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FWD GROUP LIMITED

(incorporated with limited liability under the laws of the Cayman Islands)

("FGL")

U.S.\$750,000,000 Zero Coupon Subordinated Perpetual Capital Securities (comprising the U.S.\$500,000,000 Zero Coupon Subordinated Perpetual Capital Securities consolidated and forming a single series with the U.S.\$250,000,000 Zero Coupon Subordinated Perpetual Capital Securities) (the "June 2017 Perpetual Securities") (ISIN: XS1628340538) (Stock Code: 5221)

U.S.\$900,000,000 5.75 per cent. Subordinated Notes due 2024 (comprising the U.S.\$550,000,000 5.75 per cent. Subordinated Notes due 2024 and the U.S.\$250,000,000 5.75 per cent. Subordinated Notes due 2024 consolidated and forming a single series with the U.S.\$100,000,000 5.75 per cent. Subordinated Notes due 2024) (the "2024 Notes") (ISIN: XS2022434364) (Stock Code: 4403)

U.S.\$600,000,000 6.375 per cent. Capital Securities (the "2019 Perpetual Securities", and together with the June 2017 Perpetual Securities and the 2024 Notes, the "Securities" and each a "Series") (ISIN: XS2038876558) (Stock Code: 5793)

CONSENT SOLICITATION – UPDATE AND PUBLICATION OF ANNUAL RESULTS AND OTHER INFORMATION OF FWD GROUP HOLDINGS LIMITED

BACKGROUND

Reference is made to (i) the announcement dated 17 June 2021 in relation to FGL's solicitation of consents for approval of the Proposals set out in the consent solicitation memorandum dated 17 June 2021 (the "**Consent Solicitation Memorandum**") by an Extraordinary Resolution by way of Circulating Resolution by Electronic Consent or, where the Extraordinary Resolution has not been approved by Electronic Consent, at a Meeting, (ii) the announcement dated 1 July 2021 in relation to the results as at the Electronic Consent Deadline in respect of the Securities, and (iii) the announcements dated 28 February 2022 and 14 September 2022 in relation to certain updates to the Consent Solicitation and other information of FWD Group Holdings Limited ("**FGHL**") (together, the "**Announcements**"). The Consent Solicitation Memorandum has been made available via the Consent Website to Holders in connection with the Consent Solicitation. **Holders should refer to the relevant Notice and the Consent Solicitation Memorandum for details of the Consent Solicitation.**

Unless the contrary is stated, or the context otherwise requires, terms and expressions defined in the Announcements and the Consent Solicitation Memorandum shall have the same meanings when used in this announcement.

UPDATE ON THE CONSENT SOLICITATION

On the Settlement Date, subject to and in accordance with the terms and conditions of the Consent Solicitation Memorandum (including any Issuer Election), the Issuer will pay the relevant Consent Fee in respect of the June 2017 Perpetual Securities, the 2024 Notes and the 2019 Perpetual Securities to each Holder from whom a valid Voting Instruction in favour of the relevant Extraordinary Resolution had been received by the Information and Tabulation Agent by the relevant consent deadline as described in the Consent Solicitation Memorandum. If the Proposals are implemented in full, our parent company, FGHL, will be substituted as the issuer in respect of the Securities.

As specified in the Consent Solicitation Memorandum, satisfaction of the Settlement Conditions is one of the conditions to the (a) execution of the relevant Deeds of Novation to implement the relevant Proposals and (b) payment of any Consent Fees pursuant to the Consent Solicitation. The Settlement Conditions comprise of the Regulatory Condition, the Equity Raise Condition, the Ratings Condition and the Lender Consent Requirement.

Through a series of equity private placements conducted in late 2021 and during 2022 to certain global investors including Apollo, the Canada Pension Plan Investment Board, Li Ka Shing Foundation, Metro Pacific Investments Corporation, Pacific Century Group, The Siam Commercial Bank Public Company Limited, Swiss RE, Huatai Growth Focus Limited and Orix Asia Capital Limited, FGHL has raised a total of US\$1.825 billion.

We will continue to take active steps towards satisfaction of all the Settlement Conditions and will provide a further update in due course with respect to expected timing for satisfaction of the Settlement Conditions.

FINANCIAL UPDATE

On 28 February 2023, FGHL published (a) a press release entitled "*FWD Group announces update to bond consent solicitation and publication of annual results*" with respect to an update on our Consent Solicitation and its financial performance for the year ended 31 December 2022 (the "**Press Release**"), (b) its financial statements for the year ended 31 December 2022 (the "**Financial Statements**") and (c) an actuarial consultant's report issued by Milliman Limited for the period ended 31 December 2022 (the "**Actuarial Consultant's Report**"). Such documents are available on its corporate website at <https://www.fwd.com>.

FGHL continued to deliver strong organic growth in 2022, with the value of new business (“**VNB**”) reaching US\$823 million, representing a 28.9% increase on a constant exchange rate basis from 2021, with growth across all our market segments. Our new business margin (% of APE) improved to 58.5% in 2022 (from 47.4% in 2021) and our new business margin (% of PVNBP) improved to 10.1% in 2022 (from 7.5% in 2021), supported by our continued focus on providing protection to our customers. In particular, our bancassurance new business margin (% of APE) increased from 45.1% in 2021 to 54.3% in 2022. FGHL also reported that its segmental adjusted operating profit before tax, a non-IFRS measure, increased by 83.2% on a constant exchange rate basis from US\$205 million in 2021 to US\$334 million in 2022.

Key Performance Indicators

In addition to the information contained in the consolidated financial statements, FGHL has defined and presented various key performance indicators that it relies upon to evaluate, and in its view provide an alternative measure with which to monitor, its economic, financial and operating performance, and which it uses to monitor the underlying performance of it and its business and operations, identify trends in its business, and make strategic decisions, including setting performance goals for its executives and senior employees, and being a basis of its compensation program. These measures are not meant to be predictive of future results and have been presented by us to give Holders additional information with respect to the financial performance of FGHL, being the entity, which will be substituted as issuer in respect of the Securities if the Proposals are implemented in full.

Such key performance indicators measure the scale, growth, profitability and capital of FGHL’s business. Group EV, EV equity, VNB, new business margin, EV operating profit, operating ROEV and adjusted net UFSG, are actuarially determined estimates that rely upon certain assumptions and estimates made by management. See the Actuarial Consultant’s Report for details of actuarial estimates and assumptions. These indicators may not be comparable to other similarly titled measures of other life insurers or companies, since they are not uniformly defined or calculated, have limitations as analytical tools and should not be considered in isolation, or as alternatives or substitutes for analysis, of FGHL’s operating results reported under IFRS. Accordingly, Holders should exercise caution in comparing these measures as reported by FGHL to those of other life insurance companies.

Growth and Value Creation

Annualised premium equivalent (“**APE**”). APE is an operational performance measure and consists of the sum of 10% of single premiums and 100% of annualised first year premiums for all new policies, before reinsurance ceded. Consistent with the customary industry practice, a factor of 10% is applied to single premiums because such weighting makes the value of a single premium sale broadly equivalent to the same dollar amount of first year premiums. APE provides an indicative volume measure of new policies issued in the relevant period and thereby an indicator of how much new business sales FGHL is able to generate in any period. For its takaful business, APE refers to annualised contribution equivalent.

Value of new business (“**VNB**”). VNB is an actuarial performance measure which represents the value to shareholders arising from the new business issued during the relevant reporting period. It reflects the present value, measured at point of sale, of future net-of-tax profits on a local statutory basis less the corresponding cost of capital. VNB is calculated quarterly, based on assumptions applicable at the start of each quarter. VNB is a useful metric to help understand the profitability of FGHL’s new business.

Group embedded value (“**Group EV**”). Due to the long-tail nature of insurance policies with substantial future income expected to arise from in-force insurance policies, embedded value (“**EV**”) is a commonly adopted method of measuring the economic value of a life insurance company. Embedded value is an actuarial method of measuring the consolidated value of shareholders’ interests in the existing business

of an insurance company. It is an actuarial performance measure and an estimate of the economic value of a life insurance company based on a particular set of assumptions as to future experience, excluding any economic value attributable to any future new business. Group EV, an actuarial performance measure, represents the consolidated embedded value of FGHL and is presented on a net of financing basis. Financing for this purpose includes debt held and comprises borrowings and perpetual securities.

Embedded value equity ("**EV equity**"). EV equity, an actuarial performance measure, is defined to be the equity attributable to shareholders, and reflects the Group EV, adjusted to include goodwill and other intangible assets attributable to shareholders. It is presented on a net of financing basis. Financing for this purpose includes debt held and comprises borrowings and perpetual securities. EV equity allows FGHL to measure the total equity attributable to shareholders on an actuarial basis.

Profitability and Scale

Total weighted premium income ("**TWPI**"). TWPI, a non-IFRS measure, consists of 10% of single premiums, 100% of first year regular premiums and 100% of renewal premiums across all business lines, before reinsurance ceded, and includes deposits and contributions for contracts that are accounted for as deposits in accordance with FGHL's accounting policies. Consistent with customary industry practice, a factor of 10% is applied to single premiums because such weighting makes the value of a single premium sale broadly equivalent to the same dollar amount of first year premiums. TWPI provides an indicative volume measure of transactions undertaken in the relevant period that have the potential to generate profits for the shareholders.

Segmental adjusted operating profit before tax. Segmental adjusted operating profit before tax, a non-IFRS measure, consists of profit/(loss) from continuing operations after tax adjusted to exclude certain items defined in note (4) of the table below. Segmental adjusted operating profit before tax enhances the understanding and comparability of FGHL's performance and that of its operating segments on an ongoing basis. FGHL considers that trends can be more clearly identified without the significant impact of the amortisation of value of business acquired ("**VOBA**"), the one-off costs of integration activities and the costs of servicing debt used to finance acquisition activities, and the fluctuating effects of other non-operating items which are largely dependent on market factors.

Adjusted net profit/loss. Adjusted net profit/loss, a non-IFRS measure, is net profit/loss adjusted to exclude net profit/loss to FGHL and the Financing Entities (as defined below), assuming the reorganisation of FGHL (as described in the notes to the Financial Statements, the "Reorganisation") was completed as of 1 January 2020 as these were principally financing and treasury related costs that were shareholder related that did not form part of the Group overseen by FGHL management. Management views adjusted net profit/loss as a more relevant measure of FGHL net profits/losses as it gives pro forma effect to the Reorganisation and should be read in conjunction with net profit/loss which reflects the actual net profit / loss incurred based on the organisation structure in the relevant periods.

Embedded value operating profit ("**EV operating profit**"). EV operating profit is an actuarial performance measure that reflects the change in EV over the relevant period, adjusted for movements relating to acquisitions, partnerships and discontinued business, economic variance, economic assumption change, non-operating variance, capital movements, corporate adjustments, financing and foreign exchange movement. It comprises expected returns on EV, VNB, operating variance, and the impact of operating assumption changes. The results have been presented before allowing for operating variances other than claims/persistency/expense variances and operating assumption changes. EV operating profit allows us to measure the profits generated from its operating units on an actuarial basis.

Capital

Adjusted net underlying free surplus generation (“**adjusted net UFSG**”). Adjusted net UFSG is net UFSG excluding one-off opening adjustments, non-economic assumption changes and expense variance. The one-off opening adjustments, which are non-recurring, primarily include adjustments resulting from (i) revisions to the reserving methodology for valuation interest rate segregation in Hong Kong, and (ii) alignment of the valuation methodology for acquired entities (i.e., SCB Life Assurance Public Company Limited, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited) with FGHL’s EV methodology in 2020. The revisions to non-economic assumption updates are also considered one-off and excluded in the adjusted net UFSG. Net UFSG is an actuarial performance measure and represents the underlying free surplus generation (“UFSG”), allowing for the free surplus used to fund new business. It excludes investment return variances and other items such as the impact of acquisitions, new partnerships and discontinued business, capital movements and impact of financing. Free surplus is defined as the excess of adjusted net worth, i.e., adjusted statutory net asset value attributable to shareholders, over the required capital. Adjusted net worth comprises the statutory net asset value attributable to shareholders, reflecting the excess of assets over policy reserves and other liabilities reported on a local regulatory basis plus/minus mark-to-market adjustments for assets that have not been held on a market value basis minus the value of intangible assets. FGHL believes that this serves as a useful adequate measure of the quality of its in-force business and hence the ability to generate cash.

Ratios

Growth and Value Creation

New business margin. New business margin is an actuarial performance measure and measures the profitability of FGHL’s new business and is equal to VNB expressed as a percentage of APE or the present value of projected new business premiums (“**PVNB**”) for the relevant period.

Capital

Leverage ratio. Leverage ratio measures FGHL’s level of indebtedness and is calculated as debt divided by the sum of debt and shareholders’ allocated segment equity as at end of the relevant period.

Profitability and Scale

Expense ratio. Expense ratio measures FGHL’s operational efficiency and ability to manage its cost base as it grows its business and is measured as operating expenses divided by TWPI for the relevant period.

Operating ROEV. Operating ROEV is an actuarial performance measure and measures the return generated by FGHL’s in-force business and new business and is defined as the ratio of EV operating profit to the average of opening and closing Group EV for the relevant period. The results have been presented before allowing for operating variances other than claims/persistency/expense and operating assumption changes.

Key Performance Indicators

	For the year ended		2021-2022 YoY	2021-2022 YoY
	2021	2022		
	(US\$ millions, except for percentages)		(CER)	(AER)
Growth & Value Creation				
Annualised premium equivalent (APE) ⁽¹⁾	1,446	1,408	3.7%	(2.7%)
Value of new business (VNB) ⁽²⁾	686	823	28.9%	20.0%
Group embedded value (Group EV) ⁽²⁾⁽³⁾	5,731	6,066	13.9%	5.8%
Embedded value equity (EV equity) ⁽²⁾⁽³⁾	9,065	9,288	8.6%	2.5%
Profitability & Scale				
Total Weighted Premium Income (TWPI) ⁽⁴⁾	6,851	6,295	(0.1%)	(8.1%)
Segmental adjusted operating profit before tax (non-IFRS measure) ⁽⁴⁾	205	334	83.2%	63.2%
Adjusted net profit / (loss) attributable to shareholders of the company (non-IFRS measure) ⁽⁵⁾	188	(823)	N/A	N/A
EV operating profit ⁽²⁾⁽⁶⁾	885	1,072	30.3%	21.1%
Capital				
Adjusted net underlying free surplus generation (Adjusted net UFSG) ⁽⁷⁾	95	625	N/A	N/A
Ratios:				
New business margin (% of APE) ⁽²⁾⁽⁸⁾	47.4%	58.5%	N/A	N/A
New business margin (% of PVNBP) ⁽²⁾⁽⁹⁾	7.5%	10.1%	N/A	N/A
Expense ratio ⁽¹⁰⁾	14.4%	14.9%	N/A	N/A
Operating ROEV ⁽¹¹⁾	18.7%	18.2%	N/A	N/A
Leverage ratio ⁽¹²⁾	34.1%	34.6%	N/A	N/A

Except for TWPI, Segmental adjusted operating profit before tax, Adjusted net profit / (loss) attributable to shareholders of the company and Expense ratio, all other numbers in the table above are unaudited.

- (1) Operational performance measure. See the Actuarial Consultant's Report.
- (2) Actuarial performance measures. See the Actuarial Consultant's Report.
- (3) Presented on a net of financing basis. Financing for this purpose includes debt held and comprises borrowings and perpetual securities.
- (4) Non-IFRS measures. Segmental adjusted operating profit before tax consists of profit/(loss) from continuing operations after tax adjusted to exclude (i) net loss of FGHL and its financing subsidiaries, PCGI Intermediate Limited and PCGI Intermediate Holdings (II) Limited (the "Financing Entities"), assuming the Reorganisation was completed as of 1 January 2020 as these were principally financing and treasury related costs that were shareholder related that did not form part of the Group overseen by FWD management, (ii) tax, (iii) short-term fluctuations in investment

return related to equities and property investments and other nonoperating investment return, (iv) finance costs related to borrowings and long-term payables, (v) amortisation of VOBA, (vi) mergers and acquisitions, business set-up and restructuring-related costs, (vii) costs relating to an offering, including incentive costs, (viii) implementation costs for IFRS 9 and 17 and Group-wide Supervision, and (ix) any other non-operating items which, in FGHL's view, should be disclosed separately to enable a meaningful understanding of its financial performance.

- (5) Non-IFRS measure.
- (6) Presented before allowing for operating variances other than claims/persistency/expense variances and operating assumption changes.
- (7) Adjusted net UFSG is net UFSG excluding one-off opening adjustments, non-economic assumption changes and expense variance. See the Actuarial Consultant's Report.
- (8) New business margin (% of APE) is defined as VNB expressed as a percentage of APE for the relevant period.
- (9) New business margin (% of PVNBP) is defined as VNB expressed as a percentage of the PVNBP for the relevant period. See the Actuarial Consultant's Report.
- (10) Expense ratio is defined as operating expenses expressed as a percentage of TWPI for the relevant period.
- (11) Actuarial performance measure. See the Actuarial Consultant's Report.
- (12) Calculated as debt divided by the sum of debt and shareholders' allocated segment equity as at the end of the applicable period.

FURTHER DETAILS

Holders should refer to the relevant Notice and the Consent Solicitation Memorandum for details of the Consent Solicitation. The Consent Solicitation Memorandum, the Notices as well as other relevant documents, can be accessed, subject to eligibility and registration, via the Consent Website: <https://bonds.morrowsodali.com/fwd>.

Separately, Holders who need assistance may contact the Information and Tabulation Agent at the following contact details:

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Consent Website: <https://bonds.morrowsodali.com/fwd>

Holders with queries on the Consent Solicitation should contact the Solicitation Agent at the following details:

The Hongkong and Shanghai Banking Corporation Limited Level 17, HSBC Main Building 1 Queen's Road Central

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28 February 2023

As at the date of this announcement, the Directors of the Issuer are Ma Si Hang Frederick, Damis Jacobus Ziengs, Li Tzar Kai Richard, Peter Anthony Allen, John Russell Baird, Chung Martina Kit Hung, John Robert Dacey, Kyoko Hattori, Dirk Marinus Sluimers and Huynh Thanh Phong.