



Fubon Financial

1Q24 Interim Results and 2023 Embedded Value of Fubon Life

2024.05.23

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Performance highlights of Fubon Financial Holdings



Performance review by subsidiary

- Fubon Life
- Taipei Fubon Bank
- Fubon Insurance
- Fubon Securities
- Overseas Banking Operations



2023 Embedded Value of Fubon Life

Fubon Financial Holdings: Business Highlights



Fubon FHC

- Proposal of cash dividend at NT\$2.5 and stock dividend at NT\$0.5 per common share for 2023
- 1Q24 net profit of NT\$30.41bn, up 117.5% YoY and EPS of NT\$2.34, both ranked 2nd among FHCs in Taiwan
- Total assets around NT\$11.53tn and net worth of NT\$896.5bn, up 8.4% and 25.7% YoY, respectively
- BVPS at NT\$61.51 per common share

Fubon Life

- Net profit of NT\$17.46bn, ranked top 2 among peers in Taiwan
- Recurring return before hedging increased YoY, total investment return reached 4.62%
- Ranked 1 on FYP, top 2 in terms of TP and FYPE in Taiwan
- Equity to asset ratio at about 10.9% and RBC ratio near 300%

Taipei Fubon Bank

- Net profit reached NT\$8.16bn, a record high
- NIM increased 6bps YoY, on back of steady growth in business lines, including the double-digit growth of retail and corporate loans
- Net fee income increased 50.9% YoY, reflecting the growth in wealth management and credit card business
- Top 2 in active cards with 14.8% market share. Top 3 in the amount of card spending with 13.7% market share
- Customers of digital platform reached 4.76mn with 3.25mn active users, up 28% and 36% YoY, respectively

Fubon Insurance

- Net profit of NT\$1.35bn, turning positive YoY
- Insurance premium rose 6.2% YoY. Market leader with market share of 24.7%
- Investment return at 6.83%, remaining stable in a volatile market

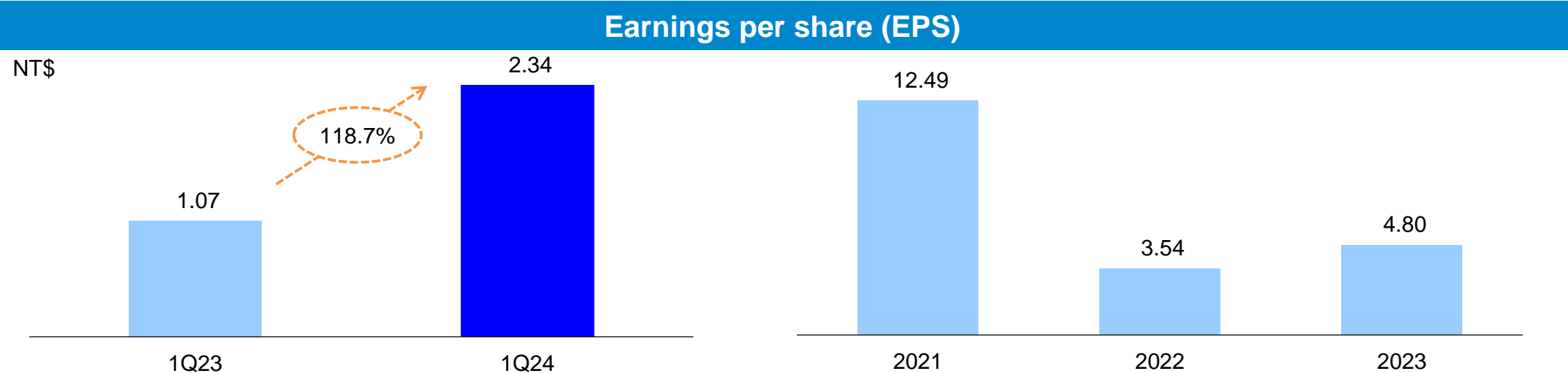
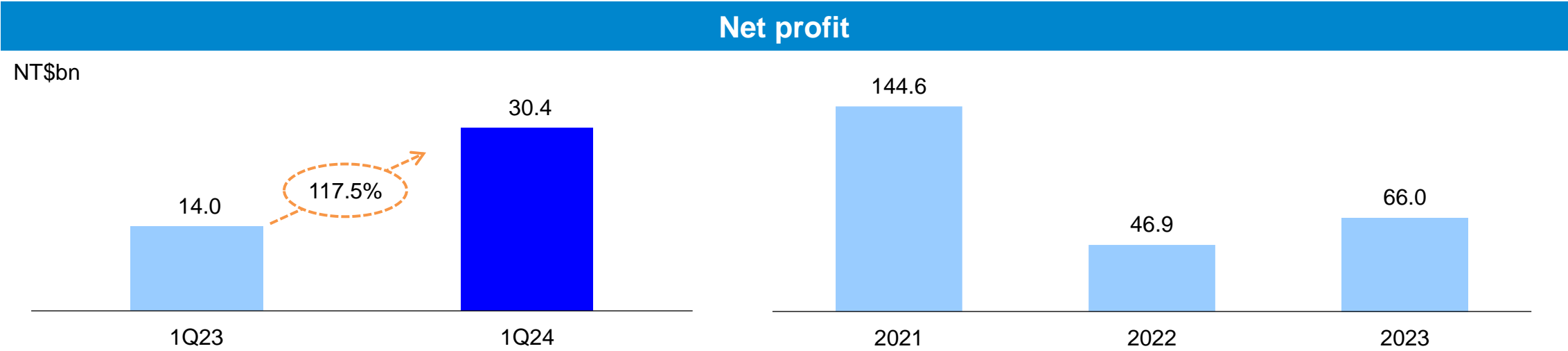
Fubon Securities

- Net profit of NT\$2.34bn, up 43.1% YoY, mainly from brokerage income and investment gains as TAIEX trended up
- Net profit and market share of major businesses ranked among top 3. Meaningful increase in business scale and aim to optimize operation model

Fubon Financial Holdings: Profitability



■ Net profit NT\$30.4bn, up 117.5% YoY. Net profit and EPS are top 2 among FHCs in Taiwan

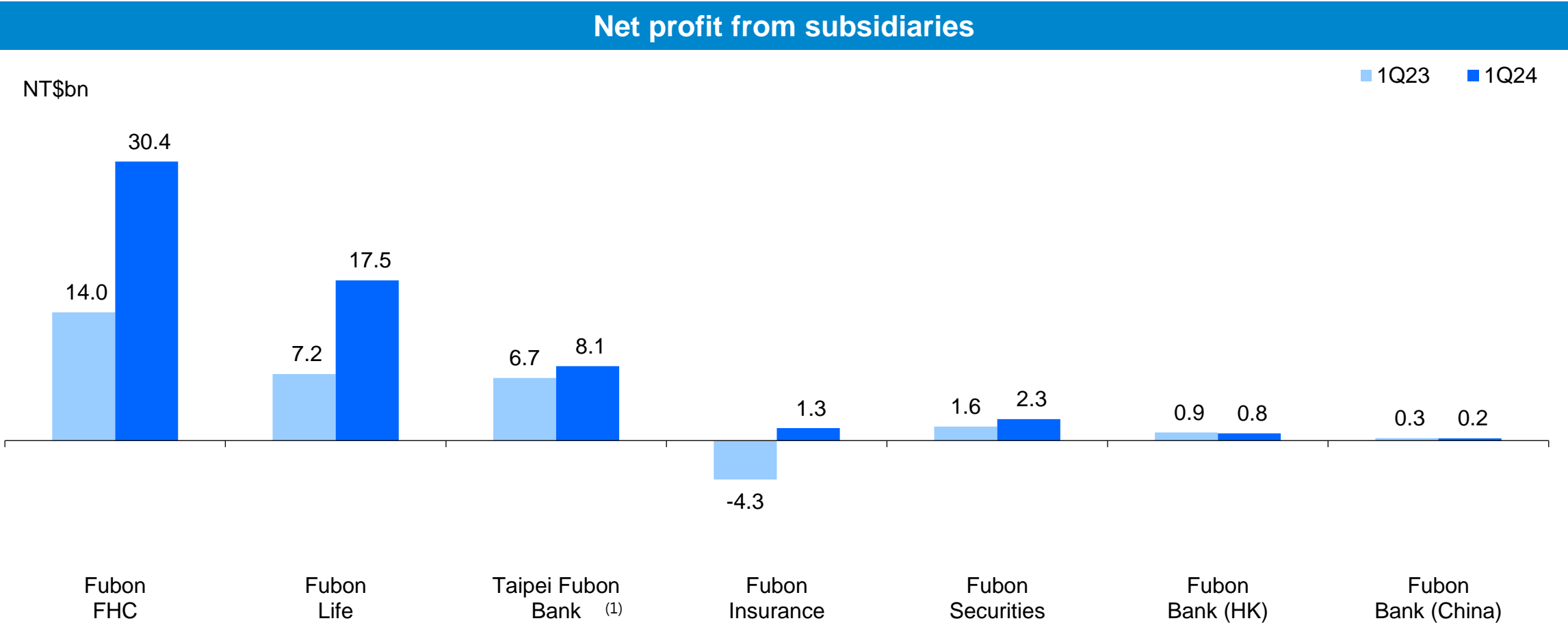


Note: EPS of 2021 and 2022 would be NT\$11.33 and NT\$3.37, respectively, if adjusted to reflect stock dividends in 2022 and 2023

Fubon Financial Holdings: Net profit from major subsidiaries



- Net profit growth of Fubon FHC came from rising profit of Fubon Life at 141%, Taipei Fubon Bank at 22% YoY, Fubon Securities at 43% YoY, and Fubon Insurance’s turning around



Note: (1) Net profit of Taipei Fubon Bank was NT\$8.16bn, which excludes investment income from Fubon Bank (China) to avoid double counting

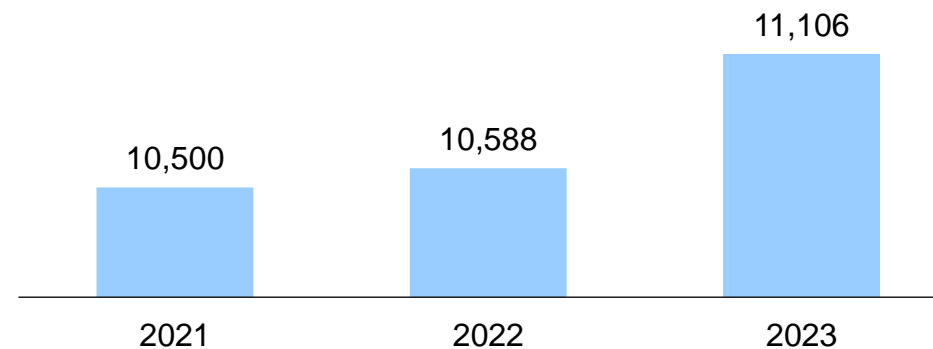
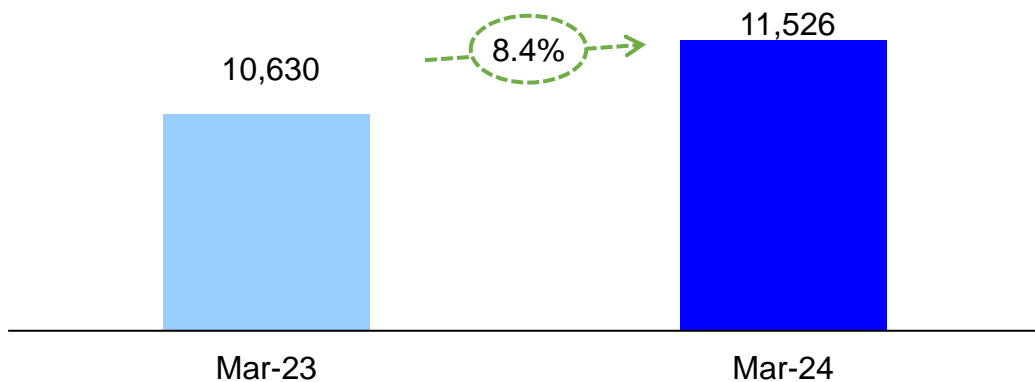
Fubon Financial Holdings: Assets and Net Worth



- Fubon FHC's total assets was over NT\$11.5tn, up 8.4% YoY
- Net worth increased 25.7% YoY
- BVPS at NT\$61.51 per common share

Total assets

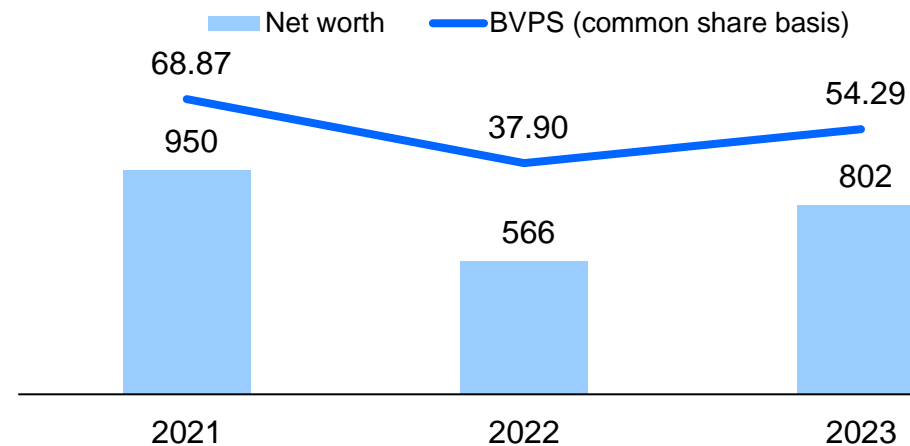
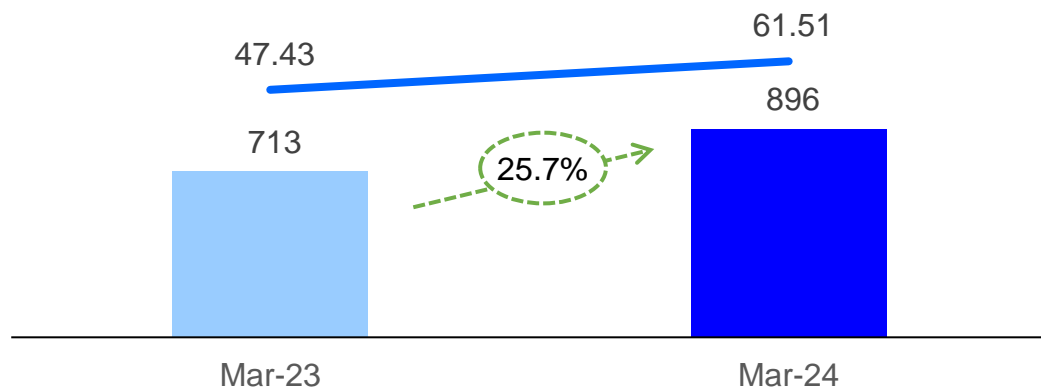
NT\$bn



Equity attributable to parent company

NT\$bn

Net worth BVPS (common share basis)

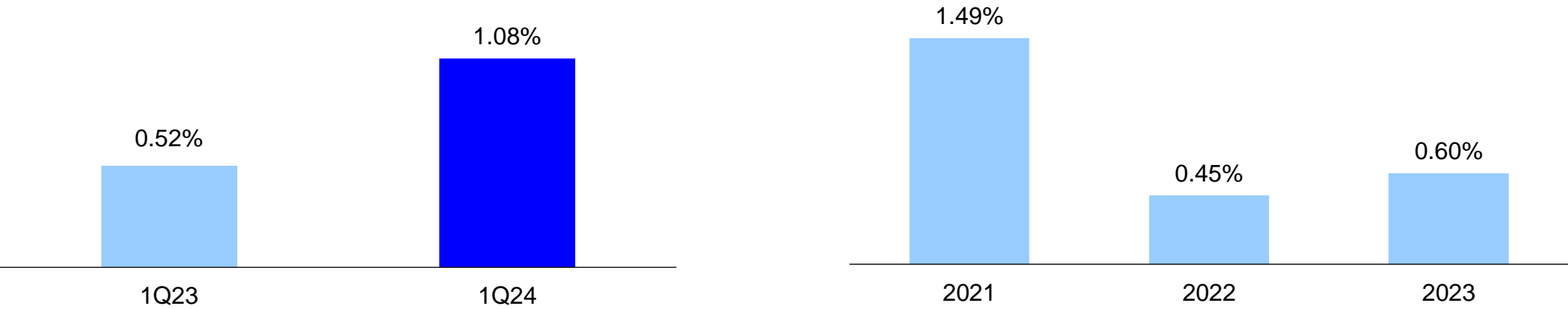


Fubon Financial Holdings: ROA & ROE

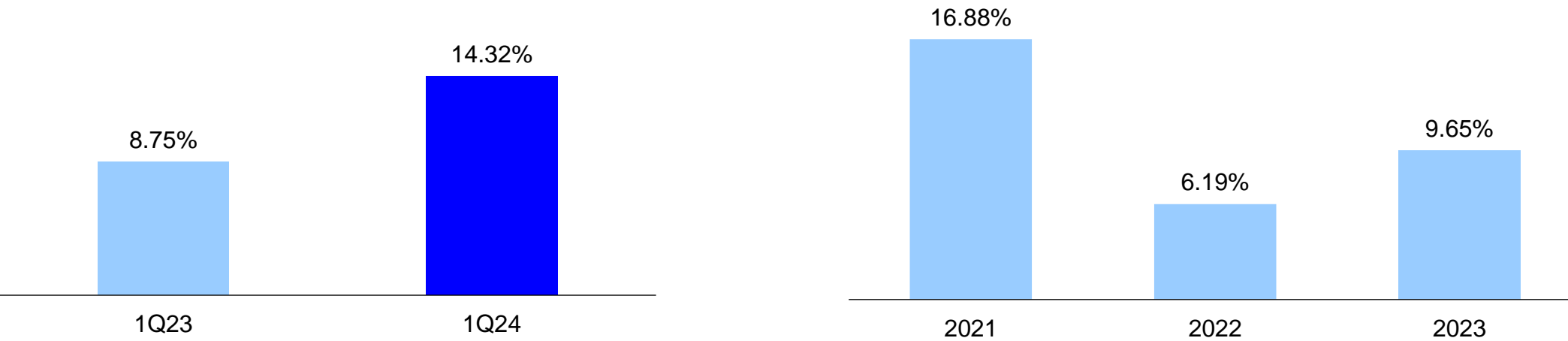


■ ROA and ROE increased YoY

ROA







ROE



Fubon Financial Holdings: ESG awards and actions

■ A leader in corporate sustainability to deliver positive impact

ESG awards		ESG strategies and achievements	
Fubon FHC	<ul style="list-style-type: none"> Sustainability Perceptions Index 2024 – Top among FHC peers in Taiwan from <i>Brand Finance</i> 		<ul style="list-style-type: none"> ✓ First sustainable bond of Taipei City government, coordinated by Taipei Fubon Bank ✓ A record high amount of syndication in Taiwan's fishery and electricity symbiosis project, NT\$15.8bn loan of SunnyRich, led by Taipei Fubon Bank
Fubon Life	<ul style="list-style-type: none"> Best Digital Customer Experience Taiwan 2024 from <i>Brands and Business Magazine</i> 		
Taipei Fubon Bank	<ul style="list-style-type: none"> Best Socially Responsible Bank 2024 from <i>Brands and Business Magazine</i> Best Social Empowerment Award, Innovative Trust Services Award, Best Digitized Award, Best Wealth Management Award 2024 from <i>Wealth Magazine</i> 		<ul style="list-style-type: none"> ✓ First collaboration case between insurance company and mobile company. “One-stop” insurance services launched by Fubon Insurance and Taiwan Mobile ✓ Project eAML, first anti-money laundering AI model in banking sector, preventing financial crimes
Fubon Insurance	<ul style="list-style-type: none"> Digital CX Awards 2024-Highly Acclaimed: Outstanding Digital CX Transformation in Insurance from <i>The Digital Banker</i> 		<ul style="list-style-type: none"> ✓ “Fubon Sustainability Club” launched by Fubon FHC, training employees with ESG knowledge ✓ “Think ESG Master Forum” host by Taipei Fubon Bank, sharing insights from UN’s Climate Change Conference to board members, employees and customers
Fubon Securities	<ul style="list-style-type: none"> Best Service Award, Best Digital Finance Award, Financial Services Innovation Award 2024 from <i>Wealth Magazine</i> 		<ul style="list-style-type: none"> ✓ Fubon FHC donated NT\$50mn for the reconstruction of Hualien earthquakes. Fubon Life, Taipei Fubon Bank and Fubon Insurance initiated caring measures to customers

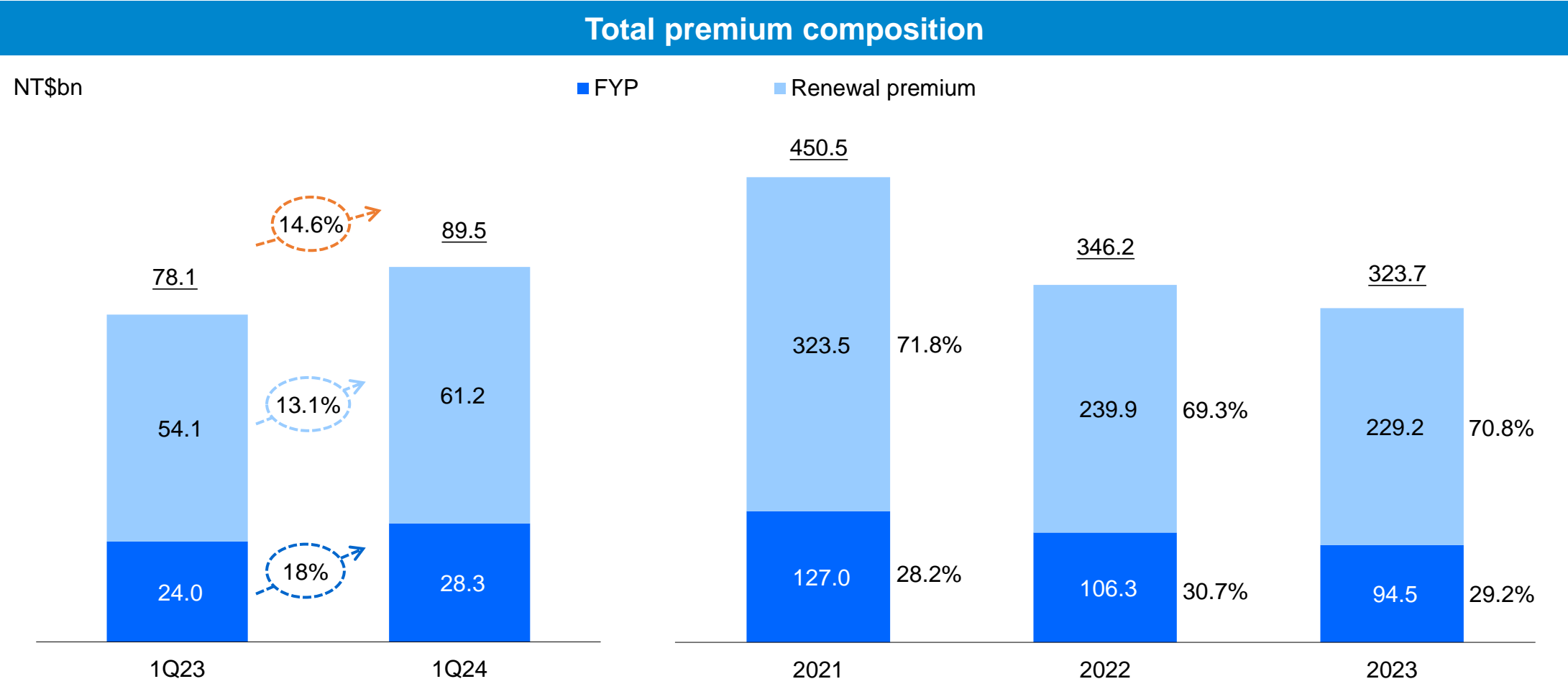


Performance Review by Subsidiary

Fubon Life



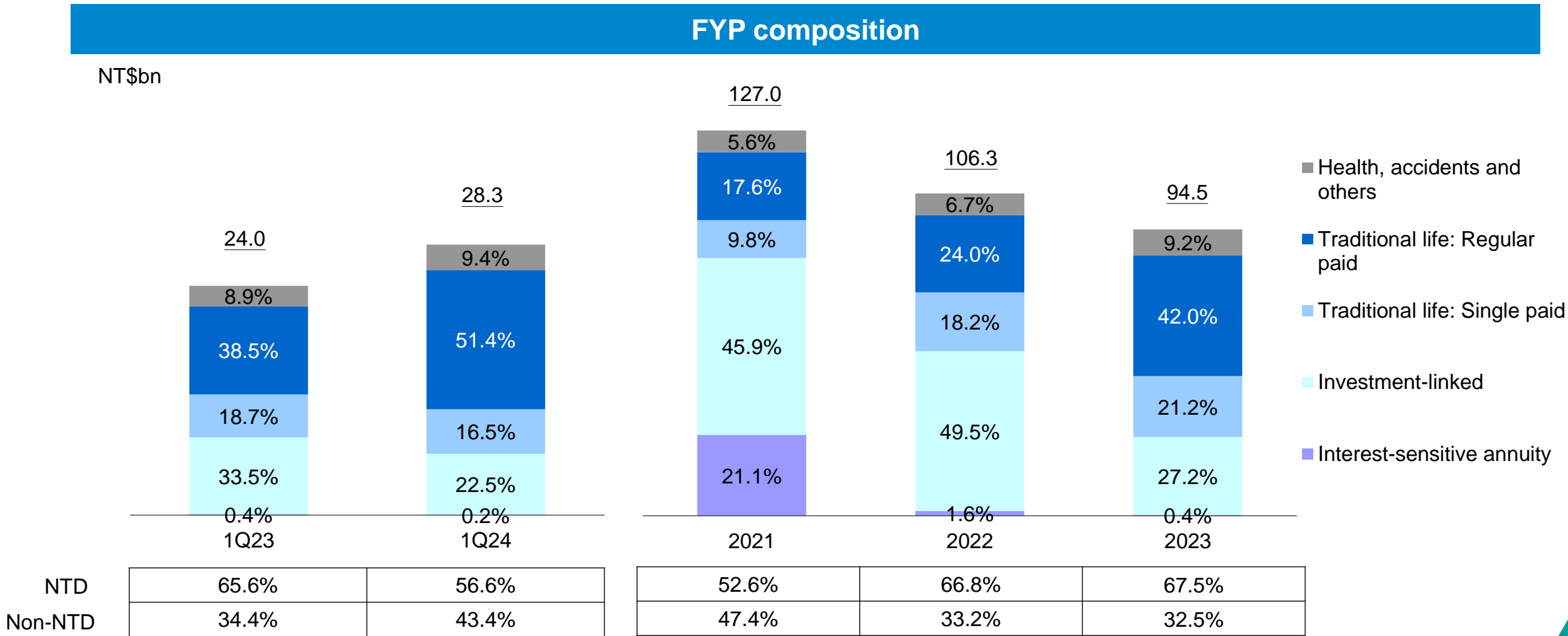
- FYP up 18.0% YoY on growth from traditional life / participating policies, compared to the 8.9% growth of the industry
- Renewed premium and total premium increased by 13.1% YoY and 14.6% YoY, significantly outperforming the industry's growth of 0.8% and 3.3%



Fubon Life: First Year Premiums (FYP)



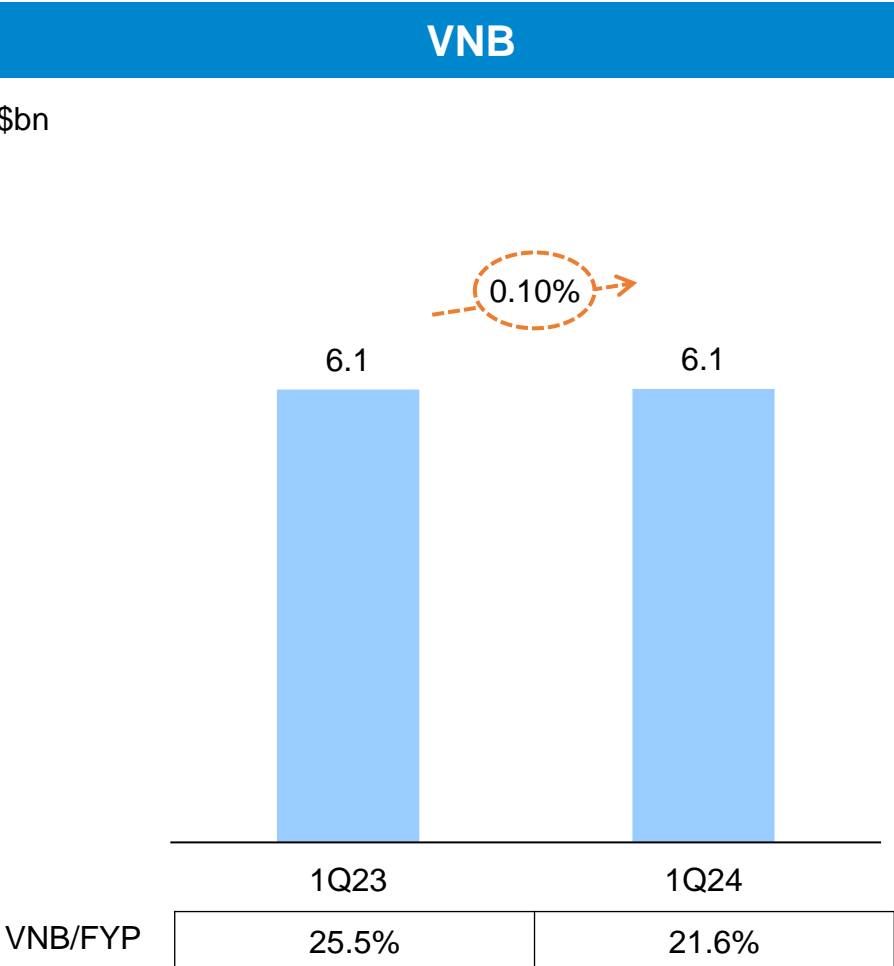
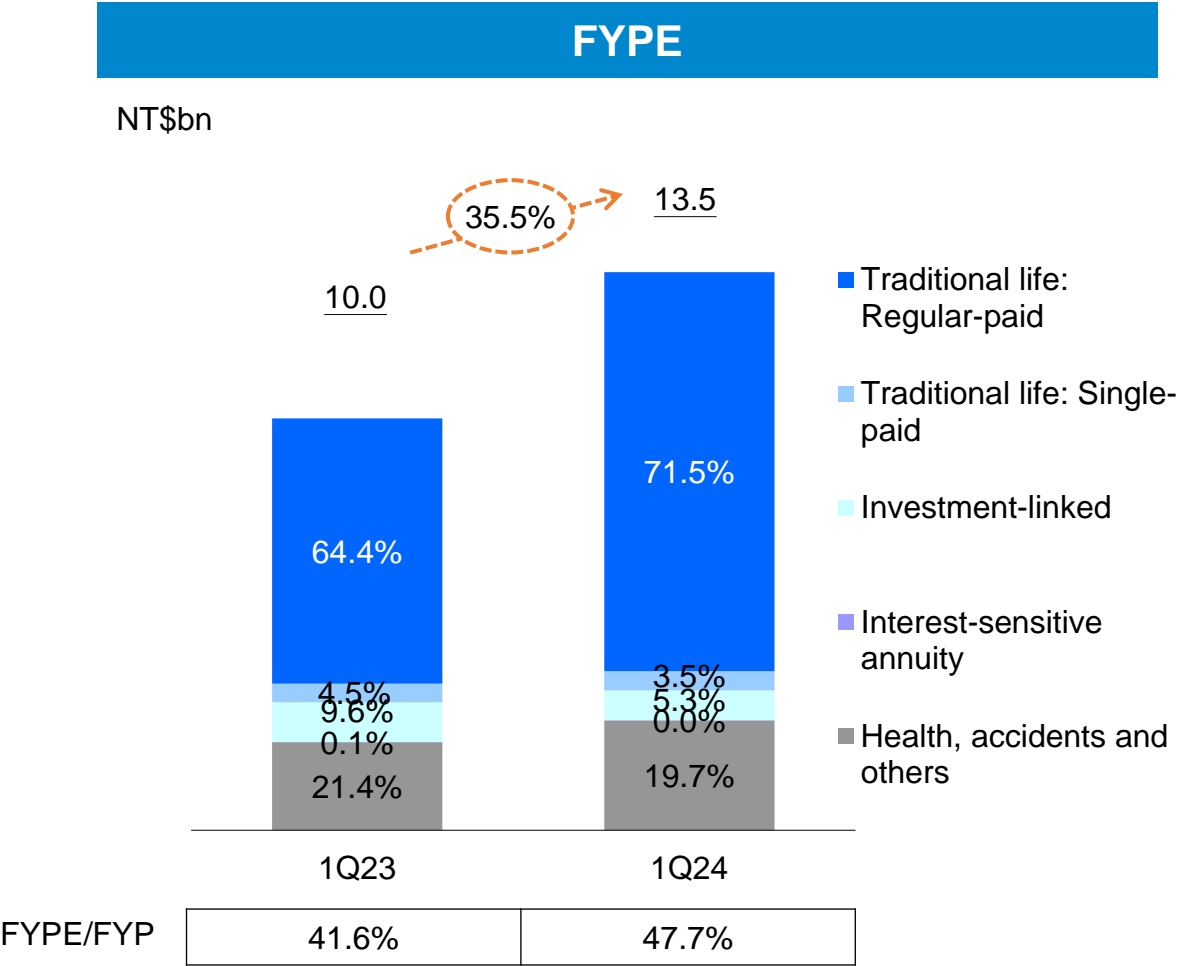
- Product mix transitioned toward regular-paid and protection products to accumulate CSM. Sales in regular-paid products grew on traditional life products (from 38.5% to 51.4% of FYP) and health, accidents and others (from 8.9% to 9.4% of FYP)
- Non-NTD policies grew (from 34.4% to 43.4% of FYP) mainly from sales of USD participating policies



Fubon Life: FYPE & VNB



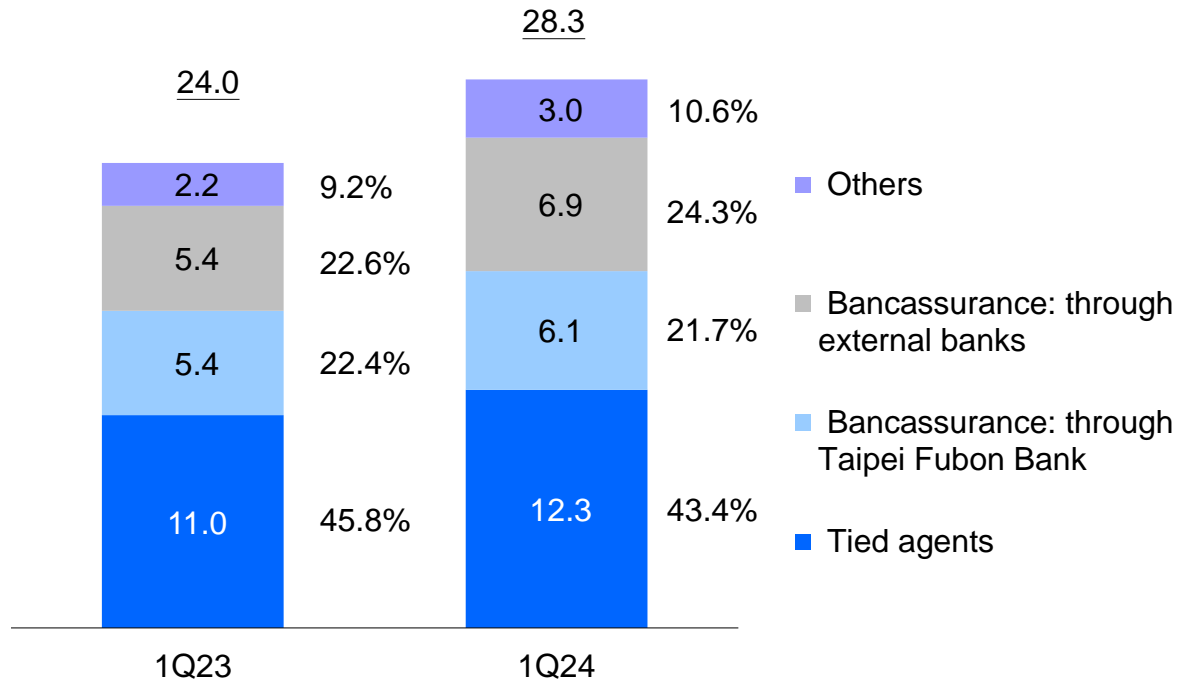
- Fubon Life’s FYPE grew 35.5% YoY mainly from regular-paid traditional life products. The industry’s FYPE grew by 20.8% YoY. FYPE/FYP ratio reached 47.7% (from 41.6% in 1Q23)
- VNB increased slightly by 0.1% as Fubon Life adjusted its product strategy in response to market demand



- FYP from bancassurance contributed to 46% of FYP, topping the industry. Tied agents contributed to 43.4%
- Sales of regular-paid traditional life products lifted FYPE from all channels. FYPE from bancassurance and tied agents channels grew over 30% YoY

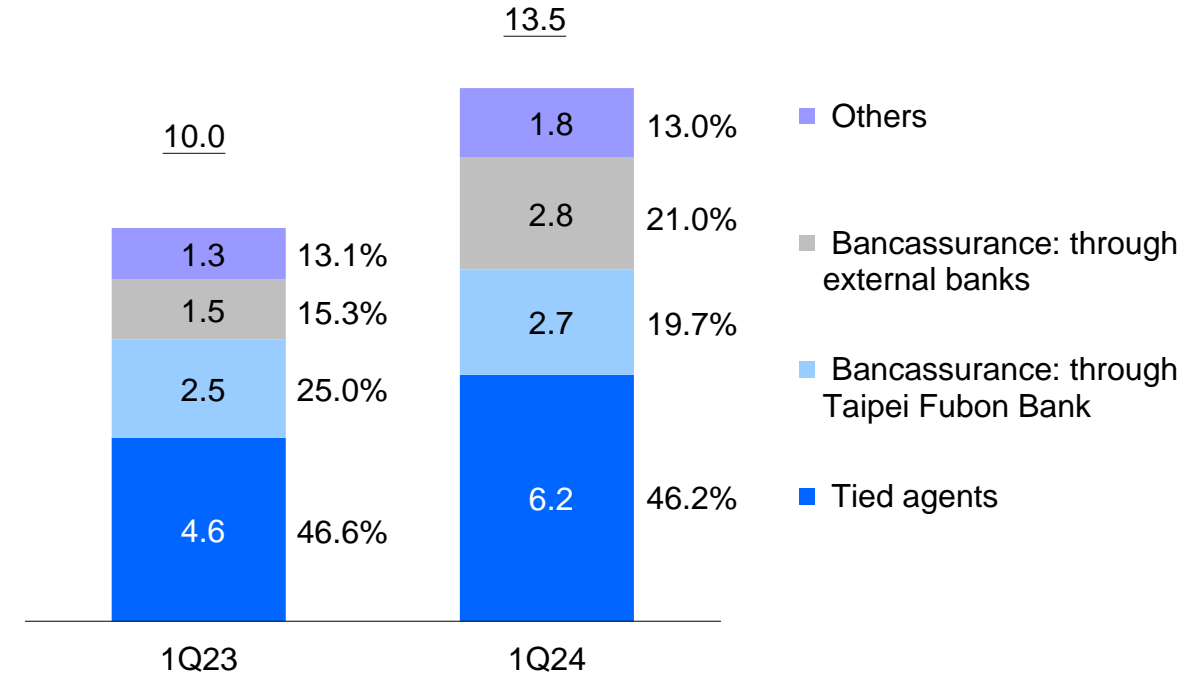
FYP by channel

NT\$bn



FYPE by channel

NT\$bn



- Maintain sufficient cash levels and dynamically adjust allocation according to market conditions to enhance income
- The increase in domestic and foreign equity mainly reflects the increase in the valuation and deployments

NT\$bn	2023/12/31			2024/3/31		
	Amount	%	Return	Amount	%	Return
Deposit and cash equivalent	194.8	4.0%	1.30%	183.2	3.7%	1.38%
Domestic fixed income ⁽¹⁾	617.7	12.8%	2.36%	642.5	12.9%	2.66%
Overseas fixed income ⁽²⁾	2,732.7	56.7%	3.91%	2,839.2	56.9%	4.14%
Domestic equity	440.4	9.1%	12.45%	482.8	9.7%	19.60%
Overseas equity	312.5	6.5%	7.84%	332.9	6.7%	19.43%
Mortgage loans	99.4	2.1%	2.09%	94.5	1.9%	2.14%
Policy loans	77.8	1.6%	4.53%	77.7	1.6%	4.54%
Real estate	342.8	7.1%	1.65%	340.6	6.8%	-5.52%
Total investment	4,818.1	100.0%	3.79%	4,993.4	100.0%	4.62%
Domestic	1,658.5	34.4%	5.02%	1,684.1	33.7%	6.50%
Overseas	3,159.6	65.6%	3.12%	3,309.3	66.3%	3.63%

Note: (1) Inclusive of NTD-denominated ETFs

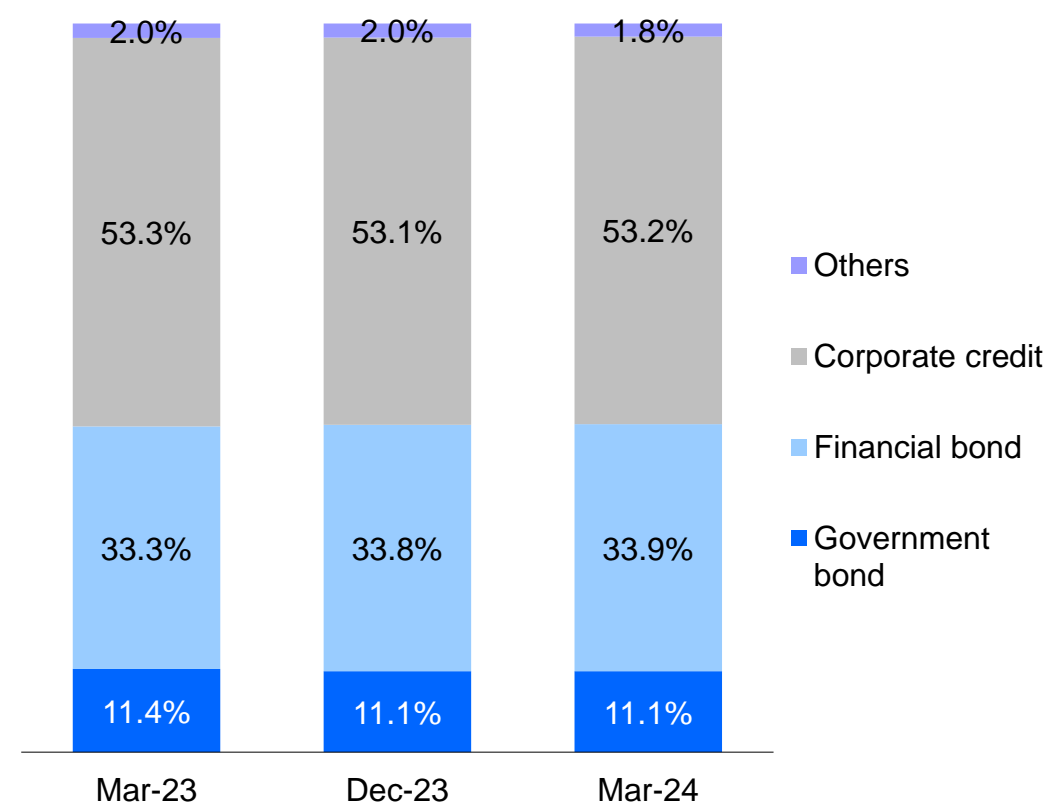
(2) Inclusive of OTC-listed international bonds, which was 14.1% of total investment assets as of 2024/3/31

(3) The return rate of each asset is before hedging and FX gains/losses, the total investment return rate and the foreign investment return rate is after hedging and FX gains/losses

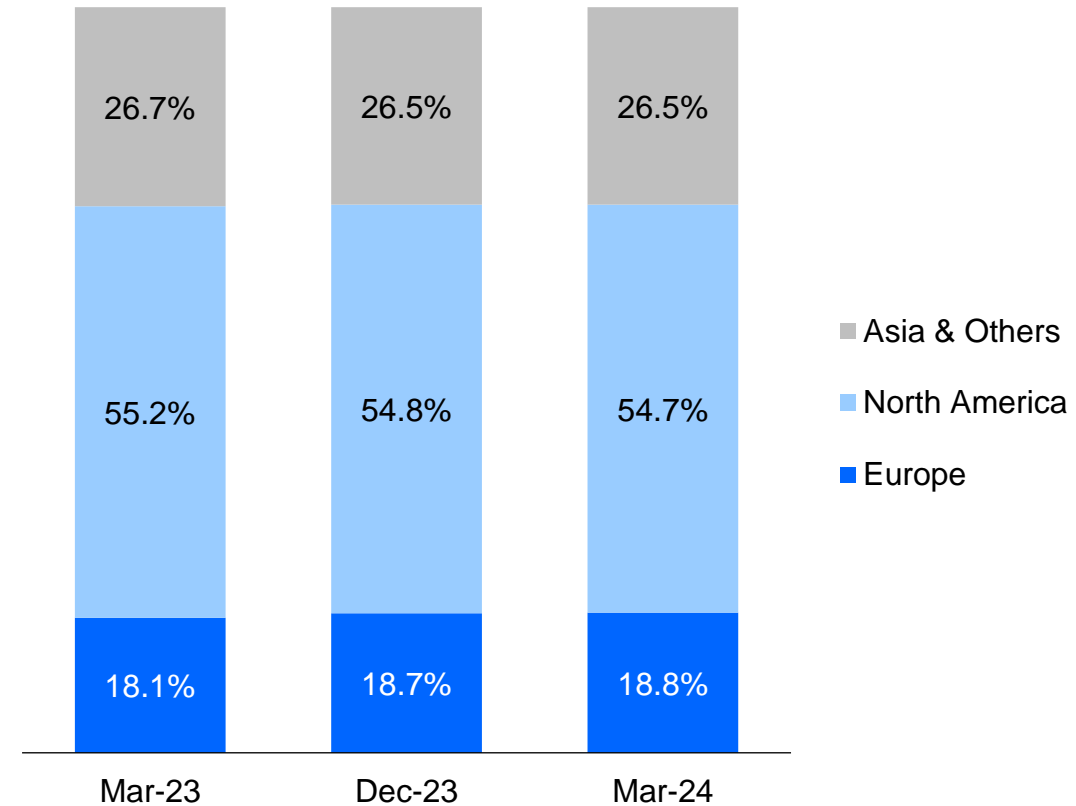


■ Continued to focus on investment grade corporate credit and financial bonds with stable distribution by region

Overseas fixed income by asset type



Overseas fixed income by region



Fubon Life: Composition of Investment Income



- Recurring income improvement mainly reflected higher interest rates and the appreciation of USD
- Investment return increased YoY, reflecting the growth in realized gains from equity investment

NT\$bn	1Q23	1Q24	YoY growth	2022	2023
Recurring investment income	35.1	38.1	8.6%	152.3	162.2
Interest income	27.4	29.5	7.6%	109.8	113.7
Cash dividend income from equity investment	1.9	1.7	-11.6%	22.6	22.9
Rental and others	5.8	6.9	19.7%	19.8	25.6
Realized gains from fixed income investment	0.4	0.2	-35.6%	-2.8	-2.0
Realized gains from equity investment	16.0	31.4	96.6%	60.2	45.6
FX and others	-13.6	-15.6	N.M.	-7.2	-35.2
Investment income	37.8	54.1	43.2%	202.4	170.6
Total investment assets	4,740.5	4,993.4	5.3%	4,590.2	4,818.1
Investment return (before hedge & FX)	4.53%	5.28%		4.47%	4.35%
Investment return (after hedge & FX)	3.32%	4.62%		4.48%	3.79%

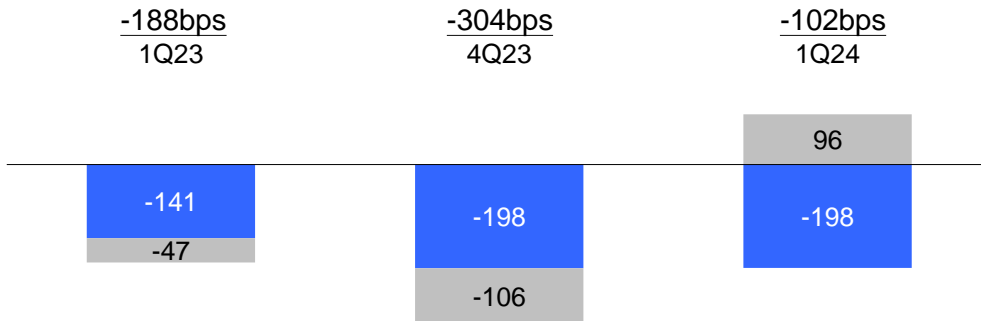
Fubon Life: Composition of Hedging Portfolio and Recurring Yield



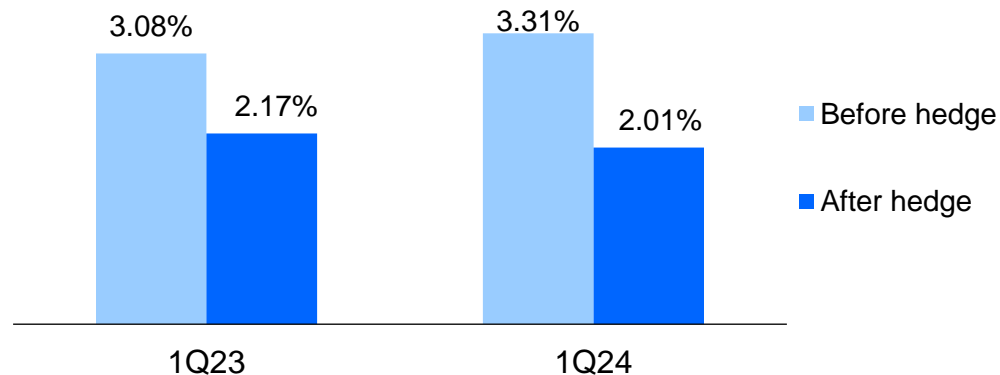
- FX gain in 1Q24 on back of US bond yield led to a strong USD as the market adjusted US rate cut expectations
- Recurring hedge cost remained flat QoQ as Fed is expected to delay rate cut and the rate hike in Taiwan is moderate
- Recurring return before hedge increased YoY due to higher interest rates and USD appreciation while recurring return after hedge decreased

Hedging cost & FX gain/loss

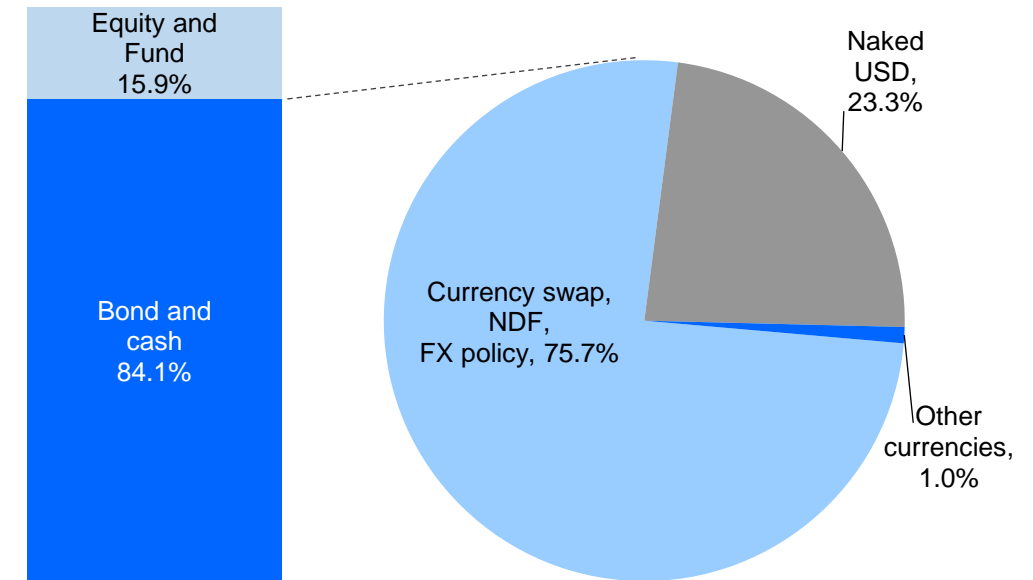
■ CS+NDF cost ■ FX gain/loss & net provision of FX reserve



Recurring return



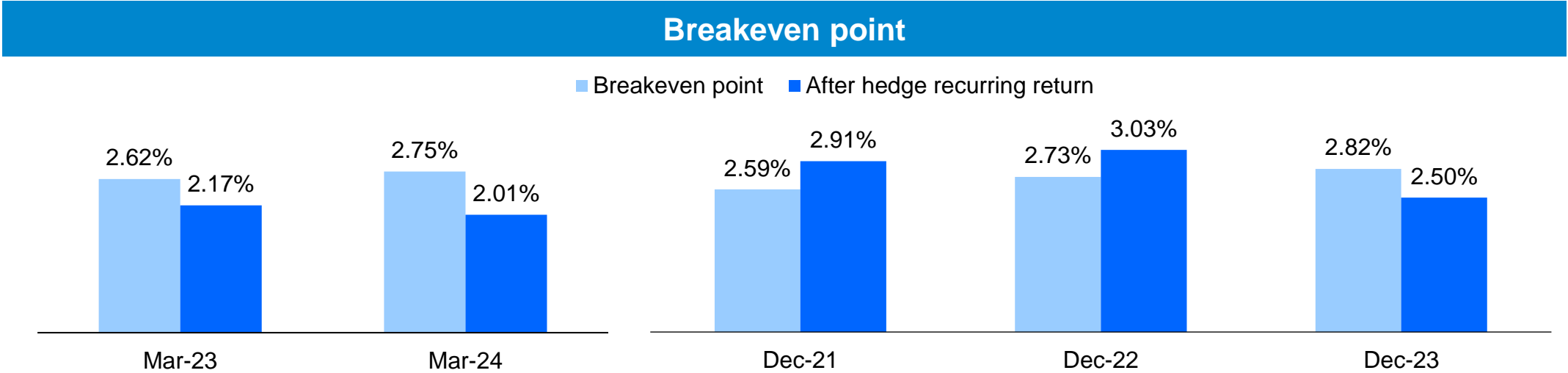
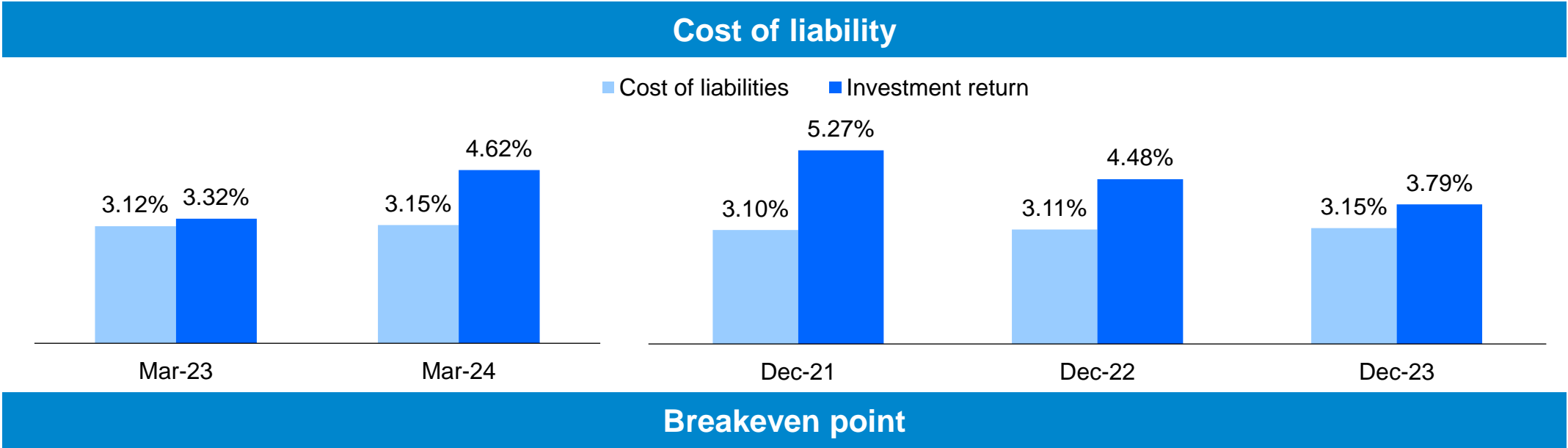
FX position



Fubon Life: Cost of Liability & Breakeven Point



- The positive spread between COL and investment return expanded
- Recurring return after hedge decreased due to high hedging cost

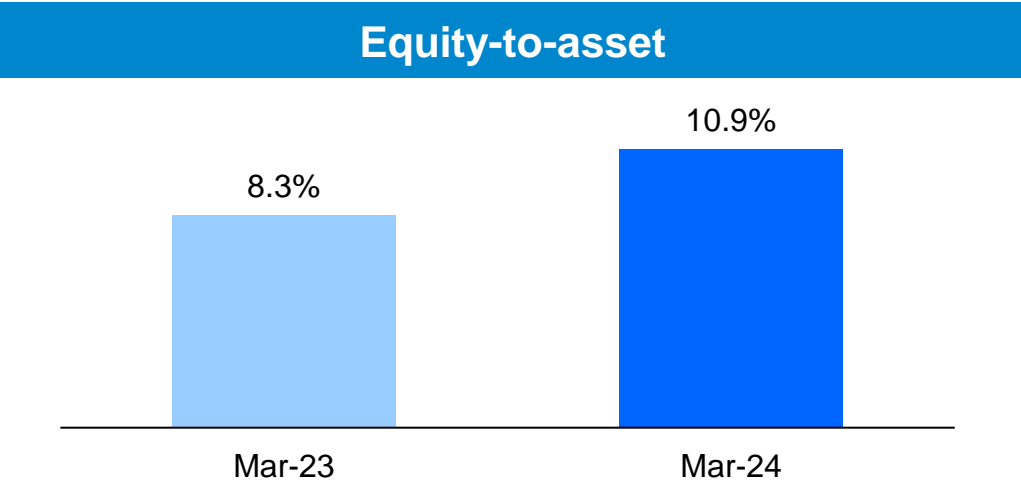
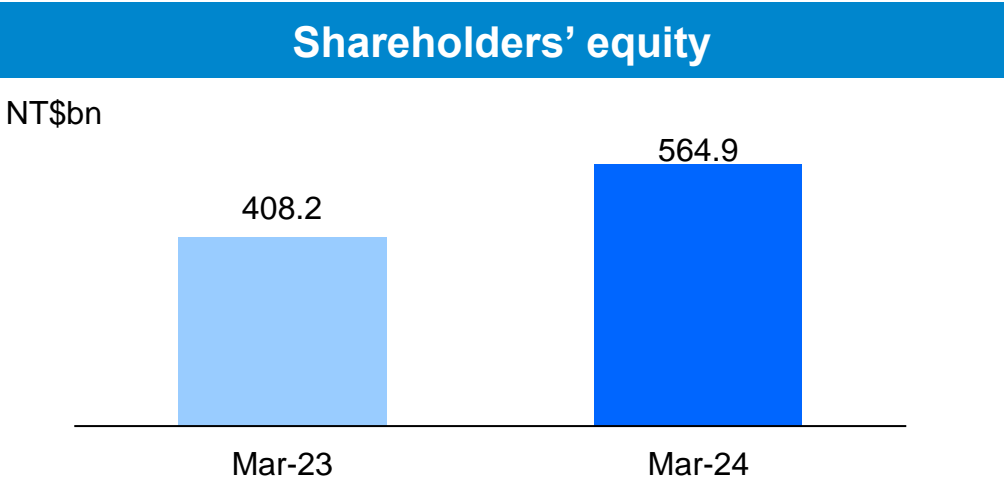
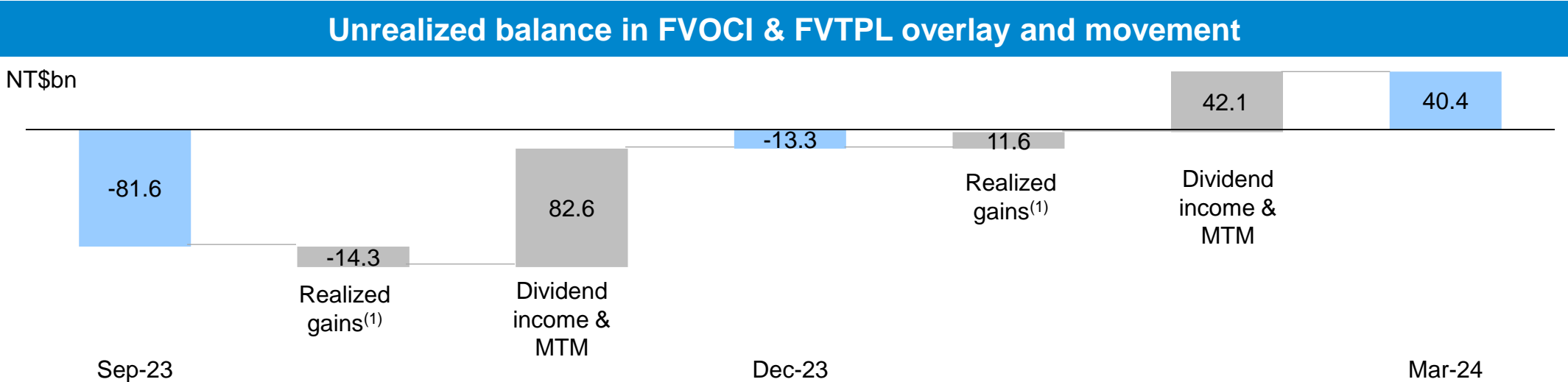


Note: Breakeven point = (Profit before tax – investment income) / average investment assets

Fubon Life: Investment Performance



- The unrealized balance turned positive as financial market recovered
- Equity-to-asset ratio was up and reached 10.9%. RBC ratio was over 300%



Note: (1) Realized equity gain/ loss under FVOCI is included



Performance review by subsidiary

Taipei Fubon Bank

Taipei Fubon Bank: Revenue

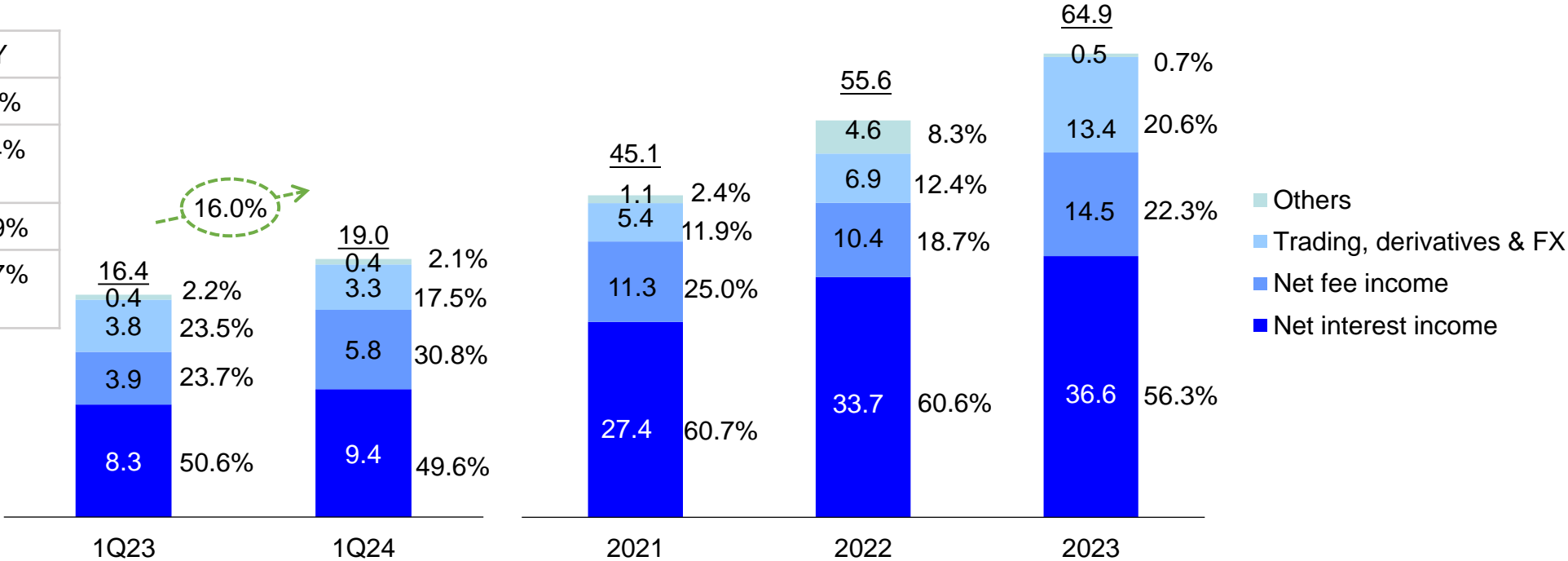


- Total revenue was up 16.0% YoY
- NII increased by 13.7% YoY, mainly due to the growth in assets and 6bps increase in NIM
- Fee income rose 50.9% YoY, reflecting the growth in wealth management and credit card business
- Treasury income declined, primarily from volatility in the bond market and decrease in SWAP revenue

Revenue composition of Taipei Fubon Bank

NT\$bn

	YoY
Others	+8.8%
Trading, derivatives & FX	-13.4%
Net fee income	+50.9%
Net interest income	+13.7%



Note: Taipei Fubon Bank and JihSun Bank consolidation was completed in April 2023. Information has included Taipei Fubon Bank and JihSun Bank in 2022 and 2023, complying with accounting standard for disclosure. The same applies to the following pages.

Taipei Fubon Bank: Credit Composition

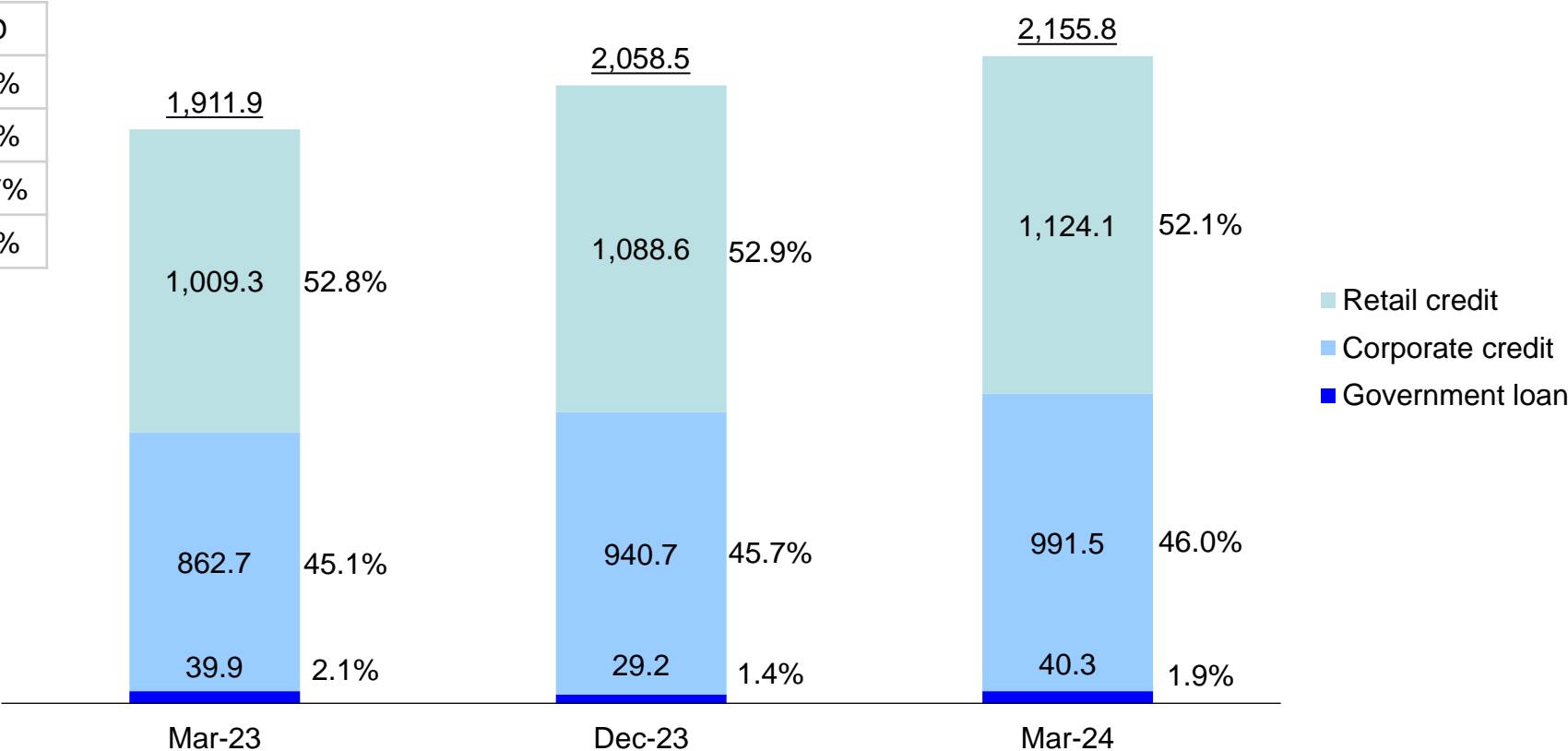


■ Total credit balance up 12.8% YoY. Retail and corporate loans both grew at double digits YoY

Credit composition

NT\$bn

	YoY	YTD
Retail credit	+11.4%	+3.3%
Corporate credit	+14.9%	+5.4%
Government loan	+0.9%	+37.7%
Total	+12.8%	+4.7%

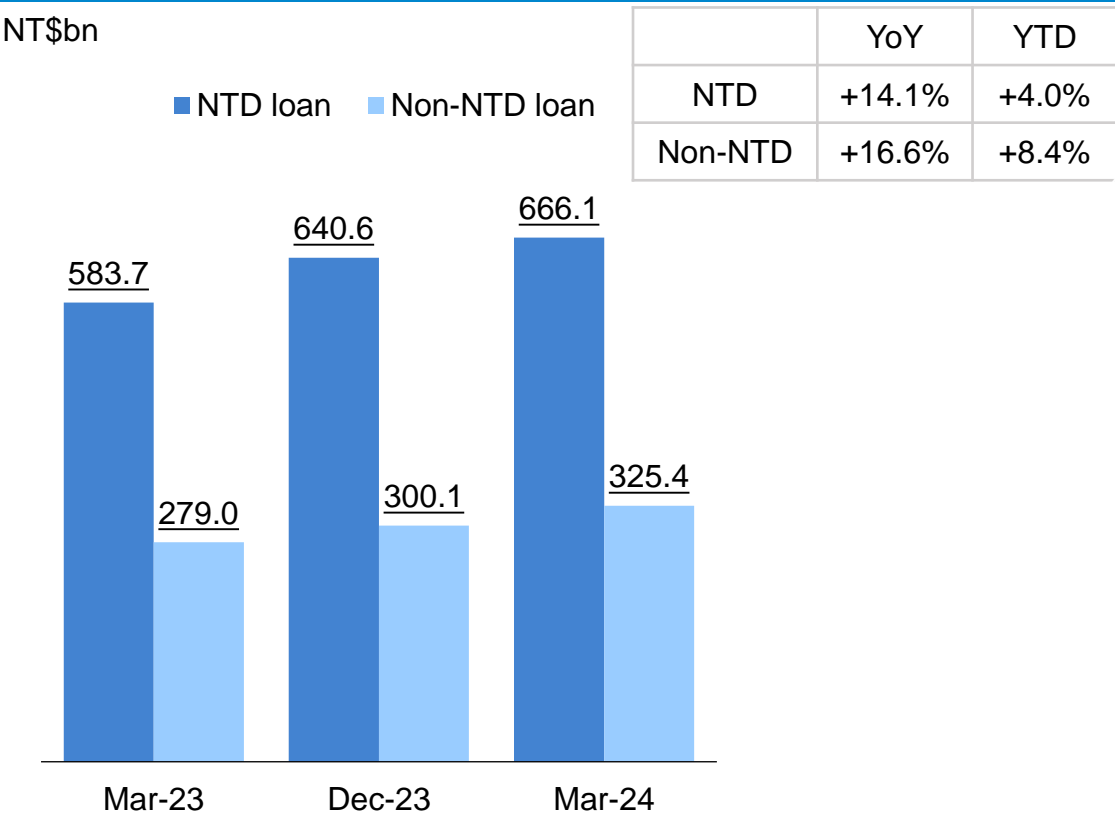


Note: Ending balance

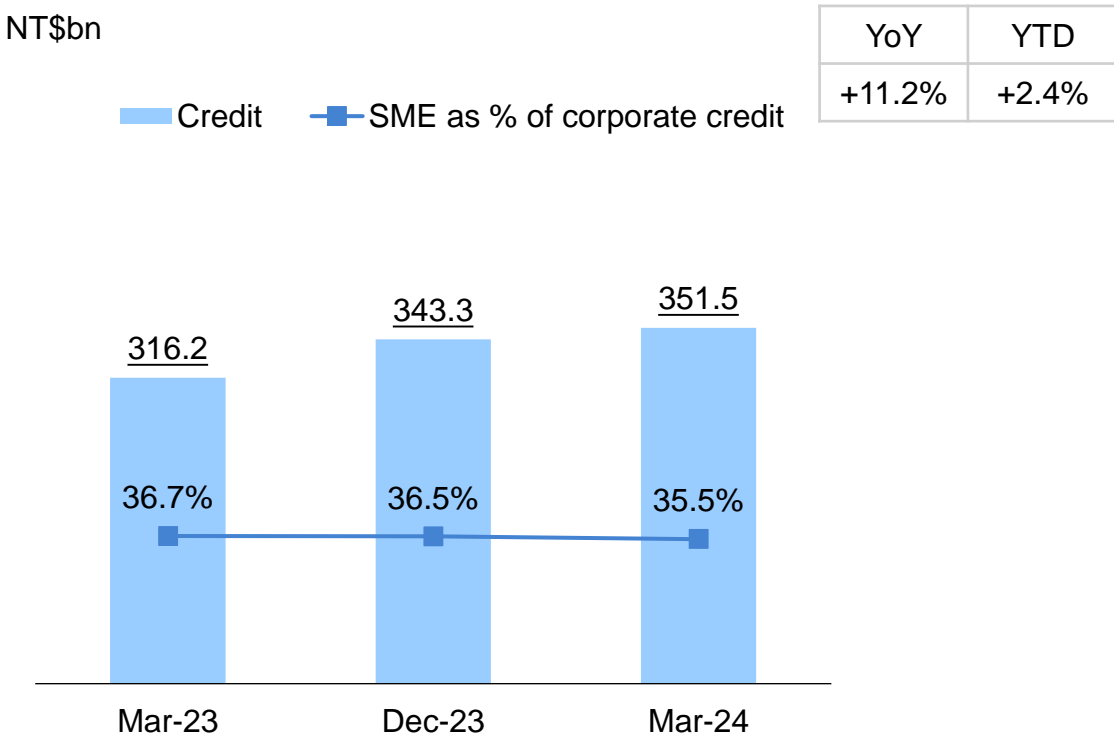


- Corporate loan balance increased 14.9% YoY, reflecting the economic environment and rise in corporate customers' demand
- SME credit climbed 11.2% YoY, retaining double-digit growth

Corporate credit by currency



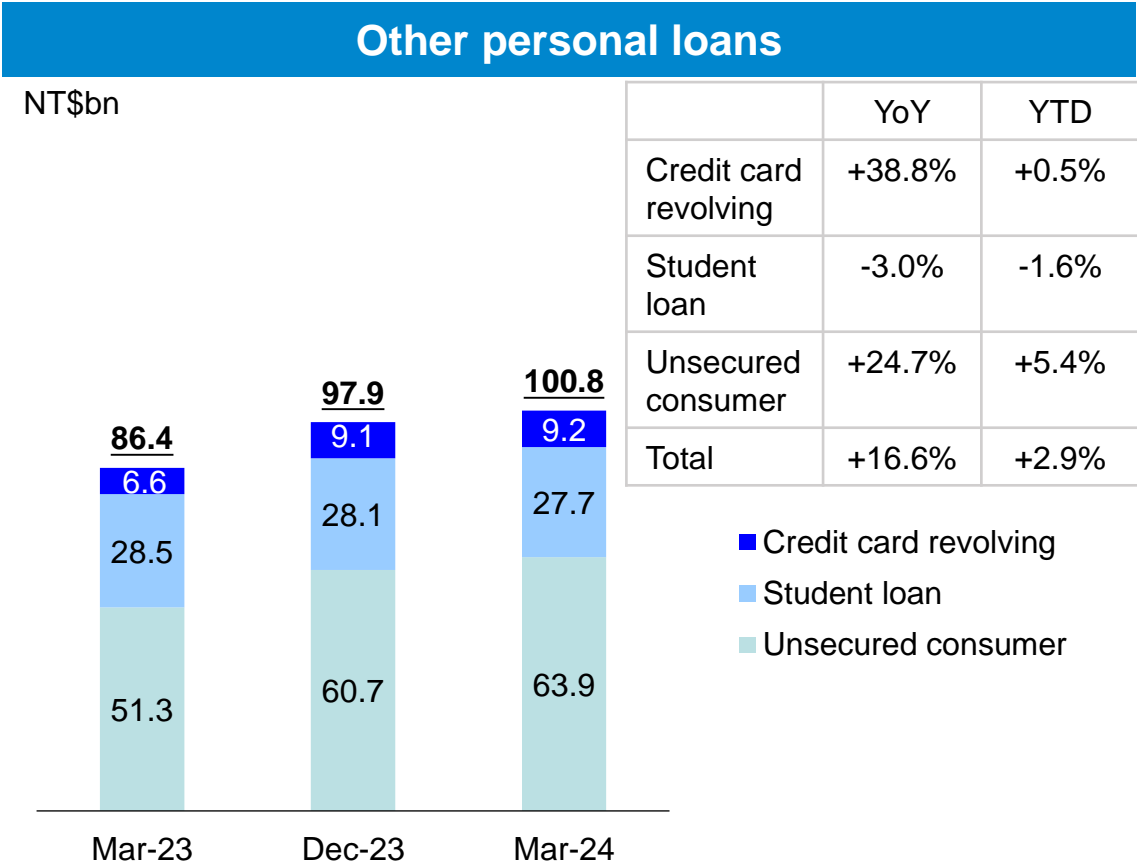
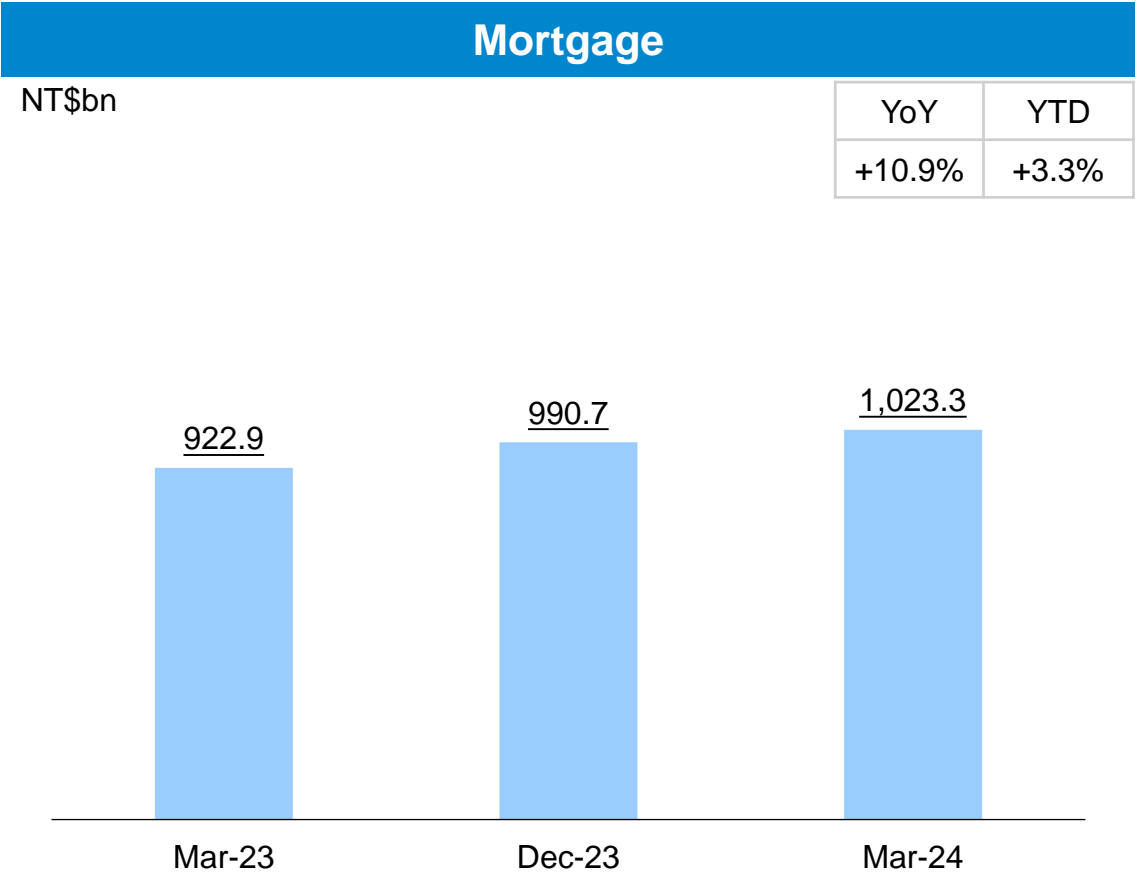
SME credit



Note: Definition of SME (Small and Medium-sized Enterprise) is based on Ministry of Economic Affairs' criteria, which are a company with capital less than NT\$100mn or less than 200 employees.

Taipei Fubon Bank: Retail credit

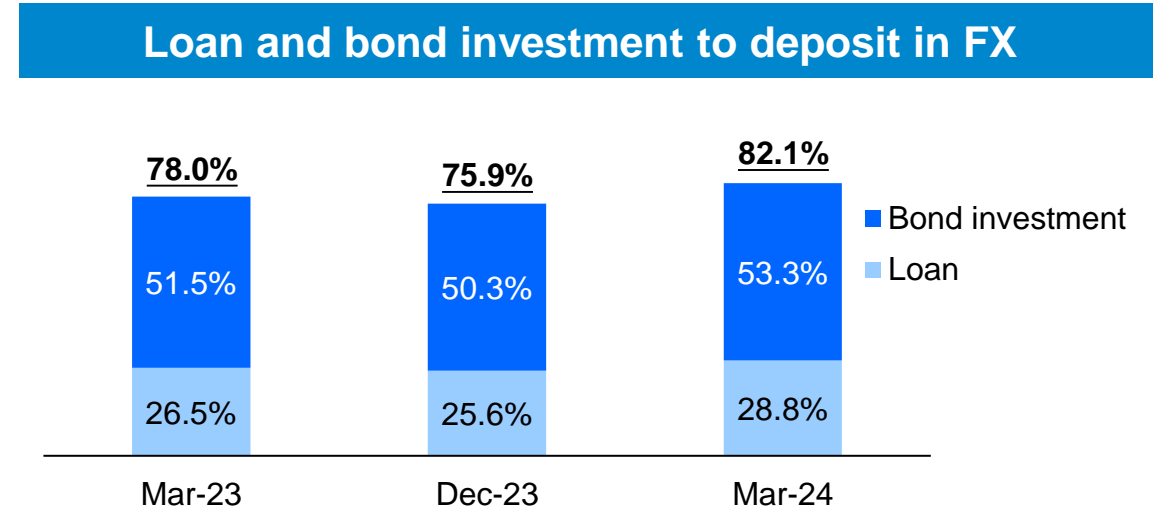
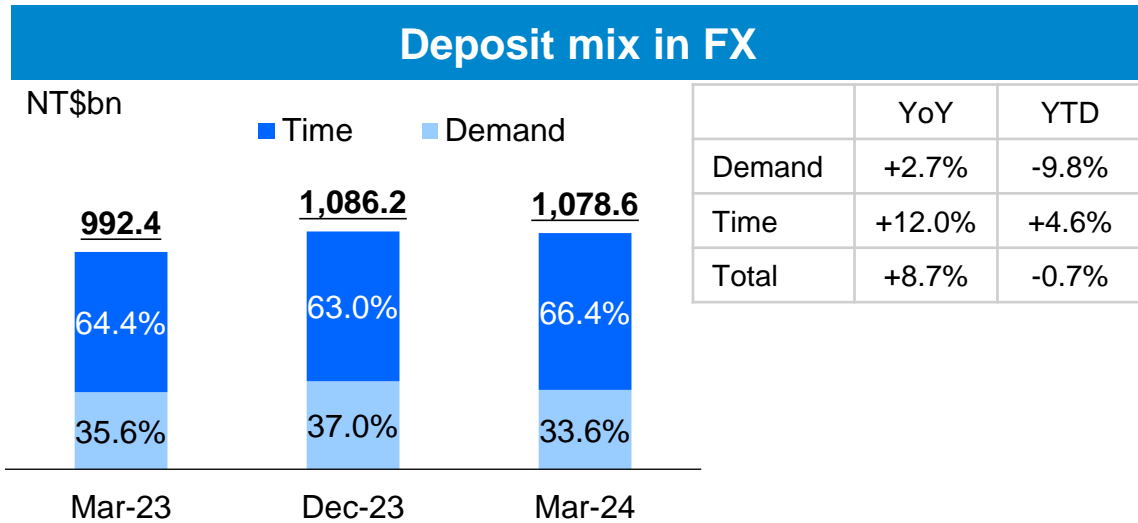
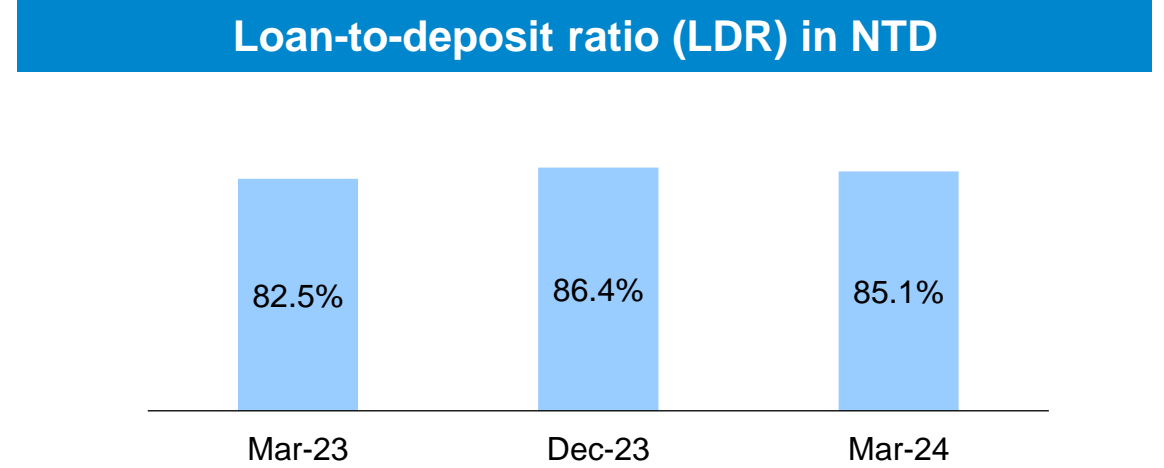
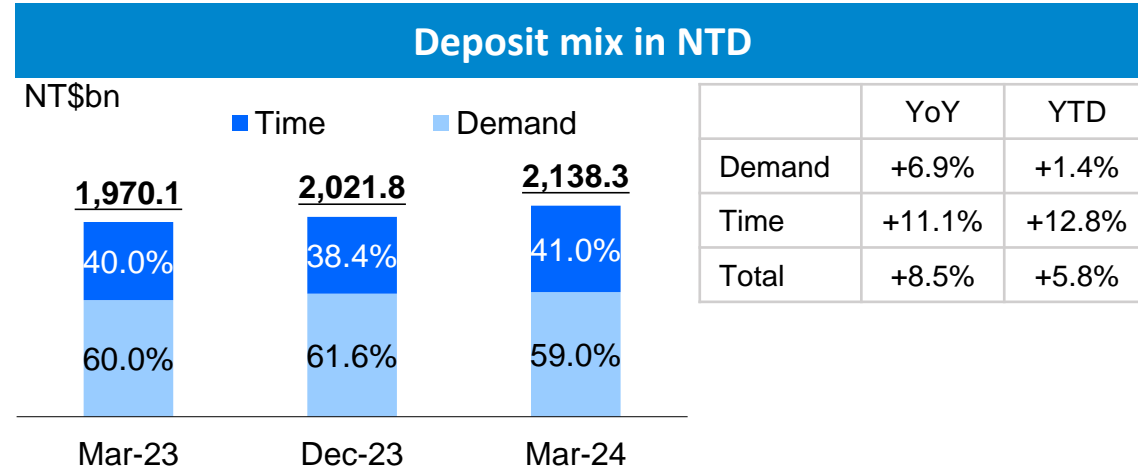
- Mortgage reached over NT\$1tn, up 10.9% YoY
- Other personal loans increased 16.6% YoY. Unsecured consumer loan and credit card revolving balances both grew at double digits YoY



Taipei Fubon Bank: Deposit Mix and LDR



- Total deposit balance climbed 8.6% YoY. Time deposits increased over demand deposits, reflecting customers' preference for time deposits under a high-interest environment
- The utilization of foreign currency continued to improve, on back of the increase in foreign currency loans and bonds



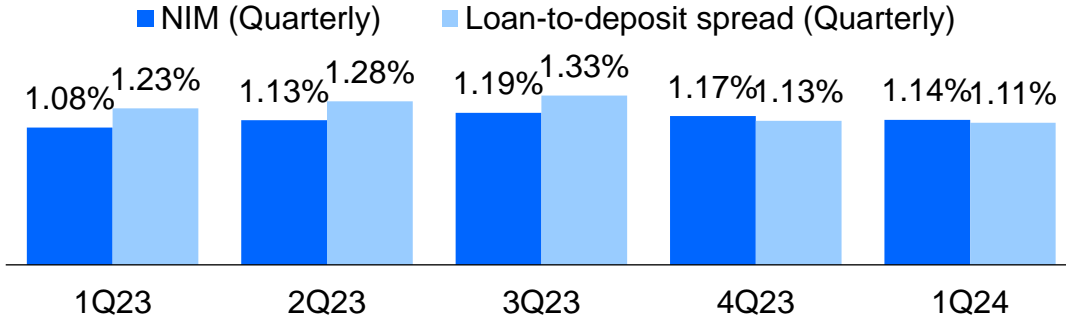
Note: Ending balance

Taipei Fubon Bank: Interest Spread and Margin

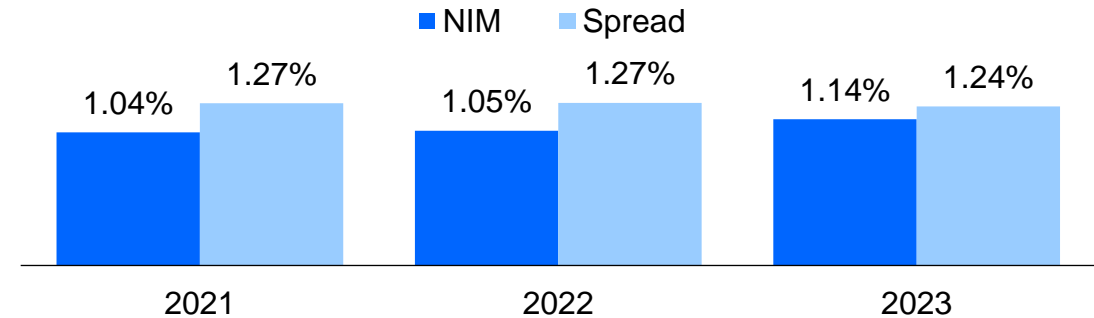


- NIM in 1Q24 was up 6bps YoY, primarily from the increase in foreign currency bonds, contributing to the growth of asset yield. Loan-to-deposit spread fell 12bps YoY, due to the increase in time deposit
- NIM and loan-to-deposit spread in 1Q24 were down QoQ, mainly reflecting the decline in lending benchmark rate and the growth of non-USD foreign currency loans, leading to the decrease in loan rate

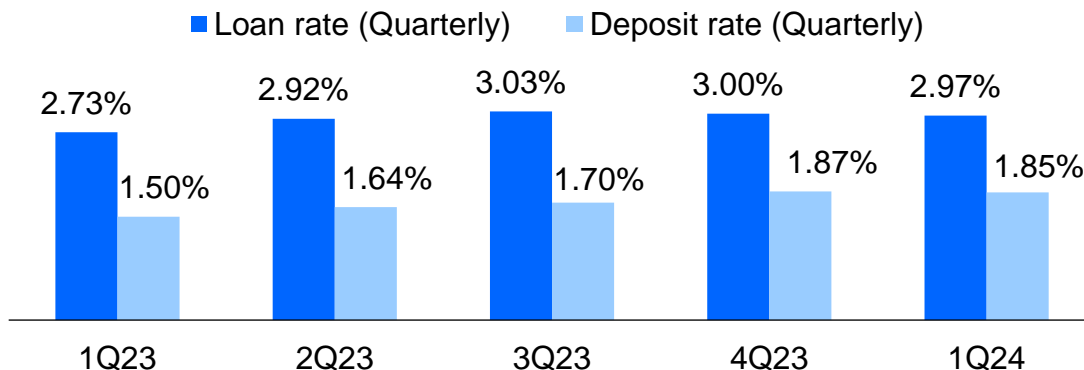
NIM and loan-to-deposit spread (quarterly)



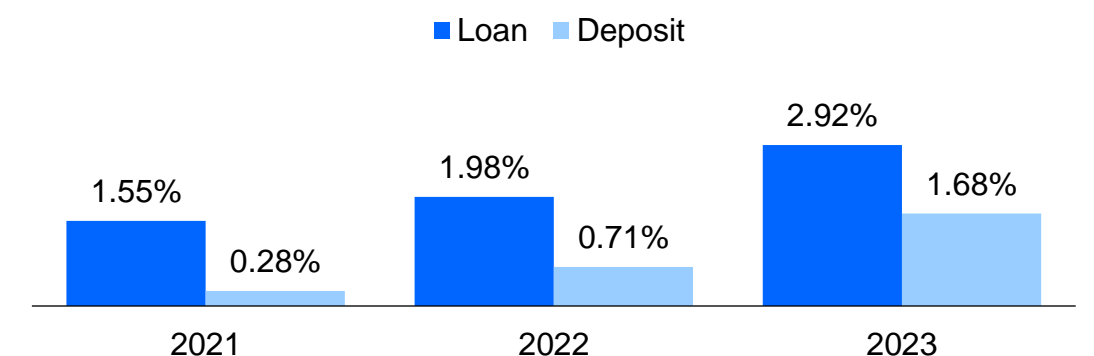
NIM and loan-to-deposit spread



Loan rate and deposit rate (quarterly)



Loan rate and deposit rate

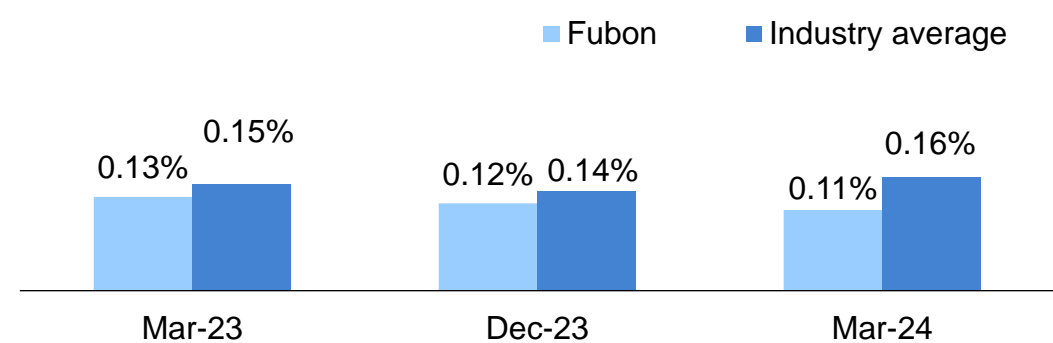


Note(1) Loan rate calculation inclusive of revolving credit cards

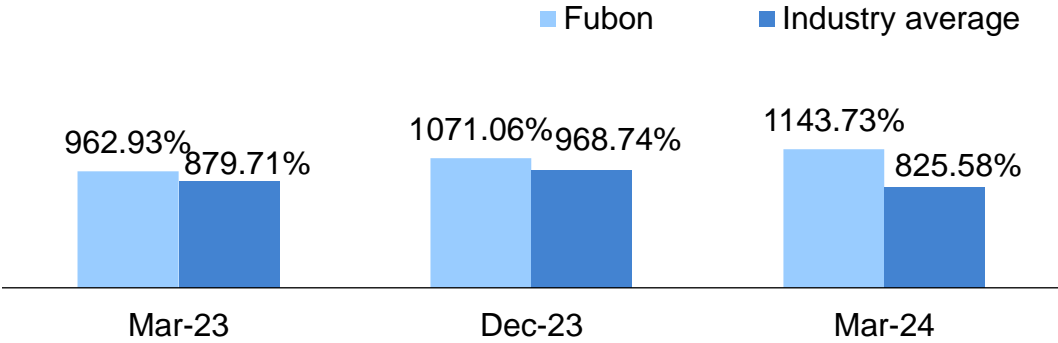
(2) Taipei Fubon Bank and JihSun Bank consolidation was completed in April 2023. Information in 1Q23 has included Taipei Fubon Bank and JihSun Bank

■ Asset quality remained stable

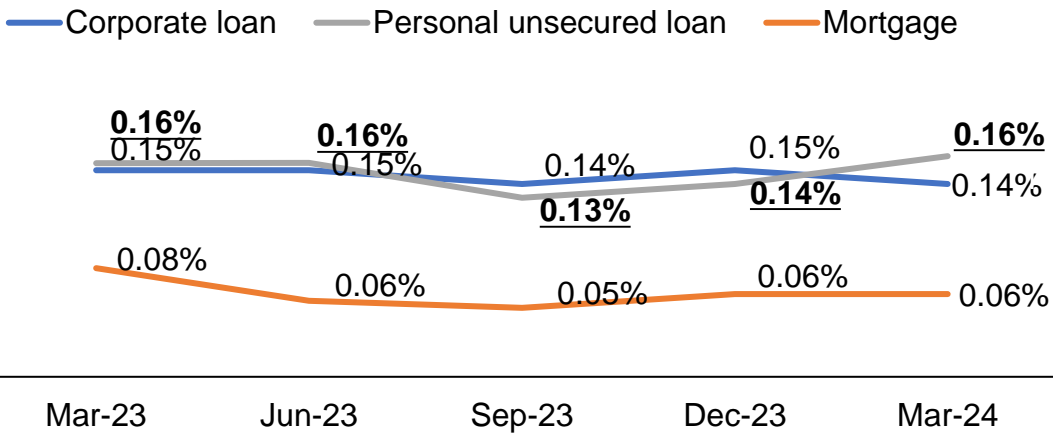
NPL ratio



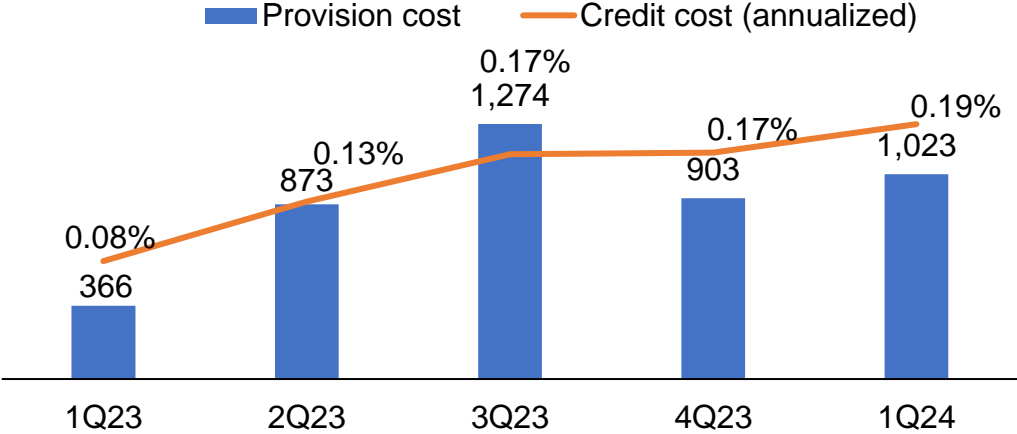
Coverage ratio



NPL ratio by product line



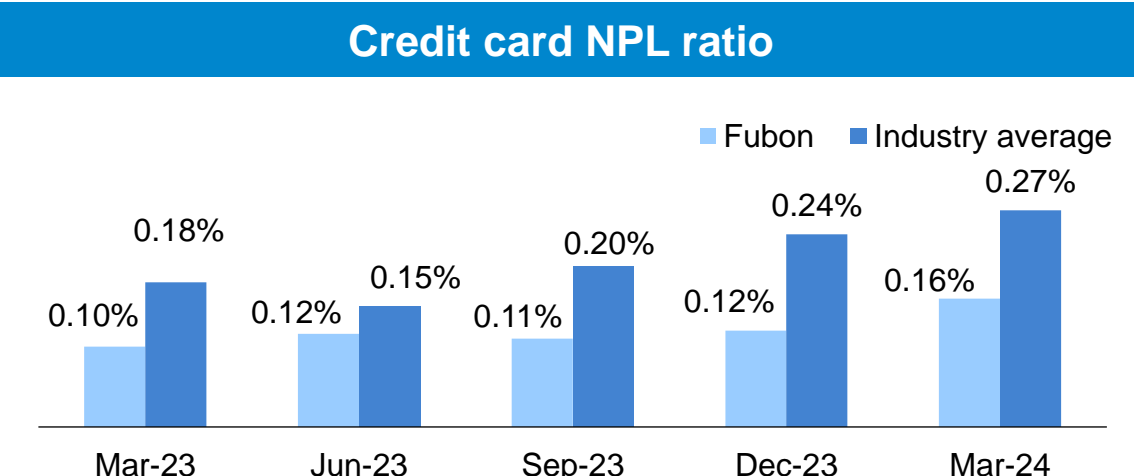
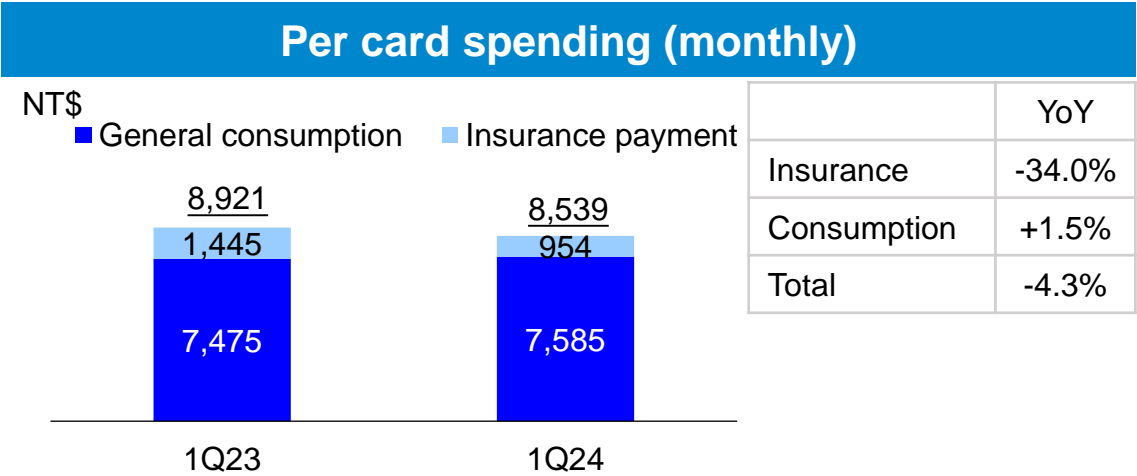
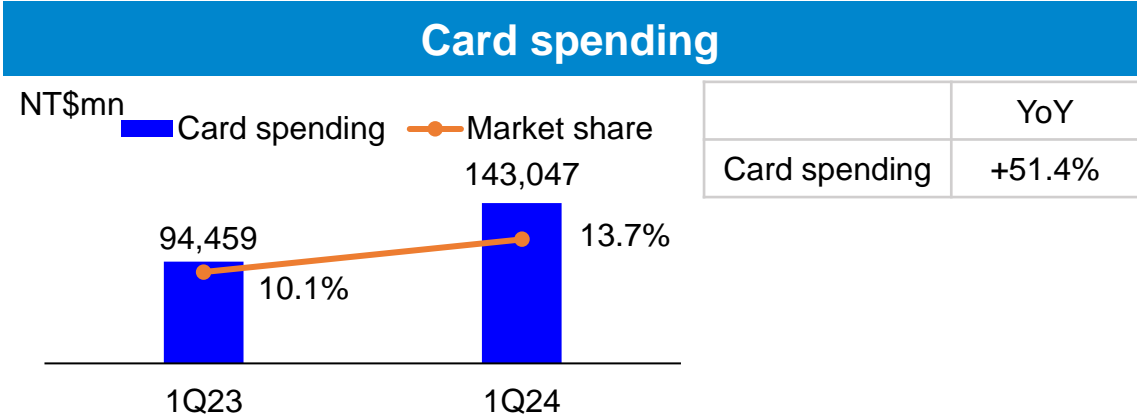
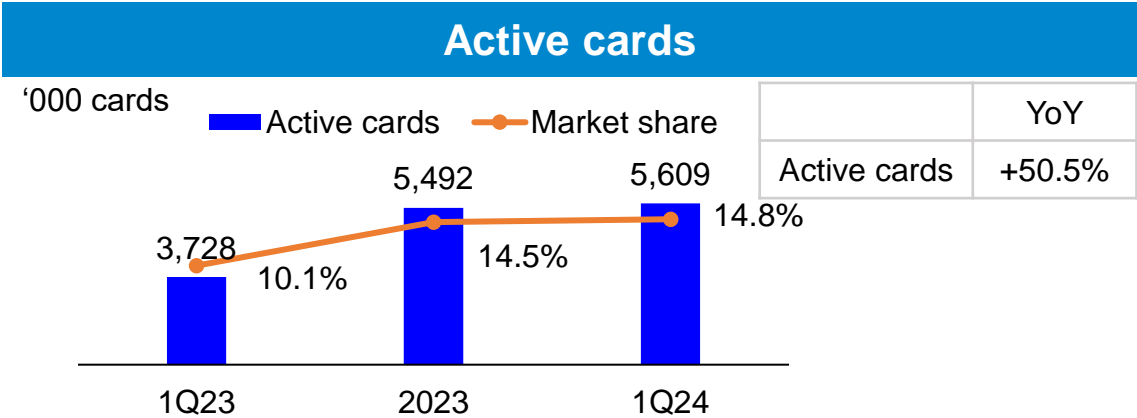
Quarterly provision and credit costs



Taipei Fubon Bank: Credit Card



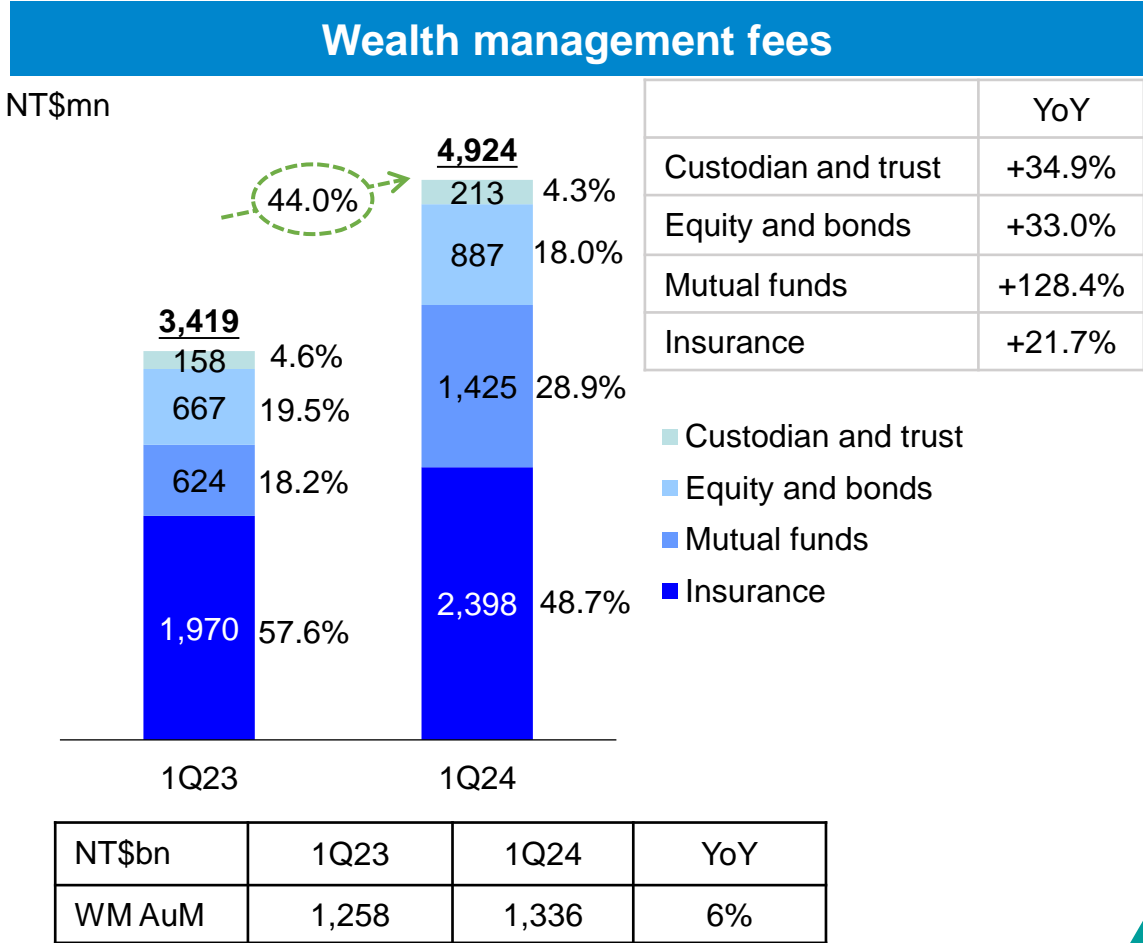
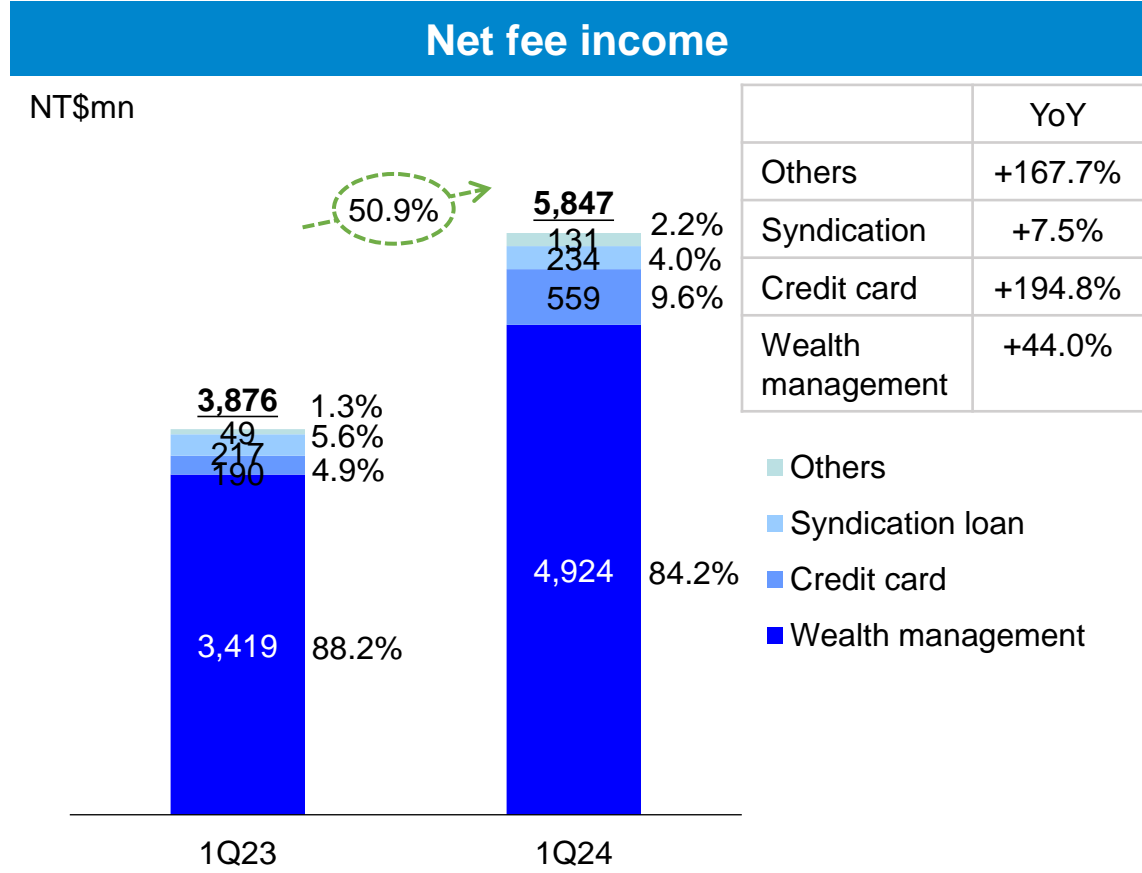
- Active cards and card spending in 1Q24 reached high-growth level and market share increased, on back of the increase from Costco affinity cards and consumption momentum acceleration
- Monthly per card spending fell slightly YoY, reflecting the significant growth in the number of active cards and the improvement in insurance product mix, while the absolute level remained decently stable
- NPL ratio edged up, due to the expiration of the government’s bailout measures. Asset quality continued to outperform the market



Taipei Fubon Bank: Fee Income



- Net fee income was up 50.9% YoY, mainly from the growth of wealth management fee income by 44.0% YoY and the significant growth of credit card fee income, primarily from the increase in active cards and card spending, as well as some adjustments in marketing expenses
- Wealth management fee income grew across lines. Mutual funds was up 128.4% YoY, reflecting the booming investment market



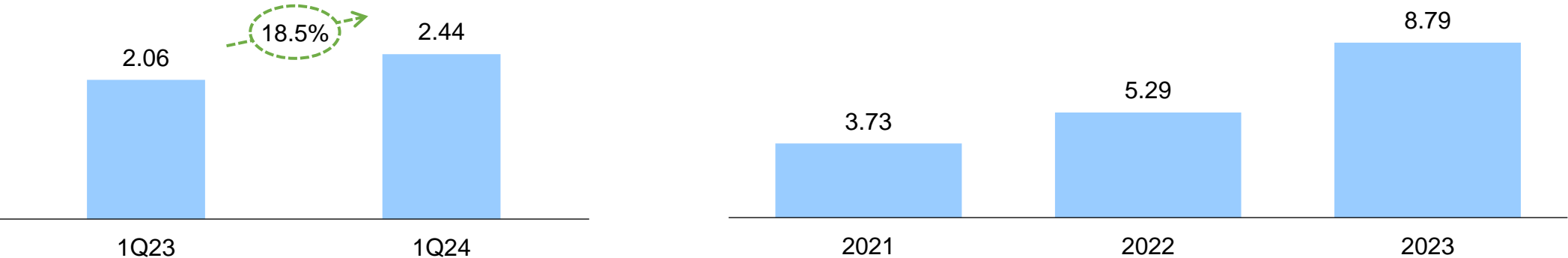
Taipei Fubon Bank: Overseas Branches



- Revenue increased 18.5% YoY and net profit grew 15.8% YoY from overseas branches, on back of loan growth and stable asset quality

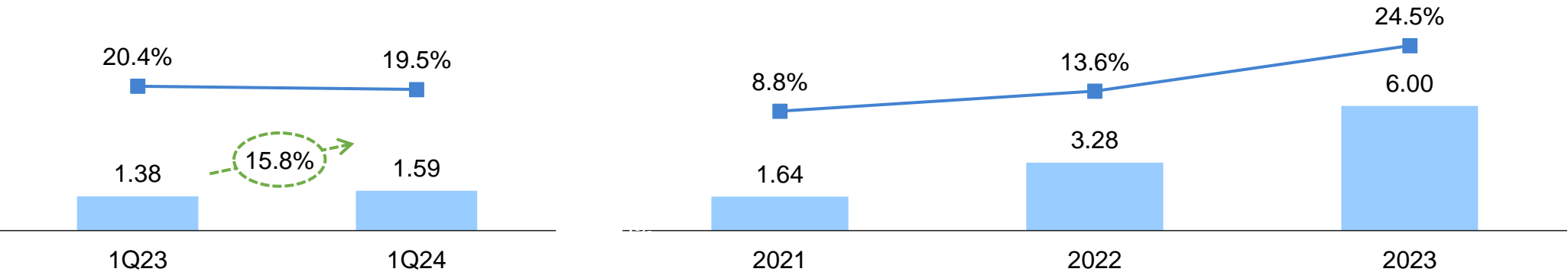
Net revenue from overseas branches

NT\$bn



Net profit from overseas branches

Net profit from overseas branches as % of the Bank





Performance review by subsidiary

Fubon Insurance

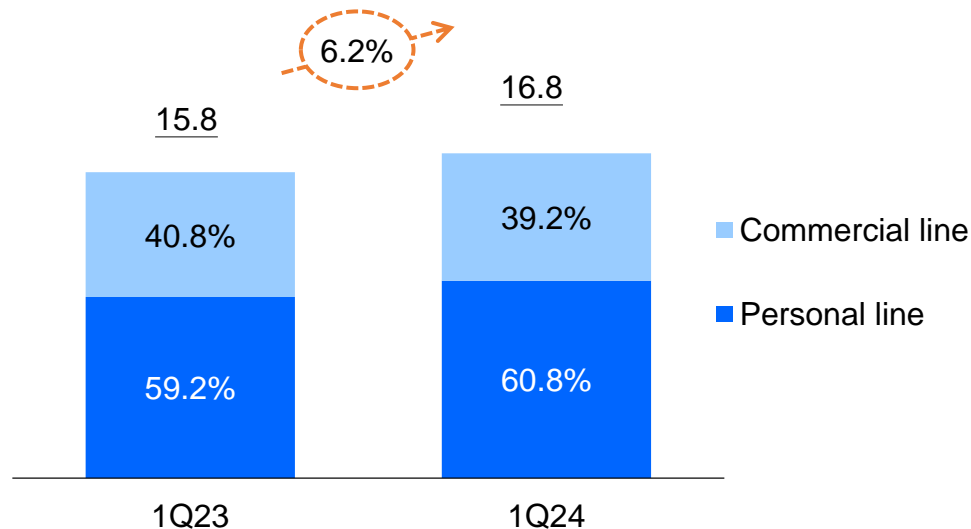
Fubon Insurance: Operational Snapshot



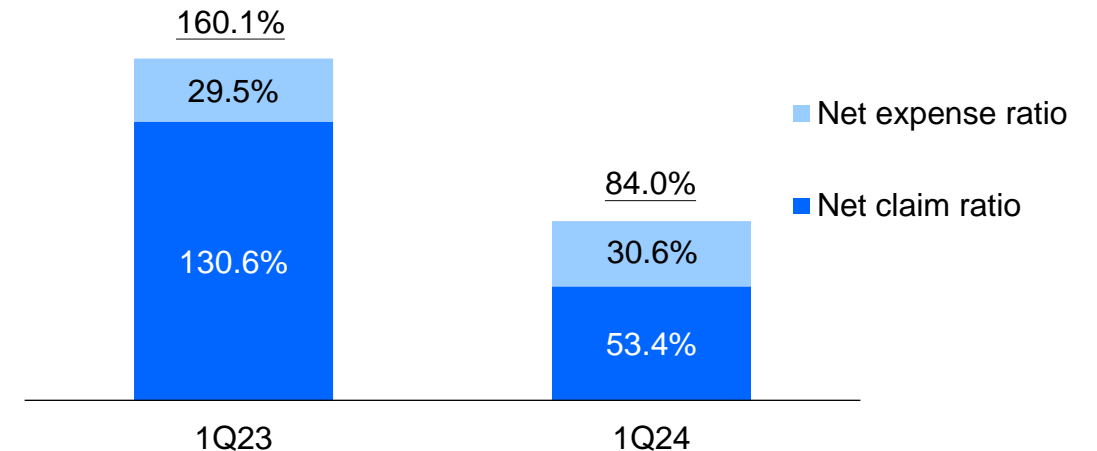
- Direct written premiums rose 6.2% YoY. Market share reached 24.7%, remaining the market leader
- Net combined ratio was 84.0%, improving YoY, reflecting business selection strategy and alleviating impact from covid-related policy losses

Direct written premiums by product

NT\$bn



Net combined ratio



Note: Standalone basis

Note: If exclusive of covid-related policies, 1Q23 net expense ratio is 29.3%, net claim ratio is 58.4%, net combined ratio is 87.7%



Performance Review by Subsidiary

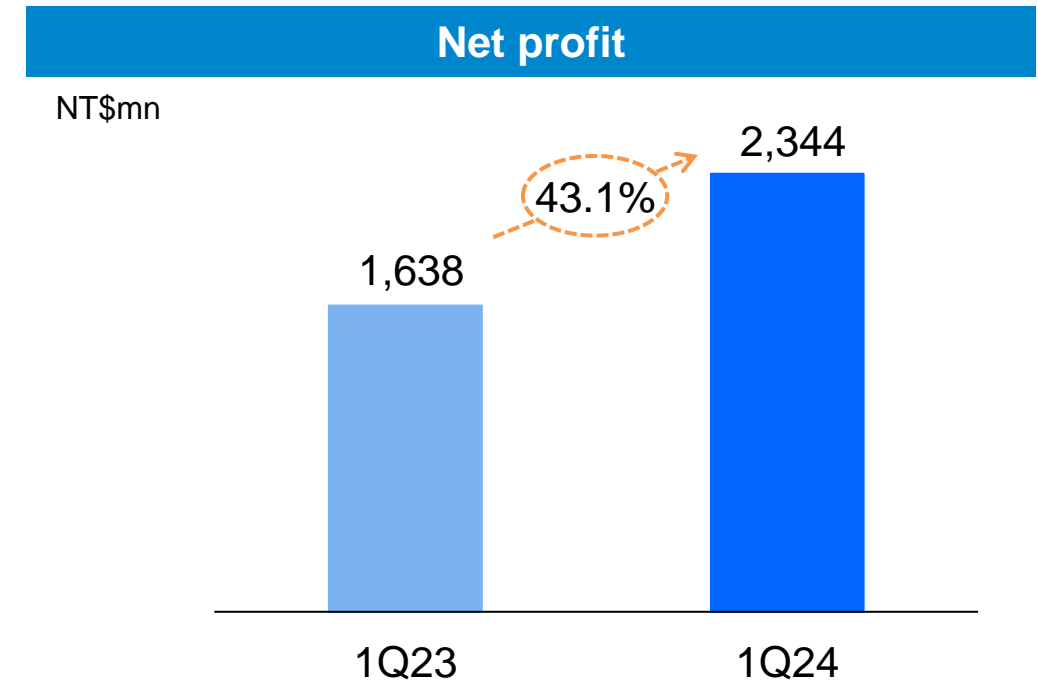
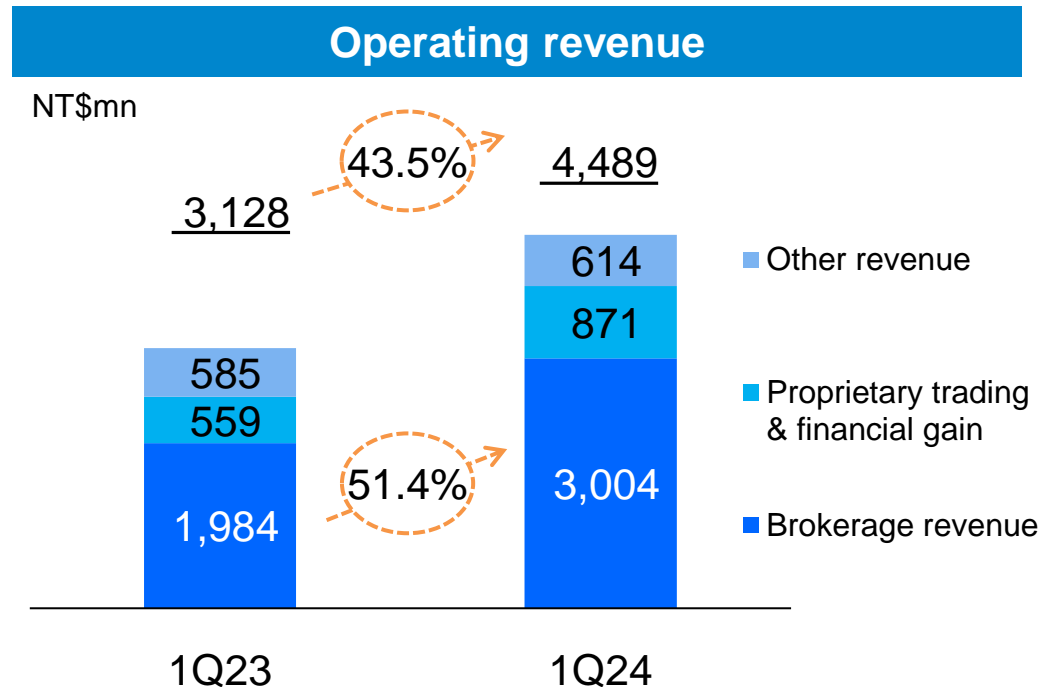
Fubon Securities

Fubon Securities: Operational Snapshot

- Net profit of NT\$2.344bn, up 43.1% YoY, mainly from investment, brokerage and wealth management gains as TAIEX trended up
- Net profit and market share of major businesses ranked among top 3, continuing focus on brokerage business and the penetration rate of wealth management products to expand business scale

Market Share & Ranking				
	1Q23		1Q24	
	Market Share	Ranking	Market Share	Ranking
Brokerage	5.07%	3	7.45%	3
Margin Loans	4.97%	8	9.60%	2
Securities Lending	16.17%	3	18.41%	2

Note: The ranking does not include foreign brokers; 1Q23 data are before merger





Performance Review by Subsidiary
Overseas Banking Subsidiaries

Fubon Bank (China): Financial Highlights

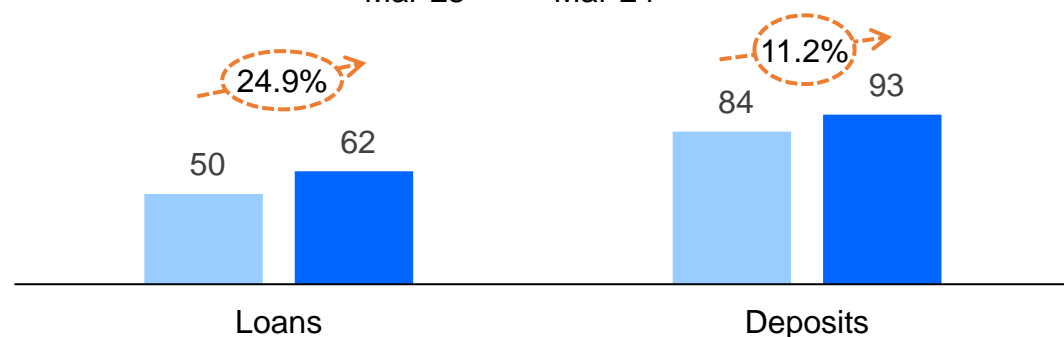


- Loans and deposits both grew at double digits YoY, on back of the addition of mortgage assets in 2Q23
- NIM decreased 13bps YoY. NIM would increase 2bps YoY if inclusive of SWAP revenue
- Asset quality remained at a relative stable level

Loans & deposits

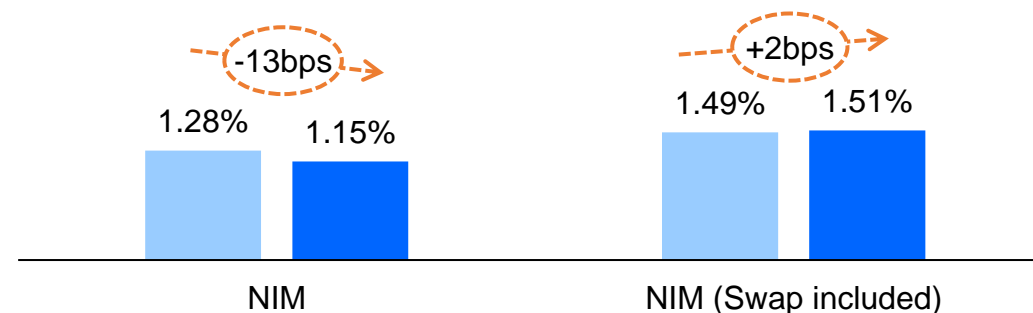
RMBbn

■ Mar-23 ■ Mar-24



NIM

■ Mar-23 ■ Mar-24



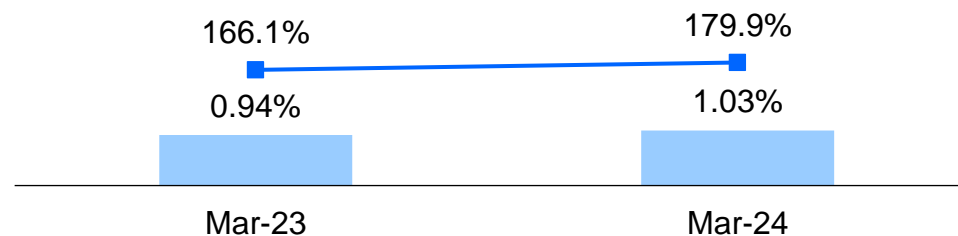
Net profit

RMBmn



NPL ratio & coverage ratio

■ NPL ratio ■ Coverage ratio





2023 Embedded Value of Fubon Life

2023 Value Creation Summary

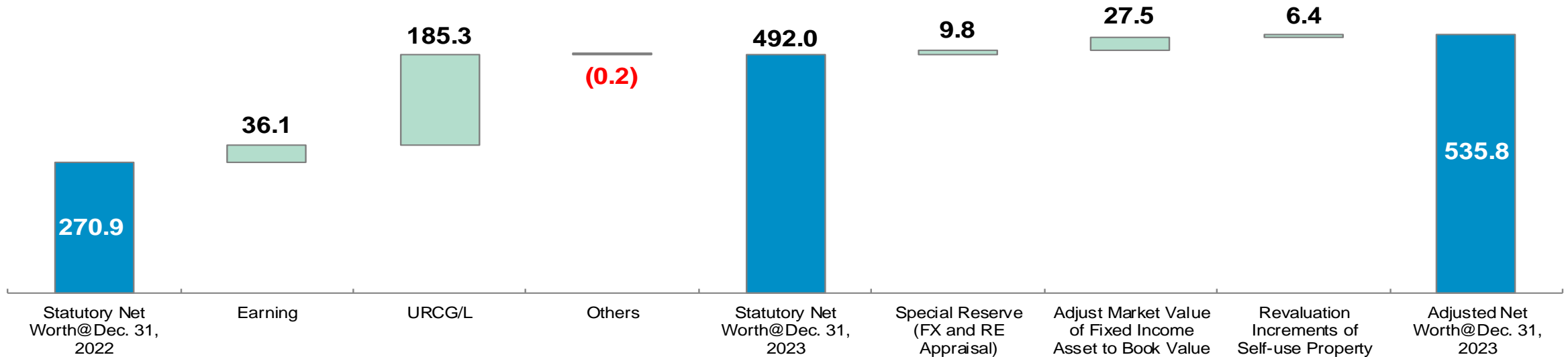


NT\$bn	Items	2022	2023	YoY	Diff	Impact
Inforce Value Creation	Net Worth (Book Value)	270.9	492.0	81.6%	221.1	↑
	Adjusted Net Worth	415.5	535.8	29.0%	120.3	↑
	VIF (before CoC)	571.0	582.3	2.0%	11.4	↑
	Cost of Capital (CoC)	(187.9)	(187.1)	0.4%	0.7	↑
	VIF (after CoC)	383.1	395.2	3.2%	12.1	↑
	Embedded Value	798.6	931.0	16.6%	132.4	↑
New Sales Value Creation	FYP	106.3	94.5	-11.1%	-11.8	↓
	FYPE	28.1	39.9	42.0%	11.8	↑
	FYPE/FYP	26.5%	42.3%	-	15.8%	↑
	VNB	16.6	20.0	20.3%	3.4	↑
	VNB margin (VNB/FYP)	15.6%	21.2%	-	5.5%	↑
Appraisal Value (20 year NB)	Multiplier	10.0	10.0	0.0%	0.0	
	Appraisal Value	963.9	1,129.8	17.2%	165.9	↑
Value per FHC share	Outstanding shares (FHC)	12.4	13.0	5.0%	0.6	↑
	Embedded Value	64.4	71.5	11.0%	7.1	↑
	Appraisal Value	77.8	86.8	11.6%	9.0	↑

Movement Analysis: Adjusted Net Worth



NT\$bn



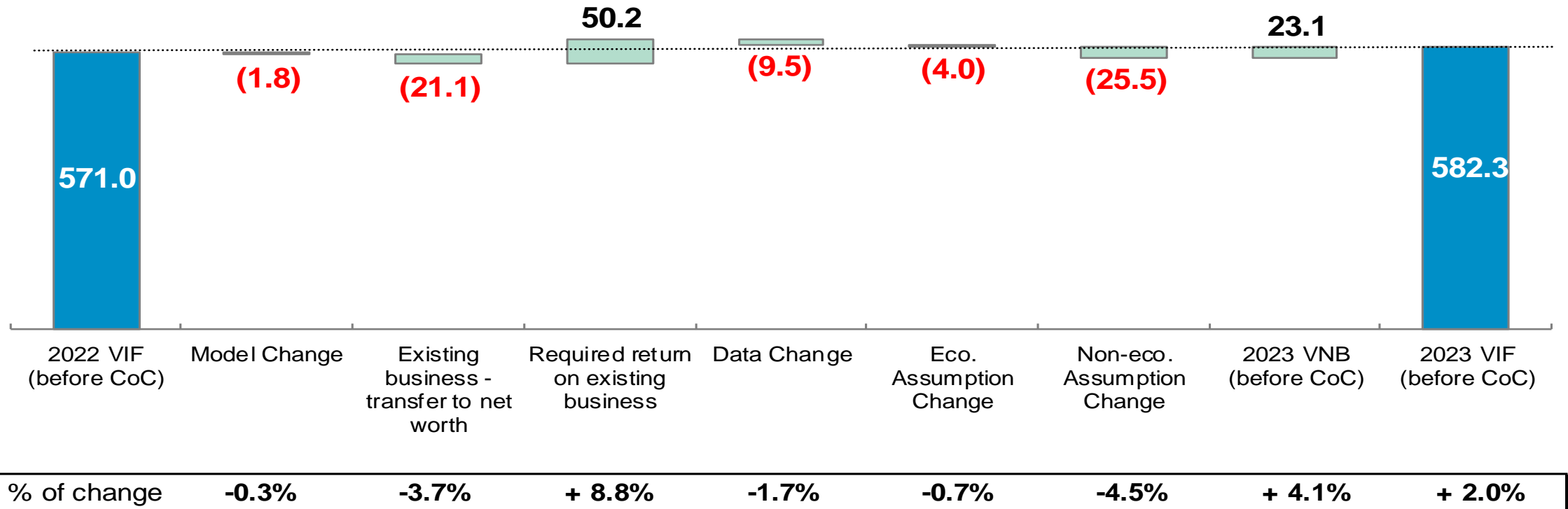
% of change	+ 13.3%	+ 68.4%	-0.1%	+ 81.6%				
Adj%					+ 2.0%	+ 5.6%	+ 1.3%	+ 8.9%

Note: Special Reserve includes FX reserve of NT\$9.18bn and real estate (RE) appraisal reserve of NT\$0.65bn

Movement Analysis: Value of In-Force (before CoC)



NT\$bn



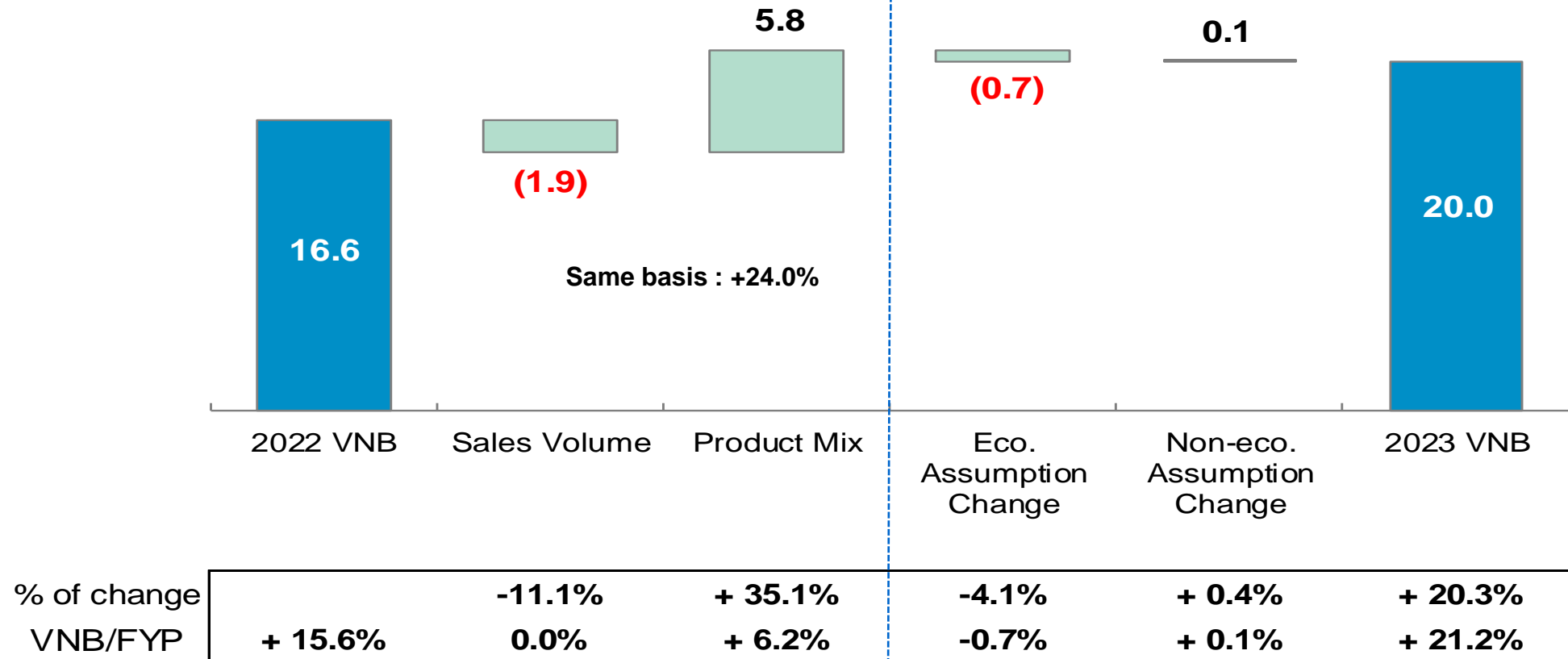
Note:

- (1) Economic assumption change includes changes of investment return (-0.72%) and foreign exchange rate (+0.02%)
- (2) The equivalent return of EV2022 reporting for VIF increased from 4.44% to 4.52% to reflect rolling over effect.
- (3) The equivalent return of EV2023 reporting for VIF is 4.51%
- (4) 2023 VNB (after CoC) is NT\$20.0bn

Movement Analysis: Value of New Business



NT\$bn



Note:

(1) The equivalent return of EV2022 reporting for VNB increased from 4.67% to 4.75% with consideration of rolling over effect and reflecting product sales in 2023

(2) The equivalent return of EV2023 reporting for VNB is 4.75%

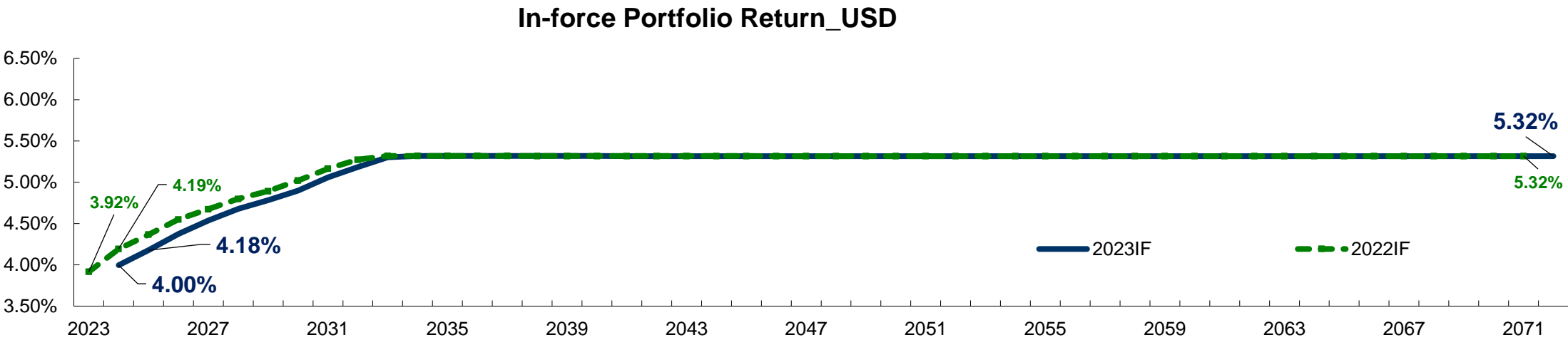
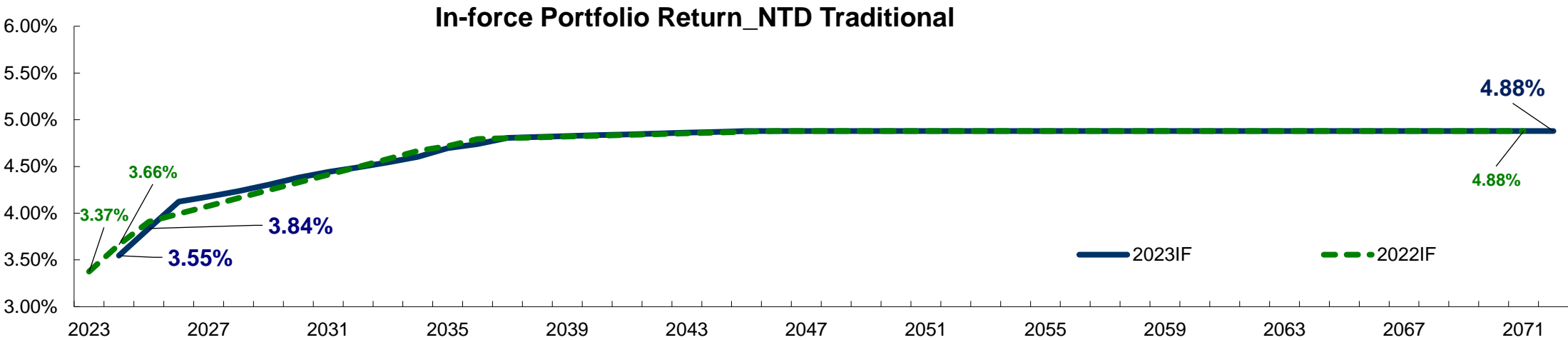
Economic Assumption



	Year 2022	Year 2023
Investment return	<p><u>VIF</u> NTD Traditional Policies : Year 2023 to Year 2046 at 3.37%~4.88%(2047+) USD Policies : Year 2023 to Year 2033 at 3.92%~5.32%(2034+) <u>VNB</u> NTD Traditional Policies : Year 2022 to Year 2041 at 3.68%~4.84%(2042+) USD Policies : Year 2022 to Year 2041 at 4.03%~5.30%(2042+)</p>	<p><u>VIF</u> NTD Traditional Policies : Year 2024 to Year 2045 at 3.55%~4.88%(2046+) USD Policies : Year 2024 to Year 2034 at 4.00%~5.32%(2035+) <u>VNB</u> NTD Traditional Policies : Year 2023 to Year 2042 at 3.55%~4.84%(2043+) USD Policies : Year 2023 to Year 2038 at 4.07%~5.30%(2039+)</p>
Risk Discount Rate	9% for VIF; 9% for VNB	9% for VIF; 9% for VNB
Equivalent Return	<p>VIF: 4.44% VNB: 4.67%</p>	<p>VIF: 4.51% VNB: 4.75%</p>
YC (10 year) Initial / ultimate	<p>TWD: 1.33% / 3.25% USD : 3.82% / 5.00%</p>	<p>TWD: 1.29% / 3.25% USD : 3.84% / 5.00%</p>

Note: The FX reserve mechanism was stipulated from 2012, its respective cost is reflected in the derivation of portfolio return.

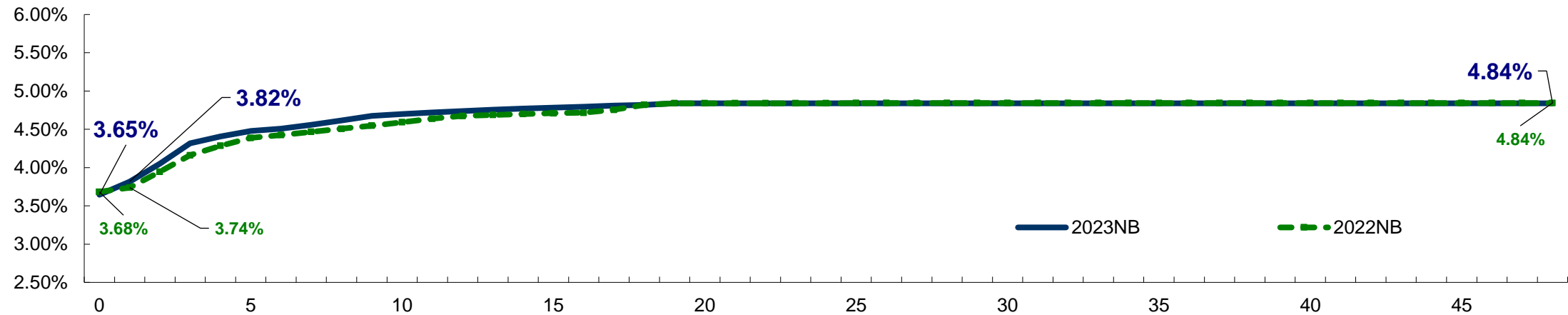
Economic Assumption: VIF Portfolio Return



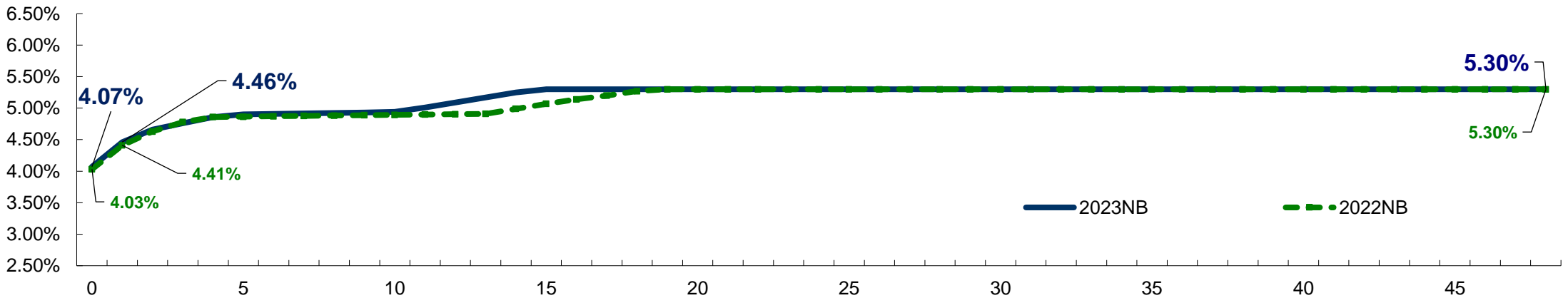
Economic Assumption: VNB Portfolio Return



NB Portfolio Return_NTD Traditional



NB Portfolio Return_USD



Economic Assumption: Discount Rate



Fubon Life	2022/12/31	2023/12/31
Risk Free Rate	1.33%~3.25%	1.29%~3.25%
Equity plus Country Risk Premium	6.16%	6.11%
Beta	1.02	0.98
Calculated RDR	7.6%~9.5%	7.3%~9.2%
Equivalent RDR	VIF: 8.91% VNB: 8.79%	VIF: 8.60% VNB: 8.50%
RDR used in the valuation	VIF: 9.0% VNB: 9.0%	VIF: 9.0% VNB: 9.0%

- RDR: According to CAPM (Capital Asset Pricing Model)

$\text{RDR} = \text{Risk Free Rate} + \text{Beta} * \text{Equity and Country Premium}$

- Since the Equivalent RDR for 2023 VIF/VNB are both below 9%, we set the RDR used for 2022 VIF /VNB calculation to 9%

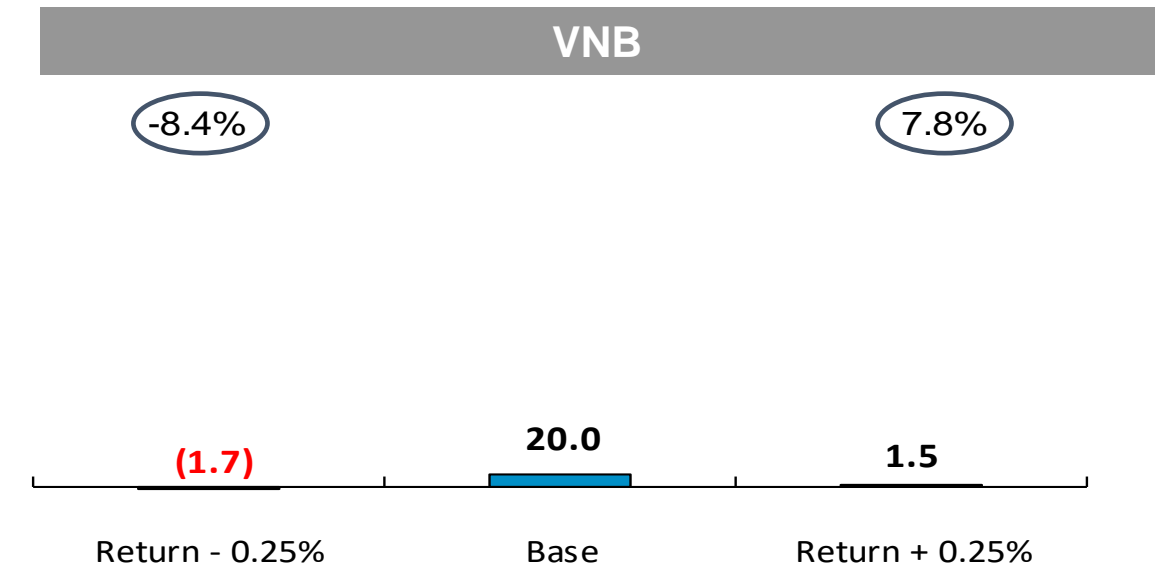
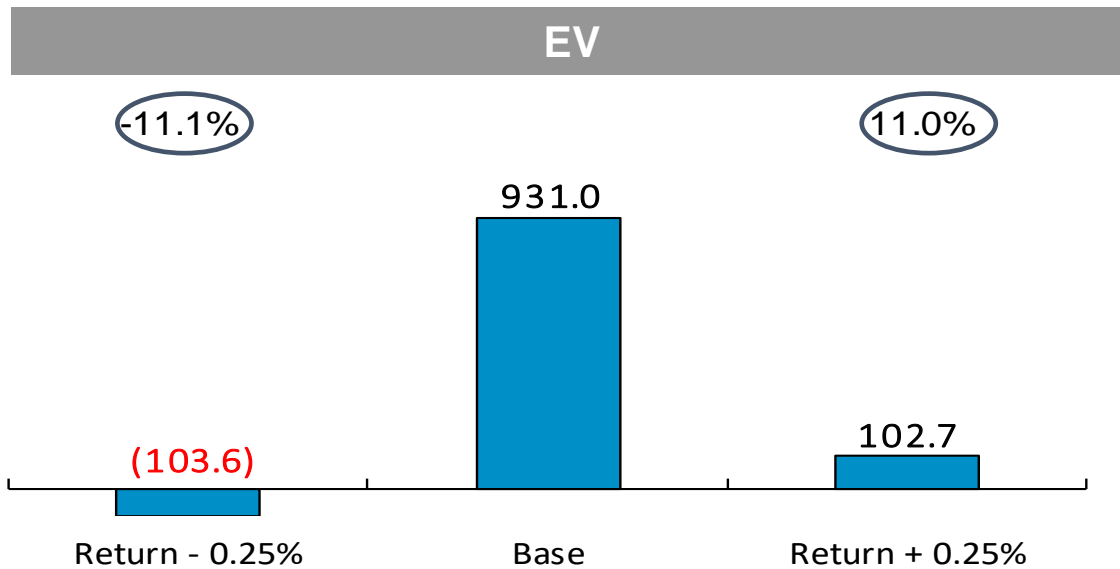
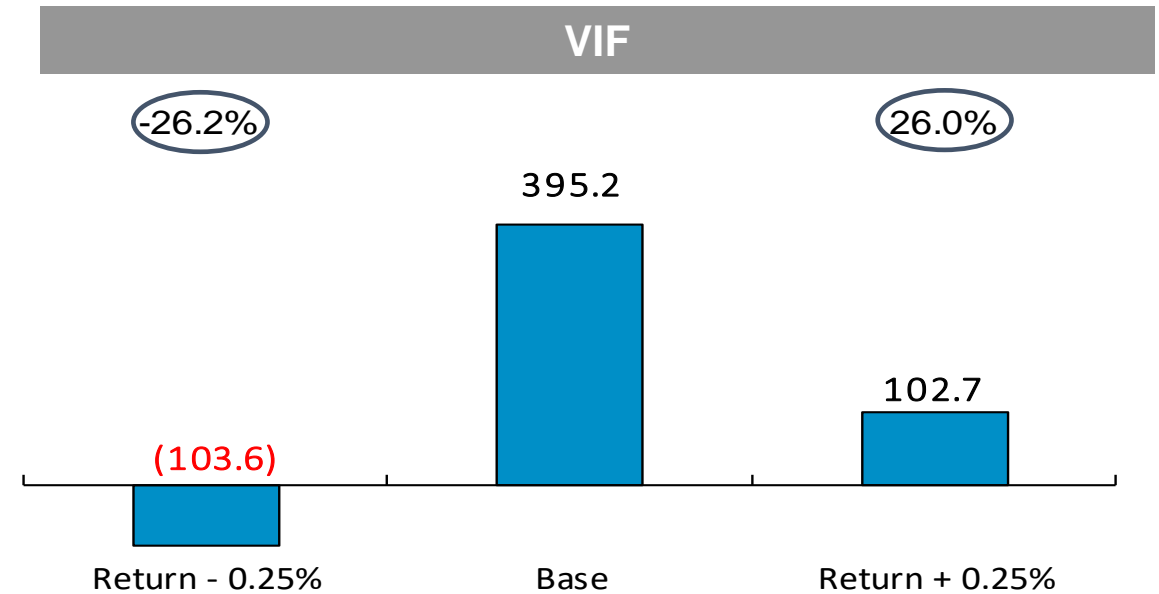
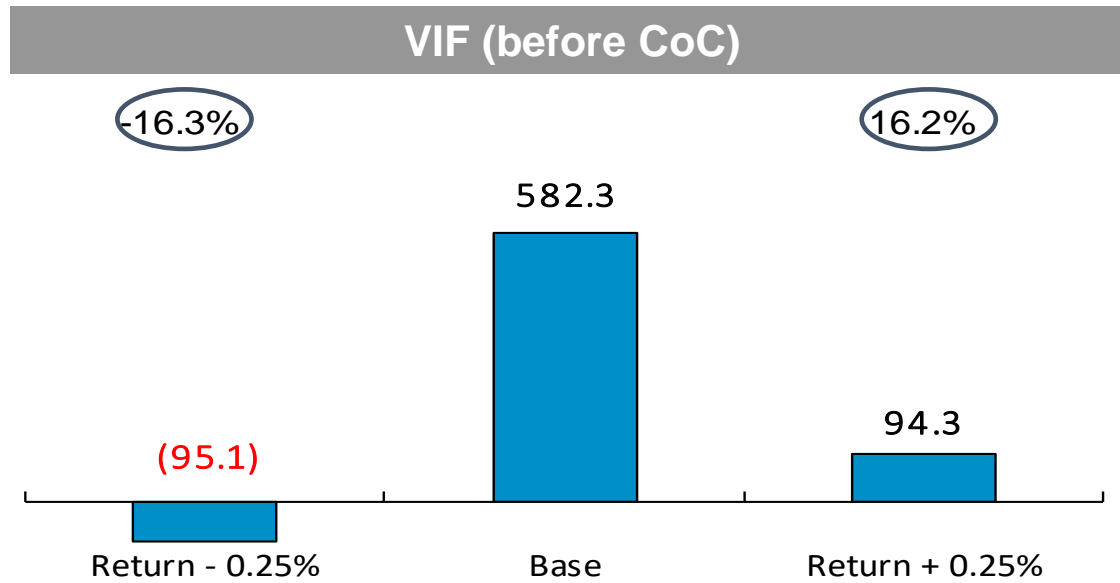
Cost of Capital projection

- **Projected future cost of capital is based on future capital requirement to maintain regulatory minimum RBC level of 200% considering the following factors:**
 - 1) Add regulatory required multiple of maximum C3 risk capital of previous five year for all traditional products every year (excludes investment-linked products) ;
 - 2) Reflect current and future business operation status.
- **Risk-based capital (RBC) regulation changes & adjustments in 2023:**
 - 1) Available capital is divided into three tiers based on loss absorbing capacity, level of subordination, and duration.
 - 2) The risk coefficient for public construction asset has been reduced from 33.75% to 17.25%. And assuming the underlying assets are 100% of public investments, the risk coefficient has been reduced to 10.18%.

Sensitivity Summary: Portfolio Return



NT\$bn

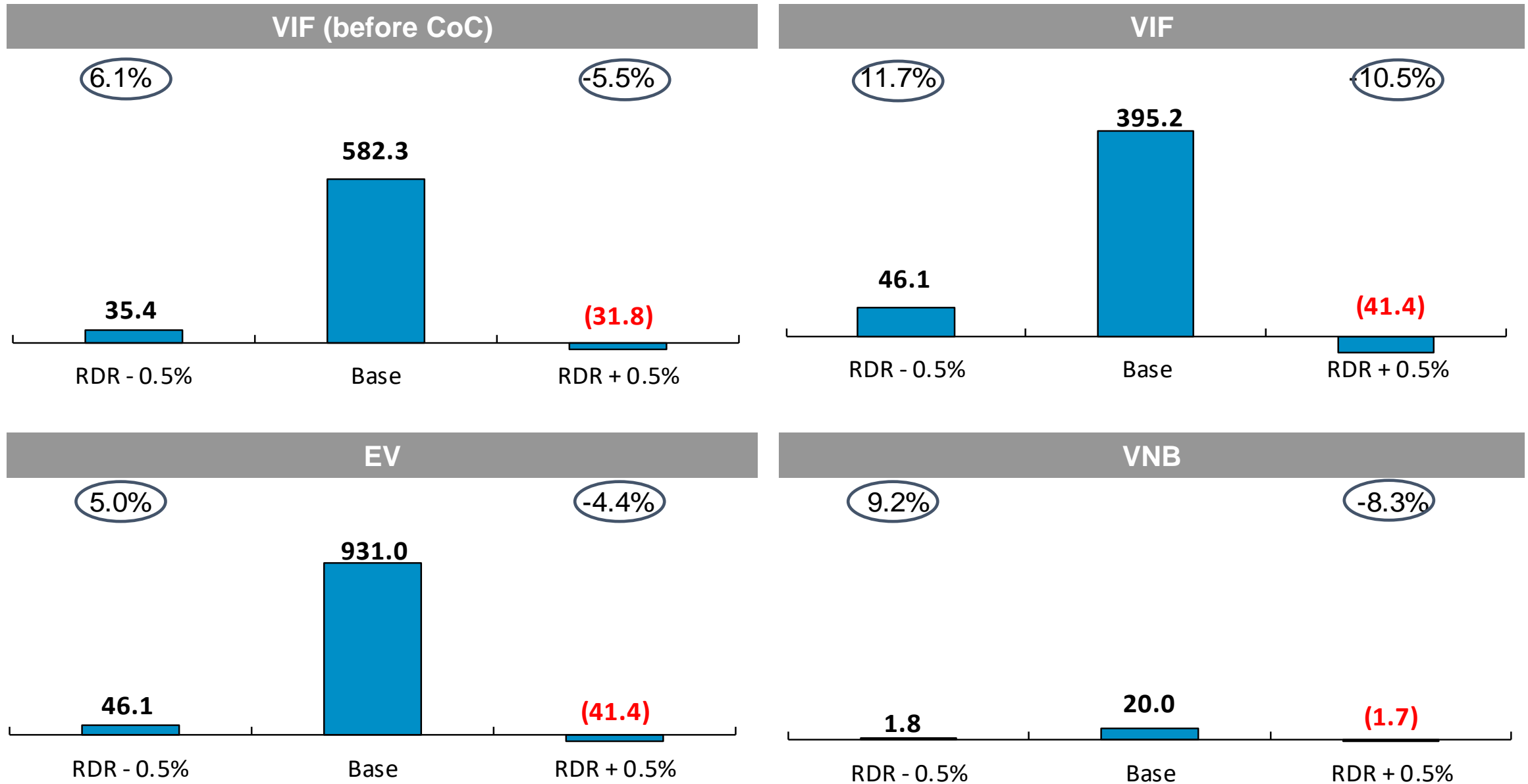


Note: ANW will not be affected by portfolio return

Sensitivity Summary: Risk Discount Rate



NT\$bn



Note: ANW will not be affected by RDR

The Engagement

- Deloitte & Touche Consulting Co. (“Deloitte Consulting”) was retained by Fubon Life to perform an independent review of the Embedded Value (EV) as at 31 December 2023 and the Value of New Business (VNB) written over the period of 1 January 2023 to 31 December 2023.

Scope of Deloitte Consulting’s Involvement

- Review and opine on the reasonableness of the EV and VNB as calculated by the Company;
- Review of the reasonableness of the assumptions used in the calculations, taking into consideration both the Company’s recent experience and the experience of the Taiwanese life insurance market;
- Review, at a high-level, model changes to the actuarial projection model since the previous valuation date;
- Review of the Company’s projection approach of the Cost of Capital;
- Review of the data put through the model compared to the policy data on the Company’s policy administration systems to judge the extent to which the business has been valued in the financial model and to identify the portion (if any) omitted and how that was valued;
- Review of the approach used to determine the Adjusted Net Worth (“ANW”), in particular, the adjustments made in deriving the ANW, and any other adjustments made outside of the actuarial projection model;
- Review of the Company's analysis of change in the Value of In-Force Business (“VIF”) between 31 December 2022 and 31 December 2023.

Risk Adjusted Discount Rates



Deloitte Consulting

- Fubon Life calculated the EV and VNB at Risk Adjusted Discount Rates (“RDR”) of 9.0%.

	RFR based on current government bond yield	RFR based on Company's long-term view	Equivalent RFR for New Business	Equivalent RFR for In-Force Business
Risk Free Rate (“RFR”)	1.29%	3.25%	2.51%	2.61%
Equity and Country Risk Premium	6.11%	6.11%	6.11%	6.11%
Beta	0.98	0.98	0.98	0.98
Calculated Risk Discount Rate	7.27%	9.24%	8.50%	8.60%
Risk Discount Rate used in the Valuation for VIF	9.00%			
Risk Discount Rate used in the Valuation for VNB	9.00%			

Reference – RDR based on Capital Asset Pricing Model (CAPM):

$$RDR = RFR + Beta * Equity \text{ and Country Risk Premium}$$

Comments on the Risk Adjusted Discount Rates

Deloitte Consulting independently derived a range of RDRs using the CAPM approach:

- The low end of the RDR is developed based on the current yield on 10-year Taiwan government bonds.
- The high end of the RDR is developed based on the Company's view of the 10-year Taiwan government bonds in the future.
- The equivalent RFR is the RFR equivalent to using a set of graded-up RFR from 1.29% to 3.25% that derives the same VIF and VNB.
- The Equity and Country Risk Premium was developed based on the Country Default Spreads and Risk Premiums research published by New York University.
- The Beta of 0.98 was set using a risk profiling approach which considers risks related to the product range, distribution diversification/vulnerability, regulatory intervention and investments.
- The RDR assumption applied by Fubon Life in the valuation lies within the range of RDR that we derived.

A set of rising investment return assumption has been used in this valuation which is considered reasonable for the present market conditions.

Fubon Life's derivation of the investment return assumption is featured by the following:

- Derivation methodology is consistent with that applied in previous valuations.
- The methodology involves:
 - For VIF, the investment return assumption was derived from a combination of the investment return generated by the run-off of the existing asset portfolio and of that from future purchases of new assets;
 - For VNB, the new business is not supported by returns on existing assets and the investment return was derived from future purchases of new assets.
- New assets are purchased at the prevailing new money rates, which are set to equal to the expected future risk free rates plus a risk margin for each asset type.
- Future risk free rates are set starting off with the actual yield curves as at the valuation date and are assumed to rise to a long-term level over a 10-year period. For New Taiwan Dollar and US Dollar respectively, the initial risk free rates are 1.29% and 3.84% and a long-term risk free rate of 3.25% and 5.00% is assumed.
- Different assumptions were derived for different types of business, which were assumed to have a different long-term asset allocation.
- For some business lines, the investment return assumption derived in the above-mentioned manner was capped at a certain level for conservative reasons.

Comments on Investment Return (2)



Deloitte Consulting

It is in Deloitte Consulting's view that:

Methodology

- Fubon Life's derivation methodology for the investment return assumption is reasonable and consistent with the way that the ANW is calculated.

Investment Return Assumptions

- The expected long-term risk free rate for New Taiwan Dollar yield and US Dollar yield are set to 3.25% and 5.00% respectively.
- We note that taking a view on the future capital market is not uncommon under the traditional Embedded Value methodology. On a macro-economic level the arguments put forward for rising interest rates are plausible, and we note that the expected future rise in yields is spread out over a reasonably long period of 10 years.
- Readers should be aware that capital market conditions are subject to the impact of many forces. Yields and prices of financial instruments can move dramatically in a short period of time. As a result, it is difficult to predict the interest rate level in the future with great certainty. Readers should refer to the sensitivity tests to develop a broader understanding of the impact of the investment return assumption on the assessment of the economic value of Fubon Life.
- Overall, the economic assumptions appear to be reasonable.

Comments on Cost of Capital



Deloitte Consulting

Taiwan RBC

- Readers should be aware that the C3 risk calculation is subject to yearly regulatory change and therefore there is a high degree of uncertainty in the projection of cost of capital.

Comments on Non-Economic Assumptions



Deloitte Consulting

Non-Economic Assumptions

- The non-economic assumptions reflect Fubon Life's best estimate of future operating experience, and are appropriately supported by the company's historical operating experience.

Comments on EV and VNB Results



Deloitte Consulting

Deloitte Consulting have reviewed the Embedded Value and Value of New Business results at a high-level under the generally accepted method for calculating traditional embedded values in Taiwan:

- Review of the changes in the VIF relative to the assumption changes and model changes from 2022 to 2023;
- Review of the changes in the new business profit margin relative to that in 2022 based on information on changes in sales mix, sales volume and valuation assumptions;
- Review of the sensitivities relative to the base case results.

The Embedded Value and Value of New Business results appear to be reasonable within the above context.

Deloitte Consulting's detailed opinion can be found in their opinion letter.



Fubon Financial



Contact IR



 Fubon Financial

ESG strategy: Goals and results



Decarbonization

Helping clients
through sustainable finance

Indicators		1Q24 results	2024 goals	2030 goals
• Green Finance		NT\$2,548.4bn	NT\$2,561.3bn	NT\$2,910.8bn
• Participation in green bond underwriting cases		67%	33%	45%
• Climate-related products and services		NT\$2.1bn	NT\$6.2bn	NT\$7.4bn
• Number of loss prevention services		162	660	750
• Operational carbon reduction (baseline year: 2020)		Disclosed on 1H24	-17%	-42%



Digitalization

Providing the best
financial services

Indicators		1Q24 results	2024 goals	2030 goals
Life	• Growth in applications for e-notifications (YoY)	2.41% (YTD)	9%	4%
	• Share of all policies that are e-policies and e-terms and conditions policies	25.1%	23%	30%
Bank	• Growth in active digital platform accounts (YoY)	3.4% (YTD)	10%	5%
	• Share of credit cards / personal loans / account openings processed online	71%	85%	90%
	• Growth of mobile banking monthly active user (YoY)	4.9% (YTD)	20%	10%
Insurance	• E-policies and electronic compulsory auto liability insurance certificates issued	75.2%	71%	77%
Securities	• Share of all active accounts using digital trading system	86.9%	84%	90%

Fubon Financial - Financial summary

NT\$ millions, except for percentages	1Q24	4Q23	3Q23	2Q23	1Q23	2023	2022	YoY
Income Statement Data								
Net interest income	43,887	43,081	44,337	41,733	39,865	169,017	165,212	2.3%
Insurance income	2,239	(10,098)	(19,941)	(6,528)	(23,945)	(60,512)	(49,521)	N.M.
Net gains (losses) on FX and financial assets	49,140	(16,383)	33,361	29,830	13,818	60,626	137,399	-55.9%
Others	(6,061)	(2,402)	(2,317)	1,086	2,300	(1,332)	6,369	N.M.
Net revenue	89,205	14,198	55,441	66,121	32,038	167,799	259,458	-35.3%
Bad debt expense and reserve for guarantee	(2,992)	(3,503)	(2,517)	(2,877)	(1,086)	(9,983)	(5,768)	73.1%
Net change in insurance reserve	(30,245)	8,932	607	(11,873)	1,414	(921)	(122,853)	-99.3%
Operating expense	(20,969)	(23,925)	(21,179)	(19,005)	(18,342)	(82,451)	(69,891)	18.0%
Income before tax	34,999	(4,297)	32,351	32,366	14,024	74,444	60,946	22.1%
Net income	30,436	(2,200)	24,740	28,629	13,873	65,042	47,864	35.9%
Net income to parent company	30,408	(1,796)	24,908	28,922	13,983	66,017	46,926	40.7%
Balance Sheet Data								
Total assets	11,526,386	11,106,312	11,082,302	10,934,873	10,629,619	11,106,312	10,587,757	4.9%
Equity attributable to parent company	896,450	802,437	737,435	743,309	713,114	802,437	565,691	41.9%
Outstanding common shares (million shares)	13,015	13,015	13,015	12,395	12,395	13,015	12,395	5.0%
Key Metrics								
ROA	1.08%	-0.08%	0.91%	1.06%	0.52%	0.60%	0.45%	
ROE	14.32%	-1.05%	15.29%	17.68%	8.75%	9.65%	6.19%	
Equity / assets	7.90%	7.35%	6.77%	6.87%	6.79%	7.35%	5.42%	
Double leverage	115.53%	117.29%	118.52%	117.95%	116.95%	117.29%	121.72%	
Capital adequacy ratio		128.91%		123.72%		128.91%	125.29%	
Cash dividend per share						2.50	1.50	
Stock dividend per share						0.50	0.50	

Fubon Life - Financial summary

NT\$ millions, except for percentages	1Q24	4Q23	3Q23	2Q23	1Q23	2023	2022	YoY
Income statement data								
First year premium*	28,277	21,584	25,087	23,811	23,971	94,453	106,297	-11.1%
Retained earned premium	88,977	90,521	74,599	82,358	81,737	329,215	341,224	-3.5%
Total investment income	58,085	27,767	59,283	58,468	41,679	187,196	213,800	-12.4%
Recurring investment income	41,267	39,852	48,897	47,739	37,893	174,382	163,712	6.5%
Other investment income	16,818	(12,085)	10,385	10,728	3,786	12,814	50,088	-74.4%
Realized gains (losses) from fixed income	154	(275)	(808)	(1,327)	365	(2,045)	(4,193)	N.M.
Realized gains (losses) from equity	32,819	14,576	3,895	11,318	16,311	46,100	62,307	-26.0%
FX and others	(8,642)	(23,813)	10,213	(313)	(13,891)	(27,803)	(2,698)	N.M.
Investment property fair value movement	(7,514)	(2,573)	(2,915)	1,050	1,000	(3,437)	(5,328)	N.M.
Other income	1,513	1,007	1,331	1,170	1,086	4,594	5,232	-12.2%
Total operating revenue	148,575	119,295	135,212	141,996	124,502	521,005	560,256	-7.0%
Retained claim payment	(92,271)	(104,759)	(98,862)	(91,883)	(95,442)	(390,947)	(360,950)	8.3%
Net commission expense	(8,752)	(5,845)	(6,676)	(5,698)	(5,925)	(24,143)	(18,005)	34.1%
Net change in insurance liability	(20,716)	(10,313)	(1,546)	(16,342)	(10,820)	(39,021)	(88,258)	-55.8%
General and administrative expense	(5,397)	(6,442)	(5,674)	(4,738)	(4,283)	(21,137)	(18,719)	12.9%
Other operating costs	(1,645)	(4,156)	(2,690)	(2,182)	(1,898)	(10,925)	(4,793)	127.9%
Total operating costs and expenses	(128,781)	(131,515)	(115,447)	(120,843)	(118,369)	(486,173)	(490,726)	-0.9%
Net non-operating income / (expenses)	335	238	292	227	249	1,005	4,564	-78.0%
Income before tax	20,129	(11,982)	20,057	21,380	6,382	35,837	74,094	-51.6%
Net income	17,485	(7,426)	16,569	18,691	7,131	34,964	65,682	-46.8%
Net income to parent company	17,463	(7,040)	16,904	18,979	7,248	36,091	65,537	-44.9%
Balance sheet data								
Total assets	5,978,420	5,812,094	5,841,525	5,774,194	5,668,952	5,812,094	5,602,830	3.7%
Total assets (general account)	5,501,193	5,341,015	5,374,850	5,303,368	5,208,473	5,341,015	5,133,025	4.1%
Insurance liabilities	4,661,550	4,595,802	4,648,865	4,614,248	4,578,544	4,595,802	4,588,879	0.2%
Total liabilities	5,407,574	5,313,881	5,404,595	5,320,768	5,255,527	5,313,881	5,327,819	-0.3%
Total liabilities (general account)	4,910,156	4,824,783	4,909,748	4,825,899	4,773,042	4,824,783	4,830,330	-0.1%
Equity attributable to parent company	564,918	492,038	432,162	448,695	408,200	492,038	270,918	81.6%
Key Metrics								
ROA	1.19%	-0.51%	1.14%	1.31%	0.51%	0.61%	1.16%	
ROE*	13.22%	-6.09%	15.35%	17.72%	8.54%	9.46%	15.06%	
Equity / Assets (general account)	10.38%	9.33%	8.13%	8.55%	7.94%	9.33%	5.36%	
Expense ratio	6.07%	7.12%	7.61%	5.75%	5.24%	6.42%	5.49%	
Persistency ratio - 13th month*	96.95%	96.03%	96.20%	96.22%	96.11%	96.03%	95.85%	
Persistency ratio - 25th month*	95.79%	93.10%	92.50%	93.80%	93.67%	93.10%	95.97%	
RBC*		336.00%		317%		336%	315%	

Note: Data are consolidated basis and data mark with * are stand-alone basis

Taipei Fubon Bank - Financial summary

NT\$ millions, except for percentages	1Q24	4Q23	3Q23	2Q23	1Q23	2023	2022	YOY
Income statement data								
Interest income	33,098	33,028	31,948	29,140	26,964	121,080	83,391	45.2%
Interest expense	(22,263)	(21,724)	(20,833)	(18,956)	(17,250)	(78,762)	(39,144)	101.2%
Net interest income	10,836	11,304	11,116	10,184	9,714	42,318	44,247	-4.4%
Net fee income	5,168	2,699	3,719	3,262	3,671	13,351	8,693	53.6%
Other income	4,534	2,955	4,516	4,192	4,582	16,243	9,756	66.5%
Total net revenue	20,538	16,957	19,350	17,638	17,967	71,912	62,696	14.7%
Operating expenses	(9,661)	(10,918)	(9,479)	(8,709)	(8,887)	(37,992)	(30,030)	26.5%
Pre-provision profits	10,877	6,039	9,872	8,929	9,080	33,920	32,666	3.8%
Provision for credit losses	(1,388)	(1,500)	(1,541)	(2,393)	(615)	(6,049)	(3,273)	84.8%
Income before tax	9,490	4,539	8,331	6,536	8,464	27,871	29,393	-5.2%
Net income	8,225	4,196	7,430	6,014	6,807	24,448	24,964	-2.1%
Net income to parent company and former owner of business combination under common control	8,164	4,228	7,116	6,395	6,734	24,473	23,934	2.3%
Balance sheet data								
Loans and discounts, net	2,373,444	2,264,295	2,238,427	2,176,320	2,060,650	2,264,295	2,076,747	9.0%
Deposits and remittances	3,623,054	3,511,264	3,423,285	3,375,378	3,340,436	3,511,264	3,325,903	5.6%
Allowance for loan losses*	27,740	26,687	26,202	24,855	24,029	26,687	24,440	9.2%
Total assets	4,555,473	4,401,733	4,373,640	4,291,303	4,171,114	4,401,733	4,203,034	4.7%
Equity attributable to parent company and former owner of business combination under common control	298,889	286,708	280,915	271,690	270,597	286,708	261,897	9.5%
Key metrics								
ROA	0.73%	0.38%	0.69%	0.57%	0.65%	0.57%	0.61%	
ROE*	11.15%	5.96%	10.30%	9.43%	10.12%	8.92%	9.33%	
Equity / assets	7.16%	7.11%	7.03%	6.83%	7.03%	7.11%	6.77%	
Cost / income ratio	-47.04%	-64.39%	-48.99%	-49.37%	-49.46%	-52.83%	-47.90%	
NPL ratio*	0.11%	0.12%	0.11%	0.12%	0.13%	0.12%	0.17%	
Reserve / NPL*	1143.73%	1071.06%	1147.09%	1070.19%	962.93%	1071.06%	744.54%	
Tier 1 ratio*	13.94%	14.17%	14.02%	13.69%	13.93%	14.17%	13.03%	
BIS ratio*	16.19%	16.41%	16.28%	16.05%	16.42%	16.41%	15.49%	
Tier 1 ratio		12.65%		12.19%		12.65%	11.65%	
BIS ratio		14.83%		14.39%		14.83%	13.92%	

Note:

(1) Data are consolidated basis and data mark with * are stand-alone basis

(2) The consolidation with JihSun completed in 2Q23. The above table includes Taipei Fubon Bank, JihSun Bank and JihSun Insurance Agent. The capital ratio as of 2022 and 1Q23 don't consolidate JihSun-related entities

Fubon Insurance - Financial summary

NT\$ millions, except for percentages	1Q24	4Q23	3Q23	2Q23	1Q23	2023	2022	YoY
Income statement data								
Direct written premiums	17,526	14,229	14,686	15,570	16,549	61,034	57,014	7.0%
Retention of earned premiums	11,563	11,063	10,974	11,151	11,104	44,292	43,656	1.5%
Net income from investment	690	119	382	425	590	1,516	2,708	-44.0%
Other operating revenue	727	457	676	967	572	2,672	2,374	12.6%
Retained insurance payments	(5,610)	(6,124)	(6,275)	(7,794)	(21,033)	(41,226)	(71,627)	-42.4%
Net change in liability reserve	(508)	1	(150)	1,818	7,871	9,540	(8,416)	N.M.
Commission and operating expenses	(5,157)	(5,284)	(4,543)	(5,236)	(4,517)	(19,579)	(18,598)	5.3%
Non-operating income	(80)	(78)	(72)	(63)	80	(133)	(391)	N.M.
Income before tax	1,626	154	992	1,268	(5,332)	(2,917)	(50,294)	N.M.
Net income	1,363	120	780	1,010	(4,237)	(2,327)	(39,961)	N.M.
Net income to parent company	1,348	180	813	1,030	(4,254)	(2,230)	(39,983)	N.M.
Balance sheet data								
Total assets	118,089	115,773	120,464	120,683	120,146	115,773	113,840	1.7%
Investment assets	40,357	40,378	38,695	37,403	35,940	40,378	40,404	-0.1%
Policy reserve	69,094	66,360	68,097	67,123	68,996	66,360	77,450	-14.3%
Equity attributable to parent company	20,281	18,804	17,725	17,773	1,084	18,804	4,485	319.2%
Key Metrics								
ROA	4.66%	0.41%	2.59%	3.36%	-14.49%	-2.03%	-32.57%	
ROE	27.59%	3.94%	18.33%	43.70%	-611.01%	-19.15%	-162.71%	
Total investment return	6.83%	1.21%	4.01%	4.63%	6.19%	3.75%	4.20%	
Solvency margin (NWP/equity)	246.60%	230.50%	244.78%	256.95%	4244.13%	237.21%	986.14%	
Retention ratio	67.46%	72.80%	70.18%	70.02%	66.80%	69.84%	73.21%	
RBC		278%		267%		278%	-37%	

Note: Consolidated basis

Fubon Securities - Financial summary

NT\$ millions, except for percentages	1Q24	4Q23	3Q23	2Q23	1Q23	2023	2022	YoY
Income statement data								
Brokerage commissions	3,004	2,450	2,792	2,301	1,984	9,527	9,049	5.3%
Net interest income	530	567	522	520	438	2,047	1,957	4.6%
Fee income	580	608	573	475	435	2,091	1,514	38.1%
Net principal transactions and financial products gains	929	819	716	874	586	2,995	1,768	69.4%
Other income	38	28	79	80	71	258	413	-37.5%
Total operating revenue	5,081	4,473	4,681	4,251	3,513	16,918	14,702	15.1%
Total operating expense	(2,663)	(3,016)	(2,707)	(2,456)	(2,316)	(10,495)	(9,530)	10.1%
Net non-operating income / (expenses)	177	317	338	141	541	1,337	550	143.1%
Income before tax	2,595	1,775	2,312	1,935	1,739	7,761	5,722	35.6%
Net income	2,344	1,565	2,050	1,801	1,638	7,054	4,450	58.5%
Net income to parent company and former owner of business combination under common control	2,344	1,565	2,050	1,801	1,638	7,054	4,022	75.4%
Balance sheet data								
Margin loans	37,193	32,000	29,174	25,452	22,950	32,000	21,506	48.8%
Total assets	301,768	243,640	223,764	226,157	192,610	243,640	191,450	27.3%
Equity attributable to parent company and former owner of business combination under common control	57,487	54,527	52,921	51,861	67,161	54,527	66,610	-18.1%
Key Metrics								
ROA	3.44%	2.68%	3.65%	3.44%	3.41%	3.24%	1.98%	
ROE	16.74%	11.65%	15.65%	16.68%	18.01%	15.87%	7.65%	
Equity / assets	19.05%	22.38%	23.65%	22.93%	18.16%	22.38%	17.32%	
Expenses / revenues	-52.42%	-67.41%	-57.83%	-57.80%	-65.90%	-62.03%	-64.82%	
Margin loans / total assets	12.32%	13.13%	13.04%	11.25%	11.92%	13.13%	11.23%	
Margin loans / shareholders' equity	64.70%	58.69%	55.13%	49.08%	65.60%	58.69%	64.85%	
Capital adequacy ratio		361.89%		328.52%		361.89%	361.23%	

Note:

(1) Consolidated basis

(2) The capital adequacy ratio as of 2022 don't consolidate JihSun-related entities

Fubon Bank (China) - Financial summary

<i>RMB millions, except for percentages</i>	1Q24	4Q23	3Q23	2Q23	1Q23	2023	2022	YoY
Income Statement Data								
Interest income	1,365	1,363	1,324	1,216	1,152	5,055	5,346	-5.4%
Interest expense	(1,042)	(986)	(1,011)	(919)	(828)	(3,744)	(2,949)	26.9%
Net interest income	323	377	313	298	324	1,311	2,397	-45.3%
Net fee income	(152)	(94)	(72)	(31)	(45)	(241)	(376)	N.M.
Other income	256	169	221	7	128	525	(197)	N.M.
Operating expenses	(276)	(290)	(282)	(266)	(272)	(1,110)	(1,075)	3.3%
Pre-provision profits	151	162	181	8	135	485	749	-35.2%
Provision for credit losses	(139)	(205)	(81)	(293)	(84)	(663)	(347)	90.9%
Income before tax	12	(43)	99	(285)	51	(178)	402	N.M.
Net income	55	4	136	(184)	61	17	432	-96.1%
Balance Sheet Data								
Loans	62,209	62,745	59,944	58,264	49,788	62,745	51,272	22.4%
Deposits	93,440	93,668	90,304	87,505	84,031	93,668	87,331	7.3%
Total asset	138,830	138,878	138,258	137,900	122,139	138,878	133,344	4.2%
Total equity	9,829	9,682	9,485	8,537	8,747	9,682	8,606	12.5%
Key Metrics								
ROA	0.16%	0.01%	0.39%	-0.57%	0.19%	0.01%	0.32%	
ROE	2.75%	0.23%	7.05%	-9.41%	3.10%	0.22%	5.52%	
Equity / assets	7.08%	6.97%	6.86%	6.19%	7.16%	6.97%	6.45%	
Cost / income ratio	-61.70%	-61.22%	-58.87%	-97.17%	-64.69%	-67.43%	-56.99%	
NPL ratio	1.03%	0.81%	0.87%	0.92%	0.94%	0.81%	0.81%	
Reserve / NPL	179.86%	225.22%	207.20%	196.14%	166.06%	225.22%	186.20%	
Loan to deposit ratio	66.58%	66.99%	66.38%	66.58%	59.25%	66.99%	58.71%	
Tier 1 ratio	11.68%	12.41%	12.34%	11.23%	12.91%	12.41%	11.98%	
BIS ratio	13.50%	14.53%	15.72%	14.60%	16.38%	14.53%	15.32%	

16 May 2024

Fubon Life Insurance Company Limited
14F, No. 108, Section 1
Tun Hwa South Road
Taipei 105408
Taiwan, R.O.C

For the attention of: Mr. Shr-Iue Chen, President
Ms. Tsai-Ling Chao, EVP

Dear Sirs and Madams,

Review of Embedded Value as at 31 December 2023 and Value of New Business of Fubon Life Insurance Company Limited

Deloitte & Touche Consulting Co. ("Deloitte Consulting", or "we") have been retained by Fubon Life Insurance Company Limited ("Fubon Life" or "the Company") to prepare an independent opinion in respect of the Embedded Value ("EV") as at 31 December 2023 and the Value of New Business ("VNB") sold during the calendar year 2023 as calculated and published by the Company. The purpose of the publication of the EV and VNB figures was to provide supplementary information to investors, analysts and other stakeholders.

This opinion letter ("the Opinion Letter") sets out the work carried out and findings from that work and has been prepared in accordance with the Work Order dated 21 February 2024 between Fubon Life and Deloitte Consulting.

This Opinion Letter has been prepared by Deloitte & Touche Consulting Co. ("Deloitte Consulting") solely for the information and use of Fubon Life Insurance Company Limited ("Fubon Life") for the purpose set out in the introduction of this Opinion Letter, including its reporting or filing obligations under the requirements set out in two circulars, published by the Financial Supervisory Commission R.O.C. (Taiwan) (Circular No. 10202092580) and the Life Insurance Association of the Republic of China (Circular No. 103031433) respectively, regarding the principles to be followed by life insurers disclosing Embedded Value Results. To the fullest extent permitted by law we do not accept or assume responsibility or liability (including without limitation, those arising from negligence) to anyone other than Fubon Life's Directors as a body for our work in respect of this Opinion Letter or for the conclusions that we have reached.

Summary of Embedded Value and Value of New Business Results

The Embedded Value as at 31 December 2023 and the Value of New Business written over the period of 1 January 2023 to 31 December 2023 as calculated by the Company is summarised as follows:

	Values (NT\$ bn)
Adjusted Net Worth	535.8
Value of In Force Business after Cost of Capital	395.2
Embedded Value	931.0
Value of New Business after Cost of Capital	20.0

Definitions

A number of specific terms are used in this Opinion Letter. They are defined as follows:

- Embedded Value ("EV"): this is the sum of the Adjusted Net Worth and Value of In Force Business as at the valuation date. It includes no allowance for the value of future business yet to be written;
- Adjusted Net Worth ("ANW"): this represents the shareholder equity in the enterprise as at the valuation date. This is equal to the shareholder equity as reported in its Taiwan statutory balance sheet plus several adjustment items. The purpose of the adjustments is to make the Adjusted Net Worth consistent with the projection of future profits and Cost of Capital;
- Value of In Force Business ("VIF"): this is equal to the present value as at valuation date of the future statutory profits from the business in force as at the valuation date using a risk adjusted discount rate, less the Cost of Capital associated with such business;
- Value of New Business ("VNB"): this is equal to the present value as at the policy issue date of the future statutory profits from the policies sold in 2023 less the Cost of Capital associated with such business;
- Cost of Capital: this is defined as the amount of capital required to be held at the valuation date less the present value of future releases of such capital and after-tax earnings on the assets backing it. The level of capital required depends on the Company's internal target of capital level but is subject to the minimum of statutory requirement.

This Opinion Letter does not give any opinion on the "fair market value" of any part or the whole of the Company. Actual market values are determined by investors based on a variety of information available to them and their own investment criteria.

The techniques for calculating a company's Embedded Value and the Value of New Business have been evolving over the last 20 years. The Company has used "traditional" techniques. This is a common approach in Taiwan which is consistent with the methodology used by all local domestically-owned companies which publish their Embedded Values. This method does not include an explicit allowance for the cost of options and guarantees within the business. Instead, this approach makes an implicit allowance for the time value cost of options and guarantees and other risks associated with the realisation of the projected future profits through the use of a risk adjusted discount rate.

Scope of Review

The scope of our review is outlined as follows:

- Review and opine on the reasonableness of the EV and VNB as calculated by the Company;
- Review of the reasonableness of the assumptions used in the calculations, taking into consideration both Company's recent experience and the experience of the Taiwanese life insurance market;
- Review of the Company's projection approach of the Cost of Capital;
- Review, at a high-level, of the changes made to the actuarial projection model by the Company since the previous valuation date of 31 December 2022;
- Review of the data put through the model compared to the policy data on the Company's policy administration systems to judge the extent to which the business has been valued in the financial model and to identify the portion (if any) omitted and how that was valued;
- Review of the approach used to determine the Adjusted Net Worth ("ANW"), in particular, the adjustments made in deriving the ANW, and any other adjustments made outside of the actuarial projection model;
- Review of the Company's analysis of change in the VIF between 31 December 2022 and 31 December 2023.

The scope of our review did not include the following aspects:

- Review of the policy data on the Company's administration systems;

Our review did not cover an audit of the accuracy or completeness of the policy data items and we offer no comment on the quality of the policy data used by the Company in the valuation, and readers should not assume our review verifies the data is free from error.

- Review or audit of the valuation of the assets or any items unless specifically stated on the Company's balance sheet;

We referred to the Company's audited financial statements and placed reliance on them.

- Review of the calculation of the RBC (risk based capital) of the Company as at 31 December 2023; and

Whilst we reviewed the projection of the RBC into future periods, we relied on the accuracy and completeness of the starting RBC figures as at 31 December 2023 as submitted by the Company to the Taiwanese regulator.

- Any other actuarial or other valuation figures, such as any "Fair Value" or potential transaction price.

Only the EV and VNB fell in the scope of our review, and we offer no opinion on any other values.

Our review was conducted in accordance with current generally accepted actuarial practices and processes for reviews of traditional Embedded Value calculations. In particular, we made reference to the methods, approach and other considerations as set out in:

- The relevant parts of Practice Guideline 199.03 of the Institute of Actuaries of Australia entitled "Economic Valuations"; and
- Professional Conduct Standards as defined by the Professional Affairs Board of the Institute and Faculty of Actuaries in the UK.
- 人壽保險業隱含價值評估精算實務處理準則及修正對照表(107 年版) published by the Actuarial Institute of Chinese Taipei.

Findings from our Review

Our findings are summarised as follows:

- With respect to the calculation methodology adopted by the Company in the calculations:
 - The chosen traditional EV methodology used by the Company has been applied in line with generally accepted actuarial practice and relevant guidance; and
 - The methodology was in line with the purpose stated by the Company, and is consistent with a “going concern” approach.
- With respect to the policy data used in the calculations:
 - The Company has used policy data that is, in aggregate, consistent with the policy data held on the Company's administration systems as at the appropriate dates.
- With respect to the actuarial projection and valuation systems and the results produced by the Company:
 - Over 99% of the policy data has been included in the valuation and a zero value has been assigned to that part which was not included in the valuation;
 - At the aggregate level, the model outputs for each major block of business that we reviewed appear to be consistent with the assumptions applied in the calculations, the features of the products included in each block of business, the prevailing applicable and relevant regulations in Taiwan.
- With respect to the assumptions used in the calculations:
 - The assumptions, taken as a whole, are reasonable for the Company and the environment in which it conducts business;
 - The economic assumptions, including rate of investment return, risk adjusted discount rate and inflation rate, were set consistently with one another and with the way in which the adjusted net worth was calculated;
 - The economic assumptions represent plausible future outcomes for expected future total returns (including the release of risk margins) and lie within a reasonable range of such plausible future outcomes; and
 - The non-economic assumptions have been set with regard to relevant actual historical experience of both the Company and the industry, and the Company has provided plausible, reasoned arguments in relation to their expectations of future trends and developments for these assumptions.
- With respect to the calculation of the Adjusted Net Worth:
 - The Company has made adjustments to the Net Worth as reported on the statutory balance sheet which are appropriate for the purpose of this valuation.

In conclusion, we find the results of the Embedded Value and Value of New Business calculated by the Company to be reasonable within the purpose and chosen methodology of their calculation, and that the methodology is consistent with the approach taken by all local domestically-owned life insurers which publish similar figures in Taiwan and with one generally accepted method for their calculation.

In stating the above opinion, we draw attention to the uncertainty related to such calculations.

The calculations of EV and VNB results necessarily make numerous assumptions with respect to economic conditions, operating conditions, taxes and other matters, many of which are not fully within the control of the Company. Although the assumptions used represent estimates which fall within a reasonable range of expectations, actual experience in the future is almost certain to vary from that assumed in the calculation of the results and any such variations may be material. Deviations from assumed experience are normal and are to be expected.

We note, and draw the attention of readers to the sensitivity of the results to assumptions, and in particular, to the assumed rate of future investment return and the risk discount rate; this is illustrated quantitatively in the Company's disclosures. A deviation from the assumed future investment return, even still within a reasonably plausible range of such assumptions, may lead to a materially different result. We note that future investment returns are subject to market factors beyond the control of the Company and hence it is not possible for the Company to fully immunise future profitability against movements in future investment returns.

Readers should be aware that the C3 risk calculation is subject to yearly regulatory change and therefore there is a high degree of uncertainty in the projection of cost of capital.

Yours faithfully,
Deloitte & Touche Consulting Co.