



富邦金控

**1Q21 Interim Results
and
2020 Embedded Value
of Fubon Life**

2021.05.20

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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



2020 Embedded Value of Fubon Life

Fubon Financial Holdings: 1Q21 Highlights

2020 Dividends

- Proposal of cash dividend at NT\$3.0 and stock dividend at NT\$1.0 per common share reached record high
- Fubon Life planned to upstream NT\$7.4bn, approximately 12.2% of net profit in 2020

Fubon FHC

- Net profit grew 120% YoY and reached NT\$50.6bn in 1Q21 with growth from all major subsidiaries. EPS of NT\$4.94 led FHC peers
- BVPS on common share basis reached NT\$72.32. Net worth increased 62.1% YoY and hit NT\$816bn. JihSun FHC's assets were consolidated into Fubon's financial statements. Total assets exceeded NT\$9.6tn. Assets, net worth, and BVPS all reached record high.

Fubon Life

- Net profit in 1Q21 was NT\$39.1bn, up 142.7% YoY
- Ranked top 2 in terms of FYP, renewal premium and FYPE in Taiwan
- Investment return improved 193bps YoY on after-hedge basis, attributable to capital gain realization and hedge cost improvement
- Net worth of NT\$524.9bn hit record high

Taipei Fubon Bank

- Net profit in 1Q21 was NT\$5bn, up 20.1% YoY
- Increase in loan and foreign currency bond led the growth in net interest income
- The double-digit growth in active credit cards and card consumption pushed up market share gain
- Benign NPL ratio and coverage ratio compared to industry average

Note: JihSun FHC has become a subsidiary of Fubon FHC since March 30, 2021. Its balance sheet items are consolidated into Fubon FHC in 1Q21. P&L has been recognized in Fubon FHC since April, proportionally amounting to NT\$0.22bn.

Fubon Financial Holdings: 1Q21 Highlights

Fubon Insurance

- Net profit in 1Q21 was NT\$1.9bn, up 29.3% YoY
- Market leader with premium market share at 24.2%, top in the market for 40 straight years with premium growth of 4.1% YoY
- Investment return improved 302bps YoY on capital gain realization

Fubon Securities

- Net profit reached NT\$1.7bn in 1Q21, up 907.0% YoY
- Brokerage fee was up 72.3% YoY, attributable to market turnover and increase in brokerage market share at 5.72%, in the top 3 position. Sub-brokerage market share reached 11.13%
- Top 3 in underwriting business

FinTech achievements

- Number of customers in the digital platforms of Taipei Fubon Bank reached 1.98mn, up 23% YoY. Online trading volume was up 47% YoY. Members in the Bank's LINE OA (official accounts) reached 5.61mn, up 29.5% YoY. The numbers of LINE friends attached reached 581k, up 116.8%
- 74% of trading are through online in Fubon Securities and 90% of new account customers traded online. Incremental new online accounts up 98% YoY

ESG achievements

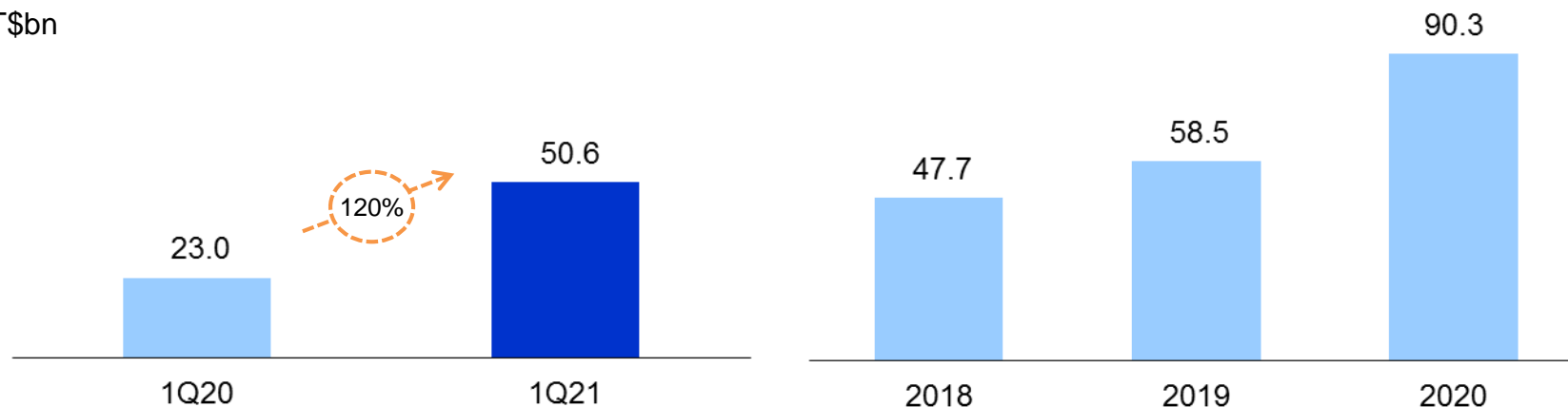
- Fubon FHC is ranked top 1 in Sustainalytics in global insurance industry and top 3% among global corporations. Top score in several indicators including personal data protection, information security, workforce diversity, anti-money laundering, and corporate integrity.
- Taipei Fubon Bank was the first to implement loans connected to the sustainability index to foster sustainable development
- Promotion of low-carbon economy. Termination of new project finance in coal-fired power plant, as well as investment or lending to power plants with coal usage of over 50%. Set up stringent lending criteria to coal industry, cement industry, petrochemical industry, and steel industry

Fubon Financial Holdings: Profitability

- Net profit grew 120% YoY to NT\$50.6bn. EPS of NT\$4.94 led holdings peers

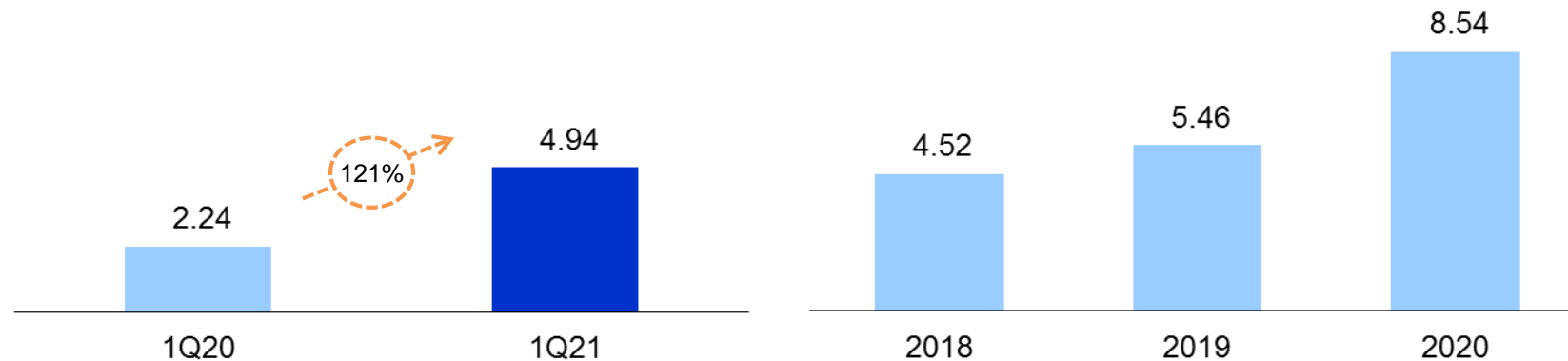
Net Profit

NT\$bn



Earnings per share (EPS)

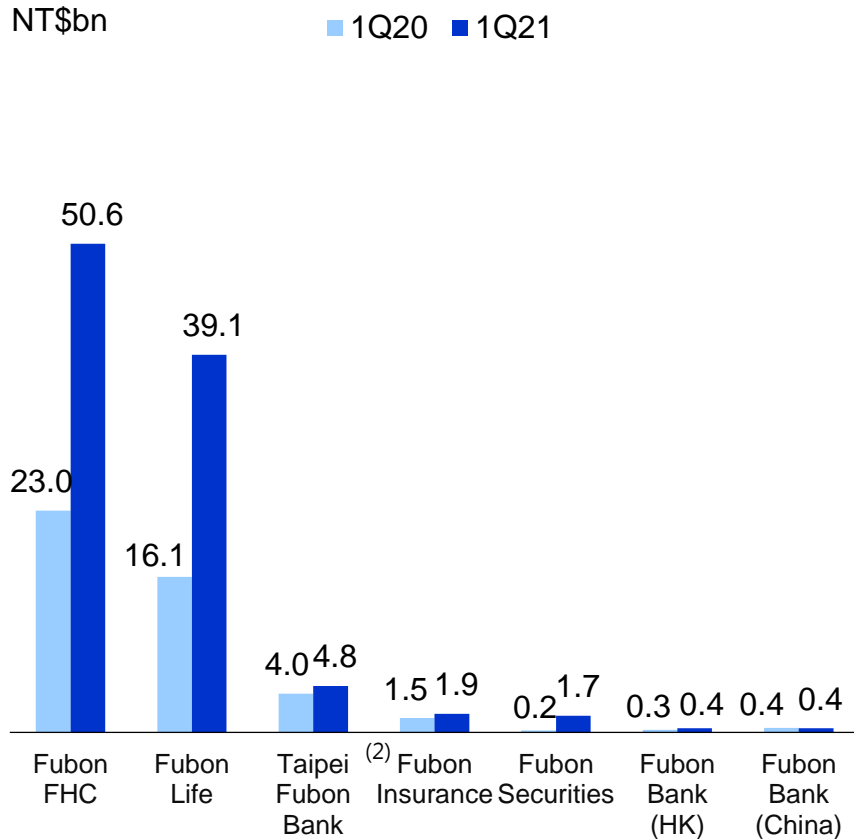
NT\$



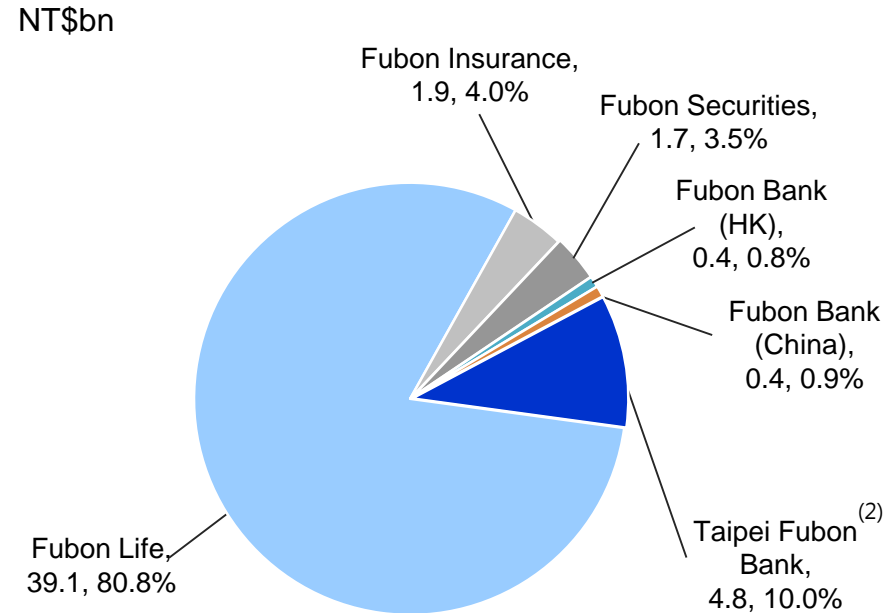
Fubon Financial Holdings: Net profit from major subsidiaries

- Subsidiaries delivered net profit growth YoY
- Fubon Life contributed 80.8% of major earnings. Three banking subsidiaries represented 11.7% of total earnings

Net profit from subsidiaries



Profit contribution from subsidiaries⁽¹⁾

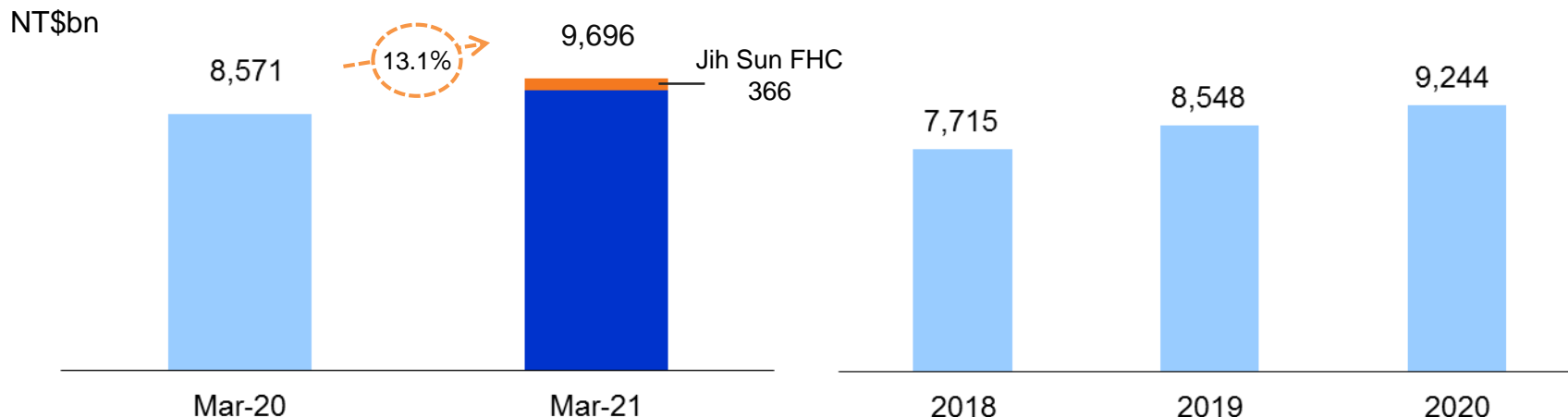


Note: (1) Profit contribution is based on the summation of the six subsidiaries shown in the chart. The holding company and other subsidiaries have combined net profit of NT\$3,073mn. The net inter-company account is -NT\$869mn;
 (2) Net profit of Fubon Bank (China) is excluded from Taipei Fubon Bank in the chart.

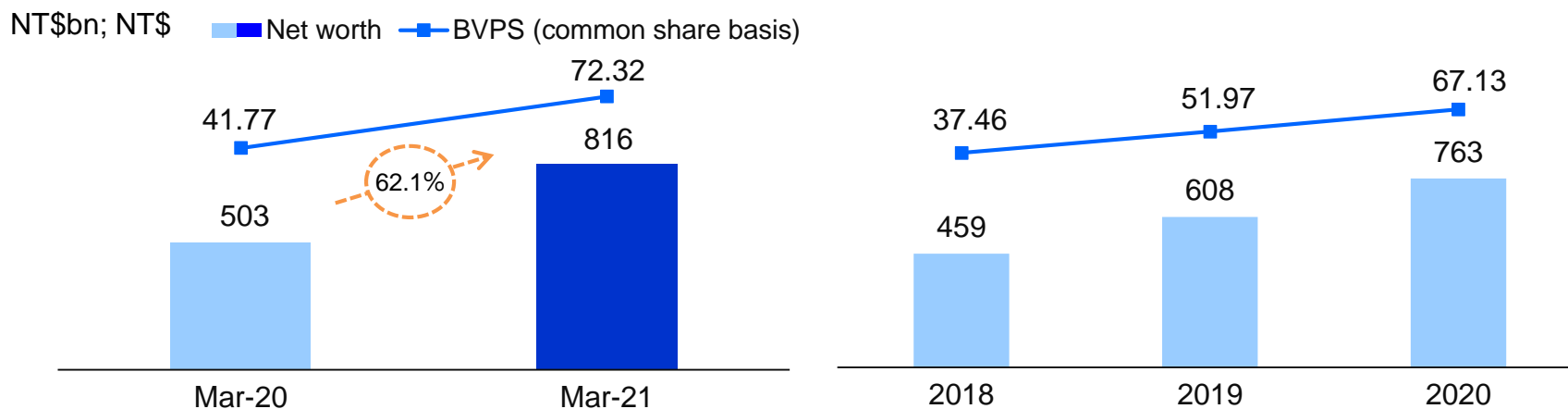
Fubon Financial Holdings: Assets and net worth

- JihSun FHC's assets of NT\$365.6bn consolidated into Fubon's financial statements. Total assets exceeded NT\$9.6tn, up 13.1% YoY. Net worth increased 62.1% YoY. Both reached record high

Total assets



Equity attributable to parent company

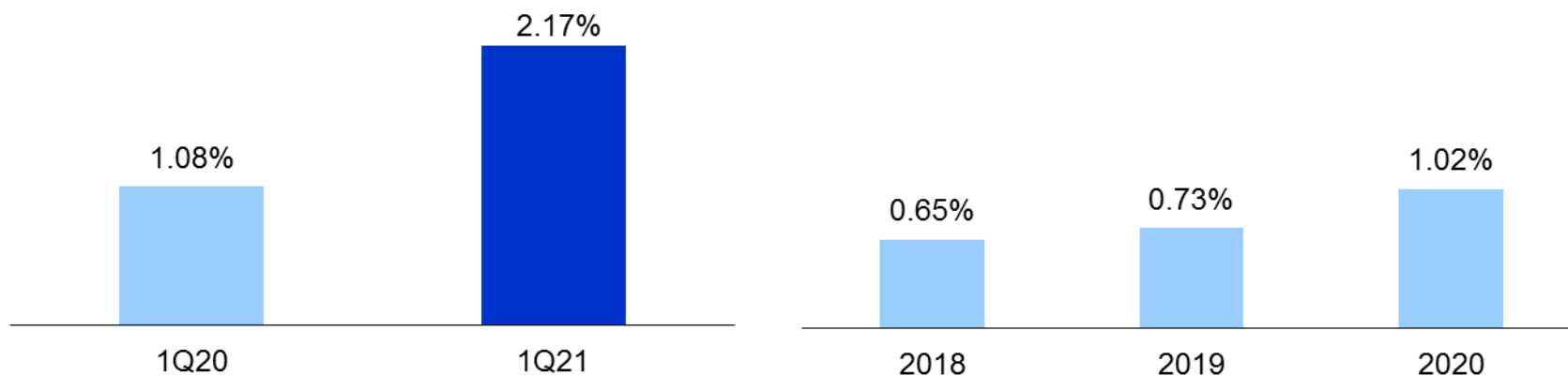


Note: Shareholders' equity NT\$851bn is comprised of equity attributable to parent company NT\$816bn and non-controlling interests NT\$35bn

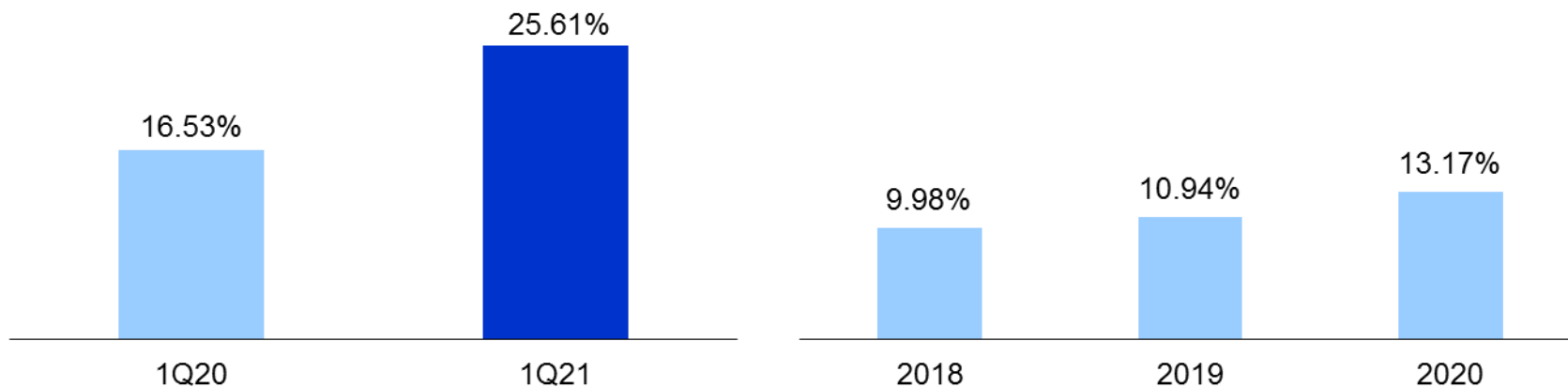
Fubon Financial Holdings: ROA & ROE

■ ROA and ROE increased YoY along with earnings growth

ROA



ROE





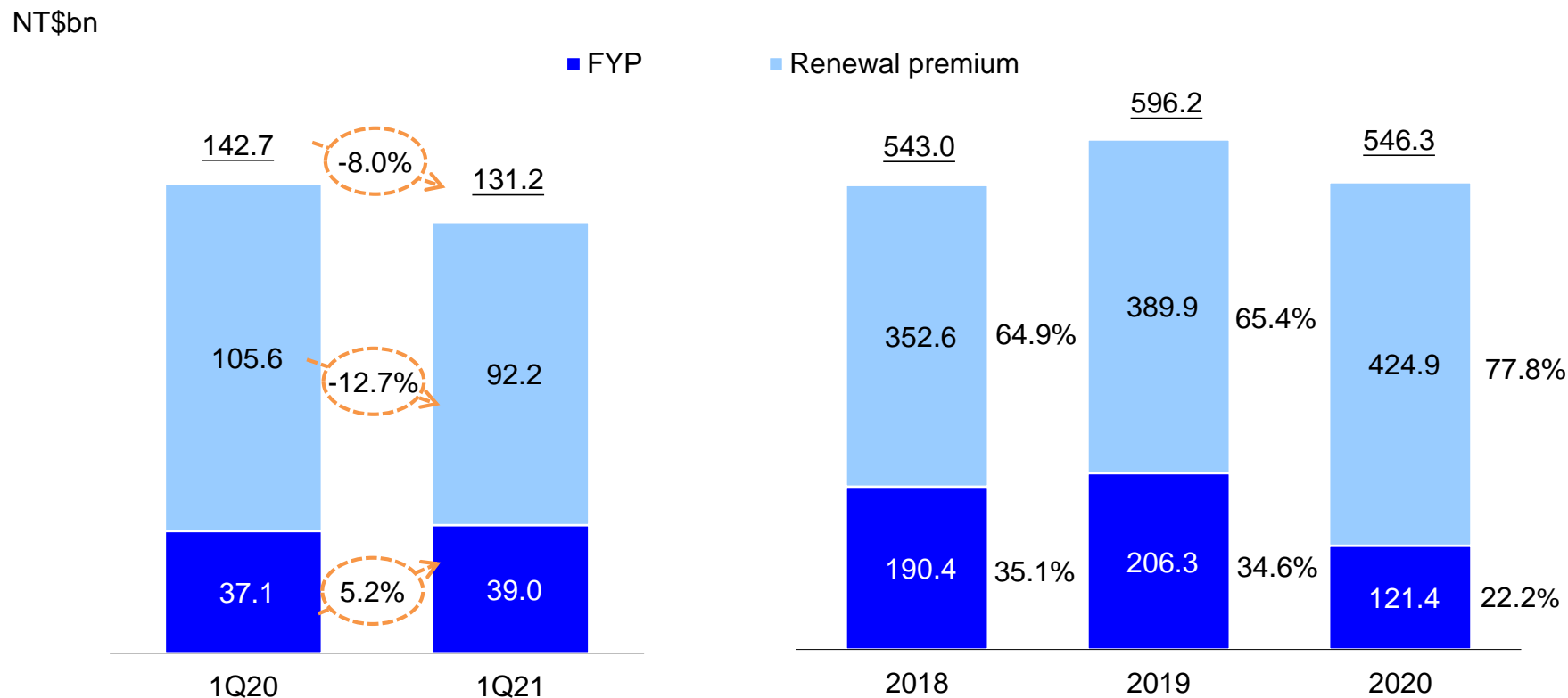
Performance review by subsidiary

Fubon Life

Fubon Life: Total premiums

- 8.0% YoY decline in total premiums. Renewal premium fell 12.7%, reflecting the payment of regular paid policy. FYP increased 5.2% YoY
- Ranked second in FYP, renewal premium and FYPE in Taiwan's life insurance market

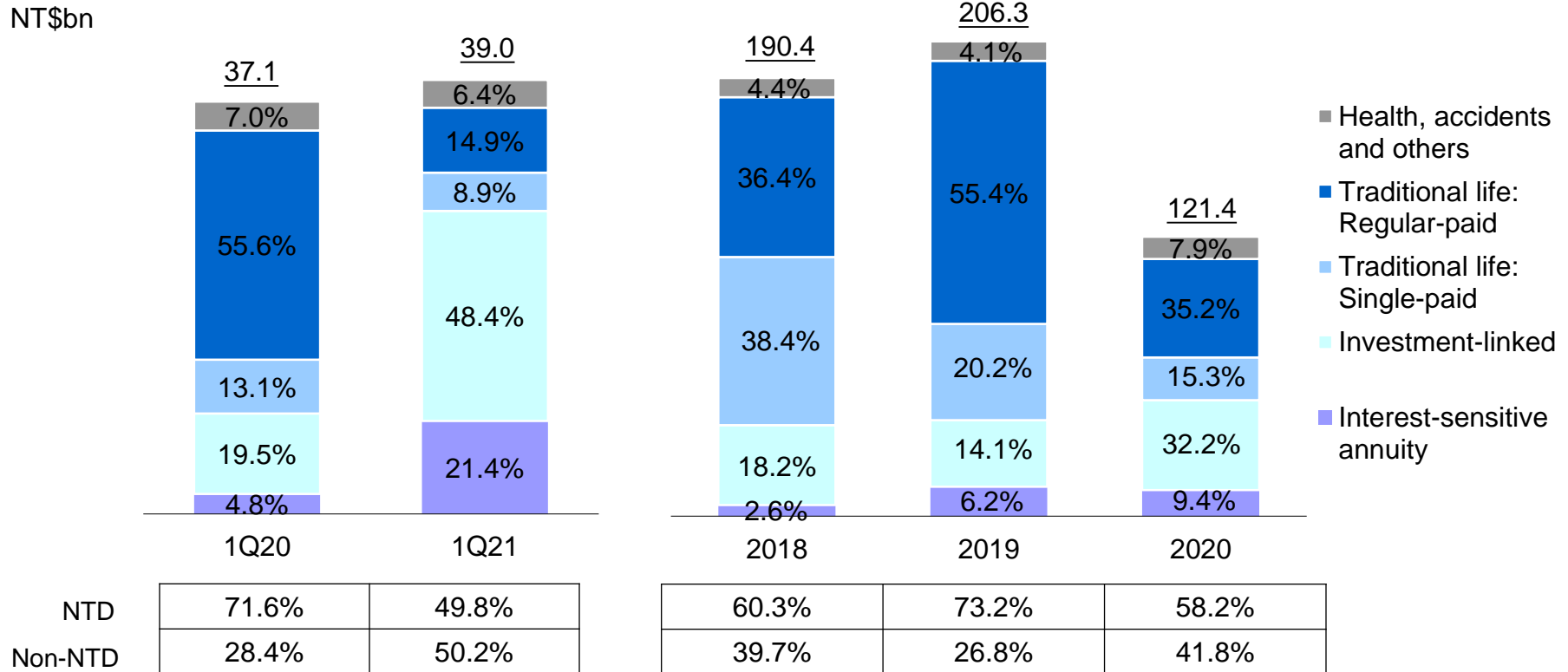
Total premium composition



Fubon Life: First year premiums (FYP)

- FYP increased 5.2% YoY due to the rising needs in investment-linked and interest-sensitive annuity products. Product strategy focusing on investment and retirement planning
- Investment-linked policy contributed 48.4% and interest-sensitive annuity contributed 21.4% to FYP

FYP composition

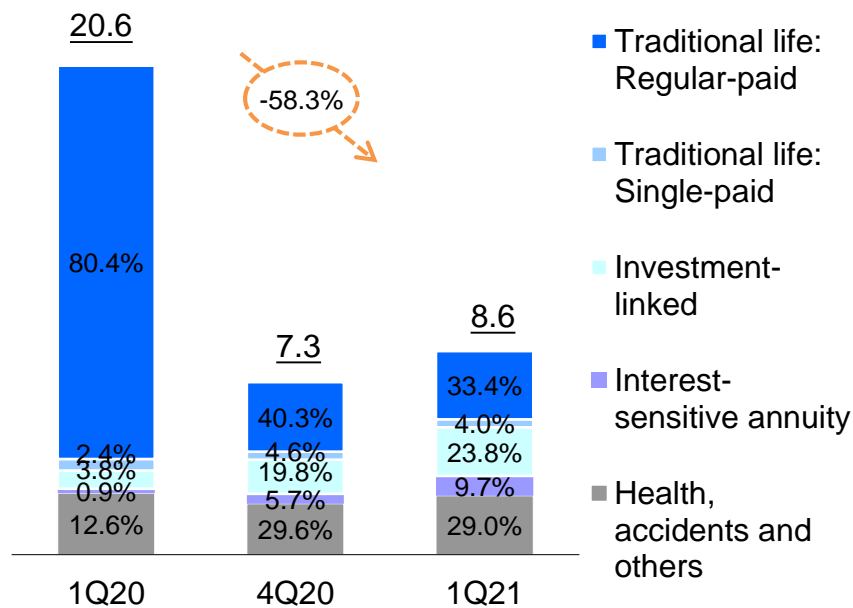


Fubon Life: FYPE & VNB

- FYPE and VNB declined 58.3% YoY and 45.3% YoY, respectively. The regulation change on interest rate for liability reserve led to deferred sales of regular-paid policy in 2019 and higher base in 1Q20. Investment-linked product was popular in 1Q20.
- FYP increased 37.9% QoQ, which boosted FYPE and VNB growth by 18.0% and 14.6%, respectively

FYPE

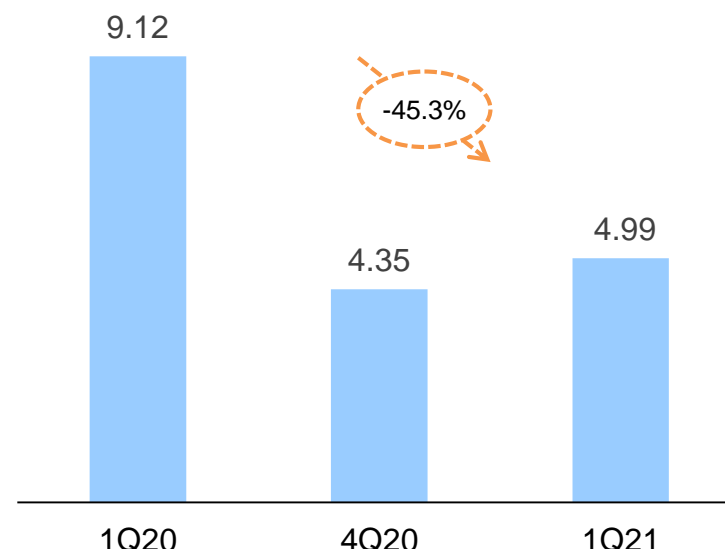
NT\$bn



FYPE/ FYP	1Q20	4Q20	1Q21
	55.7%	25.8%	22.0%

VNB

NT\$bn



VNB/FYP	1Q20	4Q20	1Q21
	24.6%	15.4%	12.8%

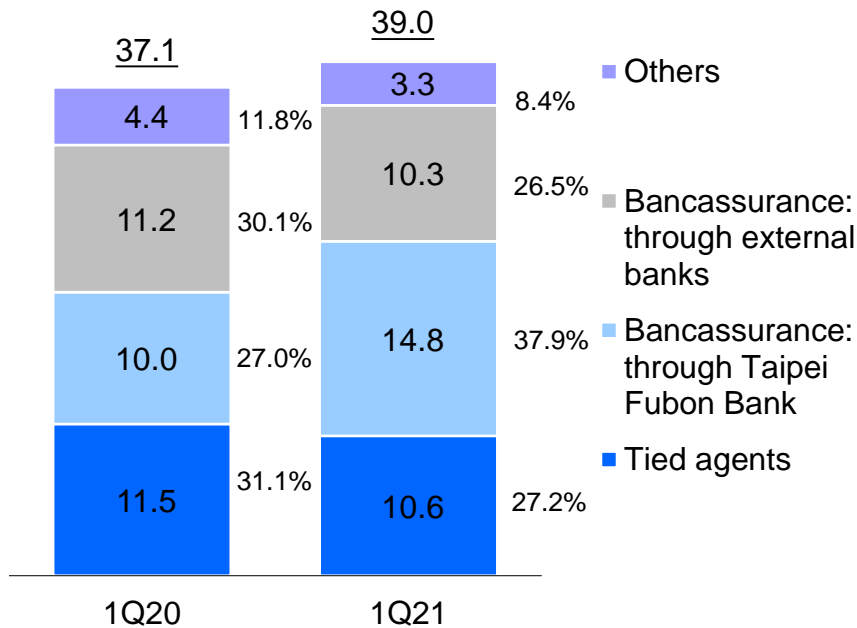
Note: VNB is based on 2020 EV actuarial assumptions

Fubon Life: Channels

- Fubon delivered the cross-sale synergy in bancassurance channel. FYP contribution from Taipei Fubon Bank reached 37.9%
- FYPE contribution mainly came from tied agent channels, accounting for 47.2%

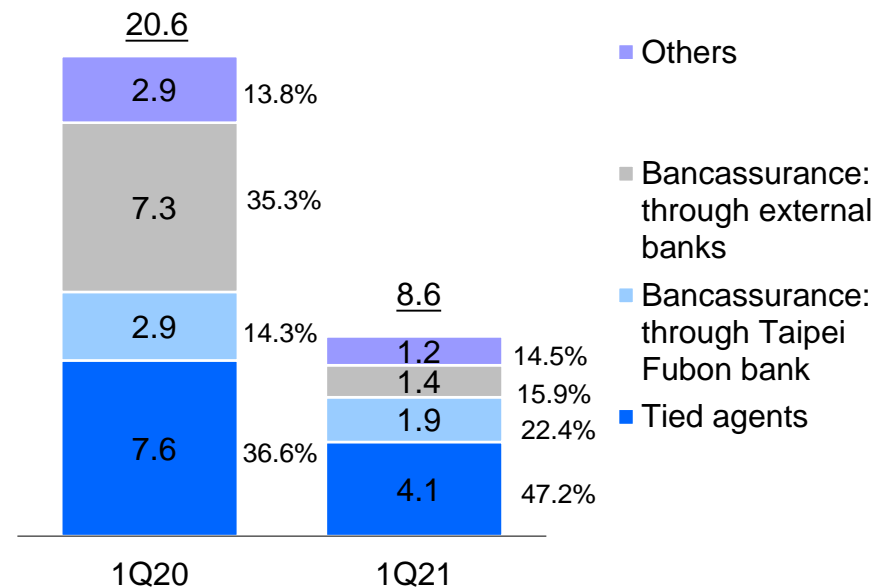
FYP by channel

NT\$bn



FYPE by channel

NT\$bn



Fubon Life: Investment portfolio

- Investment asset growth driven by new allocation and value appreciation. Total growth reached 12.2% YoY
- Domestic equity investments portfolio climbed, attributed to the positive outlook of the market. The decrease of overseas fixed income investments reflected portfolio adjustment ahead of bond yield rebound to take profit and led to a higher cash position

NT\$bn	2020/12/31			2021/03/31		
	Amount	%	Return	Amount	%	Return
Deposit and cash equivalent	265.4	6.0%	0.33%	346.2	7.7%	0.15%
Domestic fixed income ⁽¹⁾	554.9	12.6%	5.33%	572.8	12.7%	4.60%
Overseas fixed income ⁽²⁾	2,281.8	51.9%	4.88%	2,211.8	49.0%	7.74%
Domestic equity	530.5	12.1%	11.00%	605.2	13.4%	12.50%
Overseas equity	221.3	5.0%	8.08%	236.8	5.2%	16.25%
Mortgage loans	160.7	3.7%	1.38%	155.0	3.4%	1.32%
Policy loans	72.6	1.7%	4.81%	72.6	1.6%	4.77%
Real estate	311.7	7.0%	1.17%	317.1	7.0%	1.46%
Total Investments	4,398.9	100.0%	4.49%	4,517.5	100.0%	6.80%
Domestic	1,776.0	40.4%	5.42%	1,918.2	42.5%	5.35%
Overseas	2,622.9	59.6%	3.96%	2,599.3	57.5%	7.72%

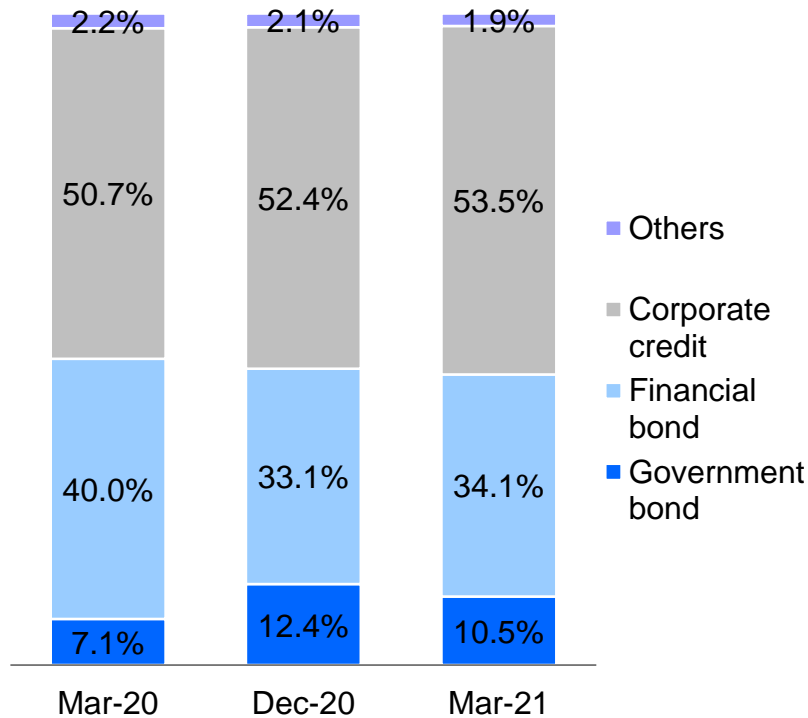
Note: (1) Inclusive of NTD-denominated ETFs

(2) Inclusive of OTC-listed international bonds. International bonds investment reached 11.7% of total investment assets as of 2021/03/31

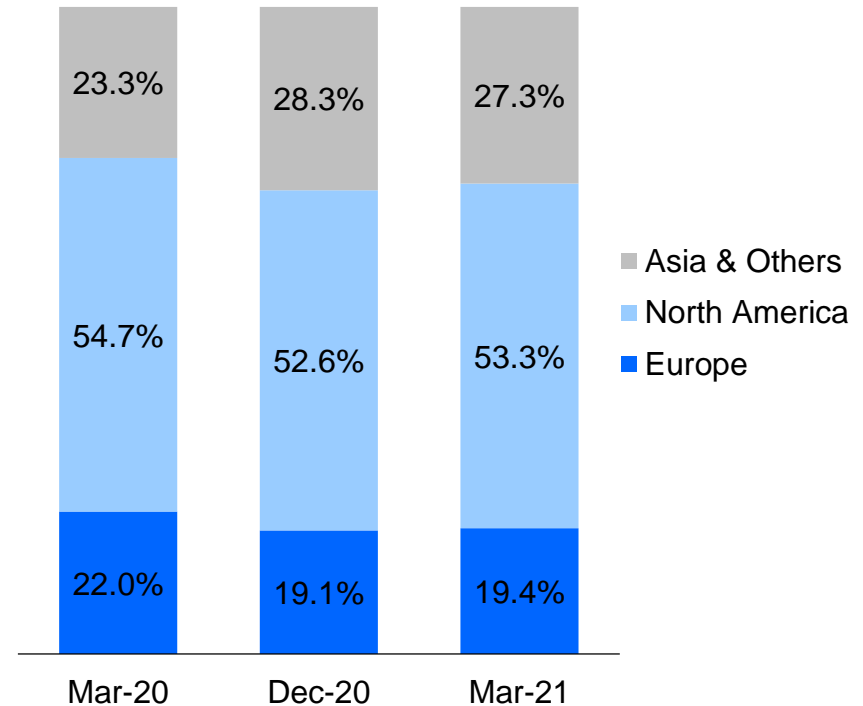
Fubon Life: Overseas fixed income portfolio

- Financial bond decreased YoY, reflecting the redemption of international bonds in 2020. The trend has been stabilized in 2021. New asset allocation focuses on corporate bond and government bond deployment to enhance recurring investment income
- Allocation in Asia & others region increased YoY, mainly from government bond investment

Overseas fixed income by asset type



Overseas fixed income by region



Fubon Life: Composition of investment income

- Investment return increased on both before and after hedge basis, on the back of capital gains and hedging cost improvement

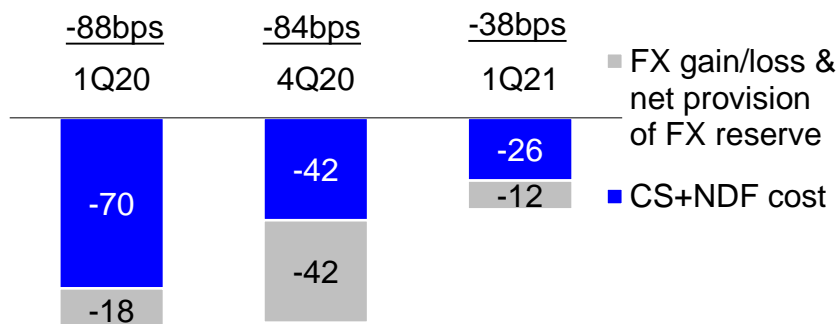
NT\$bn	1Q20	1Q21	YoY growth	2018	2019	2020
Recurring investment income	30.9	27.4	-11.3%	126.5	137.2	136.2
Interest income	24.8	23.3	-6.0%	98.5	99.6	98.4
Cash dividend income from equity investment	0.7	0.9	28.6%	18.9	20.5	20.4
Rental and others ⁽¹⁾	5.4	3.2	-40.7%	9.1	17.1	17.4
Realized gains from fixed income investment	15.6	26.6	70.5%	8.9	26.2	34.7
Realized gains from equity investment	10.0	21.7	117.0%	26.4	18.4	41.8
FX and others	-7.0	-0.8	-88.6%	-34.8	-36.4	-27.0
Investment income	49.5	74.9	51.3%	127.0	145.4	185.7
Total investment assets	4,024.7	4,517.5	12.2%	3,622.3	4,042.4	4,398.9
Investment return (before hedge)	5.42%	7.03%		4.63%	4.72%	5.09%
Investment return (after hedge)	4.87%	6.80%		3.62%	3.83%	4.49%

Note: (1) Including interest income from fund investments

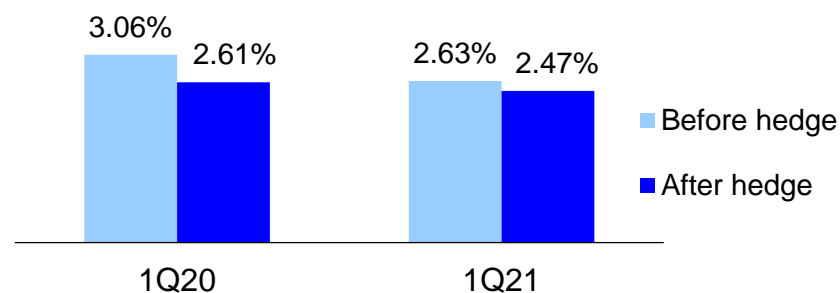
Fubon Life: Composition of hedging portfolio

- Recurring hedging costs declined along with a narrowing interest spread between Taiwan and the US. Dynamically adjust hedging composition in response to market conditions
- Recurring return on both before and after hedged basis declined YoY, reflecting higher cash position from capital gains realization and led to a higher cash position as well as TWD appreciation

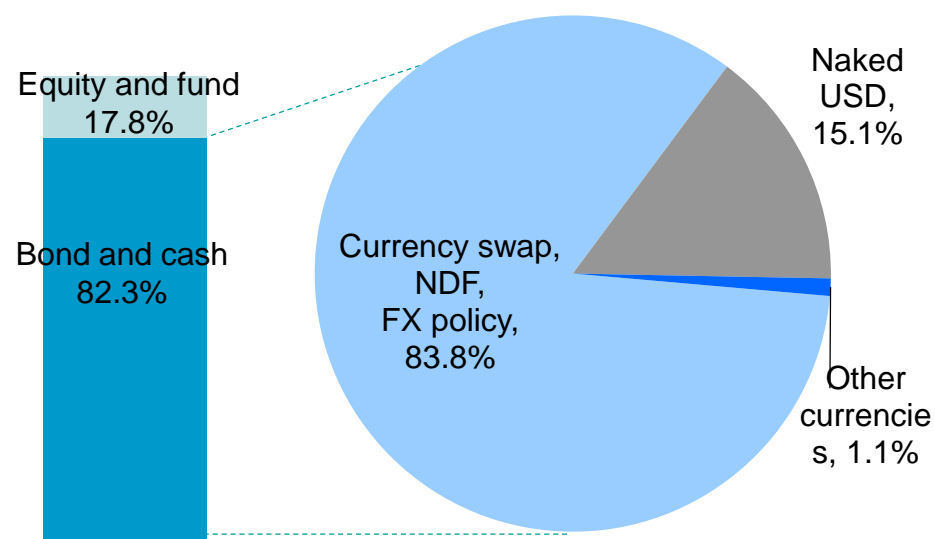
Hedging cost & FX gain/loss



Recurring return



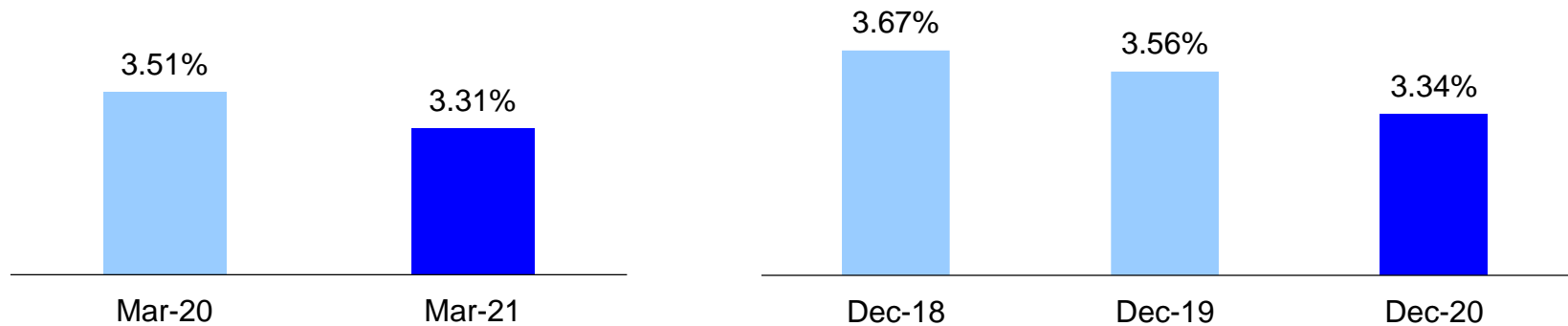
FX position



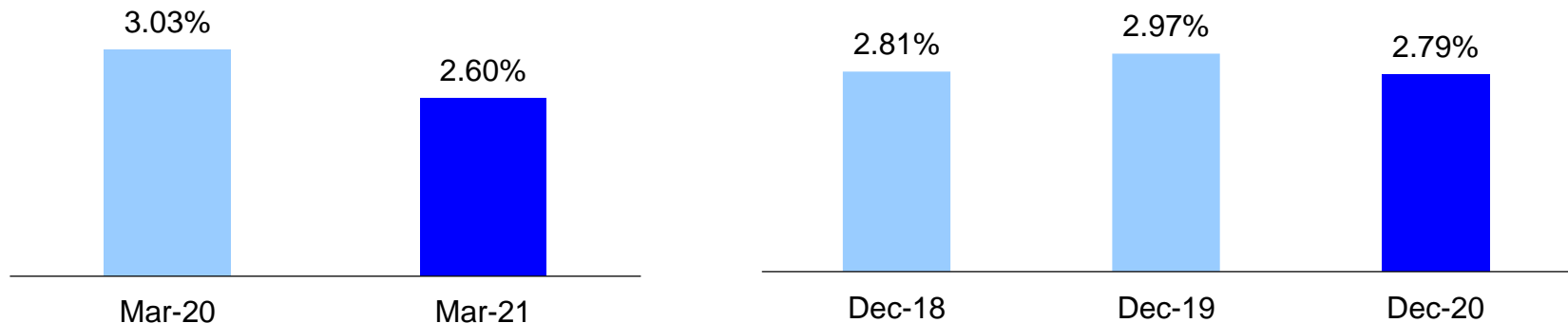
Fubon Life: Cost of liability & breakeven point

- Improvement in cost of liability. The positive spread between the cost of liability and investment return has widened compared to the same quarter last year
- Breakeven point improvement due to change in product composition and improvement of cost of liability.

Cost of liability



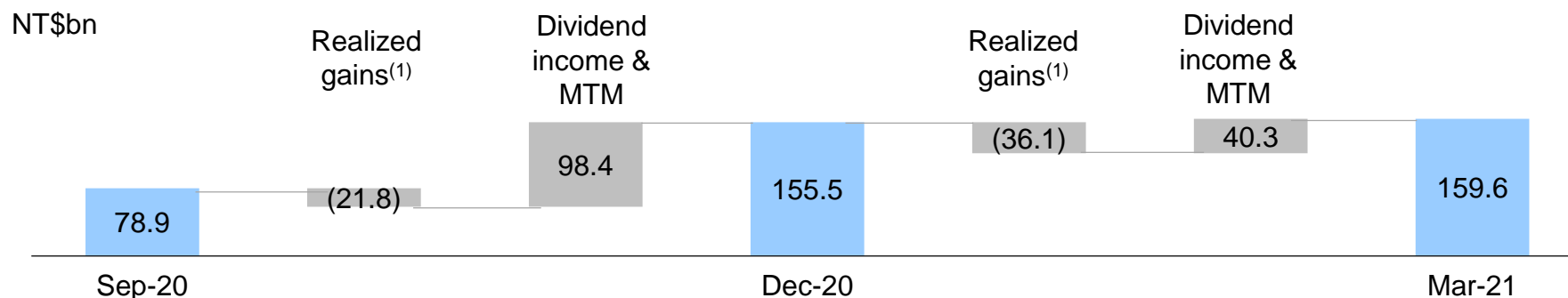
Breakeven point



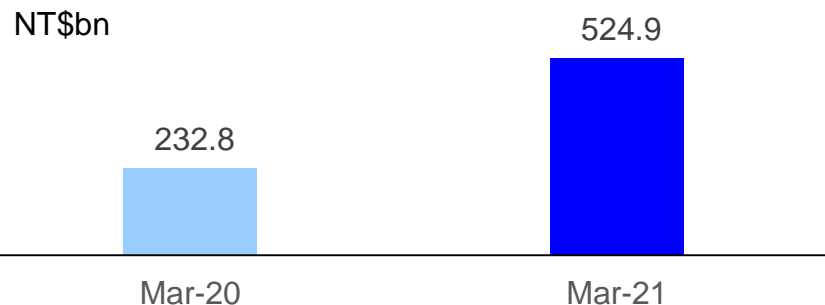
Fubon Life: Investment performance

- Unrealized balance continue to increase QoQ in spite of realized capital gain reached record high level. Mark-to-market value movement of equity investment led to increase in unrealized balance and shareholders' equity.

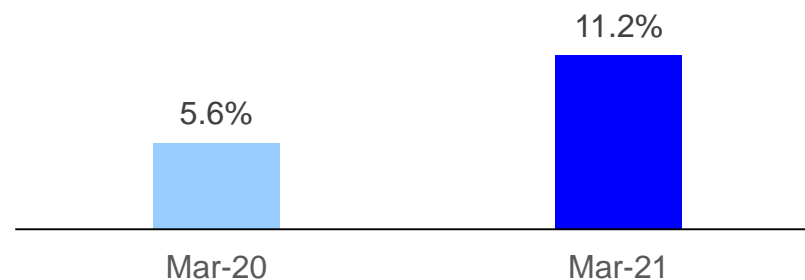
Unrealized balance in FVOCI & FVTPL overlay and movement



Shareholders' equity



Equity-to-asset



Note (1): Realized equity gain/ loss under FVOCI is included; (2) Ending balance of AC as of March 2021 was NT\$55.4bn.

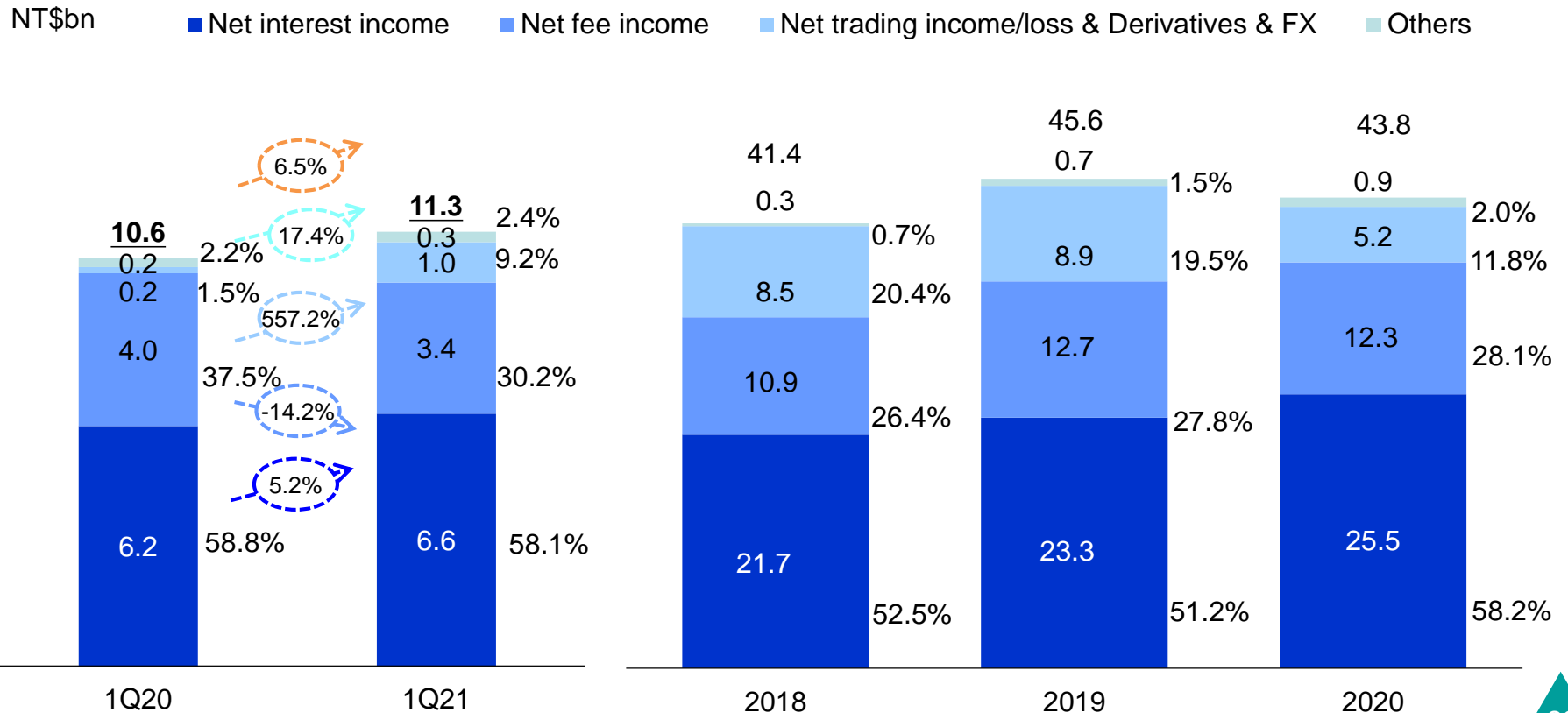


Performance review by subsidiary
Taipei Fubon Bank

Taipei Fubon Bank: Revenue

- Total revenue increased 6.5% YoY. Net interest income grew 5.2% YoY due to asset growth. Treasury related revenue grew YoY.
- Net fee income was down 14.2% YoY, mainly due to adjustment of product mix in wealth management, leading to decline in wealth management fees

Revenue composition of Taipei Fubon Bank



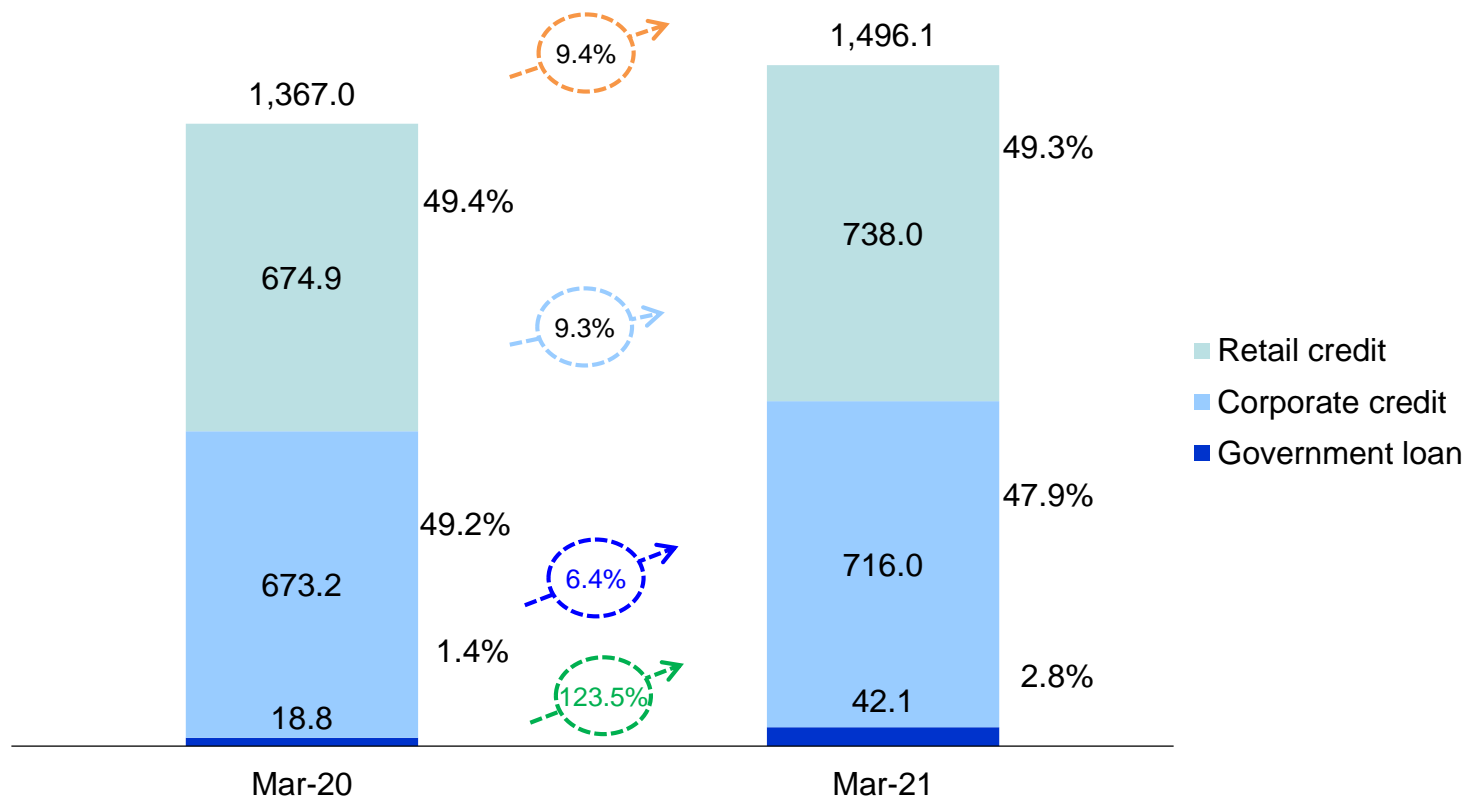
Taipei Fubon Bank: Credit composition



- Corporate and retail loan grew steadily. Total credit balance climbed 9.4% YoY

Credit composition

NT\$bn

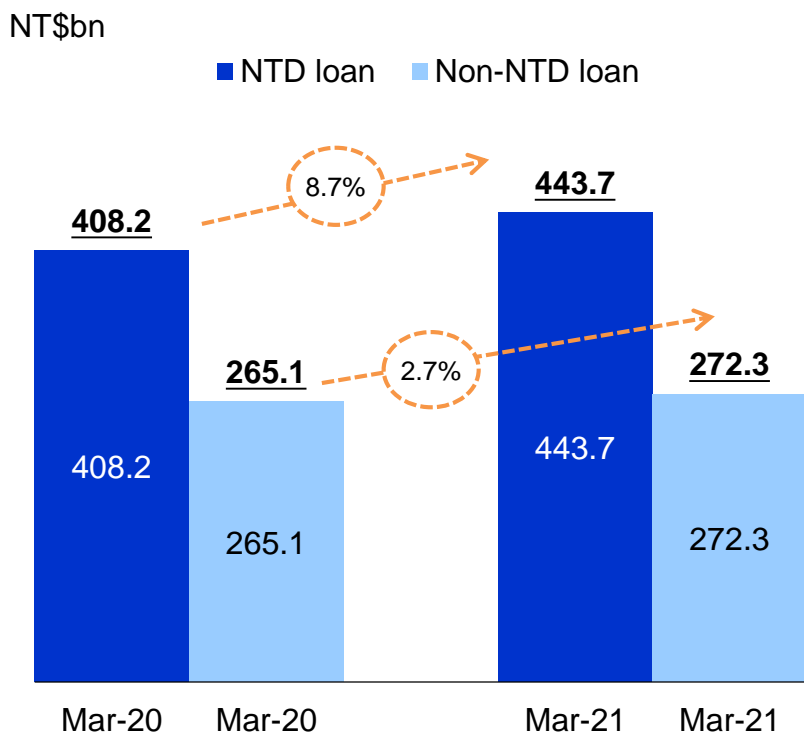


Note: Ending balance

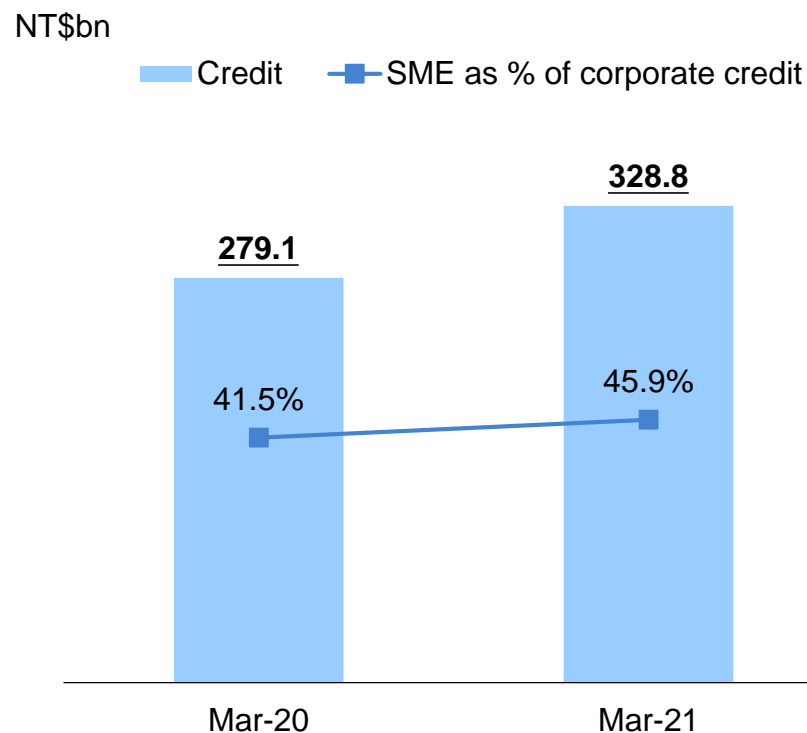
Taipei Fubon Bank: Corporate credit

- Corporate loan balance grew by 6.4% YoY, mainly driven by growth of NTD loan
- SME credit was up 17.8% YoY, accounting for 45.9% of corporate loan

Corporate credit by currency



SME credit



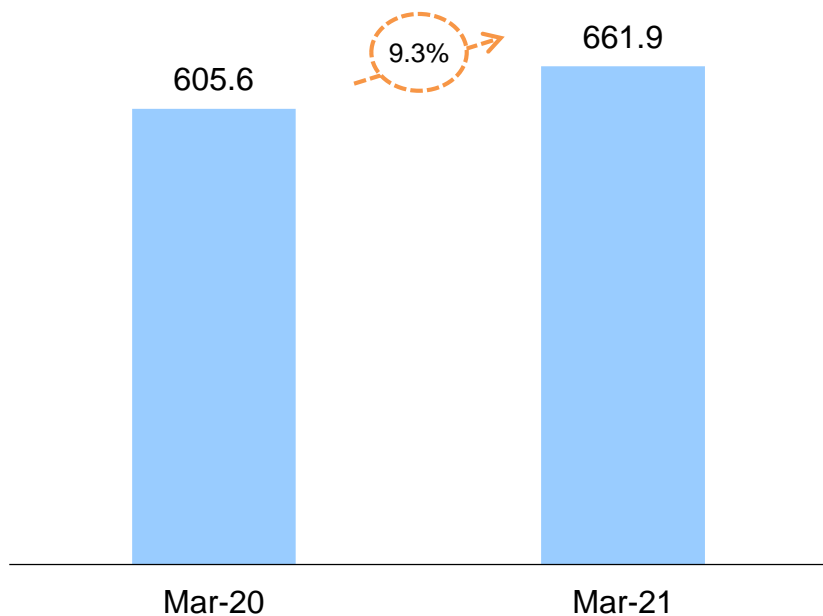
Note: Ending balance

Taipei Fubon Bank : Retail credit

- Mortgage grew 9.3% YoY, maintaining steady growth momentum
- Other consumer credit grew 9.8% YoY, mainly driven by personal credit loan growth of 19.9%

Mortgage

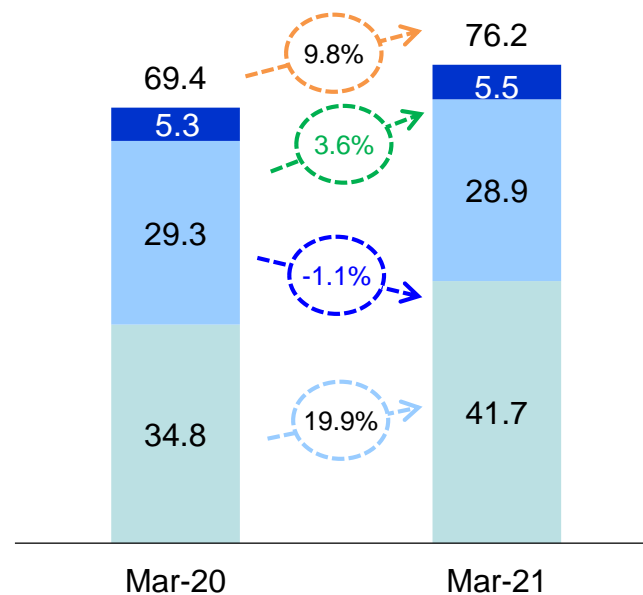
NT\$bn



Other consumer credit

NT\$bn

■ others ■ Student loan ■ Credit loan

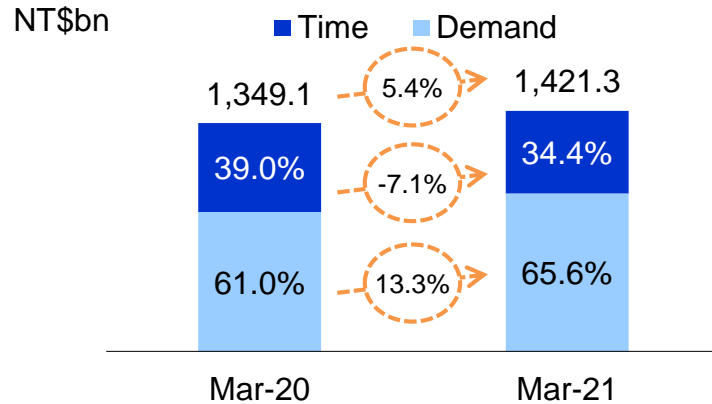


Taipei Fubon Bank: Deposit mix and LDR

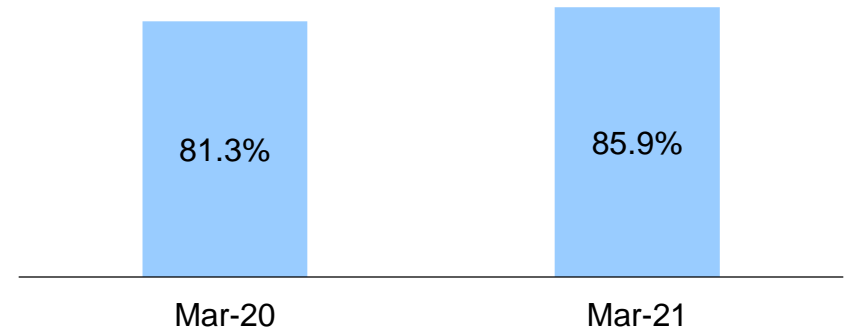


- Growth in NTD and FX deposit balance with higher demand deposit ratio, including 65.6% in NTD, 52.2% in FX and 61.1% for total deposit. LDR remained stable
- Foreign currency deployment, including lending and bond investment, accounted for 67.7% of FX deposit

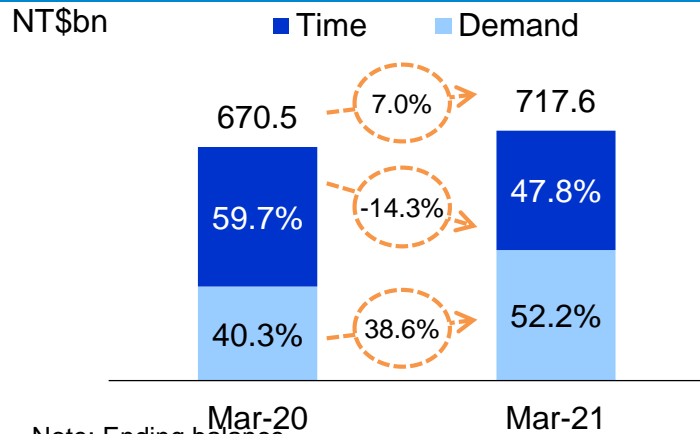
Deposit mix in NTD



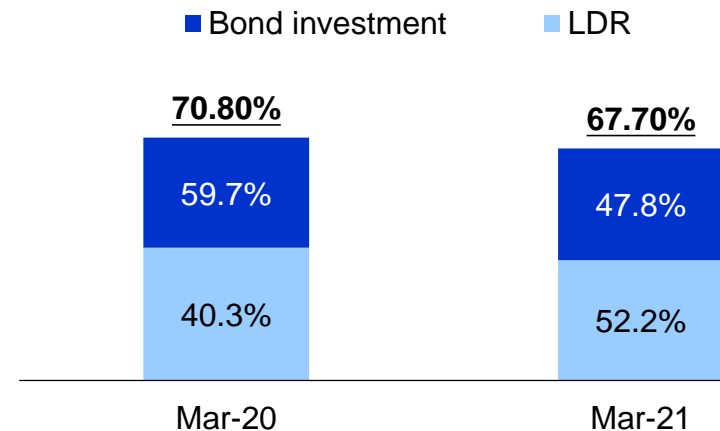
NTD loan-to-deposit ratio (LDR)



Deposit mix in FX



FX funding utilization ratio



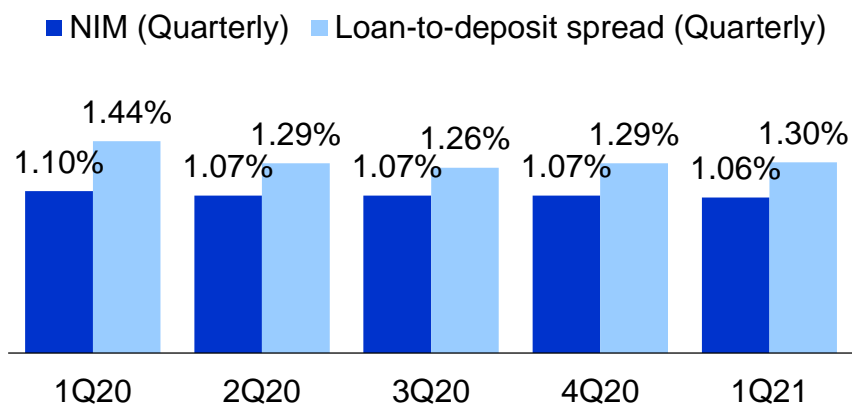
Note: Ending balance

Taipei Fubon Bank : Interest spread and margin

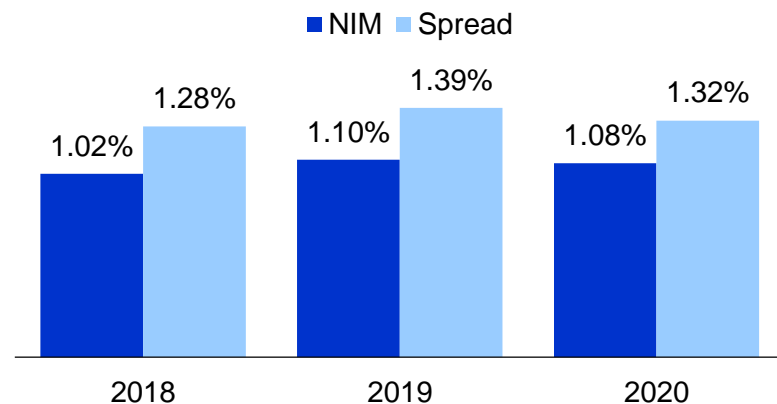


- The adjustment in loan portfolio and higher demand deposit ratio boosted quarterly loan-to-deposit spread. Quarterly NIM slightly dropped compared with last year mainly due to impact of interest rate cuts.

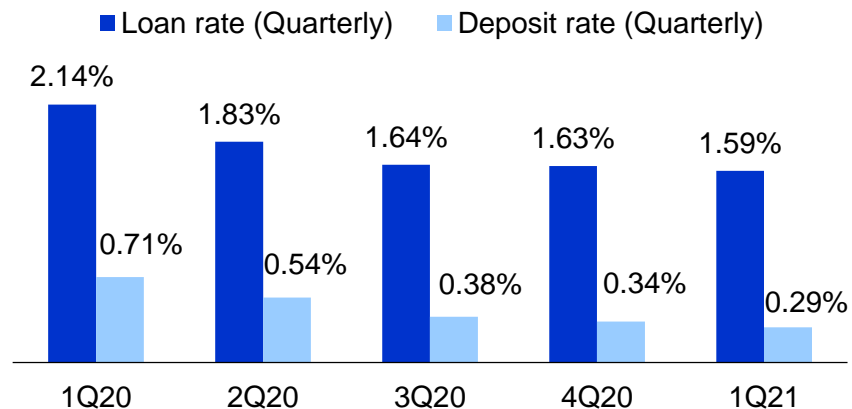
NIM and loan-to-deposit spread (Quarterly)



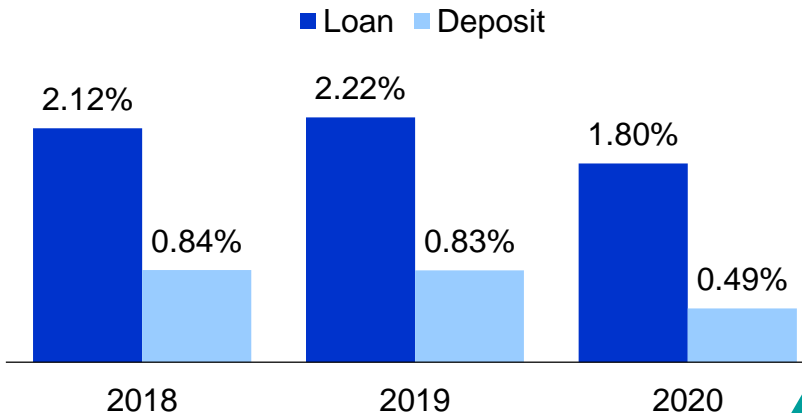
NIM and loan-to-deposit spread



Loan yield and deposit rate (Quarterly)



Loan yield and deposit rate

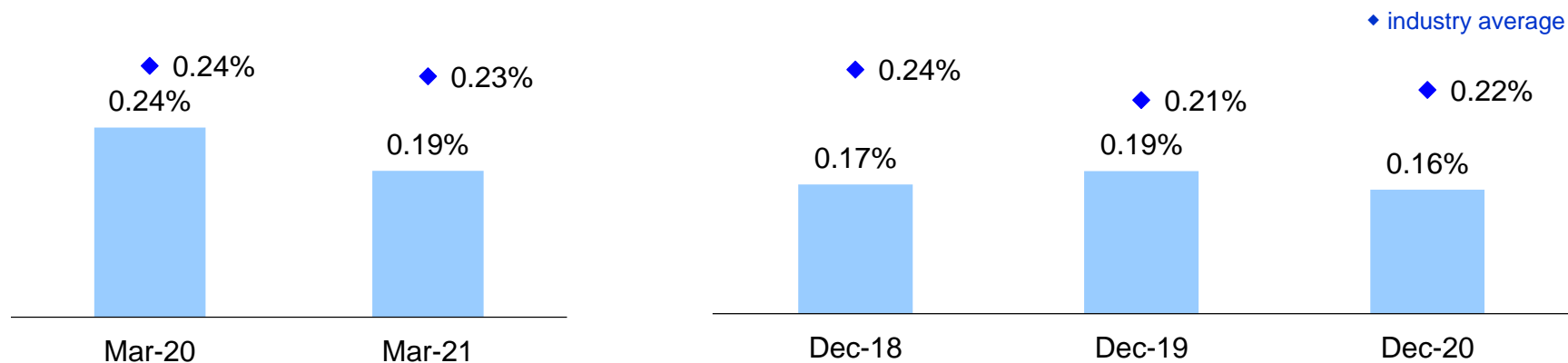


Note: Loan rate calculation inclusive of credit card revolving

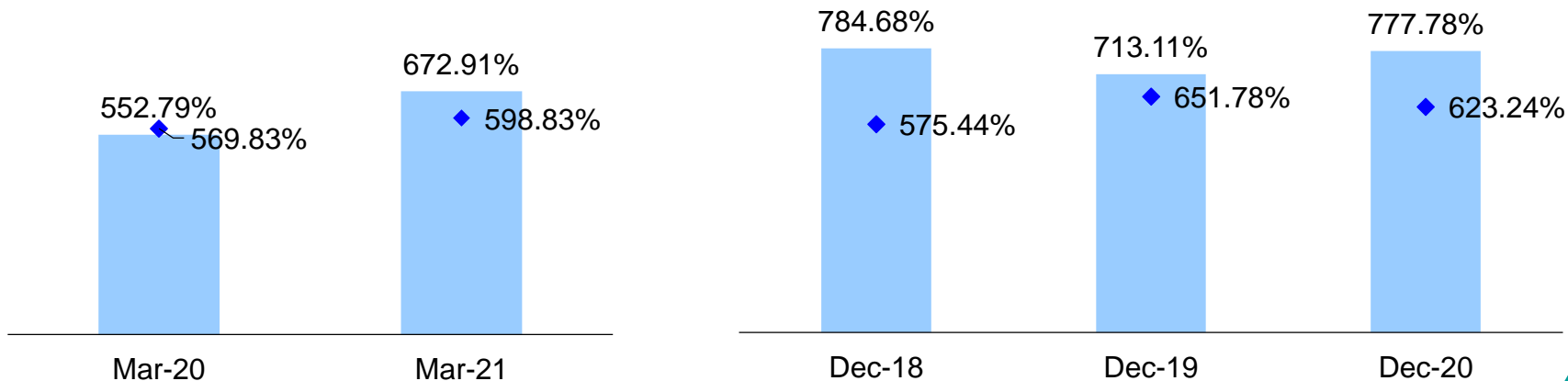
Taipei Fubon Bank: Asset quality

- Asset quality remained stable. Better NPL and coverage ratio compared to industry average

NPL ratio



Coverage ratio

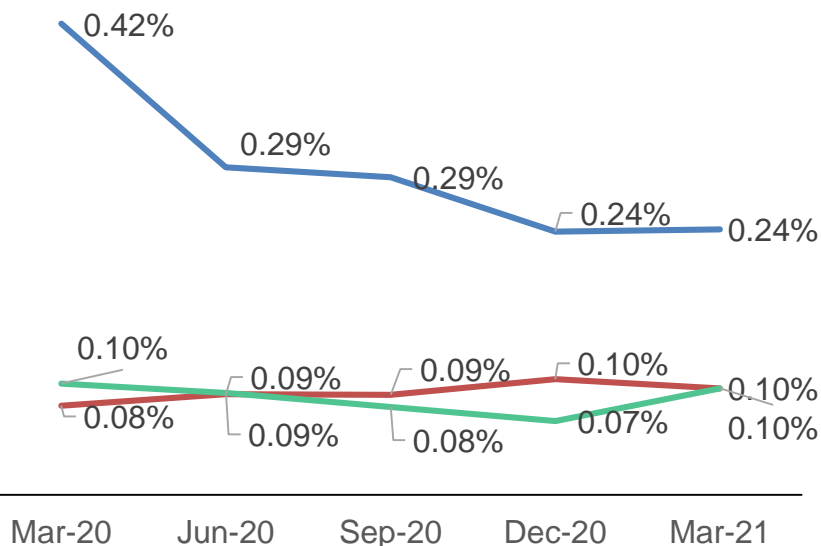


Taipei Fubon Bank: NPL ratio and credit cost

- Solid performance of asset quality across business lines
- Provision cost was mainly derived from general provision of loan growth

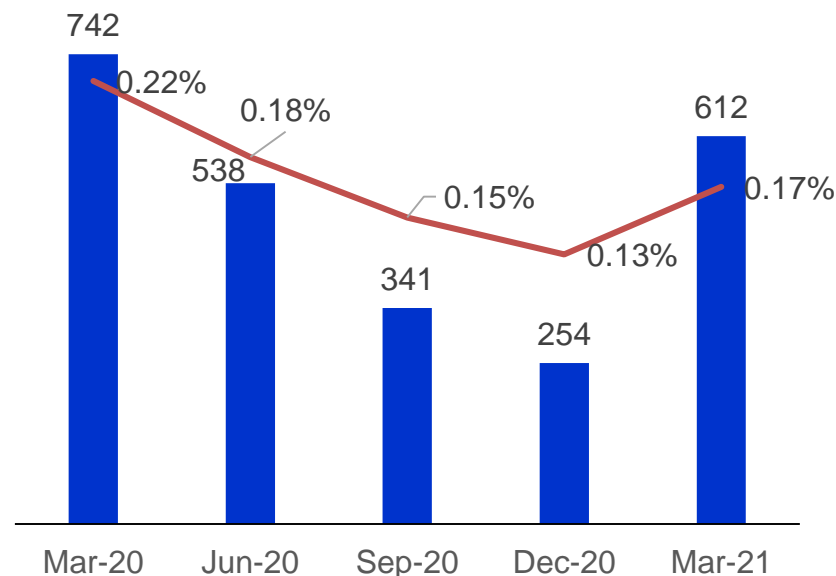
NPL ratio by product lines

- Corporate NPL Ratio
- Mortgage NPL Ratio
- NPL Ratio for Credit Card



Quarterly provision and credit cost

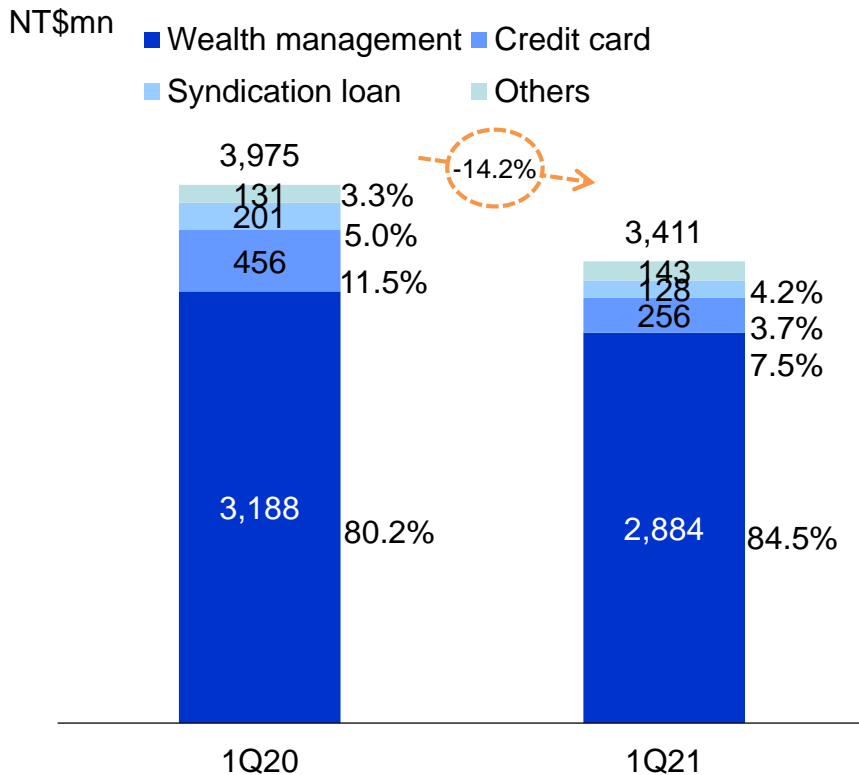
- Provision Cost
- Credit Cost



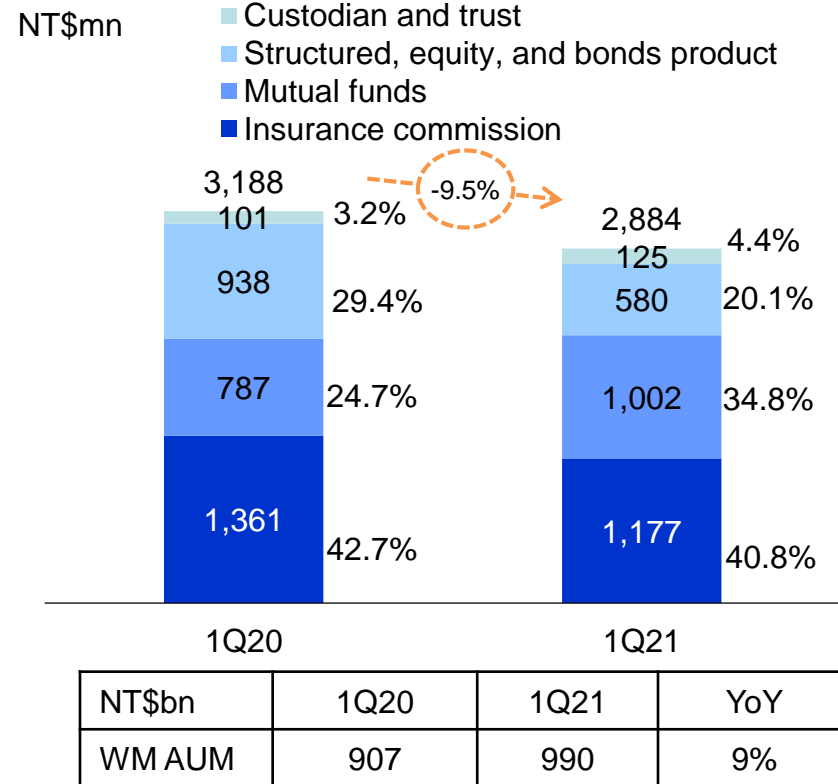
Taipei Fubon Bank: Fee income

- Fee income was down YoY mainly due to the decrease in wealth management fee and the increase in credit card marketing expenses
- Wealth management fee was down by 9.5% YoY on adjustment in sales mix. AUM of wealth management continued to grow by 9% YoY, nearing NT\$1tn.

Net fee income



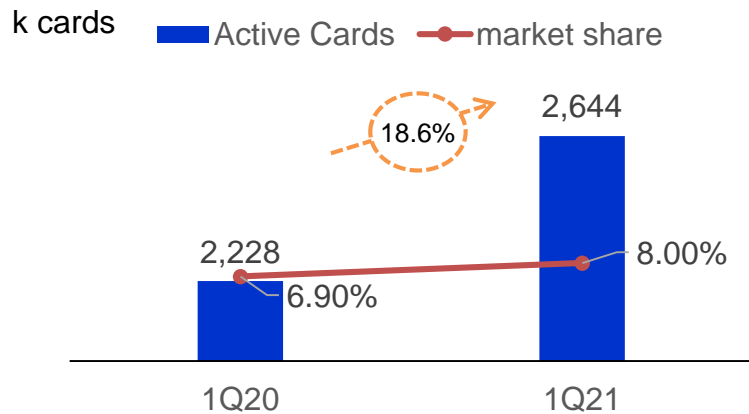
Wealth management fee



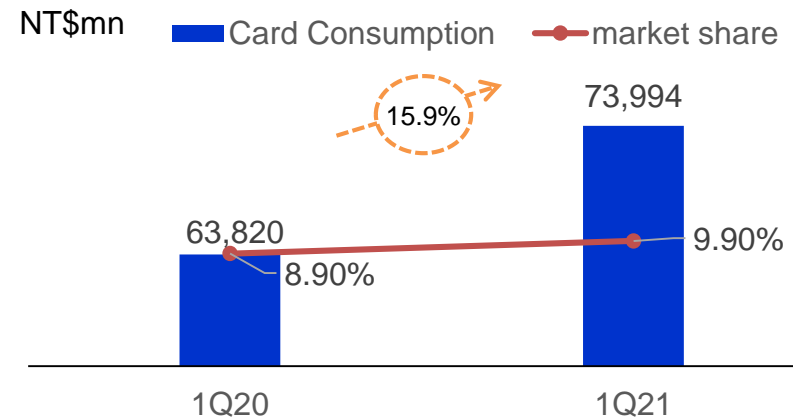
Taipei Fubon Bank: Credit card

- The growth of active cards and card consumption outperformed the market average and led to increase in market share. Credit card gross fee climbed 12% YoY
- Per card monthly spending declined 3.3% due to lack of overseas spending during the pandemic

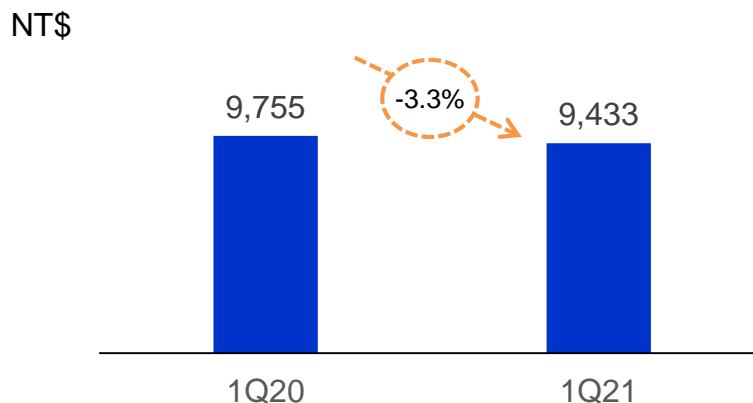
Active cards



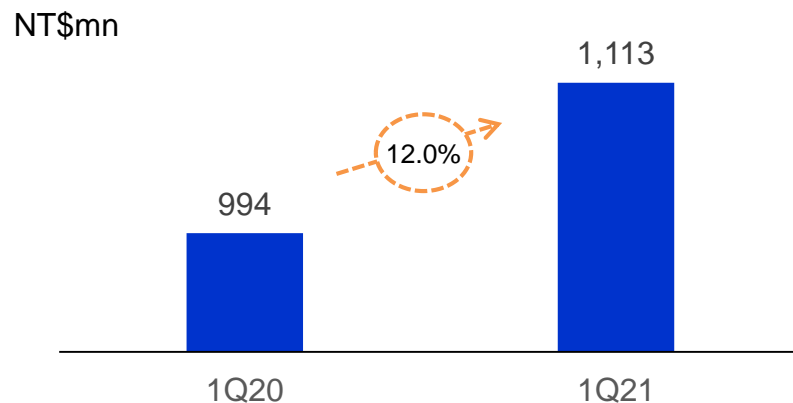
Card consumption



Per Card Spending (monthly)



Gross Fee Income

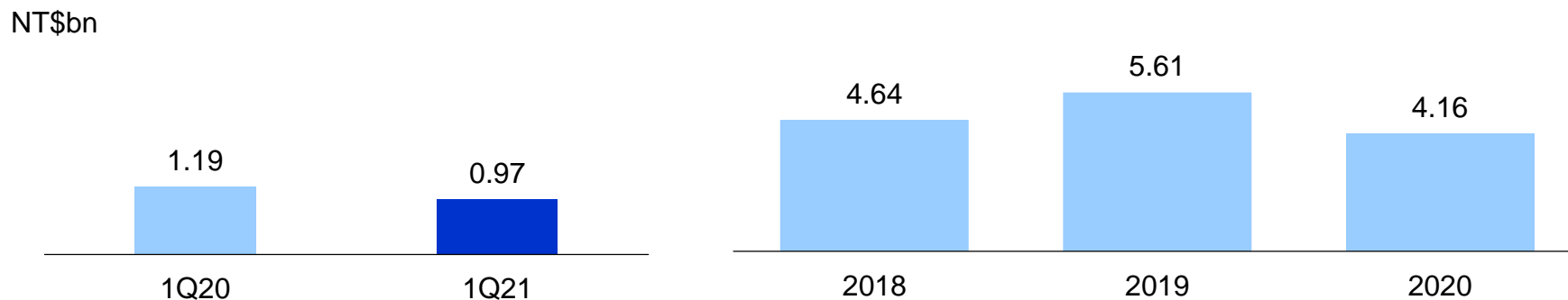


Taipei Fubon Bank: Overseas branches

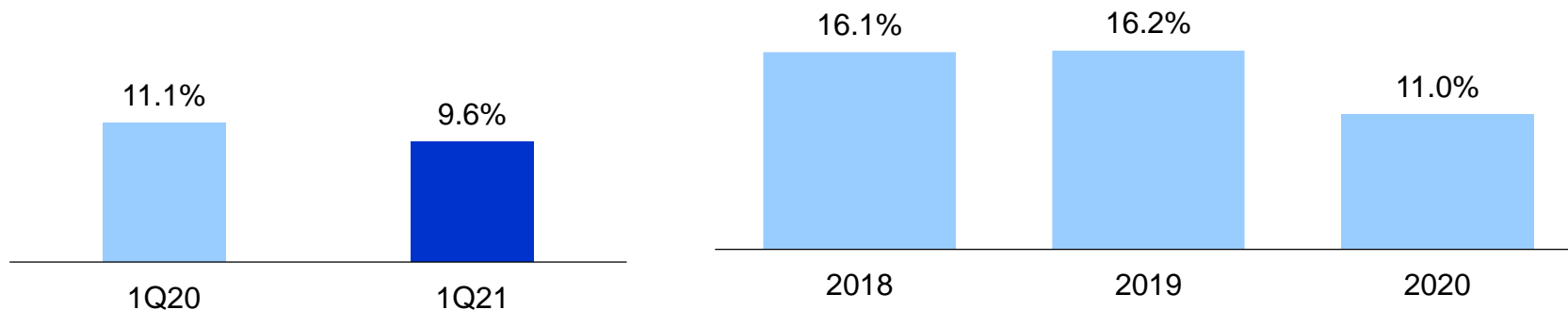


- Growth of wealth management fees in overseas branches reached 47% YoY
- Net interest income from overseas branches was down 33% YoY due to a more cautious underwriting policy and rate cuts. Revenue declined by 18% YoY. Profit contribution from overseas branches dropped to 9.6%

Net revenue from overseas branches



Pre-tax profit from overseas branches



Note: Net revenue and pre-tax profit of overseas branches in 2019 are audited numbers



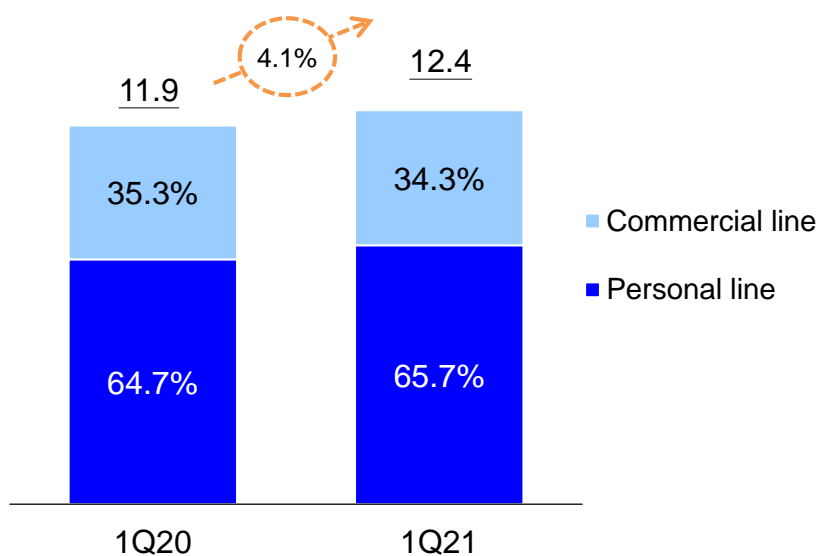
Performance review by subsidiary
Fubon Insurance

Fubon Insurance: Operational snapshot

- Steadily premium growth of 4.1% YoY
- Market leader with 24.2% market share for 40th straight year
- Net combined ratio reached 90.2%, 0.7% improvement YoY due to solid expense control

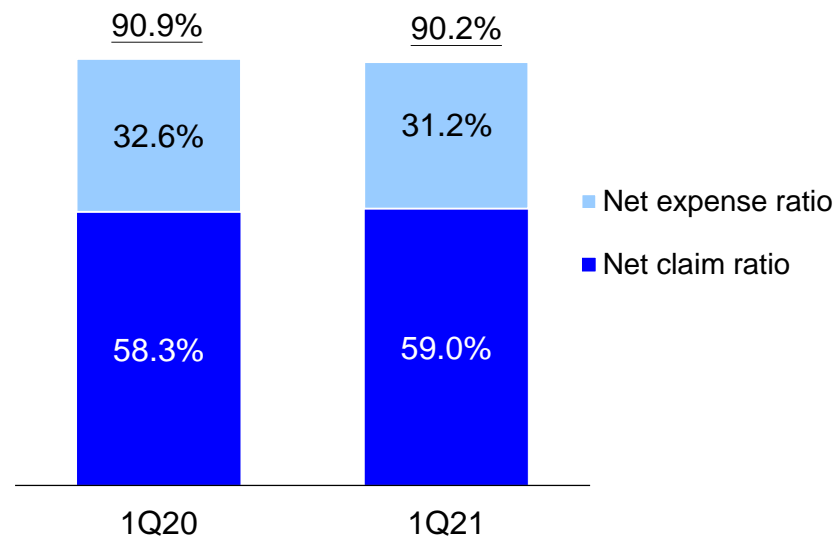
Direct written premiums by product

NT\$bn



Note: Standalone basis

Net combined ratio



Note: Inclusive of compulsory auto business



Performance review by subsidiary
Fubon Securities

Fubon Securities: Operational snapshot

- Net profit reached NT\$1.7bn in 1Q21, up 907.0% YoY
- Brokerage fee was up 72.3% YoY, driven by higher market turnover and ranked top 3 in brokerage with market share of 5.72%. Sub-brokerage market share reached 11.13%
- Top 3 position in underwriting

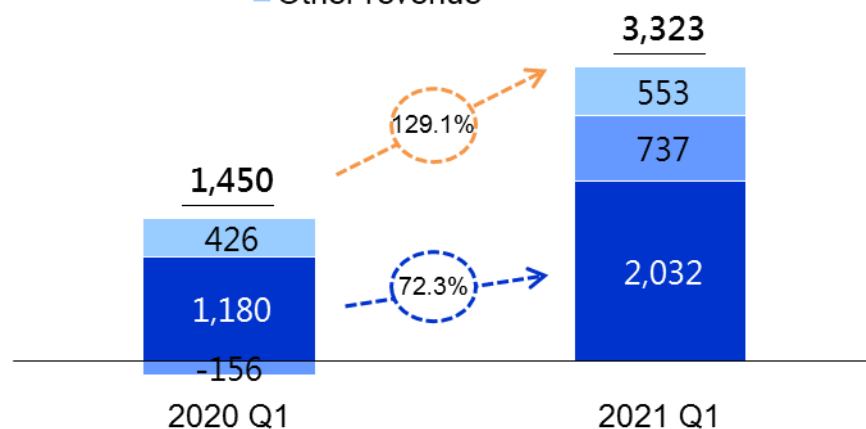
Market ranking

	1Q21	Ranking	1Q20	Ranking
Brokerage	5.72%	3	5.33%	3
IPO+SPO underwriting amount	7.89%	3	9.45%	4
Sub-brokerage	11.13%	4	9.18%	4

Operating revenue

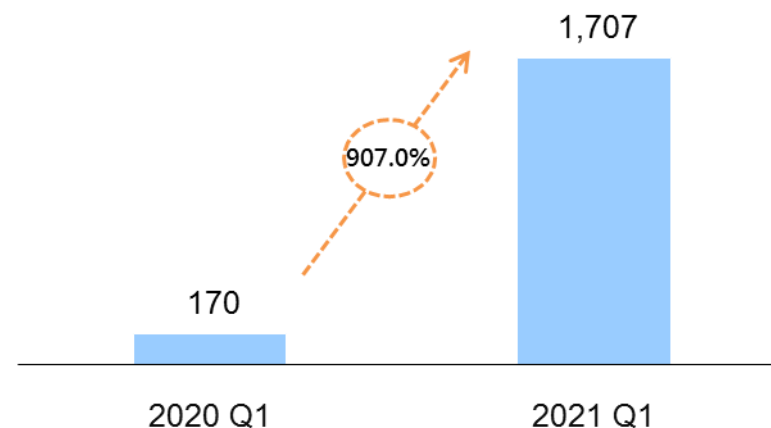
NT\$mn

- Brokerage revenue
- Prop and financial gain
- Other revenue



Net profit

NT\$mn





Performance review by subsidiary
Overseas banking subsidiaries

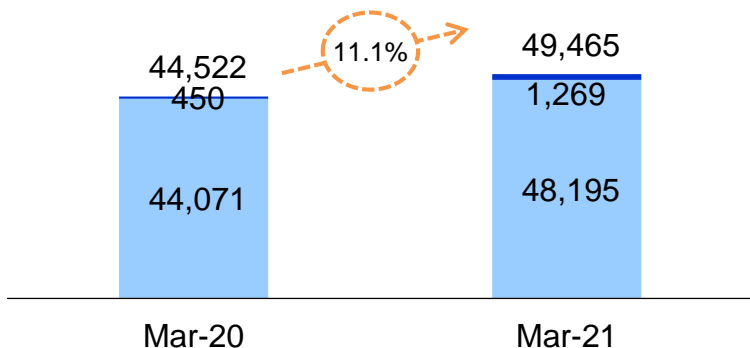
Fubon Bank (China): Key balance sheet items

- Asset growth of 6.5% YoY
- Cultivate Taiwanese customers and leverage group resources for cross-sale

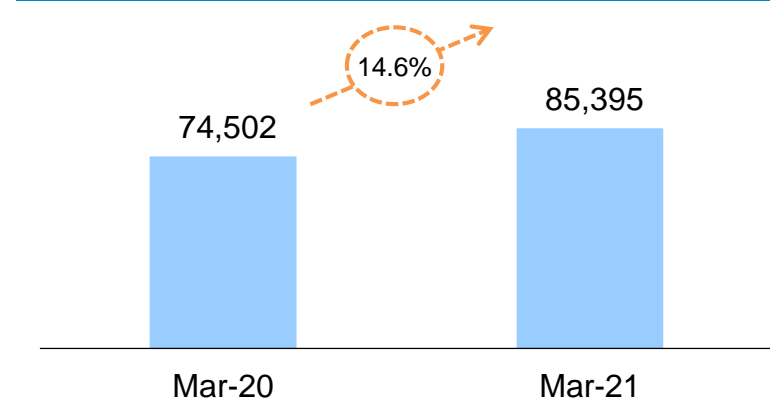
RMBmn

Loans

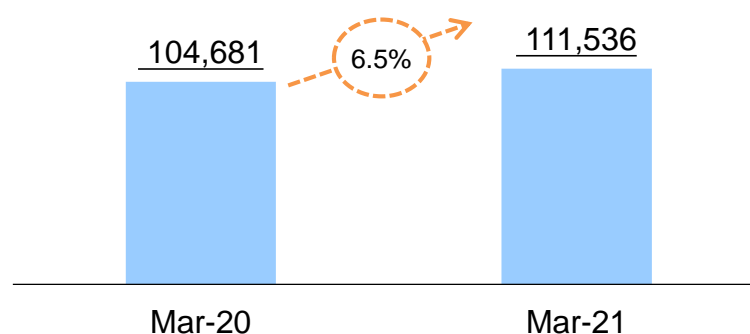
Loans Rediscount



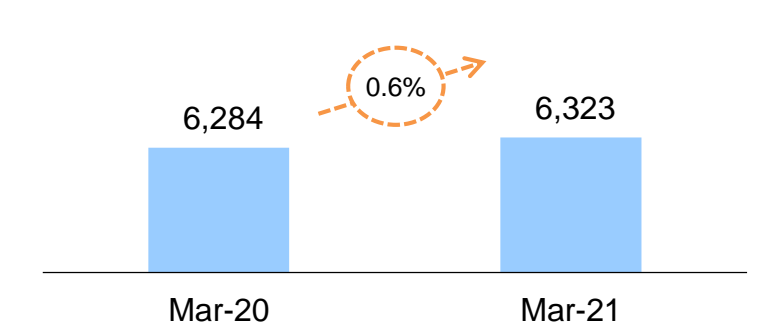
Deposits



Assets



Net worth

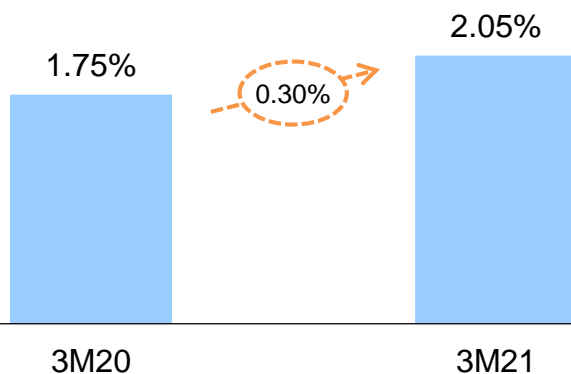


Fubon Bank (China): Financial highlight

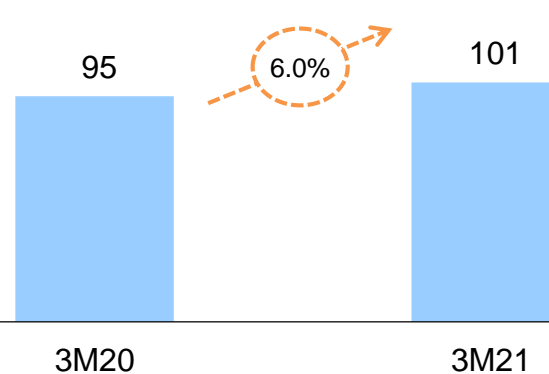
- Net profit increased 6% YoY, mainly driven by growth in net interest income
- NIM was up 30bps YoY due to better deposit and loan mix and lower funding cost
- Asset quality remained stable. NPL and coverage ratio improved YoY

RMBmn

NIM

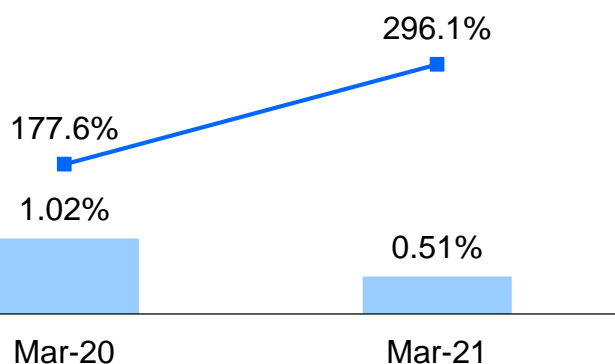


Net profit



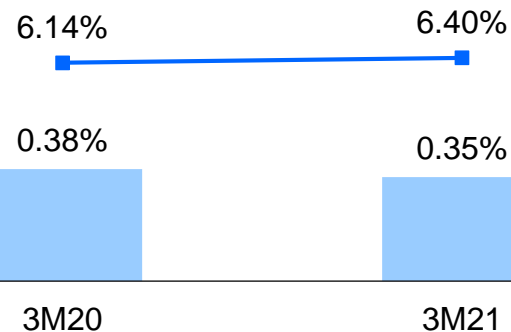
NPL ratio & Coverage ratio

■ NPL ratio ■ Coverage ratio



ROAA & ROAE

■ ROAA ■ ROAE





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2020 Embedded Value

Fubon Life

2020 value creation summary



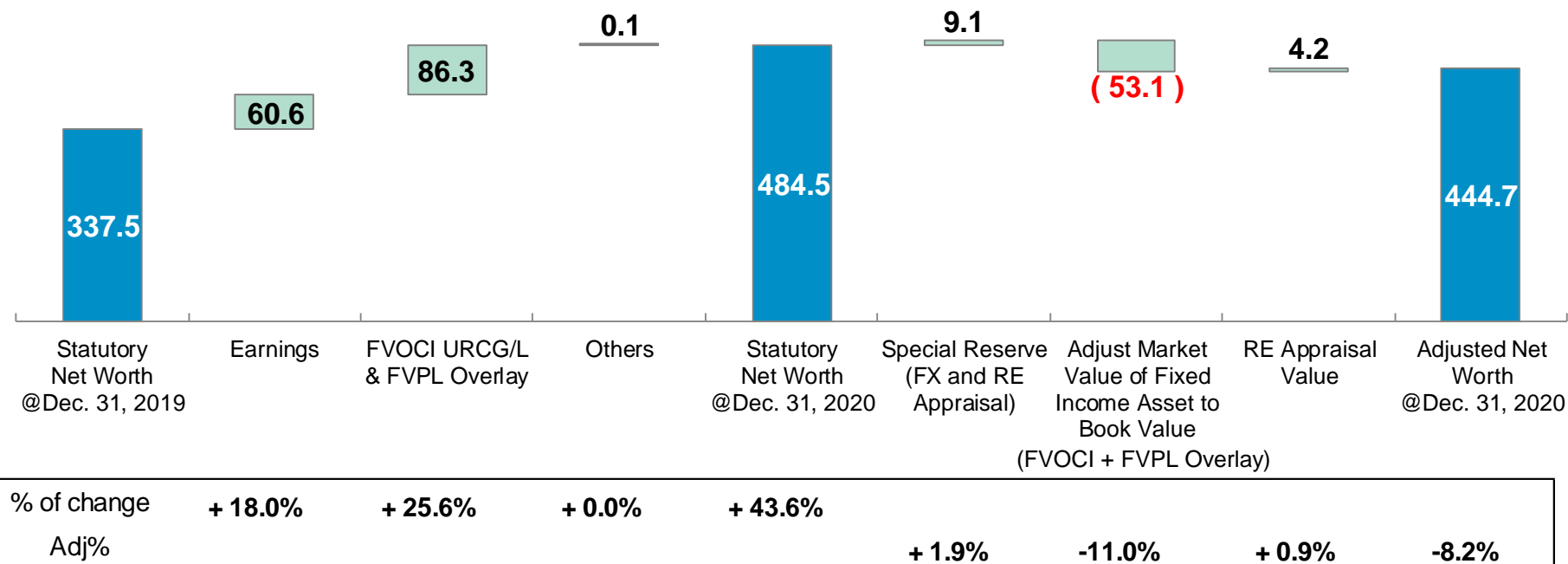
Unit : NT\$bn

	Items	2019	2020	YoY	Diff	Impact
Inforce Value Creation	Net Worth (Book Value)	337.5	484.5	43.6%	147.0	↑
	Adjusted Net Worth	325.5	444.7	36.6%	119.2	↑
	VIF (before CoC)	426.5	486.0	14.0%	59.6	↑
	Cost of Capital (CoC)	(146.8)	(149.3)	-1.7%	-2.5	↓
	VIF (after CoC)	279.7	336.7	20.4%	57.1	↑
	Embedded Value	605.2	781.4	29.1%	176.2	↑
New Sales Value Creation	FYP	206.3	121.4	-41.1%	-84.9	↓
	FYPE	71.7	47.7	-33.4%	-24.0	↓
	FYPE/FYP	34.8%	39.3%	13.1%	4.5%	↑
	VNB	32.7	24.4	-25.3%	-8.3	↓
	VNB margin (VNB/FYP)	15.8%	20.1%	27.0%	4.3%	↑
	VNB margin (VNB/FYPE)	45.6%	51.1%	12.3%	5.6%	↑
Appraisal Value (20 year NB)	Multiplier	8.8	9.4	5.9%	0.5	↑
	Appraisal Value	894.1	1,010.2	13.0%	116.1	↑
Value per FHC share	Outstanding shares (FHC)	10.2	10.2	-	-	
	Embedded Value	59.1	76.4	29.1%	17.2	↑
	Appraisal Value	87.4	98.7	13.0%	11.3	↑
Value per Life share	Outstanding shares (Life)	11.1	11.1	-	-	
	Embedded Value	54.6	70.5	29.1%	15.9	↑
	Appraisal Value	80.7	91.1	13.0%	10.5	↑

Movement analysis: adjusted net worth



Unit: NT\$bn

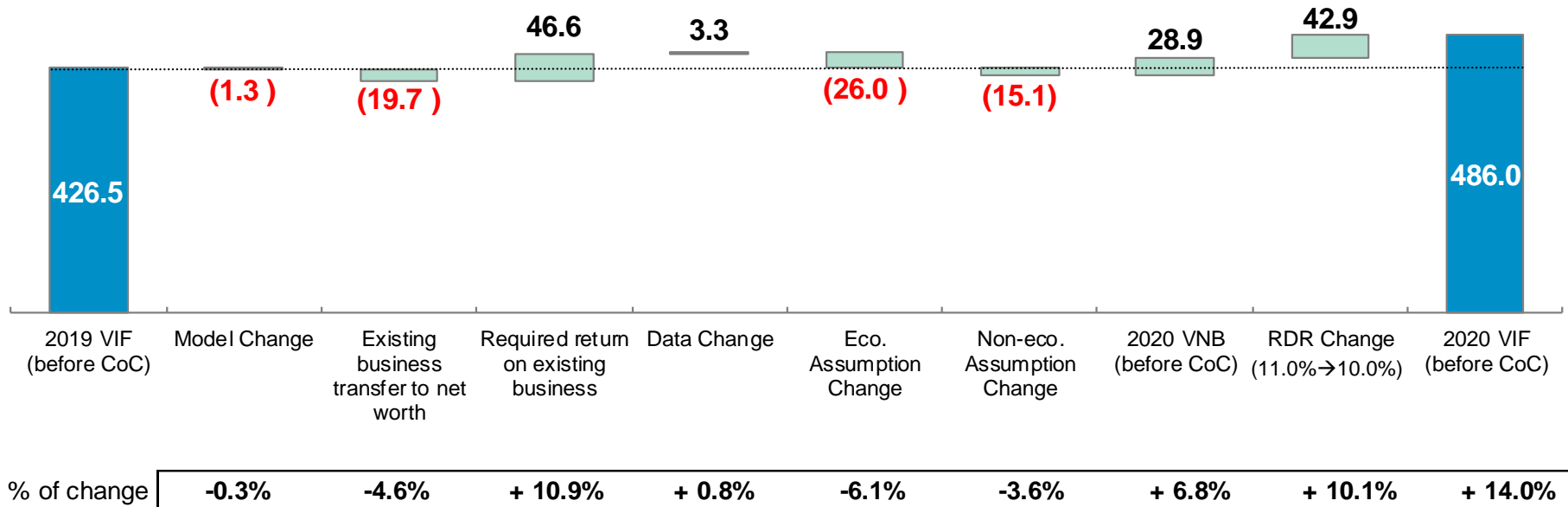


Note:

1. Special Reserve includes FX reserve of NT\$8.5bn and RE appraisal reserve of NT\$0.6bn.

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

Unit: NT\$bn



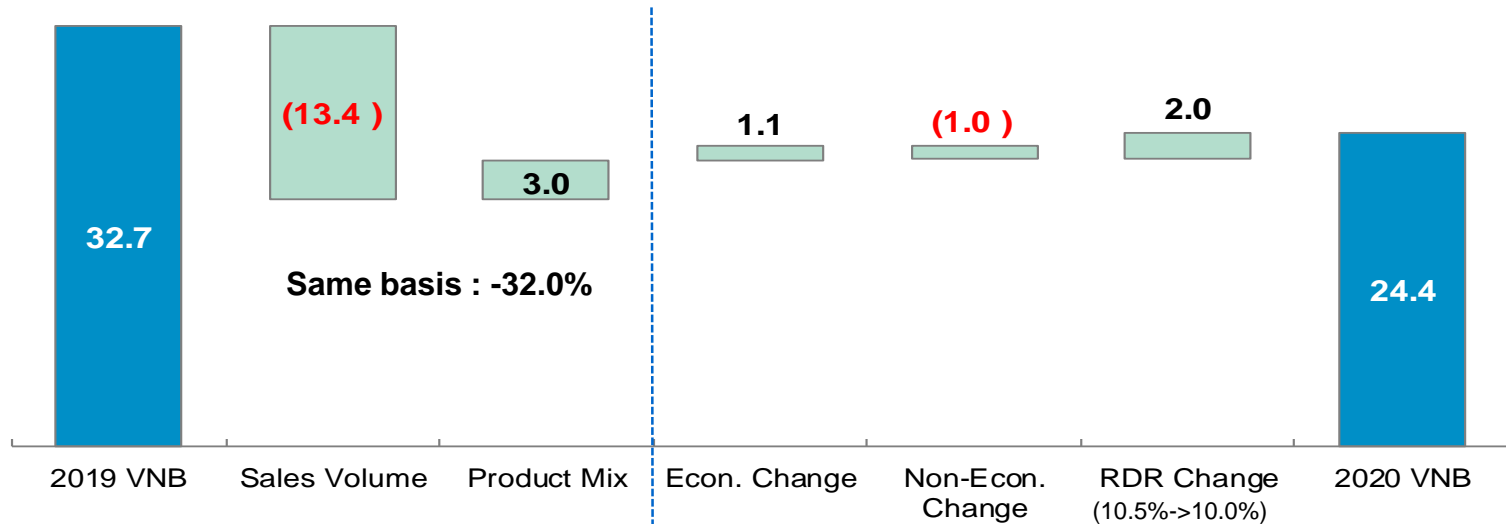
Note:

1. Economic assumption change includes changes of foreign exchange rate (-1.2%) and investment return (-4.9%).
2. The equivalent return of EV2019 reporting for VIF increased from 4.32% to 4.38% to reflect rolling over effect.
3. The equivalent return of EV2020 reporting for VIF is 4.27%.
4. 2020 VNB (after CoC) is NT\$24.4bn.

Movement Analysis: Value of New Business



Unit: NTD billion



% of change		-41.1%	+ 9.2%	+ 3.4%	-3.0%	+ 6.2%	-25.3%
VNB/FYP	15.8%	0.0%	+ 2.5%	+ 0.9%	-0.8%	+ 1.7%	20.1%

Note:

1. The equivalent return of EV2019 reporting for VNB increased from 3.98% to 4.24% with consideration of rolling over effect and reflects 2020 product sales.
2. The equivalent return of EV2020 reporting for VNB is 4.26%.

Economic Assumption



	Year 2019	Year 2020
Investment return	<p><u>VIF</u> NTD Traditional Policies : Year 2020 to Year 2044 at 3.47%~5.00%(2045+) USD Policies : Year 2020 to Year 2042 at 4.32%~5.52%(2043+)</p> <p><u>V1NB</u> NTD Traditional Policies : Year 2019 to Year 2048 at 2.91%~4.91%(2049+) USD Policies : Year 2019 to Year 2042 at 3.51%~5.50%(2043+)</p> <p><u>ISA</u> Average retained spread for the Interest sensitive business is around 50~100bps.</p>	<p><u>VIF</u> NTD Traditional Policies : Year 2021 to Year 2046 at 3.68%~4.84%(2047+) USD Policies : Year 2021 to Year 2043 at 4.08%~5.29%(2044+)</p> <p><u>V1NB</u> NTD Traditional Policies : Year 2020 to Year 2046 at 3.43%~4.83%(2047+) USD Policies : Year 2020 to Year 2041 at 3.79%~5.27%(2042+)</p> <p><u>ISA</u> Average retained spread for the Interest sensitive business is around 50~100bps.</p>
Risk Discount Rate	11% for VIF; 10.5% for V1NB	10% for VIF; 10% for V1NB
Equivalent Return	<p>VIF: 4.32% V1NB: 3.98%</p>	<p>VIF: 4.27% V1NB: 4.26%</p>
YC (10 year) Initial / ultimate	<p>TWD: 1.01% / 3.25% USD : 1.90% / 5.00%</p>	<p>TWD: 0.83% / 3.25% USD : 1.78% / 5.00%</p>

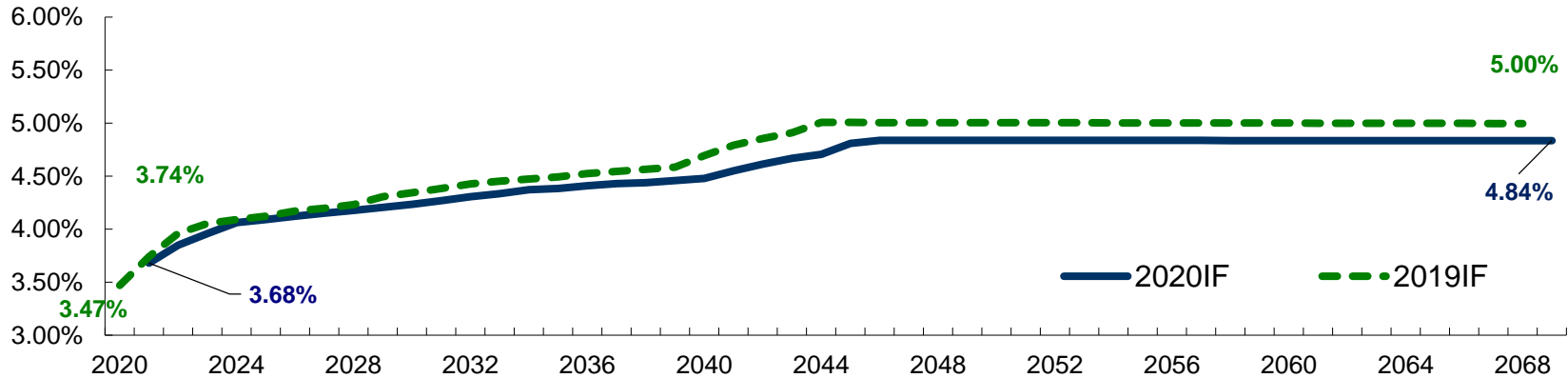
Note:

- The FX reserve mechanism stipulated from 2012; respective cost is reflected in the derivation of portfolio return.

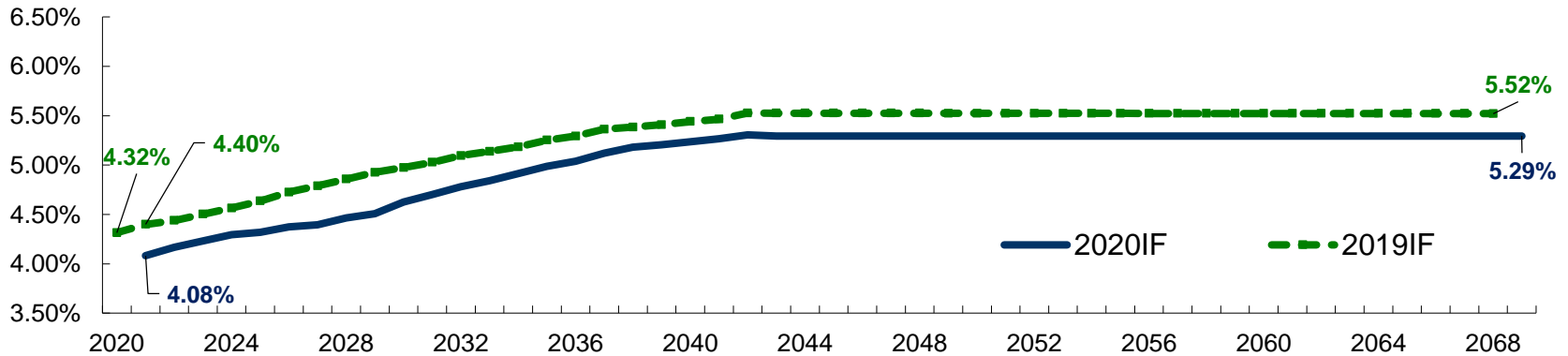
Economic assumption – VIF portfolio return



In-force Portfolio Return_NTD Traditional



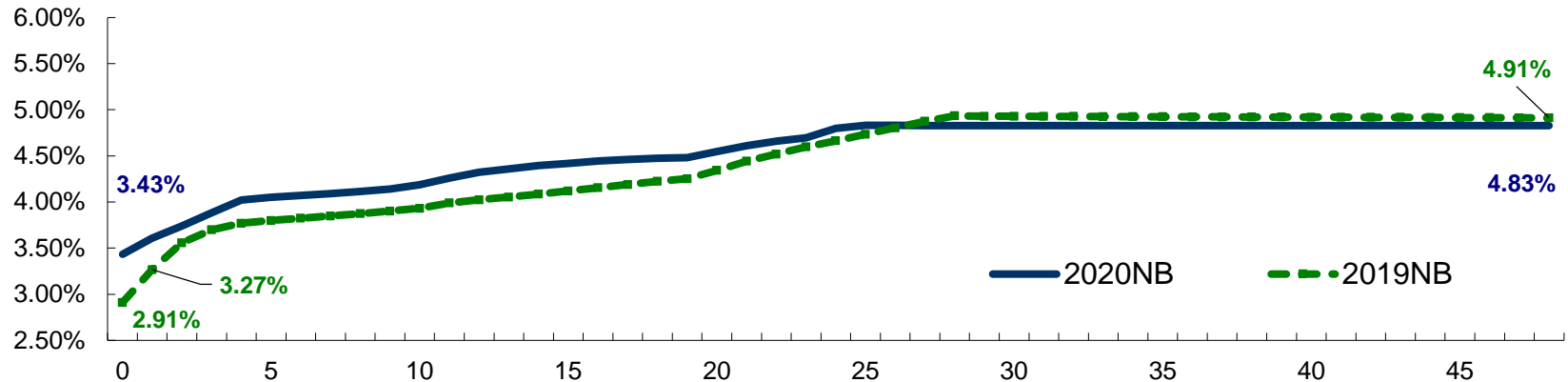
In-force Portfolio Return_USD



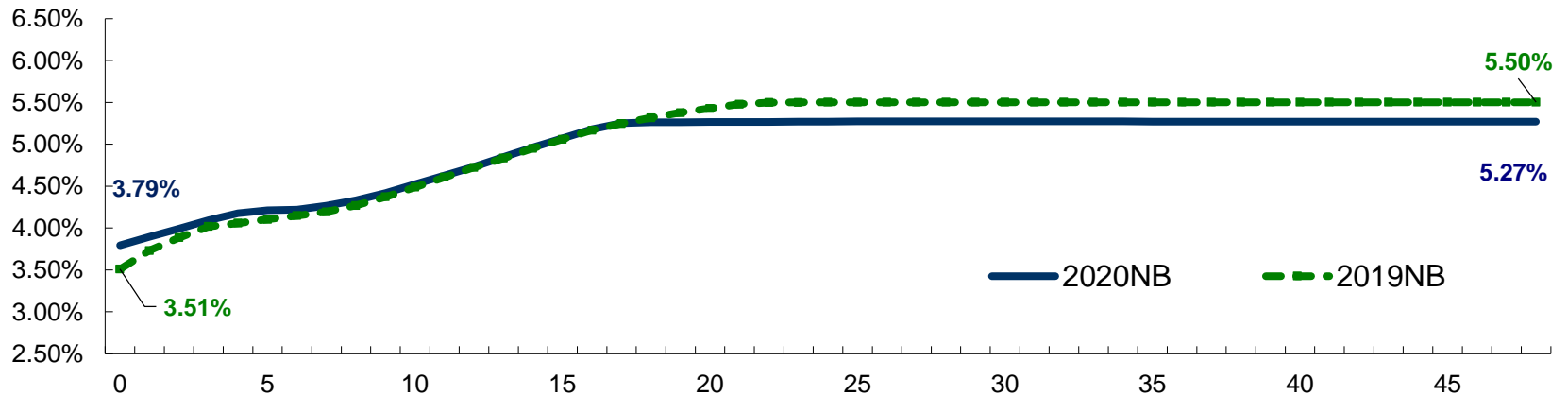
Economic Assumption – V1NB portfolio return



NB Portfolio Return_NTD Traditional



NB Portfolio Return_USD



Economic assumption: discount rate



Fubon Life	31-Dec-19	31-Dec-20
Risk Free Rate	1.01%~3.25%	0.83%~3.25%
Equity plus Country Risk Premium	6.5%	6.25%
Beta	1.2	1.1
Calculated RDR	8.8%~11.1%	7.7%~10.1%
RDR used in the valuation	VIF:11.0% VNB:10.5%	VIF:10.0% VNB:10.0%

- RDR: According to CAPM (Capital Asset Pricing Model);
RDR = Risk Free Rate + Beta * Equity and Country Premium.

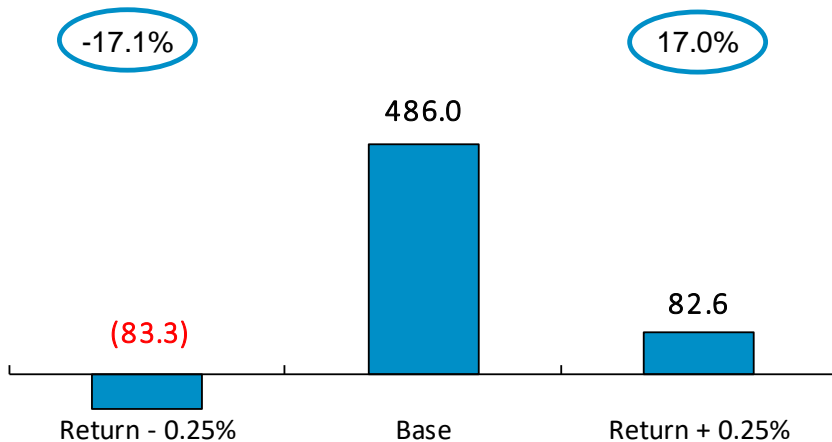
Cost of capital projection

- **Projected future cost of capital is based on future capital requirement maintaining regulatory minimum RBC level of 200%, considering the following factors:**
 - 1) Add 50% C3 risk capital of previous year for all traditional products every year (excludes investment-linked product) ;
 - 2) Reflect current business operation and future strategy.
- **Risk-based capital (RBC) regulation changes & adjustments in 2020:**
 - 1) Change in TAC regulation regarding to the threshold for recognizing subordinated debt and real estate appreciation into TAC;
 - 2) No RC regulations change in 2020.

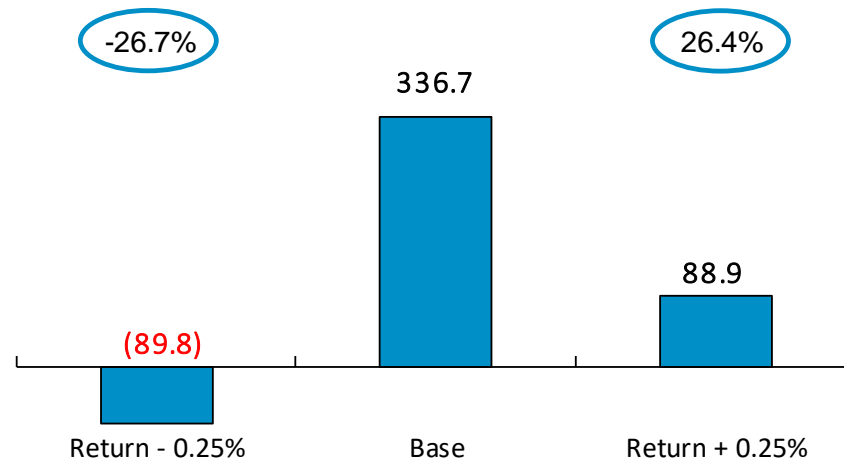
Sensitivity summary: portfolio return

Unit: NT\$bn

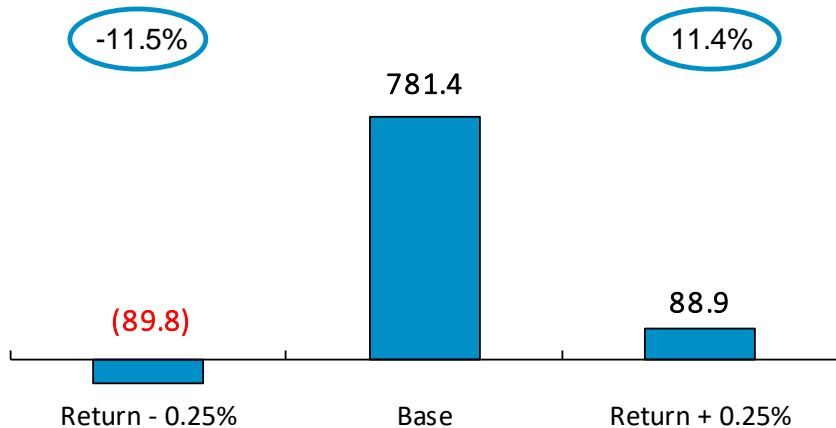
VIF (before CoC)



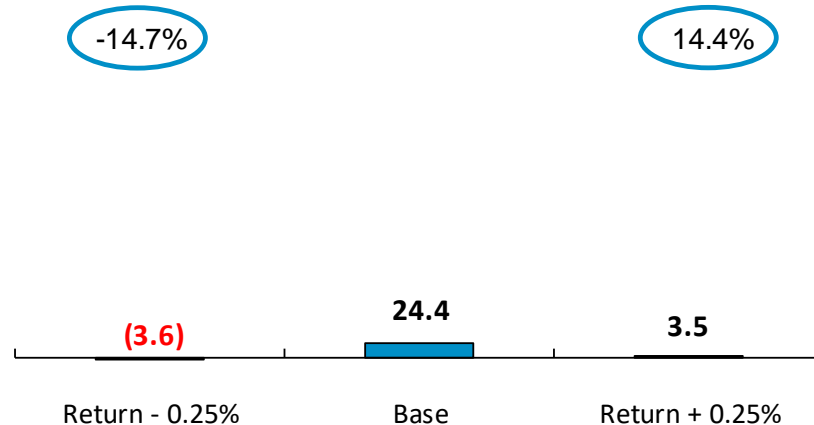
VIF



EV



VNB

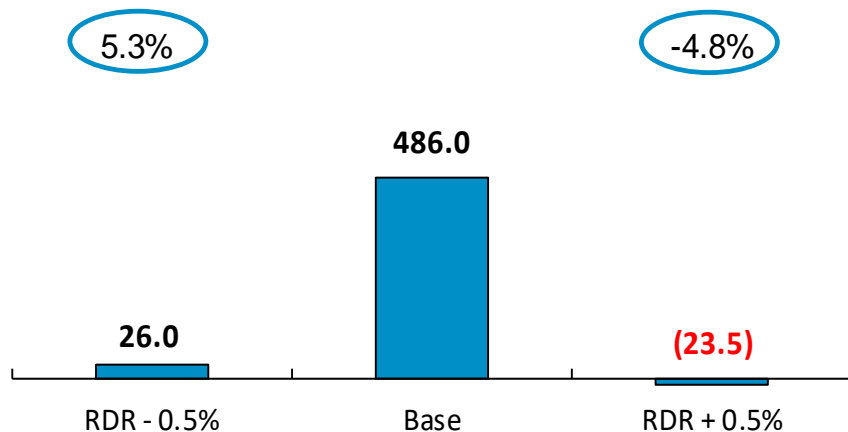


Note: ANW not affected by portfolio return.

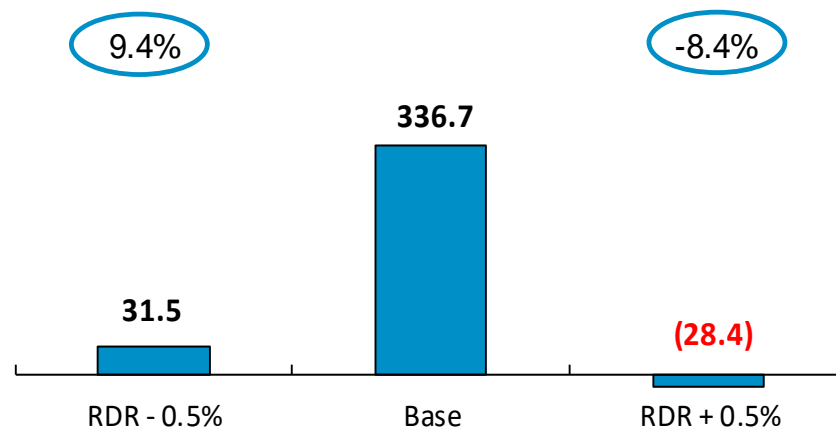
Sensitivity summary: risk discount rate

Unit: NT\$bn

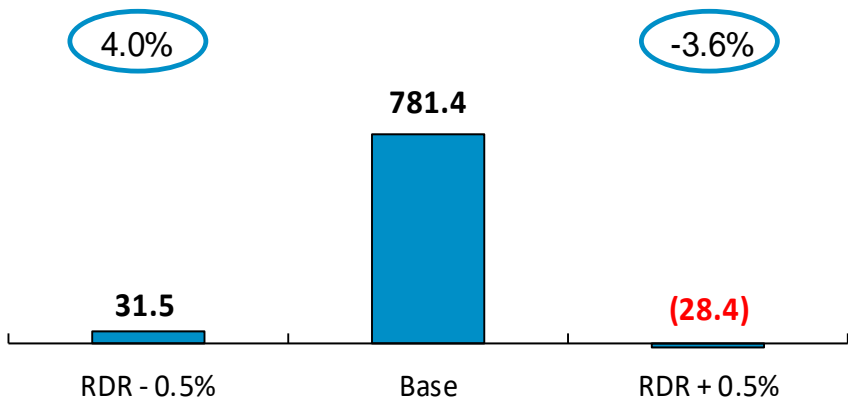
VIF (before CoC)



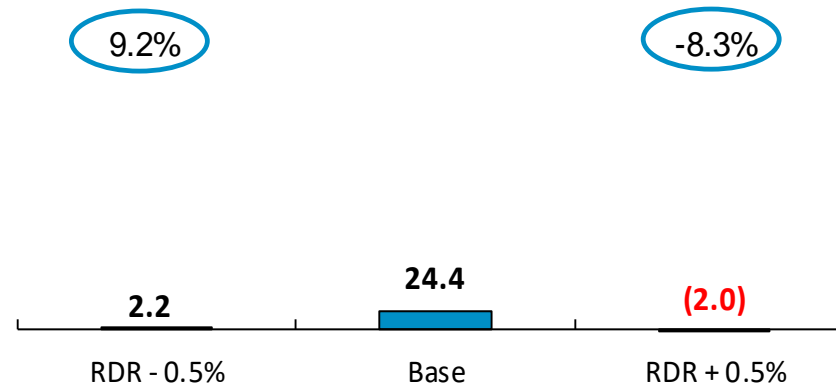
VIF



EV



VNB



The Engagement

- Deloitte Consulting (Pacific) Limited, Taiwan Branch (“Deloitte Consulting”) was retained by Fubon Life to perform an independent review of the Embedded Value (EV) as at 31 December 2020 and the Value of New Business (VNB) written over the period of 1 January 2020 to 31 December 2020.

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 2019 and 31 December 2020.

Risk Adjusted Discount Rates



- Fubon Life calculated the EV and VNB at Risk Adjusted Discount Rates (“RDR”) of 10.0%.

	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”)	0.83%	3.25%	2.31%	2.43%
Equity and Country Risk Premium	6.25%	6.25%	6.25%	6.25%
Beta	1.10	1.10	1.10	1.10
Calculated Risk Discount Rate	7.71%	10.13%	9.18%	9.30%
Risk Discount Rate used in the Valuation for VIF	10.00%			
Risk Discount Rate used in the Valuation for VNB	10.00%			

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

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



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 0.83% 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 1.1 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.
- In previous years, Fubon Life split up the RDR assumption for the VIF and VNB to reflect the higher risk and higher shareholder expected return for the legacy business (part of VIF). Considering the legacy business has been diluted with new business for years, the policy interest rate and risk profile of the VIF has reached a similar level as the VNB. This year Fubon Life applies the same RDR of 10.0% for both the VIF and VNB to reflect their similar risk views and shareholder expectations. We feel comfortable about this RDR assumption.

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 0.83% and 1.78% 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.

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.

Economic 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.



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.

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 2019 to 2020;
- Review of the changes in the new business profit margin relative to that in 2019 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.



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Contact IR



 Fubon Financial

Fubon Financial - Financial summary

<i>NT\$ millions, except for percentages</i>	1Q21	4Q20	3Q20	2Q20	1Q20	2020	2019	YoY
<u>Income Statement Data</u>								
Net interest income	34,126	34,431	34,485	34,423	33,956	137,294	136,681	0.4%
Insurance income	50,767	45,485	58,910	62,640	71,012	238,047	248,067	-4.0%
Net gains (losses) on FX and financial assets	59,131	25,288	30,364	15,465	29,705	100,821	68,687	46.8%
Others	3,300	1,219	1,565	(1,035)	(1,406)	343	(5,443)	106.3%
Net revenue	147,324	106,423	125,324	111,492	133,267	476,506	447,992	6.4%
Bad debt expense and reserve for guarantee	(775)	(1,159)	(643)	(1,128)	(1,442)	(4,372)	(3,223)	35.6%
Net change in insurance reserve	(72,596)	(64,645)	(75,596)	(75,324)	(90,810)	(306,374)	(316,278)	-3.1%
Operating expense	(15,134)	(15,729)	(16,187)	(15,521)	(15,195)	(62,632)	(63,022)	-0.6%
Income before tax	58,820	24,890	32,899	19,519	25,820	103,128	65,468	57.5%
Net income	51,336	22,518	30,990	14,291	23,173	90,972	59,573	52.7%
Net income to parent company	50,552	22,067	30,922	14,321	22,963	90,272	58,497	54.3%
<u>Balance Sheet Data</u>								
Total assets	9,695,781	9,244,453	8,957,628	8,856,109	8,571,206	9,244,453	8,547,702	8.2%
Equity attributable to parent company	816,029	762,869	659,198	595,926	503,365	762,869	607,774	25.5%
Outstanding common shares (million shares)	10,233	10,234	10,234	10,234	10,234	10,234	10,234	0.0%
<u>Key Metrics</u>								
ROA	2.17%	0.99%	1.39%	0.66%	1.08%	1.02%	0.73%	
ROE	25.61%	12.41%	19.71%	10.42%	16.53%	13.17%	10.94%	
Equity / assets	8.78%	8.40%	7.50%	6.87%	6.00%	8.40%	7.25%	
Double leverage	113.89%	111.35%	113.08%	114.46%	114.23%	111.35%	111.82%	
Capital adequacy ratio		124.96%		109.77%		124.96%	116.79%	
Cash dividend per share						3.00	2.00	
Stock dividend per share						1.00	-	

Fubon Life - Financial summary

<i>NT\$ millions, except for percentages</i>	1Q21	4Q20	3Q20	2Q20	1Q20	2020	2019	YoY
<u>Income statement data</u>								
First year premium	38,976	28,273	31,687	24,403	37,046	121,409	206,267	-41.1%
Retained earned premium	121,404	125,985	137,729	145,710	143,078	552,502	603,645	-8.5%
Total investment income	78,763	50,993	55,686	37,802	51,935	196,416	155,531	26.3%
Recurring investment income	29,681	30,688	45,828	35,644	32,857	145,017	146,417	-1.0%
Other investment income	49,082	20,305	9,858	2,158	19,078	51,399	9,114	464.0%
Realized gains (losses) from fixed income	26,873	5,416	5,648	7,288	16,749	35,101	26,290	33.5%
Realized gains (losses) from equity	23,274	18,965	9,430	4,496	9,439	42,330	18,928	123.6%
FX and others	(463)	(3,534)	(5,183)	(7,545)	(5,881)	(22,143)	(34,529)	-35.9%
Investment property fair value movement	(602)	(542)	(37)	(2,081)	(1,229)	(3,889)	(1,575)	146.9%
Other income	1,375	1,134	1,027	797	933	3,891	3,642	6.8%
Total operating revenue	201,541	178,112	194,442	184,309	195,946	752,809	762,818	-1.3%
Retained claim payment	75,072	84,134	82,794	86,705	75,692	329,325	368,837	-10.7%
Net commission expense	5,064	4,608	5,412	4,804	7,147	21,971	29,578	-25.7%
Net change in insurance liability	70,231	65,507	77,428	78,939	89,510	311,384	312,337	-0.3%
General and administrative expense	4,543	5,658	4,916	4,731	4,830	20,135	20,361	-1.1%
Other operating costs	1,070	1,078	979	967	964	3,988	3,763	6.0%
Total operating costs and expenses	155,981	160,985	171,529	176,146	178,143	686,803	734,876	-6.5%
Net non-operating income / (expenses)	193	123	174	287	157	741	460	61.2%
Income before tax	45,754	17,250	23,087	8,450	17,960	66,747	28,402	135.0%
Net income	39,868	15,767	22,066	7,285	16,297	61,415	27,611	122.4%
Net income to parent company	39,085	15,263	21,953	7,273	16,102	60,591	26,507	128.6%
<u>Balance sheet data</u>								
Total assets	5,434,853	5,317,443	5,103,635	4,968,656	4,785,534	5,317,443	4,857,322	9.5%
Total assets (general account)	4,974,045	4,858,223	4,703,954	4,586,610	4,423,728	4,858,223	4,444,576	9.3%
Insurance liabilities	4,247,386	4,178,051	4,121,187	4,056,430	3,993,310	4,178,051	3,912,818	6.8%
Total liabilities	4,897,830	4,819,306	4,699,615	4,618,224	4,541,737	4,819,306	4,508,174	6.9%
Total liabilities (general account)	4,438,109	4,366,427	4,307,105	4,243,337	4,184,441	4,366,427	4,099,813	6.5%
Equity attributable to parent company	524,925	484,536	391,491	338,444	232,824	484,536	337,516	43.6%
<u>Key Metrics</u>								
ROA	2.97%	1.21%	1.75%	0.60%	1.35%	1.21%	0.60%	
ROE	30.98%	13.94%	24.06%	10.18%	22.59%	14.74%	9.81%	
Equity / Assets (general account)	10.80%	10.25%	8.59%	7.64%	5.51%	10.25%	7.86%	
Expense ratio	3.74%	4.49%	3.57%	3.25%	3.38%	3.64%	3.37%	
Persistency ratio - 13th month	97.91%	97.55%	97.31%	97.08%	96.92%	97.55%	96.67%	
Persistency ratio - 25th month	95.08%	94.57%	94.34%	93.94%	93.66%	94.57%	94.62%	
RBC		299%		268%		299%	281%	

Taipei Fubon Bank - Financial summary

<i>NT\$ millions, except for percentages</i>	1Q21	4Q20	3Q20	2Q20	1Q20	2020	2019	YoY
<u>Income statement data</u>								
Interest income	13,554	13,753	13,834	14,662	15,750	57,998	61,555	-5.8%
Interest expense	(4,775)	(5,095)	(5,436)	(6,648)	(7,891)	(25,070)	(32,791)	-23.5%
Net interest income	8,779	8,658	8,397	8,014	7,859	32,928	28,765	14.5%
Net fee income	3,118	1,866	3,109	2,758	3,878	11,612	12,683	-8.4%
Other income	759	502	1,202	3,012	458	5,174	9,987	-48.2%
Total net revenue	12,656	11,026	12,709	13,783	12,195	49,713	51,435	-3.3%
Operating expenses	(6,130)	(6,655)	(6,188)	(5,947)	(6,080)	(24,872)	(24,847)	0.1%
Pre-provision profits	6,526	4,371	6,521	7,836	6,114	24,841	26,588	-6.6%
Provision for credit losses	(590)	(555)	(372)	(856)	(1,161)	(2,943)	(2,216)	32.8%
Income before tax	5,937	3,816	6,149	6,980	4,954	21,899	24,372	-10.1%
Net income	5,129	3,486	5,659	6,089	4,303	19,537	20,637	-5.3%
Net income to parent company	4,959	3,405	5,535	5,724	4,128	18,792	20,123	-6.6%
<u>Balance sheet data</u>								
Loans and discounts, net	1,689,509	1,635,408	1,613,947	1,599,550	1,553,897	1,635,408	1,491,818	9.6%
Deposits and remittances	2,465,891	2,496,636	2,414,664	2,369,845	2,380,451	2,496,636	2,304,217	8.4%
Allowance for loan losses*	18,489	18,021	18,298	17,947	18,106	18,021	17,289	4.2%
Total assets	3,283,713	3,286,836	3,215,608	3,202,435	3,168,759	3,286,836	3,029,831	8.5%
Equity attributable to parent company	225,659	219,136	207,828	202,156	202,546	219,136	199,631	9.8%
<u>Key metrics</u>								
ROA	0.62%	0.43%	0.71%	0.76%	0.56%	0.62%	0.72%	
ROE*	8.92%	6.38%	10.80%	11.31%	8.21%	8.97%	10.44%	
Equity / assets	7.45%	7.24%	7.03%	6.88%	6.97%	7.24%	7.20%	
Cost / income ratio	-48.43%	-60.36%	-48.69%	-43.15%	-49.86%	-50.03%	-48.31%	
NPL ratio*	0.19%	0.16%	0.18%	0.19%	0.24%	0.16%	0.19%	
Reserve / NPL*	672.91%	777.78%	730.22%	692.65%	552.79%	777.78%	713.11%	
Tier 1 ratio*	14.79%	14.71%	12.69%	12.03%	12.18%	14.71%	12.46%	
BIS ratio*	16.54%	16.47%	14.33%	13.73%	13.82%	16.47%	14.12%	
Tier 1 ratio		12.66%		10.77%		12.66%	11.18%	
BIS ratio		14.95%		12.92%		14.95%	13.35%	

Note: 1. Data are consolidated basis and data mark with * are stand-alone basis

Fubon Insurance - Financial summary

<i>NT\$ millions, except for percentages</i>	1Q21	4Q20	3Q20	2Q20	1Q20	2020	2019	YoY
<u>Income statement data</u>								
Direct written premiums	13,223	11,283	11,588	12,758	12,634	48,263	45,360	6.4%
Retention of earned premiums	9,777	9,473	9,346	9,137	9,148	37,105	35,494	4.5%
Net income from investment	1,799	1,325	1,149	672	1,074	4,221	3,191	32.3%
Other operating revenue	615	361	293	639	1,216	2,509	2,249	11.6%
Retained insurance payments	4,868	5,017	4,957	5,053	5,040	20,068	20,075	0.0%
Net change in liability reserve	884	340	442	34	(35)	781	(149)	-622.7%
Commission and operating expenses	4,175	4,193	3,911	4,205	4,629	16,938	15,822	7.1%
Non-Operating Income	(51)	(30)	(54)	(40)	(43)	(167)	(244)	-31.8%
Income before tax	2,212	1,580	1,424	1,117	1,760	5,881	4,943	19.0%
Net income	1,922	1,450	1,284	994	1,532	5,259	4,300	22.3%
Net income to parent company	1,919	1,613	1,421	1,122	1,484	5,640	4,394	28.4%
<u>Balance sheet data</u>								
Total assets	123,525	117,785	115,375	113,922	110,506	117,785	108,978	8.1%
Investment assets	83,408	80,481	76,288	72,701	70,896	80,481	75,639	6.4%
Policy reserve	60,677	57,849	57,076	56,511	55,297	57,849	53,825	7.5%
Equity attributable to parent company	42,190	40,177	37,468	35,076	33,400	40,177	36,330	10.6%
<u>Key Metrics</u>								
ROA	6.37%	4.97%	4.48%	3.54%	5.58%	4.64%	4.16%	
ROE	18.64%	16.62%	15.67%	13.11%	17.03%	14.74%	13.21%	
Total investment return	8.78%	6.76%	6.17%	3.74%	5.87%	5.41%	4.44%	
Solvency margin (NWP/equity)	101.17%	93.52%	103.51%	112.76%	120.02%	97.07%	99.53%	
Retention ratio	72.44%	79.73%	78.78%	70.65%	66.90%	73.49%	73.63%	
RBC		5.04		5.47		5.04	5.65	

Fubon Securities - Financial summary

<i>NT\$ millions, except for percentages</i>	1Q21	4Q20	3Q20	2Q20	1Q20	2020	2019*	YoY
<u>Income statement data</u>								
Brokerage commissions	2,032	1,591	1,715	1,398	1,180	5,883	3,711	58.5%
Net interest income	284	258	267	204	177	907	769	17.9%
Fee income	208	296	247	233	230	1,006	1,116	-9.8%
Net principal transactions and financial products gains	737	764	726	759	(156)	2,092	1,426	46.7%
Other income	62	21	(101)	21	19	(41)	81	-150.2%
Total operating revenue	3,323	2,929	2,855	2,615	1,450	9,848	7,103	38.6%
Total operating expense	(1,805)	(1,743)	(1,573)	(1,528)	(1,357)	(6,200)	(5,539)	11.9%
Net non-operating income / (expenses)	435	200	245	405	194	1,044	1,539	-32.2%
Income before tax	1,953	1,385	1,526	1,494	287	4,692	3,102	51.2%
Net income	1,707	1,256	1,384	1,394	170	4,203	2,901	44.9%
Net income to parent company	1,707	1,256	1,384	1,394	170	4,204	2,902	44.9%
<u>Balance sheet data</u>								
Margin loans	17,399	14,189	11,620	10,179	6,864	14,189	11,430	24.1%
Total assets	136,044	132,413	144,845	147,615	129,554	132,413	139,285	-4.9%
Equity attributable to parent company	36,210	34,071	38,644	37,193	36,949	34,071	37,502	-9.2%
<u>Key Metrics</u>								
ROA	5.09%	3.62%	3.79%	4.02%	0.50%	3.09%	2.21%	
ROE	19.43%	13.82%	14.60%	15.04%	1.82%	11.75%	7.96%	
Equity / assets	26.62%	25.73%	26.68%	25.20%	26.64%	25.73%	26.92%	
Expenses / revenues	-54.33%	-59.52%	-55.11%	-58.42%	-66.83%	-62.96%	-77.99%	
Margin loans / total assets	12.79%	10.72%	8.02%	6.90%	7.77%	10.72%	8.21%	
Margin loans / shareholders' equity	48.05%	41.65%	30.07%	27.37%	29.16%	41.65%	30.48%	
Capital adequacy ratio	312.18%	333.20%	480.71%	330.16%	428.72%	333.20%	418.55%	

*Fubon Asset Management was a subsidiary of Fubon Securities until Dec 30 2019. Fubon Asset Management's net profit is included in 2019 net profit.

Fubon Bank (China) - Financial summary

<i>RMB millions, except for percentages</i>	1Q21	4Q20	3Q20	2Q20	1Q20	2020	2019	YoY
<u>Income Statement Data</u>								
Interest income	1,149	1,179	1,154	1,097	1,054	4,485	3,484	28.7%
Interest expense	(632)	(664)	(686)	(702)	(674)	(2,726)	(2,259)	20.7%
Net interest income	517	515	468	395	380	1,758	1,225	43.5%
Net fee income	(67)	(66)	(46)	(23)	(22)	(157)	3	-5346.8%
Other income	(80)	(121)	(91)	132	59	(21)	160	-113.2%
Operating expenses	(229)	(247)	(225)	(213)	(211)	(895)	(850)	5.3%
Pre-provision profits	140	81	106	291	206	685	537	27.5%
Provision for credit losses	(8)	(47)	(27)	(86)	(114)	(274)	(102)	168.4%
Income before tax	132	34	79	205	92	411	435	-5.6%
Net income	101	60	93	188	95	436	331	31.7%
<u>Balance Sheet Data</u>								
Loans	49,465	46,841	45,619	46,032	44,522	46,841	40,447	15.8%
Deposits	85,395	92,870	86,811	78,623	74,502	92,870	71,082	30.7%
Total asset	111,536	116,549	117,644	114,209	104,681	116,549	94,766	23.0%
Total equity	6,323	6,286	6,155	6,263	6,284	6,286	6,099	3.1%
<u>Key Metrics</u>								
ROA	0.35%	0.20%	0.32%	0.69%	0.38%	0.41%	0.40%	
ROE	6.40%	3.84%	6.02%	11.97%	6.14%	7.0%	5.6%	
Equity / assets	5.67%	5.39%	5.23%	5.48%	6.00%	5.4%	6.4%	
Cost / income ratio	-60.48%	-72.43%	-65.69%	-40.68%	-48.64%	-54.61%	-54.30%	
NPL ratio	0.51%	0.55%	0.93%	0.93%	1.02%	0.55%	1.09%	
Reserve / NPL	296.13%	340.91%	205.59%	203.21%	177.64%	340.91%	157.95%	
Loan to deposit ratio (Renminbi)	79.02%	73.55%	80.11%	76.08%	79.73%	73.55%	75.03%	
Tier 1 ratio	9.72%	9.81%	9.62%	9.51%	9.71%	9.81%	10.14%	
BIS ratio	13.62%	13.96%	13.48%	13.24%	13.37%	13.96%	13.92%	