

New Capital Issuance for Cathay Insurance (China)

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Cathay
Financial Holdings

Transaction Structure and Rationale

Transaction Structure

- Cathay Insurance Company Ltd. (China) (“Cathay Insurance (China)”) is planning a new capital issuance of RMB 1.2 billion. Zhejiang Ant Small & Micro Financial Services Group (“Ant Financial”) will be the sole subscriber. Total capital after issuance will increase from RMB 0.8 billion to RMB 2 billion
- After the transaction, Ant Financial, Cathay Insurance, and Cathay Life will separately hold stakes of 60%, 20% and 20%, respectively of Cathay Insurance (China)

Transaction Rationale

- The alliance will enable Cathay Financial Holdings to increase its exposure to the rapidly growing internet finance market
- The strategic investor, Ant Financial, operates the largest internet financial services platform in China and possesses a large customer base and enormous volume of transaction data, which are critical assets for the development of internet finance
- The alliance represents a combination of traditional finance and internet business to create new ecosystem for internet finance

Regulatory Approval

- The transaction is subject to customary regulatory approvals and is expected to be completed in the second half of 2015

Ant Financial – a Leading Internet Finance Service Provider

- Ant Financial is the financial arm of Alibaba Group Holding Ltd. (“Alibaba Group”), which offers financial services to small and micro enterprises and retail customers using its expertise in internet business and big data analytics
- Currently Ant Financial operates the largest online payment platform, Alipay, and other related internet finance business including Alipay Wallet, Sesame Credit and Ant Micro Loan

- Customer base >75 million, AUM >RMB 700 billion



- Target small e-business enterprises, individuals and agriculture customers;

- Customer base 400 million, daily average transactions of 120 million

- Providing wealth management and financing services to SME and individuals

- Customer base 20 million and uses the data from Alibaba and Ant Financial to evaluate personal credit

- Offers services to more than 1 million micro enterprises

- Has offered services to hundreds of financial institutions

The Internet Continues to Change Traditional Insurance

A Innovative types of insurance emerge

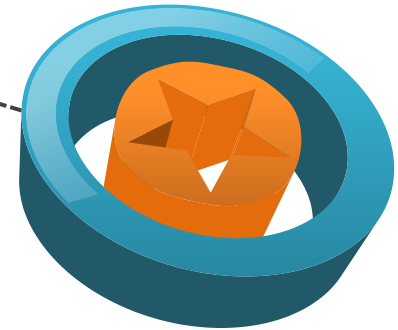
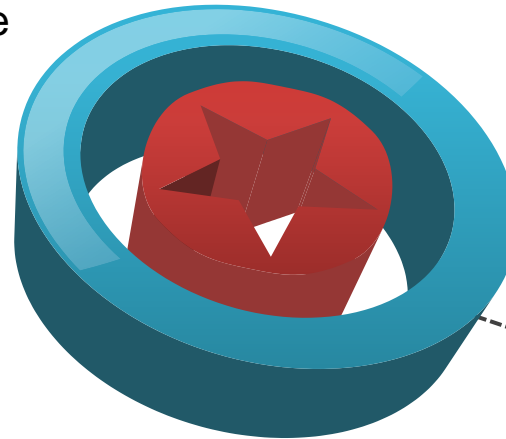
- Not only constrained to traditional general insurance products. New products include return shipment insurance, account safety insurance and credit guarantee insurance

C Lower selling costs

- Lower selling costs compared to traditional channels
- Utilize big data analytics to target customer needs and increase hit rates

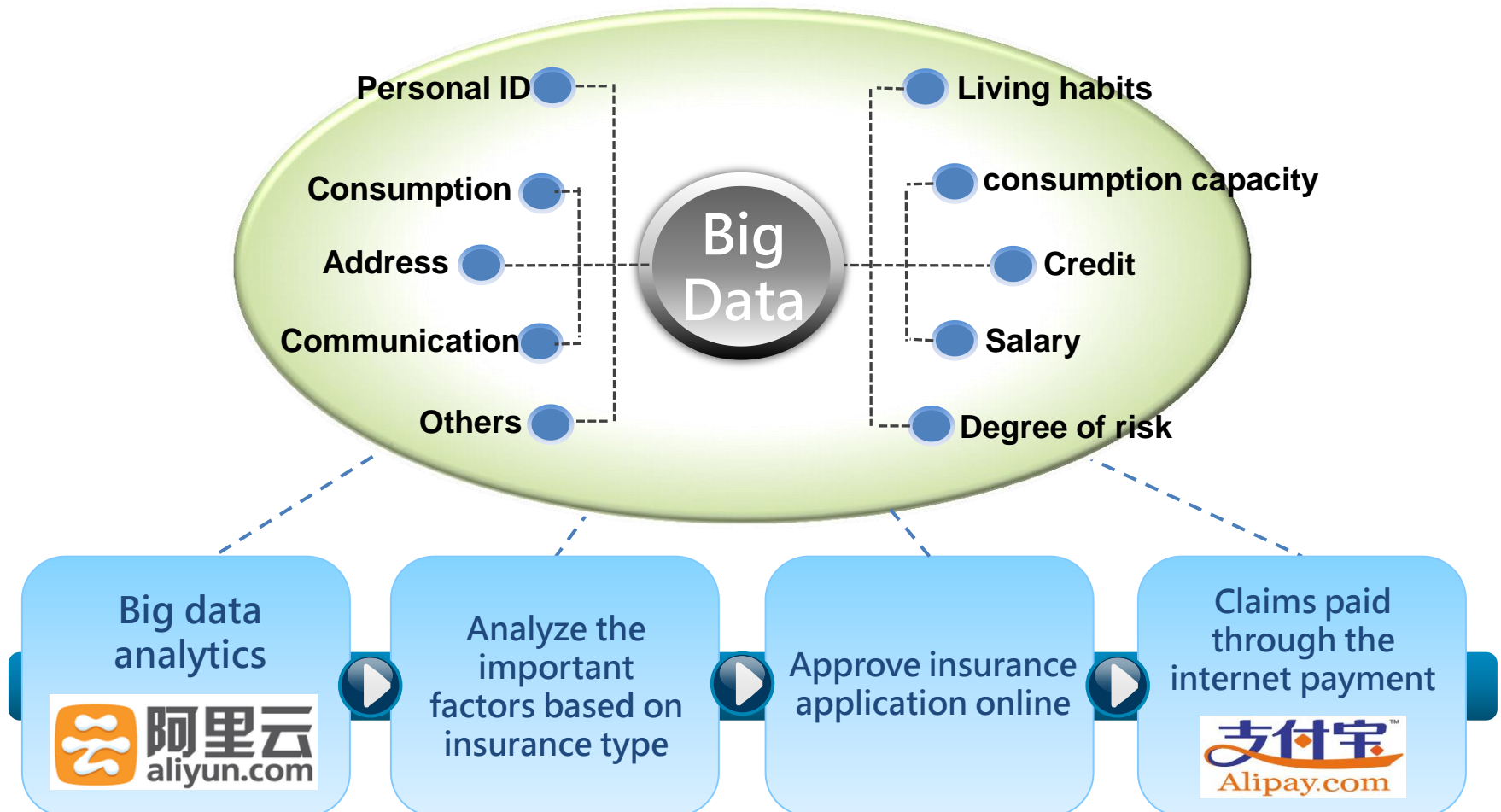
B More specific product design

- Combine information flow and big data analytics to realize differential pricing
- Value users' experiences and provide more tailor made products



Big Data to Lead Future Growth in Insurance

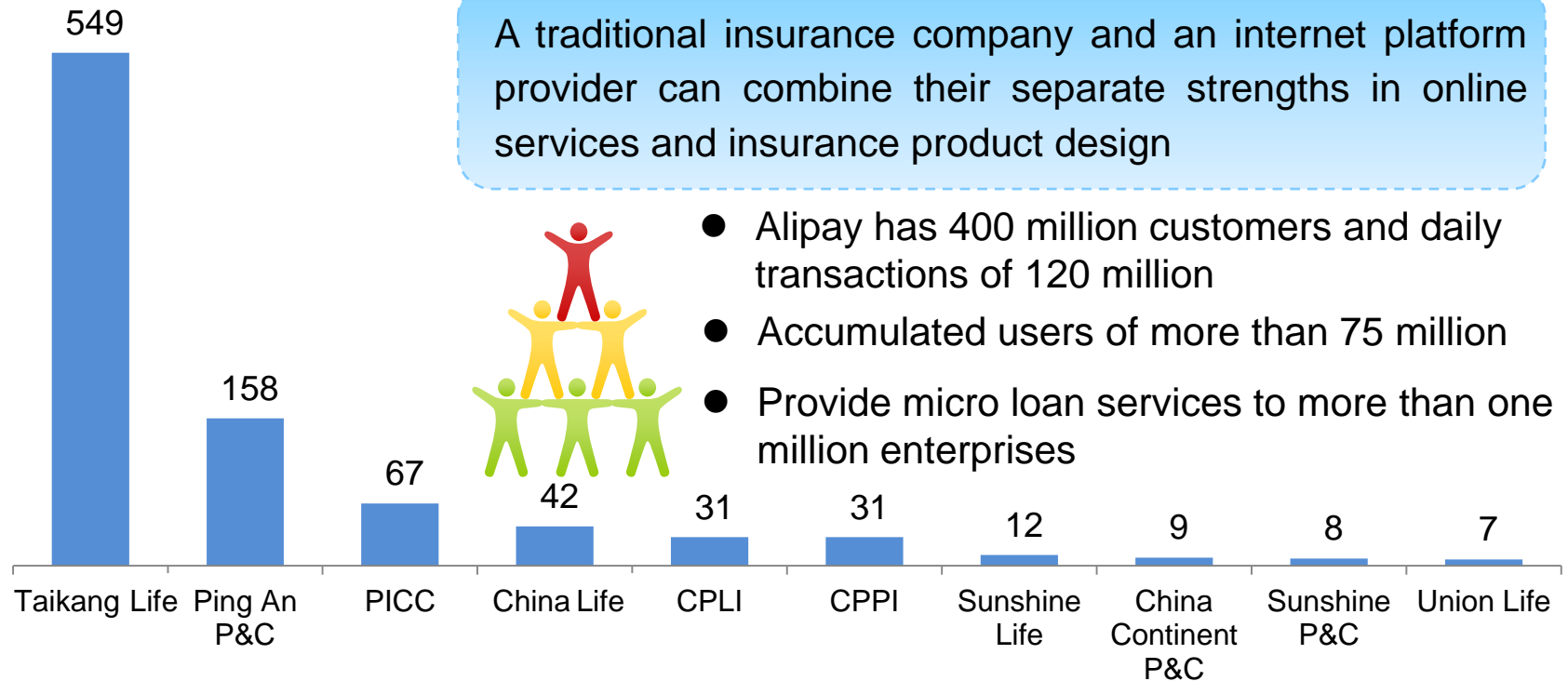
- The internet brings online approval of insurance and claims
- Ant Financial has accumulated an enormous database. Through big data analytics, we will be able to do customized marketing and implement differential pricing



Ant Financial's Resources with Support Product Sales

- Cathay Insurance (China) brings expertise in products, actuarial science and risk management; Ant Financial brings distribution channel and payment platform support

2011-2013 annual website visitors for insurance companies (million)

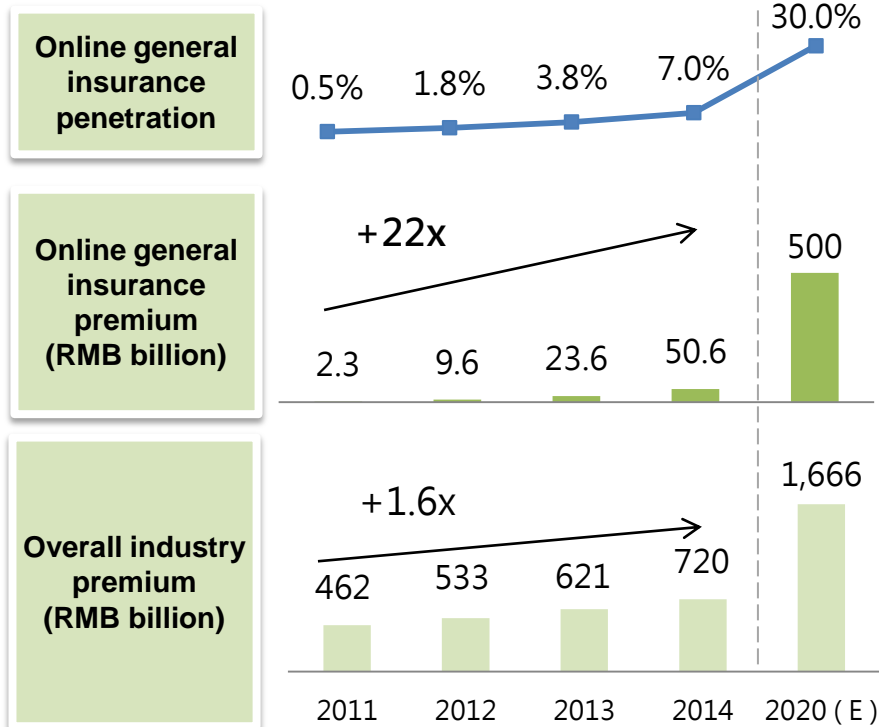


Source : Ping An Securities

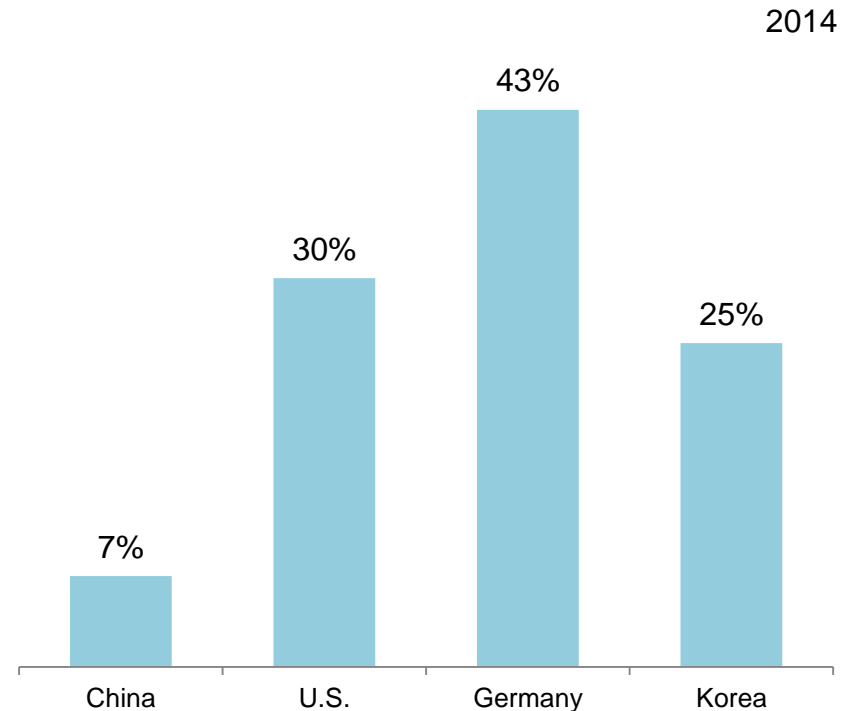
Huge Potential in the Online General Insurance Market

- The total premium of online general insurance industry is soaring. Significant market potential exists given current low penetration and the rapid development of the internet industry. The combination of Cathay Financial Holdings' experience in the financial industry and Ant Financial's customer base and leading internet capabilities, the alliance is well-positioned for success.

Premium for China general insurance industry



International online general insurance penetration



1 : the overall industry premium in 2020 is based on annual growth of 15% by Swiss Re and forecast the premium for online insurance assuming a penetration rate of 30%

2 : 2014 premium for Cathay Insurance (China) is RMB 548 million



Thank You