

Cathay FHC

Business Overview

November, 2015



國泰金控

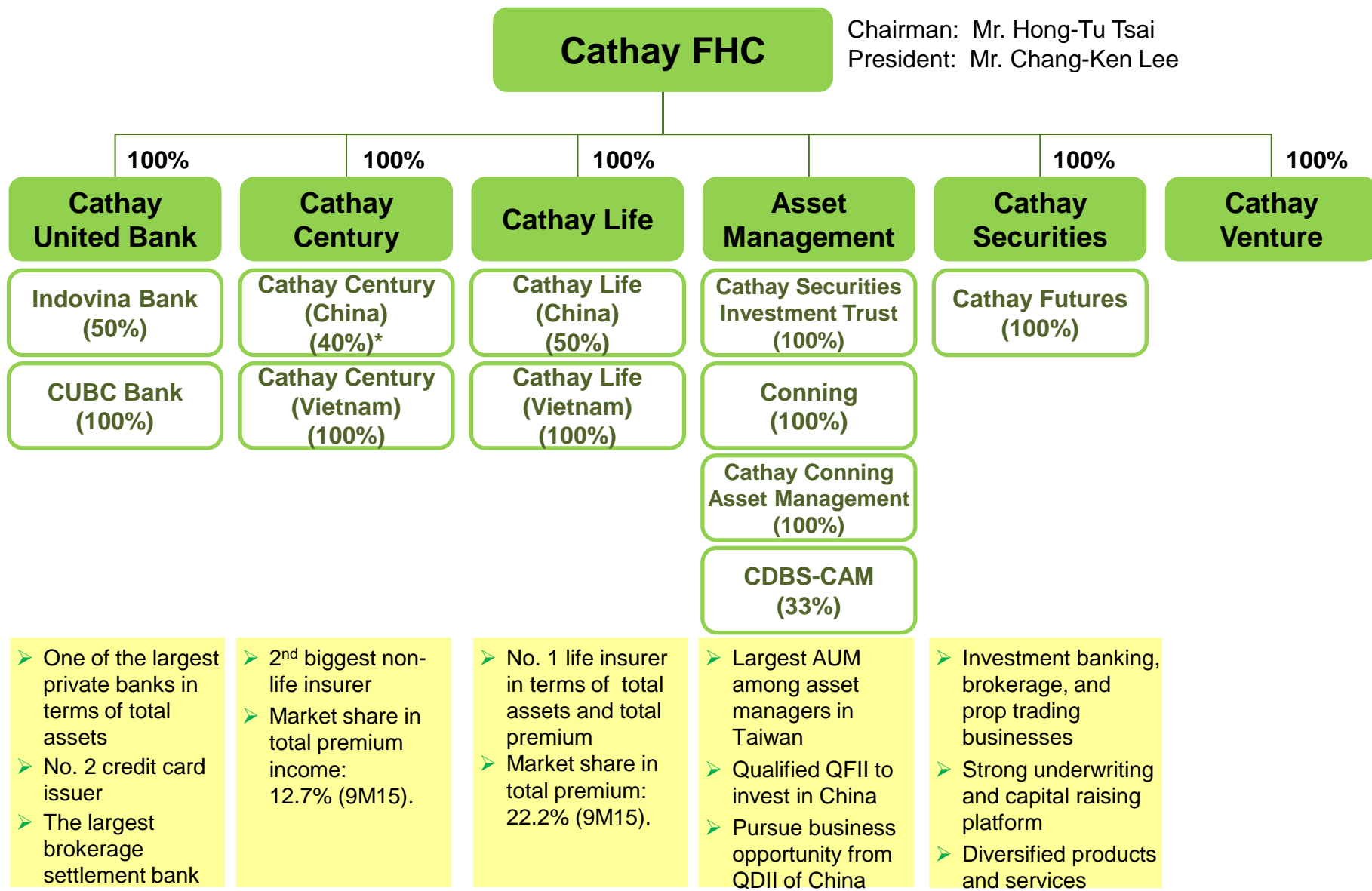
Cathay
Financial Holdings

Disclaimer

- ❑ This document is provided by Cathay Financial Holding Co., Ltd. (the "Company"). Except for the numbers and information included in the Company's financial statements, the information contained in this document has not been audited or reviewed by any accountant or independent expert. The Company makes no express or implied representations or warranties as to the fairness, accuracy, completeness, or correctness of such information or opinions. This document is provided as of the date herein and will not be updated to reflect any changes hereafter. The Company, its affiliates and their representatives do not accept any responsibility or liability for any damage caused by their negligence or any other reasons, nor do they accept responsibility or liability for any loss or damages arising from the use of this document or the information contained herein or anything related to this document.
- ❑ This document may contain forward-looking statements, including but not limited to all statements that address activities, events or developments that the Company expects or anticipates to take place in the future based on the projections of the Company toward the future, and various factors and uncertainty beyond the Company's control. Therefore, the actual results may differ materially from those contained in the forward-looking statements.
- ❑ This document is not and cannot be construed as an offer to purchase or sell securities or other financial products or solicitation of an offer.
- ❑ This document may not be directly or indirectly reproduced, redistributed or forwarded to any other person and may not be published in whole or in part for any purpose.

Cathay FHC regional expansion

Cathay FHC: largest FHC, comprehensive products

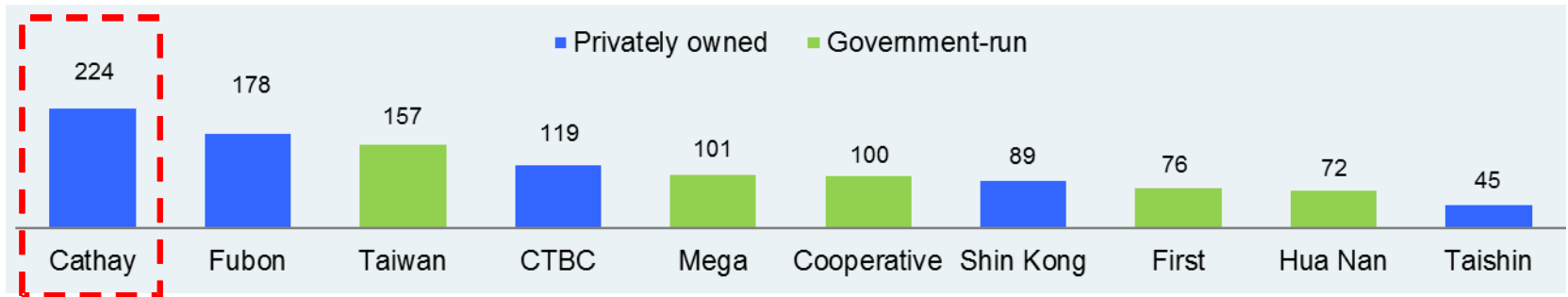


* The capital injection from Ant Financial is subject to the regulatory approval

Market leader in Taiwan's FIG sector

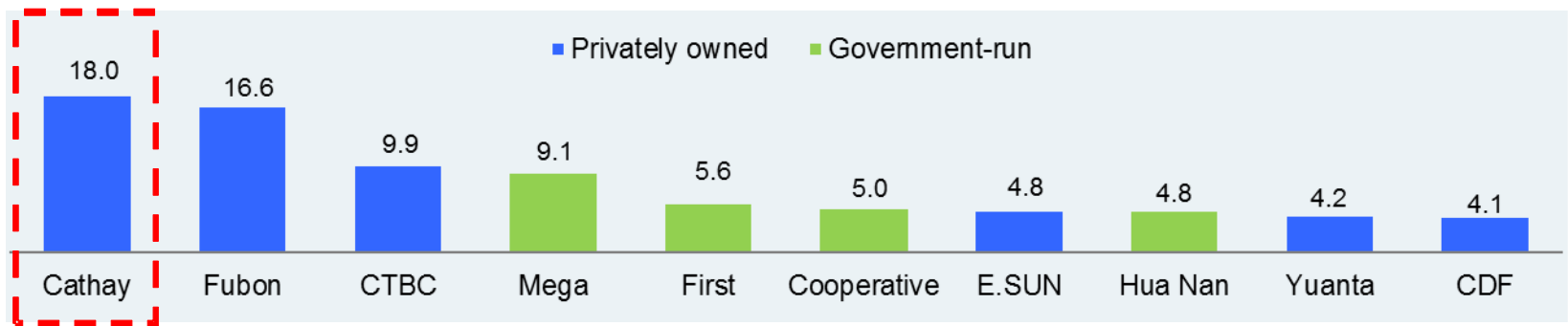
- Largest listed financials group by market capitalization and assets.

Ranking of total asset (US\$bn)



Note: Total assets as of Jun.30, 2015

Ranking of market cap (US\$bn)



Note: Market capitalization as of Oct.30, 2015

Strong achievements and explosive growth



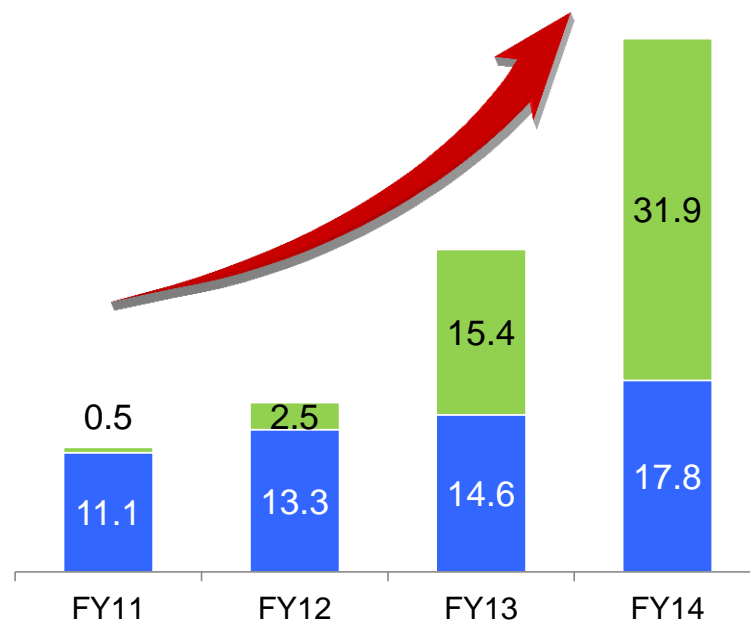
- Focus on value-driven and sustainable product strategy
- Constantly improve cost of liability
- Superior investment portfolio management



- Delivered stable growth momentum over the past couple years
- Expand Asia Pacific footprints and build up the extensive regional platform
- Establish strong brand domestically in wealth management and credit card

Profit contribution

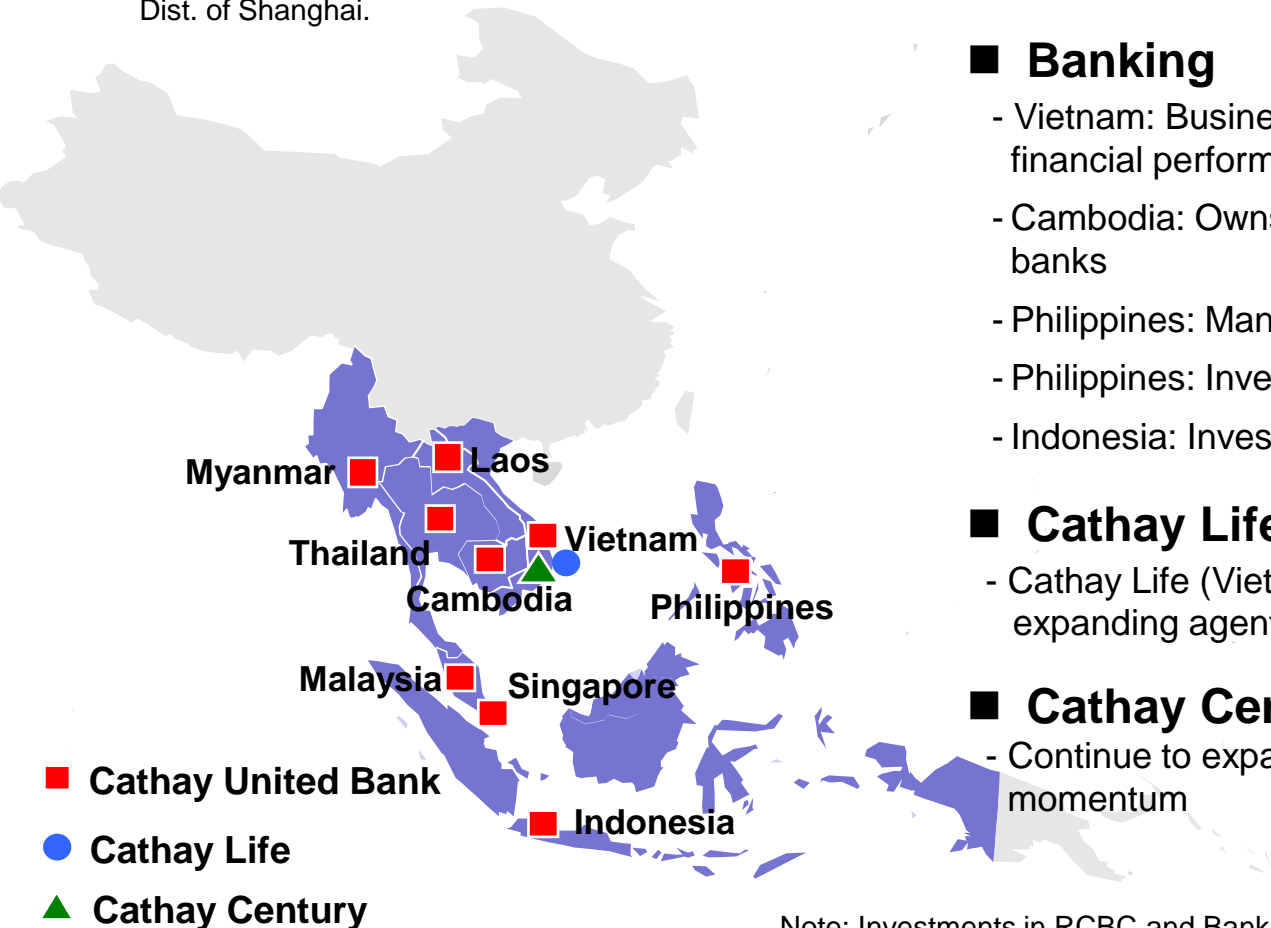
■ CUB ■ Cathay Life (NT\$ BN)



Extensive footprints in Asia

	China	Vietnam	Cambodia	Hong Kong	Singapore	Malaysia	Laos	Philippines	Thailand	Myanmar	Indonesia
Bank	5*	37	16	1	1	1	1	1	1	1	1
Life	30	10									
P&C	24	2									
Asset Mgt	1			1							

* Footprints in Thailand, Myanmar and Indonesia are representative offices. CUB obtained approval to set up a sub-branch in Jiading Dist. of Shanghai.



■ Banking

- Vietnam: Business performed steadily with solid financial performance and superior asset quality
- Cambodia: Owns most footprints among Taiwanese banks
- Philippines: Manila branch has opened in October 2015
- Philippines: Invest 21.6% stake in RCBC*
- Indonesia: Invest 24.9% stake in Bank Mayapada*

■ Cathay Life

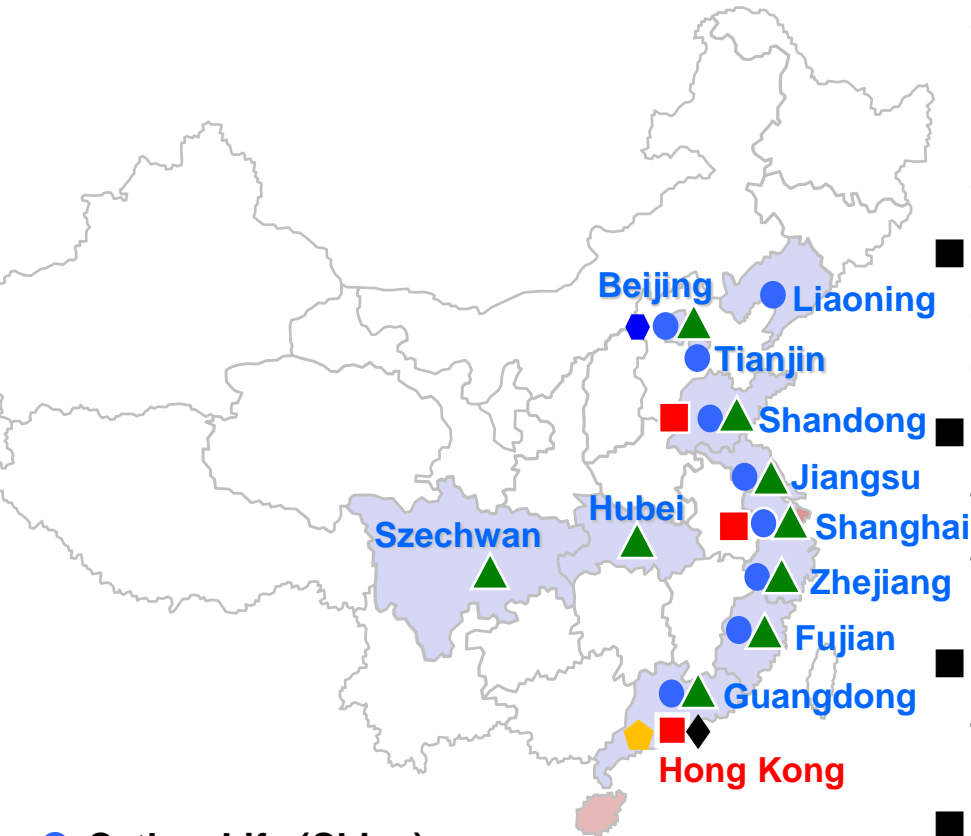
- Cathay Life (Vietnam) has performed steadily. Keep expanding agent force

■ Cathay Century

- Continue to expand local channels to enhance growth momentum

Note: Investments in RCBC and Bank Mayapada are funded by Cathay Life.

Expansion in China through diversified business



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

■ Cathay United Bank

- Each business line has performed steadily in Shanghai branch. Jiading Dist. sub-branch will be opened in 4Q15
- Applying for Shenzhen branch

■ Cathay Life (China)

- 9M15 solvency ratio 373%
- Reported pre-tax profits of 135MN RMB in 9M15

■ Cathay Century (China)

- Strong premium income growth in 9M15 up by 17% YoY
- Capital injection from Ant Financial is subject to regulatory approval

■ Cathay Securities

- Acquisition of Horizon Securities (HK) has been completed

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

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

■ Conning

- Acquisition of 100% Conning stake has been completed

Strengthen 3 pillars of banking, insurance and AM

Vision: Become a leading financial institution in the Asia Pacific

Strategic goals

A more established regional presence

A more diversified business portfolio

A meaningful China presence balancing growth with profitability

What did we do (through M&A)

Strategic investment in RCBC and Mayapada

Acquisition of Conning

Alliance with Ant Financial

Three pillars



Bank



Insurance



Asset Management

Footprints outside Taiwan

Overseas footprints in 9 ASEAN countries out of 10*

Life and non-life insurance presence in China and Vietnam

Conning in the U.S. and Europe, CCAM in HK, and CDBS Cathay Asset Management in China

* including branches, representative offices and JV

Penetrate overseas efficiently through investments

Transaction Summary

- ❑ **20% stake of RCBC, 6th largest privately-owned bank¹ in Philippines:**
 - Cathay Life Insurance acquired 21.6% stake of Rizal Commercial Banking Corporation (RCBC) in April 2015.
 - The acquisition was for USD 400 million.

- ❑ **40% stake of Bank Mayapada in Indonesia**
 - Cathay Life Insurance plans to acquire 40% stake of Bank Mayapada in two stages and has completed 24.9% stake settlement.
 - The acquisition was for USD 164 million in stage I and USD 295 million in two stages.

Transaction Rationale

- ❑ **Strong fundamentals of both markets**
 - Domestic consumption has become the main driver of both economies.
 - Strong growth momentum in the banking sector.
- ❑ **Expanding regional banking platform:** The addition of RCBC and Bank Mayapada can enhance Cathay's regional banking platform in ASEAN.
- ❑ **Potential strategic cooperation:** RCBC and Bank Mayapada will cooperate with Cathay for further business opportunities.
- ❑ **Stable returns for Cathay Life:** RCBC and Bank Mayapada are expected to generate stable investment returns.

1 : Ranked by standalone assets of the banks

Expand AM capabilities through acquiring Conning

Transaction Summary

- ❑ **Acquired 100% of Conning :**
 - Cathay Life Insurance acquired 100% of Conning in September 2015.
 - The acquisition was for USD 240 million.

Transaction Rationale

- ❑ **Build up asset management business as the third core of Cathay**
 - Expands Cathay's asset management capabilities across asset classes and geographies
 - Provides more balanced business profile and solid foundation for growth
 - Asset management is a capital-light business that can generate steady fee income.
- ❑ **Conning ranked 6th in global insurance asset management industry**
 - Leading asset management for insurance and pension clients with \$90 bn AUM.
- ❑ **Strength in ALM and risk management**
 - Enterprise risk management analytics and investment advisory services to support capital management and asset allocation decisions.
 - Sophisticated software platform provides enterprise-level analysis and optimization of assets and liabilities.

Conning extends its offerings by acquiring Octagon

Transaction

- ❑ Octagon Credit Investors is a specialist credit-focused manager with expertise in bank loans, collateralized loan obligations (“CLOs”) and high yield bonds
- ❑ \$12.8 billion in assets under management
- ❑ Conning to acquire a majority ownership stake in Octagon
- ❑ Octagon to operate as a subsidiary of Conning

Rationale

- ❑ Adds scale and accelerates Conning’s product development objectives
- ❑ Facilitates participation in growing market for specialty mandates
- ❑ Expands distribution opportunities for both firms
- ❑ Important asset classes for insurers, other sophisticated institutions, and retail investors

Investment Details

- ❑ Total capital commitment up to \$175.6 million
- ❑ Conning to acquire 82% controlling interest
- ❑ Includes significant capital investment to support risk retention requirements

Regulatory & Closing Conditions

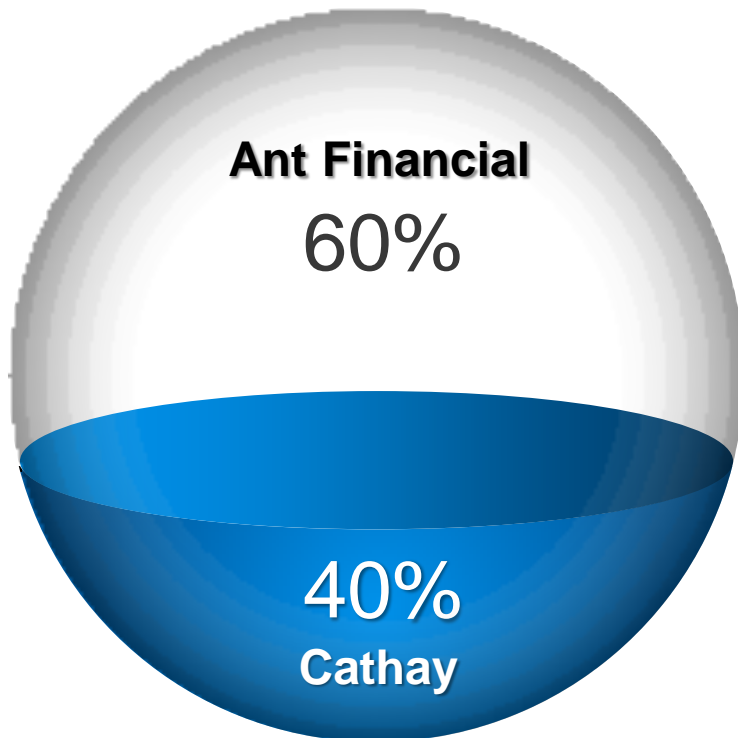
- ❑ Expected to close early in 2016, subject to customary regulatory approvals and closing conditions

Grow internet finance by alliancing with Ant Financial

Transaction Summary

- Cathay Insurance (China) will issue a new capital of RMB 1.2 billion. Ant Financial will be the sole subscriber. After the transaction, Ant Financial will own 60% stake and Cathay FHC will own 40% of stake.
- Submitted application for CIRC approval in October 2015.

After transaction

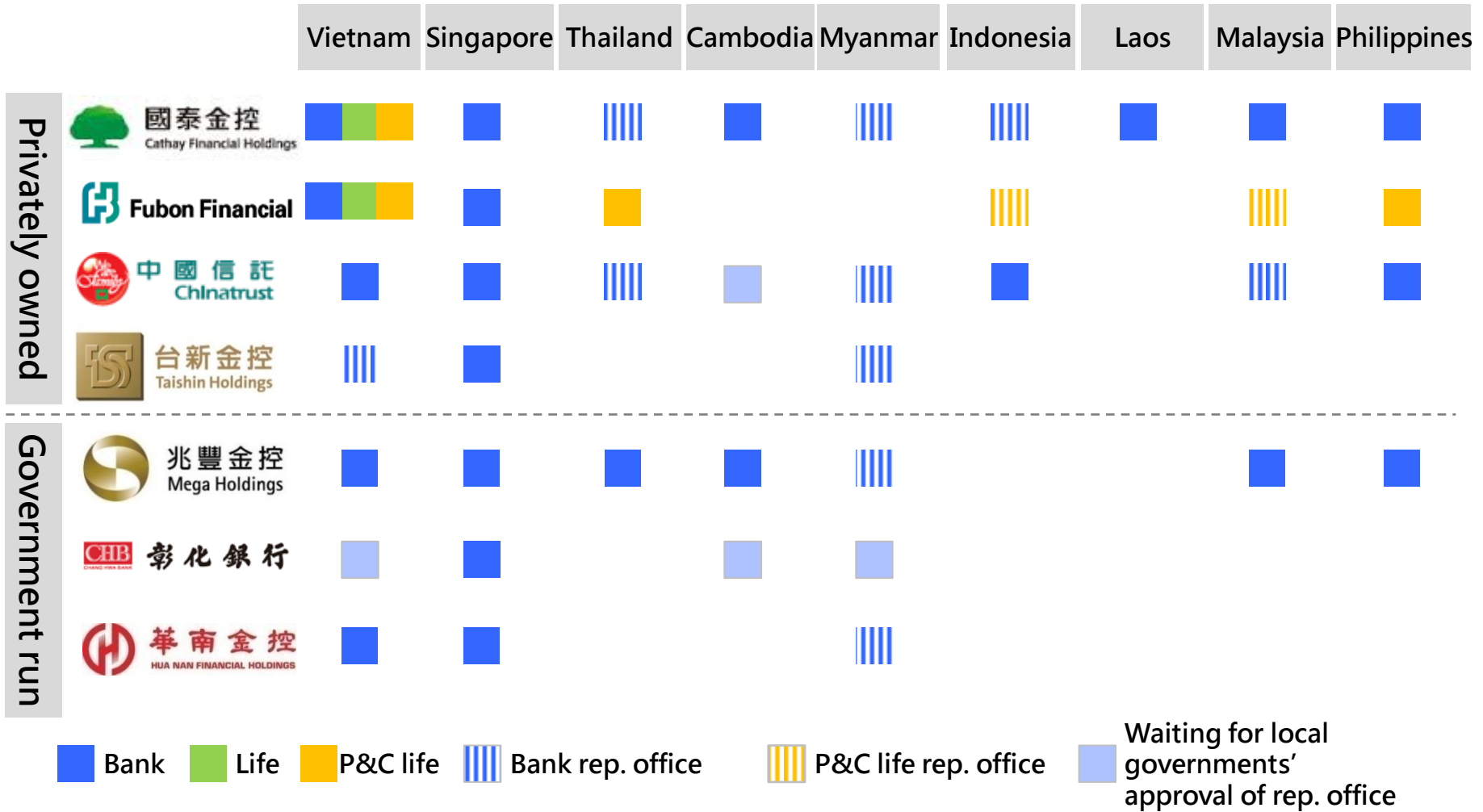


Transaction Rationale

- **Ant Financial is the largest internet financial services platform in China** : Ant Financial possesses a large customer base and enormous volume of transaction data, which are critical assets for the development of internet finance.
- **Huge potential in the online general insurance market:**
 - Significant market potential exists given current low penetration and the rapid development of the internet finance industry.
 - The combination of Cathay Financial Holdings' offline financial experience and Ant Financial's leading internet capabilities.

40%

Most comprehensive footprints compared to peers



Cathay FHC 3Q15 results

9M15 Business overview

Cathay United Bank

- Loan maintained stable with benign credit quality
- Fee income grew by 25% YoY, wealth management fee grew by 46%
- Continued to expand overseas footprints; Philippines Manila branch has been opened in October. Shanghai Jiading sub-branch will be opened in 4Q15

Cathay Life

- Regular-paid policies accounted for 97% of traditional life FYP, ranked No.1 by FYPE
- Overseas investment increased to 56%; hedging cost reduced to 0.53%; after-hedging investment yield reached 4.6%

Cathay Century

- Market share reached 12.7%, maintained No.2 market position
- Continued to reduce loss ratio; 9M15 after-tax profit grew by 60% YoY
- Cathay Insurance(China)'s strategic alliance with Ant Financial will increase its exposure to the growing internet finance market

Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$425BN
- Highly regarded by clients, rewarded by “Asia Investors” with “Market Award - Taiwan” in 2015 and by “Asia Asset Management Journal” with “2014 Best Institutional House” and “2014 Best Domestic Equity Fund” in 2014

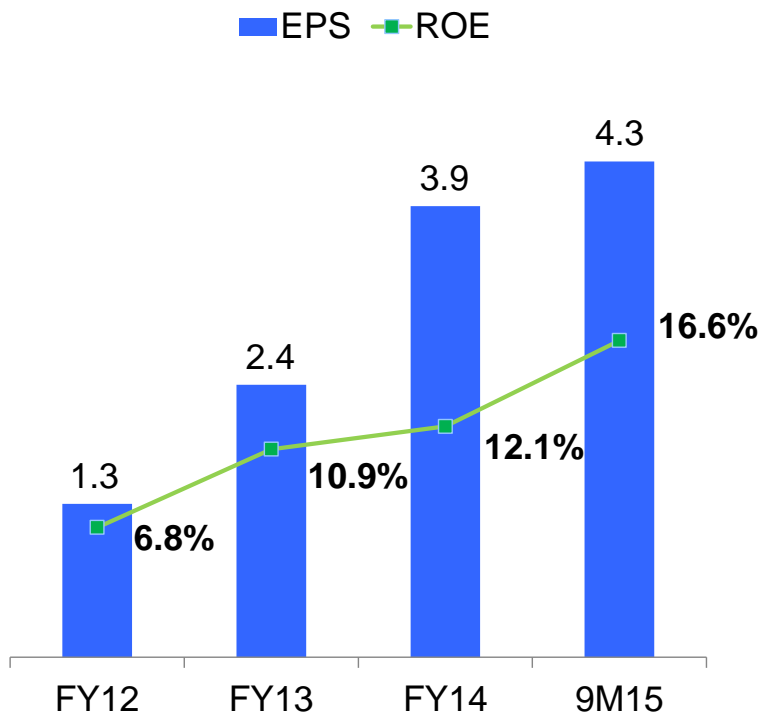
Cathay Securities

- Delivered significant growth with 9M15 net profits. 9M15 after-tax profit and EPS both reached historical high
- Aggressively grew brokerage, sub-brokerage and IPO & SPO business
- Acquisition of Horizon Securities (HK) has been completed and now the company name is Cathay Securities (HK)

Cathay's earnings accelerates as life turnarounds

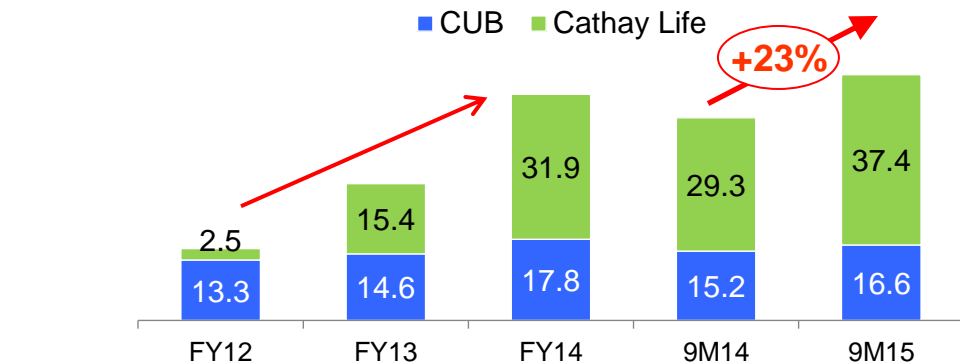
EPS & ROE

(NT\$)

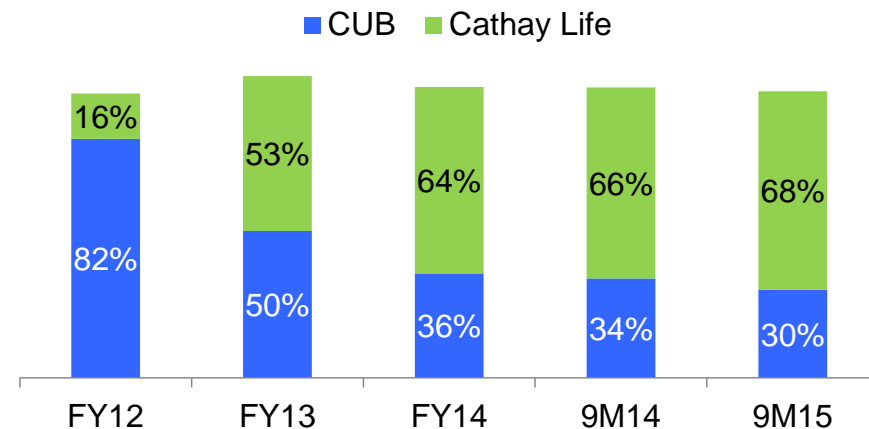


Profit contribution

(NT\$ BN)



FHC	16.2	29.0	49.8	44.7	54.9
Life	2.5	15.4	31.9	29.3	37.4
CUB	13.3	14.6	17.8	15.2	16.6



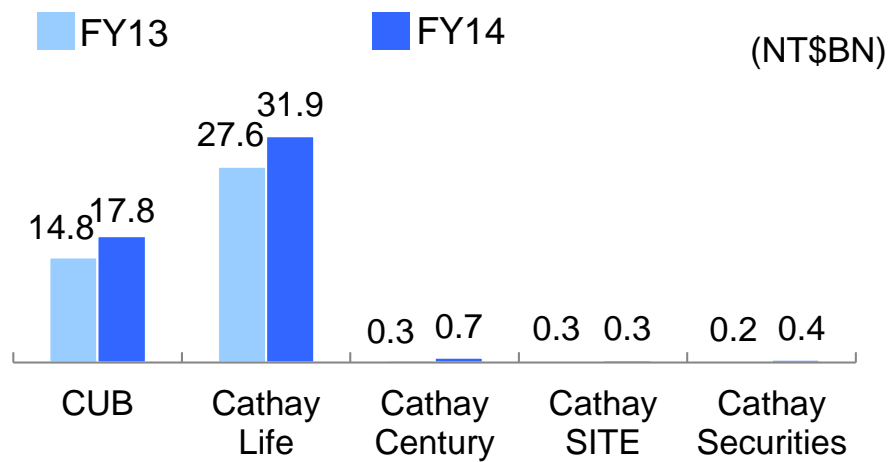
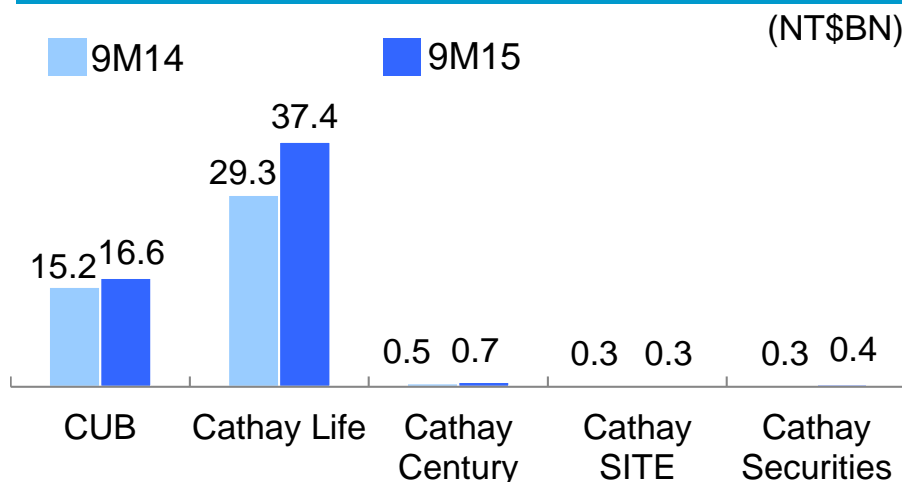
Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.

(2) Since Cathay FHC has more subsidiaries other than Cathay Life and CUB, besides, due to affiliate transactions, the Cathay FHC net income might not equal to the sum of Cathay Life and CUB's.

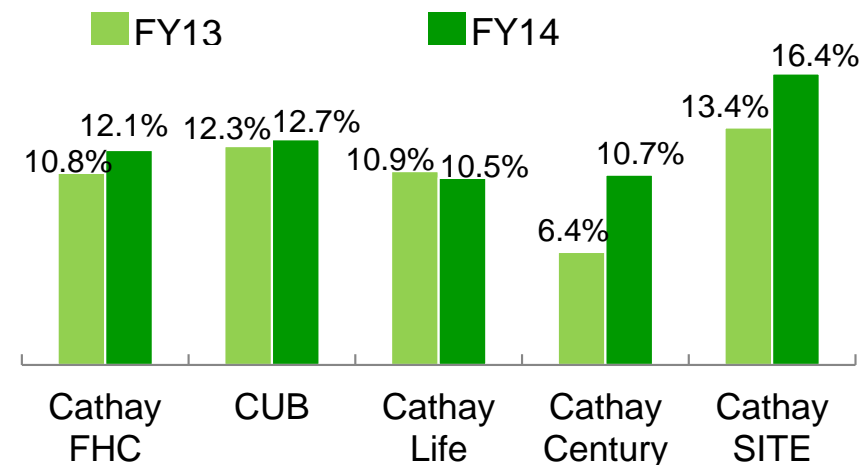
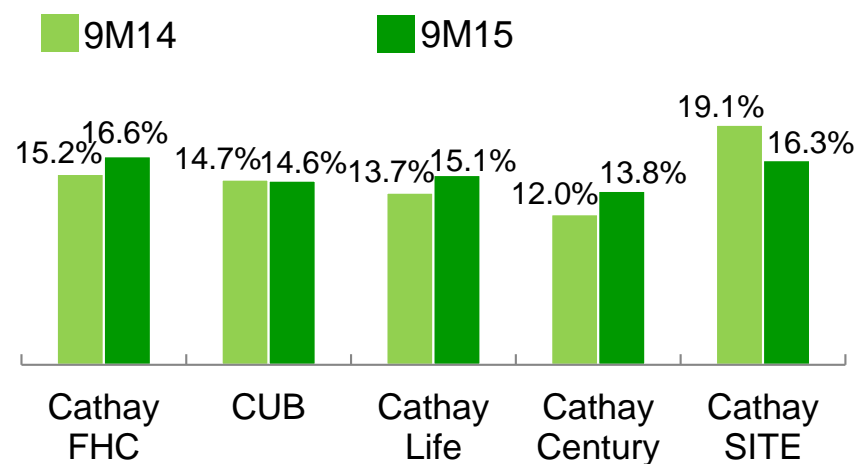
(3) EPS has been adjusted for stock dividend (stock split).

Healthy performance across subsidiaries

Net income of primary subsidiaries



ROE



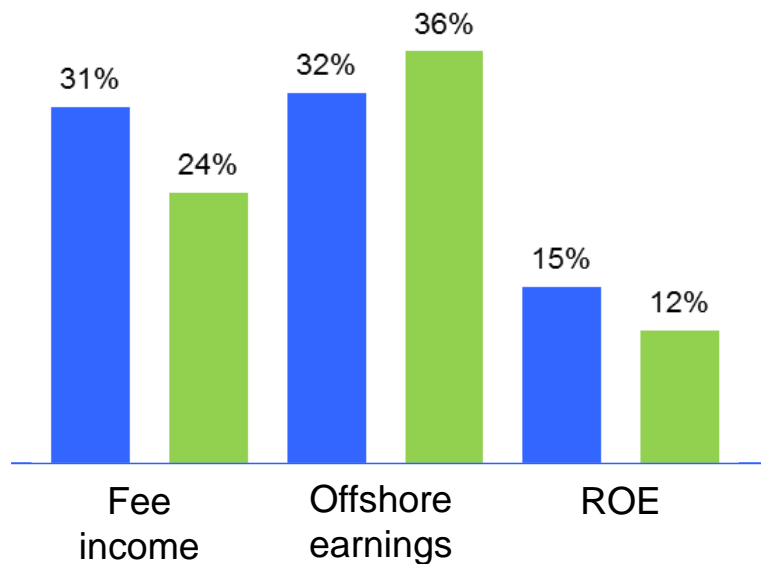
Note: FY13 ROE reflected the impact from applying fair value method on investment property, starting 2014/1/1. The impact to FY13 ROE of Cathay FHC, CUB and Cathay Life was -0.1%, -0.1% and 0.1% respectively.

CUB's Strong earnings and credit quality

- Better risk-pricing discipline increased capital utilization effectively
- Improve customer service to increase non-interest income

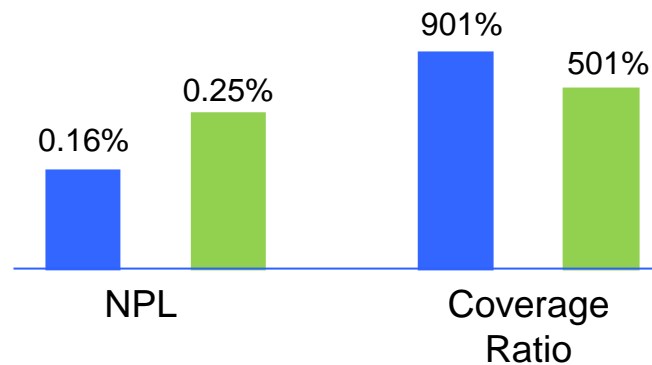
Earnings contribution

■ CUB ■ Industry (1H15)



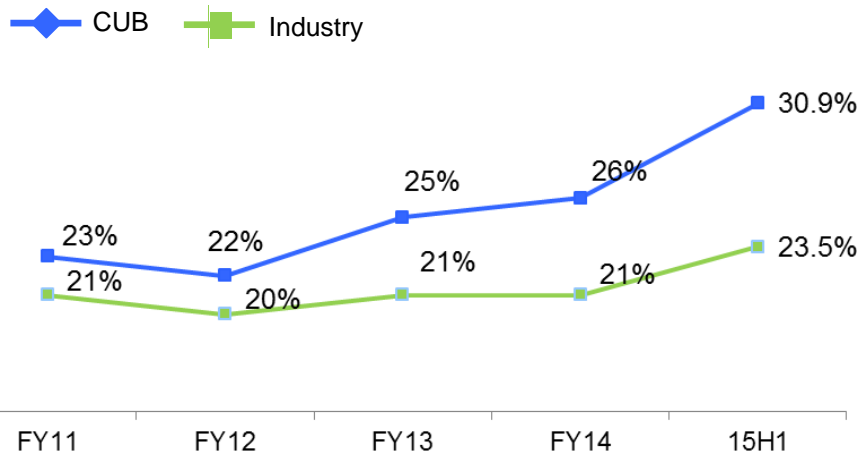
Credit Quality

■ CUB ■ Industry (1H15)

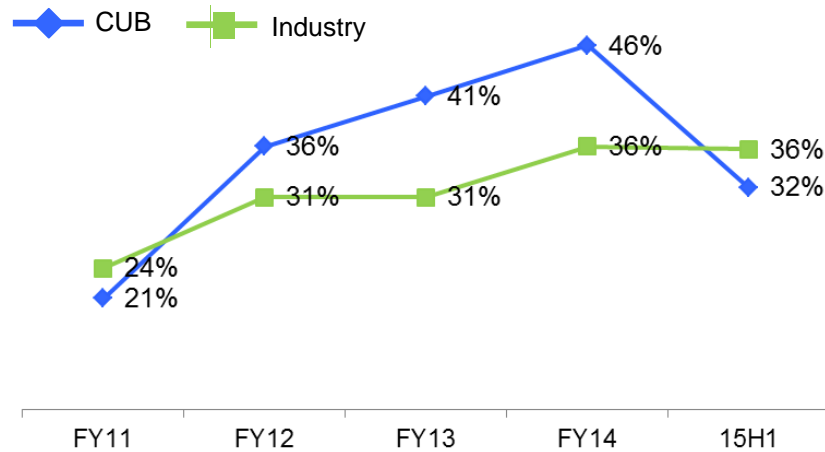


CUB's outperformance compared to the industry

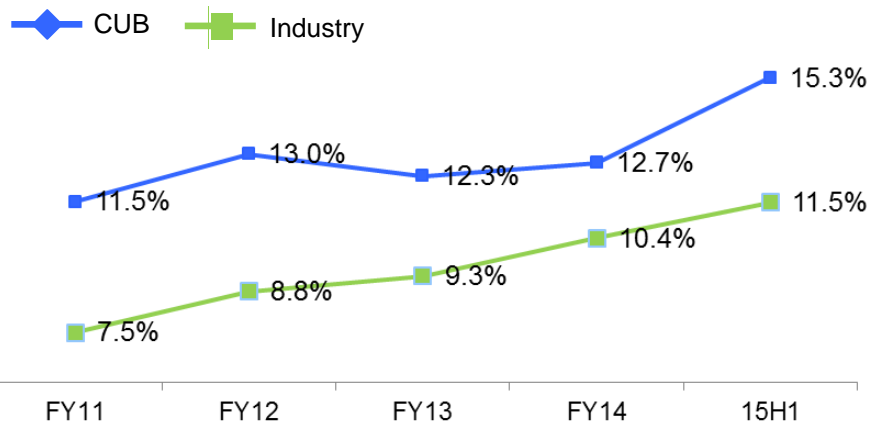
Fee income ratio



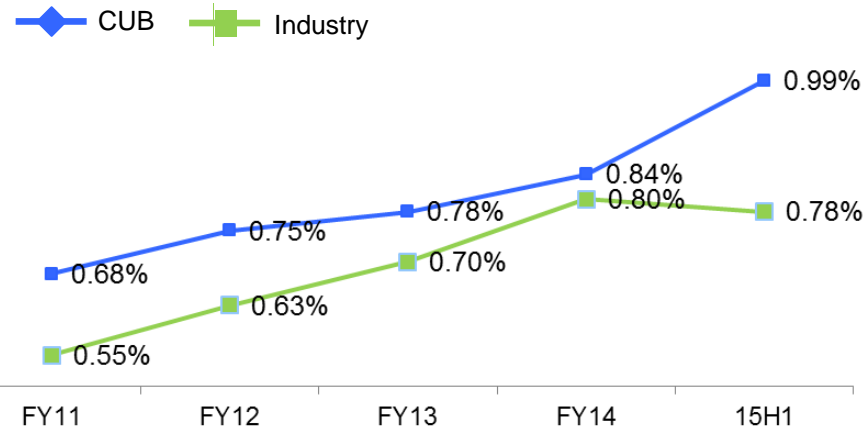
Offshore earnings as % of total pre-tax profits



ROAE



ROAA

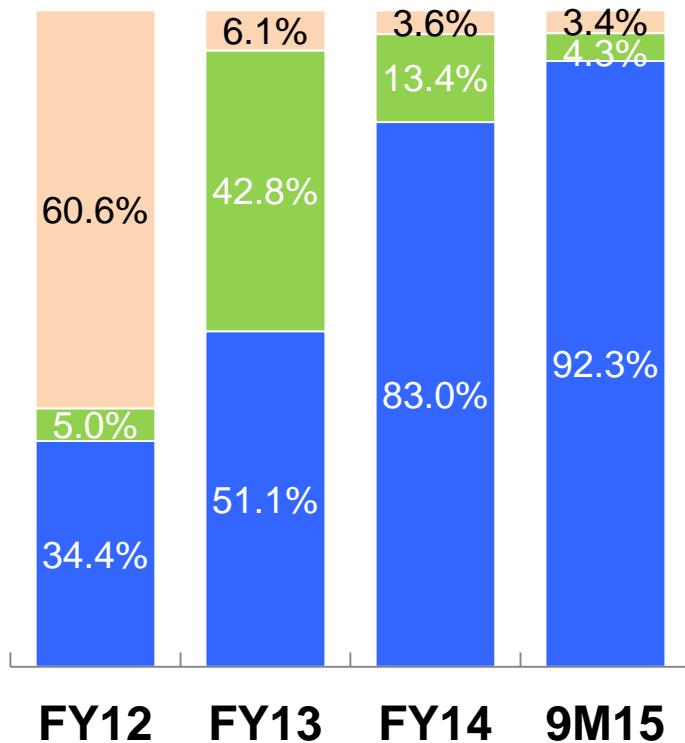


Note1:(1)Offshore earnings included OBU and overseas branches, excluded subsidiaries.
 (2)Industry refers to domestic banks.
 (3)Source: Central bank and TEJ.

Cathay Life focuses on value-driven product strategy

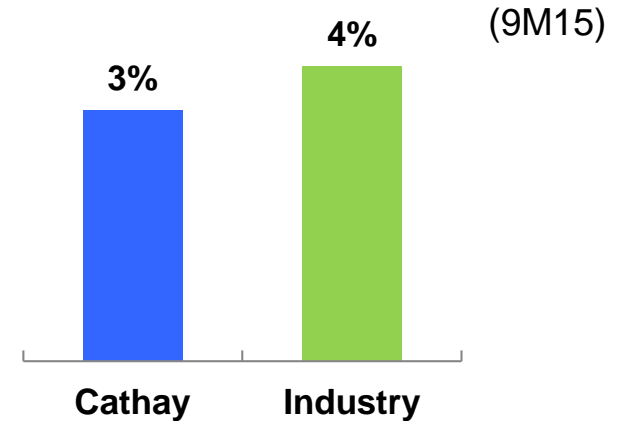
Breakdown of Traditional FYP

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

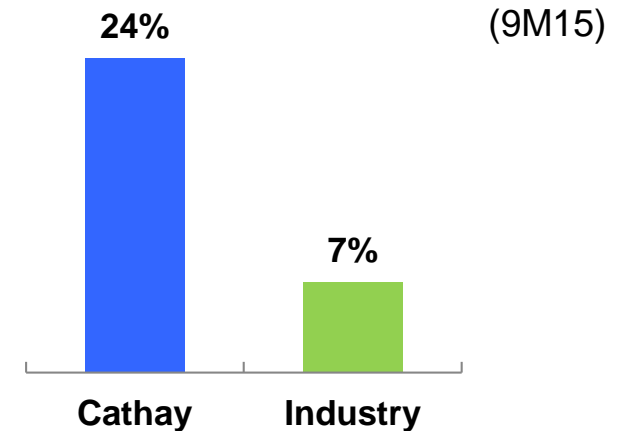


Note: Totals may not sum due to rounding.

Growth rate of total premium

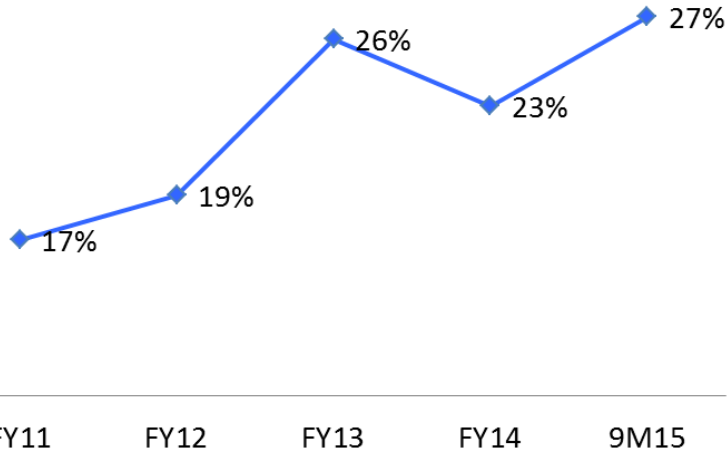


Growth rate of FYPE

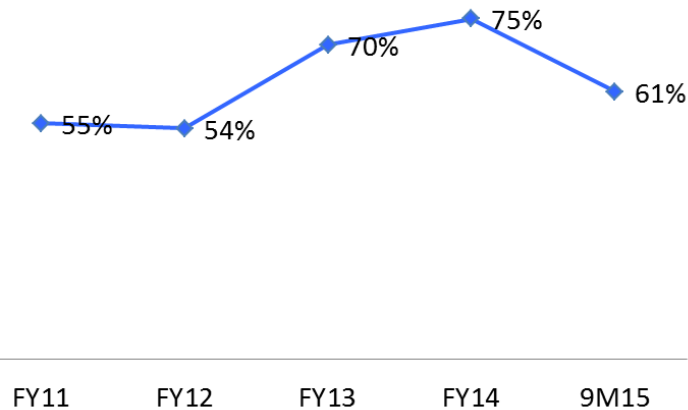


Constantly improve margin and cost of liability

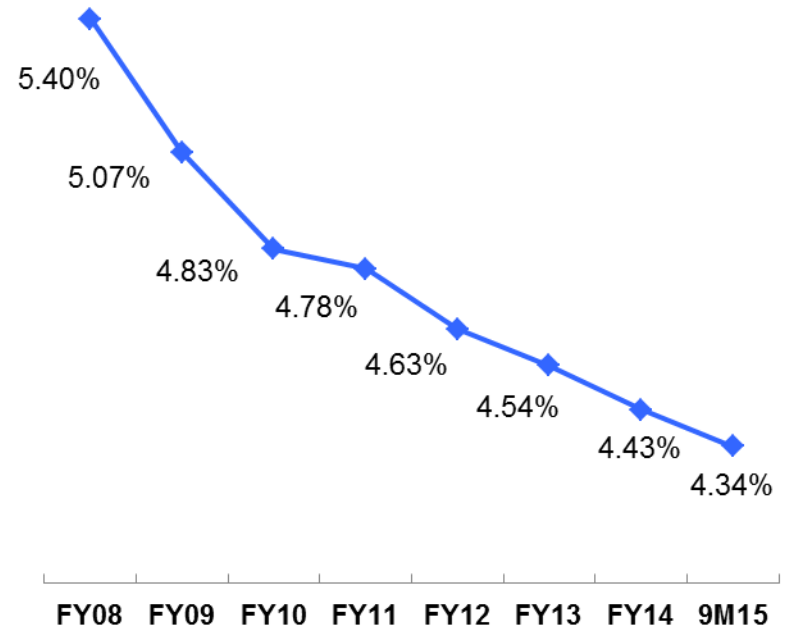
VNB/FYP



VNB/FYPE



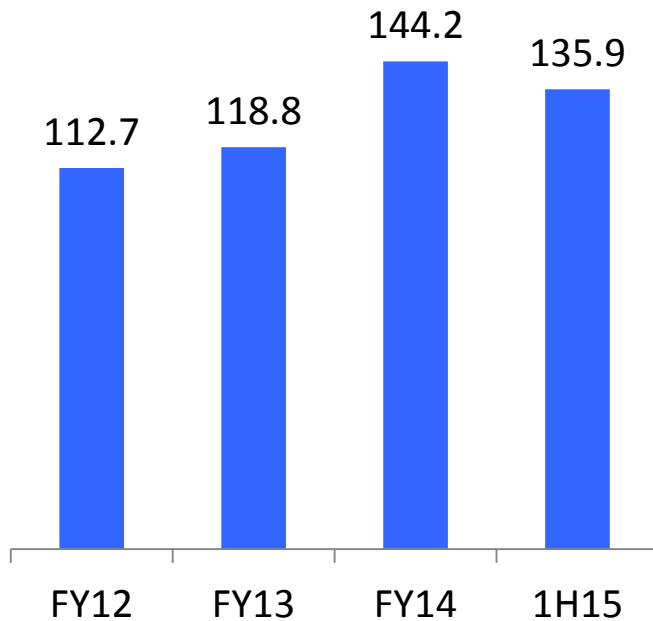
Cost of Liability



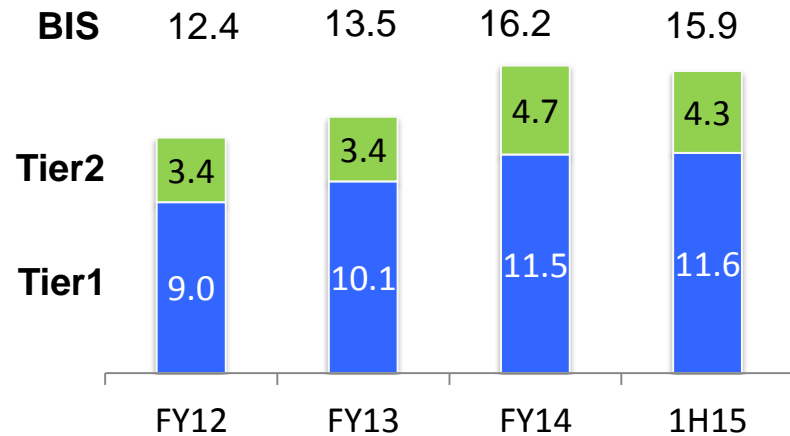
Note: Totals may not sum due to rounding.

Robust capital adequacy

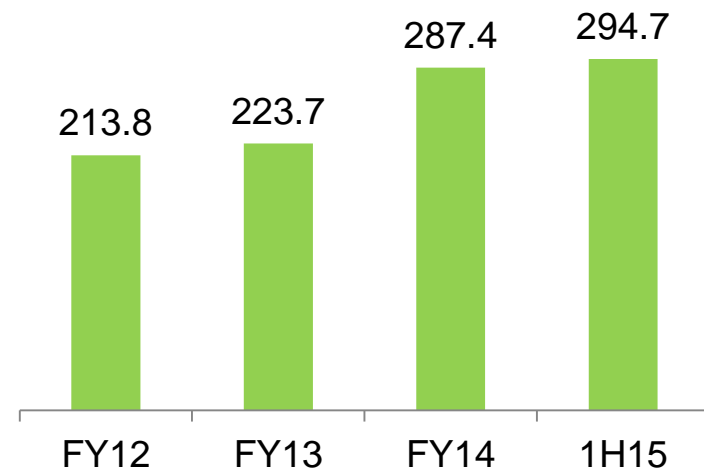
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



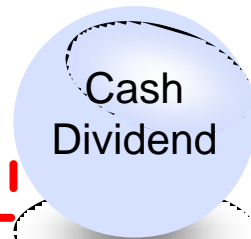
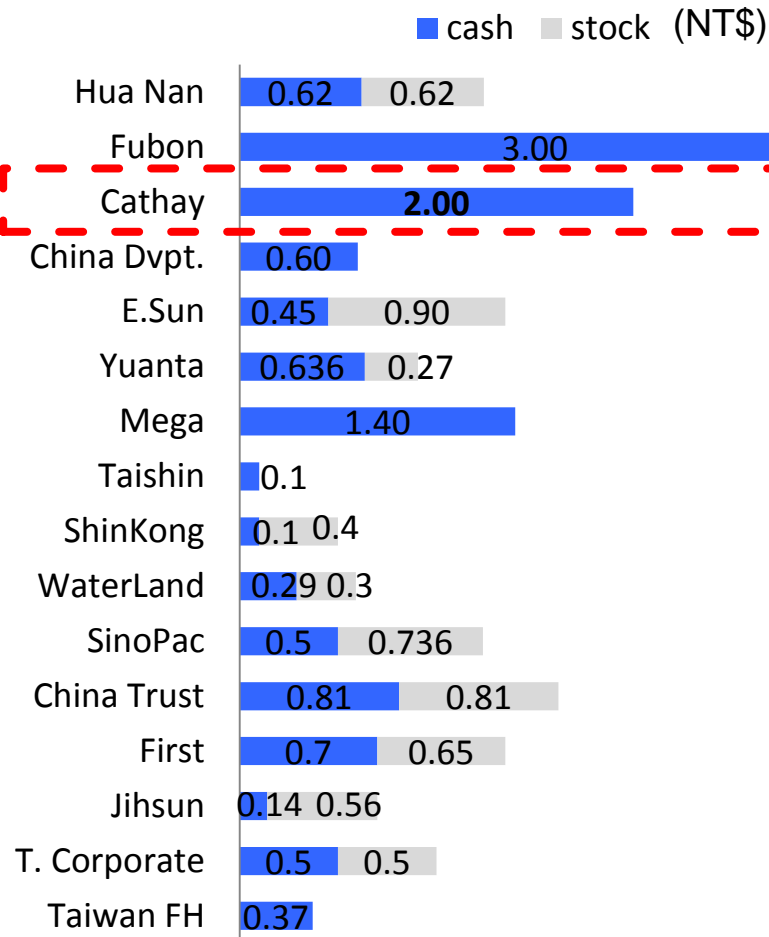
Cathay Life RBC(%)



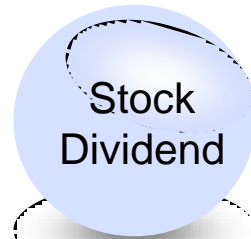
Constant dividend policy & distribution

FY14 Dividend Distribution

Dividend Policy Rationale



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

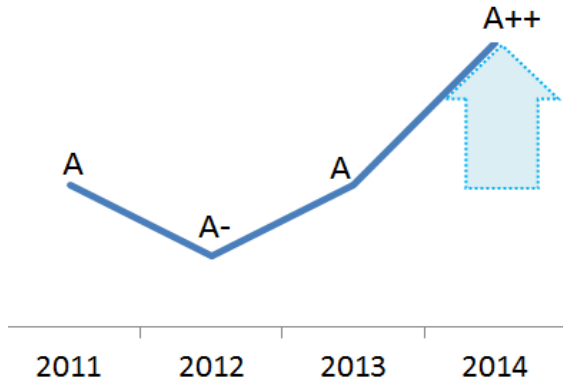


1. In compliance with regulation
2. Aligned with capital needs
3. Grab future growth opportunity

Balanced Dividend Policy & Dynamic Adjustment for Future Need

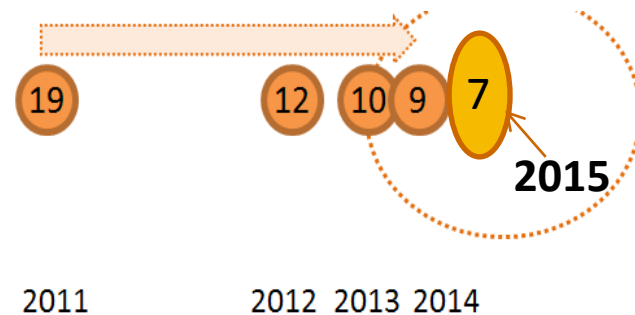
Continuous efforts in CSR

Recognized the highest ranking of IDTR in 2014-2015

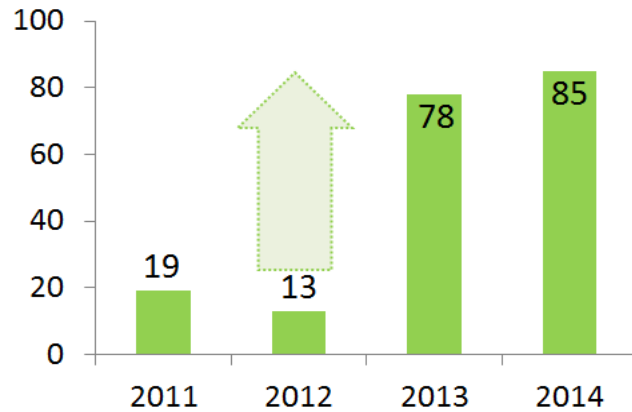


Ranked Top 7 of Taiwan Corporate Citizenship Award

Top 7 among Taiwan companies
Top 2 in Financial sector in Taiwan



CDP disclosure score exceeded the worldwide industry average



The leader to be recognized by DJSI and Equator Principles

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Top 1 among Taiwan life insurance companies

Top 2 in Taiwan financial sector



Top 1 in Taiwan

Top 6 in Asia

Note:

1. Information Disclosure and Transparency Ranking (IDTR) is an important evaluation initiated by TWSE.
2. Taiwan Corporate Citizenship Award is ranked by Taiwan Common Wealth Magazine.
3. CDP has the largest database of corporate climate change related information.

Incorporate in the DJSI emerging markets index

- ❑ Cathay FHC has been selected as a DJSI Emerging Market Component in Sep. 2015
- ❑ Cathay FHC is committed to develop ESG in the long term. The company attained the highest rating of A++ from TWSE Information Disclosure and Transparency Ranking, and became one of the top 5% of listed companies in Corporate Governance Evaluation of Taiwan

DJSI in the World

- ❑ Dow Jones Sustainability Index (DJSI) launched in 1999, which is based on an analysis of corporate economic, environmental and social performance and select top 10% performers in each industry as its index components. The DJSI now is the most recognized sustainability index in the world.

MEMBER OF

Dow Jones
Sustainability Indices

In Collaboration with RobecoSAM 

CUB is the first EPFI in Taiwan

- ❑ **Equator principles: sustainability and environmental protection**
 - CUB became the Equator Principles Financial Institutions (EPFIs) in Mar. 2015.
 - Being an EP signatory not only reinforces CUB's corporate commitment to sustainability and environmental protection, but also helps CUB integrate long established environmental and social risk evaluation system.
- ❑ **Cathay FHC will continue to develop its sustainable finance policy with its subsidiaries.**



environmental & social risk management for projects

EPFIs in the World

There are 81 financial institutions in more than 30 countries that adopt the EPs as of March, 2015.

- ❑ EPFIs in Asia : Mizuho Bank, Bank of Tokyo-Mitsubishi UFJ, Sumitomo Mitsui Banking Corporation, Industrial Bank (China), IDFC(India) and Cathay United Bank.

Awards & Recognition – Cathay FHC



Institutional Investor 2015 All-Asia Executive Team

- “Most Honored Company”
- “Best CEO”
- “Best IR Professional”
- “Best Investor Relations”



Taiwan Stock Exchange

- Information Disclosure and Transparency Ranking: A++ level
- Corporate Governance Evaluation: top 5% of listed companies in Taiwan



Global Views Monthly Magazine

- CSR Survey – Service and Financial sector: model CSR enterprise (2015)



CommonWealth Magazine

- 2013 “Best Reputation Enterprise in Taiwan”, ranked No. 3 in the Financial Holding Company category
- “Top 10 Corporate Citizen Awards” , 2013-2015



Taiwan Institute for Sustainable Energy

- 2014 “Taiwan’s Top 10 Role Model Company of Sustainability”
- Taiwan Corporate Sustainability Report-Large-Scale Financial Enterprise: Gold Award
- Social Harmony: model enterprise



Business Next Magazine

- “SUPER GREEN Awards”, ranked No. 1 in the financial services category (2012-2014)

Awards & Recognition - Cathay United Bank

THE ASIAN BANKER®

- 2015 “Best ATM & Kiosk Project Award”, “Best Lending Platform Implementation Project Award”, Best Self-service Banking Project Award”
- 2014 & 2015 “Best Employee Engagement”
- 2014 “The Strongest Bank in Taiwan”, “The Asian Banker Promising Young Banker Awards “
- 2013 “Best Data and Analytics Project Award in Taiwan”, “Best Consumer Risk Management Capability in Taiwan” and “Best Data and Analytics Project Award in Asia-Pacific area”
- 2012 “300 Ranking Of Asia’s Banks –Taiwan’s Top 10 Banks”

ASIAMONEY

- 2013 & 2014 “The Best Cash Management Bank in Taiwan”



- 2013 ~ 2015 “The Best Trade Bank in Taiwan”



- 2015 “The Financial Insights Innovation Awards 2015-Enterprise Transformation--Smart Lending Project”
- 2015 “Big Data Infrastructure Enterprise Data Governance”



- 2012 ~ 2014 “Taiwan Best Structured Products House”
- 2014 “The Greater China Awards for Best in Financial Services-Wealth advisory”, “Best Private Bank-Rising Star”

Awards & Recognition – Cathay Life



Fortune Magazine

- Ranked among Fortune Global 500 in 2015



Taiwan Insurance Institute

- 2015 “Taiwan Insurance Excellence Award” highest number of awards, including risk management, employee education, IT, product innovation and customer service



Reader's Digest Magazine

- 2015 “Gold Winner of Trusted Brand”



CommonWealth Magazine

- 2013 ~ 2014 ranked No. 1 of “Best Reputation Enterprise in Taiwan” in the Insurance Company category



Asian Investor Magazine

- 2014 named the best insurance company of the Asian Investor Institutional Excellence Awards

Awards & Recognition - Cathay Century

- ❑ 5 categories of “*Awards of Excellence*” in 2015
- ❑ 7 categories of “*Insurance Faith Hope Love Award*” in 2015
- ❑ 2014 “*Model Insurer Asia Awards*” - Celent
- ❑ 2014 “*Company of the Year Awards-Silver*”, “*Fastest-Growing Company of the Year-Silver*” and “*Services Company of the Year-Silver*” - the Stevie Awards
- ❑ 2014 “*World Finance Best Non-Life(General) Insurance Company 2014, Taiwan*” - the World Finance Insurance Awards



Awards & Recognition - Cathay SITE

Team Awards

2015

Asian Investor

- Asset Management Awards, Market Award – Taiwan

2014

Asia Asset Management

- Best of Best Awards, Taiwan Best Institutional House
- Best of Best Awards, Taiwan Best Domestic Equity Fund

2010

Lipper Taiwan Fund Awards

- Best Equity Team
- Best Mixed Assets Team

Smart Magazine, Taiwan Fund Awards

- Best Research Team of Taiwan Equity

2005

Asia Asset Management

- Best of Best Awards, Taiwan Equity Category (1yr)
- Best of Best Awards, Taiwan Equity Category (1yr)
- Best of Best Awards, Best Institutional House

Personal Awards

2007

Securities and Futures Institute, Golden Goblet Awards

- Solon Huang, Fund Manager of Cathay Small & Medium Cap Fund

2005

Securities and Futures Institute, Golden Goblet Awards

- Andy Chang, head of Discretionary Investment Management Dept.

Taipei Foundation of Finance, Best Fund Awards

- Fund Manager Award - Solon Huang



Cathay United Bank



國泰金控

CUB's outstanding achievements and rapid growth

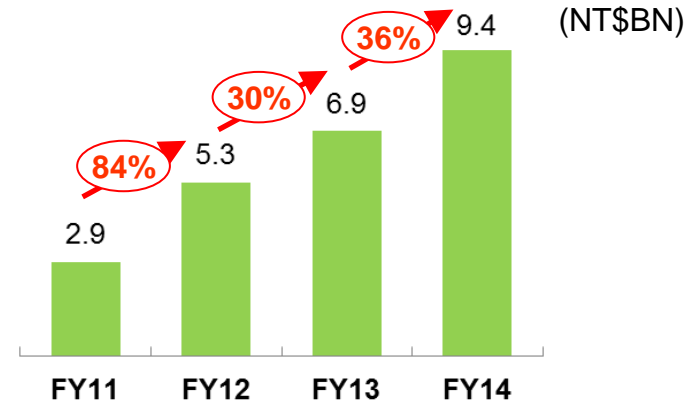


- SME and foreign currency loans support stable margin
- Build up the comprehensive regional platform to support offshore business

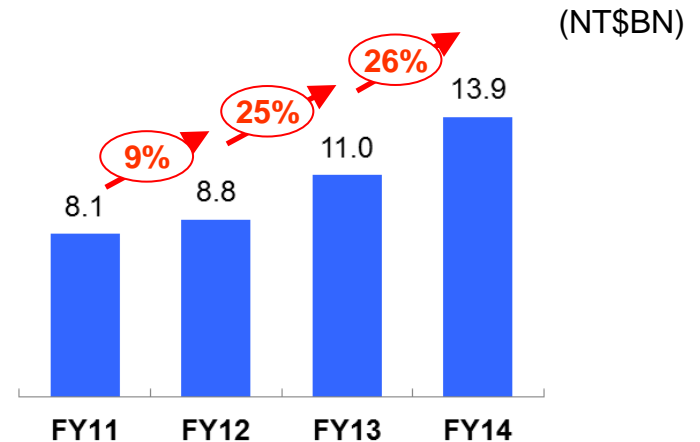


- Deliver outstanding performance of fee income
- Strengthen the leading position in wealth management and credit card business
- Achieve explosive growth of personal loans

Offshore earnings



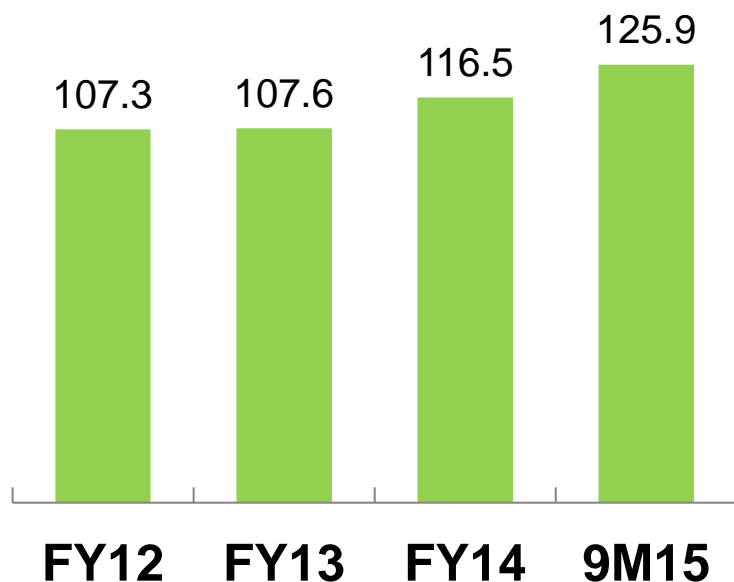
Fee income



SME & FX loans contributed to margin expansion

SME loans

(NT\$BN)

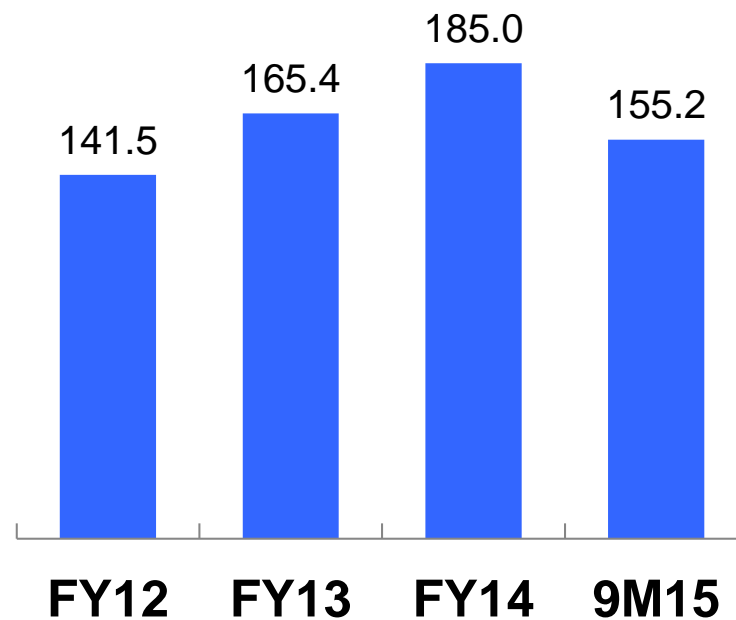


As % of total loans

11.5% 10.5% 10.5% 11.2%

Foreign currency loans

(NT\$BN)



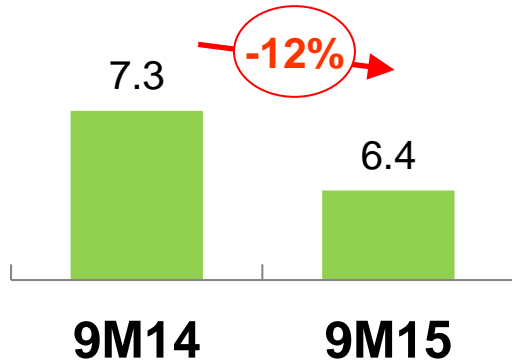
15.1% 16.1% 16.6% 13.8%

Note: Total loans exclude credit card revolving balance.

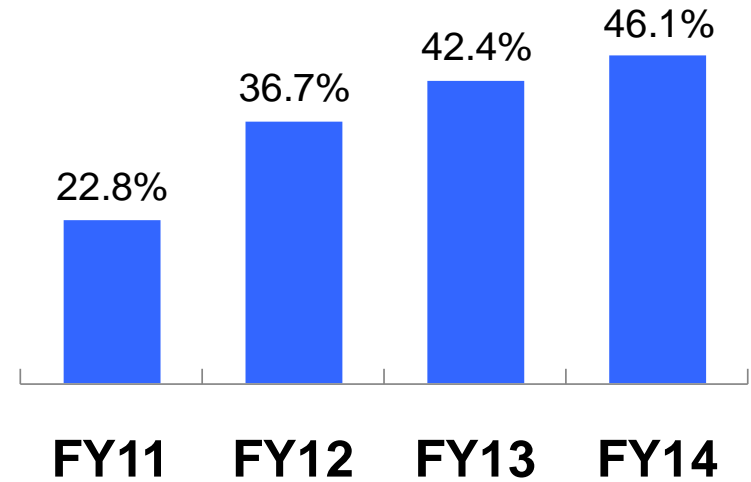
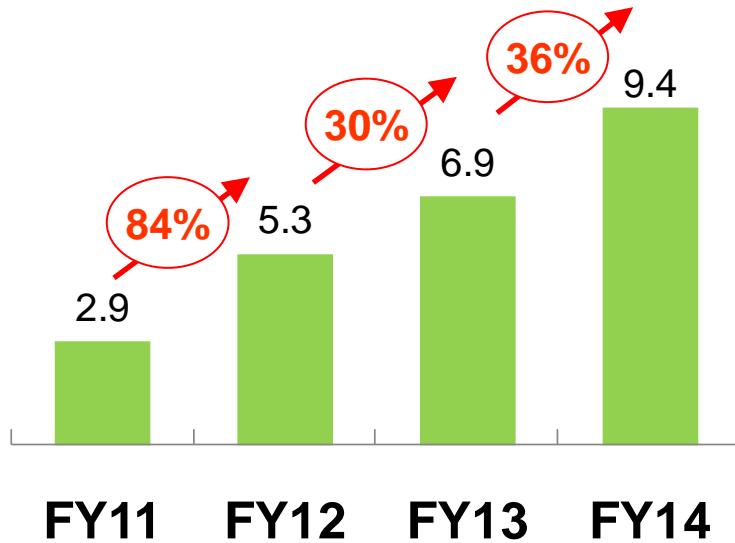
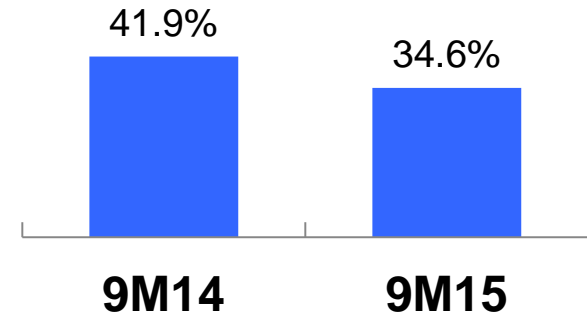
Offshore earnings as major profit growth driver

Offshore earnings

(NT\$BN)

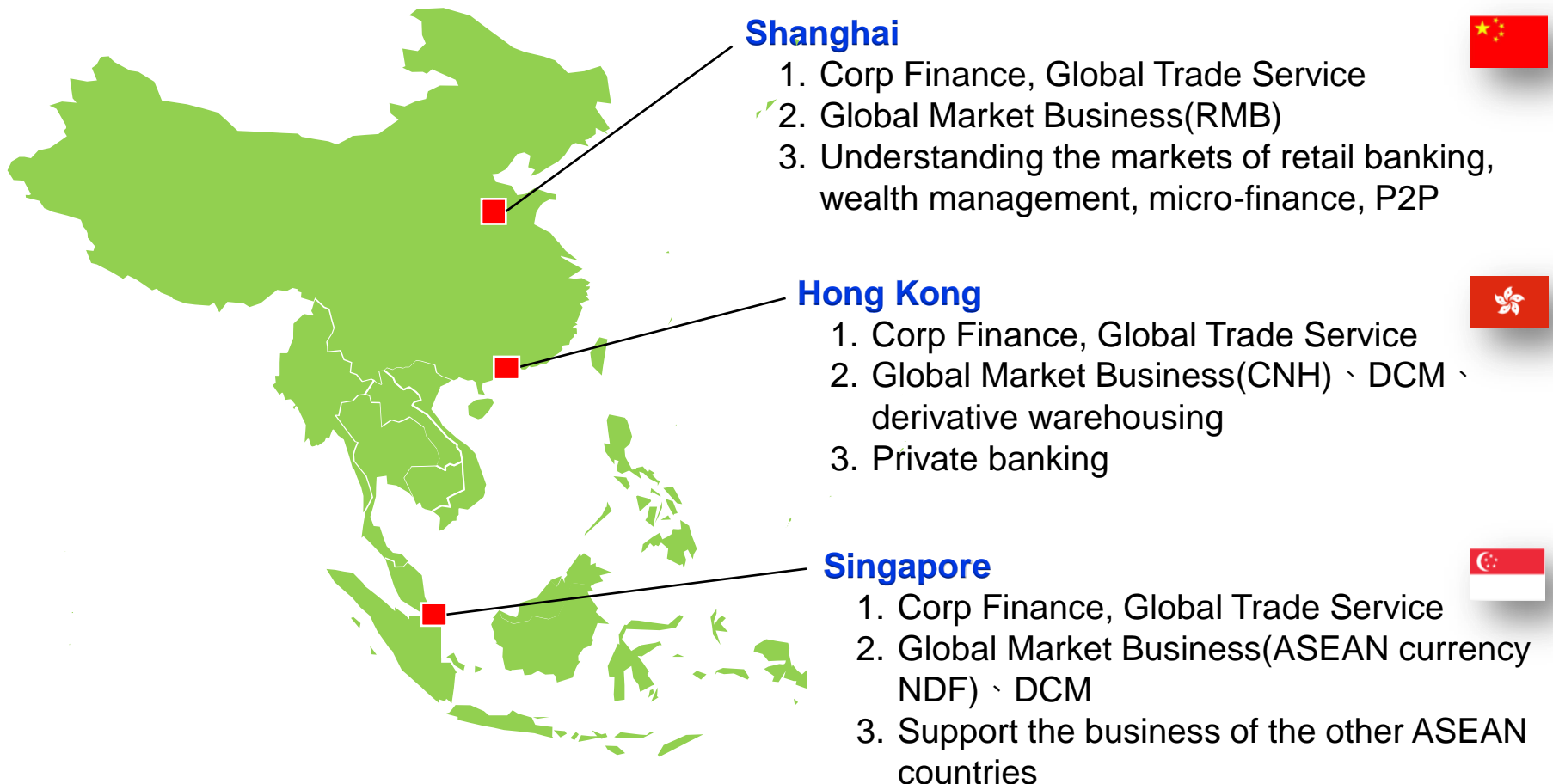


As % of CUB pre-tax profits



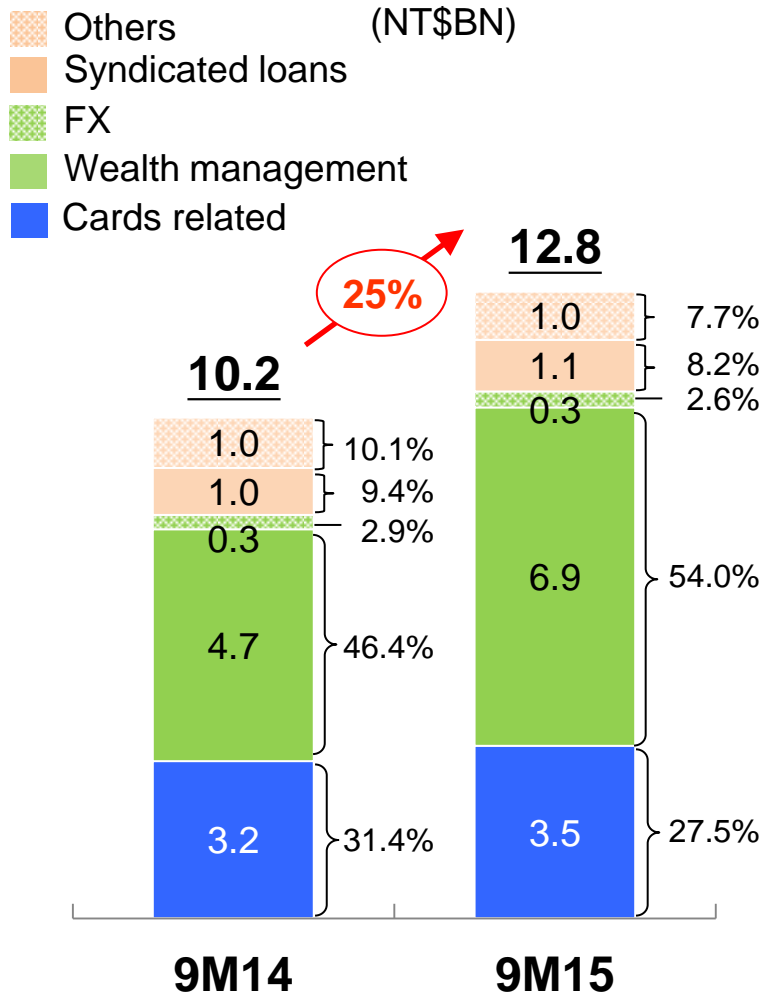
Establish the extensive regional platform

- Develop Shanghai, Hong Kong and Singapore as regional hubs and build up a cross border platform throughout Greater China and ASEAN
- Design specialized business for each hub and provide comprehensive products and services for our clients via the platform

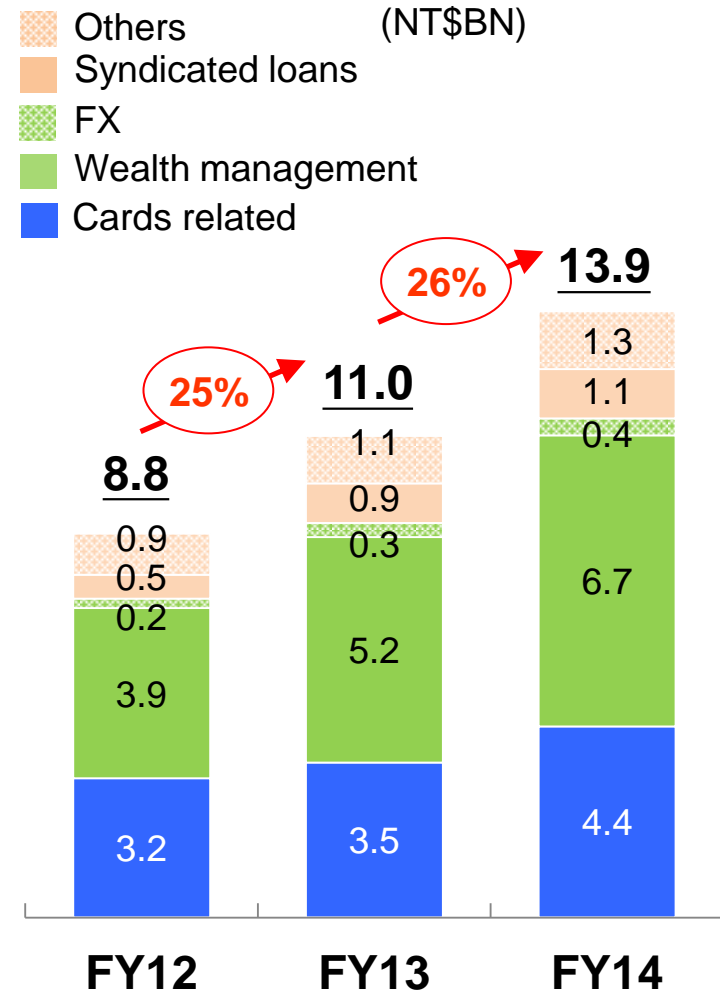


Fee income has been improving in the past years

Fee income breakdown (quarterly)



Fee income breakdown (annual)

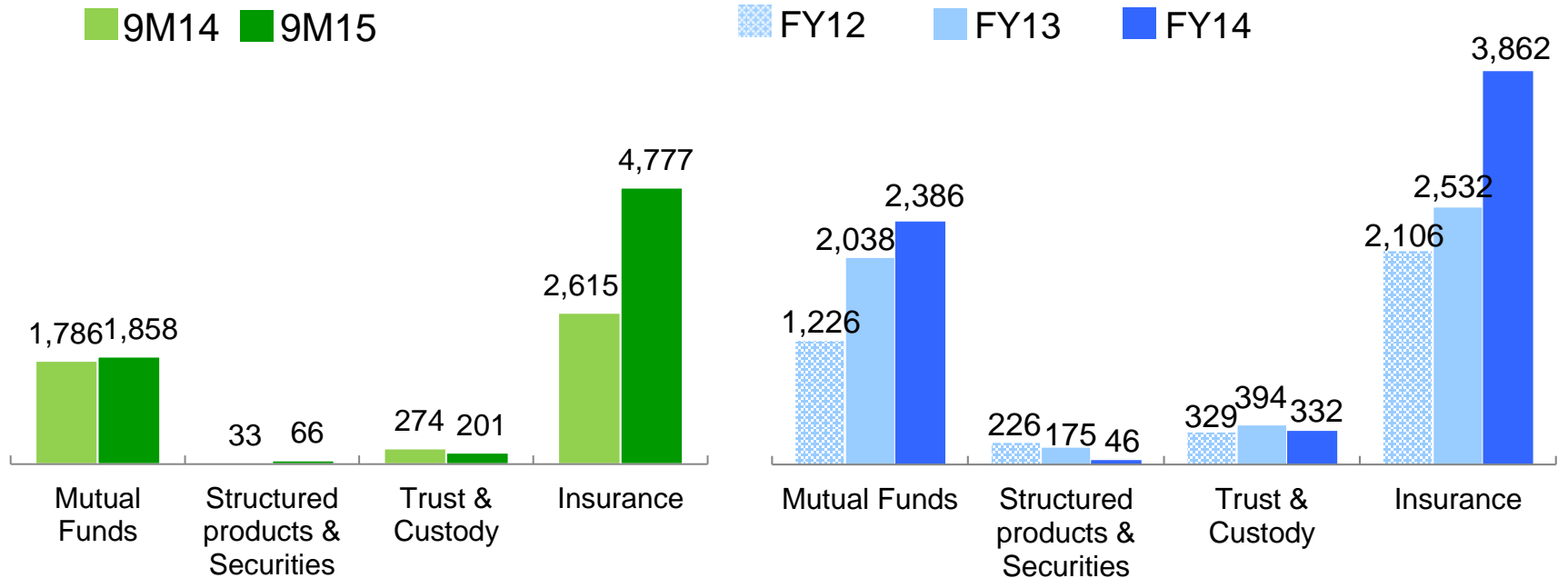


Note: Totals may not sum due to rounding.

Unique dual capability for wealth management fee

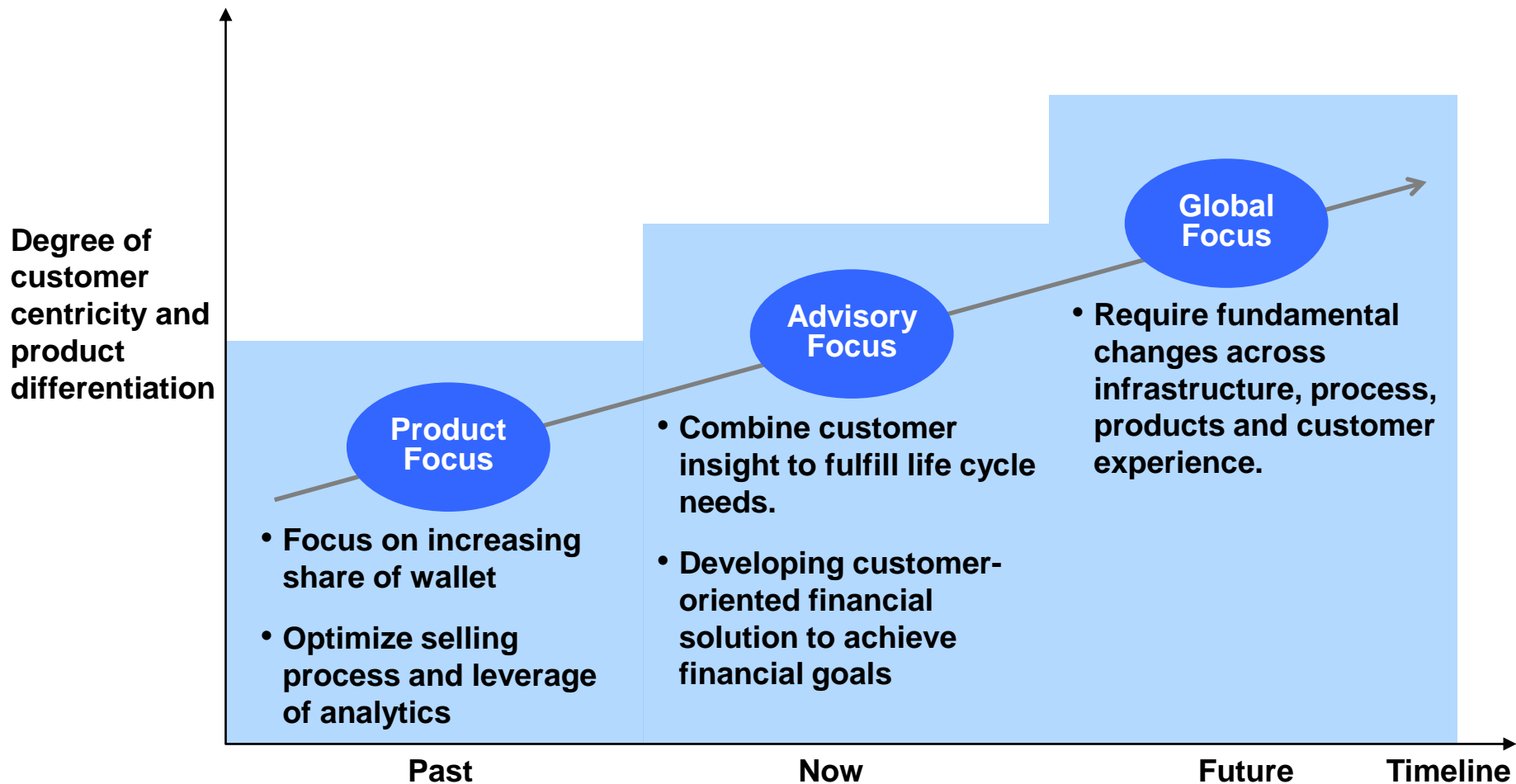
Wealth management fee breakdown

(NT\$MN)	9M14	9M15	FY12	FY13	FY14
Wealth Management Fee Income*	4,742	6,914	3,894	5,163	6,673
YoY growth (%)	28.7%	45.8%	17.7%	32.6%	29.2%

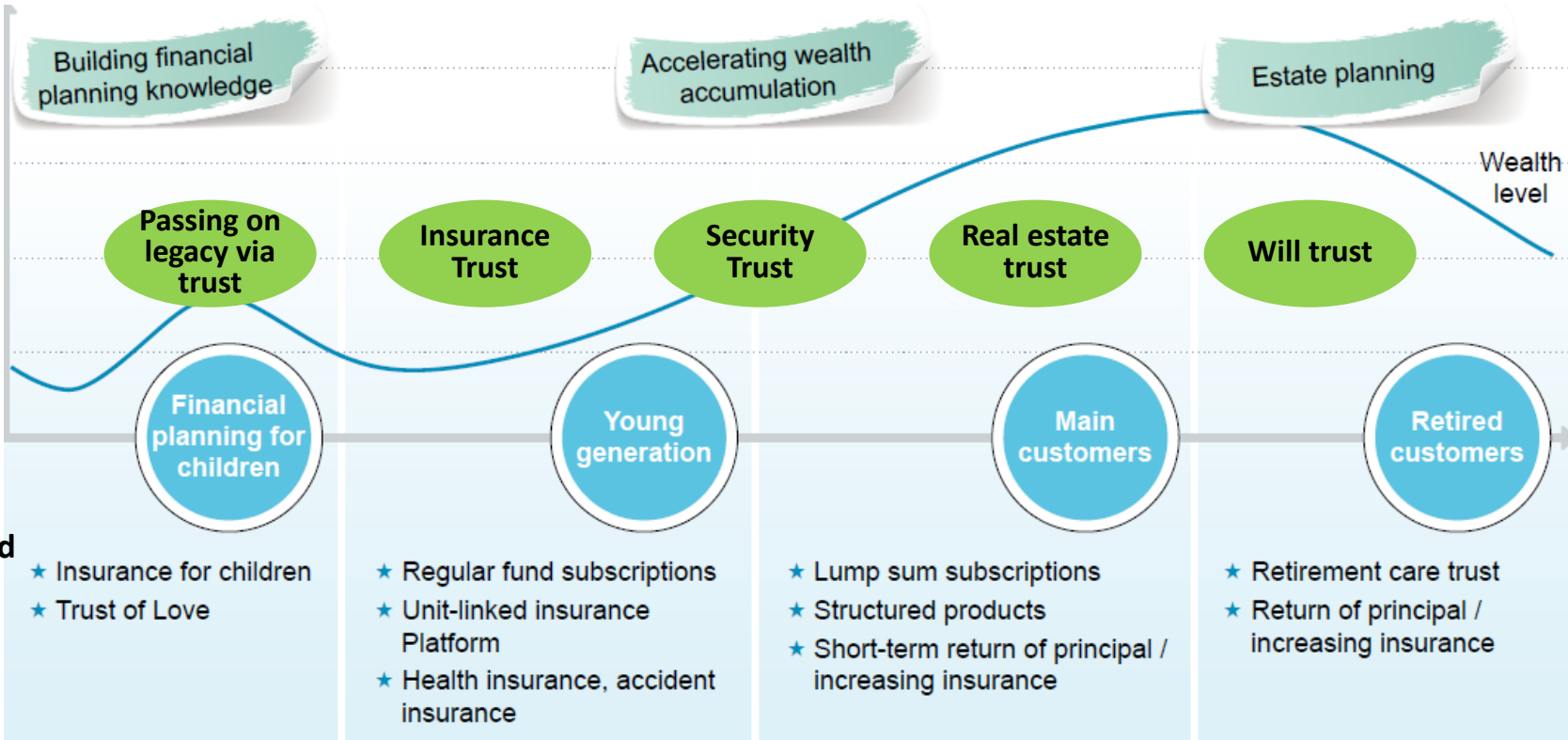


Note: (1) Wealth management fee excludes revenue from DCI, SI and others.
 (2) Totals may not sum due to rounding.

Business model evolution of wealth management

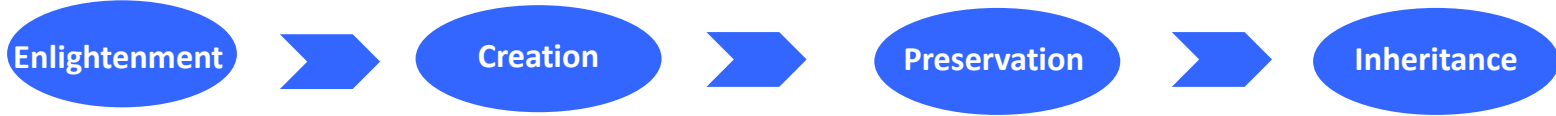


Customize products in line with life stages

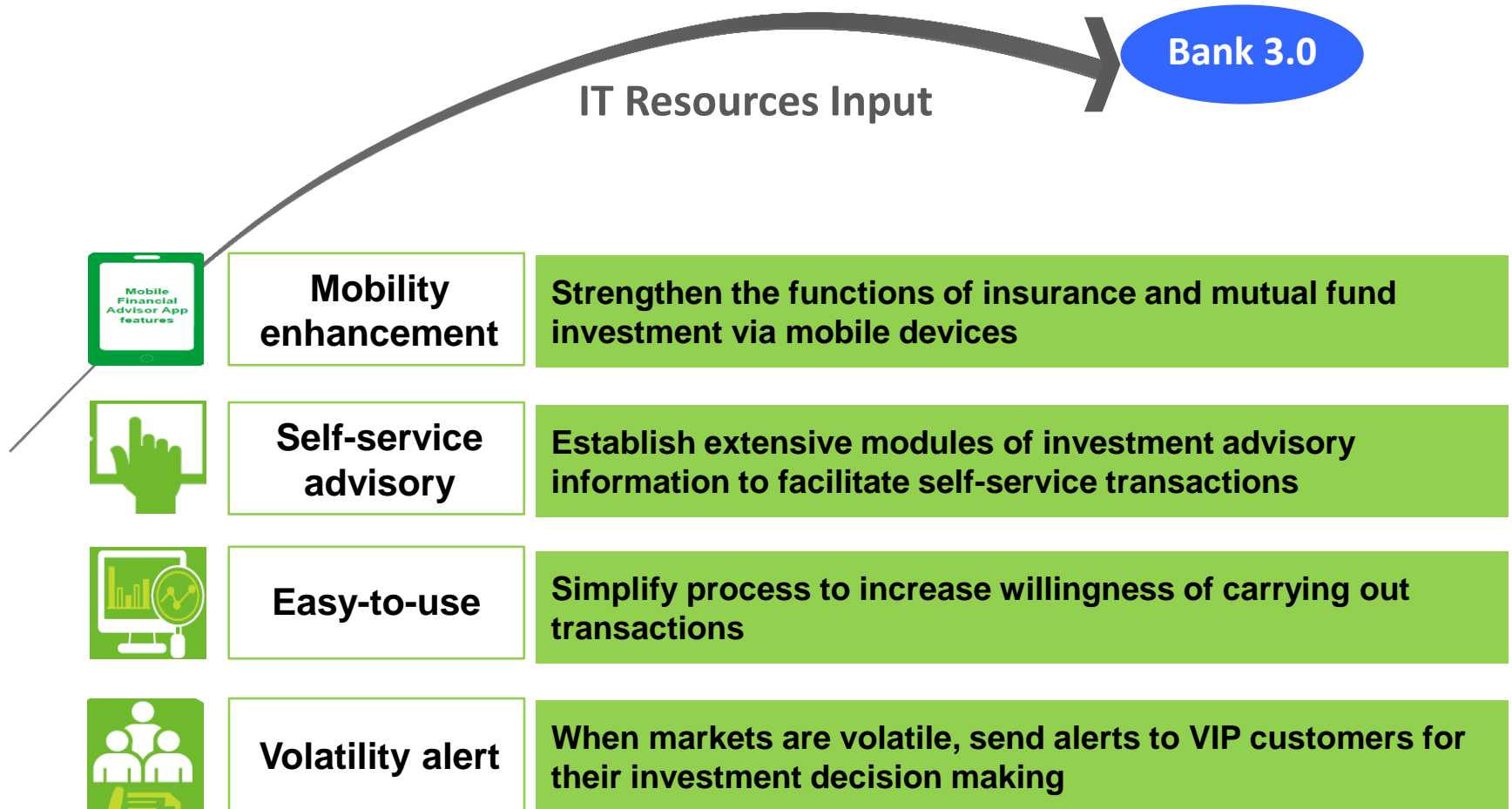


Recommended wealth management products

Financial Goals



Innovative wealth management platform

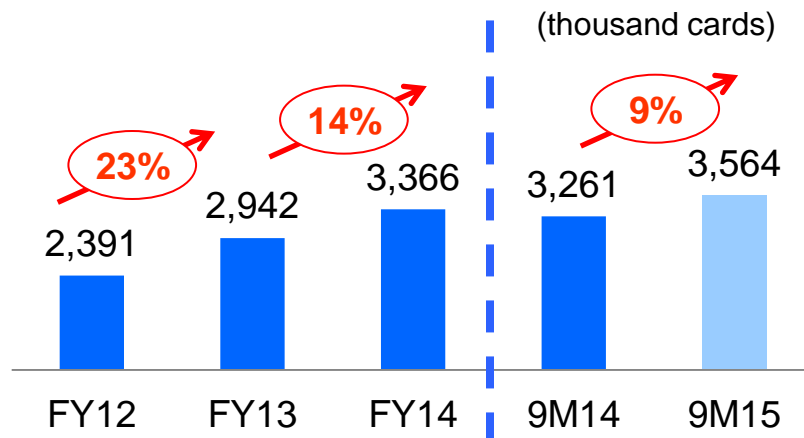


Strong growth momentum in card business

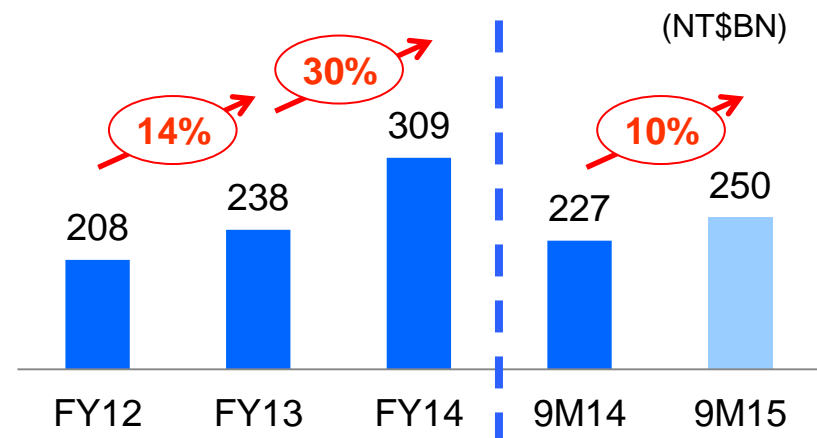
- Build partnership with market leaders in different industries to issue exclusive co-brand credit card
- Leverage Cathay FHC's channels to expand market shares of numbers of active card and card spending
- Differentiate card benefits and services through promotion activities to enhance brand image and credit card usage
- Ranked as No.1 in March, April, May and September 2015 in monthly spending
- Acquire affluent consumers and initiate cross-selling opportunities



Active Cards



Spending



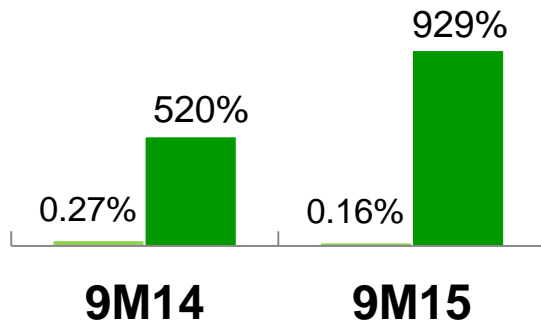
Note: including cash advance

CUB's strong credit quality

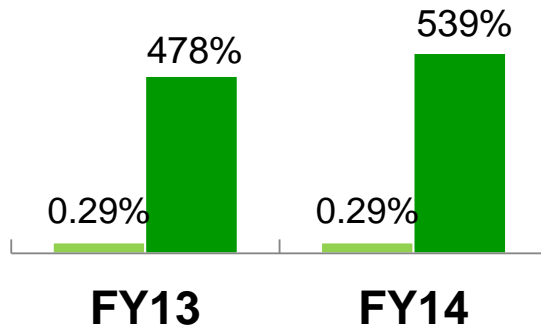
NPL & Coverage ratio

NPL ratio

Coverage ratio



Mortgage NPL



Mortgage NPL

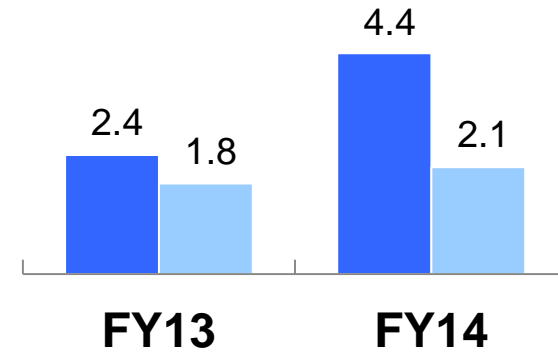
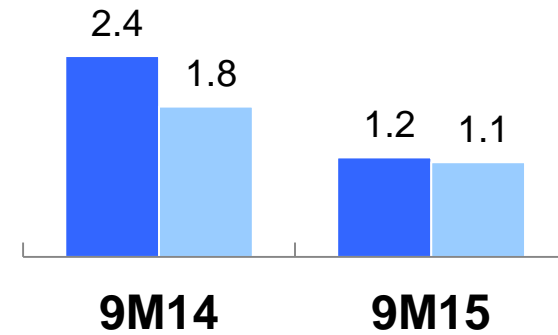


Gross provision

Gross provision

(NT\$BN)

Recovery



Cathay Life



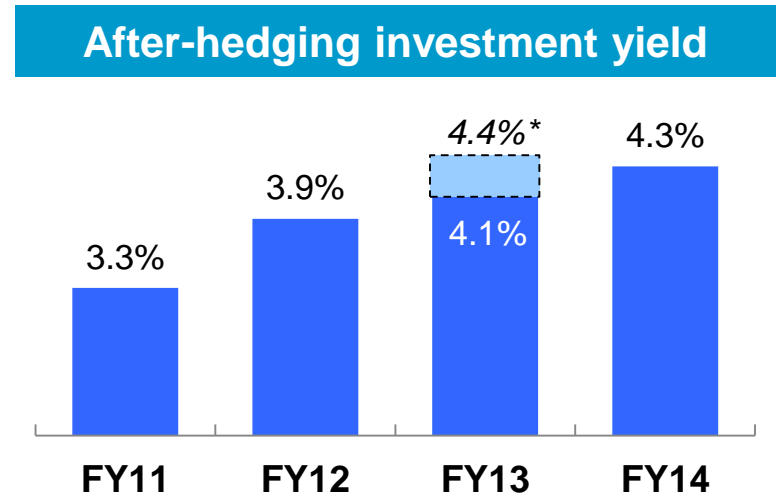
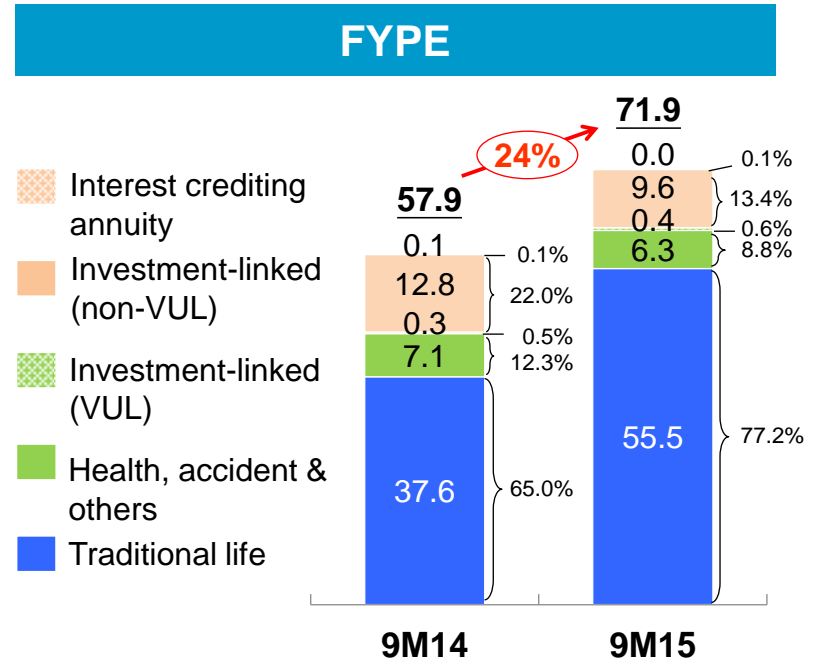
Strong growth and healthy outcome



- Focus on value-driven product strategy
- Consider the impact of applying IFRS 4 Phase 2
- Strengthen agency productivity and retention



- Develop global investment management capability
- Continuously strengthen asset yield
- Stabilize hedging cost

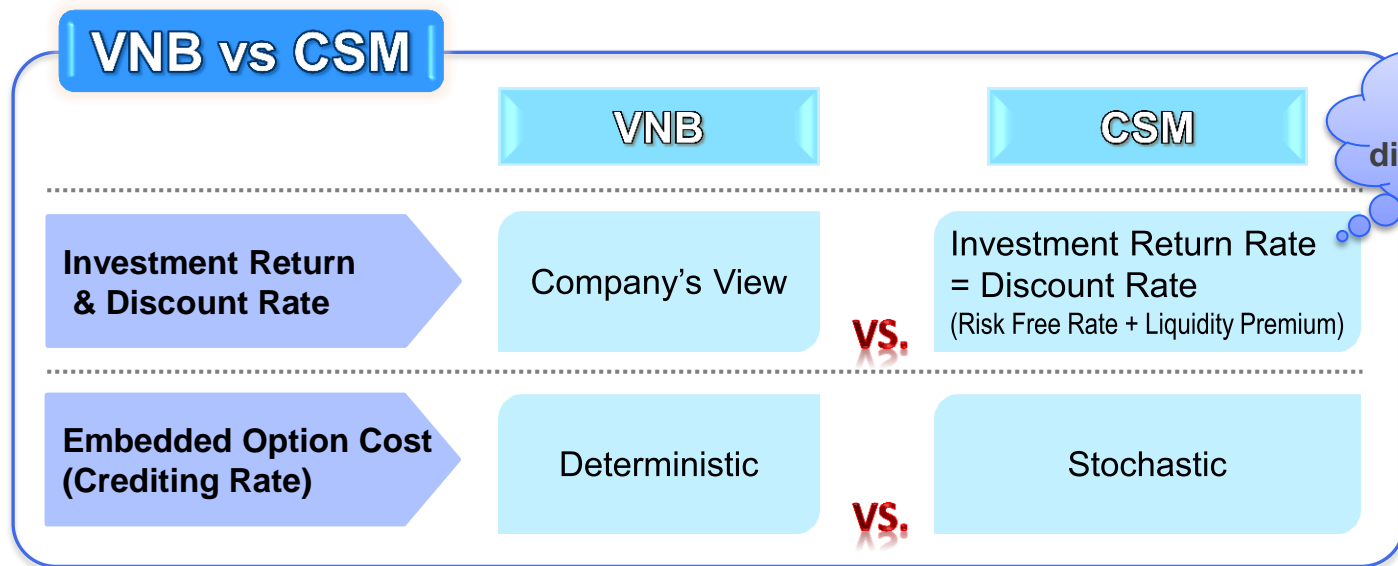
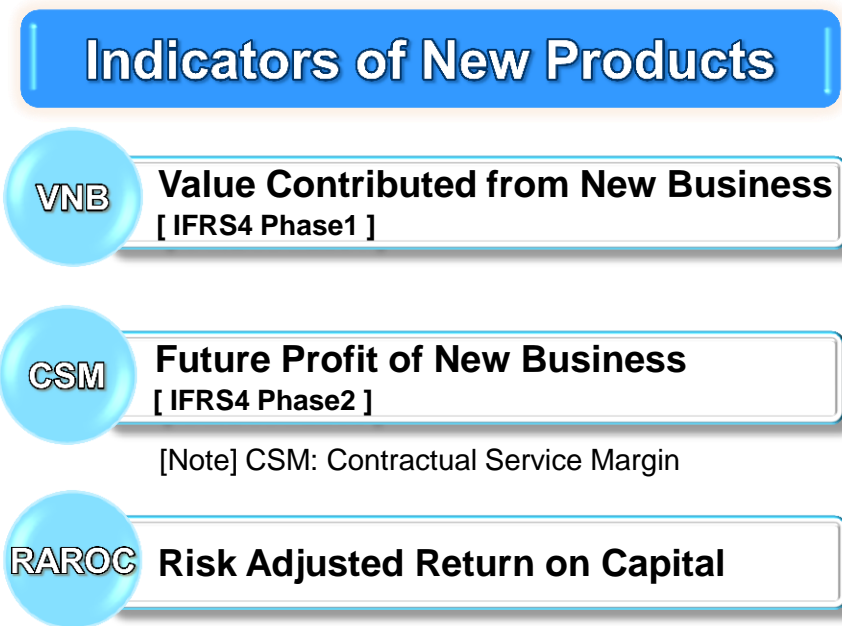
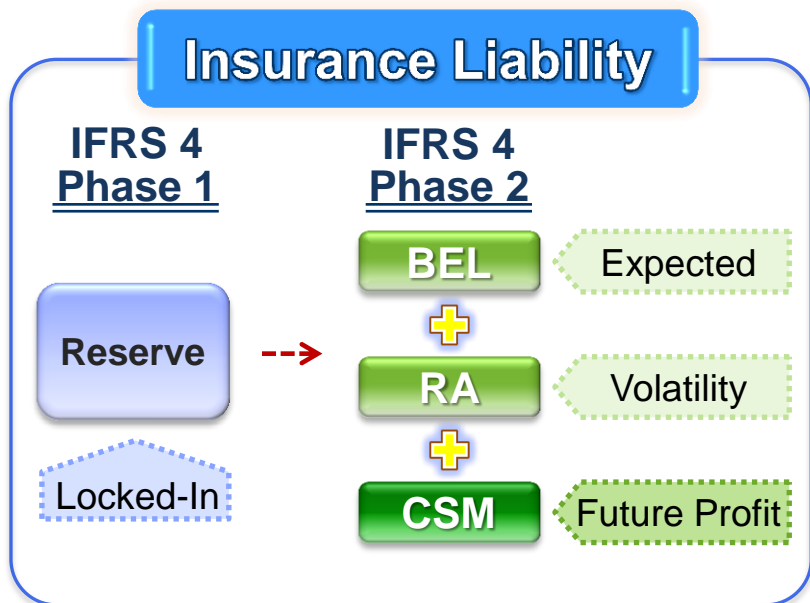


Note: FY13 (4.4%) was pro forma adjusted number of fair value method on investment property.

Agenda

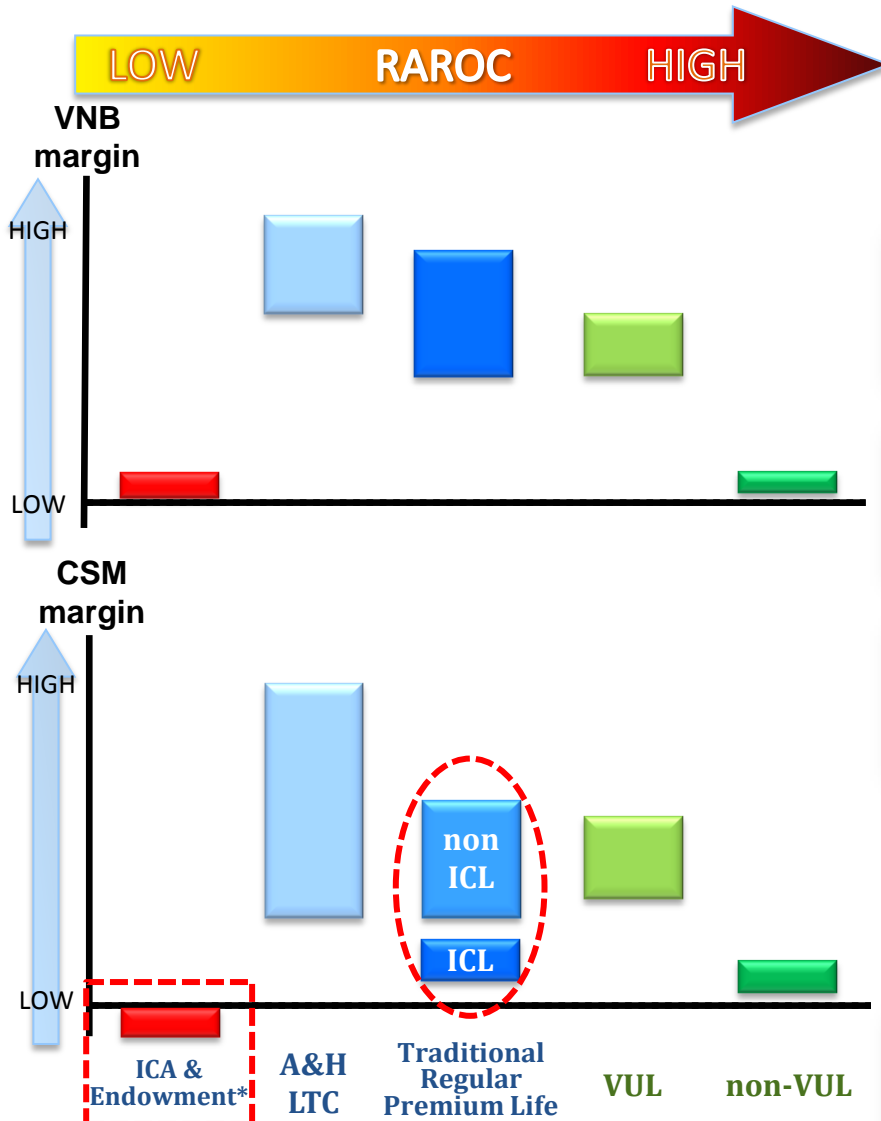
- **Product Strategy Review**
- **Channel Upgrade: Agency 2.0**
- **Investment Overview**
- **Influence of Global/Singfor Acquisition**

Well consider the effect of adopting IFRS 4 Phase 2



Comparable among different companies

Focus on value-driven and sustainable products



Value-driven Strategy

Investment-linked

- High RAROC
- Stable fee income
- No interest rate risk

A&H and LTC

- High VNB/CSM
- Needs of Aging Society
- Government Support

Traditional Regular Premium Life

- High VNB/CSM
- High spread in USD denominated product
- Focus on non-ICL product

Non-profitable Product

Short-Term Payment Endowment

- **Negative CSM**
Negative impact on financial statements considering IFRS 4 Phase 2

Note (1) VNB margin = VNB/FYP ; CSM margin = CSM/FYP
 (2) ICA = Interest Crediting Annuity ; ICL = Interest Crediting Life.
 (3) Endowment* = Endowment with Short-Term Payment.

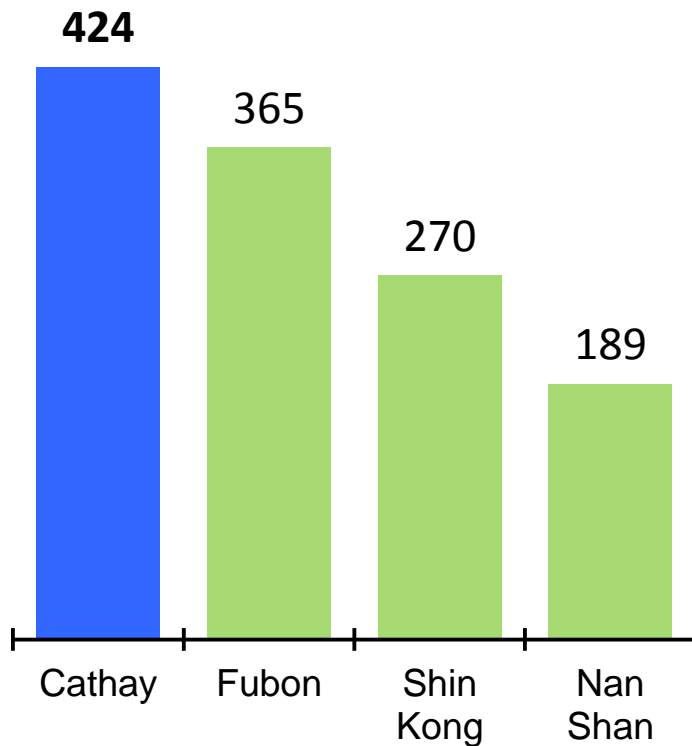
Agenda

- **Product Strategy Review**
- **Channel Upgrade: Agency 2.0**
- **Investment Overview**
- **Influence of Global/Singfor Acquisition**

Implement Agency 2.0 to strengthen leading position

Cathay Life leads in agency productivity

Agency monthly productivity comparison
(FYP, 2009-2011, NT\$ thousands)



Implement Agency 2.0 to maintain on top



Aspire to be one of the regional champions in Asian financial industry

Rank as No. 1 in Taiwan for 50 years

Implement Agency 2.0 to strengthen our leading position

Agency 2.0 project overview – 【4+1+1】

4

Programs

<p>Standardize recruiting process</p> 	<p>Improve new hire training programs</p> 	<p>Develop segmented training</p> 	<p>Empower supervisors</p> 
---	--	---	--

1

Technology adoption


Provide comprehensive mobile solutions

<p>Digital underwriting and fulfillment</p> 	<p>Systematic sales management</p> 
---	--


1

Knowledge sharing platform

Promote active peer learning by smart use of technology



➤



“Sky tree” - Knowledge sharing platform

Agenda

- **Product Strategy Review**
- **Channel Upgrade: Agency 2.0**
- **Investment Overview**
- **Influence of Global/Singfor Acquisition**

Develop global investment capability

(NT\$BN)	FY12	FY13	FY14		9M15	
Total investments⁽¹⁾	3,283.7	3,785.1		4,169.1		4,575.4
	Weight	Weight	Weight	Amount	Weight	Amount
Cash & Cash equivalents	8.2%	3.7%	3.2%	131.6	1.9%	86.3
Equity- Domestic	8.1%	8.9%	8.4%	350.9	7.7%	352.4
Equity- International	4.3%	4.9%	5.0%	209.4	5.6%	256.3
Bond- Domestic	16.6%	14.4%	11.0%	459.2	8.6%	394.0
Bond- International⁽¹⁾	39.6%	38.9%	43.6%	1,816.7	49.0%	2,240.3
Mortgage & Secured loans	10.3%	12.2%	12.7%	529.6	10.7%	488.5
Policy loans	5.5%	4.7%	4.0%	166.4	3.7%	168.4
Real estate⁽²⁾	5.6%	10.6%	10.5%	439.4	10.7%	489.1
Others	1.8%	1.7%	1.6%	65.9	2.2%	100.0

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.

Consistent investment performance

	FY12	FY13	FY14	9M15
Recurring Yield (before hedge) (A)	3.6%	3.3%	3.2%	3.4%
% of Overseas (B)	44%	46%	50%	56%
Hedging Cost (C)	0.74%	0.26%	0.34%	0.53%
Recurring Yield (after hedge) (D)=(A)-(B)*(C)	3.2%	3.2%	3.0%	3.1%
Capital Gain & Others (E)	0.6%	1.2%	1.3%	1.5%
Total Investment Return (F)=(D)+(E)	3.8%	4.4%	4.3%	4.6%
FX fluctuation Reserve (NT\$BN)	4.3	10.5	16.8	17.6

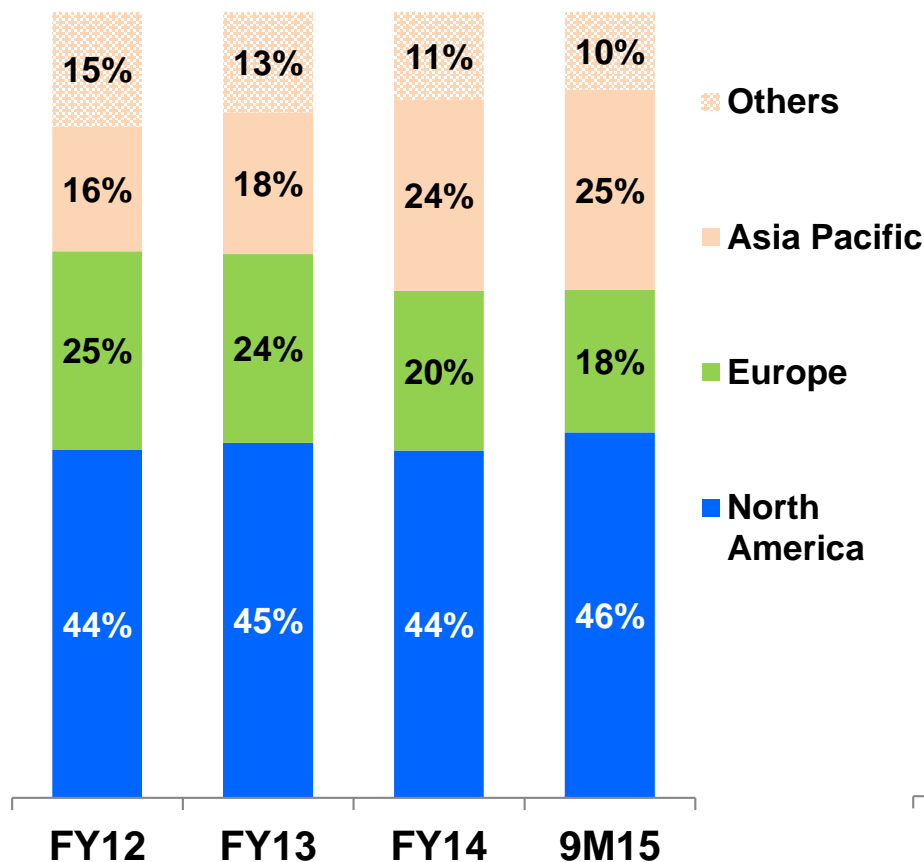
Note (1) : Recurring income includes rental, interest revenue and cash dividend

(2) : Most dividend will be recognized in 3Q

(3) : There may be differences in equations due to some adjustments

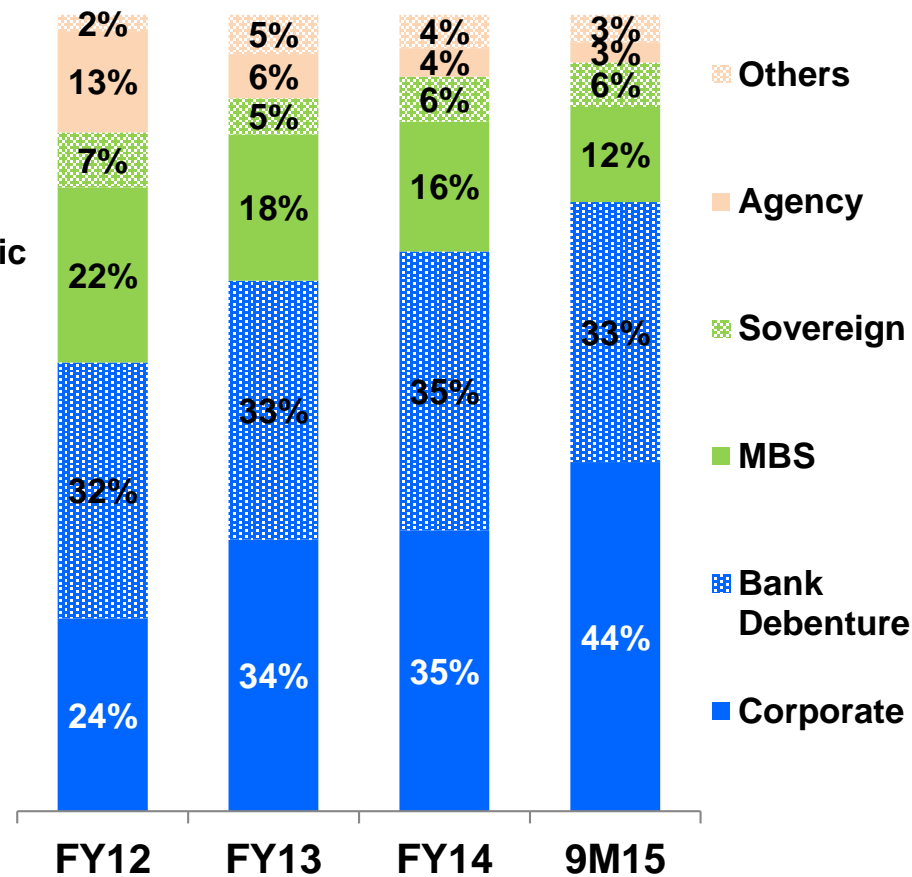
Increase investments in Asia and corporate bonds

Overseas fixed income by region



Note (1) : Overseas deposit excluded
 (2) : Others include South America, Eastern Europe, Africa and supra

Overseas bonds by asset type



Note (1) : Agency includes supra
 (2) : Others include CDOs and securitized products

Impressive track record in hedging strategies

FY12

FY13

FY14

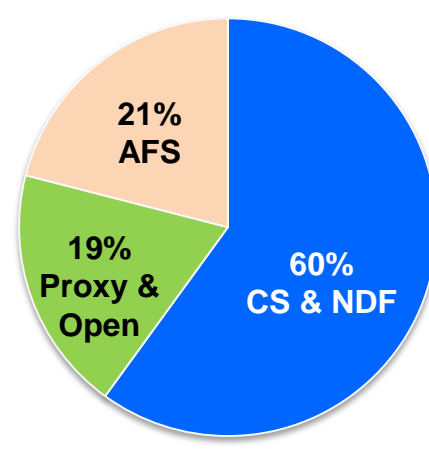
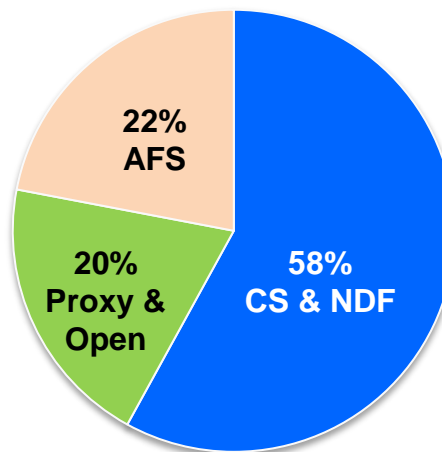
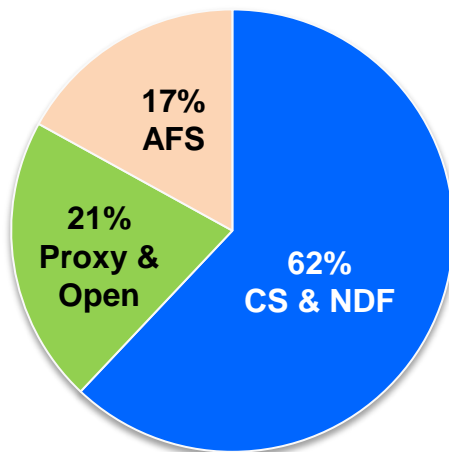
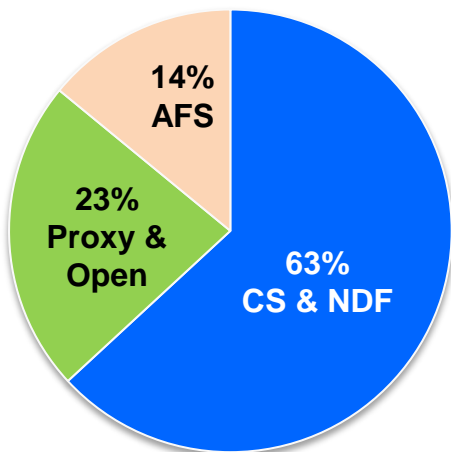
9M15

44% overseas investment

46% overseas investment

50% overseas investment

56% overseas investment



Total Hedging Cost: 0.74%

Total Hedging Cost: 0.26%

Total Hedging Cost: 0.34%

Total Hedging Cost: 0.53%

Continuously enhance recurring yield

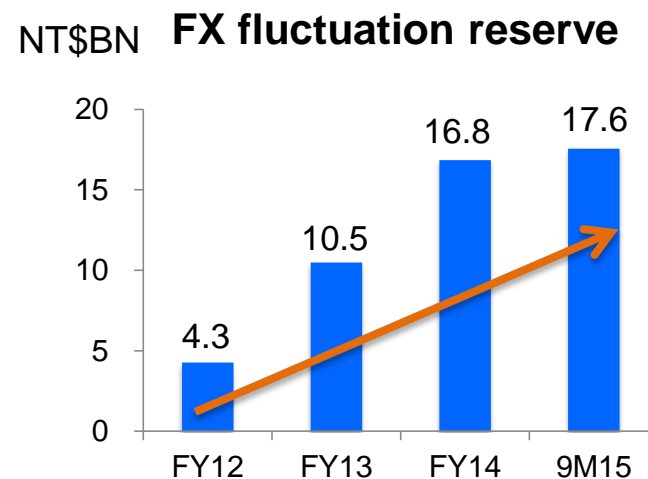
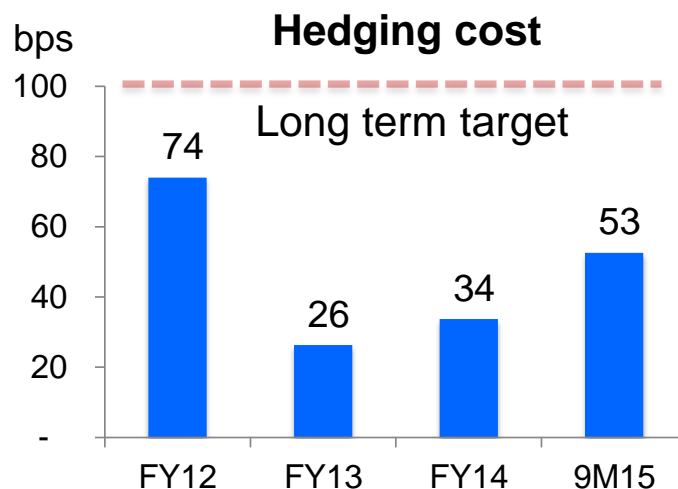
Enhance Recurring Yield

- Dividend income:
 - International – focus on blue chips & market leaders to receive stable dividend income
 - Domestic – expected cash dividend yield is about 3% in 2015
- Fixed income:
 - Enhance yield by overseas bond investments
 - Invest in international bonds listed in the domestic market
 - Extend duration and keep balanced credit rating breakdown
- Real estate (Rental income):
 - Domestic market – focus on stable rental income by applying a conservative appraisal method
 - Overseas markets – continuously find attractive opportunities

Outstanding FX hedging performance

**Stabilize
FX hedging
cost**

- Stabilize FX hedging cost
 - Stabilize FX hedging cost starting from applying the FX fluctuation reserve mechanism in 2012
 - Well manage FX hedging cost as 53bps in 9M15, which is lower than our long term target (100 bps or below)
- Constantly increase FX fluctuation reserve
 - With our outstanding hedging management, we constantly increase FX fluctuation reserve which acts as a buffer against market volatility



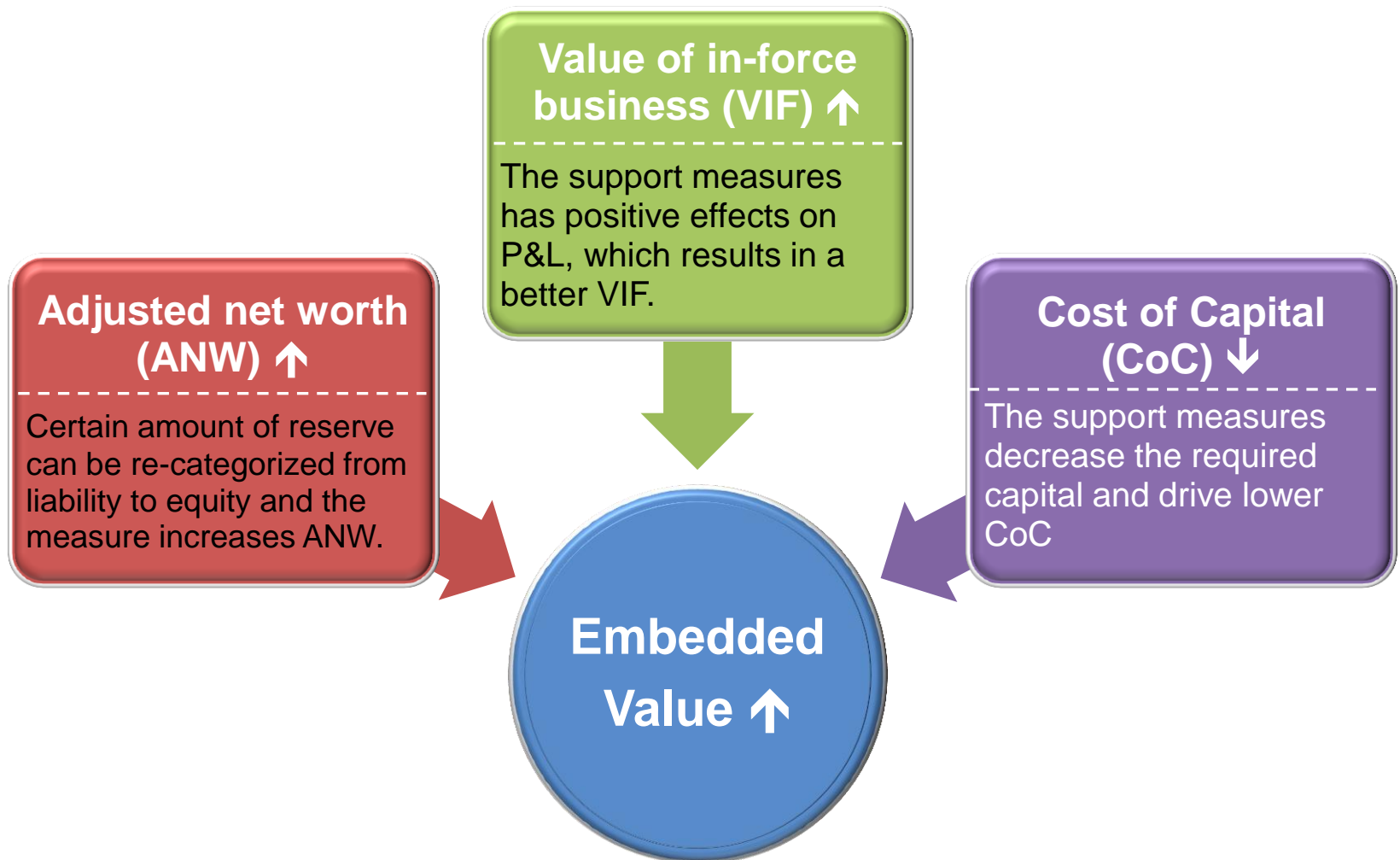
Agenda

- **Product Strategy Review**
- **Channel Upgrade: Agency 2.0**
- **Investment Overview**
- **Influence of Global/Singfor Acquisition**

Key highlights of Global/Singfor acquisition

- Cathay Life has completed the takeover on July 1, 2015. The company has kept the business operations smooth and unhindered
- Cathay Life expects that the cost of liability will increase 1 bp because of this acquisition. Overall, the company remains its target of improving 5-10 bps on the cost of liability annually
- The acquisition has positive impact on Cathay Life's EV and net worth. Also it has increased Cathay Life's asset allocation flexibility

Positive impact on Embedded Value



➔ The business combination has positive effects on embedded value



Thank You

Q&A