



富邦金控

1Q22 Interim Results and 2021 Embedded Value of Fubon Life

2022.05.20

Disclaimer

This document is provided by Fubon Financial Holdings (the “Company”). No representation, warranty or undertaking, express or implied, is or will be given by the Company as to the adequacy, accuracy, completeness and correctness of information contained herein. In addition, no obligation is undertaken by the Company to update or revise the information contained herein due to any changes in circumstances.

This document may contain forward-looking statements with respect to the financial condition, results of operations and business of the Company. These forward-looking statements represent the Company’s expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed. Certain statements, such as those that include the words “potential”, “estimated”, and similar expressions or variations on such expressions may be considered “forward-looking statements”.

Financial numbers in this document may include preliminary unaudited numbers or management accounts. All information is for reference only, some figures due to rounding, summation may not equal to the total. Please refer to the audited financial report for details. This document does not constitute or contain an offer, invitation or a solicitation to buy or sell any securities or related financial instruments.

No representatives or employees of the Company and its affiliated companies shall be liable for any damage which may arise from this document or any other written or oral information provided in connection with this document, or from relying on or any use of the contents of this document.



Performance highlights of Fubon Financial Holdings



Performance review by subsidiary

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



2021 Embedded Value of Fubon Life

Fubon Financial Holdings: 1Q22 Highlights

2021 Dividends

- Proposal of cash dividend at NT\$3.5 and stock dividend at NT\$0.5 per common share
- Fubon Life planned to upstream NT\$15.6bn, approximately 15.2% of net profit in 2021

Fubon FHC

- Net profit was NT\$46.5bn, down 9.4% YoY. EPS was NT\$3.94. Both net profit and EPS led FHC peers
- Total assets over NT\$10.5tn and net worth was NT\$861.9bn, up 9.1% and 5.5% YoY, respectively
- BVPS on common share basis was NT\$64.90

Fubon Life

- Net profit was NT\$36.4bn, top among peers
- Ranked top 2 in terms of FYP and renewal premium in Taiwan
- Investment return on after-hedge basis was 6.68% on back of decent capital gains and hedging performance
- Net worth was NT\$504.3bn

Taipei Fubon Bank

- Net profit was NT\$6.5bn, up 32% YoY due to growing asset scale and market rate hike that led to spread expansion and 10.2% yoy growth in net interest income
- Bargain purchase gains of NT\$2.8bn from investing in Hyundai Card Co., Ltd., contributing to net profit of NT\$2.2bn
- Number of credit card new issuance in 1Q22 was 21,000, up 44% YoY. Active cards and card spending grew steadily. Monthly per card spending was top among top 5 peer banks
- Asset quality remains stable. NPL ratio at 0.17% and coverage ratio at 726%

Fubon Financial Holdings: 1Q22 Highlights

Fubon Insurance

- Net profit was NT\$2.95bn, up 53.9% YoY
- Market leader for 41 straight years with insurance premium market share of 25.6% and premium income up 15.6% YoY
- Investment return was 16.41% on back of decent capital gains

Fubon Securities

- Net profit was NT\$0.77bn, down YoY, reflecting a volatile stock market and decreasing market turnover
- Potential synergies with Jih Sun Securities to foster market position

Jih Sun FHC

- Net profit was NT\$0.76bn, down 13.4% YoY. Jih Sun Securities' net profit was NT\$0.46bn, down 30.2% YoY. Jih Sun Bank's net profit was NT\$0.31bn, up 35.0% YoY

ESG achievements

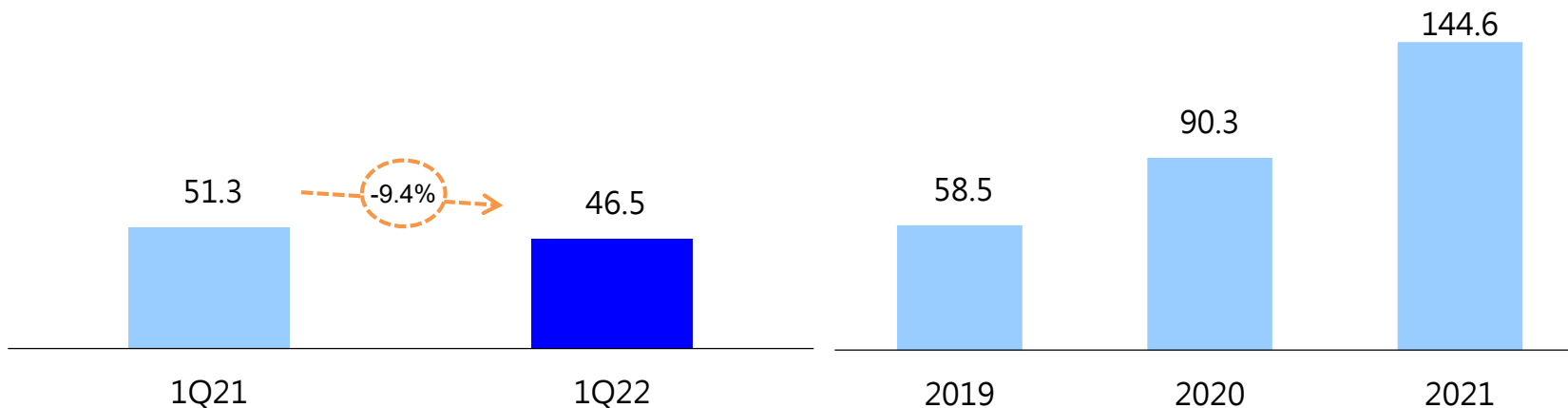
- Advocate of sustainability initiatives :
 - ✓ Member of PCAF (Partnership for Carbon Accounting Financials): commitment of disclosure in carbon emission of lending and investment portfolios over 3 years
 - ✓ Member of AIGCC: promote green transition
 - ✓ Under application to join RE100: commitment of fully renewable energy consumption by 2050
- Awards and Ratings :
 - ✓ The top in Sustainalytics' ESG risk ratings under global insurance sector
 - ✓ The only financial institution in Taiwan ranked A-list in CDP's Supplier Engagement Rating for two consecutive years
 - ✓ Global Views Monthly Annual CSR Survey: Honorable Mention, Banking and Insurance Division
- Decarbonization
 - ✓ Sustainability-linked loan to Siliconware Precision Industries Co., Ltd.

Fubon Financial Holdings: Profitability

- Net profit down 9.4% YoY, EPS of NT\$3.94. Net profit and EPS both led FHC peers

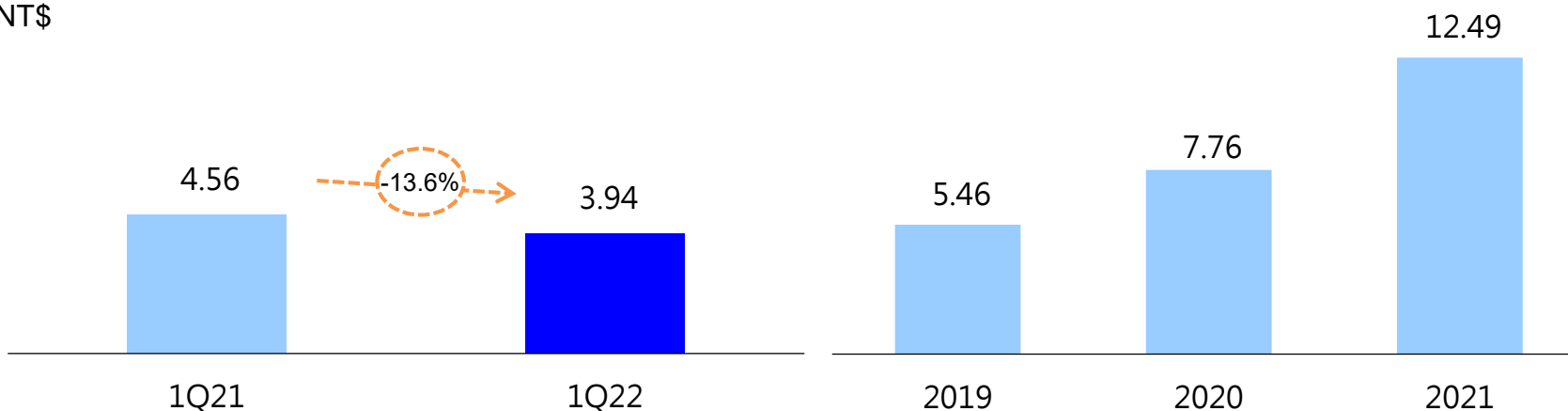
Net Profit

NT\$bn



Earnings per share (EPS)

NT\$



Note : 1Q21 data is adjusted to reflect Fubon FHC's stock dividend distribution in September 2021 and financial restatement of bargain purchase gains from investing in Jih Sun FHC

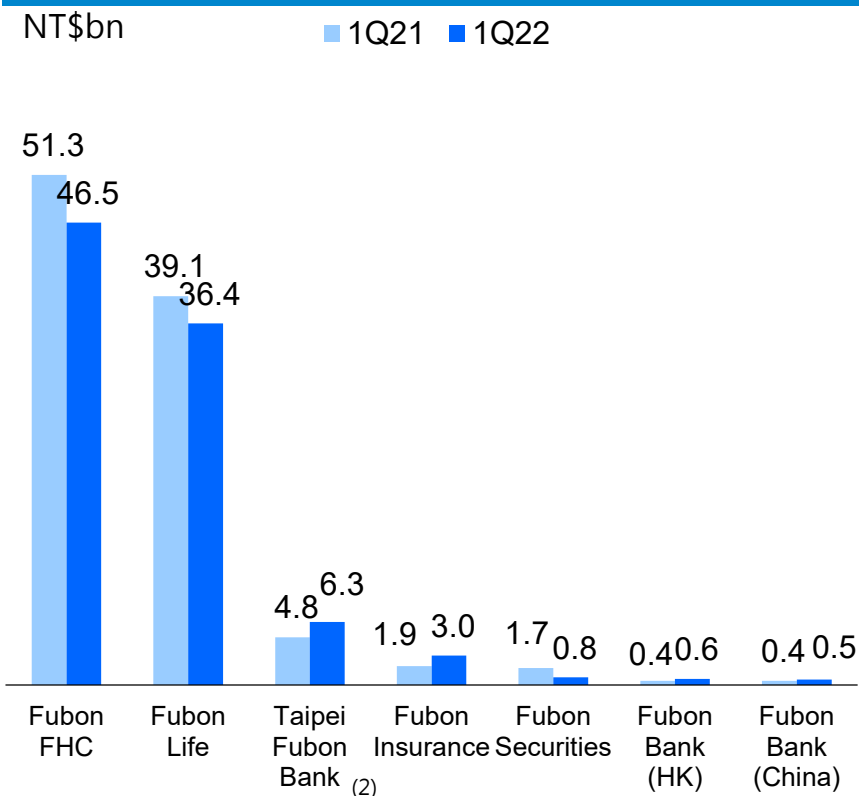
Fubon Financial Holdings:

Net profit from major subsidiaries

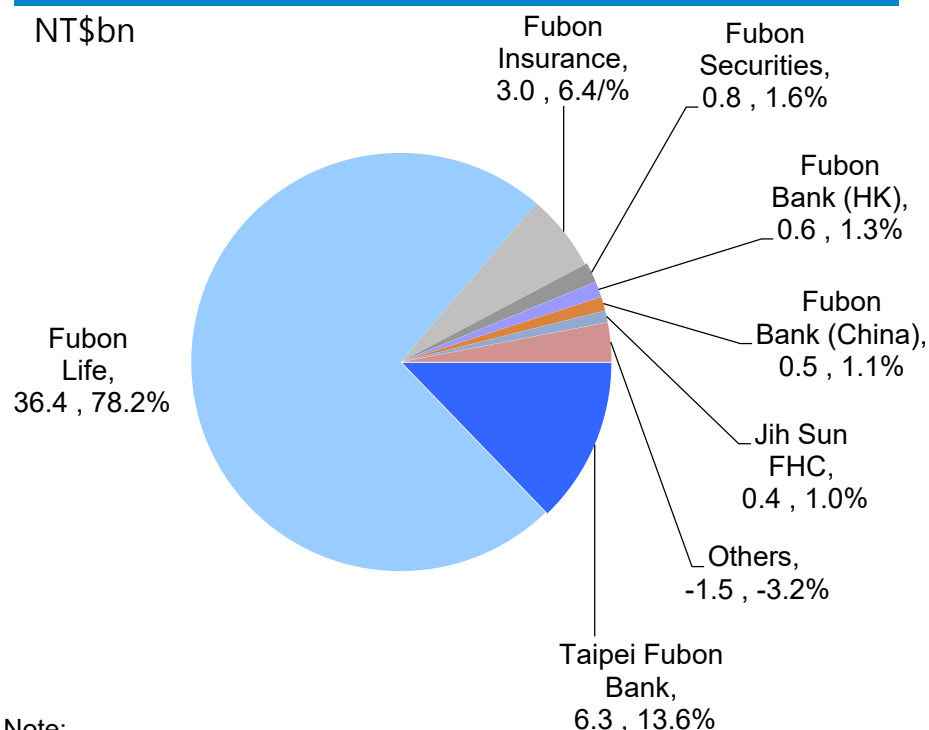


- Taipei Fubon Bank, Fubon Bank (HK), Fubon Bank (China), and Fubon Insurance delivered net profit growth YoY. Fubon Life's net profit down YoY
- Fubon Life contributed to 78.2% of total earnings. Three banking subsidiaries represented 16.0% of total earnings

Net profit from subsidiaries



Profit contribution from subsidiaries⁽¹⁾



Note:

(1) Based on the consolidated net profit to parent company of the FHC. "Others" includes inter-company accounts of -NT\$603mn.

(2) Net profit of Taipei Fubon Bank was NT\$6.5bn on consolidated basis. Taipei Fubon Bank's net profit of NT\$6.3bn in this page excludes investment income from Fubon Bank (China) to avoid double counting.

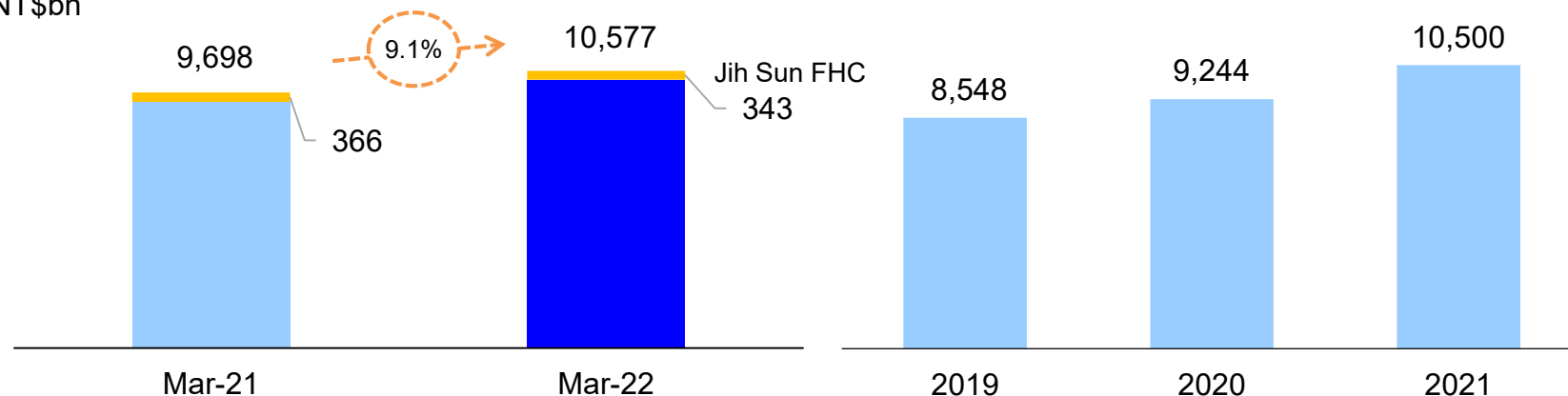
Fubon Financial Holdings: Assets and Net Worth



- Fubon FHC's total assets over NT\$10.5tn, up 9.1% YoY. Net worth increased 5.5% YoY. BVPS was NT\$64.90 on common share basis

Total assets

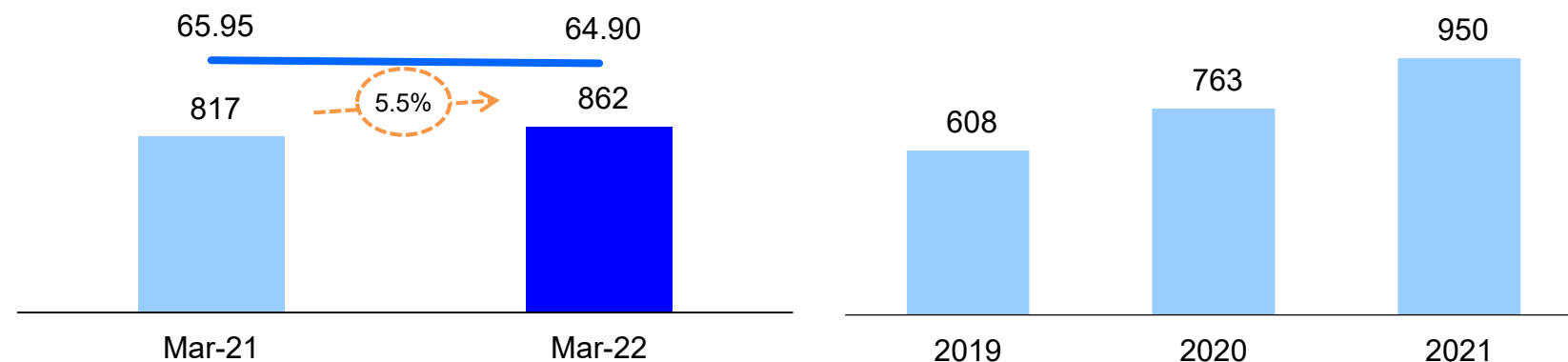
NT\$bn



Equity attributable to parent company

NT\$bn; NT\$

Net worth BVPS (common share basis)

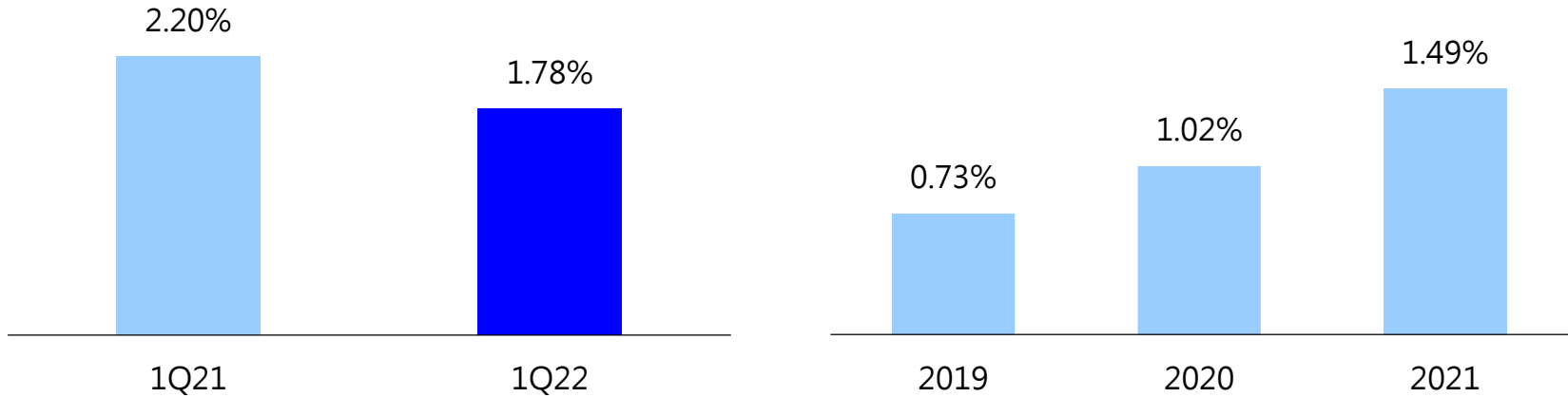


Note : 1Q21 data is adjusted to reflect Fubon FHC's stock dividend distribution in September 2021 and financial restatement of bargain purchase gains from investing in Jih Sun FHC

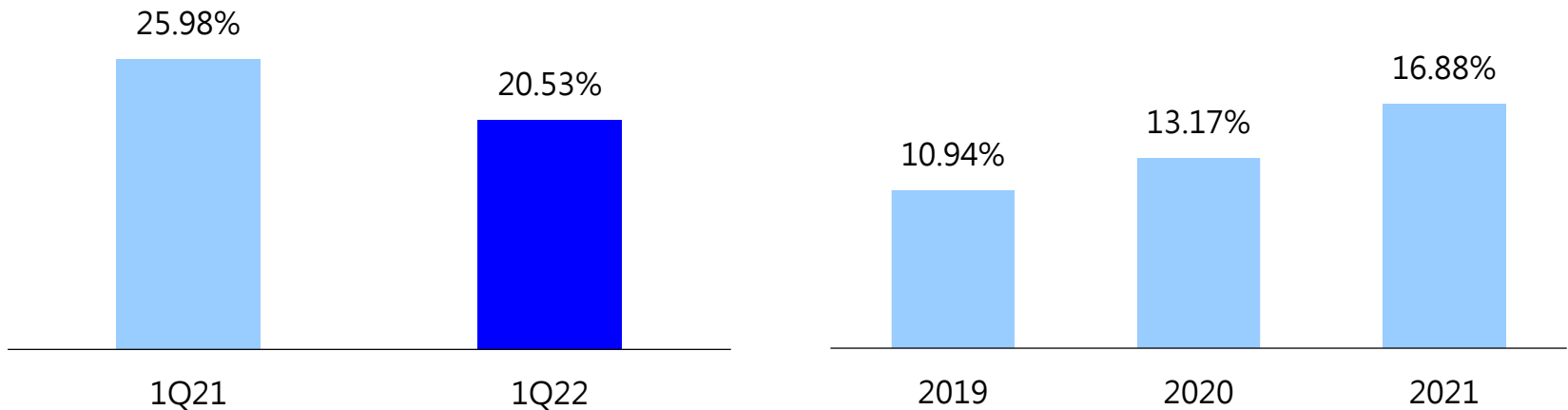
Fubon Financial Holdings: ROA & ROE

- ROA and ROE decreased YoY along with earnings fluctuation and expansion in assets and total equity. The absolute level remained well-performed

ROA



ROE



Note : 1Q data are annualized

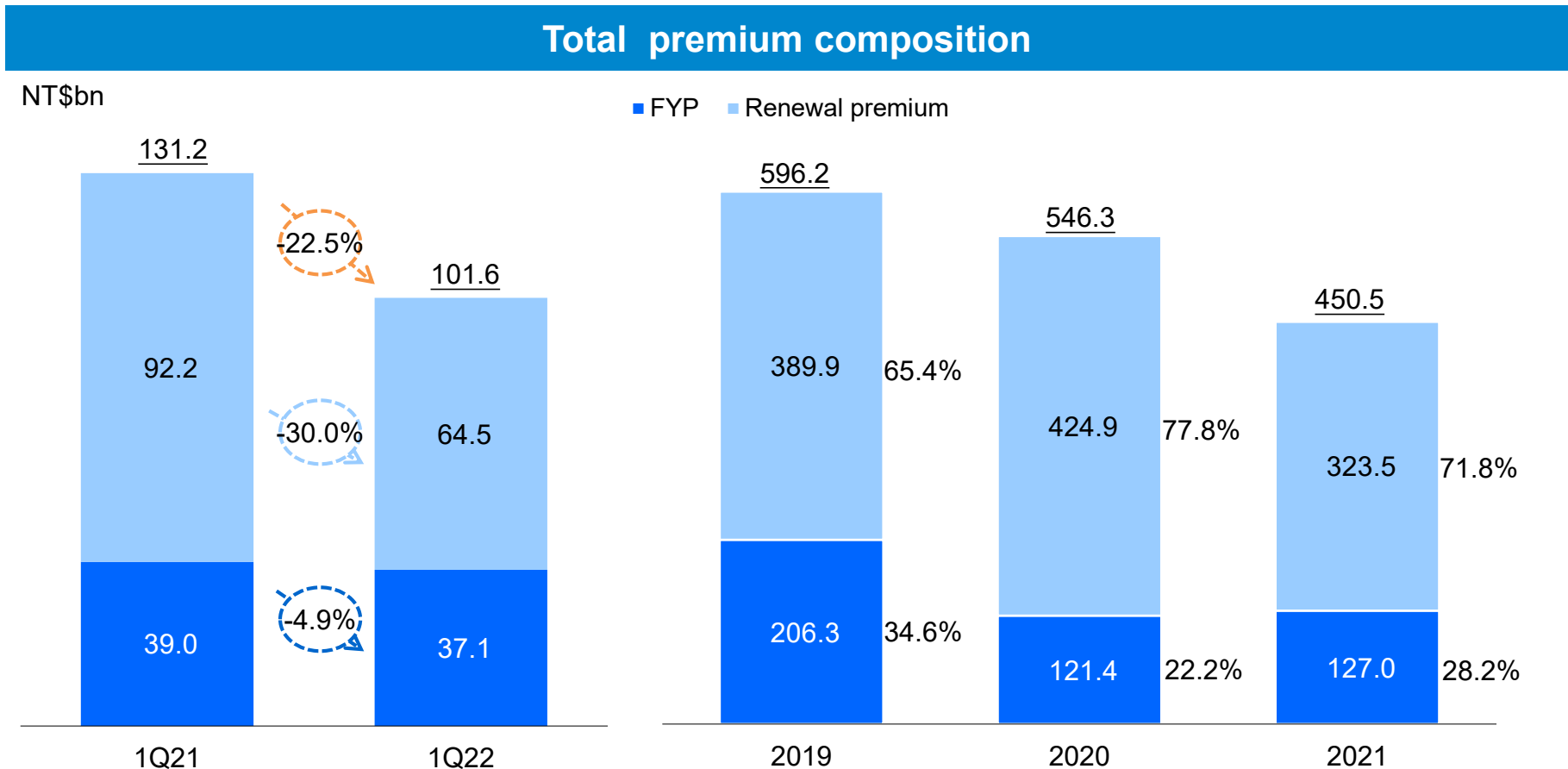


Performance Review by Subsidiary

Fubon Life

Fubon Life: Total Premiums

- 22.5% YoY decline in total premiums. FYP declined 4.9% YoY. Renewal premium dropped mainly due to the paid-up of regular-paid policies

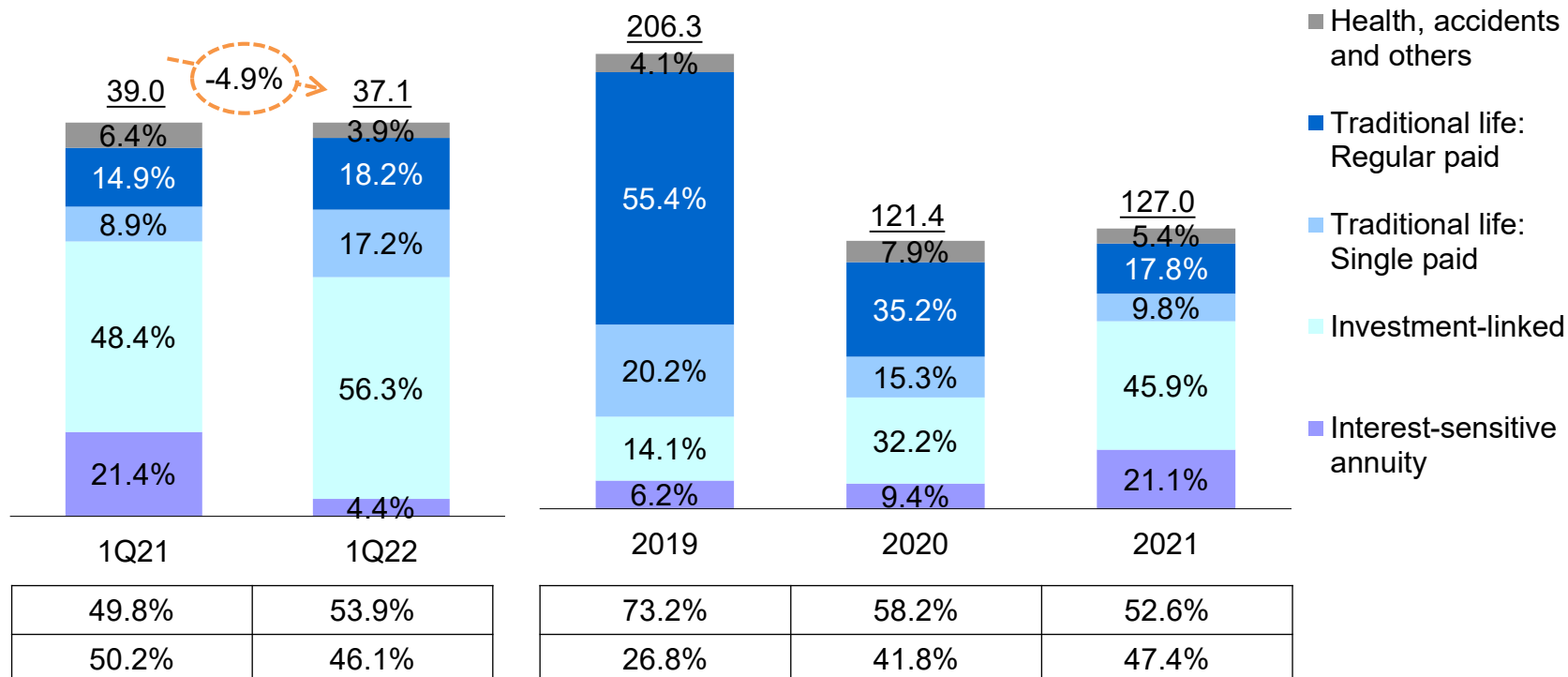


Fubon Life: First Year Premiums (FYP)

- 1Q22 FYP of investment-linked and traditional life products grew. Overall FYP dropped due to the impact of pandemic

FYP Composition

NT\$bn



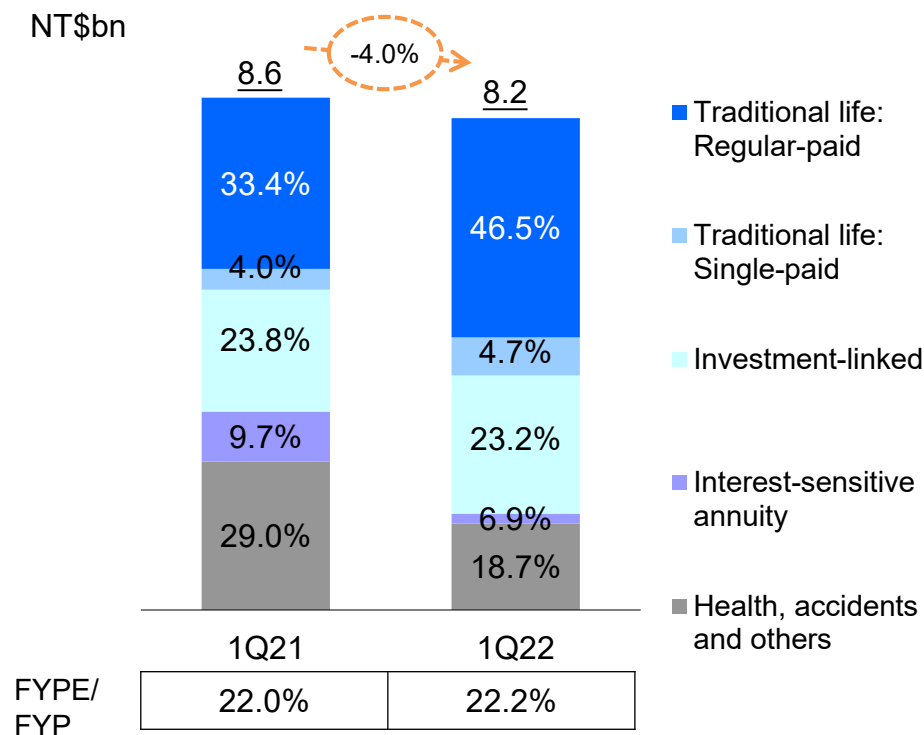
Fubon Life: FYPE & VNB



- FYPE down 4.0%, mainly reflecting the YoY drop of FYP. The growth of regular-paid traditional life product sales led to FYPE/FYP ratio up slightly to 22.2%

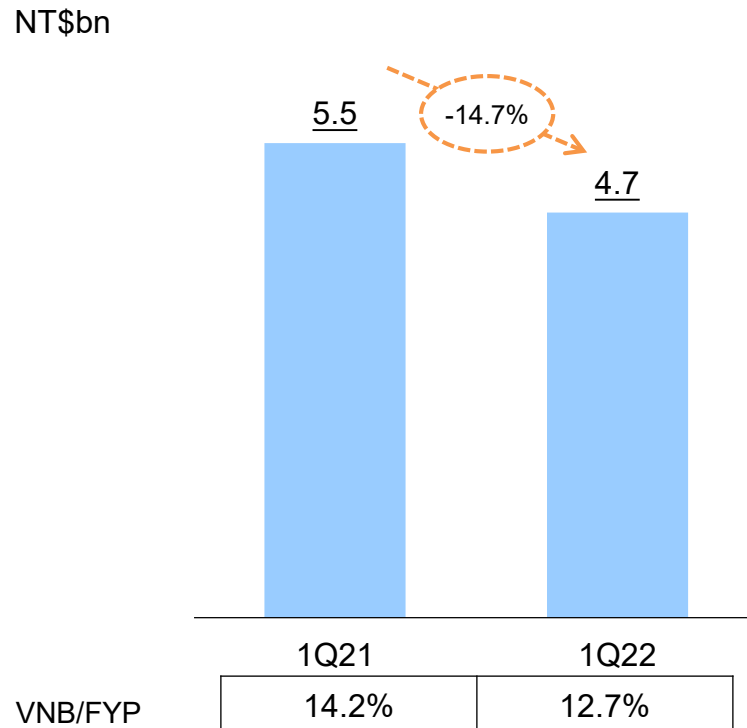
FYPE

NT\$bn



VNB

NT\$bn



Note: VNB based on 2021 EV actuarial assumptions

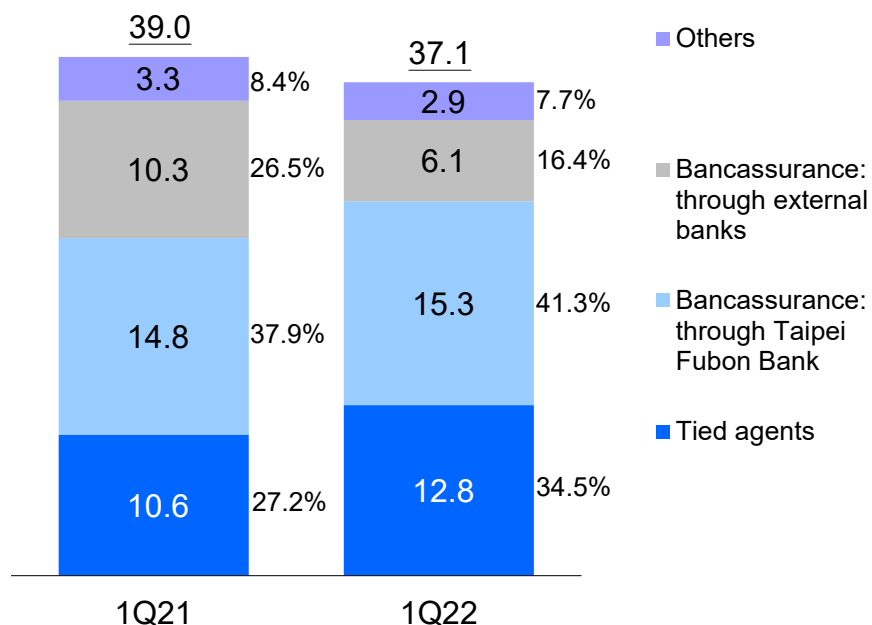
Fubon Life: Channels



- Contribution from internal channels, including tied agents and Taipei Fubon Bank, increased in FYP and FYPE mix

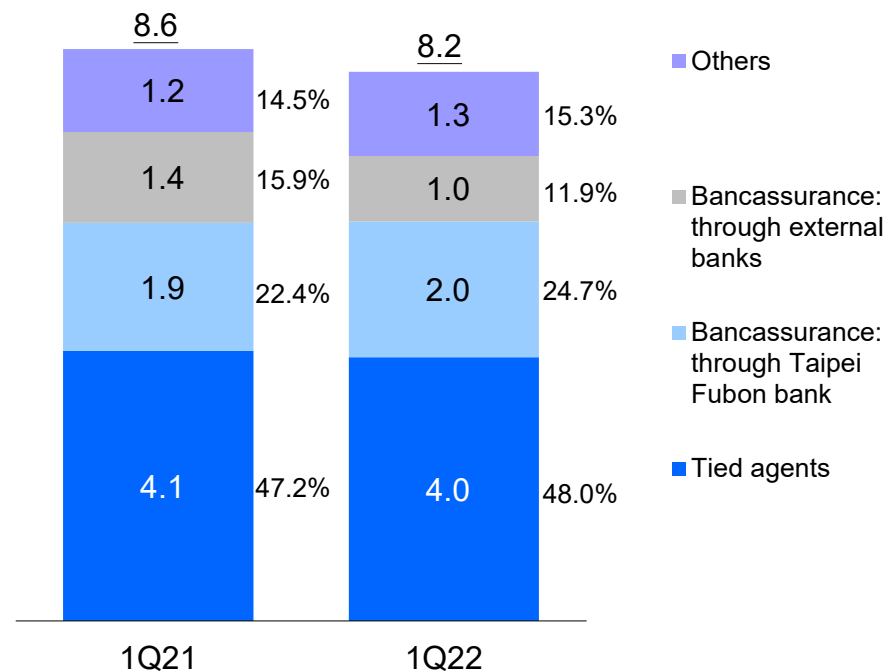
FYP by channel

NT\$bn



FYPE by channel

NT\$bn



Fubon Life: Investment Portfolio



- Investment assets up 5.1% YoY
- The proportion in the domestic equity down reflected the realization of capital gains and impact of market fluctuations, which led to the increase of cash positions.
Dynamically adjusted asset allocation in response to market conditions

NT\$bn	2021/12/31			2022/3/31		
	Amount	%	Return	Amount	%	Return
Deposit and cash equivalent	185.8	3.9%	0.17%	278.2	5.9%	0.23%
Domestic fixed income ⁽¹⁾	529.3	11.2%	2.99%	533.0	11.2%	1.45%
Overseas fixed income ⁽²⁾	2,564.8	54.2%	4.72%	2,591.1	54.6%	4.48%
Domestic equity	633.2	13.4%	18.10%	528.6	11.1%	27.05%
Overseas equity	266.8	5.6%	12.67%	268.0	5.6%	14.17%
Mortgage loans	139.8	3.0%	1.32%	134.4	2.8%	1.41%
Policy loans	76.4	1.6%	4.69%	75.4	1.6%	4.47%
Real estate	333.2	7.1%	2.14%	340.2	7.2%	1.41%
Total investment	4,729.3	100.0%	5.27%	4,748.8	100.0%	6.68%
Domestic	1,771.0	37.4%	6.56%	1,744.3	36.7%	8.63%
Overseas	2,958.3	62.6%	4.48%	3,004.5	63.3%	5.62%

Note: (1) Inclusive of NTD-denominated ETFs

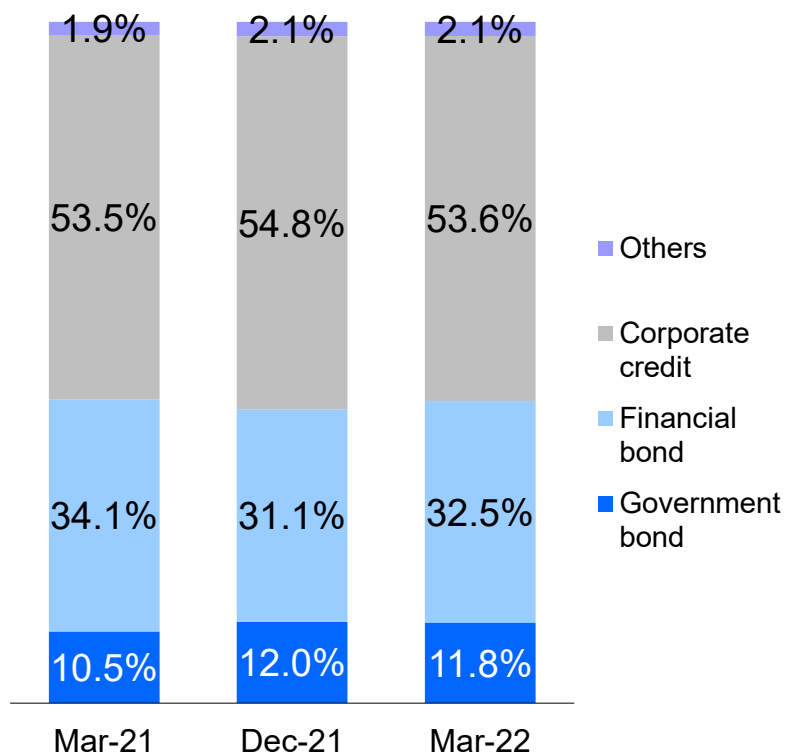
(2) Inclusive of OTC-listed international bonds. International bonds investment reached 12.7% of total investment assets as of the end of 1Q22

Fubon Life: Overseas Fixed Income Portfolio

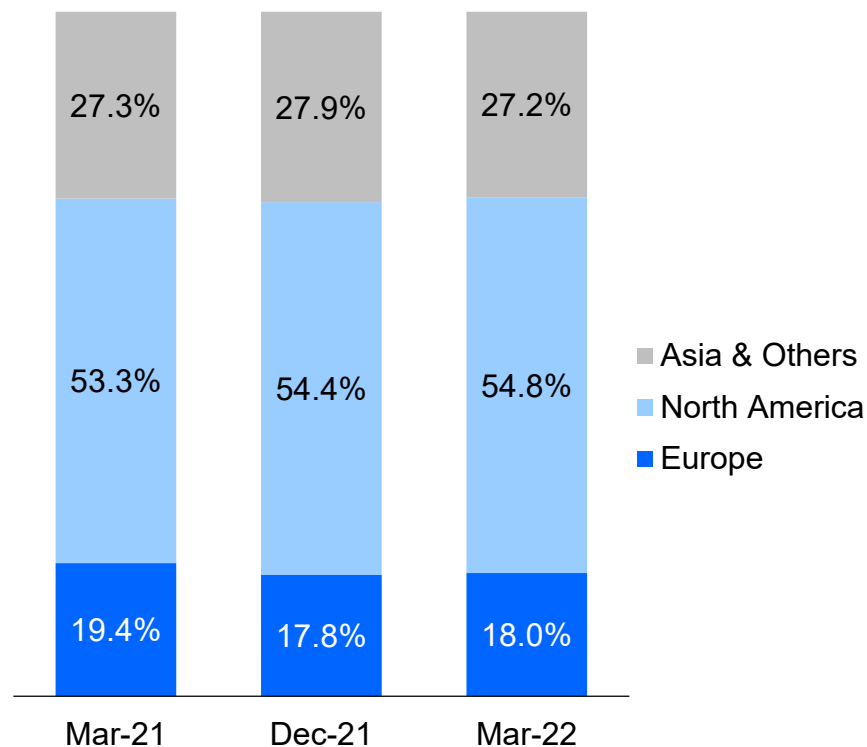


- Focus on investment grade corporate credit and financial bond
- Position adjustment in face of rate hike environment. Continue to increase the allocation of North America

Overseas fixed income by asset type



Overseas fixed income by region



Fubon Life: Composition of Investment Income

- Recurring returns improved, mainly reflecting the increase of interest income from fixed income investment and cash dividend income from equity investment
- Capital gains mainly came from equity positions
- Increase cash position in response to market conditions. Aim to enhance yield and reallocate along with interest rate hikes

NT\$bn	1Q21	1Q22	YoY growth	2020	2021
Recurring investment income	27.9	31.0	10.9%	137.4	130.3
Interest income	23.3	25.7	10.4%	98.4	94.7
Cash dividend income from equity investment	0.9	1.6	70.2%	20.4	20.0
Rental and others ⁽¹⁾	3.7	3.7	-0.2%	18.7	15.7
Realized gains from fixed income investment	26.6	6.7	-74.8%	34.7	31.5
Realized gains from equity investment	21.2	38.8	83.0%	40.6	87.4
FX and others	-0.8	1.9	N.M.	-27.0	-14.2
Investment income	74.9	78.4	4.7%	185.7	235.1
Total investment assets	4,517.5	4,748.8	5.1%	4,398.9	4,729.3
Investment return (before hedge)	7.03%	6.31%		5.09%	5.71%
Investment return (after hedge)	6.80%	6.68%		4.49%	5.27%

Note : (1) The classification of “Income of private equity” has changed to “Recurring investment income” from “Realized gains from equity investment” since this quarter. Both 2020 and 1Q21 figures are backtracked accordingly.

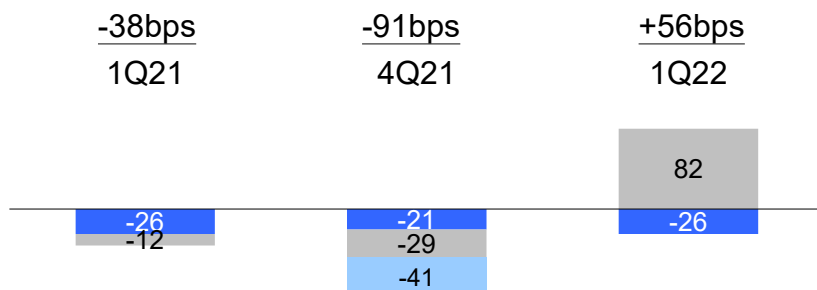
(2) Investment return does not contain investment-related expenses.

Fubon Life: Composition of Hedging Portfolio

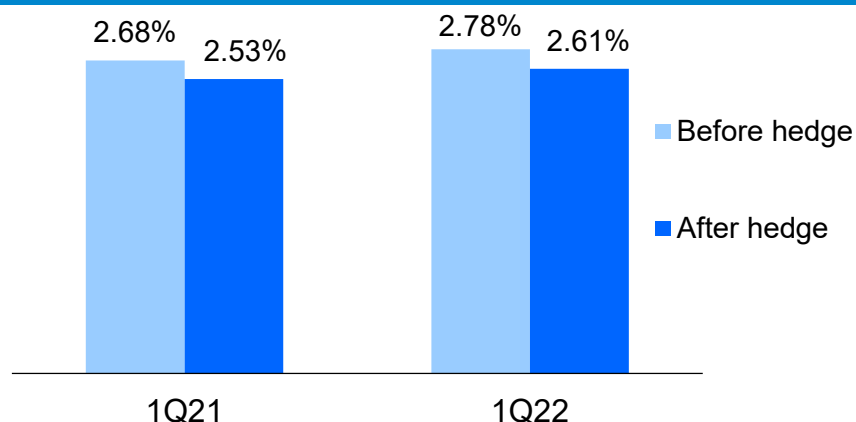
- Fubon Life dynamically reduced the use of recurring hedging instruments and increased naked dollar position to face the market uncertainty as the USD appreciated
- Overall hedging and FX resulted in net gain of 56bps due to stable recurring hedging cost and FX gains. FX reserve reached NT\$19.2bn as of the end of 1Q22
- Recurring return increased on both before and after hedge basis

Hedging cost & FX gain/loss

■ CS+NDF cost ■ FX gain/loss & net provision of FX reserve ■ One-off FX reserves provision

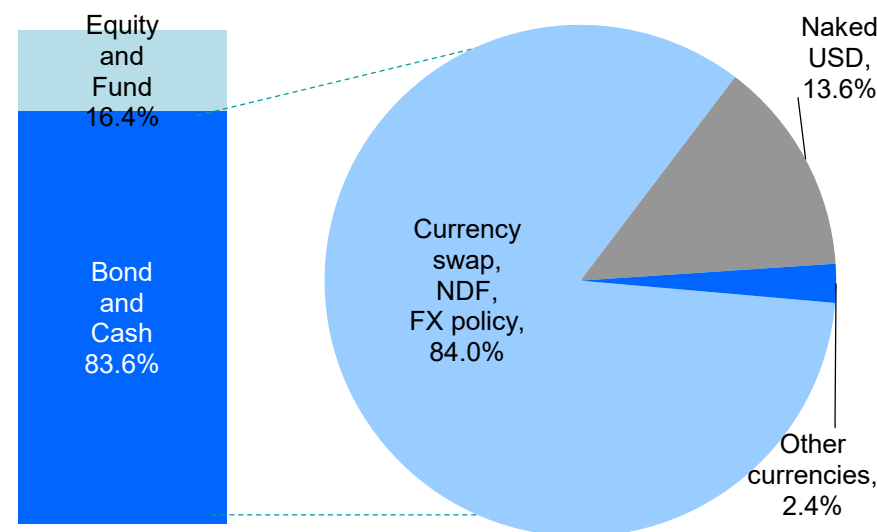


Recurring return



Note: The classification of "Income of private equity" has changed to "Recurring investment income" from "Realized gains from equity investment" since this quarter. 1Q21 figure is backtracked accordingly.

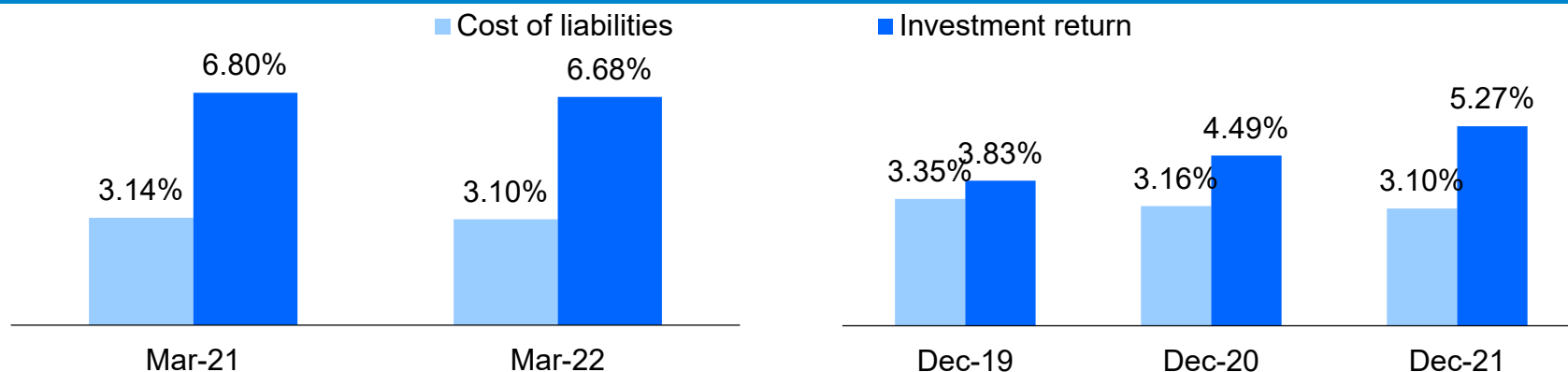
FX position



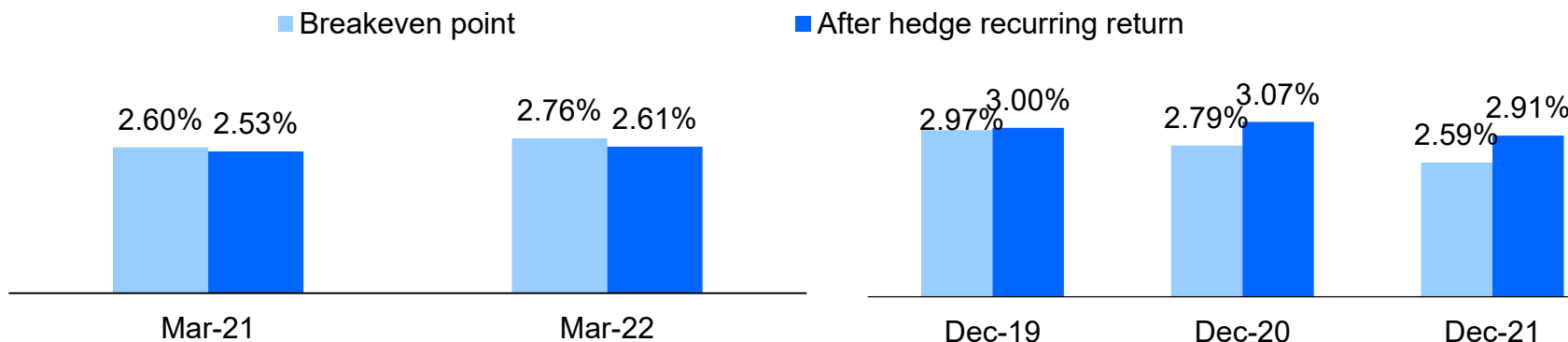
Fubon Life: Cost of Liability & Breakeven Point

- Positive spread between cost of liability and investment return widened compared to 2021
- The increase in the breakeven point reflects the buoyant investment return of participating policy portfolio in 1Q22, which led to the increase of reserve for distributable dividend surplus of participating policy

Cost of liability⁽¹⁾



Breakeven point⁽²⁾



Note:(1) Cost of liability is on reserve interest rate basis and also reflects the declared interest rate of interest sensitivity policies. The policy reserve/declared interest rate basis in March 2022 COL was 3.29%

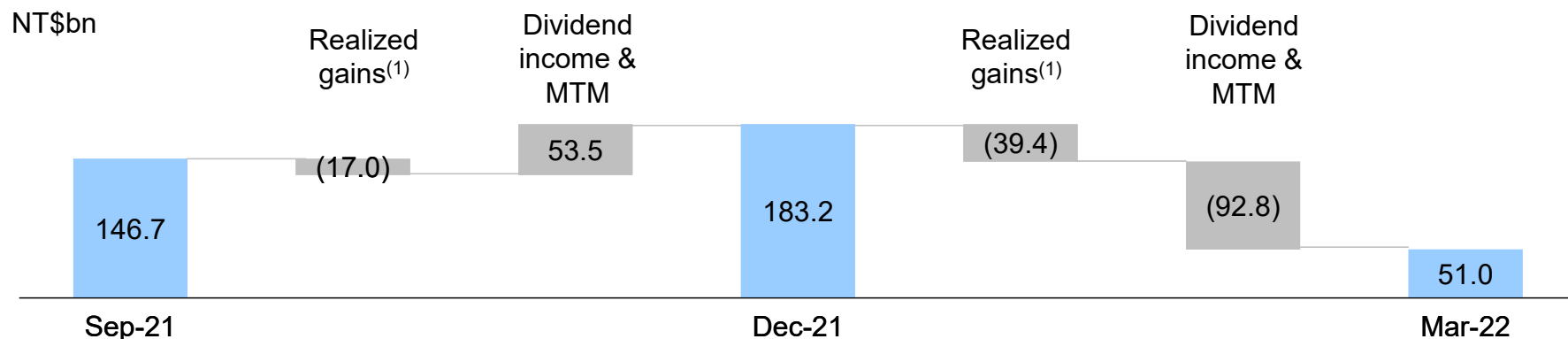
(2) Breakeven point = (Profit before tax – investment income) / average investment assets

Fubon Life: Investment Performance

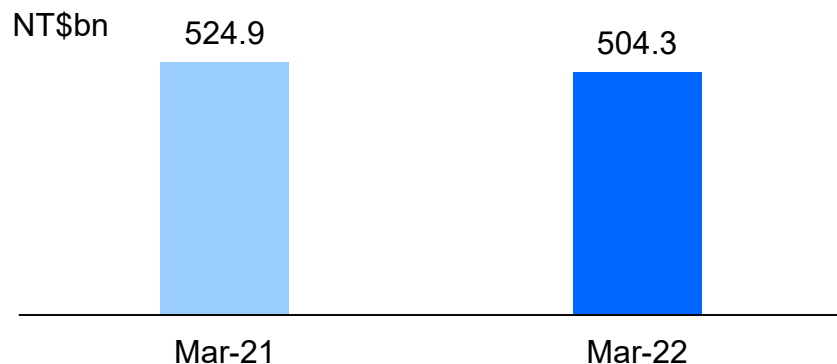


- Unrealized balance fluctuated mainly due to market volatility
- Well capitalization with RBC ratio of over 300%

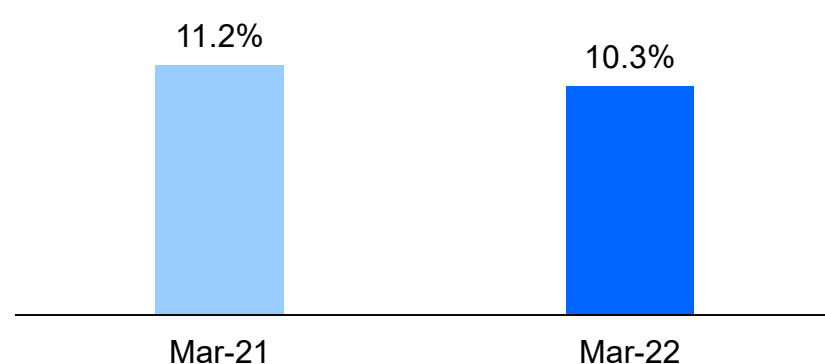
Unrealized balance in FVOCI & FVTPL overlay and movement



Shareholders' equity



Equity-to-asset



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



Performance review by subsidiary
Taipei Fubon Bank

Taipei Fubon Bank: Revenue

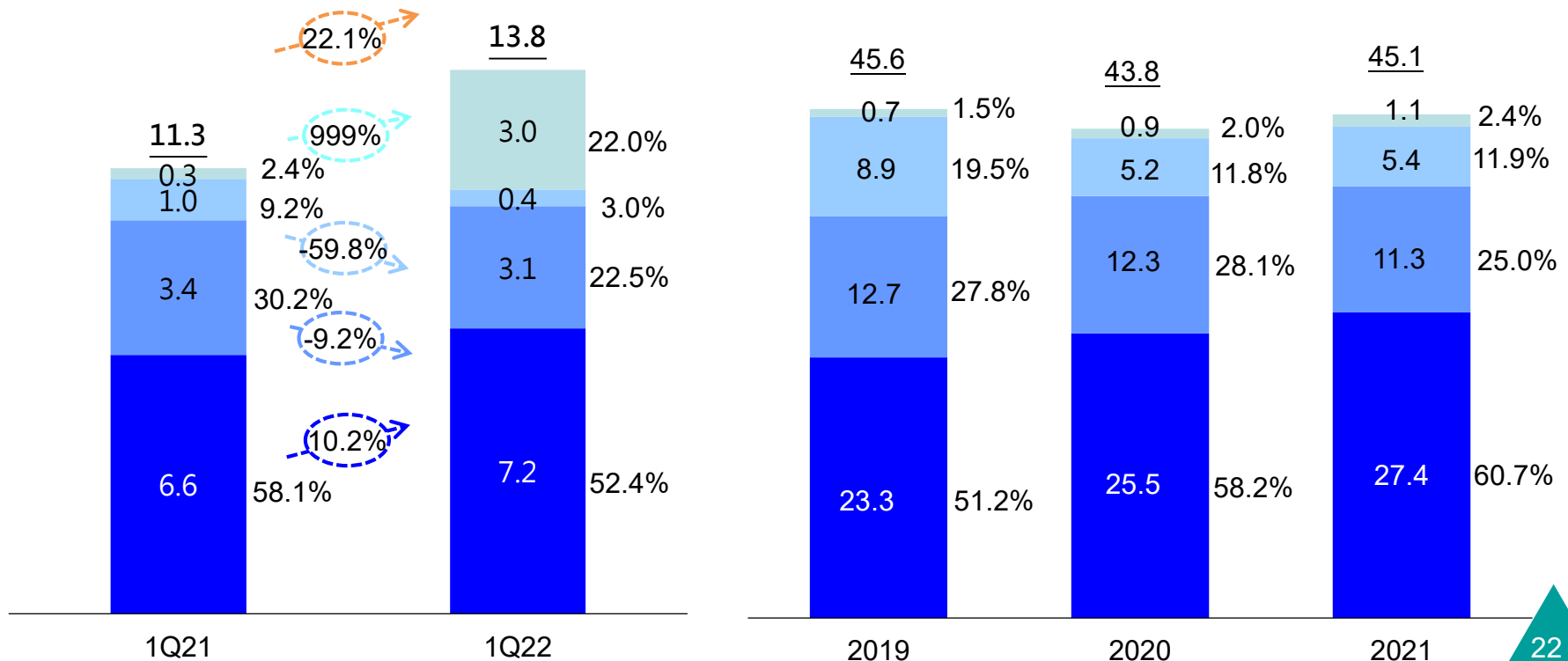


- Asset growth and market rate hike drove an increase of 10.2% YoY in net interest income. Treasury and fee income decreased 59.8% and 9.2% YoY, respectively, mainly reflected volatility in capital markets and customers' conservatism
- Other revenue rose on bargain purchase gain of NT\$2.8bn in Hyundai Card Co., Ltd.
- Total revenue up 22.1% YoY

Revenue composition of Taipei Fubon Bank

NT\$bn

■ Net interest income ■ Net fee income ■ Net trading income/loss & Derivatives & FX ■ Others

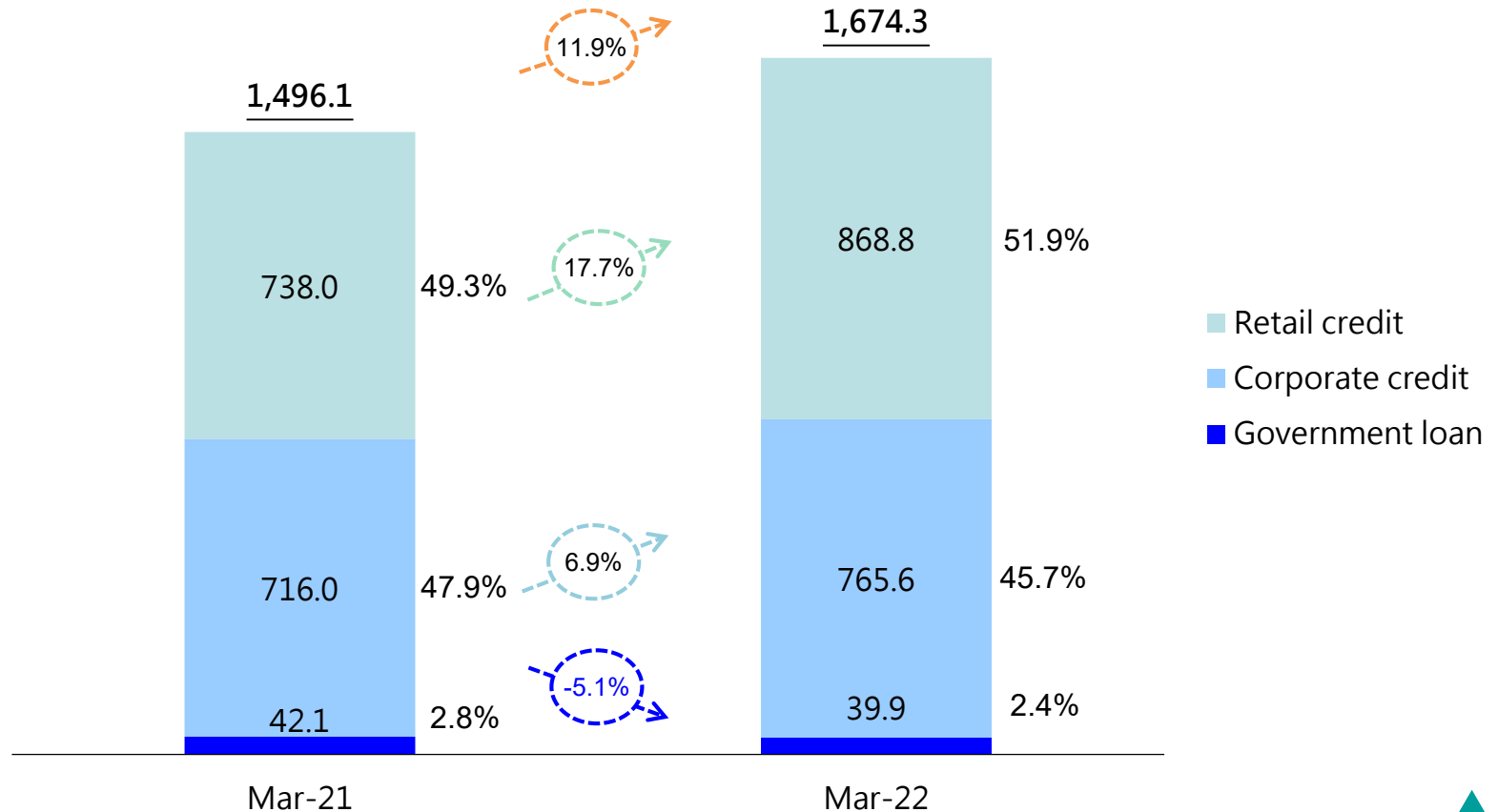


Taipei Fubon Bank: Credit Composition

- Retail loan up 17.7% YoY and corporate loan up 6.9% YoY. Total credit balance up 11.9% YoY

Credit composition

NT\$bn

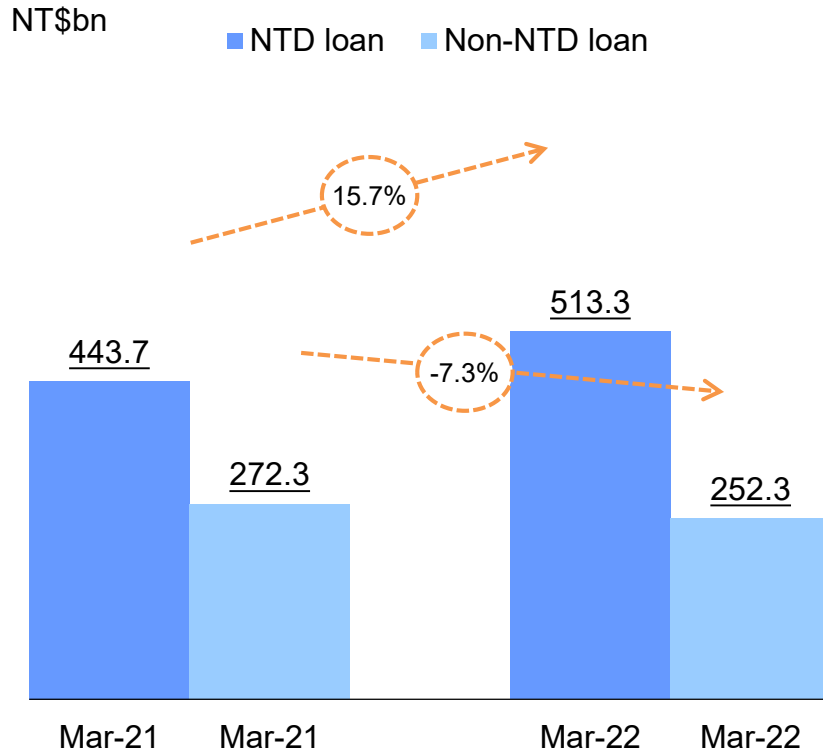


Note: Ending balance

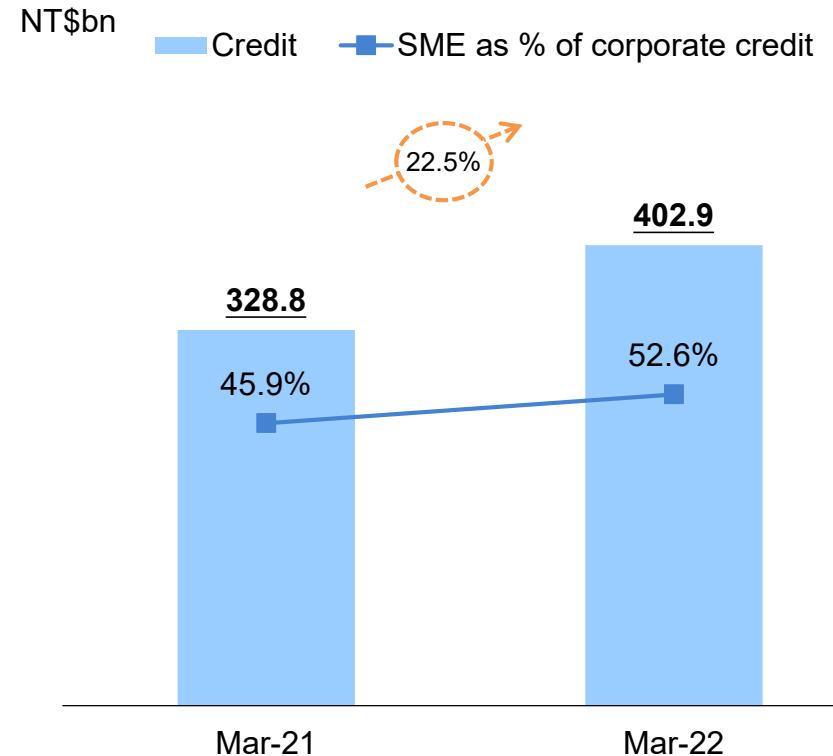
Taipei Fubon Bank: Corporate Loan

- Corporate loan balance up 6.9% YoY, mainly driven by 15.7% YoY growth in NTD loans
- SME credit up 22.5% YoY, accounting for 52.6% of corporate loans

Corporate credit by currency



SME credit

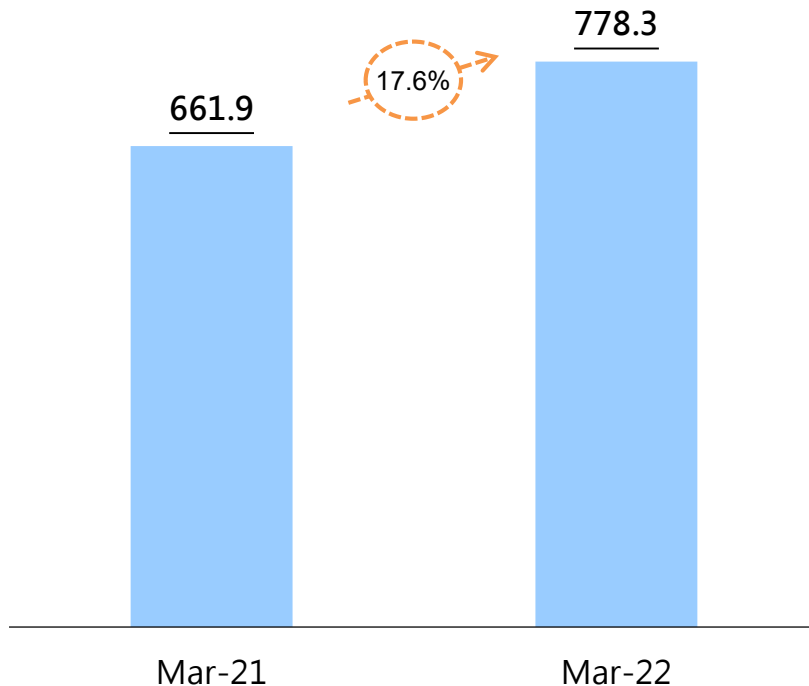


Taipei Fubon Bank: Retail credit

- Steady mortgage growth, up 17.6 % YoY
- Personal unsecured loans up 18.9 % YoY, mainly driven by 34.6% growth in personal credit loans

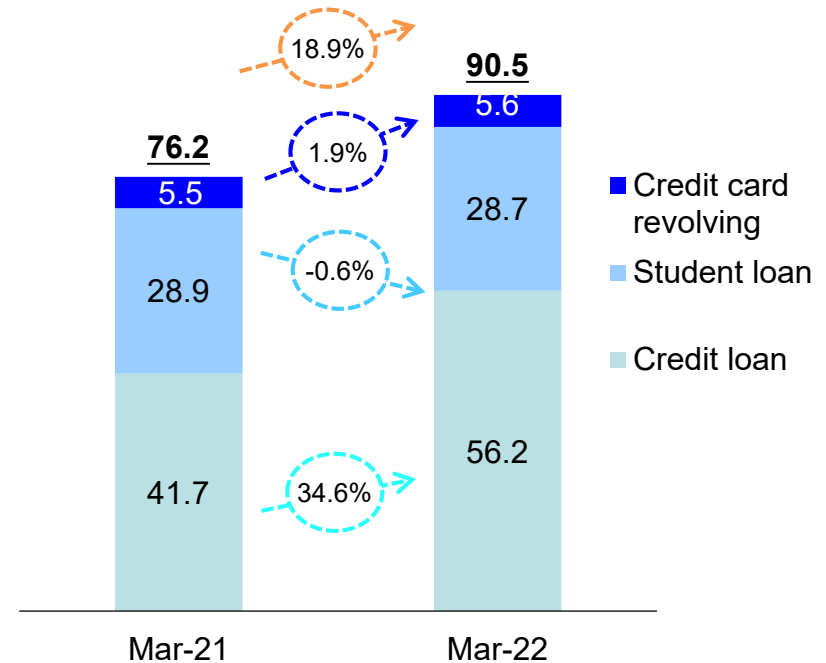
Mortgages

NT\$bn



Personal unsecured loans

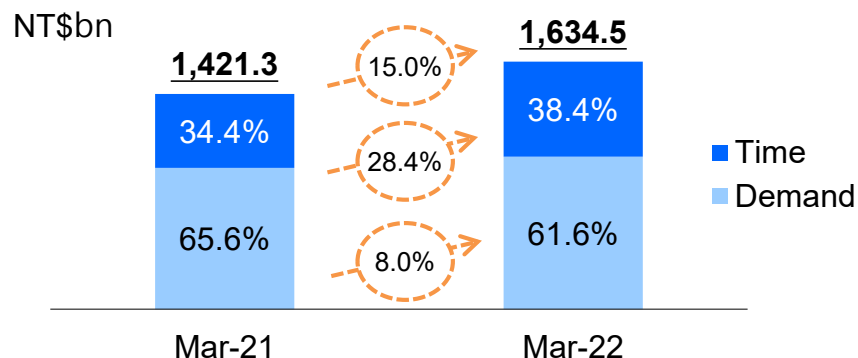
NT\$bn



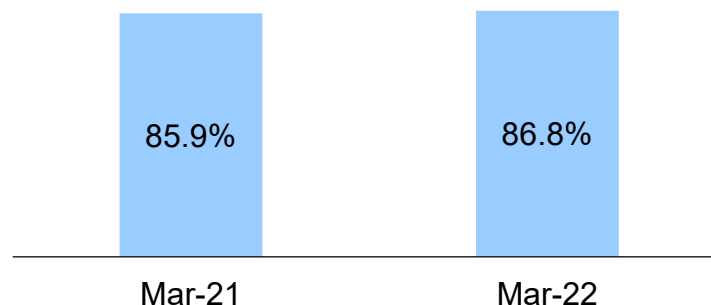
Taipei Fubon Bank: Deposit Mix and LDR

- Deposit balance up 20.7%, including NTD deposits up 15% YoY and FX deposits up 32.1% YoY
- Loan growth stemmed mainly from NTD loans, resulting in NTD LDR of 86.8%. FX loan and bond to deposit ratio fell to 55.1%, due to higher growth in FX deposits

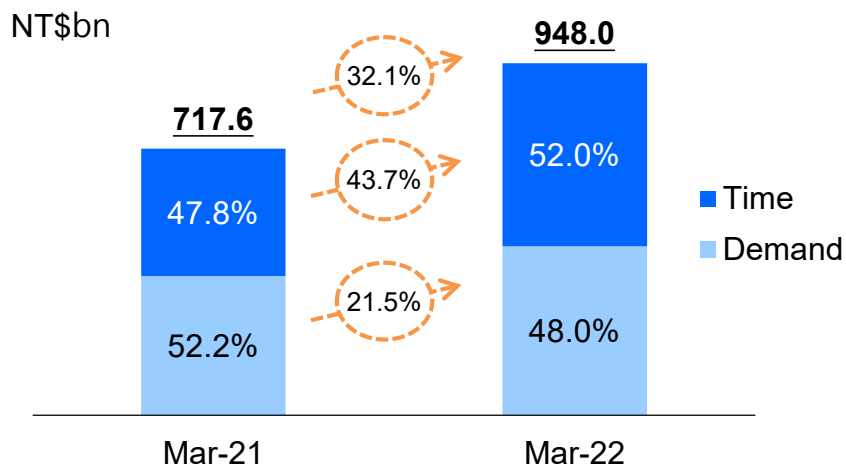
Deposit mix in NTD



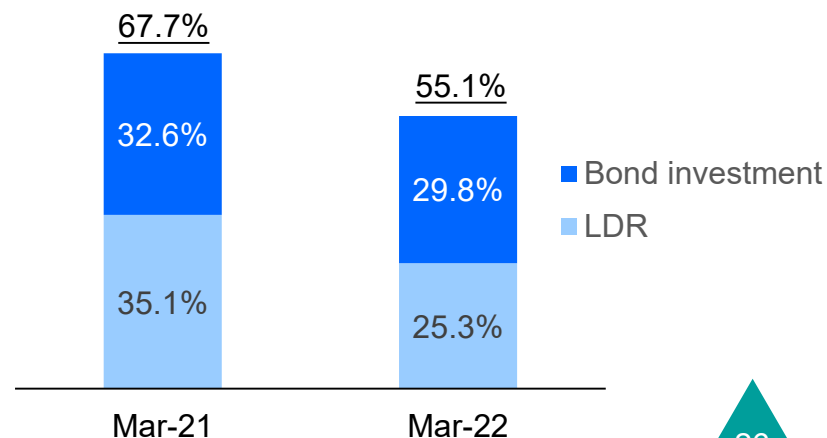
NTD loan-to-deposit ratio (LDR)



Deposit mix in FX



FX loan and bond investment to deposit ratio

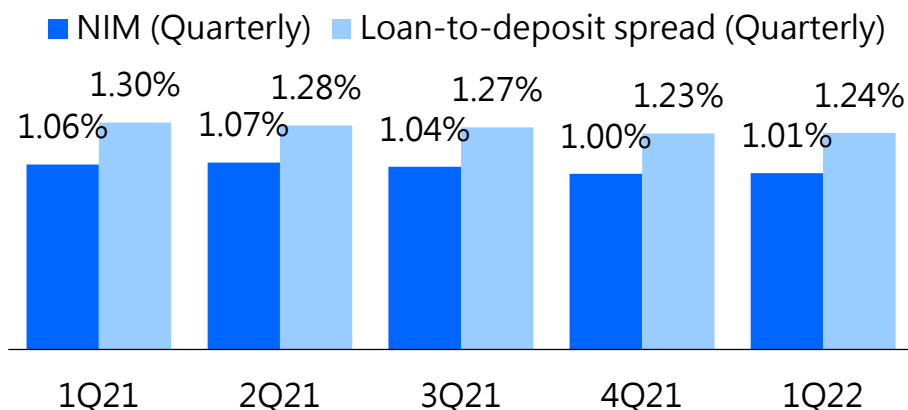


Taipei Fubon Bank: Interest Spread and Margin

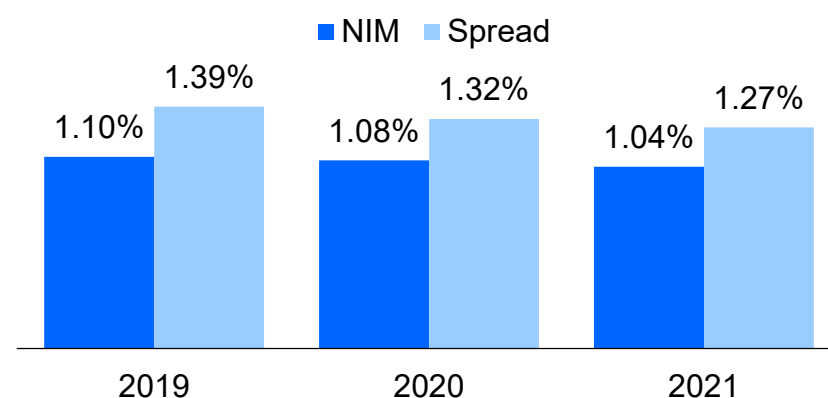


- Rising rates and asset mix adjustment led to an increase of 1bp QoQ in both net interest spread and NIM
- NTD loans were the key driver of net interest income growth, due to dual focus on asset growth and quality. Net interest spread and NIM was down YoY

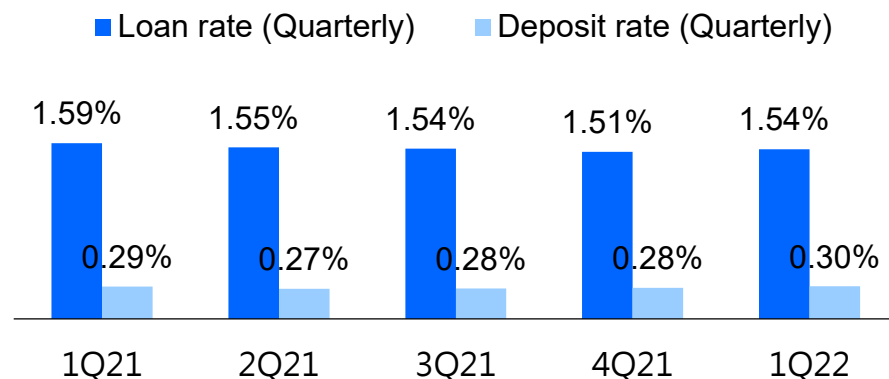
NIM and loan-to-deposit spread (quarterly)



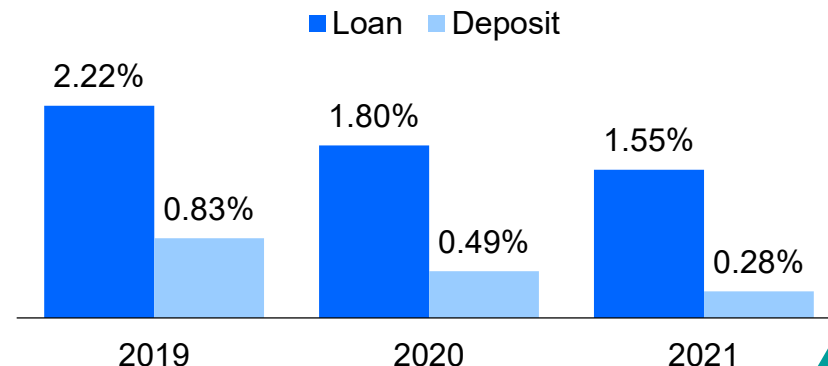
NIM and loan-to-deposit spread



Loan rate and deposit rate (quarterly)



Loan rate and deposit rate



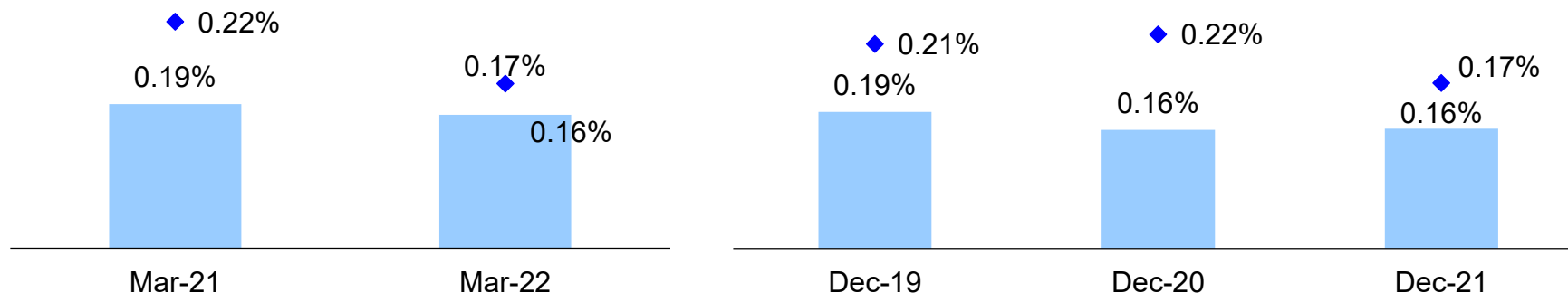
Note: Loan rate calculation inclusive of revolving credit cards

Taipei Fubon Bank: Asset Quality and Credit Cost

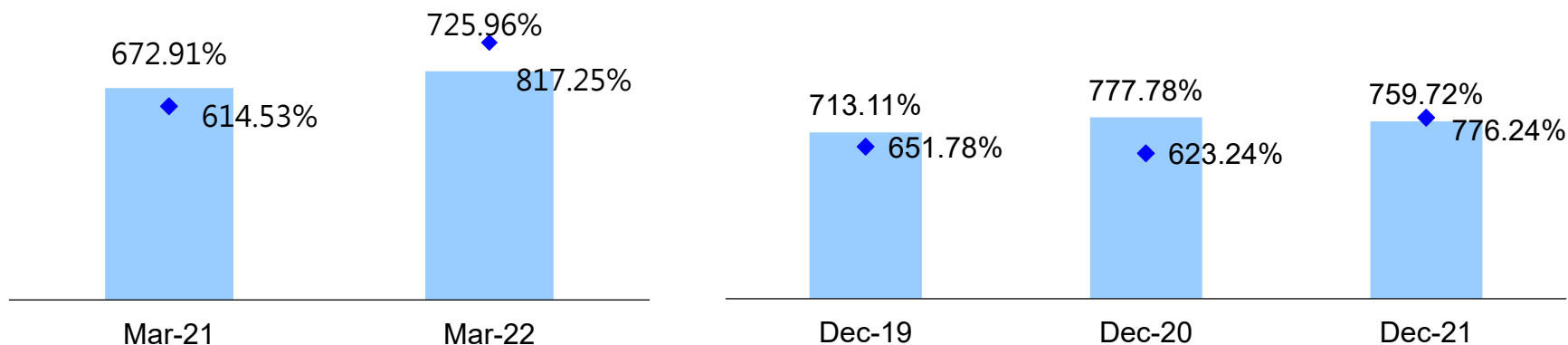
■ Asset quality remained stable

NPL ratio

◆ Industry average



Coverage ratio

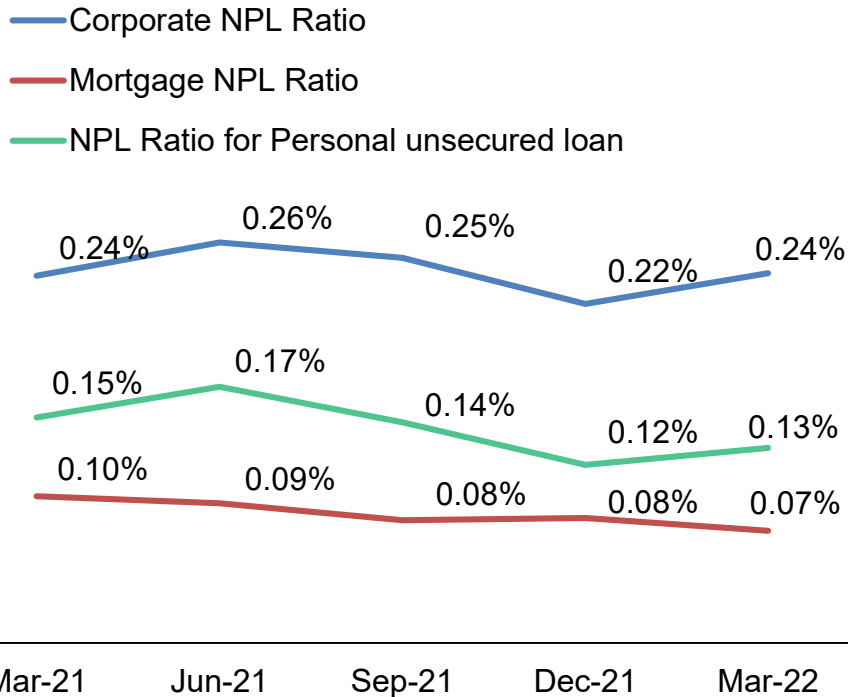


Note: Market data as of March 2022

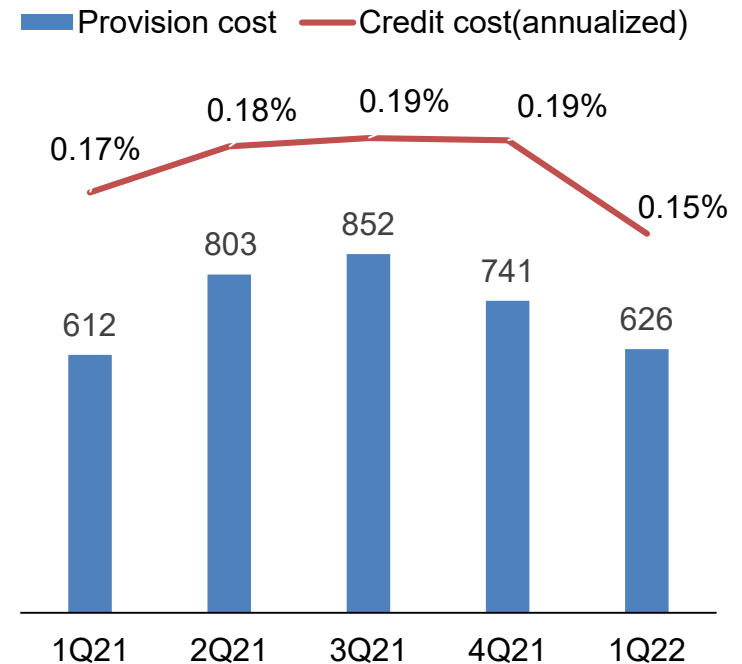
Taipei Fubon Bank: NPL Ratio and Credit Cost

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

NPL ratio by product line



Quarterly provision and credit costs



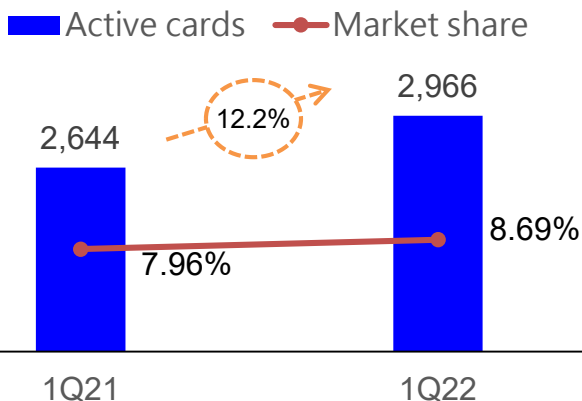
Taipei Fubon Bank: Credit Card



- Active cards and card spending grew YoY
- Per card monthly spending the highest among the top five card issuers, and credit card NPL ratio remained benign

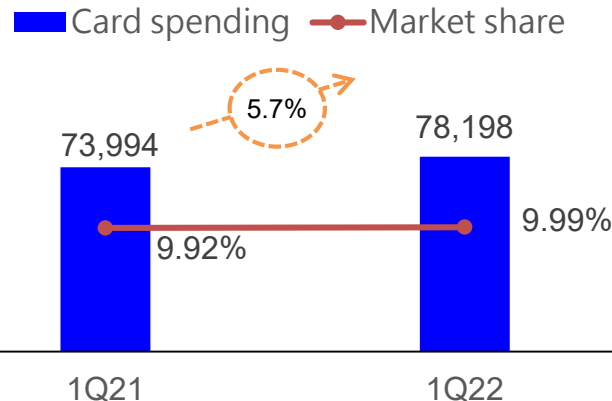
Active cards

'000 cards



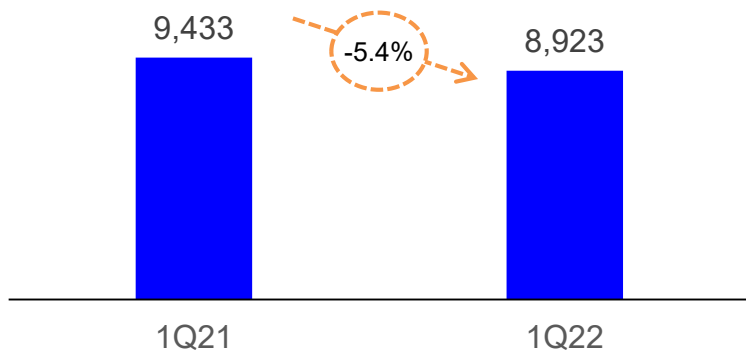
Card spending

NT\$m

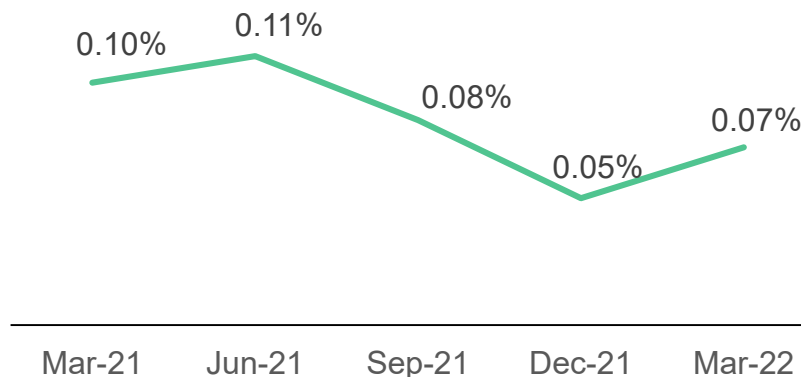


Per card spending (monthly)

NT\$



Credit card NPL ratio



Note: Market data as of March 2022

Taipei Fubon Bank: Fee Income



- Fee income was down 9.2 % YoY, mainly due to falling wealth management fee income and increasing credit card marketing expenses
- Wealth management fee income decreased 9% YoY, while sales of new insurance products boosted insurance commission by 14.3% YoY, partially offsetting declines in fund and structure products. AuM of wealth management up 7% YoY, steady growth momentum in customers' assets

Net fee income

NT\$mn

- Others
- Syndication loan
- Credit card
- Wealth management

3,411

143
128
256

4.2%
3.7%
7.5%

-9.2%

2,884

84.5%

1Q21

3,097

144
240
88

4.7%
7.7%
2.8%

2,625

84.8%

1Q22

Wealth management fees

NT\$mn

- Custodian and trust
- Structured, equity, and bonds product
- Mutual funds
- Insurance commission

2,884

125
580

4.4%
20.1%

-9.0%

1,002

34.8%

1,177

40.8%

1Q21

2,625

143
298

5.5%
11.3%

839

32.0%

1,345

51.2%

1Q22

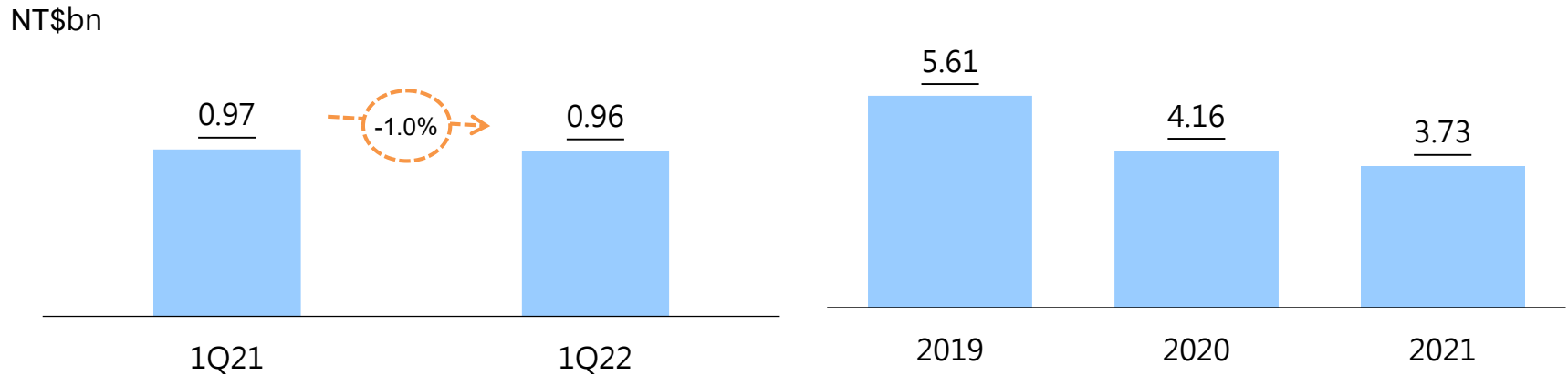
NT\$bn	1Q21	1Q22	YoY
WM AuM	1,033	1,102	7%

Taipei Fubon Bank: Overseas Branches

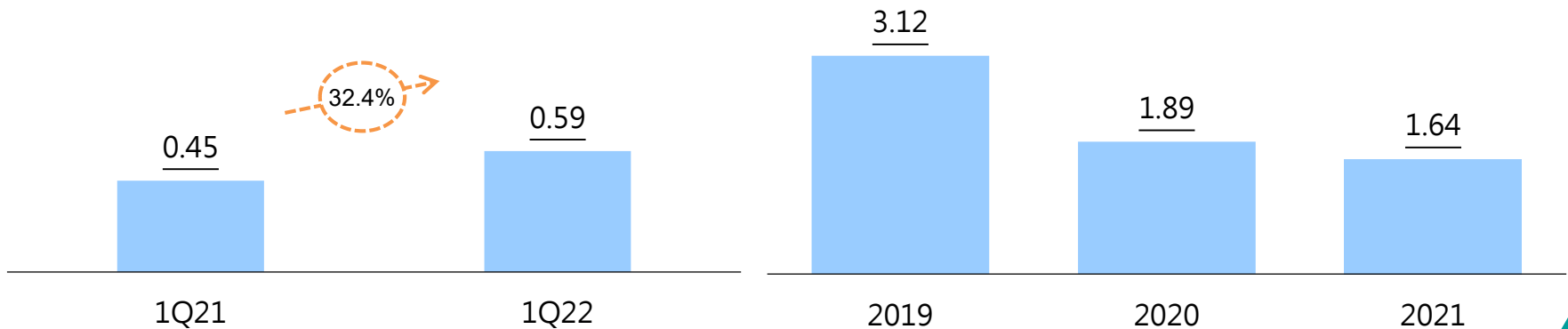


- Revenue from overseas branches was flat YoY. Net profit grew 32.4% YoY, as asset quality stabilized and provision declined

Net revenue from overseas branches



Net profit from overseas branches



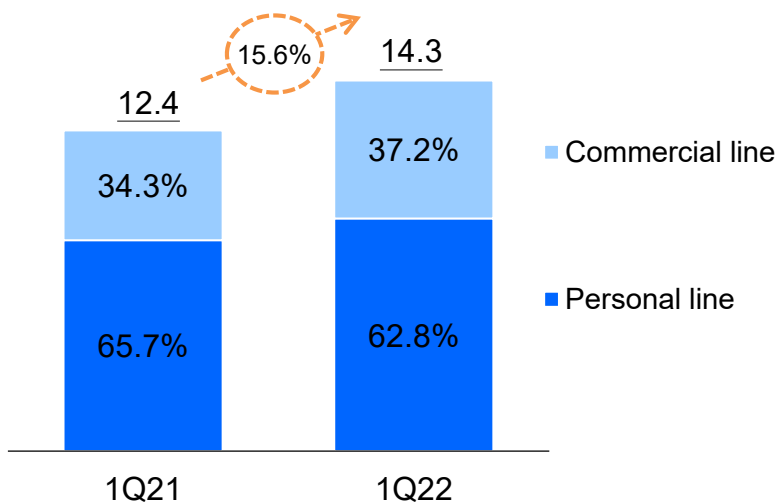


Performance review by subsidiary **Fubon Insurance**

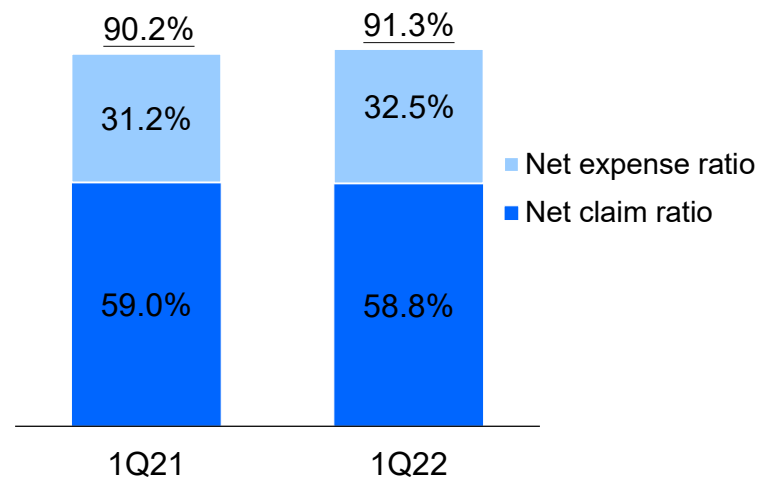
- Direct written premiums rose 15.6% YoY. Both commercial and personal line outperformed market average
- Market share leader for 41 straight years at 25.6%
- Net combined ratio up 1.1% YoY to reflect 1.3% climb in net expense ratio, mainly due to higher proportion of reinsurance of commercial line

Direct written premiums by product

NT\$bn



Net combined ratio



Note: Standalone basis

Note: Inclusive of compulsory auto business



Performance Review by Subsidiary

Fubon Securities

Fubon Securities: Operational Snapshot

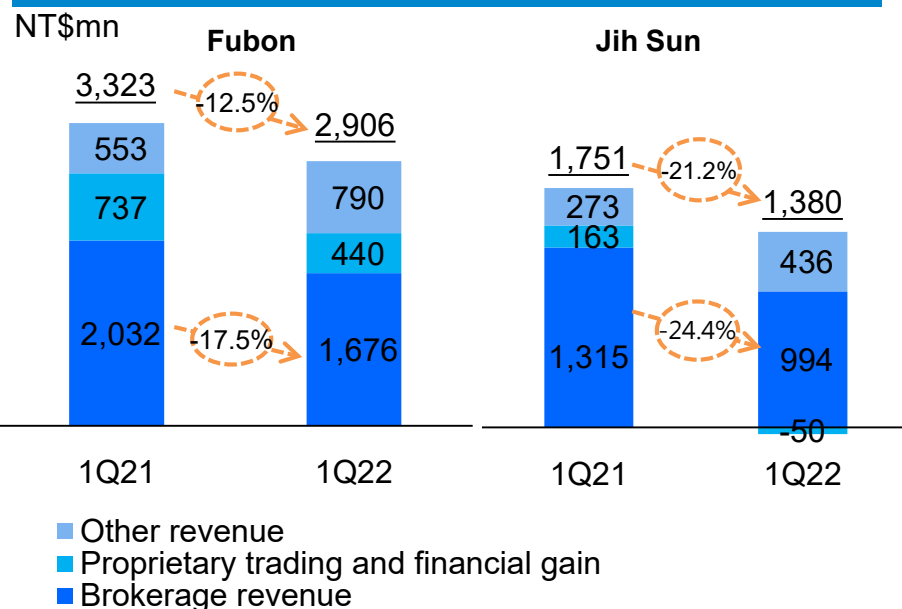
- 1Q22 net profit of NT\$0.77bn, down 55.2% YoY
- As TAIEX and market turnover trended down, Fubon Securities' revenue decreased 12.5% YoY
- Potential synergies with Jih Sun Securities to foster market position

Market share & ranking

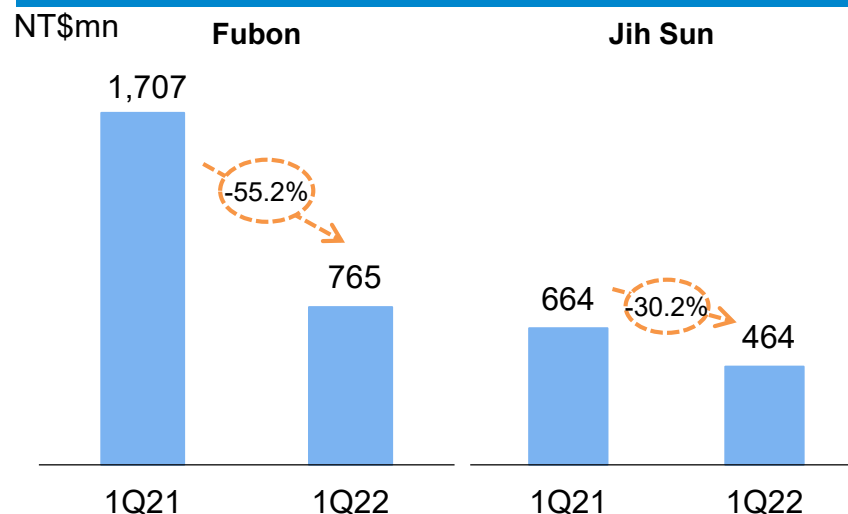
Market share	Fubon		Jih Sun		Pro forma	
	1Q22	Ranking	1Q22	Ranking	1Q22	Ranking
Brokerage	5.56%	3	3.07%	8	8.63%	3
Margin loans	5.27%	7	4.59%	10	9.86%	2
Sub-brokerage	11.03%	4	1.74%	15	12.77%	3

Note: The ranking does not include foreign brokers

Operating revenue



Net profit





Performance Review by Subsidiary

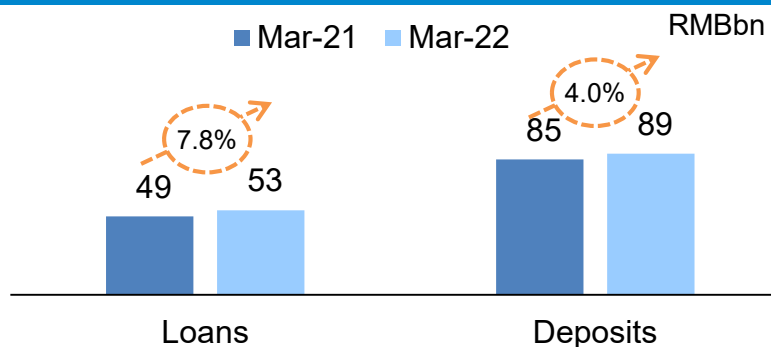
Overseas Banking Subsidiaries

Fubon Bank (China): Financial Highlights

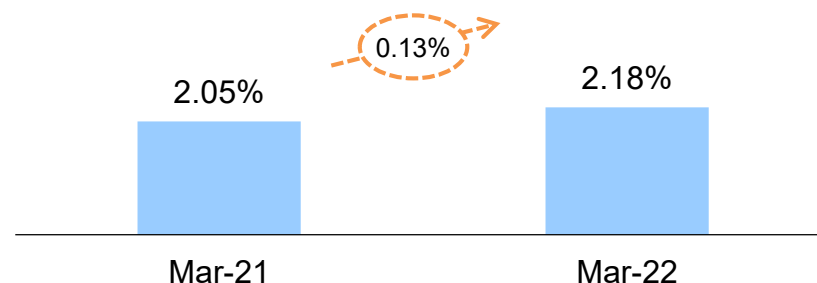


- Loan and deposit balance grew steadily. NIM up 13bps YoY on improving funding and loan structure
- Asset growth and NIM expansion drove 27.2% YoY increase in net interest income. Net profit up 21.8%
- NPL ratio reflected economic development and impact of epidemic. Growth strategy would balance earnings and asset quality

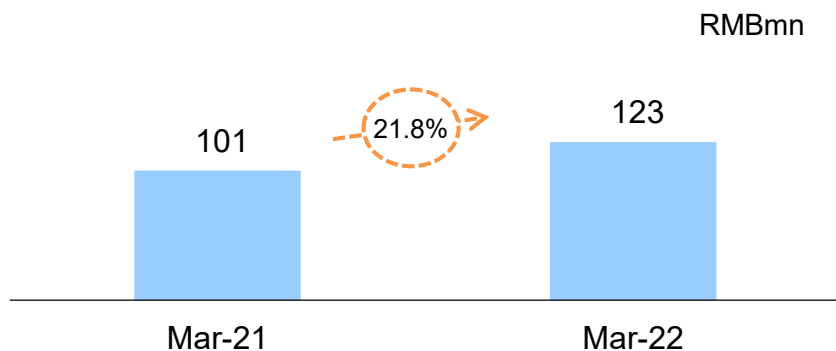
Loans & deposits



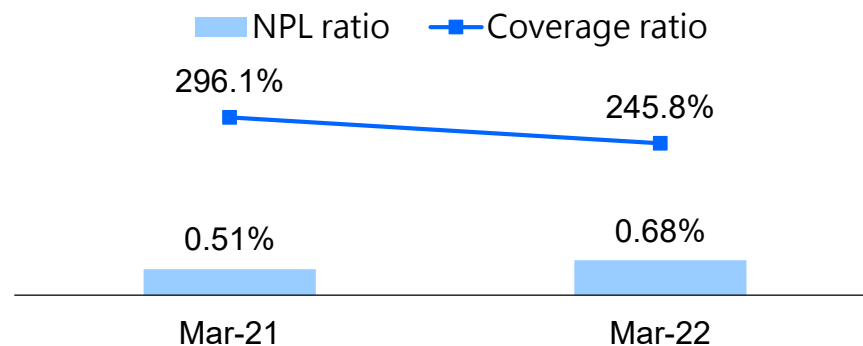
NIM



Net profit



NPL ratio & coverage ratio



Note: Definition of NPL from online consumer credit has changed from 90-day overdue to 60-day overdue since September 2021. The NPL ratio would be 0.61% as of March 2022 without the change



富邦金控

2021 Embedded Value

Fubon Life

2021 Value Creation Summary



Unit : NTD billion

Items

2020

2021

YoY

Diff

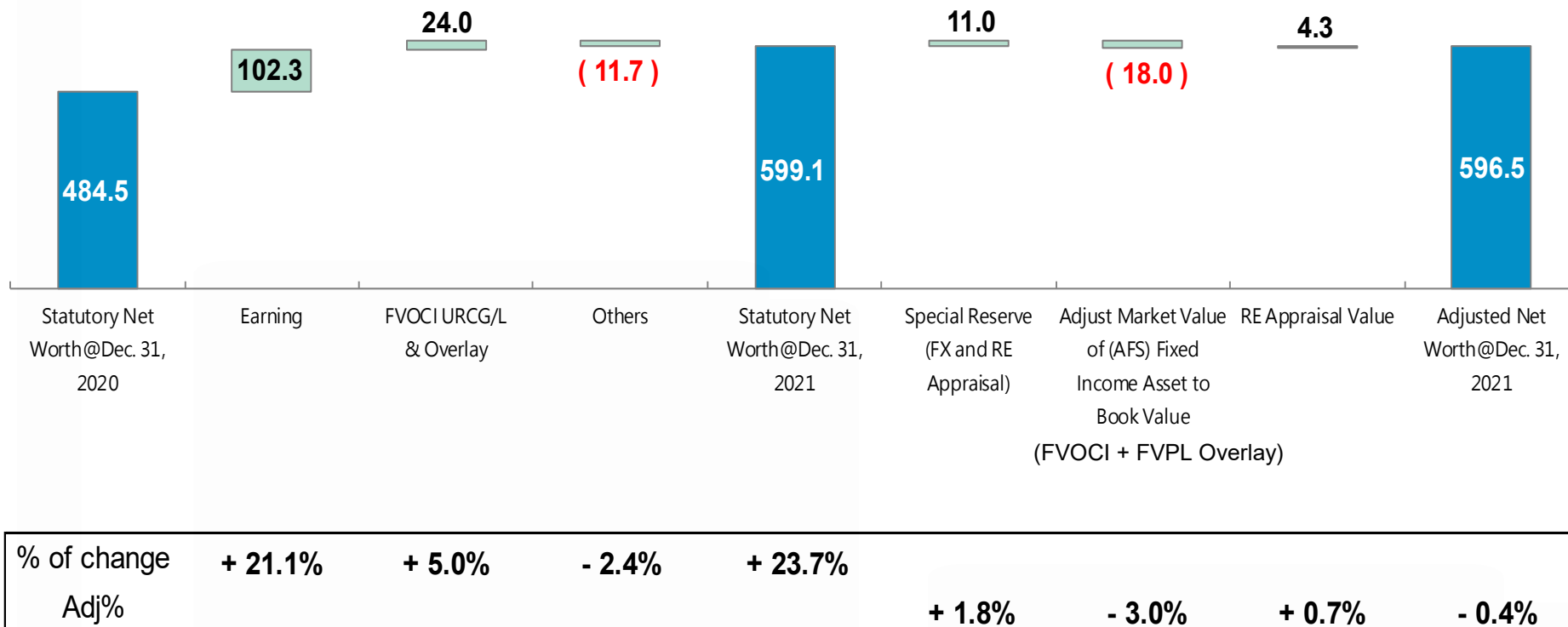
Impact

Inforce Value Creation	Net Worth (Book Value)	484.5	599.1	23.7%	114.6	↑
	Adjusted Net Worth	444.7	596.5	34.1%	151.8	↑
	VIF (before CoC)	486.0	565.2	16.3%	79.2	↑
	Cost of Capital (CoC)	(149.3)	(185.2)	-24.1%	-35.9	↓
	VIF (after CoC)	336.7	380.0	12.8%	43.2	↑
	Embedded Value	781.4	976.5	25.0%	195.0	↑
New Sales Value Creation	FYP	121.4	127.0	4.6%	5.6	↑
	FYPE	47.7	28.8	-39.8%	-19.0	↓
	FYPE/FYP	39.3%	22.6%	-42.5%	-16.7%	↓
	VNB	24.4	17.8	-27.0%	-6.6	↓
	VNB margin (VNB/FYP)	20.1%	14.0%	-30.3%	-6.1%	↓
	VNB margin (VNB/FYPE)	51.1%	62.0%	21.2%	10.8%	↑
Appraisal Value (20 year NB)	Multiplier	9.4	10.0	6.2%	0.6	↑
	Appraisal Value	1,010.2	1,153.8	14.2%	143.7	↑
Value per FHC share	Outstanding shares (FHC)	10.2	11.8	15.4%	1.6	↑
	Embedded Value	76.4	82.7	8.3%	6.4	↑
	Appraisal Value	98.7	97.7	-1.0%	-1.0	↓
Value per Life share	Outstanding shares (Life)	11.1	11.1	-	-	
	Embedded Value	70.5	88.1	25.0%	17.6	↑
	Appraisal Value	91.1	104.1	14.2%	13.0	↑

Movement Analysis: Adjusted Net Worth



Unit: NTD billion

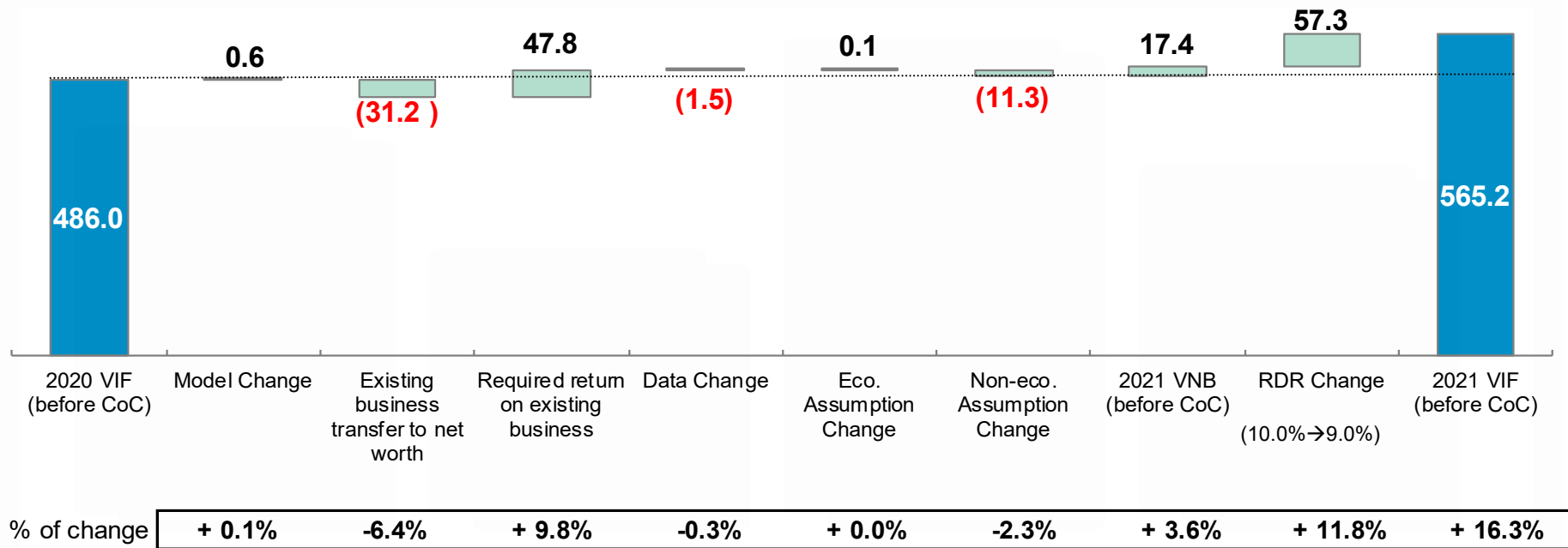


Note:

1. Special Reserve includes FX reserve 10.4bn and RE appraisal reserve 0.6bn.

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

Unit: NTD billion



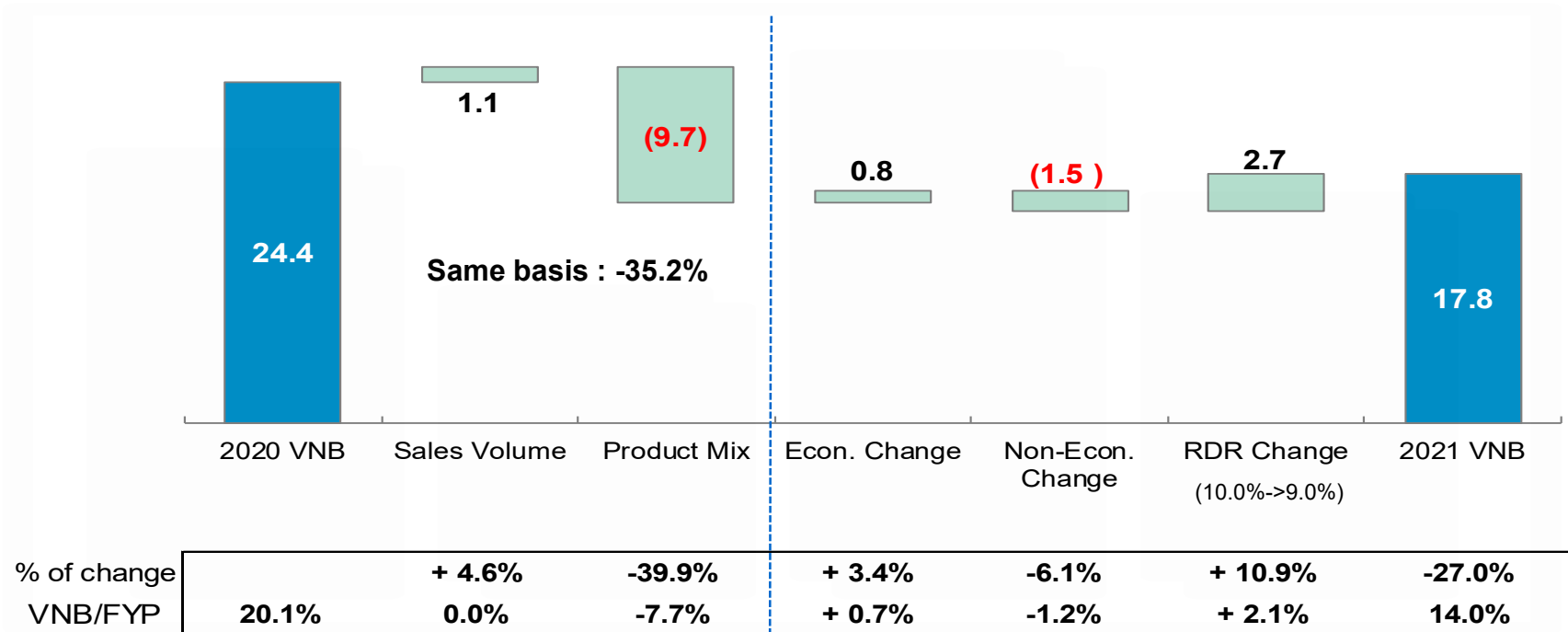
Note:

1. Economic assumption change includes changes of foreign exchange rate (-0.6%) and investment return (+0.6%).
2. The equivalent return of EV2020 reporting for VIF increased from 4.28% to 4.32% to reflect rolling over effect.
3. The equivalent return of EV2021 reporting for VIF is 4.36%.
4. 2021 VNB (after CoC) is 15.2bn(@RDR 10.0%) · 17.8bn(@RDR9.0%).

Movement Analysis: Value of New Business



Unit: NTD billion



Note:

1. The equivalent return of EV2020 reporting for VNB increased from 4.26% to 4.27% with consideration of rolling over effect and reflects 2021 product sales.
2. The equivalent return of EV2021 reporting for VNB is 4.38%.

Economic Assumption



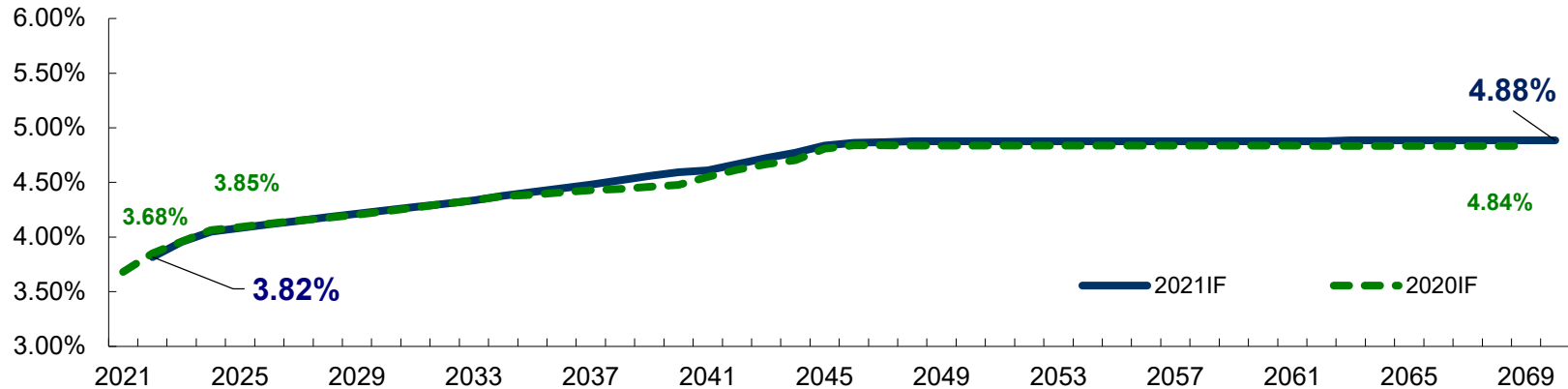
	Year 2020	Year 2021
Investment return	<p><u>VIF</u> NTD Traditional Policies : Year 2021 to Year 2046 at 3.68%~4.84%(2047+) USD Policies : Year 2021 to Year 2043 at 4.08%~5.29%(2044+) <u>V1NB</u> NTD Traditional Policies : Year 2020 to Year 2046 at 3.43%~4.83%(2047+) USD Policies : Year 2020 to Year 2041 at 3.79%~5.27%(2042+) <u>ISA</u> Average retained spread for the Interest sensitive business is around 50~100bps.</p>	<p><u>VIF</u> NTD Traditional Policies : Year 2022 to Year 2048 at 3.82%~4.88%(2049+) USD Policies : Year 2022 to Year 2039 at 3.91%~5.32%(2040+) <u>V1NB</u> NTD Traditional Policies : Year 2021 to Year 2042 at 3.57%~4.84%(2043+) USD Policies : Year 2021 to Year 2042 at 3.95%~5.30%(2043+) <u>ISA</u> Average retained spread for the Interest sensitive business is around 50~100bps.</p>
Risk Discount Rate	10% for VIF; 10% for V1NB	9% for VIF; 9% for V1NB
Equivalent Return	<p>VIF: 4.28% V1NB: 4.26%</p>	<p>VIF: 4.36% V1NB: 4.38%</p>
YC (10 year) Initial / ultimate	<p>TWD: 0.83% / 3.25% USD : 1.78% / 5.00%</p>	<p>TWD: 1.01% / 3.25% USD : 2.31% / 5.00%</p>

Note:

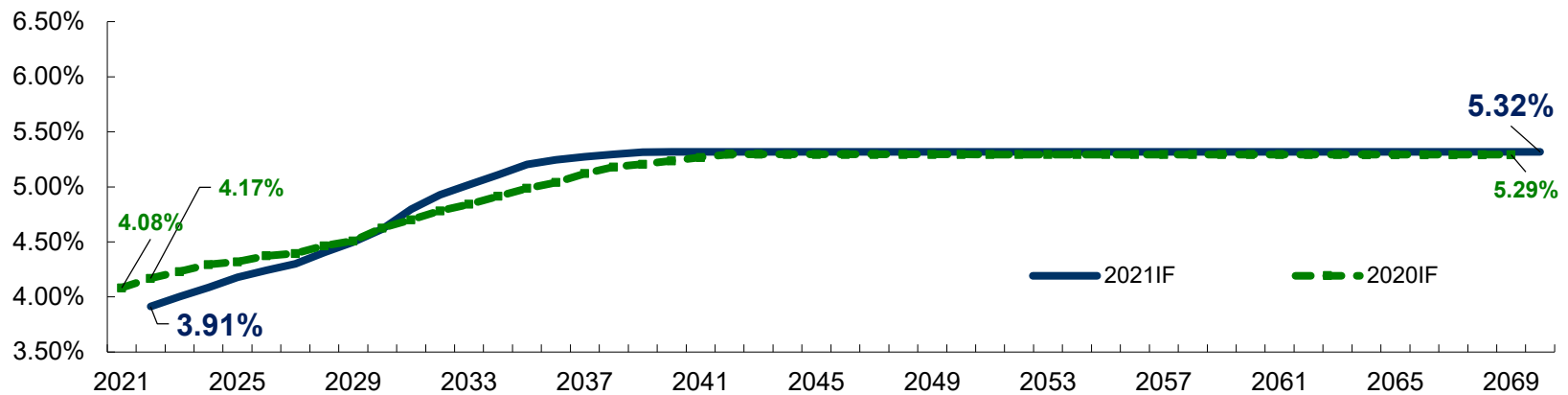
- The FX reserve mechanism stipulated from 2012, its respective cost is reflected in the derivation of portfolio return.

Economic Assumption – VIF Portfolio Return

In-force Portfolio Return_NTD Traditional



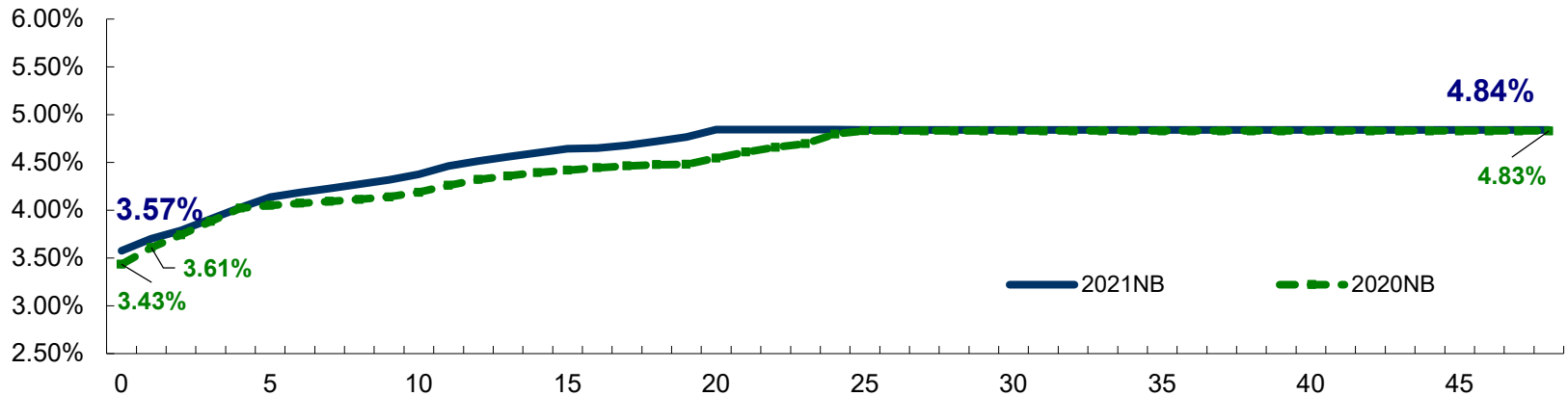
In-force Portfolio Return_USD



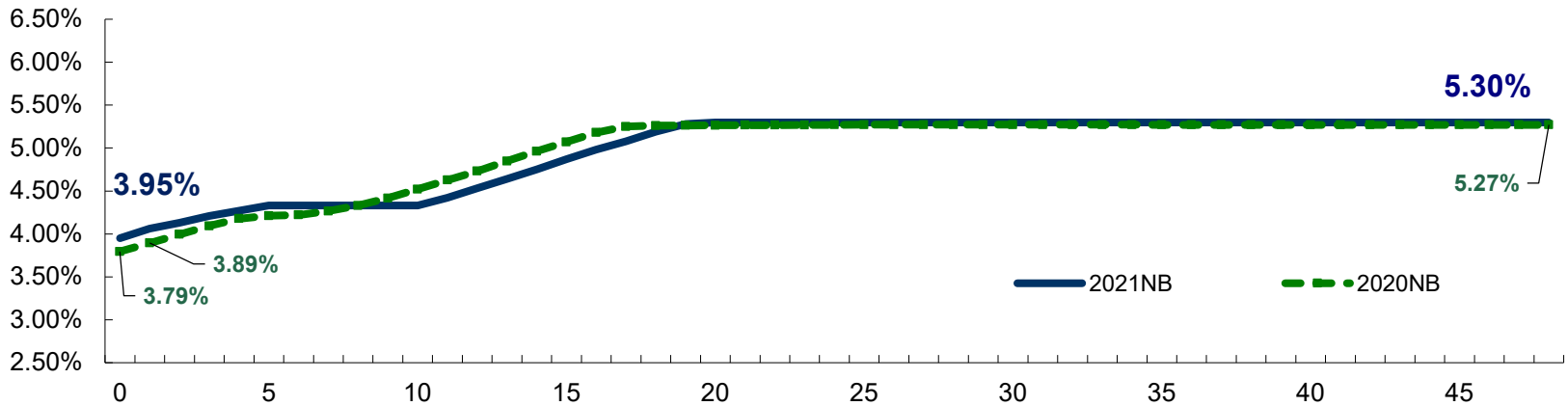
Economic Assumption – V1NB Portfolio Return



NB Portfolio Return_NTD Traditional



NB Portfolio Return_USD



Economic Assumption: Discount Rate



Fubon Life	31-Dec-20	31-Dec-21
Risk Free Rate	0.83%~3.25%	1.01%~3.25%
Equity plus Country Risk Premium	6.25%	6.14%
Beta	1.10	1.05
Calculated RDR	7.7%~10.1%	7.5%~9.7%
Equivalent RDR	VIF: 9.30% VNB: 9.18%	VIF: 8.97% VNB: 8.82%
RDR used in the valuation	VIF: 10.0% VNB: 10.0%	VIF: 9.0% VNB: 9.0%

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

$$\text{RDR} = \text{Risk Free Rate} + \text{Beta} * \text{Equity and Country Premium}.$$
- Due to the decline of equity plus country risk premium and FHC Beta year by year, the Equivalent RDR for 2021 VIF/VNB are both below 9%. Therefore, we adjust the RDR used for 2021 VIF calculation from 10% to 9% and for 2021 VNB calculation from 10% to 9% as well.

Cost of Capital projection

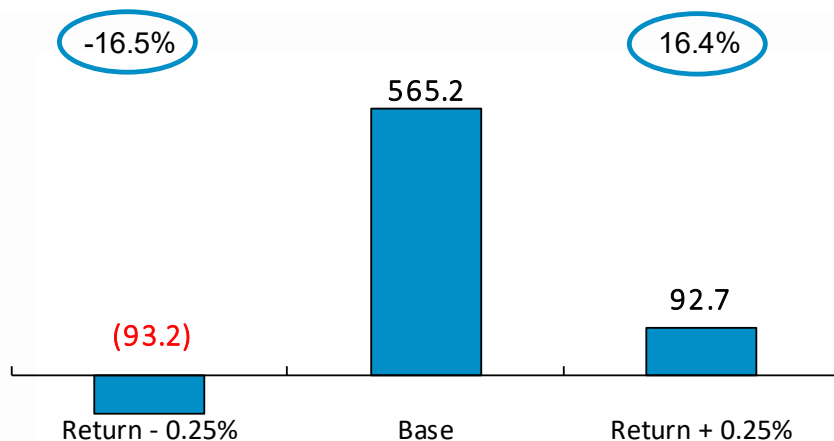
- **Project future cost of capital is based on future capital requirement maintaining regulatory minimum RBC level of 200% considering following factors:**
 - 1) Add regulatory required multiple of maximum C3 risk capital of previous five year for all traditional products every year (excludes investment-linked product) ;
 - 2) Reflect current business operation and future strategy.
- **Risk-based capital (RBC) regulation changes & adjustments in 2021:**
 - 1) Revise the calculation formula of C3 interest rate risk multiplier, from 0.5 times the C3 risk capital in the previous year to X times the maximum C3 risk capital in the previous five years. Additionally, if the ICS interest rate risk capital relative to the RBC C3 risk capital is higher than the specified multiple, an additional Y multiple is added.

Sensitivity Summary : Portfolio Return

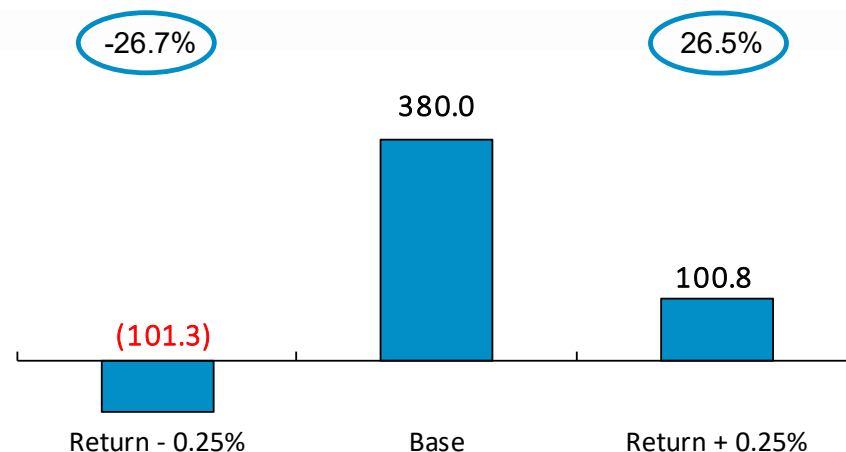


Unit: NTD billion

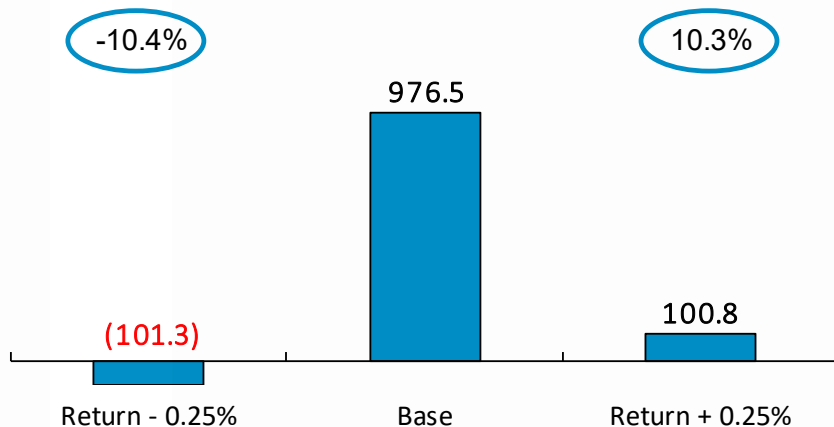
VIF (before CoC)



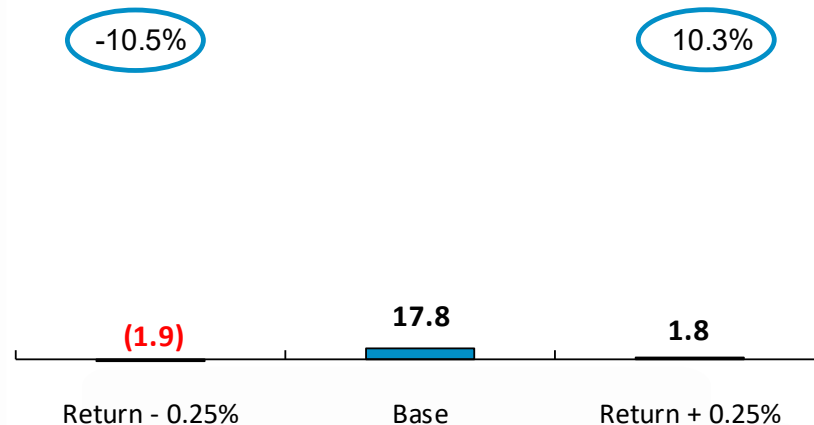
VIF



EV



VNB

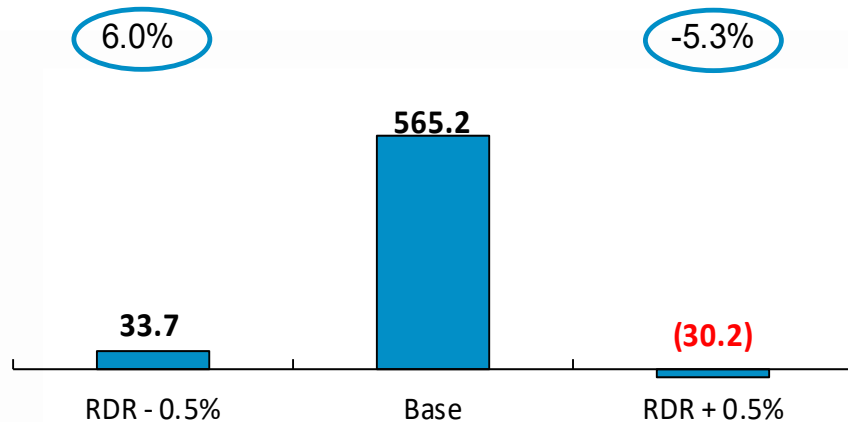


Note: ANW will not be affected by portfolio return.

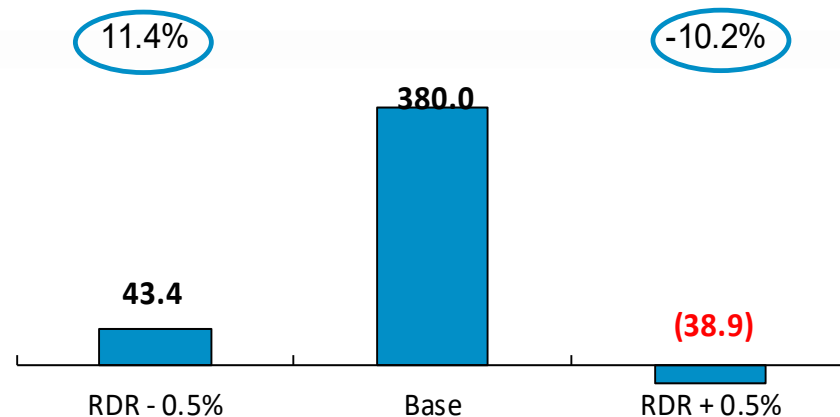
Sensitivity Summary : Risk Discount Rate

Unit: NTD billion

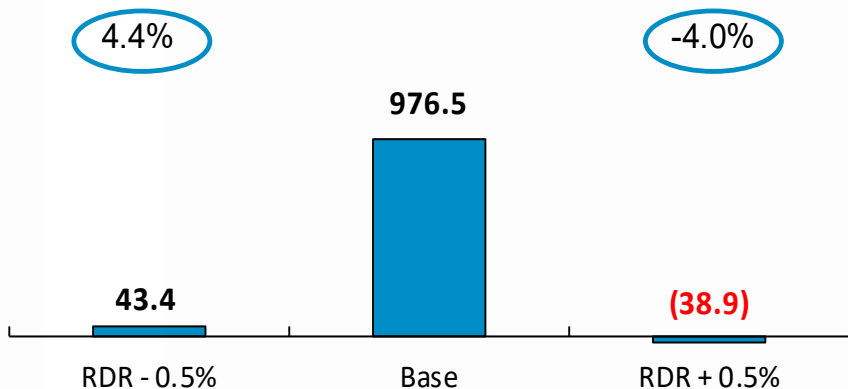
VIF (before CoC)



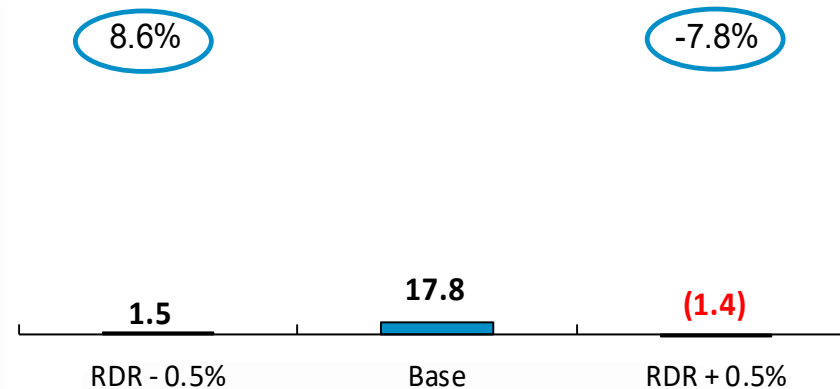
VIF



EV



VNB



Note: ANW will not be affected by RDR.

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 2021 and the Value of New Business (VNB) written over the period of 1 January 2021 to 31 December 2021.

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 2020 and 31 December 2021.

Risk Adjusted Discount Rates

- 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”)	1.01%	3.25%	2.37%	2.52%
Equity and Country Risk Premium	6.14%	6.14%	6.14%	6.14%
Beta	1.05	1.05	1.05	1.05
Calculated Risk Discount Rate	7.46%	9.70%	8.82%	8.97%
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):

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

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 1.01% 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 1.05 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 1.01% and 2.31% 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.

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.

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.

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 2020 to 2021;
- Review of the changes in the new business profit margin relative to that in 2020 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.



富邦金控



Contact IR



 Fubon Financial

ESG Results and Goals



Decarbonization: Helping clients go sustainable

Fubon aims to accelerate green finance by driving the value chain's transition to more sustainable practices

Digitalization: Providing the best financial services

Innovative services to satisfy clients' insurance, investment, and wealth management needs

1Q22 results

- Green finance: NT\$2,308.5bn
- Market share of green bond underwriting: 33%
- Climate-related products and services: NT\$1.98bn

Long-term goals (2025)

- Green finance: NT\$2,450bn
- Market share of green bond underwriting: 34%
- Climate-related products and services: NT\$7bn
- Fubon's operational carbon reduction: 12% (base year: 2017)
- Continue to refine standards of investment in and lending to carbon-intensive industries
- Support enterprises in transitioning to a low-carbon business model

1Q22 results

- Customer satisfaction: 86.3%
- Digital financial services⁽¹⁾
 - Fubon Life: no. of e-notifications was 1,247,111, reached 28.64% of 2025 goal
 - Taipei Fubon Bank: no. of active digital accounts was 2,454,802, reached 28.86% of 2025 goal
 - Fubon Insurance: no. of e-policies and electronic compulsory auto liability insurance certificates was 1,475,634, reached 11.63% of 2025 goal
- Securities: Share of active accounts using digital trading system: 95%

Long-term goals (2025)

- Customer satisfaction: 90%
- Digital financial services⁽¹⁾
 - Fubon Life: 61% growth in e-notifications, e-policies and e-terms and conditions policies⁽²⁾
 - Taipei Fubon Bank: 100% growth in no. of active digital accounts
 - Fubon Insurance: 133.4% growth in e-policies and electronic compulsory auto liability insurance certificates⁽²⁾
- Securities: Share of active accounts using digital trading system: 90%⁽²⁾

Note: (1) growth rate goal is cumulative basis from 2020 to 2025

Note: (2) The policy growth rate is calculated on annual basis. The results are expected to be reported in Q4.

Sustainability Initiatives



The top in Sustainalytics' ESG risk ratings under global insurance sector (May, 2022)



The only financial institution in Taiwan ranked A-list in CDP's Supplier Engagement Rating for two consecutive years



Aligned with Sustainable Accounting Standards Board (SASB) standards for the insurance industry in CSR Report



Only financial institution in Taiwan to receive highest recognition, A rating from CDP's Supplier Engagement Rating



Fubon FHC first invited to serve as conference speaker from Taiwan for APEC Minister of Finance conference series



Officially becomes TCFD Supporter in September



Signatory of Equator Principles



Named constituent of DJSI World Index

2017

Fubon FHC's Principles of Responsible Investment (PRI) established (subsidiaries compliant since 2019)

2016



Committed to SBT in carbon reduction

Named constituent of DJSI Emerging Markets Index



Dow Jones Sustainability Indexes

2022

- Member of PCAF since April
- Member of AIGCC since May
- Under application to join RE100



ASIA INVESTOR GROUP ON CLIMATE CHANGE

RE 100

Fubon Financial - Financial summary

<i>NT\$ millions, except for percentages</i>	1Q22	4Q21	3Q21	2Q21	1Q21	2021	2020	YoY
<u>Income Statement Data</u>								
Net interest revenue (expense)	38,913	37,569	36,928	34,849	34,126	143,472	137,294	4.5%
Net insurance revenue	25,921	41,797	23,380	44,976	50,767	160,920	238,047	-32.4%
Gain (loss) on financial assets and foreign exchange gains (losses)	66,477	22,306	45,054	35,400	59,131	161,889	100,821	60.6%
Others	2,785	4,924	4,678	6,650	4,231	19,552	343	5596.4%
Net revenue	134,095	106,596	110,037	121,875	148,255	485,832	476,506	2.0%
Bad debts expense, commitment and guarantee liability provision	(1,054)	(1,020)	(1,399)	(1,394)	(775)	(4,588)	(4,372)	4.9%
Net change in provisions for insurance liabilities	(58,681)	(68,273)	(43,309)	(59,604)	(72,596)	(243,782)	(306,374)	-20.4%
Operating expenses	(16,802)	(20,825)	(18,668)	(17,246)	(15,134)	(71,873)	(62,632)	14.8%
Profit (loss) before tax	57,557	16,479	46,661	43,630	59,751	165,589	103,128	60.6%
Profit (loss)	46,981	14,666	43,361	37,871	52,081	147,235	90,972	61.8%
Profit (loss), attributable to owners of parent	46,477	14,348	42,614	37,044	51,297	144,559	90,272	60.1%
<u>Balance Sheet Data</u>								
Total assets	10,577,255	10,499,733	10,154,176	9,990,458	9,698,223	10,499,733	9,244,453	13.6%
Total equity attributable to owners of parent	861,946	949,569	843,840	841,895	816,774	949,569	762,869	24.5%
Number of common shares outstanding (millions)	11,805	11,805	11,257	10,234	10,234	11,805	10,234	15.4%
<u>Key Metrics</u>								
ROA	1.78%	0.57%	1.72%	1.54%	2.20%	1.49%	1.02%	
ROE	20.53%	6.40%	20.22%	17.87%	25.98%	16.88%	13.17%	
Equity / assets	8.45%	9.37%	8.63%	8.77%	8.79%	9.37%	8.40%	
Double leverage	107.87%	107.08%	113.72%	115.03%	113.90%	107.08%	111.35%	
Capital adequacy ratio		139.36%		127.33%		139.36%	124.96%	
Cash dividend per share						3.50	3.00	
Stock dividend per share						0.50	1.00	

Fubon Life - Financial summary

<i>NT\$ millions, except for percentages</i>	1Q22	4Q21	3Q21	2Q21	1Q21	2021	2020	YoY
<u>Income statement data</u>								
First year premium	37,081	31,246	31,353	25,460	38,976	127,035	121,409	4.6%
Retained earned premium	87,384	102,585	95,603	113,358	121,404	432,949	552,502	-21.6%
Total investment income	81,954	44,667	65,267	59,542	78,763	248,239	196,416	26.4%
Recurring investment income	33,471	32,726	45,745	31,378	30,233	140,082	146,189	-4.2%
Other investment income	48,483	11,941	19,522	28,165	48,529	108,157	50,227	115.3%
Realized gains (losses) from fixed income	6,745	246	4,193	425	26,873	31,737	35,061	-9.6%
Realized gains (losses) from equity	40,127	17,510	17,926	31,695	22,722	89,853	41,158	118.3%
FX and others	2,256	(5,718)	(3,134)	(4,009)	(464)	(13,325)	(22,103)	-39.8%
Investment property fair value movement	(645)	(96)	537	53	(602)	(109)	(3,889)	-97.2%
Other income	1,265	1,412	1,370	1,401	1,375	5,558	3,891	42.8%
Total operating revenue	170,604	148,663	162,240	174,301	201,542	686,746	752,809	-8.8%
Retained claim payment	66,235	64,858	76,824	72,947	75,072	289,702	329,325	-12.0%
Net commission expense	5,185	4,601	4,425	4,283	5,064	18,372	21,971	-16.4%
Net change in insurance liability	49,378	64,426	42,909	62,137	70,231	239,703	311,384	-23.0%
General and administrative expense	4,099	6,593	4,908	4,555	4,544	20,599	20,135	2.3%
Other operating costs	1,006	999	955	983	1,070	4,006	3,988	0.5%
Total operating costs and expenses	125,902	141,476	130,021	144,905	155,981	572,383	686,803	-16.7%
Net non-operating income / (expenses)	190	231	338	254	193	1016	741	37.1%
Income before tax	44,891	7,419	32,557	29,650	45,754	115,379	66,747	72.9%
Net income	36,714	7,138	29,859	26,833	39,868	103,697	61,415	68.8%
Net income to parent company	36,363	7,040	29,667	26,478	39,085	102,271	60,591	68.8%
<u>Balance sheet data</u>								
Total assets	5,681,105	5,711,408	5,540,451	5,548,224	5,434,853	5,711,408	5,317,443	7.4%
Total assets (general account)	5,202,540	5,213,571	5,079,619	5,080,193	4,974,045	5,213,571	4,858,223	7.3%
Insurance liabilities	4,465,174	4,373,948	4,312,688	4,281,658	4,247,386	4,373,948	4,178,051	4.7%
Total liabilities	5,168,721	5,101,897	4,973,486	4,961,112	4,897,830	5,101,897	4,819,306	5.9%
Total liabilities (general account)	4,679,282	4,604,170	4,513,330	4,495,033	4,438,109	4,604,170	4,366,427	5.4%
Equity attributable to parent company	504,312	599,148	556,696	576,158	524,925	599,148	484,536	23.7%
<u>Key Metrics</u>								
ROA	2.58%	0.51%	2.15%	1.95%	2.97%	1.88%	1.21%	
ROE	26.36%	4.87%	20.95%	19.24%	30.98%	18.87%	14.74%	
Equity / Assets (general account)	9.85%	11.69%	11.16%	11.56%	10.80%	11.69%	10.25%	
Expense ratio	4.69%	6.43%	5.13%	4.02%	3.74%	4.76%	3.64%	
Persistency ratio - 13th month	96.22%	97.65%	97.82%	97.86%	97.91%	97.65%	97.55%	
Persistency ratio - 25th month	96.59%	96.10%	95.77%	95.45%	95.08%	96.10%	94.57%	
RBC		338%		333%		338%	299%	

Taipei Fubon Bank - Financial summary

NT\$ millions, except for percentages	1Q22	4Q21	3Q21	2Q21	1Q21	2021	2020	YOY
Income statement data								
Interest income	15,674	15,255	14,852	14,046	13,554	57,708	57,998	-0.5%
Interest expense	(5,535)	(5,236)	(5,100)	(4,728)	(4,775)	(19,839)	(25,070)	-20.9%
Net interest income	10,139	10,019	9,752	9,318	8,779	37,869	32,928	15.0%
Net fee income	2,619	2,261	2,513	2,047	3,118	9,939	11,612	-14.4%
Other income	2,785	628	1,556	773	759	3,716	5,174	-28.2%
Total net revenue	15,542	12,908	13,821	12,138	12,656	51,524	49,713	3.6%
Operating expenses	(6,500)	(6,910)	(6,726)	(5,876)	(6,130)	(25,641)	(24,872)	3.1%
Pre-provision profits	9,042	5,998	7,096	6,262	6,526	25,882	24,841	4.2%
Provision for credit losses	(978)	(869)	(1,099)	(1,064)	(590)	(3,622)	(2,943)	23.1%
Income before tax	8,063	5,129	5,997	5,198	5,937	22,260	21,899	1.6%
Net income	6,709	4,403	5,388	4,634	5,129	19,554	19,537	0.1%
Net income to parent company	6,526	4,195	5,134	4,429	4,959	18,717	18,792	-0.4%
Balance sheet data								
Loans and discounts, net	1,893,350	1,841,328	1,844,594	1,778,091	1,689,509	1,841,328	1,635,408	12.6%
Deposits and remittances	2,991,901	2,893,815	2,779,941	2,551,574	2,465,891	2,893,815	2,496,636	15.9%
Allowance for loan losses*	20,800	20,039	19,995	19,062	18,489	20,039	18,021	11.2%
Total assets	3,851,605	3,728,289	3,599,762	3,397,475	3,283,713	3,728,289	3,286,836	13.4%
Equity attributable to parent company	233,020	226,430	220,779	216,047	225,659	226,430	219,136	3.3%
Key metrics								
ROA	0.71%	0.48%	0.62%	0.55%	0.62%	0.56%	0.62%	
ROE*	11.36%	7.50%	9.40%	8.02%	8.92%	8.40%	8.97%	
Equity / assets	6.55%	6.58%	6.65%	6.89%	7.45%	6.58%	7.24%	
Cost / income ratio	-41.82%	-53.53%	-48.66%	-48.41%	-48.43%	-49.77%	-50.03%	
NPL ratio*	0.17%	0.16%	0.18%	0.20%	0.19%	0.16%	0.16%	
Reserve / NPL*	725.96%	759.72%	673.00%	634.28%	672.91%	759.72%	777.78%	
Tier 1 ratio*	12.85%	12.95%	12.78%	13.27%	14.79%	12.95%	14.71%	
BIS ratio*	15.12%	14.39%	14.22%	14.75%	16.54%	14.39%	16.47%	
Tier 1 ratio		11.19%		11.38%		11.19%	12.66%	
BIS ratio		13.20%		13.46%		13.20%	14.95%	

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

Fubon Insurance - Financial summary

<i>NT\$ millions, except for percentages</i>	1Q22	4Q21	3Q21	2Q21	1Q21	2021	2020	YoY
<u>Income statement data</u>								
Direct written premiums	15,117	12,064	14,140	14,979	13,223	54,406	48,263	12.7%
Retention of earned premiums	10,862	10,530	10,269	10,113	9,777	40,688	37,105	9.7%
Net income from investment	2,791	1,311	1,530	2,095	1,799	6,735	4,221	59.6%
Other operating revenue	602	568	872	982	615	3,036	2,509	21.0%
Retained insurance payments	5,700	5,582	5,286	5,145	4,868	20,881	20,068	4.1%
Net change in liability reserve	598	717	530	699	884	2,831	781	262.4%
Commission and operating expenses	4,466	4,518	4,852	4,810	4,175	18,355	16,938	8.4%
Non-Operating Income	(80)	(320)	(77)	(52)	(51)	(500)	(167)	200.0%
Income before tax	3,410	1,272	1,925	2,482	2,212	7,891	5,881	34.2%
Net income	2,968	1,214	1,745	2,321	1,922	7,202	5,259	36.9%
Net income to parent company	2,953	769	1,796	2,372	1,919	6,856	5,640	21.6%
<u>Balance sheet data</u>								
Total assets	129,878	131,579	131,048	128,711	123,525	131,579	117,785	11.7%
Investment assets	84,785	88,691	86,644	84,945	83,408	88,691	80,481	10.2%
Policy reserve	66,389	64,726	65,549	64,049	60,677	64,726	57,849	11.9%
Equity attributable to parent company	41,534	44,662	41,589	41,167	42,190	44,662	40,177	11.2%
<u>Key Metrics</u>								
ROA	9.08%	3.70%	5.37%	7.36%	6.37%	5.99%	4.64%	
ROE	27.41%	7.13%	17.36%	22.76%	18.64%	16.93%	14.74%	
Total investment return	12.87%	5.98%	7.13%	9.96%	8.78%	8.20%	5.41%	
Solvency margin (NWP/equity)	109.84%	87.07%	102.51%	107.95%	101.17%	94.40%	97.07%	
Retention ratio	71.02%	74.83%	70.15%	69.64%	72.44%	71.62%	73.49%	
RBC		369%		462%		369%	504%	

Fubon Securities - Financial summary

<i>NT\$ millions, except for percentages</i>	1Q22	4Q21	3Q21	2Q21	1Q21	2021	2020	YoY
<u>Income statement data</u>								
Brokerage commissions	1,676	2,016	2,512	2,759	2,032	9,319	5,883	58.4%
Net interest income	302	315	347	317	284	1,263	907	39.3%
Fee income	372	454	280	264	208	1,206	1,006	19.9%
Net principal transactions and financial products gains	440	419	948	503	737	2,607	2,092	24.6%
Other income	116	82	110	29	62	283	(41)	-790.2%
Total operating revenue	2,906	3,288	4,196	3,873	3,323	14,680	9,848	49.1%
Total operating expense	(1,697)	(2,058)	(2,082)	(2,084)	(1,805)	(8,029)	(6,200)	29.5%
Net non-operating income / (expenses)	(168)	267	381	476	435	1,559	1,044	49.3%
Income before tax	1,040	1,495	2,496	2,265	1,953	8,209	4,692	75.0%
Net income	765	1,246	2,122	1,981	1,707	7,056	4,203	67.9%
Net income to parent company	765	1,247	2,122	1,981	1,707	7,057	4,204	67.9%
<u>Balance sheet data</u>								
Margin loans	17,514	20,660	17,669	20,848	17,399	20,660	14,189	45.6%
Total assets	167,347	167,960	156,292	158,243	136,044	167,960	132,413	26.8%
Equity attributable to parent company	39,476	38,545	37,336	34,684	36,210	38,545	34,071	13.1%
<u>Key Metrics</u>								
ROA	1.82%	3.08%	5.40%	5.39%	5.09%	4.70%	3.09%	
ROE	7.84%	13.15%	23.57%	22.36%	19.43%	19.44%	11.75%	
Equity / assets	23.59%	22.95%	23.89%	21.92%	26.62%	22.95%	25.73%	
Expenses / revenues	-58.40%	-62.61%	-49.61%	-53.80%	-54.33%	-54.69%	-62.96%	
Margin loans / total assets	10.47%	12.30%	11.31%	13.17%	12.79%	12.30%	10.72%	
Margin loans / shareholders' equity	44.37%	53.60%	47.32%	60.11%	48.05%	53.60%	41.65%	
Capital adequacy ratio	320.63%	339.48%	322.29%	243.11%	312.18%	339.48%	333.20%	

Fubon Bank (China) - Financial Summary

<i>RMB millions, except for percentages</i>	1Q22	4Q21	3Q21	2Q21	1Q21	2021	2020	YoY
Income Statement Data								
Interest income	1,368	1,389	1,364	1,227	1,149	5,129	4,485	14.4%
Interest expense	(710)	(711)	(716)	(648)	(632)	(2,707)	(2,726)	-0.7%
Net interest income	657	678	648	579	517	2,422	1,758	37.8%
Net fee income	(106)	(86)	(80)	(71)	(67)	(304)	(157)	93.2%
Other income	(84)	(132)	(75)	(96)	(80)	(384)	(21)	1721.1%
Operating expenses	(276)	(303)	(273)	(232)	(229)	(1,038)	(895)	16.0%
Pre-provision profits	191	157	220	179	140	696	685	1.7%
Provision for credit losses	(91)	(17)	(67)	(62)	(8)	(154)	(274)	-43.7%
Income before tax	101	140	152	117	132	542	411	31.9%
Net income	123	132	161	118	101	512	436	17.4%
Balance Sheet Data								
Loans	53,324	53,432	54,145	51,457	49,465	53,432	46,841	14.1%
Deposits	88,848	100,438	90,749	89,397	85,395	100,438	92,870	8.1%
Total asset	136,284	137,273	132,755	124,608	111,536	137,273	116,549	17.8%
Total equity	7,783	7,839	7,726	7,493	6,323	7,839	6,286	24.7%
Key Metrics								
ROA	0.36%	0.39%	0.50%	0.40%	0.35%	0.40%	0.41%	
ROE	6.29%	6.78%	8.46%	6.85%	6.40%	7.3%	7.0%	
Equity / assets	5.71%	5.71%	5.82%	6.01%	5.67%	5.7%	5.4%	
Cost / income ratio	-56.96%	-62.94%	-53.14%	-53.87%	-60.48%	-57.40%	-54.61%	
NPL ratio	0.68%	0.53%	0.60%	0.73%	0.51%	0.53%	0.55%	
Reserve / NPL	245.83%	289.91%	253.89%	205.06%	296.13%	289.91%	340.91%	
Loan to deposit ratio (Renminbi)	85.04%	87.27%	86.96%	84.07%	79.02%	87.27%	73.55%	
Tier 1 ratio	10.03%	10.27%	10.23%	10.33%	9.72%	10.27%	9.81%	
BIS ratio	13.35%	13.64%	13.58%	13.67%	13.62%	13.64%	13.96%	

12 May 2022

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. Chun-Pan Chen, President
Ms. Tsai-Ling Chao, EVP

Dear Sirs,

Review of Embedded Value as at 31 December 2021 and Value of New Business of Fubon Life Insurance Company Limited

Deloitte Consulting (Pacific) Limited, Taiwan Branch ("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 2021 and the Value of New Business ("VNB") sold during the calendar year 2021 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 18 March 2022 between Fubon Life and Deloitte Consulting.

This Opinion Letter has been prepared by Deloitte Consulting (Pacific) Limited Taiwan Branch ("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 2021 and the Value of New Business written over the period of 1 January 2021 to 31 December 2021 as calculated by the Company is summarised as follows:

	Values (NT\$ bn)
Adjusted Net Worth	596.5
Value of In Force Business after Cost of Capital	380.0
Embedded Value	976.5
Value of New Business after Cost of Capital	17.8

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 2021 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 2020;
- 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 2020 and 31 December 2021.

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 2021; 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 2021 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 Consulting (Pacific) Limited, Taiwan Branch