Prospective [**REDACTED**] *should read the following discussion and analysis in conjunction with the consolidated financial statements of FWD Group Holdings Limited (together with its consolidated subsidiaries, the "**Group**"), together with the accompanying notes set out in the Accountants' Report included in Appendix I to this document, and the Actuarial Consultant's Report included in Appendix III. Our financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").* [**REDACTED**] *should read the whole of the Accountants' Report and the Actuarial Consultant's Report, and not rely merely on the information contained in this section.*

The following discussion contains certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, our actual results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this document.

*For the purpose of this section, unless the context otherwise requires, references to 2022, 2023 and 2024 refer to our fiscal year ended 31 December of that year. All growth rates included in this section, including compounded growth rates, are presented on an actual exchange rate ("**AER**") basis, unless otherwise stated.*

OVERVIEW

We are a Pan-Asian life insurer. We operate in ten markets that we group under the following reporting segments:

- Hong Kong (and Macau);
- Thailand (and Cambodia);
- Japan; and
- Emerging Markets, which, for purposes of the reporting segments, we define to include the Philippines, Indonesia, Singapore, Vietnam and Malaysia.

We entered several of these markets through acquisitions pursuant to a strategy to access some of the fastest growing life insurance markets in Asia with rapidly increasing GDP and personal disposable income, and expanding, demographically attractive but underinsured populations.

BASIS OF PRESENTATION

We have undertaken the Reorganisation to unify the ownership structure of our Group, as well as to facilitate the [**REDACTED**]. See "*History, Reorganisation and Corporate Structure – Reorganisation*" and Note 1.2 to the Accountants' Report included in Appendix I for more information. Our consolidated financial statements may not be indicative of what our results of operations, financial condition and cash flows will be in the future. Set forth below are certain factors that prospective investors should note as they consider the financial and other information presented in this section.

Implementation of IFRS 17 and IFRS 9

Implementation of IFRS 17

We adopted IFRS 17, Insurance Contracts, effective 1 January 2023. The 2022 financial information in this document has also been presented on an IFRS 17 basis. The IFRS 17 Insurance Contracts standard has replaced the previous IFRS 4 Insurance Contracts standard and has materially changed the recognition and measurement of insurance contracts and the corresponding presentation and disclosures. IFRS 17 provides the general model which is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits, supplemented by a variable fee approach for contracts that provides both insurance coverage and investment related service, and a premium allocation approach that applies to short-duration contracts. Insurance revenue is no longer measured by premium, but recognised by the provision of services to policyholders throughout the term of the insurance contracts. See "*– Critical Accounting Policies and Estimates – IFRS 17 Insurance Contracts (for 2024, 2023 and 2022 Financial Information)*" for details.

Implementation of IFRS 9

We adopted IFRS 9, Financial Instruments, effective 1 January 2023. The 2022 financial information in this document has also been presented on an IFRS 9 basis. The IFRS 9 Financial Instruments standard has replaced the previous International Accounting Standards ("**IAS**") 39 Financial Instruments: Recognition and Measurement. The new standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. IFRS 9 is based on the concept that financial assets should be classified and measured at fair value, with changes in fair value recognised in profit and loss as they arise ("**FVPL**"), unless restrictive criteria are met for classifying and measuring the asset at either amortised cost or Fair Value Through Other Comprehensive Income ("**FVOCI**"). IFRS 9 eliminates impairment assessment requirements for investments in equity instruments because they now can only be measured at FVPL or FVOCI without recycling of fair value changes to profit and loss, while establishing a new approach for debt instruments, loans and receivables, including trade receivables, that are measured at amortised cost or FVOCI – an "expected credit loss" ("**ECL**") model that focuses on the risk that a debt investment, loan or receivable will default rather than whether a loss has been incurred. IFRS 9 allows more exposures to be hedged and establishes new criteria for hedge accounting that are somewhat less complex and more aligned with the way that entities manage their risks than under IAS 39. See "*– Critical Accounting Policies and Estimates – IFRS 9 Financial Instruments*" for details.

Revisions and Updates to Methodology and Operating Assumptions

At the end of 2023, we implemented revisions to our EV methodology and operating assumptions to better reflect our post-pandemic experience across markets, as well as market disruption in Vietnam. Additionally, effective 1 January 2024, we have also made updates to our actuarial methodology. The revisions and updates to our methodology and operating assumptions at the end of 2023 have had an impact on certain key performance indicators relating to our growth in 2024, namely APE, VNB, and new business CSM. While revising or updating actuarial methodology and operating assumptions is a routine aspect of the insurance industry, the revisions and updates at the end of 2023 indicate material differences when applied to our actual, as-reported APE, VNB and new business CSM in 2023. Accordingly, in order to facilitate a meaningful comparison between 2023 and 2024, we have presented in this document the comparative figures for APE, VNB and new business CSM in 2023 on a "like-for-like basis." See "*– Key Performance Indicators*" for details.

Reorganisation and Financing

Our operating subsidiaries carry out businesses which span across Hong Kong, Macau, Thailand, Cambodia, Japan, the Philippines, Indonesia, Singapore, Vietnam and Malaysia, and our subsidiaries were held under two intermediate holding companies, namely, FL and FGL. We have undertaken the Reorganisation to unify the ownership structure of the Group and enhance its organisational efficiency, as well as to facilitate the [**REDACTED**]. See "*History, Reorganisation and Corporate Structure – Reorganisation*" and Note 1.2 to the Accountants' Report included in Appendix I for more information.

For a discussion of the [**REDACTED**] Investments made in our Group, see "*History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company –* [**REDACTED**] *Investments.*"

Athene Reinsurance Transaction

In November 2023, we executed an agreement for a block reinsurance transaction with Athene Annuity Re. Under the terms of the agreement, Athene Annuity Re reinsures an in-force block of whole life insurance policies of FWD Japan. In conjunction with the transaction, Athene Annuity Re also entered into an agreement to retrocede the mortality risk associated with the block to Swiss Re, a global reinsurer and the intermediate parent company of Swiss Re PICA, which is one of our Shareholders. The Athene Reinsurance transaction reduced the interest rate risk of FWD Japan, and as of 31 December 2023, its statutory solvency margin ratio free surplus improved by US$356 million. The Athene Reinsurance transaction also improved the Group EV by US$295 million as of 31 December 2023, and generated new business CSM of US$440 million in 2023. Under IFRS, timing differences exist between the recognition of any future profits and the recognition of one-time impacts to net profit/(loss). As a result of the Athene Reinsurance transaction, we recognised a one-time loss of US$505 million to profit before tax in 2023, as the financial assets transferred to fund the transaction were deemed realised.

Acquisitions, Investments and Discontinued Businesses

On 8 March 2024, we acquired an additional 21% equity interest in FWD Takaful in Malaysia for consideration of US$26 million, which has brought our shareholding in FWD Takaful to 70%.

On 3 April 2023, we acquired, with local investors, a 70% effective interest in Gibraltar BSN Life Berhad (now rebranded as FWD Life Malaysia), an insurance company in Malaysia, from the Prudential Insurance Company of America for total consideration of US$20 million. This acquisition has enabled our Group to enter the traditional life insurance market in Malaysia alongside our existing takaful presence, and has allowed us to create a full-service offering in Malaysia to offer both family takaful and life insurance solutions in a rapidly growing market with long-term potential for growth, as well as to benefit from GBSN Life's existing exclusive life insurance distribution partnership with Bank Simpanan Nasional. See Note 5.1 to the Accountants' Report for more details.

On 21 March 2022, we disposed of our entire interest in FWD Assurance (Vietnam) to Tan Viet Securities Joint Stock Company and a group of investors for total consideration of US$40 million. See Note 5.2 to the Accountants' Report included in Appendix I for more details.

On 2 March 2021, we completed the subscription of a minority stake in BRI Life in Indonesia for consideration of US$273 million. Concurrently with our subscription, BRI Life entered into a long-term distribution partnership with Bank BRI. Subsequently on 2 March 2022, 2 March 2023 and 1 March 2024, we subscribed for additional shares in BRI Life for consideration of US$54 million, US$51 million and US$49 million, respectively, which has brought our shareholding in BRI Life to approximately 44%. See Note 15 to the Accountants' Report included in Appendix I.

In addition, since 1 January 2022, we have made other strategic acquisitions and investments, and agreed to sell certain businesses which are classified as discontinued operations in the consolidated financial statements. These acquisitions, investments and discontinued operations are, individually and in the aggregate, immaterial to our financial condition and results of operations.

FACTORS AND TRENDS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations, as well as the comparability of our results of operations between periods, have been affected and will continue to be affected by a number of factors, including the following.

Acquisitions and investments. We have made several strategic acquisitions that have contributed significantly to our business growth and our geographic expansion. See "*– Basis of Presentation – Acquisitions, Investments and Discontinued Businesses.*" Due to the proportion of our in-force business that has arisen through acquisitions, our results of operations are significantly impacted by one-off costs of integration activities and the costs of servicing debt incurred to finance our acquisitions, which are not necessarily indicative of the operational performance of our operating segments. We have also recorded goodwill and other intangible assets as a result of such acquisitions and investments. See Note 5.1 to the Accountants' Report included in Appendix I. We plan to continue to grow and strengthen our market position as a Pan-Asian insurer through both organic growth and strategic acquisitions across Asia.

Economic, political, and social conditions, demographic trends and consumer behaviour. Our business is inherently subject to general economic, political, and social conditions, market fluctuations, consumer behaviour and demographic changes in each of the markets in which we operate. Some of these factors were exacerbated in 2022 with the spread of the COVID-19 pandemic and the policies and restrictions implemented by governments across our markets to deter the spread of the disease. These policies caused substantial disruptions to, and generally reduced the levels of consumption and commercial activities in, all of our key markets. Specific factors that affected our reporting segments include:

- in Hong Kong (and Macau), COVID-19 related government measures such as border controls and travel restrictions led to a decline in sales of our insurance products to and payment of renewal premiums by offshore policyholders in 2022, in particular, MCVs; with the lifting of Hong Kong-mainland China border controls in early 2023, our new business sales from MCVs increased in 2023 and 2024, exceeding our new business sales from MCVs in 2019 before the outbreak of COVID-19 pandemic, see "*Summary – Historical Impact of the COVID-19 Pandemic*" for details;

- in Thailand (and Cambodia), in addition to the impact of the COVID-19 pandemic on the general economy, political events and policy changes have continued to impact our business operations; the effects of these factors on our overall financial condition and results of operations have been moderated by the resulting expansion in the scale of our operations in Thailand;

- in Emerging Markets, which includes the Philippines, Indonesia, Singapore, Vietnam and Malaysia, growing health and protection awareness is expected to increase per capita spending on insurance. In addition, regulatory matters, such as regulatory changes in Indonesia which have required us to make changes to our product mix to more traditional and protection products from unit linked products, as well as the industry-wide review of bancassurance sales practices and a fall of consumer confidence that disrupted the insurance market in Vietnam generally, have impacted on our overall financial condition and results of operations in Emerging Markets. See "*Business – Our Operations in our Geographic Markets – Our Emerging Markets*" and "*Industry Overview – The Asia life insurance industry continues to exhibit robust growth driven by structural and macroeconomic factors*" for more details.

Across the markets in which we operate, volatility in the financial markets may affect general levels of economic activity, employment and customer behaviour. For example, there may be an elevated incidence of claims, lapses or surrenders of policies, and our policyholders may choose to defer or stop paying insurance premiums. We are generally able to promptly identify and mitigate the effects of adverse economic changes or a decline in consumer confidence in a particular market through offsetting activities in our other markets, offering a wide range of insurance products targeting different customer segments, and introducing new products in response to changes in customer needs. However, difficult macroeconomic conditions and unforeseen circumstances, including those leading to regulatory change in any given market, could reduce demand for our products and services, and reduce the returns from, or give rise to defaults or losses in, our investment portfolio.

Insurance and investment product markets are also constantly evolving alongside shifts in customer preferences and demographic changes. See "*Industry Overview – The Asia life insurance industry continues to exhibit robust growth driven by structural and macroeconomic factors – Market size and growth.*" In order to remain competitive, we must respond to such changes in a timely manner, grow our business and maintain market share. Changes in customer preferences and population demographics in the jurisdictions in which we operate may have a material impact on our results and operations and require us to adopt significant changes to our strategies and business plan. If these trends continue, or other similar demographic changes occur in any of the jurisdictions in which we operate, we may face reduced demand for our life insurance products, the scale of our insurance business may diminish, and our financial condition and results of operations may be materially and adversely affected.

Product portfolio and multi-channel distribution. We maintain a diversified product portfolio and distribute our products through multiple channels to address the needs of a broad segment of customers in different life stages. Our product portfolio includes participating life, non-participating life, unit-linked, group insurance, and other products. During the Track Record Period, we have gradually shifted our focus to offering more protection products to better serve the needs of our customers and enhance our profitability. See "*Business – Our Products – Life insurance products*." We distribute our products through bancassurance, agency, brokerage/IFA and other channels to reduce dependency on any single distribution channel. Our ability to maintain a diverse product portfolio and a balanced multi-channel distribution network, as well as how quickly we are able to market new products and adapt our distribution network to reach our target markets, will impact the extent to which we can create business value and respond to rapidly changing market needs.

Customers' claims experience. Our financial results are affected by our customers' claims experience, which may be different from the assumptions that we would have made when we designed and priced our products and when we calculate our insurance contract liabilities. Claims experience varies over time and with products, and may be impacted by specific events and changes in the macroeconomic environment, demographics, mortality, morbidity and other factors. We have continued to implement a series of initiatives to reduce claims exclusions and shorten the turnaround time for claims payments. See "*Business –*

Customers – Transforming the Customer Journey." While we believe that these measures will improve customer experience and the attractiveness of our products, actual claims experience and policy benefits will differ by customer, and any failure to achieve our intended results may adversely impact our results of operations and growth prospects.

Expense Management. As is typical for a life insurance company, our major expense items include insurance and investment contract benefits which represent the claims and benefits we pay to our policyholders and, to a lesser extent, operating expenses, commission and commission-related expenses, finance costs and other expenses. As our business has continued to increase in scale, our expense overruns have decreased meaningfully from US$149 million in 2022, to US$132 million in 2023 and further to US$59 million in 2024, as outlined in the Actuarial Consultant's Report included in Appendix III.

We monitor our expense overruns against our expense assumptions, which we set based on a long-term view of our expenditures and historical operating experience, including acquisition and maintenance activities by the reporting segments, and other product-related costs that drive up our spending. As we continue to expand the size of our business operations and further invest in technology, we expect to continue to realise economies of scale and synergies from our businesses and benefit from enhanced operational efficiencies to eliminate our expense overruns over time.

Investment portfolio performance. We invest the premiums and other income generated from our operating companies in accordance with the key investment objectives defined by our Risk Committee. We outsource a significant portion of our investment portfolio to external asset managers selected on the basis of expertise in specific asset classes or market coverage. As of 31 December 2024, our investment portfolio, excluding investments supporting investment linked contracts under which policyholders assume the investment risk, comprised US$41,877 million in investment assets (79.2% of which consisted of fixed income securities). Our results of operations, financial condition and future prospects are affected by the performance of our investment portfolio and our ability to generate a significant level of return from our investments. Market conditions can significantly impact our results and lead to substantial changes from period to period. In 2023, we recorded a net loss of US$717 million, compared to a net loss of US$320 million in 2022. The higher net loss in 2023 was mainly due to (i) adverse capital market movements, and (ii) investment losses on disposal of financial investments related to the Athene Reinsurance transaction in Japan, which accounted for US$505 million of loss before tax. Our investments' liquidity is affected by numerous factors, including the existence of suitable buyers and market makers, market sentiment and volatility, the availability and cost of credit and general economic, political and social conditions. There may not be a liquid trading market for some of our investments. Additionally, if we are required to dispose of illiquid assets at short notice, for example to meet policyholder obligations, we could be forced to sell such assets at prices significantly lower than the prices we paid for them. As most of our investments consist of fixed-income securities, we are also exposed to credit risks, in particular the risk that the issuers of such securities may not be able to fulfil their obligations to make their scheduled interest or principal payments.

As of 31 December 2024, 96.4% of our fixed income investment portfolio was rated investment grade, including government bonds and corporate bonds. We had a moderate portion of investments rated below investment grade, primarily because Thailand, the Philippines and Indonesia all have international sovereign debt ratings of BBB and, as a result, most corporate bonds issued in these markets are below investment grade on an international rating scale. We intend to continue to include certain non-investment grade securities in our investment portfolio if we find such investment opportunities attractive and appropriate.

In general, the investment risk in respect of investments held to back unit-linked contracts is borne by holders of our unit-linked insurance products, such as variable universal life insurance products, whereas the investment risk associated with investments held by participating funds is shared between our policyholders and our Shareholders. The investment risk in respect of non-participating products is borne by our Shareholders.

Fluctuations in market interest rates and equity markets. Our investment portfolio primarily consists of fixed income investments. As a result, our profitability is affected by changes in market interest rates that impact the level and timing of gains and losses that we make on our fixed income investments. Hong Kong, Thailand and Japan are the markets in which we have the most interest rate exposure through our fixed income investments. After a prolonged period of low interest rates historically in all of these jurisdictions, interest rates have risen in 2024, which has resulted in higher fixed interest income. If market interest rates decline, we may generate less income from our fixed income investments. As instruments in our investment portfolio mature, we may reinvest the proceeds from such maturing investments, which were generally purchased in environments where interest rates were lower than current levels, in new investments that bear higher yields. On the other hand, if interest rates start rising again, this could increase our investment income from our fixed income investments, a high interest rate environment may also reduce the market value of these instruments. In addition, higher interest rates could result in increased surrenders and withdrawals of insurance policies and contracts as our policyholders seek other investments with higher perceived returns. This may result in significant cash outflows and may require us to sell our investment assets at a time when the prices of those assets are adversely affected by the increase in market interest rates.

We are also exposed to interest rate risks through certain long-term life insurance policies we underwrite that guarantee a minimum interest or crediting rate to our policyholders established when such products are initially priced. These products expose us to the risk that changes in interest rates may reduce our spread, represented by the difference between the interest rates we are required to pay under such policies and the rate of return we are able to earn on investments supporting our insurance obligations. A reduction in our spread could adversely affect our solvency position in some jurisdictions and our ability to pay our insurance obligations. Our financial condition and results of operations could also be adversely affected if the rate of return on our investments falls below the minimum interest rates we guarantee under those insurance products. See "*Risk Factors – Risks Relating to Credit, Counterparties and Investments – Interest rate movements* *could affect our investment return, which may materially and adversely affect our profitability and our ability to service our debt obligations, or reduce our yield on investments, adversely affecting our liquidity and cash flows*." To minimise our exposure to interest rate and other market risks and in accordance with our strategy to focus on protection, we had gradually increased the contribution of protection products to our overall sales.

Fluctuations in equity markets may affect our investment returns and the sale of our unit-linked and universal life insurance products. Equity securities and interests in investment funds only comprised 14.1% of our investment portfolio as of 31 December 2024.

Sales of unit-linked insurance products typically decline in periods of protracted or steep declines in equity markets and increase in periods of rising equity markets. In particular, customers may be reluctant to commit to new unit-linked products in times of uncertainty or market volatility, although some customers with regular premium paying policies may choose to maintain their payments of regular premiums as markets decline, following a strategy of dollar cost averaging. Surrenders, premium holidays and withdrawals may increase at times of declining equity markets. In addition, lower investment returns for our unit-linked insurance products would also have a secondary impact on the asset management and other fees we earn, some of which are based on the account balance of these contracts.

Fluctuations in foreign exchange rates. We currently operate in multiple geographic markets in Asia, including Hong Kong, Macau, Thailand, Cambodia, Japan, the Philippines, Indonesia, Singapore, Vietnam and Malaysia. Our most significant foreign currency exposure is to the Thai Baht, the Hong Kong dollar and the Japanese Yen, details of which are set out in Note 29 to the Accountants' Report included in Appendix I. We do not currently hedge our revenues or our net equity position in any of our operating subsidiaries. The effect of exchange rate fluctuations on our local operating results in the markets we operate in could lead to significant fluctuations in our consolidated financial statements upon translation of the results into US dollars. We seek to limit our exposure to foreign exchange rate risk by ensuring that our financial assets are predominantly denominated in the same currencies (or in the case of Hong Kong, US dollars) as our insurance liabilities in each of our geographic markets.

Regulatory environment. Our business is subject to extensive regulations and oversight by various insurance regulators and other regulatory bodies. The primary purpose of insurance laws and regulations is to protect insurance policyholders, not debtholders or shareholders. Certain of the regulations that we are subject to impose limits on the types of investments that we may make and require us to maintain specified reserves and minimum solvency margin ratios. See "*Regulatory Overview and Taxation*" and "*Risk Factors – Risks Relating to our Business – New solvency standards may affect our capital position*."

Prior to the group-wide supervision ("**GWS**") framework, the HKIA supervised certain international insurance groups, including us, through written undertakings provided by these insurance groups. The GWS framework, which came into force on 29 March 2021, empowers the HKIA to (i) designate an insurance holding company to ensure the insurance group's compliance with GWS's capital requirements, (ii) apply risk management and governance measures across the insurance group, including a requirement to carry out economic capital assessments and risk and solvency assessments, and (iii) set out disclosure requirements that cover risk and governance matters in relation to its insurance group. We have been subject to GWS since 14 May 2021.

On 1 July 2024, the RBC regime commenced for authorised insurers in Hong Kong. The RBC regime in Hong Kong replaces the previous rule-based regime with a risk-based approach, which is aligned with international regulatory requirements. Each of FWD Life (Bermuda), FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong) have early adopted Pillar 1 of the RBC regime in 2022 prior to its commencement. See "*– Solvency and Capital*" and "*Regulatory Overview and Taxation*."

Our efforts to comply with the evolving regulations across the many jurisdictions we operate in may lead to increased operating and administrative expenses. Additionally, we may need to obtain prior authorisation from our regulators before selling new insurance products or making changes in the terms of products we sell in particular jurisdictions. Delays in obtaining such approvals may have an adverse impact on our ability to grow our business and expand the range of products we are able to offer to our customers. Regulatory changes could also affect demand for and sales of our products. For example, recently announced developments in Hong Kong relating to participating products could adversely affect their attractiveness to customers and result in reduced sales unless offset by an increase in sales of existing or new products that we may introduce. In addition, industry discussions in Hong Kong regarding potential reforms of intermediary commissions could result in increased sales in anticipation of stricter new regulations, which may affect sales during the period shortly following the implementation of any such new regulations.

Other regulations may limit our ability to engage in certain investment activities, which may restrict our ability to diversify investment risks and enhance the profitability of our investment portfolio.

Competition. We face significant competition in each of the jurisdictions in which we operate. In particular, the life insurance markets in Hong Kong and Southeast Asia are dominated by a relatively small number of large insurers, some of which have greater financial resources and economies of scale than us. In Japan, we face competition from both domestic and foreign-owned life insurance companies and from large domestic financial services providers that either have their own insurance subsidiaries or have entered into cooperation arrangements with major insurance companies. We also face competition from banks and other financial institutions that directly own insurance companies and from smaller insurance companies that may develop a strong position in various markets in which we operate. Competition may negatively affect our business, financial condition and results of operations by reducing our market share in the jurisdictions in which we operate, decreasing our margins and reducing the growth of our customer base. We seek to differentiate ourselves from our competitors by tailoring our products and services to the needs of fast-growing markets and population segments. However, there is no guarantee that we will be able to compete with our competitors to retain and attract new customers.

KEY PERFORMANCE INDICATORS

In addition to the information contained in our consolidated financial statements, we have defined and presented below various key performance indicators that we rely upon to evaluate, and in our view provide an alternative measure with which to monitor, our economic, financial and operating performance, and which we use to monitor the performance of the Group and its business and operations, identify trends in our business, and make strategic decisions, including setting performance goals for our executives and senior employees, and being a basis of our compensation programme. These measures, and the growth rates presented below, are not meant to be predictive of future results. The growth rates presented below for these measures, including the compounded growth rates, are on a CER basis, to aid meaningful comparison.

Our key performance indicators measure the profitability, growth, risk and capital, and value of our business. Group EV, VNB and adjusted net UFSG are actuarially determined estimates that rely upon certain assumptions and estimates made by management. See the Actuarial Consultant's Report set forth in Appendix III to this document for details of actuarial estimates and assumptions. These indicators may not be comparable to other similarly titled measures of other life insurers or companies, since they are not uniformly defined or calculated, have limitations as analytical tools and should not be considered in isolation, or as alternatives or substitutes for analysis, of our operating results reported under IFRS. Accordingly, you should exercise caution in comparing these measures as reported by us to those of other life insurance companies.

As we discuss in greater detail when defining each measure below, we believe that these measures are useful to investors in evaluating our performance. However, APE is an operational performance measure while Group EV, VNB and adjusted net UFSG are actuarial performance measures and are not indicators recognised under IFRS. You should not consider them as alternatives to financial measures and ratios reported under IFRS. Also, since these are actuarially determined metrics and performance measures, there is no equivalent IFRS measure. Further, as we describe below, operating profit after tax, net profit/(loss) attributable to Equity Holders of the Company, TWPI, leverage ratio, comprehensive tangible equity and return on equity are non-IFRS measures and reconciliation of the same is provided, respectively, in Note 6 to the Accountants' Report included in Appendix I. In addition, you should take into account, unless otherwise stated, that these measures reflect the impact of the acquisitions we have made during the periods covered in this document. The following pages define our key performance indicators, including the usefulness to investors of each of them.

At the end of 2023, we implemented revisions to our EV methodology and operating assumptions to better reflect our post-pandemic experience across markets, as well as market disruption in Vietnam. These revisions mainly relate to the strengthening of the persistency, morbidity, and mortality assumptions to reflect our most recent experience. Additionally, effective 1 January 2024, we have also made updates to our actuarial methodology, specifically making allowance in the calculation of VNB for costs associated with agency recruitment programmes as well as revising the renewal term of group business from 15 years to align with IFRS 17 treatment of contract boundaries. See the Actuarial Consultant's Report set forth in Appendix III to this document for details of the revisions and updates to our methodology and operating assumptions.

The revisions and updates to our methodology and operating assumptions at the end of 2023 have had an impact on certain key performance indicators relating to our growth in 2024, namely APE, VNB, and new business CSM. While revising or updating actuarial methodology and operating assumptions is a routine aspect of the insurance industry, our revisions and updates at the end of 2023 indicate material differences when applied to our actual, as-reported APE, VNB and new business CSM in 2023. We and the Joint Sponsors believe that it is important for [**REDACTED**] to understand the extent to which these differences arise from our revisions to the methodology and operating assumptions, versus our broader business and financial performance. Accordingly, in order to facilitate a meaningful comparison between 2023 and 2024, we have presented in this document the comparative figures for APE, VNB and new business CSM in 2023 on a "**like-for-like basis**": (i) in the case of VNB and new business CSM, assuming that assumption changes as of 31 December 2023 were effective as of 1 January 2023; (ii) in the case of VNB and APE, aligning the renewal term of group business to the treatment under IFRS 17; and (iii) in the case of VNB, making allowance for costs associated with agency recruitment programmes. While we believe that presentation of "like-for-like basis" disclosure is in line with the practice of other life insurance companies, our definition of "like-for-like basis" may not be directly comparable to other similarly titled measures of other life insurers or companies, since it is not uniformly defined or calculated, has limitations as an analytical tool and should not be considered in isolation, or as an alternative or substitute for analysis, of our actual, as-reported information. Accordingly, you should exercise caution in comparing the "like-for-like basis" measures as reported by us to those of other life insurance companies. For other key performance indicators that are not impacted by the revisions discussed above, the comparative figures in 2023 are only presented on an actual, as-reported basis.

Profitability

- *Operating profit after tax (non-IFRS measure).* Operating profit after tax consists of net profit/(loss) adjusted to exclude (i) short-term fluctuations in investment return related to equities, interests in investment funds and investment property and other non-operating investment return, (ii) finance costs related to borrowings and long-term payables, (iii) mergers and acquisitions ("**M&A**"), business set-up and restructuring related costs, (iv) [**REDACTED**] related costs, including incentive costs, (v) loss component on onerous contracts measured under variable fee approach ("**VFA**"), relating to market movements, (vi) implementation costs for IFRS 9 and 17 and GWS, and (vii) any other non-operating items which, in our view, should be disclosed separately to enable a meaningful understanding of our financial performance. Operating profit after tax enhances the understanding and comparability of the Group's performance and that of its operating segments on an ongoing basis, which is a measure also used by other listed Pan-Asian life insurers. The Group considers that trends can be more clearly identified without the significant impact of the loss component on onerous contracts, the one-off costs of integration activities and the costs of servicing debt used to finance acquisition activities, and the fluctuating effects of other non-operating items which are largely dependent on market factors. Operating profit after tax included in this document is attributable to Equity Holders of the Company, unless otherwise stated.

The following table sets forth further details of each adjustment item:

Adjustment		Explanation
(i)	Short-term fluctuations in investment return related to equities, interests in investment funds and investment property, and other non-operating investment return	• Short-term fluctuations in investment return related to equities, interests in investment funds and investment property, and other non-operating investment return are driven by market factors. • Exclusion of these items would eliminate the short-term volatility in profit or loss driven by market factors, allowing for easier and more meaningful comparison between reporting periods.
(ii)	Finance costs related to borrowings and long-term payables	• Finance costs related to borrowings and long-term payables mainly arose in the past from financing undertaken to fund our various acquisitions and are not reflective of the Group's ongoing operating performance. • Exclusion of finance costs allows for improved comparability between reporting periods and provides a better reflection of the Group's ongoing operating performance.
(iii)	M&A, business set-up and restructuring related costs	• These costs are incurred in relation to acquiring, integrating, restructuring and disposing of the Group's businesses. • These costs are not reflective of the Group's operating performance, and their exclusion provides a better reflection of the Group's ongoing operating performance.

Adjustment		Explanation
(iv)	[**REDACTED**] related costs including incentive costs	• [**REDACTED**] related costs are expenses incurred in connection with the [**REDACTED**], and costs of incentive arrangements solely structured for the purpose of the [**REDACTED**]. These costs arise solely as a result of the [**REDACTED**]. • Excluding these costs allows for comparability between reporting periods and provides a better reflection of the Group's ongoing operating performance.
(v)	Loss component on onerous contracts under VFA, relating to market movements	• The group of insurance contracts is defined to be onerous if the total of cash flows is a net outflow and a loss component is created to depict the amount of the net cash outflow. VFA contracts may become onerous due to short-term fluctuations in investment return driven by market factors and exclusion of this item would eliminate the short-term volatility to profit or loss, allowing for better comparability between reporting periods.
(vi)	Implementation costs for IFRS 9 and 17 and GWS	• The Group has adopted IFRS 9 and IFRS 17 in the annual reporting period beginning on 1 January 2023. The Group has also been subject to the HKIA's GWS framework since 14 May 2021. • The changes in IFRS and the GWS framework are unprecedented and as such require a fundamental change in systems and processes to reporting requirements, including one-time changes at the Group level that are different from the capital computations that we already incur at the Business Unit levels on an ongoing basis as well as other risk management requirements. • These implementation costs, which are not reflective of the Group's operating performance, are only incurred during the implementation stage and will decrease substantially post implementation. • Exclusion of these costs will improve the comparability between reporting periods.

Adjustment	Explanation
(vii) Any other non-operating items which, in our view, should be disclosed separately to enable a meaningful understanding of our financial performance	• Expenditure which is not considered to be reflective of the Group's ongoing operations is excluded to allow better period-on-period comparability, where one-off and non-recurring expenses may otherwise impact meaningful trend analysis.

- *Net profit/(loss) and net profit/(loss) attributable to Equity Holders of the Company*. For the discussion in this document, references to "**Equity Holders of the Company**" are to (i) Shareholders of the Company, holders of perpetual securities and non-controlling interests holders of FL and FGL, before the Reorganisation; and (ii) Shareholders of the Company and holders of perpetual securities of the Company, after the Reorganisation, while references to "**non-controlling interests**" represent ordinary shares, preference shares, and convertible preference shares which are not attributable to Equity Holders of the Company. See Note 6 to the Accountants' Report included in Appendix I for more information.

- *Contractual service margin ("**CSM**") balance*. CSM represents a component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit that the Group will recognise as it provides insurance contract services under the insurance contracts in the Group, and the balance presented is net of reinsurance ("**CSM balance**"). Our CSM balance has built up over time through the addition of successive cohorts of profitable new business over many years.

Growth

- *New business contractual service margin ("**New business CSM**").* New business CSM represents a component of the carrying amount of the asset or liability for a group of new insurance contracts issued during the relevant reporting period, representing the unearned profit that the Group will recognise as it provides insurance contract services under the insurance contracts in the Group. To enhance the understanding and comparability of the Group's performance on an ongoing basis, the new business CSM figure presented in the following table of key performance indicators consists of new business CSM under IFRS, adjusted to (i) exclude the impact of the Athene Reinsurance transaction, which, in our view, should be disclosed separately to enable a meaningful understanding of our financial performance given the one-off nature of this transaction, and (ii) take into account the impact of the Group's investment in BRI Life, which is accounted for as an investment in associate under IFRS.

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

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

- *Total weighted premium income ("**TWPI**") (non-IFRS measure).* TWPI consists of 10% of single premiums, 100% of first year regular premiums and 100% of renewal premiums across all business lines, before reinsurance ceded, and includes deposits and contributions for contracts that are accounted for as deposits in accordance with our accounting policies. Consistent with customary industry practice, a factor of 10% is applied to single premiums because such weighting makes the value of a single premium sale broadly equivalent to the same dollar amount of first year premiums. TWPI provides an indicative volume measure of transactions undertaken in the relevant period that have the potential to generate profits for the shareholders. See Note 6.4 to the Accountants' Report included in Appendix I for more information.

Risk and Capital

- *Adjusted net underlying free surplus generation ("**adjusted net UFSG**")*. Adjusted net UFSG is net UFSG excluding one-off opening adjustments, non-economic assumption changes and expense variance. The one-off opening adjustments, which are nonrecurring, primarily include adjustments resulting from revisions to the Hong Kong RBC reserving methodology in Hong Kong and alignment of change in reserving methodology to IFRS 17 in FWD Reinsurance. The non-economic assumption changes are also considered one-off and excluded in the adjusted net UFSG. The expense variance includes the maintenance expenses that are allowed for in our in-force book and our operating and acquisition expenses. Net UFSG is an actuarial performance measure and represents the free surplus generation ("**UFSG**"), allowing for the free surplus used to fund new business. It excludes investment return variances and other items such as the impact of acquisitions, new partnerships and discontinued business, capital movements and impact of financing. Free surplus is defined as the excess of adjusted net worth, i.e., adjusted statutory net asset value attributable to shareholders, over the required capital. Adjusted net worth comprises the statutory net asset value attributable to Shareholders of the Company, reflecting the excess of assets over policy reserves and other liabilities reported on a local regulatory basis plus/minus mark-to-market adjustments for assets that have not been held on a market value basis minus the value of intangible assets. We believe that this serves as a useful measure of the quality of our in-force business and hence the ability to generate cash.

- *Group LCSM tier 1 cover ratio (MCR basis)*. Group LCSM tier 1 cover ratio (MCR basis) is the ratio of our Group tier 1 available capital to our Group minimum capital requirement, which is the sum of the minimum capital requirements of each entity within the Group. The minimum capital requirement of each entity represents the level below which the severest penalty may be imposed or the most extreme intervention measures may be taken under local regulation.

- *Group LCSM cover ratio (PCR basis).* Group LCSM cover ratio (PCR basis) is the ratio of our Group available capital to our Group prescribed capital requirement, which is the sum of the prescribed capital requirements of each entity within the Group. The prescribed capital requirement of each entity represents the level which, if maintained, would not give rise to any power to impose any penalty, sanction or intervention under local regulation.

- *Leverage ratio (non-IFRS measure).* Leverage ratio is calculated as debt divided by the sum of debt and comprehensive equity, which is adjusted total equity attributable to Shareholders of the Company including non-controlling interest, plus the net CSM balance (as defined below) as of the end of the applicable period.

Value

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

- *Comprehensive tangible equity (non-IFRS measure)*. Comprehensive tangible equity is calculated as adjusted total equity attributable to Shareholders of the Company, plus the CSM balance net of tax and non-controlling interests ("**net CSM balance**"), minus the intangible assets net of non-controlling interests.

- *Return on tangible equity (non-IFRS measure)*. Return on tangible equity is calculated as operating profit after tax for a specified period, divided by the average of the balances of tangible equity as of the beginning and end of such period. Tangible equity is calculated as adjusted total equity attributable to Shareholders of the Company, minus the intangible assets net of non-controlling interests.

The following table sets forth our key performance indicators for the periods indicated:

	Year ended/as of 31 December			2022-2024	2022-2023	2023-2024
	2022	2023	2024	CAGR	YoY	YoY
	(US$ millions, except for percentages)				*(CER)*	
Profitability						
Operating profit after tax (non-IFRS measure)	299	378	463	30.9%	28.7%	28.6%
Net profit/(loss)	(320)	(717)	10	N/A	N/A	N/A
Net profit/(loss) attributable to Equity Holders of the Company (non-IFRS measure)	(320)	(733)	24	N/A	N/A	N/A
Contractual service margin (CSM) balance	5,400	5,046	5,174	1.1%	(4.2)%	6.1%
Growth						
New business contractual service margin (New business CSM)	1,409	1,349	1,222	(6.4)%	(6.3)%	(6.7)%
New business CSM (like-for-like basis)	N/A	960	1,222	N/A	N/A	30.5%
Annualised premium equivalent (APE)	1,408	1,646	1,916	18.8%	18.3%	18.6%
APE (like-for-like basis)	N/A	1,616	1,916	N/A	N/A	20.9%
Value of new business (VNB)	823	991	834	2.6%	21.9%	(14.0)%
VNB (like-for-like basis)	N/A	749	834	N/A	N/A	13.5%
Total Weighted Premium Income (TWPI) (non-IFRS measure)	6,295	6,416	6,632	5.4%	4.2%	6.4%
Risk and Capital						
Adjusted net underlying free surplus generation (Adjusted net UFSG)	625	786	839	17.4%	27.5%	9.7%
Group LCSM tier 1 cover ratio (MCR basis)	327%	336%	282%	N/A	N/A	N/A

	Year ended/as of 31 December			2022-2024	2022-2023	2023-2024
	2022	2023	2024	CAGR	YoY	YoY
	(US$ millions, except for percentages)				*(CER)*	
Group LCSM cover ratio (PCR basis)	288%	292%	260%	N/A	N/A	N/A
Leverage ratio (non-IFRS measure)	23.6%	27.2%	25.5%	N/A	N/A	N/A
Value						
Group embedded value (Group EV)	6,066	5,682	5,569	(1.1)%	(4.2)%	2.8%
Comprehensive tangible equity (non-IFRS measure)	8,331	7,172	7,162	(4.2)%	(11.9)%	4.2%
Return on tangible equity (non-IFRS measure)	10.8%	10.8%	15.4%	N/A	N/A	N/A

Except for operating profit/(loss) after tax (non-IFRS measure), net profit/(loss), net profit attributable to Equity Holders of the Company (non-IFRS measure), CSM balance, TWPI (non-IFRS measure) and comprehensive tangible equity (non-IFRS measure), all other figures in the table above are unaudited.

DISCUSSION OF KEY PERFORMANCE INDICATORS

Profitability – Operating profit after tax (non-IFRS measure)

To provide a more meaningful representation of our results of operations, we have presented operating profit after tax (non-IFRS measure), which enhances the understanding and comparability of the Group's performance and that of its operating segments on an ongoing basis.

Our operating profit after tax (non-IFRS measure) on a CER basis increased by 28.6% from US$378 million in 2023 to US$463 million in 2024. This was mainly a result of a reduction in operating expenses and improved claims experience. Operating profit after tax (non-IFRS measure) increased by 28.7% on a CER basis from US$299 million in 2022 to US$378 million in 2023, as we increasingly benefited from economies of scale underpinned by strong business growth.

The following table presents operating profit/(loss) after tax (non-IFRS measure) for each of our reporting segments for the periods indicated:

	Year ended 31 December		
	2022	2023	2024
		(US$ millions)	
Hong Kong (and Macau)	109	210	218
Thailand (and Cambodia)	127	151	148
Japan	196	164	193
Emerging Markets	(4)	17	21
Corporate and Others	(129)	(170)	(128)
Operating profit after tax (non-IFRS measure)	299	372	452
Attributable to:			
Equity Holders of the Company[(1)] (non-IFRS measure)	299	378	463
Non-controlling interests	–	(6)	(11)

Note:

(1) See Note 6 to the Accountants' Report included in Appendix I for the definition of Equity Holders of the Company.

- *Hong Kong (and Macau):* Operating profit after tax (non-IFRS measure) increased by 3.6% on a CER basis from US$210 million in 2023 to US$218 million in 2024, primarily due to improved claims experience and lower finance costs. Operating profit after tax (non-IFRS measure) increased by 92.8% on a CER basis from US$109 million in 2022 to US$210 million in 2023, primarily due to the continued growth of our new business and in-force portfolio, coupled with improving expense overrun position.

- *Thailand (and Cambodia):* Operating profit after tax (non-IFRS measure) decreased by 1.8% on a CER basis from US$151 million in 2023 to US$148 million in 2024, primarily due to (i) lower investment return from a change in asset mix in 2024, and (ii) lower CSM amortisation as a result of strengthening of operating assumptions in 2024, partially offset by lower operating expenses. Operating profit after tax (non-IFRS measure) increased by 17.0% on a CER basis from US$127 million in 2022 to US$151 million in 2023, primarily due to (i) increase in CSM amortisation, (ii) higher investment return from increased bond yields, and (iii) lower non-attributable expenses.

- *Japan:* Operating profit after tax (non-IFRS measure) increased by 29.3% on a CER basis from US$164 million in 2023 to US$193 million in 2024, primarily due to (i) improved claims experience, and (ii) higher CSM amortisation from the Athene Reinsurance transaction. Operating profit after tax (non-IFRS measure) decreased by 9.9% on a CER basis from US$196 million in 2022 to US$164 million in 2023, primarily due to the lower CSM release as a result of a lower CSM balance due to strengthening of operating assumptions.

- *Emerging Markets:* Operating profit after tax (non-IFRS measure) increased by 39.3% on a CER basis from US$17 million in 2023 to US$21 million in 2024. Operating profit after tax attributable to Equity Holders of the Company (non-IFRS measure) increased by 57.0% on a CER basis from US$23 million in 2023 to US$32 million in 2024. The increase is primarily due to (i) improving expense overrun in our Emerging Markets segment and (ii) an increase in the share of profit of BRI Life in 2024. Operating profit/(loss) after tax (non-IFRS measure) turned profitable from a loss of US$4 million in 2022 to a profit of US$17 million in 2023, primarily due to improving expense overrun in our Emerging Markets segment.

- *Corporate and Others:* Operating loss after tax (non-IFRS measure) decreased by 24.7% at US$170 million and US$128 million in 2023 and 2024, respectively. This is primarily due to (i) lower Group Office operating costs and (ii) higher interest income from increased cash holdings, owing to the timing differences in the refinancing of borrowings in 2024. Operating loss after tax (non-IFRS measure) increased from US$129 million in 2022 to US$170 million in 2023, primarily due to investments in resources and IT platforms to support growth in our underlying business and in digital platforms for better underwriting, claims and customer engagement experience.

- For a reconciliation of operating profit after tax (non-IFRS measure) to net profit/(loss) for the relevant periods in the consolidated income statements, see "*– Components of our Results of Operations – Year Ended 31 December 2024 Compared to Year Ended 31 December 2023 – Net Profit/(Loss) and Operating Profit after Tax (non-IFRS measure)*" and "*– Components of Our Results of Operations – Year Ended 31 December 2023 Compared to Year Ended 31 December 2022 – Net Profit/(Loss) and Operating Profit after Tax (non-IFRS measure)*".

Profitability – Net profit/(loss) and net profit/(loss) attributable to Equity Holders of the Company (non-IFRS measure)

In 2024, we recorded a net profit of US$10 million, as compared to a net profit attributable to Equity Holders of the Company (non-IFRS measure) of US$24 million, the difference being primarily due to the attribution of a portion of FWD Life Malaysia's net loss to the non-controlling interests.

In 2023, we recorded a net loss of US$717 million and a net loss attributable to Equity Holders of the Company (non-IFRS measure) of US$733 million, respectively. The net profit in 2024 compared to net loss in 2023 was mainly due to (i) adverse capital market movements in 2023 compared to positive capital market movements in 2024, (ii) investment losses on disposal of financial investments related to the Athene Reinsurance transaction in Japan, which accounted for US$505 million of loss before tax in 2023 and (iii) improved expense discipline in 2024 resulting in a reduction in expenses. In 2022 we recorded a net loss and a net loss attributable to Equity Holders of the Company (non-IFRS measure) of US$320 million. The higher net loss in 2023 compared to 2022 was mainly due to (i) adverse capital market movements, and (ii) investment losses on disposal of financial investments related to the Athene Reinsurance transaction in Japan, which accounted for US$505 million of loss before tax in 2023.

Profitability – CSM balance

Our CSM balance, a profitability measure, increased by 6.1% on a CER basis from US$5,046 million as of 31 December 2023 to US$5,174 million as of 31 December 2024, mainly driven by the positive contribution from new business growth, partly offset by the strengthening of operating assumptions. Our CSM balance decreased by 4.2% on a CER basis from US$5,400 million as of 31 December 2022 to US$5,046 million as of 31 December 2023, mainly driven by (i) strengthening of operating assumptions, and (ii) higher expense attribution rate which results in more expenses being deferred to CSM. For discussion of the movement in our CSM balance, see "*– Components of Our Results of Operations – Year Ended 31 December 2024 Compared to Year Ended 31 December 2023 – Analysis of CSM" and "– Components of Our Results of Operations – Year Ended 31 December 2023 Compared to Year Ended 31 December 2022 – Analysis of CSM.*"

Growth – New business CSM

Our new business CSM decreased by 6.7% on a CER basis from US$1,349 million in 2023 to US$1,222 million in 2024. To facilitate a more meaningful comparison, we also present new business CSM on a like-for-like basis, which increased by 30.5% on a CER basis from US$960 million in 2023 to US$1,222 million in 2024, primarily due to (i) APE growth and (ii) improved expense discipline.

Our new business CSM decreased by 6.3% on a CER basis from US$1,409 million in 2022 to US$1,349 million in 2023, driven by higher expense attribution assumptions.

The following table presents new business CSM and the growth rates (on a CER basis) for each of our reporting segments for the periods indicated:

	Year ended 31 December							
	2022	2023	2023 (like-for-like basis)	2024	2022-2023 YoY	2023-2024 YoY	2023-2024 YoY (like-for-like basis)	2022-2024 CAGR
	(US$ millions, except for percentages)							
Hong Kong (and Macau)	276	283	192	418	2.4%	47.6%	117.2%	23.0%
Thailand (and Cambodia)	460	522	433	398	8.6%	(22.4)%	(6.6)%	(8.3)%
Japan	326	270	171	192	(17.6)%	(23.3)%	20.9%	(20.5)%
Emerging Markets	346	274	164	214	(22.8)%	(18.9)%	34.8%	(20.8)%
Total new business CSM	**1,409**	**1,349**	**960**	**1,222**	**(6.3)%**	**(6.7)%**	**30.5%**	**(6.4)%**

- Hong Kong (and Macau): New business CSM increased by 47.6% on a CER basis from US$283 million in 2023 to US$418 million in 2024. On a like-for-like basis, new business CSM increased by 117.2% on a CER basis from US$192 million in 2023 to US$418 million in 2024, primarily due to (i) an increase in sales volume, (ii) product repricing and (iii) improved expense discipline. New business CSM increased by 2.4% on a CER basis from US$276 million in 2022 to US$283 million in 2023, primarily due to an increase in sales volume, partially offset by higher expense attribution assumption. Given ongoing industry discussions in Hong Kong regarding potential reforms of intermediary commissions, sales volumes could increase in the near term in anticipation of stricter new regulations, which may affect sales during the period shortly following the implementation of any such new regulations.

- Thailand (and Cambodia): New business CSM decreased by 22.4% on a CER basis from US$522 million in 2023 to US$398 million in 2024. On a like-for-like basis, new business CSM decreased by 6.6% on a CER basis from US$433 million in 2023 to US$398 million in 2024, primarily due to lower sales volume. New business CSM increased by 8.6% on a CER basis from US$460 million in 2022 to US$522 million in 2023, primarily due to sales volume growth, partially offset by higher expense attribution assumption.

- Japan: New business CSM decreased by 23.3% on a CER basis from US$270 million in 2023 to US$192 million in 2024. On a like-for-like basis, new business CSM increased by 20.9% on a CER basis from US$171 million in 2023 to US$192 million in 2024, primarily due to (i) APE growth, (ii) higher margin on individual protection business and (iii) improved expense discipline. New business CSM decreased by 17.6% on a CER basis from US$326 million in 2022 to US$270 million in 2023, primarily due to lower sales volume.

- Emerging Markets: New business CSM decreased by 18.9% on a CER basis from US$274 million in 2023 to US$214 million in 2024. On a like-for-like basis, new business CSM increased by 34.8% on a CER basis from US$164 million in 2023 to US$214 million in 2024, primarily due to (i) sales volume growth and (ii) improved expense discipline. New business CSM decreased by 22.8% on a CER basis from US$346 million in 2022 to US$274 million in 2023, primarily due to (i) lower sales volume and (ii) higher expense attribution assumption.

For a discussion of the movement in our CSM balance, see "*– Components of Our Results of Operations – Year Ended 31 December 2024 Compared to Year Ended 31 December 2023 – Analysis of CSM*" *and* "*– Components of Our Results of Operations – Year Ended 31 December 2023 Compared to Year Ended 31 December 2022 – Analysis of CSM.*"

Growth – APE

Our APE, an operational performance measure, increased by 18.6% on a CER basis from US$1,646 million in 2023 to US$1,916 million in 2024. To facilitate a more meaningful comparison, we also present APE on a like-for-like basis, which increased by 20.9% on a CER basis from US$1,616 million in 2023 to US$1,916 million in 2024, primarily due to (i) an increase in both offshore sales and onshore sales in Hong Kong, and (ii) sales growth in Emerging Markets, primarily from the Philippines.

Our APE increased by 18.3% on a CER basis from US$1,408 million in 2022 to US$1,646 million in 2023, as a result of recovery of operations in Hong Kong (and Macau) from the impact of the COVID-19 pandemic as the Hong Kong-mainland China border reopened in early 2023, while APE in Japan continued to decrease from the scaled-back corporate-owned life insurance ("**COLI**") business, and Emerging Markets was impacted by market disruption in Vietnam.

The following table presents APE and the growth rates (on a CER basis) for each of our reporting segments for the periods indicated:

	Year ended 31 December							
	2022	2023	2023 (like-for-like basis)	2024	2022-2023 YoY	2023-2024 YoY	2023-2024 YoY (like-for-like basis)	2022-2024 CAGR
	(US$ millions, except for percentages)							
Hong Kong (and Macau)	327	512	510	802	56.8%	56.4%	57.3%	56.6%
Onshore	243	242	239	376	(0.4)%	55.1%	57.0%	24.3%
Offshore	83	270	270	426	223.7%	57.6%	57.6%	125.9%
Thailand (and Cambodia)	485	619	609	577	26.9%	(5.3)%	(3.7)%	9.6%
SCB	350	444	444	418	26.6%	(4.1)%	(4.1)%	10.2%
Others	136	175	164	159	27.8%	(8.6)%	(2.6)%	8.1%
Japan	167	125	125	118	(19.3)%	2.3%	2.3%	(9.2)%
Individual protection	134	113	113	108	(9.8)%	3.6%	3.6%	(3.3)%
COLI	33	12	12	10	(59.9)%	(10.9)%	(10.9)%	(40.2)%
Emerging Markets	429	390	373	420	(7.7)%	10.9%	16.0%	1.4%
Total APE	**1,408**	**1,646**	**1,616**	**1,916**	**18.3%**	**18.6%**	**20.9%**	**18.8%**

- *Hong Kong (and Macau):* APE increased by 56.4% on a CER basis from US$512 million in 2023 to US$802 million in 2024. On a like-for-like basis, APE increased by 57.3% on a CER basis from US$510 million in 2023 to US$802 million in 2024, primarily due to an increase in both offshore and onshore sales. APE increased by 56.8% on a CER basis from US$327 million in 2022 to US$512 million in 2023, primarily due to an increase in offshore sales from MCVs as the Hong Kong-mainland China border reopened.

- *Thailand (and Cambodia):* APE decreased by 5.3% on a CER basis from US$619 million in 2023 to US$577 million in 2024. On a like-for-like basis, APE decreased by 3.7% on a CER basis from US$609 million in 2023 to US$577 million in 2024, primarily due to product mix strategy in SCB to focus on higher margin products and decline in volume of lower margin tranche products sold. Excluding sales of tranche products, APE increased by 3.9% on a CER basis over the same period. APE increased by 26.9% on a CER basis from US$485 million in 2022 to US$619 million in 2023, as we grew across all our key distribution channels.

- *Japan:* APE increased by 2.3% on a CER basis in 2024 compared to 2023, both on an actual, as-reported basis and on a like-for-like basis, due to continued growth in individual protection business. APE decreased from US$167 million in 2022 to US$125 million in 2023, primarily impacted by scaling back of lower margin COLI business in favour of higher margin individual protection products.

- *Emerging Markets:* APE increased by 10.9% on a CER basis from US$390 million in 2023 to US$420 million in 2024. On a like-for-like basis, APE increased by 16.0% on a CER basis from US$373 million in 2023 to US$420 million in 2024, primarily due to (i) strong growth in the Philippines, coupled with (ii) steady growth in other countries under our Emerging Markets segment, but partially offset by the market disruption in Vietnam. Excluding Vietnam, APE increased by 24.6% on a CER basis over the same period on a like-for-like basis. APE decreased by 7.7% on a CER basis from US$429 million in 2022 to US$390 million in 2023, due to the market disruption in Vietnam, partially offset by steady growth in other countries under our Emerging Markets segment.

Growth – VNB

Our VNB, an actuarial performance measure, decreased by 14.0% on a CER basis from US$991 million in 2023 to US$834 million in 2024. To facilitate a more meaningful comparison, we also present VNB on a like-for-like basis, which increased by 13.5% on a CER basis from US$749 million in 2023 to US$834 million in 2024, primarily due to APE growth.

Our VNB increased by 21.9% on a CER basis from US$823 million in 2022 to US$991 million in 2023, primarily driven by APE growth, coupled with higher new business margin as a result of re-pricing and higher interest rates.

The following table presents VNB and the growth rates (on a CER basis) for each of our reporting segments for the periods indicated:

	Year ended 31 December							
	2022	2023	2023 (like-for-like basis)	2024	2022-2023 YoY	2023-2024 YoY	2023-2024 YoY (like-for-like basis)	2022-2024 CAGR
	(US$ millions, except for percentages)							
Hong Kong (and Macau)	216	323	251	333	49.3%	3.0%	32.5%	24.0%
Onshore	175	186	129	166	6.1%	(10.6)%	29.1%	(2.6)%
Offshore	41	137	122	167	231.9%	21.3%	36.2%	100.6%
Thailand (and Cambodia)	270	335	297	278	23.5%	(15.8)%	(5.1)%	2.0%
SCB	199	231	212	228	15.5%	1.0%	9.9%	8.0%
Others	71	104	85	49	45.4%	(52.6)%	(42.1)%	(17.0)%
Japan	138	136	85	88	5.4%	(30.2)%	11.7%	(14.2)%
Individual protection	121	132	81	85	16.6%	(30.3)%	13.1%	(9.8)%
COLI	17	4	4	3	(74.2)%	(28.5)%	(20.0)%	(57.1)%
Emerging Markets	198	197	116	136	0.3%	(28.8)%	20.4%	(15.3)%
Total VNB	**823**	**991**	**749**	**834**	**21.9%**	**(14.0)%**	**13.5%**	**2.6%**

- *Hong Kong (and Macau):* VNB increased by 3.0% on a CER basis from US$323 million in 2023 to US$333 million in 2024. On a like-for-like basis, VNB increased by 32.5% on a CER basis from US$251 million in 2023 to US$333 million in 2024, primarily due to an increase in sales volume. VNB increased by 49.3% on a CER basis from US$216 million in 2022 to US$323 million in 2023, primarily driven by growth in new business sales from MCVs.

- *Thailand (and Cambodia):* VNB decreased by 15.8% on a CER basis from US$335 million in 2023 to US$278 million in 2024, primarily due to the revisions and updates to our operating assumptions at the end of 2023. On a like-for-like basis, VNB decreased by 5.1% on a CER basis from US$297 million in 2023 to US$278 million in 2024, primarily due to lower sales volume, partially offset by improvements in VNB margin through our partnership with SCB. VNB increased by 23.5% on a CER basis from US$270 million in 2022 to US$335 million in 2023, due to top line growth rates as we continue to expand our reach in all key channels across Thailand. In particular, VNB from SCB grew by 15.5% on a CER basis from 2022 to 2023, benefiting from enhanced scale and distribution reach.

- *Japan:* VNB decreased by 30.2% on a CER basis from US$136 million in 2023 to US$88 million in 2024, primarily due to the revisions and updates to our operating assumptions at the end of 2023. On a like-for-like basis, VNB increased by 11.7% on a CER basis from US$85 million in 2023 to US$88 million in 2024, primarily due to APE growth and higher margin on individual protection products. VNB increased by 5.4% on a CER basis from US$138 million in 2022 to US$136 million in 2023 due to increased sales of higher margin individual protection products.

- *Emerging Markets:* VNB decreased by 28.8% on a CER basis from US$197 million in 2023 to US$136 million in 2024, primarily due to the revisions and updates to our operating assumptions at the end of 2023. On a like-for-like basis, VNB increased by 20.4% on a CER basis from US$116 million in 2023 to US$136 million in 2024, primarily due to (i) sales volume growth, and (ii) favourable change in product mix, driving increase in new business margin. Excluding Vietnam, VNB increased by 36.5% on a CER basis over the same period on a like-for-like basis. VNB slightly increased by 0.3% on a CER basis from US$198 million in 2022 to US$197 million in 2023. The lower rate of growth in 2023 was primarily due to lower new business sales impacted by market disruption in Vietnam, partially offset by product mix shifts toward higher margin products. Excluding Vietnam, VNB increased by 39.0% on a CER basis from 2022 to 2023.

Growth – TWPI (non-IFRS measure)

Our TWPI (non-IFRS measure) increased by 6.4% on a CER basis from US$6,416 million in 2023 to US$6,632 million in 2024, primarily driven by higher new business sales, but partially offset by (i) scaling back of COLI business in Japan, (ii) market disruption in Vietnam, and (iii) paid-up policies sold in prior years. Our TWPI (non-IFRS measure) increased by 4.2% on a CER basis from US$6,295 million in 2022 to US$6,416 million in 2023, primarily driven by higher new business sales, but partially offset by (i) the lower single premium sales in Hong Kong, (ii) scaling back of COLI business in Japan, and (iii) market disruption in Vietnam.

The following table presents TWPI (non-IFRS measure) and the growth rates (on a CER basis) for each of our reporting segments for the periods indicated:

	Year ended 31 December			2022-2023	2023-2024	2022-2024
	2022	2023	2024	YoY	YoY	CAGR
	(US$ millions, except for percentages)					
Hong Kong (and Macau)	1,664	1,708	2,106	2.7%	23.3%	12.5%
Thailand (and Cambodia)	2,166	2,390	2,468	9.9%	5.0%	7.4%
Japan	1,757	1,579	1,249	(2.9)%	(14.2)%	(8.7)%
Emerging Markets	708	739	809	6.4%	12.5%	9.6%
Total TWPI (non-IFRS measure)	**6,295**	**6,416**	**6,632**	**4.2%**	**6.4%**	**5.4%**

- *Hong Kong (and Macau):* TWPI (non-IFRS measure) increased by 23.3% on a CER basis from US$1,708 million in 2023 to US$2,106 million in 2024, primarily due to increase in new business sales, partially offset by paid-up policies sold in prior years. TWPI (non-IFRS measure) increased by 2.7% on a CER basis from US$1,664 million in 2022 to US$1,708 million in 2023, primarily due to increase in new business sales, partially offset by decline in sales of single premium products.

- *Thailand (and Cambodia):* TWPI (non-IFRS measure) increased by 5.0% on a CER basis from US$2,390 million in 2023 to US$2,468 million in 2024, primarily driven by growth in in-force business. TWPI (non-IFRS measure) increased by 9.9% on a CER basis from US$2,166 million in 2022 to US$2,390 million in 2023, primarily driven by growth in in-force business and new business, partially offset by reduced sales in single premium products.

- *Japan:* TWPI (non-IFRS measure) decreased by 14.2% on a CER basis from US$1,579 million in 2023 to US$1,249 million in 2024 and by 2.9% on a CER basis from US$1,757 million in 2022 to US$1,579 million in 2023, primarily due to product mix strategy to focus on higher margin individual protection products.

- *Emerging Markets:* TWPI (non-IFRS measure) increased by 12.5% on a CER basis from US$739 million in 2023 to US$809 million in 2024, reflecting growth in both new and in-force business, partially offset by market disruption in Vietnam. TWPI (non-IFRS measure) increased by 6.4% on a CER basis from US$708 million in 2022 to US$739 million in 2023, reflecting (i) growth in in-force business, (ii) strong top line growth, and (iii) traction in acquired distribution channels, partially offset by market disruption in Vietnam in 2023.

Risk and Capital – Adjusted net UFSG

Our net UFSG, an actuarial performance measure, decreased from US$785 million in 2023 to US$709 million in 2024, due to the positive one-off impact in 2023 from the alignment of FWD Reinsurance's reserving basis with IFRS 17. Our net UFSG decreased from US$1,589 million in 2022 to US$785 million in 2023, due to the impact of US$1,183 million from early adoption of Hong Kong RBC in 2022, partially offset by the positive impact from the change in FWD Reinsurance's reserving basis in 2023.

Our adjusted net UFSG increased from US$786 million in 2023 to US$839 million in 2024, primarily due to (i) our growth in in-force business and (ii) improved operating variance. Our adjusted net UFSG increased from US$625 million in 2022 to US$786 million in 2023, primarily due to (i) our growing in-force business, and (ii) the decrease in new business strain as we scale up our business.

In 2024, net capital contributions from Hong Kong (and Macau), Thailand (and Cambodia) and Japan were US$400 million, US$97 million and US$128 million, respectively, the majority of which were dividends received from the operating subsidiaries. Net capital contributions to our Emerging Markets were US$36 million, which excludes US$49 million for the subscription of additional interest in BRI Life and other adjustments.

In 2023, net capital contributions from Hong Kong (and Macau), Thailand (and Cambodia) and Japan were US$181 million, US$70 million and US$73 million, respectively, the majority of which were dividends received from the operating entities. Net capital contributions to our Emerging Markets were US$133 million, which excluded US$51 million for the subscription of additional interest in BRI Life and other adjustments.

In 2022, total net capital contributions to our reporting segments were US$164 million.

The following table presents our net UFSG and adjusted net UFSG for the periods indicated:

	Year ended 31 December		
	2022	**2023**	**2024**
		(US$ millions)	
UFSG	1,753	790	722
Free surplus used to fund new business	(165)	(6)	(14)
Net UFSG	1,589	785	709
One-off opening adjustments and non-economic assumption changes	(1,159)	(156)	47
of which the impact of HK RBC early adoption	*(1,183)*	–	–
Expense variance	195	158	83
Adjusted net UFSG	**625**	**786**	**839**

Risk and Capital – Group LCSM tier 1 cover ratio (MCR basis)

Our group LCSM tier 1 cover ratio (MCR basis), introduced under the GWS framework, decreased from 336% in 2023 to 282% as of 31 December 2024, mainly driven by RBC adoption in Hong Kong for capital reporting under Bermuda basis, which was approved by the Bermuda Monetary Authority ("**BMA**") on 20 February 2025. This streamlines our capital reporting, so that regulatory filings made under the RBC regime in Hong Kong would be considered acceptable by the BMA as the required regulatory filings in Bermuda, subject to any necessary supplementary information to be provided to the BMA. For illustrative purposes, our free surplus (MCR basis) increased by US$148 million from US$2,555 million (representing the difference between available capital of US$3,617 million and required capital of US$1,062 million) as of 30 September 2024 on the Bermuda reporting basis, to US$2,703 million (representing the difference between available capital of US$4,271 million and required capital of US$1,569 million) as of 30 September 2024 on the new HK RBC reporting basis. From 31 December 2022 to 31 December 2023, our group LCSM tier 1 cover ratio (MCR basis), introduced under the GWS framework, increased from 327% in 2022 to 336% in 2023, mainly driven by in-force business free surplus generation, change in statutory reserving basis for FWD Reinsurance from an IFRS 4 basis to an IFRS 17 basis and the Athene Reinsurance transaction, partially offset by capital market and foreign exchange movements. See "*– Solvency and Capital*" for more details.

Risk and Capital – Group LCSM cover ratio (PCR basis)

Our group LCSM cover ratio (PCR basis), introduced under the GWS framework, decreased from 292% in 2023 to 260% as of 31 December 2024, mainly driven by RBC adoption in Hong Kong for capital reporting under Bermuda basis, which was approved by the BMA on 20 February 2025. This streamlines our capital reporting, so that regulatory filings made under the RBC regime in Hong Kong would be considered acceptable by the BMA as the required regulatory filings in Bermuda, subject to any necessary supplementary information to be provided to the BMA. For illustrative purposes, our free surplus (PCR basis) decreased by US$23 million from US$4,118 million (representing the difference between available capital of US$6,174 million and required capital of US$2,057 million) as of 30 September 2024 on the Bermuda reporting basis, to US$4,095 million (representing the difference between available capital of US$6,829 million and required capital of US$2,734 million) as of 30 September 2024 on the new HK RBC reporting basis. From 31 December 2022 to 31 December 2023, our group LCSM cover ratio (PCR basis), introduced under the GWS framework, increased from 288% in 2022 to 292% in 2023." See "*– Solvency and Capital*" for more details.

Risk and Capital – Leverage ratio (non-IFRS measure)

Our leverage ratio (non-IFRS measure) decreased from 27.2% as of 31 December 2023 to 25.5% as of 31 December 2024, primarily because the leverage ratio as at 31 December 2023 includes the US$325 million medium-term notes due 2033 issued on 6 December 2023 (the "**2033 Notes**") for the purpose of refinancing a portion of our indebtedness maturing in 2024.

Our leverage ratio (non-IFRS measure) increased from 23.6% as of 31 December 2022 to 27.2% as of 31 December 2023, primarily due (i) to the issuance of the 2033 Notes, and (ii) the decrease in adjusted total equity attributable to Shareholders of the Company. Excluding the 2033 Notes, our leverage ratio (non-IFRS measure) would have been 25.5% as of 31 December 2023. See "*– Discussion of Major Items in the Consolidated Statements of Financial Position – Consolidated Statements of Financial Position as of 31 December 2024, 2023 and 2022 – Equity*" for more details.

Value – Group EV

Our Group EV, an actuarial performance measure, declined from US$5,682 million as of 31 December 2023 to US$5,569 million as of 31 December 2024 primarily due to negative foreign exchange variance. Excluding the foreign exchange impact, our Group EV increased by 2.8% on a CER basis from 2023 to 2024. Further, to provide a more meaningful view of the change in our Group EV, excluding the impact from M&A, economic factors including foreign exchange and one-off opening adjustments (which primarily relate to expense provision true-ups), our Group EV increased by approximately 9% due to (i) growth in new business and in-force business, coupled with (ii) positive persistency and claims variance, partially offset by strengthening of operating assumptions. Our Group EV decreased by 4.2% on a CER basis from US$6,066 million as of 31 December 2022 to US$5,682 million as of 31 December 2023 primarily due to (i) operating variances, and (ii) strengthening of operating assumptions. See the Actuarial Consultant's Report set forth in Appendix III for more details.

Value – Comprehensive tangible equity (non-IFRS measure)

Our comprehensive tangible equity (non-IFRS measure) increased by 4.2% on a CER basis from US$7,172 million as of 31 December 2023 to US$7,162 million as of 31 December 2024, driven by the contribution from new business, offset by the strengthening of operating assumptions. Our comprehensive tangible equity (non-IFRS measure) decreased by 11.9% on a CER basis from US$8,331 million as of 31 December 2022 to US$7,172 million as of 31 December 2023, primarily due to (i) net loss in 2023, and (ii) lower net CSM balance, driven by strengthening of operating assumptions and higher expense attribution rate.

The following table presents our comprehensive tangible equity (non-IFRS measure) as of the dates indicated:

	As of 31 December		
	2022	**2023**	**2024**
		(US$ millions)	
Adjusted total equity attributable to Shareholders of the Company (non-IFRS measure)	7,134	6,234	6,012
Net CSM balance	4,404	4,092	4,235
Comprehensive equity	11,538	10,326	10,247
Less: Intangible assets net of non-controlling interests	(3,207)	(3,154)	(3,085)
Comprehensive tangible equity (non-IFRS measure)	**8,331**	**7,172**	**7,162**

For discussion of the movement in our comprehensive tangible equity (non-IFRS measure), see "*– Discussion of Major Items in the Consolidated Statements of Financial Position – Consolidated Statements of Financial Position as of 31 December 2024, 2023 and 2022 – Analysis of Comprehensive Tangible Equity (Non-IFRS Measure).*"

Value – Return on tangible equity (non-IFRS measure)

Our return on tangible equity (non-IFRS measure) increased from 10.8% in 2023 to 15.4% in 2024. Our return on tangible equity (non-IFRS measure) remained stable at 10.8% in 2022 and 2023.

COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth our consolidated income statement and statement of comprehensive income with selected items for the periods indicated:

	Year ended 31 December		
	2022	**2023**	**2024**
		(US$ millions)	
Insurance revenue	2,408	2,756	2,724
Insurance service expenses	(1,817)	(1,989)	(2,012)
Net expenses from reinsurance contracts held	(146)	(88)	(42)
Insurance service result	**445**	**679**	**670**
Interest revenue	1,011	1,159	1,185
Other investment gains/(losses)	(999)	(791)	93
Net impairment loss on financial assets	(29)	(9)	(16)
Investment return	**(17)**	**359**	**1,262**
Net finance income/(expenses) from insurance contracts	86	(996)	(1,051)
Net finance income/(expenses) from reinsurance contracts held	(23)	1	31
Movement in investment contract liabilities	2	4	(1)
Net investment result	48	(632)	241
Net insurance and investment result	**493**	**47**	**911**

	Year ended 31 December		
	2022	2023	2024
		(US$ millions)	
Other revenue	38	64	36
General and other expenses	(689)	(731)	(550)
Borrowings and other finance costs	(128)	(174)	(249)
Profit/(Loss) before share of profit/(loss) from associates and joint ventures	(286)	(794)	148
Share of profit/(loss) from associates and joint ventures	2	(20)	36
Profit/(Loss) before tax	(284)	(814)	184
Tax benefit/(expense)	(36)	97	(174)
Net profit/(loss)	**(320)**	**(717)**	**10**
Attributable to:			
Equity Holders of the Company[1]	(320)	(733)	24
Non-controlling interests	–	16	(14)

Note:

(1) See Note 6 to the Accountants' Report included in Appendix I for the definition of Equity Holders of the Company.

Year Ended 31 December 2024 Compared to Year Ended 31 December 2023

Insurance Service Result

Our insurance service result consists of insurance revenue, less insurance service expenses and net expenses from reinsurance contracts held. The following table provides a breakdown of our insurance service result for the periods indicated:

	Year ended 31 December	
	2023	2024
	(US$ millions)	
Insurance revenue	2,756	2,724
Insurance service expenses	(1,989)	(2,012)
Net expenses from reinsurance contracts held	(88)	(42)
Insurance service result	**679**	**670**

Our insurance service result decreased by 1.4% from US$679 million in 2023 to US$670 million in 2024.

- *Hong Kong (and Macau):* Our insurance service result increased by 7.3% from US$292 million in 2023 to US$313 million in 2024, primarily due to (i) new business growth, (ii) improved expense discipline and (iii) improved claims experience, partially offset by a one-off impact from the measurement model change to a reinsurance treaty in 2023. Given ongoing industry discussions in Hong Kong regarding potential reforms of intermediary commissions, we may experience increased new business growth in the near term in anticipation of stricter new regulations, which may affect sales during the period shortly following the implementation of any such new regulations.

- *Thailand (and Cambodia):* Our insurance service result increased by 30.7% from US$136 million in 2023 to US$177 million in 2024, mainly driven by (i) better claims variance and (ii) improved expense overruns.

- *Japan:* Our insurance service result decreased by 34.1% from US$230 million in 2023 to US$152 million in 2024, due to (i) a one-off gain in 2023 from the termination of a reinsurance contract issued, and (ii) decrease in foreign exchange translation from depreciation of the Japanese Yen against the US dollar, partially offset by (i) improved claims experience, and (ii) the CSM amortisation from the Athene Reinsurance transaction.

- *Emerging Markets:* Our insurance service result increased by 31.0% from US$21 million in 2023 to US$28 million in 2024, primarily due to improved expense overruns.

Investment Return

Our investment return consists of interest revenue and other investment gains/(losses), less net impairment loss on financial assets. The following table provides a breakdown of our investment return for the periods indicated:

	Year ended 31 December	
	2023	**2024**
	(US$ millions)	
Interest revenue	1,159	1,185
Other investment gains/(losses)	(791)	93
Net impairment loss on financial assets	(9)	(16)
Investment return	**359**	**1,262**

Our interest revenue remains stable, increasing from US$1,159 million in 2023 to US$1,185 million in 2024.

Our other investment gains/(losses) turned positive from losses of US$791 million in 2023 to gains of US$93 million in 2024. The gains in 2024 were mainly due to short term fluctuations in investment return for equities and investment funds. The losses in 2023 were mainly due to the impact of the Athene Reinsurance transaction.

As a result of the foregoing, our investment return increased by 251.9% from US$359 million in 2023 to US$1,262 million in 2024.

Net Finance Income/(Expenses) from Insurance Contracts and Net Finance Income/(Expenses) from Reinsurance Contracts Held

Our net finance expenses from insurance contracts consist of unwinding of the discount rate and the effect of changes in financial risks on insurance contracts, while our net finance income/(expenses) from reinsurance contracts held consist of unwinding of the discount rate and the effect of changes in financial risks on reinsurance contracts.

Our net finance income/(expenses) from insurance contracts increased by 5.6% from US$(996) million in 2023 to US$(1,051) million in 2024. The negative effect of changes in financial risks on insurance contract liabilities reflected the investment return gains relating to VFA contracts in both periods.

Our net finance income/(expenses) from reinsurance contracts held increased from US$1 million in 2023 to US$31 million in 2024, mainly due to the impact of Athene Reinsurance transaction.

Net Investment Result

As a result of the foregoing, our net investment result turned positive from US$(632) million in 2023 to US$241 million 2024.

Other Revenue

Our other revenue mainly consists of asset management fee income, revenue from services not related to insurance activities and other one-off items. Our other revenue decreased by 44.4% from US$64 million in 2023 to US$36 million in 2024. This was mainly due to negative goodwill of US$26 million being recognised for the acquisition of FWD Life Malaysia in 2023. See Note 5.1 to the Accountants' Report included in Appendix I for more information.

Expenses

The following table provides a breakdown of our total expenses for the periods indicated. These expenses are allocated under the insurance service expenses, namely the insurance contracts fulfilment cash flows, as the costs are directly attributable to a portfolio of insurance contracts. General and other expenses represent the expenses that are not attributed to insurance service expenses and consist of non-operating expenses and the non-attributable allocation of the operating general and other operating expenses.

	Year ended 31 December	
	2023	**2024**
	(US$ millions)	
Claims and benefits	867	895
Loss on onerous insurance contracts	93	32
Commission and other acquisition expenses	1,498	1,697
Employee benefits expenses	630	605
Depreciation	61	59
Amortisation	44	46
Marketing and advertising	69	52
Professional service fees	193	154
Information technology expenses	173	152
Investment management expenses	59	60
Others[(1)]	222	195
	3,909	3,947
Amounts attributed to insurance acquisition cash flows	(1,937)	(2,192)
Amortisation of insurance acquisition cash flows	748	807
Total	**2,720**	**2,562**
Represented by:		
Insurance service expenses	1,989	2,012
General and other expenses – operating	389	348
General and other expenses – non operating	342	202

Note:

(1) Includes travel and entertainment, bank charges, office related expenses, other general operating expenses and impairment of intangible assets.

Our general and other expenses decreased by 24.7% from US$731 million in 2023 to US$550 million in 2024, mainly due to improved expense discipline and higher expenses attributed to insurance service expenses.

Borrowings and other Finance Costs

Our borrowings and other finance costs consist of borrowings, lease liabilities and other finance costs. The following table provides a breakdown of borrowings and other finance costs for the periods indicated:

	Year ended 31 December	
	2023	**2024**
	(US$ millions)	
Borrowings	145	225
Lease Liabilities	5	5
Others	24	19
Borrowings and other finance costs	**174**	**249**

Our borrowings and other finance costs increased by 43.1% from US$174 million in 2023 to US$249 million in 2024, mainly due to higher borrowings in 2024.

Share of Profit/(Loss) from Associates and Joint Ventures

Our interests in key associates and joint ventures mainly consist of BRI Life incorporated in Indonesia and CompareAsia Group Capital Limited ("**CompareAsia**") incorporated in Cayman Islands. CompareAsia ceased to be an associate in October 2023 in connection with a business combination with a listed special purpose acquisition company. See Note 15 to the Accountants' Report included in Appendix I for additional details regarding our investment in CompareAsia. The following table provides a breakdown of our share of profit/(loss) from associates and joint ventures for the periods indicated:

	Year ended 31 December	
	2023	**2024**
	(US$ millions)	
Net loss from interests in associates and joint ventures	(23)	–
Net profits from interests in associates and joint ventures	3	36
Share of profit/(loss) from associates and joint ventures	**(20)**	**36**

Our share of profit/(loss) from associates and joint ventures turned positive from US$(20) million in 2023 to US$36 million in 2024, due to our increase in shareholding and the increase in profitability of BRI Life in 2024, which resulted in an increase our share of profit.

Tax Benefit/(Expense)

We are subject to income tax on an entity basis on profits arising in or derived from the markets or jurisdictions in which we operate. In 2023 and 2024, we were subject to statutory corporate income tax rates of 16.5%, 20.0% and 28.0% in relation to our operations in Hong Kong, Thailand and Japan, respectively. In the other jurisdictions in which we operate, we were subject to average corporate income tax rates ranging from 12.0% (Macau) to 25.0% (the Philippines) during those periods. Specifically, new subsidiaries of varying sizes and applicable statutory tax rates have been added to our Group in different countries across each reporting period. We recorded a tax benefit of US$97 million in 2023 and a tax expense of US$174 million in 2024. Additionally, as we operate across relatively more mature markets and emerging markets, our consolidated results in 2023 and 2024 comprised both profit-making and loss-making entities, which results in offsetting effects that impacted our combined effective tax rates during the reporting periods. Our annual average tax rate has changed year over year as taxes are determined at the individual country level and then aggregated and as a result, as our geographic mix changes, the overall tax rate also changes.

The table below reflects the principal rates of corporate income tax as the end of each period. The rates reflect enacted or substantively enacted corporate tax rates throughout the period in each jurisdiction:

	Year ended 31 December	
	2023	**2024**
Hong Kong	16.5%	16.5%
Thailand	20%	20%
Japan	28%	28%
Others	12%-25%	12%-25%

Net Profit/(Loss) and Operating Profit after Tax (non-IFRS measure)

As a result of the foregoing, we recorded a net loss of US$717 million in 2023 and a net profit of US$10 million in 2024. The following table presents a breakdown of our net profit/(loss) for the periods indicated:

	Year ended 31 December	
	2023	**2024**
	(US$ millions)	
Net profit/(loss)	(717)	10
Attributable to:		
Equity Holders of the Company[1]	(733)	24
Non-controlling interests	16	(14)

Note:

(1) See Note 6 to the Accountants' Report included in Appendix I for the definition of Equity Holders of the Company.

The following table presents our operating profit after tax (non-IFRS measure) as reconciled with net profit/(loss) for the relevant periods indicated:

	Year ended 31 December	
	2023	**2024**
	(US$ millions)	
Net profit/(loss) after tax	(717)	10
Tax on operating profit before tax	140	139
Tax impact from non-operating items	(237)	35
Profit/(Loss) before tax	(814)	184
Non-operating items, net of related changes in insurance and investment contract liabilities:		
Market related:		
Short-term fluctuations in investment return related to equities, interests in investment funds and investment property	198	38
Loss component on onerous contracts	39	(89)
Other non-operating investment return[1]	740	40

	Year ended 31 December	
	2023	**2024**
	(US$ millions)	
Non-market related:		
Finance costs related to borrowings and long-term payables[2]	147	227
M&A, business set up and restructuring related costs	71	71
[**REDACTED**] related costs including incentive costs	63	11
Implementation costs for IFRS 9 and 17 and GWS	65	36
Other non-operating items	3	73
Operating profit before tax (non-IFRS measure)	512	591
Tax on operating profit before tax	(140)	(139)
Operating profit after tax (non-IFRS measure)	**372**	**452**
Attributable to:		
Equity Holders of the Company[3]	378	463
Non-controlling interests	(6)	(11)

Notes:

(1) Mainly comprises realised gains/losses on the disposal of debt securities, foreign exchange gains/losses, and gains/losses on fair value movements of derivatives.

(2) See Note 6.1 to the Accountants' Report included in Appendix I for reconciliation of operating and non-operating finance costs.

(3) See Note 6 to the Accountants' Report included in Appendix I for the definition of Equity Holders of the Company.

Discussion of Operating Profit

	Year ended 31 December		CER %/
	2023	**2024**	**change**
	(US$ millions, except for percentages)		
CSM release	608	588	(0.8)%
Operating variances	(22)	38	N/A
Risk adjustment release	55	64	19.7%
Others	(57)	(116)	106.6%

	Year ended 31 December		CER %/
	2023	2024	change
	(US$ millions, except for percentages)		
Net insurance service result	584	574	1.0%
Investment return	1,724	1,889	11.1%
Net finance expenses	(1,416)	(1,570)	11.7%
Net investment result	308	319	8.4%
Operating profit before tax (pre-corporate overheads)	892	893	3.5%
Other revenue	31	35	14.8%
Non-attributable expenses – Group Office	(172)	(152)	(11.5)%
Non-attributable expenses – Business Units	(217)	(196)	(6.5)%
Borrowings and other finance costs	(27)	(22)	(17.5)%
Share of profit from associates and joint ventures	5	33	560.0%
Operating profit before tax (non-IFRS measure)	512	591	20.6%
Operating tax	(140)	(139)	N/A
Operating profit after tax (non-IFRS measure)	**372**	**452**	**27.3%**
Attributable to:			
Equity Holders of the Company[1]	378	463	28.3%
Non-controlling interests	(6)	(11)	N/A
Post-tax operating margin[2] (%)	5.9%	7.0%	1.2%
CSM amortisation rate[3] (%)	10.5%	9.9%	N/A

Notes:

(1) See Note 6 to the Accountants' Report included in Appendix I for the definition of Equity Holders of the Company.

(2) Operating profit after tax (non-IFRS measure) divided by total weighted premium income.

(3) CSM amortisation divided by closing balance of CSM (excluding CSM amortisation and foreign exchange movement).

There are three major components of operating profit: net insurance service result, net investment result, and other revenue and expenses.

Net Insurance Service Result

CSM release is the key driver of operating profit, and the CSM balance forms part of insurance contract liabilities alongside the best estimate liabilities, with a risk adjustment for non-financial risks. The calculation of each component of the insurance contract liabilities involves discounting, based on current risk-free rates and an illiquidity premium depending on product type.

CSM release is the largest contributor to our operating profit, with US$588 million CSM release in 2024. CSM amortisation rate, which represents CSM amortisation divided by closing balance of CSM (excluding CSM amortisation and foreign exchange movement), was 9.9% in 2024, compared to 10.5% in 2023. CSM release decreased by 0.8% on a CER basis in 2024 from 2023.

Net insurance service result increased by 1.0% on a CER basis from US$584 million in 2023 to US$574 million in 2024, mainly driven by (i) higher new business CSM, (ii) improved claims experience, (iii) improved expense discipline, and (iv) higher CSM amortisation from the Athene Reinsurance transaction, partially offset by a one-off impact from the measurement model change to a reinsurance treaty in 2023. Net insurance service result contributed to 64.3% and 65.5% of our operating profit before tax (pre-corporate overheads) in 2024 and 2023, respectively, highlighting the quality of our business and strong execution of our protection focused strategy.

Net Investment Result

The net investment result, relating mostly to non-participating business and the return on surplus assets, increased by 8.4% on a CER basis from US$308 million in 2023 to US$319 million in 2024.

Total investment return of US$1,889 million in 2024 equates to a 3.2% average return on assets backing our non-participating business and surplus assets, which stood at US$26.9 billion as of 31 December 2024. Fixed income and cash account for more than 83% of the invested assets, with an average book yield of 3.1%.

The investment return is partially offset by US$1,570 million of insurance finance expenses in 2024, which represents (i) the unwind of the discount rate, and (ii) the effect of changes in financial risks on insurance contracts.

Other Revenue and Expenses

Other revenue and expenses are mainly composed of overhead expenses in Business Units and the Group Office that are not directly attributable to the insurance service result. Group Office costs decreased by 11.5% on a CER basis from US$172 million in 2023 to US$152 million in 2024 due to improved expense discipline. Non-attributable expenses of our operating entities reduced by 6.5% on a CER basis from US$217 million in 2023 to US$196 million in 2024 due to (i) strong cost control, and (ii) change in the attribution rate. In addition, we recorded finance costs of US$22 million in 2024 on leases, repurchase agreements and coinsurance contracts.

Analysis of CSM

CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit that the Group will recognise as it provides insurance contract services under its insurance contracts. CSM represents the stock of future profits that are yet to be earned on our in-force business and will release over time into operating profit and net profit. Our CSM balance has built up over time through the addition of successive cohorts of profitable new business over many years, with a cumulative discounted value of expected future profits of US$5.2 billion as of 31 December 2024.

The following table provides a breakdown of our CSM balance and net CSM balance for the periods indicated:

	Year ended 31 December	
	2023	**2024**
	(US$ millions)	
Opening CSM balance	5,400	5,046
New business CSM[1]	1,742	1,171
Interest accretion	48	58
Operating variances and assumption changes	(1,759)	(465)
CSM release	(608)	(588)
Operating change in CSM	(577)	176
Economic variances and assumption changes	506	85
Foreign exchange	(150)	(174)
Others	(133)	41
Closing CSM balance	5,046	5,174
Net CSM balance	**4,092**	**4,235**

Note:

(1) New business CSM is the IFRS new business CSM figure, which includes the impact of the Athene Reinsurance transaction, and excludes the impact of the Group's investment in BRI Life, which is accounted for as an investment in associate under IFRS. For avoidance of doubt, the new business CSM is presented on an actual, as-reported basis.

Our CSM balance as of 31 December 2023 was US$5,046 million. New business CSM contributed US$1,171 million in 2024, with a further US$58 million coming from the expected return on the in-force CSM as it unwinds by one year. In 2024, our operating variances and assumption changes of US$(465) million related largely to strengthening of operating assumptions of US$(475) million, partially offset by operating variance of US$10 million that is mainly contributed by favourable persistency variance. For the six months ended 30 June 2024, we recorded operating assumption changes of US$(385) million. Lastly, US$588 million of CSM was released into the insurance service result. Our operating change in CSM was US$176 million in 2024 mainly due to new business, partially offset by the impact of the operating assumption changes.

Our CSM balance as of 31 December 2022 was US$5,400 million. New business CSM contributed US$1,742 million (with the impact of the Athene Reinsurance transaction contributing US$440 million) in 2023, with a further US$48 million coming from the expected return on the in-force CSM as it unwinds by one year. In 2023, our operating variances and assumption changes of US$(1,759) million related largely to strengthening of operating assumptions of US$(1,401) million and operating variances of US$(358) million. Lastly, US$608 million of CSM was released into the insurance service result. Due to the impact of the operating variances, our operating change in CSM decreased by US$577 million in 2023.

Economic Variances and Assumption Changes

Economic variances and assumption changes include the change in fair value of underlying assets and insurance contracts liabilities due to equity market and interest rate movements. Our economic variances and assumption changes decreased from US$506 million in 2023 to US$85 million in 2024, mainly due to the decrease in US and Hong Kong dollars illiquidity premium in 2024.

Foreign Exchange

Our foreign exchange movements consist of the foreign exchange movements when translating the CSM balance of operating entities to the US dollar. Due to further depreciation in the Japanese Yen against the US dollar, the foreign exchange impact increased from US$(150) million in 2023 to US$(174) million in 2024.

Others

Our others category consists of impact of model change and changes in loss component on onerous contracts. Our others category turned positive from US$(133) million in 2023 to US$41 million in 2024, mainly due to model changes in 2023.

Given our high rates of new business CSM relative to the CSM balance (representing 23% in 2024), our CSM balance, on an operating basis (before market and foreign exchange movements), grew from US$5,046 million in 2023 and to US$5,222 million in 2024, demonstrating the strong growth and quality of our business.

Year Ended 31 December 2023 Compared to Year Ended 31 December 2022

Insurance Service Result

The following table provides a breakdown of our insurance service result for the periods indicated:

	Year ended 31 December	
	2022	2023
	(US$ millions)	
Insurance revenue	2,408	2,756
Insurance service expenses	(1,817)	(1,989)
Net expenses from reinsurance contracts held	(146)	(88)
Insurance service result	445	679

Our insurance service result increased by 52.6% from US$445 million in 2022 to US$679 million in 2023.

- *Hong Kong (and Macau):* Our insurance service result increased by 322.4% from US$69 million in 2022 to US$292 million in 2023, primarily as a result of loss component on onerous contracts recognised in 2022 due to short-term fluctuations in investment return, which was partially reversed in 2023 due to improved market conditions.

- *Thailand (and Cambodia):* Our insurance service result decreased by 18.6% from US$167 million in 2022 to US$136 million in 2023, mainly driven by lower CSM release as a result of a lower CSM balance due to strengthening of operating assumptions.

- *Japan:* Our insurance service result increased by 36.3% from US$169 million in 2022 to US$230 million in 2023, due to one-off gain from the termination of a reinsurance contract issued, partially offset by the lower CSM release as a result of a lower CSM balance due to strengthening of operating assumptions.

- *Emerging Markets:* Our insurance service result decreased by 48.1% from US$40 million in 2022 to US$21 million in 2023, primarily due to strengthening of operating assumptions.

Investment Return

The following table provides a breakdown of our investment return for the periods indicated:

	Year ended 31 December	
	2022	2023
	(US$ millions)	
Interest revenue	1,011	1,159
Other investment losses	(999)	(791)
Net impairment loss on financial assets	(29)	(9)
Investment return	(17)	359

Our interest revenue increased by 14.7% from US$1,011 million in 2022 to US$1,159 million in 2023 due to reinvestment at higher market yields throughout 2023.

Our other investment losses decreased by 20.7% from loss of US$999 million to US$791 million in 2023. While the general market environment was relatively more stable in 2023, a majority of the losses were caused by investment losses on the disposal of financial investments related to the Athene Reinsurance transaction.

As a result of the foregoing, our investment return increased from US$(17) million in 2022 to US$359 million in 2023.

Net Finance Income/(Expenses) from Insurance Contracts and Net Finance Income/(Expenses) from Reinsurance Contracts Held

Our net finance income/(expenses) from insurance contracts decreased from US$86 million in 2022 to US$(996) million in 2023. In 2023, the negative effect of changes in financial risks on insurance contract liabilities reflected the investment return gains relating to VFA contracts, whereas in 2022 the positive effect of changes in financial risks on insurance contract liabilities reflected the investment return losses relating to VFA contracts.

Our net finance income/(expenses) from reinsurance contracts held increased from US$(23) million in 2022 to US$1 million in 2023, due to the unwinding of discount rate on the Athene Reinsurance transaction in 2023.

Net Investment Result

As a result of the foregoing, our net investment result decreased from US$48 million in 2022 to US$(632) million in 2023, mainly due to the investment losses on disposal of financial investments related to the Athene Reinsurance transaction.

Other Revenue

Our other revenue increased by 69.1% from US$38 million in 2022 to US$64 million in 2023, mainly driven by the negative goodwill of US$26 million recognised for the acquisition of FWD Life Malaysia. See Note 5.1 to the Accountants' Report included in Appendix I for more information.

Expenses

The following table provides a breakdown of our total expenses for the periods indicated:

	Year ended 31 December	
	2022	2023
	(US$ millions)	
Claims and benefits	861	867
Loss on onerous insurance contracts	118	93
Commission and other acquisition expenses	1,280	1,498
Employee benefits expenses	605	630
Depreciation	63	61
Amortisation	32	44
Marketing and advertising	51	69
Professional service fees	189	193
Information technology expenses	147	173
Investment management expenses	69	59
Others[1]	128	222
	3,543	3,909
Amounts attributed to insurance acquisition cash flows	(1,605)	(1,937)
Amortisation of insurance acquisition cash flows	568	748
Total	2,506	2,720
Represented by:		
Insurance service expenses	1,817	1,989
General and other expenses – operating	414	389
General and other expenses – non operating	275	342

Note:

(1) Includes travel and entertainment, bank charges, office related expenses, other general operating expenses and impairment of intangible assets.

Our general and other expenses increased by 6.1% from US$689 million in 2022 to US$731 million in 2023, mainly due to impairment of distribution rights in 2023 (see Note 9 to the Accountants' Report included in Appendix I), partially offset by higher expenses attributed to insurance service expenses in 2023.

Borrowings and other Finance Costs

The following table provides a breakdown of borrowings and other finance costs for the periods indicated:

	Year ended 31 December	
	2022	**2023**
	(US$ millions)	
Borrowings	103	145
Lease Liabilities	4	5
Others	21	24
Borrowings and other finance costs	128	174

Our borrowings and other finance costs increased by 36.5% from US$128 million in 2022 to US$174 million in 2023, mainly due to increases in reference rates for borrowings in 2023.

Share of Profit/(loss) from Associates and Joint Ventures

The following table provides a breakdown of our share of profit from associates and joint ventures for the periods indicated:

	Year ended 31 December	
	2022	**2023**
	(US$ millions)	
Net loss from interests in associates and joint ventures	(9)	(23)
Net profits from interests in associates and joint ventures	11	3
Share of profit/(loss) from associates and joint ventures	2	(20)

Our share of profit/(loss) from associates and joint ventures decreased from US$2 million in 2022 to US$(20) million in 2023, due to the decrease in share of profit from BRI Life in 2023 and the increase in share of loss from CompareAsia.

Tax Benefit/(Expense)

In 2022 and 2023, we were subject to statutory corporate income tax rates of 16.5%, 20.0% and 28.0% in relation to our operations in Hong Kong, Thailand and Japan, respectively. In the other jurisdictions in which we operate, we were subject to average corporate income tax rates ranging from 12.0% (Macau) to 25.0% (the Philippines) during those periods. Specifically, new subsidiaries of varying sizes and applicable statutory tax rates have been added to our Group in different countries across each reporting period. We recorded a tax expense of US$36 million and a tax benefit of US$97 million in 2022 and 2023, respectively. Additionally, as we operate across relatively more mature markets and emerging markets, our consolidated results in 2022 and 2023 comprised both profit-making and loss-making entities, which results in offsetting effects that impacted our combined effective tax rates during the reporting periods.

The table below reflects the principal rates of corporate income tax as of the end of each year. The rates reflect enacted or substantively enacted corporate tax rates throughout the year in each jurisdiction:

	Year ended 31 December	
	2022	**2023**
Hong Kong	16.5%	16.5%
Thailand	20%	20%
Japan	28%	28%
Others	12%-25%	12%-25%

Net Profit/(Loss) and Operating Profit after Tax (non-IFRS measure)

As a result of the foregoing, we recorded a net loss of US$320 million in 2022 and a net loss of US$717 million in 2023. The following table presents a breakdown of our net profit/(loss) for the periods indicated:

	Year ended 31 December	
	2022	**2023**
	(US$ millions)	
Net loss	(320)	(717)
Attributable to:		
Equity Holders of the Company[1]	(320)	(733)
Non-controlling interests	–	16

Note:

(1) See Note 6 to the Accountants' Report included in Appendix I for the definition of Equity Holders of the Company.

The following table presents our operating profit after tax (non-IFRS measure) as reconciled with net loss for the relevant periods indicated:

	Year ended 31 December	
	2022	**2023**
	(US$ millions)	
Net loss after tax	(320)	(717)
Tax on operating profit before tax	94	140
Tax impact from non-operating items	(58)	(237)
Loss before tax	(284)	(814)
Non-operating items, net of related changes in insurance and investment contract liabilities:		
Market related:		
Short-term fluctuations in investment return related to equities, interests in investment funds and investment property	187	198
Loss component on onerous contracts	99	39
Other non-operating investment return[1]	10	740
Non-market related:		
Finance costs related to borrowings and long-term payables[2]	109	147
M&A, business set up and restructuring related costs	88	71
[**REDACTED**] related costs including incentive costs	73	63
Implementation costs for IFRS 9 and 17 and GWS	79	65
Other non-operating items	32	3
Operating profit before tax (non-IFRS measure)	393	512
Tax on operating profit before tax	(94)	(140)
Operating profit after tax (non-IFRS measure)	299	372
Attributable to:		
Equity Holders of the Company[3]	299	378
Non-controlling interests	–	(6)

Notes:

(1) Mainly comprises realised gains/losses on the disposal of debt securities, foreign exchange gains/losses, and gains/losses on fair value movements of derivatives.

(2) See Note 6.1 to the Accountants' Report included in Appendix I for reconciliation of operating and non-operating finance costs.

(3) See Note 6 to the Accountants' Report included in Appendix I for the definition of Equity Holders of the Company.

Discussion of Operating Profit

	Year ended 31 December		CER %/ change
	2022	2023	
	(US$ millions, except for percentages)		
CSM release	531	608	16.8%
Operating variances	(18)	(22)	(32.7)%
Risk adjustment release	49	55	13.9%
Others	(27)	(57)	(121.6)%
Net insurance service result	535	584	10.8%
Investment return	1,074	1,724	60.7%
Net finance expenses	(828)	(1,416)	(71.3)%
Net investment result	245	308	25.0%
Operating profit before tax (pre-corporate overheads)	781	892	15.3%
Other revenue	35	31	(7.7)%
Non-attributable expenses – Group Office	(116)	(172)	(48.1)%
Non-attributable expenses – Business Units	(298)	(217)	26.5%
Finance costs	(19)	(27)	(50.8)%
Associates and joint ventures	10	5	(50.0)%
Operating profit before tax	393	512	31.8%
Operating tax	(94)	(140)	N/A
Operating profit after tax (non-IFRS measure)	**299**	**372**	**26.8%**
Attributable to:			
Equity Holders of the Company[(1)]	299	378	28.7%
Non-controlling interests	–	(6)	N/A
Post-tax operating margin[(2)] (%)	4.7%	5.9%	N/A
CSM amortisation rate[(3)] (%)	8.6%	10.5%	N/A

Notes:

(1) See Note 6 to the Accountants' Report included in Appendix I for the definition of Equity Holders of the Company.

(2) Operating profit after tax (non-IFRS measure) divided by total weighted premium income.

(3) CSM amortisation divided by closing balance of CSM (excluding CSM amortisation and foreign exchange movement).

Net Insurance Service Result

CSM release is the largest contributor to our operating profit, with US$608 million CSM release in 2023. CSM amortisation rate, which represents CSM amortisation divided by closing balance of CSM (excluding CSM amortisation and foreign exchange movement), was 10.5% in 2023, compared to 8.6% in 2022. CSM release grew 16.8% on a CER basis in 2023 from 2022 mainly due to the higher CSM amortisation rate because of strengthening of operating assumptions. CSM amortisation rate excluding the impact of persistency assumption changes in 2023 and one-off items was 9.5% in 2023, which is largely in line with 9.3% in 2022.

Net insurance service result grew 10.8% on a CER basis from US$535 million in 2022 to US$584 million in 2023, mainly driven by the growth in the CSM release and improvement in claims experience. Net insurance service result contributed to 65.5% and 68.5% of our operating profit before tax (pre-corporate overheads) in 2023 and 2022, respectively, highlighting the quality of our business and strong execution of our protection focused strategy.

Net Investment Result

The net investment result, relating mostly to non-participating business and the return on surplus assets, increased by 25.0% on a CER basis from US$245 million in 2022 to US$308 million in 2023 mainly due to business growth and higher market returns.

Total investment return of US$1,724 million in 2023 equates to a 3.3% average return on assets backing our non-participating business and surplus assets, which stood at US$27.7 billion as of 31 December 2023. Fixed income and cash, which account for more than 75.5% of the invested assets, at an average book yield of 3.0%.

The investment return is partially offset by US$1,416 million of insurance finance expenses in 2023, which represents (i) the unwind of the discount rate, and (ii) the effect of changes in financial risks on insurance contracts.

Other Revenue and Expenses

Group Office costs increased by 48.1% on a CER basis from US$116 million in 2022 to US$172 million in 2023 due to investment in resources and IT platforms to support the growth of our business and digital platform for better underwriting, claims and customer engagement experience. Non-attributable expenses of our operating entities reduced by 26.5% on a CER basis from US$298 million in 2022 to US$217 million in 2023 due to (i) strong cost control, and (ii) change in the attribution rate. In addition, we recorded finance costs of US$27 million in 2023 on leases, repurchase agreements and coinsurance contracts.

Analysis of CSM

The following table provides a breakdown of our CSM balance and net CSM balance for the periods indicated:

	Year ended 31 December	
	2022	**2023**
	(US$ millions)	
Opening CSM balance	5,015	5,400
New business CSM[1]	1,362	1,742
Interest accretion	21	48
Operating variances and assumption changes	62	(1,759)
CSM release	(531)	(608)
Operating change in CSM	915	(577)
Economic variances and assumption changes	(556)	506
Foreign exchange	(240)	(150)
Others	267	(133)
Closing CSM balance	5,400	5,046
Net CSM balance	4,404	4,092

Note:

(1) New business CSM is the IFRS new business CSM figure, which includes the impact of the Athene Reinsurance transaction, and excludes the impact of the Group's investment in BRI Life, which is accounted for as an investment in associate under IFRS.

Our CSM balance as of 31 December 2022 was US$5,400 million. New business CSM contributed US$1,742 million (with the impact of the Athene Reinsurance transaction contributing US$440 million) in 2023, with a further US$48 million coming from the expected return on the in-force CSM as it unwinds by one year. Operating variances and assumption changes of US$(1,759) million related largely to strengthening of operating assumptions and higher expense attribution rate. Lastly, US$608 million of CSM was released into the insurance service result. Due to the impact of the operating variances, our operating change in CSM decreased by US$577 million in 2023.

Our CSM balance as of 31 December 2021 was US$5,015 million, with new business CSM contributing US$1,362 million in 2022 and a further US$21 million coming from the expected return on the in-force CSM as it unwinds by one year. Operating variances of US$62 million related largely to operating assumptions changes. Lastly, US$531 million of CSM was released into the insurance service result. Driven by our continued delivery of growth in high-quality new business, our operating change in CSM increased by US$915 million in 2022.

Economic Variances and Assumption Changes

Our economic variances and assumption changes increased from US$(556) million in 2022 to US$506 million in 2023, mainly due to (i) more favourable equity market performance, and (ii) interest rates remaining relatively stable compared to 2022.

Foreign Exchange

Due to less depreciation in Japanese Yen against the US dollar in 2023, our foreign exchange movements decreased from US$(240) million to US$(150) million in 2023.

Others

Our others category decreased from US$267 million to US$(133) million in 2023, mainly due to model changes in 2023.

Given our high rates of new business CSM relative to the CSM balance (representing 25% in 2022 and 35% in 2023, respectively), our CSM balance grew 18.2% in 2022 on an operating basis (before market and foreign exchange movements), demonstrating the strong growth and quality of our business. This growth was lower in 2023 due to adverse operating variances and assumption changes (21.9% excluding operating variances and assumption changes).

DISCUSSION OF MAJOR ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Consolidated Statements of Financial Position as of 31 December 2024, 2023 and 2022

Assets

As of 31 December 2024, 2023 and 2022, our total assets were US$53,712 million, US$52,674 million and US$50,590 million, respectively. The following table sets forth the principal components of our assets as of the dates indicated:

	As of 31 December		
	2022	**2023**	**2024**
		(US$ millions)	
Intangible assets	3,207	3,154	3,085
Insurance contract assets	722	798	683
Reinsurance contract assets	725	2,876	2,696
Cash and cash equivalents	1,474	2,008	1,687
Total assets other than financial investments	8,159	11,119	10,043
Financial investments:			
At fair value through other comprehensive income debt securities	30,815	29,029	31,408
At fair value through profit or loss			
Debt securities	1,810	1,970	1,750
Equity securities	381	675	221
Interests in investment funds	7,576	8,667	9,103
Derivative financial instruments	319	218	285
Loans and deposits	1,530	996	902
Total financial investments	42,431	41,555	43,669
Total assets	**50,590**	**52,674**	**53,712**

Intangible Assets

Intangible assets consist of goodwill, distribution rights, computer software and other intangible assets.

	As of 31 December		
	2022	**2023**	**2024**
		(US$ millions)	
Intangible assets			
Goodwill	1,529	1,535	1,507
Distribution rights	1,543	1,473	1,439
Computer software and others	135	146	139
Total intangible assets	**3,207**	**3,154**	**3,085**

Our intangible assets decreased by 2.2% from US$3,154 million as of 31 December 2023 to US$3,085 million as of 31 December 2024, mainly due to (i) amortisation, (ii) impairment in 2024 and (iii) foreign exchange movements from the strengthening of the US dollar.

Our intangible assets decreased by 1.7% from US$3,207 million as of 31 December 2022 to US$3,154 million as of 31 December 2023, mainly due to (i) amortisation, and (ii) impairment in 2023, partially offset by additions to distribution rights and computer software.

Goodwill is tested for impairment annually by comparing the carrying amount of the cash generating unit ("**CGU**"), including goodwill, to the recoverable amount of that CGU. The recoverable amount is the value in use of the CGU. The value in use is calculated as an actuarially determined appraisal value, based on (i) the Embedded Value with respect to the in-force business together with (ii) the value of future new business. The key assumptions used in the embedded value calculations include risk discount rate, investment returns, mortality, morbidity, persistency, expenses and inflation, which are aligned to those assumptions detailed in the Actuarial Consultant's Report set forth in Appendix III. The present value of expected future new business is calculated based on a combination of indicators which reflect management's best estimate of future profit based on historical experience and operating assumptions such as premium and expenses taking into account, among others, recent production mix, business strategy, market trends and risk associated with the future new business projections. Best estimate assumption reflects estimates around economic environment, business plans with distribution partners, and the prevailing business environment and regulatory requirements. An impairment of US$21 million was recognised for Indonesia in 2024. No impairment on goodwill was recognised in 2022 and 2023. See Note 14 to the Accountants' Report included in Appendix I to this document.

The headroom of each CGU (i.e., by how much the recoverable amount would exceed the carrying amount of the CGU when the key assumptions have been applied in the impairment testing) as of 31 December 2024 is summarised in the following table.

	% of headroom over the carrying amount of the CGU
	2024
Hong Kong	Over 100
Thailand	50-100
Japan	Over 100
Emerging Markets:	
Vietnam	0-50
Indonesia	0

The Group conducted sensitivity analyses of the assumptions applied in the base version of the impairment test to confirm whether a reasonably possible change in key assumptions (the investment returns, risk discount rate or VNB multiplier) would cause the carrying amount of the CGU to exceed its recoverable amount. Based upon the basis of the analyses and the best estimate assumptions, the Group did not identify that a reasonable possible change in the key assumptions could cause the carrying amount of the CGUs to exceed the recoverable amount as of 31 December 2022, 2023 and 2024, except for the impairment recognised in Indonesia in 2024.

The results of the sensitivity analyses on the investment returns, the risk discount rate or the VNB multiplier as of 31 December 2024 are summarised in the following tables:

	Change in % of headroom over the carrying amount of the CGU	
	2024	
Investment returns	**-25bps**	**+25bps**
Hong Kong	0-10	(0-10)
Thailand	(0-10)	0-10
Japan	(0-10)	0-10
Emerging Markets:		
Vietnam	0-10	(0-10)
Indonesia	(0-10)	0-10

	Change in % of headroom over the carrying amount of the CGU	
	2024	
Risk discount rate	**-50bps**	**+50bps**
Hong Kong	20-40	(10-20)
Thailand	0-10	(0-10)
Japan	0-10	(0-10)
Emerging Markets:		
Vietnam	10-20	(10-20)
Indonesia	0-10	(0-10)

	Change in % of headroom over the carrying amount of the CGU	
	2024	
VNB Multiplier	**-20%**	**+20%**
Hong Kong	(20-40)	20-40
Thailand	(20-40)	20-40
Japan	(0-10)	0-10
Emerging Markets:		
Vietnam	(10-20)	10-20
Indonesia	(10-20)	10-20

Assets Other than Financial Investments

Assets other than financial investments primarily consist of insurance and reinsurance contract assets, cash and cash equivalents and other miscellaneous non-financial assets. Under IFRS 17, insurance and reinsurance contract assets and liabilities are recorded separately. In addition, under IFRS 9, the new model takes a different approach in addressing the classification, measurement and recognition of financial assets. See "*– Basis of Presentation – Implementation of IFRS 17 and IFRS 9*."

	As of 31 December		
	2022	2023	2024
		(US$ millions)	
Assets other than financial investments			
Insurance contract assets	722	798	683
Reinsurance contract assets	725	2,876	2,696
Cash and cash equivalents	1,474	2,008	1,687
Other non-financial assets[1]	5,238	5,437	4,977
Total assets other than financial investments	**8,159**	**11,119**	**10,043**

Note:

(1) Consist of intangible assets, investments in associates and joint ventures, property, plant and equipment, investment property, deferred tax assets, current tax recoverable and other assets.

Our assets other than financial investments decreased by 9.7% from US$11,119 million as of 31 December 2023 to US$10,043 million as of 31 December 2024. The decrease in reinsurance assets was mainly due to (i) foreign exchange movements from depreciation of Japanese Yen against the US dollar, and (ii) increasing Japan interest rate which reduces the present value of reinsurance contract assets as higher discounting rate being used. The decrease in other non-financial assets is mainly due to the release of cash collateral held for the recapture of a reinsurance treaty. Cash and cash equivalents decreased, mainly due to the settlement of borrowings in 2024.

Our assets other than financial investments increased by 36.3% from US$8,159 million as of 31 December 2022 to US$11,119 million as of 31 December 2023. The increase in reinsurance assets was mainly due to the Athene Reinsurance transaction. Cash and cash equivalents increased, mainly from the proceeds from the issuance of medium-term notes in December 2023.

Financial Investments

Our financial investments increased by 5.1% from US$41,555 million as of 31 December 2023 to US$43,669 million as of 31 December 2024, mainly due to (i) asset growth from new business, (ii) lower interest rates resulting in fair value gains on debt securities at fair value through other comprehensive income in Thailand, and (iii) financial investments held to back unit-linked contracts increased by 22.7% from US$2,785 million as of 31 December 2023 to US$3,417 million as of 31 December 2024, of which corresponding investment return is borne by holders of our unit-linked insurance products.

Our financial investments decreased by 2.1% from US$42,431 million as of 31 December 2022 to US$41,555 million as of 31 December 2023, mainly due to the disposals of fixed income securities for the Athene Reinsurance transaction, offset by asset growth from new business.

Financial investments held to back unit-linked contracts increased by 15.7% from US$2,408 million as of 31 December 2022 to US$2,785 million as of 31 December 2023, of which corresponding investment return is borne by holders of our unit-linked insurance products.

Level 3 Fair Value Measurement

Our management has carefully reviewed the valuation related policies, the financial statements prepared in accordance with the IFRS, and other supporting documents, and has had sufficient understanding of the valuation model, methodologies, and techniques. Based on the foregoing, our management is of the view that the valuation analysis performed during the Track Record Period is fair and reasonable. Our management is satisfied with the valuation work for the Level 3 fair value measurement on financial assets and liabilities performed during the Track Record Period.

Details of the fair value measurement of Level 3 financial assets and liabilities, including the valuation technique and unobservable inputs, are set out in Note 21 to the Accountants' Report included in Appendix I.

Having considered the work done by the Directors and the Reporting Accountants and based on the independent due diligence work conducted by the Joint Sponsors, including but not limited to (i) review of the relevant notes in the Accountants' Report included in Appendix I; (ii) discussions with the Company and the Reporting Accountants on the accounting policies and procedures; and (iii) review of a sample of valuation reports, nothing has come to the Joint Sponsors' attention that would reasonably cause the Joint Sponsors to cast doubt on the reasonableness of the explanations provided by the Directors and the Reporting Accountants with respect to the applicable standards for the valuation of Level 3 financial assets at fair value through profit and loss.

Liabilities

	As of 31 December		
	2022	**2023**	**2024**
		(US$ millions)	
Liabilities:			
Insurance contract liabilities	37,019	40,073	41,646
Reinsurance contract liabilities	463	304	366
Investment contract liabilities	197	56	32
Financial liabilities(1)	2,350	2,947	3,321
Liabilities – other than the above(2)	2,072	1,662	1,533
Total liabilities	**42,101**	**45,042**	**46,898**

Notes:

(1) Includes borrowings and derivative financial instruments.

(2) Consists of provisions, deferred tax liabilities, current tax liabilities and other liabilities.

Our insurance contract liabilities increased by 3.9% from US$40,073 million as of 31 December 2023 to US$41,646 million as of 31 December 2024, from (i) new business organic growth and (ii) decreasing interest rates in Thailand, which increased the present value of insurance contract liabilities with a lower discount rate being used, partially offset by the impact of the increased Japanese interest rates. Our financial liabilities increased by 12.7% from US$2,947 million as of 31 December 2023 to US$3,321 million as of 31 December 2024, driven by (i) an increase in borrowings after the subordinated dated capital securities issuance in July 2024, (ii) an increase in fair value of derivative financial liabilities due to the weakening of the Japanese Yen against the US dollar, and (iii) an increase in fair value of bond forwards due to increasing US interest rates. Our other liabilities reduced by 7.8% from US$1,662 million as of 31 December 2023 to US$1,533 million as of 31 December 2024, mainly due to the settlement of distribution agreement payables.

Our insurance contract liabilities increased by 8.2% from US$37,019 million as of 31 December 2022 to US$40,073 million as of 31 December 2023, mainly due to (i) new business organic growth, and (ii) premium received from the in-force portfolio in 2023. Our reinsurance contract liabilities decreased by 34.4% from US$463 million as of 31 December 2022 to US$304 million as of 31 December 2023, mainly due to the recapture of certain reinsurance treaties. Our investment contract liabilities decreased by 71.4% from US$197 million as of 31 December 2022 to US$56 million as of 31 December 2023, driven by policy withdrawals in Hong Kong. Our financial liabilities increased by 25.4% from US$2,350 million as of 31 December 2022 to US$2,947 million as of 31 December 2023, driven by the increase in fair value of derivative financial liabilities due to the weakening of the Japanese Yen against the US dollar. Our other liabilities decreased by 19.8% from US$2,072 million as of 31 December 2022 to US$1,662 million as of 31 December 2023, mainly due to the decrease in (i) obligations under repurchase and forward agreements, and (ii) cash collateral held for derivative assets.

Except as discussed above, or as disclosed in Notes 25, 26 and 34 to the Accountant's Report in Appendix I, as of 31 December 2024, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured.

Equity

Our total equity decreased by 10.7% from US$7,632 million as of 31 December 2023 to US$6,814 million as of 31 December 2024, mainly due to (i) foreign exchange movements from depreciation of the Japanese Yen and other currencies against the US dollar, and (ii) redemption of the US$600 million of the capital securities issued by FGL on 13 September 2019 (the "**2019 Perpetual Securities**").

Our total equity decreased by 10.1% from US$8,489 million as of 31 December 2022 to US$7,632 million as of 31 December 2023, mainly due to net loss in 2023.

The following table sets forth the adjusted attribution of total equity (i.e., assuming the Reorganisation was completed as of 1 January 2021) as of the dates indicated:

	As of 31 December		
	2022	**2023**	**2024**
		(US$ millions)	
Total equity attributable to:			
Shareholders of the Company and perpetual securities holders	**6,771**	**7,582**	**6,753**
Shareholders of the Company	5,417	6,234	6,012
Perpetual securities	1,354	1,348	741
Non-controlling interests	1,718	50	61
Total equity	**8,489**	**7,632**	**6,814**

	As of 31 December		
	2022	2023	2024
		(US$ millions)	
Add: Share capital and share premium	1,717	–	–
Less: Non-controlling interests	(1,717)	–	–
Adjusted attribution of total equity:			
Equity Holders of the Company	**8,488**	**7,582**	**6,753**
Shareholders of the Company	7,134	6,234	6,012
Perpetual securities	1,354	1,348	741
Adjusted non-controlling interests	1	50	61
Total equity	**8,489**	**7,632**	**6,814**

The perpetual securities were issued by FL and FGL and have been treated as equity in our consolidated statement of financial position. FL and FGL have used the proceeds from the issuances for general corporate purposes, acquisitions and/or repayment of our own indebtedness. On 25 August 2023, FL and FGL novated all the perpetual securities to the Company. As such, the Company has assumed all the rights and obligations as the issuer of each of the perpetual securities. The following table sets forth the carrying amount of the perpetual securities as of the dates indicated:

	As of 31 December		
	2022	2023	2024
		(US$ millions)	
Issued on			
15 June 2017	362	360	360
6 July 2017	179	178	178
1 February 2018	203	202	203
13 September 2019	610	608	–
Total	1,354	1,348	741

Investment Portfolio

Our results of operations, financial condition and future prospects are affected by the performance of our investment portfolio and our ability to earn profit from our investments. We manage our investments in accordance with our investment management framework. Our investment management framework seeks to ensure that our investment functions are effective and compliant with relevant laws and regulations. It also requires that our investment functions adhere to our ethical standards and risk management policies.

The discussion of our investment portfolio composition focuses on our policyholder and shareholder investments, as our profit before tax is less affected by the performance of the unit-linked investments. Our unit-linked policyholders are responsible for allocating their premiums among the investment options, and they bear the investment risk of these investments.

Our investment portfolio is composed of fixed income investments such as government bonds and corporate bonds, followed by equities, investment funds, investment properties and others, which include cash, loans and deposits and derivatives.

The greatest aggregate concentration of fair value to direct holdings of an individual issuer (excluding all government related fixed income assets) is less than 1% of the total equity and debt investments as of 31 December 2024.

The following table sets forth our total investment portfolio by asset class as of the dates indicated for policyholder and shareholder investments:

	As of 31 December					
	2022		2023		2024	
	(US$ millions, except for percentages)					
Fixed income investments	32,625	77.7%	30,999	75.7%	33,158	79.2%
Equities	381	0.9%	675	1.6%	221	0.5%
Investment funds	5,168	12.3%	5,882	14.4%	5,686	13.6%
Investment properties	641	1.5%	599	1.5%	466	1.1%
Others[(1)]	3,189	7.6%	2,806	6.8%	2,346	5.6%
Total	**42,004**	**100%**	**40,961**	**100%**	**41,877**	**100%**

Note:

(1) Includes cash, loans and deposits and derivatives (net of derivative assets and derivative liabilities).

We predominantly invest in fixed income investments based on our liability maturity profile and to generate predictable and stable income. As of 31 December 2024, 79.2% of our investment portfolio (excluding unit-linked investments) was composed of fixed income investments. As of 31 December 2024, government bonds constituted the largest component of our fixed income investments and represented 51.5% of our total fixed income investment portfolio (excluding unit-linked investments). Our government bond investments were concentrated in Thai and Japanese government bonds, accounting for 33.3% of our investment portfolio as of 31 December 2024. The Company reports the group-wide concentration and potential risks to the Risk Committee on a quarterly basis. Our Directors are of the view that while there are some concentrations of Thai and Japanese government bonds and private equity investments in Hong Kong in our investment portfolio, apart from the sovereign credit exposures, the portfolio overall is sufficiently diversified from single party exposures and managed within the sector limit permitted by our concentration risk guidelines at our Group level. Since 2022, as a result of our early adoption of RBC with a focus on improving capital, solvency and free surplus whilst maintaining our EV levels, our Hong Kong business unit has aimed to lengthen the duration for par and reduce for shareholder fund and private equity investment for purposes of capital optimisation.

The government bonds in our investment portfolio have sufficiently high liquidity and the reason for such concentration is primarily due to our policy of matching our assets and liabilities on a local currency basis. Furthermore, in countries such as Thailand, government bonds are the safest form of local currency fixed income investments available to us. The percentage of private equities is also within the SAA approved by the Risk Committee. The primary reason to allocate to private equity is that historically in a long-term holding period, private equity investments have been able to generate a premium over public stocks, which remains our expectation for the future. The long term nature and holding periods for private equity investments are commensurate with long term life insurance liabilities and support the non-guarantee bonus to policyholder in long run and, as such, our Directors are of the view that the allocation of private equity in our SAA is manageable and acceptable.

As of 31 December 2024, 96.4% of our fixed income investment portfolio was rated investment grade. We had a small portion of investments rated below investment grade, primarily because as per the Fitch ratings, Thailand has international sovereign debt ratings of BBB+, the Philippines and Indonesia have international sovereign debt ratings of BBB while Vietnam has an international sovereign debt rating of BB+ and, as a result, many corporate bonds issued in these markets are below investment grade on an international rating scale.

Fixed Income

The following table sets forth the breakdown of our fixed income investments by asset categories as of the dates indicated for policyholder and shareholder investments:

	As of 31 December					
	2022		2023		2024	
	(US$ millions, except for percentages)					
Fixed income investments						
Government bonds	15,411	47.2%	15,115	48.8%	17,086	51.5%
Government agency bonds	1,573	4.8%	1,941	6.3%	1,697	5.2%
Corporate bonds	13,619	41.7%	11,921	38.5%	10,256	30.9%
Structured securities and others	2,022	6.3%	2,022	6.4%	4,119	12.4%
Total[(1)]	**32,625**	**100%**	**30,999**	**100%**	**33,158**	**100%**

Note:

(1) As of 31 December 2024, fixed income investments of US$3,954 million, US$570 million, US$18 million and US$6 million are restricted due to local regulatory requirements in Thailand, Macau, Indonesia and the Philippines, respectively.

The following table sets forth the breakdown of our fixed income investments by loan amounts as of the dates indicated (as measured by carrying value):

	As of 31 December					
	2022		2023		2024	
Loan amounts	**US$0-1 Bn**	**US$1+ Bn**	**US$0-1 Bn**	**US$1+ Bn**	**US$0-1 Bn**	**US$1+ Bn**
	(US$ millions)					
Government bonds	15,411	–	15,115	–	17,086	–
Government agency bonds	1,573	–	1,941	–	1,697	–
Corporate bonds	13,619	–	11,921	–	10,256	–
Structured securities and others	2,022	–	2,022	–	4,119	–
Total	**32,625**	**–**	**30,999**	**–**	**33,158**	**–**

The following table sets forth the breakdown of our fixed income investments by tenor at issue, which is defined as the length of time remaining before a financial contract expires at the time of issue, as of the dates indicated (as measured by carrying value):

	As of 31 December											
	2022				2023				2024			
Tenor at issue	<1 year	1-3 years	3-5 years	5+ years	<1 year	1-3 years	3-5 years	5+ years	<1 year	1-3 years	3-5 years	5+ years
	(US$ millions)											
Government bonds	275	87	223	14,826	150	1	218	14,746	349	14	61	16,662
Government agency bonds	1	7	62	1,503	143	14	103	1,681	128	3	92	1,474
Corporate bonds	68	344	255	12,952	28	35	327	11,531	34	92	682	9,448
Structured securities and others	9	1	7	2,005	18	–	12	1,992	32	–	1	4,086
Total	**353**	**439**	**547**	**31,286**	**339**	**50**	**660**	**29,950**	**543**	**109**	**836**	**31,670**

The following table sets forth the breakdown of our fixed income investments by maturity dates as of the dates indicated (as measured by carrying value):

	As of 31 December											
	2022				2023				2024			
Maturity Dates	2025	2026	2027	2028+	2025	2026	2027	2028+	2025	2026	2027	2028+
	(US$ millions)											
Government bonds	319	612	315	13,597	49	605	161	14,106	396	445	162	16,083
Government agency bonds	118	67	132	1,091	112	108	96	1,389	203	110	87	1,297
Corporate bonds	1,081	1,466	1,040	8,911	561	1,078	833	9,094	619	1,024	788	7,825
Structured securities and others	13	28	11	1,925	35	1	2	1,965	66	–	–	4,053
Total	**1,531**	**2,173**	**1,498**	**25,524**	**757**	**1,792**	**1,092**	**26,554**	**1,284**	**1,579**	**1,037**	**29,258**

The following table sets forth the breakdown of our fixed income investments by coupon rates as of the dates indicated (as measured by carrying value):

	As of 31 December											
	2022				2023				2024			
Coupon rates	0-3%	3-5%	5-10%	10+%	0-3%	3-5%	5-10%	10+%	0-3%	3-5%	5-10%	10+%
	(US$ millions)											
Government bonds	7,778	7,139	479	15	6,752	7,781	567	15	7,902	8,707	463	14
Government agency bonds	558	780	234	1	736	941	263	1	690	767	239	1
Corporate bonds	3,643	7,583	2,393	–	2,639	6,585	2,697	–	2,095	5,644	2,492	25
Structured securities and others	140	1,289	577	16	38	1,123	781	80	170	857	3,092	–
Total	**12,119**	**16,791**	**3,683**	**32**	**10,165**	**16,430**	**4,308**	**96**	**10,857**	**15,975**	**6,286**	**40**

The following table sets for the breakdown of our fixed income investments by secured/unsecured as of the dates indicated (as measured by carrying value):

	As of 31 December					
	2022		2023		2024	
	Secured	Unsecured	Secured	Unsecured	Secured	Unsecured
	(US$ millions)					
Government bonds	–	15,411	–	15,115	–	17,086
Government agency bonds	27	1,546	26	1,915	11	1,686
Corporate bonds	539	13,080	496	11,425	708	9,548
Structured securities and others	1,955	67	1,986	36	4,075	44
Total	**2,521**	**30,104**	**2,508**	**28,491**	**4,794**	**28,364**

Government Bonds

Government bonds constituted 47.2%, 48.8% and 51.5% of the carrying value of our total fixed income investments (excluding unit-linked investments) as of 31 December 2022, 2023 and 2024, respectively. In order to increase our investment returns and diversify our investment portfolio, we invest in both local and foreign currency denominated government bonds.

The table below shows the carrying value of our government bonds invested by the issuing governments as of the dates indicated for policyholder and shareholder investments:

	As of 31 December					
	2022		2023		2024	
	(US$ millions, except for percentages)					
Thailand	10,455	67.8%	11,088	73.4%	12,231	71.6%
Japan	2,804	18.2%	1,909	12.6%	1,722	10.1%
United States	1,035	6.7%	885	5.9%	2,082	12.2%
Others	1,117	7.3%	1,233	8.1%	1,051	6.1%
Total government bonds	**15,411**	**100%**	**15,115**	**100%**	**17,086**	**100%**

Corporate Bonds

Corporate bonds constituted 41.7%, 38.5% and 30.9% of the carrying value of our total fixed income investments (excluding unit-linked investments) as of 31 December 2022, 2023 and 2024, respectively. We invest in both local and foreign currency denominated corporate bonds across a broad range of markets, industries and issuers or obligors. Financial institutions and utilities represented our largest sector exposures in our corporate bond investments as of 31 December 2024 since issuers in these sectors usually have international credit ratings, making it easier to evaluate their credit worthiness. These issuers also issue corporate bonds more frequently, providing us with greater flexibility to make investments.

Unlisted Bonds

Most corporate bonds issued by private and public companies are traded "over the counter" and not on exchanges. The listing criteria are not relevant in determining the quality and, more importantly, the liquidity of a bond. We therefore do not consider unlisted bonds as being of heightened risk.

Credit Rating

The following table sets forth the breakdown of our fixed income investments by credit rating as of the dates indicated for policyholder and shareholder investments:

	As of 31 December					
	2022		2023		2024	
	(US$ millions, except for percentages)					
AAA	1,388	4.3%	336	1.1%	1,234	3.7%
AA	2,102	6.4%	2,921	9.4%	4,922	14.8%
A	9,532	29.2%	8,109	26.2%	8,278	25.0%
BBB	17,298	53.0%	18,263	58.9%	17,543	52.9%
Below Investment Grade	1,239	3.8%	1,128	3.6%	771	2.3%
CCC or Not rated	1,066	3.3%	242	0.8%	410	1.3%
Total	**32,625**	**100%**	**30,999**	**100%**	**33,158**	**100%**

The majority of our non-investment grade bond holdings stem from insurance entities in countries with below investment grade sovereign ratings. The sovereign rating typically provides a ceiling for credit ratings of government and corporate bonds issued by or in this country. The following table sets forth the sovereign ratings for selected countries:

	Sovereign Rating	
Country	**Standard & Poor's**	**Fitch**
Thailand	BBB+	BBB+
Philippines	BBB+	BBB
Malaysia	A-	BBB+
Vietnam	BB+	BB+
Indonesia	BBB	BBB

Most of our non-investment grade rated bonds relate to corporate bonds issued in Thailand, which are typically only rated by local Thai rating agencies (such as TRIS and Fitch Thailand). Bonds that receive local investment grade ratings of one or more letter grades below the sovereign (such as "AA or lower" compared to the local sovereign "AAA") would translate into BB or lower ratings using international rating agency scale that classifies Thai sovereign as BBB+.

Further, the following table sets forth our corporate bonds by credit rating as of the dates indicated for policyholder and shareholder investments:

	As of 31 December					
	2022		2023		2024	
	(US$ millions, except for percentages)					
AAA	148	1.1%	179	1.5%	175	1.7%
AA	735	5.4%	697	5.8%	685	6.7%
A	5,782	42.5%	5,015	42.1%	4,807	46.9%
BBB	5,465	40.1%	4,768	40.0%	3,679	35.9%
Below Investment Grade	1,185	8.7%	1,082	9.1%	733	7.1%
CCC or Not rated	304	2.2%	180	1.5%	177	1.7%
Total	**13,619**	**100%**	**11,921**	**100%**	**10,256**	**100%**

Fixed Income Yield

The following table sets forth our quarterly investment yield on fixed income portfolio as of the dates indicated:

	Quarterly investment yield on fixed income portfolio
	Annualised
As of 31 March 2022	2.58%
As of 30 June 2022	2.61%
As of 30 September 2022	2.70%
As of 31 December 2022	2.77%
As of 31 March 2023	2.87%
As of 30 June 2023	2.95%
As of 30 September 2023	3.00%
As of 31 December 2023	2.96%
As of 31 March 2024	2.98%
As of 30 June 2024	3.04%
As of 30 September 2024	3.03%
As of 31 December 2024	3.11%

Our fixed income portfolio yield has trended up from 2.58% as of 31 March 2022 to 3.11% as of 31 December 2024, driven by higher yield environment, while our reinvestment yield in Hong Kong, Japan and Thailand combined was 3.19% in 2022, 4.53% in 2023, and 4.73% in 2024, respectively.

Equity Securities and Interests in Investment Funds

We invest in public and private equity, as well as real estate funds, to diversify our portfolio and increase long-term returns. Due diligence procedures as well as local and group committee approvals are required for such investments. As of 31 December 2024, investments in equity securities and interests in investment funds represented 14.1% of our total policyholder and shareholder investment portfolio.

The following table sets forth the breakdown of our equity securities and interests in investment funds investments as of the dates indicated for policyholder and shareholder investments:

	As of 31 December					
	2022		2023		2024	
	(US$ millions, except for percentages)					
Equities	381	6.9%	675	10.3%	221	3.7%
Interests in investment funds[(1)]	5,168	93.1%	5,882	89.7%	5,686	96.3%
Total	**5,549**	**100%**	**6,557**	**100%**	**5,907**	**100%**

Note:

(1) As of 31 December 2024, interests in investment funds of US$99 million are restricted due to local regulatory requirements in Macau.

	As of 31 December		
	2022	2023	2024
	(US$ millions)		
Listed	2,287	2,386	1,689
Unlisted	3,262	4,171	4,218
Total	**5,549**	**6,557**	**5,907**

	As of 31 December		
	2022	2023	2024
	(US$ millions)		
Participating	3,616	4,377	4,137
Non-participating and shareholder	1,933	2,180	1,770
Total	**5,549**	**6,557**	**5,907**

Private equities are mainly managed by dedicated private equity managers who have the required resources and skills to identify and execute private investments. We select managers based on their track record and targeted strategies and commit capital to their funds typically as limited partners in pooled fund type vehicles. We select managers across various strategies (such as secondary funds, mid-market buy-out, technology, venture capital) and geographies to obtain diversified private equity portfolios.

Historically, in a long-term holding period, private equity investments were able to generate a premium over public stocks, which remains our expectation for the future. Lower volatility of private equity investments is due to the smoothed valuations over time compared to publicly traded stocks which trades-off with little or no liquidity of private investments. Long term nature and holding periods for private equity are commensurate with long term life liabilities.

Public equities are managed either through the purchase of mutual funds or ETFs, which provide a diversified and cost-effective access to public markets or market segments. The selection of relevant ETF follows the underlying portfolio benchmarks.

Alternatively, public equities are managed through discretionary mandates by internal or external asset managers which typically have established market indices as their benchmark. Asset managers would then choose to over- or underweight certain stocks within the portfolios relative to the benchmark weight based on a number of factors such as fundamental valuation, attractiveness of the stock or sector the stock belongs to relative to the overall benchmark universe.

For our equity securities and interests in investment funds portfolio, excluding investments supporting investment-linked products, we realised an average annualised return of 1.2% in 2023 and 7.9% in 2024.

The annualised volatility (as measured by standard deviation) of our public equity portfolio (which include both investment-linked products as well as that in general accounts) was in the range of 10-25%, which is in line with that of public market indices, while our private equity portfolio exhibited lower annualised volatility (as measured by standard deviation) of approximately 10%.

Further, our investments in equity and interests in equity funds reduced from US$5,727 million in 2023 to US$4,700 million in 2024, which represents a reduction in the proportion of total investment assets from 14% in 2023 to 11% in 2024.

Analysis of Comprehensive Tangible Equity (Non-IFRS Measure)

The table below sets forth the comprehensive tangible equity (non-IFRS measure) as of the dates indicated:

	As of 31 December		
	2022	**2023**	**2024**
		(US$ millions)	
Opening comprehensive tangible equity	8,225	8,331	7,172
Net loss	(403)	(843)	(78)
Fair value gains/(losses) on assets	(4,043)	1,156	347
Net finance income/(expenses) from insurance and reinsurance contracts	3,885	(1,069)	(272)
Foreign currency translation adjustments	(321)	(249)	(368)
Other capital movements	410	(43)	8
Net CSM movement[1]	543	(162)	317
Intangible assets movement[1]	35	51	36
Total movement in comprehensive tangible equity	106	(1,159)	(10)
Comprehensive tangible equity (non-IFRS measure)	**8,331**	**7,172**	**7,162**

Note:

(1) Excluding the impact of foreign currency translation adjustments.

Our comprehensive tangible equity (non-IFRS measure) remained stable from US$7,172 million as of 31 December 2023 to US$7,162 million as of 31 December 2024, with growth from new business being offset by the impact of foreign exchange translation movements and the strengthening of operating assumptions. Excluding the foreign exchange impact, the comprehensive tangible equity increased by 4.2% on a CER basis.

Our comprehensive tangible equity (non-IFRS measure) decreased from US$8,331 million as of 31 December 2022 to US$7,172 million as of 31 December 2023, primarily due to (i) net loss recognised in 2023, and (ii) lower net CSM balance.

Comprehensive Tangible Equity (Non-IFRS Measure) and Embedded Value Comparison

The table below reconciles comprehensive tangible equity (non-IFRS measure) with embedded value. The two measures are similar in concept with the main differences being risk adjustment, cost of capital and valuation.

	As of 31 December		
	2022	2023	2024
		(US$ millions)	
Adjusted total equity attributable to Shareholders of the Company (non-IFRS measure)	7,134	6,234	6,012
Net CSM balance	4,404	4,092	4,235
Less: Intangible assets net of non-controlling interests	(3,207)	(3,154)	(3,085)
Comprehensive tangible equity (non-IFRS measure)	**8,331**	**7,172**	**7,162**
Risk adjustment	467	486	470
Cost of capital	(735)	(834)	(796)
Valuation differences	(1,997)	(1,142)	(1,267)
Embedded value	**6,066**	**5,682**	**5,569**

Risk adjustment represents the explicit risk adjustment margin under IFRS 17 to cover the risk of deviation from the best estimate non-market assumptions. This is normally covered by the implicit risk premium embedded in the risk discount rate under traditional embedded value reporting basis. Risk adjustment decreased by 3.3% from US$486 million in 2023 to US$470 million in 2024, and increased by 4.2% from US$467 million in 2022 to US$486 million in 2023.

Cost of capital represents the cost of holding required capital that has been taking into account when measuring shareholders' profit under traditional embedded value reporting. On the other hand, IFRS 17 measures the profitability of the insurance contracts before any cost of capital. Cost of capital decreased by 4.6% from US$(834) million in 2023 to US$(796) million in 2024, and increased by 13.5% from US$(735) million in 2022 to US$(834) million in 2023.

Valuation differences primarily represent the difference in discount rate (risk free rates with allowance of illiquidity premium under IFRS 17, compared to risk discount rate for embedded value), non-attributable expenses under IFRS 17 and tax. Valuation differences decreased by 42.8% from US$(1,997) million in 2022 to US$(1,142) million in 2023 mainly due to the higher expense attribution rate and change in illiquidity premium in 2023.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity in the insurance industry primarily relates to the ability of an insurer to generate sufficient cash from its business operations, including its investment portfolio, to satisfy its obligations under its insurance policies and other financial commitments. Historically, we have funded our liquidity requirements primarily using cash generated by our operating activities, bank borrowings and other funds raised from issuing debt and equity securities. After the [**REDACTED**], we expect that our liquidity requirements will be satisfied primarily through cash generated by our operations, borrowings from third parties, dividends and distributions from our operating subsidiaries and funds raised from issuing debt and equity securities, together with the [**REDACTED**] we receive from the [**REDACTED**]. As of 31 December 2024, we had aggregate cash and cash equivalents of US$1,687 million. We do not, nor are we required under applicable laws to, calculate or disclose any specific liquidity ratio. Our cash inflows and existing cash balances are primarily used to satisfy payment liabilities under our insurance contracts and debt obligations, to purchase investment assets and to fund our operating expenses.

We believe that our current cash and anticipated cash flow generated from operating and financing activities and [**REDACTED**] from the [**REDACTED**] will be sufficient to meet our anticipated working capital requirements, including our cash needs for operating expenses, payment liabilities under our insurance contracts and debt obligations and capital expenditures, in the next 12 months. We may, however, need additional cash resources in the future if we experience changes in business conditions or other developments, or if we find and wish to pursue opportunities for investments, acquisitions, capital expenditures or similar actions. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand at the time or that at any given time, it is desirable to refinance certain of our outstanding indebtedness, whether at or prior to maturity, we may seek to issue equity or debt securities, including through the establishment of and drawdowns under medium-term notes programmes and/or standalone bond issuances, or obtain credit facilities. We may enter into one or more of such transactions at any time, including prior to the completion of the [**REDACTED**] (including shortly after the Latest Practicable Date) and/or shortly after the completion of the [**REDACTED**]. For example, as disclosed in "*– Indebtedness – Perpetual Securities*" below, as of 31 December 2024, we had outstanding perpetual securities in an aggregate nominal amount of US$950 million. Under the terms of these perpetual securities, on certain dates or upon the occurrence of certain events including the [**REDACTED**], the Company may redeem certain of these perpetual securities. If we determine to issue notes and/or capital securities pursuant to our global medium term note and capital securities programme prior to the completion of the [**REDACTED**] (including shortly after the Latest Practicable Date) and/or shortly after the completion of the [**REDACTED**] to refinance such perpetual securities, the proceeds from such issuance would primarily be for refinancing purposes, in line with sound treasury practices, including to manage our overall finance costs, extend our debt maturity profile and/or to establish ongoing market access. We may similarly look to refinance other outstanding indebtedness. The issuance and sale of additional equity would result in further dilution to our Shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

We allocate capital within our Group on a centralised basis. In general, we do not expect to transfer capital resources across reporting segments, with limited exceptions where our local operating subsidiaries are held by companies incorporated in different jurisdictions. We determine capital and resource allocation to each business unit based on local regulations, and will ensure that each local business unit not only meets the relevant solvency requirement but also has sufficient capital buffer in line with our target level to withstand extreme scenarios.

Our liquidity is affected by the frequency and severity of policy surrenders, withdrawals, maturities, claims and guarantees under our insurance contracts. In particular, our life, general and medical insurance products expose us to the risk of unexpected cash demands in the event that a catastrophic event, such as epidemics or other events that increase mortality or morbidity, lead to a large number of claims, surrenders and early terminations by our policyholders. We seek to manage our catastrophe loss exposure through reinsurance arrangements and we also seek to reduce the likelihood of surrenders and early terminations through in-force product management and adjusting the prices of our products based on regular reviews of persistency experience. During the Track Record Period, we have not experienced any failure of meeting capital or solvency requirements in the regions in which we operate, nor have we received any formal request from regulators to strengthen our capital position for any of our operating entities. However, there is no assurance that we will be able to withstand the liquidity pressures posed by catastrophic events, the timing and effect of which are inherently unpredictable.

CASH FLOWS

The following table sets out a summary of our consolidated statements of cash flows for the periods indicated:

	Year ended 31 December		
	2022	**2023**	**2024**
		(US$ millions)	
Net cash provided by/(used in) operating activities	(391)	629	526
Net cash used in investing activities	(553)	(97)	(110)
Net cash provided by/(used in) financing activities	(190)	25	(705)
Net increase/(decrease) in cash and cash equivalents	**(1,134)**	**557**	**(289)**
Cash and cash equivalents at beginning of the year	2,654	1,474	2,008
Effect of exchange rate changes on cash and cash equivalents	(46)	(23)	(32)
Cash and cash equivalents at the end of year	**1,474**	**2,008**	**1,687**

Net Cash Provided by/Used in Operating Activities

Our operating activities primarily consist of operational cash flows from the insurance business including cash premiums and fee income received from policyholders of which we invest to support our future obligations to the policyholders including claims, maturities, and surrenders. The operational cash flow from our insurance business also includes payments of commissions and other related acquisition costs to our distributors and the operating expenses to maintain the service to the policyholders and manage the overall business. Further, our operating activities include the purchases, maturities and sales of financial investments as well as the related interest and dividends.

Net cash provided by operating activities for 2024 was US$526 million, primarily reflecting (i) net cash inflows from insurance operations and financial investments, and (ii) net cash inflows from repurchase and forward agreements. Net cash provided by operating activities for 2023 was US$629 million, primarily reflecting net cash inflows from financial investments. Net cash used in operating activities for 2022 was US$391 million, primarily due to net cash outflows from financial investments.

Net Cash Used in Investing Activities

Our cash outflows from investing activities primarily consist of cash used to acquire subsidiaries, investment properties, investments in associates, property, plant and equipment and intangible assets such as distribution rights. Our cash inflows from investing activities mainly relate to dividends received from our joint venture and proceeds from our disposals of intangible assets, property, plant, and equipment and other investments.

Net cash used in investing activities for 2024 was US$110 million, primarily due to (i) cash outflows of US$131 million for payments for intangible assets, mainly due to acquisition of distribution rights and the settlement of distribution agreement payables, (ii) cash outflows of US$49 million for the subscription of additional interest in BRI Life, and partially offset by cash inflows of US$85 million from the disposal of investment properties. Net cash used in investing activities for 2023 was US$97 million, primarily due to (i) cash outflows of US$62 million for payments for intangible assets, mainly due to the settlement of distribution agreement payable, (ii) cash outflows of US$51 million for subscription of additional interest in BRI Life, and partially offset by cash inflows of US$19 million from the acquisition of FWD Life Malaysia. Net cash used in investing activities for 2022 was US$553 million, primarily due to (i) cash outflows of US$483 million for payments for intangible assets, mainly due to the settlement of distribution agreement payable, (ii) cash outflows of US$54 million for the subscription of additional interest in BRI Life, (iii) cash outflows of US$64 million for payments for investment properties, and partially offset by cash inflows of US$38 million from disposal of FWD Assurance (Vietnam).

Net Cash Provided by/Used in Financing Activities

Our cash outflows from financing activities mainly consist of cash used to pay finance costs and to redeem or repay outstanding indebtedness. Our cash inflows from financing activities primarily consist of proceeds from bank borrowings and issuance/transfer of debt and equity securities.

Net cash used in financing activities for 2024 was US$705 million, primarily due to (i) cash outflows of US$228 million for finance costs paid on borrowings, (ii) cash outflows of US$112 million for distributions paid on perpetual securities, and (iii) cash outflows of US$325 million for repayment of the medium term 5% notes due 2024 issued by FL in 2014 (the "**2014 Notes**"). Net cash provided by financing activities for 2023 was US$25 million, primarily representing cash inflows of US$325 million from the issuance of the 2033 Notes, partially offset by (i) cash outflows of US$110 million for distributions paid on perpetual securities, and (ii) cash outflows of US$144 million for finance costs paid on borrowings. Net cash used in financing activities for 2022 was US$190 million, primarily representing (i) cash outflows of US$250 million for redemption of perpetual securities, (ii) cash outflows of US$87 million for distributions paid on perpetual securities, (iii) cash outflows of US$96 million for finance costs paid on borrowings, and (iv) cash outflows of US$74 million for finance costs paid on distribution agreement payable, partially offset by US$369 million issuance proceeds net of transaction costs from issuance of ordinary shares.

SOLVENCY AND CAPITAL

We and our Business Units are required to maintain solvency ratios at a level in excess of minimum regulatory requirements. The solvency ratio of our Group and each of our Business Units is affected primarily by the volumes and types of new insurance policies sold, the composition of in-force insurance policies and investments, and the regulatory capital requirements in each jurisdiction. The solvency ratio is also affected by several other factors, including the profit margin of our products, returns on our assets and investments, interest rates, underwriting and acquisition costs, and policyholder and shareholder dividends. For details, see "*Regulatory Overview and Taxation*."

We review and monitor our capital adequacy and solvency positions at the Group and operating company levels. Our ALMCO and the Risk Committee regularly review, and conduct sensitivity analyses of, a set of capital management metrics analysing scenarios that could cause changes in our group capital adequacy and solvency levels and the underlying causes of such changes. Regular committee meetings are held to monitor and discuss our group capital adequacy and solvency positions.

Group Capital Adequacy

We assess our capital adequacy with reference to the Insurance (Group Capital) Rules, which determine the calculation of the Group LCSM tier 1 MCR and PCR bases. Our Group LCSM free surplus (PCR basis) is the difference between our group available capital and our GPCR, and our Group LCSM cover ratio (PCR basis) is the ratio of our group available capital to our GPCR. Our Group LCSM tier 1 cover ratio (MCR basis) is the ratio of our Group tier 1 available capital to our GMCR. We calculate these amounts as the sum of the available capital and the sum of the minimum and prescribed capital requirements, as applicable, of each entity within the Group as determined in accordance with local regulatory requirements, subject to any capital variation the HKIA considers necessary.

As of 31 December 2024, the Group available capital includes US$2,576 million of Group Tier 2 capital, of which US$1,939 million are financial instruments under transitional arrangements, US$592 million are financial instruments that are classified as Tier 2 and US$45 million local regulatory capital that are classified as Tier 2 under GWS.

Our capital adequacy before giving effect to the [**REDACTED**] of the [**REDACTED**] (applying the principles set forth below) as of the dates indicated was as follows:

	As of 31 December		
	2022	**2023**	**2024**
	(US$ millions, except for percentages)		
Group available capital	5,406	6,022	6,715
of which tier 1 capital	2,834	3,438	4,139
Group minimum capital requirement (GMCR)	868	1,022	1,467
Group prescribed capital requirement (GPCR)	1,877	2,062	2,582
Group LCSM free surplus (PCR basis)	3,529	3,961	4,133
Group LCSM tier 1 cover ratio (MCR basis)[1]	327%	336%	282%
Group LCSM cover ratio (PCR basis)[2]	288%	292%	260%

Notes:

(1) Also defined as the "tier 1 group capital coverage ratio."

(2) Also defined as the "eligible group capital resources coverage ratio."

Group LCSM Cover Sensitivities

Our Group LCSM cover ratio (PCR basis) sensitivities arising from changes to the central assumptions from equity price, interest rate and foreign exchange rate movements and applied consistently with those in EV, are shown below. The interest rate sensitivities apply a 50 basis points movement in current bond yields and the corresponding movement on discount rates applied to the calculation of liabilities. The amount of eligible debt capital is unchanged in the sensitivity calculations.

	As of 31 December		
	2022	2023	2024
Central value	288%	292%	260%
Impact of equity price changes			
10 per cent increase in equity prices	2 pps	2 pps	2 pps
10 per cent decrease in equity prices	(3) pps	(2) pps	(2) pps
Impact of interest rate changes			
50 basis points increase in interest rates	1 pps	(4) pps	(9) pps
50 basis points decrease in interest rates	0 pps	11 pps	10 pps
Impact of foreign exchange rate changes			
5 per cent appreciation in presentation currency	N/A	(2) pps	(3) pps
5 per cent depreciation in presentation currency	N/A	2 pps	3 pps

Principles set forth in the Group Capital Adequacy Calculations above

When assessing our capital adequacy, with reference to the group capital adequacy requirements and the LCSM, we define our group available capital as the sum of (i) our eligible group capital resources, and (ii) an amount equal to the net proceeds of US$1,939 million we received upon issuance of our outstanding financial instruments, which were issued by FL and FGL prior to the designation of FWD Management Holdings as the DIHC, subsequently novated to us on 25 August 2023, or otherwise refinanced under the transitional arrangements, and which we apply toward meeting our group prescribed capital requirement under the transitional arrangements. The inclusion of these financial instruments in our group capital and the refinancing of them under the GWS framework are subject to certain terms and conditions contained in the transitional arrangements with the HKIA. In addition, we use the following terms defined in the Group Capital Rules:

Group capital adequacy requirements. A DIHC in relation to its supervised group must ensure that at all times (i) the tier 1 group capital of the supervised group is not less than the GMCR of the supervised group; and (ii) the sum of the tier 1 group capital and the tier 2 group capital of the supervised group is not less than the group prescribed capital requirement of the supervised group.

Group minimum capital requirement. The GMCR of a supervised group is the sum of the minimum capital requirements applicable to the supervised group members in the supervised group.

Group prescribed capital requirement. The group prescribed capital requirement of a supervised group is the sum of the prescribed capital requirements applicable to the supervised group members in the supervised group.

Eligible group capital resources. The eligible group capital resources of a DIHC are the resources and financial instruments of the supervised group which are eligible to be included in the tier 1 group capital or tier 2 group capital of the supervised group.

We also apply the following principles in determining our group available capital and required capital:

- For regulated insurance entities, capital resources and required capital are based on the local solvency regime applicable in each jurisdiction, with minimum required capital set at the solo legal entity statutory minimum capital requirements;

- For non-regulated entities, the capital resources are based on IFRS shareholder equity after deducting intangible assets, and the financial instruments which satisfy the criteria in Group Capital Rules. No required capital is held in respect of non-regulated entities;

- For entities where the Group's shareholding is less than 100%, the contribution of the entity to the GWS eligible group capital resources and required capital represents the Group's share of these amounts and excludes any amounts attributable to non-controlling interests. This does not apply to FWD Life Malaysia, which is assumed to be 100% owned by the Group in determining Group available capital and required capital (as communicated to the HKIA), and investment holdings which are not part of the Group;

- Investments in subsidiaries, joint ventures and associates (including, if any, loans that are recognised as capital on the receiving entity's balance sheet) are eliminated from the relevant holding company to prevent the double counting of capital resources; and

- Based on transitional arrangements that have been agreed with the HKIA. We apply an amount equal to the net proceeds of US$1,939 million we received upon issuance of our outstanding financial instruments, which were issued by FL and FGL prior to the designation of FWD Management Holdings as the DIHC and subsequently novated to the Company on 25 August 2023, or otherwise refinanced under the transitional arrangements, toward meeting our group prescribed capital requirement under such transitional arrangements.

For further details, see "*Regulatory Overview and Taxation.*"

Operating Subsidiaries

Pursuant to applicable regulations, an insurer is required to maintain at all times required solvency and capital. The objective of these regulations is to provide a reasonable safeguard against the risk that the insurer's assets may be inadequate to meet its liabilities arising from unpredictable events, such as adverse fluctuations in its operating results or the value of its assets and liabilities. Our operating subsidiaries are subject to solvency and capital regulations of, and the supervision of insurance regulators in, the jurisdictions in which they operate and the jurisdictions in which they are incorporated and/or domiciled. We generally aim to set our target solvency and capital ratios well above the minimum local regulatory requirements in all the markets in which we operate. All our operating subsidiaries are in compliance with the relevant solvency and capital requirements prescribed under applicable insurance laws. See "*Regulatory Overview and Taxation*" for discussions on solvency and capital requirements in each geographic market that we operate in and Note 28 to the Accountants' Report included in Appendix I for more information on the solvency ratios that our key regulated entities are required to meet under applicable local requirements.

CAPITAL EXPENDITURES

From time to time, we make capital expenditures to expand our operations, primarily through making leasehold improvements, acquiring property, plant and equipment, and intangible assets, primarily consisting of computer software. Our capital expenditure during the Track Record Period largely related to investment in IT systems and digital infrastructure to deliver improved digitalisation of core processes covering customer experience and back office services. We have historically funded our capital expenditures through using cash generated by our operating activities. The table below sets forth our capital expenditures for the periods indicated:

	Year ended 31 December		
	2022	**2023**	**2024**
		(US$ millions)	
Purchase of property, plant and equipment (excluding right-of-use assets)	10	13	26
Purchase of intangible assets – computer software and others	50	57	62
Total	**60**	**70**	**88**

INDEBTEDNESS

At the close of business on 30 April 2025, our indebtedness included: (i) borrowings of US$2,786 million, (ii) perpetual securities of US$759 million, and (iii) lease liabilities of US$96 million. As of the same date, we had no outstanding significant contingent liabilities.

On 24 November 2021, we established a global medium term note programme of up to US$5,000,000,000 (the "**GMTN Programme**") pursuant to which we may, from time to time, issue notes and capital securities. The GMTN Programme was last updated on 27 March 2025.

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of 31 December			As of 30 April
	2022	**2023**	**2024**	**2025**
				(Unaudited)
		(US$ millions)		
Borrowings				
Bank borrowings	992	992	996	989
Medium-term notes	324	641	318	318
Subordinated notes and subordinated dated capital securities	900	898	1,479	1,479
Total Borrowings	**2,216**	**2,531**	**2,793**	**2,786**
Perpetual Securities	1,354	1,348	741	759
Lease Liabilities[1]	113	122	106	96
Total Indebtedness	**3,683**	**4,001**	**3,640**	**3,641**

Note:

(1) The Group leases various office premises, residential units, car parks, office equipment, IT-related and other assets. 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. See Notes 16 and 26 to the Accountants' Report included in Appendix I for details.

Borrowings

Other than our operating cash flow, we also use the net proceeds from bank loans and our issuance of medium-term notes, subordinated notes, and subordinated dated capital securities to finance acquisitions and for general corporate purposes.

The following table sets forth a breakdown of our borrowings as of the dates indicated:

	As of 31 December			As of 30 April
	2022	2023	2024	2025
				(Unaudited)
	(US$ millions)			
Bank borrowings	992	992	996	989
Medium-term notes	324	641	318	318
Subordinated notes and subordinated dated capital securities	900	898	1,479	1,479
Total borrowings	**2,216**	**2,531**	**2,793**	**2,786**

Bank Borrowings

The following table summarises our outstanding bank borrowings as of 30 April 2025:

Drawdown date	Amount	Interest rate	Tenor
21 January 2025	US$500 million	SOFR + 0.97%	3 years
21 January 2025	US$500 million	SOFR + 1.12%	5 years

As of 30 April 2025, we had unutilised bank borrowings of US$1,385 million. During the Track Record Period, our main lenders were commercial banks in the markets in which we operate.

On 30 December 2021, the Group (i) borrowed a term loan of US$1.0 billion under a facilities agreement (relating to a US$1.0 billion term loan facility and US$500 million revolving loan facility) dated 28 December 2021 with, among others, Standard Chartered Bank (Hong Kong) Limited as agent (the "**2021 Facilities Agreement**"), and (ii) voluntarily prepaid in full prior to its scheduled maturity date, a US$1.8 billion term loan borrowed under a facility agreement dated 10 September 2019 with, among others, Standard Chartered Bank (Hong Kong) Limited as agent. The 2021 Facilities Agreement was subsequently prepaid in full on 21 January 2025. On 17 December 2023, the Group entered into a facility agreement relating to a US$500 million revolving loan facility with, among others, Mizuho Bank, Ltd., Hong Kong Branch as agent (the "**2023 Facility Agreement**"), which was subsequently upsized to (i) US$685 million on 6 February 2024, (ii) US$785 million on 18 November 2024 and (iii) US$885 million on 30 December 2024.

On 21 January 2025, the Group (i) borrowed term loans of US$1.0 billion under a facilities agreement (the "**2024 Facilities Agreement**") (relating to a US$500 million three-year term loan facility, US$500 million five-year term loan facility, US$250 million three-year revolving loan facility and US$250 million five-year revolving loan facility) dated 22 November 2024 with, among others, Mizuho Bank, Ltd., Hong Kong Branch as agent, and (ii) voluntarily prepaid in full prior to its scheduled maturity date, the 2021 Facilities Agreement.

The 2023 Facility Agreement will mature on 22 February 2027, and the 2024 Facilities Agreement will mature on 21 January 2028 (for the three-year tranches) and 22 January 2030 (for the five-year tranches).

Our 2023 Facility Agreement and 2024 Facilities Agreement contain standard terms, conditions, restrictions and covenants that are customary for commercial bank loans (including change of control pre-payment triggers). We also undertake to comply with financial covenants in our 2023 Facility Agreement and 2024 Facilities Agreement that require us to meet certain financial ratio requirements such as consolidated debt to consolidated equity and consolidated tangible net assets.

Medium-term Notes, Subordinated Notes and Subordinated Dated Capital Securities

The following table summarises our outstanding medium-term notes, subordinated notes and subordinated dated capital securities as of 30 April 2025:

Issue date	Description	Nominal amount	Interest rate	Tenor
		(US$ millions)		
6 December 2023	Medium-term notes	325	7.78%	10 years
5 April 2024	Subordinated notes	900	8.40%	5 years
2 July 2024	Subordinated dated capital securities	600	7.635%	7 years

2033 Notes

On 6 December 2023, we issued US$325,000,000 in aggregate principal amount of 7.784% notes due 2033 (the "**2033 Notes**") under our GMTN Programme. The 2033 Notes are listed on the HKEX. Interest on the 2033 Notes is payable semi-annually in arrear on 6 June and 6 December of each year, starting from 6 June 2024.

The 2033 Notes mature on 6 December 2033. Our Company may redeem the 2033 Notes, in whole at any time, together with the interest accrued to the date fixed for redemption, at a redemption price, in respect of each 2033 Note, (i) the principal amount of such 2033 Note or, if this is higher (ii) the amount equal to the sum of the present value of the principal amount of such 2033 Note, together with the present values of the interest payable for the relevant interest periods from the relevant date fixed for redemption to the maturity date, in each case, discounted to such redemption date on a semi-annual compounded basis at the adjusted U.S. Treasury Rate plus 0.50%, all as determined by the determination agent appointed by our Company. In addition, the 2033 Notes are subject to redemption, in whole but not in part, at their principal amount, together with the interest accrued to the date fixed for redemption, at the option of our Company at any time in the event of certain changes affecting taxes of the Cayman Islands or Hong Kong.

The 2033 Notes are unsecured obligations of our Company and rank equal in right of payment without any preference among themselves and at least equal in right of payment with all other existing and future unsecured and unsubordinated obligations of our Company, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

As of 30 April 2025, the outstanding principal amount of the 2033 Notes was US$325 million.

2029 Subordinated Notes

On 5 April 2024, we issued US$900,000,000 in aggregate principal amount of 8.40% subordinated notes due 2029 (the "**2029 Subordinated Notes**") under our GMTN Programme. The 2029 Subordinated Notes are listed on the HKEX. Interest on the 2029 Subordinated Notes is payable semi-annually in arrear on 5 April and 5 October of each year, starting from 5 October 2024.

The 2029 Subordinated Notes mature on 5 April 2029. Before 5 April 2029, our Company may redeem the 2029 Subordinated Notes, in whole but not in part, at the option of our Company, subject to certain provisions, (i) at their principal amount, together with interest accrued to the date fixed for redemption, at any time in the event of certain changes affecting the taxes of Cayman Islands or Hong Kong or (ii) at 101% of the outstanding principal amount of the 2029 Subordinated Notes, together with any interest accrued but unpaid to the date fixed for redemption if an [**REDACTED**] has occurred. The 2029 Subordinated Notes are unsecured and subordinated obligations of the Company and rank equal in right of payment without any preference or priority payment among themselves and with any parity obligations of our Company, which includes the June 2017 Perpetual Securities.

As of 30 April 2025, the outstanding principal amount of the 2029 Subordinated Notes was US$900 million.

2031 Dated Capital Securities

On 2 July 2024, we issued US$600,000,000 in aggregate nominal amount of 7.635% Subordinated Dated Capital Securities due 2031 (the "**2031 Dated Capital Securities**") under our GMTN Programme. The 2031 Dated Capital Securities are listed on the HKEX. The 2031 Dated Capital Securities confer upon the holders thereof a right to receive distributions for the period from and including 2 July 2024 at a rate of 7.635% per annum.

Distributions are payable semi-annually in arrear on 2 January and 2 July of each year, starting from 2 January 2025. The 2031 Dated Capital Securities mature on 2 July 2031, subject to meeting certain group capital and solvency capital requirements applicable to us. Our Company may, subject to obtaining regulatory approvals, redeem the 2031 Dated Capital Securities, in whole but not in part, at any time, together with the distribution accrued to the date fixed for redemption, at a redemption price, in respect of each 2031 Dated Capital Security, equal to the higher of (i) the principal amount of such 2031 Dated Capital Security, or (ii) the amount equal to the sum of the present value of the principal amount of such 2031 Dated Capital Security, together with the present values of the distribution payable for the relevant distribution payment dates from the relevant date fixed for redemption to the maturity date (exclusive of distribution accrued to the redemption date), in each case, discounted to such redemption date at the make whole reference rate (as determined in accordance with the terms of the 2031 Dated Capital Securities) plus 0.50%, all as determined by the determination agent appointed by our Company. In addition, subject to obtaining regulatory approvals, the 2031 Dated Capital Securities are subject to redemption, in whole but not in part, at their principal amount together with any distribution accrued to such date fixed for redemption, at the option of our Company, at any time in the event of (A) certain changes affecting taxes of the Cayman Islands or Hong Kong; or (B) if the relevant distribution payments are no longer tax deductible as a result of certain changes affecting taxes of the Cayman Islands or Hong Kong. Furthermore, upon the occurrence of certain events including a rating event or a regulatory event, our Company may, subject to obtaining regulatory approvals, redeem the 2031 Dated Capital Securities at such price in accordance with the terms of the 2031 Dated Capital Securities.

As of 30 April 2025, the outstanding principal amount of the 2031 Dated Capital Securities was US$600 million.

Conversion Shares

Prior to the completion of Phase 2 of the Reorganisation, each of FL and FGL had outstanding ordinary shares, preference shares and convertible preference shares. We then acquired these ordinary shares, preference shares and convertible preference shares of FL and FGL in consideration for the issuance of Management Shares, Series P Conversion Shares and Series A/B-2/B-3 Conversion Shares (as relevant) in Phase 2 of the Reorganisation. We expect that upon the completion of the [**REDACTED**], Management Shares, Series P Conversion Shares and Series A/B-2/B-3 Conversion Shares will be exchanged for our Shares.

For details of the conversion shares, please see "*History, Reorganisation and Corporate Structure – Phase 2: Equity restructuring of security interests in FL and FGL*", "*Share Capital*" and Note 27 to the Accountants' Report included in Appendix 1.

Perpetual Securities

As of 30 April 2025, we had outstanding perpetual securities in an aggregate nominal amount of US$950 million and a carrying value of US$759 million. These perpetual securities were originally issued by FL and FGL. Our Company may, at its sole option, defer the distributions by giving notice to the holders. In the event of any distribution deferral, our Company cannot declare or pay any dividend on its ordinary or preference share capital, except if payments are declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors, or consultants. The perpetual securities have been treated as equity in the Group's consolidated statements of financial position. If the June 2017 Perpetual Securities are redeemed, the equity and EV of the Group will be further reduced by the difference between the face value and the equity amount of these securities in the Group's consolidated statements of financial position at such time. Our Company uses the proceeds from the issuances for general corporate purposes, potential transactions and/or repayment of the Group's own indebtedness. During 2022, 2023 and 2024, the Group paid distributions of US$87 million, US$110 million and US$112 million, respectively. See Note 27.3 to the Accountants' Report included in Appendix I for details of perpetual securities issued and outstanding.

As of 30 April 2025, our Company had the following outstanding perpetual securities:

	Nominal Amount	Distribution rate	Tenor
	(*US$ millions*)		
15 June 2017	500	*Note 1*	Perpetual
6 July 2017	250	*Note 1*	Perpetual
1 February 2018	200	*Note 2*	Perpetual

Notes:

(1) 0% for first 5 years and reset to 8.045% on 15 June 2022.

(2) 5.5% for first 5 years and reset to 6.675% on 1 February 2023.

The following table sets forth the carrying amount of the perpetual securities as of the dates indicated:

	As of 31 December			As of 30 April
	2022	**2023**	**2024**	**2025**
				(Unaudited)
		(US$ millions)		
15 June 2017	362	360	360	374
6 July 2017	179	178	178	185
1 February 2018	203	202	203	200
13 September 2019	610	608	–	–
Total perpetual securities	**1,354**	**1,348**	**741**	**759**

June 2017 Perpetual Securities

On 15 June 2017, FGL issued US$500,000,000 in aggregate principal amount of Zero Coupon Subordinated Perpetual Capital Securities (the "**June 2017 Perpetual Securities**"). On 6 July 2017, FGL issued an additional US$250,000,000 in aggregate nominal amount of the June 2017 Perpetual Securities, which were consolidated and formed a single series with the June 2017 Perpetual Securities issued on 15 June 2017. The June 2017 Perpetual Securities were originally issued by FGL. FGL subsequently solicited and obtained the consents of the holders of the June 2017 Perpetual Securities to amend the terms of such perpetual securities such that FGL as the initial issuer of the June 2017 Perpetual Securities was substituted with our Company. For details of the substitution of the issuer relating to the June 2017 Perpetual Securities and the other perpetual securities and debt securities, please see "– *Debt Restructuring.*" The June 2017 Perpetual Securities are listed on the HKEX. Except in certain limited circumstances, the June 2017 Perpetual Securities do not confer upon the holders thereof a right to receive distributions before 15 June 2022. After 15 June 2022, the June 2017 Perpetual Securities confer upon the holders thereof a right to receive distribution from and including 15 June 2022 at a rate of distribution expressed as a percentage per annum equalling to the sum of (i) the U.S. Treasury benchmark rate as defined in the instrument governing the June 2017 Perpetual Securities in relation to that distribution period, and (ii) the initial spread of 4.865%. Distributions are payable semi-annually in arrear on 15 June and 15 December of each year, with the first distribution payment date, except in certain circumstances, falling in June 2022. On or after 15 June 2022, the June 2017 Perpetual Securities may be redeemed at the option of our Company in whole, but not in part. In addition, the June 2017 Perpetual Securities are subject to redemption, in whole but not in part, at such price in accordance with the terms of June 2017 Perpetual Securities, at the option of our Company at any time in the event of certain changes affecting taxes of the Cayman Islands. Furthermore, upon the occurrence of certain events including a change of control, our Company may redeem the June 2017 Perpetual Securities at such price in accordance with the terms of June 2017 Perpetual Securities. In addition, the June 2017 Perpetual Securities may be redeemed by our Company at its option in whole, but not in part, at any time upon giving the requisite notice if an [**REDACTED**], such as the [**REDACTED**], has occurred.

As of 30 April 2025, the carrying value of the June 2017 Perpetual Securities was US$559 million.

A notice was issued on 16 May 2022 announcing FGL had decided not to exercise its option to redeem the June 2017 Perpetual Securities on 15 June 2022 and as a result, the June 2017 Perpetual Securities remain outstanding following 15 June 2022. In accordance with the terms of the June 2017 Perpetual Securities, the Distribution Rate (as defined in such terms) for the period commencing from and including 15 June 2022 to but excluding 15 June 2027 will be 8.045% with distributions payable semi-annually in arrear.

2018 Perpetual Securities

On 1 February 2018, FL issued US$200,000,000 in aggregate nominal amount of 5.50% Subordinated Perpetual Capital Securities (the "**2018 Perpetual Securities**"). The 2018 Perpetual Securities were originally issued by FL. FL subsequently solicited and obtained the consents of the holders of the 2018 Perpetual Securities to amend the terms of such perpetual securities such that FL as the initial issuer of the 2018 Perpetual Securities was substituted with our Company. For details of the substitution of the issuer relating to the 2018 Perpetual Securities and the other perpetual securities and debt securities, please see "– *Debt Restructuring*." The 2018 Perpetual Securities are listed on the HKEX. The 2018 Perpetual Securities confer upon the holders thereof a right to receive distributions for the period from and including 1 February 2018 at an initial rate of 5.50% per annum. Subject to provisions relating to cancellation of distributions, distributions are payable semi-annually in arrear on 1 February and 1 August of each year, starting from 1 August 2018. Our Company may, at its sole discretion, elect to cancel (in whole or in part) distributions by providing holders of the 2018 Perpetual Securities with not more than 10 nor less than 5 business days' notice prior to the relevant distribution payment date. The 2018 Perpetual Securities have no fixed final redemption date and are redeemable in whole, but not in part, at our Company's discretion, on or after 1 February 2023, at their nominal amount, together with distributions accrued to such date fixed for redemption. After 1 February 2023, the rate of distribution will be reset every 5 calendar years to a rate of distribution expressed as a percentage per annum equalling to the sum of (i) the U.S. Treasury benchmark rate as defined in the instrument governing the 2018 Perpetual Securities in relation to that reset period, and (ii) the initial spread of 3.075%. In addition, the 2018 Perpetual Securities are subject to redemption, in whole but not in part, at their principal amount together with any distribution accrued to such date fixed for redemption, at the option of our Company at any time in the event of certain changes affecting taxes of the Cayman Islands or Hong Kong. Furthermore, upon the occurrence of certain events including a change of control, our Company may redeem the 2018 Perpetual Securities at such price in accordance with the terms of 2018 Perpetual

Securities. In addition, the 2018 Perpetual Securities may be redeemed by our Company at its option in whole, but not in part, at any time upon giving the requisite notice if an [**REDACTED**], such as the [**REDACTED**], has occurred.

As of 30 April 2025, the carrying value of the 2018 Perpetual Securities was US$200 million.

A notice was issued on 30 December 2022 announcing FL had decided not to exercise its option to redeem the 2018 Perpetual Securities on 1 February 2023 and as a result, the 2018 Perpetual Securities remain outstanding following 1 February 2023. In accordance with the terms of the 2018 Perpetual Securities, the Distribution Rate (as defined in such terms) for the period commencing from and including 1 February 2023 to but excluding 1 February 2028 will be 6.675% with distributions payable semi-annually in arrear.

Ratings

As of 31 December 2024, our Group has received the following ratings and rating outlook:

Ratings	Moody's	Fitch
Issuer Default Rating	Baa2/Positive	BBB+/Stable
Insurer Financial Strength Rating	n/a	A
Notional Insurance Financial Strength Rating	A3	n/a

Debt Restructuring

To centralise the treasury functions of our Group, we restructured the outstanding indebtedness in the form of borrowings or securities of our subsidiaries, FGL and FL, such that all such indebtedness was either transferred to our Company, redeemed, repaid or refinanced.

To this end, FGL and FL solicited and obtained consents of the holders of all existing series of notes, subordinated notes and perpetual securities issued by FGL and FL, in each case to amend the terms of the relevant instrument to substitute the relevant issuer with our Company, among other things.

On 24 August 2023, FL and FGL announced that the relevant settlement conditions had been satisfied and notice was given to holders of the 2024 Notes, the 2024 Subordinated Notes, the June 2017 Perpetual Securities, the 2018 Perpetual Securities and the 2019 Perpetual Securities (collectively, the "**Flipped Up Bonds**") that FL and FGL (as the case may be) had elected to proceed with the implementation of the proposals with respect to the Flipped Up Bonds. The implementation of the proposals was effected on 25 August 2023 and as such, our Company has assumed all the rights and obligations as the issuer of each of the Flipped Up Bonds with effect from 25 August 2023. For further details, please refer to the announcements made by FL and FGL with respect to the Flipped Up Bonds on the HKEX. Please also see Notes 25 and 27.3 to the Accountants' Report included in Appendix I for details of the Flipped Up Bonds.

The 2021 Facilities Agreement was also novated from FGL to our Company as of 25 August 2023.

Hedging

We follow a clearly defined hedging strategy in respect of our foreign exchange exposures. All foreign exchange related asset and liability mismatches are reviewed at Investment Committee meetings, and appropriate foreign exchange hedges are in place to ensure that local statutory solvency ratios are maintained at acceptable levels. Where foreign currency fixed income assets are used to back local currency liabilities, we hedge currency exposure by using foreign exchange forward contracts or cross currency swap contracts. For example, while all of FWD Thailand's liabilities are denominated in Thai Baht, it invests in certain assets denominated in US dollars. It uses forward currency contracts and cross currency swap contracts to hedge the currency mismatch between its liabilities to policyholders and its assets to maintain its currency exposure within an acceptable level. Similar hedging strategies are adopted by our Japan and Hong Kong (and Macau) businesses and FWD Reinsurance. Our other businesses have immaterial foreign exchange related asset and liability mismatches.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Contractual Obligations

The table below summarises the future estimated cash payments related to certain contractual obligations as of 31 December 2024. The estimated payments reflected in this table are based on management's estimates and assumptions about these obligations. Because these estimates and assumptions are necessarily subjective, the actual cash outflows in future periods will vary, possibly materially, from those reflected in the table. In addition, we do not believe that our cash flow requirements can be adequately assessed based solely upon an analysis of these obligations, as the table below does not contemplate all aspects of our cash inflows, nor all aspects of our cash outflows.

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
			(US$ millions)		
Type of Commitments					
Long-term debt obligations[1]	3,772	1,205	293	1,156	1,118
IFRS 16 lease obligations[2]	99	41	45	9	4
Investment and capital commitments[3]	1,053	393	425	235	–
Purchase obligations[4]	120	66	23	31	–
Insurance and investment contract liabilities[5]	231,222	5,112	9,145	8,105	208,860
Other long-term liabilities[6]	30	25	–	1	4
Total	**236,296**	**6,842**	**9,931**	**9,537**	**209,986**

Notes:

(1) Amounts reflect the contractual maturities of the undiscounted cash flows (including contractual interest payments) due to be paid assuming conditions are consistent with those of 31 December 2024. These consist of bank borrowings, medium-term notes and subordinated notes and excludes the perpetual securities which, as discussed in Note 27.3 to the Accountants' Report included in Appendix I, are treated as equity for accounting purposes. Interest payments have been determined taking into account the effect of interest rate swaps used to hedge floating interest rates.

(2) Payments on lease obligations in scope of IFRS 16 (Leases), as described in Note 2.18 to the Accountants' Report included in Appendix I.

(3) Investments and capital commitments relate to our Group's commitments to invest in private equity partnerships.

(4) These purchase obligations are discussed below in "*– Other commitments.*"

(5) Amounts shown represent estimated undiscounted cash flows in respect of our insurance and investment contracts. These primarily relate to the expected payment of death and disability claims, policy surrenders and withdrawals, policyholder dividends and policy maturities. These estimated cash flows are based on our current mortality, morbidity, lapse and investment return assumptions. They include expected commission payments on the policies in-force and exclude projected recoveries from reinsurance agreements. They are undiscounted and therefore exceed the liabilities arising from insurance and investment contracts included in the consolidated balance sheet.

(6) Consists of distribution agreement payables (excluding those contingent on future channel performance) and other payables.

Other Commitments

In addition to our commitments to invest in private equity partnerships as outlined under "– *Contractual Obligations*", as of 31 December 2024, we have committed to making the following investments and business acquisitions, which are presented as purchase obligations in the above table of contractual obligations:

- as of 31 December 2024, we have planned to invest US$46 million in Malaysia;
- as of 31 December 2024, we have agreed to make additional payments in aggregate amounts of up to US$31 million, in relation to acquisitions;
- as of 31 December 2024, we had a capital expenditure commitment of US$43 million relating to the extension of a distribution right in the Philippines; and
- we have funded and expect to continue to fund our contractual obligations and other commitments by using cash generated by our operating activities, bank borrowings and other funds raised from issuing debt and equity securities.

OFF-BALANCE SHEET OBLIGATIONS AND CONTINGENT LIABILITIES

We do not have any outstanding off-balance sheet arrangements. Other than those incurred in the normal course of our insurance business and disclosed in the financial statements, there were no outstanding contingent liabilities as of 31 December 2024.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into a number of related party transactions from time to time, details of which are set forth in Note 33 to the Accountants' Report included in Appendix I. Our Directors have confirmed that all business transactions with related parties were conducted in the ordinary course of business and on an arm's length basis. They did not have a material impact on our results of operations during the Track Record Period. All non-trade balances will be settled prior to [**REDACTED**], other than certain transactions identified in Note 33 to the Accountants' Report included in Appendix I.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

Market risk arises due to fluctuations in market prices and rates. We are exposed to a variety of market risks, including, but not limited to, interest rate risk, equity market price risk, foreign exchange rate risk and liquidity risk.

Interest Rate Risk

Our exposure to interest rate risk predominantly arises from any difference between the duration of our assets and liabilities. This exposure is heightened in products with inherent interest rate options or guarantees. We seek to manage our interest rate risk by ensuring appropriate product design and underlying assumptions as part of our product approval process and by matching, to the extent possible and appropriate, the duration of our investment assets with the duration of our insurance contracts. Given the long duration of policy liabilities and the uncertainty of future cash flows arising from these contracts, it is challenging to acquire assets that will perfectly match the policy liabilities. This results in interest rate risk, which is managed and monitored by our ALMCO. See "*Business – Investments and Asset Management.*" The duration of interest-bearing financial assets is regularly reviewed and monitored by referencing the estimated duration of insurance contract liabilities.

The sensitivity analysis below illustrates the estimated impact on profits and shareholder's equity arising from a change in a single variable before taking into account the effects of taxation, details of which are set forth in Note 29 to the Accountants' Report included in Appendix I.

	Year ended 31 December		
	2022	**2023**	**2024**
		(US$ millions)	
Interest rate risk – Impact on PBT			
+50 basis points shift in yield curves	26	(10)	17
-50 basis points shift in yield curves	(43)	(17)	(24)
Interest rate risk – Impact on other components of equity (before the effects of taxation)			
+50 basic points shift in yield curves	109	(104)	(194)
-50 basis points shift in yield curves	(111)	133	226

Equity Market Price Risk

Our equity market price risk exposure relates to financial assets and liabilities whose values fluctuate as a result of changes in equity market prices. We manage these risks by setting and monitoring investment limits by asset types and sectors. Our principal equity market price risk relates to movement in the fair value of our equity securities and interests in investment funds. The sensitivity analysis below illustrates the estimated impact on profits and shareholder's equity arising from a change in a single variable before taking into account the effects of taxation, details of which are set forth in Note 29 to the Accountants' Report included in Appendix I.

	Year ended 31 December		
	2022	**2023**	**2024**
		(US$ millions)	
Equity market price risk – Impact on PBT			
10% increase in equity prices	153	164	128
10% decrease in equity prices	(157)	(179)	(133)
Equity market price risk – Impact on other components of equity (before the effects of taxation)			
10% increase in equity prices	–	1	1
10% decrease in equity prices	–	(1)	(1)

Foreign Exchange Rate Risk

We are exposed to foreign exchange rate risks as a result of having business operations in various jurisdictions and from financial assets and liabilities that are denominated in foreign currencies. Our financial assets are predominantly denominated in the same currencies (or, in the case of Hong Kong, US dollars) as our insurance liabilities, which serves to mitigate the foreign exchange rate risk. The level of currency risk we take on is managed and monitored by our ALMCO, through regular monitoring of currency positions of financial assets and insurance contracts.

In some markets, primarily in Thailand and Japan, where most of the assets backing the underlying liabilities are in the same local currencies, we also have liabilities on a local statutory basis that are backed by assets in other foreign currencies. Taking into account a much deeper pool of assets available in US dollars, these assets are mainly US dollar-denominated assets. Such currency mismatches are handled through hedging programmes that target minimising the mismatch on a local statutory basis for local solvency purposes.

Liquidity Risk

We are exposed to liquidity risk in respect of insurance contracts that permit surrender, withdrawal or other forms of early termination for a cash surrender value specified in the contractual terms and conditions. To manage liquidity risk, we have implemented a variety of measures, with an emphasis on flexible insurance product design, so that we can retain the greatest flexibility to adjust contract pricing or crediting rates. We also seek to match, to the extent possible and appropriate, the duration of our investment assets with the duration of our insurance contracts. We perform regular monitoring of our liquidity position through cash flow projections.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

We have identified below certain accounting policies and estimates that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to the Accountants' Report included in Appendix I.

IFRS 17 Insurance Contracts (for the 2024, 2023 and 2022 Financial Information)

IFRS 17 Insurance Contracts has replaced IFRS 4 Insurance Contracts effective as of 1 January 2023, and has materially changed the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in our consolidated financial statements.

Under IFRS 17, insurance contracts are measured by the general model which is based on a discounted cash flow model with an explicit risk adjustment, and a contractual service margin that defers unearned profits. The deferred profit is recognised gradually over time when insurance contract services are provided to policyholders. The general model is supplemented by the variable fee approach for contracts that meet certain requirements and provide insurance coverage together with substantial investment-related service, and the premium allocation approach that applies to short-duration contracts. The Group expects to use all three measurement model approaches given the variety of insurance products sold and the number of jurisdictions in which the Group operates in.

The insurance contracts are presented in the statement of financial position as the sum of the discounted future cash flows, the risk adjustment and the contractual service margin. The asset for deferred acquisition costs and other insurance related receivables will no longer be separately presented as they will be included in the insurance contract liabilities measurement under IFRS 17.

Insurance revenue is no longer measured by premium, but recognised by the provision of services to policyholders throughout the term of the insurance contracts. Additionally, IFRS 17 has introduced a new presentation format for the statement of comprehensive income with a disaggregation between insurance service result and insurance finance income and expenses. Reinsurance outward results are also required to be shown separate to inward business. There will be extensive disclosures to reconcile the movements in insurance contract assets and liabilities with the income and expenses in the statement of comprehensive income.

The effective date of IFRS 17 is for annual reporting periods beginning on or after 1 January 2023, with retrospective application and restatement of comparative figures required. If full retrospective application to a group of contracts is impracticable, IFRS 17 requires using either the modified retrospective approach that allows certain specific modifications, or the fair value approach. The Group expects to make use of all three transition approaches given the varying length of history of the in-force business.

IFRS 17 requires significant changes to the accounting policies for insurance contract liabilities, and also requires enhancements to the IT, finance and actuarial systems of the Group. The Group has completed the preparation of the opening statement of financial position as of 1 January 2022 and the restatement of results for the year ended 31 December 2022 under IFRS 17.

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 not onerous on initial recognition would 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.

Insurance Contracts not Measured under the Premium Allocation Approach

Measurement

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.

Determination of Coverage Unit

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

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

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

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

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into separate measurement categories: those measured as at fair value with changes either recognised in profit or loss or in other comprehensive income and those measured at amortised cost. The determination is made at initial recognition depending on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. In addition, a revised expected credit losses model will replace the incurred loss impairment model in IAS 39.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. In addition, the new standard revises the hedge accounting model to more closely align with the entity's risk management strategies. The IASB made further changes to two areas of IFRS 9. Financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if the cash flow represents solely payments of principal and interest ("**SPPI**"). Non-substantial modifications or exchange of financial liabilities that do not result in derecognition will be required to be recognised in profit or loss.

The standard is mandatorily effective for financial periods beginning on or after 1 January 2019. Amendments to IFRS 4 Insurance Contracts allow a temporary exemption option for companies whose activities are predominantly connected with insurance to defer the effective date of IFRS 9 until the earlier of the effective date of IFRS 17 and financial reporting periods beginning on or after 1 January 2023. The Group has elected to apply the temporary exemption option to defer the effective date of IFRS 9 in order to implement the changes in parallel with IFRS 17 Insurance Contracts.

Investment Contract Liabilities (for Investment Contracts without DPF)

We account for deposits collected and benefit payments received under investment contracts without DPF directly through our consolidated statement of financial position as an adjustment to the investment contract liability, which reflects the account balance. The majority of our contracts classified as investment contracts are unit-linked contracts, with measurement directly linked to the underlying investment assets, which are portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. We record those liabilities at fair value, determined with reference to the accumulation value (current unit value) and an unearned revenue liability and sales inducement liability, where applicable. The costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against customers' account balances are included in 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.

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, we measure unearned revenue liability based on the value of the future best estimate cash flows discounted at the effective interest rate. We immediately recognise any adjustment as income or expense 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.

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.

Changes in the fair value of financial assets held by the Group's participating funds affect not only the value of financial assets, but are also reflected in corresponding movements in insurance and investment contract liabilities. This is due to an insurance liability being recorded for the proportion of the net assets of the participating funds that would be allocated to policyholders if all relevant surplus at the date of the consolidated statement of financial position were to be declared as a policyholder dividend based on current local regulations. Both of the foregoing changes are reflected in the consolidated income statements.

Changes in the fair value of financial assets held to back the Group's unit-linked contracts result in a corresponding change in insurance and investment contract liabilities. Both of the foregoing changes are also reflected in the consolidated income statements.

Share-Based Compensation and Valuation of Share Awards including Options

During the Track Record Period, pursuant to the Share Option and RSU Plan, we have offered share awards including options to reward certain key employees and eligible participants for their services and achievement of shareholder value targets. The Share Option and RSU Plan is an equity-settled plan. Under an equity-settled share-based compensation plan, the fair value of the employees' services received in exchange for the award of share awards including 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 share awards including options awarded on respective grant dates and an assessment of performance conditions. The Board adopted the Share Award Plan and the Employee Share Purchase Plan on 30 January 2022 (and amended by the Board on 27 February 2023 with further minor amendments made on 8 August 2024 and on 16 May 2025) to provide our Company with flexibility to incentivise and retain talent. See *"Statutory and General Information – D. Equity Incentive Plans"* set forth in Appendix V.

We estimate the fair value of the awards using appraisal value method (EV plus a multiple of VNB) and market valuation approach, where applicable, for the RSUs and the Black-Scholes model for the share options, taking into account the terms and conditions upon which the awards were granted. In the case of share options, our use of the Black-Scholes option-pricing model requires the input of subjective assumptions, including dividend yield, expected share price volatility, risk free interest, expected term of the options and appraisal value of our share price. These assumptions and estimates are as follows:

- *Fair value appraisal* – Because our ordinary shares have not been publicly traded, we must estimate the fair value of our shares. Our Board of Directors considers numerous objective and subjective factors to determine the fair value of our ordinary shares as awards are approved, including utilising third-party valuations to assist with the determination of the estimated fair-market value and ordinary share price.

- *Expected dividend yield* – The annual rate of dividends is expressed as a dividend yield which is a constant percentage of the stock price. We use an expected dividend yield of zero.

- *Expected term* – The expected life of an option represents the period of time that an option is expected to be outstanding. The expected term of an award is determined using the simplified method for plain vanilla options, consistent with applicable accounting guidance.

- *Risk-free interest rate* – The risk-free interest rate is based on the rate of U.S. treasury securities with maturities consistent with the estimated expected term of the awards.

- *Expected volatility* – As we do not have a trading history of our ordinary shares, there is no historical basis of the stock volatility. Accordingly, the expected volatility is based primarily on the historical volatilities of similar entities' shares over the most recent period commensurate with the estimated expected term of the awards.

The determination of fair value of share awards including options and the assessment of achievement of performance conditions are inherently subjective, and would affect the amounts we recognise in the consolidated financial statements as share-based payment expense and share-based payment reserve. If factors change and different assumptions are used, our share-based compensation expense could be materially different in the future.

Fair Value of Investment Property

The Group uses independent professional valuers to determine the fair value of investment property on the basis of the highest and best use of the investment property that is physically possible, legally permissible and financially feasible. In most cases, current use of the investment property is considered to be the highest and best use for determining the fair value. The discounted cash flow approach is used by reference to net rental income allowing for reversionary income potential to estimate the fair value of the investment property.

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. We test these assets for impairment by comparing the carrying amount of the asset or cash-generating unit (group of units), including goodwill, to the recoverable amount of that asset or cash-generating unit (group of units). The determination of the recoverable amount requires significant judgment regarding the selection of appropriate valuation techniques and assumptions.

Income Taxes

Significant management judgment on the future tax treatment of certain transactions is required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account developments in tax laws. Tax laws evolve overtime, and in some cases taxation positions are uncertain because the tax laws are subject to varied interpretation. When this is the case, management seeks to adopt a supportable and prudent tax treatment after consultation with professional tax advisers. However, as judicial and non-judicial interpretations develop, these taxation positions may change in the future.

Valuation of Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits with future tax planning strategies.

Impairment of Financial Assets

The Group recognises loss allowances for ECL on financial assets measured at amortised cost and debt securities measured at FVOCI. The measurement of ECL uses probability weighted forward-looking models with significant assumptions about future economic conditions and credit behaviour.

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.

When determining whether the credit risk (i.e. risk of default) on a financial asset 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 determines a significant increase in credit risk based on various criteria for different categories of assets, including rating notch downgrade, days past due, expert judgement and other qualitative factors.

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", with credit rating equivalent to be Baa3 or above. 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.

[**REDACTED**]

DIVIDENDS, DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Our Company has not declared or made any dividend or other distribution to its Shareholders in the past and it does not have any present plan to declare or pay any dividends on its ordinary shares in the foreseeable future. The Group currently intends to retain most, if not all, of available funds and any future earnings to operate and expand the business. Any other future determination to pay dividends will be made at the discretion of our Board and subject to our constitutional documents and applicable laws and regulations. If we decide to pay dividends, the form, frequency and amount may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Board may deem relevant.

Our Company may declare and pay dividends out of our distributable reserves and/or our share premium account pursuant to and subject to the laws of the Cayman Islands and the Articles of Association.

As of 31 December 2024, our Company did not have any distributable reserves, and the amount standing to the credit of our share premium account was approximately US$9 billion.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Save for the change of control provisions disclosed in the "– *Indebtedness – Borrowings*" above, the Directors have confirmed that as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Hong Kong Listing Rules.

NO BUSINESS INTERRUPTION

The Directors confirm that there has not been any interruption in our business which may have or has had a significant effect on our financial position in the 12 months preceding the date of this document.

NO MATERIAL ADVERSE CHANGE

The Directors believe that, having performed reasonable due diligence on the Group, there has been no material adverse change in our financial or trading position since 31 December 2024 and up to the date of this document.

[**REDACTED**]

[**REDACTED**] represent professional fees, [**REDACTED**] commissions and other fees incurred in connection with the [**REDACTED**]. Assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the [**REDACTED**]) and no exercise of the [**REDACTED**], we estimate that we have or will incur [**REDACTED**] of approximately US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million, accounting for [**REDACTED**]% of our [**REDACTED**] from the [**REDACTED**]), of which approximately US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) is directly attributable to the issue of the Shares to the public and is expected to be accounted for as a deduction from equity premium directly upon [**REDACTED**], and approximately US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) has been or is expected to be expensed. The estimated [**REDACTED**] consists of (i) [**REDACTED**]-related expenses (including [**REDACTED**] fees and commissions) of US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million), (ii) fees and expenses of legal advisers and accountants of US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million), and (iii) other fees and expenses of US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million). The estimated [**REDACTED**] components have been subject to rounding adjustments, and therefore do not aggregate to the total estimated amount. As of 31 December 2024, we incurred US$37.5 million (equivalent to approximately HK$292.6 million) of expenses relating to the [**REDACTED**], of which US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) has been charged to the consolidated income statement of the Group and US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) is expected to be accounted for as a deduction from equity premium directly upon [**REDACTED**].