

Fubon Financial 2019 Q1 Interim Results and 2018 Embedded Value of Fubon Life

2019.05.27

This meeting 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 report may include preliminary unaudited numbers or management accounts.



- ***Performance highlights of Fubon Financial Holdings***

- ***Performance review by subsidiary***

- *Taipei Fubon Bank*

- *Fubon Life*

- *Fubon Insurance*

- *Fubon Securities*

- *Fubon Bank (China)*

- ***2018 Embedded value of Fubon Life***

- Net profits reached NT\$12.5 billion in 1Q19, compared to NT\$16.4bn in 1Q18. Profits came down yoy mainly from Fubon Life, while earning growth in Taipei Fubon Bank and Fubon Securities

Taipei Fubon Bank

- NIM and spread improvement from adjustment in asset and liabilities structure and market movement
- Growth in wealth management fee income driven by insurance products
- Revenue growth from treasury activities and overseas branches

Fubon Life

- Net profits came down in 1Q19 yoy due to increase in underwriting cost as FYP growth 34% yoy, lower capital gains and one-time tax benefit in 1Q18
- Increase in recurring return and steady improvement in COL
- Top two market position in FYPE leading to growth of VNB
- Prepare IFRS 17 adoption following the time table of Taiwan regulator

Fubon Insurance

- Top position in terms of total premium for the 37th year with continuous market share gains
- Outstanding combined ratio performance with a focus on quality

Fubon Securities

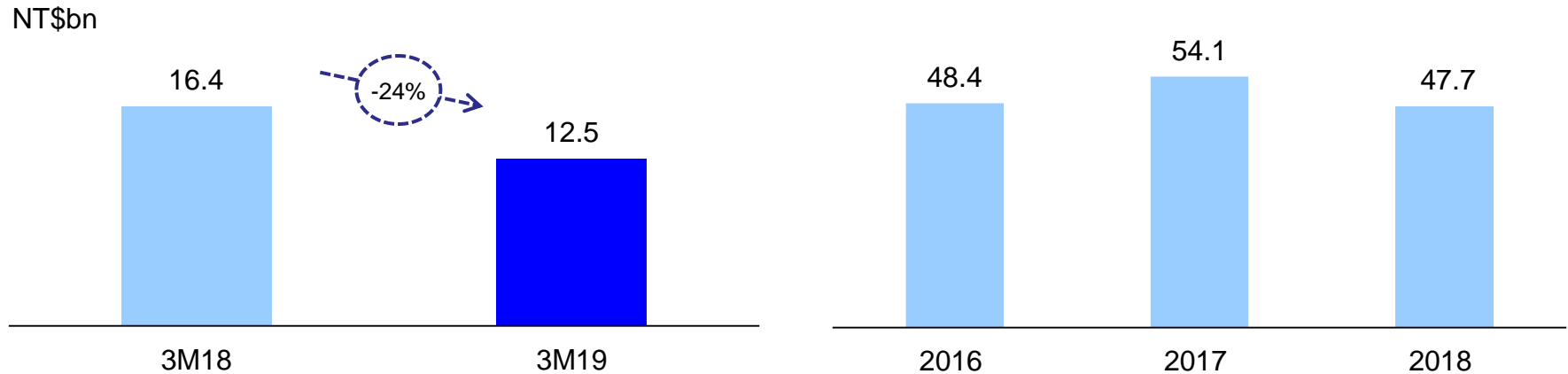
- Top three position in brokerage and emerging stock trading business
- ETF products development in Fubon Asset Management

Fubon Financial Holdings: Profitability

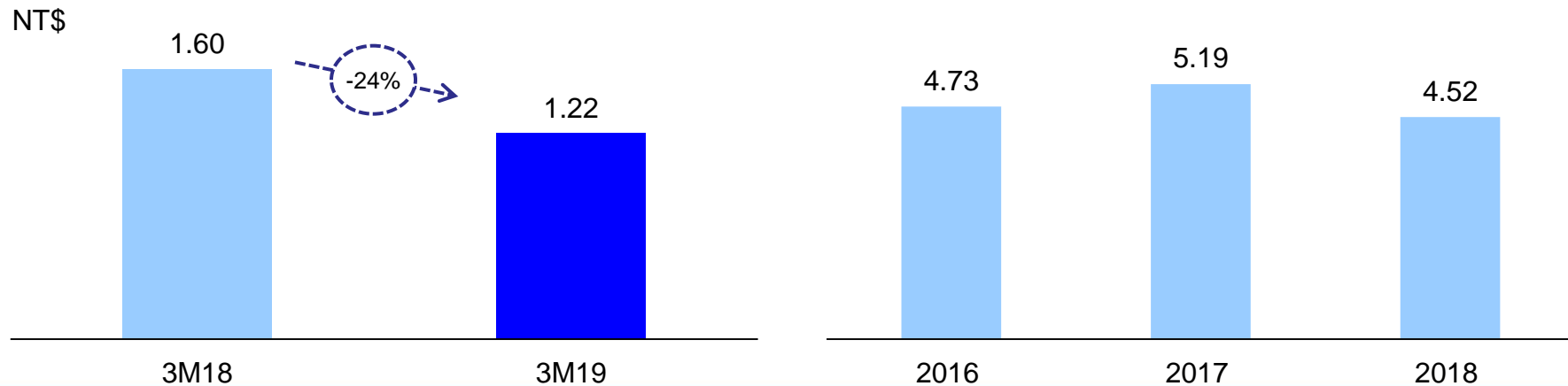


- Net profits came down yoy, while EPS maintained top position among peers

Net profits



Earning per share (EPS)

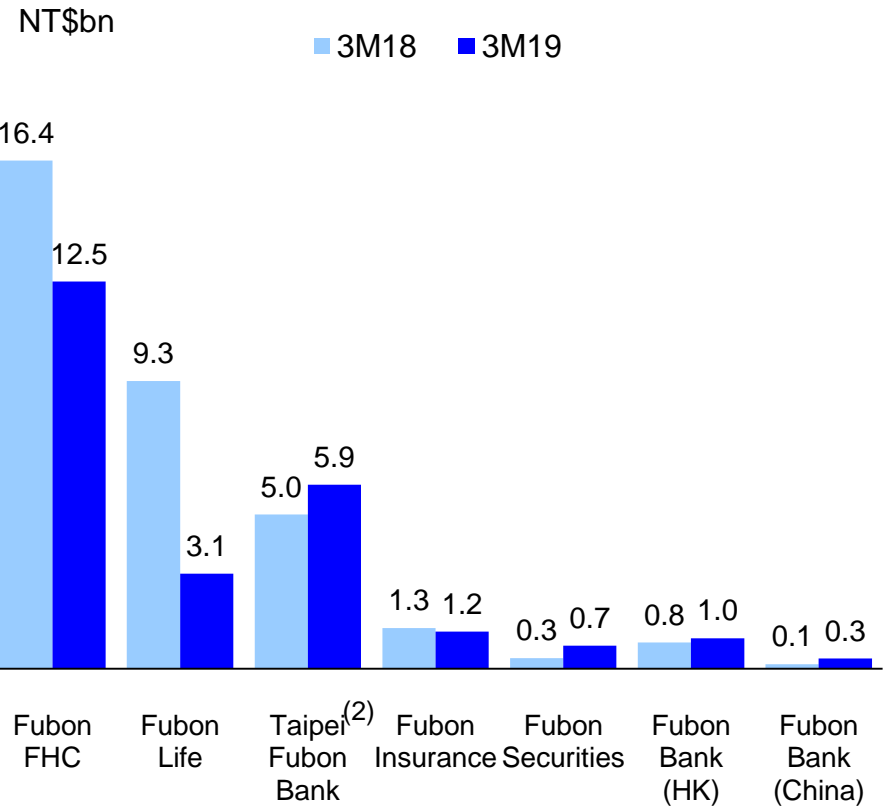




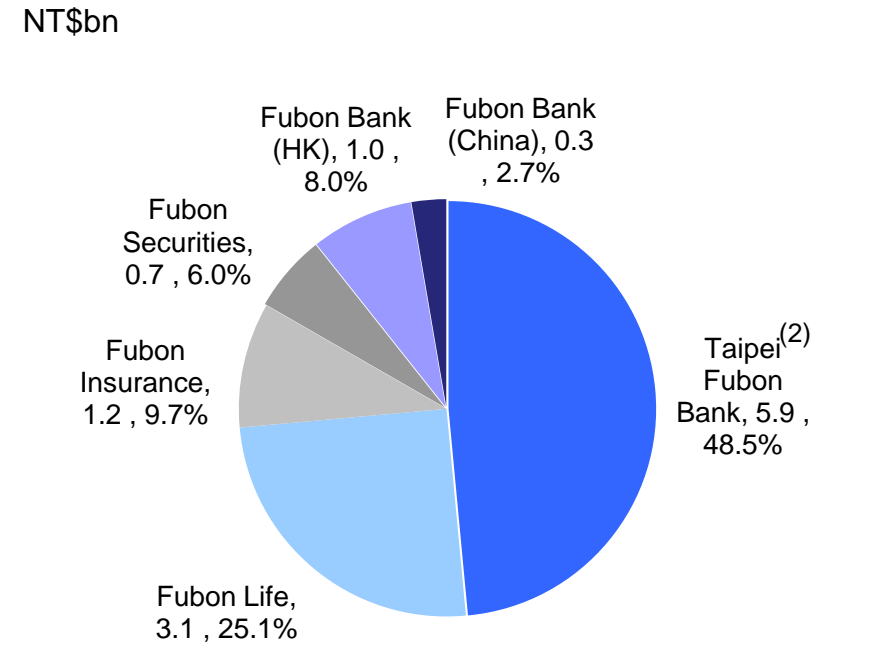
Fubon Financial Holdings: Net profits from major subsidiaries

- Banking subsidiaries, including Taipei Fubon Bank, Fubon Bank HK and Fubon Bank China, and Fubon Securities delivered earnings growth. Fubon Life's earnings came down
- Over 50% of the earnings contribution from the three banking subsidiaries

Net profits from subsidiaries



Profit contribution from subsidiaries



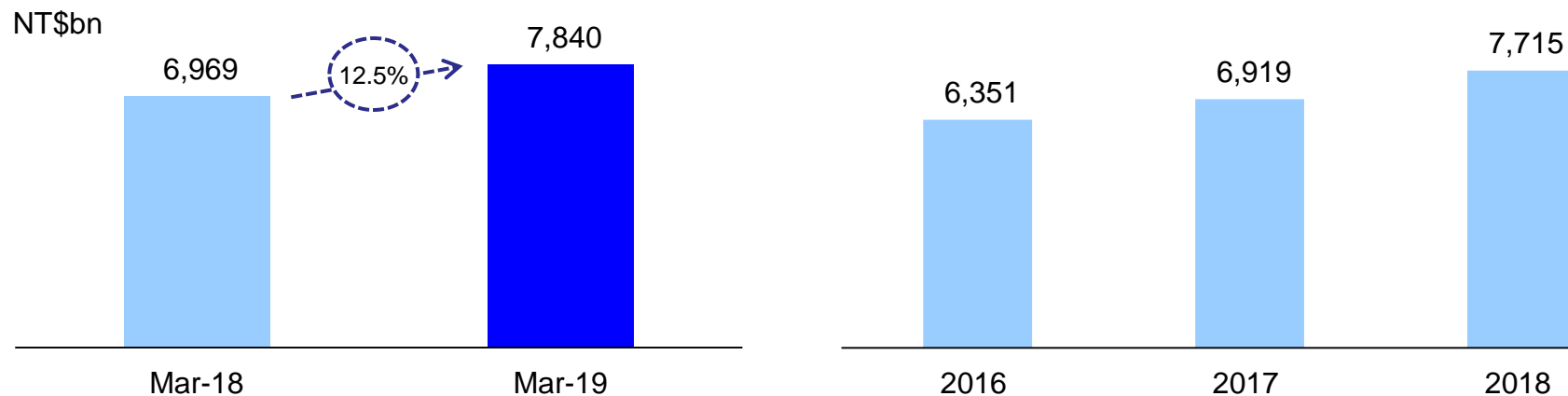
Note: (1) Profit contribution is based on the summation of the six subsidiaries shown in the chart. There are four other subsidiaries with combined net profits of NT\$623m. The inter-company account is net -NT\$324m ; (2) Net profits of Fubon Bank(China) is exclusive of the net profits of Taipei Fubon Bank in the chart.

Fubon Financial Holdings: Asset and net worth

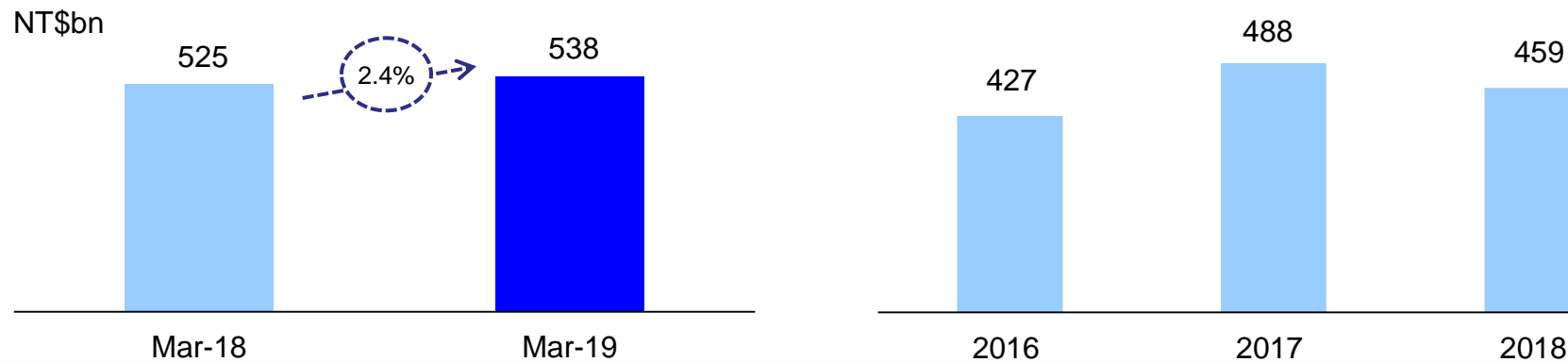


- Asset growth 12.5% yoy. Net worth growth 2.4% yoy, or 17% growth compared to 2018 level
- Both asset and net worth reached historical high

Total assets



Equity attributable to parent company

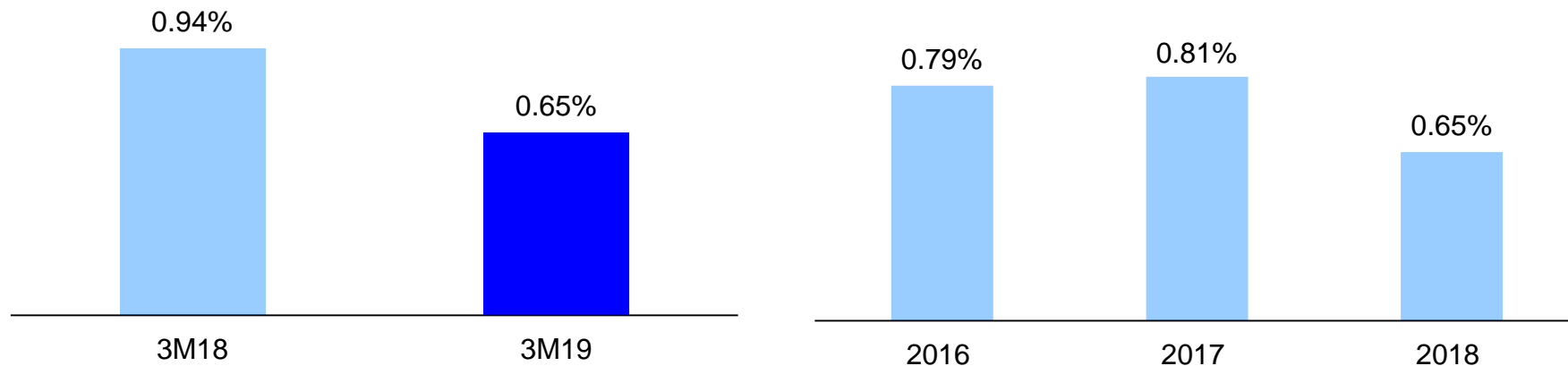


Fubon Financial Holdings: ROA & ROE

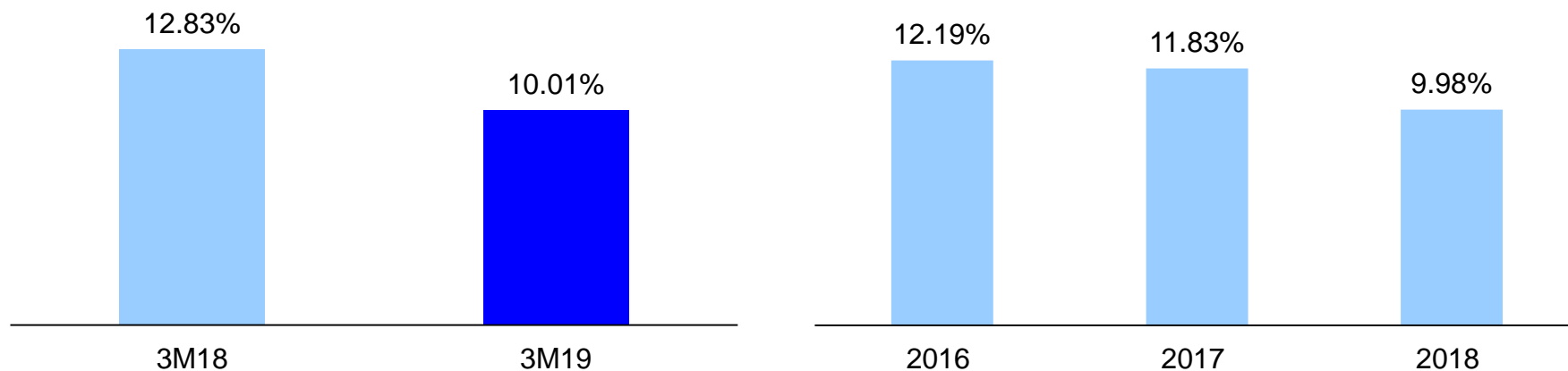


- ROA and ROE came down yoy due to net profits

ROA



ROE



- ***Performance highlights of Fubon Financial Holdings***
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- *Fubon Bank (China)*

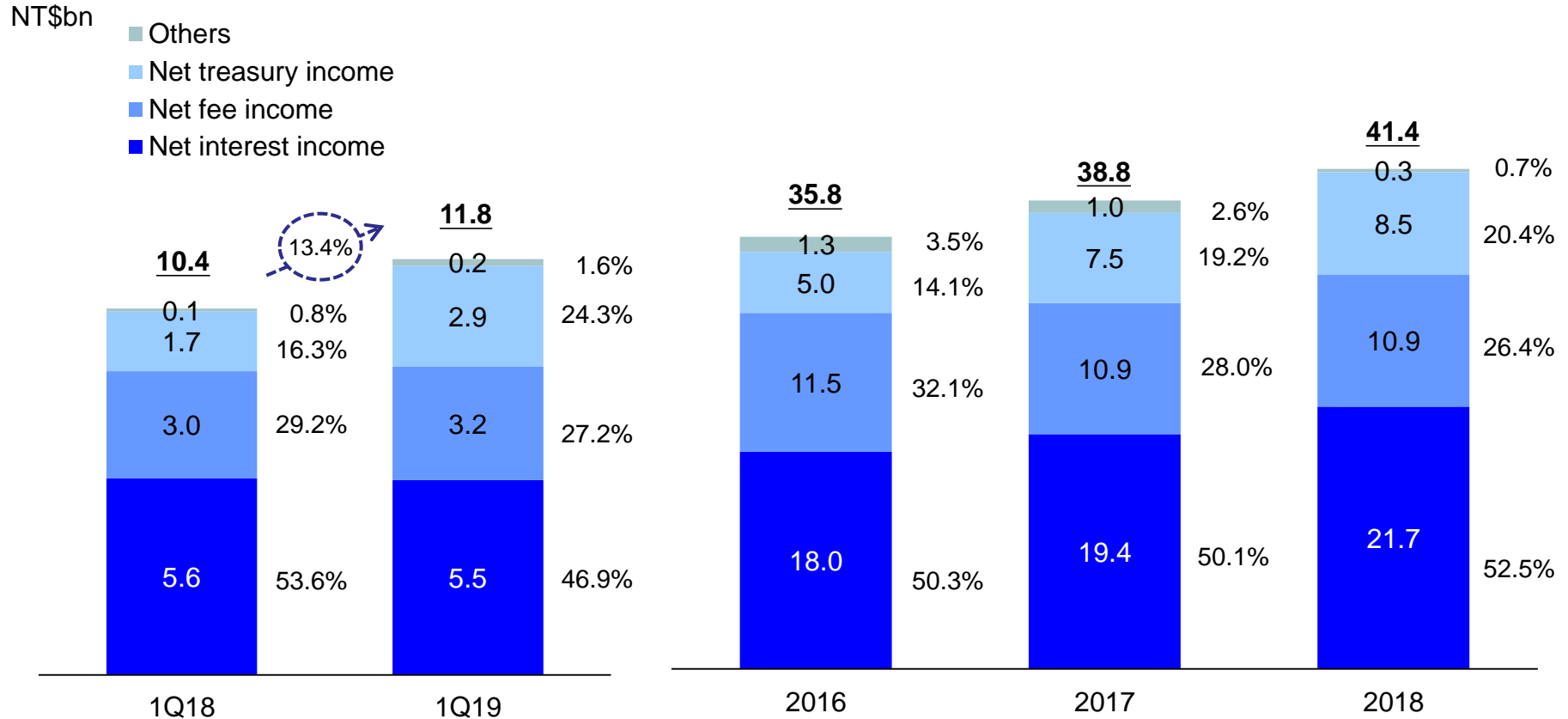
- ***2018 Embedded value of Fubon Life***

Taipei Fubon Bank: Revenue



- 13.4% revenue growth yoy driven by increase in net fee income and treasury income
- The slightly decrease in net interest income amount mainly due to contribution from RMB interbank was higher in 1Q18, as market RMB interest rate increased

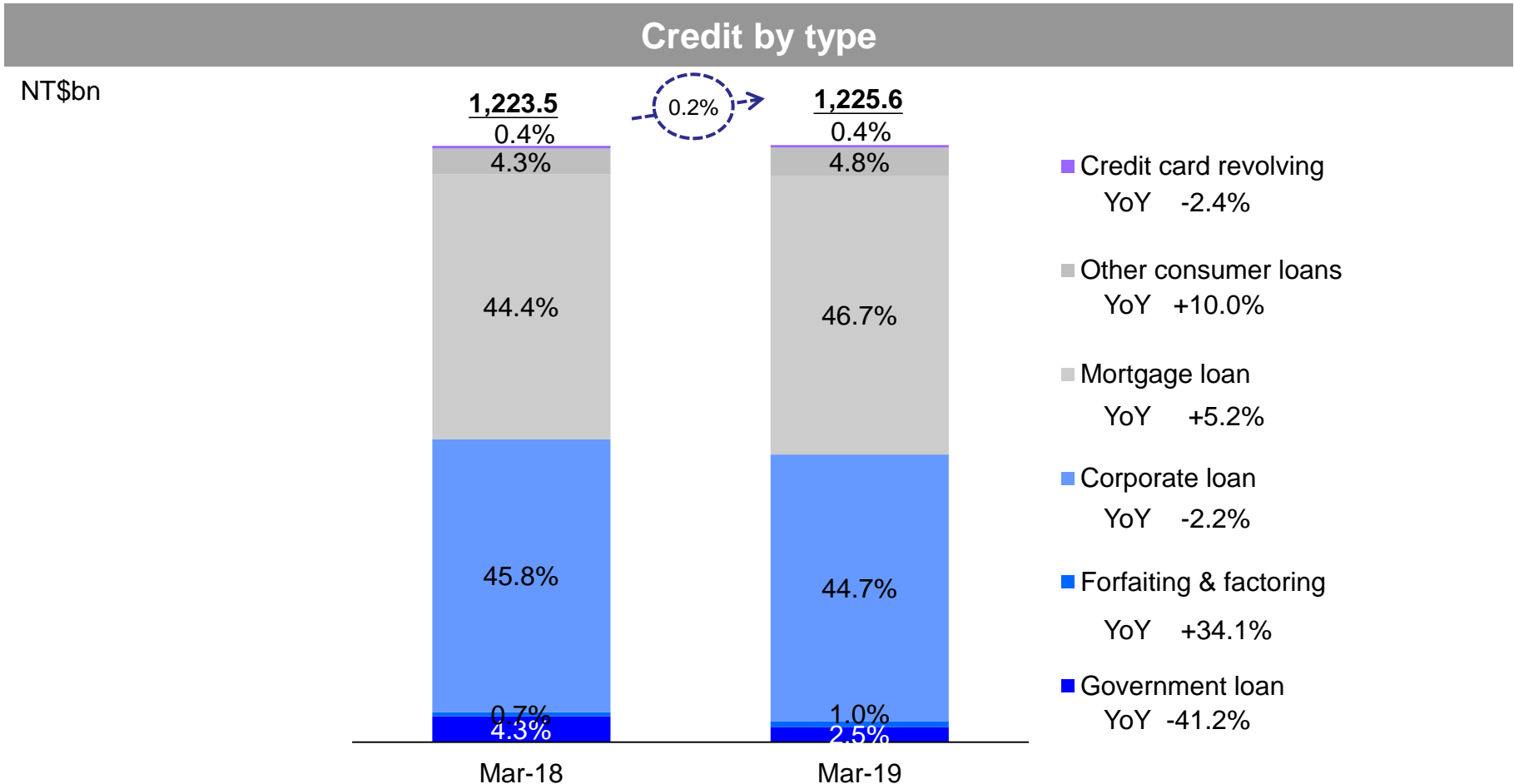
Revenue composition of Taipei Fubon Bank



Taipei Fubon Bank: Credit composition



- Mortgage loan and other consumer loans delivered steady growth
- Credit balance grew 2.0% yoy if exclusive of loans to government sector



Note: Ending balance

Taipei Fubon Bank: Corporate credit

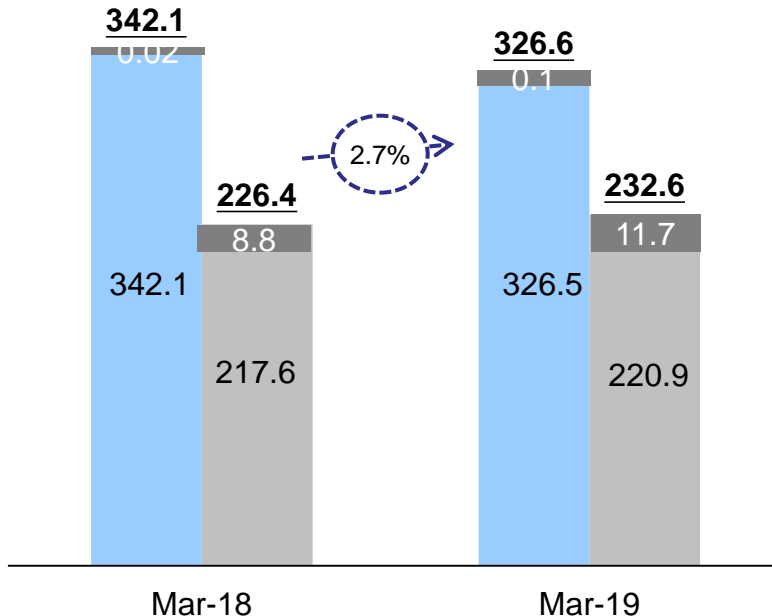


- Foreign currency credit grew 2.7% yoy mainly came from overseas branches
- Contribution from SME segment to total corporate credit increase, with the SME credit outstanding increased by 2.1% yoy

Corporate credit by currency

NT\$bn

■ NTD loan ■ Non-NTD loan ■ Forfaiting & factoring

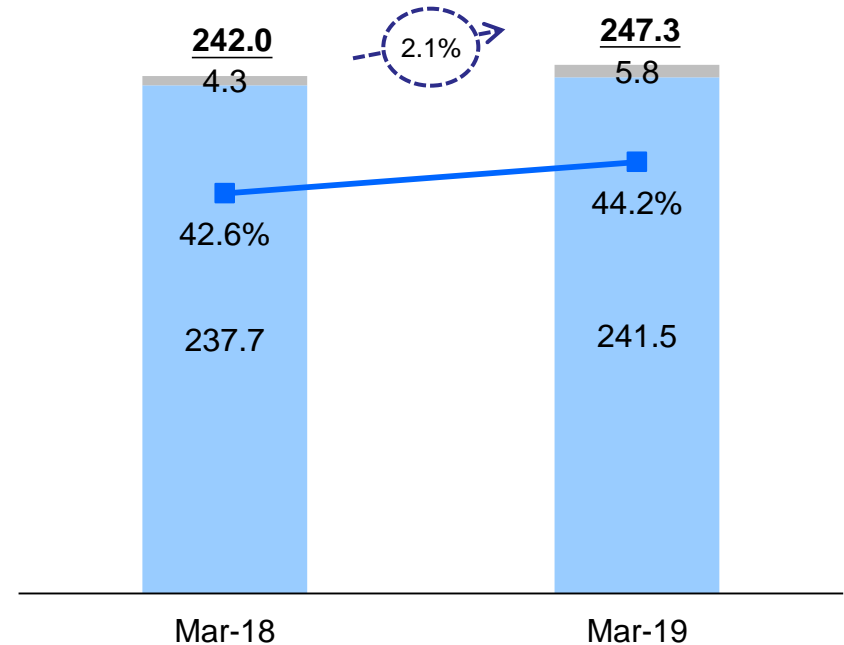


Note: Ending balance

SME credit and as % of corporate credit

NT\$bn

■ Forfaiting & factoring ■ Loan ■ SME as % of corporate credit



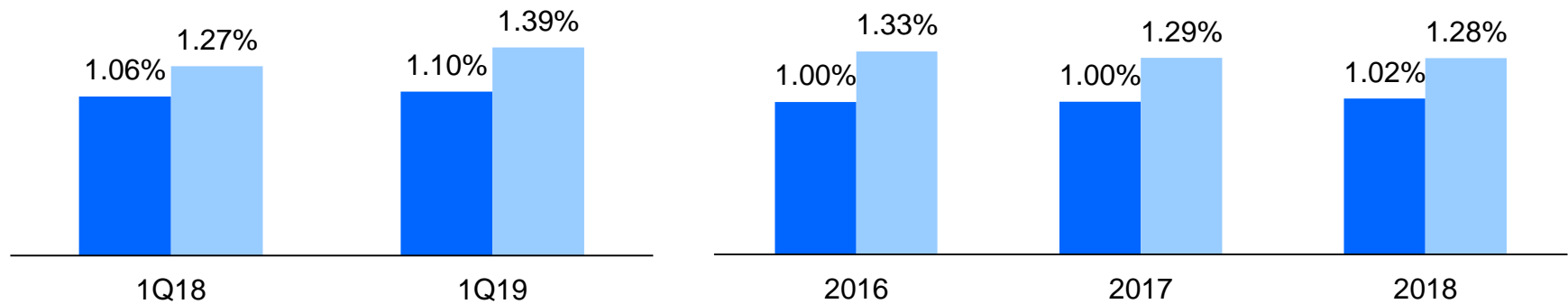
Taipei Fubon Bank: Interest spread and margin



- Widening of NIM and loan-to-deposit spread came from the adjustment of assets and liabilities structure, and the market interest rate movement

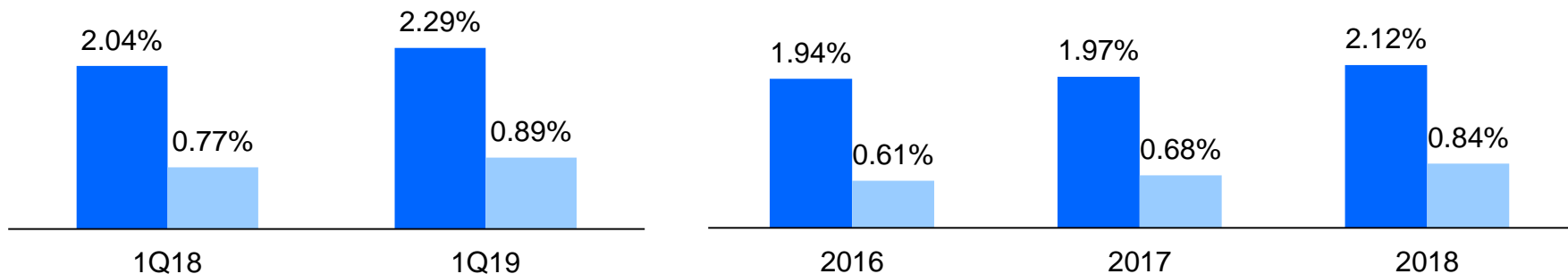
NIM and loan-to-deposit spread

■ NIM ■ Loan-to-deposit spread



Loan yield and deposit yield

■ Loan rate ■ Deposit rate



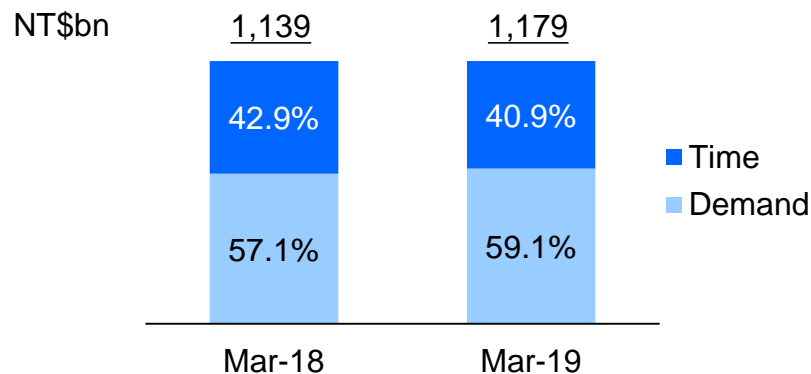
Note: Loan rate calculation inclusive of credit card revolving

Taipei Fubon Bank: Deposit mix and LDR

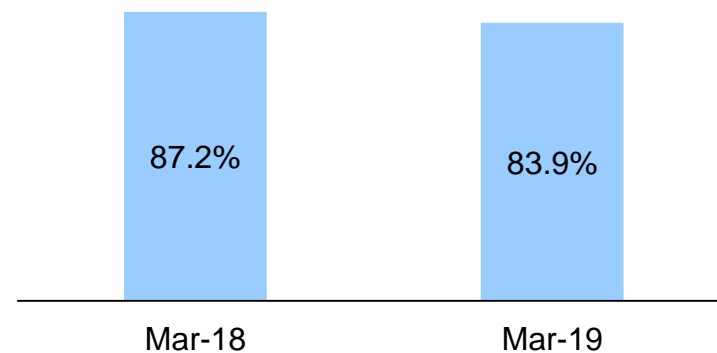


- Deposit structure adjustment shown in the increase of demand deposit contribution in both NTD and foreign currency deposits
- Improvement in the foreign currency deposit deployment. Foreign currency loans and bond investment are 69.7% of foreign currency deposits. The ratio increased 12.8% yoy

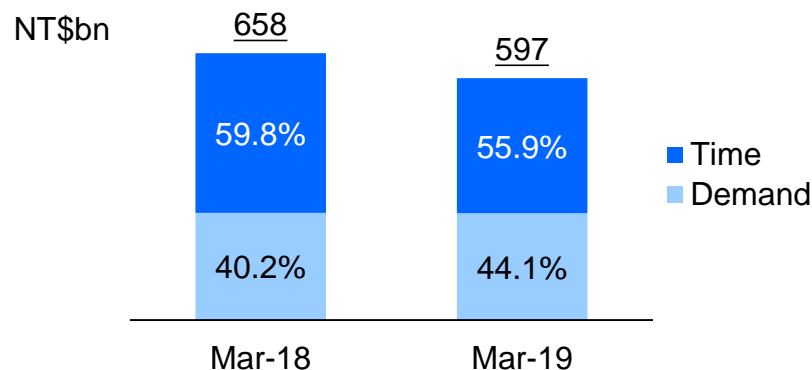
Deposit mix in NTD



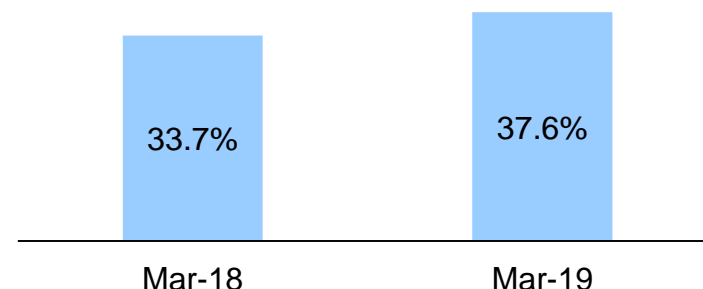
NTD loan-to-deposit ratio (LDR)



Deposit mix in foreign currency



Foreign currency LDR

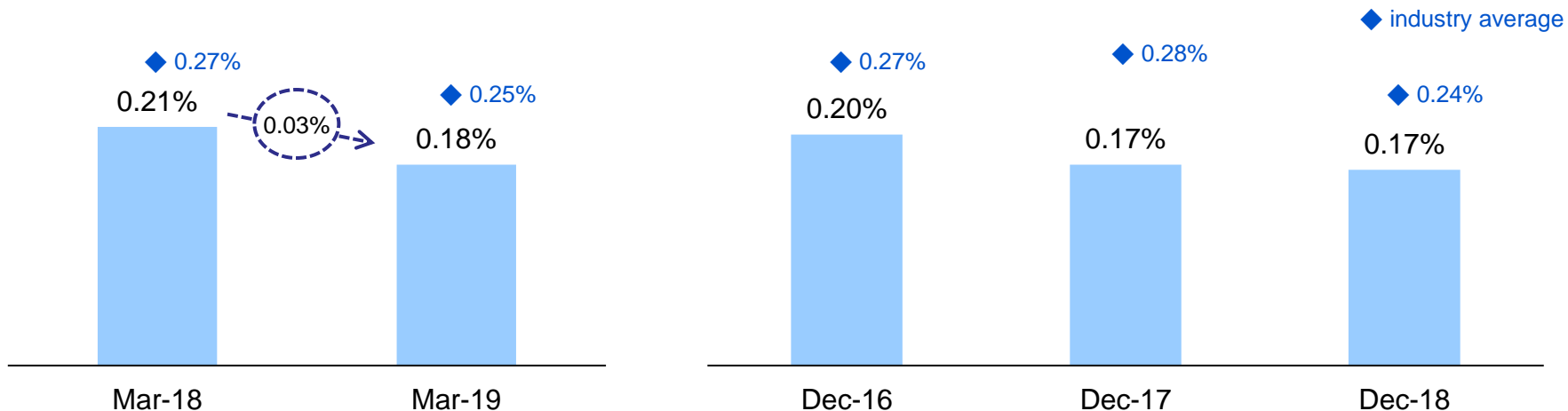


Taipei Fubon Bank: Asset quality

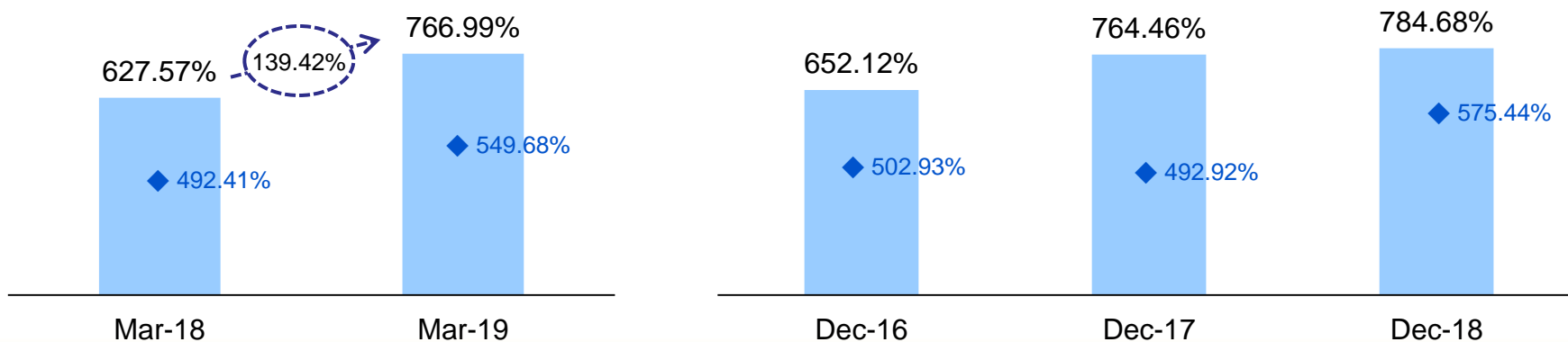


- Outperformance in asset quality. Better NPL and coverage ratio compared to industry average

NPL ratio



Coverage ratio

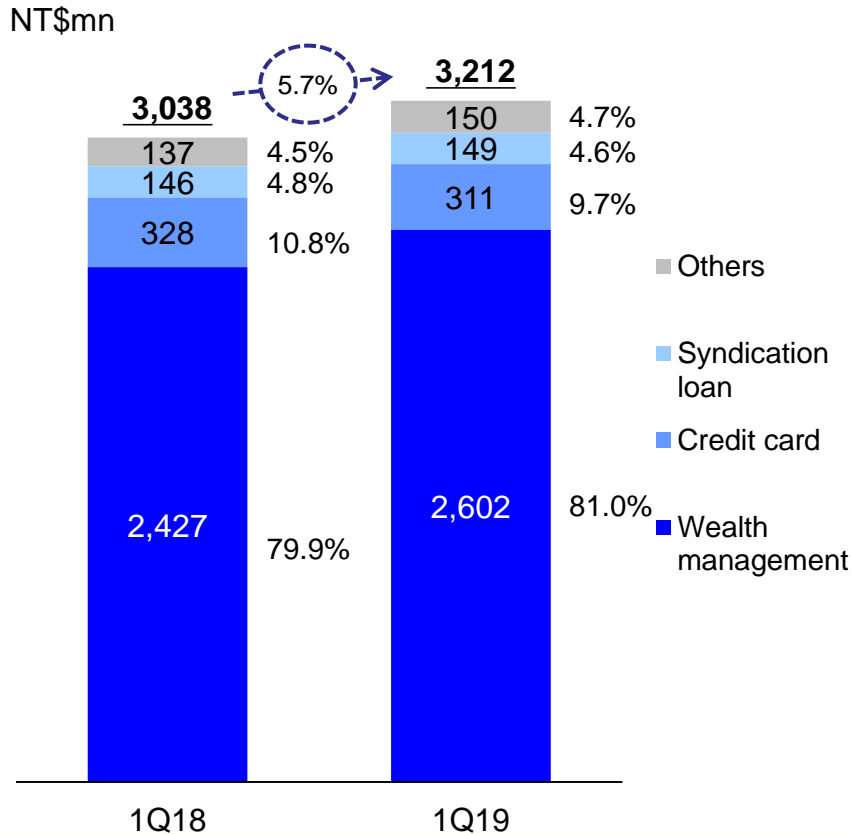


Taipei Fubon Bank: Fee and Wealth management revenue

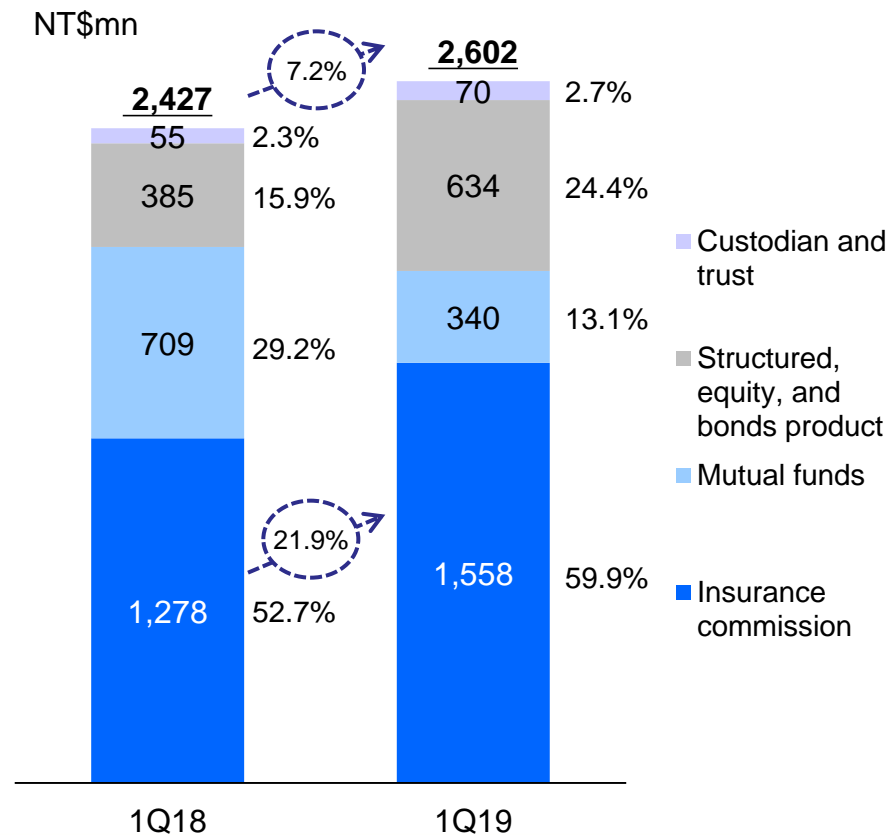


- Fees growth 5.7% yoy driven by wealth management
- Wealth management fee growth 7.2% yoy driven by insurance fee growth of 21.9% and sales increase in fixed income products, in spite of decrease in mutual funds due to market volatility

Sources of fee revenue



Wealth management fee



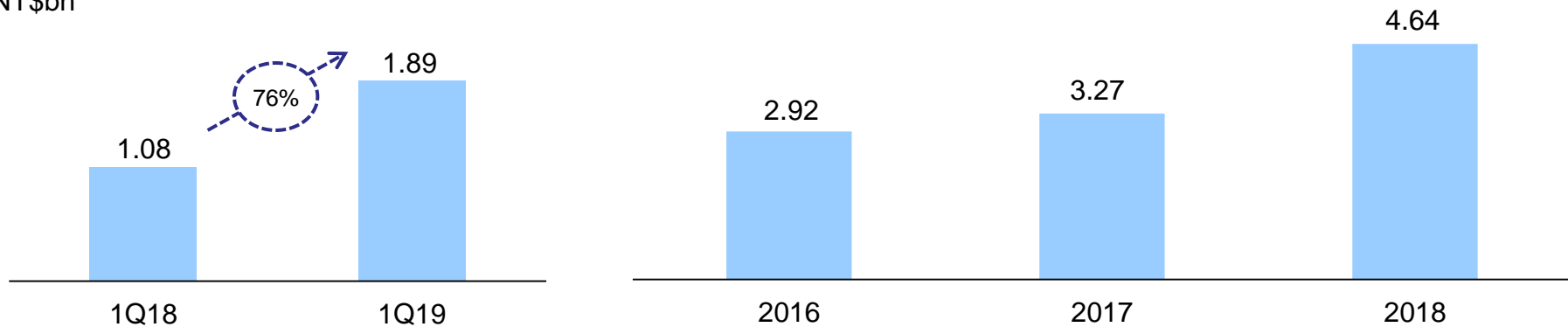
Taipei Fubon Bank: Revenue and earnings from overseas branches



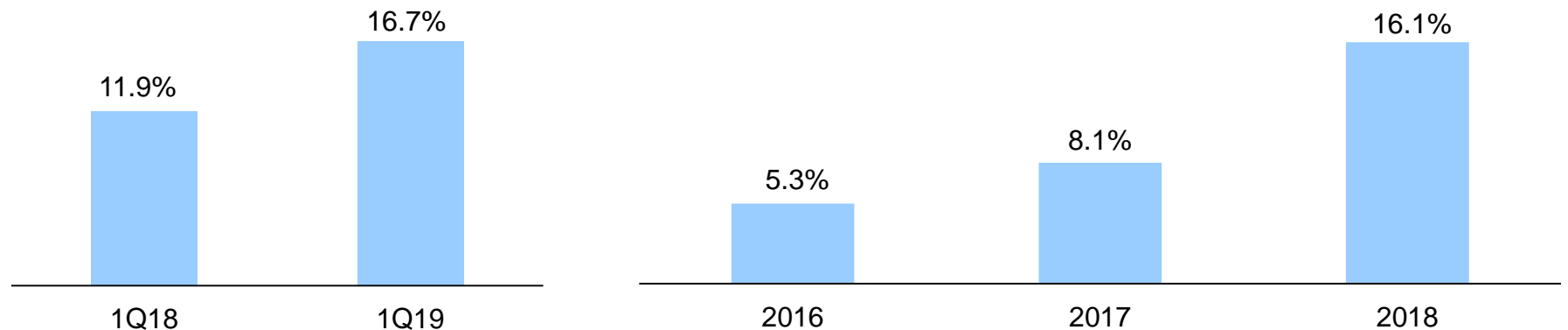
- Revenue from overseas branches was up by 76% yoy. Pretax profits contribution from overseas branches reached 16.7% in Taipei Fubon Bank in 1Q19 along with loan growth

Net revenue from overseas branches

NT\$bn



Pretax profits contribution from overseas branches in Taipei Fubon Bank

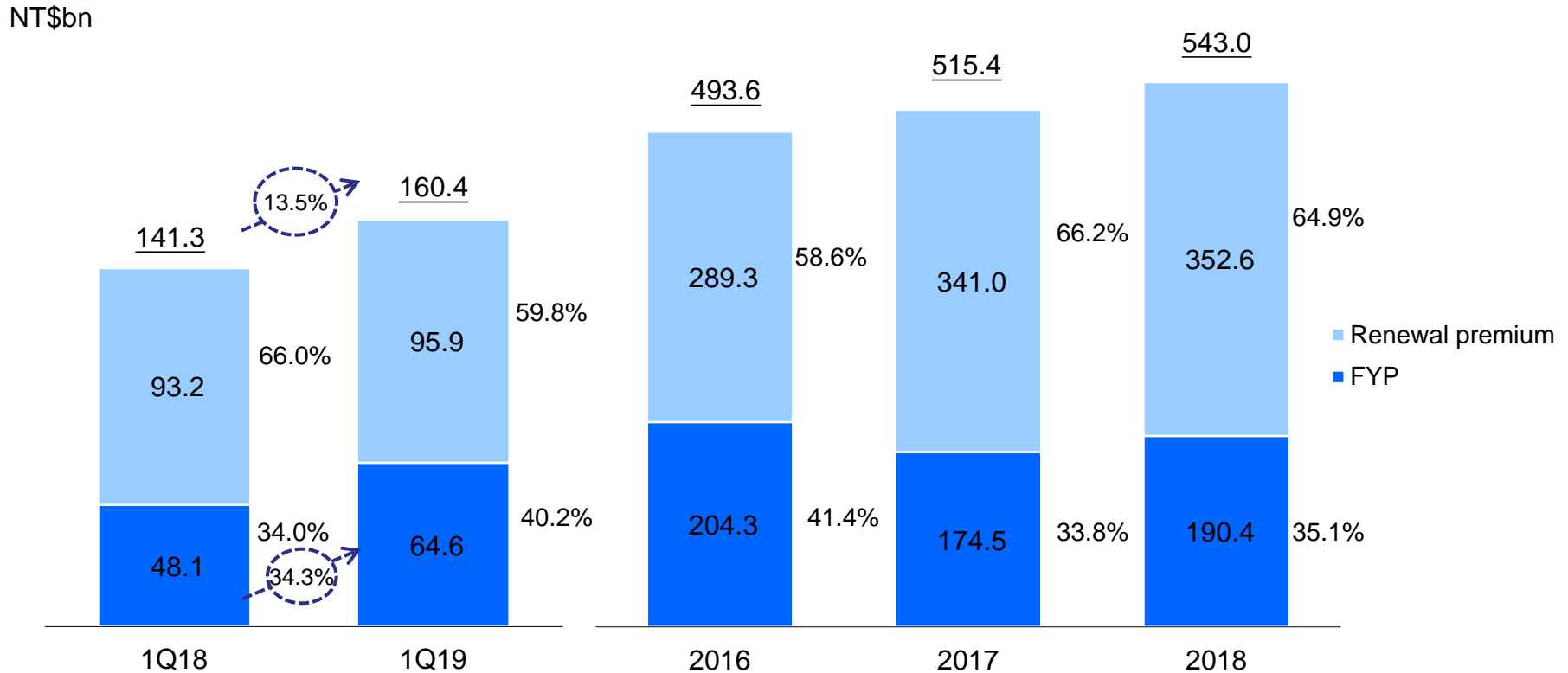


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- ***Performance review by subsidiary***
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 - *Fubon Life*
 - *Fubon Insurance*
 - *Fubon Securities*
 - *Fubon Bank (China)*
- ***2018 Embedded value of Fubon Life***

Fubon Life: Total premium



- 13.5% growth in total premium driven by 34.3% FYP growth
- Top one market ranking in FYP. Top two in total premium and FYPE



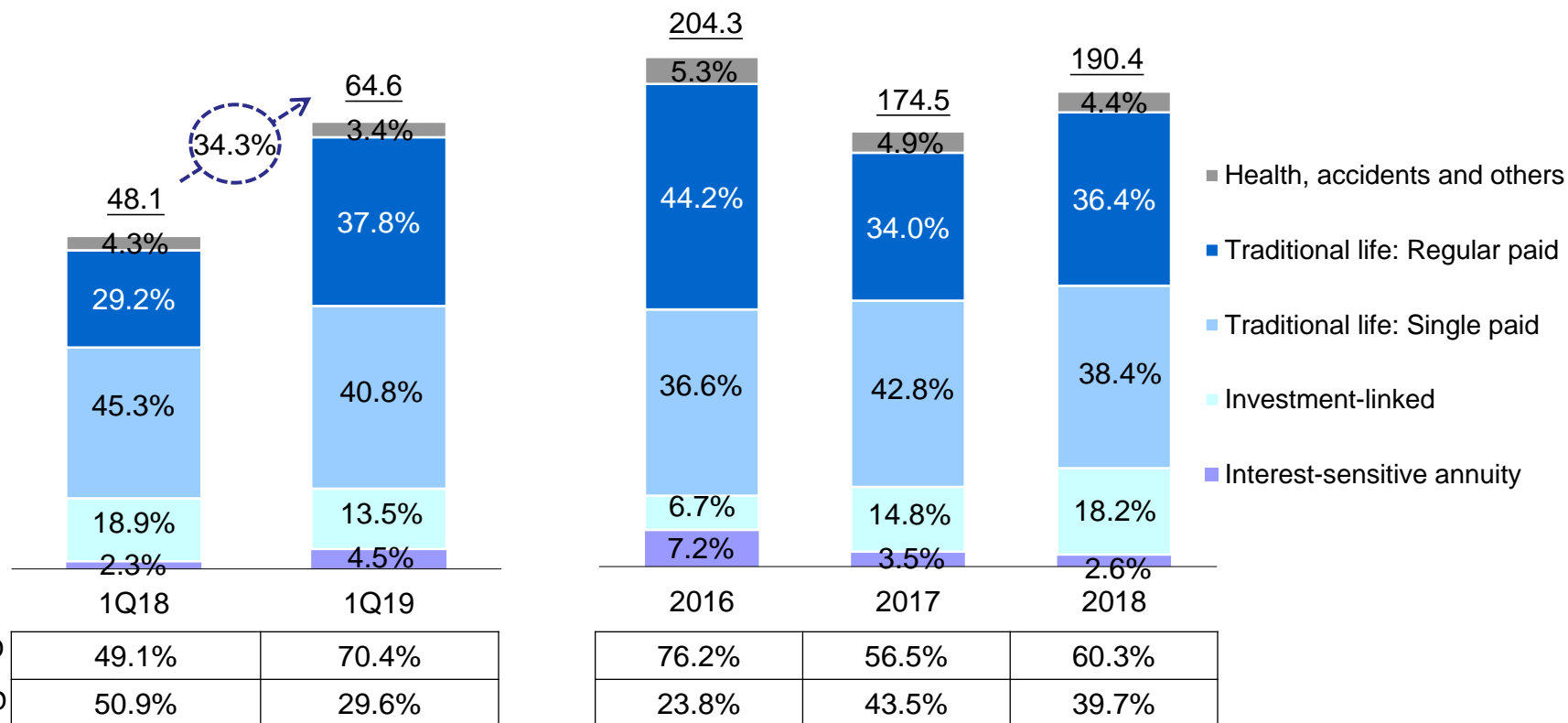
Fubon Life: First year premium (FYP)



- FYP growth 34.3% yoy due to stop-selling in single-paid interest sensitive NTD policies and growth in regular-paid policies

FYP composition

NT\$bn



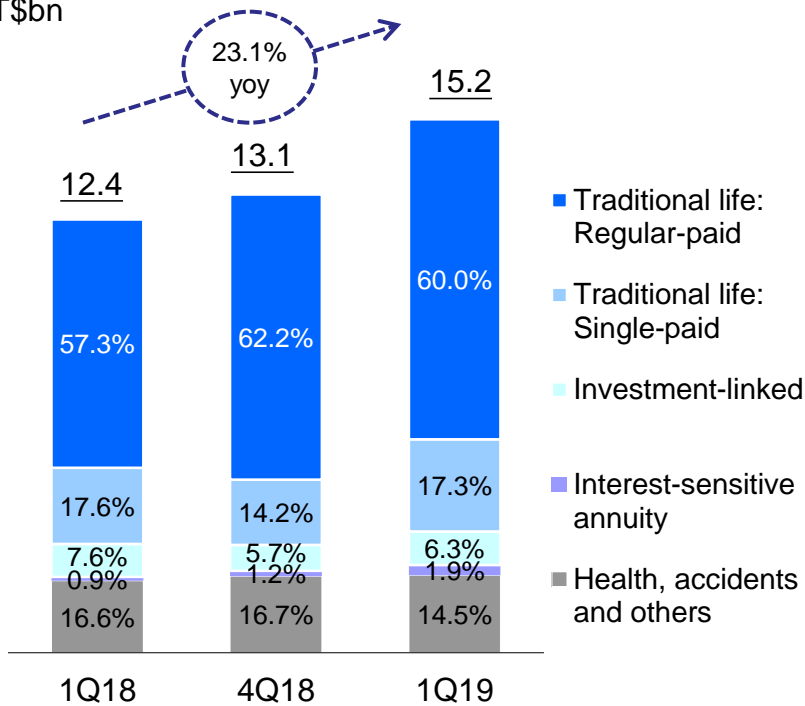
Fubon Life: First year premium equivalent (FYPE) & Value of new business (VNB)



- FYPE and VNB growth 23.1% and 30.1% respectively, due to premium growth and product mix improvement yoy from higher contribution in regular-paid products
- VNB/FYP ratio came down due to stop-selling effect of single-paid NTD policies

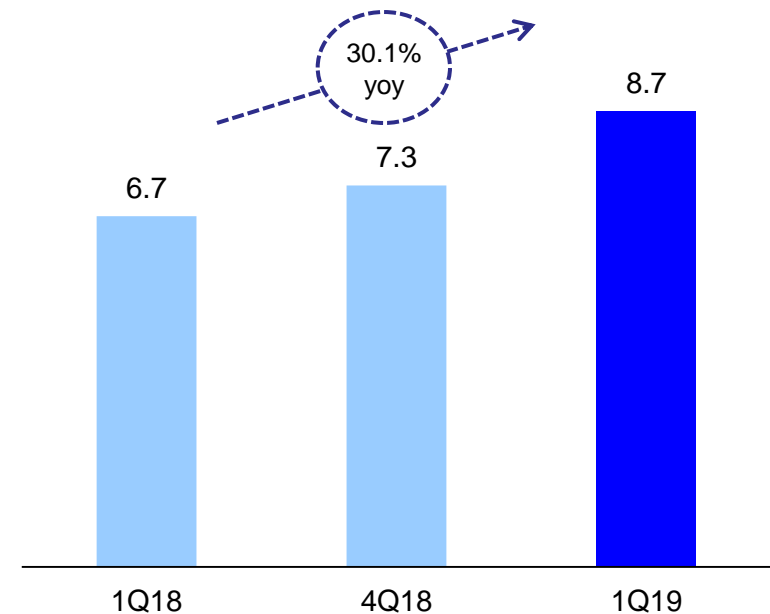
FYPE

NT\$bn



VNB

NT\$bn



FYPE/ FYP	1Q18	4Q18	1Q19
	25.8%	25.5%	23.6%

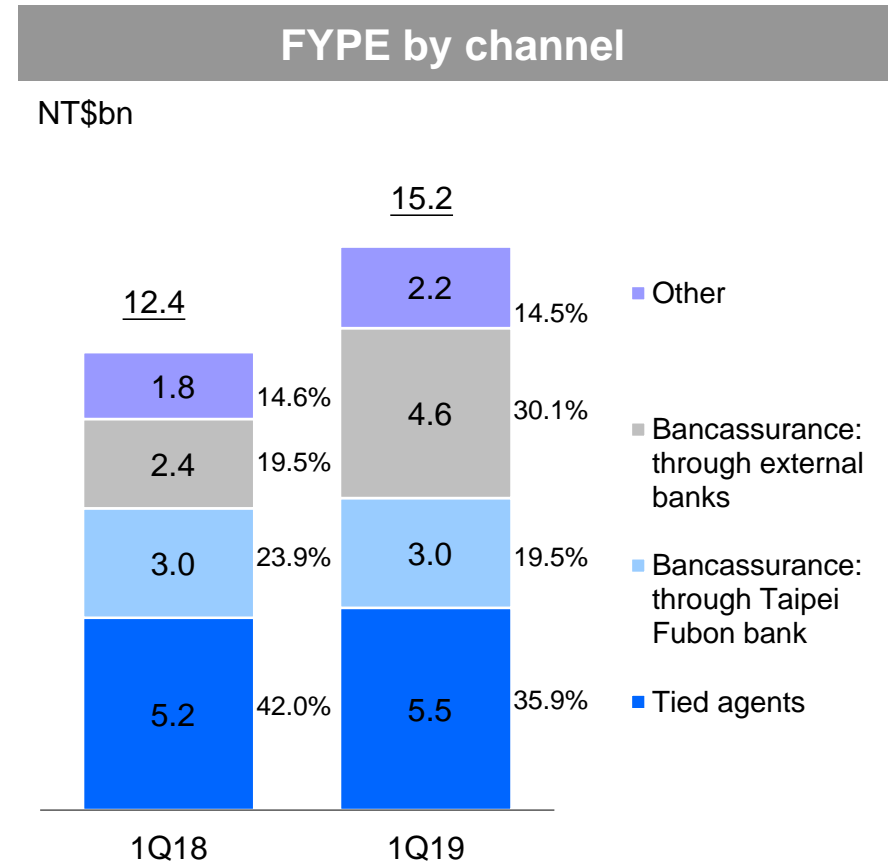
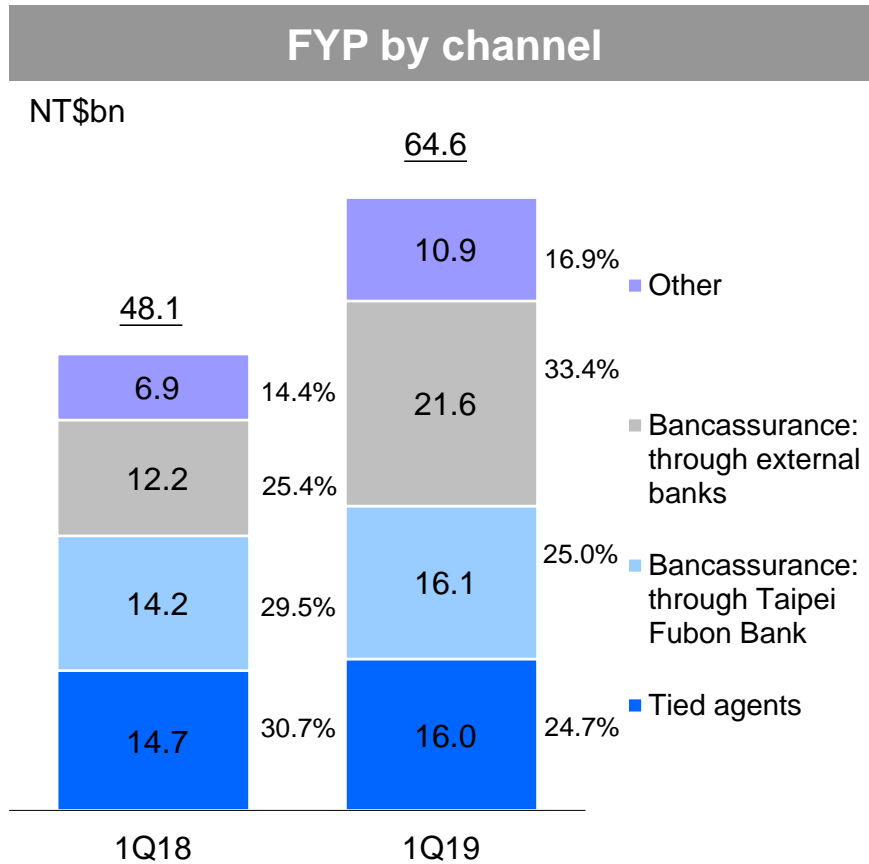
VNB/FYP	1Q18	4Q18	1Q19
	14.0%	14.2%	13.5%
VNB/FYPE	54.3%	55.8%	57.3%

Note: VNB is based on 2018 EV actuarial assumptions

Fubon Life: Channel



■ Growth of FYP and FYPE across channels. Contribution from external bank increased



Fubon Life: Investment portfolio



- Steady growth of investment assets with 9.3% yoy growth
- Portfolio addition mainly into domestic fixed income assets in 1Q19. Potential increase in domestic equity and overseas fixed income assets along with market conditions

NT\$bn	2018/03/31		2018/12/31		2019/03/31	
Deposit and cash equivalent	165.3	4.8%	170.5	4.7%	216.4	5.7%
Domestic fixed income ⁽¹⁾	437.9	12.6%	466.4	12.9%	500.6	13.2%
Overseas fixed income ⁽²⁾	1,897.2	54.7%	2,056.7	56.8%	2,093.8	55.3%
Domestic equity	373.8	10.8%	320.0	8.8%	345.1	9.1%
Overseas equity	192.4	5.6%	187.1	5.2%	188.4	5.0%
Mortgage loans	129.3	3.7%	143.9	4.0%	147.6	3.9%
Policy loans	63.9	1.8%	69.1	1.9%	68.6	1.8%
Real estate	207.1	6.0%	208.6	5.7%	228.4	6.0%
Total Investments	3,466.9	100.0%	3,622.3	100.0%	3,788.9	100.0%
Domestic	1,281.0	36.9%	1,284.1	35.5%	1,394.1	36.8%
Overseas*	2,185.9	63.1%	2,338.2	64.5%	2,394.8	63.2%

Note: (1) Inclusive of NTD-denominated ETF

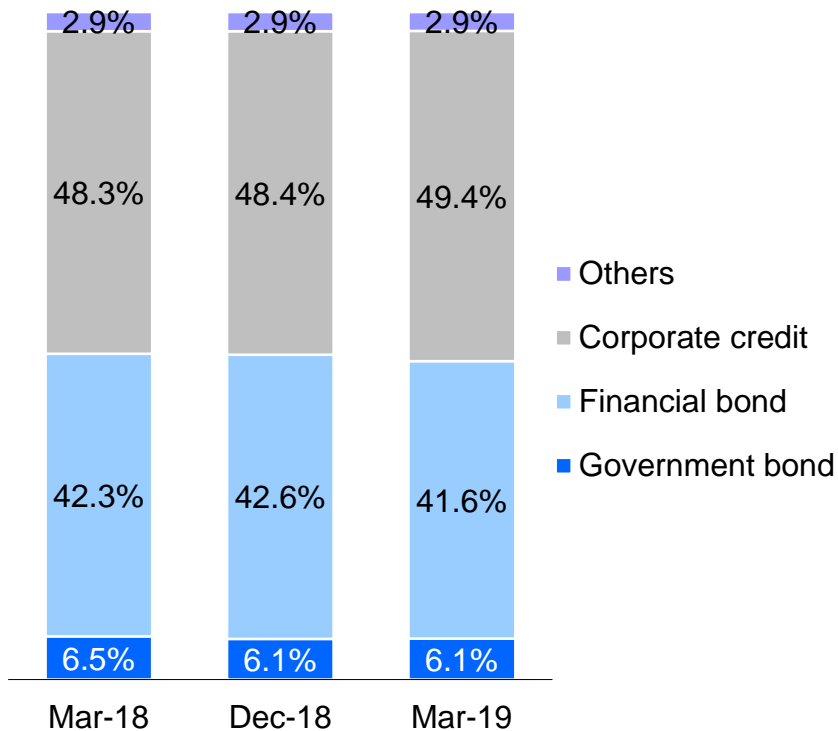
(2) Inclusive of OTC-listed international bond. The international bonds investment reached 16.7% of total investment assets as of 2019/03/31

Fubon Life: Portfolio of overseas fixed income

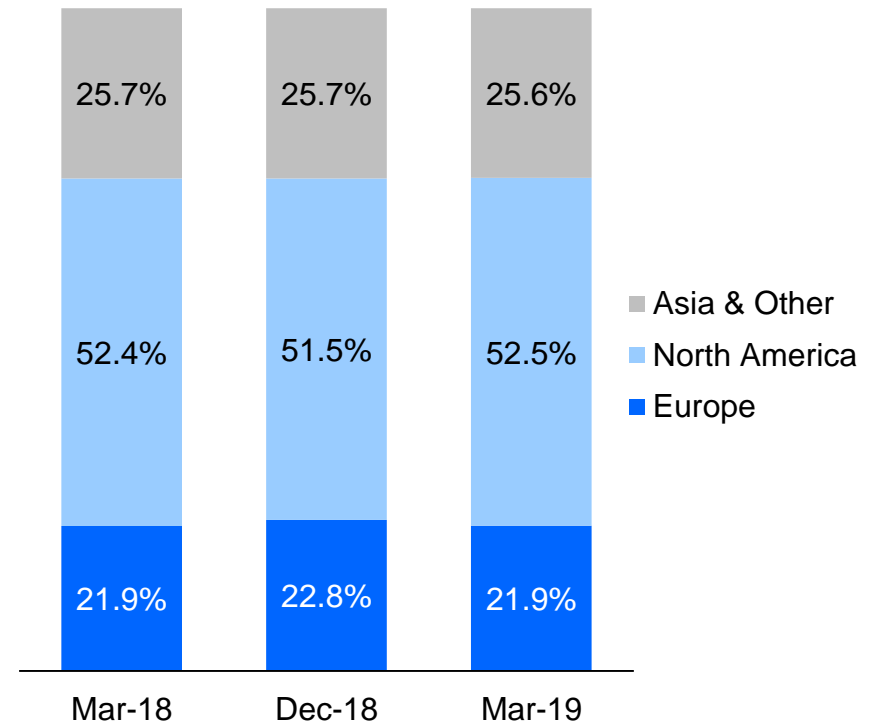


- Asset allocation predominately in corporate credit and financial bonds in investment-grade
- Issuers of the overseas fixed income portfolio are predominantly in North America

Overseas fixed income by asset type



Overseas fixed income by region



Fubon Life: Composition of investment income



- Investment income primarily came from recurring investment, which delivered a higher growth rate than the total investment assets growth
- Investment return came down mainly due to higher base and market condition in 1Q18 as realized gains of equity investment was higher
- FX related expense improved from NT\$13.4bn⁽¹⁾ in 4Q18 in spite of some increase yoy

NT\$bn	1Q18	1Q19	YoY growth	2016	2017	2018
Recurring investment income	24.6	28.9	17.2%	105.8	114.4	126.5
Interest income	22.6	25.5	13.0%	78.2	85.5	98.5
Cash dividend income from equity investment	0.1	0.1	-27.4%	14.9	18.8	18.9
Rental and others ⁽²⁾	1.9	3.3	74.8%	12.7	10.1	9.1
Realized gains from fixed income investment	4.4	5.5	25.2%	24.1	14.1	8.9
Realized gains from equity investment	10.7	6.4	-40.3%	11.0	26.1	26.4
FX and others	-8.1	-9.8	20.6%	-17.0	-29.9	-34.8
Investment income	31.6	31.0	-2.0%	123.9	124.7	127.0
Total investment assets	3,466.9	3,788.9	9.3%	3,118.4	3,386.3	3,622.3
Investment return (before hedge)	4.63%	4.34%		4.84%	4.76%	4.63%
Investment return (after hedge)	3.68%	3.39%		4.30%	3.93%	3.62%

Note: (1) 4Q18 investment income in FX and others was -NT\$13.4bn, including NT\$3bn of one-off FX reserves provision taken in Dec.2018

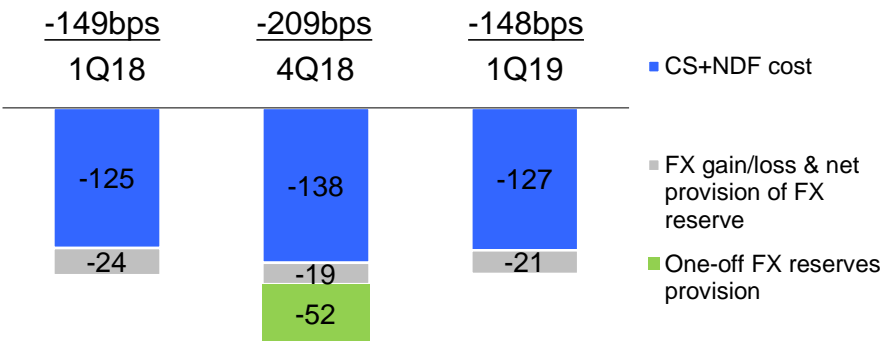
(2) Including interest income from fund investments

Fubon Life: Hedging composition

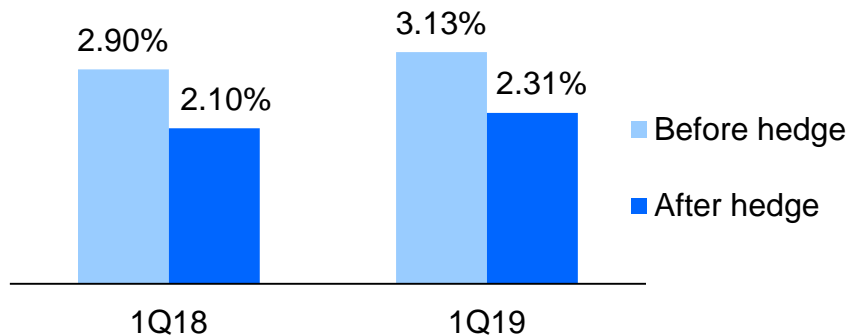


- Hedging cost improvement in 1Q19. Dynamic management in hedging composition in response to market conditions
- Increase in recurring return both in pre-hedged and after-hedged basis

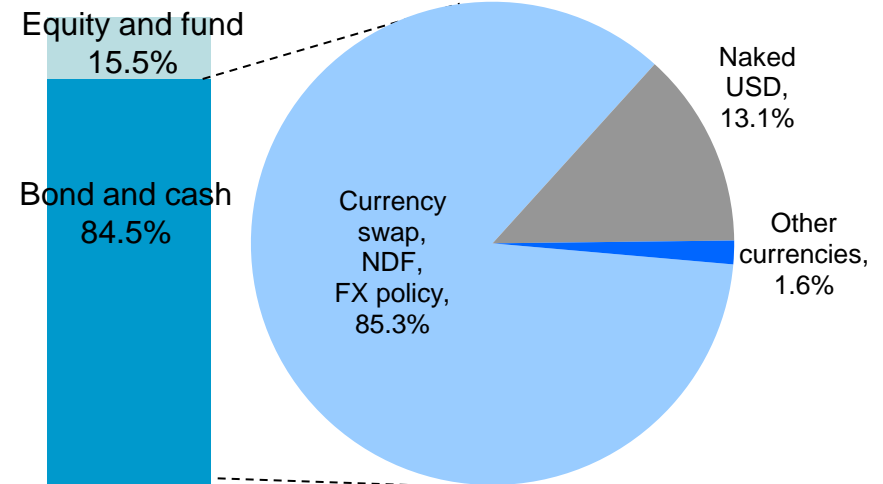
Hedging cost & FX gain/loss



Recurring return



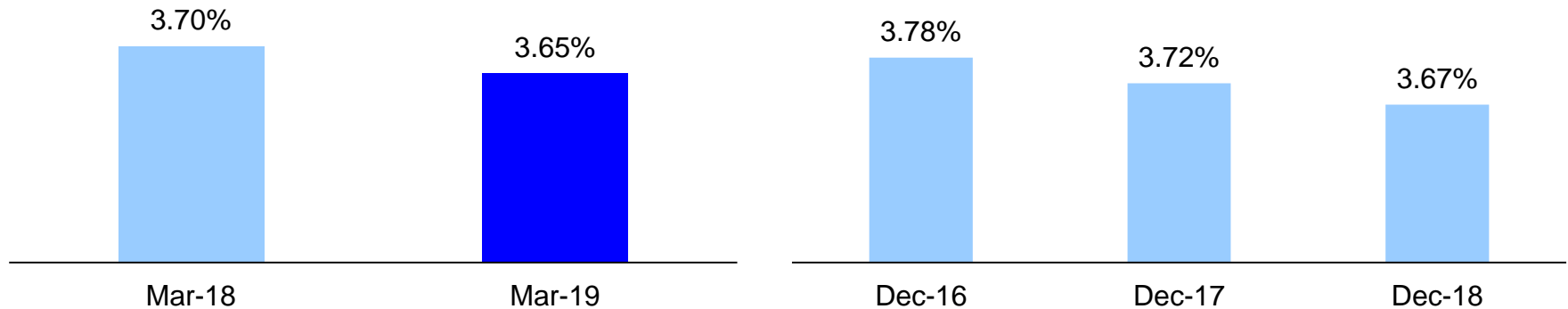
FX position



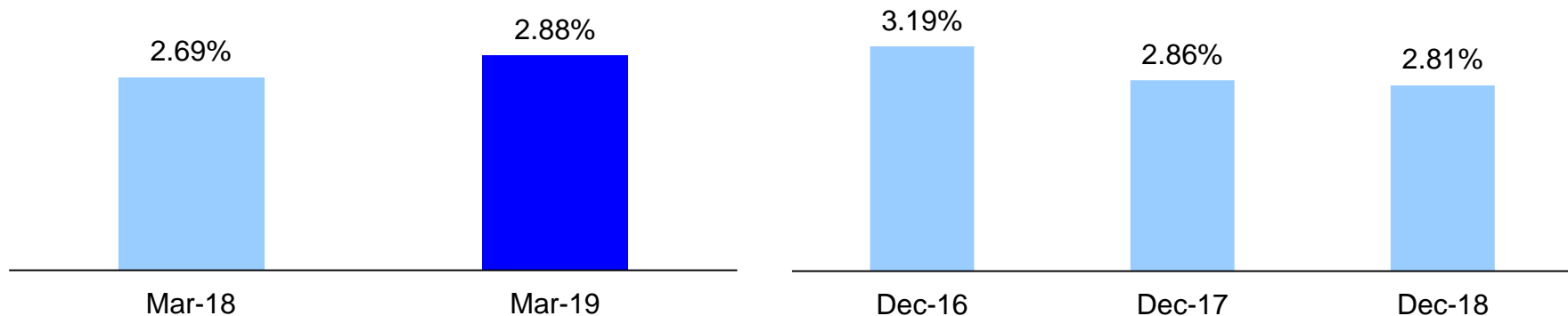
Cost of liability & Breakeven point

- Improvement in COL as the new business average down the total cost level
- Increase in breakeven point due to higher first year strain from FYP growth

Cost of liability



Breakeven point

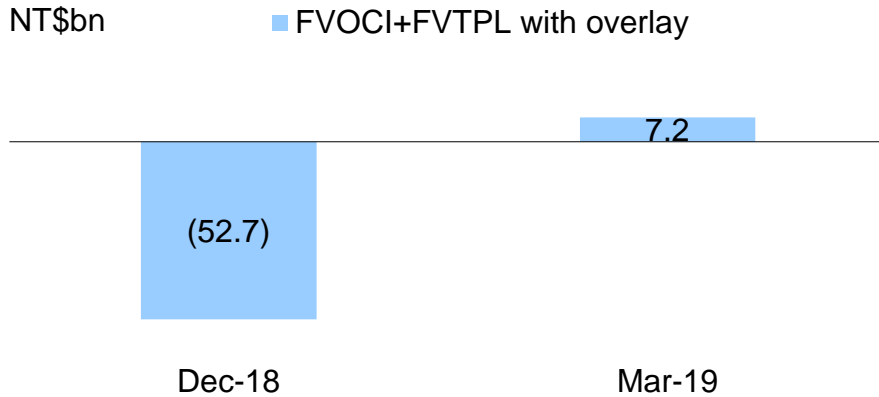


Fubon Life: Investment performance

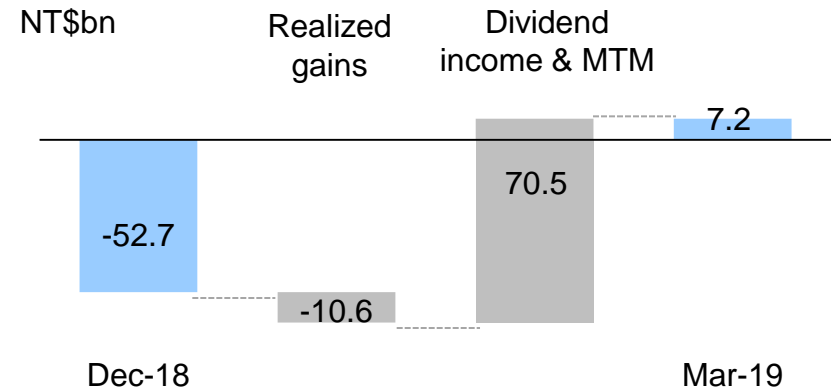


- Unrealized balance recovered due to financial markets rebound, which led to increase in shareholder's equity

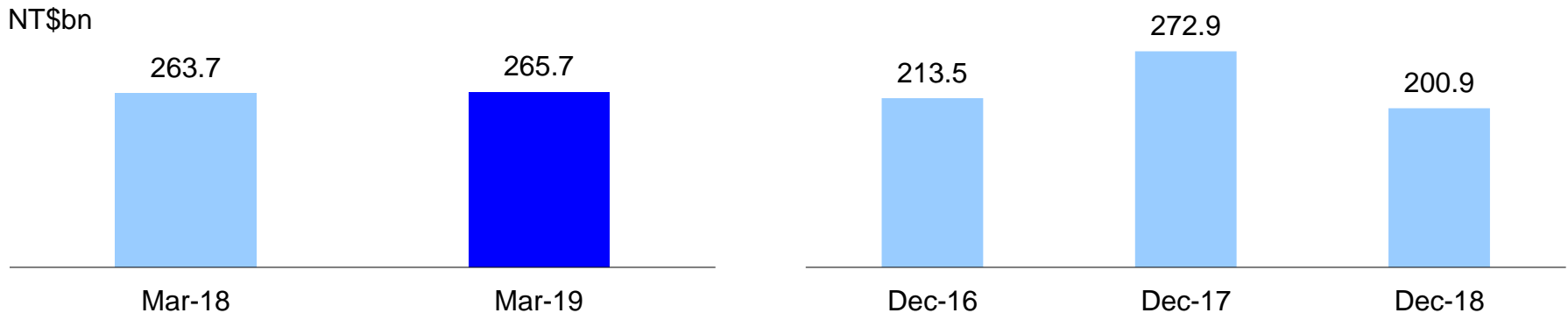
Unrealized balance in FVOCI&FVTPL overlay



Movements of unrealized balance under OCI



Shareholders' equity



Note: Ending balance of AC as of Mar 19 was -NT\$2bn, compared to -NT\$68.7bn as of Dec 18.

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- ***2018 Embedded value of Fubon Life***



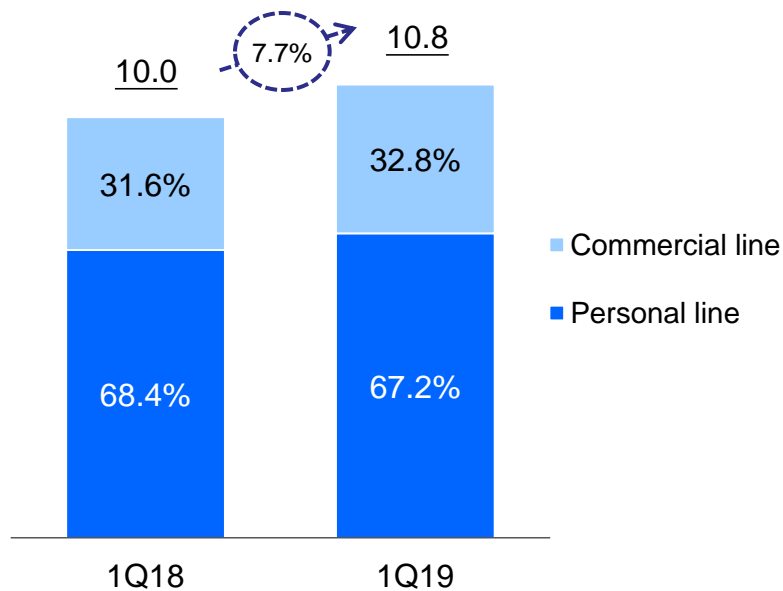
Fubon Insurance: Operating snapshot



- Top 1 position with 24.2% market share, 0.5% increase yoy
- 7.7% premium growth yoy outperformed the industry average growth of 5.7%
- Strong underwriting experience with net combined ratio at 86.2%

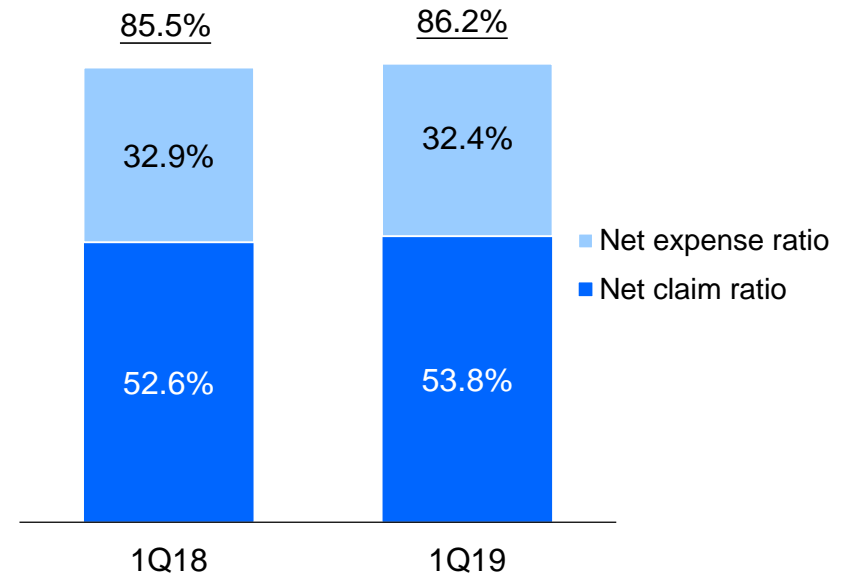
Direct written premium by product

NT\$bn



Note: Standalone basis

Net combined ratio



Note: Exclusive of auto compulsory due to the claims are reimbursed

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- ***2018 Embedded value of Fubon Life***

Fubon Securities: Financial highlights



- Top three positions in brokerage and emerging stock trading business
- AUM of ETF growth 77% yoy

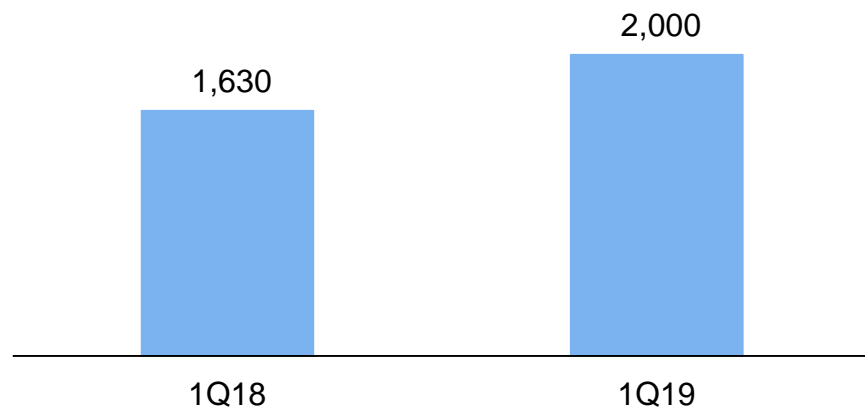
Market share & ranking

	1Q19	Ranking	1Q18	Ranking
Brokerage	5.60%	3	6.04%	3
Brokerage per branch*	0.13%	1	0.13%	1
Emerging stock trading	17.02%	2	27.49%	1
IPO+SPO Amount	5.71%	4	4.85%	6
AUM of ETF (NT\$m)	151,100	3	85,300	2

Note: *Ranking among top 10 brokers

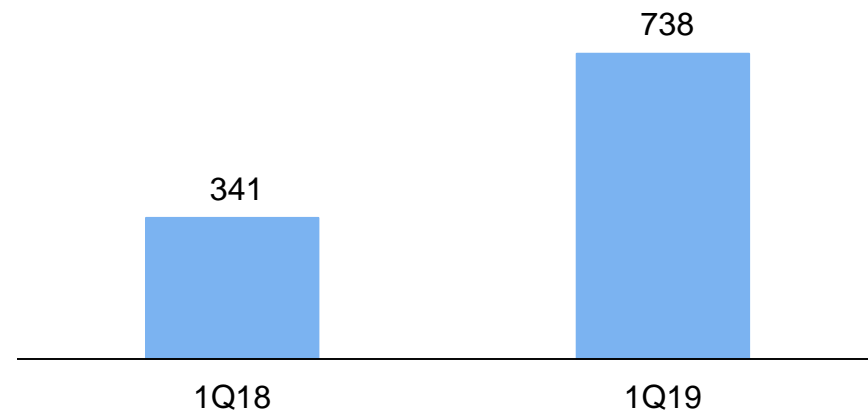
Operating revenue

NT\$m



Net profits

NT\$m



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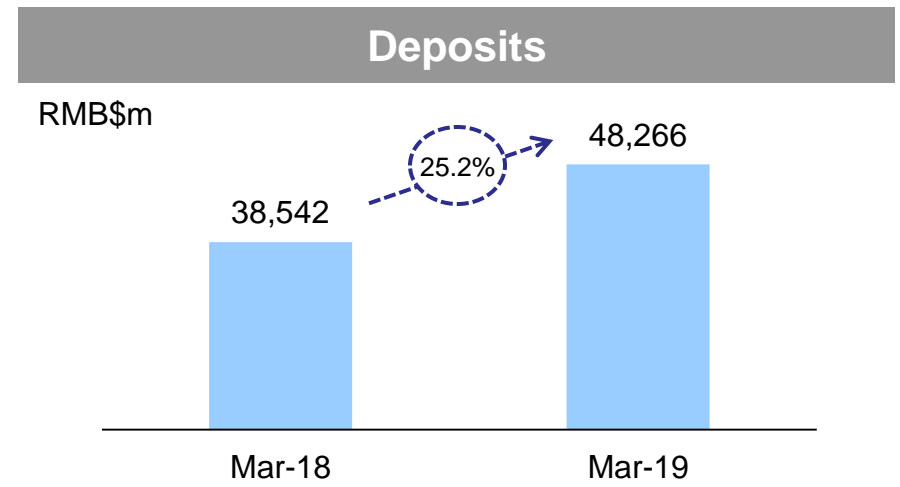
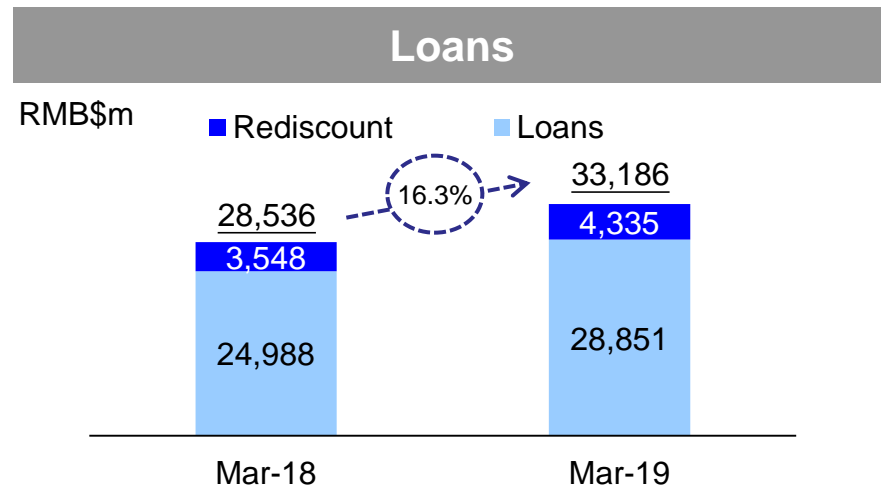
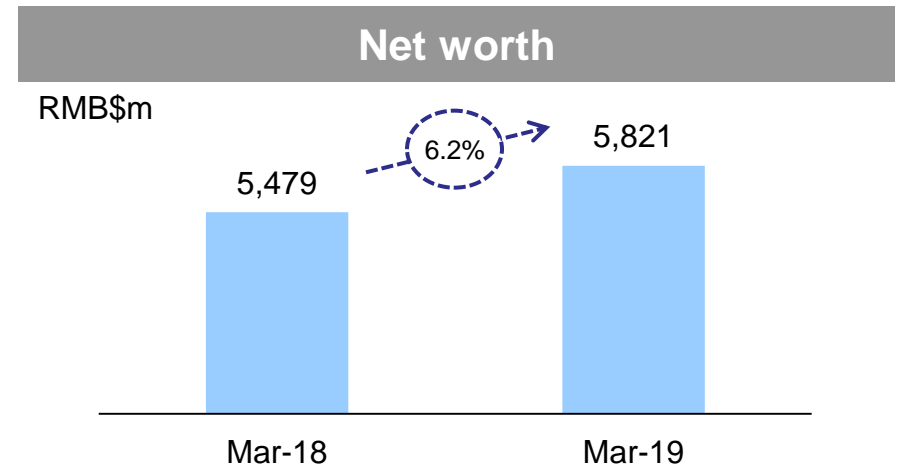
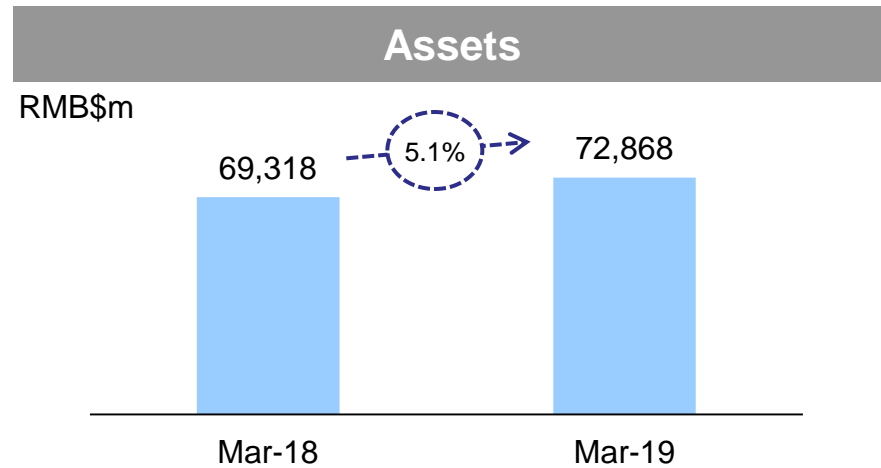
- ***2018 Embedded value of Fubon Life***



Fubon Bank (China): Key balance sheet items



- Deposit and loan balances reached record high level with 25.2% and 16.3% growth yoy respectively, leading to the assets growth



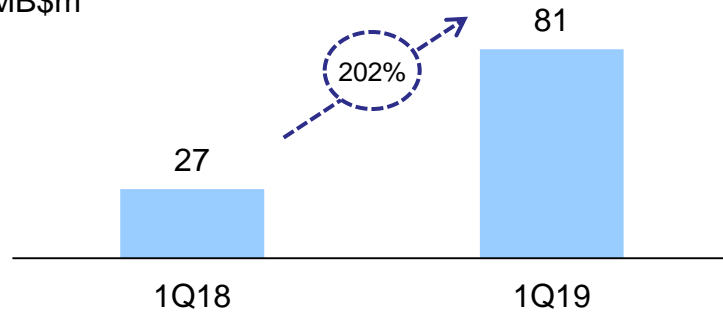
Fubon Bank (China): Financial highlight



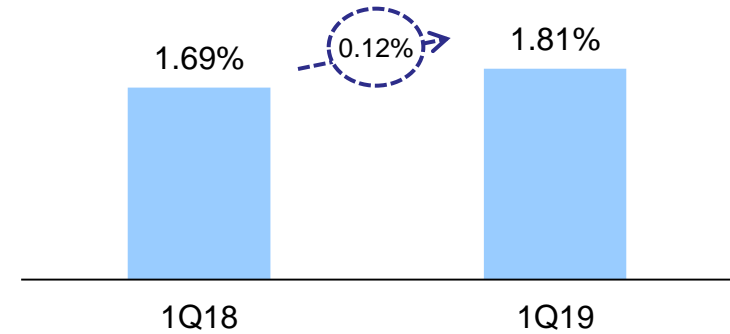
- Net profit increased by 202% yoy, mainly due to growth of net interest income and treasury
- 12bps improvement in NIM came from increase in lending rate of mid-to-long term loans and growth in retail lending through online platform
- Stable asset quality with NPL ratio down to 1.36%

Net Profits

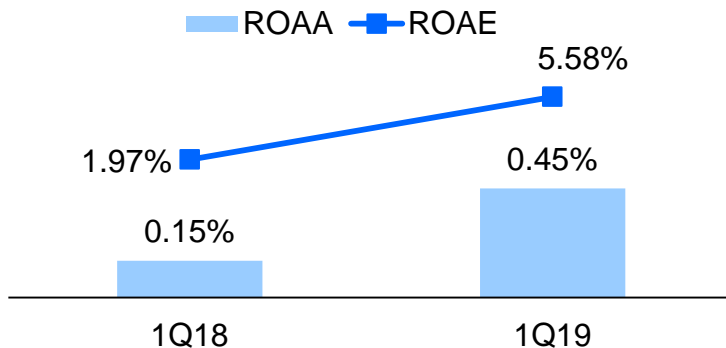
RMB\$m



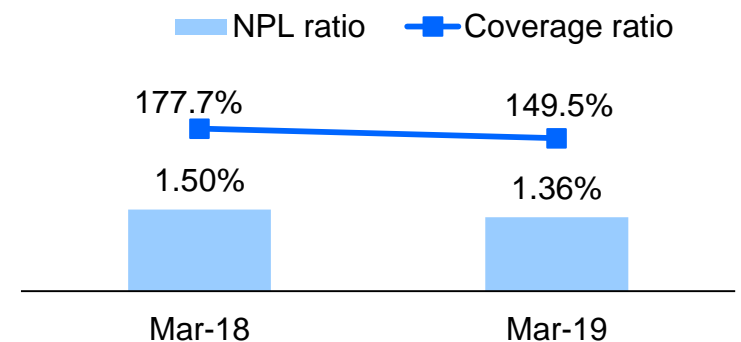
NIM




ROAA & ROAE



NPL ratio & Coverage ratio



- ***Performance highlights of Fubon Financial Holdings***
 - ***Performance review by subsidiary***
 - *Taipei Fubon Bank*
 - *Fubon Life*
 - *Fubon Insurance*
 - *Fubon Securities*
 - *Fubon Bank (China)*
-  ● ***2018 Embedded value of Fubon Life***

Summary



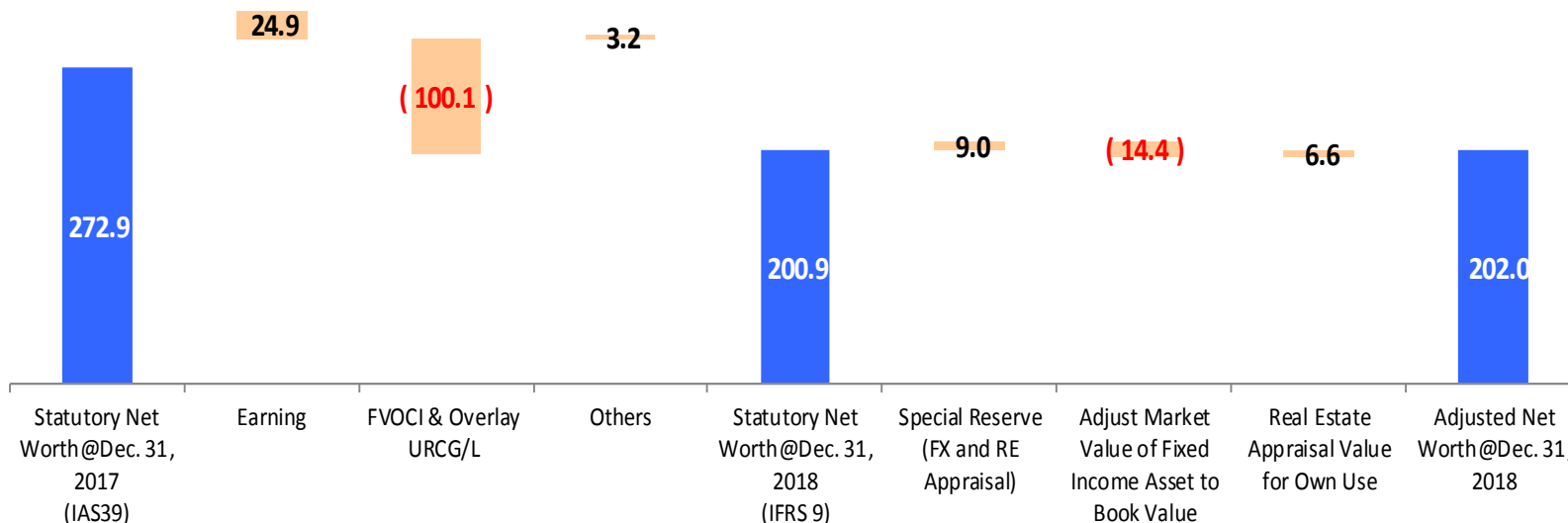
NT\$bn	Items	2017	2018	YoY	Diff	Impact
Inforce Value Creation	Net Worth (Book Value)	272.9	200.9	-26.4%	-72.0	↓
	Adjusted Net Worth	254.0	202.0	-20.5%	-52.1	↓
	VIF (before CoC)	380.2	399.5	5.1%	19.4	↑
	Cost of Capital (CoC)	(109.9)	(123.0)	-11.9%	-13.1	↓
	VIF (after CoC)	270.2	276.6	2.3%	6.3	↑
	Embedded Value	524.3	478.5	-8.7%	-45.7	↓
New Sales Value Creation	FYP	174.5	190.4	9.1%	15.9	↑
	FYPE	56.1	49.5	-11.7%	-6.6	↓
	VNB	28.5	26.6	-6.6%	-1.9	↓
	VNB margin (VNB/FYP)	16.3%	14.0%	-14.4%	-2.4%	↓
	VNB margin (VNB/FYPE)	50.8%	53.7%	5.7%	2.9%	↑
Appraisal Value (20 year NB)	Multiplier	8.8	8.8	0.0%	0.0	
	Appraisal Value	776.2	713.7	-8.0%	-62.4	↓
Value per FHC share	Outstanding shares (FHC)	10.2	10.2	0.0%	0.0	
	Embedded Value	51.2	46.8	-8.7%	-4.5	↓
	Appraisal Value	75.8	69.7	-8.0%	-6.1	↓
Value per Life share	Outstanding shares (Life)	8.3	11.1	33.6%	2.8	↑
	Embedded Value	63.2	43.2	-31.7%	-20.0	↓
	Appraisal Value	93.5	64.4	-31.2%	-29.2	↓

Note, Fubon Life issued 2.78614 bn new shares in 2018 from utilizing 27.8614 bn retained earnings. If new issue shares are excluded, the growth of EV per Life share will be -8.7%.

Movement analysis: Adjusted net worth



NT\$bn



% of change	+ 9.1%	-36.7%	+ 1.2%	-26.4%				
Adj %					+ 4.5%	-7.2%	+ 3.3%	+ 0.6%

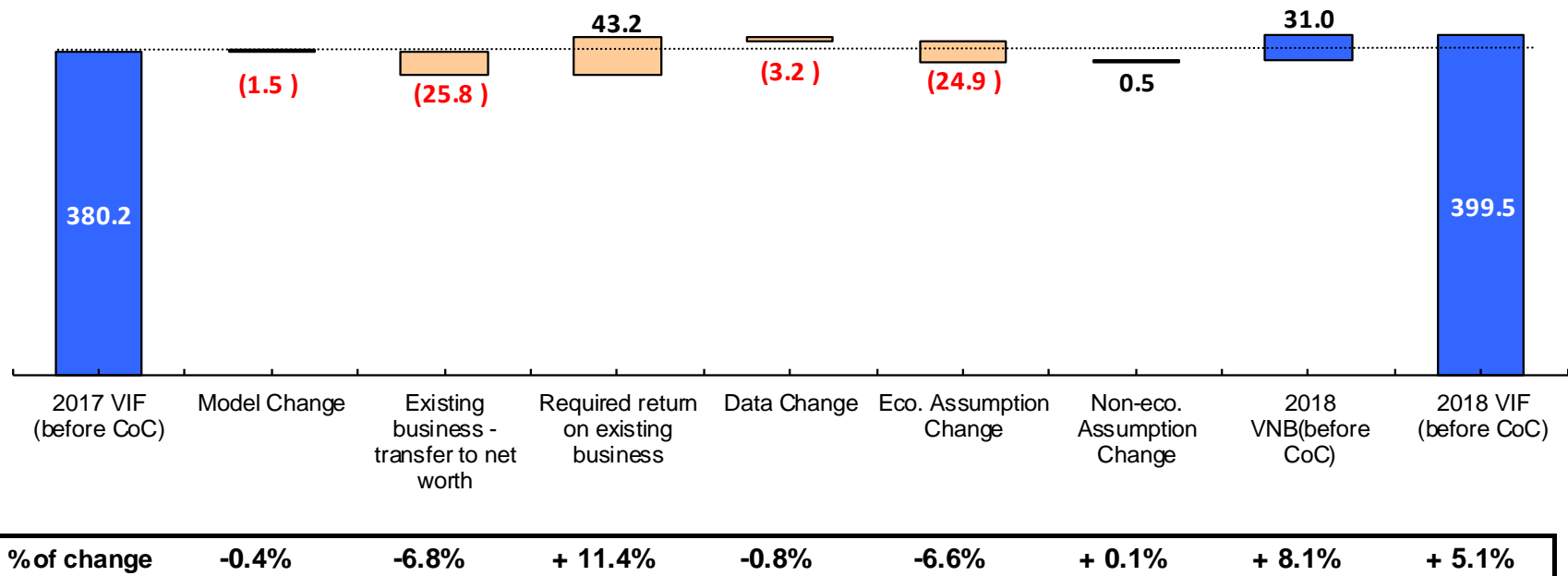
Note:

1. "Others" includes the impact from IFRS9 reclassification of 9.5bn (+3.5%) and the cash dividend payout of 6.0bn (-2.2%).

Movement Analysis: Value of in-force (before CoC)



NT\$bn



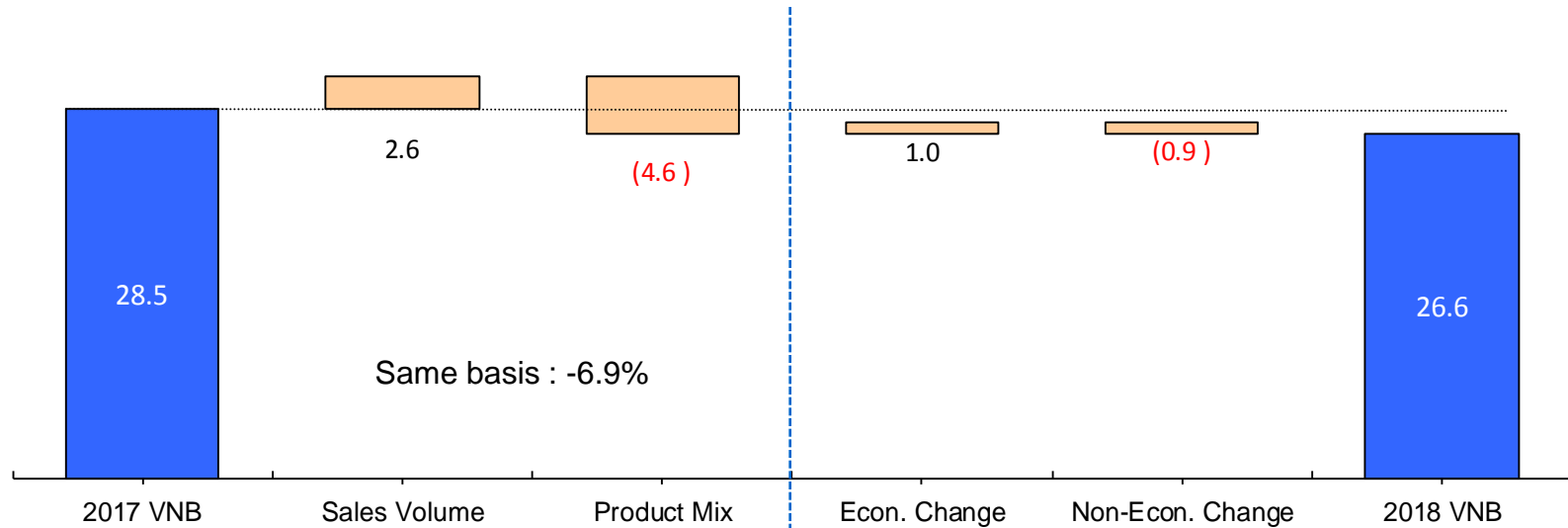
Note:

1. Economic assumption change includes changes of foreign exchange rate (+0.4%) and investment return (-7%).
2. The equivalent return of EV2017 reporting for VIF increased from 4.47% to 4.53% to reflect rolling over effect.
3. The equivalent return of EV2018 reporting for VIF is 4.42%.
4. 2018 VNB (after CoC) is 26.6 bn.

Movement Analysis: Value of new business



NT\$bn



Same basis : -6.9%

% of change	2017 VNB	Sales Volume	Product Mix	Econ. Change	Non-Econ. Change	2018 VNB
VNB/FYP	16.3%	+ 9.1%	-16.0%	+ 3.6%	-3.3%	-6.6%
		0.0%	-2.4%	+ 0.5%	-0.5%	14.0%

Note:

1. The equivalent return of EV2017 reporting for VNB decreased from 4.36% to 4.32% with consideration of rolling over effect and reflects 2018 product mix.
2. The equivalent return of EV2018 reporting for VNB is 4.35%.

Economic assumptions



	Year 2017	Year 2018
Investment return	<p><u>VIF</u> NTD Traditional Policies : Year 2018 to Year 2049 at 3.72%~5.57%(2050+)</p> <p>USD Policies : Year 2018 to Year 2043 at 4.44%~5.96%(2044+)</p> <p><u>V1NB</u> NTD Traditional Policies : Year 2017 to Year 2049 at 3.08%~5.54%(2050+)</p> <p>USD Policies : Year 2017 to Year 2046 at 3.85%~5.96%(2047+)</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 2019 to Year 2050 at 3.47%~5.56%(2051+)</p> <p>USD Policies : Year 2019 to Year 2044 at 4.47%~5.96%(2045+)</p> <p><u>V1NB</u> NTD Traditional Policies : Year 2018 to Year 2050 at 2.96%~5.52%(2051+)</p> <p>USD Policies : Year 2018 to Year 2047 at 4.06%~5.96%(2048+)</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	11% for VIF; 10.5% for V1NB
Equivalent Return	<p>VIF: 4.47%</p> <p>V1NB: 4.36%</p>	<p>VIF: 4.42%</p> <p>V1NB: 4.35%</p>
YC (10 year)	TWD: 1.17% / 3.50%	TWD: 1.20% / 3.50%
Initial / ultimate	USD : 2.40% / 5.25%	USD : 2.71% / 5.25%

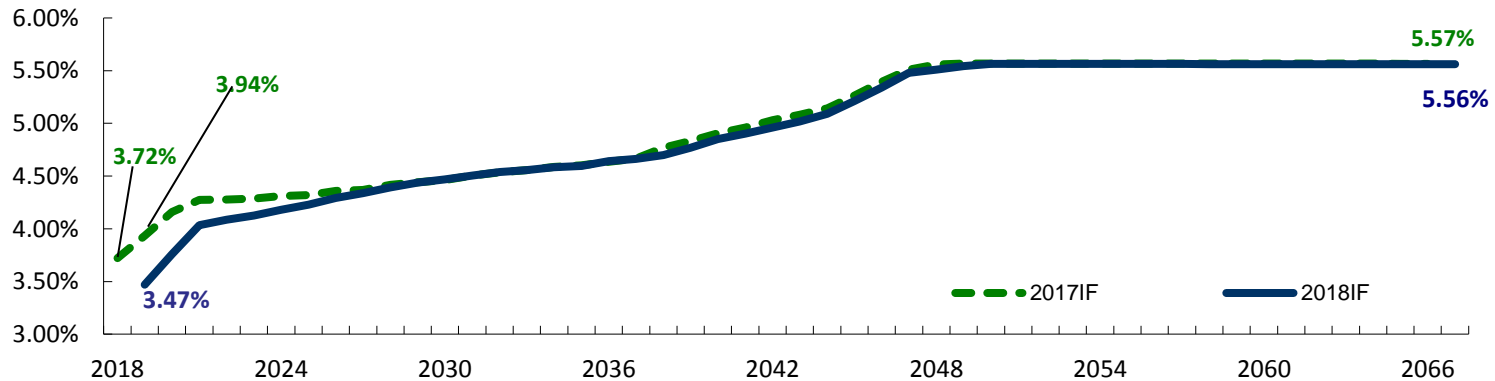
Note:

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

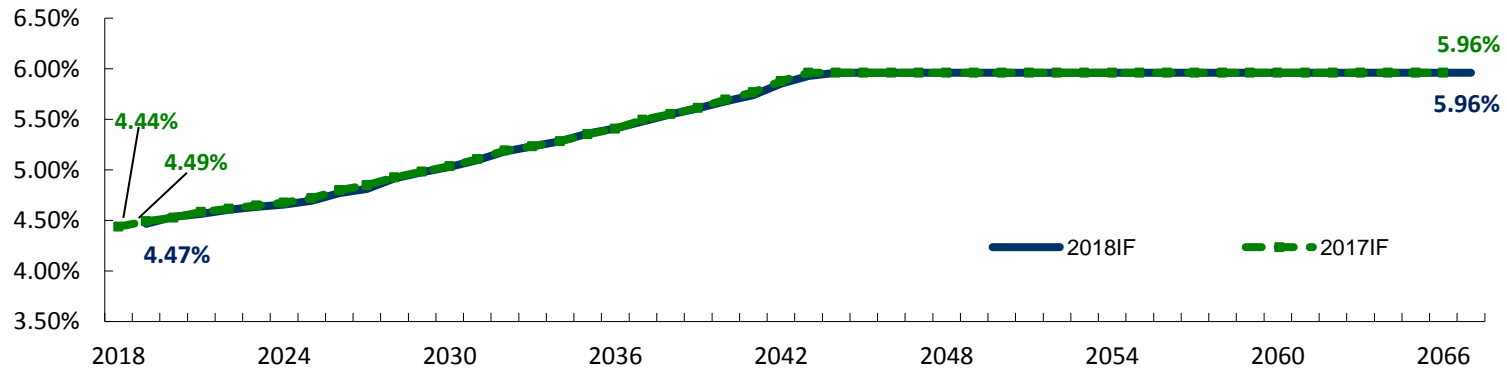
Economic assumptions: VIF portfolio return



In-force Portfolio Return _ NTD Traditional



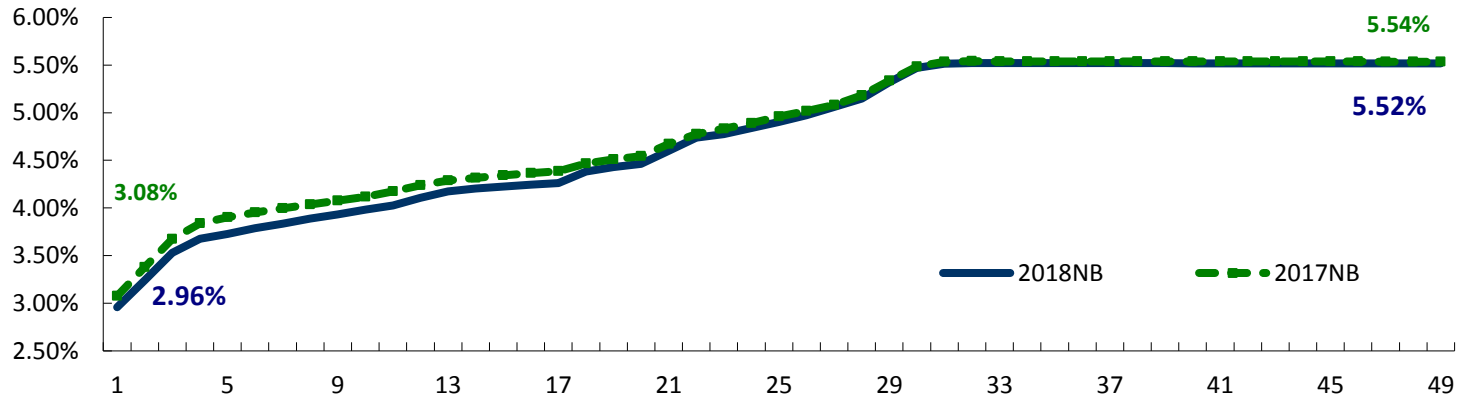
In-force Portfolio Return _ USD



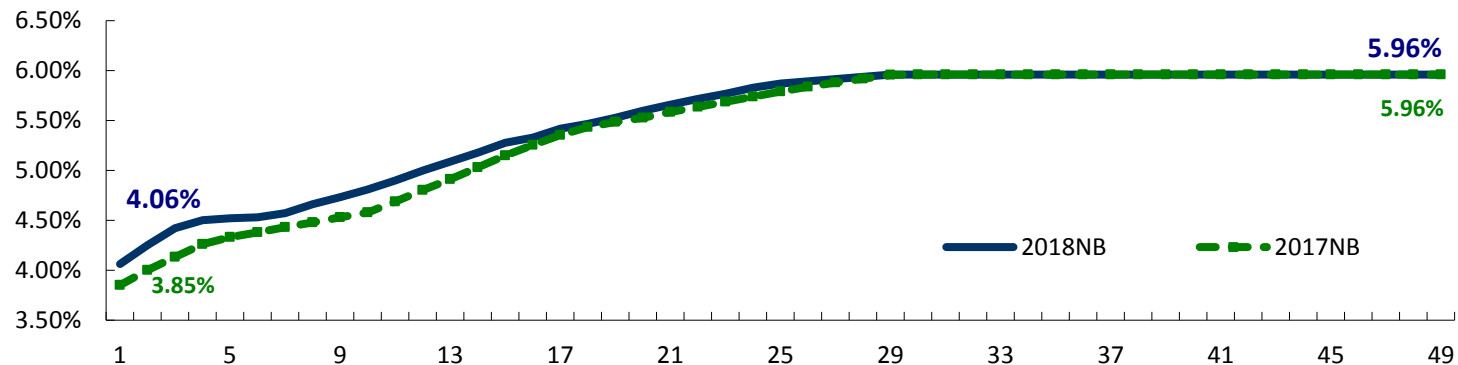
Economic assumptions: V1NB portfolio return



NB Portfolio Return_NTD Traditional



NB Portfolio Return_USD



Economic assumptions: Discount rate



Fubon Life	2017/12/31	2018/12/31
Risk Free Rate	1.17%~3.5%	1.2%~3.5%
Equity plus Country Risk Premium	6.50%	6.50%
Beta	1.2	1.2
Calculated RDR	8.97%~11.30%	9.0%~11.30%
RDR used in the valuation	VIF:11% VNB:10.5%	VIF:11% VNB:10.5%

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

Cost of capital projection

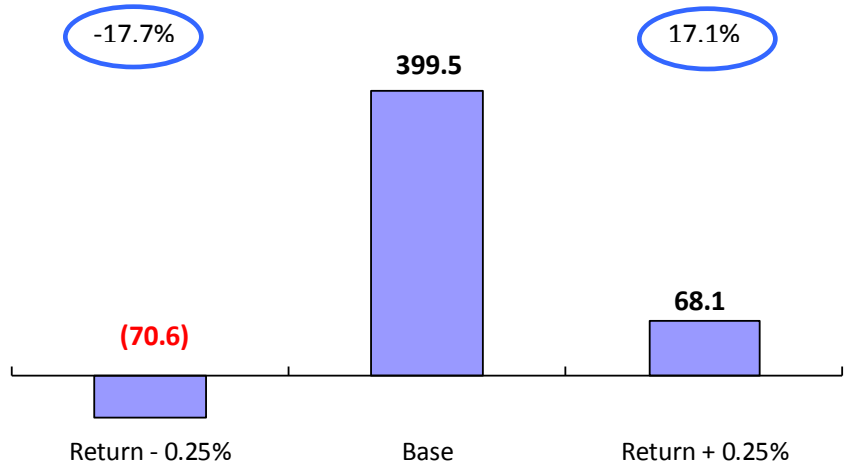
- **Project future cost of capital is based on future capital requirement maintaining regulatory minimum RBC level of 200% considering following factors:**
 - 1) Add 50% C3 (interest rate risk) risk capital of previous year for all traditional products every year (excludes investment-linked product) ;
 - 2) Reflect current business operation and future strategy.
- **Risk-based capital (RBC) regulation changes & adjustments in 2018:**
 - 1) Modify the calculation method in C1 (asset risk-from non-affiliated parties) by reclassifying the category of foreign private equity fund from C1o (asset risk-other: excluding stock and currency risk) into C1s (asset risk-stock);
 - 2) Increase currency risk factor in C1 from 4.25% to 6.61%.

Sensitivity summary: Portfolio return

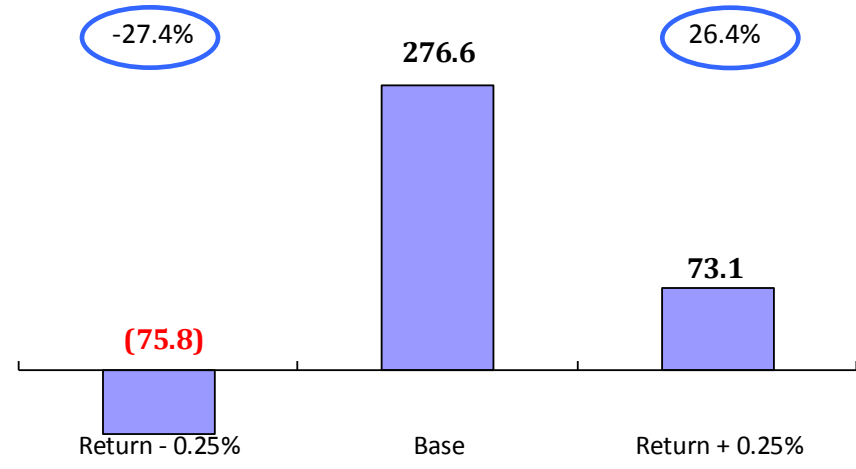


NT\$bn

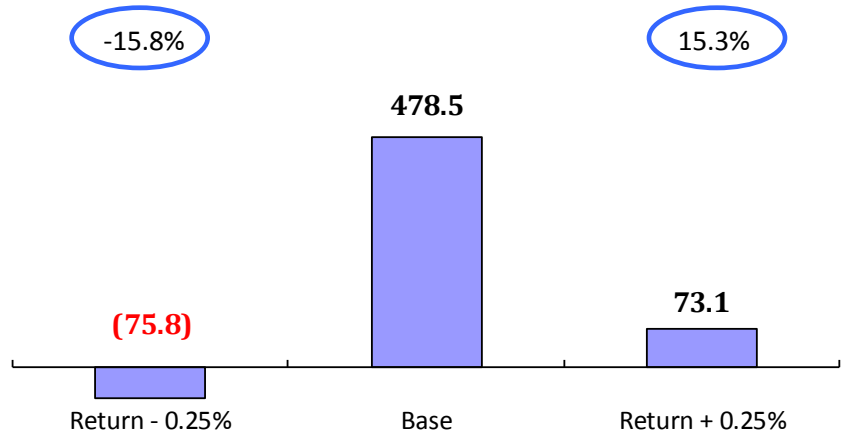
VIF (before CoC)



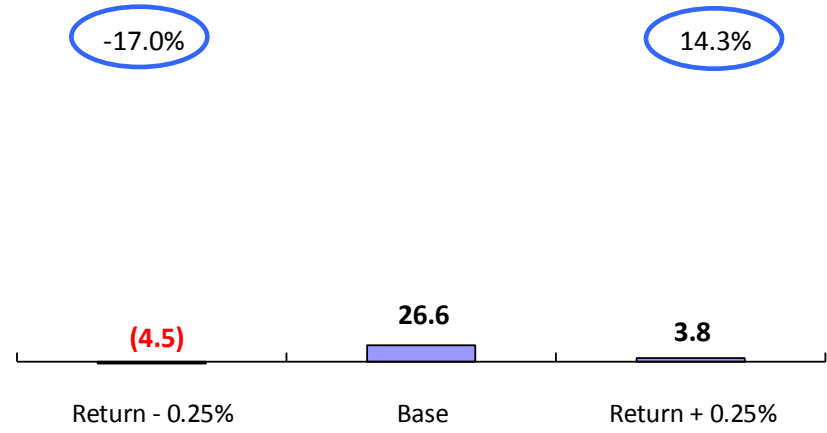
VIF



EV



VNB



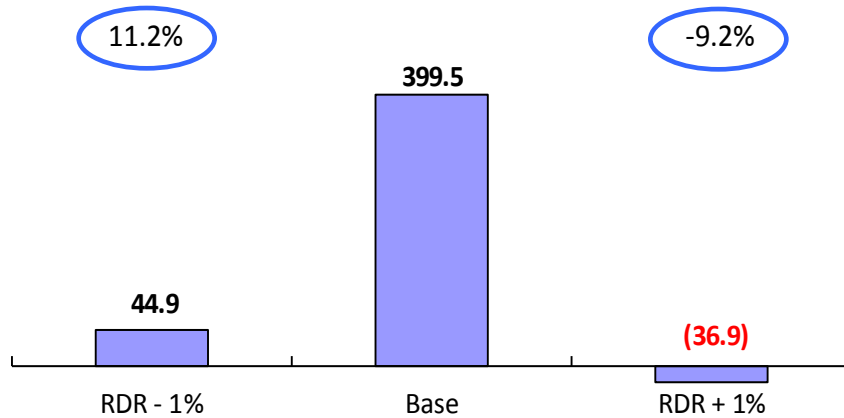
Note: ANW will not be affected by portfolio return.

Sensitivity summary: Risk discount rate

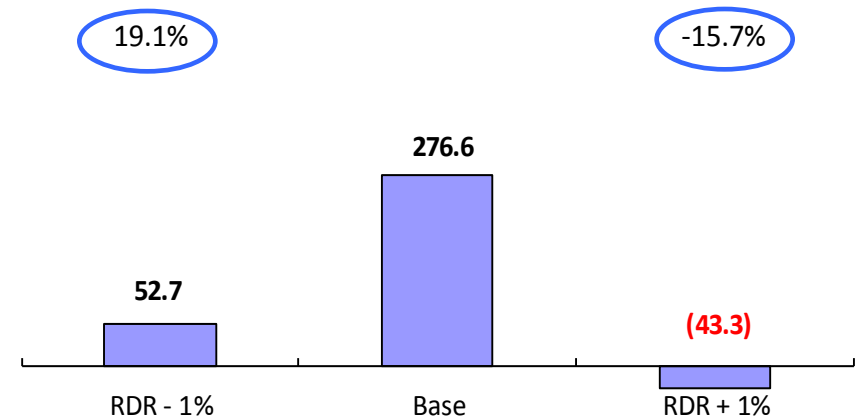


NT\$bn

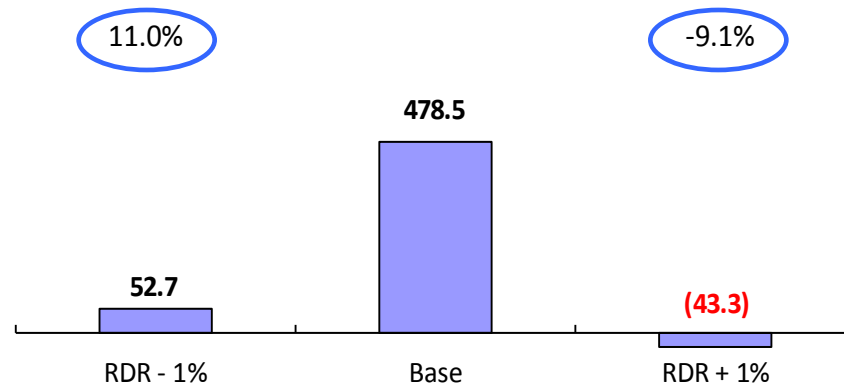
VIF (before CoC)



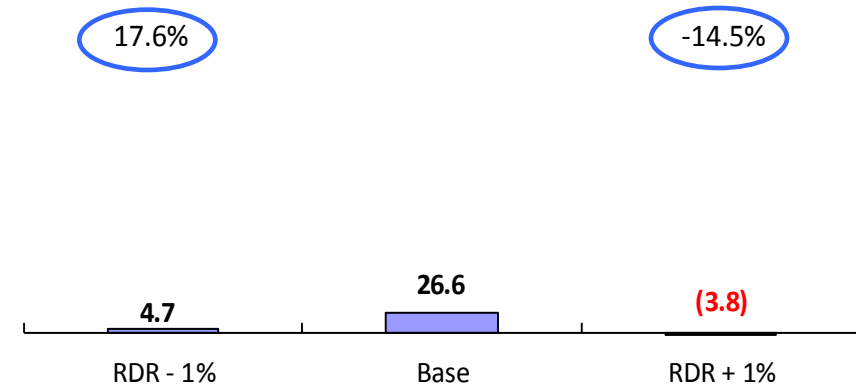
VIF



EV



VNB



Note: ANW will not be affected by RDR

The Engagement

- Deloitte Consulting (Pacific) Limited, Taiwan Branch (“Deloitte Consulting”) were retained by Fubon Life to perform an independent review of the Embedded Value (EV) as at 31 December 2018 and the Value of New Business (VNB) written over the period of 1 January 2018 to 31 December 2018.

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 2017 and 31 December 2018.

Risk adjusted discount rates



Deloitte Consulting

Fubon Life calculated the EV and VNB at Risk Adjusted Discount Rates (“RDR”) of 11.0% and 10.5% respectively.

	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”)	1.20%	3.50%	2.59%	2.68%
Equity and Country Risk Premium	6.50%	6.50%	6.50%	6.50%
Beta	1.20	1.20	1.20	1.20
Calculated Risk Discount Rate	9.00%	11.30%	10.39%	10.48%
Risk Discount Rate used in the Valuation for VIF	11.00%			
Risk Discount Rate used in the Valuation for VNB	10.50%			

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

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

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 bond in the future.
- The equivalent RFR is the RFR equivalent to using a set of graded-up RFR from 1.20% to 3.50% 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 1.2 was set using a risk profiling approach which considers risks related to the product range, distribution diversification/vulnerability, regulatory intervention and investments. Note that this beta value is consistent with that used in previous valuations.
- The RDR assumption applied by Fubon Life in the valuation lies within the range of RDR that we derived.
- In particular, we feel comfortable with different RDRs being used for the valuation of the in-force and new business, given the specific market conditions in Taiwan: it is well-known that the legacy business has a much riskier profile than the current new business, and hence it is reasonable for shareholders to be expecting a higher rate of return for the higher risk level. We feel that Fubon Life has taken a good approach in splitting up the RDR assumption for the two distinctively different blocks of business.

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 1.20% and 2.71% and a long-term risk free rate of 3.50% and 5.25% 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 maintained at 3.5% and 5.25% 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 2017 to 2018;
- Review of the changes in the new business profit margin relative to that in 2017 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.



Thank you

Fubon Financial - Financial summary

<i>NT\$ millions, except for percentages</i>	1Q19	4Q18	3Q18	2Q18	1Q18	2018	2017	YoY
Income Statement Data								
Net interest income	34,533	34,413	32,949	32,403	30,183	129,948	113,212	14.8%
Insurance income	64,728	50,565	69,259	44,908	71,095	235,827	250,970	-6.0%
Net gains (losses) on FX and financial assets	12,183	(735)	17,649	16,831	10,627	44,373	40,612	9.3%
Others	(1,699)	(2,314)	1,315	1,613	171	785	1,351	-41.9%
Net revenue	109,745	81,929	121,172	95,755	112,076	410,933	406,145	1.2%
Bad debt expense and reserve for guarantee	(128)	(620)	(68)	(516)	(259)	(1,463)	(2,914)	-49.8%
Net change in insurance reserve	(79,444)	(68,368)	(83,355)	(59,584)	(82,116)	(293,423)	(289,890)	1.2%
Operating expense	(14,838)	(16,527)	(14,213)	(14,076)	(13,615)	(58,432)	(55,290)	5.7%
Income before tax	15,335	(3,586)	23,536	21,578	16,086	57,615	58,051	-0.7%
Net income	12,569	(2,441)	19,005	14,755	16,402	47,721	54,016	-11.7%
Net income to parent company	12,501	(2,470)	19,026	14,763	16,410	47,729	54,122	-11.8%
Balance Sheet Data								
Total assets	7,840,013	7,715,060	7,567,509	7,188,839	6,968,736	7,715,060	6,919,454	11.5%
Equity attributable to parent company	537,807	459,243	515,227	505,587	525,440	459,243	488,432	-6.0%
Outstanding common shares (million shares)	10,234	10,234	10,234	10,234	10,234	10,234	10,234	0.0%
Key Metrics								
ROA	0.65%	-0.13%	1.03%	0.83%	0.94%	0.65%	0.81%	
ROE	10.01%	-2.03%	14.91%	11.45%	12.83%	9.98%	11.83%	
Equity / assets	6.99%	6.08%	6.92%	7.04%	7.54%	6.08%	7.06%	
Double leverage	110.28%	112.09%	108.30%	108.19%	106.43%	112.09%	115.00%	
Capital adequacy ratio		119.21%		127.76%		119.21%	129.50%	
Cash dividend per share							2.30	

Note: Regarding earnings adjustments in 1Q18~4Q18, please refer to the footnote in Taipei Fubon Bank's financial summary.

Fubon Life - Financial summary

<i>NT\$ millions, except for percentages</i>	1Q19	4Q18	3Q18	2Q18	1Q18	2018	2017	YoY
<u>Income statement data</u>								
First year premium	64,552	51,334	42,950	48,044	48,051	190,379	174,460	9.1%
Retained earned premium	156,159	134,642	118,774	121,269	130,136	504,821	479,885	5.2%
Total investment income	33,494	22,108	40,488	36,221	31,921	130,738	125,578	4.1%
Recurring investment income	30,916	31,331	42,029	31,146	24,807	129,313	114,891	12.6%
Other investment income	2,578	(9,223)	(1,541)	5,075	7,114	1,425	10,688	-86.7%
Realized gains (losses) from fixed income	5,568	1,952	840	1,624	4,416	8,833	14,080	-37.3%
Realized gains (losses) from equity	6,612	1,622	4,646	9,440	10,779	26,487	26,094	1.5%
FX and others	(9,052)	(12,773)	(7,857)	(5,951)	(8,158)	(34,739)	(29,088)	19.4%
Investment property fair value movement	(550)	(24)	830	(38)	77	844	(398)	-312.2%
Other income	798	759	736	688	631	2,814	2,203	27.7%
Total operating revenue	190,451	157,510	159,999	158,178	162,688	638,374	607,666	5.1%
Retained claim payment	94,982	87,048	53,293	79,713	62,398	282,453	242,452	16.5%
Net commission expense	7,578	6,843	5,397	5,798	5,726	23,764	24,277	-2.1%
Net change in insurance liability	78,574	65,218	82,656	57,593	82,444	287,912	291,922	-1.4%
General and administrative expense	4,710	5,283	3,979	4,013	3,900	17,174	15,867	8.2%
Other operating costs	922	966	798	801	742	3,308	2,980	11.0%
Total operating costs and expenses	186,766	165,358	146,124	147,918	155,210	614,610	577,498	6.4%
Net non-operating income / (expenses)	131	(5)	87	126	125	333	288	15.5%
Income before tax	3,815	(7,854)	13,962	10,385	7,603	24,097	30,456	-20.9%
Net income	3,141	(6,260)	12,155	9,792	9,292	24,979	32,488	-23.1%
Net income to parent company	3,069	(6,309)	12,155	9,792	9,292	24,930	32,488	-23.3%
<u>Balance sheet data</u>								
Total assets	4,495,472	4,385,528	4,271,467	3,857,458	3,740,144	4,385,528	3,662,772	19.7%
Total assets (general account)	4,144,290	4,016,093	3,951,964	3,698,034	3,584,391	4,016,093	3,507,557	14.5%
Insurance liabilities	3,700,732	3,620,795	3,549,546	3,290,850	3,203,701	3,620,795	3,136,523	15.4%
Total liabilities	4,219,626	4,175,279	4,003,328	3,601,921	3,476,434	4,175,279	3,389,882	23.2%
Total liabilities (general account)	3,869,907	3,805,434	3,682,070	3,442,498	3,320,681	3,805,434	3,234,667	17.6%
Equity attributable to parent company	265,692	200,859	259,625	255,537	263,710	200,859	272,890	-26.4%
<u>Key Metrics</u>								
ROA	0.28%	-0.58%	1.20%	1.03%	1.00%	0.62%	0.93%	
ROE	5.24%	-10.96%	18.88%	15.09%	13.61%	10.32%	13.36%	
Equity / Assets	6.14%	4.79%	6.28%	6.62%	7.05%	4.79%	7.45%	
Expense ratio	3.02%	3.92%	3.35%	3.31%	3.00%	3.40%	3.31%	
Persistency ratio - 13th month	96.29%	96.95%	97.13%	97.42%	97.90%	96.95%	97.96%	
Persistency ratio - 25th month	96.24%	96.44%	96.58%	96.69%	95.87%	96.44%	95.09%	

Taipei Fubon Bank - Financial summary

<i>NT\$ millions, except for percentages</i>	1Q19	4Q18	3Q18	2Q18	1Q18	2018	2017	YoY
Income statement data								
Interest income	14,873	14,476	14,249	13,815	13,392	55,931	45,934	21.8%
Interest expense	(8,040)	(7,957)	(7,540)	(7,491)	(6,618)	(29,606)	(22,382)	32.3%
Net interest income	6,833	6,519	6,708	6,324	6,774	26,325	23,552	11.8%
Net fee income	3,232	2,551	2,565	2,907	3,112	11,135	11,232	-0.9%
Other income	3,285	1,853	2,103	2,985	1,444	8,386	7,848	6.8%
Total net revenue	13,351	10,923	11,377	12,216	11,330	45,846	42,633	7.5%
Operating expenses	(5,934)	(6,398)	(5,575)	(5,521)	(5,418)	(22,912)	(21,188)	8.1%
Pre-provision profits	7,416	4,526	5,802	6,695	5,912	22,935	21,445	6.9%
Provision for credit losses	(49)	(452)	24	(317)	(52)	(797)	(2,183)	-63.5%
Income before tax	7,368	4,074	5,826	6,378	5,861	22,138	19,262	14.9%
Net income	6,149	3,517	4,911	5,422	4,974	18,826	16,931	11.2%
Net income to parent company	6,036	3,477	4,850	5,340	4,951	18,619	16,778	11.0%
Balance sheet data								
Loans and discounts, net	1,383,532	1,397,995	1,379,699	1,387,768	1,362,418	1,397,995	1,383,755	1.0%
Deposits and remittances	2,040,970	2,032,282	2,004,766	2,007,192	2,002,108	2,032,282	2,067,918	-1.7%
Allowance for loan losses*	16,582	16,632	16,438	16,453	16,144	16,632	16,142	3.0%
Total assets	2,712,520	2,711,118	2,687,458	2,698,270	2,662,852	2,711,118	2,671,668	1.5%
Equity attributable to parent company	192,608	185,886	182,624	178,232	183,795	185,886	179,965	3.3%
Key metrics								
ROA	0.91%	0.52%	0.73%	0.81%	0.75%	0.70%	0.67%	
ROE	12.76%	7.55%	10.75%	11.80%	10.93%	10.22%	9.46%	
Equity / assets	7.80%	7.54%	7.47%	7.30%	7.61%	7.54%	7.43%	
Cost / income ratio	-44.45%	-58.57%	-49.00%	-45.19%	-47.82%	-49.97%	-49.70%	
NPL ratio*	0.18%	0.17%	0.19%	0.20%	0.21%	0.17%	0.17%	
Reserve / NPL*	766.99%	784.68%	694.06%	668.83%	627.57%	784.68%	764.46%	
Tier 1 ratio*		12.39%		11.48%		12.39%	12.11%	
BIS ratio*		13.98%		13.02%		13.98%	13.93%	

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

2. The reclassification of REITs assets from FVTPL into FVOCI was effective in Dec 2018 in Taipei Fubon Bank.

The earnings revision in 1Q18 and 2018 are review and audited basis, and in 2Q18 to 4Q18 are based on company's adjustments.

Fubon Insurance - Financial summary

<i>NT\$ millions, except for percentages</i>	1Q19	4Q18	3Q18	2Q18	1Q18	2018	2017	YoY
<u>Income statement data</u>								
Direct written premiums	11,687	10,053	10,346	11,405	10,976	42,780	40,837	4.8%
Retention of earned premiums	8,685	8,564	8,521	8,368	8,207	33,661	32,453	3.7%
Net income from investment	862	266	799	920	1,017	3,002	2,737	9.7%
Other operating revenue	374	318	338	415	360	1,431	1,285	11.3%
Retained insurance payments	4,714	4,789	4,473	4,715	4,544	18,521	17,370	6.6%
Net change in liability reserve	104	45	304	(222)	(118)	8	648	-98.8%
Commission and operating expenses	3,699	3,843	3,676	3,709	3,601	14,830	14,434	2.7%
Non-Operating Income	(52)	(282)	(55)	(50)	(53)	(440)	(276)	59.2%
Income before tax	1,352	189	1,150	1,451	1,504	4,294	3,747	14.6%
Net income	1,180	124	1,015	1,276	1,294	3,710	3,338	11.1%
Net income to parent company	1,193	181	1,074	1,292	1,311	3,858	3,631	6.3%
<u>Balance sheet data</u>								
Total assets	103,321	97,721	100,267	99,759	98,595	97,721	97,667	0.1%
Investment assets	71,321	68,033	69,270	67,450	68,473	68,033	68,399	-0.5%
Policy reserve	52,595	51,769	53,080	52,725	51,812	51,769	51,353	0.8%
Equity attributable to parent company	33,737	30,216	31,473	30,633	31,740	30,216	31,241	-3.3%
<u>Key Metrics</u>								
ROA	4.69%	0.50%	4.06%	5.15%	5.27%	3.80%	3.40%	
ROE	14.93%	2.35%	13.84%	16.57%	16.65%	12.56%	11.95%	
Total investment return	4.95%	1.56%	4.64%	5.42%	5.94%	4.40%	4.11%	
Solvency margin (NWP/equity)	109.72%	112.57%	107.28%	117.36%	111.18%	115.02%	105.49%	
Retention ratio	74.45%	78.22%	75.96%	73.85%	75.41%	75.80%	75.85%	

Fubon Securities - Financial summary

<i>NT\$ millions, except for percentages</i>	1Q19	4Q18	3Q18	2Q18	1Q18	2018	2017	YoY
<u>Income statement data</u>								
Brokerage commissions	807	918	1,031	1,177	1,082	4,208	3,795	10.9%
Net interest income	192	202	270	298	258	1,028	987	4.1%
Fee income	258	259	189	240	195	882	694	27.2%
Net principal transactions and financial products gains	409	(230)	(109)	206	66	(67)	1,124	N.A.
Other income	334	256	937	382	29	1,604	1,599	0.3%
Total operating revenue	2,000	1,403	2,313	2,303	1,630	7,649	8,194	-6.7%
Total operating expense	(1,502)	(1,545)	(1,490)	(1,568)	(1,432)	(6,035)	(5,962)	1.2%
Net non-operating income / (expenses)	155	156	289	234	197	876	785	11.6%
Income before tax	808	15	1,126	965	394	2,500	3,017	-17.1%
Net income	738	(100)	1,006	836	338	2,080	2,806	-25.9%
Net income to parent company	738	(98)	1,008	839	341	2,090	2,817	-25.8%
<u>Balance sheet data</u>								
Margin loans	11,210	9,949	12,753	15,441	14,294	9,949	14,420	-31.0%
Total assets	137,496	123,228	133,094	146,201	123,410	123,228	125,210	-1.6%
Equity attributable to parent company	36,602	35,427	35,938	34,668	35,628	35,427	33,755	5.0%
<u>Key Metrics</u>								
ROA	2.26%	-0.31%	2.88%	2.48%	1.08%	1.67%	2.48%	
ROE	8.20%	-1.10%	11.43%	9.55%	3.86%	5.94%	8.49%	
Equity / assets	26.62%	28.75%	27.00%	23.71%	28.87%	28.75%	26.96%	
Expenses / revenues	-75.10%	-110.12%	-64.40%	-68.10%	-87.87%	-78.90%	-72.76%	
Margin loans / total assets	8.15%	8.07%	9.58%	10.56%	11.58%	8.07%	11.52%	
Margin loans / shareholders' equity	30.63%	28.08%	35.49%	44.54%	40.12%	28.08%	42.72%	

Fubon Bank (China) - Financial Summary

<i>RMB millions, except for percentages</i>	1Q19	4Q18	3Q18	2Q18	1Q18	2018	2017	YoY
<u>Income Statement Data</u>								
Interest income	774	739	711	732	737	2,919	2,692	8.4%
Interest expense	(493)	(467)	(478)	(483)	(478)	(1,907)	(1,786)	6.8%
Net interest income	282	271	232	250	259	1,012	907	11.6%
Net fee income	4	7	8	13	16	44	83	-46.7%
Other income	76	15	27	(12)	(62)	(32)	(37)	-13.6%
Operating expenses	(219)	(227)	(203)	(170)	(169)	(768)	(658)	16.6%
Pre-provision profits	143	67	65	80	44	256	293	-12.7%
Provision for credit losses	(35)	(15)	0	0	(12)	(27)	(17)	56.5%
Income before tax	108	52	65	80	32	230	276	-17.0%
Net income	81	39	51	64	27	180	220	-18.2%
<u>Balance Sheet Data</u>								
Loans	33,186	30,649	30,070	29,076	28,536	30,649	29,206	4.9%
Deposits	48,266	46,198	42,841	37,883	38,542	46,198	44,529	3.7%
Total asset	72,868	70,793	68,694	64,289	69,318	70,793	71,723	-1.3%
Total equity	5,821	5,763	5,639	5,586	5,479	5,763	5,409	6.5%
<u>Key Metrics</u>								
ROA	0.45%	0.22%	0.31%	0.38%	0.15%	0.25%	0.32%	
ROE	5.58%	2.72%	3.63%	4.61%	1.97%	3.23%	4.12%	
Equity / assets	7.99%	8.14%	8.21%	8.69%	7.90%	8.14%	7.54%	
Cost / income ratio	-60.37%	-77.11%	-75.75%	-67.83%	-79.50%	-74.98%	-69.17%	
NPL ratio	1.36%	1.38%	1.47%	1.49%	1.50%	1.38%	1.44%	
Reserve / NPL	149.50%	150.69%	159.26%	167.97%	177.69%	150.69%	177.49%	
Loan to deposit ratio (Renminbi)	74.33%	72.32%	74.81%	74.48%	75.09%	72.32%	72.16%	
Tier 1 ratio	11.25%	11.70%	11.92%	12.46%	12.11%	11.70%	11.49%	
BIS ratio	13.63%	14.18%	12.48%	13.13%	12.85%	14.18%	12.19%	

10 May 2019

Fubon Life Insurance Company Limited
14F, No. 108, Section 1
Tun Hwa South Road
Taipei 10557
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 2018 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 2018 and the Value of New Business ("VNB") sold during the calendar year 2018 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 29 March 2019 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 2018 and the Value of New Business written over the period of 1 January 2018 to 31 December 2018 as calculated by the Company is summarised as follows:

	Values (NT\$ bn)
Adjusted Net Worth	202.0
Value of In Force Business after Cost of Capital	276.6
Embedded Value	478.5
Value of New Business after Cost of Capital	26.6

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 2018 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 2017;
- 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 2017 and 31 December 2018.

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 2018; 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 2018 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.

Yours faithfully,
Deloitte Consulting (Pacific) Limited, Taiwan Branch