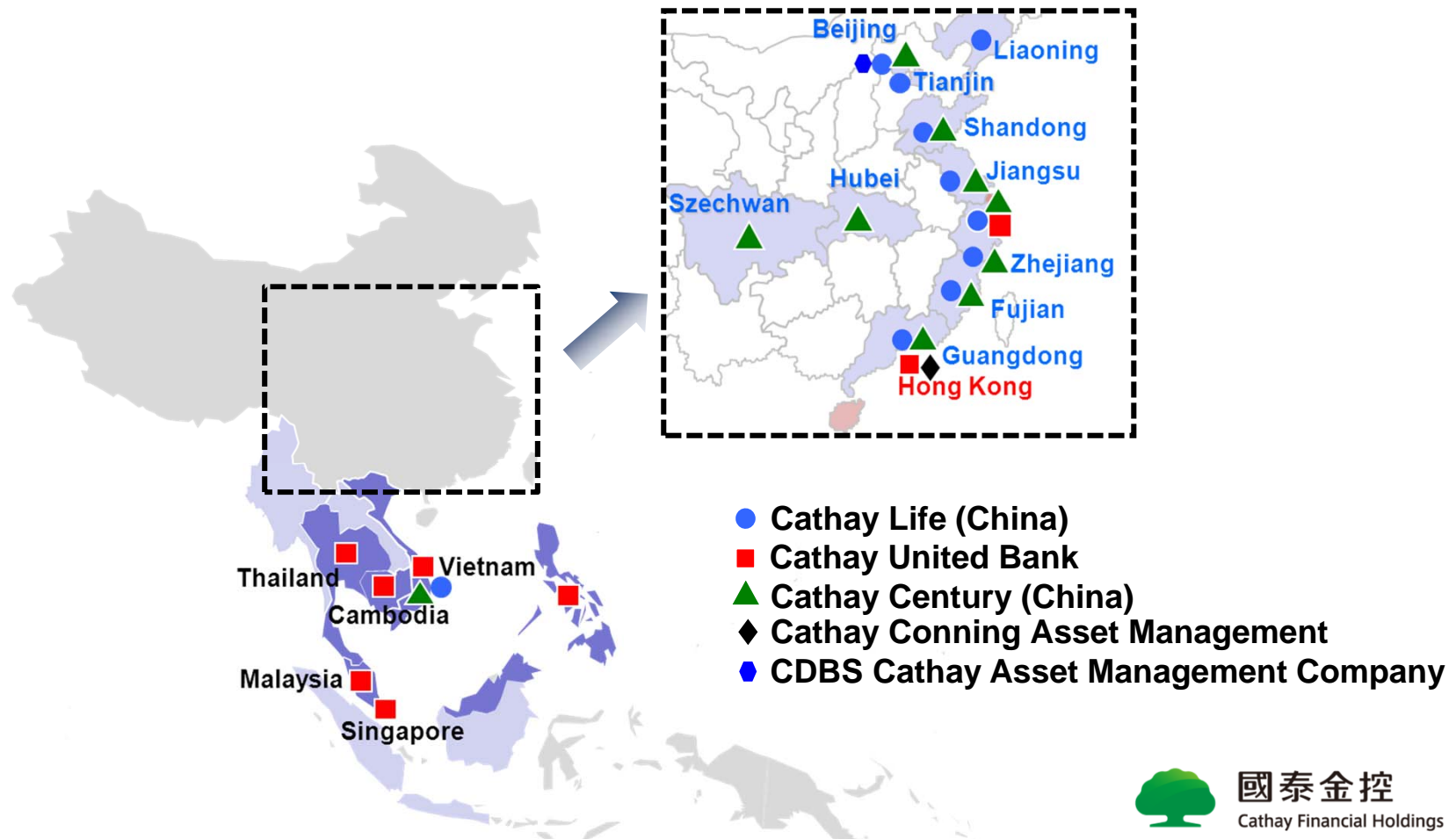


Retained combined ratio

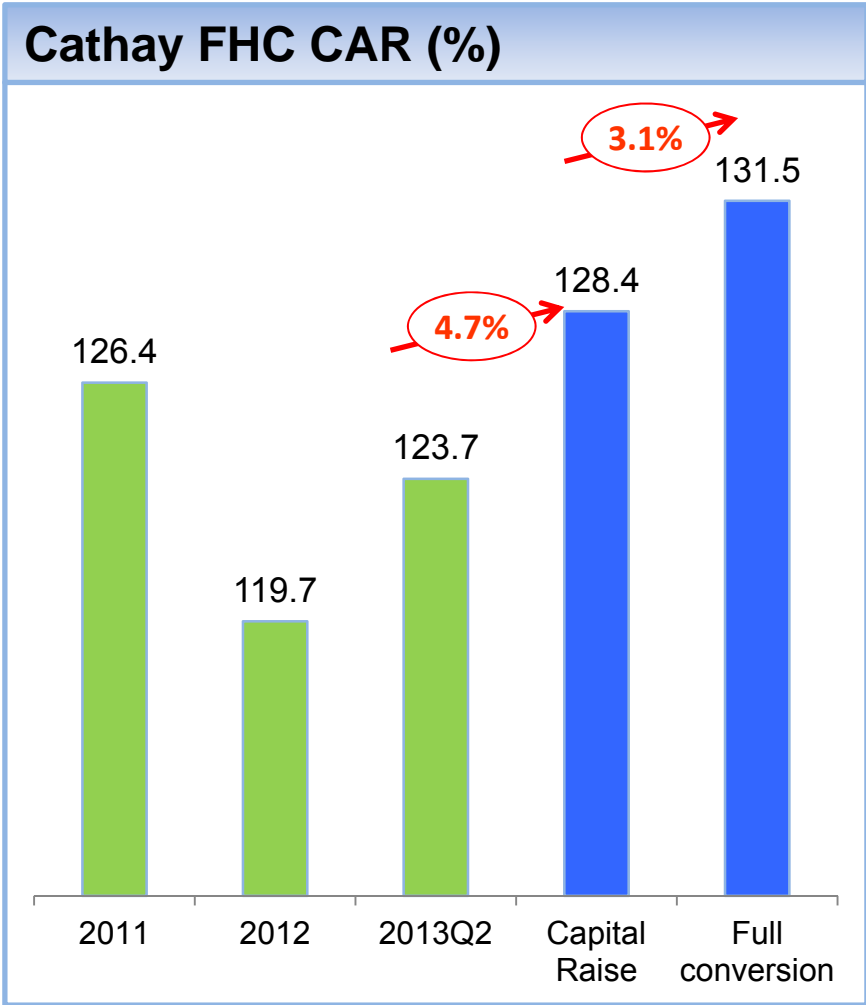


Cathay FHC in China & South East Asia

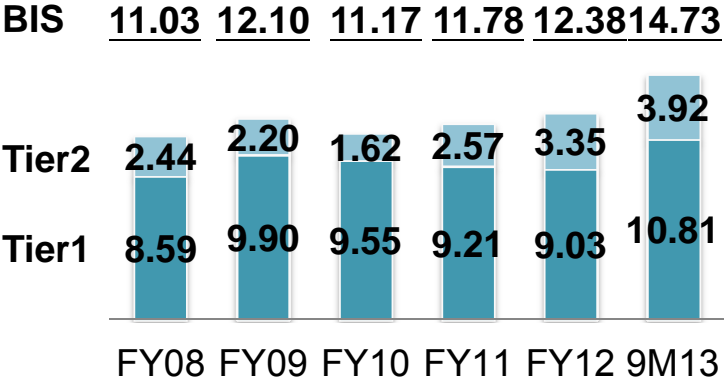
	China	Vietnam	Combodia	Hong Kong	Singapore	Malaysia
Bank	1	36	16	1	1	1
Life	32	6				
P&C	19	2				
Asset Mgt	1			1		



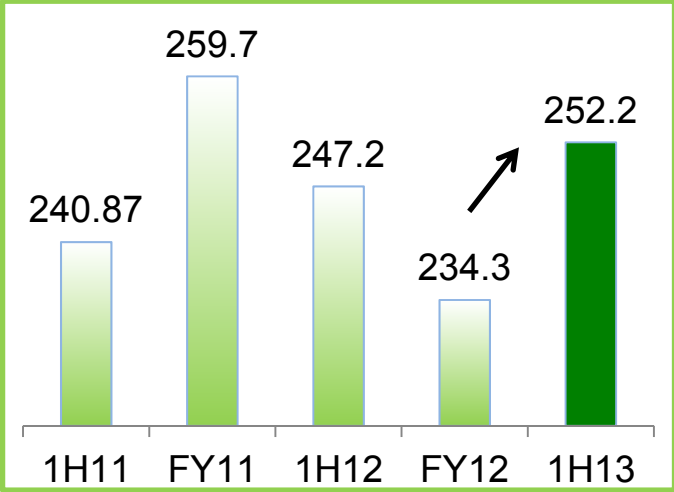
Solid Capital Adequacy



CUB Capital Adequacy (%)

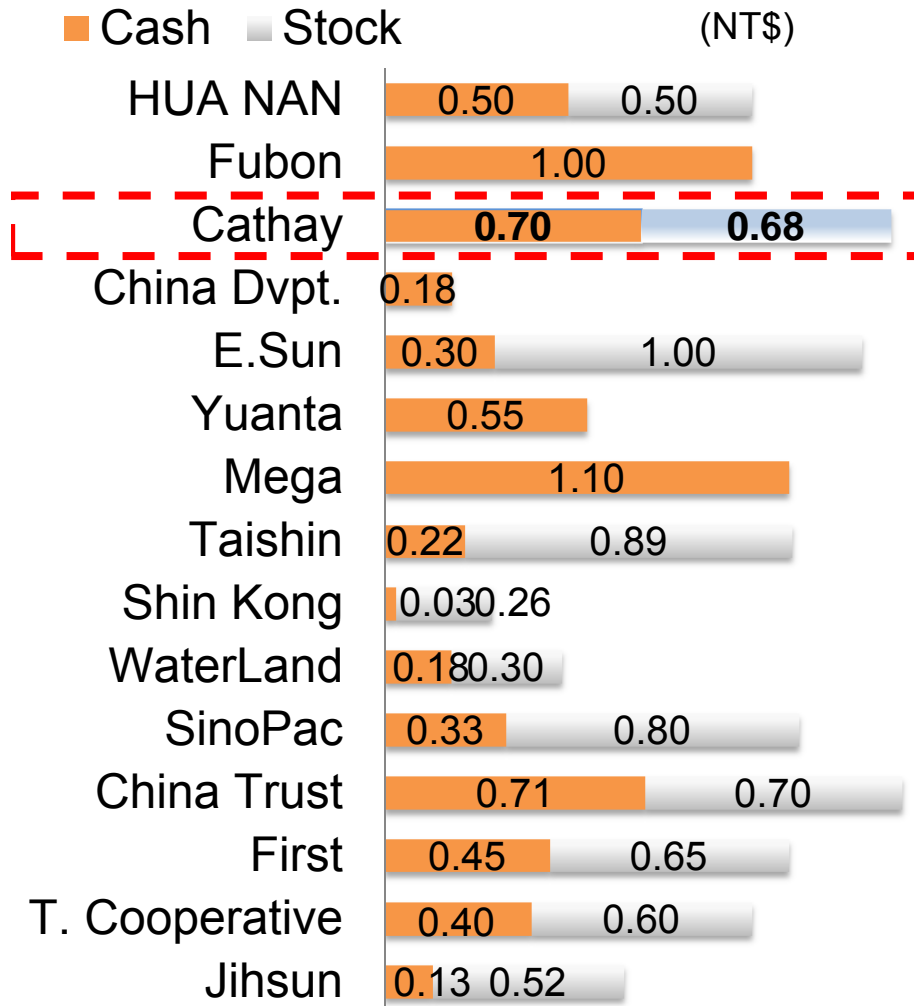


Cathay Life RBC(%)



Peer Comparison: Dividend Policy & Distr.

FY12 Dividend Distribution



Dividend Policy Rationale

Cash Dividend

1. Satisfied investor preference for cash divd.
2. Adopt peer divd. policy

Stock Dividend

1. In compliance with regulation
2. Aligned with capital needs
3. Grab future growth opportunity

Balanced Dividend Policy & Dynamic Adjustment for Future Need



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Cathay United Bank



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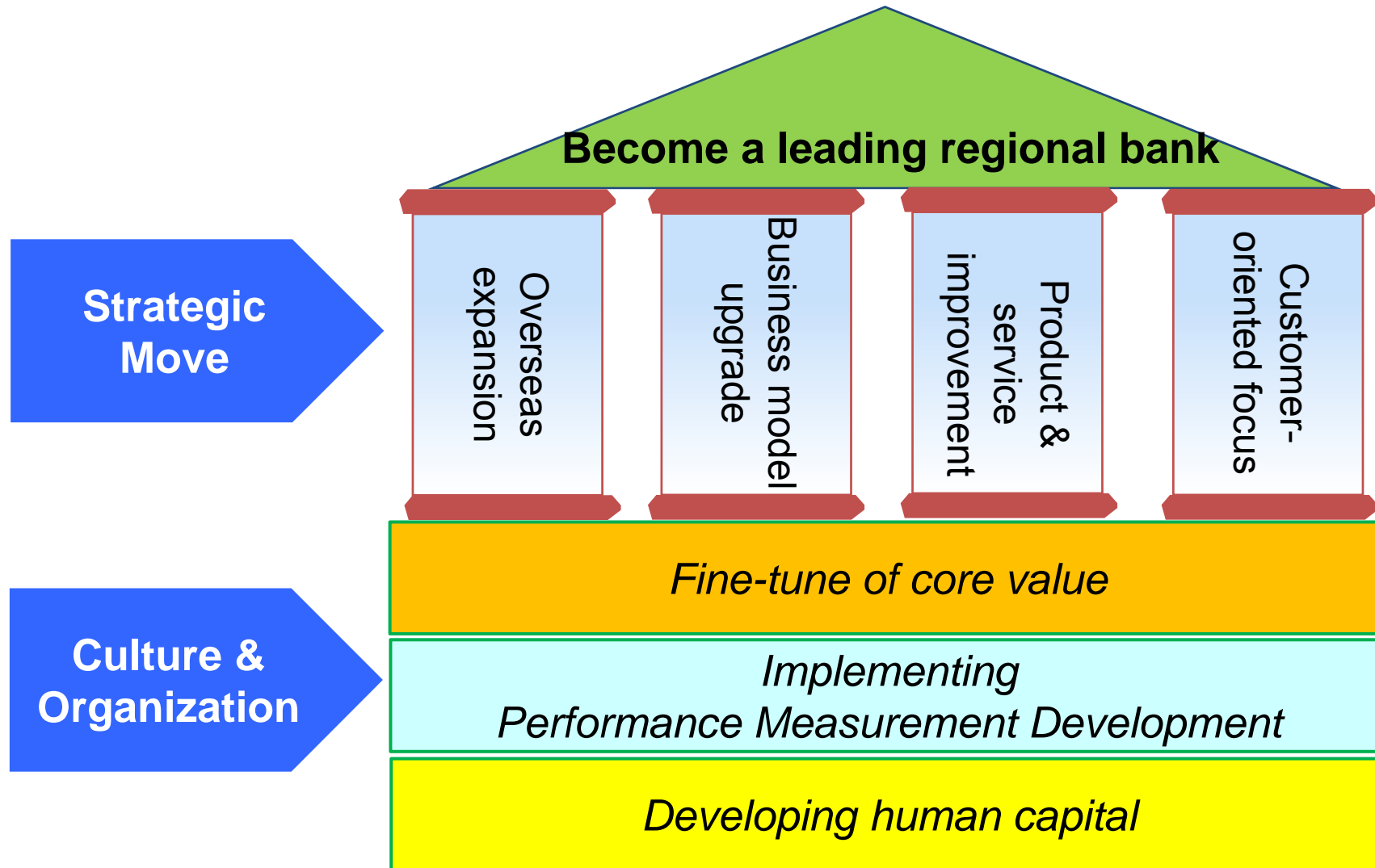
Cathay Financial Holdings

Agenda

- **Transformation of CUB**
- **Business Highlights of CUB**



Transformation of CUB



“New Heights” project to implement transformation

PROJECTS

Customer-Oriented

- Corporate customers
- Wealth management

Product & Service

- Cash & Trade
- TMU
- Corporate Finance

Business Model

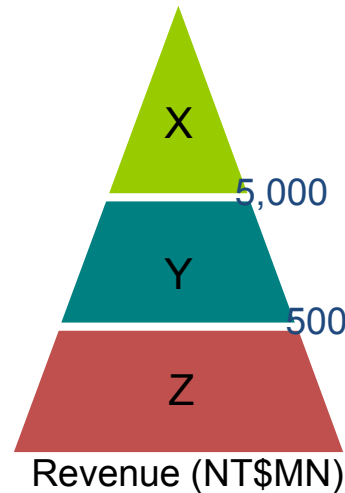
- Credit Card “C” project
- Telephone Marketing Representative

Overseas Expansion

- China
- South East Asia

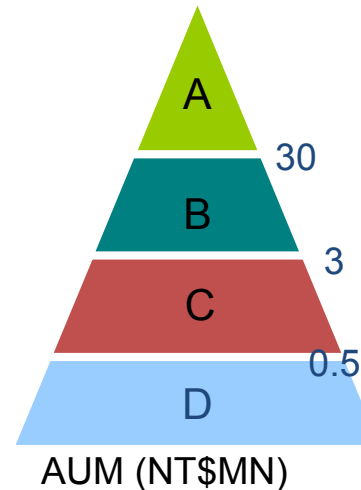


From product-oriented to customer-oriented



Corporate

- Regroup customers and revisit customers' needs
- Alignment of product solutions vs. customers' needs



Retail

- Launch Private Banking to upgrade service for high net worth clients
- Alignment of products and customers' needs
- Use technology to facilitate cross-selling

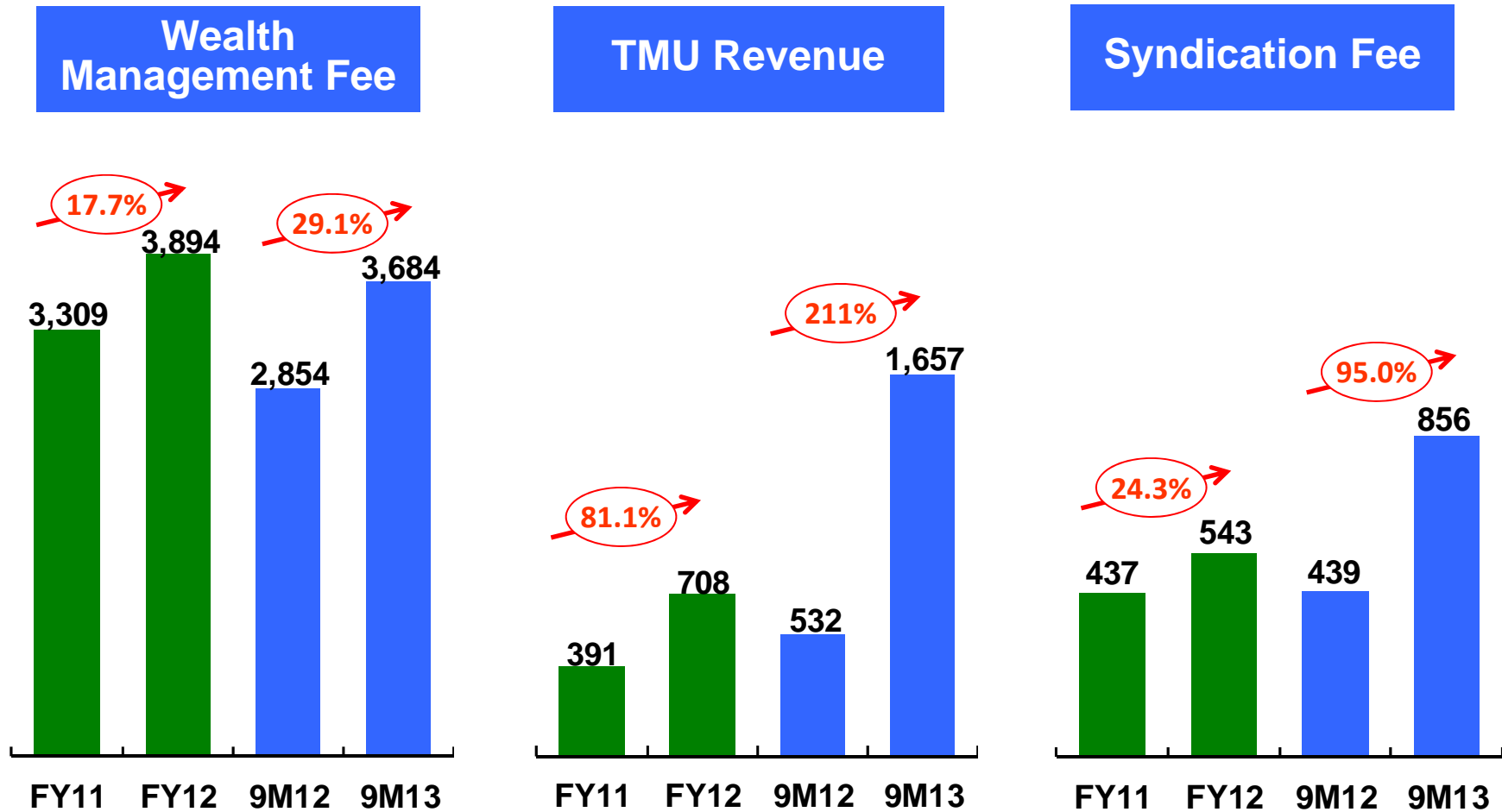
Enhance customer satisfaction

Awards

- Excellence awards of “Overall Customer Satisfaction of wealth management” and “Customer Satisfaction of Financial Consultant” by Business Today in 2013.
- “Best Service of Wealth Management”, “Best Recognized”, “Best Recommended”, and “Best service” by Wealth Magazine in 2012.



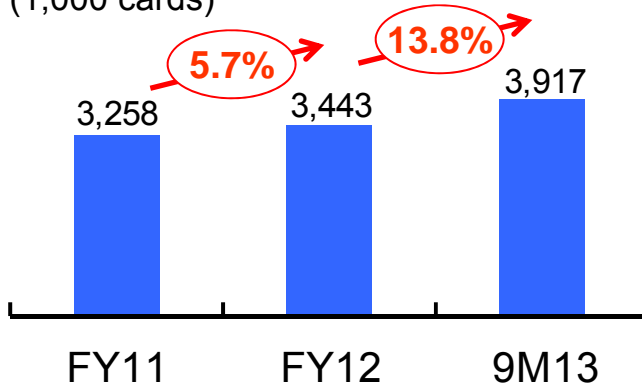
Better product offerings, higher non-interest income



Improve card business and related cross-selling

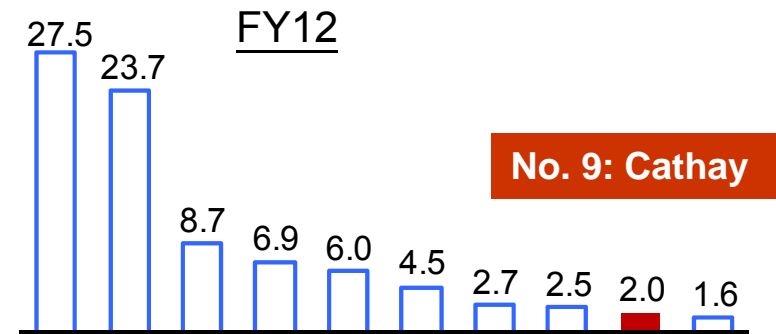
Effective Cards

(1,000 cards)



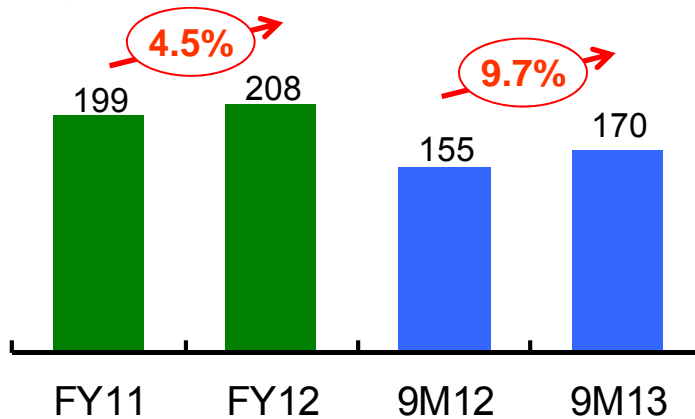
Personal Loan New Drawdown via Telemarketing

(NT\$BN)



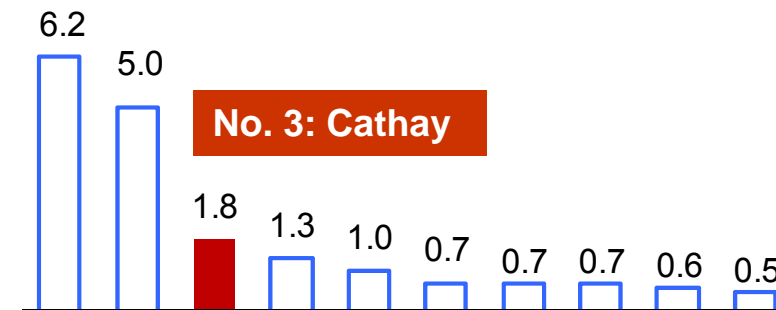
Total Spending

(NT\$BN)



2Q13

(NT\$BN)



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Cathay Financial Holdings

Overseas Expansion

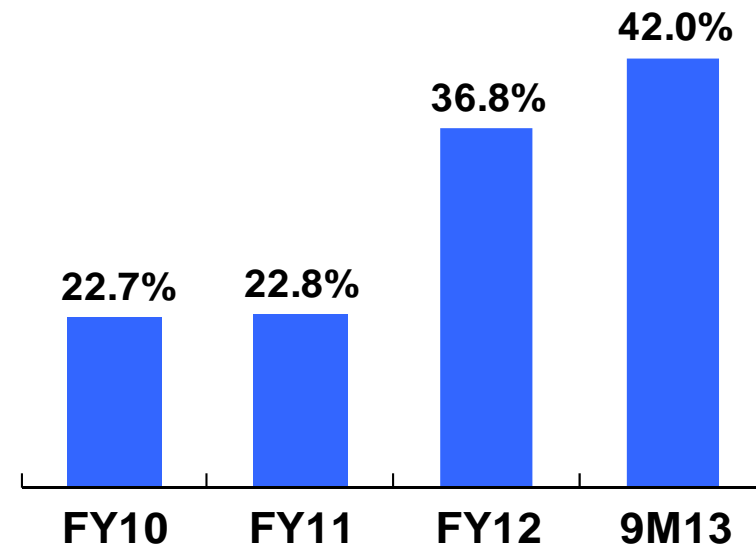
China

- Shanghai branch ranked No.1 among 11 Taiwanese banks in China in the past 3 years.
- Raise Shanghai branch's capital to RMB 2 bn.
- Plan to setup Minhang Sub-branch, Shanghai Free-Trade Zone Sub-branch and Qingdao Branch.

South East Asia

- Operating 36 footprints in Vietnam.
- Acquisition of 100% SBC in Cambodia.
- Evaluating to setup the footprints in Indonesia, Myanmar, Thailand, and Philippines, etc.

As % of CUB pre-tax profits



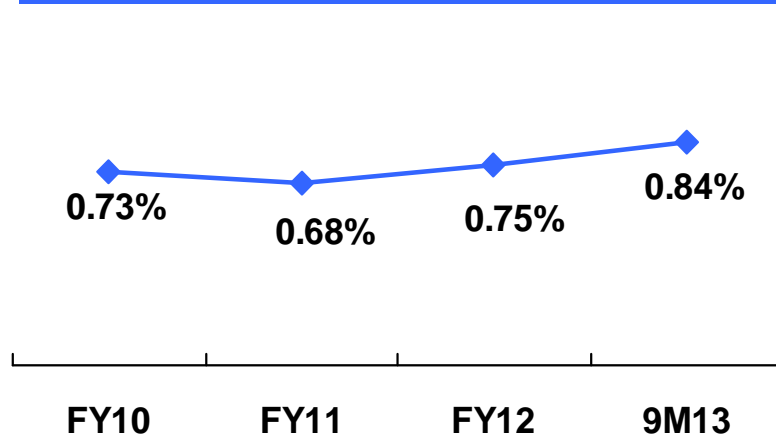
Agenda

- Transformation of CUB
- Business Highlights of CUB

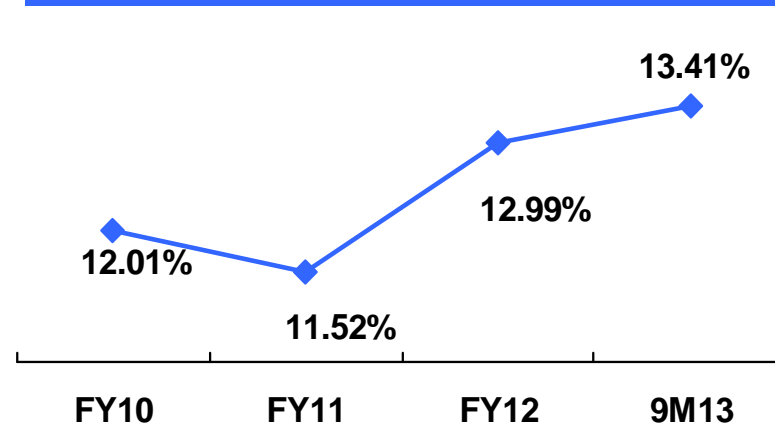


Commitment to financial targets

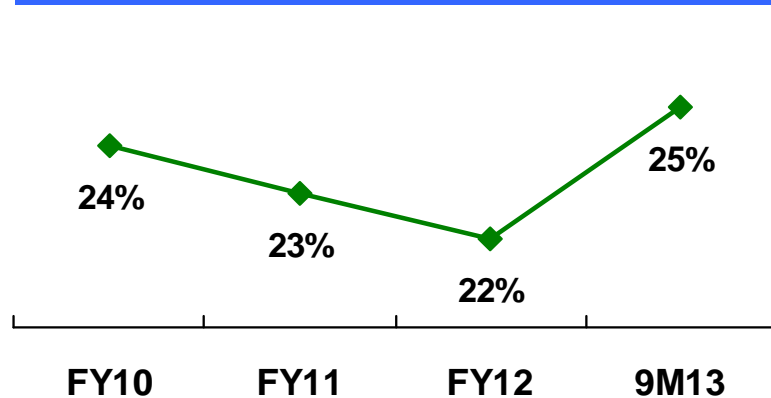
ROAA



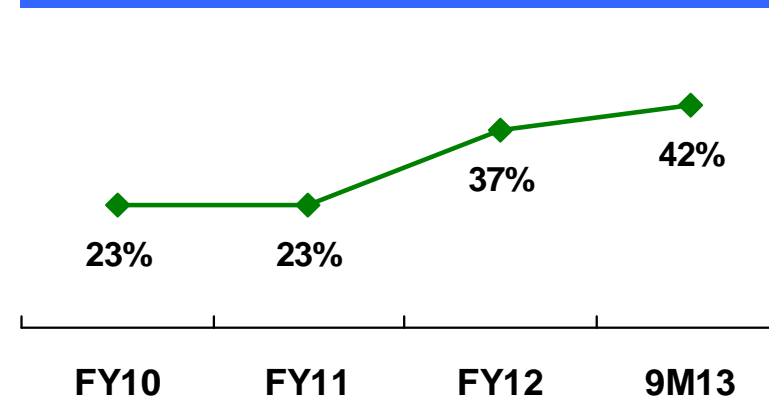
ROAE



Fee income % of operating income



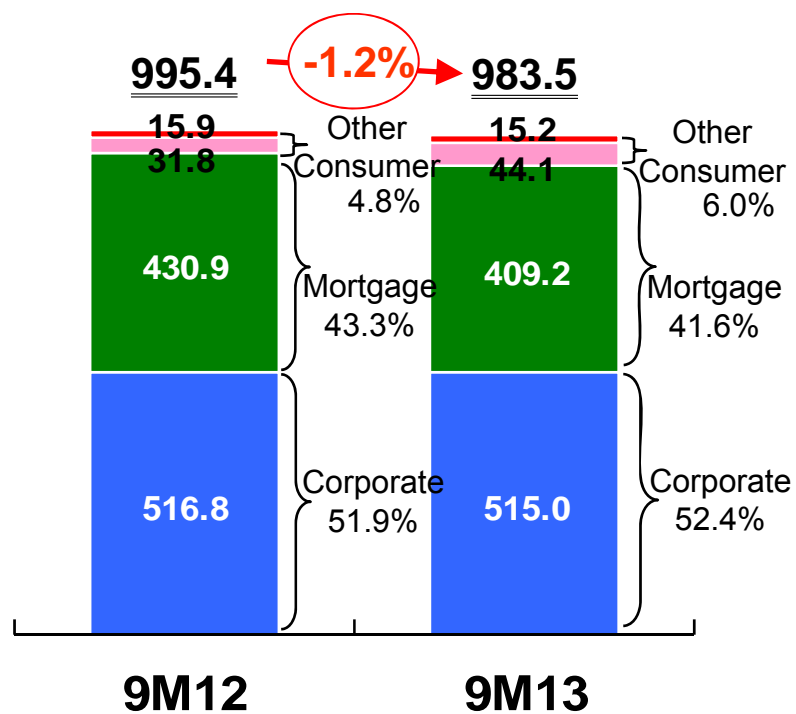
Offshore earnings % of total pre-tax profits



Loan & Deposit breakdown

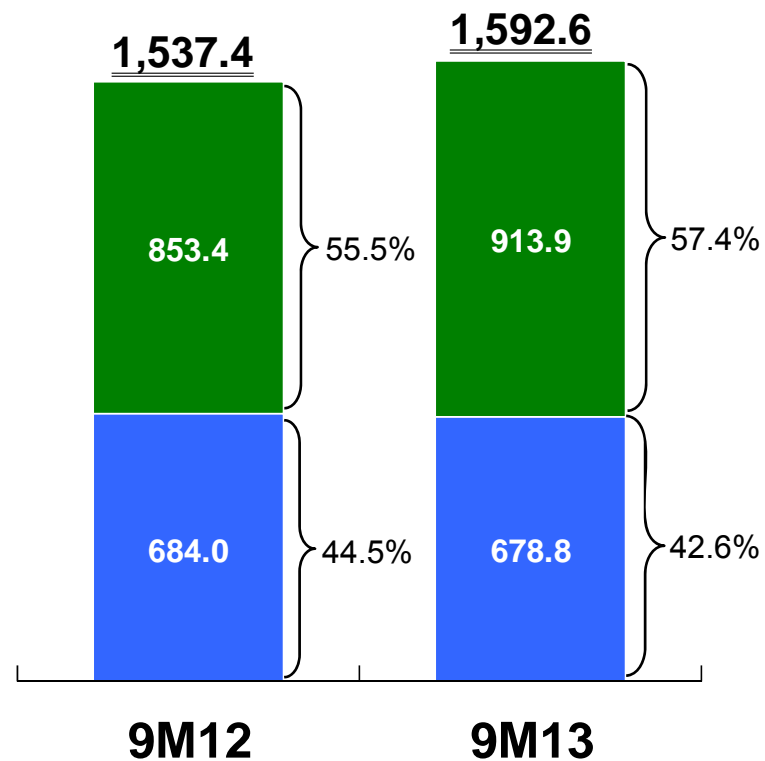
Loan breakdown

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



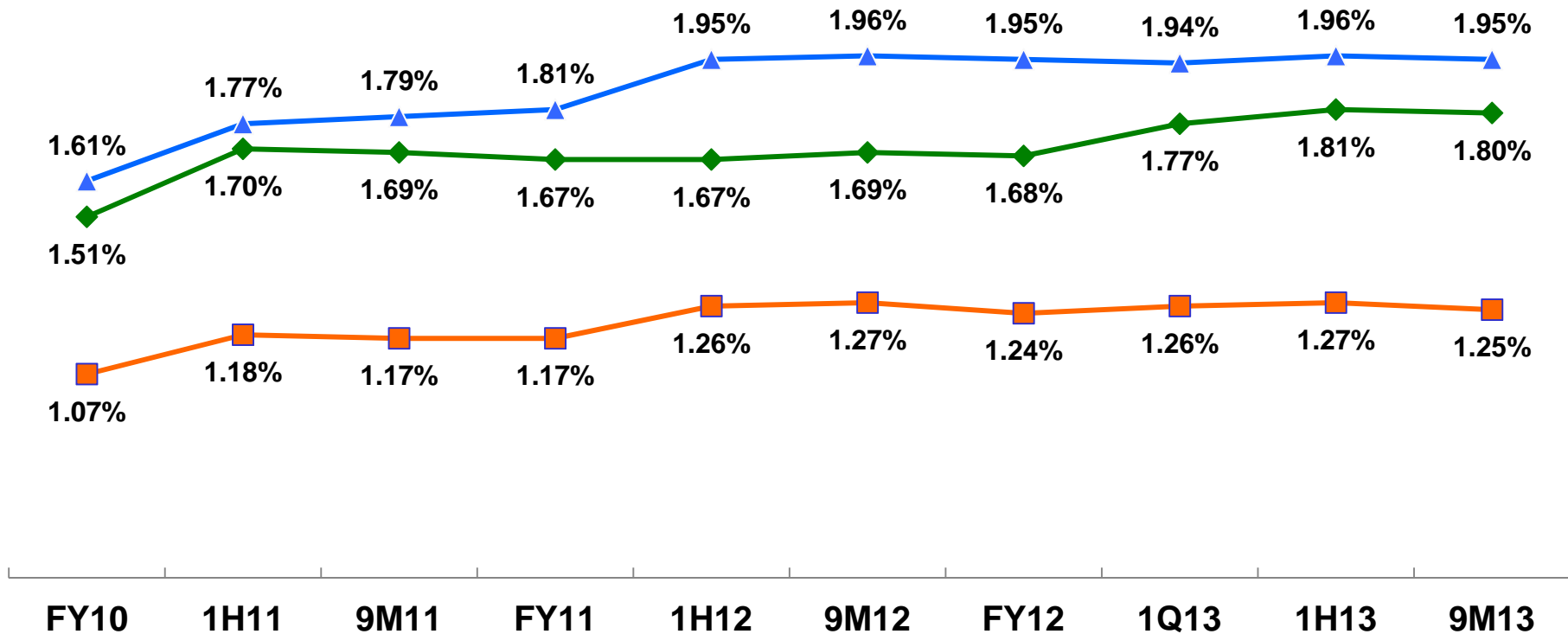
Deposit breakdown

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



Interest yields

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



Note: Credit card related loans are included in the calculation



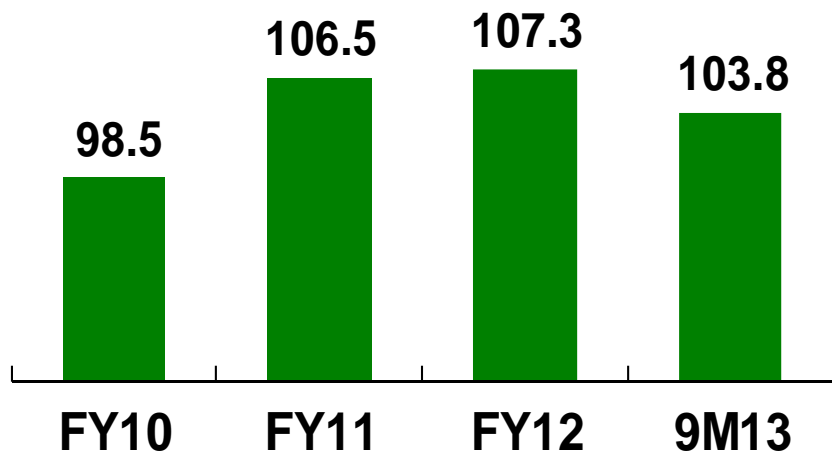
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SME & Foreign currency loans

SME loans

(NT\$BN)

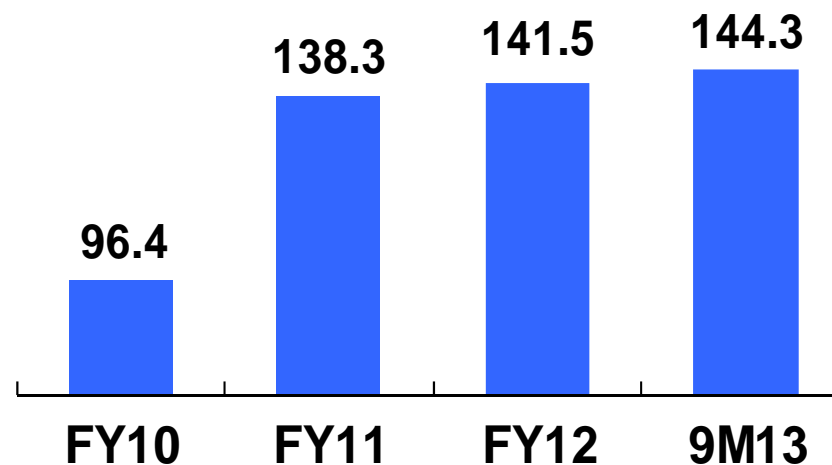


As % of total loans

10.9% 10.6% 10.6% 10.6%

Foreign currency loans

(NT\$BN)



10.7% 13.7% 14.0% 14.7%



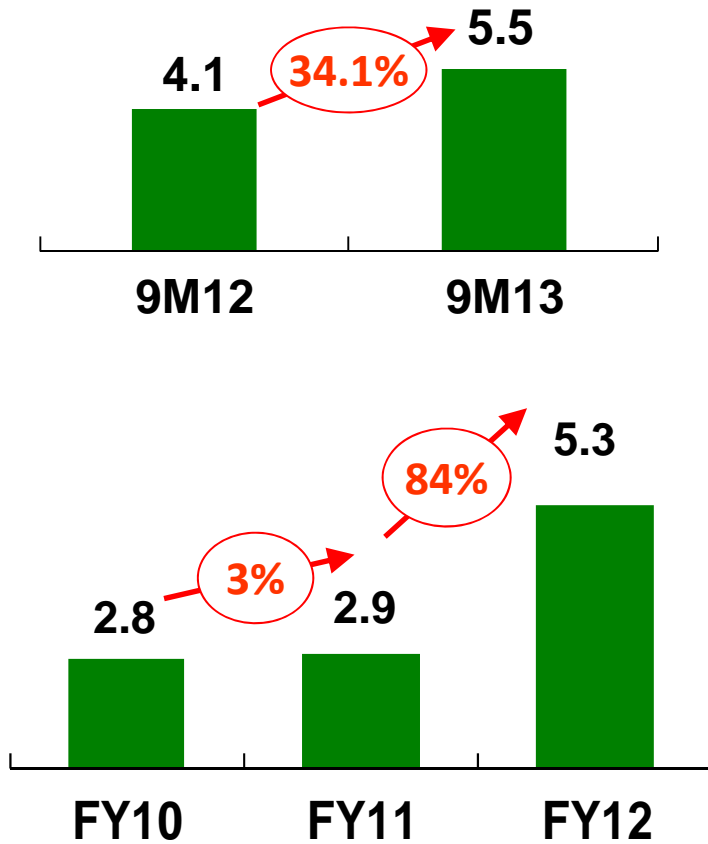
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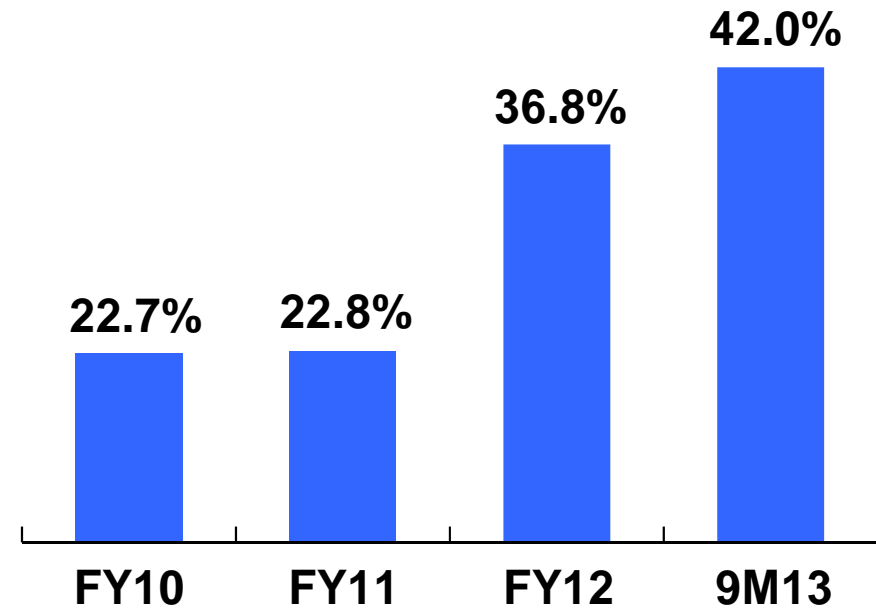
Offshore earnings

Offshore earnings

(NT\$BN)



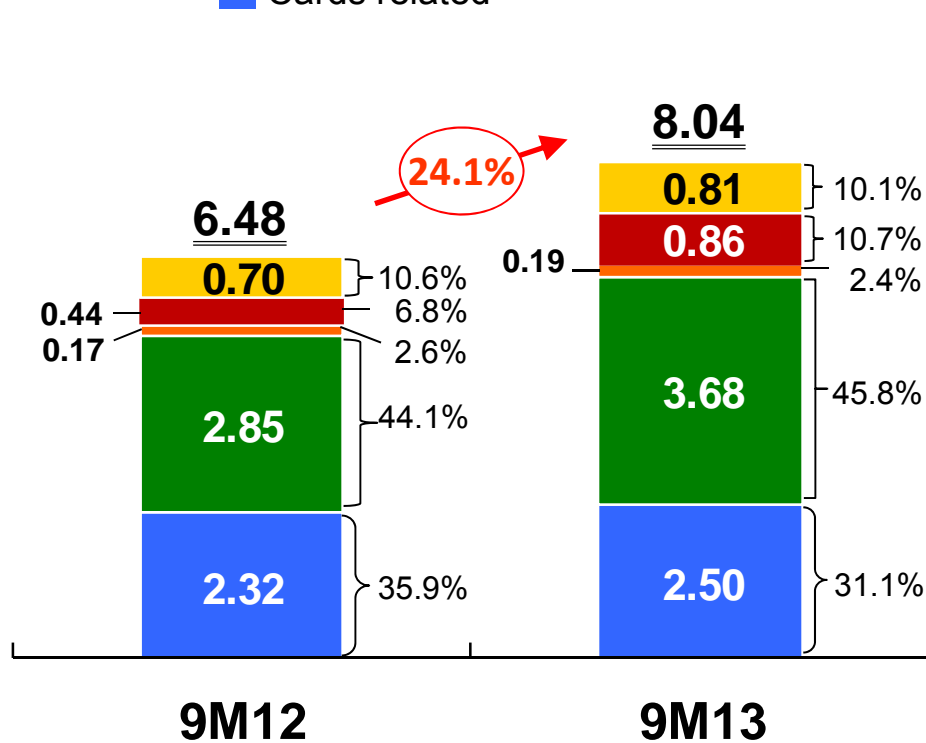
As % of CUB pre-tax profits



Fee income

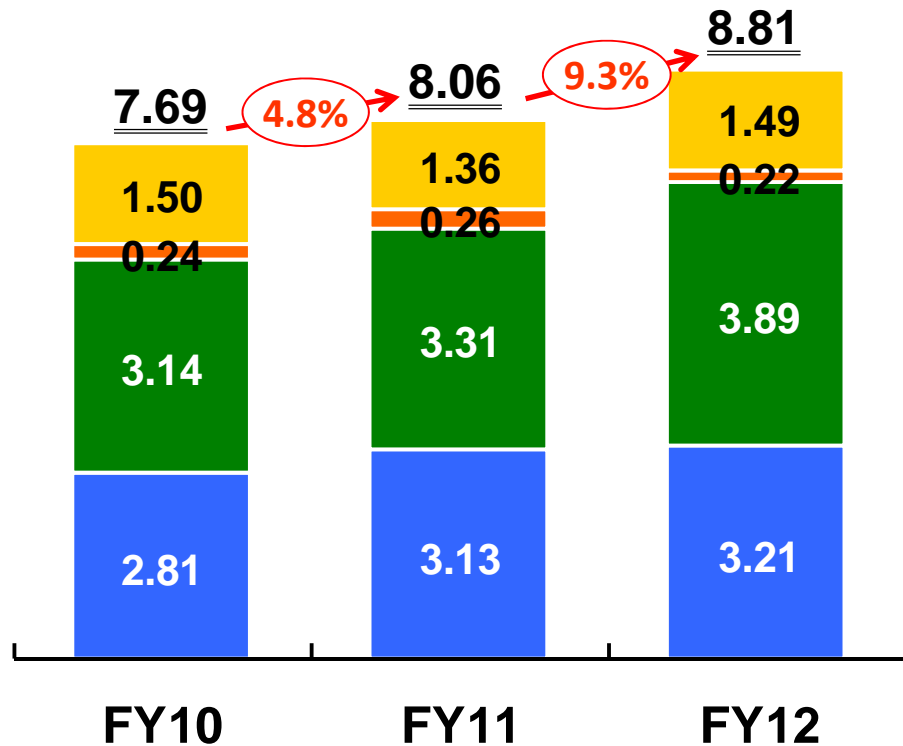
Fee income breakdown

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



Fee income breakdown

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

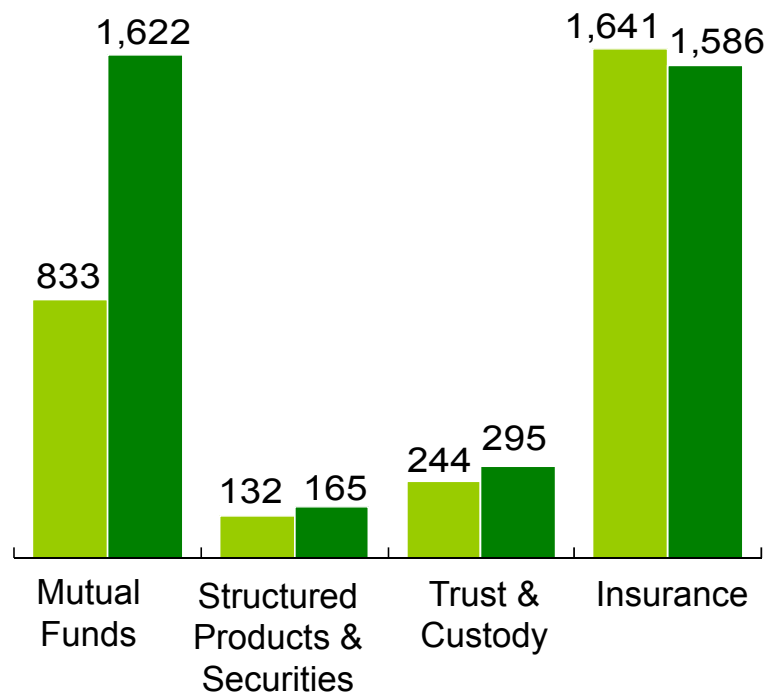


Wealth management

Wealth management fee breakdown

■ 9M12 ■ 9M13 (NT\$MN)

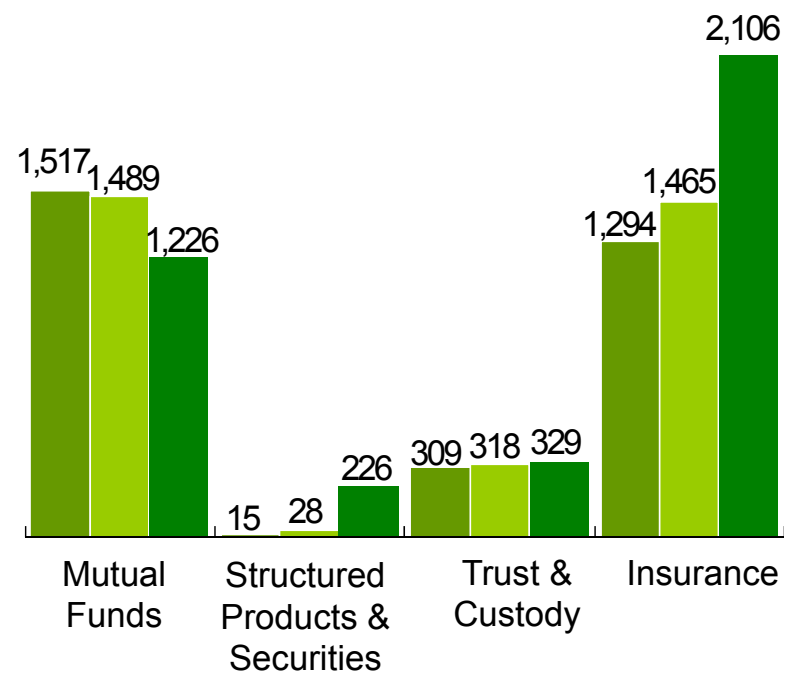
	9M12	9M13
Fee income	2,854	3,684
YoY growth	12.0%	29.1%



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 excludes revenue from DCI and SI of NT\$ 102 mm in 9M12 and NT\$ 780 mm in 9M13.



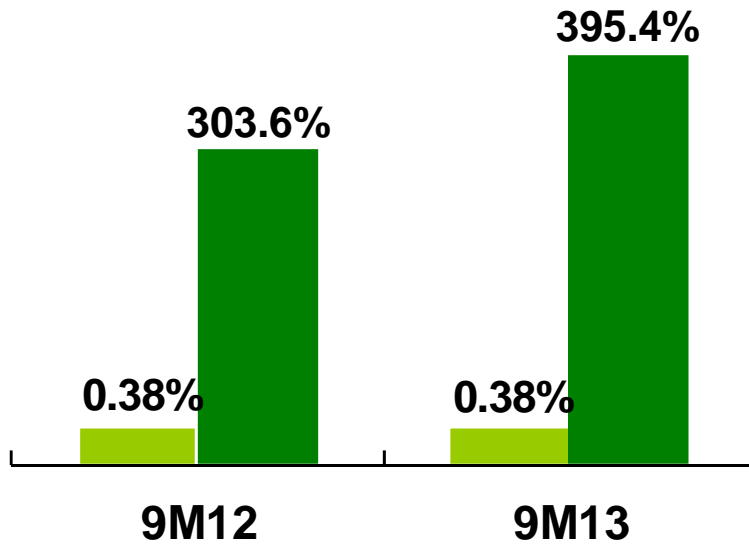
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Credit quality

NPL & Coverage ratio

- NPL ratio
- Coverage ratio

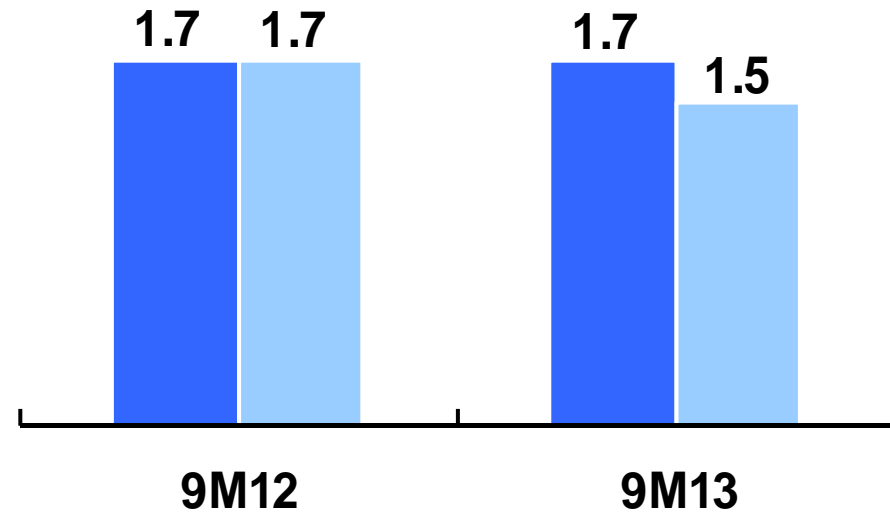


Mortgage NPL	0.06%	0.05%
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Gross provision

(NT\$BN)

- Gross provision
- Recovery



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Awards



The Asian Banker

- "Best Data and Analytics Project Award in Taiwan" and "Best Consumer Risk Management Capability in Taiwan" in 2013.
- "Best Data and Analytics Project Award in Asia-Pacific area" in 2013.
- "300 Ranking Of Asia's Banks -Taiwan's top 10 banks" in 2012.
- "Taiwan's Top 5 Best Retail Bank" in 2011.



Taiwan Banking and Finance Best Practice Award

- It is the Oscar Awards in Taiwan banking industry.
- "Best Trust Finance Award", "Best Business Innovation", and " Best Electronic Finance Award" in 2012.
- "Best Risk Management Award" in 2010.



Trade & Cash Management

Asia Money Magazine

- " The Best Cash Management Bank in Taiwan" in 2013.

Trade Finance Magazine

- "The Best Trade Bank in Taiwan" in 2013.



The Asset Triple A Investment Awards

- " Taiwan Best Structured Products House" in 2012.



Cathay Life



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Cathay Financial Holdings

Agenda

- **Product Strategy**
- **Investment Overview**
- **Impact from Rising Rate**
- **Overseas Operation**



Market Overview

NT\$BN	Total Assets		Total Premium		FYPE ⁽³⁾	
	1H13 ⁽¹⁾	Market share ⁽²⁾	9M13	Market share	9M13	Market share
Cathay	3,845.6	24.6%	379.0	20.7%	55.4	21.5%
Fubon	2,262.7	14.9%	300.1	16.4%	39.1	15.2%
NanShan	2308.8	15.3%	287.2	15.7%	38.4	14.9%
Shin-Kong	1,739.3	11.5%	116.5	6.4%	13.9	5.4%
China Life	882.4	5.8%	109.4	6.0%	15.6	6.0%
Mercuries	643.0	4.1%	92.3	5.0%	15.7	6.1%

Note (1) : Source: financial reports

(2) : Source: Taiwan Insurance Institute

(3) : First Year Premium Equivalent (FYPE): annualized FYP calculated as :

Single/Variable premium x 0.1,

2-5 years term premium x (0.2~0.5),

More than 6 years term premium x 1,

Group/1 year term products premium x 1



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Product Strategy (1/3)

Business Environment

- **Global Economy:** Slow economic growth, lasting low interest rate environment and ample liquidity
- **Insurance Market:** Fierce competition, peers competing market share by promoting single-premium products through Bancassurance
- **Investments:** More overseas investment due to very limited domestic fixed income market

Value-Oriented Strategy (adopted since July, 2012)

Product Strategy

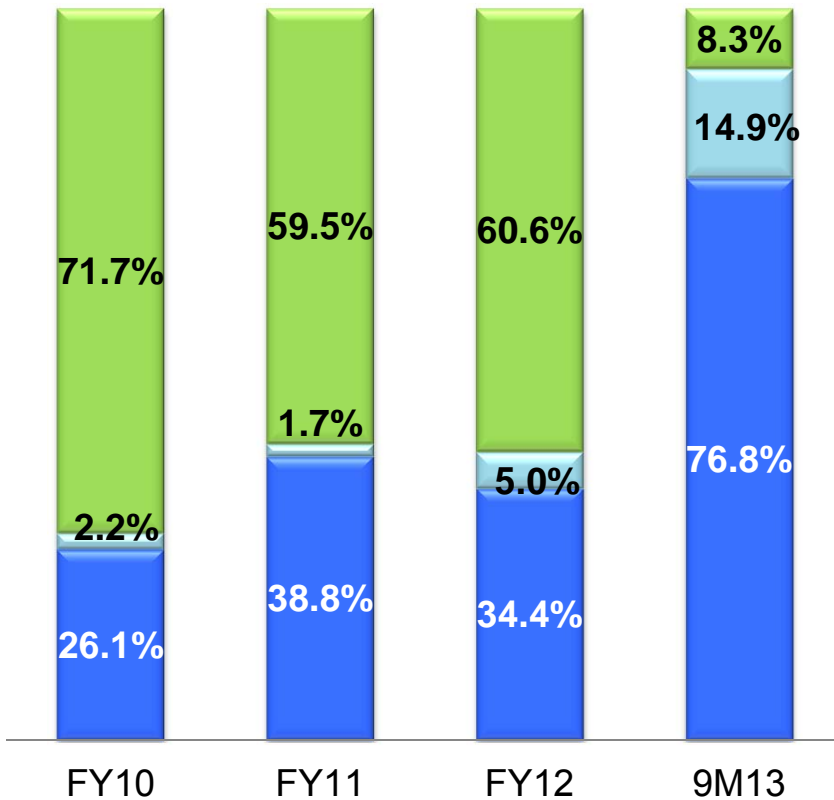
- Maximize profit/VNB, not market share
- Product design focuses on ALM, Asset Allocation and Profitability
- Considered customers' needs and Taiwan's changing demographic structure as essential factors in product development



Product Strategy (2/3)

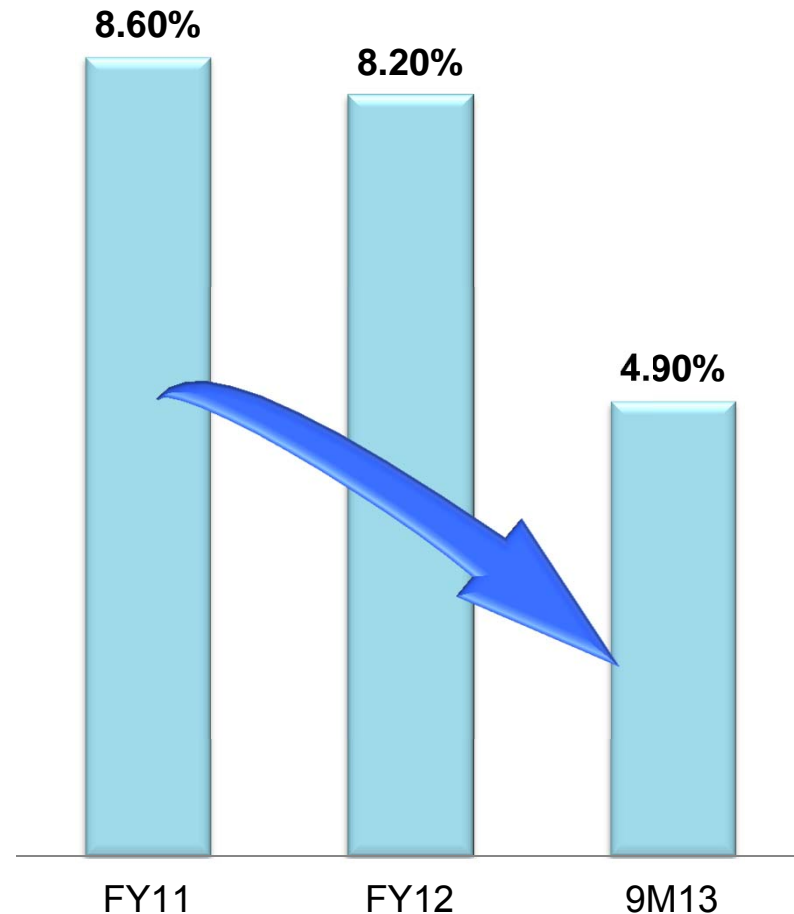
Product Mix Changed

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



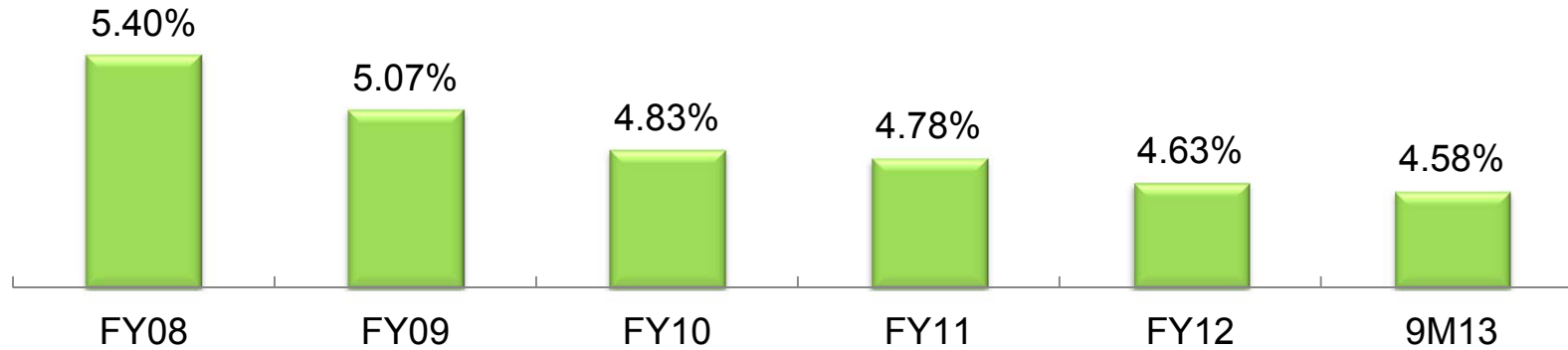
Cash Position Decreased

- Cash Position

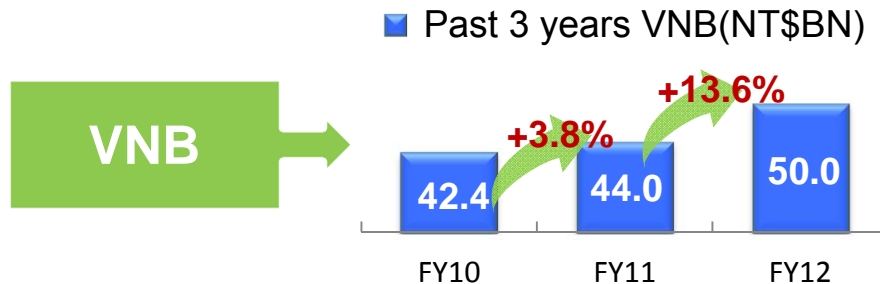


Product Strategy (3/3)

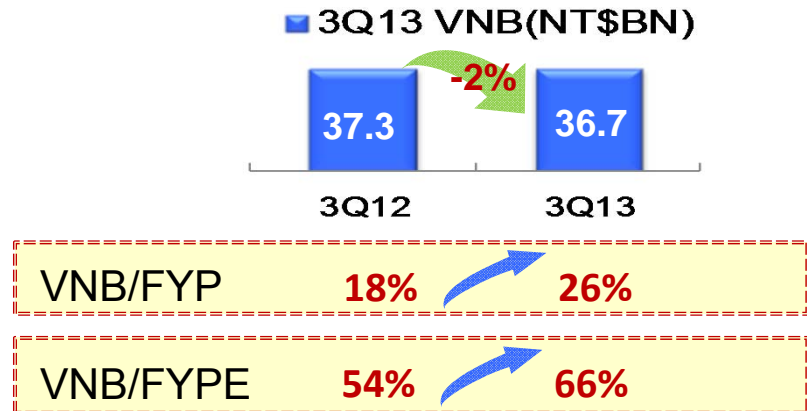
Liability Cost Reduced



VNB Margin Improved



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



Cathay adopts value-oriented strategy to enhance profit margin

Agenda

- **Product Strategy**
- **Investment Overview**
- **Impact from Rising Rate**
- **Overseas Operation**



Asset Allocation

	FY11	FY12	9M13	YTD Change	9M13
Total investments (NT\$bn) ⁽¹⁾	2,959.2	3,283.7	3,523.6	+239.9	3,523.6
Allocation (%)				(% chg)	Amount (NT\$BN)
Cash & Cash equivalents	8.6%	8.2%	4.9%	-3.3%	171.6
Equity- Domestic	8.5%	8.1%	8.9%	+0.8%	313.8
Equity- International	4.0%	4.3%	4.8%	+0.5%	169.0
Bond- Domestic	16.4%	16.6%	15.6%	-1.0%	549.2
Bond- International ⁽²⁾	38.6%	39.6%	39.5%	-0.0%	1,393.3
Mortgage & Secured loans	10.2%	10.3%	12.5%	+2.2%	439.0
Policy loans	6.4%	5.5%	5.0%	-0.5%	176.0
Real estate	5.4%	5.6%	7.3%	+1.7%	258.3
Others	2.0%	1.8%	1.5%	-0.3%	53.4

Note (1) : Invested assets excluded separate accounts; totals may not sum due to rounding

(2) : Includes foreign currency deposits



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Investment Performance

	FY10	FY11	FY12	9M13
Recurring Yield (before hedge) (A)	3.5%	3.6%	3.6%	3.5%
% of Overseas (B)	40%	43%	44 %	45%
Hedging Cost (C)	-1.8%	-2.7%	-0.7%	-0.3%
Recurring Yield (after hedge) (D)=(A)-(B)*(C)	2.8%	2.5%	3.3%	3.4%
Capital Gain & Others (E)	0.7%	0.8%	0.6%	0.9%
Total Investment Return (F)=(D)+(E)	3.5%	3.3%	3.9%	4.3%

Note (1) : Recurring income included rental, interest revenue and cash dividend

(2) : Most dividends are paid in 3Q13

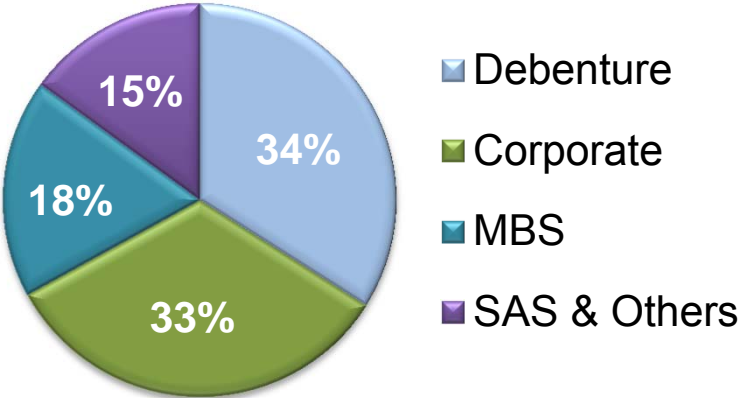


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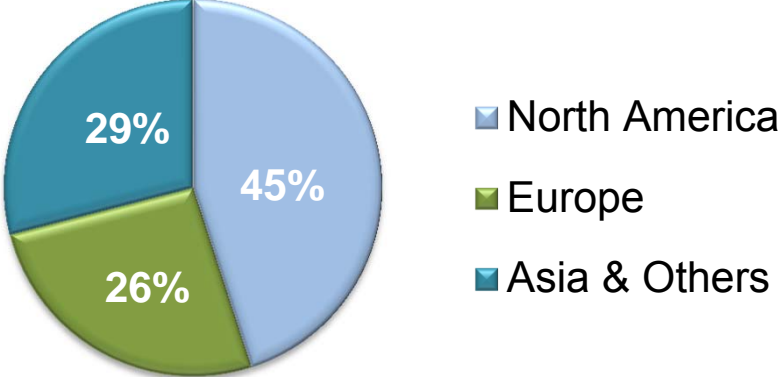
Cathay Financial Holdings 39

Overseas Exposure

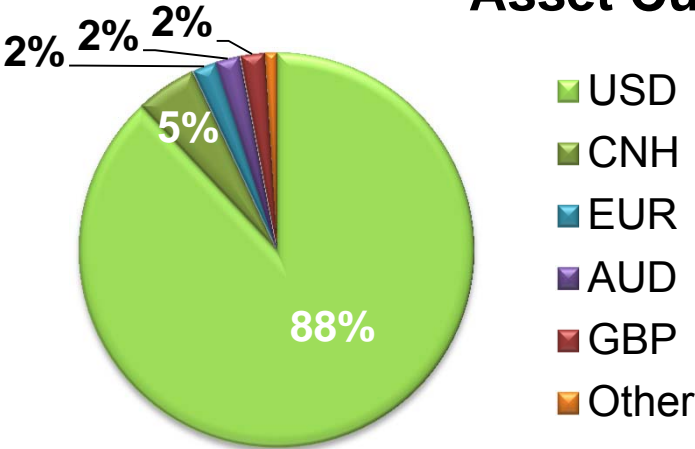
Fixed Income Portfolio Breakdown (3Q13)



Asset Class

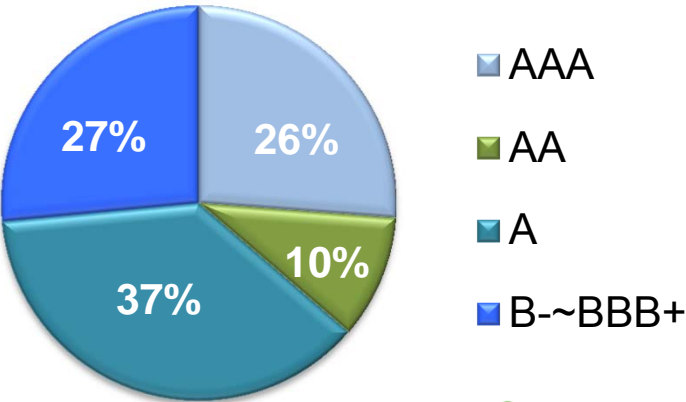


Issuer Country



Asset Currency

Credit Rating



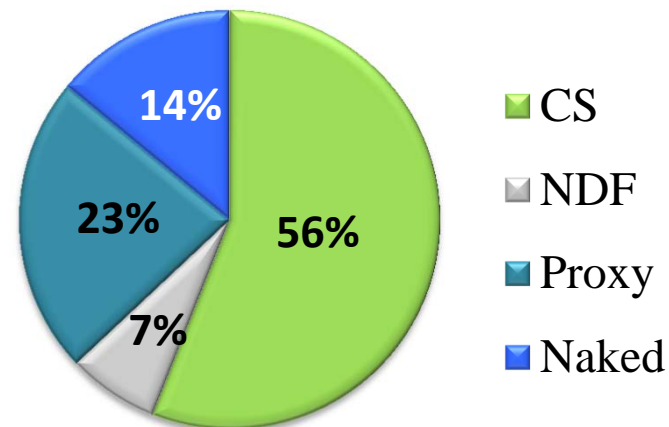
- AAA
- AA
- A
- B-~BBB+

Hedging Structure

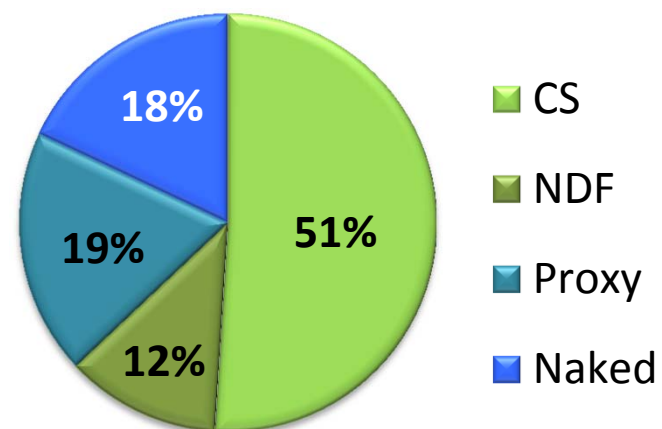
Hedging Cost

		FY11	FY12	2013		
				1Q	1H	3Q
	Hedging Cost (NT\$bnBN)	31.5	9.9	-1.0	1.1	3.1
	Hedging Cost (%)	2.69	0.74	-0.26	0.14	0.27
%	CS	65	56	56	51	51
	NDF	7	7	15	14	12
	Proxy	19	23	13	17	19
	Naked	9	14	16	18	18

FY12



3Q13



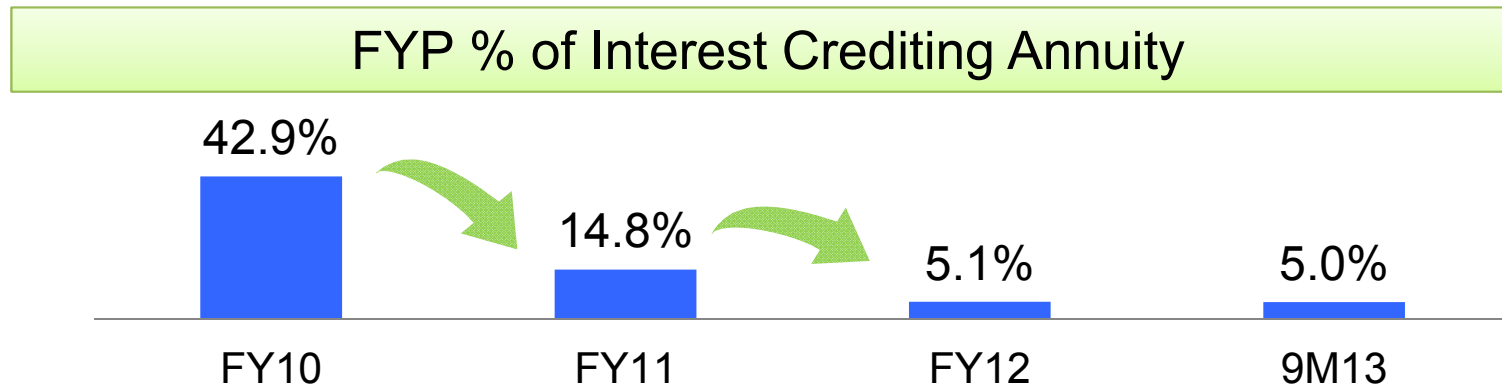
Agenda

- **Product Strategy**
- **Investment Overview**
- **Impact from Rising Interest Rate**
- **Overseas Operation**



Impact from Rising Rate - Product

Controllable Funding Cost



⇒ Limited impact on funding cost due to decreasing FYP of interest crediting products

Limited Surrender Risk in Traditional Products

- Surrender charge applied to longer period
- Higher replacement cost if to surrender existing policy and buy a new one after interest rate hikes

⇒ Low surrender risk



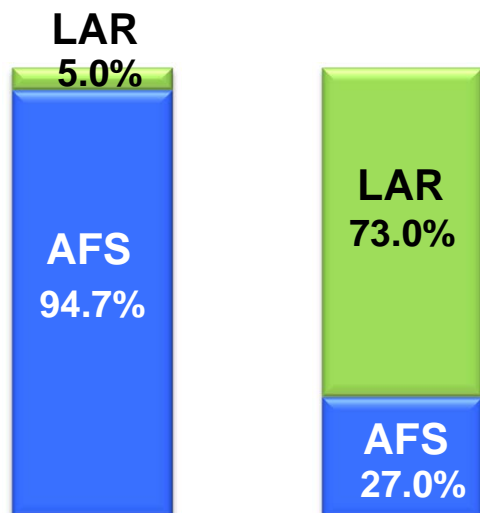
Impact from Rising Rate - Investment

Sensitivity Analysis

- The potential impact from rising interest rate on AFS asset value are shown in the followings:

Fixed Income

■ Trading ■ AFS ■ LAR



Domestic

Overseas

Fixed Income (NT\$BN)		AFS	
		Domestic	Overseas
Position	Amount ⁽¹⁾	460.8	340.2
	Duration ⁽²⁾	6.0	5.9
△Interest Rate ⁽³⁾		+10bp	+10bp
△Net Worth		-2.76	-2.01

Note (1) : Bond fund included

(2) : Effective duration, bond fund excluded

(3) : Interest rate refers to 10yr Sovereign Debt



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Impact from Rising Rate - Net Income & EC

Increase of Future Profit

- Rising interest rate is positive to our net income because it should boost value of assets with floating yields
- About 10%~12% of total assets will be re-invested each year, while another 12% of existing positions are mortgage & secured loans with floating rate. Hence, 22% to 24% of total asset will benefit from rising rate

Scenario	+50 bp	+100 bp	+150 bp
△Income (NT\$BN)	+3.8 ~ 4.2	+7.7 ~ 8.4	+11.5 ~ 12.5

Enhancement of Economic Capital

- The fair value of liability is based on risk-free rate plus liquidity premium
- Effective duration of liability is much higher than that of asset

Duration	Overseas Fixed Income	Domestic Fixed Income	Total
Asset ⁽¹⁾	9.3 (70%)	5.9 (30%)	8.4 (100%)
Liability	12.6		

Note (1) : AFS、LAR and Trading position included



Impact from Rising Rate - EV

Embedded Value (EV)

EV = ANW (Adjusted Net Worth)+ VIF (Value of In-force)

- VIF increases along with higher investment return while Interest rate is rising

⇒ Higher interest rate contributes to EV positively

➔ Higher interest rate is helpful to the company value

Valuation Date	2012/12/31					NT\$BN	
	Investment Yield			Base Case	Discount Rate		
Assumption	-0.25%	+0.25%	+0.25% (capped) ¹		-0.5%	+0.5%	
VIF	250	396	378	323	345	303	

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.

Agenda

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Subsidiary in China

(RMB\$MN)	9M13	9M12	Diff.
Total Premium	479.4	516.7	-37.3
FYP	108.1	203.2	-95.1
Net Income	19.7	-17.0	+36.7
Shareholder's Equity	335.6	408.7	-73.1
Solvency Margin	114%	165%	-51%



Subsidiary in Vietnam

(TWD\$MN)	9M13	9M12	Diff.
Total Premium	86.1	129.0	-42.9
FYP	30.9	54.7	-23.8
Net Income	86.1	-5.4	+91.5
Shareholder's Equity	3,014.4	1,433.7	+1,580.7
Solvency Margin	13,567%	6,427%	+7,139%

Note : exchange rate TWD:VND=1:714, as of Sep 30, 2013.



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Appendix

1. 9M13 Business highlights
2. Capital Adequacy-Cathay FHC
3. Capital Adequacy-Cathay Life
4. Capital Injection into Cathay United Bank (CUB)
5. Maintain Solid Capital to Support Business Growth
6. Maintain Solid Capital to Support CUB Expansion
7. Cathay Life: Special reserve of unrealized gains on property
8. Cathay Life's property reappraisal
9. Cathay Life's EV & AV Summary



9M13 Business highlights

Cathay United Bank

- Loan maintained flat with benign credit quality
- Fee income grew by 24.1% YoY
- Offshore earnings kept growing and its contribution to pre-tax profits increased to 42%

Cathay Life

- Regular-paid products accounted for 91.7% of traditional policies; ranked No.1 by FYPE
- Cash position 4.9%; overseas investment 44.3%; hedging cost 0.27%

Cathay Century

- Market share increased to 13%, premium income grew by 9.1% YoY; maintained No.2 market position
- Expanded business development in China and Vietnam, premium income up by 87% and 70% YoY, respectively

Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$390BN
- Continued to launch new products and broaden the business of individual & institutional clients

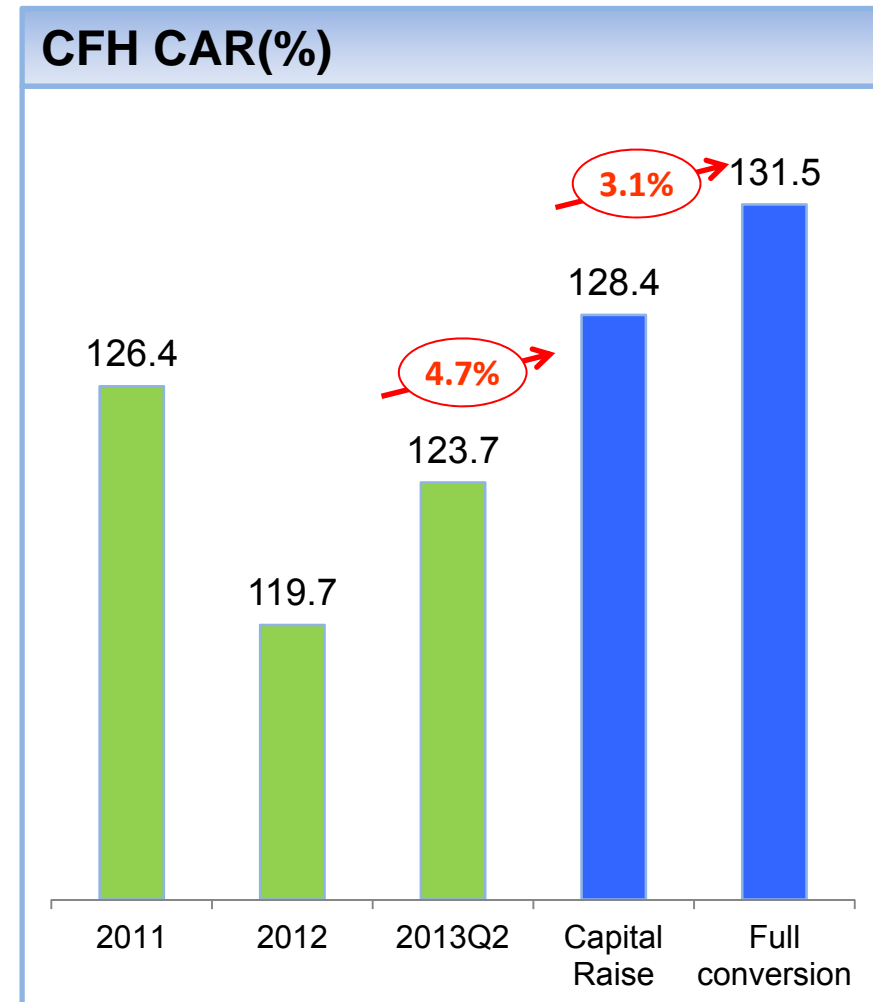
Cathay Securities

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



Solid Capital Adequacy-Cathay FHC

- ❑ Complete NT\$ 12.7 bn capital raising in 2013 3Q, increase capital & improve CAR ratio by 4.7%
- ❑ Further Improve CAR Ratio after ECB full conversion
 - Announce the early redemption of ECB on Oct 29th 2013
 - Another 3% rise in CAR ratio after ECB full conversion



Note: CAR ratio after capital raising and ECB full conversion was calculated based on 2013 1H audited data



Capital Adequacy-Cathay Life

□ Adopt Value-based Product Strategy & Enhance Capital Efficiency

Strategy

- Not compete with peers for the top in FYP
- Focus on RPP & ILP
- Reduce the pressure of cash surplus

Reduce Cash Position & Boost return

- Cash position declined by 3.3% in 9M13 compared to FY12

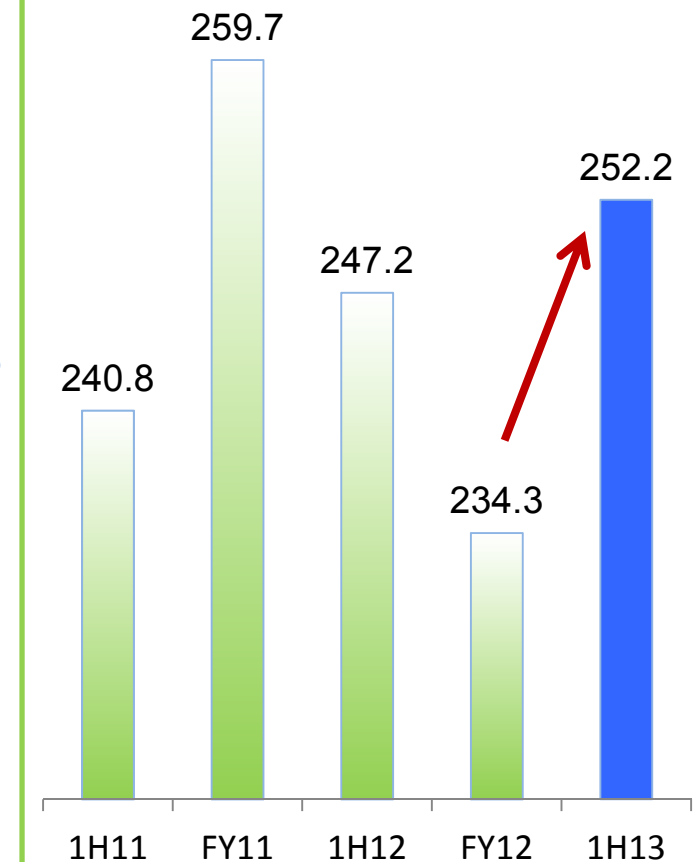
Increase RPP Contribution & Reduce Cash Surplus

- RPP contribution grew by 30% in 9M13 compared to FY12

VNB Contribution Growth

- VNB contribution grew by 8% YoY in 9M13

Cathay Life RBC(%)

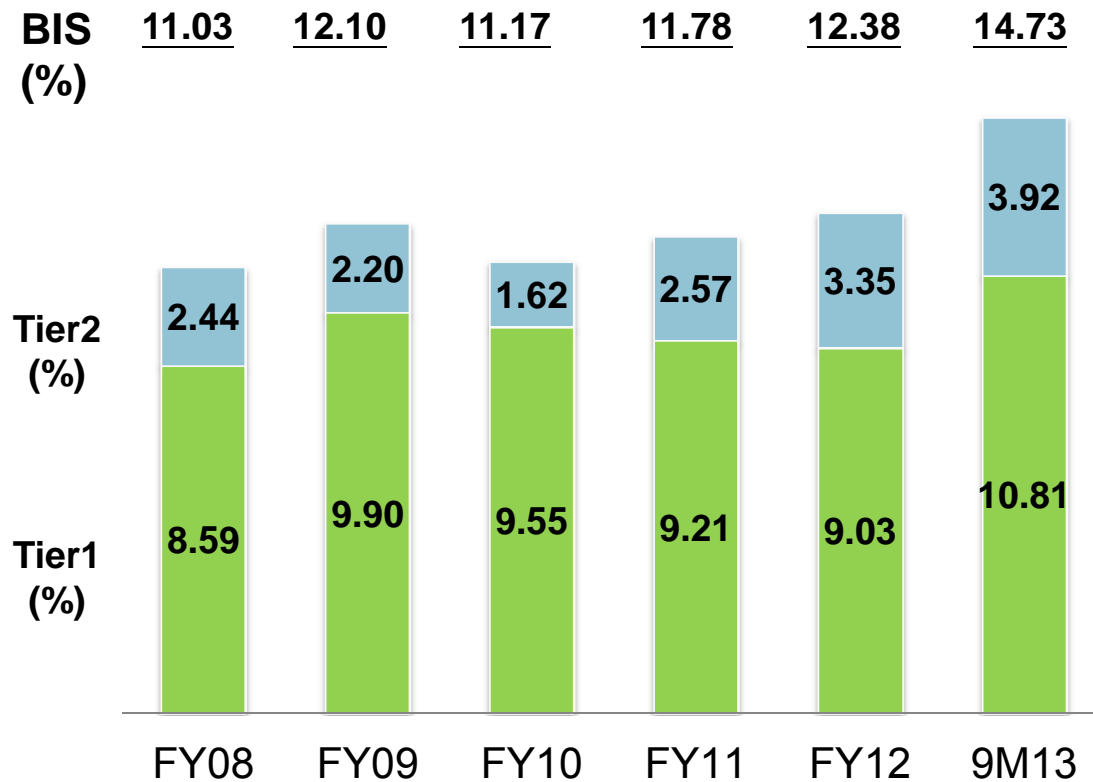


Note: (1) Investment-link product (ILP) for single-premium product needs
 (2) RPP refers to regular-premium insurance product



Capital Injection into CUB

CUB Capital Adequacy



NT\$ 9.1 bn Stock Dividend & NT\$ 12 bn Capital Injection

High Standard Regulation Requirement

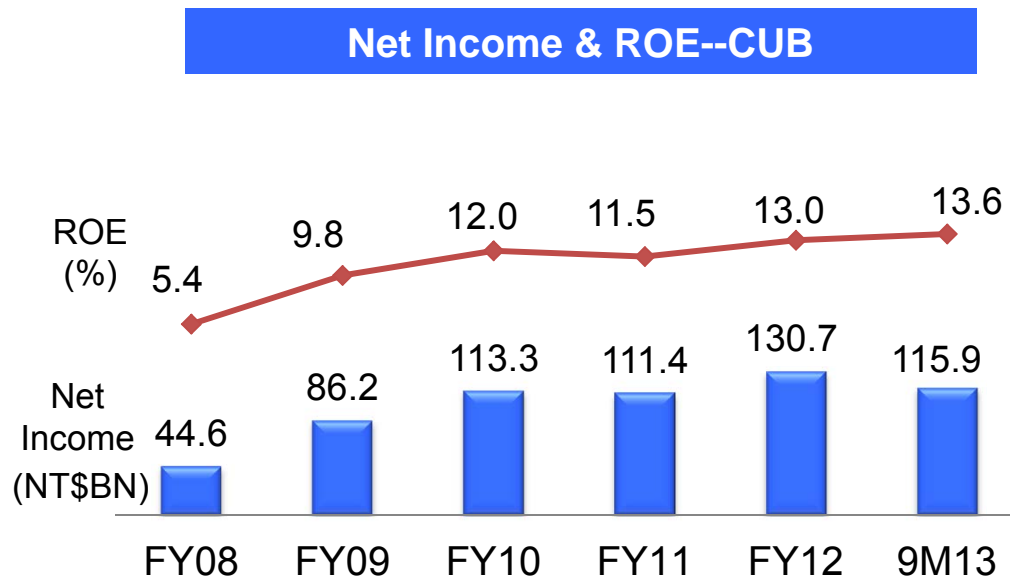
- ❑ Required BIS ratio and Tier 1 ratio to 10.5% and 8.5% by 2019 (12.5% and 10.5% for a new branch) based on Basel III requirement
- ❑ Peer CAR ratio and Tier 1 ratio are 12.55% and 9.50% in 2012

Support Business Growth

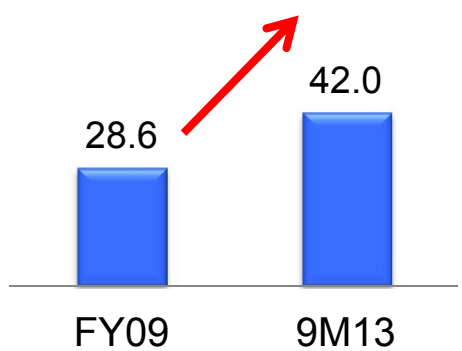
- ❑ Growth in loan business
- ❑ Overseas expansion in Great China & SEA
- ❑ Keep abreast of cyclicity
- ❑ Grab M&A Opportunity



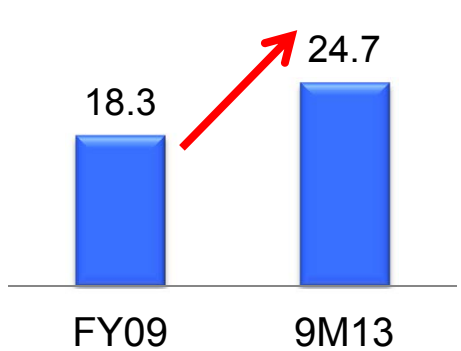
Maintain Solid Capital to Support Business Growth



Offshore Earnings Contribution (%)



Fee Income Contribution (%)



Continue to Improve ROE After fundraising

- ❑ Implement Customer Segregation, Develop Light-capital Business & Enhance RAROC
- ❑ Accelerated Overseas Expansion & Increase offshore earnings contribution
- ❑ Explore intermediary business & Increase fee income contribution

Support Future Growth by Earnings

Sustainable Upstream Earnings



Maintain Solid Capital to Support CUB Expansion



Shanghai Branch	FY11	FY12	9M13
Capital (RMB-MM)	400	1,000	1,000
Pre-tax profit (USD-MM)	2.8	9.6	8.5

Future Plan RMB 2 BN Capital Injection to Branch for Business Expansion



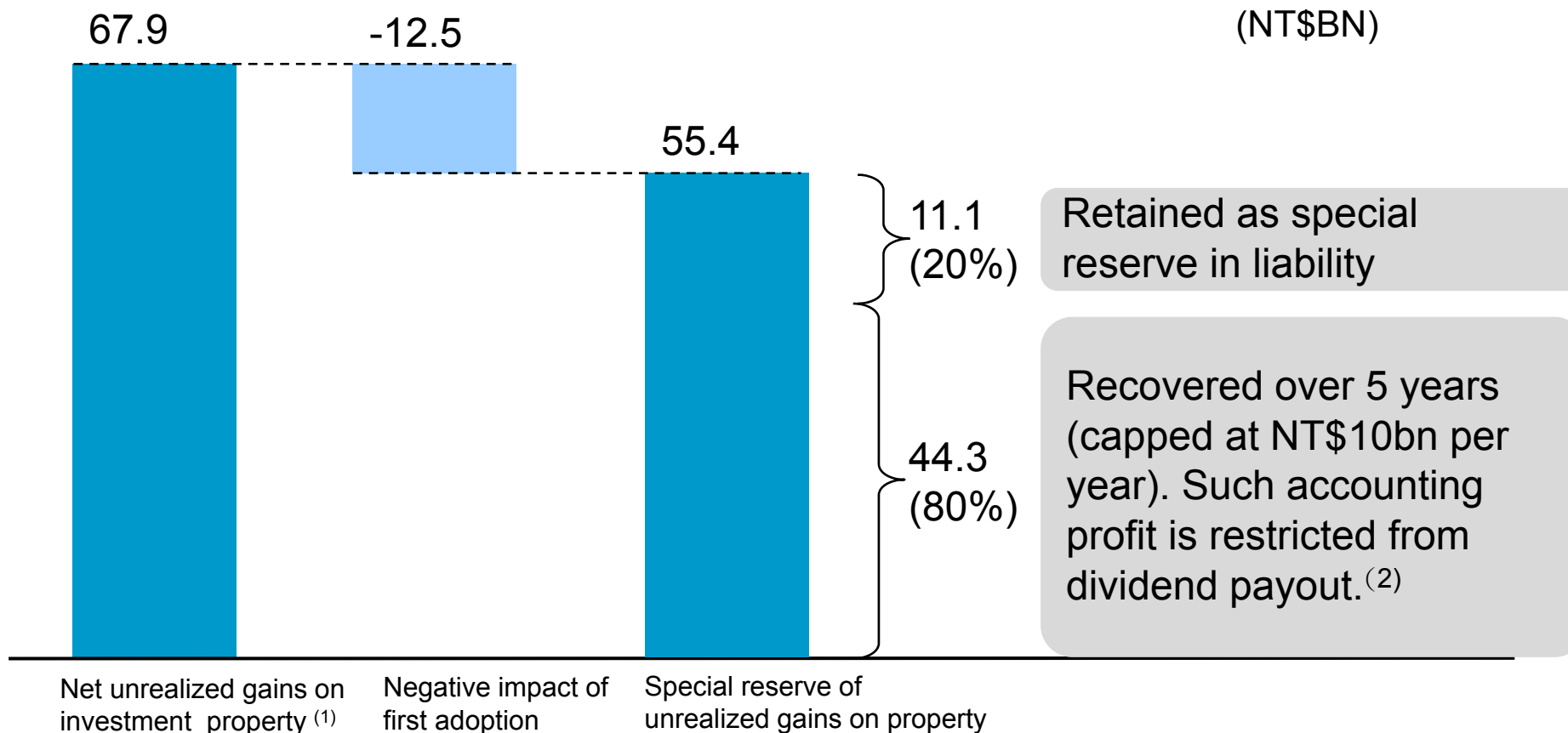
Indovina Bank	FY00	FY12	9M13
Capital (USD-MM)	15	165	193
Pre-tax profit (USD-MM)	1.1	16.2	15.9

Future Plan

1. Duplicate the success model of Indovina Bank
2. Increase SBC capital to USD 60 MM for business expansion & lift the single client credit limit



Special reserve of unrealized gains on property



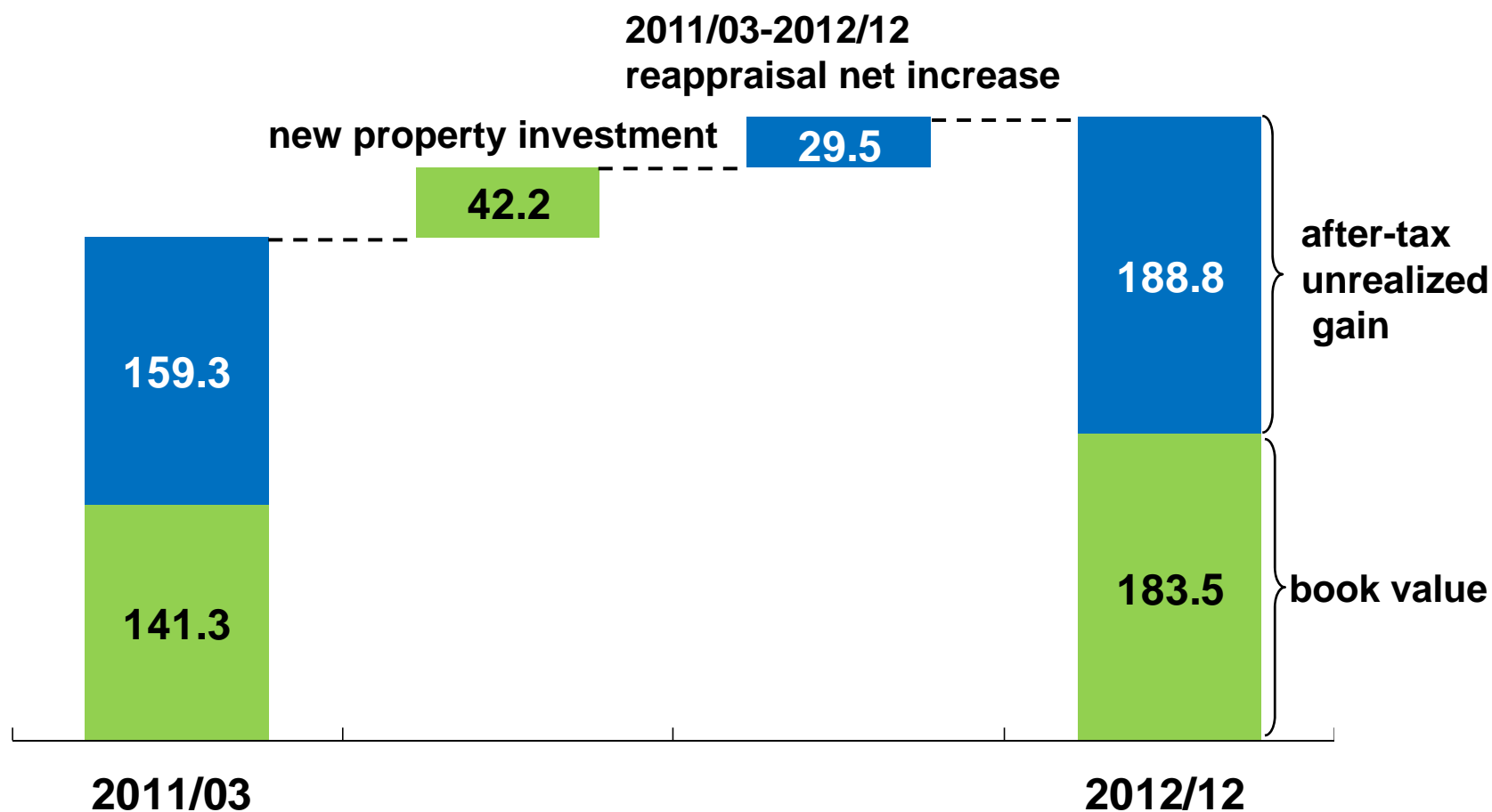
Note: (1) Net unrealized gains on investment property is calculated by discounting rental income at industry average WACC(3.29%), net of related taxes. The amount is therefore well below the property market value.

(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.



Cathay Life's property reappraisal

Real estate book value After-tax unrealized gain on real estate (NT\$BN)



Cathay Life EV & AV Summary

NT\$BN

Valuation date		2011	2012	Growth rate	9M13
Embedded value	Equity	112	135	20%	-
	Cost of capital	-76	-82	-8%	-
	Adjusted net worth (After CoC)	199	242	22%	-
	Value in force	276	323	17%	-
	Embedded value	475	565	19%	-
Value of one year's new business	First year premium (FYP)	256	267	5%	138.9
	First year premium equivalent (FYPE)	81	92	14%	55.4
	Value of one year's new business (VNB)	44	50	14%	36.7
	Profit margin (VNB/FYP)	17%	19%	-	26%
	Profit margin (VNB/FYPE)	55%	54%	-	66%
Appraisal value (20 years NB)	Multiple	8.6	8.7	-	-
	Appraisal value	870	1,001	15%	-
Value per share ⁽¹⁾	EV / per share	46.1	53.0	15%	-
	AV / per share	84.5	93.9	11%	-

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



Cathay Life EV & AV

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
Embedded Value	475	565
EV / per share	89.4 (46.1)	106.5(53.0)
Appraisal Value	870	1,001
Value of future 1 year's new business (After CoC)	46	50
AV / per share	163.9 (84.5)	188.6(93.9)

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.



Cathay Life : Sensitivity Analysis of EV

NT\$BN, except for per share figures


Valuation date	2012/12/31					
	Investment yield - 0.25%	Investment yield + 0.25%	Investment yield + 0.25% (capped) ⁽¹⁾	Base Case	Discount rate – 0.5%	Discount rate + 0.5%
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.





Q&A