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## **FWD LIMITED**

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

**(the “Issuer”)**

**U.S.\$325,000,000 5.00 per cent. Notes due 2024 (the “2024 Notes”) (ISIN: XS1106513762)  
(Stock Code: 5803)**

**U.S.\$200,000,000 5.50 per cent. Subordinated Perpetual Capital Securities (the “2018 Perpetual Securities”, and together with the 2024 Notes, the “Securities” and each a “Series”) (ISIN: XS1748857379) (Stock Code: 4416)**

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

### **Background**

Reference is made to the announcements dated 17 June 2021, 1 July 2021 and 9 July 2021 (together, the “**Announcement**”) in relation to the Issuer's solicitation of consents (the “**Consent Solicitation**”) for approval of the Proposals set out in the consent solicitation memorandum dated 17 June 2021 (the “**Consent Solicitation Memorandum**”) and the obtaining of such consents from the relevant Holders.

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

## Update on the Consent Solicitation

On the Settlement Date, subject to and in accordance with the terms and conditions of the Consent Solicitation Memorandum (including any Issuer Election), the Issuer will pay the relevant Consent Fee in respect of the 2024 Notes and the 2018 Perpetual Securities to each Holder from whom a valid Voting Instruction in favour of the relevant Extraordinary Resolution had been received by the Information and Tabulation Agent by the relevant consent deadline as described in the Consent Solicitation Memorandum. If the Proposals are implemented in full, our parent company, FWD Group Holdings Limited, will be substituted as the issuer in respect of the Securities.

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

We (together with FWD Group Holdings Limited) continue to actively take steps towards satisfaction of the Settlement Conditions and will provide a further update in due course with respect to expected timing for satisfaction of the Settlement Conditions.

## Financial update

On 28 February 2022, FWD Group Holdings Limited published (a) a press release entitled “*FWD Group announces update to bond consent solicitation and publication of annual results*” with respect to an update on our Consent Solicitation and its financial performance for the year ended 31 December 2021 (the “**Press Release**”), (b) its financial statements for the year ended 31 December 2021 (the “**Financial Statements**”) and (c) an actuarial consultant’s report issued by Milliman Limited for the period ended 31 December 2021 (the “**Actuarial Consultant’s Report**”). Such documents are available on its corporate website at <https://www.fwd.com>.

FWD Group Holdings Limited noted in the Press Release that it raised a total of US\$1.625 billion through its recent private placements after securing investments from Huatai Growth Focus Limited (“**Huatai**”) and ORIX Asia Capital Limited (“**ORIX Asia Capital**”) in January 2022. The private placements to Huatai and ORIX Asia Capital are in addition to the initial US\$1.425 billion that FWD Group Holdings Limited raised in December 2021 from certain global investors including Apollo, the Canada Pension Plan Investment Board, Li Ka Shing Foundation, Metro Pacific Investments Corporation, Pacific Century Group, The Siam Commercial Bank Public Company Limited and Swiss RE, to support FWD Group Holdings Limited’s growth plans.

As previously disclosed by FWD Group Holdings Limited, it is also using the private placement proceeds to reduce leverage, with US\$1.25 billion of debt repaid in 2021 and a further US\$250 million repaid in January 2022.

## Key Performance Indicators

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

the entity, which will be substituted as issuer in respect of the Securities if the Proposals are implemented in full.

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

### **Growth and Value Creation**

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

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

*Underlying VNB*. Underlying VNB is an operational performance measure which represents VNB for the relevant periods excluding the impacts of FWD Group Holdings Limited's acquisitions and associated partnerships, discontinued businesses, disrupted businesses, one-off items, and non-recurring events (similarly adjusted to underlying APE).

*Group embedded value ("Group EV")*. Due to the long-tail nature of insurance policies with substantial future income expected to arise from in-force insurance policies, embedded value ("EV") is a commonly adopted method of measuring the economic value of a life insurance company. EV is an actuarial method of measuring the consolidated value of shareholders' interests in the existing business of an insurance company. It is an actuarial performance measure and an estimate of the economic value of a life insurance company based on a particular set of assumptions as to future experience, excluding any economic value attributable to any future new business. Group EV, an actuarial performance measure, represents the consolidated EV of FWD Group Holdings Limited and is presented on a net of financing basis. Financing for this purpose includes debt held and comprises borrowings and perpetual securities.

*Embedded value equity ("EV Equity")*. EV Equity, an actuarial performance measure, is defined to be the equity attributable to shareholders, and reflects the Group EV, adjusted to include goodwill and other intangible assets attributable to shareholders. It is presented on a net of financing basis. Financing

for this purpose includes debt held and comprises borrowings and perpetual securities. EV Equity allows FWD Group Holdings Limited to measure the total equity attributable to shareholders on an actuarial basis.

## Profitability and Scale

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

*Segmental adjusted operating profit before tax.* Segmental adjusted operating profit before tax, a non-IFRS measure, consists of profit/(loss) from continuing operations after tax adjusted to exclude certain items defined in note (4) of the table below. FWD Group Holdings Limited considers that trends can be more clearly identified without the significant impact of the amortisation of value of business acquired (“VOBA”), the one-off costs of integration activities and the costs of servicing debt used to finance acquisition activities, and the fluctuating effects of other non-operating items which are largely dependent on market factors.

*Adjusted net profit/loss.* Adjusted net profit/loss, a non-IFRS measure, is net profit/loss adjusted to exclude net profit/loss to FWD Group Holdings Limited and the Financing Entities (as defined below), assuming the reorganisation of FWD Group Holdings Limited (as described in the notes to the Financial Statements, the “**Reorganisation**”) was completed as of 1 January 2019 as these were principally financing and treasury related costs that were shareholder related that did not form part of the Group overseen by FWD management. Management views adjusted net profit/loss as a more relevant measure of FWD Group Holdings Limited net profits/losses as it gives pro forma effect to the Reorganisation and should be read in conjunction with net profit/loss which reflects the actual net profit / loss incurred based on the organisation structure in the relevant periods.

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

## Capital

*Adjusted net underlying free surplus generation (“adjusted net UFSG”).* Adjusted net UFSG is net UFSG excluding one-off opening adjustments, non-economic assumption changes and expense overruns. The one-off opening adjustments, which are nonrecurring, primarily include adjustments resulting from (i) revisions to the reserving methodology for variable interest rate segregation in Hong Kong, and (ii) alignment of the valuation methodology for acquired entities (i.e., SCB Life Assurance Public Company Limited, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong

Limited) with FWD Group Holdings Limited's EV methodology in 2019 and 2020. The revisions to non-economic assumption updates are also considered one-off and excluded in the adjusted net UFSG. Net UFSG is an actuarial performance measure and represents the underlying free surplus generation ("UFSG"), allowing for the free surplus used to fund new business. It excludes investment return variances and other items such as the impact of acquisitions, new partnerships and discontinued business, capital movements and impact of financing. Free surplus is defined as the excess of adjusted net worth, i.e., adjusted statutory net asset value attributable to shareholders, over the required capital. Adjusted net worth comprises of 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 held on a market value basis minus the value of intangible assets. FWD Group Holdings Limited believes that this serves as a useful adequate measure of the quality of its in-force business and hence the ability to generate cash.

## **Ratios**

### *Growth and Value Creation*

*VNB margin.* VNB margin is an actuarial performance measure and measures the profitability of FWD Group Holdings Limited's new business and is equal to VNB expressed as a percentage of APE for the relevant period.

### *Capital*

*Leverage ratio.* Leverage ratio measures FWD Group Holdings Limited's level of indebtedness and is calculated as debt divided by the sum of debt and equity as at end of the relevant period.

### *Profitability and Scale*

*Expense ratio.* Measures FWD Group Holdings Limited's ability to manage its cost base as it grows its business and is measured as operating expenses divided by TWPI for the relevant period.

The following table sets forth FWD Group Holdings Limited's key performance indicators for the periods indicated:

	For the Year ended 31 December/ As of 31 December			2019-2021
	2019	2020	2021	CAGR
(US\$ millions, except for percentages)				
<b>Growth &amp; Value Creation</b>				
Annualised Premium Equivalent (APE) <sup>(1)</sup>	1,125	1,692	1,446	13.4%
Value of New Business (VNB) <sup>(2)</sup>	498	617	686	17.4%
Underlying VNB <sup>(2)</sup> .....	316	358	446	18.8%
Group Embedded Value (Group EV) <sup>(2)(3)</sup>	1,463	3,761	5,731	97.9%
Embedded Value Equity (EV Equity) <sup>(2)(3)</sup>	4,845	7,110	9,065	36.8%
<b>Profitability &amp; Scale</b>				
Total Weighted Premium Income (TWPI) <sup>(4)</sup>	4,655	6,546	6,851	21.3%
Segmental adjusted operating profit before tax <sup>(4)</sup> .....	47	125	205	105.9%
Adjusted net profit / (loss) attributable to shareholders of the company	(365)	(268)	188	N/A
Embedded Value (EV) Operating Profit <sup>(2)(5)</sup>	550	673	885	26.9%
<b>Capital</b>				
Adjusted net underlying free surplus generation (Adjusted net UFSG) <sup>(6)</sup>	103	135	95	(3.9)%
<b>Ratios:</b>				
VNB Margin <sup>(2)(7)</sup> .....	44.2%	36.5%	47.4%	N/A
Expense Ratio <sup>(8)</sup> .....	17.8%	14.7%	14.4%	N/A
Leverage ratio <sup>(9)</sup> .....	58.6%	43.3%	34.2%	N/A

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

- (1) Operational performance measure. See the Actuarial Consultant's Report.
- (2) Actuarial performance measures. See the Actuarial Consultant's Report.
- (3) Presented on a net of financing basis. Financing for this purpose includes debt held and comprises borrowings and perpetual securities.
- (4) Non-IFRS measures. Segmental adjusted operating profit before tax consists of profit/(loss) from continuing operations after being tax adjusted to exclude (i) net loss of FWD Group Holdings Limited and its financing subsidiaries, PCGI Intermediate Limited and PCGI Intermediate Holdings (II) Limited (the "Financing Entities"), assuming the Reorganisation was completed as of 1 January 2019 as these were principally financing and treasury related costs that were shareholder related that did not form part of the Group overseen by FWD management, (ii) tax, (iii) short-term fluctuations in investment return related to equities and property investments and other non-operating investment return, (iv) finance costs related to borrowings and long-term payables, (v) amortisation of VOBA, (vi) mergers and acquisitions, business set-up and restructuring-related costs, (vii) costs relating to an offering, including incentive costs, (viii) implementation costs for IFRS 9 and 17 and Group-wide supervision, and (ix) any other non-operating items which, in FWD Group Holding Limited's view, should be disclosed separately to enable a meaningful understanding of its financial performance.

- (5) Presented before allowing for operating variances other than claims/persistency/expense variances and operating assumption changes.
- (6) Adjusted net UFSG is net UFSG excluding one-off opening adjustments, non-economic assumption changes and expense variance. See the Actuarial Consultant's Report.
- (7) VNB Margin is defined as VNB expressed as a percentage of APE for the relevant period.
- (8) Expense Ratio is defined as operating expenses expressed as a percentage of TWPI for the relevant period.
- (9) Calculated as debt divided by the sum of debt and equity as at the end of the applicable period.

*As at the date of this announcement, the directors of the Issuer are Hon. Ronald Joseph Arculli, Damis Jacobus Ziengs, Li Tzar Kai Richard, Peter Anthony Allen, John Russell Baird, Martina Kit Hung Chung, Guido Fürer, Kyoko Hattori, Frederick Ma Si-hang, Dirk Marinus Sluimers and Huynh Thanh Phong.*