



國泰金控

Cathay Financial Holdings

2020 Third Quarter Briefing

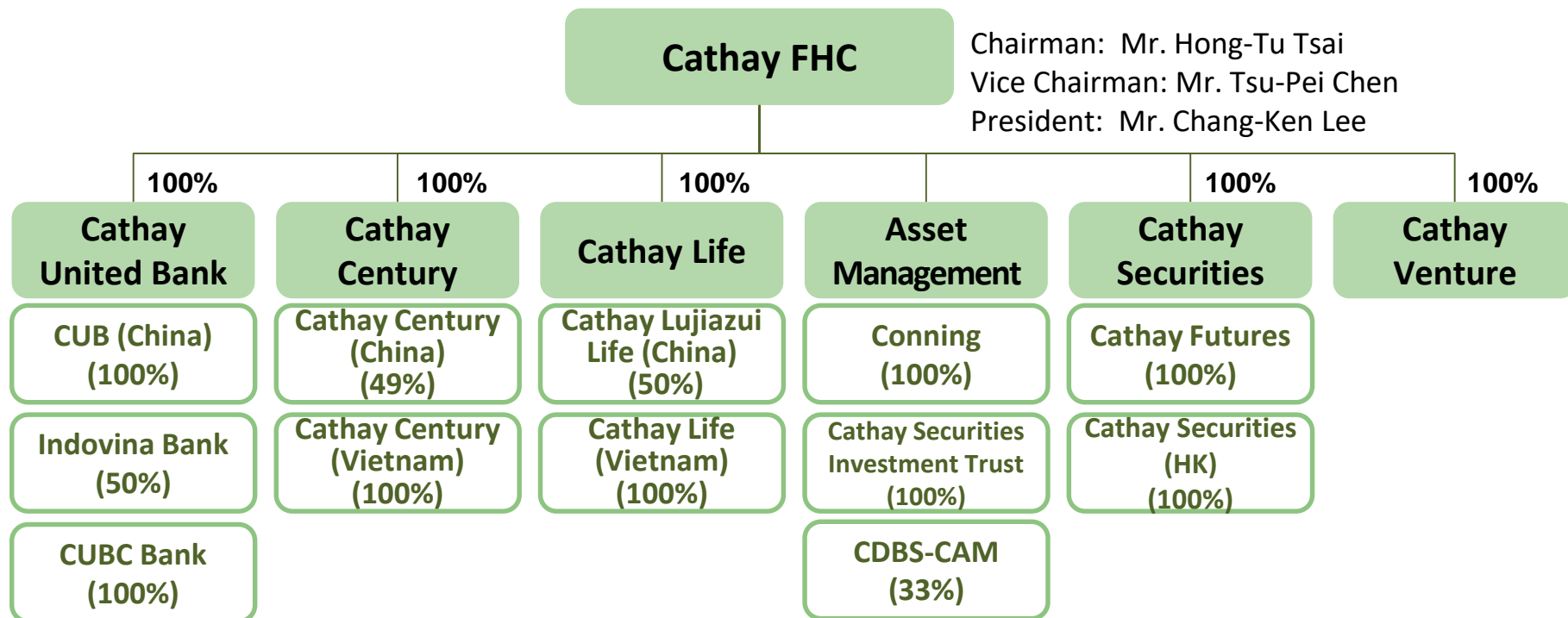
November 2020



Agenda

- **Introduction of Cathay FHC**
- **9M20 Business Overview**
- **Overseas Expansion**
- **Business Performance Summary**
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Cathay's CSR Efforts**
- **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% (9M20).

- No. 1 life insurer in terms of total assets and total premium
- Market share in total premium: 17.4% (9M20).

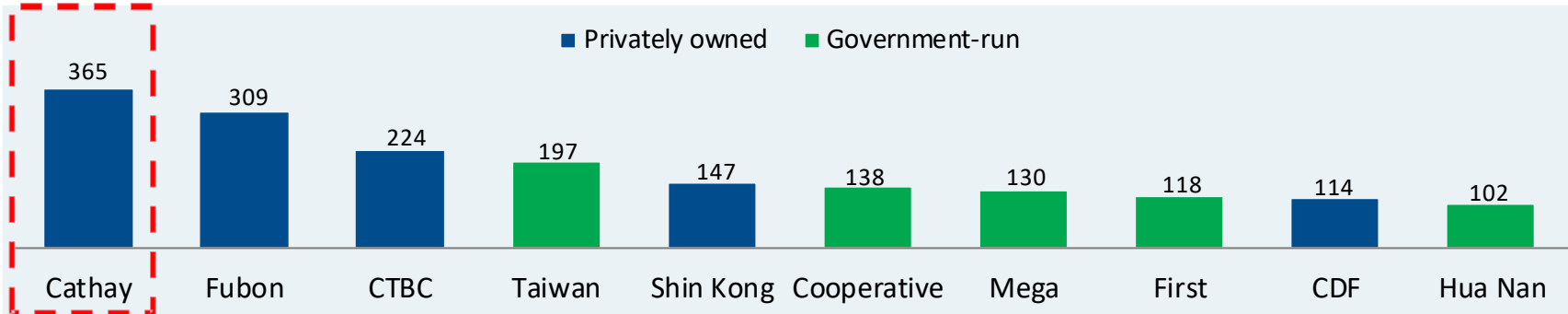
- Building global asset management platform
- Largest AUM among asset managers in Taiwan

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

Market leader in Taiwan's FIG sector

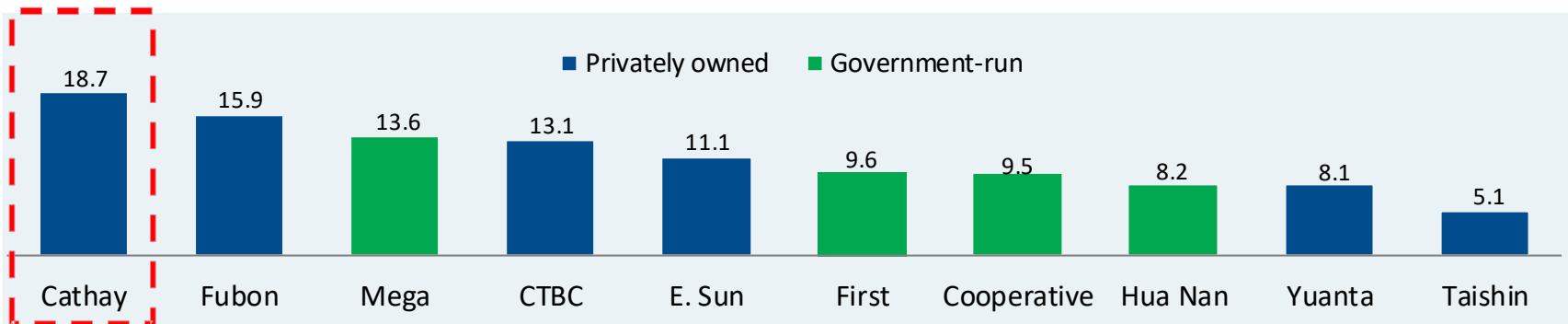
- Largest listed financials group by market capitalization and assets.

Ranking of total asset (US\$bn)



Note: Total assets as of September 30, 2020

Ranking of market cap (US\$bn)



Note: Market capitalization as of November 30, 2020

Cathay FHC's continuous effort in ESG integration

2011



- Established CSR Committee

2012

- Published the first CSR report



- Transformed CSR Committee to Corporate Sustainability Committee, supervised by the Board
- Formed Responsible Investment team

2014

- Cathay Life self-complied to PSI
- Joined Asia Investor Group on Climate Change (AIGCC)



2016

- Cathay United Bank signed Equator Principles, the first in Taiwan
- Included in DJSI Emerging Market Index

2015

2017

- Cathay Century P&C Insurance self-complied to PSI
- The only Taiwan FIG participated in CDP Non-Disclosure Campaign & Climate Action 100+ Initiatives

2018

- Cathay United Bank self-complied to PRB
- Included in DJSI World Index
- Pioneered to sign on TCFD initiative

2019

- Ranked as Leader (A-) by CDP
- Leading position in investment engagement: CA100+, AIGCC
- Active in engagement with government



Participating in global and domestic ESG initiatives

Initiatives	Joined company / Time
CDP	<ul style="list-style-type: none"> Cathay FHC (2012)
Low Carbon Investment Registry	<ul style="list-style-type: none"> Cathay FHC (2014)
Taiwan Stewardship Principles	<ul style="list-style-type: none"> Cathay Life & Cathay SITE (2016) Cathay Century Insurance (2017) Cathay United Bank & Cathay Securities (2018)
Asia Investor Group on Climate Change (AIGCC)	<ul style="list-style-type: none"> Cathay FHC (2016)
CDP Non-disclosure engagement campaign	<ul style="list-style-type: none"> Cathay FHC (2017)
Climate Action 100+	<ul style="list-style-type: none"> Cathay Life & Cathay SITE (2017)
PRI (signatory / voluntary self-complied)	<ul style="list-style-type: none"> Conning Inc. (PRI signatory in 2015) Cathay Life (voluntary self-complied in 2015)
PSI (voluntary self-complied)	<ul style="list-style-type: none"> Cathay Life (2016) Cathay Century Insurance (2017)
PRB (voluntary self-complied)	<ul style="list-style-type: none"> Cathay United Bank (2018)
TCFD	<ul style="list-style-type: none"> Cathay FHC (2018)

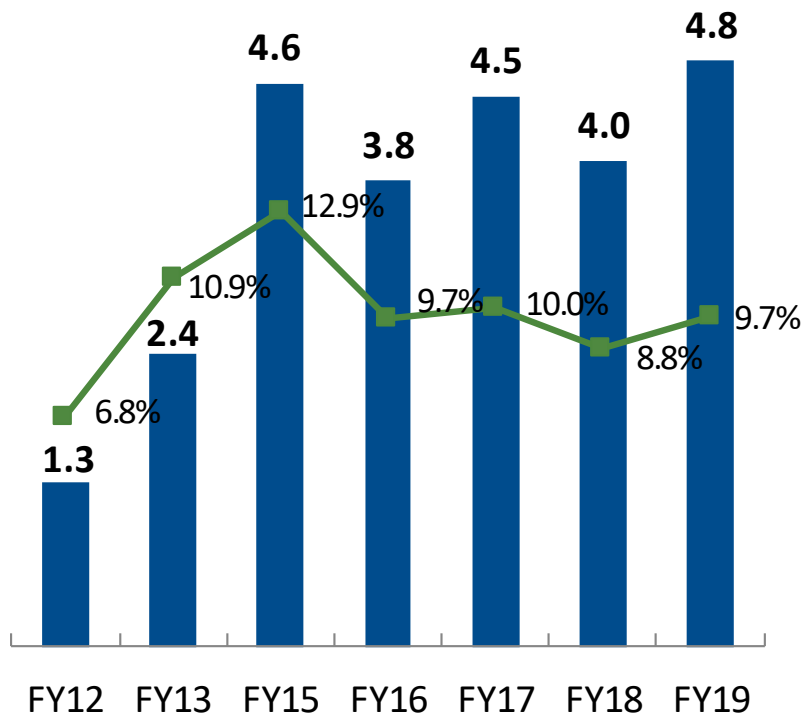
Note: Cathay self-complied UN initiatives as Taiwan is not the member state in UN

For more information please refer to "Cathay's CSR Efforts" page 40~49

Cathay FHC continued to deliver solid earnings

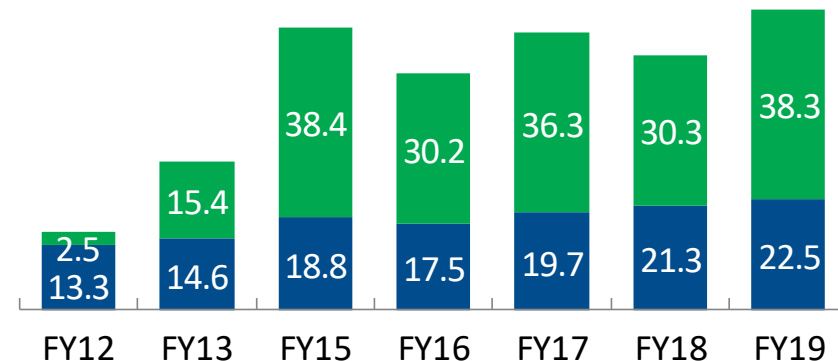
EPS & ROE

■ EPS ■ ROE (NT\$/%)



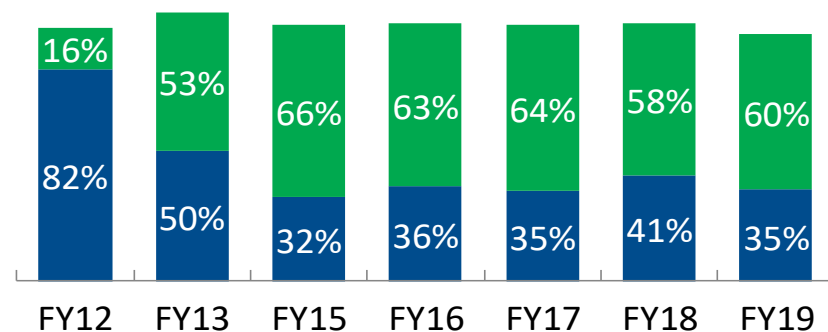
Profit contribution

■ CUB ■ Cathay Life (NT\$BN)



FHC	16.2	29.0	57.9	48.0	56.7	51.8	63.9
Life	2.5	15.4	38.4	30.2	36.3	30.3	38.3
CUB	13.3	14.6	18.8	17.5	19.7	21.3	22.5

■ CUB ■ Cathay Life



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.

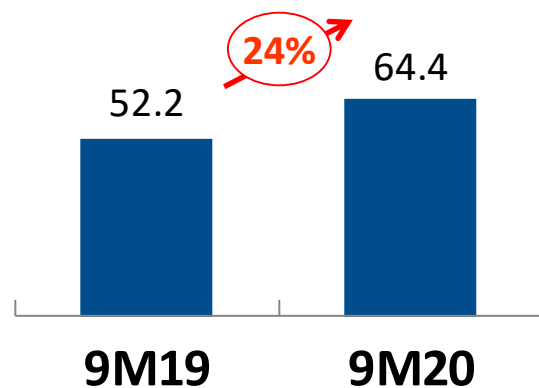
(3) EPS has been adjusted for stock dividend (stock split).

Cathay FHC – Net income & EPS

- 9M20 earnings has already surpassed 2019 full year's figure driven by sound investment performance.

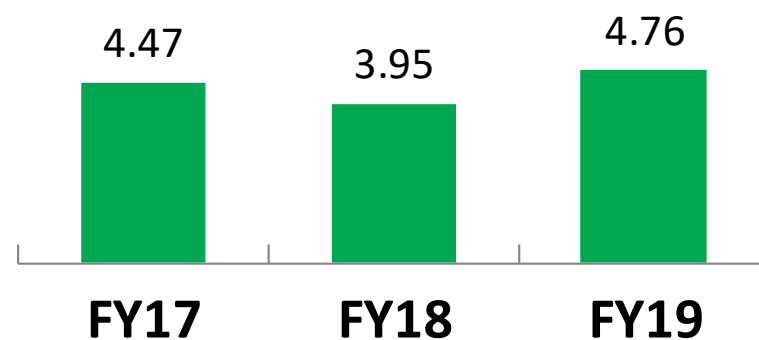
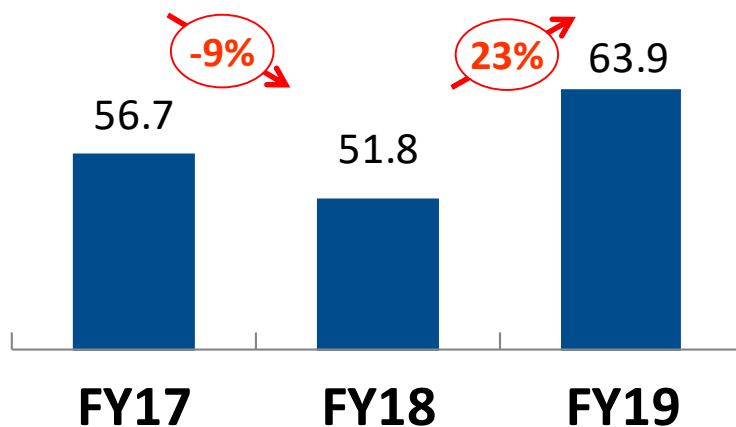
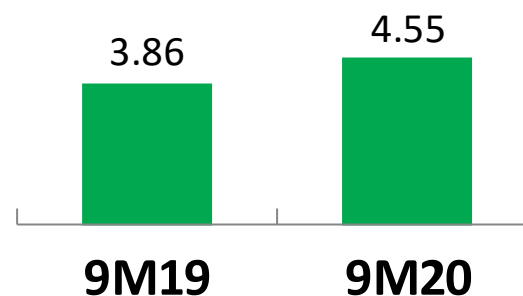
Net income

(NT\$BN)



EPS

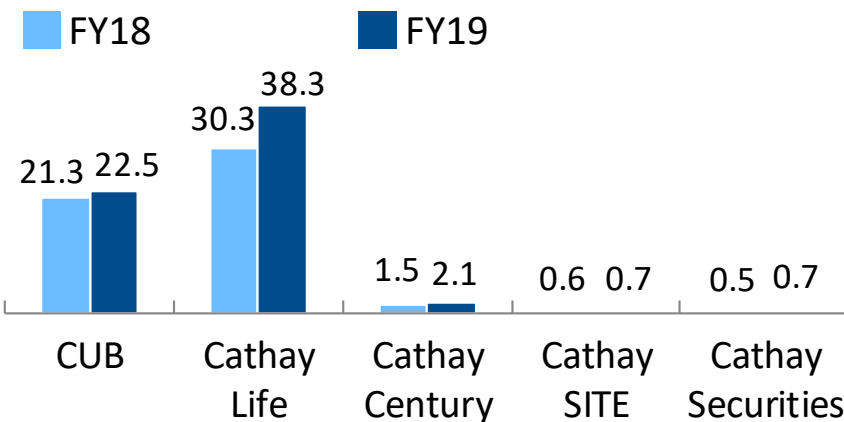
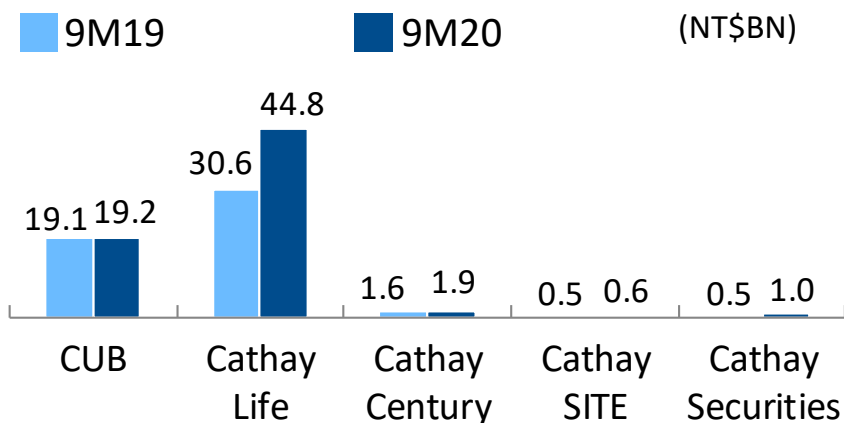
(NT\$)



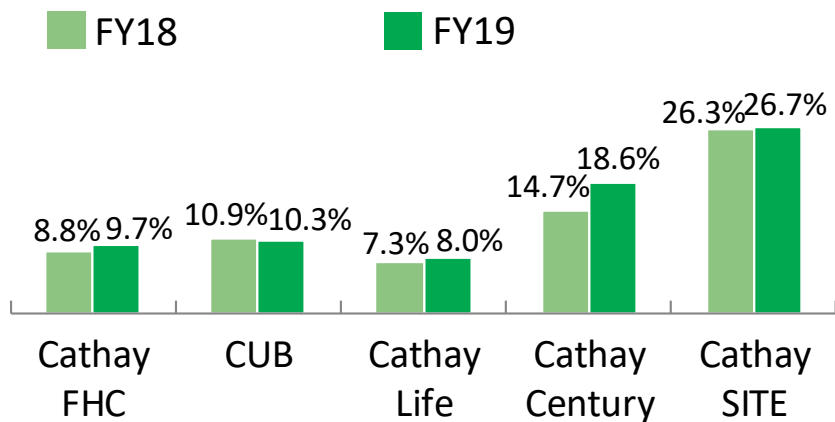
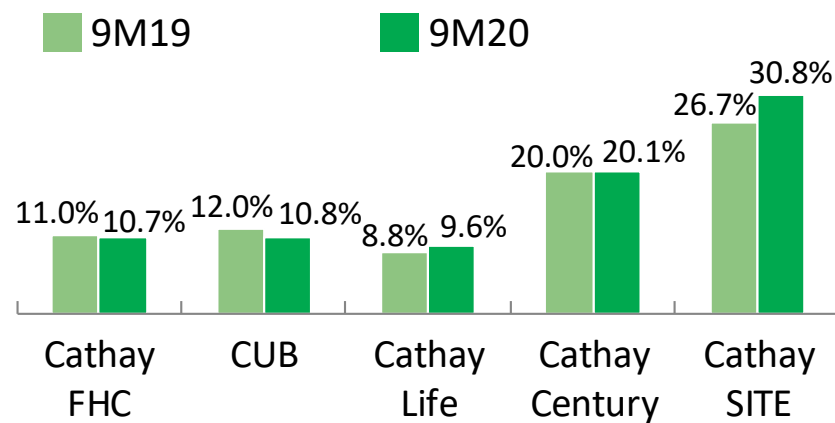
Cathay FHC – Net income & ROE

- Life's net income increased 47% YoY due to better investment income.
- P&C, Asset Management and Securities subsidiaries delivered double digit growth in net income.

Net income of primary subsidiaries

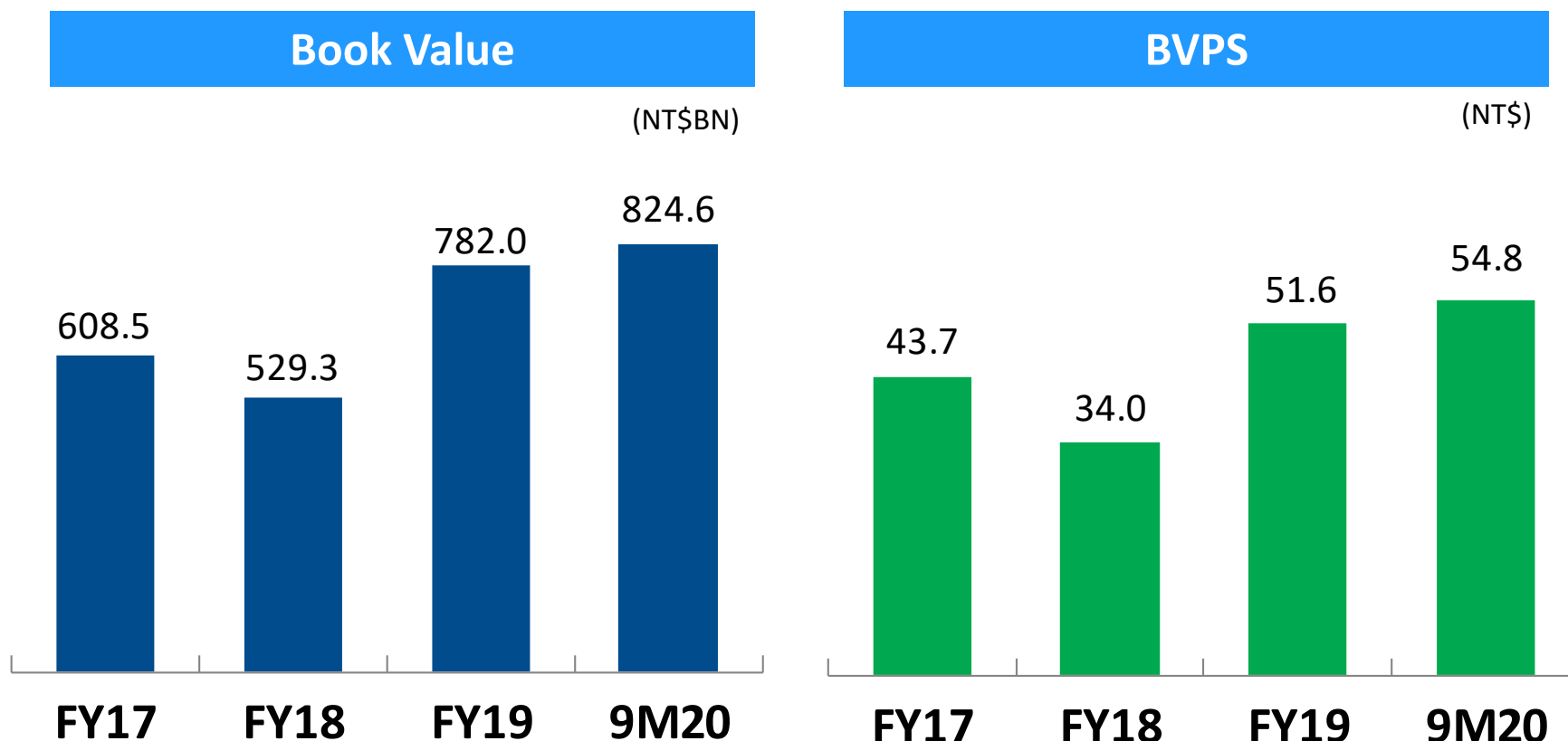


ROE



Cathay FHC – Book value & BVPS

- Book value continued to increase due to increase in the unrealized gains from financial assets and earnings contribution.



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.

9M20 Business overview

Cathay United Bank

- Delivered steady loan and deposit growth with benign credit quality.
- Overseas expansion continued. Offshore earnings grew 21% YoY, accounted for 48% of pre-tax earnings.
- Wealth management fee grew steadily, driven by mutual funds and securities product.

Cathay Life

- Focused on value-driven strategy. Total premium grew steadily driven by the growth of renewal premium. Both FYP and FYPE ranked No.1 in the industry.
- After-hedging investment yield reached 4.1%. Overall investment performance maintained stable.

Cathay Century

- Premium income grew steadily. Remained in second place with 11.8% market share.
- Developed online business in China and enlarged local team in Vietnam. Overseas premium income continued to rise.

Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$939.4 BN.
- Recognized by Asia Asset Management, Benchmark and received TFF-Bloomberg Best Fund Award in 2020.
- Received “Plan to Advance Excellence for SITEs” preferential treatment from FSC.

Cathay Securities

- Optimized customer experience with new digital business model.
- 9M20 profit increased significantly.

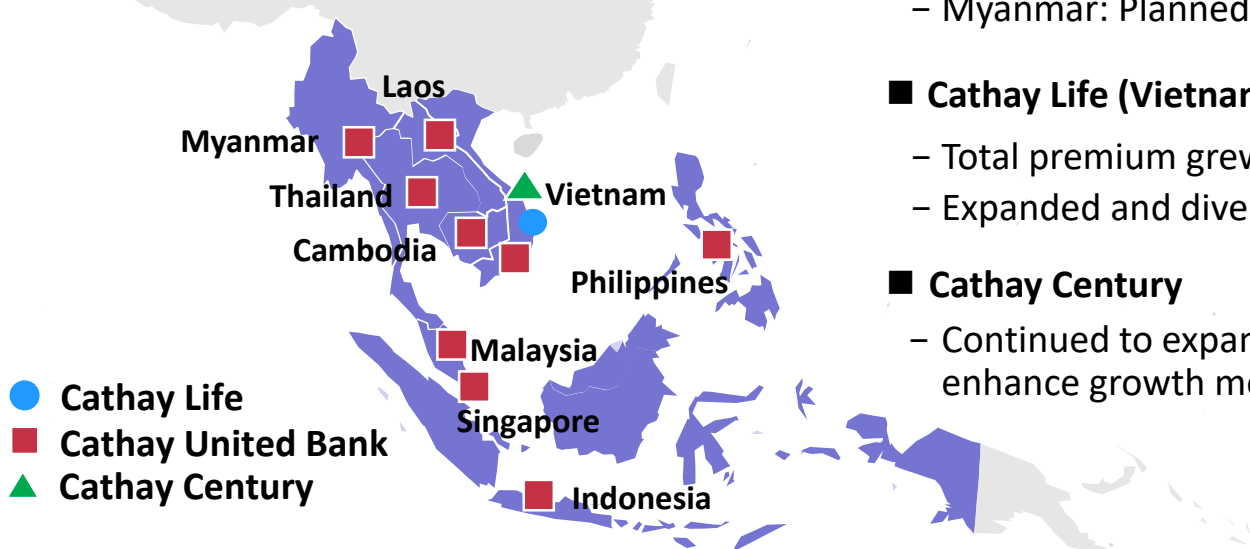
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Cathay FHC in South East Asia

	China	Vietnam	Cambodia	Hong Kong	Singapore	Malaysia	Laos	Philippines	Thailand	Myanmar	Indonesia
Bank	7	36	16	1	1	1	1	1	1	1	1
Life	53 ⁽¹⁾	110 ⁽¹⁾									
P&C	26	2									
Asset Mgt.	1			1							
Securities				2							

Note: (1) Cathay Lujiazui Life and Cathay Life (Vietnam) footprints includes headquarter and branches.
 (2) Footprints in Thailand and Indonesia are rep. 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 performed steadily.
- Cambodia: Subsidiary's businesses grew steadily.
- Philippines: Invested 23% stake in RCBC.⁽³⁾
- Indonesia: Invested 37% stake in Bank Mayapada.⁽³⁾
- Myanmar: Planned to open Yangon branch in early 2021.

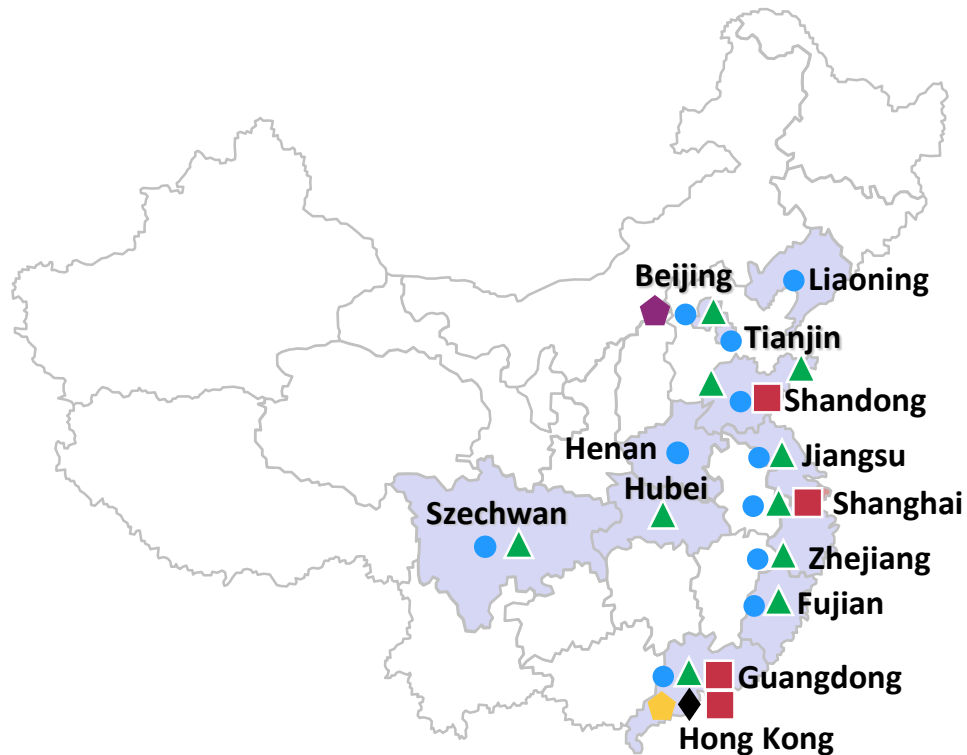
■ Cathay Life (Vietnam)

- Total premium grew 60% YoY to VND 1.17TN in 9M20.
- Expanded and diversified distribution channels.

■ Cathay Century

- Continued 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

- The China subsidiary performed steadily.
- CUB China invested RMB 800MN in Ant Consumer Finance Company in Chongqing.

■ Cathay Lujiazui Life

- Each business line grew steadily.
- Total premium grew 10% YoY to RMB 2.2BN in 9M20.

■ Cathay Century (China)

- Formed a strategic alliance with Ant Financial group. Actively developed eCommerce-related financial services.

■ Cathay Securities (HK)

- Each business line grew steadily.

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

- Continued to launch new products. Mainly focused on fixed income funds.

■ Conning Asia Pacific Limited

- Continued to expand asset management business.

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Cathay United Bank

Cathay Life

Cathay Century

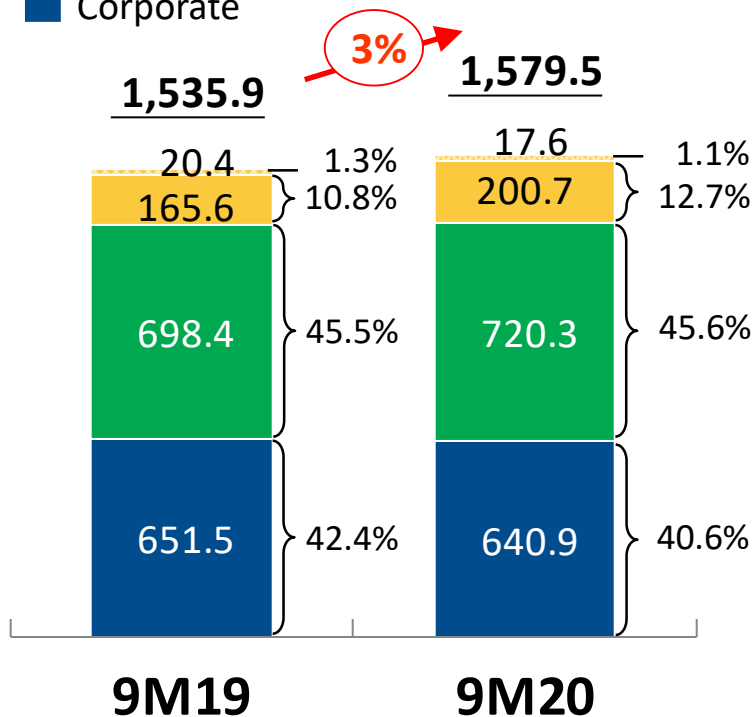
- Cathay's CSR Efforts
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Cathay United Bank – Loan & Deposit breakdown

- Total loan balance increased YoY due to growth in consumer loan and mortgage.
- Deposit grew solidly with higher demand-deposit ratio.

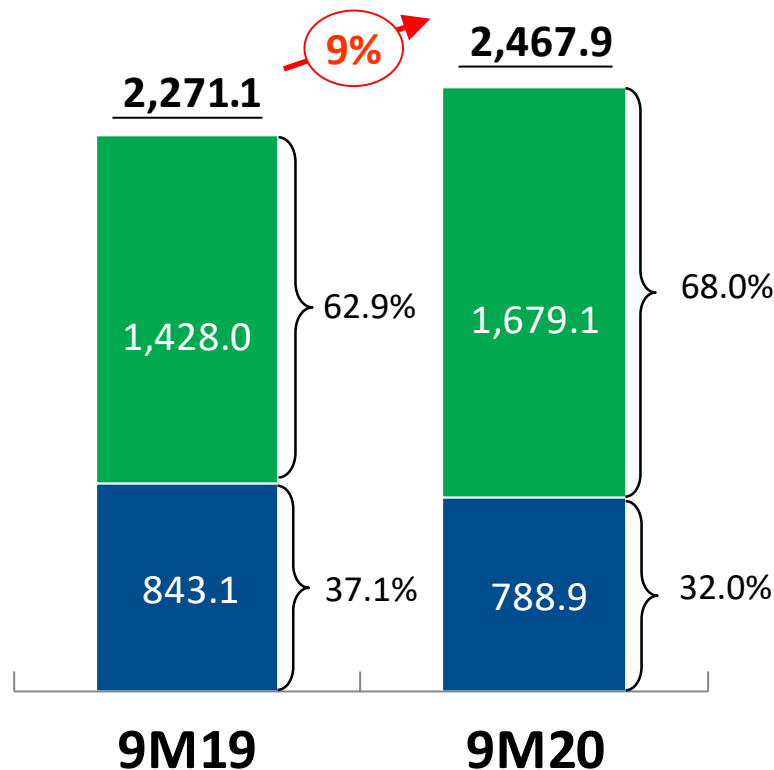
Loan breakdown

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



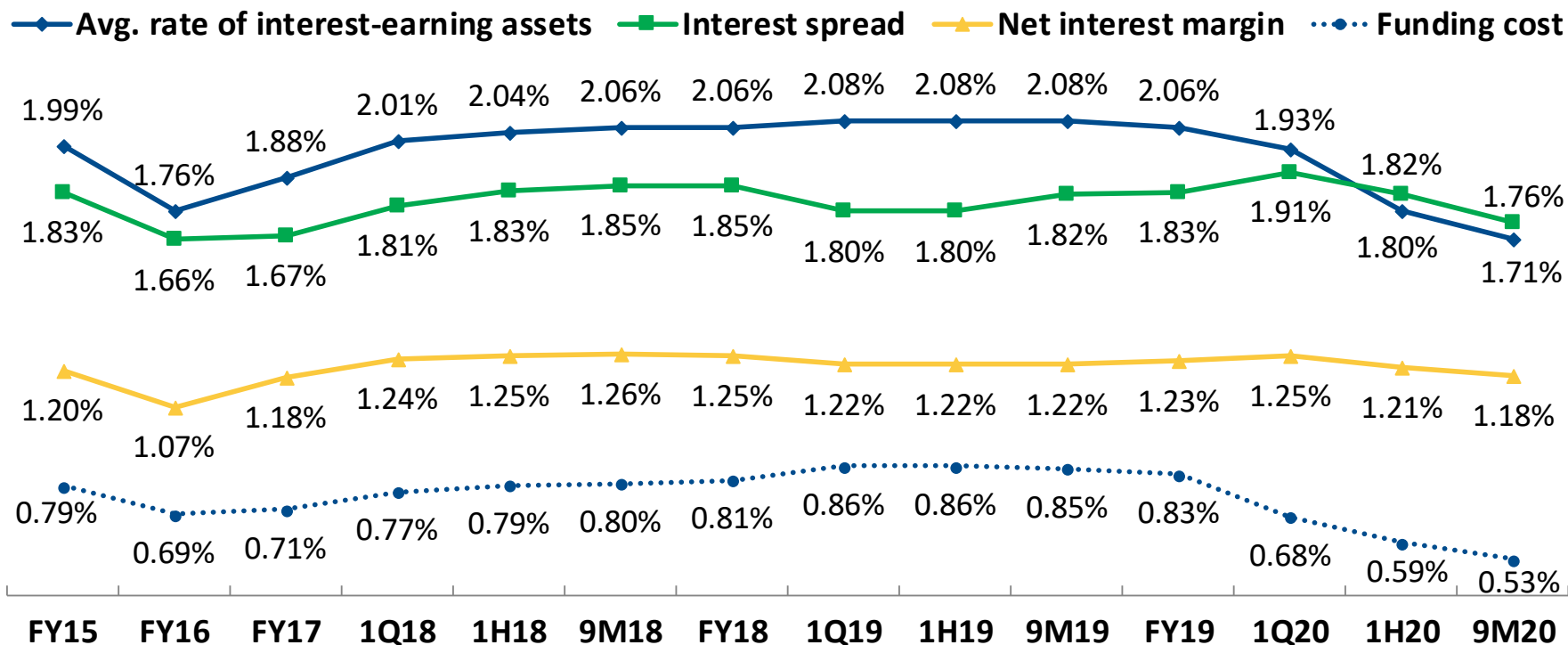
Deposit breakdown

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



Cathay United Bank – Interest yields

Interest spread and NIM contracted due to continued adverse impact from rate cuts.



Quarterly	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
Spread	1.81%	1.85%	1.90%	1.83%	1.80%	1.81%	1.85%	1.86%	1.91%	1.73%	1.65%
NIM	1.24%	1.26%	1.27%	1.22%	1.22%	1.22%	1.23%	1.26%	1.25%	1.17%	1.13%
NIM-pro forma excl. China ⁽²⁾	1.21%	1.22%	1.25%	1.22%	1.22%	1.22%	1.23%	1.26%	1.25%	1.17%	1.13%

Note : (1) Credit card related loans are included in the calculation of interest spread.

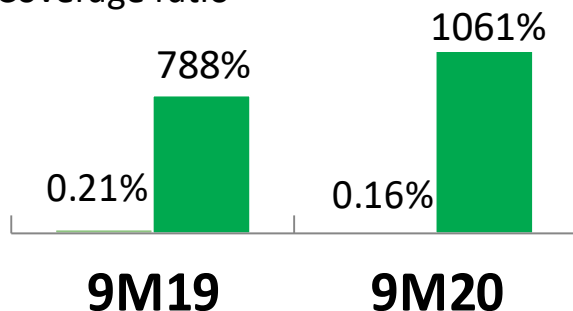
(2) China subsidiary was launched in Sep 2018. Hence, since 9M18, China subsidiary results was excluded.

Cathay United Bank – Credit quality

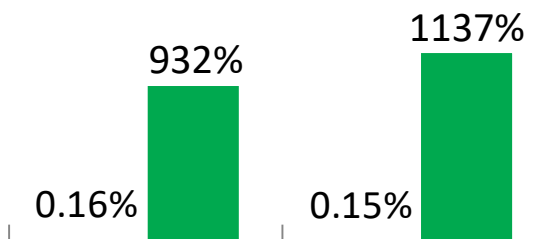
Asset quality remained benign with NPL at 0.16% and coverage ratio at 1061%.

NPL & Coverage ratio

NPL ratio
Coverage ratio



Mortgage NPL

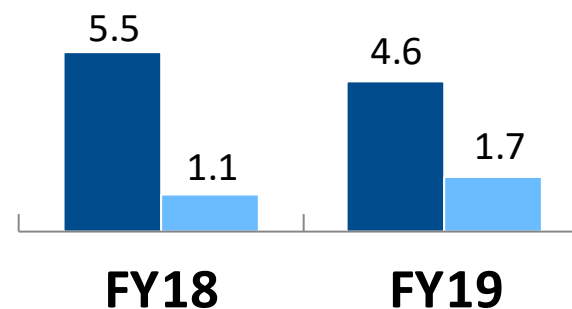
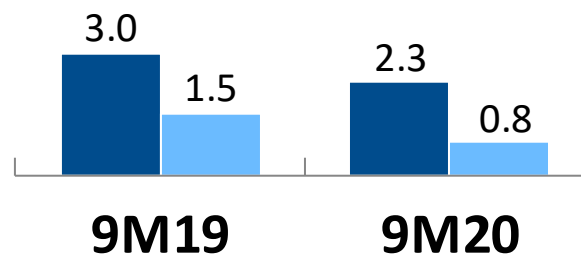


Mortgage NPL



Gross provision

Gross provision (NT\$BN)
Recovery



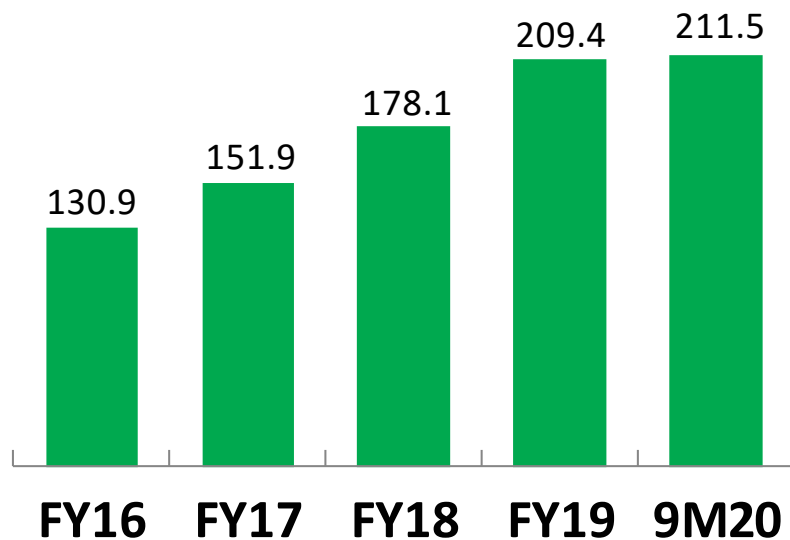
Note : China subsidiary was launched in Sep 2018. Hence, 9M19 & 9M20 number excluded China subsidiary results. (NPL ratio: 0% and 0.19%, Gross provision: NT\$ -18.9MN and NT\$ -39MN, Recovery: NT\$36.2MN and NT\$ 0MN; preliminary).

Cathay United Bank – SME & FX loans

- Grow SME and Foreign currency loans while ensuring asset quality.

SME loans

(NT\$BN)

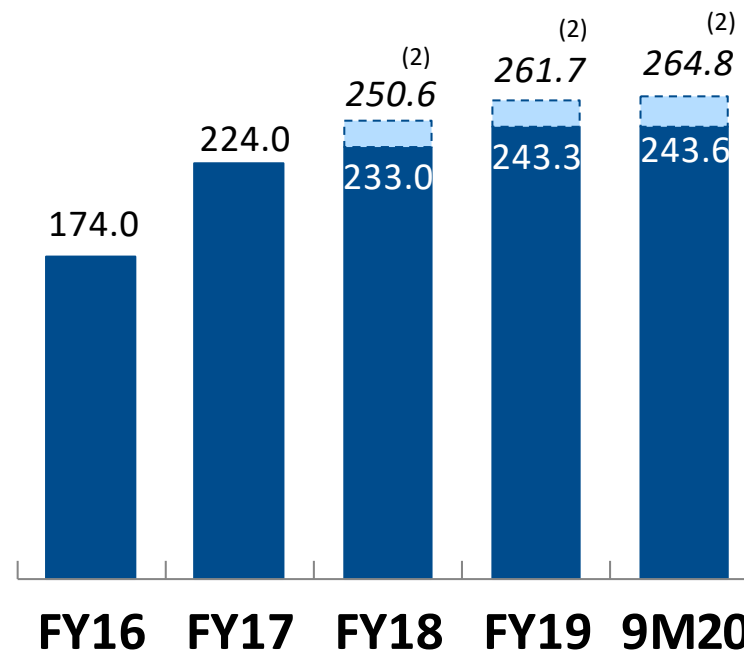


As % of total loans

9.2% 10.7% 11.4% 13.8% 13.5%

Foreign currency loans

(NT\$BN)



12.2% 15.8% 15.0% 16.1% 15.6%

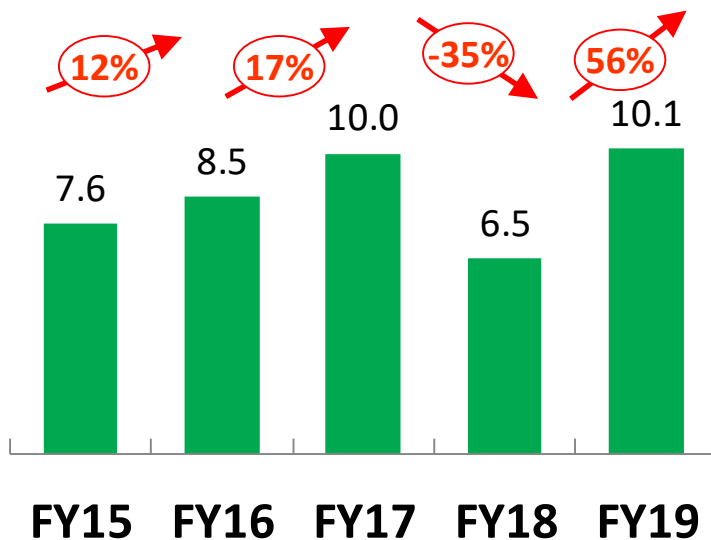
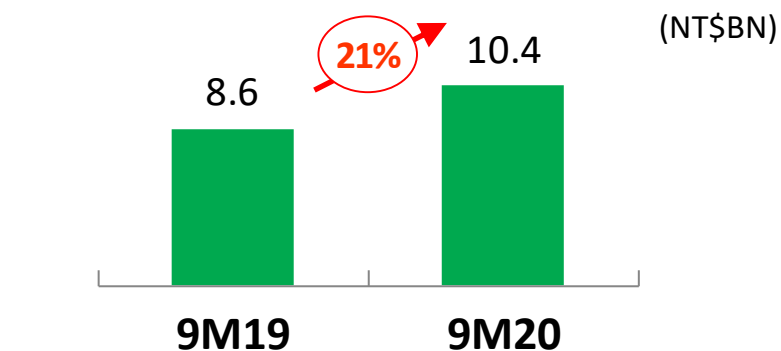
Note : (1) Total loans exclude credit card revolving balance.

(2) China subsidiary was launched in Sep 2018, hence FY18, FY19 and 9M20 foreign currency loan balance excluded NT\$17.6BN , NT\$18.4BN and NT\$21.1BN from China subsidiary, respectively. (preliminary)

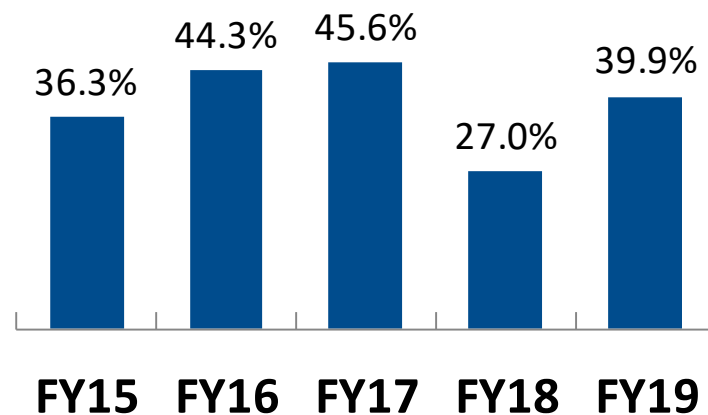
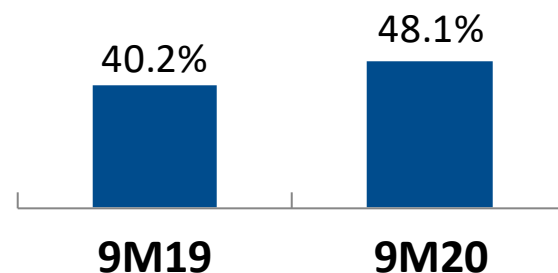
Cathay United Bank – Offshore earnings

- Expand overseas business by deepening overseas presence and capture investment opportunities. Offshore earnings grew 21% YoY and accounted for 48% of pre-tax earnings.

Offshore earnings



As % of CUB pre-tax profits



Cathay United Bank – Fee income

- Fee income declined 5% YoY due to decreased consumption under COVID-19 pandemic and lower credit card fee.

Quarterly fee income

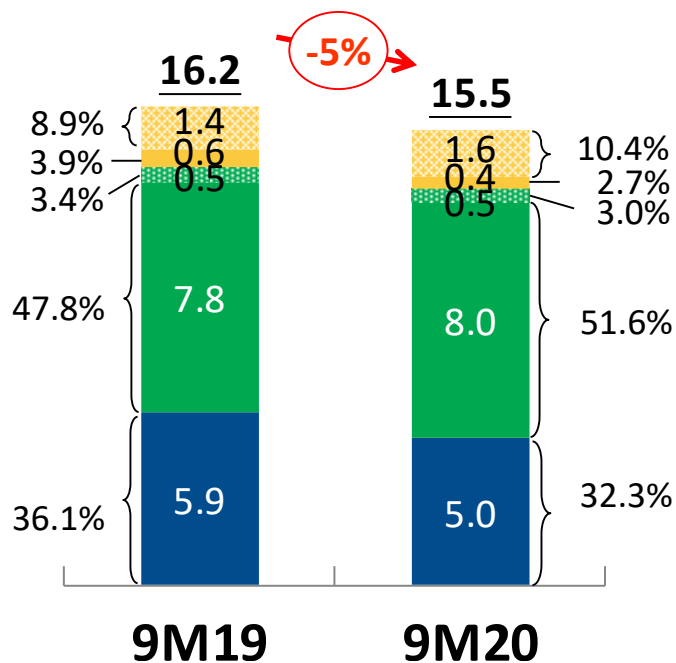
Others (NT\$BN)

Syndicated loans

FX

Wealth management

Cards related



Annual fee income

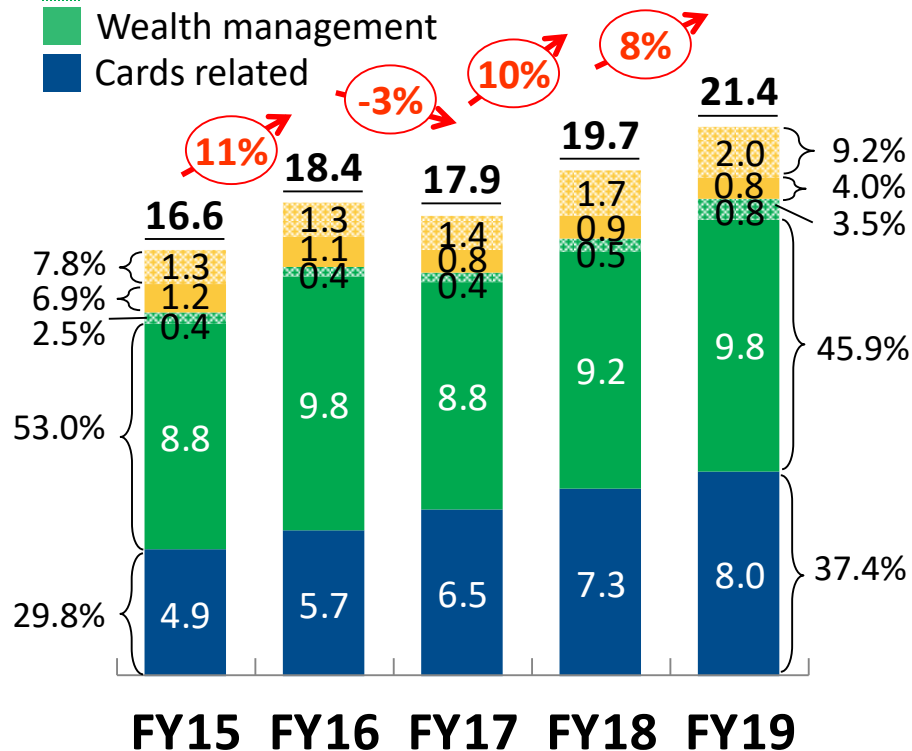
Others (NT\$BN)

Syndicated loans

FX

Wealth management

Cards related



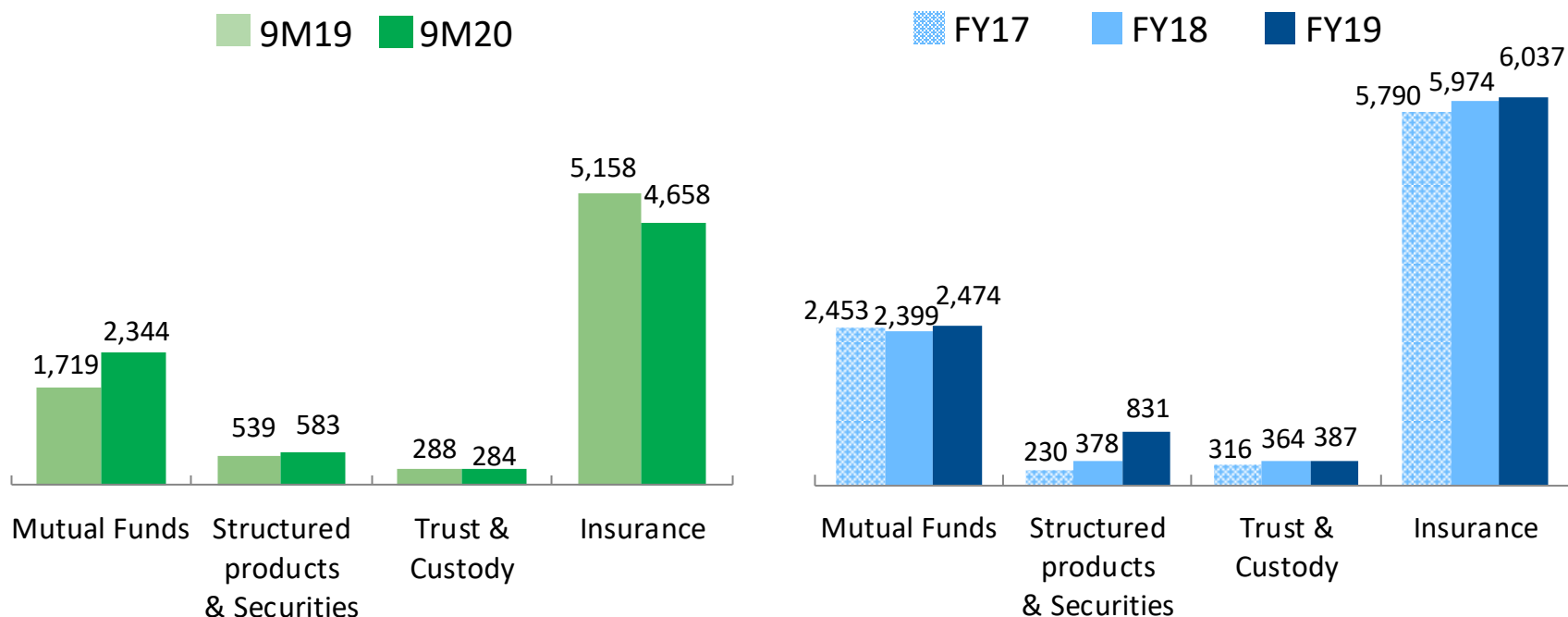
Note : China subsidiary was launched in Sep 2018, hence 9M19 and 9M20 fee income excluded NT\$ 14.0MN and NT\$23.7MN; FY18 (Sep.-Dec.) and FY19 excluded NT\$ 5.8MN and NT\$18.9MN from subsidiary, respectively. (preliminary)

Cathay United Bank – Wealth management fee

- Wealth management fee increased 2.8% YoY, driven by strong growth in mutual funds more than offsetting the decline in bancassurance fee.

Wealth management fee breakdown

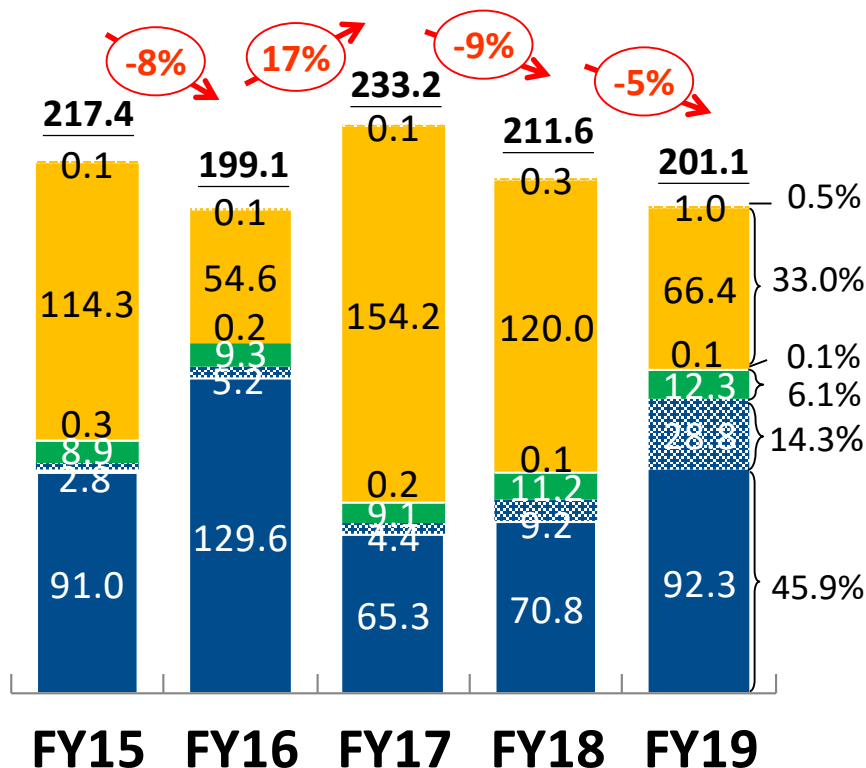
(NT\$MN)	9M19	9M20	FY17	FY18	FY19
Wealth management fee income	7,761	7,976	8,837	9,183	9,808
YoY growth (%)	4.3%	2.8%	-10.1%	3.9%	6.8%



Cathay Life – Annual FYP & APE

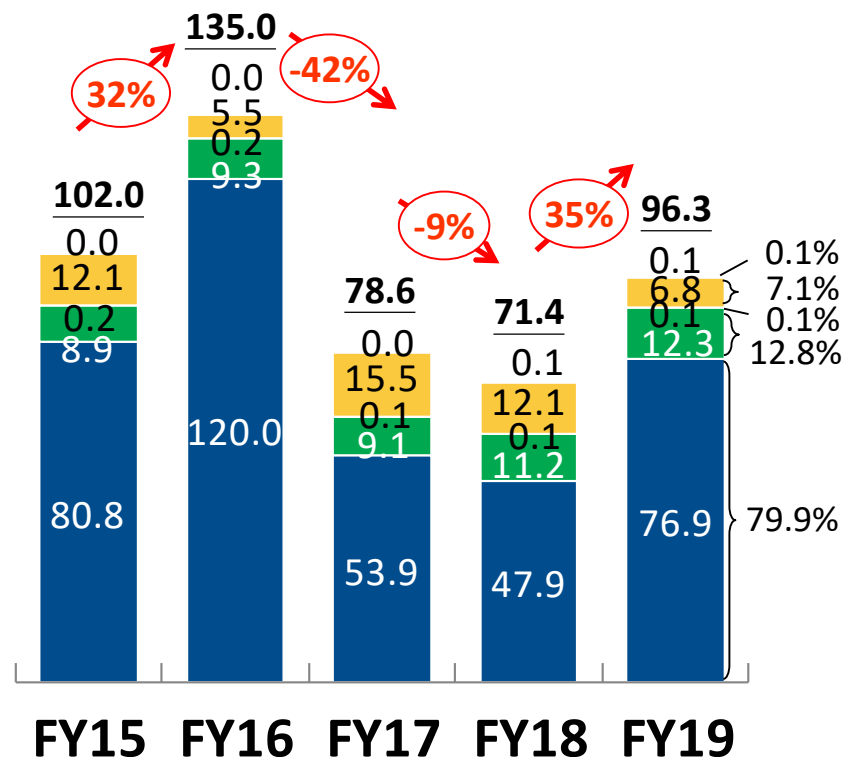
First Year Premium

- 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

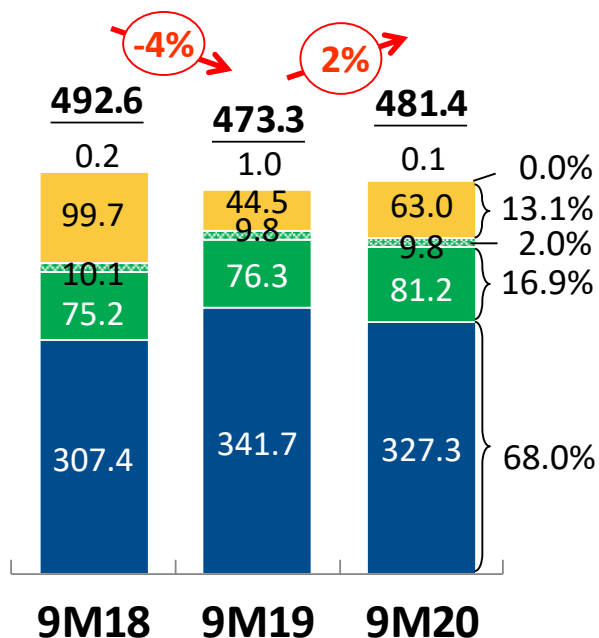


Cathay Life – Total premium

- Total premium increased 2% YoY, driven by the growth in renewal premium.

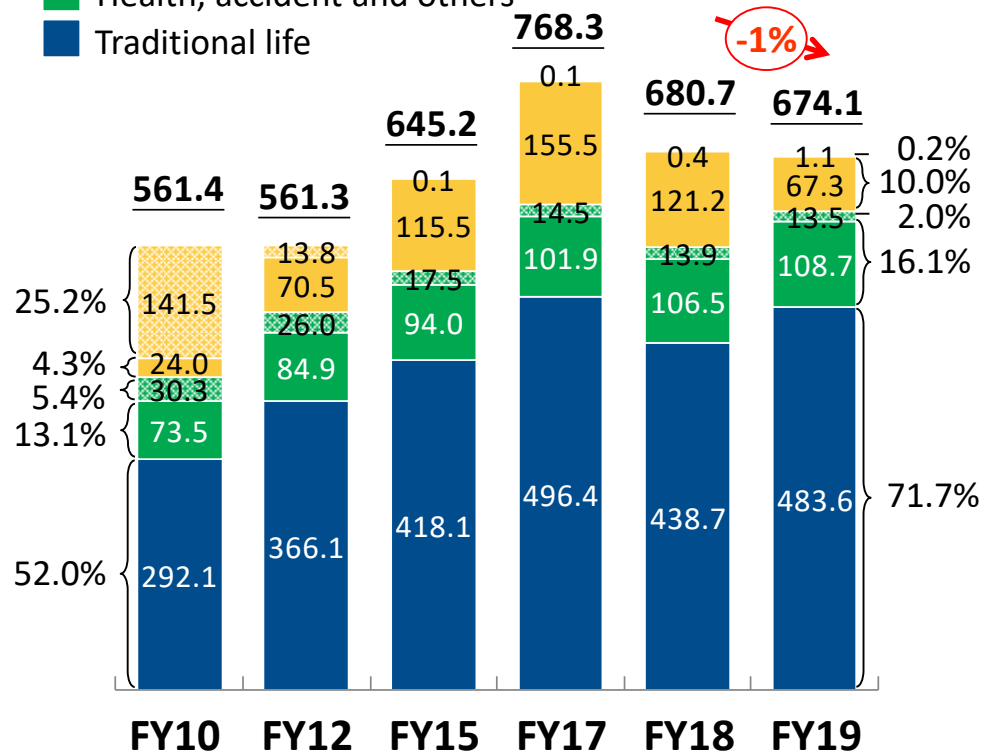
Quarterly total premium

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



Annual total premium

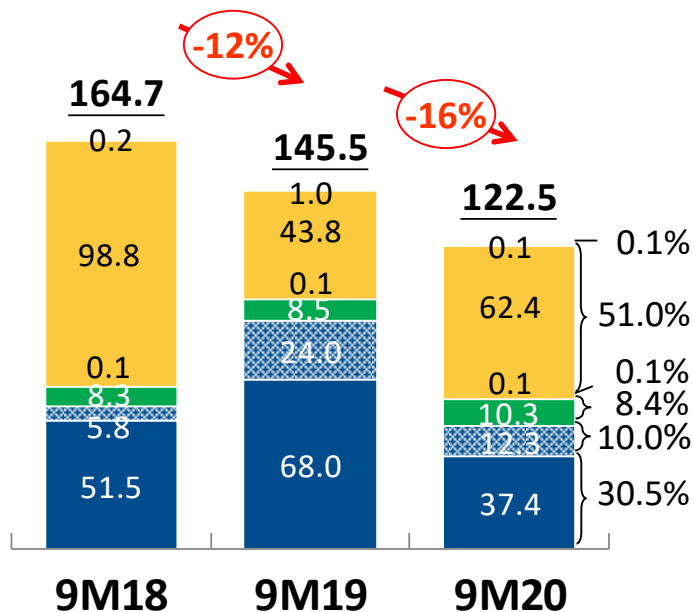
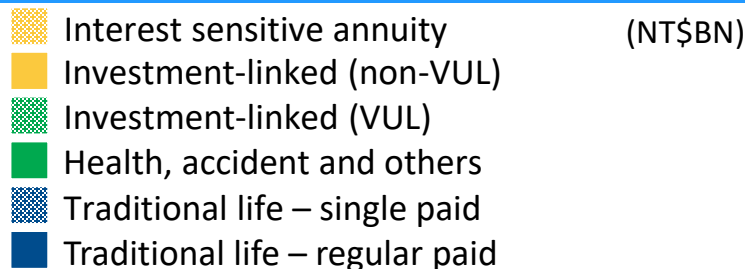
- Interest sensitive annuity (NT\$BN)
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- Health, accident and others
- Traditional life



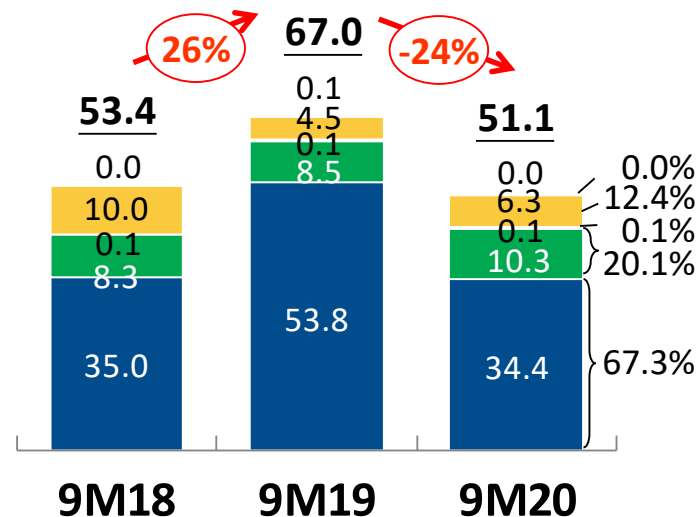
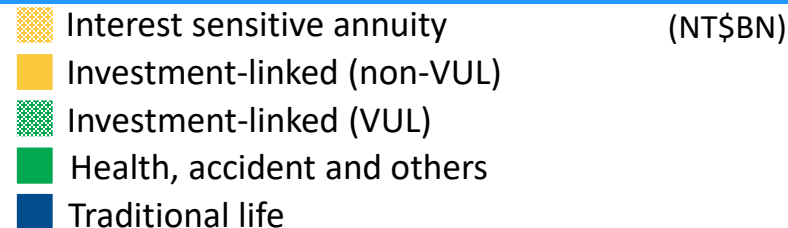
Cathay Life – Quarterly FYP & APE

- ❑ FYP declined 16% YoY due to lower policy reserve rate. FYPE also declined, reflecting the increase in sales of single-paid investment-linked products.
- ❑ FYP and FYPE ranked No. 1 in the industry.

First Year Premium



Annualized FYP (APE)



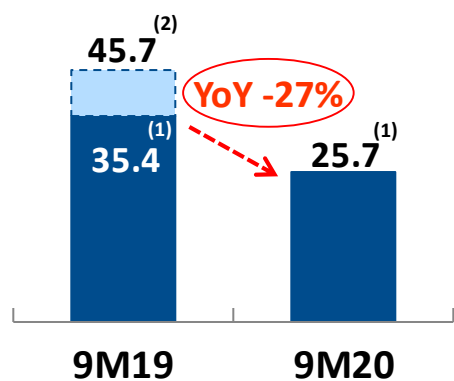
Cathay Life –Value of new business

- VNB and VNB margin declined due to lower sales volume and product mix change impacted by lower policy reserve rate.
- VNB margin increased to 39% if excluding the impact of product mix change.

Value for New Business

Profit Margin	9M19 ⁽¹⁾	9M20 ⁽¹⁾
VNB/FYP	24%	21%
VNB/FYP (excl. Investment-linked (non-VUL))	33%	39%
VNB/FYPE	53%	50%

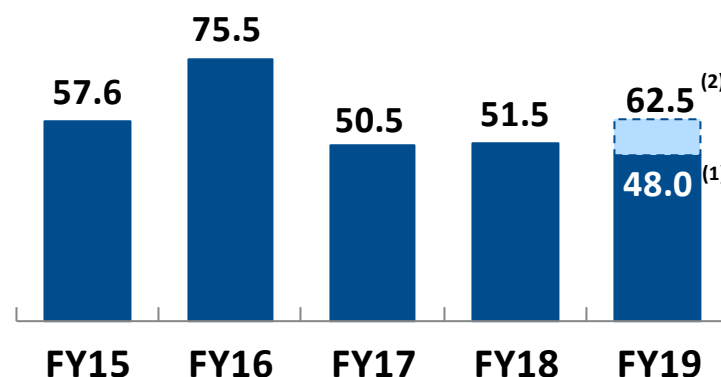
(NT\$BN)



Value for New Business (annual)

Profit Margin	FY15	FY16	FY17	FY18	FY19 ⁽²⁾	FY19 ⁽¹⁾
VNB/FYP	27%	38%	22%	24%	31%	24%
VNB/FYPE	57%	56%	64%	72%	65%	50%

(NT\$BN)



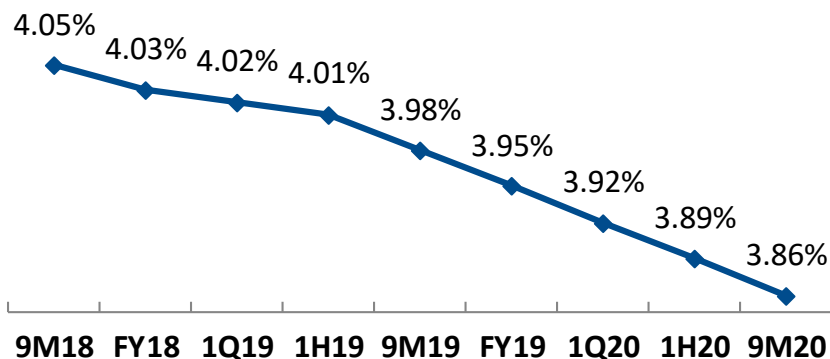
Note : (1) 9M19, FY19 and 9M20 VNB were based on 2019 Embedded Value assumptions.

(2) Based on 2018 Embedded Value assumptions, 9M19 & FY19 VNB were NT\$45.7BN and NT\$62.5BN ; VNB/FYP were both 31% , VNB/FYPE were 68% and 65%, respectively.

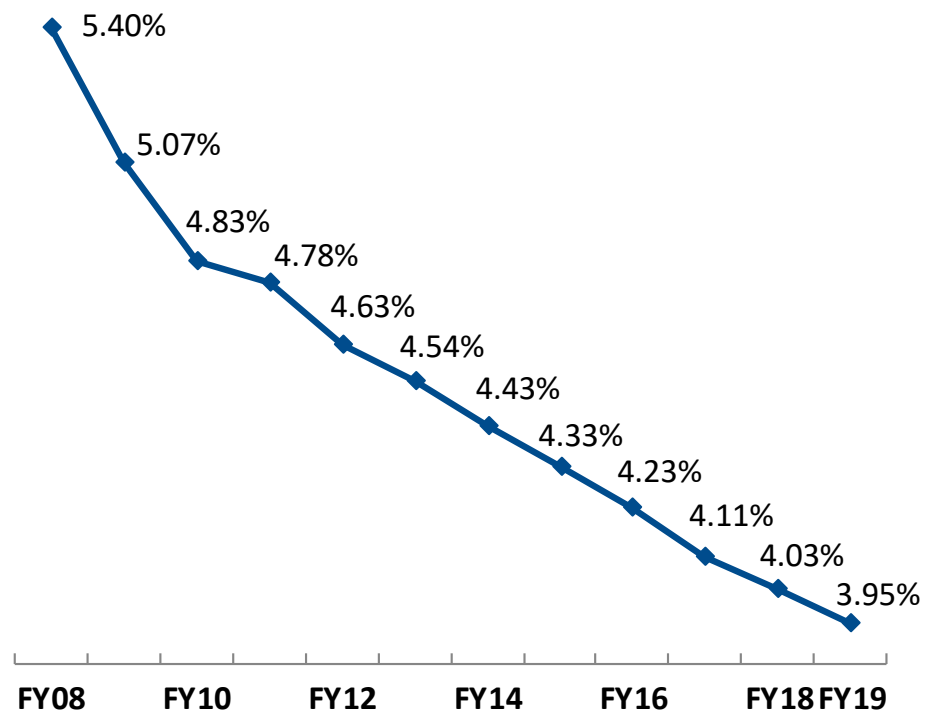
Cathay Life – Cost of liability

- Continued to strengthen value-driven strategy. Cost of liability continued to improve.

Cost of liability (quarterly)



Cost of liability (annual)



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

Cathay Life – Investment portfolio

- Dynamically adjust the investment portfolio to reduce the impact of market volatility.

(NT\$BN)	FY17	FY18	FY19			9M20		
Total investments⁽¹⁾	5,502.6	5,761.0	6,415.0			6,752.5		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	1.6%	1.1%	3.7%	237	0.6%	4.1%	276	0.4%
Equity- Domestic	8.4%	7.5%	5.0%	322	7.9%	5.6%	381	14.6%
Equity- International ⁽²⁾	6.3%	6.7%	5.8%	370	6.5%	5.3%	358	4.8%
Bond- Domestic	5.5%	5.0%	7.9%	505	5.7%	8.4%	566	5.4%
Bond- International ⁽¹⁾⁽²⁾	55.7%	58.6%	58.9%	3,777	5.3%	59.5%	4,018	5.7%
Mortgage & Secured loans	8.1%	7.1%	5.3%	341	2.1%	4.8%	314	1.7%
Policy loans	3.0%	3.0%	2.7%	171	5.6%	2.5%	166	5.5%
Real estate	9.2%	8.7%	8.2%	526	2.7%	7.7%	530	3.0%
Others	2.4%	2.4%	2.6%	165		2.1%	143	

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

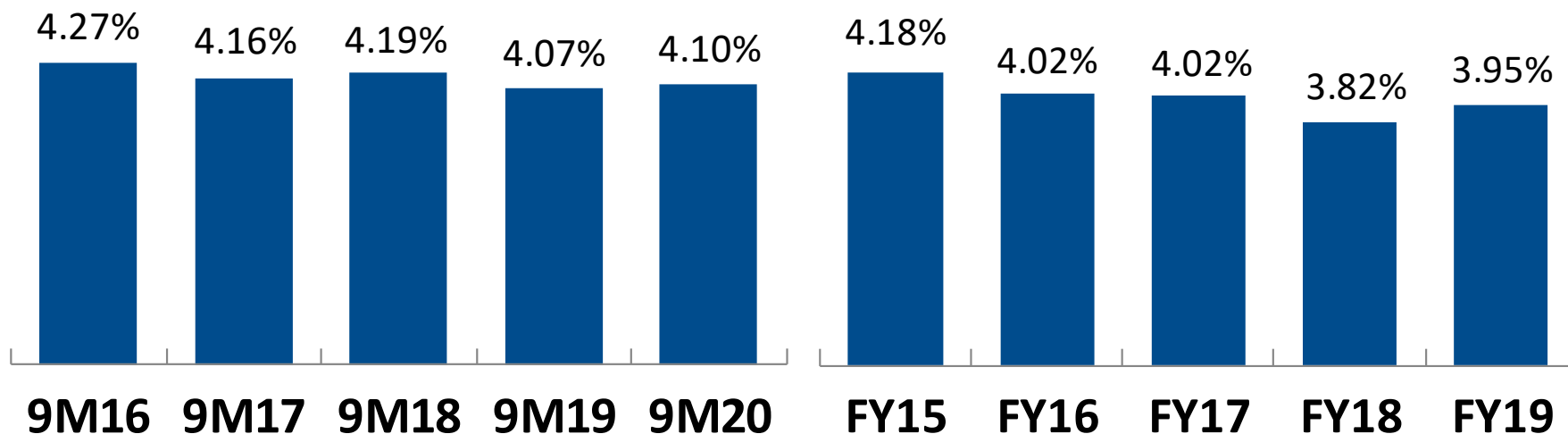
(2) Yields of international equity and international bond are pre-hedge investment yields.

Cathay Life – Investment performance highlight

- Continued to enhance credit mix in bond portfolio.
- Realized capital gain into market strength.

After-hedging investment yield

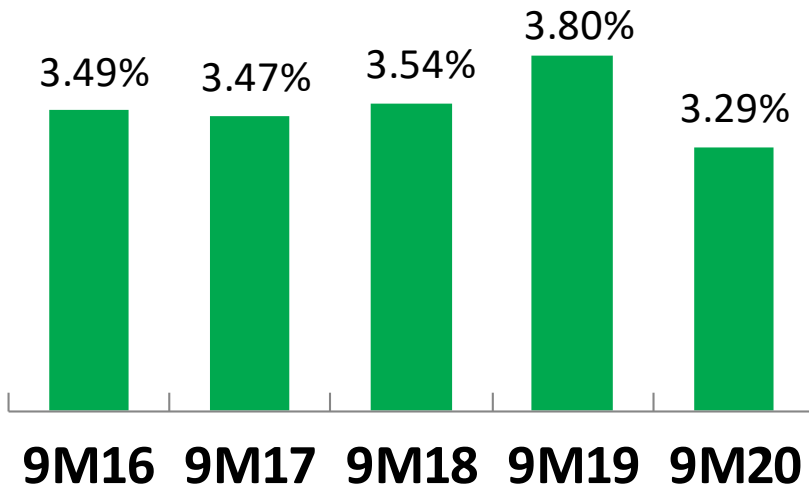
After-hedging investment yield



Cathay Life – Investment performance highlight

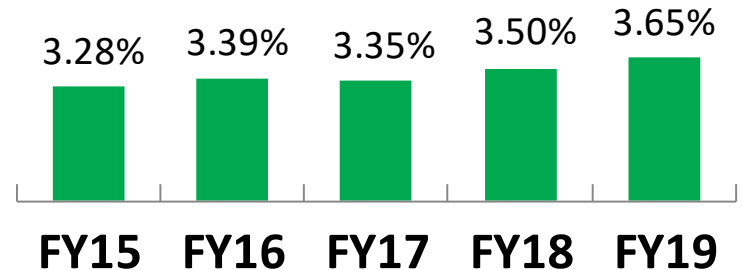
- Higher cash level and better credit rating mix led to lower pre-hedging recurring yield.
- NTD was stronger than other Asian currencies, affecting the proxy hedging effectiveness.
- Additional provision to strengthen buffer for FX volatility.

Pre-hedging recurring yield



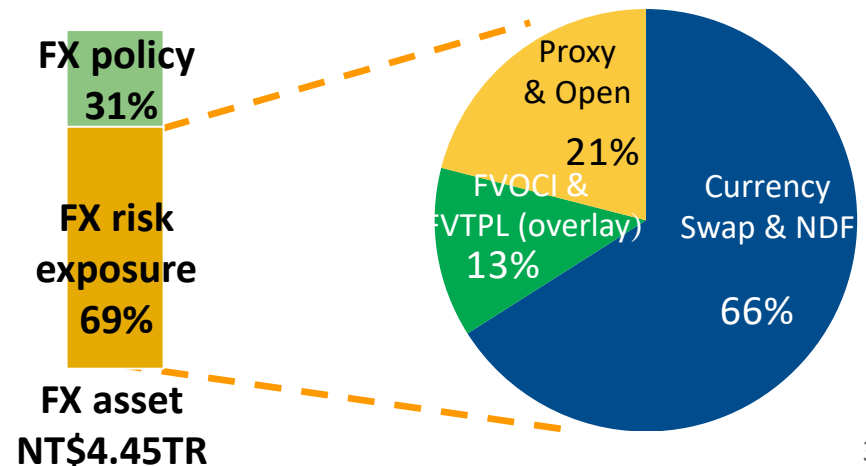
Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

Pre-hedging recurring yield



Currency hedging structure

9M20 Hedging cost 1.83%

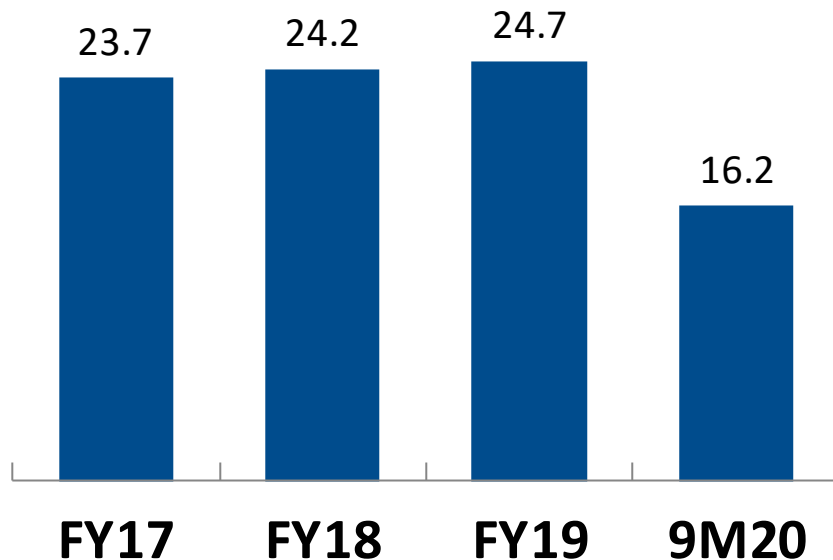


Cathay Life – Cash dividend income & Overseas fixed income by region

□ 9M20 cash dividend income was NT\$16.2 billion.

Cash dividend income

(NT\$BN)



Overseas fixed income by region



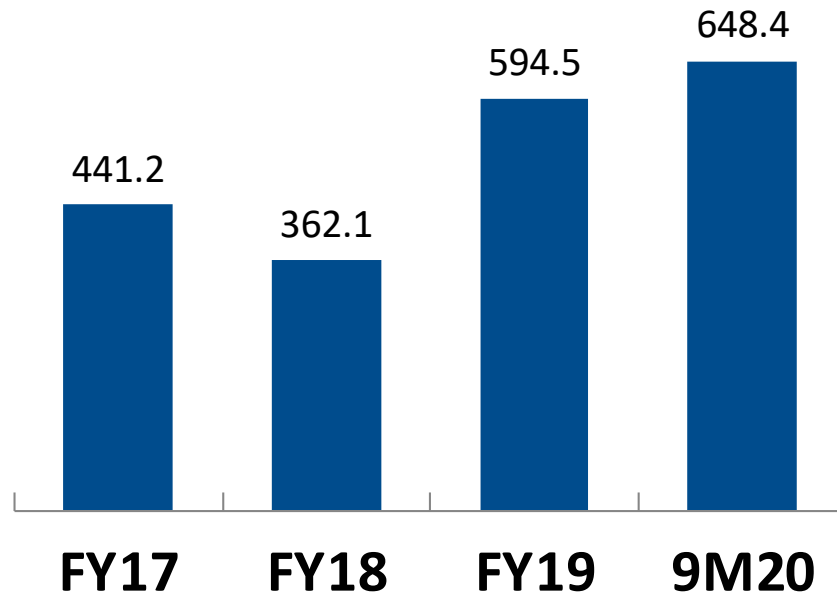
Note: Exclude overseas deposit.

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

- Book value and unrealized gain continued to increase.

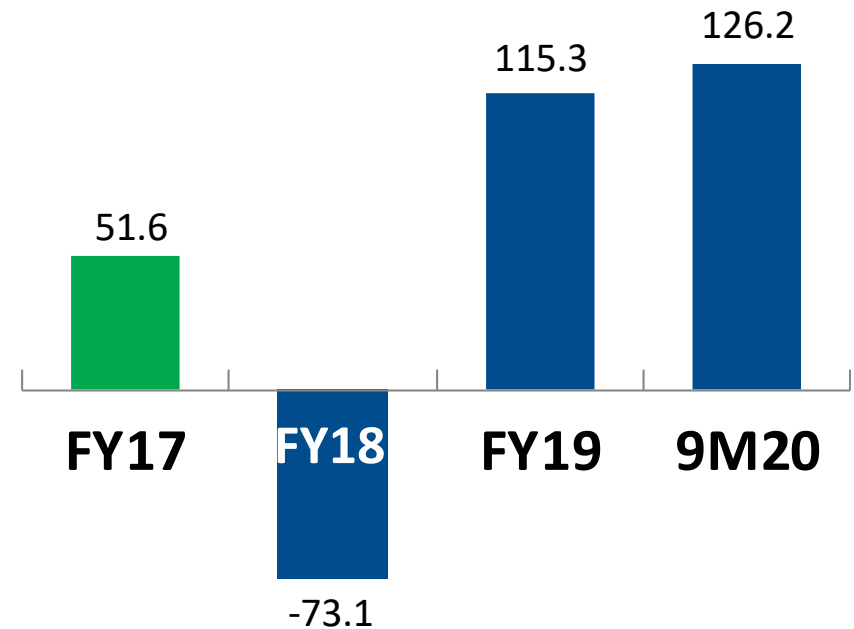
Book value

(NT\$BN)



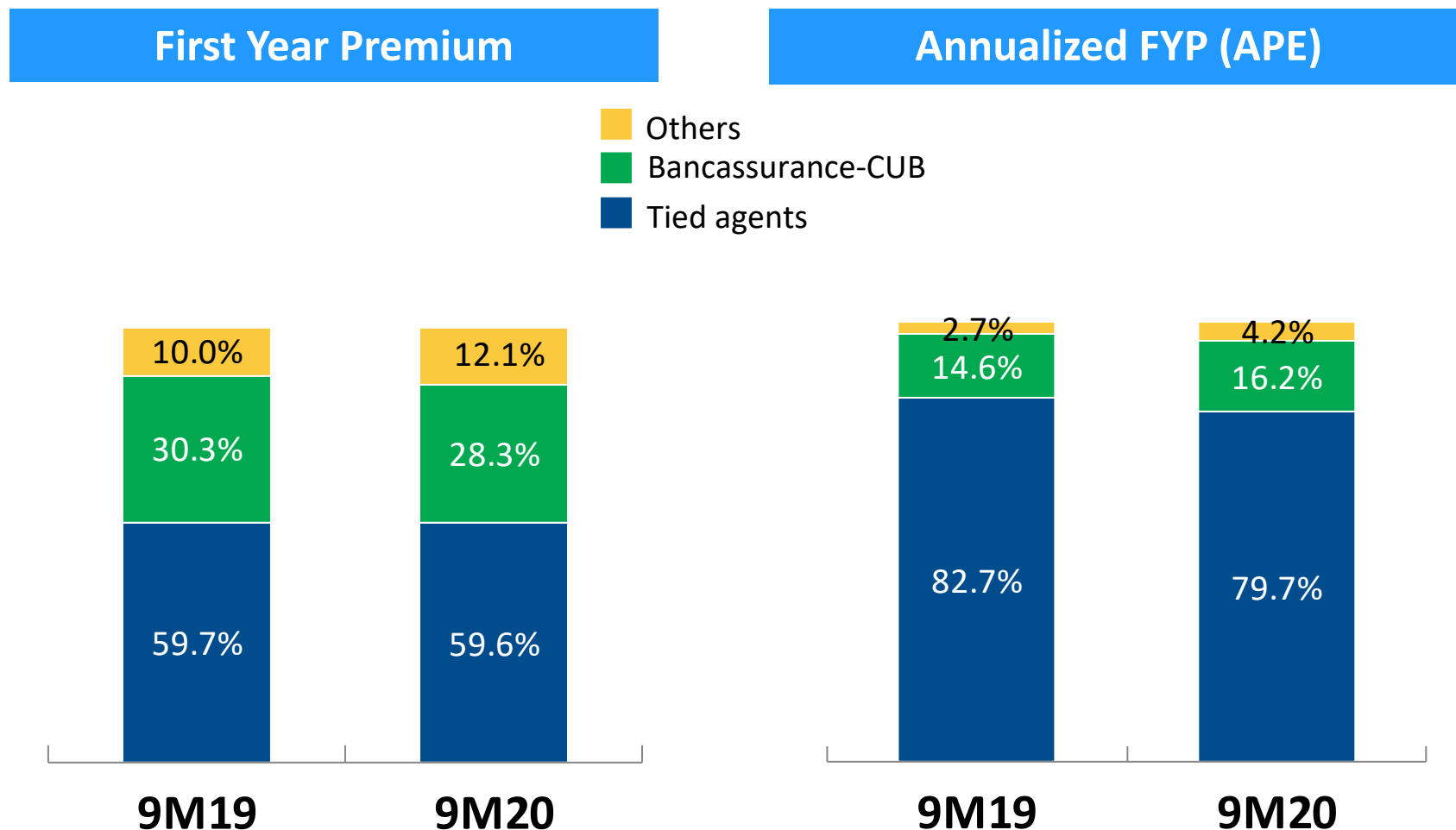
Unrealized G/L of financial assets

- AFS financial assets (NT\$BN)
- FVOCI & FVTPL (overlay approach) (NT\$BN)



Cathay Life – Distribution channel

- Premium income was mainly generated by Cathay Life agents and Cathay United Bank. Group's strong selling capability provides solid contribution to premium income and VNB.



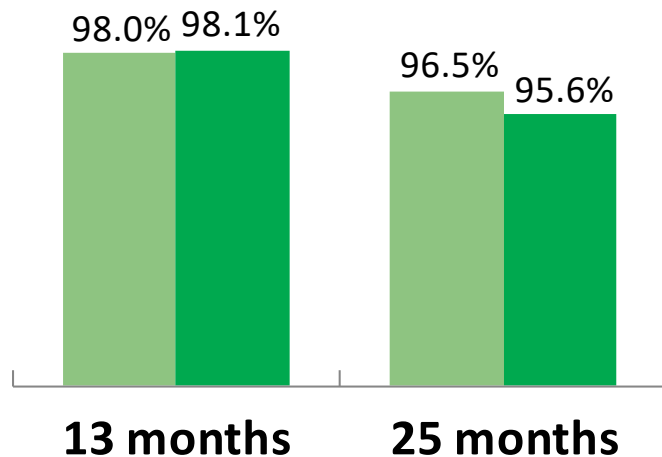
Cathay Life – Operational indicators

- Expense ratio improved due to lower underwriting cost and commission fee, resulting from lower FYP and increased sales in investment-linked policies.

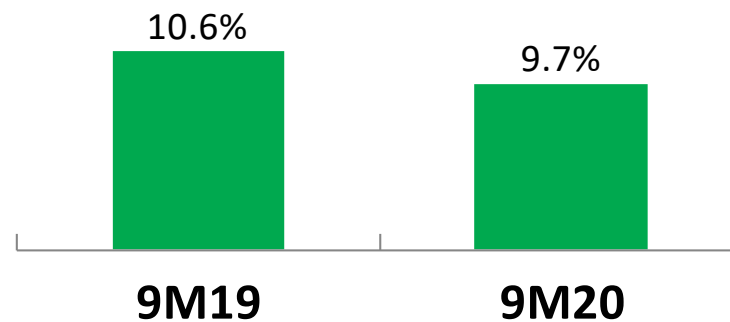
Persistency ratio

9M19

9M20



Expense ratio



Agenda

- Introduction of Cathay FHC
- 9M20 Business Overview
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- Business Performance Summary

Cathay United Bank

Cathay Life

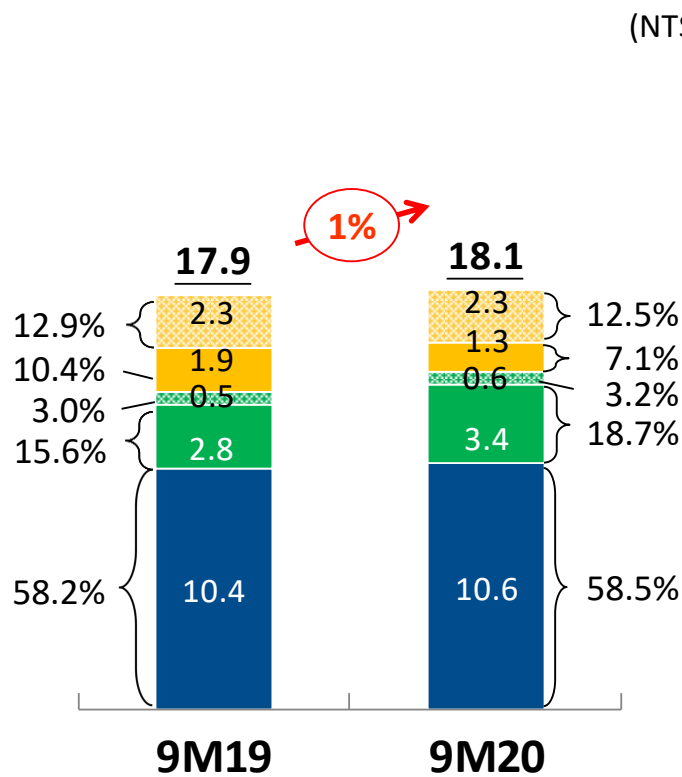
Cathay Century

- Cathay's CSR Efforts
- Appendix

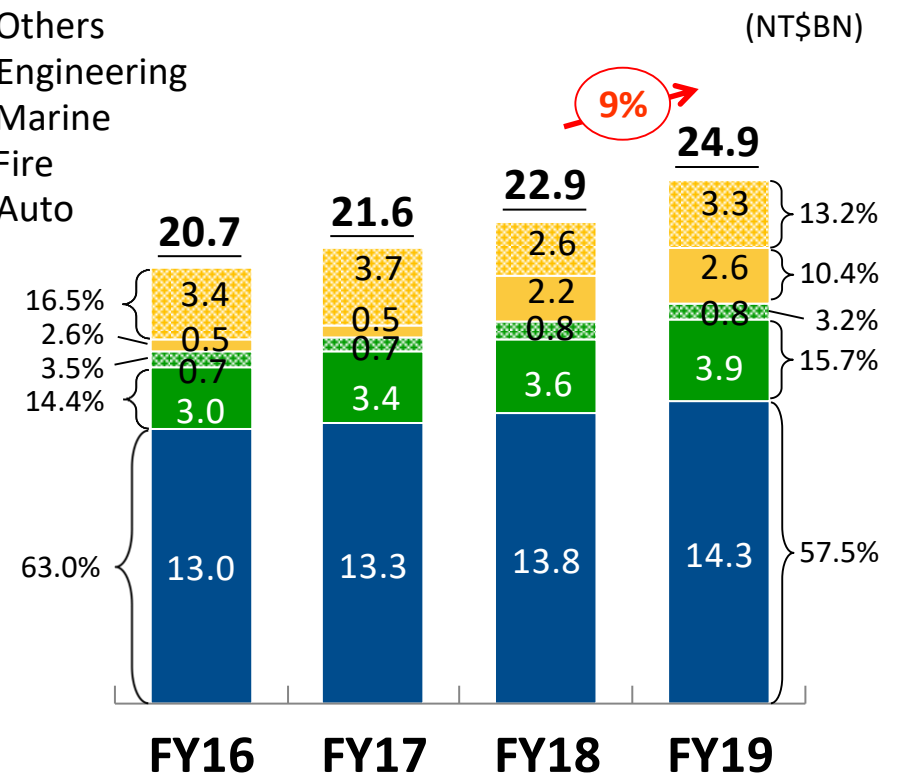
Cathay Century – Premium income

□ Premium income grew steadily. Market share was 11.8% and ranked No. 2 in the industry.

Premium income



Premium income (annual)



Market share	12.6%	11.8%	13.6%	13.1%	13.0%	13.1%
Retention	77.1%	76.8%	75.7%	76.2%	77.1%	77.7%

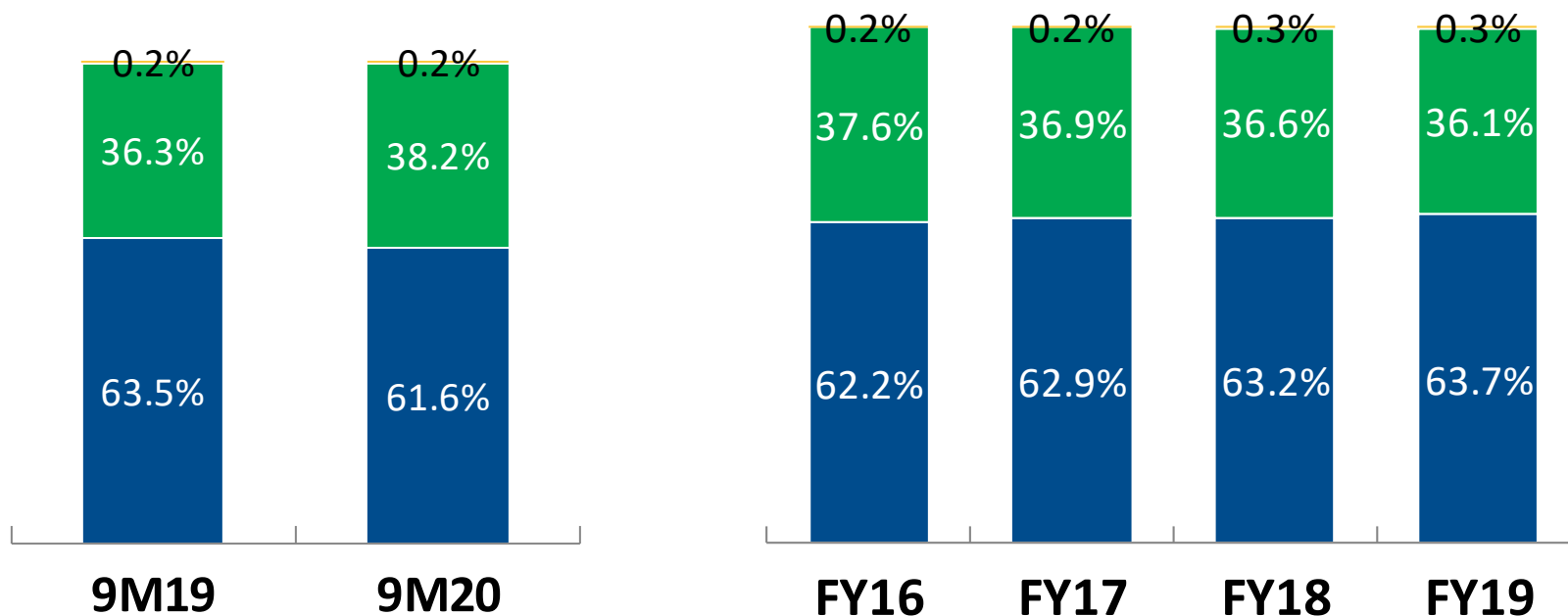
Cathay Century – Distribution channel

Benefiting from cross-selling synergy, over 60% of premium income was generated by the group's channel.

Distribution channel

Distribution channel (annual)

■ Affiliate channels
■ Cathay P&C agents
■ Cathay group channel

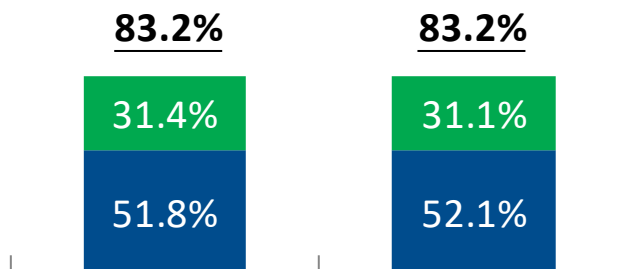


Cathay Century – Combined ratio

□ Gross combined ratio and retained combined ratio remained stable.

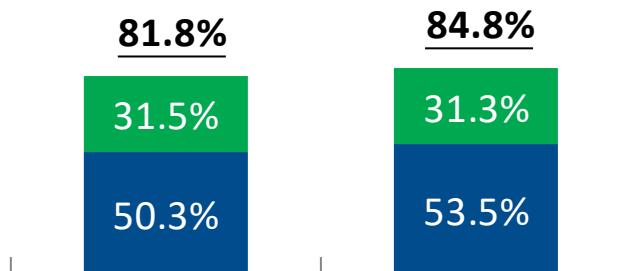
Gross combined ratio

■ Gross expense ratio
■ Gross loss ratio



9M19

9M20

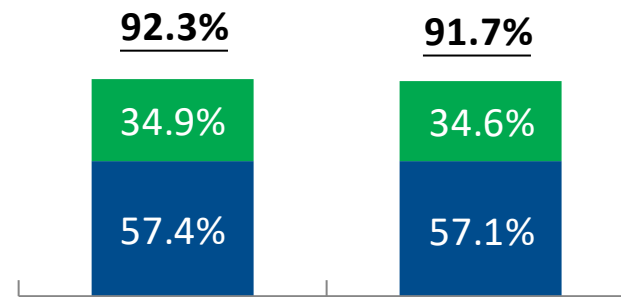


FY18

FY19

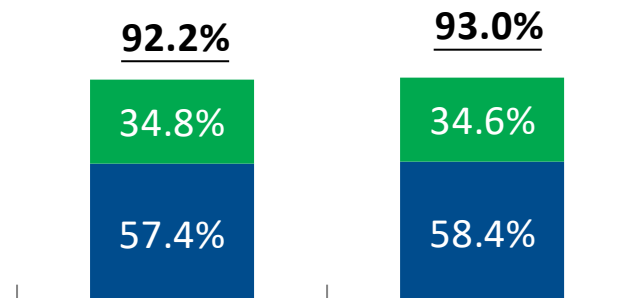
Retained combined ratio

■ Retained expense ratio
■ Retained loss ratio



9M19

9M20



FY18

FY19

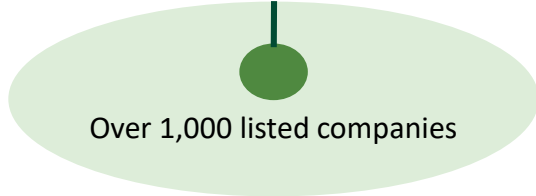
Agenda

- Introduction of Cathay FHC
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 - Cathay Life
 - Cathay Century
- **Cathay's CSR Efforts**
- Appendix

Well-recognized corporate sustainability performance

Recognized by local regulatory authorities

Top 5 % Corporate Governance



TWSE Corporate Governance Evaluation



FTSE4Good
TIP Taiwan ESG Index

Included in
FTSE4Good TIP Taiwan ESG Index
since 2017

Note: The FTSE4Good TIP Taiwan ESG Index is designed by FTSE Russell and Taiwan Index Plus Corp (TIP), wholly-owned subsidiary of Taiwan Stock Exchange.

Recognized by ESG ratings agencies

MEMBER OF
**Dow Jones
Sustainability Indices**

In collaboration with  a RobecoSAM brand

Included in
DJSI World & DJSI EM



A



A- level



BEST EM PERFORMERS



FTSE4Good

Recognized by Media



天下企業公民
Excellence in Corporate Social Responsibility

Top 10 World Corporate Citizen for 7 consecutive years, **Top 4** in 2019



Exemplary Award
CSR Annual Survey
(Finance Division)



ESG Corporate Awards
Platinum

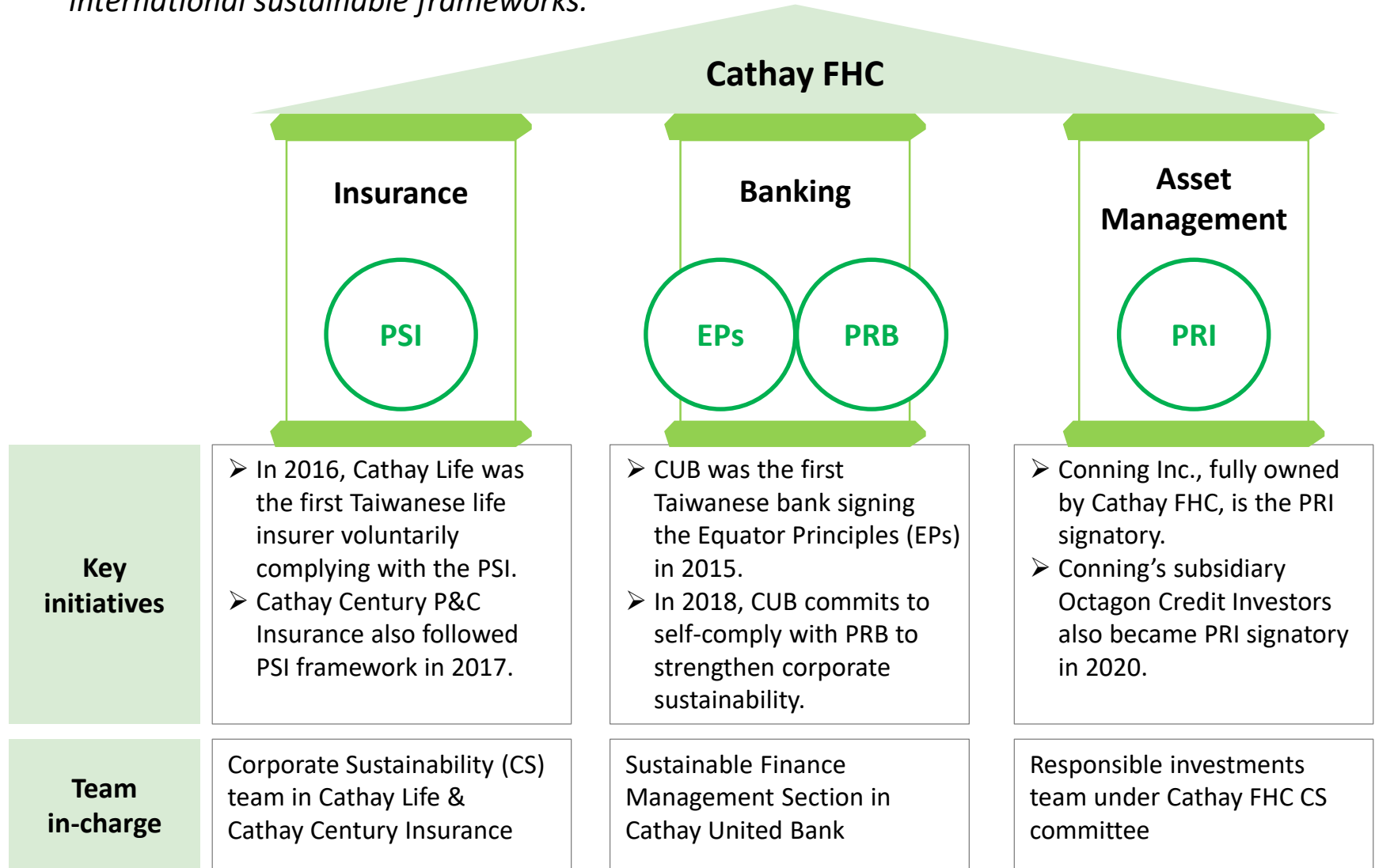


AREA
ASIA
RESPONSIBLE
ENTREPRENEURSHIP AWARDS

Corporate Governance Award

Integrating sustainability into our business

- *Cathay integrates sustainability into major three business groups in accordance with the international sustainable frameworks.*



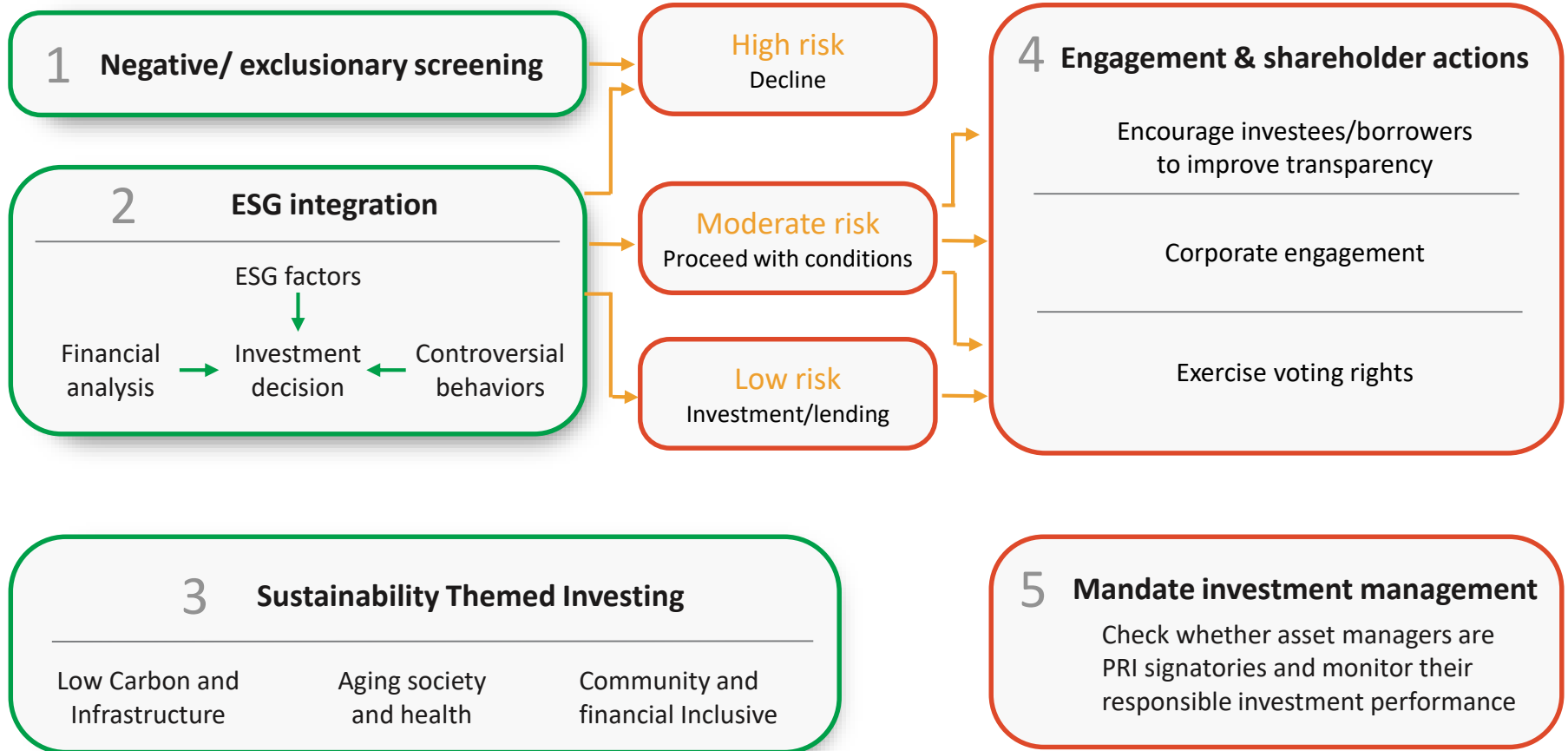
Integrating ESG issues into all business processes

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

Integrating ESG into responsible investment and lending

Investment/ Lending Process

Engagements after Investment/ Lending

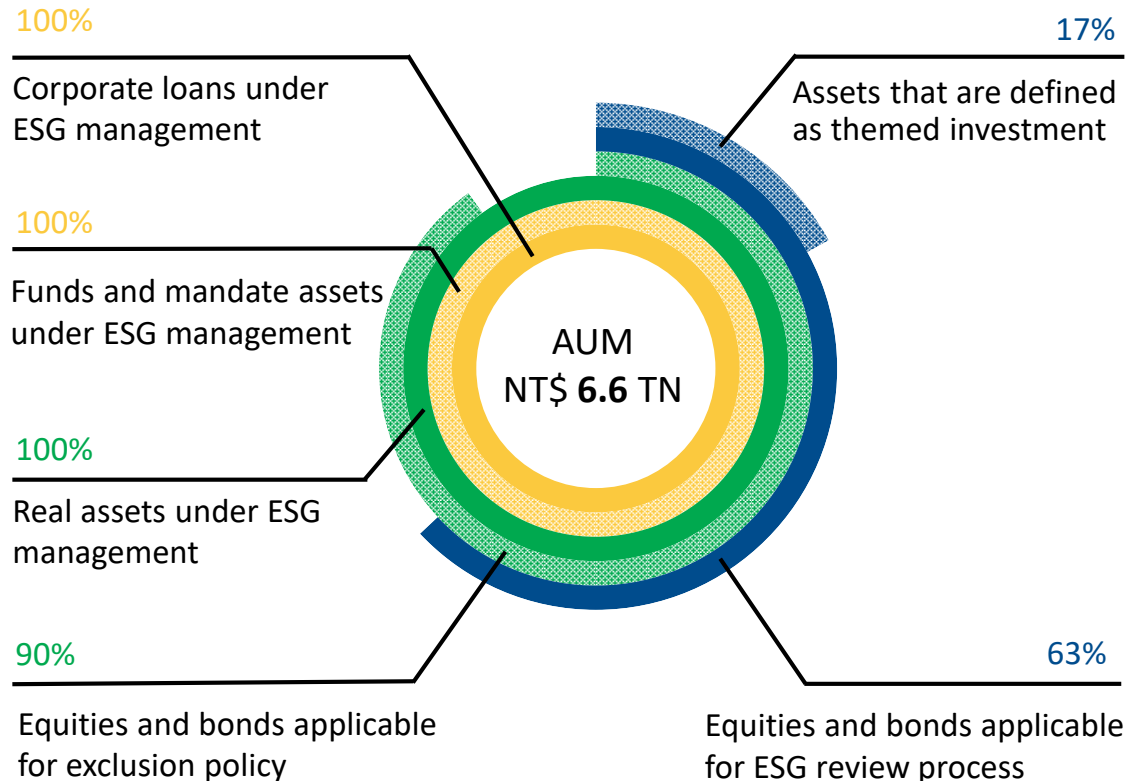


Implementing responsible investment across multiple asset classes

Responsible investment/lending policies

- Responsible Investment and Lending Policy
- Investment and Lending Exclusion Policy
- Stewardship Policy
- Engagement Policy
- Voting Policy
- Rules Governing Project Finance and Equator Principles
- Responsible Property Investment and Management Policy

NT\$6.6 TN assets under responsible investment and lending



Actively participating in Global ESG initiatives

Asia Investor Group on Climate Change (AIGCC)

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

Sophia Cheng, CIO of Cathay FHC, was appointed as the chair of AIGCC in November 2018.



Low Carbon Investment Registry

Cathay FHC was the only Taiwan financial institution to join the Low Carbon Investment Registry initiated by GIC in 2014.

The low carbon investment amount registered in 2019 reached US\$ 5.49 billion.



Climate Governance Initiatives

Participated in “Global Investor Statement to Governments on Climate Change” since 2014, urging governments of the G7 and G20 nations to fulfill their commitments to Paris Agreement.

Signed “The Investor Agenda” in 2018 to support low carbon investment, corporate engagement, TCFD climate disclosures and policy advocacy.

Supported TCFD initiative since 2018, actively managing climate-related risks.



Engaging with investee companies of ESG improvement

Engagement policies and strategies

Cathay defined “**climate change**” and “**ESG**” as the main engagement strategy.

Aimed to strengthen Taiwan corporates’ awareness and capability in response to climate risks and opportunities.

Urged Taiwan corporates to enhance ESG disclosures in line with global standards.

ESG
Improvement

Investee engagement

More than 500 signatories with AUM over USD 47 trillion have joined Climate Action 100+ to engage 100 systemically important emitters and encourage them to curb emissions, improve governance and strengthen climate-related financial disclosures. **Cathay Life and Cathay SITE are only two signatories in Taiwan.**

Cathay has been engaging with Taiwanese companies.



CDP non-disclosure campaign

The only financial institution in Taiwan has **participated in the CDP non-discloser engagement campaign for 3 consecutive years, encouraging Cathay’s investee companies to respond to CDP questionnaires.**

Cathay’ response rate in 2017 and 2018 was higher than the overall response rate. The **response rate in 2019 ranked top 9 globally.**



Bring positive environmental impact by solar & wind power loan

Wind Power



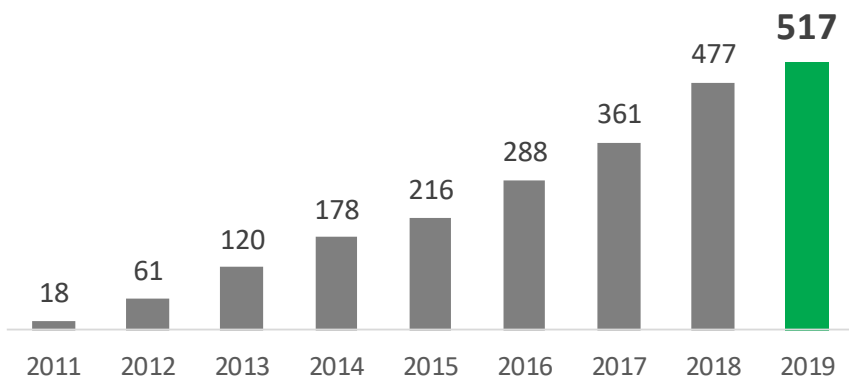
Solar Power



Green Insurance



Solar power station financing loans total installed capacity in Taiwan and overseas (MW)



Environment Impact



Total installed capacity of solar power and wind turbines financing as of the end of 2019

1,285MW



Expected CO2 emissions reduction per years

1.6 million Metric tons



Carbon emissions reduced by solar power devices and offshore wind turbines in 2019 equal to carbon absorption of Da'an Forest Park

4,283 Da'an Forest Parks



Cumulative insured amount for hydroelectric power plants, solar power plants, and offshore wind farms constructions and equipment

91.3 billion



Green vehicles insured as of 2019

21,832 Green vehicles



Public bicycles riders insured as of 2019

17.2 million Bicycle riders

Commitment to TCFD implementation

2015/12 Financial Stability Board (FSB) established TCFD

2017

TCFD released final Recommendations report

2018

Supported by global companies and investors

2018/02 Cathay FHC worked with consultants to build climate-related governance and strategies, identify climate risks/opportunities, and worked on scenario analysis.

2018/05 **Signed on TCFD initiative** and committed to disclose climate-related information align with TCFD recommendations. Benchmark global best practices on TCFD implementation.

2018/11 CEO appointed the Chief Risk Officer (CRO) to supervise and manage climate-related risks in assets and liabilities.

2018/12 **Cathay established TCFD task force led by the CRO to manage the impact of climate-related risks on important assets and products.**

2019

2019/04 Cathay TCFD task force **reported scheduled milestone and communicated with external stakeholders.**

2019/08 Cathay TCFD task force planned to put emphasis on comprehensive quantitative analysis and scenario analysis of climate risks, and to incorporate the results of these analysis to improve management processes.

2020

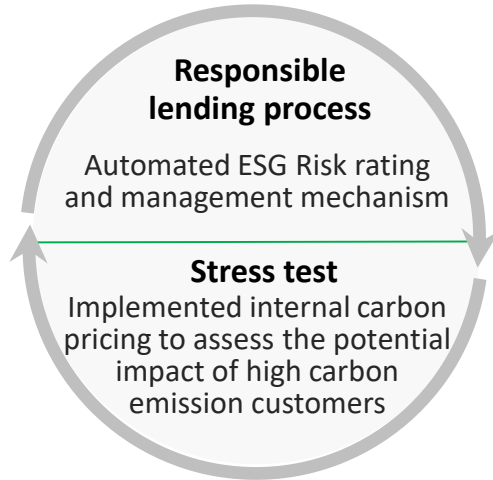
Submitted climate-related risk supervision results to the Board of Directors.

How companies can engage in TCFD initiative:

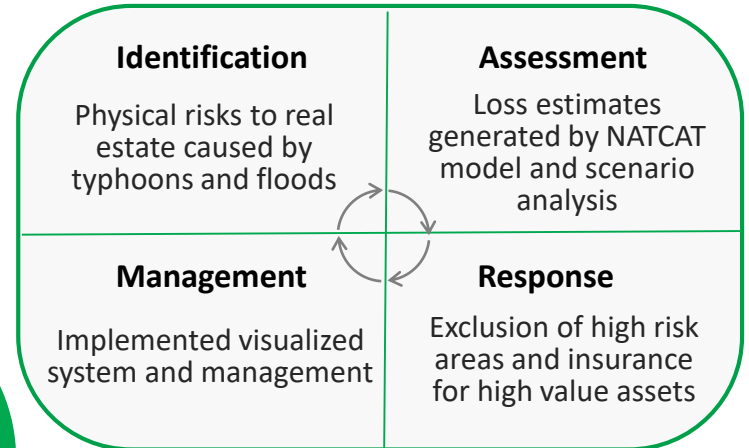
1. Agree with the wording of the commitment
2. Sign the commitment
3. Report climate-related financial information following the TCFD recommendations as fully as practicable within 3 years
4. Use the CDSB Framework or other applicable reporting frameworks for disclosure

Integrating climate risks/opportunities into businesses

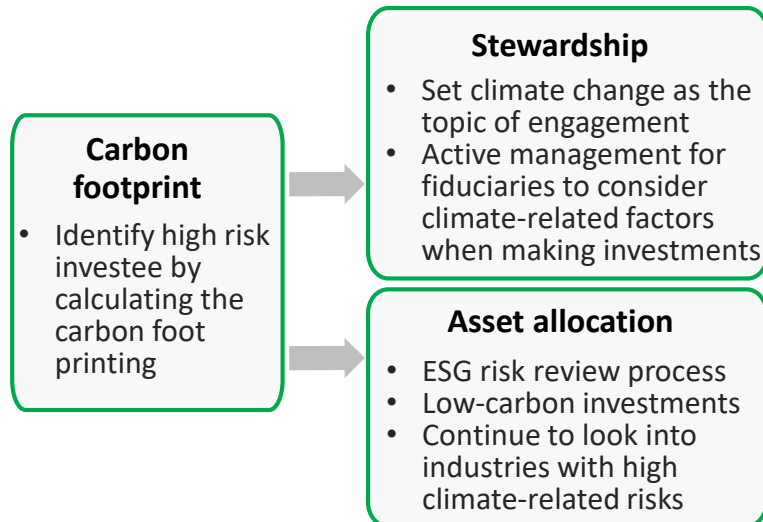
Corporate lending



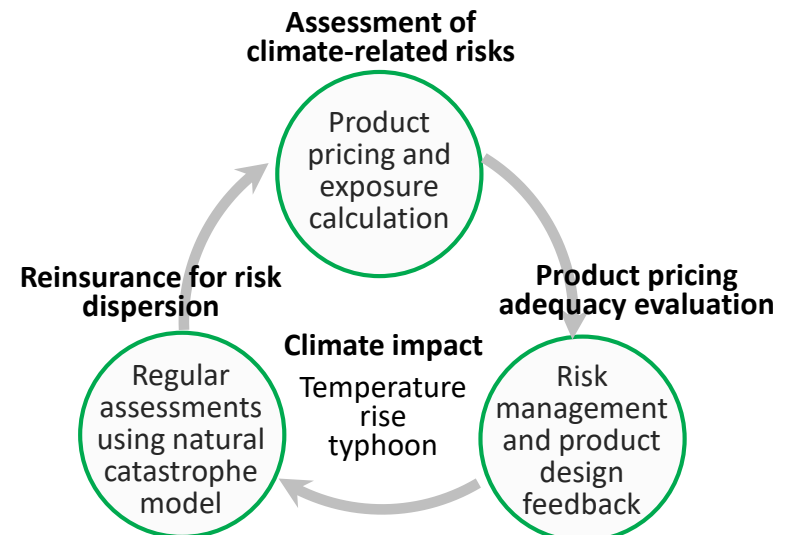
Self-owned real estate & mortgages



Responsible securities



Life & property insurance Products



Transition Risk
TCFD risk Assessment & management
Physical Risk

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Cathay Life

Cathay Century

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Embedded Value & Appraisal Value

NT\$BN, except for per share figures

Valuation date	2018/12/31	2019/12/31
In-force business investment yield	3.95% ~ Year 2038 5.00% for NTD policies 4.64% ~ Year 2038 5.78% for USD policies (Equivalent investment yield: 4.38% Rolling over to 2019: 4.44%)	3.57% ~ Year 2039 4.61% for NTD policies 4.36% ~ Year 2039 5.24% for USD policies (Equivalent investment yield: 3.86%)
Risk discount rate	10%	9.5%
Adjusted net worth	387	621
Value of in-force business	722	550
Cost of capital (CoC)	-210	-236
Value of in-force business (After CoC)	512	314
Embedded Value (EV)	898	935
EV / per share	156.9 (71.5)	159.8 (74.1)
Future one year's new business investment yield	3.13%~ Year 2038 4.86% for NTD policies 4.66% ~ Year 2038 5.79% for USD policies	2.41%~ Year 2039 4.35% for NTD policies 3.86% ~ Year 2039 5.15% for USD policies
Value of future one year's new business (After CoC)	52.0	35.0
Appraisal Value (AV)	1,351	1,242
AV / per share	235.9 (107.5)	212.3 (98.4)

- 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 2018 and 2019 are 5.73bn and 5.85bn, respectively.
(4) The outstanding shares of Cathay FHC in 2018 and 2019 are 12.56bn and 12.62bn, respectively.
(5) May not sum to total due to rounding.

Summary

NT\$BN, except for per share figures

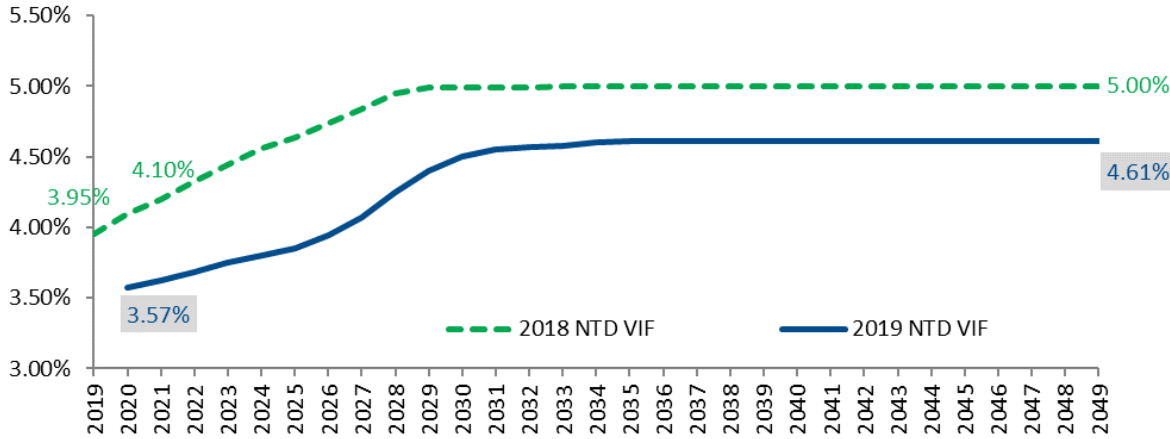
Valuation date		2018	2019	Growth rate	1Q20
Embedded value	Equity	357	589	65%	--
	Adjusted net worth	387	621	60%	--
	Value of in-force business(before CoC)	722	550	-24%	--
	Cost of capital (CoC)	-210	-236	12%	--
	Value in-force business (after CoC)	512	314	-39%	--
	Embedded value	898	935	4%	--
Value of one year's new business	First year premium (FYP)	211.6	201.1	-5%	42.3
	First year premium equivalent (FYPE)	71.4	96.3	35%	18.2
	Value of one year's new business (V1NB)	51.5	48.0	-7%	8.5
	Profit margin (V1NB/FYP)	24%	24%	--	20%
	Profit margin (V1NB/FYPE)	72%	50%	--	47%
	Profit margin (V1NB/FYP)(investment-linked(non-VUL)is excluded)	52%	34%	--	35%
Appraisal value (20 years NB)	Multiple	8.7	8.8	--	--
	Appraisal value	1,351	1,242	-8%	--
Basic Value per share	EV / per share of Cathay FHC	71.5	74.1	4%	--
	AV / per share of Cathay FHC	107.5	98.4	-8%	--

Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares in 2018 and 2019, which are 12.56bn and 12.62bn, respectively.

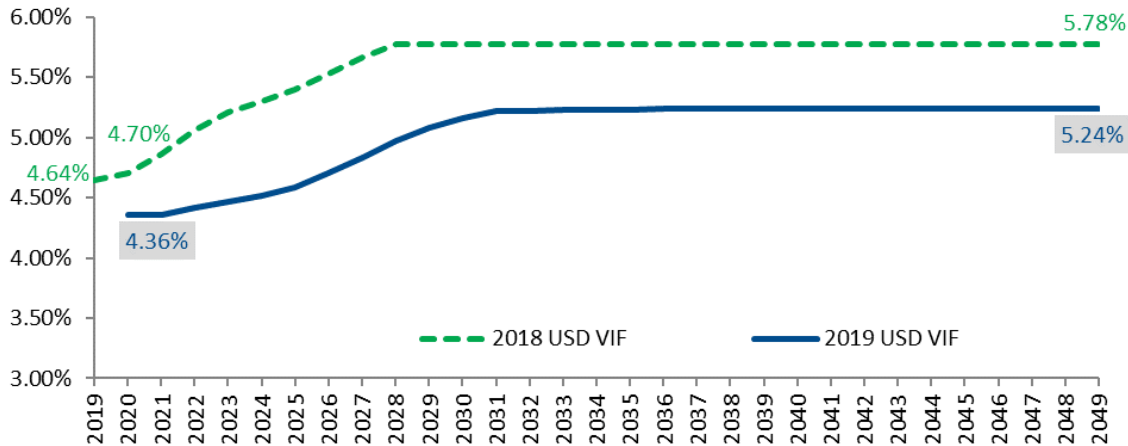
(2) Totals may not sum due to rounding.

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 2018 & 2019.

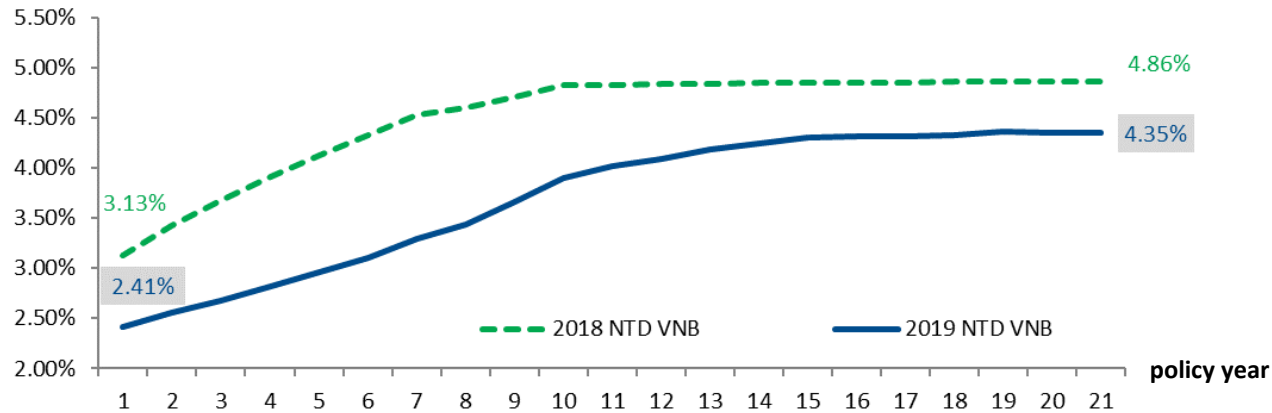


- Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2018 & 2019.

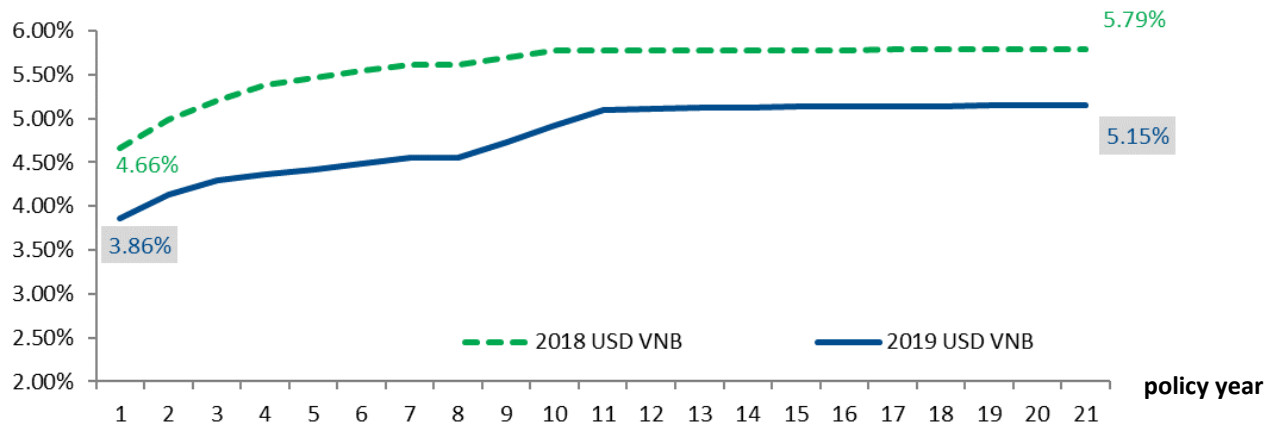


Economic Assumptions: Future one year's new business investment yield

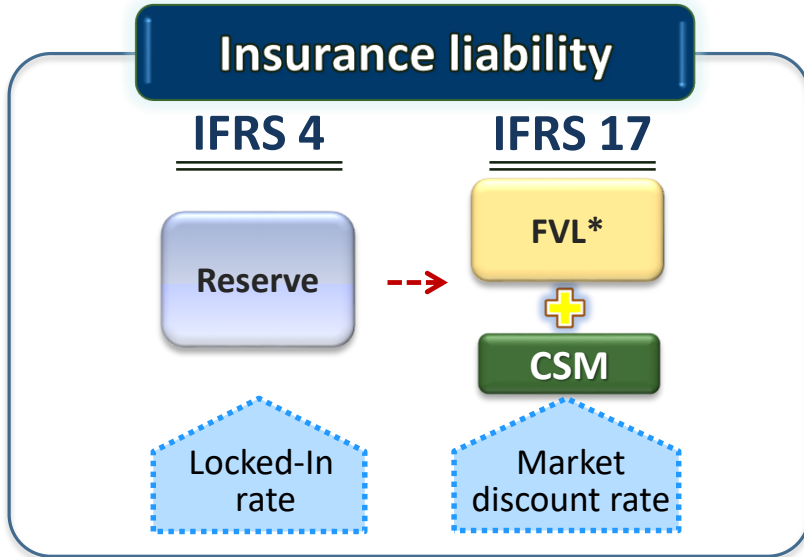
- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2018 & 2019.



- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2018 & 2019.



IFRS 17 – Measurement



Profit indicators of new products



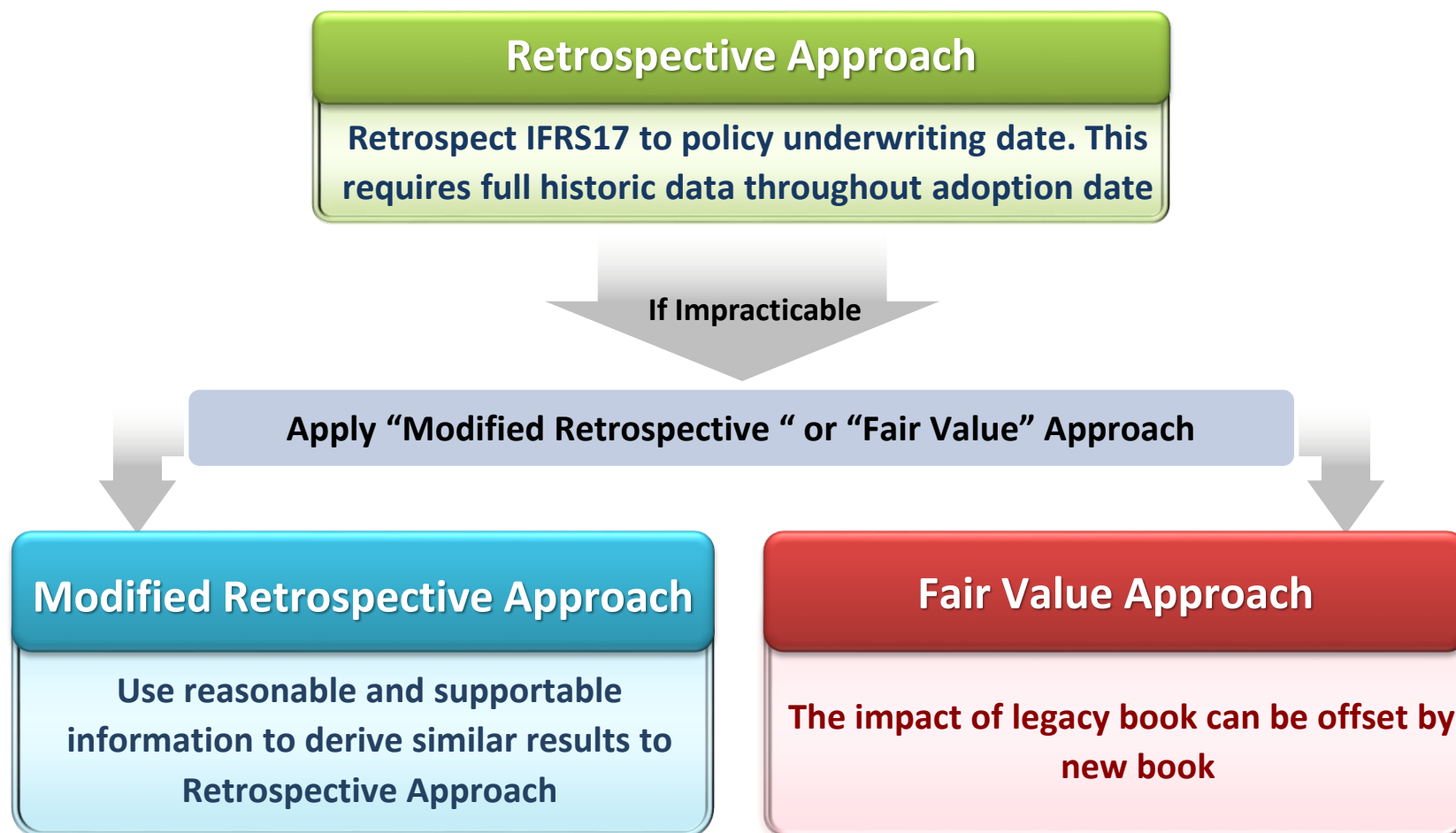
Note: 1. Fulfillment Value of Liabilities (FVL): present value of future cashflows derived from insurance sold, based on market discount rate at valuation date and most recent available actuarial assumptions.
 2. Contractual Service Margin (CSM): present value of future unearned profit from insurance contracts to be recognized in the remaining service period.

VNB vs CSM

	VNB	VS.	CSM
Investment Return	Company investment return		Market discount rate
Discount Rate	10%		=Risk Free Rate + Liquidity Premium
Embedded Option Cost (Crediting Rate)	Deterministic Valuation		Stochastic Valuation

Comparable among companies

IFRS 17 – Adoption date



Note: Legacy book - contracts with guaranteed rates $\geq 4\%$
New book - contracts with guaranteed rates $< 4\%$

Accounting impact from IFRS 17

- ❑ IFRS 17 implementation changes the measurement of insurance liability. It does not affect the value of insurance contracts but affects the timing of profit recognition for insurance services.
- ❑ Insurers need to mark to market both assets and liabilities.
- ❑ It may increase the volatility of shareholders' equity, hence asset-liability management expertise is critical.

IFRS 17 impact & preparation

Benefiting from IFRS 17

- The impact from legacy book is fully reflected on adoption date
- Reduce the interest expense of insurance liability thereafter



Value-driven product strategy

CSM-focused products

- Protection products with superior CSM margin (CSM/FYP)
- Savings products with positive CSM



Capital plan

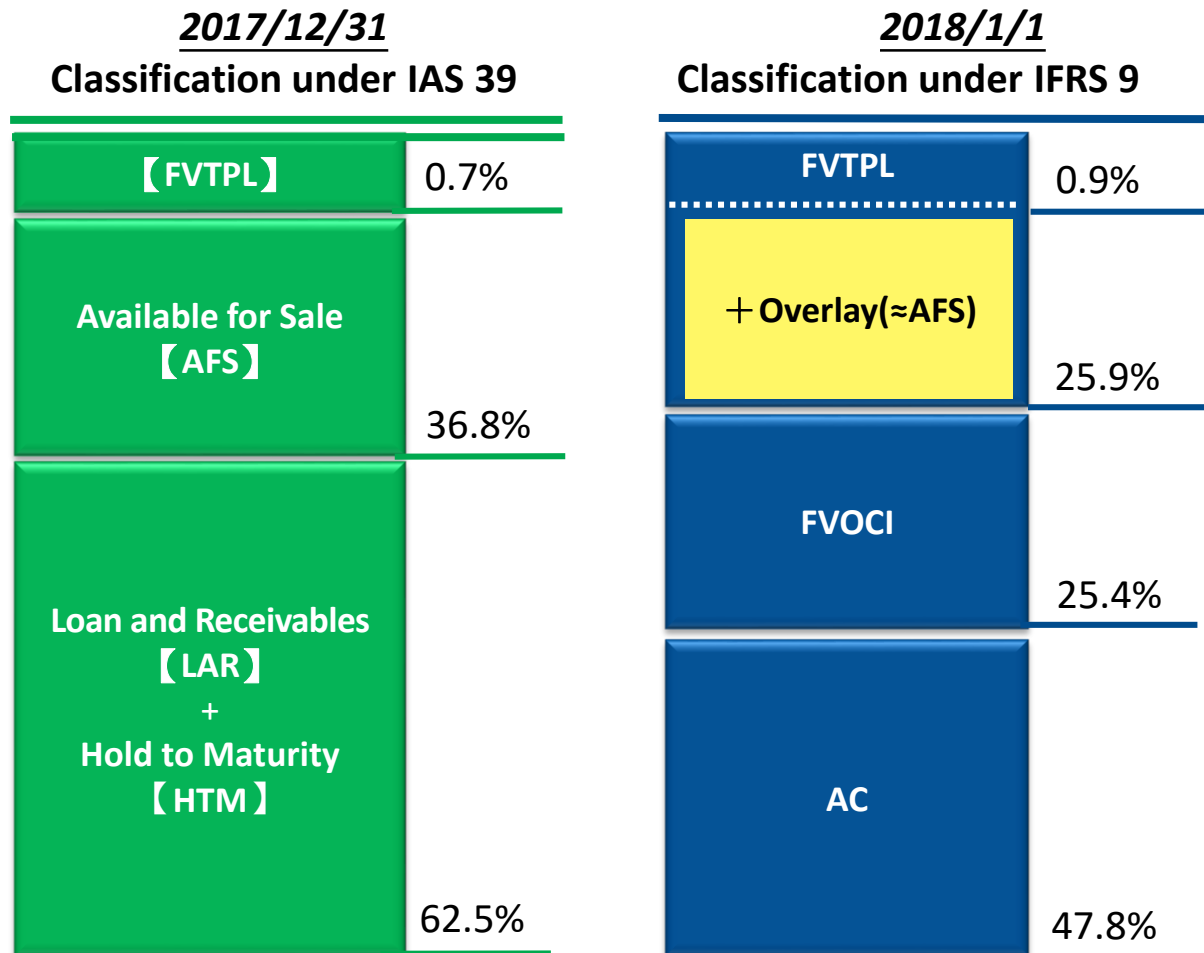
Capital market volatility and IFRS 17 adoption

- Build adequate capital buffer
- Early preparation ahead of the industry

Healthier Industry development

- Better risk-pricing disciplines among competitors restore industry profit margins
- Strong ALM expertise is critical for achieving stable financial performance

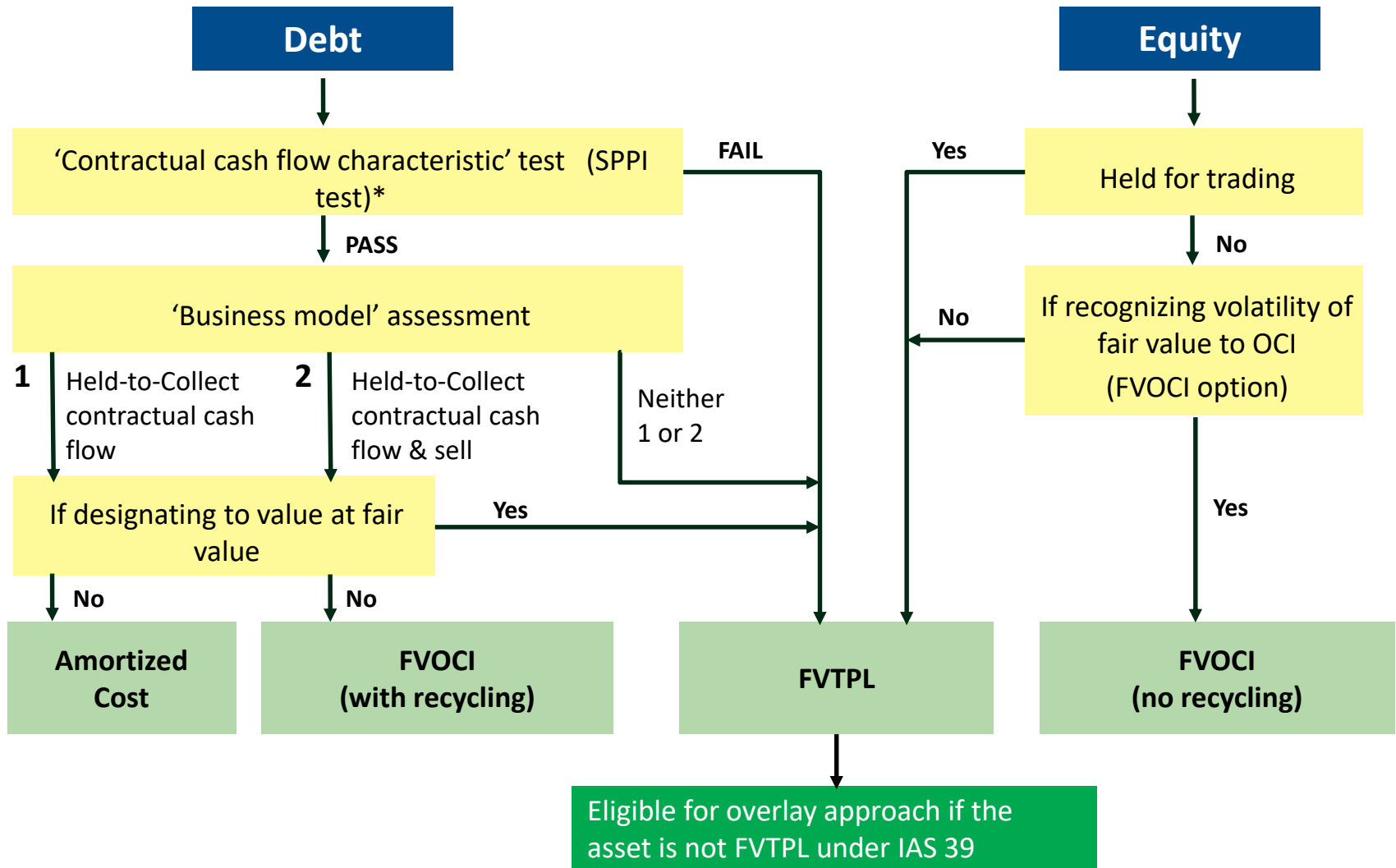
Cathay Life - Asset reclassification under IFRS 9



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.

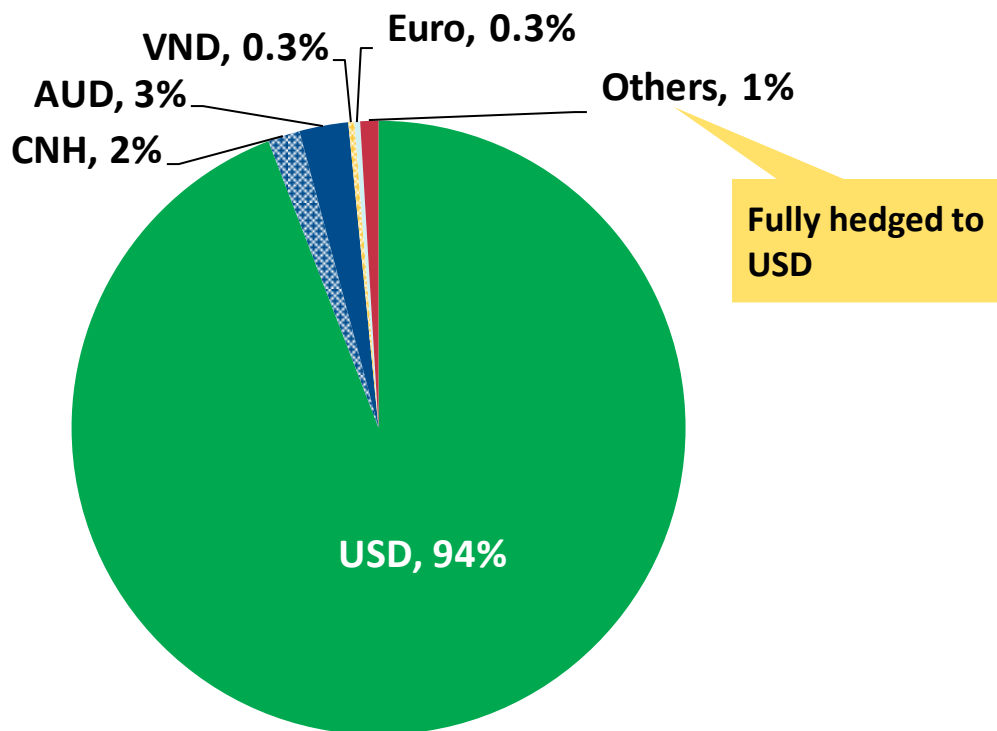
Asset classification under IFRS 9 with overlay approach



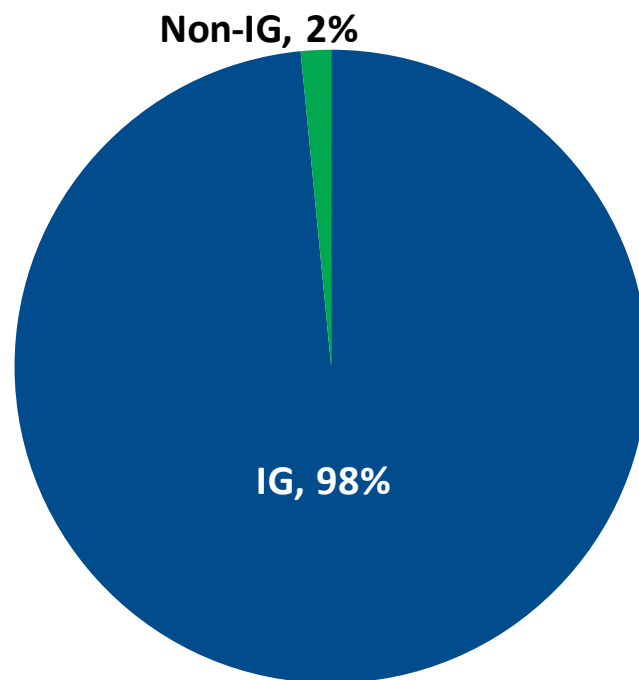
Note: **SPPI** means cash flow are solely payments of the principal and interests on the principal amount outstanding. Interests consist of the consideration of time value and credit risk associated with the principal.

Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (9M20)

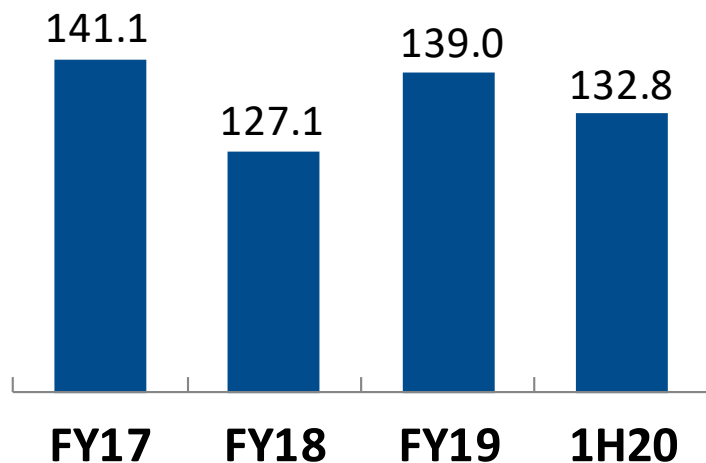


Overseas bond by rating (9M20)

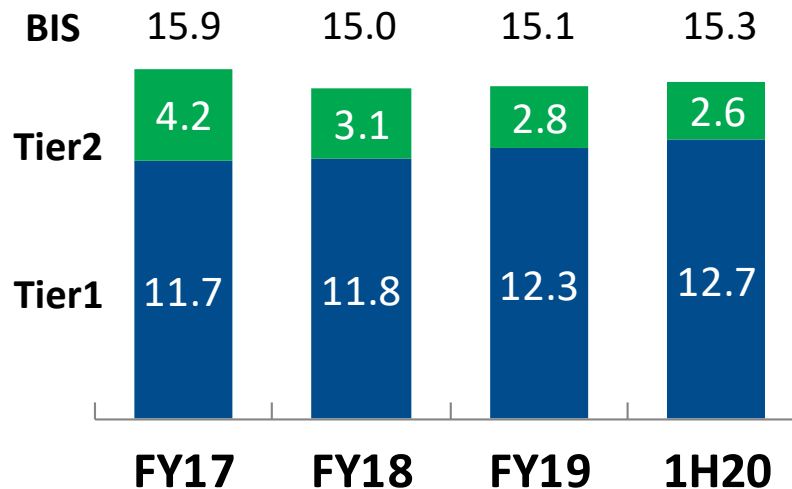


Capital adequacy

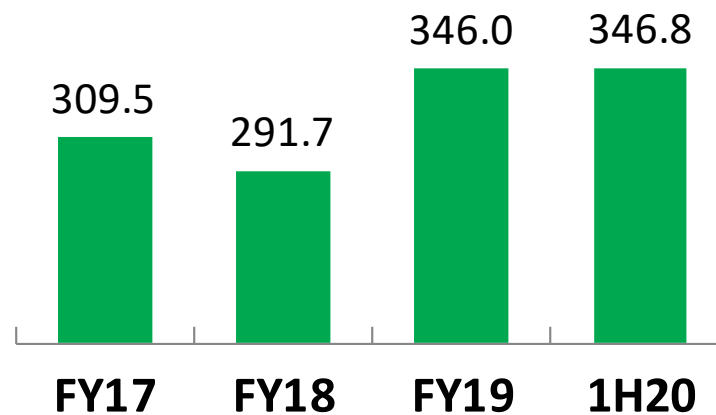
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC (%)



Cathay Financial Holdings (NT\$MN)	FY19/ FY18			9M20/ 9M19			3Q20/ 3Q19		
	FY18	FY19	% Chg	9M19	9M20	% Chg	3Q19	3Q20	% Chg
Income Statement Data (Consolidated)									
Operating Income									
Net interest income	180,628	196,367	9%	146,941	142,985	-3%	49,539	47,079	-5%
Net commission and fee	7,312	2,346	-68%	2,784	5,335	92%	1,714	2,536	48%
Net earned premium	576,811	631,487	9%	446,740	437,090	-2%	137,359	132,123	-4%
Change in liability reserve	(334,122)	(394,074)	18%	(256,836)	(340,349)	33%	(96,788)	(98,439)	2%
Net claims payment	(368,656)	(365,669)	-1%	(287,079)	(208,736)	-27%	(74,402)	(72,791)	-2%
Investment income	82,634	89,621	8%	77,108	99,081	28%	23,305	46,953	101%
Contribution from associates-equity method	1,004	1,149	14%	644	(12,450)	-2034%	(117)	561	581%
Other net non-interest income	(6,421)	587	109%	(4,436)	10,846	344%	2,487	(3,461)	-239%
Bad debt expense	(4,599)	(2,205)	-52%	(621)	(1,749)	182%	(387)	(829)	114%
Operating expense	(78,992)	(89,050)	13%	(63,914)	(60,764)	-5%	(21,117)	(20,267)	-4%
Income before taxes	55,599	70,557	27%	61,330	71,289	16%	21,593	33,465	55%
Income taxes	(3,777)	(6,698)	77%	(9,178)	(6,873)	-25%	(3,574)	(1,751)	-51%
Net income	51,822	63,859	23%	52,152	64,415	24%	18,018	31,714	76%
EPS (NT\$)	3.95	4.76		3.86	4.55		1.41	2.37	
Dividend Payout									
Cash dividend per share	1.50	2.00							
Stock dividend per share	0.00	0.00							
Weighted average outstanding shares (Millions of common shares)	12,563	12,618		12,563	13,169				
Balance Sheet Data (Consolidated)									
Total assets	9,224,484	10,065,479		9,939,730	10,562,020				
Total shareholders' equity	529,289	782,027		732,301	824,630				
Operating Metrics									
ROAE (Consolidated)	8.83%	9.74%		11.02%	10.69%				
ROAA (Consolidated)	0.57%	0.66%		0.73%	0.83%				
Double leverage ratio(inc. preferred stock)	112%	110%		110%	112%				
Capital Adequacy Metrics									
Capital Adequacy Ratio	127%	139%							

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Cathay Life
 (NT\$MN)

	FY19/ FY18			9M20/ 9M19			3Q20/ 3Q19		
	FY18	FY19	% Chg	9M19	9M20	% Chg	3Q19	3Q20	% Chg
Income Statement Data (Consolidated)									
Net written premium	559,386	608,641	9%	430,348	420,602	-2%	131,838	126,526	-4%
Net earned premium	558,929	607,820	9%	430,221	420,714	-2%	131,601	126,488	-4%
Reinsurance commission earned	762	356	-53%	22	13	-42%	8	6	-29%
Fee income	9,148	8,450	-8%	6,229	6,410	3%	2,162	2,231	3%
Recurring investment income	197,281	228,037	16%	180,523	163,112	-10%	70,256	57,286	-18%
Gain on disposal of investment									
Realized gain (loss)-Equity	49,374	38,929	-21%	28,718	58,509	104%	2,936	22,862	679%
Realized gain (loss)-Debt	15,092	36,365	141%	21,970	54,175	147%	8,141	15,665	92%
Gain on investment property	(740)	912	223%	622	1,882	203%	(5)	(16)	-223%
FX and others, net	(44,019)	(61,689)	-40%	(46,247)	(73,083)	-58%	(17,275)	(15,525)	10%
Investment income, net	216,988	242,553	12%	185,585	204,595	10%	64,053	80,273	25%
Other operating income	5,508	6,107	11%	4,406	5,418	23%	1,463	2,245	53%
Separate account revenues	28,084	63,653	127%	46,299	33,215	-28%	7,629	22,543	195%
Net claims payment	(357,244)	(349,158)	-2%	(275,855)	(197,282)	-28%	(70,501)	(68,911)	-2%
Changes in liability reserves	(333,716)	(393,679)	18%	(256,549)	(340,476)	33%	(96,663)	(98,253)	2%
Acquisition and commission expense	(33,900)	(43,834)	29%	(29,801)	(26,138)	-12%	(9,334)	(8,317)	-11%
Other operating costs	(7,765)	(6,394)	-18%	(4,375)	(5,291)	21%	(1,464)	(2,093)	43%
Financial cost	(2,331)	(2,730)	17%	(2,026)	(1,767)	-13%	(750)	(727)	-3%
Separate account expense	(28,084)	(63,653)	127%	(46,299)	(33,215)	-28%	(7,629)	(22,543)	195%
Operating expense	(29,165)	(30,692)	5%	(22,846)	(21,934)	-4%	(7,630)	(7,352)	-4%
Net non-operating income	1,312	1,710	30%	1,195	1,197	0%	334	348	4%
Income taxes	1,773	(2,216)	225%	(5,629)	(610)	-89%	(2,498)	(880)	-65%
Net income	30,297	38,293	26%	30,577	44,848	47%	10,783	25,058	132%
Balance Sheet Data									
Total assets	6,391,395	7,085,624		6,945,778	7,426,199				
General account	5,844,430	6,478,081		6,353,155	6,834,164				
Separate account	546,964	607,542		592,623	592,036				
Reserves for life insurance liabilities	5,313,167	5,683,424		5,583,924	5,977,033				
Total liabilities	6,029,265	6,491,106		6,384,654	6,777,799				
Total shareholders' equity	362,129	594,518		561,125	648,400				
Operating Metrics (Standalone)									
First Year Premium(FYP)	211,588	201,064		145,456	122,546				
First Year Premium Equivalent(FYPE)	71,372	96,313		67,021	51,135				
Expense ratio	9.6%	10.6%		10.6%	9.7%				
13-M persistency ratio	98.4%	98.0%		98.0%	98.1%				
25-M persistency ratio	94.7%	96.4%		96.5%	95.6%				
ROAE	7.25%	8.01%		8.83%	9.62%				
ROAA	0.48%	0.57%		0.61%	0.82%				
Capital Adequacy Metrics (Standalone)									
RBC ratio	292%	346%							

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Cathay United Bank

(NT\$MN)	FY19/ FY18		9M20/ 9M19		3Q20/ 3Q19				
	FY18	FY19	% Chg	9M19	9M20	% Chg	3Q19	3Q20	% Chg
Income Statement Data (Consolidated)									
Operating Income									
Net interest income	33,397	36,446	9%	27,053	26,285	-3%	9,147	8,341	-9%
Fee income	16,678	17,090	2%	13,082	12,634	-3%	4,599	4,672	2%
Investment income	9,862	8,996	-9%	8,203	8,547	4%	2,361	1,753	-26%
Other income	918	594	-35%	451	650	44%	132	190	44%
Net operating income	60,855	63,126	4%	48,789	48,117	-1%	16,238	14,956	-8%
Operating expenses	(31,340)	(33,806)	8%	(25,019)	(24,064)	-4%	(8,285)	(8,263)	0%
Pre-provision profit	29,515	29,320	-1%	23,770	24,053	1%	7,953	6,693	-16%
Net provisions for possible losses	(5,032)	(2,853)	-43%	(1,551)	(1,908)	23%	(634)	(636)	0%
Income before taxes	24,483	26,467	8%	22,219	22,146	0%	7,319	6,057	-17%
Income tax	(3,230)	(3,981)	23%	(3,097)	(2,938)	-5%	(961)	(698)	-27%
Net income	21,253	22,486	6%	19,122	19,208	0%	6,358	5,359	-16%
Balance Sheet Data									
Total assets	2,843,881	2,973,496		2,989,672	3,108,719				
Loans, net	1,595,323	1,553,151		1,553,914	1,604,997				
Financial assets	878,001	897,677		873,242	1,021,636				
Total liability	2,638,074	2,741,601		2,772,057	2,868,238				
Deposits	2,227,662	2,335,331		2,300,477	2,521,085				
Financial Debenture Payable	55,600	53,900		53,900	53,800				
Total shareholders' equity	205,807	231,895		217,615	240,481				
Operating Metrics									
Cost income ratio	51.50%	53.55%		51.28%	50.01%				
ROAE	10.86%	10.27%		12.04%	10.84%				
ROAA	0.76%	0.77%		0.87%	0.84%				
Assets Quality (Standalone)									
NPL	2,563	2,286		3,221	2,488				
NPL ratio	0.16%	0.15%		0.21%	0.16%				
NPL provisions	23,879	25,983		25,363	26,391				
Coverage ratio	932%	1137%		788%	1061%				
Capital Adequacy Metrics (Standalone)									
BIS ratio	15.0%	15.1%							
Tier I Ratio	11.8%	12.3%							
LDR (Standalone)									
LDR	70.7%	65.5%		66.7%	63.3%				
TWD LDR	77.7%	70.1%		70.4%	68.4%				
FX LDR	46.6%	48.8%		52.3%	45.0%				

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Cathay Century

(NT\$MM)	FY19/ FY18			9M20/ 9M19			3Q20/ 3Q19		
	FY18	FY19	% Chg	9M19	9M20	% Chg	3Q19	3Q20	% Chg
Income Statement Data (Consolidated)									
Premium income	23,186	25,343	9%	18,194	18,436	1%	6,029	6,045	0%
Net written premium	17,797	19,550	10%	13,952	14,132	1%	4,720	4,777	1%
Net earned premium	17,349	19,077	10%	13,881	14,086	1%	4,806	4,718	-2%
Reinsurance commission earned	556	572	3%	427	412	-4%	129	128	0%
Fee income	43	42	-1%	33	35	7%	10	11	7%
Investment	640	1,020	59%	764	950	24%	363	535	48%
Interest income	559	555	-1%	411	417	1%	142	136	-4%
Other investment income, net	81	465	473%	352	533	51%	220	399	81%
Other operating income	0	0	0%	0	0	0%	0	0	0%
Net claims payment	(9,408)	(10,321)	10%	(7,482)	(7,938)	6%	(2,583)	(2,588)	0%
Changes in liability reserves	(406)	(395)	-3%	(287)	127	-144%	(124)	(186)	49%
Commissions and other operating costs	(3,043)	(3,409)	12%	(2,394)	(2,446)	2%	(825)	(804)	-3%
Operating expenses	(3,848)	(4,097)	6%	(2,979)	(3,033)	2%	(1,013)	(994)	-2%
Operating income	1,883	2,490	32%	1,962	2,193	12%	761	820	8%
Net non-operating income	(24)	5	123%	(0)	0	231%	(0)	(0)	59%
Income taxes	(349)	(389)	11%	(314)	(326)	4%	(110)	(83)	-25%
Net income	1,510	2,106	40%	1,648	1,867	13%	651	737	13%
Balance Sheet Data									
Total assets	37,956	43,008		40,758	41,656				
Total stockholders' equity	10,025	12,656		11,946	12,112				
Operating Metrics									
Gross Combined ratio	81.8%	84.8%		83.2%	83.2%				
Net Combined ratio	92.2%	93.0%		92.3%	91.7%				
ROAE	14.69%	18.57%		20.00%	20.10%				
ROAA	3.96%	5.19%		5.57%	5.88%				
Capital Adequacy Metrics									
RBC ratio (Standalone)	370%	339%							

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