HEALTHIER, LONGER, BETTER LIVES

AIA GROUP LIMITED
友邦保險控股有限公司

STOCK CODES
1299 (HKD COUNTER)
81299 (RMB COUNTER)

LEADING OUR INDUSTRY

ANNUAL REPORT 2023

OUR PURPOSE IS TO HELP PEOPLE LIVE HEALTHIER, LONGER, BETTER LIVES.

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[1], Thailand, Singapore, Malaysia, Australia, Cambodia, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China), Vietnam, Brunei and Macau SAR[2], 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$286 billion as of 31 December 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 42 million individual policies and over 18 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) Hong Kong SAR refers to the Hong Kong Special Administrative Region.

(2) Macau SAR refers to the Macau Special Administrative Region.

(3) Explanations of certain terms and abbreviations used in this report are set forth in the Glossary.

AIA AT-A-GLANCE

THE LARGEST LISTED COMPANY ON THE HONG KONG STOCK EXCHANGE

which is incorporated and headquartered in Hong Kong[1]

A LEADING LIFE INSURER IN THE WORLD

by market capitalisation[1]

PRESENT IN 18 MARKETS AND 100% FOCUSED ON ASIA

NO.1 WORLDWIDE FOR MDRT REGISTERED MEMBERS

The only multinational company to top the table for

NINE CONSECUTIVE YEARS

Serving the holders of more than

42 MILLION

individual policies and over

18 MILLION

participating members of group insurance schemes

Provides protection with total sum assured of over

US$2 TRILLION

to people across Asia

Benefits and claims of

US$21 BILLION

in 2023, which is an increase of US$2 billion on a comparable basis[2]

Notes:

(1) As at 31 December 2023.

(2) The benefits and claims for 2023 included unit-linked contracts under IFRS 17. The benefits and claims for 2022 were US$19 billion on a comparable basis.

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AIA LEADS OUR INDUSTRY WITH...

MULTIPLE GROWTH ENGINES AND UNMATCHED FINANCIAL FLEXIBILITY

MAINLAND CHINA

AIA China opened a new provincial branch in Henan, upgraded our Shijiazhuang licence to cover all of Hebei province and received regulatory approvals to begin preparations for expansion into more cities in Hubei and Sichuan. AIA China also opened the AIA Grand Theatre and acquired the AIA Financial Centre in Shanghai, the largest real estate acquisition under the Group to date.

Henan Branch Opening


AIA Grand Theatre in the North Bund, Shanghai


AIA Wealth Management Centre

HONG KONG

AIA Hong Kong launched the AIA Wealth Management Centre and AIA Alta Wellness Haven, a first[1] for the Hong Kong insurance industry, offering integrated health and wealth management services alongside exclusive lifestyle privileges and experiences for our customers.


AIA Alta Wellness Haven

ASEAN

AIA is ranked the number one life and private health insurer in ASEAN[2], a key growth engine for the Group. Our largest ASEAN business is in Thailand where we celebrated our 85th anniversary in the country and launched the AIA East Gateway, a real estate investment in Bangkok.


AIA East Gateway

INDIA

Our joint venture Tata AIA Life is the third largest private life insurer[3] and the number one retail protection player[4] in India.

SUPERIOR SHAREHOLDER RETURNS

AIA has returned US$7.2 billion[5] to shareholders through our ongoing share buy-back programme of up to US$10 billion. Our active approach to capital management has enabled us to return excess capital to shareholders through our share buy-back programme, while maintaining a prudent, sustainable and progressive dividend policy. AIA's sound financial discipline, honed over many years, ensures that today, we retain the flexibility to capture the full economics of growth in the region.

Notes:

(1) As at 1 August 2023, compared with services provided by Hong Kong major insurance companies.

(2) In aggregate across six markets (Thailand, Singapore, Malaysia, Vietnam, Indonesia and the Philippines) by annualised new premiums based on latest available regulatory data.

(3) Individual weighted new business premiums of private life insurers for 2023 (January to December 2023).

(4) Among private life insurers, based on retail sum assured for 2023 (January to December 2023).

(5) As at 31 December 2023.

UNRIVALLED DISTRIBUTION AND WORLD-CLASS TECHNOLOGY, DIGITAL AND ANALYTICS

PREMIER AGENCY

AIA's differentiated Premier Agency is a core competitive advantage. AIA was named the number one MDRT multinational company globally for the ninth consecutive year in 2023 and we were also number one in Mainland China, Hong Kong, ASEAN and India.

STRATEGIC PARTNERSHIPS

AIA's extensive network of market-leading strategic distribution partners extends our reach to engage hundreds of millions of potential customers across Asia. Our long-term strategic partnerships with leading banks are a key competitive advantage for AIA:

MORE THAN
60 MILLION
BANK CUSTOMERS IN ASEAN

MORE THAN
2 MILLION
BANK CUSTOMERS IN HONG KONG

MORE THAN
5 MILLION
AFFLUENT AND HIGH NET WORTH CUSTOMERS IN MAINLAND CHINA

MORE THAN
200 MILLION
BANK CUSTOMERS IN INDIA

TECHNOLOGY, DIGITAL AND ANALYTICS

AIA has made significant, targeted investments over the past three years to accelerate our transformation into a customer-driven, world-class and digitally-enabled insurer:

90%
CLOUD ADOPTION(1), WELL AHEAD OF GLOBAL FINANCIAL SERVICES AND INSURANCE INDUSTRY AVERAGE LEVELS

85%
END-TO-END STRAIGHT-THROUGH PROCESSING WITH NO HUMAN INTERVENTION(1)

MORE THAN
20 MILLION
EXISTING AND PROSPECTIVE CUSTOMERS ENGAGE WITH AIA DIGITALLY

94%
CUSTOMER SUBMISSIONS WERE DIGITAL(1)

HIGH-PERFORMING PEOPLE

AIA appointed three new Independent Non-executive Directors, including Ms. Mari Elka Pangestu, Mr. Ong Chong Tee and Ms. Nor Shamsiah Mohd Yunus, bringing a wealth of international experience across a range of subjects to the Board of AIA Group Limited.

AIA also appointed Dr. Kelvin Loh as Group Chief Healthcare Officer for the execution of AIA's Integrated Health Strategy as well as AIA's health-related businesses.

In 2023, AIA received the Gallup Exceptional Workplace Award for the second year, an accolade that celebrates companies that have a highly engaged workforce and a performance-oriented culture.

Note:
(1) In December 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

AIA published our first Climate Transition Plan, which sets out a clear implementation roadmap to achieve our near-term climate targets and integrate climate considerations into our core business, supporting our path towards net-zero emissions by 2050.

AIA also became the first pan-Asian life and health insurer to have our near-term emissions reduction targets validated by the Science Based Targets initiative, a global body enabling businesses to set ambitious emissions reduction targets in line with the latest climate science.

AIA's global ESG leadership and efforts earned positive recognition in 2023, including being "ESG Industry Top Rated" and "ESG Regional Top Rated" for three consecutive years by Sustainalytics, a global leader in ESG and Corporate Governance research and ratings.

AND SCALABLE AND POSITIVE IMPACT ON COMMUNITIES...

PURPOSE IN ACTION

As the largest pan-Asian life and health insurer, we recognise the scale of the positive impact we can make to create a healthier, more sustainable future for Asia. In 2023, we delivered our Purpose through a range of community activities across 18 markets to inspire, educate and engage people to live Healthier, Longer, Better Lives.

AIA VITALITY

is a science-backed wellness programme that provides participants with the knowledge, tools and motivation to help them achieve their personal health goals.

AROUND
60%
OF OUR NEW CUSTOMERS ARE ADDING AIA VITALITY TO THEIR POLICIES WHEN GIVEN THE OPTION TO DO SO

AVAILABLE IN
12 MARKETS
LAUNCHED IN VIETNAM IN 2023

CELEBRATED
10th
ANNIVERSARY IN SINGAPORE

AIA ONE BILLION

is our bold ambition to engage one billion people to live Healthier, Longer, Better Lives by 2030.

ROLLED OUT IN
18 MARKETS

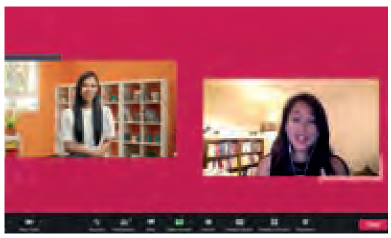
ENGAGED
387 MILLION
PEOPLE BY THE END OF 2023

OVER
4 in 10
ASIANS SURVEYED WERE INSPIRED BY AIA INITIATIVES TO IMPROVE HEALTHY LIVING[1]

AIA VOICES

is a platform for thought leaders to educate, motivate and inspire people to make positive behavioural changes on their health and wellness journey.

33 MILLION
ENGAGEMENTS IN TOTAL BY THE END OF 2023



Note:
(1) Based on Kantar Brand Power Monitor Research for the period of July to December 2023.

AIA HEALTHIEST SCHOOLS

encourages healthy living habits among students aged five to 16 by promoting healthy eating, active lifestyles, mental well-being, as well as health and sustainability in schools.

AIA healthiest schools

LAUNCHED IN

4 MARKETS

IN 2022/23 – AUSTRALIA, HONG KONG, THAILAND AND VIETNAM

EXPANDED TO

6 MARKETS

IN 2023/24, ADDING MALAYSIA AND INDONESIA IN THE SECOND YEAR

744

SCHOOLS PARTICIPATED IN THE PROGRAMME

MORE THAN

110

ENTRIES RECEIVED FOR OUR LOCAL AND REGIONAL COMPETITIONS IN THE FIRST YEAR

AIA'S PARTNERSHIP WITH TOTTENHAM HOTSPUR

has been a powerful vehicle to deepen engagement with communities across the region.

OVER

26,000

CHILDREN AND ADULTS ATTENDED SESSIONS CONDUCTED BY OUR SPURS COACHES IN 2023

OVER

63,000

LEADS GENERATED FROM SPURS ACTIVITIES IN 2023

AIA SCHOLARSHIPS

supported 100 university students in Hong Kong for the third year as part of our

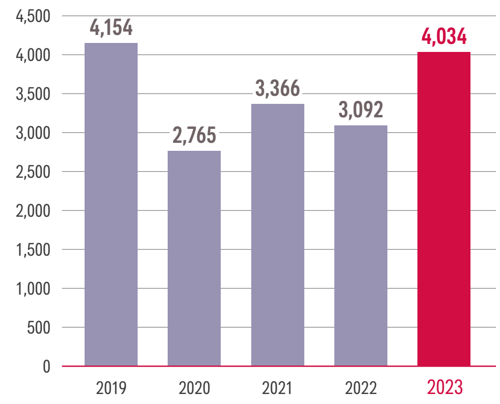
US$100 MILLION

scholarship pledge in 2020.

2023 RESULTS AT-A-GLANCE

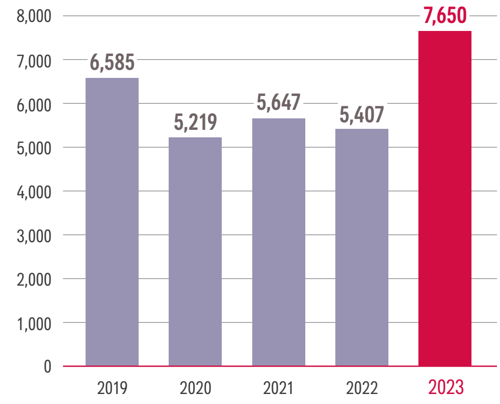
VALUE OF NEW BUSINESS[1]

US$ MILLIONS



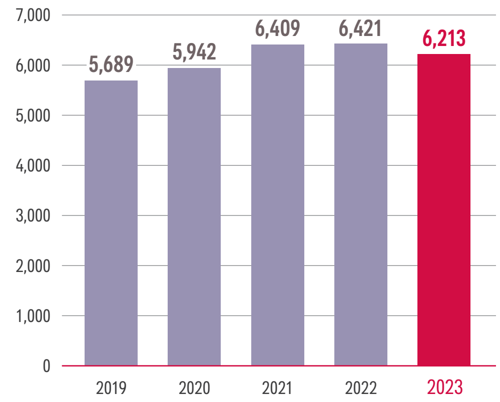
ANNUALISED NEW PREMIUMS[2]

US$ MILLIONS



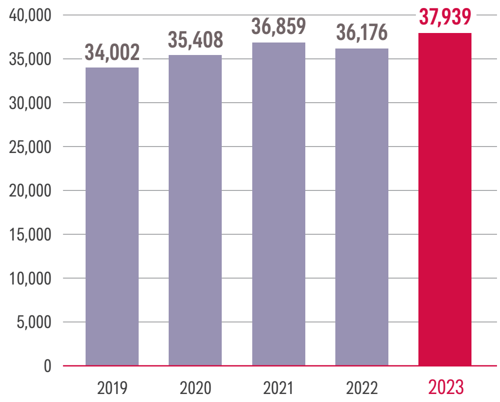
OPERATING PROFIT AFTER TAX[3][7]

US$ MILLIONS



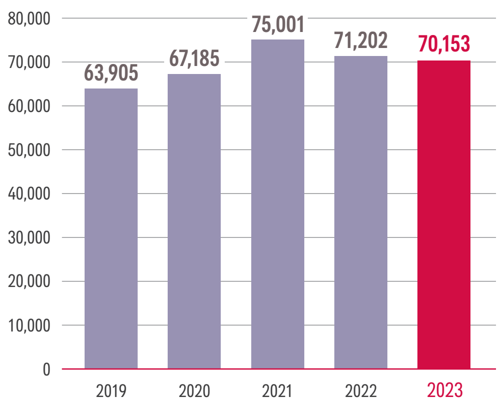
TOTAL WEIGHTED PREMIUM INCOME[4]

US$ MILLIONS



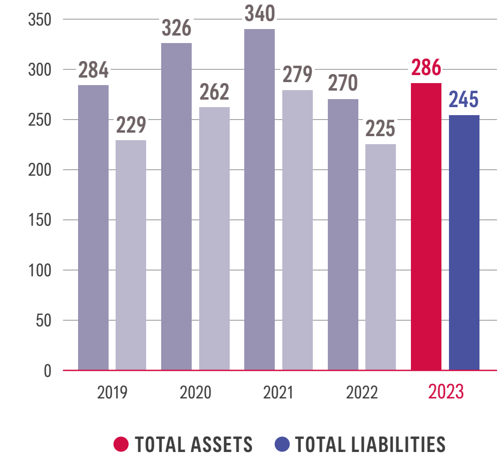
EV EQUITY[5]

US$ MILLIONS



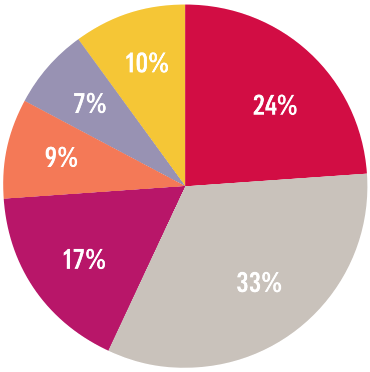
TOTAL ASSETS AND TOTAL LIABILITIES[7]

US$ BILLIONS

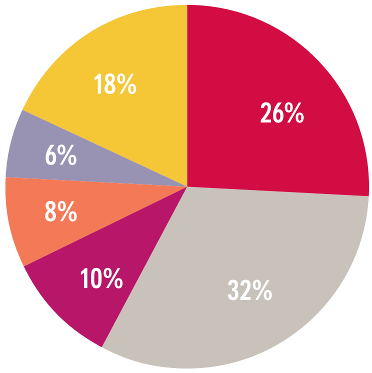


2023 BREAKDOWN BY MARKET SEGMENT

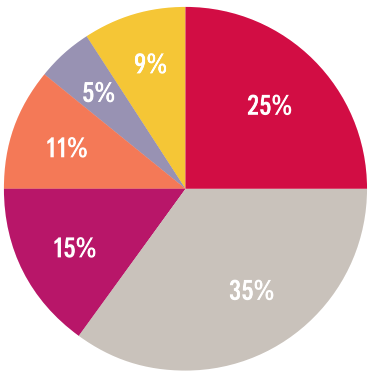
VALUE OF NEW BUSINESS(1)(6)



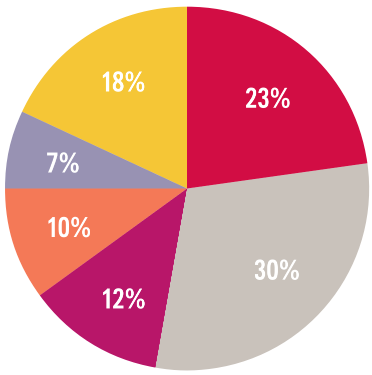
ANNUALISED NEW PREMIUMS(2)



OPERATING PROFIT AFTER TAX(3)



TOTAL WEIGHTED PREMIUM INCOME(4)



MAINLAND CHINA · HONG KONG · THAILAND · SINGAPORE · MALAYSIA · OTHER MARKETS(8)

Notes:

(1) Value of new business (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.

(2) Annualised new premiums (ANP) is a measure of new business activity that is calculated as the sum of 100 per cent of annualised first year premiums and 10 per cent of single premiums, before reinsurance ceded.

(3) Operating profit after tax (OPAT) is shown after non-controlling interests.

(4) Total weighted premium income (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.

(5) Embedded value (EV) is 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 Equity is the total of embedded value, goodwill and other intangible assets, after allowing for taxes.

(6) Based on local statutory basis, before unallocated Group Office expenses and deduction of the amount attributable to non-controlling interests.

(7) From 2022 onwards, the financial information is presented after the adoption of IFRS 9 and IFRS 17, and amendment to IAS 16, unless otherwise stated. The financial information for 2021 and prior periods are presented before the above-mentioned change.

(8) 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 accounted for using the equity method. The results of Tata AIA Life and China Post Life are accounted for on a one-quarter-lag basis in AIA's consolidated results. The results of China Post Life starting from the completion of the investment on 11 January 2022 are accounted for in AIA's consolidated results. For clarity, TWPI does not include any contribution from Tata AIA Life and China Post Life.

CHAIRMAN'S STATEMENT

Mr. Edmund Sze-Wing Tse
Independent Non-executive Chairman

It gives me great pleasure to report that 2023 was a very successful year of growth and progress at AIA. The consistent execution of our strategy by our leading pan-Asian businesses has delivered a return to very strong profitable new business growth and substantial capital returns to shareholders. AIA's unparalleled competitive advantages, scale and diversity across the region give me great confidence in our ability to create value for all our stakeholders well into the future.

The significant investments we have made over the last few years to reinforce our technology, capabilities and business strengths while executing our growth strategy, resulted in another very strong operating performance. Value of new business (VONB) increased by 33 per cent to US$4,034 million with double-digit growth across 10 of our markets and all distribution channels.

Profitable new business growth also helped drive an increase in EV operating profit of 37 per cent per share. EV Equity grew by 7 per cent to US$76,083 million before the payment of shareholder dividends of US$2,293 million and the additional US$3,637 million return of capital to shareholders through our share buy-back programme. Net of these items, EV Equity was US$70,153 million, up by 2 per cent on a per share basis.

Our consistent financial discipline and focus on growing AIA's high-quality in-force business supported an increase in both underlying free surplus generation (UFSG) and operating profit after tax (OPAT) per share. The Group's financial position remained robust as free surplus grew by 25 per cent to US$22,259 million, before the deduction of US$5,930 million for shareholder dividends and share buy-back. Net of these items, free surplus was US$16,329 million.

AIA's share buy-back programme of up to US$10 billion is ongoing and strong free surplus generation has enabled us to also increase returns to shareholders through progressive dividends. The board of Directors (Board) has recommended a final dividend of 119.07 Hong Kong cents per share, which is an increase of 5 per cent, reflecting the strength of our financial performance and the Board's continued confidence in the future prospects of the Group. This brings the total dividend for 2023 to 161.36 Hong Kong cents per share, following AIA's established prudent, sustainable and progressive dividend policy, allowing for future growth opportunities and the financial flexibility of the Group.

The Board is confident about the significant long-term potential for AIA's growth in Asia. The fundamental drivers for the life and health insurance industry in the region are underpinned by powerful social, economic and demographic trends that not only create increasing wealth but, importantly, underscore a persistent need to preserve and protect incomes to withstand uncertain times. At the same time, rapid growth in health expenditure in AIA's markets is generating an urgent demand for more effective healthcare services that improve customer outcomes.

AIA has the right strategy and talent to address these evolving consumer demands. Powered by the transformation of our technology, digital and analytics capabilities, our integrated product ecosystems offer greater relevance in meeting an individual's unique life goals. We continue to enhance the professionalism and reach of our distribution across our markets to leverage these capabilities, so that we can provide the high-quality advice and service needed to help our customers navigate both good times and life's complexities. It is AIA's ability to combine all of our competitive advantages for the benefit of all our stakeholders that continues to differentiate us from our competitors.

I am enormously proud of the many achievements by our industry-leading businesses as they ensure we stay well positioned to deliver our strategy. All credit for AIA's success goes to our dedicated employees, agents and partners. Our colleagues across the organisation have demonstrated unwavering professionalism as well as care for our communities. I am extremely grateful to every one of them.

It is also a great pleasure to collaborate with each of the distinguished individuals that comprise our Board. We share a deep commitment to promoting the highest standards of corporate governance and risk management. In 2023, we were pleased to welcome Ms. Mari Elka Pangestu, Mr. Ong Chong Tee and Ms. Nor Shamsiah Mohd Yunus as new independent non-executive directors. I would also like to express our appreciation for Ms. Swee-Lian Teo who retired from the AIA Group Limited Board after eight years. We remain ever grateful for her many contributions to the Group. All of our directors bring a wealth of relevant experience which supports the executive management in successfully navigating a complex and rapidly changing operating environment and ensuring the sustainability of our operations.

Sustainability is a cornerstone of our business, not just because of the multigenerational nature of what we do, but because it paves the way for an even better future for those that come long after us. Through our Purpose of helping people live Healthier, Longer, Better Lives, we are committed to addressing material Environmental, Social and Governance (ESG) issues in the region.

The management of our investment portfolio is vital to achieving our ESG ambitions and we led the industry in fully divesting from directly-managed listed equity and fixed income exposures to coal mining and coal-fired power businesses. I am delighted that AIA published its inaugural Climate Transition Plan during the year, in support of our path towards net-zero emissions by 2050. AIA also became the first pan-Asian life and health insurer to have its near-term emissions reduction targets validated by the Science Based Targets initiative (SBTi), in line with the latest climate science.

We are committed to using our scale and influence to meaningfully support the economic and social development of the region. AIA's ESG leadership is externally recognised by Sustainalytics, a global leader in ESG and Corporate Governance research and ratings, that has consistently ranked AIA as being "ESG Industry Top Rated", and "ESG Regional Top Rated" for three consecutive years.

As I look ahead, I am certain that AIA's Operating Philosophy of "Doing the Right Thing, in the Right Way with the Right People… and the Right Results will come" is as relevant as it has ever been. The near-term geopolitical and macroeconomic uncertainty does not diminish the vast potential for our business. I am very grateful to our Group Chief Executive and President, Lee Yuan Siong, and his team for their outstanding leadership that has ensured AIA's sustainable success. Of course, none of this would be possible without the ongoing trust that our customers and shareholders place in us every day. On behalf of the Board, thank you for your enduring support.

Edmund Sze-Wing Tse
Independent Non-executive Chairman
14 March 2024

Note:

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.

GROUP CHIEF EXECUTIVE AND PRESIDENT'S REPORT

Mr. Lee Yuan Siong
Group Chief Executive and President

AIA's very strong profitable new business growth in 2023 with increased underlying free surplus generation and substantial capital returns to shareholders demonstrates the enduring power of our unique competitive advantages. We have the ambition, scale and financial strength to capture the tremendous growth potential in the world's most attractive region for life and health insurance.

As the largest pan-Asian life and health insurer, we are uniquely positioned to materially contribute to the economic and social development of the region. AIA's differentiated operating model addresses the growing and evolving protection needs of Asia's consumers through highly relevant and personalised products tailored to local markets. This is backed by high-quality advice from our leading distribution network that encompasses a world-class Premier Agency and strategic partnerships that complement our proprietary channels to broaden our customer reach.

AIA's substantial competitive advantages have been built over decades and keep us well positioned to capture the tremendous opportunities in life and health insurance in the region. Our recent significant investments in technology, digital and analytics have accelerated the pace of innovation, refining the insights that inform our decision-making and strategic execution. While we hold leading positions in the majority of our markets, there is expansive headroom to grow in each of our operations.

Across Asia, the strong impetus for our businesses arises from a combination of growing yet ageing populations that are increasingly wealthy and seeking higher standards of living. Consumer spending on healthcare is rapidly rising. At the same time, state-funded protections have proven insufficient to meet escalating demand, creating an urgent need for private sector solutions to bridge the divide.

AIA's clear and ambitious strategy aligns our scale, position and influence with the powerful drivers of growth prevalent in the region, and I am confident that our focused execution will create value for many years to come. Our financial discipline and focus on profitable new business growth translates into free surplus generation that, in turn, funds further capital investment in organic new business and value creation for shareholders.

Our active approach to capital management has enabled us to return excess capital to shareholders through our ongoing share buy-back programme of up to US$10 billion, while maintaining a prudent, sustainable and progressive dividend policy. AIA's sound financial discipline, honed over many years, ensures that today, we retain the flexibility to capture the full economics of growth in the region.

I have every confidence that our unwavering execution of AIA's ambitious growth strategy will advance our position as the leading pan-Asian life and health insurance company. We are steadfast in our Purpose of helping people live Healthier, Longer, Better Lives.

2023 PERFORMANCE HIGHLIGHTS

2023 was a strong year for AIA as we accomplished a return to growth in value of new business (VONB) of 33 per cent and a record high in annualised new premiums. Our growth was broad-based across the region from our industry-leading businesses with 10 of our markets delivering double-digit VONB increases. Our profitable growth also drove an increase in embedded value (EV) operating profit of 37 per cent per share, which led to an uplift in operating return on EV (operating ROEV) of 350 basis points(1). At the same time, we returned US$5.9 billion through increased shareholder dividends and the ongoing share buy-back programme. AIA's balance sheet remains very strong with an increase in free surplus of 25 per cent before capital returns to shareholders and a Group Local Capital Summation Method (LCSM) coverage ratio(2) of 275 per cent on the GWS basis, well above the regulatory minimum requirement.

VALUE OF NEW BUSINESS

VONB for the Group grew by 33 per cent to US$4,034 million and annualised new premiums grew by 45 per cent to US$7,650 million. AIA's proprietary Premier Agency distribution achieved strong VONB growth of 23 per cent and our partnerships delivered an excellent recovery with an increase of 58 per cent compared with 2022.

AIA's **Hong Kong** operation was the largest contributor to the Group's new business results with VONB growth of 82 per cent to US$1,430 million. AIA Hong Kong's products and services have broad appeal to both domestic as well as Mainland Chinese visitor customers. The launch of the AIA Wealth Management Centre in March 2023 provides an ecosystem of integrated health and wealth management services. Combined with our market-leading Premier Agency and partnerships, we provide a comprehensive suite of propositions that balance protection and wealth solutions. New business sales from our long-term protection and participating savings products more than doubled compared with 2022.

VONB from **Mainland China** grew by 28 per cent for February to December 2023 compared with the same period in 2022, following the removal of pandemic restrictions at the beginning of the year. VONB growth for the full year was 20 per cent to US$1,037 million. AIA's Premier Agency remains the gold standard for professionalism and productivity in the market. We develop full-time agents that provide advice on more sophisticated savings and protection products to meet the evolving needs of affluent customers. Our approach to training, recruitment and career development sets AIA apart, enabling us to access the significant opportunities for growth in the Mainland Chinese life insurance market.

We were delighted to open a new provincial branch in Zhengzhou, Henan in May 2023. AIA China's Shijiazhuang sales and service centre was also upgraded to a provincial branch in October 2023, and we have since been granted approvals by the regulator to begin preparations to expand into new major cities in Hubei and Sichuan provinces. VONB for our newest operations grew by 55 per cent in 2023 and AIA's footprint in Mainland China now covers 10 branches. Our geographical expansion is on track and there is substantial room for us to grow both within our existing footprint and as we enter into new provinces in the future.

AIA's 24.99 per cent investment in China Post Life Insurance Co., Ltd. (China Post Life) further expands the Group's exposure to growth opportunities from additional customer segments that are highly complementary to AIA China's strategy. Our dedicated advisory team has fostered strong engagement across all levels of management and worked closely with China Post Life to enhance product mix and drive significant volume and margin growth. While not consolidated into the Group's reported new business results, China Post Life delivered 17 per cent year-on-year growth in VONB[3] compared with 2022.

AIA is the market leader in **Thailand** and we delivered 21 per cent VONB growth to US$713 million in 2023. We are the number one ranked agency, with 41 per cent market share, focused on traditional protection and unit-linked products that differentiate the quality of our growth. Our strategic bancassurance partner, Bangkok Bank Public Company Limited, also delivered excellent VONB growth, driven by higher productivity and increased sales of protection and rider products.

In **Singapore**, AIA delivered VONB growth of 10 per cent to US$394 million driven by both agency and partnership distribution channels. Our agency channel ranked number one in the country for Million Dollar Round Table (MDRT), reflecting our focus on quality and productivity. AIA Singapore's strategic partnership with Citibank, N.A. delivered excellent new business growth, focusing on the affluent customer segment.

Our business in **Malaysia** achieved a 7 per cent increase in VONB to US$319 million supported by both agency and partnership distribution channels on the back of very strong growth in 2022. Our close collaboration with Public Bank Berhad delivered strong VONB growth in the second half of the year following the introduction of new recruitment and training programmes for insurance specialists focused on high net worth customers.

VONB for **Other Markets** of US$406 million was flat year-on-year. We delivered double-digit growth in India, the Philippines, South Korea, Taiwan (China) and Sri Lanka. The Vietnamese market saw a decline in sales over the year as negative consumer sentiment impacted the industry. Excluding Vietnam, VONB for Other Markets grew by 15 per cent. Tata AIA Life Insurance Company Limited (Tata AIA Life) delivered excellent VONB growth across all distribution channels and was the third largest private life insurer in India in 2023.

EV EQUITY

EV Equity increased by 7 per cent to US$76,083 million, before shareholder dividends of US$2,293 million and the additional return of capital to shareholders of US$3,637 million through the share buy-back programme. Net of these items, EV Equity was US$70,153 million.

VONB was a major driver of higher EV operating profit of US$8,890 million, representing an increase of 37 per cent on a per share basis. Combined with the return of capital to shareholders from the share buy-back, this has resulted in a material increase in operating ROEV by 350 basis points(1) to 12.9 per cent, compared with 9.4 per cent in 2022.

OPERATING PROFIT AFTER TAX AND FREE SURPLUS

Operating profit after tax (OPAT) of US$6,213 million increased by 2 per cent on a per share basis. Operating ROE increased to 13.5 per cent and operating margin remained very strong at 16.4 per cent. Medical claims increased in 2023, in line with post pandemic global trends, and, in response we continue to reprice our health insurance portfolios and strengthened claims provisions at 31 December 2023. Excluding the increase in medical claims and minor model refinements, OPAT growth was 7 per cent per share on an underlying basis.

Underlying free surplus generation (UFSG) of US$6,041 million grew by 5 per cent per share reflecting higher interest rates, partially offset by medical claims experience. The Group's financial position is very strong with free surplus growing by 25 per cent to US$22,259 million, before shareholder dividends and share buy-back of US$5,930 million. Net of these items, free surplus was US$16,329 million as at 31 December 2023.

SOLVENCY POSITION

The Group LCSM coverage ratio(2) was 275 per cent at 31 December 2023, after the payment of shareholder dividends and share buy-back, and well above the regulatory minimum requirement. On a shareholder basis, the Group LCSM coverage ratio(2) was 335 per cent at 31 December 2023.

SHAREHOLDER DIVIDEND

Our very strong performance demonstrates the execution of our clear and ambitious strategy across AIA's businesses. As a result, the Board has recommended a final dividend of 119.07 Hong Kong cents per share, which brings the total dividend for 2023 to 161.36 Hong Kong cents per share, representing an increase of 5 per cent compared with 2022. This follows AIA's established prudent, sustainable and progressive dividend policy, allowing for future growth opportunities and the financial flexibility of the Group.

EXTENDING OUR SIGNIFICANT COMPETITIVE ADVANTAGES

Our world-class **technology, digital and analytics** make AIA a simpler, faster, more connected organisation. AIA's adoption of cloud technology firmly surpasses financial services and insurance industry benchmarks globally. We have achieved the highly-ambitious transformation targets we set out three years ago at the beginning of our technology, digital and analytics programme.

We have achieved a significant improvement in straight-through processing (STP) automation across 'buy', 'service', and 'claims' customer journeys. Our end-to-end STP rate increased from 35 per cent in June 2020 to 85 per cent in December 2023 and we were able to complete 85 per cent of all buy, service and claims transactions within a single day compared with just 50 per cent at the end of 2020.

Our strategy is not just aimed at transforming back-office capabilities but enables a **leading customer experience.** More than 20 million existing and prospective registered customers used our applications in 2023 and over 85 per cent of all customer transactions were completed digitally. We believe that providing simplified customer journeys with faster turnaround times leads to better outcomes, including improved customer satisfaction, greater retention and additional product sales. We have made it easier for customers to buy policies by simplifying underwriting rules, better leveraging existing data and introducing artificial intelligence into AIA's processes.

Our **unrivalled distribution** has been built over decades. The consistent execution of our Premier Agency strategy has delivered a strong performance and accounts for 76 per cent of total Group VONB with growth of 23 per cent. We hold market-leading positions across the region and were named the number one MDRT multinational company in the world for the ninth consecutive year. AIA China, AIA Thailand, AIA Hong Kong and Tata AIA Life are all individually within the top five positions globally. Full adoption of digital tools across the entire Premier Agency value chain has delivered a material improvement in productivity, recruitment and retention, ensuring that we continue to provide highly attractive opportunities for our career agents.

VONB for our partnership channel recovered strongly and grew by 58 per cent. Our bancassurance channel delivered 42 per cent VONB growth through strong collaboration with our bank partners, including Citibank, N.A. and The Bank of East Asia, Limited, Postal Savings Bank of China Co., Ltd., Bank of the Philippine Islands, Public Bank Berhad and Bangkok Bank Public Company Limited. VONB from our intermediated channels, including independent financial advisers and brokers, more than doubled in 2023.

AIA's integrated ecosystems combine new products and services to offer **compelling propositions** that meet a wider set of financial and health protection needs, at a more personal level. We design our propositions based on insights gained through our deep customer relationships, extensive consumer research and data analytics. Our propositions motivate and reward customers for taking actions that positively improve their physical and financial health, help them seek the best treatment and encourage them to save more effectively to meet their financial needs. In this way, we align AIA's success with the health and well-being of our customers, delivering our Purpose of helping people live Healthier, Longer, Better Lives.

OUR PEOPLE

Throughout 2023, we built on AIA's distinctive culture of empowerment with accountability and supported our people to adapt to the changing world of work. We embedded cross-functional agile operating models in eight of our major markets to work on our most important strategic initiatives. These new target operating models have reduced organisational layers by around 30 per cent and, with the right talent in the right roles, we are able to realise value more rapidly and innovate at pace.

We pride ourselves on fostering a collaborative workplace that prioritises employee engagement. Through the Gallup Q12 Employee Engagement Survey, we track engagement annually and take positive actions to enhance employee fulfilment, commitment and involvement across the organisation. In 2023, the survey was completed by 98 per cent of employees, and our scores placed us in the 92nd percentile of Gallup's global finance and insurance industry benchmark. Employee engagement has remained in the top quartile of this benchmark for seven consecutive years, and in the top decile for the last three years. Our achievements were once again recognised, with the Group receiving the Gallup Exceptional Workplace Award for the second year in a row.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our people and businesses have an important role to play in ensuring the sustainability of the societies we serve. AIA's Environmental, Social, and Governance (ESG) strategy is aligned with our responsibilities to address material ESG issues and create a better future for all. In November 2023, we achieved a significant milestone by being the first pan-Asian life and health insurer to have its near-term emissions reduction targets validated by the Science Based Targets initiative (SBTi). We also published our first Climate Transition Plan, which outlines AIA's roadmap to achieving these targets and the integration of climate considerations into our governance, risk management and engagement initiatives that will support our path towards our net-zero commitment.

AIA's global ESG leadership and efforts earned positive recognition in 2023 and I am extremely grateful for the enduring trust that is placed in us to create progressive changes in our communities. I am certain that there is much more we will do to support the economic and social development of the region.

OUTLOOK

AIA's long-term prospects are clear and strong. Across the region, high levels of private savings, expanding yet ageing populations, low insurance penetration and limited welfare coverage continue to create a pressing demand for AIA's tailored products and expert advice. Our strategic direction is fully aligned with these ongoing growth trends, and our robust financial position enables us to fully leverage the region's expansion. External shocks such as the conflicts in Europe and the Middle East have the potential to amplify ongoing volatility in the global macroeconomic and geopolitical landscape. Despite these near-term uncertainties, the long-term prospects for our business are exceptionally bright.

In summary, 2023 was a year of strong execution and progress for AIA. Taken together, the fundamental drivers of growth in the region and the scale, quality and diversity of AIA's exceptional businesses have enabled us to deliver very strong profitable new business growth with increased underlying free surplus generation and substantial capital returns to shareholders.

Our focus continues to be on delivering our strategic priorities that will sustain and build on our competitive advantages to make a material difference in shaping AIA's future. I am confident that we are well placed to achieve our ambitions in 2024 and beyond.

Lee Yuan Siong
Group Chief Executive and President
14 March 2024

Notes:

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.

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

(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 on the GWS basis 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.

Group LCSM coverage ratio on the shareholder basis is defined as the Group LCSM coverage ratio excluding the contribution from participating funds and other participating business with distinct portfolios on the PCR basis, except for Brunei and the Macau SAR. Participating businesses in Brunei and the Macau SAR are not considered as participating funds or other participating business with distinct portfolios under applicable local regulatory regimes in our LCSM reporting.

(3) VONB is calculated by China Post Life based on its principles and methodology in accordance with the China Association of Actuaries embedded value assessment guidance (CAA basis), consistent with the industry practice in Mainland China. China Post Life's VONB for the twelve-month period ended 31 December 2023 reflects its latest long-term investment return assumptions used at 31 December 2023.

FINANCIAL AND OPERATING REVIEW

GROUP CHIEF FINANCIAL OFFICER'S REVIEW

AIA has delivered a strong set of financial results in 2023. Our key performance metric, value of new business (VONB), grew by 33 per cent to US$4,034 million, supported by double-digit growth in 10 of our markets. We returned US$5,930 million to shareholders during the year through our progressive dividend policy and ongoing share buy-back, delivered increased underlying free surplus generation and retained our very strong solvency capital position. The combination of AIA's substantial competitive advantages with our financial strength and flexibility enables us to capture the enormous profitable growth opportunities across our markets, generating sustainable value and capital returns for our shareholders.

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

Mr. Garth Jones
Group Chief Financial Officer

SUMMARY AND KEY FINANCIAL HIGHLIGHTS

AIA delivered excellent new business growth in 2023 with VONB up by 33 per cent to US$4,034 million and double-digit growth in 10 of our markets. This step-up in performance was driven by growth of 45 per cent in annualised new premium (ANP) sales to US$7,650 million with excellent results from our unrivalled distribution platform. Our Premier Agency channel delivered VONB growth of 23 per cent and a very strong recovery in our partnership distribution generated an increase of 58 per cent in VONB compared with 2022.

EV Equity, an important measure of shareholder value creation, grew by 7 per cent over the year to US$76,083 million, before shareholder dividends of US$2,293 million and the additional US$3,637 million of capital returned to shareholders during the second year of our ongoing three-year share buy-back programme. EV Equity was US$70,153 million at 31 December 2023 after these payments to shareholders, an increase of 2 per cent per share in 2023.

The increase in EV Equity before capital return to shareholders was driven by a 33 per cent increase in EV operating profit to US$8,890 million, reflecting the substantial growth in VONB and an increased expected return resulting from higher interest rates. Operating return on EV (operating ROEV) increased by 350 basis points(2) to 12.9 per cent and compared with 9.4 per cent in 2022.

The very strong EV operating profit was partly offset by negative non-operating investment return variances of US$2,790 million, largely driven by the effects of local equity market performance compared with our long-term investment return assumptions as well as interest rate movements over the year.

Operating profit after tax (OPAT) of US$6,213 million was up by 2 per cent per share, driven by a 6 per cent increase in CSM release to US$5,314 million offset by the effect of a significant increase in claims across our health insurance portfolios since the end of the pandemic, in line with global trends. We are actively repricing these portfolios as they renew during 2024 and our IFRS and EV Equity assumptions included provisions for additional claims at 31 December 2023. Excluding the effect of higher medical claims and minor IFRS model refinements, OPAT grew by 7 per cent per share on an underlying basis.

CSM(3) represents the discounted value of expected future earnings on our in-force business and is a key driver of long-term OPAT growth. CSM increased to US$53,115 million at 31 December 2023, reflecting an increase in the rate of underlying CSM growth(4) to 8.4 per cent, driven by our continued delivery of large-scale and high-quality new business.

Operating return on shareholders' allocated equity (operating ROE) increased to 13.5 per cent compared with 13.0 per cent for the year 2022. Operating margin remained very strong at 16.4 per cent and reflects our high-quality sources of earnings.

Shareholders' allocated equity was US$50,684 million, an increase of 8 per cent before capital returns to shareholders. Shareholders' allocated equity was US$44,754 million at 31 December 2023 after payments to shareholders.

UFSG of US$6,041 million grew by 5 per cent per share, reflecting increased expected returns resulting from higher interest rates, partially offset by the impact of medical claims experience.

Free surplus provides the Group with the financial flexibility to invest in profitable growth and absorb the effects of capital market stress. The Group's financial position remained very strong with free surplus increasing by 25 per cent to US$22,259 million before capital returns to shareholders. Net of these payments, free surplus was US$16,329 million at 31 December 2023 and compared with US$17,850 million at 31 December 2022.

The Group LCSM coverage ratio reported under the group-wide supervision (GWS) capital adequacy rules remained very strong at 275 per cent at 31 December 2023. On the shareholder basis(5), the Group LCSM coverage ratio was 335 per cent at 31 December 2023.

As at 31 December 2023, the US$10 billion share buy-back programme had repurchased approximately 740 million shares for an aggregate value of US$7,207 million. As a result, the outstanding share count has been reduced by 6 per cent since we launched the programme in March 2022.

The Board of Directors (Board) has recommended a final dividend of 119.07 Hong Kong cents per share, subject to shareholders' approval at the Company's forthcoming AGM. This brings the total dividend for 2023 to 161.36 Hong Kong cents per share, an increase of 5 per cent compared with the total dividend for 2022. 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, allowing us to continue our focus on delivering significant profitable new business growth, leveraging our competitive advantages and financial strength to deploy capital, while maintaining our strict financial discipline.

Notes:

(1) The Group's 2023 consolidated financial statements were prepared according to IFRS 9 and IFRS 17 accounting bases, which AIA adopted from 1 January 2023 as previously disclosed. Commentaries on IFRS results throughout this report are similarly based on comparisons with the Group's results for 2022 under IFRS 9 and IFRS 17.

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

(3) CSM refers to contractual service margin on a net of reinsurance basis.

(4) Underlying CSM growth refers to the growth in CSM after the CSM release and before variances and others and the effect of exchange rate movements, expressed as a percentage of the opening CSM.

(5) Excludes the contribution from participating funds and other participating business with distinct portfolios except for Brunei and the Macau Special Administrative Region of the People's Republic of China (Macau SAR). Participating businesses in Brunei and the Macau SAR are not considered as participating funds or other participating business with distinct portfolios under applicable local regulatory regimes in our LCSM reporting.

NEW BUSINESS PERFORMANCE

VONB, ANP AND MARGIN BY SEGMENT

	2023			2022			VONB Change	
US$ millions, unless otherwise stated	VONB	VONB Margin	ANP	VONB	VONB Margin	ANP	YoY CER	YoY AER
Mainland China	**1,037**	**51.3%**	**2,023**	916	69.5%	1,319	**20%**	13%
Hong Kong	**1,430**	**57.5%**	**2,407**	787	69.5%	1,078	**82%**	82%
Thailand	**713**	**93.3%**	**765**	585	89.1%	655	**21%**	22%
Singapore	**394**	**67.2%**	**586**	349	65.7%	531	**10%**	13%
Malaysia	**319**	**67.3%**	**473**	308	69.9%	440	**7%**	4%
Other Markets	**406**	**28.9%**	**1,396**	420	30.2%	1,384	**–**	(3)%
Subtotal	**4,299**	**55.6%**	**7,650**	3,365	61.5%	5,407	**30%**	28%
Adjustment to reflect consolidated reserving and capital requirements	**(43)**	**n/m**	**n/m**	(52)	n/m	n/m	**n/m**	n/m
After-tax value of unallocated Group Office expenses	**(187)**	**n/m**	**n/m**	(192)	n/m	n/m	**n/m**	n/m
Total before non-controlling interests	**4,069**	**52.6%**	**7,650**	3,121	57.0%	5,407	**33%**	30%
Non-controlling interests	**(35)**	**n/m**	**n/m**	(29)	n/m	n/m	**n/m**	n/m
Total	**4,034**	**52.6%**	**7,650**	3,092	57.0%	5,407	**33%**	30%

AIA delivered excellent new business growth in 2023 with VONB up by 33 per cent to US$4,034 million and double-digit growth in 10 of our markets. Our Premier Agency channel delivered VONB growth of 23 per cent and a very strong recovery in our partnership distribution generated an increase of 58 per cent in VONB compared with 2022.

Annualised new premiums (ANP) grew by 45 per cent to US$7,650 million. While a shift in the Group's product mix towards long-term savings and a greater bancassurance contribution in Mainland China explained a lower VONB margin of 52.6 per cent in 2023, a more favourable product mix and repricing supported an improved VONB margin of 54.5 per cent in the second half of the year compared with the first half. Margin reported on a present value of new business premium (PVNBP) basis remained stable compared with 2022 at 10 per cent.

AIA China delivered 28 per cent VONB growth from February to December, compared with the same period in 2022, rapidly building excellent momentum once normal day-to-day activities resumed following the relaxation of COVID-19 restrictions. VONB growth of 20 per cent in the full year was driven by double-digit growth in our Premier Agency and excellent growth from our bancassurance channel. Our compelling customer propositions supported double-digit growth in the number of new customers acquired, and in 2023, new customers contributed over half of our new business in terms of both ANP and the number of new policies.

AIA Hong Kong achieved VONB growth of 82 per cent in 2023, supported by the return of Mainland Chinese visitors following the resumption of cross-border travel in February and growth from our domestic customer segment. Our Premier Agency remains the key contributor to VONB, supported by a 59 per cent increase in the number of new recruits and excellent growth in new agent productivity. VONB in the partnership channel more than trebled, supported by both our intermediated channels and long-term strategic partnerships with The Bank of East Asia, Limited (BEA) and Citibank, N.A. (Citibank).

AIA Thailand reported a 21 per cent increase in VONB for the full year, driven by strong double-digit growth from both our agency and partnership channels. Our continued focus on quality recruitment and training in our agency channel supported excellent growth in the number of new recruits, a double-digit increase in the number of active agents and strong growth in agent productivity. Performance in the partnership channel was supported by excellent VONB growth through our strategic bancassurance partner, Bangkok Bank Public Company Limited (Bangkok Bank).

AIA Singapore delivered 10 per cent VONB growth with a shift in product mix towards protection business. Our agency channel achieved double-digit VONB growth in the second half of the year, resulting from an increase in agent productivity. Our partnership channel reported excellent VONB growth in 2023.

AIA Malaysia achieved VONB growth of 7 per cent, building on very strong growth in 2022, driven by strong performances from both our agency and partnership channels. We continued to further develop our Premier Agency by enhancing our digital tools, leading to increases in agent activity and productivity.

VONB for our Other Markets segment was stable in 2023 compared to 2022. Strong underlying growth of the segment was offset by lower VONB in Vietnam. As previously reported, negative consumer sentiment continued to impact the life insurance industry in Vietnam through the year. Excluding Vietnam, Other Markets delivered 15 per cent VONB growth in 2023.

In aggregate, our ASEAN markets continued to demonstrate strong momentum in 2023 and are a key growth engine for AIA. These markets accounted for over one third of the Group's VONB, in excess of US$1,500 million. Excluding Vietnam, our ASEAN markets delivered 14 per cent VONB growth, with double-digit growth from both our agency and partnership channels.

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

EV EQUITY

EV EQUITY MOVEMENT

EV Equity grew by 7 per cent in 2023 to US$76,083 million, before the return of US$5,930 million capital to shareholders through dividends and our share buy-back, and compared with US$71,202 million at 31 December 2022.

The increase in EV Equity before capital return to shareholders was driven by a 33 per cent increase in EV operating profit to US$8,890 million, reflecting the 33 per cent increase in VONB to US$4,034 million and 38 per cent growth in expected return on EV to US$5,227 million, resulting from higher interest and risk discount rates. Operating ROEV increased by 350 basis points[(1)] to 12.9 per cent from 9.4 per cent in 2022, supported by the positive effect of the continuing share buy-back programme.

Overall operating experience variances and assumption changes continued to have a positive effect on EV Equity in 2023 with a net addition of US$36 million. Operating experience variances of US$75 million were partially offset by negative operating assumption changes of US$39 million, which include a specific provision of approximately US$400 million for expected medical claims while we reflect current experience through higher premium rates across our health insurance portfolios. Cumulative operating experience variances and assumption changes since our IPO in 2010 have added US$3.9 billion to EV Equity, demonstrating our strategic focus on consistently writing high-quality business over many years.

Non-operating items reduced EV Equity by US$3,727 million, including US$2,790 million of negative investment return variances, which largely reflect equity market movements in Mainland China and Thailand and the effect of lower government bond yields in Mainland China. Investment return variances include movement in the reported value of our investment in China Post Life. At year end we updated long-term investment return assumptions taking into account recent market movements, with reductions in Mainland China and increases across the rest of the Group. Whilst in aggregate these have positive effects on future distributable cash flows, they were offset by the effects of changes to risk discount rates. Changes to economic assumptions at the end of 2023 reduced EV Equity by US$543 million overall. Other non-operating variances reduced EV Equity by US$394 million as the positive effect of the adoption of the new Korean Insurance Capital Standard (K-ICS) was offset by adjustments to capital requirements on consolidation.

The effect of foreign exchange rate movements on EV Equity was a small negative of US$210 million.

In 2023, EV equity therefore increased by US$4,881 million to US$76,083 million before returns to shareholders through dividends and our share buy-back programme. After total capital returns to shareholders of US$5,930 million, EV Equity was US$70,153 million at 31 December 2023, an increase of 2 per cent per share.

While our EV methodology aims to calculate a best estimate of the value to shareholders of our in-force business, our calculations deduct the value of the Group's outstanding medium-term notes and securities at amortised cost. If the medium-term notes and securities were measured at fair value, EV Equity would increase by US$932 million to US$71,085 million.

Our investment in China Post Life is included in the Group's EV Equity at IFRS net asset value. Pro-rated for AIA's 24.99 per cent shareholding, the EV at 31 December 2023 (as prepared and reported by China Post Life) was US$1,472 million higher than the IFRS net asset value.

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

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

	2023		
US$ millions, unless otherwise stated	ANW, goodwill and other intangible assets	VIF	EV Equity
Opening EV Equity	36,088	35,114	71,202
Value of new business	(45)	4,079	4,034
Expected return on EV	5,115	112	5,227
Operating experience variances	97	(22)	75
Operating assumption changes	286	(325)	(39)
Finance costs	(407)	–	(407)
EV operating profit	5,046	3,844	8,890
EV Equity before non-operating items	41,134	38,958	80,092
Investment return variances	(873)	(1,917)	(2,790)
Effect of changes in economic assumptions	(6)	(537)	(543)
Other non-operating variances	681	(1,075)	(394)
EV non-operating items	(198)	(3,529)	(3,727)
Total EV Equity profit	4,848	315	5,163
Other capital movements	(72)	–	(72)
Effect of changes in exchange rates	(219)	9	(210)
EV Equity before dividends and share buy-back	40,645	35,438	76,083
Dividends	(2,293)	–	(2,293)
Share buy-back	(3,637)	–	(3,637)
Closing EV Equity	34,715	35,438	70,153

	2022		
US$ millions, unless otherwise stated	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	(159)	3,251	3,092
Expected return on EV	4,838	(969)	3,869
Operating experience variances	513	(214)	299
Operating assumption changes	(331)	275	(56)
Finance costs	(359)	–	(359)
EV operating profit	4,502	2,343	6,845
EV Equity before non-operating items	50,393	34,717	85,110
Investment return variances	(5,893)	501	(5,392)
Effect of changes in economic assumptions	(15)	(285)	(300)
Other non-operating variances	(1,316)	1,296	(20)
EV non-operating items	(7,224)	1,512	(5,712)
Total EV Equity profit	7,853	(3,456)	4,397
Other capital movements	(12)	–	(12)
Effect of changes in exchange rates	(1,240)	(1,115)	(2,355)
EV Equity before dividends and share buy-back	41,917	35,114	77,031
Dividends	(2,259)	–	(2,259)
Share buy-back	(3,570)	–	(3,570)
Closing EV Equity	36,088	35,114	71,202

EV EQUITY PER SHARE

US$ millions, unless otherwise stated	**As at 31 December 2023**	As at 31 December 2022
ANW	**32,009**	33,751
VIF	**35,438**	35,114
EV	**67,447**	68,865
Goodwill and other intangible assets[1]	**2,706**	2,337
EV Equity	**70,153**	71,202
Number of ordinary shares outstanding (millions)	**11,362**	11,734
EV Equity per share (US dollars)	**6.17**	6.07

Note:

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

EV OPERATING EARNINGS PER SHARE

	2023	2022	YoY CER	YoY AER
EV operating profit (US$ millions)	**8,890**	6,845	**33%**	30%
Weighted average number of ordinary shares outstanding (millions)	**11,518**	11,929	**n/a**	n/a
Basic EV operating earnings per share (US cents)	**77.18**	57.38	**37%**	35%
Weighted average number of ordinary shares outstanding on diluted basis (millions)[1]	**11,528**	11,938	**n/a**	n/a
Diluted EV operating earnings per share (US cents)[1]	**77.12**	57.34	**37%**	34%

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 36 to the 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.

	As at 31 December 2023		As at 31 December 2022	
US$ millions, unless otherwise stated	EV	% Change	EV	% Change
Central value	**67,447**		68,865	
Effect of equity price changes				
10 per cent increase in equity prices	**1,799**	**2.7%**	1,817	2.6%
10 per cent decrease in equity prices	**(1,823)**	**(2.7)%**	(1,821)	(2.6)%
Effect of interest rate changes				
50 basis points increase in interest rates	**(981)**	**(1.5)%**	(1,246)	(1.8)%
50 basis points decrease in interest rates	**945**	**1.4%**	1,347	2.0%

	2023		2022	
US$ millions, unless otherwise stated	VONB	% Change	VONB	% Change
Central value	**4,034**		3,092	
Effect of interest rate changes				
50 basis points increase in interest rates	**129**	**3.2%**	64	2.1%
50 basis points decrease in interest rates	**(155)**	**(3.8)%**	(81)	(2.6)%

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

IFRS PROFIT

OPAT[1] COMPOSITION

US$ millions, unless otherwise stated	2023	2022	YoY CER	YoY AER
CSM release	5,314	5,121	6%	4%
Operating variances	(304)	55	n/m	n/m
Risk adjustment release and other	81	290	(71)%	(72)%
Insurance service result	5,091	5,466	(5)%	(7)%
Net investment result	3,792	3,597	6%	5%
Investment management expenses	(187)	(186)	1%	1%
Net investment result after expenses	3,605	3,411	6%	6%
Net other fees and revenue[2]	76	(74)	n/m	n/m
Non-attributable expenses under IFRS 17	(1,004)	(955)	6%	5%
Finance costs	(453)	(377)	20%	20%
Other fees, revenue and expenses	(1,381)	(1,406)	(1)%	(2)%
Tax	(1,102)	(1,050)	6%	5%
OPAT	6,213	6,421	(1)%	(3)%

US$ millions, unless otherwise stated	2023	2022	YoY CER	YoY AER
OPAT	6,213	6,421	(1)%	(3)%
Weighted average number of ordinary shares outstanding (millions)	11,518	11,929	n/a	n/a
Basic OPAT per share (US cents)	53.94	53.83	2%	–
Weighted average number of ordinary shares outstanding on diluted basis (millions)[3]	11,528	11,938	n/a	n/a
Diluted OPAT per share (US cents)[3]	53.89	53.79	2%	–

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 36 to the consolidated financial statements.

OPAT of US$6,213 million in 2023 grew by 2 per cent per share. Operating ROE increased to 13.5 per cent compared with 13.0 per cent for the year 2022 and operating margin remained very strong at 16.4 per cent, reflecting our high-quality sources of earnings.

The CSM release increased by 6 per cent to US$5,314 million, driven mainly by the 18 per cent growth in new business CSM added during the year. This increase was offset by the effects of higher medical claims, leading to a 5 per cent decline in the insurance service result to US$5,091 million. Medical claims experience flows through both operating variances and the risk adjustment release and "other", which includes the earnings from our large corporate solutions business. In line with global trends, we have seen a significant increase in claims across our health insurance portfolios since the end of the pandemic. In response to the higher claims experience, we are increasing premium rates for our health insurance portfolios as they renew.

We have made minor refinements to our models for the 2023 reported results applying a consistent approach to IFRS 9 and IFRS 17 principles across our operations. Excluding the effect of higher medical claims and minor model refinements, OPAT grew by 7 per cent per share on an underlying basis.

The net investment result after expenses increased by 6 per cent to US$3,605 million, mainly due to higher equity asset balances and increased long-term investment return assumptions compared with 2022.

Other fees, revenue and expenses of negative US$1,381 million remained broadly stable compared with the prior year. Finance costs increased to US$453 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.

CSM MOVEMENT, NET OF REINSURANCE

US$ millions, unless otherwise stated	2023	2022
Opening CSM	**50,225**	52,946
New business CSM	**6,974**	6,031
Expected return on in-force	**2,569**	2,361
CSM before variances and others, exchange rates and release	**59,768**	61,338
Variances and others	**(992)**	(3,901)
Exchange rates	**(347)**	(2,091)
Closing CSM before release	**58,429**	55,346
CSM release	**(5,314)**	(5,121)
Closing CSM	**53,115**	50,225
CSM release rate(1)	**9.5%**	9.4%

Note:

(1) Calculated after variances and others and exchange rates. The Group enhanced the CSM release rate presentation by using end-of-period exchange rates to derive the CSM release rate for the first half and the second half of the year respectively, and the full year CSM release rate is based on a blended rate of the CSM release rates for the first half and the second half of the year. Under the previously used approach, the CSM release rate was 9.3 per cent for the full year 2022.

The CSM represents the discounted value of expected future earnings on our in-force business without any allowance for future new business. Growth in the CSM is a key driver of OPAT growth and, in 2023, we delivered a 17 per cent increase in CSM before the release to OPAT to US$58,429 million. CSM growth was driven primarily by the addition of new business CSM of US$6,974 million and the expected return on in-force business of US$2,569 million. New business CSM grew by 18 per cent, reflecting the strong sales growth achieved in 2023.

CSM variances and others of negative US$992 million for 2023 were mainly driven by capital market movements and include a specific provision of approximately US$400 million for expected medical claims while we reflect current experience through higher premium rates across our health insurance portfolios. In the second half, CSM variances and others were positive at US$451 million.

Foreign exchange rate movements reduced CSM by US$347 million in 2023.

The closing CSM balance of US$53,115 million reflects the release of CSM of US$5,314 million into OPAT. The CSM release rate remained stable at 9.5 per cent for 2023 compared with 9.4 per cent for 2022. Net of the release to OPAT, we delivered underlying growth in the CSM of US$4,229 million, equivalent to 8.4 per cent growth over the year.

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	2023		
	Participating and unit-linked	Non-participating and surplus assets and others	Total
Investment return	9,042	5,658	14,700
Insurance finance expenses and others	(8,435)[(3)]	(1,866)[(4)]	(10,301)
Movement in investment contract liabilities	(551)	–	(551)
Movement in third-party interests in consolidated investment funds	(56)	–	(56)
Net investment result	–	3,792	3,792

US$ millions, unless otherwise stated	2023	2022	YoY CER	YoY AER
Interest revenue on financial assets	4,295	4,197	3%	2%
Expected long-term investment return for equities and real estate	1,363	1,151	19%	18%
Investment return on non-participating and surplus assets[(5)]	5,658	5,348	7%	6%
Non-participating insurance finance expenses and others[(4)]	(1,866)	(1,751)	9%	7%
Net investment result	3,792	3,597	6%	5%
Investment management expenses	(187)	(186)	1%	1%
Net investment result after expenses	3,605	3,411	6%	6%

The investment return on non-participating and surplus assets[(5)] increased by 7 per cent to US$5,658 million compared with 2022, driven by higher equity asset balances and increased long-term investment return assumptions.

Non-participating insurance finance expenses and others[(4)] of US$1,866 million increased by 9 per cent from the US$1,751 million reported for 2022.

The net investment result after expenses increased by 6 per cent to US$3,605 million compared with 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	2023	2022	YoY CER	YoY AER
Mainland China	8,589	7,592	20%	13%
Hong Kong	11,554	11,237	3%	3%
Thailand	4,425	4,166	6%	6%
Singapore	3,912	3,577	7%	9%
Malaysia	2,565	2,464	8%	4%
Other Markets	6,894	7,140	–	(3)%
Total	37,939	36,176	7%	5%

TWPI increased by 7 per cent to US$37,939 million compared with 2022. All five of our largest operating segments delivered positive TWPI growth in 2023. In Hong Kong, TWPI increased by 3 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	2023	2022	YoY CER	YoY AER
Operating expenses	3,573	3,251	12%	10%
Less				
Operating expenses of newly acquired or established entities[1]	159	37	n/m	n/m
Operating expenses on a comparable basis	3,414	3,214	8%	6%

Excluding newly acquired or established entities, operating expenses grew by 8 per cent to US$3,414 million, while expense ratio on TWPI remained stable at 9 per cent.

Note:
(1) Amplify Health, Blue Cross, Blue Care and MediCard.

NON-OPERATING MOVEMENT AND NET PROFIT[1]

Net profit was up 15 per cent to US$3,764 million in 2023. While investment markets remained volatile, the impact of market movements 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$2,007 million in 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$369 million as the overall effect of interest rate movements in 2023 was much smaller than 2022.

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

US$ millions, unless otherwise stated	2023	2022	YoY CER	YoY AER
OPAT	**6,213**	6,421	**(1)%**	(3)%
Short-term investment and discount rate variances, net of tax(1)	**(2,007)**	(1,134)	**n/m**	n/m
Reclassification of revaluation gains for property held for own use, net of tax(1)	**(8)**	(71)	**n/m**	n/m
Corporate transaction related costs, net of tax	**(30)**	(63)	**n/m**	n/m
Implementation costs for new accounting standards, net of tax	**(35)**	(45)	**n/m**	n/m
Other non-operating investment return and other items, net of tax	**(369)**	(1,777)	**n/m**	n/m
Net profit	**3,764**	3,331	**15%**	13%

US$ millions, unless otherwise stated	2023	2022	YoY CER	YoY AER
Net profit	**3,764**	3,331	**15%**	13%
Weighted average number of ordinary shares outstanding (millions)	**11,518**	11,929	**n/a**	n/a
Basic earnings per share (US cents)	**32.68**	27.92	**19%**	17%
Weighted average number of ordinary shares outstanding on diluted basis (millions)(2)	**11,528**	11,938	**n/a**	n/a
Diluted earnings per share (US cents)(2)	**32.65**	27.90	**19%**	17%

Notes:

(1) 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® Accounting Standards measurement and presentation requirements.

(2) Diluted earnings per share includes the dilutive effects, if any, of the awards under various share-based compensation plans as described in note 36 to the 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	2023	2022
Opening shareholders' allocated equity	**47,171**	51,277
Net profit	**3,764**	3,331
Dividends	**(2,293)**	(2,259)
Share buy-back	**(3,637)**	(3,570)
Foreign currency translation adjustments	**(215)**	(1,667)
Purchase of shares held by employee share-based trusts	**(115)**	(103)
Revaluation gains on property held for own use	**28**	62
Other capital movements	**51**	100
Total movement in shareholders' allocated equity	**(2,417)**	(4,106)
Closing shareholders' allocated equity	**44,754**	47,171
Shareholders' allocated equity per share (US dollars)	**3.94**	4.02
Average shareholders' allocated equity	**45,963**	49,224

Shareholders' allocated equity increased by 8 per cent to US$50,684 million, before the payment of shareholder dividends of US$2,293 million and US$3,637 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$44,754 million at 31 December 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.

	As at 31 December 2023		As at 31 December 2022	
US$ millions, unless otherwise stated	CSM	% Change	CSM	% Change
Central value	53,115		50,225	
Effect of equity price changes				
10 per cent increase in equity prices	679	1.3%	577	1.1%
10 per cent decrease in equity prices	(694)	(1.3)%	(579)	(1.2)%
Effect of interest rate changes				
50 basis points increase in interest rates	(487)	(0.9)%	(713)	(1.4)%
50 basis points decrease in interest rates	505	1.0%	934	1.9%

	2023	2022
US$ millions, unless otherwise stated	Profit before tax	Profit before tax
Central value	4,564	4,054
Effect of equity price changes		
10 per cent increase in equity prices	1,170	1,191
10 per cent decrease in equity prices	(1,172)	(1,190)
Effect of interest rate changes		
50 basis points increase in interest rates	(150)	(112)
50 basis points decrease in interest rates	165	134

Sensitivity analyses on insurance risk and foreign exchange rate risk are included in note 34 to the consolidated financial statements.

IFRS BALANCE SHEET

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$ millions, unless otherwise stated	As at 31 December 2023	As at 31 December 2022[1]	Change AER
Assets			
Financial investments	**248,958**	235,954	6%
Investment property	**4,504**	4,600	(2)%
Cash and cash equivalents	**11,525**	8,969	28%
Insurance and reinsurance contract assets	**7,504**	7,800	(4)%
Other assets	**13,828**	13,148	5%
Total assets	**286,319**	270,471	6%
Liabilities			
Insurance and reinsurance contract liabilities	**203,607**	183,305	11%
Investment contract liabilities	**9,170**	11,986	(23)%
Borrowings	**11,800**	11,206	5%
Other liabilities	**20,148**	18,826	7%
Less total liabilities	**244,725**	225,323	9%
Equity			
Total equity	**41,594**	45,148	(8)%
Less non-controlling interests	**483**	476	1%
Shareholders' equity	**41,111**	44,672	(8)%
Less			
Fair value reserve	**516**	(3,737)	n/m
Insurance finance reserve	**(4,159)**	1,238	n/m
Shareholders' allocated equity	**44,754**	47,171	(5)%

MOVEMENT IN SHAREHOLDERS' EQUITY

US$ millions, unless otherwise stated	2023	2022
Opening shareholders' equity	**44,672**	56,023
Net profit	**3,764**	3,331
Fair value gains/(losses) on assets	**4,253**	(10,378)
Net finance (expenses)/income from insurance contracts and reinsurance contracts held	**(5,397)**	3,133
Dividends	**(2,293)**	(2,259)
Share buy-back	**(3,637)**	(3,570)
Foreign currency translation adjustments	**(215)**	(1,667)
Purchase of shares held by employee share-based trusts	**(115)**	(103)
Revaluation gains on property held for own use	**28**	62
Other capital movements	**51**	100
Total movement in shareholders' equity	**(3,561)**	(11,351)
Closing shareholders' equity	**41,111**	44,672
Number of ordinary shares outstanding (millions)	**11,362**	11,734
Shareholders' equity per share (US dollars)	**3.62**	3.81

Note:

(1) Before the reclassification of assets and liabilities in the disposal group held for sale as described in note 42 to the consolidated financial statements.

COMPREHENSIVE EQUITY

US$ millions, unless otherwise stated	As at 31 December 2023	As at 31 December 2022
Shareholders' equity	**41,111**	44,672
Net CSM[1]	**44,313**	41,743
Comprehensive equity	**85,424**	86,415

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

ASSETS

Total assets increased by US$15,848 million to US$286,319 million at 31 December 2023, driven mainly by positive net investment cash inflows and fair value movements on debt securities.

LIABILITIES

Total liabilities increased to US$244,725 million at 31 December 2023 from US$225,323 million at 31 December 2022.

Insurance and reinsurance contract liabilities increased to US$203,607 million at 31 December 2023 compared with US$183,305 million at 31 December 2022, driven mainly by net cash inflows, changes in liability discount rates and changes in fair value of underlying items of contracts measured under the variable fee approach.

Investment contract liabilities decreased to US$9,170 million at 31 December 2023 compared with US$11,986 million at 31 December 2022. The decrease was driven mainly by the completion of the Australian Savings and Investments transaction in the second half of 2023, as disclosed in note 42 to the consolidated financial statements.

Borrowings increased to US$11,800 million at 31 December 2023 from US$11,206 million at 31 December 2022. Net proceeds from the issuances and redemption of medium-term notes and securities totalled US$496 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 12.1 per cent at 31 December 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.

Other liabilities increased to US$20,148 million at 31 December 2023 from US$18,826 million at 31 December 2022, driven mainly by the increase in repos balance.

Details of commitments and contingencies are included in note 39 to the consolidated financial statements.

EQUITY

Shareholders' equity increased to US$47,041 million, before the payment of shareholder dividends of US$2,293 million and US$3,637 million additional return of capital to shareholders through the share buy-back programme.

Shareholders' equity reflects the other comprehensive income or expense from fair value gains on assets due to 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 2023, fair value gains on debt securities were US$4,253 million, offset by net finance expenses from insurance contracts and reinsurance contracts held of US$5,397 million.

Shareholders' equity was US$41,111 million at 31 December 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$44,754 million at 31 December 2023.

Comprehensive equity of US$85,424 million at 31 December 2023 comprised shareholders' equity of US$41,111 million and the CSM of US$44,313 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 31 December 2023	Percentage of total	As at 31 December 2022	Percentage of total
Total policyholder and shareholder	**235,936**	**88%**	218,295	87%
Total unit-linked contracts and consolidated investment funds	**32,612**	**12%**	33,506	13%
Total investments	**268,548**	**100%**	251,801	100%

UNIT-LINKED CONTRACTS AND CONSOLIDATED INVESTMENT FUNDS[1]

US$ millions, unless otherwise stated	As at 31 December 2023	Percentage of total	As at 31 December 2022	Percentage of total
Unit-linked contracts and consolidated investment funds				
Debt securities	**7,052**	**22%**	6,869	21%
Loans and deposits	**65**	**–**	345	1%
Equity investments[2]	**24,776**	**76%**	24,741	74%
Cash and cash equivalents	**713**	**2%**	1,505	4%
Derivative financial instruments	**6**	**–**	46	–
Total unit-linked contracts and consolidated investment funds	**32,612**	**100%**	33,506	100%

Notes:

(1) In preparing the 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 18 and 22 to the 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 31 December 2023	Percentage of total	As at 31 December 2022	Percentage of total
Participating funds and other participating business with distinct portfolios[2]				
Government bonds	**21,027**	**9%**	15,514	7%
Government agency bonds	**6,838**	**3%**	6,971	3%
Corporate bonds and structured securities	**49,756**	**21%**	46,534	22%
Loans and deposits	**470**	**–**	885	–
Subtotal – Fixed income investments	**78,091**	**33%**	69,904	32%
Equity investments[3]	**30,209**	**13%**	27,548	13%
Investment property and property held for own use	**3,574**	**2%**	3,206	1%
Cash and cash equivalents	**2,421**	**1%**	2,166	1%
Derivative financial instruments	**376**	**–**	249	–
Subtotal participating funds and other participating business with distinct portfolios	**114,671**	**49%**	103,073	47%
Other policyholder and shareholder				
Government bonds	**54,343**	**23%**	51,354	24%
Government agency bonds	**7,343**	**3%**	7,602	3%
Corporate bonds and structured securities	**31,399**	**13%**	31,367	14%
Loans and deposits	**3,460**	**2%**	3,615	2%
Subtotal – Fixed income investments	**96,545**	**41%**	93,938	43%
Equity investments[3]	**11,468**	**4%**	11,979	6%
Investment property and property held for own use	**4,491**	**2%**	3,672	2%
Cash and cash equivalents	**8,391**	**4%**	5,298	2%
Derivative financial instruments	**370**	**–**	335	–
Subtotal other policyholder and shareholder	**121,265**	**51%**	115,222	53%
Total policyholder and shareholder	**235,936**	**100%**	218,295	100%

Notes:

(1) In preparing the 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 18 and 22 to the 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$235,936 million at 31 December 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$174,636 million at 31 December 2023 compared with US$163,842 million at 31 December 2022.

Government bonds and government agency bonds increased to US$89,551 million from US$81,441 million and represented 51 per cent of fixed income investments at 31 December 2023, compared with 50 per cent at 31 December 2022.

Corporate bonds and structured securities increased to US$81,155 million from US$77,901 million accounting for 47 per cent of fixed income investments at 31 December 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 31 December 2023 from A- at 31 December 2022. The corporate bond portfolio is well diversified with over 1,900 issuers and an average holding size of US$41 million.

At 31 December 2023, 2 per cent of the total bond portfolio was rated below investment grade or not rated, representing approximately US$4.0 billion in value. Approximately US$558 million of bonds, representing 0.3 per cent of our total bond portfolio, were downgraded to below investment grade during the period. Expected credit loss (ECL) provision for bond portfolio measured at amortised cost and measured at fair value through other comprehensive income increased by US$177 million during the year. The ECL provision represented 0.5 per cent of the bond portfolio at 31 December 2023, reflecting AIA's overall high-quality investment portfolio.

Equity investments held in respect of policyholders and shareholders totalled US$41,677 million at 31 December 2023, compared with US$39,527 million at 31 December 2022.

Cash and cash equivalents held in respect of policyholders and shareholders increased by US$3,348 million to US$10,812 million at 31 December 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 provides the Group with the financial flexibility to invest in profitable growth and absorb the effects of capital market stress.

The Group's capital position remained very strong with free surplus increasing to US$22,259 million before total shareholder dividends and share buy-back of US$5,930 million. After capital returned to shareholders during the year, free surplus was US$16,329 million at 31 December 2023.

Free surplus invested in writing new business increased by 8 per cent to US$1,328 million.

The following table summarises the change in free surplus:

US$ millions, unless otherwise stated	2023	2022
Opening free surplus	**17,850**	17,025
Effect of acquisitions	**(238)**	(200)
Release of resilience margins	**–**	3,400
HKRBC early adoption	**–**	4,403
UFSG	**6,041**	6,039
Free surplus used to fund new business	**(1,328)**	(1,274)
Unallocated Group Office expenses	**(302)**	(250)
Finance costs and other capital movements	**(479)**	(371)
Free surplus before investment return variances and other items, dividends and share buy-back	**21,544**	28,772
Investment return variances and other items	**715**	(5,093)
Free surplus before dividends and share buy-back	**22,259**	23,679
Dividends	**(2,293)**	(2,259)
Share buy-back	**(3,637)**	(3,570)
Closing free surplus	**16,329**	17,850

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$6,041 million grew by 5 per cent per share, driven by an increased expected return resulting from higher interest rates, partially offset by the effect of increased medical claims compared with 2022.

UNDERLYING FREE SURPLUS GENERATION PER SHARE

	2023	2022	YoY CER	YoY AER
UFSG (US$ millions)	**6,041**	6,039	**2%**	–
Weighted average number of ordinary shares outstanding (millions)	**11,518**	11,929	**n/a**	n/a
Basic UFSG per share (US cents)	**52.45**	50.62	**5%**	4%
Weighted average number of ordinary shares outstanding on diluted basis (millions) (1)	**11,528**	11,938	**n/a**	n/a
Diluted UFSG per share (US cents) (1)	**52.40**	50.59	**5%**	4%

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 36 to the consolidated financial statements.

GROUP LCSM SOLVENCY POSITION

Under the GWS capital adequacy rules, the Group's solvency is measured based on the Local Capital Summation Method (LCSM), which aggregates the available capital, minimum capital requirements and prescribed capital requirements measured under the regulatory requirements of each entity within the Group.

In 2023, the Group LCSM coverage ratio increased to 288 per cent before the effect of the share buy-back programme, an increase of 5 pps from 283 per cent at 31 December 2022. After the return of capital to shareholders through the share buy-back, the Group LCSM coverage ratio at 31 December 2023 remained very strong at 275 per cent.

In 2023, eligible group capital resources increased from US$70,698 million to US$73,156 million, driven mainly by in-force business capital generation and the effects of regulatory changes, partially offset by the effect of the share buy-back programme.

The group prescribed capital requirement (GPCR) increased from US$24,989 million to US$26,646 million due to new business and the effects of regulatory changes.

As a result, the Group LCSM surplus increased from US$45,709 million to US$46,510 million.

Tier 1 group capital increased from US$45,508 million to US$46,980 million, driven mainly by the in-force business capital generation and the effects of regulatory changes, partially offset by the effect of the share buy-back programme. The group minimum capital requirement (GMCR) increased from US$12,810 million to US$13,613 million due to new business and the effects of regulatory changes.

The table shows a summary of the Group LCSM solvency position on the GWS basis as at 31 December 2023.

US$ millions, unless otherwise stated	As at 31 December 2023	As at 31 December 2022
Group LCSM coverage ratio[1]	**275%**	283%
Tier 1 group capital coverage ratio[2]	**345%**	355%
Eligible group capital resources	**73,156**	70,698
Tier 1 group capital	**46,980**	45,508
Tier 2 group capital	**26,176**	25,190
Group prescribed capital requirement (GPCR)	**26,646**	24,989
Group minimum capital requirement (GMCR)	**13,613**	12,810
Group LCSM surplus	**46,510**	45,709

A shareholder view of the Group LCSM is also presented to show the position excluding the Group's participating business[3] and for comparability with other companies which report on this basis. The Group LCSM coverage ratio on the shareholder basis, defined as the ratio of eligible group capital resources, excluding participating business, to the GPCR excluding participating business, was 335 per cent at 31 December 2023.

	As at 31 December 2023		As at 31 December 2022	
US$ millions, unless otherwise stated	GWS basis	Shareholder basis[3]	GWS basis	Shareholder basis[3]
Group LCSM coverage ratio	**275%**[1]	**335%**	283%[1]	356%
Eligible group capital resources	**73,156**	**53,885**	70,698	53,046
GPCR	**26,646**	**16,076**	24,989	14,884
Group LCSM surplus	**46,510**	**37,809**	45,709	38,162

Notes:

(1) The Group LCSM coverage ratio on the GWS basis shown in the tables 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) Excludes the contribution from participating funds and other participating business with distinct portfolios except for Brunei and the Macau SAR. Participating businesses in Brunei and the Macau SAR are not considered as participating funds or other participating business with distinct portfolios under applicable local regulatory regimes in our LCSM reporting.

At 31 December 2023, eligible group capital resources on the GWS basis included the following items, which are included within Tier 2 group capital:

(i) US$4,183 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$5,158 million[1] of senior notes issued before designation that have been approved by the Hong Kong Insurance Authority (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 31 December 2023	As at 31 December 2022
Central value	**275%**	283%
Impact of equity price changes		
10 per cent increase in equity prices	**1 pps**	4 pps
10 per cent decrease in equity prices	**(2) pps**	(5) pps
Impact of interest rate changes		
50 basis points increase in interest rates	**(10) pps**	(6) pps
50 basis points decrease in interest rates	**10 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 31 December 2023**	As at 31 December 2022
Group LCSM surplus	**46,510**	45,709
Adjustments for:		
Eligible Tier 2 debt capital	**(9,341)**	(9,379)
Different capital requirements under EV for AIA China[(1)]	**(5,658)**	(5,622)
Reflecting shareholders' view of capital[(2)]	**(8,202)**	(7,353)
Free surplus on business unit basis	**23,309**	23,355
Adjustment to reflect consolidated reserving and capital requirements	**(6,980)**	(5,505)
Free surplus on consolidated basis	**16,329**	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 31 December 2023.

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

Mainland China

On 10 September 2023, the National Financial Regulatory Administration published "Notice on optimising regulatory solvency standards for insurance companies". The impacts were reflected in the Group's EV and LCSM results where applicable.

Hong Kong SAR[1]

The HKIA is in the final stages of preparation for the implementation of a Risk-based Capital (RBC) regime for the Hong Kong insurance industry and is expected to implement the new Hong Kong Risk-based Capital (HKRBC) regime in 2024.

In April 2022, AIA International, our principal operating entity in Hong Kong, obtained approval from the HKIA to early-adopt HKRBC and report its solvency on the HKRBC basis 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.

Macau SAR

In December 2023, the Monetary Authority of Macao (AMCM) started a consultation and assessment process to develop an RBC framework for the insurance industry of Macau, with a draft Bill expected in 2027.

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.

Note:

(1) Hong Kong SAR refers to the Hong Kong Special Administrative Region of the People's Republic of China.

HOLDING COMPANY FINANCIAL RESOURCES

Holding company financial resources increased to US$14,070 million before shareholder dividends of US$2,293 million and the US$3,637 million additional return of capital to shareholders through the share buy-back programme.

Net capital flows to the holding company of US$3,180 million was driven by US$3,292 million of capital flows from subsidiaries. Capital flows from subsidiaries increased by US$387 million compared with last year, after considering the one-off remittance of US$1,436 million from excess surplus held in AIA Co. to the holding company in 2022 as previously disclosed.

Borrowings increased holding company financial resources by US$396 million, while investment income and mark-to-market movements increased holding company financial resources by US$244 million.

After total capital returns to shareholders of US$5,930 million, holding company financial resources were US$8,140 million at 31 December 2023.

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

US$ millions, unless otherwise stated	2023	2022
Opening holding company financial resources	**10,668**	13,136
Capital flows from subsidiaries	**3,292**	4,341
Corporate activity including acquisitions	**(112)**	(2,479)
Net capital flows to holding company	**3,180**	1,862
Increase in borrowings(1)	**396**	1,653
Decrease in intercompany loans receivable	**–**	985
Interest payments on borrowings(1)	**(418)**	(359)
Investment income, mark-to-market movements in debt securities and others	**244**	(780)
Closing holding company financial resources before dividends and share buy-back	**14,070**	16,497
Dividends paid	**(2,293)**	(2,259)
Share buy-back	**(3,637)**	(3,570)
Closing holding company financial resources	**8,140**	10,668

Assets recoverable and liabilities repayable within 12 months as follows:

US$ millions, unless otherwise stated	As at 31 December 2023	As at 31 December 2022
Loans to/amounts due from subsidiaries(2)	**66**	57
Medium-term notes and securities(3)	**(831)**	(600)
Net other assets and other liabilities	**(135)**	(69)

Notes:

(1) Borrowings principally include medium-term notes and securities; other intercompany loans; and amounts outstanding, if any, from the Company's US$2,980 million unsecured committed credit facilities.

(2) As at 31 December 2023, loans to/amounts due from subsidiaries was US$895 million (31 December 2022: US$886 million). US$66 million was recoverable within the 12 months after 31 December 2023 (31 December 2022: US$57 million).

(3) As at 31 December 2023, medium-term notes and securities placed to the market was US$11,764 million (31 December 2022: US$11,206 million). US$831 million was repayable within the 12 months after 31 December 2023 (31 December 2022: US$500 million). Details of the medium-term notes and securities placed to the market are included in note 26 to the consolidated financial statements.

GLOBAL MEDIUM-TERM NOTE AND SECURITIES PROGRAMME

Under our Global Medium-term Note (GMTN) and Securities Programme, on 4 April 2023, the Company issued US dollar-denominated fixed rate medium-term notes, which comprised US$600 million of 10-year notes at an annual rate of 4.95 per cent. On 12 September 2023, the Company issued Singapore dollar (SGD) 550 million of resettable subordinated perpetual securities at an annual rate of 5.10 per cent. Both are listed on The Stock Exchange of Hong Kong Limited.

As at 31 December 2023, the aggregate carrying amount of the debt issued to the market under the GMTN and Securities Programme was US$11,764 million compared with US$11,206 million at 31 December 2022.

CREDIT RATINGS

As at 31 December 2023, AIA Co. had financial strength ratings of AA (Very Strong) with a stable outlook from Fitch; AA- (Very Strong) with a stable outlook from S&P Global Ratings; and Aa2 (Very Low Credit Risk) with a negative outlook from Moody's. Moody's revised the outlook on AIA Co. from stable to negative on 8 December 2023 following the agency's decision to change both Mainland China and Hong Kong SAR sovereign ratings outlook from stable to negative.

As at 31 December 2023, the Company had issuer credit ratings of AA- (Very High Credit Quality) with a stable outlook from Fitch; A+ (Strong) with a stable outlook from S&P Global Ratings; and A1 (Low Credit Risk) with a negative outlook from Moody's. Moody's revised the outlook on the Company from stable to negative on 8 December 2023 following the agency's decision to change both Mainland China and Hong Kong SAR sovereign ratings outlook from stable to negative.

DIVIDENDS

The Board has recommended a final dividend of 119.07 Hong Kong cents per share, subject to shareholders' approval at the Company's forthcoming AGM. This brings the total dividend for 2023 to 161.36 Hong Kong cents per share, an increase of 5 per cent compared with the total dividend for 2022. 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, approximately 740 million shares were repurchased for an aggregate value of US$7,207 million as at 31 December 2023. All the shares repurchased were subsequently cancelled.

BUSINESS REVIEW

SUMMARY AND KEY BUSINESS HIGHLIGHTS

In 2023, AIA delivered 33 per cent growth in VONB as strong business momentum continued post the pandemic. Execution of our strategic priorities and our continued focus on delivering compelling propositions and a comprehensive range of products to our customers across the region supported double-digit VONB growth in 10 of our markets. We have continued to develop and enhance digital tools to support our agents and partners to deliver a seamless customer journey, driving excellent growth across both our agency and partnership distribution channels.

DISTRIBUTION

Our **agency** channel delivered 23 per cent VONB growth in 2023, demonstrating our ongoing commitment to enhancing the quality of our differentiated agency distribution. Continued execution of our Premier Agency strategy supported strong growth in the number of active agents and double-digit growth in agent productivity and agent incomes across the Group, excluding Vietnam where we continue to transform our agency. AIA was named the number one Million Dollar Round Table (MDRT) multinational company globally for the ninth consecutive year, demonstrating the effectiveness of our differentiated strategy.

VONB for our **partnership** channel grew by 58 per cent, underpinned by our extensive network of market-leading strategic distribution partners. Our bancassurance channel delivered 42 per cent VONB growth as we continued to collaborate with our bank partners to upskill our insurance sellers and strengthen our digital capability. VONB from the intermediated channels, including independent financial advisers (IFAs) and brokers, more than doubled driven by the return of Mainland Chinese visitors in Hong Kong following the reopening of the border in February.

GEOGRAPHICAL MARKETS

AIA China delivered 28 per cent VONB growth from February to December, compared with the same period in 2022, rapidly building excellent momentum once normal day-to-day activities resumed following the relaxation of COVID-19 restrictions. VONB growth of 20 per cent in the full year was driven by double-digit growth in our Premier Agency and excellent growth from our bancassurance channel. Our compelling customer propositions supported double-digit growth in the number of new customers acquired, and in 2023, new customers contributed over half of our new business in terms of both ANP and the number of new policies.

AIA Hong Kong achieved VONB growth of 82 per cent in 2023, supported by the return of Mainland Chinese visitors following the resumption of cross-border travel in February and growth from our domestic customer segment. Our Premier Agency remains the key contributor to VONB, supported by a 59 per cent increase in the number of new recruits and excellent growth in new agent productivity. VONB in the partnership channel more than trebled, supported by both our intermediated channels and long-term strategic partnerships with The Bank of East Asia, Limited (BEA) and Citibank, N.A. (Citibank).

AIA Thailand reported a 21 per cent increase in VONB for the full year, driven by strong double-digit growth from both our agency and partnership channels. Our continued focus on quality recruitment and training in our agency channel supported excellent growth in the number of new recruits, a double-digit increase in the number of active agents and strong growth in agent productivity. Performance in the partnership channel was supported by excellent VONB growth through our strategic bancassurance partner, Bangkok Bank Public Company Limited (Bangkok Bank).

AIA Singapore delivered 10 per cent VONB growth with a shift in product mix towards protection business. Our agency channel achieved double-digit VONB growth in the second half of the year, resulting from an increase in agent productivity. Our partnership channel reported excellent VONB growth in 2023.

AIA Malaysia achieved VONB growth of 7 per cent, building on very strong growth in 2022, driven by strong performances from both our agency and partnership channels. We continued to further develop our Premier Agency by enhancing our digital tools, leading to increases in agent activity and productivity.

VONB for our **Other Markets** segment was stable in 2023 compared to 2022. Strong underlying growth of the segment was offset by lower VONB in Vietnam. As previously reported, negative consumer sentiment continued to impact the life insurance industry in Vietnam through the year. Excluding Vietnam, Other Markets delivered 15 per cent VONB growth in 2023.

In aggregate, our ASEAN markets continued to demonstrate strong momentum in 2023 and are a key growth engine for AIA. These markets accounted for over one third of the Group's VONB, in excess of US$1,500 million. Excluding Vietnam, our ASEAN markets delivered 14 per cent VONB growth, with double-digit growth from both our agency and partnership channels.

UNRIVALLED DISTRIBUTION

AGENCY

US$ millions, unless otherwise stated	2023	2022	YoY CER	YoY AER
VONB	**3,219**	2,659	**23%**	21%
VONB margin	**65.4%**	73.2%	**(8.0) pps**	(7.8) pps
ANP	**4,922**	3,632	**38%**	36%

AIA's unparalleled, proprietary Premier Agency is a core competitive advantage and sits at the heart of our relationship with our customers. Our professional agency meets the diverse and rapidly growing needs of millions of customers across Asia through personalised advice and our comprehensive suite of products. 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 VONB growth of 23 per cent and ANP growth of 38 per cent in 2023, as new business momentum improved with the relaxation of pandemic-related restrictions. Overall, agency distribution accounted for 76 per cent of the Group's total VONB in 2023.

We support our agency force with new and enhanced digital tools that cover agency recruitment and onboarding, activity management and new leads generation. Our best-in-class training is designed to fast track their development and support them in achieving a full-time professional and productive career. Excluding Vietnam, we delivered strong growth in the number of active agents, and double-digit growth in agent productivity and agent incomes. Our social media integrated leads management platform enabled our agents to leverage their social media networks systematically and with curated content, helping to reach new customer segments.

Quality recruitment is critical to our Premier Agency strategy. In Hong Kong, the deployment of an AI-supported digital interview tool contributed to a 59 per cent increase in the number of new recruits. Across the Group, we onboarded over 80 per cent of new agents in 2023 through iRecruit, our digital recruitment platform. We delivered a strong double-digit growth in the number of new recruits for the Group when excluding Vietnam, where we continue to transform our agency.

Developing our next-generation agency leaders is a key strategic priority, with a focus on ensuring high-quality recruitment, training and management as we prioritise growth in professional agents across our markets. In 2023, our agency leadership programmes successfully generated a 10 per cent increase in the number of agency leaders, building additional capacity for agency growth.

AIA's differentiated long-term strategy is the foundation of our professional and productive agency force. AIA China, AIA Hong Kong, AIA Thailand and Tata AIA Life Insurance Company Limited (Tata AIA Life) are all in the top five companies with the highest number of MDRT members globally. Our continued leadership in MDRT demonstrates the effectiveness of our Premier Agency strategy.

PARTNERSHIPS

US$ millions, unless otherwise stated	2023	2022	YoY CER	YoY AER
VONB	**1,031**	665	**58%**	55%
VONB margin	**37.8%**	37.5%	**0.1 pps**	0.3 pps
ANP	**2,728**	1,775	**57%**	54%

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.

In 2023, VONB for our partnership channel grew by 58 per cent to US$1,031 million, driven by excellent performances from both bancassurance and intermediated channels. Partnership distribution business contributed 24 per cent of AIA's total VONB in 2023.

Our bancassurance channel delivered a 42 per cent increase in VONB in 2023, driven by growth from the majority of our markets through the strong collaboration with bank partners, including our regional exclusive partners of BEA and Citibank, as well as Postal Savings Bank of China Co., Ltd. in Mainland China, Bangkok Bank in Thailand, Public Bank Berhad (Public Bank) in Malaysia, and Bank of the Philippine Islands (BPI) in the Philippines.

Our long-term strategic partnerships with leading banks are a key competitive advantage for AIA and we continue to work closely with them, including the delivery of structured training that upskills insurance sellers and leveraging the strength of our digital capabilities to provide customers with a seamless omnichannel experience. This has driven an increase in our core business metrics, including higher productivity of our insurance sellers at our strategic partners in Mainland China, Hong Kong, Thailand, Malaysia, Indonesia and the Philippines.

Our digitally-led bancassurance strategy enables us to access previously untapped customers, and in 2023 helped generate over 3 million leads. For example, our strategic partnership with 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 2023, supported by the return of Mainland Chinese visitors in Hong Kong following the reopening of the border in February.

GEOGRAPHICAL MARKET HIGHLIGHTS

MAINLAND CHINA

US$ millions, unless otherwise stated	2023	2022	YoY CER	YoY AER
VONB	**1,037**	916	**20%**	13%
VONB margin	**51.3%**	69.5%	**(18.3) pps**	(18.2) pps
ANP	**2,023**	1,319	**62%**	53%
TWPI	**8,589**	7,592	**20%**	13%
OPAT	**1,548**	1,551	**5%**	–

AIA China delivered 28 per cent VONB growth from February to December, compared with the same period in 2022, driven by excellent momentum once normal day-to-day activities resumed following the relaxation of COVID-19 restrictions. VONB growth of 20 per cent in the full year was driven by double-digit growth in our Premier Agency and excellent growth from our bancassurance channel.

Very strong customer demand for our long-term savings products supported ANP growth of 62 per cent. The resulting product mix shift coupled with an increased contribution from bancassurance, where VONB margin is substantially below that of our agency, led to a lower VONB margin for the year. However, repricing and a favourable shift in product mix delivered an increase in VONB margin to 52.7 per cent for the second half of 2023, compared with the first half of the year, supported by improvement in both our Premier Agency and bancassurance channels.

OPAT increased 5 per cent to US$1,548 million, reflecting growth in our in-force portfolio.

AIA's commitment to our long-established Premier Agency strategy is a key differentiator and provides significant competitive advantages for AIA China. Our continued focus on quality recruitment, best-in-class training and digitally-enabled leader development delivered year-on-year growth in the number of new recruits and active agents with increased momentum in the second half. Navigator, our powerful data-driven agency digital platform, enables agents to more effectively attract, nurture, engage and service our customers. In 2023, we further evolved Navigator with scenario-based customer acquisition and a product recommendation module, supporting excellent growth in agent productivity.

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

During 2023, we further strengthened our compelling customer propositions with new integrated value-added services tailored to our customers' evolving needs. We successfully launched Cancer Shield, which offers end-to-end cancer prevention management services, two tax-deductible private pensions schemes, an innovative retirement proposition to add to our differentiated Health and Wellness ecosystem, and a set of comprehensive services for overseas education. Our compelling customer propositions supported double-digit growth in the number of new customers acquired. In 2023, new customers contributed over half of our new business in terms of both ANP and the number of new policies.

Mainland China offers tremendous growth potential for AIA, both within our existing footprint and in new geographies. Following the successful launch of our new operation in Zhengzhou, Henan in May, we upgraded our Shijiazhuang licence to cover all of Hebei province and we were granted approvals by the regulator to begin preparations for expansion into more cities in Hubei and Sichuan. By replicating our efficient and scalable model across these new operations, we delivered excellent growth in the number of active agents in these geographies.

China Post Life

We completed our 24.99 per cent equity investment in China Post Life Insurance Co., Ltd. (China Post Life) in 2022. For clarity, AIA China's reported results and the above table do not include any contribution from China Post Life. China Post Life delivered VONB growth of 17 per cent in 2023 compared with 2022, as prepared and reported by China Post Life. 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	2023	2022	YoY CER	YoY AER
VONB	**1,430**	787	**82%**	82%
VONB margin	**57.5%**	69.5%	**(12.0) pps**	(12.0) pps
ANP	**2,407**	1,078	**123%**	123%
TWPI	**11,554**	11,237	**3%**	3%
OPAT	**2,180**	2,202	**(1)%**	(1)%

AIA Hong Kong achieved VONB growth of 82 per cent in 2023, supported by the return of Mainland Chinese visitors following the resumption of cross-border travel in February and growth from our domestic customer segment. We provide a comprehensive suite of propositions for a broad range of customer segments that balance wealth and protection solutions. Strong demand for our flagship participating savings product supported overall ANP more than doubling to US$2,407 million while contributing to a lower VONB margin of 57.5 per cent. The results were also supported by strong growth in our flagship participating critical illness product, which had an 84 per cent increase in the number of policies sold compared with 2022. Following the successful launch of our AIA Wealth Management Centre in March 2023, we have launched AIA Alta Wellness Haven and introduced AIA Club Alta in September, both offering integrated health and wealth management services alongside exclusive lifestyle privileges and experiences for our customers.

OPAT of US$2,180 million was broadly flat as growth in the in-force portfolio was offset by the effect on investment income, resulting from a US$2,800 million remittance to the Group Corporate Centre in 2022 to support the share buy-back programme, as well as increased medical claims. Excluding the impact of medical claims, OPAT growth was 2 per cent. We repriced the majority of our medical business in 2023 and we plan to further increase premium rates in 2024.

Our Premier Agency remains the key contributor to AIA Hong Kong's VONB and delivered excellent VONB growth in 2023, demonstrating the quality and professionalism of our people and disciplined execution of our agency strategy. We continued to focus on supporting and enabling our agents with digital tools to increase their productivity while we further enhanced our recruitment programme to attract diverse and high-calibre new agents. The number of new recruits grew by 59 per cent and we achieved excellent growth in new agent productivity.

VONB in our partnership distribution channel more than trebled compared to last year. The excellent performance contributed by our intermediated channels was supported by the resumption of cross border travel for Mainland Chinese visitors. Our long-term strategic partnerships with BEA and Citibank both also delivered excellent VONB growth, driven by improvements in activity and productivity.

THAILAND

US$ millions, unless otherwise stated	2023	2022	YoY CER	YoY AER
VONB	**713**	585	**21%**	22%
VONB margin	**93.3%**	89.1%	**4.2 pps**	4.2 pps
ANP	**765**	655	**16%**	17%
TWPI	**4,425**	4,166	**6%**	6%
OPAT	**951**	977	**(3)%**	(3)%

AIA Thailand delivered 21 per cent VONB growth and a 16 per cent increase in ANP, driven by strong double-digit new business growth from both our market-leading agency channel and partnership distribution. VONB margin increased to 93.3 per cent, supported by increased sales of our critical illness rider products. AIA Thailand is the market leader for new business premiums in Thailand. OPAT increased by 3 per cent when excluding the effects of model refinements.

In agency, our continued focus on quality recruitment and training with ongoing support from our experienced leaders and powerful digital platforms drove excellent growth in the number of new recruits, a double-digit increase in the number of active agents and strong growth in agent productivity. We achieved excellent growth in the number of new Financial Advisers (FAs), resulting in a further increase in the number of FAs as a proportion of the total agency force. In October, we launched an integrated agent journey platform, which empowers agents to provide more personalised advice and improves productivity with real-time management information, automated lead generation and scheduling as well as AI-powered training.

Our strategic bancassurance partner, Bangkok Bank, delivered excellent VONB growth, driven by higher productivity of insurance sellers and increased new business from health protection products with the launch of AIA Vitality with the bank in March. We introduced new training programmes focused on activation management, resulting in an increased number of active insurance sellers.

SINGAPORE

US$ millions, unless otherwise stated	2023	2022	YoY CER	YoY AER
VONB	**394**	349	**10%**	13%
VONB margin	**67.2%**	65.7%	**1.5 pps**	1.5 pps
ANP	**586**	531	**8%**	10%
TWPI	**3,912**	3,577	**7%**	9%
OPAT	**669**	655	**(2)%**	2%

AIA Singapore delivered 10 per cent VONB growth, supported by ANP growth across all distribution channels and an increase in VONB margin of 1.5 pps to 67.2 per cent, which was driven by a shift in product mix towards protection products.

OPAT declined slightly partly due to lower investment income resulting from an increased remittance to the Group Corporate Centre of US$300 million in 2023 to support the share buy-back programme. While we saw higher medical claims compared with last year, the effect was offset by positive experience from non-medical claims.

Our Premier Agency achieved double-digit VONB growth in the second half of the year, supported by an increase in agent productivity. We continue to invest in digital tools to enhance productivity through lead generation and more holistic financial planning and advisory services for our customers. AIA Singapore's comprehensive suite of products and services helped to attract new talent with double-digit growth in the number of new recruits for the year.

Our partnership channel recorded excellent VONB growth, driven by our strategic partnership with Citibank and new business from other partners, which are focused on affluent and high net worth customers. In August, we launched AIA Platinum Infinite Wealth, a new savings plan designed for long-term wealth accumulation and intergenerational wealth transfer, which supported an increase in sales in our broker channel.

MALAYSIA

US$ millions, unless otherwise stated	2023	2022	YoY CER	YoY AER
VONB	**319**	308	**7%**	4%
VONB margin	**67.3%**	69.9%	**(2.6) pps**	(2.6) pps
ANP	**473**	440	**12%**	8%
TWPI	**2,565**	2,464	**8%**	4%
OPAT	**293**	362	**(17)%**	(19)%

AIA Malaysia achieved VONB growth of 7 per cent and ANP growth of 12 per cent in 2023, building on very strong growth in 2022.

OPAT declined by 17 per cent, as growth in our in-force portfolio was more than offset by higher medical claims; excluding the impact of these, OPAT growth was 8 per cent. We repriced medical business in 2023, with further premium increases planned for 2024.

Our agency delivered VONB growth in 2023 as we continued to enhance our digital tools, supporting increases in agent activity and productivity. Our partnership channel delivered strong VONB growth, supported by our strategic partnership with Public Bank, as we collaborated to increase penetration of the bank's high net worth customer segment and increased the number of insurance specialists.

OTHER MARKETS

US$ millions, unless otherwise stated	2023	2022	YoY CER	YoY AER
VONB	**406**	420	**–**	(3)%
VONB margin	**28.9%**	30.2%	**(1.4) pps**	(1.3) pps
ANP	**1,396**	1,384	**4%**	1%
TWPI	**6,894**	7,140	**–**	(3)%
OPAT	**560**	710	**(13)%**	(21)%

Overview

VONB for our Other Markets segment was stable in 2023 compared to 2022. Strong underlying growth of the segment was offset by lower VONB in Vietnam. As previously reported, negative consumer sentiment continued to impact the life insurance industry in Vietnam through the year. Excluding Vietnam, Other Markets delivered 15 per cent VONB growth in 2023.

OPAT for Other Markets declined by 6 per cent when excluding the effects of model refinements as disclosed in the previous section, as new business growth was offset by unfavourable medical claims experience compared to last year.

Geographical Market Highlights

Australia: AIA Australia recorded strong VONB growth in 2023, supported by a double-digit increase in group insurance business as we benefitted from new members joining existing group schemes, successful renewals and also new business. In addition, we achieved higher sales in retail protection, enabled by our integrated life, health and well-being propositions.

Cambodia: AIA Cambodia delivered strong ANP growth, driven by both agency and group insurance business. Our agency's continued focus on quality recruitment and training led to improved agent activity, enabled by our powerful digital tools.

India: Tata AIA Life's protection-focused, multi-channel distribution platform achieved excellent VONB growth in 2023, supported by all channels. We launched innovative products and maintained our industry-leading position in the retail protection market. Tata AIA Life was the third largest private life insurer in India in 2023, based on individual weighted new business premiums. Our differentiated Premier Agency delivered excellent results and further expanded its reach through new, digitally-enabled branch openings across the country. We also delivered strong double-digit growth from our partnership distribution channel and broadened our distribution reach through new partnerships.

Indonesia: While AIA Indonesia's VONB declined overall in 2023, we delivered an increase in agent productivity as we continue to rebuild the fundamentals of our agency. Productivity of the insurance sellers in our bancassurance channel also increased, as we continued to work with our bank partners and further enhanced training.

Myanmar: AIA Myanmar's ANP more than doubled in both our agency and partnership channels, driven by excellent growth in the number of active agents and wider coverage of our bank partner's branches.

New Zealand: AIA New Zealand delivered double-digit ANP growth in both our bancassurance and IFA channels in 2023 as we continued to strengthen our relationships with our partners. Our strategic partnership with ASB Bank Limited delivered strong ANP growth and a double-digit increase in the productivity of our insurance specialists.

Philippines: AIA Philippines achieved double-digit VONB growth, supported by ANP growth and an increased VONB margin from a shift in new business towards participating products. Our partnership with BPI delivered excellent VONB growth as the number of active in-branch insurance specialists increased by double-digits.

South Korea: AIA Korea delivered excellent VONB growth in 2023, driven by the continued performance from our bancassurance channel, where VONB and ANP more than doubled.

Sri Lanka: AIA Sri Lanka delivered excellent ANP growth in 2023, supported by our agency and partnership distribution channels. Agency growth was supported by strong recruitment momentum and higher sales activity. In November, we expanded our bancassurance footprint by entering into a new long-term exclusive bancassurance partnership with the Commercial Bank of Ceylon PLC, the largest private bank in Sri Lanka.

Taiwan (China): AIA Taiwan reported double-digit VONB growth in 2023, driven by our bancassurance partnerships and improved productivity in our direct marketing channel.

Vietnam: AIA Vietnam's VONB declined in 2023 as negative consumer sentiment continued to impact insurance sales momentum for the industry. AIA Vietnam continues its efforts to build a long-term sustainable foundation through enhanced quality recruitment, improved agency development programmes and compelling propositions. We have seen a gradual month-on-month improvement in new business volumes in the last quarter of 2023.

TECHNOLOGY, DIGITAL AND ANALYTICS

In June 2020, we set out our ambition for AIA to become a market-leader in the use of technology, digital and analytics (TDA) to enable every aspect of our business. We have made significant, targeted investments over the past three years and these have accelerated AIA's transformation into a customer-centric, world-class, and digitally-enabled insurer. We are now an industry leader in cloud adoption, enabling rapid deployment of digital tools and emerging technologies across the organisation. Our extensive TDA programme has delivered significant improvements in operational efficiency, customer experience and distribution productivity. We have also enhanced the Group's risk management with more timely and effective monitoring of business, financial and cyber risks.

Since June 2020, we have invested around US$800 million in specific TDA projects across the Group to position all of our businesses for sustained growth. We estimate that the TDA transformation has generated annualised recurring savings of more than US$150 million through expense and claims efficiencies while driving productivity improvements across our distribution that supported our excellent VONB growth in 2023.

The success of our TDA transformation has been recognised externally through numerous awards, including: *InsuranceAsia News* – Digital Insurer of the Year in 2021, 2022 and 2023; International Insurance Society's 2023 Global Innovation Award – Life/Health/Retirement Innovator of the Year; and IDC Future Enterprise Awards 2023 Asia/Pacific – Best in Future of Digital Infrastructure for the Group.

We continue to see TDA as a key enabler of our strategic priorities, driving sustainable business growth and creating shareholder value. The first phase of the transformation focused primarily on transforming the Group's core technology and digital applications and was completed successfully at the end of 2023. We are now focused on leveraging our digital enablement and extensive proprietary data using generative artificial intelligence (AI) to support better decision-making, streamline operations, further increase distributor productivity and deliver even better customer experiences. TDA is also at the heart of AIA's Integrated Health Strategy, which aims to make healthcare more accessible, more affordable and more effective to people across Asia.

WORLD-CLASS TECHNOLOGY

Across the Group, we have driven a dramatic shift to on-demand cloud technology and software as a service (SaaS) solutions while retiring our legacy systems. AIA's adoption of cloud technology had reached 90 per cent at the end of 2023, up from just 15 per cent in June 2020. AIA's adoption of cloud technology is well ahead of global financial services and insurance industry average levels. While overall processing capacity has more than doubled since June 2020, our information technology infrastructure costs have remained stable.

AIA's modern technology infrastructure enables us to rapidly deliver and scale innovative solutions across the Group and we are well positioned to leverage emerging technologies such as generative AI.

DIGITAL ENABLEMENT

Superior and personalised digital experiences provide better customer service and outcomes while bringing us richer data and deeper customer insights. Across the Group, more than 20 million existing and prospective customers now engage with us digitally and benefit from our high-quality digital experiences.

Our super app, AIA+, further elevates the digital experience with an expanded and integrated range of new services across life, health and wellness. AIA+ is now operational in Mainland China, Thailand, Malaysia and Vietnam, delivering increased customer engagement and higher repurchase rates. We plan to deploy AIA+ in more markets in 2024.

In 2023, we continued to enhance our digital agency tools, adding extensive new features across 10 markets with many powered by AI and analytics solutions. Our intelligent agency recruitment platform in Hong Kong has supported higher productivity and improved retention of new agent recruits. In Malaysia, our high-potential agency leaders who were identified by our analytics model delivered double the sales and recruitment activities compared with regular agency leaders. Our agents rate our powerful digital tools highly with an average in-app rating of 4.7 out of 5 across the Group.

ANALYTICS

Over the last three years we have implemented more than 330 data and analytics high-impact use cases across the Group, further deepening and industrialising our use of AI and analytics. Our data platforms are richer, faster and more reliable, enabling efficient access and insights. The size of our data resources is seven times the 2020 levels while the speed of data processing increased by five times, and we are generating deeper and more powerful insights in real-time. Our analytics solutions have enhanced customer experiences and increased the productivity of our distribution, and we have established the foundations for the deployment of generative AI solutions at scale.

We have deployed AI in our underwriting processes, resulting in faster and more reliable decisions, and AI-powered premium payment reminder calls to support higher persistency and customer retention. In our claims processing, optical character recognition (OCR) technology and AI-adjudication support faster turnaround time while reducing fraud, waste and abuse.

In our Premier Agency, we continue to enhance our digital tools with greater automation, AI and analytics across the entire agency value chain. To support growth in high-quality recruitment, we have deployed AI solutions for candidate profiling, hiring assessment and interviews. Agents are provided with personalised training programmes that take into account attributes such as tenure, type of agent and performance to tailor the right training content to each agent's individual development journey. These are integrated into our agency management systems, enabling our agency leaders to monitor and track individual progress and outcomes.

DATA GOVERNANCE AND RESPONSIBLE USE OF AI

AIA is committed to leading data quality and protection standards; we have implemented over 7,500 data quality rules to ensure the quality and integrity of the data we use to serve our customers, delivering better decision-making and enhanced user experiences.

Advancements in generative AI bring new risks, such as copyright infringements and the generation of incorrect or misleading information. We continue to strengthen our governance on the responsible use of AI with additional controls and guidelines specifically for generative AI. Our focus is on ensuring fairness and prevention of unintended bias in our AI-driven processes. Our Responsible Use of Artificial Intelligence Standard demonstrates our commitment to maintaining trust, promoting innovation and avoiding negative impacts on customer satisfaction and our reputation.

CYBERSECURITY

Safeguarding the personal information of our customers, employees and distributors is a key priority for AIA, and we are dedicated to keeping our systems and processes secure and protected. In 2023, AIA continued to maintain the International Organization for Standardization (ISO) 27001 certification covering identity access management, cybersecurity and cloud security operations. Additionally, Service Organization Controls ISAE 3000 Type II Report was obtained for AIA Company Limited's Group Information Security services in 2022. Since cybersecurity is constantly evolving, we are continuously upgrading our defences and response mechanisms, as well as raising awareness and educating all key stakeholders of the organisation. We will continue to invest in information security safeguards, including a focus in the areas of new cyber defence technologies, data protection and automation, to ensure sufficient and robust operational controls that meet our information security objectives.

COMPELLING PROPOSITIONS

In 2023, we developed new products and services that broadened the customer segments we serve, made our propositions more accessible, expanded our offerings to meet a wider set of needs, and delivered greater long-term value to our customers.

AIA's compelling and high-quality propositions meet our customers' protection and long-term savings needs across their life stages and are supported by professional advice. Our propositions motivate and reward customers for taking actions that positively impact their physical and financial health, help them seek the best treatment and encourage them to save more effectively to meet their financial needs. We aim to align AIA's financial success to the health and well-being of our customers, delivering our Purpose of helping people live Healthier, Longer, Better Lives.

We design our propositions based on insights into our customers' needs gained through our deep relationships, extensive consumer research, data and analytics and test and learn approaches. The pandemic has reshaped our customers' needs, priorities and expectations, and we have identified four key trends across our markets that are helping us develop more relevant and targeted solutions for our customers, including: diverging lifestyles and lifepaths, a changing vision of retirement, sustaining through financial challenges and taking health into the customer's own hands.

Leveraging these insights, we are developing propositions that broaden the customer segments we serve, deepen the coverages within each segment and address our customers' personalised needs through their life stages. We are also progressing our Integrated Health Strategy, which is focused on delivering more accessible, more affordable and more effective healthcare for our customers through health technology and analytics.

INTEGRATED SOLUTIONS TO MEET CUSTOMER NEEDS

Providing relevant ecosystem services is key to our proposition strategy. AIA Vitality is our leading health and wellness programme, that is integrated with our products, supporting and rewarding our customers for staying healthy. We continued to expand AIA Vitality in 2023 by launching in Vietnam and adding more than 60 new integrated products across the 11 existing AIA Vitality markets. Around 60 per cent of our new customers are adding AIA Vitality to their policies when given the option to do so. The number of AIA Vitality members grew by 22 per cent over 2022 levels.

Broadening Segments that We Serve

AIA Thailand launched AIA Health Saver in 2023, an affordable health insurance product, making healthcare more accessible for the mass market segment. With over 60 per cent of policies coming from customers new to AIA, the product has successfully tapped into lower income segments and further extended our market leadership in health and protection. AIA Thailand has also launched AIA for Kids for young and emerging families. The proposition offers a tailored package of unit-linked products with health riders, providing parenting support for child development through our leading digital platform, ALive.

To capitalise on the significant number of high net worth individuals in the region, AIA Hong Kong provides one-stop financial and wellness services through dedicated wealth and wellness centres. Our loyalty programme, AIA Club Alta, offers premium wealth management, health and wellness services and exclusive access to lifestyle events and experiences. In Singapore, we continued to strengthen our affluent and high net worth propositions, upgrading our loyalty programme and broadening our high net worth solutions, targeting both onshore and offshore customers. The scale of these loyalty programmes across these markets continued to grow, with over 170,000 members.

Holistic Retirement Propositions

AIA China further strengthened its range of retirement propositions with the launch of two tax-deductible private pension products in 2023. Customers are supported by a wide choice of retirement services providing home-based, community-based and institution-based retirement support alongside medical care and assistance that caters to different stages of retirement. A critical success factor for these products is the support of AIA China's Premier Agents who are trained and certified to provide professional advice to our customers on their retirement needs. The proposition has successfully attracted younger and affluent customers, delivering strong VONB growth in long-term savings and offering significant opportunities for customer acquisition and future cross-selling.

In Singapore, we launched AIA Centurion, a first-in-market simplified underwriting personal accident product that provides protection, home care services and on-demand telemedicine consultations for customers with multi-stage dementia, making our protection solution more accessible to elderly customers while helping them to live independently.

Health and Protection

In Mainland China and Hong Kong, we further strengthened our protection propositions and enhanced the ecosystem of health and wellness services to better support our customers through their increasingly complex health journeys. To reduce the risks of cancer and limit its impact, AIA China launched Cancer Shield, a cancer prevention and screening service attached to our products to help customers seek early and timely treatments along with extended and upgraded medical case management services.

AIA Hong Kong continues to lead the market in innovative critical illness propositions. Our Cancer Guardian product supports customers with a range of highly relevant and integrated services to help predict, prevent, diagnose, treat and recover from cancer. To better support our Mainland Chinese visitor customers, AIA Hong Kong also launched AIA CarePass in 2023, a first-in-market programme with exclusive medical support services, helping our customers easily obtain high-quality medical care in Hong Kong.

In India, Tata AIA Life has also launched a first-in-market health solution offering life and health cover, wellness services and medical benefits while helping customers grow their wealth over time. Tailored to meet the needs of more affluent segments, the product offers a range of value-added health services including cashless hospital admissions, significantly broadening the customer needs that we can address.

AIA'S INTEGRATED HEALTH STRATEGY

AIA's Integrated Health Strategy aims to make healthcare more accessible, more affordable and more effective for millions of people in Asia. In 2023, we made good progress by delivering more integrated health insurance and healthcare provision, more proactively managing healthcare providers and deploying best-in-class claims management solutions across our markets, leveraging Amplify Health, AIA's leading health insurtech business.

Personalised Health Insurance

We are developing more personalised and relevant health propositions that help customers access healthcare services with greater convenience and a more integrated experience, delivering better health outcomes at lower cost. In response to recent medical cost inflation, AIA Malaysia launched a range of new products with various deductible and co-payment options which, together with AIA Vitality, incentivises our customers towards healthier behaviours and more effective healthcare pathways.

Integration with Outpatient Clinics

Healthcare delivery is often not as effective as it could be with customer journeys that are fragmented, complex and difficult to navigate, leading to variability in outcomes and higher medical costs. By better integrating with healthcare providers, we proactively guide customers along their healthcare journeys, helping to avoid unnecessary costs and delivering improved health outcomes.

Day surgery centres generally provide a lower cost setting compared with inpatient hospital treatments and we are expanding our day surgery centre networks across our markets. AIA-owned clinics, including those acquired through MediCard in the Philippines and Blue Care in Hong Kong, provide our customers with greater choice and more cost-effective treatments. In Singapore, we have expanded our network of day surgery centres with preferred fee arrangements, helping us better manage medical costs for our customers.

Advanced Healthcare Administration and Management

AIA's healthcare administration and management ensures that customers have the support of a high-quality network that delivers more accessible, more affordable and more effective healthcare services. In 2023, we enhanced our claims management process and delivered improvements in customer experience through greater claims automation, increased straight-through processing and reduced fraud, waste and abuse. By digitalising our claims processes, we are also gaining large amounts of additional health data that support analytics for better health provider management and product development.

Amplify Health

Amplify Health, leveraging its full range of health insurtech assets and expertise, has developed a broad suite of services that will accelerate the capability build for AIA's businesses and support the creation of sustainable competitive advantages in health insurance. These assets include access to a significant health information dataset – 600 million member months of longitudinal health data over 15 years – providing AIA with significant opportunities as we deploy our health insights to deliver more effective healthcare for our customers. In addition to digital health engagement, other services being deployed include healthcare provider management and optimisation, AI-driven core claims and benefits management, payment integrity assessments, customer insights analysis and product design. Amplify Health's solutions currently process over 700,000 claims in 2023 for AIA Singapore with plans for continued scaling of its solutions to other AIA markets in the future.

LEADING CUSTOMER EXPERIENCE

We are focused on deploying digitalisation, automation, and AI and analytics across all key stages of our customers' journeys to deliver outstanding customer experience through simple, quick, personalised and scalable processes. Real-time customer surveys, complaint monitoring and service level tracking help us to continuously enhance our processes and deliver the best experience.

The delivery of our strategic priorities over the last three years has supported enhanced operational efficiency and improved customer satisfaction and loyalty. Across our buy, service and claims transactions, 85 per cent are now completed within one day, up from 50 per cent at the end of 2020. In 2023, AIA ranked first in seven of our markets by Net Promoter Score (NPS), a key measure of how we meet our customer expectations. Our process enhancements are supporting improvements in persistency and ensure that customers continue to benefit from our valuable protection for longer. Our efforts have also been recognised externally including the CX Asia Excellence Awards 2023 – Best Customer Experience Gold Award.

Our leading customer digital apps and streamlined processes are driving greater customer engagement and generating richer customer insights, helping us deepen customer relationships and grow customer lifetime value. We are now focused on deploying generative AI to deliver more intelligent and personalised operations, further increasing customer satisfaction, engagement and repurchase.

TRANSFORMING CUSTOMER JOURNEYS

Customer preferences are evolving rapidly with increased demand for high-quality and efficient digital interactions. In response, we have extensively digitalised our processes and shifted to digital servicing models. In December 2023, 94 per cent of all of our customer submissions across buy, service and claims transactions were made digitally.

Straight-through processing (STP) is our key measure of customer journey automation across buy, service and claims journeys. For the Group, our end-to-end STP across all three journeys reached 85 per cent in December 2023, an increase from 35 per cent in June 2020. AIA China had the highest overall STP of 91 per cent among our businesses and seven of our markets were above 80 per cent in December 2023.

Continuous monitoring of customer feedback and satisfaction levels allows us to identify and respond quickly to our customers' evolving needs. We have deployed real-time customer surveys at key customer touch points in all of our markets and our Customer Satisfaction Score (CSAT) stood at an excellent 93 per cent in December 2023.

We have made it easier for our customers to purchase policies by simplifying underwriting rules, better leveraging existing customer data and increasingly employing AI. In 2023, 79 per cent of new business policies were underwritten automatically and we have improved the end-to-end STP rate for our buy transactions by 36 pps to 72 per cent since June 2020.

For servicing transactions, we have reduced turnaround times through various initiatives, including deploying optical character and facial recognition technologies. In 2023, end-to-end service STP for the Group reached 92 per cent, an increase of 50 pps from June 2020, and six of our markets achieved rates of 85 per cent or higher in December 2023.

We are focused on delivering a leading customer experience for customers using our contact centres with lower headcount by leveraging the use of AI-powered voicebots and chatbots. In 2023, our contact centres achieved a CSAT score of 98 per cent.

We have redesigned our claims processes, leveraging OCR technology, AI and digital payment connectivity, leading to faster and more cashless settlements. End-to-end claims STP increased from 22 per cent in June 2020 to 75 per cent in December 2023. In December 2023, we settled 78 per cent of claims within one day and we paid 99 per cent of claims digitally.

DEEPENING RELATIONSHIPS WITH OUR CUSTOMERS

We aim to build deep and long-lasting relationships with our customers. Our customer engagement model is supported by rich customer data sets, extensive analytics and leading marketing technology to drive greater engagement and cross-sell rates. We are deploying behavioural models from real-time customer interactions across AIA's digital ecosystem to drive more targeted and personalised engagements, reaching more customers and increasing existing customer cross-sell rates.

In 2023, we saw a 17 per cent increase in the number of existing customers who bought another policy from AIA, and 15 per cent growth in VONB through cross-selling and up-selling compared with 2022. We use data and analytics to ascertain the most optimal point to engage with our customers. For example, we launched successful thematic campaigns in Hong Kong and Singapore to engage with our customers at key moments that matter to them, such as birthdays, festive seasons, a newborn child or an upgrade in AIA Vitality membership tier. As a result, we are seeing improved uptake and higher case size from these targeted marketing offers. In Thailand, we were able to identify customers with high protection needs and record a significant uplift in conversion rates when compared to non-targeted campaigns.

CUSTOMER ENGAGEMENT THROUGH DIGITAL CHANNELS

Customers increasingly prefer to engage with us digitally. In respect of this, we have significantly increased our digital engagement capabilities through both AIA's proprietary digital assets and our partnerships with digital platforms.

These yielded promising results in 2023, with over 1.8 million customers acquired through digital platform partnerships across Thailand, Malaysia, and India. Close to 500,000 of these customers also bought another insurance policy from AIA, more than doubling the number over 2022 levels.

Enhanced and new features on our website, including an updated design and enhanced search engine optimisation, supported an increase in unique visitors, generating over two million leads to our agency channel, and supporting the generation of over US$130 million of ANP for the Group in 2023.

ORGANISATION OF THE FUTURE

AIA's strong track record of performance has been achieved through our unique culture of empowerment with accountability and our strong commitment to developing our people.

SHAPING A SIMPLER, FASTER, MORE CONNECTED AIA

We started our journey to transform AIA into a simpler, faster, more connected organisation in the second half of 2020 to support the execution of our strategy. By the end of 2023, the majority of our larger local business units have completed the implementation of new operating models to support the delivery of our strategic priorities. These simplified and sustainable structures ensure we have the right resources performing in the right roles to achieve our ambitions and put our people closer to decision-making by reducing the number of organisational layers. This has led to better business outcomes and a more empowered organisation.

In 2023, we continued to embed and strengthen our cross-functional operating model in eight of our markets, where these agile teams collaborate on some of our most important strategic initiatives. These new ways of working are successfully helping us focus on customer needs, innovate at pace and deliver business benefits more rapidly.

BUILDING A FUTURE READY WORKFORCE

Ensuring that we have people with the right skills is critical to both support and leverage the Group's TDA transformation. As at 31 December 2023, approximately 20 per cent of our employee workforce(7) comprises talent with TDA skill sets, an increase of 73 per cent since 1 July 2020. This material investment marks a step change in our talent capabilities and underpins our ability to execute our growth strategy.

In 2023, we launched new programmes that continue to build our capabilities in core lines of business, including our Distribution Leadership Programme and the AIA Design Academy, which focuses on building the Group's internal human-centred design skills. We also developed programmes to upskill employees and nurture talent, including LIFT (Learn. Integrate. Focus. Thrive), a 12-month Group-wide support framework for new employees.

RECOGNISED AS AN EMPLOYER OF CHOICE

AIA's annual employee engagement survey demonstrates our continued positive employee sentiment. Our 2023 survey was completed by 98 per cent of employees, with the Group's employee engagement scores placing AIA in the 92nd percentile of Gallup's global finance and insurance industry benchmark. Our employee engagement levels have remained in the top quartile of this benchmark for seven consecutive years and in the top 10th percentile for three consecutive years.

In 2023, our continued focus on our people has resulted in several local and global awards, including the Gallup Exceptional Workplace Award, an accolade that celebrates companies that have a highly engaged workforce and performance-oriented culture.

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 IFRS 9 and IFRS 17 from 1 January 2023. Comparative information of OPAT has been restated for 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. 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 twelve-month period ended 30 September 2023 and the twelve-month period ended 30 September 2022 in AIA's consolidated results for the twelve-month period ended 31 December 2023 and the twelve-month period ended 31 December 2022, respectively.

(7) Overall number of employees includes full-time and part-time employees as well as employees on fixed-term contracts, and excludes interns, agents of the Group, employees of MediCard, Amplify Health, our joint venture Tata AIA Life and our associate China Post Life.

REGULATORY AND INTERNATIONAL DEVELOPMENTS

INSURANCE CAPITAL STANDARD

In 2020 the International Association of Insurance Supervisors (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. A public consultation on the ICS was conducted by the IAIS in 2023. In the second phase, it is expected that the ICS as a group prescribed capital requirement will be formally launched by the IAIS at the end of 2024, and for group supervisors then to consider its implementation, taking into account specific market circumstances.

The Aggregation Method (AM) is an alternative being developed by US regulators, that would define group solvency by referencing the local regimes to which a group is subject. The IAIS has begun the comparability assessment that will ascertain whether AM provides comparable outcomes to the ICS. The IAIS collected data for the comparability assessment in 2023 and aims to make the final decision by the end of 2024.

In addition to ICS, the IAIS is working on key strategic themes that affect the insurance sector and the broader financial system, including on climate-related risk, financial inclusion, digital innovation, operational resilience and cyber risk, protection gaps and diversity, equity and inclusion. AIA will continue to monitor these developments closely.

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 Global Anti-Base Erosion (GloBE) Model Rules to give effect to Pillar Two of BEPS 2.0, which imposes a global minimum effective tax rate (ETR) 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, which was reaffirmed when Hong Kong initiated its public consultation on Pillar Two income taxes on 21 December 2023, reflects similar deferrals announced by other jurisdictions (e.g., the European Union, Vietnam, South Korea, Australia and New Zealand, which have deferred until 2024, and Malaysia, Singapore and Thailand, which have also deferred until 2025).

Once Pillar Two income taxes are effective, the Group is expected to become liable to pay top-up tax on the difference between its Pillar Two ETR, calculated on a jurisdiction-by-jurisdiction basis, and a 15 per cent minimum rate, regardless of the Group's overall ETR. As a result of specific adjustments set out in the Pillar Two income tax rules, which result in different ETRs compared to those arising on an IFRS basis, jurisdictions with an accounting ETR above 15 per cent may still be exposed to paying Pillar Two income taxes in any given year. Conversely, a jurisdiction's accounting ETR may be below 15 per cent, yet it still may not be exposed to Pillar Two income taxes.

There remain significant areas of uncertainty around the application of Pillar Two income taxes. As an insurer, the difficulties in accurately forecasting each entity's net profit and its constituent components for future periods when the Pillar Two income taxes are in effect (most notably due to fluctuations in investment returns) renders any estimate of Pillar Two income tax liabilities inherently unreliable. There also continues to be uncertainty in relation to the application of key areas of the rules, particularly as they relate to insurance companies. On top of these uncertainties, most of the jurisdictions in which the Group operates, including Hong Kong and certain of our other major markets, have not yet published domestic legislation to enact Pillar Two income taxes. Therefore, it is also uncertain which jurisdiction's Pillar Two legislation will apply to each entity and the precise provisions of each set of applicable legislation when it comes into effect. In this context, the Group considers that the quantitative impact of Pillar Two income taxes on AIA is not yet reasonably estimable. The Group has engaged tax specialists to assist with applying the Pillar Two income tax rules. However, based on currently available information, Pillar Two income taxes are likely to adversely affect AIA's ETR from 2025 onwards.

RISK MANAGEMENT

OVERVIEW

The Group recognises the importance of sound risk management in every aspect of our business and for all stakeholders. For our policyholders, it supports safeguarding their interests and our ability to meet our obligations to them. For investors, it is key to protecting and enhancing the long-term value of their investment. Finally, for regulators, sound risk management supports industry growth and enhances the public's trust in the industry.

The Group's Risk Management Framework (RMF) does not seek to eliminate all risks but rather to identify, understand and manage them within acceptable limits in order to support the creation of long-term value. The Group's RMF is built around developing an appropriate and mindful Risk Culture at every level of the organisation in support of our strategic objectives. The Group's RMF provides business units with appropriate tools, processes and capabilities for the ongoing identification, assessment, management and response, monitoring and reporting of the Group's principal risks in an integrated manner.

The Group's RMF consists of the following key components:

- Risk Governance;
- Risk Culture;
- Risk Strategy and Appetite;
- Risk Management Process; and
- Risk Reporting, Systems and Tools.

RISK GOVERNANCE

THREE LINES OF DEFENCE

The Group's Risk Governance framework is built on the "Three Lines of Defence" model. The objective is to ensure that an appropriate framework is in place, including an independent system of checks and balances, to provide assurance that risks are identified, assessed, managed and governed properly. The framework clearly defines roles and responsibilities for the management of risk between Executive Management (First Line), Risk and Compliance (Second Line) and Internal Audit (Third Line) functions.

The First Line is made up of the business, who are the Risk Takers and are responsible for operating within the Group's RMF, including implementing effective controls to mitigate risks within the Risk Appetite of the Group and the relevant business unit.

The Second Line consists of the Risk and Compliance function, which provides independent challenge and advice to the First Line. It ensures that the Group's RMF remains appropriate and effective with respect to the risk profile and operations, and risks are being managed appropriately within Risk Tolerances of the Group and the relevant business unit.

The Third Line is the Group Internal Audit (GIA) function, which is independent of the Executives and reports to the Audit Committee of the Board. GIA is responsible for independently assess and report on the overall effectiveness of risk management, internal controls and governance processes.

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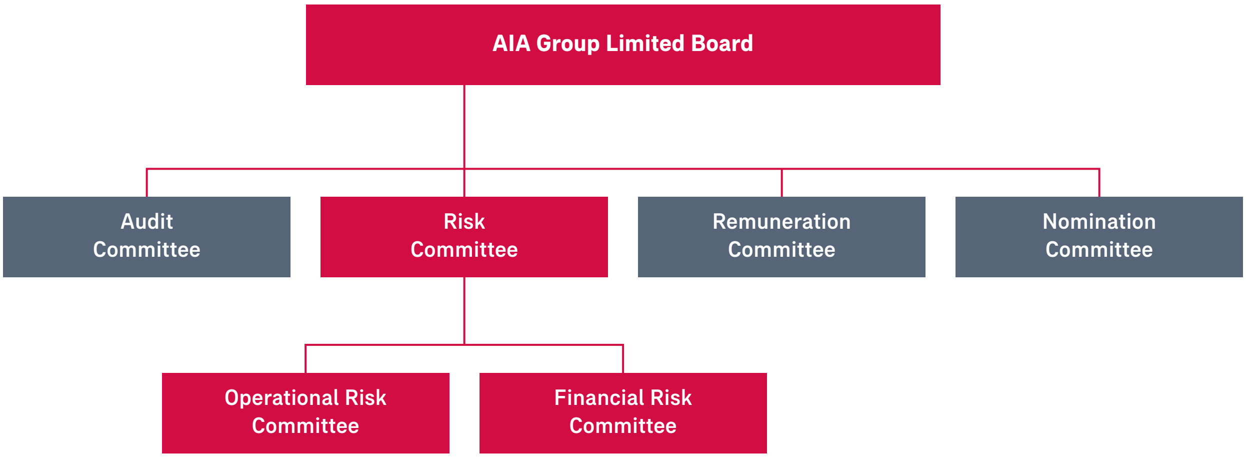
The Three Lines of Defence converge at the Board, which retains overall responsibility for the Group's RMF. The Group Board is supported and advised by four Board Committees, namely the Audit Committee, the Risk Committee, the Remuneration Committee and the Nomination Committee.

RISK COMMITTEE STRUCTURE

The Risk Committee structure is designed to:

- ensure consistent application of the RMF across the Group;
- provide streamlined processes for the timely identification, assessment and escalation of risk issues;
- provide objective analysis of risk issues enabling informed decision-making; and
- ensure discussion and challenge in relation to risk issues in suitable forums leading to optimal outcomes.



The Board

The Board retains overall responsibility for oversight of the Group's risk management activities. In this regard, the Board sets the Group's Risk Appetite, approves the Group's RMF (including amendments or refinements from time to time) and monitors material group-wide risks. In fulfilling these responsibilities, the Board is supported and advised by the Risk Committee.

Risk Committee

The Risk Committee oversees risk management across the Group and advises the Board on all risk-related issues requiring Board attention. The members of the Risk Committee are all Board directors, with the majority of members, including the Committee Chairperson, being Independent Non-executive Directors. The Risk Committee meets at least four times a year.

Operational Risk (ORC) and Financial Risk (FRC) Committees

The Risk Committee is supported by two Executive Risk Committees which, between them, oversee the management of all risks. The ORC is chaired by the Group Chief Risk Officer (CRO) and oversees risks associated with failure in internal processes, personnel and systems or from external events. The FRC is chaired by the Group Chief Executive and President and oversees risks associated with financial, insurance and investment activities. The ORC and FRC each meet at least four times a year.

The above committee structures are replicated at the business unit level where applicable.

RISK CULTURE

Risk Culture defines the Group's attitude to risks and ensures its remuneration structure promotes the right behaviour. Strong Risk Culture facilitates organisational resilience and supports sustainable success in delivering on our commitment to customers in the long term.

ACCOUNTABILITY

A key component of the Group's Risk Culture is accountability. The First Line generally consists of business unit management and is responsible for managing risks associated with their businesses. The Risk and Compliance function makes up our Second Line and is headed by the Group CRO who has overall accountability for the Risk and Compliance function across the Group. Within each business unit, the business unit CRO is a senior position with a primary reporting line into the Group CRO or Regional CROs, and a secondary reporting line to the business unit Chief Executive Officer (CEO). This structure ensures independence of the Second Line while ensuring that business unit CROs have full access to local business discussions to provide risk management perspectives and insights. The Group CRO is a member of the Group Executive Committee while business unit CROs are, in most cases, also members of their respective business unit Executive Committees.

REMUNERATION

The Company's executive remuneration structure ensures appropriate consideration of the Group's RMF within a strong performance-oriented culture. This is supported by a performance management system where all staff are measured on 'how' as well as 'what' they deliver. This structure places significant emphasis on conduct as well as achievement, and is consistent with our fundamental Operating Philosophy of "Doing the Right Thing, in the Right Way, with the Right People… and the Right Results will come".

RISK STRATEGY AND APPETITE

Risk Strategy describes the types of risks, and how and to what extent they are taken in order to pursue the Group's strategy and business objectives. The Group's Risk Appetite Framework (RAF) establishes the quantum and nature of risks the Group is prepared to take to achieve its strategic objectives.

1. The Risk Appetite Statement (RAS) is an overarching statement on the enterprise's attitude to risk;
2. Risk Principles and Risk Tolerances are qualitative statements and quantitative metrics that expand and validate the RAS; and
3. Risk Limits are used to manage specific risks.

RISK APPETITE STATEMENT

The Group has adopted the following RAS:

"The amount of risk taken by AIA in the ordinary course of its business will be sufficient to meet its customers' reasonable requirements for protection and benefits while ensuring that the level and volatility of shareholder returns are in line with a broadly-based risk profile appropriate for a pan-Asian life and health insurance group."

RISK PRINCIPLES AND RISK TOLERANCES

The RAS is supported by five Risk Principles:

Risk Principles	
Regulatory Capital	*"AIA has no appetite for regulatory non-compliance and as such will ensure that we hold sufficient capital to meet our current statutory minimum solvency in all but the most extreme market conditions."*
Financial Strength	*"AIA will ensure the Group's ability to meet all future commitments to our customers, both financial obligations and in terms of the promises we make to them. We will maintain sufficient capital to support a Financial Strength Rating that meets our business needs."*
Liquidity	*"AIA will maintain sufficient liquidity to meet our expected financial commitments as they fall due."*
Earnings Volatility	*"AIA will seek to deliver reported operating earnings consistent with expectations and will implement policies, limits and controls to contain operational risks, risk concentrations and insurance risks within reasonable tolerances."*
Business Practice	*"AIA will uphold high ethical standards and will implement sound internal controls to minimise the downside risk from the impact of any operational failures within reasonable tolerances."*

Risk Tolerances and Risk Limits, including granular measures and indicators, are used to monitor and control specific risk types.

RISK MANAGEMENT PROCESS

The Group has a robust process that provides sufficient information, capability and tools to manage its key risks. Risks which the Group proactively accepts are identified, quantified and managed to support the creation of long-term value.

RISK IDENTIFICATION AND ASSESSMENT

Timely and complete identification of risks is an essential first step to the Risk Management Process. The Risk and Compliance function has developed a systematic process to identify existing and emerging risks in the business units. The Group's risk taxonomy enables a consistent identification and classification of existing and emerging risks inherent in business activities.

Quantification of risk is important in establishing the level of exposure and in determining the appropriate management actions within the Group's Risk Tolerances. Specific approaches to quantifying risk are applied depending upon the nature of the risk, including regular capital assessments, and stress and scenario testing.

MANAGEMENT AND RESPONSE

Executives working in the First Line are responsible for the execution of appropriate actions and other risk mitigation strategies to transfer, mitigate or eliminate risks considered outside of Risk Tolerances. They are also responsible for the timely escalation of material risk developments.

RISK MONITORING

Risks are evaluated against approved Risk Tolerances and Risk Limits to ensure implications for both the current and forward-looking risk profile are understood and appropriately considered in decision-making.

RISK CONTROLS

Risks which the Group seeks to mitigate are managed through an effective internal controls system to maintain exposures within an acceptable residual level. The Operational Risk and Control Framework (ORCF) has been designed to ensure that the Group operates in accordance with the expectations of stakeholders. A primary component of the ORCF is the Risk and Control Assessment (RCA), which is a regular evaluation of the business' operational risks and control effectiveness to ensure that information and perspectives on the internal control environment are appropriately considered.

RISK REPORTING, SYSTEMS AND TOOLS

Risk reporting represents the internal and external Risk and Compliance reporting processes which support an ongoing evaluation of the Group's risk profile. Information is gathered from underlying systems and provided to the Board, respective Risk Committees and other executive management to inform key decision-making, such as via the annual Group Own Risk and Solvency Assessment (ORSA) Report.

THE GROUP'S PRINCIPAL RISKS

The Group's principal risks, while not exhaustive, and the strategies to manage the risks are detailed below.

FINANCIAL RISKS

The Group's primary financial risks are insurance risk and market risk. AIA's insurance operations are exposed to insurance risk primarily from changes in mortality and morbidity experience, the acquisition and persistency of insurance business, and business expenses. This also includes changes to assumptions regarding future experience for these risks. Market risk relates to the adverse price movements and credit defaults leading to financial losses immediately, as well as losses over time due to a mismatch in asset and liability cashflows. It includes interest rate risk, equity risk, foreign exchange rate risk, liquidity risk, credit risk and credit spread risk. Please refer to note 34 to the consolidated financial statements on pages 282 to 299 of this Annual Report for details on financial risks, including exposures and sensitivity analysis.

OPERATIONAL RISKS

Operational risks arise from internal processes, personnel and systems or from external events which may result in a direct or indirect business impact. The Group's RMF includes a mechanism for identifying, assessing, managing, monitoring and reporting operational risks to ensure that potential risk exposures arising from operational activities do not exceed the Group's Risk Tolerances.

Data Risk

As a data-driven organisation, AIA continues to focus on managing the risk of inaccurate or incomplete data, or mishandling of data, through a variety of Information Security standards and protocols as well as our Group Data Governance Standard and Group Data Protection Standard. Data Councils are established at the Group and business unit level for enhanced data management governance and controls. In addition, a group-wide Data Privacy Policy is in place which is aligned to leading industry standards and independent assurance is provided by GIA as part of its risk-based cyclical audit plan for data privacy compliance controls.

Environmental, Social and Governance-Related Risk

AIA's Environmental, Social and Governance (ESG) Report 2023 is published on the websites of both the Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and the Company at www.aia.com and provides an update on our ESG strategy, initiatives and progress. AIA's ESG governance framework and strategy are embedded in the organisation, enabling the Group to effectively manage ESG-related risks and opportunities across all businesses.

Financial Crime Risk

Financial crime risk refers to the risk of breach of Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) laws and regulations. AIA is committed to a strict programme of compliance with all applicable AML/CTF laws and regulations to prevent the use of its products and services for money laundering and terrorist financing purposes. The Group AML/CTF Policy sets out the detailed requirements of the Group AML/CTF Programme, including a risk-based approach to conducting customer due diligence, ongoing monitoring, suspicious activity reporting, training and record keeping. AIA uses appropriate AML/CTF monitoring software and tools to screen risk profile and monitor customer activity. Employees and agents are required to complete AML/CTF training. In addition, our Group Economic Sanctions Policy sets out standards to manage the risk of dealings with governments, individuals and entities subject to sanctions programmes.

Fraud Risk

Fraud risk arises from fraudulent activities committed by internal and/or external parties to cause a loss (including monetary loss, reputational loss or regulatory fines) to AIA or others. AIA adopts a zero-tolerance approach to fraud, with clear standards for consequence management, including discipline. The Group Anti-Fraud Policy / Group Whistleblower Protection Policy and respective trainings provide guidance to employees on their responsibilities to be vigilant in identifying and reporting potential fraud impacting AIA or our customers, including through whistleblowing channels. Detective controls include monitoring and modelling of intermediary conduct and checks on employees' expenses.

Operational Resilience Risk

Operational resilience ensures effective preparedness and response to disruptive events, which involve the availability of critical staff, critical systems, and premises. AIA has a robust Business Continuity Management (BCM) framework in place, aligned with leading industry standards. Critical staff have designated backups, with the required capability and technology/systems to work remotely, whilst Disaster Recovery (DR) readiness and recovery objectives have been defined, validated and tested for critical systems. The group-wide BCM system enables real-time monitoring, automation of reports and digital dashboards. General BCM awareness as well as certified professional training programmes are undertaken to enhance response capabilities of our people.

People Risk

Our organisation and people strategy enables us to attract, retain and develop outstanding people, making AIA an employer of choice across our markets. We monitor engagement across our business units and functions each year through the Gallup Q12 Employee Engagement Survey. This provides meaningful inputs that inform targeted and impactful strategies to maintain and enhance our strong levels of engagement. AIA is also committed to developing strong internal leadership capability, with a succession pipeline that drives personal growth for our people, shapes our organisation, and ultimately supports sustainable business growth. Moreover, employees' physical, mental, social, and financial health continue to be a priority in retaining top talent and sustaining high performance. Please refer to the Our People and Culture section on pages 76 to 79 of this Annual Report for additional details.

Regulatory Risk

Regulatory risk concerns the risk of financial or reputational loss due to the failure to comply with or address changes to regulatory requirements, guidelines and expectations. We continue to monitor adherence to various new and existing regulatory requirements in various jurisdictions as well as international developments, including Insurance Capital Standard (ICS) and Base Erosion and Profit Shifting (BEPS) 2.0. Please refer to the Regulatory and International Developments section on pages 67 to 68 of this Annual Report for details.

Sales Conduct Risk

Sales conduct risk arises from inappropriate marketing and sales practices which may result in poor outcomes for customers and reputational damage or financial loss to the Group. It is managed in accordance with group-wide standards on business quality, which set out the minimum requirements to promote the right outcomes for customers and the right culture across intermediaries. Agents are licensed by the respective regulators and further trained by AIA on the relevant regulatory and company policy requirements, including AIA Code of Conduct requirements. The interactive Point of Sale (iPoS) tool facilitates the sale process, supported by minimum standards covering product suitability, handling of vulnerable customers and non-face-to-face sales. Sales practices are monitored through various means, including direct verification calls with customers, mystery shopping, sample-based quality assurance reviews of controls, and investigation of inappropriate sales practices.

Technology Risk

AIA manages technology risk in accordance with industry policies, practices and benchmarks. In 2023, AIA maintained International Organization for Standardization (ISO) 27001 certification covering identity access management, cybersecurity and cloud security operations and we regularly perform an independent cybersecurity maturity assessment against the standards of the United States' National Institute of Standards and Technology (NIST). With growing use cases of responsible artificial intelligence (AI) in the Group, AIA has established AI governance through the Group Responsible Use of AI Standard and the Group AI Council.

Third-Party Risk

AIA engages a variety of third parties in the normal course of its business operations, and has in place minimum requirements for assessing, managing and governing third parties, including with respect to third-party security, operational resilience and regulatory compliance. AIA has further strengthened the identification and management of third-party risks through the implementation of a group-wide Third Party Management System. External and intra-group outsourcing arrangements that are material from Group perspective are identified and a register of material group outsourcing arrangements is maintained.

OUR PEOPLE AND CULTURE

Our people are central to our continued ability to deliver on our Purpose to help millions of people across Asia live Healthier, Longer, Better Lives[(1)]. Representing different geographies and communities, they make up the culture of our business and enable us to create value for our stakeholders.

Nurturing our culture, building leaders and workforce capability, and supporting and developing our people so that they can achieve their potential are key organisational and people priorities for AIA. Our organisation and people strategy enables us to attract, retain and develop outstanding people, making AIA an employer of choice across our markets.

NURTURING OUR CULTURE

AIA's rich history in Asia connects our organisation to the region's culture and future. With our unparalleled history of operations in the region, we are mindful that our culture brings us together, connects our people to our shared Purpose, and distinguishes us from our peers.

At AIA, we are guided by our Operating Philosophy of "Doing the Right Thing, in the Right Way, with the Right People… and the Right Results will come". By acting with our deep-rooted Leadership Essentials of Clarity, Courage and Humanity, we demand and champion a better way.

Our Purpose guides the decisions and actions that our people make every day and inspires us to support and protect the well-being of those we serve and each other.

Our operating model of empowerment within a framework, together with the principles that underpin our culture, create an engaging environment for our employees to deliver on our people proposition of *Believe in Better*.

EMPLOYEE ENGAGEMENT

A collaborative and inclusive workplace that prioritises employee engagement is important to AIA. We monitor engagement across our business units and functions each year through the Gallup Q12 Employee Engagement Survey. This provides meaningful inputs that inform targeted and impactful strategies to maintain and enhance our strong levels of engagement.

Our 2023 survey was completed by 98 per cent of employees, with the Group's employee engagement scores placing AIA in the 92nd percentile of Gallup's global finance and insurance industry benchmark. Our employee engagement levels have remained in the top quartile of this benchmark for seven consecutive years, and in the top 10th percentile for three consecutive years. Our strong employee engagement and performance-oriented culture were again recognised in 2023, with the Group receiving the Gallup Exceptional Workplace Award for the second consecutive year.

BUILDING FUTURE LEADERS

Our leaders play a key role in strengthening our culture and sustaining employee engagement. AIA is committed to developing strong internal leadership capability, with a succession pipeline that drives personal growth for our people, shapes our organisation, and ultimately supports sustainable business growth.

LEADERSHIP DEVELOPMENT

Through the AIA Leadership Centre (ALC), we collaborate with world-renowned business schools and consulting firms to develop tailor-made programmes. ALC programmes support AIA's senior leaders, top agency leaders and key partner executives to deliver on our strategic priorities and empower them to meet our commitments to our customers and the communities in which we operate.

Notes:

(1) As at 31 December 2023, AIA had a total of 25,927 employees, which includes full-time and part-time employees as well as employees on fixed-term contracts, and excludes interns, agents of the Group, employees of MediCard Philippines, Inc. (MediCard), Amplify Health Asia Pte. Limited (Amplify Health), our joint venture Tata AIA Life, and our associate China Post Life. All figures related to the number of employees in this report exclude MediCard, which AIA acquired in 2022 and is currently integrating into the business, and Amplify Health. Including MediCard and Amplify Health, AIA has a total of 27,320 employees.

We continue to strengthen our approach to leadership development and, consequently, our talent pipeline through our four signature programmes. AIA's "SPARK" and "Leading Across Boundaries" programmes support the development of future senior leaders in our business units and senior Group Office leadership roles. We also support the development of existing and aspiring leaders to build their people leadership capability through our "Voyage" and "ASPIRE" programmes.

SUCCESSION AND ORGANISATION PLANNING

Our annual Group Organisation and People Review process enables leaders to plan for the succession of all key leadership roles. In 2023, more than 50 per cent of our leadership appointments were filled by leaders in our leadership pipeline, demonstrating the success of our targeted approach.

We also continue to enrich our leadership pipeline by attracting top leadership talent from different backgrounds, with the skills needed to shape and drive our future organisation.

BUILDING A FUTURE READY WORKFORCE

Building workforce capability and developing our people so they can achieve their potential is a key focus for AIA. We continue to invest in attracting talent and incubating capabilities in core and emerging business lines, strengthening our approach to capability building, and designing new training programmes to reskill and upskill employees.

Our investment in developing technology, digital and analytics capabilities continued in 2023 and as at 31 December 2023, approximately 20 per cent of the employee workforce[(2)] is comprised of talent with these skill sets – an increase of 73 per cent since 1 July 2020. This material and ongoing investment marks a step-change in our capabilities and underpins our ability to execute our overall growth strategy.

LEARNING AND DEVELOPMENT

Our learning culture supports our people in their current roles and as they grow and progress within AIA. Our focus on learning is a key part of our ambition to ensure that our people can upskill, reskill, work more flexibly and adapt to the changing world of work. Our holistic learning approach empowers our people to learn new knowledge and skills, including through on-the-job experiences, mobility, collaborative projects, in-person and virtual lessons, digital self-learning, mentoring and coaching.

We believe career mobility and assignments in different business units or functions provide our employees with new and valuable learning opportunities while building connections across the Group. These assignments provide opportunities to learn new skills and help develop our people's personal AIA networks.

We continuously research skills and knowledge requirements of our industry, deliver programmes that address these needs and enhance programme designs with employee feedback. In addition, our people are required to complete regular mandatory training on a range of technical, governance and conduct-related topics.

We have launched new programmes and enhanced existing programmes to develop capabilities and nurture talents across the Group, including:

- LIFT (Learn. Integrate. Focus. Thrive.) is a 12-month Group-wide support framework for new employees. This programme combines digital and in-person experiences to equip and support employees so they can thrive at AIA. It facilitates cross-market connections and empowers employees to prioritise their well-being.
- ESG 101 is an interactive e-learning module to empower employees to become champions for Environmental, Social and Governance (ESG), reinforcing our commitment to ESG principles. Over 24,000 employees[(2)] completed this module in 2023, which is also integrated into our comprehensive AIA Fundamentals digital suite for new employees.

Digital learning content enables self-directed continuous learning and further strengthens our learning culture. The AIA Learning Hub online platform hosts thousands of digital learning courses and is available to all business units and employees. In 2023, more than 10,000 digital courses were available to support employee learning needs, and we saw a year-on-year increase in the adoption of digital learning.

Notes:
(2) Includes full-time and part-time employees as well as employees on fixed-term contracts, and excludes interns, agents of the Group, employees of our joint venture Tata AIA Life, Amplify Health, MediCard and our associate China Post Life.

EMPLOYEE COACHING AND INTERNSHIPS

Our leadership programmes incorporate employee coaching and we encourage our employees to expand their networks, seek guidance and foster communications across different departments and seniorities. Business unit internship programmes provide interns with first-hand career experience with AIA and the opportunity to gain experience and learn critical skills in a high-performing, customer-focused environment. These programmes also enable us to identify future talent to join our business.

RECOGNISING AND REWARDING OUR PEOPLE

AIA is committed to providing our people with fair and equitable performance evaluations to recognise their contributions and achievements. Our performance management framework and performance appraisal process encourage regular and robust conversations about individual and team progress.

Our people managers regularly check in with employees to discuss their accomplishments and how they achieved their performance objectives throughout the year. Our people managers also provide ongoing support, feedback and coaching to further the professional development and growth of our employees.

To attract, retain and engage our diverse talent, we seek to reward all employees competitively and fairly, irrespective of gender, ethnicity, age, disability or other non-performance-related factors. We believe our employees value our existing reward programmes for their clarity, transparency and market alignment. In addition, our Employee Share Purchase Plan connects employees to the collective success of the organisation, providing an opportunity to purchase AIA shares and receive matching shares over time during their employment.

EMBEDDING OUR PURPOSE THROUGH WELL-BEING SUPPORT

Health and well-being is central to our Purpose and to the care we provide for our people and their families. Group-wide benefits and workforce well-being programmes encourage our people and their families to understand their health profile, stay active, and take steps to safeguard their well-being.

Our employees in all markets enjoy access to *WorkWell with AIA*, a holistic employee well-being offering for our corporate customers that supports physical, mental, social and financial health. Known internally as *WellBeing@AIA*, the programme's initiatives, benefits and tools are tailored to each business unit, offering solutions that may include well-being learning sessions and on-site and virtual health activities.

To further support our employees, we also provide an array of well-being benefits including discounted gym memberships, access to sporting and recreational facilities, and wellness spaces such as nursing rooms. We continue to offer flexible working arrangements to support employees in balancing their personal and professional responsibilities. These include hybrid work arrangements as a standard work pattern and alternative working hours.

SUPPORTING A DIVERSE AND INCLUSIVE CULTURE

Diversity is one of AIA's strengths, bringing together talented people from a range of backgrounds as one team to deliver on our Purpose. To achieve the best outcomes for our people and our business, we foster an inclusive workplace that welcomes and celebrates differences and encourages open and constructive dialogues. Across our markets, we actively encourage and seek out diverse perspectives because we believe that this results in greater innovation, better decision-making, increased adaptability and improved problem solving.

All employees joining AIA are required to complete training on AIA's Code of Conduct as part of their onboarding, which includes our approach to inclusion and non-discrimination. Moreover, our Employee Conduct Policy and e-learning module on unconscious bias and anti-harassment outline these expectations for all employees as well as appropriate standards of workplace conduct and professionalism, and channels for escalation. AIA is committed to provide a work environment free of bullying and harassment, and we do not discriminate on the basis of race, religion, gender, nationality, age, disability, military service, marital status or sexual orientation.

We aim to create an inclusive workplace that values and embraces individuals from all backgrounds. Our efforts mean people of all genders, backgrounds and experiences are drawn to work for AIA, and we have been recognised as an employer of choice across the region. As at 31 December 2023, women represented 57.1 per cent of our employee population and 41.6 per cent of our senior leaders across the Group were women(2).

Cultural and national diversity enriches our social fabric, with over 75 nationalities represented across AIA as at 31 December 2023. We recognise the importance of understanding different generational needs and our people policies and practices enable us to create an inclusive workplace for all age groups. As at 31 December 2023, more than 65 per cent of our employees were Gen Y and Gen Z[(3)].

We continue to foster an inclusive and engaging workplace through locally-led employee networks in seven of our business units and Group Office, providing our people with a platform to come together to share, learn and support each other. This year we held various initiatives at the Group level and across our local markets to raise employee awareness about diversity, equity and inclusion, including International Women's Day and Pride month in support of the LGBT+ community and allies.

AIA values diverse perspectives for effective governance and decision-making. Having diverse perspectives on our Board through the range of nationalities and backgrounds represented reflects our different communities and improves our governance and decision-making processes.

RECOGNISED AS AN EMPLOYER OF CHOICE

Our continued focus on our people has resulted in several local and global accolades in 2023, including:

- AIA received the "Gallup Exceptional Workplace Award" from Gallup, and was recognised in the "Top 100 Global Most Loved Workplaces" by Newsweek and Best Practice Institute.
- AIA China was recognised in "Best Companies to Work for in Asia", "Diversity, Equity, and Inclusion Awards" and "Most Caring Company Awards" by HR Asia.
- AIA Hong Kong was recognised in "Best Companies to Work for in Asia" and "Diversity, Equity, and Inclusion Awards" by HR Asia.
- AIA Malaysia was the insurance sector winner in "Malaysia's 100 Leading Graduate Employers" awards by GTI Media and "Champion" in the insurance sector for "Graduates' Choice Award" by Talentbank.
- AIA Singapore was recognised as one of "Singapore's 100 Leading Graduate Employers" by GTI Media.
- AIA Thailand was recognised in "Most Attractive Employers - Thailand" by Universum.
- AIA Vietnam was certified as a "Great Place to Work" by Great Place to Work and recognised in "Best Companies to Work for in Asia" by HR Asia.
- AIA New Zealand was a winner in the "Excellence in Wellbeing and Inclusion Award" by the Financial Services Council New Zealand, and winner in the "Excellence in Workplace Diversity and Inclusion" awards by the Australian and New Zealand Institute of Insurance and Finance.
- AIA Sri Lanka was recognised in "Best Workplaces in Sri Lanka", "Best Workplaces for Women in Sri Lanka", and "Best Workplaces for Millennials in Sri Lanka" by Great Place to Work, and is certified "Assess" by EDGE.
- AIA Taiwan was recognised in "Best Companies to Work for in Asia" and "Diversity, Equity, and Inclusion Awards" by HR Asia.
- AIA Operations Shared Services was the "Champion" in the Shared Services sector for "Graduates' Choice Award" by Talentbank, and Business Process Outsourcing and Shared Services sector runner-up in "Malaysia's 100 Leading Graduate Employers" awards by GTI Media.
- AIA Digital+ Malaysia was recognised in "Best Companies to Work for in Asia" by HR Asia.

Additional details about our People and Culture initiatives are contained in our Environmental, Social and Governance Report 2023 which can be found on www.aia.com.

Notes:
(3) Gen Y is defined as the generation born between 1981 and 1996 and Gen Z is defined as the generation born from 1997 onwards.

CORPORATE GOVERNANCE

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Company's consolidated financial statements in accordance with applicable laws and regulations.

In preparing the consolidated financial statements of the Company, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the consolidated financial statements have been prepared in accordance with HKFRS and IFRS Accounting Standards; and
- prepare the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records that give a true and fair view of the state of the Company's affairs and explain its transactions.

The Directors are responsible for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Report of the Directors and the Corporate Governance Report as set out on pages 97 to 127 of this Annual Report.

The Directors confirm that to the best of their knowledge:

1. the consolidated financial statements of the Company, prepared in accordance with HKFRS and IFRS Accounting Standards, give a true and fair view of the assets, liabilities, financial position, cash flows and results of the Company and its undertakings included in the consolidated financial statements taken as a whole; and
2. the section headed "Financial and Operating Review" included in this Annual Report presents a fair review of the development and performance of the business and the position of the Company and its undertakings included in the consolidated financial statements taken as a whole, together with a description of the principal risks and uncertainties that the Group faces.

Under the group-wide supervision (GWS) framework by the Hong Kong Insurance Authority, AIA is expected to have in place a corporate governance framework which provides for sound and prudent management and oversight of the Group's businesses including in regard to the protection of the interests of policyholders of the insurers within the Group. As such, the Board strives to oversee the implementation of the corporate culture, business objectives and strategies for achieving those objectives, in line with the long-term interests and viability of the Group.

The Board is required, amongst other requirements, to ensure there is an appropriate number and mix of individuals with sufficient knowledge and experience commensurate with its governance structure. Under the GWS framework, the Board provides oversight in respect of the design and implementation of risk management and internal controls across the Group. This includes having a framework to take effective measures to deter, prevent, detect, report and remedy non-compliance with relevant legal and regulatory requirements and fraud in insurance. The Group has also adopted a remuneration policy which does not induce excessive or inappropriate risk taking.

In summary, the Board exercises independent judgement and objectivity in its decision-making, taking due account of the interests of the Group and its policyholders.

BOARD OF DIRECTORS

MR. ONG CHONG TEE

MR. JOHN BARRIE HARRISON

MS. SUN JIE (JANE)

DR. NARONGCHAI AKRASANEE

MR. JACK CHAK-KWONG SO

MR. EDMUND SZE-WING TSE

MR. LEE YUAN SIONG

MR. CHUNG-KONG CHOW

PROFESSOR LAWRENCE JUEN-YEE LAU

MS. MARI ELKA PANGESTU

MS. NOR SHAMSIAH MOHD YUNUS

MR. CESAR VELASQUEZ PURISIMA

MR. GEORGE YONG-BOON YEO

INDEPENDENT NON-EXECUTIVE CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Edmund Sze-Wing TSE

Aged 86, is the Independent Non-executive Chairman and an Independent Non-executive Director of the Company. He was appointed Non-executive Director of the Company on 27 September 2010 and elected Non-executive Chairman on 1 January 2011. He was re-designated as the Independent Non-executive Chairman and an Independent Non-executive Director of the Company on 23 March 2017. Mr. Tse is also the Chairman of the Nomination Committee and a member of the Remuneration Committee and the Risk Committee of the Company. He is a director of AIA Foundation. Mr. Tse's appointments during the period for over 60 years with the Group and its predecessor, AIG Group, include serving as Honorary Chairman of AIA Co. from July 2009 to December 2010, Chairman and Chief Executive Officer from 2000 to June 2009 and President and Chief Executive Officer from 1983 to 2000. He also served as Chairman of AIA Philippines Life and General Insurance Company Inc. (formerly known as The Philippine American Life and General Insurance (PHILAM LIFE) Company) from 2005 to 2015. Mr. Tse is a non-executive director of PCCW Limited (listed on the Hong Kong Stock Exchange), a director of Bridge Holdings Company Limited (formerly known as PineBridge Investments Limited) and the non-executive Chairman of PineBridge Investments Asia Limited. Mr. Tse is also a member of the Chief Executive's Council of Advisers of the HKSAR Government, a member of the membership committee and a fellow of the Hong Kong Academy of Finance. He served as a non-executive director of PICC Property and Casualty Company Limited (listed on the Hong Kong Stock Exchange) from 2004 to July 2014. In recognition of his outstanding contributions to the development of Hong Kong's insurance industry, Mr. Tse was awarded the Gold Bauhinia Star by the HKSAR Government in 2001. Mr. Tse received an honorary degree of Doctor of Social Science from The Hang Seng University of Hong Kong in 2024. He also received an honorary fellowship and an honorary degree of Doctor of Social Sciences from The University of Hong Kong in 1998 and 2002, respectively. In 2018, he was awarded an honorary degree of Doctor of Business Administration from Lingnan University. In 2003, Mr. Tse was elected to the prestigious Insurance Hall of Fame and in 2017, he was awarded the first ever Lifetime Achievement Award at the Pacific Insurance Conference in recognition of his outstanding contribution to the insurance industry.

EXECUTIVE DIRECTOR AND GROUP CHIEF EXECUTIVE AND PRESIDENT

Mr. LEE Yuan Siong

Aged 58, is an Executive Director and the Group Chief Executive and President of the Company, having been appointed on 1 June 2020. Mr. Lee is also a member of the Risk Committee of the Company. He joined the Group in March 2020 and has more than 30 years of experience in the insurance sector. He is a director of various companies within the Group including acting as Chairman and Chief Executive Officer of AIA Co. Prior to his current role, Mr. Lee was an executive director of Ping An Insurance (Group) Company of China, Ltd. from June 2013 and served as the company's co-CEO and Chief Insurance Business Officer. Before joining Ping An, Mr. Lee held a number of senior leadership positions with Prudential plc of the United Kingdom, including President of CITIC-Prudential Life Insurance Company Limited, a life insurance joint venture in Mainland China. He also has significant experience across a number of Asian markets including Hong Kong SAR, India, Indonesia, Taiwan (China), Thailand and Vietnam. Mr. Lee began his career at the Monetary Authority of Singapore. He has been a Director and appointed as Vice Chairman of The Geneva Association since November 2021. He has also been a member of the Hong Kong Academy of Finance since 2020. He holds a Master of Philosophy (Finance) degree from the University of Cambridge and is a Fellow of the Society of Actuaries (US).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jack Chak-Kwong SO

Aged 79, is an Independent Non-executive Director of the Company. He was appointed as Non-executive Director of the Company on 28 September 2010 and re-designated as an Independent Non-executive Director of the Company on 26 September 2012. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. From August 2007 to September 2010, Mr. So served as an independent non-executive director of AIA Co. He is currently an independent non-executive director of China Resources Power Holdings Co. Ltd. (listed on the Hong Kong Stock Exchange), the Chairman of Airport Authority Hong Kong and a member of the Chief Executive's Council of Advisers of the HKSAR Government. Mr. So was previously an independent senior advisor to Credit Suisse, Greater China from January 2008 to October 2022, a non-official member of the Chief Executive's Council of Advisers on Innovation and Strategic Development from March 2018 to June 2022 and Chairman of the Consultative Committee on Economic and Trade Co-operation between Hong Kong and Mainland China from October 2013 to December 2015. Mr. So was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal by the HKSAR Government in 2011 and 2017, respectively. Mr. So served as an executive director of the Hong Kong Trade Development Council from 1985 to 1992 and served as its Chairman from 2007 to 2015. He was an independent non-executive director of Cathay Pacific Airways Limited (listed on the Hong Kong Stock Exchange) from 2002 to 2015, a non-executive director of The Hongkong and Shanghai Banking Corporation Limited from 2000 to 2007, the Chairman of the Hong Kong Film Development Council from 2007 to 2013 and a member of the Chinese People's Political Consultative Conference from 2008 to 2018.

Mr. Chung-Kong CHOW

Aged 73, is an Independent Non-executive Director of the Company, having been appointed on 28 September 2010. He is also the Chairman of the Risk Committee and a member of the Nomination Committee of the Company. Mr. Chow was appointed as the Chairman of the Advisory Committee on Admission of Quality Migrants and Professionals of the HKSAR from 1 July 2016, a non-official member of the Human Resources Planning Commission of the HKSAR Government from 1 April 2018, a member of the InnoHK Steering Committee from 4 February 2019 and the Chairman of the Urban Renewal Authority Board from 1 May 2019. He is also an independent non-executive representative of EYG Global Governance Council. Mr. Chow was knighted in the United Kingdom for his contribution to industry in 2000 and was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal by the HKSAR Government in 2015 and 2021, respectively. Mr. Chow was also a non-official member of the Executive Council of the HKSAR from 2012 to 2022, a member of the Financial Leaders Forum set up by the HKSAR Government from 2017 to 2022, the Chairman of the Advisory Committee on Corruption of the Independent Commission Against Corruption from 2013 to 2018, the Chairman of Hong Kong Exchanges and Clearing Limited (listed on the Hong Kong Stock Exchange) from 2012 to 2018, Chief Executive Officer of MTR Corporation Limited (listed on the Hong Kong Stock Exchange) from 2003 to 2011, Chief Executive Officer of Brambles Industries plc, a global support services company, from 2001 to 2003, and Chief Executive of GKN plc, a leading industrial company based in the United Kingdom, from 1997 to 2001. He was an independent non-executive director of Anglo American plc from 2008 to 2014, independent non-executive director of Standard Chartered plc from 1997 to 2008 and the Chairman of the Hong Kong General Chamber of Commerce from 2012 to June 2014.

Mr. John Barrie HARRISON

Aged 67, is an Independent Non-executive Director of the Company, having been appointed on 1 July 2011. He is also a member of the Audit Committee, the Nomination Committee and the Risk Committee of the Company. He also acts as a Board Representative on the ESG Committee, a management committee of the Company. Mr. Harrison is an independent non-executive director of Cathay Pacific Airways Limited (listed on the Hong Kong Stock Exchange). He was appointed an Honorary Court Member of The Hong Kong University of Science and Technology with effect from 20 September 2016. Mr. Harrison was an independent non-executive director of Grosvenor Asia Pacific Limited from 2017 to 2022; an independent non-executive director of BW Group Limited from 2010 to 2020 and the Vice Chairman of BW LPG Limited from 2013 to 2020. He was an independent non-executive director of Hong Kong Exchanges and Clearing Limited (listed on the Hong Kong Stock Exchange) from 20 April 2011 to 26 April 2017, The London Metal Exchange Limited from 6 December 2012 to 26 April 2017 and LME Clear Limited from 16 December 2013 to 26 April 2017. From 2012 to May 2015, he was also a member of the Asian Advisory Committee of AustralianSuper Pty Ltd. From 2008 to 2010, Mr. Harrison was Deputy Chairman of KPMG International. In 2003, he was elected Chairman and Chief Executive Officer of KPMG, China and Hong Kong and Chairman of KPMG Asia Pacific. Mr. Harrison began his career with KPMG in London in 1977, becoming a partner of KPMG Hong Kong in 1987. Mr. Harrison received an honorary fellowship from The Hong Kong University of Science and Technology in 2017. Mr. Harrison is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. George Yong-Boon YEO

Aged 69, is an Independent Non-executive Director of the Company, having been appointed on 2 November 2012. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr. Yeo is an independent director of Pinduoduo Inc. (listed on the Nasdaq Global Select Market) and an independent non-executive director of Creative Technology Ltd (listed on the Singapore Exchange). He has been a member of Global Advisory Board of Mitsubishi UFJ Financial Group, Inc. since July 2019. He is a member of the International Advisory Board of the Berggruen Institute on Governance. In March 2018, he became a senior advisor to Brunswick Group LLP for its Geopolitical Initiative. In 2012, Mr. Yeo was presented with the Order of Sikatuna by the Philippines Government and the Padma Bhushan by the Indian Government, and became an Honorary Officer of the Order of Australia. He was a member of the Vatican Council for the Economy from 2014 to 2020 and a member of the International Advisory Committee of Mitsubishi Corporation from 2014 to 2022. Mr. Yeo was previously the Chairman, an executive director and a senior advisor of Kerry Logistics Network Limited (listed on the Hong Kong Stock Exchange) from 2012 to 2019, from 2013 to 2019, and from 2019 to 2021 respectively. He was also a director of Kerry Holdings Limited from 2016 to 2019; a senior advisor of Kerry Group Limited from 2019 to 2021; as well as a director of New Yangon Development Company Limited from 2017 to 2021. During 2013 to 2014, Mr. Yeo was a member of the Pontifical Commission for Reference on the Economic-Administrative Structure of the Holy See. During 1988 to 2011, Mr. Yeo was a member of the Singapore Parliament and held various Cabinet positions, including Minister for Foreign Affairs, Minister for Trade and Industry, Minister for Health, Minister for Information and the Arts and Minister of State for Finance. During 1972 to 1988, Mr. Yeo served in the Singapore Armed Forces and attained the rank of Brigadier-General in 1988 when he was Director of Joint Operations and Planning in the Ministry of Defence.

Professor Lawrence Juen-Yee LAU

Aged 79, is an Independent Non-executive Director of the Company, having been appointed on 18 September 2014. He is also a member of the Nomination Committee and the Risk Committee of the Company. Professor Lau currently serves as an independent non-executive director of Semiconductor Manufacturing International Corporation (listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange; and previously listed on the New York Stock Exchange) and Far EasTone Telecommunications Company Limited (listed on the Taiwan Stock Exchange). He has been serving as the Ralph and Claire Landau Professor of Economics at The Chinese University of Hong Kong (CUHK) since 2007 and the Chairman of the Council of Shenzhen Finance Institute of CUHK, Shenzhen since 12 January 2017. He currently serves as a member of the Currency Board Sub-committee of the Exchange Fund Advisory Committee of the HKSAR, a non-official member of Candidate Eligibility Review Committee of the HKSAR and a non-official member of the board of directors of Hong Kong Investment Corporation Limited. In addition, he serves as a Fellow of the Hong Kong Academy of Finance; a Director of the Chiang Ching-Kuo Foundation for International Scholarly Exchange, Taipei; and the C.V. Starr Distinguished Fellow of China Development Research Foundation, Beijing since 2019. He was formerly a member of the Exchange Fund Advisory Committee of the HKSAR, Chairman of its Governance Sub-committee and a member of its Investment Sub-committee until 2019; a Vice Chairman of China Center for International Economic Exchanges, Beijing until 2021; a member and Chairman of the Prize Recommendation Committee of the LUI Che Woo Prize Limited, from 2015 to 2021; as well as a member of the Hong Kong Trade Development Council Belt and Road & Greater Bay Area Committee, from 2019 to 2021. He was appointed a Justice of the Peace by the HKSAR Government in 2007 and awarded the Gold Bauhinia Star by the HKSAR Government in 2011. From 2004 to 2010, Professor Lau served as Vice-Chancellor (President) of CUHK. From 2009 to 2012, he served as a Non-official Member of the Executive Council of the HKSAR. He was appointed Chairman of CIC International (Hong Kong) Co., Limited, a wholly-owned subsidiary of China Investment Corporation, in November 2010 and retired from the position in September 2014. He was a member of the 11th and 12th National Committees of the Chinese People's Political Consultative Conference from 2008 to 2012 and from 2013 to 2018 respectively, a Vice-Chairman of the Sub-committee of Population, Resources and Environment, from 2010 to 2013, and a Vice-Chairman of the Sub-committee of Economics from 2013 to 2018. He was also an independent non-executive director of Hysan Development Company Limited (listed on the Hong Kong Stock Exchange) and CNOOC Limited (listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange; and previously listed on the New York Stock Exchange) from 2014 to 2020 and from 2005 to 2023 respectively. He received his B.S. degree (with Great Distinction) in Physics from Stanford University in 1964 and his M.A. and Ph.D. degrees in Economics from the University of California at Berkeley in 1966 and 1969, respectively. He joined the faculty of the Department of Economics at Stanford University in 1966, becoming its Professor of Economics in 1976 and the first Kwoh-Ting Li Professor in Economic Development in 1992. From 1992 to 1996, he served as a Co-Director of the Asia-Pacific Research Center at Stanford University, and from 1997 to 1999 as the Director of the Stanford Institute for Economic Policy Research. He became its Kwoh-Ting Li Professor in Economic Development, Emeritus, upon his retirement from Stanford University in 2006.

Dr. Narongchai AKRASANEE

Aged 78, is an Independent Non-executive Director of the Company, having been appointed on 15 January 2016. He is also a member of the Audit Committee and the Nomination Committee of the Company and the Chairman of advisory board of AIA Thailand. He also acts as a Board Representative on the ESG Committee, a management committee of the Company. Dr. Narongchai was previously an Independent Non-executive Director of the Company from 21 November 2012 to 31 August 2014. He is the former Minister of Energy and Minister of Commerce for the Kingdom of Thailand and served as a Senator. Dr. Narongchai served as Chairman of the Export-Import Bank of Thailand from December 2005 to June 2010, a Director of the Office of the Insurance Commission of Thailand from October 2007 to August 2012, a Director of the National Economic and Social Development Board from July 2009 to July 2013 and a member of the Monetary Policy Committee of the Bank of Thailand from November 2011 to September 2014. He is currently the Chairman of the Steering Committee and Vice-Chairman of the Council of Mekong Institute, the Chairman of the Thailand National Committee for the Pacific Economic Cooperation Council and the Chairman of the Khon Kaen University Council in Thailand. Dr. Narongchai also acts as the Chairman and an independent director of three entities listed on the Stock Exchange of Thailand, namely MFC Asset Management Public Company Limited, Ananda Development Public Company Limited and Thai-German Products Public Company Limited. He is the Chairman and an independent director of The Brooker Group Public Company Limited, which is listed on the Stock Exchange of Thailand's Market for Alternative Investment. Dr. Narongchai is also the Chairman of the Seranee Group of companies. He previously served as an independent director of each of Malee Sampran Public Company Limited and ABICO Holdings Public Company Limited and as the Vice-Chairman and an independent director of Thai-German Products Public Company Limited, all of which are listed on the Stock Exchange of Thailand. Dr. Narongchai received his Bachelor's degree in Economics with Honours from the University of Western Australia and a M.A. and Ph.D. in Economics from Johns Hopkins University.

Mr. Cesar Velasquez PURISIMA

Aged 63, is an Independent Non-executive Director of the Company, having been appointed on 1 September 2017. He is also the Chairman of the Audit Committee and a member of the Nomination Committee and the Risk Committee of the Company. Mr. Purisima currently serves as an independent director of Bank of the Philippine Islands (BPI), Ayala Corporation, Ayala Land, Inc., Universal Robina Corporation and Jollibee Foods Corporation, all of which are listed on The Philippine Stock Exchange. He is also an independent director of BPI Capital Corporation, a wholly owned subsidiary of BPI, a founding partner of Ikhlas Capital Singapore Pte. Ltd., a member of the Global Advisory Council of Sumitomo Mitsui Banking Corporation, and a member of Singapore Management University's International Advisory Council in the Republic of the Philippines (the Philippines). He also serves on the board of trustees of the International School of Manila. He is an Asia Fellow at the Milken Institute, a global, non-profit, non-partisan think tank. Mr. Purisima served in the government of the Philippines as Secretary of Finance from July 2010 to June 2016 and as Secretary of Trade and Industry from January 2004 to February 2005. He also previously served on the boards of a number of government institutions, including as a member of the Monetary Board of the Bangko Sentral ng Pilipinas (Central Bank of the Philippines), Governor of the World Bank Group for the Philippines, Governor of the Asian Development Bank for the Philippines, Alternate Governor of the International Monetary Fund for the

Philippines and Chairman of Land Bank of the Philippines. Mr. Purisima received the Centenary Award of Excellence from the Professional Regulatory Board of Accountancy of the Philippines in 2023. He was conferred the Chevalier dans l'Ordre national de la Légion d'Honneur (Knight of the National Order of the Legion of Honour) by the President of the French Republic in 2017, the Order of Lakandula, Rank of Grand Cross (Bayani) by the President of the Philippines in 2016 and the Chevalier de l'Ordre national du Mérite (Knight of the National Order of Merit) by the President of the French Republic in 2001. Mr. Purisima is a certified public accountant. He has extensive experience in public accounting both in the Philippines and abroad. He was Chairman and Managing Partner of SyCip, Gorres, Velayo & Co. (a member firm of Andersen Worldwide until 2002 when it became a member firm of Ernst & Young Global Limited) from 1999 until 2004. During the period, Mr. Purisima was also the Asia-Pacific Area Managing Partner for Assurance and Business Advisory Services of Andersen Worldwide from 2001 to 2002 and Regional Managing Partner for the ASEAN Practice of Andersen Worldwide from 2000 to 2001. Mr. Purisima obtained his Bachelor of Science in Commerce (Majors in Accounting & Management of Financial Institutions) degree from De La Salle University (Manila) in 1979, Master of Management degree from J. L. Kellogg Graduate School of Management, Northwestern University in 1983 and Doctor of Humanities honoris causa degree from Angeles University Foundation (the Philippines) in 2012.

Ms. SUN Jie (Jane)

Aged 55, is an Independent Non-executive Director of the Company, having been appointed on 1 June 2021. She is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Ms. Sun is the Chief Executive Officer and a member of the board of directors of Trip.com (listed on the Hong Kong Stock Exchange and the Nasdaq Global Select Market), one of the leading global travel services companies that operates the sub-brands Trip.com, Ctrip, Skyscanner and Qunar. She is also a director of Tripadvisor, Inc. and MakeMyTrip, both listed on the Nasdaq Global Select Market. Ms. Sun was previously an independent director of iQIYI, Inc. (listed on the Nasdaq Global Select Market) and TAL Education Group (listed on the New York Stock Exchange). Ms. Sun has extensive experience in operating and managing online businesses, mergers and acquisitions, and financial reporting and operations. Ms. Sun was named one of Fortune's Top 50 Most Powerful Women in Business for four consecutive years from 2017 to 2020. In 2019, she was named in the Forbes World's Most Powerful Women List and awarded the Asia Game Changer Award by Asia Society. She was also named one of Emergent 25 Asia's Latest Star Businesswomen in 2018, and one of the Most Influential and Outstanding Businesswomen in China in 2017 by Forbes. Ms. Sun received her Bachelor's degree from the business school of the University of Florida with high honours. She also obtained a LLM degree from Peking University Law School.

Ms. Mari Elka PANGESTU

Aged 67, is an Independent Non-executive Director of the Company, having been appointed on 1 July 2023. She is also a member of the Nomination Committee of the Company. Ms. Pangestu currently serves as a Professor of International Economics at the University of Indonesia, adjunct senior research scholar at the Columbia University and Professor of the University of Prasetiya Mulya. She is also a member of the Advisory Board of Indonesia Bureau of Economic Research, Co-chair of Indonesian National Committee for Pacific Economic Cooperation, member of the Board of Trustees of United in Diversity, Indonesia and the Centre for Strategic and International Studies Foundation, and Distinguished Fellow of Asia Global Institute, The University of Hong Kong. Ms. Pangestu was appointed as the Managing Director, Development Policy and Partnerships for the World Bank in March 2020 and retired from the position in March 2023. She was also a Minister of Trade of the Republic of Indonesia from 2004 to 2011 and Minister of Tourism and Creative Economy of the Republic of Indonesia from 2011 to 2014. She served as Chair of the Board of Trustees of International Food Policy Research Institute, Washington DC from 2017 to 2020; a member of the Global Future Council on Trade and Investment, World Economic Forum from 2016 to 2018; and a board member of the International Chamber of Commerce, Paris from 2015 to 2020. She was also a commissioner for the Low Carbon Development Initiative of Indonesia and Co-chair of the expert group for the High Level Panel for a Sustainable Ocean Economy. In addition, Ms. Pangestu was previously an Independent President Commissioner of PT Mitra Adiperkasa Tbk from 2018 to 2020, the President Commissioner (Independent) of PT Bank BTPN Tbk from 2016 to 2020 and an Independent Commissioner of PT Astra International Tbk from 2015 to 2017, all of which are listed on the Indonesia Stock Exchange. Ms. Pangestu has received the Mahaputra Award, the Highest Order for Public Service awarded by the President of Republic Indonesia, in 2013. She was also awarded the Distinguished Fellow Award 2018 by Eisenhower Fellowships and the Economic and Social Science Prize at the Asia Cosmopolitan Awards NARA Forum in 2023. Ms. Pangestu received her Bachelor of Economics (Honours) degree and Master of Economics degree from the Australian National University in 1979 and 1981, respectively. She also obtained a Ph.D. degree from the Department of Economics of the University of California, Davis in 1986.

Mr. ONG Chong Tee

Aged 62, is an Independent Non-executive Director of the Company, having been appointed on 1 July 2023. He is also a member of the Nomination Committee of the Company. Mr. Ong currently serves as the Chairman of the Accounting and Corporate Regulatory Authority in Singapore. He has 35 years of experience with the Monetary Authority of Singapore (MAS), in the areas of reserve management, monetary policy, investment management, financial development and financial supervision. He last served as the Deputy Managing Director of Financial Supervision from 2013 to 2021, overseeing the banking and insurance, capital markets, and policy, risk and surveillance groups. Mr. Ong also served on the boards of Central Provident Fund Board from 2000 to 2009, Singapore Land Authority from 2005 to 2009, Urban Redevelopment Authority from 2006 to 2012 and Housing & Development Board from 2012 to 2018. Mr. Ong is also a member of the risk committee of GIC Private Limited, an independent non-executive director of United Overseas Bank Limited (listed on the Singapore Exchange), and an independent director of Arab Regional Payments Clearing and Settlement Organization. He is also a member of the Board of Trustees of the National University of Singapore and a Trustee of the IFRS Foundation®. Mr. Ong graduated with a Bachelor of Engineering (Hons) from the National University of Singapore. He was also awarded the Public Administration Medal (Gold) (Bar) in 2021 by the President of Singapore.

Ms. Nor Shamsiah MOHD YUNUS

Aged 59, is an Independent Non-executive Director of the Company, having been appointed on 21 September 2023. She is also a member of the Nomination Committee of the Company. Ms. Mohd Yunus currently serves as the Chancellor of INCEIF (International Centre for Education in Islamic Finance) University in Malaysia. Ms. Mohd Yunus has over 34 years of experience with Bank Negara Malaysia (BNM) (the Central Bank of Malaysia). She joined BNM in 1987 and was appointed as Deputy Governor from November 2010 to June 2016 and Governor from July 2018 to June 2023. She was the Chairperson of each of BNM's Board of Directors, Monetary Policy Committee, Financial Stability Committee, Financial Stability Executive Committee, Reserve Management Committee, Risk Management Committee and Digital Technology Committee. During her time at BNM, she served in diverse areas including overseeing work of the financial stability division, encompassing regulation and supervision of banks and insurance companies, as well as financial sector development and enforcement. During her tenure, Ms. Mohd Yunus also represented BNM as an ex-officio Director of Perbadanan Insurans Deposit Malaysia (Malaysian Deposit Insurance Corporation), Chairman of the Board of Directors of the South East Asian Central Banks (SEACEN) Research and Training Centre, and a non-executive member of the Audit Oversight Board of Malaysia. She also served as the Assistant Director of the Monetary and Capital Markets Department of the International Monetary Fund from April 2017 to June 2018. Ms. Mohd Yunus graduated with a Bachelor of Arts in Accountancy from the University of South Australia in 1986. She is a fellow of the CPA Australia and a member of the Malaysian Institute of Accountants.

EXECUTIVE COMMITTEE

DR. MARK KONYN MR. MITCHELL NEW MS. CARA ANG MR. LEO GREPIN MR. JACKY CHAN MR. LEE YUAN SIONG

MR. GARTH JONES MR. TAN HAK LEH DR. KELVIN LOH MS. JAYNE PLUNKETT MR. STUART A. SPENCER MR. BISWA MISRA

Mr. LEE Yuan Siong

Mr. Lee's biography is set out above.

Mr. Garth Brian JONES

Aged 61, is the Group Chief Financial Officer responsible for leading the Group in all aspects of capital and financial management, as well as managing relationships with key external stakeholders, including independent auditors and actuaries, rating agencies and international accounting and regulatory bodies. He is also responsible for the Group's business operating in India. He is a director of various companies within the Group, including Tata AIA Life, AIA Co. and AIA International. He joined the Group in April 2011. Prior to joining the Group, Mr. Jones was the Executive Vice President of China Pacific Life Insurance Co., Ltd., the life insurance arm of China Pacific Insurance (Group) Co., Ltd. He also held a number of senior management positions during his 12 years with Prudential Corporation Asia Limited, including Chief Financial Officer of the Asian life insurance operations. Prior to joining Prudential, Mr. Jones led the development of Swiss Re's Asia life business. Mr. Jones is a Fellow of the Institute and Faculty of Actuaries. Mr. Jones is also a member of the IFRS Advisory Council of the IASB®.

Mr. Wing-Shing CHAN (Jacky)

Aged 60, is the Regional Chief Executive and Group Chief Distribution Officer responsible for the Group's businesses operating in Mainland China, Hong Kong SAR, Macau SAR, South Korea, Taiwan (China), as well as the Group's agency distribution, partnership distribution, corporate solutions and digital platform partnerships. He is a director of various companies within the Group, including AIA Co. and AIA International. Mr. Chan has extensive experience having worked at AIA for the past 36 years. Prior to becoming a Regional Chief Executive, Mr. Chan was Chief Executive Officer of AIA Hong Kong and Macau since 2009. Previously, he held several senior positions including the Country Head of AIA China, Executive Vice President – Distribution & Marketing of Nan Shan Life Insurance of Taiwan and Senior Vice President & Head of Life Profit Centre of AIA - Asia (ex-Japan & Korea). Mr. Chan holds a Bachelor of Science degree from The University of Hong Kong. He is a Fellow of the Society of Actuaries (FSA), a member of the American Academy of Actuaries (MAAA) and a Fellow of the Canadian Institute of Actuaries (CIA).

Mr. TAN Hak Leh

Aged 58, is the Regional Chief Executive responsible for the Group's businesses operating in Thailand, Singapore, Brunei, Malaysia, Cambodia, Myanmar, Vietnam and Sri Lanka. He is a director of various companies within the Group. Mr. Tan was Chief Executive Officer of AIA's operation in Thailand from 2016 to 2019, Group Chief Risk Officer in 2015 and Chief Executive Officer of AIA's operation in Singapore from 2011 to 2015. Prior to joining the Group, Mr. Tan was Chief Executive Officer of Great Eastern Life, Singapore. Prior to joining Great Eastern Life, Mr. Tan was Director of the Insurance Department of the MAS. Mr. Tan has played an active role in the life insurance industry since 2005. His appointments include: President of the Life Insurance Association (LIA), Singapore from 2010 to 2013, Vice Chair of Singapore College of Insurance from 2011 to 2013 and Vice President of Thailand Life Assurance Association from 2017 to 2018. He was also a board member of Financial Industry Disputes Resolution Centre Ltd from 2008 to 2015.

Mr. Leo Michel GREPIN

Aged 48, is the Regional Chief Executive and Group Chief Strategy Officer responsible for the Group's businesses operating in Australia, New Zealand, Indonesia and the Philippines as well as leading the Group's Strategy and Corporate Development functions. Mr. Grepin joined the Group in January 2022. Prior to joining the Group, Mr. Grepin was President of Sun Life, Asia. Before joining Sun Life, he was at Bridgewater Associates, a global hedge fund, where he led the team managing portfolio construction and trade generation. He also spent 15 years at McKinsey & Company and led the global client service teams serving several multinational insurers and asset managers as Senior Partner. Mr. Grepin has a Master of Science in Aeronautics and Astronautics from the Massachusetts Institute of Technology and a Bachelor of Engineering in Mechanical Engineering (Hons) from McGill University.

Mr. Mitchell David NEW

Aged 60, is the Group General Counsel responsible for providing leadership to legal and corporate governance functions within Group Office and the country operations. He also has executive responsibility for the Group's ESG Programme, including acting as Chairman of the Group's ESG Committee. He has previously also acted as Group Chief Risk Officer. He is Chairman of AIA International and a director of various companies within the Group including AIA Reinsurance Limited, AIA Investment Management Private Limited and the Group's operating subsidiaries in Vietnam, Indonesia and the Philippines. He joined the Group in April 2011. Prior to joining the Group, Mr. New occupied various senior roles with Manulife Financial, including Senior Vice President and Chief Legal Officer for Asia and Japan, based in Hong Kong and Senior Vice President and General Counsel to Manulife's Canadian division. He also practised law with Fasken Martineau in Canada where he is a qualified barrister and solicitor and member of the Law Society of Ontario. Mr. New holds a Bachelor of Commerce degree and Master's degree in Business Administration from McMaster University and a Bachelor of Laws degree from the University of Western Ontario.

Mr. Biswa Prakash MISRA

Aged 46, is the Group Chief Technology and Life Operations Officer responsible for providing leadership to the Group's technology, digital and analytics areas as well as Group Operations and Operations Shared Services. He is a director of various companies within the Group. He joined the Group in June 2013. Prior to joining the Group, Mr. Misra served as the Regional Chief Technology Officer for ING Insurance Asia Pacific. Previously, he spent six years with information technology consulting firm Capgemini, leading the company's insurance practice for Asia. Mr. Misra holds a degree in electrical engineering from the National Institute of Technology, Surat, India.

Dr. Mark KONYN

Aged 62, is the Group Chief Investment Officer responsible for providing oversight of the management of the investment portfolios of the Group as well as supervising and supporting the many investment professionals throughout the Group. He is a director of various companies within the Group including Chairman of AIA Investment Management Private Limited and AIA Investment Management HK Limited. He joined the Group in September 2015. Dr. Konyn joined AIA from Cathay Conning Asset Management, where he was Chief Executive Officer responsible for the company's investment business and strategic expansion in the region. He had held senior positions at Allianz Global Investors (where he was Asia-Pacific CEO for RCM Global Investors), Fidelity Investments and Prudential UK. He is a Fellow of the Royal Statistical Society, and holds a Diploma from the London Business School in Investment Management, having previously completed his Ph.D. in Operational Research sponsored by the UK Government.

Ms. Pek-San ANG (Cara)

Aged 55, is the Group Chief Human Resources Officer responsible for the development of overall human capital strategies and their implementation across the Group, as well as leading and providing support to the human resources functions in country market operations. She joined the Group as the Chief Human Resources Officer for AIA Singapore in May 2016. Prior to joining AIA, Ms. Ang was the Head of Human Resources of Standard Chartered Bank Singapore. During her time with Standard Chartered, she spent more than 10 years in a variety of country, regional and global HR leadership roles based in Singapore and Thailand. Prior to joining Standard Chartered Bank Singapore, Ms. Ang was the Senior Vice President and Head of Human Resources for Marsh Asia.

Mr. Stuart Anthony SPENCER

Aged 58, is the Group Chief Marketing Officer and oversees customer engagement, propositions, branding, AIA Vitality, communications, sponsorships, events, and marketing digitalisation. He is a director of various companies within the Group. Mr. Spencer occupied numerous leadership roles at AIG and AIA from 1996 to 2009, in the United States, Latin America and in Asia where he served as global President of Accident & Health Worldwide for the AIG Life Companies. Mr. Spencer re-joined AIA in May 2017 from Zurich Insurance Group, where he was CEO, General Insurance, Asia Pacific. Mr. Spencer started his career in New York at American Express Travel Related Services in Marketing. He is an alumnus of the Harvard Business School, The Fletcher School of Law and Diplomacy and Brandeis University.

Ms. Jayne Lynn PLUNKETT

Aged 54, is the Group Chief Risk Officer responsible for the Group's risk and compliance functions. She is also a director of various companies within the Group, including Tata AIA Life, AIA Singapore Private Limited and AIA Philippines Life and General Insurance Company Inc. (formerly known as The Philippine American Life and General Insurance (PHILAM LIFE) Company). Ms. Plunkett joined AIA in November 2019 from Swiss Re, where she was most recently Chief Executive Officer Reinsurance Asia, Regional President Asia and member of the Group Executive Committee. During her time with Swiss Re, she held several senior positions, including Division Head Casualty Reinsurance and Head of Casualty Underwriting for Asia. Prior to that, she was with GE Insurance Solutions. Ms. Plunkett holds a Bachelor of Science in Business Administration from Drake University. She is a Fellow of the Casualty Actuarial Society (FCAS) and a member of the American Academy of Actuaries (MAAA).

Dr. Kelvin Chi-Keon LOH

Aged 50, is the Group Chief Healthcare Officer with responsibility for the execution of AIA's Integrated Health Strategy as well as AIA's health-related businesses. Dr. Loh joined the Group in May 2023, bringing more than 25 years of experience backed by a strong track record of delivery in various leadership roles across public and private healthcare sectors. Prior to joining AIA, Dr. Loh was Managing Director and CEO of IHH Healthcare Berhad, a leading global integrated healthcare provider operating more than 80 hospitals across 10 markets. Before that, he was Group CEO of the Columbia Asia Group, a private healthcare provider with operations across Asian markets including Malaysia, Indonesia and Vietnam. Dr. Loh began his career as a physician in Singapore. He holds a Master of Business Administration as well as a Bachelor of Medicine and Bachelor of Surgery (MBBS) from the National University of Singapore.

REPORT OF THE DIRECTORS

The Board is pleased to present this report and the audited consolidated financial statements of the Company for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Group is a life insurance based financial services provider operating in 18 markets throughout Asia. The Group's principal activity is the life insurance business. In that context, the Group, through its various operating entities, provides individual life insurance, individual accident and health insurance and savings plans throughout Asia. The Group also distributes related investment and other financial services products to its customers and is active in the provision of group insurance and pension schemes in a number of its markets.

Details of the activities and other particulars of the Company's principal subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2023 and the state of the Group's affairs at that date are set out in the consolidated financial statements on pages 156 to 324 of this Annual Report.

BUSINESS REVIEW

The review of the business of the Group for the year ended 31 December 2023, including a description of its principal risks and uncertainties and an indication of likely future developments as required by Schedule 5 to the Hong Kong Companies Ordinance, is contained in the Group Chief Executive and President's Report (pages 15 to 21), Group Chief Financial Officer's Review (pages 23 to 49), Business Review (pages 50 to 66), Risk Management (pages 69 to 75) and Our People and Culture (pages 76 to 79) sections in this Annual Report, and note 39 and note 41 to the consolidated financial statements. These discussions form part of this report.

AIA takes a proactive approach to understanding the impacts posed to our business by the environment, while also mitigating our own environmental footprint. The Group has voiced its support for the Paris Agreement by becoming a signatory to the Task Force on Climate-related Financial Disclosures (TCFD) in 2018. We continue to take initiatives to understand the risks posed to our insurance and investment operations from climate change, and continue to report against the TCFD recommendations in the Company's 2023 ESG Report.

We monitor our operational impact. In 2021, the Group announced its commitment to achieve net-zero greenhouse gas (GHG) emissions by 2050. AIA has also committed to the Science Based Targets initiative (SBTi), a global body enabling businesses to set ambitious emissions reduction targets in line with the latest climate science. In November 2023, we became the first pan-Asian life and health insurer to have our near-term science-based emissions reduction targets validated by the SBTi. This includes targets for our operations and our in-scope general account portfolio. Simultaneously, we have published AIA's first Climate Transition Plan (CTP). The CTP outlines AIA's near-term science-based targets alongside the plans for meeting these targets. The Group Environmental Procedures provide guidance and outline initiatives to reduce our environmental footprint.

AIA also continues to monitor environmental regulation and opportunities in the area of green finance, and engages with companies in the Group's investment portfolio on ESG issues. With respect to ESG for the Investment function, ESG considerations have been structurally embedded through our Investment Standards on ESG, research process, and proxy voting. An internal ESG scoring methodology has also been devised for assessing third-party investment managers and third-party managed funds.

Customer privacy and data protection are of paramount importance to the Group. In 2023, AIA continued to maintain International Organization for Standardization (ISO) 27001 certification for our identity access management cybersecurity and cloud security controls. AIA also obtained the Service Organisation Control (SOC) Type 2 certification for our Group Information Security function which provides control assurance on cybersecurity protection. We will continue to upgrade and invest in physical, administrative and technical measures to protect personal and business data. This includes programmes to protect AIA and our employees from cyber threats. The Company has also established the necessary levels of insurance coverage to protect against cybersecurity-related events and incidents.

People are at the heart of our business, and this means ensuring that we adhere to the high standards of quality and customer service expected by our customers. Helping our customers improve their health requires that we better understand their needs. To that end, we conduct research to understand the needs of various customer segments and forge strategic partnerships in order to customise our products and services.

AIA's Supplier Code of Conduct outlines how we consider and integrate sustainability issues within our supply chain management process. As a Group, we work with suppliers that demonstrate best practice. Dedicated due diligence processes form a part of our existing supply chain management and monitoring system. This includes requesting information on employment and environmental practices from selected material suppliers through our supplier registration process. We have also committed to assess our Tier 1 suppliers on their ESG performance.

To understand more about our progress on ESG initiatives, please refer to our 2023 ESG Report, which has been published on the websites of both Hong Kong Exchanges and Clearing Limited and the Company.

The Group is licensed to conduct insurance business and subject to extensive local regulatory oversight in each of the geographical markets in which its branches and subsidiaries operate. While the extent of regulation varies from jurisdiction to jurisdiction, it typically includes laws and regulations regarding corporate governance, solvency/capital adequacy, market conduct, investment management, financial reporting and distribution. The Group dedicates substantial resources and appropriate personnel to support compliance with relevant laws and regulations. AIA has monitored during the year ended 31 December 2023 the Group's compliance with all material laws and regulations applicable to it including the solvency and capital adequacy requirements applied by its regulators, details of which are contained in note 33 to the consolidated financial statements.

Please see the Corporate Governance Report for a discussion on the Company's high standards of corporate governance and the Board's responsibility for compliance with statutory obligations.

Details of significant events affecting the Group that have occurred since 31 December 2023 are set out in note 41 to the consolidated financial statements.

DIVIDENDS

An interim dividend of 42.29 Hong Kong cents per share for the six-month period ended 30 June 2023 (2022: 40.28 Hong Kong cents per share) was paid on 26 September 2023. The Board has recommended an increase of 5 per cent in the payment of a final dividend to 119.07 Hong Kong cents per share for the year ended 31 December 2023 (2022: 113.40 Hong Kong cents per share), consistent with AIA's established prudent, sustainable and progressive dividend policy.

Under the respective trust deeds of the Company's restricted share unit schemes, employee share purchase plans and agency share purchase plans, Shares are held in trust by the trustee of each of these schemes or plans. These Shares are held against the future entitlements of scheme/plan participants. Provided the Shares are held by the trustee and no beneficial interest in those Shares has been vested in any beneficiary, the trustee shall waive any right to dividend payments or other distributions in respect of those Shares (unless the Company determines otherwise).

As of 12 September 2023 (being the record date of the 2023 interim dividend), the trustee held 82,881,442 Shares under the Company's restricted share unit schemes, employee share purchase plans and agency share purchase plans. The amount of interim dividend payments waived was approximately US$1.77 million. Pursuant to the relevant trust deeds, the trustee will waive the right to final dividend payment if it is declared.

Subject to Shareholders' approval at the AGM to be held by the Company, the final dividend will be payable on Friday, 14 June 2024 to Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 30 May 2024, being the record date for determining the entitlement to the final dividend.

DIRECTORS

The Directors of the Company during the year under review and up to the date of this report are as follows:

Independent Non-executive Chairman and Independent Non-executive Director
Mr. Edmund Sze-Wing TSE
Executive Director
Mr. LEE Yuan Siong (Group Chief Executive and President)
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(1)
Mr. ONG Chong Tee(2)
Ms. Nor Shamsiah MOHD YUNUS(3)
Ms. Swee-Lian TEO(4)

Notes:
(1) Ms. Mari Elka Pangestu was appointed as an Independent Non-executive Director of the Company with effect from 1 July 2023.
(2) Mr. Ong Chong Tee was appointed as an Independent Non-executive Director of the Company with effect from 1 July 2023.
(3) Ms. Nor Shamsiah Mohd Yunus was appointed as an Independent Non-executive Director of the Company with effect from 21 September 2023.
(4) Ms. Swee-Lian Teo retired as an Independent Non-executive Director of the Company with effect from 1 September 2023.

Ms. Mari Elka Pangestu, Mr. Ong Chong Tee and Ms. Nor Shamsiah Mohd Yunus were appointed by the Board during the year, all of them will retire from office at the forthcoming AGM pursuant to Article 104 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

In accordance with Article 100 of the Company's Articles of Association, Mr. Lee Yuan Siong, Mr. Chung-Kong Chow, Mr. John Barrie Harrison and Mr. Cesar Velasquez Purisima will retire from office by rotation and, being eligible, offer themselves for re-election at the AGM.

CHANGES IN DIRECTORS' INFORMATION

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	• Received an honorary degree of Doctor of Social Science from The Hang Seng University of Hong Kong in 2024
Dr. Narongchai AKRASANEE	• Appointed as a Board Representative on the ESG Committee, a management committee of the Company, with effect from 1 September 2023
Mr. ONG Chong Tee	• Appointed as a trustee of the IFRS Foundation with effect from 1 January 2024

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

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the year under review and up to the date of this report are kept at the Company's registered office and available for inspection by the Shareholders during business hours.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, subject to the relevant statutes, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or which may attach thereto. The Company has taken out insurance against the liabilities and costs associated with proceedings which may be brought against directors of the Group. The relevant provisions in the Company's Articles of Association were in force during the financial year ended 31 December 2023 and as at the date of this report.

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

As at 31 December 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 and short positions in the Shares and underlying Shares:

Name of Directors	Number of Shares or underlying Shares Long Position (L)	Class	Percentage of the total number of Shares in issue(1)	Capacity
Mr. LEE Yuan Siong(2)	1,480,610(L)(3) 2,453,058(L)(4) 2,874,135(L)(5) 2,095(L)(6)	Ordinary	0.01 0.02 0.02 <0.01	Beneficial owner Beneficial owner Beneficial owner Beneficial owner
Mr. Edmund Sze-Wing TSE(7)	3,330,400(L)(3) 230,000(L)(3)	Ordinary	0.02 <0.01	Beneficial owner Interest of controlled corporation(8)
Mr. Jack Chak-Kwong SO	190,000(L)(3)	Ordinary	<0.01	Interest of controlled corporation(9)
Mr. Chung-Kong CHOW	126,000(L)(3)	Ordinary	<0.01	Beneficial owner
Mr. John Barrie HARRISON	80,000(L)(3)	Ordinary	<0.01	Interests held jointly with another person(10)
Mr. George Yong-Boon YEO	50,000(L)(3)	Ordinary	<0.01	Beneficial owner
Professor Lawrence Juen-Yee LAU	250,000(L)(3)	Ordinary	<0.01	Interest of spouse(11)

Notes:

(1) Based on 11,399,354,458 Shares in issue as at 31 December 2023.

(2) The aggregate number of the Shares and underlying Shares held by Mr. Lee Yuan Siong was 6,809,898, representing 0.05 per cent of the total number of Shares in issue.

(3) The interests were in the Shares.

(4) 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.

(5) The interests were in SOs granted to Mr. Lee Yuan Siong under the share option schemes adopted by the Company from time to time.

(6) The interests were in matching RSPUs granted under the employee share purchase plans adopted by the Company from time to time.

(7) The aggregate number of the Shares and underlying Shares held by Mr. Edmund Sze-Wing Tse was 3,560,400, representing 0.03 per cent of the total number of Shares in issue.

(8) 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.

(9) The 190,000 Shares were held by Cyber Project Developments Limited, a company beneficially wholly owned by Mr. Jack Chak-Kwong So.

(10) The 80,000 Shares were jointly held by Mr. John Barrie Harrison and his spouse, Ms. Rona Irene Harrison, as beneficial owners.

(11) 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 31 December 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 31 December 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 (Note 1) Long Position(L) Short Position(S) Lending Pool(P)	Class	Percentage of the total number of Shares in issue (Note 2)	Capacity
The Bank of New York Mellon Corporation	1,152,420,823(L) 326,741,568(S) 793,262,466(P)	Ordinary	10.10 2.86 6.95	Note 3
JPMorgan Chase & Co.	1,015,922,305(L) 35,314,330(S) 633,375,828(P)	Ordinary	8.91 0.30 5.55	Note 4
The Capital Group Companies, Inc.	844,813,989(L)	Ordinary	7.41	Interest of controlled corporations
Citigroup Inc.	810,846,234(L) 43,759,820(S) 768,963,490(P)	Ordinary	7.11 0.38 6.74	Note 5
BlackRock, Inc.	690,966,881(L) 457,000(S)	Ordinary	6.06 <0.01	Interest of controlled corporations
Brown Brothers Harriman & Co.	605,177,810(L) 597,387,808(P)	Ordinary	5.30 5.24	Note 6

Notes:
(1) The interests and short positions include underlying Shares as follows:

Name of Shareholder	Long Position					Short Position				
	Physically settled listed derivatives	Cash settled listed derivatives	Physically settled unlisted derivatives	Cash settled unlisted derivatives	Convertible instruments - listed derivatives	Physically settled listed derivatives	Cash settled listed derivatives	Physically settled unlisted derivatives	Cash settled unlisted derivatives	Convertible instruments - listed derivatives
The Bank of New York Mellon Corporation	4,941,108	–	–	–	–	–	–	326,741,568	–	–
JPMorgan Chase & Co.	10,870,000	57,400	117,330	2,400,800	2,843,701	2,481,000	3,996,236	9,846,837	17,175,734	139,854
The Capital Group Companies, Inc.	–	–	25,193,864	–	–	–	–	–	–	–
Citigroup Inc.	8,346,684	–	2,893,884	20,093,492	–	5,931,000	–	9,970,598	27,841,070	–
BlackRock, Inc.	–	–	–	506,800	–	–	–	–	438,200	–
Brown Brothers Harriman & Co.	–	–	–	–	–	–	–	–	–	–

(2) Based on 11,399,354,458 Shares in issue as at 31 December 2023.

(3) The Bank of New York Mellon Corporation 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)
Interest of controlled corporations	1,152,420,823	326,741,568

(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	633,375,828	–
Investment manager	311,295,602	–
Interest of controlled corporations	60,844,295	35,314,330
Person having a security interest in Shares	9,851,317	–
Trustee	555,263	–

(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	768,963,490	–
Interest of controlled corporations	41,882,744	43,759,820

(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 31 December 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the service contract in the role of Group Chief Executive and President with the Company, Mr. Lee Yuan Siong was entitled to an annual discretionary earned incentive award, which includes payment in the form of Shares. Details of the incentive awards of Mr. Lee Yuan Siong are set out in the Remuneration Report in this Annual Report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party, and in which any Director of the Company or his/her connected entity has a material interest, directly or indirectly, subsisted as at 31 December 2023 or at any time during the year under review.

RESERVES

As at 31 December 2023, the aggregate amount of reserves available for distribution to Shareholders, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was US$4,853 million (31 December 2022: US$6,990 million).

DONATIONS

Donations for charitable and/or other purposes made by the Group during the year ended 31 December 2023 amounted to approximately US$6.8 million (2022: US$11.8 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, the percentage of the aggregate purchases attributable to the Group's five largest suppliers was less than 30 per cent of the Group's total value of purchases and the percentage of the aggregate sales attributable to the Group's five largest customers was less than 30 per cent of the Group's total value of sales.

SHARES ISSUED

Details of the Shares issued during the year ended 31 December 2023 are set out in note 31 to the consolidated financial statements.

DEBENTURES ISSUED

Details of the debentures issued during the year ended 31 December 2023 are set out in notes 26 and 34 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

During the year ended 31 December 2023, the Company did not enter into any equity-linked agreements and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2023, save for the outstanding awards made to employees and agents under the 2010 SO Scheme, the 2020 SO Scheme, the 2010 RSU Scheme, the 2020 RSU Scheme, the 2011 ESPP, the 2020 ESPP, the 2012 ASPP and the 2021 ASPP, each described below and in the Remuneration Report and note 36 to the consolidated financial statements.

The purpose of these share schemes of the Company is to align senior employees with the Group's long-term strategic goals and ambitions and stakeholders' interests, as well as to provide employees and agents with a share investment opportunity with matching share grants to facilitate and encourage long-term share ownership.

SHARE OPTION SCHEME

The Company adopted the 2010 SO Scheme on 28 September 2010 for a term of 10 years from the date of adoption. It sought and obtained the approval from the Shareholders at its annual general meeting held on 29 May 2020 for the termination of the 2010 SO Scheme and the adoption of a new share option scheme (2020 SO Scheme), effective from 29 May 2020 (2020 SO Scheme Adoption Date). The 2020 SO Scheme is also effective for a period of 10 years from the 2020 SO Scheme Adoption Date.

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. 6,287,277 SOs had been granted under the 2020 SO Scheme since its adoption till 31 December 2023.

No consideration is payable for the SOs granted under the SO Schemes upon acceptance by the grantees, who may subscribe for the Shares upon exercise of the SOs at the price set out in the relevant grant letter.

During the year ended 31 December 2023, the Company awarded 1,918,599 SOs under the 2020 SO Scheme, while 661,786 SOs were exercised under the 2010 SO Scheme and the Company issued 661,786 new Shares accordingly. The proceeds received amounted to approximately US$3.73 million.

The exercise conditions of the SOs are generally contingent on the continued employment of the participant. Further information, including a summary of the terms, of the 2020 SO Scheme is set out in the Remuneration Report and note 36 to the consolidated financial statements.

RESTRICTED SHARE UNIT SCHEME

The 2010 RSU Scheme adopted by the Company on 28 September 2010 with a term of 10 years from the date of adoption was terminated with effect from 31 July 2020. The Company adopted the 2020 RSU Scheme on 1 August 2020 (2020 RSU Scheme Adoption Date) in place of and under substantially the same terms as the 2010 RSU Scheme. The 2020 RSU Scheme is also effective for a period of 10 years from the 2020 RSU Scheme Adoption Date.

The RSU awards granted pursuant to the 2020 RSU Scheme may be satisfied through the issuance of new Shares or the on-market purchase of Shares by the scheme trustee upon vesting. No consideration shall be payable by the grantees on acceptance or vesting of any RSU awards.

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 reference date as specified under the rules of the 2020 RSU Scheme (i.e., 18 May 2023), being 290,494,815 Shares.

During the year ended 31 December 2023, the Company awarded 11,470,894 restricted share units under the 2020 RSU Scheme. No new Shares have been issued upon vesting of the RSU awards under both the 2010 RSU Scheme and the 2020 RSU Scheme since their adoption.

The vesting of RSU awards is conditional upon the participant remaining in employment with the Group at the time of vesting and subject to the achievement of pre-defined performance levels. Further information, including a summary of the terms, of the 2020 RSU Scheme is set out in the Remuneration Report and note 36 to the consolidated financial statements.

EMPLOYEE SHARE PURCHASE PLAN

The 2011 ESPP adopted by the Company on 25 July 2011 with a term of 10 years from the date of adoption was terminated with effect from 31 October 2020. The 2020 ESPP, with substantially the same terms as the 2011 ESPP, was adopted by the Company on 1 August 2020 (2020 ESPP Adoption Date). The 2020 ESPP is also 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 the Shares and, through the grant of matching RSPUs, receive one matching Share for every two Shares purchased and held until the end of the vesting period, which is usually of a 3-year duration. 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 by the Company or the on-market purchase of Shares by the plan trustee.

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.

During the year ended 31 December 2023, no matching RSPUs were granted and vested under the 2011 ESPP, while 1,972,908 matching RSPUs were granted and 1,196,668 matching RSPUs were vested under the 2020 ESPP. No new Shares have been issued upon vesting of the matching RSPUs under both the 2011 ESPP and the 2020 ESPP since their adoption.

The vesting of RSPUs is conditional upon the participant remaining in employment with the Group at the time of vesting. Further information, including a summary of the terms, of the 2020 ESPP is set out in the Remuneration Report and note 36 to the consolidated financial statements.

AGENCY SHARE PURCHASE PLAN

The 2012 ASPP adopted by the Company on 23 February 2012 with a term of 10 years from the date of adoption was terminated with effect from 31 March 2021. The 2021 ASPP was adopted by the Company on 1 February 2021 (2021 ASPP Adoption Date) and has substantially the same terms as the 2012 ASPP. The 2021 ASPP is also effective for a period of 10 years from the 2021 ASPP Adoption Date.

Under the 2021 ASPP, certain agents and agency leaders of the Group are selected to participate in the plan and may elect to purchase the Shares and, after having been in the plan for a period of three years, receive one matching Share for each two Shares purchased through the award of matching RSSUs. Each eligible agent's participation level is capped at HK$12,500 (or local currency equivalent) per calendar month. The matching Shares are awarded through the issuance of new Shares by the Company.

During the 10-year period from the 2021 ASPP Adoption Date, the aggregate number of new Shares which may be issued under 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. Since the 2021 ASPP Adoption Date and up till 31 December 2023, no new Shares were issued under the 2021 ASPP.

During the year ended 31 December 2023, no matching RSSUs were granted, 986,359 matching RSSUs were vested, and 986,359 new Shares (Awarded Shares) were issued for RSSUs vested pursuant to the 2012 ASPP. The Awarded Shares were issued at the 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 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 year ended 31 December 2023, the actual number of matching RSSUs granted in relation to the 2023 ASPP plan year was 761,915. During the same period, no matching RSSUs were vested, and no new Shares were issued pursuant to the 2021 ASPP.

The vesting of matching RSSUs is conditional upon the participant remaining as an agent with the Group at the time of vesting. Further information, including a summary of the terms, of the 2021 ASPP is set out in the Remuneration Report and note 36 to the consolidated financial statements.

NON-EXEMPT CONNECTED TRANSACTIONS

During the year ended 31 December 2023, the Group had not entered into any connected transactions which are not exempt from the annual reporting requirement under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the year ended 31 December 2023 in the ordinary course of business are set out in note 38 to the consolidated financial statements. Such related party transactions are all exempt connected transactions under Chapter 14A of the Listing Rules.

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

During the year ended 31 December 2023, the Company bought back a total of 373,591,400 Shares on the Hong Kong Stock Exchange with the aggregate consideration paid (before expenses) amounting to approximately HK$28,409 million (equivalent to approximately US$3,629 million). All the Shares bought back were subsequently cancelled. As at 31 December 2023, the total number of Shares in issue was 11,399,354,458. Particulars of the Shares bought back are as follows:

Month	Number of Shares bought back	Price paid per Share (Average) (HK$)	(Highest) (HK$)	(Lowest) (HK$)	Aggregate consideration (before expenses) (HK$ million)
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
July 2023	23,402,800	79.06	81.65	76.40	1,850
August 2023	9,642,600	69.84	72.55	67.55	673
September 2023	38,905,000	65.77	71.95	61.20	2,559
October 2023	39,830,800	67.62	70.05	63.10	2,693
November 2023	39,652,000	70.78	73.85	66.40	2,807
December 2023	37,546,200	65.41	68.20	61.70	2,456
Total	**373,591,400**	**76.04**	**–**	**–**	**28,409**

In addition, the Company also purchased 10,865,302 Shares under the 2020 RSU Scheme and the 2020 ESPP for a total consideration of approximately HK$902 million (equivalent to approximately US$115 million) during the year ended 31 December 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 the relevant schemes and therefore were not cancelled. Please refer to note 36 to the consolidated financial statements for details.

Save as disclosed above, during the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the amount of public float permitted under the Listing Rules as at the date of this report.

AUDITOR

PricewaterhouseCoopers was re-appointed auditor of the Company in 2023.

PricewaterhouseCoopers will retire and, being eligible, offer itself for re-appointment at the AGM. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company for the year ending 31 December 2024 will be proposed at the AGM.

By Order of the Board

Edmund Sze-Wing Tse
Independent Non-executive Chairman
14 March 2024

CORPORATE GOVERNANCE REPORT

CORE PRINCIPLES

The Board believes that strong corporate governance is essential both to the delivery of sustainable value and to maintaining a culture of business integrity, which in turn supports investor confidence. The Board is ultimately responsible for the performance of the Group, including the consistent achievement of business plans and compliance with statutory as well as corporate obligations. The Board is also responsible for the development and implementation of the Group's corporate governance practices. This Corporate Governance Report explains the Company's corporate governance principles and practices, including how the Board manages the business to deliver long-term Shareholder value and to promote the development of the Group.

As a company listed on the Main Board of the Hong Kong Stock Exchange, the Company is committed to high standards of corporate governance and sees the maintenance of good corporate governance practices as essential to its sustainable growth. It is vital that Board members, in aggregate, have the requisite skills and expertise and are supported by a structure that enables appropriate delegation between the Board, its committees and management, whilst ensuring that the Board retains overall control. To promote effective governance across all of our operations, the Board has approved a governance framework, which maps out internal approval processes including those matters that may be delegated.

In this Corporate Governance Report, the Board seeks to set out the Company's corporate governance structure and policies, inform Shareholders of the corporate governance undertakings of the Company and demonstrate to Shareholders the value of such practices.

Throughout the year ended 31 December 2023, with the exception of Code Provision C.6.3, the Company applied the principles and complied with all applicable code provisions of 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.

CORPORATE CULTURE AND STRATEGY

The Company's corporate culture is guided by its Operating Philosophy of "Doing the Right Thing, in the Right Way, with the Right People… and the Right Results will come". This philosophy permeates all levels of the Group, from the Board and senior management and throughout all operating levels of the organisation. It is embedded in AIA's Code of Conduct, which sets the framework for a culture of professionalism, ethics, respect, diversity and inclusion; all in support of helping the Company deliver on its Purpose of helping people live Healthier, Longer, Better Lives.

BOARD OF DIRECTORS

ROLES AND RESPONSIBILITIES

The Board is accountable to Shareholders for the affairs of the Company. It meets these obligations by ensuring the maintenance of high standards of governance in all aspects of the Company's business, setting the strategic direction for the Group and maintaining appropriate levels of review, challenge and guidance in its relationship with Group management. It is also the ultimate decision-making body for all matters considered material to the Group and is responsible for ensuring that, as a collective body, Board members have the appropriate skills, knowledge and experience to perform their roles effectively.

In these matters, the Board provides leadership to management in respect of operational issues through the Group Chief Executive and President, who is authorised to act on behalf of the Board in the operational management of the Company. Any responsibilities not so delegated by the Board to the Group Chief Executive remain the responsibility of the Board.

The Board also discharges the following responsibilities either by itself or through delegation to the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Committee:

(a) the development and review of the Company's policies and practices on corporate governance;

(b) the review and monitoring of the training and continuous professional development of Directors and senior management;

(c) the review and monitoring of the Company's policies and practices on compliance with legal and regulatory requirements;

(d) the development, review and monitoring of the Code of Conduct applicable to all officers and employees of the Group; and

(e) the review of the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

During the year under review, the Board discharged its responsibilities under the Board Charter of the Company, which is available on the Company's website at www.aia.com, and they included, but not limited to, the following:

- Receiving periodic management reports, as well as quarterly reports from the chairperson of each of the Board committees.
- Reviewing the preliminary announcements of the Group's 2023 interim and annual results, as well as other documents prepared to comply with the Listing Rules and other applicable laws, codes or regulations.
- Approving material capital, investment and acquisition projects of the Group and receiving post-transaction risk assessment updates on the projects.
- Overseeing the implementation of an effective group enterprise risk management framework, including an annual review on the risk appetite framework of the Group and the approval of supervisory reports to be submitted to the Hong Kong Insurance Authority during the year.
- Reviewing the adequacy and effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2023.
- Approving the 2024 business and capital management plan, which covers the annual operating and capital expenditure budgets of the Group.
- Receiving updates on the Group's performance in the areas of ESG and approving the 2023 ESG Report of the Company.
- Receiving an annual update on information security from the Company's management.
- Reviewing the Group's leadership capability and succession to align with its latest strategic ambitions.
- Receiving updates from selected business units of the Group on their business performance and opportunities.
- Recommending the re-appointment of the external auditor of the Company for the 2024 financial year.
- Approving the long-term incentive (LTI) target pool for the LTI grants to be made to employees in 2024 under the Company's share schemes.

- Attending a Board visit programme in Shanghai to meet with management of the local operations and other stakeholders.
- Attending the annual Board Strategy Day to discuss the strategic priorities of the Group.

The Company has also adopted its own 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. During the year, a member of the Board had inadvertently purchased 60,000 Shares during a voluntary blackout period designated under the Dealing Policy without possessing any inside information of the Company at the time of such dealing, and the related notification to the Company and the Hong Kong Stock Exchange had been made within the prescribed time limits. Except for this single incident, 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 year ended 31 December 2023.

BOARD EVALUATION

The Board regularly undertakes a formal evaluation of its own performance and that of its committees and individual Directors to ensure the Board and its committees continue to perform effectively. The evaluation is conducted either by way of internal assessment or with the support of independent external consultants.

During the year under review, a tailored board evaluation questionnaire was prepared to collect views and comments from Board members, the findings of which were reviewed and discussed by the Board at its meeting held in March 2024. A comprehensive range of topics was considered, including Board structure and composition, Board dynamics and interactions, Board Committees, and Board processes, with special focus in the areas which could be strengthened to further enhance the overall effectiveness of the Board and its committees. The Board evaluation has helped to identify a broader scope of topics to be further covered in Board meetings and Directors' trainings, to facilitate greater interactions amongst the Board members and senior management, as well as to enhance the Board processes and governance practices.

BOARD COMPOSITION AND DIVERSITY

The Board consists of thirteen members, comprising one Executive Director and twelve Independent Non-executive Directors. All Directors are expressly identified by reference to such categories in all corporate communications that disclose their names. The composition of the Board is well balanced with each Director having sound board level experience and expertise relevant to the business operations and development of the Group. The Board is comprised of members with extensive business, financial, government, regulatory and policy experience from a variety of backgrounds. The appointments of Ms. Mari Elka Pangestu, Mr. Ong Chong Tee and Ms. Nor Shamsiah Mohd Yunus to the Board during the year had further enhanced the spectrum of skills, experience and diversity of perspectives (including nationality, ethnicity, educational background, functional expertise, gender and age) on the Board.

Biographies of the Directors are set out on pages 84 to 91 of this Annual Report.

BOARD REFRESHMENT AND SUCCESSION

Board succession is an ongoing process for the Company. There are regular reviews and discussions on succession planning, complemented by an active search when required for people presenting the right skill and diversity mix. The Nomination Committee manages Board succession in light of the Board's overall needs. It considers prospective candidates based on merit and takes a long-term, strategic view of Board succession, considering the competencies and experience necessary for effective oversight of the Company given its current operations, strategy and ambitions for the future. It also reviews Board composition in light of the annual Board assessment results and recommends any changes as appropriate.

The Nomination Committee remains focused on ensuring that the Board is composed of appropriately experienced and capable individuals who are representative of the communities in which the Group operates. To the extent that needs are identified for additions to the Board, diversity, including in regard to gender, will remain a priority.

The structure, size and composition of the Board is reviewed at least annually by the Nomination Committee. This review includes consideration of the existing composition (including skills, experience, background and gender) of the Board as well as the Company's business strategies to ensure that the Board is able to oversee all material matters relating to the Group. The Company does not have mandatory retirement ages or term limits for its directorship.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has put in place a formal and transparent process for the appointment of Directors. When a need is identified, the Nomination Committee engages in a robust search process to identify suitably qualified Director candidates, including the use of independent executive search firms. Prospective candidates will then be shortlisted through a comprehensive evaluation process that includes consideration of a candidate's ability and willingness to devote sufficient time to the duties required. Following meetings with candidates by each member, the Nomination Committee will deliberate prior to recommending an appropriate candidate to the Board for approval.

The focus of the Nomination Committee has always been to identify individuals best qualified to serve the interests of the Shareholders and policyholders. Within this broader mandate, the Committee also has regard to ensuring that the Board is appropriately representative of the communities that the Company serves. To promote greater transparency, the Directors' Nomination Policy was adopted by the Board in 2019 and revised in 2022. A summary of the Policy is set out in the subsection headed "Nomination Committee" under the "Committees of the Board" section of this report.

All Directors are subject to retirement by rotation at least once every three years pursuant to the Corporate Governance Code and are subject to re-election at the general meetings of the Company in accordance with the Articles of Association of the Company.

BOARD INDEPENDENCE

The Company recognises that Board independence is key to good corporate governance. Twelve of the thirteen Board members are Independent Non-executive Directors, which far exceeds the independence requirements under the Listing Rules.

The Board has put in place robust mechanisms to ensure a strong independent element on the Board, which include process to facilitate active participation and constructive discussions by Board members on matters material to the Company. The Company has also established formal and informal channels whereby Independent Non-executive Directors can provide their independent views and input in an open and candid manner, including formal and informal meeting sessions with the Board Chairman and the management. To facilitate effective discharge of their duties, Board members (including the Independent Non-executive Directors) are empowered to request further information from management and obtain, at the Company's expense, external independent professional advice when necessary. In March 2024, the Board, through its Nomination Committee, conducted a review and considered the mechanisms to ensure independent views and inputs are available to the Board had operated effectively during the year.

Each of the four committees established by the Board (described more fully below), namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Committee, is chaired by an Independent Non-executive Director. The Audit Committee, the Nomination Committee and the Remuneration Committee comprise Independent Non-executive Directors only, while the Risk Committee comprises a majority of Independent Non-executive Directors.

In assessing the independence of any candidate for Board membership, the Company takes into account the criteria set out in Rule 3.13 of the Listing Rules. Every Independent Non-executive Director is required to confirm in writing to the Company his/her independence upon his/her appointment as Director. He/She is also required to declare his/her past or present financial or other interests in the Group's business, or his/her connection with any of the Company's connected persons. In addition, he/she is also subject to ongoing obligations to notify the Board Chairman as soon as practicable of any direct conflict of interest which may arise due to his/her duties as an Independent Non-executive Director and any other duties or business interests which he/she may have and to seek the Board's written approval before any other duties or business can be undertaken. All Directors are also required to consult with and obtain the written approval of the Board Chairman prior to accepting any other directorships of listed companies.

The Nomination Committee has the responsibility to assess annually the independence of all Independent Non-executive Directors and to affirm that each satisfies the criteria of Independence as set out in Rule 3.13 of the Listing Rules. It assesses independence with regard to the full range of relevant factors concerned rather than focusing exclusively on the length of service of an individual.

Where an Independent Non-executive Director has served on the Board for over nine years, the Nomination Committee will consider and satisfy itself that the length of his/her tenure has not affected his/her independence having regard to his/her actual contributions, continuing impartiality and ability to continue to demonstrate effective oversight of the Company's management.

At a meeting held in March 2024, the Nomination Committee affirmed that for the year ended 31 December 2023, each of the Independent Non-executive Directors of the Company continued to be independent. While Board Chairman, Mr. Tse remains a director of AIA Foundation (a subsidiary of the Company), the Company has satisfied itself that he is independent pursuant to Rule 3.13 of the Listing Rules on the basis that his directorship with AIA Foundation does not require his performance of any executive or management role or function.

BOARD PROCESS

Board meetings are held at least four times a year to determine overall strategies, receive management updates, approve business plans as well as interim and annual results, and to consider other significant matters. Senior management also provide regular updates to the Board with respect to the Group's business activities and the progress of the Group against its business objectives.

During the year under review, there were four scheduled Board meetings, all of which were convened in accordance with the Articles of Association of the Company.

The attendance of individual Directors, either in person or through electronic means of communication, at the Board meetings, committees' meetings and the 2023 annual general meeting (2023 AGM) held during the year under review are as follows:

	Number of Meetings Attended / Number of Meetings Held					
Name of Director	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Risk Committee**	**2023 AGM**
Independent Non-executive Chairman and Independent Non-executive Director						
Mr. Edmund Sze-Wing TSE	4/4	–	1/1	5/5	4/4	1/1
Executive Director, Group Chief Executive and President						
Mr. LEE Yuan Siong	4/4	–	–	–	4/4	1/1
Independent Non-executive Directors						
Mr. Jack Chak-Kwong SO	4/4	6/8	1/1	2/5	–	0/1
Mr. Chung-Kong CHOW	4/4	–	1/1	–	4/4	1/1
Mr. John Barrie HARRISON	4/4	8/8	1/1	–	4/4	1/1
Mr. George Yong-Boon YEO	4/4	7/8	1/1	5/5	–	1/1
Professor Lawrence Juen-Yee LAU	4/4	–	1/1	–	4/4	1/1
Dr. Narongchai AKRASANEE	4/4	8/8	1/1	–	–	1/1
Mr. Cesar Velasquez PURISIMA	4/4	8/8	1/1	–	4/4	1/1
Ms. SUN Jie (Jane)	4/4	8/8	1/1	4/5	–	1/1
Ms. Mari Elka PANGESTU(1)	2/2	–	–	–	–	–
Mr. ONG Chong Tee(2)	2/2	–	–	–	–	–
Ms. Nor Shamsiah MOHD YUNUS(3)	1/1	–	–	–	–	–
Ms. Swee-Lian TEO(4)	3/3	–	1/1	–	3/3	1/1

Notes:
(1) Ms. Mari Elka Pangestu was appointed as an Independent Non-executive Director of the Company with effect from 1 July 2023.
(2) Mr. Ong Chong Tee was appointed as an Independent Non-executive Director of the Company with effect from 1 July 2023.
(3) Ms. Nor Shamsiah Mohd Yunus was appointed as an Independent Non-executive Director of the Company with effect from 21 September 2023.
(4) Ms. Swee-Lian Teo retired as an Independent Non-executive Director of the Company with effect from 1 September 2023.

Minutes of the meetings of and resolutions in writing passed by the Board and all committees are kept by the Company Secretary. These minutes and resolutions are open for inspection on reasonable notice by the Directors.

CHAIRMAN AND GROUP CHIEF EXECUTIVE

Mr. Edmund Sze-Wing Tse, Independent Non-executive Chairman of the Company, plays the critical role of leading the Board in fulfilling its responsibilities. With the support of the Group Chief Executive and President and senior management, Mr. Tse seeks to ensure that all Directors are properly briefed and receive adequate and reliable information in a timely manner.

Mr. Lee Yuan Siong, Group Chief Executive and President of the Company, reports to the Board and is responsible for the overall leadership, strategic and executive management and profit performance of the Group, including all operations and administration. Mr. Lee attends Board meetings as the sole Executive Director and, in his capacity as Group Chief Executive and President, ensures that the Board is updated at least monthly in respect of material aspects of the Company's performance. Mr. Lee discharges his responsibilities within the framework of the Company's policies, reserved powers and routine reporting requirements and is advised and assisted by the senior management of the Group.

The roles and responsibilities of the Board, the Chairman of the Board and the Group Chief Executive are set out in the Board Charter of the Company, which is available on the Company's website.

The Chairman of the Board, the Group Chief Executive and other Directors do not have any financial, business, family, or other relationships with each other.

INDUCTION AND ONGOING DEVELOPMENT

The Company provides each Director with personalised induction, training and development. On appointment, each Director receives a comprehensive and tailored induction covering, amongst other things, the role of the Board and its key committees, group structure, governance structure and the duties and responsibilities of a director under applicable laws and regulations.

Directors receive detailed briefings on the Group's principal businesses, the markets in which it operates and the overall competitive environment. Other areas addressed include legal and compliance issues affecting directors of financial services companies, the Group's governance arrangements, the principal basis of accounting for the Group's results, the internal audit and risk management functions, its investor relations programme and remuneration policies. In addition to being updated on the Group's business, the Directors also receive regular updates on material developments to the Listing Rules and other applicable statutory requirements to ensure continuing compliance and appropriate oversight.

During the year under review, the Directors had visited the Group's Shanghai operations to acquire a deeper understanding of its latest business development and receive market updates on Mainland China. The Company also organised a Board Strategy Day and provided a number of trainings and briefings to the Directors on topics such as the governance of climate-related risks and opportunities, international tax policies updates and healthcare management.

All Directors are encouraged to participate in continuous professional development to extend and refresh their knowledge and skills, and are required to provide their training records to the Company. The training received by the Directors during the year under review is summarised as follows:

	Types of Training	
Name of Director	**Reading or attending briefings / seminars / conferences relevant to regulatory and governance updates**	**Attending corporate events / executive briefings relevant to the Group's business**
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(1)	√	√
Mr. ONG Chong Tee(2)	√	√
Ms. Nor Shamsiah MOHD YUNUS(3)	√	√
Ms. Swee-Lian TEO(4)	√	√

Notes:

(1) Ms. Mari Elka Pangestu was appointed as an Independent Non-executive Director of the Company with effect from 1 July 2023. She obtained the legal advice from the Company's legal advisor as regards the requirements under the Listing Rules that are appliable to her as a Director and the possible consequences of making a false declaration or giving false information to the Hong Kong Stock Exchange on 23 June 2023 and confirmed that she understood her obligations as a Director.

(2) Mr. Ong Chong Tee was appointed as an Independent Non-executive Director of the Company with effect from 1 July 2023. He obtained the legal advice from the Company's legal advisor as regards the requirements under the Listing Rules that are appliable to him as a Director and the possible consequences of making a false declaration or giving false information to the Hong Kong Stock Exchange on 29 June 2023 and confirmed that he understood his obligations as a Director.

(3) Ms. Nor Shamsiah Mohd Yunus was appointed as an Independent Non-executive Director of the Company with effect from 21 September 2023. She obtained the legal advice from the Company's legal advisor as regards the requirements under the Listing Rules that are appliable to her as a Director and the possible consequences of making a false declaration or giving false information to the Hong Kong Stock Exchange on 19 September 2023 and confirmed that she understood her obligations as a Director.

(4) Ms. Swee-Lian Teo retired as an Independent Non-executive Director of the Company with effect from 1 September 2023.

COMMITTEES OF THE BOARD

The Company's corporate governance is implemented through a structured hierarchy, which includes the Board and four committees established by the Board, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Committee. The memberships and terms of reference of all Board committees are available on the websites of both Hong Kong Exchanges and Clearing Limited and the Company. In addition to the four Board committees, a number of management committees have been established including, amongst others, the Executive Committee, the Group Operational Risk Committee, the Group Financial Risk Committee and the ESG Committee.

AUDIT COMMITTEE

The Audit Committee consists of six members, all of whom are Independent Non-executive Directors. They are Mr. Purisima, who serves as chairman of the Audit Committee, Mr. Harrison, Mr. So, Mr. Yeo, Dr. Narongchai and Ms. Sun.

The Audit Committee is delegated with authority from the Board to oversee the Group's financial reporting system, the internal control systems, the relationship with the external auditor of the Company, to review the Group's financial information and its preparation, to endorse the Group's financial and accounting policies and practices and its whistleblowing programme, as well as to monitor the adequacy of resources for and effectiveness of the internal audit function.

The duties performed by the Audit Committee during the year under review included, but not limited to, the following:

- Reviewing the draft preliminary announcement, interim/annual report, consolidated financial statements and supplementary embedded value information of the Company for each of the six months ended 30 June 2023 and the year ended 31 December 2023.
- Reviewing the Company's announcements which set out the new business highlights of the Group in the first and third quarters of 2023.
- Approving the 2022 consolidated special purpose financial information of the Company for the year ended 31 December 2022 as well as the six months ended 30 June 2022 prepared under the new IFRS 9 and IFRS 17.
- Reviewing the Group's internal control environment for each of the six months ended 30 June 2023 and the year ended 31 December 2023.
- Engaging an external consultant to perform a quality assurance and annual independent survey on the performance of the Group's internal audit function.
- Reviewing the audit plan of the external auditor in relation to the 2023 consolidated financial statements and supplementary embedded value information of the Company.
- Recommending to the Board the re-appointment of the external auditor for the 2024 financial year and the pre-approved audit fees, as well as other fees for audit-related, tax and other pre-approved services.
- Monitoring the progress of the Group's implementation of the processes to adopt the new IFRS 17.
- Quarterly reviews on the developments in international tax regulations and significant uncertain tax matters of the Group.
- Receiving quarterly updates on the internal audit function, fraud and whistleblowing programme report and major litigations.
- Regular reviews on the total fees paid to the Company's external auditor in respect of audit, audit-related and non-audit services performed.
- Reviewing the governance, risk and compliance environment of selected business units.
- Receiving quarterly updates on major regulatory developments relevant to the Group.

The Audit Committee also provided oversight for and management of the relationship with the Group's external auditor, including reviewing and monitoring the external auditor's independence and objectivity, and the effectiveness of the audit process in accordance with applicable standards.

The Audit Committee held eight meetings during the year ended 31 December 2023. The attendance records of the Audit Committee members are set out on page 115 of this Annual Report.

NOMINATION COMMITTEE

The Nomination Committee consists of twelve members, including the Independent Non-executive Chairman, Mr. Tse, who serves as chairman of the Nomination Committee, and the remaining eleven Independent Non-executive Directors, Mr. So, Mr. Chow, Mr. Harrison, Mr. Yeo, Professor Lau, Dr. Narongchai, Mr. Purisima, Ms. Sun, Ms. Pangestu, Mr. Ong and Ms. Mohd Yunus. Ms. Pangestu and Mr. Ong were appointed as members of the Nomination Committee with effect from 1 July 2023. Ms. Mohd Yunus was appointed as a member of the Nomination Committee with effect from 21 September 2023. The Nomination Committee is delegated with authority from the Board to review the Board's composition and diversity, formulate and implement the Directors' Nomination Policy, oversee the identification and assessment of potential candidates for directorship and make recommendations to the Board on the appointment/re-appointment of Directors and members of the Board committees. It also provides oversight and direction in respect of the succession planning for directors and assesses the independence of the Independent Non-executive Directors annually ensuring independent views and input are available to the Board.

The Nomination Committee held one meeting during the year ended 31 December 2023. The attendance records of the Nomination Committee members are set out on page 115 of this Annual Report. The duties performed by the Nomination Committee during the year under review included reviewing the structure, size and composition of the Board, with due regard to the skills, knowledge, experience and diversity of background and experience of its members; assessing the independence of the Independent Non-executive Directors and making recommendations to the Board on proposals for the re-election of Directors at the 2023 AGM.

To ensure ongoing transparency in respect of its deliberations, the Directors' Nomination Policy was adopted by the Board in 2019 and revised in 2022 upon the recommendation of the Nomination Committee.

A summary of the Directors' Nomination Policy is set out below:

- In assessing the suitability of a candidate proposed for appointment, election or re-election as a Director, the Nomination Committee shall consider the candidate on the basis of the selection criteria set out in the Directors' Nomination Policy, which includes, amongst other things, whether his/her skills, knowledge, experience and background can complement and enhance those of the existing Board members with due regard to the benefits of diversity as set out in the Board Diversity Policy; his/her character, reputation, integrity and standard of competence; and the ability to devote sufficient time to discharge his/her duties as a Director. For any candidate proposed for nomination as an Independent Non-executive Director, the satisfaction of the independence requirement under Rule 3.13 of the Listing Rules is also required.
- For appointment or election of a new Director, the Nomination Committee shall take the lead in identifying qualified candidates. It may consider referrals from existing Directors, and use external advisers to facilitate the search based on selection criteria set out in the Directors' Nomination Policy. Shareholders may also propose a person for election as a Director at a general meeting, with the relevant procedures therefor set out on the website of the Company. The Nomination Committee shall evaluate the suitability of a candidate through interviews, background checks, third party reference checks, and/or any process as it deems necessary and appropriate.
- For re-election of a Director, the Nomination Committee will review the prior contributions of the Director, and determine whether he/she continues to meet the selection criteria set out in the Directors' Nomination Policy. In particular, in recommending the re-election of a retiring Independent Non-executive Director who has served on the Board for more than nine years, the Nomination Committee shall take into consideration all relevant factors in assessing their continuing independence.

Furthermore, the Board Diversity Policy (first adopted by the Board in 2013 and revised in 2021) ensures consideration of diversity in the Board's composition across all measures, including in relation to race, gender, religion and national origin, as well as diversity of experience from both the private and public sectors. While the Policy does not enumerate specific targets across any specific aspect of diversity, the depth and diversity of experience represented on the Board, including experience in all of the Group's major markets as well as a broad base of public sector and private company experience, allows the Board to bring a diversity of perspectives to the governance of the Group and its operations. The Board will review the implementation and effectiveness of the Board Diversity Policy on an annual basis.

A summary of the Board Diversity Policy is set out below:

- The Company understands that a Board composed of appropriately qualified members with a broad range of relevant experience, in addition to diversity in thought and background, is essential to the effective governance of its business and ensuring long-term sustainable growth;
- The Company remains committed to non-discrimination in all aspects of its business, including the appointment of Board members. Consideration and selection of candidates for appointment to the Board will be based on merit which shall include a review of the candidate's integrity, experience, educational background, industry or related experience and more general experience;
- Within that overriding emphasis on merit, the Nomination Committee shall seek to address Board vacancies by actively considering candidates who bring a diversity of background and opinion from amongst those candidates with the appropriate background and industry or related expertise and experience. The Nomination Committee's considerations shall include achieving an appropriate level of diversity having regard to factors such as gender, age, ethnicity, nationality, cultural and educational background;
- The Nomination Committee will (a) in reviewing Board composition, consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to maintain an appropriate range and balance of skills, experience, knowledge and character on the Board; and (b) as part of the performance evaluation of the Board, consider the balance of skills, experience, knowledge and independence of the Board;
- As part of the Nomination Committee's annual review of the structure, size and composition of the Board, the Nomination Committee will expressly consider and include commentary to the Board on the Board's diversity; and
- The measurable objectives on board diversity under the Board Diversity Policy include (a) to select candidates for nomination as a Director based on the Directors' Nomination Policy with due regard to the diversity perspectives set out in the policy; (b) to maintain the Board with a majority of independent non-executive directors; and (c) to ensure that the Board be made up of members with diverse backgrounds and experience, including diversity of nationality, ethnicity and gender, with such members demonstrating appropriate knowledge, experience and understanding of the markets in which the Company operates its business. All of the measurable objectives have been achieved for each new appointment to the Board.

The Group strives to create an inclusive workplace and is proud to be an employer of choice for women. The Group is committed to achieving a gender-balanced workforce with at least 40 per cent female representation overall as well as a target of at least 40 per cent women in its senior leadership positions. To continue building the Group's pipeline of female leaders, a target of at least 45 per cent female participation in its leadership programmes by the end of 2026 has also been mandated. Further details on the progress for workforce diversity in 2023 are disclosed in the Company's 2023 ESG Report.

REMUNERATION COMMITTEE

The Remuneration Committee consists of four members, all of whom are Independent Non-executive Directors. They are Mr. Yeo, who serves as chairman of the Remuneration Committee, Mr. Tse, Mr. So and Ms. Sun.

The Remuneration Committee is responsible for, amongst other things, establishing and overseeing the implementation of the Group's remuneration policies, overseeing and approving the Company's equity-based remuneration plans, and determining specific remuneration for the executive director, senior management and other personnel of the Company.

The Remuneration Committee held five meetings during the year ended 31 December 2023. The attendance records of the Remuneration Committee members are set out on page 115 of this Annual Report. Details of the role of the Remuneration Committee, and the key activities performed by the Remuneration Committee during the year under review have been set out in the Remuneration Report, which forms part of this Corporate Governance Report.

RISK COMMITTEE

The Risk Committee consists of six members, five of whom are Independent Non-executive Directors, including Mr. Chow, who serves as chairman of the Risk Committee, Mr. Harrison, Professor Lau, Mr. Purisima, Mr. Tse and Mr. Lee, the sole Executive Director of the Company. Mr. Chow was appointed as the chairman of the Risk Committee, in place of Ms. Teo, with effect from 1 September 2023.

The Risk Committee is delegated with authority from the Board to, amongst other things, determine the Group's risk appetite, including the risk appetite statement, risk principles and risk tolerances, oversee and review the adequacy and effectiveness of the Risk Management Framework (RMF) of the Group, ensure that the material risks facing the Group have been identified and that the risk profile adequately represents any significant issues relating to the Group's control environment with mitigating actions put in place, and to advise the Board on the risk management strategy and major risk-related issues of the Group. It also reviews the Group's risk management-related policies and the risk-related disclosures in the publications of the Company.

The duties performed by the Risk Committee during the year under review included:

- Quarterly reviews on the Group's risk management and compliance activities for the period, including its financial and operational risk profiles, which set out the solvency positions, risk appetite and other metrics.
- Receiving quarterly regulatory development updates and assessing management actions.
- Reviewing and making recommendations to the Board to approve the supervisory reports to be submitted to the Hong Kong Insurance Authority during the year, including those relate to the Group's own risk and solvency assessment, capital adequacy, recovery plan, liquidity risk management, internal economic capital assessment methodology and results.
- Approving the revised risk appetite framework of the Group.
- Approving the Group's policyholder dividend declaration policy, which governs the dividend and bonus distribution of participating business offered by the business units of the Group.
- Approving the Group's information technology policy, which defines the governing principles and guidelines for the use of information technology across the Group, covering all aspects of information technology delivery domains.

- Annual review of the information security landscape within the Group and its information security incidents.
- Reviewing the Group's market risk management framework.
- Assessing the adequacy and effectiveness of the risk management framework of the Group for the year ended 31 December 2023.
- Reviewing the risk disclosures in the "Risk Management" section of the Company's 2023 Annual Report.
- Annual review of the Remuneration Committee's report on the Group's compensation and benefits arrangements to ensure that incentives are provided to executives consistent with the interests of the Group's stakeholders that do not encourage excessive or inappropriate risk taking by them.

Details of how the Risk Committee reviews the effectiveness of the risk management and internal control systems of the Group are set out in the Risk Management and Internal Control section of this report.

The Risk Committee held four meetings during the year ended 31 December 2023. The attendance records of the Risk Committee members are set out on page 115 of this Annual Report.

EXTERNAL AUDITOR

The external auditor of the Company is PricewaterhouseCoopers. The Audit Committee is responsible for making recommendations to the Board on the external auditor's appointment, re-appointment and removal, which are subject to approval by the Board and by the Shareholders at a general meeting of the Company. In assessing the external auditor, the Audit Committee will take into account relevant experience, performance, objectivity and independence of the external auditor. The Board has adopted policies on nomination and appointment of and services performed by the external auditor to enhance related governance practices.

The Audit Committee also reviews the non-audit services provided by the external auditor and its remuneration on a regular basis. For the year ended 31 December 2023, the total estimated remuneration payable by the Group to PricewaterhouseCoopers was US$32.7 million (2022: US$36.8 million), an analysis of which is set out below:

US$ millions	2023	2022
Audit services	**27.0**	22.7
Non-audit services, including:		
Audit-related services(1)	**4.9**	13.7
Tax services	**0.7**	0.3
Other services	**0.1**	0.1
Total	**32.7**	36.8

Note:
(1) Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Group's financial statements. They include, amongst others, due diligence services pertaining to potential business acquisitions (excluding valuation services); services related to implementation of new accounting and financial reporting guidance from regulatory authorities; and agreed-upon or expanded audit procedures related to compliance with financial, accounting or regulatory reporting matters.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The annual results of the Company and other financial information were published in accordance with the requirements of the Listing Rules and other applicable regulations and industry best practice. When preparing the Company's financial reports, the Board endeavours to present this information in a comprehensible, informative and user-friendly manner.

The Directors acknowledge their responsibility for preparing the Company's consolidated financial statements and ensuring that the preparation of the Company's consolidated financial statements is in accordance with the relevant requirements and applicable standards.

The statement of the Company's auditor concerning its reporting responsibilities on the Company's consolidated financial statements is set out in the Independent Auditor's Report on pages 149 to 155 of this Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board, assisted by its committees, is responsible for overseeing the Group's risk management and internal control systems on an ongoing basis. The Board reviews the effectiveness of risk management and internal control systems on an annual basis.

The Group's RMF does not seek to eliminate all risks but rather to identify, understand and manage them within acceptable limits in order to support the sustainability of the business and the creation of long-term value in alignment with the Group's culture and strategy, and can only provide reasonable and not absolute assurance against material misstatement or loss. The main features and other information on the RMF and the process used to identify, evaluate and manage significant risks are set out in the Risk Management section of this Annual Report.

The Group has an internal audit function (Internal Audit). The key features of the Group's internal control system include independent reviews and testing of internal controls, taking a risk-based approach and developing an annual audit plan presented to the Audit Committee. Reports of significant audit findings are prepared and communicated to management and the Audit Committee and where control weaknesses or defects are identified, recommendations are provided to resolve them. This includes issues formally identified from internal audits, forensic investigations, regulatory reports and special projects. Management is responsible for the design, implementation and evaluation of the internal control system, including ongoing mitigation, across the business and processes.

The Board has, through the Risk Committee and the Audit Committee, reviewed the adequacy and effectiveness of the Group's risk management and internal control systems (covering all material controls such as financial, operational and compliance controls), including:

- the adequacy of resources, staff qualifications and experience, training programmes and the budget of the Group's accounting, internal audit, financial reporting functions, as well as those relating to the Group's ESG performance and reporting;
- areas of risk identified by management as well as the quality and scope of management's ongoing monitoring of risks and the risk management system;
- the changes in the nature and extent of significant risks (including ESG risks) since the previous review and the Group's ability to respond to changes in the external environment and its business;

- the quality and scope of the internal control system implemented by management and the work and effectiveness of Internal Audit as well as any significant risks reported by Internal Audit;
- the extent and frequency of communication of monitoring results to the Board and its committees, to enable the assessment of the effectiveness of the Group's risk management and internal control systems;
- the incidence of any significant control failings or weaknesses that have been identified during the year under review and the extent to which they have resulted in a material impact on the Group's financial performance or condition;
- the effectiveness of the Group's processes in relation to financial reporting and regulatory compliance;
- the scope of work performed by both internal and external auditors and any significant issues arising from internal and external audit reports; and
- the results of management's control self-assessment exercises.

The annual review of the Group's risk management and internal control systems was conducted by an internal risk management, compliance and internal controls framework certification process performed by management (at both the Company's and subsidiaries' levels) and the Risk and Compliance function, supported by the Internal Audit function which confirmed the adequacy and effectiveness of internal control environment.

Management has confirmed to the Board that the Group's risk management and internal control systems are adequate and effective. Based on the review result and management's confirmation, the Board considered the Group's risk management and internal control systems to be adequate and effective for the year ended 31 December 2023.

The AIA Group Compliance Policy governs the Group's compliance in areas such as whistleblowing, anti-corruption and anti-bribery, anti-fraud, as well as anti-money laundering and counter-financing of terrorism.

INSIDE INFORMATION

The Company has implemented proper procedures and internal controls for the handling and dissemination of inside information:

- The Company has established the Disclosure of Inside Information Policy to ensure that all current and prospective investors of the Company, market participants and the public are provided with appropriate information relating to the Group in a timely and simultaneous manner. The policy has been communicated to all relevant staff and related training has also been provided to them; and
- A written communications protocol has also been established to implement a control process within the Group for the management of communications with various internal and external stakeholders. Such protocol identifies a list of spokespersons who are authorised to provide information about the Group to the relevant stakeholders. The Company's Code of Conduct further contains a strict prohibition on the unauthorised use of confidential or non-public information.

COMPANY SECRETARY

All the Directors have access to the advice and services of the Company Secretary at any time in respect of their duties and the effective operation of the Board and Board committees. The Company Secretary advises the Board on all corporate governance matters; facilitates the induction and professional development of Directors; and ensures appropriate information flows and communications within the Board and its committees, and between management and the Non-executive Directors. The Company Secretary also plays an important role in ensuring that Board and Board committee policies and procedures are followed and the Board's obligations to Shareholders pursuant to the Listing Rules are discharged. During the year under review, the Company Secretary undertook at least 15 hours of relevant continuing professional education.

ENGAGEMENT WITH SHAREHOLDERS

The Board recognises the importance of maintaining an ongoing dialogue with the Shareholders and does so through general meetings, press releases, announcements and corporate communications such as the annual report, interim report and circulars. The Board is committed to the timely disclosure of information. The latest information regarding the Group's activities, announcements, results presentations, webcasts and corporate communications is made available on the Company's website at www.aia.com in a timely manner. The key dates for Shareholders are set out on page 356 of this Annual Report.

The Investor Relations function oversees the Company's engagement with investors. The institutional Shareholder base is geographically diversified and the Company is also extensively covered by research analysts from a wide range of broker houses. An active and open dialogue with institutional investors is maintained through regular investor interactions, including meetings, investment conferences and roadshows. Investors' feedback and analysts' reports on the Company are circulated to the Board and the Executive Committee on a regular and systematic basis to promote an understanding of external views on the Company's performance.

The Board has adopted a Shareholders' Communication Policy which is reviewed on an annual basis to ensure its effectiveness. The Shareholders' Communication Policy sets out, amongst other things, the Company's means of communication with the Shareholders with the aim of ensuring that both individual and institutional Shareholders are given timely access to accurate, clear and balanced information to enable them to exercise their rights in an informed manner and to engage actively with the Company. It also sets out the Company's contact details to enable Shareholders to provide their comments or direct their questions to the Company. During the year ended 31 December 2023, the Board has reviewed the implementation of the Shareholders' Communication Policy. Having considered the active engagement by the Company with the Shareholders via the different means in accordance with the Policy, the Board is satisfied that the Shareholders' Communication Policy continues to be effective. The Shareholders' Communication Policy is available on the Company's website at www.aia.com.

2023 ANNUAL GENERAL MEETING

The 2023 AGM was held on 18 May 2023. Except Mr. So, the Chairman and all other members of the Board at that time, together with the Group's senior management and external auditor, attended the 2023 AGM in person. The poll voting results are available on the websites of both the Company and Hong Kong Exchanges and Clearing Limited. The matters resolved at the 2023 AGM are summarised below:

- Receipt of the audited consolidated financial statements of the Company, the Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2022;
- Declaration of a final dividend of 113.40 Hong Kong cents per share for the year ended 31 December 2022;
- By way of separate ordinary resolutions, the re-election of Mr. Tse, Mr. So and Professor Lau as Independent Non-executive Directors of the Company;
- Re-appointment of PricewaterhouseCoopers as auditor of the Company until the conclusion of the next annual general meeting and authorising the Board to fix its remuneration;
- General mandate to the Directors to cause the Company to issue additional Shares, not exceeding 10 per cent of the aggregate number of Shares in issue on the date of the 2023 AGM, and the discount for any Shares to be issued not exceeding 10 per cent to the benchmarked price;
- General mandate to the Directors to cause the Company to buy back Shares, not exceeding 10 per cent of the aggregate number of Shares in issue on the date of the 2023 AGM;
- Adjustment of the limit of the annual sum of the Directors' fees to US$3,800,000; and
- By way of separate ordinary resolutions, amendments to the share option scheme, the restricted share unit scheme, the employee share purchase plan and the agency share purchase plan of the Company.

The forthcoming annual general meeting of the Company will be held on Friday, 24 May 2024. Further details will be set out in the Company's circular to be issued to the Shareholders for the AGM.

SHAREHOLDERS' RIGHTS

GENERAL MEETING

Shareholder(s) representing at least 5 per cent of the total voting rights of all the Shareholders having a right to vote at general meetings, may request to call a general meeting. If such request is made, a general meeting must be called. Such request, either in hard copy form or in electronic form and being authenticated by the person or persons making it, must be deposited at the registered office of the Company at 35/F, AIA Central, No. 1 Connaught Road Central, Hong Kong or sent by email to ir@aia.com for the attention of the Company Secretary. Shareholder(s) should make reference to the provisions under Sections 566 to 568 of the Hong Kong Companies Ordinance for calling a general meeting.

MOVING A RESOLUTION AT AN ANNUAL GENERAL MEETING

Shareholder(s) may request the Company to give notice of a resolution and move such resolution at an annual general meeting. Such notice of resolution must be given by the Company if it has received such request from:

(a) Shareholder(s) representing at least 2.5 per cent of the total voting rights of all the Shareholders who have a right to vote on the resolution at the annual general meeting to which the request relates; or

(b) at least 50 Shareholders who have a right to vote on the resolution at the annual general meeting to which the request relates.

Such a request must identify the resolution of which notice is to be given, be either in hard copy form or in electronic form and be authenticated by the person or persons making it, and be received by the Company not later than six weeks before the annual general meeting to which the request relates or, if later, the time at which notice is given of that meeting. The request must be deposited at the registered office of the Company at 35/F, AIA Central, No. 1 Connaught Road Central, Hong Kong or sent by email to ir@aia.com for the attention of the Company Secretary. Shareholder(s) should make reference to Sections 615 and 616 of the Hong Kong Companies Ordinance for the relevant procedures to move a resolution at an annual general meeting.

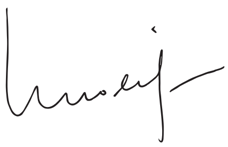
PROPOSING A PERSON FOR ELECTION AS A DIRECTOR

Shareholders can propose a person (other than a retiring Director himself/herself) for election as a Director at a general meeting of the Company. Relevant procedures are available on the Company's website at www.aia.com.

CONSTITUTIONAL DOCUMENTS

The Company's Articles of Association (in both English and Chinese) is available on the websites of both the Company and Hong Kong Exchanges and Clearing Limited. During the year under review, there has been no change to the Articles of Association of the Company.

By Order of the Board



Nicole Pao
Company Secretary
14 March 2024

REMUNERATION REPORT

STATEMENT OF THE CHAIRMAN OF THE REMUNERATION COMMITTEE

On behalf of the Remuneration Committee, I am pleased to present the Report on Remuneration for Directors and Key Management Personnel for the year ended 31 December 2023.

During the year, the Remuneration Committee continued its work to assure that AIA's remuneration framework supports the Group's ambitions whilst taking into account key stakeholders' interests and market developments, AIA's risk management framework as well as the applicable regulatory landscape.

As such, the Remuneration Committee continues to focus that the remuneration approach and its application strive for a balance between rewarding for impact and behaviours demonstrated and positioning compensation competitively to attract, motivate and retain our talents.

With changes to the Listing Rules relating to share schemes that came into effect, the Group's share schemes were reviewed and amendments were adopted to ensure compliance with the new requirements whilst continuing to be aligned with stakeholders' interests. The amended scheme rules were approved by the Company's shareholders at the 2023 annual general meeting.

In 2023, the Remuneration Committee conducted an in-depth review of the Group's incentive plans to ensure that they are fit for the future to support the Group in achieving its ambitions and maintaining its market competitiveness, and continue to align with investors and shareholders' interests. Enhancements to the design of the long-term incentive plan are effective from 2024 and will support the Group in attracting, motivating and retaining the best talents to drive AIA's strategy and its unique proposition. The review was supported by the Remuneration Committee's independent external advisor, considering market and regulatory developments. Further information is included in the "Looking Ahead" section of the Remuneration Report.

The overall remuneration framework for senior executives and employees remains unchanged in 2023 and will continue to apply in 2024 focusing on encouraging behaviours, which create impact and sustainable value for all our stakeholders in alignment with our risk management framework.

The emphasis of a balanced approach between risks and rewards, providing for competitive remuneration with robust safeguards in place continues to be our key focus to attract, motivate and retain the talents required to deliver on the Group's strategy.

The Remuneration Committee continues to monitor the Group's remuneration framework and is confident that the remuneration framework continues to support the Group's value proposition and prospective strategies.

George Yong-Boon Yeo
Chairman, Remuneration Committee
14 March 2024

REMUNERATION GOVERNANCE

ROLE OF THE REMUNERATION COMMITTEE

The Remuneration Committee is responsible for establishing and overseeing the implementation of the Group's overall remuneration policies, overseeing and approving the Company's equity-based remuneration plans, and determining specific remuneration for all directors, the Group Chief Executive and President, Key Management Personnel (the members of the Group Executive Committee who, by the nature and accountabilities of their respective positions, participate directly in the development, implementation, monitoring and reporting of the overall business strategy of the Group) and the Key Persons in Control Functions.

As part of its duties, the Remuneration Committee is responsible for establishing a formal and transparent procedure in developing and approving such remuneration. In making its determinations and recommendations, the Remuneration Committee considers various factors such as the responsibilities of the Group Chief Executive and President and Key Management Personnel, the remuneration paid by comparable companies, remuneration levels within the Group and AIA's risk management framework.

The Remuneration Committee is responsible for reviewing and assessing the remuneration framework and relevant policies to ensure that they align with the strategy and the interests of the Company's stakeholders. Working closely with other relevant Committees, such as the Risk Committee, the impact of the remuneration framework and relevant remuneration policies is assessed to ensure that excessive risk taking is not encouraged.

The Remuneration Committee also oversees the design and operation of the Company's equity-linked and other Group incentive schemes, recommending equity-based employee grants for approval by the Board as well as reviewing and, where appropriate, amending the terms of the schemes.

The Remuneration Committee is authorised by the Board to discharge its duties as outlined in its Terms of Reference. It is also authorised to seek any remuneration information it requires from the Group Chief Executive and President and/or Key Management Personnel and may obtain external independent professional advice as it deems necessary.

The full Terms of Reference for the Remuneration Committee can be accessed at www.aia.com.

MEMBERS AND MEETINGS

As of 31 December 2023, the Remuneration Committee consisted of four independent non-executive directors, being Mr. George Yong-Boon Yeo, who is the Chairman of the Remuneration Committee, Mr. Edmund Sze-Wing Tse, Mr. Jack Chak-Kwong So and Ms. Sun Jie (Jane).

The Remuneration Committee held five meetings during the year ended 31 December 2023. The attendance records of the Remuneration Committee members are set out on page 115 of this Annual Report.

KEY ACTIVITIES OF THE REMUNERATION COMMITTEE

The Remuneration Committee performed the following key activities in 2023.

Area	Summary of activities
Remuneration decisions for the Group Chief Executive and President and Key Management Personnel	• Reviewed and approved the 2023 remuneration for the Group Chief Executive and President and Key Management Personnel • Recommended the 2023 long-term incentive grant for the 2023 to 2025 performance period for the Group Chief Executive and President for approval by the Independent Non-executive Directors • Reviewed and approved terms and conditions including remuneration arrangements for the Group Chief Healthcare Officer • Reviewed the executive benchmarking results ahead of the 2023/24 annual review cycle
Design and operation of the Group's incentive schemes	• Reviewed the achievement of relevant performance levels and approved the 2022 short-term incentive plan awards for the Group Chief Executive and President and the Key Management Personnel, and the vesting of the 2020 long-term incentive grants for all plan participants including the Group Chief Executive and President and the Key Management Personnel • Reviewed and approved the 2023 long-term incentive grants for the 2023 to 2025 performance period • Reviewed and approved the performance measures and targets for the 2024 short-term incentive plan, and the 2024 long-term incentive plan for the 2024 to 2026 performance period • Reviewed and approved the four amended share scheme / plan rules, subsequently approved by the Board and the Shareholders at the 2023 Annual General Meeting • Reviewed and approved the incentive plan design adjustments to be future fit
Remuneration governance and disclosure	• Reviewed and approved the 2022 Remuneration Report • Reviewed and assessed the Group's remuneration framework to ensure alignment with stakeholders' interests, including appropriate safeguards, and provided the Risk Committee with a report of this review • Reviewed the regulatory and corporate governance environment impacting executive remuneration practices and governance in the Group's key markets, including Hong Kong and Mainland China • Reviewed the emerging remuneration trends for AIA's international insurance peer companies and for the Asia Pacific and other regions, especially with respect to Environmental, Social and Governance (ESG)

In conducting its business, the Remuneration Committee is advised by an independent external advisor appointed by the Remuneration Committee, who provides independent advice for any remuneration topics requested by the Remuneration Committee, including reviewing the remuneration framework and executive remuneration terms and arrangements.

REMUNERATION AND RISK

The Remuneration Committee regularly reviews, and as necessary, amends the remuneration framework and oversees its implementation in view of effective risk management, and regulatory requirements of relevant jurisdictions.

A report of the remuneration and risk matters is provided annually by the Remuneration Committee and shared with the Risk Committee. This report contains an assessment of AIA's remuneration framework including the incentive framework, remuneration governance practices, and the key topics discussed and approved by the Remuneration Committee over the course of the year. This ensures a robust dialogue concerning risk issues between the two Committees. The Group Risk Management function evaluated the 2023 remuneration framework and concluded that it does not encourage inappropriate risk taking behaviours.

Control functions are actively involved in monitoring the operational implementation of AIA's policies and practices and ensuring compliance across the Group. If applicable, relevant control functions are consulted in reviewing remuneration design elements and in defining remuneration policies and rules, in order to ensure that the remuneration framework complies with legal and regulatory requirements across the Group and does not encourage excessive risk taking behaviours.

When reviewing the incentive plans' design for 2024, the control functions were engaged to ensure that any plan design enhancements are compliant with relevant rules and regulations and are assessed in respect to AIA's risk management framework.

AIA's remuneration framework contains multiple design and policy safeguards to adhere to prudent risk taking and to discourage excessive risk taking behaviours.

These safeguards include guidelines on employment and remuneration terms and conditions for the most senior positions including a consistent, centrally managed framework for contractual agreements and a robust remuneration benchmarking approach conducted by an independent external advisor. Other safeguards include clear incentive funding and vesting framework aligned with Board approved performance targets, short-term incentive awards and long-term incentive vesting levels approved by the Remuneration Committee with target and maximum pay opportunities aligned with market practices, malus and clawback mechanism as part of the incentive framework and share ownership guidelines for the Group Chief Executive and President.

In addition, a robust Group-wide performance management framework is applied, assessing employees' and executives' contributions and behaviours based on individual goals established at the beginning of the year. This ensures that reward outcomes reflect both results achieved and behaviours demonstrated balancing the financial and non-financial aspects.

Senior control function employees' short-term incentive awards are fully aligned to Group Office results to avoid potential conflict of interests and to ensure their independence.

REMUNERATION FRAMEWORK

REMUNERATION POLICY

AIA is committed to responsible remuneration practices to attract, motivate and retain employees at all levels across the Group. Our remuneration programmes aim to reward all individuals competitively and fairly, irrespective of gender, ethnicity, age, disability or other non-performance related factors, based on principles of impact and contribution balanced against sound risk management.

AIA's performance and rewards approach supports the achievement of AIA's business strategy, which includes rewarding for the achievement of strategic objectives by taking into consideration the Group's capital position and long-term performance whilst not inducing excessive risk taking behaviours or violation of applicable laws, guidelines or regulations.

Our remuneration policy serves to support the above objectives through appropriate governance, design, implementation and monitoring of AIA's remuneration and risk management framework. This framework applies across the Group and is implemented consistently across our business units, subject to local rules and regulations as necessary and appropriate for the Group.

TOTAL REMUNERATION AND REMUNERATION ELEMENTS

At AIA, total remuneration is reviewed holistically and is determined by taking into consideration scope and complexity of the role, professional experience, market competitiveness, internal relativities, compliance with relevant legal and regulatory requirements and other factors.

For Key Management Personnel, the Remuneration Committee reviews total remuneration annually, including base salaries, short-term and long-term incentive opportunities, against AIA's international insurance peers and wider market levels, and approves remuneration including the individual short-term incentive awards.

The table below summarises the Company's remuneration elements and their application to the Group Chief Executive and President and Key Management Personnel for the year ended 31 December 2023.

Element	Basis of determination	Notes on practices
Base salary This is the fixed portion provided as a cash element of remuneration	Base salary is determined with reference to the scope and complexity of the role, geographical location, and relevant professional experience, whilst also considering market competitiveness and internal relativities.	Base salary increases, where applicable, generally take effect from 1 March. The fixed portion of remuneration should be set appropriately to not induce any excessive risk taking behaviour by leveraging the variable component.
Short-term incentives These are delivered in the form of a discretionary, performance-based cash award to incentivise and reward the achievement of business objectives and individual contributions and behaviours	Short-term incentives are discretionary and recognise both business and individual performance, taking into consideration an individual's contributions and behaviours. Short-term incentive target opportunities are determined with reference to the individual's roles and responsibilities and the market competitiveness of variable and total remuneration.	Short-term incentive awards are based on the achievement of the Group's pre-defined financial performance targets as well as an individual's contributions and behaviours. As such, both financial and non-financial performance measures are taken into consideration.

Element	Basis of determination	Notes on practices
Long-term incentives These are delivered in the form of performance-vesting RSUs and time-vesting SOs generally vesting after a three-year vesting period to align with the Group's strategy and long-term interests of shareholders	Long-term incentives are discretionary and are intended to align senior employees and key talents with the Group's long-term strategic ambitions and shareholders' interests, and to promote risk awareness whilst encouraging to operate in a sustainable manner. Participation is determined annually, and individual long-term incentive grants are determined with reference to the individual's roles and responsibilities, performance and potential whilst considering market competitiveness of variable and total remuneration.	For the Group Chief Executive and President and Key Management Personnel, long-term incentive grants are made in the form of performance-vesting RSUs and time-vesting SOs, with a significant portion of senior executives' variable remuneration being deferred. Long-term incentives generally vest after a three-year period and are settled in Shares, with performance-vesting RSUs subject to pre-defined performance vesting requirements.
Benefits and allowances These include benefits that may be required by regulations and/or in line with local market practices	Benefits are designed to ensure market competitiveness of the overall rewards delivery and are fully compliant with local regulations.	The Group Chief Executive and President and Key Management Personnel participate in retirement schemes and receive welfare related benefits, for example, medical and life insurance.
Employee share purchase plan (ESPP) This benefit provides employees with an investment opportunity with matching Share grants to facilitate and encourage long-term AIA share ownership	Except where prohibited by local regulations, ESPP is open to all employees who have completed probation and is subject to a maximum contribution indicated as a percentage of base salary or the plan's maximum dollar limit.	Participants receive matching Shares for Shares they have purchased, subject to an investment limit approved by the Remuneration Committee. Matching Shares vest after three years.

Further details on the operation of our short-term and long-term incentives, along with the ESPP, are provided on the following pages.

VARIABLE REMUNERATION

Variable remuneration opportunities are designed to motivate employees to deliver on key short-term and long-term objectives and are aligned with the interests of the stakeholders of AIA, including those of customers, long-term shareholders and employees. Depending on business and individual performance and behaviours, such incentives may result in award levels above or below target, reflecting superior performance and behaviours, and performance and behaviours below expectations, respectively.

AIA's short-term and long-term incentive plans are described below.

SHORT-TERM INCENTIVE PLAN

Short-term incentives are discretionary and incentivise participants for the achievement of annual business objectives linked to financial, operational and individual performance over the relevant financial year. Individual performance is measured based on the achievements of individual goals focusing on achievements and behaviours, including a balance of financial and non-financial measures. The short-term incentive plan is reviewed regularly to ensure its design, process and governance work together to balance incentives and risk.

2023 short-term incentive plan performance levels, including target and maximum opportunities, were determined by the Remuneration Committee and communicated to the Group Chief Executive and President and Key Management Personnel at the beginning of the year ended 31 December 2023.

Performance Measures And Weightings

For 2023, the performance measures used in the short-term incentive plan are as follows:

VONB	60% WEIGHTING	Value of new business (VONB) is an estimate of the economic value of one year's sales as published by the Company
UFSG	15% WEIGHTING	Underlying free surplus generation (UFSG) is the free surplus generated by the business excluding the free surplus invested in new business, investment return variances and other items
OPAT	25% WEIGHTING	Operating profit after tax (OPAT) is the operating profit after tax based on the financial results calculated and reported under IFRS Accounting Standards published by the Company

Consistent with prior years, an individual's performance contribution was also considered when determining the amounts to be paid to the Group Chief Executive and President and Key Management Personnel

For business units, performance measures and weightings may vary from the illustration above and include a weighting for strategic initiatives.

The total value of short-term incentive awards that will be paid to Mr. Lee Yuan Siong (Group Chief Executive and President) and Key Management Personnel for the year ended 31 December 2023 is US$17,560,680.

The short-term incentive amounts for the year ended 31 December 2023 are included in note 37 to the consolidated financial statements as "Bonuses" for Mr. Lee Yuan Siong, and as part of the "Salaries and other short-term employee benefits" for Key Management Personnel.

LONG-TERM INCENTIVE PLAN

Long-term incentives intend to align senior employees and key talents with the Group's long-term strategic ambitions and stakeholders' interests through ownership of the Shares and/or the increase in value of the Shares. Long-term incentives encourage engagement to operate in a sustainable manner and are designed to motivate and retain employees, provide risk awareness and support long-term wealth creation with increase in the shareholder value. The long-term incentive schemes are reviewed regularly to ensure their design, process and governance work together to balance incentives and risk.

Long-term incentives are reserved for the most senior positions in the Group that have significant impact on the sustainable financial results and the overall risk profile of the Group. Other individuals may be considered for long-term incentives, for example, on the basis of market competitiveness due to their skills and areas of expertise.

Long-term incentive grants are determined on an annual basis with reference to an individual's role and responsibilities, performance and potential whilst considering market competitiveness of variable and total remuneration. The long-term incentive grants are delivered in the form of performance-vesting RSUs and time-vesting SOs.

The grants vest in shares after a three-year vesting period, subject to the participant remaining in employment with the Group at the time of vesting.

For performance-vesting RSUs, vesting occurs when performance conditions are met and the vesting level is subject to the Remuneration Committee's approval. For time-vesting SOs, there are no performance conditions attached. The value of the SOs is linked to the future Share price, which in turn depends on the performance of the Company.

Performance Measures And Weightings

For 2023, the performance measures used in the long-term incentive plan are as follows:

VONB	1/3 WEIGHTING	VONB is an estimate of the economic value of one year's sales as published by the Company
EV EQUITY	1/3 WEIGHTING	Equity attributable to shareholders of the Company on the embedded value basis (EV Equity) is the total of embedded value, goodwill and other intangible assets as published by the Company. Embedded value is an estimate of the economic value of in-force life insurance business, including the net worth on the Group's balance sheet but excluding any economic value attributable to future new business
TSR	1/3 WEIGHTING	Relative total shareholder return (TSR) is the compound annual return from the ownership of a share over a period of time measured by calculating the change in the share price and the gross value of dividends received (and reinvested) during that period. AIA's TSR is compared with the TSR of the peer companies* over the performance period

* TSR peer companies for the performance-vesting RSUs granted include 19 life and health or multi-line insurance companies identified within the Dow Jones Insurance Titans 30 Index (DJTINN) at the start of the performance period.

The vesting of performance-vesting RSUs is subject to the achievement of pre-defined performance levels assessed over a three year performance period (i.e., for 2023 long-term incentive plan, performance period is from 1 January 2023 to 31 December 2025). For the vesting of the RSU grants, the threshold performance level for TSR is the 25th percentile of peer companies' performance, while the maximum performance level is 75th percentile or above of peer companies' performance, at which 200 per cent of the target number of performance-vesting RSUs will vest.

DIRECTORS AND KEY MANAGEMENT PERSONNEL EMOLUMENTS

KEY MANAGEMENT PERSONNEL

The total remuneration cost charged to the consolidated income statement for the Key Management Personnel during the year ended 31 December 2023 was US$49,959,548.

Details of remuneration provided during the year ended 31 December 2023 are included in note 37 to the consolidated financial statements.

EXECUTIVE DIRECTOR

Mr. Lee Yuan Siong received remuneration exclusively for his role as Group Chief Executive and President and received no separate fees for his role as a Board Director or for acting as a director of any subsidiary companies.

The table below provides details of annualised target level of remuneration, excluding benefits and allowances, for the Group Chief Executive and President.

	Annualised Target Compensation [1]	
US$ thousands	2023 Mr. Lee Yuan Siong	2022 Mr. Lee Yuan Siong
Base Salary [2]	**1,177**	1,140
Short-term Incentive Target Amount	**2,515**	2,350
Long-term Incentive Target Grant Value	**4,611**	4,400
Total Target Direct Compensation	**8,303**	7,890

Notes:

(1) The target remuneration levels shown in the table above represent the annualised amount for each of them excluding benefits and allowances. Mr. Lee Yuan Siong also received an annualised housing allowance of HK$3,000,000 for each of the years 2022 and 2023.

(2) Mr. Lee Yuan Siong's base salary represents the annualised amount as of 1 March (being the annual review salary effective date) for each of the years 2022 and 2023. Base salaries are paid in Hong Kong dollars and converted to US dollars using exchange rates as of the end of each year.

Details of the actual remuneration costs incurred by the Company during the year ended 31 December 2023 in relation to the Group Chief Executive and President are included in note 37 to the consolidated financial statements.

NON-EXECUTIVE DIRECTORS

Remuneration for the Non-executive Directors was paid during the year ended 31 December 2023 and included fees for their services provided to the Board Committees. All remuneration of the Non-executive Directors was on a flat annual fee basis, with no variable component linked to either corporate or individual performance.

Details of the Non-executive Directors' remuneration cost incurred by the Company during the year ended 31 December 2023 are included in note 37 to the consolidated financial statements.

Board Chairman

The Board Chairman Basic Fees, inclusive of Board Membership fee, was US$750,000 per annum for the year ended 31 December 2023.

Non-executive Directors

Board Membership fees for the Non-executive Directors were US$220,000 per annum for the year ended 31 December 2023.

Additional annual fees for Committee Membership and Chair positions are also provided to the Non-executive Directors as follows:

	Chair	Member
Audit Committee	US$75,000	US$50,000
Nomination Committee	US$30,000	US$20,000
Remuneration Committee	US$65,000	US$40,000
Risk Committee	US$65,000	US$40,000

Non-executive Directors who have also acted as representatives of the Board to attend the ESG Committee, being a management committee of the Company, are provided with an additional annual fee of US$20,000.

ADDITIONAL INFORMATION REGARDING SHARE SCHEMES

The Board has delegated to the Remuneration Committee the duty to administer the Company's share schemes. None of the members of the Remuneration Committee (being independent non-executive directors only) is eligible to participate in any of the share schemes. Any proposed grant to be made to a director or chief executive of the Company under a share scheme will be subject to approval by all independent non-executive directors.

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 and the Company's values and proposition.

For further information regarding the share schemes, please refer to summaries below and Appendix III to VI of the shareholders' circular of the Company's 2023 annual general meeting.

RESTRICTED SHARE UNIT SCHEMES

The purpose of the 2020 RSU Scheme is to align the participants' interests with those of the Group through ownership of the Shares and/or the increase in value of the Shares. Under the 2020 RSU Scheme, the Company may grant RSUs (RSU Awards) to employees, directors (excluding independent non-executive directors) or officers of any member of the Group.

The 2010 RSU Scheme, adopted by the Company on 28 September 2010, was terminated with effect from 31 July 2020, and no further grants may be made under this scheme although outstanding grants will continue to vest based on their original terms. The 2020 RSU Scheme, with substantially the same terms as the 2010 RSU Scheme, were adopted by the Company on 1 August 2020 (2020 RSU Scheme Adoption Date) and is effective for a period of 10 years from the 2020 RSU Scheme Adoption Date and has a remaining life of approximately six years.

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 (i.e. 18 May 2023) as specified under the rules of the 2020 RSU Scheme, being 290,494,815 Shares, representing 2.572 per cent of the number of Shares in issue as at the date of this report.

No consideration shall be payable by the participant on acceptance or vesting of any RSU Award granted under the 2020 RSU Scheme. The maximum number of Shares underlying all grants (i.e., the new Shares issued and to be issued in respect of all options and awards granted) to any one participant under the Company's share schemes (including the RSU Scheme) in any 12-month period is 1 per cent (or 0.1 per cent for a substantial shareholder or a Director or chief executive of the Company) of the number of Shares in issue as at the date of the relevant grant.

The vesting period under the long-term incentive plan is three years. In addition, the minimum period between the date of the acceptance and the date of the vesting shall not be shorter than 12 months, except in cases where a grant is made to (i) new hires to compensate for any forfeited compensation and benefits in respect of prior employment and/or (ii) persons who falls within certain good leaver criteria. The Remuneration Committee is of the view that allowing for a shorter vesting period in each of the above specific circumstances is appropriate and in line with the purposes of the 2020 RSU Scheme, as it allows the Company to make buyout grants to new hires so as to attract key talents and to adhere to addressing forgone remuneration, as well as to compensate good leavers with accelerated vesting to address for specific good leaver's circumstances.

During the year ended 31 December 2023, the Company granted 11,470,894 RSUs under the 2020 RSU Scheme. The 2023 performance-vesting RSU grants will be assessed over a three-year period from 1 January 2023 to 31 December 2025 taking into consideration the performance measures described above.

During the year ended 31 December 2023, 4,698,715 RSUs vested under the 2010 RSU Scheme, while 125,468 vested under the 2020 RSU Scheme. The Remuneration Committee approved the vesting level for the 2020 long-term incentive grants at 100 per cent of target, all of which were satisfied with purchases of existing Shares on market by the scheme trustee.

Since the 2020 RSU Scheme Adoption Date and up to 31 December 2023, a cumulative total of 16,779,224 RSUs vested under the 2010 RSU Scheme and the 2020 RSU Scheme, underlying Shares of which represent 0.14 per cent of the number of Shares in issue as at the RSU Scheme Limited Reference Date. During the same period, no new Shares were issued upon vesting of the awards under the 2010 RSU Scheme and the 2020 RSU Scheme.

As at 31 December 2023, there were a total of 29,913,377 RSUs outstanding under the 2010 RSU Scheme and the 2020 RSU Scheme, representing 0.26 per cent of the number of Shares in issue as at 31 December 2023. 272,661,030 and 260,581,438 RSUs were available for grant pursuant to the scheme mandate as at 1 January 2023 and 31 December 2023, respectively.

RSU Movements During the Year Ended 31 December 2023

The table below summarises the movements in RSUs under the 2010 RSU Scheme and the 2020 RSU Scheme during the year ended 31 December 2023.

	Date of grant (day / month / year) [1]	Date of vesting (day / month / year) [2]	RSUs outstanding as at 1 January 2023	RSUs granted during the year ended 31 December 2023	RSUs vested during the year ended 31 December 2023	RSUs cancelled / lapsed / reclassified during the year ended 31 December 2023	RSUs outstanding as at 31 December 2023 [3]	Weighted average closing price of Shares immediately before the dates on which RSUs vested (HK$)
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	Date of grant (day / month / year) [1]	Date of vesting (day / month / year) [2]	RSUs outstanding as at 1 January 2023	RSUs granted during the year ended 31 December 2023	RSUs vested during the year ended 31 December 2023	RSUs cancelled / lapsed / reclassified during the year ended 31 December 2023	RSUs outstanding as at 31 December 2023 [3]	Weighted average closing price of Shares immediately before the dates on which RSUs vested (HK$)
Five highest-paid individuals	**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
Other eligible employees and participants	**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	–	(29,861)	(641,720)	6,156,838	77.16
	24/3/2021	24/3/2024 [8]	77,480	–	–	–	77,480	n/a
	2/6/2021	2/6/2024 [5]	67,610	–	(10,233)	(22,743)	34,634	77.67
	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	–	(31,578)	(859,385)	8,777,543	75.31
	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	(6,649)	(587,941)	9,658,452	71.04
Grand Total	**2010 RSU Scheme**		10,010,272	–	(4,698,715)	(4,473,965)	837,592	
	2020 RSU Scheme		19,593,676	11,470,894	(125,468)	(1,863,317)	29,075,785	
	Total		29,603,948	11,470,894	(4,824,183)	(6,337,282)	29,913,377	

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 year ended 31 December 2023 was determined to be 17 March 2023. These measurement dates were determined in accordance with IFRS 2 *Share-based Payment*.
(2) The date of vesting is subject to applicable dealing restrictions.
(3) Includes RSUs outstanding as at 31 December 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 135 of this Annual Report.
(6) The closing price of the Shares immediately before the date on which RSUs were granted was HK$76.4. 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 135 of this Annual Report.
(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 traches of 47,147 RSUs each had vested on 14 September 2022 and 14 March 2023 respectively. Subject to continued employment, 47,147 RSUs each 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

The purpose of the SO Scheme is to align the participants' interests with those of the Group through ownership of Shares and/or the increase in value of Shares. Under the 2020 SO Scheme, the Company may grant SOs to employees, directors (excluding independent non-executive directors) or officers of any member of the Group.

The 2010 SO Scheme, adopted by the Company on 28 September 2010, was terminated with effect from 29 May 2020, and no further grants may be made under this scheme although outstanding grants will continue to vest based on their original terms.

The 2020 SO Scheme, with substantially the same terms as the 2010 SO Scheme, was adopted by the Company on 29 May 2020 (2020 SO Scheme Adoption Date). The 2020 SO Scheme is effective for a period of 10 years from the 2020 SO Scheme Adoption Date and has a remaining life of approximately six years.

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 (representing 2.676 per cent of the number of Shares in issue as at the date of this report). The maximum number of Shares underlying all grants (i.e., the new Shares issued and to be issued in respect of all options and awards granted) to any one participant under the Company's shares schemes (including the SO Scheme) in any 12-month period is 1 per cent (or 0.1 per cent for a substantial shareholder of the Company) of the number of Shares in issue as at the date of the relevant grant. No SOs have been granted to substantial shareholders or in excess of the individual limit pursuant to the SO Schemes since their adoption.

No consideration is payable by the participant on acceptance of any SO granted under the 2020 SO Scheme. Each SO entitles the participant to subscribe for one ordinary share of the Company. The exercise price of SOs is the higher of (i) the closing price of the Shares on the date of grant and (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant.

The vesting period under the long-term incentive plan is three years. In addition, the minimum holding period of an SO is 12 months from date of acceptance and an SO shall have a maximum life of 10 years from grant. The SOs are generally exercisable three years after the date of grant and remain exercisable for another seven years, except in cases where a grant is made to (i) new hires to compensate for any forfeited compensation and benefits in respect of prior employment and/or (ii) persons who falls within certain good leaver criteria. The Remuneration Committee is of the view that allowing for a shorter vesting period in each of the above specific circumstances is appropriate and in line with the purposes of the 2020 SO Scheme, as it allows the Company to make buyout grants to new hires so as to attract key talents and to adhere to addressing forgone remuneration, as well as to compensate good leavers with accelerated vesting to address for specific good leaver's circumstances.

During the year ended 31 December 2023, the Company granted 1,918,599 SOs under the 2020 SO Scheme. During the same period, 661,786 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. The Remuneration Committee is of the view that SOs (with no performance conditions attached to them) are granted to drive long-term focus and shareholder value creation. The value of the SOs is linked to the future Share price, which in turn depends on the performance of the Company.

Since the 2020 SO Scheme Adoption Date and up to 31 December 2023, a cumulative total of 7,769,460 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.

As at 31 December 2023, there were a total of 25,105,172 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 31 December 2023. 271,184,000 and 269,390,346 SOs were available for grant pursuant to the scheme mandate as at 1 January 2023 and 31 December 2023, respectively.

As at the date of this report, the total number of Shares which are available for issue underlying the SOs granted under the 2020 SO Scheme and 2010 SO Scheme is 294,440,807 Shares, representing approximately 2.607 per cent of the number of Shares in issue.

SO Movements During the Year Ended 31 December 2023

The table below summarises the movements in SOs under the 2010 SO Scheme and the 2020 SO Scheme during the year ended 31 December 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)	SOs outstanding as at 1 January 2023	SOs granted during the year ended 31 December 2023	SOs vested during the year ended 31 December 2023	SOs cancelled / lapsed / reclassified during the year ended 31 December 2023	SOs exercised during the year ended 31 December 2023	Exercise price (HK$)	SOs outstanding as at 31 December 2023 (3)	Weighted average closing price of Shares immediately before the dates on which SOs were exercised (HK$)
Group Chief Executive and President	**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
Mr. LEE Yuan Siong	**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	–	–	–	(294,204)	37.56	54,711	77.87
	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)	(661,786)		18,911,386	
	2020 SO Scheme		4,349,086	1,918,599	–	(73,899)	–		6,193,786	
	Total		23,973,304	1,918,599	4,577,481	(124,945)	(661,786)		25,105,172	

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 year ended 31 December 2023 was determined to be 17 March 2023. These measurement dates were determined in accordance with IFRS 2 *Share-based Payment*.

(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 31 December 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 PLANS

The 2011 ESPP and the 2020 ESPP (together, ESPPs) are designed to facilitate and encourage long-term AIA share ownership by employees to strengthen employees' sense of belonging and encourage retention. Under the ESPPs, the Company may grant restricted stock purchase units (RSPUs) to the participants (being permanent employees of the Group) to match their Share purchases.

The 2011 ESPP, adopted by the Company on 25 July 2011 with a term of 10 years from the date of adoption, was terminated with effect from 31 October 2020. However, the 2011 ESPP shall remain in full force and effect for all RSPUs granted prior to its termination, and the vesting of such RSPUs shall be subject to and made in accordance with the terms on which they were granted under the 2011 ESPP.

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 and has a remaining life of approximately six years.

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 generally 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.

The vesting period of the RSPUs granted is three years. In the case where a participant fulfills the good leaver criteria or if there is a change in control or winding-up of the Company each participant's matching RSPUs shall vest immediately. The Remuneration Committee is of the view that allowing for a shorter vesting period in these specific circumstances is appropriate and in line with the purposes of the ESPP as it allows the Company to compensate good leavers with accelerated vesting to address for specific good leaver's circumstances.

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, representing 2.572 per cent of the number of Shares in issue as at the date of this report. The maximum number of Shares underlying all grants (i.e., the new Shares issued and to be issued in respect of all options and awards granted) to any one participant under the Company's share schemes (including the ESPPs) in any 12-month period is 1 per cent (or 0.1 per cent for a substantial shareholder or a director or chief executive of the Company) of the number of Shares in issue as at the date of filing the election form for participation in the ESPP.

No performance targets and clawback provisions are attached to RSPUs under the ESPPs. The Remuneration Committee is of the view that the grants under the ESPPs are time-vesting and intended for eligibility wider than directors and senior management and focused on strengthening employees' sense of belonging and engagement by holding an equity stake in the Company.

During the year ended 31 December 2023, 1,972,908 matching RSPUs were granted, 1,196,668 matching RSPUs vested and no new Shares were issued under the 2020 ESPP.

Since the 2020 ESPP Adoption Date and up to 31 December 2023, no new Shares were issued upon vesting of the RSPUs granted under the 2020 ESPP and its predecessor plan.

As at 31 December 2023, there were a total of 3,742,988 RSPUs outstanding under 2020 ESPP, representing 0.03 per cent of the number of Shares in issue as at 31 December 2023.

The table below summarises the movements in RSPUs under the 2020 ESPP during the year ended 31 December 2023.

	ESPP	RSPUs outstanding as at 1 January 2023	RSPUs granted during the year ended 31 December 2023 (1)	RSPUs vested during the year ended 31 December 2023	RSPUs cancelled / lapsed / reclassified during the year ended 31 December 2023	RSPUs outstanding as at 31 December 2023 (2)	Weighted average closing price of Shares immediately before the dates on which RSPUs vested (HK$)
Group Chief Executive and President Mr. LEE Yuan Siong	2020 ESPP (3)	1,901	978	(785)	–	2,095	73.80

	ESPP	RSPUs outstanding as at 1 January 2023	RSPUs granted during the year ended 31 December 2023 (1)	RSPUs vested during the year ended 31 December 2023	RSPUs cancelled / lapsed / reclassified during the year ended 31 December 2023	RSPUs outstanding as at 31 December 2023 (2)	Weighted average closing price of Shares immediately before the dates on which RSPUs vested (HK$)
Five highest-paid individuals	2020 ESPP (3)	5,704	2,934	(2,354)	–	6,284	73.80
Other eligible employees and participants	2020 ESPP (3)	3,273,975	1,969,974	(1,194,314)	(312,931)	3,736,704	73.96
Grand Total		3,279,679	1,972,908	(1,196,668)	(312,931)	3,742,988	

Notes:

(1) The grant date of matching RSPUs is taken to be the first day of the month after a participant has enrolled in the ESPP under IFRS 2 *Share-based Payment*, with actual monthly share purchase on every 15th 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 RSPUs were granted, please refer to share price on www.aia.com. The weighted average fair value per each matching RSPUs granted during the year ended 31 December 2023 were measured to be HK$70.79 for January 2023 grant, HK$70.22 for February 2023 grant, HK$69.87 for March 2023 grant, HK$68.79 for April 2023 grant, HK$67.73 for May 2023 grant, HK$66.05 for June 2023 grant, HK$63.68 for July 2023 grant, HK$62.69 for August 2023 grant, HK$64.04 for September 2023 grant, HK$61.21 for October 2023 grant, HK$59.40 for November 2023 grant and HK$58.61 for December 2023 grant. No consideration is payable by participants on the grant of RSPUs.

(2) As at 1 January 2023, 298,985,299 RSPUs 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 grant of RSPUs during the year ended 31 December 2023, 286,751,826 RSPUs were available for grant pursuant to the revised plan limit as at 31 December 2023.

(3) The 2020 ESPP includes a) 2020 ESPP plan year with monthly purchase on every 15th of the month (or, if such day is not a business day, the next succeeding business day) from November 2020 to October 2021, and date of vesting on 16 November 2023; b) 2021 ESPP plan year with monthly purchase on every 15th of the month (or, if such day is not a business day, the next succeeding business day) from November 2021 to October 2022, and date of vesting on 15 November 2024; c) 2022 ESPP plan year with monthly purchase on every 15th of the month (or, if such day is not a business day, the next succeeding business day) from November 2022 to October 2023, and date of vesting on 15 November 2025; d) 2023 ESPP plan year with monthly purchase on every 15th of the month (or, if such day is not a business day, the next succeeding business day) from November 2023 to October 2024, and date of vesting on 15 November 2026.

AGENCY SHARE PURCHASE PLANS

The 2012 ASPP and the 2021 ASPP (together, ASPPs) are designed to facilitate and encourage long-term AIA share ownership by selected agency leaders and agents of the Group. Under the ASPPs, the Company may grant restricted stock subscription units (RSSUs) to the participants to match their Share purchases.

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 had been 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 and has a remaining life of approximately seven years.

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, representing 2.572 per cent of the number of Shares in issue as at the date of this report. The maximum number of Shares underlying all grants (i.e., the new Shares issued and to be issued in respect of all options and awards granted) to any one participant under the Company's share schemes (including the ASPPs) in any 12-month period is 1 per cent of the number of Shares in issue as at the date of filing the election form for participation in the ASPP.

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 generally 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.

No performance targets and clawback provisions are attached to RSSUs under the ASPPs. The Remuneration Committee is of the view that the grants under the ASPPs are time-vesting and focused on strengthening agents' sense of belonging and engagement by holding an equity stake in the Company.

During the year ended 31 December 2023, no matching RSSUs were granted, 986,359 matching RSSUs vested and 986,359 new Shares were issued under the 2012 ASPP. During the same period, 1,071,710 matching RSSUs were granted, no matching RSSUs vested and no new Shares were issued under the 2021 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.

Since the 2021 ASPP Adoption Date and up to 31 December 2023, a cumulative total of 3,298,477 matching RSSUs were vested under the ASPPs and 3,298,477 new Shares were issued under either the 2012 ASPP or the 2021 ASPP.

As at 31 December 2023, there were a total of 2,573,564 RSSUs outstanding under the 2012 ASPP and the 2021 ASPP, representing 0.02 per cent of the number of Shares in issue as at 31 December 2023.

The table below summarises the movements in RSSUs under 2012 ASPP and 2021 ASPP during the year ended 31 December 2023 for the eligible participants.

	ASPP	RSSUs outstanding as at 1 January 2023	RSSUs granted during the year ended 31 December 2023 (3)	RSSUs vested during the year ended 31 December 2023 (4)	RSSUs cancelled / lapsed / reclassified during the year ended 31 December 2023	RSSUs outstanding as at 31 December 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	1,071,711	–	(104,209)	2,573,564	n/a
	Total	**2,611,300**	**1,071,711**	**(986,359)**	**(123,088)**	**2,573,564**	**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 share price on www.aia.com. The weighted average fair value per matching RSSUs granted during the year ended 31 December 2023 was measured to be HK$57.03 for 27 March 2023 grant, 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 36 to the 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 year ended 31 December 2023, 284,622,774 RSSUs were available for grant pursuant to the revised plan limit as at 31 December 2023.

The number of Shares that may be issued in respect of SOs and awards granted under the share schemes of the Company during the year ended 31 December 2023 divided by the weighted average number of Shares in issue as at 31 December 2023 is 0.1427 per cent.

Details regarding the fair value measurement of SOs and awards granted under the share schemes of the Company during the year ended 31 December 2023 and the accounting standard and policy adopted are set out in note 36 to the consolidated financial statements.

LOOKING AHEAD

This section sets out further information regarding remuneration for the performance year 2024.

During 2023, the Remuneration Committee reviewed the design of the incentive plans and conducted an in-depth analysis with support from its independent external advisor. The review focused on ensuring that AIA's incentive plans are future fit to support the attraction, motivation and retention of executives and key talent, continuing to align with our strategy and the interests of our stakeholders, whilst complying with regulatory requirements.

The enhancements include the introduction of time-vesting RSUs replacing a portion of the current long-term incentive plan vehicle performance-vesting RSUs for plan participants other than the Group Chief Executive and President and Key Management Personnel. SOs will continue to be provided. Further, to determine the long-term incentive vesting level, an additional key financial performance measure (Underlying Free Surplus Generation, UFSG) will be introduced.

The enhancements are effective for the 2024 long-term incentive plan and details will be disclosed in the 2024 Remuneration Report, which will be published in 2025.

The Remuneration Committee will continue to assess the remuneration framework to ensure that it delivers competitive remuneration to attract and retain the best talent whilst complying with relevant regulatory requirements and considering best practices to support the Group's strategy.

FINANCIAL STATEMENTS

羅兵咸永道

TO THE SHAREHOLDERS OF AIA GROUP LIMITED
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of AIA Group Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 156 to 324, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, including material accounting policy information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified relate to the valuation of insurance contract liabilities.

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities	
Refer to the following notes in the consolidated financial statements: Note 2.3 for related accounting policies, Note 3 for critical accounting estimates and judgements and Note 24 'Insurance contracts and reinsurance contracts held'.	
As at 31 December 2023, the Group has insurance contract liabilities of US$203,271 million. The Management's valuation of these insurance contract liabilities which are measured as the total of fulfilment cash flows ("FCF") and contractual service margin ("CSM"), involves significant judgement about uncertain future outcomes including the development of significant actuarial assumptions and methodologies. **(a) Fulfilment cash flows** FCF are determined using assumptions as at the valuation date. In addition, for insurance contracts with significant financial options and guarantees, stochastic modelling techniques are applied in measuring those contracts' FCF. Therefore, these liabilities are subject to significant estimation uncertainty and the associated inherent risk is considered significant.	The work to address the valuation of insurance contract liabilities including the following audit procedures: **(a) Fulfilment cash flows** • We performed the following procedures over actuarial methodologies: o Understood and evaluated the design of the controls in place over the determination of actuarial methodologies used and material model changes; o Obtained the methodology documentation and reviewed the appropriateness of material changes identified; and o Performed testing on a sample basis to verify the material changes to the methodology are reflected in the actuarial models (as applicable).

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Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities (continued)	
(a) Fulfilment cash flows (continued) As part of our consideration of assumptions, we have focused on assumptions that has a significant impact to the measurement of FCF. We have, in relation to actuarial methodologies used, focused on changes in methodologies from the prior year as well as methodologies applied to material new product types (as applicable).	**(a) Fulfilment cash flows** (continued) • We assessed the reasonableness of the significant assumptions. Our assessment of the assumptions included: o Understood and evaluated the design of the controls in place to determine the assumptions and data inputs used in determining these assumptions; o Examined the approach used by management to derive the assumptions by applying our industry knowledge and experience; and o Challenged the significant assumptions used by management against past experience, market observable data (as applicable) and our experience of market practice.

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Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities (continued)	
(b) Contractual Service Margin The CSM represents the unearned profits that the Group will recognise as it provides services under the insurance contracts. The release of 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. Coverage units in turn are determined by factors including the quantity of services provided and time value of money. Management applied judgement to identify the service provided and then determine the quantity of services provided. As part of our audit we have focused on the determination of coverage units as it is subject to a higher degree of judgement and the associated inherent risk is considered significant.	**(b) Contractual Service Margin** In addition to the procedures performed over the underlying fulfilment cash flows, we have also: • Understood and evaluated the design of the controls in place over the process including the basis used to identify the services and to determine the quantity of services provided; • Assessed the appropriateness of the different services identified by management, by reviewing the terms and benefits features of insurance contracts issued on a sample basis; and • Assessed the appropriateness of the determination of coverage units by management in respect of the services to be provided against relevant market publications. Based upon the work performed, we found the methodologies, assumptions and judgments used in relation to insurance contract liabilities to be appropriate.

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Other Information

The Directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Matter

The Group has prepared Supplementary Embedded Value Information as at and for the year ended 31 December 2023 in accordance with the embedded value basis of preparation set out in Sections 4 and 5 of the Supplementary Embedded Value Information, on which we issued a separate auditor's report to the Board of Directors of the Company dated 14 March 2024.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and IFRS Accounting Standards issued by the IASB and the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ling Tung Man, Tom.

PricewaterhouseCoopers

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

14 March 2024

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CONSOLIDATED INCOME STATEMENT

US$m	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Insurance revenue	8, 24	**17,514**	16,319
Insurance service expenses	10, 24	**(12,078)**	(10,434)
Net expenses from reinsurance contracts held	24	**(345)**	(419)
Insurance service result		**5,091**	5,466
Interest revenue on	9		
Financial assets not measured at fair value through profit or loss		**4,062**	3,837
Financial assets measured at fair value through profit or loss		**3,758**	3,430
Other investment return	9	**4,941**	(38,647)
Net impairment loss on financial assets	9	**(195)**	(233)
Investment return	9	**12,566**	(31,613)
Net finance (expenses)/income from insurance contracts	9	**(10,456)**	30,957
Net finance income from reinsurance contracts held	9	**65**	67
Movement in investment contract liabilities	9, 25	**(572)**	1,106
Movement in third-party interests in consolidated investment funds	9	**(56)**	34
Net investment result	9	**1,547**	551
Fee income		**114**	138
Other operating revenue		**294**	301
Other expenses	10	**(1,752)**	(1,896)
Other finance costs	10	**(463)**	(385)
Profit before share of losses from associates and joint ventures		**4,831**	4,175
Share of losses from associates and joint ventures		**(267)**	(121)
Profit before tax		**4,564**	4,054
Tax expense	11	**(783)**	(689)
Net profit		**3,781**	3,365
Net profit attributable to:			
Shareholders of AIA Group Limited		**3,764**	3,331
Non-controlling interests		**17**	34
Earnings per share (US$)			
Basic	12	**0.33**	0.28
Diluted	12	**0.33**	0.28

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Net profit	**3,781**	3,365
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains/(losses) on financial assets at fair value through other comprehensive income (net of tax of: 2023: US$(997)m; 2022: US$1,788m)	**3,589**	(10,519)
Fair value losses on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal (net of tax of: 2023: US$20m; 2022: US$(26)m)	**95**	455
Foreign currency translation adjustments	**(215)**	(1,490)
Cash flow hedges	**(8)**	(3)
Net finance (expenses)/income from insurance contracts (net of tax of: 2023: US$1,403m; 2022: US$(1,164)m)	**(4,400)**	3,394
Net finance income/(expenses) from reinsurance contracts held (net of tax of: 2023: US$(51)m; 2022: US$(3)m)	**60**	(251)
Share of other comprehensive expense from associates and joint ventures	**(496)**	(530)
Subtotal	**(1,375)**	(8,944)
Items that will not be reclassified subsequently to profit or loss:		
Revaluation gains on property held for own use (net of tax of: 2023: US$(19)m; 2022: US$(2)m)	**28**	60
Effect of remeasurement of net liability of defined benefit schemes (net of tax of: 2023: US$2m; 2022: US$(6)m)	**(8)**	25
Subtotal	**20**	85
Total other comprehensive expense	**(1,355)**	(8,859)
Total comprehensive income/(expense)	**2,426**	(5,494)
Total comprehensive income/(expense) attributable to:		
Shareholders of AIA Group Limited	**2,417**	(5,497)
Non-controlling interests	**9**	3

Note:

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$m	Notes	As at 31 December 2023	As at 31 December 2022 (restated)	As at 1 January 2022 (restated)
Assets				
Intangible assets	14	**3,615**	3,277	2,914
Investments in associates and joint ventures	15	**1,331**	2,056	831
Property, plant and equipment	16	**4,058**	2,844	2,744
Investment property	17	**4,504**	4,600	4,716
Insurance contract assets	24	**1,457**	2,037	3,681
Reinsurance contract assets	24	**6,047**	5,763	6,436
Financial investments:	18, 20, 42			
At amortised cost				
Debt securities		**2,165**	1,787	1,476
Loans and deposits		**3,723**	4,566	5,434
At fair value through other comprehensive income				
Debt securities		**88,612**	86,060	103,580
At fair value through profit or loss				
Debt securities		**86,981**	77,496	94,916
Loans and deposits		**272**	279	297
Equity shares		**19,287**	23,378	30,817
Interests in investment funds and exchangeable loan notes		**47,166**	38,577	40,243
Derivative financial instruments	19, 42	**752**	568	1,468
		248,958	232,711	278,231
Deferred tax assets	11, 42	**301**	229	104
Current tax recoverable	42	**207**	117	120
Other assets	21, 42	**4,316**	4,524	6,486
Cash and cash equivalents	22, 42	**11,525**	8,020	4,989
Assets in disposal group held for sale	42	**–**	4,293	–
Total assets		**286,319**	270,471	311,252
Liabilities				
Insurance contract liabilities	24, 42	**203,271**	181,851	217,773
Reinsurance contract liabilities	24, 42	**336**	384	709
Investment contract liabilities	25, 42	**9,170**	9,092	13,896
Borrowings	26	**11,800**	11,206	9,588
Obligations under repurchase agreements	27	**3,461**	1,748	1,588
Derivative financial instruments	19, 42	**8,035**	8,638	1,392
Provisions	29	**174**	153	186
Deferred tax liabilities	11, 42	**3,204**	3,409	4,103
Current tax liabilities		**387**	467	389
Other liabilities	30, 42	**4,887**	4,264	5,121
Liabilities in disposal group held for sale	42	**–**	4,111	–
Total liabilities		**244,725**	225,323	254,745

US$m	Notes	**As at 31 December 2023**	As at 31 December 2022 (restated)	As at 1 January 2022 (restated)
Equity				
Share capital	31	**14,176**	14,171	14,160
Employee share-based trusts	31	**(367)**	(290)	(225)
Other reserves	31	**(11,788)**	(11,812)	(11,841)
Retained earnings		**44,333**	46,499	48,997
Other comprehensive income		**(5,243)**	(3,896)	4,932
Total equity attributable to:				
Shareholders of AIA Group Limited		**41,111**	44,672	56,023
Non-controlling interests	32	**483**	476	484
Total equity		**41,594**	45,148	56,507
Total liabilities and equity		**286,319**	270,471	311,252

Approved and authorised for issue by the Board of Directors on 14 March 2024.

Lee Yuan Siong
Director

Edmund Sze-Wing Tse
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

						Other comprehensive income						
US$m	Note	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	Total equity
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		–	–	–	3,764	–	–	–	–	–	17	3,781
Fair value gains on financial assets at fair value through other comprehensive income		–	–	–	–	3,581	–	–	–	–	8	3,589
Fair value losses on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal		–	–	–	–	95	–	–	–	–	–	95
Foreign currency translation adjustments		–	–	–	–	–	(213)	–	–	–	(2)	(215)
Cash flow hedges		–	–	–	–	–	–	–	–	(8)	–	(8)
Net finance expenses from insurance contracts		–	–	–	–	–	–	(4,386)	–	–	(14)	(4,400)
Net finance income from reinsurance contracts held		–	–	–	–	–	–	60	–	–	–	60
Share of other comprehensive income/(expense) from associates and joint ventures		–	–	–	–	577	(2)	(1,071)	–	–	–	(496)
Revaluation gains on property held for own use		–	–	–	–	–	–	–	28	–	–	28
Effect of remeasurement of net liability of defined benefit schemes		–	–	–	–	–	–	–	–	(8)	–	(8)
Total comprehensive income/(expense) for the year		–	–	–	3,764	4,253	(215)	(5,397)	28	(16)	9	2,426
Dividends	13	–	–	–	(2,293)	–	–	–	–	–	(19)	(2,312)
Share buy-back		–	–	–	(3,637)	–	–	–	–	–	–	(3,637)
Shares issued under share option scheme and agency share purchase plan		5	–	–	–	–	–	–	–	–	–	5
Increase in non-controlling interests		–	–	(15)	–	–	–	–	–	–	17	2
Share-based compensation		–	–	77	–	–	–	–	–	–	–	77
Purchase of shares held by employee share-based trusts		–	(115)	–	–	–	–	–	–	–	–	(115)
Transfer of vested shares from employee share-based trusts		–	38	(38)	–	–	–	–	–	–	–	–
Balance at 31 December 2023		**14,176**	**(367)**	**(11,788)**	**44,333**	**516**	**(2,950)**	**(4,159)**	**1,307**	**43**	**483**	**41,594**

Note:

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

						Other comprehensive income						
US$m	Notes	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	Total equity
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	43	–	–	–	(1,208)	(1,766)	–	(1,895)	369	56	17	(4,427)
Retrospective adjustments for amendment to IAS 16	43	–	–	–	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		–	–	–	3,331	–	–	–	–	–	34	3,365
Fair value losses on financial assets at fair value through other comprehensive income		–	–	–	–	(10,499)	–	–	–	–	(20)	(10,519)
Fair value losses on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal		–	–	–	–	455	–	–	–	–	–	455
Foreign currency translation adjustments		–	–	–	–	–	(1,469)	–	–	–	(21)	(1,490)
Cash flow hedges		–	–	–	–	–	–	–	–	(3)	–	(3)
Net finance income from insurance contracts		–	–	–	–	–	–	3,384	–	–	10	3,394
Net finance expenses from reinsurance contracts held		–	–	–	–	–	–	(251)	–	–	–	(251)
Share of other comprehensive (expense)/income from associates and joint ventures		–	–	–	–	(334)	(198)	–	2	–	–	(530)
Revaluation gains on property held for own use		–	–	–	–	–	–	–	60	–	–	60
Effect of remeasurement of net liability of defined benefit schemes		–	–	–	–	–	–	–	–	25	–	25
Total comprehensive income/(expense) for the year (restated)		–	–	–	3,331	(10,378)	(1,667)	3,133	62	22	3	(5,494)
Dividends	13	–	–	–	(2,259)	–	–	–	–	–	(20)	(2,279)
Share buy-back		–	–	–	(3,570)	–	–	–	–	–	–	(3,570)
Shares issued under share option scheme and agency share purchase plan		11	–	–	–	–	–	–	–	–	–	11
Increase in non-controlling interests		–	–	(13)	–	–	–	–	–	–	13	–
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	(4)	(4)
Share-based compensation		–	–	80	–	–	–	–	–	–	–	80
Purchase of shares held by employee share-based trusts		–	(103)	–	–	–	–	–	–	–	–	(103)
Transfer of vested shares from employee share-based trusts		–	38	(38)	–	–	–	–	–	–	–	–
Balance at 31 December 2022 (restated)		14,171	(290)	(11,812)	46,499	(3,737)	(2,735)	1,238	1,279	59	476	45,148

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

CONSOLIDATED STATEMENT OF CASH FLOWS

US$m	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Cash flows from operating activities			
Profit before tax		**4,564**	4,054
Adjustments for:			
Financial investments		**(9,435)**	31,199
Insurance contracts		**15,772**	(23,413)
Reinsurance contracts held		**(269)**	(78)
Investment contracts		**(2,718)**	(1,492)
Obligations under repurchase agreements	27	**1,739**	186
Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items		**(7,008)**	(8,312)
Operating cash items:			
Interest received		**7,486**	7,246
Dividends received		**1,663**	1,204
Interest paid		**(82)**	(47)
Tax paid		**(793)**	(680)
Net cash provided by operating activities		**10,919**	9,867
Cash flows from investing activities			
Payments for intangible assets	14	**(326)**	(386)
Distribution or dividend from an associate	15	**1**	1
Payments for increase in interest of joint ventures		**(68)**	(11)
Proceeds from sales of investment property and property, plant and equipment	16, 17	**–**	7
Payments for investment property and property, plant and equipment	16, 17	**(1,420)**	(157)
Acquisition/disposal of subsidiaries and disposal group held for sale, net of cash acquired/disposed of		**(324)**	(271)
Net cash used in investing activities		**(2,137)**	(817)
Cash flows from financing activities			
Issuances of medium-term notes and securities	26	**996**	1,818
Redemption of medium-term notes	26	**(500)**	(165)
Proceeds from other borrowings	26	**150**	1,364
Repayment of other borrowings	26	**(114)**	(1,364)
Capital contribution from non-controlling interests		**2**	–
Payments for lease liabilities[1]		**(150)**	(168)
Interest paid on medium-term notes and securities		**(394)**	(330)
Dividends paid during the year		**(2,312)**	(2,279)
Share buy-back		**(3,637)**	(3,570)
Purchase of shares held by employee share-based trusts		**(115)**	(103)
Shares issued under share option scheme and agency share purchase plan		**5**	11
Net cash used in financing activities		**(6,069)**	(4,786)

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Net increase in cash and cash equivalents	**2,713**	4,264
Cash and cash equivalents at beginning of the financial year	**8,766**	4,695
Effect of exchange rate changes on cash and cash equivalents	**(29)**	(193)
Cash and cash equivalents at end of the financial year	**11,450**	8,766

Note:

(1) The total cash outflow for leases for the year ended 31 December 2023 was US$157m (2022: US$170m).

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

US$m	Notes	As at 31 December 2023	As at 31 December 2022 (restated)
Cash and cash equivalents in the consolidated statement of financial position	22, 42	**11,525**	8,969
Bank overdrafts		**(75)**	(203)
Cash and cash equivalents in the consolidated statement of cash flows		**11,450**	8,766

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 consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRS), IFRS® Accounting Standards and the Hong Kong Companies Ordinance. IFRS Accounting Standards is substantially consistent with HKFRS and the accounting policy selections that the Group has made in preparing these consolidated financial statements are such that the Group is able to comply with both HKFRS and IFRS Accounting Standards. References to IFRS Accounting Standards, IAS® Standards and IFRIC® Interpretations in these consolidated financial statements should be read as referring to the equivalent HKFRS, Hong Kong Accounting Standards (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 Accounting Standards affecting these consolidated financial statements.

The consolidated financial statements have been approved for issue by the Board of Directors on 14 March 2024.

The consolidated financial statements have been prepared using the historical cost convention, as modified by the revaluation of financial assets measured at fair value through other comprehensive income, financial assets and liabilities measured at fair value through profit or loss, derivative financial instruments, property held for own use and investment properties, all of which are carried at fair value. Additionally, insurance and reinsurance contract assets and liabilities are measured using a fulfilment cash flow and contractual service margin (CSM) basis.

The presentation currency of the Company and the Group is the US dollar. The consolidated financial statements are presented in millions of US dollar (US$m) unless otherwise stated.

The accounting policies adopted are consistent with those of the previous financial year, except as described as follows.

(a) New amendment and new and revised standards adopted by the Group:

- 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; and
- Amendment to IAS 16, Property, Plant and Equipment, consequential to the adoption of IFRS 17.

Additional information on the qualitative and quantitative effects of the adoption of the new and revised accounting standards on the Group's consolidated financial statements is provided in note 43.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation and statement of compliance (continued)

(b) The following relevant new amendments to standards have been adopted for the first time for the financial year ended 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 ended 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 1, Classification of Liabilities as Current or Non-current (2024);
- Amendments to IAS 1, Non-current Liabilities with Covenants (2024);
- Amendments to IAS 7 and IFRS 7, Supplier Finance Arrangements (2024);
- Amendments to IFRS 16, Lease Liability in a Sale and Leaseback (2024); and
- Amendments to IAS 21, Lack of Exchangeability (2025).

The material accounting policies adopted in the preparation of the Group's consolidated financial statements are set out below. These policies have been applied consistently in all periods presented and the comparative period ended 31 December 2022 has been restated to conform to IFRS 9, IFRS 17 and amendment to IAS 16. The Company's statement of financial position and the statement of changes in equity, as set out in notes 44 and 45 respectively, have been prepared in accordance with the Group's accounting policies.

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Operating profit (continued)

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.

2.3 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.

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)

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.

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.

By Geography	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.

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)

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.

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

Policy type		Description of benefits payable	Basis of accounting for: Insurance contracts	Basis of accounting for: 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.

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.

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)

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.

2.3.4 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 24.

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.

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. 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

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.

2.3.6.2 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.

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)

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;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue for services 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 services, 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 services 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;
- 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.

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 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.

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. 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

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 fully 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.

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.

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 (continued)

- 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.

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.

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.

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)

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.

2.3.10 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 services, 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. 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

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.

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. 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)

2.3.11.2 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.

2.3.11.3 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.

2.3.11.7 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 Investment contracts

Investment contracts do not contain sufficient insurance risk to be considered insurance contracts and are accounted for as a financial liability, other than investment contracts with DPF which are excluded from the scope of IFRS 9 and are accounted for as insurance contracts.

Revenue from these contracts consists of various charges (policy fees, handling fees, management fees and surrender charges) made against the contract for the cost of insurance, expenses and early surrender. First year charges are amortised over the life of the contract as the services are provided.

Investment contract fee revenue

Customers are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's account balance. The fees are recognised as revenue in the period in which they are received unless they relate to services to be provided in future periods, in which case they are deferred and recognised as the service is provided.

When part of the fee received from a policyholder is expected to be refunded in the future, the related fee is not recognised as a revenue and a sales inducement liability is established which forms part of the investment contract liabilities.

Origination and other "upfront" fees (fees that are assessed against the account balance as consideration for origination of the contract) are charged on some non-participating investment and pension contracts. Where the investment contract is recorded at amortised cost, these fees are amortised and recognised over the expected term of the policy as an adjustment to the effective yield. Where the investment contract is measured at fair value, the front-end fees that relate to the provision of investment management services are amortised and recognised as the services are provided.

Deferred origination costs

The costs of acquiring investment contracts with investment management services, including commissions and other incremental expenses directly related to the issue of each new contract, are deferred and amortised over the period that services are provided. Deferred origination costs are tested for recoverability at each reporting date.

The costs of acquiring new investment contracts without investment management services are included as part of the effective interest rate used to calculate the amortised cost of the related investment contract liabilities.

Investment contract liabilities

Deposits received in respect of investment contracts are not accounted for through the consolidated income statement, except for the investment income and fees attributable to those contracts, but are accounted for directly through the consolidated statement of financial position as an adjustment to the investment contract liability, which reflects the account balance.

The majority of the Group's contracts classified as investment contracts are unit-linked contracts, with measurement directly linked to the underlying investment assets. These represent investment portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. The liabilities are carried at fair value determined with reference to the accumulation value (current unit value) with changes recognised in profit or loss. The costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against customers' account balances are included in revenue, and accounted for as described under "Investment contract fee revenue" above.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Investment contracts (continued)

Investment contract liabilities (continued)

Non unit-linked investment contract liabilities are carried at amortised cost, being the fair value of consideration received at the date of initial recognition, less the net effect of principal payments such as transaction costs and front-end fees, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity value, and less any write-down for surrender payments. The effective interest rate equates the discounted cash payments to the initial amount. At each reporting date, the unearned revenue liability is determined as the value of the future best estimate cash flows discounted at the effective interest rate. Any adjustment is immediately recognised as income or expenses in the consolidated income statement.

The amortised cost of the financial liability is never recorded at less than the amount payable on surrender, discounted for the time value of money where applicable, if the investment contract is subject to a surrender option.

Deferred fee income liability

Deferred fee income liability represents upfront fees and other non-level charges that have been collected and released to the consolidated income statement over the estimated life of the business. A separate liability for accumulation value is established.

2.5 Financial instruments

2.5.1 Classification and designation of financial instruments

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

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)

2.5 Financial instruments (continued)

2.5.1 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.

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 Financial instruments (continued)

2.5.1 Classification and designation of financial instruments (continued)

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 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.

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. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 Financial instruments (continued)

2.5.2 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 20.

2.5.3 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 the 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 Financial instruments (continued)

2.5.3 Impairment of financial assets (continued)

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.

2.5.4 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 Accounting Standards 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 Financial instruments (continued)

2.5.4 Derivative financial instruments (continued)

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.

2.6 Property, plant and equipment

Property held for own use, which is solely held as an underlying item of insurance 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.

2.7 Presentation of the consolidated statement of financial position

The Group's insurance and investment contract liabilities and related assets are realised and settled over periods of several years, reflecting the long-term nature of the Group's products. Accordingly, the Group presents the assets and liabilities in its consolidated statement of financial position in approximate order of liquidity, rather than distinguishing current and non-current assets and liabilities. The Group regards its deferred origination costs, intangible assets, investments in associates and joint ventures, property, plant and equipment and investment property as non-current assets as these are held for the longer-term use of the Group.

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, impairment of financial assets and impairment of goodwill and other intangible 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.

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, key risk and variables, and the sensitivities of assumptions to the key variables in respect of insurance contracts are provided in notes 2.3, 24 and 34.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 services 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.

3.4 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 43.

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 20 and 34.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.5 Fair value measurement (continued)

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.

Further details of the fair value of property held for own use and investment property are provided in note 20.

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 23.

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.

3.7 Impairment of goodwill and other intangible assets

For the purposes of impairment testing, goodwill and other intangible assets are grouped into cash-generating units or groups of cash-generating units. These assets are tested for impairment by comparing the carrying amount of the cash-generating unit (group of units), including goodwill, to the recoverable amount of that cash-generating unit (group of units). The determination of the recoverable amount requires significant judgement regarding the selection of appropriate valuation techniques and assumptions.

Further details of the impairment of goodwill during the year are provided in note 14.

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	
	Year ended 31 December 2023	Year ended 31 December 2022
Mainland China	**7.08**	6.73
Hong Kong	**7.83**	7.83
Thailand	**34.80**	35.02
Singapore	**1.34**	1.38
Malaysia	**4.56**	4.40

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

	US dollar exchange rates	
	As at 31 December 2023	As at 31 December 2022
Mainland China	**7.10**	6.95
Hong Kong	**7.81**	7.80
Thailand	**34.24**	34.54
Singapore	**1.32**	1.34
Malaysia	**4.59**	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	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Operating profit after tax	7	**6,228**	6,454
Non-operating items, net of related taxes:			
Short-term investment and discount rate variances[1]		**(2,007)**	(1,134)
Reclassification of revaluation gains for property held for own use[1]		**(8)**	(71)
Other significant non-operating income and expenses			
Corporate transaction related costs		**(30)**	(63)
Implementation costs for new accounting standards		**(35)**	(45)
Other non-operating investment return and other items		**(367)**	(1,776)
Subtotal[2]		**(2,447)**	(3,089)
Net profit		**3,781**	3,365
Operating profit after tax attributable to:			
Shareholders of AIA Group Limited		**6,213**	6,421
Non-controlling interests		**15**	33
Net profit attributable to:			
Shareholders of AIA Group Limited		**3,764**	3,331
Non-controlling interests		**17**	34

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 Accounting Standards measurement and presentation.

(2) The amount is net of tax of US$319m (2022: US$361m). The gross amount before tax is US$(2,766)m (2022: US$(3,450)m).

Operating profit after tax breakdown:

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Insurance service result:		
CSM recognised for services provided	**5,314**	5,121
Other insurance service result	**(223)**	345
Net investment result	**3,792**	3,597
Other net expenses	**(1,553)**	(1,559)
Operating profit before tax	**7,330**	7,504
Taxation	**(1,102)**	(1,050)
Operating profit after tax	**6,228**	6,454

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 year 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 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	**Year ended 31 December 2023**	Year ended 31 December 2022
TWPI by geography		
Mainland China	**8,589**	7,592
Hong Kong	**11,554**	11,237
Thailand	**4,425**	4,166
Singapore	**3,912**	3,577
Malaysia	**2,565**	2,464
Other Markets	**6,894**	7,140
Total	**37,939**	36,176
First year premiums by geography		
Mainland China	**1,961**	1,259
Hong Kong	**2,243**	885
Thailand	**725**	613
Singapore	**429**	358
Malaysia	**392**	363
Other Markets	**766**	863
Total	**6,516**	4,341
Single premiums by geography		
Mainland China	**369**	280
Hong Kong	**1,205**	1,813
Thailand	**126**	203
Singapore	**944**	1,272
Malaysia	**255**	274
Other Markets	**693**	892
Total	**3,592**	4,734

6. TOTAL WEIGHTED PREMIUM INCOME AND ANNUALISED NEW PREMIUMS (continued)

TWPI (continued) US$m	Year ended 31 December 2023	Year ended 31 December 2022
Renewal premiums by geography		
Mainland China	**6,591**	6,305
Hong Kong	**9,190**	10,171
Thailand	**3,687**	3,533
Singapore	**3,389**	3,092
Malaysia	**2,147**	2,074
Other Markets	**6,060**	6,187
Total	**31,064**	31,362

ANP US$m	Year ended 31 December 2023	Year ended 31 December 2022
ANP by geography		
Mainland China	**2,023**	1,319
Hong Kong	**2,407**	1,078
Thailand	**765**	655
Singapore	**586**	531
Malaysia	**473**	440
Other Markets	**1,396**	1,384
Total	**7,650**	5,407

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 China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Year ended 31 December 2023								
ANP	**2,023**	**2,407**	**765**	**586**	**473**	**1,396**	**–**	**7,650**
TWPI	**8,589**	**11,554**	**4,425**	**3,912**	**2,565**	**6,894**	**–**	**37,939**
Insurance revenue	**3,122**	**3,816**	**2,264**	**2,196**	**1,574**	**4,542**	**–**	**17,514**
Insurance service expenses	**(1,264)**	**(2,412)**	**(1,427)**	**(1,596)**	**(1,289)**	**(4,090)**	**–**	**(12,078)**
Net (expenses)/income from reinsurance contracts held	**(53)**	**(110)**	**(51)**	**(89)**	**1**	**(32)**	**(11)**	**(345)**
Insurance service result	**1,805**	**1,294**	**786**	**511**	**286**	**420**	**(11)**	**5,091**
Investment return	**1,679**	**6,221**	**1,048**	**2,373**	**908**	**1,685**	**786**	**14,700**
– Participating[1] and unit-linked	**676**	**5,116**	**2**	**1,915**	**772**	**563**	**(2)**	**9,042**[2]
– Others	**1,003**	**1,105**	**1,046**	**458**	**136**	**1,122**	**788**	**5,658**
Net finance expenses from insurance contracts and reinsurance contracts held	**(1,363)**	**(4,783)**	**(515)**	**(1,975)**	**(725)**	**(938)**	**(2)**	**(10,301)**[2]
Movement in investment contract liabilities	**(25)**	**(197)**	**(86)**	**(67)**	**–**	**(176)**	**–**	**(551)**[2]
Movement in third-party interests in consolidated investment funds	**–**	**(56)**	**–**	**–**	**–**	**–**	**–**	**(56)**[2]
Net investment result	**291**	**1,185**	**447**	**331**	**183**	**571**	**784**	**3,792**
Fee income and other operating revenue	**4**	**253**	**24**	**26**	**13**	**96**	**16**	**432**
Other expenses	**(184)**	**(327)**	**(83)**	**(139)**	**(56)**	**(405)**	**(340)**	**(1,534)**
Other finance costs	**(41)**	**(27)**	**(1)**	**(8)**	**(2)**	**(8)**	**(366)**	**(453)**
Share of (losses)/profit from associates and joint ventures	**–**	**(1)**	**–**	**–**	**–**	**31**	**(28)**	**2**
Operating profit before tax	**1,875**	**2,377**	**1,173**	**721**	**424**	**705**	**55**	**7,330**
Tax on operating profit before tax	**(327)**	**(192)**	**(222)**	**(52)**	**(120)**	**(135)**	**(54)**	**(1,102)**
Operating profit after tax	**1,548**	**2,185**	**951**	**669**	**304**	**570**	**1**	**6,228**
Operating profit after tax attributable to:								
Shareholders of AIA Group Limited	**1,548**	**2,180**	**951**	**669**	**293**	**560**	**12**	**6,213**
Non-controlling interests	**–**	**5**	**–**	**–**	**11**	**10**	**(11)**	**15**

Notes:

(1) Participating refers to participating funds and other participating business with distinct portfolios.

(2) Net finance expenses from insurance contracts and reinsurance contracts held includes changes in fair value of underlying items of contracts with direct participation features. Net finance expenses 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$(1,866)m, primarily related to other insurance contracts without direct participation features.

7. SEGMENT INFORMATION (continued)

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Key operating ratios:								
Expense ratio	7.4%	6.2%	6.7%	7.1%	9.1%	16.2%	–	9.4%
Operating margin	18.0%	18.9%	21.5%	17.1%	11.9%	8.3%	–	16.4%
Operating return on shareholders' allocated equity	29.8%	16.9%	15.4%	15.6%	13.3%	7.2%	–	13.5%
Operating profit before tax includes:								
Operating expenses	633	718	295	277	233	1,115	302	3,573
Finance costs	51	29	2	17	2	8	366	475

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
31 December 2023								
Total assets	46,394	104,506	26,204	41,921	14,529	36,511	16,254	286,319
Total liabilities	42,657	93,984	20,182	37,516	12,167	27,473	10,746	244,725
Total equity	3,737	10,522	6,022	4,405	2,362	9,038	5,508	41,594
Shareholders' allocated equity	5,417	12,605	6,135	4,247	2,251	7,887	6,212	44,754
Total assets include:								
Investments in associates and joint ventures	–	–	–	–	1	828	502	1,331

7. SEGMENT INFORMATION (continued)

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

US$m	Segment information	Short-term investment and discount rate variances	Other non-operating items	Consolidated income statement	
Year ended 31 December 2023					
Insurance revenue	17,514	–	–	17,514	Insurance revenue
Insurance service expenses	(12,078)	–	–	(12,078)	Insurance service expenses
Net expenses from reinsurance contracts held	(345)	–	–	(345)	Net expenses from reinsurance contracts held
Insurance service result	5,091	–	–	5,091	**Insurance service result**
Investment return	14,700	(2,097)	(37)	12,566	Investment return
Net finance expenses from insurance contracts and reinsurance contracts held	(10,301)	(99)	9	(10,391)	Net finance expenses from insurance contracts and reinsurance contracts held
Movement in investment contract liabilities	(551)	(21)	–	(572)	Movement in investment contract liabilities
Movement in third-party interests in consolidated investment funds	(56)	–	–	(56)	Movement in third-party interests in consolidated investment funds
Net investment result	3,792	(2,217)	(28)	1,547	**Net investment result**
Fee income and other operating revenue	432	–	(24)	408	Fee income and other operating revenue
Other expenses	(1,534)	–	(218)	(1,752)	Other expenses
Other finance costs	(453)	–	(10)	(463)	Other finance costs
Share of profit from associates and joint ventures	2	–	(269)	(267)	Share of losses from associates and joint ventures
Operating profit before tax	7,330	(2,217)	(549)	4,564	**Profit before tax**

7. SEGMENT INFORMATION (continued)

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Year ended 31 December 2022 (restated)								
ANP	1,319	1,078	655	531	440	1,384	–	5,407
TWPI	7,592	11,237	4,166	3,577	2,464	7,140	–	36,176
Insurance revenue	3,087	3,432	1,976	1,954	1,525	4,345	–	16,319
Insurance service expenses	(1,156)	(1,929)	(1,176)	(1,385)	(1,085)	(3,703)	–	(10,434)
Net (expenses)/income from reinsurance contracts held	(8)	(47)	(42)	(81)	9	(250)	–	(419)
Insurance service result	1,923	1,456	758	488	449	392	–	5,466
Investment return	759	(28,264)	907	(3,364)	190	322	857	(28,593)
– Participating(1) and unit-linked	(68)	(29,310)	(131)	(3,805)	61	(693)	5	(33,941)(2)
– Others	827	1,046	1,038	441	129	1,015	852	5,348
Net finance (expenses)/income from insurance contracts and reinsurance contracts held	(558)	28,597	(289)	3,438	(148)	98	(16)	31,122(2)
Movement in investment contract liabilities	(27)	757	(81)	251	–	134	–	1,034(2)
Movement in third-party interests in consolidated investment funds	–	34	–	–	–	–	–	34(2)
Net investment result	174	1,124	537	325	42	554	841	3,597
Fee income and other operating revenue	1	252	20	24	12	145	(3)	451
Other expenses	(187)	(329)	(113)	(137)	(55)	(302)	(389)	(1,512)
Other finance costs	(17)	(24)	(1)	(8)	(3)	(6)	(318)	(377)
Share of (losses)/profit from associates and joint ventures	–	(1)	–	–	–	5	(125)	(121)
Operating profit before tax	1,894	2,478	1,201	692	445	788	6	7,504
Tax on operating profit before tax	(343)	(269)	(224)	(37)	(71)	(60)	(46)	(1,050)
Operating profit/(loss) after tax	1,551	2,209	977	655	374	728	(40)	6,454
Operating profit/(loss) after tax attributable to:								
Shareholders of AIA Group Limited	1,551	2,202	977	655	362	710	(36)	6,421
Non-controlling interests	–	7	–	–	12	18	(4)	33

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$(1,751)m, primarily related to other insurance contracts without direct participation features.

7. SEGMENT INFORMATION (continued)

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Key operating ratios:								
Expense ratio	7.5%	5.0%	6.5%	7.2%	9.3%	14.8%	–	9.0%
Operating margin	20.4%	19.7%	23.5%	18.3%	15.2%	10.2%	–	17.8%
Operating return on shareholders' allocated equity	31.9%	15.7%	16.4%	15.5%	17.1%	9.0%	–	13.0%
Operating profit before tax includes:								
Operating expenses	571	565	270	256	229	1,060	300	3,251
Finance costs	22	29	1	8	1	6	319	386

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
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

7. SEGMENT INFORMATION (continued)

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

US$m	Segment information	Short-term investment and discount rate variances	Other non-operating items	Consolidated income statement	
Year ended 31 December 2022 (restated)					
Insurance revenue	16,319	–	–	16,319	Insurance revenue
Insurance service expenses	(10,434)	–	–	(10,434)	Insurance service expenses
Net expenses from reinsurance contracts held	(419)	–	–	(419)	Net expenses from reinsurance contracts held
Insurance service result	5,466	–	–	5,466	**Insurance service result**
Investment return	(28,593)	(1,420)	(1,600)	(31,613)	Investment return
Net finance income from insurance contracts and reinsurance contracts held	31,122	49	(147)	31,024	Net finance income from insurance contracts and reinsurance contracts held
Movement in investment contract liabilities	1,034	72	–	1,106	Movement in investment contract liabilities
Movement in third-party interests in consolidated investment funds	34	–	–	34	Movement in third-party interests in consolidated investment funds
Net investment result	3,597	(1,299)	(1,747)	551	**Net investment result**
Fee income and other operating revenue	451	–	(12)	439	Fee income and other operating revenue
Other expenses	(1,512)	–	(384)	(1,896)	Other expenses
Other finance costs	(377)	–	(8)	(385)	Other finance costs
Share of losses from associates and joint ventures	(121)	–	–	(121)	Share of losses from associates and joint ventures
Operating profit before tax	7,504	(1,299)	(2,151)	4,054	**Profit before tax**

8. INSURANCE REVENUE

US$m	Note	Year ended 31 December 2023	Year ended 31 December 2022
Contracts not measured under the PAA			
Amounts related to changes in liabilities for remaining coverage			
Contractual service margin recognised for services provided	24	**5,605**	5,363
Change in risk adjustment for non-financial risk for risk expired		**210**	260
Expected incurred claims and other insurance service expenses		**8,239**	8,092
Others		**85**	113
Recovery of insurance acquisition cash flows		**968**	696
	24	**15,107**	14,524
Contracts measured under the PAA	24	**2,407**	1,795
Total insurance revenue		**17,514**	16,319
Represented by:			
Contracts under the modified retrospective approach		**1,696**	1,798
Contracts under the fair value approach		**7,791**	9,669
Other contracts		**8,027**	4,852

9. NET INVESTMENT RESULT

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

US$m	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Investment return			
Interest revenue on financial assets		**7,820**	7,267
Other investment return		**4,941**	(38,647)
Net impairment loss on financial assets		**(195)**	(233)
Amounts recognised in consolidated income statement		**12,566**	(31,613)
Amounts recognised in other comprehensive income(1)		**4,708**	(11,764)
Total investment return(1)		**17,274**	(43,377)
Net finance (expenses)/income from insurance contracts			
Changes in fair value of underlying items of contracts with direct participation features		**(8,313)**	33,094
Interest accreted		**(2,516)**	(2,450)
Effect of changes in interest rates and other financial assumptions		**(5,119)**	4,030
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition		**(638)**	708
Net foreign exchange gains		**327**	133
Total net finance (expenses)/income from insurance contracts	24	**(16,259)**	35,515
Net finance income/(expenses) from reinsurance contracts held			
Interest accreted		**9**	12
Effect of changes in interest rates and other financial assumptions		**247**	19
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition		**(38)**	(148)
Net foreign exchange losses		**(42)**	(64)
Total net finance income/(expenses) from reinsurance contracts held	24	**176**	(181)
Movement in investment contract liabilities	25	**(572)**	1,106
Movement in third-party interests in consolidated investment funds		**(56)**	34
Net investment result(1)		**563**	(6,903)
Net investment result is represented by:			
Amounts recognised in consolidated income statement		**1,547**	551
Amounts recognised in other comprehensive income(1)		**(984)**	(7,454)
Total net investment result(1)		**563**	(6,903)

9. NET INVESTMENT RESULT (continued)

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

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Net finance (expenses)/income from insurance contracts are represented by:		
Amounts recognised in consolidated income statement	**(10,456)**	30,957
Amounts recognised in other comprehensive income	**(5,803)**	4,558
Total net finance (expenses)/income from insurance contracts	**(16,259)**	35,515
Net finance income/(expenses) from reinsurance contracts held are represented by:		
Amounts recognised in consolidated income statement	**65**	67
Amounts recognised in other comprehensive income	**111**	(248)
Total net finance income/(expenses) from reinsurance contracts held	**176**	(181)

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 year ended 31 December 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$(10,316)m;
- Total investment return: US$(41,929)m;
- Net investment result: US$(5,455)m;
- Net investment result – Amounts recognised in other comprehensive income: US$(6,006)m; and
- Total net investment result: US$(5,455)m.

9. NET INVESTMENT RESULT (continued)

B. Interest revenue on financial assets and other investment return

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Interest revenue on financial assets		
Financial assets measured at amortised cost	**546**	350
Financial assets measured at fair value through other comprehensive income	**3,516**	3,487
Financial assets designated at fair value through profit or loss	**3,403**	3,117
Financial assets measured mandatorily at fair value through profit or loss	**355**	313
Total interest revenue on financial assets	**7,820**	7,267
Other investment return		
Dividend income	**1,488**	1,323
Rental income[1]	**154**	161
Net 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	**(74)**	(478)
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	**3,390**	(18,961)
Net losses of loans and deposits	**(9)**	(7)
Net gains/(losses) of financial instruments mandatorily at fair value through profit or loss		
Net gains/(losses) of debt securities	**120**	(718)
Net gains/(losses) of equity shares, interests in investment funds and exchangeable loan notes	**1,013**	(10,007)
Net fair value movement on derivatives	**(827)**	(9,495)
Net gains/(losses) in respect of financial instruments at fair value through profit or loss	**3,687**	(39,188)
Net fair value movement of investment property and property held for own use	**(147)**	64
Net foreign exchange losses	**(141)**	(519)
Other net realised losses	**(26)**	(10)
Net gains/(losses)	**3,299**	(40,131)
Total other investment return	**4,941**	(38,647)

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 consolidated income statement (other than gains and losses arising on items measured at fair value through profit or loss):

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Foreign exchange gains	**122**	163

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	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Balance at 1 January	**(3,346)**	6,133
Net change in fair value and others	**2,945**	(10,005)
Net amount reclassified to profit or loss	**224**	526
Balance at 31 December	**(177)**	(3,346)

10. EXPENSES

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Claims and benefits	**9,250**	8,185
Commission and other acquisition expenses incurred	**6,370**	5,286
Losses on onerous insurance contracts	**101**	61
Employee benefit expenses(3)	**2,235**	1,986
Depreciation(3)	**221**	250
Amortisation(3)	**152**	121
Investment management expenses and others	**554**	557
Depreciation on property held for own use	**43**	20
Finance costs	**485**	394
Other operating expenses(3)	**965**	894
Restructuring and other non-operating costs(1)	**166**	360
	20,542	18,114
Amounts attributed to insurance acquisition cash flows	**(7,542)**	(6,292)
Amortisation of insurance acquisition cash flows	**1,293**	903
Insurance service and other expenses	**14,293**	12,725

Insurance service and other expenses represented by:

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Insurance service expenses	**12,078**	10,434
– Contracts not measured under the PAA	**9,775**	8,869
– Contracts measured under the PAA	**2,303**	1,565
Other incurred expenses directly attributable to reinsurance contracts held	**–**	10
Other expenses(2)	**1,752**	1,896
Other finance costs	**463**	385
Total	**14,293**	12,725

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. It includes payments for short-term leases of US$7m (2022: US$2m).

(3) Operating expenses comprise employee benefit expenses, depreciation, amortisation and other operating expenses.

10. EXPENSES (continued)

Expenses include auditors' remuneration of US$33m (2022: US$37m), an analysis of which is set out below:

US$m	Year ended 31 December 2023	Year ended 31 December 2022
Audit services	**27**	23
Non-audit services, including:		
Audit-related services	**5**	14
Tax services	**1**	–
Total	**33**	37

Depreciation consists of:

US$m	Year ended 31 December 2023	Year ended 31 December 2022
Computer hardware, fixtures and fittings and others	**75**	83
Right-of-use assets		
Property held for own use	**145**	166
Computer hardware	**1**	1
Total	**221**	250

Finance costs may be analysed as:

US$m	Year ended 31 December 2023	Year ended 31 December 2022
Repurchase agreements	**66**	22
Medium-term notes and securities	**403**	337
Other loans	**4**	22
Lease liabilities	**12**	13
Total	**485**	394

Employee benefit expenses consist of:

US$m	Year ended 31 December 2023	Year ended 31 December 2022
Wages and salaries	**1,848**	1,633
Share-based compensation	**72**	66
Pension costs – defined contribution plans	**139**	128
Pension costs – defined benefit plans	**9**	10
Other employee benefit expenses	**167**	149
Total	**2,235**	1,986

11. INCOME TAX

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Tax charged in the consolidated income statement		
Current income tax – Hong Kong Profits Tax	**175**	153
Current income tax – overseas	**482**	624
Deferred income tax on temporary differences	**126**	(88)
Total	**783**	689

Corporate income tax

Taxation is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions of which the most significant jurisdictions are outlined below.

	Year ended 31 December 2023	Year ended 31 December 2022
Mainland China	**25%**	25%
Hong Kong	**16.5%**	16.5%
Thailand	**20%**	20%
Singapore	**17%**	17%
Malaysia	**24%**	24%
Other Markets	**12% – 30%**	12% – 30%

The table above reflects the principal rate of corporate income tax as at the end of each year. The rates reflect enacted or substantively enacted corporate tax rates throughout the year in each jurisdiction.

In 2023, Bermuda has introduced and enacted a corporate income tax rate of 15 per cent that will become effective from 1 January 2025.

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 changed to 23.1 per cent effective from 1 January 2023.

11. INCOME TAX (continued)

Corporate income tax (continued)

The Group 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 published the Global Anti-Base Erosion (GloBE) Model Rules to give effect to 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 Group operates in jurisdictions that have enacted or substantively enacted Pillar Two legislation, including Luxembourg, Malaysia, South Korea and Vietnam. The legislation in some of these jurisdictions introduced Qualified Domestic Minimum Top-up Taxes (QDMTT) that will be effective for the Group from 1 January 2024. Under the legislation, QDMTT will apply such that the Group will be liable to pay top-up tax for the difference between its effective tax rate for each of these jurisdictions calculated on the basis of the respective legislation (broadly based on the GloBE Model Rules) and a 15 per cent minimum rate. The legislation of some of these jurisdictions also introduced Undertaxed Profits Rules (UTPR) that will be effective from 1 January 2025. Under the legislation, the UTPR is a backstop mechanism which will apply if the difference between the Group's effective tax rate in a jurisdiction in which it operates and the 15 per cent minimum rate is not brought into charge after the application of other Pillar Two income taxes, by applying a top-up tax in the jurisdiction that introduced the UTPR.

Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure.

IAS 12 states that as an exception to the standard's requirements, entities shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The Group has applied this exception and has not yet assessed the deferred tax impact of Pillar Two income taxes. The Group will continue to monitor the Pillar Two requirements and will assess the accounting implications accordingly.

Due to significant areas of uncertainty, the quantitative impact of the enacted or substantively enacted Pillar Two legislation is not yet reasonably estimable.

It should be noted that, even for those jurisdictions with an accounting effective tax rate above 15 per cent, there may still be Pillar Two income tax implications due to different bases of calculation. The Group has engaged tax specialists to assist with applying the legislation.

Withholding tax on dividends

In some jurisdictions in which the Group operates, dividends remitted by subsidiaries to the Group are subject to withholding tax. The Group recognises deferred tax liabilities in respect of unremitted earnings of operations in jurisdictions where withholding tax charge would be incurred upon dividend distribution.

11. INCOME TAX (continued)

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Income tax reconciliation		
Profit before income tax	**4,564**	4,054
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**932**	780
Reduction in tax payable from:		
Life insurance tax[1]	**–**	(50)
Exempt investment income	**(338)**	(272)
Adjustments in respect of prior years	**(26)**	(43)
Changes in tax rate and law	**(196)**	(15)
	(560)	(380)
Increase in tax payable from:		
Life insurance tax[1]	**62**	–
Withholding taxes	**88**	100
Disallowed expenses	**111**	126
Unrecognised deferred tax assets	**39**	29
Provisions for uncertain tax positions[2]	**82**	2
Others	**29**	32
	411	289
Total income tax expense	**783**	689

Notes:

(1) Life insurance tax refers to the differences which arise where the tax regime specific to the life insurance business does not adopt net income as the basis for calculating taxable profit, for example Hong Kong, where life business taxable profit is derived from life premiums.

(2) Provisions for uncertain tax positions relate to situations where the Group's interpretation of the relevant law or regulation may differ from that of the tax authorities. Provisions are recognised based on management's judgement and best estimate in relation to the probability or likelihood of different outcomes arising, which is subject to periodic re-assessment. 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.

11. INCOME TAX (continued)

The movement in net deferred tax liabilities in the year may be analysed as set out below:

						Credited/(charged) to other comprehensive income					
US$m	Net deferred tax asset/ (liability) at 1 January (restated)	Effect of changes in accounting policy	Net deferred tax asset/ (liability) at 1 January (restated)	Acquisition of a subsidiary[3]	Credited/ (charged) to the consolidated income statement	Fair value reserve[2]	Foreign currency translation reserve	Insurance finance reserve	Others	Other movements	Net deferred tax asset/ (liability) at year end
31 December 2023											
Revaluation of financial instruments	**631**	**–**	**631**	**–**	**9**	**(1,002)**	**(11)**	**–**	**–**	**–**	**(373)**
Insurance and investment contract liabilities	**(3,427)**	**–**	**(3,427)**	**–**	**(469)**	**–**	**25**	**1,352**	**-**	**13**	**(2,506)**
Withholding taxes	**(267)**	**–**	**(267)**	**–**	**(23)**	**–**	**2**	**–**	**–**	**–**	**(288)**
Provision for expenses	**102**	**–**	**102**	**–**	**15**	**–**	**(1)**	**–**	**2**	**–**	**118**
Losses available for offset against future taxable income	**103**	**–**	**103**	**–**	**398**	**–**	**6**	**–**	**–**	**–**	**507**
Life surplus[1]	**(366)**	**–**	**(366)**	**–**	**(71)**	**–**	**6**	**–**	**–**	**–**	**(431)**
Others	**68**	**–**	**68**	**3**	**15**	**–**	**3**	**–**	**(19)**	**–**	**70**
Total	**(3,156)**	**–**	**(3,156)**	**3**	**(126)**	**(1,002)**	**30**	**1,352**	**(17)**	**13**	**(2,903)**

						Credited/(charged) to other comprehensive income					
US$m	Net deferred tax asset/ (liability) at 1 January – as previously reported	Effect of changes in accounting policy	Net deferred tax asset/ (liability) at 1 January (restated)	Acquisition of a subsidiary	Credited/ (charged) to the consolidated income statement	Fair value reserve[2]	Foreign currency translation reserve	Insurance finance reserve	Others	Other movements	Net deferred tax asset/ (liability) at year end (restated)
31 December 2022 (restated)											
Revaluation of financial instruments	(1,880)	(27)	(1,907)	–	799	1,731	8	–	–	–	631
Deferred acquisition costs	(3,657)	3,657	–	–	–	–	–	–	–	–	–
Insurance and investment contract liabilities	986	(2,554)	(1,568)	–	(860)	–	168	(1,167)	–	–	(3,427)
Withholding taxes	(273)	47	(226)	–	(58)	–	17	–	–	–	(267)
Provision for expenses	139	(78)	61	–	59	–	(12)	–	(6)	–	102
Losses available for offset against future taxable income	245	(105)	140	–	(33)	–	(4)	–	–	–	103
Life surplus[1]	(956)	580	(376)	–	(8)	–	18	–	–	–	(366)
Others	(536)	413	(123)	–	189	–	4	–	(2)	–	68
Total	(5,932)	1,933	(3,999)	–	88	1,731	199	(1,167)	(8)	–	(3,156)

Notes:

(1) Life surplus relates to the temporary difference which arises where the taxable profits are based on actual distributions from the long-term fund. This primarily relates to Singapore and Malaysia.

(2) Includes tax charge of US$1,022m (2022: tax credit of US$1,757m) relates to fair value gains or losses on debt securities measured at fair value through other comprehensive income and tax credit of US$20m (2022: tax charge of US$26m) relates to fair value losses or gains on debt securities measured at fair value through other comprehensive income reclassified to profit or loss.

(3) Includes a one-time adjustment of US$3m in respect of the acquisition of a subsidiary.

11. INCOME TAX (continued)

The principal temporary differences arise from the basis of recognition of insurance and investment contract liabilities, revaluation of certain financial assets and liabilities including derivative contracts and the future taxes arising on the surplus in life funds where the relevant local tax regime is distributions-based.

Deferred tax assets are recognised to the extent that sufficient future taxable profits will be available for realisation. The Group has not recognised deferred tax assets of US$106m (2022: US$57m) on tax losses and the temporary difference on insurance and investment contract liabilities arising from different accounting and statutory/tax reserving methodology for certain branches and subsidiaries on the basis that they have histories of tax losses and there is insufficient evidence that future taxable profits will be available.

The Group has not provided deferred tax liabilities of US$251m (2022: US$247m) in respect of unremitted earnings of operations in jurisdictions from which a withholding tax charge would be incurred upon distribution as the Group does not consider it probable that this portion of accumulated earnings will be remitted in the foreseeable future.

The Group has unused income tax losses carried forward in Mainland China, Hong Kong, Thailand, Singapore, Malaysia, Australia, Brunei, Cambodia, Macau, Myanmar, New Zealand, the Philippines, South Korea and Taiwan (China). The tax losses in Hong Kong, Singapore, Australia and New Zealand can be carried forward indefinitely. The tax losses of remaining branches and subsidiaries are due to expire within the periods ending 2025 (Macau), 2026 (Myanmar), 2027 (the Philippines), 2028 (Mainland China, Cambodia and Thailand), 2029 (Brunei) and 2033 (Malaysia, South Korea and Taiwan (China)).

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 year. 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.

	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Net profit attributable to shareholders of AIA Group Limited (US$m)	**3,764**	3,331
Weighted average number of ordinary shares outstanding (million)	**11,518**	11,929
Basic earnings per share (US cents)	**32.68**	27.92

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 36.

	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Net profit attributable to shareholders of AIA Group Limited (US$m)	**3,764**	3,331
Weighted average number of ordinary shares outstanding (million)	**11,518**	11,929
Adjustment for share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted under share-based compensation plans (million)	**10**	9
Weighted average number of ordinary shares for diluted earnings per share (million)	**11,528**	11,938
Diluted earnings per share (US cents)	**32.65**	27.90

At 31 December 2023, 6,276,007 share options (2022: 4,431,307) were excluded from the diluted weighted average number of ordinary shares calculation as they have no effect to the diluted earnings per share.

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 year. 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 36.

	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Basic operating profit after tax per share (US cents)	**53.94**	53.83
Diluted operating profit after tax per share (US cents)	**53.89**	53.79

13. DIVIDENDS

Dividends to shareholders of the Company attributable to the year:

US$m	**Year ended 31 December 2023**	Year ended 31 December 2022
Interim dividend declared and paid of 42.29 Hong Kong cents per share (2022: 40.28 Hong Kong cents per share)	**621**	609
Final dividend proposed after the reporting date of 119.07 Hong Kong cents per share (2022: 113.40 Hong Kong cents per share)[1]	**1,726**	1,702
Total	**2,347**	2,311

Notes:

(1) Based upon shares outstanding at 31 December 2023 and 31 December 2022 that are entitled to a dividend, other than those held by employee share-based trusts.

(2) Interim dividends on ordinary shares are recognised when they have been paid. Final dividends on ordinary shares are recognised when they have been approved by shareholders.

The above final dividend was proposed by the Board on 14 March 2024 subject to shareholders' approval at the AGM to be held on 24 May 2024. The proposed final dividend has not been recognised as a liability at the reporting date.

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

US$m	**Year ended 31 December 2023**	Year ended 31 December 2022
Final dividend in respect of the previous financial year, approved and paid during the year of 113.40 Hong Kong cents per share (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 2022	1,854	923	903	3,680
Additions	–	364	296	660
Acquisition of subsidiaries	207	3	–	210
Disposals	–	(19)	(28)	(47)
Foreign exchange movements	(105)	(49)	(27)	(181)
At 31 December 2022	**1,956**	**1,222**	**1,144**	**4,322**
Additions	**–**	**329**	**46**	**375**
Acquisition of subsidiaries[1]	**186**	**9**	**59**	**254**
Disposals	**(46)**	**(43)**	**(2)**	**(91)**
Foreign exchange movements	**(13)**	**(11)**	**(7)**	**(31)**
At 31 December 2023	**2,083**	**1,506**	**1,240**	**4,829**
Accumulated amortisation and impairment				
At 1 January 2022	(4)	(569)	(193)	(766)
Amortisation charge for the year	–	(121)	(46)	(167)
Disposals	–	11	20	31
Impairment loss	(176)	–	–	(176)
Foreign exchange movements	–	27	6	33
At 31 December 2022	**(180)**	**(652)**	**(213)**	**(1,045)**
Amortisation charge for the year	**–**	**(152)**	**(53)**	**(205)**
Disposals	**30**	**6**	**1**	**37**
Foreign exchange movements	**(4)**	**2**	**1**	**(1)**
At 31 December 2023	**(154)**	**(796)**	**(264)**	**(1,214)**
Net book value				
At 31 December 2022	1,776	570	931	3,277
At 31 December 2023	**1,929**	**710**	**976**	**3,615**

Note:

(1) The Group is in the process of finalising the purchase price adjustments within the measurement period. The values of consideration and goodwill are therefore provisional as of 31 December 2023. The finalisation of the values of consideration and goodwill is expected to be completed within 12 months of the acquisition date.

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.

14. INTANGIBLE ASSETS (continued)

Impairment tests for goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill arises primarily in respect of the Group's insurance businesses in Malaysia of US$640m (2022: US$666m), Hong Kong of US$481m (2022: US$481m), Australia of US$420m (2022: US$406m) and New Zealand of US$154m (2022: US$153m).

Goodwill is tested for impairment by comparing the carrying amount of the cash-generating unit (group of units), including goodwill, to the recoverable amount of that cash-generating unit (group of units). If the recoverable amount of the unit (group of units) exceeds the carrying amount of the unit (group of units), the goodwill allocated to that unit (group of units) shall be regarded as not impaired. The recoverable amount is the value in use of the cash-generating unit (group of units) unless otherwise stated.

The value in use is determined by calculating as an actuarially determined appraisal value, based on embedded value of the business and the present value of expected future new business of the cash-generating unit (group of units). The present value of expected future new business is based on financial budgets approved by management, typically covering a three-year period unless otherwise stated. These financial budgets reflect management's best estimate of future profit based on historical experience and best estimate operating assumptions such as premium and expenses. Further, the present value of expected future new business beyond this initial three-year period are extrapolated using a perpetual growth rate, which typically does not exceed the long-term expected Gross Domestic Product (GDP) growth of the geographical area in which the cash flows supporting the goodwill are generated.

The key assumptions used in the embedded value calculations include risk discount rate, investment returns, mortality, morbidity, persistency, expenses and inflation. In the majority of instances these assumptions are aligned to those assumptions detailed in Section 5 of Supplementary Embedded Value Information. The present value of expected future new business is calculated based on a combination of indicators which include, among others, taking into account recent production mix, business strategy, market trends and risk associated with the future new business projections. The risk discount rates that are used in the value in use of in-force business and present value of expected future new business ranges from 7 per cent to 14 per cent (2022: 7 per cent to 14 per cent) and the perpetual growth rates for future new business cash flows of 3 per cent (2022: 3 per cent) was used, where applicable, to extrapolate the present value of expected future new business beyond the initial three-year period; the rate was determined by reference to the long-term expected GDP growth of the geographical area in which the cash flows supporting the goodwill are generated. The Group may apply alternative methods to estimate the value of future new business if the described method is not appropriate under the circumstances.

15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

US$m	As at 31 December 2023	As at 31 December 2022 (restated)
Group		
Investments in associates	**1,331**	2,026
Investments in joint ventures	**–**	30
Total	**1,331**	2,056

Associates are entities over which the Group has significant influence, but which it does not control or joint control. Generally, it is presumed that the Group has significant influence if it has between 20 per cent and 50 per cent of voting rights. Joint ventures are entities whereby the Group and other parties undertake an economic activity which is subject to joint control arising from a contractual agreement.

Investments in associates and joint ventures are accounted for using the equity method of accounting. Due to timing of the information provided by China Post Life Insurance Co., Ltd. and Tata AIA Life Insurance Company Limited, these investments are reported on a one-quarter-lag-basis.

Goodwill arising on associates and joint ventures is included within the carrying value of those investments. These are held for their long-term contribution to the Group's performance, therefore all amounts are expected to be realised more than 12 months after the end of the reporting period.

The Group's interests in its principal associates and joint ventures are as follows:

				Group's interests %	
	Place of incorporation	Principal activity	Type of shares held	As at 31 December 2023	As at 31 December 2022
China Post Life Insurance Co., Ltd.	Mainland China	Insurance	Ordinary	**24.99%**	24.99%
Tata AIA Life Insurance Company Limited	India	Insurance	Ordinary	**49%**	49%

All associates and joint ventures are unlisted.

Aggregated financial information of associates and joint ventures

The investments in associates and joint ventures are measured using the equity method. The following table analyses, in aggregate, the carrying amount and share of losses and other comprehensive expense of these associates and joint ventures.

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Carrying amount in the statement of financial position	**1,331**	2,056
Losses from continuing operations	**(267)**	(121)
Other comprehensive expense	**(496)**	(530)
Total comprehensive expense	**(763)**	(651)

16. PROPERTY, PLANT AND EQUIPMENT

US$m	Property held for own use using fair value model	Other property held for own use	Computer hardware	Fixtures and fittings and others	Total
Cost or revaluation or fair value					
At 1 January 2022 (restated)	603	2,296	254	621	3,774
Additions	–	167	31	41	239
Acquisition of subsidiaries	–	–	1	–	1
Disposals	–	(202)	(12)	(41)	(255)
Net transfers from investment property	–	157	–	–	157
(Decrease)/increase from valuation	(6)	59	–	–	53
Foreign exchange movements	–	(69)	(12)	(26)	(107)
At 31 December 2022 (restated)	**597**	**2,408**	**262**	**595**	**3,862**
Additions	**–**	**1,454**	**25**	**48**	**1,527**
Acquisition of subsidiaries	**–**	**8**	**1**	**6**	**15**
Disposals	**–**	**(174)**	**(15)**	**(92)**	**(281)**
Net transfers from investment property	**29**	**2**	**–**	**–**	**31**
Decrease from valuation	**(50)**	**(6)**	**–**	**–**	**(56)**
Foreign exchange movements	**–**	**(4)**	**–**	**–**	**(4)**
At 31 December 2023	**576**	**3,688**	**273**	**557**	**5,094**
Accumulated depreciation					
At 1 January 2022 (restated)	–	(390)	(209)	(431)	(1,030)
Depreciation charge for the year	–	(186)	(28)	(56)	(270)
Disposals	–	170	9	36	215
Impairment loss	–	–	–	(9)	(9)
Revaluation adjustment	–	19	–	–	19
Foreign exchange movements	–	25	11	21	57
At 31 December 2022 (restated)	**–**	**(362)**	**(217)**	**(439)**	**(1,018)**
Depreciation charge for the year	**–**	**(188)**	**(28)**	**(48)**	**(264)**
Disposals	**–**	**138**	**11**	**49**	**198**
Impairment loss	**–**	**–**	**–**	**–**	**–**
Revaluation adjustment	**–**	**47**	**–**	**–**	**47**
Foreign exchange movements	**–**	**–**	**–**	**1**	**1**
At 31 December 2023	**–**	**(365)**	**(234)**	**(437)**	**(1,036)**
Net book value					
At 31 December 2022	597	2,046	45	156	2,844
At 31 December 2023	**576**	**3,323**	**39**	**120**	**4,058**

The Group leases various properties, computer hardware, fixtures, fittings and other small items as a lessee. These leases, except for short-term leases and leases of low-value assets, are recognised as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Group. Right-of-use assets are presented as a component of property, plant and equipment or investment property while lease liabilities are presented as a component of other liabilities (see notes 17 and 30). The depreciation charge for right-of-use assets, by class of underlying asset, and finance cost on lease liabilities are disclosed in note 10. Assets and liabilities arising from a lease are initially measured on a present value basis. A maturity analysis of the Group's lease liabilities is disclosed in note 34.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Right-of-use assets in relation to leases are reported within property, plant and equipment. The carrying amount of right-of-use assets, by class of underlying asset, is set out below:

US$m	As at 31 December 2023	As at 31 December 2022 (restated)
Property held for own use using fair value model	**507**	534
Other property held for own use	**827**	874
Computer hardware	**2**	2
Fixtures and fittings and others	**2**	2
Total	**1,338**	1,412

Additions to right-of-use assets for the year ended 31 December 2023 were US$150m (2022: US$148m).

Property held for own use, which is solely held as an underlying item of insurance contracts with direct participation features, is measured initially at cost and subsequently at fair value, with any change therein recognised in profit or loss. Other properties held for own use and right-of-use assets with respect to the Group's interests in leasehold land and land use rights associated with property held for own use are carried at fair value at the reporting date less accumulated depreciation. The fair value at the reporting date is determined by independent professional valuers. Details of valuation techniques and process are disclosed in notes 3 and 20. All other property, plant and equipment and right-of-use assets in relation to other leased property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties held for own use using fair value model

During the year, nil expenditure (2022: nil) recognised in the carrying amount of property held for own use was in the course of its construction. Decrease from revaluation on property held for own use of US$50m (2022: Decrease from revaluation on property held for own use of US$6m) were taken to profit or loss, of which US$47m (2022: US$4m) was related to right-of-use assets.

If property held for own use (excluding right-of-use assets) were stated on a historical cost basis, the carrying value would be US$53m (2022: US$48m). Similarly, stated on a historical basis the carrying value of the right-of-use assets related to the Group's interests in leasehold land and land use rights associated with property held for own use would be US$526m (2022: US$515m).

Properties held for own use using revaluation model

During the year, US$177m expenditure (2022: US$68m) recognised in the carrying amount of property held for own use was in the course of its construction. Increase from revaluation on property held for own use of US$41m (2022: Increase from revaluation on property held for own use of US$78m) were taken to other comprehensive income, of which US$(17)m (2022: US$27m) was related to right-of-use assets.

If property held for own use (excluding right-of-use assets) were stated on a historical cost basis, the carrying value would be US$1,565m (2022: US$327m). Similarly, stated on a historical basis the carrying value of the right-of-use assets related to the Group's interests in leasehold land and land use rights associated with property held for own use would be US$302m (2022: US$353m). The Group holds property, plant and equipment for its long-term use and, accordingly, the annual depreciation charge approximates to the amount expected to be recovered through consumption within 12 months after the end of the reporting period.

17. INVESTMENT PROPERTY

US$m	
Fair value	
At 1 January 2022	4,716
Additions and capitalised subsequent expenditures	68
Disposals	(5)
Net transfers to property, plant and equipment	(157)
Fair value gains	70
Foreign exchange movements	(92)
At 31 December 2022	**4,600**
Additions and capitalised subsequent expenditures	**45**
Acquisition of a subsidiary	**1**
Disposals	**(4)**
Net transfers to property, plant and equipment	**(31)**
Fair value losses	**(97)**
Foreign exchange movements	**(10)**
At 31 December 2023	**4,504**

Investment property, including land and buildings, is initially recognised at cost with changes in fair values in subsequent periods recognised in the consolidated income statement. The fair values at the reporting date are determined by independent professional valuers. Details of valuation techniques and process are disclosed in notes 3 and 20.

The Group leases out its investment property under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease based on future negotiations. Lease payments are usually negotiated every one to five years to reflect market rentals. There were not any material contingent rentals earned as income for the year. Rental income generated from investment property amounted to US$154m (2022: US$161m). Direct operating expenses (including repair and maintenance) on investment property that generates rental income amounted to US$35m (2022: US$33m).

The Group owns investment property in the form of freehold land outside Hong Kong and leasehold land. Leasehold land which is held for long-term rental or capital appreciation or both that is not occupied by the Group is classified as investment property. They are leased out under operating leases and are initially recognised as right-of-use assets at cost, with changes in fair values in subsequent periods recognised in the consolidated income statement. The Group does not hold freehold land in Hong Kong.

The future undiscounted lease payments under operating leases that the Group expects to receive in future periods may be analysed as follows:

US$m	**As at 31 December 2023**	As at 31 December 2022
Leases of investment property classified as operating leases		
Expiring no later than one year	**129**	124
Expiring later than one year and no later than two years	**87**	110
Expiring later than two years and no later than three years	**47**	56
Expiring later than three years and no later than four years	**28**	24
Expiring later than four years and no later than five years	**16**	16
Expiring after five years or more	**27**	12
Total undiscounted lease receipts	**334**	342

18. FINANCIAL INVESTMENTS

The following tables analyse the Group's financial investments by type and nature. The Group manages its financial investments in two distinct categories: unit-linked investments and policyholder and shareholder investments. The investment risk in respect of unit-linked investments is generally borne by our customers and is measured at fair value through profit or loss. Policyholder and shareholder investments include all financial investments other than unit-linked investments. The investment risk in respect of policyholder and shareholder investments is partially or wholly borne by the Group.

Policyholder and shareholder investments are further categorised as participating funds and other participating business with discretionary expected sharing with policyholders and underlying distinct investment portfolios (Other participating business with distinct portfolios), and other policyholder and shareholder. The Group has elected to separately analyse financial investments held by participating funds and other participating business with distinct portfolios within policyholder and shareholder investments as they are subject to local regulations that generally prescribe a minimum proportion of policyholder participation in declared dividends. The Group measures debt securities, equity shares and interests in investment funds of participating funds and other participating business with distinct portfolios at fair value through profit or loss.

Other policyholder and shareholder investments are distinct from unit-linked investments and participating funds and other participating business with distinct portfolios as there is not any direct contractual or regulatory requirement governing the amount, if any, for allocation to policyholders. The Group measures equity shares, interests in investment funds and exchangeable loan notes at fair value through profit or loss in this category and at fair value through other comprehensive income in respect of the majority of debt securities in this category. The investment risk from investments in this category directly impacts the Group's financial statements. For certain benefits of business written in "Participating funds and Other participating business with distinct portfolios" funds and "Unit-linked" funds that are not supported by the underlying segregated assets, the backing assets are generally included in the "Other policyholder and shareholder" funds.

In the following tables, "FVTPL" indicates financial investments classified at fair value through profit or loss, "FVOCI" indicates financial investments classified at fair value through other comprehensive income and "AC" indicates financial investments classified at amortised cost.

Debt securities

In compiling the tables, external ratings have been used where available. External ratings have been used in accordance with the Group's credit risk assessment framework. Where external ratings are not readily available an internal rating methodology has been adopted, if applicable.

Credit risk limits are set according to the Group's credit risk assessment framework, which defines the relative risk level of a debt security.

External ratings		Internal ratings	Reported as
Standard and Poor's and Fitch	Moody's		
AAA	Aaa	1	AAA
AA+ to AA-	Aa1 to Aa3	2+ to 2-	AA
A+ to A-	A1 to A3	3+ to 3-	A
BBB+ to BBB-	Baa1 to Baa3	4+ to 4-	BBB
BB+ and below	Ba1 and below	5+ and below	Below investment grade

18. FINANCIAL INVESTMENTS (continued)

Debt securities (continued)

Debt securities by type comprise the following:

	Policyholder and shareholder								
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder				Unit-linked	Unit-linked[2]	Consolidated investment funds[1]	
US$m	FVTPL	FVTPL	FVOCI	AC	Subtotal	FVTPL	FVOCI	FVTPL	Total
31 December 2023									
Government bonds[3]									
By jurisdiction									
Mainland China	**7,791**	**–**	**23,277**	**–**	**31,068**	**54**	**–**	**–**	**31,122**
Thailand	**–**	**1,323**	**11,314**	**–**	**12,637**	**–**	**–**	**–**	**12,637**
United States	**3,645**	**–**	**3,514**	**–**	**7,159**	**91**	**–**	**–**	**7,250**
South Korea	**–**	**–**	**6,524**	**–**	**6,524**	**248**	**–**	**–**	**6,772**
Singapore	**5,073**	**–**	**1,201**	**–**	**6,274**	**975**	**10**	**–**	**7,259**
Philippines	**275**	**82**	**1,643**	**36**	**2,036**	**238**	**–**	**–**	**2,274**
Malaysia	**1,416**	**202**	**543**	**–**	**2,161**	**346**	**43**	**–**	**2,550**
Indonesia	**792**	**–**	**1,148**	**16**	**1,956**	**131**	**27**	**–**	**2,114**
Other	**2,035**	**2**	**3,237**	**281**	**5,555**	**133**	**–**	**–**	**5,688**
Subtotal, by jurisdiction	**21,027**	**1,609**	**52,401**	**333**	**75,370**	**2,216**	**80**	**–**	**77,666**
By credit rating									
AAA	**6,211**	**–**	**3,807**	**–**	**10,018**	**977**	**10**	**–**	**11,005**
AA	**3,785**	**1**	**9,320**	**225**	**13,331**	**449**	**–**	**–**	**13,780**
A	**8,851**	**98**	**23,689**	**46**	**32,684**	**360**	**18**	**–**	**33,062**
BBB	**2,121**	**1,510**	**14,765**	**62**	**18,458**	**430**	**52**	**–**	**18,940**
Below investment grade	**59**	**–**	**820**	**–**	**879**	**–**	**–**	**–**	**879**
Not rated	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Subtotal, by credit rating	**21,027**	**1,609**	**52,401**	**333**	**75,370**	**2,216**	**80**	**–**	**77,666**
Government agency bonds[4]									
AAA	**1,965**	**–**	**948**	**31**	**2,944**	**210**	**10**	**–**	**3,164**
AA	**633**	**1**	**2,089**	**102**	**2,825**	**72**	**–**	**131**	**3,028**
A	**3,467**	**33**	**2,244**	**50**	**5,794**	**170**	**44**	**–**	**6,008**
BBB	**705**	**19**	**1,586**	**50**	**2,360**	**45**	**3**	**–**	**2,408**
Below investment grade	**68**	**–**	**177**	**13**	**258**	**1**	**4**	**–**	**263**
Not rated	**–**	**–**	**–**	**–**	**–**	**12**	**–**	**–**	**12**
Subtotal	**6,838**	**53**	**7,044**	**246**	**14,181**	**510**	**61**	**131**	**14,883**

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 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 of the jurisdiction in which the respective business unit operates or other governments. The Group has enhanced the government bonds analysis to be presented by credit rating. The 2022 comparative information has been adjusted to conform to this presentation.

(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.

18. FINANCIAL INVESTMENTS (continued)

Debt securities (continued)

Debt securities by type comprise the following: (continued)

US$m	Policyholder and shareholder: Participating funds and other participating business with distinct portfolios FVTPL	Policyholder and shareholder: Other policyholder and shareholder FVTPL	Policyholder and shareholder: Other policyholder and shareholder FVOCI	Policyholder and shareholder: Other policyholder and shareholder AC	Subtotal	Unit-linked FVTPL	Unit-linked(2) FVOCI	Consolidated investment funds(1) FVTPL	Total
31 December 2023									
Corporate bonds									
AAA	**643**	**1**	**205**	**–**	**849**	**–**	**–**	**–**	**849**
AA	**3,347**	**2**	**2,216**	**162**	**5,727**	**201**	**–**	**141**	**6,069**
A	**23,063**	**212**	**11,690**	**888**	**35,853**	**1,498**	**109**	**510**	**37,970**
BBB	**21,602**	**294**	**11,627**	**395**	**33,918**	**860**	**70**	**123**	**34,971**
Below investment grade	**748**	**317**	**1,459**	**132**	**2,656**	**244**	**17**	**–**	**2,917**
Not rated	**–**	**12**	**2**	**9**	**23**	**230**	**–**	**–**	**253**
Subtotal	**49,403**	**838**	**27,199**	**1,586**	**79,026**	**3,033**	**196**	**774**	**83,029**
Structured securities(5)									
AAA	**20**	**–**	**142**	**–**	**162**	**–**	**–**	**–**	**162**
AA	**52**	**–**	**246**	**–**	**298**	**–**	**–**	**–**	**298**
A	**82**	**–**	**598**	**–**	**680**	**32**	**–**	**–**	**712**
BBB	**127**	**73**	**645**	**–**	**845**	**19**	**–**	**–**	**864**
Below investment grade	**67**	**71**	**–**	**–**	**138**	**–**	**–**	**–**	**138**
Not rated	**5**	**1**	**–**	**–**	**6**	**–**	**–**	**–**	**6**
Subtotal	**353**	**145**	**1,631**	**–**	**2,129**	**51**	**–**	**–**	**2,180**
Total(6)	**77,621**	**2,645**	**88,275**	**2,165**	**170,706**	**5,810**	**337**	**905**	**177,758**

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 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.

(5) Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

(6) Debt securities of US$8,869m are restricted due to local regulatory requirements.

18. FINANCIAL INVESTMENTS (continued)

Debt securities (continued)

Debt securities by type comprise the following: (continued)

	Policyholder and shareholder								
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder				Unit-linked	Unit-linked[2]	Consolidated investment funds[1]	
US$m	FVTPL	FVTPL	FVOCI	AC	Subtotal	FVTPL	FVOCI	FVTPL	Total
31 December 2022 (restated)									
Government bonds[3]									
By jurisdiction									
Mainland China	6,048	–	19,740	–	25,788	84	–	–	25,872
Thailand	–	1,169	10,984	–	12,153	1	–	–	12,154
United States	917	131	5,250	–	6,298	89	–	–	6,387
South Korea	–	–	5,949	–	5,949	263	–	–	6,212
Singapore	4,389	–	1,455	–	5,844	824	3	–	6,671
Philippines	150	79	1,560	27	1,816	237	–	–	2,053
Malaysia	1,364	246	502	–	2,112	178	68	–	2,358
Indonesia	755	–	1,017	16	1,788	116	31	–	1,935
Other	1,891	2	2,955	272	5,120	160	–	–	5,280
Subtotal, by jurisdiction	15,514	1,627	49,412	315	66,868	1,952	102	–	68,922
By credit rating									
AAA	5,664	132	7,987	–	13,783	960	3	–	14,746
AA	784	1	6,533	217	7,535	319	–	–	7,854
A	6,961	180	20,221	46	27,408	283	54	–	27,745
BBB	2,058	1,314	14,107	52	17,531	390	45	–	17,966
Below investment grade	47	–	564	–	611	–	–	–	611
Not rated	–	–	–	–	–	–	–	–	–
Subtotal, by credit rating	15,514	1,627	49,412	315	66,868	1,952	102	–	68,922
Government agency bonds[4]									
AAA	2,055	–	966	31	3,052	237	5	–	3,294
AA	550	–	2,068	63	2,681	121	–	189	2,991
A	3,662	6	2,511	84	6,263	201	50	9	6,523
BBB	641	18	1,648	20	2,327	53	–	–	2,380
Below investment grade	63	–	174	13	250	6	9	–	265
Not rated	–	–	–	–	–	–	–	–	–
Subtotal	6,971	24	7,367	211	14,573	618	64	198	15,453

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 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 of the jurisdiction in which the respective business unit operates or other governments. The Group has enhanced the government bonds analysis to be presented by credit rating. The 2022 comparative information has been adjusted to conform to this presentation.

(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.

18. FINANCIAL INVESTMENTS (continued)

Debt securities (continued)

Debt securities by type comprise the following: (continued)

US$m	Policyholder and shareholder: Participating funds and other participating business with distinct portfolios FVTPL	Other policyholder and shareholder FVTPL	Other policyholder and shareholder FVOCI	Other policyholder and shareholder AC	Subtotal	Unit-linked FVTPL	Unit-linked(2) FVOCI	Consolidated investment funds(1) FVTPL	Total
31 December 2022 (restated)									
Corporate bonds									
AAA	526	–	233	–	759	12	–	–	771
AA	3,051	8	1,883	148	5,090	137	–	205	5,432
A	21,046	237	11,618	758	33,659	1,079	98	660	35,496
BBB	20,893	119	12,437	354	33,803	936	56	142	34,937
Below investment grade	638	341	1,429	1	2,409	197	17	–	2,623
Not rated	7	15	–	–	22	293	–	–	315
Subtotal	46,161	720	27,600	1,261	75,742	2,654	171	1,007	79,574
Structured securities(5)									
AAA	31	38	77	–	146	46	–	–	192
AA	83	–	160	–	243	–	–	–	243
A	83	–	524	–	607	38	–	–	645
BBB	112	90	591	–	793	19	–	–	812
Below investment grade	50	71	–	–	121	–	–	–	121
Not rated	14	206	29	–	249	–	–	–	249
Subtotal	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 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.

(5) Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

(6) Debt securities of US$9,885m are restricted due to local regulatory requirements.

18. 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:

	Policyholder and shareholder					
	Participating funds and other participating business with distinct portfolios	**Other policyholder and shareholder**		**Unit-linked**	**Consolidated investment funds[1]**	
US$m	**FVTPL**	**FVTPL**	**Subtotal**	**FVTPL**	**FVTPL**	**Total**
31 December 2023						
Equity shares	**7,533**	**4,604**	**12,137**	**7,150**	**–**	**19,287**
Interests in investment funds and exchangeable loan notes	**22,676**	**6,864**	**29,540**	**17,626**	**–**	**47,166**
Total	**30,209**	**11,468**	**41,677**	**24,776**	**–**	**66,453**

	Policyholder and shareholder					
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder		Unit-linked	Consolidated investment funds[1]	
US$m	FVTPL	FVTPL	Subtotal	FVTPL	FVTPL	Total
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 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.

18. FINANCIAL INVESTMENTS (continued)

Interests in structured entities

The Group has determined that the investment funds and structured securities, such as collateralised debt obligations, mortgage-backed securities and other asset-backed securities that the Group has interests are structured entities.

The Group has consolidated certain investment funds for which the Group provides guarantee on capital or rate of return to the investors and deemed to have control based on an analysis of the guidance in IFRS 10. For these investment funds, the Group has the ability to reduce the guaranteed rates of return, subject to obtaining approvals of applicable regulators. The Group has an obligation to absorb losses in the event that the returns of the funds are insufficient to cover the capital or rate of return guarantee provided to the investors.

The following table summarises the Group's interests in unconsolidated structured entities:

US$m	As at 31 December 2023 Investment funds	As at 31 December 2023 Structured securities[1]	As at 31 December 2022(restated) Investment funds	As at 31 December 2022(restated) Structured securities[1]
Debt securities at amortised cost	**13[2]**	**–**	–	–
Debt securities at fair value through other comprehensive income	**830[2]**	**1,631**	806[2]	1,381
Debt securities at fair value through profit or loss	**1,965[2]**	**549**	1,609[2]	881
Interests in investment funds at fair value through profit or loss	**45,994**	**–**	37,327	–
Total	**48,802**	**2,180**	39,742	2,262

Notes:

(1) Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

(2) Balance represents the Group's interests in debt securities issued by real estate investment trusts.

The Group's maximum exposure to loss arising from its interests in these unconsolidated structured entities is limited to the carrying amount of the assets. Dividend income and interest revenue are received during the reporting period from these interests in unconsolidated structured entities.

In addition, the Group receives management fees and trustee fees in respect of providing trustee, management and administrative services to certain retirement scheme funds and investment funds. These funds are not held and the associated investment risks are not borne by the Group, the Group does not have exposure to loss in these funds.

18. FINANCIAL INVESTMENTS (continued)

Loans and deposits

Loans and deposits by type comprise the following:

US$m	As at 31 December 2023	As at 31 December 2022 (restated)
Mortgage loans on residential real estate	**452**	469
Mortgage loans on commercial real estate	**2**	2
Other loans	**203**	372
Loss allowance for loans	**(10)**	(9)
Loans	**647**	834
Term deposits	**1,834**	2,509
Promissory notes[1]	**1,524**	1,520
Loss allowance for deposits measured at amortised cost	**(10)**	(18)
Total	**3,995**	4,845

Note:

(1) The promissory notes are issued by a government. Promissory notes of US$272m (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 31 December 2023, the restricted balance held within term deposits and promissory notes was US$372m (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 31 December 2023, the carrying value of such receivables was US$99m (2022: US$261m).

At 31 December 2023, there was no material debt collateral received in respect of reverse repos.

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 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
31 December 2023						
Debt securities	**170,706**	**5,754**	**19,990**	**16,630**	**128,332**	**–**
Loans and deposits	**3,930**	**996**	**917**	**454**	**1,553**	**10**
Total	**174,636**	**6,750**	**20,907**	**17,084**	**129,885**	**10**

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 (restated)						
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

19. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative exposure was as follows:

		Fair value	
US$m	Notional amount	Assets	Liabilities
31 December 2023			
Foreign exchange contracts			
Cross-currency swaps	**8,429**	**342**	**(271)**
Forwards	**4,964**	**41**	**(78)**
Foreign exchange futures	**41**	**–**	**–**
Total foreign exchange contracts	**13,434**	**383**	**(349)**
Interest rate contracts			
Interest rate swaps	**3,930**	**210**	**(109)**
Other			
Warrants and options	**1,424**	**11**	**(2)**
Forward contracts	**36,758**	**148**	**(7,575)**
Swaps	**–**	**–**	**–**
Netting	**(41)**	**–**	**–**
Total	**55,505**	**752**	**(8,035)**
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$8m (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.

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivative assets and derivative liabilities are recognised in the 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 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.

Foreign exchange contracts

Foreign exchange forward and futures contracts represent agreements to exchange one currency for another currency at an agreed price and settlement date. Currency options are agreements that give the buyer the right to exchange one currency for another currency 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 Accounting Standards.

Collateral under derivative transactions

At 31 December 2023, the Group had posted cash collateral of US$213m (2022: US$309m) and pledged debt securities with carrying value of US$8,639m (2022: US$9,656m) for liabilities, and held cash collateral of US$340m (2022: US$231m) and debt securities collateral with carrying value of US$95m (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.

20. 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 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 (mandatory and designated) 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:

		Fair value					
US$m	Notes	FVTPL – mandatory	FVTPL – designated	FVOCI	Amortised cost	Total carrying value	Total fair value
31 December 2023							
Financial investments	18						
Loans and deposits		–	272	–	3,723	3,995	4,100
Debt securities		8,086	78,895	88,612	2,165	177,758	177,508
Equity shares, interests in investment funds and exchangeable loan notes		66,453	–	–	–	66,453	66,453
Derivative financial instruments	19	752	–	–	–	752	752
Receivables	21	–	–	–	1,294	1,294	1,294
Accrued investment income	21	–	–	–	1,832	1,832	1,832
Cash and cash equivalents	22	4,970	–	–	6,555	11,525	11,525
Financial assets		80,261	79,167	88,612	15,569	263,609	263,464

		Fair value				
	Notes	FVTPL – mandatory	FVTPL – designated	Amortised cost	Total carrying value	Total fair value
Financial liabilities						
Investment contract liabilities	25	–	8,460	515	8,975	8,975
Borrowings	26	–	–	11,800	11,800	10,875
Obligations under repurchase agreements	27	–	–	3,461	3,461	3,461
Derivative financial instruments	19	8,035	–	–	8,035	8,035
Other liabilities	30	–	844	4,043	4,887	4,887
Financial liabilities		8,035	9,304	19,819	37,158	36,233

20. FAIR VALUE MEASUREMENT (continued)

Fair value of financial instruments (continued)

US$m	Notes	Fair value FVTPL – mandatory	Fair value FVTPL – designated	Fair value FVOCI	Amortised cost	Total carrying value	Total fair value
31 December 2022 (restated)							
Financial investments	18						
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	19	630	–	–	–	630	630
Receivables	21	–	–	–	1,718	1,718	1,718
Accrued investment income	21	–	–	–	1,752	1,752	1,752
Cash and cash equivalents	22	2,248	–	–	6,721	8,969	8,969
Financial assets		74,628	71,124	86,097	16,544	248,393	248,193

	Notes	Fair value FVTPL – mandatory	Fair value FVTPL – designated	Amortised cost	Total carrying value	Total fair value
Financial liabilities						
Investment contract liabilities	25	–	11,226	530	11,756	11,756
Borrowings	26	–	–	11,206	11,206	9,837
Obligations under repurchase agreements	27	–	–	1,748	1,748	1,748
Derivative financial instruments	19	8,739	–	–	8,739	8,739
Other liabilities	30	–	865	3,444	4,309	4,309
Financial liabilities		8,739	12,091	16,928	37,758	36,389

The carrying amount of assets included in the above tables represents the maximum credit exposure.

Foreign currency exposure, including the net positions of foreign currency derivative, is shown in note 34 for the Group's key foreign exchange exposures.

The fair value of investment contract liabilities measured at amortised cost is not considered to be materially different from the amortised cost carrying value.

The carrying value of financial instruments expected to be settled within 12 months (after taking into account valuation allowances, where applicable) is not considered to be materially different from the fair value.

20. FAIR VALUE MEASUREMENT (continued)

Fair value measurements on a recurring basis

The Group measures at fair value property held for own use, investment property, financial instruments classified at fair value through profit or loss, financial instruments classified at fair value through other comprehensive income, derivative assets and liabilities, investments held by investment funds which are consolidated, investments in non-consolidated investment funds and certain investment contract liabilities on a recurring basis.

The fair value of a financial instrument is the amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgement is used in measuring fair value. Conversely, financial instruments traded in other than active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgement. An active market is one in which transactions for the asset or liability being valued occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

An other than active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or in which little information is released publicly for the asset or liability being valued. 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.

Fair value of properties is based on valuation by independent professional valuers.

The Group does not have assets or liabilities measured at fair value on a non-recurring basis during the years ended 31 December 2023 and 31 December 2022.

The following methods and assumptions were used by the Group to estimate the fair value of financial instruments and properties.

Determination of fair value

Loans and receivables

For loans and advances that are repriced frequently and have not had any significant changes in credit risk, carrying amounts represent a reasonable estimate of fair values. The fair values of other loans are estimated by discounting expected future cash flows using interest rates offered for similar loans to borrowers with similar credit ratings.

The fair values of mortgage loans are estimated by discounting future cash flows using interest rates currently being offered in respect of similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations.

Debt securities, equity shares, interests in investment funds and exchangeable loan notes

The fair values of equity shares, interests in investment funds and exchangeable loan notes are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. Fair values for fixed interest securities are based on quoted market prices, where available. For those investments not actively traded, fair values are estimated using values obtained from brokers, private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment. Priority is given to values from independent sources when available, but overall the source of pricing and/or valuation technique is chosen with the objective of arriving at the price at which an orderly transaction would take place between market participants on the measurement date. The inputs to determining fair value that are relevant to fixed interest securities include, but not limited to risk-free interest rates, the obligor's credit spreads, foreign exchange rates and credit default rates. For holdings in hedge funds and limited partnerships, fair values are determined based on the net asset values provided by the general partner or manager of each investment, the accounts of which are generally audited on an annual basis. The transaction price is used as the best estimate of fair value at inception.

20. FAIR VALUE MEASUREMENT (continued)

Determination of fair value (continued)

Derivative financial instruments

The Group values its derivative financial assets and liabilities using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contract terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The Group generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgement. Examples of inputs that are generally observable include foreign exchange spot and forward rates, benchmark interest rate curves and volatilities for commonly traded option products. Examples of inputs that may be unobservable include volatilities for less commonly traded option products and correlations between market factors.

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.

Property held for own use and investment property

The Group engaged external, independent and qualified valuers to determine the fair value of the Group's properties at least on an annual basis. The valuation on an open market value basis by independent professional valuer for certain investment properties was calculated by reference to net rental income allowing for reversionary income potential. The fair values of certain other properties were derived using the Market Data Approach. In this approach, the values are based on sales and listing of comparable property registered in the vicinity. Certain other properties are valued using a combination of these two methods.

The properties held for own use and investment properties, in most cases, are valued on the basis of the highest and best use of the properties that is physically possible, legally permissible and financially feasible. The current use of the properties is considered to be its highest and best use; records of recent sales and offerings of similar property are analysed and comparison made for such factors as size, location, quality and prospective use. On limited occasions, potential redevelopment of the properties in use would be taken into account when they would maximise the fair value of the properties; the Group is occupying these properties for operational purposes.

Cash and cash equivalents

The carrying amount of cash approximates to its fair value.

Fair value of securities sold under repurchase agreements and the associated payables

The contract values of payables under repurchase agreements approximate to their fair value as these obligations are short-term in nature.

Other assets

The carrying amount of other financial assets is not materially different to their fair value. The fair values of deposits with banks are generally based on quoted market prices or, if unquoted, on estimates based on discounting future cash flows using available market interest rates offered for receivables with similar characteristics.

20. FAIR VALUE MEASUREMENT (continued)

Determination of fair value (continued)

Investment contract liabilities

For investment contract liabilities, the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts where the investment risk is borne by the policyholder, the fair value generally approximates to the fair value of the underlying assets.

Investment contracts with DPF enable the contract holder to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating business and are measured and classified according to the Group practice for insurance contract liabilities and hence are disclosed within note 24. These are not measured at fair value as the Group applies the same accounting policies for the measurement of investment contracts with DPF as it does for insurance contracts under IFRS 17.

Borrowings

The fair values of borrowings have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities or prices obtained from brokers.

Other liabilities

The fair values of other unquoted financial liabilities are estimated by discounting expected future cash flows using current market rates applicable to their yield, credit quality and maturity, except for those without stated maturity, where the carrying value approximates to fair value.

Fair value hierarchy for fair value measurement on a recurring basis

Assets and liabilities recorded at fair value in the consolidated statement of financial position are measured and classified in a hierarchy for disclosure purposes consisting of three "levels" based on the observability of inputs available in the marketplace used to measure their fair values as discussed below:

- **Level 1**: Fair value measurements that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access as of the measurement date. Market price data is generally obtained from exchange or dealer markets. The Group does not adjust the quoted price for such instruments. Assets measured at fair value on a recurring basis and classified as Level 1 are actively traded equities. The Group considers that government debt securities issued by G7 countries (the United States, Canada, France, Germany, Italy, Japan, the United Kingdom) and traded in a dealer market to be Level 1, until they no longer trade with sufficient frequency and volume to be considered actively traded.
- **Level 2**: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices that are observable for the asset and liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Assets and liabilities measured at fair value on a recurring basis and classified as Level 2 generally include government debt securities issued by non-G7 countries, most investment grade corporate bonds, hedge fund investments and derivative contracts.
- **Level 3**: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Unobservable inputs are only used to measure fair value to the extent that relevant observable inputs are not available, allowing for circumstances in which there is little, if any, market activity for the asset or liability. Assets and liabilities measured at fair value on a recurring basis and classified as Level 3 include properties held for own use, investment properties, certain classes of structured securities, certain derivative contracts, private equity and real estate fund investments, and direct private equity investments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Group's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement. In making the assessment, the Group considers factors specific to the asset or liability.

20. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

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

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2023				
Recurring fair value measurements				
Non-financial assets				
Property held for own use	–	–	2,565	2,565
Investment property	–	–	4,504	4,504
Financial assets				
At fair value through other comprehensive income				
Debt securities	78	86,177	2,357	88,612
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios	173	75,640	1,808	77,621
Unit-linked and consolidated investment funds	3	6,712	–	6,715
Other policyholder and shareholder	–	2,450	195	2,645
Loans and deposits	–	–	272	272
Equity shares, interests in investment funds and exchangeable loan notes				
Participating funds and other participating business with distinct portfolios	15,149	1,283	13,777	30,209
Unit-linked and consolidated investment funds	24,374	379	23	24,776
Other policyholder and shareholder	4,805	1,285	5,378	11,468
Cash and cash equivalents				
Other policyholder and shareholder	4,970	–	–	4,970
Derivative financial instruments				
Foreign exchange contracts	–	383	–	383
Interest rate contracts	–	210	–	210
Other contracts	4	147	8	159
Total assets on a recurring fair value measurement basis	49,556	174,666	30,887	255,109
% of Total	*19.4%*	*68.5%*	*12.1%*	*100.0%*
Financial liabilities				
Investment contract liabilities	–	6,607	1,853	8,460
Derivative financial instruments				
Foreign exchange contracts	–	349	–	349
Interest rate contracts	–	109	–	109
Other contracts	4	7,573	–	7,577
Other liabilities	–	844	–	844
Total liabilities on a recurring fair value measurement basis	4	15,482	1,853	17,339
% of Total	*0.0%*	*89.3%*	*10.7%*	*100.0%*

20. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
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
% of Total	*20.1%*	*69.2%*	*10.7%*	*100.0%*
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
% of Total	*0.1%*	*89.4%*	*10.5%*	*100.0%*

20. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

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 year ended 31 December 2023, the Group transferred US$1m (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$58m (2022: US$28m) of assets from Level 2 to Level 1 during the year ended 31 December 2023.

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 years ended 31 December 2023 and 31 December 2022. The tables reflect gains and losses, including gains and losses on assets and liabilities categorised as Level 3 as at 31 December 2023 and 31 December 2022.

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	–	–	–	–	–	–	331
Total gains/(losses)							
Reported under investment return and other expenses in the consolidated income statement	(40)	(97)	119	(9)	(178)	42	–
Reported under fair value reserve, foreign currency translation reserve and property revaluation reserve in the consolidated statement of comprehensive income	57	(10)	(40)	2	(37)	(1)	–
Acquisition of subsidiaries	2	1	–	–	–	–	–
Transfer to/from investment property	9	(31)	–	–	–	–	–
Purchases	1,306	45	899	–	4,874	–	–
Sales[1]	(4)	(4)	(257)	–	(926)	–	–
Settlements	–	–	(198)	–	–	(74)	–
Transfer into Level 3	–	–	2	–	50	–	–
Transfer out of Level 3	–	–	–	–	(163)	–	–
At 31 December 2023	**2,565**	**4,504**	**4,360**	**272**	**19,178**	**8**	**(1,853)**
Change in unrealised gains or losses included in the consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return and other expenses	(40)	(92)	63	(9)	(143)	(32)	–

Note:
(1) Includes amounts derecognised on disposal of held for sale assets and liabilities.

20. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

Level 3 assets and liabilities (continued)

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 2022 (restated)	1,037	4,716	2,796	297	8,472	–	(2,163)
Net movement on investment contract liabilities	–	–	–	–	–	–	(21)
Total gains/(losses)							
Reported under investment return and other expenses in the consolidated income statement	(15)	70	(64)	(6)	26	41	–
Reported under fair value reserve, foreign currency translation reserve and property revaluation reserve in the consolidated statement of comprehensive income	33	(92)	(264)	(12)	(188)	–	–
Transfer to/from investment property	157	(157)	–	–	–	–	–
Purchases	23	68	1,844	–	7,904	–	–
Sales	–	(5)	(202)	–	(637)	–	–
Settlements	–	–	(229)	–	(4)	–	–
Transfer into Level 3	–	–	–	–	26	–	–
Transfer out of Level 3	–	–	(46)	–	(41)	–	–
At 31 December 2022 (restated)	1,235	4,600	3,835	279	15,558	41	(2,184)
Change in unrealised gains or losses included in the consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return and other expenses	(15)	70	(86)	(7)	(131)	41	–

Movements in investment contract liabilities at fair value are offset by movements in the underlying portfolio of matching assets. Details of the movement in investment contract liabilities are provided in note 25.

Assets transferred out of Level 3 mainly relate to interests in investment funds of which market-observable inputs became available during the year 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.

20. FAIR VALUE MEASUREMENT (continued)

Significant unobservable inputs for Level 3 fair value measurements

As at 31 December 2023 and 31 December 2022, 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 31 December 2023 (US$m)	Valuation techniques	Unobservable inputs	Range
Debt securities	**2,553**	**Discounted cash flows**	**Risk adjusted discount rate**	**3.17% - 47.22%**

Description	Fair value at 31 December 2022 (US$m)	Valuation techniques	Unobservable inputs	Range
Debt securities	1,790	Discounted cash flows	Risk adjusted discount rate	3.30% – 30.09%

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.

20. FAIR VALUE MEASUREMENT (continued)

Fair value of financial and insurance assets and liabilities for which the fair value is disclosed at the reporting date

A summary of fair value hierarchy of assets and liabilities not carried at fair value but for which the fair value is disclosed as at 31 December 2023 and 31 December 2022 is given below.

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2023				
Assets for which the fair value is disclosed				
Financial assets				
Debt securities	**–**	**1,915**	**–**	**1,915**
Loans and deposits	**1,025**	**914**	**1,889**	**3,828**
Receivables	**207**	**1,024**	**63**	**1,294**
Accrued investment income	**24**	**1,808**	**–**	**1,832**
Cash and cash equivalents	**6,555**	**–**	**–**	**6,555**
Total assets for which the fair value is disclosed	**7,811**	**5,661**	**1,952**	**15,424**
Liabilities for which the fair value is disclosed				
Financial liabilities				
Investment contract liabilities	**–**	**–**	**515**	**515**
Borrowings	**9,244**	**1,631**	**–**	**10,875**
Obligations under repurchase agreements	**–**	**3,461**	**–**	**3,461**
Other liabilities	**347**	**3,680**	**16**	**4,043**
Total liabilities for which the fair value is disclosed	**9,591**	**8,772**	**531**	**18,894**

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2022 (restated)				
Assets for which the fair value is disclosed				
Financial assets				
Debt securities	–	1,461	59	1,520
Loans and deposits	2,062	688	1,883	4,633
Receivables	53	1,611	54	1,718
Accrued investment income	30	1,722	–	1,752
Cash and cash equivalents	6,721	–	–	6,721
Total assets for which the fair value is disclosed	8,866	5,482	1,996	16,344
Liabilities for which the fair value is disclosed				
Financial liabilities				
Investment contract liabilities	–	–	530	530
Borrowings	8,286	1,551	–	9,837
Obligations under repurchase agreements	–	1,748	–	1,748
Other liabilities	445	2,945	54	3,444
Total liabilities for which the fair value is disclosed	8,731	6,244	584	15,559

21. OTHER ASSETS

US$m	As at 31 December 2023	As at 31 December 2022 (restated)
Accrued investment income	**1,832**	1,752
Receivables	**1,294**	1,718
Pension scheme assets		
Defined benefit pension scheme surpluses	**57**	56
Others(1)	**1,133**	1,065
Total	**4,316**	4,591

Note:

(1) Represents, among others, prepayments and deferred origination costs.

All amounts other than certain prepayments are generally expected to be recovered within 12 months after the end of the reporting period.

22. CASH AND CASH EQUIVALENTS

US$m	As at 31 December 2023	As at 31 December 2022
Cash	**3,152**	3,367
Cash equivalents	**8,373**	5,602
Total(1)	**11,525**	8,969

Note:

(1) US$667m (2022: US$1,462m) are held to back unit-linked contracts and US$46m (2022: US$43m) are held by consolidated investment funds. In preparing the 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.

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.

23. IMPAIRMENT OF FINANCIAL ASSETS

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- (Standard and Poor's rating), BBB- (Fitch rating), Baa3 (Moody's rating) or higher, which is equivalent to an internal rating of 4- or higher.

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 2.5.1.

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 the 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".

23. IMPAIRMENT OF FINANCIAL ASSETS (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

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 jurisdictions in which 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.

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 macroeconomic variables and key drivers of credit risk. The specific values of the core macroeconomic variable used by the Group for evaluating ECL for the years ended 31 December 2023 and 31 December 2022 are as follows:

	As at 31 December 2023	As at 31 December 2022
GDP growth (5-year average of year-over-year %)		
Base case scenario	**2.9%**	3.1%
Upside scenario	**3.5%**	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.

23. IMPAIRMENT OF FINANCIAL ASSETS (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Measurement of ECL (continued)

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.

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.

23. IMPAIRMENT OF FINANCIAL ASSETS (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance

The following tables show reconciliation balances from the opening to the closing balance of the loss allowance by class of financial instrument. Gross carrying amount is the amortised cost before adjusting for loss allowance.

	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
US$m	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Debt securities measured at amortised cost								
Balance at 1 January 2023	**1,778**	**4**	**15**	**2**	**–**	**–**	**1,793**	**6**
Transfer to 12-month ECL	**10**	**–**	**(10)**	**–**	**–**	**–**	**–**	**–**
Transfer to lifetime ECL not credit-impaired	**(10)**	**–**	**10**	**–**	**–**	**–**	**–**	**–**
Transfer to lifetime ECL credit-impaired	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net remeasurement of loss allowance	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
New financial assets acquired	**472**	**–**	**–**	**–**	**–**	**–**	**472**	**–**
Financial assets derecognised other than write-offs	**(105)**	**–**	**–**	**–**	**–**	**–**	**(105)**	**–**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Effects of movements in exchange rates and other movements	**11**	**–**	**–**	**–**	**–**	**–**	**11**	**–**
Balance at 31 December 2023	**2,156**	**4**	**15**	**2**	**–**	**–**	**2,171**	**6**

	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
US$m	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Debt securities measured at amortised cost								
Balance at 1 January 2022	1,465	2	15	2	–	–	1,480	4
Transfer to 12-month ECL	–	–	–	–	–	–	–	–
Transfer to lifetime ECL not credit-impaired	–	–	–	–	–	–	–	–
Transfer to lifetime ECL credit-impaired	–	–	–	–	–	–	–	–
Net remeasurement of loss allowance	–	1	–	–	–	–	–	1
New financial assets acquired	385	1	–	–	–	–	385	1
Financial assets derecognised other than write-offs	(51)	–	–	–	–	–	(51)	–
Effects of movements in exchange rates and other movements	(21)	–	–	–	–	–	(21)	–
Balance at 31 December 2022	1,778	4	15	2	–	–	1,793	6

23. IMPAIRMENT OF FINANCIAL ASSETS (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance (continued)

US$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Loans and deposits measured at amortised cost								
Balance at 1 January 2023	**4,572**	**17**	**11**	**3**	**10**	**7**	**4,593**	**27**
Transfer to 12-month ECL	**6**	**1**	**(4)**	**–**	**(2)**	**(1)**	**–**	**–**
Transfer to lifetime ECL not credit-impaired	**(8)**	**–**	**9**	**–**	**(1)**	**–**	**–**	**–**
Transfer to lifetime ECL credit-impaired	**(16)**	**–**	**–**	**–**	**16**	**–**	**–**	**–**
Net remeasurement of loss allowance	**–**	**(16)**	**–**	**–**	**–**	**2**	**–**	**(14)**
New financial assets acquired	**30,837**	**10**	**–**	**–**	**–**	**–**	**30,837**	**10**
Financial assets derecognised other than write-offs	**(31,654)**	**(1)**	**(1)**	**–**	**(3)**	**(1)**	**(31,658)**	**(2)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Effects of movements in exchange rates and other movements	**(29)**	**–**	**–**	**(1)**	**–**	**–**	**(29)**	**(1)**
Balance at 31 December 2023	**3,708**	**11**	**15**	**2**	**20**	**7**	**3,743**	**20**

US$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Loans and deposits measured at amortised cost								
Balance at 1 January 2022	5,423	8	11	2	18	8	5,452	18
Transfer to 12-month ECL	10	2	(2)	–	(8)	(2)	–	–
Transfer to lifetime ECL not credit-impaired	(48)	–	49	1	(1)	(1)	–	–
Transfer to lifetime ECL credit-impaired	(2)	–	(1)	–	3	–	–	–
Net remeasurement of loss allowance	–	–	–	–	–	2	–	2
New financial assets acquired	29,964	10	–	–	–	–	29,964	10
Financial assets derecognised other than write-offs	(30,620)	(3)	(44)	–	(2)	–	(30,666)	(3)
Effects of movements in exchange rates and other movements	(155)	–	(2)	–	–	–	(157)	–
Balance at 31 December 2022	4,572	17	11	3	10	7	4,593	27

23. IMPAIRMENT OF FINANCIAL ASSETS (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance (continued)

US$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Debt securities measured at fair value through other comprehensive income								
Balance at 1 January 2023	**89,556**	**167**	**511**	**50**	**103**	**83**	**90,170**	**300**
Transfer to 12-month ECL	**214**	**20**	**(214)**	**(20)**	**–**	**–**	**–**	**–**
Transfer to lifetime ECL not credit-impaired	**(312)**	**(15)**	**312**	**15**	**–**	**–**	**–**	**–**
Transfer to lifetime ECL credit-impaired	**–**	**–**	**(250)**	**(13)**	**250**	**13**	**–**	**–**
Net remeasurement of loss allowance	**–**	**(45)**	**–**	**(13)**	**–**	**231**	**–**	**173**
New financial assets acquired	**18,909**	**29**	**–**	**–**	**–**	**–**	**18,909**	**29**
Financial assets derecognised other than write-offs	**(20,494)**	**(23)**	**(102)**	**(7)**	**–**	**–**	**(20,596)**	**(30)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Effects of movements in exchange rates and other movements	**(364)**	**–**	**9**	**5**	**13**	**–**	**(342)**	**5**
Balance at 31 December 2023	**87,509**	**133**	**266**	**17**	**366**	**327**	**88,141**	**477**

US$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Debt securities measured at fair value through other comprehensive income								
Balance at 1 January 2022	95,364	142	319	17	–	–	95,683	159
Transfer to 12-month ECL	4	–	(4)	–	–	–	–	–
Transfer to lifetime ECL not credit-impaired	(426)	(12)	426	12	–	–	–	–
Transfer to lifetime ECL credit-impaired	–	–	(102)	(10)	102	10	–	–
Net remeasurement of loss allowance	–	56	–	60	–	73	–	189
New financial assets acquired	21,113	29	–	–	–	–	21,113	29
Financial assets derecognised other than write-offs	(23,178)	(45)	(75)	(24)	–	–	(23,253)	(69)
Effects of movements in exchange rates and other movements	(3,321)	(3)	(53)	(5)	1	–	(3,373)	(8)
Balance at 31 December 2022	89,556	167	511	50	103	83	90,170	300

23. IMPAIRMENT OF FINANCIAL ASSETS (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance (continued)

US$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Receivables								
Balance at 1 January 2023	**1,673**	**–**	**42**	**11**	**28**	**14**	**1,743**	**25**
Transfer to lifetime ECL not credit-impaired	**3**	**–**	**(3)**	**–**	**–**	**–**	**–**	**–**
Transfer to lifetime ECL credit-impaired	**(3)**	**–**	**(2)**	**(2)**	**5**	**2**	**–**	**–**
Net remeasurement of loss allowance	**–**	**–**	**–**	**(5)**	**–**	**2**	**–**	**(3)**
Net decrease in receivables	**(415)**	**–**	**(7)**	**(1)**	**(1)**	**–**	**(423)**	**(1)**
Write-offs	**–**	**–**	**–**	**–**	**(3)**	**(2)**	**(3)**	**(2)**
Effects of movements in exchange rates and other movements	**(4)**	**–**	**–**	**–**	**–**	**–**	**(4)**	**–**
Balance at 31 December 2023	**1,254**	**–**	**30**	**3**	**29**	**16**	**1,313**	**19**

US$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Receivables								
Balance at 1 January 2022	1,618	–	43	8	30	18	1,691	26
Transfer to lifetime ECL not credit-impaired	(5)	–	5	–	–	–	–	–
Transfer to lifetime ECL credit-impaired	–	–	–	–	–	–	–	–
Net remeasurement of loss allowance	–	–	–	4	–	(3)	–	1
Net increase/(decrease) in receivables	64	–	(6)	(1)	–	–	58	(1)
Effects of movements in exchange rates and other movements	(4)	–	–	–	(2)	(1)	(6)	(1)
Balance at 31 December 2022	1,673	–	42	11	28	14	1,743	25

24. 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 year as a result of cash flows and amounts recognised in the consolidated income statement and consolidated statement of comprehensive income. The Group presents a table separately analysing 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 consolidated income statement and 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.

24. 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

		Year ended 31 December 2023			
		Liabilities for remaining coverage			
US$m	Notes	Excluding loss component	Loss component	Liabilities for incurred claims	Total
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	(15,107)	–	–	(15,107)
Insurance service expenses					
Incurred claims and other insurance service expenses		–	(113)	8,974	8,861
Amortisation of insurance acquisition cash flows		968	–	–	968
Losses and reversal of losses on onerous contracts		–	214	–	214
Adjustments to liabilities for incurred claims		–	–	(268)	(268)
Total insurance service expenses		968	101	8,706	9,775
Investment components		(11,737)	–	11,737	–
Other changes		(14)	–	14	–
Insurance service result		(25,890)	101	20,457	(5,332)
Net finance expenses/(income) from insurance contracts	9	15,923	(24)	360	16,259
Effect of movements in exchange rates		(508)	56	(19)	(471)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(10,475)	133	20,798	10,456
Cash flows					
Premiums received		38,761	–	–	38,761
Claims and other insurance service expenses paid, including investment components		18	–	(24,074)	(24,056)
Insurance acquisition cash flows paid		(6,325)	–	–	(6,325)
Other amounts (paid)/received		(1)	–	3,770	3,769
Total cash flows		32,453	–	(20,304)	12,149
Adjusted for:					
Non-cash operating expenses		(161)	–	(71)	(232)
Other non-cash items		(370)	–	–	(370)
Total non-cash items		(531)	–	(71)	(602)
Contracts derecognised on disposal of held for sale assets and liabilities		(910)	(56)	(57)	(1,023)
Net closing balance		195,626	347	8,009	203,982
Closing assets		(454)	42	627	215
Closing liabilities		196,080	305	7,382	203,767
Net closing balance		195,626	347	8,009	203,982

24. 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)

		Year ended 31 December 2022			
		Liabilities for remaining coverage			
US$m	Notes	Excluding loss component	Loss component	Liabilities for incurred claims	Total
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	8	(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	9	(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

Insurance contract assets of US$501m (2022: US$608m) and insurance contract liabilities of US$5,633m (2022: US$4,652m) are expected to be recovered within 12 months after the reporting date.

24. 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

		Year ended 31 December 2023							
						CSM			
US$m	Notes	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts	Total
Opening assets		(8,689)	739	7,380	(570)	–	4,983	2,397	7,380
Opening liabilities		135,747	2,796	45,029	183,572	10,627	26,411	7,991	45,029
Net opening balance		127,058	3,535	52,409	183,002	10,627	31,394	10,388	52,409
Insurance service result									
Changes that relate to current services									
CSM recognised for services provided	8	–	–	(5,605)	(5,605)	(1,009)	(2,670)	(1,926)	(5,605)
Change in risk adjustment for non-financial risk		–	(125)	–	(125)	–	–	–	–
Experience adjustments		581	–	–	581	–	–	–	–
Others		(129)	–	–	(129)	–	–	–	–
Changes that relate to future services									
Contracts initially recognised in the year		(7,380)	473	7,060	153	–	–	7,060	7,060
Changes in estimates that adjust the CSM		(971)	23	948	–	15	1,360	(427)	948
Changes in estimates that result in losses and reversal of losses on onerous contracts		17	44	–	61	–	–	–	–
Changes that relate to past services		(208)	(60)	–	(268)	–	–	–	–
Total insurance service result		(8,090)	355	2,403	(5,332)	(994)	(1,310)	4,707	2,403
Net finance expenses/(income) from insurance contracts	9	15,129	(26)	1,156	16,259	471	335	350	1,156
Effect of movements in exchange rates		(32)	(2)	(437)	(471)	(222)	(103)	(112)	(437)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		7,007	327	3,122	10,456	(745)	(1,078)	4,945	3,122
Cash flows		12,149	–	–	12,149	–	–	–	–
Non-cash operating expenses		(232)	–	–	(232)	–	–	–	–
Other non-cash items		(370)	–	–	(370)	–	–	–	–
Contracts derecognised on disposal of held for sale assets and liabilities		(986)	(24)	(13)	(1,023)	–	(13)	–	(13)
Net closing balance		144,626	3,838	55,518	203,982	9,882	30,303	15,333	55,518
Closing assets		(9,961)	888	9,288	215	–	5,640	3,648	9,288
Closing liabilities		154,587	2,950	46,230	203,767	9,882	24,663	11,685	46,230
Net closing balance		144,626	3,838	55,518	203,982	9,882	30,303	15,333	55,518

24. 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)

		Year ended 31 December 2022							
						CSM			
US$m	Notes	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts	Total
Opening assets		(10,154)	796	7,240	(2,118)	–	5,900	1,340	7,240
Opening liabilities		167,514	3,097	47,918	218,529	11,983	31,017	4,918	47,918
Net opening balance		157,360	3,893	55,158	216,411	11,983	36,917	6,258	55,158
Insurance service result									
Changes that relate to current services									
CSM recognised for services provided	8	–	–	(5,363)	(5,363)	(1,059)	(3,072)	(1,232)	(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	–	–	5,983	5,983
Changes in estimates that adjust the CSM		2,783	(364)	(2,419)	–	140	(2,068)	(491)	(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)	(919)	(5,140)	4,260	(1,799)
Net finance (income)/expenses from insurance contracts	9	(36,703)	–	1,188	(35,515)	492	447	249	1,188
Effect of movements in exchange rates		(3,333)	(175)	(2,138)	(5,646)	(929)	(830)	(379)	(2,138)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(43,709)	(358)	(2,749)	(46,816)	(1,356)	(5,523)	4,130	(2,749)
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	10,627	31,394	10,388	52,409
Closing assets		(8,689)	739	7,380	(570)	–	4,983	2,397	7,380
Closing liabilities		135,747	2,796	45,029	183,572	10,627	26,411	7,991	45,029
Net closing balance		127,058	3,535	52,409	183,002	10,627	31,394	10,388	52,409

24. 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

		Year ended 31 December 2023			
		Asset for remaining coverage			
US$m	Note	Excluding loss-recovery component	Loss-recovery component	Asset for incurred claims	Total
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 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)		(2,059)	10	1,762	(287)
Effect of changes in non-performance risk of reinsurers		–	–	–	–
Net (expenses)/income from reinsurance contracts held		(2,059)	10	1,762	(287)
Investment components		(136)	–	136	–
Other changes		–	–	–	–
Net finance income from reinsurance contracts held	9	46	1	128	175
Effect of movements in exchange rates		138	1	(63)	76
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(2,011)	12	1,963	(36)
Cash flows					
Premiums paid		2,149	–	–	2,149
Amounts received		–	–	(1,807)	(1,807)
Other amounts paid		–	–	4	4
Total cash flows		2,149	–	(1,803)	346
Adjusted for:					
Non-cash operating expenses		–	–	–	–
Other non-cash items		–	–	–	–
Total non-cash items		–	–	–	–
Contracts derecognised on disposal of held for sale assets and liabilities		21	–	1	22
Net closing balance		1,428	142	4,072	5,642
Closing assets		2,091	133	3,746	5,970
Closing liabilities		(663)	9	326	(328)
Net closing balance		1,428	142	4,072	5,642

24. 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)

		Year ended 31 December 2022			
		Asset for remaining coverage			
US$m	Note	Excluding loss-recovery component	Loss-recovery component	Asset for incurred claims	Total
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	9	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

Reinsurance contract assets of US$1,547m (2022: US$386m) and reinsurance contract liabilities of US$(51)m (2022: US$(17)m) are expected to be recovered/(settled) within 12 months after the reporting date.

24. 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

		Year ended 31 December 2023							
						CSM			
US$m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts	Total
Opening assets		3,356	523	1,826	5,705	(1,031)	3,110	(253)	1,826
Opening liabilities		(1,007)	254	358	(395)	–	115	243	358
Net opening balance		2,349	777	2,184	5,310	(1,031)	3,225	(10)	2,184
Net (expenses)/income from reinsurance contracts held									
Changes that relate to current services									
CSM recognised for services received		–	–	(291)	(291)	89	(367)	(13)	(291)
Change in risk adjustment for non-financial risk		–	(11)	–	(11)	–	–	–	–
Experience adjustments		(66)	–	–	(66)	–	–	–	–
Changes that relate to future services									
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		–	–	15	15	–	–	15	15
Contracts initially recognised in the year		(143)	72	71	–	–	–	71	71
Changes in estimates that adjust the CSM		(320)	(44)	364	–	124	54	186	364
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts		36	(1)	–	35	–	–	–	–
Changes that relate to past services		45	(14)	–	31	–	–	–	–
Effect of changes in non-performance risk of reinsurers		–	–	–	–	–	–	–	–
Total net (expenses)/income from reinsurance contracts held		(448)	2	159	(287)	213	(313)	259	159
Net finance income/(expenses) from reinsurance contracts held	9	39	3	133	175	(57)	199	(9)	133
Effect of movements in exchange rates		172	(6)	(90)	76	20	295	(405)	(90)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(237)	(1)	202	(36)	176	181	(155)	202
Cash flows		346	–	–	346	–	–	–	–
Non-cash operating expenses		–	–	–	–	–	–	–	–
Other non-cash items		–	–	–	–	–	–	–	–
Contracts derecognised on disposal of held for sale assets and liabilities		5	–	17	22	–	17	–	17
Net closing balance		2,463	776	2,403	5,642	(855)	3,423	(165)	2,403
Closing assets		3,371	579	2,020	5,970	(855)	3,040	(165)	2,020
Closing liabilities		(908)	197	383	(328)	–	383	–	383
Net closing balance		2,463	776	2,403	5,642	(855)	3,423	(165)	2,403

24. 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)

		Year ended 31 December 2022							
						CSM			
US$m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts	Total
Opening assets		3,785	750	1,814	6,349	(1,643)	3,763	(306)	1,814
Opening liabilities		(1,377)	270	398	(709)	–	77	321	398
Net opening balance		2,408	1,020	2,212	5,640	(1,643)	3,840	15	2,212
Net (expenses)/income from reinsurance contracts held									
Changes that relate to current services									
CSM recognised for services received		–	–	(242)	(242)	125	(391)	24	(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	–	–	11	11
Contracts initially recognised in the year		12	47	(59)	–	–	–	(59)	(59)
Changes in estimates that adjust the CSM		(171)	(160)	331	–	437	(136)	30	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)	562	(527)	6	41
Net finance (expenses)/income from reinsurance contracts held	9	(151)	–	(22)	(173)	(87)	80	(15)	(22)
Effect of movements in exchange rates		(102)	(66)	(47)	(215)	137	(168)	(16)	(47)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(498)	(243)	(28)	(769)	612	(615)	(25)	(28)
Cash flows		438	–	–	438	–	–	–	–
Non-cash operating expenses		1	–	–	1	–	–	–	–
Other non-cash items		–	–	–	–	–	–	–	–
Net closing balance		2,349	777	2,184	5,310	(1,031)	3,225	(10)	2,184
Closing assets		3,356	523	1,826	5,705	(1,031)	3,110	(253)	1,826
Closing liabilities		(1,007)	254	358	(395)	–	115	243	358
Net closing balance		2,349	777	2,184	5,310	(1,031)	3,225	(10)	2,184

24. 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

		Year ended 31 December 2023				
		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	(2,407)	–	–	–	(2,407)
Insurance service expenses						
Incurred claims and other insurance service expenses		–	–	2,099	12	2,111
Amortisation of insurance acquisition cash flows		325	–	–	–	325
Losses and reversal of losses on onerous contracts		–	–	–	–	–
Adjustments to liabilities for incurred claims		–	–	(120)	(13)	(133)
Total insurance service expenses		325	–	1,979	(1)	2,303
Investment components		(6)	–	6	–	–
Other changes		(3)	–	3	–	–
Insurance service result		(2,091)	–	1,988	(1)	(104)
Net finance expenses/(income) from insurance contracts	9	–	–	–	–	–
Effect of movements in exchange rates		(16)	–	38	1	23
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(2,107)	–	2,026	–	(81)
Cash flows						
Premiums received		2,559	–	–	–	2,559
Claims and other insurance service expenses paid, including investment components		–	–	(1,984)	–	(1,984)
Insurance acquisition cash flows paid		(328)	–	–	–	(328)
Other amounts received		–	–	1	–	1
Total cash flows		2,231	–	(1,983)	–	248
Adjusted for:						
Non-cash operating expenses		(12)	–	(3)	–	(15)
Other non-cash items		–	–	–	–	–
Total non-cash items		(12)	–	(3)	–	(15)
Net closing balance		420	–	453	18	891
Closing assets		1	–	–	–	1
Closing liabilities		419	–	453	18	890
Net closing balance		420	–	453	18	891

24. 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)

		Year ended 31 December 2022				
		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		285	–	372	18	675
Net opening balance		286	–	372	18	676
Insurance revenue	8	(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	9	–	–	–	–	–
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

24. 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

		Year ended 31 December 2023				
		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 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)		(346)	–	288	–	(58)
Effect of changes in non-performance risk of reinsurers		–	–	–	–	–
Net (expenses)/income from reinsurance contracts held		(346)	–	288	–	(58)
Investment components		(26)	–	26	–	–
Other changes		–	–	–	–	–
Net finance income from reinsurance contracts held	9	1	–	–	–	1
Effect of movements in exchange rates		11	–	(3)	–	8
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(360)	–	311	–	(49)
Cash flows						
Premiums paid		384	–	–	–	384
Amounts paid/(received)		1	–	(316)	–	(315)
Other amounts paid		–	–	2	–	2
Total cash flows		385	–	(314)	–	71
Adjusted for:						
Non-cash operating expenses		–	–	–	–	–
Other non-cash items		–	–	–	–	–
Total non-cash items		–	–	–	–	–
Net closing balance		(300)	–	366	3	69
Closing assets		(241)	–	316	2	77
Closing liabilities		(59)	–	50	1	(8)
Net closing balance		(300)	–	366	3	69

24. 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)

		Year ended 31 December 2022				
		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		(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	9	(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

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Effect of contracts initially recognised in the year

The following tables summarise the effect on the measurement components of insurance contracts and reinsurance contracts held arising from the initial recognition of contracts not measured under the premium allocation approach that were initially recognised in the year.

Insurance contracts

US$m	**Profitable contracts issued**	**Onerous contracts issued**	**Profitable contracts acquired**	**Total**
Year ended 31 December 2023				
Estimates of present value of future cash outflows				
Insurance acquisition cash flows	**6,058**	**386**	**–**	**6,444**
Claims payable and other expenses	**28,637**	**2,217**	**–**	**30,854**
Total estimates of present value of future cash outflows	**34,695**	**2,603**	**–**	**37,298**
Estimates of present value of future cash inflows	**(42,195)**	**(2,483)**	**–**	**(44,678)**
Risk adjustment for non-financial risk	**440**	**33**	**–**	**473**
Contractual service margin	**7,060**	**–**	**–**	**7,060**
Losses recognised on initial recognition	**–**	**153**	**–**	**153**

US$m	Profitable contracts issued	Onerous contracts issued	Profitable contracts acquired	Total
Year ended 31 December 2022				
Estimates of present value of future cash outflows				
Insurance acquisition cash flows	5,150	157	–	5,307
Claims payable and other expenses	23,226	662	74	23,962
Total estimates of present value of future cash outflows	28,376	819	74	29,269
Estimates of present value of future cash inflows	(34,786)	(763)	(78)	(35,627)
Risk adjustment for non-financial risk	431	19	–	450
Contractual service margin	5,979	–	4	5,983
Losses recognised on initial recognition	–	75	–	75

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Effect of contracts initially recognised in the year (continued)

Reinsurance contracts held

US$m	Year ended 31 December 2023 Contracts originated	Year ended 31 December 2023 Contracts acquired	Year ended 31 December 2023 Total	Year ended 31 December 2022 Contracts originated	Year ended 31 December 2022 Contracts acquired	Year ended 31 December 2022 Total
Estimates of present value of future cash inflows	**2,179**	**–**	**2,179**	1,553	–	1,553
Estimates of present value of future cash outflows	**(2,322)**	**–**	**(2,322)**	(1,541)	–	(1,541)
Risk adjustment for non-financial risk	**72**	**–**	**72**	47	–	47
Income recognised on initial recognition	**(15)**	**–**	**(15)**	(11)	–	(11)
Contractual service margin	**(86)**	**–**	**(86)**	48	–	48

Analysis of assets for insurance acquisition cash flows

US$m	Year ended 31 December 2023	Year ended 31 December 2022
Opening balance presented in insurance contract assets	**1,468**	1,564
Opening balance presented in insurance contract liabilities	**1,411**	1,431
Total opening balance	**2,879**	2,995
Acquisitions through business combinations	**–**	–
Assets recognised for insurance acquisition cash flows paid during the year	**294**	280
Allocation to groups of insurance contracts	**(217)**	(193)
Amounts derecognised on disposal of held for sale assets and liabilities	**–**	–
Impairment losses and reversals	**–**	–
Effect of movements in exchange rates	**103**	(203)
Total closing balance	**3,059**	2,879
Closing balance presented in insurance contract assets	**1,673**	1,468
Closing balance presented in insurance contract liabilities	**1,386**	1,411
Total closing balance	**3,059**	2,879

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Analysis of assets for insurance acquisition cash flows (continued)

The following table illustrates when the Group expects to derecognise the assets for insurance acquisition cash flows and include those cash flows in the measurement of the group of insurance contracts to which they are allocated.

US$m	Total	Five years or less	After five years through ten years	After ten years
31 December 2023				
Assets for insurance acquisition cash flows	**3,059**	**794**	**613**	**1,652**
31 December 2022				
Assets for insurance acquisition cash flows	2,879	773	604	1,502

Analysis of contractual service margin

The following table illustrates when the Group expects to recognise the remaining contractual service margin as revenue for contracts not measured under the premium allocation approach.

US$m	Total	Five years or less	After five years through ten years	After ten years
31 December 2023				
Insurance contracts	**55,518**	**20,319**	**12,691**	**22,508**
Reinsurance contracts held	**2,403**	**980**	**497**	**926**
31 December 2022				
Insurance contracts	52,409	19,349	12,007	21,053
Reinsurance contracts held	2,184	824	456	904

24. 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.

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.

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Fulfilment cash flows (continued)

Methodology and assumptions (continued)

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.

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 year. 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.

24. 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

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.

The tables below set 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 31 December 2023	**1 year**		**5 years**		**10 years**		**15 years**		**20 years**	
Spot rates	**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	**4.73%**	**5.33%**	**3.78%**	**4.56%**	**3.79%**	**4.78%**	**3.89%**	**4.98%**	**4.21%**	**5.24%**
HKD	**4.28%**	**4.88%**	**3.27%**	**4.05%**	**3.29%**	**4.28%**	**3.41%**	**4.50%**	**3.73%**	**4.76%**
CNY	**2.07%**	**2.55%**	**2.41%**	**2.84%**	**2.59%**	**2.96%**	**2.75%**	**3.16%**	**2.89%**	**3.37%**
SGD	**3.53%**	**4.28%**	**2.64%**	**4.07%**	**2.67%**	**3.95%**	**2.74%**	**3.97%**	**2.71%**	**3.90%**
MYR	**3.30%**	**3.75%**	**3.65%**	**3.94%**	**3.74%**	**4.11%**	**4.05%**	**4.50%**	**4.18%**	**4.70%**
THB	**2.39%**	**2.74%**	**2.47%**	**3.04%**	**2.73%**	**3.42%**	**3.11%**	**3.88%**	**3.37%**	**4.19%**

As at 31 December 2022	1 year		5 years		10 years		15 years		20 years	
Spot rates	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.

24. 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.

Underlying items of contracts with direct participation features

The following table sets out the composition and the fair value of the underlying items for the Group's contracts with direct participation features at the reporting date.

US$m	As at 31 December 2023	As at 31 December 2022
Cash and cash equivalents	**2,662**	2,761
Financial investments and policy loans	**133,092**	120,964
Property held for own use and investment property	**1,591**	1,151
Investment in subsidiaries and associates	**1,517**	1,564
Other assets	**5,813**	5,581
Less: payables and other liabilities	**(17,196)**	(16,490)
Total	**127,479**	115,531

25. INVESTMENT CONTRACTS

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
At beginning of financial year	**11,986**	13,896
Investment contract benefits	**572**	(1,106)
Fees charged	**(54)**	(58)
Net withdrawals and other movements(1)	**(3,236)**	(331)
Effect of foreign exchange movements	**(98)**	(415)
At end of financial year(2)	**9,170**	11,986

Notes:

(1) Includes amounts derecognised on disposal of held for sale assets and liabilities.

(2) Of investment contract liabilities, US$195m (2022: US$230m) represents deferred fee income. Movement of deferred fee income of US$35m (2022: US$35m) represents revenue recognised as a result of performance obligations satisfied during the year.

26. BORROWINGS

US$m	As at 31 December 2023	As at 31 December 2022
Other loans	**36**	–
Medium-term notes and securities		
Senior notes	**7,581**	7,480
Subordinated securities	**4,183**	3,726
Total	**11,800**	11,206

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Interest expense on borrowings is shown in note 10. Further information relating to interest rates and the maturity profile of borrowings is presented in note 34.

The following table summarises the Company's outstanding medium-term notes and securities placed to the market at 31 December 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

26. BORROWINGS (continued)

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
12 September 2023[(1)(3)(4)]	SG$550m	5.100%	Perpetual	n/a

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 years ended 31 December 2023 and 31 December 2022 are used for refinancing and general corporate purposes.

The Group has access to an aggregate of US$2,980m unsecured committed credit facilities, which includes a US$250m revolving credit facility expiring in 2024 and a US$2,730m 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 31 December 2023 and 31 December 2022.

27. 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 31 December 2023, the obligations under repurchase agreements were US$3,461m (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 year end:

US$m	**As at 31 December 2023**	As at 31 December 2022 (restated)
Debt securities – FVOCI		
Repurchase agreements	**2,665**	1,769
Debt securities – FVTPL		
Repurchase agreements	**1,406**	112
Total	**4,071**	1,881

Collateral under repurchase agreements

At 31 December 2023 and 31 December 2022, there was no material collateral in respect of repurchase agreements.

28. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Offsetting, enforceable master netting agreements and similar agreements

The following table shows the assets that are subject to offsetting, enforceable master netting agreements and similar arrangements at each year end:

US$m	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
31 December 2023						
Financial assets:						
Derivative assets	**752**	**–**	**752**	**(95)**	**(340)**	**317**
Reverse repurchase agreements	**99**	**–**	**99**	**(99)**	**–**	**–**
Total	**851**	**–**	**851**	**(194)**	**(340)**	**317**

US$m	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
31 December 2022						
Financial assets:						
Derivative assets	630	–	630	(55)	(231)	344
Reverse repurchase agreements	261	–	261	(261)	–	–
Total	891	–	891	(316)	(231)	344

28. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Offsetting, enforceable master netting agreements and similar agreements (continued)

The following table shows the liabilities that are subject to offsetting, enforceable master netting agreements and similar arrangements at each year end:

US$m	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
31 December 2023						
Financial liabilities:						
Derivative liabilities	**8,035**	**–**	**8,035**	**(8,639)**	**(213)**	**(817)**
Repurchase agreements	**3,461**	**–**	**3,461**	**(3,461)**	**–**	**–**
Total	**11,496**	**–**	**11,496**	**(12,100)**	**(213)**	**(817)**

US$m	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
31 December 2022						
Financial liabilities:						
Derivative liabilities	8,739	–	8,739	(9,656)	(309)	(1,226)
Repurchase agreements	1,748	–	1,748	(1,748)	–	–
Total	10,487	–	10,487	(11,404)	(309)	(1,226)

The Group entered into enforceable master netting agreements for derivative transactions, as well as the repurchase agreements for debt instruments with various counterparties. Except for certain futures contracts executed through clearing house mechanism where the settlement arrangement satisfied the IFRS Accounting Standards netting criteria, the transactions under the enforceable master netting agreements and similar agreements involving the exchange of financial instruments or cash as collateral do not satisfy the IFRS Accounting Standards netting criteria. The provision in the master netting agreement and similar agreements enables a party to terminate transactions early and settle at a net amount if a default or termination event occurs.

29. PROVISIONS

US$m	Employee benefits	Other	Total
At 1 January 2022 (restated)	158	28	186
Charged to the consolidated income statement	10	5	15
Credited to other comprehensive income	(21)	–	(21)
Exchange differences	(5)	(2)	(7)
Released during the year	–	(5)	(5)
Utilised during the year	(10)	(6)	(16)
Other movements	1	–	1
At 31 December 2022 (restated)	**133**	**20**	**153**
Charged to the consolidated income statement	**9**	**12**	**21**
Charged to other comprehensive income	**7**	**–**	**7**
Exchange differences	**1**	**–**	**1**
Released during the year	**–**	**(4)**	**(4)**
Utilised during the year	**(5)**	**(7)**	**(12)**
Other movements	**8**	**–**	**8**
At 31 December 2023	**153**	**21**	**174**

Other provisions

Other provisions comprise provisions in respect of regulatory matters, litigation, reorganisation and restructuring. In view of the diverse nature of the matters provided for and the contingent nature of the matters to which they relate, the Group is unable to provide an accurate assessment of the term over which provisions are expected to be utilised.

30. OTHER LIABILITIES

US$m	**As at 31 December 2023**	As at 31 December 2022 (restated)
Trade and other payables	**3,678**	3,049
Lease liabilities	**365**	395
Third-party interests in consolidated investment funds	**844**	865
Total	**4,887**	4,309

Third-party interests in consolidated investment funds consist of third-party unit holders' interests in consolidated investment funds which are reflected as a liability since they can be put back to the Group for cash.

Trade and other payables are generally expected to be settled within 12 months after the end of the reporting period. The realisation of third-party interests in investment funds cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds held to back insurance and investment contract liabilities and are subject to market risk and the actions of third-party investors.

31. SHARE CAPITAL AND RESERVES

Share capital

	As at 31 December 2023		As at 31 December 2022	
	Million shares	US$m	Million shares	US$m
Ordinary shares[1], issued and fully paid				
At beginning of the financial year	**11,781**	**14,171**	12,097	14,160
Shares issued under share option scheme and agency share purchase plan	**1**	**5**	3	11
Shares cancelled after repurchase under the share buy-back programme[2]	**(383)**	**–**	(319)	–
At end of the financial year, issued and fully paid	**11,399**	**14,176**	11,781	14,171
Shares not yet cancelled after repurchase under the share buy-back programme[2]	**(37)**	**–**	(47)	–
At end of the financial year, outstanding	**11,362**	**14,176**	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 year ended 31 December 2023, the Company acquired a total of 373,591,400 ordinary shares (2022: 366,267,400 ordinary shares) on the Hong Kong Stock Exchange with the aggregate cost amounting to approximately HK$28,472m (2022: HK$27,969m) (equivalent to approximately US$3,637m (2022: US$3,570m)). Of these shares, 336,045,200 shares (2022: 319,150,200 shares) were cancelled during the year and 37,546,200 shares (2022: 47,117,200 shares) were in the process of share cancellation as at 31 December 2023 and were cancelled subsequent to the reporting date on 8 January 2024.

The Company issued 661,786 shares under share option scheme (2022: 1,895,760 shares) and 986,359 shares under agency share purchase plan (2022: 1,119,763 shares) during the year ended 31 December 2023.

During the year ended 31 December 2023, the employee share-based trusts purchased 10,865,302 shares (2022: 9,933,820 shares) and sold nil shares (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 year ended 31 December 2023, 6,268,286 shares (2022: 6,884,726 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 31 December 2023, 37,957,417 shares (2022: 33,360,398 shares) of the Company were held by the employee share-based trusts.

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.

32. NON-CONTROLLING INTERESTS

US$m	As at 31 December 2023	As at 31 December 2022 (restated)
Equity shares in subsidiaries	**107**	90
Share of earnings	**416**	418
Share of other reserves	**(40)**	(32)
Total	**483**	476

33. 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.

33. 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 31 December 2023	As at 31 December 2022
Group LCSM coverage ratio[(1)]	**275%**	283%
Tier 1 group capital coverage ratio[(2)]	**345%**	355%
Eligible group capital resources	**73,156**	70,698
Tier 1 group capital	**46,980**	45,508
Tier 2 group capital	**26,176**	25,190
Group prescribed capital requirement (GPCR)	**26,646**	24,989
Group minimum capital requirement (GMCR)	**13,613**	12,810
Group LCSM surplus	**46,510**	45,709

At 31 December 2023, the eligible group capital resources includes the following items, which are included within Tier 2 group capital:

(i) US$4,183m[(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$5,158m[(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.

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 years ended 31 December 2023 and 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.

34. RISK MANAGEMENT

Risk management framework

AIA recognises the importance of sound risk management in every aspect of our business and for all our stakeholders. The Risk Management Framework (RMF) provides the structure for identifying, quantifying and mitigating risk across the Group. An effective RMF is the key to avoiding the financial and reputational damage that arises from inadequate or ineffective control of the risks in the business.

Insurance risk

Insurance risk relates to changes in claims experience, business expenses, and the acquisition and persistency of insurance business. This also includes changes to assumptions regarding future experience for these risks.

The Group manages insurance risk concentration by diversification, reinsurance and establishing retention limits. For the years ended 31 December 2023 and 31 December 2022, there were no significant insurance concentration risks.

Pandemic and catastrophe risk

The Group is also exposed to morbidity and mortality risk related to a single event, namely pandemics, natural catastrophic events or human-made disasters.

Geographical concentration of insured individuals could increase the severity of this risk. However, the Group's insured populations are geographically dispersed, thereby diversifying the exposure to pandemic and catastrophe risk. In addition, the Group limits its exposure to large claims arising from a catastrophe by purchasing reinsurance to cover losses due to a single catastrophic event exceeding a pre-determined level.

Climate change could increase the odds of pandemic and/or catastrophic events. Whilst the effect of climate change to AIA as a life and health insurer is expected to be relatively smaller than a general insurer, the Group will continue to evolve the climate scenario analysis, with the advancement of reliable data and methodologies, in evaluating the impacts of climate change to its portfolio.

Expense risk

Expense risk is the risk of greater than expected trends in, or sudden shocks to, the amount or timing of expenses incurred by the business.

Operations follow a disciplined budgeting and control process that allows for the management of expenses based on the Group's very substantial experience within the markets in which we operate.

Morbidity and mortality risk

Morbidity and mortality risk is the risk that the incidence and/or amounts of medical, critical illness, disability, death or survival claims are higher than the assumptions made in pricing and/or reserving.

The Group adheres to well-defined market-oriented underwriting and claims guidelines and practices that have been developed based on extensive historical experience and with the assistance of professional reinsurers.

The Group's actuarial teams conduct regular experience studies of all the insurance risk factors in its portfolio. These internal studies together with external data are used to identify the impact of emerging trends, such as medical technology, health and wellness, climate change and long COVID-19, which can then be used to inform product design, pricing, underwriting, claims management and reinsurance needs.

The Group limits its exposure to new risks and large claims on any single insured life by applying retention limits that vary by market and insurance benefit type to the amount of insurance coverage per insured. The exposure in excess of these limits is ceded to reinsurers.

Persistency (Lapse) risk

Persistency (Lapse) risk arises from policies lapsing, on average, differently to that assumed in the pricing or reserving assumptions. Persistency risk is assessed as part of the product development process and monitored through regular experience studies.

Ensuring customers buy products that sustainably meet their needs is central to the Group's Operating Philosophy. Through effective implementation of the Business Quality Framework, comprehensive sales training programmes and active monitoring of sales activities and persistency, the Group seeks to ensure that appropriate products are sold by qualified sales representatives and that standards of service consistently meet our customers' needs.

34. RISK MANAGEMENT (continued)

Insurance risk (continued)

Sensitivity analysis on insurance risk

The table below sets out the sensitivity analysis in respect of insurance contracts and reinsurance contracts held to key variables affecting insurance risk exposures. This analysis assumes that all other variables remain constant. Information below presents the sensitivities both before and after risk mitigation by reinsurance, and illustrates the estimated impact on profits, CSM, total equity and comprehensive equity arising from a change in a single variable before taking into account the effects of taxation. The effects on these items are mainly as below:

- The effects on profit or loss are changes relating to CSM recognised for services provided, loss components and changes in insurance finance income or expenses that are recognised in profit or loss.
- The effects on CSM reflect the change of the corresponding insurance risks that impacts CSM.
- The effects on equity are the effects on profit and loss and the effects on other comprehensive income arising from changes in insurance finance income or expenses.
- The effects on comprehensive equity are the effects on shareholders' equity and net CSM.

Sensitivity analysis before risk mitigation by reinsurance(1)(2)

US$m	**Impact on profit before tax**	**Impact on CSM**	**Impact on total equity (before the effects of taxation)**	**Impact on comprehensive equity(3) (before the effects of taxation and deduction of non-controlling interests)**
31 December 2023				
10% increase in attributable expenses	**(59)**	**(781)**	**(61)**	**(842)**
10% decrease in attributable expenses	**56**	**784**	**57**	**841**
10% increase in mortality/morbidity rates	**(921)**	**(7,905)**	**(504)**	**(8,409)**
10% decrease in mortality/morbidity rates	**552**	**8,433**	**137**	**8,570**
10% increase in lapse/discontinuance rates	**(3)**	**(2,838)**	**338**	**(2,500)**
10% decrease in lapse/discontinuance rates	**(2)**	**3,137**	**(396)**	**2,741**

US$m	Impact on profit before tax	Impact on CSM	Impact on total equity (before the effects of taxation)	Impact on comprehensive equity(3) (before the effects of taxation and deduction of non-controlling interests)
31 December 2022 (restated)				
10% increase in attributable expenses	(61)	(633)	(38)	(671)
10% decrease in attributable expenses	65	642	38	680
10% increase in mortality/morbidity rates	(1,039)	(7,392)	(257)	(7,649)
10% decrease in mortality/morbidity rates	717	7,863	(65)	7,798
10% increase in lapse/discontinuance rates	(12)	(2,606)	239	(2,367)
10% decrease in lapse/discontinuance rates	6	2,866	(297)	2,569

Notes:

(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 Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

(2) The sensitivity analysis on insurance risk includes the impact of unit-linked contracts under IFRS 17.

(3) Represents the total of shareholders' equity and net CSM.

34. RISK MANAGEMENT (continued)

Insurance risk (continued)

Sensitivity analysis on insurance risk (continued)

Sensitivity analysis after risk mitigation by reinsurance[(1)(2)]

US$m	**Impact on profit before tax**	**Impact on CSM**	**Impact on total equity (before the effects of taxation)**	**Impact on comprehensive equity[(3)] (before the effects of taxation and deduction of non-controlling interests)**
31 December 2023				
10% increase in attributable expenses	**(58)**	**(781)**	**(61)**	**(842)**
10% decrease in attributable expenses	**56**	**784**	**56**	**840**
10% increase in mortality/morbidity rates	**(641)**	**(6,337)**	**(106)**	**(6,443)**
10% decrease in mortality/morbidity rates	**308**	**6,783**	**(238)**	**6,545**
10% increase in lapse/discontinuance rates	**1**	**(2,617)**	**259**	**(2,358)**
10% decrease in lapse/discontinuance rates	**(7)**	**2,861**	**(321)**	**2,540**

US$m	Impact on profit before tax	Impact on CSM	Impact on total equity (before the effects of taxation)	Impact on comprehensive equity[(3)] (before the effects of taxation and deduction of non-controlling interests)
31 December 2022 (restated)				
10% increase in attributable expenses	(61)	(633)	(38)	(671)
10% decrease in attributable expenses	65	641	38	679
10% increase in mortality/morbidity rates	(757)	(5,662)	(39)	(5,701)
10% decrease in mortality/morbidity rates	473	6,043	(248)	5,795
10% increase in lapse/discontinuance rates	(6)	(2,341)	178	(2,163)
10% decrease in lapse/discontinuance rates	1	2,566	(226)	2,340

Notes:

(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 Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

(2) The sensitivity analysis on insurance risk includes the impact of unit-linked contracts under IFRS 17.

(3) Represents the total of shareholders' equity and net CSM.

34. RISK MANAGEMENT (continued)

Investment and financial risks

Investment management objectives, policies and processes

The Group manages its financial investments in two distinct categories: unit-linked investments and policyholder and shareholder investments. The investment risk in respect of unit-linked investments is generally borne by our customers, and the investment return gains or losses are largely offset by the changes in fair value of underlying items. Policyholder and shareholder investments include all financial investments other than unit-linked investments. The investment risk in respect of policyholder and shareholder investments is partially or wholly borne by the Group and directly affects the profit before tax.

Policyholder and shareholder investments are further categorised as participating funds, other participating business with distinct portfolios and other policyholder and shareholder.

The primary investment objectives of our policyholder and shareholder investments are generally designed to achieve optimal levels of risk-adjusted return for policyholders and shareholders over the long term, while preserving capital, maintaining adequate solvency and liquidity levels, meeting our risk management and asset-liability management objectives and ensuring full compliance with applicable regulations and internal policies.

The Group has comprehensive, integrated frameworks to ensure investments are properly authorised, monitored and managed within internal policies that address asset-liability management, financial and operational risks, whether assets are invested directly by the Group or through external investment managers. This framework consists of three elements: a strategic asset allocation framework; a tactical asset allocation process; and a combination of internal and external investment management for individual asset classes where appropriate.

The Group's investment management function is empowered with decision-making authority and complies with exposure limits as defined in Risk Standards.

Climate change, and the transition to net zero, create risks for the financial system. The Group recognises the potential investment losses due to climate risk in the long term and, as a result, it mandates the consideration of various Environmental, Social and Governance (ESG) factors, including climate change, in the bottom-up investment process applicable to its general account assets. The Group has developed internal ESG scoring methodologies to assess relevant ESG factors in potential and actual investee companies in relation to our directly managed general account assets and to assess external asset managers on their approach to both ESG engagement with investee companies and the assessment of ESG factors for investment decisions. The Group will continue to enhance its climate scenario analysis in assessing the impacts of climate change on its investment assets.

Asset-liability management

Asset-liability management for the Group is overseen by the Group Asset-Liability Committee and by asset-liability committees in each business unit. The Group manages its asset-liability risks in a variety of ways, including the strategic asset allocation process under which the strategic asset allocation in each entity and for major different product groups is governed, defining the asset allocation with consideration of the characteristics of the liabilities and related risks, capital and other requirements on both economic and regulatory bases. The Group manages asset-liability risks predominantly on an economic basis, while also considering the effect on all applicable regulatory solvency requirements and other considerations such as earnings. Asset-liability management actions include product pricing and product design, reviews of policyholder dividends, asset allocation, hedging using derivatives, reinsurance, and the management of discretionary policyholder benefits. The asset-liability risks for the Group are credit risk, credit spread risk, interest rate risk, equity risk, foreign exchange rate risk, and liquidity risk. The exposures and sensitivity analysis are detailed below.

Credit risk

Credit risk arises from third parties failing 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 control concentrations in individual exposures, sector and cross-border investments. A detailed analysis of each counterparty is performed and a rating is determined by the investment teams according to an internal rating framework. 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.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Exposure to credit risk

In compiling the tables, external ratings have been used where available. External ratings have been used in accordance with the Group's credit risk assessment framework. Where external ratings are not readily available an internal rating methodology has been adopted, if applicable.

Credit risk limits are set according to the Group's credit risk assessment framework, which defines the relative risk level of a debt security.

External ratings		Internal ratings	Reported as
Standard and Poor's and Fitch	Moody's		
AAA	Aaa	1	AAA
AA+ to AA-	Aa1 to Aa3	2+ to 2-	AA
A+ to A-	A1 to A3	3+ to 3-	A
BBB+ to BBB-	Baa1 to Baa3	4+ to 4-	BBB
BB+ and below	Ba1 and below	5+ and below	Below investment grade[1]

Note:
(1) Unless otherwise identified individually.

Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk. The Group's processes for measuring expected credit losses include processes for initial approval, regular validation and back-testing of the models used, and incorporation of forward-looking information.

The Group monitors concentrations of credit arising from investment in debt securities by type, nature and rating as shown in note 18. Reinsurance is ceded across all geographical regions in which the Group operates. The Group does not have excessive credit risk with any single reinsurer.

The following table sets out information about the credit quality of reinsurance contract assets and financial assets not measured at FVTPL.

Reinsurance contract assets[1]

US$m	As at 31 December 2023	As at 31 December 2022 (restated)
Investment grade	**6,040**	5,755
Below investment grade	**–**	–
Not rated	**7**	8
Total	**6,047**	5,763

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 Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Exposure to credit risk (continued)

Financial assets measured at amortised cost[(1)(2)]

US$m	As at 31 December 2023					As at 31 December 2022 (restated)				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased or originated credited-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased or originated credited-impaired	Total
Debt securities										
AAA	**31**	**–**	**–**	**–**	**31**	31	–	–	–	31
AA	**490**	**–**	**–**	**–**	**490**	427	–	–	–	427
A	**985**	**–**	**–**	**–**	**985**	891	–	–	–	891
BBB	**509**	**–**	**–**	**–**	**509**	428	–	–	–	428
Below investment grade	**132**	**15**	**–**	**–**	**147**	1	15	–	–	16
Not rated	**9**	**–**	**–**	**–**	**9**	–	–	–	–	–
Total gross carrying amount	**2,156**	**15**	**–**	**–**	**2,171**	1,778	15	–	–	1,793
Loss allowance	**(4)**	**(2)**	**–**	**–**	**(6)**	(4)	(2)	–	–	(6)
Amortised cost	**2,152**	**13**	**–**	**–**	**2,165**	1,774	13	–	–	1,787
Loans and deposits										
AAA	**15**	**–**	**–**	**–**	**15**	–	–	–	–	–
AA	**171**	**–**	**–**	**–**	**171**	976	–	–	–	976
A	**597**	**–**	**–**	**–**	**597**	590	–	–	–	590
BBB	**1,488**	**–**	**–**	**–**	**1,488**	1,514	–	–	–	1,514
Below investment grade	**853**	**–**	**–**	**–**	**853**	722	–	–	–	722
Not rated	**584**	**15**	**20**	**–**	**619**	770	11	10	–	791
Total gross carrying amount	**3,708**	**15**	**20**	**–**	**3,743**	4,572	11	10	–	4,593
Loss allowance	**(11)**	**(2)**	**(7)**	**–**	**(20)**	(17)	(3)	(7)	–	(27)
Amortised cost	**3,697**	**13**	**13**	**–**	**3,723**	4,555	8	3	–	4,566

Notes:

(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 Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

(2) The Group's maximum exposure to credit risk of accrued investment income and cash and cash equivalents is limited to the carrying amounts of the assets, the majority of which is arising from the financial assets rated as investment grade and deposits with reputable financial institutions.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Exposure to credit risk (continued)

Financial assets measured at fair value through other comprehensive income[1]

US$m	As at 31 December 2023 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased or originated credited-impaired	Total	As at 31 December 2022 (restated) 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased or originated credited-impaired	Total
Debt securities										
AAA	**5,223**	**–**	**–**	**–**	**5,223**	9,608	–	–	–	9,608
AA	**14,735**	**–**	**–**	**–**	**14,735**	12,340	–	–	–	12,340
A	**35,814**	**–**	**–**	**–**	**35,814**	34,404	–	–	–	34,404
BBB	**29,618**	**–**	**–**	**–**	**29,618**	31,245	–	–	–	31,245
Below investment grade	**2,117**	**266**	**366**	**–**	**2,749**	1,922	511	103	–	2,536
Not rated	**2**	**–**	**–**	**–**	**2**	–	–	–	–	–
Total gross carrying amount	**87,509**	**266**	**366**	**–**	**88,141**	89,519	511	103	–	90,133
Loss allowance	**(133)**	**(17)**	**(327)**	**–**	**(477)**	(167)	(50)	(83)	–	(300)
Amortised cost	**87,376**	**249**	**39**	**–**	**87,664**	89,352	461	20	–	89,833
Carrying amount – fair value	**88,355**	**219**	**38**	**–**	**88,612**	85,714	325	21	–	86,060

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 Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

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.

34. RISK MANAGEMENT (continued)

Investment and financial risks (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 contract liabilities, an uncertainty arises around the reinvestment of maturing assets to match the Group's insurance contract 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.

Exposure to interest rate risk

The table below summarises the nature of the interest rate risk associated with financial assets and financial liabilities. In preparing this analysis, fixed rate interest bearing instruments that mature or reprice within 12 months of the reporting date have been disclosed as variable rate instruments.

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2023				
Financial instruments				
Financial assets				
Loans and deposits	**687**	**3,295**	**13**	**3,995**
Receivables	**192**	**–**	**1,102**	**1,294**
Debt securities	**13,384**	**164,374**	**–**	**177,758**
Equity shares, interests in investment funds and exchangeable loan notes	**–**	**1,172**	**65,281**	**66,453**
Accrued investment income	**–**	**–**	**1,832**	**1,832**
Cash and cash equivalents	**4,138**	**–**	**7,387**	**11,525**
Derivative financial instruments	**–**	**–**	**752**	**752**
Total financial assets	**18,401**	**168,841**	**76,367**	**263,609**
Financial liabilities				
Investment contract liabilities	**–**	**–**	**8,975**	**8,975**
Borrowings	**–**	**11,800**	**–**	**11,800**
Obligations under repurchase agreements	**2,996**	**465**	**–**	**3,461**
Other liabilities	**95**	**196**	**4,596**	**4,887**
Derivative financial instruments	**–**	**–**	**8,035**	**8,035**
Total financial liabilities	**3,091**	**12,461**	**21,606**	**37,158**
Insurance contracts and reinsurance contracts held				
Liabilities				**204,993**
Assets				**5,831**

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Exposure to interest rate risk (continued)

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2022 (restated)[1]				
Financial instruments				
Financial assets				
Loans and deposits	1,745	3,097	3	4,845
Receivables	167	–	1,496	1,663
Debt securities	14,621	150,722	–	165,343
Equity shares, interests in investment funds and exchangeable loan notes	–	1,250	60,705	61,955
Accrued investment income	–	–	1,740	1,740
Cash and cash equivalents	4,385	–	3,635	8,020
Derivative financial instruments	–	–	568	568
Total financial assets	20,918	155,069	68,147	244,134
Financial liabilities				
Investment contract liabilities	–	–	8,862	8,862
Borrowings	–	11,206	–	11,206
Obligations under repurchase agreements	1,748	–	–	1,748
Other liabilities	92	391	3,781	4,264
Derivative financial instruments	–	–	8,638	8,638
Total financial liabilities	1,840	11,597	21,281	34,718
Insurance contracts and reinsurance contracts held				
Liabilities				183,646
Assets				6,332

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 Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

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 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. The Group is also exposed to equity price risk from equity guarantees in variable contracts and hedges its exposure using equity derivatives.

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.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Concentration risk

The greatest aggregate concentration of fair value to an individual issuer (excluding all government bonds) was approximately 1 per cent (2022: approximately 1 per cent) of the total equity and debt investments as at 31 December 2023.

Sensitivity analysis

Sensitivity analysis to the key variables, namely interest rate and equity risks, 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. The market risk in respect of unit-linked investments is generally borne by our customers, and the investment return gains or losses are largely offset by the changes in fair value of underlying items. Policyholder and shareholder investments include all financial investments other than unit-linked investments.

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 mainly as follows:

- The effects on profit or loss are changes relating to CSM recognised for services provided, 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.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Sensitivity analysis on interest rate risk(1)(2)

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
31 December 2023				
+ 50 basis points shift in yield curves:				
Insurance contracts and reinsurance contracts held	**6,633**	**9,859**	**6,633**	**(487)**
Financial instruments	**(6,783)**	**(11,916)**	**(6,783)**	**–**
	(150)	**(2,057)**	**(150)**	**(487)**
– 50 basis points shift in yield curves:				
Insurance contracts and reinsurance contracts held	**(7,444)**	**(11,060)**	**(7,444)**	**505**
Financial instruments	**7,609**	**13,414**	**7,609**	**–**
	165	**2,354**	**165**	**505**

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
31 December 2022 (restated)				
+ 50 basis points shift in yield curves:				
Insurance contracts and reinsurance contracts held	5,911	8,476	5,911	(713)
Financial instruments	(6,023)	(10,700)	(6,023)	–
	(112)	(2,224)	(112)	(713)
– 50 basis points shift in yield curves:				
Insurance contracts and reinsurance contracts held	(6,630)	(9,329)	(6,630)	934
Financial instruments	6,764	12,031	6,764	–
	134	2,702	134	934

Notes:

(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 Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

(2) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Sensitivity analysis on equity risk(1)(2)

An analysis of the Group's sensitivity to 10 per cent 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
31 December 2023				
10 per cent increase in equity prices:				
Insurance contracts and reinsurance contracts held	**(2,998)**	**(3,039)**	**(2,998)**	**679**
Financial instruments	**4,168**	**4,168**	**4,168**	**–**
	1,170	**1,129**	**1,170**	**679**
10 per cent decrease in equity prices:				
Insurance contracts and reinsurance contracts held	**2,996**	**3,039**	**2,996**	**(694)**
Financial instruments	**(4,168)**	**(4,168)**	**(4,168)**	**–**
	(1,172)	**(1,129)**	**(1,172)**	**(694)**

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
31 December 2022 (restated)				
10 per cent increase in equity prices:				
Insurance contracts and reinsurance contracts held	(2,702)	(2,744)	(2,702)	577
Financial instruments	3,893	3,893	3,893	–
	1,191	1,149	1,191	577
10 per cent decrease in equity prices:				
Insurance contracts and reinsurance contracts held	2,703	2,744	2,703	(579)
Financial instruments	(3,893)	(3,893)	(3,893)	–
	(1,190)	(1,149)	(1,190)	(579)

Notes:

(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 Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

(2) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

34. RISK MANAGEMENT (continued)

Investment and financial risks (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.

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.

Exposure to foreign exchange rates(1)(2)

US$m	**United States Dollar**	**China Renminbi**	**Hong Kong Dollar**	**Thai Baht**	**Singapore Dollar**	**Malaysian Ringgit**
31 December 2023						
Insurance contracts and reinsurance contracts held						
Assets	**–**	**1,564**	**635**	**719**	**1,246**	**42**
Liabilities	**(75,807)**	**(37,088)**	**(5,934)**	**(14,874)**	**(19,854)**	**(8,113)**
Financial instruments						
Assets	**118,532**	**44,699**	**1,418**	**19,675**	**15,954**	**8,961**
Liabilities	**(21,447)**	**(4,769)**	**(3,370)**	**(1,649)**	**(3,387)**	**(72)**
Net positions of currency derivatives	**(3,222)**	**(2,040)**	**390**	**2,190**	**2,684**	**441**

US$m	United States Dollar	China Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
31 December 2022 (restated)						
Insurance contracts and reinsurance contracts held						
Assets	337	1,483	685	1,131	1,154	9
Liabilities	(66,341)	(30,059)	(5,869)	(14,345)	(18,554)	(8,238)
Financial instruments						
Assets	105,383	39,337	4,133	19,104	15,414	9,415
Liabilities	(20,692)	(3,443)	(2,292)	(2,313)	(2,821)	(368)
Net positions of currency derivatives	(5,996)	(344)	324	1,996	3,875	210

Notes:

(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 Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

(2) The scope of this exposure to foreign exchange rates excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Sensitivity analysis on foreign exchange rate risk(1)(2)

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
31 December 2023						
5% strengthening of original currency						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held	**(1,055)**	**(11)**	**14**	**–**	**(6)**	**(3)**
Financial instruments	**1,011**	**8**	**(83)**	**27**	**(79)**	**12**
Impact on total equity						
Insurance contracts and reinsurance contracts held	**–**	**(1,777)**	**(94)**	**(708)**	**(539)**	**(404)**
Financial instruments	**–**	**1,894**	**(78)**	**1,011**	**763**	**467**
Impact on CSM						
Insurance contracts and reinsurance contracts held	**–**	**818**	**57**	**322**	**148**	**123**
5% strengthening of the US dollar						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held	**(1,055)**	**9**	**(13)**	**–**	**1**	**–**
Financial instruments	**1,011**	**(5)**	**88**	**(26)**	**94**	**(12)**
Impact on total equity						
Insurance contracts and reinsurance contracts held	**–**	**1,693**	**89**	**674**	**535**	**384**
Financial instruments	**–**	**(1,804)**	**74**	**(963)**	**(726)**	**(444)**
Impact on CSM						
Insurance contracts and reinsurance contracts held	**–**	**(779)**	**(55)**	**(307)**	**(143)**	**(117)**

Notes:

(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 Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

(2) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Sensitivity analysis on foreign exchange rate risk[1][2] (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	(901)	(48)	(128)	(9)	(24)	(4)
Financial instruments	889	143	99	(14)	(8)	(2)
Impact on total equity						
Insurance contracts and reinsurance contracts held	–	(1,473)	(249)	(669)	(583)	(415)
Financial instruments	–	1,778	108	939	823	463
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	(901)	39	105	7	19	3
Financial instruments	889	(127)	(66)	15	25	2
Impact on total equity						
Insurance contracts and reinsurance contracts held	–	1,399	220	636	611	395
Financial instruments	–	(1,693)	(103)	(895)	(784)	(441)
Impact on CSM						
Insurance contracts and reinsurance contracts held	–	(806)	(64)	(289)	(149)	(118)

Notes:

(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 Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

(2) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Liquidity risk

The Group defines liquidity risk 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 manages liquidity risk in accordance with the Group's Board approved liquidity framework. This framework contains the standards, procedures, and tools used by the Group to monitor and manage liquidity risk on a forward-looking basis in base and stressed conditions across multiple time horizons from daily to monthly time steps for 12-month period, as well as a projection in line with strategic planning. The forward-looking management of liquidity over short to longer-term horizons allows for the early detection of risks and enables management to action the pre-defined liquidity contingency plans. The framework is comprised of four pillars:

- Daily Cash Forecasting and Liquidity Adequacy Ratio;
- Structural Liquidity Adequacy Ratio;
- Liquidity Projection over the Strategic Planning Period; and
- Liquidity Management and Contingency Plans.

AIA supports its liquidity internally by maintaining appropriate pools of unencumbered high-quality liquid investment assets. Liquidity is further supported externally via access to committed credit facilities, use of bond repurchase markets and debt markets via the Group's Global Medium-term Note and Securities Programme.

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 maturity profile of our financial liabilities, insurance contract liabilities and reinsurance contract liabilities are presented below which provides a supplemental long-term view on the Group's liquidity profile.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Liquidity risk (continued)

Contractual maturities of financial liabilities

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(2)
31 December 2023						
Borrowings	**16,365**	**1,277**	**3,706**(1)	**4,842**	**4,994**	**1,546**
Obligations under repurchase agreements	**3,461**	**3,461**	**–**	**–**	**–**	**–**
Other liabilities excluding lease liabilities	**3,698**	**3,537**	**86**	**4**	**2**	**69**
Lease liabilities	**381**	**141**	**221**	**18**	**1**	**–**
Derivative financial instruments	**8,408**	**1,991**	**6,028**	**186**	**203**	**–**
Subtotal	**32,313**	**10,407**	**10,041**	**5,050**	**5,200**	**1,615**
Investment contract liabilities and third-party interests in consolidated investment funds	**9,992**	**87**	**264**	**237**	**213**	**9,191**
Total	**42,305**	**10,494**	**10,305**	**5,287**	**5,413**	**10,806**

Notes:

(1) Including US$2,410m which fall due after 2 years through 5 years.

(2) Balances with no fixed maturity are repayable on demand as the counterparty has a choice of when the amount is paid.

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(2)
31 December 2022 (restated)(3)						
Borrowings	15,664	880	3,931(1)	3,761	5,945	1,147
Obligations under repurchase agreements	1,748	1,748	–	–	–	–
Other liabilities excluding lease liabilities	3,007	2,898	67	12	2	28
Lease liabilities	413	140	249	23	1	–
Derivative financial instruments	9,155	1,415	7,180	232	328	–
Subtotal	29,987	7,081	11,427	4,028	6,276	1,175
Investment contract liabilities and third-party interests in consolidated investment funds	9,939	66	262	266	257	9,088
Total	39,926	7,147	11,689	4,294	6,533	10,263

Notes:

(1) Including US$2,739m which fall due after 2 years through 5 years.

(2) Balances with no fixed maturity are repayable on demand as the counterparty has a choice of when the amount is paid.

(3) 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 Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Liquidity risk (continued)

Maturity analysis of insurance and reinsurance contract liabilities(1)(2)

US$m	Total	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
31 December 2023							
Insurance contract liabilities	**155,459**	**(4,778)**	**(5,496)**	**(3,214)**	**(1,452)**	**1,172**	**169,227**
Reinsurance contract liabilities	**917**	**59**	**44**	**43**	**41**	**48**	**682**

US$m	Total	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
31 December 2022 (restated)							
Insurance contract liabilities	135,469	(4,010)	(4,397)	(2,270)	(779)	772	146,153
Reinsurance contract liabilities	979	27	35	41	43	42	791

Notes:

(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 Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

(2) The amounts of payable on demand of insurance contracts are US$190,031m as at 31 December 2023 (2022: US$176,195m).

Transactions within the Group

Intra-group transactions are overseen by the relevant Group Office functions to ensure adherence with the relevant Group policies. The Group Risk function oversees the processes to identify and assess material systematic intra-group transaction risks, and ensure risks assumed are within the Group's Risk Management Framework.

During the year ended 31 December 2023, material intra-group transactions were mainly related to support services provided within the Group, a limited number of financing and reinsurance arrangements, collective investment funds that provide a simple return of capital guarantee and are backed by investment grade fixed income assets, and a limited number of intra-group transfers of assets and subsidiaries.

35. EMPLOYEE BENEFITS

Post-retirement benefit obligations

The Group operates a number of funded and unfunded post-retirement employee benefit schemes, whose members receive benefits on either a defined benefit basis (generally related to salary and length of service) or a defined contribution basis (generally related to the amount invested, investment return and annuity rates), the assets of which are generally held in separate trustee-administered funds. The defined benefit plans provide life and medical benefits for employees after retirement and a lump sum benefit on cessation of employment, and the defined contribution plans provide post-retirement pension benefits.

Defined benefit plans

The Group operates funded and unfunded defined benefit plans that provide life and medical benefits for participating employees after retirement and a lump sum benefit on cessation of employment. The locations covered by these plans include Hong Kong, Thailand, Singapore, Malaysia, Cambodia, Indonesia, the Philippines, South Korea, Sri Lanka, Taiwan (China) and Vietnam. The latest independent actuarial valuation of the plans was at 31 December 2023 and was prepared by credentialed actuaries of Towers Watson Hong Kong Limited. All the actuaries are qualified members of professional actuarial organisations to render the actuarial opinions.

For defined benefit plans, the costs are assessed using the projected unit credit method. Under this method, the cost of providing benefits is charged to the consolidated income statement so as to spread the regular cost over the service lives of employees, in accordance with the advice of qualified actuaries. The obligation is measured as the present value of the estimated future cash outflows, using a discount rate based on market yields for high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability. The resulting scheme surplus or deficit appears as an asset or liability in the consolidated statement of financial position.

The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 52 per cent (2022: 56 per cent) covered by the plan assets held by the trustees. The fair value of plan assets as at year end at the date of valuation was US$109m (2022: US$94m). The total expenses relating to these plans recognised in the consolidated income statement was US$9m (2022: US$10m).

Defined contribution plans

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans. Once the contributions have been paid, the Group, as employer, does not have any further payment obligations. The Group's contributions are charged to the consolidated income statement in the reporting period to which they relate and are included in employee benefit expenses. The total expense relating to these plans in the current year was US$139m (2022: US$128m). Employees and the employer are required to make monthly contributions equal to 1 per cent to 22 per cent of the employees' monthly basic salaries, depending on years of service and subject to any applicable caps of monthly relevant income in different jurisdictions. For defined contribution pension plans with vesting conditions, any forfeited contributions by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions are used by the employer to reduce any future contributions. The amount of forfeited contributions used to reduce the existing level of contributions is not material.

36. SHARE-BASED COMPENSATION

Share-based compensation plans

The Group's share-based compensation plans are equity-settled plans. Under equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of shares and/or share options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and/or share options granted. Non-market vesting conditions are included in assumptions about the number of shares and/or share options that are expected to be vested. At each period end, the Group revises its estimates of the number of shares and/or share options that are expected to be vested. Any impact of the revision to original estimates is recognised in profit or loss with a corresponding adjustment to equity. Where grants of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate grant, and therefore the fair value of each tranche is recognised over the applicable vesting period.

Where modification or cancellation of an equity-settled share-based compensation plan occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

During the year ended 31 December 2020, the 2010 Share Option (SO) Scheme, the 2010 Restricted Share Unit (RSU) Scheme and the 2011 Employee Share Purchase Plan (ESPP) were terminated. There shall be no further grants under either of these schemes. However, these schemes shall remain in full force and effect for all grants prior to its termination, and the exercise and the vesting of these grants shall be subject to and in accordance with the terms on which they were granted under the provisions of each of these schemes, and the Listing Rules, where applicable. In the same year, the Group adopted the 2020 SO Scheme, the 2020 RSU Scheme and the 2020 ESPP Plan.

During the years ended 31 December 2023 and 31 December 2022, the Group made new grants of SOs, RSUs and restricted stock purchase units (RSPUs) to certain directors, officers and employees of the Group under these schemes.

On 1 February 2021, the Company adopted the new 2021 Agency Share Purchase Plan (ASPP) with an effective period of 10 years from the date of adoption. The 2012 ASPP was terminated with effect from 31 March 2021, after which time no further restricted stock subscription units (RSSUs) can be granted under such plan. The 2012 ASPP shall remain in full force and effect for all RSSUs granted prior to this termination, and the vesting of such RSSUs shall be subject to and in accordance with the terms on which they were granted under the provisions of the 2012 ASPP.

During the years ended 31 December 2023 and 31 December 2022, the Group made new grants of RSSUs to eligible agents under the 2021 ASPP.

RSU Schemes

Under the RSU Schemes, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the Group during the respective vesting periods. RSU grants are vested either entirely after a specific period of time or in tranches over the vesting period during which, the eligible participants are required to remain in employment with the Group. For RSU grants that are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the respective vesting period. For most RSUs, performance conditions are also attached which include both market and non-market conditions. RSUs subject to performance conditions are released to the participants at the end of the vesting period depending on the actual achievement of the performance conditions. During the vesting period, the participants are not entitled to dividends of the underlying shares. Except in jurisdictions where restrictions apply, the granted RSUs are expected to be settled in equity.

36. SHARE-BASED COMPENSATION (continued)

Share-based compensation plans (continued)

RSU Schemes (continued)

Number of shares	Year ended 31 December 2023	Year ended 31 December 2022
Restricted Share Units		
Outstanding at beginning of financial year	**29,603,948**	28,418,958
Granted	**11,470,894**	12,535,139
Forfeited	**(6,337,282)**	(5,437,310)
Vested	**(4,824,183)**	(5,912,839)
Outstanding at end of financial year	**29,913,377**	29,603,948

SO Schemes

The objectives of the SO Schemes are to align eligible participants' interests with those of the shareholders of the Company by allowing eligible participants to share in the value created at the point they exercise their share options. SO grants are vested either entirely after a specific period of time or in tranches over the vesting period approximately three to five years, during which the eligible participants are required to remain in employment with the Group. For SO grants that are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the respective vesting periods. The granted SOs expire 10 years from the date of grant and each SO entitles the eligible participant to subscribe for one ordinary share. Subject to restrictions in the applicable laws, regulations and rules of the relevant jurisdictions, the granted SOs are expected to be settled in equity.

Information about SOs outstanding and SOs exercisable by the Group's employees and directors as at the end of the reporting period is as follows:

	Year ended 31 December 2023		Year ended 31 December 2022	
	Number of share options	Weighted average exercise price (HK$)	Number of share options	Weighted average exercise price (HK$)
Share options				
Outstanding at beginning of financial year	**23,973,304**	**66.48**	23,359,771	62.94
Granted	**1,918,599**	**80.73**	2,519,456	79.85
Exercised	**(661,786)**	**44.16**	(1,895,760)	40.43
Forfeited or expired	**(124,945)**	**83.30**	(10,163)	97.33
Outstanding at end of financial year	**25,105,172**	**68.07**	23,973,304	66.48
Share options exercisable at end of financial year	**19,270,954**	**62.95**	15,355,259	60.61

At the respective dates on which the SOs were exercised, the weighted average share price of the Company was HK$81.27 for the year ended 31 December 2023 (2022: HK$80.70).

36. SHARE-BASED COMPENSATION (continued)

Share-based compensation plans (continued)

SO Schemes (continued)

The range of exercise prices for the SOs outstanding as of 31 December 2023 and 31 December 2022 is summarised in the table below.

	Year ended 31 December 2023		Year ended 31 December 2022	
	Number of share options outstanding	Weighted average remaining contractual life (years)	Number of share options outstanding	Weighted average remaining contractual life (years)
Range of exercise price				
HK$26 – HK$35	–	–	37,266	0.19
HK$36 – HK$45	**1,692,658**	**2.12**	1,986,862	2.83
HK$46 – HK$55	**4,396,614**	**2.75**	4,690,563	3.72
HK$56 – HK$65	**830,436**	**3.58**	830,436	4.58
HK$66 – HK$75	**8,609,199**	**5.36**	8,696,612	6.36
HK$76 – HK$85	**7,805,626**	**7.17**	5,901,935	7.50
Over HK$86	**1,770,639**	**7.23**	1,829,630	8.23
Outstanding at end of financial year	**25,105,172**	**5.32**	23,973,304	5.90

ESPP

Under the ESPPs, eligible employees of the Group can purchase ordinary shares of the Company with qualified employee contributions and the Company will grant one matching RSPU to them at the end of the vesting period for each two shares purchased through the qualified employee contributions (contribution shares). Contribution shares are purchased from the open market. During the relevant vesting period, the eligible employees must hold the contribution shares purchased and remain employed by the Group in order to qualify to receive the matching shares upon the vesting of the matching RSPUs. The granted matching RSPUs are expected to be settled in equity. Under the 2011 ESPP, the level of qualified employee contribution was subject to a maximum amount equal to 8 per cent of the monthly base salary or HK$9,750 (or local currency equivalent) per month, whichever is lower. Under the 2020 ESPP, the level of qualified employee contribution is subject to a maximum amount equal to 10 per cent of the monthly base salary or HK$12,500 (or local currency equivalent) per month, whichever is lower. For the year ended 31 December 2023, eligible employees paid US$39m (2022: US$38m) to purchase 4,062,855 ordinary shares (2022: 3,815,201 ordinary shares) of the Company under the ESPPs.

ASPP

The structure of the ASPPs generally follows those of the ESPPs, the key difference is that the eligible agents are required to pay a subscription price of US$1 to subscribe for each new share in the Company at the end of the vesting period. Under the plans, eligible agents of the Group can purchase ordinary shares of the Company with qualified agent contributions and the Company will grant one matching RSSU to them at the end of the vesting period for each two shares purchased through the qualified agent contributions (agent contribution shares). Each RSSU entitles eligible agents to subscribe for one new share of the Company. Agent contribution shares are purchased from the open market. During the vesting period, the eligible agents must hold the contribution shares purchased and maintain their agent contracts with the Group in order to qualify to receive the matching shares upon the vesting of the matching RSSUs. The granted matching RSSUs are expected to be settled in equity. Under the ASPPs, the level of qualified agent contribution is subject to a maximum amount of HK$9,750 (or local currency equivalent) per month and HK$12,500 (or local currency equivalent) per month respectively. For the year ended 31 December 2023, eligible agents paid US$20m (2022: US$20m) to purchase 2,143,422 ordinary shares (2022: 2,061,772 ordinary shares) of the Company under the ASPPs.

36. SHARE-BASED COMPENSATION (continued)

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. Significant assumptions include expected dividend yield and risk-free interest rate. The value of expected dividends during the vesting period 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. For performance-based RSUs, the simulation for achievement of market condition depends on assumptions of expected volatility of the Company's share and other market comparators as well as the correlations. These assumptions are estimated based on an analysis of historical data over a period consistent with the expected life of the RSUs.

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.

	Year ended 31 December 2023			
	Share options	Restricted share units	ESPP Restricted stock purchase units	ASPP Restricted stock subscription units
Assumptions				
Risk-free interest rate	**3.19%**	**3.27%***	**3.16% – 4.17%**	**2.87%**
Volatility	**28%**	**28%**	**n/a**	**n/a**
Dividend yield	**1.60%**	**1.60%**	**1.60% – 1.70%**	**1.60%**
Exercise price (HK$)	**80.73**	**n/a**	**n/a**	**n/a**
Share option life (in years)	**10**	**n/a**	**n/a**	**n/a**
Expected life (in years)	**7.47**	**n/a**	**n/a**	**n/a**
Weighted average fair value per option/unit at measurement date (HK$)	**23.97**	**63.37**	**61.72**	**57.03**

	Year ended 31 December 2022			
	Share options	Restricted share units	ESPP Restricted stock purchase units	ASPP Restricted stock subscription units
Assumptions				
Risk-free interest rate	1.93%	1.57% – 3.55%*	0.84% – 4.27%	2.12%
Volatility	26%	26% – 28%	n/a	n/a
Dividend yield	1.70%	1.60% – 1.70%	1.60% – 1.70%	1.70%
Exercise price (HK$)	79.85	n/a	n/a	n/a
Share option life (in years)	10	n/a	n/a	n/a
Expected life (in years)	7.45	n/a	n/a	n/a
Weighted average fair value per option/unit at measurement date (HK$)	21.00	64.26	73.00	58.32

* Applicable to RSU with market conditions.

36. SHARE-BASED COMPENSATION (continued)

Valuation methodology (continued)

The weighted average share price for SO valuation for grants made during the year ended 31 December 2023 is HK$78.95 (2022: HK$79.85). The total fair value of SO granted during the year ended 31 December 2023 is US$6m (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 year ended 31 December 2023 is US$77m (2022: US$80m).

37. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Directors' remuneration

The Executive Director receives compensation in the form of salaries, bonuses, contributions to pension schemes, long-term incentives, housing and other allowances, and benefits in kind subject to applicable laws, rules and regulations. Bonuses and long-term incentives represent the variable components in the Executive Director's compensation and are linked to the performance of the Group and the Executive Director. Details of share-based payment schemes are described in note 36.

US$	**Director's fees**	**Salaries, allowances and benefits in kind(1)**	**Bonuses**	**Share-based payments(2)**	**Pension scheme contributions**	**Other benefits**	**Other payments(3)**	**Total**
Year ended 31 December 2023								
Executive Director								
Mr. Lee Yuan Siong(4)	**–**	**1,716,746**	**5,029,000**	**4,819,618**	**70,224**	**–**	**1,785,500**	**13,421,088**
Total	**–**	**1,716,746**	**5,029,000**	**4,819,618**	**70,224**	**–**	**1,785,500**	**13,421,088**

US$	Director's fees	Salaries, allowances and benefits in kind(1)	Bonuses	Share-based payments(2)	Pension scheme contributions	Other benefits	Other payments(3)	Total
Year ended 31 December 2022								
Executive Director								
Mr. Lee Yuan Siong(4)	–	1,680,096	2,820,000	5,272,695	67,829	–	3,673,130	13,513,750
Total	–	1,680,096	2,820,000	5,272,695	67,829	–	3,673,130	13,513,750

Notes:

(1) Includes non-cash benefits for housing, medical and life insurance, club and professional membership, company car and perquisites.

(2) Includes amortised expenses for unvested SOs, RSUs and matching shares under ESPP based on the fair value at the respective grant dates.

(3) This represents amortised expenses in relation to the awarded compensation for unvested long-term incentives and deferred payments that Mr. Lee Yuan Siong forfeited on leaving his prior employments.

(4) Mr. Lee Yuan Siong is currently the Group Chief Executive and President of the Company. He receives his remuneration exclusively for his role as Group Chief Executive and President of the Company and receives no separate fees for his role as a director of the Company or for acting as a director of any subsidiary of the Company.

37. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (continued)

Directors' remuneration (continued)

The remuneration of Independent Non-executive Directors of the Company at 31 December 2023 and 31 December 2022 are included in the tables below:

US$	Director's fees[1]	Salaries, allowances and benefits in kind[2]	Bonuses	Share-based payments	Pension scheme contribution	Other benefits	Other payments	Total
Year ended 31 December 2023								
Independent Non-executive Directors								
Mr. Edmund Sze-Wing Tse	**860,000**	**146,721**	**–**	**–**	**–**	**–**	**–**	**1,006,721**
Mr. Jack Chak-Kwong So	**330,000**	**–**	**–**	**–**	**–**	**–**	**–**	**330,000**
Mr. Chung-Kong Chow	**288,356**	**–**	**–**	**–**	**–**	**–**	**–**	**288,356**
Mr. John Barrie Harrison	**350,000**	**–**	**–**	**–**	**–**	**–**	**–**	**350,000**
Mr. George Yong-Boon Yeo	**355,000**	**–**	**–**	**–**	**–**	**–**	**–**	**355,000**
Professor Lawrence Juen-Yee Lau	**280,000**	**–**	**–**	**–**	**–**	**–**	**–**	**280,000**
Ms. Swee-Lian Teo[3]	**216,370**	**–**	**–**	**–**	**–**	**–**	**–**	**216,370**
Dr. Narongchai Akrasanee[4]	**396,685**	**–**	**–**	**–**	**–**	**–**	**–**	**396,685**
Mr. Cesar Velasquez Purisima	**355,000**	**–**	**–**	**–**	**–**	**–**	**–**	**355,000**
Ms. Sun Jie (Jane)	**330,000**	**–**	**–**	**–**	**–**	**–**	**–**	**330,000**
Ms. Mari Elka Pangestu[5]	**120,986**	**–**	**–**	**–**	**–**	**–**	**–**	**120,986**
Mr. Ong Chong Tee[6]	**120,986**	**–**	**–**	**–**	**–**	**–**	**–**	**120,986**
Ms. Nor Shamsiah Mohd Yunus[7]	**67,068**	**–**	**–**	**–**	**–**	**–**	**–**	**67,068**
Total	**4,070,451**	**146,721**	**–**	**–**	**–**	**–**	**–**	**4,217,172**

37. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (continued)

Directors' remuneration (continued)

US$	Director's fees[(1)]	Salaries, allowances and benefits in kind[(2)]	Bonuses	Share-based payments	Pension scheme contribution	Other benefits	Other payments	Total
Year ended 31 December 2022								
Independent Non-executive Directors								
Mr. Edmund Sze-Wing Tse	860,000	152,016	–	–	–	–	–	1,012,016
Mr. Jack Chak-Kwong So	330,000	–	–	–	–	–	–	330,000
Mr. Chung-Kong Chow	280,000	–	–	–	–	–	–	280,000
Mr. John Barrie Harrison	350,000	–	–	–	–	–	–	350,000
Mr. George Yong-Boon Yeo	355,000	–	–	–	–	–	–	355,000
Professor Lawrence Juen-Yee Lau	280,000	–	–	–	–	–	–	280,000
Ms. Swee-Lian Teo[(3)]	325,000	–	–	–	–	–	–	325,000
Dr. Narongchai Akrasanee[(4)]	390,000	–	–	–	–	–	–	390,000
Mr. Cesar Velasquez Purisima	355,000	–	–	–	–	–	–	355,000
Ms. Sun Jie (Jane)	292,767	–	–	–	–	–	–	292,767
Total	3,817,767	152,016	–	–	–	–	–	3,969,783

Notes:

(1) Save as disclosed below, all Directors receive the fees for their role as a director of the Company and not for acting as a director of any subsidiary of the Company.

(2) Includes non-cash benefits for housing, club and professional membership, medical insurance and company car.

(3) Ms. Swee-Lian Teo retired as Independent Non-executive Director of the Company with effect from 1 September 2023.

(4) US$100,000 (2022: US$100,000) represented remuneration to Dr. Narongchai Akrasanee in respect of his services as Chairman of Advisory Board of AIA Thailand for the year ended 31 December 2023 included in his fees stated above.

(5) Ms. Mari Elka Pangestu was appointed as Independent Non-executive Director of the Company with effect from 1 July 2023.

(6) Mr. Ong Chong Tee was appointed as Independent Non-executive Director of the Company with effect from 1 July 2023.

(7) Ms. Nor Shamsiah Mohd Yunus was appointed as Independent Non-executive Director of the Company with effect from 21 September 2023.

Remuneration of five highest-paid individuals

The aggregate remuneration of the five highest-paid individuals employed by the Group in each of the years ended 31 December 2023 and 31 December 2022 is presented in the table below.

US$	Director's fees	Salaries, allowances and benefits in kind[(1)]	Bonuses	Share-based payments[(2)]	Pension scheme contribution	Other benefits	Other payments[(3)]	Total
Year ended								
31 December 2023	**–**	**5,898,388**	**10,372,280**	**12,352,364**	**369,727**	**–**	**1,785,500**	**30,778,259**
31 December 2022	–	5,377,073	4,982,273	12,275,886	317,109	–	6,623,926	29,576,267

Notes:

(1) Benefits in the years ended 31 December 2023 and 31 December 2022 include housing, medical and life insurance, children's education, club and professional membership, company car and perquisites.

(2) Includes amortised expenses for unvested SOs, RSUs and matching shares under ESPP to the five highest-paid individuals based on the fair value at the respective grant dates.

(3) Includes amortised expenses in relation to the awarded compensation for unvested long-term incentives and deferred payments that Mr. Lee Yuan Siong forfeited on leaving his prior employments.

37. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (continued)

Remuneration of five highest-paid individuals (continued)

The emoluments of the five individuals with the highest emoluments are within the following bands:

HK$	Year ended 31 December 2023	Year ended 31 December 2022
25,000,001 to 25,500,000	**–**	1
27,500,001 to 28,000,000	**–**	1
28,500,001 to 29,000,000	**1**	–
29,000,001 to 29,500,000	**1**	–
30,000,001 to 30,500,000	**1**	–
31,500,001 to 32,000,000	**–**	1
41,000,001 to 41,500,000	**–**	1
47,500,001 to 48,000,000	**1**	–
105,000,001 to 105,500,000	**1**	–
105,500,001 to 106,000,000	**–**	1

Key management personnel remuneration

Key management personnel have been identified as the members of the Group's Executive Committee.

US$	Year ended 31 December 2023	Year ended 31 December 2022
Key management compensation and other expenses		
Salaries and other short-term employee benefits	**30,273,575**	22,150,292
Post-employment benefits	**631,999**	623,561
Share-based payments(1)	**19,053,974**	20,966,295
Termination payments or benefits	**–**	2,950,796
Total	**49,959,548**	46,690,944

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$	Year ended 31 December 2023	Year ended 31 December 2022
Below 1,000,000	**–**	–
1,000,001 to 2,000,000	**1**	–
2,000,001 to 3,000,000	**4**	7
3,000,001 to 4,000,000	**5**	2
4,000,001 to 5,000,000	**–**	1
5,000,001 to 6,000,000	**–**	1
6,000,001 to 7,000,000	**1**	–
Over 10,000,000	**1**	1

38. RELATED PARTY TRANSACTIONS

Remuneration of Directors and key management personnel is disclosed in note 37.

39. COMMITMENTS AND CONTINGENCIES

Investment and capital commitments

US$m	As at 31 December 2023	As at 31 December 2022
Not later than one year	**17,624**	14,962
Later than one and not later than five years	**123**	105
Total	**17,747**	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.

40. SUBSIDIARIES

The following is a list of AIA's directly and indirectly held principal operating subsidiaries which materially contribute to the net income of the Group or hold a material element of its assets and liabilities:

Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	As at 31 December 2023 Group's interest %	As at 31 December 2023 NCI's interest %	As at 31 December 2022 Group's interest %	As at 31 December 2022 NCI's interest %
AIA Company Limited[1]	Hong Kong	Insurance	2,596,049,861 ordinary shares of US$11,390,584,182 issued share capital	**100%**	**–**	100%	–
AIA Australia Limited	Australia	Insurance	2,125,462,500 ordinary shares of A$2,207,267,000 issued share capital	**100%**	**–**	100%	–
AIA Bhd.	Malaysia	Insurance	191,859,543 ordinary shares of RM810,000,000 issued share capital	**100%**	**–**	100%	–
AIA Life Insurance Company Limited	Mainland China	Insurance	Registered share capital of RMB3,777,399,440	**100%**	**–**	100%	–
AIA Philippines Life and General Insurance Company Inc.	Philippines	Insurance	199,560,671 ordinary shares of PHP10 each and 67,349,329 treasury shares	**100%**	**–**	100%	–
BPI AIA Life Assurance Corporation	Philippines	Insurance	749,993,979 ordinary shares of PHP1 each and 6,000 treasury shares	**51%**	**49%**	51%	49%
AIA Singapore Private Limited	Singapore	Insurance	1,558,021,163 ordinary shares of S$1 each	**100%**	**–**	100%	–
AIA Everest Life Company Limited	Hong Kong	Insurance	500,000,000 ordinary shares of HK$2,496,291,000 issued share capital	**100%**	**–**	100%	–
AIA International Limited	Bermuda	Insurance	6,500,000 ordinary shares of US$1.20 each	**100%**	**–**	100%	–
PT. AIA Financial	Indonesia	Insurance	1,910,844,141 ordinary shares of Rp1,000 each	**100%**	**–**	100%	–
AIA (Vietnam) Life Insurance Company Limited	Vietnam	Insurance	Contributed capital of VND8,724,420,000,000	**100%**	**–**	100%	–
Bayshore Development Group Limited	British Virgin Islands	Investment holding company	100 ordinary shares of US$1 each	**90%**	**10%**	90%	10%
AIA Life Insurance Co. Ltd.	South Korea	Insurance	60,328,932 ordinary shares of KRW603,289,320,000 issued share capital	**100%**	**–**	100%	–
AIA New Zealand Limited	New Zealand	Insurance	248,217,572 ordinary shares of NZD863,709,199 issued share capital	**100%**	**–**	100%	–
AIA Reinsurance Limited	Bermuda	Reinsurance	250,000 common shares of US$1 each	**100%**	**–**	100%	–

Notes:

(1) The Company's subsidiary.

(2) All of the above subsidiaries are audited by PricewaterhouseCoopers.

All subsidiaries are unlisted.

41. EVENTS AFTER THE REPORTING PERIOD

On 14 March 2024, a Committee appointed by the Board of Directors proposed a final dividend of 119.07 Hong Kong cents per share (2022: final dividend of 113.40 Hong Kong cents per share).

42. 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 was 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 were classified as assets in disposal group held for sale and liabilities in disposal group held for sale in the consolidated statement of financial position, contributed by the Australia operating segment. The transaction was completed with statutory transfer approved by the Federal Court of Australia, effective on 1 July 2023.

42. DISPOSAL GROUP HELD FOR SALE (continued)

At 31 December 2022, 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 as at 31 December 2022 are summarised below.

US$m	Notes	As at 31 December 2022 (Excluding disposal group)	Assets and liabilities in disposal group	As at 31 December 2022 (Including disposal group)
Assets				
Intangible assets	14	3,277	–	3,277
Investments in associates and joint ventures	15	2,056	–	2,056
Property, plant and equipment	16	2,844	–	2,844
Investment property	17	4,600	–	4,600
Insurance contract assets	24	2,037	–	2,037
Reinsurance contract assets	24	5,763	–	5,763
Financial investments:	18, 20			
At amortised cost				
Debt securities		1,787	–	1,787
Loans and deposits		4,566	–	4,566
At fair value through other comprehensive income				
Debt securities		86,060	37	86,097
At fair value through profit or loss				
Debt securities		77,496	831	78,327
Loans and deposits		279	–	279
Equity shares		23,378	2,313	25,691
Interests in investment funds and exchangeable loan notes		38,577	–	38,577
Derivative financial instruments	19	568	62	630
		232,711	3,243	235,954
Deferred tax assets	11	229	25	254
Current tax recoverable		117	9	126
Other assets	21	4,524	67	4,591
Cash and cash equivalents	22	8,020	949	8,969
Assets in disposal group held for sale		4,293	(4,293)	–
Total assets		270,471	–	270,471
Liabilities				
Insurance contract liabilities	24	181,851	1,048	182,899
Reinsurance contract liabilities	24	384	22	406
Investment contract liabilities	25	9,092	2,894	11,986
Borrowings	26	11,206	–	11,206
Obligations under repurchase agreements	27	1,748	–	1,748
Derivative financial instruments	19	8,638	101	8,739
Provisions	29	153	–	153
Deferred tax liabilities	11	3,409	1	3,410
Current tax liabilities		467	–	467
Other liabilities	30	4,264	45	4,309
Liabilities in disposal group held for sale		4,111	(4,111)	–
Total liabilities		225,323	–	225,323

43. EFFECTS OF ADOPTION OF IFRS 9, IFRS 17 AND AMENDMENT TO IAS 16

Except for the changes below, the Group has consistently applied the accounting policies as set out in note 2 to all periods presented in these consolidated financial statements. 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
Total equity attributable to:			
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

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.

43. EFFECTS OF ADOPTION OF IFRS 9, IFRS 17 AND AMENDMENT TO IAS 16 (continued)

IFRS 17 Insurance Contracts (continued)

Recognition, measurement and presentation of insurance contracts (continued)

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.

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 been 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.

43. 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

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.

To indicate the effect of applying the modified retrospective approach or the fair value approach on the CSM, insurance revenue and insurance finance income or expenses, the Group has provided additional disclosures in notes 2.3.9, 8, 9 and 24.

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.

43. 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 2.5.

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 2.5.3).

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.

43. 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.

43. 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 2.5. 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.

43. 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)	–	–

43. 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

43. 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 31 December	**1,002**
Fair value losses that would have been recognised in the profit or loss during the year if the financial asset had not been reclassified	**(8)**
Effective interest rate determined on 1 January	**3.8%**
Interest revenue recognised	**49**

Reclassifications to amortised cost

US$m	2023
From available for sale	
Fair value at 31 December	**1,443**
Fair value losses that would have been recognised in the profit or loss during the year if the financial asset had not been reclassified	**(2)**
Fair value gains that would have been recognised in the other comprehensive income during the year if the financial asset had not been reclassified	**17**

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
	89	–	269	358

43. 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 year ended 31 December 2023, net fair value losses of property held for own use measured at fair value model of US$50m (2022: net fair value losses of property held for own use measured at fair value model of US$6m) was included in other investment return in the 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	Year ended 31 December 2022 (As previously reported)	Impact of changes in accounting policies	Year ended 31 December 2022 (restated)
Net profit per share			
Basic	2.36	25.56	27.92
Diluted	2.36	25.54	27.90
Operating profit after tax per share			
Basic	53.40	0.43	53.83
Diluted	53.36	0.43	53.79

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

US$m	As at 31 December 2023	As at 31 December 2022
Assets		
Investment in subsidiaries at cost[2]	**22,506**	21,580
Financial investments:		
At fair value through other comprehensive income		
Debt securities[3]	**3,970**	7,151
At fair value through profit or loss		
Interests in investment funds[2]	**502**	2,156
Derivative financial instruments	**57**	1
	4,529	9,308
Loans to/amounts due from subsidiaries	**895**	886
Other assets	**126**	40
Promissory notes from subsidiaries[4]	**–**	63
Cash and cash equivalents	**3,668**	1,298
Total assets	**31,724**	33,175
Liabilities		
Borrowings	**12,257**	11,799
Derivative financial instruments	**42**	1
Other liabilities	**261**	109
Total liabilities	**12,560**	11,909
Equity		
Share capital	**14,176**	14,171
Employee share-based trusts	**(367)**	(290)
Other reserves	**390**	351
Retained earnings	**4,853**	6,990
Amounts reflected in other comprehensive income	**112**	44
Total equity	**19,164**	21,266
Total liabilities and equity	**31,724**	33,175

Notes:

(1) The financial information of the Company should be read in conjunction with the 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$494m (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$2,112m (2022: US$4,914m) and China Government bonds of US$1,858m (2022: US$2,237m) as at 31 December 2023.

(4) The promissory notes from subsidiaries are repayable on demand.

Approved and authorised for issue by the Board of Directors on 14 March 2024.

Lee Yuan Siong
Director

Edmund Sze-Wing Tse
Director

45. 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	**–**	**–**	**–**	**3,793**	**–**	**3,793**
Fair value gains on debt securities at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**132**	**132**
Fair value gains on debt securities at fair value through other comprehensive income transferred to profit or loss on disposal	**–**	**–**	**–**	**–**	**(64)**	**(64)**
Dividends	**–**	**–**	**–**	**(2,293)**	**–**	**(2,293)**
Share buy-back	**–**	**–**	**–**	**(3,637)**	**–**	**(3,637)**
Shares issued under share option scheme and agency share purchase plan	**5**	**–**	**–**	**–**	**–**	**5**
Share-based compensation	**–**	**–**	**77**	**–**	**–**	**77**
Purchase of shares held by employee share-based trusts	**–**	**(115)**	**–**	**–**	**–**	**(115)**
Transfer of vested shares from employee share-based trusts	**–**	**38**	**(38)**	**–**	**–**	**–**
Balance at 31 December 2023	**14,176**	**(367)**	**390**	**4,853**	**112**	**19,164**

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	–	–	–	3,300	–	3,300
Fair value losses on debt securities at fair value through other comprehensive income	–	–	–	–	(222)	(222)
Fair value losses on debt securities at fair value through other comprehensive income transferred to profit or loss on disposal	–	–	–	–	141	141
Dividends	–	–	–	(2,259)	–	(2,259)
Share buy-back	–	–	–	(3,570)	–	(3,570)
Shares issued under share option scheme and agency share purchase plan	11	–	–	–	–	11
Share-based compensation	–	–	80	–	–	80
Purchase of shares held by employee share-based trusts	–	(103)	–	–	–	(103)
Transfer of vested shares from employee share-based trusts	–	38	(38)	–	–	–
Balance at 31 December 2022	14,171	(290)	351	6,990	44	21,266

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY EMBEDDED VALUE INFORMATION AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
TO THE BOARD OF DIRECTORS OF AIA GROUP LIMITED
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The Supplementary Embedded Value Information (the "EV Information") of AIA Group Limited (the "Company") and its subsidiaries (the "Group"), which is set out on pages 329 to 355, comprises:

- the consolidated EV results as at and for the year ended 31 December 2023;
- the sensitivity analysis as at and for the year then ended; and
- a summary of significant methodology and assumptions and other explanatory notes.

Our opinion

In our opinion, the EV Information of the Group as at and for the year ended 31 December 2023 is 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 for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the EV Information section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of Matter – Basis of Preparation

We draw attention to Sections 4 and 5 of the EV Information, which describe the EV basis of preparation. As a result, the EV Information may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

羅兵咸永道

Other Matter

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2023 in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and IFRS Accounting Standards issued by the International Accounting Standards Board, on which we issued a separate auditor's report to the shareholders of the Company dated 14 March 2024.

Other Information

The Directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the EV Information and our auditor's report thereon.

Our opinion on the EV Information does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the EV Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the EV Information or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

羅兵咸永道

Responsibilities of Directors and Those Charged with Governance for the EV Information
The Directors of the Company are responsible for the preparation of the EV Information in accordance with the EV basis of preparation set out in Sections 4 and 5 of the EV Information and for such internal control as the Directors determine is necessary to enable the preparation of the EV Information that is free from material misstatement, whether due to fraud or error.

In preparing the EV Information, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's EV Information reporting process.

Auditor's Responsibilities for the Audit of the EV Information
Our objectives are to obtain reasonable assurance about whether the EV Information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this EV Information.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the EV Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

羅兵咸永道

Auditor's Responsibilities for the Audit of the EV Information (continued)

- Evaluate the appropriateness of the EV basis of preparation used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the EV Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the EV Information of the entities or business activities within the Group to express an opinion on the EV Information. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

The engagement partner on the audit resulting in this independent auditor's report is Ling Tung Man, Tom.

PricewaterhouseCoopers

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong
14 March 2024

CAUTIONARY STATEMENTS CONCERNING SUPPLEMENTARY EMBEDDED VALUE INFORMATION

This report includes non-IFRS results and should not be viewed as a substitute for IFRS results.

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.

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.

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.

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 consolidated financial statements.

1. SUMMARY (continued)

Summary of Key Metrics(1) (US$ millions)

	As at 31 December 2023	As at 31 December 2022	Change CER	Change AER
EV Equity	**70,153**	71,202	(1)%	(1)%
EV Equity per share (US$)	**6.17**	6.07	2%	2%
EV	**67,447**	68,865	(2)%	(2)%
EV per share (US$)	**5.94**	5.87	2%	1%
Free surplus	**16,329**	17,850	(8)%	(9)%
Adjusted net worth (ANW)	**32,009**	33,751	(5)%	(5)%
Value of in-force business (VIF)	**35,438**	35,114	1%	1%

	Year ended 31 December 2023	Year ended 31 December 2022	YoY CER	YoY AER
VONB	**4,034**	3,092	33%	30%
Annualised new premiums (ANP)	**7,650**	5,407	45%	41%
VONB margin	**52.6%**	57.0%	(4.5) pps	(4.4) pps
EV operating profit	**8,890**	6,845	33%	30%
Operating return on EV (Operating ROEV)	**12.9%**	9.4%	3.4 pps	3.5 pps
Underlying free surplus generation (UFSG)	**6,041**	6,039	2%	–

Note:

(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.

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2. EMBEDDED VALUE RESULTS

2.1 Embedded Value by Business Unit

The EV as at 31 December 2023 is presented consistently with the segment information in the consolidated financial statements.

Summary of EV by Business Unit (US$ millions)

	As at 31 December 2023				
Business Unit	ANW[1]	VIF before CoC	CoC	VIF after CoC	EV
AIA China	5,439	8,227	140	8,087	**13,526**
AIA Hong Kong	12,523	15,098	1,315	13,783	**26,306**
AIA Thailand	4,508	4,971	862	4,109	**8,617**
AIA Singapore	2,899	5,126	652	4,474	**7,373**
AIA Malaysia	1,169	2,270	207	2,063	**3,232**
Other Markets[2]	5,935	4,056	1,459	2,597	**8,532**
Group Corporate Centre	4,274	–	–	–	**4,274**
Subtotal	36,747	39,748	4,635	35,113	**71,860**
Adjustment to reflect consolidated reserving and capital requirements[3]	(4,368)	2,816	597	2,219	**(2,149)**
After-tax value of unallocated Group Office expenses	–	(1,625)	–	(1,625)	**(1,625)**
Total EV (before non-controlling interests)	32,379	40,939	5,232	35,707	**68,086**
Non-controlling interests	(370)	(298)	(29)	(269)	**(639)**
Total EV	32,009	40,641	5,203	35,438	**67,447**
Goodwill and other intangible assets[4]					**2,706**
Total EV Equity					**70,153**

2. EMBEDDED VALUE RESULTS (continued)

2.1 Embedded Value by Business Unit (continued)

	As at 31 December 2022				
Business Unit	ANW[1]	VIF before CoC	CoC	VIF after CoC	EV
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 this report.

(4) Consistent with the 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 31 December 2023	As at 31 December 2022
Shareholders' allocated equity	**44,754**	44,805
Fair value reserve	**516**	(6,709)
Insurance finance reserve	**(4,159)**	–
IFRS equity attributable to shareholders of the Company	**41,111**	38,096
Elimination of deferred acquisition and origination costs assets	**–**	(30,046)
Difference between policy liabilities calculated and reported under IFRS® Accounting Standards and local statutory policy liabilities[2]	**(2,149)**	28,831
Difference between net policy liabilities calculated and reported under IFRS Accounting Standards and local statutory policy liabilities	**(2,149)**	(1,215)
Mark-to-market adjustment for property, mortgage loan and other investments, net of amounts attributable to participating funds	**(63)**	112
Elimination of intangible assets	**(3,615)**	(3,277)
Recognition of deferred tax impacts of the above adjustments	**980**	2,692
Recognition of non-controlling interests impacts of the above adjustments	**113**	101
ANW (Business Unit)	**36,377**	36,509
Adjustment to reflect consolidated reserving requirements, net of tax	**(4,368)**	(2,758)
ANW (Consolidated)	**32,009**	33,751

Notes:

(1) The amounts as at 31 December 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 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.

2.3 Reconciliation of Free Surplus from ANW

Derivation of Free Surplus from ANW (US$ millions)

	As at 31 December 2023		As at 31 December 2022	
	Business Unit	Consolidated	Business Unit	Consolidated
ANW	**36,377**	**32,009**	36,509	33,751
Adjustment for certain assets not eligible for regulatory capital purposes	**(503)**	**(503)**	(1,482)	(1,482)
Less: Required capital	**12,565**	**15,177**	11,672	14,419
Free surplus[1]	**23,309**	**16,329**	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)

	As at 31 December 2023	
Expected period of emergence	**Undiscounted**	**Discounted**
1 – 5 years	**20,876**	**17,032**
6 – 10 years	**22,070**	**12,103**
11 – 15 years	**21,897**	**8,081**
16 – 20 years	**19,922**	**4,963**
21 years and thereafter	**204,392**	**8,436**
Total	**289,157**	**50,615**

	As at 31 December 2022	
Expected period of emergence	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$50,615 million (2022: US$49,533 million) plus the free surplus of US$16,329 million (2022: US$17,850 million) and the non-eligible assets excluded in the free surplus calculation of US$503 million (2022: US$1,482 million) as shown in Section 2.3 of this report is equal to the EV of US$67,447 million (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 year ended 31 December 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 consolidated financial statements. Section 4.1 of this report contains a list of the entities included in this report and the mapping of these entities to Business Units for the purpose of this report.

The Group VONB for the year ended 31 December 2023 was US$4,034 million, an increase of US$942 million, or 33 per cent, from US$3,092 million for the year ended 31 December 2022.

Summary of VONB by Business Unit (US$ millions)

	Year ended 31 December 2023			Year ended 31 December 2022		
Business Unit	**VONB before CoC**	**CoC**	**VONB after CoC**	VONB before CoC	CoC	VONB after CoC
AIA China	1,174	137	**1,037**	977	61	916
AIA Hong Kong	1,498	68	**1,430**	849	62	787
AIA Thailand	751	38	**713**	627	42	585
AIA Singapore	413	19	**394**	364	15	349
AIA Malaysia	336	17	**319**	327	19	308
Other Markets(1)	547	141	**406**	530	110	420
Total before unallocated Group Office expenses and non-controlling interests (Business Unit)	4,719	420	**4,299**	3,674	309	3,365
Adjustment to reflect consolidated reserving and capital requirements	(43)	–	**(43)**	(46)	6	(52)
Total before unallocated Group Office expenses and non-controlling interests (Consolidated)	4,676	420	**4,256**	3,628	315	3,313
After-tax value of unallocated Group Office expenses	(187)	–	**(187)**	(192)	–	(192)
Total before non-controlling interests (Consolidated)	4,489	420	**4,069**	3,436	315	3,121
Non-controlling interests	(39)	(4)	**(35)**	(30)	(1)	(29)
Total	**4,450**	**416**	**4,034**	3,406	314	3,092

Note:

(1) The VONB for the year ended 31 December 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 year ended 31 December 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 year ended 31 December 2023 was 52.6 per cent compared with 57.0 per cent for the year ended 31 December 2022. The Group PVNBP margin for the year ended 31 December 2023 was 10 per cent compared with 10 per cent for the year ended 31 December 2022.

Breakdown of VONB, ANP, VONB Margin and PVNBP Margin (US$ millions)

	VONB after CoC	ANP	VONB margin	PVNBP margin
Year				
Values for 2023				
Twelve months ended 31 December 2023	**4,034**	**7,650**	**52.6%**	**10%**
Values for 2022				
Twelve months ended 31 December 2022	3,092	5,407	57.0%	10%
Quarter				
Values for 2023				
Three months ended 31 March 2023	**1,046**	**1,998**	**52.3%**	**10%**
Three months ended 30 June 2023	**983**	**1,986**	**49.3%**	**9%**
Three months ended 30 September 2023	**994**	**1,938**	**51.2%**	**10%**
Three months ended 31 December 2023	**1,011**	**1,728**	**58.2%**	**11%**
Values for 2022				
Three months ended 31 March 2022	853	1,567	54.4%	10%
Three months ended 30 June 2022	683	1,211	56.2%	10%
Three months ended 30 September 2022	741	1,271	58.1%	10%
Three months ended 31 December 2022	815	1,358	59.5%	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)

	Year ended 31 December 2023			Year ended 31 December 2022		
Business Unit	VONB excluding pension	ANP	VONB margin	VONB excluding pension	ANP	VONB margin
AIA China	1,037	2,023	**51.3%**	916	1,319	69.5%
AIA Hong Kong	1,384	2,407	**57.5%**	749	1,078	69.5%
AIA Thailand	713	765	**93.3%**	585	655	89.1%
AIA Singapore	394	586	**67.2%**	349	531	65.7%
AIA Malaysia	318	473	**67.3%**	307	440	69.9%
Other Markets[1]	404	1,396	**28.9%**	418	1,384	30.2%
Total before unallocated Group Office expenses (Business Unit)	4,250	7,650	**55.6%**	3,324	5,407	61.5%
Adjustment to reflect consolidated reserving and capital requirements	(42)	–		(52)	–	
Total before unallocated Group Office expenses (Consolidated)	4,208	7,650	**55.0%**	3,272	5,407	60.5%
After-tax value of unallocated Group Office expenses	(187)	–		(192)	–	
Total	**4,021**	**7,650**	**52.6%**	3,080	5,407	57.0%

Note:

(1) The VONB for the year ended 31 December 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)

	Year ended 31 December 2023			Year ended 31 December 2022			YoY AER
	ANW	VIF	EV	ANW	VIF	EV	EV
Opening EV Equity			**71,202**			75,001	(5)%
Removal of goodwill and other intangible assets[1]			**(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)**	(200)	–	(200)	n/m[2]
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	(45)	4,079	**4,034**	(159)	3,251	3,092	30%
Expected return on EV	5,115	112	**5,227**	4,838	(969)	3,869	35%
Operating experience variances	97	(22)	**75**	513	(214)	299	(75)%
Operating assumption changes	286	(325)	**(39)**	(331)	275	(56)	n/m
Finance costs	(407)	–	**(407)**	(359)	–	(359)	13%
EV operating profit	5,046	3,844	**8,890**	4,502	2,343	6,845	30%
Investment return variances	(873)	(1,917)	**(2,790)**	(5,893)	501	(5,392)	n/m
Effect of changes in economic assumptions	(6)	(537)	**(543)**	(15)	(285)	(300)	n/m
Other non-operating variances	506	(1,075)	**(569)**	(1,530)	1,296	(234)	n/m
Total EV profit	4,673	315	**4,988**	7,639	(3,456)	4,183	19%
Dividends	(2,293)	–	**(2,293)**	(2,259)	–	(2,259)	2%
Share buy-back	(3,637)	–	**(3,637)**	(3,570)	–	(3,570)	n/m
Other capital movements	(72)	–	**(72)**	(12)	–	(12)	500%
Effect of changes in exchange rates	(175)	9	**(166)**	(1,149)	(1,115)	(2,264)	n/m
Closing EV	32,009	35,438	**67,447**	33,751	35,114	68,865	(2)%
Inclusion of goodwill and other intangible assets[1]			**2,706**			2,337	16%
Closing EV Equity			**70,153**			71,202	(1)%
Closing EV per share (US$)			**5.94**			5.87	1%
Closing EV Equity per share (US$)			**6.17**			6.07	2%

Notes:
(1) Consistent with the consolidated financial statements, shown net of tax, amounts attributable to participating funds and non-controlling interests.
(2) Not meaningful (n/m).

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$8,890 million (2022: US$6,845 million), reflecting VONB of US$4,034 million (2022: US$3,092 million), an expected return on EV of US$5,227 million (2022: US$3,869 million), operating experience variances and operating assumption changes with a net positive impact of US$36 million (2022: US$243 million), net of finance costs of US$407 million (2022: US$359 million).

The VONB is calculated at the point of sale for business written during the year. The expected return on EV is the expected change in the EV over the year plus the expected return on the VONB up to 31 December 2023. Operating experience variances reflect the impact on the ANW and VIF from differences between the actual experience over the year and that expected based on the operating assumptions.

The operating experience variances, net of tax, increased EV by US$75 million (2022: increased by US$299 million), driven by:

- Expense variances of US$(31) million (2022: US$(27) million) and development costs of US$13 million (2022: US$12 million);
- Mortality and morbidity claims variances of US$(85) million (2022: US$115 million); and
- Persistency and other variances of US$204 million (2022: US$223 million) which included persistency variances of US$(41) million (2022: US$73 million) and other variances including management actions of US$245 million (2022: US$150 million).

The effect of changes in operating assumptions during the year was a decrease in EV of US$39 million (2022: a decrease in EV of US$56 million).

The EV profit of US$4,988 million (2022: US$4,183 million) is the total of EV operating profit, investment return variances, the effect of changes in economic assumptions and other non-operating variances.

The investment return variances decreased EV by US$2,790 million (2022: decreased in EV of US$5,392 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.

The effect of changes in economic assumptions was a decrease in EV of US$543 million (2022: a decrease in EV of US$300 million).

Other non-operating variances decreased EV by US$569 million (2022: decreased EV by US$234 million) which comprised negative impacts from adjustments to capital requirements on consolidation, non-operating expenses and the effect of the implementation of IFRS 17, partly offset by positive impacts from the effects of the change in solvency regime in South Korea (K-ICS and SAP) effective from 1 January 2023 and model-related enhancements.

The Group paid total shareholder dividends of US$2,293 million (2022: US$2,259 million). The capital deployed for the share buy-back programme, under which 374 million shares(1) (2022: 366 million shares) have been repurchased in the year of 2023, was US$3,637 million (2022: US$3,570 million). Other capital movements decreased EV by US$72 million (2022: decreased EV by US$12 million).

Foreign exchange movements decreased EV by US$166 million (2022: decreased EV by US$2,264 million).

The closing EV was US$67,447 million at 31 December 2023.

The closing EV Equity was US$70,153 million as at 31 December 2023, after inclusion of goodwill and other intangible assets of US$2,706 million.

While our EV methodology aims to calculate a best estimate of the value to shareholders of our in-force business, our calculations deduct the value of the Group's outstanding medium-term notes and securities(2) at amortised cost. If the medium-term notes and securities were measured at fair value, EV Equity would increase by US$932 million to US$71,085 million.

Notes:

(1) Of these shares, 336 million shares were cancelled during 2023, and the remaining 38 million shares have subsequently been cancelled as per note 31 to the consolidated financial statements.

(2) Refers to medium-term notes and securities under note 26 to the 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 12.9 per cent (2022: 9.4 per cent) for the year ended 31 December 2023.

	Year ended 31 December 2023	Year ended 31 December 2022	YoY CER	YoY AER
EV operating profit	**8,890**	6,845	33%	30%
Opening EV	**68,865**	72,987	(3)%	(6)%
Operating ROEV	**12.9%**	9.4%	3.4 pps	3.5 pps
EV operating earnings per share (US cents)[1]	**77.18**	57.38	37%	35%

Note:

(1) Based on weighted average number of ordinary shares outstanding during the respective period.

2.7 Free Surplus Generation

Free Surplus Generation (US$ millions)

	Year ended 31 December 2023	Year ended 31 December 2022	YoY CER	YoY AER
Opening free surplus	**17,850**	17,025	7%	5%
Effect of acquisitions	**(238)**	(200)	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	**6,041**	6,039	2%	0%
Free surplus used to fund new business	**(1,328)**	(1,274)	8%	4%
Investment return variances and other items	**715**	(5,093)	n/m	n/m
Unallocated Group Office expenses	**(302)**	(250)	21%	21%
Dividends	**(2,293)**	(2,259)	2%	2%
Share buy-back	**(3,637)**	(3,570)	n/m	n/m
Finance costs and other capital movements	**(479)**	(371)	n/m	n/m
Closing free surplus	**16,329**	17,850	(8)%	(9)%

Free surplus decreased by US$1,521 million (2022: increased by US$825 million) to US$16,329 million (2022: US$17,850 million) as of 31 December 2023, after reflecting the impact of share buy-back of US$3,637 million.

UFSG, as defined in Section 4.8, increased by 2 per cent, to US$6,041 million (2022: US$6,039 million). Investment in writing new business was US$1,328 million (2022: US$1,274 million).

Investment return variances and other items amounted to US$715 million (2022: US$(5,093) 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$302 million (2022: US$250 million).

Note:

(1) Not meaningful (n/m).

3. SENSITIVITY ANALYSIS

The EV as at 31 December 2023 and the VONB for the year ended 31 December 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 31 December 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 31 December 2023); and
- Equity prices decreased proportionally by 10 per cent (i.e. 90 per cent of the prices at 31 December 2023).

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 31 December 2023 and the values of debt instruments and derivatives held at 31 December 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 31 December 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 31 December 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.

3. SENSITIVITY ANALYSIS (continued)

The sensitivities chosen do not represent the boundaries of possible outcomes, but instead illustrate how certain alternative assumptions would affect the results.

Sensitivity of EV (US$ millions)

	As at 31 December 2023		As at 31 December 2022	
Scenario	EV	% Change	EV	% Change
Central value	**67,447**		68,865	
Impact of:				
200 bps increase in risk discount rates	**(8,450)**	**(12.5)%**	(8,133)	(11.8)%
200 bps decrease in risk discount rates	**13,167**	**19.5%**	13,036	18.9%
10% increase in equity prices	**1,799**	**2.7%**	1,817	2.6%
10% decrease in equity prices	**(1,823)**	**(2.7)%**	(1,821)	(2.6)%
50 bps increase in interest rates	**(981)**	**(1.5)%**	(1,246)	(1.8)%
50 bps decrease in interest rates	**945**	**1.4%**	1,347	2.0%
100 bps decrease in equity and property returns and risk discount rates	**2,585**	**3.8%**	2,047	3.0%
5% appreciation in the presentation currency	**(1,374)**	**(2.0)%**	(2,059)	(3.0)%
5% depreciation in the presentation currency	**1,374**	**2.0%**	2,059	3.0%
10% increase in lapse/discontinuance rates	**(1,790)**	**(2.7)%**	(1,532)	(2.2)%
10% decrease in lapse/discontinuance rates	**1,984**	**2.9%**	1,693	2.5%
10% increase in mortality/morbidity rates	**(5,380)**	**(8.0)%**	(4,659)	(6.8)%
10% decrease in mortality/morbidity rates	**5,296**	**7.9%**	4,514	6.6%
10% decrease in maintenance expenses	**1,048**	**1.6%**	862	1.3%
Expense inflation set to 0%	**1,088**	**1.6%**	941	1.4%

Sensitivity of VONB (US$ millions)

	Year ended 31 December 2023		Year ended 31 December 2022	
Scenario	VONB	% Change	VONB	% Change
Central value	**4,034**		3,092	
Impact of:				
200 bps increase in risk discount rates	**(871)**	**(21.6)%**	(634)	(20.5)%
200 bps decrease in risk discount rates	**1,332**	**33.0%**	944	30.5%
50 bps increase in interest rates	**129**	**3.2%**	64	2.1%
50 bps decrease in interest rates	**(155)**	**(3.8)%**	(81)	(2.6)%
100 bps decrease in equity and property returns and risk discount rates	**412**	**10.2%**	333	10.8%
5% appreciation in the presentation currency	**(142)**	**(3.5)%**	(129)	(4.2)%
5% depreciation in the presentation currency	**142**	**3.5%**	129	4.2%
10% increase in lapse/discontinuance rates	**(261)**	**(6.5)%**	(191)	(6.2)%
10% decrease in lapse/discontinuance rates	**284**	**7.0%**	242	7.8%
10% increase in mortality/morbidity rates	**(480)**	**(11.9)%**	(408)	(13.2)%
10% decrease in mortality/morbidity rates	**478**	**11.8%**	436	14.1%
10% decrease in maintenance expenses	**103**	**2.6%**	98	3.2%
Expense inflation set to 0%	**77**	**1.9%**	72	2.3%

4. METHODOLOGY

4.1 Entities Included in This Report

The Group operates through a number of subsidiaries and branches. Its two main operating subsidiaries are AIA Company Limited (AIA Co.), a company incorporated in Hong Kong and a subsidiary of the Company, and AIA International Limited (AIA International), a company incorporated in Bermuda and an indirect subsidiary of the Company. Furthermore, AIA Co. has branches located in Thailand and AIA International has branches located in Hong Kong, Macau and Taiwan.

The following is a list of the entities and their mapping to Business Units included in this report.

- AIA Australia refers to AIA Australia Limited, a subsidiary of AIA Co.;
- AIA Cambodia refers to AIA (Cambodia) Life Insurance Plc., a subsidiary of AIA International;
- AIA China refers to AIA Life Insurance Company Limited, a subsidiary of AIA Co.;
- AIA Hong Kong refers to the total of the following entities:
  - the Hong Kong and Macau branches of AIA International;
  - the Hong Kong business written by AIA Co.;
  - AIA Pensions (BVI) Limited, a subsidiary of AIA Co.;
  - AIA Everest Life Company Limited, a subsidiary of AIA Co.; and
  - AIA Holdings (Hong Kong) Limited, a wholly-owned subsidiary of the Company and also the holding company of Blue Cross (Asia-Pacific) Insurance Limited (Blue Cross);
- AIA Indonesia refers to PT. AIA Financial, a subsidiary of AIA International;
- AIA Korea refers to AIA Life Insurance Co. Ltd., a subsidiary of AIA International;
- AIA Malaysia refers to AIA Bhd., a subsidiary of AIA Co., and AIA PUBLIC Takaful Bhd., a 70 per cent owned subsidiary of AIA Bhd., and AIA General Berhad, a subsidiary of AIA Bhd.;
- AIA Myanmar refers to AIA Myanmar Life Insurance Company Limited, a subsidiary of AIA Co.;
- 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;
- AIA Philippines refers to AIA Philippines Life and General Insurance Company Inc., a subsidiary of AIA Co., and its 51 per cent owned subsidiary BPI AIA Life Assurance Corporation;
- AIA Singapore refers to AIA Singapore Private Limited, a subsidiary of AIA Co., and its Brunei branch;
- AIA Sri Lanka refers to AIA Insurance Lanka Limited, a subsidiary of AIA Co.;
- AIA Taiwan refers to the Taiwan branch of AIA International;
- AIA Thailand refers to the Thailand branches of AIA Co.;
- AIA Vietnam refers to AIA (Vietnam) Life Insurance Company Limited, a subsidiary of AIA International; and
- Tata AIA Life refers to Tata AIA Life Insurance Company Limited, an associate 49 per cent owned by AIA International.

Results are presented consistently with the segment information in the consolidated financial statements. The summary of the EV by Business Unit in this report also includes the ANW for the “Group Corporate Centre” segment, which is derived from the IFRS equity for this segment plus mark-to-market adjustments less the value of intangible assets. In the presentation of EV and VONB, the present value of withholding tax payable on future remittances from local business units is presented under the appropriate operating segment.

4. METHODOLOGY (continued)

4.2 Embedded Value and Value of New Business

The Group uses a traditional deterministic discounted cash flow methodology for determining its EV and VONB for all entities other than 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. Typically, the higher the risk discount rate, the greater the allowance for these factors. This is a common methodology used by life insurance companies in Asia currently.

The business included in the VIF and VONB calculations includes all life business written by the Business Units of the Group, plus other lines of business which may not be classified as life business but have similar characteristics. These include accident and health, group and pension businesses. The projected in-force business included in the VIF also incorporates expected renewals on short-term business with a term of one year or less.

The 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 required capital in excess of regulatory reserves to support this business. The VONB for the Group is calculated based on assumptions applicable at the point of sale, after allowing for any acquisition expense overruns in excess of the relevant expense assumptions.

The EV is the sum of the ANW and VIF. The 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 the Group, 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 the Company. The market value of investment property and property held for own use that is used to determine the ANW is based on the fair value disclosed as per note 20 to the consolidated financial statements as at the valuation date.

The 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. 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 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 a participating fund, there is no associated cost of capital included in the VIF or VONB.

EV Equity is the total of EV, goodwill and other intangible assets attributable to shareholders of the Company, after allowing for taxes.

A deduction has been made from the EV and VONB for the present value of future after-tax unallocated Group Office expenses, representing the expenses incurred by the Group Office which are not allocated to the Business Units. These unallocated Group Office expenses have been allocated to acquisition and maintenance activities, and a deduction made from the VONB and VIF respectively.

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, consistent with local practice in India. The EV and VONB reported for Tata AIA Life are reported on a one-quarter-lag basis.

4. METHODOLOGY (continued)

4.3 Definition of New Business

New business includes the sale of new contracts during the period, additional single premium payments on recurrent single premium contracts and increments to existing contracts where these are not variations allowed for in the calculation of the VIF. The VONB also includes the present value of cash flows associated with new policies written during the reporting period but subsequently terminated before the valuation date.

For group renewable business including group yearly renewable term business, new business is composed of new schemes set up during the period plus any premium payable on existing schemes that exceeds the prior year's premiums. For individually significant group cases, the VONB is calculated over each premium rate guarantee period entered upon contract inception or renewal.

For short-term accident and health business with a term of one year or less, renewals of existing contracts are not considered new business, and the value of expected renewals on this business is included in the VIF.

For pension business, sales of new contracts during the period and any new contributions, including assets transferred in, are considered as new business for the calculation of the VONB.

New business volumes shown in this report are measured using annualised new premiums (ANP), which is an internal measure of new business sales.

4.4 Consolidation of Branches and Subsidiaries of AIA Co. and AIA International

The Company's subsidiaries, AIA Co. and AIA International, are both Hong Kong-regulated entities and subject to the Hong Kong reserving and capital requirements. In addition, AIA International, which is incorporated in Bermuda, is subject to the Bermuda Monetary Authority (BMA) reserving and capital requirements. Since 2021, the Company is also subject to the group-wide supervision (GWS) requirements implemented by the Hong Kong Insurance Authority (HKIA). AIA operates in a number of territories as branches and subsidiaries of these entities. These regulatory 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, and are discussed in Section 4.6.

The EV and VONB results for the Group shown in Section 2 of this report have been adjusted to reflect the consolidated reserving and capital requirements. This approach was taken to reflect the distribution of profits from AIA Co. and AIA International after allowing for the Hong Kong, BMA, local and group-wide regulatory requirements, and other reserving and capital requirements as determined by the Group. The EV and VONB for each Business Unit reflect the local reserving and capital requirements, as discussed in Section 4.6 of this report, before a Group-level adjustment to reflect the consolidated reserving and capital requirements.

4.5 Valuation of Future Statutory Losses

For certain lines of business, projected future statutory profits are negative due to the local statutory reserves being insufficient to meet the value of future policyholder cash flows. There are a number of acceptable methods for determining the value of a combination of positive and negative statutory profits for different lines of business.

For the purposes of this valuation, future projected statutory losses have been valued by discounting them at the risk discount rate for the relevant Business Unit, with any negative VIF eliminated for each reported segment by reducing the ANW. This has been done because the allowance for risk in the range of selected risk discount rates for each Business Unit has been set taking into account the presence of any such business lines with projected statutory losses. Also, the consolidated reserving and capital requirements have the effect of reducing the level of any future projected statutory losses. Based on the assumptions described in Section 5 of this report, and allowing for the consolidated statutory reserving and capital requirements, the overall projected annual distributable profits from the current in-force business and the assets backing the required capital of the Group are positive over the remaining lifetime of the business. Therefore, it is not considered necessary to change the discounting approach described above.

4. METHODOLOGY (continued)

4.6 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) The capital requirement for the Hong Kong branch of AIA International reflects the early adoption approved by the HKIA with effect from 1 January 2022 of the Hong Kong Risk-based Capital (HKRBC). For clarity, AIA Everest Life Company Limited, which is a closed block of business under AIA Co., and the Hong Kong business written by AIA Co., continue to be 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 (K-ICS) for Korean insurers.

(4) 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 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 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 eligible group capital resources, group minimum capital requirement (GMCR) and group prescribed capital requirement (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. This has not imposed any additional capital requirement to those mentioned above.

4. METHODOLOGY (continued)

4.7 Foreign Exchange

The EV as at 31 December 2023 and 31 December 2022 have been translated into US dollars using exchange rates as at each valuation date. The VONB results shown in this report have been translated into US dollars using the corresponding average exchange rates for each quarter. The other components of the EV profit shown in the analysis of EV movement have been translated using average exchange rates for the period.

Change on actual exchange rates (AER) is calculated based on the translated figures as described above. Change on constant exchange rates (CER) is calculated for all figures for the current year and for the prior year, using the current year constant average exchange rates, other than for EV and its components as at the end of the current year and as at the end of the prior year, which are translated using the CER as at the end of the current year.

4.8 Underlying Free Surplus Generation

The free surplus is defined as the ANW in excess of the required capital after reflecting the consolidated reserving and capital requirements and the adjustment for certain assets not eligible for regulatory capital purposes. The 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 the consolidated reserving and capital requirements.

5. ASSUMPTIONS

5.1 Introduction

This section summarises the assumptions used by the Group to determine the EV as at 31 December 2023 and the VONB for the year ended 31 December 2023 and highlights certain differences in assumptions between the EV as at 31 December 2022 and the EV as at 31 December 2023.

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.

	Current market 10-year government bond yields referenced in EV calculations (%)	
Business Unit	**As at 31 December 2023**	As at 31 December 2022
AIA Australia	**3.89**	4.05
AIA China	**2.57**	2.84
AIA Hong Kong[1]	**3.84**	3.87
AIA Indonesia	**6.49**	6.94
AIA Korea	**3.18**	3.74
AIA Malaysia	**3.73**	4.09
AIA New Zealand	**4.31**	4.47
AIA Philippines	**5.95**	6.99
AIA Singapore	**2.70**	3.09
AIA Sri Lanka	**13.10**	26.18
AIA Taiwan	**1.21**	1.28
AIA Thailand	**2.70**	2.64
AIA Vietnam	**2.30**	4.90

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 in 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 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.

	Risk discount rates assumed in EV calculations (%)			Long-term investment returns assumed in EV calculations (%)					
				10-year government bonds			Local equities		
Business Unit	**As at 31 Dec 2023**	**As at 30 Jun 2023 (Unaudited)**	As at 31 Dec 2022	**As at 31 Dec 2023**	**As at 30 Jun 2023 (Unaudited)**	As at 31 Dec 2022	**As at 31 Dec 2023**	**As at 30 Jun 2023 (Unaudited)**	As at 31 Dec 2022
AIA Australia	**7.93**	7.43	7.43	**3.80**	3.30	3.30	**8.10**	7.60	7.60
AIA China	**9.16**	9.67	9.69	**3.50**	3.70	3.70	**8.80**	9.30	9.30
AIA Hong Kong[1]	**7.97**	7.45	7.46	**3.50**	3.00	3.00	**8.00**	7.50	7.50
AIA Indonesia	**13.17**	13.13	13.09	**7.50**	7.50	7.50	**12.00**	12.00	12.00
AIA Korea	**8.81**	8.86	8.91	**3.00**	3.00	3.00	**7.30**	7.30	7.30
AIA Malaysia	**8.80**	8.86	8.92	**4.50**	4.50	4.50	**9.10**	9.10	9.10
AIA New Zealand	**7.85**	7.39	7.43	**3.80**	3.30	3.30	**8.30**	7.80	7.80
AIA Philippines	**12.10**	12.10	12.10	**6.00**	5.80	5.80	**10.80**	10.80	10.80
AIA Singapore	**7.38**	7.22	7.27	**3.10**	2.90	2.90	**7.60**	7.40	7.40
AIA Sri Lanka	**14.70**	21.00	21.00	**10.00**	10.00	10.00	**12.00**	12.00	12.00
AIA Taiwan	**7.62**	7.64	7.67	**1.50**	1.50	1.50	**6.10**	6.10	6.10
AIA Thailand	**7.81**	8.00	8.09	**3.40**	3.20	3.20	**8.10**	8.20	8.20
AIA Vietnam	**9.54**	9.55	9.57	**4.00**	4.00	4.00	**9.30**	9.30	9.30

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, and the local equities assumption shown is that of US dollar-denominated equities.

5. ASSUMPTIONS (continued)

5.3 Persistency

Persistency covers the assumptions required, where relevant, for policy lapse (including surrender), premium persistency, premium holidays, partial withdrawals and retirement rates for pension products.

Assumptions have been developed by each of the Business Units based on their recent historical experience and expected future experience. Persistency assumptions vary by policy year and product type with different rates for regular and single premium products.

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.

5.4 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 and maintenance activities, and then to allocate these acquisition and maintenance expenses to various product categories 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, 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.

Group Office Expenses

Group Office expense assumptions have been set, after excluding non-operating expenses, based on actual acquisition and maintenance expenses in the year ended 31 December 2023. The Group Office acquisition expenses have been deducted from the VONB. The present value of the projected future Group Office maintenance expenses has been deducted from the Group EV. The maintenance expense assumptions in the VONB also allow for the allocation of Group Office expenses.

5. ASSUMPTIONS (continued)

5.5 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 31 December 2023	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)	**6.85**	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)

5.6 Mortality

Assumptions have been developed by each Business Unit based on their recent historical experience and expected future experience. 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.

For annuity products that are exposed to longevity risk, an allowance has been made for expected future improvements in mortality; otherwise no allowance has been made for mortality improvements.

5.7 Morbidity

Assumptions have been developed by each Business Unit based on their recent historical experience and expected future experience. Morbidity rate assumptions have been expressed as a percentage of standard industry experience tables or as expected claims ratios.

5.8 Reinsurance

Reinsurance assumptions have been developed by each Business Unit based on the reinsurance arrangements in force as at the valuation date and the recent historical and expected future experience.

5.9 Policyholder Dividends, Profit Sharing and Interest Crediting

The projected policyholder dividends, profit sharing and interest crediting assumptions set by each Business Unit that have been used in calculating the EV results presented in this report, reflect contractual and regulatory requirements, policyholders' reasonable expectations (where clearly defined) and each Business Unit's expectation of future policies, strategies and operations consistent with the investment return assumptions used in the EV results.

Participating fund 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.

5. ASSUMPTIONS (continued)

5.10 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 31 December 2023**	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.

In 2023, Bermuda has introduced and enacted a corporate income tax rate of 15 per cent, effective from 1 January 2025. The impact of the introduction of corporate income tax in Bermuda has been reflected in Group EV as at 31 December 2023.

5. ASSUMPTIONS (continued)

5.11 Statutory Valuation Bases

The projection of regulatory liabilities at future points in time assumes the continuation of the reserving methodologies used to value policyholder liabilities as at the valuation date.

5.12 Product Charges

Management fees and product charges reflected in the VIF and VONB have been assumed to follow existing scales.

6. EVENTS AFTER THE REPORTING PERIOD

On 14 March 2024, a Committee appointed by the Board of Directors proposed a final dividend of 119.07 Hong Kong cents per share (2022: final dividend of 113.40 Hong Kong cents per share).

ANNUAL GENERAL MEETING

The AGM will be held at 11:00 a.m. (Hong Kong time) on Friday, 24 May 2024. Details of the venue and business to be transacted at the AGM are set out in the Company's circular to be issued to the Shareholders for the AGM. The register of members of the Company will be closed from Tuesday, 21 May 2024 to Friday, 24 May 2024 (both days inclusive) for determining the eligibility to attend and vote at the AGM.

Details of voting results at the AGM can be found on the websites of both the Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and the Company at www.aia.com on Friday, 24 May 2024 after the AGM.

FINAL DIVIDEND

The Board has recommended an increase of 5 per cent in the payment of a final dividend to 119.07 Hong Kong cents per Share for the year ended 31 December 2023 (2022: 113.40 Hong Kong cents per Share), consistent with AIA's established prudent, sustainable and progressive dividend policy.

Subject to Shareholders' approval at the AGM, the final dividend will be payable on Friday, 14 June 2024 to Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 30 May 2024, being the record date for determining the entitlement to the final dividend.

RELEVANT DATES FOR THE 2023 FINAL DIVIDEND

Ex-dividend date	Wednesday, 29 May 2024
Record date	Thursday, 30 May 2024
Payment date	Friday, 14 June 2024

ANNUAL STATEMENT ISSUED PURSUANT TO THE OFFSHORE FUND TAX EXEMPTION REGIME IN SINGAPORE

An indirect wholly-owned subsidiary of the Company, AIA Investment Management Private Limited, was incorporated in Singapore on 15 June 2016. Its businesses include the management of certain assets of the Company and its subsidiaries and branches, and it is required by the Income Tax (Exemption of Income of Prescribed Persons Arising from Funds Managed by Fund Manager in Singapore) Regulations 2010 to issue an annual statement to each Shareholder. To comply with the above legal requirement in Singapore, an annual statement containing the profit and market capitalisation information of the Company is available on the Company's website. You may visit the Company's website by clicking "Annual Statements Issued Pursuant to the Offshore Fund Tax Exemption Regime In Singapore" under the subsection headed "Shareholder Centre" in the section headed "Investor Relations" to view the annual statement.

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)

ANNUAL REPORT

The English and Chinese versions of this Annual Report are available on the website of the Company. If you would like to have a printed version of this Annual Report, please contact the Company's share registrar using the contact details provided above.

The Company makes every effort to ensure consistency between the English and Chinese versions of this Annual Report. In the event of any inconsistency, the English version shall prevail.

For environmental and cost reasons, Shareholders are encouraged to elect to receive 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 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 or means of receipt of all 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		

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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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
Mr. ONG Chong Tee
Ms. Nor Shamsiah MOHD YUNUS

AUDIT COMMITTEE
Mr. Cesar Velasquez PURISIMA *(Chairman)*
Mr. John Barrie HARRISON
Mr. Jack Chak-Kwong SO
Mr. George Yong-Boon YEO
Dr. Narongchai AKRASANEE
Ms. SUN Jie (Jane)

NOMINATION COMMITTEE
Mr. Edmund Sze-Wing TSE *(Chairman)*
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
Mr. ONG Chong Tee
Ms. Nor Shamsiah MOHD YUNUS

REMUNERATION COMMITTEE
Mr. George Yong-Boon YEO *(Chairman)*
Mr. Jack Chak-Kwong SO
Ms. SUN Jie (Jane)
Mr. Edmund Sze-Wing TSE

RISK COMMITTEE
Mr. Chung-Kong CHOW *(Chairman)*
Mr. John Barrie HARRISON
Professor Lawrence Juen-Yee LAU
Mr. Cesar Velasquez PURISIMA
Mr. Edmund Sze-Wing TSE
Mr. LEE Yuan Siong

REGISTERED OFFICE
35/F, AIA Central
No. 1 Connaught Road Central
Hong Kong

WEBSITE
www.aia.com

COMPANY SECRETARY
Ms. Nicole PAO

AUTHORISED REPRESENTATIVES
Mr. LEE Yuan Siong
Ms. Nicole PAO

SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKERS
Citibank, N.A.
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR
PricewaterhouseCoopers
Certified Public Accountant
Registered Public Interest Entity Auditor

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	A market in which all the following conditions exist: • 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. 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.
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.
AGM	2024 Annual General Meeting of the Company to be held at 11:00 a.m. (Hong Kong time) on Friday, 24 May 2024.
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.
AIA Vitality	A science-backed wellness programme that provides participants with the knowledge, tools and motivation to help them achieve their personal health goals. The programme is a partnership between AIA and Discovery Limited, a specialist insurer headquartered in South Africa.

ALC	The AIA Leadership Centre located in Bangkok, Thailand.
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.
Amplify Health	Amplify Health Asia Pte. Limited.
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 markets	ASEAN, officially the Association of Southeast Asian Nations, markets refer 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.
average credit rating of the fixed income portfolio	The average credit rating of the fixed income portfolio represents the credit rating of our bonds, weighted by each bond's market value.
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", a phase of the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project.
Blue Care	Blue Care JV (BVI) Holdings Limited.
Blue Cross	Blue Cross (Asia-Pacific) Insurance Limited.
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: • 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)).
comprehensive equity	The total of shareholders' equity and net contractual service margin (CSM).
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 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 consolidated financial statements.
Corporate Governance Code	Corporate Governance Code set out in Appendix C1 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 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 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.

ESG	Environmental, Social and Governance.
ExCo	The Executive Committee of the Group.
expected credit losses or ECL	The weighted average of credit losses with the respective risks of a default occurring as the weights.
expense ratio	Expense ratio is measured as operating expenses divided by total weighted premium income (TWPI).
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 2.5.1 to the 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 2.5.1 to the 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.
gross carrying amount	Gross carrying amount is the amortised cost before adjusting for loss allowance.
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 44 to the 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 the 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.
IASB	International Accounting Standard Board.
IFRS assumptions	Assumptions made and used to determine IFRS results.
IFRS balance sheet	Balance sheet prepared in accordance with the IFRS Accounting Standards.
IFRS earnings	Earnings calculated and reported under the IFRS Accounting Standards.

IFRS equity	Equity position calculated and reported under the IFRS Accounting Standards.
IFRS model	Models used to determine IFRS results.
IFRS net asset value	Net asset value calculated and reported under the IFRS Accounting Standards.
IFRS profit	Profit calculated and reported under the IFRS Accounting Standards.
IFRS results	Financial results calculated and reported under the IFRS Accounting Standards.
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: (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 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 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	The Group's obligation to: (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: (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	The Group's obligation to: (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: (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 Method 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 consolidated financial statements.

MediCard	MediCard Philippines, Inc.
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 C3 to the Listing Rules, as amended from time to time.
n/a	Not available.
n/m	Not meaningful.
net CSM	CSM after allowing for reinsurance, taxes and net of non-controlling interests.
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 policyholders 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.
persistency	The percentage of insurance policies remaining in force from month to month in the past 12 months, as measured by premiums.
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.
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).
PVNBP margin	VONB gross of non-controlling interests excluding pension business, expressed as a percentage of present value of new business premiums (PVNBP). PVNBP 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 agreement.
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 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.

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