



國泰金控

Cathay Financial Holdings

2022 First Half Briefing

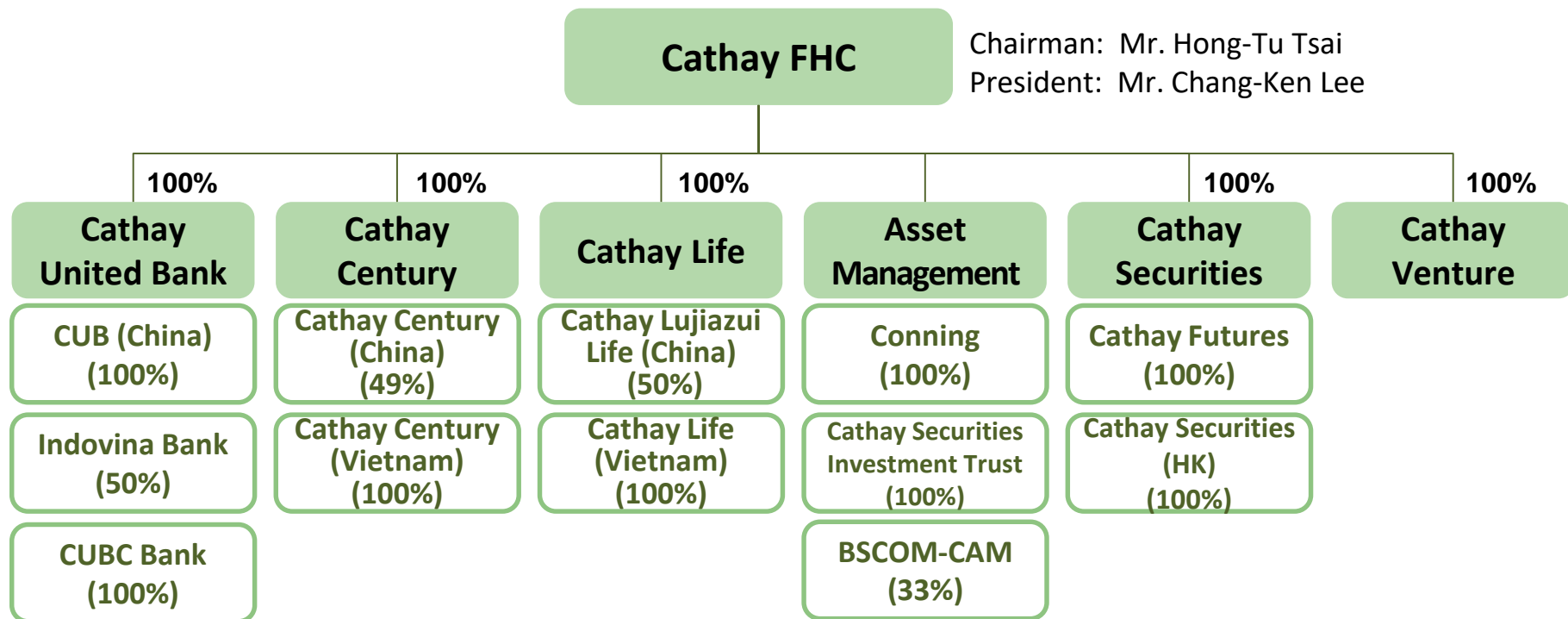
August 2022



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: 12.3% (1H22).

- No. 1 life insurer in terms of total assets and total premium
- Market share in total premium: 19.5% (1H22).

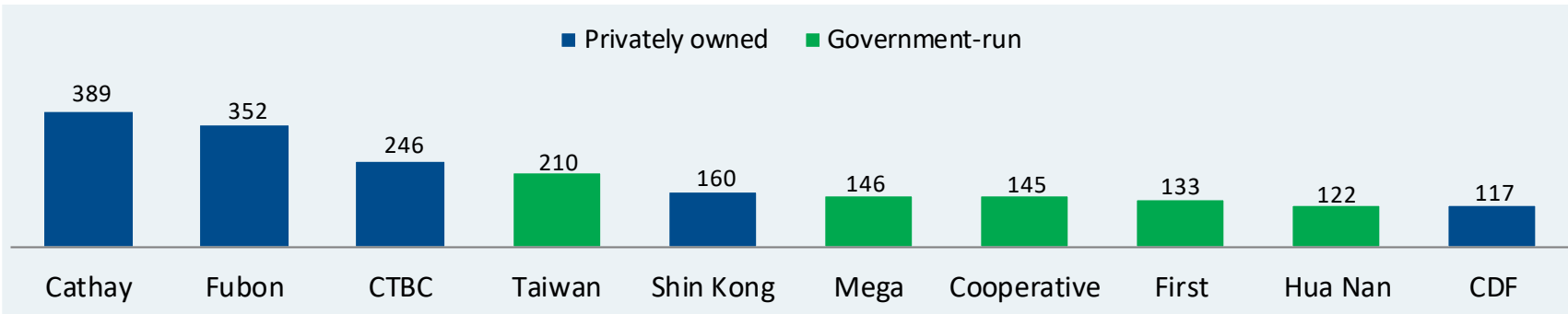
- Building global asset management platform
- Largest AUM among asset managers in Taiwan

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

Market leader in Taiwan's FIG sector

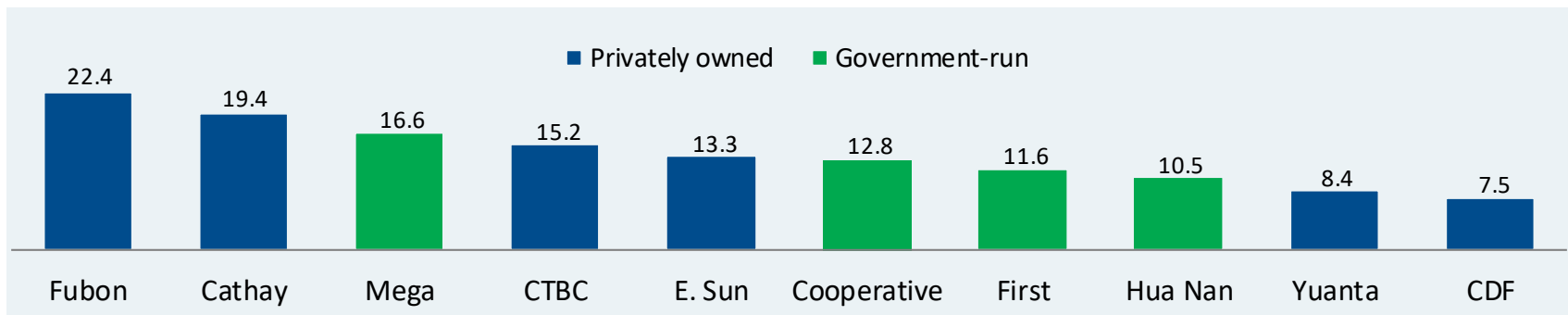
- Largest listed financial group by assets.

Ranking of total asset (US\$bn)



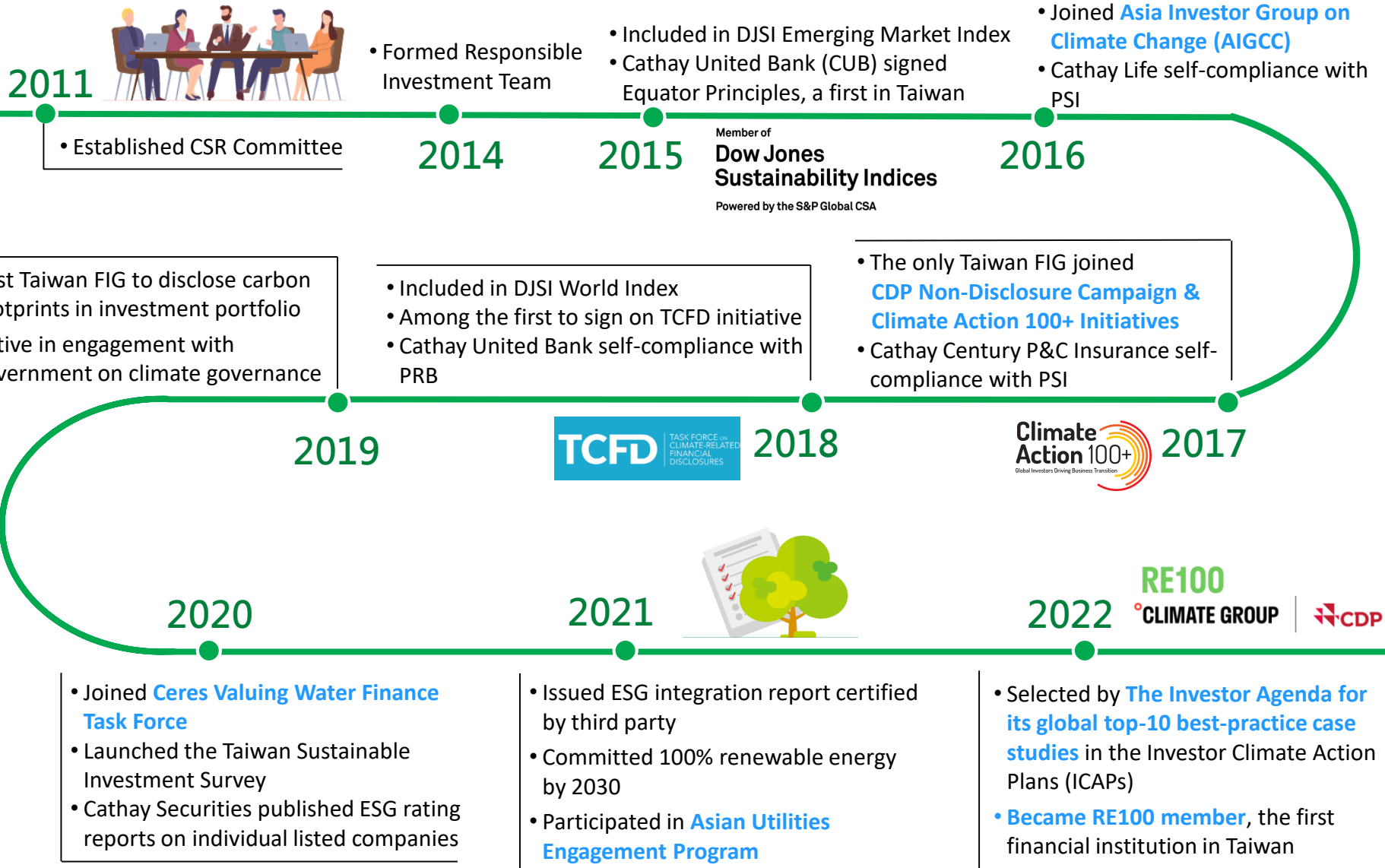
Note: Total assets as of June 30, 2022

Ranking of market cap (US\$bn)



Note: Market capitalization as of August 31, 2022

Cathay FHC's continuous effort in ESG integration

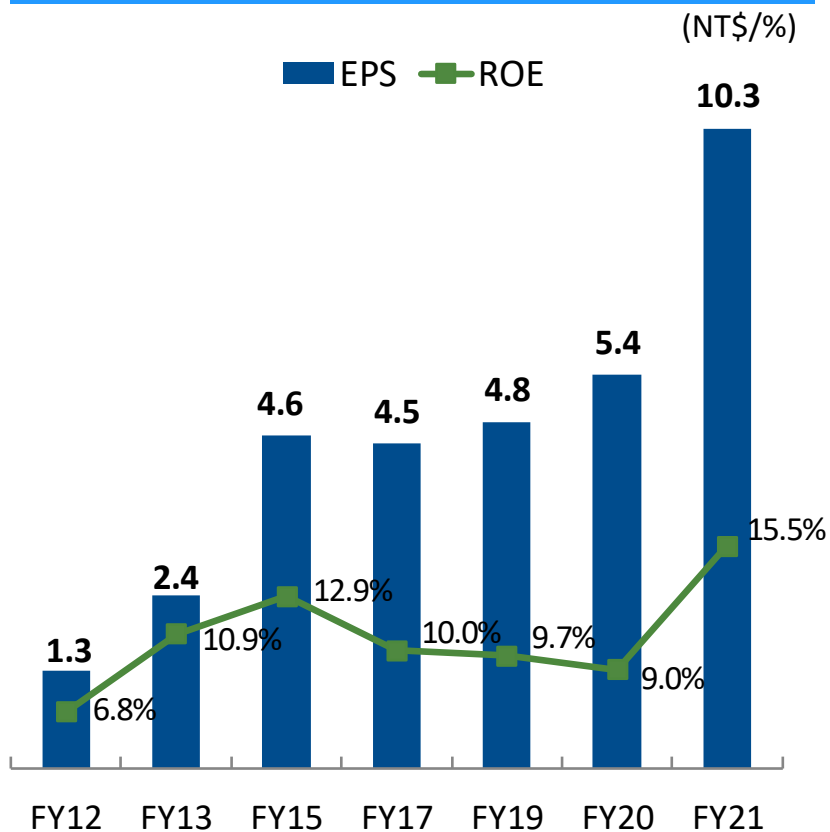


Participation in global and domestic ESG initiatives

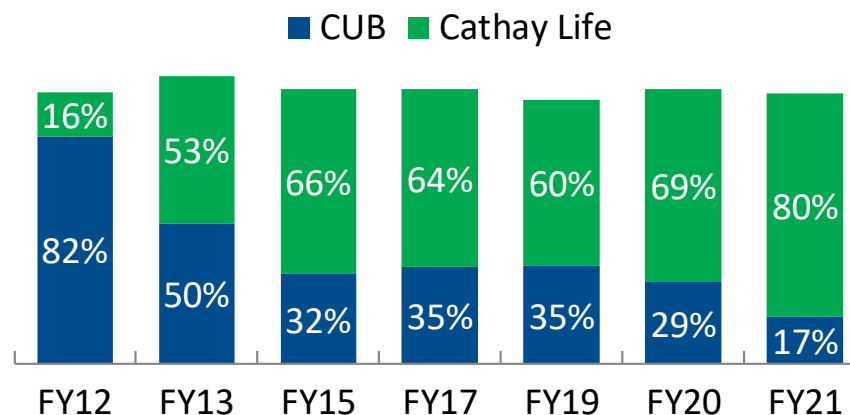
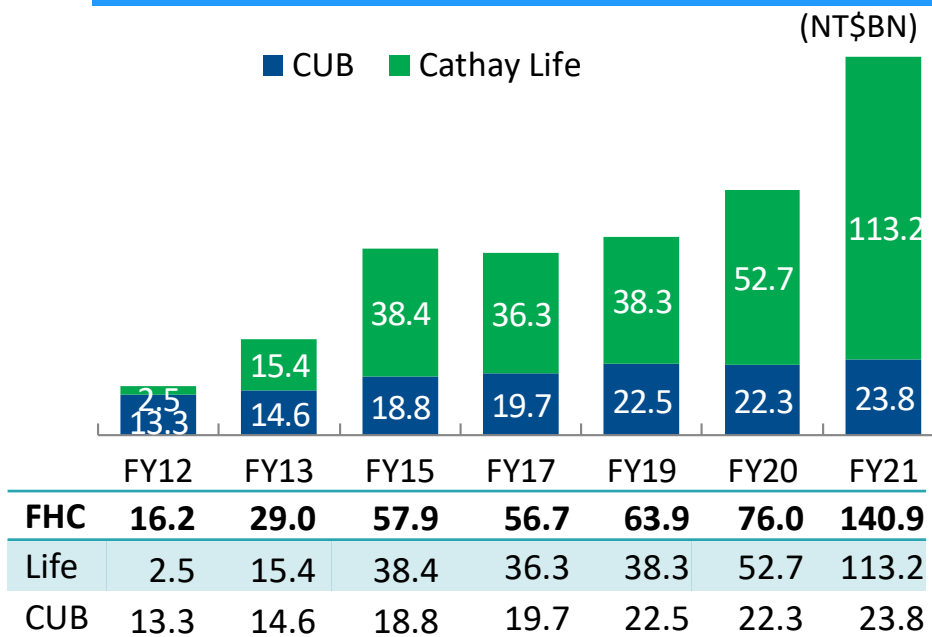
Initiatives	Joined company / Time
CDP	<ul style="list-style-type: none"> Cathay FHC (2012)
Low Carbon Investment Registry	<ul style="list-style-type: none"> Cathay FHC (2014)
Taiwan Stewardship Principles	<ul style="list-style-type: none"> Cathay Life & Cathay SITE (2016) / Cathay Century Insurance (2017) / CUB & 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. (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(CUB) (2018)
TCFD	<ul style="list-style-type: none"> Cathay FHC (2018)
Valuing Water Finance Task Force/Initiative	<ul style="list-style-type: none"> Cathay FHC & Cathay Life (2020/2022)
Asian Utilities Engagement Program	<ul style="list-style-type: none"> Cathay FHC (2021)
Committed to setting Science-Based Target (SBT)	<ul style="list-style-type: none"> Cathay FHC (2022)
RE100 member	<ul style="list-style-type: none"> Cathay FHC (2022)

Cathay FHC continued to deliver solid earnings

EPS & ROE



Profit contribution



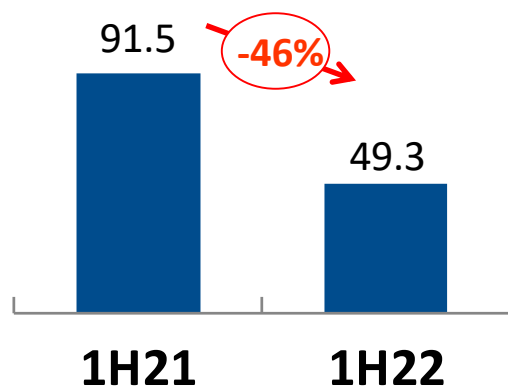
- Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.
 (2) Since Cathay FHC has more subsidiaries other than Cathay Life and CUB, besides, due to affiliate transactions, the Cathay FHC net income might not equal to the sum of Cathay Life and CUB's.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

Cathay FHC – Net income & EPS

- 1H22 earnings were the second-highest ever recorded in the first-half period. YoY decline was mainly due to the higher base period for investment gains and favorable financial markets in the previous year.

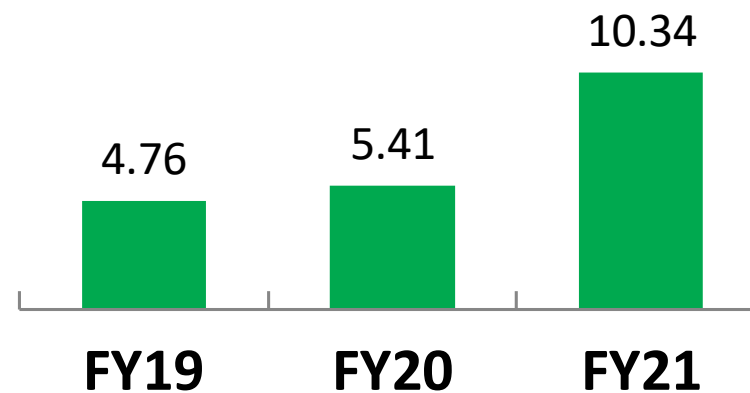
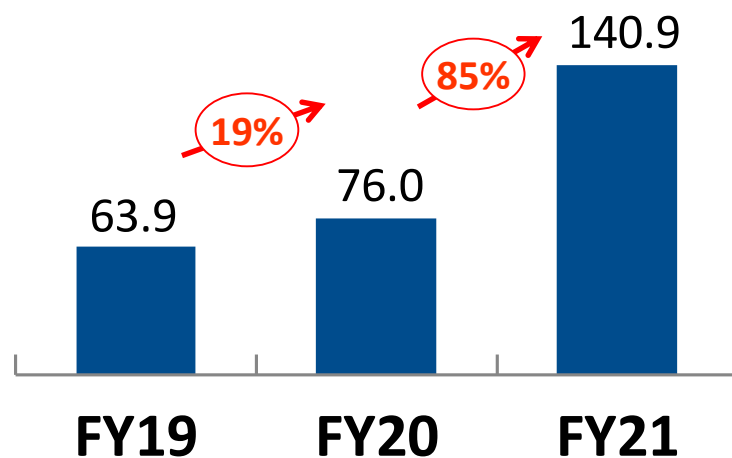
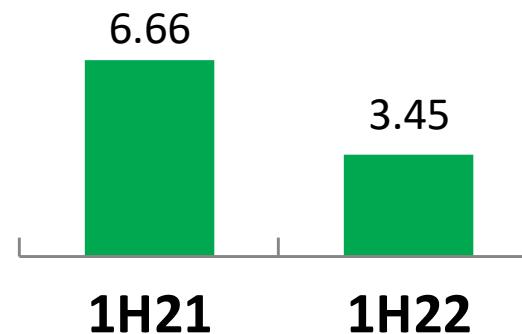
Net income

(NT\$BN)



EPS

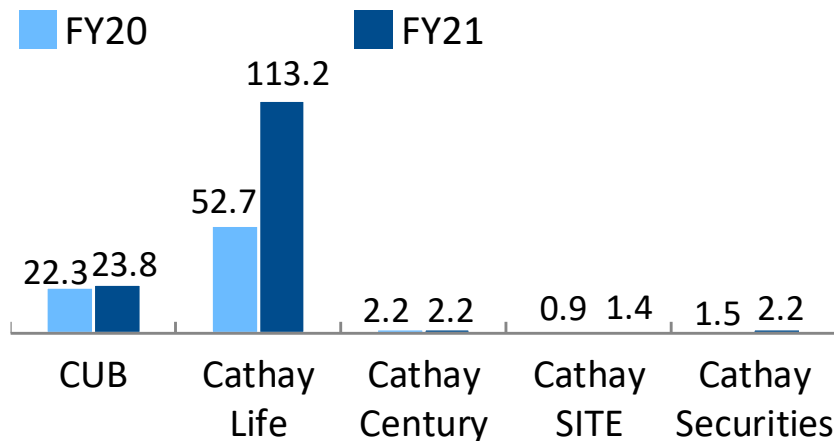
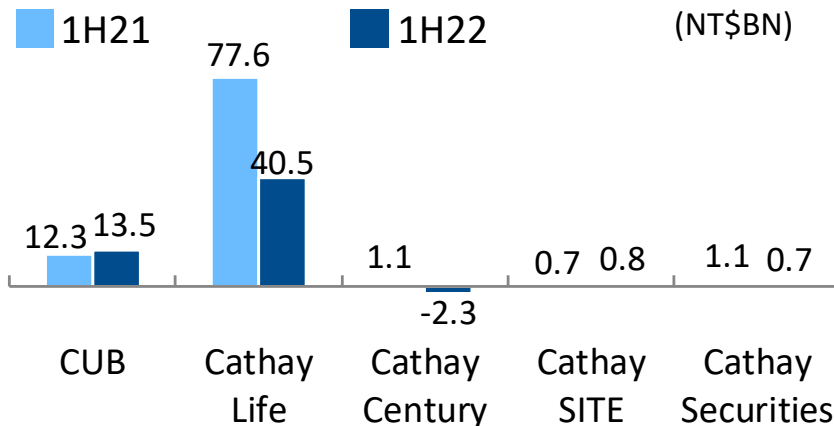
(NT\$)



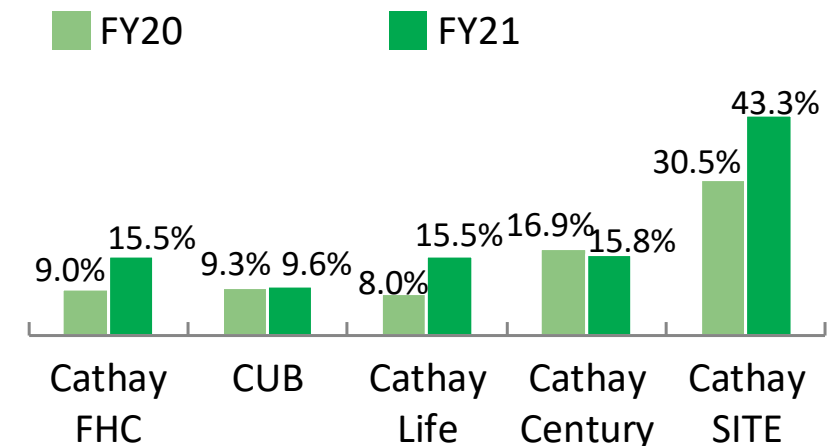
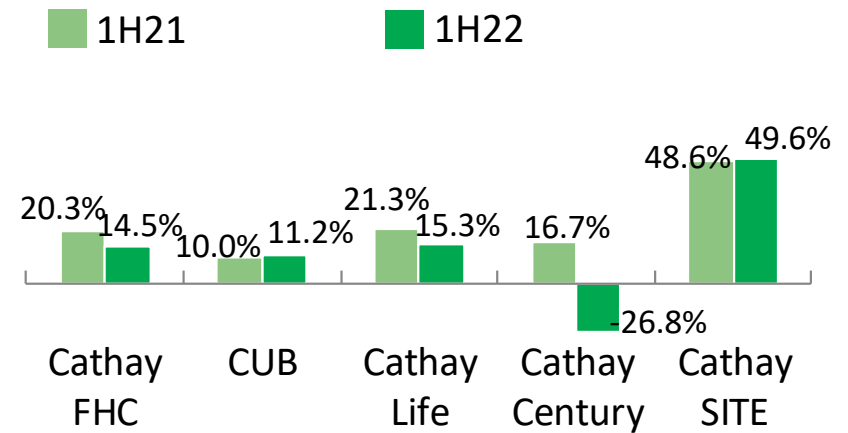
Cathay FHC – Net income & ROE

- CUB earnings grew 10% YoY, driven by robust net interest income and fee income. Cathay SITE saw record-high 1H earnings.
- Cathay Life delivered its second-highest historical 1H earnings; YoY decline was due to the higher base period for capital gains in 1H21. Cathay Century net loss is attributable to pandemic insurance losses.

Net income of primary subsidiaries

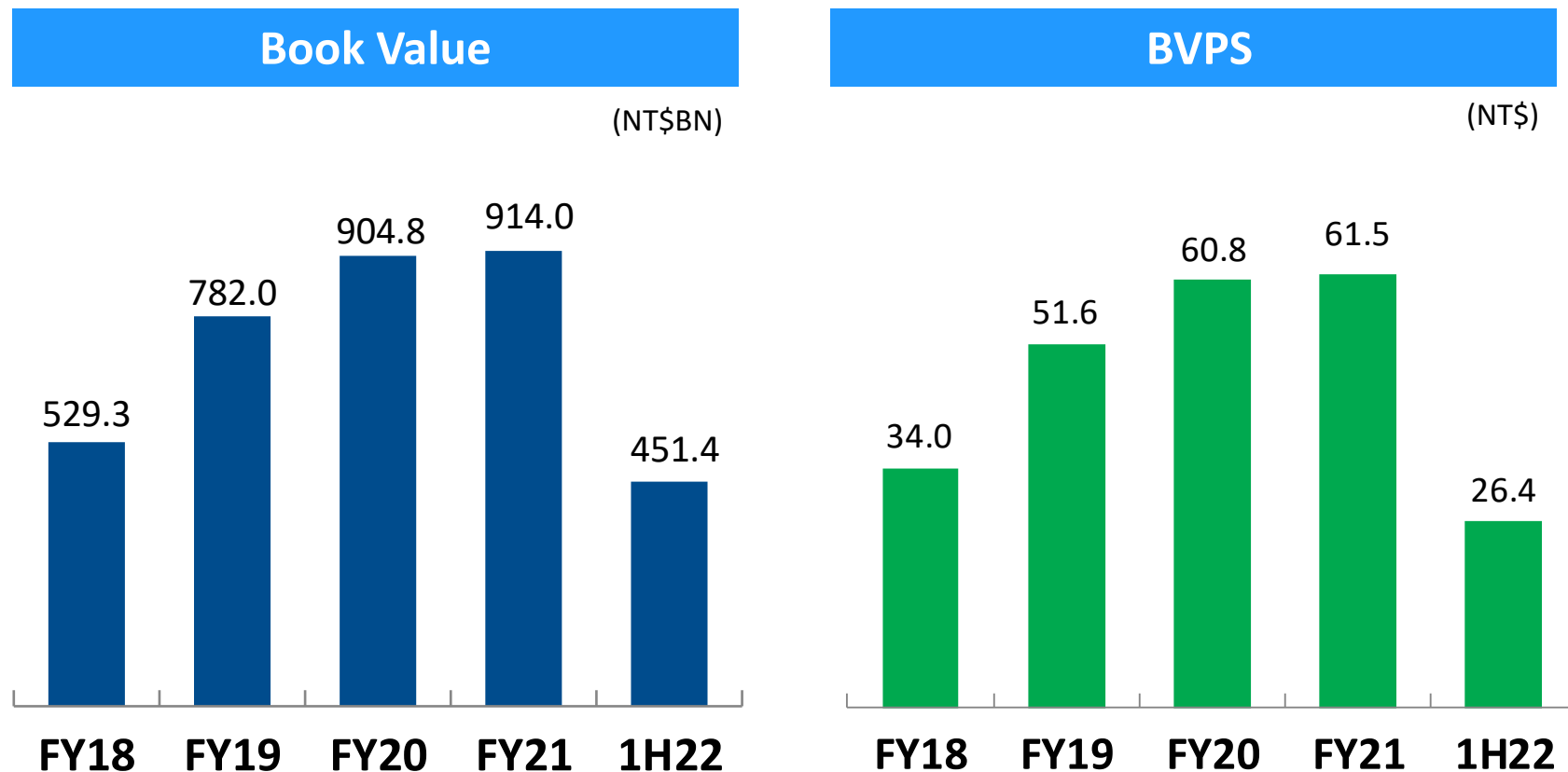


ROE



Cathay FHC – Book value & BVPS

- Book value declined in 1H22, reflecting a sharp rise in bond yields and a decline in equity markets.



Note : Book value includes preferred shares and minority interests. BVPS represented BVPS attributable to common shareholders.

1H22 Business overview

Cathay United Bank

- Delivered robust growth in deposits and loans. Asset quality remained benign. Net Interest margin expanded, and net interest income grew 13% YoY, owing to rate hikes.
- Fee income showed steady growth, driven by robust YoY fee growth in credit cards and syndicated loans.

Cathay Life

- Adhered to a value-driven strategy. Protection-type FYP continued to grow.
- Delivered sound investment performance, with an investment yield of 4.5%, bolstered by substantially improved hedging costs and enhanced recurring yield.
- Maintained solid capital position with RBC ratio of 337%.

Cathay Century

- 1H22 net loss reflected the impact of pandemic insurance losses. Continued to deliver double-digit growth in premiums and maintained stable profit if excluding the impact from pandemic insurance.
- Completed NT\$10bn capital injection from FHC in 1H22 with RBC ratio of 450%.

Cathay SITE

- Ranked No. 1 in AUM, amounting to NT\$1.15tn. Earned wide acclaim for various new products. 1H22 net profit set a record high for the first-half period.
- Recognized by Asia Asset Management and Benchmark. Received TFF-Bloomberg Best Fund Award and Golden Goblet Award in 2022.

Cathay Securities

- Optimized customer experience with a digital-only business model; focused on digital customers to increase customer base.
- Enriched product lines and platform functions in sub-brokerage business, holding the highest market share in the industry.

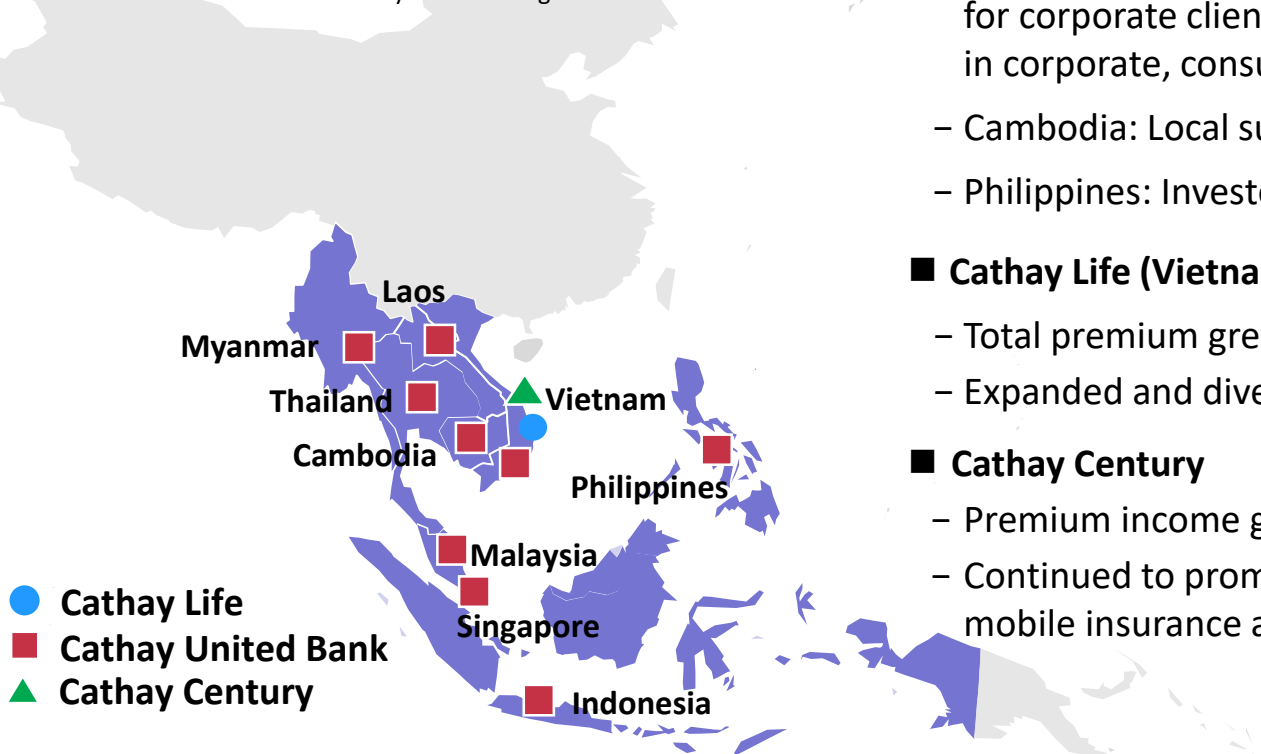
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Cathay FHC in South East Asia

	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	149									
P&C	26	2									
Asset Mgt.	1			1							
Securities				2							

Note: (1) Footprints in Thailand and Indonesia are rep. offices.
 (2) Investments in RCBC 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: Ho Chi Minh City Branch launched its TMU for corporate clients in July. IVB continued to expand in corporate, consumer, and digital banking business.
- Cambodia: Local subsidiary’s business grew steadily.
- Philippines: Invested in RCBC.⁽²⁾

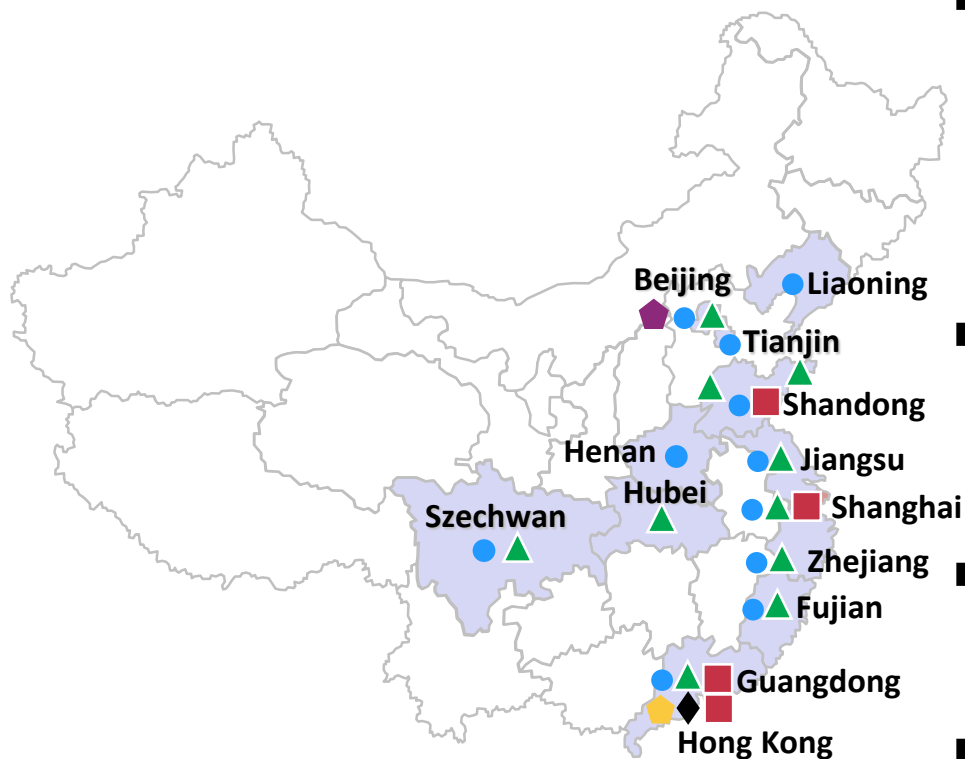
■ Cathay Life (Vietnam)

- Total premium grew 19% YoY to 1.3tn VND in 1H22.
- Expanded and diversified distribution channels.

■ Cathay Century

- Premium income grew to 286bn VND in 1H22.
- Continued to promote digital transformation and mobile insurance app.

Cathay FHC in China



- Cathay Lujiazui Life
- Cathay United Bank
- ▲ Cathay Century (China)
- ◆ Cathay Securities
- ◆ Conning Asia Pacific Limited
- ◆ BSCOM Cathay Asset Management CO.,LTD.

■ Cathay United Bank

- In May, China subsidiary completed an SOFR-based cross-currency swap—a first among Taiwanese banks.
- HK branch signed a memorandum with the Hong Kong Quality Assurance Agency (HKQAA) to promote and expand cooperation in green finance.

■ Cathay Lujiazui Life

- Total premium grew 12% YoY to 1.9bn RMB in 1H22.
- Aims to grow business in scale and value through agent workforce, aided by multiple-channel development.

■ 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 (BSCOM Cathay Asset Management CO.,LTD.)

- Business remained steady.

■ Conning Asia Pacific Limited

- Continued to expand asset management business.

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Cathay United Bank

Cathay Life

Cathay Century

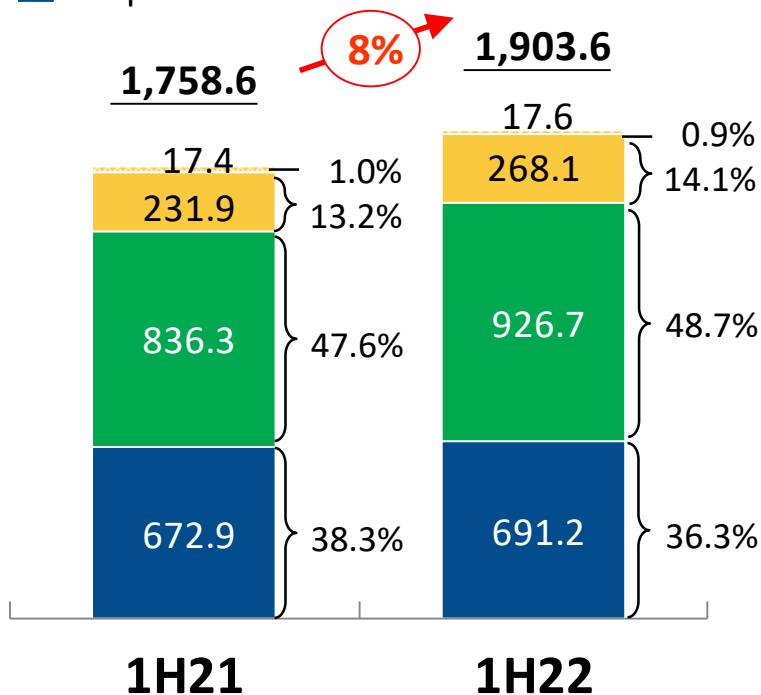
- Cathay's ESG efforts
- Appendix

Cathay United Bank – Loan & deposit breakdown

- Robust loan growth across consumer, mortgage, and corporate loans.
- Solid growth in deposits, with demand-deposit ratio over 70%.

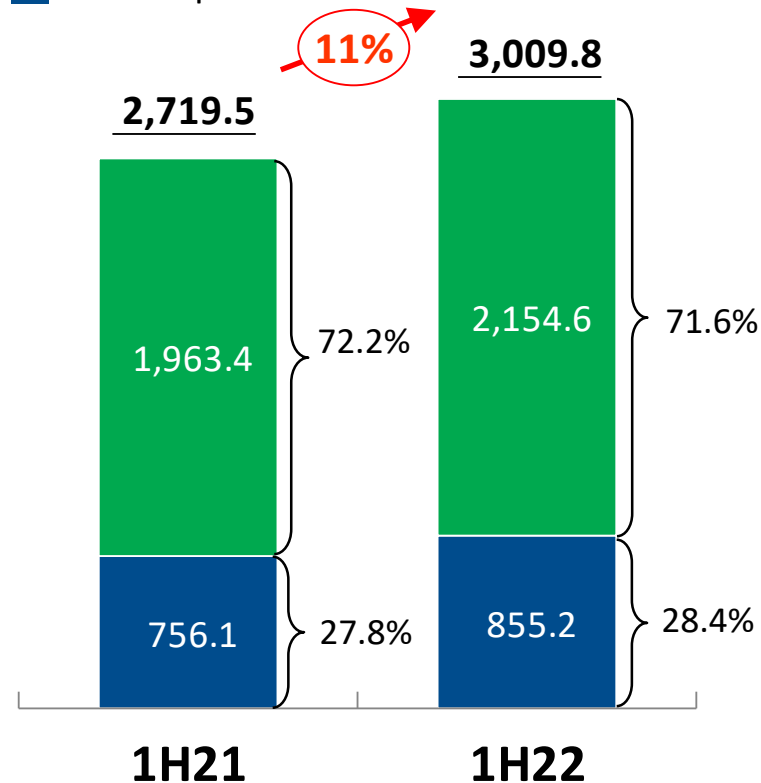
Loan breakdown

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



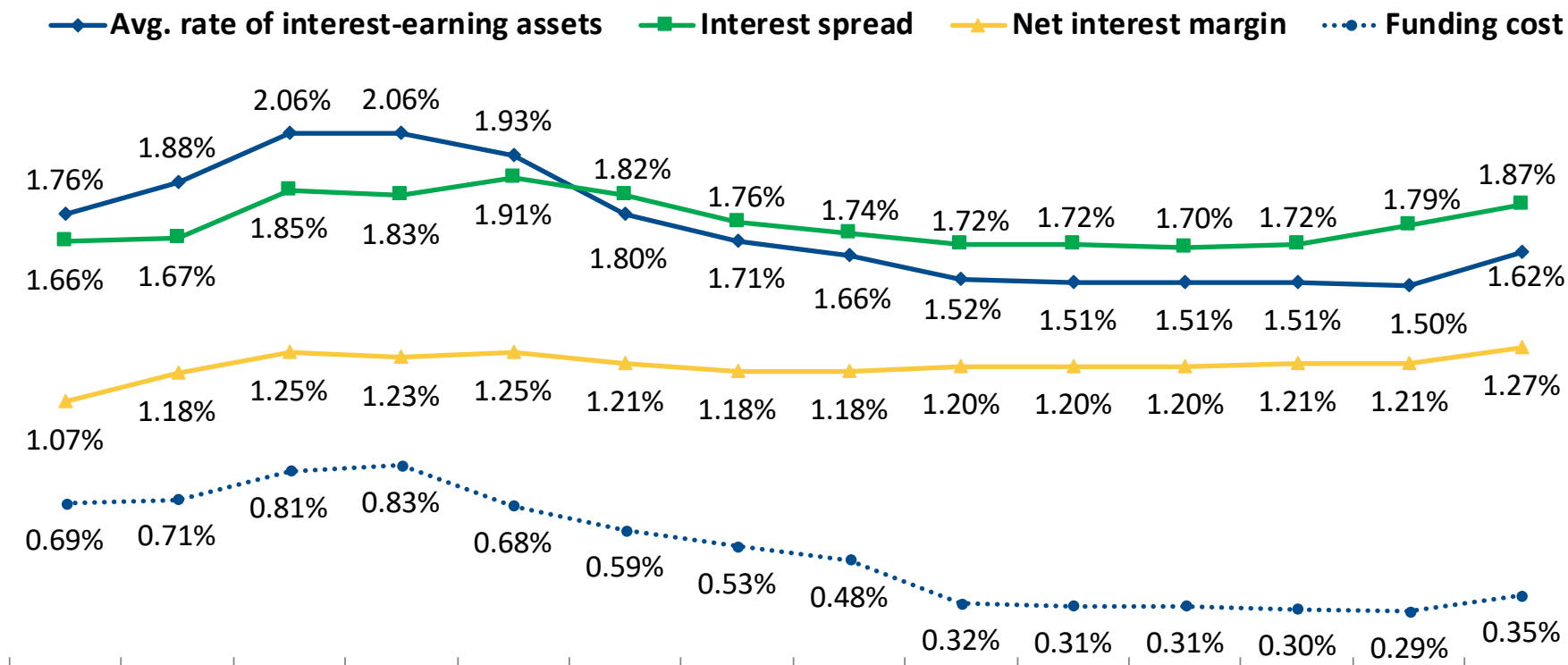
Deposit breakdown

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



Cathay United Bank – Interest yield

□ Benefiting from rising rates, NIM and interest spread showed significant increases.



	FY16	FY17	FY18	FY19	1Q20	1H20	9M20	FY20	1Q21	1H21	9M21	FY21	1Q22	1H22	
Quarterly					<u>4Q19</u>	<u>1Q20</u>	<u>2Q20</u>	<u>3Q20</u>	<u>4Q20</u>	<u>1Q21</u>	<u>2Q21</u>	<u>3Q21</u>	<u>4Q21</u>	<u>1Q22</u>	<u>2Q22</u>
Spread					1.86%	1.91%	1.73%	1.65%	1.69%	1.72%	1.71%	1.69%	1.74%	1.79%	1.94%
NIM					1.26%	1.25%	1.17%	1.13%	1.17%	1.20%	1.20%	1.21%	1.22%	1.21%	1.33%

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

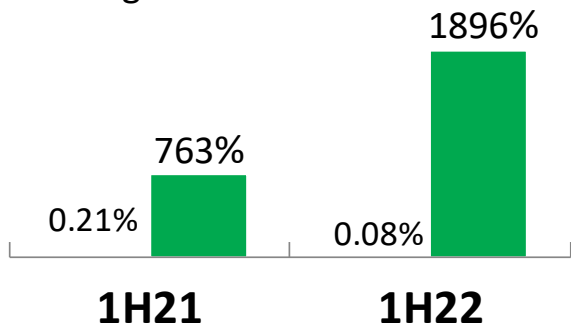
(2) China subsidiary was launched in Sep 2018. Hence, since 9M18, China subsidiary results was excluded.

Cathay United Bank – Credit quality

- Asset quality remained benign, with NPL at 0.08% and coverage ratio at 1896%.

NPL & Coverage ratio

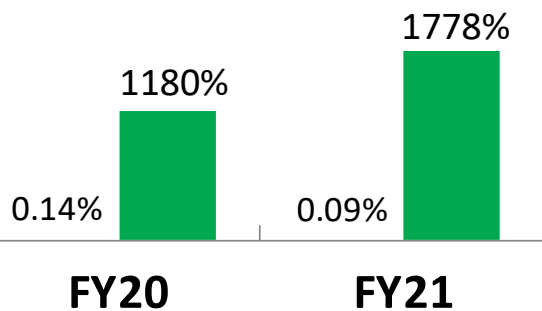
- NPL ratio
- Coverage ratio



Mortgage NPL

0.10 %

0.07 %



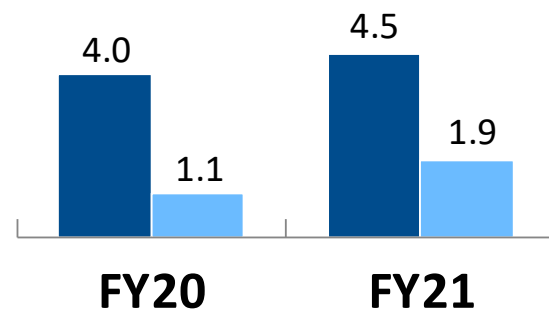
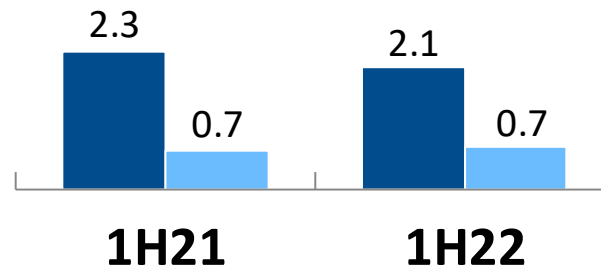
Mortgage NPL

0.11 %

0.08 %

Gross provision

- Gross provision (NT\$BN)
- Recovery

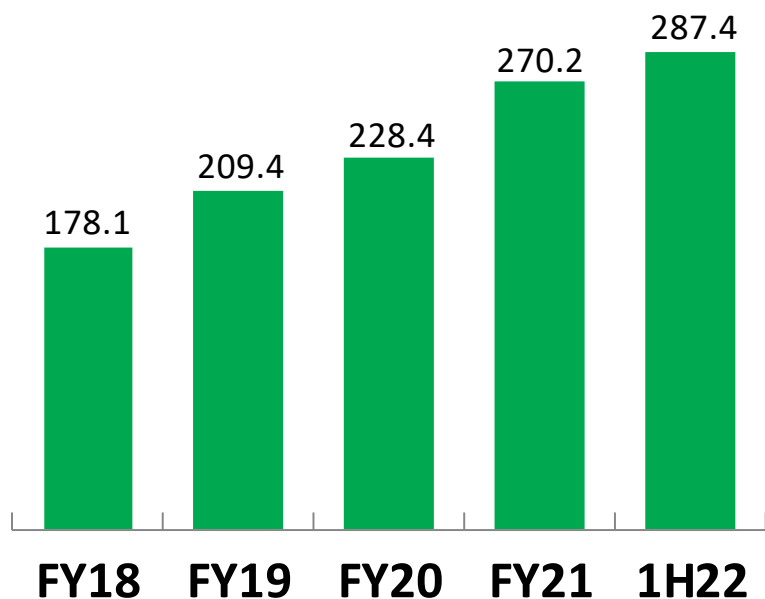


Cathay United Bank – SME & FX loans

- SME loans continued to show solid growth.
- Aims to grow foreign currency loans while ensuring asset quality.

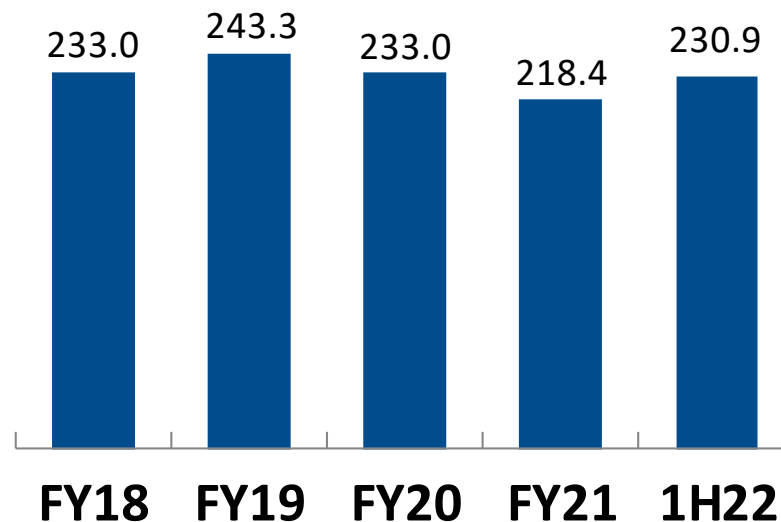
SME loans

(NT\$BN)



Foreign currency loans

(NT\$BN)



As % of total loans

11.4% 13.8% 14.1% 15.3% 15.2%

15.0% 16.1% 14.4% 12.4% 12.2%

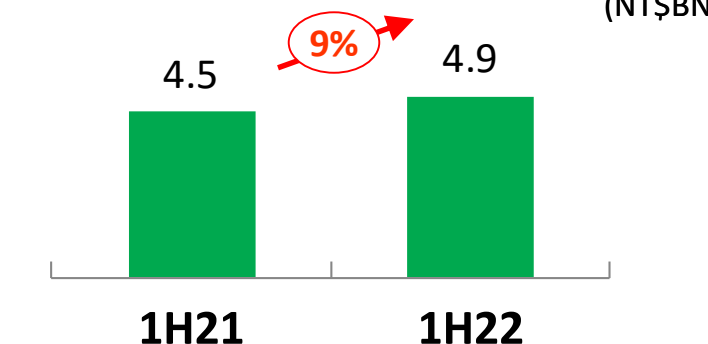


Cathay United Bank – Offshore earnings

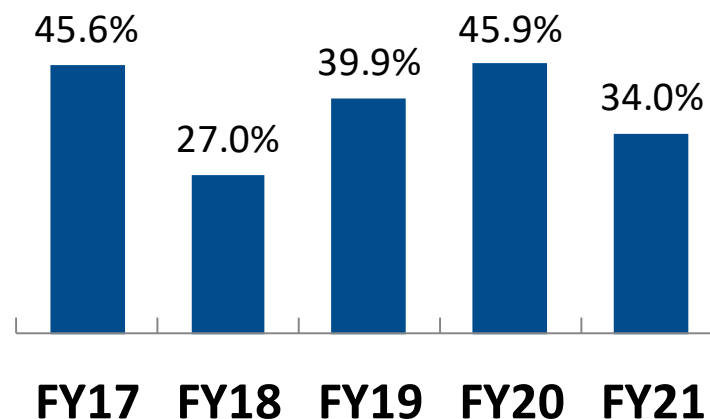
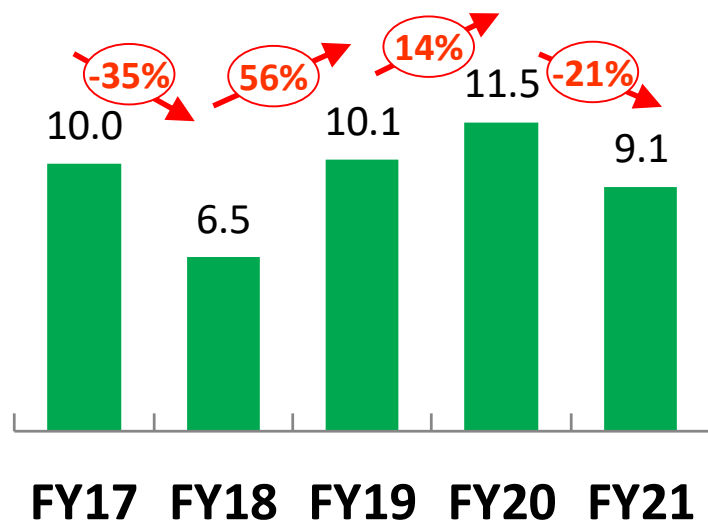
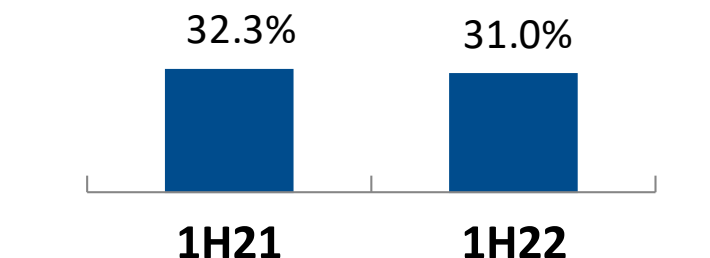
- Offshore core earnings increased and loan recovery supported overall offshore earnings growth.

Offshore earnings

(NT\$BN)



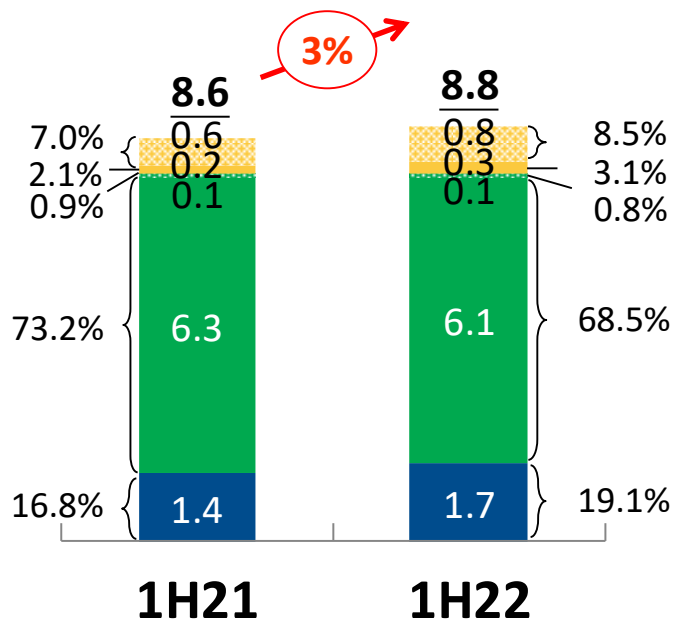
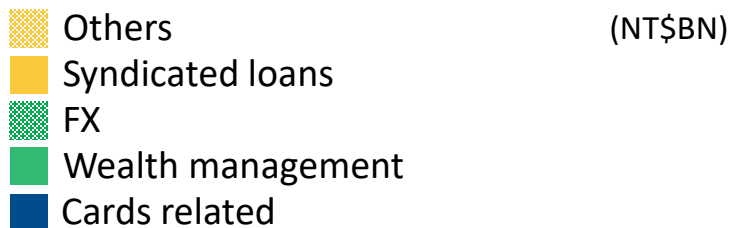
As % of CUB pre-tax profits



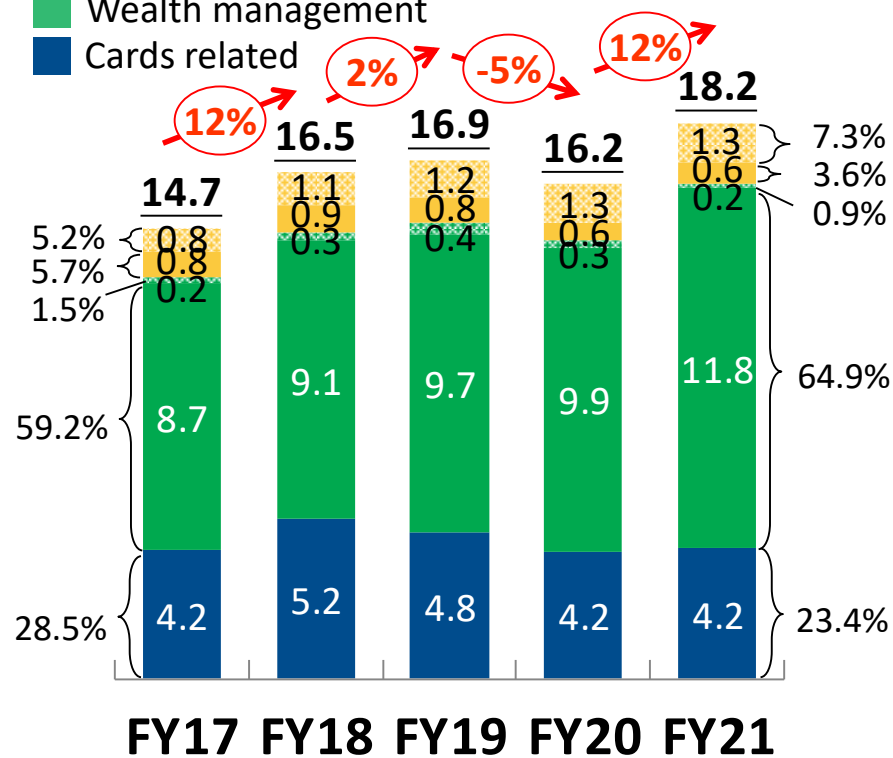
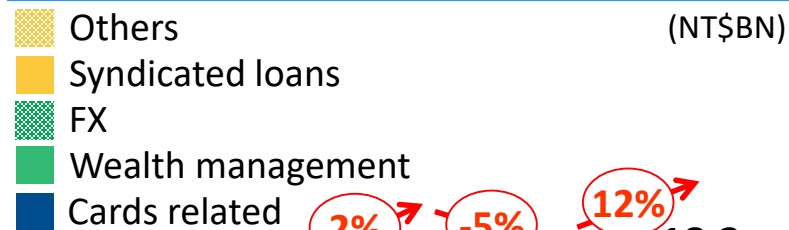
Cathay United Bank – Net fee income

- Robust growth in credit card fees and rebound in syndication fees led to a 3% increase in net fee income, offsetting a decline in wealth management fees.

Quarterly net fee income



Annual net fee income

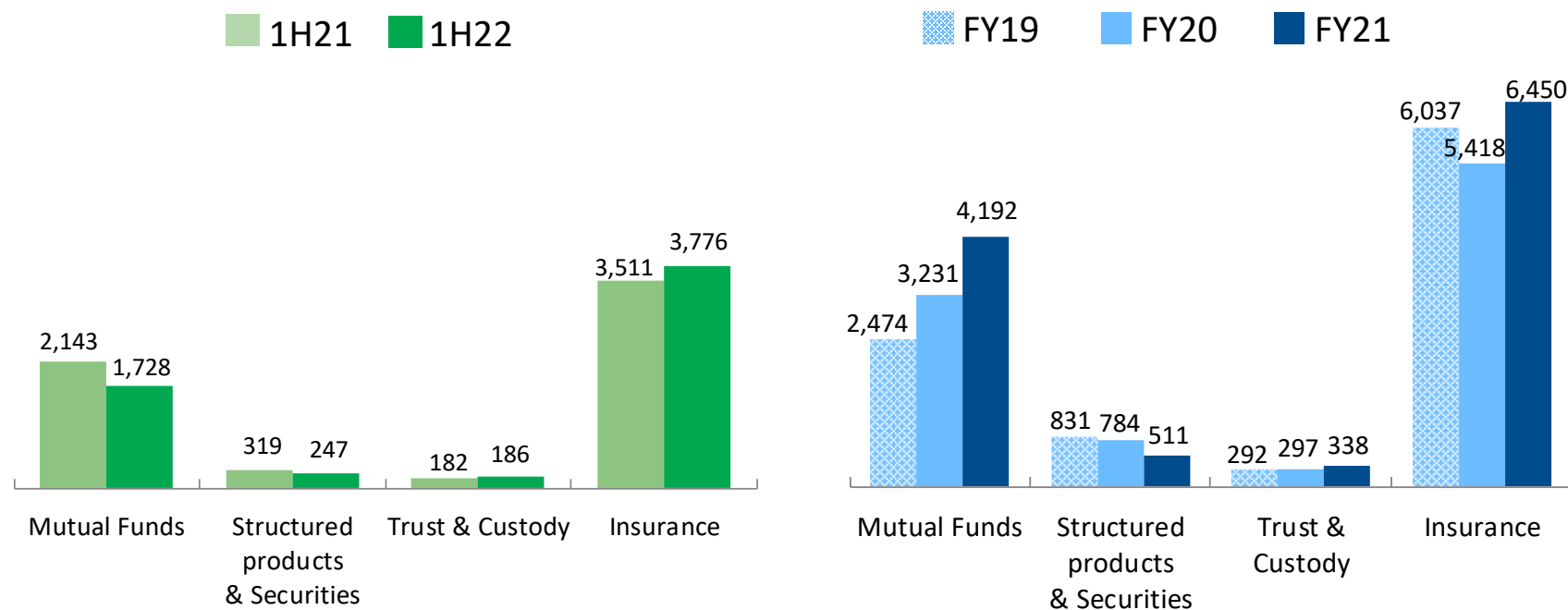


Cathay United Bank – Wealth management fees

- Wealth management fees declined 3.8% YoY, while bancassurance fees grew 8% YoY, partially offsetting declines in mutual funds and securities brought on by volatile capital markets.

Wealth management fees breakdown

(NT\$MN)	1H21	1H22	FY19	FY20	FY21
Wealth management fee income	6,294	6,056	9,695	9,878	11,783
YoY growth (%)	14.5%	-3.8%	6.9%	1.9%	19.3%



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Cathay Life

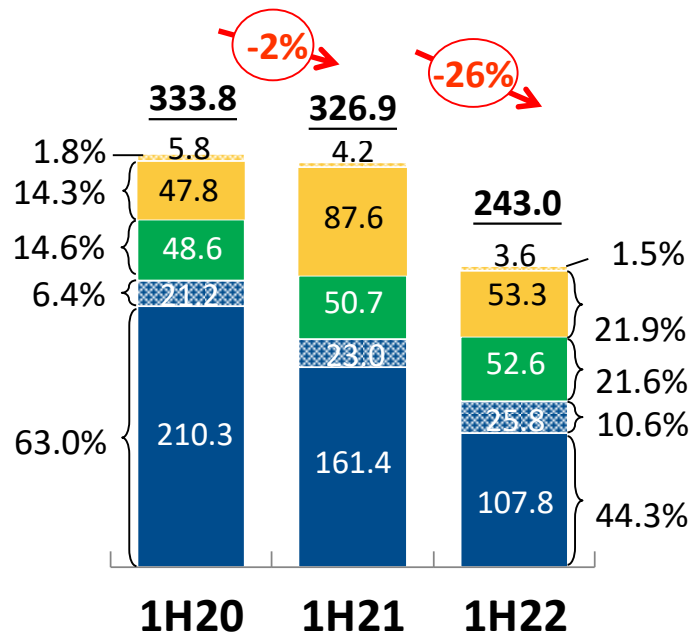
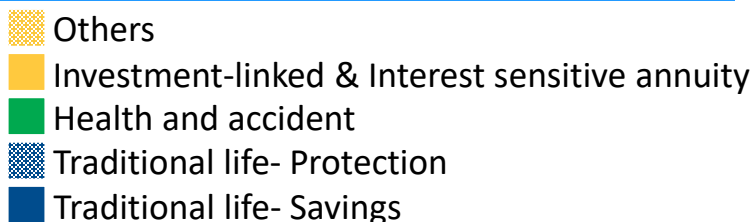
Cathay Century

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- Appendix

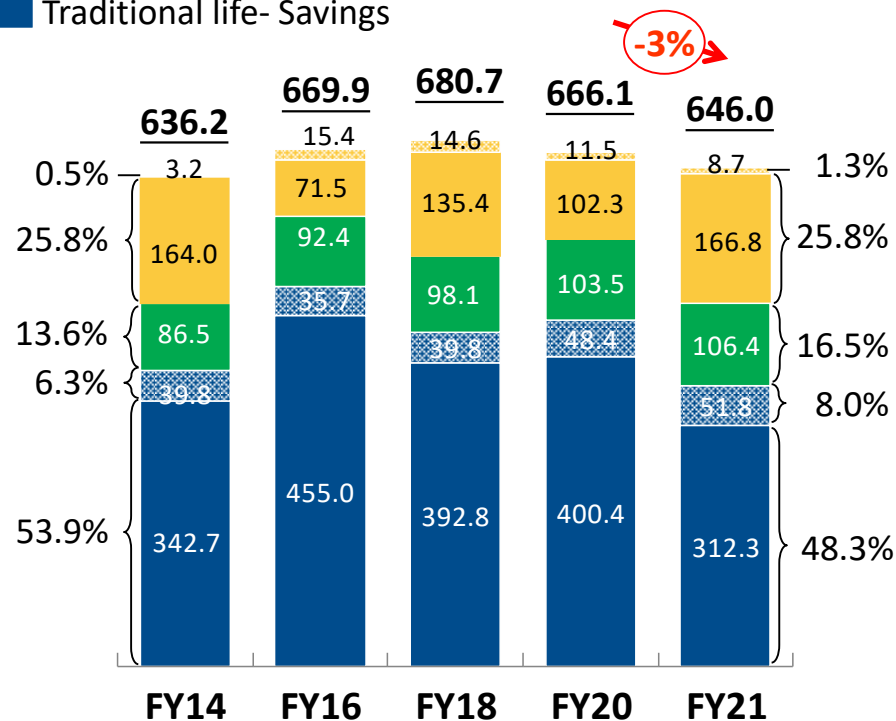
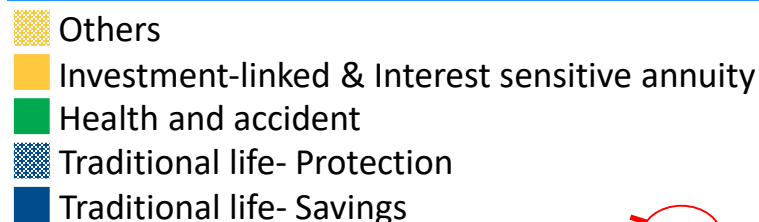
Cathay Life – Total premium

- Total premium declined YoY due to the high 1H21 base period for ILPs as well as lower renewal premium, reflecting the end of regular premium payment terms for some top-selling products.

Quarterly total premium



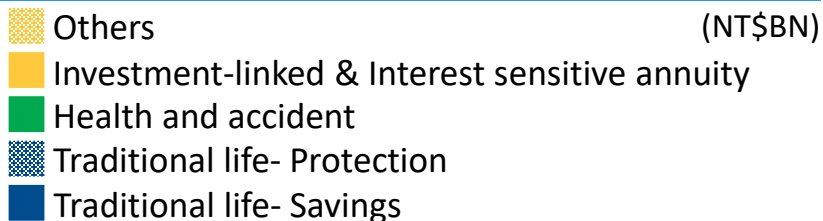
Annual total premium



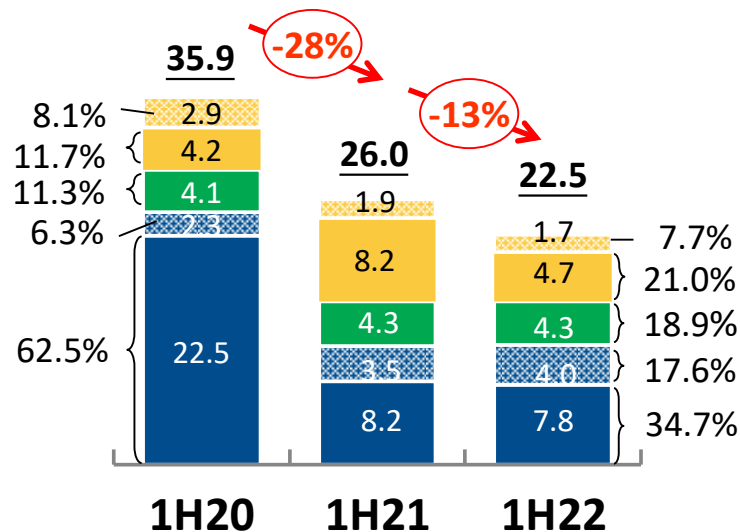
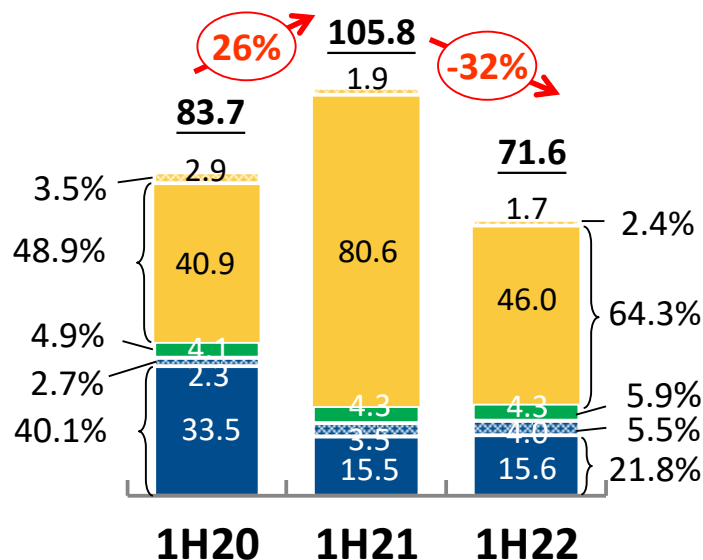
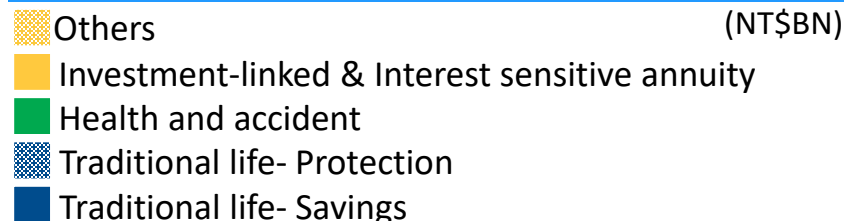
Cathay Life – Quarterly FYP & APE

- FYP and APE declined YoY, owing to the high base period for ILPs and favorable capital markets in 1H21, in addition to reduced sales momentum in 2Q22 due to the pandemic.
- FYP for protection-type policies continued to grow, supporting the contractual service margin (CSM).

First Year Premium



Annualized FYP (APE)



FX polices %
(excl. investment-linked)

1H20	1H21	1H22
67%	71%	72%

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

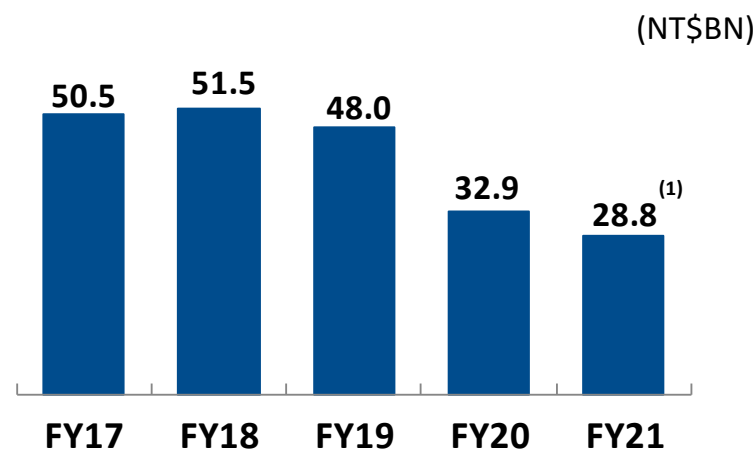
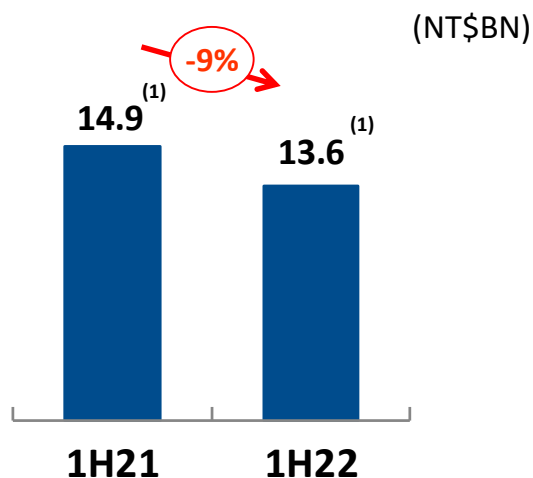
- VNB declined YoY due to the higher 1H21 base period for sales volume of ILPs, as well as pandemic-induced slowdown in sales momentum in 2Q22.
- VNB margin increased, attributable to continued efforts in growing high-CSM protection-type products.

Value for New Business

Profit Margin	1H21 ⁽¹⁾	1H22 ⁽¹⁾
VNB/FYP	14%	19%
VNB/FYPE	57%	60%

Value for New Business (annual)

Profit Margin	FY17	FY18	FY19	FY20	FY21 ⁽¹⁾
VNB/FYP	22%	24%	24%	20%	14%
VNB/FYPE	64%	72%	50%	53%	56%



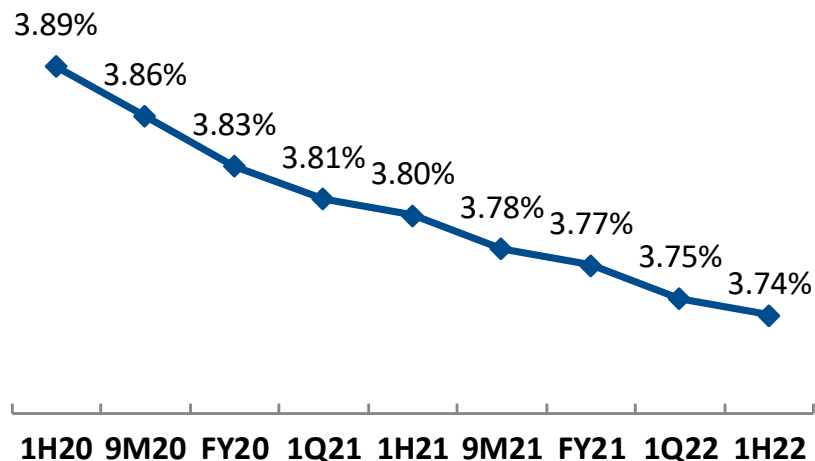
Note : (1) 1H21, FY21 and 1H22 VNB were based on 2021 Embedded Value assumptions.

(2) Based on 2020 Embedded Value assumptions, 1H21 & FY21 VNB were NT\$15.0BN and NT\$28.8BN ; VNB/FYP were both 14% , VNB/FYPE were 58% and 56%, respectively.

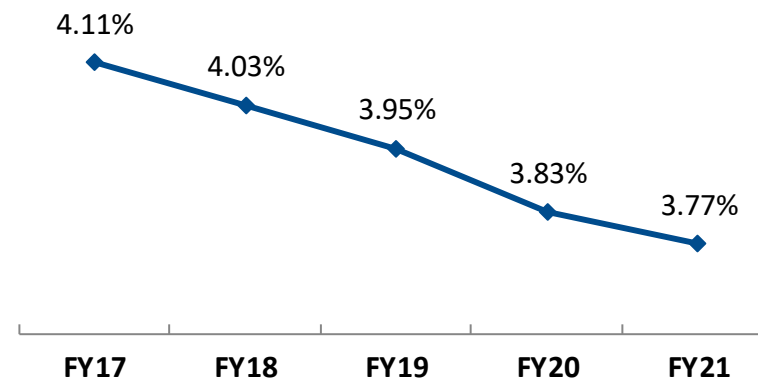
Cathay Life – Cost of liability and break-even asset yield

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

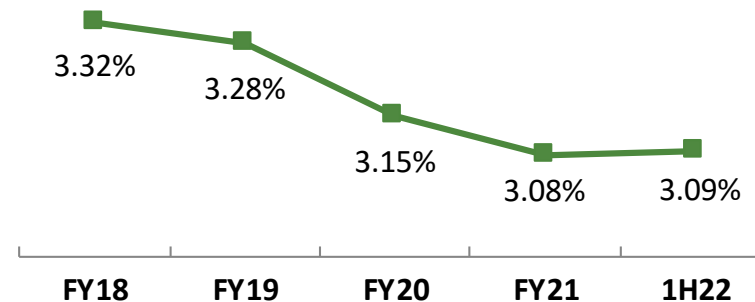
Cost of liability (quarterly)



Cost of liability (annual)



Break-even asset yield



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

Cathay Life – Investment portfolio

(NT\$BN)	FY19	FY20	FY21			1H22		
Total investments⁽¹⁾	6,415.0	6,945.1	7,254.1			7,041.3		
	Weight	Weight	Weight	Amount	Return	Weight	Amount	Return
Cash & Cash equivalents	3.7%	4.8%	3.2%	234	0.2%	0.6%	41	0.3%
Equity- Domestic	5.0%	6.3%	7.2%	519	20.9%	6.4%	450	10.0%
Equity- International ⁽²⁾	5.8%	5.9%	6.4%	465	11.6%	6.2%	437	9.1%
Bond- Domestic	7.9%	8.0%	7.9%	572	1.7%	7.5%	530	2.6%
Bond- International ⁽¹⁾⁽²⁾	58.9%	58.0%	58.5%	4,246	5.3%	61.6%	4,339	3.9%
Mortgage & Secured loans	5.3%	4.5%	4.4%	308	1.4%	4.2%	297	1.9%
Policy loans	2.7%	2.4%	2.3%	170	5.4%	2.4%	169	5.4%
Real estate	8.2%	7.7%	7.4%	548	2.4%	7.9%	557	3.1%
Others	2.6%	2.4%	2.6%	191		3.2%	222	

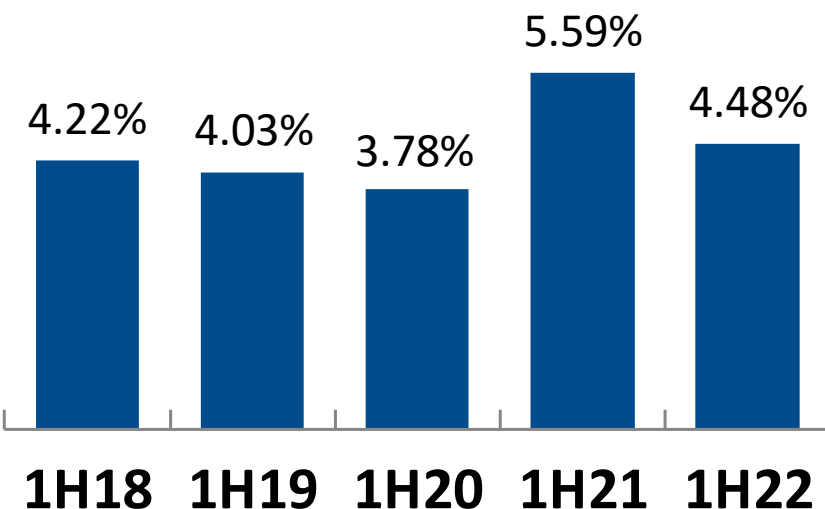
Note: (1) Total assets excluded separate account assets; international bond includes foreign currency deposit and related adjustments

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

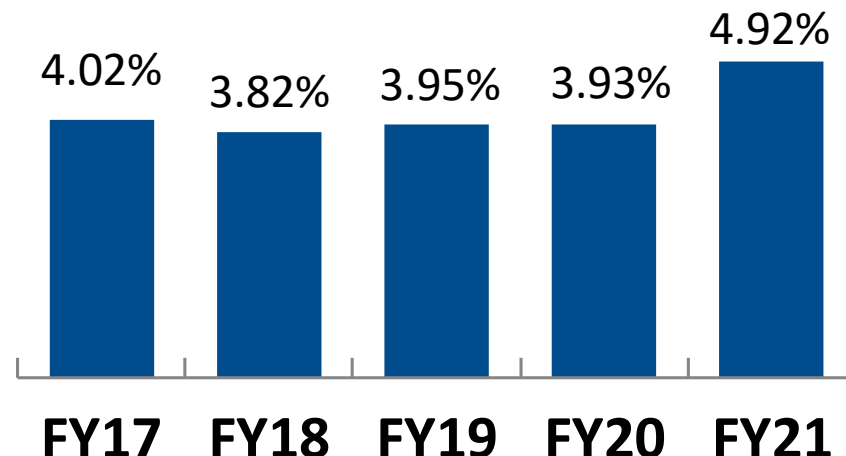
Cathay Life – Investment performance highlights

- After-hedging investment yield remained benign. The YoY decline was mainly due to the higher base period for investment gains and comparatively favorable financial markets in 1H21.

After-hedging investment yield



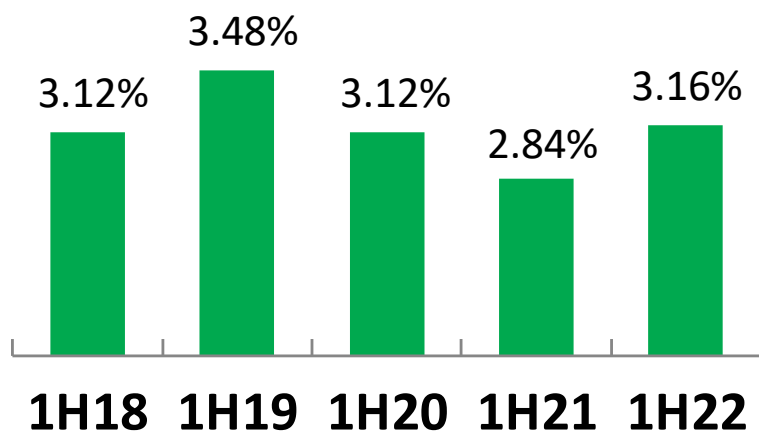
After-hedging investment yield



Cathay Life – Investment performance highlights

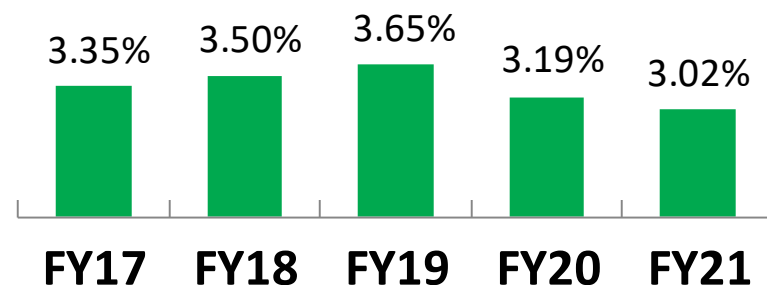
- Pre-hedging recurring yield rose 32bps YoY as new money yield from overseas bonds surged YTD with increased positioning and cash dividend income increased YoY.
- Hedging costs improved substantially with a gain of 0.21%, owing to TWD depreciation and effective proxy hedging.

Pre-hedging recurring yield



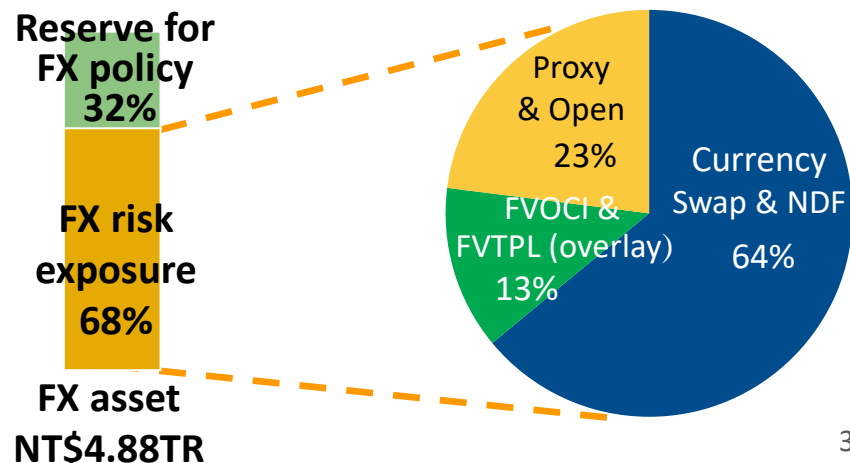
Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

Pre-hedging recurring yield



Currency hedging structure

1H22 Hedging cost -0.21% (Gain)

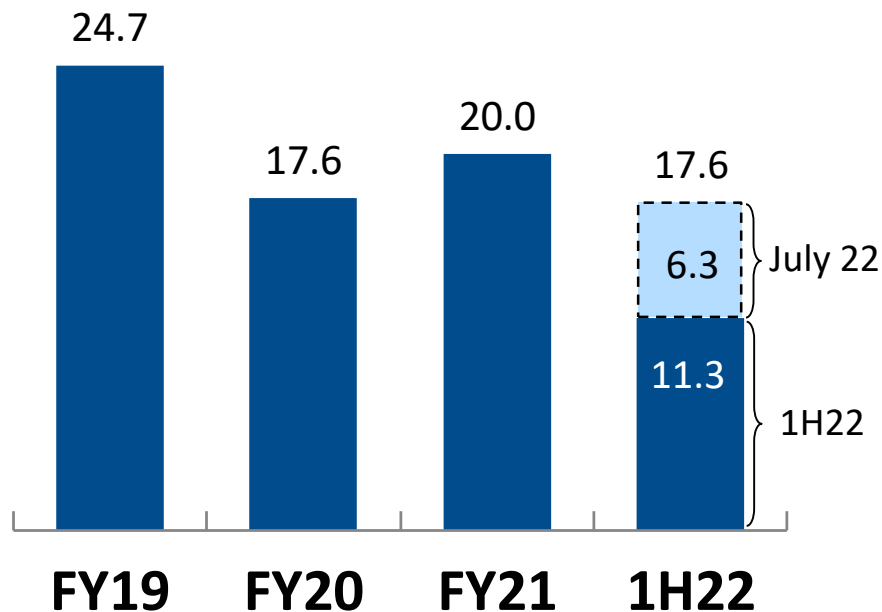


Cathay Life – Cash dividend income & overseas fixed income by region

□ 7M22 accumulated cash dividend income reached NT\$17.6bn.

Cash dividend income

(NT\$BN)



Overseas fixed income by region

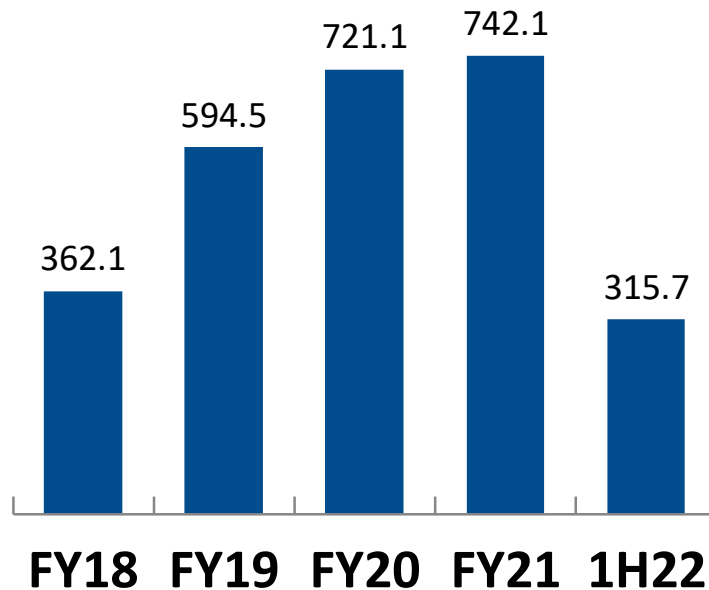


Cathay Life – Book value & unrealized G/L of financial assets

- Book value and unrealized G/L declined, reflecting a sharp rise in bond yields and a decline in equity markets.
- Based on IFRS 17, book value increased between 9M21 and 1H22, as the decline in liabilities exceeded that of assets, with assets and liabilities each marked to market.

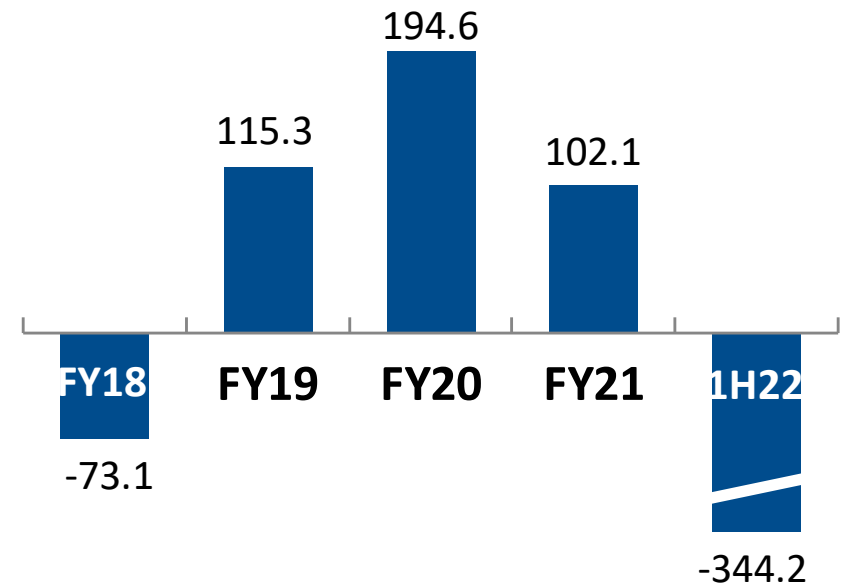
Book value

(NT\$BN)



Unrealized G/L of financial assets

(NT\$BN)

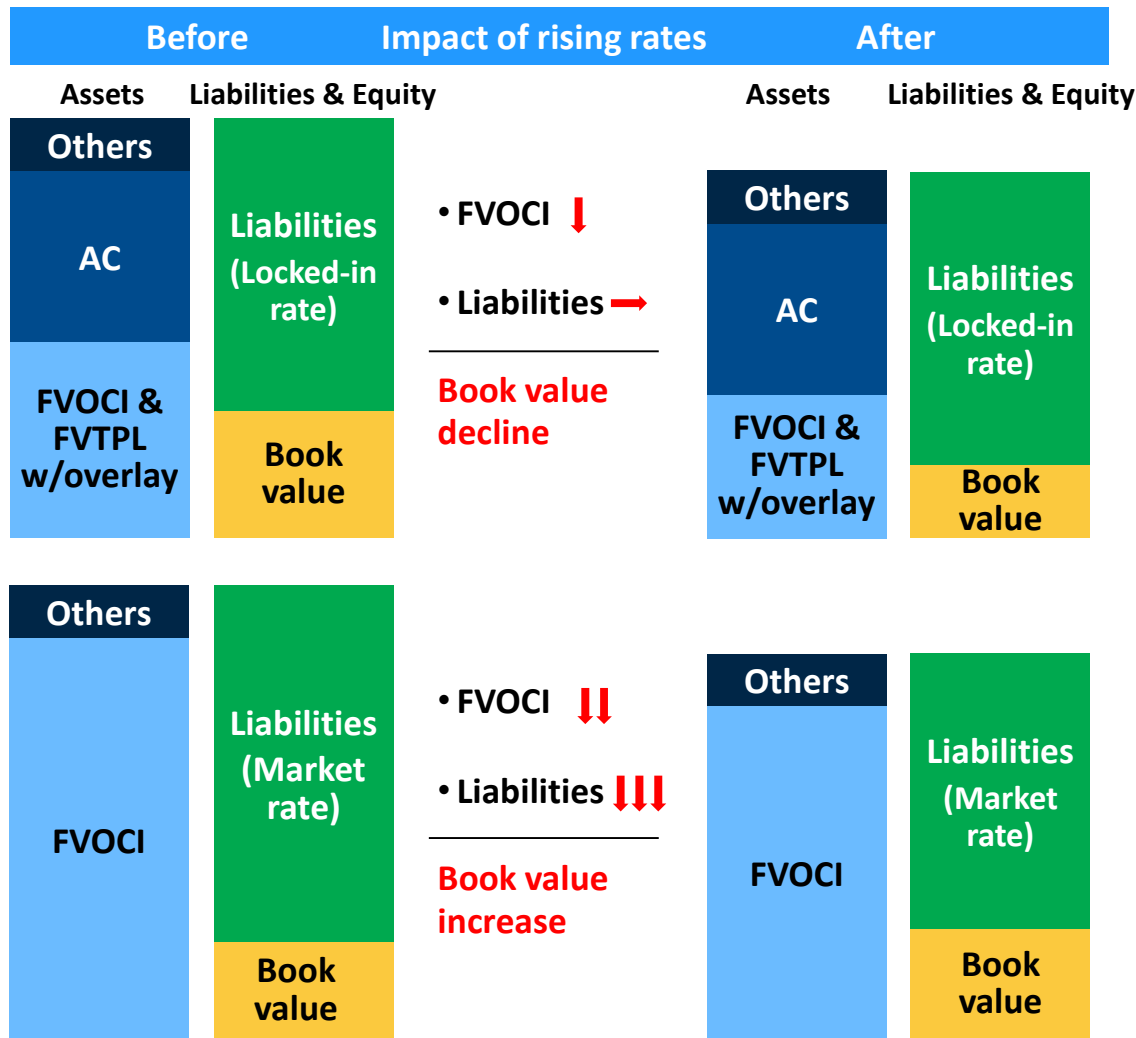


Note: FVOCI & FVTPL (overlay approach)

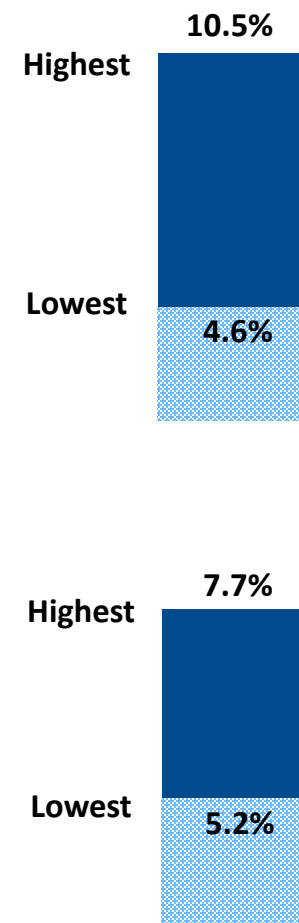
Cathay Life – Impact of recent rate hikes on book value

- Based on IFRS 17, book value increased, as the decline in liabilities exceeded that of assets, with assets and liabilities each marked to market.
- Under IFRS 17, the volatility of assets was offset by that of liabilities, resulting in reduced E/A ratio volatility.

Example

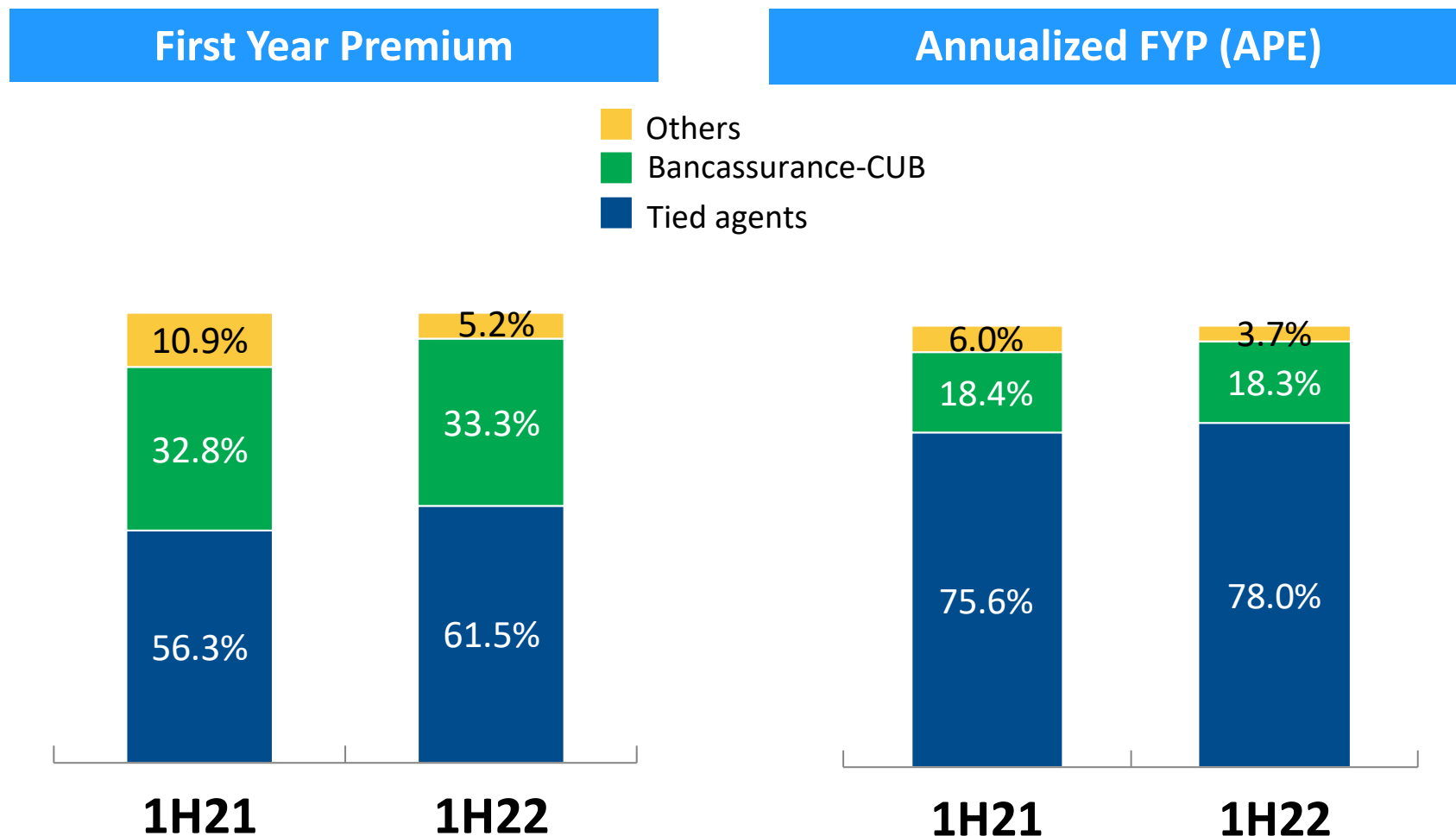


9M21~1H22 E/A ratio*



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.



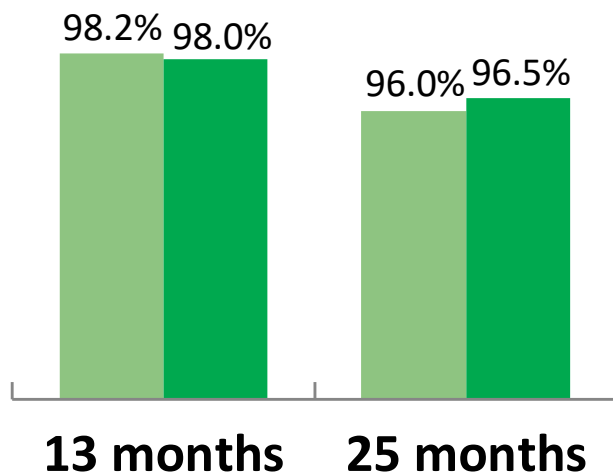
Cathay Life – Operational indicators

- Total expenses declined; a greater magnitude of decline in total premium resulted in a higher expense ratio.

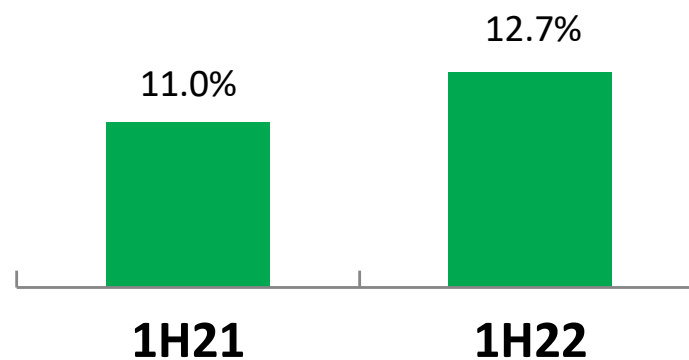
Persistency ratio

■ 1H21

■ 1H22



Expense ratio



Agenda

- Introduction of Cathay FHC
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Cathay United Bank

Cathay Life

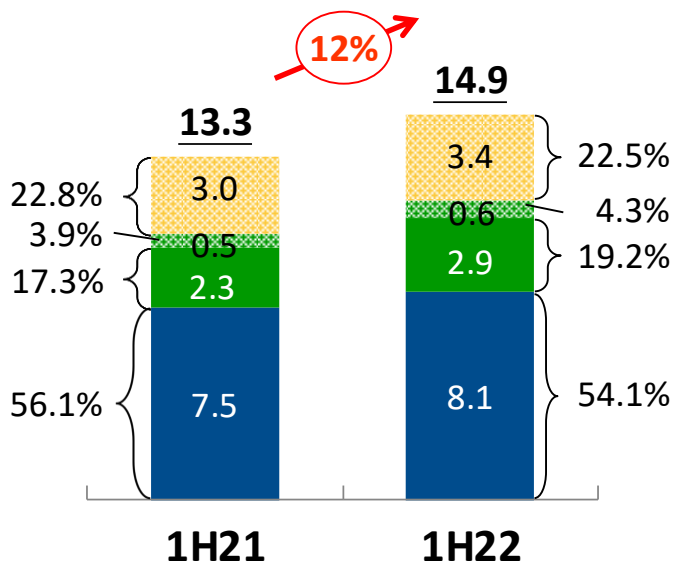
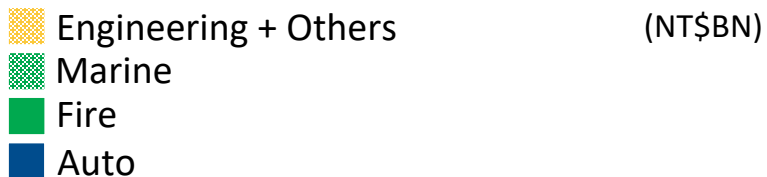
Cathay Century

- Cathay's ESG efforts
- Appendix

Cathay Century – Premium income & Distribution channel

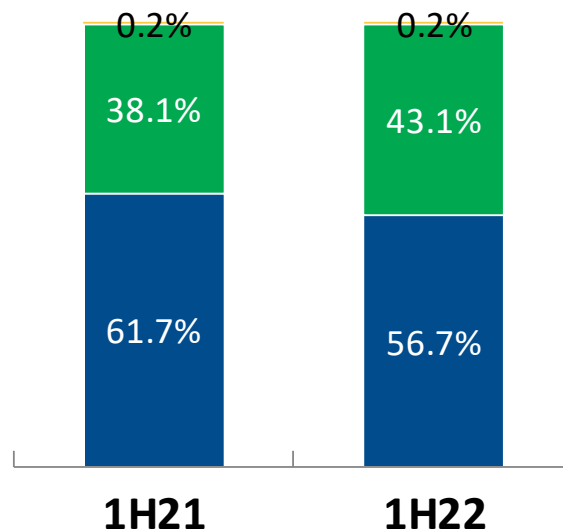
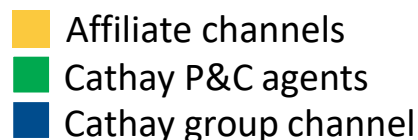
- Premium income grew 12% YoY. Market share was 12.3%.
- Proportion of premium income generated by Cathay P&C agents increased to over 40% in 1H22. Benefiting from cross-selling synergy, 50% of premium income was generated by the group channel.

Premium income



Market share	11.8%	12.3%
Retention	72.8%	70.5%

Distribution channel

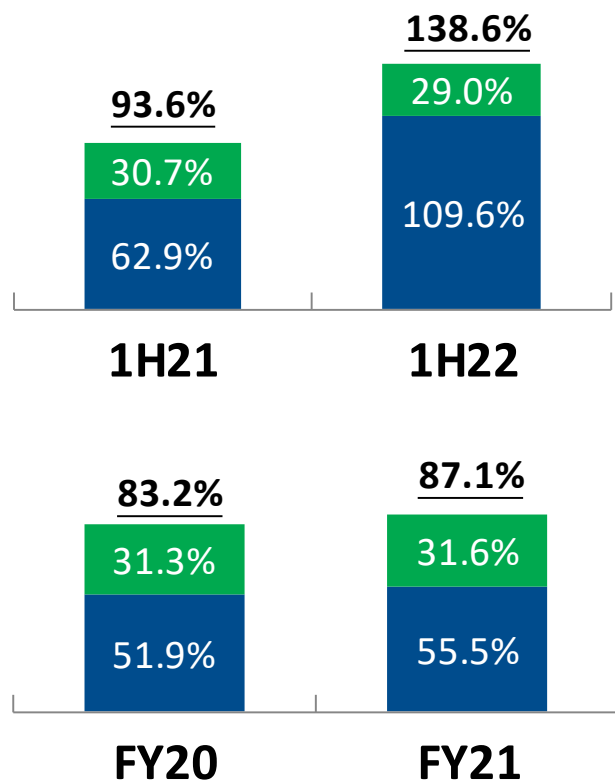


Cathay Century – Combined ratio

- Gross combined ratio and retained combined ratio each increased due to the higher loss ratio resulting from the impact of pandemic insurance losses.

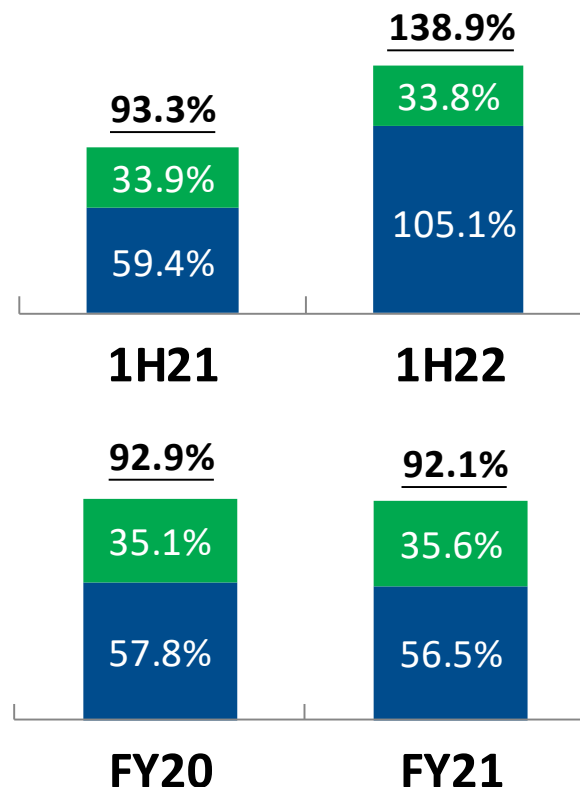
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



Retained combined ratio

- Retained expense ratio
- Retained loss ratio



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Cathay United Bank

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- **Cathay's ESG efforts**
- Appendix

Renowned corporate sustainability performance

Recognized by local regulatory authorities

Top-5% 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

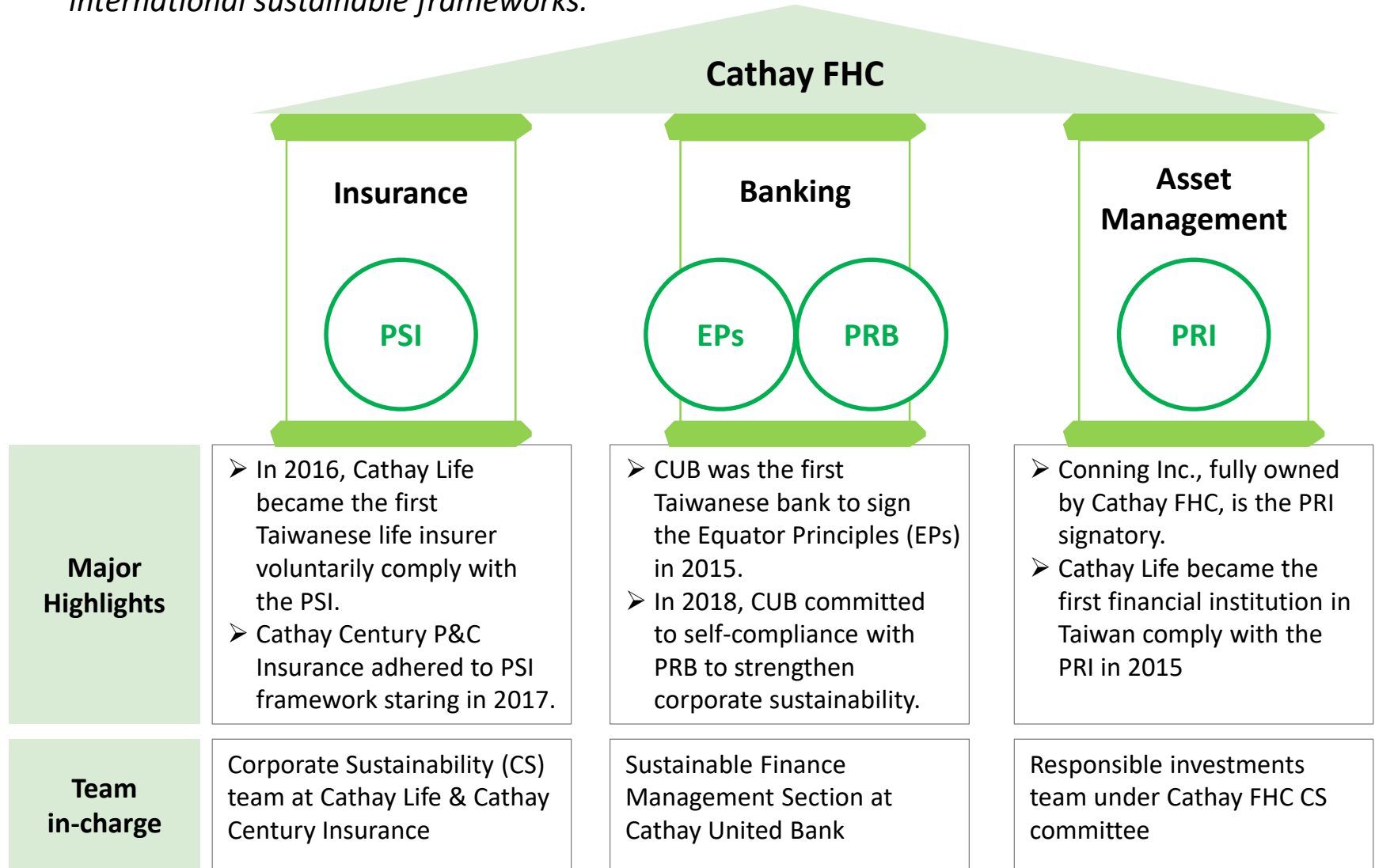
First Prize in Annual Survey
for **3** consecutive year
(Finance & Insurance)



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



Risk Management

- Consider ESG emerging risks
- Better manage climate risks and opportunities by following TCFD framework
- Set investment/lending limits and establish management procedures



Products & Services

- Fintech and one-stop service
- Strengthen green finance and inclusive finance services
- Integrate ESG issues into underwriting and lending processes



Operation

- Paperless operations and Fintech
- GHG inventory and carbon emission reduction
- Water and waste control



After-Sales Management

- 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



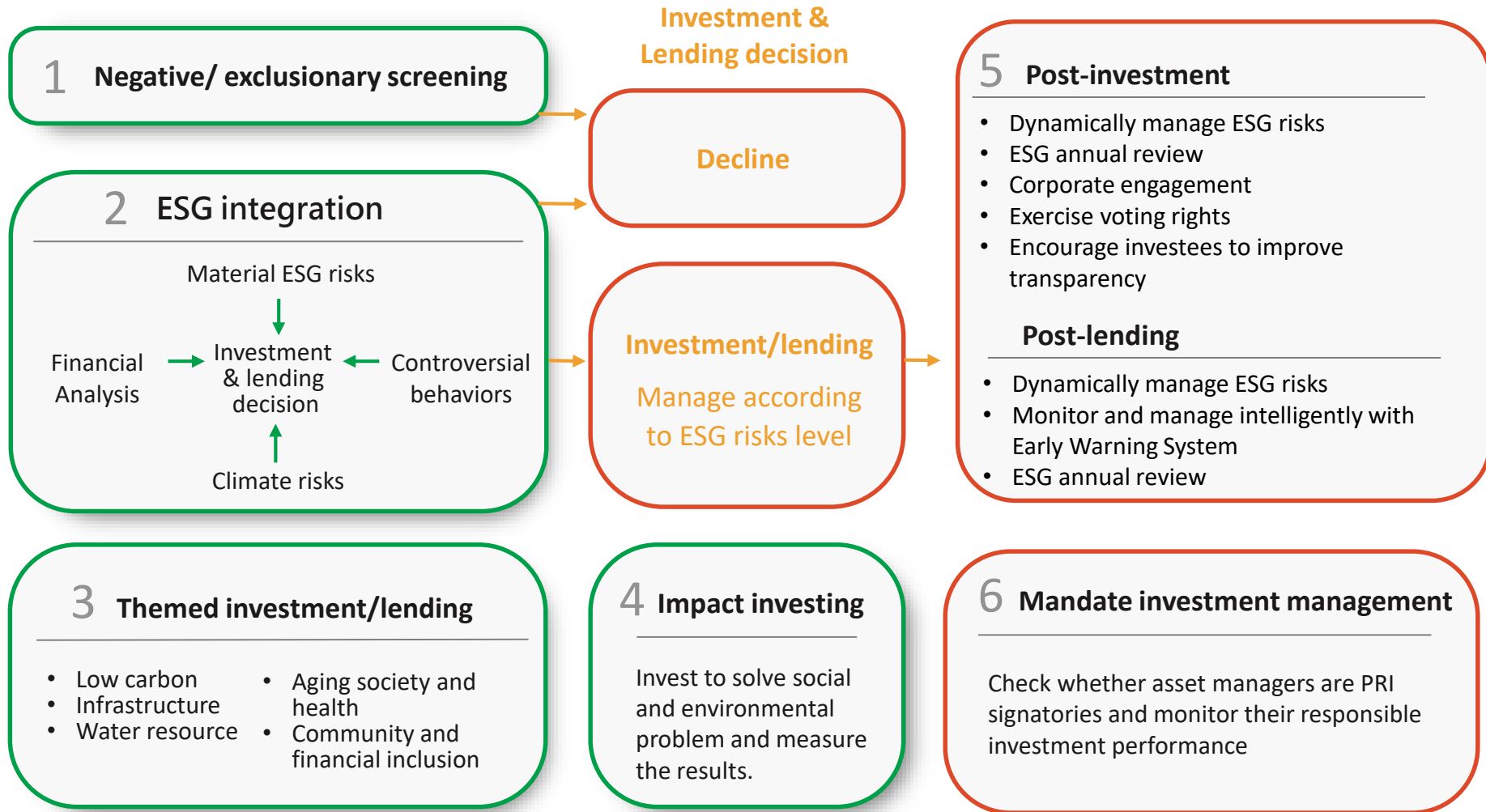
Investment

- 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

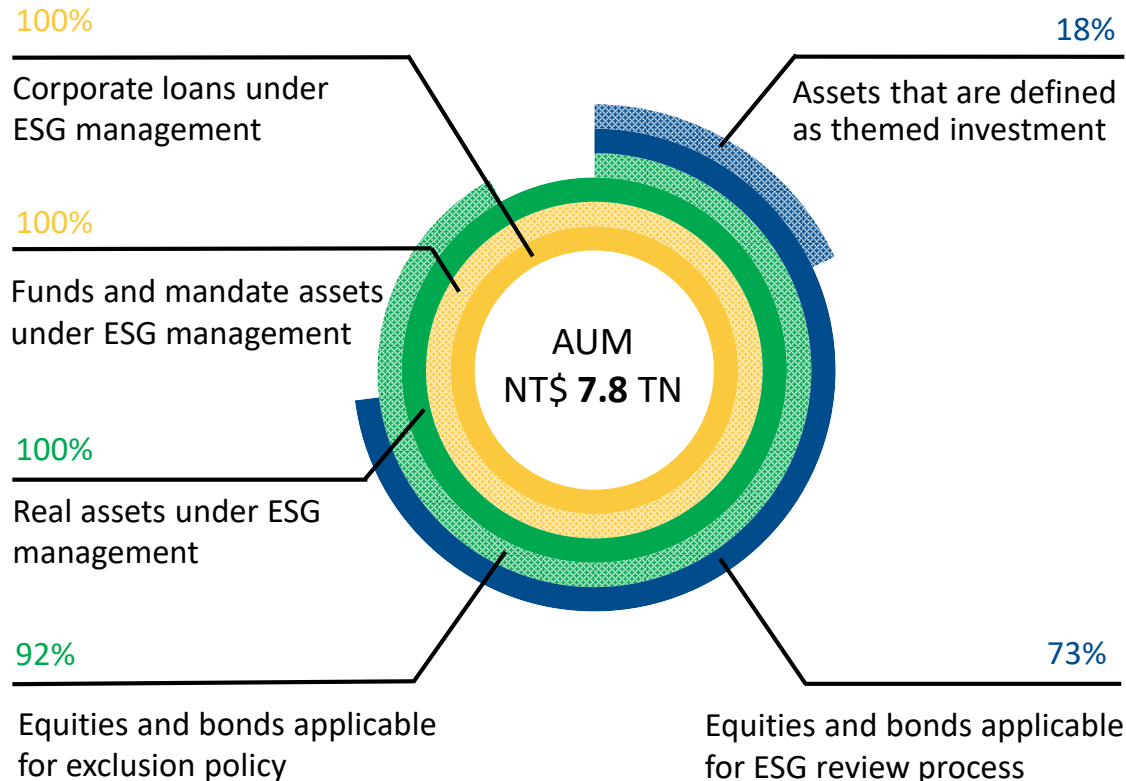


Implementing responsible investment across multiple asset classes

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\$7.8 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**



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.

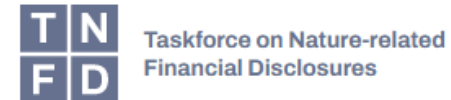
Supported TCFD initiative since 2018, actively managing climate-related risks.



Nature-related initiatives

Cathay joined the Valuing Water Finance Task Force in 2020 and **Valuing Water Finance Initiative** in 2022. The initiative engages 72 companies with a high water footprint and act on water as a financial risk and drive necessary changes to better protect water systems.

Joined **Taskforce on Nature-related Financial Disclosures(TNFD)** in 2022, working with leading members globally to develop a nature-related risk disclosure framework.



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 700 signatories with AUM over USD 68 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

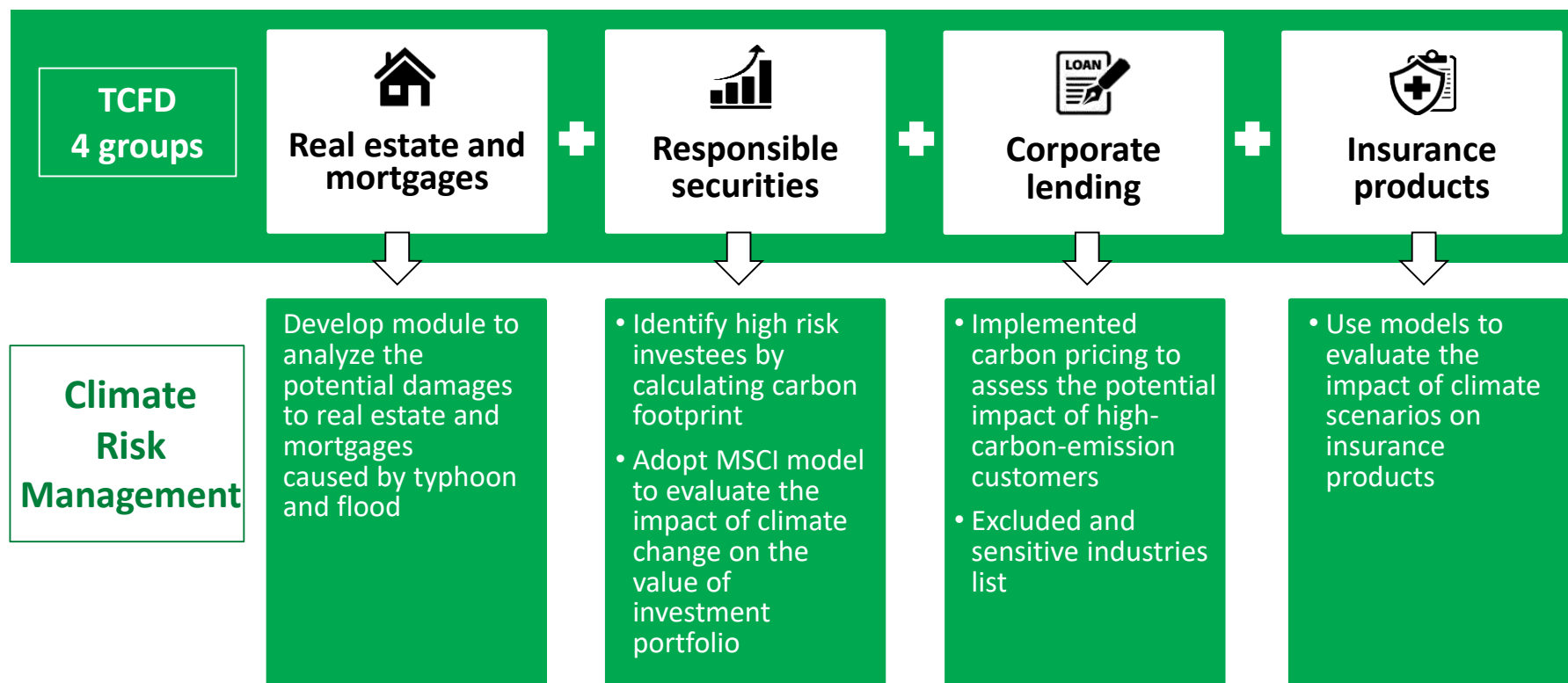
Cathay is the only financial institution in Taiwan that has **participated in the CDP Non-Discloser Campaign for 4 consecutive years, encouraging Cathay’s investee companies to respond to CDP questionnaires.**

Cathay has successfully engaged 35 companies since 2017 ; 52% 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



Total capacity of **financed solar power stations and wind turbines** as of the end of 2021

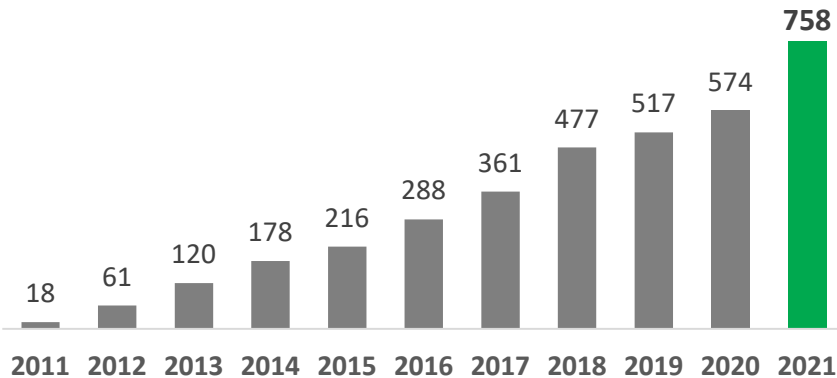
2,131 MW



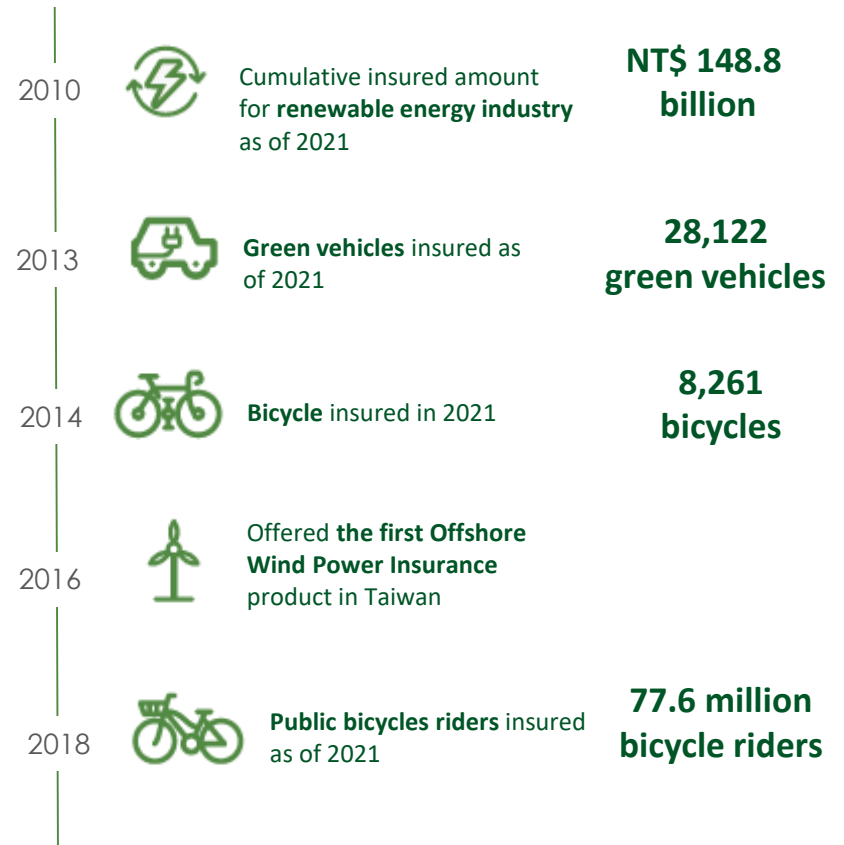
Expected CO2 emissions reduction per years

2.05 million metric tons

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



First in the industry – Green Insurance



Cathay FHC's commitment to net-zero carbon emissions

2018 Began disclosing carbon footprints in the investment portfolio.

2019 CUB ceased extending loans for both new and existing coal-fired power generation projects. Cathay Life Insurance excluded power generation companies from investment in cases where over 50% of revenue comes from coal-fired power generation without active transition to renewable energy.

2020 Integrated carbon-reduction performance into CEO's KPI.

2022 Committed to setting science-based targets (SBTs).
Became an RE100 member.

2025 100% renewable energy goal for headquarters of Cathay FHC, Cathay Life, CUB, and Cathay Century.

2030 100% renewable energy goal for all business operation sites in Taiwan.

2050 Net-zero carbon emissions goal

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	2020/12/31	2021/12/31
In-force business investment yield	3.67% ~ Year 2040 4.70% for NTD policies 4.26% ~ Year 2040 5.31% for USD policies (Equivalent investment yield: 3.97% Rolling over to 2021: 4.03%)	3.75% ~ Year 2041 4.71% for NTD policies 4.36% ~ Year 2041 5.33% for USD policies (Equivalent investment yield: 4.06%)
Risk discount rate	9.5%	9.5%
Adjusted net worth	743	757
Value of in-force business	633	717
Cost of capital (CoC)	-232	-275
Value of in-force business (After CoC)	401	442
Embedded Value (EV)	1,144	1,199
EV / per share	195.5(86.8)	204.9(91.0)
Future one year's new business investment yield	2.55% ~ Year 2040 4.52% for NTD policies 3.95% ~ Year 2040 5.23% for USD policies	2.59% ~ Year 2041 4.55% for NTD policies 3.98% ~ Year 2041 5.25% for USD policies
Value of future one year's new business (After CoC)	34.5	30.0
Appraisal Value (AV)	1,446	1,462
AV / per share	247.2(109.8)	249.9(111.0)

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 2020 and 2021 are 5.85bn.

(4) The outstanding shares of Cathay FHC in 2020 and 2021 are 13.17bn.

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

Summary

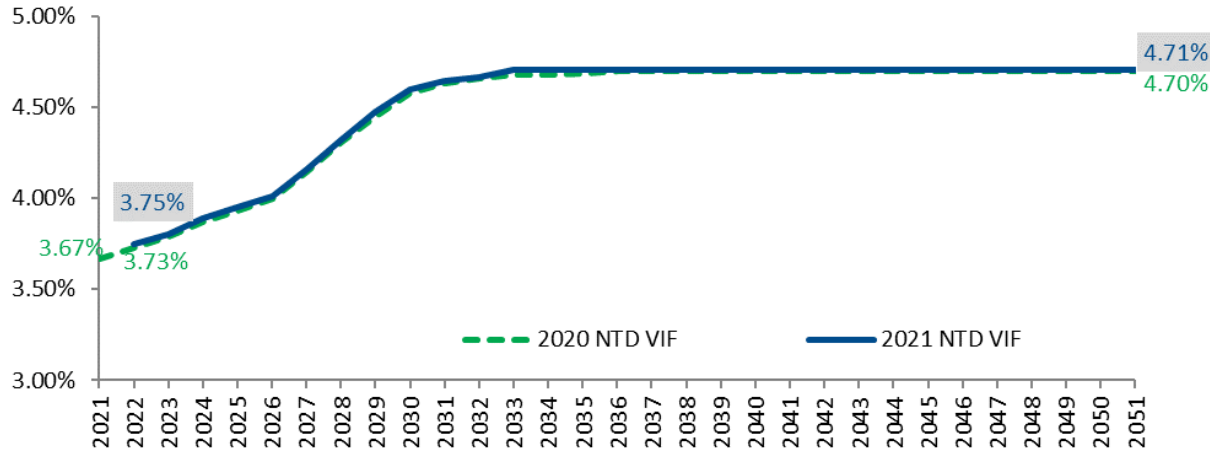
NT\$BN, except for per share figures

Valuation date		2020	2021	Growth rate	1Q22
Embedded value	Equity	714	734	3%	--
	Adjusted net worth	743	757	2%	--
	Value of in-force business (before CoC)	633	717	13%	--
	Cost of capital (CoC)	-232	-275	19%	--
	Value of in-force business (after CoC)	401	442	10%	--
	Embedded value	1,144	1,199	5%	--
Value of one year's new business	First year premium (FYP)	160.8	202.4	26%	42.8
	First year premium equivalent (FYPE)	62.2	51.0	-18%	13.3
	Value of one year's new business (V1NB)	32.9	28.8	-12%	8.0
	Profit margin (V1NB/FYP)	20%	14%	--	19%
	Profit margin (V1NB/FYPE)	53%	56%	--	60%
	Profit margin (V1NB/FYP)(investment-linked(non-VUL)is excluded)	41%	49%	--	47%
Appraisal value (20 years NB)	Multiple	8.8	8.8	--	--
	Appraisal value	1,446	1,462	1%	--
Basic Value per share	EV / per share of Cathay FHC	86.8	91.0	5%	--
	AV / per share of Cathay FHC	109.8	111.0	1%	--

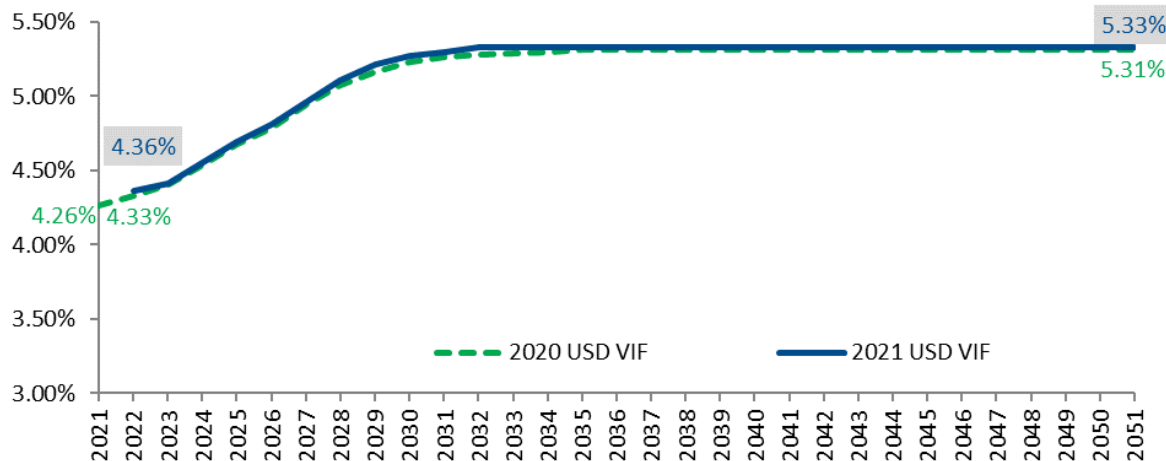
Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares in 2020 and 2021, which is 13.17bn.
 (2) Totals may not sum due to rounding.

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 2020 & 2021.

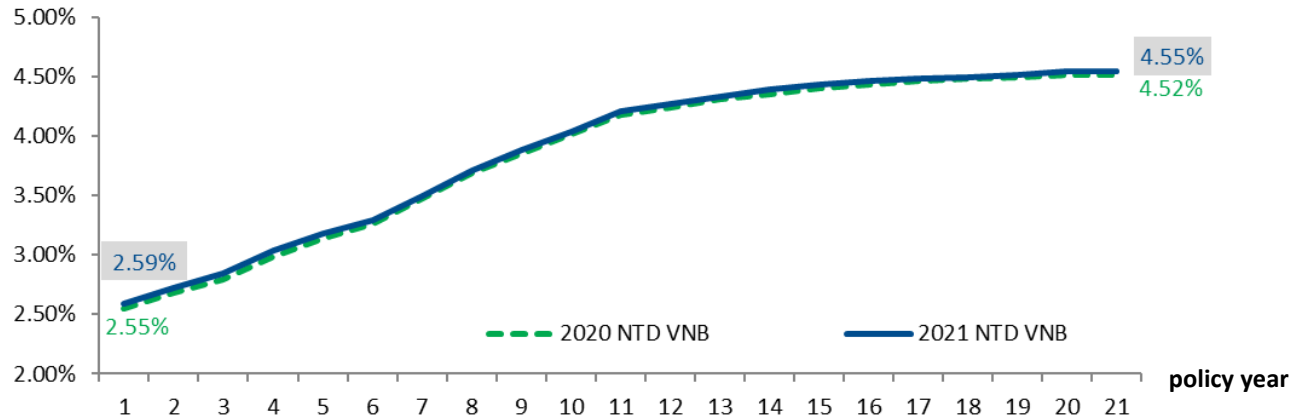


- Investment return assumptions for the value of in-force business of USD-denominated policies as of the end of 2020 & 2021.

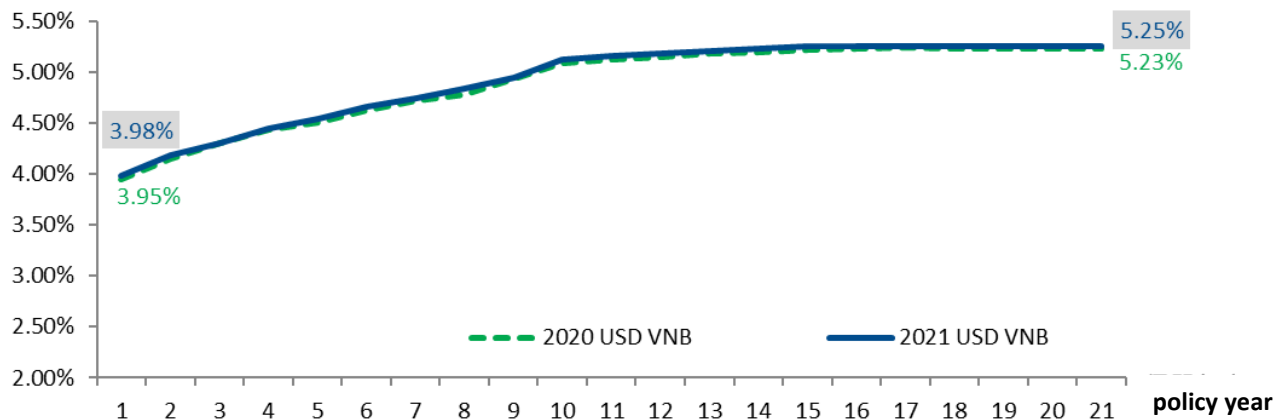


Economic Assumptions: Future one year's new business investment yield

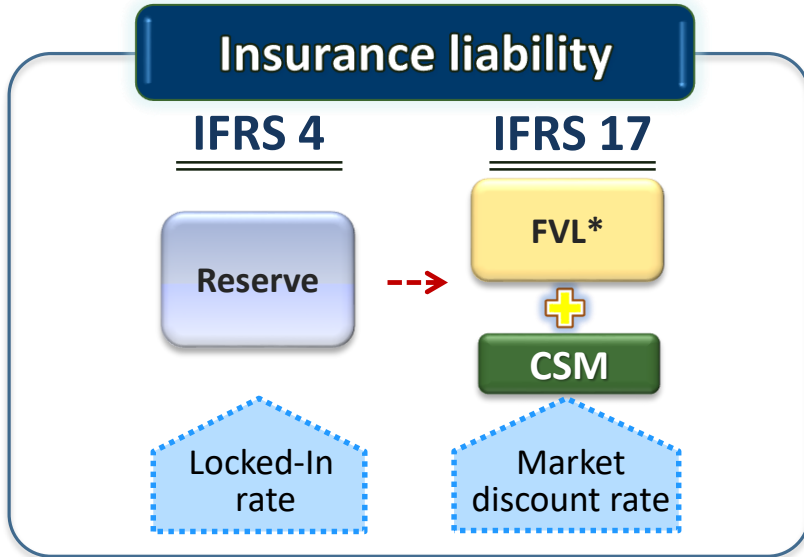
- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2020 & 2021.



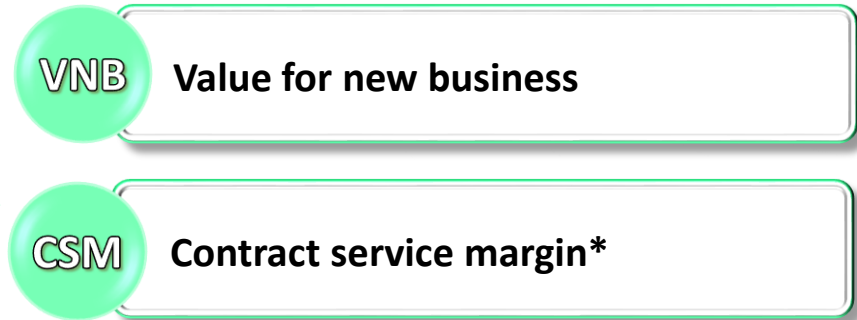
- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2020 & 2021.



IFRS 17 – Measurement



Profit indicators of new products



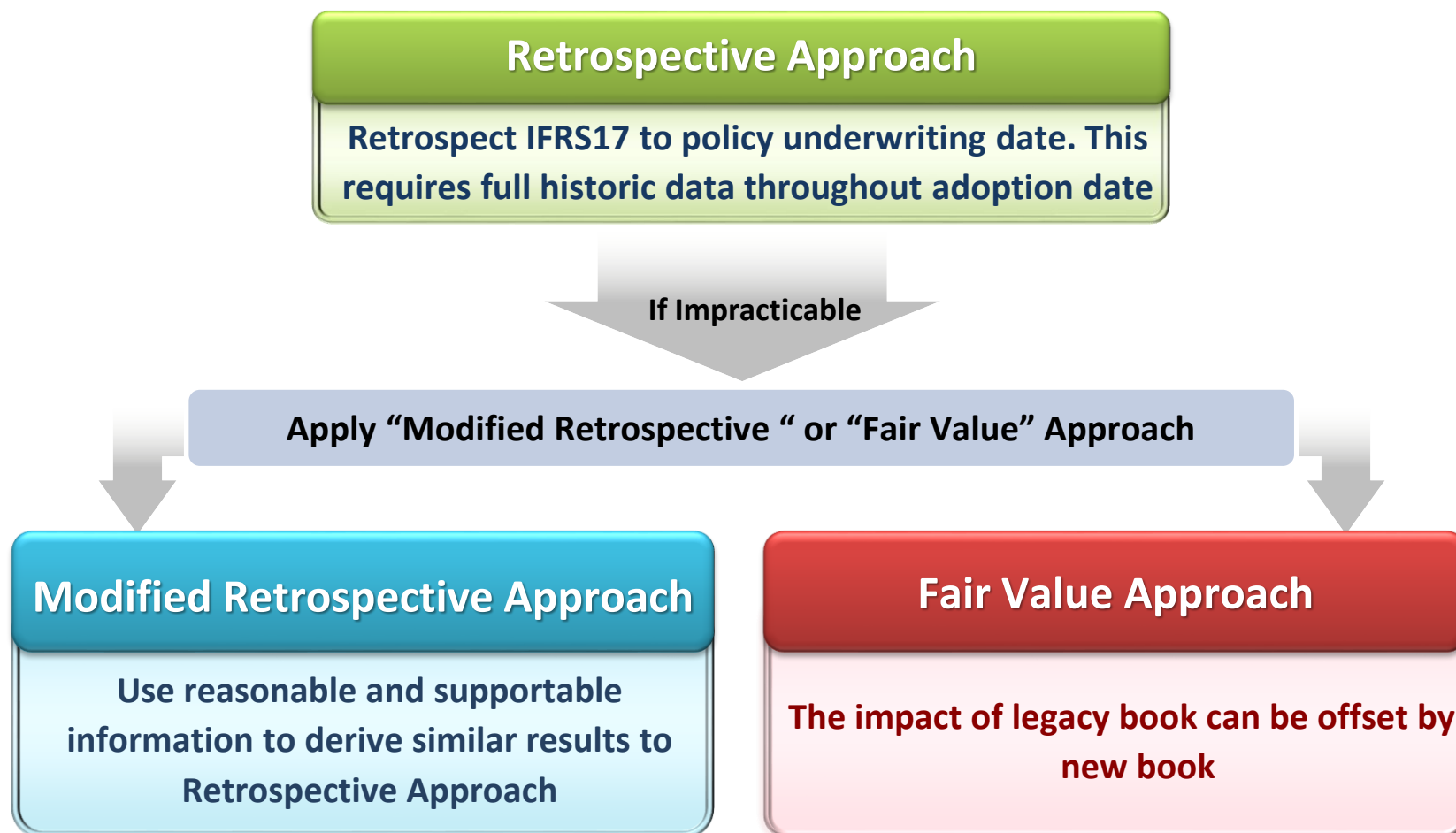
- Note: 1. Fulfillment Value of Liabilities (FVL): present value of future cashflows derived from insurance sold, based on market discount rate at valuation date and most recent available actuarial assumptions.
2. Contractual Service Margin (CSM): present value of future unearned profit from insurance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

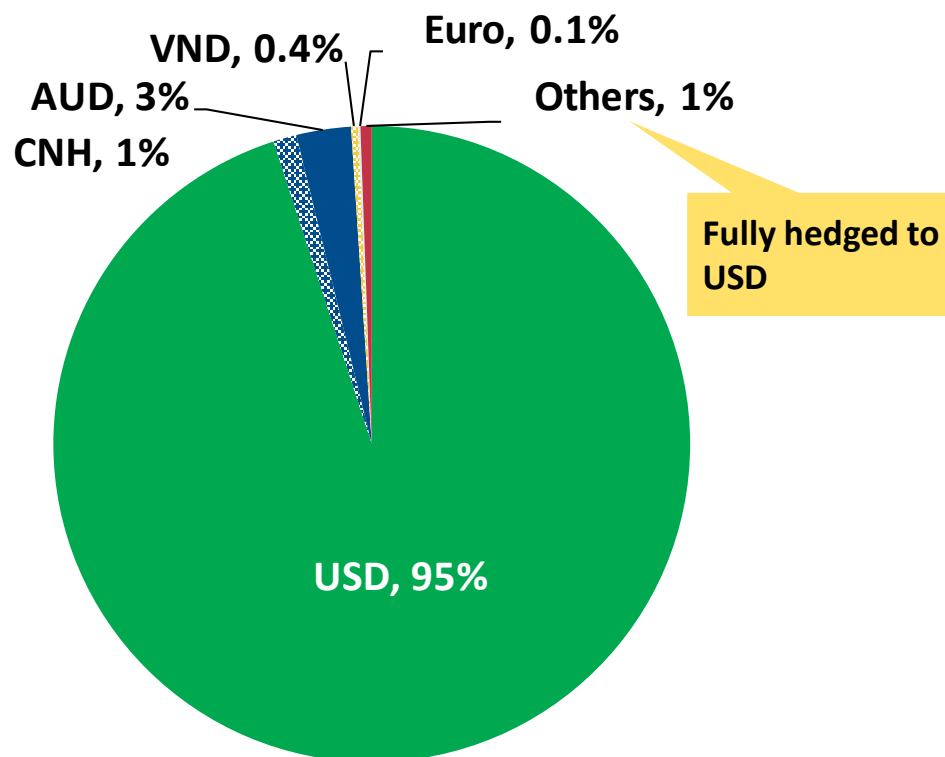
- Build adequate capital buffer
- Early preparation ahead of the industry

Healthier Industry development

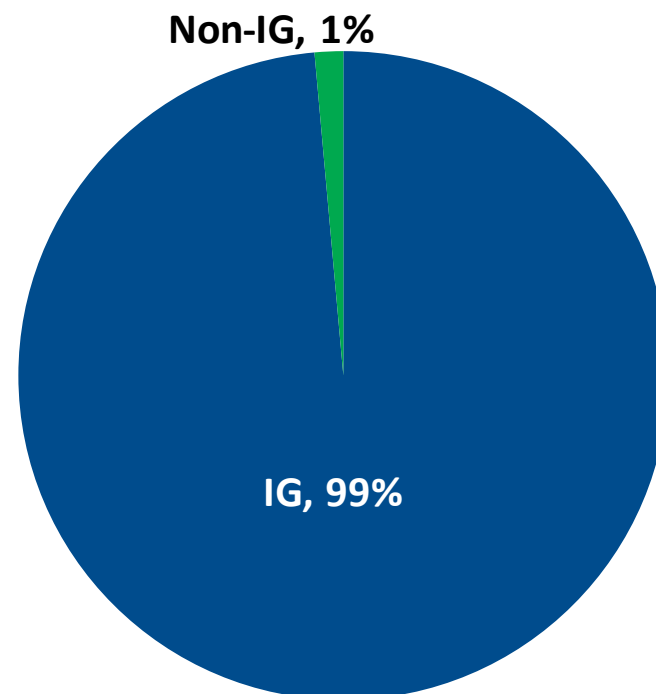
- Better risk-pricing disciplines among competitors restore industry profit margins
- Strong ALM expertise is critical for achieving stable financial performance

Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (1H22)



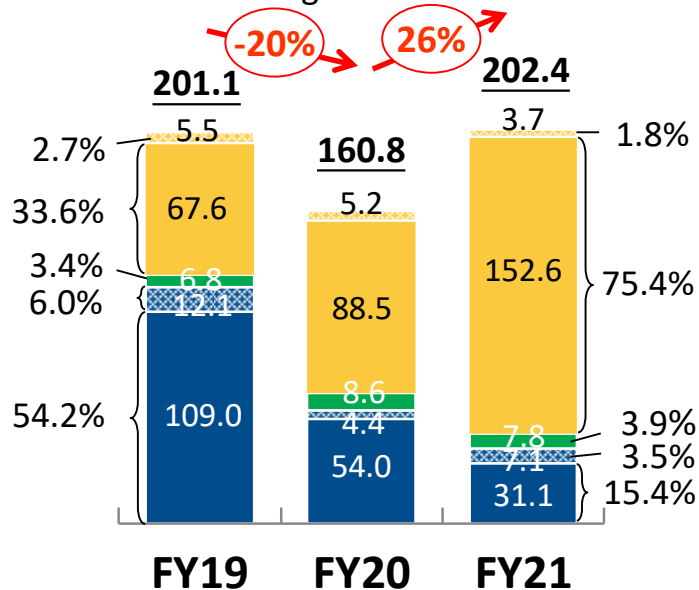
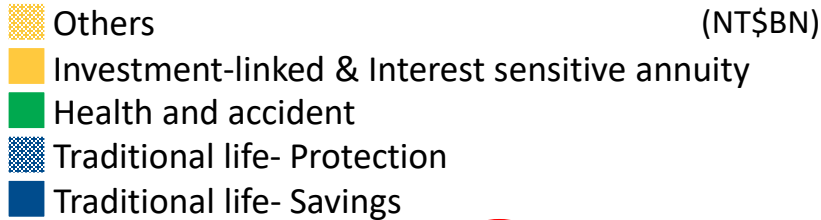
Overseas bond by rating (1H22)



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

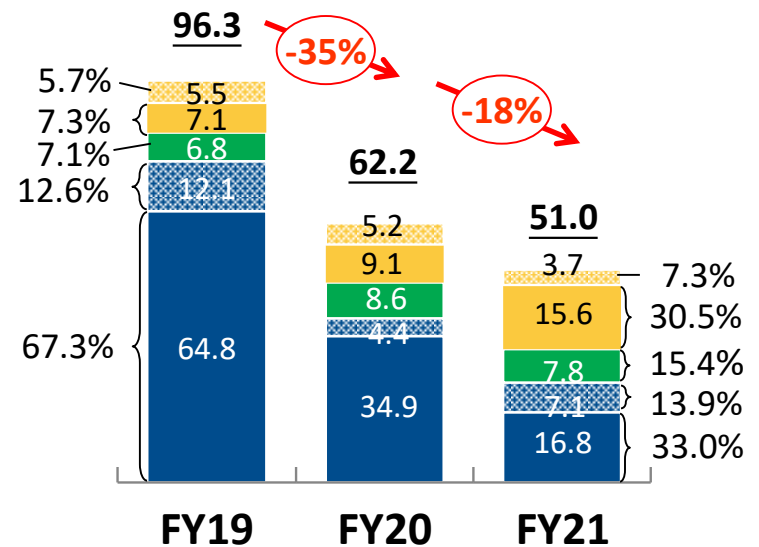
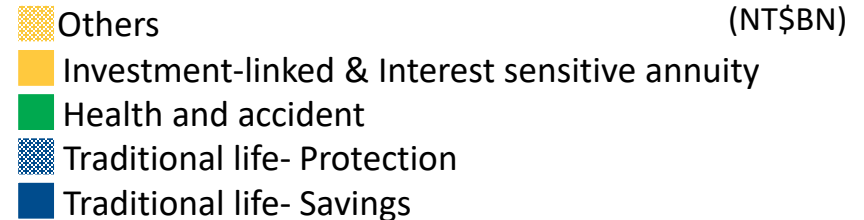


FY19 FY20 FY21

FX polices %
(excl. investment-linked)

50% 68% 73%

Annualized FYP (APE)



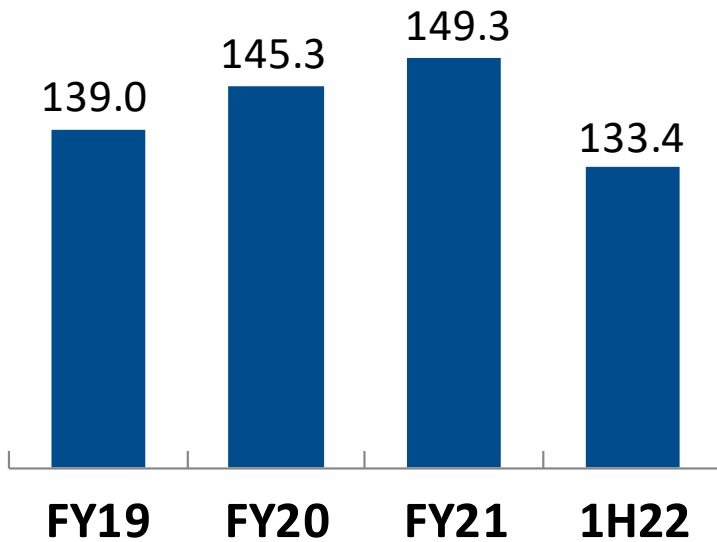
FY19 FY20 FY21

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

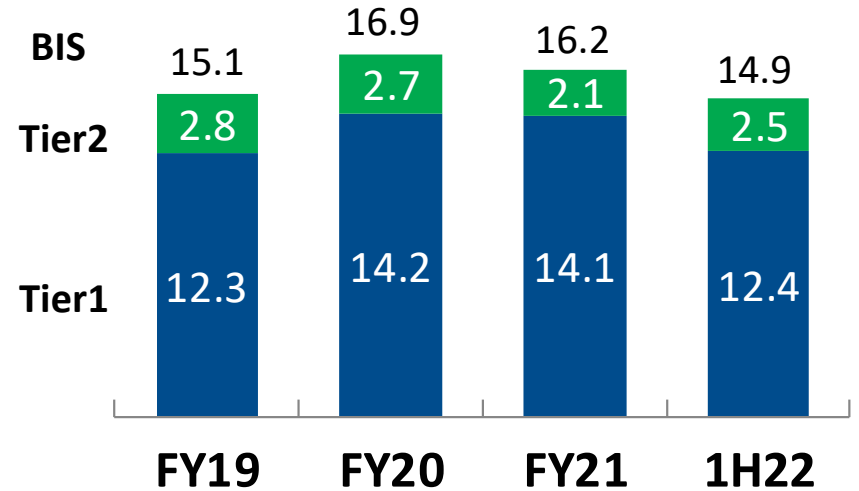
(2) Annualized FYP (APE) = 10% x single-paid FYP + 20% x 2-yr-paid FYP + ... + 50% x 5-yr-paid FYP + 100% x 6-yr and above payment term FYP

Capital adequacy

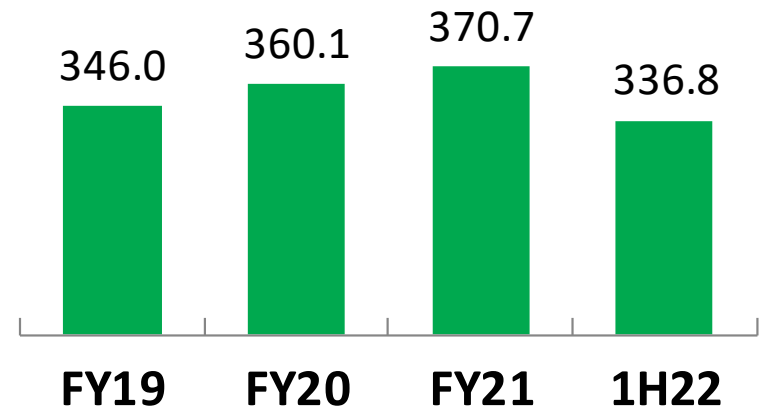
Cathay FHC CAR (%)



CUB Capital Adequacy (%)



Cathay Life RBC (%)



Cathay Financial Holdings
(NT\$MN)

			FY21/ FY20			1H22/ 1H21			2Q22/ 2Q21
	FY20	FY21	% Chg	1H21	1H22	% Chg	2Q21	2Q22	% Chg
Income Statement Data (Consolidated)									
Operating Income									
Net interest income	190,930	194,882	2%	96,313	105,289	9%	48,261	55,246	14%
Net commission and fee	7,244	12,649	75%	5,476	8,353	53%	2,744	4,090	49%
Net earned premium	602,806	524,187	-13%	261,377	214,912	-18%	128,758	107,595	-16%
Change in liability reserve	(462,094)	(377,408)	-18%	(198,469)	(130,814)	-34%	(94,621)	(59,793)	-37%
Net claims payment	(289,808)	(305,703)	5%	(141,002)	(172,650)	22%	(73,614)	(95,072)	29%
Investment income	124,347	190,944	54%	115,766	101,111	-13%	44,328	42,312	-5%
Contribution from associates-equity method	(12,085)	1,807	115%	1,021	1,243	22%	454	816	80%
Other net non-interest income	6,480	7,197	11%	6,826	(20,462)	-400%	5,238	(9,267)	-277%
Bad debt expense	(3,178)	(3,484)	10%	(2,181)	(1,213)	-44%	(859)	(1,166)	36%
Operating expense	(83,027)	(85,543)	3%	(40,938)	(42,014)	3%	(20,364)	(20,814)	2%
Income before taxes	81,616	159,526	95%	104,188	63,756	-39%	40,325	23,947	-41%
Income taxes	(5,658)	(18,637)	229%	(12,672)	(14,442)	14%	(6,375)	(9,009)	41%
Net income	75,958	140,889	85%	91,516	49,313	-46%	33,949	14,938	-56%
EPS (NT\$)	5.41	10.34		6.66	3.45		2.30	0.85	
Dividend Payout									
Cash dividend per share	2.50	3.50							
Stock dividend per share	0.00	0.00							
Weighted average outstanding shares (Millions of common shares)	13,169	13,169		13,169	13,169				
Balance Sheet Data (Consolidated)									
Total assets	10,950,472	11,594,361		11,318,443	11,583,284				
Total shareholders' equity	904,776	914,039		897,417	451,393				
Equity attributable to parent company	893,061	902,038		886,137	439,579				
Operating Metrics									
ROAE (Consolidated)	9.01%	15.49%		20.31%	14.45%				
ROAA (Consolidated)	0.72%	1.25%		1.64%	0.85%				
Double leverage ratio(inc. preferred stock)	111%	113%		113%	131%				
Capital Adequacy Metrics									
Capital Adequacy Ratio	145%	149%		142%	133%				

Notes:

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Cathay Life

(NT\$MN)

	FY21/			1H22/			2Q22/		
	FY20	FY21	FY20 % Chg	1H21	1H22	1H21 % Chg	2Q21	2Q22	2Q21 % Chg
Income Statement Data (Consolidated)									
Net written premium	580,261	499,102	-14%	249,607	201,145	-19%	122,365	99,907	-18%
Net earned premium	579,563	498,398	-14%	249,812	201,281	-19%	122,026	99,334	-19%
Reinsurance commission earned	533	388	-27%	9	15	60%	4	8	76%
Fee income	8,701	10,715	23%	5,225	5,423	4%	2,731	2,725	0%
Recurring investment income	212,247	214,968	1%	100,553	114,224	14%	51,354	62,344	21%
Gain on disposal of investment									
Realized gain (loss)-Equity	74,997	116,191	55%	77,926	27,572	-65%	30,794	10,397	-66%
Realized gain (loss)-Debt	64,964	63,127	-3%	45,525	11,047	-76%	17,072	56	-100%
Gain on investment property	1,881	1,106	-41%	1,146	1,937	69%	1,158	1,387	20%
FX and others, net	(90,182)	(46,445)	48%	(28,722)	7,336	126%	(13,435)	1,264	109%
Investment income, net	263,907	348,947	32%	196,427	162,116	-17%	86,943	75,449	-13%
Other operating income	6,978	8,754	25%	3,850	4,135	7%	1,900	2,120	12%
Separate account revenues	73,396	77,919	6%	53,426	(20,191)	-138%	14,193	(19,881)	-240%
Net claims payment	(273,049)	(287,850)	5%	(132,939)	(162,467)	22%	(68,735)	(87,937)	28%
Changes in liability reserves	(462,233)	(376,771)	-18%	(198,146)	(126,620)	-36%	(94,540)	(56,014)	-41%
Acquisition and commission expense	(35,815)	(34,445)	-4%	(17,077)	(14,669)	-14%	(8,316)	(6,707)	-19%
Other operating costs	(6,635)	(8,056)	21%	(3,909)	(3,178)	-19%	(2,031)	(1,502)	-26%
Financial cost	(2,501)	(3,114)	25%	(1,481)	(1,694)	14%	(745)	(835)	12%
Separate account expense	(73,396)	(77,919)	6%	(53,426)	20,191	-138%	(14,193)	19,881	-240%
Operating expense	(29,565)	(32,448)	10%	(15,693)	(16,157)	3%	(7,787)	(7,681)	-1%
Net non-operating income	1,589	1,563	-2%	810	895	10%	398	437	10%
Income taxes	1,209	(12,916)	1168%	(9,285)	(8,550)	-8%	(4,110)	(4,944)	20%
Net income	52,682	113,166	115%	77,604	40,528	-48%	27,737	14,452	-48%

Balance Sheet Data

Total assets	7,675,559	8,073,161		7,894,917	7,885,085
General account	7,033,875	7,348,951		7,200,022	7,239,478
Separate account	641,685	724,210		694,896	645,607
Reserves for life insurance liabilities	6,085,534	6,413,221		6,245,333	6,664,309
Total liabilities	6,954,433	7,331,028		7,157,978	7,569,397
Total shareholders' equity	721,126	742,133		736,940	315,688
Equity attributable to parent company	713,727	734,443		729,571	307,964

Operating Metrics (Standalone)

First Year Premium(FYP)	160,771	202,394		105,789	71,632
First Year Premium Equivalent(FYPE)	62,182	50,997		25,997	22,493
Expense ratio	9.5%	11.2%		11.0%	12.7%
13-M persistency ratio	98.1%	98.4%		98.2%	98.0%
25-M persistency ratio	95.5%	96.3%		96.0%	96.5%
ROAE	8.01%	15.47%		21.29%	15.33%
ROAA	0.71%	1.44%		1.99%	1.02%

Capital Adequacy Metrics (Standalone)

RBC ratio	360%	371%		371%	337%
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Cathay United Bank

(NT\$MN)	FY21/ FY20			1H22/ 1H21			2Q22/ 2Q21		
	FY20	FY21	% Chg	1H21	1H22	% Chg	2Q21	2Q22	% Chg
Income Statement Data (Consolidated)									
Operating Income									
Net interest income	35,223	38,539	9%	18,655	21,908	17%	9,443	11,748	24%
Fee income	16,331	18,346	12%	8,698	8,942	3%	4,081	3,658	-10%
Investment income	9,482	6,956	-27%	4,176	3,322	-20%	1,812	2,066	14%
Other income	855	502	-41%	274	648	136%	164	514	214%
Net operating income	61,891	64,342	4%	31,804	34,819	9%	15,499	17,986	16%
Operating expenses	(32,686)	(33,877)	4%	(15,599)	(17,056)	9%	(7,842)	(8,825)	13%
Pre-provision profit	29,205	30,466	4%	16,205	17,762	10%	7,657	9,161	20%
Net provisions for possible losses	(3,382)	(2,986)	-12%	(2,121)	(1,517)	-28%	(876)	(1,221)	39%
Income before taxes	25,823	27,480	6%	14,084	16,245	15%	6,780	7,941	17%
Income tax	(3,512)	(3,671)	5%	(1,823)	(2,781)	53%	(923)	(1,349)	46%
Net income	22,311	23,808	7%	12,261	13,464	10%	5,857	6,592	13%
Balance Sheet Data									
Total assets	3,229,460	3,499,323		3,389,518	3,664,738				
Loans, net	1,661,296	1,807,077		1,786,771	1,937,733				
Financial assets	1,028,595	1,110,788		1,064,790	1,260,201				
Total liability	2,982,805	3,248,596		3,147,337	3,432,518				
Deposits	2,648,995	2,935,694		2,781,375	3,064,392				
Financial Debenture Payable	53,800	46,800		46,800	43,064				
Total shareholders' equity	246,656	250,727		242,180	232,221				
Equity attributable to parent company	242,297	246,351		238,218	228,052				
Operating Metrics									
Cost income ratio	52.81%	52.65%		49.05%	48.99%				
ROAE	9.32%	9.57%		10.03%	11.15%				
ROAA	0.72%	0.71%		0.74%	0.75%				
Assets Quality (Standalone)									
NPL	2,274	1,578		3,643	1,568				
NPL ratio	0.14%	0.09%		0.21%	0.08%				
NPL provisions	26,846	28,064		27,805	29,723				
Coverage ratio	1180%	1778%		763%	1896%				
Capital Adequacy Metrics (Standalone)									
BIS ratio	16.9%	16.2%		16.0%	14.9%				
Tier I Ratio	14.2%	14.1%		13.7%	12.4%				
LDR (Standalone)									
LDR	62.5%	61.4%		64.0%	62.7%				
TWD LDR	69.7%	69.2%		71.8%	73.0%				
FX LDR	38.7%	34.1%		36.6%	31.0%				

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Cathay Century

(NT\$MM)	FY21/ FY20			1H22/ 1H21			2Q22/ 2Q21		
	FY20	FY21	% Chg	1H21	1H22	% Chg	2Q21	2Q22	% Chg
Income Statement Data (Consolidated)									
Premium income	25,498	28,015	10%	13,554	15,232	12%	7,497	8,295	11%
Net written premium	19,413	20,718	7%	9,808	10,688	9%	5,199	5,543	7%
Net earned premium	18,848	19,903	6%	9,445	10,571	12%	4,895	5,350	9%
Reinsurance commission earned	572	857	50%	492	453	-8%	350	243	-31%
Fee income	45	46	1%	24	26	6%	13	12	-3%
Investment	1,254	1,363	9%	798	783	-2%	317	240	-25%
Interest income	546	539	-1%	269	300	12%	133	147	11%
Other investment income, net	708	824	16%	529	483	-9%	185	93	-50%
Other operating income	0	0	0%	0	67	0%	0	33	0%
Net claims payment	(10,669)	(10,470)	-2%	(5,194)	(6,418)	24%	(2,720)	(3,896)	43%
Changes in liability reserves	139	(637)	558%	(323)	(4,193)	1197%	(81)	(3,779)	4545%
Commissions and other operating costs	(3,411)	(3,765)	10%	(1,808)	(1,897)	5%	(972)	(1,011)	4%
Operating expenses	(4,224)	(4,772)	13%	(2,152)	(2,298)	7%	(1,084)	(1,061)	-2%
Operating income	2,553	2,525	-1%	1,281	(2,906)	-327%	717	(3,868)	-639%
Net non-operating income	5	42	671%	(2)	(2)	-61%	(0)	(1)	-203%
Income taxes	(385)	(392)	2%	(188)	620	-430%	(117)	744	-738%
Net income	2,174	2,175	0%	1,092	(2,289)	-310%	600	(3,125)	-620%
Balance Sheet Data									
Total assets	44,298	49,900		49,053	62,856				
Total stockholders' equity	13,130	14,447		13,013	19,706				
Operating Metrics									
Gross Combined ratio	83.2%	87.1%		93.6%	138.6%				
Net Combined ratio	92.9%	92.1%		93.3%	138.9%				
ROAE	16.86%	15.78%		16.70%	-26.81%				
ROAA	4.98%	4.62%		4.68%	-8.12%				
Capital Adequacy Metrics									
RBC ratio (Standalone)	323%	284%		317%	450%				

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