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[·] 2025

The Directors
FWD Group Holdings Limited
富衛集團有限公司
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ACTUARIAL CONSULTANT'S REPORT

Dear Directors,

1 INTRODUCTION

1.1. BACKGROUND

FWD Group Holdings Limited 富衛集團有限公司 (formerly known as PCGI Intermediate Holdings Limited) ("FWD Group", "FWD", "Company", "you" or "your") has prepared, in respect of FWD Group and its subsidiaries, the embedded value ("EV") and the value of new business ("VNB") for each calendar year over the period from 1 January 2022 to 31 December 2024 (referred to as the "track record period"). The EV is calculated as at 31 December 2022 ("2022 EV"), 31 December 2023 ("2023 EV") and 31 December 2024 ("2024 EV") (collectively referred to as "Valuation Dates"), while the VNB covers 12 months of sales for calendar years 2022 ("2022 VNB"), 2023 ("2023 VNB") and 2024 ("2024 VNB") respectively. The Company has also prepared additional analyses, including sensitivity tests on EV and VNB, and the determination of EV equity, EV operating profit, free surplus generation, distributable earnings and analysis of EV movement by calendar year over the track record period. These results are collectively referred to as the "EV Results" and have been prepared by the Company.

Milliman Limited ("Milliman", "we", "us" or "our") has been engaged by FWD Group to independently review and provide an opinion on the EV Results. This report ("Report") sets out the consolidated results as prepared by FWD Group over the track record period and includes a description of the EV methodology and assumptions, details of our review and opinion, as well as the reliances and limitations applicable to our work. In accordance with the engagement letter dated 11 March 2024, this Report has been prepared for inclusion in this document ("the Document") in connection with the [**REDACTED**] of FWD Group on the [**REDACTED**]. This Report should be read in conjunction with the rest of the Document, which provides details of FWD Group's business and related risk factors. This Report should be read in its entirety, including the reliances and limitations, as individual sections, if considered in isolation, may be misleading.

Milliman is acting exclusively for FWD Group, and no one else, in connection with this [**REDACTED**]. This Report has been prepared for the purpose of inclusion in the Document. This Report should not be used for any other purpose without our prior written consent. Neither Milliman nor any employee of Milliman assumes responsibility arising in any way whatsoever to any other party in respect of this Report contrary to the aforesaid purpose.

Except where otherwise stated, the figures quoted in this Report as at the Valuation Dates do not make allowance for any developments after those dates. The various monetary amounts specified are expressed in US Dollars ("USD").

1.2. FWD GROUP STRUCTURE

In 2022, the Company undertook a series of reorganisation activities to unify the ownership structure of FWD Group, involving the merger of FWD Group Holdings Limited 富衛集團有限公司 (formerly known as PCGI Intermediate Holdings Limited) with PCGI Limited. Following the merger, PCGI Limited ceased to exist, with FWD Group, after reorganisation, being the immediate holding company of:

- FWD Limited; and
- FWD Group Limited

FWD Limited as at 31 December 2024 is the holding company of the following entities:

- FWD Life Insurance Company (Bermuda) Limited ("FWD Life (Bermuda)");
- FWD Life Insurance Company (Macau) Limited ("FWD Macau");
- FWD Life Assurance Company (Hong Kong) Limited ("FWD Life Assurance (Hong Kong)");
- FWD Life (Hong Kong) Limited ("FWD Life (Hong Kong)");
- FWD Vietnam Life Insurance Company Limited ("FWD Vietnam");
- FWD Takaful Berhad ("FWD Malaysia");
- FWD Financial Planning Limited;
- Antede Limited;

- AMG Financial Group Limited (Hong Kong);
- AMG Wealth Management Limited;
- FWD Financial Limited;
- OGS (I) Limited (Cayman Islands);
- OGS (II) Limited (Cayman Islands);
- One George Street LLP (Republic of Singapore);
- Sky Accord Limited (Cayman Islands);
- Future Radiance Limited (Cayman Islands);
- FWD Properties Limited (Hong Kong);
- PT Asuransi BRI Life ("BRI Life");
- FWD Insurance Berhad (Malaysia);
- FWD BSN Holdings Sdn. Bhd. (Malaysia) ("FWD BSN Holdco"); and
- FMH Capricorn Holdings Sdn. Bh.

FWD Life (Bermuda), FWD Macau, FWD Life Assurance (Hong Kong) and FWD Life (Hong Kong) are the life insurance subsidiaries of FWD Limited, and BRI Life is a life insurance associate of FWD Limited. FWD Limited owns a minority stake[1] in BRI Life, a life insurance subsidiary of PT Bank Rakyat Indonesia (Persero) Tbk. On 3 April 2023, FWD Group, along with local investors, acquired a 70% stake in FWD BSN Holdco, a company established under the laws of Malaysia. FWD BSN Holdco is the holding company of FWD Insurance Berhad (Malaysia) (formerly known as "Gibraltar BSN Life Berhad"), a life insurance company acquired from Prudential Insurance Company of America. FWD Malaysia and FWD Vietnam are the life insurance subsidiaries of FWD Life (Bermuda). FWD Life (Bermuda) has also established a branch in Singapore ("FWD Bermuda Singapore") and commenced writing new business through the branch in 2024. FWD Malaysia, FWD Vietnam and FWD Bermuda Singapore are treated as separate entities, and the value from these entities is reported separately and not included within the results of FWD Life (Bermuda).

[1] On 2 March 2022, 2 March 2023 and 1 March 2024, FWD acquired an additional 5.28%, 4.68% and 4.14% stakes in BRI Life, increasing its holding to 35.14%, 39.82% and 43.96% respectively. The 2022 EV, 2023 EV and 2024 EV represents a 35.14%, 39.82% and 43.96% economic interest respectively following the increase in this stake. The VNB in respect of new business written from 1 March 2024 to 30 November 2024 represent a 43.96% economic interest following the recent increase in this stake. The VNB in respect of new business written from 1 March 2023 to 30 November 2023 represent a 39.82% economic interest following the recent increase in this stake. The VNB in respect of new business written from 1 December 2021 to 28 February 2022 represents a 29.86% economic interest, and from 1 March 2022 to 28 February 2023 represents a 35.14% economic interest.

As at 31 December 2024, FWD Group Limited is the holding company of the following entities:

- FWD Life Insurance Corporation ("FWD Philippines");
- FWD Life Insurance Public Company Limited ("FWD Thailand");
- PT FWD Insurance Indonesia ("FWD Indonesia");
- FWD Singapore Pte. Ltd. ("FWD Singapore");
- FWD Life Insurance Company, Limited ("FWD Japan");
- FWD Reinsurance SPC, Ltd. ("FWD Reinsurance");
- FWD Life Insurance (Cambodia) Plc. ("FWD Cambodia");
- FWD Group Services (Thailand) Co., Ltd.;
- IPP Financial Advisers Pte. Ltd.; and
- PT FWD Asset Management.

FWD Japan, FWD Reinsurance, FWD Thailand, FWD Indonesia, FWD Philippines and FWD Cambodia are life insurance subsidiaries of FWD Group Limited. FWD Singapore is a composite insurance subsidiary of FWD Group Limited.

Operating entities in this Report refer to life insurance subsidiaries and associates, and non-life insurance subsidiaries, as well as other subsidiaries, associates and joint ventures[2]. Life insurance subsidiaries and associates refer to life insurance companies, including composite insurers. Non-life insurance subsidiaries refer to entities that are general insurance companies, asset management companies and financial planning/broking firms. All other entities that are held in FWD Limited and FWD Group Limited and not listed above are classified as "non-operating entities" and form part of "corporate and other" adjustments.

[2] Subsidiaries refer to companies in which the operating entity owns a majority stake, while associates refer to companies in which the operating entity owns a minority stake which FWD Group has significant influence in but does not have control or joint control. Joint ventures are entities whereby FWD Group and other parties undertake an economic activity which is subject to joint control arising from a contractual agreement.

The FWD business units for which value of in-force ("VIF") and VNB results have been determined are referred to as "Business Units" in this report. In some cases, several entities are grouped as one Business Unit by FWD. The Business Units referred to in this Report are as follows:

- FWD Hong Kong, which collectively includes the following entities:
  - FWD Life (Bermuda)[3];
  - FWD Life Assurance (Hong Kong); and
  - FWD Life (Hong Kong).
- FWD Macau
- FWD Japan
- FWD Reinsurance
- FWD Thailand
- FWD Indonesia
- FWD Malaysia
- FWD Philippines
- FWD Singapore
- FWD Bermuda Singapore
- FWD Vietnam
- FWD Cambodia
- BRI Life

[3] The life insurance subsidiaries of FWD Life (Bermuda) (i.e. FWD Malaysia and FWD Vietnam) are treated as separate entities. These life insurance subsidiaries, together with FWD Bermuda Singapore, have been excluded from the results prepared for FWD Life (Bermuda).

- FWD IB, which collectively includes the following entities:
  - FWD Insurance Berhad (Malaysia);
  - FWD BSN Holdco; and
  - FMH Capricorn Holdings Sdn. Bh

FWD acquired FWD Assurance VietNam Company Limited (formerly Vietcombank-Cardif Life Insurance) ("FWD VCLI") on 8 April 2020 and disposed of it on 21 March 2022. No VIF or VNB have been determined for FWD VCLI. The assumptions by Business Unit presented in Section 3 and Section 4 of this Report, therefore also exclude this entity.

For BRI Life, the 2022 EV, 2023 EV and 2024 EV have been calculated as at 30 November 2022, 30 November 2023 and 30 November 2024 respectively, and the 2022 VNB, 2023 VNB and 2024 VNB are in respect of new business written in the 12 months ended 30 November 2022, 30 November 2023 and 30 November 2024 respectively. FWD's acquisition of a minority 29.86% stake in BRI Life was completed on 2 March 2021, followed by additional acquisition of 5.28%, 4.68% and 4.14% stakes on 2 March 2022, 2 March 2023 and 1 March 2024 respectively, increasing its holding to 35.14%, 39.82% and 43.96% respectively.

For FWD IB, the 2023 EV has been calculated as at 31 December 2023 and the 2023 VNB is in respect of new business written from the date of acquisition to 31 December 2023. The 2024 EV, 2023 EV, 2024 VNB and 2023 VNB have been calculated in respect of FWD Group's 14%[4] economic interest in FWD IB.

The VNB has been presented by region, while the EV and other reporting metrics have been presented at a consolidated group level. The allocation of Business Units to each region is mapped out below:

- Hong Kong: FWD Hong Kong and FWD Macau
- Thailand: FWD Thailand and FWD Cambodia
- Japan: FWD Japan and FWD Reinsurance[5]
- Emerging Markets: FWD Indonesia, FWD Malaysia, FWD Philippines, FWD Singapore, FWD Bermuda Singapore, FWD Vietnam, BRI Life and FWD IB

[4] FWD Group owns 20% of the 70% stake in FWD BSN Holdco while FWD BSN Holdco owns 100% of FWD Insurance Berhad (Malaysia). FWD Group's economic interest in FWD IB is therefore 14% (i.e. 20% x 70% x 100%) of FWD Insurance Berhad (Malaysia) and FWD BSN Holdco and 20% of FMH Capricorn Holdings Sdn. Bh.

[5] The business ceded to FWD Reinsurance is purely from wholly owned FWD Japanese entities. Hence FWD Reinsurance is included as part of Japan.

The EV Results in this Report represent a 70.0%[6] holding for FWD Malaysia, a 99.96% holding in FWD Thailand, a 43.96%[7] in BRI Life, a 70.0%[8] holding in FWD BSN Holdco and a 100.0% holding for other entities (please see Section 3.6 of this Report).

1.3. SCOPE OF OUR WORK

Our work involved the following:

- We have reviewed the methodology and derivation of assumptions used to determine the EV Results presented in this Report.

- We have reviewed the analysis that has been performed by FWD Group to support the risk discount rates, with details described in Section 4.1 of this Report.

- For all Business Units, the VIF and VNB have been derived by FWD using their in-house models developed in Prophet, a proprietary modelling software provided by a third party, FIS (collectively referred to as the "Prophet models"). The compilation of results and any off-model adjustments have been carried out by FWD using Microsoft Excel ("Excel models" together with the Prophet Models, the "Valuation Models"). We have reviewed certain elements of the Valuation Models. In particular, we have carried out sample policy checks on the projected cash flows produced by the Valuation Models using Excel-based models we have developed internally, and reviewed the aggregate cash flows by product groups for reasonableness. For all Business Units, our model review work has covered products making up at least 90% of statutory reserves (for VIF) and at least 90% of new business annual premium equivalent ("NB APE") (for VNB).

- We have also performed checks on the EV Results by the Business Units and have reviewed the consolidated EV Results, including adjustments made in respect of unallocated Group Office expenses. Details of our review are provided in Section 6.3 of this Report.

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6 On 8 March 2024, FWD acquired an additional 21% stake in FWD Malaysia, increasing its holding from 49.0% to 70.0% representing FWD's share in the ordinary share capital of MYR 100 million issued. As at 31 December 2024, FWD Malaysia has also issued MYR 729 million of preference share capital to FWD. Taking into account the total share capital held by FWD (ordinary share capital plus preference share capital), the 2022, 2023 and 2024 EV assume a 100% economic interest in FWD Malaysia, aligned with the treatment adopted for the IFRS accounts. Similarly, the 2022, 2023 and 2024 VNB for FWD Malaysia are also based on a 100% economic interest. It should be noted that the percentage share for future EV and VNB calculations will reduce from the 100% level assumed when the preference share capital issued to FWD is redeemed, consistent with the treatment adopted for IFRS reporting.

7 Refer to footnote 1.

8 Refers to the stake in FWD BSN Holdco acquired by FWD Group and local investors. Refer to footnote 4 for details of FWD Group's economic interest in FWD IB.

The objective of our review was to confirm that the EV Results have been prepared, in all material respects, in accordance with the methodology and assumptions described in this Report.

1.4. STRUCTURE OF THE REPORT

The various sections of this Report are set out as follows:

- Section 2: Key highlights – provides an overview of the EV Results
- Section 3: Methodology – provides details of the methodology adopted in the derivation of the EV Results
- Section 4: Assumptions – describes the assumptions used to calculate the EV Results
- Section 5: EV Results – sets out the EV Results, including sensitivity analysis
- Section 6: Milliman opinion – provides a formal opinion in respect of the EV Results
- Section 7: Reliances and limitations – sets out the reliances and limitations applicable to our work and to this Report
- Appendix A: Abbreviations used in this Report
- Appendix B: Key information received
- Appendix C: Exchange rates used in deriving the results
- Appendix D: Breakdown of EV results by region

2 KEY HIGHLIGHTS

An overview of the EV Results across the track record period is presented in this section. While reading this section alone can provide a high-level summary, it does not give the full details, and this Report must be read in its entirety in order to be fully understood. Further details of the methodology, assumptions, and EV Results, including sensitivity analyses, are set out in Sections 3, 4 and 5 of this Report.

An embedded value is an actuarial method of measuring the consolidated value of shareholders' interests in the in-force business of an insurance company. It is an estimate of the economic value of life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to future new business. The EV is taken to be the sum of the adjusted net worth ("ANW") and VIF, with the methodology defined in Section 3.1 of this Report. Group EV represents the consolidated EV of FWD Group. EV equity 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.

VNB represents the value to shareholders arising from the new business issued during the relevant reporting period, with the methodology defined in Section 3.2 of this Report. New business margin is equal to VNB expressed as a percentage of NB APE[9] for the relevant reporting period. NB APE represents 100% of annualised first year premium and 10% of single premium. An alternative new business margin with VNB expressed as a percentage of the present value of new business premium ("PVNBP") has also been presented. PVNBP is the present value of projected new business premium discounted at the risk discount rates set out in Table 4.1. The VNB and the new business margins presented in this Report have been based on long-term unit cost loadings. Using these long- term unit cost loadings results in expense overruns (i.e. where the projected future expenses reflected within the VNB calculations are expected to be lower than the actual level of acquisition expenses expected to be incurred) in the short term. Further details of the expense overruns, including historical expense and commission variance across the track record period, are presented in Section 4.5 of this Report.

EV operating profit reflects the change in EV over the period, adjusted for non-recurring items[10]. It comprises expected returns on EV, VNB, operating variance, and the impact of operating assumption change. The results have been presented before and after allowance for operating assumption change and operating variance other than claims/persistency/expense variances.

Operating entity EV reflects the consolidated EV of the operating entities within FWD Group. It excludes corporate and other adjustments, which comprise corporate and other net assets, allowance for unallocated Group Office expenses and adjustment for financing.

Free surplus is defined as the excess of ANW over the required capital. The underlying free surplus generation represents the free surplus generated by FWD Group over the period, adjusted to exclude new business funding and certain non-recurring items. It excludes free surplus used to fund new business, investment return variances and other items, acquisitions, partnerships (i.e. the effect of acquiring stakes in BRI Life and FWD IB) ("Acquisitions & partnerships") and business lines that have been terminated ("Discontinued business"), capital movements and the impact of financing, but includes methodology

9 For FWD Malaysia's takaful business, the annualised premium equivalent is referring to the annualised contribution equivalent.

10 Non-recurring items include movements relating to acquisitions & partnerships/discontinued business, economic variance, economic assumption change, non-operating variance, capital movements, corporate centre expenses, financing and foreign exchange movement. Please see Section 5.3 of this Report for further details.

updates relating to accounting changes. The net underlying free surplus generation represents the equivalent results after deducting the free surplus used to fund new business, while the adjusted net underlying free surplus generation includes adjustments for one-off variances.

At the end of 2023, the Company made revisions and updates to certain methodologies and operating assumptions which resulted in material differences when applied to the actual reported NB APE and VNB in the year ended 31 December 2023. Accordingly, in order to facilitate a more meaningful comparison between results for the year ended 31 December 2023 and 31 December 2024, the Company has presented comparative figures for NB APE and VNB in 2023 on a "like-for-like basis" i.e. (i) in the case of VNB, assuming that operating assumption changes as of 31 December 2023 were effective as of 1 January 2023; (ii) in the case of VNB and NB APE, aligning the renewal term of group business to the treatment under International Financial Reporting Standards ("IFRS") 17[11]; and (iii) in the case of VNB, making allowance for costs associated with agency recruitment programs[12]. No comparable adjustments were made for 2022.

Table 2.1: Summary of Group EV (in USD millions)

		As at 31 December		Change during 2023 (% 31 Dec 2022 results)		Change during 2024 (% 31 Dec 2023 results)	
Embedded value	**2022**	**2023**	**2024**	**CER basis**	**AER basis**	**CER basis**	**AER basis**
Group EV	6,066	5,682	5,569	(4.2%)	(6.3%)	2.8%	(2.0%)
– ANW	2,268	2,856	2,597	27.3%	25.9%	(3.6%)	(9.1%)
– VIF	3,798	2,826	2,972	(23.4%)	(25.6%)	9.2%	5.2%

		As at 31 December		Change during 2023 (% 31 Dec 2022 results)		Change during 2024 (% 31 Dec 2023 results)	
EV equity	**2022**	**2023**	**2024**	**CER basis**	**AER basis**	**CER basis**	**AER basis**
Group EV	6,066	5,682	5,569	(4.2%)	(6.3%)	2.8%	(2.0%)
Plus: Goodwill and other intangible assets	3,222	3,186	3,167	(1.3%)	(1.1%)	0.5%	(0.6%)
EV equity	9,288	8,867	8,736	(3.2%)	(4.5%)	2.0%	(1.5%)

11 The renewal term of group business was previously 15 years and revised to be aligned with IFRS 17 treatment with effect from 31 December 2023.

12 These costs were previously accounted for as a one-off expense and not reflected within the VNB.

New business value on a like-for-like basis	Year ended 31 December			YoY change in 2023		YoY change in 2024	
	2022	2023	2024	CER basis	AER basis	CER basis	AER basis
VNB	NA	749	834	NA	NA	13.5%	11.3%
NB APE	NA	1,616	1,916	NA	NA	20.9%	18.6%
New business margin (% of NB APE)	NA	46.4%	43.5%	NA	NA	(2.8) pps	(2.9) pps

New business value on a reported basis	Year ended 31 December			YoY change in 2023		YoY change in 2024	
	2022	2023	2024	CER basis	AER basis	CER basis	AER basis
VNB	823	991	834	21.9%	20.4%	(14.0%)	(15.8%)
NB APE	1,408	1,646	1,916	18.3%	17.0%	18.6%	16.4%
PVNBP	8,126	8,663	9,333	8.0%	6.6%	9.7%	7.7%
New business margin (% of NB APE)	58.5%	60.2%	43.5%	1.8 pps	1.7 pps	(16.5) pps	(16.6) pps
New business margin (% of PVNBP)	10.1%	11.4%	8.9%	1.3 pps	1.3 pps	(2.5) pps	(2.5) pps

EV operating profit	Year ended 31 December			YoY change in 2023		YoY change in 2024	
	2022	2023	2024	CER basis	AER basis	CER basis	AER basis
Before operating assumption change and other operating variance[(1)]	1,072	1,242	1,419	17.9%	15.9%	16.5%	14.2%
After operating assumption change and other operating variance[(1)]	1,027	606	1,152	(42.2%)	(41.0%)	93.9%	90.2%

Free surplus generation	Year ended 31 December			YoY change in 2023		YoY change in 2024	
	2022	2023	2024	CER basis	AER basis	CER basis	AER basis
Underlying free surplus generation	1,753	790	722	(56.6%)	(54.9%)	1.8%	(8.6%)
Free surplus to fund new business	(165)	(6)	(14)	n/m	n/m	n/m	n/m
Net underlying free surplus generation(2)	1,589	785	709	(52.7%)	(50.6%)	0.3%	(9.7%)
Adjusted underlying free surplus generation(2)	668	673	811	2.9%	0.7%	24.4%	20.5%
Adjusted free surplus used to fund new business(2)	(43)	114	28	n/m	n/m	(74.6%)	(75.1%)
Adjusted net underlying free surplus generation(2)	625	786	839	27.5%	25.8%	9.7%	6.7%

Figures may not be additive due to rounding.

CER: Constant exchange rate (refer to Section 3.5 for the definition of CER). AER: Actual exchange rate.

YoY: Year-on-year. pps: Percentage points.

NB APE: New business annualised premium equivalent (i.e. 100% of annualised first year premium plus 10% of single premium).

PVNBP: Present value of projected new business premium discounted at the same risk discount rates as VNB.

NA: Not applicable.

n/m: Not meaningful. The YoY change in percentage terms is not meaningful when comparing a figure to a prior negative figure.

Note (1): Refers to all operating variances other than claims/persistency/expense variances.

Note (2): Refers to Table 5.13 for the breakdown between net underlying free surplus generation, adjusted underlying free surplus generation, adjusted free surplus used to fund new business and adjusted net underlying free surplus generation.

3 METHODOLOGY

The EV and VNB of FWD Group have been determined using a Traditional Embedded Value ("TEV") approach. This approach makes implicit allowance for the time value of financial options and guarantees and other risks associated with the realisation of the projected future profits through the use of a risk adjusted discount rate. The higher the risk discount rate, the greater the allowance for these risks. TEV methodology is commonly used by life insurance companies in Asia. Alternative approaches, such as those using "fair value" and "Market Consistent Embedded Value" have been developed by FWD, under which these types of risks, including the allowance for the time value of financial options and guarantees, are explicitly valued. The work performed by FWD to validate the consistency of the allowance for risk in the risk discount rates is described in Section 4.1 of this Report.

3.1. EMBEDDED VALUE

The EV is taken to be the sum of the ANW and VIF.

The ANW represents the adjusted statutory net asset value attributable to shareholders. The ANW for each Business Unit comprises:

	the statutory net asset value, 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 reported on a market value basis
minus	the value of intangible assets

The ANW includes the statutory net asset value reported for the other operating entities not referred to as Business Units. The ANW also includes adjustments for non-operating entities.

The ANW for non-operating entities reflects the reported IFRS equity, adjusted to reverse out the value of intangible assets[13] aligned with the approach for each Business Unit and for subordinated perpetual capital securities issued through FWD Limited and zero coupon subordinated perpetual capital securities issued through FWD Group Limited (with a combined carrying value of USD1,354 million as at 31 December 2022, USD1,348 million as 31 December 2023 and USD741 million as at 31 December 2024). These securities are treated as equity in the audited consolidated financial statements of FWD Group Holdings Limited 富衛集團有限公司 (formerly known as PCGI Intermediate Holdings Limited) (referred to as "IFRS accounts"). The carrying value of these securities has been deducted in the ANW when determining the Group EV.

13 Reversing out the value of intangible assets was only applied to the 2024 EV. For the 2022 EV and 2023 EV, no reversal of intangible assets was made to the ANW, and expenses reflecting the amortisation of intangible assets related to non-operating entities have instead been captured within the VIF as part of the unallocated Group Office expenses.

The VIF for each Business Unit represents the present value of future net-of-tax statutory profits arising from the in-force business as at the respective Valuation Dates less the cost of capital required to support the in-force business. The projected statutory profits include adjustments for maintenance expense overruns relating to in-force business (i.e. where the projected future expenses reflected within the VIF calculations are expected to be lower than the actual level of maintenance expenses expected to be incurred), and an additional allowance set aside to eliminate future negative statutory profits. The cost of capital is calculated as the present value of the net-of-tax investment return on shareholder assets backing required capital, plus the present value of any changes in required capital, less the face value of the required capital at the respective Valuation Dates. The projection of profits and required capital is over the projected lifetime of the in-force business.

The business covered in the VIF comprises all life insurance business, including medical, accident & health business managed by the Business Units. No allowance has been made in the VIF for non-life business.

An adjustment has been made to the VIF to reflect the present value of future unallocated Group Office expenses. As most of these expenses are incurred in Hong Kong Dollars, the future unallocated Group Office expenses have been discounted using the risk discount rate applicable to Hong Kong.

The Group EV is further split into operating entity EV and corporate and other adjustments. The operating entity EV reflects the consolidated EV of the operating entities within FWD Group before corporate and other adjustments. Corporate and other adjustments include the ANW of non-operating entities and a VIF adjustment for unallocated Group Office expenses.

The breakdown of ANW, Group EV and EV equity results is shown in Section 5.1 of this Report.

3.2. VALUE OF NEW BUSINESS

The VNB for each Business Unit represents the value to shareholders arising from the new business issued during the relevant reporting period.

The VNB 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. The VNB is calculated quarterly, based on assumptions applicable at the start of each quarter[14].

[14] As part of the 2024 mid-cycle review, there were updates to some operating assumptions and these assumptions have been retrospectively applied from the start of 2024. Therefore, the assumptions applicable at the start of each quarter would reflect these revisions.

The VNB covers all new life insurance sales with premiums paid and policies issued during the reporting period. Incremental premiums to existing contracts, if the increases are triggered by corresponding increases in benefits, are considered to be part of VNB.

The VNB results shown in this Report are based on long-term unit costs rather than current expense levels and make no allowance for the value of acquisition expense overruns and commission overruns in respect of the underlying new business. Further details are outlined in Section 4.5 of this Report.

3.3. UP-FRONT ACCESS FEES AND MILESTONE FEES

Up-front access fees paid to distributors have been fully reflected in the ANW.

Milestone fees paid have been accounted for as expenses and reflected in the ANW. Depending on the nature of the payment, these fees have also been reflected in the VNB reported for the period.

3.4. REQUIRED CAPITAL

Table 3.1 sets out the assumed levels of required capital for each Business Unit. The same level of required capital has been assumed across the track record period, with the exception of FWD Hong Kong, FWD Japan, FWD Singapore and FWD Cambodia.

For FWD Hong Kong, the Hong Kong Insurance Authority approved the early adoption of the Hong Kong risk-based capital regime ("HK RBC") from 1 July 2022. The EV and VNB results over the track record period, except the first half of 2022 VNB, have been determined under the HK RBC regime, with results based on an assumed level of capital requirement set equal to 100% of the HK RBC capital requirement. Prior to the second half of 2022, the VNB has been based on 150% of the required minimum solvency margin under the Insurance Ordinance, Chapter 41 of the Laws of Hong Kong.

Table 3.1: Required capital by Business Unit

Business Units	Results	Required Capital
FWD Hong Kong	First half of 2022 VNB	150% of required minimum solvency margin
	All other results	100% of regulatory risk-based capital requirement
FWD Macau	All	150% of required minimum solvency margin
FWD Japan	All	600% of regulatory risk-based capital requirement

Business Units	Results	Required Capital
FWD Reinsurance	First half of 2022 VNB	400% of regulatory risk-based capital requirement
	All other results	200% of regulatory risk-based capital requirement
FWD Thailand	All	140% of regulatory risk-based capital requirement (RBC 2)
FWD Indonesia and BRI Life	All	120% of regulatory risk-based capital requirement
FWD Malaysia and FWD IB	All	195% of regulatory risk-based capital requirement for FWD Malaysia
		200% of regulatory risk-based capital requirement for FWD IB
FWD Philippines	All	125% of regulatory risk-based capital requirement
FWD Singapore	2022 VNB	135% of regulatory risk-based capital requirement (RBC 2)
	2022 EV and 2023 VNB	125% of regulatory risk-based capital requirement (RBC 2)
	All other results	114% of regulatory risk-based capital requirement (RBC 2)
FWD Bermuda Singapore	All	107% of regulatory risk-based capital requirement (RBC 2)
FWD Vietnam	All	100% of required minimum solvency margin
FWD Cambodia	2022 VNB	100% of required minimum solvency margin
	All other results	120% of required minimum solvency margin

The Hong Kong Insurance Authority introduced a group-wide supervision framework effective from 29 March 2021. FWD Group performed an internal study at least annually over the track record period to validate that the framework will not introduce any additional cost of capital requirements beyond those set out in this Report.

3.5. EXCHANGE RATES

The exchange rates set out in Appendix C to this Report, applicable as at the respective Valuation Dates, have been used to convert the EV figures from local currency to USD for each Business Unit. The VNB and EV operating profit over the track record period have been calculated quarterly using the quarterly average exchange rates applicable.

In Table 2.1, the change in results based on actual exchange rates ("AER") has been calculated by converting the local currency results for each Business Unit to USD using the exchange rates set out in Appendix C to this Report. The changes in EV and EV equity based on constant exchange rate ("CER") have been calculated by converting the local currency results for each Business Unit to USD using the end of period exchange rate applied to both the results at the end of the period and the results at the end of the prior period. The changes in VNB, EV operating profit and free surplus generation based on CER have been calculated by converting the local currency results to USD using the average exchange rates observed for the current reporting period, applied to both results in the current period and results in the prior period.

3.6. NON-CONTROLLING INTEREST

The EV Results exclude the value attributable to any non-controlling interest, which means they represent a 70.0%[15] holding for FWD Malaysia, a 99.96% holding in FWD Thailand, a 43.96%[16] holding in BRI Life, a 70.0%[17] holding in FWD BSN Holdco and a 100.0% holding for other Business Units. For FWD Malaysia, the EV and VNB have been prepared assuming a 100% economic interest in the Company; further details of this change are provided in in footnote 6 of this Report.

3.7. REORGANISATION

The EV Results presented across the track record period have been determined based on the adjusted financial statements[18] prepared by the Company pursuant to the reorganisation of FWD Group, as described in first paragraph of Section 1.2 of this Report. Further details of the reorganisation activities and the basis on which the adjusted financial statements have been prepared are presented in the IFRS accounts.

15 Refer to footnote 6.

16 Refer to footnote 1.

17 Refer to footnote 8.

18 Please see Note 6 of audited IFRS accounts.

4 ASSUMPTIONS

This section provides a summary of the assumptions used to determine the EV Results.

4.1. ECONOMIC ASSUMPTIONS

The economic assumptions for each Business Unit have been set based on long-term returns on assets as prescribed by FWD Group. The long-term returns have been set with reference to FWD Group's long-term outlook for the economy, interest rates and asset class yields. An adjustment has been included to grade the economic assumptions from the current market yields observed at the respective Valuation Dates to the assumed long-term returns.

For each Business Unit, the investment returns have been determined by applying the projected annual returns by major asset category to the assumed asset mix. The asset mix has been determined based on current and future target asset allocations. Within each Business Unit, the investment returns may differ by product group or by fund.

The risk discount rate for each Business Unit has been set by FWD Group. The difference between the risk discount rate and the risk-free rate of return (set with reference to 10-year government bond yields) is referred to as the "risk margin." The risk margin is intended to represent the level of additional return an investor might consider to be appropriate to reflect the underlying risk of the business.

To provide assurance that the economic assumptions are internally consistent with current economic conditions as at the respective Valuation Dates, FWD has also performed various analyses to assess if the risk discount rate used is appropriate, including comparing the TEV results with the results from market consistent valuations performed by FWD. The approach of using market consistent analyses to assess the reasonableness of the risk discount rate is a common practice for insurers that report TEV results.

Table 4.1 sets out the risk discount rates, local equity returns and long-term 10-year government bond yields assumed in the EV calculations, along with the current market 10-year government bond yields referenced in the EV Results as at 31 December 2022, 31 December 2023 and 31 December 2024. VNB has been calculated quarterly, based on the economic assumptions at the start of the quarter.

Table 4.1: Economic assumptions and current market 10-year government bond yields (per annum)

	Risk Discount Rates Assumptions			Local Equity Returns Assumptions		
Business Units	As at 31 Dec 2022	As at 31 Dec 2023	As at 31 Dec 2024	As at 31 Dec 2022	As at 31 Dec 2023	As at 31 Dec 2024
FWD Hong Kong and FWD Macau	7.55%	7.80%	8.20%	7.90%	8.00%	8.00%
FWD Japan and FWD Reinsurance	6.00%	6.25%	6.75%	NA	NA	NA
FWD Thailand	8.75%	8.75%	8.25%	8.95%	8.75%	8.00%
FWD Indonesia and BRI Life	14.00%	13.75%	13.00%	11.50%	11.25%	10.50%
FWD Malaysia and FWD IB	9.00%	9.15%	8.65%	8.79%	8.79%	8.35%
FWD Philippines	12.75%	12.75%	12.55%	11.62%	11.62%	10.55%
FWD Singapore and FWD Bermuda Singapore	7.15%	7.55%	7.35%	6.50%	7.00%	7.50%
FWD Vietnam	10.75%	10.75%	10.65%	9.70%	9.30%	9.30%
FWD Cambodia	11.85%	12.10%	12.60%	NA(1)	NA(1)	NA(1)
Group Office expense adjustments	7.55%	7.80%	8.20%	NA	NA	NA

	Long-Term 10-Year Government Bond Yields Assumptions			Current Market 10-Year Government Bond Yields		
Business Units	As at 31 Dec 2022	As at 31 Dec 2023	As at 31 Dec 2024	As at 31 Dec 2022	As at 31 Dec 2023	As at 31 Dec 2024
FWD Hong Kong and FWD Macau	2.75% (USD); 2.40% (HKD)	3.00% (USD); 2.75% (HKD)	3.50% (USD); 3.25% (HKD)	3.88% (USD); 3.65% (HKD)	3.88% (USD); 3.22% (HKD)	4.58% (USD); 3.70% (HKD)
FWD Japan and FWD Reinsurance	0.25%	0.50%	1.25%	0.42%	0.62%	1.08%
FWD Thailand	3.20%	3.20%	3.20%	2.64%	2.70%	2.30%
FWD Indonesia and BRI Life	7.50%	7.25%	6.50%	6.93%	6.48%	7.02%
FWD Malaysia and FWD IB	4.00%	4.15%	3.75%	4.02%	3.74%	3.82%
FWD Philippines	5.75%	5.75%	5.75%	6.98%	6.02%	6.18%

	Long-Term 10-Year Government Bond Yields Assumptions			Current Market 10-Year Government Bond Yields		
Business Units	**As at 31 Dec 2022**	**As at 31 Dec 2023**	**As at 31 Dec 2024**	**As at 31 Dec 2022**	**As at 31 Dec 2023**	**As at 31 Dec 2024**
FWD Singapore and FWD Bermuda Singapore	2.40%	2.80%	2.70%	3.09%	2.71%	2.86%
FWD Vietnam	4.00%	4.00%	4.00%	5.04%	2.39%	3.12%
FWD Cambodia	NA(1)	NA(1)	NA(1)	NA(1)	NA(1)	NA(1)
Group Office expense adjustments	NA	NA	NA	NA	NA	NA

NA: Not applicable as either the Business Unit was acquired after the Valuation Date or the assumption is not used in the valuation.

Note (1): NA as the investment return assumption for FWD Cambodia has been set with reference to fixed deposit rates.

The private equity investment return assumption has been set by FWD Group at 9.75% p.a. as at 31 December 2022 and 31 December 2023 and 10.00% p.a. as at 31 December 2024. This equates to a private equity risk premium of 7.00% p.a., 6.75% p.a. and 6.50% above the assumed long-term USD10-year long-term government bond yield as at 31 December 2022, 31 December 2023 and 31 December 2024 valuation dates, respectively. FWD Group has derived these assumptions from internal investment management views based on historical performance of the broad private equity market, the Company's actual alternative portfolio returns and market forecasts that predict return premia on private investments over public equity.

4.2. PERSISTENCY

Persistency assumptions include lapses, premium holidays, partial withdrawals and renewals. The assumptions differ by policy year and are usually split by product or product type. They have been determined by each Business Unit based on historical experience where statistically credible, with allowance for current and future trends and with reference to pricing assumptions where the data available is limited or not statistically credible.

4.3. MORTALITY

Mortality assumptions have been determined by each Business Unit based on historical experience where statistically credible and with reference to either pricing assumptions or industry experience where there is limited claims experience available. The assumptions have been expressed as a percentage of either a standard industry experience table or set as a percentage of reinsurance rates.

For the following Business Units, an allowance has also been made for assumed future mortality improvement (set with reference to a combination of population, industry and company experience):

- FWD Hong Kong and FWD Macau: Mortality improvement has been applied on all lines of business.

- FWD Japan and FWD Reinsurance: Mortality improvement rate has been applied on certain products, namely "Medical Check", Accident & Health and annuity products.

4.4. MORBIDITY

Similar to mortality, morbidity assumptions have been developed based on historical experience where statistically credible, with allowance for current and future trends, and with reference to pricing assumptions where the data available is limited or not statistically credible. The assumptions have either been set as a percentage of reinsurance rates or expressed as a loss ratio applied to the premium earned.

4.5. EXPENSES

The expense assumptions have been set by each Business Unit considering both historical experience and projected expenses in the relevant business plans. Using these expense assumptions results in expense overruns and commission overruns in the short term, as the aggregated amounts in the Valuation Models are lower than current operating expenses and commission-related costs. These overruns are expected to reduce over time based on business plan forecasts prepared by the Business Units.

The long-term unit cost loadings have been set to support the general operating expenses in line with approved business plans. Any one-off and non-recurrent expenses have been excluded from the expense loadings. FWD Group's justification for using long-term unit cost loadings is that expense overruns and commission overruns are expected to be eliminated in the short to medium term. The results, therefore, are reliant on the ability of the Business Units to reduce these expense overruns and commission overruns as planned.

Acquisition expense overruns and commission overruns

Using these long-term unit cost loadings, the present value of the projected acquisition expense overruns and commission overruns, based on the approved business plans prepared by the Business Units as at the respective Valuation Dates, exclude one-off and non-recurrent expenses, are net of corporate tax[19] and have been discounted at the respective risk discount rate applicable to each Business Unit shown in Table 4.1.

[19] No corporate tax has been applied to Business Units that are in a fiscal tax loss position as at the respective Valuation Dates.

Maintenance expense overruns – VIF adjustment

The VIF includes deductions relating to future maintenance expense overruns for in-force business based on the latest business plans of the Business Units. The provision for expense overruns assumed in the VIF excludes future acquisition expense overruns and commission overruns, any expected one-off and non-recurrent expenses, and future maintenance expense overruns for new business that was not in-force as at the respective Valuation Dates. The present value of these maintenance expense overruns (net of corporate tax) over the track record period, as reflected in the VIF, is set out in Table 4.2.

Table 4.2: Breakdown of present value of projected maintenance expense overruns (after tax) allowed for within VIF (in USD millions)

	As at 31 Dec 2022	**As at 31 Dec 2023**	**As at 31 Dec 2024**
Present value of projected maintenance expense overruns	(36)	(37)	(56)

Operating expense and commission variance

The EV and VNB results have been based on long-term unit cost loadings. Based on these assumptions, most Business Units reported a negative expense and commission variance across the track record period, i.e. the long-term unit cost loadings are less than the actual operating expenses and commission payments. Operating expense and commission variance is net of corporate tax and reflects the aggregate expense and commission loadings included in the Valuation Models less the actual expense and commissions incurred in the period. FWD Group has provided a further breakdown of the operating expense and commission variance into acquisition expense and commission-related expense variance, and maintenance expense variance, as presented in Table 4.3.

Across the track record period, the actual expense and commission variance has reduced from 2022 to 2024.

Table 4.3: Breakdown of operating expense and commission variance for operating entities (in USD millions)

	2022	**2023**	**2024**
Acquisition expense and commission-related expense variance	(121)	(119)	(42)
Maintenance expense variance	(28)	(13)	(17)
Operating expense and commission variance	(149)	(132)	(59)

Figures may not be additive due to rounding.

The operating expense and commission variance set out in Table 4.3 excludes any one-off and non- recurrent expenses. These one-off and non-recurrent expenses relate to costs incurred by Business Units to cover FWD Group initiatives and project-related spending (e.g. integration costs). They have been treated as non-operating expenses and presented separately in Table 5.10.

Group Office expenses – VIF adjustment

Group Office expenses are divided into two categories: allocated and unallocated expenses. The allocated Group Office expenses have been charged directly to Business Units and accounted for in the expense studies prepared by each Business Unit when determining expense loadings. The unallocated Group Office expenses are incurred in respect of shareholder services and other developments. The projected unallocated Group Office expenses assumed in the 2023 EV and 2024 EV include allowance for an increase in allocation of Group Office expenses to Business Units (to the extent that these expenses can be absorbed by expense underruns forecast in the Business Units' business plans) combined with a planned reduction in the overall expenses. These unallocated Group Office expenses have all been included in the consolidated EV, as FWD Group does not split them into acquisition and maintenance expenses.

The adjustment for unallocated Group Office expenses has been calculated as the present value of the projected unallocated Group Office expenses, discounted at the risk discount rates applicable for Hong Kong. The unallocated Group Office expenses do not include expenses attributable to FWD Group's strategic initiatives, as no shareholder value has yet been placed on these initiatives. Any costs relating to these initiatives will be captured as a reduction to ANW as they are incurred. Group's costs related to the platform for insurance services (e.g. claims, underwriting) are included, and no revenue anticipated from potential future partnerships is allowed for. The projection of unallocated Group Office expenses for the first three[20] projection years is based on FWD Group's internal business plan. For projection years four and five, these expense are assumed to continue to grow at the same rate as observed in the third projection year. From projection years six to year ten, FWD Group has assumed that the unallocated Group Office expenses will reduce as more expenses can be allocated to Business Units, with unallocated Group Office expenses from projection years eleven to fifteen growing at the inflation rate assumed for Hong Kong of 2.3% p.a. A 15-year period has been used to reflect the run-off of in-force business, in line with FWD Group EV policy (referred to as "EV Policy"). The same term and inflation assumption has been used for each year of the track record period.

The present value of the unallocated Group Office expenses allowed for in the VIF is set out in Table 4.4. Any movement relating to unallocated Group Office expenses has been captured within the corporate centre expenses item in the analysis of EV movement (please see Table 5.9).

[20] Starting from 2024, FWD Group has changed the business plan period from five years to three years.

Table 4.4: Present value of unallocated Group Office expenses allowed for within VIF (in USD millions)

	As at 31 Dec 2022	As at 31 Dec 2023	As at 31 Dec 2024
Unallocated Group Office expenses	(558)	(558)	(477)

4.6. EXPENSE INFLATION

The assumed long-term expense inflation rates used by the Business Units as at the respective Valuation Dates are set out in Table 4.5.

Table 4.5: Expense inflation rate (% p.a.)

Business Units	As at 31 Dec 2022	As at 31 Dec 2023	As at 31 Dec 2024
FWD Hong Kong and FWD Macau	2.3%	2.3%	2.3%
FWD Japan and FWD Reinsurance	0.0%	0.0% until 31 December 2024, 0.37% thereafter	0.37%
FWD Thailand	2.0%	2.0%	2.0%
FWD Indonesia and BRI Life	3.5%	3.5%	3.5%
FWD Malaysia and FWD IB	3.0%	3.0%	3.0%
FWD Philippines	3.0%	3.0%	3.0%
FWD Singapore and FWD Bermuda Singapore	3.0%	3.0%	3.0%
FWD Vietnam	5.0%	5.0%	5.0%
FWD Cambodia	5.0%	5.0%	5.0%

4.7. REINSURANCE

The reinsurance assumptions have been developed based on the reinsurance arrangements in-force as at the respective Valuation Dates for each Business Unit, with reference to historical and expected future experience.

4.8. DIVIDENDS, PROFIT SHARING AND CREDITING RATES

The projected dividends, profit sharing and crediting rate assumptions have been determined by each Business Unit taking into account the investment return assumptions and profit sharing rules (from regulatory and/or internal governance requirements), as well as other commercial considerations such as market competition and policyholders' reasonable expectations.

4.9. TAXATION

The projected statutory profits used to determine the EV and VNB are net of corporate tax. The projections take into account, where applicable, any benefits arising from tax losses carried forward, and have been based on a continuation of the current tax legislation in each jurisdiction. The corporate tax rates used by each Business Unit as at the respective Valuation Dates are set out in Table 4.6.

Table 4.6: Corporate tax rates (%)

Business Units	As at 31 Dec 2022	As at 31 Dec 2023	As at 31 Dec 2024
FWD Hong Kong	16.5%	16.5%	16.5%
FWD Macau	12.0%	12.0%	12.0%
FWD Japan	28.0%	28.0%	28.0%
FWD Reinsurance	0.0%	0.0%	0.0%
FWD Thailand	20.0%	20.0%	20.0%
FWD Indonesia and BRI Life	22.0%	22.0%	22.0%
FWD Malaysia and FWD IB	24.0%	24.0%	24.0%
FWD Philippines[21]	1.0% to 30 June 2023, 2.0% thereafter(See note (1)) for minimum corporate income tax ("MCIT") 25.0% for corporate income tax ("CIT")	2.0% for MCIT 25.0% for CIT	2.0% for MCIT 25.0% for CIT
FWD Singapore and FWD Bermuda Singapore	17.0%	17.0%	17.0%
FWD Vietnam	0.0% until 31 Dec 2026, 20.0% thereafter(See note (2))	20.0%	20.0%
FWD Cambodia	20.0%	20.0%	20.0%

Note (1): Reflects updates to the Corporate Recovery and Tax Incentive for Enterprises Act executed in March 2021, whereby the MCIT was reduced retrospectively to 1% effective from 1 July 2020 up to 30 June 2023.

Note (2): 0% until 2026 due to tax losses; 20.0% from 2027 onwards.

21 In the Philippines, corporate tax in any year is based on the greater of: (i) CIT, where taxable income excludes investment income that is already subject to investment income tax; and (ii) MCIT. The projected statutory profits for FWD Philippines have been based on MCIT, aligned with the Business Unit's current tax position.

For each Business Unit, FWD has assessed whether an additional tax adjustment will need to be made to reflect the global minimum tax initiative driven by the Organization for Economic Co-operation and Development and this has been accounted for separately within the consolidated group results. Based on FWD's assessment, a Group Corporate Centre tax adjustment has been applied to FWD Macau, with incremental tax of 3% applied, reflecting the difference between the corporate tax rate of 12% and global minimum tax rate of 15% in the calculation of YE2024 EV presented in this Report. For FWD Reinsurance where corporate tax is nil, no adjustments have been applied as it is uncertain at this juncture whether the global minimum tax rate will apply. FWD has assessed an estimated impact of USD(55) million to YE2024 EV if the global minimum tax rate of 15% was to apply to profits arising from FWD Reinsurance.

Given the uncertainty around the timing of dividend distributions, no allowance has been made to the EV Results to reflect any withholding or remittance taxes that may be applicable on any future dividend distributions from the Business Units to FWD Group. FWD Group has performed certain projections of the withholding tax position of the relevant Business Units and concluded the impact to the EV Results as at 31 December 2024 would be immaterial (approximately 1% of the operating entity EV), and we have relied on FWD Group's internal assessment in this respect.

4.10. STATUTORY VALUATION BASIS

The EV Results have been based on reserves being projected in line with the prevailing regulatory framework applicable in each jurisdiction as at the respective Valuation Dates.

For FWD Hong Kong, the statutory reserving basis has been updated to the HK RBC basis from 1 July 2022.

For FWD Reinsurance, the statutory valuation basis has been revised from an IFRS 4 basis to an IFRS 17 basis, with effect from 1 January 2023.

4.11. PRODUCT CHARGES

The management fees and product charges reflect those that were applicable as at the respective Valuation Dates.

4.12. EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the last reporting date (i.e. 31 December 2024) are set out in Note 36 to the IFRS accounts.

5 EV RESULTS

5.1. EMBEDDED VALUE

A summary of the Group EV as at each of the respective Valuation Dates is set out in Table 5.1. The levels of required capital amounts have been set by the Business Units at the level at which local regulatory intervention is expected and are listed in Table 3.1.

Table 5.1: Breakdown of Group EV (in USD millions)

	As at 31 Dec 2022			As at 31 Dec 2023			As at 31 Dec 2024		
	ANW	VIF	EV	ANW	VIF	EV	ANW	VIF	EV
Operating entity EV	5,009	4,357	9,366	6,084	3,384	9,467	6,010	3,453	9,463
Plus: Corporate & Other net assets	1,091	–	1,091	933	–	933	357	–	357
Less: Unallocated Group Office expenses and Group Corporate Centre tax	–	(558)	(558)	–	(558)	(558)	–	(482)	(482)
Less: Financing	(3,833)	–	(3,833)	(4,161)	–	(4,161)	(3,770)	–	(3,770)
Group EV	2,268	3,798	6,066	2,856	2,826	5,682	2,597	2,972	5,569

Figures may not be additive due to rounding.

The Group EV reduced by USD385 million in 2023 (from USD6,066 million as at 31 December 2022 to USD5,682 million as at 31 December 2023) and USD113 million in 2024 (from USD5,682 million as at 31 December 2023 to USD5,569 million as at 31 December 2024). The reduction in Group EV in 2024 was due to the negative impact of operating and economic variances, operating and economic assumption changes implemented as at 31 December 2024, other non-operating variances, foreign exchange movements, Group financing, and corporate centre expenses, which collectively more than offset the positive impact arising from expected return on EV and VNB contribution.

A summary of the financing, split into borrowings and perpetual securities, is presented in Table 5.2. Perpetual securities have been further subdivided between external (i.e. securities sold to external parties) and intercompany securities. External perpetual securities have been treated as equity in the IFRS accounts, with the carrying value of these securities deducted in the EV (please see Table 5.4).

Further details of the movement in EV are presented in Section 5.3 of this Report.

Table 5.2: Breakdown of FWD Group financing (in USD millions)

	As at 31 Dec 2022	As at 31 Dec 2023	As at 31 Dec 2024
Borrowings (1)	(2,216)	(2,531)	(2,793)
Intercompany perpetual securities (2)	(263)	(282)	(236)
External perpetual securities (3)	(1,354)	(1,348)	(741)
Total financing (4) = (1) + (2) + (3)	(3,833)	(4,161)	(3,770)

Figures may not be additive due to rounding.

EV EQUITY

EV equity 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. Table 5.3 shows the results on an EV equity basis as at the respective Valuation Dates. The goodwill represents the excess of the cost of acquisition as recognised in the IFRS accounts (net of impairments), while other intangible assets reflect the bancassurance access fees (net of deferred payments) paid by FWD Thailand, FWD Indonesia, FWD Philippines, FWD Vietnam and BRI Life in respect of distribution through The Siam Commercial Bank Public Company Limited ("SCB"), PT Bank Commonwealth, Security Bank Corporation, Nam A Commercial Joint Stock Bank and Vietcombank, and PT Bank Rakyat Indonesia (Persero) Tbk respectively.

Table 5.3: Breakdown of EV equity (in USD millions)

	As at 31 Dec 2022	As at 31 Dec 2023	As at 31 Dec 2024
Group EV	6,066	5,682	5,569
Plus: Goodwill and other intangible assets	3,222	3,186	3,167
EV equity	9,288	8,867	8,736

Figures may not be additive due to rounding.

RECONCILIATION OF ANW FROM IFRS EQUITY

The ANW has been derived from the IFRS equity as presented in the IFRS accounts as at the Valuation Dates, and incorporates various adjustments including:

- Difference between IFRS and local statutory asset and liability items

- Mark-to market adjustments for property and mortgage loan and other investments, net of amounts attributable to participating funds

- Elimination of intangible assets including goodwill, bancassurance access fees, computer software and other intangible assets

- Recognition of deferred tax impacts of the above adjustments

- Recognition of non-controlling interest impacts of the above adjustments in respect of FWD Thailand and FWD IB

- Negative adjustment reflecting the carrying value of external perpetual securities, as these securities are treated as equity in the IFRS accounts

Reconciliation of the IFRS equity attributable to shareholders and ANW as at the respective Valuation Dates for FWD Group are presented in Table 5.4.

Table 5.4: Reconciliation of FWD Group IFRS equity and ANW (USD millions)

	As at 31 Dec 2022	As at 31 Dec 2023	As at 31 Dec 2024
IFRS equity attributable to shareholders[22]	8,488	7,582	6,753
Difference between IFRS and local statutory asset and liability items	(3,130)	(1,283)	(726)
Mark-to-market adjustment for property and mortgage loan and other investments, net of amounts attributable to participating funds	1,416	1,263	585
Elimination of intangible assets[23]	(3,420)	(3,366)	(3,327)
Recognition of deferred tax impacts of the above adjustments	269	38	95
Recognition of non-controlling interest impacts of the above adjustments	(1)	(30)	(42)
Elimination of external perpetual securities	(1,354)	(1,348)	(741)
ANW	2,268	2,856	2,597

Figures may not be additive due to rounding.

22 The IFRS equity as at 31 December 2022, 31 December 2023 and 31 December 2024 disclosed in Note 6.3 of the IFRS accounts was USD8,489 million (restated), USD7,632 million and USD6,814 million respectively. The difference is due to equity attributable to non-controlling interests, which has been deducted in the figures presented in Table 5.4. The IFRS equity as at 31 December 2022 has been restated following transition to an IFRS 17 accounting basis.

23 The value of intangible assets as at 31 December 2022,31 December 2023 and 31 December 2024 disclosed in Note 14 of the IFRS accounts was USD3,207 million, USD3,154 million and USD3,085 million respectively. The difference relates to intangible assets attributed to BRI Life which have been included under "Investment in associates and a joint venture" in the IFRS accounts.

BREAKDOWN OF ANW

A breakdown of the ANW between required capital and free surplus as at the respective Valuation Dates are set out in Table 5.5. The required capital amounts have been set by the Business Units at the level at which local regulatory intervention is expected and are summarised in Table 3.1. For corporate and other adjustments, the free surplus covers corporate and other net assets, while financing has been reflected as a separate item.

Table 5.5: Breakdown of ANW of FWD Group (in USD millions)

	As at 31 Dec 2022			As at 31 Dec 2023			As at 31 Dec 2024		
	Op. Entity	Corp. & others	Total	Op. Entity	Corp. & others	Total	Op. Entity	Corp. & others	Total
Free surplus	3,049	1,091	4,141	3,821	933	4,754	4,081	357	4,438
Required capital	1,960	–	1,960	2,263	–	2,263	1,929	–	1,929
Less: Financing	–	(3,833)	(3,833)	–	(4,161)	(4,161)	–	(3,770)	(3,770)
ANW	5,009	(2,742)	2,268	6,084	(3,228)	2,856	6,010	(3,413)	2,597

Figures may not be additive due to rounding.

Op. Entity: Operating entities. Corp. & others: Reflects corporate and other adjustments.

EARNINGS PROFILE

The projected after-tax distributable earnings of FWD Group on a discounted and undiscounted basis for the in-force business as at 31 December 2022, 31 December 2023 and 31 December 2024 are set out in Table 5.6.

The net-of-tax distributable earnings are defined as the distributable profits to shareholders from the assets backing the statutory reserves and the required capital of in-force business as at the respective Valuation Dates. On a discounted basis, the total net-of-tax distributable earnings are equal to the sum of the required capital and the VIF for the Business Units and corporate and other adjustments.

Table 5.6: Cash flow profile of net-of-tax distributable earnings for FWD Group in-force business (in USD millions)

Expected period of	As at 31 Dec 2022		As at 31 Dec 2023		As at 31 Dec 2024	
Emergence	Undiscounted	Discounted	Undiscounted	Discounted	Undiscounted	Discounted
1 – 5 years	2,125	1,733	1,806	1,468	1,585	1,201
6 – 10 years	2,638	1,493	2,465	1,359	2,679	1,492
11 – 15 years	2,263	915	2,107	813	2,076	800
16 – 20 years	1,836	528	1,679	447	1,746	455
21 years and thereafter	22,324	1,089	25,851	1,001	27,519	953
Total	31,185	5,758	33,908	5,088	35,605	4,901

Figures may not be additive due to rounding.

The discounted value of net-of-tax distributable earnings (2022: USD5,758 million, 2023: USD5,088 million, 2024: USD4,901 million) plus free surplus (2022: USD4,141 million, 2023: USD4,754 million, 2024: USD4,438 million) less financing (2022: USD(3,833) million, 2023: USD(4,161) million, 2024: USD(3,770) million) is equal to the EV (2022: USD6,066 million, 2023: USD5,682 million, 2024: USD5,569 million).

5.2. VALUE OF NEW BUSINESS

The VNB and the new business margins for new business written for the track record period are presented in Table 5.7 and Table 5.8 respectively, split by region. The 2023 results have been presented on both the reported basis and the like-for-like basis as described in Section 2. Figures do not include allowance for acquisition expense overruns and commission overruns in respect of the underlying new business. Details of the historical operating expense and commission variance over the track record period are set out in Table 4.3.

For each region, the VNB has been further split into the following segments:

- Hong Kong: Split between "Onshore"[24] and "Offshore" business
- Japan: Split between Corporate Owned Life Insurance ("COLI") business and individual line of business ("Individual")
- Thailand: Split between business generated through SCB and the other distribution channels of SCB Life ("SCB"), and all other lines of business ("Others")
- Emerging Markets: Business generated through entities in Indonesia, Malaysia, the Philippines, Singapore and Vietnam

Table 5.7: Breakdown of VNB by region (in USD millions)

	2022			2023					2024		
	Reported basis			Reported basis			Like-for-like basis		Reported basis		
	NB APE	PVNBP	VNB	NB APE	PVNBP	VNB	NB APE	VNB	NB APE	PVNBP	VNB
Hong Kong											
Onshore	243	2,082	175	242	1,872	186	239	129	376	2,167	166
Offshore	83	665	41	270	1,367	137	270	122	426	1,946	167
Sub-total	327	2,747	216	512	3,239	323	510	251	802	4,113	333

24 FWD defines the split of "Onshore" and "Offshore" business for Hong Kong according to the policyholder's identity number. Where the policyholder has a Hong Kong SAR identity number, the policy is classified as Onshore. Otherwise, it is classified as Offshore.

	2022			2023					2024		
	Reported basis			Reported basis			Like-for-like basis		Reported basis		
	NB APE	PVNBP	VNB	NB APE	PVNBP	VNB	NB APE	VNB	NB APE	PVNBP	VNB
Japan											
COLI	33	178	17	12	47	4	12	4	10	38	3
Individual	134	1,039	121	113	865	132	113	81	108	736	85
Sub-total	167	1,217	138	125	911	136	125	85	118	774	88
Thailand											
SCB	350	1,636	199	444	1,832	231	444	212	418	1,811	228
Others	136	667	71	175	827	104	164	85	159	697	49
Sub-total	485	2,303	270	619	2,659	335	609	297	577	2,508	278
Emerging Markets											
Sub-total	429	1,858	198	390	1,854	197	373	116	420	1,938	136
Total	1,408	8,126	823	1,646	8,663	991	1,616	749	1,916	9,333	834

Figures may not be additive due to rounding.

NB APE: New Business APE (i.e. 100% of annualised first year premium plus 10% of single premium). PVNBP: Present value of projected new business premium discounted at the same risk discount rates as VNB.

Table 5.7a: NB APE and VNB growth rate by region on a like-for-like basis

	NB APE		VNB	
	CER basis 2023-2024 CAGR	AER basis 2023-2024 CAGR	CER basis 2023-2024 CAGR	AER basis 2023-2024 CAGR
Hong Kong				
Onshore	57.0%	57.0%	29.1%	29.1%
Offshore	57.6%	57.6%	36.2%	36.2%
Sub-total	57.3%	57.3%	32.5%	32.5%
Japan				
COLI	(10.9%)	(18.4%)	(20.0%)	(26.5%)
Individual	3.6%	(3.9%)	13.1%	4.8%
Sub-total	2.3%	(5.3%)	11.7%	3.4%

	NB APE		VNB	
	CER basis 2023-2024 CAGR	AER basis 2023-2024 CAGR	CER basis 2023-2024 CAGR	AER basis 2023-2024 CAGR
Thailand				
SCB	(4.1%)	(6.0%)	9.9%	7.8%
Others	(2.6%)	(3.4%)	(42.1%)	(42.5%)
Sub-total	(3.7%)	(5.3%)	(5.1%)	(6.7%)
Emerging Markets				
Sub-total	16.0%	12.7%	20.4%	17.3%
Total	20.9%	18.6%	13.5%	11.3%

Figures may not be additive due to rounding.

CER: Constant exchange rate (refer to Section 3.5 for the definition of CER). AER: Actual exchange rate.

NB APE: New Business APE (i.e. 100% of annualised first year premium plus 10% of single premium).

CAGR: Compound annual growth rate.

Table 5.7b: NB APE and VNB growth rate by region on a reported basis

	NB APE					
	CER basis			AER basis		
	2022-2023 CAGR	2023-2024 CAGR	2022-2024 CAGR	2022-2023 CAGR	2023-2024 CAGR	2022-2024 CAGR
Hong Kong						
Onshore	(0.4%)	55.1%	24.3%	(0.4%)	55.1%	24.3%
Offshore	223.7%	57.6%	125.9%	223.7%	57.6%	125.9%
Sub-total	56.8%	56.4%	56.6%	56.8%	56.4%	56.6%
Japan						
COLI	(59.9%)	(10.9%)	(40.2%)	(63.5%)	(18.4%)	(45.4%)
Individual	(9.8%)	3.6%	(3.3%)	(16.0%)	(3.9%)	(10.2%)
Sub-total	(19.3%)	2.3%	(9.2%)	(25.3%)	(5.3%)	(15.9%)
Thailand						
SCB	26.6%	(4.1%)	10.2%	27.1%	(6.0%)	9.3%
Others	27.8%	(8.6%)	8.1%	28.9%	(9.3%)	8.2%
Sub-total	26.9%	(5.3%)	9.6%	27.6%	(6.9%)	9.0%
Emerging Markets						
Sub-total	(7.7%)	10.9%	1.4%	(9.0%)	7.8%	(1.0%)
Total	18.3%	18.6%	18.8%	17.0%	16.4%	16.7%

	VNB					
	CER basis			AER basis		
	2022-2023 CAGR	2023-2024 CAGR	2022-2024 CAGR	2022-2023 CAGR	2023-2024 CAGR	2022-2024 CAGR
Hong Kong						
Onshore	6.1%	(10.6%)	(2.6%)	6.1%	(10.6%)	(2.6%)
Offshore	231.9%	21.3%	100.6%	231.9%	21.3%	100.6%
Sub-total	49.3%	3.0%	24.0%	49.3%	3.0%	24.0%
Japan						
COLI	(74.2%)	(28.5%)	(57.1%)	(76.1%)	(34.3%)	(60.4%)
Individual	16.6%	(30.3%)	(9.8%)	8.8%	(35.4%)	(16.1%)
Sub-total	5.4%	(30.2%)	(14.2%)	(1.8%)	(35.3%)	(20.3%)
Thailand						
SCB	15.5%	1.0%	8.0%	16.0%	(0.9%)	7.2%
Others	45.4%	(52.6%)	(17.0%)	46.9%	(53.0%)	(16.9%)
Sub-total	23.5%	(15.8%)	2.0%	24.1%	(17.2%)	1.4%
Emerging Markets						
Sub-total	0.3%	(28.8%)	(15.3%)	(0.8%)	(30.9%)	(17.2%)
Total	21.9%	(14.0%)	2.6%	20.4%	(15.8%)	0.7%

Figures may not be additive due to rounding.

CER: Constant exchange rate (refer to Section 3.5 for the definition of CER). AER: Actual exchange rate.

NB APE: New Business APE (i.e. 100% of annualised first year premium plus 10% of single premium).

CAGR: Compound annual growth rate.

Table 5.8: New business margin by region

	New business margin						
	2022		2023			2024	
	Reported basis		Reported basis		Like-for-like basis	Reported basis	
	% of NB APE	% of PVNBP	% of NB APE	% of PVNBP	% of NB APE	% of NB APE	% of PVNBP
Hong Kong							
Onshore	71.9%	8.4%	76.6%	9.9%	53.7%	44.2%	7.7%
Offshore	49.6%	6.2%	50.9%	10.1%	45.3%	39.1%	8.6%
Sub-total	66.2%	7.9%	63.0%	10.0%	49.3%	41.5%	8.1%
Japan							
COLI	53.1%	9.7%	34.7%	8.8%	31.0%	28.0%	7.2%
Individual	90.2%	11.6%	117.0%	15.2%	72.1%	78.7%	11.6%
Sub-total	83.0%	11.4%	109.1%	14.9%	68.2%	74.5%	11.3%
Thailand							
SCB	56.9%	12.2%	51.9%	12.6%	47.7%	54.7%	12.6%
Others	52.3%	10.7%	59.6%	12.6%	52.0%	30.9%	7.0%
Sub-total	55.6%	11.7%	54.1%	12.6%	48.9%	48.1%	11.1%
Emerging Markets							
Sub-total	46.2%	10.7%	50.4%	10.6%	31.1%	32.3%	7.0%
Total	58.5%	10.1%	60.2%	11.4%	46.4%	43.5%	8.9%

Figures may not be additive due to rounding.

NB APE: New Business APE (i.e. 100% of annualised first year premium plus 10% of single premium). PVNBP: Present value of projected new business premium discounted at the same risk discount rates as VNB.

At the FWD Group level, the Company reported a 2024 VNB of USD834 million for the year, with VNB increasing on a like-for-like basis from 2023 by 13.5% on a CER basis (11.3% increase on an AER basis). The VNB growth was mainly driven by the strong sales growth from Hong Kong, leading to an increase in FWD Group NB APE in the year of 20.9% on a CER basis (18.6% per annum increase on an AER basis) from 2023 like-for-like NB APE of USD1,616 million to USD1,916 million in 2024. Over the track period, the VNB only grew marginally by 2.6% per annum on a CER basis (0.7% per annum increase on an AER basis), despite the strong NB APE growth of 18.8% per annum on a CER basis (16.7% per annum increase on an AER basis), as the new business margin fell from 58.5% of NB APE in 2022 to 43.5% in 2024, with fall driven largely by operating assumption changes made since 31 December 2023.

For Hong Kong, the VNB on a like-for-like basis increased significantly by 32.5% on both a CER and an AER basis from 2023 to 2024. Over the track record period, Hong Kong also reported strong growth of 24.0% per annum on both a CER and an AER basis. The increase in VNB was mainly driven by the strong sales, especially from offshore business, following the lifting of COVID-19 restrictions towards the end of 2022, with total NB APE increasing over the track record period by 56.6% per annum on both a CER and an AER basis. The new business margin reduced from 66.2% of NB APE in 2022 to 41.5% in 2024, as a result of the strengthening of operating assumptions since 31 December 2023 and the allowance for costs associated with agency recruitment programs within the VNB starting from 2024, and this is partly offset by a positive impact on the new business margin due to moving to the HK RBC regime in the second half of 2022.

For Japan, the VNB on a like-for-like basis increased by 11.7% on a CER basis (3.4% on an AER basis) from 2023 to 2024. Over the track record period, the VNB however reduced by 14.2% per annum on a CER basis (20.3% per annum decrease on an AER basis). The reduction in VNB is a result of the new business margin reducing from 83.0% of NB APE in 2022 to 74.5% in 2024 which was primarily due to operating assumption changes made since 31 December 2023, combined with a significant reduction in the NB APE from 2022 to 2024 by 9.2% per annum on a CER basis (15.9% per annum decrease on an AER basis) as a result of the decline in COLI sales driven by tax changes.

For Thailand, the VNB on a like-for-like basis decreased by 5.1% on a CER basis (6.7% decrease on an AER basis) from 2023 to 2024, due to decline in sales in 2024 with NB APE reducing by 3.7% on a CER basis (5.3% decrease on an AER basis). Over the track record period, the VNB increased by 2.0% per annum on a CER basis (1.4% per annum increase on an AER basis), with increase driven by strong growth in sales in 2023, with NB APE from 2022 to 2024 increasing by 9.6% per annum on a CER basis (9.0% per annum increase on an AER basis). The new business margin has reduced from 55.6% of NB APE in 2022 to 48.1% in 2024 as a result of the strengthening of operating assumptions since 31 December 2023.

For Emerging Markets, the VNB on a like-for-like basis increased by 20.4% on a CER basis (17.3% on an AER basis) from 2023 to 2024. On the contrary, the VNB over the track record period reduced by 15.3% per annum on a CER basis (17.2% per annum decrease on an AER basis). This was mainly due to a decline in the new business margin from 46.2% of NB APE in 2022 to 32.3% in 2024 following methodology and assumptions changes made since 31 December 2023. Over the track record period, the NB APE increased marginally by 1.4% on a CER basis (1.0% decrease on an AER basis).

5.3. ANALYSIS OF EV MOVEMENT

A breakdown of the EV movement for the track record period at a consolidated group level is presented in Table 5.9.

Table 5.9: Analysis of EV movement of FWD Group (in USD millions)

	Year ended 31 Dec 2022			Year ended 31 Dec 2023			Year ended 31 Dec 2024		
	ANW	VIF	EV	ANW	VIF	EV	ANW	VIF	EV
Opening EV (1)	2,369	3,362	5,731	2,268	3,798	6,066	2,856	2,826	5,682
Impact of HK RBC early adoption (2)	1,203	(771)	433	–	–	–	–	–	–
Acquisitions & partnerships/ Discontinued business (3)	(23)	5	(18)	16	19	34	(59)	6	(53)
Expected return on EV (4)	904	(360)	543	1,124	(509)	615	876	(258)	618
VNB (5)	–	823	823	–	991	991	–	834	834
Operating variance and operating assumption change (6) = (7) + (8) + (9)	(290)	(49)	(339)	(501)	(499)	(1,000)	(142)	(158)	(300)
Operating variance – claims/persistency/ expense (7)	(250)	(44)	(294)	(303)	(61)	(363)	(15)	(19)	(33)
Operating variance – Others (8)	(18)	2	(17)	11	(2)	9	(9)	0	(9)
Operating assumption change (9)	(22)	(6)	(29)	(209)	(436)	(645)	(118)	(140)	(258)
Total EV operating profit (10) = (4) + (5) + (6)	613	414	1,027	623	(18)	606	735	417	1,152
Economic variance and economic assumption change (11) = (12) + (13)	(1,591)	1,045	(545)	31	(242)	(211)	78	(272)	(194)
Economic variance (12)	(1,588)	796	(792)	28	(142)	(115)	72	(190)	(118)
Economic assumption change (13)	(3)	250	247	3	(100)	(97)	6	(82)	(76)
Other non-operating variance (14)	(204)	(54)	(259)	416	(626)	(211)	(341)	51	(290)
Total EV profit (15) = (2) + (10) + (11) + (14)	22	634	656	1,070	(886)	183	472	196	668
Capital movements (16)	400	–	400	–	–	–	–	–	–
Corporate centre expenses (17)	(118)	(2)	(120)	(200)	0	(200)	(162)	41	(121)
Financing (18)	(190)	–	(190)	(257)	–	(257)	(329)	–	(329)
Foreign exchange movement (19)	(192)	(201)	(393)	(40)	(105)	(145)	(180)	(98)	(278)
Closing EV (20) = (1) + (3) + (15) + (16) + (17) + (18) + (19)	2,268	3,798	6,066	2,856	2,826	5,682	2,597	2,972	5,569

Figures may not be additive due to rounding.

The EV of FWD Group increased by USD335 million in 2022 (from USD5,731 million as at 31 December 2021 to USD6,066 million as at 31 December 2022), reduced by USD385 million in 2023 (from USD6,066 million as at 31 December 2022 to USD5,682 million as at 31 December 2023) and reduced by USD113 million in 2024 (from USD5,682 million as at 31 December 2023 to USD5,569 million as at 31 December 2024).

The early adoption of HK RBC (item (2) in Table 5.9) (2022: USD433 million, 2023: zero, 2024: zero) and capital raised in 2022 (item (16) in Table 5.9) (2022: USD400 million, 2023: zero, 2024: USD zero) contributed positively to the 2022 EV.

Activities relating to acquisitions, partnerships and discontinued business (item (3) in Table 5.9) impacted the EV over the track record period (2022: USD(18) million, 2023: USD34[25] million, 2024: USD(53) million), where the purchase price to acquire new entities and new distribution channels exceeded the EV contributed by these new entities and channels, which include the increase in the stake in BRI Life and FWD Malaysia in 2024. Corporate centre expenses relating to corporate and other net assets and unallocated Group Office expenses (item (17)) (2022: USD(120) million, 2023: USD(200) million, 2024: USD(121) million), the interest paid on the financing held in the period (item (18) in Table 5.9) (2022: USD(190) million, 2023: USD(257) million, 2024: USD(329) million), and foreign exchange movement (item (19) in Table 5.9) (2022: USD(393) million, 2023: USD(145) million, 2024: USD(278) million) also reduced the EV.

The EV operating profit (item (10) in Table 5.9), comprising returns on EV, VNB, operating variance, and operating assumption change, contributed positively to the EV profit across the track record period (2022: USD1,027 million, 2023: USD606 million, 2024: USD1,152 million). Within these figures, the operating variance was negative across the track record period (2022: USD(311) million, 2023: USD(355) million, 2024: USD(42) million), partly driven by expense and commission variance (2022: USD(149) million, 2023: USD(132) million, 2024: USD(59) million), with the split of the expense and commission variance presented in Table 4.3. Excluding expense and commission variance, the remaining operating variance comes from mortality and morbidity (2022: USD(14) million, 2023: USD(20) million, 2024: USD19 million), persistency (2022: USD(130) million, 2023: USD(211) million, 2024: USD7 million), and others (item (8) in Table 5.9) (2022: USD(17) million, 2023: USD9 million, 2024: USD(9) million). The updates to operating assumptions lead to a reduction in EV (item (9) in Table 5.9) (2022: USD(29) million, 2023: USD(645) million, 2024: USD(258) million). The large reduction observed in 2023 was mainly driven by updates to lapse rate assumptions across most Business Units to align with their recent lapse experience. The Company has continued to monitor the experience and take into account any deterioration trends when setting the lapse rate assumption for 2024, which has subsequently resulted in a positive persistency variance in 2024.

[25] The positive impact reported in 2023 was due to the termination of a key reinsurance treaty ceded to FWD Reinsurance.

The EV profit (item (15) in Table 5.9), comprising the impact of the early adoption of HK RBC, EV operating profit, economic variance and economic assumption change, and other non-operating variance was positive across the track record period (2022: USD656 million, 2023: USD183 million, 2024: USD668 million). The other non-operating variance (item (14) in Table 5.9) (2022: USD(259) million, 2023: USD(211) million, 2024: USD(290) million) included the allocation of one-off and non- recurrent expenses to cover FWD Group project-related spending (e.g. integration costs), industrial recruitment packages[26], and other one-off adjustments. A detailed breakdown is shown in Table 5.10.

Table 5.10: Breakdown of other non-operating variance (in USD millions)

	Year ended 31 Dec 2022	Year ended 31 Dec 2023	Year ended 31 Dec 2024
Non-operating expenses (1) = (2) + (3) + (4) + (5)	(218)	(237)	(149)
Mergers and acquisitions, business set up and restructure related costs (2)	(75)	(82)	(62)
[**REDACTED**] related costs including incentive costs (3)	(69)	(53)	(11)
Implementation costs for new accounting standards and other mandatory regulatory changes (4)	(74)	(66)	(33)
Other non-recurring items(See note (1)) (5)	(0)	(36)	(42)
Industrial recruitment packages(See note (2)) (6)	(44)	(75)	(3)
Others(See note (3)) (7)	3	102	(138)
Total (8) = (1) + (6) + (7)	(259)	(211)	(290)

Figures may not be additive due to rounding.

Note (1): Refers to all other non-recurring items classified as expense variance and includes investment income generated from non-operating entities, including the profits/(losses) arising from impairment of non-operating entities.

Note (2): The costs associated with agency recruitment programs have been included in VNB (item (5) in Table 5.9) with effect from 1 January 2024.

Note (3): Refers to all other non-operating variance including the impact of new and terminated reinsurance agreements, amended distribution agreements, payment/accrual from distribution agreements, movement from Non-Life subsidiaries, and model, methodology and regulatory changes.

[26] Prior to 2024, industrial recruitment packages reflected costs associated with recruiting and growing the agency distribution channel. For 2024, these refer to one-off costs not reflected within the VNB only, due to change in methodology of reflecting the costs associated with agency recruitment programs within the VNB with effect from 1 January 2024.

EV OPERATING PROFIT

A breakdown of the EV operating profit, both before and after operating assumption change and other operating variance, is presented in Table 5.11. The EV operating profit after operating assumption change and other operating variance is derived from item 8, item 9 and item 10 of Table 5.9.

Table 5.11: Operating return on EV (in USD millions)

	Year ended 31 Dec 2022	Year ended 31 Dec 2023	Year ended 31 Dec 2024
EV operating profit after operating assumption change and other operating variance (1)	1,027	606	1,152
Plus: Adjustment to reverse out operating assumption change and other operating variance(See note (1)) (2)	45	637	267
EV operating profit before operating assumption change and other operating variance (3) = (1) + (2)	1,072	1,242	1,419

Figures may not be additive due to rounding.

Note (1): Refers to all operating variances other than claims/persistency/expense variances.

5.4. FREE SURPLUS GENERATION

Free surplus represents the excess of the ANW over the required capital (please see Table 5.5). The underlying free surplus generation (item (3) in Table 5.12) represents the free surplus generated from FWD Group each period, adjusted to exclude new business funding and certain non-recurring items. It excludes free surplus used to fund new business, investment return variances and other items, acquisitions, partnerships and discontinued business, capital movements and the impact of financing, but includes the impact of the early adoption of HK RBC and model and methodology updates relating to accounting changes, as classified under item (4) and item (5) respectively in Table 5.12. The net underlying free surplus generation (item (8) in Table 5.12) represents the equivalent results allowing for the free surplus used to fund new business[27].

[27] Free surplus used to fund new business refers to the change in free surplus arising from writing new business as initial outgoings at outset exceed the income received. Over the life of the contract, the future income is expected to repay this outlay, and the value attributed to this is captured within the VIF.

FWD Group's free surplus decreased by USD34 million in 2022 (from USD342 million as at 31 December 2021 to USD308 million as at 31 December 2022), increased by USD286 million in 2023 (from USD308 million as at 31 December 2022 to USD593 million as at 31 December 2023) and increased by USD75 million in 2024 (from USD593 million as at 31 December 2023 to USD668 million as at 31 December 2024). The change in free surplus is made up of the following key components:

- Capital movements (item (10) in Table 5.12) reflecting capital raised in the year, and which reduced significantly in 2023 and 2024 (2022: USD400 million, 2023: zero, 2024: zero).

- Activities relating to acquisitions, partnerships and discontinued business (item (2) in Table 5.12) (2022: USD(23) million, 2023: USD10 million, 2024: USD(62) million).

- Impact of financing (item (11) in Table 5.12) reflecting the interest paid on the financing held in the year (2022: USD(190) million, 2023: USD(257) million, 2024: USD(329) million).

- Positive underlying free surplus generated (item (3) in Table 5.12) in the year (2022: USD1,753 million, 2023: USD790 million, 2024: USD722 million).

- Negative impact of free surplus used to fund new business (item (7) in Table 5.12) in the year (2022: USD(165) million, 2023: USD(6) million, 2024: USD(14) million).

- One-off impact on free surplus resulting from investment return variances and other items (item (9) in Table 5.12) in the year (2022: USD(1,810) million, 2023: USD(252) million, 2024: USD(242) million).

Table 5.12 provides a breakdown of the movement of free surplus of FWD Group for the track record period.

Table 5.12: Analysis of movement of free surplus (in USD millions)

	Year ended 31 Dec 2022			Year ended 31 Dec 2023			Year ended 31 Dec 2024		
	Op. Entity	Group adj.	Total	Op. Entity	Group adj.	Total	Op. Entity	Group adj.	Total
Opening free surplus (1)	2,843	(2,501)	342	3,049	(2,742)	308	3,821	(3,228)	593
Acquisitions & partnerships/ Discontinued business (2)	31	(54)	(23)	64	(54)	10	13	(75)	(62)
Underlying free surplus generation (3) = (4) + (5) + (6)	1,736	17	1,753	754	36	790	714	9	722
Impact of HK RBC early adoption (4)	1,183	–	1,183	–	–	–	–	–	–
Opening adjustment (5)	(4)	–	(4)	347	–	347	(17)	(43)	(59)
Underlying free surplus generation before impact of HK RBC early adoption and opening adjustment (6)	557	17	574	407	36	444	730	51	782
Free surplus used to fund new business (7)	(165)	–	(165)	(6)	–	(6)	(14)	–	(14)
Net underlying free surplus generation (8) = (3) + (7)	1,572	17	1,589	748	36	785	700	9	709
Investment return variances and other items (9)	(1,606)	(204)	(1,810)	133	(385)	(252)	96	(338)	(242)
Capital movements (10)	210	190	400	(174)	174	–	(548)	548	–
Financing (11)	–	(190)	(190)	–	(257)	(257)	–	(329)	(329)
Closing free surplus (12) = (1) + (2) + (8) + (9) + (10) + (11)	3,049	(2,742)	308	3,821	(3,228)	593	4,081	(3,413)	668

Figures may not be additive due to rounding.

Op. Entity: Operating entity. Corp. & others: Reflects corporate and other adjustments.

The underlying free surplus generation (item (3) in Table 5.12) includes variances relating to expenses, the impact of the early adoption of HK RBC (item (4)), opening adjustments relating to model changes and methodology updates, including the impact of the change in FWD Reinsurance's reserving basis with effect from 1 January 2023 (item (5)) and the impact of non-economic assumption change. The opening adjustments include revisions to the reserving methodology for Hong Kong, revisions to align the valuation of acquired new entities with FWD Group's EV methodology, and other adjustments. The impact of the early adoption of HK RBC, opening adjustments and the impact of non-economic assumption change have been classified as one-off variances. The negative variances from maintenance expenses mainly relate to operating expense and commission variance, where actual operating expenses and commission payments exceed the long-term unit cost loadings[28]. A summary of these items and the adjusted net underlying free surplus generation including adjustments for these one-off variances are presented in Table 5.13.

28 Differs from the maintenance expense variance shown in Table 4.3 as it includes planned maintenance expense overruns arising from in-force business. These planned maintenance expense overruns do not contribute to operating expense and commission variance in the EV as these overruns will be offset by the release in provision set aside in the VIF (refer to Table 4.2).

Table 5.13: Breakdown of adjusted underlying free surplus generation, adjusted free surplus used to fund new business and adjusted net underlying free surplus generation (in USD millions)

	Year ended 31 Dec 2022	Year ended 31 Dec 2023	Year ended 31 Dec 2024
Underlying free surplus generation (1)	1,753	790	722
Impact of HK RBC early adoption (2)	1,183	–	–
Opening adjustments (See note (1)) (3)	(4)	347	(59)
Non-economic assumption change (4)	(20)	(190)	12
Total one-off variances (5) = (2) + (3) + (4)	1,159	156	(47)
Maintenance expense variance (6)	(74)	(39)	(42)
Adjusted underlying free surplus generation (7) = (1) – (5) – (6)	668	673	811
Free surplus used to fund new business (8)	(165)	(6)	(14)
Acquisition and commission expense variance (9)	(121)	(119)	(42)
Adjusted free surplus used to fund new business (10) = (8) – (9)	(43)	114	28
Adjusted net underlying free surplus generation (11) = (7) + (10)	625	786	839

Figures may not be additive due to rounding.

Note (1): Refers to all opening adjustments including the impact of change in statutory reserving basis for FWD Reinsurance from an IFRS 4 basis to an IFRS 17 basis with effect from 1 January 2023, model changes made by FWD Hong Kong and the removal of intangible assets for non-operating entities with effect from 1 January 2024.

5.5. SENSITIVITY ANALYSIS

Sensitivity tests have been performed on the EV and VNB over the track record period in respect of changes in key assumptions. For each of the following tests, only the specified parameter has been changed with all other assumptions remaining unchanged:

- 1.0 per cent increase in risk discount rate
- 1.0 per cent decrease in risk discount rate
- 0.5 per cent per annum increase in interest rates
- 0.5 per cent per annum decrease in interest rates
- 10 per cent increase in equity prices (i.e. 110% of equity prices (with projected bonus rates on participating business and the value of equity securities and equity funds changed consistently))

- 10 per cent decrease in equity prices (i.e. 90% of equity prices (with projected bonus rates on participating business and the value of equity securities and equity funds changed consistently))

- 1.0 per cent per annum reduction in the net investment return for private equity assets

- 10 per cent increase in rates of policy discontinuance, premium discontinuance and partial withdrawal (i.e. 110% of the rates under the base case)

- 10 per cent decrease in rates of policy discontinuance, premium discontinuance and partial withdrawal (i.e. 90% of the rates under the base case)

- 10 per cent increase in rates of mortality and morbidity and loss ratios (i.e. 110% of the rates and loss ratios under the base case)

- 10 per cent decrease in rates of mortality and morbidity and loss ratios (i.e. 90% of the rates and loss ratios under the base case)

- 10 per cent increase in acquisition and maintenance expenses (i.e. 110% of the acquisition and maintenance expenses under the base case) with no revisions made for Group Office expense adjustments

- 10 per cent decrease in acquisition and maintenance expenses (i.e. 90% of the acquisition and maintenance expenses under the base case) with no revisions made for Group Office expense adjustments

- 5 per cent appreciation in presentation currency

- 5 per cent depreciation in presentation currency

The sensitivity tests on increase/decrease in interest rates have been applied to the net investment returns (and corresponding adjustments to the market value of assets for debt securities and derivatives, statutory reserving bases, bonus/dividend scales for participating business, crediting rates for universal life business, unit fund growth rates for unit linked business and risk discount rate).

The sensitivity tests on increase/reduction in equity prices have been applied as at the respective Valuation Dates and are not applicable to VNB.

As FWD operates in multiple Asian markets, the Business Unit EV and VNB results for FWD Group have been converted from the respective local currency to FWD's US dollar presentation currency. To provide sensitivity of results to foreign currency movements, a change of +/- 5% to the USD exchange rate has been shown.

The sensitivity tests have only been performed on the operating entity EV, with no sensitivities carried out on the EV contributed by corporate and other adjustments. Table 5.14 sets out the results of the consolidated operating entity EV sensitivities as at 31 December 2024, together with the change in operating entity EV expressed as a percentage of base case EV for each sensitivity test over the track record period.

Table 5.14: Impact of sensitivities on consolidated operating entity EV[29] of FWD Group (in USD millions)

	As at 31 Dec 2024			% change from base case EV		
	EV	Absolute change from base case EV	% change from base case EV	As at 31 Dec 2022	As at 31 Dec 2023	As at 31 Dec 2024
Base case	9,463					
Increase risk discount rate by 1.0%	8,910	(554)	(5.9%)	(6.5%)	(5.8%)	(5.9%)
Reduce risk discount rate by 1.0%	10,159	695	7.3%	8.1%	7.3%	7.3%
Increase interest rates by 0.5% p.a.[(1)]	9,396	(67)	(0.7%)	(0.0%)	(1.2%)	(0.7%)
Reduce interest rates by 0.5% p.a.[(1)]	9,518	54	0.6%	(0.3%)	1.3%	0.6%
Increase equity prices by 10%	9,650	187	2.0%	2.2%	2.5%	2.0%
Reduce equity prices by 10%	9,281	(183)	(1.9%)	(2.3%)	(2.5%)	(1.9%)
Reduce net investment returns for private equity assets by 1% p.a.	9,348	(116)	(1.2%)	(1.5%)	(1.2%)	(1.2%)
Increase discontinuance and partial withdrawal rates by 10%	9,187	(276)	(2.9%)	(3.2%)	(3.3%)	(2.9%)
Reduce discontinuance and partial withdrawal rates by 10%	9,774	311	3.3%	3.7%	3.5%	3.3%
Increase mortality and morbidity rates and loss ratios by 10%	8,786	(678)	(7.2%)	(7.3%)	(7.2%)	(7.2%)
Reduce mortality and morbidity rates and loss ratios by 10%	10,152	689	7.3%	7.5%	7.4%	7.3%
Increase acquisition and maintenance expenses by 10%	9,333	(130)	(1.4%)	(1.6%)	(1.4%)	(1.4%)
Reduce acquisition and maintenance expenses by 10%	9,594	131	1.4%	1.6%	1.4%	1.4%
Appreciation of presentation currency by 5%	9,176	(287)	(3.0%)	(3.0%)	(3.0%)	(3.0%)
Depreciation of presentation currency by 5%	9,750	287	3.0%	3.0%	3.0%	3.0%

Figures may not be additive due to rounding.

Note (1): For FWD Hong Kong, FWD Macau, FWD Japan, FWD Reinsurance and FWD Vietnam, for debt securities and derivatives with investment returns determined on a book yield basis, sensitivities have not been applied to the market values and investment returns for these securities.

29 For FWD IB (acquired by FWD on 3 April 2023), no sensitivity tests have been performed for all operating-related assumptions on EV as at 31 December 2023.

Table 5.15 sets out the results of the consolidated VNB sensitivities for the year ended 31 December 2024, together with the change in VNB expressed as a percentage of base case VNB over the track record period. VNB does not include any allowance for acquisition expense overruns and commission overruns.

Table 5.15: Impact of sensitivities on FWD Group VNB[30] (in USD millions)

	Year ended 31 Dec 2024			% change from base case		
	VNB	Absolute change from base case	% change from base case	Year ended 31 Dec 2022	Year ended 31 Dec 2023	Year ended 31 Dec 2024
Base case	834					
Increase risk discount rate by 1.0%	741	(93)	(11.1%)	(11.7%)	(10.7%)	(11.1%)
Reduce risk discount rate by 1.0%	952	118	14.2%	14.8%	14.0%	14.2%
Increase interest rates by 0.5% p.a.	887	53	6.4%	7.2%	6.0%	6.4%
Reduce interest rates by 0.5% p.a.	782	(52)	(6.3%)	(9.4%)	(6.4%)	(6.3%)
Reduce net investment returns for private equity assets by 1% p.a.	816	(18)	(2.1%)	(1.6%)	(2.3%)	(2.1%)
Increase discontinuance and partial withdrawal rates by 10%	774	(60)	(7.2%)	(6.3%)	(6.1%)	(7.2%)
Reduce discontinuance and partial withdrawal rates by 10%	900	67	8.0%	7.1%	6.9%	8.0%
Increase mortality and morbidity rates and loss ratios by 10%	749	(84)	(10.1%)	(14.7%)	(12.7%)	(10.1%)
Reduce mortality and morbidity rates and loss ratios by 10%	918	85	10.1%	14.9%	13.0%	10.1%
Increase acquisition and maintenance expenses by 10%	775	(59)	(7.1%)	(6.2%)	(6.0%)	(7.1%)
Reduce acquisition and maintenance expenses by 10%	893	59	7.1%	6.2%	6.0%	7.1%
Appreciation of presentation currency by 5%	807	(27)	(3.2%)	(3.7%)	(3.4%)	(3.2%)
Depreciation of presentation currency by 5%	861	27	3.2%	3.7%	3.4%	3.2%

Figures may not be additive due to rounding.

30 For FWD IB (acquired by FWD on 3 April 2023), no sensitivity tests have been performed for all operating-related assumptions on VNB for the year ended 31 December 2023.

6 MILLIMAN REVIEW

This section describes a summary of our review in respect of the methodology, assumptions and EV Results.

6.1. REVIEW OF METHODOLOGY

The EV Results have been prepared by FWD using TEV methodology in accordance with the EV Policy. We have reviewed whether the results have been determined, in all material respects, in accordance with the EV Policy. In forming this view, we have checked the consolidated aggregate results spreadsheet prepared by FWD Group and conducted sample policy checks on products making up over 90% of VIF (measured by in-force statutory reserves) and VNB (measured by NB APE) for each Business Unit.

We note that the methodology set out in the EV Policy is comparable in all material respects to the TEV methodology commonly adopted by listed insurers incorporated in Asia. However, given FWD Group's particular structure and the nature of its business, there are certain aspects of the methodology that are specific to FWD, as described below:

- The majority of FWD's Business Units, particularly those that are classified as part of Emerging Markets, are still in their growth phase and have not yet achieved economies of scale. The EV Results have therefore been determined using long-term unit costs. This is a commonly used approach for growing companies that is predicated on the Business Units extinguishing their expense overruns and commission overruns in the short to medium term. The adjustments and disclosures around expense overruns are as follows:

  – The EV Results include an allowance for projected maintenance expense overruns in respect of in-force business via deductions within the VIF.

  – The VNB and the new business margins have been presented before acquisition expense overruns, commission overruns and maintenance expense overruns, with the historical operating expense and commission variance over the track record period shown separately in Table 4.3, rather than showing the VNB and the new business margins net of this variance. The total operating expense variance and commission variance excludes any non-operating expenses (i.e. one-off and non-recurrent costs), which are disclosed separately in Table 5.10.

6.2. REVIEW OF ASSUMPTIONS

The assumptions used to determine the EV Results have been developed by FWD based on operating experience of the Business Units (where statistically credible), reference to industry experience or pricing assumptions, anticipated future trends, asset strategies, the economic outlook and current regulatory frameworks.

We have reviewed the appropriateness of the operating assumptions adopted by each Business Unit, having regard to the underlying experience investigations performed by the Business Unit, expected future experience and materiality of the impact of assumptions on the overall results. For the less mature Business Units, due to operating experience typically not being statistically credible, pricing assumptions have in many cases been adopted for EV purposes.

We have reviewed the appropriateness of the economic assumptions, having regard to the current asset holdings, the investment policy of each Business Unit, industry benchmarks and economic conditions as at the Valuation Dates. We have also reviewed the study performed by FWD Group to validate the consistency of the allowance for risk in the discount rate with market consistent valuation approaches at a FWD Group level.

Overall, we note that the assumptions adopted by each Business Unit have been set to align with the EV Policy, which requires assumptions to be set with reference to the three-year to five-year rolling average experience as a starting point. However, we highlight that actual future experience may differ from that assumed in the projections. In particular, due to the lack of statistically credible experience, assumptions used may differ materially from the actual operating experience that emerges as the Business Units mature. The sensitivity of results to certain changes in assumptions is provided in Section 5.5.

Some specific key observations that could result in potentially material revisions to assumptions are as follows:

- Within the analysis of EV movement, the persistency variance has been negative during 2022 and 2023. For year-end 2023, significant revisions to lapse rate assumptions were made by the Company to better reflect recent historical experience, leading to a significant reduction in VIF (reported as part of Operating Assumption change within the analysis of EV movement), and subsequently the Company experienced a positive persistency variance in 2024. As the Company has strengthened its lapse assumptions, the Company does not anticipate significant negative persistency variance as observed in the past to continue unless there is a material deterioration in current observed persistency experience.

- The expense assumptions have been set on the basis that the Business Units are able to control spending and achieve economies of scale in the medium term with expense overruns eliminated as per internal business plans. The allowance for unallocated Group Office expenses, as reflected in the VIF, has also been projected to reduce as Business Units achieve scale and more expenses can be allocated to these Business Units. An increase in Business Unit expense levels, Group Office spending, increased lapses in the existing portfolio or reduced sales against business plan forecast could lead to an increase in unit cost loadings and an increase in the value of unallocated Group Office expenses, which could have a material impact on the overall EV and VNB presented in this Report.

- The investment returns for FWD Hong Kong have been set based on a significant proportion of the assets backing certain participating products in Hong Kong being invested in private equity. While the private equity investment return assumption of 9.75% p.a. (as at 31 December 2022 and 31 December 2023) and 10.00% p.a. (as at 31 December 2024) adopted is not out of line with market benchmarks and the private equity risk premium has been reduced from 7.00% p.a. in 2022 to 6.75% p.a. in 2023 and further to 6.50% p.a. in 2024 over the USD10-year long-term government bond yield, a sensitivity test has been performed to show the impact of a 1% p.a. reduction in this return given the relatively large proportion of investments in this specific asset class.

- There has been an overall trend of increases in medical costs post-COVID-19 across some of the markets in which FWD operates. Critical illness incidence rates and medical costs have also been on the rise in several of these markets, partly driven by improved screening and medical inflation. As shown in the sensitivity analysis, an increase in mortality and morbidity rates has a material impact on EV and VNB. It is, therefore, important for FWD to actively monitor and manage the claims experience of its health portfolio.

6.3. REVIEW OF RESULTS

The EV Results have been prepared by FWD using its in-house Valuation Models. We have reviewed certain elements of the Valuation Models. In particular, we have carried out sample policy checks on the projected cash flows produced by the Valuation Models for products representing over 90% of the in-force business (measured by in-force statutory reserves) and VNB (measured by NB APE). The sample policy checks were performed to independently validate that the Valuation Models appropriately capture the features of these products and that the Valuation Models have been set up in accordance with the agreed methodology and assumptions.

We have also performed the following checks on the aggregate results:

- Reconciliation of the opening liabilities projected from Valuation Models to accounting data.

- Reconciliation of the new business model point file against NB APE presented in new business sales summaries.

- Validating the ANW to accounting data for each Business Unit including a reconciliation performed against the opening IFRS equity as per audited financial statements.

- Reconciliation of final VIF/VNB results by discounting the VIF/VNB cash flows at the risk discount rates assumed for each Business Unit.

- Validation of out-of-model adjustments.

- Review of EV and VNB sensitivity results in respect of changes to assumptions for each Business Unit.

- Reconciliation of the ANW to accounting data as per audited financial statement in respect of the Other Entities of FWD Group.

- Review of the adjustments for unallocated Group Office expenses.

Any material errors revealed by our checks were corrected in the Valuation Models. Our model review process has been to highlight to the Business Units (excluding the newly acquired entities) where the present value of cash flows for sample model points exceeded our 1% tolerance level and to discuss with the Business Units whether a change to the Valuation Models was required.

6.4. OPINION

Based on our review of the methodology and assumptions used by FWD to calculate the EV Results, we conclude that:

- The methodology used to determine the EV Results is consistent in all material respects with the EV Policy.

- The methodology specified in the EV Policy is in all material respects comparable to the TEV methodology commonly adopted by listed insurers incorporated in Asia. There are, however, certain features within the methodology that are specific to FWD given the maturity of some of its Business Units, as highlighted in Section 6.1 of this Report.

- The operating assumptions used to calculate the EV Results have been developed using the operating experience of the Business Units, with allowance for expected future trends where applicable, or have been set with reference to industry experience or pricing assumptions where the experience of the Business Units is not statistically credible. The analysis of EV movement performed by the Business Units, however, shows negative persistency variances across 2022 and 2023 for FWD Group and a positive persistency variance in 2024. This reflects the strengthening of operating assumptions as of 31 December 2023 and updates to some operating assumptions in 2024.

- The EV Results have been determined using long-term expense assumptions set on the basis that Business Units will be able to eliminate expense overruns in the short to medium term in line with internal business plans. An increase in expenses or a reduction in sales compared to the assumptions used in the business plan forecasts could lead to an increase in expense assumptions and adversely affect the EV Results.

- The economic assumptions used to develop the EV Results have been determined having regard to the investment policy of each Business Unit, and current and expected future economic conditions, and are broadly consistent with economic assumptions adopted by insurers in Asia that report on a TEV basis. Checks have also been performed at a FWD Group level to validate the consistency of the allowance for risk in the risk discount rate with market consistent valuation approaches.[31]

- The EV Results have been prepared in all material respects in accordance with the methodology and assumptions described in this Report. This has been validated through the sample model point checks performed for products making up over 90% of VIF (measured by in-force statutory reserves) and 90% of VNB (measured by NB APE) for each Business Unit.

This opinion is subject to the reliances and limitations set out below.

7 RELIANCES AND LIMITATIONS

7.1. RELIANCES

In carrying out our work and producing this Report we have relied on information supplied by FWD. Reliance was placed on, but not limited to, the accuracy of the information provided to us. This Report was based on information available to us at, or prior to, [·] February 2025, and takes no account of developments after that date.

Except as specifically stated in this Report, we have performed no audits or independent verification of the information furnished to us. To the extent that there are any material errors in the information provided, the results of our analysis will be affected as well, possibly materially. The principal materials provided by FWD and relied upon by us are listed in Appendix B to this Report. We supplemented FWD's data with insurance industry data where deemed necessary. The use of external data is another source of uncertainty.

FWD Group has confirmed to us that the data and information it has provided to us is accurate and complete.

31 When assessing the market consistent approaches, it is noted that the estimated results vary depending on the calibration of the risk-free yield curve and the approach adopted to determine the cost of non-hedgeable risk.

7.2. LIMITATIONS

This Report is intended to provide certain actuarial information and analyses that would assist a professional, technically competent in the area of actuarial appraisals, to develop an estimate of the components of economic value of FWD Group. This Report must be read in its entirety to be fully understood. We assume that recipients of this Report will seek explanation and/or amplification of any part of this Report which is not clear.

The actuarial valuation of FWD Group has been developed on a going concern basis and assumes a continuation of the current, economic, political and social environment in the markets in which FWD Group operates. It therefore inherently assumes that the environment will remain stable. The user of this Report should be aware that any political, economic or social instability in these markets would add a degree of uncertainty to the results presented. In particular, the EV Results have been based on long-term unit cost loadings determined in accordance with FWD's business plan forecasts. For some markets, there was a steep rise in interest rates over the track record period with interest rates at end of 2024 continue remaining at high levels. There is an anticipation amongst some observers that interest rates in these markets may reduce, although the interest rate environment itself is volatile and unpredictable. Any large movements in equity markets or interest rates could have a material impact on the EV Results.

In determining the EV Results of FWD Group, assumptions have been made about future experience, including economic and investment experience, mortality, morbidity, persistency, expenses and taxes. Actual experience may differ from that assumed in the projections used to calculate the EV Results. To the extent actual experience is different from the assumptions underlying this Report, actual results will also differ from the results shown. The sensitivity of results to certain changes in assumptions is provided in Section 5.5 of this Report.

The expense assumptions have been chosen on the basis that each Business Unit would continue to operate on a going concern basis. They do not take into account any future changes to product strategy, sales volumes or other matters that may have a consequential impact on product specific expense loadings. They also do not take into account any strategic FWD Group spending or any matters that could lead to an increase in such spending beyond what has been planned and set aside in the VIF. The assumptions, including the allowance for Group Office expenses, have also been set with reference to Board approved business plans prepared by the Company. We have relied on the business plans provided to us and have not reviewed the assumptions underlying them.

We have not attempted to assess the suitability or quality of the assets held by FWD Group or its reinsurance strategy. We have also not assessed, or made allowance for, any claims against FWD Group other than those made by policyholders under the normal terms of life insurance business. In particular, no account has been taken of liabilities in respect of pension entitlements, stock option plans, service contracts, leases and breaches of regulations.

No investigation has been made into the accuracy of the unit pricing and unit allocation procedures adopted by each Business Unit.

The results have been prepared by FWD using the Company's Valuation Models. Although we have performed extensive checks on the Valuation Models and underlying results as described in Section 6.3 of this Report, our checks were not exhaustive, and hence may not have uncovered all potential issues.

The EV Results set out in this Report do not include any allowance for withholding or other taxes that may apply to the payment of shareholder dividends on remittances out of the Business Units. Separately, we note that a consolidated tax adjustment has been made to reflect the impact of the global minimum tax rate of 15% prescribed by the Organization for Economic Co-operation and Development. We are not tax advisors and have relied on FWD Group's internal assessment that the approach taken with respect to both the global minimum tax adjustment and withholding tax is appropriate for EV reporting purposes.

Reserves, cost of capital and tax have been calculated using the prevailing regulatory and tax frameworks applicable at the respective Valuation Dates, and do not take into account any future changes in these frameworks. With the introduction of the group-wide supervision framework by the Hong Kong Insurance Authority effective from 29 March 2021, FWD Group also performs internal analyses at least annually (the last study was as at 31 December 2024) to validate that the framework will not result in an increase in capital requirements beyond what has been assumed in the EV Results set out in this Report. We have not reviewed these internal analyses. We have also relied on the opinion of the operating entities' Appointed Actuaries and auditors that the reserves and capital requirements held as at the respective Valuation Dates comply with the prevailing regulations. Effective from 31 March 2026, capital regulations in Japan are changing to an economic value basis. The new framework is under development based on the International Capital Standard. It is important to note that this regulatory change is not incorporated in the EV Results presented in this Report.

The EV Results allow for adjustments to dividends, profit sharing and crediting rate assumptions taking into account the investment return assumptions and profit sharing rules defined in regulations and/or internal company governance. We have relied on the Business Units' application of these rules within the Valuation Models and note that the impact on the results if the rules incorporated in the Valuation Models are not followed in actual practice can be material.

The EV Results presented in this Report assume the ability to continue to optimise capital through existing external and internal reinsurance arrangements. Any revisions to these arrangements, due to regulatory change or other factors, may have a material impact on the EV Results.

Yours faithfully,

for Milliman Limited

Wen Yee Lee FIAA	Clement Bonnet IA, FASHK
Principal & Consulting Actuary	Principal & Consulting Actuary

Appendix A: Abbreviations

AER:	Actual Exchange Rate
ANW:	Adjusted Net Worth
BRI Life:	PT Asuransi BRI Life
CAGR:	Compound annual growth rate
CER:	Constant Exchange Rate
CIT:	Corporate Income Tax
COLI:	Corporate Owned Life Insurance
EV:	Embedded Value
EV equity:	Equity attributable to shareholders and reflects the Group EV, adjusted to include goodwill and other intangible assets attributable to shareholders
EV Policy:	FWD Group EV Policy
FWD Bermuda Singapore:	FWD Life Insurance Company (Bermuda) Limited, Singapore Branch
FWD BSN Holdco:	FWD BSN Holdings Sdn. Bhd. (Malaysia)
FWD Cambodia:	FWD Life Insurance (Cambodia) Plc.
FWD Group or FWD or Company:	FWD Group Holdings Limited 富衛集團有限公司 (formerly known as PCGI Intermediate Holdings Limited), the immediate holding company of FWD Limited and FWD Group Limited
FWD Hong Kong:	Includes FWD Life (Bermuda) (except FWD Bermuda Singapore, FWD Malaysia and FWD Vietnam), FWD Life Assurance (Hong Kong) and FWD Life (Hong Kong)
FWD IB:	Includes FWD Insurance Berhad (Malaysia), and, for the purposes of this Report only, FWD BSN Holdco and FMH Capricorn Holdings Sdn. Bh
FWD Indonesia:	PT FWD Insurance Indonesia

FWD Japan:	FWD Life Insurance Company, Limited
FWD Life Assurance (Hong Kong):	FWD Life Assurance Company (Hong Kong) Limited
FWD Life (Bermuda):	FWD Life Insurance Company (Bermuda) Limited
FWD Life (Hong Kong):	FWD Life (Hong Kong) Limited
FWD Macau:	FWD Life Insurance Company (Macau) Limited
FWD Malaysia:	FWD Takaful Berhad
FWD Philippines:	FWD Life Insurance Corporation
FWD Reinsurance:	FWD Reinsurance SPC, Ltd.
FWD Singapore:	FWD Singapore Pte. Ltd.
FWD Thailand:	FWD Life Insurance Public Company Limited
FWD VCLI:	FWD Assurance VietNam Company Limited
FWD Vietnam:	FWD Vietnam Life Insurance Company Limited
FX rate:	Foreign Exchange Rate
HKD:	HK Dollar
HK RBC:	Hong Kong Risk-based Capital
IDR:	Indonesian Rupiah
IFRS:	International Financial Reporting Standards
IFRS accounts:	Audited consolidated financial statements of FWD Group Holdings Limited 富衛集團有限公司 (formerly known as PCGI Intermediate Holdings Limited) for the years ended 31 December 2022, 2023 and 2024

[**REDACTED**]

JPY:	Japanese Yen
MCIT:	Minimum Corporate Income Tax

MOP:	Macanese Pataca
MYR:	Malaysia Ringgit
NA:	Not Applicable/Not Available
n/m:	Not Meaningful
NB APE:	New Business Annual Premium Equivalent
PHP:	Philippine Peso
pps:	Percentage Points
PVNBP:	Present Value of New Business Premium
SCB:	The Siam Commercial Bank Public Company Limited
SCB Life:	SCB Life Assurance Public Company Limited
SGD:	Singapore Dollar
SME Term:	Small and Medium Enterprise Term Life
TEV:	Traditional Embedded Value
THB:	Thai Baht
Track record period:	The period from 1 January 2022 to 31 December 2024
USD:	US Dollar
Valuation Dates:	31 December 2022, 31 December 2023 and 31 December 2024
VIF:	Value of in-force business after cost of capital
VNB:	Value of new business after cost of capital
VND:	Vietnamese Dong
YoY:	Year-on-year

Appendix B: Key information received

- Audited consolidated IFRS accounts of FWD Limited and FWD Group Limited as at the respective Valuation Dates;
- Audited consolidated IFRS accounts of FWD Group as at the respective Valuation Dates;
- Statutory financial statements and solvency reports by Business Unit as at the respective Valuation Dates;
- Breakdown of statutory reserves by Business Unit as at the respective Valuation Dates;
- New business summary by product for new business sold by Business Unit in the reporting period;
- Group Office expense adjustments as at the respective Valuation Dates;
- EV Policy;
- EV Results breakdown by Business Unit as at the respective Valuation Dates including sensitivity results and analysis of EV movement;
- Summary of quarterly VNB results, NB APE and PVNBP for new business written in the reporting period;
- Group consolidated results, including any off-model adjustments;
- Projections of new business volumes and future expense levels by Business Unit;
- FWD's in-house actuarial models by Business Unit as used to prepare the EV Results;
- Individual in-force policy database by Business Unit as at the respective Valuation Dates;
- Individual new business policy database by Business Unit for new business sold in the reporting period;
- Product descriptions for key in-force and new business products reviewed;
- Experience studies performed by Business Unit covering mortality, morbidity, persistency and expenses; and
- Other information and clarifications obtained through various email and telecommunication during the period of our assignment.

Appendix C: Exchange rates

Table C.1: Exchange rates to 1 USD

	FX rate used for EV		
	31 Dec 2022	**31 Dec 2023**	**31 Dec 2024**
Hong Kong Dollar (HKD)	7.80	7.81	7.76
Macanese Pataca (MOP)	8.04	8.05	7.99
Japanese Yen (JPY)	132.14	141.38	156.18
Thai Baht (THB)	34.53	34.24	34.26
Indonesian Rupiah (IDR)	15,573.00	15,415.00	16,118.00
Malaysia Ringgit (MYR)	4.41	4.59	4.47
Philippine Peso (PHP)	55.73	55.39	57.98
Singapore Dollar (SGD)	1.34	1.32	1.36
Vietnamese Dong (VND)	23,574.00	24,249.00	25,489.00

	FX rate used for movement items in EV AOM and CER calculation Average year-to-date FX rate		
	2022	**2023**	**2024**
Hong Kong Dollar (HKD)	7.83	7.83	7.80
Macanese Pataca (MOP)	8.06	8.06	8.04
Japanese Yen (JPY)	131.31	140.45	151.45
Thai Baht (THB)	35.04	34.80	35.28
Indonesian Rupiah (IDR)	14,843.75	15,235.99	15,848.28
Malaysia Ringgit (MYR)	4.40	4.56	4.58
Philippine Peso (PHP)	54.48	55.61	57.27
Singapore Dollar (SGD)	1.38	1.34	1.34
Vietnamese Dong (VND)	23,401.28	23,833.42	25,050.18

	FX rate used for VNB and movement items in EV AOM							
	Quarterly average FX rate				Quarterly average FX rate			
	First quarter 2022	Second quarter 2022	Third quarter 2022	Fourth quarter 2022	First quarter 2023	Second quarter 2023	Third quarter 2023	Fourth quarter 2023
Hong Kong Dollar (HKD)	7.81	7.85	7.85	7.82	7.84	7.84	7.82	7.81
Macanese Pataca (MOP)	8.04	8.08	8.08	8.06	8.07	8.07	8.06	8.05
Japanese Yen (JPY)	116.20	129.50	138.16	141.36	132.31	137.14	144.50	147.83
Thai Baht (THB)	33.04	34.37	36.38	36.35	33.94	34.44	35.18	35.65
Indonesian Rupiah (IDR)	14,343.73	14,547.89	14,925.49	15,557.89	15,225.34	14,879.14	15,220.57	15,618.91
Malaysia Ringgit (MYR)	4.19	4.35	4.48	4.57	4.39	4.52	4.63	4.70
Philippine Peso (PHP)	51.54	52.70	56.41	57.27	54.82	55.60	55.99	56.04
Singapore Dollar (SGD)	1.35	1.38	1.40	1.39	1.33	1.34	1.35	1.35
Vietnamese Dong (VND)	22,768.54	23,071.92	23,462.86	24,301.82	23,577.27	23,481.61	23,913.16	24,361.62

	FX rate used for VNB and movement items in EV AOM			
	Quarterly average FX rate			
	First quarter 2024	Second quarter 2024	Third quarter 2024	Fourth quarter 2024
Hong Kong Dollar (HKD)	7.82	7.82	7.80	7.77
Macanese Pataca (MOP)	8.05	8.05	8.03	8.01
Japanese Yen (JPY)	148.42	155.84	149.19	152.33
Thai Baht (THB)	35.66	36.70	34.79	33.98
Indonesian Rupiah (IDR)	15,659.88	16,152.42	15,770.26	15,810.55
Malaysia Ringgit (MYR)	4.72	4.73	4.45	4.40
Philippine Peso (PHP)	55.96	57.82	57.16	58.14
Singapore Dollar (SGD)	1.34	1.35	1.32	1.33
Vietnamese Dong (VND)	24,551.51	25,352.20	25,018.07	25,278.95

Appendix D: Breakdown of EV results by region

Table D.1: EV results by region (in USD millions)

	As at 31 Dec 2022	As at 31 Dec 2023	As at 31 Dec 2024
Hong Kong	3,756	3,704	3,641
Japan	2,202	2,312	2,233
Thailand	2,303	2,247	2,356
Emerging Markets	1,105	1,204	1,234
Operating entity EV	9,366	9,467	9,463
Plus: Corporate & Other net assets	1,091	933	357
Less: Unallocated Group Office expenses	(558)	(558)	(482)
Less: Financing	(3,833)	(4,161)	(3,770)
Group EV	6,066	5,682	5,569

Figures may not be additive due to rounding.