Chief Financial Officer report



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Group Chief Financial Officer &
Group Chief Operating Officer

> **We are well positioned to continue delivering profitable growth, improved capital and cash flow generation, providing long-term value to our shareholders.**

In 2025, FWD Group delivered record financial performance, reflecting a disciplined balance between growth, profitability, and risk management, reinforcing our commitment to sustainable long-term value creation for shareholders. In July, we achieved a significant milestone with the successful completion of the Group's IPO, which raised HK$3,611 million (approximately US$466 million), further strengthening the Group's capital position and enhancing financial flexibility.

Growth

Our growth in 2025 was underpinned by a strong distribution performance and product innovation across markets. New business sales (APE) reached US$2,446 million, representing a 25 per cent increase compared to 2024. This growth was broad-based, with Hong Kong & Macau delivering an outstanding 51 per cent increase, supported by our balanced customer portfolio which includes our HNW offering, FWD Private.

The expansion of new business contractual service margin (NB CSM) to US$1,476 million — up 18 per cent year-on-year — reflects improved operating leverage and APE growth. Value of new business (VNB) grew to US$945 million, an increase of 11 per cent. NB CSM and VNB in 2025 were impacted by economic factors (including lower interest rates in Thailand), tax regulatory changes and operating assumption changes at year-end 2024. Adjusting for these factors, NB CSM and VNB in 2025 grew 25 per cent and 23 per cent, respectively.

Profitability

The Group's profitability in 2025 reflects the strength of our operating model and disciplined execution. Operating profit after tax (OPAT)[1] was US$499 million, driven by higher contractual service margin (CSM) release. The CSM balance increased by 24 per cent to US$6,562 million as at 31 December 2025, supported by strong new business growth and improved operating variances. All four segments remained profitable during the year, underscoring the sustainability of the Group's growth.

[1] Operating profit after tax represents the amounts attributable to Equity Holders of the Company, and is presented net of non-controlling interests.

Net profit after tax (NPAT)[2] under IFRS 17 reached a record US$166 million for the year ended 31 December 2025, exhibiting the continued maturity of the Group. Disciplined expense control was a key contributor to both the record net profit achieved under IFRS 17 and expense overrun improvement.

Value

Our commitment to creating sustainable shareholder value is reflected in the strong growth of both Group CTE and EV during 2025. CTE increased to US$8,717 million which grew 18 per cent from US$7,162 million as at 31 December 2024. EV increased to US$6,850 million which grew 19 per cent year-on-year, up from US$5,569 million at the end of 2024. This increase in shareholder value was driven by robust new business growth, improved operating variances and assumption changes, and disciplined asset liability management.

Risk & Capital

Solvency capital remains strong at 265 per cent solvency ratio (LCSM cover ratio on a PCR basis) as at 31 December 2025. Remittances from operating entities exceeded US$500 million, with Thailand delivering a record amount.

Net underlying free surplus generation (net UFSG) in 2025 was US$857 million and increased by 20 per cent from 2024, primarily from improvement in operating variances and free surplus uplift from reinsurance transactions as we continue to optimise capital and free surplus generation.

Our Group LCSM ratios will change following the adoption of the Japan regulatory solvency rules change which is moving to the Economic value-based Solvency Regulation (ESR) effective on 31 March 2026. We are supportive of the change in the Japan regime to ESR as the economic principles underpinning it aligns with our risk management approach in running the Group's business. As at 31 December 2025, the Japan business solvency ratio reduced from 1,622 per cent under the Solvency Margin Ratio (SMR) basis to 194 per cent under the ESR basis. We do not expect any further constraints on the Group's current financial flexibility or material changes to holding company financial resources as a result of this change. As at 31 December 2025 our Group LCSM ratio (PCR basis) following the adoption of ESR is 210 per cent.

In September, the Group successfully completed a US$575 million 5-year and a US$575 million 10-year subordinated dated capital securities offering, which, together with the IPO proceeds, funded the refinancing of the US$900 million Subordinated Notes due 2029 and the redemption of the US$750 million Perpetual Capital Securities. This has enhanced the Group's financial flexibility by reducing annual debt-servicing costs by approximately US$72 million and further optimises the overall cost of debt. It also contributed to the reduction in leverage from 25.5 per cent as at 31 December 2024 to 21.3 per cent as at 31 December 2025, which is near our target leverage range of 15 to 20 per cent.

Supported by increasing profitability and a robust balance sheet, FWD Group was operating cash flow positive for a second consecutive year as at 31 December 2025.

We are well positioned to continue delivering profitable growth, improved capital and cash flow generation, providing long-term value to our shareholders, and leveraging our further enhanced financial strength and flexibility along with our other competitive advantages.

[2] Net profit after tax is profit attributable to Equity Holders of the Company, and is presented net of non-controlling interests.