



國泰金控

Cathay Financial Holdings

2018 First Quarter Briefing

June 2018



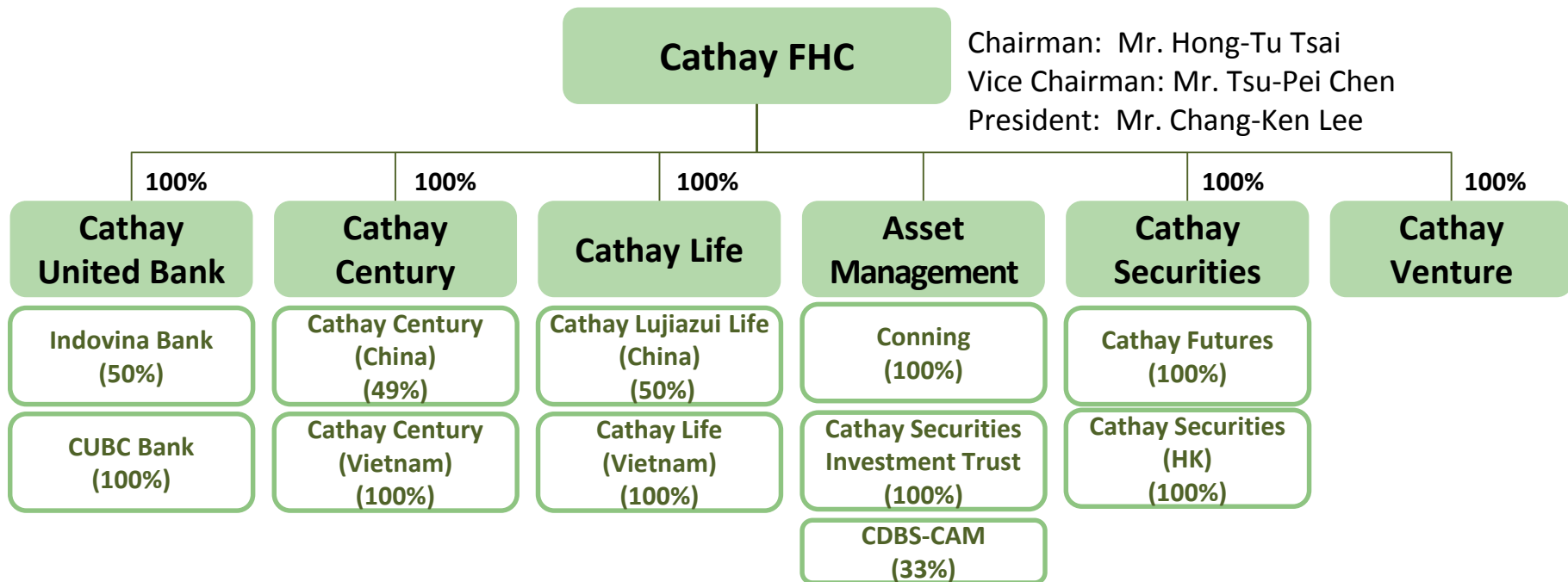
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Agenda

- **Introduction of Cathay FHC**
- **1Q18 Business overview**
- **Overseas Expansion**
- **Business Performance Summary**
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Cathay Life Embedded Value & Appraisal Value**
- **Cathay's CSR Efforts**
- **M&A Key Highlights**
- **Appendix**

Cathay FHC: largest FHC, comprehensive products



- One of the largest private banks in terms of total assets
- No. 2 credit card issuer
- The largest brokerage settlement bank

- 2nd biggest non-life insurer
- Market share in total premium income: 11.8% (1Q18).

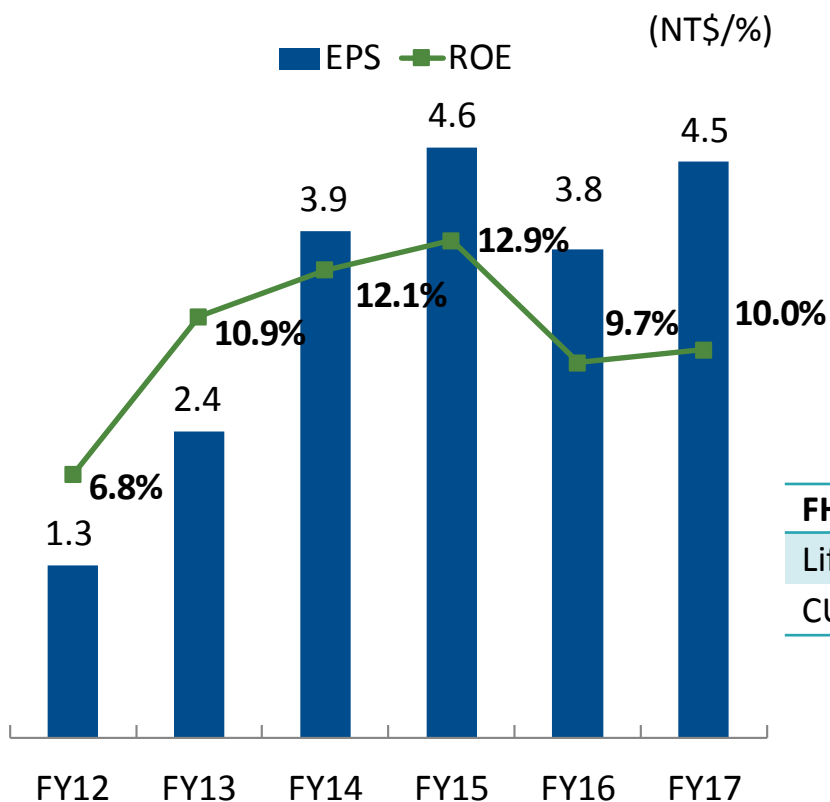
- No. 1 life insurer in terms of total assets and total premium
- Market share in total premium: 19.6% (1Q18).

- Largest AUM among asset managers in Taiwan
- Qualified QFII to invest in China
- Pursue business opportunity from QDII of China

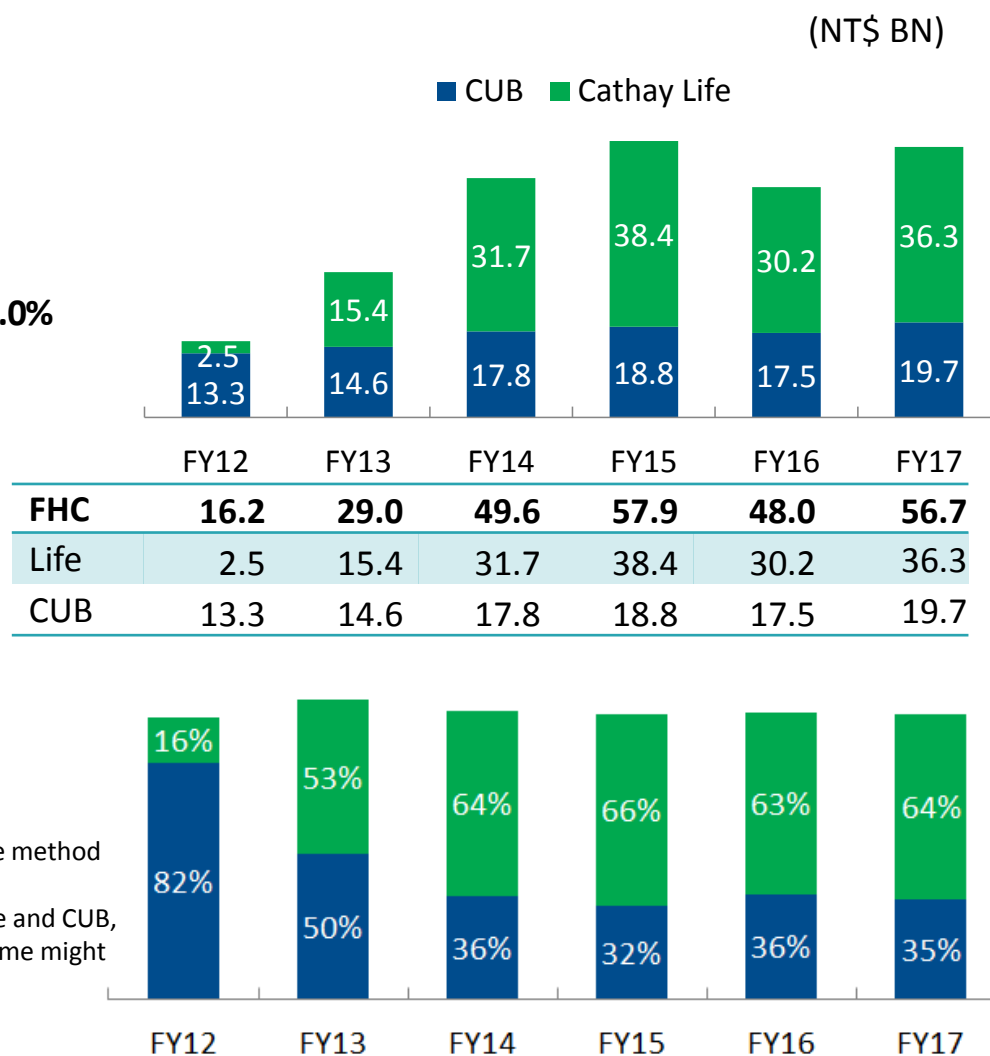
- Investment banking, brokerage, and prop trading businesses
- Strong underwriting and capital raising platform
- Diversified products and services

Cathay's earnings accelerates as life turnarounds

EPS & ROE



Profit contribution

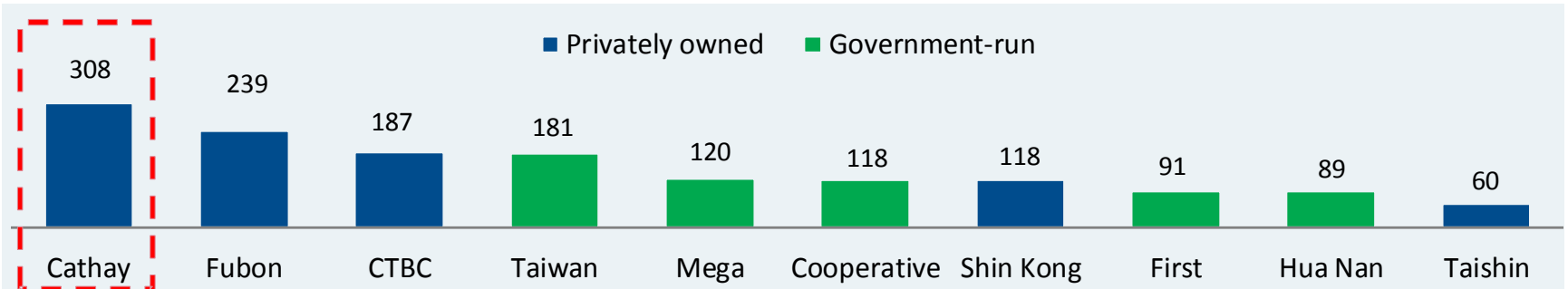


- Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.
 (2) Since Cathay FHC has more subsidiaries other than Cathay Life and CUB, besides, due to affiliate transactions, the Cathay FHC net income might not equal to the sum of Cathay Life and CUB's.
 (3) EPS has been adjusted for stock dividend (stock split).

Market leader in Taiwan's FIG sector

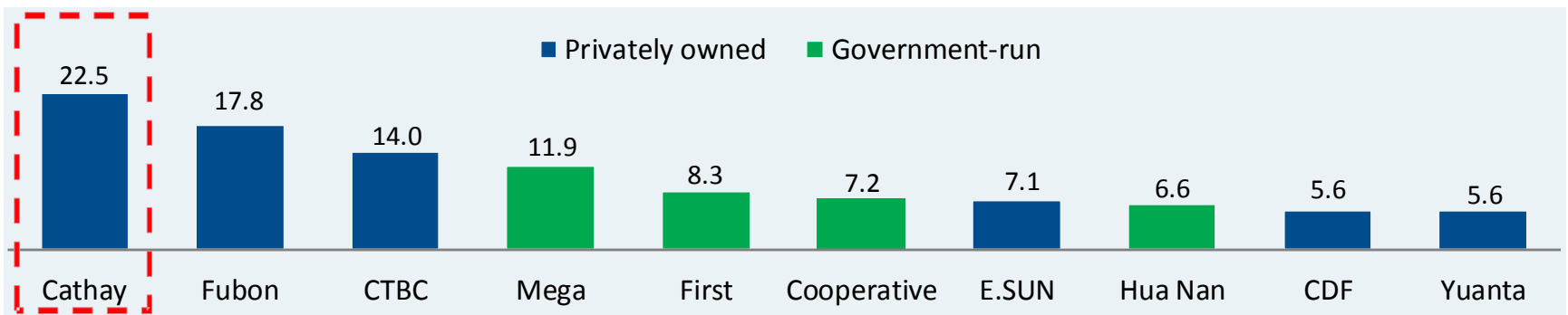
□ Largest listed financials group by market capitalization and assets.

Ranking of total asset (US\$bn)



Note: Total assets as of Mar. 31, 2018

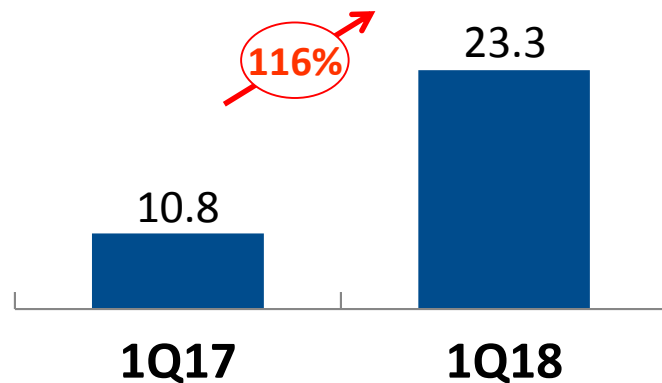
Ranking of market cap (US\$bn)



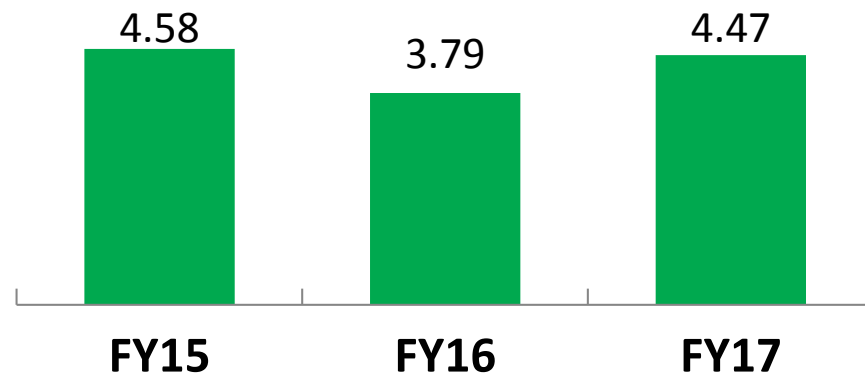
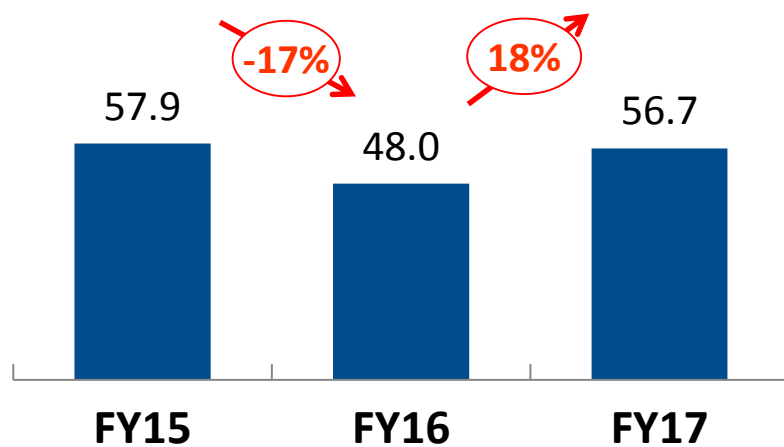
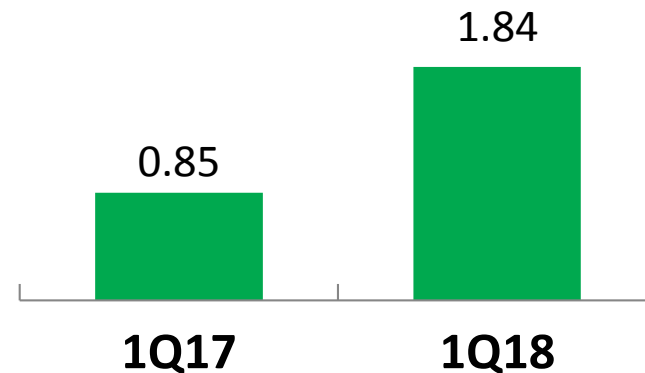
Note: Market capitalization as of May 31, 2018

Cathay FHC – Net income & EPS

Net income (NT\$BN)

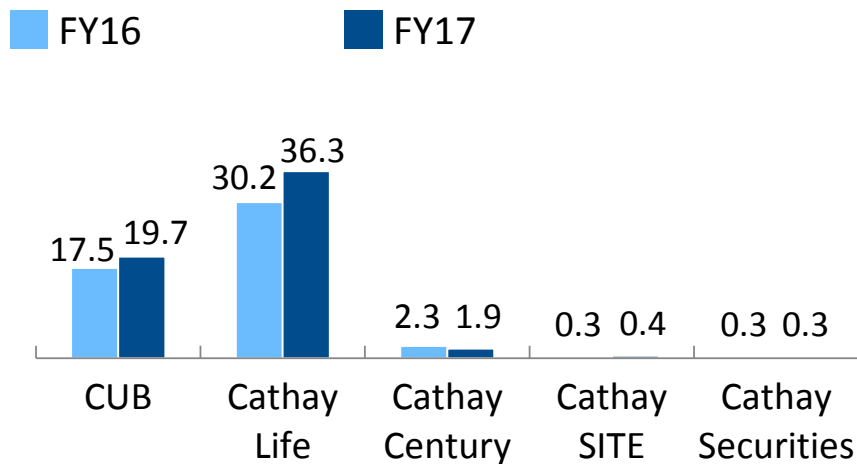
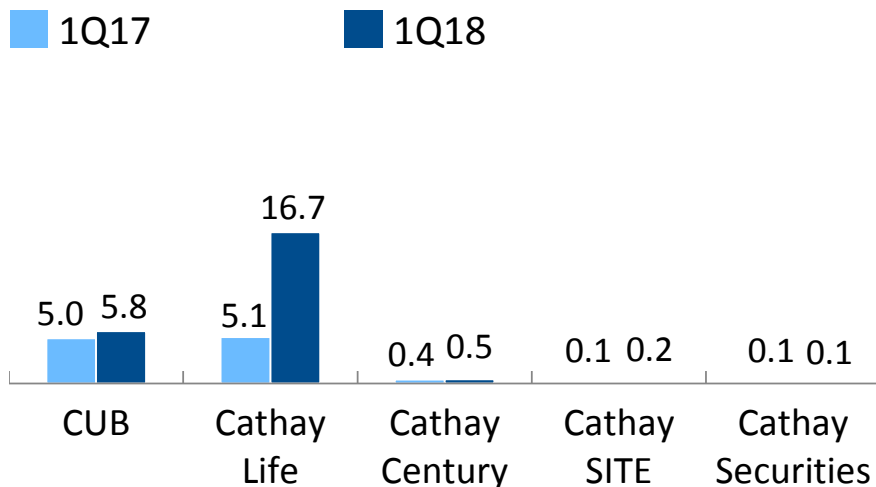


EPS (NT\$)

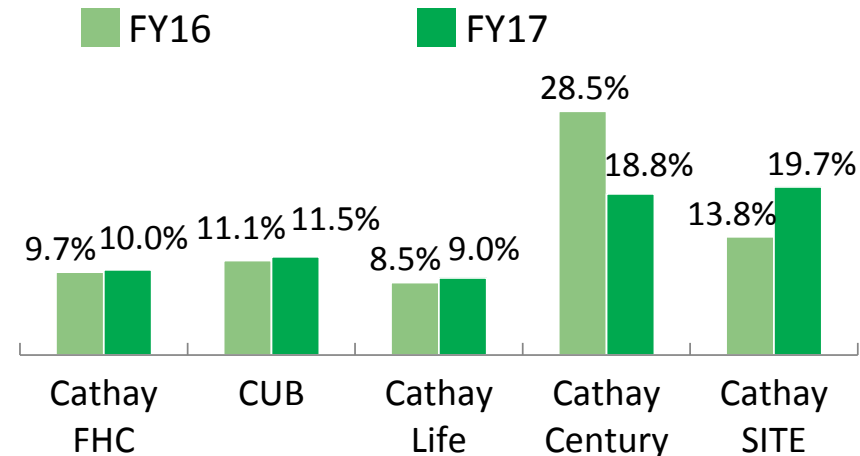
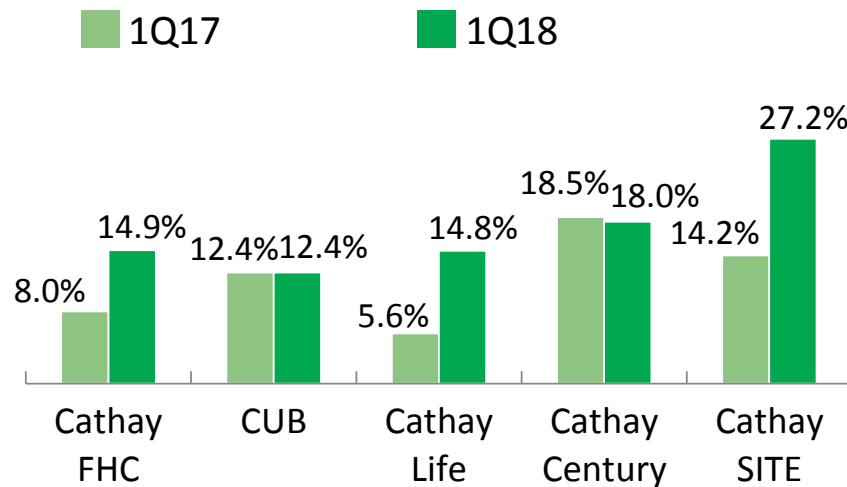


Cathay FHC – Net income & EPS

Net income of primary subsidiaries



ROE

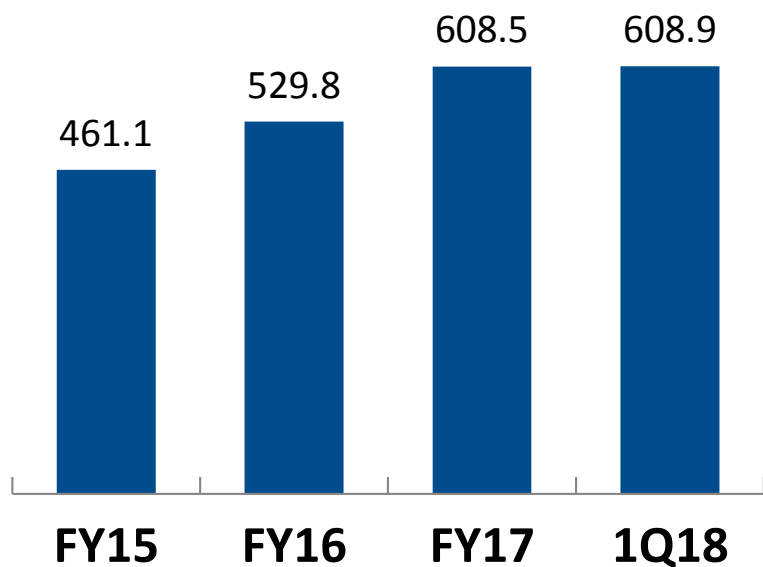


Note: Starting from 1Q18, ROE calculation was based on IFRS 9.

Cathay FHC – Book value & BVPS

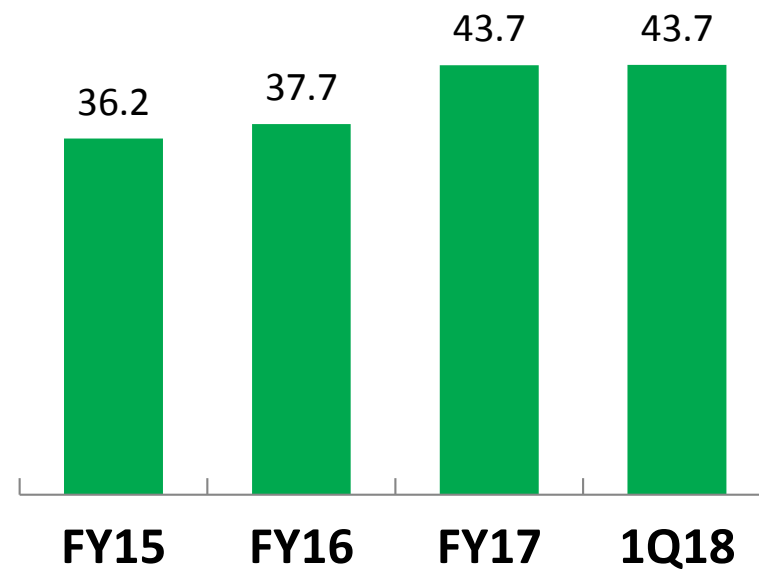
Book value

(NT\$BN)



BVPS

(NT\$)



Note: (1) Book value includes preferred shares and minority interests, BVPS represented BVPS attributable to common shareholders.
(2) Starting Jan.1, 2018, the reporting was based on IFRS 9.

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1Q18 Business overview

Cathay United Bank

- Loan and deposit delivered mild growth with benign credit quality.
- Continued to expand overseas business. FX loan grew 21% YoY.
- Wealth management and credit card fee grew by 12% and 21% YoY respectively. Active card number ranked No.1 in the industry.

Cathay Life

- Focused on value-driven strategy with investment-linked and traditional life regular paid policies. FYP and FYPE remained No. 1 in the industry.
- After-hedging investment yield reached 4.5%. Overall investment performance maintained stable.

Cathay Century

- Premium income grew 6% YoY. Remained in second place with 11.8% market share.
- Deepened overseas operation and elevate service quality. Developed online products in China and enlarged localized management team in Vietnam.

Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$608 BN.
- Received "Best Institutional House" and "Best New ETF" awards from Asia Asset Management and "Risk Management Award" from Benchmark magazine. Selected by Thomson Reuters Lipper and Morningstar as "Taiwan Fund Award" winner.

Cathay Securities

- Brokerage business grew steadily. Sub-brokerage market share ranked No.1.
- Optimized customer experience with new digital business model.

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Cathay FHC in South East Asia

	China	Vietnam	Cambodia	Hong Kong	Singapore	Malaysia	Laos	Philippines	Thailand	Myanmar	Indonesia
Bank	6	37	16	1	1	1	1	1	1	1	1
Life	44 ⁽¹⁾	44									
P&C	26	2									
Asset Mgt.	1			1							
Securities				1							

Note: (1) Cathay Lujiazui Life obtained approval to set up a branch office in Henan, China.

(2) Footprints in Thailand, Myanmar and Indonesia are representative offices.

(3) Investments in RCBC and Bank Mayapada are funded by Cathay Life.

(4) Cathay FHC owns 49% stake of Cathay Century (China), and 33% stake of CDBS Cathay Asset Management.

■ Banking

- Vietnam: Indovina Bank posts solid results
- Cambodia: Subsidiary's businesses grows steadily
- Philippines: Invests 23% stake in RCBC⁽³⁾
- Indonesia: Invests 40% stake in Bank Mayapada⁽³⁾

■ Cathay Life (Vietnam)

- Total premium grew 56% YoY to VND129BN in 1Q18
- Expands and diversifies distribution channels

■ Cathay Century

- Continues to expand local distribution channels to enhance growth momentum



Cathay FHC in China



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

■ Cathay United Bank

- Expects to convert Shanghai branch into subsidiary in 2018

■ Cathay Lujiazui Life

- Total premium grew 52% YoY to RMB 709MN in 1Q18

■ Cathay Century (China)

- Forms a strategic alliance with Ant Financial group to capture new business opportunities

■ Cathay Securities (HK)

- Each business line grows steadily

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

- Continues to launch new products. Mainly focus on fixed income funds

■ Conning Asia Pacific Limited

- Continues to expand asset management business

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Cathay United Bank





Cathay Life

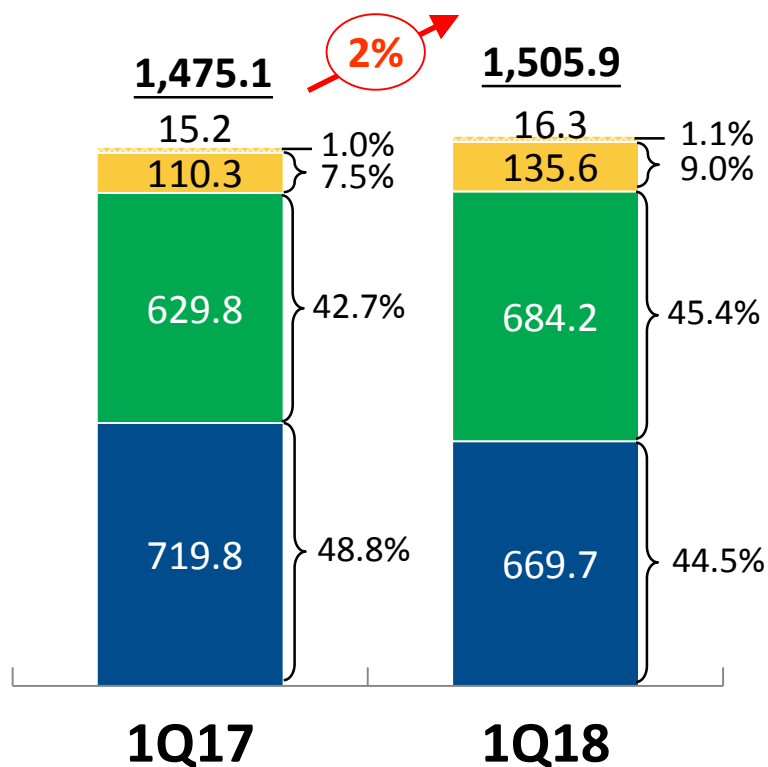
Cathay Century

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Cathay United Bank – Loan & deposit breakdown

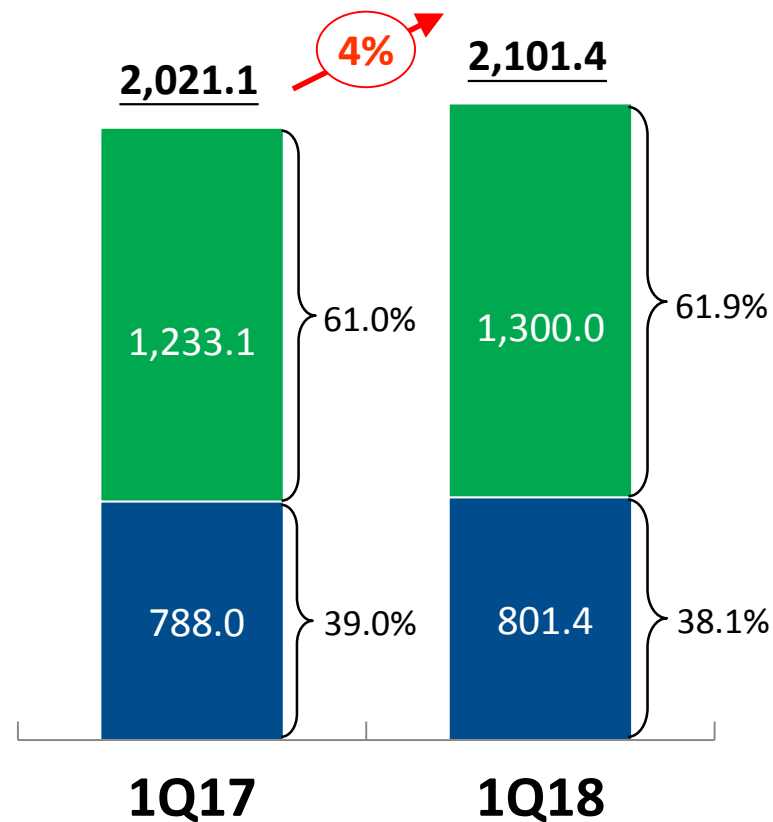
Loan breakdown

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



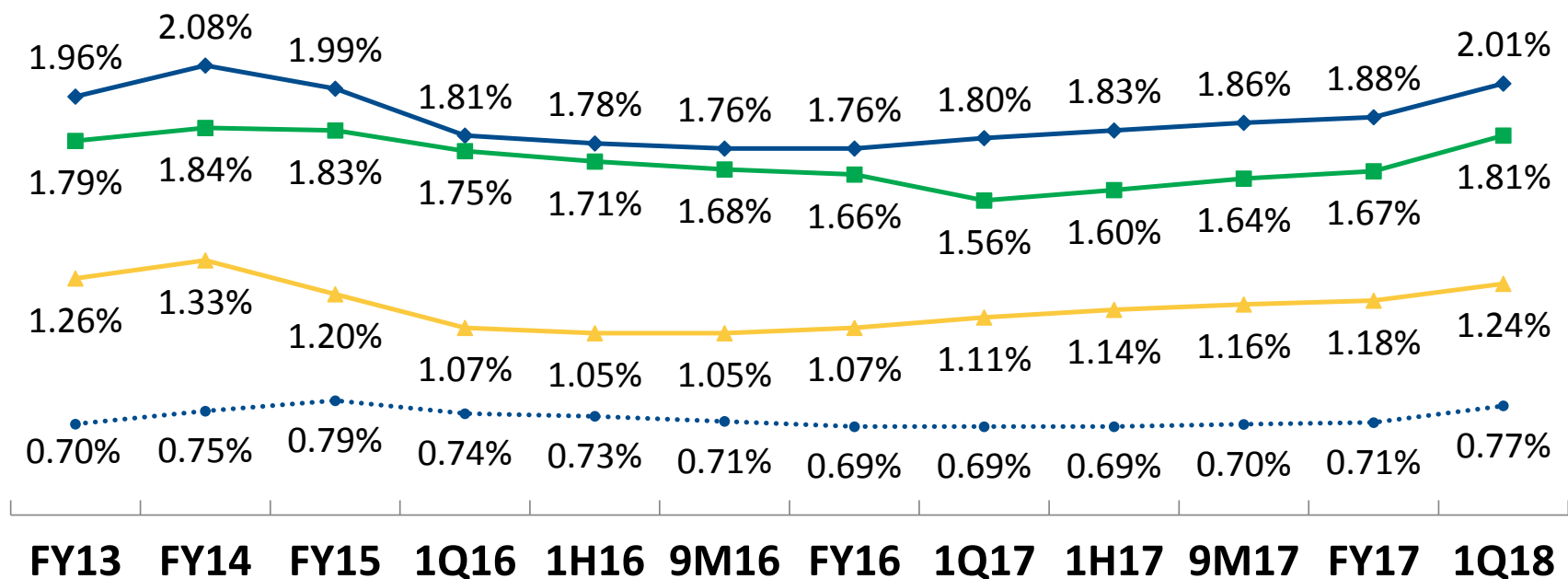
Deposit breakdown

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



Cathay United Bank – Interest yields

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



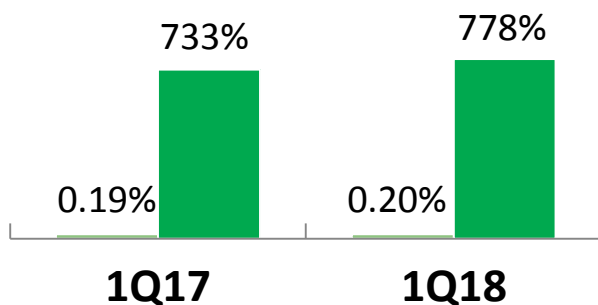
	<u>4Q15</u>	<u>1Q16</u>	<u>2Q16</u>	<u>3Q16</u>	<u>4Q16</u>	<u>1Q17</u>	<u>2Q17</u>	<u>3Q17</u>	<u>4Q17</u>	<u>1Q18</u>
Quarterly Spread	1.81%	1.75%	1.68%	1.62%	1.59%	1.56%	1.64%	1.74%	1.76%	1.81%
Quarterly NIM	1.12%	1.07%	1.02%	1.06%	1.10%	1.11%	1.18%	1.20%	1.22%	1.24%

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

Cathay United Bank – Credit quality

NPL & Coverage ratio

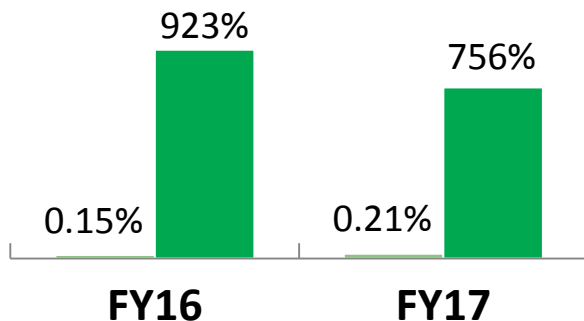
- NPL ratio
- Coverage ratio



Mortgage NPL

0.10%

0.14%



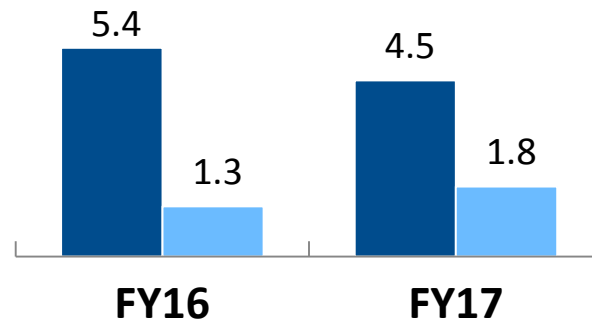
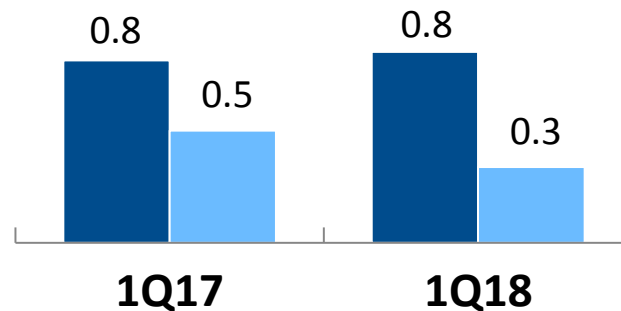
Mortgage NPL

0.08%

0.15%

Gross provision

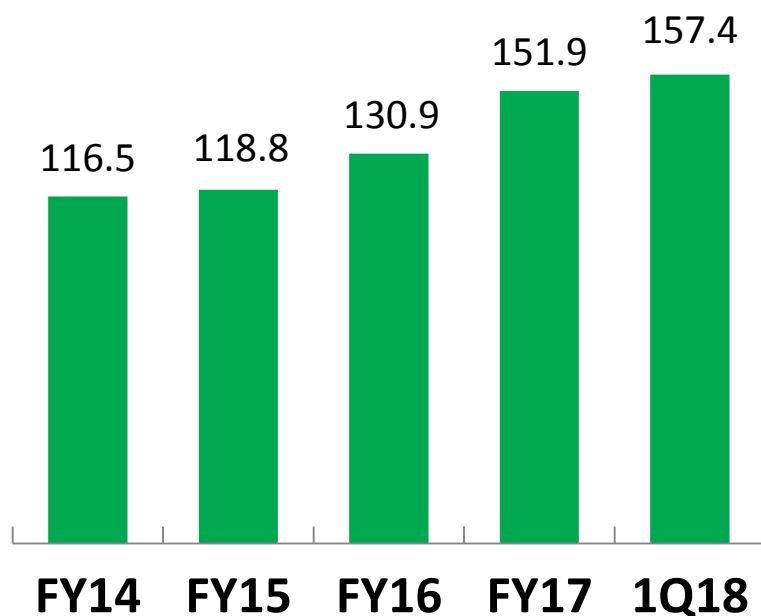
- Gross provision (NT\$BN)
- Recovery



Cathay United Bank – SME & FX loans

SME loans

(NT\$BN)

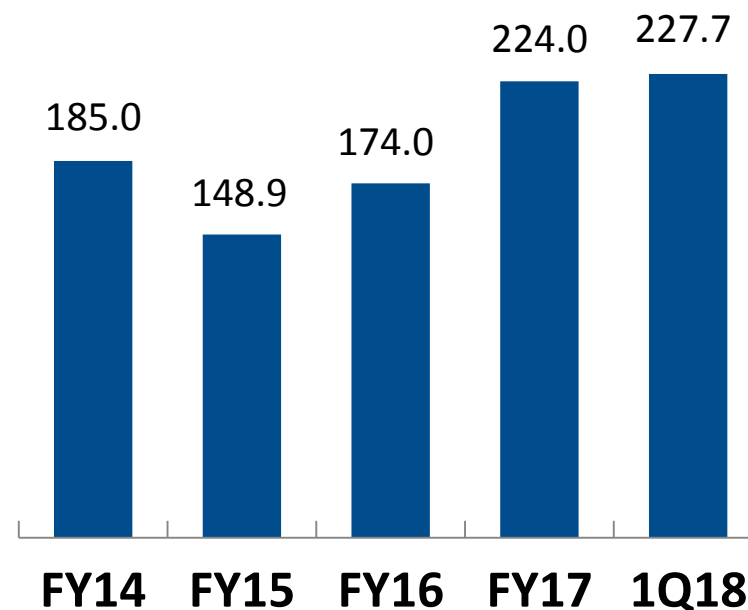


As % of total loans

10.5% 10.5% 9.2% 10.7% 10.6%

Foreign currency loans

(NT\$BN)



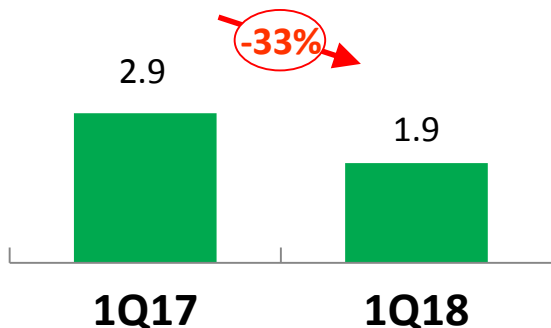
16.6% 13.3% 12.2% 15.8% 15.3%

Note: Total loans exclude credit card revolving balance.

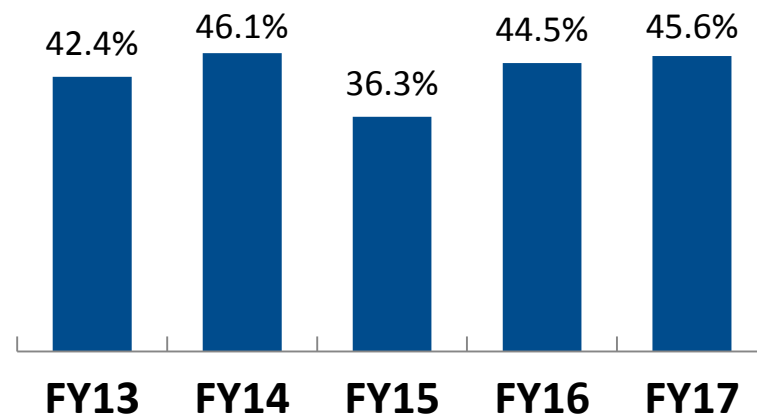
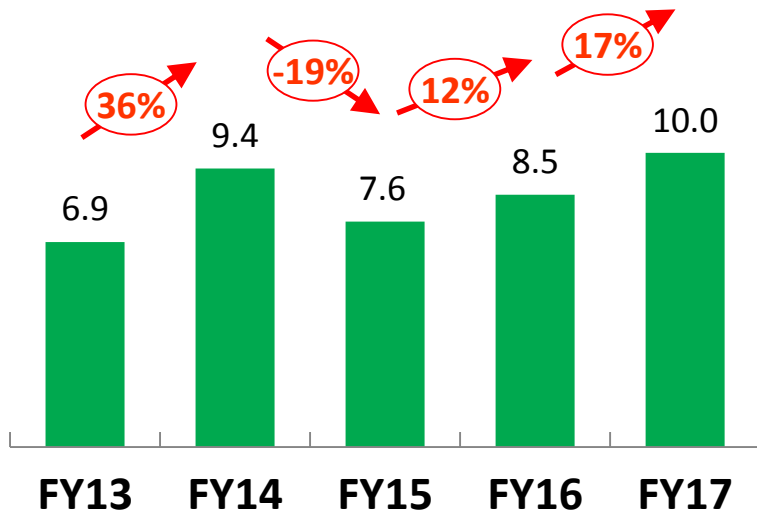
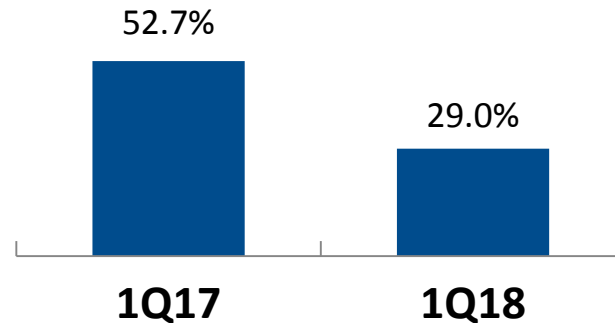
Cathay United Bank – Offshore earnings

Offshore earnings

(NT\$BN)



As % of CUB pre-tax profits



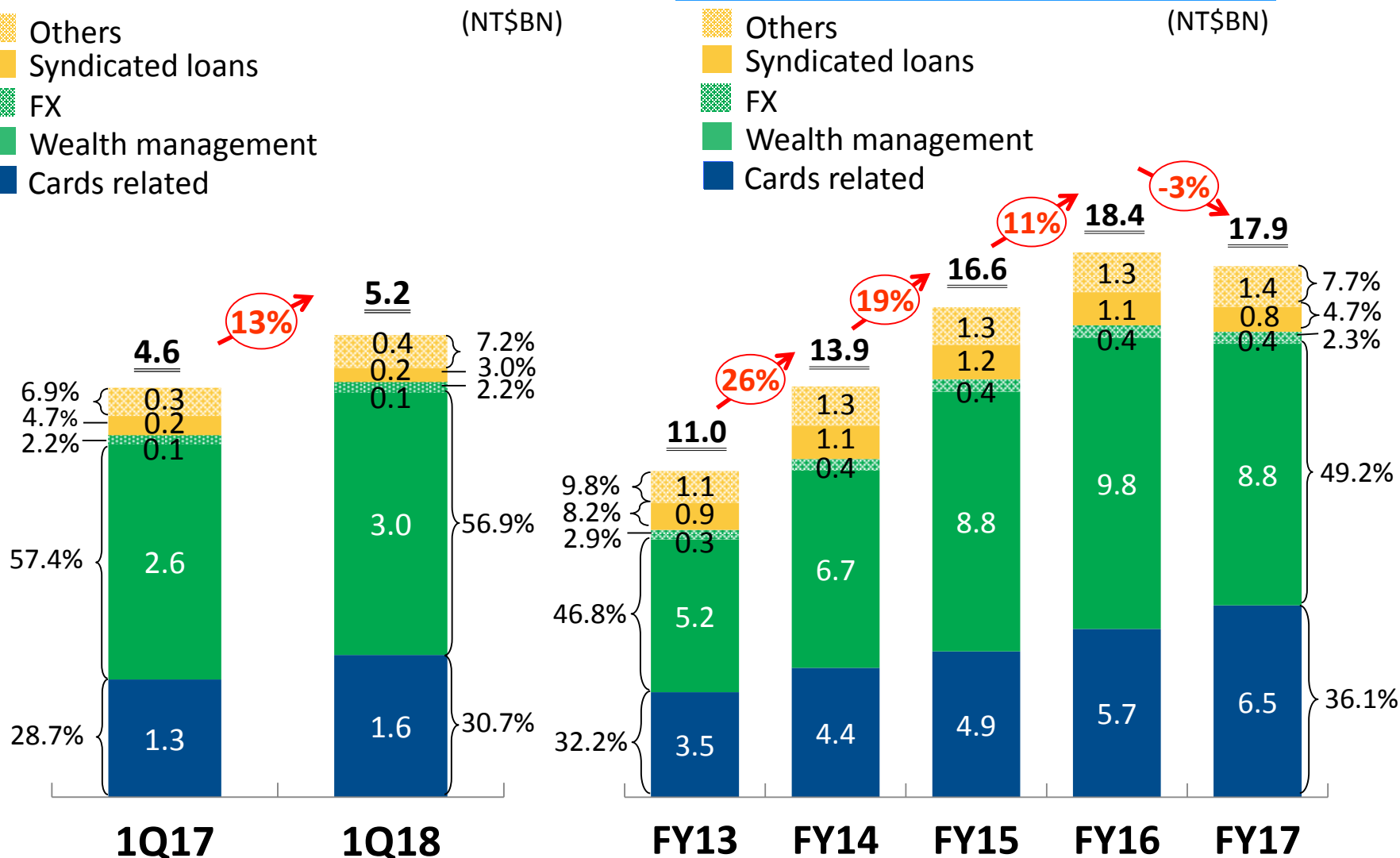
Cathay United Bank – Fee income

Quarterly Fee income

Annual Fee income

- Others
- Syndicated loans
- FX
- Wealth management
- Cards related

- Others
- Syndicated loans
- FX
- Wealth management
- Cards related

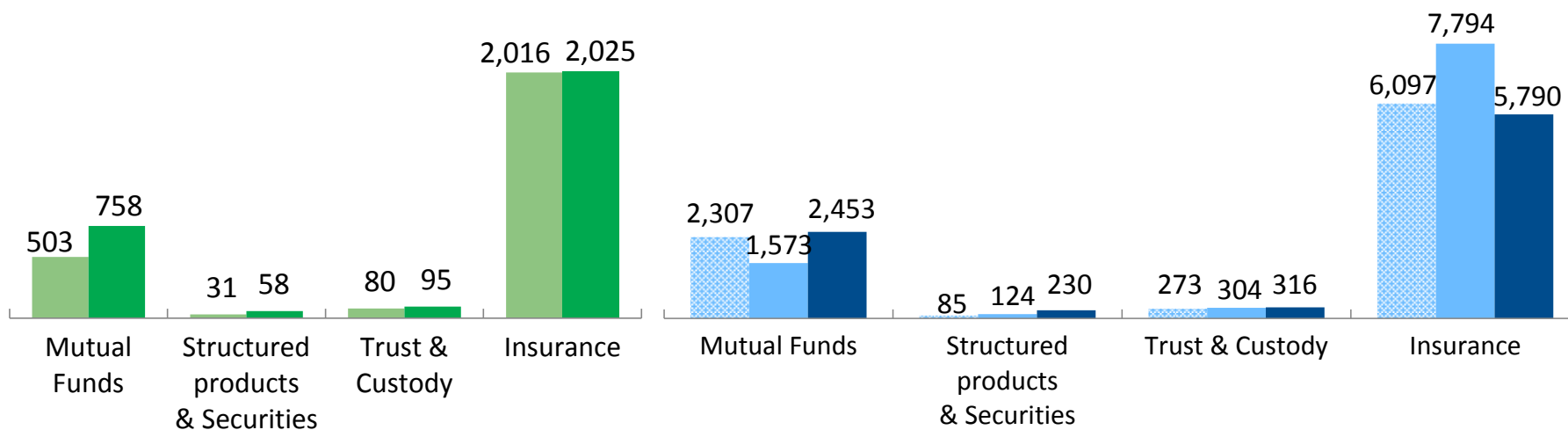


Cathay United Bank – Wealth management fee

Wealth management fee breakdown

(NT\$MN)	1Q17	1Q18	FY15	FY16	FY17
Wealth Management Fee Income	2,641	2,952	8,779	9,828	8,837
YoY growth (%)	-10.4%	11.8%	31.6%	11.9%	-10.1%

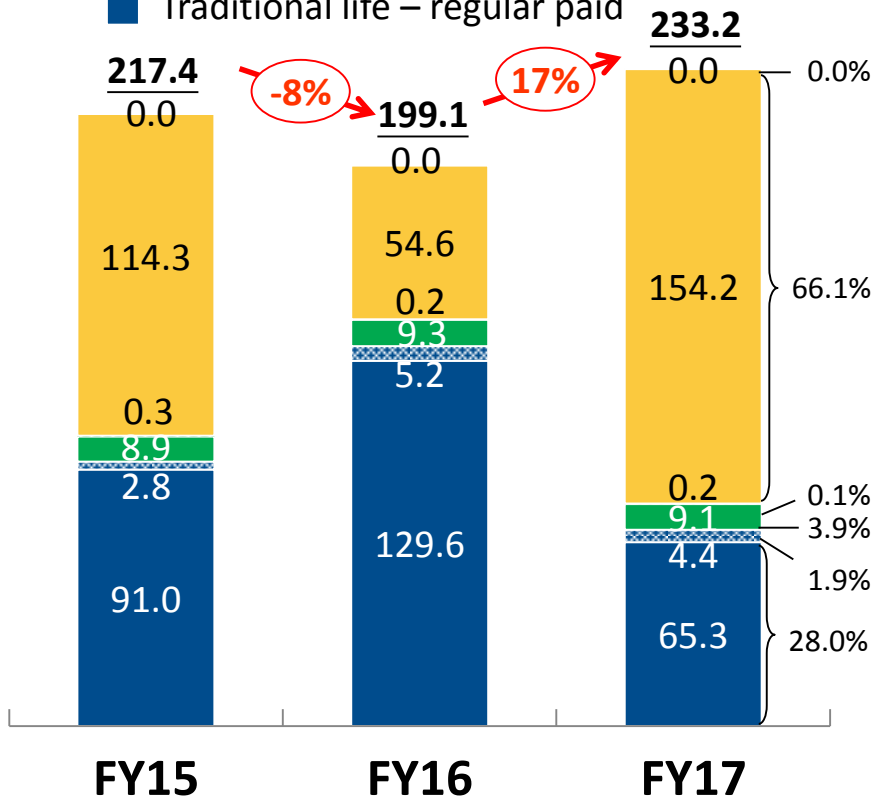
■ 1Q17 ■ 1Q18 ■ FY15 ■ FY16 ■ FY17



Cathay Life – Annual FYP & APE

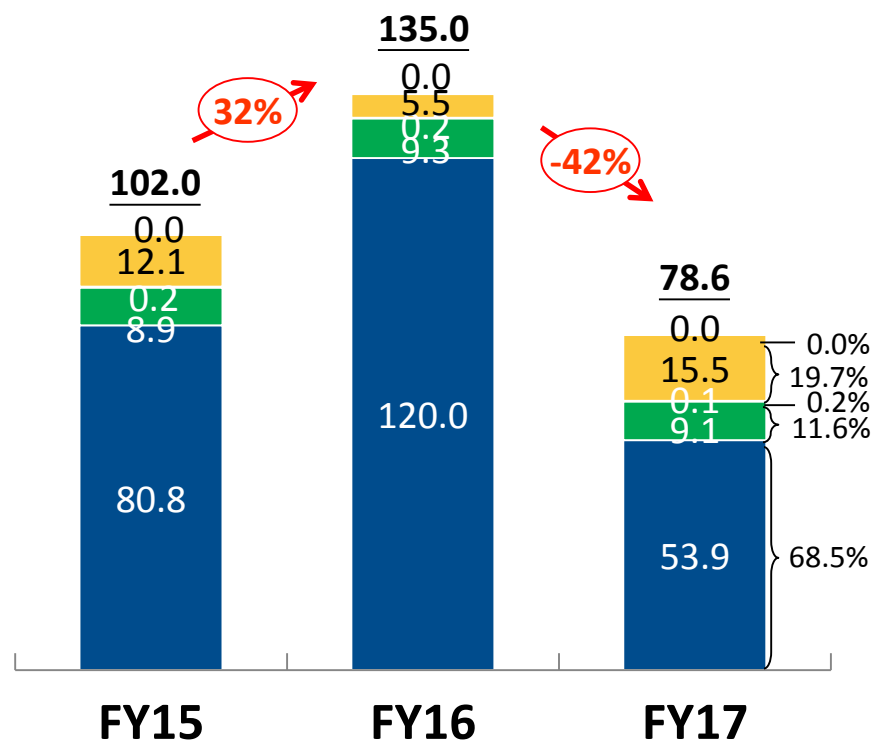
First Year Premium

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



Annualized FYP (APE)

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

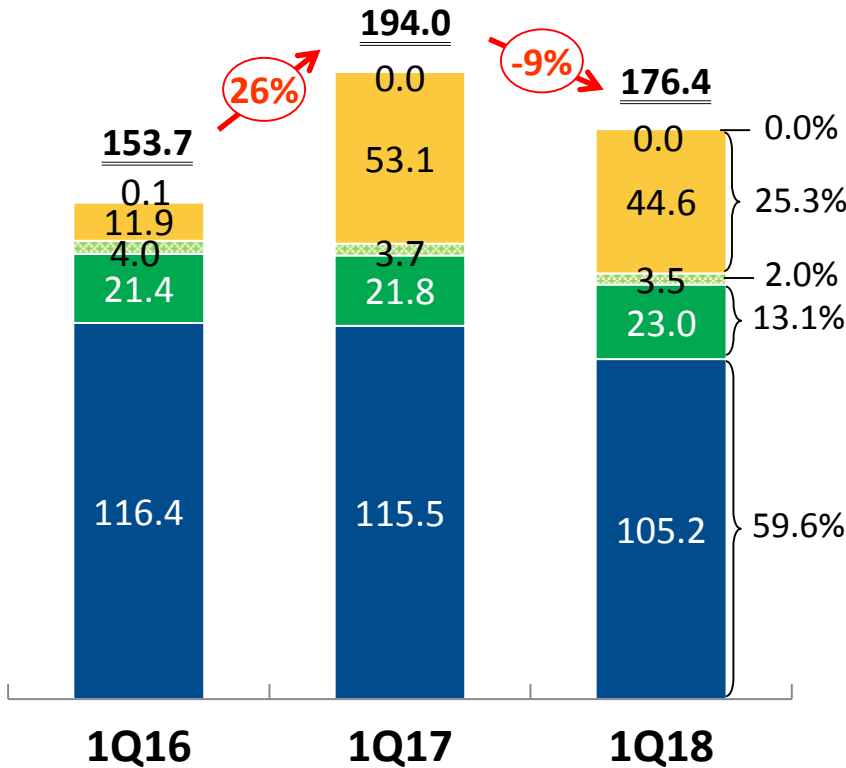


Note: Annualized FYP = 10% x single-paid FYP + 20% x 2-yr-paid FYP + ... + 50% x 5-yr-paid FYP + 100% x 6-yr and above payment term FYP

Cathay Life – Total premium

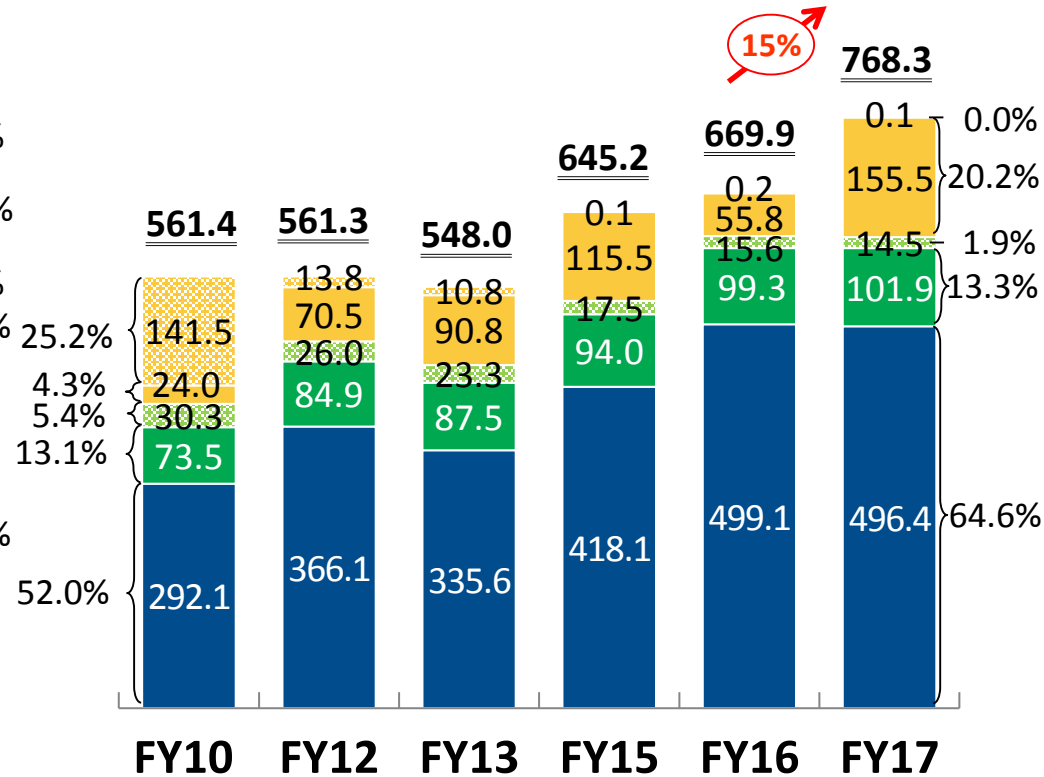
Quarterly Total premium

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



Annual Total premium

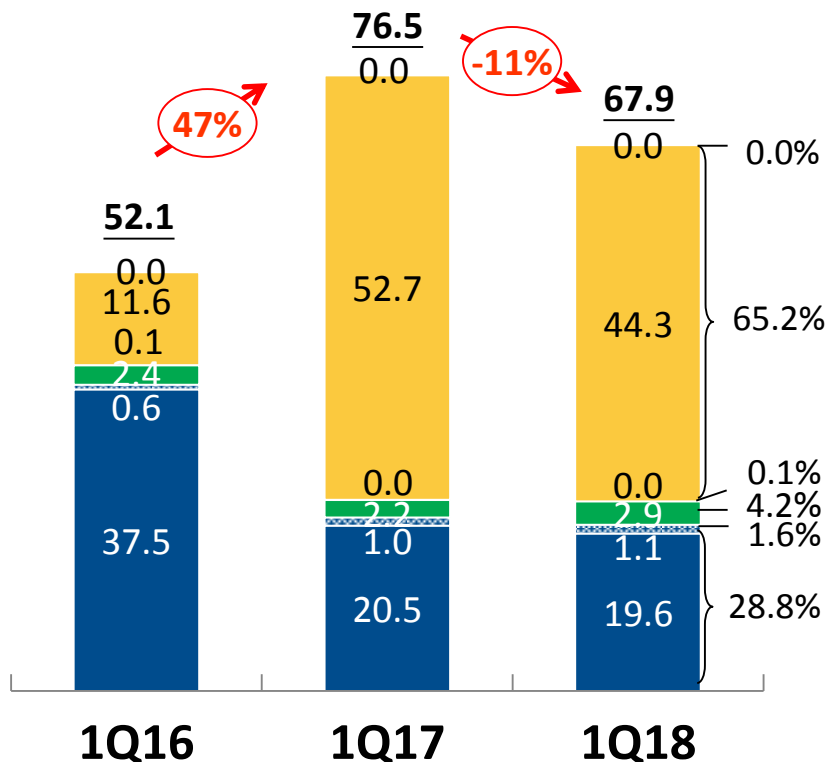
- Interest sensitive annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life



Cathay Life – Quarterly FYP & APE

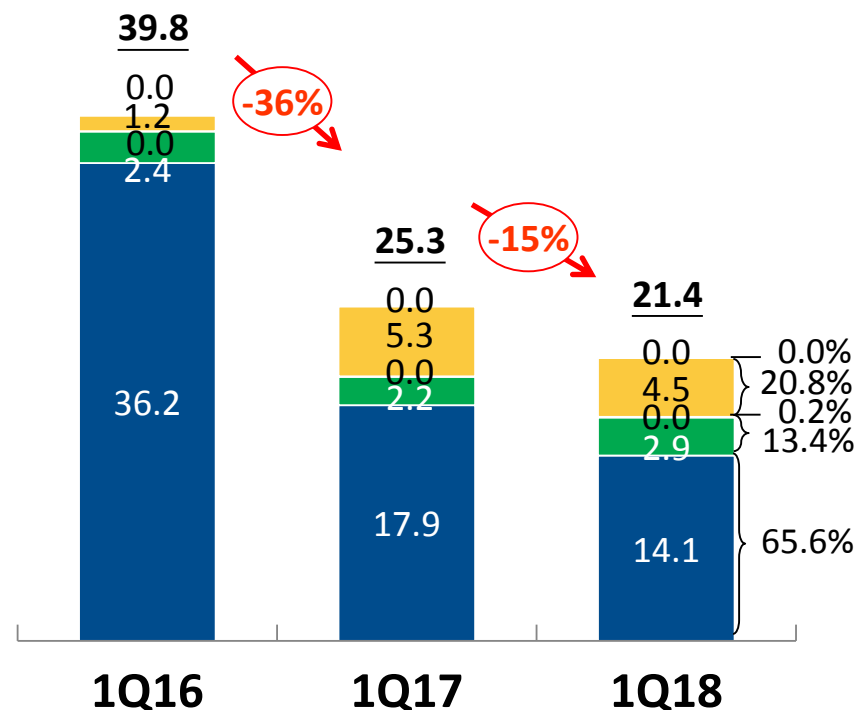
First Year Premium

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



Annualized FYP (APE)

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

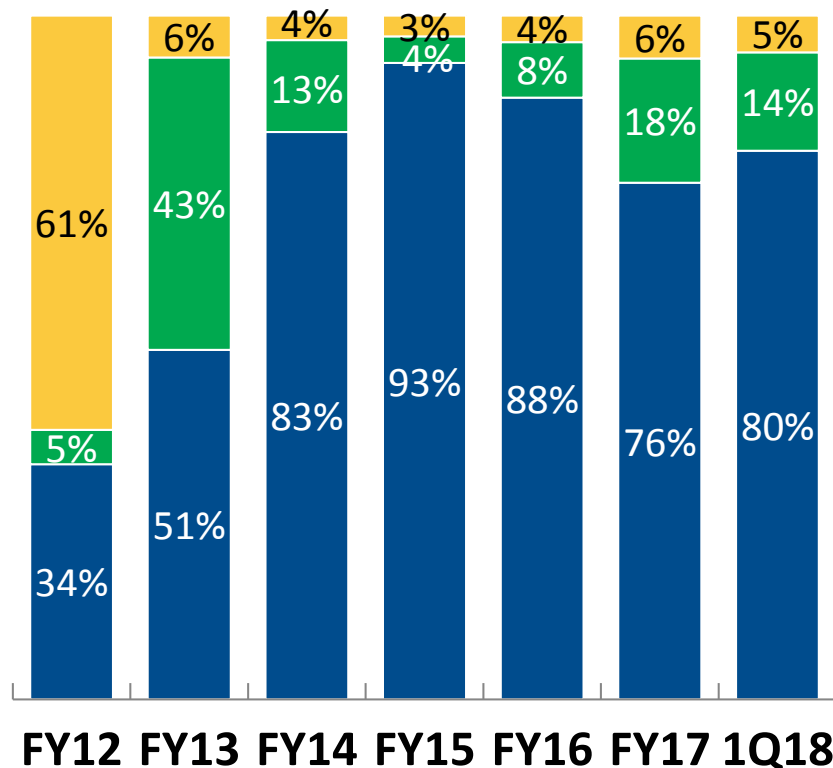


Note: Annualized FYP = 10% x single-paid FYP + 20% x 2-yr-paid FYP + ... + 50% x 5-yr-paid FYP + 100% x 6-yr and above payment term FYP

Cathay Life – Regular paid policies remain as focus

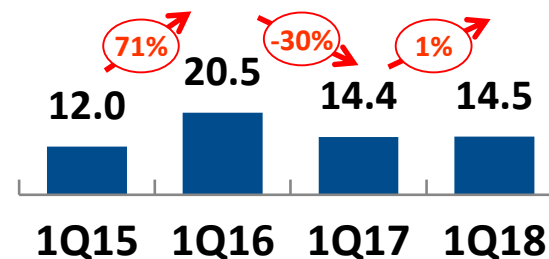
Breakdown of Traditional FYP

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

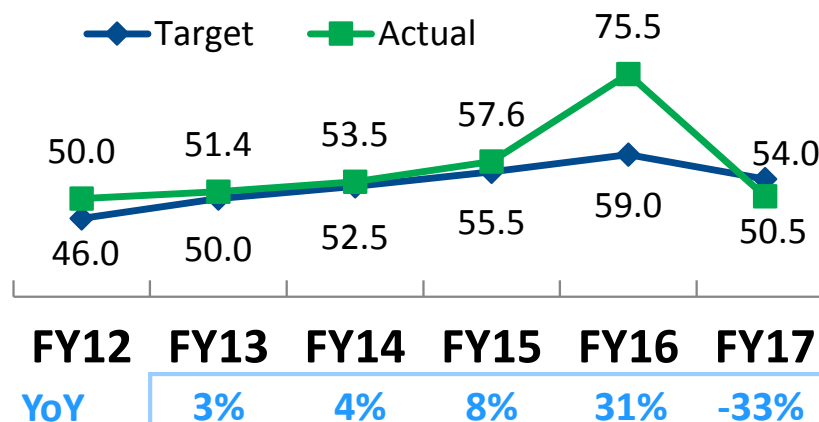


Value for New Business

Profit Margin	1Q15	1Q16	1Q17	1Q18
VNB/FYP	23%	39%	19%	21%
VNB/FYPE	74%	51%	57%	68%

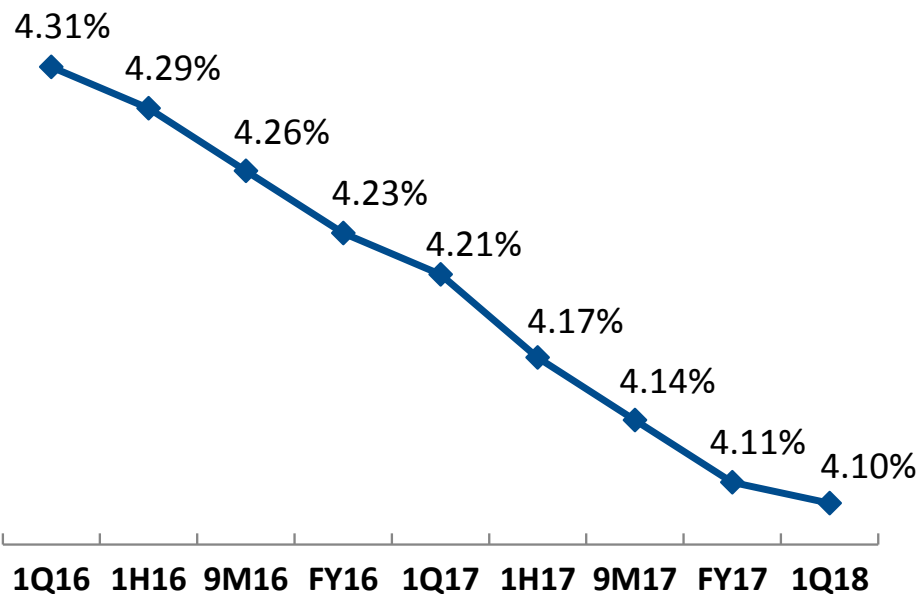


Profit Margin	FY12	FY13	FY14	FY15	FY16	FY17
VNB/FYP	19%	26%	23%	27%	38%	22%
VNB/FYPE	54%	70%	75%	57%	56%	64%

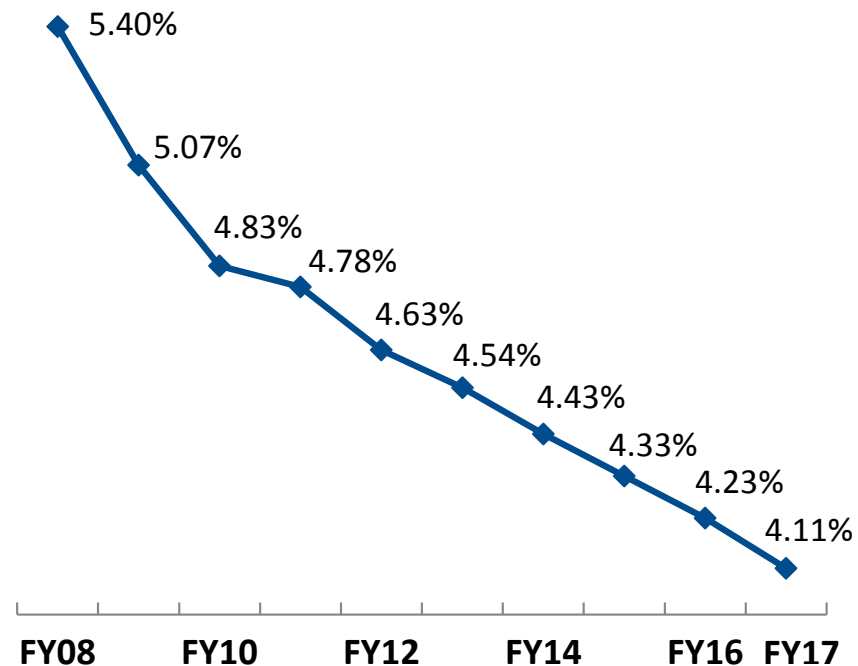


Cathay Life – Cost of liability

Cost of liability (quarterly)



Cost of Liability (annual)



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

Cathay Life – Investment portfolio

(NT\$BN)	FY15	FY16	FY17			1Q18		
Total investments⁽¹⁾	4,636.6	5,001.1	5,502.6			5,555.5		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	1.3%	1.3%	1.6%	87	0.5%	2.4%	131	0.5%
Equity- Domestic	7.4%	7.9%	8.4%	465	9.1%	8.2%	454	9.8%
Equity- International ⁽²⁾	6.2%	6.4%	6.3%	347	8.3%	6.4%	357	18.0%
Bond- Domestic	8.0%	6.5%	5.5%	305	2.1%	5.5%	305	2.8%
Bond- International ⁽¹⁾⁽²⁾	50.6%	53.8%	55.7%	3,063	5.0%	55.4%	3,076	4.9%
Mortgage & Secured loans	10.2%	8.9%	8.1%	444	1.8%	7.9%	436	1.9%
Policy loans	3.6%	3.3%	3.0%	166	5.8%	3.0%	166	5.6%
Real estate	10.5%	9.8%	9.2%	496	2.3%	9.0%	498	2.6%
Others	2.1%	2.2%	2.4%	130		2.4%	133	

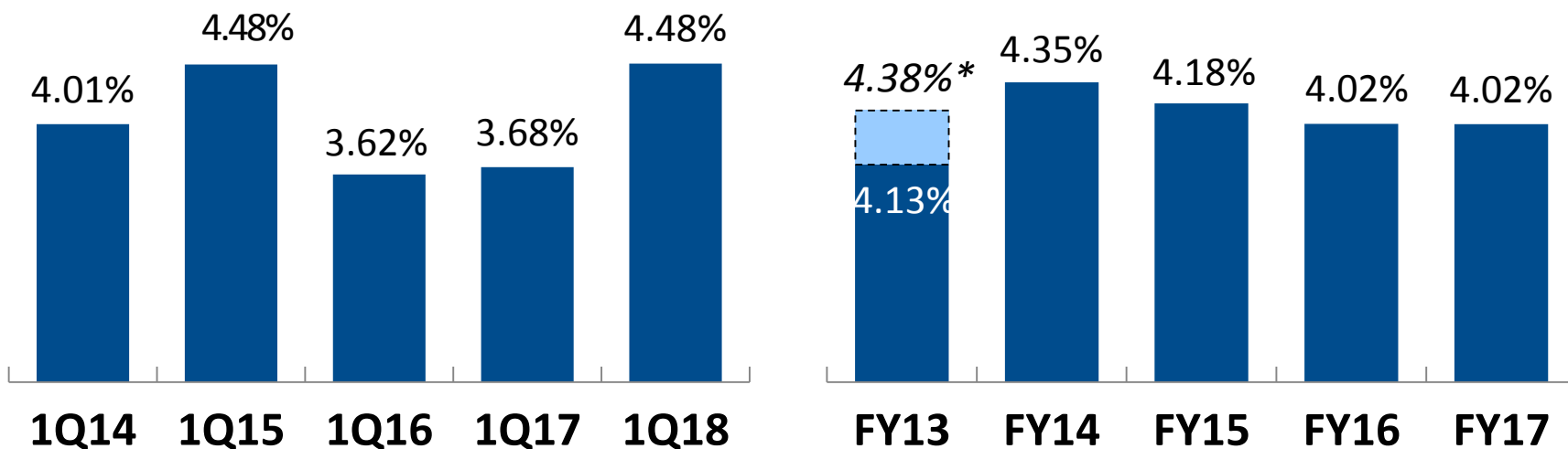
Note: (1) Total assets excluded separate account assets; international bond includes foreign currency deposit and related adjustments

(2) Yields of international equity and international bond are pre-hedge investment yields.

Cathay Life – Investment performance highlight

After-hedging investment yield

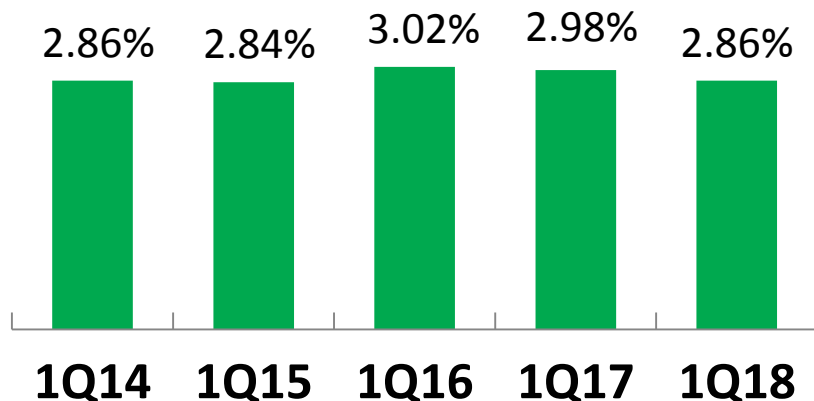
After-hedging investment yield



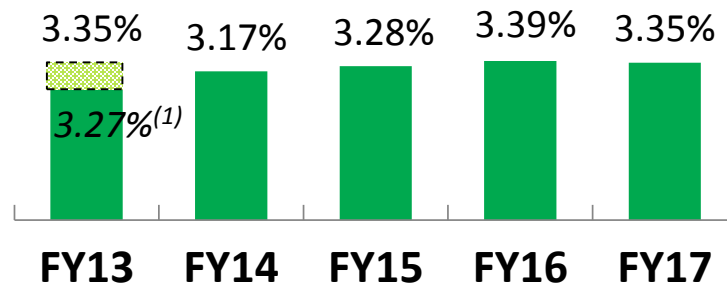
Note: FY13 (4.38%) was pro forma adjusted number of fair value method on investment property.

Cathay Life – Investment performance highlight

Pre-hedging recurring yield

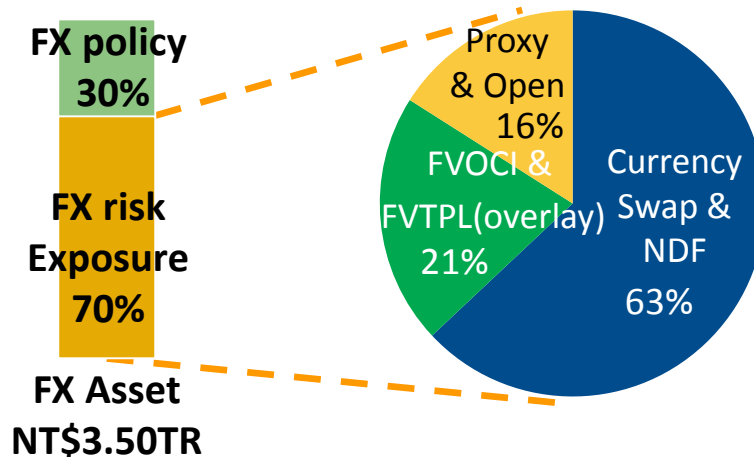


Pre-hedging recurring yield



Currency Hedging Structure

1Q18 Hedging cost 1.32%

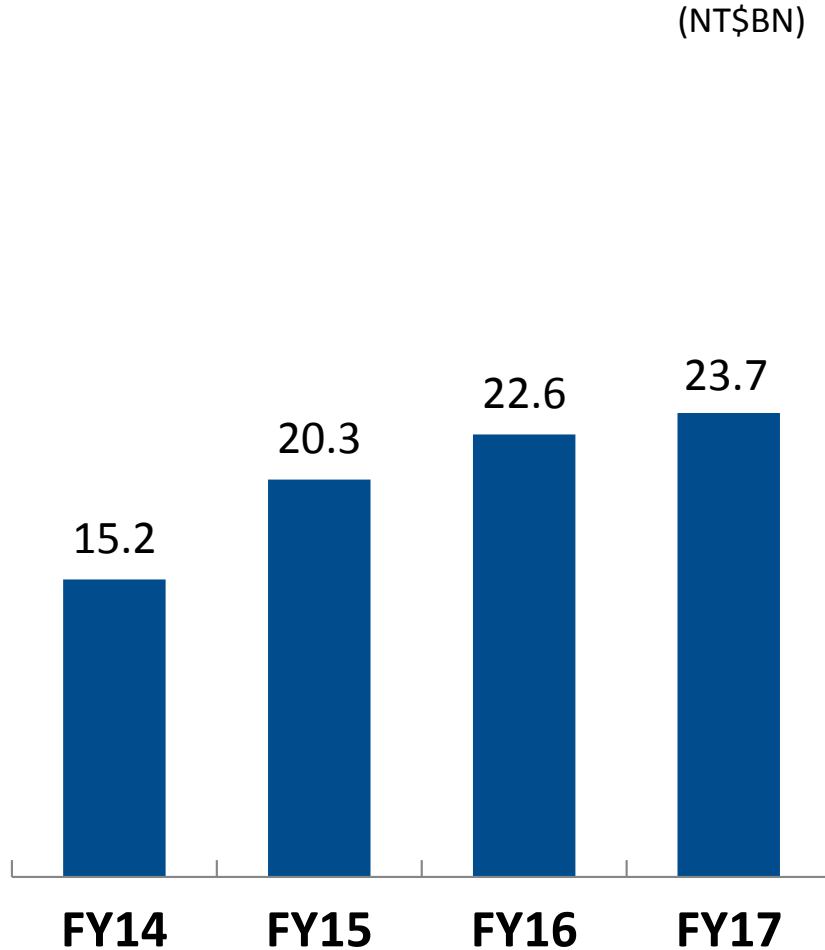


Note: (1) FY13 (3.27%) was pro forma adjusted number of fair value method on investment property.
 (2) Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend. Most dividend will be recognized in 2Q & 3Q.

Cathay Life – Cash dividend income & Overseas fixed income by region

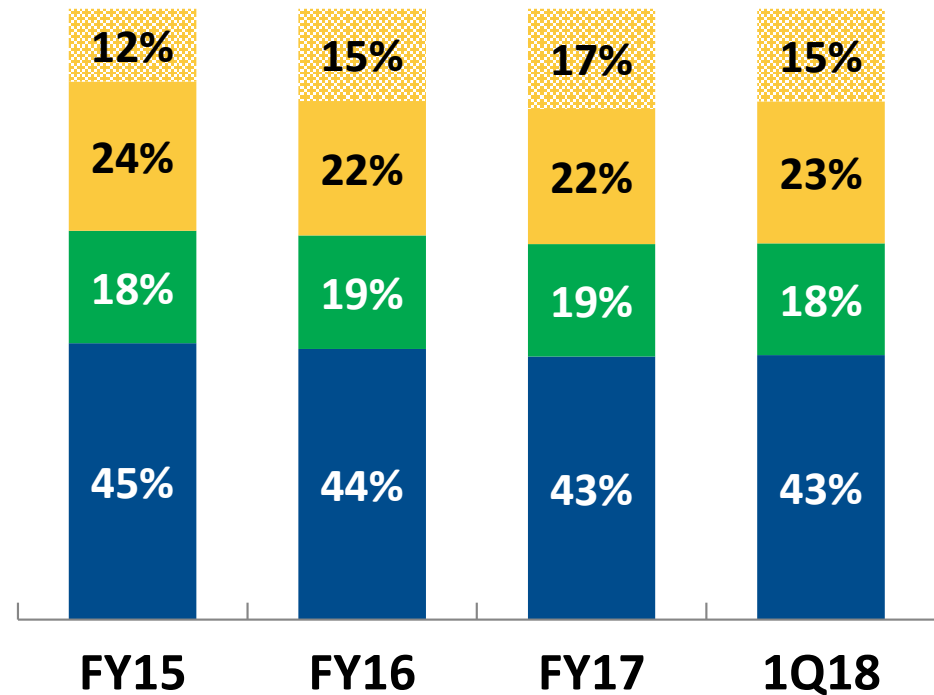
Cash dividend income

(NT\$BN)



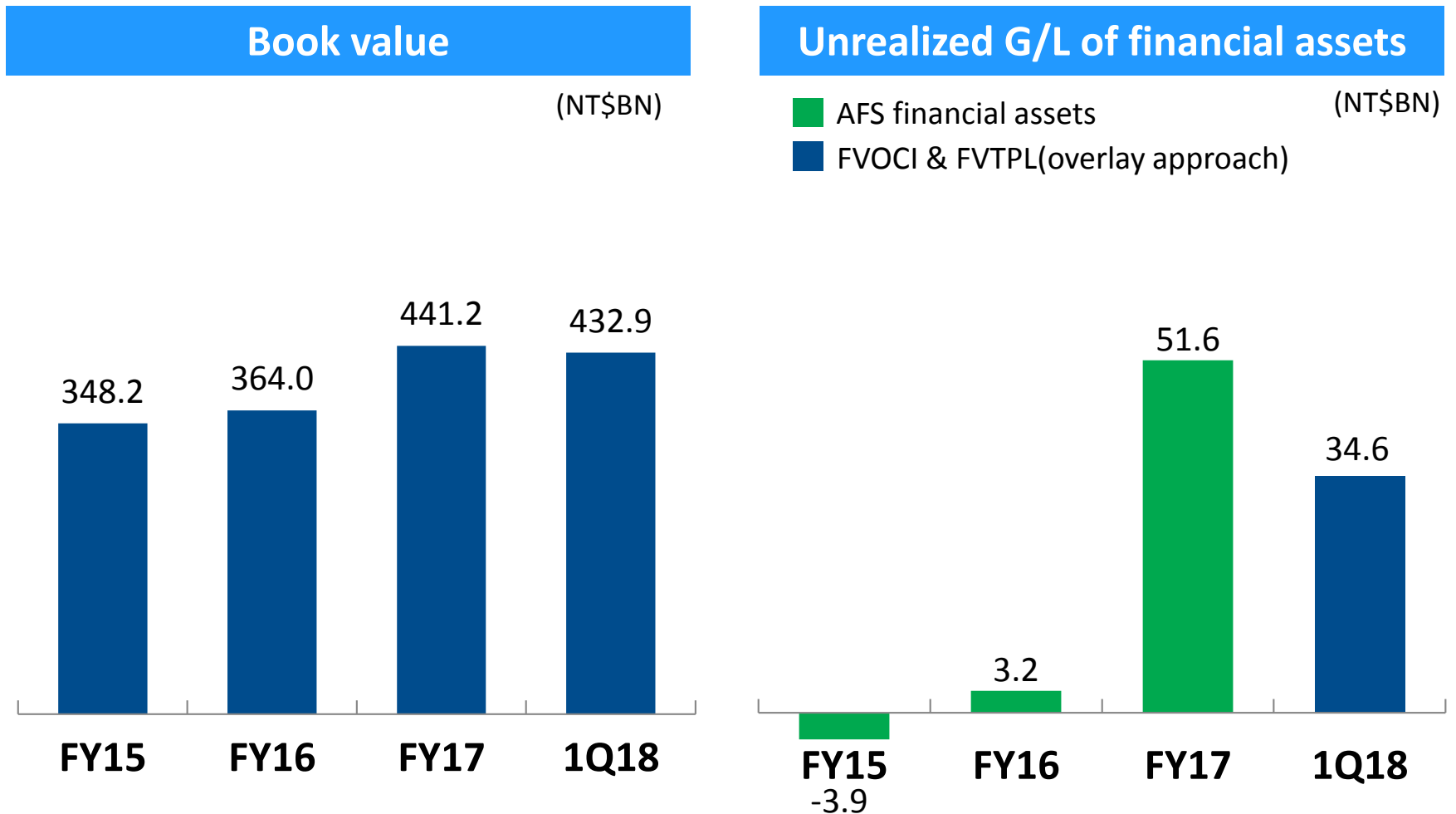
Overseas fixed income by region*

- Others
- Asia Pacific
- Europe
- North America



Note: Exclude overseas deposit and equity.

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

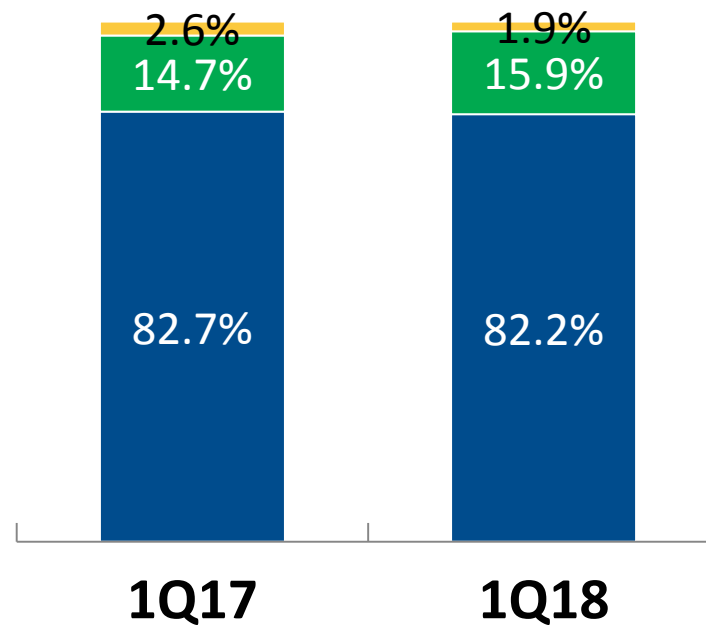
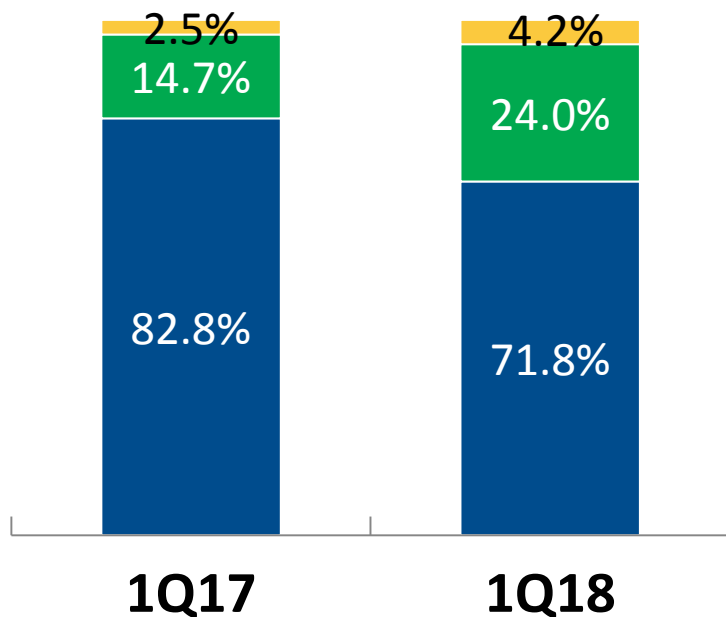


Cathay Life – Distribution channel

First Year Premium

Annualized First Year Premium

- Others
- Bancassurance-CUB
- Tied agents

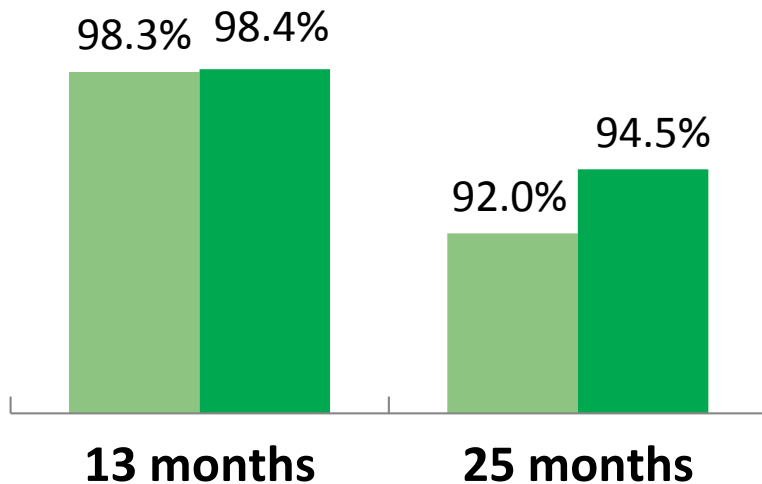


Cathay Life – Operational indicators

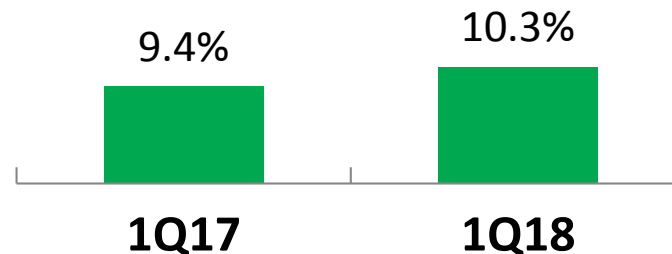
Persistency ratio

■ 1Q17

■ 1Q18



Expense ratio



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Cathay Century – Premium income & distribution

Premium income

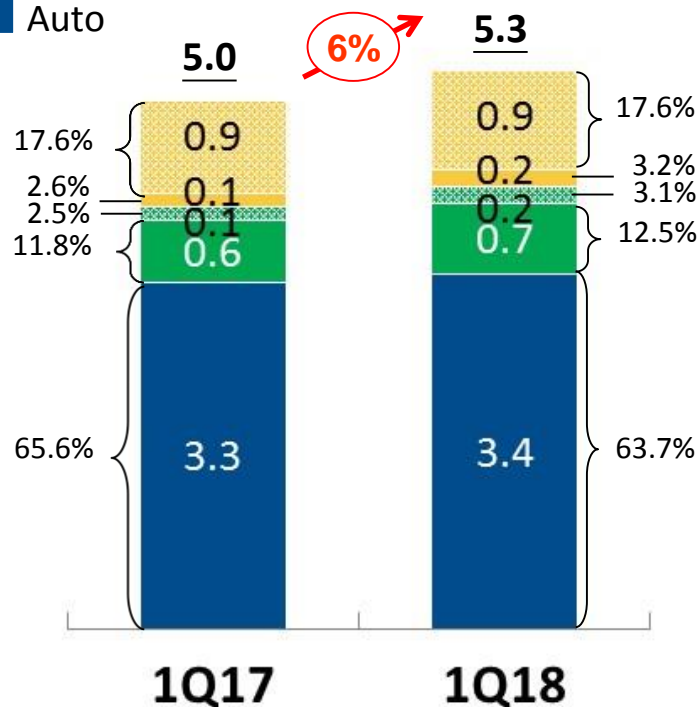
Others (NT\$BN)

Engineering

Marine

Fire

Auto

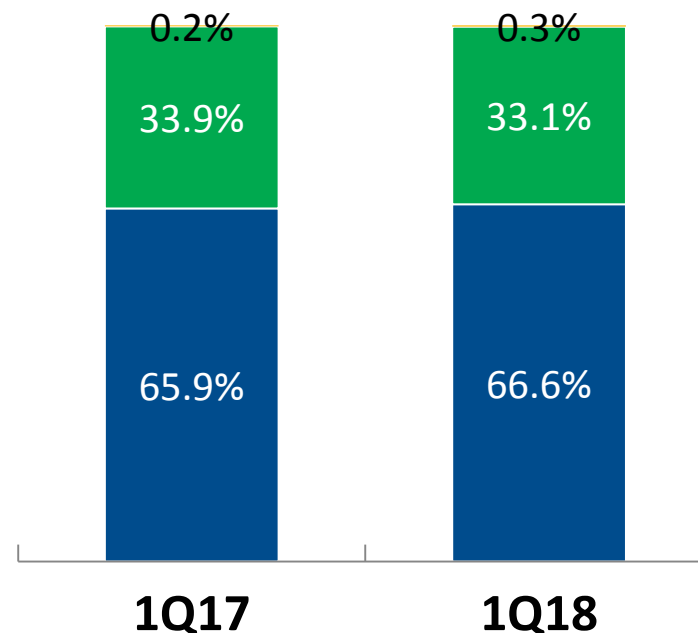


Distribution channel

Affiliate channels

Cathay P&C agents

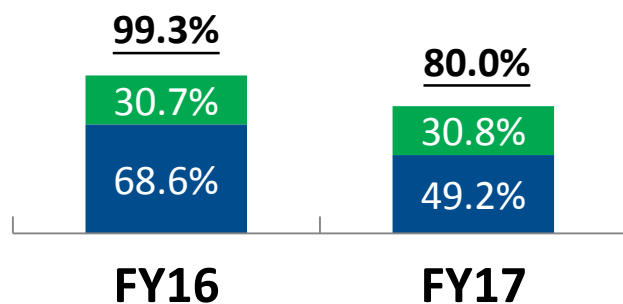
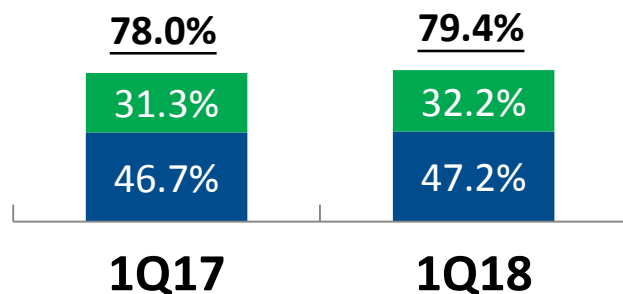
Cathay group channel



Cathay Century – Combined ratio

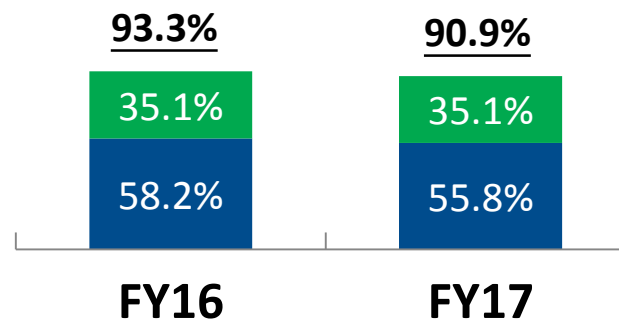
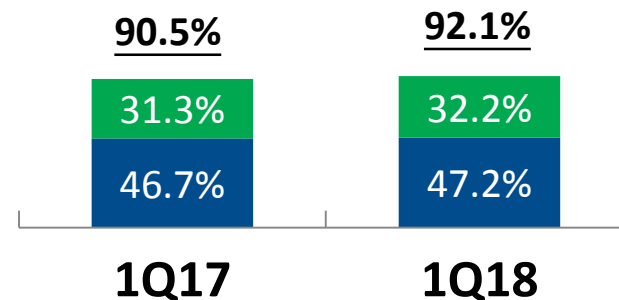
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



Retained combined ratio

- Retained expense ratio
- Retained loss ratio



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Embedded Value & Appraisal Value

NT\$BN, except for per share figures

Valuation date	2016/12/31	2017/12/31
In-force business investment yield	4.00% ~ Year 2036 5.05% for NTD policies 4.76% ~ Year 2036 5.82% for USD policies (Equivalent investment yield: 4.50% Rolling over to 2017: 4.51%)	3.92% ~ Year 2037 5.05% for NTD policies 4.67% ~ Year 2037 5.82% for USD policies (Equivalent investment yield: 4.43%)
Risk discount rate	10%	10%
Adjusted net worth	392	464
Value of in-force business	633	670
Cost of capital (CoC)	-169	-190
Value of in-force business (After CoC)	464	480
Embedded Value (EV)	856	944
EV / per share	161.3(68.1)	164.8(75.1)
Future one year's new business investment yield	2.97%~ Year 2036 4.91% for NTD policies 4.38% ~ Year 2036 5.84% for USD policies	2.91%~ Year 2037 4.91% for NTD policies 4.22% ~ Year 2037 5.84% for USD policies
Value of future one year's new business (After CoC)	54.0	54.5
Appraisal Value (AV)	1,328	1,416
AV / per share	250.3(105.7)	247.3(112.7)

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) The outstanding shares of Cathay Life in 2016 and 2017 are 5.3bn and 5.7bn, respectively. The increase of outstanding shares of Cathay Life in 2017 reflects capital injection in June 2018.

(4) The outstanding shares of Cathay FHC in 2016 and 2017 are 12.6bn.

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

Summary

NT\$BN, except for per share figures

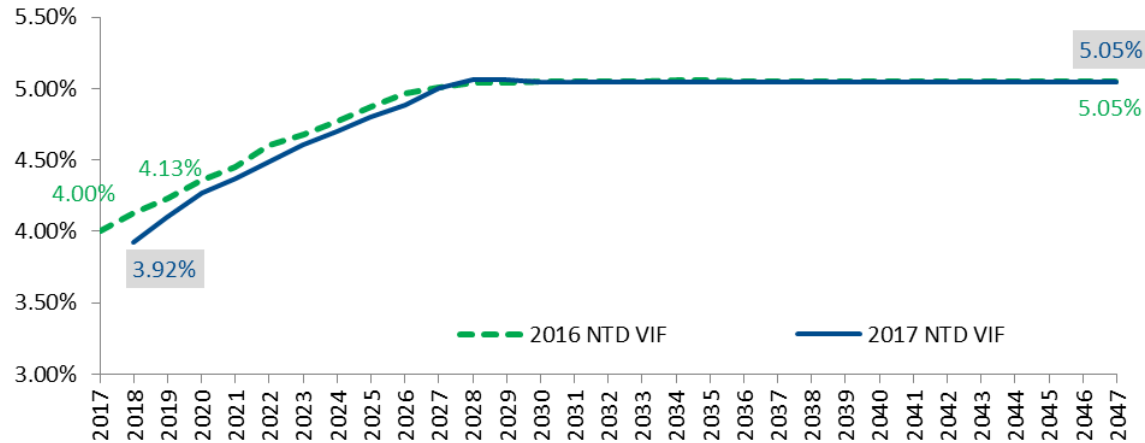
Valuation date		2016	2017	Growth rate	1Q18
Embedded value	Equity	361	436	21%	--
	Adjusted net worth	392	464	18%	--
	Value of in-force business(before CoC)	633	670	6%	--
	Cost of capital (CoC)	-169	-190	12%	--
	Value in-force business (after CoC)	464	480	3%	--
	Embedded value	856	944	10%	--
Value of one year's new business	First year premium (FYP)	199.1	233.2	17%	67.9
	First year premium equivalent (FYPE)	135.0	78.6	-41%	21.4
	Value of one year's new business (V1NB)	75.5	50.5	-33%	14.5
	Profit margin (V1NB/FYP)	38%	22%	--	21%
	Profit margin (V1NB/FYPE)	56%	64%	--	68%
	Profit margin (V1NB/FYP)(investment-linked(non-VUL)is excluded)	51%	57%	--	55%
Appraisal value (20 years NB)	Multiple	8.7	8.7	--	--
	Appraisal value	1,328	1,416	7%	--
Basic Value per share	EV / per share of Cathay FHC	68.1	75.1	10%	--
	AV / per share of Cathay FHC	105.7	112.7	7%	--

Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares 12.6bn.

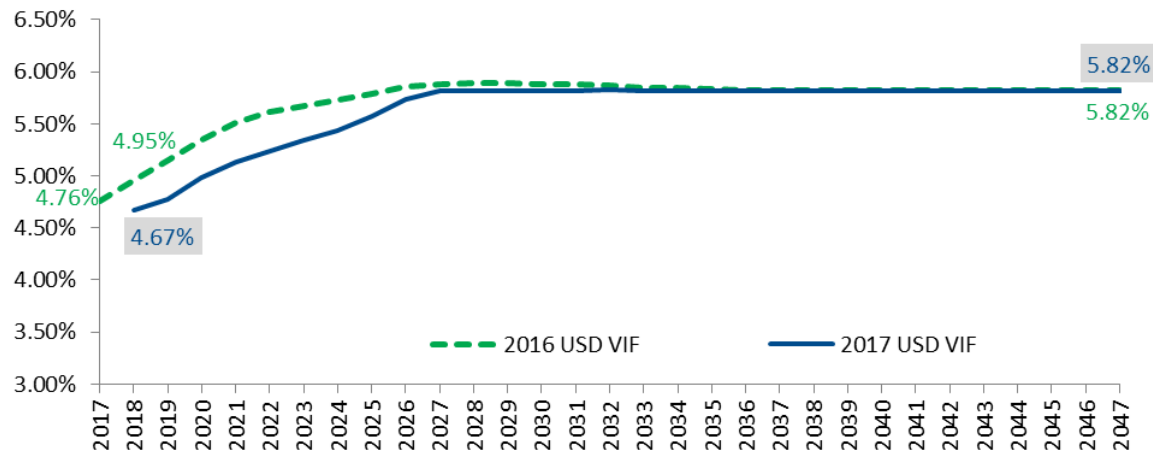
(2) Totals may not sum due to rounding.

Economic Assumptions: In-force business investment yield

- Investment return assumptions for the value of in force business of NTD-denominated policies as of the end of 2016 & 2017.

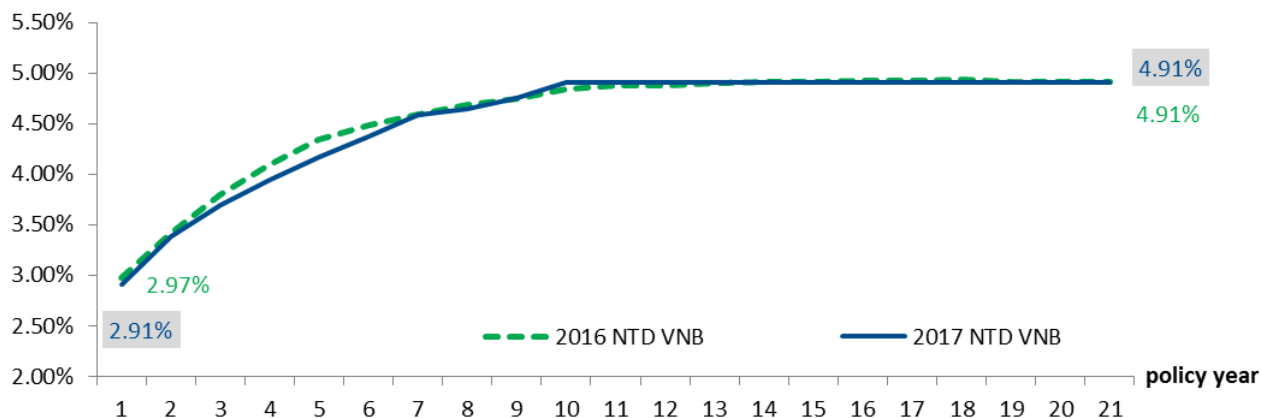


- Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2016 & 2017.

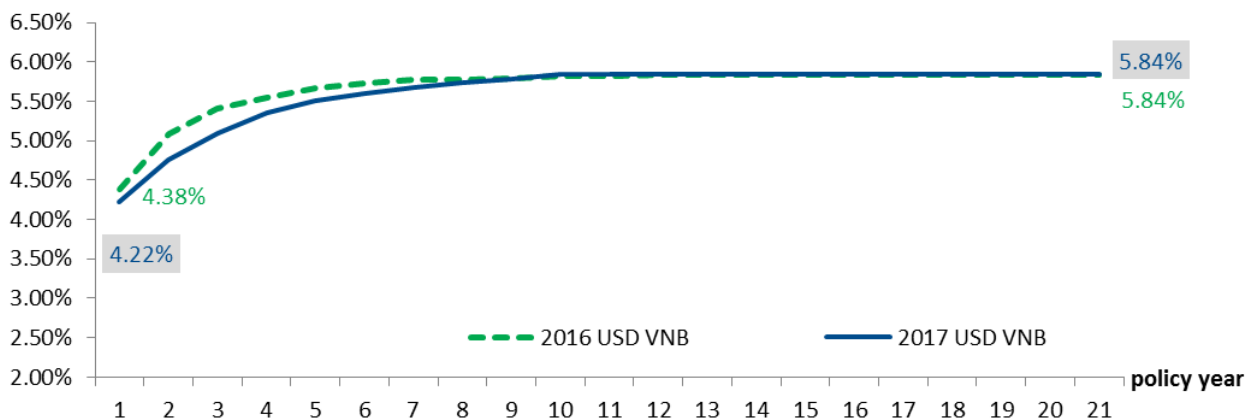


Economic Assumptions: Future one year's new business investment yield

- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2016 & 2017.



- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2016 & 2017.



Cost of Capital Projection and Non-economic Assumptions

■ RBC capital requirement:

Apply 2017 RBC formula announced by Insurance Bureau to project future capital requirement.

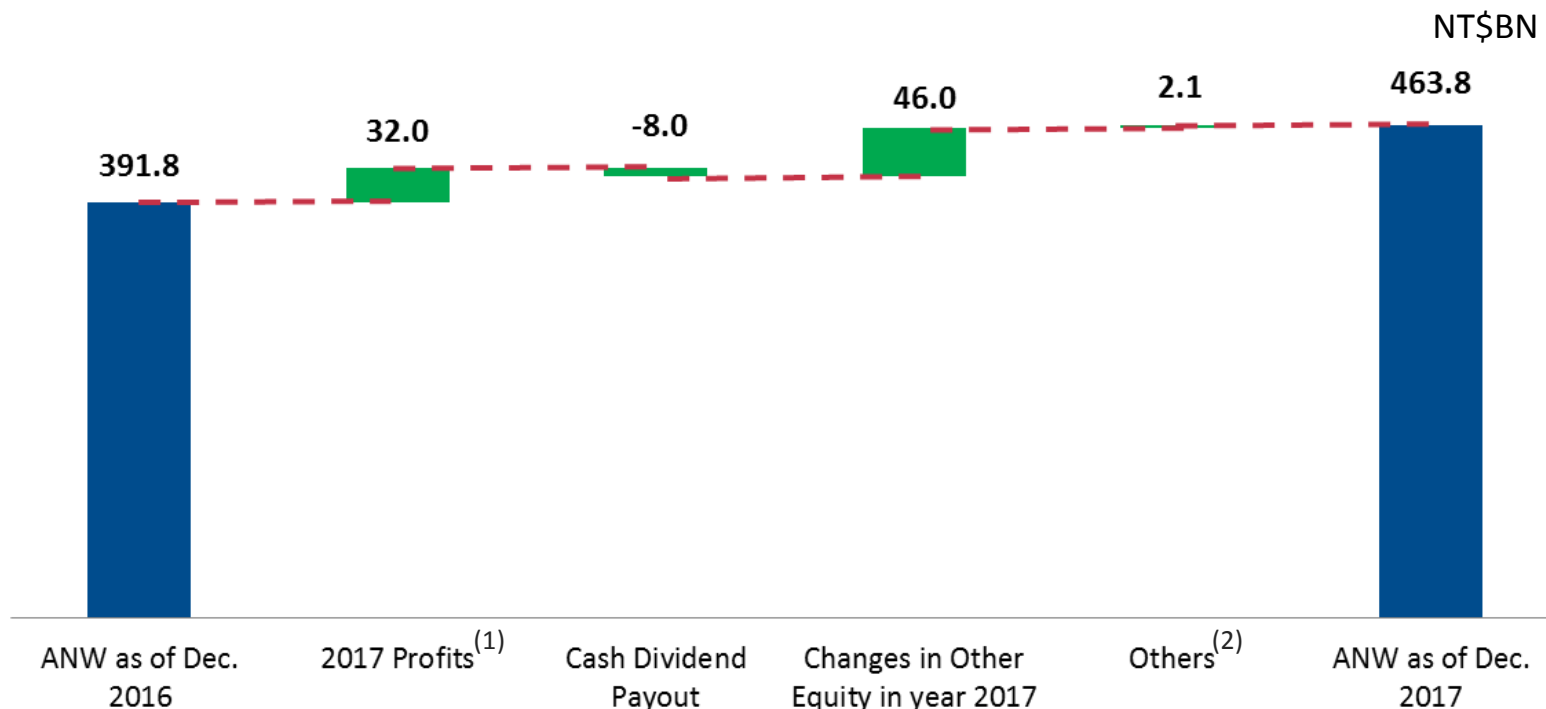
1. Capital Requirement = 200% RBC.
2. Risk-based capital calculation reflects company's current and future operation status.
3. Reflect RBC calculation change in 2017
 - ① For C3 risk capital of traditional products, the extra risk factor applied to previous year's C3 risk capital is increased from 40% to 50%. This change is reflected in all projection years.
 - ② The calculation of asset concentration risk is adjusted to reflect the change in bond classification from 3 categories to 4 categories.

■ Experience rate:

Experience Rate	Assumptions
Mortality Rate	In accordance with Cathay's most updated mortality trends.
Morbidity Rate	In accordance with Cathay's most updated morbidity trends and varied by product type.
Lapse Rate	In accordance with Cathay's most updated lapse rate trends and varied by product type.
Expenses Assumption	In accordance with Cathay's most updated expense analysis and varied by product type; commissions are based on the actual commission rates.

- PricewaterhouseCoopers Asia Actuarial Services provides an independent review of the actuarial assumptions on EV.

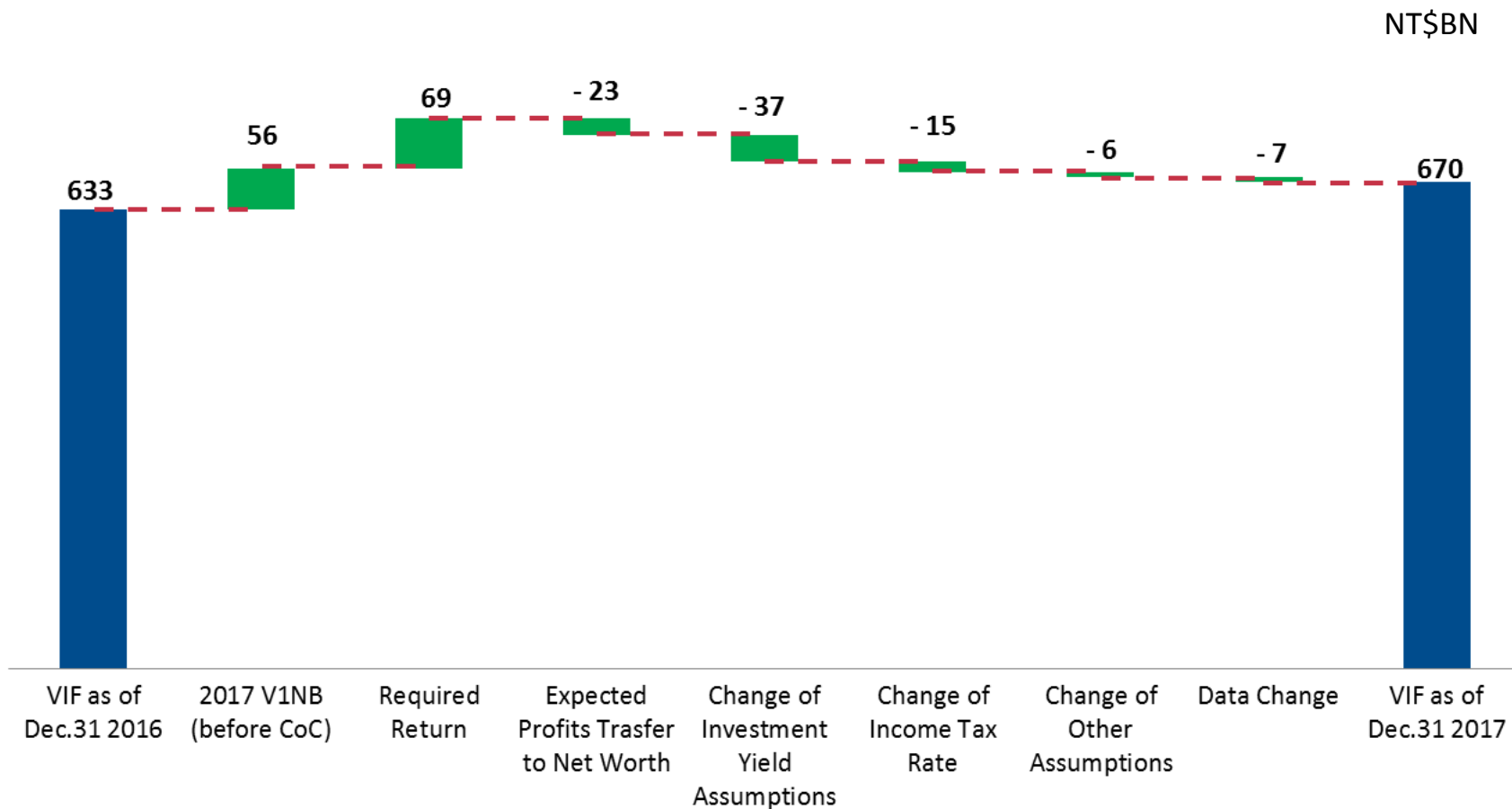
Analysis of change in Adjusted Net Worth (ANW)



Note:

- (1) The profit of 2017 is 36.3 billion. However, 4.3 billion is recovered from special reserve of unrealized gains on property, which is already reflected in ANW of 2016. Thus, we reflect the remaining 32.0 billion in the item "2017 Profits".
- (2) Others include change of foreign exchange volatility reserve 1.7 billion.

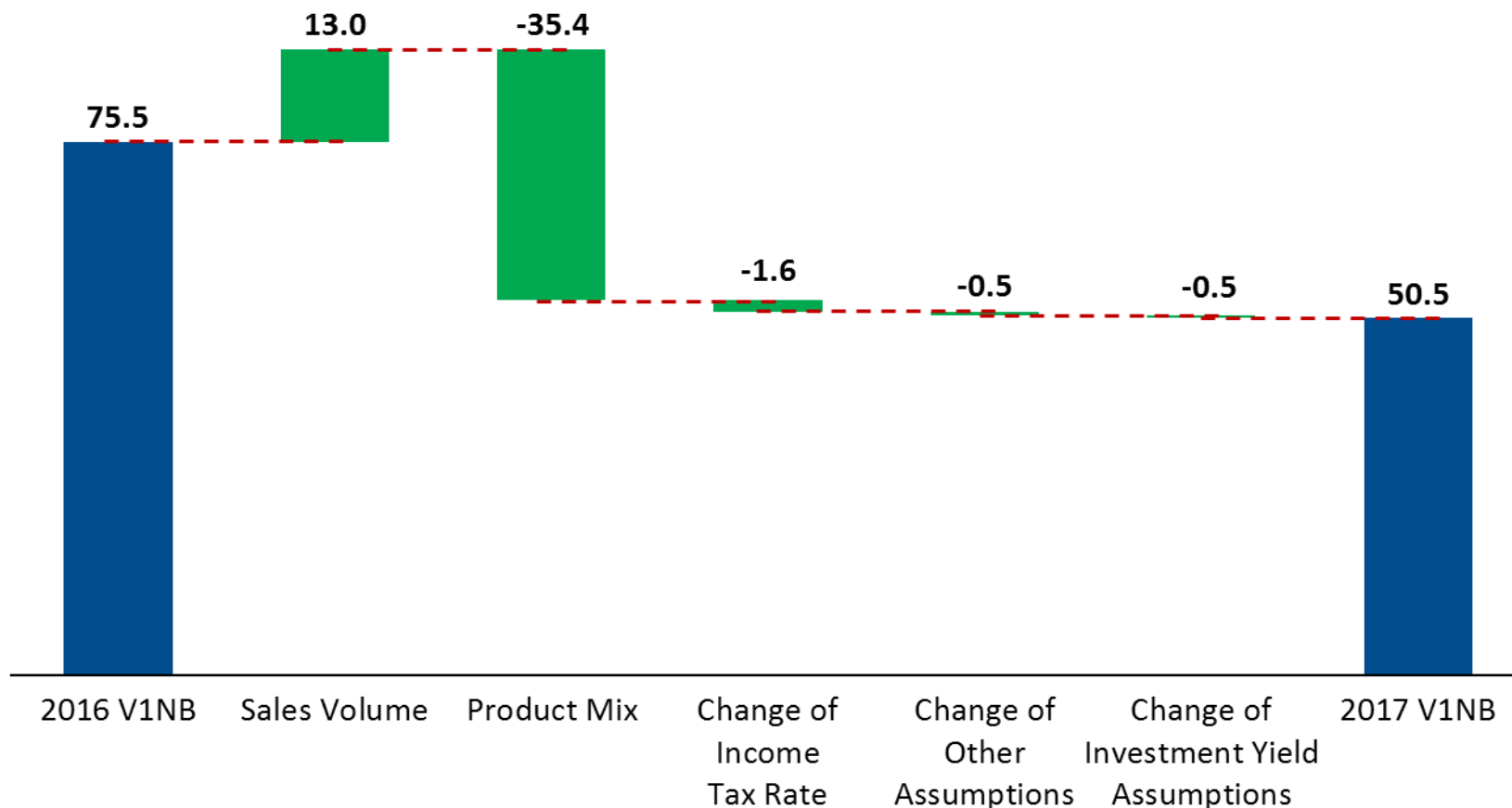
Analysis of change in value of in-force business (VIF)



- The value of one year new business (after CoC) of 2017 is 50.5 billion.

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

NT\$BN



Sensitivity Analysis

NT\$BN, except for per share figures

Valuation date	2017/12/31					
	Investment yield - 0.25%	Investment yield + 0.25%	Investment yield + 0.25% (capped) ⁽¹⁾	Base Case	Discount rate - 0.5%	Discount rate + 0.5%
Adjusted net worth	464	464	464	464	464	464
Value of in-force business	549	791	735	670	713	631
Cost of capital (CoC)	-199	-181	-185	-190	-183	-197
Value of in-force business (After CoC)	350	610	550	480	530	435
Embedded Value	813	1,074	1,014	944	994	899
EV / per share	142.1 (64.8)	187.5 (85.5)	177.1 (80.7)	164.8 (75.1)	173.6 (79.1)	156.9 (71.5)
Appraisal Value	1,249	1,578	1,500	1,416	1,493	1,347
Value of future one year's new business (After CoC)	48.9	60.2	56.3	54.5	58.7	50.7
AV / per share	218.0 (99.4)	275.6 (125.6)	262.0 (119.4)	247.3 (112.7)	260.7 (118.9)	235.2 (107.2)

Note: (1) "Investment yield +0.25% (capped)" : the investment return is capped by 5.05% for NTD policies and 5.82% for USD policies.

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

YoY Comparison

Under the different discount rate assumption (9.5%~10.5%), the results of the Year 2016 & 2017 go as follows.

NT\$BN

Valuation date	2016/12/31	2017/12/31
Embedded Value	813~903	899~994
Value of future one year's new business	50.2~58.3	50.7~58.7
Appraisal Value	1,266~1,394	1,347~1,493

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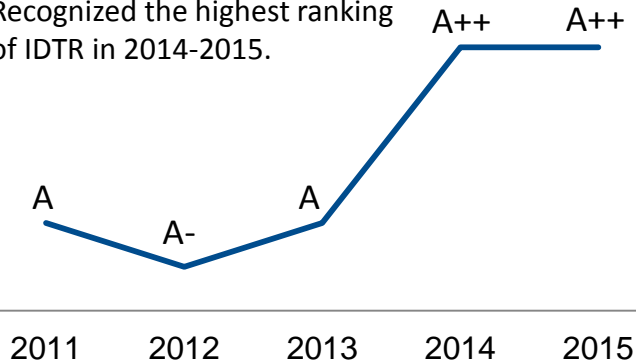
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Continuous efforts in CSR

Superior Corporate Governance Performance

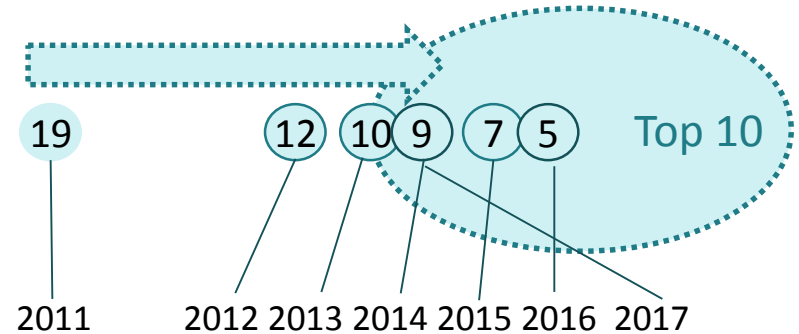
Recognized the highest ranking of IDTR in 2014-2015.



Cathay FHC has been ranked as top 5% of TWSE Corporate Governance Evaluation in 2017.

Ranked Top 10 of Taiwan Corporate Citizenship Award

Ranked top 10 for 5 consecutive years



Recognized by representative international ESG institutions

MEMBER OF
Dow Jones Sustainability Indices
 In Collaboration with RobecoSAM

- ✓ Selected in DJSI Emerging Markets since 2015
- ✓ The first Taiwan insurance company included in DJSI

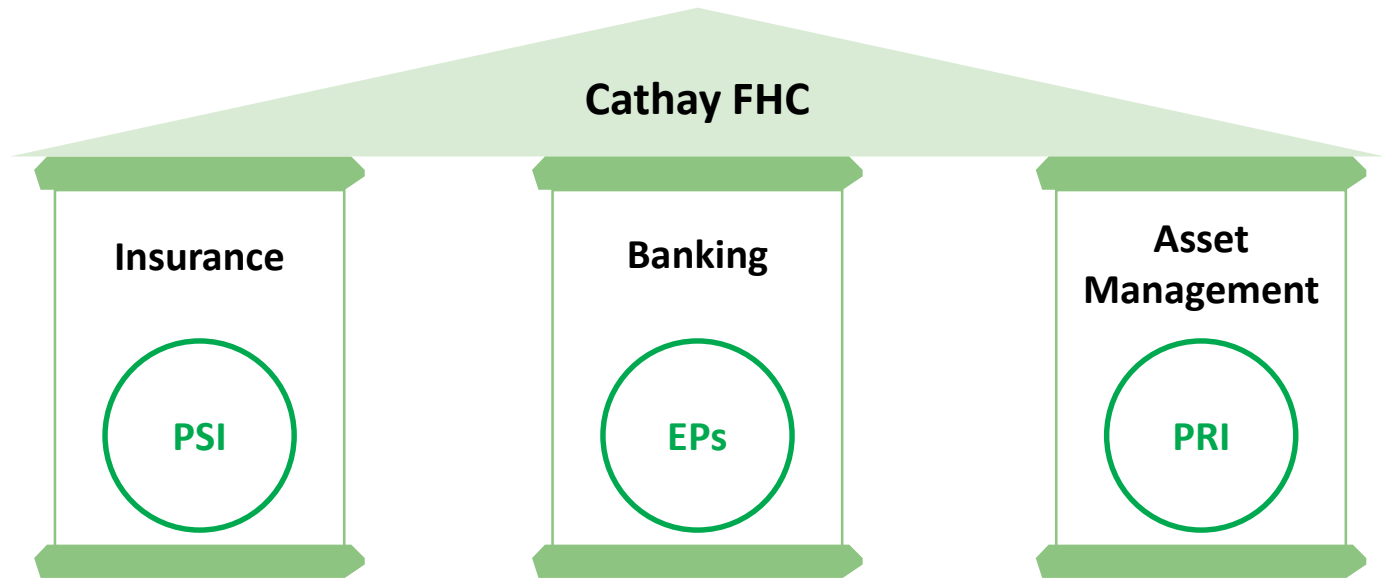
vigeo eiris
 BEST EM PERFORMERS

- ✓ Constituents of Vigeo Eiris Best EM Performers

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.

Cathay FHC integrates sustainability into business



Key initiatives

- In 2016, Cathay Life was the first Taiwanese life insurer voluntarily complying with the PSI.
- Cathay Century P&C Insurance also followed PSI framework in 2017.

- In 2015, CUB was the first Taiwanese financial institution signing the Equator Principles (EPs).

- Conning Inc., subsidiary of Conning Holding which was acquired by Cathay FHC, is the PRI signatory.
- Cathay SITE also signed Taiwan Stewardship Code in 2016.

Team in-charge

Corporate Sustainability (CS) team in Cathay Life and Cathay Century

Sustainable Finance Management Section in Cathay United Bank

Responsible investments team under Cathay FHC CS committee

Integrating ESG issues into all business processes

Business Processes	Risk Management	Products & Services	Operation	After-Sales Management	Investment
<p>Integrating ESG into Business Process</p>	<ul style="list-style-type: none"> • Consider ESG emerging risks • Improve the management of climate risk and opportunity by following TCFD framework • Set investment/ lending limits and management procedures 	<ul style="list-style-type: none"> • Fintech and one-stop service • Strengthen the green finance and inclusive finance services • Integrate ESG issues to the underwriting and lending processes 	<ul style="list-style-type: none"> • Paperless operations and Fintech • GHG inventory and carbon emission reduction • Water and waste control 	<ul style="list-style-type: none"> • Review the product details and offer flexibility to customers when significant ESG incidents occur • Trigger critical disaster claims mechanism when significant ESG incidents occur • Disclose EPs projects 	<ul style="list-style-type: none"> • Exclusion policy • ESG integration • Sustainability themed investing • Corporate engagement and shareholders' actions • Investment mandate management

Actively participate in Global ESG initiatives



- ❑ Cathay FHC was **the first Taiwanese financial institution joining CDP in 2012** aiming to improve the carbon emission data transparency of Cathay's investee companies and loan customers.
- ❑ Participated in the **CDP non-discloser engagement campaign** since 2017 encouraging Cathay's investee companies to respond CDP questionnaires.
- ❑ The **response rate in 2017 reached 19%**, higher than overall response rate.



- ❑ Cathay FHC was **the only Taiwanese financial institution joining Low Carbon Investment Registry** initiated by GIC in 2014.
- ❑ The low carbon investment amount registered in 2015 reached US\$ 1.73 billion.



- ❑ **Cathay FHC joined AIGCC in 2016** and participates in the monthly conference calls discussing the global trends of climate change.



- ❑ Cathay Life and Cathay SITE are the **signatories of Climate Action 100+ initiatives**.
- ❑ Cathay will **engage with Taiwanese companies who are the substantial greenhouse emitters** by encouraging them to disclose the impact of climate-related risks and opportunities based on TCFD recommendation.

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M&A Transaction: Conning in USA

- ❑ Cathay Life acquired 100% stake of Conning Holdings Corporation in 2015 for US\$240 MN. P/AuM was 0.26% upon announcement
- ❑ Cathay FHC expected to expand its global presence in asset management and realize “Banking + Insurance + Asset Management” strategy

Conning Asset Management

- ❑ Founded in 1912, Conning is a leading global investment management firm focusing on insurers and pension funds. It ranks as top 10 globally in insurance mandate with US\$123 BN AuM (1Q2018)
- ❑ Conning operates through its offices in North America, Europe and Asia

<u>Assets by Client Type (US\$BN)</u>	<u>Assets</u>
Life	46.2
Property-Casualty	42.1
Managed CLO Funds	13.8
Mutual Fund	8.1
Pension Plans	5.8
Healthcare	2.2
Banks	1.7
Others	2.7
Total AUM	122.6

<u>Assets by Region (US\$BN)</u>	<u>Assets</u>
North America	68.4
APAC	43.8
United Kingdom	6.6
Continental Europe	1.6
Bermuda	1.6
Other	0.5
Total AUM	122.6

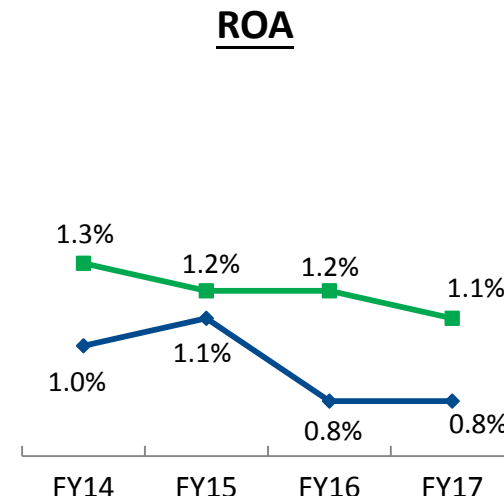
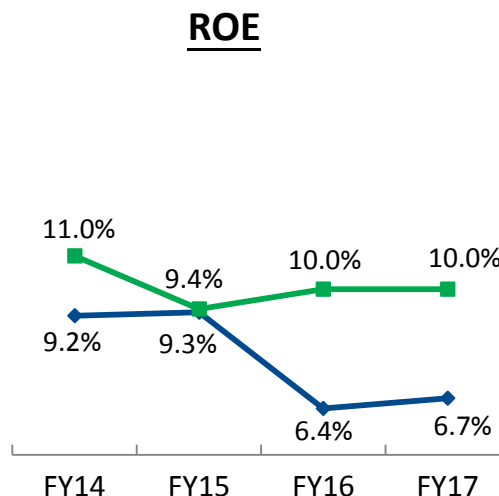
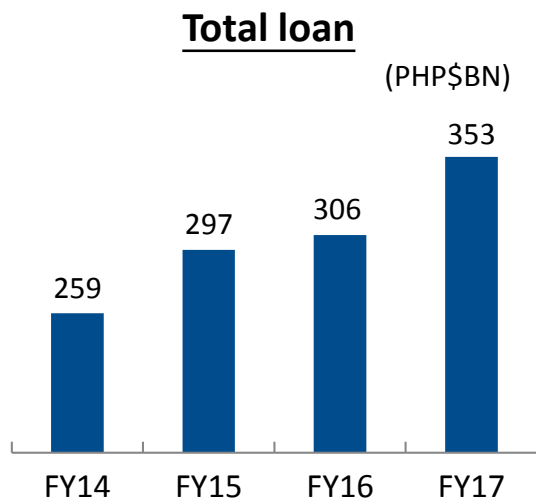
Note: Totals may not sum due to rounding.

M&A Transaction: RCBC in Philippines

- ❑ Cathay Life invested in 20% shares of Rizal Commercial Banking Corporation (“RCBC”) with 3 board seats of the company in 2015. Total investment was PHP\$17.9 BN (c. US\$400 MN). Post-money P/B was c.1.57x upon announcement
- ❑ Cathay Life may increase its investment in RCBC via placement or open market purchase, up to 30%

RCBC’s Performance

- ❑ RCBC is one of the large private-owned banks in terms of total assets, with 503 branches and over 6,000 employees



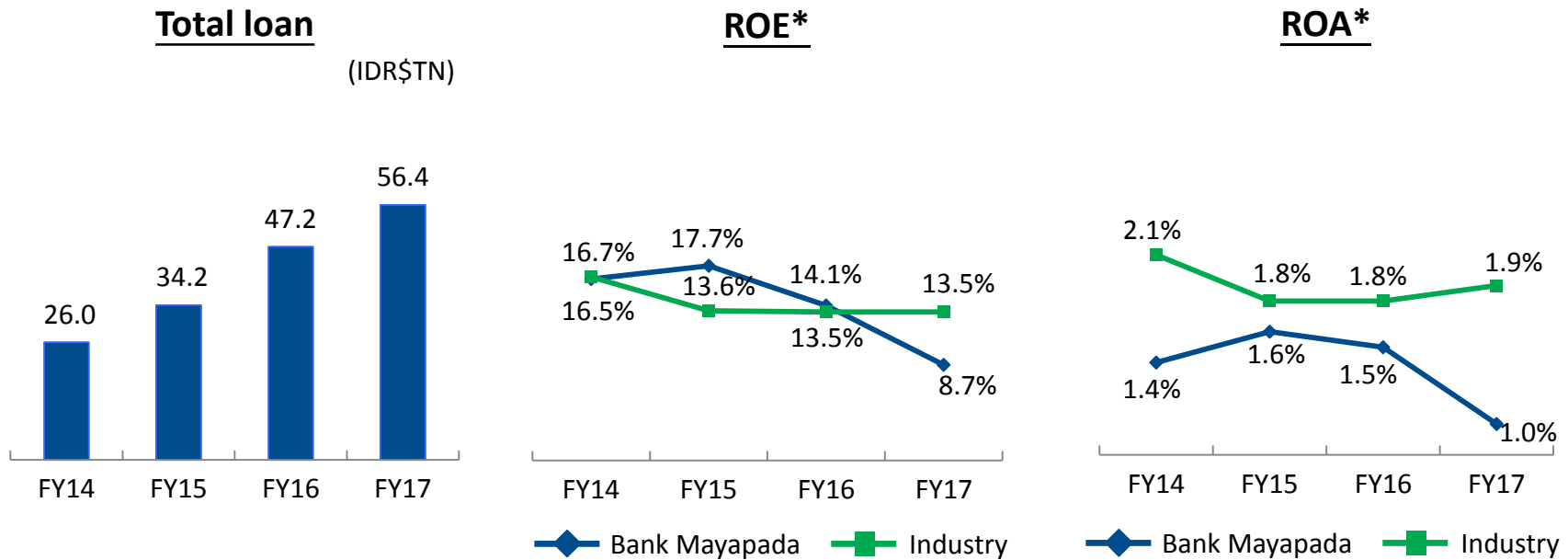
◆ RCBC ■ Industry

◆ RCBC ■ Industry

M&A Transaction: Bank Mayapada in Indonesia

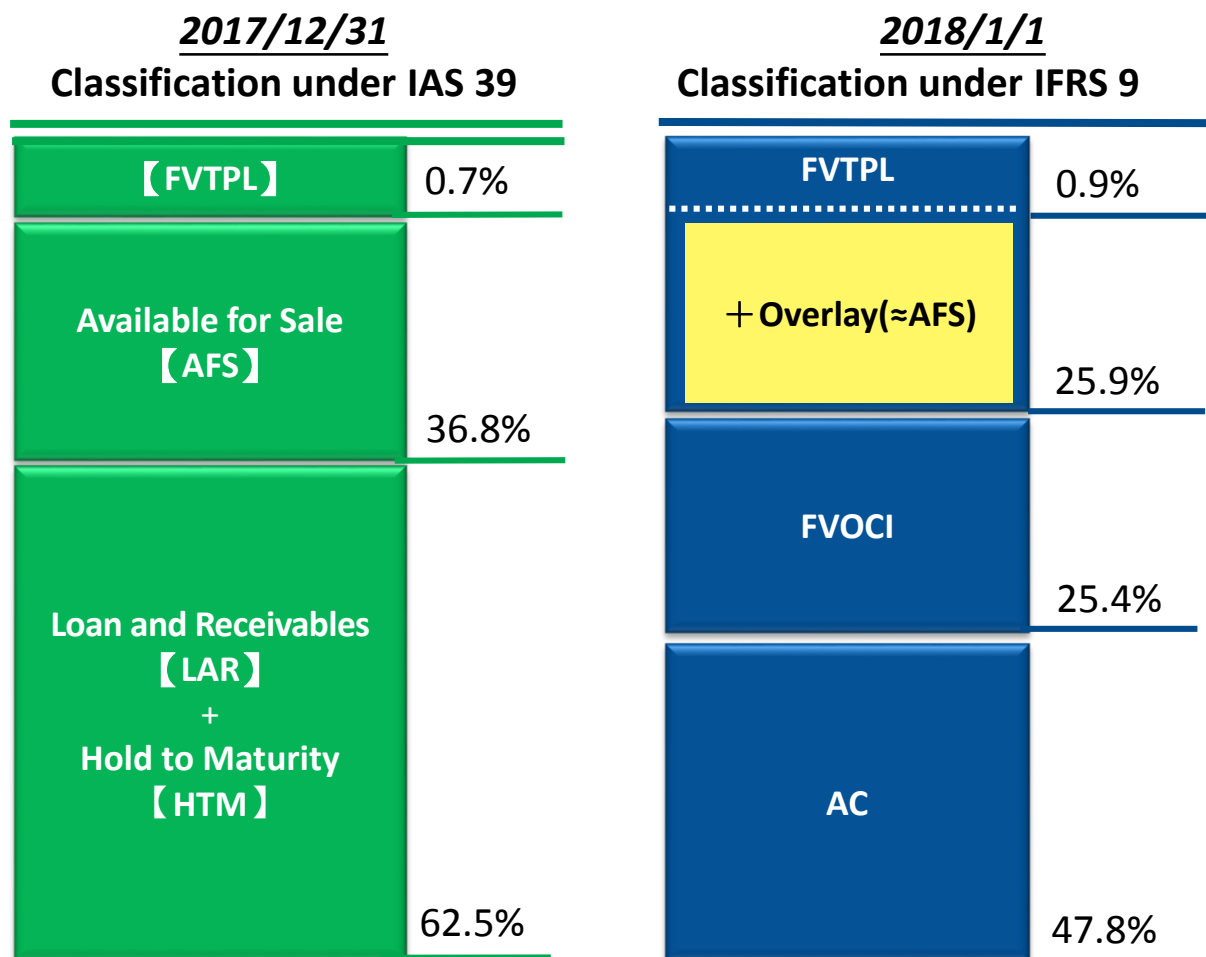
- █ Cathay Life has completed the acquisition of 40% stake in PT Bank Mayapada International, Tbk ("Bank Mayapada")
 - Stage 1 : acquire 24.9% stake (US\$ 164 MN) – completed in 1H15
 - Stage 2 : acquire 15.1% stake – completed in Oct 2016
- █ Total investment was ~IDR\$3.52 TN (US\$ 295 MN), representing a ~3.15x P/B multiple upon announcement

Bank Mayapada's Performance



Note: ROE: Profit After Tax/Average Total Equity, ROA: Profit After Tax/Average Total Assets; ROE and ROA in the unaudited report are 25.5%(=Profit After Tax /Average Core Capital (Tier1) and 2.4% (=Profit Before Tax/Average Total Assets) respectively.

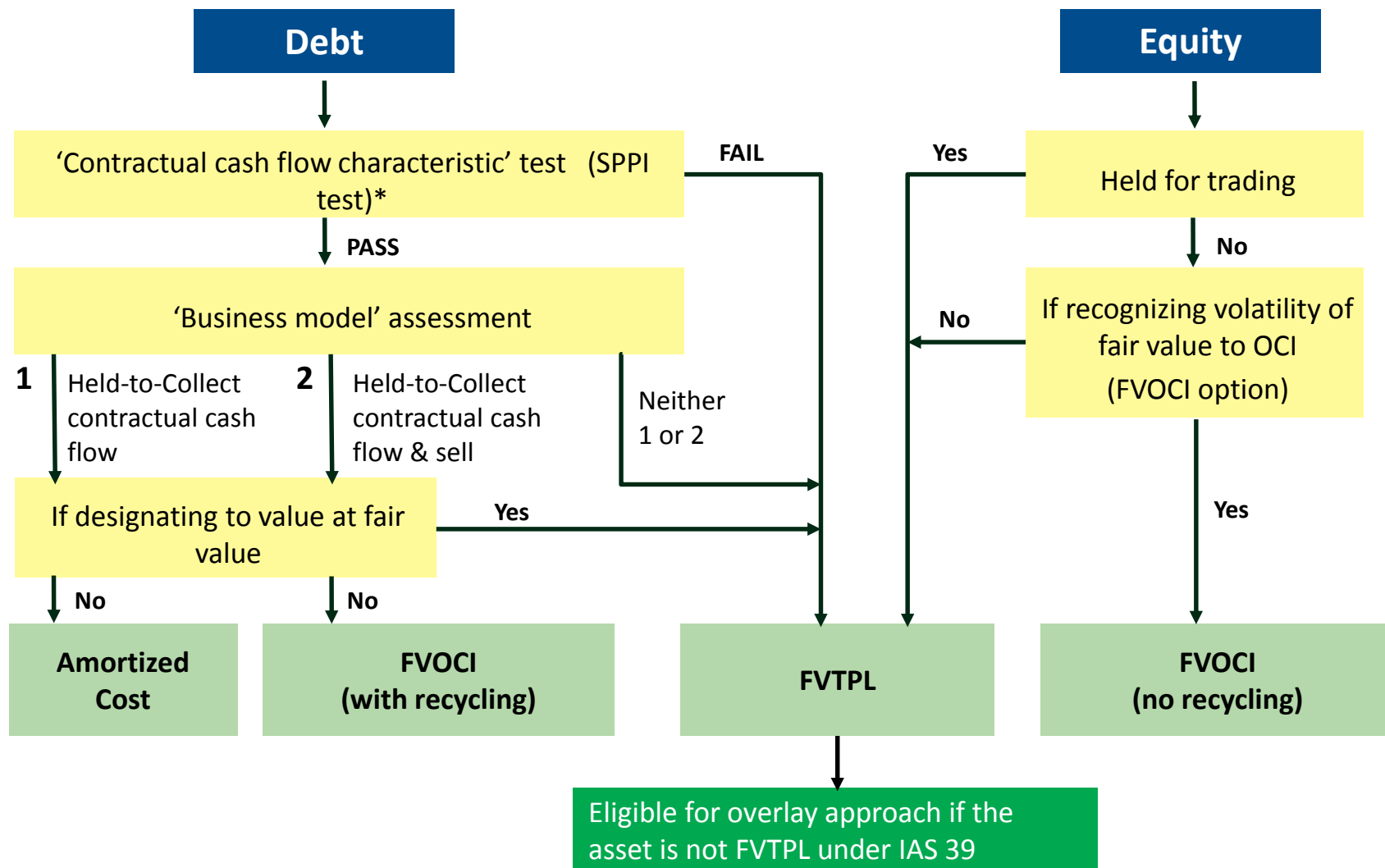
Cathay Life - Asset reclassification under IFRS 9



Cathay Life's book value increased by NT\$32.6 bn.

Note: FVTPL stands for Fair Value through Profit or Loss, FVOCI stands for Fair Value through Other Comprehensive Income, and AC stands for Amortized Cost.

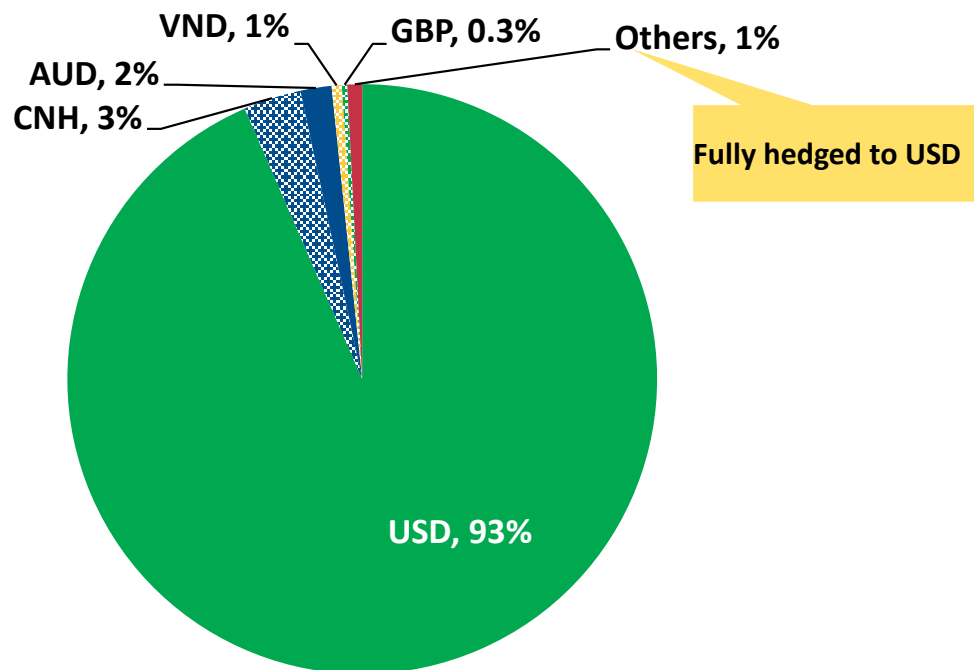
Asset classification under IFRS 9 with overlay approach



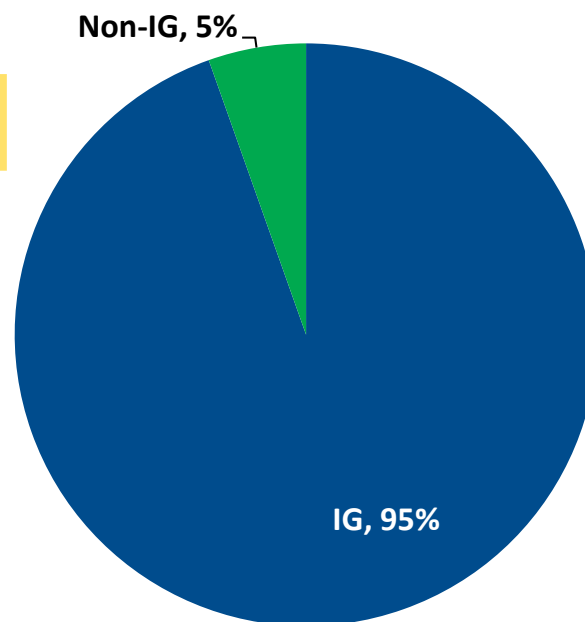
*SPPI means cash flow are solely payments of the principal and interests on the principal amount outstanding. Interests consist of the consideration of time value and credit risk associated with the principal.

Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (1Q18)

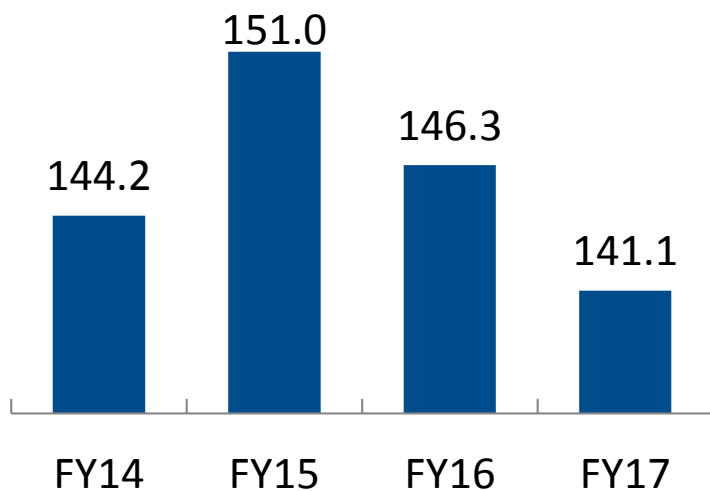


Overseas bond by rating (1Q18)

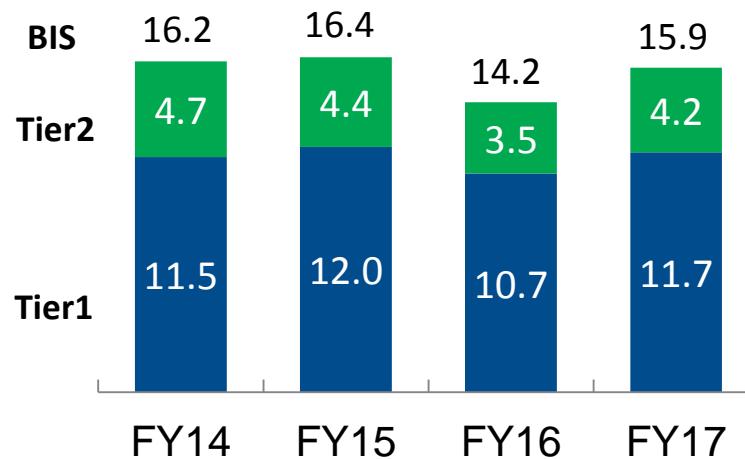


Capital adequacy

Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC(%)

