

AIA Group Limited
友邦保險控股有限公司
Interim Report 2023



Stock Codes: 1299 (HKD Counter) and 81299 (RMB Counter)

AIA DELIVERS EXCELLENT GROWTH IN THE FIRST HALF OF 2023

VONB UP 37 PER CENT WITH GROWTH FROM ALL REPORTABLE SEGMENTS OPAT PER SHARE UP 4 PER CENT; INTERIM DIVIDEND PER SHARE UP 5 PER CENT

The Board of AIA Group Limited (the “Company”) is pleased to announce the Group’s financial results for the six months ended 30 June 2023.

Growth rates are shown on a constant exchange rate basis:

New business performance

- Value of new business (VONB) grew by 37 per cent to US\$2,029 million
- Annualised new premiums (ANP) increased by 49 per cent to US\$3,984 million
- All reportable segments and all distribution channels delivered positive VONB growth

Earnings and capital

- Embedded value (EV) operating profit of US\$4,423 million, up 20 per cent per share
- Operating return on EV (ROEV) of 13.3 per cent, up from 9.4 per cent in full year 2022
- Underlying free surplus generation (UFSG) of US\$3,288 million, up 10 per cent per share
- Operating profit after tax (OPAT) of US\$3,272 million, up 4 per cent per share
- EV Equity of US\$70.6 billion after returning US\$3.6 billion in dividend and share buy-back
- Free surplus of US\$16.3 billion at 30 June 2023
- Very strong Group LCSM coverage ratio of 260 per cent on the PCR basis⁽²⁾

Interim dividend and share buy-back programme

- Interim dividend of 42.29 Hong Kong cents per share, up 5 per cent
- US\$2.0 billion returned to shareholders through the share buy-back programme in the first half of 2023

Lee Yuan Siong, AIA’s Group Chief Executive and President, said:

“AIA has delivered excellent new business results with VONB up 37 per cent to over US\$2 billion for the first half of 2023. We also reported growth in our other key financial metrics, namely OPAT, EV operating profit, UFSG and EV Equity.

“We have seen our business return to strong and sustainable growth in the first half of 2023 and all of our reportable segments and all distribution channels delivered higher VONB. With the pandemic disruption behind us, the strength of AIA’s unrivalled distribution platform across Asia has powered a return to very strong new business momentum, including double-digit VONB growth from AIA China, our combined ASEAN business and Tata AIA Life, our joint venture in India. AIA Hong Kong more than doubled VONB compared to the first half of 2022, driven by substantial business from Mainland Chinese visitors (MCV).

“Our growing high-quality in-force portfolio and consistent financial discipline supported an increase in both OPAT and UFSG. We returned a total of US\$3.6 billion to shareholders in the first half of 2023 through the dividend and our ongoing share buy-back programme, which has enhanced shareholder returns and significantly benefited OPAT and UFSG per share. EV Equity of US\$70.6 billion was up 6 per cent over the first half of 2023 before dividend and share buy-back. AIA’s capital position remained very strong with free surplus of US\$16.3 billion and a Group LCSM coverage ratio⁽²⁾ of 260 per cent at 30 June 2023.

“The Board has declared a 5 per cent increase in the interim dividend to 42.29 Hong Kong cents per share. This follows AIA’s established prudent, sustainable and progressive dividend policy, allowing for future growth opportunities and the financial flexibility of the Group.

“AIA’s unrivalled distribution is a core competitive advantage and we have made substantial investments in technology, digital and analytics over the past three years to further enhance and differentiate our Premier Agency and partnership channels.

“Supported by our long-standing commitment to quality, training and digitalisation, we have increased the size, reach and capabilities of our agency force during the pandemic. As normal day-to-day activities resumed in the first half of 2023 across all markets, our focus on uplifting agent activity and productivity has generated 27 per cent VONB growth and a 49 per cent increase in Million Dollar Round Table (MDRT) qualifiers. In July, AIA was named the number one MDRT multinational company for the ninth consecutive year.

“VONB from our partnership distribution grew strongly by 62 per cent, driven by our bancassurance and retail independent financial adviser (IFA) channels. AIA’s long-term strategic partnerships with leading banks generated a 38 per cent increase in VONB, supported by excellent performances in Mainland China, Hong Kong, Thailand, Singapore, India and the Philippines. We continued to work with our high-quality bank partners to improve the productivity of insurance sellers through structured training and strengthening our digital capabilities.

“AIA China rapidly regained very strong momentum with VONB growth of 29 per cent from February as the final surge in COVID-19 cases subsided and normal day-to-day activities resumed. While we have seen very strong demand for our long-term savings products, including our newly-launched tax-deductible private pension products, traditional protection products remain a core proposition for our customers, accounting for the majority of new policies sold in the first half of 2023. Overall VONB grew 14 per cent in the first half of 2023 for AIA China.

“Mainland China offers tremendous potential for AIA, both within our existing footprint and in new geographies. We have continued to expand into new provinces with the launch of our new operation in Zhengzhou, Henan in May this year. By replicating our efficient and scalable model, we delivered 36 per cent higher agency VONB and a 44 per cent increase in the number of active agents in our new operations⁽³⁾. We also delivered very strong results from our strategic bancassurance partnerships, including a strong uplift in sales through Postal Savings Bank of China. While not included in our VONB results, our 24.99 per cent investment in China Post Life continued to deliver excellent results, with China Post Life’s VONB⁽⁴⁾ increasing by 55 per cent in the first half of 2023.

“AIA Hong Kong’s VONB more than doubled in the first half of 2023, supported by double-digit growth from our domestic customer segment and a very substantial increase in MCV business following the full resumption of normal travel in February. Our Premier Agency remains the clear market leader and we achieved a double-digit increase in the number of active agents and significantly higher agent productivity. VONB from our partnership distribution more than trebled with an excellent performance from our bancassurance channel and we returned to the number one market position in the IFA channel with the return of MCV business.

“AIA Thailand achieved a 28 per cent increase in VONB, sustaining the strong new business momentum from the second half of last year. Our consistent focus on quality recruitment delivered very strong growth in the number of active new agents, contributing to a double-digit increase in agency VONB. Our strategic partnership with Bangkok Bank delivered excellent VONB growth, driven by higher insurance sellers’ productivity.

“Our business in Singapore reported 5 per cent increase in VONB, mainly driven by higher new business sales from agency and the strong performance of partnership distribution. Our strategic partnership with Citibank recorded very strong growth, supported by an increase in both onshore and offshore business.

“AIA Malaysia reported a 10 per cent higher VONB, driven by both agency and partnership distribution channels. Our Premier Agency delivered a double-digit increase in VONB as a result of higher agent activity and productivity. Improved productivity of our insurance specialists drove further VONB growth from our bancassurance partnership with Public Bank.

“VONB of our Other Markets segment was up 8 per cent in the first half of 2023, largely driven by double-digit growth in Australia, New Zealand, India, Indonesia and the Philippines. Our performance in Vietnam has been negatively impacted by industry-wide sentiment and the reduction in the number of our new recruits as we continue to transform our agency and focus on improving quality. Tata AIA Life has delivered an outstanding performance with excellent VONB growth. Tata AIA Life is now a top three private life insurer in the market and remains the leader in retail protection.

“AIA operates in the most attractive markets in the world for life and health insurance. I am confident that the long-term prospects for AIA remain exceptional. Our new business performance in the first half of 2023 was broad-based, reflecting AIA’s substantial competitive advantages in capturing the significant growth opportunities in Asia. We will remain focused on helping people live Healthier, Longer, Better Lives as we execute our strategic priorities to generate long-term sustainable value for all our stakeholders.”

About AIA

AIA Group Limited and its subsidiaries (collectively “AIA” or the “Group”) comprise the largest independent publicly listed pan-Asian life insurance group. It has a presence in 18 markets – wholly-owned branches and subsidiaries in Mainland China, Hong Kong SAR⁽⁵⁾, Thailand, Singapore, Malaysia, Australia, Cambodia, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China), Vietnam, Brunei and Macau SAR⁽⁶⁾, and a 49 per cent joint venture in India. In addition, AIA has a 24.99 per cent shareholding in China Post Life Insurance Co., Ltd.

The business that is now AIA was first established in Shanghai more than a century ago in 1919. It is a market leader in Asia (ex-Japan) based on life insurance premiums and holds leading positions across the majority of its markets. It had total assets of US\$276 billion as of 30 June 2023.

AIA meets the long-term savings and protection needs of individuals by offering a range of products and services including life insurance, accident and health insurance and savings plans. The Group also provides employee benefits, credit life and pension services to corporate clients. Through an extensive network of agents, partners and employees across Asia, AIA serves the holders of more than 41 million individual policies and 17 million participating members of group insurance schemes.

AIA Group Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited under the stock codes “1299” for HKD counter and “81299” for RMB counter with American Depositary Receipts (Level 1) traded on the over-the-counter market under the ticker symbol “AAGIY”.

Notes:

- (1) The Group’s 2023 interim results have been calculated and reported after the adoption of International Financial Reporting Standards (IFRS) 9 and IFRS 17 from 1 January 2023.
- (2) AIA’s eligible group capital resources and group prescribed capital requirement (GPCR) are calculated based on the Local Capital Summation Method (LCSM). The Group LCSM coverage ratio is referred to as the “eligible group capital resources coverage ratio” in the group-wide supervision (GWS) framework and is calculated as the ratio of the eligible group capital resources to the GPCR on the prescribed capital requirement (PCR) basis.
- (3) Our new operations in Mainland China refer to our operations in Tianjin, Shijiazhuang, Sichuan province, Hubei province and Henan province.
- (4) VONB is calculated by China Post Life based on the principles and methodology in the China Association of Actuaries embedded value assessment guidance (CAA basis), consistent with the industry practice in Mainland China.
- (5) Hong Kong SAR refers to the Hong Kong Special Administrative Region.
- (6) Macau SAR refers to the Macau Special Administrative Region.

FINANCIAL SUMMARY

Performance Highlights

US\$ millions, unless otherwise stated	Six months ended 30 Jun 2023	Six months ended 30 Jun 2022	YoY CER	YoY AER
New Business				
Value of new business (VONB)	2,029	1,536	37%	32%
VONB margin	50.8%	55.2%	(4.5) pps	(4.4) pps
Annualised new premiums (ANP)	3,984	2,778	49%	43%
EV Operating Profit				
Embedded value (EV) operating profit	4,423	3,953	16%	12%
Operating return on EV ⁽⁶⁾	13.3%	11.1%	2.2 pps	2.2 pps
Basic EV operating earnings per share (US cents) ⁽⁹⁾	38.11	32.86	20%	16%
IFRS Earnings				
Operating profit after tax (OPAT) ⁽⁷⁾	3,272	3,352	0.2%	(2)%
Operating return on shareholders' allocated equity ⁽⁶⁾⁽⁷⁾	14.2%	13.5%	0.8 pps	0.7 pps
Total weighted premium income (TWPI)	19,300	18,568	7%	4%
OPAT per share (US cents) ⁽⁷⁾⁽⁹⁾				
– Basic	28.19	27.87	4%	1%
– Diluted	28.17	27.84	4%	1%
Underlying Free Surplus Generation				
Underlying free surplus generation (UFSG)	3,288	3,190	6%	3%
Basic UFSG per share (US cents) ⁽⁹⁾	28.33	26.52	10%	7%
Dividends				
Dividend per share (HK cents)	42.29	40.28	n/a	5%

US\$ millions, unless otherwise stated	As at 30 Jun 2023	As at 31 Dec 2022	Change CER	Change AER
Embedded Value				
EV Equity	70,621	71,202	1%	(1)%
Embedded value	68,033	68,865	–	(1)%
Free surplus	16,260	17,850	(8)%	(9)%
EV Equity per share (US\$) ⁽⁹⁾	6.11	6.07	2%	1%
Equity and Capital				
Shareholders' allocated equity ⁽⁷⁾	45,071	47,171	(3)%	(4)%
Group LCSM coverage ratio on PCR basis ⁽¹⁰⁾	260%	283%	n/a	(23) pps
Shareholders' allocated equity per share (US\$) ⁽⁷⁾⁽⁹⁾	3.90	4.02	(2)%	(3)%

New Business Performance by Segment

US\$ millions, unless otherwise stated	Six months ended 30 Jun 2023			Six months ended 30 Jun 2022			VONB Change	
	VONB	VONB Margin	ANP	VONB	VONB Margin	ANP	YoY CER	YoY AER
Mainland China	601	50.3%	1,195	563	67.4%	835	14%	7%
Hong Kong	681	56.9%	1,165	323	69.3%	443	111%	111%
Thailand	327	91.5%	357	260	83.8%	311	28%	26%
Singapore	173	65.0%	267	161	65.9%	244	5%	7%
Malaysia	170	64.8%	261	161	67.2%	239	10%	6%
Other Markets	212	28.6%	739	207	29.1%	706	8%	2%
Subtotal	2,164	53.8%	3,984	1,675	59.6%	2,778	34%	29%
Adjustment to reflect consolidated reserving and capital requirements	(20)	n/m	n/m	(25)	n/m	n/m	n/m	n/m
After-tax value of unallocated Group Office expenses	(100)	n/m	n/m	(99)	n/m	n/m	n/m	n/m
Total before non-controlling interests	2,044	50.8%	3,984	1,551	55.2%	2,778	37%	32%
Non-controlling interests	(15)	n/m	n/m	(15)	n/m	n/m	n/m	n/m
Total	2,029	50.8%	3,984	1,536	55.2%	2,778	37%	32%

Notes:

(1) The video presentations along with accompanying presentation slides and transcripts are available on AIA's website.

<http://www.aia.com/en/investor-relations/results-presentations.html>

(2) All figures are presented in actual reporting currency (US dollar) and based on actual exchange rates (AER) unless otherwise stated. Change on constant exchange rates (CER) is calculated using constant average exchange rates for the first half of 2023 and for the first half of 2022, other than for balance sheet items that use CER as at 30 June 2023 and as at 31 December 2022.

(3) Change is shown on a year-on-year basis unless otherwise stated.

(4) VONB is calculated based on assumptions applicable at the point of sale.

VONB for the Group excludes VONB attributable to non-controlling interests.

(5) VONB includes pension business. ANP and VONB margin exclude pension business and are reported before deduction of non-controlling interests.

(6) Operating return on EV is calculated, on an annualised basis, as EV operating profit expressed as a percentage of the opening embedded value.

Operating return on shareholders' allocated equity is calculated as operating profit after tax attributable to shareholders of AIA Group Limited, expressed as a percentage of the simple average of opening and closing shareholders' allocated equity. The calculation has been refined according to note 7 of the unaudited interim condensed consolidated financial statements.

(7) AIA adopted International Financial Reporting Standards (IFRS) 9 and IFRS 17 from 1 January 2023. Comparative information of OPAT, operating return on shareholders' allocated equity, OPAT per share, shareholders' allocated equity and shareholders' allocated equity per share have been restated for the first half of 2022 and as at 31 December 2022.

(8) OPAT and OPAT per share are shown after non-controlling interests unless otherwise stated.

(9) Calculation of per share figures presented on both basic and diluted basis are based on the daily weighted average number of ordinary shares outstanding for the first half of 2023 and for the first half of 2022, other than for balance sheet items that are calculated by the closing number of ordinary shares outstanding as at 30 June 2023 and as at 31 December 2022.

- (10) AIA's eligible group capital resources and group prescribed capital requirement (GPCR) are calculated based on the Local Capital Summation Method (LCSM). The Group LCSM coverage ratio is referred to as the "eligible group capital resources coverage ratio" in the group-wide supervision (GWS) framework and is calculated as the ratio of the eligible group capital resources to the GPCR on the prescribed capital requirement (PCR) basis.
- (11) In the context of our reportable segments, Hong Kong refers to operations in the Hong Kong Special Administrative Region (SAR) and the Macau SAR; Singapore refers to operations in Singapore and Brunei; and Other Markets refers to operations in Australia, Cambodia, India, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China) and Vietnam.
- (12) ANP and VONB for Other Markets include the results from our 49 per cent shareholding in Tata AIA Life Insurance Company Limited (Tata AIA Life). ANP and VONB do not include any contribution from our 24.99 per cent shareholding in China Post Life Insurance Co., Ltd. (China Post Life).

The IFRS results of Tata AIA Life and China Post Life are both accounted for using the equity method.

For clarity, TWPI does not include any contribution from Tata AIA Life and China Post Life.

- (13) The results of Tata AIA Life and China Post Life are both reported on a one-quarter-lag basis.

The results of Tata AIA Life are accounted for using the six-month period ended 31 March 2023 and the six-month period ended 31 March 2022 in AIA's consolidated results for the six-month period ended 30 June 2023 and the six-month period ended 30 June 2022, respectively.

The results of China Post Life are accounted for using the six-month period ended 31 March 2023 and the period from the completion of the investment on 11 January 2022 to 31 March 2022 in AIA's consolidated results for the six-month period ended 30 June 2023 and the six-month period ended 30 June 2022, respectively.

- (14) AIA's financial information in this Financial Summary is based on the unaudited interim condensed consolidated financial statements and supplementary embedded value information for the first half of 2023, unless otherwise stated.

TABLE OF CONTENTS

	<i>Page</i>
Group Chief Executive and President's Report	2
Financial and Operating Review	5
Group Chief Financial Officer's Review	5
Business Review	30
Corporate Governance	37
Compliance with Corporate Governance Code	37
Compliance with Model Code	37
Changes in Directors' Information	37
Directors' and the Chief Executive's Interests and Short Positions in Shares and Underlying Shares	38
Interests and Short Positions in Shares and Underlying Shares of Persons other than the Directors or the Chief Executive	39
Purchase, Sale or Redemption of the Company's Listed Securities	40
Share-based Compensation	42
Employees	52
Interim Condensed Consolidated Financial Statements	54
Report on Review of Interim Condensed Consolidated Financial Statements	54
Interim Consolidated Income Statement	55
Interim Consolidated Statement of Comprehensive Income	56
Interim Consolidated Statement of Financial Position	57
Interim Consolidated Statement of Changes in Equity	59
Interim Consolidated Statement of Cash Flows	61
Notes to the Unaudited Interim Condensed Consolidated Financial Statements	63
Report on Review of Supplementary Embedded Value Information	184
Supplementary Embedded Value Information	185
Information for Shareholders	209
Glossary	211

GROUP CHIEF EXECUTIVE AND PRESIDENT'S REPORT

AIA has delivered excellent new business results in the first half of 2023 with growth across all reportable market segments, distribution channels and key financial metrics. Our operating performance reflects the financially disciplined execution of our strategic priorities to meet the immediate and evolving demands of our customers, while achieving substantial capital returns and value creation for our shareholders.

The rapid reopening of Asian markets following the pandemic has been met with an increased demand for personalised life and health insurance, value-added services and high-quality advice.

Value of new business (VONB) for the Group grew by 37 per cent to US\$2,029 million in the first half of 2023. AIA Hong Kong was the largest contributor and more than doubled VONB supported by both our domestic and Mainland Chinese visitor customer segments. We also delivered double-digit growth in AIA China, our combined ASEAN business and Tata AIA Life in India.

EV operating profit of US\$4,423 million increased by 20 per cent per share, driven by VONB growth and a strong increase in expected return. EV Equity grew by 6 per cent over the first half of the year to US\$74,259 million before the payment of shareholder dividends of US\$1,672 million and an additional return of capital of US\$1,966 million to shareholders from our share buy-back programme. EV Equity was US\$70,621 million at 30 June 2023.

On 1 January 2023, we successfully transitioned to IFRS 9 and IFRS 17 and our 2023 interim results have been prepared according to these new accounting standards. As previously reported, this change in accounting does not affect the underlying economics of our business and there are no material changes to our VONB, embedded value, solvency, capital and cash generation. Our strategic priorities, capital management framework and dividend policy are also unchanged.

Operating profit after tax (OPAT) of US\$3,272 million grew by 4 per cent per share and operating return on shareholders' allocated equity (operating ROE) increased to 14.2 per cent on an annualised basis. Underlying free surplus generation (UFSG) of US\$3,288 million grew by 10 per cent per share. As in past years, this reflects the disciplined execution of our strategy to achieve superior profitable growth that supports strong free surplus and cash flow generation over time.

The Group's financial position remained very strong with free surplus increasing by 12 per cent over the first half to US\$19,898 million before the payment of US\$3,638 million in shareholder returns through dividends and the share buy-back programme. Net of these items, free surplus was US\$16,260 million.

As a result of our very strong financial position, in March 2022 the Board approved a return of capital to shareholders of up to US\$10 billion through a share buy-back programme over three years. As of 30 June 2023, we have delivered US\$5,536 million in returns to shareholders since launch. This represents capital that is surplus to our needs, allowing for financial market stress conditions and retention of capital for strategic and financial flexibility.

The Board has declared an increase in the interim dividend of 5 per cent to 42.29 Hong Kong cents per share. This reflects the strength of AIA's business performance and the Board's confidence in the future prospects of the Group. The Board continues to follow AIA's established prudent, sustainable and progressive dividend policy, allowing for future growth opportunities and the financial flexibility of the Group.

We move forward with confidence. Across the Group we are focused on leveraging our industry-leading technology, digital and analytics to sustain our growth by increasing the reach and professionalism of our distribution platform, expanding our range of personalised products, and consistently raising the quality of our services to grow lifetime customer value, as satisfied policyholders stay with us for longer.

Since we began our transformation to become a simpler, faster, more connected organisation in July 2020, our adoption of cloud technology has outperformed the global financial services and insurance industry benchmarks. As of 30 June 2023, 88 per cent of AIA's information technology infrastructure was hosted in the public cloud, doubling our technology capacity with substantial cost efficiencies compared to legacy infrastructure platforms and providing the foundational capabilities for us to deliver our strategic initiatives at increased scale. Across the Group, straight-through-processing for service requests has increased to 83 per cent, supporting faster turnaround times and providing a leading customer experience.

The responsible and fair use of artificial intelligence and data analytics is fundamental to building trust with our stakeholders and improving user experience outcomes. We have implemented more than 250 high-impact use cases, far exceeding the targets we set in 2020. These capabilities have deepened our understanding of customer needs and informed the design of our compelling propositions. Our significant investments are achieving strong results for customers, distributors and AIA, thereby accelerating our profitable growth strategy.

Our unrivalled distribution platform remains a key competitive advantage and differentiator for the Group. The high performance of our Premier Agency was again exemplified by AIA's status as the number one Million Dollar Round Table (MDRT) multinational company in the world, a record we have held for nine consecutive years. AIA China was once again the number one MDRT company globally on a stand-alone basis. Our Mainland China expansion strategy is based on replicating our proven platform in new geographies and deepening our presence within our existing footprint. I am delighted that in May, following regulatory approval, we opened our newest branch in Henan, the third most populous province in Mainland China. Our geographical expansion plans and targets going forward remain unchanged.

As normal day-to-day activities resumed in our markets, our attention has been on supporting our expansive agency to achieve a significant increase in productivity as demonstrated by our very strong VONB performance which was up by 27 per cent. In the first half of the year, MDRT qualifiers increased by 49 per cent, the number of next-generation agency leaders grew by 10 per cent and, as we look ahead, our focus is firmly on driving quality recruitment, productivity and training in each of our markets.

AIA's strategic relationships with leading partners are a growing source of new business that continue to go from strength to strength with VONB up by 62 per cent in the first half of 2023. Our long-term strategic partnerships focused on leading banks are a key competitive advantage for AIA. Our digitally-led bancassurance model successfully builds on our strong track record of converting in-branch referrals through our insurance specialists. Next-generation partnerships with technology companies offer lifestyle-related digital insurance propositions and leverage analytical models to identify suitable customers to refer to our distribution channels for more comprehensive advice and product solutions, enabling us to access new customer segments at scale.

Our 24.99 per cent investment in China Post Life Insurance Co., Ltd. (China Post Life) further increases the Group's exposure to the significant growth prospects in Mainland China. As the leading bank-affiliated life insurer, China Post Life is focused on bringing financial protection to the mass and emerging mass-affluent segments. In the first half of 2023, total VONB⁽¹⁾ grew very strongly by more than 55 per cent. Our investment is highly complementary to our strategy at AIA China and enables the Group to capture significant upside from additional distribution channels and customer segments.

For over a century AIA has been protecting people for life, securing financial futures into retirement, and improving the well-being of families across Asia. Our long-established legacy of trust, scale and influence underpins our imperative to support our communities in addressing the urgent and material Environmental, Social and Governance (ESG) issues we face.

As part of our role in the transition to a more sustainable future, AIA has pledged to achieve net-zero greenhouse gas emissions by 2050. I am pleased that we have submitted our ambitious near-term emissions reduction targets to the Science Based Targets Initiative (SBTi) and are awaiting their validation. I am extremely grateful to our people, customers, and shareholders for the enduring trust they place in us. There is much more we can do to contribute to the economic and social development of the region as we fulfil our Purpose of helping people live Healthier, Longer, Better Lives.

Asia continues to offer the best prospects in the world for life and health insurance and I am confident that they will only get stronger over time. The outlook for the external global macroeconomic environment is uncertain in the near term, but the long-term potential for our business remains immense. The pandemic has underscored the importance of insurance in providing peace of mind in unpredictable times. High levels of private savings, growing yet ageing populations, low levels of insurance penetration and limited welfare coverage create an urgent need for AIA's personalised products and high-quality advice. Our strategy is aligned to these structural growth trends, and we have the superior financial strength to capture the full economics of growth in the region. AIA is the right business to deliver sustainable long-term value for all our stakeholders.

In closing, I am pleased that AIA has delivered a very strong first half performance and achieved a return to superior profitable growth with strong free surplus generation and capital returns to shareholders. I am confident that we are well placed to achieve our growth ambitions in the second half of the year and beyond.



Lee Yuan Siong
Group Chief Executive and President
24 August 2023

Growth rates are shown on constant exchange rates as management believes this provides a clearer picture of the year-on-year performance of the underlying business.

Note:

- (1) VONB is calculated by China Post Life based on the principles and methodology in the China Association of Actuaries embedded value assessment guidance (CAA basis), consistent with the industry practice in Mainland China.

FINANCIAL AND OPERATING REVIEW

GROUP CHIEF FINANCIAL OFFICER'S REVIEW

Growth rates and commentaries are provided on a constant exchange rate (CER) basis, unless otherwise stated.

Summary and Key Financial Highlights

AIA has delivered a very strong set of financial results with excellent VONB growth of 37 per cent and growth in our other key financial metrics, namely OPAT, EV operating profit, underlying free surplus generation (UFSG) and EV Equity in the first half of 2023.

We achieved new business growth across all our reportable segments with VONB in Hong Kong more than doubling and double-digit growth in Mainland China, our combined ASEAN business and Tata AIA Life in India, as we leverage our competitive advantages and execute our growth strategy.

EV Equity grew by 6 per cent in the first half to US\$74,259 million before the payment of shareholder dividends of US\$1,672 million and an additional US\$1,966 million return of capital to shareholders from our share buy-back programme.

EV operating profit of US\$4,423 million increased by 20 per cent per share, driven by growth in VONB and an increase in expected return on EV reflecting the effect of higher government bond yields and risk discount rates at the end of 2022.

This has resulted in an uplift of 390 basis points⁽¹⁾ in our operating return on EV (operating ROEV) on an annualised basis to 13.3 per cent, compared with the full year 2022.

EV non-operating items were small at negative US\$35 million and the effect of foreign exchange rate movements was negative US\$1,261 million as the US dollar, our reporting currency, strengthened relative to local market currencies. After total shareholder dividends and share buy-back of US\$3,638 million, EV Equity was US\$70,621 million at 30 June 2023.

UFSG of US\$3,288 million increased by 10 per cent per share, driven by higher expected returns as interest rates increased, partly offset by lower positive claims experience compared with the first half of 2022.

The Group's 2023 IFRS interim condensed consolidated financial statements were prepared according to IFRS 9 and IFRS 17, which AIA adopted from 1 January 2023. Commentaries on IFRS results throughout this report are based on comparison with the Group's results for 2022 under IFRS 9 and IFRS 17. As previously disclosed for the year ended 31 December 2022, OPAT increased by 1 per cent, net profit was US\$3.0 billion higher, shareholders' allocated equity increased by 5 per cent and shareholders' equity was up by 17 per cent under IFRS 9 and IFRS 17, compared with results reported under the previous accounting standards.

OPAT of US\$3,272 million for the first half of 2023 grew by 4 per cent per share. Operating return on shareholders' allocated equity (operating ROE) increased to 14.2 per cent on an annualised basis, compared with 13.0 per cent for the full year 2022. Operating margin remained very strong at 17.0 per cent and reflects our high-quality sources of earnings.

The insurance service result is the largest component of OPAT and was broadly flat at US\$2,806 million, as the increase in contractual service margin (CSM) release was offset by less positive operating variances as medical claims increased compared with the prior year. The net investment result after expenses increased by 9 per cent to US\$1,721 million, driven by higher equity asset balances and long-term investment return assumptions compared with the first half of 2022. Other items included other fees, revenue and expenses of negative US\$639 million and tax of US\$616 million.

CSM⁽²⁾ represents the discounted value of expected future earnings on our in-force business. Strong CSM growth of 19 per cent to US\$54,858 million before variances and others, exchange rates and release included US\$3,393 million from new business written in the first half and US\$1,240 million from the expected return on in-force business. Variances and others were negative US\$1,443 million, mainly from capital market movements, and foreign exchange rate effects were negative US\$1,050 million. After the release of US\$2,618 million into OPAT, CSM was US\$49,747 million at 30 June 2023. The CSM release grew 5 per cent and the release rate of 9.7 per cent increased slightly from 9.5 per cent for the first half of 2022.

OPAT was the main driver of shareholders' allocated equity growth of 5 per cent over the first half of 2023 to US\$48,709 million before shareholder dividends and share buy-back. Shareholders' allocated equity was US\$45,071 million at 30 June 2023.

As at 30 June 2023, our ongoing US\$10 billion share buy-back programme had repurchased 551 million shares for an aggregate value of US\$5,536 million, reducing the outstanding share count by 5 per cent since launch in March 2022.

The Group's capital position remained very strong with free surplus increasing by 12 per cent in the first half to US\$19,898 million, before the deduction of US\$3,638 million for shareholder dividends and share buy-back. Free surplus was US\$16,260 million at 30 June 2023, compared to US\$17,850 million at 31 December 2022. The Group LCSM coverage ratio remained very strong at 260 per cent.

The Board of Directors (Board) has declared an increase of 5 per cent in the interim dividend to 42.29 Hong Kong cents per share. This follows AIA's established prudent, sustainable and progressive dividend policy, allowing for future growth opportunities and the financial flexibility of the Group.

We remain confident in the growth opportunities for AIA's businesses across Asia, allowing us to continue our focus on delivering significant profitable new business growth, leveraging our competitive advantages and financial strength to invest capital where we see highly attractive opportunities, while maintaining our strict financial discipline.

Notes:

- (1) On an actual exchange rate (AER) basis.
- (2) CSM refers to contractual service margin on a net of reinsurance basis. The CSM growth rate and release rate are shown on an annualised basis.

New Business Performance

VONB, ANP AND MARGIN BY SEGMENT

US\$ millions, unless otherwise stated	Six months ended 30 June 2023			Six months ended 30 June 2022			VONB Change	
	VONB	VONB Margin	ANP	VONB	VONB Margin	ANP	YoY CER	YoY AER
Mainland China	601	50.3%	1,195	563	67.4%	835	14%	7%
Hong Kong	681	56.9%	1,165	323	69.3%	443	111%	111%
Thailand	327	91.5%	357	260	83.8%	311	28%	26%
Singapore	173	65.0%	267	161	65.9%	244	5%	7%
Malaysia	170	64.8%	261	161	67.2%	239	10%	6%
Other Markets	212	28.6%	739	207	29.1%	706	8%	2%
Subtotal	2,164	53.8%	3,984	1,675	59.6%	2,778	34%	29%
Adjustment to reflect consolidated reserving and capital requirements	(20)	n/m	n/m	(25)	n/m	n/m	n/m	n/m
After-tax value of unallocated Group Office expenses	(100)	n/m	n/m	(99)	n/m	n/m	n/m	n/m
Total before non-controlling interests	2,044	50.8%	3,984	1,551	55.2%	2,778	37%	32%
Non-controlling interests	(15)	n/m	n/m	(15)	n/m	n/m	n/m	n/m
Total	2,029	50.8%	3,984	1,536	55.2%	2,778	37%	32%

The Group delivered excellent VONB growth of 37 per cent to US\$2,029 million in the first half of 2023. We achieved new business growth across all our reportable segments with VONB in Hong Kong more than doubling and double-digit growth in Mainland China, our combined ASEAN business and Tata AIA Life in India.

Annualised new premiums (ANP) grew by 49 per cent to US\$3,984 million. VONB margin reduced by 4.5 pps to 50.8 per cent, mainly from growth in sales of long-term savings products to Mainland Chinese visitors in Hong Kong and an increased proportion of bancassurance sales and long-term savings products within Mainland China. Margin reported on a present value of new business premium (PVNBP) basis remained stable at 10 per cent.

AIA China delivered VONB growth of 14 per cent in the first half of 2023, driven by double-digit growth from agency and exceptional results from our bancassurance channel. As COVID-19 cases subsided and normal day-to-day activities resumed, we rapidly regained very strong momentum with VONB growth of 29 per cent from February to June, compared to the same period last year. Strong customer demand for our long-term savings products across our distribution channels supported an excellent 53 per cent growth in ANP for the first half. This product mix shift and the increased bancassurance contribution to our overall sales contributed to the lower VONB margin of 50.3 per cent.

AIA Hong Kong's VONB more than doubled to US\$681 million in the first half of 2023, supported by double-digit growth from our domestic customer segment and the return of Mainland Chinese visitors in Hong Kong following the resumption of cross-border travel in February. Strong demand for our participating products, including an enhanced version of our flagship savings product, drove a 163 per cent increase in ANP to US\$1,165 million and a lower VONB margin of 56.9 per cent.

AIA Thailand achieved 28 per cent VONB growth in the first half of 2023, driven by strong double-digit growth from both our agency and partnership distribution channels. ANP grew by 17 per cent and VONB margin remained stable compared to the full year 2022 margin of 89.1 per cent.

AIA Singapore delivered 5 per cent VONB growth in the first half of 2023. ANP increased by 7 per cent and VONB margin remained strong at 65.0 per cent.

AIA Malaysia achieved VONB growth of 10 per cent and ANP growth of 14 per cent in the first half of 2023.

VONB for Other Markets segment increased by 8 per cent to US\$212 million in the first half of 2023. Eight of our markets in this segment delivered higher VONB in the first half of 2023 compared to the same period last year, partly offset by a decline in Vietnam's VONB.

Further details are included in the Business Review section of this report.

EV Equity

EV EQUITY MOVEMENT

EV Equity grew by 6 per cent over the first half of 2023 to US\$74,259 million, before the return of US\$3,638 million capital to shareholders through dividends and our share buy-back. This compared with US\$71,202 million at 31 December 2022.

Operating return on EV (operating ROEV) on an annualised basis increased by 390 basis points⁽¹⁾ to 13.3 per cent compared with the full year 2022.

EV operating profit of US\$4,423 million grew by 20 per cent per share compared with the first half of 2022, driven by a higher VONB of US\$2,029 million and a higher expected return on EV of US\$2,609 million. The increase in expected return on EV reflects the effect of higher government bond yields and risk discount rates at the end of 2022.

Overall operating experience variances added US\$167 million to EV Equity. Claims variances were positive, although medical claims increased compared with the levels experienced during the pandemic. As we continue to reprice our health insurance portfolios, for prudence, we have also included a claims provision within operating assumption changes of negative US\$183 million as policy repricing takes effect over time.

Cumulative operating experience variances and assumption changes have added US\$3.9 billion to EV Equity since our IPO in 2010, demonstrating our strategic focus on consistently writing high-quality business over many years.

Non-operating items were small at negative US\$35 million in the first half of 2023. Investment return variances of negative US\$653 million, largely due to equity market movements, were mostly offset by positive other non-operating variances of US\$618 million, mainly from the adoption of the new Korean Insurance Capital Standard (K-ICS).

Foreign exchange rate movements were lower than the prior year and reduced EV Equity by US\$1,261 million as the US dollar, our reporting currency, strengthened relative to local market currencies.

EV Equity was US\$70,621 million at 30 June 2023 after total capital returns to shareholders of US\$3,638 million.

Long-term economic assumptions remained unchanged from those reported at the end of 2022.

Note:

(1) On an actual exchange rate (AER) basis.

An analysis of the movement in EV Equity is shown as follows:

US\$ millions, unless otherwise stated	Six months ended 30 June 2023		
	ANW, goodwill and other intangible assets	VIF	EV Equity
Opening EV Equity	36,088	35,114	71,202
Value of new business	(55)	2,084	2,029
Expected return on EV	2,667	(58)	2,609
Operating experience variances	186	(19)	167
Operating assumption changes	(170)	(13)	(183)
Finance costs	(199)	–	(199)
EV operating profit	2,429	1,994	4,423
EV Equity before non-operating items	38,517	37,108	75,625
Investment return variances	(56)	(597)	(653)
Other non-operating variances	1,205	(587)	618
EV non-operating items	1,149	(1,184)	(35)
Total EV Equity profit	3,578	810	4,388
Other capital movements	(70)	–	(70)
Effect of changes in exchange rates	(667)	(594)	(1,261)
EV Equity before dividends and share buy-back	38,929	35,330	74,259
Dividends	(1,672)	–	(1,672)
Share buy-back	(1,966)	–	(1,966)
Closing EV Equity	35,291	35,330	70,621

US\$ millions, unless otherwise stated	Six months ended 30 June 2022		
	ANW, goodwill and other intangible assets	VIF	EV Equity
Opening EV Equity	35,316	39,685	75,001
HKRBC early adoption	8,407	(6,028)	2,379
Release of resilience margins	2,168	(1,283)	885
HKRBC early adoption and release of resilience margins	10,575	(7,311)	3,264
Value of new business	(144)	1,680	1,536
Expected return on EV	2,338	(109)	2,229
Operating experience variances	388	(4)	384
Operating assumption changes	(2)	(23)	(25)
Finance costs	(171)	–	(171)
EV operating profit	2,409	1,544	3,953
EV Equity before non-operating items	48,300	33,918	82,218
Investment return variances	(4,436)	(357)	(4,793)
Other non-operating variances	(1,260)	1,402	142
EV non-operating items	(5,696)	1,045	(4,651)
Total EV Equity profit	7,288	(4,722)	2,566
Other capital movements	(55)	–	(55)
Effect of changes in exchange rates	(1,041)	(1,153)	(2,194)
EV Equity before dividends and share buy-back	41,508	33,810	75,318
Dividends	(1,650)	–	(1,650)
Share buy-back	(1,342)	–	(1,342)
Closing EV Equity	38,516	33,810	72,326

EV EQUITY PER SHARE

US\$ millions, unless otherwise stated	As at 30 June 2023	As at 31 December 2022
ANW	32,703	33,751
VIF	35,330	35,114
EV	68,033	68,865
Goodwill and other intangible assets ⁽¹⁾	2,588	2,337
EV Equity	70,621	71,202
Number of ordinary shares outstanding (millions)	11,551	11,734
EV Equity per share (US dollars)	6.11	6.07

Note:

- (1) Goodwill and other intangible assets are consistent with the figures in the IFRS interim condensed consolidated financial statements and are shown net of tax, amounts attributable to participating funds and non-controlling interests.

EV OPERATING EARNINGS PER SHARE

	Six months ended 30 June 2023	Six months ended 30 June 2022	YoY CER	YoY AER
EV operating profit (US\$ millions)	4,423	3,953	16%	12%
Weighted average number of ordinary shares outstanding (millions)	11,605	12,028	n/a	n/a
Basic EV operating earnings per share (US cents)	38.11	32.86	20%	16%
Weighted average number of ordinary shares outstanding on diluted basis (millions) ⁽¹⁾	11,615	12,041	n/a	n/a
Diluted EV operating earnings per share (US cents)⁽¹⁾	38.08	32.83	20%	16%

Note:

- (1) Diluted EV operating earnings per share includes the dilutive effects, if any, of the awards under various share-based compensation plans as described in note 26 to the IFRS interim condensed consolidated financial statements.

EV AND VONB SENSITIVITIES

Sensitivities for EV and VONB to changes in equity price and interest rate movements, including management actions, are shown below. The interest rate sensitivities apply a 50 basis points movement in current bond yield curves, long-term investment return assumptions and risk discount rates, including the corresponding effect on asset values. The direction of interest rate sensitivities varies by market.

US\$ millions, unless otherwise stated	As at 30 June 2023		As at 31 December 2022	
	EV	% Change	EV	% Change
Central value	68,033		68,865	
Effect of equity price changes				
10 per cent increase in equity prices	1,892	2.8%	1,817	2.6%
10 per cent decrease in equity prices	(1,926)	(2.8)%	(1,821)	(2.6)%
Effect of interest rate changes				
50 basis points increase in interest rates	(915)	(1.3)%	(1,246)	(1.8)%
50 basis points decrease in interest rates	1,142	1.7%	1,347	2.0%

US\$ millions, unless otherwise stated	Six months ended 30 June 2023		Six months ended 30 June 2022	
	VONB	% Change	VONB	% Change
Central value	2,029		1,536	
Effect of interest rate changes				
50 basis points increase in interest rates	85	4.2%	47	3.1%
50 basis points decrease in interest rates	(101)	(5.0)%	(61)	(4.0)%

Please refer to Section 3 of the Supplementary Embedded Value Information for additional information.

IFRS Profit

OPAT⁽¹⁾ COMPOSITION

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Six months ended 30 June 2022	YoY CER	YoY AER
CSM release	2,618	2,590	5%	1%
Operating variances	69	160	(57)%	(57)%
Risk adjustment release and other	119	148	(19)%	(20)%
Insurance service result	2,806	2,898	–	(3)%
Net investment result	1,818	1,700	8%	7%
Investment management expenses	(97)	(105)	(7)%	(8)%
Net investment result after expenses	1,721	1,595	9%	8%
Net other fees and revenue ⁽²⁾	25	(70)	n/m	n/m
Non-attributable expenses under IFRS 17	(438)	(411)	9%	7%
Finance costs	(226)	(176)	28%	28%
Other fees, revenue and expenses	(639)	(657)	(1)%	(3)%
Tax	(616)	(484)	30%	27%
OPAT	3,272	3,352	0.2%	(2)%

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Six months ended 30 June 2022	YoY CER	YoY AER
OPAT	3,272	3,352	0.2%	(2)%
Weighted average number of ordinary shares outstanding (millions)	11,605	12,028	n/a	n/a
Basic OPAT per share (US cents)	28.19	27.87	4%	1%
Weighted average number of ordinary shares outstanding on diluted basis (millions) ⁽³⁾	11,615	12,041	n/a	n/a
Diluted OPAT per share (US cents)⁽³⁾	28.17	27.84	4%	1%

Notes:

- (1) Attributable to shareholders of the Company only, excluding non-controlling interests.
- (2) After adjusting for non-insurance expenses.
- (3) Diluted OPAT per share includes the dilutive effects, if any, of the awards under various share-based compensation plans as described in note 26 to the IFRS interim condensed consolidated financial statements.

OPAT of US\$3,272 million for the first half of 2023 grew by 4 per cent per share. Operating ROE increased to 14.2 per cent on an annualised basis, compared with 13.0 per cent for the full year 2022. Operating margin remained very strong at 17.0 per cent and reflects our high-quality sources of earnings.

The insurance service result is the largest component of OPAT and was broadly flat at US\$2,806 million. The CSM release of US\$2,618 million increased by 5 per cent due to the growth in the balance of CSM before release and a slight increase in the CSM release rate compared with the first half of 2022. Operating variances of US\$69 million reduced as medical claims increased compared with the levels experienced during the pandemic. Risk adjustment release and other of US\$119 million includes the profits on our corporate solutions business which was also adversely affected by the rebound in medical claims.

Net investment result after expenses increased by 9 per cent to US\$1,721 million, mainly due to higher equity asset balances and long-term investment return assumptions compared with the first half of 2022.

Other fees, revenue and expenses of negative US\$639 million remained broadly stable. Finance costs increased to US\$226 million mainly due to higher interest costs on repos used for liquidity management, and the increased outstanding balance on our Global Medium-term Note (GMTN) and Securities Programme.

Tax increased largely as a result of higher investment return-related taxes which were not incurred in the prior year.

We apply a consistent approach to IFRS 9 and IFRS 17 principles across our operations and have made minor refinements to our models for the 2023 interim reported results. Collectively these refinements are immaterial and, had we restated the 2022 results, the Group's reported OPAT growth would have been 1 pps higher in the first half of 2023.

CSM MOVEMENT, NET OF REINSURANCE

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Six months ended 30 June 2022
Opening CSM	50,225	52,946
New business CSM	3,393	3,083
Expected return on in-force	1,240	1,128
CSM before variances and others, exchange rates and release	54,858	57,157
Variances and others	(1,443)	(2,542)
Exchange rates	(1,050)	(1,635)
Closing CSM before release	52,365	52,980
CSM release	(2,618)	(2,590)
Closing CSM	49,747	50,390
CSM release rate⁽¹⁾⁽²⁾	9.7%	9.5%

Notes:

(1) Calculated after variances and others and exchange rates.

(2) On an annualised basis.

The CSM represents the discounted value of expected future earnings on our in-force business without any allowance for future new business. CSM grew by 19 per cent on an annualised basis to US\$54,858 million before variances and others, exchange rates and the CSM release into OPAT in the first half of 2023. The growth in CSM was driven by the addition of new business CSM of US\$3,393 million and the expected return on in-force business of US\$1,240 million. New business CSM grew by 14 per cent, driven by the strong sales growth achieved across all our reportable segments.

CSM variances and others of negative US\$1,443 million were significantly less negative compared with the first half of 2022 and were driven mainly by capital market movements, including the effect of lower illiquidity premiums in our IFRS 17 discount curves, and equity market performance relative to our long-term assumptions.

Foreign exchange rate movements reduced CSM by US\$1,050 million as the US dollar, our reporting currency, strengthened relative to local market currencies.

The closing CSM balance of US\$49,747 million reflects the release of CSM of US\$2,618 million into OPAT. The annualised CSM release rate of 9.7 per cent increased slightly from the rate of 9.5 per cent for the first half of 2022. The increase was driven by the addition of Hong Kong new business with a higher CSM release rate compared with our in-force business and a successful campaign in Mainland China to upgrade policyholder coverage for in-force protection business.

IFRS OPERATING NET INVESTMENT RESULT

The net investment result included in OPAT relates to non-participating business⁽¹⁾ and surplus assets. For participating⁽²⁾ and unit-linked business, investment returns are offset by corresponding movements in contract liabilities as shown below.

US\$ millions, unless otherwise stated	Participating and unit-linked Six months ended 30 June 2023	Non- participating and surplus assets and others Six months ended 30 June 2023	Total Six months ended 30 June 2023
Investment return	5,406	2,818	8,224
Insurance finance expenses and others	(5,016) ⁽³⁾	(1,000) ⁽⁴⁾	(6,016)
Movement in investment contract liabilities	(361)	–	(361)
Movement in third-party interests in consolidated investment funds	(29)	–	(29)
Net investment result	–	1,818	1,818

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Six months ended 30 June 2022	YoY CER	YoY AER
Interest revenue on financial assets	2,156	2,107	4%	2%
Expected long-term investment return for equities and real estate	662	566	17%	17%
Investment return on non-participating and surplus assets ⁽⁵⁾	2,818	2,673	7%	5%
Non-participating insurance finance expenses and others ⁽⁴⁾	(1,000)	(973)	5%	3%
Net investment result	1,818	1,700	8%	7%
Investment management expenses	(97)	(105)	(7)%	(8)%
Net investment result after expenses	1,721	1,595	9%	8%

The investment return on non-participating and surplus assets⁽⁵⁾ increased by 7 per cent to US\$2,818 million compared with the first half of 2022, driven by higher equity asset balances and long-term investment return assumptions.

Non-participating insurance finance expenses and others⁽⁴⁾ of US\$1,000 million remained broadly stable in the first half of 2023, compared with the US\$973 million reported for the first half of 2022.

The net investment result after expenses increased by 9 per cent to US\$1,721 million compared with the first half of 2022.

Notes:

- (1) Non-participating business includes all insurance liabilities under the general measurement model (GMM), covering traditional protection, unit-linked with significant protection benefits, universal life and other participating business without distinct portfolios.
- (2) Participating funds and other participating business with distinct portfolios under the variable fee approach (VFA).
- (3) Primarily represents the insurance contract liability offset of participating and unit-linked investment return.
- (4) Primarily represents the interest accreted on non-participating business liabilities.
- (5) Non-participating and surplus assets are referred to as “Other policyholder and shareholder investments” in the IFRS Balance Sheet section of Group Chief Financial Officer’s Review.

TWPI BY SEGMENT

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Six months ended 30 June 2022	YoY CER	YoY AER
Mainland China	4,992	4,509	18%	11%
Hong Kong	5,594	5,404	4%	4%
Thailand	2,051	1,989	5%	3%
Singapore	1,981	1,800	8%	10%
Malaysia	1,284	1,248	7%	3%
Other Markets	3,398	3,618	(1)%	(6)%
Total	19,300	18,568	7%	4%

TWPI increased by 7 per cent to US\$19,300 million compared with the first half of 2022. All five of our largest operating segments delivered positive TWPI growth in the first half of 2023. In Hong Kong, TWPI grew by 4 per cent, with a very strong ANP growth partly offset by a cohort of long-term participating policies reaching the end of their premium payment terms, while continuing to remain in-force and generate OPAT.

OPERATING EXPENSES

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Six months ended 30 June 2022	YoY CER	YoY AER
Operating expenses	1,617	1,564	6%	3%

Operating expenses grew by 6 per cent to US\$1,617 million and the expense ratio remained stable at 8.4 per cent compared with the first half of 2022. Expenses in 2023 are expected to be more weighted towards the second half of the year.

IFRS NON-OPERATING MOVEMENT AND NET PROFIT⁽¹⁾

Net profit was higher by 50 per cent at US\$2,250 million in the first half of 2023. While investment markets remained volatile, the impact on net profit is lower under IFRS 9 and IFRS 17 than under the previous accounting regime, as previously indicated.

Net profit includes mark-to-market movements from equity and real estate investments backing non-participating business and shareholder surplus. Short-term investment and discount rate variances were negative US\$715 million in the first half of 2023, mainly reflecting the short-term movements in these asset classes compared with our long-term investment return assumptions.

Other non-operating investment return and other items improved to negative US\$197 million as the overall effect of interest rate movements in the first half of 2023 was much lower than the first half of 2022.

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Six months ended 30 June 2022	YoY CER	YoY AER
OPAT	3,272	3,352	0.2%	(2)%
Short-term investment and discount rate variances, net of tax ⁽²⁾	(715)	(867)	n/m	n/m
Reclassification of revaluation gains for property held for own use, net of tax ⁽²⁾	(66)	(33)	n/m	n/m
Corporate transaction related costs, net of tax	(12)	(28)	n/m	n/m
Implementation costs for new accounting standards, net of tax	(32)	(29)	n/m	n/m
Other non-operating investment return and other items, net of tax	(197)	(852)	n/m	n/m
Net profit	2,250	1,543	50%	46%

Notes:

(1) Attributable to shareholders of the Company only, excluding non-controlling interests.

(2) Short-term investment and discount rate variances include revaluation gains for property held for own use. This amount is then reclassified from net profit to other comprehensive income to conform to IFRS measurement and presentation.

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Six months ended 30 June 2022	YoY CER	YoY AER
Net profit	2,250	1,543	50%	46%
Weighted average number of ordinary shares outstanding (millions)	11,605	12,028	n/a	n/a
Basic earnings per share (US cents)	19.39	12.83	56%	51%
Weighted average number of ordinary shares outstanding on diluted basis (millions) ⁽¹⁾	11,615	12,041	n/a	n/a
Diluted earnings per share (US cents)⁽¹⁾	19.37	12.81	56%	51%

Note:

(1) Diluted earnings per share includes the dilutive effects, if any, of the awards under various share-based compensation plans as described in note 26 to the IFRS interim condensed consolidated financial statements.

MOVEMENT IN SHAREHOLDERS' ALLOCATED EQUITY

Shareholders' allocated equity is shown before fair value reserve and insurance finance reserve which management considers is a view of shareholders' equity that better reflects the long-term nature of our business.

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Year ended 31 December 2022	Six months ended 30 June 2022
Opening shareholders' allocated equity	47,171	51,277	51,277
Net profit	2,250	3,331	1,543
Dividends	(1,672)	(2,259)	(1,650)
Share buy-back	(1,966)	(3,570)	(1,342)
Foreign currency translation adjustments	(689)	(1,667)	(1,561)
Purchase of shares held by employee share-based trusts	(105)	(103)	(94)
Revaluation gains on property held for own use	58	62	2
Other capital movements	24	100	32
Total movement in shareholders' allocated equity	(2,100)	(4,106)	(3,070)
Closing shareholders' allocated equity	45,071	47,171	48,207
Shareholders' allocated equity per share (US dollars)	3.90	4.02	4.03
Average shareholders' allocated equity	46,121	49,224	49,742

Shareholders' allocated equity increased by 5 per cent to US\$48,709 million, before the payment of shareholder dividends of US\$1,672 million and US\$1,966 million additional return of capital to shareholders through the share buy-back programme. This compared with US\$47,171 million at 31 December 2022. Shareholders' allocated equity was US\$45,071 million at 30 June 2023.

CSM, NET OF REINSURANCE AND PROFIT BEFORE TAX SENSITIVITIES

Sensitivities for CSM and profit before tax to changes in equity price and interest rate movements, including management actions, are shown below. The interest rate sensitivities apply a 50 basis points movement in current bond yield curves to asset values and with a corresponding movement in discount rates applied to the calculation of liabilities.

US\$ millions, unless otherwise stated	As at 30 June 2023		As at 31 December 2022	
	CSM	% Change	CSM	% Change
Central value	49,747		50,225	
Effect of equity price changes				
10 per cent increase in equity prices	617	1.2%	577	1.1%
10 per cent decrease in equity prices	(622)	(1.3)%	(579)	(1.2)%
Effect of interest rate changes				
50 basis points increase in interest rates	(585)	(1.2)%	(713)	(1.4)%
50 basis points decrease in interest rates	742	1.5%	934	1.9%

US\$ millions, unless otherwise stated	Six months ended	Year ended
	30 June 2023 Profit before tax	31 December 2022 Profit before tax
Central value	2,621	4,054
Effect of equity price changes		
10 per cent increase in equity prices	1,235	1,191
10 per cent decrease in equity prices	(1,245)	(1,190)
Effect of interest rate changes		
50 basis points increase in interest rates	(116)	(112)
50 basis points decrease in interest rates	135	134

Sensitivities to foreign exchange rates are included in note 25 to the IFRS interim condensed consolidated financial statements.

IFRS Balance Sheet

CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾

US\$ millions, unless otherwise stated	As at 30 June 2023	As at 31 December 2022	Change AER
Assets			
Financial investments	242,405	235,954	3%
Investment property	4,480	4,600	(3)%
Cash and cash equivalents	7,391	8,969	(18)%
Insurance and reinsurance contract assets	7,561	7,800	(3)%
Other assets	14,076	13,148	7%
Total assets	275,913	270,471	2%
Liabilities			
Insurance and reinsurance contract liabilities	193,139	183,305	5%
Investment contract liabilities	11,737	11,986	(2)%
Borrowings	11,310	11,206	1%
Other liabilities	17,451	18,826	(7)%
Less total liabilities	233,637	225,323	4%
Equity			
Total equity	42,276	45,148	(6)%
Less non-controlling interests	485	476	2%
Shareholders' equity	41,791	44,672	(6)%
<i>Less</i>			
Fair value reserve	(1,310)	(3,737)	n/m
Insurance finance reserve	(1,970)	1,238	n/m
Shareholders' allocated equity	45,071	47,171	(4)%

MOVEMENT IN SHAREHOLDERS' EQUITY

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Year ended 31 December 2022	Six months ended 30 June 2022
Opening shareholders' equity	44,672	56,023	56,023
Net profit	2,250	3,331	1,543
Fair value gains/(losses) on assets	2,427	(10,378)	(9,932)
Net finance (expenses)/income from insurance contracts and reinsurance contracts held	(3,208)	3,133	3,586
Dividends	(1,672)	(2,259)	(1,650)
Share buy-back	(1,966)	(3,570)	(1,342)
Foreign currency translation adjustments	(689)	(1,667)	(1,561)
Purchase of shares held by employee share-based trusts	(105)	(103)	(94)
Revaluation gains on property held for own use	58	62	2
Other capital movements	24	100	32
Total movement in shareholders' equity	(2,881)	(11,351)	(9,416)
Closing shareholders' equity	41,791	44,672	46,607
Number of ordinary shares outstanding (millions)	11,551	11,734	11,966
Shareholders' equity per share (US dollars)	3.62	3.81	3.89

Note:

- (1) Before the reclassification of assets and liabilities in the disposal group held for sale as described in note 30 to the IFRS interim condensed consolidated financial statements.

COMPREHENSIVE EQUITY

US\$ millions, unless otherwise stated	As at	As at
	30 June 2023	31 December 2022
Shareholders' equity	41,791	44,672
Net CSM ⁽¹⁾	41,434	41,743
Comprehensive equity	83,225	86,415

Note:

(1) After allowing for reinsurance, taxes and net of non-controlling interests.

ASSETS

Total assets increased by US\$5,442 million to US\$275,913 million at 30 June 2023, driven mainly by positive net investment cash inflows and fair value movements on debt securities.

LIABILITIES

Total liabilities increased to US\$233,637 million at 30 June 2023 from US\$225,323 million at 31 December 2022.

Insurance and reinsurance contract liabilities increased to US\$193,139 million at 30 June 2023 compared with US\$183,305 million at 31 December 2022, driven mainly by net cash inflows, lower illiquidity premiums in our IFRS 17 discount curves, and a reduction in government bond yields in Mainland China.

Borrowings increased to US\$11,310 million at 30 June 2023 from US\$11,206 million at 31 December 2022. Net proceeds from the issuance and redemption of medium-term notes and securities totalled US\$94 million.

The leverage ratio, which is defined as total borrowings expressed as a percentage of the sum of total borrowings, total equity and CSM net of reinsurance and net of taxes, was 11.9 per cent at 30 June 2023, compared with 11.4 per cent at 31 December 2022. The increase was largely due to a reduction in total equity following capital returns to shareholders from shareholder dividends and share buy-back.

Details of commitments and contingencies are included in note 28 to the IFRS interim condensed consolidated financial statements.

EQUITY

Shareholders' equity increased to US\$45,429 million, before the payment of shareholder dividends of US\$1,672 million and US\$1,966 million additional return of capital to shareholders through the share buy-back programme. This compared with US\$44,672 million at 31 December 2022.

Shareholders' equity reflects fair value gains on assets from unrealised market movements on debt securities and the net finance expenses from insurance contracts and reinsurance contracts held due to liability discount rate changes in our non-participating business⁽¹⁾ and surplus assets. In the first half of 2023, fair value gains on debt securities were US\$2,427 million, offset by net finance expenses from insurance contracts and reinsurance contracts held of US\$3,208 million.

Shareholders' equity was US\$41,791 million at 30 June 2023.

Shareholders' allocated equity is shown before fair value reserve and insurance finance reserve, which management considers is a view of shareholders' equity that better reflects the long-term nature of our business. Shareholders' allocated equity was US\$45,071 million at 30 June 2023.

Comprehensive equity of US\$83,225 million at 30 June 2023 comprised shareholders' equity of US\$41,791 million and the CSM of US\$41,434 million after allowing for reinsurance, taxes and net of non-controlling interests.

Note:

(1) Excluding unit-linked with significant protection benefits

TOTAL INVESTMENTS⁽¹⁾

US\$ millions, unless otherwise stated	As at 30 June 2023	Percentage of total	As at 31 December 2022	Percentage of total
Total policyholder and shareholder	223,466	87%	218,295	87%
Total unit-linked contracts and consolidated investment funds	34,329	13%	33,506	13%
Total investments	257,795	100%	251,801	100%

UNIT-LINKED CONTRACTS AND CONSOLIDATED INVESTMENT FUNDS⁽¹⁾

US\$ millions, unless otherwise stated	As at 30 June 2023	Percentage of total	As at 31 December 2022	Percentage of total
Unit-linked contracts and consolidated investment funds				
Debt securities	7,132	21%	6,869	21%
Loans and deposits	317	1%	345	1%
Equity investments ⁽²⁾	25,468	74%	24,741	74%
Cash and cash equivalents	1,378	4%	1,505	4%
Derivative financial instruments	34	–	46	–
Total unit-linked contracts and consolidated investment funds	34,329	100%	33,506	100%

Notes:

- (1) In preparing the IFRS interim condensed consolidated financial statements, the Group enhanced the presentation to further split and allocate the underlying assets held by consolidated investment funds to the respective fund segments of the asset-backing liabilities. Where consolidated investment funds are held by third-party unit holders, these continue to be classified under consolidated investment funds. Please refer to notes 15 and 18 to the IFRS interim condensed consolidated financial statements for additional information.
- (2) Includes equity shares, interests in investment funds and exchangeable loan notes.

POLICYHOLDER AND SHAREHOLDER INVESTMENTS⁽¹⁾

US\$ millions, unless otherwise stated	As at 30 June 2023	Percentage of total	As at 31 December 2022	Percentage of total
Participating funds and other participating business with distinct portfolios⁽²⁾				
Government bonds	20,480	9%	15,514	7%
Government agency bonds	6,971	3%	6,971	3%
Corporate bonds and structured securities	47,896	22%	46,534	22%
Loans and deposits	707	–	885	–
Subtotal – Fixed income investments	76,054	34%	69,904	32%
Equity investments ⁽³⁾	27,625	12%	27,548	13%
Investment property and property held for own use	3,616	2%	3,206	1%
Cash and cash equivalents	1,009	1%	2,166	1%
Derivative financial instruments	199	–	249	–
Subtotal participating funds and other participating business with distinct portfolios	108,503	49%	103,073	47%
Other policyholder and shareholder				
Government bonds	50,707	23%	51,354	24%
Government agency bonds	7,464	3%	7,602	3%
Corporate bonds and structured securities	31,157	14%	31,367	14%
Loans and deposits	3,502	2%	3,615	2%
Subtotal – Fixed income investments	92,830	42%	93,938	43%
Equity investments ⁽³⁾	12,363	5%	11,979	6%
Investment property and property held for own use	4,383	2%	3,672	2%
Cash and cash equivalents	5,004	2%	5,298	2%
Derivative financial instruments	383	–	335	–
Subtotal other policyholder and shareholder	114,963	51%	115,222	53%
Total policyholder and shareholder	223,466	100%	218,295	100%

Notes:

- (1) In preparing the IFRS interim condensed consolidated financial statements, the Group enhanced the presentation to further split and allocate the underlying assets held by consolidated investment funds to the respective fund segments of the asset-backing liabilities. Where consolidated investment funds are held by third-party unit holders, these continue to be classified under consolidated investment funds. Please refer to notes 15 and 18 to the IFRS interim condensed consolidated financial statements for additional information.
- (2) Participating fund is written in a segregated statutory fund with regulations governing the division of surplus between policyholders and shareholders.
- Other participating business with distinct portfolios, representing Hong Kong participating business, are supported by segregated investment assets and explicit provisions for future surplus distribution, although the division of surplus between policyholders and shareholders is not defined in regulation.
- (3) Includes equity shares, interests in investment funds and exchangeable loan notes.

Financial investments held in respect of policyholders and shareholders increased to US\$223,466 million at 30 June 2023 compared with US\$218,295 million at 31 December 2022.

Fixed income investments, including debt securities, loans and term deposits held in respect of policyholders and shareholders, totalled US\$168,884 million at 30 June 2023 compared with US\$163,842 million at 31 December 2022.

Government bonds and government agency bonds increased to US\$85,622 million from US\$81,441 million and represented 51 per cent of fixed income investments at 30 June 2023, compared with 50 per cent at 31 December 2022.

Corporate bonds and structured securities increased to US\$79,053 million from US\$77,901 million accounting for 47 per cent of fixed income investments at 30 June 2023, compared with 48 per cent at 31 December 2022.

The average credit rating of the fixed income portfolio including government bonds remained stable at A, compared with the position at 31 December 2022. The average credit rating of the fixed income portfolio excluding domestic government bonds⁽¹⁾ improved to A at 30 June 2023 from A- at 31 December 2022. The corporate bond portfolio is well diversified with over 2,000 issuers and an average holding size of US\$37 million.

At 30 June 2023, 3 per cent of the total bond portfolio was rated below investment grade or not rated, representing approximately US\$4.2 billion in value. Approximately US\$326 million of bonds, representing 0.2 per cent of our total bond portfolio, were downgraded to below investment grade during the period and there was no material increase in expected credit loss provision in the first half of 2023, reflecting AIA's overall high-quality investment portfolio.

Equity investments held in respect of policyholders and shareholders totalled US\$39,988 million at 30 June 2023, compared with US\$39,527 million at 31 December 2022.

Cash and cash equivalents held in respect of policyholders and shareholders decreased by US\$1,451 million to US\$6,013 million at 30 June 2023 compared with US\$7,464 million at 31 December 2022.

Note:

(1) Domestic government bonds refer to bonds issued in local or foreign currencies by the government where the respective business unit operates.

Capital

FREE SURPLUS

The Group's free surplus is the excess of adjusted net worth over required capital, including consolidated reserving and capital requirements, adjusted for certain assets not eligible for regulatory capital purposes. Free surplus enables the Group to invest in organic new business growth, take full advantage of inorganic growth opportunities and absorb the effects of capital market stress conditions.

The Group's capital position remained very strong with free surplus increasing to US\$19,898 million before total shareholder dividends and share buy-back of US\$3,638 million. Free surplus was US\$16,260 million at 30 June 2023.

The following table summarises the change in free surplus:

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Six months ended 30 June 2022
Opening free surplus	17,850	17,025
Effect of acquisitions	(238)	–
Release of resilience margins	–	3,400
HKRBC early adoption	–	4,403
UFSG	3,288	3,190
Free surplus used to fund new business	(738)	(686)
Unallocated Group Office expenses	(157)	(131)
Finance costs and other capital movements	(269)	(226)
Free surplus before investment return variances and other items, dividends and share buy-back	19,736	26,975
Investment return variances and other items	162	(3,357)
Free surplus before dividends and share buy-back	19,898	23,618
Dividends	(1,672)	(1,650)
Share buy-back	(1,966)	(1,342)
Closing free surplus	16,260	20,626

UNDERLYING FREE SURPLUS GENERATION (UFSG)

UFSG is a financial operating metric that measures the expected amount of free surplus generated from in-force business over the period before investment in new business, unallocated Group Office expenses, finance costs, investment return variances and other non-operating items.

UFSG of US\$3,288 million grew by 10 per cent per share. The increase was driven by a higher expected return as interest rates generally increased, partly offset by lower positive claims experience compared with the first half of 2022. Free surplus invested in writing new business increased by 15 per cent to US\$738 million following new business sales growth as ANP increased by 49 per cent compared with the first half of 2022.

UNDERLYING FREE SURPLUS GENERATION PER SHARE

	Six months ended 30 June 2023	Six months ended 30 June 2022	YoY CER	YoY AER
UFSG (US\$ millions)	3,288	3,190	6%	3%
Weighted average number of ordinary shares outstanding (millions)	11,605	12,028	n/a	n/a
Basic UFSG per share (US cents)	28.33	26.52	10%	7%
Weighted average number of ordinary shares outstanding on diluted basis (millions) ⁽¹⁾	11,615	12,041	n/a	n/a
Diluted UFSG per share (US cents)⁽¹⁾	28.31	26.49	10%	7%

Note:

(1) Diluted UFSG per share includes the dilutive effects, if any, of the awards under various share-based compensation plans as described in note 26 to the IFRS interim condensed consolidated financial statements.

GROUP LCSM SOLVENCY POSITION

The group-wide supervision (GWS) Capital Rules set out the capital requirements and overall solvency position for the Group under the GWS framework. These requirements are based on a “summation approach” and are referred to as the Local Capital Summation Method (LCSM). Under the LCSM, the eligible group capital resources and group capital requirements are calculated as the sum of the eligible capital resources and capital requirements of each entity within the Group according to the respective local regulatory requirements, subject to any variation considered necessary by the Hong Kong Insurance Authority (HKIA).

The Group LCSM surplus is defined as the excess of the eligible group capital resources over the group prescribed capital requirement (GPCR) and the Group LCSM coverage ratio is calculated as the ratio of the eligible group capital resources to the GPCR. The GPCR is the sum of the prescribed capital requirement of each entity within the Group and represents the level below which the HKIA may intervene on grounds of capital adequacy. The Tier 1 group capital coverage ratio is calculated as the ratio of the Tier 1 group capital to the group minimum capital requirement (GMCR). The GMCR is the sum of the minimum capital requirements of each entity within the Group.

In the first half of 2023, the Group LCSM coverage ratio remained broadly stable at 282 per cent before the effect of the share buy-back and other non-operating items, including the temporary reduction in eligible group capital resources from internal capital movements, regulatory changes in South Korea and New Zealand and the refinancing of eligible debt with senior debt. The Group LCSM coverage ratio was 260 per cent at 30 June 2023.

In the first half of 2023, eligible group capital resources decreased from US\$70,698 million to US\$68,501 million, driven mainly by the effect of the share buy-back, the temporary reduction in eligible group capital resources from internal capital movements and the refinancing of eligible debt with senior debt.

The GPCR increased from US\$24,989 million to US\$26,320 million reflecting the effects of regulatory changes in South Korea and New Zealand.

As a result, the Group LCSM surplus decreased from US\$45,709 million to US\$42,181 million.

Tier 1 group capital decreased from US\$45,508 million to US\$44,038 million mainly from the effect of the share buy-back and the temporary reduction in Tier 1 group capital from internal capital movements. The GMCR increased from US\$12,810 million to US\$13,619 million reflecting the effects of regulatory changes in South Korea and New Zealand.

The table shows a summary of the Group LCSM solvency position as at 30 June 2023.

US\$ millions, unless otherwise stated	As at 30 June 2023	As at 31 December 2022
Group LCSM coverage ratio ⁽¹⁾	260%	283%
Tier 1 group capital coverage ratio ⁽²⁾	323%	355%
Eligible group capital resources	68,501	70,698
<i>Tier 1 group capital</i>	44,038	45,508
<i>Tier 2 group capital</i>	24,463	25,190
Group prescribed capital requirement (GPCR)	26,320	24,989
Group minimum capital requirement (GMCR)	13,619	12,810
Group LCSM surplus	42,181	45,709

Notes:

- (1) The Group LCSM coverage ratio is referred to as the “eligible group capital resources coverage ratio” in the GWS framework and is defined as the ratio of the eligible group capital resources to the GPCR.
- (2) The Tier 1 group capital coverage ratio is defined in the GWS framework as the ratio of the Tier 1 group capital to the GMCR.

At 30 June 2023, eligible group capital resources included the following items, which are included within Tier 2 group capital:

- (i) US\$3,739 million⁽¹⁾ of subordinated securities. Subordinated securities with a fixed maturity receive full capital credit up to the date that is 5 years prior to the date of maturity, with the capital credit then reducing at the rate of 20 per cent per annum until maturity. Perpetual subordinated securities receive full capital credit unless they are redeemed; and
- (ii) US\$5,153 million⁽¹⁾ of senior notes issued before designation that have been approved by the HKIA as capital. Prior to maturity, the approved senior notes receive full capital credit until 14 May 2031, after which the capital credit reduces at the rate of 20 per cent per annum until 14 May 2036.

Note:

- (1) The amounts represent the carrying value of medium-term notes and securities contributing to eligible group capital resources.

GROUP LCSM COVERAGE RATIO SENSITIVITIES

Group LCSM coverage ratio sensitivities arising from changes to the central assumptions from equity price and interest rate movements, applied consistently with those in EV, are shown below.

Interest rate sensitivities apply a 50 basis points movement in current bond yield curves to asset values with a corresponding movement in discount rates applied to the calculation of liabilities. The amount of eligible debt capital is equal to the carrying value and is unchanged in the sensitivity calculations. The direction of interest rate sensitivities varies by market.

	As at 30 June 2023	As at 31 December 2022
Central value	260%	283%
Impact of equity price changes		
10 per cent increase in equity prices	3 pps	4 pps
10 per cent decrease in equity prices	(4) pps	(5) pps
Impact of interest rate changes		
50 basis points increase in interest rates	(8) pps	(6) pps
50 basis points decrease in interest rates	9 pps	5 pps

RECONCILIATION BETWEEN GROUP LCSM SURPLUS AND FREE SURPLUS

AIA considers free surplus on a consolidated basis a more representative view of the capital position of the Group from a shareholder perspective. The table below shows a reconciliation between the Group LCSM surplus and free surplus on a consolidated basis.

US\$ millions, unless otherwise stated	As at 30 June 2023	As at 31 December 2022
Group LCSM surplus	42,181	45,709
Adjustments for:		
Eligible Tier 2 debt capital	(8,892)	(9,379)
Different capital requirements under EV for AIA China ⁽¹⁾	(4,947)	(5,622)
Reflecting shareholders' view of capital ⁽²⁾	(5,182)	(7,353)
Free surplus on business unit basis	23,160	23,355
Adjustment to reflect consolidated reserving and capital requirements	(6,900)	(5,505)
Free surplus on consolidated basis	16,260	17,850

Notes:

- (1) Adjustment from C-ROSS solvency basis to China Association of Actuaries (CAA) EV basis in line with local requirements.
- (2) Mainly reflects the removal of surplus of participating funds and other participating business with distinct portfolios.

LOCAL SOLVENCY REQUIREMENTS

The Group's individual branches and subsidiaries are also subject to supervision, including relevant capital requirements, in the jurisdictions in which they and their parent entities operate. The local operating units were in compliance with the capital requirements of their respective entity and local regulators in each of our geographical markets at 30 June 2023.

The key developments in local solvency requirements are summarised as follows:

Hong Kong

The Insurance (Amendment) Bill 2023 was passed by the Legislative Council on 6 July 2023 and provides the legal framework to implement a Risk-based Capital (RBC) regime for the Hong Kong insurance industry. The RBC regime is expected to be implemented in 2024. In April 2022, the HKIA approved the early adoption of HKRBC regime for AIA International, our principal operating entity in Hong Kong, with an effective date of 1 January 2022. The Group's other operating entities in Hong Kong, including AIA Co. and AIA Everest, remain subject to the current Hong Kong Insurance Ordinance (HKIO) basis and will be subject to the revised legislation when it takes effect.

South Korea

The new K-ICS has taken effect for AIA Korea from 1 January 2023. Similar to other modern risk-based capital regimes for insurers, this new capital regime is based on an economic balance sheet approach, with a current market-based assessment of assets and liabilities, including a risk margin within the assessment of liabilities and a risk-based assessment of capital requirements. The effects of these changes have been reflected in the Group's EV and LCSM results with effect from 1 January 2023.

New Zealand

In October 2022, the Reserve Bank of New Zealand (RBNZ) released its final interim solvency standards (ISS), which came into force on 1 January 2023. The effects of the changes in the new solvency standard have been reflected in the Group's EV and LCSM results with effect from 1 January 2023 where applicable.

HOLDING COMPANY FINANCIAL RESOURCES

Holding company financial resources increased to US\$12,341 million before shareholder dividends of US\$1,672 million and the US\$1,966 million additional return of capital to shareholders through the share buy-back programme.

Net capital flows to the holding company of US\$1,660 million included US\$1,703 million of capital flows from subsidiaries, partly offset by US\$43 million of corporate activity including acquisitions.

Net proceeds from the issuance and redemption of medium-term notes and securities totalled US\$94 million.

Investment income and mark-to-market movements increased holding company financial resources by US\$116 million.

After total capital returns to shareholders of US\$3,638 million, holding company financial resources were US\$8,703 million at 30 June 2023.

The movements in holding company financial resources are summarised as follows:

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Six months ended 30 June 2022
Opening holding company financial resources	10,668	13,136
Capital flows from subsidiaries	1,703	1,478
Corporate activity including acquisitions	(43)	–
Net capital flows to holding company	1,660	1,478
Increase in borrowings ⁽¹⁾	94	824
Interest payments on borrowings ⁽¹⁾	(197)	(169)
Investment income, mark-to-market movements in debt securities and others	116	(927)
Closing holding company financial resources before dividends and share buy-back	12,341	14,342
Dividends paid	(1,672)	(1,650)
Share buy-back	(1,966)	(1,342)
Closing holding company financial resources	8,703	11,350

Assets recoverable and liabilities repayable within 12 months as follows:

US\$ millions, unless otherwise stated	As at 30 June 2023	As at 30 June 2022
Loans to/amounts due from subsidiaries ⁽²⁾	53	99
Medium-term notes and securities ⁽³⁾	(927)	(665)
Net other assets and other liabilities	(139)	(37)

Notes:

- (1) Borrowings principally include medium-term notes and securities; other intercompany loans; and amounts outstanding, if any, from the Company's US\$2,290 million unsecured committed credit facilities.
- (2) As at 30 June 2023, loans to/amounts due from subsidiaries was US\$882 million (31 December 2022: US\$886 million). US\$53 million was recoverable within the 12 months after 30 June 2023 (30 June 2022: US\$99 million).
- (3) As at 30 June 2023, medium-term notes and securities placed to the market was US\$11,310 million (31 December 2022: US\$11,206 million). US\$927 million was repayable within the 12 months after 30 June 2023 (30 June 2022: US\$665 million). Details of the medium-term notes and securities placed to the market are included in note 21 to the IFRS interim condensed consolidated financial statements.

Global Medium-term Note and Securities Programme

On 4 April 2023, the Company issued US dollar-denominated fixed rate medium-term notes listed on The Stock Exchange of Hong Kong Limited under our Global Medium-term Note (GMTN) and Securities Programme. The offering comprised US\$600 million of 10-year notes at an annual rate of 4.95 per cent.

At 30 June 2023, the aggregate carrying amount of the debt issued to the market under the GMTN and Securities Programme was US\$11,310 million compared with US\$11,206 million at 31 December 2022.

Credit Ratings

At 30 June 2023, AIA Co. had unchanged financial strength ratings of Aa2 (Very Low Credit Risk) with a stable outlook from Moody's; AA (Very Strong) with a stable outlook from Fitch; and AA- (Very Strong) with a stable outlook from S&P Global Ratings.

At 30 June 2023, the Company had unchanged issuer credit ratings of A1 (Low Credit Risk) with a stable outlook from Moody's; AA- (Very High Credit Quality) with a stable outlook from Fitch; and A+ (Strong) with a stable outlook from S&P Global Ratings.

Dividends

The Board has declared an increase of 5 per cent in the interim dividend to 42.29 Hong Kong cents per share. This follows AIA's established prudent, sustainable and progressive dividend policy, allowing for future growth opportunities and the financial flexibility of the Group.

Share Buy-back Programme

The Group announced in March 2022 a share buy-back programme of up to US\$10 billion over a period of three years. Since the commencement of the programme, 551 million shares were repurchased for an aggregate value of US\$5,536 million as at 30 June 2023. All the shares repurchased were subsequently cancelled.

REGULATORY AND INTERNATIONAL DEVELOPMENTS

GROUP-WIDE SUPERVISION

The Company was designated a “designated insurance holding company” under the HKIA’s group-wide supervision (GWS) framework on 14 May 2021. The GWS framework was developed to align with international standards and practices to supervise Hong Kong-domiciled Internationally Active Insurance Groups (IAIGs) and is reflective of the requirements of ComFrame, the Common Framework for the Supervision of IAIGs and the Insurance Core Principles (ICPs) set out by the International Association of Insurance Supervisors (IAIS). Under the GWS framework, the HKIA has established group capital adequacy requirements, requirements for a group internal economic capital assessment, a group own risk and solvency assessment, a group recovery plan and a group-wide risk and governance framework and controls. The HKIA also has direct regulatory powers over the Company including powers to approve a shareholder controller, a chief executive, a director and a key person in control function to hold a specified position, and powers to intervene, inspect and investigate.

INSURANCE CAPITAL STANDARD

In 2020 the IAIS began the first of two phases in the development and implementation of the Insurance Capital Standard (ICS). Under the first phase, a “Reference ICS” is being assessed during a five-year monitoring period for reporting privately to group-wide supervisors. It is proposed that the second phase, beginning in 2025, will include implementation of the ICS as a group prescribed capital requirement by group supervisors, taking into account specific market circumstances. The IAIS is also collecting data on the “aggregation method” (AM), an alternative proposed by US regulators, that would define group solvency by referencing the local regimes to which a group is subject.

AIA continues to participate in the annual IAIS data collection exercise for ICS and will continue to monitor further developments in the ICS.

BEPS 2.0

AIA continues to closely monitor developments in respect of the tax policy work led by the Organisation for Economic Co-operation and Development (OECD) on the “Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy”, a phase of the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project that is commonly referred to as “BEPS 2.0”, and constructively engages with relevant governments and the OECD on their work.

In 2021, the OECD/G20 Inclusive Framework on BEPS (Inclusive Framework) published draft model rules to give effect to the Global Anti-Base Erosion Rules (GloBE) component of Pillar Two of BEPS 2.0, which imposes a global minimum effective tax rate on large multinational enterprises in respect of each jurisdiction in which they operate. The Inclusive Framework originally agreed that participating jurisdictions should enact these rules into law in 2022, with the majority of the rules to be effective from 2023.

However, on 22 February 2023, it was announced in the Hong Kong Budget that Hong Kong will defer the application of the GloBE rules, and also the introduction of a domestic minimum top-up tax, to start from 2025 onwards. This announcement follows similar deferrals in other jurisdictions (e.g., the European Union, the United Kingdom, Canada, South Korea and Switzerland, which have deferred until 2024, and Singapore, which has also deferred until 2025). Based on currently available information, the GloBE rules are likely to adversely affect AIA’s effective tax rate. The GloBE rules will apply in certain jurisdictions in which AIA operates from 2024, but are not expected to adversely affect AIA’s effective tax rate until 2025.

BUSINESS REVIEW

Distribution

AGENCY

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Six months ended 30 June 2022	YoY CER	YoY AER
VONB	1,613	1,317	27%	22%
VONB margin	62.8%	70.5%	(7.9) pps	(7.7) pps
ANP	2,567	1,869	42%	37%

AIA's unparalleled, proprietary Premier Agency is a core competitive advantage. Our professional agency sits at the heart of our relationship with our customers and meets the diverse and rapidly growing needs of millions of customers across Asia through personalised advice and our comprehensive suite of propositions. We hold market-leading positions across the region and have been named the number one Million Dollar Round Table (MDRT) multinational in the world for the ninth consecutive year.

The consistent execution of our Premier Agency strategy has enabled us to deliver excellent VONB growth of 27 per cent and ANP growth of 42 per cent, as new business momentum continued to improve with the relaxation of pandemic-related restrictions. While protection sales for the Group grew compared with the first half of 2022, strong demand for our long-term savings products in Mainland China and Hong Kong resulted in a reduced VONB margin of 62.8 per cent. Overall, agency distribution accounted for 75 per cent of the Group's total VONB in the first half of 2023.

Our next-generation agency leaders are critical to the successful execution of our Premier Agency strategy, ensuring high-quality recruitment, training and management as we prioritise growth in professional agents across our markets. In the first half of 2023, our agency leadership programmes successfully generated a 10 per cent increase in the number of agency leaders, building additional capacity for agency growth.

We provide our quality new recruits with best-in-class, digitally-enabled training that is designed to fast track their development and support them in achieving a full-time professional and productive career with us. Quality recruitment remains a key strategic priority. In Hong Kong, the deployment of an AI-supported digital interview tool supported a 60 per cent increase in the number of new recruits. Across the Group, we onboarded over 80 per cent of new agents in the first half of 2023 through iRecruit, our digital recruitment platform. While new recruits were lower in Vietnam as we transition towards a more professional agency, we delivered an 11 per cent increase in the number of new recruits for the remainder of the Group.

We continue to support our agency force with new and enhanced digital tools that cover agency recruitment and onboarding, activity management and new leads generation. This has enabled us to deliver very strong double-digit growth in agency productivity and an increase in the total number of active agents in the first half of 2023 compared with the same period last year.

Our differentiated long-term strategy is the foundation of our professional and productive agency force. In July 2023, AIA China, AIA Hong Kong and AIA Thailand retained their positions as the companies with the highest number of MDRT members globally. Driven by our excellent results, we have already grown by 49 per cent the number of agents reaching MDRT qualification in the first half of 2023 compared with the first half of 2022. Our continued leadership in MDRT demonstrates the effectiveness of our Premier Agency strategy.

PARTNERSHIPS

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Six months ended 30 June 2022	YoY CER	YoY AER
VONB	532	340	62%	56%
VONB margin	37.6%	37.5%	(0.1) pps	0.1 pps
ANP	1,414	907	63%	56%

AIA's extensive network of market-leading strategic distribution partners extends our market reach and provides us with the unique opportunity to engage and meet the protection, health, and long-term savings needs of hundreds of millions of potential customers across Asia. Our partnership distribution business contributes a growing source of new business and generated 25 per cent of the Group's total VONB in the first half of 2023.

VONB for our partnership channel grew by 62 per cent, to US\$532 million, driven by an excellent performance from both our bancassurance and intermediated channels, partly offset by a small decline in our direct marketing channel.

Our bancassurance channel delivered 38 per cent VONB growth in the first half of 2023, driven by growth in 14 of our markets, partly offset by a decline in Vietnam as negative consumer sentiment has impacted the industry. Our long-term strategic partnerships with leading banks are a key competitive advantage for AIA. We have continued to work with our bank partners to provide structured training to upskill insurance specialists and we are further strengthening our digital capability to provide customers with a seamless omnichannel experience. This has driven an increase in productivity of insurance sellers at our strategic partners in Hong Kong, Thailand, Malaysia, India and Indonesia.

Our digitally-led bancassurance strategy provides us with broader access to previously untapped customers, and in the first half of 2023, helped generate over 2 million leads. For example, our strategic partnership with Bank of the Philippine Islands (BPI) delivered excellent growth in VONB as we continued to roll out social media and digital marketing tools to engage with our customers.

VONB from our intermediated channels, including IFAs and brokers, more than doubled in the first half of 2023, supported by the return of Mainland Chinese visitors in Hong Kong. Our businesses in India and New Zealand also delivered double-digit growth in these channels.

AIA's next-generation partnerships with technology companies continue to be a powerful engine for customer acquisition, enabling us to access new customer segments at scale. In the first half of 2023, we have continued to focus on developing innovative scenario-based propositions. These have supported an increase in the number of customers purchasing simple AIA products online.

Geographical Market Highlights

MAINLAND CHINA

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Six months ended 30 June 2022	YoY CER	YoY AER
VONB	601	563	14%	7%
VONB margin	50.3%	67.4%	(17.2) pps	(17.1) pps
ANP	1,195	835	53%	43%
TWPI	4,992	4,509	18%	11%
OPAT	833	840	7%	(1)%

AIA China delivered VONB growth of 14 per cent in the first half of 2023, driven by double-digit growth from agency and exceptional results from our bancassurance channel. As COVID-19 cases subsided and normal day-to-day activities resumed, we rapidly regained very strong momentum with VONB growth of 29 per cent from February to June, compared to the same period last year. Strong customer demand for our long-term savings products across our distribution channels supported an excellent 53 per cent growth in ANP for the first half. This product mix shift and the increased bancassurance contribution to our overall sales contributed to the lower VONB margin of 50.3 per cent.

We have continued to broaden our product range to meet the growing needs of our customers across protection and long-term savings. In the first half of 2023, we successfully launched Cancer Shield, which offers end-to-end cancer prevention management services, and two tax-deductible private pension products, which generated a material contribution to VONB in the second quarter of 2023. Traditional protection products remain a core proposition for our customers, accounting for the majority of the number of new policies sold in the first half of 2023, and we delivered growth in VONB from our differentiated critical illness proposition compared to the same period last year.

AIA China delivered OPAT growth of 7 per cent, driven by growth in our in-force portfolio and higher operating investment returns.

Our high-quality, professional agency force remains a clear competitive advantage for AIA China. Our enhanced recruitment platform is a key differentiator and supported a strong double-digit increase in the number of new recruits in the second quarter of 2023 compared to the first quarter. In November 2022, we launched Navigator, a powerful data-driven agency platform that is seamlessly integrated with our One Experience customer platform and enables our agents to efficiently and systematically nurture, acquire, engage and service customers. We have achieved a 95 per cent adoption for Navigator across our agency force, supporting the strong double-digit growth in productivity in the first half of 2023.

VONB for our bancassurance channel more than trebled, driven by our cooperation with Postal Savings Bank of China Co., Ltd. and our exclusive partnership with The Bank of East Asia, Limited (BEA). We continue to work with our strategic partners to improve customer experience and bring compelling propositions to meet the needs of their customers.

Mainland China offers tremendous growth potential for AIA, both within our existing footprint and in new geographies. We have continued to expand into new provinces with the launch of our operation in Zhengzhou, Henan in May this year. By replicating our efficient and scalable model across these new operations, we delivered excellent growth in the number of active agents in these geographies compared to the same period last year.

China Post Life

In 2022, we completed our 24.99 per cent equity investment in China Post Life Insurance Co., Ltd. (China Post Life). For clarity, AIA China's reported results and the above table do not include any contribution from China Post Life. In the first half of 2023, China Post Life reported excellent growth in VONB of 55 per cent. AIA's investment in China Post Life enables us to capture the significant value available from additional distribution channels and customer segments that are highly complementary to AIA China's strategy.

HONG KONG

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Six months ended 30 June 2022	YoY CER	YoY AER
VONB	681	323	111%	111%
VONB margin	56.9%	69.3%	(12.4) pps	(12.4) pps
ANP	1,165	443	163%	163%
TWPI	5,594	5,404	4%	4%
OPAT	1,066	1,134	(6)%	(6)%

AIA Hong Kong's VONB more than doubled to US\$681 million in the first half of 2023, supported by double-digit growth from our domestic customer segment and the return of Mainland Chinese visitors in Hong Kong following the resumption of cross-border travel in February. Strong demand for our participating products, including an enhanced version of our flagship savings product, drove a 163 per cent increase in ANP to US\$1,165 million and a lower VONB margin of 56.9 per cent. We have continued to expand our comprehensive suite of customer propositions, including a first-in-market, customisable critical illness product, which has supported a double-digit increase in the number of protection policies sold in the second quarter of 2023 compared to the first quarter. Our business in Hong Kong reported OPAT of US\$1,066 million as higher new business growth was offset by increased medical claims and the impact of lower illiquidity premiums in our IFRS 17 discount curves as disclosed in the previous section.

Agency remains the key contributor to new business in Hong Kong and disciplined execution of our Premier Agency strategy drove double-digit increase in the number of active agents as well as significant growth in productivity, which is now above the 2019 pre-pandemic level. We continued to leverage digital tools to enhance our quality recruitment programme to attract diverse and high-calibre new agents. In the first half of 2023, the number of new recruits grew by 60 per cent.

Our partnership distribution channel delivered an excellent performance, with a significant uplift in VONB from our intermediated channels, which benefited from the resumption of the Individual Visit Scheme in Hong Kong with Mainland China. Our long-term exclusive partnerships with BEA and Citibank, N.A. (Citibank) both delivered very strong double-digit growth, driven by improvements in activity and productivity.

THAILAND

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Six months ended 30 June 2022	YoY CER	YoY AER
VONB	327	260	28%	26%
VONB margin	91.5%	83.8%	7.7 pps	7.7 pps
ANP	357	311	17%	15%
TWPI	2,051	1,989	5%	3%
OPAT	496	498	–	–

AIA Thailand achieved 28 per cent VONB growth in the first half of 2023, driven by strong double-digit growth from both our agency and partnership distribution channels. ANP grew by 17 per cent and VONB margin remained stable compared to the full year 2022 margin of 89.1 per cent.

VONB growth from our agency business was underpinned by growth in the number of active agents as well as their productivity. We continued to focus on quality recruitment and achieved double-digit growth in the number of new recruits in the first half of 2023. Our strategic partnership with Bangkok Bank Public Company Limited delivered excellent growth, driven by higher insurance seller productivity.

OPAT grew by 6 per cent when excluding the model refinement as disclosed in the previous section, driven by favourable claims experience in our medical portfolio compared to the same period last year.

SINGAPORE

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Six months ended 30 June 2022	YoY CER	YoY AER
VONB	173	161	5%	7%
VONB margin	65.0%	65.9%	(0.9) pps	(0.9) pps
ANP	267	244	7%	9%
TWPI	1,981	1,800	8%	10%
OPAT	344	337	(1)%	2%

AIA Singapore delivered 5 per cent VONB growth in the first half of 2023. ANP increased by 7 per cent and VONB margin remained strong at 65.0 per cent. Our business in Singapore delivered OPAT of US\$344 million, a small decline compared to the first half of 2022, driven by less positive claims variance.

Our Premier Agency strategy delivered growth in new business volumes, as we continued to invest in digital tools to enhance performance management and drive improved agent productivity. Next-generation agency leaders are critical to our strategy and an increase in the number of leaders helped support double-digit growth in the number of new recruits in the first half of 2023. Our strategic partnership with Citibank recorded excellent growth, driven by performance of both our onshore and offshore business.

MALAYSIA

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Six months ended 30 June 2022	YoY CER	YoY AER
VONB	170	161	10%	6%
VONB margin	64.8%	67.2%	(2.4) pps	(2.4) pps
ANP	261	239	14%	9%
TWPI	1,284	1,248	7%	3%
OPAT	170	188	(5)%	(10)%

AIA Malaysia achieved VONB growth of 10 per cent and ANP growth of 14 per cent in the first half of 2023. OPAT declined by 5 per cent, as profitable growth in our in-force portfolio was offset by higher medical claims.

Agency delivered double-digit growth in VONB, driven by increased activity and productivity. We have enhanced our digital tools so agents can tailor customer offers to meet their unique needs, thus deepening wallet share of existing customers. VONB from our bancassurance partnership with Public Bank Berhad continued to grow, as we collaborated to provide digital tools to our insurance specialists which enable them to more effectively reach target customer segments, and supported an improvement in their productivity.

OTHER MARKETS

US\$ millions, unless otherwise stated	Six months ended 30 June 2023	Six months ended 30 June 2022	YoY CER	YoY AER
VONB	212	207	8%	2%
VONB margin	28.6%	29.1%	(0.6) pps	(0.5) pps
ANP	739	706	11%	5%
TWPI	3,398	3,618	(1)%	(6)%
OPAT	346	374	(1)%	(7)%

Overview

VONB for Other Markets segment increased by 8 per cent to US\$212 million in the first half of 2023. Eight of our markets in this segment delivered higher VONB in the first half of 2023 compared to the same period last year, partly offset by a decline in Vietnam's VONB. OPAT for Other Markets grew by 3 per cent when excluding the model refinement as disclosed in the previous section, driven by growth in our in-force portfolio.

Geographical Market Highlights

Australia: AIA Australia's VONB increased in the first half of 2023. Our long-term bancassurance partnership with Commonwealth Bank of Australia delivered excellent growth. VONB growth was also supported by the renewal of a number of group insurance schemes.

Cambodia: AIA Cambodia delivered double-digit ANP growth as we continued to execute our multi-channel distribution strategy. In agency, our focus on quality recruitment and training, enabled by digital applications, supported an increase in agency activity and productivity.

India: Tata AIA Life achieved excellent VONB growth across both our agency and partnership distribution channels and maintained our leading position in the retail protection market in the first half of 2023. Agency delivered excellent VONB growth, supported by our differentiated Premier Agency model and we continued to expand our geographical reach through digitally-enabled branches. Our partnerships with leading banks and brokers also delivered very strong growth, supported by enhanced digital tools to drive productivity management.

Indonesia: AIA Indonesia delivered double-digit VONB growth, driven by improvement in VONB margin as we continued to focus on increasing sales of protection products. Productivity of our bancassurance channel's insurance sellers increased compared to the same period last year. We have continued to work closely with our strategic bank partners to enhance training to insurance sellers.

Myanmar: AIA Myanmar's ANP more than doubled as we continued to expand our footprint. In the first half of 2023, we saw an excellent increase in the number of active agents and increased our bank branch coverage.

New Zealand: AIA New Zealand delivered excellent VONB growth in the first half of 2023. We have continued to strengthen relationships with our partners to drive VONB growth in the IFA channel. Our strategic partnership with ASB Bank Limited also delivered double-digit VONB growth.

Philippines: AIA Philippines achieved strong double-digit VONB and ANP growth compared to the same period last year. In agency, we continued to focus on quality recruitment and drove a double-digit increase in the number of new recruits and active new agents. Our partnership with BPI also delivered excellent VONB growth in the first half of 2023.

South Korea: AIA Korea's VONB was stable in the first half of 2023. Lower VONB from our direct marketing channel was offset by excellent VONB growth in our bancassurance channel.

Sri Lanka: AIA Sri Lanka reported strong ANP growth in both our agency and partnership channels. We have continued to focus on supporting our agency to deliver higher productivity, as well as increasing the number of new recruits.

Taiwan (China): AIA Taiwan delivered positive VONB growth in the first half of 2023, driven by strong growth in our bancassurance and direct marketing channels.

Vietnam: AIA Vietnam's VONB declined, as negative consumer sentiment has impacted insurance sales momentum for the industry, in particular through bancassurance. An associated increase in acquisition expense overruns also resulted in a reduction of VONB margin. In agency, the number of new recruits reduced as we continued to transform our agency and focus on improving the quality of our agency force.

Notes:

- (1) Growth rates and commentaries are provided on a constant exchange rate (CER) basis.
- (2) Throughout the Distribution section, VONB and VONB margin by distribution channel are based on local statutory reserving and capital requirements and exclude pension business.
- (3) AIA adopted International Financial Reporting Standards (IFRS) 9 and IFRS 17 from 1 January 2023. Comparative information of OPAT has been restated for the first half of 2022.
- (4) AIA China's financial results do not include any contribution from our 24.99 per cent shareholding in China Post Life.
- (5) ANP and VONB for Other Markets include the results from our 49 per cent shareholding in Tata AIA Life Insurance Company Limited (Tata AIA Life). ANP and VONB do not include any contribution from our 24.99 per cent shareholding in China Post Life. The IFRS results of Tata AIA Life and China Post Life are accounted for using the equity method in Other Markets and Group Corporate Centre, respectively. For clarity, TWPI does not include any contribution from Tata AIA Life and China Post Life.
- (6) The results of Tata AIA Life are reported on a one-quarter-lag basis. The results of Tata AIA Life are accounted for using the six-month period ended 31 March 2023 and the six-month period ended 31 March 2022 in AIA's consolidated results for the six-month period ended 30 June 2023 and the six-month period ended 30 June 2022, respectively.
- (7) China Post Life's VONB is calculated by China Post Life based on the principles and methodology in the China Association of Actuaries embedded value assessment guidance (CAA basis), consistent with the industry practice in Mainland China.

CORPORATE GOVERNANCE

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2023, with the exception of Code Provision C.6.3, the Company complied with all applicable code provisions in the Corporate Governance Code. Code Provision C.6.3 provides that the company secretary should report to the chairman of the board and/or the chief executive. The Company operates under a variant of this model whereby the Group Company Secretary reports to the Group General Counsel, who is ultimately accountable for the company secretarial function of the Company and who in turn reports directly to the Group Chief Executive.

COMPLIANCE WITH MODEL CODE

The Company has adopted its own Directors' and Chief Executives' Dealing Policy on terms no less exacting than those set out in the Model Code in respect of dealings by the Directors and Group Chief Executive in the securities of the Company. All of the Directors (including the Group Chief Executive) confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and the Dealing Policy throughout the six months ended 30 June 2023.

CHANGES IN DIRECTORS' INFORMATION

As announced by the Company on 30 June 2023, Ms. Swee-Lian TEO has retired as an independent non-executive director and ceased to be the Chairman of the Risk Committee and a member of the Nomination Committee of the Company with effect from 1 September 2023. Mr. Chung-Kong CHOW, an independent non-executive director and a member of the Risk Committee of the Company, has been appointed as the Chairman of the Risk Committee in place of Ms. Swee-Lian TEO with effect from 1 September 2023.

Other changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Name of Directors	Details of Changes
Mr. Edmund Sze-Wing TSE	Appointed as a member of the Chief Executive's Council of Advisers of the HKSAR Government with effect from 15 March 2023
Mr. Jack Chak-Kwong SO	Appointed as a member of the Chief Executive's Council of Advisers of the HKSAR Government with effect from 15 March 2023
Professor Lawrence Juen-Yee LAU	Ceased to be an independent non-executive director of CNOOC Limited (listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, and previously listed on the New York Stock Exchange) with effect from 31 May 2023
Mr. Cesar Velasquez PURISIMA	Received the Centenary Award of Excellence from the Professional Regulatory Board of Accountancy of the Republic of the Philippines in March 2023

Directors' biographies are available on the Company's website at www.aia.com.

Save as disclosed above, no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, the Directors' and the Chief Executive's interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, are as follows:

Interests in the Shares and underlying Shares

Name of Directors	Number of Shares or underlying Shares		Class	Percentage of the total number of Shares in issue ⁽¹⁾	Capacity
	Long Position (L)				
Mr. LEE Yuan Siong	1,478,726 (L) ⁽²⁾	Ordinary	0.01	Beneficial owner	
	2,453,058 (L) ⁽³⁾		0.02	Beneficial owner	
	2,874,135 (L) ⁽⁴⁾		0.02	Beneficial owner	
	2,349 (L) ⁽⁵⁾		<0.01	Beneficial owner	
Mr. Edmund Sze-Wing TSE	3,330,400 (L) ⁽²⁾	Ordinary	0.02	Beneficial owner	
	230,000 (L) ⁽²⁾		<0.01	Interest of controlled corporation ⁽⁶⁾	
Mr. Jack Chak-Kwong SO	130,000 (L) ⁽²⁾	Ordinary	<0.01	Interest of controlled corporation ⁽⁷⁾	
Mr. Chung-Kong CHOW	126,000 (L) ⁽²⁾	Ordinary	<0.01	Beneficial owner	
Mr. John Barrie HARRISON	80,000 (L) ⁽²⁾	Ordinary	<0.01	Interests held jointly with another person ⁽⁸⁾	
Mr. George Yong-Boon YEO	50,000 (L) ⁽²⁾	Ordinary	<0.01	Beneficial owner	
Professor Lawrence Juen-Yee LAU	250,000 (L) ⁽²⁾	Ordinary	<0.01	Interest of spouse ⁽⁹⁾	

Notes:

- (1) Based on 11,585,388,095 Shares in issue as at 30 June 2023.
- (2) The interests were in the Shares.
- (3) The interests were in RSUs granted to Mr. Lee Yuan Siong under the restricted share unit schemes adopted by the Company from time to time, of which 837,592 RSUs were awarded compensation for unvested long-term incentives and deferred payments that Mr. Lee Yuan Siong forfeited on leaving his prior employment as also disclosed in the Company's announcement dated 22 November 2019.
- (4) The interests were in SOs granted to Mr. Lee Yuan Siong under the share option schemes adopted by the Company from time to time.
- (5) The interests were in matching RSPUs granted under the employee share purchase plans adopted by the Company from time to time.
- (6) The 230,000 Shares were held by Edmund & Peggy Tse Foundation Limited, one-third interest of which is beneficially held by Mr. Edmund Sze-Wing Tse.
- (7) The 130,000 Shares were held by Cyber Project Developments Limited, a company beneficially wholly-owned by Mr. Jack Chak-Kwong So.
- (8) The 80,000 Shares were jointly held by Mr. John Barrie Harrison and his spouse, Ms. Rona Irene Harrison, as beneficial owners.
- (9) The 250,000 Shares were held by Ms. Ayesha Abbas Macpherson, the spouse of Professor Lawrence Juen-Yee Lau, as beneficial owner.

Save as disclosed above, as at 30 June 2023, neither the Directors nor the Chief Executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF PERSONS OTHER THAN THE DIRECTORS OR THE CHIEF EXECUTIVE

As at 30 June 2023, the following persons, other than the Directors or the Chief Executive of the Company, had interests and short positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Number of Shares or underlying Shares ⁽¹⁾		Class	Percentage of the total number of Shares in issue ⁽²⁾	Capacity
	Long Position (L) Short Position (S) Lending Pool (P)				
The Bank of New York Mellon Corporation	1,170,062,340 (L) 342,155,944 (S) 791,868,271 (P)		Ordinary	10.09 2.95 6.83	Note 3
JPMorgan Chase & Co.	1,029,333,365 (L) 24,237,913 (S) 661,124,544 (P)		Ordinary	8.88 0.20 5.70	Note 4
The Capital Group Companies, Inc.	844,813,989 (L)		Ordinary	7.29	Interest of controlled corporations
Citigroup Inc.	704,084,736 (L) 43,942,227 (S) 655,308,159 (P)		Ordinary	6.07 0.37 5.65	Note 5
BlackRock, Inc.	691,431,042 (L) 537,400 (S)		Ordinary	5.96 <0.01	Interest of controlled corporations
Brown Brothers Harriman & Co.	605,177,810 (L) 597,387,808 (P)		Ordinary	5.22 5.15	Note 6

Notes:

(1) Amongst the interests and short positions in the Shares and underlying Shares set out in the table above, the following interests and short positions were related to derivative interests held by the Shareholders:

Name of Shareholders	Long Position				Short Position			
	Physically settled listed derivatives	Cash settled listed derivatives	Physically settled unlisted derivatives	Cash settled unlisted derivatives	Physically settled listed derivatives	Cash settled listed derivatives	Physically settled unlisted derivatives	Cash settled unlisted derivatives
The Bank of New York Mellon Corporation	6,245,476	-	-	-	-	-	342,155,944	-
JPMorgan Chase & Co.	3,682,000	39,840	112,700	7,330,174	5,245,000	2,305,480	3,208,557	1,145,912
The Capital Group Companies, Inc.	-	-	25,193,864	-	-	-	-	-
Citigroup Inc.	8,436,733	-	1,400,644	21,165,970	6,270,000	-	8,173,219	29,382,787
BlackRock, Inc.	-	-	-	1,204,000	-	-	-	537,400
Brown Brothers Harriman & Co.	-	-	-	-	-	-	-	-

(2) Based on 11,585,388,095 Shares in issue as at 30 June 2023.

(3) The Bank of New York Mellon Corporation held the interests and short positions in the following capacity:

Capacity	Number of Shares or underlying Shares (Long Position)	Number of Shares or underlying Shares (Short Position)
Interest of controlled corporations	1,170,062,340	342,155,944

(4) JPMorgan Chase & Co. held the interests and short positions in the following capacities:

Capacity	Number of Shares or underlying Shares (Long Position)	Number of Shares or underlying Shares (Short Position)
Approved lending agent	661,124,544	–
Investment manager	340,372,828	–
Interest of controlled corporations	22,181,728	24,237,913
Person having a security interest in Shares	4,369,364	–
Trustee	1,284,901	–

(5) Citigroup Inc. held the interests and short positions in the following capacities:

Capacity	Number of Shares or underlying Shares (Long Position)	Number of Shares or underlying Shares (Short Position)
Approved lending agent	655,308,159	–
Interest of controlled corporations	48,776,577	43,942,227

(6) Brown Brothers Harriman & Co. held the interests and short positions in the following capacities:

Capacity	Number of Shares or underlying Shares (Long Position)	Number of Shares or underlying Shares (Short Position)
Approved lending agent	597,387,808	–
Investment manager	7,790,002	–

Save as disclosed above, as at 30 June 2023, no person, other than the Directors or the Chief Executive of the Company whose interests are set out in the section entitled “Directors’ and the Chief Executive’s Interests and Short Positions in Shares and Underlying Shares”, had any interest or short position in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 June 2023, the Company bought back a total of 184,612,000 Shares on the Hong Kong Stock Exchange with the aggregate consideration paid (before expenses) amounting to approximately HK\$15,371 million (equivalent to approximately US\$1,962 million). All the Shares bought back were subsequently cancelled. As at 30 June 2023, the total number of Shares in issue was 11,585,388,095. Particulars of the Shares bought back are as follows:

Month	Number of Shares bought back	Price paid per Share			Aggregate consideration (before expenses) (HK\$ million)
		(Average) (HK\$)	(Highest) (HK\$)	(Lowest) (HK\$)	
January 2023	45,732,800	87.88	92.05	84.50	4,019
February 2023	18,301,800	85.99	89.65	83.75	1,574
March 2023	24,645,000	80.41	84.60	74.90	1,982
April 2023	26,675,000	84.21	86.60	81.35	2,246
May 2023	34,569,000	80.27	86.70	74.90	2,775
June 2023	34,688,400	80.00	83.00	75.20	2,775
Total	184,612,000	83.26	–	–	15,371

In addition, the Company also purchased 9,806,139 Shares under the 2020 RSU Scheme and the 2020 ESPP for a total consideration of approximately HK\$827 million (equivalent to approximately US\$106 million) during the six months ended 30 June 2023. These purchases were made by the trustee of these share schemes on the Hong Kong Stock Exchange. These Shares are held on trust for the participants of relevant schemes and therefore were not cancelled. Please refer to note 23 to the interim condensed consolidated financial statements for details.

Save as disclosed above, during the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE-BASED COMPENSATION

To bring the terms of the Company's share schemes (namely, the 2020 SO Scheme, the 2020 RSU Scheme, the 2020 ESPP and the 2021 ASPP) in line with the amended Chapter 17 of the Listing Rules, the Company has sought and obtained the approval from its shareholders at the annual general meeting of the Company held on 18 May 2023 to make certain amendments to the existing terms of each of the Company's share schemes. In addition, other amendments have also been made to these schemes to align with market practice.

For further information regarding the share schemes, please refer to the Remuneration Report in the Company's Annual Report 2022 and Appendix III to VI of the shareholders' circular of the Company's 2023 annual general meeting.

LONG-TERM INCENTIVE PLAN

The 2010 RSU Scheme and the 2010 SO Scheme, both adopted by the Company on 28 September 2010, were terminated with effect from 31 July 2020 and 29 May 2020, respectively, and no further grants may be made under these schemes although outstanding grants will continue to vest based on their original terms.

The 2020 RSU Scheme and the 2020 SO Scheme, with substantially the same terms as the 2010 RSU Scheme and the 2010 SO Scheme, respectively, were adopted by the Company on 1 August 2020 (2020 RSU Scheme Adoption Date) and 29 May 2020 (2020 SO Scheme Adoption Date), respectively. Both the 2020 RSU Scheme and the 2020 SO Scheme are effective for a period of 10 years from their respective date of adoption.

RESTRICTED SHARE UNIT SCHEMES

During the six months ended 30 June 2023, the Company granted 11,470,894 RSUs under the 2020 RSU Scheme to employees, directors (excluding independent non-executive directors) and officers of the Company and its subsidiaries. During the same period, 4,698,715 RSUs vested under the 2010 RSU Scheme, while 78,902 vested under the 2020 RSU Scheme, all of which were satisfied with purchases of existing Shares on market by the scheme trustee. As at 30 June 2023, there were a total of 31,290,061 RSUs outstanding under the 2010 RSU Scheme and the 2020 RSU Scheme, representing 0.27 per cent of the number of Shares in issue as at 30 June 2023.

During the 10-year period from the 2020 RSU Scheme Adoption Date, the aggregate number of Shares available for issue underlying the RSU Awards granted by the Company under the 2020 RSU Scheme and any other restricted share unit scheme of the Company (i.e., the 2010 RSU Scheme) shall not exceed 2.5 per cent of the number of Shares in issue on the RSU Scheme Limit Reference Date as specified under the rules of the 2020 RSU Scheme (i.e. 18 May 2023), being 290,494,815 Shares. 272,661,030 and 259,204,754 RSUs were available for grant pursuant to the scheme mandate as at 1 January 2023 and 30 June 2023, respectively.

Since the 2020 RSU Scheme Adoption Date and up to 30 June 2023, no new Shares were issued upon vesting of the awards granted under the 2010 RSU Scheme and the 2020 RSU Scheme.

The table below summarises the movements in RSUs under the 2010 RSU Scheme and the 2020 RSU Scheme during the six months ended 30 June 2023.

			RSUs outstanding as at 1 January 2023	RSUs granted during the six months ended 30 June 2023	RSUs vested during the six months ended 30 June 2023	RSUs cancelled/ lapsed/ reclassified during the six months ended 30 June 2023	RSUs outstanding as at 30 June 2023 ⁽³⁾	Weighted average closing price of Shares immediately before the dates on which RSUs vested (HK\$)
	Date of grant (day/month/ year) ⁽¹⁾	Date of vesting (day/month/ year) ⁽²⁾						
Group Chief Executive and President Mr. LEE Yuan Siong	2010 RSU Scheme							
	13/3/2020	See Note ⁽⁴⁾	1,153,153	-	(315,561)	-	837,592	83.25
	25/3/2020	25/3/2023 ⁽⁵⁾	420,426	-	(210,213)	(210,213)	-	81.55
	2020 RSU Scheme							
	24/3/2021	24/3/2024 ⁽⁵⁾	429,546	-	-	-	429,546	n/a
	17/3/2022	17/3/2025 ⁽⁵⁾	586,664	-	-	-	586,664	n/a
17/3/2023	17/3/2026 ⁽⁶⁾	-	599,256	-	-	599,256	n/a	
All eligible employees and participants	2010 RSU Scheme							
	13/3/2020	See Note ⁽⁴⁾	1,153,153	-	(315,561)	-	837,592	83.25
	25/3/2020	25/3/2023 ⁽⁵⁾	661,862	-	(384,017)	(277,845)	-	81.55
	2020 RSU Scheme							
	24/3/2021	24/3/2024 ⁽⁵⁾	679,026	-	-	108,472	787,498	n/a
	14/3/2022	See note ⁽⁷⁾	94,294	-	(47,147)	-	47,147	84.45
	17/3/2022	17/3/2025 ⁽⁵⁾	1,902,596	-	-	140,000	2,042,596	n/a
	17/3/2022	17/3/2025 ⁽⁸⁾	21,891	-	-	-	21,891	n/a
	17/3/2023	17/3/2026 ⁽⁶⁾	-	1,217,852	-	-	1,217,852	n/a
	2010 RSU Scheme							
	25/3/2020	25/3/2023 ⁽⁵⁾	8,164,115	-	(3,983,566)	(4,180,549)	-	81.56
	10/6/2020	10/6/2023 ⁽⁵⁾	31,142	-	(15,571)	(15,571)	-	80.75
	2020 RSU Scheme							
24/3/2021	24/3/2024 ⁽⁵⁾	6,828,419	-	(18,121)	(319,704)	6,490,594	82.57	
24/3/2021	24/3/2024 ⁽⁸⁾	77,480	-	-	-	77,480	n/a	
2/6/2021	2/6/2024 ⁽⁵⁾	67,610	-	(2,002)	(4,706)	60,902	80.58	
2/6/2021	2/6/2024 ⁽⁸⁾	4,484	-	-	-	4,484	n/a	
30/9/2021	30/9/2024 ⁽⁵⁾	51,994	-	-	-	51,994	n/a	
17/12/2021	17/12/2024 ⁽⁸⁾	58,773	-	-	-	58,773	n/a	
17/3/2022	17/3/2025 ⁽⁵⁾	9,668,506	-	(11,468)	(411,377)	9,245,661	82.35	
17/3/2022	17/3/2025 ⁽⁸⁾	60,449	-	-	-	60,449	n/a	
28/3/2022	17/3/2025 ⁽⁵⁾	12,030	-	-	-	12,030	n/a	
19/5/2022	17/3/2025 ⁽⁵⁾	9,002	-	-	-	9,002	n/a	
19/5/2022	19/5/2025 ⁽⁵⁾	20,374	-	-	-	20,374	n/a	
15/9/2022	15/9/2025 ⁽⁵⁾	36,748	-	-	-	36,748	n/a	
17/3/2023	17/3/2026 ⁽⁶⁾	-	10,253,042	(164)	(45,884)	10,206,994	80.45	
Grand Total	2010 RSU Scheme		10,010,272	-	(4,698,715)	(4,473,965)	837,592	81.67
	2020 RSU Scheme		19,593,676	11,470,894	(78,902)	(533,199)	30,452,469	83.61
	Total		29,603,948	11,470,894	(4,777,617)	(5,007,164)	31,290,061	81.70

Notes:

- (1) The measurement dates (i.e., the dates used to determine the value of the grants for accounting purposes) for grants made during the year ended 31 December 2020 were determined to be 13 March 2020, 25 March 2020 and 10 June 2020. The measurement dates for grants made during the year ended 31 December 2021 were determined to be 24 March 2021, 2 June 2021, 30 September 2021 and 17 December 2021. The measurement dates for grants made during the year ended 31 December 2022 were determined to be 14 March 2022, 17 March 2022, 28 March 2022, 19 May 2022 and 15 September 2022. The measurement dates for grants made during the six months ended 30 June 2023 were determined to be 17 March 2023. These measurement dates were determined in accordance with IFRS 2.
- (2) The date of vesting is subject to applicable dealing restrictions.
- (3) Includes RSUs outstanding as at 30 June 2023 that, in accordance with the 2010 RSU Scheme rules and 2020 RSU Scheme rules, will lapse on or before the respective vesting date. No consideration shall be payable by the participant on acceptance of any RSU Award granted.
- (4) Reference is made to the Company's announcement dated 22 November 2019. These RSUs relate to the awarded compensation for unvested long-term incentives and deferred payments that Mr. Lee Yuan Siong forfeited on leaving his prior employment. The vesting of these RSUs is service-based only (i.e., there are no further performance conditions attached except for continued employment). The first four tranches of 315,561 RSUs each had vested on 13 September 2020, 21 February 2021, 21 February 2022 and 21 February 2023 respectively. Subject to continued employment, 315,561 RSUs are scheduled to vest on 21 February 2024 and 522,031 RSUs are scheduled to vest on 21 February 2025.
- (5) The vesting of these RSUs is subject to service requirements and the achievement of performance measures shown on page 130 of the Company's Annual Report 2022.
- (6) The closing price of the Shares immediately before the date on which RSUs were granted was HK\$76.40. The fair value of the RSUs at the date of grant was determined to be HK\$63.37. The vesting of these RSUs is subject to service requirements and the achievement of performance measures shown on page 130 of the Company's Annual Report 2022.
- (7) The vesting of these RSUs is service-based only (i.e., there are no further performance conditions attached except for continued employment). The first two tranches of 47,147 RSUs each had vested on 14 September 2022 and 14 March 2023 respectively. Subject to continued employment, 47,147 RSUs are scheduled to vest on 14 March 2024.
- (8) The vesting of these RSUs is service-based only (i.e., there are no further performance conditions attached except for continued employment).

SHARE OPTION SCHEMES

During the six months ended 30 June 2023, the Company granted 1,918,599 SOs under the 2020 SO Scheme to employees, directors (excluding independent non-executive directors) and officers of the Company and its subsidiaries. During the same period, 573,823 new Shares were issued upon exercise of the SOs granted under the 2010 SO Scheme and no new Shares were issued under the 2020 SO Scheme. As at 30 June 2023, there were a total of 25,193,135 SOs outstanding under the 2010 SO Scheme and the 2020 SO Scheme, representing 0.22 per cent of the number of Shares in issue as at 30 June 2023.

During the 10-year period from the 2020 SO Scheme Adoption Date, the aggregate number of Shares available for issue upon exercise of all SOs granted by the Company (excluding SOs that have lapsed) pursuant to the 2020 SO Scheme and any other share option scheme of the Company (i.e., the 2010 SO Scheme) shall not exceed 2.5 per cent of the number of Shares in issue on the 2020 SO Scheme Adoption Date, being 302,264,978 Shares. 271,184,000 and 269,390,346 SOs were available for grant pursuant to the above scheme mandate as at 1 January 2023 and 30 June 2023, respectively.

Since the 2020 SO Scheme Adoption Date and up to 30 June 2023, a cumulative total of 7,681,497 new Shares were issued under the 2010 SO Scheme, representing approximately 0.06 per cent of the number of Shares in issue as at the 2020 SO Scheme Adoption Date. During the same period, no new Shares were issued under the 2020 SO Scheme.

The table below summarises the movements in SOs under the 2010 SO Scheme and the 2020 SO Scheme during the six months ended 30 June 2023.

Group Chief Executive and President and other eligible employees and participants	Date of grant (day/month/year) ⁽¹⁾	Period during which SOs are exercisable (day/month/year) ⁽²⁾	SOs outstanding as at 1 January 2023	SOs granted during the six months ended 30 June 2023	SOs vested during the six months ended 30 June 2023	SOs		Exercise price (HK\$)	SOs outstanding as at 30 June 2023 ⁽³⁾	Weighted average closing price of Shares immediately before the dates on which SOs were exercised (HK\$)	
						cancelled/ lapsed/ reclassified during the six months ended 30 June 2023	SOs exercised during the six months ended 30 June 2023				
Group Chief Executive and President Mr. LEE Yuan Siong	2010 SO Scheme										
	25/3/2020	25/3/2023 – 24/3/2030 ⁽⁴⁾	1,197,133	–	1,197,133	–	–	68.10	1,197,133	n/a	
	2020 SO Scheme										
	24/3/2021	24/3/2024 – 23/3/2031 ⁽⁴⁾	464,526	–	–	–	–	97.33	464,526	n/a	
	17/3/2022	17/3/2025 – 16/3/2032 ⁽⁴⁾	660,259	–	–	–	–	79.85	660,259	n/a	
	17/3/2023	17/3/2026 – 16/3/2033 ⁽⁵⁾	–	552,217	–	–	–	80.73	552,217	n/a	
Other eligible employees and participants	2010 SO Scheme										
	11/3/2013	11/3/2016 – 10/3/2023 ⁽⁴⁾	37,266	–	–	–	(37,266)	34.35	–	88.30	
	5/3/2014	5/3/2017 – 4/3/2024 ⁽⁴⁾	348,915	–	–	–	(206,241)	37.56	142,674	82.45	
	12/3/2015	12/3/2018 – 11/3/2025 ⁽⁴⁾	1,086,369	–	–	–	(129,470)	47.73	956,899	85.11	
	9/3/2016	9/3/2019 – 8/3/2026 ⁽⁴⁾	1,637,947	–	–	–	–	41.90	1,637,947	n/a	
	10/3/2017	10/3/2020 – 9/3/2027 ⁽⁴⁾	3,604,194	–	–	–	(164,479)	50.30	3,439,715	79.40	
	31/7/2017	1/6/2020 – 30/7/2027 ⁽⁴⁾	830,436	–	–	–	–	61.55	830,436	n/a	
	15/3/2018	15/3/2021 – 14/3/2028 ⁽⁴⁾	3,726,493	–	–	–	(36,367)	67.15	3,690,126	88.30	
	27/3/2019	27/3/2022 – 26/3/2029 ⁽⁴⁾	3,300,258	–	–	–	–	76.38	3,300,258	n/a	
	15/5/2019	1/5/2022 – 14/5/2029 ⁽⁴⁾	82,221	–	–	–	–	78.70	82,221	n/a	
	25/3/2020	25/3/2023 – 24/3/2030 ⁽⁴⁾	3,772,986	–	3,380,348	(51,046)	–	68.10	3,721,940	n/a	
	2020 SO Scheme										
	24/3/2021	24/3/2024 – 23/3/2031 ⁽⁴⁾	1,365,104	–	–	(58,991)	–	97.33	1,306,113	n/a	
17/3/2022	17/3/2025 – 16/3/2032 ⁽⁴⁾	1,859,197	–	–	(14,908)	–	79.85	1,844,289	n/a		
17/3/2023	17/3/2026 – 16/3/2033 ⁽⁵⁾	–	1,366,382	–	–	–	80.73	1,366,382	n/a		
Grand Total	2010 SO Scheme		19,624,218	–	4,577,481	(51,046)	(573,823)	–	18,999,349	82.93	
	2020 SO Scheme		4,349,086	1,918,599	–	(73,899)	–	–	6,193,786	n/a	
	Total		23,973,304	1,918,599	4,577,481	(124,945)	(573,823)	–	25,193,135	82.93	

Notes:

- (1) The measurement date (i.e., the date used to determine the value of the grants for accounting purposes) for grants made during the year ended 30 November 2013 was determined to be 11 March 2013. The measurement date for grants made during the year ended 30 November 2014 was determined to be 5 March 2014. The measurement date for grants made during the year ended 30 November 2015 was determined to be 12 March 2015. The measurement date for grants made during the year ended 30 November 2016 was determined to be 9 March 2016. The measurement dates for grants made during the year ended 30 November 2017 were determined to be 10 March 2017 and 31 July 2017. The measurement date for grants made during the thirteen months ended 31 December 2018 was determined to be 15 March 2018. The measurement dates for grants made during the year ended 31 December 2019 were determined to be 27 March 2019 and 15 May 2019. The measurement date for grant made during the year ended 31 December 2020 was determined to be 25 March 2020. The measurement date for grants made during the year ended 31 December 2021 was determined to be 24 March 2021. The measurement date for grants made during the year ended 31 December 2022 was determined to be 17 March 2022. The measurement date for grants made during the six months ended 30 June 2023 was determined to be 17 March 2023. These measurement dates were determined in accordance with IFRS 2.
- (2) The date of vesting is the first day of the period during which SOs are exercisable and subject to applicable dealing restrictions.
- (3) Includes SOs outstanding as at 30 June 2023 that, in accordance with the 2010 SO Scheme rules and 2020 SO Scheme rules, will lapse on or before the end of the respective period during which the SOs are exercisable.
- (4) The vesting of SOs is service-based only.
- (5) The closing price of the Shares immediately before the date on which SOs were granted was HK\$76.40. The fair value of the SOs at the date of grant was determined to be HK\$23.97. The vesting of SOs is service-based only.

EMPLOYEE SHARE PURCHASE PLAN

The 2020 ESPP was adopted by the Company on 1 August 2020 (2020 ESPP Adoption Date). It is effective for a period of 10 years from the 2020 ESPP Adoption Date.

Under the 2020 ESPP, eligible employees of the Group may elect to purchase Shares and, through the grant of matching RSPUs, employees who are still employed with the Group will receive one matching Share for every two Shares purchased that are held until the vesting of the matching RSPUs, which usually takes place three years from the first day of Share purchase in a plan year. Each eligible employee's participation level is capped at the lower of 10 per cent of the monthly base salary or HK\$12,500 (or local currency equivalent) per calendar month. The matching Shares can either be awarded through the issuance of new Shares or the purchases of existing Shares on market by the plan trustee.

During the six months ended 30 June 2023, 913,742 matching RSPUs were granted, 33,265 matching RSPUs vested and no new Shares were issued under the 2020 ESPP. As at 30 June 2023, there were a total of 4,008,743 RSPUs outstanding under 2020 ESPP, representing 0.03 per cent of the number of Shares in issue as at 30 June 2023.

During the 10-year period from the 2020 ESPP Adoption Date, the aggregate number of Shares available for issue pursuant to the 2020 ESPP and any other employee share purchase plan (i.e., the 2011 ESPP) shall not exceed 2.5 per cent of the number of Shares in issue on the reference date as specified under the rules of the 2020 ESPP (i.e. 18 May 2023), being 290,494,815 Shares.

Since the 2020 ESPP Adoption Date and up to 30 June 2023, no new Shares were issued upon vesting of the awards granted under the 2020 ESPP and its predecessor plan.

AGENCY SHARE PURCHASE PLANS

The 2012 ASPP adopted by the Company on 23 February 2012 was terminated with effect from 31 March 2021. Upon the termination of the 2012 ASPP, no further RSSUs can be granted thereunder. However, the 2012 ASPP shall remain in full force and effect for all RSSUs granted prior to its termination, and the vesting of such RSSUs shall be subject to the terms on which they were granted under the 2012 ASPP.

The 2021 ASPP, with substantially the same terms as the 2012 ASPP, was adopted by the Company on 1 February 2021 (2021 ASPP Adoption Date). It is effective for a period of 10 years from the 2021 ASPP Adoption Date.

Under the 2021 ASPP, the participants may elect to purchase the Shares and, through the grant of matching RSSUs, receive one matching Share for every two Shares purchased that are held until the vesting of the matching RSSUs, which usually takes place three years from the first day of Share purchase in a plan year. Each eligible agent's participation level is capped at HK\$12,500 (or local currency equivalent) per calendar month.

During the 10-year period from the 2021 ASPP Adoption Date, the aggregate number of Shares available for issue pursuant to the 2021 ASPP and any other agency share purchase plan (i.e., the 2012 ASPP) shall not exceed 2.5 per cent of the number of Shares in issue on the reference date as specified under the rules of the 2021 ASPP (i.e. 18 May 2023), being 290,494,815 Shares.

During the six months ended 30 June 2023, no matching RSSUs were granted, 986,359 matching RSSUs vested and 986,359 new Shares were issued under the 2012 ASPP. The new Shares were issued at a subscription price of US\$1.00 each to Computershare Hong Kong Trustees Limited (being the plan trustee) to hold the same on trust for certain eligible agents upon vesting of their matching RSSUs. The closing price of the Shares on 27 April 2023 was HK\$85.20. The proceeds received amounted to approximately US\$1.0 million, which were used to fund the administration expenses of the 2012 ASPP and as general working capital of the Company.

As disclosed in the Company's announcement dated 4 April 2023, the Company estimated that a total of 1,055,863 RSSUs will be granted to the participants for the 2023 ASPP plan year which runs from 1 May 2023 to 30 April 2024. During the six months ended 30 June 2023, the actual number of matching RSSUs granted in relation to the 2023 ASPP plan year was 175,718. During the same period, no matching RSSUs vested and no new Shares were issued under the 2021 ASPP.

Since the 2021 ASPP Adoption Date and up to 30 June 2023, a cumulative total of 3,298,477 matching RSSUs vested under the ASPPs and 3,298,477 new Shares were issued under either the 2012 ASPP or the 2021 ASPP. As at 30 June 2023, there were a total of 2,045,964 RSSUs outstanding under the 2012 ASPP and the 2021 ASPP, representing 0.018 per cent of the number of Shares in issue as at 30 June 2023.

The table below summarises the movements in RSSUs under 2012 ASPP and 2021 ASPP during the six months ended 30 June 2023 for the eligible participants.

		RSSUs outstanding as at 1 January 2023	RSSUs granted during the six months ended 30 June 2023 ⁽³⁾	RSSUs vested during the six months ended 30 June 2023 ⁽⁴⁾	RSSUs cancelled/ lapsed/ reclassified during the six months ended 30 June 2023	RSSUs outstanding as at 30 June 2023 ⁽⁵⁾	Weighted average closing price of Shares immediately before the dates on which RSSUs vested (HK\$)
Eligible Participants	2012 ASPP ⁽¹⁾	1,005,238	–	(986,359)	(18,879)	–	83.85
	2021 ASPP ⁽²⁾	1,606,062	485,515	–	(45,613)	2,045,964	n/a
	TOTAL	2,611,300	485,515	(986,359)	(64,492)	2,045,964	83.85

Notes:

1. The 2012 ASPP includes 2020 ASPP plan year with monthly purchase on every 27th of the month (or, if such day is not a business day, the next succeeding business day) from April 2020 to March 2021, and date of vesting on 27 April 2023.
2. The 2021 ASPP includes a) 2021 ASPP plan year with monthly purchase on every 27th of the month (or, if such day is not a business day, the next succeeding business day) from May 2021 to April 2022, and date of vesting on 27 May 2024; b) 2022 ASPP plan year with monthly purchase on every 27th of the month (or, if such day is not a business day, the next succeeding business day) from May 2022 to April 2023, and date of vesting on 27 May 2025; c) 2023 ASPP plan year with monthly purchase on every 27th of the month (or, if such day is not a business day, the next succeeding business day) from May 2023 to April 2024, and date of vesting on 29 May 2026.
3. The allocation date of the RSSUs is on every 27th of the month, (or, if such day is not a business day, the next succeeding business day). For details of closing price of Shares immediately before the dates on which RSSUs were allocated to the participants, please refer to the share price on www.aia.com. The fair value of the RSSUs granted during the six months ended 30 June 2023 was measured to be HK\$62.67 on 27 March 2023, being the last date of the enrolment period of the 2023 ASPP plan year, under IFRS 2 Share-based Payment. Further details of the methodology and assumptions used to calculate the fair value of the RSSUs granted under IFRS 2 Share-based Payment is disclosed in note 26 to the interim condensed consolidated financial statements.
4. The subscription price of RSSUs is US\$1.00 per share.
5. As at 1 January 2023, 297,341,560 RSSUs were available for grant pursuant to the plan limit as of such date. The plan limit was subsequently revised at the annual general meeting of the Company held on 18 May 2023, and taking into account the issuance of new Shares and grant of RSSUs during the six months ended 30 June 2023, 285,150,374 RSSUs were available for grant pursuant to the revised plan limit as at 30 June 2023.

The number of Shares that may be issued in respect of share options and awards granted under the share schemes of the Company during the six months ended 30 June 2023 divided by the weighted average number of Shares in issue as at 30 June 2023 is 0.0207 per cent.

Details regarding the fair value measurement of the share options and awards granted under the share schemes of the Company during the six months ended 30 June 2023 and the accounting standard and policy adopted are set out in note 26 to the interim condensed consolidated financial statements.

EMPLOYEES

As of 30 June 2023, there has been no material change to the information disclosed in the Company's Annual Report 2022 relating to the number and remuneration of employees of the Group, its remuneration policies, share incentive schemes and training programmes.

CONTENTS

Report on Review of Interim Condensed Consolidated Financial Statements	54
Interim Consolidated Income Statement	55
Interim Consolidated Statement of Comprehensive Income	56
Interim Consolidated Statement of Financial Position	57
Interim Consolidated Statement of Changes in Equity	59
Interim Consolidated Statement of Cash Flows	61
Notes to the Unaudited Interim Condensed Consolidated Financial Statements	
1 Corporate information	63
2 Material accounting policy information	63
3 Critical accounting estimates and judgements	97
4 Exchange rates	100
5 Operating profit after tax	101
6 Total weighted premium income and annualised new premiums	102
7 Segment information	104
8 Insurance revenue	109
9 Net investment result	110
10 Expenses	114
11 Income tax	115
12 Earnings per share	116
13 Dividends	118
14 Intangible assets	119
15 Financial investments	120
16 Derivative financial instruments	127
17 Fair value measurement	129
18 Cash and cash equivalents	135
19 Insurance contracts and reinsurance contracts held	135
20 Investment contracts	152
21 Borrowings	152
22 Obligations under repurchase agreements	154
23 Share capital and reserves	155
24 Group capital structure	157
25 Risk management	159
26 Share-based compensation	167
27 Remuneration of key management personnel	168
28 Commitments and contingencies	169
29 Events after the reporting period	169
30 Disposal group held for sale	170
31 Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16	171
32 Interim statement of financial position of the Company	182
33 Interim statement of changes in equity of the Company	183

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF AIA GROUP LIMITED
(incorporated in Hong Kong with limited liability)



羅兵咸永道

Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 55 to 183, which comprise the interim consolidated statement of financial position of AIA Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2023 and the interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-month period then ended, and notes, comprising material accounting policy information and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34 and IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of the Group are not prepared, in all material respects, in accordance with HKAS 34 and IAS 34.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong
24 August 2023

PricewaterhouseCoopers, 22/F, Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INTERIM CONSOLIDATED INCOME STATEMENT

US\$m	Notes	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited and restated)
Insurance revenue	8,19	8,352	8,242
Insurance service expenses	10,19	(5,344)	(5,003)
Net expenses from reinsurance contracts held	19	(202)	(341)
Insurance service result		2,806	2,898
Interest revenue on	9		
Financial assets not measured at fair value through profit or loss		2,023	1,904
Financial assets measured at fair value through profit or loss		1,829	1,667
Other investment return	9	3,608	(31,479)
Net impairment loss on financial assets	9	(47)	(128)
Investment return	9	7,413	(28,036)
Net finance (expenses)/income from insurance contracts	9	(6,313)	26,569
Net finance income from reinsurance contracts held	9	55	6
Movement in investment contract liabilities	9	(370)	1,202
Movement in third-party interests in consolidated investment funds	9	(29)	29
Net investment result	9	756	(230)
Fee income		65	74
Other operating revenue		138	120
Other expenses	10	(815)	(770)
Other finance costs	10	(227)	(180)
Profit before share of losses from associates and joint ventures		2,723	1,912
Share of losses from associates and joint ventures		(102)	(115)
Profit before tax		2,621	1,797
Tax expense	11	(366)	(249)
Net profit		2,255	1,548
<i>Net profit attributable to:</i>			
Shareholders of AIA Group Limited		2,250	1,543
Non-controlling interests		5	5
Earnings per share (US\$)			
Basic	12	0.19	0.13
Diluted	12	0.19	0.13

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US\$m	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited and restated)
Net profit	2,255	1,548
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains/(losses) on financial assets at fair value through other comprehensive income (net of tax of: six months ended 30 June 2023: US\$(427)m; six months ended 30 June 2022: US\$1,709m)	1,960	(10,069)
Fair value losses on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal (net of tax of: six months ended 30 June 2023: US\$13m; six months ended 30 June 2022: US\$(19)m)	137	82
Foreign currency translation adjustments	(698)	(1,477)
Cash flow hedges	(7)	(1)
Net finance (expenses)/income from insurance contracts (net of tax of: six months ended 30 June 2023: US\$985m; six months ended 30 June 2022: US\$(1,052)m)	(2,995)	3,702
Net finance income/(expenses) from reinsurance contracts held (net of tax of: six months ended 30 June 2023: US\$(71)m; six months ended 30 June 2022: US\$(55)m)	133	(108)
Share of other comprehensive expense from associates and joint ventures	(8)	(66)
Subtotal	(1,478)	(7,937)
Items that will not be reclassified subsequently to profit or loss:		
Revaluation gains on property held for own use (net of tax of: six months ended 30 June 2023: US\$(16)m; six months ended 30 June 2022: US\$3m)	58	–
Effect of remeasurement of net liability of defined benefit schemes (net of tax of: six months ended 30 June 2023: nil; six months ended 30 June 2022: nil)	2	1
Subtotal	60	1
Total other comprehensive expense	(1,418)	(7,936)
Total comprehensive income/(expense)	837	(6,388)
<i>Total comprehensive income/(expense) attributable to:</i>		
Shareholders of AIA Group Limited	833	(6,362)
Non-controlling interests	4	(26)

Note:

(1) Where applicable, amounts are presented net of tax.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US\$m	Notes	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Restated)	As at 1 January 2022 (Restated)
Assets				
Intangible assets	14	3,478	3,277	2,914
Investments in associates and joint ventures		1,960	2,056	831
Property, plant and equipment		4,027	2,844	2,744
Investment property		4,480	4,600	4,716
Insurance contract assets	19	1,784	2,037	3,681
Reinsurance contract assets	19	5,777	5,763	6,436
Financial investments:	15, 17, 30			
At amortised cost				
Debt securities		1,980	1,787	1,476
Loans and deposits		4,261	4,566	5,434
At fair value through other comprehensive income				
Debt securities		85,167	86,060	103,580
At fair value through profit or loss				
Debt securities		83,823	77,496	94,916
Loans and deposits		265	279	297
Equity shares		21,883	23,378	30,817
Interests in investment funds and exchangeable loan notes		41,266	38,577	40,243
Derivative financial instruments	16, 30	566	568	1,468
		239,211	232,711	278,231
Deferred tax assets		212	229	104
Current tax recoverable		188	117	120
Other assets	30	4,112	4,524	6,486
Cash and cash equivalents	18, 30	6,666	8,020	4,989
Assets in disposal group held for sale	30	4,018	4,293	–
Total assets		275,913	270,471	311,252
Liabilities				
Insurance contract liabilities	19, 30	191,872	181,851	217,773
Reinsurance contract liabilities	19, 30	223	384	709
Investment contract liabilities	20, 30	9,082	9,092	13,896
Borrowings	21	11,310	11,206	9,588
Obligations under repurchase agreements	22	2,000	1,748	1,588
Derivative financial instruments	16, 30	7,623	8,638	1,392
Provisions		155	153	186
Deferred tax liabilities	30	2,948	3,409	4,103
Current tax liabilities	30	383	467	389
Other liabilities	30	4,215	4,264	5,121
Liabilities in disposal group held for sale	30	3,826	4,111	–
Total liabilities		233,637	225,323	254,745

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

US\$m	Note	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Restated)	As at 1 January 2022 (Restated)
Equity				
Share capital	23	14,175	14,171	14,160
Employee share-based trusts		(368)	(290)	(225)
Other reserves		(11,814)	(11,812)	(11,841)
Retained earnings		45,111	46,499	48,997
Other comprehensive income		(5,313)	(3,896)	4,932
<i>Total equity attributable to:</i>				
Shareholders of AIA Group Limited		41,791	44,672	56,023
Non-controlling interests		485	476	484
Total equity		42,276	45,148	56,507
Total liabilities and equity		275,913	270,471	311,252

Approved and authorised for issue by the Board of Directors on 24 August 2023.



Lee Yuan Siong
Director



Edmund Sze-Wing Tse
Director

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US\$m	Note	Other comprehensive income										Total equity
		Share capital	Employee share-based trusts	Other reserves	Retained earnings	Fair value reserve	Foreign currency translation reserve	Insurance finance reserve	Property revaluation reserve	Others	Non-controlling interests	
Balance at 1 January 2023 – Restated		14,171	(290)	(11,812)	46,499	(3,737)	(2,735)	1,238	1,279	59	476	45,148
Net profit		-	-	-	2,250	-	-	-	-	-	5	2,255
Fair value gains on financial assets at fair value through other comprehensive income		-	-	-	-	1,955	-	-	-	-	5	1,960
Fair value losses on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal		-	-	-	-	137	-	-	-	-	-	137
Foreign currency translation adjustments		-	-	-	-	-	(696)	-	-	-	(2)	(698)
Cash flow hedges		-	-	-	-	-	-	-	-	(7)	-	(7)
Net finance expenses from insurance contracts		-	-	-	-	-	-	(2,991)	-	-	(4)	(2,995)
Net finance income from reinsurance contracts held		-	-	-	-	-	-	133	-	-	-	133
Share of other comprehensive income/(expense) from associates and joint ventures		-	-	-	-	335	7	(350)	-	-	-	(8)
Revaluation gains on property held for own use		-	-	-	-	-	-	-	58	-	-	58
Effect of remeasurement of net liability of defined benefit schemes		-	-	-	-	-	-	-	-	2	-	2
Total comprehensive income/ (expense) for the period		-	-	-	2,250	2,427	(689)	(3,208)	58	(5)	4	837
Dividends	13	-	-	-	(1,672)	-	-	-	-	-	(2)	(1,674)
Share buy-back		-	-	-	(1,966)	-	-	-	-	-	-	(1,966)
Shares issued under share option scheme and agency share purchase plan		4	-	-	-	-	-	-	-	-	-	4
Increase in non-controlling interests		-	-	(6)	-	-	-	-	-	-	7	1
Share-based compensation		-	-	31	-	-	-	-	-	-	-	31
Purchase of shares held by employee share-based trusts		-	(105)	-	-	-	-	-	-	-	-	(105)
Transfer of vested shares from employee share-based trusts		-	27	(27)	-	-	-	-	-	-	-	-
Balance at 30 June 2023 – Unaudited		14,175	(368)	(11,814)	45,111	(1,310)	(3,424)	(1,970)	1,337	54	485	42,276

Note:

(1) Where applicable, amounts are presented net of tax.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

US\$m	Notes	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Other comprehensive income					Non-controlling interests	Total equity
						Fair value reserve	Foreign currency translation reserve	Insurance finance reserve	Property revaluation reserve	Others		
Balance at 1 January 2022, as previously reported		14,160	(225)	(11,841)	49,984	8,407	(1,068)	-	1,069	(19)	467	60,934
Impact of initial adoption of IFRS 9 and IFRS 17	31	-	-	-	(1,208)	(1,766)	-	(1,895)	369	56	17	(4,427)
Retrospective adjustments for amendment to IAS 16	31	-	-	-	221	-	-	-	(221)	-	-	-
Balance at 1 January 2022 – Restated		14,160	(225)	(11,841)	48,997	6,641	(1,068)	(1,895)	1,217	37	484	56,507
Net profit		-	-	-	1,543	-	-	-	-	-	5	1,548
Fair value losses on financial assets at fair value through other comprehensive income		-	-	-	-	(10,050)	-	-	-	-	(19)	(10,069)
Fair value losses on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal		-	-	-	-	82	-	-	-	-	-	82
Foreign currency translation adjustments		-	-	-	-	-	(1,457)	-	-	-	(20)	(1,477)
Cash flow hedges		-	-	-	-	-	-	-	-	(1)	-	(1)
Net finance income from insurance contracts		-	-	-	-	-	-	3,694	-	-	8	3,702
Net finance expenses from reinsurance contracts held		-	-	-	-	-	-	(108)	-	-	-	(108)
Share of other comprehensive income/(expense) from associates and joint ventures		-	-	-	-	36	(104)	-	2	-	-	(66)
Effect of remeasurement of net liability of defined benefit schemes		-	-	-	-	-	-	-	-	1	-	1
Total comprehensive income/ (expense) for the period		-	-	-	1,543	(9,932)	(1,561)	3,586	2	-	(26)	(6,388)
Dividends	13	-	-	-	(1,650)	-	-	-	-	-	(15)	(1,665)
Share buy-back		-	-	-	(1,342)	-	-	-	-	-	-	(1,342)
Shares issued under share option scheme and agency share purchase plan		3	-	-	-	-	-	-	-	-	-	3
Increase in non-controlling interests		-	-	(7)	-	-	-	-	-	-	7	-
Acquisition of non-controlling interests		-	-	-	-	-	-	-	-	-	(4)	(4)
Share-based compensation		-	-	36	-	-	-	-	-	-	-	36
Purchase of shares held by employee share-based trusts		-	(94)	-	-	-	-	-	-	-	-	(94)
Transfer of vested shares from employee share-based trusts		-	29	(29)	-	-	-	-	-	-	-	-
Balance at 30 June 2022 – Unaudited and restated		14,163	(290)	(11,841)	47,548	(3,291)	(2,629)	1,691	1,219	37	446	47,053

Note:

(1) Where applicable, amounts are presented net of tax.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

US\$m	Notes	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited and restated)
Cash flows from operating activities			
Profit before tax		2,621	1,797
Adjustments for:			
Financial investments		(8,625)	26,524
Insurance contracts		9,630	(21,995)
Reinsurance contracts held		(109)	(7)
Investment contracts		(60)	(1,279)
Obligations under repurchase agreements	22	318	620
Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items		(3,980)	(4,352)
Operating cash items:			
Interest received		3,654	3,656
Dividends received		753	566
Interest paid		(53)	(16)
Tax paid		(364)	(376)
Net cash provided by operating activities		3,785	5,138
Cash flows from investing activities			
Payments for intangible assets	14	(115)	(396)
Distribution or dividend from an associate		1	1
Payments for increase in interest of joint ventures		(11)	(4)
Proceeds from sales of investment property and property, plant and equipment		–	3
Payments for investment property and property, plant and equipment		(924)	(72)
Acquisition of subsidiaries, net of cash acquired		(250)	–
Net cash used in investing activities		(1,299)	(468)
Cash flows from financing activities			
Issuances of medium-term notes and securities	21	594	824
Redemption of medium-term notes	21	(500)	–
Proceeds from other borrowings	21	–	225
Repayment of other borrowings	21	–	(225)
Capital contributions from non-controlling interests		1	–
Payments for lease liabilities ⁽¹⁾		(76)	(85)
Interest paid on medium-term notes and securities		(186)	(160)
Dividends paid during the period		(1,674)	(1,665)
Share buy-back		(1,966)	(1,342)
Purchase of shares held by employee share-based trusts		(105)	(94)
Shares issued under share option scheme and agency share purchase plan		4	3
Net cash used in financing activities		(3,908)	(2,519)
Net (decrease)/increase in cash and cash equivalents		(1,422)	2,151
Cash and cash equivalents at beginning of the financial period		8,766	4,695
Effect of exchange rate changes on cash and cash equivalents		(95)	(184)
Cash and cash equivalents at end of the financial period		7,249	6,662

Note:

(1) The total cash outflow for leases for the six months ended 30 June 2023 was US\$78m (six months ended 30 June 2022: US\$88m).

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Cash and cash equivalents in the above interim consolidated statement of cash flows can be further analysed as follows:

US\$m	Notes	As at 30 June 2023 (Unaudited)	As at 30 June 2022 (Unaudited)
Cash and cash equivalents in the interim consolidated statement of financial position	18, 30	7,391	6,878
Bank overdrafts		<u>(142)</u>	<u>(216)</u>
Cash and cash equivalents in the interim consolidated statement of cash flows		<u>7,249</u>	<u>6,662</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

AIA Group Limited (the “Company”) was established as a company with limited liability incorporated in Hong Kong on 24 August 2009. The address of its registered office is 35/F, AIA Central, No. 1 Connaught Road Central, Hong Kong.

AIA Group Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited under the stock codes “1299” for HKD counter and “81299” for RMB counter with American Depositary Receipts (Level 1) traded on the over-the-counter market under the ticker symbol “AAGIY”.

AIA Group Limited and its subsidiaries (collectively “AIA” or the “Group”) is a life insurance based financial services provider operating in 18 markets. The Group’s principal activity is the writing of life insurance business, providing life insurance, accident and health insurance and savings plans throughout Asia, and distributing related investment and other financial services products to its customers.

2. Material accounting policy information

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34, Interim Financial Reporting and International Accounting Standard (IAS) 34, Interim Financial Reporting. International Financial Reporting Standards (IFRS) is substantially consistent with Hong Kong Financial Reporting Standards (HKFRS) and the accounting policy selections that the Group has made in preparing these interim condensed consolidated financial statements are such that the Group is able to comply with both HKFRS and IFRS. References to IFRS, IAS and Interpretations developed by the IFRS Interpretations Committee (IFRS IC) in these interim condensed consolidated financial statements should be read as referring to the equivalent HKFRS, HKAS and Hong Kong (IFRIC) Interpretations (HK(IFRIC) – Int) as the case may be. Accordingly, there are not any differences of accounting practice between HKFRS and IFRS affecting these interim condensed consolidated financial statements. The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2022.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss. The accounting policies adopted are consistent with those of the previous financial year, except as described as follows.

2. Material accounting policy information (continued)

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

(a) The following standards and amendment are effective for the financial year ending 31 December 2023:

- IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities.
- IFRS 17, Insurance Contracts, replaces IFRS 4, Insurance Contracts.
- Amendment to IAS 16, Property, Plant and Equipment, consequential to the adoption of IFRS 17.

Accounting policies and additional information on the qualitative and quantitative effects of the adoption of the new and revised accounting standards on the Group's interim condensed consolidated financial statements are provided in notes 2.3 to 2.5 and 31.

(b) The following relevant new amendments to standards have been adopted for the first time for the financial year ending 31 December 2023 and have no material impact to the Group:

- Amendments to IAS 8, Definition of Accounting Estimates;
- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction; and
- Amendments to IAS 12, International Tax Reform – Pillar Two Model Rules.

(c) The following relevant new amendments to standards have been issued but are not effective for the financial year ending 31 December 2023 and have not been early adopted (the financial years for which the adoption is required for the Group are stated in parentheses). The Group has assessed the impact of these new amendments on its financial position and results of operations and they are not expected to have a material impact on the financial position or results of operations of the Group:

- Amendments to IAS 7 and IFRS 7, Supplier Finance Arrangements (2024).

2. Material accounting policy information (continued)

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

The preparation of an interim condensed consolidated financial statements in conformity with IAS 34 requires management to make judgement on estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRS and IFRS.

The interim condensed consolidated financial statements are unaudited, but have been reviewed by PricewaterhouseCoopers in accordance with the Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers' independent review report to the Company's Board of Directors is included on page 54. The interim condensed consolidated financial statements have also been reviewed by the Company's Audit Committee.

The financial statements relating to the financial year ended 31 December 2022 that are included in the interim condensed consolidated financial statements as comparative information does not constitute the Group's statutory financial statements for that financial period but is derived from those financial statements and adjusted for the changes in accounting policy. The Group has delivered its statutory financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The auditors have expressed an unqualified opinion on those financial statements in their report dated 10 March 2023. Their report did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

Items included in the interim condensed consolidated financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates (the functional currency). The interim condensed consolidated financial statements are presented in millions of US dollar (US\$m) unless otherwise stated, which is the Company's functional currency, and the presentation currency of the Company and the Group.

2. Material accounting policy information (continued)

2.2 OPERATING PROFIT

The long-term nature of much of the Group's operations means that, for management's decision-making and internal performance management purposes, the Group evaluates its results and its operating segments using a financial performance measure referred to as "operating profit". Operating profit includes among others the expected long-term investment returns for investments in equities and real estate. The assumptions used to determine expected long-term investment return are the same, in all material respects, as those used by the Group in determining its embedded value and are disclosed in Supplementary Embedded Value Information. The Group defines operating profit after tax as net profit excluding the following non-operating items:

- Short-term investment and discount rate variances
 - Variances between expected and actual investment returns across relevant asset classes and the corresponding impact on the measurement of relevant insurance contract liabilities;
 - Variances between expected and actual discount rates impacting the measurement of fulfilment cash flows of relevant insurance and reinsurance contract assets and liabilities;
 - Other investment returns; and
- Other significant items that management considers to be non-operating income and expenses.

The impacts of non-operating items arising from investment assets as well as direct insurance contracts issued and reinsurance contracts held by the Group entities are presented under net investment result in the segment information note. The Group considers that the presentation of operating profit enhances the understanding and comparability of its performance and that of its operating segments. The Group considers that trends can be more clearly identified without the fluctuating effects of these non-operating items, many of which are largely dependent on market factors.

Operating profit is provided as additional information to assist in the comparison of business trends in different reporting periods on a consistent basis and enhance overall understanding of financial performance.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD

Consistent accounting policies for the measurement and recognition of insurance, reinsurance and investment contracts have been adopted throughout the Group. The Group has elected an accounting policy where the estimates made in previous interim financial statements are not changed when applying IFRS 17 in subsequent interim periods or in the annual reporting period.

2.3.1 Insurance contracts, investment contracts with DPF and reinsurance contracts held classification

The Group classifies its contracts written as either insurance contracts or investment contracts, depending on the level of insurance risk. Contracts under which the Group transfers significant insurance risk are classified as insurance contracts, while those contracts which have the legal form of insurance contracts but do not transfer significant insurance risk are classified as financial liabilities and are referred to as investment contracts. Some insurance and investment contracts, referred to as traditional participating life business, have DPF, which may entitle the customer to receive, as a supplement to guaranteed benefits, additional non-guaranteed benefits, such as policyholder dividends or bonuses. The Group applies the same accounting policies for the recognition and measurement of obligations arising from investment contracts with DPF as it does for insurance contracts.

In the event that a scenario (other than those lacking commercial substance) exists in which an insured event would require the Group to pay significant additional benefits to its customers and has a possibility of incurring a loss on a present value basis, the contract is considered as transferring significant insurance risk and is accounted for as an insurance contract. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts held. Insurance contracts and reinsurance contracts held can also expose the Group to financial risk. For investment contracts that do not contain DPF, IFRS 9, Financial Instruments, and, if the contract includes an investment management element, IFRS 15, Revenue from Contracts with Customers, are applied. Once a contract has been classified as an insurance, reinsurance or investment contract, reclassification is not subsequently performed unless the terms of the agreement are later amended.

Certain contracts with DPF supplement the amount of guaranteed benefits due to policyholders. These contracts are distinct from other insurance and investment contracts as the Group has discretion in the amount and/or timing of the benefits declared, and how such benefits are allocated between groups of policyholders. Policyholders may be entitled to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are expected to be a significant portion of the total contractual benefits;
- the timing or amount of which are contractually at the discretion of the Group; and
- that are contractually based on:
 - the returns on a specified pool of contracts or a specified type of contract;
 - realised and/or unrealised investment returns on a specified pool of assets held by the Group; or
 - the profit or loss of the Group, fund or other entity that issues the contract.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.1 Insurance contracts, investment contracts with DPF and reinsurance contracts held classification (continued)

In some jurisdictions traditional participating life business is written in a participating fund which is distinct from the other assets of the company or branch. The allocation of benefits from the assets held in such participating funds is subject to minimum policyholder participation mechanisms which are established by regulation. Other participating business with distinct portfolios refers to business where it is expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of underlying segregated assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory. The allocation of benefit from the assets held in such other participating business with distinct portfolios is set according to the underlying bonus rule as determined by the relevant Board based on applicable regulatory requirements after considering the Appointed Actuary's recommendation. The extent of such policyholder participation may change over time. The current policyholder participation ratio applied for recognition and measurement of the insurance contract liabilities for locations with participating funds and other participating business with distinct portfolios is set out below.

Country	Current policyholder participation
Participating funds	
Mainland China	70%
Singapore	90%
Brunei	80%
Malaysia	90%
Australia	80%
New Zealand	80%
Vietnam	70% – 80%
Other participating business with distinct portfolios	
Hong Kong	70% – 90%

In some jurisdictions participating business is not written in a distinct fund and the Group refers to this as other participating business without distinct portfolios.

Contracts with direct participation features are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of underlying items.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.1 Insurance contracts, investment contracts with DPF and reinsurance contracts held classification (continued)

The Group's products may be divided into the following main categories:

Policy type	Description of benefits payable	Basis of accounting for:		
		Insurance contracts	Investment contracts	
Traditional participating life	Participating funds and other participating business with distinct portfolios	Participating products include protection and savings elements. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the aggregate amount of which is determined by the performance of a distinct fund of assets and liabilities. The timing of dividend and bonus declarations is at the discretion of the insurer For participating funds, local regulations generally prescribe a minimum proportion of policyholder participation in declared dividends For other participating business with distinct portfolios, the allocation of benefit from the assets held in such distinct portfolios is set according to the underlying bonus rule as determined by the relevant Board based on applicable regulatory requirements after considering the Appointed Actuary's recommendation. The extent of such policyholder participation may change over time	Participating products where there is a distinct portfolio meet the definition of an insurance contract with direct participation features and is measured under an approach commonly referred to as the Variable Fee Approach (VFA) measurement model. The VFA modifies the general measurement model in IFRS 17 to reflect the nature of the income to the insurer is a variable fee	Investment contracts with DPF are accounted for in the same way as insurance contracts under IFRS 17
	Other participating business without distinct portfolios	Participating products include protection and savings elements. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the timing or amount of which are at the discretion of the insurer taking into account factors such as investment experience	The general measurement model is applied to these insurance contracts	Investment contracts with DPF are accounted for in the same way as insurance contracts under IFRS 17
Non-participating life, annuities and other protection products	Benefits payable are not at the discretion of the insurer	The general measurement model is applied to these insurance contracts except for some insurance contracts where the permitted premium allocation approach (PAA) simplification (see note 2.3.7) is applied	Investment contract liabilities are measured at amortised cost	
Universal life	Benefits are based on an account balance, credited with interest at a rate set by the insurer, and a death benefit, which may be varied by the customer	The general measurement model is applied to these insurance contracts	Not applicable as such contracts generally contain significant insurance risk	
Unit-linked	These may be primarily savings products or may combine savings with an element of protection	Unit-linked products that meet the definition of an insurance contract with direct participation features are measured under the VFA measurement model, otherwise they follow the IFRS 17 general measurement model	Investment contract liabilities under IFRS 9 are measured at fair value (determined with reference to the accumulation value)	

The basis of accounting for insurance contracts and reinsurance contracts held is discussed in notes 2.3.2 to 2.3.11 below.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.2 Separating components from insurance contracts and reinsurance contracts held

At inception, the Group separates the following components from an insurance contract or a reinsurance contract held and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance contract or a reinsurance contract held as a stand-alone instrument; and
- distinct investment components – i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Group separates any promises to transfer distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Group provides a significant service of integrating the good or service with the insurance component.

2.3.3 Level of aggregation and recognition of group of insurance contracts and reinsurance contracts held

Insurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into semi-annual cohorts and each semi-annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the portfolio.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.3 Level of aggregation and recognition of group of insurance contracts and reinsurance contracts held (continued)

Insurance contracts (continued)

An insurance contract issued by the Group is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Group provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

An insurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Reinsurance contracts held

Reinsurance contracts held by the Group cover underlying insurance contracts.

A group of reinsurance contracts held is recognised on the following dates:

- Reinsurance contracts held that provide proportionate coverage: Generally later of the beginning of the coverage period of the group of reinsurance contracts held, or the date on which any underlying insurance contract is initially recognised.
- Other reinsurance contracts held: The beginning of the coverage period of the group of reinsurance contracts held. However, if the Group recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract held was entered into on or before that earlier date, then the group of reinsurance contracts held is recognised on that earlier date.
- Reinsurance contracts acquired: The date of acquisition.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.4 Fulfilment cash flows and contract boundaries

Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

Further details of the related methodology and assumptions in respect of estimation of fulfilment cash flows are provided in note 19.

Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows.

Insurance contracts

Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide insurance contract services.

A substantive obligation to provide insurance contract services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.4 Fulfilment cash flows and contract boundaries (continued)

Contract boundaries (continued)

Reinsurance contracts held

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

2.3.5 Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of contracts using a systematic and rational allocation method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort. At each reporting date, the Group revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

Insurance acquisition cash flows arising before the recognition of the related groups of contracts are recognised as an asset. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the related groups of contracts.

When the Group acquires insurance contracts in a transfer of contracts or a business combination, at the date of acquisition it recognises an asset for insurance acquisition cash flows at the fair value for the rights to obtain:

- renewals of contracts recognised at the date of acquisition; and
- other future contracts after the date of acquisition without paying again insurance acquisition cash flows that the acquiree has already paid.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.5 Insurance acquisition cash flows (continued)

Recoverability assessment

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Group:

- recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow of the related group; and
- if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss.

The Group recognises any reversal of impairment losses in profit or loss when the impairment conditions no longer exist or have improved.

2.3.6 Measurement – insurance contracts not measured under the PAA

2.3.6.1 Initial measurement

On initial recognition, the Group measures a group of contracts as the total of: (a) the fulfilment cash flows, which comprise estimates of future cash flows, an adjustment to reflect time value of money and associated financial risks, and a risk adjustment for non-financial risk; and (b) the contractual service margin (CSM).

The measurement of the fulfilment cash flows of a group of contracts does not reflect the Group's non-performance risk.

The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. On initial recognition of a group of contracts, if the total of the fulfilment cash flows, any cash flows arising at that date and any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss. A loss component is created to depict the amount of the net cash outflows, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous groups and are excluded from insurance revenue. In the case of a business combination, the net outflow is recognised as an adjustment to goodwill or a gain on a bargain purchase for contracts acquired.

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.6 Measurement – insurance contracts not measured under the PAA (continued)

2.3.6.2 Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The LIC includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

- Changes relating to future services are adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous);
- Changes relating to current or past services are recognised in the insurance service result in profit or loss; and
- Effects of the time value of money, financial risk and changes therein on estimated future cash flows are recognised as insurance finance income or expenses for insurance contracts without direct participation features or adjusted against CSM for insurance contracts with direct participation features.

The CSM of each group of contracts is calculated at each reporting date as follows.

Insurance contracts without direct participation features

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted mainly for:

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows that do not vary based on the returns on underlying items;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
 - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised in insurance service expenses and recognised as a loss component in LRC; or
 - any decreases in the fulfilment cash flows adjust the loss component in the LRC and the corresponding amount is recognised in insurance service expenses. If the loss component is reduced to zero, the excess reinstates the CSM;

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.6 Measurement – insurance contracts not measured under the PAA (continued)

2.3.6.2 Subsequent measurement (continued)

Insurance contracts without direct participation features (continued)

- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue for service provided in the period.

Changes in fulfilment cash flows that relate to future services mainly comprise:

- experience adjustments arising from premiums received in the period that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the LRC, measured at the discount rates determined on initial recognition, except for those that relate to the effects of the time value of money, financial risk and changes therein;
- differences between (a) any investment component expected to become payable in the period, determined as the payment expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the period;
- differences between (a) any loan to a policyholder expected to become repayable in the period, determined as the repayment expected at the start of the period plus any insurance finance income or expenses related to that expected repayment before it becomes repayable; and (b) the actual amount that becomes repayable in the period; and
- changes in the risk adjustment for non-financial risk that relate to future services.

To determine how to identify a change in discretionary cash flows, the basis is generally determined at inception of the contract. Changes in cash flows arising from the Group's discretion are regarded as relating to future services and accordingly adjust the CSM, these cash flows are determined based on the relevant contract terms, dividend and bonus philosophy.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.6 Measurement – insurance contracts not measured under the PAA (continued)

2.3.6.2 Subsequent measurement (continued)

Insurance contracts with direct participation features

Contracts with direct participation features are contracts under which the Group's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Group's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Group provides investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

When measuring a group of contracts with direct participation features, the Group adjusts the fulfilment cash flows for the changes in the obligation to pay policyholders an amount equal to the policyholder's share of the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted mainly for:

- the CSM of any new contracts that are added to the group in the period;
- the change in the amount of the Group's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
 - a decrease in the amount of the Group's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM. The excess is recognised in insurance service expenses and recognised as a loss component in LRC; or
 - an increase in the amount of the Group's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future service, which adjust the loss component in the LRC and the corresponding amount is recognised in insurance service expenses. If the loss component is reduced to zero, the excess reinstates the CSM.
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue for service provided in the period.

Changes in fulfilment cash flows not varying based on the return on underlying items that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items – e.g. the effect of financial guarantees.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.7 Measurement – insurance contracts measured under the PAA

The Group generally uses the PAA to simplify the measurement of groups of contracts in the following circumstances:

- where the coverage period of each contract in the group of contracts is one year or less; or
- the Group reasonably expects that the resulting measurement of the LRC would not differ materially from the result of applying the accounting policies of contracts not measured under the PAA.

2.3.7.1 Initial measurement

On initial recognition of each group of contracts, the carrying amount of the LRC is measured as the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for amounts arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group. The Group has elected the accounting policy choice to defer insurance acquisition cash flows through the LRC.

2.3.7.2 Subsequent measurement

Subsequently, the carrying amount of the LRC is increased by (i) any premiums received; and (ii) any amortisation of the insurance acquisition cash flows, and decreased by (i) insurance acquisition cash flows paid; (ii) the amount recognised as insurance revenue for coverage provided; and (iii) any investment component paid or transferred to the LIC. On initial recognition of each group of contracts, the Group expects that the time gap between providing each part of the coverage and the related premium due date is not significant. Accordingly, the Group has chosen not to adjust the LRC to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss in profit or loss and increases the LRC to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the LRC as loss component. The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the LIC is also adjusted for the time value of money and the effect of financial risk. In subsequent periods, unless facts and circumstances indicate that the group of contracts is no longer onerous, the loss component is remeasured at each reporting date as the difference between the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) and the carrying amount of the LRC without loss component.

The Group recognises the LIC of a group of insurance contracts for the amount of the fulfilment cash flows relating to incurred claims. The fulfilment cash flows are discounted (at current rates) unless the cash flows are expected to be paid in one year or less from the date the claims are incurred.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.8 Reinsurance contracts held

For groups of reinsurance contracts held, the Group applies the same accounting policies as that applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Group to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) the amount arising from assets or liabilities previously recognised for cash flows related to the group, before the group is recognised, (c) cash flows arising from the contracts in the group at that date and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the reinsurance, then the Group recognises the cost immediately in profit or loss as an expense.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted for:

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows;
- income recognised in profit or loss in respect of a loss recognised for onerous underlying contracts. A loss-recovery component is established or adjusted in the asset for remaining coverage of reinsurance contracts held for the amount of income recognised;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group;

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.8 Reinsurance contracts held (continued)

- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless the changes result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss for the services received in the period.

Reinsurance of onerous underlying insurance contracts

The Group adjusts the CSM of the group to which a reinsurance contract held belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract held is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Group expects to recover from the reinsurance contracts held.

For reinsurance contracts acquired in a transfer of contracts or a business combination covering onerous underlying contracts, the adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts at the date of acquisition; and
- the percentage of claims on the underlying contracts that the Group expects at the date of acquisition to recover from the reinsurance contracts held.

For reinsurance contracts held which were acquired in a business combination, the adjustment to the CSM reduces goodwill or increases a gain on a bargain purchase.

If the reinsurance contract held covers only some of the insurance contracts included in an onerous group of contracts, then the Group uses a systematic and rational method to determine a portion of losses recognised on the onerous group of contracts containing the insurance contracts covered by the reinsurance contract held.

A loss-recovery component is established or adjusted in the asset for remaining coverage of reinsurance contracts held, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.8 Reinsurance contracts held (continued)

Reinsurance contracts held measured under the PAA

The Group applies the same accounting principles to measure a group of insurance contracts or reinsurance contracts held under the PAA.

If a loss-recovery component is established for a group of reinsurance contracts held measured under the PAA, the Group adjusts the carrying amount of the asset.

2.3.9 Transition approaches

The Group adopts both the modified retrospective approach and the fair value approach when it is impracticable to use a full retrospective approach in determining transition amounts at the IFRS 17 transition date.

Contracts measured under the modified retrospective approach

The objective of this approach was to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. The Group applied each of the following modifications only to the extent that it did not have reasonable and supportable information to apply IFRS 17 retrospectively.

Contracts without direct participation features

For relevant groups of contracts without direct participation features,

- The future cash flows on initial recognition were estimated by adjusting the cash flows that were known to have occurred.
- The risk adjustment for non-financial risk on initial recognition was determined by adjusting the amount at 1 January 2022 for the expected release of risk before 1 January 2022. The expected release of risk was determined with reference to the release of risk for similar insurance contracts that the Group issued at 1 January 2022.
- When any of these modifications was used to determine the CSM (or the loss component) at initial recognition:
 - the amount of the CSM recognised in profit or loss before 1 January 2022 was determined by comparing the remaining coverage units at 1 January 2022 with the coverage units provided under the group of contracts before that date; and
 - the amount allocated to the loss component before 1 January 2022 determined using the proportion of the loss component relative to the total estimate of the present value of the future cash outflows and the risk adjustment for non-financial risk on initial recognition.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.9 Transition approaches (continued)

Contracts measured under the modified retrospective approach (continued)

Contracts with direct participation features

For relevant groups of contracts with direct participation features,

- The Group determined the CSM (or the loss component) at 1 January 2022 by calculating a proxy for the total CSM for all services to be provided under the group that equal to the fair value of the underlying items at 1 January 2022 minus the fulfilment cash flows at 1 January 2022, adjusted for:
 - amounts charged to policyholders (including charges deducted from the underlying items) before 1 January 2022;
 - amounts paid before 1 January 2022 that would not have varied based on the underlying items;
 - the change in the risk adjustment for non-financial risk caused by the release from risk before 1 January 2022, which was estimated based on an analysis of similar contracts that the Group issued at 1 January 2022; and
 - insurance acquisition cash flows arising before 1 January 2022 that were allocated to the group.
- If the calculation resulted in a CSM, then the Group measured the CSM at 1 January 2022 by deducting the CSM related to services provided before 1 January 2022. The CSM related to services provided before 1 January 2022 was determined by comparing the coverage units at 1 January 2022 with the coverage units provided under the group of contracts before that date.
- If the calculation resulted in a loss component, then the Group adjusted the loss component to zero and increased the LRC excluding the loss component by the same amount at 1 January 2022.
- The amount of insurance finance income or expenses accumulated in the insurance finance reserve at 1 January 2022 was determined to be equal to the cumulative amount recognised in the other comprehensive income on the underlying items as applicable.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.9 Transition approaches (continued)

Contracts measured under the modified retrospective approach (continued)

Reinsurance of onerous underlying contracts

For groups of reinsurance contracts held covering onerous underlying contracts that were entered into before or at the same time as the onerous underlying contracts, the Group established a loss-recovery component at 1 January 2022. For some groups of reinsurance contracts held measured under the modified retrospective approach, the Group determined the loss-recovery component by multiplying:

- the amount of the loss component that relates to the underlying contracts at 1 January 2022; and
- the percentage of claims on the underlying contracts that the Group expected to recover from the reinsurance contracts held.

For certain other groups of reinsurance contracts held, the Group did not identify a loss-recovery component because it did not have reasonable and supportable information to do so.

Insurance acquisition cash flows – Modified retrospective approach

Under the modified retrospective approach, the Group identified any insurance acquisition cash flows arising before 1 January 2022 that did not relate to contracts that had ceased to exist before that date. These cash flows were allocated, using the same systematic and rational method, to:

- groups of contracts recognised at 1 January 2022 (which adjusted the CSM of those groups); and
- groups of contracts expected to be recognised after 1 January 2022 (which were recognised as assets for insurance acquisition cash flows).

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.9 Transition approaches (continued)

Contracts measured under the fair value approach

For the groups of contracts that are measured under the fair value approach, the Group determined the CSM or loss component of the LRC at 1 January 2022 as the difference between the fair value of a group of contracts at that date and the fulfilment cash flows at that date.

The fair value of groups of contracts is primarily determined by using present value technique from the perspective of a market participant with considerations of the following:

- estimate of future cash flows that a market participant would expect to incur or receive in fulfilling the liabilities;
- time value of money, represented by the risk-free interest rate plus a spread based on the characteristic of the liabilities;
- premiums that a market participant would require for bearing uncertainty inherent in the cash flows in relation to non-financial risks and compensation that a market participant would require to assume the obligations;
- the non-performance risk relating to those liabilities; and
- other factors that a market participant would take into account in the circumstances.

To the extent possible, the Group maximised the use of relevant market data and information of market transactions in Asia. For the unobservable inputs, the Group used the best information available in the circumstances, which might include the Group's own data.

For all contracts measured under the fair value approach, the Group used reasonable and supportable information available at 1 January 2022 to determine:

- how to identify groups of contracts;
- whether a contract meets the definition of a contract with or without direct participation features, or investment contract with discretionary participation features; and
- how to identify discretionary cash flows for contracts without direct participation features.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.9 Transition approaches (continued)

Contracts measured under the fair value approach (continued)

For contracts acquired in a transfer of contracts or a business combination before 2022, the Group classified liabilities for settlement of claims as liabilities for incurred claims, even though the claims might have been incurred before the contracts were acquired.

For groups of contracts measured under the fair value approach,

- the discount rates on initial recognition were determined at 1 January 2022 instead of at the date of initial recognition.
- the amount of insurance finance income or expenses accumulated in the insurance finance reserve at 1 January 2022 was determined to be zero for contracts without direct participation features and to be equal to the cumulative amount recognised in the other comprehensive income on the underlying items for contracts with direct participation features as applicable.

For groups of reinsurance contracts held covering onerous underlying contracts, the Group established a loss-recovery component at 1 January 2022. The Group determined the loss-recovery component by multiplying:

- the amount of the loss component that relates to the underlying contracts at 1 January 2022; and
- the percentage of claims on the underlying contracts that the Group expected to recover from the reinsurance contracts held.

Insurance acquisition cash flows – Fair value approach

The Group measured an asset for insurance acquisition cash flows under the fair value approach at an amount equal to the insurance acquisition cash flows that it would incur at 1 January 2022 for the rights to obtain:

- recoveries of insurance acquisition cash flows from premiums of contracts issued before 1 January 2022 but not yet recognised at that date, and future contracts that are renewals of such contracts;
- future contracts that are renewals of contracts recognised at 1 January 2022; and
- other future contracts after 1 January 2022 without paying again insurance acquisition cash flows that the Group has already paid.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.10 Derecognition and contract modification

The Group derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On the derecognition of a contract in a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows that relate to future service, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because it is transferred to third party, then the CSM is also adjusted for the premium charged by the third party, unless the contract is onerous.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Group entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the issuer received the premium that it would have charged less any additional premium charged for the modification.

2.3.11 Presentation

Portfolios of insurance contracts and reinsurance contracts held in an asset position are presented separately from those in a liability position. Portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held. Any assets recognised for insurance acquisition cash flows arising before the recognition of the related group of insurance contracts are included in the carrying amount of the related portfolios of insurance contracts. Any assets or liabilities for cash flows arising before the recognition of the related group of reinsurance contracts held are included in the carrying amount of the related portfolios of reinsurance contracts held.

The Group disaggregates amounts recognised in the income statement and the statement of comprehensive income into (a) an insurance service result, comprising insurance revenue and insurance service expenses, and (b) insurance finance income or expenses.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.11 Presentation (continued)

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts held, other than insurance finance income or expenses, are presented on a net basis as “net expenses from reinsurance contracts held” in the insurance service result.

The Group does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue and insurance service expenses exclude any investment components and are recognised as follows.

2.3.11.1 Insurance revenue – insurance contracts not measured under the PAA

The Group recognises insurance revenue as it satisfies its performance obligations – i.e. as it provides services under groups of contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each period represents the total of the changes in the LRC that relate to services for which the Group expects to receive consideration, but excludes expected investment components and mainly comprises the following items:

- A release of the CSM, measured based on coverage units provided;
- Changes in the risk adjustment for non-financial risk relating to current services;
- Claims and other insurance service expenses incurred in the period, generally measured at the amounts expected at the beginning of the period; and
- Other amounts, including experience adjustments for premium receipts for current or past services and amounts related to incurred policyholder tax expenses.

For insurance acquisition cash flows recovery, the Group allocates a portion of premiums related to the recovery in a systematic way based on the passage of time over the expected coverage of a group of contracts. The allocated amount is recognised as insurance revenue with the same amount recognised as insurance service expenses.

2.3.11.2 Release of the CSM – insurance contracts not measured under the PAA

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each reporting period is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the reporting period (before any allocation) equally to each coverage unit provided in the current period and expected to be provided in future periods, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the current period. The number of coverage units is the quantity of services provided by the contracts in the group, determined considering for each contract the quantity of benefits provided and its expected coverage period.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.11 Presentation (continued)

2.3.11.3 Insurance revenue – insurance contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium for providing services in the period. The Group allocates the expected premium to each period on the following bases:

- the passage of time; or
- the expected timing of incurred insurance service expenses, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time.

2.3.11.4 Loss components – insurance contracts not measured under the PAA

For contracts not measured under the PAA, the Group establishes a loss component of the LRC for onerous groups of contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently excluded from insurance revenue when they occur. When the fulfilment cash flows occur, they are allocated between the loss component and the LRC excluding the loss component on a systematic basis.

Changes in estimates of fulfilment cash flows relating to future services and changes in the Group's share of the fair value of underlying items are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates or reinstates the CSM for the group of contracts.

2.3.11.5 Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and mainly comprise the following items:

- Incurred claims and other insurance service expenses;
- Amortisation of insurance acquisition cash flows: for contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the period that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Group amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts;
- Losses on onerous contracts and reversals of such losses; and
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.11 Presentation (continued)

2.3.11.6 *Net expenses from reinsurance contracts held*

Net expenses from reinsurance contracts held mainly comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Group recognises an allocation of reinsurance premiums paid as reinsurance expenses within net expenses from reinsurance contracts held for the coverage or other services received by the Group under groups of reinsurance contracts held. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Group expects to pay consideration.

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

For a group of reinsurance contracts held covering onerous underlying contracts, the Group establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance contract held covering those contracts is entered into before or at the same time as those contracts are entered into; and
- for changes in fulfilment cash flows of the group of reinsurance contracts held relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

2. Material accounting policy information (continued)

2.3 INSURANCE CONTRACTS, INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF) AND REINSURANCE CONTRACTS HELD (continued)

2.3.11 Presentation (continued)

2.3.11.7 Insurance finance income or expenses

Insurance finance income or expenses comprise changes in the carrying amounts of groups of insurance contracts and reinsurance contracts held arising from the effects of the time value of money, financial risk and changes therein. This includes changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

For certain portfolios, the Group has chosen to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. The systematic allocation is determined as follows:

- Contracts for which changes in assumptions that relate to financial risk have a substantial effect on the amounts paid to the policyholders: for insurance finance income or expenses arising from the estimates of future cash flows, using either a rate that allocates the remaining revised expected insurance finance income or expenses over the remaining duration of the group of contracts at a constant rate (i.e. the effective yield) or an allocation that is based on the amounts credited in the period and expected to be credited in future periods; and for insurance finance income or expenses arising from the CSM, the discount rates determined on initial recognition of the group of contracts. This selection of the rate applied is based on the characteristics of contracts.
- Contracts for which changes in assumptions that relate to financial risk do not have a substantial effect on the amounts paid to the policyholders: the discount rates determined on initial recognition of the group of contracts.

Amounts presented in other comprehensive income are accumulated in the insurance finance reserve. If the Group derecognises a contract without direct participation features as a result of a transfer to a third party or a contract modification, then any remaining amounts of accumulated other comprehensive income for the contract are reclassified to profit or loss.

The Group presents insurance finance income or expenses for all other contracts in profit or loss.

2. Material accounting policy information (continued)

2.4 FINANCIAL INSTRUMENTS

2.4.1 Classification and designation of financial instruments

On initial recognition, a financial asset is classified as measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition, unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified at the beginning of the reporting period during which the business model has changed.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt security is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity security that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. Material accounting policy information (continued)

2.4 FINANCIAL INSTRUMENTS (continued)

2.4.1 Classification and designation of financial instruments (continued)

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss comprise two categories:

- financial assets or liabilities mandatorily classified as at fair value through profit or loss; and
- financial assets or liabilities designated at fair value through profit or loss upon initial recognition.

Management designates financial assets and liabilities at fair value through profit or loss if this eliminates a measurement or recognition inconsistency or if the liabilities are actively managed on a fair value basis, including among others debt securities held in participating funds and other participating business with distinct portfolios.

Dividend income from equity instruments measured at fair value through profit or loss is recognised in other investment return in the consolidated income statement, generally when the security becomes ex-dividend. Interest revenue is recognised on an accrued basis. For all financial assets and liabilities measured at fair value through profit or loss, changes in fair value are recognised in profit or loss as part of net investment result.

Transaction costs in respect of financial assets and liabilities at fair value through profit or loss are expensed as they are incurred.

Financial assets at fair value through other comprehensive income

These principally consist of the Group's debt securities (other than those backing participating funds, other participating business with distinct portfolios and unit-linked contracts). These financial assets are initially recognised at fair value plus attributable transaction costs and are subsequently measured at fair value. The difference between their cost and par value is amortised. Interest revenue is recognised in investment return in the consolidated income statement using the effective interest method.

Unrealised gains and losses on securities are analysed between differences resulting from foreign currency translation, and other fair value changes. Foreign currency translation differences are calculated as if they were carried at amortised cost and so are recognised in the consolidated income statement as other investment return. For impairments, reference is made to the section "Impairment of financial assets".

Changes in the fair value of securities, except for impairment losses and relevant foreign exchange gains and losses, are recognised in other comprehensive income. Impairment losses and relevant foreign exchange gains and losses are recognised in the consolidated income statement.

2. Material accounting policy information (continued)

2.4 FINANCIAL INSTRUMENTS (continued)

2.4.1 Classification and designation of financial instruments (continued)

Realised gains and losses on financial assets

Realised gains and losses on financial assets measured at fair value through profit or loss excludes any interest revenue or dividend income.

Realised gains and losses on financial assets measured at fair value through other comprehensive income are determined as the difference between the sale proceeds and its original cost or amortised cost as appropriate. Amortised cost is determined by specific identification.

Recognition of financial instruments

Purchases and sales of financial instruments are recognised on the trade date, which is the date at which the Group commits to purchase or sell the assets.

Derecognition, contract modification and offset

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Group is exposed to changes in the fair value of the asset.

Financial liabilities are generally derecognised when their contractual obligations expire or are discharged or cancelled. Notwithstanding, when, and only when, the Group repurchases its financial liability and includes it as underlying items of contracts with direct participation features or investment contracts with DPF, the Group may elect not to derecognise the financial liability. Instead, the Group may elect to continue to account for that instrument as a financial liability and to account for the repurchased instrument as if it were a financial asset and measure it at fair value through profit or loss. This election is irrevocable and is made on an instrument-by-instrument basis.

If the terms of a financial instrument are modified, then the Group evaluates whether the cash flows of the modified financial instrument are substantially different. If the cash flows are substantially different, in which case, a new financial instrument based on the modified terms is recognised at fair value. If a financial instrument measured at amortised cost is modified but not substantially, then it is not derecognised.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2. Material accounting policy information (continued)

2.4 FINANCIAL INSTRUMENTS (continued)

2.4.1 Classification and designation of financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments held for cash management purposes, which have maturities at acquisition of three months or less, or are convertible into known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents also include cash received as collateral for derivative transactions, and repo and reverse repo transactions, as well as cash and cash equivalents held for the benefit of policyholders in connection with unit-linked products. Cash and cash equivalents that are not mandatorily measured at fair value through profit or loss are measured at amortised cost using the effective interest method.

Financial assets measured at amortised cost

Other than cash and cash equivalents, financial assets measured at amortised cost primarily include debt securities, loans and deposits, and receivables. These financial assets are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest revenue from debt securities measured at amortised cost is recognised in investment return in the consolidated income statement using the effective interest method.

2.4.2 Fair values of non-derivative financial instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, having regard to the specific characteristics of the asset or liability concerned, assuming that the transfer takes place in the most advantageous market to which the Group has access. The fair values of financial instruments traded in active markets (such as financial instruments at fair value through profit or loss and fair value through other comprehensive income) are based on quoted market prices at the date of the consolidated statement of financial position. The quoted market price used for financial assets held by the Group is the current bid price, which is considered to be the price within the bid-ask spread that is most representative of the fair value in the circumstances. The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions at the date of each consolidated statement of financial position. The objective of using a valuation technique is to estimate the price at which an orderly transaction would take place between market participants at the date of the consolidated statement of financial position.

Financial instruments carried at fair value are measured using a fair value hierarchy described in note 17.

2. Material accounting policy information (continued)

2.4 FINANCIAL INSTRUMENTS (continued)

2.4.3 Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost and debt securities measured at fair value through other comprehensive income. Loss allowances are measured at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

- financial assets that are determined to have low credit risk at reporting date; and
- financial assets (other than trade receivables or lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from possible default events over the expected life of the financial instrument, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date. In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses and are measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive; and
- other financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

Loss allowances for ECL of financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, and loss allowances for debt securities measured at fair value through other comprehensive income are recognised in other comprehensive income and do not reduce the carrying amount of the financial assets in the statement of financial position.

The gross carrying amount of financial assets is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

2. Material accounting policy information (continued)

2.4 FINANCIAL INSTRUMENTS (continued)

2.4.4 Derivative financial instruments

Derivative financial instruments primarily include foreign exchange contracts and interest rate swaps that derive their value mainly from underlying foreign exchange rates and interest rates. All derivatives are initially recognised in the consolidated statement of financial position at their fair value, which represents their cost excluding transaction costs, which are expensed. They are subsequently remeasured at their fair value, with movements in this value recognised in profit or loss. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Derivative instruments for economic hedging

Whilst the Group enters into derivative transactions to provide economic hedges under the Group's risk management framework, it adopts hedge accounting to these transactions only in limited circumstances. This is either because the transactions would not meet the specific IFRS rules to be eligible for hedge accounting or the documentation requirements to meet hedge accounting criteria would be unduly onerous. Where hedge accounting does not apply, these transactions are treated as held for trading and fair value movements are recognised immediately in other investment return.

Cash flow hedge

The Group has, in a limited number of cases, designated certain derivatives as hedges of interest rate risk associated with the cash flows of highly probable forecast transactions such as forecast purchases of debt securities. As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39. To the extent these hedges are effective, the change in fair value of the derivatives designated as hedging instruments is recognised in the cash flow hedge reserve in other comprehensive income within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss when the hedged item affects profit or loss. In respect of a forecast purchase of a debt security classified as fair value through other comprehensive income, the cash flows are expected to affect profit or loss when the coupons from the purchased bond are recognised, or on disposal of the security. The application of hedge accounting is discontinued when one of the following situations occurs: when a derivative designated as the hedging instrument expires or is sold, terminated or exercised prior to the occurrence of the forecast transaction, when the hedge is no longer highly effective or expected to be highly effective, or when the Group revokes the designation of the hedging relationship. In these situations, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. This amount is reclassified to profit or loss when the hedged item affects profit or loss. If the forecast transaction is no longer expected to occur, the entire amount is reclassified immediately to profit or loss.

Embedded derivatives

Embedded derivatives are derivatives embedded within other non-derivative host financial instruments to create hybrid instruments. Where the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host instrument that is not a financial asset within the scope of IFRS 9, and where the hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss, the embedded derivative is bifurcated and carried at fair value as a derivative in accordance with IFRS 9.

2. Material accounting policy information (continued)

2.5 PROPERTY, PLANT AND EQUIPMENT

Property held for own use, which is solely held as an underlying item of contracts with direct participation features, is measured initially at cost and subsequently at fair value, with any change therein recognised in profit or loss. Any gain or loss on disposal of property held for own use measured at fair value (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

3. Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets, liabilities, and revenue and expenses. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results can always differ from those estimates, possibly significantly.

Items that are considered particularly sensitive to changes in estimates and assumptions, and the relevant accounting policies are those which relate to insurance contracts (including investment contracts with DPF), fair value measurement and impairment of financial assets.

3.1 LEVEL OF AGGREGATION AND RECOGNITION OF GROUP OF INSURANCE CONTRACTS

For contracts issued to which the Group does not apply the premium allocation approach, the judgements exercised in determining whether contracts are onerous on initial recognition or those that have no significant possibility of becoming onerous subsequently are:

- based on the likelihood of changes in assumptions which, if they occurred, would result in the contracts becoming onerous; and
- using information about profitability estimation for the relevant group of products.

The accounting policy on level of aggregation and recognition of group of insurance contracts is described in note 2.3.3.

3.2 MEASUREMENT OF INSURANCE CONTRACTS NOT MEASURED UNDER THE PREMIUM ALLOCATION APPROACH

The asset or liability for groups of insurance contracts is measured as the total of fulfilment cash flows and CSM.

The fulfilment cash flows of insurance contracts (including investment contracts with DPF) represents the present value of estimated future cash outflows, less the present value of estimated future cash inflows and adjusted for a provision for the risk adjustment for non-financial risk. The assumptions used and the techniques for estimating fulfilment cash flows and risk adjustment for non-financial risk are based on actual experience by each geographical market and policy form. The Group exercises significant judgement in making appropriate assumptions and techniques.

3. Critical accounting estimates and judgements (continued)

3.2 MEASUREMENT OF INSURANCE CONTRACTS NOT MEASURED UNDER THE PREMIUM ALLOCATION APPROACH (continued)

CSM represents the unearned profits that the Group will recognise as it provides services under the insurance contracts in a group. The amounts of CSM recognised in profit or loss are determined by identifying the coverage units in the group, allocating the CSM at the end of period equally to each coverage unit provided in the current period and expected to be provided in the future. The number of coverage units in a group is the quantity of the services provided by the contracts in the group, determined by considering for each contract the quantity of the services provided under a contract and its expected coverage period. The Group exercises judgements in determining the quantity of the services provided under a contract which will affect the amounts recognised in the consolidated financial statements as insurance revenue from insurance contracts issued.

The judgements exercised in the valuation of insurance contracts (including investment contracts with DPF) affect the amounts recognised in the consolidated financial statements as assets or liabilities of insurance contracts and investment contracts with DPF. Further details of the related accounting policies in respect of insurance contracts are provided in note 2.3.

3.3 DETERMINATION OF COVERAGE UNIT

The CSM of a group of contracts is recognised as insurance revenue in each period based on the number of coverage units provided in the period, which is determined by considering for each contract the quantity of the services provided, its expected coverage period and time value of money.

The quantity of services provided by insurance contracts could include insurance coverage, investment-return service and investment-related service, as applicable. In assessing the services provided by insurance contracts, the terms and benefit features of the contracts are considered.

For contracts providing predominately insurance coverage, the quantity of services is determined for the contract as a whole based on the expected maximum benefits less investment component. For contracts providing multiple services, the quantity of services is determined based on the benefits provided to policyholder for each service with the relative weighting considered in the calculation through the use of factors. Relevant elements are considered in determining the quantity of service including among others, benefit payments and premiums. The Group applies judgement in these determinations.

Expected coverage period is derived based on the likelihood of an insured event occurring to the extent they affect the expected duration of contracts in the group. Determining the expected coverage period is judgemental since it involves making an expectation of when claims and lapse will occur.

3. Critical accounting estimates and judgements (continued)

3.4 TRANSITION TO IFRS 17

The Group applied IFRS 17 for annual reporting period beginning on 1 January 2023. The Group has determined that it was impracticable to apply the full retrospective approach for some groups of contracts because certain historical information was not available or was not available without undue cost or effort that would enable it to be used under this approach. Therefore, the Group applied the modified retrospective or fair value approaches for these groups of contracts. The Group exercises judgements in determining the transition approaches, applying the transition methods and measuring the transition impacts on the transition date, which will affect the amounts recognised in the consolidated financial statements on the transition date. Further details of the related accounting policies and information on the date of initial adoption are provided in notes 2.3.9 and 31.

3.5 FAIR VALUE MEASUREMENT

3.5.1 Fair value of financial assets

The Group determines the fair values of financial assets traded in active markets using quoted bid prices as of each reporting date. The fair values of financial assets that are not traded in active markets are typically determined using a variety of other valuation techniques, such as prices observed in recent transactions and values obtained from current bid prices of comparable investments. More judgement is used in measuring the fair value of financial assets for which market observable prices are not available or are available only infrequently.

The degree of judgement used in measuring the fair value of financial assets generally correlates with the level of pricing observability. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

Further details of the fair value of financial assets and the sensitivity analysis to interest rates and equity prices are provided in notes 17 and 25.

3.5.2 Fair value of property held for own use and investment property

The Group uses independent professional valuers to determine the fair value of properties on the basis of the highest and best use of the properties that is physically possible, legally permissible and financially feasible. In most cases, current use of the properties is considered to be the highest and best use for determining the fair value. Different valuation techniques may be adopted to reach the fair value of the properties. Under the Market Data Approach, records of recent sales and offerings of similar property are analysed and comparisons are made for factors such as size, location, quality and prospective use. For investment properties, the discounted cash flow approach may be used by reference to net rental income allowing for reversionary income potential to estimate the fair value of the properties. On some occasions, the cost approach is used as well to calculate the fair value which reflects the cost that would be required to replace the service capacity of the property.

3. Critical accounting estimates and judgements (continued)

3.6 IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises loss allowances for ECL on financial assets measured at amortised cost and debt securities measured at fair value through other comprehensive income. The measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Details of the inputs, assumptions and estimation techniques used for estimating ECL are further explained in note 15.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk since initial recognition;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the methodology for incorporating forward-looking information into the measurement of ECL.

4. Exchange rates

The Group's principal overseas operations during the reporting period were located within Asia. The results and cash flows of these operations have been translated into US dollar at the following average rates:

	US dollar exchange rates		
	Six months ended 30 June 2023 (Unaudited)	Year ended 31 December 2022	Six months ended 30 June 2022 (Unaudited)
Mainland China	6.93	6.73	6.48
Hong Kong	7.84	7.83	7.83
Thailand	34.21	35.02	33.71
Singapore	1.34	1.38	1.36
Malaysia	4.46	4.40	4.27

Assets and liabilities have been translated into US dollar at the following period-end rates:

	US dollar exchange rates		
	As at 30 June 2023 (Unaudited)	As at 31 December 2022	As at 30 June 2022 (Unaudited)
Mainland China	7.26	6.95	6.70
Hong Kong	7.84	7.80	7.85
Thailand	35.53	34.54	35.30
Singapore	1.36	1.34	1.39
Malaysia	4.67	4.41	4.41

Exchange rates are expressed in units of local currency per US\$1.

5. Operating profit after tax

Operating profit after tax may be reconciled to net profit as follows:

US\$m	Note	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited and restated)
Operating profit after tax	7	3,279	3,363
Non-operating items, net of related taxes:			
Short-term investment and discount rate variances ⁽¹⁾		(715)	(867)
Reclassification of revaluation gains for property held for own use ⁽¹⁾		(66)	(33)
Other significant non-operating income and expenses			
Corporate transaction related costs		(12)	(28)
Implementation costs for new accounting standards		(32)	(29)
Other non-operating investment return and other items		(199)	(858)
Subtotal ⁽²⁾		<u>(1,024)</u>	<u>(1,815)</u>
Net profit		<u>2,255</u>	<u>1,548</u>
<i>Operating profit after tax attributable to:</i>			
Shareholders of AIA Group Limited		3,272	3,352
Non-controlling interests		7	11
<i>Net profit attributable to:</i>			
Shareholders of AIA Group Limited		2,250	1,543
Non-controlling interests		5	5

Notes:

- (1) Short-term investment and discount rate variances include revaluation gains for property held for own use. This amount is then reclassified out of net profit to conform to IFRS measurement and presentation.
- (2) The amount is net of tax of US\$250m (six months ended 30 June 2022: US\$235m). The gross amount before tax is US\$(1,274)m (six months ended 30 June 2022: US\$(2,050)m).

Operating profit after tax breakdown:

US\$m	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited and restated)
Insurance service result:		
CSM recognised for service provided	2,618	2,590
Other insurance service result	188	308
Net investment result	1,818	1,700
Other net expenses	(729)	(751)
Operating profit before tax	3,895	3,847
Taxation	(616)	(484)
Operating profit after tax	<u>3,279</u>	<u>3,363</u>

6. Total weighted premium income and annualised new premiums

For management decision-making and internal performance management purposes, the Group measures business volumes during the period using a performance measure referred to as total weighted premium income (TWPI). The Group measures new business activity using a performance measure referred to as annualised new premiums (ANP). The presentation of this note is consistent with our reportable segment presentation in note 7.

TWPI consists of 100 per cent of renewal premiums, 100 per cent of first year premiums and 10 per cent of single premiums, before reinsurance ceded.

Management considers that TWPI provides an indicative volume measure of transactions undertaken in the reporting period that have the potential to generate profits for shareholders. The amounts shown are not intended to be indicative of insurance revenue and fee income recorded in the interim consolidated income statement.

ANP is a key internal measure of new business activities, which consists of 100 per cent of annualised first year premiums and 10 per cent of single premiums, before reinsurance ceded. ANP excludes new business of pension business, personal lines and motor insurance.

TWPI US\$m	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)
TWPI by geography		
Mainland China	4,992	4,509
Hong Kong	5,594	5,404
Thailand	2,051	1,989
Singapore	1,981	1,800
Malaysia	1,284	1,248
Other Markets	3,398	3,618
Total	19,300	18,568
First year premiums by geography		
Mainland China	1,153	784
Hong Kong	1,086	324
Thailand	338	284
Singapore	190	166
Malaysia	191	190
Other Markets	364	444
Total	3,322	2,192

6. Total weighted premium income and annualised new premiums (continued)

TWPI (continued) US\$m	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)
Single premiums by geography		
Mainland China	109	156
Hong Kong	622	1,059
Thailand	63	135
Singapore	450	617
Malaysia	113	141
Other Markets	361	485
Total	1,718	2,593
Renewal premiums by geography		
Mainland China	3,828	3,709
Hong Kong	4,446	4,974
Thailand	1,707	1,691
Singapore	1,746	1,572
Malaysia	1,082	1,044
Other Markets	2,997	3,127
Total	15,806	16,117
ANP US\$m		
	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)
ANP by geography		
Mainland China	1,195	835
Hong Kong	1,165	443
Thailand	357	311
Singapore	267	244
Malaysia	261	239
Other Markets	739	706
Total	3,984	2,778

7. Segment information

The Group's operating segments, based on the reports received by the Group's chief operating decision-maker, considered to be the Executive Committee (ExCo), are each of the geographical markets in which the Group operates. Each of the reportable segments, other than the "Group Corporate Centre" segment, writes life insurance business, providing life insurance, accident and health insurance and savings plans to customers in its local market, and distributes related investment and other financial services products. The reportable segments are Mainland China, Hong Kong (including Macau), Thailand, Singapore (including Brunei), Malaysia, Other Markets and Group Corporate Centre. Other Markets includes the Group's operations in Australia, Cambodia, India, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China) and Vietnam. The activities of the Group Corporate Centre segment consist of the Group's corporate functions, shared services and eliminations of intra-group transactions.

As each reportable segment other than the Group Corporate Centre segment focuses on serving the life insurance needs of its local market, there are limited transactions between reportable segments. The key performance indicators reported in respect of each segment are:

- ANP;
- TWPI;
- insurance service result;
- net investment result;
- operating expenses;
- operating profit after tax attributable to shareholders of AIA Group Limited;
- expense ratio, measured as operating expenses divided by TWPI;
- operating margin, measured as operating profit after tax expressed as a percentage of TWPI; and
- operating return on shareholders' allocated equity measured as operating profit after tax attributable to shareholders of AIA Group Limited expressed as a percentage of the simple average of opening and closing shareholders' allocated segment equity (being the segment assets less segment liabilities in respect of each reportable segment less non-controlling interests, insurance finance reserve and fair value reserve).

Business volumes in respect of the Group's five largest customers are less than 30 per cent of insurance revenue and net investment result in this note.

The Group recognises deferred tax liabilities in respect of unremitted earnings in jurisdictions where withholding tax charge would be incurred upon dividend distribution.

7. Segment information (continued)

US\$m	Mainland		Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
	China	Hong Kong						
Six months ended 30 June 2023 – Unaudited								
ANP	1,195	1,165	357	267	261	739	-	3,984
TWPI	4,992	5,594	2,051	1,981	1,284	3,398	-	19,300
Insurance revenue	1,592	1,832	1,103	1,077	783	1,965	-	8,352
Insurance service expenses	(603)	(1,095)	(647)	(788)	(611)	(1,600)	-	(5,344)
Net (expenses)/income from reinsurance contracts held	(1)	(60)	(20)	(41)	-	(82)	2	(202)
Insurance service result	988	677	436	248	172	283	2	2,806
Investment return	930	3,421	535	1,598	437	922	381	8,224
– Participating ⁽¹⁾ and unit-linked	436	2,876	6	1,370	370	369	(21)	5,406 ⁽²⁾
– Others	494	545	529	228	67	553	402	2,818
Net finance (expenses)/income from insurance contracts and reinsurance contracts held	(777)	(2,732)	(263)	(1,380)	(356)	(509)	1	(6,016) ⁽²⁾
Movement in investment contract liabilities	(13)	(126)	(42)	(57)	-	(123)	-	(361) ⁽²⁾
Movement in third-party interests in consolidated investment funds	-	(29)	-	-	-	-	-	(29) ⁽²⁾
Net investment result	140	534	230	161	81	290	382	1,818
Fee income and other operating revenue	3	124	11	12	9	51	2	212
Other expenses	(86)	(161)	(68)	(56)	(27)	(158)	(171)	(727)
Other finance costs	(23)	(14)	-	(6)	(1)	(2)	(180)	(226)
Share of profit from associates and joint ventures	-	-	-	-	-	11	1	12
Operating profit before tax	1,022	1,160	609	359	234	475	36	3,895
Tax on operating profit before tax	(189)	(91)	(113)	(15)	(60)	(124)	(24)	(616)
Operating profit after tax	833	1,069	496	344	174	351⁽³⁾	12	3,279
<i>Operating profit after tax attributable to:</i>								
Shareholders of AIA Group Limited	833	1,066	496	344	170	346	17	3,272
Non-controlling interests	-	3	-	-	4	5	(5)	7

Key operating ratios:

Expense ratio	5.9%	5.7%	7.1%	6.5%	8.6%	13.4%	-	8.4%
Operating margin	16.7%	19.1%	24.2%	17.4%	13.6%	10.3%	-	17.0%
Operating return on shareholders' allocated equity	33.2%	16.6%	16.0%	16.6%	16.1%	9.0%	-	14.2%

Operating profit before tax includes:

Operating expenses	295	321	146	129	111	454	161	1,617
Finance costs	25	15	-	7	1	2	180	230

Notes:

- (1) Participating refers to participating funds and other participating business with distinct portfolios.
- (2) Net finance (expenses)/income from insurance contracts and reinsurance contracts held includes changes in fair value of underlying items of contracts with direct participation features. Net finance (expenses)/income from insurance contracts and reinsurance contracts held, net of investment return relating to participating and unit-linked businesses, movement in investment contract liabilities and movement in third-party interests in consolidated investment funds amounted to US\$(1,000)m, primarily related to other insurance contracts without direct participation features.
- (3) Certain approximations have been made in the Operating profit after tax of the Other Markets segment which were immaterial.

7. Segment information (continued)

US\$m	Mainland		Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
	China	Hong Kong						
30 June 2023 – Unaudited								
Total assets	41,293	99,662	25,494	40,939	13,716	38,248	16,561	275,913
Total liabilities	38,031	88,849	19,482	36,958	11,556	29,401	9,360	233,637
Total equity	3,262	10,813	6,012	3,981	2,160	8,847	7,201	42,276
Shareholders' allocated equity	5,090	12,537	6,188	3,920	2,070	7,752	7,514	45,071

Total assets include:

Investments in associates and joint ventures	-	1	-	-	-	800	1,159	1,960
--	---	---	---	---	---	-----	-------	-------

Segment information may be reconciled to the interim consolidated income statement as shown below:

US\$m	Segment information	Short-term investment and discount rate variances	Other non- operating items	Interim consolidated income statement	
Six months ended 30 June 2023					
- Unaudited					
Insurance revenue	8,352	-	-	8,352	Insurance revenue
Insurance service expenses	(5,344)	-	-	(5,344)	Insurance service expenses
Net expenses from reinsurance contracts held	(202)	-	-	(202)	Net expenses from reinsurance contracts held
Insurance service result	2,806	-	-	2,806	Insurance service result
Investment return	8,224	(807)	(4)	7,413	Investment return
Net finance expenses from insurance contracts and reinsurance contracts held	(6,016)	(16)	(226)	(6,258)	Net finance expenses from insurance contracts and reinsurance contracts held
Movement in investment contract liabilities	(361)	(9)	-	(370)	Movement in investment contract liabilities
Movement in third-party interests in consolidated investment funds	(29)	-	-	(29)	Movement in third-party interests in consolidated investment funds
Net investment result	1,818	(832)	(230)	756	Net investment result
Fee income and other operating revenue	212	-	(9)	203	Fee income and other operating revenue
Other expenses	(727)	-	(88)	(815)	Other expenses
Other finance costs	(226)	-	(1)	(227)	Other finance costs
Share of profit from associates and joint ventures	12	-	(114)	(102)	Share of losses from associates and joint ventures
Operating profit before tax	3,895	(832)	(442)	2,621	Profit before tax

7. Segment information (continued)

US\$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Six months ended 30 June 2022 – Unaudited and restated								
ANP	835	443	311	244	239	706	–	2,778
TWPI	4,509	5,404	1,989	1,800	1,248	3,618	–	18,568
Insurance revenue	1,569	1,707	1,002	939	767	2,258	–	8,242
Insurance service expenses	(543)	(911)	(593)	(652)	(510)	(1,794)	–	(5,003)
Net income/(expenses) from reinsurance contracts held	7	(42)	(21)	(49)	(14)	(226)	4	(341)
Insurance service result	1,033	754	388	238	243	238	4	2,898
Investment return	401	(23,383)	352	(3,284)	(306)	(521)	427	(26,314)
– Participating ⁽¹⁾ and unit-linked	(9)	(23,922)	(181)	(3,499)	(370)	(1,011)	5	(28,987) ⁽²⁾
– Others	410	539	533	215	64	490	422	2,673
Net finance (expenses)/income from insurance contracts and reinsurance contracts held	(299)	23,194	(64)	3,250	286	538	(12)	26,893 ⁽²⁾
Movement in investment contract liabilities	(8)	701	(44)	210	–	233	–	1,092 ⁽²⁾
Movement in third-party interests in consolidated investment funds	–	29	–	–	–	–	–	29 ⁽²⁾
Net investment result	94	541	244	176	(20)	250	415	1,700
Fee income and other operating revenue	–	120	10	14	7	49	(4)	196
Other expenses	(90)	(138)	(30)	(68)	(34)	(154)	(142)	(656)
Other finance costs	(6)	(13)	–	(2)	(2)	(3)	(150)	(176)
Share of profit/(losses) from associates and joint ventures	–	–	–	–	–	2	(117)	(115)
Operating profit before tax	1,031	1,264	612	358	194	382	6	3,847
Tax on operating profit before tax	(191)	(126)	(114)	(21)	(3)	(4)	(25)	(484)
Operating profit/(loss) after tax	840	1,138	498	337	191	378	(19)	3,363
<i>Operating profit/(loss) after tax attributable to:</i>								
Shareholders of AIA Group Limited	840	1,134	498	337	188	374	(19)	3,352
Non-controlling interests	–	4	–	–	3	4	–	11

Key operating ratios:

Expense ratio	5.9%	4.9%	6.6%	6.7%	8.7%	15.0%	–	8.4%
Operating margin	18.6%	21.1%	25.0%	18.7%	15.3%	10.4%	–	18.1%
Operating return on shareholders' allocated equity ⁽³⁾	35.8%	16.3%	17.7%	16.8%	18.9%	9.1%	–	13.5%

Operating profit before tax includes:

Operating expenses	267	266	132	120	109	541	129	1,564
Finance costs	8	15	–	2	1	3	151	180

Notes:

- (1) Participating refers to participating funds and other participating business with distinct portfolios.
- (2) Net finance (expenses)/income from insurance contracts and reinsurance contracts held includes changes in fair value of underlying items of contracts with direct participation features. Net finance (expenses)/income from insurance contracts and reinsurance contracts held, net of investment return relating to participating and unit-linked businesses, movement in investment contract liabilities and movement in third-party interests in consolidated investment funds amounted to US\$(973)m, primarily related to other insurance contracts without direct participation features.
- (3) The operating return on shareholders' allocated equity is measured as operating profit after tax attributable to shareholders of AIA Group Limited expressed as a percentage of the simple average of the opening and closing shareholders' allocated equity (being the segment assets less segment liabilities in respect of each reportable segment less non-controlling interest, insurance finance reserve and fair value reserve). The calculation uses a refined approach for expected half-year capital movements. Under the previously used approach, the return was 13.1% for the six months ended 30 June 2022 (Mainland China: 32.9%, Hong Kong: 15.7%, Thailand: 16.9%, Singapore: 16.2%, Malaysia: 18.0% and Other Markets: 8.9%).

7. Segment information (continued)

US\$m						Group		Total
	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Corporate Centre	
31 December 2022 – Restated								
Total assets	38,675	96,131	25,746	39,245	14,131	37,809	18,734	270,471
Total liabilities	34,498	84,877	19,446	34,969	11,887	29,321	10,325	225,323
Total equity	4,177	11,254	6,300	4,276	2,244	8,488	8,409	45,148
Shareholders' allocated equity	4,956	13,128	6,210	4,345	2,160	7,635	8,737	47,171

Total assets include:

Investments in associates and joint ventures	-	1	-	-	-	793	1,262	2,056
--	---	---	---	---	---	-----	-------	-------

Segment information may be reconciled to the interim consolidated income statement as shown below:

US\$m	Segment information	Short-term investment and discount rate variances	Other non- operating items	Interim consolidated income statement	
Six months ended 30 June 2022 – Unaudited and restated					
Insurance revenue	8,242	-	-	8,242	Insurance revenue
Insurance service expenses	(5,003)	-	-	(5,003)	Insurance service expenses
Net expenses from reinsurance contracts held	(341)	-	-	(341)	Net expenses from reinsurance contracts held
Insurance service result	2,898	-	-	2,898	Insurance service result
Investment return	(26,314)	(1,141)	(581)	(28,036)	Investment return
Net finance income from insurance contracts and reinsurance contracts held	26,893	30	(348)	26,575	Net finance income from insurance contracts and reinsurance contracts held
Movement in investment contract liabilities	1,092	110	-	1,202	Movement in investment contract liabilities
Movement in third-party interests in consolidated investment funds	29	-	-	29	Movement in third-party interests in consolidated investment funds
Net investment result	1,700	(1,001)	(929)	(230)	Net investment result
Fee income and other operating revenue	196	-	(2)	194	Fee income and other operating revenue
Other expenses	(656)	-	(114)	(770)	Other expenses
Other finance costs	(176)	-	(4)	(180)	Other finance costs
Share of losses from associates and joint ventures	(115)	-	-	(115)	Share of losses from associates and joint ventures
Operating profit before tax	3,847	(1,001)	(1,049)	1,797	Profit before tax

8. Insurance revenue

US\$m	Note	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited and restated)
Contracts not measured under the PAA			
Amounts related to changes in liabilities for remaining coverage			
Contractual service margin recognised for services provided	19	2,729	2,708
Change in risk adjustment for non-financial risk for risk expired		110	163
Expected incurred claims and other insurance service expenses		3,975	4,141
Others		40	35
Recovery of insurance acquisition cash flows		448	334
	19	<u>7,302</u>	<u>7,381</u>
Contracts measured under the PAA	19	<u>1,050</u>	<u>861</u>
Total insurance revenue		<u><u>8,352</u></u>	<u><u>8,242</u></u>

9. Net investment result

A. Group's net investment result in interim consolidated income statement and other comprehensive income

US\$m	Note	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited and restated)
Investment return			
Interest revenue on financial assets		3,852	3,571
Other investment return		3,608	(31,479)
Net impairment loss on financial assets		(47)	(128)
Amounts recognised in interim consolidated income statement		7,413	(28,036)
Amounts recognised in other comprehensive income ⁽¹⁾		2,585	(11,680)
Total investment return⁽¹⁾		9,998	(39,716)
Net finance income/(expenses) from insurance contracts			
Changes in fair value of underlying items of contracts with direct participation features		(4,903)	28,048
Interest accreted		(1,349)	(1,287)
Effect of changes in interest rates and other financial assumptions		(3,902)	5,047
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition		(121)	(14)
Net foreign exchange losses		(18)	(471)
Total net finance (expenses)/income from insurance contracts	19	(10,293)	31,323
Net finance income/(expenses) from reinsurance contracts held			
Interest accreted		45	9
Effect of changes in interest rates and other financial assumptions		210	(19)
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition		9	(2)
Net foreign exchange losses		(5)	(43)
Total net finance income/(expenses) from reinsurance contracts held	19	259	(55)
Movement in investment contract liabilities		(370)	1,202
Movement in third-party interests in consolidated investment funds		(29)	29
Net investment result⁽¹⁾		(435)	(7,217)
Net investment result is represented by:			
Amounts recognised in interim consolidated income statement		756	(230)
Amounts recognised in other comprehensive income ⁽¹⁾		(1,191)	(6,987)
Total net investment result⁽¹⁾		(435)	(7,217)

9. Net investment result (continued)

A. Group's net investment result in interim consolidated income statement and other comprehensive income (continued)

US\$m	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited and restated)
Net finance income/(expenses) from insurance contracts are represented by:		
Amounts recognised in interim consolidated income statement	(6,313)	26,569
Amounts recognised in other comprehensive income	(3,980)	4,754
Total net finance (expenses)/income from insurance contracts	(10,293)	31,323
Net finance income/(expenses) from reinsurance contracts held are represented by:		
Amounts recognised in interim consolidated income statement	55	6
Amounts recognised in other comprehensive income	204	(61)
Total net finance income/(expenses) from reinsurance contracts held	259	(55)

Note:

(1) The Net investment result note is presented gross of tax, gross of non-controlling interests and excluding share of returns from associates and joint ventures. The equivalent amounts for the six months ended 30 June 2022 including amounts recognised in other comprehensive income related to tax, non-controlling interests and share of returns from associates and joint ventures were as follows:

- Investment return – Amounts recognised in other comprehensive income: US\$(9,930)m;
- Total investment return: US\$(37,966)m;
- Net investment result: US\$(5,467)m;
- Net investment result – Amounts recognised in other comprehensive income: US\$(5,237)m; and
- Total net investment result: US\$(5,467)m.

9. Net investment result (continued)

B. Interest revenue on financial assets and other investment return

US\$m	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited and restated)
Interest revenue on financial assets		
Financial assets measured at amortised cost	263	138
Financial assets measured at fair value through other comprehensive income	1,760	1,766
Financial assets designated at fair value through profit or loss	1,669	1,526
Financial assets measured mandatorily at fair value through profit or loss	160	141
Total interest revenue on financial assets	3,852	3,571
Other investment return		
Dividend income	740	651
Rental income ⁽¹⁾	77	84
Net gains/(losses) of financial assets not at fair value through profit or loss		
Net realised losses of debt securities measured at fair value through other comprehensive income	(125)	(100)
At fair value through profit or loss		
Net gains/(losses) of financial assets designated at fair value through profit or loss		
Net gains/(losses) of debt securities	1,341	(16,122)
Net losses of loans and deposits	(6)	(23)
Net gains/(losses) of financial instruments mandatorily at fair value through profit or loss		
Net gains/(losses) of debt securities	81	(685)
Net gains/(losses) of equity shares, interests in investment funds and exchangeable loan notes	938	(8,875)
Net fair value movement on derivatives	249	(6,952)
Net gains/(losses) in respect of financial instruments at fair value through profit or loss		
	2,603	(32,657)
Net fair value movement of investment property and property held for own use	(57)	9
Net foreign exchange gains	310	526
Other net realised gains	60	8
Net gains/(losses)	2,791	(32,214)
Total other investment return	3,608	(31,479)

Note:

(1) Represents rental income from operating lease contracts in which the Group acts as a lessor.

9. Net investment result (continued)

Foreign currency movements resulted in the following gains recognised in the interim consolidated income statement (other than gains and losses arising on items measured at fair value through profit or loss):

US\$m	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited and restated)
Foreign exchange gains	58	68

On transition to IFRS 17, for certain groups of contracts that the Group applies the modified retrospective approach or the fair value approach, the cumulative insurance finance income or expenses recognised in other comprehensive income at 1 January 2022 was determined:

- to be zero; or
- retrospectively based on observable yield curve.

For those groups of contracts, the movement in the fair value reserve for the debt securities at fair value through other comprehensive income was as follows.

US\$m	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited and restated)
Balance at 1 January	(3,346)	6,133
Net change in fair value and others	1,456	(9,238)
Net amount reclassified to profit or loss	320	314
Balance at 30 June	(1,570)	(2,791)

10. Expenses

US\$m	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited and restated)
Claims and benefits	4,106	3,734
Commission and other acquisition expenses incurred	3,081	2,632
Losses on onerous insurance contracts	30	66
Employee benefit expenses ⁽³⁾	1,046	988
Depreciation ⁽³⁾	111	130
Amortisation ⁽³⁾	66	53
Investment management expenses and others	258	262
Depreciation on property held for own use	16	10
Finance costs	232	183
Other operating expenses ⁽³⁾	394	393
Restructuring and other non-operating costs ⁽¹⁾	69	102
	<u>9,409</u>	<u>8,553</u>
Amounts attributed to insurance acquisition cash flows	(3,622)	(3,041)
Amortisation of insurance acquisition cash flows	602	444
Insurance service and other expenses	<u>6,389</u>	<u>5,956</u>

Insurance service and other expenses represented by:

US\$m	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited and restated)
Insurance service expenses	5,344	5,003
– Contracts not measured under the PAA	4,394	4,259
– Contracts measured under the PAA	950	744
Other incurred expenses directly attributable to reinsurance contracts held	3	3
Other expenses ⁽²⁾	815	770
Other finance costs	227	180
Total	<u>6,389</u>	<u>5,956</u>

Notes:

- (1) Restructuring costs represent costs related to restructuring programmes and are primarily comprised of redundancy and contract termination costs. Other non-operating costs primarily consist of corporate transaction related costs, implementation costs for new accounting standards and other items that are not expected to be recurring in nature.
- (2) Other expenses represent general expenses and investment management expenses that are not directly attributable to insurance contracts and reinsurance contracts held.
- (3) Operating expenses comprise employee benefit expenses, depreciation, amortisation and other operating expenses.

10. Expenses (continued)

Finance costs may be analysed as:

US\$m	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)
Repurchase agreements	27	5
Medium-term notes and securities	196	165
Other loans	3	6
Lease liabilities	6	7
Total	232	183

Employee benefit expenses consist of:

US\$m	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)
Wages and salaries	867	814
Share-based compensation	27	31
Pension costs – defined contribution plans	68	64
Pension costs – defined benefit plans	5	6
Other employee benefit expenses	79	73
Total	1,046	988

11. Income tax

US\$m	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited and restated)
Tax charged in the interim consolidated income statement		
Current income tax – Hong Kong Profits Tax	75	83
Current income tax – overseas	183	499
Deferred income tax on temporary differences	108	(333)
Total	366	249

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year.

In 2022, changes in the corporate income tax rates have been enacted in Myanmar, Sri Lanka and South Korea. For Myanmar, the corporate income tax rate changed from 25 per cent to 22 per cent effective from 1 October 2021. For Sri Lanka, the corporate income tax rate changed from 24 per cent to 30 per cent effective from 1 October 2022. For South Korea, the corporate income tax rate has changed to 23.1 per cent effective from 1 January 2023.

11. Income tax (continued)

AIA continues to closely monitor developments in respect of the tax policy work led by the Organisation for Economic Co-operation and Development (OECD) on the “Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy”, a phase of the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project that is commonly referred to as “BEPS 2.0”, and constructively engages with relevant governments and the OECD on their work.

In 2021, the OECD/G20 Inclusive Framework on BEPS (Inclusive Framework) published draft model rules to give effect to the Global Anti-Base Erosion Rules (GloBE) component of Pillar Two of BEPS 2.0, which imposes a global minimum effective tax rate on large multinational enterprises in respect of each jurisdiction in which they operate. The Inclusive Framework originally agreed that participating jurisdictions should enact these rules into law in 2022, with the majority of the rules to be effective from 2023.

However, due to the deferral of the application of the GloBE rules and the related introduction of domestic minimum top-up taxes by relevant AIA jurisdictions, based on currently available information, the GloBE rules will apply in certain jurisdictions in which AIA operates from 2024 onwards, and will be more widely adopted in 2025.

As an exception to the requirements of IAS 12 Income Taxes, entities shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. AIA has applied this exception, and has not yet assessed the deferred tax impact of Pillar Two income taxes. AIA will continue to monitor the Pillar Two requirements and will assess the accounting implications accordingly.

12. Earnings per share

BASIC

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of AIA Group Limited by the weighted average number of ordinary shares outstanding during the period. The shares held by employee share-based trusts and shares that have been repurchased are not considered to be outstanding from the date of the purchase for the purposes of computing basic and diluted earnings per share.

	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited and restated)
Net profit attributable to shareholders of AIA Group Limited (US\$m)	2,250	1,543
Weighted average number of ordinary shares outstanding (million)	11,605	12,028 ⁽¹⁾
Basic earnings per share (US cents)	<u>19.39</u>	<u>12.83</u>

Note:

- (1) For the six months ended 30 June 2022, the weighted average number of ordinary shares in issue was 12,043 million, as previously disclosed in the interim condensed consolidated financial statements in the Company's Interim Report 2022.

12. Earnings per share (continued)

DILUTED

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive instruments are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 26.

	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited and restated)
Net profit attributable to shareholders of AIA Group Limited (US\$m)	2,250	1,543
Weighted average number of ordinary shares outstanding (million)	11,605	12,028 ⁽¹⁾
Adjustment for share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted under share-based compensation plans (million)	10	13
Weighted average number of ordinary shares for diluted earnings per share (million)	11,615	12,041
Diluted earnings per share (US cents)	19.37	12.81

At 30 June 2023, 5,986,709 share options (30 June 2022: 4,359,249) were excluded from the diluted weighted average number of ordinary shares calculation as they have no effect to the diluted earnings per share.

Note:

- (1) For the six months ended 30 June 2022, the weighted average number of ordinary shares in issue was 12,043 million, as previously disclosed in the interim condensed consolidated financial statements in the Company's Interim Report 2022.

OPERATING PROFIT AFTER TAX PER SHARE

Operating profit after tax (see note 5) per share is calculated by dividing the operating profit after tax attributable to shareholders of AIA Group Limited by the weighted average number of ordinary shares outstanding during the period. The dilutive instruments are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 26.

	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited and restated)
Basic operating profit after tax per share (US cents)	28.19	27.87
Diluted operating profit after tax per share (US cents)	28.17	27.84

13. Dividends

Dividends to shareholders of the Company attributable to the interim period:

US\$m	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)
Interim dividend declared after the reporting date of 42.29 Hong Kong cents per share (six months ended 30 June 2022: 40.28 Hong Kong cents per share) ⁽¹⁾	623	615

Note:

(1) Based upon shares outstanding at 30 June 2023 and 30 June 2022 that are entitled to a dividend, other than those held by employee share-based trusts.

The above interim dividend was declared after the reporting date and has not been recognised as a liability at the reporting date.

Dividends to shareholders of the Company attributable to the previous financial period, approved and paid during the interim period:

US\$m	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)
Final dividend in respect of the previous financial period, approved and paid during the interim period of 113.40 Hong Kong cents per share (six months ended 30 June 2022: 108.00 Hong Kong cents per share)	1,672	1,650

14. Intangible assets

US\$m	Goodwill	Computer software	Distribution and other rights	Total
Cost				
At 1 January 2023	1,956	1,222	1,144	4,322
Additions	–	121	–	121
Acquisition of subsidiaries	268	–	–	268
Disposals	–	(34)	–	(34)
Foreign exchange movements	(55)	(28)	(5)	(88)
At 30 June 2023 – Unaudited	<u>2,169</u>	<u>1,281</u>	<u>1,139</u>	<u>4,589</u>
Accumulated amortisation and impairment				
At 1 January 2023	(180)	(652)	(213)	(1,045)
Amortisation charge for the period	–	(66)	(24)	(90)
Disposals	–	4	–	4
Impairment loss	–	–	–	–
Foreign exchange movements	1	17	2	20
At 30 June 2023 – Unaudited	<u>(179)</u>	<u>(697)</u>	<u>(235)</u>	<u>(1,111)</u>
Net book value				
At 31 December 2022	1,776	570	931	3,277
At 30 June 2023 – Unaudited	<u>1,990</u>	<u>584</u>	<u>904</u>	<u>3,478</u>

The Group holds other intangible assets for its long-term use and, accordingly, the annual amortisation charge approximates to the amount expected to be recovered through consumption within 12 months after the end of the reporting period.

15. Financial investments

DEBT SECURITIES

Debt securities by type comprise the following:

US\$m	Policyholder and shareholder				Subtotal	Unit-linked FVTPL	Unit-linked ⁽²⁾ FVOCI	Consolidated investment funds ⁽¹⁾ FVTPL	Total
	Participating funds and other participating business with distinct portfolios FVTPL	Other policyholder and shareholder							
		FVTPL	FVOCI	AC					
30 June 2023 – Unaudited									
Government bonds ⁽³⁾	20,480	1,546	48,835	326	71,187	2,116	99	-	73,402
Government agency bonds ⁽⁴⁾	6,971	24	7,191	249	14,435	570	64	88	15,157
Corporate bonds	47,492	574	27,337	1,405	76,808	3,015	185	869	80,877
Structured securities ⁽⁵⁾	404	343	1,498	-	2,245	126	-	-	2,371
Total⁽⁶⁾	75,347	2,487	84,861	1,980	164,675	5,827	348	957	171,807
31 December 2022 – Restated									
Government bonds ⁽³⁾	15,514	1,627	49,412	315	66,868	1,952	102	-	68,922
Government agency bonds ⁽⁴⁾	6,971	24	7,367	211	14,573	618	64	198	15,453
Corporate bonds	46,161	720	27,600	1,261	75,742	2,654	171	1,007	79,574
Structured securities ⁽⁵⁾	373	405	1,381	-	2,159	103	-	-	2,262
Total⁽⁶⁾	69,019	2,776	85,760	1,787	159,342	5,327	337	1,205	166,211

Notes:

- (1) Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds. In preparing the interim condensed consolidated financial statements, the Group enhanced the presentation to further split and allocate the underlying assets held by consolidated investment funds to the respective fund segments of the asset-backing liabilities. Where consolidated investment funds are held by third-party unit holders, these continue to be classified under consolidated investment funds.
- (2) Represents primarily the financial assets backing non-unit reserves of unit-linked contracts.
- (3) Government bonds include bonds issued in local or foreign currencies by either the government where the respective business unit operates or other governments.
- (4) Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities; government-related entities; multilateral development banks and supranational organisations.
- (5) Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.
- (6) Debt securities of US\$10,588m (31 December 2022: US\$9,885m) are restricted due to local regulatory requirements.

15. Financial investments (continued)

EQUITY SHARES, INTERESTS IN INVESTMENT FUNDS AND EXCHANGEABLE LOAN NOTES

Equity shares, interests in investment funds and exchangeable loan notes comprise the following:

US\$m	Policyholder and shareholder		Subtotal	Unit-linked	Consolidated investment funds ⁽¹⁾	Total
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder				
	FVTPL	FVTPL		FVTPL	FVTPL	
30 June 2023 – Unaudited						
Equity shares	11,814	4,498	16,312	7,878	–	24,190
Interests in investment funds and exchangeable loan notes	15,811	7,865	23,676	17,590	–	41,266
Total	27,625	12,363	39,988	25,468	–	65,456

US\$m	Policyholder and shareholder		Subtotal	Unit-linked	Consolidated investment funds ⁽¹⁾	Total
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder				
	FVTPL	FVTPL		FVTPL	FVTPL	
31 December 2022 – Restated						
Equity shares	13,241	4,765	18,006	7,685	–	25,691
Interests in investment funds and exchangeable loan notes	14,307	7,214	21,521	17,056	–	38,577
Total	27,548	11,979	39,527	24,741	–	64,268

Note:

(1) Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds. In preparing the interim condensed consolidated financial statements, the Group enhanced the presentation to further split and allocate the underlying assets held by consolidated investment funds to the respective fund segments of the asset-backing liabilities. Where consolidated investment funds are held by third-party unit holders, these continue to be classified under consolidated investment funds.

15. Financial investments (continued)

LOANS AND DEPOSITS

Loans and deposits by type comprise the following:

US\$m	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Restated)
Mortgage loans on residential real estate	443	469
Mortgage loans on commercial real estate	2	2
Other loans	292	372
Loss allowance for loans	(10)	(9)
Loans	727	834
Term deposits	2,361	2,509
Promissory notes ⁽¹⁾	1,450	1,520
Loss allowance for deposits measured at amortised cost	(12)	(18)
Total	4,526	4,845

Note:

(1) The promissory notes are issued by a government. Promissory notes of US\$265m (31 December 2022: US\$279m) are measured at fair value through profit or loss.

Certain term deposits with financial institutions and promissory notes are restricted due to local regulatory requirements or other pledge restrictions. At 30 June 2023, the restricted balance held within term deposits and promissory notes was US\$1,546m (31 December 2022: US\$381m).

Other loans include receivables from reverse repurchase agreements (reverse repos) under which the Group does not take physical possession of securities purchased under the agreements. Reverse repos are initially recorded at the cost of the loan or collateral advanced. At 30 June 2023, the carrying value of such receivables was US\$189m (31 December 2022: US\$261m).

At 30 June 2023, US\$137m of debt collateral was received in respect of reverse repos.

15. Financial investments (continued)

MATURITY PROFILE OF DEBT SECURITIES, LOANS AND DEPOSITS

The table below shows the maturity profile of debt securities, loans and deposits based on contractual maturity dates. The maturity profile below excludes unit-linked investments and consolidated investment funds as the investment risk is generally wholly borne by our customers.

US\$m	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
30 June 2023 – Unaudited						
Debt securities	164,675	7,183	20,177	16,789	120,526	–
Loans and deposits	4,209	1,424	831	447	1,493	14
Total	168,884	8,607	21,008	17,236	122,019	14

US\$m	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
31 December 2022						
Debt securities	159,342	7,465	20,197	17,252	114,428	–
Loans and deposits	4,500	1,833	647	470	1,534	16
Total	163,842	9,298	20,844	17,722	115,962	16

INPUTS, ASSUMPTIONS AND TECHNIQUES USED FOR ESTIMATING IMPAIRMENT

Significant increase in credit risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Group's experience, credit assessment performed by internal and external experts and forward-looking information.

The Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing the internal rating as at the reporting date with the internal rating as at the date of initial recognition of the exposure. Where external credit ratings are available, internal ratings are assigned consistent with such ratings in accordance with the Group's credit risk assessment framework. Where external credit ratings are not readily available, an internal rating methodology has been adopted.

The Group monitors changes in credit risk by tracking the change in internal rating of the exposure. The Group also monitors relevant information, including price movements of securities, and assess whether such information signifies a change in credit risk.

The Group has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment-grade". The Group considers this to be BBB-, Baa3 or higher based on Standard and Poor's, Fitch and Moody's ratings, which is equivalent to an internal risk grade of 4- or higher.

15. Financial investments (continued)

INPUTS, ASSUMPTIONS AND TECHNIQUES USED FOR ESTIMATING IMPAIRMENT (continued)

Significant increase in credit risk (continued)

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, unless there are other indications that there is no significant increase in credit risk. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined after considering any grace period that might be available to the debtor.

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons including changing market conditions and other factors not related to current or potential credit deterioration of the debtor. An existing financial asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new financial asset at fair value in accordance with the accounting policies in note 2.4.1.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of significant increase in credit risk is assessed based on the change in internal rating as at the reporting date and the date of initial recognition. The internal rating as at reporting date is rated based on the modified contractual terms while the initial rating is rated based on the original contractual terms.

Definition of default

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to mitigating actions. The criteria of “default” are consistent with those of “credit-impaired”.

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of a financial instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a “base case” view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on management knowledge and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations, and selected private-sector and academic forecasters.

The base case represents a best estimate and the other scenarios represent more optimistic and more pessimistic outcomes.

15. Financial investments (continued)

INPUTS, ASSUMPTIONS AND TECHNIQUES USED FOR ESTIMATING IMPAIRMENT (continued)

Incorporation of forward-looking information (continued)

The Group has identified and documented key drivers of credit risk and ECL for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationship between macro-economic variables and key drivers of credit risk. The specific values of the core macro-economic variable used by the Group for evaluating ECL for the six months ended 30 June 2023 and the year ended 31 December 2022 are as follows:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022
GDP growth (5-year average of year-over-year %)		
Base case scenario	3.1%	3.1%
Upside scenario	3.8%	3.8%
Downside scenario	2.1%	2.1%

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of probability of default (PD), loss given default (LGD) and exposure at default (EAD). They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

To determine lifetime and 12-month PDs, the Group leverages on the internal rating and convert it into PD based on the level of rating and obligor characteristics like industry type and country. Changes in the rating at the reporting date for a counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Group leverages on recovery statistics to calculate LGD. The LGD models consider a number of factors including among others, the structure, collateral and seniority of the claim, that are integral to the financial asset. LGD estimates are recalibrated for different economic scenarios.

PDs and LGDs are adjusted to reflect forward-looking information and different economic scenarios as described above.

EAD represents the expected exposure in the event of a default. The EAD of a financial asset is its gross carrying amount at the time of default. The Group derives the EAD from the current exposure to the counterparty, with any adjustments for changes to the current exposure, such as amortisation, and prepayments.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any debtor's extension options) over which it is exposed to credit risk.

15. Financial investments (continued)

INPUTS, ASSUMPTIONS AND TECHNIQUES USED FOR ESTIMATING IMPAIRMENT (continued)

Measurement of ECL (continued)

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include instrument type, credit risk gradings, collateral type, date of initial recognition, remaining term to maturity, industry and geographical location of debtor.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external information that the Group uses to derive the default rates of its portfolios.

Credit-impaired financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for impairment regularly. This requires the exercise of management judgement. The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is credit-impaired. Objective evidence that a financial asset, or a group of financial assets, is credit-impaired includes observable data that comes to the attention of the Group about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- the restructuring of an amount due to the Group on terms that the Group would not otherwise consider;
- it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the debtor's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

16. Derivative financial instruments

The Group's derivative exposure was as follows:

US\$m	Notional amount	Fair value	
		Assets	Liabilities
30 June 2023 – Unaudited			
Foreign exchange contracts			
Cross-currency swaps	7,707	241	(380)
Forwards	5,254	47	(59)
Foreign exchange futures	46	–	–
Total foreign exchange contracts	13,007	288	(439)
Interest rate contracts			
Interest rate swaps	7,117	234	(158)
Other			
Warrants and options	1,285	21	(1)
Forward contracts	38,045	70	(7,097)
Swaps	207	3	(2)
Netting	(46)	–	–
Total	59,615	616	(7,697)
31 December 2022			
Foreign exchange contracts			
Cross-currency swaps	6,994	220	(295)
Forwards	6,025	56	(86)
Foreign exchange futures	48	–	–
Total foreign exchange contracts	13,067	276	(381)
Interest rate contracts			
Interest rate swaps	8,500	240	(283)
Other			
Warrants and options	1,344	27	(1)
Forward contracts	37,995	74	(8,056)
Swaps	2,051	13	(18)
Netting	(48)	–	–
Total	62,909	630	(8,739)

The column “notional amount” in the above table refers to the pay leg of derivative transactions other than equity-index options. For certain equity-index call and put options with the same notional amount that are purchased to hedge the downside risk of the underlying equities by means of a collar strategy, the notional amount represents the exposure of the hedged equities.

Of the total derivatives, US\$9m (31 December 2022: US\$32m) are listed in exchange or dealer markets and the rest are over-the-counter (OTC) derivatives. OTC derivative contracts are individually negotiated between contracting parties and not cleared through an exchange. OTC derivatives include forwards, swaps and options. Derivatives are subject to various risks including market, liquidity and credit risks, similar to those related to the underlying financial instruments.

Derivative assets and derivative liabilities are recognised in the interim consolidated statement of financial position as derivative financial assets at fair value through profit or loss and derivative financial liabilities respectively. The Group's derivative contracts are established to provide an economic hedge to financial exposures. The Group adopts hedge accounting in limited circumstances. The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities in the interim consolidated statement of financial position as they do not represent the fair value of these transactions. The notional amounts in the previous table reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of derivative transactions.

16. Derivative financial instruments (continued)

FOREIGN EXCHANGE CONTRACTS

Foreign exchange forward and futures contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed price and settlement date. Currency options are agreements that give the buyer the right to exchange the currency of one country for the currency of another country at agreed prices and settlement dates. Currency swaps are contractual agreements that involve the exchange of both periodic and final amounts in two different currencies. Exposure to gains and losses on the foreign exchange contracts will increase or decrease over their respective lives as a function of maturity dates, interest and foreign exchange rates, implied volatilities of the underlying indices and the timing of payments.

INTEREST RATE SWAPS

Interest rate swaps are contractual agreements between two parties to exchange periodic payments in the same currency, each of which is computed on a different interest rate basis, on a specified notional amount. Most interest rate swaps involve the net exchange of payments calculated as the difference between the fixed and floating rate interest payments.

OTHER DERIVATIVES

Warrants and options are option agreements that give the owner the right to buy or sell securities at an agreed price and settlement date. Forward contracts are contractual obligations to buy or sell a financial instrument on a predetermined future date at a specified price. Swaps are OTC contractual agreements between the Group and a third party to exchange a series of cash flows based upon index, rates or other variables applied to a notional amount.

NETTING ADJUSTMENT

The netting adjustment is related to futures contracts executed through clearing house where the settlement arrangement satisfies the netting criteria under IFRS.

COLLATERAL UNDER DERIVATIVE TRANSACTIONS

At 30 June 2023, the Group had posted cash collateral of US\$241m (31 December 2022: US\$309m) and pledged debt securities with carrying value of US\$7,945m (31 December 2022: US\$9,656m) for liabilities, and held cash collateral of US\$262m (31 December 2022: US\$231m) and debt securities collateral with carrying value of US\$53m (31 December 2022: US\$55m) for assets in respect of derivative transactions. The Group did not sell or repledge the debt collateral received. These transactions are conducted under terms that are usual and customary to collateralised transactions including, where relevant, standard repurchase agreements.

17. Fair value measurement

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group classifies all financial assets as either at fair value through profit or loss (mandatory and by designated), or as at fair value through other comprehensive income, or at amortised cost. Financial liabilities are classified as either at fair value through profit or loss or at amortised cost, except for investment contracts with DPF which are accounted for under IFRS 17.

The following tables present the fair values of the Group's financial assets and financial liabilities:

US\$m	Notes	Fair value			Amortised cost	Total carrying value	Total fair value
		FVTPL – mandatory	FVTPL – designated	FVOCI			
30 June 2023 – Unaudited							
Financial investments	15						
Loans and deposits		-	265	-	4,261	4,526	4,664
Debt securities		7,428	77,190	85,209	1,980	171,807	171,562
Equity shares, interests in investment funds and exchangeable loan notes		65,456	-	-	-	65,456	65,456
Derivative financial instruments	16	616	-	-	-	616	616
Receivables		-	-	-	1,243	1,243	1,243
Accrued investment income		-	-	-	1,836	1,836	1,836
Cash and cash equivalents	18	2,769	-	-	4,622	7,391	7,391
Financial assets		76,269	77,455	85,209	13,942	252,875	252,768
	Notes			FVTPL	Amortised cost	Total carrying value	Total fair value
Financial liabilities							
Investment contract liabilities	20			11,013	511	11,524	11,524
Borrowings	21			-	11,310	11,310	10,235
Obligations under repurchase agreements	22			-	2,000	2,000	2,000
Derivative financial instruments	16			7,697	-	7,697	7,697
Other liabilities				843	3,416	4,259	4,259
Financial liabilities				19,553	17,237	36,790	35,715

17. Fair value measurement (continued)

FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

US\$m	Notes	Fair value			Amortised cost	Total carrying value	Total fair value
		FVTPL – mandatory	FVTPL – designated	FVOCI			
31 December 2022 – Restated							
Financial investments	15						
Loans and deposits		–	279	–	4,566	4,845	4,912
Debt securities		7,482	70,845	86,097	1,787	166,211	165,944
Equity shares, interests in investment funds and exchangeable loan notes		64,268	–	–	–	64,268	64,268
Derivative financial instruments	16	630	–	–	–	630	630
Receivables		–	–	–	1,718	1,718	1,718
Accrued investment income		–	–	–	1,752	1,752	1,752
Cash and cash equivalents	18	2,248	–	–	6,721	8,969	8,969
Financial assets		74,628	71,124	86,097	16,544	248,393	248,193
	Notes			FVTPL	Amortised cost	Total carrying value	Total fair value
Financial liabilities							
Investment contract liabilities	20			11,226	530	11,756	11,756
Borrowings	21			–	11,206	11,206	9,837
Obligations under repurchase agreements	22			–	1,748	1,748	1,748
Derivative financial instruments	16			8,739	–	8,739	8,739
Other liabilities				865	3,444	4,309	4,309
Financial liabilities				20,830	16,928	37,758	36,389

The Group does not have assets or liabilities measured at fair value on a non-recurring basis during the six months ended 30 June 2023.

When the Group holds a group of derivative assets and derivative liabilities entered into with a particular counterparty, the Group takes into account the arrangements that mitigate credit risk exposure in the event of default (e.g. International Swap and Derivatives Association (ISDA) Master Agreements and Credit Support Annex (CSA) that require the exchange of collateral on the basis of each party's net credit risk exposure). The Group measures the fair value of the group of financial assets and financial liabilities on the basis of its net exposure to the credit risk of that counterparty or the counterparty's net exposure to our credit risk that reflects market participants' expectations about the likelihood that such an arrangement would be legally enforceable in the event of default.

17. Fair value measurement (continued)

FAIR VALUE HIERARCHY FOR FAIR VALUE MEASUREMENT ON A RECURRING BASIS

A summary of assets and liabilities carried at fair value on a recurring basis according to fair value hierarchy is given below:

US\$m	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
30 June 2023 – Unaudited				
Recurring fair value measurements				
Non-financial assets				
Property held for own use	-	-	2,452	2,452
Investment property	-	-	4,480	4,480
Financial assets				
At fair value through other comprehensive income				
Debt securities	80	83,134	1,995	85,209
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios	351	73,300	1,696	75,347
Unit-linked and consolidated investment funds	35	6,749	-	6,784
Other policyholder and shareholder	-	2,137	350	2,487
Loans and deposits	-	-	265	265
Equity shares, interests in investment funds and exchangeable loan notes				
Participating funds and other participating business with distinct portfolios	15,573	1,247	10,805	27,625
Unit-linked and consolidated investment funds	24,868	274	326	25,468
Other policyholder and shareholder	4,793	1,795	5,775	12,363
Cash and cash equivalents				
Other policyholder and shareholder	2,769	-	-	2,769
Derivative financial instruments				
Foreign exchange contracts	-	288	-	288
Interest rate contracts	-	234	-	234
Other contracts	5	30	59	94
Total assets on a recurring fair value measurement basis	48,474	169,188	28,203	245,865
<i>% of Total</i>	<i>19.7</i>	<i>68.8</i>	<i>11.5</i>	<i>100.0</i>
Financial liabilities				
Investment contract liabilities	-	8,915	2,098	11,013
Derivative financial instruments				
Foreign exchange contracts	-	439	-	439
Interest rate contracts	-	158	-	158
Other contracts	4	7,096	-	7,100
Other liabilities	-	843	-	843
Total liabilities on a recurring fair value measurement basis	4	17,451	2,098	19,553
<i>% of Total</i>	<i>0.0</i>	<i>89.3</i>	<i>10.7</i>	<i>100.0</i>

17. Fair value measurement (continued)

FAIR VALUE HIERARCHY FOR FAIR VALUE MEASUREMENT ON A RECURRING BASIS (continued)

US\$m	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
31 December 2022 – Restated				
Recurring fair value measurements				
Non-financial assets				
Property held for own use	–	–	1,235	1,235
Investment property	–	–	4,600	4,600
Financial assets				
At fair value through other comprehensive income				
Debt securities	–	84,300	1,797	86,097
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios	2	67,408	1,609	69,019
Unit-linked and consolidated investment funds	16	6,516	–	6,532
Other policyholder and shareholder	–	2,347	429	2,776
Loans and deposits	–	–	279	279
Equity shares, interests in investment funds and exchangeable loan notes				
Participating funds and other participating business with distinct portfolios	16,372	1,266	9,910	27,548
Unit-linked and consolidated investment funds	24,121	249	371	24,741
Other policyholder and shareholder	4,920	1,782	5,277	11,979
Cash and cash equivalents				
Other policyholder and shareholder	2,248	–	–	2,248
Derivative financial instruments				
Foreign exchange contracts	–	276	–	276
Interest rate contracts	–	240	–	240
Other contracts	17	56	41	114
Total assets on a recurring fair value measurement basis				
	47,696	164,440	25,548	237,684
<i>% of Total</i>	<i>20.1</i>	<i>69.2</i>	<i>10.7</i>	<i>100.0</i>
Financial liabilities				
Investment contract liabilities	–	9,042	2,184	11,226
Derivative financial instruments				
Foreign exchange contracts	–	381	–	381
Interest rate contracts	–	283	–	283
Other contracts	14	8,061	–	8,075
Other liabilities	–	865	–	865
Total liabilities on a recurring fair value measurement basis				
	14	18,632	2,184	20,830
<i>% of Total</i>	<i>0.1</i>	<i>89.4</i>	<i>10.5</i>	<i>100.0</i>

The Group's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the six months ended 30 June 2023, the Group transferred US\$2m (year ended 31 December 2022: US\$103m) of assets measured at fair value from Level 1 to Level 2. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. The Group transferred US\$6m (year ended 31 December 2022: US\$28m) of assets from Level 2 to Level 1 during the six months ended 30 June 2023.

17. Fair value measurement (continued)

FAIR VALUE HIERARCHY FOR FAIR VALUE MEASUREMENT ON A RECURRING BASIS (continued)

The Group's Level 2 financial instruments include debt securities, equity shares, interests in investment funds, derivative financial instruments, investment contract liabilities and other liabilities. The fair values of Level 2 financial instruments are estimated using values obtained from private pricing services and brokers corroborated with internal review as necessary. When the quotes from private pricing services and brokers are not available, internal valuation techniques and inputs will be used to derive the fair value for the financial instruments.

The tables below set out a summary of changes in the Group's Level 3 assets and liabilities measured at fair value on a recurring basis for the six months ended 30 June 2023. The tables reflect gains and losses, including gains and losses on assets and liabilities categorised as Level 3 as at 30 June 2023.

Level 3 assets and liabilities

US\$m	Property held for own use	Investment property	Debt securities	Loans and deposits	Equity shares, interests in investment funds and exchangeable loan notes	Derivative financial assets/(liabilities)	Investment contracts
At 1 January 2023	1,235	4,600	3,835	279	15,558	41	(2,184)
Net movement on investment contract liabilities	-	-	-	-	-	-	86
Total gains/(losses)							
Reported under investment return and other expenses in the interim consolidated income statement	(13)	(35)	50	(6)	63	19	-
Reported under fair value reserve, foreign currency translation reserve and property revaluation reserve in the interim consolidated statement of comprehensive income	10	(64)	(154)	(8)	(141)	(1)	-
Transfer to/from investment property	7	(28)	-	-	-	-	-
Purchases	1,213	7	377	-	1,769	-	-
Sales	-	-	(22)	-	(180)	-	-
Settlements	-	-	(47)	-	-	-	-
Transfer into/out of Level 3	-	-	2	-	(163)	-	-
At 30 June 2023 – Unaudited	2,452	4,480	4,041	265	16,906	59	(2,098)
Change in unrealised gains or losses included in the interim consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return and other expenses	(13)	(35)	(110)	(6)	(320)	18	-

Movements in investment contract liabilities at fair value are offset by movements in the underlying portfolio of matching assets.

Assets transferred out of Level 3 mainly relate to interests in investment funds of which market-observable inputs became available during the period and were used in determining the fair value.

There are not any differences between the fair values on initial recognition and the amounts determined using valuation techniques since the models adopted are calibrated using initial transaction prices.

17. Fair value measurement (continued)

SIGNIFICANT UNOBSERVABLE INPUTS FOR LEVEL 3 FAIR VALUE MEASUREMENTS

As at 30 June 2023, the valuation techniques and applicable unobservable inputs used to measure the Group's Level 3 financial instruments are summarised as follows:

Description	Fair value at 30 June 2023 (Unaudited) (US\$m)	Valuation techniques	Unobservable inputs	Range
Debt securities	2,092	Discounted cash flows	Risk adjusted discount rate	2.87% - 46.91%

For certain equity shares, interests in investment funds and exchangeable loan notes held by the Group, management obtains values from independent professional valuers who use valuation techniques, such as the market approach, to determine the fair value. Under the market approach, the most relevant valuation multiples based on a number of factors, such as enterprise value to sales, or enterprise value to EBITDA (earnings before interest, taxes, depreciation and amortisation), are used to determine the fair value of the financial assets.

Fair value of the Group's properties are determined based on appropriate valuation techniques which may consider among others income projection, value of comparable property and adjustments for factors such as size, location, quality and prospective use. These valuation inputs are deemed unobservable.

VALUATION PROCESSES

The Group has the valuation policies, procedures and analyses in place to govern the valuation of financial assets required for financial reporting purposes, including Level 3 fair values. In determining the fair values of financial assets, the Group in general uses private pricing providers and, only in rare cases when third-party prices do not exist, will use prices derived from internal models. The Chief Investment Officers of each of the business units are required to review the reasonableness of the prices used and report price exceptions, if any. The Group Investment team analyses reported price exceptions and reviews price challenge responses from private pricing providers and provides the final recommendation on the appropriate price to be used. Any changes in valuation policies are reviewed and approved by the Group Valuations Advisory Committee which is part of the Group's wider financial risk governance processes. Changes in Level 2 and 3 fair values are analysed at each reporting date.

The main Level 3 input used by the Group pertains to the discount rate for the debt securities and investment contracts. The unobservable inputs for determining the fair value of these instruments include the obligor's credit spread and/or the liquidity spread. A significant increase/(decrease) in any of the unobservable input may result in a significantly lower/(higher) fair value measurement. The Group has subscriptions to private pricing services for gathering such information. If the information from private pricing services is not available, the Group uses the proxy pricing method based on internally-developed valuation inputs.

18. Cash and cash equivalents

US\$m	As at 30 June 2023 (Unaudited)	As at 31 December 2022
Cash	3,373	3,367
Cash equivalents	4,018	5,602
Total⁽¹⁾	<u>7,391</u>	<u>8,969</u>

Note:

- (1) US\$1,331m (31 December 2022: US\$1,462m) are held to back unit-linked contracts and US\$47m (31 December 2022: US\$43m) are held by consolidated investment funds. In preparing the interim condensed consolidated financial statements, the Group enhanced the presentation to further split and allocate the underlying assets held by consolidated investment funds to the respective fund segments of the asset-backing liabilities. Where consolidated investment funds are held by third-party unit holders, these continue to be classified under consolidated investment funds.

Cash comprises cash at bank and cash in hand. Cash equivalents comprise bank deposits and highly liquid short-term investments with maturities at acquisition of three months or less and money market funds that are convertible into known amounts of cash and subject to insignificant risk of changes in value. Accordingly, all such amounts are expected to be realised within 12 months after the end of the reporting period.

19. Insurance contracts and reinsurance contracts held

MOVEMENT IN CARRYING AMOUNTS

The following reconciliations show how the net carrying amounts of insurance contracts and reinsurance contracts held changed during the period as a result of cash flows and amounts recognised in the interim consolidated income statement and interim consolidated statement of comprehensive income. The Group presents a table separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the interim consolidated income statement and interim consolidated statement of comprehensive income. A second reconciliation is presented for contracts not measured under the premium allocation approach, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the contractual service margin.

The estimates of the present value of future cash flows from insurance and reinsurance contract assets represent the Group's maximum exposure to credit risk from these assets.

19. Insurance contracts and reinsurance contracts held (continued)

MOVEMENT IN CARRYING AMOUNTS (continued)

Analysis by remaining coverage and incurred claims of insurance contracts not measured under the premium allocation approach

		Six months ended 30 June 2023 (Unaudited)			
		Liabilities for remaining coverage		Liabilities for incurred claims	Total
US\$m	Notes	Excluding loss component	Loss component		
Opening assets		(1,230)	20	640	(570)
Opening liabilities		176,319	250	7,003	183,572
Net opening balance		175,089	270	7,643	183,002
Insurance revenue	8	(7,302)	-	-	(7,302)
Insurance service expenses					
Incurred claims and other insurance service expenses		-	(44)	4,382	4,338
Amortisation of insurance acquisition cash flows		449	-	-	449
Losses and reversal of losses on onerous contracts		-	74	-	74
Adjustments to liabilities for incurred claims		-	-	(467)	(467)
Total insurance service expenses		449	30	3,915	4,394
Investment components		(5,774)	-	5,774	-
Other changes		(7)	-	7	-
Insurance service result		(12,634)	30	9,696	(2,908)
Net finance expenses from insurance contracts	9	10,105	4	184	10,293
Effect of movements in exchange rates		(3,145)	1	(252)	(3,396)
Total changes in the interim consolidated income statement and interim consolidated statement of comprehensive income		(5,674)	35	9,628	3,989
Cash flows					
Premiums received		19,255	-	-	19,255
Claims and other insurance service expenses paid, including investment components		-	-	(11,718)	(11,718)
Insurance acquisition cash flows paid		(3,149)	-	-	(3,149)
Other amounts received		-	-	1,931	1,931
Total cash flows		16,106	-	(9,787)	6,319
Adjusted for:					
Non-cash operating expenses		(78)	-	(34)	(112)
Other non-cash items		(165)	-	-	(165)
Total non-cash items		(243)	-	(34)	(277)
Net closing balance		185,278	305	7,450	193,033
Closing assets		(935)	33	587	(315)
Closing liabilities		186,213	272	6,863	193,348
Net closing balance		185,278	305	7,450	193,033

19. Insurance contracts and reinsurance contracts held (continued)

MOVEMENT IN CARRYING AMOUNTS (continued)

Analysis by remaining coverage and incurred claims of insurance contracts not measured under the premium allocation approach (continued)

US\$m	Year ended 31 December 2022			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component		
Opening assets	(2,753)	10	625	(2,118)
Opening liabilities	210,450	204	7,875	218,529
Net opening balance	207,697	214	8,500	216,411
Insurance revenue	(14,524)	–	–	(14,524)
Insurance service expenses				
Incurred claims and other insurance service expenses	–	(68)	8,371	8,303
Amortisation of insurance acquisition cash flows	696	–	–	696
Losses and reversal of losses on onerous contracts	–	129	–	129
Adjustments to liabilities for incurred claims	–	–	(259)	(259)
Total insurance service expenses	696	61	8,112	8,869
Investment components	(10,674)	–	10,674	–
Other changes	(14)	–	14	–
Insurance service result	(24,516)	61	18,800	(5,655)
Net finance (income)/expenses from insurance contracts	(35,058)	3	(460)	(35,515)
Effect of movements in exchange rates	(5,145)	(8)	(493)	(5,646)
Total changes in the consolidated income statement and consolidated statement of comprehensive income	(64,719)	56	17,847	(46,816)
Cash flows				
Premiums received	38,174	–	–	38,174
Claims and other insurance service expenses paid, including investment components	–	–	(21,550)	(21,550)
Insurance acquisition cash flows paid	(5,536)	–	–	(5,536)
Other amounts received	–	–	2,902	2,902
Total cash flows	32,638	–	(18,648)	13,990
Adjusted for:				
Non-cash operating expenses	(184)	–	(56)	(240)
Other non-cash items	(343)	–	–	(343)
Total non-cash items	(527)	–	(56)	(583)
Net closing balance	175,089	270	7,643	183,002
Closing assets	(1,230)	20	640	(570)
Closing liabilities	176,319	250	7,003	183,572
Net closing balance	175,089	270	7,643	183,002

19. Insurance contracts and reinsurance contracts held (continued)

MOVEMENT IN CARRYING AMOUNTS (continued)

Analysis by measurement component of insurance contracts not measured under the premium allocation approach

US\$m	Notes	Six months ended 30 June 2023 (Unaudited)			
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets		(8,689)	739	7,380	(570)
Opening liabilities		135,747	2,796	45,029	183,572
Net opening balance		127,058	3,535	52,409	183,002
Insurance service result					
Changes that relate to current services					
CSM recognised for services provided	8	-	-	(2,729)	(2,729)
Change in risk adjustment for non-financial risk		-	(60)	-	(60)
Experience adjustments		335	-	-	335
Others		(61)	-	-	(61)
Changes that relate to future services					
Contracts initially recognised in the period		(3,524)	210	3,377	63
Changes in estimates that adjust the CSM		456	126	(582)	-
Changes in estimates that result in losses and reversal of losses on onerous contracts		(11)	22	-	11
Changes that relate to past services		(414)	(53)	-	(467)
Total insurance service result		(3,219)	245	66	(2,908)
Net finance expenses					
from insurance contracts	9	9,707	-	586	10,293
Effect of movements in exchange rates		(2,154)	(97)	(1,145)	(3,396)
Total changes in the interim consolidated income statement and interim consolidated statement of comprehensive income		4,334	148	(493)	3,989
Cash flows		6,319	-	-	6,319
Non-cash operating expenses		(112)	-	-	(112)
Other non-cash items		(165)	-	-	(165)
Net closing balance		137,434	3,683	51,916	193,033
Closing assets		(8,478)	786	7,377	(315)
Closing liabilities		145,912	2,897	44,539	193,348
Net closing balance		137,434	3,683	51,916	193,033

19. Insurance contracts and reinsurance contracts held (continued)

MOVEMENT IN CARRYING AMOUNTS (continued)

Analysis by measurement component of insurance contracts not measured under the premium allocation approach (continued)

US\$m	Year ended 31 December 2022			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets	(10,154)	796	7,240	(2,118)
Opening liabilities	167,514	3,097	47,918	218,529
Net opening balance	157,360	3,893	55,158	216,411
Insurance service result				
Changes that relate to current services				
CSM recognised for services provided	–	–	(5,363)	(5,363)
Change in risk adjustment for non-financial risk	–	(179)	–	(179)
Experience adjustments	151	–	–	151
Others	(134)	–	–	(134)
Changes that relate to future services				
Contracts initially recognised in the year	(6,358)	450	5,983	75
Changes in estimates that adjust the CSM	2,783	(364)	(2,419)	–
Changes in estimates that result in losses and reversal of losses on onerous contracts	71	(17)	–	54
Changes that relate to past services	(186)	(73)	–	(259)
Total insurance service result	(3,673)	(183)	(1,799)	(5,655)
Net finance (income)/expenses from insurance contracts	(36,703)	–	1,188	(35,515)
Effect of movements in exchange rates	(3,333)	(175)	(2,138)	(5,646)
Total changes in the consolidated income statement and consolidated statement of comprehensive income	(43,709)	(358)	(2,749)	(46,816)
Cash flows	13,990	–	–	13,990
Non-cash operating expenses	(240)	–	–	(240)
Other non-cash items	(343)	–	–	(343)
Net closing balance	127,058	3,535	52,409	183,002
Closing assets	(8,689)	739	7,380	(570)
Closing liabilities	135,747	2,796	45,029	183,572
Net closing balance	127,058	3,535	52,409	183,002

19. Insurance contracts and reinsurance contracts held (continued)

MOVEMENT IN CARRYING AMOUNTS (continued)

Analysis by remaining coverage and incurred claims of reinsurance contracts held not measured under the premium allocation approach

		Six months ended 30 June 2023 (Unaudited)			
		Asset for remaining coverage		Asset for incurred claims	Total
US\$m	Note	Excluding loss- recovery component	Loss- recovery component		
Opening assets		2,044	124	3,537	5,705
Opening liabilities		(775)	6	374	(395)
Net opening balance		1,269	130	3,911	5,310
Changes in the interim consolidated income statement and interim consolidated statement of comprehensive income					
Net (expenses)/income from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		(868)	6	684	(178)
Effect of changes in non-performance risk of reinsurers		-	-	-	-
Net (expenses)/income from reinsurance contracts held		(868)	6	684	(178)
Investment components		(67)	-	67	-
Other changes		-	-	-	-
Net finance income from reinsurance contracts held	9	168	-	90	258
Effect of movements in exchange rates		48	(3)	(127)	(82)
Total changes in the interim consolidated income statement and interim consolidated statement of comprehensive income		(719)	3	714	(2)
Cash flows					
Premiums paid		888	-	-	888
Amounts received		-	-	(727)	(727)
Other amounts paid		-	-	2	2
Total cash flows		888	-	(725)	163
Adjusted for:					
Non-cash operating expenses		-	-	-	-
Other non-cash items		-	-	-	-
Total non-cash items		-	-	-	-
Net closing balance		1,438	133	3,900	5,471
Closing assets		2,072	126	3,507	5,705
Closing liabilities		(634)	7	393	(234)
Net closing balance		1,438	133	3,900	5,471

19. Insurance contracts and reinsurance contracts held (continued)

MOVEMENT IN CARRYING AMOUNTS (continued)

Analysis by remaining coverage and incurred claims of reinsurance contracts held not measured under the premium allocation approach (continued)

US\$m	Year ended 31 December 2022			Total
	Asset for remaining coverage		Asset for incurred claims	
	Excluding loss-recovery component	Loss-recovery component		
Opening assets	2,410	124	3,815	6,349
Opening liabilities	(1,035)	2	324	(709)
Net opening balance	1,375	126	4,139	5,640
Changes in the consolidated income statement and consolidated statement of comprehensive income				
Net (expenses)/income from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)	(2,045)	10	1,654	(381)
Effect of changes in non-performance risk of reinsurers	–	–	–	–
Net (expenses)/income from reinsurance contracts held	(2,045)	10	1,654	(381)
Investment components	(139)	–	139	–
Other changes	–	–	–	–
Net finance income/(expenses) from reinsurance contracts held	85	1	(259)	(173)
Effect of movements in exchange rates	50	(7)	(258)	(215)
Total changes in the consolidated income statement and consolidated statement of comprehensive income	(2,049)	4	1,276	(769)
Cash flows				
Premiums paid	1,943	–	–	1,943
Amounts received	–	–	(1,509)	(1,509)
Other amounts paid	–	–	4	4
Total cash flows	1,943	–	(1,505)	438
Adjusted for:				
Non-cash operating expenses	–	–	1	1
Other non-cash items	–	–	–	–
Total non-cash items	–	–	1	1
Net closing balance	1,269	130	3,911	5,310
Closing assets	2,044	124	3,537	5,705
Closing liabilities	(775)	6	374	(395)
Net closing balance	1,269	130	3,911	5,310

19. Insurance contracts and reinsurance contracts held (continued)

MOVEMENT IN CARRYING AMOUNTS (continued)

Analysis by measurement component of reinsurance contracts held not measured under the premium allocation approach

US\$m	Note	Six months ended 30 June 2023 (Unaudited)			
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets		3,356	523	1,826	5,705
Opening liabilities		(1,007)	254	358	(395)
Net opening balance		2,349	777	2,184	5,310
Net (expenses)/income from reinsurance contracts held					
Changes that relate to current services					
CSM recognised for services received		-	-	(111)	(111)
Change in risk adjustment for non-financial risk		-	1	-	1
Experience adjustments		20	-	-	20
Changes that relate to future services					
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		-	-	7	7
Contracts initially recognised in the period		-	23	(23)	-
Changes in estimates that adjust the CSM		(207)	30	177	-
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts		(1)	-	-	(1)
Changes that relate to past services		(80)	(14)	-	(94)
Effect of changes in non-performance risk of reinsurers		-	-	-	-
Total net (expenses)/income from reinsurance contracts held		(268)	40	50	(178)
Net finance income from reinsurance contracts held	9	228	-	30	258
Effect of movements in exchange rates		38	(25)	(95)	(82)
Total changes in the interim consolidated income statement and interim consolidated statement of comprehensive income		(2)	15	(15)	(2)
Cash flows		163	-	-	163
Non-cash operating expenses		-	-	-	-
Other non-cash items		-	-	-	-
Net closing balance		2,510	792	2,169	5,471
Closing assets		3,383	540	1,782	5,705
Closing liabilities		(873)	252	387	(234)
Net closing balance		2,510	792	2,169	5,471

19. Insurance contracts and reinsurance contracts held (continued)

MOVEMENT IN CARRYING AMOUNTS (continued)

Analysis by measurement component of reinsurance contracts held not measured under the premium allocation approach (continued)

US\$m	Year ended 31 December 2022			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets	3,785	750	1,814	6,349
Opening liabilities	(1,377)	270	398	(709)
Net opening balance	2,408	1,020	2,212	5,640
Net (expenses)/income from reinsurance contracts held				
Changes that relate to current services				
CSM recognised for services received	–	–	(242)	(242)
Change in risk adjustment for non-financial risk	–	(43)	–	(43)
Experience adjustments	(198)	–	–	(198)
Changes that relate to future services				
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	–	–	11	11
Contracts initially recognised in the year	12	47	(59)	–
Changes in estimates that adjust the CSM	(171)	(160)	331	–
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts	(1)	–	–	(1)
Changes that relate to past services	113	(21)	–	92
Effect of changes in non-performance risk of reinsurers	–	–	–	–
Total net (expenses)/income from reinsurance contracts held	(245)	(177)	41	(381)
Net finance expenses from reinsurance contracts held	(151)	–	(22)	(173)
Effect of movements in exchange rates	(102)	(66)	(47)	(215)
Total changes in the consolidated income statement and consolidated statement of comprehensive income	(498)	(243)	(28)	(769)
Cash flows	438	–	–	438
Non-cash operating expenses	1	–	–	1
Other non-cash items	–	–	–	–
Net closing balance	2,349	777	2,184	5,310
Closing assets	3,356	523	1,826	5,705
Closing liabilities	(1,007)	254	358	(395)
Net closing balance	2,349	777	2,184	5,310

19. Insurance contracts and reinsurance contracts held (continued)

MOVEMENT IN CARRYING AMOUNTS (continued)

Analysis by remaining coverage and incurred claims of insurance contracts measured under the premium allocation approach

		Six months ended 30 June 2023 (Unaudited)					
		Liabilities for remaining coverage		Liabilities for incurred claims			
US\$m	Notes	Excluding loss component	Loss component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Total	
Opening assets		-	-	1	-	1	
Opening liabilities		308	-	412	18	738	
Net opening balance		308	-	413	18	739	
Insurance revenue	8	(1,050)	-	-	-	(1,050)	
Insurance service expenses							
Incurred claims and other insurance service expenses		-	-	883	10	893	
Amortisation of insurance acquisition cash flows		153	-	-	-	153	
Losses and reversal of losses on onerous contracts		-	-	-	-	-	
Adjustments to liabilities for incurred claims		-	-	(87)	(9)	(96)	
Total insurance service expenses		153	-	796	1	950	
Investment components		(4)	-	4	-	-	
Other changes		(2)	-	2	-	-	
Insurance service result		(903)	-	802	1	(100)	
Net finance expenses from insurance contracts	9	-	-	-	-	-	
Effect of movements in exchange rates		(11)	-	29	-	18	
Total changes in the interim consolidated income statement and interim consolidated statement of comprehensive income		(914)	-	831	1	(82)	
Cash flows							
Premiums received		1,227	-	-	-	1,227	
Claims and other insurance service expenses paid, including investment components		-	-	(823)	-	(823)	
Insurance acquisition cash flows paid		(165)	-	-	-	(165)	
Other amounts received		-	-	-	-	-	
Total cash flows		1,062	-	(823)	-	239	
Adjusted for:							
Non-cash operating expenses		(5)	-	(2)	-	(7)	
Other non-cash items		-	-	-	-	-	
Total non-cash items		(5)	-	(2)	-	(7)	
Net closing balance		451	-	419	19	889	
Closing assets		-	-	-	-	-	
Closing liabilities		451	-	419	19	889	
Net closing balance		451	-	419	19	889	

19. Insurance contracts and reinsurance contracts held (continued)

MOVEMENT IN CARRYING AMOUNTS (continued)

Analysis by remaining coverage and incurred claims of insurance contracts measured under the premium allocation approach (continued)

US\$m	Year ended 31 December 2022				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	
Opening assets	1	-	-	-	1
Opening liabilities	285	-	372	18	675
Net opening balance	286	-	372	18	676
Insurance revenue	(1,795)	-	-	-	(1,795)
Insurance service expenses					
Incurred claims and other insurance service expenses	-	-	1,391	11	1,402
Amortisation of insurance acquisition cash flows	207	-	-	-	207
Losses and reversal of losses on onerous contracts	-	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	(34)	(10)	(44)
Total insurance service expenses	207	-	1,357	1	1,565
Investment components	(2)	-	2	-	-
Other changes	(3)	-	3	-	-
Insurance service result	(1,593)	-	1,362	1	(230)
Net finance income from insurance contracts	-	-	-	-	-
Effect of movements in exchange rates	(14)	-	(9)	(1)	(24)
Total changes in the consolidated income statement and consolidated statement of comprehensive income	(1,607)	-	1,353	-	(254)
Cash flows					
Premiums received	1,834	-	-	-	1,834
Claims and other insurance service expenses paid, including investment components	(1)	-	(1,309)	-	(1,310)
Insurance acquisition cash flows paid	(200)	-	-	-	(200)
Other amounts received	-	-	-	-	-
Total cash flows	1,633	-	(1,309)	-	324
Adjusted for:					
Non-cash operating expenses	(4)	-	(3)	-	(7)
Other non-cash items	-	-	-	-	-
Total non-cash items	(4)	-	(3)	-	(7)
Net closing balance	308	-	413	18	739
Closing assets	-	-	1	-	1
Closing liabilities	308	-	412	18	738
Net closing balance	308	-	413	18	739

19. Insurance contracts and reinsurance contracts held (continued)

MOVEMENT IN CARRYING AMOUNTS (continued)

Analysis by measurement component of reinsurance contracts held measured under the premium allocation approach

		Six months ended 30 June 2023 (Unaudited)				
		Asset for remaining coverage		Asset for incurred claims		
US\$m	Note	Excluding loss-recovery component	Loss-recovery component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets		(248)	-	304	2	58
Opening liabilities		(77)	-	65	1	(11)
Net opening balance		(325)	-	369	3	47
Changes in the interim consolidated income statement and interim consolidated statement of comprehensive income						
Net (expenses)/income from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		(154)	-	130	-	(24)
Effect of changes in non-performance risk of reinsurers		-	-	-	-	-
Net (expenses)/income from reinsurance contracts held		(154)	-	130	-	(24)
Investment components		(15)	-	15	-	-
Other changes		-	-	-	-	-
Net finance income from reinsurance contracts held	9	1	-	-	-	1
Effect of movements in exchange rates		9	-	(10)	-	(1)
Total changes in the interim consolidated income statement and interim consolidated statement of comprehensive income		(159)	-	135	-	(24)
Cash flows						
Premiums paid		178	-	1	-	179
Amounts paid/(received)		1	-	(142)	-	(141)
Other amounts paid		-	-	1	-	1
Total cash flows		179	-	(140)	-	39
Adjusted for:						
Non-cash operating expenses		-	-	-	-	-
Other non-cash items		-	-	-	-	-
Total non-cash items		-	-	-	-	-
Net closing balance		(305)	-	364	3	62
Closing assets		(288)	-	358	2	72
Closing liabilities		(17)	-	6	1	(10)
Net closing balance		(305)	-	364	3	62

19. Insurance contracts and reinsurance contracts held (continued)

MOVEMENT IN CARRYING AMOUNTS (continued)

Analysis by measurement component of reinsurance contracts held measured under the premium allocation approach (continued)

US\$m	Year ended 31 December 2022				Total
	Asset for remaining coverage		Asset for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	
Opening assets	(191)	–	275	3	87
Opening liabilities	(5)	–	5	–	–
Net opening balance	(196)	–	280	3	87
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Net (expenses)/income from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)	(289)	–	251	–	(38)
Effect of changes in non-performance risk of reinsurers	–	–	–	–	–
Net (expenses)/income from reinsurance contracts held	(289)	–	251	–	(38)
Investment components	(28)	–	28	–	–
Other changes	–	–	–	–	–
Net finance expenses from reinsurance contracts held	(8)	–	–	–	(8)
Effect of movements in exchange rates	17	–	(11)	–	6
Total changes in the consolidated income statement and consolidated statement of comprehensive income	(308)	–	268	–	(40)
Cash flows					
Premiums paid	179	–	–	–	179
Amounts paid/(received)	1	–	(181)	–	(180)
Other amounts (received)/paid	(1)	–	2	–	1
Total cash flows	179	–	(179)	–	–
Adjusted for:					
Non-cash operating expenses	–	–	–	–	–
Other non-cash items	–	–	–	–	–
Total non-cash items	–	–	–	–	–
Net closing balance	(325)	–	369	3	47
Closing assets	(248)	–	304	2	58
Closing liabilities	(77)	–	65	1	(11)
Net closing balance	(325)	–	369	3	47

19. Insurance contracts and reinsurance contracts held (continued)

FULFILMENT CASH FLOWS

Estimates of future cash flows

The Group's objective in estimating future cash flows is to determine the expected value or probability-weighted mean of the full range of possible outcomes. The Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Group's view of current conditions at the reporting date and the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Group takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows are within the boundary of a contract if they arise from substantive right and obligations that exist during the reporting period. They relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance and administration costs, and recurring commissions payable on instalment premiums receivable within the contract boundary.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Methodology and assumptions

Mortality

Assumptions have been developed by each business unit based on their recent historical experience, and their expectations of current and expected future experience including mortality improvement. Where historical experience is not credible, reference has been made to pricing assumptions supplemented by market data, where available.

Mortality assumptions have been expressed as a percentage of either standard industry experience tables or, where experience is sufficiently credible, as a percentage of tables that have been developed internally by the Group.

Morbidity

Assumptions have been developed by each business unit based on their recent historical experience, and their expectations of current and expected future experience. Morbidity rate assumptions have been expressed as a percentage of standard industry experience tables or as expected claims ratios.

19. Insurance contracts and reinsurance contracts held (continued)

FULFILMENT CASH FLOWS (continued)

Methodology and assumptions (continued)

Persistency

Persistency covers the assumptions required, where relevant, for policy lapse (including surrender), premium persistency, premium holidays, partial withdrawals, policy loan take up and repayment and retirement rates for pension products.

Assumptions have been developed by each of the business units based on their recent historical experience, and their best estimate expectations of currency and expected future experience. Persistency assumptions would vary by policy year and product type with different rates for regular and single premium products where appropriate.

Where experience for a particular product was not credible enough to allow any meaningful analysis to be performed, experience for similar products was used as a basis for future persistency experience assumptions.

In the case of surrenders, the valuation assumes that current surrender value bases will continue to apply in the future.

Expenses

The expense assumptions have been set based on the most recent expense analysis. The purpose of the expense analysis is to allocate total expenses between acquisition, maintenance and other activities, and then to allocate these acquisition and maintenance expenses that can be directly attributed to the portfolio of insurance contracts to derive unit cost assumptions.

Where the expenses associated with certain activities have been identified as being one-off, these expenses have been excluded from the expense analysis.

Expense assumptions have been determined for acquisition and maintenance activities that can be directly attributed to the portfolio of insurance contracts, split by product type, and unit costs expressed as a percentage of premiums, sum assured and an amount per policy. Where relevant, expense assumptions have been calculated per distribution channel.

Expense assumptions do not make allowance for any anticipated future expense savings as a result of any strategic initiatives aimed at improving policy administration and claims handling efficiency.

Assumptions for commission rates and other sales-related payments have been set in line with actual experience.

Reinsurance

Reinsurance assumptions have been developed by each business unit based on the reinsurance arrangements in-force as at the reporting date and the recent historical and expected future experience.

19. Insurance contracts and reinsurance contracts held (continued)

FULFILMENT CASH FLOWS (continued)

Methodology and assumptions (continued)

Policyholder dividends, profit sharing and interest crediting

The projected policyholder dividends, profit sharing and interest crediting assumptions set by each business unit reflect contractual and regulatory requirements, policyholders' reasonable expectations (where clearly defined) and each business unit's best estimate of future policies, strategies and operations consistent with the investment return assumptions.

Participating funds and other participating business with distinct portfolios surpluses have been assumed to be distributed between policyholders and shareholders via future final bonuses or at the end of the projection period so that there are no residual assets at the end of the projection period.

The assumed estimated crediting rates and participation percentages are generally based on the actual rates and percentages applied in the current period. The crediting rates applied vary between products and Group entities; in the current economic environment, the amounts credited are often determined by interest rate guarantees.

An adjustment to reflect the time value of money and the financial risks related to future cash flows

The Group adjusts the estimate of future cash flows to reflect the time value of money and the financial risks related to those cash flows. The cash flows are discounted by the discount rates to reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts.

The top-down approach has been primarily adopted for the derivation of discount rates. A top-down approach starts with considering a yield curve that reflects the current market rates of return of a reference portfolio of assets that have similar characteristics of the insurance contracts, and adjust this downwards to eliminate any factors not relevant to the insurance contracts (primarily the allowance for credit risk). The assessment of credit risk premium is done on external and internal ratings when the reference portfolio contains assets which are locally rated. Alternatively, a bottom-up approach could be used under which discount rates are determined by adjusting the liquid risk-free yield curve to reflect the liquidity characteristics of the insurance contracts.

In constructing the discount rates, market observable rates are used up to the last available market data point which is reliable and also relevant in reflecting the characteristics of the insurance contracts. The market observable rates are extrapolated between this point and an ultimate forward rate derived using long-term estimates by applying generally accepted technique such as Smith-Wilson method etc.

19. Insurance contracts and reinsurance contracts held (continued)

FULFILMENT CASH FLOWS (continued)

Methodology and assumptions (continued)

An adjustment to reflect the time value of money and the financial risks related to future cash flows (continued)

The table below sets out the spot rates used to discount the cash flows of insurance contracts for major currencies. To reflect the liquidity characteristics of the insurance contracts, the risk-free spot rates are adjusted by an illiquidity premium.

As at 30 June 2023 –
Unaudited

Spot rates	1 year		5 years		10 years		15 years		20 years	
	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
USD	5.27%	5.60%	4.05%	5.12%	3.76%	5.03%	3.81%	5.08%	4.12%	5.33%
HKD	4.82%	5.15%	4.02%	5.08%	3.77%	5.04%	3.79%	5.07%	4.11%	5.31%
CNY	1.86%	2.37%	2.44%	2.88%	2.67%	3.00%	2.85%	3.19%	2.99%	3.40%
SGD	3.52%	5.23%	3.03%	4.09%	2.90%	4.09%	2.67%	3.88%	2.37%	3.57%
MYR	3.27%	3.76%	3.62%	4.03%	3.91%	4.22%	4.08%	4.41%	4.18%	4.57%
THB	2.05%	2.40%	2.34%	2.94%	2.62%	3.32%	2.97%	3.75%	3.22%	4.04%

As at 31 December 2022

Spot rates	1 year		5 years		10 years		15 years		20 years	
	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
USD	4.62%	4.96%	3.88%	4.92%	3.75%	5.20%	3.84%	5.42%	4.10%	5.69%
HKD	4.85%	5.19%	3.96%	4.99%	3.78%	5.22%	3.82%	5.40%	4.08%	5.66%
CNY	2.09%	2.63%	2.66%	3.29%	2.88%	3.47%	3.04%	3.72%	3.16%	3.88%
SGD	3.88%	5.15%	2.84%	4.56%	3.07%	4.97%	2.92%	4.80%	2.59%	4.39%
MYR	3.25%	3.86%	3.88%	4.36%	4.09%	4.67%	4.36%	5.02%	4.46%	5.18%
THB	1.38%	1.83%	1.98%	2.62%	2.74%	3.59%	3.34%	4.33%	3.75%	4.79%

For the insurance contracts with cash flows that vary based on the returns on any financial underlying items, the Group applies risk-neutral measurement techniques. Stochastic modelling is applied for insurance contracts with significant financial options and guarantees to estimate the expected present value. A large number of possible economic scenarios for market variables such as interest rates and equity returns are considered using risk neutral approach and consistent with market observable price.

19. Insurance contracts and reinsurance contracts held (continued)

RISK ADJUSTMENTS FOR NON-FINANCIAL RISK

Risk adjustments for non-financial risk are generally determined by considering the expected cash flows arising from insurance contracts in each segment for each of the geographical markets in which the Group operates, consistent with the way that non-financial risk is managed. Risk adjustments are determined separately from estimates from the present value of future cash flows, using the confidence level technique.

Applying a confidence level technique, the Group estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at 75th percentile (the target confidence level) over the expected present value of the future cash flows.

CONTRACTUAL SERVICE MARGIN

The CSM of a group of contracts is recognised as insurance revenue in each period based on the number of coverage units provided in the period, which is determined by considering for each contract the quantity of the services provided, its expected coverage period and time value of money.

For a group of contracts that is onerous at the start of a reporting period and becomes profitable subsequently that CSM is recognised during the reporting period, the total amount of recognised CSM is released to profit or loss if there are no more future coverage units.

INVESTMENT COMPONENTS

The Group identifies the investment component of an insurance contract by determining the amount that it would be required to repay to the policyholder in all circumstances, regardless of whether an insured event occurs. Investment components are excluded from insurance revenue and insurance service expenses. Generally, for relevant contracts, surrender value would be determined as an investment component.

20. Investment contracts

Investment contract liabilities include deferred fee income of US\$213m (31 December 2022: US\$230m).

21. Borrowings

	As at 30 June 2023 (Unaudited)	As at 31 December 2022
US\$m		
Medium-term notes and securities		
Senior notes	7,571	7,480
Subordinated securities	3,739	3,726
Total	11,310	11,206

21. Borrowings (continued)

The following table summarises the Company's outstanding medium-term notes and securities placed to the market at 30 June 2023:

SENIOR NOTES

Issue date	Nominal amount	Interest rate	Tenor at issue	Maturity
11 March 2014 ⁽¹⁾	US\$500m	4.875%	30 years	11 March 2044
11 March 2015 ⁽¹⁾	US\$750m	3.200%	10 years	11 March 2025
16 March 2016 ⁽¹⁾	US\$750m	4.500%	30 years	16 March 2046
23 May 2017 ⁽²⁾	US\$500m	4.470%	30 years	23 May 2047
6 April 2018 ⁽¹⁾	US\$500m	3.900%	10 years	6 April 2028
16 January 2019	HK\$1,100m	3.680%	12 years	16 January 2031
9 April 2019 ⁽¹⁾	US\$1,000m	3.600%	10 years	9 April 2029
7 April 2020 ⁽¹⁾	US\$1,000m	3.375%	10 years	7 April 2030
24 June 2020	A\$90m	2.950%	10 years	24 June 2030
29 March 2022	HK\$6,500m	2.250%	1.99 years	28 March 2024
24 October 2022	HK\$1,200m	5.040%	2.99 years	17 October 2025
25 October 2022 ⁽¹⁾	US\$850m	5.625%	5 years	25 October 2027
4 April 2023 ⁽¹⁾	US\$600m	4.950%	10 years	4 April 2033

SUBORDINATED SECURITIES

Issue date	Nominal amount	Interest rate	Tenor at issue	Maturity
16 September 2020 ⁽¹⁾	US\$1,750m	3.200%	20 years	16 September 2040
7 April 2021 ⁽¹⁾⁽³⁾⁽⁴⁾	US\$750m	2.700%	Perpetual	n/a
11 June 2021 ⁽¹⁾⁽³⁾⁽⁴⁾	SG\$500m	2.900%	Perpetual	n/a
9 September 2021 ⁽¹⁾⁽³⁾⁽⁴⁾	EUR750m	0.880%	12 years	9 September 2033
19 October 2021 ⁽¹⁾⁽³⁾⁽⁴⁾	SG\$105m	3.000%	30 years	19 October 2051

Notes:

- (1) These medium-term notes and securities are listed on The Stock Exchange of Hong Kong Limited.
- (2) These medium-term notes are listed on The Taipei Exchange, Taiwan. The Company has the right to redeem these notes at par on 23 May of each year beginning on 23 May 2022.
- (3) The Company has the right to redeem these securities, in whole, at par on predetermined dates as set out within the terms and conditions of the securities, subject to regulatory approval.
- (4) The coupon rate of these securities is fixed for a predetermined period as set out within the terms and conditions of the securities, and then resets to the initial spread plus a then prevailing benchmark rate if the securities have not been redeemed.

The net proceeds from issuance during the six months ended 30 June 2023 are used for refinancing and general corporate purposes.

The Group has access to an aggregate of US\$2,290m unsecured committed credit facilities, which includes a US\$100m revolving credit facility expiring in 2024 and a US\$2,190m credit facility expiring in 2026. The credit facilities will be used for general corporate purposes. There were no outstanding borrowings under these credit facilities as of 30 June 2023 and 31 December 2022.

22. Obligations under repurchase agreements

The Group has entered into repurchase agreements whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. At 30 June 2023, the obligations under repurchase agreements were US\$2,000m (31 December 2022: US\$1,748m).

The securities sold under repurchase agreements continue to be recognised within the appropriate financial asset classification. A liability is established for the consideration received. During the term of the repurchase agreements, the Group is restricted from selling or pledging the transferred debt securities. The following table specifies the amounts included within financial investments subject to repurchase agreements which do not qualify for de-recognition at each period end:

US\$m	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Restated)
Debt securities – FVOCI Repurchase agreements	1,772	1,769
Debt securities – FVTPL Repurchase agreements	445	112
Total	2,217	1,881

COLLATERAL UNDER REPURCHASE AGREEMENTS

At 30 June 2023 and 31 December 2022, there was no material collateral in respect of repurchase agreements.

23. Share capital and reserves

SHARE CAPITAL

	As at 30 June 2023		As at 31 December 2022	
	Million shares (Unaudited)	US\$m (Unaudited)	Million shares	US\$m
Ordinary shares⁽¹⁾, issued and fully paid				
At beginning of the financial period	11,781	14,171	12,097	14,160
Shares issued under share option scheme and agency share purchase plan	1	4	3	11
Shares cancelled after repurchase under the share buy-back programme ⁽²⁾	(197)	–	(319)	–
At end of the financial period, issued and fully paid	11,585	14,175	11,781	14,171
Shares not yet cancelled after repurchase under the share buy-back programme ⁽²⁾	(34)	–	(47)	–
At end of the financial period, outstanding	11,551	14,175	11,734	14,171

Notes:

- (1) Ordinary shares have no nominal value and there is no obligation to transfer cash or other assets to the holders of ordinary shares.
- (2) During the six months ended 30 June 2023, the Company acquired a total of 184,612,000 ordinary shares on the Hong Kong Stock Exchange with the aggregate cost amounting to approximately HK\$15,405m (equivalent to approximately US\$1,966m). Of these shares, 149,923,600 shares were cancelled during the period and 34,688,400 shares were in the process of share cancellation as at 30 June 2023 and were cancelled subsequent to the reporting date on 7 July 2023.

The Company issued 573,823 shares under share option scheme (year ended 31 December 2022: 1,895,760 shares) and 986,359 shares under agency share purchase plan (year ended 31 December 2022: 1,119,763 shares) during the six months ended 30 June 2023.

During the six months ended 30 June 2023, the employee share-based trusts purchased 9,806,139 shares (year ended 31 December 2022: 9,933,820 shares) and sold nil shares (year ended 31 December 2022: nil). These purchases were made by the relevant scheme trustees on the Hong Kong Stock Exchange (HKSE). These shares are held on trust for participants of the relevant schemes and therefore were not cancelled.

During the six months ended 30 June 2023, 4,991,984 shares (six months ended 30 June 2022: 5,671,209 shares) were transferred to eligible directors, officers and employees of the Group from the employee share-based trusts under share-based compensation plans as a result of vesting. As at 30 June 2023, 38,174,554 shares (31 December 2022: 33,360,398 shares) of the Company were held by the employee share-based trusts.

23. Share capital and reserves (continued)

RESERVES

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of debt securities measured at fair value through other comprehensive income held at the end of the reporting period plus the related loss allowance recognised in profit or loss until the assets are derecognised.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

Insurance finance reserve

The insurance finance reserve comprises the cumulative insurance finance income or expenses recognised in other comprehensive income.

Employee share-based trusts

Trusts have been established to acquire shares of the Company for distribution to participants in future periods through the share-based compensation plans. Where the Group is deemed to control the trusts, they are consolidated. Those shares acquired by the trusts, to the extent not transferred to the participants upon vesting, are reported as "Employee share-based trusts" and carried at cost.

Property revaluation reserve

Property revaluation reserve comprises the cumulative net change in the revalued amount of property held for own use at the end of the reporting period. Property revaluation surplus is not considered to be a realised profit available for distribution to shareholders.

Other reserves

Other reserves mainly include the impact of merger accounting for business combinations under common control and share-based compensation.

24. Group capital structure

Capital Management Approach

The Group's capital management objectives focus on maintaining a strong capital base to support the development of its business, maintaining the ability to move capital freely among Group members and satisfying regulatory capital requirements at all times.

The Group's capital management function oversees all capital-related activities of the Group and assists senior management in making capital decisions. The capital management function participates in decisions concerning asset-liability management, strategic asset allocation and ongoing solvency management. This includes ensuring capital considerations are paramount in the strategy and business planning processes and when determining AIA's capacity to pay dividends to shareholders.

Group-wide Supervision Framework and the Local Capital Summation Method

The Group supervisor is the Hong Kong Insurance Authority (HKIA) and the Group is in compliance with its group capital adequacy requirements.

The Insurance (Group Capital) Rules (GWS Capital Rules) set out the capital requirements and overall solvency position for the Group under the Group-wide Supervision (GWS) framework. These requirements are based on a "summation approach" and are referred to as the Local Capital Summation Method (LCSM). Under the LCSM, the eligible group capital resources and group capital requirements are calculated as the sum of the eligible capital resources and capital requirements for each entity within the Group according to the respective local regulatory requirements, subject to any variation considered necessary by the HKIA.

The group prescribed capital requirement (GPCR) is the sum of the prescribed capital requirements of each entity within the Group, and represents the level below which the HKIA may intervene on grounds of capital adequacy.

The Group LCSM coverage ratio is calculated as the ratio of the eligible group capital resources to the GPCR and the Group LCSM surplus is defined as the excess of the eligible group capital resources over the GPCR.

The group minimum capital requirement (GMCR) is the sum of the minimum capital requirements of each entity within the Group.

24. Group capital structure (continued)

Group-wide Supervision Framework and the Local Capital Summation Method (continued)

The table shows a summary of the Group capital adequacy position.

US\$m	As at 30 June 2023 (Unaudited)	As at 31 December 2022
Group LCSM coverage ratio ⁽¹⁾	260%	283%
Tier 1 group capital coverage ratio ⁽²⁾	323%	355%
Eligible group capital resources	68,501	70,698
<i>Tier 1 group capital</i>	44,038	45,508
<i>Tier 2 group capital</i>	24,463	25,190
Group prescribed capital requirement (GPCR)	26,320	24,989
Group minimum capital requirement (GMCR)	13,619	12,810
Group LCSM surplus	42,181	45,709

At 30 June 2023, the eligible group capital resources includes the following items, which are included within Tier 2 group capital:

- (i) US\$3,739m⁽³⁾ of subordinated securities. Subordinated securities with a fixed maturity receive full capital credit up to the date that is 5 years prior to the date of maturity, with the capital credit then reducing at the rate of 20 per cent per annum until maturity. Perpetual subordinated securities receive full capital credit unless they are redeemed; and
- (ii) US\$5,153m⁽³⁾ of senior notes issued before designation that have been approved by the HKIA as capital. Prior to maturity, the approved senior notes receive full capital credit until 14 May 2031, after which the capital credit reduces at the rate of 20 per cent per annum until 14 May 2036.

Notes:

- (1) The Group LCSM coverage ratio is referred to as the "eligible group capital resources coverage ratio" in the GWS framework and is defined as the ratio of the eligible group capital resources to the GPCR.
- (2) The Tier 1 group capital coverage ratio is defined in the GWS framework as the ratio of the Tier 1 group capital to the GMCR.
- (3) The amounts represent the carrying value of medium-term notes and securities contributing to the eligible group capital resources.

24. Group capital structure (continued)

Local Regulatory Solvency

The Group's individual branches and subsidiaries are also subject to the supervision of government regulators in the jurisdictions in which those branches and subsidiaries and their parent entity operate and, in relation to subsidiaries, in which they are incorporated.

The Group's principal operating companies AIA Company Limited (AIA Co.) and AIA International Limited (AIA International), as authorised insurers in Hong Kong, are required by the HKIA to meet the Hong Kong solvency requirements. During the six months ended 30 June 2023 and the year ended 31 December 2022, these two principal operating companies were in compliance with these solvency requirements.

Dividends, remittances and other payments from individual branches and subsidiaries

The ability of the Company to pay dividends to shareholders and to meet other obligations depends ultimately on dividends, remittances and other payments being received from its operating branches and subsidiaries, which are subject to contractual, regulatory and other limitations. The various regulators overseeing the individual branches and subsidiaries of the Group have the discretion to impose additional restrictions on the ability of those regulated branches and subsidiaries to make payment of dividends, remittances and other payments to AIA Co., including increasing the required margin of solvency that an operating unit must maintain. For example, capital may not be remitted without the consent from regulators for certain individual branches or subsidiaries of the Group.

25. Risk management

The financial risks that the Group is exposed to include, but are not limited to, credit risk, credit spread risk, interest rate risk, equity risk, foreign exchange rate risk and liquidity risk.

CREDIT RISK

Credit risk is the risk that third parties fail to meet their obligations to the Group when they fall due. Although the primary source of credit risk is the Group's investment portfolio, such risk can also arise through reinsurance and treasury activities.

The Group's credit risk management oversight process is governed centrally, but provides for decentralised management and accountability by our lines of defence. Fundamental to AIA's credit risk management is adherence to a well-controlled underwriting process. Credit risk limits are applied to contain individual exposures, sector concentration and cross border investment according to an internal rating framework assigned to all counterparties. A detailed analysis of each counterparty is performed and a rating is determined by the investment teams. The Group's Risk Management function manages the Group's internal ratings framework and conducts periodic rating validations. Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk.

CREDIT SPREAD RISK

Credit spread movements affect both the value of assets and liabilities. Credit spread risk is in a large part managed through the strategic asset allocation process, whereby the two key drivers of spread risk – credit rating and spread duration – are managed for capital efficiency, taking into account both the economic risk and the local solvency capital considerations. The risk is monitored by the Business Units, with special attention paid to any issuers with credit ratings close to the lower boundary of Investment Grade.

25. Risk management (continued)

INTEREST RATE RISK

Interest rate risk is primarily measured through the duration gap, which provides an understanding of the implications of interest rates movements on surplus. Since most markets do not have assets of sufficient tenor to match life insurance liabilities, an uncertainty arises around the reinvestment of maturing assets to match the Group's insurance liabilities.

AIA manages interest rate risk primarily on an economic basis. Interest rate risk on the local solvency basis is also taken into consideration for business units where local solvency regimes deviate from the economic basis. Furthermore, AIA actively manages interest rate risk by extending asset duration, managing liability duration, repricing products, and implementing appropriate hedging programmes and reinsurance solutions where possible. For products with discretionary benefits, additional modelling of interest rate risk is performed to guide the determination of appropriate management actions. Management also takes into consideration the asymmetrical impact of interest rate movements when evaluating products with options and guarantees.

EQUITY RISK

Equity risk arises from changes in the market value of equity shares, interests in investment funds and exchangeable loan notes. Investments in equity shares, interests in investment funds and exchangeable loan notes on a long-term basis are expected to align with policyholders' expectations, provide diversification benefits and enhance returns. The extent of exposure to equities at any time is subject to the terms of the Group's strategic asset allocations.

Equity risk is managed through strategic asset allocation and tactical asset allocation. Equity investments are subject to benchmarks and controls relating to maximum concentration and tracking errors. Equity limits are also applied to contain concentration risk of individual stocks and sectors, liquidity as well as equity volatility. Equity exposures are included in the aggregate exposure reports on each individual counterparty to ensure concentrations are avoided.

SENSITIVITY ANALYSIS

Sensitivity analysis to the key variables, namely interest rate and equity risk, affecting insurance contracts and reinsurance contracts held, and financial instruments held by the Group is set out below. The carrying values of other financial assets are not subject to changes in response to movements in interest rates or equity prices. In calculating the sensitivity to changes in interest rates and equity prices, the Group has made assumptions about the corresponding impact of asset valuations on liabilities to policyholders.

Information is presented to illustrate the estimated impact on profits, total equity, allocated equity and CSM arising from a change in a single variable before taking into account the effects of taxation. The effects on these items are as mainly follows:

- The effects on profit or loss are changes relating to loss components and changes in investment return, insurance finance income or expenses and foreign exchange differences that are recognised in profit or loss.
- The effects on equity are the effects on profit or loss, and the effects on other comprehensive income arising from net changes in net investment results and net insurance finance income or expenses.
- The effects on CSM reflects the change of the corresponding market risks that impacts CSM.

The impact of any impairments of financial assets has been ignored for the purpose of illustrating the sensitivity of profit before tax, total equity, allocated equity and CSM before the effects of taxation to changes in interest rates and equity prices on the grounds that default events reflect the characteristics of individual issuers.

25. Risk management (continued)

SENSITIVITY ANALYSIS ON INTEREST RATE RISK⁽¹⁾

An analysis of the Group's sensitivity to 50 basis points parallel increase or decrease in yield curves at the reporting date, assuming that all other variables remain constant, is presented below.

US\$m	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)	Impact on CSM
30 June 2023 – Unaudited				
<i>+ 50 basis points shift in yield curves:</i>				
Insurance contracts and reinsurance contracts held	6,277	9,265	6,277	(585)
Financial instruments	(6,393)	(11,139)	(6,393)	–
	<u>(116)</u>	<u>(1,874)</u>	<u>(116)</u>	<u>(585)</u>
<i>– 50 basis points shift in yield curves:</i>				
Insurance contracts and reinsurance contracts held	(7,042)	(10,338)	(7,042)	742
Financial instruments	7,177	12,525	7,177	–
	<u>135</u>	<u>2,187</u>	<u>135</u>	<u>742</u>
31 December 2022 – Restated				
<i>+ 50 basis points shift in yield curves:</i>				
Insurance contracts and reinsurance contracts held	5,911	8,476	5,911	(713)
Financial instruments	(6,023)	(10,700)	(6,023)	–
	<u>(112)</u>	<u>(2,224)</u>	<u>(112)</u>	<u>(713)</u>
<i>– 50 basis points shift in yield curves:</i>				
Insurance contracts and reinsurance contracts held	(6,630)	(9,329)	(6,630)	934
Financial instruments	6,764	12,031	6,764	–
	<u>134</u>	<u>2,702</u>	<u>134</u>	<u>934</u>

Note:

- (1) At 31 December 2022, the assets and liabilities of Australian Savings and Investments (S&I) were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for the current period.

25. Risk management (continued)

SENSITIVITY ANALYSIS ON EQUITY RISK⁽¹⁾

An analysis of the Group's sensitivity to 10% increase or decrease in equity prices at the reporting date, assuming that all other variables remain constant, is presented below.

US\$m	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)	Impact on CSM
30 June 2023 – Unaudited				
<i>10 per cent increase in equity prices:</i>				
Insurance contracts and reinsurance contracts held	(2,704)	(2,745)	(2,704)	617
Financial instruments	3,939	3,939	3,939	–
	<u>1,235</u>	<u>1,194</u>	<u>1,235</u>	<u>617</u>
<i>10 per cent decrease in equity prices:</i>				
Insurance contracts and reinsurance contracts held	2,694	2,733	2,694	(622)
Financial instruments	(3,939)	(3,939)	(3,939)	–
	<u>(1,245)</u>	<u>(1,206)</u>	<u>(1,245)</u>	<u>(622)</u>
31 December 2022 – Restated				
<i>10 per cent increase in equity prices:</i>				
Insurance contracts and reinsurance contracts held	(2,702)	(2,744)	(2,702)	577
Financial instruments	3,893	3,893	3,893	–
	<u>1,191</u>	<u>1,149</u>	<u>1,191</u>	<u>577</u>
<i>10 per cent decrease in equity prices:</i>				
Insurance contracts and reinsurance contracts held	2,703	2,744	2,703	(579)
Financial instruments	(3,893)	(3,893)	(3,893)	–
	<u>(1,190)</u>	<u>(1,149)</u>	<u>(1,190)</u>	<u>(579)</u>

Note:

- (1) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for the current period.

25. Risk management (continued)

FOREIGN EXCHANGE RATE RISK

The Group's foreign exchange rate risk arises mainly from the Group's operations in multiple markets in Asia and the translation of multiple currencies to the US dollar for financial reporting purposes. The balance sheet values of our operating units and subsidiaries are not hedged to the Group's presentation currency, the US dollar.

Foreign currency transactions risk arising from the underlying items of participating contracts is generally borne by policyholders except to the extent of the Group's share of the performance of the underlying items.

Assets, liabilities and local regulatory and stress capital in each business unit are generally currency matched except for holdings of equities and other non-fixed income assets denominated in currencies other than the functional currency. Bonds denominated in currencies other than the functional currency are hedged with cross-currency swaps or foreign exchange forward contracts.

FOREIGN EXCHANGE RATE EXPOSURE⁽¹⁾

US\$m	United States Dollar	China Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
30 June 2023 – Unaudited						
Insurance contracts and reinsurance contracts held						
Assets	328	1,601	684	834	1,240	33
Liabilities	(78,132)	(34,320)	(7,543)	(15,937)	(24,429)	(10,922)
Financial instruments						
Assets	117,698	40,957	7,069	21,591	21,102	12,919
Liabilities	(20,591)	(3,419)	(4,475)	(2,430)	(3,226)	(198)
Net positions of currency derivatives	(5,871)	(893)	704	1,833	4,186	155
31 December 2022 – Restated						
Insurance contracts and reinsurance contracts held						
Assets	331	1,483	685	1,198	1,178	33
Liabilities	(72,785)	(30,491)	(7,557)	(15,734)	(23,469)	(11,342)
Financial instruments						
Assets	111,492	40,082	8,389	21,229	20,271	13,375
Liabilities	(20,311)	(3,505)	(4,646)	(2,590)	(2,479)	(88)
Net positions of currency derivatives	(5,996)	(344)	324	1,996	3,875	210

Note:

- (1) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for the current period.

25. Risk management (continued)

SENSITIVITY ANALYSIS ON FOREIGN EXCHANGE RATE RISK⁽¹⁾

A reasonably possible strengthening or weakening of the following currencies against all other currencies at the reporting date would have affected the measurement of insurance contracts and reinsurance contracts held and financial instruments denominated in foreign currency and affected the profit before tax, total equity and CSM by the amounts shown below. This analysis assumes that all other variables remain constant.

US\$m	United States Dollar	China Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
30 June 2023 – Unaudited						
5% strengthening of original currency						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held	(949)	(34)	(179)	(3)	(22)	2
Financial instruments	990	97	159	6	14	5
Impact on total equity						
Insurance contracts and reinsurance contracts held	–	(1,664)	(293)	(762)	(830)	(547)
Financial instruments	–	1,832	165	1,050	1,103	644
Impact on CSM						
Insurance contracts and reinsurance contracts held	–	813	58	298	139	118
5% strengthening of the US dollar						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held	(949)	25	142	1	18	(2)
Financial instruments	990	(83)	(112)	(4)	7	(4)
Impact on total equity						
Insurance contracts and reinsurance contracts held	–	1,579	250	724	878	520
Financial instruments	–	(1,745)	(157)	(1,000)	(1,051)	(613)
Impact on CSM						
Insurance contracts and reinsurance contracts held	–	(773)	(52)	(284)	(141)	(112)

Note:

- (1) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for the current period.

25. Risk management (continued)

SENSITIVITY ANALYSIS ON FOREIGN EXCHANGE RATE RISK⁽¹⁾ (continued)

US\$m	United States Dollar	China Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
31 December 2022 – Restated						
5% strengthening of original currency						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held	(934)	(48)	(212)	(4)	(30)	2
Financial instruments	967	143	195	(4)	(9)	1
Impact on total equity						
Insurance contracts and reinsurance contracts held	–	(1,495)	(333)	(735)	(827)	(569)
Financial instruments	–	1,812	203	1,032	1,083	675
Impact on CSM						
Insurance contracts and reinsurance contracts held	–	847	69	303	150	124
5% strengthening of the US dollar						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held	(934)	39	185	3	25	(2)
Financial instruments	967	(127)	(158)	5	29	–
Impact on total equity						
Insurance contracts and reinsurance contracts held	–	1,419	299	699	844	542
Financial instruments	–	(1,725)	(194)	(983)	(1,032)	(643)
Impact on CSM						
Insurance contracts and reinsurance contracts held	–	(806)	(64)	(289)	(149)	(118)

Note:

- (1) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for the current period.

25. Risk management (continued)

LIQUIDITY RISK

Liquidity risk is defined as the risk of failure to meet current and future financial commitments as they fall due. This incorporates the risks arising from the timing mismatch of cash inflows and outflows in day-to-day operations, including policyholder and third-party payments, collateral requirements, as well as insufficient market liquidity of assets required for policyholder liabilities.

AIA has a liquidity framework which contains the standards, procedures, and tools used by the Group to monitor and manage liquidity risk on a forward-looking basis across multiple scenarios and time horizons.

The Group's liquidity framework builds liquidity resiliency in all our markets while providing central oversight and the ability to take timely management action if required to ensure we meet all our financial commitments as they fall due. The Group regularly measures and monitors liquidity adequacy to ensure compliance with the liquidity risk standards under the framework.

26. Share-based compensation

SHARE-BASED COMPENSATION PLANS

During the six months ended 30 June 2023, the Group made further grants of share options (SOs), restricted share units (RSUs) and restricted stock purchase units (RSPUs) to certain directors, officers and employees of the Group under the Share Option Scheme, the Restricted Share Unit Scheme and the Employee Share Purchase Plan. In addition, the Group made further grants of restricted stock subscription units (RSSUs) to eligible agents under the Agency Share Purchase Plan.

VALUATION METHODOLOGY

The Group utilises a binomial lattice model to calculate the fair value of the SO grants, involving a few significant assumptions such as the expected volatility, expected dividend yield and risk-free interest rate. The expected volatility of the Company's shares is estimated based on an analysis of historical data since they are traded in the HKSE. The expected dividend yield is estimated based on an analysis of historical dividend relative to historical share price. The risk-free interest rate is estimated based on implied yield of the Government Bonds and Exchange Fund Notes issued by the Hong Kong Monetary Authority as at the grant date. The analysis period for expected volatility and risk-free interest rate is consistent with the expected life of the SOs, which is derived from the output of the valuation model and is calculated based on an analysis of expected exercise behaviour of the Company's employees.

The Group utilises a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU, RSPU and RSSU grants, taking into account the terms and conditions upon which the grants were made. The value of expected dividends during the vesting period is estimated based on an analysis of historical dividend relative to historical share price. The estimate of market condition for performance-based RSUs is based on historical data preceding the grant date.

Forfeitures prior to vesting are not allowed for in the valuation of the grants.

The fair values calculated for the grants are inherently subjective due to the assumptions made and the limitations of the models utilised.

	Share option	
	Six months ended	Year ended
	30 June 2023	31 December 2022
	(Unaudited)	
Assumptions		
Risk-free interest rate	3.19%	1.93%
Volatility	28%	26%
Dividend yield	1.60%	1.70%
Exercise price (HK\$)	80.73	79.85
Share option life (in years)	10	10
Expected life (in years)	7.47	7.45
Weighted average fair value per option/unit at measurement date (HK\$)	23.97	21.00

The weighted average share price for SO valuation for grants made during the six months ended 30 June 2023 is HK\$80.73 (year ended 31 December 2022: HK\$79.85). The total fair value of SO granted during the six months ended 30 June 2023 is US\$6m (six months ended 30 June 2022: US\$7m).

RECOGNISED COMPENSATION COST

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation grants made by the Group for the six months ended 30 June 2023 is US\$31m (six months ended 30 June 2022: US\$36m).

27. Remuneration of key management personnel

Key management personnel have been identified as the members of the Group's Executive Committee.

US\$	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)
Key management compensation and other expenses		
Salaries and other short-term employee benefits	12,056,247	12,301,026
Post-employment benefits	314,682	330,267
Share-based payments ⁽¹⁾	7,866,786	9,130,368
Termination payments or benefits	–	2,844,552
Total	<u>20,237,715</u>	<u>24,606,213</u>

Note:

(1) Includes amortised expenses for unvested SOs, RSUs and matching shares under ESPP to the key management personnel based on the fair value at the respective grant dates.

The emoluments of the key management personnel are within the following bands:

US\$	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)
Below 1,000,000	1	1
1,000,001 to 2,000,000	9	8
2,000,001 to 3,000,000	1	1
3,000,001 to 4,000,000	–	1
5,000,001 to 6,000,000	1	–
6,000,001 to 7,000,000	–	1

28. Commitments and contingencies

INVESTMENT AND CAPITAL COMMITMENTS

US\$m	As at 30 June 2023 (Unaudited)	As at 31 December 2022
Not later than one year	16,714	14,962
Later than one and not later than five years	135	105
Total	16,849	15,067

Investment and capital commitments consist of commitments to invest in private equity partnerships and other assets.

CONTINGENCIES

The Group is subject to regulation in each of the geographical markets in which it operates from insurance, securities, capital markets, pension, data privacy and other regulators and is exposed to the risk of regulatory actions in response to perceived or actual non-compliance with regulations relating to suitability, sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, denial or delay of benefits and breaches of fiduciary or other duties. The Group believes that these matters have been adequately provided for in these financial statements.

The Group is exposed to legal proceedings, complaints and other actions from its activities including those arising from commercial activities, sales practices, suitability of products, policies, claims and taxes. The Group believes that these matters are adequately provided for in these financial statements.

The Group operates in many jurisdictions across Asia and in certain of those jurisdictions, the Group's interpretation of the relevant law or regulation may differ from that of the tax authorities, which can result in disputes arising. The Group has made provisions to cover the potential tax implications, based on management's judgement and best estimate in relation to the probability or likelihood of the potential outcomes, which is subject to periodic reassessment. Due to the uncertainty associated with these items, there remains a possibility that the final outcomes may differ on conclusion of the relevant tax matters at a future date.

29. Events after the reporting period

On 24 August 2023, a Committee appointed by the Board of Directors declared an interim dividend of 42.29 Hong Kong cents per share (six months ended 30 June 2022: 40.28 Hong Kong cents per share).

30. Disposal group held for sale

On 24 February 2022, the Group announced it had entered into an agreement to sell its Australian S&I business to Resolution Life Australasia Limited. The Australian S&I business is a constituent part of the businesses that transferred to AIA Australia following the acquisition of The Colonial Mutual Life Assurance Society Limited from Commonwealth Bank of Australia. The assets and liabilities of the Australian S&I business have been classified as assets in disposal group held for sale and liabilities in disposal group held for sale in the interim consolidated statement of financial position, contributed by the Australia operating segment. The transaction has been completed with statutory transfer approved by the Federal Court of Australia, effective on 1 July 2023.

At 30 June 2023, the assets and liabilities in disposal group held for sale were stated at the lower of its carrying amount and fair value less costs to sell. The assets and liabilities in disposal group held for sale are summarised below.

US\$m	Notes	As at 30 June 2023 (Excluding disposal group) (Unaudited)	Assets and liabilities in disposal group (Unaudited)	As at 30 June 2023 (Including disposal group) (Unaudited)
Assets				
Intangible assets	14	3,478	–	3,478
Investments in associates and joint ventures		1,960	–	1,960
Property, plant and equipment		4,027	–	4,027
Investment property		4,480	–	4,480
Insurance contract assets	19	1,784	–	1,784
Reinsurance contract assets	19	5,777	–	5,777
Financial investments:				
At amortised cost				
Debt securities		1,980	–	1,980
Loans and deposits		4,261	–	4,261
At fair value through other comprehensive income				
Debt securities		85,167	42	85,209
At fair value through profit or loss				
Debt securities		83,823	795	84,618
Loans and deposits		265	–	265
Equity shares		21,883	2,307	24,190
Interests in investment funds and exchangeable loan notes		41,266	–	41,266
Derivative financial instruments	16	566	50	616
		<u>239,211</u>	<u>3,194</u>	<u>242,405</u>
Deferred tax assets		212	–	212
Current tax recoverable		188	–	188
Other assets		4,112	99	4,211
Cash and cash equivalents	18	6,666	725	7,391
Assets in disposal group held for sale		4,018	(4,018)	–
Total assets		<u><u>275,913</u></u>	<u><u>–</u></u>	<u><u>275,913</u></u>
Liabilities				
Insurance contract liabilities	19	191,872	1,023	192,895
Reinsurance contract liabilities	19	223	21	244
Investment contract liabilities	20	9,082	2,655	11,737
Borrowings	21	11,310	–	11,310
Obligations under repurchase agreements	22	2,000	–	2,000
Derivative financial instruments	16	7,623	74	7,697
Provisions		155	–	155
Deferred tax liabilities		2,948	4	2,952
Current tax liabilities		383	5	388
Other liabilities		4,215	44	4,259
Liabilities in disposal group held for sale		3,826	(3,826)	–
Total liabilities		<u><u>233,637</u></u>	<u><u>–</u></u>	<u><u>233,637</u></u>

31. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16

The Group has adopted IFRS 9, IFRS 17 and amendment to IAS 16, including any consequential amendments to other standards, with a date of initial adoption of 1 January 2023. The following table set out the impact of initial adoption of these standards on the Group's equity at 1 January 2022.

US\$m	As at 31 December 2021 (As previously reported)	Impact upon initial adoption of IFRS 9, IFRS 17 and amendment to IAS 16	As at 1 January 2022 (restated)
Equity			
Share capital	14,160	–	14,160
Employee share-based trusts	(225)	–	(225)
Other reserves	(11,841)	–	(11,841)
Retained earnings	49,984	(987)	48,997
Fair value reserve	8,407	(1,766)	6,641
Foreign currency translation reserve	(1,068)	–	(1,068)
Insurance finance reserve	–	(1,895)	(1,895)
Property revaluation reserve	1,069	148	1,217
Others	(19)	56	37
Amounts reflected in other comprehensive income	8,389	(3,457)	4,932
<i>Total equity attributable to:</i>			
Shareholders of AIA Group Limited	60,467	(4,444)	56,023
Non-controlling interests	467	17	484
Total equity	60,934	(4,427)	56,507

31. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16 (continued)

IFRS 17 INSURANCE CONTRACTS

Recognition, measurement and presentation of insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts held and investment contracts with DPF. It introduces a model that measures groups of contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are excluded from insurance revenue and insurance service expenses.

The Group no longer applies shadow accounting to insurance-related assets and liabilities.

Insurance finance income or expenses, disaggregated between profit or loss and other comprehensive income for the relevant business in participating funds and other participating business with distinct portfolios, other policyholder and shareholder and unit-linked funds, are presented separately from insurance revenue and insurance service expenses.

The Group applies the premium allocation approach to simplify the measurement of certain contracts. When measuring liabilities for remaining coverage, the premium allocation approach is similar to the Group's previous accounting treatment; however, when measuring liabilities for incurred claims, the Group now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk, as appropriate.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ("deferred acquisition costs") and are subsequently amortised over the expected life of the contracts. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented as part of the carrying amount of the related portfolio of contracts and are subsequently derecognised when respective groups of contracts are recognised and hence included in the CSM measurement of that group.

Income and expenses from reinsurance contracts held other than insurance finance income or expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

For an explanation of how the Group accounts for insurance contracts and reinsurance contracts held under IFRS 17, see note 2.3.

31. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16 (continued)

IFRS 17 INSURANCE CONTRACTS (continued)

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022, the Group:

- identified, recognised and measured each group of insurance contracts and reinsurance contracts held as if IFRS 17 had always applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that the recoverability assessment in note 2.3.5 was not applied before 1 January 2022;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included deferred acquisition costs for insurance contracts, insurance receivables and payables, policy loans and its accrued interest revenue and provisions that are attributable to existing insurance contracts, etc. Under IFRS 17, these are included in the measurement of the insurance contracts;
- recognised any resulting net difference in equity. The carrying amount of goodwill from previous business combinations was not adjusted.

Insurance contracts and reinsurance contracts held

For certain groups of contracts, the Group applied the modified retrospective approach or the fair value approach in IFRS 17 to identify, recognise and measure certain groups of contracts at 1 January 2022 because it was impracticable to apply the full retrospective approach.

The Group considered the full retrospective approach impracticable for contracts in these segments under any of the following circumstances.

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons.
- The full retrospective approach required assumptions about what Group management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight, the application of full retrospective approach is considered as impracticable if such assumptions and estimates were not determinable.

Irrespective of the transition approach used, the following items have not been applied retrospectively.

- When the Group uses derivatives to mitigate the financial risk from interest rate guarantees in traditional participating contracts and equity guarantees in variable annuity contracts, the option to exclude changes in the effect of that financial risk from the CSM has not been applied for periods before 1 January 2023.
- The consequential amendments to IFRS 3, Business Combinations introduced by IFRS 17 require the Group to classify contracts acquired as insurance contracts based on the contractual terms and other factors at the date of acquisition. This requirement was not applied to business combinations before 1 January 2023, for which the Group classified contracts acquired as insurance contracts based on the conditions at contract inception.

31. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16 (continued)

IFRS 17 INSURANCE CONTRACTS (continued)

Transition (continued)

Insurance contracts and reinsurance contracts held (continued)

To indicate the effect of applying the modified retrospective approach or the fair value approach on the insurance finance income or expenses, the Group has provided additional disclosures in notes 2.3.9 and 9.

The following table shows the effect of applying the modified retrospective approach or the fair value approach on CSM on insurance contracts at 1 January 2022.

US\$m	As at 1 January 2022
CSM	
Contracts under the modified retrospective approach	11,983
Contracts under the fair value approach	36,917
Other contracts	6,258
Total CSM	55,158

Assets for insurance acquisition cash flows

The Group also applied the modified retrospective approach or the fair value approach to identify, recognise and measure certain assets for insurance acquisition cash flows at 1 January 2022.

It was impracticable to apply the full retrospective approach because:

- data had not been collected with sufficient granularity;
- information required to identify fixed and variable overheads as relating to acquisition activities and to allocate them to groups of contracts was not available; or
- original assumptions about the manner in which the Group would have expected insurance acquisition cash flows to be recovered, which were required to allocate them to renewals, could not be made without the use of hindsight.

Effect of initial adoption

The Group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item.

31. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16 (continued)

IFRS 9 FINANCIAL INSTRUMENTS

Classification of financial assets and financial liabilities

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available for sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

For explanations of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see note 2.4.

IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities and hedge accounting.

Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" model. The new impairment model applies to financial assets measured at amortised cost, debt securities at fair value through other comprehensive income, trade receivables and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39 (see note 2.4.3).

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The comparative period has been restated. As permitted under IFRS 17, the Group has elected to apply classification overlay in the comparative period presented. The classification overlay has been applied to all financial assets that had been derecognised before 1 January 2023 based on how those assets are expected to be classified on initial adoption of IFRS 9. In applying the classification overlay to financial assets derecognised during the comparative period, the Group has applied the impairment requirements of IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2023.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss.
- If an investment in a debt security had low credit risk at 1 January 2023, then the Group determined that the credit risk on the asset had not increased significantly since initial recognition.

As permitted by IFRS 7, the Group has not disclosed information about the line item amounts that are reported in accordance with the classification and measurement (including impairment) requirements of IFRS 9 for 2022 and those that would have been reported in accordance with the classification and measurement requirements of IAS 39 for 2023.

31. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16 (continued)

IFRS 9 FINANCIAL INSTRUMENTS (continued)

Effect of initial adoption

Classification of financial assets and financial liabilities

The following table shows the original measurement category and carrying amount under IAS 39 and the new measurement category and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities.

US\$m	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 as at 31 December 2022	New carrying amount under IFRS 9 as at 1 January 2023
Financial assets				
Debt securities	FVTPL	FVTPL (mandatory)	6,802	6,802
Debt securities	Available for sale	FVTPL (mandatory)	680	680
Debt securities	FVTPL	FVTPL (designated)	28,634	28,634
Debt securities	Available for sale	FVTPL (designated)	42,211	42,211
Debt securities	FVTPL	FVOCI	1,226	1,226
Debt securities	Available for sale	FVOCI	84,871	84,871
Debt securities	Available for sale	Amortised cost	1,519	1,787
Loans and deposits	Loans and receivables	Amortised cost	4,582	4,566
Loans and deposits	Loans and receivables	FVTPL (designated)	250	279
Equity shares	FVTPL	FVTPL (mandatory)	25,691	25,691
Interests in investment funds and exchangeable loan notes	FVTPL	FVTPL (mandatory)	38,577	38,577
Derivative assets	FVTPL	FVTPL (mandatory)	630	630
Accrued investment income	Loans and receivables	Amortised cost	1,752	1,752
Receivables	Loans and receivables	Amortised cost	1,743	1,718
Cash and cash equivalents	Loans and receivables	FVTPL (mandatory)	2,248	2,248
Cash and cash equivalents	Loans and receivables	Amortised cost	6,721	6,721
Total financial assets			248,137	248,393
Financial liabilities				
Investment contract liabilities ⁽¹⁾	FVTPL	FVTPL (designated)	9,441	9,441
Investment contract liabilities ⁽¹⁾	Not applicable	FVTPL (designated)	–	2,015
Investment contract liabilities ⁽¹⁾	Amortised cost	Amortised cost	530	530
Borrowings	Amortised cost	Amortised cost	11,206	11,206
Obligations under repurchase agreements	Amortised cost	Amortised cost	1,748	1,748
Derivative liabilities	FVTPL	FVTPL (mandatory)	8,739	8,739
Trade and other payables	Amortised cost	Amortised cost	2,913	2,913
Trade and other payables	Not applicable	Amortised cost	–	137
Third-party interests in consolidated investment funds	FVTPL	FVTPL (designated)	865	865
Total financial liabilities			35,442	37,594

Note:

- (1) For the purpose of consistency in preparation of the investment contract liabilities to the statement of financial position, the balance includes US\$230m of deferred fee income that are not carried at FVTPL.

31. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16 (continued)

IFRS 9 FINANCIAL INSTRUMENTS (continued)

Effect of initial adoption (continued)

Classification of financial assets and financial liabilities (continued)

The Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in note 2.4. The application of these policies resulted in the reclassifications set out in the table above and explained below.

- a. Under IAS 39, certain debt securities were designated as at fair value through profit or loss because the Group managed them on a fair value basis or such designation eliminates or significantly reduces a measurement or recognition inconsistency. Under IFRS 9, these assets are mandatorily measured at fair value through profit or loss because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets or their contractual cash flows do not represent solely payments of principal and interest on the principal amount outstanding.
- b. Under IAS 39, certain debt securities that were classified as available for sale financial assets; under IFRS 9, a portion of these assets are mandatorily measured at fair value through profit or loss either because their contractual cash flows do not represent solely payments of principal and interest on the principal amount outstanding or they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. Some of these debt securities are designated as at fair value through profit or loss to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise, while others are classified as fair value through other comprehensive income based on the criteria in IFRS 9.
- c. There are some debt securities being designated as at fair value through profit or loss under IAS 39. The Group has revoked the designation to measure them at fair value through profit or loss upon the adoption of IFRS 9 because there is no longer a significant accounting mismatch arising from the securities as a result of adoption of IFRS 17. These assets are classified as fair value through other comprehensive income based on the criteria in IFRS 9.
- d. Certain debt securities that were classified as available for sale under IAS 39 are held within a business model whose objective is to hold assets to collect the contractual cash flows and they have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Therefore, these assets are measured at amortised cost under IFRS 9.
- e. Under IAS 39, equity shares, interests in investment funds and exchangeable loan notes were designated as at fair value through profit or loss because they are managed on a fair value basis. Under IFRS 9, these assets are mandatorily measured at fair value through profit or loss because they do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding and the Group has not elected to measure them at fair value through other comprehensive income.
- f. Certain cash equivalents that were classified as loans and receivables under IAS 39 are mandatorily measured at fair value through profit or loss under IFRS 9 because the contractual cash flows do not represent solely payments of principal and interest on the principal amount outstanding.
- g. Certain financial assets and liabilities recognised upon the adoption of IFRS 9 are designated at FVTPL because such designation eliminates or significantly reduces measurement inconsistency.

31. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16 (continued)

IFRS 9 FINANCIAL INSTRUMENTS (continued)

Effect of initial adoption (continued)

Classification of financial assets and financial liabilities (continued)

There are no changes in carrying amounts of equity shares, interests in investment funds, exchangeable loan notes, derivative assets and financial liabilities except for investment contract liabilities at fair value through profit or loss and payables under IAS 39 to the carrying amounts under IFRS 9. The following table reconciles the carrying amounts of other financial assets, investment contract liabilities at fair value through profit or loss and payables that there are reclassifications and/or remeasurement on transition to IFRS 9 on 1 January 2023.

US\$m	31 December 2022 IAS 39	Reclassification	Remeasurement	1 January 2023 IFRS 9
Financial assets				
Financial assets measured at fair value through profit or loss				
Debt securities				
Brought forward	36,662	-	-	-
Reclassified from available for sale	-	42,891	-	-
Reclassified to fair value through other comprehensive income	-	(1,226)	-	-
Carried forward	-	-	-	78,327
Loans and deposits				
Brought forward	-	-	-	-
Reclassified from amortised cost	-	250	-	-
Remeasurement	-	-	29	-
Carried forward	-	-	-	279
Cash and cash equivalents				
Brought forward	-	-	-	-
Reclassified from amortised cost	-	2,248	-	-
Carried forward	-	-	-	2,248
Total financial assets measured at fair value through profit or loss	36,662	44,163	29	80,854
Debt securities measured at fair value through other comprehensive income				
Debt securities				
Reclassified from fair value through profit or loss	-	1,226	-	-
Reclassified from available for sale	-	84,871	-	-
Carried forward	-	-	-	86,097
Total debt securities measured at fair value through other comprehensive income	-	86,097	-	86,097
Available for sale debt securities				
Brought forward	129,281	-	-	-
Reclassified to fair value through other comprehensive income	-	(84,871)	-	-
Reclassified to fair value through profit or loss	-	(42,891)	-	-
Reclassified to amortised cost	-	(1,519)	-	-
Total available for sale debt securities	129,281	(129,281)	-	-

31. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16 (continued)

IFRS 9 FINANCIAL INSTRUMENTS (continued)

Effect of initial adoption (continued)

Classification of financial assets and financial liabilities (continued)

US\$m	31 December 2022 IAS 39	Reclassification	Remeasurement	1 January 2023 IFRS 9
Financial assets measured at amortised cost				
Debt securities				
Reclassified from available for sale	–	1,519	–	–
Remeasurement	–	–	268	–
Carried forward	–	–	–	1,787
Loans and deposits				
Brought forward: Loans and receivables	4,832	–	–	–
Reclassified to fair value through profit or loss	–	(250)	–	–
Remeasurement	–	–	(16)	–
Carried forward	–	–	–	4,566
Accrued investment income				
Brought forward: Loans and receivables	1,752	–	–	–
Carried forward	–	–	–	1,752
Receivables				
Brought forward: Loans and receivables	1,743	–	–	–
Remeasurement	–	–	(25)	–
Carried forward	–	–	–	1,718
Cash and cash equivalents				
Brought forward: Loans and receivables	8,969	–	–	–
Reclassified to fair value through profit or loss	–	(2,248)	–	–
Carried forward	–	–	–	6,721
Total financial assets measured at amortised cost	17,296	(979)	227	16,544
Financial liabilities				
Investment contract liabilities measured at fair value through profit or loss				
Investment contract liabilities				
Brought forward	9,441	–	–	–
Recognised on transition to IFRS 17	–	–	2,015	–
Carried forward	–	–	–	11,456
Total investment contract liabilities measured at fair value through profit or loss	9,441	–	2,015	11,456
Trade and other payables measured at amortised cost				
Trade and other payables				
Brought forward	2,913	–	–	–
Recognised on transition to IFRS 17	–	–	137	–
Carried forward	–	–	–	3,050
Total trade and other payables measured at amortised cost	2,913	–	137	3,050

31. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16 (continued)

IFRS 9 FINANCIAL INSTRUMENTS (continued)

Effect of initial adoption (continued)

Classification of financial assets and financial liabilities (continued)

The following table summarises the effects of the reclassification of (i) debt securities measured at fair value through profit or loss to fair value through other comprehensive income category and (ii) debt securities reclassified to amortised cost category as a result of the transition to IFRS 9.

Reclassification from FVTPL to FVOCI

US\$m	2023
Fair value at 30 June	1,093
Fair value losses that would have been recognised in the profit or loss during the period if the financial asset had not been reclassified	(25)
Effective interest rate determined on 1 January	3.8%
Interest revenue recognised	26

Reclassifications to amortised cost

US\$m	2023
From available for sale	
Fair value at 30 June	1,508
Fair value gains that would have been recognised in the other comprehensive income during the period if the financial asset had not been reclassified	20

Impairment of financial assets

The following table reconciles the closing impairment allowance in accordance with IAS 39 as at 31 December 2022 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2023.

US\$m	31 December 2022 IAS 39	Reclassification	Remeasurement	1 January 2023 IFRS 9
Debt securities at FVOCI under IFRS 9:				
from available for sale under IAS 39	78	–	222	300
Financial assets at amortised cost under IFRS 9:				
from loans and receivables under IAS 39	11	–	41	52
from available for sale under IAS 39	–	–	6	6
	<u>89</u>	<u>–</u>	<u>269</u>	<u>358</u>

31. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16 (continued)

AMENDMENT TO IAS 16 PROPERTY, PLANT AND EQUIPMENT

At the same time as IFRS 17 was issued, an amendment was made to IAS 16 to allow for measuring own used properties using the fair value model. On adoption of IFRS 17, the Group applied this election and changed its accounting policy for measuring its own used properties that are solely held as underlying items of insurance contracts with direct participation features from revaluation model to fair value model to reduce accounting mismatches with that for the corresponding insurance contracts. As a result of this change, which was adopted on a retrospective basis, revaluation gains on property held for own use that have been accumulated in other comprehensive income of US\$221m at 1 January 2022 was reclassified from property revaluation reserve to retained earnings. For the six months ended 30 June 2023, net fair value losses of property held for own use measured at fair value model of US\$20m (six months ended 30 June 2022: US\$4m) was included in other investment return in the interim consolidated income statement.

IMPACT ON EARNINGS PER SHARE

Upon the initial adoption of IFRS 9 and IFRS 17, together with the amendment to IAS 16, the impact to basic and diluted earnings per share is as follows.

US cents	Six months ended 30 June 2022 (Unaudited and as previously reported)	Impact of changes in accounting policies	Six months ended 30 June 2022 (Unaudited and restated)
Net profit per share			
Basic	(4.74)	17.57	12.83
Diluted	(4.74)	17.55	12.81
Operating profit after tax per share			
Basic	26.76	1.11	27.87
Diluted	26.76	1.08	27.84

32. Interim statement of financial position of the Company

US\$m	As at 30 June 2023 (Unaudited)	As at 31 December 2022
Assets		
Investment in subsidiaries at cost ⁽²⁾	22,437	21,580
Financial investments:		
At fair value through other comprehensive income		
Debt securities ⁽³⁾	4,858	7,151
At fair value through profit or loss		
Interests in investment funds ⁽²⁾	2,009	2,156
Derivative financial instruments	65	1
	<u>6,932</u>	<u>9,308</u>
Loans to/amounts due from subsidiaries	882	886
Other assets	103	40
Promissory notes from subsidiaries ⁽⁴⁾	128	63
Cash and cash equivalents	1,708	1,298
Total assets	<u>32,190</u>	<u>33,175</u>
Liabilities		
Borrowings	12,717	11,799
Derivative financial instruments	3	1
Other liabilities	242	109
Total liabilities	<u>12,962</u>	<u>11,909</u>
Equity		
Share capital	14,175	14,171
Employee share-based trusts	(368)	(290)
Other reserves	355	351
Retained earnings	4,967	6,990
Amounts reflected in other comprehensive income	99	44
Total equity	<u>19,228</u>	<u>21,266</u>
Total liabilities and equity	<u>32,190</u>	<u>33,175</u>

Notes:

- (1) The financial information of the Company should be read in conjunction with the interim condensed consolidated financial statements of the Group.
- (2) The Company's interests in investment funds such as mutual funds and unit trusts, including funds controlled by the Group, are measured at fair value through profit or loss. Interests in other entities controlled by the Group are measured at cost, unless impaired, and presented as investment in subsidiaries at cost. Interests in investment funds include US\$514m (31 December 2022: US\$833m) comprising the combined value of debt securities held by an investment fund controlled by the Group and interests in an external fixed income fund. Fixed income fund refers to the investment fund solely investing in fixed income instruments and cash equivalents, where investors of the fund own a pro-rata share of economic interests of the fund according to the number of shares or units they own of the fund. Investment fund may use derivatives for hedging purpose.
- (3) Includes United States Treasury securities of US\$2,702m (31 December 2022: US\$4,914m) and China Government bonds of US\$2,156m (31 December 2022: US\$2,237m) as at 30 June 2023.
- (4) The promissory notes from subsidiaries are repayable on demand.

Approved and authorised for issue by the Board of Directors on 24 August 2023.


Lee Yuan Siong
Director


Edmund Sze-Wing Tse
Director

33. Interim statement of changes in equity of the Company

US\$m	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Amounts reflected in other comprehensive income	Total equity
Balance at 1 January 2023	14,171	(290)	351	6,990	44	21,266
Net profit	-	-	-	1,615	-	1,615
Fair value gains on debt securities at fair value through other comprehensive income	-	-	-	-	46	46
Fair value losses on debt securities at fair value through other comprehensive income transferred to profit or loss on disposal	-	-	-	-	9	9
Dividends	-	-	-	(1,672)	-	(1,672)
Share buy-back	-	-	-	(1,966)	-	(1,966)
Shares issued under share option scheme and agency share purchase plan	4	-	-	-	-	4
Share-based compensation	-	-	31	-	-	31
Purchase of shares held by employee share-based trusts	-	(105)	-	-	-	(105)
Transfer of vested shares from employee share-based trusts	-	27	(27)	-	-	-
Balance at 30 June 2023 – Unaudited	14,175	(368)	355	4,967	99	19,228

US\$m	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Amounts reflected in other comprehensive income	Total equity
Balance at 1 January 2022	14,160	(225)	309	9,519	125	23,888
Net profit	-	-	-	752	-	752
Fair value losses on debt securities at fair value through other comprehensive income	-	-	-	-	(253)	(253)
Fair value losses on debt securities at fair value through other comprehensive income transferred to profit or loss on disposal	-	-	-	-	44	44
Dividends	-	-	-	(1,650)	-	(1,650)
Share buy-back	-	-	-	(1,342)	-	(1,342)
Shares issued under share option scheme and agency share purchase plan	3	-	-	-	-	3
Share-based compensation	-	-	36	-	-	36
Purchase of shares held by employee share-based trusts	-	(94)	-	-	-	(94)
Transfer of vested shares from employee share-based trusts	-	29	(29)	-	-	-
Balance at 30 June 2022 – Unaudited	14,163	(290)	316	7,279	(84)	21,384

REPORT ON REVIEW OF SUPPLEMENTARY EMBEDDED VALUE INFORMATION AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 TO THE BOARD OF DIRECTORS OF AIA GROUP LIMITED

(incorporated in Hong Kong with limited liability)



羅兵咸永道

Introduction

We have reviewed the Supplementary Embedded Value Information (“the EV Information”) set out on pages 185 to 208, which comprises the EV consolidated results of AIA Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at and for the six-month period ended 30 June 2023, comprising sensitivity analysis and significant methodology and assumptions and other explanatory information. The directors of the Company are responsible for the preparation and presentation of the EV Information in accordance with the EV basis of preparation set out in Sections 4 and 5 of the EV Information. Our responsibility is to express a conclusion on this EV Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of the EV Information, including the summary of significant methodology and assumptions, consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the EV Information of the Group is not prepared, in all material respects, in accordance with the EV basis of preparation set out in Sections 4 and 5 of the EV Information.

Basis of Preparation

Without modifying our conclusion, we draw attention to Sections 4 and 5 of the EV Information, which describes the EV basis of preparation. As a result, the EV Information may not be suitable for another purpose. This report does not extend to any financial statements of the Company.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 August 2023

PricewaterhouseCoopers, 22/F, Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

SUPPLEMENTARY EMBEDDED VALUE INFORMATION

Cautionary Statements Concerning Supplementary Embedded Value Information

This report includes non-IFRS financial measures and should not be viewed as a substitute for IFRS financial measures.

The results shown in this report are not intended to represent an opinion of market value and should not be interpreted in that manner. This report does not purport to encompass all of the many factors that may bear upon a market value.

The results shown in this report are based on a series of assumptions as to the future. It should be recognised that actual future results may differ from those shown, on account of the changes in the operating and economic environments and natural variations in experience. The results shown are presented at the valuation dates stated in this report and no warranty is given by the Group that future experience after these valuation dates will be in line with the assumptions made.

The Supplementary Embedded Value Information is unaudited, but has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers' independent review report to the Board of Directors is included on page 184.

1. SUMMARY

The Embedded Value (EV) is a measure of the value of shareholders' interests in the earnings distributable from assets allocated to the in-force business after allowance for the aggregate risks in that business. AIA Group Limited (the "Company"), together with its subsidiaries (collectively the "Group") use a traditional deterministic discounted cash flow methodology for determining its EV and value of new business (VONB) for all entities other than Tata AIA Life Insurance Company Limited (Tata AIA Life). This methodology makes an implicit overall level of allowance for risk including the cost of investment return guarantees and policyholder options, asset-liability mismatch risk, credit risk, the risk that actual experience in future years differs from that assumed, and the economic cost of capital, through the use of a risk discount rate. For Tata AIA Life, the Group uses the Indian Embedded Value (IEV) methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India, consistent with local practice in India.

The equity attributable to shareholders of the Company on the embedded value basis (EV Equity) is the total of EV, goodwill and other intangible assets attributable to shareholders of the Company, after allowing for taxes. More details on the EV results, methodology and assumptions are covered in later sections of this report.

Following the announcement of the share buy-back programme reported in the Company's Annual Report 2021, the Group has commenced the repurchase of shares over a three-year period starting from March 2022. The effects of this programme on the Group's EV results are shown in Sections 2.6 and 2.7 of this report.

See note 2 to the International Financial Reporting Standard (IFRS) interim condensed consolidated financial statements regarding the Group's adoption of IFRS 9 and IFRS 17, effective from 1 January 2023. The adoption of IFRS 9 and IFRS 17 does not have a material impact on the Group's EV and VONB as at and for the six months ended 30 June 2023.

Effective from 1 January 2023, the Financial Supervisory Service (FSS) has announced a new capital adequacy framework (Korean Insurance Capital Standard (K-ICS)) for Korean insurers. Further the Korean local statutory basis, referred to as the Statutory Accounting Principles (SAP), has also been changed to align to IFRS 17. The effects of these changes have been reflected in the Group's EV and VONB results with effect from 1 January 2023.

The Supplementary Embedded Value Information in this report should be read in conjunction with the Supplementary Embedded Value Information of the Group in the Company's Annual Report 2022.

Unless otherwise stated, the growth rates provided in the commentaries are shown on a constant exchange rate (CER) basis, and the per-share information provided in the tables are based on the basic number of ordinary shares outstanding as at the specified point in time, as disclosed in the IFRS interim condensed consolidated financial statements.

1. SUMMARY (continued)

Summary of Key Metrics⁽¹⁾ (US\$ millions)

	As at 30 June 2023 (Unaudited)	As at 31 December 2022	Change CER	Change AER
EV Equity	70,621	71,202	1%	(1)%
EV Equity per share (US\$)	6.11	6.07	2%	1%
EV	68,033	68,865	–	(1)%
EV per share (US\$)	5.89	5.87	2%	–
Free surplus	16,260	17,850	(8)%	(9)%
Adjusted net worth (ANW)	32,703	33,751	(2)%	(3)%
Value of in-force business (VIF)	35,330	35,114	3%	1%
	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)	YoY CER	YoY AER
VONB	2,029	1,536	37%	32%
Annualised new premiums (ANP)	3,984	2,778	49%	43%
VONB margin	50.8%	55.2%	(4.5) pps	(4.4) pps
EV operating profit	4,423	3,953	16%	12%
Operating return on EV (Operating ROEV)⁽²⁾	13.3%	11.1%	2.2 pps	2.2 pps
Underlying free surplus generation (UFSG)	3,288	3,190	6%	3%

Notes:

(1) The results are after adjustment to reflect the consolidated reserving and capital requirements and the present value of future after-tax unallocated Group Office expenses.

(2) On an annualised basis.

2. EMBEDDED VALUE RESULTS

2.1 Embedded Value by Business Unit

The EV as at 30 June 2023 is presented consistently with the segment information in the IFRS interim condensed consolidated financial statements.

Summary of EV by Business Unit (US\$ millions)

Business Unit	As at 30 June 2023 (Unaudited)				EV
	ANW ⁽¹⁾	VIF before CoC	CoC	VIF after CoC	
AIA China	5,035	8,282	91	8,191	13,226
AIA Hong Kong	12,178	14,672	704	13,968	26,146
AIA Thailand	4,593	4,793	886	3,907	8,500
AIA Singapore	2,497	5,018	625	4,393	6,890
AIA Malaysia	1,077	2,352	207	2,145	3,222
Other Markets ⁽²⁾	5,985	4,055	1,420	2,635	8,620
Group Corporate Centre	5,728	–	–	–	5,728
Subtotal	37,093	39,172	3,933	35,239	72,332
Adjustment to reflect consolidated reserving and capital requirements ⁽³⁾	(4,030)	2,434	366	2,068	(1,962)
After-tax value of unallocated Group Office expenses	–	(1,699)	–	(1,699)	(1,699)
Total EV (before non-controlling interests)	33,063	39,907	4,299	35,608	68,671
Non-controlling interests	(360)	(296)	(18)	(278)	(638)
Total EV	32,703	39,611	4,281	35,330	68,033
Goodwill and other intangible assets ⁽⁴⁾					2,588
Total EV Equity					70,621

2. EMBEDDED VALUE RESULTS (continued)

2.1 Embedded Value by Business Unit (continued)

Business Unit	As at 31 December 2022				EV
	ANW ⁽¹⁾	VIF before CoC	CoC	VIF after CoC	
AIA China	4,485	8,664	60	8,604	13,089
AIA Hong Kong	12,659	13,913	984	12,929	25,588
AIA Thailand	4,804	4,528	853	3,675	8,479
AIA Singapore	2,842	4,942	575	4,367	7,209
AIA Malaysia	1,184	2,338	211	2,127	3,311
Other Markets	3,564	5,381	1,228	4,153	7,717
Group Corporate Centre	7,324	–	–	–	7,324
Subtotal	36,862	39,766	3,911	35,855	72,717
Adjustment to reflect consolidated reserving and capital requirements ⁽³⁾	(2,758)	1,480	446	1,034	(1,724)
After-tax value of unallocated Group Office expenses	–	(1,603)	–	(1,603)	(1,603)
Total EV (before non-controlling interests)	34,104	39,643	4,357	35,286	69,390
Non-controlling interests	(353)	(182)	(10)	(172)	(525)
Total EV	33,751	39,461	4,347	35,114	68,865
Goodwill and other intangible assets ⁽⁴⁾					2,337
Total EV Equity					71,202

Notes:

- (1) ANW by Business Unit is after net capital flows between Business Units and Group Corporate Centre.
- (2) Includes the effects of the change in solvency regime in South Korea (K-ICS and SAP) effective from 1 January 2023.
- (3) Adjustment reflects the consolidated reserving and capital requirements as described in Section 4.4 of the Supplementary Embedded Value Information in the Company's Annual Report 2022 and Section 4.1 of this report.
- (4) Consistent with the IFRS interim condensed consolidated financial statements, shown net of tax, amounts attributable to participating funds and non-controlling interests.

2. EMBEDDED VALUE RESULTS (continued)

2.2 Reconciliation of ANW from IFRS Equity

Derivation of the Consolidated ANW from IFRS Equity (US\$ millions)⁽¹⁾

	As at 30 June 2023 (Unaudited)	As at 31 December 2022
IFRS shareholders' allocated equity	45,071	44,805
Fair value reserve	(1,310)	(6,709)
Insurance finance reserve	(1,970)	–
IFRS equity attributable to shareholders of the Company	41,791	38,096
Elimination of IFRS deferred acquisition and origination costs assets	–	(30,046)
Difference between IFRS policy liabilities and local statutory policy liabilities ⁽²⁾	(2,413)	28,831
Difference between net IFRS policy liabilities and local statutory policy liabilities	(2,413)	(1,215)
Mark-to-market adjustment for property, mortgage loan and other investments, net of amounts attributable to participating funds	(68)	112
Elimination of intangible assets	(3,477)	(3,277)
Recognition of deferred tax impacts of the above adjustments	775	2,692
Recognition of non-controlling interests impacts of the above adjustments	125	101
ANW (Business Unit)	36,733	36,509
Adjustment to reflect consolidated reserving requirements, net of tax	(4,030)	(2,758)
ANW (Consolidated)	32,703	33,751

Notes:

- (1) The amounts as at 30 June 2023 presented in this section are after the adoption of IFRS 9 and IFRS 17. The amounts as at 31 December 2022 presented are under IFRS 4 and IAS 39, and these are in line with the IFRS consolidated financial statements in the Company's Annual Report 2022.
- (2) Includes the effects of the change in solvency regime in South Korea (K-ICS and SAP) effective from 1 January 2023.

2. EMBEDDED VALUE RESULTS (continued)

2.3 Reconciliation of Free Surplus from ANW

Derivation of Free Surplus from ANW (US\$ millions)

	As at 30 June 2023 (Unaudited)		As at 31 December 2022	
	Business Unit	Consolidated	Business Unit	Consolidated
ANW	36,733	32,703	36,509	33,751
Adjustment for certain assets not eligible for regulatory capital purposes	(1,160)	(1,160)	(1,482)	(1,482)
Less: Required capital	12,413	15,283	11,672	14,419
Free surplus⁽¹⁾	23,160	16,260	23,355	17,850

Note:

- (1) The free surplus is defined as the ANW in excess of the required capital adjusted for certain assets that are not eligible for regulatory capital purposes. The free surplus on consolidated basis is further adjusted for the consolidated reserving and capital requirements.

2. EMBEDDED VALUE RESULTS (continued)

2.4 Earnings Profile

The tables below show how the after-tax distributable earnings from the assets backing the statutory reserves and required capital of the in-force business of the Group are projected to emerge over future years. The projected values reflect the consolidated reserving and capital requirements.

Profile of Projected After-Tax Distributable Earnings for the Group's In-force Business (US\$ millions)

Expected period of emergence	As at 30 June 2023 (Unaudited)	
	Undiscounted	Discounted
1 – 5 years	22,232	18,381
6 – 10 years	20,786	11,503
11 – 15 years	19,819	7,478
16 – 20 years	17,997	4,605
21 years and thereafter	194,489	8,646
Total	275,323	50,613

Expected period of emergence	As at 31 December 2022	
	Undiscounted	Discounted
1 – 5 years	22,629	18,674
6 – 10 years	20,362	11,249
11 – 15 years	19,432	7,269
16 – 20 years	16,887	4,277
21 years and thereafter	184,885	8,064
Total	264,195	49,533

The profile of distributable earnings is shown on an undiscounted and discounted basis. The discounted value of after-tax distributable earnings of US\$50,613 million (31 December 2022: US\$49,533 million) plus the free surplus of US\$16,260 million (31 December 2022: US\$17,850 million) and the non-eligible assets excluded in the free surplus calculation of US\$1,160 million (31 December 2022: US\$1,482 million) as shown in Section 2.3 of this report is equal to the EV of US\$68,033 million (31 December 2022: US\$68,865 million) shown in Section 2.1 of this report.

2. EMBEDDED VALUE RESULTS (continued)

2.5 Value of New Business

The VONB for the Group for the six months ended 30 June 2023 is summarised in the table below. The VONB is defined as the present value, at the point of sale, of the projected after-tax statutory profits less the cost of required capital. Results are presented consistently with the segment information in the IFRS interim condensed consolidated financial statements.

The Group VONB for the six months ended 30 June 2023 was US\$2,029 million, an increase of US\$493 million, or 37 per cent, from US\$1,536 million for the six months ended 30 June 2022.

Summary of VONB by Business Unit (US\$ millions)

Business Unit	Six months ended 30 June 2023 (Unaudited)			Six months ended 30 June 2022 (Unaudited)		
	VONB before CoC	CoC	VONB after CoC	VONB before CoC	CoC	VONB after CoC
AIA China	677	76	601	599	36	563
AIA Hong Kong	712	31	681	351	28	323
AIA Thailand	345	18	327	278	18	260
AIA Singapore	182	9	173	167	6	161
AIA Malaysia	178	8	170	171	10	161
Other Markets ⁽¹⁾	275	63	212	260	53	207
Total before unallocated Group Office expenses and non-controlling interests (Business Unit)	2,369	205	2,164	1,826	151	1,675
Adjustment to reflect consolidated reserving and capital requirements	(21)	(1)	(20)	(17)	8	(25)
Total before unallocated Group Office expenses and non-controlling interests (Consolidated)	2,348	204	2,144	1,809	159	1,650
After-tax value of unallocated Group Office expenses	(100)	–	(100)	(99)	–	(99)
Total before non-controlling interests (Consolidated)	2,248	204	2,044	1,710	159	1,551
Non-controlling interests	(15)	–	(15)	(16)	(1)	(15)
Total	2,233	204	2,029	1,694	158	1,536

Note:

(1) The VONB for the six months ended 30 June 2023 has reflected the effects of the change in solvency regime in South Korea (K-ICS and SAP) effective from 1 January 2023.

2. EMBEDDED VALUE RESULTS (continued)

2.5 Value of New Business (continued)

The table below shows the breakdown of the VONB, ANP, VONB margin, and present value of new business premium (PVNBP) margin for the Group, by quarter, for business written in the six months ended 30 June 2023.

The VONB margin and PVNBP margin are defined as VONB, gross of non-controlling interests and excluding pension business, expressed as a percentage of ANP and PVNBP, respectively. The VONB used in the margin calculation is gross of non-controlling interests and excludes pension business to be consistent with the definition of ANP and PVNBP.

The Group VONB margin for the six months ended 30 June 2023 was 50.8 per cent compared with 55.2 per cent for the six months ended 30 June 2022. The Group PVNBP margin for the six months ended 30 June 2023 was 10 per cent compared with 10 per cent for the six months ended 30 June 2022.

Breakdown of VONB, ANP, VONB Margin and PVNBP Margin (US\$ millions)

	VONB after CoC	ANP	VONB margin	PVNBP margin
Half Year				
Values for 2023				
Six months ended 30 June 2023 (Unaudited)	2,029	3,984	50.8%	10%
Values for 2022				
Six months ended 30 June 2022 (Unaudited)	1,536	2,778	55.2%	10%
Quarter				
Values for 2023				
Three months ended 31 March 2023 (Unaudited)	1,046	1,998	52.3%	10%
Three months ended 30 June 2023 (Unaudited)	983	1,986	49.3%	9%
Values for 2022				
Three months ended 31 March 2022 (Unaudited)	853	1,567	54.4%	10%
Three months ended 30 June 2022 (Unaudited)	683	1,211	56.2%	10%

2. EMBEDDED VALUE RESULTS (continued)

2.5 Value of New Business (continued)

The table below shows the VONB (excluding pension business), ANP, and VONB margin by Business Unit.

Summary of VONB Excluding Pension, ANP and VONB Margin by Business Unit (US\$ millions)

Business Unit	Six months ended 30 June 2023 (Unaudited)			Six months ended 30 June 2022 (Unaudited)		
	VONB excluding pension	ANP	VONB margin	VONB excluding pension	ANP	VONB margin
AIA China	601	1,195	50.3%	563	835	67.4%
AIA Hong Kong	662	1,165	56.9%	307	443	69.3%
AIA Thailand	327	357	91.5%	260	311	83.8%
AIA Singapore	173	267	65.0%	161	244	65.9%
AIA Malaysia	169	261	64.8%	160	239	67.2%
Other Markets ⁽¹⁾	213	739	28.6%	206	706	29.1%
Total before unallocated Group Office expenses (Business Unit)	2,145	3,984	53.8%	1,657	2,778	59.6%
Adjustment to reflect consolidated reserving and capital requirements	(21)	–		(25)	–	
Total before unallocated Group Office expenses (Consolidated)	2,124	3,984	53.3%	1,632	2,778	58.8%
After-tax value of unallocated Group Office expenses	(100)	–		(99)	–	
Total	2,024	3,984	50.8%	1,533	2,778	55.2%

Note:

(1) The VONB for the six months ended 30 June 2023 has reflected the effects of the change in solvency regime in South Korea (K-ICS and SAP) effective from 1 January 2023.

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement

Analysis of Movement in EV (US\$ millions)

	Six months ended 30 June 2023 (Unaudited)			Six months ended 30 June 2022 (Unaudited)			YoY AER
	ANW	VIF	EV	ANW	VIF	EV	EV
Opening EV Equity⁽¹⁾			71,202			75,001	(5)%
Removal of goodwill and other intangible assets ⁽²⁾			(2,337)			(2,014)	16%
Opening EV	33,751	35,114	68,865	33,302	39,685	72,987	(6)%
Effect of acquisitions	(238)	-	(238)	-	-	-	n/m ⁽³⁾
Release of resilience margins	-	-	-	2,168	(1,283)	885	n/m
Impact of HKRBC early adoption	-	-	-	8,407	(6,028)	2,379	n/m
VONB	(55)	2,084	2,029	(144)	1,680	1,536	32%
Expected return on EV	2,667	(58)	2,609	2,338	(109)	2,229	17%
Operating experience variances	186	(19)	167	388	(4)	384	(57)%
Operating assumption changes	(170)	(13)	(183)	(2)	(23)	(25)	n/m
Finance costs	(199)	-	(199)	(171)	-	(171)	16%
EV operating profit	2,429	1,994	4,423	2,409	1,544	3,953	12%
Investment return variances ⁽⁴⁾	(56)	(597)	(653)	(4,436)	(357)	(4,793)	n/m
Other non-operating variances	1,150	(587)	563	(1,548)	1,402	(146)	n/m
Total EV profit	3,523	810	4,333	7,000	(4,722)	2,278	90%
Dividends	(1,672)	-	(1,672)	(1,650)	-	(1,650)	1%
Share buy-back	(1,966)	-	(1,966)	(1,342)	-	(1,342)	n/m
Other capital movements	(70)	-	(70)	(55)	-	(55)	27%
Effect of changes in exchange rates	(625)	(594)	(1,219)	(960)	(1,153)	(2,113)	n/m
Closing EV	32,703	35,330	68,033	36,295	33,810	70,105	(3)%
Inclusion of goodwill and other intangible assets ⁽²⁾			2,588			2,221	17%
Closing EV Equity⁽¹⁾			70,621			72,326	(2)%
Closing EV per share (US\$)			5.89			5.86 ⁽⁵⁾	1%
Closing EV Equity per share (US\$)			6.11			6.04	1%

Notes:

- (1) Includes the EV Equity for Australian Savings and Investments (S&I) business held for sale as per note 30 to the IFRS interim condensed consolidated financial statements.
- (2) Consistent with the IFRS interim condensed consolidated financial statements, shown net of tax, amounts attributable to participating funds and non-controlling interests.
- (3) Not meaningful (n/m).
- (4) Includes the effect of change in economic assumption due to the change in risk discount rate of AIA Sri Lanka for the six months ended 30 June 2022.
- (5) For the six months ended 30 June 2022, the closing EV per share of US\$5.84 was calculated based on the basic number of ordinary shares in issue, as previously disclosed in the Supplementary Embedded Value Information in the Company's Interim Report 2022.

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement (continued)

The opening EV Equity was US\$71,202 million at 31 December 2022.

The opening EV was US\$68,865 million at 31 December 2022 after removal of goodwill and other intangible assets of US\$2,337 million.

EV operating profit was US\$4,423 million (2022: US\$3,953 million), reflecting VONB of US\$2,029 million (2022: US\$1,536 million), an expected return on EV of US\$2,609 million (2022: US\$2,229 million), partly offset by operating experience variances and operating assumption changes with a net impact of US\$(16) million (2022: increased EV operating profit by US\$359 million), and net of finance costs of US\$199 million (2022: US\$171 million).

The VONB is calculated at the point of sale for business written during the period. The expected return on EV is the expected change in the EV over the period plus the expected return on the VONB up to 30 June 2023. Operating experience variances reflect the impact on the ANW and VIF from differences between the actual experience over the period and that expected based on the operating assumptions.

The operating experience variances, net of tax, increased EV by US\$167 million (2022: increased by US\$384 million), driven by:

- Expense variances of US\$92 million (2022: US\$79 million), partly offset by development costs of US\$7 million (2022: US\$3 million);
- Mortality and morbidity claims variances of US\$33 million (2022: US\$208 million); and
- Persistency and other variances of US\$49 million (2022: US\$100 million) which included persistency variances of US\$(47) million (2022: US\$71 million) and other variances including management actions of US\$96 million (2022: US\$29 million).

The effect of changes in operating assumptions during the period was a decrease in EV of US\$183 million (2022: a decrease in EV of US\$25 million).

The EV profit of US\$4,333 million (2022: US\$2,278 million) is the total of EV operating profit, investment return variances and other non-operating variances.

The investment return variances decreased EV by US\$653 million (2022: decreased EV by US\$4,793 million) driven by the effect of short-term fluctuations in interest rates and equity markets, and other capital market movements, on the Group's investment portfolio and the reserves and capital requirements compared with the expected returns.

Other non-operating variances increased EV by US\$563 million (2022: decreased EV by US\$146 million) which comprised positive impacts from model-related enhancements and the effects of the change in solvency regime in South Korea (K-ICS and SAP) effective from 1 January 2023, partly offset by negative impacts from non-operating expenses, the effect of the implementation of IFRS 17, and adjustments to capital requirements on consolidation.

The final shareholder dividend for 2022 paid in the first half of 2023 totalled US\$1,672 million (2022: US\$1,650 million). The capital deployed for the share buy-back programme, under which 185 million shares⁽¹⁾ (2022: 132 million shares) have been repurchased in the first half of 2023, was US\$1,966 million (2022: US\$1,342 million). Other capital movements decreased EV by US\$70 million (2022: decreased EV by US\$55 million).

Foreign exchange movements decreased EV by US\$1,219 million (2022: decreased EV by US\$2,113 million).

The closing EV was US\$68,033 million at 30 June 2023.

The closing EV Equity was US\$70,621 million as at 30 June 2023, after inclusion of goodwill and other intangible assets of US\$2,588 million.

Note:

- (1) Of these shares, 150 million shares were cancelled in the first half of 2023, and the remaining 35 million shares have subsequently been cancelled as per note 23 to the IFRS interim condensed consolidated financial statements.

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement (continued)

Operating ROEV (US\$ millions)

Operating return on EV (operating ROEV) is calculated as EV operating profit expressed as a percentage of the opening EV and was 13.3 per cent (2022: 11.1 per cent) for the six months ended 30 June 2023.

	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)	YoY CER	YoY AER
EV operating profit	4,423	3,953	16%	12%
Opening EV	68,865	72,987	(3)%	(6)%
Operating ROEV⁽¹⁾	13.3%	11.1%	2.2 pps	2.2 pps
EV operating earnings per share (US cents)⁽²⁾	38.11	32.86	20%	16%

Notes:

(1) On an annualised basis.

(2) Based on weighted average number of ordinary shares outstanding during the respective period. For the six months ended 30 June 2022, the EV operating earnings per share of 32.82 US cents was calculated based on the weighted average number of ordinary shares in issue, as previously disclosed in the Supplementary Embedded Value Information in the Company's Interim Report 2022.

2. EMBEDDED VALUE RESULTS (continued)

2.7 Free Surplus Generation

Free Surplus Generation (US\$ millions)

	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)	YoY CER (Unaudited)	YoY AER (Unaudited)
Opening free surplus	17,850	17,025	7%	5%
Effect of acquisitions	(238)	–	n/m ⁽¹⁾	n/m
Release of resilience margins	–	3,400	n/m	n/m
Impact of HKRBC early adoption	–	4,403	n/m	n/m
UFSG	3,288	3,190	6%	3%
Free surplus used to fund new business	(738)	(686)	15%	8%
Investment return variances and other items	162	(3,357)	n/m	n/m
Unallocated Group Office expenses	(157)	(131)	20%	20%
Dividends	(1,672)	(1,650)	1%	1%
Share buy-back	(1,966)	(1,342)	n/m	n/m
Finance costs and other capital movements	(269)	(226)	n/m	n/m
Closing free surplus	16,260	20,626	(20)%	(21)%

Free surplus decreased by US\$1,590 million to US\$16,260 million (31 December 2022: US\$17,850 million) as at 30 June 2023, after reflecting the impact of share buy-back of US\$1,966 million.

UFSG, as defined in Section 4.8 of the Supplementary Embedded Value Information in the Company's Annual Report 2022, increased by 6 per cent, to US\$3,288 million (2022: US\$3,190 million). Investment in writing new business was US\$738 million (2022: US\$686 million).

Investment return variances and other items amounted to US\$162 million (2022: US\$(3,357) million), reflecting the effect of short-term fluctuations in interest rates and equity markets, and other capital market movements, on the Group's investment portfolio and the reserves and capital requirements compared with the expected returns and other items, including the free surplus impacts arising from other non-operating variances as described in Section 2.6.

Unallocated Group Office expenses amounted to US\$157 million (2022: US\$131 million).

Note:

(1) Not meaningful (n/m).

3. SENSITIVITY ANALYSIS

The EV as at 30 June 2023 and the VONB for the six months ended 30 June 2023 have been recalculated to illustrate the sensitivity of the results to changes in certain central assumptions discussed in Section 5 of this report.

The sensitivities analysed were:

- Risk discount rates 200 basis points per annum higher than the central assumptions;
- Risk discount rates 200 basis points per annum lower than the central assumptions;
- Interest rates 50 basis points per annum higher than the central assumptions;
- Interest rates 50 basis points per annum lower than the central assumptions;
- Equity return, property return and risk discount rates 100 basis points per annum lower than the central assumptions;
- The presentation currency (as explained below) appreciated by 5 per cent;
- The presentation currency depreciated by 5 per cent;
- Lapse and premium discontinuance rates increased proportionally by 10 per cent (i.e. 110 per cent of the central assumptions);
- Lapse and premium discontinuance rates decreased proportionally by 10 per cent (i.e. 90 per cent of the central assumptions);
- Mortality/morbidity rates increased proportionally by 10 per cent (i.e. 110 per cent of the central assumptions);
- Mortality/morbidity rates decreased proportionally by 10 per cent (i.e. 90 per cent of the central assumptions);
- Maintenance expenses 10 per cent lower (i.e. 90 per cent of the central assumptions); and
- Expense inflation set to 0 per cent.

The EV as at 30 June 2023 has been further analysed for the following sensitivities:

- Equity prices increased proportionally by 10 per cent (i.e. 110 per cent of the prices at 30 June 2023); and
- Equity prices decreased proportionally by 10 per cent (i.e. 90 per cent of the prices at 30 June 2023).

3. SENSITIVITY ANALYSIS (continued)

For the interest rate sensitivities, the investment return assumptions and the risk discount rates were changed by 50 basis points per annum; the projected bonus rates on participating business, the statutory reserving bases at 30 June 2023 and the values of debt instruments and derivatives held at 30 June 2023 were changed to be consistent with the interest rate assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

For the equity return, property return and risk discount rates sensitivity, the projected bonus rates on participating business were changed to be consistent with the equity return assumptions and property return assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

As the Group operates in multiple geographical markets, the EV results for the Group are translated from multiple currencies to US dollar which is the Group's presentation currency. In order to provide sensitivity results for EV and VONB of the impact of foreign currency movements, a change of 5 per cent to the US dollar is included.

For the equity price sensitivities, the projected bonus rates on participating business and the values of equity securities and equity funds held at 30 June 2023 were changed to be consistent with the equity price assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

For each of the remaining sensitivity analyses, the statutory reserving bases as at 30 June 2023 and the projected bonus rates on participating business were changed to be consistent with the sensitivity analysis assumptions, while all the other assumptions remain unchanged.

The sensitivities chosen do not represent the boundaries of possible outcomes, but instead illustrate how certain alternative assumptions would affect the results.

3. SENSITIVITY ANALYSIS (continued)

Sensitivity of EV (US\$ millions)

Scenario	As at 30 June 2023 (Unaudited)		As at 31 December 2022	
	EV	% Change	EV	% Change
Central value	68,033		68,865	
<i>Impact of:</i>				
200 bps increase in risk discount rates	(8,421)	(12.4)%	(8,133)	(11.8)%
200 bps decrease in risk discount rates	13,526	19.9%	13,036	18.9%
10% increase in equity prices	1,892	2.8%	1,817	2.6%
10% decrease in equity prices	(1,926)	(2.8)%	(1,821)	(2.6)%
50 bps increase in interest rates	(915)	(1.3)%	(1,246)	(1.8)%
50 bps decrease in interest rates	1,142	1.7%	1,347	2.0%
100 bps decrease in equity and property returns and risk discount rates	2,355	3.5%	2,047	3.0%
5% appreciation in the presentation currency	(1,796)	(2.6)%	(2,059)	(3.0)%
5% depreciation in the presentation currency	1,796	2.6%	2,059	3.0%
10% increase in lapse/discontinuance rates	(1,636)	(2.4)%	(1,532)	(2.2)%
10% decrease in lapse/discontinuance rates	1,767	2.6%	1,693	2.5%
10% increase in mortality/morbidity rates	(4,998)	(7.3)%	(4,659)	(6.8)%
10% decrease in mortality/morbidity rates	4,900	7.2%	4,514	6.6%
10% decrease in maintenance expenses	899	1.3%	862	1.3%
Expense inflation set to 0%	983	1.4%	941	1.4%

Sensitivity of VONB (US\$ millions)

Scenario	Six months ended 30 June 2023 (Unaudited)		Six months ended 30 June 2022 (Unaudited)	
	VONB	% Change	VONB	% Change
Central value	2,029		1,536	
<i>Impact of:</i>				
200 bps increase in risk discount rates	(433)	(21.3)%	(308)	(20.1)%
200 bps decrease in risk discount rates	655	32.3%	451	29.4%
50 bps increase in interest rates	85	4.2%	47	3.1%
50 bps decrease in interest rates	(101)	(5.0)%	(61)	(4.0)%
100 bps decrease in equity and property returns and risk discount rates	198	9.8%	161	10.5%
5% appreciation in the presentation currency	(73)	(3.6)%	(66)	(4.3)%
5% depreciation in the presentation currency	73	3.6%	66	4.3%
10% increase in lapse/discontinuance rates	(126)	(6.2)%	(102)	(6.6)%
10% decrease in lapse/discontinuance rates	138	6.8%	108	7.0%
10% increase in mortality/morbidity rates	(236)	(11.6)%	(205)	(13.3)%
10% decrease in mortality/morbidity rates	236	11.6%	205	13.3%
10% decrease in maintenance expenses	53	2.6%	53	3.5%
Expense inflation set to 0%	38	1.9%	37	2.4%

4. METHODOLOGY

The methodology used by the Group for determining the EV results for the period is consistent with that described in Section 4 of the Supplementary Embedded Value Information in the Company's Annual Report 2022 taking into account the capital requirements as set out in Section 4.1.

4.1 Capital Requirements

Each of the Business Units has a regulatory requirement to hold shareholder capital in addition to the assets backing the insurance liabilities. The table below sets out the Group's assumed level of capital requirement for each Business Unit:

Business Unit	Capital requirements
AIA Australia	100% of regulatory capital adequacy requirement
AIA China	100% of required capital following the China Association of Actuaries (CAA) EV assessment guidance, updated to reflect C-ROSS II ⁽¹⁾
AIA Hong Kong ⁽²⁾	100% of regulatory Risk-Based Capital requirement
AIA Indonesia	120% of regulatory Risk-Based Capital requirement
AIA Korea ⁽³⁾	150% of regulatory Risk-Based Capital requirement
AIA Malaysia	170% of regulatory Risk-Based Capital requirement
AIA New Zealand ⁽⁴⁾	100% of regulatory capital adequacy requirement
AIA Philippines	125% of regulatory Risk-Based Capital requirement
AIA Singapore	Higher of 135% of capital adequacy requirement and 80% of Tier 1 capital requirement under the regulatory Risk-Based Capital framework
AIA Sri Lanka	120% of regulatory Risk-Based Capital requirement
AIA Taiwan	250% of regulatory Risk-Based Capital requirement
AIA Thailand	140% of regulatory Risk-Based Capital requirement
AIA Vietnam	100% of required minimum solvency margin
Tata AIA Life	175% of required minimum solvency margin

Notes:

- (1) China Risk-Oriented Solvency System phase II (C-ROSS II)
- (2) With effect from 1 January 2022, the capital requirement for the Hong Kong branch of AIA International Limited (AIA International) is updated following the Hong Kong Risk-based Capital (HKRBC) early adoption as approved by the Hong Kong Insurance Authority (HKIA) in a letter dated 8 April 2022. For clarity, AIA Everest Life Company Limited, which is a closed block of business acquired from The Bank of East Asia, Limited (BEA) under AIA Company Limited (AIA Co.), and the Hong Kong business written by AIA Co., are still evaluated based on 150 per cent of required minimum solvency margin under existing Hong Kong Insurance Ordinance (HKIO) requirements, and the Macau branch of AIA International is subject to 150 per cent of Macau statutory requirement.
- (3) Effective from 1 January 2023, the Financial Supervisory Service (FSS) has announced a new capital adequacy framework (Korean Insurance Capital Standard (K-ICS)) for Korean insurers.
- (4) AIA New Zealand refers to AIA New Zealand Limited, a subsidiary of AIA Sovereign Limited. AIA Sovereign Limited is a subsidiary of AIA Holdings Pte. Limited, a wholly-owned subsidiary of the Company. The Reserve Bank of New Zealand has issued a new solvency standard effective 1 January 2023.

Capital Requirements on Consolidation

The Company's subsidiaries, AIA Co. and AIA International, are both subject to the HKIA reserving and capital requirements. Following the approval by HKIA to early adopt the new HKRBC regime for AIA International, starting from 1 January 2022, AIA International is subject to the capital requirement under the new HKRBC regime, while AIA Co. continues to be subject to the existing HKIO requirements. The non-Hong Kong branches of AIA Co. and AIA International hold required capital of no less than 100 per cent of the HKIO solvency margin requirement and the HKRBC capital requirement respectively.

In addition, AIA International, which is incorporated in Bermuda, is subject to the Bermuda Monetary Authority (BMA) reserving and capital requirements. AIA International and its subsidiaries hold required capital of no less than 100 per cent of the BMA regulatory capital requirement.

The above regulatory reserving and capital requirements, and other consolidated reserving and capital requirements as determined by the Group, apply in addition to the relevant local requirements applicable to our Business Units.

The Company is also subject to the new group-wide supervision (GWS) framework implemented by the HKIA, including group capital adequacy requirements based on the Local Capital Summation Method (LCSM), under which the Group's published group available capital, group minimum capital requirement (GMCR) and group prescribed capital requirement (GPCR) are calculated as the sum of the available capital, minimum capital requirements and prescribed capital requirements according to the respective regulatory requirements for each entity within the Group, subject to any variation considered necessary by the HKIA. This has not imposed any additional capital requirement to those mentioned above.

5. ASSUMPTIONS

5.1 Introduction

This section summarises the assumptions used by the Group to determine the EV as at 30 June 2023 and the VONB for the period ended 30 June 2023.

Long-term investment return assumptions used in the EV basis for the interim results remain unchanged from those shown in Section 5.2 of the Supplementary Embedded Value Information in the Company's Annual Report 2022, while risk discount rates were updated to reflect the risks associated with new business written during the reporting period as disclosed in Section 5.2 of the Supplementary Embedded Value Information in the Company's Annual Report 2022.

The non-economic assumptions used are based on those at 31 December 2022, updated to reflect the Group's latest view of expected future experience. A more detailed description of the assumptions can be found in Section 5 of the Supplementary Embedded Value Information in the Company's Annual Report 2022.

5.2 Economic Assumptions

Investment Returns

The Group has set the assumed long-term future returns for fixed income assets to reflect its view of expected returns having regard to estimates of long-term forward rates from yields available on government bonds and current bond yields. In determining returns on fixed income assets, the Group allows for the risk of default, and this allowance varies by the credit rating of the underlying asset.

Where long-term views of investment return assumptions differ from current market yields on existing fixed income assets, an adjustment was made to make allowance for the current market yields. In these cases, in calculating the VIF, adjustments have been made to the investment return assumptions such that the investment returns on existing fixed income assets were set consistently with the current market yield on these assets for their full remaining term, to be consistent with the valuation of the assets backing the policy liabilities.

The Group has set the equity return and property return assumptions by reference to the long-term return on 10-year government bonds, allowing for an internal assessment of risk premia that vary by asset class and by territory.

For each Business Unit, the non-linked portfolio is divided into a number of distinct product groups, and the returns for each of these product groups have been derived by considering current and future targeted asset allocations and associated investment returns for major asset classes.

For unit-linked business, fund growth assumptions have been determined based on actual asset mix within the funds at the valuation date and expected long-term returns for major asset classes.

For Tata AIA Life, the Group uses the IEV methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India for determining its EV and VONB. This methodology uses investment returns and risk discount rates that reflect the market-derived government bond yield curve. Therefore, the risk discount rate and long-term investment returns are not provided for Tata AIA Life.

5. ASSUMPTIONS (continued)

5.2 Economic Assumptions (continued)

Risk Discount Rates

The risk discount rates can be considered as the sum of the appropriate risk-free interest rate, to reflect the time value of money, and a risk margin to make an implicit allowance for risk.

The table below summarises the current market 10-year government bond yields referenced in EV calculations.

Business Unit	Current market 10-year government bond yields referenced in EV calculations (%)		
	As at 30 June 2023 (Unaudited)	As at 31 December 2022	As at 30 June 2022 (Unaudited)
	AIA Australia	4.02	4.05
AIA China	2.64	2.84	2.82
AIA Hong Kong ⁽¹⁾	3.84	3.87	3.01
AIA Indonesia	6.26	6.94	7.22
AIA Korea	3.66	3.74	3.62
AIA Malaysia	3.84	4.09	4.24
AIA New Zealand	4.62	4.47	3.86
AIA Philippines	6.30	6.99	7.04
AIA Singapore	3.07	3.09	2.98
AIA Sri Lanka	19.43	26.18	21.47
AIA Taiwan	1.16	1.28	1.25
AIA Thailand	2.58	2.64	2.90
AIA Vietnam	2.68	4.90	3.27

Note:

(1) The majority of AIA Hong Kong's assets and liabilities are denominated in US dollars. The 10-year government bond yields shown above are those of US dollar-denominated bonds.

5. ASSUMPTIONS (continued)

5.2 Economic Assumptions (continued)

Risk Discount Rates (continued)

The table below summarises the risk discount rates and long-term investment returns assumed in EV calculations. The risk discount rates as at 30 June 2023 reflect the weighted average of the risk margins of the in-force business at the start of 2023, and those of the new business written during the first half of 2023 which are determined at a product level to better reflect the market and non-market risks associated with the mix of products sold during the reporting period. In addition, the VONB results are calculated based on start-of-quarter long-term investment return assumptions consistent with the measurement at the point of sale. The present value of unallocated Group Office expenses was calculated using the AIA Hong Kong risk discount rate. The investment returns on existing fixed income assets were set consistently with the market yields on these assets. The investment returns shown are gross of tax and investment expenses.

Business Unit	Risk discount rates assumed in EV calculations (%)			Long-term investment returns assumed in EV calculations (%)					
				10-year government bonds			Local equities		
	As at 30 Jun 2023 (Unaudited)	As at 31 Dec 2022	As at 30 Jun 2022 (Unaudited)	As at 30 Jun 2023 (Unaudited)	As at 31 Dec 2022	As at 30 Jun 2022 (Unaudited)	As at 30 Jun 2023 (Unaudited)	As at 31 Dec 2022	As at 30 Jun 2022 (Unaudited)
AIA Australia	7.43	7.43	6.42	3.30	3.30	2.30	7.60	7.60	6.60
AIA China	9.67	9.69	9.70	3.70	3.70	3.70	9.30	9.30	9.30
AIA Hong Kong ⁽¹⁾	7.45	7.46	6.96	3.00	3.00	2.20	7.50	7.50	7.00
AIA Indonesia	13.13	13.09	13.03	7.50	7.50	7.50	12.00	12.00	12.00
AIA Korea	8.86	8.91	8.10	3.00	3.00	2.20	7.30	7.30	6.50
AIA Malaysia	8.86	8.92	8.49	4.50	4.50	4.00	9.10	9.10	8.60
AIA New Zealand	7.39	7.43	6.48	3.30	3.30	2.30	7.80	7.80	6.80
AIA Philippines	12.10	12.10	11.80	5.80	5.80	5.30	10.80	10.80	10.50
AIA Singapore	7.22	7.27	6.59	2.90	2.90	2.20	7.40	7.40	6.70
AIA Sri Lanka	21.00	21.00	20.00	10.00	10.00	9.00	12.00	12.00	11.00
AIA Taiwan	7.64	7.67	7.20	1.50	1.50	1.00	6.10	6.10	5.60
AIA Thailand	8.00	8.09	7.65	3.20	3.20	2.70	8.20	8.20	7.70
AIA Vietnam	9.55	9.57	9.11	4.00	4.00	3.50	9.30	9.30	8.80

Note:

- (1) The majority of AIA Hong Kong's assets and liabilities are denominated in US dollars. The 10-year government bond assumptions shown above are those of US dollar-denominated bonds. Starting from 31 December 2022, local equities assumption shown is that of US dollar-denominated equities. The local equities assumption as at 30 June 2022 shown above is that of HK dollar-denominated equities.

5. ASSUMPTIONS (continued)

5.3 Expense Inflation

The expected long-term expense inflation rates used by each Business Unit are set out below:

Expense Inflation Assumptions by Business Unit (%)

Business Unit	As at 30 June 2023 (Unaudited)	As at 31 December 2022
AIA Australia	2.25	2.25
AIA China	2.00	2.00
AIA Hong Kong	2.00	2.00
AIA Indonesia	3.50	3.50
AIA Korea	3.50	3.50
AIA Malaysia	3.00	3.00
AIA New Zealand	2.00	2.00
AIA Philippines	3.50	3.50
AIA Singapore	2.00	2.00
AIA Sri Lanka	6.50	6.50
AIA Taiwan	1.20	1.20
AIA Thailand	2.00	2.00
AIA Vietnam	4.00	4.00
Tata AIA Life ⁽¹⁾	6.95	7.05

Note:

(1) For Tata AIA Life, in accordance with the IEV methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India, the inflation assumption is derived by applying a spread to the reference interest rate.

Unallocated Group Office expenses are assumed to inflate by the weighted average of the Business Unit expense inflation rates.

5. ASSUMPTIONS (continued)

5.4 Taxation

The EV and VONB presented in this report are net of tax based on current taxation legislation. The projected corporate income tax payable in any year allows for the benefits arising from any tax loss carried forward where relevant. Where applicable, tax payable on investment income has been reflected in the projected investment returns. Any withholding tax payable on future remittances from local business units is also reflected under the appropriate operating segment.

The local corporate income tax rates used by each Business Unit are set out below:

Local Corporate Income Tax Rates by Business Unit (%)

Business Unit	As at 30 June 2023 (Unaudited)	As at 31 December 2022
AIA Australia	30.0	30.0
AIA China	25.0	25.0
AIA Hong Kong	16.5	16.5
AIA Indonesia	22.0	22.0
AIA Korea ⁽¹⁾	23.1	26.5
AIA Malaysia	24.0	24.0
AIA New Zealand	28.0	28.0
AIA Philippines	25.0	25.0
AIA Singapore	17.0	17.0
AIA Sri Lanka	30.0	30.0
AIA Taiwan	20.0	20.0
AIA Thailand	20.0	20.0
AIA Vietnam	20.0	20.0
Tata AIA Life	14.6	14.6

Note:

(1) AIA Korea was subject to an assumed corporate income tax of 26.5 per cent up to fiscal year 2022, which includes an Accumulated Earnings Tax following the subsidiarisation of the branch in AIA Korea. Based on current regulations, the corporate income tax rate has changed to 23.1 per cent effective from 1 January 2023.

6. EVENTS AFTER THE REPORTING PERIOD

On 24 August 2023, a Committee appointed by the Board of Directors declared an interim dividend of 42.29 Hong Kong cents per share (six months ended 30 June 2022: 40.28 Hong Kong cents per share).

INFORMATION FOR SHAREHOLDERS

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023.

INTERIM DIVIDEND

The Board has declared an interim dividend of 42.29 Hong Kong cents per Share for the six months ended 30 June 2023 (six months ended 30 June 2022: 40.28 Hong Kong cents per Share).

The interim dividend will be payable on Tuesday, 26 September 2023 to Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 11 September 2023.

RELEVANT DATES FOR THE 2023 INTERIM DIVIDEND

Ex-dividend date	Monday, 11 September 2023
Record date	Tuesday, 12 September 2023
Payment date	Tuesday, 26 September 2023

RECORD DATE

In order to qualify for the entitlement of the interim dividend, all properly completed transfer forms, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 11 September 2023.

SHARE REGISTRAR

If you have any enquiries relating to your shareholding, please contact the Company's share registrar with the contact details set out below:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Telephone: +852 2862 8555
Website: www.computershare.com
www.computershare.com/hk/contact (for general enquiries)

INTERIM REPORT

This Interim Report is printed in English and Chinese and is available on the website of the Company. If you would like to have a printed version of this Interim Report, please contact the Company's share registrar using the contact details provided in this Interim Report.

The Company makes every effort to ensure consistency between the English and Chinese versions of this Interim Report. In the event of any inconsistency, the English version shall prevail.

For environmental and cost reasons, Shareholders are encouraged to elect to receive the Company's corporate communications (as defined in the Listing Rules) by electronic means through the Company's website at www.aia.com and Hong Kong Exchanges and Clearing Limited's website at www.hkexnews.hk. You may at any time send a written notice to the Company c/o the Company's share registrar or via email at aia.ecom@computershare.com.hk specifying your name, address and request to change your choice of language and/or means of receipt of all of the Company's corporate communications.

INVESTMENT COMMUNITY AND NEWS MEDIA

Enquiries may be directed to:

Investment Community		News Media	
Lance Burbidge	+852 2832 1398	Cecilia Ma Zecha	+852 2832 5666
Evelyn Lam	+852 2832 1633	Duke Malan	+852 2832 4726
Feon Lee	+852 2832 4704	Kitty Liu	+852 2832 1742
Ismar Tuzovic	+852 2832 1777		
Rachel Poon	+852 2832 4792		

BOARD OF DIRECTORS

The Board comprises:

Independent Non-executive Chairman and Independent Non-executive Director:
Mr. Edmund Sze-Wing TSE

Executive Director, Group Chief Executive and President:
Mr. LEE Yuan Siong

Independent Non-executive Directors:

Mr. Jack Chak-Kwong SO, Mr. Chung-Kong CHOW, Mr. John Barrie HARRISON, Mr. George Yong-Boon YEO, Professor Lawrence Juen-Yee LAU, Dr. Narongchai AKRASANEE, Mr. Cesar Velasquez PURISIMA, Ms. SUN Jie (Jane), Ms. Mari Elka PANGESTU and Mr. ONG Chong Tee

FORWARD-LOOKING STATEMENTS

This document may contain certain forward-looking statements relating to the Group that are based on the beliefs of the Group's management as well as assumptions made by and information currently available to the Group's management. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to the Group's business prospects, future developments, trends and conditions in the industry and geographical markets in which the Group operates, its strategies, plans, objectives and goals, its ability to control costs, statements relating to prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

When used in this document, the words "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and similar expressions, as they relate to the Group or the Group's management, are intended to identify forward-looking statements. These forward-looking statements reflect the Group's views as of the date hereof with respect to future events and are not a guarantee of future performance or developments. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. Actual results and events may differ materially from information contained in the forward-looking statements as a result of a number of factors, including any changes in the laws, rules and regulations relating to any aspects of the Group's business operations, general economic, market and business conditions, including capital market developments, changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, the actions and developments of the Group's competitors and the effects of competition in the insurance industry on the demand for, and price of, the Group's products and services, various business opportunities that the Group may or may not pursue, changes in population growth and other demographic trends, including mortality, morbidity and longevity rates, persistency levels, the Group's ability to identify, measure, monitor and control risks in the Group's business, including its ability to manage and adapt its overall risk profile and risk management practices, its ability to properly price its products and services and establish reserves for future policy benefits and claims, seasonal fluctuations and factors beyond the Group's control. Subject to the requirements of the Listing Rules, the Group does not intend to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, forward-looking events and circumstances discussed in this document might not occur in the way the Group expects, or at all. Accordingly, you should not place reliance on any forward-looking information or statements. All forward-looking statements in this document are qualified by reference to the cautionary statements set forth in this section.

GLOSSARY

2010 RSU Scheme	Restricted Share Unit Scheme of the Company adopted on 28 September 2010 (as amended) under which the Company granted restricted share units to employees, directors (excluding independent non-executive directors) or officers of the Company or any of its subsidiaries. It was terminated with effect from 31 July 2020 prior to the adoption of the 2020 RSU Scheme.
2010 SO Scheme	Share Option Scheme of the Company adopted on 28 September 2010 (as amended), under which the Company granted share options to employees, directors (excluding independent non-executive directors) or officers of the Company or any of its subsidiaries. It was terminated with effect from 29 May 2020 upon the adoption of the 2020 SO Scheme.
2011 ESPP	Employee Share Purchase Plan of the Company adopted on 25 July 2011 (as amended), a voluntary share purchase plan with matching offer to facilitate and encourage ownership of Shares by employees. It was terminated with effect from 31 October 2020 (being the last day of the 2019/2020 plan year).
2012 ASPP	Agency Share Purchase Plan of the Company adopted on 23 February 2012, a share purchase plan with matching offer of new Shares to facilitate and encourage ownership of Shares by agents. It was terminated with effect from 31 March 2021 (being the last day of the 2020/2021 plan year).
2020 ESPP	Employee Share Purchase Plan of the Company adopted on 1 August 2020 (as amended), a voluntary share purchase plan with matching offer to facilitate and encourage ownership of Shares by employees, and is effective for a period of 10 years from the date of adoption.
2020 RSU Scheme	Restricted Share Unit Scheme of the Company adopted on 1 August 2020 (as amended), under which the Company may grant restricted share units to employees, directors (excluding independent non-executive directors) or officers of the Company or any of its subsidiaries, and is effective for a period of 10 years from the date of adoption.
2020 SO Scheme	Share Option Scheme of the Company adopted on 29 May 2020 (as amended), under which the Company may grant share options to employees, directors (excluding independent non-executive directors) or officers of the Company or any of its subsidiaries, and is effective for a period of 10 years from the date of adoption.
2021 ASPP	Agency Share Purchase Plan of the Company adopted on 1 February 2021 (as amended), a share purchase plan with matching offer of new Shares to facilitate and encourage ownership of Shares by agents, and is effective for a period of 10 years from the date of adoption.
active agent	An agent who sells at least one policy per month. The number of active agents is calculated as the average number of active agents across the specific period.
active market	<p>A market in which all the following conditions exist:</p> <ul style="list-style-type: none">• the items traded within the market are homogeneous;• willing buyers and sellers can normally be found at any time; and• prices are available to the public. <p>A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.</p>

adjusted net worth or ANW	ANW is the market value of assets in excess of the assets backing the policy reserves and other liabilities of the life (and similar) business of AIA, plus the IFRS equity value of other activities, such as general insurance business, less the value of intangible assets. It excludes any amounts not attributable to shareholders of AIA Group Limited. ANW for AIA is stated after adjustment to reflect consolidated reserving requirements. ANW by market is stated before adjustment to reflect consolidated reserving requirements, and presented on a local statutory basis.
AER	Actual exchange rates.
AIA or the Group	AIA Group Limited and its subsidiaries.
AIA Co.	AIA Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company.
AIA Everest	AIA Everest Life Company Limited.
AIA International	AIA International Limited, a company incorporated in Bermuda and an indirect wholly-owned subsidiary of the Company.
amortised cost	Other than cash and cash equivalents, financial assets measured at amortised cost primarily include debt securities, loans and deposits, and receivables. These financial assets are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest revenue from debt securities measured at amortised cost is recognised in investment return in the consolidated income statement using the effective interest method.
annualised new premiums or ANP	ANP represents 100 per cent of annualised first year premiums and 10 per cent of single premiums, before reinsurance ceded. It is an internally used measure of new business sales or activity for all entities within AIA. ANP excludes new business of pension business, personal lines and motor insurance. For group renewable business, it includes any premium payable on existing schemes that exceeds the prior year's premiums.
ASEAN businesses	ASEAN, officially the Association of Southeast Asian Nations, businesses refers to AIA's operations in Thailand, Singapore, Malaysia, Vietnam, Indonesia, the Philippines, Cambodia, Myanmar and Brunei.
Asia	Mainland China, Hong Kong SAR, Thailand, Singapore, Malaysia, Australia, Cambodia, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China), Vietnam, Brunei, Macau SAR and India.
bancassurance	The distribution of insurance products through banks or other financial institutions.
BEPS 2.0	The common name for the tax policy work led by the Organisation for Economic Co-operation and Development on the "Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy".
Board	The board of Directors.
business model	Financial assets are classified on the basis of the business model within which they are held and their contractual cash flow characteristics. Below are examples of business model: <ul style="list-style-type: none"> • Whose objective is to hold financial assets to collect contractual cash flows; • Whose objective is achieved by both collecting contractual cash flows and selling financial assets.

CER	Constant exchange rates. Change on constant exchange rates is calculated for all figures for the current period and for the prior period, using constant average exchange rates, other than for balance sheet items as at the end of the current period and as at the end of the prior year, which is translated using the constant balance sheet exchange rates.
China Post Life	China Post Life Insurance Co., Ltd.
Company	AIA Group Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (stock codes: 1299 (HKD counter) and 81299 (RMB counter)).
consolidated investment funds	Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds, and consist of third-party unit holders' interests in these funds. These are consolidated in the financial statements.
contract boundary	The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. For details, please refer to note 2.3.4 to the interim condensed consolidated financial statements.
contractual service margin or CSM	A component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit the Group will recognise as it provides insurance contract services under the insurance contracts in the group. For details, please refer to note 2.3.6 to the interim condensed consolidated financial statements.
Corporate Governance Code	Corporate Governance Code set out in Appendix 14 to the Listing Rules, as amended from time to time.
cost of capital or CoC	CoC is calculated as the face value of the required capital as at the valuation date less the present value of the net-of-tax investment return on the shareholder assets backing the required capital and the present value of projected releases from the assets backing the required capital. Where the required capital may be covered by policyholder assets such as surplus assets in participating funds, there is no associated cost of capital included in the VIF or VONB. CoC for AIA is stated after adjustment to reflect consolidated capital requirements. CoC by market is stated before adjustment to reflect consolidated capital requirements, and presented on a local statutory basis.
coverage unit	The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each reporting period is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the reporting period (before any allocation) equally to each coverage unit provided in the current period and expected to be provided in future periods, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the current period. The number of coverage units is the quantity of services provided by the contracts in the group, determined considering for each contract the quantity of benefits provided and its expected coverage period. Determination of coverage unit is further elaborated in note 3.3 to the interim condensed consolidated financial statements.
COVID-19	COVID-19 is the disease caused by the coronavirus called SARS-CoV-2.
C-ROSS	China Risk-Oriented Solvency System.

Dealing Policy	Directors' and Chief Executives' Dealing Policy of the Company.
Director(s)	The director(s) of the Company.
eligible capital resources	For a regulated entity, eligible capital resources refers to the resources and financial instruments eligible to be counted towards satisfying the prescribed capital requirement according to the respective regulatory requirements. For a non-regulated entity, eligible capital resources refers to IFRS equity less intangible assets, plus eligible financial instruments, including subordinated securities as well as senior notes approved for inclusion.
eligible group capital resources	The sum of the eligible capital resources of each entity within the Group according to the respective local regulatory requirements, subject to any variation considered necessary by the Hong Kong Insurance Authority (HKIA).
eligible group capital resources coverage ratio or the Group LCSM coverage ratio	The ratio of the eligible group capital resources to the group prescribed capital requirement (GPCR).
embedded value or EV	An actuarially determined estimate of the economic value of a life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to future new business. EV for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses. EV by market is stated before adjustments to reflect consolidated reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.
equity attributable to shareholders of the Company on the embedded value basis or EV Equity	EV Equity is the total of embedded value, goodwill and other intangible assets attributable to shareholders of the Company, after allowing for taxes.
ExCo	The Executive Committee of the Group.
expense ratio	Expense ratio is measured as operating expenses divided by total weighted premium income (TWPI).
expected credit losses or ECL	The weighted average of credit losses with the respective risks of a default occurring as the weights.
fair value reserve	Fair value reserve comprises the cumulative net change in the fair value of debt securities measured at fair value through other comprehensive income and the cumulative related loss allowance recognised in profit or loss.
fair value through other comprehensive income or FVOCI	For financial assets and liabilities measured at fair value through other comprehensive income, some changes in fair value are recognised in other comprehensive income. For details, please refer to note 2.4.1 to the interim condensed consolidated financial statements.
fair value through profit or loss or FVTPL	For financial assets and liabilities measured at fair value through profit or loss, changes in fair value are recognised in profit or loss as part of net investment result. For details, please refer to note 2.4.1 to the interim condensed consolidated financial statements.
first year premiums	First year premiums are the premiums received in the first year of a recurring premium policy. As such, they provide an indication of the volume of new policies sold.

free surplus	ANW in excess of the required capital adjusted for certain assets that are not eligible for regulatory capital purposes. Free surplus for AIA is stated after adjustment to reflect consolidated reserving and capital requirements.
fulfilment cash flows	An explicit, unbiased and probability-weighted estimate (i.e. expected value) of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the Group fulfils insurance contracts, including a risk adjustment for non-financial risk.
Group Local Capital Summation Model (LCSM) coverage ratio	The ratio of the eligible group capital resources to the group prescribed capital requirement (GPCR).
Group LCSM surplus	The excess of the eligible group capital resources over the GPCR.
group minimum capital requirement or GMCR	The sum of the minimum capital requirements of each entity within the Group, subject to any variation considered necessary by the HKIA.
Group Office	Group Office includes the activities of the Group Corporate Centre segment consisting of the Group's corporate functions, shared services and eliminations of intragroup transactions.
group prescribed capital requirement or GPCR	The sum of the prescribed capital requirements of each entity within the Group, subject to any variation considered necessary by the HKIA. It represents the level below which the HKIA may intervene on grounds of capital adequacy.
GWS	Group-wide Supervision.
GWS Capital Rules	Insurance (Group Capital) Rules (Chapter 41O of the Laws of Hong Kong).
HKFRS	Hong Kong Financial Reporting Standards.
holding company financial resources	Debt securities, equity shares and interests in investment funds, deposits, cash and cash equivalents and dividends paid but not settled by subsidiaries, net of obligations under repurchase agreements, at the Group's listed holding company, AIA Group Limited. These are presented in note 32 to the interim condensed consolidated financial statements.
Hong Kong or HKSAR	The Hong Kong Special Administrative Region (SAR) of the People's Republic of China (PRC); in the context of our reportable market segments, Hong Kong includes Macau SAR.
Hong Kong Companies Ordinance	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time.
Hong Kong Insurance Authority or HKIA	Insurance Authority established under the Hong Kong Insurance Ordinance.
Hong Kong Insurance Ordinance or HKIO	Insurance Ordinance (Chapter 41 of the Laws of Hong Kong), as amended from time to time. It provides a legislative framework for the prudential supervision of the insurance industry in Hong Kong.
Hong Kong Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited.
IAIG	Internationally Active Insurance Group.

IAIS	International Association of Insurance Supervisors.
IAS	International Accounting Standards.
IASB	International Accounting Standard Board.
IFA	Independent financial adviser.
IFRS	Standards and interpretations adopted by the IASB comprising: <ul style="list-style-type: none"> • International Financial Reporting Standards; • IAS; and • Interpretations developed by the IFRS Interpretations Committee (IFRS IC) or the former Standing Interpretations Committee (SIC).
insurance acquisition cash flows	Cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio.
Insurance Capital Standard or ICS	A risk-based global insurance capital standard applicable to IAIGs being developed by the IAIS.
insurance contract services	The following services that the Group provides to a policyholder of an insurance contract: <ul style="list-style-type: none"> (a) coverage for an insured event (insurance coverage); (b) for insurance contracts without direct participation features, the generation of an investment return for the policyholder, if applicable (investment-return service); and (c) for insurance contracts with direct participation features, the management of underlying items on behalf of the policyholder (investment-related service).
insurance finance reserve	Insurance finance reserve comprises the cumulative insurance finance income or expenses recognised in other comprehensive income.
insurance revenue	Insurance revenue arising from insurance contracts and exclude any investment components. For details, please refer to notes 2.3.11.1 and 2.3.11.3 to the interim condensed consolidated financial statements.
insurance service expenses	Insurance service expenses arising from insurance contracts and exclude repayments of investment components. For details, please refer to note 2.3.11.5 to the interim condensed consolidated financial statements.
insurance service result	Insurance service result comprises insurance revenue, insurance service expenses and net expenses from reinsurance contracts held.
investment component	Amount that an insurance contract requires the Group to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. Generally, for relevant contracts, surrender value would be determined as an investment component.

investment experience	Realised and unrealised investment gains and losses recognised in the consolidated income statement.
investment income	Investment income comprises interest income, dividend income and rental income.
investment return	Investment return comprises interest revenue on financial assets, other investment return and net impairment loss on financial assets.
IPO	Initial Public Offering.
liability for incurred claims or LIC	<p>The Group's obligation to:</p> <ul style="list-style-type: none"> (a) investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses; and (b) pay amounts that are not included in (a) and that relate to: <ul style="list-style-type: none"> (i) insurance contract services that have already been provided; or (ii) any investment components or other amounts that are not related to the provision of insurance contract services and that are not in the liability for remaining coverage.
liability for remaining coverage or LRC	<p>The Group's obligation to:</p> <ul style="list-style-type: none"> (a) investigate and pay valid claims under existing insurance contracts for insured events that have not yet occurred (i.e. the obligation that relates to the unexpired portion of the insurance coverage); and (b) pay amounts under existing insurance contracts that are not included in (a) and that relate to: <ul style="list-style-type: none"> (i) insurance contract services not yet provided (i.e. the obligations that relate to future provision of insurance contract services); or (ii) any investment components or other amounts that are not related to the provision of insurance contract services and that have not been transferred to the liability for incurred claims.
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time.
Local Capital Summation Model or LCSM	LCSM is the method used by the HKIA as a measure of group capital under the GWS framework. Under the LCSM, AIA's published eligible group capital resources, GMCR and GPCR are calculated as the sum of the eligible capital resources, minimum capital requirements and prescribed capital requirements for each entity within the Group according to the respective local regulatory requirements, subject to any variation considered necessary by the HKIA. Adjustments are made to eliminate double counting.

loss component	Loss component for onerous contracts. For details, please refer to note 2.3 to the interim condensed consolidated financial statements.
minimum capital requirement or MCR	The level at which, if not maintained by the regulated entity, may result in the severest penalty, the most extreme intervention measures, or the withdrawal of authorisation to carry on the whole or any part of its business, being imposed on or taken against the regulated entity under the laws relating to regulatory capital in the jurisdiction in which the entity is authorised. (For details, please refer to the Insurance (Group Capital) Rules, Rule 4 from the HKIA).
Million Dollar Round Table or MDRT	MDRT is a global professional trade association of life insurance and financial services professionals that recognises significant sales achievements and high service standards.
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, as amended from time to time.
n/a	Not available.
n/m	Not meaningful.
net investment result	Comprises investment return, net finance income or expenses from insurance contracts and reinsurance contracts held, movement in investment contract liabilities and movement in third-party interests in consolidated investment funds.
operating margin	Operating margin is measured as operating profit after tax expressed as a percentage of TWPI.
operating profit after tax or OPAT	Operating profit is determined using, among others, expected long-term investment return for equities and real estate. Short-term fluctuations between expected long-term investment return and actual investment return for these asset classes are excluded from operating profit. The assumptions used to determine expected long-term investment return are the same, in all material respects, as those used by the Group in determining its embedded value and are disclosed in the Supplementary Embedded Value Information.
operating return on EV or operating ROEV	Operating return on EV is calculated as EV operating profit, expressed as a percentage of the opening embedded value.
operating return on shareholders' allocated equity or operating ROE	Operating return on shareholders' allocated equity is calculated as operating profit after tax attributable to shareholders of the Company, expressed as a percentage of the simple average of opening and closing shareholders' allocated equity.
OTC	Over-the-counter.
Other Markets	AIA's Other Markets are Australia, Cambodia, India, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China) and Vietnam.
other participating business with distinct portfolios	Business where it is expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory.

participating funds	Participating funds are distinct portfolios where the policyholders have a contractual right to receive at the discretion of the insurer additional benefits based on factors such as the performance of a pool of assets held within the fund, as a supplement to any guaranteed benefits. The allocation of benefits from the assets held in such participating funds is subject to minimum policyholder participation mechanisms which are established by regulation.
persistence	The percentage of insurance policies remaining in force from month to month in the past 12 months, as measured by premiums.
prescribed capital requirement or PCR	The level at which, if maintained by the regulated entity, would not give rise to a power to impose any penalty, sanction or intervention measures against, or withdrawal of authorisation of, the regulated entity under the laws relating to regulatory capital in the jurisdiction in which the entity is authorised. (For details, please refer to the Insurance (Group Capital) Rules, Rule 5 from the HKIA).
policyholder and shareholder investments	Investments other than those held to back unit-linked contracts as well as assets from consolidated investment funds.
portfolio of insurance contracts	Insurance contracts subject to similar risks and managed together.
pps	Percentage points.
premium allocation approach or PAA	Simplified measurement of insurance contracts where the coverage period of each contract in the group of contracts is one year or less; or the Group reasonably expects that the resulting measurement of the liabilities for remaining coverage would not differ materially from the result of applying the accounting policies of contracts not measured under PAA.
PVNB margin	VONB gross of non-controlling interests excluding pension business, expressed as a percentage of present value of new business premiums (PVNB). PVNB margin for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses.
renewal premiums	Premiums receivable in subsequent years of a recurring premium policy.
reverse repo	Reverse repurchase agreements.
risk adjustment	The compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the Group fulfils insurance contracts.
Risk-Based Capital or RBC	RBC represents an amount of capital based on an assessment of risks that a company should hold to protect customers against adverse developments.
RSPUs	Restricted stock purchase units.
RSSUs	Restricted stock subscription units.
RSUs	Restricted share units.
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time.

Share(s)	For the Company, shall mean ordinary share(s) in the capital of the Company.
Shareholder(s)	Holder(s) of the Shares.
shareholders' allocated equity	Shareholders' allocated equity is total equity attributable to shareholders of the Company less fair value reserve and insurance finance reserve.
Singapore	The Republic of Singapore; in the context of our reportable market segments, Singapore includes Brunei.
single premium	A single payment that covers the entire cost of an insurance policy.
solvency	The ability of an insurance company to satisfy its policyholder benefits and claims obligations.
SOs	Share options.
Tata AIA Life	Tata AIA Life Insurance Company Limited.
Tier 1 group capital	The resources and financial instruments of the group eligible to be included, in accordance with the Insurance (Group Capital) Rules, Rule 7(1) from the HKIA.
Tier 1 group capital coverage ratio	Tier 1 group capital coverage ratio is calculated as the ratio of the Tier 1 group capital to the GMCR.
Tier 2 group capital	The resources and financial instruments of the group eligible to be included, in accordance with the Insurance (Group Capital) Rules, Rule 7(3) from the HKIA.
total weighted premium income or TWPI	TWPI consists of 100 per cent of renewal premiums, 100 per cent of first year premiums and 10 per cent of single premiums, before reinsurance ceded. As such it provides an indication of AIA's longer-term business volumes as it smoothes the peaks and troughs in single premiums. The amounts are not intended to be indicative of insurance revenue and fee income recorded in the interim consolidated income statement.
underlying free surplus generation or UFSG	Underlying free surplus generation represents free surplus generated from the in-force business, adjusted for certain non-recurring items and before free surplus used to fund new business, unallocated Group Office expenses, finance costs, investment return variances and other non-operating items. The underlying free surplus generation is also calculated after reflecting consolidated reserving and capital requirements.
underlying items	Items that determine some of the amounts payable to a policyholder. Underlying items can comprise any items; for example, a reference portfolio of assets, the net assets of the Group, or a specified subset of the net assets of the Group.
unit-linked investments	Financial investments held to back unit-linked contracts.

unit-linked products	Unit-linked products are insurance products where the policy value is linked to the value of underlying investments (such as collective investment schemes, internal investment pools or other property) or fluctuations in the value of underlying investment or indices. Investment risk associated with the product is usually borne by the policyholder. Insurance coverage, investment and administration services are provided for which the charges are deducted from the investment fund assets. Benefits payable will depend on the price of the units prevailing at the time of death of the insured or surrender or maturity of the policy, subject to surrender charges.
value of in-force business or VIF	VIF is the present value of projected after-tax statutory profits by Business Units emerging in the future from the current in-force business less the cost arising from holding the required capital (CoC) to support the in-force business. VIF for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VIF by market is stated before adjustments to reflect consolidated reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.
value of new business or VONB	VONB is the present value, measured at the point of sale, of projected after-tax statutory profits emerging in the future from new business sold in the period less the cost of holding the required capital in excess of regulatory reserves to support this business. VONB for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VONB by market is stated before adjustments to reflect consolidated reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.
variable fee approach or VFA	The VFA modifies the general measurement model in IFRS 17 to reflect the nature of the income to the insurer is a variable fee.
VONB margin	VONB gross of non-controlling interests excluding pension business, expressed as a percentage of ANP. VONB margin for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VONB margin by market is stated before adjustments to reflect consolidated reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.



AIA Group Limited
友邦保險控股有限公司

AIA.COM

