

Taishin's Investment in Prudential Life Insurance Company of Taiwan Inc.

Investor Presentation

11 Aug 2020



Disclaimer

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Agenda

- **Transaction Summary**
- **POT Overview**
- **Transaction Rationale**
- **Financial Impact**

Transaction Summary

Transaction Summary

Transaction Overview	<ul style="list-style-type: none">• Taishin FHC announced its acquisition of 100% of Prudential Life Insurance Company of Taiwan Inc. (“POT”) in an all-cash transaction
Transaction Terms	<ul style="list-style-type: none">• Upfront Consideration: NT\$5.5 billion<ul style="list-style-type: none">– Implied price to book value of 0.61x¹• Contingent Consideration²: capped at NT\$3.0 billion
Source of Funding	<ul style="list-style-type: none">• Ultimately through existing cash and/or sale of investment assets
Approvals & Closing	<ul style="list-style-type: none">• Subject to customary regulatory approvals
Employees & Policyholders’ Interests	<ul style="list-style-type: none">• All of POT’s employees will be retained post completion of the transaction• Rights of all of POT’s policyholders will not be affected

Note:

1. Based on POT book value as of 31 December 2019.

2. Payable in 2 years post signing subject to price adjustment mechanism according to Share Purchase Agreement.

POT Overview

POT Overview

Operation

- Founded in 1989, POT is a premium life insurance franchise based in Taiwan
- POT offers a full suite of protection, retirement and savings, accident and health as well as annuity products to a broad range of Taiwanese customers through its unique Needs-based Selling model
- Strength in customer-centric, protection-oriented focus
- Life Planners, POT's primary sales channel, are a proprietary agency force of highly-trained sales agents
 - Second largest agency force in Taiwan among foreign insurers

Financial Summary

(NT\$ million)	2017	2018	2019	1Q20
Key Balance Sheet Items				
Total Assets	155,744	165,551	181,886	180,493
Total Liabilities	145,939	158,373	172,865	173,309
Total Equities	9,805	7,179	9,021	7,184
Key Income Statement Items				
Premium Income	13,877	14,069	15,425	4,098
Investment Income	3,223	3,837	3,972	978
Operating Expenses	1,837	1,797	1,853	413
Net Income	164	429	293	300

Source: Company disclosure.

Note:

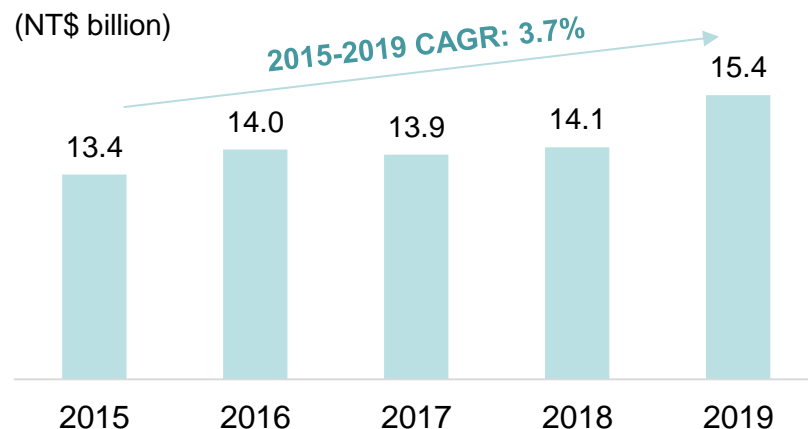
1. As of 31 December 2019.

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Key Statistics¹

# of Policyholders	~221,000
# of In-force Policies	~460,000
# of Life Planners	570
Total Revenues	NT\$24.1 billion
Total Assets	NT\$181.9 billion
RBC Ratio	302%

Premium Income Growth



Conservative Investment Portfolio

Investment Portfolio¹

	Amount (NT\$ billion)	%
Taiwan Government Bonds	91.2	61.0%
Taiwan Equity	10.6	7.1%
Public US Corporate Bonds	37.3	25.0%
Policy Loan	7.2	4.8%
Others	3.2	2.1%
Total	149.5	100.0%

Highlights

- Conservative portfolio heavily weighted towards Taiwan government bonds (accounting for over 60% of total portfolio)
- Foreign investments mainly consist of US corporate bonds, accounting for 25% of the total portfolio
- Over 70% of fixed income portfolio has over 20 years in maturity to match the long tail duration of the portfolio
- Over 85% of USD investment grade corporate bond portfolio is rated A or above
- Prudent investment strategy with a focus on currency matching, duration matching and liquidity management

Source: Company disclosure.

1. As of 31 December 2019 on financial reporting basis. Excludes cash and cash equivalents of NT\$2.3bn and accrued interest for fixed income investments of NT\$1.3bn.

IFRS 17 Assessment

- IFRS 17 combines a current balance sheet measurement of insurance contracts with recognition of profit over the period that services are provided
- IASB published IFRS 17 as a replacement for IFRS 4, with an effective date of 1 January 2023 globally. It is expected to be implemented in Taiwan on 1 January, 2026.¹
- The implementation of IFRS 17 may potentially result in increased capital requirements, which have been taken into account in the Transaction
- Taishin and POT have sufficient capital and reserves buffer to meet the requirements of IFRS 17
- The impact of IFRS 17 is partly mitigated by positive mark-to-market adjustments to fixed income securities at amortized cost (over NT\$20 billion²)
- POT has detailed plan in place for a timely execution of the implementation of IFRS 17, leveraging the knowledge and infrastructure support both from Taishin and Prudential Financial

Note:

1. In May 2017, IASB published IFRS 17 as a replacement for IFRS 4 with an effective date of 1 January 2021 globally; in March 2020, this was postponed with an effective date of 1 January 2023 globally.
2. As of 31 March 2020.

Transaction Rationale

Transaction Rationale

Universal Banking Strategy

- Complete Taishin's full service offerings and enhance customer experience
- Strengthen leading position through the integration of bank, insurance and securities firms
- Enhance the flexibility of asset allocations

Highly Complementary Business with Strong Synergy Potential

- Further cultivate business opportunities by expanding product lines through the combined distribution network
- Expand Taishin's customer base
- High quality agency force additive to Taishin's branch and wealth management distribution capabilities
- Enhance Taishin's product portfolio by developing differentiated products with the support of POT's underwriting capabilities
- Opportunity to enhance investment returns by optimizing POT's current investment portfolio

High Quality Management Team

- Highly experienced and qualified management team in the insurance industry
- Protection-focused life insurance platform with relatively high quality assets and capabilities

Financial Impact

Financial Impact on Taishin FHC

(NT\$ million) Dec 2019	Pre-acquisition		Post-acquisition ²
	Taishin FHC	POT	Impact on Taishin FHC
Net Income ¹	14,486	293	~2% of FHC consolidated net income
Total Assets ¹	2,030,941	181,886	~9% of FHC consolidated assets
Shareholders' Equity	178,889	9,021	Not affected, all-cash transaction
Double leverage Ratio	117.0%	-	Not affected
Capital adequacy ratio	118.9%	302%	Minor increase by around ~1%

- Expected to be earnings accretive to Taishin FHC given positive net income as well as funding from existing cash and short-term debt for the Transaction
- Pro-forma double leverage and Group CAR within statutory requirements and at healthy levels
- Due to POT's healthy capital structure, there is no need for capital injection

Note:

1. Consolidated basis.
2. After long-term capital plans.