



國泰金控

Cathay Financial Holdings

2021 Fourth Quarter Briefing

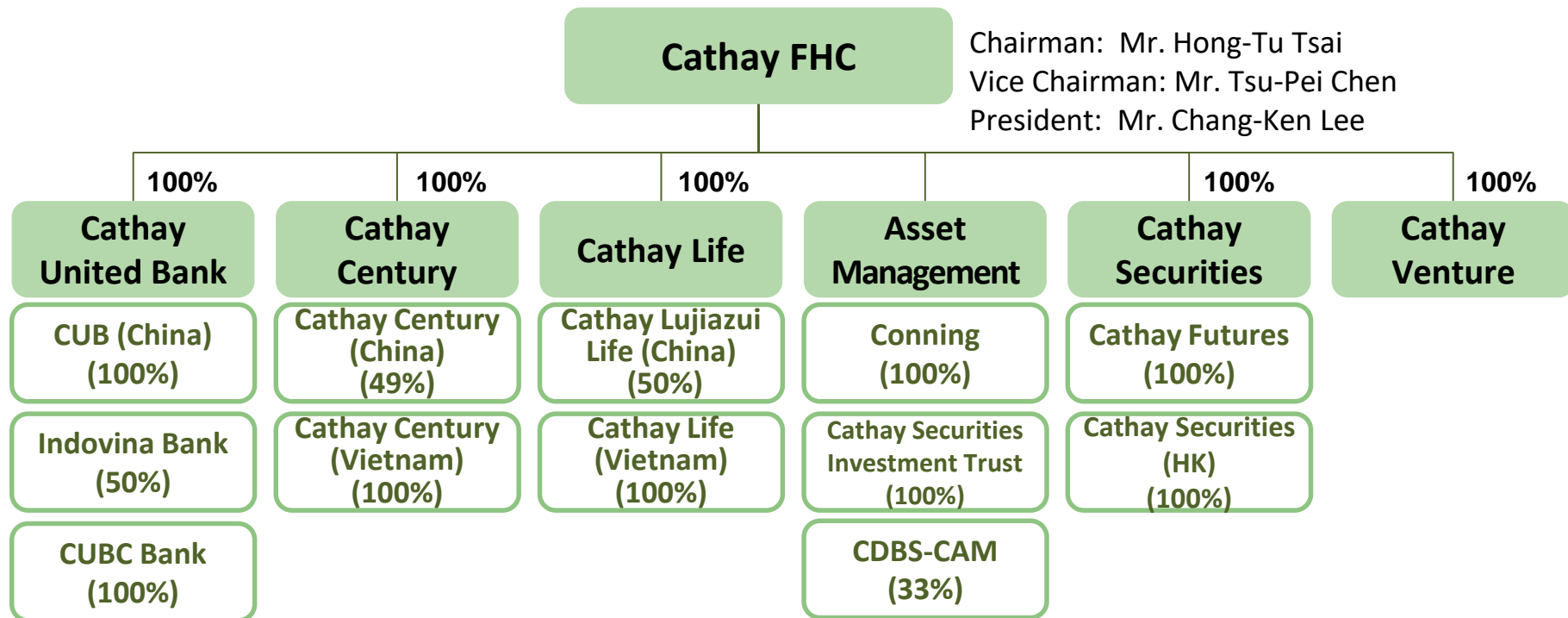
March 2022



Agenda

- **Introduction of Cathay FHC**
- **Business Overview**
- **Overseas Expansion**
- **Business Performance Summary**
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Cathay's ESG 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: 12.4% (FY21).

- No. 1 life insurer in terms of total assets and total premium
- Market share in total premium: 21.7% (FY21).

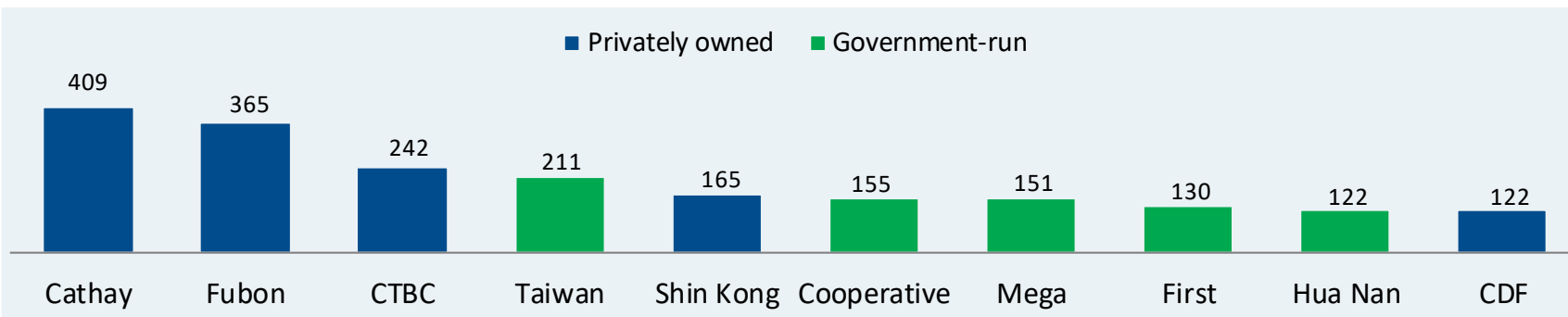
- Building global asset management platform
- Largest AUM among asset managers in Taiwan

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

Market leader in Taiwan's FIG sector

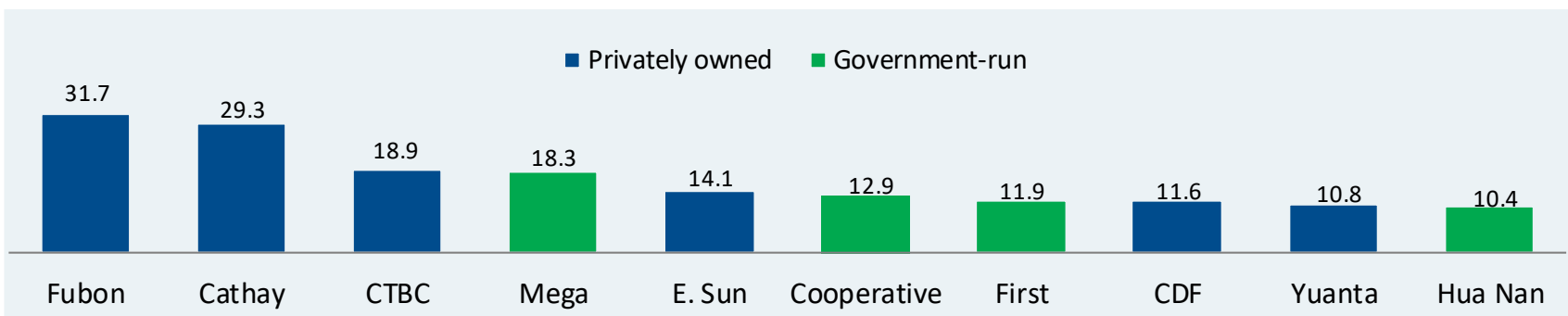
- Largest listed financial group by assets.

Ranking of total asset (US\$bn)



Note: Total assets as of September 30, 2021

Ranking of market cap (US\$bn)



Note: Market capitalization as of February 25, 2022

Cathay FHC's continuous effort in ESG integration



2011

- Established CSR Committee

2014

- Renamed CSR Committee to Corporate Sustainability Committee, supervised by the Board
- Formed Responsible Investment Team

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

2015

Member of
Dow Jones Sustainability Indices

Powered by the S&P Global CSA

- Included in DJSI World Index
- Among the first to sign on TCFD initiative
- Cathay United Bank self-compliance with PRB

- The only Taiwan FIG joined **CDP Non-Disclosure Campaign & Climate Action 100+ Initiatives**
- Cathay Century P&C Insurance self-compliance with PSI

- Joined **Asia Investor Group on Climate Change (AIGCC)**
- Cathay Life self-compliance with PSI



2018



2017



2016

2019

- First Taiwan FIG to disclose carbon footprints in investment portfolio
- Active in engagement with government on climate governance

2020

- Joined **Ceres Valuing Water Finance Task Force**
- Launched the Taiwan Sustainable Investment Survey
- Cathay Securities published ESG rating reports on individual listed companies

2021

- Issued ESG integration report certified by third party
- Committed 100% renewable energy by 2030
- Participated **Asian Utilities Engagement Program**



Participation in global and domestic ESG initiatives

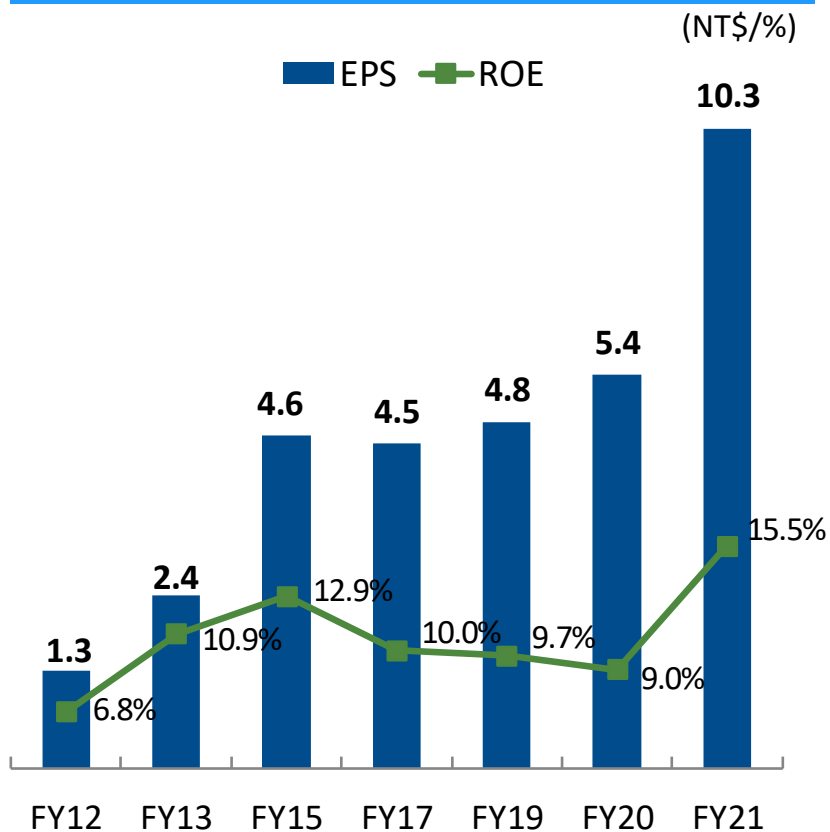
Initiatives	Joined company / Time
CDP	<ul style="list-style-type: none"> Cathay FHC (2012)
Low Carbon Investment Registry	<ul style="list-style-type: none"> Cathay FHC (2014)
Taiwan Stewardship Principles	<ul style="list-style-type: none"> Cathay Life & Cathay SITE (2016) Cathay Century Insurance (2017) 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-compliance)	<ul style="list-style-type: none"> Conning Inc. (PRI signatory in 2015) Cathay Life (voluntary self-compliance in 2015)
PSI (voluntary self-compliance)	<ul style="list-style-type: none"> Cathay Life (2016) Cathay Century Insurance (2017)
PRB (voluntary self-compliance)	<ul style="list-style-type: none"> Cathay United Bank (2018)
TCFD	<ul style="list-style-type: none"> Cathay FHC (2018)
Valuing Water Finance Task Force	<ul style="list-style-type: none"> Cathay FHC & Cathay Life (2020)
Asian Utilities Engagement Program	<ul style="list-style-type: none"> Cathay FHC (2021)

Note: Cathay has voluntarily self-complied with UN initiatives, as Taiwan is not a UN member state.

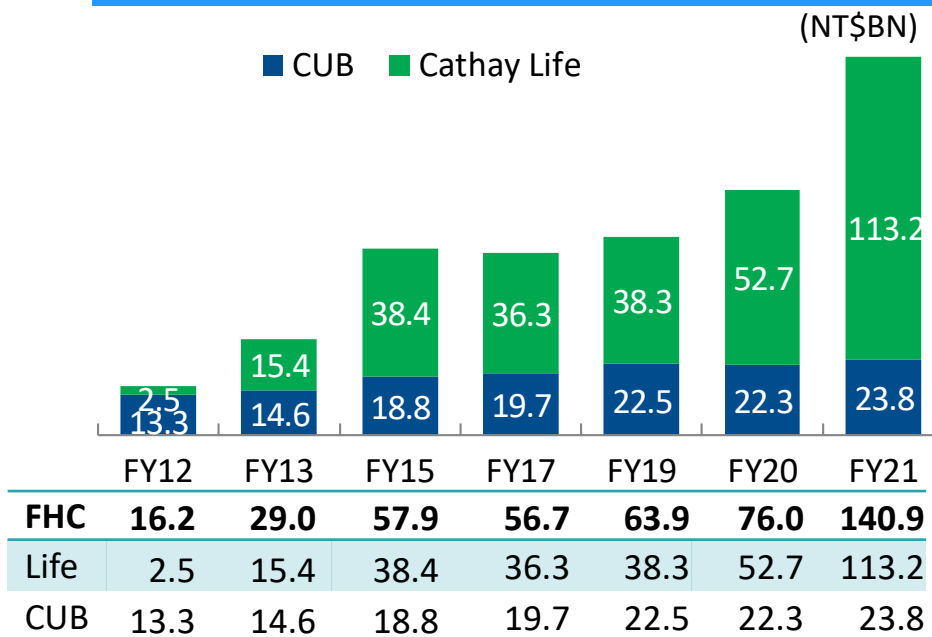
For more information please refer to “Cathay’s ESG Efforts” pages 40-49.

Cathay FHC continued to deliver solid earnings

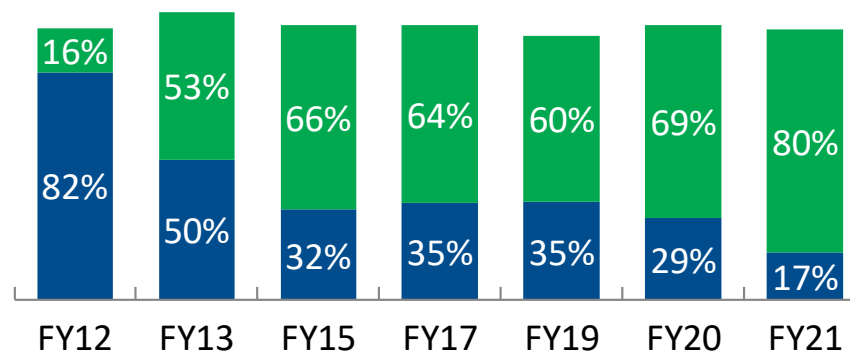
EPS & ROE



Profit contribution



Profit contribution (Percentage)



- 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 – 2021 Business highlights

Net profit continued to hit new records

- ❑ Cathay FHC consolidated net profit reached NT\$140.9bn, setting a new record for the third consecutive year.
- ❑ Group subsidiaries Cathay Life, CUB, Cathay Securities, and Cathay SITE each delivered record earnings.

Leading position in ESG and responsible investment and lending

- ❑ Ranked No. 1 globally in DJSI categories of Sustainable Finance and Financial Inclusion; ranked No. 1 in overall score among Taiwan insurers.
- ❑ Once again received an MSCI ESG rating of AA in the Life & Health Insurance category.
- ❑ Selected by The Investor Agenda for its global top-10 best-practice case studies in the Investor Climate Action Plan areas of Corporate Engagement and Policy Advocacy.
- ❑ Committed to utilizing 100% renewable energy by 2030 for all business operation sites in Taiwan, and targeted to achieve net-zero emissions by 2050. Urged investee companies and corporate borrowers to transition to low-carbon operations.

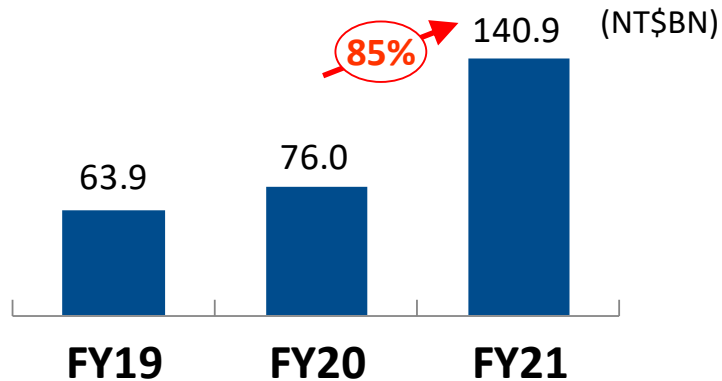
Aiming to be a “data and technology-driven fintech company”

- ❑ Launched “Cathay as a Service (CaaS) ecosystem platform” to offer cross-industry partners API packages and one-stop user experience.
- ❑ Cathay Life launched the “Cathay Vision Experience” remote insurance application platform, the first in Taiwan.
- ❑ CUB CUBE card, aiming to increase customer stickiness, integrates credit card benefits from different partners and allows cardholders to select benefits on the CUB mobile banking app.
- ❑ Fostered digital transformation in Vietnam and Cambodia to accelerate business development and enhance customer experience.

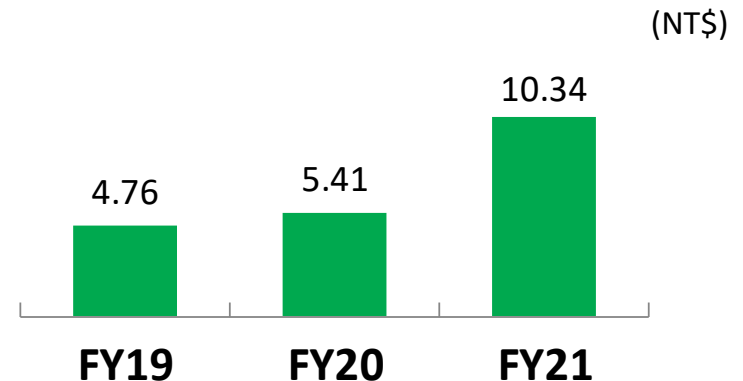
Cathay FHC – Net income & EPS

- FY21 net profit continued to set new records, driven by sound investment performance.
- Cathay Life delivered strong investment performance with net profit again reaching new records. CUB, Cathay SITE, and Cathay Securities also delivered record-high earnings.

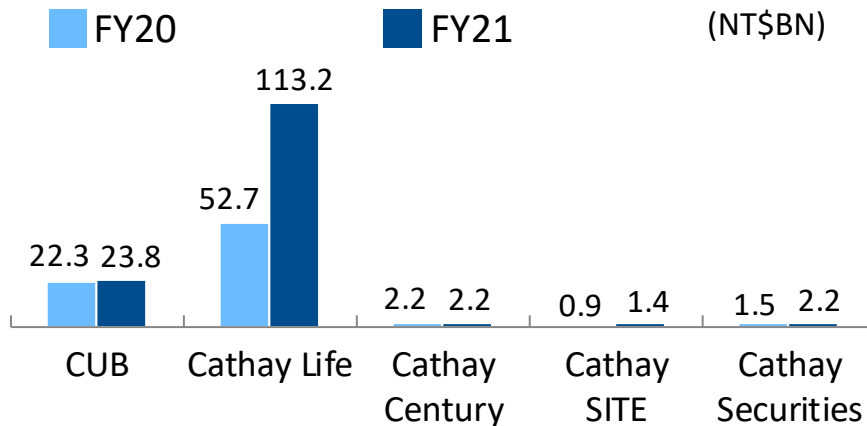
Net income



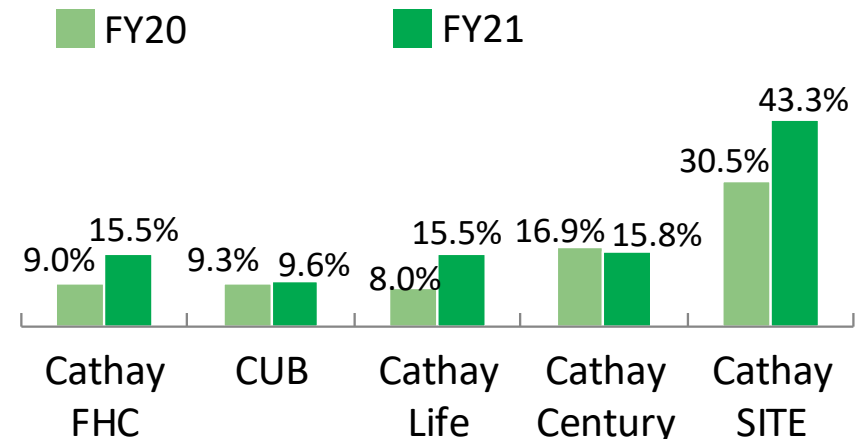
EPS



Net income of primary subsidiaries

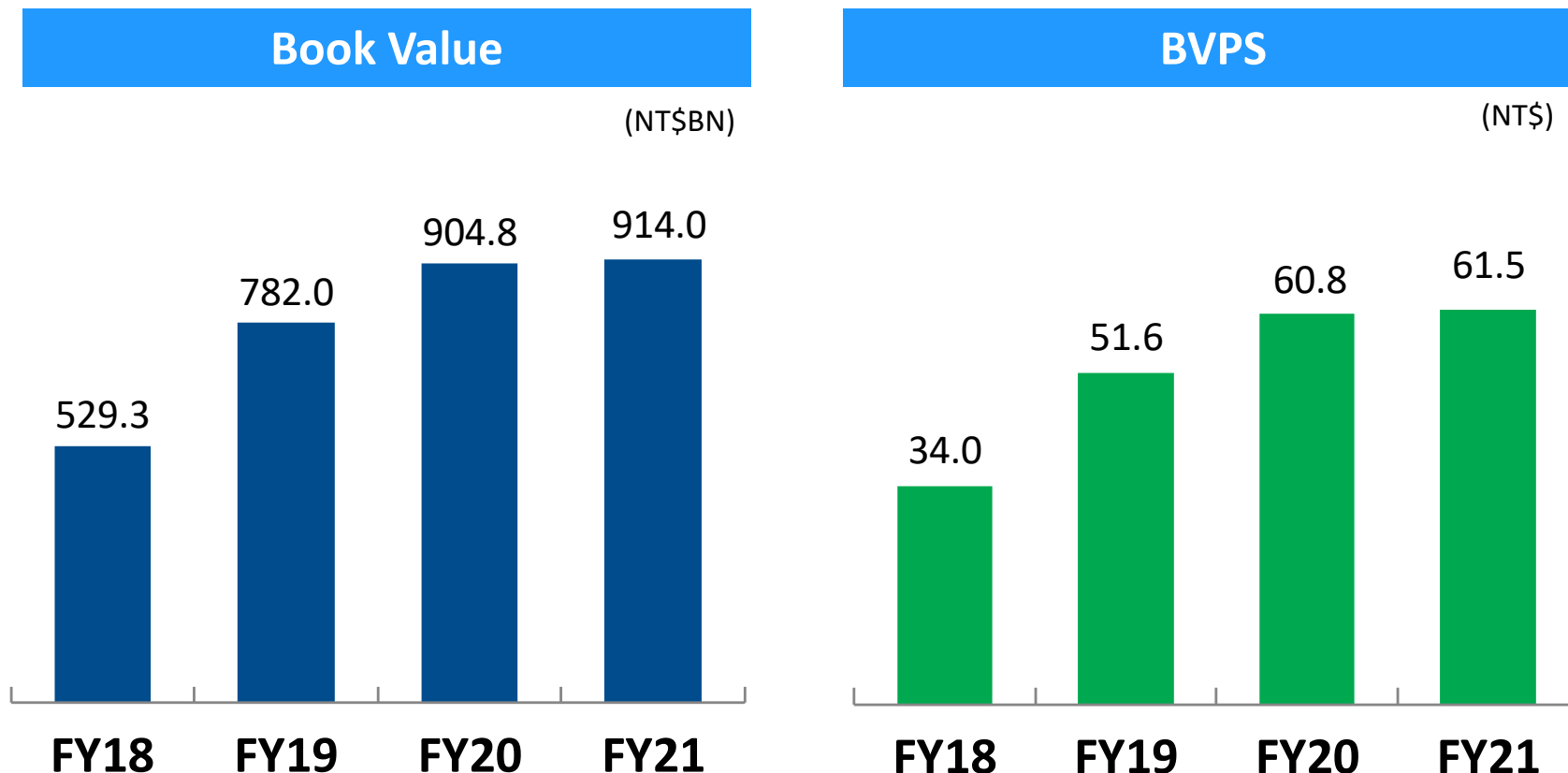


ROE



Cathay FHC – Book value & BVPS

- Book value reached a new yearly record, supported by strong earnings contributions.



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.

2021 Business overview

Cathay United Bank

- Delivered robust growth in deposits and loans. Asset quality was benign. NIM rebounded and net interest income showed 9% YoY growth.
- Net fee income saw double-digit growth YoY, driven by strong YoY growth of 19% in wealth management fees.

Cathay Life

- Adhered to value-driven strategy. Protection-type FYP grew 15% YoY. AUM for investment-linked products increased to over NT\$700bn, ranking No. 1 in the industry.
- Delivered sound investment performance with after-hedging investment yield of 4.9%.
- Maintained solid capital position with RBC ratio of 371% and E/A ratio of 10.5%.

Cathay Century

- Premium income up 10% YoY; market share of 12.4% ranked No. 2 in industry. Customer-centric products and well-rounded coverage concepts drove premium income rise.
- Developed online business in China. Accelerated development of Vietnam business and increased premium income through digital transformation and mobile applications.

Cathay SITE

- Ranked No. 1 in AUM, amounting to NT\$1.28tn. Earned wide acclaim for various new products. FY21 net profit set new records.
- Recognized by Asia Asset Management and Benchmark. Received TFF-Bloomberg Best Fund Award and Golden Goblet Award in 2021.

Cathay Securities

- Optimized customer experience with a digital-only business model; focused on digital customers to increase customer base.
- Total number of open accounts as of the end of 2021 neared 1.2mn. Earnings and number of customers each hit new records.

2022 Business outlook

Cathay United Bank

- Grow loans steadily with benign asset quality.
- Develop diversified products and utilize digital platforms to increase wealth management fee income.
- Continue to expand and further entrench overseas presence. Increase offshore earnings.

Cathay Life

- Employ the strategy of “Protection First and Elderly-Friendly.” Focus on protection-type products to prepare for adoption of IFRS 17 and ICS.
- Seek opportunities for quality stocks and bonds to enhance recurring income. Continue dynamic hedging strategy to maintain stable hedging costs.

Cathay Century

- Grow business emphasizing on quality and quantity. Implement risk control and compliance.
- Focus on customer-centric strategy to increase customer satisfaction and retention.
- Expand online business in China. Strengthen digital capabilities and develop opportunities for cross-industry cooperation in Vietnam.

Cathay SITE

- Focus on new product development and innovations in fintech applications and services.
- Integrate global asset management resources and expand distribution channels.
- Develop financial planning for retirement as well as for younger customers. Strengthen ESG investment process.

Cathay Securities

- Continue to utilize digital technology to increase customer base and enhance user experience.
- Enhance existing products and platforms to meet customer needs.

Cathay FHC in South East Asia

	China	Vietnam	Cambodia	Hong Kong	Singapore	Malaysia	Laos	Philippines	Myanmar	Thailand	Indonesia
Bank	7	36	16	1	1	1	1	1	1	1	1
Life	53	146									
P&C	26	2									
Asset Mgt.	1			1							
Securities				2							

Note: (1) Footprints in Thailand and Indonesia are rep. offices.

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

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



■ Banking

- Vietnam: Injected capital into Chu Lai Branch, expected to relocate to Ho Chi Minh City. IVB continued to expand in corporate, consumer, and digital banking business.
- Cambodia: Local subsidiary's business grew steadily.
- Philippines: Invested in RCBC.⁽²⁾
- Indonesia: Invested in Bank Mayapada.⁽²⁾

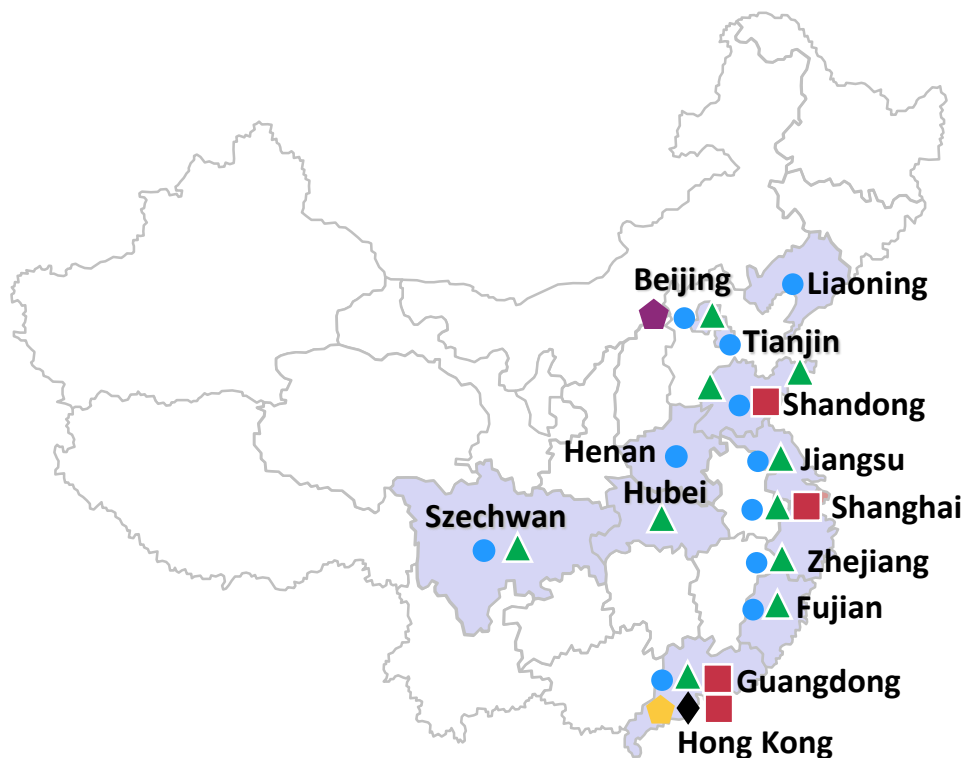
■ Cathay Life (Vietnam)

- Total premium grew 38% YoY to 2.2tn VND in FY21.
- 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

- China subsidiary showed steady performance.
- Issued first batch of interbank certificates of deposit in 11M21 to add funding sources and increase market activity.

■ Cathay Lujiazui Life

- Total premium grew 14% YoY to 3.4bn RMB in FY21.
- Reinforced mid-to-high-end customer base; enhanced efficiency through digitalization management tools.

■ Cathay Century (China)

- Formed a strategic alliance with Ant Group. Actively developed e-commerce financial services.

■ Cathay Securities (HK)

- Continued to grow local and cross-border business.

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

- Business remained steady.

■ Conning Asia Pacific Limited

- Continued to expand asset management business.

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Cathay United Bank

Cathay Life

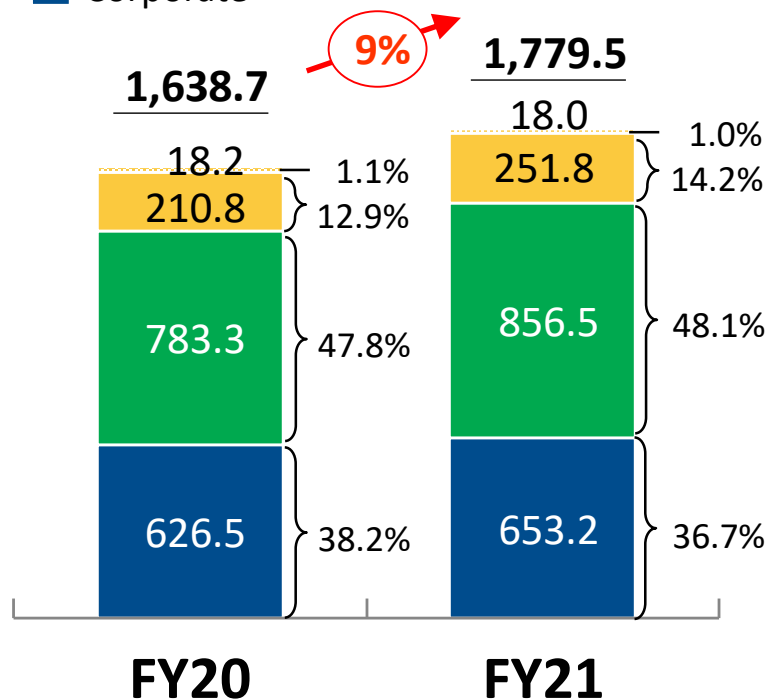
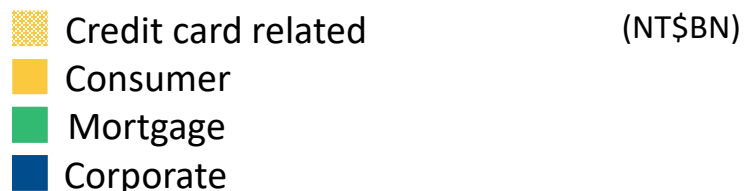
Cathay Century

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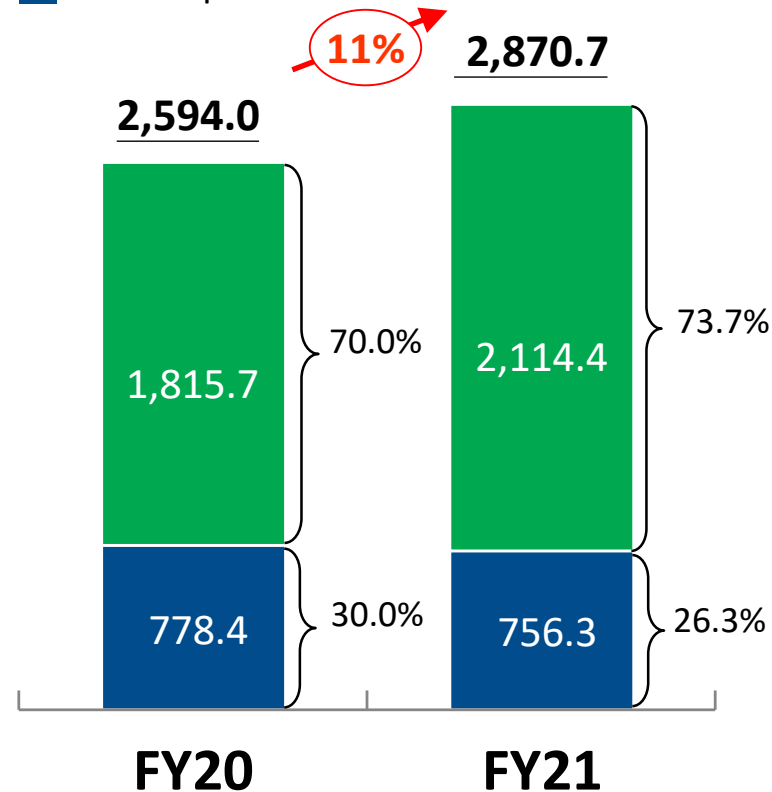
Cathay United Bank – Loan & deposit breakdown

- Robust loan growth across consumer, mortgage, and corporate loans.
- Solid growth in deposits, with higher demand-deposit ratio.

Loan breakdown



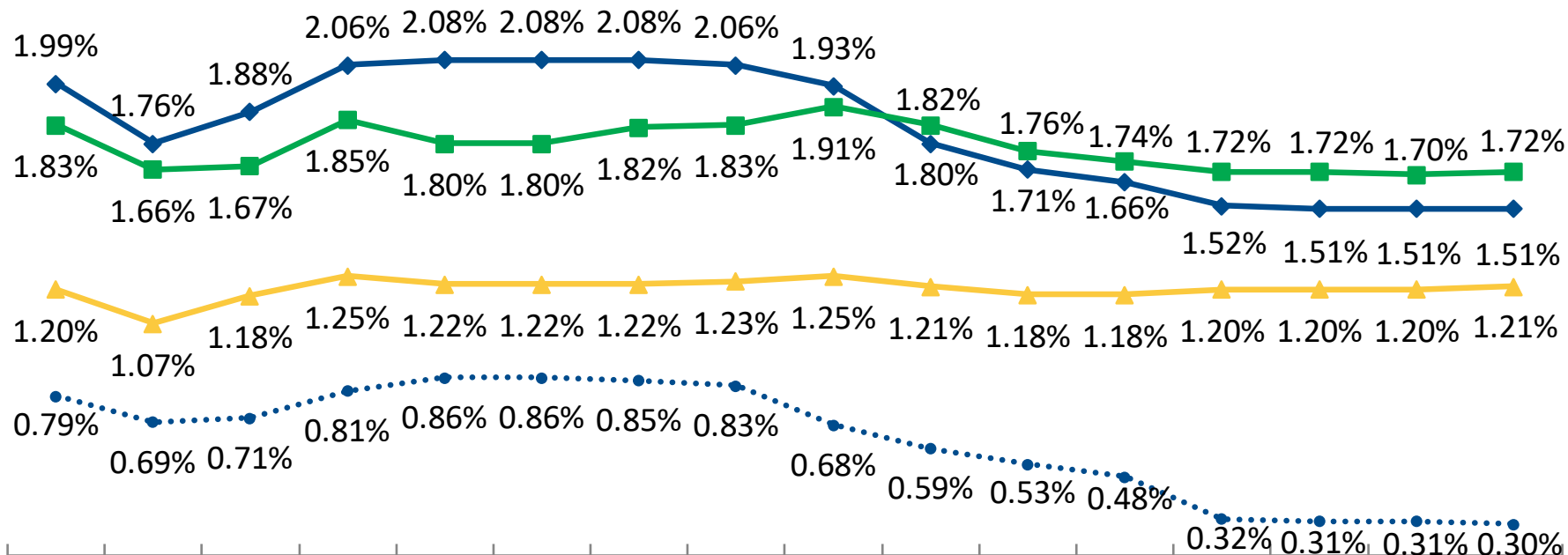
Deposit breakdown



Cathay United Bank – Interest yield

□ NIM and interest spread rebounded, attributable to optimized loan mix and lower funding costs.

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



FY15 FY16 FY17 FY18 1Q19 1H19 9M19 FY19 1Q20 1H20 9M20 FY20 1Q21 1H21 9M21 FY21

Quarterly	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Spread	1.83%	1.80%	1.81%	1.85%	1.86%	1.91%	1.73%	1.65%	1.69%	1.72%	1.71%	1.69%	1.74%
NIM	1.22%	1.22%	1.22%	1.23%	1.26%	1.25%	1.17%	1.13%	1.17%	1.20%	1.20%	1.21%	1.22%

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

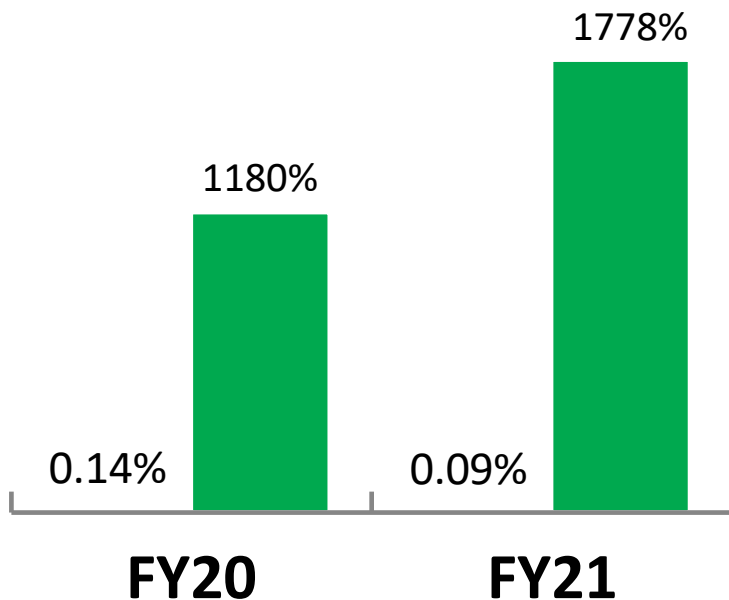
(2) China subsidiary was launched in Sep 2018. Hence, since 9M18, China subsidiary results was excluded.

Cathay United Bank – Credit quality

- Asset quality remained steady with NPL at 0.09% and coverage ratio at 1778%.

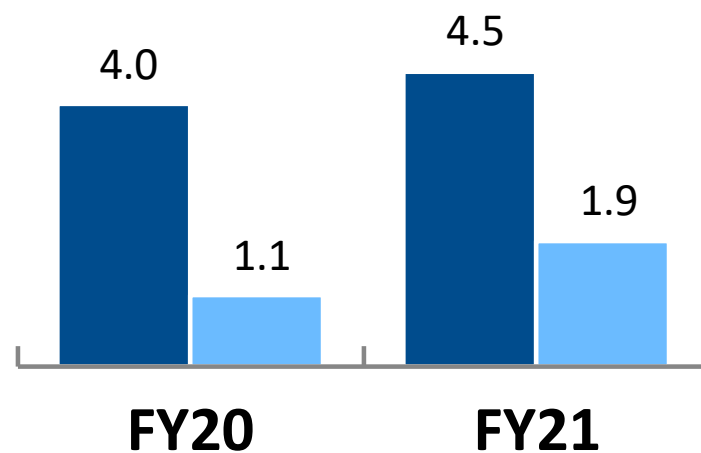
NPL & Coverage ratio

- NPL ratio
- Coverage ratio



Gross provision

- Gross provision (NT\$BN)
- Recovery



Mortgage NPL

0.11 %

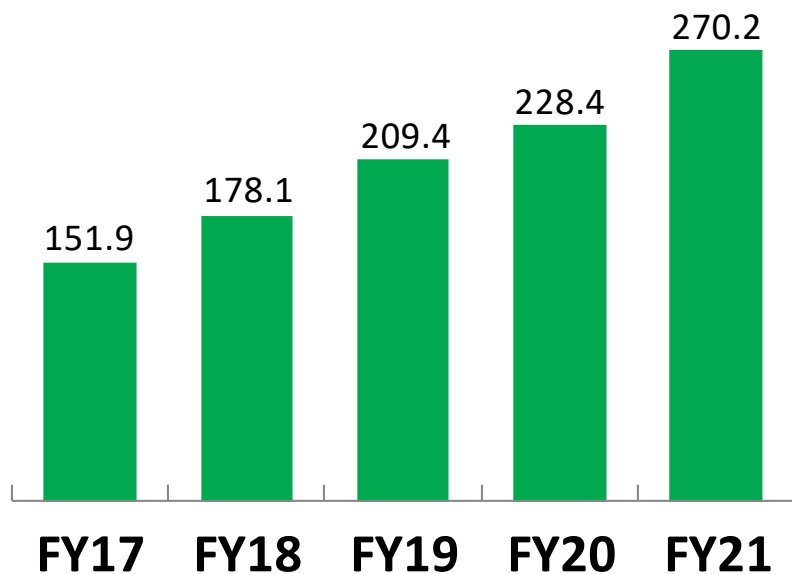
0.08 %

Cathay United Bank – SME & FX loans

- SME loans grew 18% in FY21 .
- Foreign currency loans slowed down due to pandemic uncertainty and more stringent credit policies overseas.

SME loans

(NT\$BN)

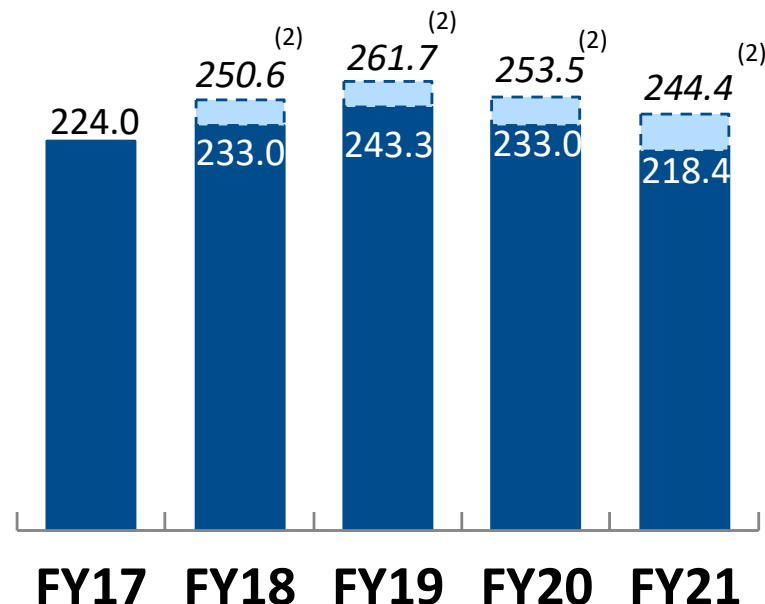


As % of total loans

10.7% 11.4% 13.8% 14.1% 15.3%

Foreign currency loans

(NT\$BN)



15.8% 15.0% 16.1% 14.4% 12.4%

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

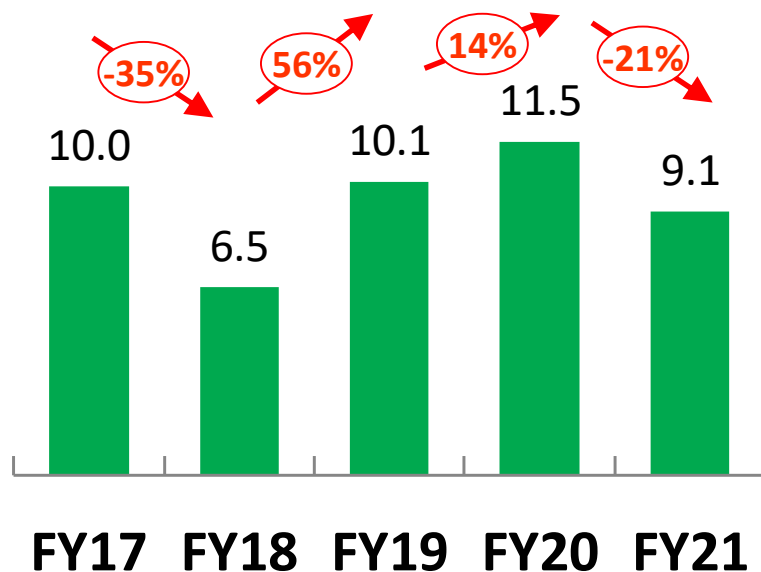
(2) China subsidiary was launched in Sep 2018, hence FY18, FY19, FY20 and FY21 foreign currency loan balance excluded NT\$17.6bn , NT\$18.4bn , NT\$20.5bn and NT\$26.0bn from China subsidiary, respectively. (preliminary)

Cathay United Bank – Offshore earnings

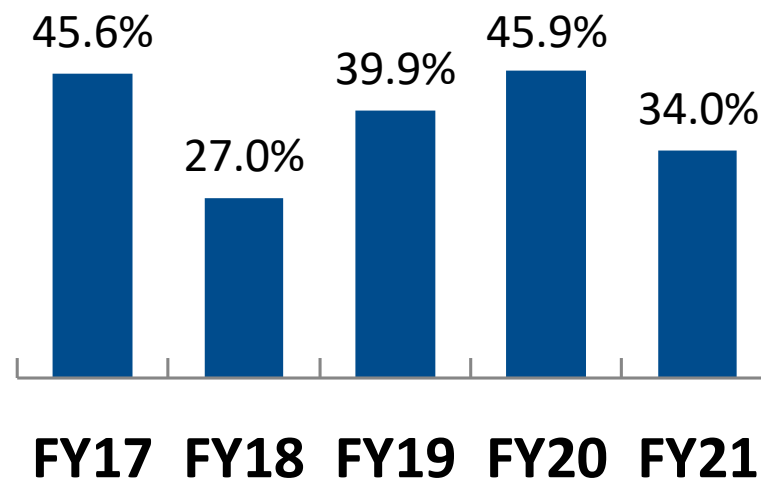
- Offshore earnings declined mainly due to higher FY20 base period for investment gains.

Offshore earnings

(NT\$BN)

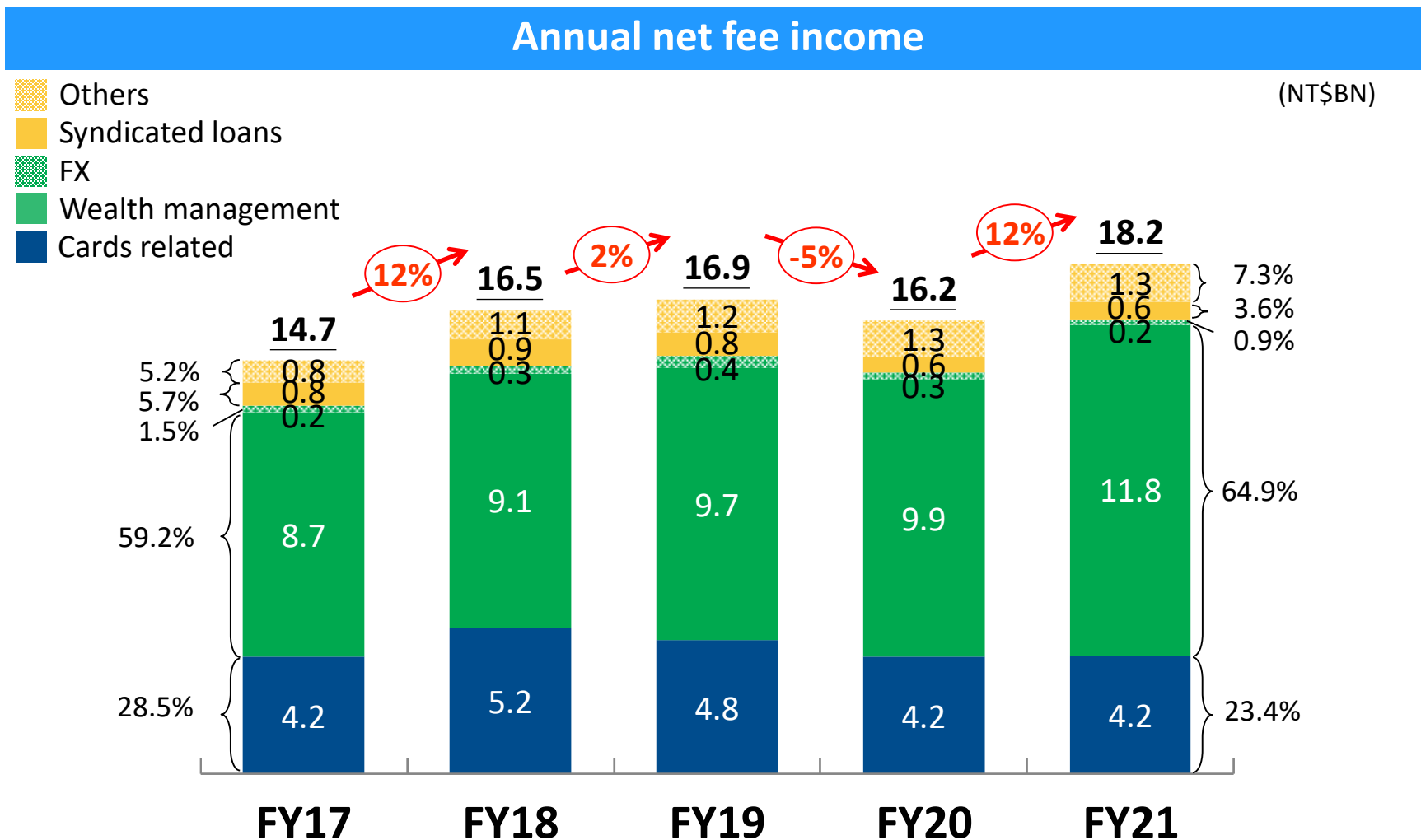


As % of CUB pre-tax profits



Cathay United Bank – Net fee income

- Net fee income grew 12% YoY, driven by double-digit growth of wealth management fees.

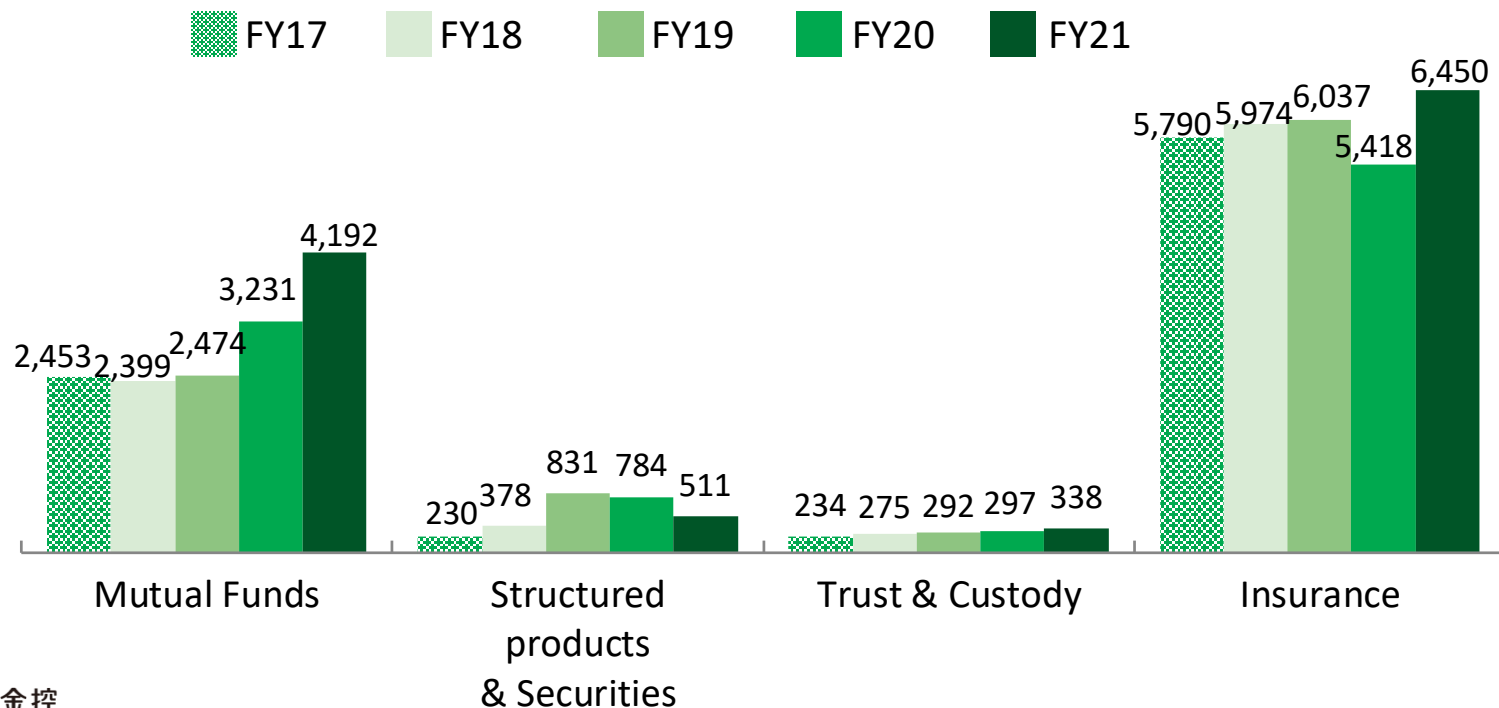


Cathay United Bank – Wealth management fees

- Wealth management fees increased 19% YoY, supported by double-digit fee income growth in mutual funds and bancassurance.

Wealth management fees breakdown

(NT\$MN)	FY17	FY18	FY19	FY20	FY21
Wealth management fees	8,722	9,070	9,695	9,878	11,783
YoY growth (%)	-10.3%	4.0%	6.9%	1.9%	19.3%



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Cathay Life – Total premium

- Total premium declined YoY due to lower renewal premium, reflecting the end of regular premium payment terms for certain top-selling products.

Annual total premium

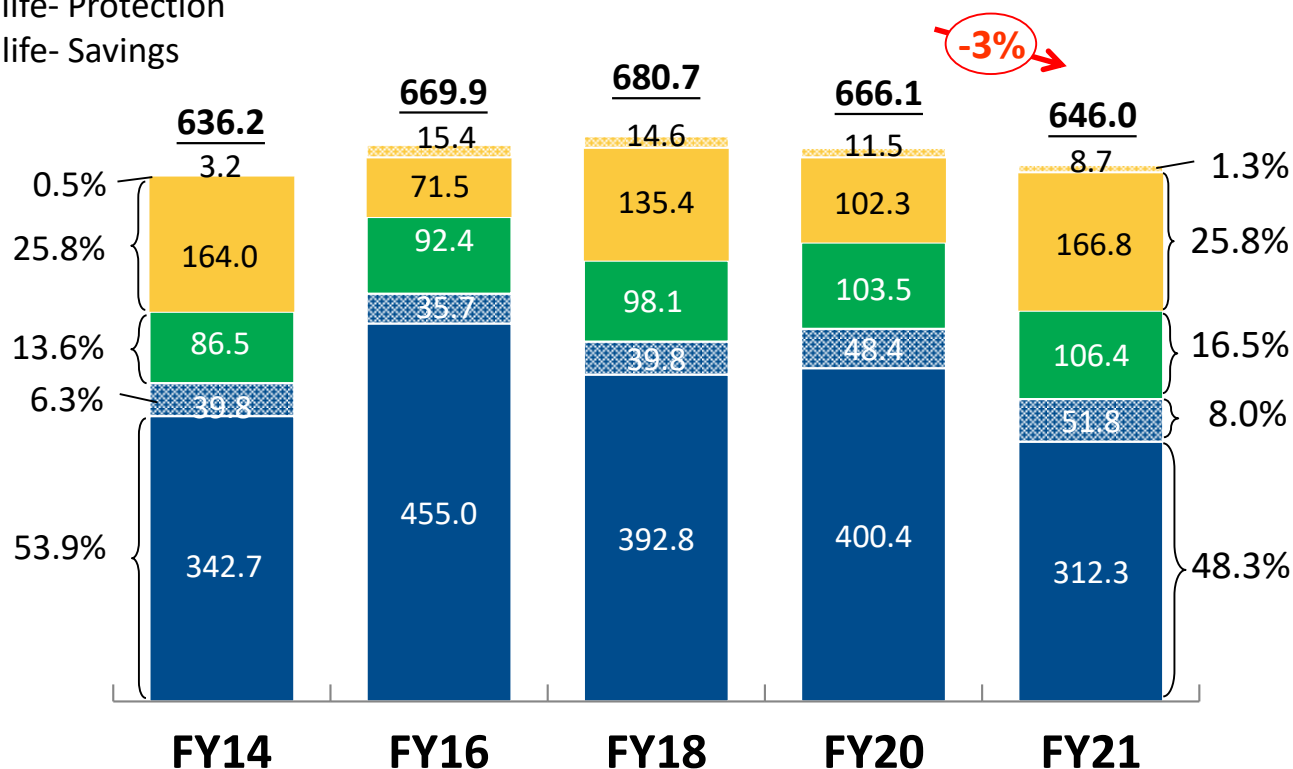
Others

Investment-linked & Interest sensitive annuity

Health and accident

Traditional life- Protection

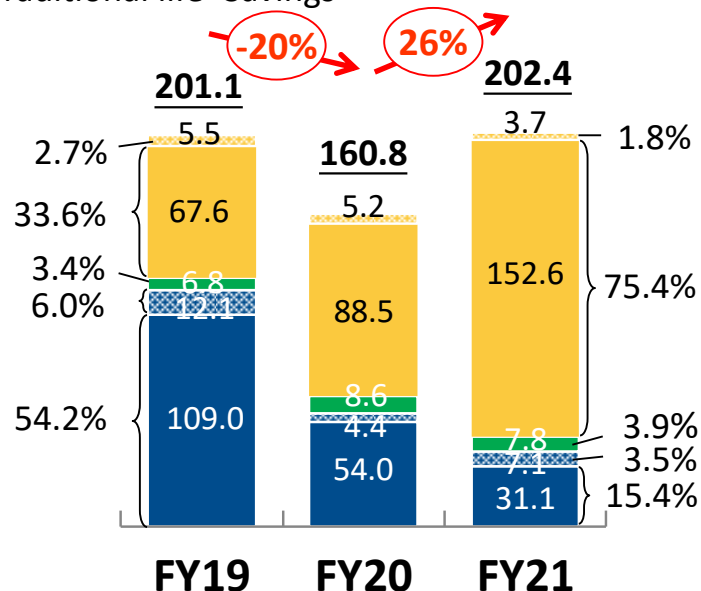
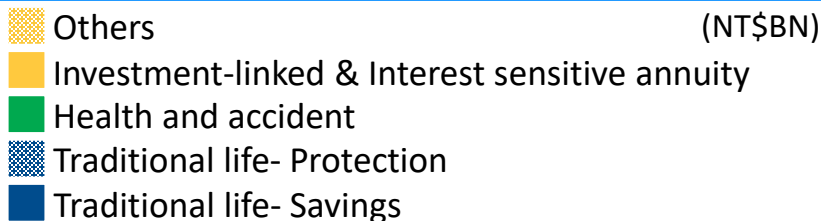
Traditional life- Savings



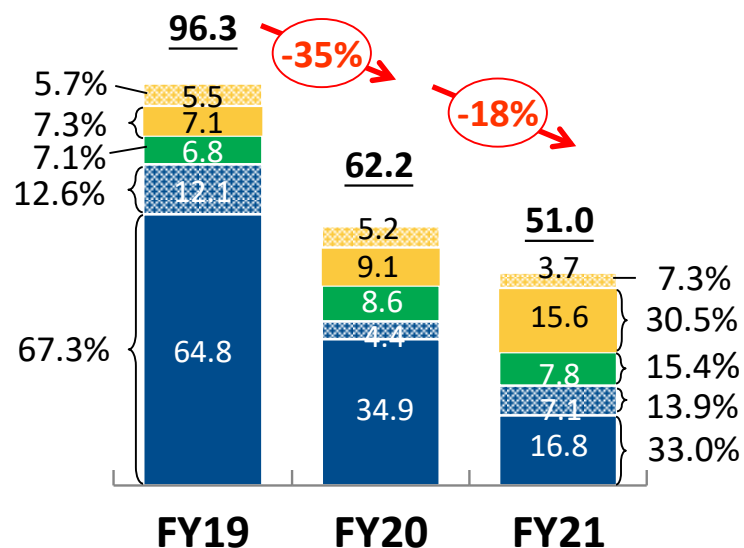
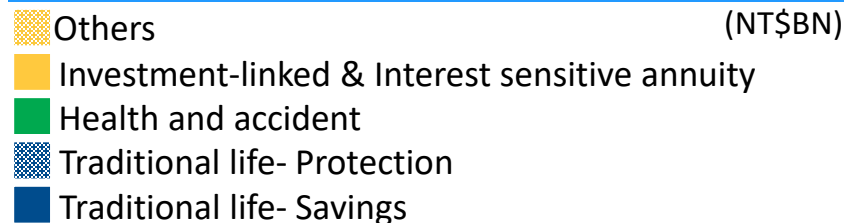
Cathay Life – Annual FYP & APE

- Substantial growth in investment-linked products (ILPs) led to 26% YoY growth in FYP.
- FYP of protection-type policies grew 15% YoY, supporting the contractual service margin (CSM).
- APE declined YoY, reflecting dominance of single-payment ILPs in FYP.

First Year Premium



Annualized FYP (APE)



Note: (1) Protection type policies includes "Traditional life-Protection" and "Health and accident"

(2) Annualized FYP (APE) = 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

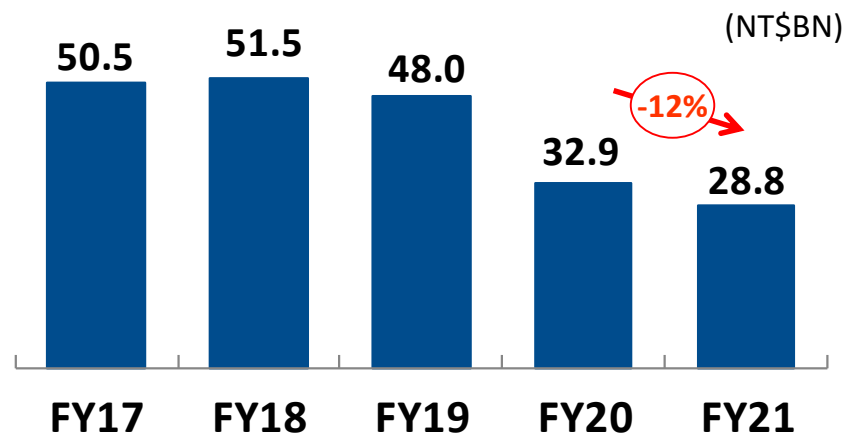
Cathay Life –Value of new business

- VNB declined YoY due to lower sales volume in mid-2021 amid local Covid-19 outbreak. Sales volume rebounded in 4Q as the local epidemic waned.
- High-CSM protection-type products continued to grow. VNB margin increased to 48% if excl. single-paid ILPs.

Value for New Business (annual)

Profit Margin	FY17	FY18	FY19	FY20	FY21
VNB/FYP	22%	24%	24%	20%	14%
VNB/APE	64%	72%	50%	53%	56%

Profit Margin	FY20	FY21
VNB/FYP	20%	14%
VNB/FYP (excl. Investment-linked (non-VUL))	41%	48%
VNB/APE	53%	56%

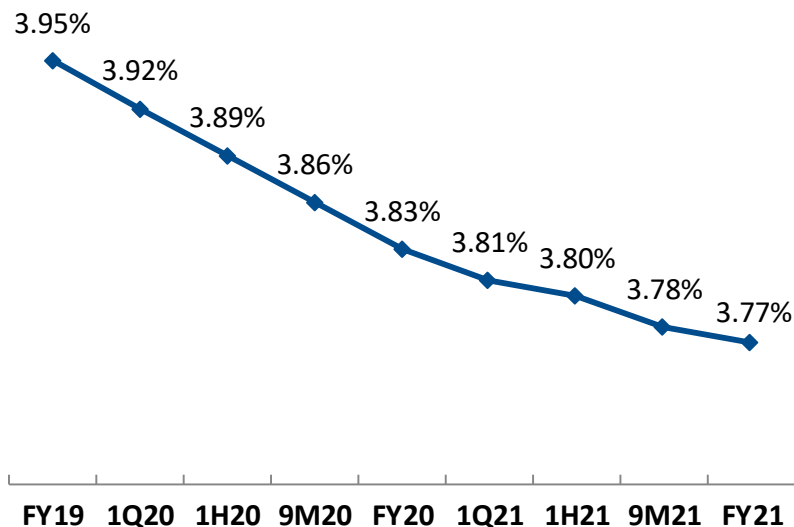


Note : FY20 and FY21 VNB were based on 2020 Embedded Value assumptions. Based on 2019 Embedded Value assumptions, FY20 VNB were NT\$31.8BN, VNB/FYP were 20%, VNB/APE were 51%.

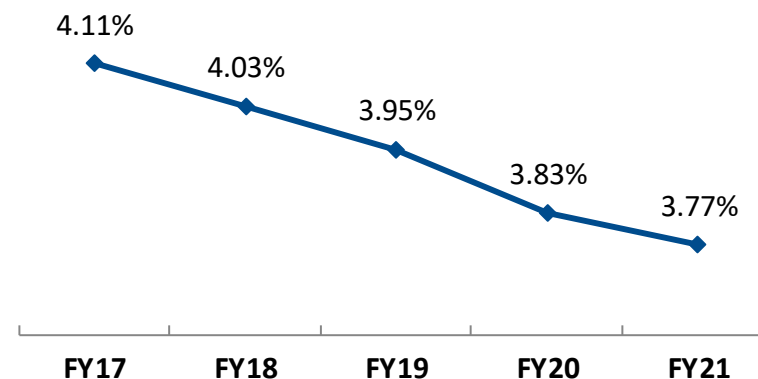
Cathay Life – Cost of liability and break-even asset yield

- Continued to strengthen value-driven strategy.
- Cost of liability and break-even asset yield continued to improve.

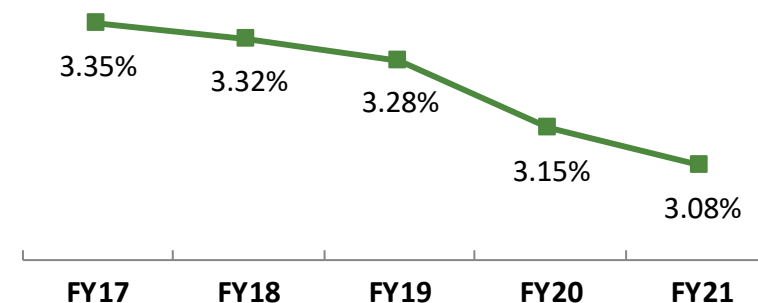
Cost of liability (quarterly)



Cost of liability (annual)



Break-even asset yield



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

Cathay Life – Investment portfolio

(NT\$BN)	FY18	FY19	FY20			FY21		
Total investments⁽¹⁾	5,761.0	6,415.0	6,945.1			7,254.1		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	1.1%	3.7%	4.8%	335	0.4%	3.2%	234	0.2%
Equity- Domestic	7.5%	5.0%	6.3%	438	13.5%	7.2%	519	20.9%
Equity- International ⁽²⁾	6.7%	5.8%	5.9%	407	5.5%	6.4%	465	11.6%
Bond- Domestic	5.0%	7.9%	8.0%	553	4.6%	7.9%	572	1.7%
Bond- International ⁽¹⁾⁽²⁾	58.6%	58.9%	58.0%	4,028	5.5%	58.5%	4,246	5.3%
Mortgage & Secured loans	7.1%	5.3%	4.5%	311	1.7%	4.4%	308	1.4%
Policy loans	3.0%	2.7%	2.4%	167	5.6%	2.3%	170	5.4%
Real estate	8.7%	8.2%	7.7%	537	2.9%	7.4%	548	2.4%
Others	2.4%	2.6%	2.4%	168		2.6%	191	

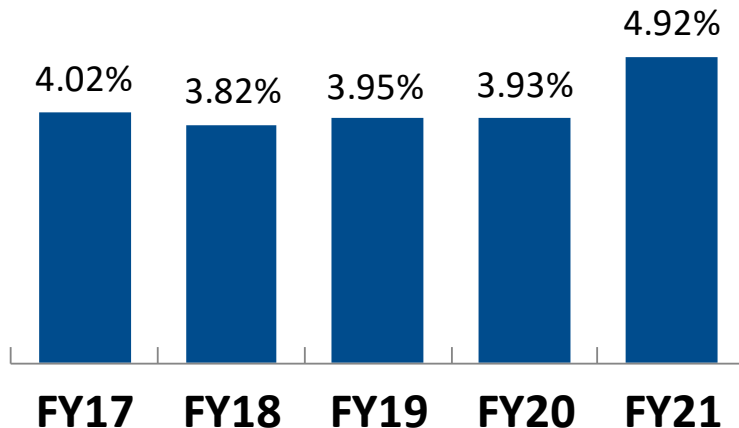
Note: (1) Total assets excluded separate account assets; international bond includes foreign currency deposit and related adjustments

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

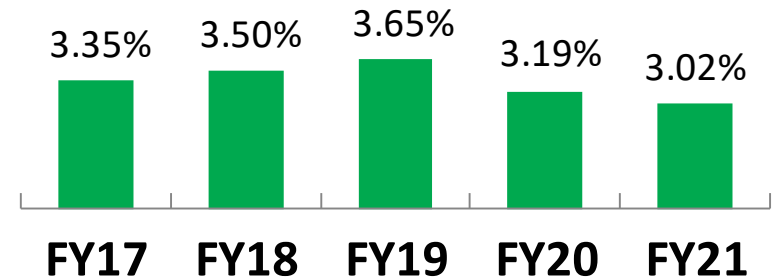
Cathay Life – Investment performance highlights

- Lower global interest rates in 2020 led to reduction in FY21 pre-hedging recurring yield. Recurring income may increase with higher new money yield amid rate hike cycle playing out in 2022.
- Hedging costs further improved given lower costs of traditional hedging tools and dynamic FX risk management.

After-hedging investment yield

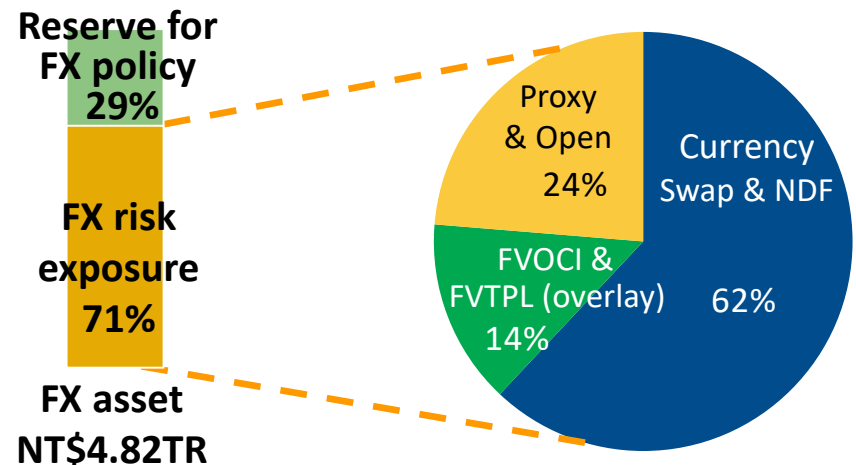


Pre-hedging recurring yield



Currency hedging structure

FY21 Hedging cost 1.10%



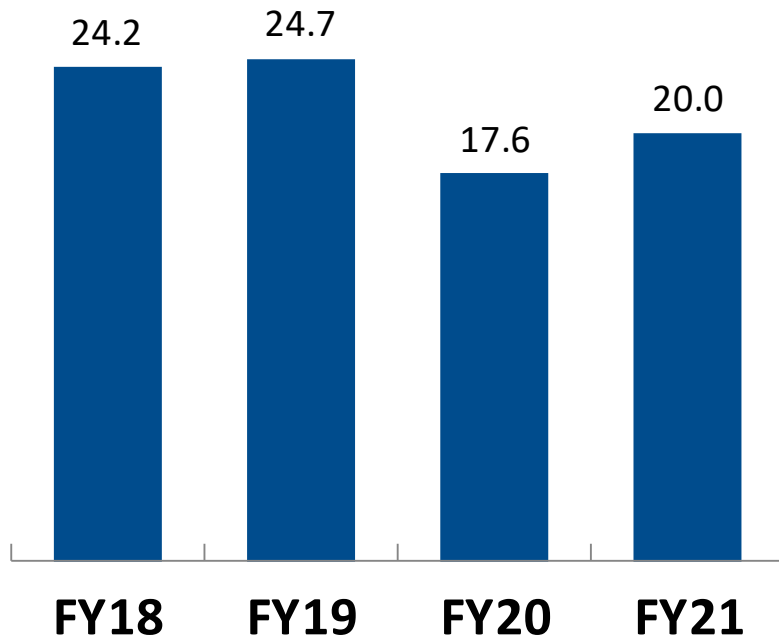
Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

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

□ FY21 cash dividend income increased YoY to NT\$20bn.

Cash dividend income

(NT\$BN)



Overseas fixed income by region



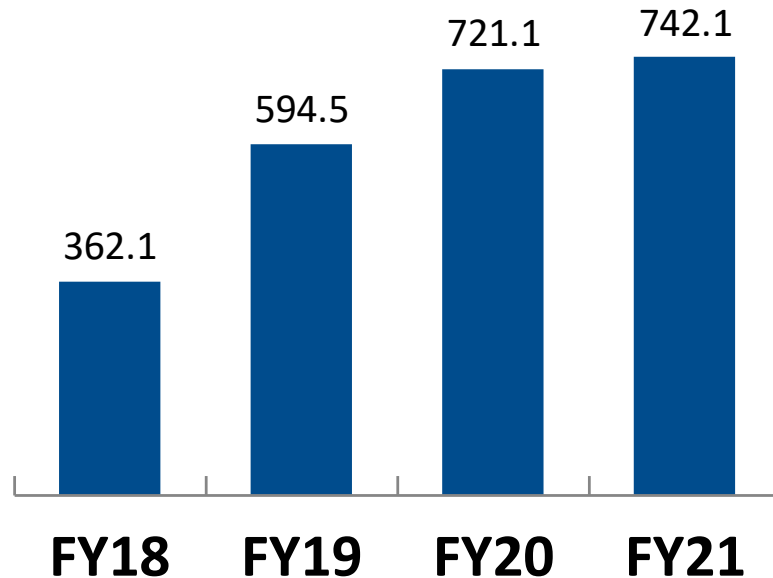
Note: Exclude overseas deposit.

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

- Book value hit new yearly record, supported by strong realized gains.
- Unrealized gains from fixed income declined, reflecting U.S. bond yield rebound.

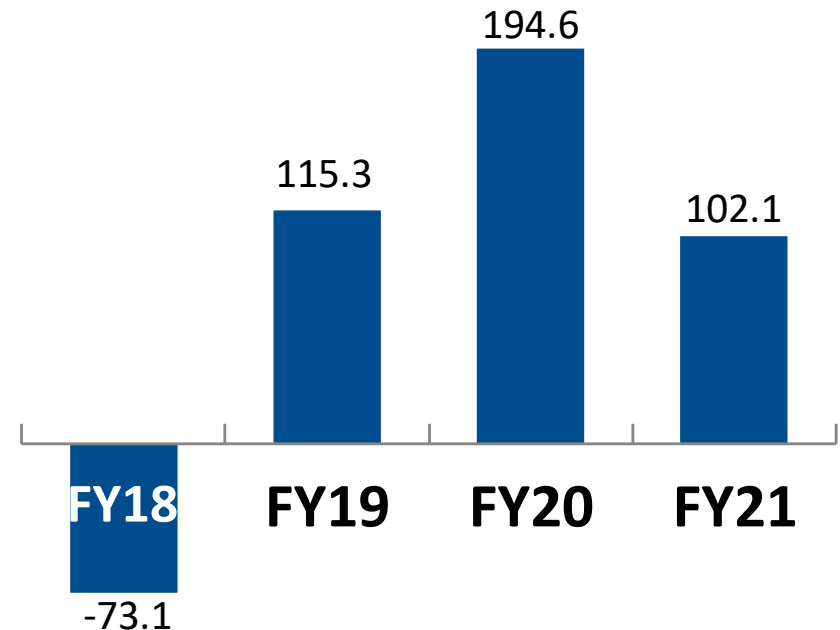
Book value

(NT\$BN)



Unrealized G/L of financial assets

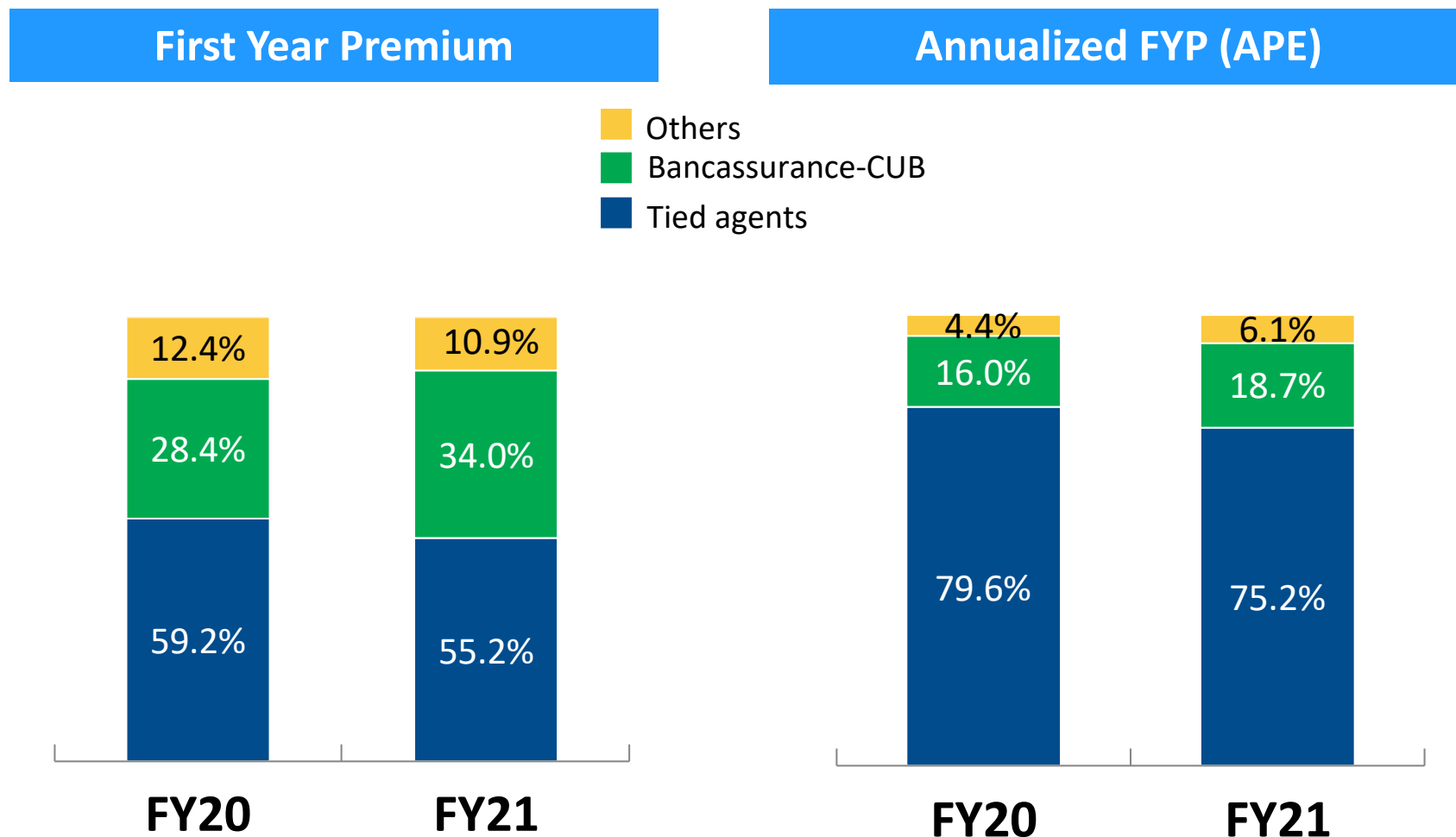
(NT\$BN)



Note: FVOCI & FVTPL (overlay approach)

Cathay Life – Distribution channels

- Premium income was mainly generated by Cathay Life agents and Cathay United Bank. The group's strong sales capabilities provided solid contributions to premium income and VNB.



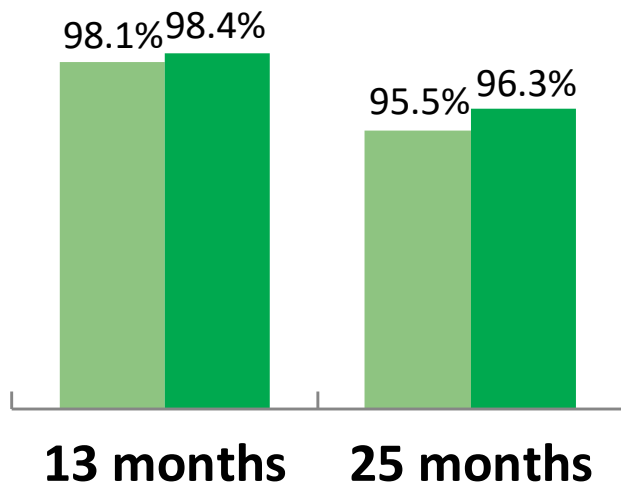
Cathay Life – Operational indicators

- Total expenses remained steady YoY while total premium declined, resulting in a higher expense ratio.

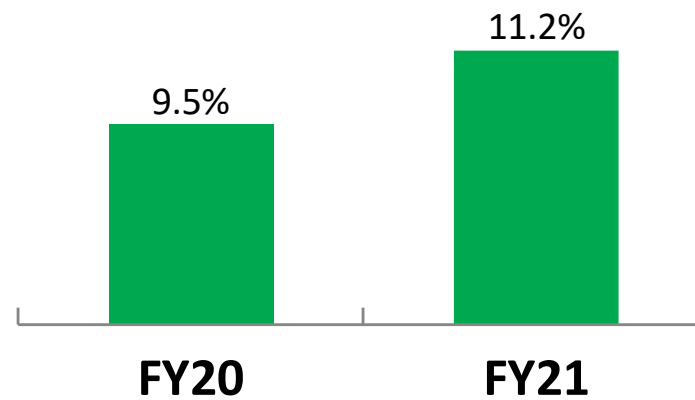
Persistency ratio

FY20

FY21



Expense ratio



Agenda

- Introduction of Cathay FHC
- Business Overview
- Overseas Expansion
- Business Performance Summary

Cathay United Bank

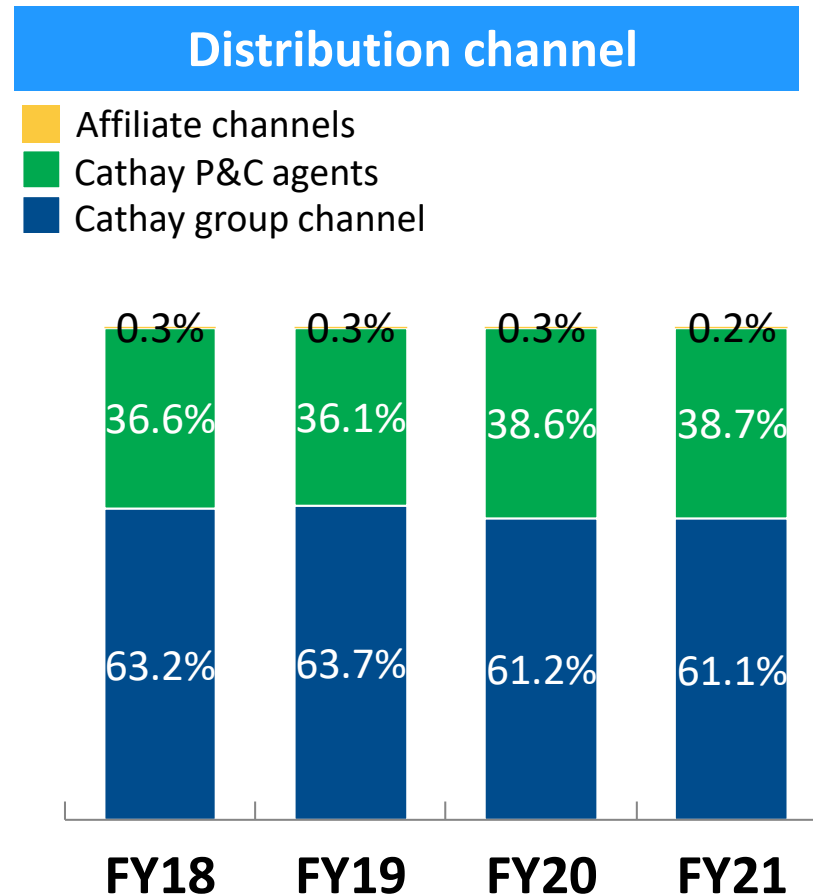
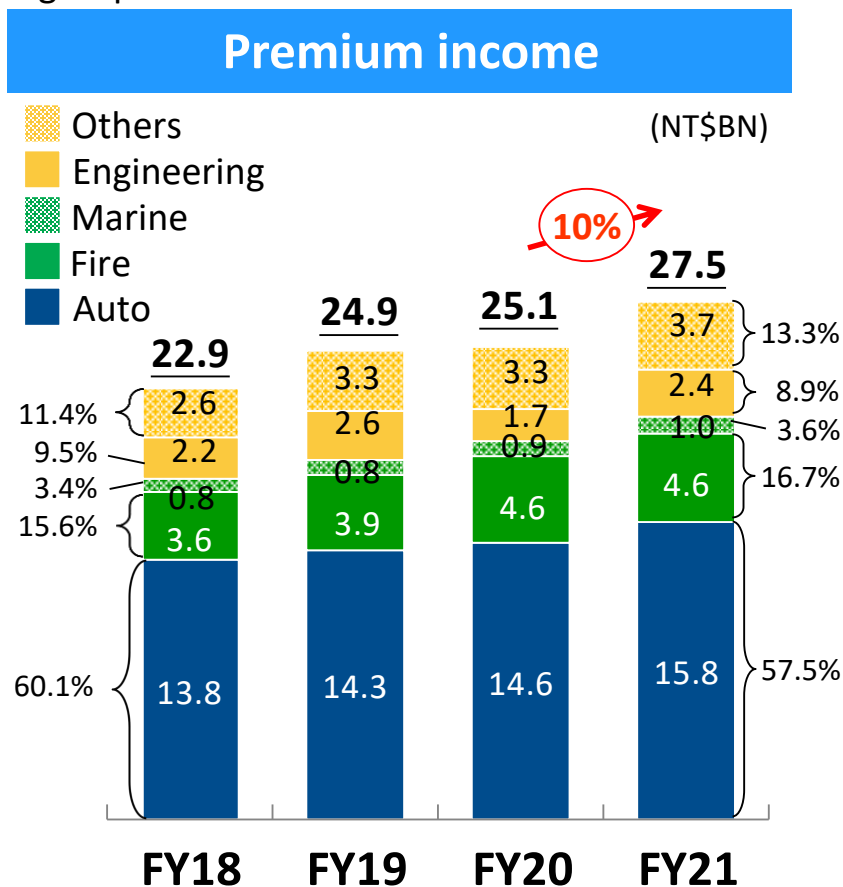
Cathay Life

Cathay Century

- Cathay's ESG Efforts
- Appendix

Cathay Century – Premium income & distribution channels

- Premium income grew steadily. Market share was 12.4%, ranking No. 2 in the industry.
- Benefiting from cross-selling synergy, over 60% of premium income was generated through the group channel.



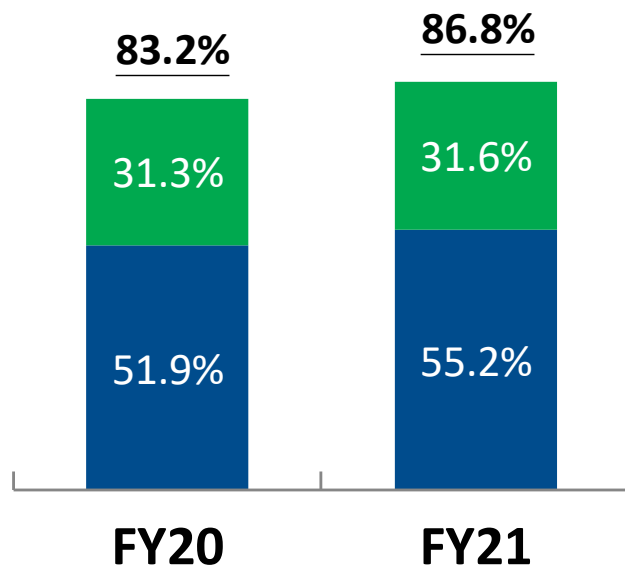
Market share	13.0%	13.1%	12.3%	12.4%
Retention	77.1%	77.7%	76.4%	74.3%

Cathay Century – Combined ratio

- Gross combined ratio increased due to relatively large claim events from commercial fire insurance. However, retained combined ratio improved, owing to adequate reinsurance arrangements.

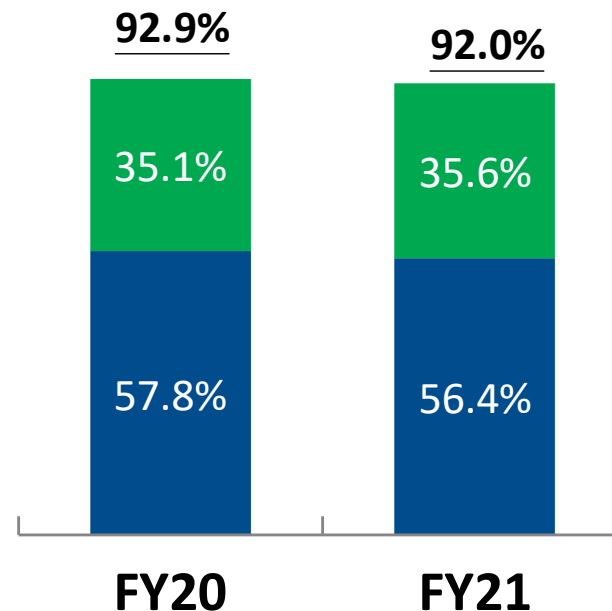
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



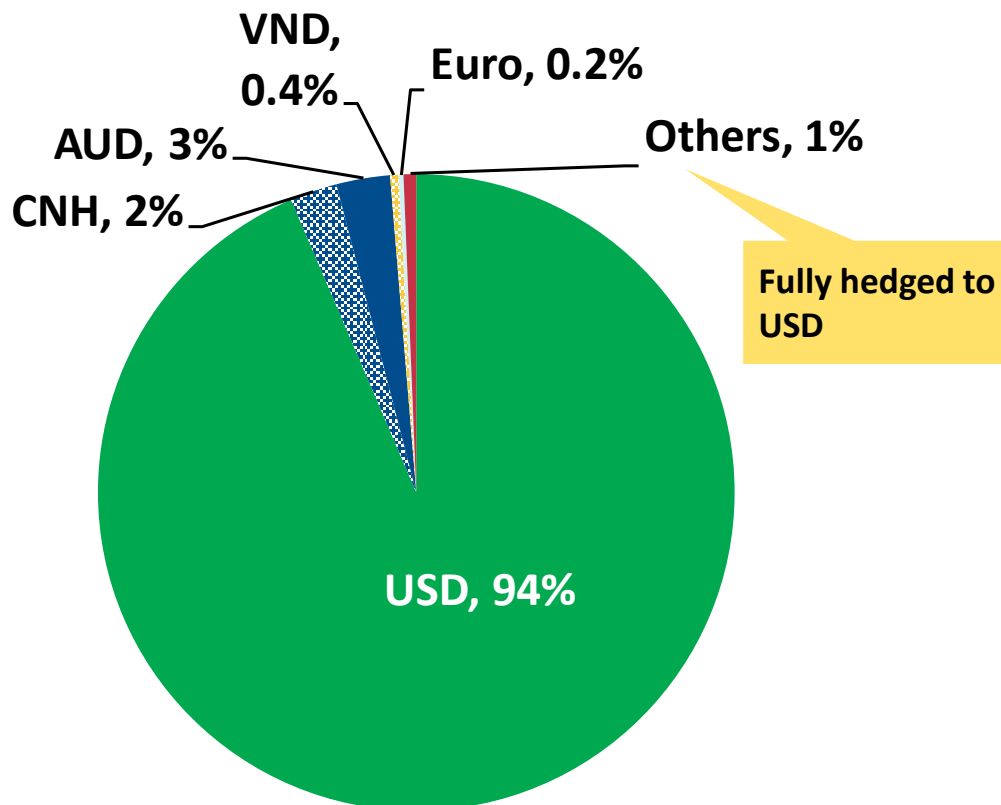
Retained combined ratio

- Retained expense ratio
- Retained loss ratio

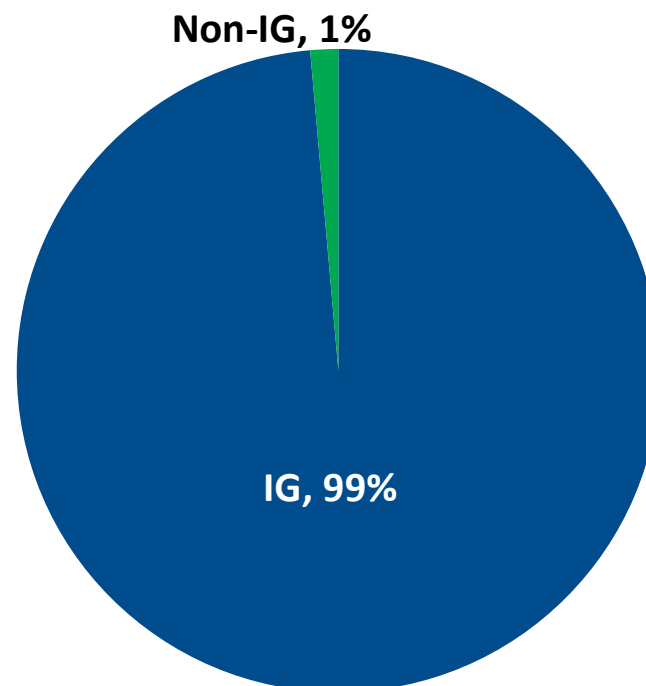


Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (FY21)

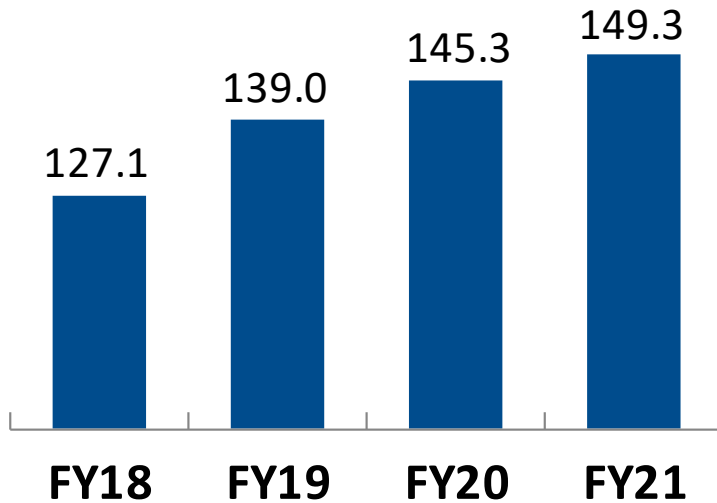


Overseas bond by rating (FY21)

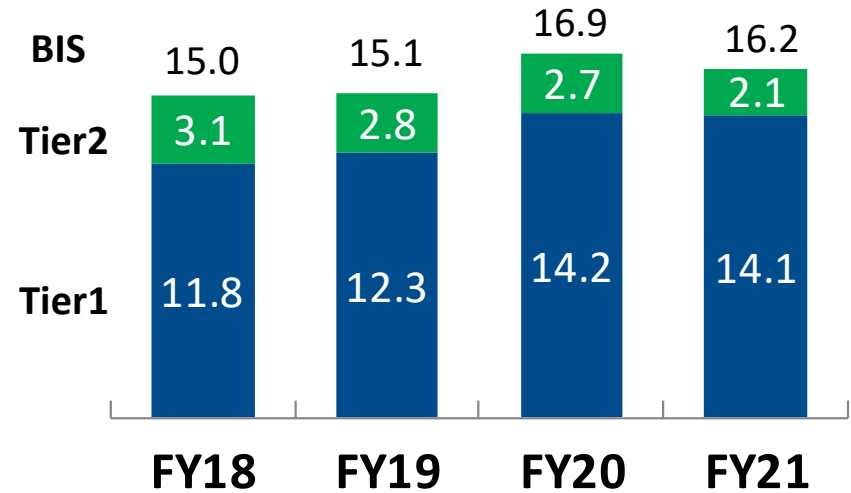


Capital adequacy

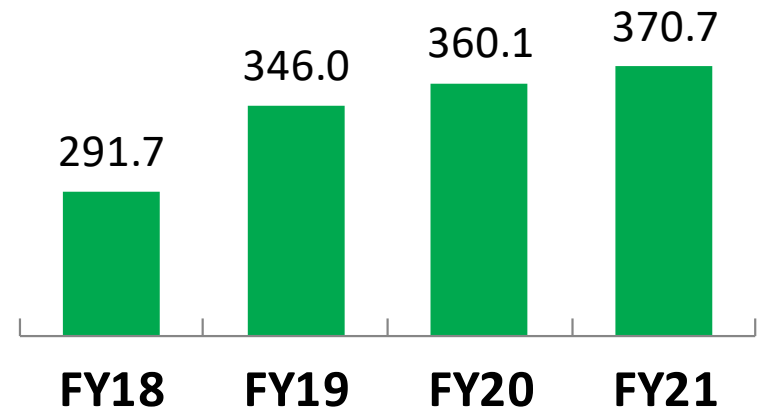
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC (%)



Agenda

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Cathay United Bank

Cathay Life

Cathay Century

- **Cathay's ESG Efforts**
- Appendix

Renowned corporate sustainability performance

Recognized by local regulatory authorities

Top-20% Corporate Governance

Over 1,000 listed companies

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 maintained by FTSE Russell and Taiwan Index Plus Corp. (TIP), a wholly owned subsidiary of Taiwan Stock Exchange.

Recognized by ESG ratings agencies

Member of **Dow Jones Sustainability Indices**

Powered by the S&P Global CSA

Included in
DJSI World & DJSI EM



Recognized by Media



Top-10 World Corporate Citizen
for **9** consecutive years,
Top-3 in 2021



Global Views

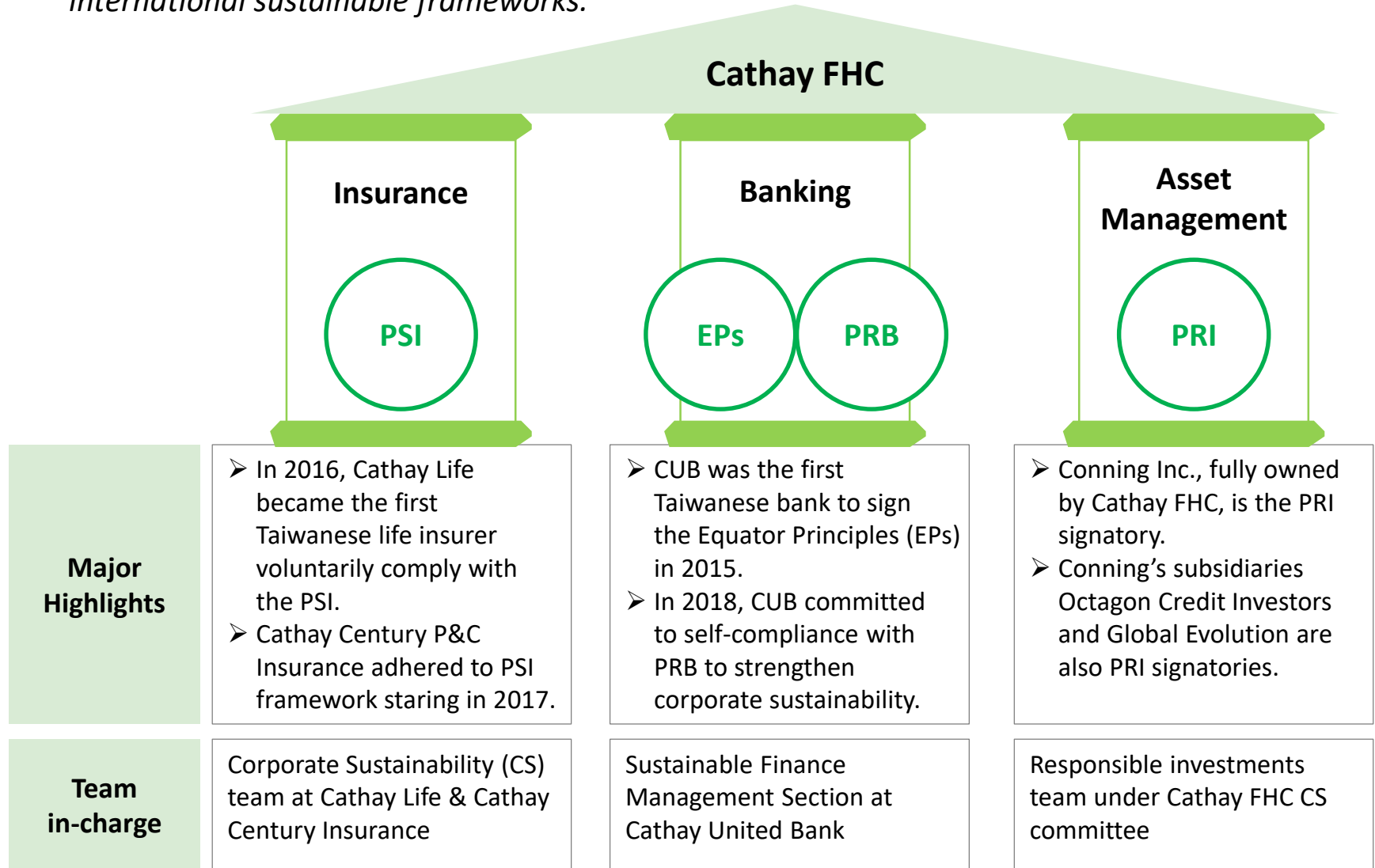
First Prize in Annual Survey
for **3** consecutive year
(Finance & Insurance)



2021 Taiwan Corporate
Sustainability Awards

Integrating sustainability into our business

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



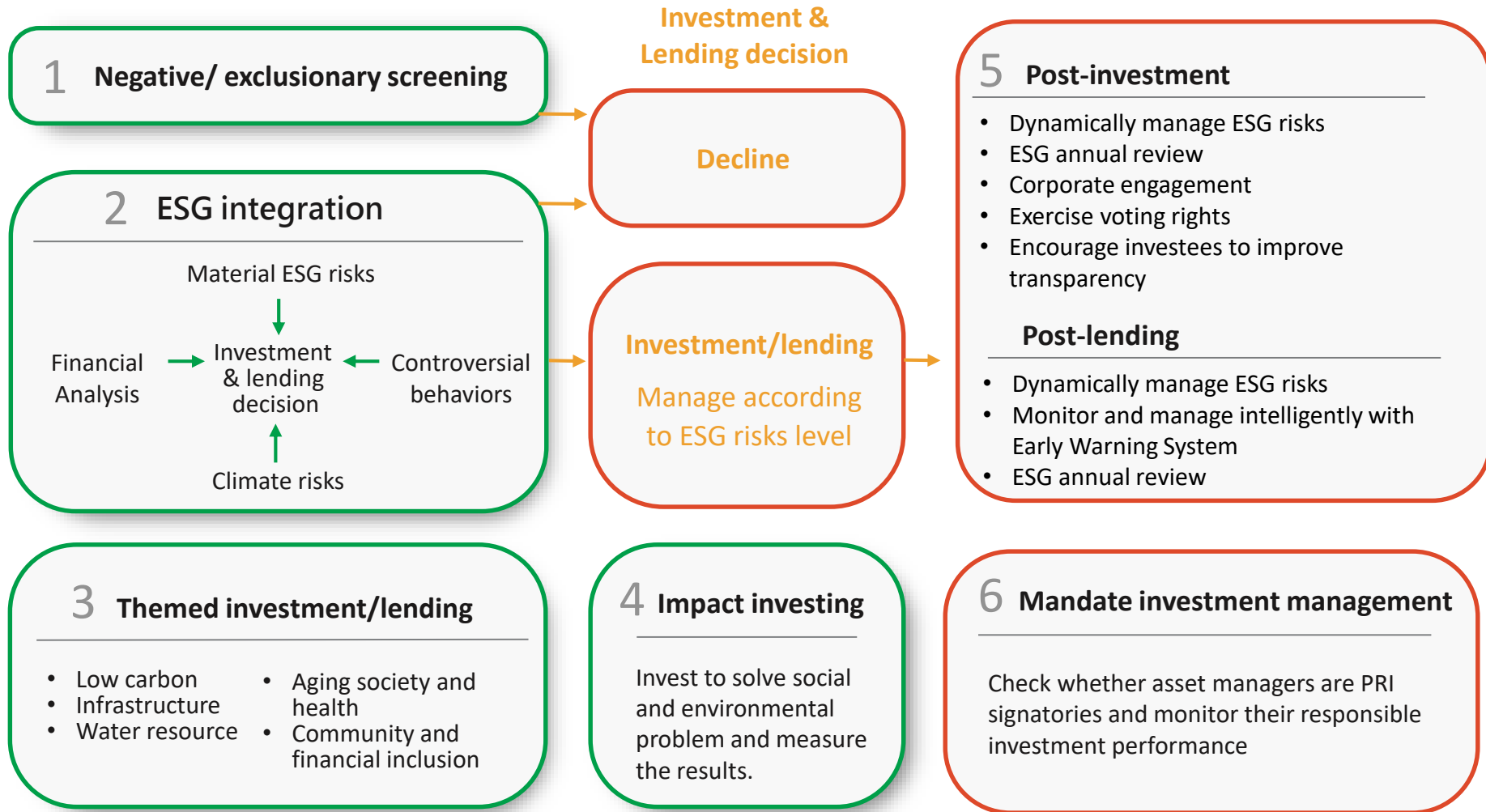
Integrating ESG issues into all business processes

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 • Better manage climate risks and opportunities by following TCFD framework • Set investment/ lending limits and establish management procedures 	<ul style="list-style-type: none"> • Fintech and one-stop service • Strengthen green finance and inclusive finance services • Integrate ESG issues into 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 following significant ESG incidents • Trigger critical disaster claims mechanism following significant ESG incidents • Disclose EPs projects 	<ul style="list-style-type: none"> • Exclusion policy • ESG integration • Sustainability-themed investing • Corporate engagement and shareholders activism • Investment mandate management

Integrating ESG into responsible investment and lending

Investment/ Lending Process

Engagements after Investment/ Lending

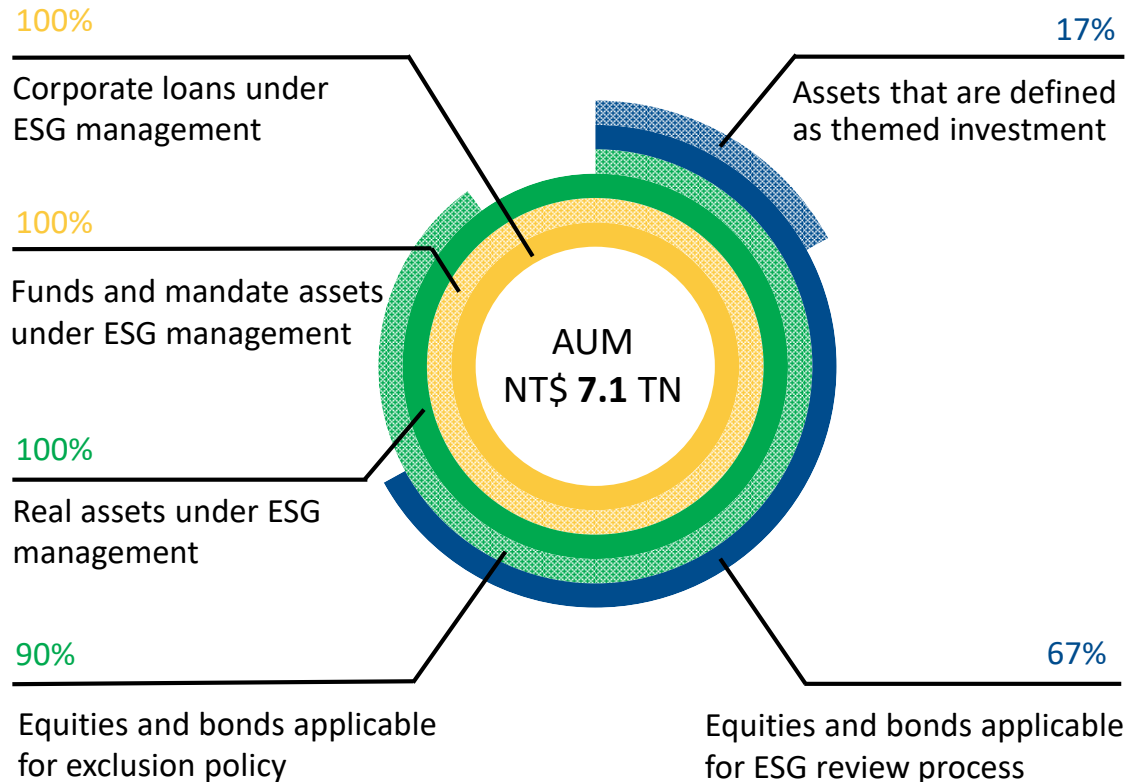


Implementing responsible investment across multiple asset classes

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
- Risk Management Policy

NT\$7.1 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 monthly conference calls on global trends in climate change.**

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

Cathay Life joined “Asian Utilities Engagement Program” initiated by AIGCC in 2021 to drive five Asian electric utilities toward net zero emissions transition



Low Carbon Investment Registry

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

Total low carbon investment registered in 2020 reached US\$ 7.12 billion.



Climate governance initiatives

Cathay FHC has been a signatory of “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 on 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 615 signatories with AUM over USD 47 trillion have joined Climate Action 100+ to engage 167 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.**

All the three Taiwanese companies Cathay engaged have committed Net Zero/Carbon Neutrality.



CDP non-disclosure campaign

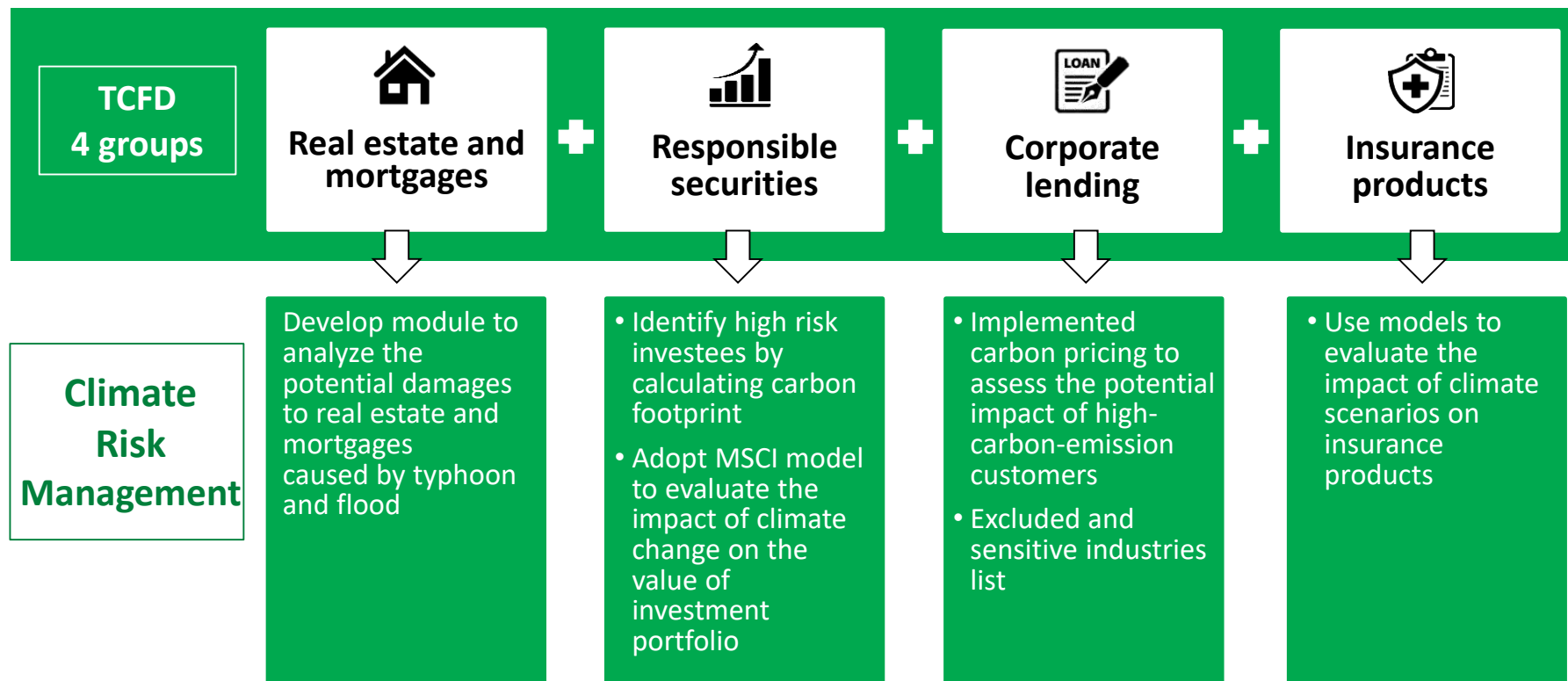
Cathay is the only financial institution in Taiwan that has **participated in the CDP Non-Discloser Campaign for 4 consecutive years, encouraging Cathay’s investee companies to respond to CDP questionnaires.**

Cathay has successfully engaged 25 companies since 2017 ; 65% of these companies improved their CDP scores in the following year.



Integrating climate risks/opportunities into businesses

- ❑ Divide TCFD task force into 4 groups monitoring Group's major asset and liability.
- ❑ Analyze potential risks and opportunities from climate risks, research the impact on business, and formulate response measures and strategies.
- ❑ Report the risk assessment and supervision progress to CRO each month and to the Board periodically.

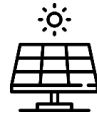


Hastening positive environmental change with green products

Pioneers in renewable energy financing



Wind Power +



Solar Power



Total capacity of financed solar power stations and wind turbines as of the end of 2020

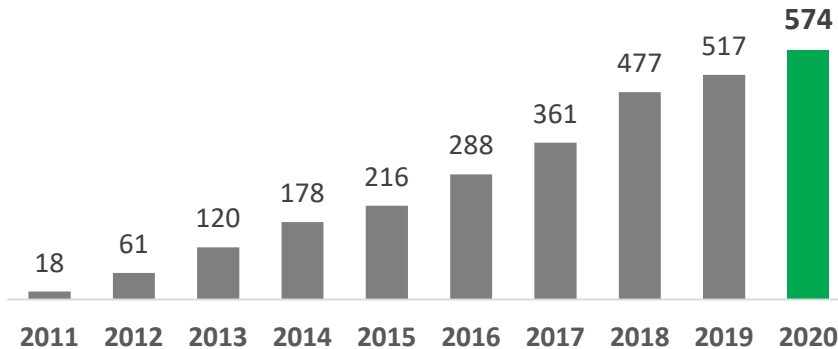
1,342 MW



Expected CO2 emissions reduction per years

1.6 million metric tons

Total capacity of loan-financed solar power stations installed in Taiwan and overseas (MW)



First in the industry – Green Insurance

2010



Cumulative insured amount for hydroelectric power plants, solar power plants, and offshore wind farm construction and equipment

NT\$ 117.2 billion

2013



Green vehicles insured as of 2020

14,135 green vehicles

2014



Bicycle insured in 2020

6,128 bicycles

2016



Offered the first Offshore Wind Power Insurance product in Taiwan

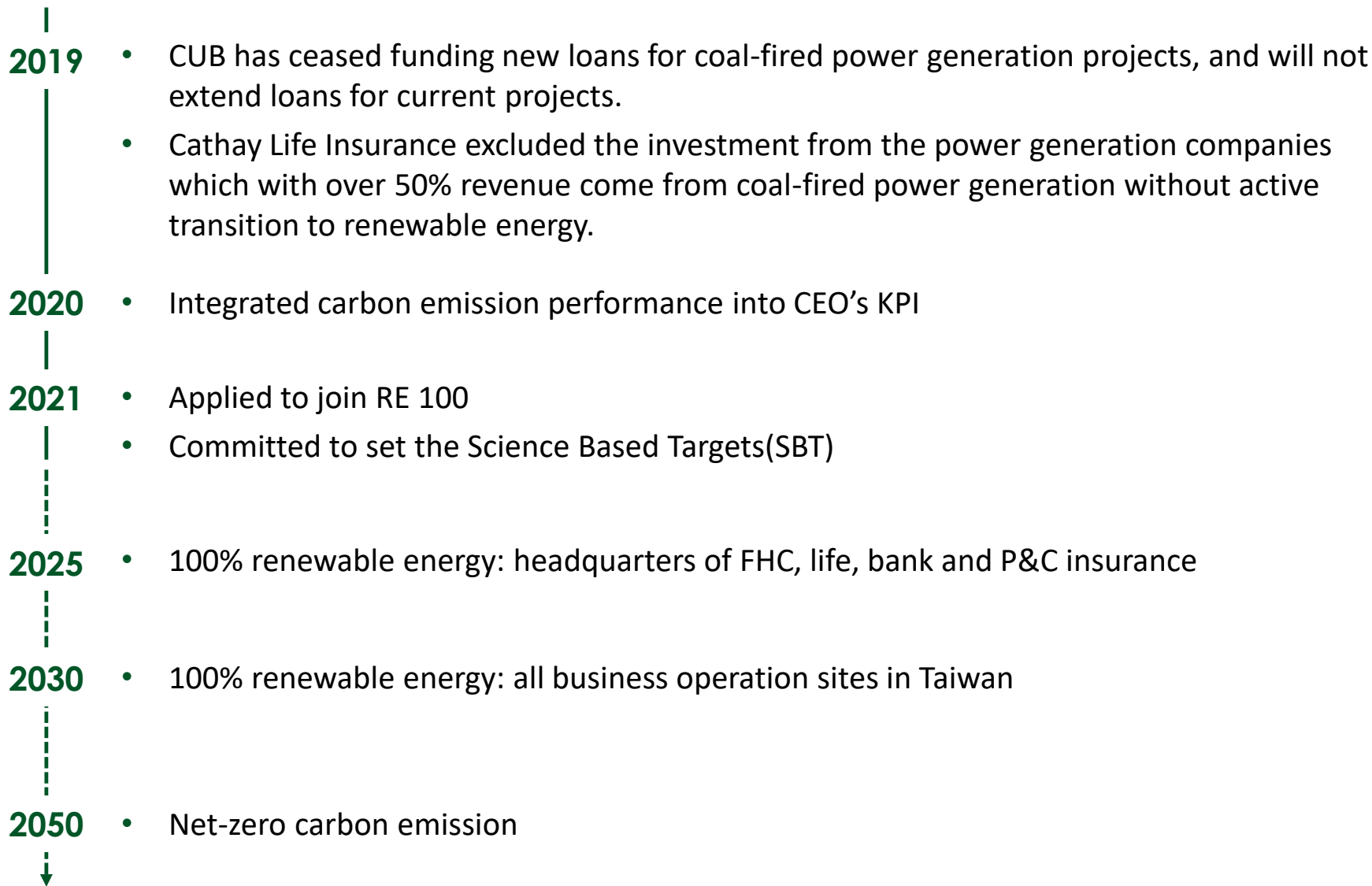
2018



Public bicycles riders insured as of 2020

47.6 million bicycle riders

Cathay FHC's commitment to net-zero carbon emission



Agenda

- **Introduction of Cathay FHC**
- **Business Overview**
- **Overseas Expansion**
- **Business Performance Summary**

Cathay United Bank

Cathay Life

Cathay Century

- **Cathay's ESG Efforts**

- **Appendix**

Embedded Value & Appraisal Value

NT\$BN, except for per share figures

Valuation date	2019/12/31	2020/12/31
In-force business investment yield	3.57% ~ Year 2039 4.61% for NTD policies 4.36% ~ Year 2039 5.24% for USD policies (Equivalent investment yield: 3.86% Rolling over to 2020: 3.91%)	3.67% ~ Year 2040 4.70% for NTD policies 4.26% ~ Year 2040 5.31% for USD policies (Equivalent investment yield: 3.97%)
Risk discount rate	9.5%	9.5%
Adjusted net worth	621	743
Value of in-force business	550	633
Cost of capital (CoC)	-236	-232
Value of in-force business (After CoC)	314	401
Embedded Value (EV)	935	1,144
EV / per share	159.8(74.1)	195.5(86.8)
Future one year's new business investment yield	2.41% ~ Year 2039 4.35% for NTD policies 3.86% ~ Year 2039 5.15% for USD policies	2.55% ~ Year 2040 4.52% for NTD policies 3.95% ~ Year 2040 5.23% for USD policies
Value of future one year's new business (After CoC)	35.0	34.5
Appraisal Value (AV)	1,242	1,446
AV / per share	212.3(98.4)	247.2(109.8)

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 2019 and 2020 are 5.85bn.

(4) The outstanding shares of Cathay FHC in 2019 and 2020 are 12.62bn and 13.17bn, respectively.

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

Summary

NT\$BN, except for per share figures

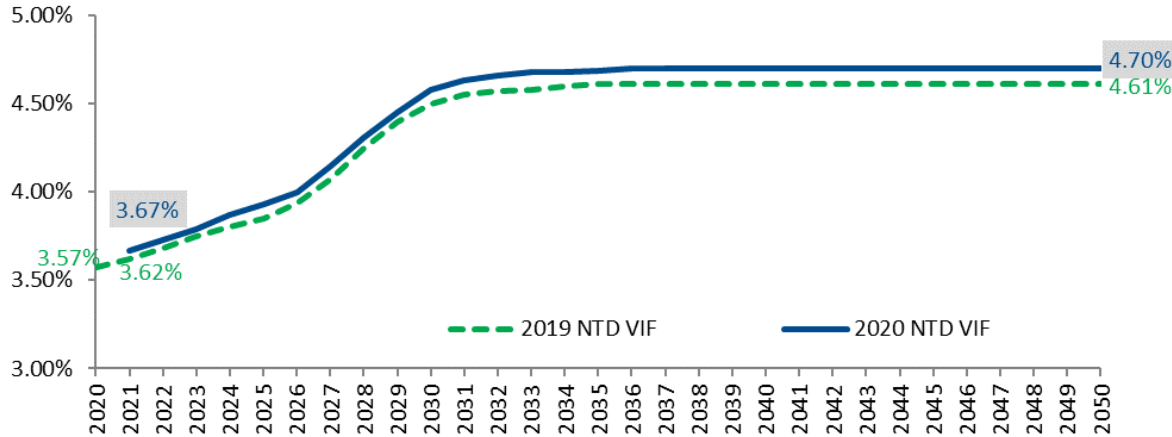
Valuation date		2019	2020	Growth rate	1Q21
Embedded value	Equity	589	714	21%	--
	Adjusted net worth	621	743	20%	--
	Value of in-force business(before CoC)	550	633	15%	--
	Cost of capital (CoC)	-236	-232	-2%	--
	Value in-force business (after CoC)	314	401	28%	--
	Embedded value	935	1,144	22%	--
Value of one year's new business	First year premium (FYP)	201.1	160.8	-20%	59.4
	First year premium equivalent (FYPE)	96.3	62.2	-35%	14.1
	Value of one year's new business (V1NB)	48.0	32.9	-32%	8.3
	Profit margin (V1NB/FYP)	24%	20%	--	14%
	Profit margin (V1NB/FYPE)	50%	53%	--	59%
	Profit margin (V1NB/FYP)(investment-linked(non-VUL)is excluded)	34%	41%	--	47%
Appraisal value (20 years NB)	Multiple	8.8	8.8	--	--
	Appraisal value	1,242	1,446	16%	--
Basic Value per share	EV / per share of Cathay FHC	74.1	86.8	17%	--
	AV / per share of Cathay FHC	98.4	109.8	12%	--

Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares in 2019 and 2020, which are 12.62bn and 13.17bn, respectively.

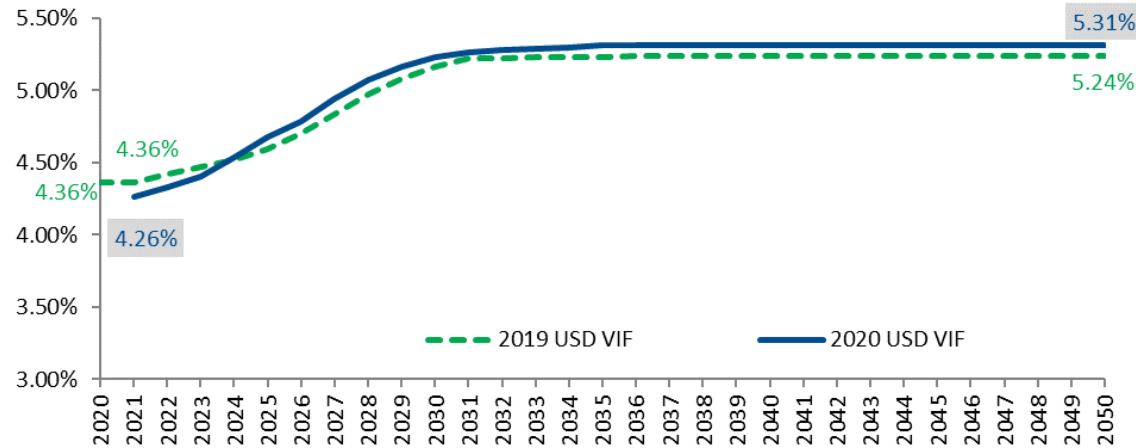
(2) Totals may not sum due to rounding.

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 2019 & 2020.

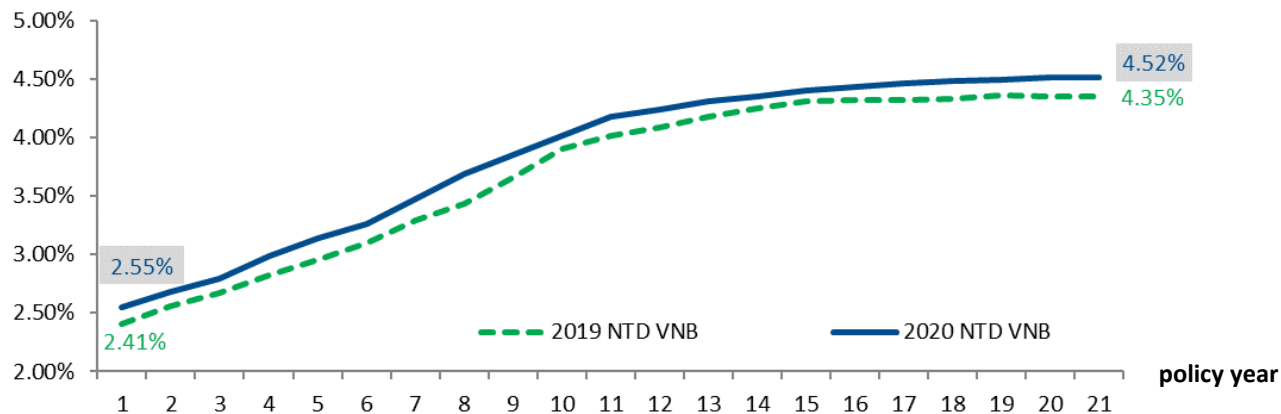


- Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2019 & 2020.

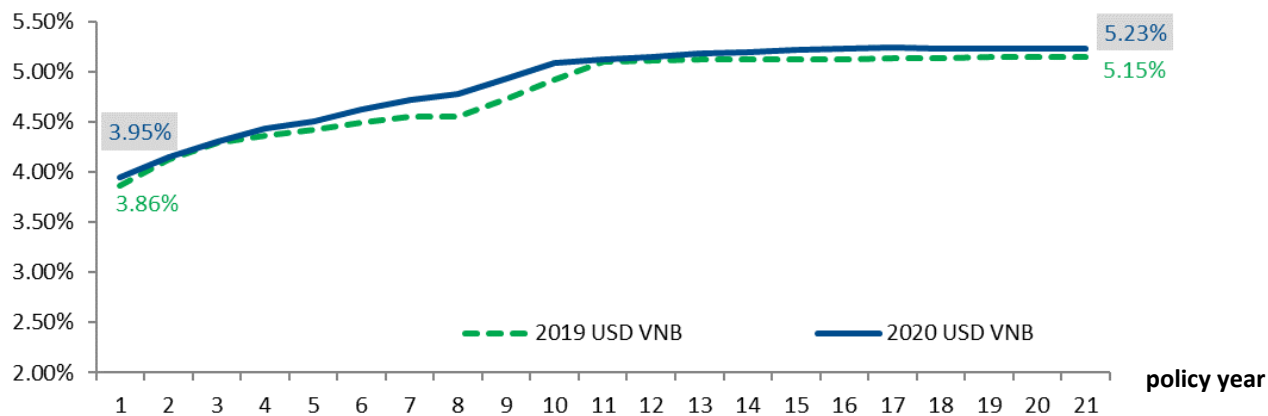


Economic Assumptions: Future one year's new business investment yield

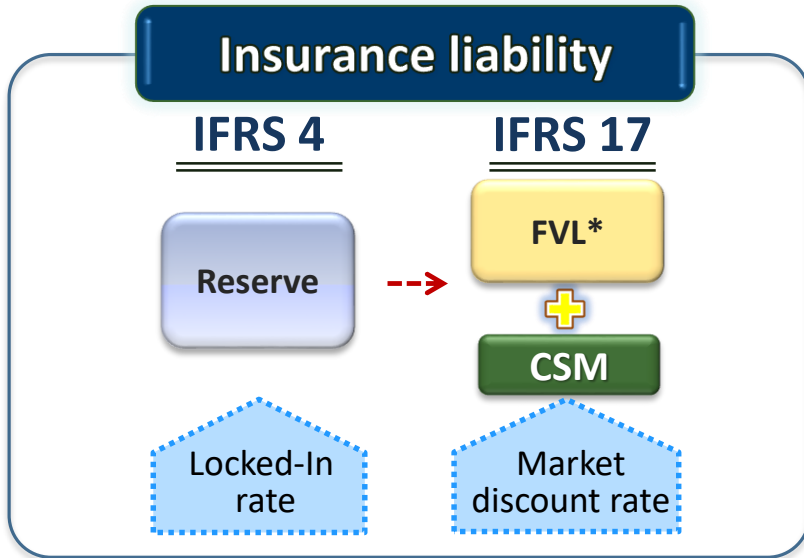
- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2019 & 2020.



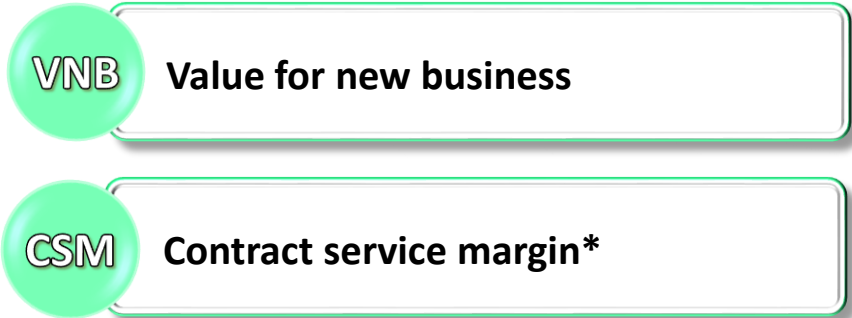
- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2019 & 2020.



IFRS 17 – Measurement



Profit indicators of new products



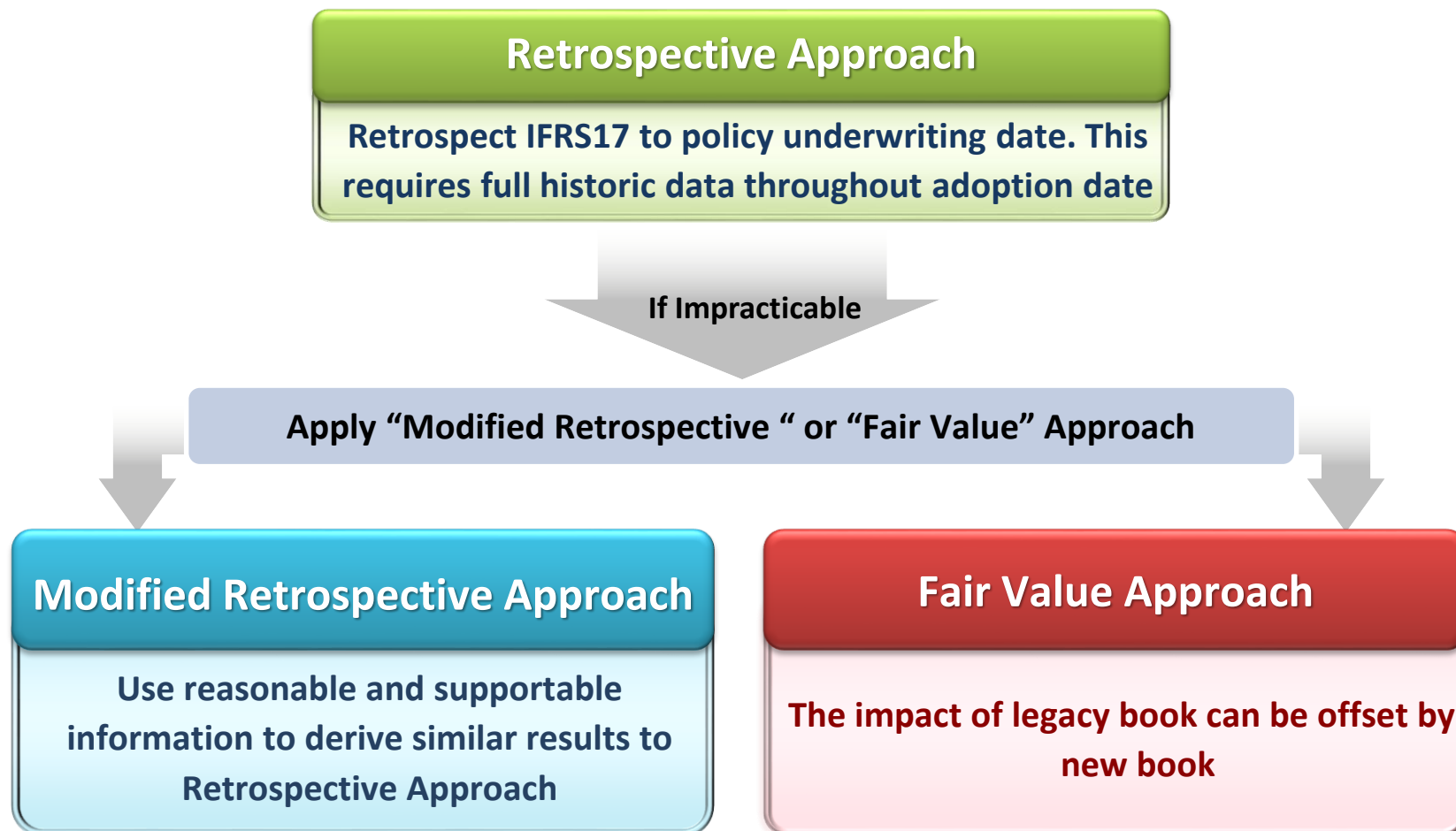
- Note: 1. Fulfillment Value of Liabilities (FVL): present value of future cashflows derived from insurance sold, based on market discount rate at valuation date and most recent available actuarial assumptions.
2. Contractual Service Margin (CSM): present value of future unearned profit from insurance 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 Financial Holdings
(NT\$MMN)

				FY21/ FY20 % Chg	4Q20	4Q21	4Q21/ 4Q20 % Chg
<u>Income Statement Data (Consolidated)</u>							
Operating Income							
Net interest income	196,367	190,930	194,882	2%	47,945	49,709	4%
Net commission and fee	2,346	7,244	12,649	75%	1,909	3,340	75%
Net earned premium	631,487	602,806	524,187	-13%	165,716	149,510	-10%
Change in liability reserve	(394,074)	(462,094)	(377,408)	-18%	(121,746)	(103,684)	-15%
Net claims payment	(365,669)	(289,808)	(305,703)	5%	(81,072)	(86,274)	6%
Investment income	89,797	124,347	190,944	54%	25,266	33,260	32%
Contribution from associates-equity method	1,149	(12,085)	1,807	115%	365	191	-48%
Other net non-interest income	411	6,480	7,197	11%	(4,365)	(1,362)	69%
Bad debt expense	(2,205)	(3,178)	(3,484)	10%	(1,429)	(270)	-81%
Operating expense	(89,050)	(83,027)	(85,543)	3%	(22,262)	(22,971)	3%
Income before taxes	70,557	81,616	159,526	95%	10,327	21,448	108%
Income taxes	(6,698)	(5,658)	(18,637)	229%	1,216	(2,928)	341%
Net income	63,859	75,958	140,889	85%	11,543	18,520	60%
EPS (NT\$)	4.76	5.41	10.34		0.86	1.36	
<u>Dividend Payout</u>							
Cash dividend per share	2.00	2.50					
Stock dividend per share	0.00	0.00					
Weighted average outstanding shares (Millions of common shares)	12,618	13,169	13,169				
<u>Balance Sheet Data (Consolidated)</u>							
Total assets	10,065,479	10,950,472	11,594,361				
Total shareholders' equity	782,027	904,776	914,039				
<u>Operating Metrics</u>							
ROAE (Consolidated)	9.74%	9.01%	15.49%				
ROAA (Consolidated)	0.66%	0.72%	1.25%				
Double leverage ratio(inc. preferred stock)	110%	111%	113%				
<u>Capital Adequacy Metrics</u>							
Capital Adequacy Ratio	139%	145%	149%				

Notes:

- (1) All data and information on this page is provided for informational purposes only, and may subject to adjustment. For more details, please refer to our official financial reports.
- (2) Total may not sum due to rounding.

Cathay Life

(NT\$Mn)

Income Statement Data (Consolidated)	FY19	FY20	FY21	FY21/	4Q20	4Q21	4Q21/
				FY20			% Chg
Net written premium	608,641	580,261	499,102	-14%	159,658	142,786	-11%
Net earned premium	607,820	579,563	498,398	-14%	158,849	141,858	-11%
Reinsurance commission earned	356	533	388	-27%	520	373	-28%
Fee income	8,450	8,701	10,715	23%	2,291	2,756	20%
Recurring investment income	228,037	212,247	214,968	1%	49,136	51,911	6%
Gain on disposal of investment							
Realized gain (loss)-Equity	38,929	74,997	116,191	55%	16,488	17,987	9%
Realized gain (loss)-Debt	36,365	64,964	63,127	-3%	10,790	8,963	-17%
Gain on investment property	912	1,881	1,106	-41%	(1)	(88)	-6075%
FX and others, net	(61,689)	(90,182)	(46,445)	48%	(17,099)	(7,429)	57%
Investment income, net	242,553	263,907	348,947	32%	59,313	71,344	20%
Other operating income	6,107	6,978	8,754	25%	1,560	2,779	78%
Separate account revenues	63,653	73,396	77,919	6%	40,181	18,158	-55%
Net claims payment	(349,158)	(273,049)	(287,850)	5%	(75,767)	(80,614)	6%
Changes in liability reserves	(393,679)	(462,233)	(376,771)	-18%	(121,758)	(103,438)	-15%
Acquisition and commission expense	(43,834)	(35,815)	(34,445)	-4%	(9,677)	(9,200)	-5%
Other operating costs	(6,394)	(6,635)	(8,056)	21%	(1,344)	(2,089)	55%
Financial cost	(2,730)	(2,501)	(3,114)	25%	(734)	(851)	16%
Separate account expense	(63,653)	(73,396)	(77,919)	6%	(40,181)	(18,158)	-55%
Operating expense	(30,692)	(29,565)	(32,448)	10%	(7,631)	(8,432)	11%
Net non-operating income	1,710	1,589	1,563	-2%	392	421	7%
Income taxes	(2,216)	1,209	(12,916)	1168%	1,819	(1,991)	209%
Net income	38,293	52,682	113,166	115%	7,834	12,916	65%
Balance Sheet Data							
Total assets	7,085,624	7,675,559	8,073,161				
General account	6,478,081	7,033,875	7,348,951				
Separate account	607,542	641,685	724,210				
Reserves for life insurance liabilities	5,683,424	6,085,534	6,413,221				
Total liabilities	6,491,106	6,954,433	7,331,028				
Total shareholders' equity	594,518	721,126	742,133				
Operating Metrics (Standalone)							
First Year Premium(FYP)	201,064	160,771	202,394				
First Year Premium Equivalent(FYPE)	96,313	62,182	50,997				
Expense ratio	10.6%	9.5%	11.2%				
13-M persistency ratio	98.0%	98.1%	98.4%				
25-M persistency ratio	96.4%	95.5%	96.3%				
ROAE	8.01%	8.01%	15.47%				
ROAA	0.57%	0.71%	1.44%				
Capital Adequacy Metrics (Standalone)							
RBC ratio	346%	360%	371%				

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Cathay United Bank

(NT\$MN)				FY21/ FY20			4Q21/ 4Q20
<u>Income Statement Data (Consolidated)</u>	FY19	FY20	FY21	% Chg	4Q20	4Q21	% Chg
Operating Income							
Net interest income	36,446	35,223	38,539	9%	8,938	10,051	12%
Fee income	17,090	16,331	18,346	12%	3,697	4,260	15%
Investment income	8,996	9,482	6,956	-27%	934	934	0%
Other income	594	855	502	-41%	205	139	-32%
Net operating income	63,126	61,891	64,342	4%	13,774	15,384	12%
Operating expenses	(33,806)	(32,686)	(33,877)	4%	(8,622)	(9,367)	9%
Pre-provision profit	29,320	29,205	30,466	4%	5,152	6,017	17%
Net provisions for possible losses	(2,853)	(3,382)	(2,986)	-12%	(1,475)	(243)	-84%
Income before taxes	26,467	25,823	27,480	6%	3,677	5,774	57%
Income tax	(3,981)	(3,512)	(3,671)	5%	(574)	(805)	40%
Net income	22,486	22,311	23,808	7%	3,104	4,969	60%
Balance Sheet Data							
Total assets	2,973,496	3,229,460	3,499,323				
Loans, net	1,553,151	1,661,296	1,807,077				
Financial assets	897,677	1,028,595	1,110,788				
Total liability	2,741,601	2,982,805	3,248,596				
Deposits	2,335,331	2,648,995	2,935,694				
Financial Debenture Payable	53,900	53,800	46,800				
Total shareholders' equity	231,895	246,656	250,727				
Operating Metrics							
Cost income ratio	53.55%	52.81%	52.65%				
ROAE	10.27%	9.32%	9.57%				
ROAA	0.77%	0.72%	0.71%				
Assets Quality (Standalone)							
NPL	2,286	2,274	1,578				
NPL ratio	0.15%	0.14%	0.09%				
NPL provisions	25,983	26,846	28,064				
Coverage ratio	1137%	1180%	1778%				
Capital Adequacy Metrics (Standalone)							
BIS ratio	15.1%	16.9%	16.2%				
Tier I Ratio	12.3%	14.2%	14.1%				
LDR (Standalone)							
LDR	65.5%	62.5%	61.4%				
TWD LDR	70.1%	69.7%	69.2%				
FX LDR	48.8%	38.7%	34.1%				

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Cathay Century

(NT\$MM)				FY21/ FY20 % Chg	4Q20	4Q21	4Q21/ 4Q20 % Chg
<u>Income Statement Data (Consolidated)</u>							
Premium income	25,343	25,498	28,015	10%	7,062	7,790	10%
Net written premium	19,550	19,413	20,718	7%	5,281	5,706	8%
Net earned premium	19,077	18,848	19,903	6%	4,762	5,304	11%
Reinsurance commission earned	572	572	857	50%	160	181	13%
Fee income	42	45	46	1%	10	10	1%
Investment	1,020	1,254	1,363	9%	304	108	-65%
Interest income	555	546	539	-1%	129	131	1%
Other investment income, net	465	708	824	16%	175	(23)	-113%
Other operating income	0	0	0	0%	0	0	0%
Net claims payment	(10,321)	(10,669)	(10,470)	-2%	(2,732)	(2,875)	5%
Changes in liability reserves	(395)	139	(637)	558%	12	(246)	2138%
Commissions and other operating costs	(3,409)	(3,411)	(3,765)	10%	(966)	(958)	-1%
Operating expenses	(4,097)	(4,224)	(4,772)	13%	(1,192)	(1,457)	22%
Operating income	2,490	2,553	2,525	-1%	360	68	-81%
Net non-operating income	5	5	42	671%	5	44	785%
Income taxes	(389)	(385)	(392)	2%	(58)	(46)	-21%
Net income	2,106	2,174	2,175	0%	307	65	-79%
<u>Balance Sheet Data</u>							
Total assets	43,008	44,298	49,900				
Total stockholders' equity	12,656	13,130	14,447				
<u>Operating Metrics</u>							
Gross Combined ratio	84.8%	83.2%	86.8%				
Net Combined ratio	93.0%	92.9%	92.0%				
ROAE	18.57%	16.86%	15.78%				
ROAA	5.19%	4.98%	4.62%				
<u>Capital Adequacy Metrics</u>							
RBC ratio (Standalone)	339%	323%	284%				

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