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This announcement and the listing document referred to herein have been published for information purposes only as required by the Listing Rules (as defined below) and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

This announcement is for information purposes only, and does not constitute an invitation or solicitation of an offer to acquire, purchase or subscribe for securities or an invitation to enter into an agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities.

*This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the Issuer (as defined below) making the offer, its management and financial statements. The Issuer (as defined below) does not intend to make any public offering of securities in the United States.*

Notice to Hong Kong investors: The Issuer (as defined below) confirms that the Instruments (as defined below) are intended for purchase by Professional Investors (as defined in Chapter 37 of the Listing Rules) only and the Programme (as defined below) has been, and the Instruments (to the extent they are to be listed on the Hong Kong Stock Exchange (each as defined below)) will be, listed on the Hong Kong Stock Exchange (as defined below) on that basis. Accordingly, the Issuer (as defined below) confirms that the Instruments (as defined below) are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

PUBLICATION OF OFFERING CIRCULAR
ON THE STOCK EXCHANGE OF HONG KONG LIMITED



AIA Group Limited
友邦保險控股有限公司

(Incorporated in Hong Kong with limited liability)
Stock Codes: 1299 (HKD Counter) and 81299 (RMB Counter)
(the "Issuer")

US\$18,000,000,000 Global Medium Term Note and Securities Programme
(the "Programme")

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (the "**Listing Rules**").

Please refer to the offering circular dated 17 March 2025 (the "**Offering Circular**") appended hereto in relation to the Programme. As disclosed in the Offering Circular, the instruments to be issued under the Programme (the "**Instruments**") are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and the Programme has been, and the Instruments (to the extent they are to be listed on the Hong Kong Stock Exchange) will be, listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

Hong Kong, 18 March 2025

As at the date of this announcement, the board of directors of the Issuer comprises:

Independent Non-executive Chairman and Independent Non-executive Director:
Mr. Edmund Sze-Wing TSE

Executive Director, Group Chief Executive and President:
Mr. LEE Yuan Siong

Independent Non-executive Directors:
Mr. Jack Chak-Kwong SO, Mr. Chung-Kong CHOW, Mr. John Barrie HARRISON, Mr. George Yong-Boon YEO, Professor Lawrence Juen-Yee LAU, Dr. Narongchai AKRASANE, Mr. Cesar Velasquez PURISIMA, Ms. SUN Jie (Jane), Ms. Mari Elka PANGESTU, Mr. ONG Chong Tee and Ms. Nor Shamsiah MOHD YUNUS

IMPORTANT NOTICE

THIS OFFERING CIRCULAR IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBs (AS DEFINED BELOW) UNDER RULE 144A PROMULGATED UNDER THE SECURITIES ACT (AS DEFINED BELOW) ("**RULE 144A**"), OR (2) NON-U.S. PERSONS (AS DEFINED IN REGULATION S PROMULGATED UNDER THE SECURITIES ACT (AS DEFINED BELOW) ("**REGULATION S**")) PURCHASING THE INSTRUMENTS OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S.

IMPORTANT: You must read the following before continuing. If you are not the intended recipient of this message, please do not distribute or copy the information contained in this e-mail, but instead, delete and destroy all copies of this e-mail including all attachments. The following applies to the offering circular (the "**Offering Circular**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. As used herein, the terms "United States", "U.S. person", "directed selling efforts" and "offshore transaction" shall have the meanings attributed to such terms in Rule 902 of Regulation S.

Instruments (as described in the Offering Circular) may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are both accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions ("**NI 45-106**") or subsection 73.3(1) of the Securities Act (Ontario), and permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of Instruments must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser. Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the Dealers (as described in the Offering Circular) are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Upon receipt of the Offering Circular, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Instruments described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF INSTRUMENTS FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE INSTRUMENTS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE INSTRUMENTS MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE FOLLOWING OFFERING CIRCULAR MAY NOT BE DISCLOSED TO, DELIVERED, FORWARDED OR DISTRIBUTED TO ANY PERSON OTHER THAN THE INTENDED RECIPIENT AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE INSTRUMENTS AND THE INFORMATION CONTAINED IN THE OFFERING CIRCULAR (AS AMENDED AND RESTATED) THAT WILL BE DISTRIBUTED TO YOU PRIOR TO THE PRICING DATE AND NOT ON THE BASIS OF THE ATTACHED DOCUMENTS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE INSTRUMENTS DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view the following Offering Circular or make an investment decision with respect to the Instruments, investors must be either (I) qualified institutional buyers ("**QIBs**") (within the meaning of Rule 144A) or (II) non-U.S. persons eligible to purchase the Instruments outside the United States in an offshore transaction in reliance on Regulation S. By accepting this e-mail and accessing the following Offering Circular, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons eligible to purchase the Instruments outside the United States in an offshore transaction in reliance on Regulation S and that the electronic e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to the delivery of such Offering Circular by electronic transmission.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Dealer (as described in the Offering Circular) or any

affiliate of a Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or such affiliate on behalf of the issuer in such jurisdiction.

The Instruments, this Offering Circular, and any other information made available to prospective investors have not been reviewed, recommended, approved or disapproved by the U.S. Securities and Exchange Commission, any independent person or regulatory authority.

The following Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of the Issuer, Citigroup Global Markets Inc. and The Hongkong and Shanghai Banking Corporation Limited (the "**Arrangers**") nor any Dealer nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard-copy version available to you on request from the Arrangers.

You should not reply by e-mail to this notice, and you may not purchase any Instruments by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting this e-mail against viruses and other destructive items. Your use of this e-mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



**HEALTHIER, LONGER,
BETTER LIVES**

AIA GROUP LIMITED

(incorporated in Hong Kong with limited liability)

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

US\$18,000,000,000

Global Medium Term Note and Securities Programme

Under the US\$18,000,000,000 Global Medium Term Note and Securities Programme described in this Offering Circular (the "**Programme**"), AIA Group Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**") and dated and perpetual securities (the "**Securities**"). References herein to the "**Instruments**" are to the Notes and/or the Securities, as the context so requires. Instruments may be issued in bearer or registered form. The aggregate nominal amount of Instruments outstanding will not at any time exceed US\$18,000,000,000 (or its equivalent in other currencies). The Instruments may be issued on a continuing basis to one or more of the Dealers specified under "**Summary of the Programme**" and any additional Dealer we may appoint under the Programme from time to time (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Instruments being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Instruments.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**" or "**HKSE**") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer confirms that each Tranche (as defined under "**Terms and Conditions of the Notes**" or "**Terms and Conditions of the Securities**", as applicable) of Instruments to be issued under the Programme is intended for purchase by Professional Investors only, and the Programme and the Instruments, to the extent such Instruments are to be listed on the Hong Kong Stock Exchange, will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Instruments are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The HKSE has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme or the Instruments on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Instruments, the Issuer or the Group (as defined below) or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Notice of the aggregate nominal amount of Instruments, interest or distribution (if any) payable in respect of Instruments, the issue price of Instruments and any other terms and conditions not contained herein which are applicable to each Tranche of Instruments will be set out in a pricing supplement (the "**Pricing Supplement**") which, with respect to Instruments to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the date of issue of the Instruments of such Tranche.

The relevant Pricing Supplement in respect of the issue of any Instruments will specify whether or not such Instruments will be listed on the Hong Kong Stock Exchange or any other stock exchange.

Each Series (as defined in "**Summary of the Programme**") of Instruments in bearer form ("**Bearer Instruments**") will be represented on issue by a temporary global instrument (each a "**temporary Global Instrument**"), and will be sold in an "offshore transaction" within the meaning of Regulation S ("**Regulation S**") promulgated under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Interests in temporary Global Instruments generally will be exchangeable for interests in permanent global instruments (each a "**permanent Global Instrument**" and, together with the temporary Global Instruments, the "**Global Instruments**"), or if so stated in the relevant Pricing Supplement, definitive Instruments ("**Definitive Instruments**"), on or after the date falling 40 days after the later of the commencement of the offering and the relevant issue date of such Tranche (as defined in "**Summary of the Programme**"), upon certification as to non-U.S. beneficial ownership. Interests in permanent Global Instruments will be exchangeable for Definitive Instruments in whole but not in part as described under "**Summary of Provisions Relating to the Instruments while in Global Form**".

The Instruments of each Series to be issued in registered form ("**Registered Instruments**") and which are sold to non-U.S. persons in an "offshore transaction" within the meaning of Regulation S ("**Unrestricted Instruments**") will initially be represented by a permanent registered global certificate (each an "**Unrestricted Global Certificate**") without interest or distribution coupons, which may be deposited on the relevant issue date (i) in the case of a Series intended to be cleared through Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**"), with a common depository on behalf of Euroclear and Clearstream, (ii) in the case of a Series intended to be cleared through the Central Money Markets Unit Service, operated by the Hong Kong Monetary Authority (the "**CMU Service**" or "**CMU**"), with a sub-custodian for the CMU, (iii) in the case of a Series intended to be cleared through The Depository Trust Company ("**DTC**"), registered in the name of Cede & Co. as nominee for DTC (a "**DTC Unrestricted Global Certificate**") and (iv) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, the CMU and/or DTC, or delivered outside a clearing system, as agreed between us and the relevant Dealer. Registered Instruments which are sold in the United States to "qualified institutional buyers" (each, a "**QIB**") within the meaning of Rule 144A ("**Rule 144A**") promulgated under the Securities Act ("**Restricted Instruments**") will initially be represented by a permanent registered global certificate (each a "**Restricted Global Certificate**" and, together with the relevant Unrestricted Global Certificate, the "**Global Certificates**"), without interest or distribution coupons, which may be deposited on the relevant issue date with a custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee for, DTC. The provisions governing the exchange of interests in Global Instruments for other Global Instruments and Definitive Instruments are described in "**Summary of Provisions Relating to the Instruments while in Global Form**".

Investors should be aware that the Instruments may include complex features such as variable interest rates or interest rates linked to an index or formula – such associated risks are set out more fully on page 51 of the Offering Circular. Securities may also be subordinated and/or perpetual, and the Issuer may elect or be required to defer or cancel Distribution payments under the Securities – see "**Risks Relating to the Securities**" beginning on page 52 of the Offering Circular. There are various other risks relating to the Instruments, the Issuer and the Group (as defined herein), as well as the business and jurisdictions in which they operate, of which investors should be aware before making an investment in the Instruments. See "**Risk Factors**" beginning on page 33 of this Offering Circular.

The Instruments have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Instruments may include Bearer Instruments that are subject to U.S. tax law requirements. Accordingly, the Instruments are being offered and sold only (i) in the United States to QIBs as defined in Rule 144A, and (ii) outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S. Subject to certain exceptions, the Instruments may not be offered, sold, or, in the case of Bearer Instruments, delivered within the United States or to, or for the account or benefit of, U.S. persons. Registered Instruments are subject to certain restrictions on transfer. See "**Subscription and Sale**" and "**Transfer Restrictions**".

We may agree with any Dealer that Instruments may be issued in a form not contemplated by the Terms and Conditions of the Notes or Terms and Conditions of the Securities herein, as applicable, in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Instruments.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKSE Rules**" or "**Listing Rules**") for the purpose of giving information with regard to the Issuer and the Group. We accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Arrangers

Citigroup HSBC

Dealers

**ANZ BNP PARIBAS BofA Securities Citigroup Crédit Agricole CIB DBS Bank Ltd. Deutsche Bank
Goldman Sachs HSBC ICBC (Asia) Morgan Stanley MUFG Standard Chartered Bank Wells Fargo Securities**

The date of this Offering Circular is 17 March 2025.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This Offering Circular contains all information with respect to us and our subsidiaries taken as a whole (the “**Group**”) and the Instruments, which is material in the context of the issue and offering of the Instruments; the statements contained herein relating to us and the Group are in every material respect true and accurate and not misleading; the opinions and intentions expressed in this Offering Circular with regard to us and the Group are honestly held, have been reached after due and careful consideration and are based on reasonable assumptions; and all reasonable enquiries have been made by us to ascertain such facts and to verify the accuracy of all such information and statements.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under “*Terms and Conditions of the Notes*” (the “**Notes Conditions**”) and each Tranche of Securities will be issued on the terms set out herein under “*Terms and Conditions of the Securities*” (the “**Securities Conditions**”) as amended and/or supplemented by the Pricing Supplement specific to such Tranche. References herein to the “**Conditions**” are to the Notes Conditions and/or the Securities Conditions, as the context so requires. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Instruments, must be read and construed together with the relevant Pricing Supplement.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Instruments in certain jurisdictions may be restricted by law. We, the Arrangers and the Dealers, require persons into whose possession this Offering Circular comes to inform themselves about and to observe any such restrictions. None of the Issuer, the Arrangers or the Dealers represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Instruments may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, we, the Arrangers and the Dealers, have not taken any action which would permit a public offering of any Instruments or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Instruments may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Important – EEA Retail Investors: If the Pricing Supplement in respect of any Instruments includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Instruments are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Important – UK Retail Investors – If the Pricing Supplement in respect of any Instruments includes a legend entitled “Prohibition of Sales to UK Retail Investors”, the Instruments are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (“**FSMA**”), and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA

(the “**UK PRIIPs Regulation**”) for offering or selling the Instruments or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID II product governance / target market: The Pricing Supplement in respect of any Instruments may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Instruments and which channels for distribution of the Instruments are appropriate. Any person subsequently offering, selling or recommending the Instruments (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Instruments (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Instruments is a manufacturer in respect of such Instruments, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance / target market – The Pricing Supplement in respect of any Instruments may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Instruments and which channels for distribution of the Instruments are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Instruments (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Instruments is a manufacturer in respect of such Instruments, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT

Prospective investors should be aware that certain intermediaries in the context of certain offerings of Instruments pursuant to this Programme (each such offering, a “**CMI Offering**”), including certain Dealers, may be “capital market intermediaries” (“**CMIs**”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**SFC Code**”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (“**OCs**”) for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association (“**Association**”) with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Instruments and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Instruments subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Instruments distributed by such private banks to investors. Private banks are deemed to be placing an

order on a principal basis unless they inform the CMI otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50 per cent. interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to the relevant CMI Offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCS, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

Product Classification Pursuant to Section 309B of the Securities and Futures Act 2001 – The Pricing Supplement in respect of any Instruments may include a legend entitled “Singapore Securities and Futures Act Product Classification” which will state the product classification of the Instruments pursuant to Section 309B(1) of the Securities and Futures Act 2001 (the “SFA”) and provide the appropriate written notification to “relevant persons” in relation to each issue about the classification of the Instruments being offered for the purposes of Section 309B(1)(a) and Section 309B(1)(c) of the SFA.

There are restrictions on the offer and sale of the Instruments and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States, the European Economic Area, the United Kingdom, China, Hong Kong, Japan, Taiwan (China), Singapore, the Netherlands and Canada, and to persons connected therewith. The Instruments have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Bearer Instruments that are subject to U.S. tax law requirements. Accordingly, the Instruments are being offered and sold only (i) in the United States to QIBs as defined in Rule 144A, and (ii) outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S. For a description of certain restrictions on offers, sales and transfers of Instruments and on the distribution of this Offering Circular, see “*Subscription and Sale*” and “*Transfer Restrictions*”.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Information Incorporated by Reference*”). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Listing of the Programme or the Instruments on the Hong Kong Stock Exchange is not to be taken as an indication of our merits or the merits of the Group or the Instruments. In making an investment decision, investors must rely on their own examination of us, the Group and the terms of the offering, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Instruments.

We have not authorised any person to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the

Programme and the sale of Instruments and, if given or made, such information or representation should not be relied upon as having been authorised by us, any Dealer or Arranger.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Instruments shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in our prospects or financial or trading position since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Instruments and should not be considered as a recommendation by us, the Arrangers, the Dealers, or any director, officer, employee, agent or affiliate of any such person or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Instruments. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of our condition (financial or otherwise).

The maximum aggregate principal amount of Instruments outstanding at any one time under the Programme will not exceed US\$18,000,000,000 (and for this purpose, any Instruments denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Instruments calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Instruments which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under “*Subscription and Sale*”.

In connection with the issue of any Tranche of Instruments, the Dealer or Dealers (if any) named as the stabilising manager(s) (the “Stabilising Manager”) in the applicable Pricing Supplement may over-allot Instruments or effect transactions with a view to supporting the price of the Instruments at a level higher than that which might otherwise prevail for a limited period after the applicable issue date. However, there is no obligation on such Stabilising Manager to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

The Arrangers and the Dealers have not separately verified the information contained in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers or Dealers, nor any director, officer, employee, agent or affiliate of any such person makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers or Dealers, nor any director, officer, employee, agent or affiliate of any such person accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Arrangers, a Dealer, or any director, officer, employee, agent or affiliate of any such person or on its behalf in connection with us, the Group or the issue and offering of the Instruments. Each of the Arrangers and Dealers accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Instruments of a particular issue. Each potential purchaser of Instruments should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Instruments, which may describe additional risks and investment considerations associated with such Instruments. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in an issue of Instruments and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by us, the Arrangers or the Dealers, or any director,

officer, employee, agent or affiliate of any such person that any recipient of this Offering Circular or of any such information should purchase the Instruments. Each potential purchaser of Instruments should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of us and the Group. Each potential purchaser of Instruments should determine for itself the relevance of the information contained in this Offering Circular, and its purchase of Instruments should be based upon such investigation as it deems necessary. None of the Arrangers or Dealers, or agent or affiliate of any such person, undertakes to review the financial condition or affairs of us or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Instruments of any information coming to the attention of any of the Arrangers or the Dealers or any of them.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to “we”, “us”, “our”, and the “**Issuer**” are to AIA Group Limited and all references to the “**Group**” and “**AIA**” are to us and our subsidiaries taken as a whole.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items, and actual numbers may differ from those contained herein due to rounding.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to “**US\$**” and to “**U.S. dollars**” are to United States dollars; all references to “**HK\$**” and “**Hong Kong dollars**” are to Hong Kong dollars. As used herein, the terms “United States”, “U.S. person”, “directed selling efforts” and “offshore transaction” shall have the meanings attributed to such terms in Rule 902 of Regulation S.

See “*Exchange Rate Information*”. No representation is made that the Hong Kong dollar and other currency amounts stated herein could have been, or could be, converted into U.S. dollars at such rates or at any other rate.

AVAILABLE INFORMATION

For so long as any Series of the Instruments remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) promulgated under the Securities Act, we will, during any period in which we are neither subject to Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder for delivery to such holder or prospective purchaser, in each case upon the request of such holder or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

EXCHANGE RATE INFORMATION

Our principal overseas operations during the reporting period were located within the Asia region. Items included in the financial statements of each of our Group’s entities are measured in the currency of the primary economic environment in which that entity operates, which is their functional currency. Unless otherwise stated, our consolidated financial statements are presented in millions of U.S. dollars, which is our functional currency, and our and the Group’s presentation currency. The functional currency of each entity within the Group is converted into U.S. dollars utilising period-end exchange rates for assets and liabilities and corresponding period weighted average exchange rates for the consolidated statement of income accounts.

The following table shows, for the periods indicated, the exchange rate at the end of each period between functional currencies of certain markets within the Group and the U.S. dollar. The table sets forth the noon buying rate for U.S. dollars in New York City for cable transfers payable in these functional currencies as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated.

U.S. dollar Period-End Exchange Rates⁽¹⁾

	March 2025 (through 7 March 2025)	February 2025	January 2025	Year ended 31 December		
				2024	2023	2022
Mainland China	7.23	7.28	7.24	7.30	7.10	6.90
Hong Kong	7.77	7.78	7.79	7.77	7.81	7.80
Thailand	33.65	34.23	33.60	34.32	34.35	34.59
Singapore	1.33	1.35	1.35	1.37	1.32	1.34
Malaysia	4.41	4.46	4.46	4.47	4.59	4.40

Source: H.10 statistical release of the Federal Reserve Board.

(1) Exchange rates are expressed in units of local currency per US\$1.00

No representation is made that amounts presented in a particular currency in this Offering Circular could have been converted into such currency at any particular rate or at all.

Hong Kong Dollar Exchange Rates

The Hong Kong dollar is freely convertible into the U.S. dollar. Since 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. In 2005, the Hong Kong Monetary Authority (the “**HKMA**”) broadened the link from the original rate of HK\$7.80 per US\$1.00 to a rate range of HK\$7.75 to HK\$7.85 per US\$1.00. The Basic Law of Hong Kong (the “**Basic Law**”), which came into effect on 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK\$7.80 to US\$1.00. The Hong Kong SAR government has indicated its intention to maintain the link at that rate. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong SAR government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, we cannot assure you that the Hong Kong SAR government will maintain the link at HK\$7.80 to US\$1.00 or at all.

FORWARD LOOKING STATEMENTS

Certain statements under “*Risk Factors*”, “*Business*” and elsewhere in this Offering Circular constitute “*forward-looking statements*”. The words including “*anticipate*”, “*believe*”, “*could*”, “*estimate*”, “*expect*”, “*going forward*”, “*intend*”, “*may*”, “*ought*”, “*plan*”, “*schedule*”, “*will*”, “*aim*” and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding our financial position, business strategy, prospects, capital expenditure and investment plans and the plans and objectives of our management for its future operations (including development plans and objectives relating to our operations), are forward-looking statements. These forward-looking statements reflect our views with respect to future events and are not a guarantee of future performance or developments. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. We expressly disclaim any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under “*Risk Factors*” and elsewhere, important factors that could cause actual results to differ materially from our expectations. All subsequent written and forward-looking statements attributable to us or persons acting on our behalf expressly qualified in their entirety by such cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

We are a company incorporated in Hong Kong under the Hong Kong Companies Ordinance. All of our directors and executive officers and all or a substantial portion of our assets and the assets of such persons reside or are located outside the United States. As a result, purchasers of the Instruments might not be able to effect service of process within the United States upon us or such persons, or to enforce against them United States court judgements predicated upon the civil liability provisions of the federal securities laws of the United States. In practice, judgements of U.S. courts are often difficult or impossible to enforce in Hong Kong. While U.S. court civil judgements for a monetary sum in respect of private law liabilities are, in principle, enforceable in Hong Kong if certain criteria are satisfied (relating to matters including jurisdiction, finality, due process and the absence of fraud), those criteria are often not satisfied and even where they are, arguably, satisfied, the procedure for demonstrating this often proves costly, time-consuming and uncertain. Where the U.S. court judgement is based on the civil liability provisions of the U.S. federal securities laws, the defendant will often have scope for raising a further objection to the effect that such liabilities are, in substance, public or penal in nature and, as such, unenforceable in Hong Kong.

INFORMATION INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, our most recently published audited consolidated financial statements and any unaudited interim condensed consolidated financial statements published subsequently to such consolidated financial statements from time to time (if any) and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available for inspection upon prior written notice and satisfactory proof of holding free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified office of the Fiscal Agent (as defined under “*Summary of the Programme*”) set out at the end of this Offering Circular.

PRESENTATION OF FINANCIAL INFORMATION

We have prepared audited consolidated financial statements as of and for the year ended 31 December 2024. See “*Index to the 2024 Financial Statements and Supplementary Embedded Value Information*”. Our consolidated financial statements were prepared in conformity with the IFRS® Accounting Standards (“**IFRS Accounting Standards**”) issued by the International Accounting Standards Board (“**IASB**”) and Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). IFRS Accounting Standards and HKFRS differ in certain respects from generally accepted accounting principles in other countries, including generally accepted accounting principles in the United States (“**U.S. GAAP**”). These differences might be material to the financial information presented in this Offering Circular, and we have made no attempt to quantify the impact of those differences. In particular, we have not attempted to reconcile our consolidated financial statements to U.S. GAAP, but had we done so it may have had a material impact on the financial information contained in this Offering Circular. Potential investors should consult their own professional advisers for an understanding of the difference between IFRS Accounting Standards / HKFRS, U.S. GAAP and certain other jurisdictions, and how those differences might affect the financial information presented in this Offering Circular. In making an investment decision, investors must rely upon their own independent examination of us, the terms of this offering and our recent financial information, including the risks involved. Unless specified or the context otherwise requires, all financial information in this Offering Circular is presented on a consolidated basis. See “*General Information*” for a description of the consolidated financial statements currently published by us. PricewaterhouseCoopers, our independent auditor, audited our consolidated financial statements as of and for the year ended 31 December 2024 and the year ended 31 December 2023. Our audited consolidated financial statements as of and for the year ended 31 December 2024 and the year ended 31 December 2023, including the notes thereto, appear elsewhere in this Offering Circular.

We adopted the accounting standards of IFRS 9 and IFRS 17 from 1 January 2023. The audited consolidated financial statements as of and for the years ended 31 December 2024 and 31 December 2023 included elsewhere in this Offering Circular have been prepared based on such accounting standards. The effects of the adoption of such accounting standards have been restated in the consolidated financial information as of and for the year ended 31 December 2022, as set forth in the

2023 audited consolidated financial statements included elsewhere in this Offering Circular.

The supplementary embedded value information for the years ended 31 December 2024 and 31 December 2023 included elsewhere in this Offering Circular has been prepared after the adoption of the accounting standards IFRS 9 and IFRS 17. The comparative supplementary embedded value information for the year ended 31 December 2022 has not been restated.

For additional information relating to the accounting standards, see the notes to our audited consolidated financial statements as of and for the years ended 31 December 2024 and 31 December 2023 included elsewhere in this Offering Circular and *“Risk Factors - Changes in accounting standards may adversely affect the Group’s financial condition and impact its results of operations”*.

This Offering Circular contains non-U.S. GAAP financial measures that are not required by, or presented in accordance with, IFRS Accounting Standards or HKFRS. We present non-U.S. GAAP financial measures for management decision-making and internal performance management purposes. For example, value of new business (“**VONB**”) is an estimate of the economic value of one year’s sales. We measure new business activity using a performance measure referred to as annualised new premiums (“**ANP**”), and business volumes during the year using a performance measure referred to as total weighted premium income (“**TWPI**”). We also measure our business with operating profit after tax (“**OPAT**”) attributable to shareholders of the Issuer. For a description of how we calculate these and other measures, such as equity attributable to shareholders of the Issuer on the embedded value basis (“**EV Equity**”), see *“Management’s Discussion and Analysis of Financial Condition and Results of Operations – Overview”*. Non-GAAP financial measures are not measures of our performance under IFRS Accounting Standards or HKFRS and may not be comparable to similarly titled measures presented by other companies. They should be considered together with any performance measures derived in accordance with IFRS Accounting Standards or other generally accepted accounting principles.

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SUMMARY

This summary highlights, and is qualified in its entirety by, information contained elsewhere or incorporated by reference in this Offering Circular. This summary does not contain all the information that may be important to prospective investors. Prospective investors should read this entire Offering Circular carefully, including “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and our audited consolidated financial statements included elsewhere in this Offering Circular.

OVERVIEW

We are the holding company of the largest independent publicly listed pan-Asian life insurance group in the world. We trace our roots to 1919 when C.V. Starr, a young American entrepreneur, established a fire and marine insurance agency in Shanghai. From this beginning, we have built a long and established record that provides us with significant experience and expertise, enabling us to offer products and services across all classes of consumers, from the mass market to high-net-worth individuals and corporate clients, across our geographical markets. We are a market leader in the Asia region based on life insurance premiums and we hold leading positions across the majority of geographical markets in which we operate.¹ Our brand is widely known and highly respected in the markets we serve, and we believe our reputation is that of an industry leader in quality and service excellence.

We believe that our capital strength and robust balance sheet give us a significant advantage. As of 31 December 2024, our Group Local Capital Summation Method coverage ratio (“**Group LCSM Coverage Ratio**”) under Hong Kong’s Group-Wide Supervision (“**GWS**”) framework was 257% on the prescribed capital requirement (“**PCR**”) basis. As of 31 December 2024, we had total assets of US\$305,454 million and total equity attributable to shareholders of the Issuer of US\$40,490 million.

We meet the long-term savings and protection needs of individuals by offering a range of products and services, including life insurance, accident and health insurance and savings plans. We also provide employee benefits, credit life and pension services to corporate clients. As of 31 December 2024, our employees, partners and proprietary agency force served the holders of more than 43 million individual policies and 16 million participating members of group insurance schemes.

We measure the scale and profitability of our business using various key performance indicators, including value of new business (“**VONB**”), annualised new premiums (“**ANP**”), total weighted premium income (“**TWPI**”), operating profit after tax (“**OPAT**”) attributable to shareholders of the Issuer and equity attributable to shareholders of the Issuer on the embedded value basis (“**EV Equity**”). For the year ended 31 December 2024, VONB was US\$4,712 million and OPAT was US\$6,605 million. We have maintained a stable persistency rate of 94%, 94% and 95% for the years ended 31 December 2024, 2023 and 2022, respectively. We had ANP of US\$8,606 million and TWPI of US\$41,398 million for the year ended 31 December 2024, with 81% of our TWPI consisting of renewal premiums. As of 31 December 2024, we had EV Equity of US\$71,626 million. For an explanation and further discussion of our key performance indicators, see “– Summary Selected Consolidated Financial and Other Data – Other Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Overview – Key Performance Indicators”.

We have a presence in 18 markets across the Asia region. Our business is geographically diversified. We operate wholly-owned subsidiaries or branches in 17 markets in Asia – Mainland China, Hong Kong (which includes Macau), Thailand, Singapore (which includes Brunei) and Malaysia (collectively, our “**Key Segments**”), Australia, New Zealand, Cambodia, Indonesia, South Korea, Sri Lanka, the Philippines, Taiwan (China), Vietnam and Myanmar. In addition, we have a 49% shareholding in a joint venture in India with the Tata Group. Hong Kong, Mainland China and Thailand constitute our three largest markets in terms of OPAT,

¹ Based on premiums. Market rankings are based on latest available data published by relevant regulatory and industry sources, as well as our own internal estimates where reasonable.

representing 38%, 24% and 15%, respectively, of our total OPAT for the year ended 31 December 2024. As of 31 December 2024, we had over 27,000 permanent employees and fixed term employees.

Our proprietary agency channel is our core distribution platform. In addition, through our partnership team, “**Partnership Distribution**”, we market products through bancassurance, direct marketing and other intermediated channels. We also continue to utilise and invest in other partnership channels, including private banks, independent financial advisers (“**IFAs**”), brokers and specialist advisers.

Our common shares are traded on the Main Board of the Hong Kong Stock Exchange under the stock codes “1299” (HKD Counter) and “81299” (RMB Counter) and are a constituent stock of the Hang Seng Index. We also have American Depositary Receipts (Level 1) traded on the over-the-counter market (ticker symbol: “AAGIY”).

OUR COMPETITIVE STRENGTHS

Profitability and financial strength derived from geographical diversity, scale of operations

We have a track record of stable and profitable growth, which we consider to be evidence of the success of our business model and market leadership. As of 31 December 2024, our Group LCSM Coverage Ratio was 257% on the PCR basis. Internally generated cash flows from our extensive book of in-force business have created a stable revenue base with a high volume of renewal premiums. We derive earnings from across our markets, which we believe underscores our financial strength and profitability. We believe that the scale and efficiency of our operations across our markets give us a competitive advantage in pricing products and in funding growth.

Strong capital position

The strength of our financial position is one of our key points of differentiation and a competitive advantage. Our prudent, sustainable and progressive dividend policy allows for future growth opportunities and the financial flexibility of the Group. Internally generated cash flows from our extensive book of in-force business provide us with a stable revenue base that supports our ongoing efforts to capture the significant growth opportunities available by investing in new business at high internal rates of return.

Deep and historic roots in the Asia region

We were an early entrant to a number of our Key Segments and are distinguished in many markets by our consistent presence operating through wholly-owned subsidiaries and branches, which allows us to exert control over operations and strategy and ensure that value created is for the benefit of our shareholders. We play an important and continuing role in the development of the life insurance industry in these markets. In Hong Kong, Thailand and Singapore, we have sold life insurance products since the 1930s, and we were the first licensed foreign life insurer to establish operations in Mainland China in 1992.

A broad footprint and market leadership in the Asia region

We are currently the only publicly-listed life insurance group that is headquartered in, established throughout and exclusively focused on the Asia region. We have a presence in 18 markets, which give us a broad geographical footprint in the Asia region. We are a market leader in the Asia (ex-Japan) region based on life insurance premiums.

Mainland China opportunity

We are the first company with a wholly foreign owned life insurance subsidiary in Mainland China. Following the conversion of our Shanghai Branch into a wholly owned subsidiary in 2020, we also received approval from the CBIRC (now known as the NFRA) to begin preparations to establish a new branch in Sichuan. The Sichuan branch was launched in March

2021 and is our first branch in Western China. In October 2021, we also received approval from the CBIRC (now known as the NFRA) to commence operations in Hubei province and commenced sales in January 2022. In April 2023, AIA China received approval from the CBIRC (now known as the NFRA) to commence operations in Henan province. It commenced sales in May 2023. During the year ended 31 December 2024, AIA China received approvals from the NFRA to begin preparations to establish new branches in Anhui, Shandong, Chongqing and Zhejiang.

In January 2022, we completed our investment in China Post Life Insurance Co., Ltd. ("**China Post Life**"). The investment was completed upon receiving all necessary regulatory approvals for AIA Co to invest RMB12,033 million (approximately US\$1,860 million) for a 24.99% equity stake in China Post Life. In February 2022, we agreed a new distribution partnership between AIA China and Postal Savings Bank of China Co., Ltd ("**PSBC**").

Our investment in China Post Life is complementary to our strategy in China and increases our exposure to the growth opportunities in the Chinese life insurance market. We expect that the investment will enable us to capture the value available from distribution channels and customer segments. The operations of AIA China will remain entirely independent of this investment.

An extensive proprietary agency channel and an expanding multi-channel distribution platform

Developed over decades of operation, our proprietary agency channel is our core distribution platform, providing us with continuity of access to customers and the important opportunity to service their ongoing needs. Throughout our history, our agents have provided significant reach and consistent personal customer contact, enabling us to build and maintain long-term relationships with customers. We have a large number of top-tier agents ("**Premier Agents**") who have been a catalyst for our success. See "*Business – Distribution – Agency*". In addition, we have also established other distribution channels that meet our profitability criteria.

A diversified suite of products and innovative product capabilities

We have a broad and diversified suite of products, including life insurance, accident and health insurance, savings plans, employee benefits, credit life and pension products, as well as our health and wellness programmes that are designed to meet customers' needs at different stages of their lives. We believe that our diversified product suite positions us well to capture evolving customer demand under a variety of market conditions. We are also able to transfer product knowledge and service expertise from our more developed markets to those markets at earlier stages of development.

Market-leading brand across the Asia region

We have offered customers financial security and the comfort of a constant presence throughout various economic, social and political changes in the Asia region. As a result, we believe that AIA is one of the strongest and most respected insurance brands in the industry.

Experienced management driving a comprehensive business growth strategy

Our management team has extensive experience and a track record for success in the Asia life insurance market. The group of individuals that make up our Group Executive Committee have on average over 24 years of experience in the insurance industry and over 27 years in the financial services industry. This experience gives our management a broad perspective on the industry that drives our business strategies and which we believe will enable us to respond quickly to changes in the life insurance markets in which we operate.

OUR STRATEGY

Our strategy is centered on AIA's purpose to help people live Healthier, Longer, Better Lives (our "**Purpose**").

Our strategic priorities are built on five long-term structural drivers of growth in Asia:

Asia's unprecedented wealth creation

Compounding wealth creation will support a rapid growth in Asia's middle-class population, with an expected increase of more than 1 billion between 2020 to 2030.

Significant need for private protection

There is a huge shortfall between Asia's need for financial protection and current provision, driving increased demand for life and health insurance and long-term savings. These protection gaps continue to grow, accelerated by the increasing prevalence of avoidable lifestyle-related diseases, ageing populations, increasing longevity and rapid inflation in healthcare costs.

Rapidly shifting consumer mindset

Wellness, healthcare and higher expectations of quality of life into old age are increasingly at the front of mind for consumers. People are significantly more health-conscious since the COVID-19 pandemic. With so many product options and uncertainty over how much cover is needed, consumers increasingly rely on personal recommendations and choose companies that provide trusted advice with relevant, timely and personalised services.

Pervasiveness of new technologies

Advances in technology and digital have opened up increasing opportunities for greater connectivity, scale, and efficiency, driven by deeper customer insights and analytics.

Embracing purpose, sustainability and resilience

Resilience is paramount in a world of increasingly frequent, but hard-to-predict shocks. All stakeholders expect companies to respond in the right way with purpose and a view to long-term sustainability.

Our strategic priorities are aligned with these structural growth drivers and build on our strong track record and substantial competitive advantages. AIA is 100% focused on Asia with 100% ownership of 17 of our 18 operations, including our business in Mainland China, where we are the first foreign company with a wholly-owned life insurance subsidiary.

We believe we have the right platform to capture the many opportunities that each of our markets offers. The specific fundamental areas of our sustainable growth model include:

Unrivalled Distribution – Scale capacity and productivity through digitalisation and advice-centric models

A key competitive strength for AIA is our unrivalled distribution platform, which we have built and developed over decades. This platform allows us to reach millions of individuals and companies across our markets with personalised advice and innovative solutions, helping them live Healthier, Longer, Better Lives. Our strategic priority is to further expand our distribution reach while focusing on increasing productivity of our distribution force.

Continue to extend leadership position in proprietary agency distribution

The core of our distribution is an unparalleled, proprietary Premier Agency platform which focuses on agent quality to deliver professional and personalised advice and to develop long-term relationships with our customers. AIA has been the number one MDRT company globally for the last ten years, demonstrating the effectiveness of our Premier Agency strategy.

Our strategic priorities are market-dependent. In our developed markets, such as Hong Kong and Singapore, we continue to grow our Premier Agency through quality recruitment, training and development initiatives. In Mainland China, we have a unique growth opportunity for our

agency as we expand our geographical presence. To meet the significant opportunities we see in South-East Asia and India, we will grow our active agents in our developing and emerging markets. In all of our markets, our agency strategy is built on quality and we increasingly use technology to support our agents and our next-generation agency leaders who are critical to our sustainable development.

Expand and broaden profitable next-generation partnerships

Complementing our agency is our partnership business, where we work with strategic partners including banks and other financial institutions, as well as non-traditional and digital partners across many of our markets. We have developed a panel of high-quality partners that provide us with access to hundreds of millions of potential customers, many without an existing insurance agent relationship.

Our strategic priority includes a digitally-led approach to better target in-branch customers with customised solutions and provide broader access to previously untapped online banking and credit card customers. Our omni-channel enables customers to choose how to purchase: fully online through to face-to-face advice with a specialist. We have also been testing different solutions and learning from the experience as we work with non-traditional and digital partners to access customers outside the reach of our other distribution channels and our usual demographics.

Compelling Propositions – Be the leading provider of personalised advice and innovative solutions

Our aim is to be a market leader with innovative and profitable products that meet the changing needs of our customers for financial protection and efficient long-term regular savings as they go through their lives. We offer a comprehensive range of protection products to address the life, accident and health protection needs of our customers through their changing life stages, as well as comprehensive long-term savings products to provide for our customers' savings needs for education, retirement and different life goals. During the year ended 31 December 2020, our brand promise of helping people live Healthier, Longer, Better Lives was officially adopted as our purpose and our propositions lead the way in making that a reality for our customers.

Our proposition strategy is anchored around helping our customers meet their protection and long-term savings needs. For protection, our focus is on next-generation life and health products, fully integrated with AIA's health and wellness ecosystem of value-added services. For long-term savings, we leverage AIA's Regional Funds platform to deliver sustainable and superior long-term savings outcomes for customers.

Integrated Health Strategy

During the year ended 31 December 2022, we launched our Integrated Health Strategy. The strategy aims to make healthcare more accessible, more affordable, and more effective. The strategy has three pillars: more personalised health insurance with advice and innovative solutions to provide enhanced coverage and greater value for customers, integration with high-quality outpatient clinics and strategic partnerships to direct better healthcare journeys and improve health outcomes with lower costs, and shaping the nature of healthcare administration and management to make the end-to-end healthcare experience simpler and more effective for our customers.

Personalised Health Insurance

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

Integration with Outpatient Clinics

Integration with healthcare providers will direct better healthcare journeys for customers, help to avoid unnecessary costs and deliver improved health outcomes.

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

Advanced Healthcare Administration and Management

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

Amplify Health

In February 2022, we established Amplify Health, a pan-Asian health insurtech business. Amplify Health is at the heart of our Integrated Health Strategy. Leveraging its full range of health insurtech assets and expertise, Amplify Health has developed a broad suite of services that will accelerate the capability build for AIA's businesses and support the creation of sustainable competitive advantages in health insurance. These assets include access to a significant health information dataset, providing AIA with significant opportunities as we deploy our health insights to deliver more effective healthcare for our customers. In addition to digital health engagement, other services being deployed include healthcare provider management and optimisation, AI-driven core claims and benefits management, payment integrity assessments, customer insights analysis and product design.

Leading Customer Experience – Seamless omni-channel customer experience with best-in-class engagement

Our ambition is for AIA's customers to have a best-in-class experience with personalised engagement delivering on three key principles: simplicity, timeliness and reliability. Using analytics, our aim is to deliver a distinctive, personalised and more meaningful experience for our customers, recommending the most suitable products with delivery through their preferred channels, underpinned by seamless processes and fast turnaround times.

We believe that the focus on further enhancing user experience and improving customer satisfaction will help us extend our leading Net Promoter Score ("NPS") positions we enjoy in many of our markets. Priorities include further simplification of policy materials and new business processes, enhancing ongoing policyholder communications and improving the overall claims experience. These have been measured by real-time customer surveys in select markets since 2022 in order to enhance customer experience.

Our customer experience design principles are benchmarked to global best practice and are anchored in digitalisation and personalisation. Our benchmarking also indicates that these improvements can deliver significant improvements to customer satisfaction, emotion and NPS, increased sales leads, conversions, cross-sell and retention as well as delivering productivity gains through efficiency improvements.

Our large base of long-term existing customers offers significant cross-selling opportunities. Our existing customer marketing initiatives provide a growing source of VONB for the Group, and we intend to continue capitalising on these opportunities through our use of customer

analytics and a broad range of complementary products. Servicing the needs of existing customers and the development of new customer relationships are complementary and critical drivers of success.

Therefore, our marketing efforts are directed at both acquiring new customers, which is an important source of growth as Asian economies expand and develop, and at servicing the expanding insurance needs of existing policyholders. We believe that our customer initiatives will continue to generate sustainable revenue growth through more new business referrals and additional sales to existing policyholders.

Technology, Digital and Analytics

Technology, Digital and Analytics (“**TDA**”) enables every part of our business. Our targeted investments are aimed at helping improve customer experience, increasing distributor productivity, and making our operations more intelligent, efficient and resilient. TDA is also the key enabler of AIA’s Integrated Health Strategy, which aims to make healthcare more accessible, more affordable and more effective to people across Asia. We continue to transform into a customer-centric and digitally-enabled insurer.

AIA’s shift to on-demand cloud technology and software as a service (SaaS) solutions has enabled fast deployment of digital tools and emerging technologies across the organisation.

Our TDA strategy aims to make it easier for customers to obtain life and health insurance by delivering personalised experiences, while bringing us richer data and deeper customer insights. Our agents and distribution partners also benefit from quality digital tools and analytics supporting higher productivity and high-quality financial advice to our customers.

We have a single view of our customer through our integrated data platforms, providing a consistent data source for all our analytical and generative AI solutions. Our analytics solutions have enhanced customer experiences and increased the productivity of our distribution channels, and we are deploying generative AI solutions at scale. We believe there is potential for generative AI to reshape the way insurance is delivered and customers are served, helping us further optimise distributor productivity, achieve higher operational efficiency and enhance customer experience.

ESG Strategy

In March 2021, we launched our environmental, social and governance (“**ESG**”) strategy, which is built around five pillars: Health and Wellness, Sustainable Investment, Sustainable Operations, People and Culture and Effective Governance. Taken together, we believe these pillars of our strategy will contribute to sustainable and healthier development for Asia, its people and communities as well as the planet.

Our ESG strategy addresses AIA’s most material environmental, social, governance factors using the “double materiality” lens and builds on our Purpose by bringing together a clear programme of goals, commitments and actions. By making ESG integral to our core business strategy, operations and culture, we aim to deliver long-term sustainable value for our shareholders, our customers, our employees and communities and future proof our business.

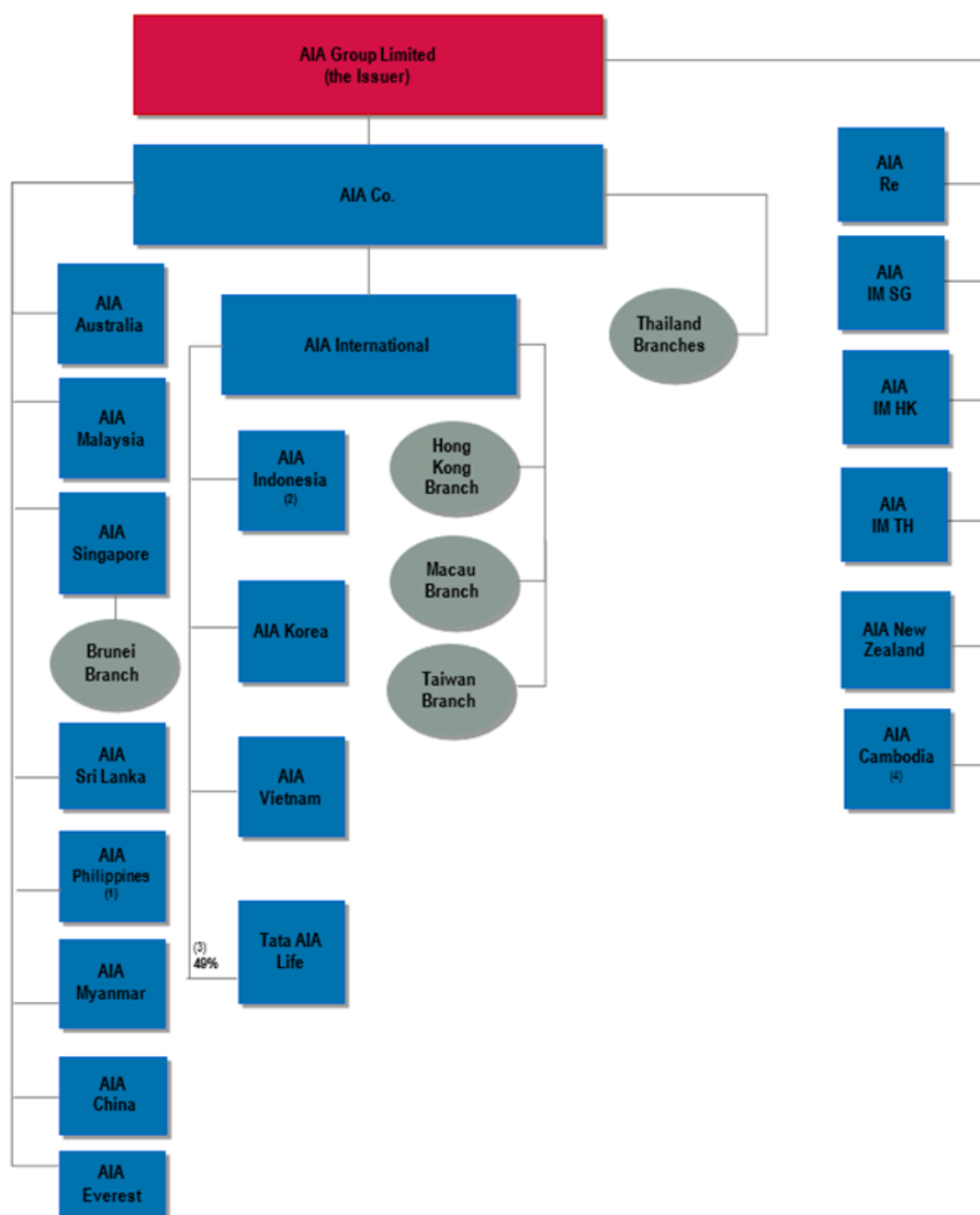
In 2021, we committed to achieving net-zero greenhouse gas emissions by 2050 using the latest climate science to set ambitious emissions reduction targets in conjunction with the Science Based Targets initiative (“**SBTi**”). Critical to this ambition is the sustainable deployment of our investment portfolio. We believe that the integration of ESG considerations throughout the investment process is essential to driving this transition while effectively managing risk and generating sustained returns for our customers. In 2021, we completed the divestment of our directly-managed listed equity and fixed income exposure to coal mining and coal-fired power businesses.

In 2023, we became the first pan-Asian life and health insurer to have our near-term emissions reduction targets validated by the SBTi. This anchors our targets in science, aligns our goals

with the Paris Agreement, and ensures accountability for AIA's climate actions. In November 2023, we published our first Climate Transition Plan which outlines AIA's near-term science-based targets emerging from its business operations and general account in-scope investment portfolio, alongside the plans for meeting these targets.

OUR STRUCTURE

The following is a simplified presentation of our structure as at the date of this Offering Circular, which includes our key operating business units:



(1) We hold a 99.99% equity interest.

(2) We hold an equity interest in excess of 90%.

(3) The remaining interests in Tata AIA Life are held by Tata Sons Private Limited.

(4) AIA Cambodia was transferred from AIA International Limited to AIA Holdings Pte. Limited (a wholly-owned subsidiary of AIA Group Limited) with effect from 26 April 2024.

SUMMARY SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The tables set forth below show certain selected historical consolidated financial information and other data of the Group. The financial information as of and for the years ended 31 December 2024, 2023 and 2022, set forth below, has been derived from our 2024 audited consolidated financial statements and 2023 audited consolidated financial statements, respectively, included elsewhere in this Offering Circular. The information on VONB and EV Equity for and as of the years ended 31 December 2024, 2023 and 2022, set forth below, has been derived from “*Supplementary Embedded Value Information*” included elsewhere in this Offering Circular. The selected historical consolidated financial and other data should be read in conjunction with “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and the audited consolidated financial statements and the information in “*Supplementary Embedded Value Information*” included elsewhere in this Offering Circular.

We adopted the accounting standards of IFRS 9 and IFRS 17 from 1 January 2023. The audited consolidated financial statements as of and for the years ended 31 December 2024 and 31 December 2023 included elsewhere in this Offering Circular have been prepared based on such accounting standards. The effects of the adoption of such accounting standards have been restated in the consolidated financial information as of and for the year ended 31 December 2022, as set forth in the 2023 audited consolidated financial statements included elsewhere in this Offering Circular.

The supplementary embedded value information for the years ended 31 December 2024 and 31 December 2023 included elsewhere in this Offering Circular has been prepared after the adoption of the accounting standards IFRS 9 and IFRS 17. The comparative supplementary embedded value information for the year ended 31 December 2022 has not been restated.

For additional information relating to the accounting standards, see the notes to our audited consolidated financial statements as of and for the years ended 31 December 2024 and 31 December 2023 included elsewhere in this Offering Circular and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – Accounting Standard Change*”.

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December		
	2024	2023	2022
			(as restated) ⁽¹⁾
	(in US\$ millions)		
Insurance revenue	19,314	17,514	16,319
Insurance service expenses.....	(13,136)	(12,078)	(10,434)
Net expenses from reinsurance contracts held	(409)	(345)	(419)
Insurance service result	5,769	5,091	5,466
Interest revenue on			
Financial assets not measured at fair value through profit or loss	4,275	4,062	3,837
Financial assets measured at fair value through profit or loss.....	3,713	3,758	3,430
Other investment return.....	3,965	4,941	(38,647)
Net impairment loss on financial assets	(16)	(195)	(233)
Investment return	11,937	12,566	(31,613)
Net finance (expenses)/income from insurance contracts	(7,612)	(10,456)	30,957
Net finance income reinsurance contracts held	105	65	67
Movement in investment contract liabilities.....	(791)	(572)	1,106
Movement in third-party interests in consolidated investment funds.....	(29)	(56)	34
Net investment result.....	3,610	1,547	551
Fee income.....	89	114	138
Other operating revenue	353	294	301
Other expenses	(1,771)	(1,752)	(1,896)
Other finance costs	(570)	(463)	(385)
Profit before share of profit/(losses) from associates and joint ventures	7,480	4,831	4,175
Share of profit/(losses) from associates and joint ventures.....	351	(267)	(121)
Profit before tax.....	7,831	4,564	4,054
Tax expense.....	(978)	(783)	(689)
Net profit	6,853	3,781	3,365
Less: amounts attributable to non-controlling interests	17	17	34
Net profit attributable to shareholders of the Issuer .	6,836	3,764	3,331

(1) Prepared on the basis of IFRS 9 and IFRS 17, as set forth in the 2023 audited consolidated financial statements included elsewhere in this Offering Circular.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of 31 December		
	2024	2023	2022
			(as restated) ⁽¹⁾
	(in US\$ millions)		
Assets			
Intangible assets	3,478	3,615	3,277
Investments in associates and joint ventures	1,710	1,331	2,056
Property, plant and equipment	4,447	4,058	2,844
Investment property	4,570	4,504	4,600
Insurance contract assets	972	1,457	2,037
Reinsurance contract assets	5,730	6,047	5,763
Financial investments:			
At amortised cost			
Debt Securities.....	2,399	2,165	1,787
Loans and deposits	3,770	3,723	4,566
At fair value through other comprehensive income			
Debt Securities.....	98,289	88,612	86,060
At fair value through profit or loss			
Debt securities	77,530	86,981	77,496
Loans and deposits	272	272	279
Equity shares.....	19,797	19,287	23,378
Interests in investment funds and exchangeable loan notes	69,040	47,166	38,577
Derivative financial instruments	1,054	752	568
Total financial investments	272,151	248,958	232,711
Deferred tax assets	549	301	229
Current tax recoverable	219	207	117
Other assets	3,527	4,316	4,524
Cash and cash equivalents	8,101	11,525	8,020
Assets in disposal group held for sale ..	-	-	4,293
Total assets	305,454	286,319	270,471
Liabilities			
Insurance contract liabilities	221,412	203,271	181,851
Reinsurance contract liabilities	255	336	384
Investment contract liabilities	6,967	9,170	9,092
Borrowings	13,329	11,800	11,206
Obligations under repurchase agreements	4,616	3,461	1,748
Derivative financial instruments	8,615	8,035	8,638
Provisions	202	174	153
Deferred tax liabilities	4,116	3,204	3,409
Current tax liabilities	220	387	467
Other liabilities	4,909	4,887	4,264
Liabilities in disposal group held for sale.....	-	-	4,111
Total liabilities	264,641	244,725	225,323
Equity			
Share capital	14,183	14,176	14,171
Employee share-based trusts	(376)	(367)	(290)
Other reserves	(11,733)	(11,788)	(11,812)
Retained earnings	44,691	44,333	46,499

	As of 31 December		
	2024	2023	2022
			(as restated) ⁽¹⁾
	(in US\$ millions)		
Other comprehensive income	(6,275)	(5,243)	(3,896)
Total equity attributable to shareholders of the Issuer	40,490	41,111	44,672
Non-controlling interests	323	483	476
Total equity	40,813	41,594	45,148
Total liabilities and equity	305,454	286,319	270,471

- (1) Prepared on the basis of IFRS 9 and IFRS 17, as set forth in the 2023 audited consolidated financial statements included elsewhere in this Offering Circular.

OTHER DATA

We measure the scale and profitability of our business using various key performance indicators, including VONB, ANP, TWPI, OPAT and EV Equity. For a discussion of these metrics, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – Overview – Key Performance Indicators*”.

	As of and for the Year ended 31 December		
	2024	2023	2022
	(in US\$ millions, except ratios)		
VONB⁽¹⁾⁽²⁾	4,712	4,034	3,092
ANP⁽¹⁾⁽²⁾	8,606	7,650	5,407
TWPI⁽¹⁾⁽³⁾	41,398	37,939	36,176
OPAT⁽¹⁾⁽²⁾⁽⁴⁾	6,605	6,213	6,421
EV Equity⁽¹⁾⁽²⁾	71,626	70,153	71,202
Group LCSM Coverage Ratio⁽¹⁾⁽⁵⁾	257%	275%	283%
Comprehensive Equity⁽¹⁾⁽⁶⁾	87,600	85,424	86,415
Leverage Ratio⁽⁷⁾	13.1%	12.1%	11.4%

- (1) Definitions of VONB, ANP, TWPI, OPAT, EV Equity, Group LCSM Coverage Ratio and Comprehensive Equity are provided in the Glossary beginning on page A-1 of this Offering Circular.
- (2) VONB and ANP include the results from our 49% shareholding in Tata AIA Life. VONB and ANP do not include any contribution from our 24.99% shareholding in China Post Life. Both the IFRS Accounting Standards results of Tata AIA Life and China Post Life are accounted for using the equity method.
- (3) TWPI does not include any contribution from Tata AIA Life and China Post Life.
- (4) For a reconciliation of OPAT to net profit, see note 5 to our 2024 audited consolidated financial statements included elsewhere in this Offering Circular and note 5 to our 2023 audited consolidated financial statements. OPAT is before non-operating investment returns and other items, net of tax.
- (5) The Group LCSM Coverage Ratio on the GWS basis is referred to as the “eligible group capital resources coverage ratio” in the GWS framework and is defined as the ratio of the eligible group capital resources to the GPCR.
- (6) Comprehensive Equity is the total of shareholders’ equity and net contractual service margin after allowing for reinsurance, taxes and net of non-controlling interests, please see details in “Management’s Discussion and Analysis Of Financial Condition and Results Of Operations”.
- (7) The leverage ratio is defined as total borrowings expressed as a percentage of the sum of total borrowings, total equity and contractual service margin net of reinsurance and net of taxes. Contractual service margin is defined as a component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit the entity will recognise as it provides insurance contract services under the insurance contracts in the group. The previously reported leverage ratio was calculated by dividing Total Borrowings by Total Capitalisation, each as set out or defined in “Total Capitalisation”.

The following table shows a breakdown of VONB by geographical segment for the periods indicated.

	Year ended 31 December		
	2024	2023	2022
	(in US\$ millions)		
Mainland China	1,217	1,037	916
Hong Kong	1,764	1,430	787
Thailand	816	713	585
Singapore	454	394	349
Malaysia	349	319	308
Other Markets ⁽¹⁾	467	406	420
Subtotal	5,067	4,299	3,365
Consolidated capital requirements	(73)	(43)	(52)
Value of unallocated Group Office expenses	(205)	(187)	(192)
Group Corporate Centre tax	(38)	-	-
Total before non-controlling interests	4,751	4,069	3,121
Non-controlling interests ⁽²⁾	(39)	(35)	(29)
Total VONB⁽²⁾	4,712	4,034	3,092

(1) Includes the contribution from Tata AIA Life attributable to our 49% interest in Tata AIA Life.

(2) The total VONB for the Group for the years ended 31 December 2024, 2023 and 2022 excluded the VONB attributable to non-controlling interests of US\$39 million, US\$35 million and US\$29 million, respectively.

The following table shows a breakdown of ANP by geographical segment for the periods indicated.

	Year ended 31 December		
	2024	2023	2022
	(in US\$ millions)		
Mainland China	2,168	2,023	1,319
Hong Kong	2,609	2,407	1,078
Thailand	821	765	655
Singapore	897	586	531
Malaysia	517	473	440
Other Markets ⁽¹⁾	1,594	1,396	1,384
Total	8,606	7,650	5,407

(1) Includes the contribution from Tata AIA Life attributable to our 49% interest in Tata AIA Life.

The following table shows a breakdown of TWPI by geographical segment for the periods indicated.

	Year ended 31 December		
	2024	2023	2022
	(in US\$ millions)		
Mainland China	9,874	8,589	7,592
Hong Kong	12,456	11,554	11,237
Thailand	4,674	4,425	4,166
Singapore	4,445	3,912	3,577
Malaysia	2,742	2,565	2,464
Other Markets ⁽¹⁾	7,207	6,894	7,140
Total	41,398	37,939	36,176

(1) Excludes Tata AIA Life.

The following table shows a breakdown of OPAT by geographical segment for the periods indicated.

	Year ended 31 December		
	2024	2023	2022
			(as restated) ⁽¹⁾
	(in US\$ millions)		
Mainland China.....	1,597	1,548	1,551
Hong Kong.....	2,499	2,180	2,202
Thailand.....	1,019	951	977
Singapore.....	669	669	655
Malaysia.....	331	293	362
Other Markets ⁽²⁾	507	560	710
Group Corporate Centre.....	(17)	12	(36)
Total.....	6,605	6,213	6,421

(1) Prepared on the basis of IFRS 9 and IFRS 17, as set forth in the 2023 audited consolidated financial statements included elsewhere in this Offering Circular.

(2) Includes Tata AIA Life.

SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Offering Circular, and any decision to invest in the Instruments should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in the “Terms and Conditions of the Notes” or the “Terms and Conditions of the Securities” below or elsewhere in this Offering Circular have the same meanings in this summary.

Issuer:	AIA Group Limited, the holding company of the Group.
Legal Entity Identifier Code	ZP5ILWVSYE4LJGMMVD57
Programme Size:	Up to US\$18,000,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement) outstanding at any time. We may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors:	Investing in Instruments issued under the Programme involves certain risks. The principal risk factors that may affect our ability to fulfil our obligations in respect of the Instruments are discussed under the section “ <i>Risk Factors</i> ” below.
Arrangers:	Citigroup Global Markets Inc. and The Hongkong and Shanghai Banking Corporation Limited.
Dealers:	Australia and New Zealand Banking Group Limited, BNP PARIBAS, Merrill Lynch (Asia Pacific) Limited, Citigroup Global Markets Inc., Crédit Agricole Corporate and Investment Bank, DBS Bank Ltd., Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, Industrial and Commercial Bank of China (Asia) Limited, Morgan Stanley & Co. International plc, MUFG Securities EMEA plc, Standard Chartered Bank, Wells Fargo Securities, LLC and any other Dealer we may appoint from time to time either generally in respect of the Programme or in relation to a particular Tranche of Instruments.
Fiscal Agent:	The Bank of New York Mellon, London Branch.
Registrars:	The Bank of New York Mellon SA/NV, Luxembourg Branch (in respect of Unrestricted Instruments other than Unrestricted Instruments cleared through DTC (“ DTC Unrestricted Instruments ”) or the CMU Service), The Bank of New York Mellon (in respect of Restricted Instruments and DTC Unrestricted Instruments) and The Bank of New York Mellon, Hong Kong Branch (in respect of Unrestricted Instruments cleared through the CMU Service).
Transfer Agents:	The Bank of New York Mellon SA/NV, Luxembourg Branch (in respect of Unrestricted Instruments other than DTC Unrestricted Instruments or Instruments cleared through the CMU Service), The Bank of New

York Mellon, Hong Kong Branch (in respect of Unrestricted Instruments cleared through the CMU Service) and The Bank of New York Mellon (in respect of Restricted Instruments and DTC Unrestricted Instruments).

Paying Agents: The Bank of New York Mellon, London Branch (in respect of Unrestricted Instruments) and The Bank of New York Mellon (in respect of Restricted Instruments).

CMU Lodging Agent: The Bank of New York Mellon, Hong Kong Branch.

Exchange Agent: The Bank of New York Mellon.

Method of Issue: The Instruments will be issued on a syndicated or non-syndicated basis.

The Instruments will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest (in the case of Notes) or distribution (in the case of Securities)), the Instruments of each Series being intended to be interchangeable with all other Instruments of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment date of interest (in the case of Notes) or distribution (in the case of Securities)) and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.

Issue Price: Instruments may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

Clearing Systems: Clearstream, Euroclear, DTC and/or the CMU Service and, in relation to any Tranche, such other clearing system as we may agree with the Fiscal Agent (or the CMU Lodging Agent, as the case may be) and the relevant Dealer.

Form of Instruments: Instruments may be issued in bearer form or in registered form. Registered Instruments will not be exchangeable for Bearer Instruments and *vice versa*.

Each Tranche of Bearer Instruments will initially be in the form of either a temporary Global Instrument (which shall be a "**temporary Global Note**" (in the case of Notes) or a "**temporary Global Security**" (in the case of Securities)) or a permanent Global Instrument (which shall be a "**permanent Global Note**" (in the case of Notes) or a "**permanent Global**

Security" (in the case of Securities)), in each case as specified in the relevant Pricing Supplement.

Each Global Instrument will be deposited on or around the relevant issue date with a common depositary or sub-custodian for Clearstream, Euroclear, DTC and/or as the case may be, the CMU Service and/or any other relevant clearing system. Each temporary Global Instrument will be exchangeable for a permanent Global Instrument or, if so specified in the relevant Pricing Supplement, for Definitive Instruments (which shall be a "**Definitive Note**" (in the case of Notes) or a "**Definitive Security**" (in the case of Securities)). If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a temporary Global Instrument or receipt of any payment of interest (in the case of Notes) or distribution (in the case of Securities) in respect of a temporary Global Instrument. Each permanent Global Instrument will be exchangeable for Definitive Instruments in accordance with its terms. Definitive Instruments will, if interest-bearing (in the case of Notes) or distribution-bearing (in the case of Securities), have Coupons attached and, if appropriate, a Talon for further Coupons.

Registered Instruments sold in an "offshore transaction" to non-U.S. persons within the meaning of Regulation S will initially be represented by an Unrestricted Global Certificate. Registered Instruments sold in the United States to QIBs within the meaning of Rule 144A will initially be represented by a Restricted Global Certificate.

Currencies: Instruments may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Instruments may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Instruments are denominated.

Denominations:..... Instruments will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Listing and Trading: Application has been made to the Hong Kong Stock Exchange for the listing of the Programme, under which Instruments may be issued by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange.

However, unlisted Instruments and Instruments to be listed, traded or quoted on or by any other competent

authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Instruments will specify whether or not such Instruments will be listed on the Hong Kong Stock Exchange (or listed, traded or quoted on or by any other competent authority, exchange or quotation system). Instruments listed on the Hong Kong Stock Exchange will be freely transferable with a denomination of at least HK\$500,000 (or its equivalent in other currencies).

Enforcement of Instruments in
Global Form:

In the case of Global Instruments, individual investors' rights against us will be governed by a Deed of Covenant dated 1 March 2017 (as amended or further supplemented from time to time), a copy of which will be available for inspection upon prior written notice and satisfactory proof of holding at the specified office of the Fiscal Agent.

Selling Restrictions:

For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of offering material in the United States, the European Economic Area, the United Kingdom, China, Hong Kong, Japan, Taiwan (China), Singapore, the Netherlands and Canada, see "*Subscription and Sale*".

For the purposes of Regulation S, Category 2 selling restrictions will apply unless otherwise indicated in the relevant Pricing Supplement.

Instruments in bearer form will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (a) the relevant Pricing Supplement states that such Instruments are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (b) such Instruments are issued other than in compliance with the D Rules or the C Rules but in circumstances in which such Instruments will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable. The following legend may appear on the Instruments in bearer form, the inclusion of which will be provided in the relevant Pricing Supplement:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE UNITED STATES INTERNAL REVENUE CODE."

Transfer Restrictions:

There are restrictions on the transfer of Instruments sold pursuant to Category 2 of Regulation S prior to

the expiration of the relevant distribution compliance period and on the transfer of Registered Instruments sold pursuant to Rule 144A promulgated under the Securities Act. See “*Transfer Restrictions*”.

ERISA Considerations:..... The Instruments may not be acquired by an “employee benefit plan” (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”)) that is subject to Part 4 of Subtitle B of Title I of ERISA, a “plan” (as defined in Section 4975(e)(1) of the Code) that is subject to Section 4975 of the Code or any entity whose assets are treated as assets of any such plan unless such purchase and holding of the Instruments will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code. Each purchaser or holder of Instruments and each transferee thereof will be deemed to have made certain representations as to its status under ERISA and the Code. Potential investors should read the sections entitled “*Certain ERISA Considerations*” and “*Transfer Restrictions*”.

Initial Delivery of Instruments: On or before the issue date for each Tranche, the Global Instrument representing Bearer Instruments or the Global Certificate representing Registered Instruments may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the CMU Service or registered in the name of Cede & Co. (or such other entity as is specified in the applicable Pricing Supplement) or nominee for DTC and deposited on or about the issue date with the Custodian or deposited with any other clearing system or may be delivered outside any clearing system (such delivery in all events to be outside the United States in the case of Bearer Instruments) provided that we, the Fiscal Agent and the relevant Dealers have agreed in advance to the method of such delivery. Registered Instruments that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee or a sub-custodian for, such clearing systems.

THE NOTES

Status and Ranking of the Notes: The Notes constitute our direct, unconditional, unsubordinated, and (subject to the provisions of Notes Condition 4 (*Negative Pledge*)) unsecured obligations and shall at all times rank *pari passu* in right of payment and without any preference among themselves. Our payment obligations under the Notes shall, save for such exceptions as may be provided by applicable law and subject to Notes Condition 4 (*Negative Pledge*), at all times rank at least equally with our payment obligations in respect of all our other unsecured and unsubordinated

	indebtedness, present and future as described in Notes Condition 3 (<i>Status</i>).
Maturities:	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Redemption:	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement. Unless permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which we will accept the issue proceeds in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption:.....	If Call Option is specified in the relevant Pricing Supplement, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the Notes Conditions) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption.
Optional Redemption (Make Whole Redemption):	If Call Option (Make Whole Redemption) is specified in the relevant Pricing Supplement, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, in whole or in part, the Notes on any Make Whole Optional Redemption Date. Any such redemption of Notes shall be at their Make Whole Redemption Amount together with interest accrued to the date fixed for redemption.
Redemption for Taxation Reasons:..	Except as described in "Optional Redemption" above, early redemption will only be permitted for taxation reasons as described in Notes Condition 6(c) (<i>Redemption, Purchase and Options – Redemption for Taxation Reasons</i>), including without limitation if as a result of a change or change in application or official interpretation of tax laws or regulations of Hong Kong (or any political subdivision or any authority thereof or therein having power to tax) we are obliged to pay additional amounts, or we are no longer entitled to claim a deduction for any payments in respect of the Notes in computing our Hong Kong (or any authority therein or thereof having power to

tax) taxation liabilities or the amount of such deduction is materially reduced.

Interest:.....	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked, and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. All such information will be set out in the relevant Pricing Supplement.
Negative Pledge:	The Notes will contain a negative pledge provision as further described in Notes Condition 4 (<i>Negative Pledge</i>).
Cross-Acceleration:	The Notes will contain a cross-acceleration provision as further described in Notes Condition 10(c) (<i>Events of Default – Cross-Acceleration</i>).
Withholding Tax:.....	All payments in respect of Notes will be made without deduction or withholding for Hong Kong taxes unless the deduction or withholding is required by law. In that event, we will (subject to certain customary exceptions as described in Notes Condition 8 (<i>Taxation</i>)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such deduction or withholding been required.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.

THE SECURITIES

Types of Securities:	The Securities may be undated ("Perpetual Securities") or dated ("Dated Securities"). Perpetual Securities may be issued as senior obligations ("Senior Perpetual Securities") or on a subordinated basis and Dated Securities may be issued on a subordinated basis. Perpetual Securities issued on a subordinated basis may be designated in the relevant Pricing Supplement as (1) Subordinated Perpetual Securities; or (2) Deeply Subordinated Perpetual Securities. Dated Securities issued on a subordinated basis may be designated in the relevant Pricing Supplement as (1) Subordinated Dated Securities (together with Subordinated Perpetual Securities, "Subordinated Securities"); or (2) Deeply Subordinated Dated Securities (together with Deeply Subordinated Perpetual Securities, "Deeply Subordinated Securities"). The relevant Pricing Supplement may specify any such additional terms as may be required from time to time to meet the applicable regulatory criteria,

including the minimum maturity for Dated Securities and redemptions, conditions (including without limitation conditions relating to our solvency or the solvency of any of our subsidiaries) for redemption and payment of principal and Distribution, provisions for the redemption of the Securities if qualification of the Securities under applicable law or regulation changes, and requirements for deferral and/or cancellation of Distribution.

Status and Ranking of the Senior Perpetual Securities:
.....

The Senior Perpetual Securities will constitute our direct, unconditional, unsubordinated and unsecured obligations and shall at all times rank *pari passu* in right of payment and without any preference among themselves. Our payment obligations under the Senior Perpetual Securities shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with our payment obligations in respect of all our other unsecured and unsubordinated indebtedness, present and future.

Status and Ranking of the Subordinated Securities:
.....

The Subordinated Securities will constitute our direct, unconditional, subordinated and unsecured obligations and shall at all times rank *pari passu* in right of payment and without any preference among themselves and with our Parity Obligations (as defined in "*Terms and Conditions of the Securities*") and in priority in right of payment to payments to holders of present or future outstanding Junior Obligations (as defined in "*Terms and Conditions of the Securities*").

The rights and claims of the Securityholders in respect of the Subordinated Securities will be subordinated in right of payment to the claims of all Senior Creditors (as defined in "*Terms and Conditions of the Securities*"), including, for the avoidance of doubt, the holders of Senior Perpetual Securities and the Notes.

Status and Ranking of the Deeply Subordinated Securities:
.....

The Deeply Subordinated Securities will constitute our direct, unconditional, subordinated and unsecured obligations and shall at all times rank *pari passu* in right of payment and without any preference among themselves and with our payment obligations in respect of our Parity Obligations and in priority in right of payment to payments to holders of present or future outstanding Junior Obligations (as defined in "*Terms and Conditions of the Securities*").

The rights and claims of the Securityholders in respect of the Deeply Subordinated Securities will be subordinated in right of payment to the claims of all Senior Creditors, including, for the avoidance of doubt, the holders of Senior Perpetual Securities, the Subordinated Securities and the Notes.

Distribution Basis:
.....

Subject to "*Optional Distribution Deferral*" and "*Optional Distribution Cancellation*" below, the

Securities confer a right to receive distributions (each a "**Distribution**") from the Distribution Commencement Date at the Rate of Distribution (as specified in the relevant Pricing Supplement) in accordance with the Securities Conditions.

Distribution Rate Reset:

.....

If the relevant Pricing Supplement specifies that the Rate of Distribution is subject to reset, the Calculation Agent will, on the Calculation Business Day prior to each Reset Date, calculate the applicable Reset Distribution Rate payable in respect of the Securities. The methodology for calculating the reset of the Rate of Distribution shall be specified in the relevant Pricing Supplement.

Optional Distribution Deferral:

.....

If Optional Distribution Deferral is specified as applicable in the relevant Pricing Supplement, we may, at our sole discretion, elect to defer, in whole or in part, any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the Securityholders unless, if the Dividend Pusher is specified in the relevant Pricing Supplement as being applicable, during the Dividend Pusher Lookback Period ending on the day before that scheduled Distribution Payment Date, a Compulsory Distribution Payment Event has occurred.

"Dividend Pusher Lookback Period" if applicable, shall be the period specified in the relevant Pricing Supplement.

Mandatory Distribution Deferral at Maturity:

.....

If Mandatory Distribution Deferral at Maturity and Group Capital Requirements Redemption Condition are specified as applicable in the relevant Pricing Supplement, on any Mandatory Distribution Deferral Date, we shall defer payment of all of the Distribution accrued to that date.

"Mandatory Distribution Deferral Date" means any Distribution Payment Date, on or following the Maturity Date, on which any of the Group Capital Requirements (as defined below) is not satisfied, or on which any payment of Distribution would lead to any of the Group Capital Requirements not being satisfied.

Distribution Deferral - General:

.....

We shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if we validly elect not to do so or are required not to do so in accordance with the Securities Conditions.

Compulsory Distribution Payment Event:

.....

A **"Compulsory Distribution Payment Event"** occurs:

(a) if Payment Event (Pusher) is specified in the relevant Pricing Supplement, if a discretionary

dividend, distribution or other payment is declared, paid or made on any Relevant Obligations (Pusher) (other than a payment declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors, agents or consultants); or

(b) if Redemption Event (Pusher) is specified in the relevant Pricing Supplement, if we make any discretionary redemption, reduction, cancellation, buy-back or acquisition for any consideration any of our Relevant Obligations (Pusher) (except for (i) an exchange of any of its Parity Obligations in whole for Junior Obligations, or (ii) a repurchase or other acquisition of any Relevant Obligations (Pusher) in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors, agents or consultants, or (iii) any repurchase or other acquisition which occurs in connection with a merger, amalgamation, consolidation, sale or other corporate reorganisation or which is required under the Hong Kong Companies Ordinance).

The relevant Pricing Supplement may also provide that a Compulsory Distribution Payment Event may not occur if Distributions are not permitted to be paid for regulatory or other reasons specified in the Pricing Supplement.

Cumulative Deferral:

.....

Any Distribution deferred pursuant to "*Optional Distribution Deferral*" above shall constitute "**Arrears of Distribution**". We may at our sole discretion elect to defer further any Arrears of Distribution in accordance with Securities Condition 5(a), and we shall be required to defer further any Arrears of Distribution in accordance with Securities Condition 5(b). We are not subject to any limit as to the number of times Distributions and Arrears of Distribution may or shall be deferred except that certain restrictions shall apply in the event that the Dividend Stopper is specified in the Pricing Supplement as applicable. See "*Restrictions in the case of an optional deferral*" below.

If Distributions are specified to be compounding in the relevant Pricing Supplement, each amount of Arrears of Distribution shall accrue additional distribution amounts at the Distribution Rate as if it constituted the principal of the Securities and the amount of such additional distributions accrued (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to the Securities Conditions and shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the Securities Conditions. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution

Payment Date so that it will itself become Arrears of Distribution.

Satisfaction of Arrears of Distribution
by Payment:

.....

We (A) may satisfy any Arrears of Distribution and any Additional Distribution Amount (in whole or in part) at any time by giving notice of such election to the Securityholders and the Fiscal Agent not more than 20 nor less than 10 business days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige us to pay the relevant Arrears of Distribution on the payment date specified in such notice) and (B) shall satisfy any outstanding Arrears of Distribution deferred in accordance with the Securities Conditions (in whole but not in part) upon the earliest to occur of certain events, including our Winding-Up or a Special Event Redemption Date (see "*Redemption*" below);

provided that, following any Mandatory Distribution Deferral Date, the payment of any Arrears of Distribution or Additional Distribution Amount shall be subject to one of the following conditions being satisfied: (x) the Group Capital Requirements being satisfied both before and after such payment; (y) the Relevant Regulator, despite being aware of any of the Group Capital Requirements not being satisfied, directing or permitting the Issuer to make such payment; or (z) a Winding-Up of the Issuer occurring.

Optional Distribution Cancellation:

.....

If Optional Distribution Cancellation is specified as applicable in the relevant Pricing Supplement, we may, at our sole discretion, elect to cancel, in whole or in part, any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the Securityholders unless, if the Dividend Pusher is specified in the relevant Pricing Supplement as being applicable, during the Dividend Pusher Lookback Period ending on the day before that scheduled Distribution Payment Date, a Compulsory Distribution Payment Event has occurred. We shall have no obligation to pay any Distribution on any Distribution Payment Date if we validly elect not to do so in accordance with Securities Condition 5(d) and any failure to pay any Distribution shall not constitute a default on our part in respect of the Securities. Distributions are non-compounding and any Distribution that is cancelled shall therefore not be payable at any time thereafter, whether in a Winding-Up or otherwise.

Mandatory Distribution Cancellation:

.....

The relevant Pricing Supplement may specify provisions for the mandatory cancellation of Distribution in respect of any Securities.

Restrictions in Case of an Optional
Deferral or Cancellation:

.....

We may be subject to certain restrictions if the Dividend Stopper is specified in the Pricing Supplement. See Securities Conditions 5(c) and 5(d).

Redemption:	The Securities may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall also specify which Special Events apply to a particular Series or Tranche. A "Special Event" means a Tax Event, a Rating Event, a Regulatory Event, an Accounting Event, any other event designated as a Special Event in the relevant Pricing Supplement, or any combination of the foregoing. If "Redemption Conditions" is specified as being applicable in the relevant Pricing Supplement, such relevant redemption shall at all times be subject to the satisfaction of certain redemption conditions as set out in Securities Condition 6(i).
Redemption of Securities at Maturity:	Subordinated Dated Securities or Deeply Subordinated Dated Securities, unless previously redeemed, purchased and cancelled, shall be finally redeemed on the Maturity Date specified in the relevant Pricing Supplement. If "Group Capital Requirements Redemption Condition" is specified as being applicable in the relevant Pricing Supplement, such relevant redemption shall at all times be subject to the satisfaction of certain redemption conditions as set out in Securities Conditions 6(j) and (k) (see "<i>Group Capital Requirements Redemption Condition</i>" below).
Group Capital Requirements Redemption Condition:	If "Group Capital Requirements Redemption Condition" is specified as being applicable in the relevant Pricing Supplement, the Securities may not be redeemed on the originally scheduled Maturity Date, or on any Optional Redemption Date, if any of the Group Capital Requirements would be breached immediately before or after giving effect to such redemption, provided, however that, the Securities may be redeemed on the originally scheduled Maturity Date, or on any Optional Redemption Date, if the Relevant Regulator, despite being aware of any of the Group Capital Requirements not being satisfied, directs or permits the Issuer to redeem the Securities. "Group Capital Requirements" means the GMCR and the GPCR and any other solvency capital requirements to which the Issuer or the Insurance Group is subject from time to time pursuant to the Applicable Supervisory Rules applicable to the Insurance Group. In the event of such deferral of redemption of Securities on the originally scheduled Maturity Date, the Securities shall be redeemed on the earlier of: (x) the date falling 15 Business Days after the first date on which the Group Capital Requirements are

satisfied and will continue to be satisfied after giving effect to such redemption; (y) any Distribution Payment Date following the originally scheduled Maturity Date if the Relevant Regulator, despite being aware of any of the Group Capital Requirements not being satisfied, directs or permits the Issuer to redeem the Securities; or (z) the date on which a Winding-Up of the Issuer occurs.

Issuer's Call Option:

If Issuer's Call Option is specified as applicable in the relevant Pricing Supplement, the Securities may be redeemed at our option (either in whole or in part to the extent specified in the relevant Pricing Supplement) on any Optional Redemption Date at the relevant Optional Redemption Amount on us giving not less than 15 nor more than 30 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement (which notice shall be irrevocable and shall oblige us to redeem the Securities or, as the case may be, the Securities specified in such notice on the relevant Optional Redemption Date at the Optional Redemption Amount plus Distributions accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)).

The Optional Redemption Date and Optional Redemption Amount, if applicable, shall be specified in the relevant Pricing Supplement.

The Optional Redemption Date specified in the relevant Pricing Supplement may include any or each Distribution Payment Date or Reset Date, subject to applicable rating or regulatory criteria.

Issuer's Call Option (Make Whole Redemption):

If Issuer's Call Option (Make Whole Redemption) is specified as applicable in the relevant Pricing Supplement in relation to Subordinated Dated Securities or Deeply Subordinated Dated Securities, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Securityholders (or such other notice period as may be specified in the Securities Conditions) redeem, all or, if so provided, some, of the Securities on any Make Whole Optional Redemption Date. Any such redemption of Securities shall be at their Make Whole Redemption Amount together with Distributions accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

The Make Whole Optional Redemption Date and Make Whole Redemption Amount, if applicable, shall be specified in the relevant Pricing Supplement.

Redemption for Taxation Reasons: .

If Redemption for Taxation Reasons is specified in the relevant Pricing Supplement as being applicable, the Securities will be redeemable at our option for taxation reasons as described in the Securities Conditions, in relation to Dated Securities

only, including without limitation if as a result of a change or change in application or official interpretation of tax laws or regulations of Hong Kong (or any political subdivision or any authority thereof or therein having power to tax) we are obliged to pay additional amounts, or we are no longer entitled to claim a deduction for any payments in respect of the Dated Securities in computing our Hong Kong (or any authority therein or thereof having power to tax) taxation liabilities or the amount of such deduction is materially reduced.

Rating Event Redemption:

If the Rating Event Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at our option in whole, but not in part, as described in the Securities Conditions, if, immediately before giving such notice, an amendment, clarification or change has occurred in the rules, criteria, guidelines or methodologies of relevant Rating Agencies or any of their respective successors to the rating business thereof, which amendment, clarification or change (x) results in or will result in, a lower equity credit for the Securities than the equity credit assigned to the Securities immediately prior to such amendment, clarification or change, or (y) results in or will result in the shortening of the length of time the Securities are assigned a particular level of equity credit by such rating agency as compared to the length of time the Securities would have been assigned that level of equity credit by such rating agency on the date agreement is reached to assign equity credit to the Securities.

"Rating Agencies" shall be such rating agency or agencies as specified in the relevant Pricing Supplement, or if one or more of the rating agencies specified in the relevant Pricing Supplement shall not make a rating of the Securities publicly available, another recognised securities rating agency or agencies, as the case may be, selected by us, which shall be substituted for such rating agency.

Accounting Event Redemption:

Accounting Event Redemption may only apply to Securities that are either Subordinated Perpetual Securities or Deeply Subordinated Perpetual Securities, and if specified as applicable in the relevant Pricing Supplement. The Securities may be redeemed at our option in whole, but not in part, if, immediately before giving such notice, as a result of any changes or amendments (**"Accounting Changes"**) to IFRS Accounting Standards or any other accounting standards that may replace IFRS Accounting Standards for the purposes of our consolidated financial statements (the **"Relevant Accounting Standard"**), the Securities, in our reasonable opinion, must not or must no longer be recorded as our "equity" pursuant to the Relevant Accounting Standard (an **"Accounting Event"**). The period during which the Issuer may notify the redemption of the Securities as a result of the occurrence of an Accounting Event shall start on the

date on which the Accounting Change(s) in the Relevant Accounting Standard is officially adopted. For the avoidance of doubt, such period shall include any transitional period between the date on which the Accounting Change(s) is officially adopted and the date on which it comes into effect.

Redemption in the Case of Minimal Outstanding Amount:

If the Minimal Outstanding Amount Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at our option in whole, but not in part, at any time, on our giving not less than 15 nor more than 30 days' notice to the Securityholders (which notice shall be irrevocable) at the Early Redemption Amount (Minimal Outstanding Amount), if, immediately before giving such notice, the aggregate principal amount of the Securities outstanding is less than 25 per cent. of the aggregate principal amount originally issued (including any further securities issued in accordance with the Securities Conditions).

Regulatory Event Redemption:.....

If "Regulatory Event Redemption" is specified as being applicable in the relevant Pricing Supplement, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 30 days' notice to the Securityholders (which notice shall be irrevocable) at their Early Redemption Amount (Regulatory Event), if, immediately before giving such notice, (A) the Securities, having qualified as Tier 2 group capital or Tier 1 limited group capital (as applicable) under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules), are no longer capable of qualifying (in whole or in part) as at least Tier 2 group capital or Tier 1 limited group capital (as applicable) under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules), except where such non-qualification is as a result of any other applicable limitation on the amount of such capital; or (B) the Securities, 100% of the principal amount of which having originally qualified as Tier 2 group capital under the Applicable Supervisory Rules in effect as of the Issue Date (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) until the Maturity Date (if applicable), as a result of a change in the Applicable Supervisory Rules are deemed to no longer fully qualify as Tier 2 group capital under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) until the Maturity Date.

Limited Rights to Institute Proceedings:

The right of any Securityholder to institute Winding-Up proceedings is limited to certain circumstances where payment has become due and is unpaid. In the case of any Distribution, such Distribution will not be due if we have, as the case may be, elected to defer

or cancel that Distribution in accordance with the Securities Conditions or been mandatorily required to defer or cancel that Distribution in accordance with the Securities Conditions or as otherwise provided in the applicable Pricing Supplement.

Right of Securityholders: No remedy against us, other than as referred to in "*Proceedings for Winding-Up*" below, shall be available to the Securityholders, whether for the recovery of amounts owing in respect of the Securities or in respect of any breach by us of any of our other obligations under or in respect of the Securities.

Proceedings for Winding-Up: Upon (i) an order being made or an effective resolution being passed for our Winding-Up or (ii) our failing to make payment in respect of the Securities for a period of ten days or more after the date on which such payment is due, we shall be deemed to be in default under the Securities and Securityholders holding not less than 15 per cent. of the aggregate principal amount of the Securities may institute proceedings for our Winding-Up and/or prove and/or claim in our Winding-Up for the principal amount of the Securities together with Distribution, Arrears of Distribution and any Additional Distribution Amount accrued to the day prior to the commencement of the Winding-Up. The right to proving and/or claiming in Winding-Up in respect of any of our payment obligations arising from the Securities is limited to circumstances provided by applicable law.

Substitution and Variation: If Special Event Substitution or Variation is specified in the relevant Pricing Supplement as being applicable and a Special Event has occurred and is continuing, then we may, subject the conditions relating to Distribution (without any requirement for the consent or approval of the Securityholders) and subject to its having satisfied the requirements set out under the definition of "**Qualifying Securities**" (as defined in "*Terms and Conditions of the Securities*") immediately prior to the giving of any notice to Securityholders, and having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and the Securityholders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities.

Withholding Tax:..... All payments in respect of Securities will be made without deduction or withholding for Hong Kong taxes unless the deduction or withholding is required by law. In that event, we will (subject to certain customary exceptions as described in Securities Condition 8 (*Taxation*)) pay such additional amounts as will result in the Securityholders receiving such amounts as they would have received in respect of

such Securities had no such deduction or withholding been required.

Governing Law: Other than in respect of Securities Conditions 3(b), 3(c) and 3(d), which shall be governed by and construed in accordance with, Hong Kong law, the Securities and any non-contractual obligations arising out of or in connection with the Securities will be governed by, and construed in accordance with, English law.

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. Additional risks and uncertainties not presently known to us or which we currently deem immaterial may arise or become material in the future and may have a material adverse effect on us, including on our ability to fulfil our obligations under the Instruments.

These factors are contingencies that may or may not occur. The information given is as of the date of this Offering Circular and will not be updated after the date hereof, and is subject to the reservations in the section headed "Forward Looking Statements" in this Offering Circular.

RISKS RELATING TO OUR BUSINESS

Market fluctuations, general economic conditions and geopolitical events globally and in the geographical markets in which we operate inherently impact our business.

Our business is inherently subject to market fluctuations, general economic conditions and geopolitical events globally and in the geographical markets in which we operate. Significant market volatility, and government actions taken in response, may exacerbate some of the risks we face. Concerns about global economic conditions or geopolitical events, such as the conflicts between Russia and Ukraine, and Hamas and Israel, and sanctions imposed by governments in response, may continue to cause elevated levels of market volatility. While the Group does not have material direct exposure to these markets, the associated market volatility may affect the performance of various asset classes more broadly at various times. Most of our financial assets and liabilities are recorded at fair value, including trading assets and liabilities, financial assets and liabilities measured at fair value through profit and loss, and financial assets measured at fair value through other comprehensive income. Changes in the value of securities are recorded through our consolidated income statement and other comprehensive income in our consolidated statement of financial position. In addition, difficult operating conditions could reduce the demand for our products and services, reduce the returns from, or give rise to defaults or losses in, our investment portfolio, increase lapse risk and otherwise have a material adverse effect on our business, financial condition or results of operations.

Fluctuations in interest rates and market conditions may materially and adversely affect our profitability, capital position, reserves or financial condition.

Fixed income securities represent a significant percentage of our investment portfolio. As of 31 December 2024, fixed income securities represented 69% of our total investments other than those held to back unit-linked contracts ("**Policyholder and Shareholder Investments**"). Periods of rapidly increasing interest rates or increasing credit spreads will lead to a fall in value of certain fixed income securities, which will reduce the estimated fair value of our investment portfolio. Conversely, during periods of declining interest rates, our average investment yield will decline as maturing investments are replaced with new investments with lower yields and coupon payments. As a result, the decline in interest rates would reduce our return on investments, which could materially reduce our profitability, regardless of whether such investments are used to support particular insurance policy obligations. For products with guaranteed return features, declines in interest rates reduce the rate of return we are able to earn on investments supporting the obligations under these products.

The pricing of our products requires assumptions about interest rates. If actual interest rates are different than those assumed, this could have an adverse effect on our profitability, capital position, reserves or financial condition.

A significant proportion of our profit is generated from our investment portfolio. In addition to interest rate fluctuations, fluctuations in credit spreads and in the financial markets, including the equity and fixed income markets, affect the income derived from our investment portfolio

and the values of our investment portfolio, which cause corresponding capital gains or losses and impact our capital position. Adverse movements in the markets to which we have investment exposure, including adverse changes to credit spreads, could therefore have a material adverse effect on our financial condition, capital position and results of operations.

Inability to match duration of our assets and liabilities could increase our exposure to interest rate risk and impact our capital position.

In order to reduce our exposure to changes in interest rates, we seek to match the duration of our liabilities with assets of suitable quality and duration. However, in some jurisdictions the availability of assets of suitable duration or alternatives in the form of derivative instruments or reinsurance may be restricted by applicable insurance laws, rules and regulations or market factors. If we are unable to match closely the duration of our assets and liabilities, we will be exposed to interest rate changes, which may materially and adversely affect our financial condition and results of operations. In addition, our surplus capital assets may be exposed to fluctuations in interest rates and other factors affecting valuation of these assets, which may also materially and adversely affect our financial condition, our required reserves and results of operations.

Multi-jurisdiction operations inherently pose complex legal, political, regulatory, tax and economic risks.

We have a presence in 18 geographical markets throughout the Asia region, which, while providing us a measure of diversity, exposes us to risks associated with multi-jurisdiction operations. Certain of our operations, including those in some of the key markets in which we operate, are in countries with political uncertainties or social unrest, and developing regulatory, tax and legal frameworks that include a range of regulations on foreign investment and foreign ownership. We are subject to the regulatory oversight of a number of financial services, insurance, tax, securities and related regulators. These regulators have broad authority over our business, including ownership and shareholding structure, pricing of our products, capital, solvency and reserving requirements, and our ability to enter new lines of business or markets, enter into new strategic transactions or underwrite certain risks, and there may be legislative or regulatory changes in any of these requirements. The regulatory, tax and legal frameworks of the jurisdictions in which our customers are located may also affect their demand for, or their ability to purchase, our products and services. In addition, multi-jurisdiction operations are subject to inherent operational risks, many of which are beyond our control. Our risk management policies and procedures are designed to address a broad range of risks, encompassing risks relating to insurance underwriting, investments, liquidity, operations and systems. However, failure to successfully manage all of the regulatory and other risks associated with operating in multiple jurisdictions, particularly in developing and rapidly growing countries and markets, may materially and adversely affect our business, financial condition and results of operations.

Risks associated with multi-jurisdiction operations also include those arising from geopolitical uncertainties, including between the United States and China. The past several years have marked an increase in restrictive U.S. and Chinese trade and financial measures. The United States has adopted sanctions that target certain individuals and entities across Asia, particularly in China, Hong Kong and Myanmar. The PRC has also enacted an Anti-Foreign Sanctions Law and other relevant measures under which PRC authorities could designate sanctions and other measures adversely impacting the PRC or PRC companies as “discriminatory restrictive measures.” Such a designation could result in penalties or civil liability for PRC persons, companies, and others doing business in the PRC for complying with foreign discriminatory restrictive measures. In addition, while AIA does not conduct business in Russia, Ukraine, Israel or Palestine, geopolitical tensions resulting from the conflict between Russia and Ukraine since February 2022 and the conflict between Israel and Hamas may further increase geo-political uncertainties, and adversely affect global markets, including financial markets, in which we operate. Further sanctions, counter-sanctions or other actions may be imposed or taken on individuals or entities both within and outside of Russia, Israel and Palestine. The imposition, or threat, of further sanctions and trade restrictions on companies and individuals, particularly those that target the countries in which we operate, may create a more challenging operating

environment. As of the date of this Offering Circular, we are unable to predict the impact of these developments on our business.

Our businesses are highly regulated and changes to regulation of our businesses or failure to comply with such regulations may adversely affect our business.

We are subject to laws, rules and regulations that regulate our businesses, including but not limited to laws and regulations relating to our industry (see “– *Risks Relating to Our Industry*”). The introduction of any new laws, rules and regulations, or any changes to existing laws, rules and regulations, could have a material adverse effect on our business, financial condition and results of operations. Some of the laws, rules and regulations that we are subject to in the geographical markets in which we operate are relatively new and their interpretation and application remain uncertain. Failure to comply with any of the applicable laws, rules and regulations, including as a result of changes to rules and regulations or the changing interpretation thereof by relevant regulators, could result in fines, an increase in expenses or capital in order to achieve compliance, suspension of our business licences or, in extreme cases, business licence revocation, each of which would have a material adverse effect on our business, financial condition and results of operations. In addition, failure to implement and maintain effective internal controls could impact the reliability of our financial statements and our ability to comply with applicable laws, rules and regulations.

We face the risk of litigation, tax disputes, regulatory investigations and other proceedings in relation to our business.

A substantial liability arising from a lawsuit judgement, tax dispute or a significant regulatory action against us or a disruption in our business arising from adverse adjudications in proceedings against our directors, officers or employees could have a material adverse effect on our business, financial condition and results of operations. Moreover, even if we ultimately prevail in the litigation, tax dispute, regulatory action or investigation, such proceedings could significantly harm our reputation, which could materially affect our prospects and future growth.

Actual experience may differ from models and assumptions used in establishing insurance contract liabilities and in product pricing, which may adversely impact our profitability and financial condition.

We establish reserves to reflect our liabilities for future expected policyholder benefits and claims and anticipated future expenses. We establish these reserves and price our products based on models, assumptions and other estimates, including mortality and morbidity rates, policyholder behaviour including persistency, expected premiums, investment returns, benefits to be paid and expenses to be incurred, as well as macroeconomic factors such as interest rates and inflation.

Due to the nature of the underlying risks and uncertainty associated with the determination of the liabilities for unpaid benefits and claims, these amounts may vary from the estimated amounts. Significant deviations in actual experience from the assumptions made could materially and adversely affect our financial condition, results of operation and prospects.

We periodically evaluate our reserves based on updates to the models, assumptions and estimates used to establish these reserves, as well as our actual policy benefits and claims experience. If the net reserves initially established for policy liabilities prove insufficient, we must increase our reserves, which may have a material adverse effect on our business, financial condition and results of operations.

The VONB, OPAT, embedded value (“EV”) and EV Equity information we present in this Offering Circular are based on several assumptions and may vary significantly if those assumptions change.

In order to provide investors with an additional metric to understand the economic value of our business and business performance, we have disclosed information regarding our VONB, OPAT, EV and EV Equity. These measures are based on a discounted cash flow valuation

using commonly applied actuarial methodologies. There is no single adopted standard for any of the form, determination or presentation of the VONB, OPAT, EV or EV Equity of an insurance company. The calculation of VONB, OPAT, EV and EV Equity involves assumptions regarding a number of factors, many of which are beyond our control, and actual experience may vary materially from that assumed. Moreover, because of the technical complexity involved in VONB, OPAT, EV and EV Equity calculations and the fact that VONB, OPAT, EV and EV Equity estimates vary materially as key assumptions are changed, investors should use special care when interpreting VONB information, OPAT, EV and EV Equity results. We do not intend to update or otherwise revise these values outside of our regular reporting requirements in the future, whether as a result of new information, future events or otherwise.

A reduction or perceived reduction in our financial strength could result in credit rating downgrades or a loss of business and adversely affect our results.

Any actual or perceived reduction in our financial strength may result in a downgrade in the credit rating of any of our rated entities, and could have material adverse effects on our business. These effects could include an adverse impact on new business sales, lower policyholder persistency, increased borrowing costs and loss of support from distributors and counterparties such as reinsurers, which would in turn materially and adversely affect our business, financial condition and results of operations.

Any changes in methodologies and criteria used by rating agencies, which may include changes due to the adoption of IFRS 17, could also result in credit ratings downgrades that may not be reflective of general economic conditions or our financial condition.

As of the date of this Offering Circular, AIA Co., our principal operating subsidiary, has financial strength ratings of AA (Very Strong) with a stable outlook from Fitch; and AA- (Very Strong) with a positive outlook from S&P; and Aa2 (Very Low Credit Risk) with a negative outlook from Moody's. The Issuer has issuer credit ratings of AA- (Very High Credit Quality) with a stable outlook from Fitch, A+ (Strong) with a positive outlook from S&P, and A1 (Low Credit Risk) with a negative outlook from Moody's. Moody's revised the outlook on the Issuer and AIA Co. from stable to negative on 8 December 2023 following the agency's decision to change the sovereign ratings outlook for both China and Hong Kong from stable to negative. S&P revised the outlook on the Issuer and AIA Co. from stable to positive on 23 December 2024 reflecting strengthened capital buffer levels and improved visibility of future profits under IFRS 17 results.

We are dependent on the performance of our distribution partners and our continuing ability to recruit, motivate and retain suitable agents and distribution partners to distribute our products.

Our proprietary agency channel is our core distribution platform, providing us with continuity of access to customers. In addition, we generate significant new business sales of life insurance products through our bancassurance channel. We cannot assure you that the efforts of our proprietary agency force, or of our bancassurance, direct marketing or other intermediated channels, will be successful. In addition, we face competition to attract and retain agency leaders and individual agents. We compete with other companies for the services of agents on the basis of our reputation, product range, compensation and retirement benefits, training, support services and financial position. Access to alternative distribution channels is subject to similar competition. Any adverse movement in any of these factors could inhibit our ability to attract and retain adequate numbers of qualified agents and adversely impact our ability to maintain and develop relationships with alternative distribution partners.

To the extent we are not able to maintain our existing distribution relationships or secure new distribution relationships, we may not be able to maintain or grow our VONB or premiums, which may materially and adversely affect our business, financial condition and results of operations.

Agent, employee and distribution partner misconduct could harm our reputation or lead to regulatory sanctions or litigation against us.

Agent, employee or distribution partner misconduct could result in violations of law, regulatory sanctions, litigation or serious reputational or financial harm. Such misconduct could include, among other things, misrepresenting the features or limits of our products, recommending products not suitable for particular consumers or misappropriation of client funds.

The measures that we have taken to detect and deter misconduct by our agents, employees and distribution partners may not be effective in all circumstances. In addition, misconduct from our competitors and other industry participants could have a material adverse effect on the reputation of the industry as a whole. We cannot assure you that any such misconduct would not have a material adverse effect on our reputation, business, financial condition and results of operations.

Any inability to attract and retain talented professionals may adversely impact our business.

The success of our business is dependent on our ability to attract and retain key personnel who have in-depth knowledge and understanding of the life insurance markets in which we operate.

We cannot assure you that we will be able to attract and retain qualified personnel or that our senior management or other key personnel will not retire or otherwise leave us at any time, which may materially and adversely affect our business. Our ability to attract and retain talented professionals is also subject to various factors, such as the general economic, political and social conditions of a jurisdiction, that are beyond our control.

We are subject to the credit risk of our investment counterparties, including the issuers or borrowers whose securities or loans we hold.

Our investment portfolio is comprised primarily of fixed income securities, and we hold significant amounts of government and governmental agency bonds and corporate bonds. As a result, we have significant credit exposure to sovereign and corporate issuers. Investment in sovereign debt obligations involves risks that may not be present in investments in debt obligations of corporate issuers. Investing in such instruments creates exposure to the direct or indirect consequences of political, governmental, social or economic changes in the countries in which the issuers are located and the creditworthiness of the sovereign. In addition, the issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due in accordance with the terms of such debt, and we may have limited recourse to compel payment in the event of a default.

We also have significant risk exposure to banking and other financial institutions. Events or developments that have a negative effect on any particular industry, asset class, group of related industries, country or geographic region may have a greater negative effect on our investment portfolio to the extent that our portfolio is concentrated and our related investment counterparties are similarly affected.

In addition, we cannot assure you that we will not suffer losses, due to defaults or otherwise, from certain counterparties related to our investment activities. In September 2022, we became subject to Phase 6 of the initial margin regulatory requirements and have since been required to post collateral to support our obligations. When the value of the assets posted as collateral decline, we may need to provide additional collateral or, if possible, reduce our position.

Any loss due to the failure of our investment counterparties to meet their obligations under our investments may have a material adverse effect on our financial condition and results of operations, as well as our liquidity and profitability.

We are exposed to liquidity risk for certain of our investments.

There may not be a liquid trading market for certain of our investments, such as privately placed fixed income securities, structured securities, private equity investments and real estate investments. The liquidity of trading markets 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. As of 31 December 2024, we had total financial assets that are categorised as “Level 3”, which are generally considered illiquid, as defined in note 20 to our 2024 audited consolidated financial statements included elsewhere in this Offering Circular, in the fair value hierarchy with total fair value of US\$30,346 million, or 11% of total investments carried at fair value.

Due to the size of some of our fixed income investment holdings relative to the size and liquidity of the relevant market, our ability to sell certain securities without significantly depressing market prices, or at all, may be limited. If we were required to dispose of these or other potentially illiquid assets on short notice, we could be forced to sell such assets at prices significantly lower than the prices we have recorded in our consolidated financial statements.

We are subject to foreign exchange risks.

Due to the geographical diversity of our businesses, we are exposed to fluctuations in foreign exchange rates as a significant proportion of our assets, liabilities, revenues and expenses are denominated in a number of foreign currencies.

As we translate our foreign currency-denominated assets, liabilities, revenues and expenses to U.S. dollars for financial reporting purposes, changes in exchange rates on the translation of foreign currencies into U.S. dollars are directly reflected in our financial results. Foreign currency exchange rate fluctuations could materially adversely affect our reported results.

As each of our business units operates generally in its local currency (except for Hong Kong, which is primarily denominated in U.S. dollars) and largely matches the currencies of liabilities and assets generated locally, there is modest foreign exchange rate risk in the local currency balance sheets of our operating units.

We depend upon dividends and other distributions and payments from our subsidiaries and branches for substantially all of our cash flow. A significant change to foreign exchange rates may also have an impact on the U.S. dollar equivalent value of the remittances paid by a subsidiary to its respective parent entity.

In some of the geographical markets in which we operate, regulations place restrictions or controls on our ability to move currency into and out of that geographical market. This may increase our exposure to exchange rate fluctuations and impair our ability to deploy or remit capital in the most advantageous manner, which could materially and adversely affect our financial condition and results of operations.

See “– Risks Relating to the Instruments issued under the Programme – Our ability to service payments on the Instruments and to meet our obligations depends, in addition to assets held at the holding company, on dividends and other distributions and payments from and among our operating subsidiaries and branches, which are subject to contractual, regulatory and other limitations.”

Hedging strategies and derivatives that we use, or may use in the future, may not adequately mitigate or offset the hedged risk.

We seek to manage foreign exchange, interest rate and equity market risks associated with our products and businesses through, among other things, our hedging programmes. Developing an effective strategy for dealing with these risks is complex, and no strategy can completely mitigate such risks. Our hedging strategies also rely on assumptions and projections that may prove to be incorrect or inadequate. Accordingly, our hedging activities may not have the desired beneficial impact on our business, financial condition or results of operations. Market

conditions can limit availability of hedging instruments and further increase the cost of executing product-related hedges and such costs may not be recovered in the pricing of the underlying business risk being hedged. In addition, changes in market conditions, regulations, counterparty requirements or such other events that are beyond our control may impact the value of our derivatives transactions, which may require us to post additional collateral or different forms of eligible collateral that may be significant and may adversely affect our liquidity.

We may need additional capital or debt financing in the future.

To the extent our existing sources of capital are not sufficient to satisfy our needs, we may need to seek external sources. Our ability to obtain additional capital from external sources in the future is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows, regulatory considerations and general market conditions.

Future debt financing, if it can be obtained, could include additional financial covenants and other terms that restrict the financial flexibility of our business.

We may be unable to utilise reinsurance successfully.

Our ability to obtain external reinsurance on a timely basis and at a reasonable cost is subject to a number of factors, many of which are beyond our control. In particular, certain risks that we are subject to, such as epidemics and pandemics, are difficult to reinsure. If we are unable to renew any expiring external coverage or obtain acceptable new external reinsurance coverage, our net risk exposure could increase or, if we are unwilling to bear an increase in net risk exposure, our overall underwriting capacity and the amount of risk we are able to underwrite would decrease. To the extent that we are unable to utilise external reinsurance successfully, our business, financial condition and results of operations may be materially and adversely affected.

We are also exposed to credit risk with respect to reinsurers in all lines of our insurance business. In particular, since reinsurance does not discharge our primary liability to our policyholders, a default by one or more of our reinsurers under our reinsurance arrangements would increase the financial losses arising out of a risk we have insured, which would reduce our profitability and may have a material adverse effect on our liquidity position. If our reinsurers fail to pay us on a timely basis, or at all, our business, financial condition and results of operations may be materially and adversely affected.

The failure to identify and adequately address risks associated with environmental, social or governance (“ESG”) factors, include stakeholders’ expectations, could adversely affect the achievement of our long-term strategy and affect our business.

Our ESG strategy builds on our purpose of helping people live Healthier, Longer, Better Lives (our **“Purpose”**) by bringing together a programme of goals, commitments and actions to deliver long-term sustainable value for our customers, our shareholders and our communities. We integrate ESG factors into the decisions that we make and actions we take in order to deliver on our Purpose. We believe that the attainment of our Purpose relies on a healthy environment for all. As such, AIA is committed to reducing its carbon footprint and championing financial inclusivity as part of supporting the just transition to a lower-carbon economy.

Our ESG strategy helps us to assess our impact on the economy, the environment and society, and to consider the significance of various ESG factors for AIA’s stakeholders, as well as their importance and impact to our business. Given the continuously evolving global and local business environment and in light of our stakeholders’ shifting priorities and expectations, we may fail to identify material ESG factors, adequately address pertinent ESG-related risks and expectations and requirements of our investors, regulators and others. This may include any failure to achieve our near-term emissions reduction targets under our Climate Transition Plan or to effectively capture ESG-related opportunities to drive meaningful positive impact.

If we are unable to effectively implement our ESG strategy and address ESG risks and expectations and requirements of our stakeholders, this could adversely affect the achievement

of our long-term strategy and could have a material and adverse effect on our reputation, business, financial condition or results of operations.

New business activities present risks to our business.

As part of our overall strategy, we may acquire or invest in certain businesses, assets and technologies, as well as develop new products and distribution channels that are complementary to our business. We may experience difficulties, or be entirely unable, to integrate into our existing business and operations such investments, acquisitions, distribution arrangements or partnerships, including such arrangements where we do not have direct control. In addition, there can be no assurance that any of our acquisitions, investments, assets and technologies will always align with our strategy, or with our policies, standards, internal controls or any other expectations of AIA or of our stakeholders. In addition, new product or service offerings we invest in may be outside of our core businesses and require us to maintain separate policies or standards to manage such offerings. These events could have a material adverse effect on our business, reputation, financial condition and results of operations.

Our new products may be unsuccessful.

An important factor in our continued growth is the development of innovative and profitable products. See *“Business – Our Products”*. We assess our products through our Risk Management Framework (“RMF”) and we may use reinsurance for product pricing expertise and management of risk exposure when developing new products. Nevertheless, there can be no assurance that our new products will be as successful as we intended, or at all. If our new products were unsuccessful, our business, financial condition and results of operations may be materially and adversely affected.

An impairment in the carrying value of goodwill and other intangible assets could negatively impact our financial position or results of operations.

Goodwill and other intangible assets are carried at book value (original costs less cumulative amortisation). These intangible assets are reviewed for impairment at least annually or more frequently if indicators are present. An impairment loss is recognised if the carrying amount of the assets exceeds its recoverable amount, which is the higher of the fair value of the assets less cost to sell and value in use. In evaluating the recoverability of such assets, management relies on a number of assumptions related to margin, growth rates, discount rates, expected performance of the business and other factors. There are inherent uncertainties related to these assumptions and management’s judgement in applying them. Furthermore, we cannot provide assurance that future market or business conditions will not result in the impairment of a portion of these intangible assets. Consequently, additional impairments may need to be taken in the future, which could negatively impact our financial position or results of operations.

Financial assets, other than those at fair value through profit or loss, also require impairment assessment on a regular basis. This assessment is done to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. Such impairments could have a material adverse effect on our financial position or results of operations.

Deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, except in respect of temporary differences arising from the initial recognition of goodwill or from goodwill for which amortisation is not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which is not a business combination and which affects neither accounting nor taxable profit or loss at the time of the transaction. See note 11 to our 2024 audited consolidated financial statements included elsewhere in this Offering Circular. Deferred tax assets are assessed periodically by management to determine if they are realisable. If, based on available information, it is more likely than not that the deferred income tax asset will not be realised, then a corresponding charge to net income will be recognised. Such charges could have a material adverse effect on our financial position or results of operations. In

addition, changes in the corporate tax rates could affect the value of our deferred tax assets and may require a write-off of some of those assets.

A failure in our or any outsourced systems and processes, including information technology systems, may adversely affect our operations.

Our business depends heavily on the ability of our systems and processes, including information technology systems, to process a large number of transactions across different geographical markets and numerous product lines on a timely basis. The proper functioning of our financial controls, accounting, customer database, customer service and other data processing systems, including those relating to underwriting and claims processing functions, together with the communications systems linking our headquarters, local operating units and main information technology centres, is critical to our operations and to our ability to compete effectively.

Although we believe that we maintain resilient network architecture and disaster recovery facilities designed to be activated in place of primary facilities in the event of failure, we cannot assure you that our business activities would not be materially disrupted in the event of a partial or complete failure of any of these or other information technology or communications systems. A failure of our information technology or communications systems could damage our reputation and have a material adverse effect on our business, financial condition and results of operations.

Advancements in generative AI bring new risks, such as the generation of incorrect or misleading information. While we continue to strengthen our governance on responsible use of AI with additional controls and guidelines specifically for generative AI, a failure to ensure fairness or prevent unintended bias in our AI-driven processes may have an adverse impact on maintaining trust with our stakeholders, promoting innovation, customer satisfaction or our reputation.

In addition, we have entered into contractual outsourcing arrangements with third-party service providers for some of our systems and processes. These service providers, and their respective outsourcing arrangements, may perform poorly, may experience malfunctions or failures to their information technology systems and could be subject to human error, security breaches or employee misconduct, among other things. Any of these events could disrupt our business, damage our reputation and have a material adverse effect on our business, financial condition and results of operations.

Cyber-attacks or other security breaches of our computer systems or computer systems maintained by others and the failure to maintain the confidentiality of customer or proprietary business information could damage our reputation, lead to regulatory sanctions and legal claims or a loss of customers and revenues.

We process significant amounts of confidential and proprietary information on our computer systems, including customer transactional data and personal data about our employees, agents and customers and the employees and customers of our customers. We face many of the current cybersecurity threats to financial services organisations that result from email, web browsing, application and endpoint compromise, for example from malware, ransomware and phishing attacks. We remain vigilant and focused on identification of new cybersecurity threats and have implemented advanced protection and monitoring capabilities. A dedicated Cyber Security Incident Response Team is in place to respond in the event that a major cyber-attack succeeds in breaching our defences. We also rely on commercial technologies, employees, agents and third parties to maintain the security of our information systems and the confidentiality of customer and proprietary business information and are subject to the risk of intentional or unintentional disclosure or misappropriation of personal information or other confidential information. To date we have not experienced a material breach of our information systems, although we can give no assurances that the protections we have implemented will prevent a material loss of confidential and proprietary information in the future, particularly as we execute an increasing volume of sales through our remote sales capabilities. Any compromise of the security of our information systems or the failure to maintain the

confidentiality or privacy of sensitive data, including personal information relating to our customers, employees and agents for any reason could cause significant interruptions in our operations, harm our reputation, subject us to regulatory sanctions and legal claims, lead to a loss of customers and revenues or otherwise adversely affect our business, financial condition or results of operations.

In addition, our business could be harmed indirectly by cyber-attacks or security breaches to computer systems maintained by others. We cannot assure you that cyber-attacks or security breaches to computer systems maintained by others could not have a material adverse effect on our business, financial condition or results of operations.

Catastrophic events, which are unpredictable by nature, could materially and adversely affect our profitability and financial condition.

Epidemics and pandemics, such as the COVID-19 pandemic, as well as restrictions on travel and other measures to limit their impact, international tensions in many parts of the world, terrorism, ongoing and future military and other actions, heightened security measures in response to these threats, natural disasters, impacts from climate change or other catastrophes may cause disruptions to commerce, reduced economic activity and market volatility and have an adverse effect on our business. Our life insurance business also exposes us to claims arising out of such events, in particular to the risk of catastrophic mortality, such as an epidemic, pandemic or other events that cause a large number of claims and/or increase in reserves and capital requirements.

In accordance with IFRS Accounting Standards, we do not establish reserves for catastrophes in advance of their occurrence, and the loss or losses from a single catastrophe or multiple catastrophes could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO OUR INDUSTRY

We face significant competition.

We face significant competition in all of the geographical markets in which we operate. Our ability to compete is based on a number of factors, including premiums charged and other terms and conditions of coverage, product features, investment performance, services provided, distribution capabilities, scale, experience, commission structure, brand strength and name recognition, information technology and actual or perceived financial strength. In addition, in some of our markets, domestic insurance companies or foreign insurance companies that partner with domestic companies may benefit from different regulations or licensing requirements that may give them a competitive advantage. From time to time new regulations are passed that can allow for other competitors, including insurance companies, mutual fund companies, banks, investment management firms and technology companies, to enter the geographical markets in which we operate. To the extent regulatory changes lead to an increase in the number of players in our markets, competition may increase. The effects of competition could have a material adverse effect on our business, results of operations and financial condition. See *"Business – Competition"*.

Compliance with changing solvency and capital requirements may force us to raise additional capital, change our business strategy or reduce our growth.

Insurance companies are generally required by applicable law to maintain their solvency capital at a level in excess of statutory minimum standards. Our solvency is affected primarily by the solvency margins we are required to maintain, which are in turn affected by the volume and type of new insurance policies we issue, the composition of our in-force insurance policies and investments and by regulations on the determination of statutory reserves and required capital. Our solvency is also affected by a number of other factors, including the profit margin of our products, returns on our assets and investments, interest rates, underwriting, acquisition and ongoing servicing costs and policyholder and shareholder dividends.

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

In each of the geographical markets in which we operate, we are licensed to conduct insurance business and subject to local regulatory oversight. Some of our regulators across our operations continue to propose and implement a variety of initiatives to further develop their respective regulatory frameworks, including capital adequacy requirements. The ultimate impact of the implementation of these changes on solvency and capital requirements in the jurisdictions affected remains uncertain, which also creates uncertainty with respect to the consequential impact on the Group’s overall capital requirements and the Group LCSM solvency position under the current GWS framework. In addition, it is possible that in the coming years the HKIA may make changes to the GWS framework to align the GWS capital adequacy requirements applying to Designated Insurance Holding Companies in Hong Kong with the new Insurance Capital Standard (“**ICS**”), which was adopted by the International Association of Insurance Supervisors in December 2024. We cannot assure you that changes to local capital adequacy requirements, or to the capital adequacy requirements applying to the Group as a whole under the GWS framework, would not have a material adverse effect on our business, financial condition and results of operations.

For a more detailed discussion about the ICS, see *“Regulation – International Regulatory Developments”*.

On 1 July 2024, the HKRBC regime took effect and became part of the Hong Kong Insurance Ordinance (“**HKIO**”). The new regime includes a more economic and risk-sensitive solvency assessment than the existing solvency rules for long-term insurers in Hong Kong. For a more detailed discussion about HKRBC, see *“Regulation – Regulatory Framework – Hong Kong – Hong Kong Insurance Regulatory Regime Developments”*.

We cannot assure you that any other changes in the calculation of our solvency and capital metrics, including the development or adoption of any other RBC regimes or solvency regimes in the geographical markets where we operate, would not have a material adverse effect on our business, operations, financial condition and results of operations.

In order to comply with the applicable solvency and capital requirements, we may need to transfer additional capital from a particular geographical market to another geographical market or raise or inject additional capital to meet our solvency and capital requirements, which may be dilutive to our shareholders and may be restricted by law. The ability of our subsidiaries and their respective branches to make dividend payments and other distributions and payments to us may be impacted. We may also need to change our business strategy, including the types of products we issue and how we manage our capital. Finally, compliance with solvency and capital requirements may require us to slow the growth of our business.

For a more detailed discussion about RBC and GWS, see *“Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Group Local Capital Summation Method Solvency Position”* and *“Regulation – Regulatory Framework – Hong Kong – Group-wide Supervision Framework”*.

Insurance companies are subject to laws and regulations which give priority to policyholders.

In some of the geographical markets in which we operate, laws and regulations applicable to insurance companies contain provisions whereby policyholders are given priority over the claims of other creditors. This protection could adversely impact the claims of creditors of insurance companies other than policyholders.

Government measures and regulations in response to financial and other crises may materially and adversely affect our business.

In 2008, global financial and credit markets experienced extraordinary levels of volatility and disruption, putting downward pressure on financial and other asset prices generally and on credit availability. In response, governments and governmental and regulatory bodies in numerous jurisdictions have taken various measures in response to the problems faced by financial institutions, including insurance companies. These measures include increased regulatory scrutiny of, as well as restrictions on, the business and operations of certain financial institutions. For example, the Financial Institutions (Resolution) Ordinance (the "**FIRO**") was passed by the Legislative Council on 22 June 2016 and came into force on 7 July 2017. The key provisions under the FIRO, including the establishment of a resolution regime which aims to promote and maintain the stability and effective working of the Hong Kong financial system, protect depositors and policyholders, minimise the need for recourse to public funds and contain costs of resolution, will apply to all financial institutions. For more information, see "*Regulation – Regulatory Framework – Hong Kong*". These measures, and related laws, rules and regulations, may change from time to time, and we cannot assure you that future legislative or regulatory changes would not have a material adverse effect on our business, financial condition and results of operations.

Changes in taxation may materially and adversely affect our business, financial condition and results of operations.

Our business and operations are subject to the tax laws and regulations of the countries and markets in which they are organised and in which they operate. Changes in tax laws, tax regulations or interpretations of these laws or regulations may have a material adverse effect on our business, financial condition and results of operations. These changes also could materially reduce the sales or profitability of, or demand from our customers for, some of our products. We cannot predict whether any tax laws or regulations impacting corporate taxes or insurance products will be enacted, what the specific terms of any such laws or regulations will be or whether, if at all, any laws or regulations would have a material adverse effect on our business, financial condition and results of operations.

In addition, the OECD/G20 Inclusive Framework on BEPS is working on a two-pillar initiative to address the tax challenges resulting from the digitalization of the economy (known as "**BEPS 2.0**"). Over 140 jurisdictions and countries are collaborating on the development of this two-pillar initiative.

The "Amount A" of the first pillar ("**Pillar One**") focuses on the allocation of taxing rights among jurisdictions for multinational enterprises that meet certain revenue thresholds and profitability. It aims to allocate more taxing rights to sales or market jurisdictions, and to ensure a taxable presence in jurisdictions where such enterprises have little or no physical presence but still have a significant economic presence. The Multilateral Convention to Implement Amount A of Pillar One released by the OECD in October 2023 excludes "regulated financial institutions," which include "insurance institutions" (i.e., certain entities licensed to carry on an insurance or reinsurance business) from the scope of Amount A. Although there is still uncertainty as to the scope of these rules and this exclusion (and how participating jurisdictions will implement these rules into their own domestic laws to reflect their own considerations and practices), the exclusion is currently expected to apply to the Group.

The second pillar ("**Pillar Two**") focuses on the development of income tax rules that seek to subject multinational enterprises that meet certain revenue thresholds to a minimum effective tax rate ("**ETR**") of at least 15% (determined on a jurisdiction by jurisdiction basis) wherever they operate (the "**Global Anti-Base Erosion**" or "**GloBE**" rules). Pillar Two also provides the option to jurisdictions to preserve their taxing rights by introducing Qualified Domestic Minimum Top-up Taxes ("**QDMTTs**") (together, the GloBE rules and QDMTTs are referred to as the "**Pillar Two income taxes**" below). In addition, Pillar Two includes a treaty-based rule to allow source jurisdictions to reclaim taxing rights on certain intragroup payments that are subject to tax rates below 9% (the "**Subject to Tax Rule**"). In December 2021, the OECD released the model GloBE rules which are intended to serve as a template that implementing jurisdictions

can translate into domestic law. The OECD released further guidance on the model GloBE rules during the course of 2022 to 2025. In October 2023, the OECD released a Multilateral Instrument to facilitate the implementation of the Subject to Tax Rule in bilateral tax treaties.

As a result of specific adjustments set out in the Pillar Two income tax rules, which result in different ETRs compared to those arising on an IFRS Accounting Standards basis, jurisdictions with an accounting ETR above 15% may still be exposed to paying Pillar Two income taxes in any given year. Conversely, a jurisdiction's accounting ETR may be below 15%, yet it still may not be exposed to Pillar Two income taxes.

As at 31 December 2024, Pillar Two legislation was effective in certain jurisdictions in which the Group operates, including Australia, South Korea and Vietnam. For these jurisdictions, the Group has no current tax exposure related to Pillar Two legislation. However, several jurisdictions in which the Group operates, including Hong Kong and Mainland China, have not yet enacted Pillar Two legislation.

For other jurisdictions in which the Group operates, including those such as Singapore and Thailand where Pillar Two legislation was enacted but not yet effective as at 31 December 2024, the quantitative impact of the Pillar Two legislation is not yet known or reasonably estimable due to significant areas of uncertainty in the application of the legislation. However, based on currently available information and management expectations, these jurisdictions' Pillar Two income taxes are likely to adversely affect our ETR from 2025 onwards. The Group expects to be able to determine its Pillar Two income tax liabilities for reporting periods ending after 31 December 2024, as the legislation becomes less uncertain.

Changes in accounting standards may adversely affect the Group's operations and financial condition.

The consolidated financial statements of the Group are prepared in accordance with all applicable HKFRS and IFRS Accounting Standards. HKFRS are substantially consistent with IFRS Accounting Standards and the accounting policy selections that AIA has made in preparing these consolidated financial statements are such that the Group is able to comply with both HKFRS and IFRS Accounting Standards. From time to time the Group is required to adopt new or revised accounting standards as accounting standard setters issue new guidance intended to interpret or revise accounting pronouncements and expand or amend disclosure requirements.

Two key accounting standards that have been adopted since 1 January 2023, IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* are complex accounting standards that require considerable judgement, complex modelling, assumptions and interpretation. As such, the required quantitative disclosures are subject to significant estimation uncertainty and the associated inherent risk is therefore considered significant. Due to the complexity of the implementation of such accounting standards, post-implementation issues may be identified in the future. In addition, various jurisdictions within the Group continue to implement IFRS 17 locally, which may further impact the Group's operations and financial position.

Finally, it is possible that accounting standards could change further in future, which could have a material adverse effect on AIA's financial condition and/or impact the reporting of its results of operations.

RISKS RELATING TO THE INSTRUMENTS ISSUED UNDER THE PROGRAMME

Our ability to service payments on the Instruments and to meet our obligations depends, in addition to assets held at the holding company, on dividends and other distributions and payments from and among our operating subsidiaries and branches, which are subject to contractual, regulatory and other limitations.

We are a holding company. Other than the assets held at the holding company, we depend upon dividends and other distributions and payments from subsidiaries and branches of subsidiaries for substantially all of our cash flow. Our assets are held by these subsidiaries and

branches of subsidiaries. Our ability to pay our expenses and meet our obligations, including payments on the Instruments issued under the Programme, is largely dependent upon the flow of funds from and among our subsidiaries and branches of subsidiaries. We cannot assure you that our subsidiaries and branches of subsidiaries will be able to make dividend payments and other distributions and payments in an amount sufficient to meet our cash requirements or to enable us to make payment under the Instruments.

The payment on the Instruments issued under the Programme and other distributions and payments from and among our subsidiaries and branches of subsidiaries are regulated by applicable insurance, foreign exchange and tax laws, rules and regulations, including solvency and capital requirements. The amount and timing of dividends, distributions and other payments by our subsidiaries or branches of subsidiaries may require regulatory approval in certain jurisdictions, the confirmation of the relevant appointed actuary and the approval of the board of directors of the relevant entity, any of which may prohibit or restrict the payment of dividends or other distributions and payments by our insurance subsidiaries and branches of subsidiaries if they determine that such payment could adversely impact the solvency or capital position or could otherwise be adverse to the interests of policyholders or contract holders of the relevant subsidiary or branch. Distributions and other payments by our subsidiaries and branches could also be subject to relevant taxation, regulations regarding the repatriation of earnings, monetary transfer restrictions and foreign currency exchange regulations.

For a more detailed discussion of the regulations in our Key Segments that may require our subsidiaries to meet certain solvency or other financial requirements and receive regulatory approval to pay dividends to us, see “*Regulation*”.

The Instruments may not be a suitable investment for all investors.

Each potential investor in the Instruments must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Instruments, the merits and risks of investing in the Instruments and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Instruments and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Instruments, including where principal, interest or distribution is payable in one or more currencies, or where the currency for principal, interest or distribution payments is different from the potential investor's currency;
- understand thoroughly the terms of the Instruments and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Instruments may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Instruments which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Instruments will perform under changing conditions, the resulting effects on the value of such Instruments and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of some investors are subject to legal investment laws and regulations, or review or regulation by some authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Instruments are legal investments for it, (b) the Instruments can be used as collateral for various types of borrowing or (c) any other restrictions apply to its purchase of the Instruments. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Instruments under any applicable RBC or similar rules.

The Terms and Conditions of the Instruments may be modified without the consent of the Noteholders and Securityholders (collectively, the “Instrumentholders”) in certain circumstances.

The Conditions of the Instruments contain provisions for calling meetings of Instrumentholders to consider and vote on matters affecting their interests generally. These provisions permit defined voting majorities to modify certain terms and conditions governing the Instruments. If the requisite number of Instrumentholders vote to modify terms and conditions of the Instruments, the modified terms will apply to all Instruments and bind all Instrumentholders including Instrumentholders who did not attend and vote at the relevant meeting and Instrumentholders who voted in a manner contrary to the majority. As a result, you may find that the modified terms and conditions of the Instruments are not as favourable to you as you would deem appropriate. See *“Terms and Conditions of the Notes – Meetings of Noteholders and Modifications”* and *“Terms and Conditions of the Securities – Meetings of Securityholders and Modifications”*.

A change in English and Hong Kong law which governs the Instruments may adversely affect Instrumentholders.

The Conditions of the Instruments are governed by English law in effect as of the date of issue of the Instruments, except in relation to certain Securities Conditions, which are governed by Hong Kong law. No assurance can be given as to the impact of any possible judicial decision or change to English or Hong Kong law or administrative practice after the date of issue of the Instruments.

The Instruments may be represented by Global Instruments, and holders of a beneficial interest in a Global Instrument must rely on the procedures of the relevant Clearing System(s).

The Instruments issued under the Programme may be represented by one or more Global Instruments. Such Global Instruments will be, in the case of Rule 144A Global Instruments, registered in the name of Cede & Co., as nominee of, and as deposited with a custodian for, DTC and, in the case of Regulation S Global Instruments, registered in the name of a nominee of, and deposited with a common depositary for, Euroclear and Clearstream or lodged with the CMU Service (each of DTC, Euroclear, Clearstream and the CMU Service, a **“Clearing System”**). Except in the circumstances described in the relevant Global Instrument, investors will not be entitled to receive Definitive Instruments. The relevant Clearing Systems will maintain records of the beneficial interests in the Global Instruments. While the Instruments are represented by one or more Global Instruments, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Instruments are represented by one or more Global Instruments, we will discharge our payment obligations under the Instruments by making payments to the depositary for DTC, Euroclear and Clearstream or, as the case may be, to the CMU Service, for distribution to their account holders. A holder of a beneficial interest in a Global Instrument must rely on the procedures of the relevant Clearing Systems to receive payments under the Instruments. We have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Instruments.

Holders of beneficial interests in the Global Instruments will not have a direct right to vote in respect of the Instruments. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing Systems to appoint appropriate proxies.

Instrumentholders should be aware that Definitive Instruments which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.

Instruments may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Instruments may provide that, for so long as the Instruments are represented by a Global Instrument and the relevant Clearing Systems so permit, the Instruments will be tradable in nominal amounts (a) equal to, or integral multiples of, the minimum denomination, and (b) the minimum denomination plus integral multiples of an amount lower than the minimum denomination. Definitive Instruments will only be issued if the relevant Clearing Systems are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business. The Pricing Supplement may provide that, if Definitive Instruments are issued, such Instruments will be issued in respect of all holdings of Instruments equal to or greater than the minimum denomination. However, Instrumentholders should be aware that Definitive Instruments that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Instruments will in no circumstances be issued to any person holding Instruments in an amount lower than the minimum denomination and such Instruments will be cancelled and holders will have no rights against us (including rights to receive principal, interest or distribution, or to vote) in respect of such Instruments.

The Terms and Conditions of the Instruments permit us to issue further instruments that form a single series with the Instruments but are treated as a separate series for U.S. federal income taxes purposes, which may affect the market value of the Instruments.

We may, from time to time, without the consent of the Instrumentholders of a series, create and issue further instruments having the same terms and conditions as the Instruments of such series so as to be consolidated and form a single series with such Instruments. Even if such additional instruments are treated for non-tax purposes as part of the same series as such Instruments, such additional instruments may in some cases be treated as a separate series for U.S. federal income tax purposes. In such case, such additional instruments may be considered to have been issued with original issue discount (“OID”) for U.S. federal income tax purposes even if such Instruments were not issued with OID, or such additional instruments may have a different amount of OID than such Instruments for U.S. federal income tax purposes. These differences may affect the market value of the Instruments of the affected series if such additional instruments are not otherwise distinguishable from such Instruments.

Under certain circumstances, payments on the Instruments may be subject to U.S. information reporting and withholding tax under FATCA.

Under the Foreign Account Tax Compliance provisions of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), and related U.S. Treasury guidance (“**FATCA**”), a withholding tax of 30% will be imposed in certain circumstances on (a) payments of certain U.S. source income (including interest and dividends) (“**withholdable payments**”) and (b) payments made by certain foreign financial institutions (“**FFIs**”) that are required or agree to comply with FATCA (“**participating FFIs**”) to the extent attributable to withholdable payments (“**foreign passthru payments**”). It is uncertain at present when payments will be treated as “attributable” to withholdable payments. FATCA withholding on foreign passthru payments generally will not apply to debt obligations that are issued on or before the date that is six months after the date on which the final U.S. Treasury Regulations that define foreign passthru payments are filed with the U.S. Federal Register (such date that is six months after the date of such filing, the “**Grandfathering Date**”), unless such obligations are materially modified after that date or are not treated as debt for U.S. federal income tax purposes.

It is possible that, in order to comply with FATCA, we (or if the Instruments are held through another financial institution, such other financial institution) may be required, pursuant to an agreement with the U.S. Internal Revenue Service (the “**IRS**”) or under applicable non-U.S. law enacted in connection with an intergovernmental agreement relating to FATCA entered into between the United States and another jurisdiction (an “**IGA**”) to request certain information or documentation from holders or beneficial owners of the Instruments, which may be provided to

the IRS. In addition, (a) if the Instruments are treated as debt for U.S. federal income tax purposes and are issued after the Grandfathering Date, or (b) if the Instruments are treated as debt for U.S. federal income tax purposes and are issued on or before the Grandfathering Date, but the terms of such Instruments are materially modified after the Grandfathering Date or (c) if the Instruments are treated as equity for U.S. federal income tax purposes, then it is possible that we or such other financial institution may be required to apply FATCA withholding to all or a portion of payments with respect to such Instruments made on or after the date that is two years after the date on which the final regulations that define foreign passthru payments are published in the U.S. Federal Register if such information or documentation is not provided or if payments are made to certain FFIs that have not agreed to comply with an agreement with the IRS (and are not subject to similar requirements under applicable non-U.S. law enacted in connection with an IGA). We will not have any obligation to gross up or otherwise pay additional amounts for any withholding or deduction required with respect to payments on the Instruments under or in connection with FATCA.

Although the United States and Hong Kong have entered into an IGA, the IGA does not address withholding on foreign passthru payments.

Each non-U.S. person considering an investment in the Instruments, particularly if such person may be classified as an FFI, should consult its own tax adviser regarding the application of FATCA to the Instruments.

Bearer Instruments where denominations involve integral multiples may be traded in amounts that are not integral multiples of the minimum Specified Denomination (as defined in the relevant Pricing Supplement).

In relation to any issue of Bearer Instruments which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Instruments may be traded in amounts that are not integral multiples of such minimum Specified Denomination.

In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a Definitive Instrument in respect of such holding (should Definitive Instruments be printed) and would need to purchase a principal amount of Instruments such that its holding amounts to a Specified Denomination. If Definitive Instruments are issued, each potential investor should be aware that Definitive Instruments which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Changes in market interest rates may adversely affect the value of Instruments which bear a fixed rate of interest or distribution.

We expect that the trading price of the Instruments which bear a fixed rate of interest or distribution will depend on a variety of factors, including the interest rate environment. Each of these factors may be volatile, and may or may not be within our control. If interest rates, or expected future interest rates, rise during the term of the Instruments which bear a fixed rate of interest or distribution, the trading price of the Instruments which bear a fixed rate of interest or distribution will likely decrease. Because interest rates and interest rate expectations are influenced by a wide variety of factors, many of which are beyond our control, we cannot assure you that changes in interest rates or interest rate expectations will not adversely affect the trading price of the Instruments which bear a fixed rate of interest or distribution.

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by us may have a lower market value than Notes that cannot be redeemed.

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that we would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, we may redeem all outstanding Notes in accordance with the Conditions. Notes may also be subject to optional redemption by us to the extent set forth in the Conditions and the relevant Pricing Supplement.

An optional redemption feature is likely to limit the market value of Notes. During any period when we may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

We may be expected to redeem Notes when our cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Notes carrying an interest rate which may be converted from fixed to floating interest rates, and vice-versa, may have lower market values than other Notes.

Fixed/Floating Rate Notes may bear interest at a rate that we may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Our ability to convert the interest rate will affect the secondary market and the market value of such Notes since we may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If we convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If we convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared with conventional interest-bearing securities with comparable maturities.

Dual Currency Notes have features which are different from single currency issues.

We may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Each potential investor should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected; and

- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Failure by a potential investor to pay a subsequent instalment of partly-paid Notes may result in it losing all of its investment.

We may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in a potential investor losing all of its investment.

The market price of Floating Rate Notes with a multiplier or other leverage factor may be volatile.

Notes with floating interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

There are various risks associated with Index Linked Notes.

We may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “**Relevant Factor**”). Each potential investor should be aware that:

- the market price of such Notes may be volatile and may be linked to factors other than our credit;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations.

In general, the earlier the change in the Relevant Factor, the greater the effect on yield. The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Variable Rate Notes with a multiplier or other leverage factor can be volatile investments.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

RISKS RELATING TO THE SECURITIES

The Subordinated Securities and the Deeply Subordinated Securities are subordinated obligations.

The obligations of the Issuer under the Subordinated Securities and the Deeply Subordinated Securities will constitute unsecured and subordinated obligations of the Issuer. In the event of the Winding-Up of the Issuer, the rights of the holders of Subordinated Securities and the Deeply Subordinated Securities to receive payments in respect of the Subordinated Securities, will rank senior to the holders of its Junior Obligations and *pari passu* with the holders of its Parity Obligations, but junior to the claims of all other creditors, including, all Senior Creditors (including, for the avoidance of doubt, the holders of the Senior Perpetual Securities and the Notes (and in the case of the Deeply Subordinated Securities, the Subordinated Securities)). In the event of a shortfall of funds or a Winding-Up, an investor in the Subordinated Securities and the Deeply Subordinated Securities may lose all or some of its investment and will not receive a full return of the principal amount or any unpaid Arrears of Distribution.

Perpetual Securities may be issued for which investors have no right to require redemption.

Perpetual Securities are perpetual and have no maturity date. Perpetual Securityholders have no right to require the Issuer and the Issuer is under no obligation to redeem Perpetual Securities at any time, and an investor who acquires Perpetual Securities may only dispose of such Perpetual Securities by sale. Perpetual Securityholders who wish to sell their Perpetual Securities may be unable to do so at a price at or above the amount they have paid for them, or at all. Therefore, holders of Perpetual Securities should be aware that they may be required to bear the financial risks of an investment in Perpetual Securities for an indefinite period of time.

Securityholders may not receive Distribution payments if the Issuer elects to or is required to defer or cancel Distribution payments under the Securities Conditions.

The Issuer may, at its sole discretion and subject to certain conditions as set out in the Securities Conditions and, where applicable, as specified in the applicable Pricing Supplement, elect to or may be required to defer or cancel any scheduled Distribution on the Securities for any period of time. The Issuer is not subject to any limits as to the number of times Distributions can be deferred pursuant to the Securities Conditions, subject to compliance with certain restrictions.

Following a deferral, Arrears of Distributions may be compounding or non-compounding, subject to the Securities Terms and Conditions and the Issuer may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the Securityholders. Any such deferral of Distribution shall not constitute a default for any purpose.

Following a cancellation, Distributions are non-compounding and any Distribution that is cancelled shall therefore not be payable at any time thereafter, whether in a Winding-Up or otherwise.

Any deferral or cancellation of Distribution may have an adverse effect on the market price of the Securities. In addition, if the Distribution deferral or cancellation provision of the Securities is specified in the applicable Pricing Supplement, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Group's financial condition.

The exercise of any intervention powers by the HKIA or other applicable regulatory authorities may adversely affect Securityholders.

The HKIA, being the Relevant Regulator as of the date of this Offering Circular, has wide powers to intervene in our business and may require us to take a wide range of specified actions in relation to the affairs, business or property of the Group (including requiring us to do or refrain

from taking specified actions) if the HKIA considers it desirable to impose such requirements for the carrying out of its supervisory functions. The powers of the HKIA are broad and may be exercised in a way that adversely affects the Issuer's ability to comply with its obligations in respect of the Securities. For instance, the HKIA may exercise such intervention powers to require the Issuer to defer any scheduled Distribution at any time during the term of the Securities where the Group Capital Requirements would be breached either before or after such Distribution. Further, the HKIA may, in the good faith exercise of its discretion, be able to exercise such intervention powers to defer early repayment of principal at any time during the term of the Securities even if the Group Capital Requirements Redemption Condition does not apply.

An early redemption or final redemption of the Securities may be subject to redemption conditions.

The Issuer may, at its option, redeem or purchase some or all of a Tranche of Securities at any time or from time to time subject to the terms described in Securities Condition 6 (Redemption, Purchase and Options). However, where "Redemption Conditions" are specified as being applicable in the relevant Pricing Supplement and such Redemption Condition is required by the Applicable Supervisory Rules, (i) such Securities may not be redeemed or purchased at any time prior to the fifth anniversary of the Issue Date of such Securities (or, if any further Tranche(s) of the Securities has or have been issued pursuant to Securities Condition 14 (Further Issues) and consolidated to form a single series with the Securities, prior to the fifth anniversary of the Issue Date of such latest Tranche to be issued), unless such redemption or purchase is effected with Relevant Regulatory Approval to the extent required by the Applicable Supervisory Rules, and (x) funded out of the proceeds of a new issuance of capital having equal or better capital treatment as the Securities under the Applicable Supervisory Rules or (y) effected by way of exchange or conversion of such Securities into another form of capital having equal or better capital treatment as the Securities under the Applicable Supervisory Rules; and (ii) such Securities may not be redeemed or purchased pursuant to Securities Condition 6 (Redemption, Purchase and Options) at any time unless such redemption or purchase is effected with Relevant Regulatory Approval, other than the final redemption of any Dated Securities on the Maturity Date. If any such Relevant Regulatory Approval is required but not obtained, then the Issuer will not be able to make an early redemption of the Securities, even if such repayment would otherwise be advantageous to, or anticipated by, the Issuer or the Securityholders.

If "Group Capital Requirements Redemption Condition" is specified as being applicable in the relevant Pricing Supplement, the relevant Dated Securities may not be redeemed on the originally scheduled Maturity Date if any of the Group Capital Requirements would not be satisfied before or after giving effect of such redemption, unless the Relevant Regulator, despite being aware of any of the Group Capital Requirements not being satisfied, directs or permits the Issuer to redeem such Dated Securities. Upon such deferral of principal redemption, payment of any Distribution shall also be deferred if any of the Group Capital Requirements would not be satisfied immediately before or after giving effect to such payment. Such principal or Distribution deferral would not constitute a default in respect of such Dated Securities or for any other purposes.

In addition, where if "Special Event Substitution or Variation" is specified as being applicable in the relevant Pricing Supplement, if a Special Event has occurred and is continuing, then the Issuer may, subject to satisfaction of Securities Conditions 4 (Distribution and Other Calculations) and 13 (Substitution or Variation), but without any requirement for the consent or approval of Securityholders, substitute all, but not some only, of the relevant Tranche of Securities for, or vary the terms of such Securities with the effect that they remain or become, "Qualifying Securities" as defined in the Securities Conditions.

The Securities may be redeemed at the Issuer's option on the date(s) specified in the relevant Pricing Supplement or on the occurrence of certain other events.

The Securities will be redeemable at the option of the Issuer on certain dates or on the occurrence of certain tax, regulatory, rating, accounting or other events, each as specified in

the applicable Pricing Supplement. The date on which the Issuer redeems the Securities may not accord with the preference of individual Securityholders. This may be disadvantageous to the Securityholders in light of market conditions or the individual circumstances of the Securityholders. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

There are limited remedies for default under the Securities.

Any scheduled Distribution will not be due if, as provided for in the relevant Pricing Supplement, the Issuer elects or is required not to pay all or a part of that distribution pursuant to the Securities Conditions. Notwithstanding any of the provisions relating to non-payment, the right to institute Winding-Up proceedings is limited to circumstances where payment under the Securities has become due and the Issuer fails to make the payment when due. The only remedy against the Issuer available to any Securityholder for recovery of amounts in respect of the Securities following the occurrence of a non-payment after any sum becomes due in respect of the Securities will be proving in such Winding-Up and/or claiming in the liquidation of the Issuer in respect of the Securities. The right to proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Securities is limited to circumstances provided by applicable law.

The Issuer may raise or redeem other capital which affects the price of the Securities.

The Issuer may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Securityholders on a Winding-Up or may increase the likelihood of a deferral or cancellation of Distributions under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities and/or the ability of Securityholders to sell their Securities.

The Issuer may issue or incur other liabilities.

In addition, subject to the limit on the aggregate principal amount of Securities that can be issued under the Programme (which can be amended from time to time by the Issuer without the consent of the Securityholders), there is no restriction on the amount of unsubordinated securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of Securities on a winding-up of the Issuer and/or may increase the likelihood of a non-payment under the Securities.

The insolvency laws of Hong Kong may differ from those of other jurisdictions with which the Holders of the Securities are familiar.

The Issuer is incorporated under the laws of Hong Kong, and any insolvency proceeding relating to the Issuer would likely involve Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of insolvency laws of jurisdictions with which the Holders of the Securities are familiar. The Issuer cannot give any assurance that any deferred Distributions would constitute a claim under applicable insolvency laws of Hong Kong with the same ranking as would be afforded to such deferred Distributions in other jurisdictions.

RISKS RELATING TO THE MARKET GENERALLY

Set out below is a brief description of certain market risks, including liquidity risk, foreign exchange rate risk, interest rate risk and credit risk:

Instruments issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.

Instruments issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Instruments which is already issued). If the Instruments are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and our financial condition. If the Instruments are trading at a discount, investors may not be able to receive a favourable price for their Instruments, and in some circumstances investors may not be able to sell their Instruments at all or at their fair market value. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Instruments issued under the Programme. Accordingly, we cannot assure you as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Instruments.

Foreign exchange rate risks and exchange controls may result in investors receiving less interest, distribution or principal than expected.

We will pay principal and interest on the Instruments in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (a) the Investor's Currency equivalent yield on the Instruments, (b) the Investor's Currency equivalent value of the principal payable on the Instruments and (c) the Investor's Currency equivalent market value of the Instruments. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest, distribution or principal than expected, or no interest, distribution or principal.

The credit ratings assigned to the Instruments may not reflect all risks and may be lowered or withdrawn.

One or more independent credit rating agencies may assign credit ratings to an issue of Instruments and/or the Programme. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Instruments and/or the Programme. Furthermore, we cannot assure you that a given credit rating will remain in effect for any period of time or that such rating will not be lowered, suspended or withdrawn. A downgrade or potential downgrade in a rating may reduce the number of investors in the Instruments and adversely affect the price and liquidity of the Instruments. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Regulation of benchmarks may lead to future reforms or discontinuation.

The Euro Interbank Offered Rate ("**EURIBOR**") and other interest rates or other types of rates and indices which are deemed to be benchmarks have been subject to significant regulatory scrutiny and legislative intervention in recent years. This relates not only to creation and administration of benchmarks, but, also, to the use of a benchmark rate.

Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation**") applies to the provision of benchmarks, the

contribution of input data to a benchmark and the use of a benchmark, within the UK. The EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmarks Regulation or UK Benchmarks Regulation or other similar legislation, or if a critical benchmark is discontinued or is determined to be by a regulator to be "no longer representative". Such factors could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. They may also have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

Although EURIBOR has subsequently been reformed in order to comply with the terms of the EU Benchmarks Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with Euro short-term rate ("€STR") or an alternative benchmark.

The elimination of EURIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Notes Conditions (as further described in Notes Condition 5(b)(iii)(E) (*Benchmark Replacement (Independent Adviser)*)), or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

Interest rate "fallback" arrangements may lead to Notes performing differently or the effective application of a "fixed rate".

The Notes Conditions provide for certain fallback arrangements in the event that a published benchmark, such as EURIBOR, (including any page on which such benchmark may be published (or any other successor service)) becomes unavailable or a Benchmark Event or a Benchmark Transition Event (each as defined in the Notes Conditions), as applicable, otherwise occurs. Such an event may be deemed to have occurred prior to the issue date for a Series of Notes. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a successor rate or an alternative rate and that such successor rate or alternative reference rate may be adjusted (if required) in accordance with the recommendation of a relevant governmental body or in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Notes may not achieve this objective. Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. It is also possible that such an event may be deemed to have occurred prior to the issue date for a Series of Notes. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser (as defined in the Notes Conditions) in certain circumstances, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Investors should consult their own independent advisers and make their own assessment about the potential risks arising from the possible cessation or reform of certain

reference rates in making any investment decision with respect to any Notes linked to or referencing a benchmark.

It is not possible to calculate interest rates in advance for Notes which reference SONIA, SOFR, €STR or any related indices.

Interest on Notes which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference such risk-free rates reliably to estimate the amount of interest which will be payable on such Notes.

Further, in contrast to Notes linked to interbank offered rates, if Notes referencing backwards-looking rates become due and payable as a result of an Event of Default under Notes Condition 10 (*Events of Default*), or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest Rate payable in respect of such Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable or are scheduled for redemption.

Methodologies for the calculation of risk-free rates (including overnight rates or forward-looking rates) as reference rates for Floating Rate Notes may vary and may evolve.

The use of risk-free rates (including those such as the Sterling Overnight Index Average ("SONIA"), the SOFR and the €STR), as reference rates for bonds have become more commonly used as benchmark rates in recent years. Most of the rates are backwards-looking, but the methodologies to calculate the risk-free rates are not uniform. Such different methodologies may result in slightly different interest amounts being determined in respect of otherwise similar securities.

We may in the future also issue Notes referencing SONIA, the SONIA Compounded Index, SOFR, the SOFR Compounded Index or €STR that differ materially in terms of interest determination when compared with any previous Notes issued by us under this Programme.

Such variations could result in reduced liquidity or increased volatility, or could otherwise affect the market price of any Notes that reference a risk-free rate issued under this Programme from time to time.

In addition, the manner of adoption or application of risk-free rates in the bond markets may differ materially compared with the application and adoption of risk-free rates in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing such risk-free rates.

Investors should consider these matters when making their investment decision with respect to any Notes which reference SONIA, SOFR, €STR or any related indices.

The administrator of SONIA, SOFR or €STR or any related indices may make changes that could change the value of SONIA, SOFR or €STR or any related index, or discontinue SONIA, SOFR or €STR or any related index.

Newer reference rates or any related indices and rates that fall outside the scope of the EU Benchmarks Regulation and UK Benchmarks Regulation may also be subject to changes or discontinuation. For example, the Bank of England, the Federal Reserve, Bank of New York or the European Central Bank (or their successors) as administrators of SONIA (and the SONIA Compounded Index), SOFR (and the SOFR Compounded Index) or €STR, respectively, may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such risk-free rate is calculated, eligibility criteria applicable to the transactions used to calculate SONIA, SOFR or €STR, or timing related to the publication of SONIA, SOFR or €STR or any related indices. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of

SONIA, SOFR or €STR or any related index (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate.

USE OF PROCEEDS

We and/or our subsidiaries will use the net proceeds from each issue of Instruments for general corporate purposes. If, in respect of any particular issue of Instruments, there is a particular identified use of net proceeds, this will be stated in the applicable Pricing Supplement.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued pursuant to an Amended and Restated Agency Agreement dated 1 March 2017, as supplemented by a first supplemental agency agreement dated 1 March 2018, a second supplemental agency agreement dated 15 March 2019, a third supplemental agency agreement dated 13 March 2020, a fourth supplemental agency agreement dated 16 March 2021, a fifth supplemental agency agreement dated 14 March 2022 and a sixth supplemental agency agreement dated 15 March 2024 (as amended or further supplemented as at the Issue Date, the “**Agency Agreement**”) between the Issuer, The Bank of New York Mellon, London Branch as fiscal agent, The Bank of New York Mellon, Hong Kong Branch as lodging agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the “**CMU Service**”), The Bank of New York Mellon as exchange agent (the “**Exchange Agent**”), The Bank of New York Mellon (the “**U.S. Registrar**”), The Bank of New York Mellon, Hong Kong Branch (the “**CMU Registrar**”) and The Bank of New York Mellon SA/NV, Luxembourg Branch (the “**Registrar**” and together with the U.S. Registrar and the CMU Registrar, the “**Registrars**”), The Bank of New York Mellon (the “**U.S. Paying Agent**”) and The Bank of New York Mellon, London Branch (the “**Paying Agent**” and together with the U.S. Paying Agent, the “**Paying Agents**”) and the other agents named in it and with the benefit of a Deed of Covenant dated 1 March 2017 (as amended or supplemented as at the Issue Date, the “**Deed of Covenant**”) executed by the Issuer in relation to the Notes. The fiscal agent, the CMU lodging agent, the paying agents, the registrars, the transfer agents, the exchange agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Fiscal Agent**”, the “**CMU Lodging Agent**”, the “**Paying Agents**” (which expression shall include the Fiscal Agent), the “**Registrars**”, the “**Transfer Agents**”, the “**Exchange Agent**” and the “**Calculation Agent(s)**”. For the purposes of these Conditions, all references to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU Service, be deemed to be a reference to the CMU Lodging Agent and all such references shall be construed accordingly. The Noteholders (as defined below), the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) and the holders of the receipts for the payment of instalments of principal (the “**Receipts**”) relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the “**Conditions**”), “**Tranche**” means Notes which are identical in all respects.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection upon prior written notice and satisfactory proof of holding at the specified office of the Fiscal Agent.

1. FORM, DENOMINATION AND TITLE

- (a) **Form:** The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

- (b) **Denomination:** Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
- (c) **Title:** Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the relevant Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

*Notwithstanding anything contained in these Conditions, for so long as any of the Notes is represented by a Global Note or a Global Certificate held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**") and/or The Depository Trust Company ("**DTC**") and/or the CMU Service (as the case may be), each person (other than Euroclear or Clearstream, DTC or the CMU Service) who is for the time being shown in the records of Euroclear or of Clearstream or of DTC or of the CMU Service as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream or DTC or the CMU Service as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents, the Registrars, the Exchange Agent and the Transfer Agents as the holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such principal amount of such Notes, for which purpose the bearer of the relevant Global Note or the registered holder of the relevant Global Certificate shall be treated by the Issuer, any Paying Agent, any Transfer Agent, any Registrar and the Exchange Agent as the holder of such principal amount of such Notes in accordance with and subject to the terms of the relevant Global Note or Global Certificate, and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. Notes which are represented by a Global Note or a Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, DTC and the CMU Service*

as the case may be. References to Euroclear, Clearstream, DTC and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer and the Fiscal Agent or the CMU Lodging Agent, as the case may be.

2. NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the relevant Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the relevant Registrar or Transfer Agent may require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the relevant Registrar and the Noteholders. A copy of the current regulations will be made available by the relevant Registrar to any Noteholder upon request.
- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the relevant Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the relevant Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the relevant Registrar the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the relevant Registrar (as the case may be).
- (e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on

behalf of the Issuer, the relevant Registrar or the Transfer Agents, but upon payment by the applicant of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the relevant Registrar or the relevant Transfer Agent may require in respect of tax or charges).

- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3. STATUS

The Notes and the Receipts and Coupons relating to them constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* in right of payment and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable law and subject to Condition 4, at all times rank at least equally with its payment obligations in respect of all other unsecured and unsubordinated indebtedness of the Issuer, present and future.

4. NEGATIVE PLEDGE

So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement) the Issuer will not create or permit to subsist, and will procure that AIA Co. will not create or permit to subsist any mortgage, charge, lien, pledge or other form of encumbrance or security interest ("**Security**"), excluding any Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness without at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

In this Condition:

- (a) "**Permitted Security Interest**" means any existing Security over any assets (or related documents of title) purchased by the Issuer or AIA Co. subject to such Security and any substitute Security created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets; and
- (b) "**Relevant Indebtedness**" means any present or future indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures or other investment securities (but excluding for the avoidance of doubt, instruments commonly referred to as transferable loan certificates) which for the time being are, or are intended on the part of the Issuer to be quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market.

5. INTEREST AND OTHER CALCULATIONS

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).
- (b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

- (i) *Interest Payment Dates*: Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined (other than in respect of Notes for which SONIA or SOFR is specified as the Reference Rate in the relevant Pricing

Supplement), the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than EURIBOR or HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon;

- (y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall promptly inform the Issuer and the Issuer shall use its best endeavours to appoint an independent financial advisor (the “IFA”) and procure the IFA to request, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the IFA and the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the IFA and the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the IFA and the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the IFA and the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in

the opinion of the Issuer suitable for such purpose) informs the IFA and the Calculation Agent it is quoting to leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market, as the case may be.

(C) *Screen Rate Determination (SONIA)*

- (x) where Screen Rate Determination is specified hereon and the "Reference Rate" is specified in the relevant Pricing Supplement as being "SONIA", the Rate of Interest for each Interest Period will, subject as provided below, be Compounded Daily SONIA plus or minus (as specified in the relevant Pricing Supplement) the Margin, all as determined by the Calculation Agent.

Where:

"Compounded Daily SONIA", with respect to an Interest Period, will be calculated by the Calculation Agent on each Interest Determination Date in accordance with the following formula, and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o} \left(1 + \frac{SONIA_{i-pLBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

"d" means the number of calendar days in:

- (i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Interest Period; or
- (ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period;

"d_o" means the number of London Banking Days in:

- (i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Interest Period; or
- (ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period;

"i" means a series of whole numbers from one to d_o, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in:

- (i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Interest Period; or
- (ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period;

to, and including, the last London Banking Day in such period;

"Interest Determination Date" means, in respect of any Interest Period, the date falling p London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling p London Banking Days prior to such earlier date, if any, on which the Notes are due and payable).

"London Banking Day" or "LBD" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

" n_i " for any London Banking Day " i ", in the relevant Interest Period or Observation Period (as applicable) is the number of calendar days from, and including, such London Banking Day " i " up to, but excluding, the following London Banking Day;

"**Observation Period**" means, in respect of an Interest Period, the period from, and including, the date falling " p " London Banking Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date which is p London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling p London Banking Days prior to such earlier date, if any, on which the Notes become due and payable);

" p " for any Interest Period or Observation Period (as applicable), means five London Business Days;

"**SONIA Reference Rate**" means, in respect of any London Banking Day, a reference rate equal to the daily Sterling Overnight Index Average ("**SONIA**") rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page (or if the Relevant Screen Page is unavailable, as otherwise is published by such authorised distributors) on the London Banking Day immediately following such London Banking Day; and

"**SONIA_i**" means the SONIA Reference Rate for:

- (i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the London Banking Day falling " p " London Banking Days prior to the relevant London Banking Day " i "; or
- (ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement; the relevant London Banking Day " i ";

For the avoidance of doubt, the formula for the calculation of Compounded Daily SONIA only compounds the SONIA Reference Rate in respect of any London Banking Day. The SONIA Reference Rate applied to a day that is a non-London Banking Day will be taken by applying the SONIA Reference Rate for the previous London Banking Day but without compounding.

- (y) If, in respect of any London Banking Day in the relevant Interest Period or Observation Period (as applicable), the Calculation Bank determines that the SONIA Reference Rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA Reference Rate shall, subject to Condition 5(b)(iii)(E) (*Benchmark Replacement (Independent Adviser)*), be:
 - (1) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Banking Day; plus the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five London Banking Days on which a SONIA Reference Rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate; or
 - (2) if the Bank Rate is not published by the Bank of England at close of business on the relevant London Banking Day, the SONIA Reference Rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Banking Day on which the SONIA Reference Rate was published on the

Relevant Screen Page (or otherwise published by the relevant authorised distributors).

- (z) Subject to Condition 5(b)(iii)(E) (*Benchmark Replacement (Independent Adviser)*), if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 5(b)(iii)(C), the Rate of Interest shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period) or (B) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to the Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin applicable to the first Interest Period).
- (D) *Screen Rate Determination (SOFR)*:
 - (x) where Screen Rate Determination is specified hereon and the "Reference Rate" is specified in the relevant Pricing Supplement as being "SOFR", the Rate of Interest for each Interest Period will, subject as provided below, be the Benchmark plus or minus (as specified in the relevant Pricing Supplement) the Margin, all as determined by the Calculation Agent.

Where:

"Benchmark" means Compounded SOFR, which is a compounded average of daily SOFR, as determined for each Interest Period in accordance with the specific formula and other provisions set out in this Condition 5(b)(iii)(D).

Daily SOFR rates will not be published in respect of any day that is not a U.S. Government Securities Business Day, such as a Saturday, Sunday or holiday. For this reason, in determining Compounded SOFR in accordance with the specific formula and other provisions set forth herein, the daily SOFR rate for any U.S. Government Securities Business Day that immediately precedes one or more days that are not U.S. Government Securities Business Days will be multiplied by the number of calendar days from and including such U.S. Government Securities Business Day to, but excluding, the following U.S. Government Securities Business Day.

If the Issuer determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in respect of Compounded SOFR (or the daily SOFR used in the calculation hereof) prior to the relevant SOFR Determination Time, then the provisions under Condition 5(b)(iii)(D)(y) below will apply.

"Compounded SOFR" with respect to any Interest Period, means the rate of return of a daily compound interest investment computed in accordance with the following formula (and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards to 0.00001):

$$\left[\prod_{i=1}^{d_o} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

"d" is the number of calendar days in:

- (i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Interest Period; or

- (ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period.

"**d_o**" is the number of U.S. Government Securities Business Days in:

- (i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Interest Period; or
- (ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period.

"**i**" is a series of whole numbers from one to **d_o**, each representing the relevant U.S. Government Securities Business Day in chronological order from, and including, the first U.S. Government Securities Business Day in:

- (i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Interest Period; or
- (ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period,

to and including the last US Government Securities Business Day in such period;

"Interest Determination Date" means, in respect of any Interest Period, the date falling "p" U.S. Government Securities Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" U.S. Government Securities Business Days prior to such earlier date, if any, on which the Notes are due and payable);

"n_i" for any U.S. Government Securities Business Day "i" in the relevant Interest Period or Observation Period (as applicable), is the number of calendar days from, and including, such U.S. Government Securities Business Day "i" to, but excluding, the following U.S. Government Securities Business Day ("**i+1**");

"Observation Period" in respect of an Interest Period means the period from, and including, the date falling "p" U.S. Government Securities Business Days preceding the first day in such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) to, but excluding, the date falling "p" U.S. Government Securities Business Days preceding the Interest Payment Date for such Interest Period (or the date falling "p" U.S. Government Securities Business Days prior to such earlier date, if any, on which the Notes become due and payable);

"p" for any Interest Period or Observation Period (as applicable) means five U.S. Government Securities Business Days;

"SOFR" with respect to any U.S. Government Securities Business Day, means:

- (i) the Secured Overnight Financing Rate published for such U.S. Government Securities Business Day as such rate appears on the SOFR Administrator's Website at 3:00 p.m. (New York time) on the immediately following U.S. Government Securities Business Day (the "**SOFR Determination Time**"); or
- (ii) subject to Condition 5(b)(iii)(D)(y) below, if the rate specified in (i) above does not so appear, the Secured Overnight Financing Rate as published in respect of the first preceding U.S. Government Securities

Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator's Website;

"SOFR Administrator" means the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate);

"SOFR Administrator's Website" means the website of the Federal Reserve Bank of New York, or any successor source;

"SOFR_i" means the SOFR for:

- (i) where "Lag" is specified as the Observation Method in the applicable Pricing Supplement, the U.S. Government Securities Business Day falling "p" U.S. Government Securities Business Days prior to the relevant U.S. Government Securities Business Day "i"; or
- (ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant U.S. Government Securities Business Day "i"; and

"U.S. Government Securities Business Day" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

- (y) If the Issuer determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates. In connection with the implementation of a Benchmark Replacement, the Issuer will have the right to make Benchmark Replacement Conforming Changes from time to time, without any requirement for the consent or approval of the Noteholders. At the request of the Issuer, the Fiscal Agent shall (at the direction of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with such determination by the Issuer in effecting any Benchmark Replacement Conforming Changes (including, inter alia, by the execution of a supplemental agency agreement) and the Fiscal Agent shall not be liable to any party for any consequences thereof, provided that the Fiscal Agent shall not be obliged to effect any such amendments if, in the opinion of the Fiscal Agent, doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/ or the protective provisions afforded to it in these Conditions and/ or the Agency Agreement and/ or any documents to which it is a party (including, for the avoidance of doubt, any supplemental agency agreement) in any way.

Any determination, decision or election that may be made by the Issuer pursuant to this section, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection:

- (1) will be conclusive and binding absent manifest error;
- (2) will be made in the sole discretion of the Issuer; and

- (3) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

"Benchmark" means, initially, Compounded SOFR, as such term is defined above; provided that if the Issuer determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Compounded SOFR (or the published daily SOFR used in the calculation thereof) or the then-current Benchmark, then "Benchmark" shall mean the applicable Benchmark Replacement.

"Benchmark Replacement" means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

- (i) the sum of: (A) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark and (B) the Benchmark Replacement Adjustment;
- (ii) the sum of: (A) the ISDA Fallback Rate and (B) the Benchmark Replacement Adjustment; or
- (iii) the sum of: (A) the alternate rate of interest that has been selected by the Issuer as the replacement for the then-current Benchmark giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time and (B) the Benchmark Replacement Adjustment;

"Benchmark Replacement Adjustment" means the first alternative set forth in the order below that can be determined by the Issuer or its designee (as separately selected and appointed by the Issuer in writing) as of the Benchmark Replacement Date:

- (i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or
- (iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time;

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer decides that adoption of any

portion of such market practice is not administratively feasible or if the Issuer determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer determines is reasonably necessary);

"Benchmark Replacement Date" means the earliest to occur of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

- (i) in the case of clause (i) or (ii) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or
- (ii) in the case of clause (iii) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

- (i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"ISDA Fallback Adjustment" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"ISDA Fallback Rate" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"Reference Time" with respect to any determination of the Benchmark means (i) if the Benchmark is Compounded SOFR, the SOFR Determination Time, and (ii) if the Benchmark is not Compounded SOFR, the time determined by the Issuer after giving effect to the Benchmark Replacement Conforming Changes;

"Relevant Governmental Body" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

- (z) Any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under Condition 5(b)(iii)(D)(y) above will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer:

- (1) confirming (x) that a Benchmark Transition Event has occurred, (y) the relevant Benchmark Replacement and, (z) where applicable, any Benchmark Replacement Adjustment and/or the specific terms of any relevant Benchmark Replacement Conforming Changes, in each case as determined in accordance with the provisions of this Condition 5(b)(iii)(D); and
- (2) certifying that the relevant Benchmark Replacement Conforming Changes are necessary to ensure the proper operation of such Benchmark Replacement and/or Benchmark Replacement Adjustment.

If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 5(b)(iii)(D), the Rate of Interest shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period) or (B) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to the Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin applicable to the first Interest Period).

- (E) *Benchmark Replacement (Independent Adviser):*
Other than in the case of a U.S. dollar-denominated floating rate Note for which the Reference Rate is specified in the relevant Pricing Supplement as being "SOFR", if a Benchmark Event occurs in relation to the Reference Rate when the

Rate of Interest (or any component part thereof) for any Interest Period remains to be determined by reference to such Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(b)(iii)(E)(x)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 5(b)(iii)(E)(y)) and any Benchmark Amendments (in accordance with Condition 5(b)(iii)(E)(z)).

In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Fiscal Agent or the Noteholders for any determination made by it pursuant to this Condition 5(b)(iii)(E) and the Fiscal Agent will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof

- (x) If the Independent Adviser determines in its discretion that:
 - (1) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5(b)(iii)(E)(x)) subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part(s) thereof) for the relevant Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 5(b)(iii)(E) in the event of a further Benchmark Event affecting the Successor Rate; or
 - (2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5(b)(iii)(E)(x)) subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part(s) thereof) for the relevant Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 5(b)(iii)(E) in the event of a further Benchmark Event affecting the Alternative Rate.
- (y) If the Independent Adviser determines in its discretion (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall apply to the Successor Rate or the Alternative Rate (as the case may be).
- (z) If any relevant Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 5(b)(iii)(E) and the Independent Adviser determines in its discretion (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Calculation Agent (or the person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate of Interest and the Interest Amount(s)), subject to giving notice thereof in accordance with Condition 5(b)(iii)(E)(bb), without any requirement for the consent or approval of relevant Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Fiscal Agent shall, at the direction and expense of the Issuer, consent to and effect such consequential amendments to the Agency Agreement and these Conditions as the Fiscal Agent may be required in order to give effect to this Condition 5(b)(iii)(E)) and the Fiscal Agent shall not be liable to any party for any consequences thereof, provided that the Fiscal Agent shall not be obliged so to effect any such amendments if, in the opinion of the Fiscal Agent, doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or

reduce or amend the rights and/ or the protective provisions afforded to it in the Agency Agreement and/ or these Conditions and/ or any document to which it is a party (including, for the avoidance of doubt, any supplemental agency agreement) in any way.

- (aa) If (A) the Issuer is unable to appoint an Independent Adviser or (B) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(b)(iii)(E) prior to the relevant Interest Determination Date, the Reference Rate applicable to the relevant Interest Period shall be the Reference Rate applicable as at the last preceding Interest Determination Date. If there has not been a first Interest Payment Date, the Reference Rate shall be the Reference Rate applicable to the first Interest Period. For the avoidance of doubt, any adjustment pursuant to this Condition 5(b)(iii)(E)(aa) shall apply to the relevant Interest Period only. Any subsequent Interest Period may be subject to the subsequent operation of this Condition 5(b)(iii)(E).
- (bb) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5(b)(iii)(E) will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 20 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.
- (cc) No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer:
 - (1) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Rate and, (z) where applicable, any relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5(b)(iii)(E); and
 - (2) certifying that (I) the relevant Benchmark Amendments are necessary to ensure the proper operation of such relevant Successor Rate, Alternative Rate and/or Adjustment Spread and (II) the intent of the drafting of such changes is solely to implement the relevant Benchmark Amendments.

The Fiscal Agent and the Agents shall be entitled to rely on such certificate (without further enquiry and without liability to any person) as sufficient evidence thereof.

- (dd) The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of such Successor Rate or Alternative Rate and such Adjustment Spread (if any) and such Benchmark Amendments (if any)) be binding on the Issuer, Fiscal Agent, the Calculation Agent, the other Paying Agents and the Noteholders.

As used herein:

"Adjustment Spread" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the relevant Successor Rate or the relevant Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) (if no such recommendation has been made, or in the case of an Alternative Rate), the Independent Adviser, determines is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or
- (iii) (if no such determination has been made) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (iv) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

"Alternative Rate" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with this Condition 5(b)(iii)(E) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in the Specified Currency;

"Benchmark Amendments" has the meaning given to it in Condition 5(b)(iii)(E)(z);

"Benchmark Event" means:

- (i) the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or
- (ii) a public statement by the administrator of the relevant Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate) it has ceased publishing such Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the **"Specified Future Date"**); or
- (iii) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will, by a specified future date (the **"Specified Future Date"**), be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will, by a specified future date (the **"Specified Future Date"**), be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or

- (v) a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that, in the view of such supervisor, such Reference Rate is or will, by a specified future date (the "**Specified Future Date**"), be no longer representative of an underlying market; or
- (vi) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent to calculate any payments due to be made to any Noteholder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (ii), (iii), (iv), or (v) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such Specified Future Date.

"Independent Adviser" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense;

"Relevant Nominating Body" means, in respect of a benchmark or screen rate (as applicable):

- (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof; and

"Successor Rate" means a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

- (iv) *Rate of Interest for Index Linked Interest Notes:* The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.
- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).
- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

- (e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.
- (f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).
- (g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**
- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph.
 - (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country(ies) of such currency.
- (h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption

Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders and any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (j) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“Business Centre” means the city or cities specified as such in the relevant Pricing Supplement;

“Business Day” means:

- (i) in the case of a currency other than U.S. dollar, Euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of U.S. dollar, a U.S. Government Securities Business Day; and/or
- (iii) in the case of Euro, a day on which the TARGET System is operating (a **“TARGET Business Day”**); and/or
- (iv) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or
- (v) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres;

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the **“Calculation Period”**):

- (i) if **“Actual/Actual”** or **“Actual/Actual – ISDA”** is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **“Actual/365 (Fixed)”** is specified hereon, the actual number of days in the Calculation Period divided by 365;

- (iii) if “**Actual/365 (Sterling)**” is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30;

- (vii) if “**30E/360 (ISDA)**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30;

- (viii) if “**Actual/Actual-ICMA**” is specified hereon,

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“**Determination Agent**” means an investment bank or financial institution of international standing selected by the Issuer;

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“**Determination Date**” means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s);

“**Euro-zone**” means the monetary union of European Union member states which have adopted the Euro as their common currency and sole legal tender;

"Interest Accrual Period" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date;

"Interest Amount" means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

"Interest Commencement Date" means the Issue Date or such other date as may be specified hereon;

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro nor Hong Kong dollars or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro;

"Interest Period" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date;

"Interest Period Date" means each Interest Payment Date unless otherwise specified hereon;

"ISDA Definitions" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon;

"Make Whole Redemption Amount" means, with respect to each Note to be redeemed, either:

- (i) an amount calculated by the Determination Agent equal to the higher of (i) the principal amount of such Note and (ii) the sum of (x) the present value of the principal amount of such Note and (y) the present values of the interest payable for the relevant Interest Periods from, and including, the relevant Make Whole Optional Redemption Date to the Maturity Date (exclusive of interest accrued to the Make Whole Optional Redemption Date), in each case, discounted to such redemption date at the Make Whole Reference Rate, plus the Make Whole Redemption Margin; or
- (ii) the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement;

"Make Whole Reference Rate" means:

- (i) with respect to any Make Whole Optional Redemption Date as specified in the relevant Pricing Supplement, the rate per annum equal to the annual or semi-

annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Security, assuming a price for the Reference Security (expressed as a percentage of its nominal amount) equal to the Reference Security Price for such Make Whole Optional Redemption Date; or

(ii) the rate specified in, or determined in the manner specified in, the relevant Pricing Supplement;

"Rate of Interest" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

"Reference Banks" means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market, in each case selected by the Issuer or IFA;

"Reference Date" means as set out in the relevant notice of redemption pursuant to Condition 6(f);

"Reference Dealer" means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues, or such other banks or method of selection of such banks as specified in the relevant Pricing Supplement;

"Reference Dealer Quotations" means, with respect to each Reference Dealer and any Make Whole Optional Redemption Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Security (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the relevant Pricing Supplement on the Reference Date quoted in writing to the Determination Agent by such Reference Dealer;

"Reference Rate" means the rate specified as such hereon;

"Relevant Screen Page" means such page, section, caption, column or other part of a particular information service as may be specified hereon;

"Reference Security" shall be as set out in the relevant Pricing Supplement, *provided that* if the Reference Security is no longer outstanding, a Similar Security will be chosen by the Determination Agent at 11:00 a.m. (CET) on the third (3rd) Business Day preceding the Make Whole Optional Redemption Date, or at such other time and date specified in the relevant Pricing Supplement, quoted in writing by the Determination Agent to the Issuer and notified by the Issuer in accordance with Condition 14;

"Reference Security Price" means, with respect to any Make Whole Optional Redemption Date, either:

(i) (A) the arithmetic average of the Reference Dealer Quotations for such Make Whole Optional Redemption Date, after excluding the highest and lowest such Reference Dealer Quotations, or (B) if the Determination Agent obtains fewer than four such Reference Dealer Quotations, the arithmetic average of all such quotations; or

(ii) as otherwise provided in the relevant Pricing Supplement;

"Similar Security" means a reference security or reference securities having an actual or interpolated maturity comparable with the remaining term of the relevant series of Notes that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes;

"Specified Currency" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated;

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

- (k) **Calculation Agents:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for it or them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. REDEMPTION, PURCHASE AND OPTIONS

(a) Redemption by Instalments and Final Redemption:

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) Early Redemption:

- (i) **Zero Coupon Notes:**
- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) ***Redemption for Taxation Reasons:*** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 15 nor more than 30 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) the date on which agreement is reached to issue the first Tranche of the Notes, and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due, or (ii) the Issuer is or would be no longer entitled to claim a deduction for any payments in respect of the Notes in computing its Hong Kong (or any authority therein or thereof having power to tax) taxation liabilities or the amount of such deduction is materially reduced. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the right of the Issuer so to redeem has occurred, and, in the case of a redemption pursuant to clause (i) above, an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) ***Redemption at the Option of the Issuer:*** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the

Noteholders (or such other notice period as may be specified hereon) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as agreed between the Issuer and the Fiscal Agent, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (e) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the relevant Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent, the relevant Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (f) **Redemption at the Option of the Issuer (Make Whole Redemption):** If Call Option (Make Whole Redemption) is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, in whole or in part, the Notes on any Make Whole Optional Redemption Date. Any such redemption of Notes shall be at their Make Whole Redemption Amount together with interest accrued to the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as agreed between the Issuer and the Fiscal Agent, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Determination Agent shall (in the absence of manifest error) be final and binding upon all parties.

- (g) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.
- (h) **Purchases:** The Issuer and its subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.
- (i) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the relevant Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. PAYMENTS AND TALONS

(a) **Bearer Notes:**

- (i) *Bearer Notes not held in the CMU Service:* Payments of principal and interest in respect of Bearer Notes not held in the CMU Service shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, (i) in the case of a currency other than Renminbi, outside the United States and its possessions by transfer to an account denominated in such currency with, a Bank and (ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong. “Bank” means a bank in the principal financial centre for such currency or, in the case of Euro, in a city in which banks have access to the TARGET System.
- (ii) *Bearer Notes held in the CMU Service:* Payments of principal and interest in respect of Bearer Notes held in the CMU Service will be made outside the United States and its possessions to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(b) **Registered Notes:**

- (i) *Registered Notes not held in the CMU Service:*
 - (A) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the relevant Registrar and in the manner provided in paragraph (B) below.
 - (B) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid

to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof or in the case of Renminbi, on the fifth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made:

- In the case of a currency other than Renminbi, in the relevant currency by transfer to the registered account of the Noteholder appearing in the Register; and
- in the case of Renminbi, by transfer to the registered account of the Noteholder. In this Condition 7(b), “**registered account**” means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(ii) *Registered Notes held in the CMU Service:*

Payments of principal and interest in respect of Registered Notes held in the CMU Service will be made to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments Subject to Fiscal Laws:** All payments are subject in all cases to any applicable laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Fiscal Agent, the CMU Lodging Agent, the Paying Agents, the Registrars, the Transfer Agents, the Exchange Agent and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the CMU Lodging Agent, the Paying Agents, the Registrars, Transfer Agents, the Exchange Agent and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, any Registrar, any Transfer Agent, the Exchange Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging Agent in relation to Notes accepted for clearance through the CMU Service, (v) one or more Calculation Agent(s) where the Conditions so require and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) ***Unmatured Coupons and Receipts and unexchanged Talons:***

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index linked Notes), those Notes should be surrendered for payment together with all unmaturing Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Make Whole Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmaturing Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note that provides that the relative unmaturing Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmaturing Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) ***Talons:*** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).
- (h) ***Non-Business Days:*** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on

which banks and foreign exchange markets are open for business in the relevant place of presentation, in each Business Centre hereon and:

- (i) (in the case of a payment in a currency other than Euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in London and in the principal financial centre of the country of such currency; or
- (ii) (in the case of a payment in Euro) which is a TARGET Business Day; or
- (iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8. TAXATION

All payments of principal and interest by the Issuer or any of its agents making a payment on its behalf in respect of the Notes, the Receipts and the Coupons shall be made without withholding or deduction for any taxes, duties, assessments or governmental charges imposed, levied, collected, withheld or assessed by Hong Kong or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law or regulation. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) **Other connection:** for such taxes, duties, assessments or governmental charges imposed, levied, collected, withheld or assessed by reason of such Noteholder or Couponholder (or fiduciary, beneficial owner, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Noteholder or Couponholder, if the relevant Noteholder or Couponholder is an estate, nominee, trust, partnership, company or corporation) having a present or former connection with Hong Kong, other than the mere holding of the Note, Receipt or Coupon;
- (b) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the Noteholder or Couponholder would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day;
- (c) **Payment by another Paying Agent:** presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent;
- (d) **Estate, inheritance, etc.:** for any estate, inheritance, gift, sale, transfer, personal property or similar tax, duty, assessment or other governmental charge;
- (e) **Failure to provide information:** where such withholding or deduction could have been lawfully avoided if the Noteholder, Couponholder or beneficial owner (or a third party on behalf of the Noteholder, Couponholder or beneficial owner) had complied with a request addressed to such Noteholder or Couponholder to provide certification, identification or information reporting concerning the nationality, residence, identity or connection with the taxing jurisdiction of such Noteholder, Couponholder or beneficial owner (or third party); provided that the Issuer shall be deemed to have given adequate notice if it complies with the general notice provision provided in Condition 14); or
- (f) for any combination of the foregoing.

As used in these Conditions, “**Relevant Date**” in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or the date on which payment in full of the amount outstanding is made. References in these Conditions to (i)

“principal” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Make Whole Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition.

The Issuer or any of its agents making a payment on its behalf shall be permitted to withhold or deduct any amounts pursuant to or in connection with Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, any current or future regulations or official interpretations thereof, any agreements (including any intergovernmental agreements) thereunder or any law, regulation, or official interpretation implementing any of the foregoing (in each case “**FATCA Withholding**”). The Issuer and its agents will have no liability for or have any obligation to pay additional amounts in respect of any such FATCA Withholding.

9. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. EVENTS OF DEFAULT

If any of the following events (“**Events of Default**”) occurs and is continuing, the holders of, individually or in aggregate, not less than 15 per cent. of the aggregate principal amount of the outstanding Notes may give written notice to the Fiscal Agent at its specified office to declare that such Notes are immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable:

- (a) **Non-Payment:** default is made in the payment on the due date of interest or principal in respect of any of the Notes and such default continues for 10 business days in the case of principal and 14 business days in the case of interest; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or is not remedied within 30 calendar days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or
- (c) **Cross-Acceleration:** (i) any other present or future indebtedness of the Issuer or AIA Co. for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of an event of default (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or AIA Co. fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds US\$100,000,000 or its equivalent (as reasonably determined on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity), excluding any financial indebtedness made from one member of the Group to another; or

- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or substantially all of the property, assets or revenues of the Issuer or AIA Co. and is not discharged or stayed within 30 business days; or
- (e) **Insolvency:** the Issuer or AIA Co. is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or substantially all of (or of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or AIA Co.; or
- (f) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer or AIA Co., or the Issuer or AIA Co. ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation whilst solvent (i) on terms approved by an Extraordinary Resolution of the Noteholders or (ii) in the case of AIA Co., whereby the undertaking and assets of AIA Co. are transferred to or otherwise vested in the Issuer or another of its subsidiaries; or
- (g) **Receivership:** an administrative or other receiver or an administrator is appointed of the whole or a material part of the property, assets or revenues of the Issuer or AIA Co. (as the case may be) and is not discharged within 30 business days; or
- (h) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (i) **Analogous Events:** any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) to (g) above.

In this Condition 10, “**business day**” means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in Hong Kong.

11. MEETINGS OF NOTEHOLDERS AND MODIFICATIONS

- (a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10% in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount

or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount or the Make Whole Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75% or at any adjourned meeting not less than one-third in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90% in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

- (b) **Modification of Agency Agreement:** The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

12. REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the relevant Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (except in respect of the first payment of interest and their issue price, and so that, for the avoidance of doubt, references in these Conditions to "Issue Date" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" and "Noteholders" shall be construed accordingly.

14. NOTICES

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Asia (which is expected to be

the *Asian Wall Street Journal*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of Euroclear or Clearstream or DTC, or any other clearing system (except as provided in (ii) and (iii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by these Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate; (ii) on behalf of the CMU Service, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate.

15. CURRENCY INDEMNITY

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17. GOVERNING LAW AND JURISDICTION

- (a) **Governing Law:** The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other

court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

- (c) **Service of Process:** The Issuer irrevocably appoints Kennedys of 25 Fenchurch Avenue, London EC3M 5AD, United Kingdom as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

TERMS AND CONDITIONS OF THE SECURITIES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Securities in definitive form (if any) issued in exchange for the Global Security or the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Securities or on the Certificates relating to such Registered Securities. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Securities or Certificates, as the case may be. References in the Conditions to "**Securities**" are to the Securities of one Series only, not to all Securities that may be issued under the Programme.*

The Securities are issued pursuant to an Amended and Restated Agency Agreement dated 1 March 2017, as supplemented by a first supplemental agency agreement dated 1 March 2018, a second supplemental agency agreement dated 15 March 2019, a third supplemental agency agreement dated 13 March 2020, a fourth supplemental agency agreement dated 16 March 2021, a fifth supplemental agency agreement dated 14 March 2022 and a sixth supplemental agency agreement dated 15 March 2024 (as amended or further supplemented as at the Issue Date, the "**Agency Agreement**") between the Issuer, The Bank of New York Mellon, London Branch as fiscal agent, The Bank of New York Mellon, Hong Kong Branch as lodging agent for Securities to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU Service**"), The Bank of New York Mellon as exchange agent (the "**Exchange Agent**"), The Bank of New York Mellon (the "**U.S. Registrar**"), The Bank of New York Mellon, Hong Kong Branch (the "**CMU Registrar**") and The Bank of New York Mellon SA/NV, Luxembourg Branch (the "**Registrar**" and together with the U.S. Registrar and the CMU Registrar, the "**Registrars**"), The Bank of New York Mellon (the "**U.S. Paying Agent**") and The Bank of New York Mellon, London Branch (the "**Paying Agent**" and together with the U.S. Paying Agent, the "**Paying Agents**") and the other agents named in it and with the benefit of a Deed of Covenant dated 1 March 2017 (as amended or supplemented as at the Issue Date, the "**Deed of Covenant**") executed by the Issuer in relation to the Securities. The fiscal agent, the CMU lodging agent, the paying agents, the registrars, the transfer agents, the exchange agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**CMU Lodging Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Registrars**", the "**Transfer Agents**", the "**Exchange Agent**" and the "**Calculation Agent(s)**". For the purposes of these Conditions, all references to the Fiscal Agent shall, with respect to a Series of Securities to be held in the CMU Service, be deemed to be a reference to the CMU Lodging Agent and all such references shall be construed accordingly. The Securityholders (as defined below), the holders of the distribution coupons (the "**Coupons**") relating to distribution bearing Securities in bearer form and, where applicable in the case of such Securities, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Securities in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the "**Conditions**"), "**Tranche**" means Securities which are identical in all respects.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection upon prior written notice and satisfactory proof of holding at the specified office of the Fiscal Agent.

1. **FORM, DENOMINATION AND TITLE**

The Securities are issued in bearer form ("**Bearer Securities**") or in registered form ("**Registered Securities**") in each case in the Specified Denomination(s) shown hereon.

This Security is a Senior Perpetual Security, a Subordinated Perpetual Security, a Subordinated Dated Security, a Deeply Subordinated Perpetual Security or a Deeply Subordinated Dated Security.

Bearer Securities are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached.

Registered Securities are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Securities by the same holder.

Securities will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Title to the Bearer Securities and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Securities shall pass by registration in the register that the Issuer shall procure to be kept by the relevant Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Security, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or a distribution in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Securityholder**" means the bearer of any Bearer Security and the Receipts relating to it or the person in whose name a Registered Security is registered (as the case may be), "**holder**" (in relation to a Security, Receipt, Coupon or Talon) means the bearer of any Bearer Security, Receipt, Coupon or Talon or the person in whose name a Registered Security is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Securities.

*Notwithstanding anything contained in these Conditions, for so long as any of the Securities is represented by a Global Security or a Global Certificate held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**") and/or The Depository Trust Company ("**DTC**") and/or the CMU Service (as the case may be), each person (other than Euroclear or Clearstream, DTC or the CMU Service) who is for the time being shown in the records of Euroclear or of Clearstream or of DTC or of the CMU Service as the holder of a particular principal amount of such Securities (in which regard any certificate or other document issued by Euroclear or Clearstream or DTC or the CMU Service as to the principal amount of such Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents, the Registrars, the Exchange Agent and the Transfer Agents as the holder of such principal amount of such Securities for all purposes other than with respect to the payment of principal or distribution on such principal amount of such Securities, for which purpose the bearer of the relevant Global Security or the registered holder of the relevant Global Certificate shall be treated by the Issuer, any Paying Agent, any Transfer Agent, any Registrar and the Exchange Agent as the holder of such principal amount of such Securities in accordance with and subject to the terms of the relevant Global Security or Global Certificate, and the expressions "**Securityholder**" and "**holder of Securities**" and related expressions shall be construed accordingly. Securities which are represented by a Global Security or a Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, DTC and the*

CMU Service as the case may be. References to Euroclear, Clearstream, DTC and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer and the Fiscal Agent or the CMU Lodging Agent, as the case may be.

2. **NO EXCHANGE OF SECURITIES AND TRANSFERS OF REGISTERED SECURITIES**

- (a) **No Exchange of Securities:** Registered Securities may not be exchanged for Bearer Securities. Bearer Securities of one Specified Denomination may not be exchanged for Bearer Securities of another Specified Denomination. Bearer Securities may not be exchanged for Registered Securities.
- (b) **Transfer of Registered Securities:** One or more Registered Securities may be transferred upon the surrender (at the specified office of the relevant Registrar or any Transfer Agent) of the Certificate representing such Registered Securities to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the relevant Registrar or Transfer Agent may require. In the case of a transfer of part only of a holding of Registered Securities represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Securities and entries on the Register will be made subject to the detailed regulations concerning transfers of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the relevant Registrar and the Securityholders. A copy of the current regulations will be made available by the relevant Registrar to any Securityholder upon request.
- (c) **Exercise of Options or Partial Redemption in Respect of Registered Securities:** In the case of an exercise of an Issuer's or a Securityholder's option in respect of, or a partial redemption of, a holding of Registered Securities represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Securities of the same holding having different terms, separate Certificates shall be issued in respect of those Securities of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the relevant Registrar or any Transfer Agent. In the case of a transfer of Registered Securities to a person who is already a holder of Registered Securities, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the relevant Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the relevant Registrar the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the relevant Registrar (as the case may be).
- (e) **Transfers Free of Charge:** Transfers of Securities and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by

or on behalf of the Issuer, the relevant Registrar or the Transfer Agents, but upon payment by the applicant of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Issuer, the relevant Registrar or the relevant Transfer Agent may require in respect of tax or charges).

- (f) **Closed Periods:** No Securityholder may require the transfer of a Registered Security to be registered (i) during the period of 15 days ending on the due date for redemption of that Security, (ii) during the period of 15 days before any date on which Securities may be called for redemption by the Issuer at its option pursuant to Condition 6(c), (iii) after any such Security has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3. STATUS

- (a) **Status and ranking of the Senior Perpetual Securities:** The Senior Perpetual Securities constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* in right of payment and without any preference among themselves. The payment obligations of the Issuer under the Senior Perpetual Securities shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with its payment obligations in respect of all other unsecured and unsubordinated indebtedness of the Issuer, present and future.
- (b) **Status and ranking of the Subordinated Securities:** The Subordinated Securities constitute direct, unconditional, unsecured and subordinated obligations of the Issuer which rank *pari passu* in right of payment and without any preference among themselves and with its Parity Obligations and in priority in right of payment to payments to holders of present or future outstanding Junior Obligations of the Issuer. The rights and claims of the Securityholders in respect of the Subordinated Securities will be subordinated in right of payment to the claims of all Senior Creditors, including, for the avoidance of doubt, the holders of Senior Perpetual Securities and the Notes as provided in this Condition 3.
- (c) **Status and ranking of the Deeply Subordinated Securities:** The Deeply Subordinated Securities constitute direct, unconditional, unsecured and subordinated obligations of the Issuer which rank *pari passu* in right of payment and without any preference among themselves and with its payment obligations in respect of its Parity Obligations and in priority in right of payment to payments to holders of present or future outstanding Junior Obligations of the Issuer. The rights and claims of the Securityholders in respect of the Deeply Subordinated Securities will be subordinated in right of payment to the claims of all Senior Creditors, including, for the avoidance of doubt, the holders of Senior Perpetual Securities, the Subordinated Securities and the Notes as provided in this Condition 3.
- (d) **Set-off – Subordinated Securities and Deeply Subordinated Securities:** Subject to applicable law, no holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Subordinated Securities or Deeply Subordinated Securities, and each holder shall, by virtue of his holding of any such Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any holder by the Issuer in respect of, or arising under or in connection with the Subordinated Securities or Deeply Subordinated Securities is discharged by set-off, such holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up, the liquidator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator) and accordingly any such discharge shall be deemed not to have taken place.

4. DISTRIBUTION AND OTHER CALCULATIONS

- (a) **Accrual of Distribution:** The Securities confer a right to receive distributions (each a "Distribution") from the Distribution Commencement Date at the Rate of Distribution payable in arrear on each Distribution Payment Date, subject as provided in Condition 5.

Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such latter event, Distribution will continue to accrue at the applicable Rate of Distribution (after as well as before any judgment) up to but excluding whichever is the earlier of (i) the date on which all sums due in respect of any Security are received by or on behalf of the relevant Securityholder and (ii) the day which is seven days after the Fiscal Agent has notified the Securityholders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Securityholders under these Conditions).

- (b) **Fixed Distribution Amount:** The amount of distribution payable in respect of each Security for any Distribution Period shall be the relevant Fixed Distribution Amount and, if the Securities are in more than one Specified Denomination, shall be the relevant Fixed Distribution Amount in respect of the relevant Specified Denomination.
- (c) **Calculation of Distribution Amount:** The amount of distribution payable in respect of each Security for any period for which a Fixed Distribution Amount is not specified shall be calculated by applying the Rate of Distribution to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Security divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of Euro, means one cent.

If the relevant Pricing Supplement specifies that the Rate of Distribution is subject to reset, the Calculation Agent will, on the Calculation Business Day prior to each Reset Date, calculate the applicable Reset Distribution Rate payable in respect of the Securities. The Calculation Agent will cause the applicable Reset Distribution Rate determined by it to be notified to the Issuer, the Paying Agents, the Securityholders and each listing authority, stock exchange and/or quotation system (if any) on to which the Securities have then been admitted to listing, trading and/or quotation as soon as practicable after the relevant Reset Date. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4(c) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents and the Securityholders and no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

5. DEFERRAL OR CANCELLATION OF DISTRIBUTION

- (a) **Deferral of Distribution Payments – Issuer Discretion**

- (i) This Condition 5(a) is applicable to Securities only if "Optional Distribution Deferral" is specified as applicable in the relevant Pricing Supplement.
- (ii) The Issuer may, at its sole discretion, elect to defer, in whole or in part, any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date (an "**Optionally Deferred Distribution Payment**") by giving notice in writing to the Fiscal Agent and to the Securityholders (in accordance with Condition 15) not more than 10 nor less

than five Business Days prior to a scheduled Distribution Payment Date (an "**Optional Deferral Event**") unless, if the Dividend Pusher is specified in the relevant Pricing Supplement as being applicable, during the Dividend Pusher Lookback Period ending on the day before that scheduled Distribution Payment Date a Compulsory Distribution Payment Event has occurred. Any partial payment of outstanding Distribution (including any Arrears of Distribution and any Additional Distribution Amount) by the Issuer shall be shared by the Securityholders of all outstanding Securities on a *pro-rata* basis.

- (iii) If the Dividend Pusher is specified in the relevant Pricing Supplement as being applicable, the Issuer shall deliver to the Fiscal Agent, together with the notice required by Condition 5(a)(ii), a certificate in the form scheduled to the Agency Agreement signed by two directors of the Issuer confirming that an Optional Deferral Event has occurred and is continuing, and that no Compulsory Distribution Payment Event has occurred and is continuing.

(b) ***Deferral of Distribution Payments at Maturity – Mandatory***

- (i) This Condition 5(b) is applicable to Securities only if "Mandatory Distribution Deferral at Maturity" and "Group Capital Requirements Redemption Condition" are specified as applicable in the relevant Pricing Supplement.
- (ii) On any Mandatory Distribution Deferral Date, the Issuer shall defer payment of all of the Distribution accrued to that date. The Issuer shall endeavour to give notice thereof in writing to the Fiscal Agent and to the Securityholders (in accordance with Condition 15) no later than such Mandatory Distribution Deferral Date, but any failure to give notice shall not affect the validity of such deferral or constitute a default for any purpose. A notice not given by the relevant Mandatory Distribution Deferral Date shall be given without undue delay thereafter.

(c) ***Deferral of Distribution Payments – General***

- (i) The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 5(a) or is required not to do so in accordance with Condition 5(b), and any failure to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) shall not constitute a default of the Issuer in respect of the Securities.
- (ii) Any Distribution deferred pursuant to Condition 5(a) or 5(b) shall constitute "**Arrears of Distribution**". The Issuer may at its sole discretion elect to further defer any Arrears of Distribution in accordance with Condition 5(a), and the Issuer shall be required to further defer any Arrears of Distribution in accordance with Condition 5(b). The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution may be deferred pursuant to Condition 5(a) or 5(b) except that this Condition 5(c) shall be complied with until all outstanding Arrears of Distribution have been paid in full.
- (iii) If Distributions are specified to be compounding in the relevant Pricing Supplement, each amount of Arrears of Distribution shall accrue distribution at the Rate of Distribution as if it constituted the principal of the Securities and the amount of such additional distribution (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 5(c) and shall be calculated by applying the Rate of Distribution to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 5(c). The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid

on such Distribution Payment Date so that it will itself become Arrears of Distribution.

- (iv) If the Dividend Stopper is specified in the Pricing Supplement as applicable, then if on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full by reason of Condition 5(a) or 5(b), the Issuer shall not:
 - (A) if “Discretionary Payment Restriction (Stopper)” is specified as applicable in the relevant Pricing Supplement, declare, pay or make any discretionary dividends, distributions or other payments on, and will procure that no discretionary dividend, distribution or other payment is declared, paid or made on any of its Relevant Obligations (Stopper), save that such restriction shall not apply to payments declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors, agents or consultants; or
 - (B) if “Discretionary Redemption Restriction (Stopper)” is specified as applicable in the relevant Pricing Supplement, make any discretionary redemption, reduction, cancellation, buy-back or acquisition for any consideration of any of its Relevant Obligations (Stopper), save that such restriction shall not apply to an exchange of any of its Parity Obligations in whole for Junior Obligations, a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors, agents or consultants,

in each case, unless and until the Issuer:

- (1) has satisfied in full all outstanding Arrears of Distributions and any Additional Distribution Amounts;
 - (2) has redeemed or purchased and cancelled the Securities in full; or
 - (3) is permitted to do so by an Extraordinary Resolution of the Securityholders.
- (v) The Issuer:
 - (A) may satisfy any Arrears of Distribution and any Additional Distribution Amount (in whole or in part) at any time by giving notice of such election to the Securityholders (in accordance with Condition 15) and the Fiscal Agent not more than 20 nor less than 10 Business Days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution on the payment date specified in such notice). Any partial payment of outstanding Arrears of Distribution by the Issuer shall be paid to the holders of all outstanding Securities on a *pro-rata* basis; and
 - (B) shall satisfy any outstanding Arrears of Distribution deferred in accordance with Condition 5(a) or 5(b), in whole but not in part, upon the earliest to occur of:
 - (1) the next Distribution Payment Date falling immediately after a breach of Condition 5(c)(iv);
 - (2) the date on which the Securities are redeemed at the option of the Issuer pursuant to Conditions 6(a), 6(c) or 6(g);
 - (3) a Special Event Redemption Date; and

- (4) the Winding-Up of the Issuer;

provided that, following any Mandatory Distribution Deferral Date, the payment of any Arrears of Distribution or Additional Distribution Amount pursuant to this Condition 5(c)(v) shall be subject to one of the following conditions being satisfied: (x) the Group Capital Requirements being satisfied both before and after such payment; (y) the Relevant Regulator, despite being aware of any of the Group Capital Requirements not being satisfied, directing or permitting the Issuer to make such payment; or (z) a Winding-Up of the Issuer occurring.

- (vi) Notwithstanding any other provision in these Conditions, the deferral of any Distribution payment in accordance with Condition 5(a) or 5(b) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 10) on the part of the Issuer.

(d) **Cancellation of Distribution Payments – Issuer Discretion**

- (i) This Condition 5(d) is applicable to Securities only if “Optional Distribution Cancellation” is specified as applicable in the relevant Pricing Supplement.
- (ii) The Issuer may, at its sole discretion, elect to cancel, in whole or in part, any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date (an “**Optionally Cancelled Distribution Payment**”) by giving notice in writing to the Fiscal Agent and to the Securityholders (in accordance with Condition 15) not more than 10 nor less than five Business Days prior to a scheduled Distribution Payment Date (an “**Optional Cancellation Event**”) unless, if the Dividend Pusher is specified in the relevant Pricing Supplement as being applicable, during the Dividend Pusher Lookback Period ending on the day before that scheduled Distribution Payment Date a Compulsory Distribution Payment Event has occurred. Any partial payment of outstanding Distribution by the Issuer shall be shared by the Securityholders of all outstanding Securities on a *pro-rata* basis.
- (iii) The Issuer shall have no obligation to pay any Distribution on any Distribution Payment Date if it validly elects not to do so in accordance with this Condition 5(d) and any failure to pay any Distribution shall not constitute a default of the Issuer in respect of the Securities. Distributions are non-compounding and any Distribution that is cancelled shall therefore not be payable at any time thereafter, whether in a Winding-Up or otherwise.
- (iv) If the Dividend Pusher is specified in the relevant Pricing Supplement as being applicable, the Issuer shall deliver to the Fiscal Agent, together with the notice referred to in Condition 5(d)(ii), a certificate in the form scheduled to the Agency Agreement signed by two directors of the Issuer confirming that an Optional Cancellation Event has occurred and is continuing, and that no Compulsory Distribution Payment Event has occurred and is continuing.
- (v) If the Dividend Stopper is specified in the Pricing Supplement as applicable, then if on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full by reason of Condition 5(d)(ii), the Issuer shall not:
- (A) if “Discretionary Payment Restriction (Stopper)” is specified as applicable in the relevant Pricing Supplement, declare, pay or make any discretionary dividends, distributions or other payments on, and will procure that no discretionary dividend, distribution or other payment is declared, paid or made on any of its Relevant Obligations (Stopper), save that such restriction shall not apply to payments declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors, agents or consultants; or

- (B) if “Discretionary Redemption Restriction (Stopper)” is specified as applicable in the relevant Pricing Supplement, make any discretionary redemption, reduction, cancellation, buy-back or acquisition for any consideration of any of its Relevant Obligations (Stopper), save that such restriction shall not apply to an exchange of any of its Parity Obligations in whole for Junior Obligations, a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors, agents or consultants,

in each case, unless and until the Issuer:

- (1) has satisfied in full the Distribution scheduled to be paid on any subsequent Distribution Payment Date (which, for the avoidance of doubt, shall exclude any Distribution that has been cancelled in accordance with these Conditions prior to and in respect of a Distribution Payment Date preceding such subsequent Distribution Payment Date);
 - (2) has paid a sum equal to at least the amount of Distribution scheduled to be paid on any subsequent Distribution Payment Date (which, for the avoidance of doubt, shall exclude any Distribution that has been cancelled in accordance with these Conditions prior to and in respect of any Distribution Payment Date preceding such subsequent Distribution Payment Date) to a segregated account secured or entrusted for the benefit of the Securityholders;
 - (3) has redeemed or purchased and cancelled the Securities in full; or
 - (4) is permitted to do so by an Extraordinary Resolution of the Securityholders.
- (vi) Notwithstanding any other provision in these Conditions, the cancellation or non-payment of any Distribution payment in accordance with this Condition 5(d) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 10) on the part of the Issuer.

(e) ***Cancellation of Distribution Payments – Mandatory***

- (i) This Condition 5(e) is applicable to Securities only if “Mandatory Distribution Cancellation” is specified as applicable in the relevant Pricing Supplement.
- (ii) If applicable, the relevant Pricing Supplement shall specify provisions for the mandatory cancellation of Distribution.

(f) ***Definitions***

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“Applicable Supervisory Rules” means the Group Rules and such insurance supervisory laws, rules, regulations and guidelines relating to group supervision which are applicable to the Insurance Group from time to time;

“Business Centre” means the city or cities specified as such in the relevant Pricing Supplement;

“Business Day” means:

- (i) in the case of a currency other than Euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of Euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres;

a "**Compulsory Distribution Payment Event**" occurs:

- (a) if Payment Event (Pusher) is specified in the relevant Pricing Supplement, if a discretionary dividend, distribution or other payment is declared, paid or made on any Relevant Obligations (Pusher) (other than a payment declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors, agents or consultants); or
- (b) if Redemption Event (Pusher) is specified in the relevant Pricing Supplement, if the Issuer makes any discretionary redemption, reduction, cancellation, buy-back or acquisition for any consideration any of its Relevant Obligations (Pusher) (except for (i) an exchange of any of its Parity Obligations in whole for Junior Obligations, or (ii) a repurchase or other acquisition of any Relevant Obligations (Pusher) in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors, agents or consultants, or (iii) any repurchase or other acquisition which occurs in connection with a merger, amalgamation, consolidation, sale or other corporate reorganisation or which is required under the Hong Kong Companies Ordinance).

The relevant Pricing Supplement may also provide that a Compulsory Distribution Payment Event may not occur if Distributions are not permitted to be paid for regulatory or other reasons specified in the Pricing Supplement;

"**Dated Security**" means a Subordinated Dated Security or a Deeply Subordinated Dated Security;

"**Day Count Fraction**" means, in respect of the calculation of an amount of distribution on any Security for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting a Distribution Period or a Distribution Accrual Period, the "**Calculation Period**");

(i) if "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of a Distribution Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, *the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:*

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30;

(vii) if "**30E/360 (ISDA)**" is specified hereon, *the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:*

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30;

(viii) if "**Actual/Actual-ICMA**" is specified hereon,

if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Agent**" means an investment bank or financial institution of international standing selected by the Issuer;

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Distribution Payment Date(s);

"**Distribution Accrual Period**" means the period beginning on and including the Distribution Commencement Date and ending on but excluding the first Distribution Period Date and each successive period beginning on and including a Distribution Period Date and ending on but excluding the next succeeding Distribution Period Date;

"**Distribution Amount**" means, in relation to a Security and a Distribution Period, the amount of distribution payable in respect of that Security for that Distribution Period as specified in the relevant Pricing Supplement;

"**Distribution Commencement Date**" means the Issue Date or such other date as may be specified in the relevant Pricing Supplement;

"**Distribution Determination Date**" means, with respect to a Rate of Distribution and Distribution Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Distribution Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Distribution Accrual Period if the Specified Currency is neither Sterling nor Euro nor Hong Kong dollars or (iii) the day

falling two TARGET Business Days prior to the first day of such Distribution Accrual Period if the Specified Currency is Euro;

"Distribution Payment Date" means the first Distribution Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

"Distribution Period" means the period beginning on and including the Distribution Commencement Date and ending on but excluding the first Distribution Payment Date and each successive period beginning on and including a Distribution Payment Date and ending on but excluding the next succeeding Distribution Payment Date;

"Distribution Period Date" means each Distribution Payment Date unless otherwise specified hereon;

"Rate of Distribution" means the rate of distribution payable from time to time in respect of this Security and that is either specified or calculated in accordance with the provisions of the relevant Pricing Supplement;

"Specified Currency" means the currency specified as such hereon or, if none is specified, the currency in which the Securities are denominated; and

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

"Deeply Subordinated Security" means a Deeply Subordinated Perpetual Security or a Deeply Subordinated Dated Security;

"Dividend Pusher Lookback Period", if applicable, shall be the period specified in the relevant Pricing Supplement;

"Early Redemption Amount" means any of an Early Redemption Amount (Accounting Event), Early Redemption Amount (Minimal Outstanding Amount), Early Redemption Amount (Rating Event), Early Redemption Amount (Tax Event), and Early Redemption Amount (Regulatory Event);

"Early Redemption Amount (Accounting Event)" means, in respect of any Security in which "Accounting Event Redemption" is specified as being applicable in the relevant Pricing Supplement, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"Early Redemption Amount (Minimal Outstanding Amount)" means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"Early Redemption Amount (Rating Event)" means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"Early Redemption Amount (Regulatory Event)" means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"Early Redemption Amount (Tax Event)" means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"GMCR" means the group minimum capital requirement, which is the sum of the minimum capital requirements applicable to the supervised group members in the Insurance Group, as defined in the Group Rules;

"GPCR" means the group prescribed capital requirement, which is the sum of the prescribed capital requirements applicable to the supervised group members in the Insurance Group, as defined in the Group Rules;

"Group Capital Requirements" means the GMCR and the GPCR and any other solvency capital requirements to which the Issuer or the Insurance Group is subject from time to time pursuant to the Applicable Supervisory Rules applicable to the Insurance Group;

"Group Rules" means the Insurance (Group Capital) Rules (Cap. 41O) of Hong Kong;

"Hong Kong Companies Ordinance" means the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong;

"Insurance Group" means all subsidiaries of the Issuer that are regulated insurance or reinsurance companies and all other entities that are included within the regulatory group that includes the Issuer pursuant to the Applicable Supervisory Rules;

"Junior Obligations" unless modified in the relevant Pricing Supplement, means:

(i) in the context of Subordinated Perpetual Securities or Subordinated Dated Securities, (a) any Preference Shares and the Ordinary Shares and any other instruments or securities issued, entered into or guaranteed by the Issuer ranking *pari passu* in right of payment therewith in respect of which all payments of dividends and distributions are discretionary and (b) any instruments or securities issued, entered into or guaranteed by the Issuer or other obligations of the Issuer ranking, or expressed to rank, junior in right of payment to the Subordinated Perpetual Securities or Subordinated Dated Securities, including, for the avoidance of doubt, the Deeply Subordinated Perpetual Securities or Deeply Subordinated Dated Securities; and

(ii) in the context of Deeply Subordinated Perpetual Securities or Deeply Subordinated Dated Securities, (a) the Ordinary Shares and any other instruments or securities issued, entered into or guaranteed by the Issuer ranking *pari passu* in right of payment therewith in respect of which all payments of dividends and distributions are discretionary and (b) any instruments or securities issued, entered into or guaranteed by the Issuer or other obligations of the Issuer ranking, or expressed to rank, junior in right of payment to the Deeply Subordinated Perpetual Securities or Deeply Subordinated Dated Securities.

"Make Whole Optional Redemption Date" has the meaning given in the relevant Pricing Supplement;

"Make Whole Redemption Amount" means, with respect to each Security to be redeemed, either:

(i) an amount calculated by the Determination Agent equal to the higher of (i) the principal amount of such Security and (ii) the sum of (x) the present value of the principal amount of such Security and (y) the present values of Distribution payable for the relevant Distribution Payment Dates from, and including, the relevant Make Whole Optional Redemption Date to the Maturity Date (exclusive of Distribution accrued to the Make Whole Optional Redemption Date), in each case, discounted to such redemption date at the Make Whole Reference Rate, plus the Make Whole Redemption Margin; or

(ii) the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement;

"Make Whole Redemption Margin" has the meaning given in the relevant Pricing Supplement;

"Make Whole Reference Rate" means:

(i) with respect to any Make Whole Optional Redemption Date as specified in the relevant Pricing Supplement, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Security, assuming a price for the Reference Security (expressed as a percentage of its nominal amount) equal to the Reference Security Price for such Make Whole Optional Redemption Date; or

(ii) the rate specified in, or determined in the manner specified in, the relevant Pricing Supplement;

"Mandatory Distribution Deferral Date" means any Distribution Payment Date, on or following the Maturity Date, on which any of the Group Capital Requirements is not satisfied, or on which any payment of Distribution would lead to any of the Group Capital Requirements not being satisfied;

"Optional Redemption Amount" means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"Optional Redemption Date" has the meaning given in the relevant Pricing Supplement;

"Ordinary Shares" means the ordinary share capital of the Issuer;

"Parity Obligations" unless modified in the relevant Pricing Supplement, means:

(i) in the context of Subordinated Perpetual Securities or Subordinated Dated Securities, any instruments or securities issued, entered into or guaranteed by the Issuer or other obligations of the Issuer the claims of the holders of which rank, or are expressed to rank, on a Winding-Up of the Issuer, *pari passu* in right of payment with the Subordinated Perpetual Securities or Subordinated Dated Securities; and

(ii) in the context of Deeply Subordinated Perpetual Securities or Deeply Subordinated Dated Securities, any Preference Shares and any other instruments or securities issued, entered into or guaranteed by the Issuer or other obligations of the Issuer the claims of the holders of which rank, or are expressed to rank, on a Winding-Up of the Issuer, *pari passu* in right of payment with the Deeply Subordinated Perpetual Securities or Deeply Subordinated Dated Securities;

"Preference Shares" means any present or future outstanding preference shares of the Issuer;

"Rating Agencies" means the rating agencies specified in the relevant Pricing Supplement, or if one or more of the rating agencies specified in the relevant Pricing Supplement shall not make a rating of the Issuer publicly available, another recognised rating agency or agencies, as the case may be, selected by the Issuer, which shall be substituted for such rating agency;

"Reference Date" means as set out in the relevant notice of redemption pursuant to Condition 6(g);

"Reference Dealer" means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues, or such other banks or method of selection of such banks as specified in the relevant Pricing Supplement;

"Reference Dealer Quotations" means, with respect to each Reference Dealer and any Make Whole Optional Redemption Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Security (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the relevant Pricing Supplement on the Reference Date quoted in writing to the Determination Agent by such Reference Dealer;

"Reference Security" shall be as set out in the relevant Pricing Supplement, *provided that* if the Reference Security is no longer outstanding, a Similar Security will be chosen by the Determination Agent at 11:00 a.m. (CET) on the third Business Day preceding the Make Whole Optional Redemption Date, or at such other time and date specified in the relevant Pricing Supplement, quoted in writing by the Determination Agent to the Issuer and notified by the Issuer in accordance with Condition 15;

"Reference Security Price" means, with respect to any Make Whole Optional Redemption Date, either:

(i) (A) the arithmetic average of the Reference Dealer Quotations for such Make Whole Optional Redemption Date, after excluding the highest and lowest such Reference Dealer Quotations, or (B) if the Determination Agent obtains fewer than four such Reference Dealer Quotations, the arithmetic average of all such quotations; or

(ii) as otherwise provided in the relevant Pricing Supplement;

"Relevant Obligations (Pusher)" has the meaning given to it in the relevant Pricing Supplement;

"Relevant Obligations (Stopper)" has the meaning given to it in the relevant Pricing Supplement;

"Relevant Regulator" means the regulator which is considered the group supervisor of the Insurance Group under the Applicable Supervisory Rules. For the avoidance of doubt, the Relevant Regulator as of the Issue Date is the Hong Kong Insurance Authority;

"Relevant Regulatory Approval" means the Relevant Regulator has given, and not withdrawn by the relevant date, its prior consent to the redemption or, as the case may be, purchase of such Securities;

"Reset Distribution Rate" has the meaning given in the relevant Pricing Supplement;

"Senior Creditors" means all policyholders (including, for the avoidance of doubt, all obligations to such policyholders under policies and contracts of insurance) and other unsubordinated creditors of the Issuer and any other member of the Insurance Group;

"Similar Security" means a reference security or reference securities having an actual or interpolated maturity comparable with the remaining term of the relevant series of Securities that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate securities of comparable maturity to the remaining term of such Security;

"Special Event" means a Tax Event, a Rating Event, a Regulatory Event, an Accounting Event, any other event designated as a Special Event in the relevant Pricing Supplement, or any combination of the foregoing;

"Special Event Redemption" means a redemption in respect of: (i) a Tax Event, or (ii) a Rating Event, or (iii) an Accounting Event, (iv) redemption in the case of Minimal Outstanding Amount or (v) such other Special Event as so designated in the relevant Pricing Supplement;

"Special Event Redemption Date" means the date on which the Securities are redeemed in a Special Event Redemption;

"Subordinated Security" means any of a Subordinated Perpetual Security or a Subordinated Dated Security; and

"Winding-Up" means a final and effective order or resolution for the liquidation, winding-up or similar proceedings in respect of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction, merger

or amalgamation, (a) the terms of which reorganisation, reconstruction, merger or amalgamation have previously been approved by an Extraordinary Resolution; and (b) which does not result in the Securities thereby becoming redeemable or repayable in accordance with these Conditions).

(g) ***Calculation Agents***

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for it or them hereon and for so long as any Security is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Securities, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Distribution for a Distribution Accrual Period or to calculate any Distribution Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. **REDEMPTION, PURCHASE AND OPTIONS**

(a) ***Redemption of Securities at Maturity***

- (i) Subordinated Dated Securities or Deeply Subordinated Dated Securities, unless previously redeemed, purchased and cancelled as provided below, shall be finally redeemed on the Maturity Date specified hereon at their Final Redemption Amount (which, unless otherwise provided hereon, is their nominal amount), provided, however that, if “Group Capital Requirements Redemption Condition” is specified as being applicable in the relevant Pricing Supplement, a redemption pursuant to this Condition 6(a)(i) shall at all times be subject to the satisfaction of Condition 6(j) and (k).
- (ii) Senior Perpetual Securities, Subordinated Perpetual Securities or Deeply Subordinated Perpetual Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 3 and without prejudice to Condition 10) only have the right to redeem or purchase them in accordance with the following provisions of this Condition 6.

(b) ***Redemption for Taxation Reasons***

- (i) A redemption pursuant to Condition 6(b)(ii)(y) below shall apply to Securities only if “Redemption for Taxation Reasons” is specified as being applicable in the relevant Pricing Supplement and, if “Redemption Conditions” is also specified as being applicable in the relevant Pricing Supplement, at all times be subject to the satisfaction of Condition 6(i).
- (ii) The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 15 nor more than 30 days' notice to the Securityholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax Event) (together with Distributions accrued to the date fixed for redemption, including any Arrears of Distribution and any Additional Distribution Amount), if (x) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any

change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) the date on which agreement is reached to issue the first Tranche of the Securities, and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Securities then due, or (y) the Issuer is or would be no longer entitled to claim a deduction for any payments in respect of the Dated Securities in computing its Hong Kong (or any authority therein or thereof having power to tax) taxation liabilities or the amount of such deduction is materially reduced (each of clauses (x) and (y), a "**Tax Event**").

- (iii) Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the right of the Issuer so to redeem has occurred, and, in the case of a redemption pursuant to sub-paragraph (b)(ii)(x) above, an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(c) ***Issuer's Call Option***

- (i) This Condition 6(c) shall apply to Securities only if "Issuer's Call Option" is specified as being applicable in the relevant Pricing Supplement and, if "Redemption Conditions" and/or "Group Capital Requirements Redemption Condition" is also specified as being applicable in the relevant Pricing Supplement, at all times be subject to the satisfaction of Condition 6(i) and/or Condition 6(j), as applicable.
- (ii) The Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Securityholders (or such other notice period as may be specified hereon) redeem, all or, if so provided, some, of the Securities on any Optional Redemption Date. Any such redemption of Securities shall be at their Optional Redemption Amount together with Distributions accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount). Any such redemption or exercise must relate to Securities of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.
- (iii) All Securities in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(c).
- (iv) In the case of a partial redemption the notice to Securityholders shall also contain the certificate numbers of the Bearer Securities, or in the case of Registered Securities shall specify the nominal amount of Registered Securities drawn and the holder(s) of such Registered Securities, to be redeemed, which shall have been drawn in such place and in such manner as agreed between the Issuer and the Fiscal Agent, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(d) ***Rating Event Redemption***

- (i) This Condition 6(d) shall apply to Securities only if "Rating Event Redemption" is specified as being applicable in the relevant Pricing Supplement and, if

"Redemption Conditions" is also specified as being applicable in the relevant Pricing Supplement, at all times be subject to the satisfaction of Condition 6(i).

- (ii) The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 30 days' notice to the Securityholders (which notice shall be irrevocable) at their Early Redemption Amount (Rating Event), if, immediately before giving such notice, the Issuer delivers to the Fiscal Agent the certificate referred to below stating that an amendment, clarification or change has occurred in the rules, criteria, guidelines or methodologies of relevant Rating Agencies or any of their respective successors to the rating business thereof, which amendment, clarification or change (x) results in, or will result in, a lower equity credit for the Securities than the equity credit assigned to the Securities immediately prior to such amendment, clarification or change, or (y) results in, or will result, in the shortening of the length of time the Securities are assigned a particular level of equity credit by such rating agency as compared to the length of time the Securities would have been assigned that level of equity credit by such rating agency on the date agreement is reached to assign equity credit to the Securities (a "**Rating Event**").
- (iii) Prior to the publication of any notice of redemption pursuant to this Condition 6(d), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent a certificate signed by two directors of the Issuer stating that the circumstances referred to above prevail and setting out the details of such circumstances.
- (iv) Upon the expiry of any such notice as is referred to in this Condition 6(d), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(d), provided that such date for redemption shall be no earlier than the last day before the date on which the Securities will no longer be eligible for the same or higher category of equity credit.

For the avoidance of doubt, the equity credit referred to under this Condition 6(d) includes equity and debt-funded capital recognition, or any other nomenclature that may then be used to describe the contribution of the Securities to capital adequacy and financial leverage assessment in the applicable rating rules, criteria, guidelines or methodologies of relevant Rating Agencies or any of their respective successors to the rating business thereof.

(e) **Accounting Event Redemption**

- (i) This Condition 6(e) shall apply to Securities that are (A) either a Subordinated Perpetual Security or a Deeply Subordinated Perpetual Security and (B) only if "Accounting Event Redemption" is specified as being applicable in the relevant Pricing Supplement and, if "Redemption Conditions" is also specified as being applicable in the relevant Pricing Supplement, at all times be subject to the satisfaction of Condition 6(i).
- (ii) The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 30 days' notice to the Securityholders (which notice shall be irrevocable) at their Early Redemption Amount (Accounting Event), if, immediately before giving such notice, as a result of any changes or amendments ("**Accounting Changes**") to IFRS Accounting Standards or any other accounting standards that may replace IFRS Accounting Standards for the purposes of the consolidated financial statements of the Issuer (the "**Relevant Accounting Standard**"), the Securities must not or must no longer be recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard (an "**Accounting Event**"). The period during which the Issuer may notify the redemption of the Securities as a result of the occurrence of an Accounting Event shall start on the date on which the Accounting Change(s) in the Relevant Accounting Standard is officially adopted. For the avoidance of doubt, such period shall include any transitional period between

the date on which the Accounting Change(s) is officially adopted and the date on which it comes into effect.

- (iii) Prior to the publication of any notice of redemption pursuant to this Condition 6(e), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent: (A) a certificate, signed by two directors of the Issuer, stating that the circumstances referred to above prevail and setting out the details of such circumstances; and (B) an opinion of the Issuer's independent auditors stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect.
- (iv) Upon the expiry of any such notice as is referred to in this Condition 6(e), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(e).

(f) ***Minimal Outstanding Amount Redemption***

- (i) This Condition 6(f) shall apply to Securities only if "Minimal Outstanding Amount Redemption" is specified as being applicable in the relevant Pricing Supplement and, if "Redemption Conditions" is also specified as being applicable in the relevant Pricing Supplement, at all times be subject to the satisfaction of Condition 6(i).
- (ii) The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer giving not less than 15 nor more than 30 days' notice to the Securityholders (which notice shall be irrevocable) at the Early Redemption Amount (Minimal Outstanding Amount), if, immediately before giving such notice, the aggregate principal amount of the Securities outstanding is less than 25 per cent. of the aggregate principal amount originally issued (including any further securities issued in accordance with Condition 14).
- (iii) Upon expiry of any such notice as is referred to in this Condition 6(f), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(f).

(g) ***Issuer's Call Option (Make Whole Redemption)***

- (i) This Condition 6(g) shall apply only (A) to Subordinated Dated Securities or Deeply Subordinated Dated Securities and (B) if "Issuer's Call Option (Make Whole Redemption)" is specified as being applicable in the relevant Pricing Supplement and, if "Redemption Conditions" is also specified as being applicable in the relevant Pricing Supplement, at all times be subject to the satisfaction of Condition 6(i).
- (ii) The Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Securityholders (or such other notice period as may be specified hereon) redeem, all or, if so provided, some, of the Securities on any Optional Redemption Date. Any such redemption of Securities shall be at their Make Whole Redemption Amount together with Distributions accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount). Any such redemption or exercise must relate to Securities of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.
- (iii) All Securities in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(g).
- (iv) In the case of a partial redemption the notice to Securityholders shall also contain the certificate numbers of the Bearer Securities, or in the case of Registered Securities shall specify the nominal amount of Registered Securities drawn and the holder(s) of such Registered Securities, to be redeemed, which

shall have been drawn in such place and in such manner as agreed between the Issuer and the Fiscal Agent, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (v) The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Determination Agent shall (in the absence of manifest error) be final and binding upon all parties.

(h) **Regulatory Event Redemption**

- (i) This Condition 6(h) shall apply if "Regulatory Event Redemption" is specified as being applicable in the relevant Pricing Supplement and, if "Redemption Conditions" is also specified as being applicable in the relevant Pricing Supplement, at all times be subject to the satisfaction of Condition 6(i).
- (ii) The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 30 days' notice to the Securityholders (which notice shall be irrevocable) at their Early Redemption Amount (Regulatory Event), if, immediately before giving such notice, (A) the Securities, having qualified as Tier 2 group capital or Tier 1 limited group capital (as applicable) under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules), are no longer capable of qualifying (in whole or in part) as at least Tier 2 group capital or Tier 1 limited group capital (as applicable) under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules), except where such non-qualification is as a result of any other applicable limitation on the amount of such capital; or (B) the Securities, 100% of the principal amount of which having originally qualified as Tier 2 group capital under the Applicable Supervisory Rules in effect as of the Issue Date (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) until the Maturity Date (if applicable), as a result of a change in the Applicable Supervisory Rules are deemed to no longer fully qualify as Tier 2 group capital under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) until the Maturity Date (each, a "**Regulatory Event**").
- (iii) Prior to the publication of any notice of redemption pursuant to this Condition 6(h), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent a certificate signed by two directors of the Issuer stating that the circumstances referred to above prevail and setting out the details of such circumstances.
- (iv) Upon expiry of any such notice as is referred to in this Condition 6(h), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(h).

(i) **Redemption Conditions**

- (i) Notwithstanding anything to the contrary set forth herein, if "Redemption Conditions" is specified as being applicable in the relevant Pricing Supplement, a redemption or purchase pursuant to this Condition 6 shall be subject to the following conditions (such conditions being referred to herein as the "**Redemption Conditions**") to the extent the Securities qualify as at least Tier 2 group capital under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules)

and such Redemption Conditions are required by the Applicable Supervisory Rules:

- (A) the Securities may not be redeemed or purchased pursuant to this Condition 6 at any time prior to the fifth anniversary of the Issue Date of the Securities (or, if any further Tranche(s) of the Securities has or have been issued pursuant to Condition 14 and consolidated to form a single series with the Securities, prior to the fifth anniversary of the Issue Date of such latest Tranche to be issued), unless such redemption or purchase is effected with Relevant Regulatory Approval, to the extent required by the Applicable Supervisory Rules, and (x) funded out of the proceeds of a new issuance of capital having equal or better capital treatment as the Securities under the Applicable Supervisory Rules or (y) effected by way of exchange or conversion of such Securities into another form of capital having equal or better capital treatment as the Securities under the Applicable Supervisory Rules; and
 - (B) the Securities may not be redeemed or purchased pursuant to this Condition 6 at any time prior to the Maturity Date unless such redemption or purchase is effected with Relevant Regulatory Approval; for the avoidance of doubt, this Condition 6(i)(i)(B) shall not apply to a redemption on the Maturity Date in accordance with Condition 6(a)(i) above or Condition 6(k)(ii) below.
- (ii) The determination by the Issuer in connection with any redemption that the applicable conditions to redemption set forth in this Condition 6(i) have or have not been met or that no such conditions to redemption apply shall, in the absence of manifest error, be treated and accepted by the Securityholders and all other interested parties as correct and sufficient evidence thereof and shall be final and binding on such parties, and the Fiscal Agent shall be entitled to rely on such determination without liability to any person.
 - (iii) In the event that the option of the Issuer (i) to redeem the Securities following the occurrence of any Special Event, (ii) to substitute the Securities, or vary the terms of the Securities, following the occurrence of any Special Event, (iii) to exercise its Call Option (Make Whole Redemption), or (iv) to conduct a Minimal Outstanding Amount Redemption, would at any time prevent:
 - (A) in the case of Securities originally qualifying as Tier 2 group capital, from being treated under the then Applicable Supervisory Rules as at least Tier 2 group capital (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules); or
 - (B) in the case of Securities originally qualifying as Tier 1 limited group capital, from being treated under the then Applicable Supervisory Rules as at least Tier 1 limited group capital (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules),

then, at the option of the Issuer, the terms of the Securities shall automatically be amended so as to exclude any feature relating to such option that is preventing the Securities from being treated under the then Applicable Supervisory Rules as at least Tier 2 group capital or Tier 1 limited group capital (as applicable) (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules). Should such automatic exclusion occur, notice of such fact shall be given promptly by the Issuer to the Securityholders.

(j) **Group Capital Requirements Redemption Condition**

- (i) This Condition 6(j) shall apply if "Group Capital Requirements Redemption Condition" is specified as being applicable in the relevant Pricing Supplement.
- (ii) The Securities may not be redeemed on the originally scheduled Maturity Date pursuant to Condition 6(a)(i), or on any Optional Redemption Date pursuant to Condition 6(c), if any of the Group Capital Requirements would be breached immediately before or after giving effect to such redemption, provided, however that, the Securities may be redeemed on the originally scheduled Maturity Date pursuant to Condition 6(a)(i), or on any Optional Redemption Date pursuant to Condition 6(c), if the Relevant Regulator, despite being aware of any of the Group Capital Requirements not being satisfied, directs or permits the Issuer to redeem the Securities.

(k) ***Deferral of Maturity Date***

In the event a redemption of Securities on the originally scheduled Maturity Date is not permitted due to the application of Condition 6(j) above:

- (i) the Issuer shall notify the Fiscal Agent and the Securityholders no less than five Business Days prior to the originally scheduled Maturity Date (failure to give notice, however, shall not have any impact on the validity or effectiveness of such deferral and shall not constitute a default of the Issuer in respect of the Securities or for any other purposes);
- (ii) the Securities shall be redeemed on the earlier of: (x) the date falling 15 Business Days after the first date on which the Group Capital Requirements are satisfied and will continue to be satisfied after giving effect to such redemption; (y) any Distribution Payment Date following the originally scheduled Maturity Date if the Relevant Regulator, despite being aware of any of the Group Capital Requirements not being satisfied, directs or permits the Issuer to redeem the Securities; or (z) the date on which a Winding-Up of the Issuer occurs.
- (iii) No less than five Business Days prior to the redemption of the Securities on a deferred Maturity Date pursuant to Condition 6(k)(ii) above, the Issuer shall notify the Fiscal Agent and the Securityholders of the new Maturity Date and its intention to redeem the Securities thereon and deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer stating that the Group Capital Requirements are satisfied and will continue to be satisfied after giving effect to such redemption or that the Relevant Regulator has directed or permitted the Issuer to redeem the Securities, as the case may be. In the case of a redemption pursuant to Condition 6(k)(ii)(x) above, should the Group Capital Requirements no longer be satisfied or continue to be satisfied after giving effect to such redemption, the redemption notice and certificate provided in accordance with this Condition 6(k)(iii) shall become automatically void and no redemption shall occur thereunder.
- (iv) Any deferral of the Maturity Date and redemption pursuant to this Condition 6(k) shall not constitute a default of the Issuer in respect of the Securities or for any other purposes.
- (v) For the avoidance of doubt, Distributions on the Securities shall continue to accrue, but only be paid as provided in Condition 5(c)(v) and the relevant Pricing Supplement, until the final redemption of the Securities.

In the event of a deferral of the Maturity Date in accordance with this Condition 6(k), references herein to the "**Maturity Date**" shall be deemed to refer to the date of redemption of the Securities as so deferred.

(l) ***Other redemption***

The Issuer shall be entitled to specify additional redemption events and the conditions attaching thereto in the relevant Pricing Supplement. Such additional redemption events may include, without limitation, redemption upon a Regulatory Event.

(m) **Purchases**

The Issuer and its subsidiaries may at any time purchase Securities (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(n) **Cancellation**

All Securities purchased by or on behalf of the Issuer or any of its subsidiaries may be surrendered for cancellation, in the case of Bearer Securities, by surrendering each such Security together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Securities, by surrendering the Certificate representing such Securities to the relevant Registrar and, in each case, if so surrendered, shall, together with all Securities redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Securities so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Securities shall be discharged.

7. **PAYMENTS AND TALONS**

(a) ***Bearer Securities:***

- (i) Bearer Securities not held in the CMU Service: Payments of principal and distribution in respect of Bearer Securities not held in the CMU Service shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts, Securities (in the case of all other payments of principal and, in the case of distribution, as specified in Condition 7(f)(iv)) or Coupons (in the case of distribution, save as specified in Condition 7(f)(iv)), as the case may be, (i) in the case of a currency other than Renminbi, outside the United States and its possessions by transfer to an account denominated in such currency with, a Bank and (ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Securityholder with a bank in Hong Kong. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of Euro, in a city in which banks have access to the TARGET System.
- (ii) Bearer Securities held in the CMU Service: Payments of principal and distribution in respect of Bearer Securities held in the CMU Service will be made outside the United States and its possessions to the person(s) for whose account(s) interests in the relevant Bearer Security are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(b) ***Registered Securities:***

- (i) *Registered Securities not held in the CMU Service:*
 - (A) Payments of principal in respect of Registered Securities shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the relevant Registrar and in the manner provided in paragraph (B) below.

(B) Distribution on Registered Securities shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof or in the case of Renminbi, on the fifth day before the due date for payment thereof (the "**Record Date**"). Payments of distribution on each Registered Security shall be made:

- In the case of a currency other than Renminbi, in the relevant currency by transfer to the registered account of the Securityholder appearing in the Register; and
- in the case of Renminbi, by transfer to the registered account of the Securityholder. In this Condition 7(b), "**registered account**" means the Renminbi account maintained by or on behalf of the Securityholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(ii) *Registered Securities held in the CMU Service:*

Payments of principal and distribution in respect of Registered Securities held in the CMU Service will be made to the person(s) for whose account(s) interests in the relevant Registered Security are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Securities are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Securities in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments Subject to Fiscal Laws:** All payments are subject in all cases to any applicable laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Securityholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Fiscal Agent, the CMU Lodging Agent, the Paying Agents, the Registrars, the Transfer Agents, the Exchange Agent and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the CMU Lodging Agent, the Paying Agents, the Registrars, Transfer Agents, the Exchange Agent and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Securityholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, any Registrar, any Transfer Agent, the Exchange Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Securities, (iii) a Transfer Agent in relation to Registered Securities, (iv) a CMU Lodging Agent in relation to Securities accepted for clearance through the CMU Service, (v) one

or more Calculation Agent(s) where the Conditions so require and (vi) such other agents as may be required by any other stock exchange on which the Securities may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Securities denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Securityholders.

(f) ***Unmatured Coupons and Receipts and unexchanged Talons:***

- (i) Upon the due date for redemption of Bearer Securities, those Securities should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Make Whole Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
 - (ii) Upon the due date for redemption of any Bearer Security, any unexchanged Talon relating to such Security (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
 - (iii) Where any Bearer Security that provides that the relative unexpired Coupons are to become void upon the due date for redemption of those Securities is presented for redemption without all unexpired Coupons, and where any Bearer Security is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
 - (iv) If the due date for redemption of any Security is not a due date for payment of distribution, distribution accrued from the preceding due date for payment of distribution or the Distribution Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Security or Certificate representing it, as the case may be. Distribution accrued on a Subordinated Dated Security or Deeply Subordinated Dated Security that only bears distribution after its Maturity Date shall be payable on redemption of such Security against presentation of the relevant Security or Certificate representing it, as the case may be.
- (g) ***Talons:*** On or after the Distribution Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Security, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).
- (h) ***Non-Business Days:*** If any date for payment in respect of any Security, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any distribution or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in each Business Centre hereon and:

- (i) (in the case of a payment in a currency other than Euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in London and in the principal financial centre of the country of such currency; or
- (ii) (in the case of a payment in Euro) which is a TARGET Business Day; or
- (iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8. TAXATION

All payments of principal and distribution by the Issuer or any of its agents making a payment on its behalf in respect of the Securities, the Receipts and the Coupons shall be made without withholding or deduction for any taxes, duties, assessments or governmental charges imposed, levied, collected, withheld or assessed by Hong Kong or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law or regulation. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Securityholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Security, Receipt or Coupon:

- (a) **Other connection:** for such taxes, duties, assessments or governmental charges imposed, levied, collected, withheld or assessed by reason of such Securityholder or Couponholder (or fiduciary, beneficial owner, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Securityholder or Couponholder, if the relevant Securityholder or Couponholder is an estate, nominee, trust, partnership, company or corporation) having a present or former connection with Hong Kong, other than the mere holding of the Security, Receipt or Coupon;
- (b) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the Securityholder or Couponholder would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day;
- (c) **Payment by another Paying Agent:** presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Security, Receipt or Coupon to another Paying Agent;
- (d) **Estate, inheritance, etc.:** for any estate, inheritance, gift, sale, transfer, personal property or similar tax, duty, assessment or other governmental charge;
- (e) **Failure to provide information:** where such withholding or deduction could have been lawfully avoided if the Securityholder, Couponholder or beneficial owner (or a third party on behalf of the Securityholder, Couponholder or beneficial owner) had complied with a request addressed to such Securityholder or Couponholder to provide certification, identification or information reporting concerning the nationality, residence, identity or connection with the taxing jurisdiction of such Securityholder, Couponholder or beneficial owner (or third party); provided that the Issuer shall be deemed to have given adequate notice if it complies with the general notice provision provided in Condition 15); or
- (f) for any combination of the foregoing.

As used in these Conditions, "**Relevant Date**" in respect of any Security, Receipt or Coupon means the date on which payment in respect of it first becomes due or the date on which payment in full of the amount outstanding is made. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect

of the Securities, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Make Whole Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**distribution**" shall be deemed to include all Distribution Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) "**principal**" and/or "**distribution**" shall be deemed to include any additional amounts that may be payable under this Condition.

The Issuer or any of its agents making a payment on its behalf shall be permitted to withhold or deduct any amounts pursuant to or in connection with Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, any current or future regulations or official interpretations thereof, any agreements (including any intergovernmental agreements) thereunder or any law, regulation, or official interpretation implementing any of the foregoing (in each case "**FATCA Withholding**"). The Issuer and its agents will have no liability for or have any obligation to pay additional amounts in respect of any such FATCA Withholding.

9. **PRESCRIPTION**

Claims against the Issuer for payment in respect of the Securities, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of distribution) from the appropriate Relevant Date in respect of them.

10. **NON-PAYMENT**

- (a) **Limited rights to institute proceedings:** Notwithstanding any of the provisions below in this Condition 10, the right to institute Winding-Up proceedings is limited to circumstances where payment has become due and is unpaid. In the case of any Distribution, such Distribution will not be due if the Issuer has, as the case may be, elected to defer or cancel that Distribution in accordance with Condition 5(a) or 5(d) or been mandatorily required to defer or cancel that Distribution in accordance with Condition 5(b) or 5(e) or as otherwise provided in the applicable Pricing Supplement.
- (b) **Proceedings for Winding-Up:** Upon (i) an order being made or an effective resolution being passed for the Winding-Up of the Issuer or (ii) the Issuer failing to make payment in respect of the Securities for a period of ten days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Securities and Securityholders holding not less than 15 per cent. of the aggregate principal amount of the Securities may institute proceedings for the Winding-Up of the Issuer and/or prove and/or claim in the Winding-Up of the Issuer for the principal amount of the Securities together with Distribution, Arrears of Distribution and any Additional Distribution Amount accrued to the day prior to the commencement of the Winding-Up. The right to proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Securities is limited to circumstances provided by applicable law.
- (c) **Enforcement:** Without prejudice to Condition 10(b), Securityholders holding not less than 15 per cent. of the aggregate principal amount of the outstanding Securities may without further notice to the Issuer institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Securities (other than any payment obligation of the Issuer under or arising from the Securities including, without limitation, payment of any principal or premium or satisfaction of any Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, including any damages awarded for breach of any obligations), provided that in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.
- (d) **Extent of Securityholders' remedy:** No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Securityholders, whether for

the recovery of amounts owing in respect of the Securities or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities.

11. MEETINGS OF SECURITYHOLDERS AND MODIFICATIONS

- (a) **Meetings of Securityholders:** The Agency Agreement contains provisions for convening meetings of Securityholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Securityholders holding not less than 10% in nominal amount of the Securities for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Securities for the time being outstanding, or at any adjourned meeting two or more persons being or representing Securityholders whatever the nominal amount of the Securities held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity of Subordinated Dated Securities or Deeply Subordinated Dated Securities or redemption of the Securities, any date for payment of distribution or Distribution Amounts on the Securities, (ii) to reduce or cancel any premium payable on redemption of the Securities, (iii) to reduce the rate or rates of distribution in respect of the Securities or to vary the method or basis of calculating the rate or rates or amount of distribution or the basis for calculating any Distribution Amount in respect of the Securities, (iv) if a Minimum and/or a Maximum Rate of Distribution or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount or the Make Whole Redemption Amount, (vi) to vary the currency or currencies of payment or denomination of the Securities, (vii) to amend the subordination provisions in the Deed of Covenant or (viii) to modify the provisions concerning the quorum required at any meeting of Securityholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75% or at any adjourned meeting not less than one-third in nominal amount of the Securities for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Securityholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90% in nominal amount of the Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Securityholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Securityholders.

These Conditions may be amended, modified or varied in relation to any Series of Securities by the terms of the relevant Pricing Supplement in relation to such Series.

- (b) **Modification of Agency Agreement:** The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Securityholders.

12. REPLACEMENT OF SECURITIES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Security, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Securities, Receipts, Coupons or Talons) and of the relevant Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Securityholders, in each case

on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Security, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Securities, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Securities, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. **SUBSTITUTION OR VARIATION**

- (a) This Condition 13 shall apply to Securities only if "Special Event Substitution or Variation" is specified as being applicable in the relevant Pricing Supplement.
- (b) If a Special Event has occurred and is continuing, then the Issuer may, subject to Condition 4 (without any requirement for the consent or approval of the Securityholders) and subject to its having satisfied the requirements set out under the definition of "Qualifying Securities" immediately prior to the giving of any notice referred to herein that the provisions of this Condition 13 have been complied with, and having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 15, the Securityholders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities.
- (c) Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 13, as the case may be.
- (d) In connection therewith, any outstanding Arrears of Distribution (including any Additional Distribution Amount) will be satisfied in full in accordance with the provisions of Condition 5(c) (if applicable).
- (e) In connection with any substitution or variation in accordance with this Condition 13, the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.
- (f) Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would give rise to a Special Event with respect to the Securities or the Qualifying Securities.

In this Condition 13, "**Qualifying Securities**" means securities that:

- (a) have terms not materially less favourable to an investor (including, without limitation, terms allowing for the reduction, conversion or write-down of their principal amount in certain circumstances) than the terms of the Securities (as reasonably determined by the Issuer, and provided that a certification to such effect (and confirming that the conditions set out in (i) and (ii) below have been satisfied) of two directors of the Issuer shall have been delivered to the Securityholders prior to the substitution or variation of the relevant Securities), provided that:
 - (i) they are issued by the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer with a guarantee of the Issuer; and
 - (ii) they (or, as appropriate, the guarantee as aforesaid) shall rank senior to or *pari passu* with the Securities on a Winding-Up of the issuer or guarantor thereof, shall preserve the Securityholders' rights to any Arrears of Distribution, any Additional Distribution Amount and any other payment that has accrued with respect to the relevant securities, and shall contain terms which provide for the same Rate of Distribution, Distribution Payment Dates and redemption events, from time to time

applying to the Securities; and other terms of such securities are substantially identical (as reasonably determined by the Issuer) to the Securities, save for the modifications or amendments to such terms that are required to be made in order to avoid or resolve the applicable Special Event;

- (b) have been, or will on issue be, assigned at least the same rating as that assigned by the Rating Agencies to the Securities (if any such rating was assigned on or prior to the Issue Date of the Securities, as specified in the relevant Pricing Supplement) immediately prior to such substitution or variation; and
- (c) are listed on the Stock Exchange of Hong Kong Limited or another securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets.

14. FURTHER ISSUES

The Issuer may from time to time without the consent of the Securityholders or Couponholders create and issue further securities having the same terms and conditions as the Securities (except in respect of the first payment of distribution and their issue price, and so that, for the avoidance of doubt, references in these Conditions to "**Issue Date**" shall be to the first issue date of the Securities) and so that the same shall be consolidated and form a single series with such Securities, and references in these Conditions to "**Securities**" and "**Securityholders**" shall be construed accordingly.

15. NOTICES

Notices to the holders of Registered Securities shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Securities shall be valid if published in a daily newspaper of general circulation in Asia (which is expected to be the Asian Wall Street Journal). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Securities in accordance with this Condition.

So long as the Securities are represented by a Global Security or a Global Certificate and such Global Security or Global Certificate is held on behalf of Euroclear or Clearstream or DTC, or any other clearing system (except as provided in (ii) and (iii) below), notices to the holders of Securities of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by these Conditions or by delivery of the relevant notice to the holder of the Global Security or Global Certificate; (ii) on behalf of the CMU Service, notices to the holders of Securities of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Security or Global Certificate.

16. CURRENCY INDEMNITY

Any amount received or recovered in a currency other than the currency in which payment under the relevant Security, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Securityholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of

payment under the relevant Security, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Security, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Securityholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Securityholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Security, Coupon or Receipt or any other judgment or order.

17. **RIGHTS OF THIRD PARTIES**

No person shall have any right to enforce any term or condition of the Securities under the Contracts (Rights of Third Parties) Act 1999 (England and Wales) or the Contracts (Rights of Third Parties) Ordinance (Hong Kong).

18. **GOVERNING LAW AND JURISDICTION**

- (a) **Governing Law:** The Securities, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law except that the subordination provisions set out in Conditions 3(b), (c) and (d) are governed by, and shall be construed in accordance with, Hong Kong law.
- (b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Securities, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Securities, Receipts, Coupons or Talons ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the holders of the Securities, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) **Service of Process:** The Issuer irrevocably appoints Kennedys of 25 Fenchurch Avenue, London EC3M 5AD, United Kingdom as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Securityholders of such appointment in accordance with Condition 15. Nothing shall affect the right to serve process in any manner permitted by law.

FORM OF PRICING SUPPLEMENT IN RELATION TO NOTES

[The Pricing Supplement in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]²

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended ("**FSMA**"), and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]³

MiFID II product governance / target market – *[legend to be included for issuances involving one or more MiFID Firm manufacturers]*

[MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

² To be included if the Notes may constitute "packaged" products and no KID will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason.

³ To be included if the Notes may constitute "packaged" products and no KID will be prepared or the Issuer wishes to prohibit offers to UK retail investors for any other reason.

UK MiFIR product governance / target market – *[legend to be included for issuances involving one or more UK MiFIR Firm manufacturers]*

[UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer[s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[s/s'] target market assessment) and determining appropriate distribution channels.]

The Notes have not and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any other jurisdiction. The Notes may not be offered or sold in the United States except in transactions exempt from or not subject to the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold [inside the United States only to "qualified institutional buyers" as defined under and in accordance with Rule 144A promulgated under the Securities Act and] outside the United States [to non-U.S. persons] in offshore transactions in accordance with Regulation S promulgated under the Securities Act.

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information in this Pricing Supplement amends and supplements the Offering Circular dated 17 March 2025 (the "**Offering Circular**"), and supersedes the information in the Offering Circular to the extent inconsistent with the information in the Offering Circular. This Pricing Supplement should be read together with the Offering Circular, which is hereby incorporated by reference. Terms used herein but not defined herein shall have the respective meanings as set forth in the Offering Circular.

[This Pricing Supplement is intended for the sole use of the person to whom it is provided by the sender, and it is being distributed to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKSE**")) ("**Professional Investors**") only.

Notice to Hong Kong investors: the Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the HKSE on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The HKSE has not reviewed the contents of this Pricing Supplement, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Pricing Supplement to Professional Investors only have been reproduced in this Pricing Supplement. Listing of the Programme or the Notes on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme (as defined below), the Notes (as defined below), the Issuer (as defined below) or the Issuer and its subsidiaries taken as a whole (together, the "Group") or quality of disclosure in this Pricing Supplement. Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this Pricing Supplement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Pricing Supplement.

This Pricing Supplement, together with the Offering Circular, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**HKSE Rules**” or “**Listing Rules**”) for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

[Singapore Securities and Futures Act Product Classification — Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 (the “**SFA**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are [“prescribed capital markets products”]/[capital markets products other than “prescribed capital markets products”] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]

ANY DISCLAIMERS OR OTHER NOTICES THAT MAY APPEAR BELOW ARE NOT APPLICABLE TO THIS COMMUNICATION AND SHOULD BE DISREGARDED. SUCH DISCLAIMERS OR OTHER NOTICES WERE AUTOMATICALLY GENERATED AS A RESULT OF THIS COMMUNICATION BEING SENT VIA BLOOMBERG OR ANOTHER EMAIL SYSTEM.

Pricing Supplement dated [●]

AIA Group Limited (the “Issuer”) Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the “Notes”) under the U.S.\$18,000,000,000 Global Medium Term Note and Securities Programme (the “Programme”)

The document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Notes Conditions (the “**Conditions**”) set forth in the Offering Circular dated [original date] [and the supplemental Offering Circular dated [date]] (the “**Offering Circular**”). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular.

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]

1. Issuer: AIA Group Limited

2. [(i) Series Number:] [●]

[(ii) Tranche Number:] [●]

(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)]

3. Specified Currency or Currencies: [●]

(If Notes are being cleared through DTC with interest and or principal payable in a currency other than U.S. dollars, check whether DTC will accept payments in such currency)

4. Aggregate Nominal Amount: [●]
- [(i)] [Series]: [●]
- [(ii)] Tranche: [●]
5. (i) Issue Price: [●] per cent. of the Aggregate Nominal Amount
[plus accrued interest from *[insert date]* (*in the case of fungible issues only, if applicable*)]
- [(ii)] Net Proceeds: [●] (Required only for listed issues)]
6. (i) Specified Denominations:^{4 5 6} [●]
- (ii) Calculation Amount: [●]
7. (i) Issue Date: [●]
- (ii) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
8. Maturity Date: *[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]⁷*
9. Interest Basis: [[●] per cent. Fixed Rate]
- [[Specify reference rate] +/- [●] per cent. Floating Rate]
- [Zero Coupon]
- [Index Linked Interest]
- [Other (*Specify*)]
- (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
- [Index Linked Redemption]
- [Dual Currency]
- [Partly Paid]
- [Instalment]

⁴ Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

⁵ If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of [€1,000] in excess thereof up to and including [€99,000]/[€199,000]. No notes in definitive form will be issued with a denomination above [€99,000]/[€199,000].

⁶ Notes to be listed on the HKSE are required to be traded with a board lot size of at least HK\$500,000 (or equivalent in other currencies).

⁷ Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

- [Other (*Specify*)]
11. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]*
12. Put/Call Options: [Put Option]
[Call Option]
[Call Option (Make Whole Redemption)]
[(further particulars specified below)]
13. Listing: [HKSE/Other (*specify*)/None] (*For Notes to be listed on the HKSE, insert the expected effective listing date of the Notes*)
14. Method of Distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [subject to adjustment in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount⁸
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [30/360/Actual/Actual(ICMA/ISDA)/Actual/365(fixed)/other]
- (vi) [Determination Dates: [●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]

⁸ For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 for the case of Renminbi denominated Fixed Rate Notes to the nearest HK\$0.01, HK\$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/Condition [●] or Condition [●]]
16. Floating Rate Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [●]
- (ii) Specified Period: [●]
- (Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
- (iii) Specified Interest Payment Dates: [●]
- (Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
- (iv) Business Day Convention: [Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (v) Business Centre(s): [Not Applicable/give details]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Fiscal Agent]): [[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)]
- (viii) Screen Rate Determination:
- Reference Rate: [For example, EURIBOR/SOFR/SONIA]
 - Observation Method: [Lag / Observation Shift]
 - Day Count Fraction: [360/365/[]] / [Not Applicable]
 - Interest Determination Date(s): [●]

- Relevant Screen Page: [For example, EURIBOR 01]
- (ix) ISDA Determination
- Floating Rate Option: [•]
 - Designed Maturity: [•]
 - Reset Date: [•]
- (x) Margin(s): [+/-] [•] per cent. per annum
- (xi) Minimum Rate of Interest: [•] per cent. per annum
- (xii) Maximum Rate of Interest: [•] per cent. per annum
- (xiii) Day Count Fraction: [•]
- (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [•]
17. Zero Coupon Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield: [•] per cent. per annum
 - (ii) Day count fraction: [•]
 - (iii) Any other formula/basis of determining amount payable: [•]
18. Index-Linked Interest Note/other variable-linked interest Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula/other variable: [give or annex details]
 - (ii) Calculation Agent responsible for calculating the interest due: [•]
 - (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [•]
 - (iv) Interest Determination Date(s): [•]

- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
- (vi) Interest or calculation period(s): [●]
- (vii) Specified Period: [●]
- (Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
- (viii) Specified Interest Payment Dates: [●]
- (Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Business Day Convention or Eurodollar Convention, insert "Not Applicable")*
- (ix) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (x) Business Centre(s): [●]
- (xi) Minimum Rate/Amount of Interest: [●] per cent. per annum
- (xii) Maximum Rate/Amount of Interest: [●] per cent. per annum
- (xiii) Day Count Fraction: [●]
19. Dual Currency Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [●]

- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

PROVISIONS RELATING TO REDEMPTION

20. Call Option [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount

(iii) If redeemable in part: [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (a) Minimum Redemption Amount: [●] per Calculation Amount
- (b) Maximum Redemption Amount: [●] per Calculation Amount

(iv) Notice period: [●]

21. Call Option (Make Whole Redemption) [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Make Whole Optional Redemption Date(s): [●]
- (ii) Reference Security: [●]
- (iii) Reference Security Price: [Not Applicable]
- (iv) Make Whole Redemption Margin: [●]
- (v) Quotation Time: [●]
- (vi) If redeemable in part: [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (a) Minimum Redemption Amount: [●] per Calculation Amount
- (b) Maximum Redemption Amount: [●] per Calculation Amount
- (vii) Make Whole Redemption Amount: [●]
22. Put Option [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) Notice period: [●]
23. Final Redemption Amount of each Note [●] per Calculation Amount
- In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: [●]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [●]
- (iv) Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable: [●]

- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
- (vi) [Payment Date]: [●]
- (vii) [Minimum Final Redemption Amount]: [●] per Calculation Amount]
- (viii) [Maximum Final Redemption Amount]: [●] per Calculation Amount]
24. Early Redemption Amount [Not Applicable]
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): *(If both the Early Redemption Amount (Tax Event) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax Event) and/or the Early Termination Amount if different from the principal amount of the Notes)*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes
- Bearer Notes:**
- [Temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]⁹
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note]
- [Registered Notes:**
- [Unrestricted Global Certificate exchangeable for unrestricted Individual Note Certificates in the limited circumstances described in the Unrestricted Global Certificate]
- [and]

⁹ If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]/[€199,000]", the temporary Global Note shall not be exchangeable on [●] days' notice.

[Restricted Global Certificate exchangeable for Restricted Individual Note Certificates in the limited circumstances described in the Restricted Global Certificate]]

26. Business Centre(s) or other special provisions relating to payment dates: [Not Applicable/*give details*]
Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 15(vi) and 16(x) relate]
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]: [Not Applicable/*give details*]
29. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*]
30. Redenomination, Renominalisation and Reconventioning Provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
31. Consolidation Provisions: [The provisions in [Condition 13 (*Further Issues*)] annexed to this Pricing Supplement] apply]
32. Other Terms or Special Conditions: [Not Applicable/*give details*]

DISTRIBUTION

33. (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilising Manager(s) (if any): [Not Applicable/*give names*]
34. If non-syndicated, name and address of Dealer: [Not Applicable/*give name and address*]
35. U.S. Selling Restrictions: Reg. S Category 2;
(In the case of Bearer Notes) – [TEFRA C/TEFRA D/TEFRA not applicable]

(In the case of Registered Notes) – [Not] Rule 144A Eligible

36. Additional Selling Restrictions: [Not Applicable/give details]
37. Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
(If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, “Applicable” should be specified.)
38. Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]
(If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, or the Issuer wishes to prohibit offers to UK retail investors for any other reason, “Applicable” should be specified.)

OPERATIONAL INFORMATION

39. ISIN Code [●]
40. Common Code: [●]
41. CUSIP: [●]
42. CMU Instrument Number: [●]
43. Any clearing system(s) other than Euroclear, Clearstream and the CMU Service and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
44. Delivery: Delivery [against/free of] payment
45. Additional Paying Agent(s) (if any): [●]

HONG KONG SFC CODE OF CONDUCT

46. Rebates: [A rebate of [•] bps is being offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMLs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.] / [Not Applicable]
47. Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent: *[Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – OCs to provide]* / [Not Applicable]
48. Marketing and Investor Targeting Strategy: [As indicated in the Offering Circular] / *[Describe if different from the Offering Circular]*

GENERAL

49. The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [•], producing a sum of (for Notes not denominated in [U.S. dollars]): [Not Applicable/U.S.\$[•]]
50. [Ratings: The Notes to be issued are expected to be rated:
[S&P: [•]]
[Other: [•]]
(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)]

[STABILISATION]

In connection with the issue of the Notes, [*name(s) of Stabilising Manager(s)*] (or persons acting on behalf of [*name(s) of Stabilising Manager(s)*]) (the "**Stabilising Manager[s]**") may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilising Manager[s] to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.]

[INVESTMENT CONSIDERATIONS]

There are significant risks associated with the Notes including, but not limited to, counterparty risk, country risk, price risk and liquidity risk. Investors should contact their own financial, legal, accounting and tax advisers about the risks associated with an investment in these Notes, the appropriate tools to analyse that investment, and the suitability of the investment in each investor's particular circumstances. No investor should purchase the Notes unless that investor understands and has sufficient financial resources to bear the price, market liquidity, structure and other risks associated with an investment in these Notes.

Before entering into any transaction, investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.]

[USE OF PROCEEDS]

[] (See "*Use of Proceeds*" wording in the Offering Circular. If the use of the net proceeds is different from those reasons stated, include those reasons here.)]

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for listing on the HKSE of the Notes described herein pursuant to the U.S.\$18,000,000,000 Global Medium Term Note and Securities Programme.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of AIA Group Limited:

By: _____
Name:
Title:

FORM OF PRICING SUPPLEMENT IN RELATION TO SECURITIES

[The Pricing Supplement in respect of each Tranche of Securities will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Securities and their issue.]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]¹⁰

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended ("FSMA"), and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]¹¹

MiFID II product governance / target market – *[legend to be included for issuances involving one or more MiFID Firm manufacturers]*

[MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "MiFID II")][MiFID II]; and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

UK MiFIR product governance / target market – *[legend to be included for issuances involving one or more UK MiFIR Firm manufacturers]*

¹⁰ To be included if the Securities may constitute "packaged" products and no KID will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason.

¹¹ To be included if the Securities may constitute "packaged" products and no KID will be prepared or the Issuer wishes to prohibit offers to UK retail investors for any other reason.

[UK MIFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

The Securities have not and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any other jurisdiction. The Securities may not be offered or sold in the United States except in transactions exempt from or not subject to the registration requirements of the Securities Act. Accordingly, the Securities are being offered and sold [inside the United States only to "qualified institutional buyers" as defined under and in accordance with Rule 144A promulgated under the Securities Act and] outside the United States [to non-U.S. persons] in offshore transactions in accordance with Regulation S promulgated under the Securities Act.

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information in this Pricing Supplement amends and supplements the Offering Circular dated 17 March 2025 (the "**Offering Circular**"), and supersedes the information in the Offering Circular to the extent inconsistent with the information in the Offering Circular. This Pricing Supplement should be read together with the Offering Circular, which is hereby incorporated by reference. Terms used herein but not defined herein shall have the respective meanings as set forth in the Offering Circular.

[This Pricing Supplement is intended for the sole use of the person to whom it is provided by the sender, and it is being distributed to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKSE**")) ("**Professional Investors**") only.

Notice to Hong Kong investors: the Issuer confirms that the Securities are intended for purchase by Professional Investors only and will be listed on the HKSE on that basis. Accordingly, the Issuer confirms that the Securities are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The HKSE has not reviewed the contents of this Pricing Supplement, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Pricing Supplement to Professional Investors only have been reproduced in this Pricing Supplement. Listing of the Programme or the Securities on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme (as defined below), the Securities (as defined below), the Issuer (as defined below) or the Issuer and its subsidiaries taken as a whole (together, the "Group") or quality of disclosure in this Pricing Supplement. Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this Pricing Supplement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Pricing Supplement.

This Pricing Supplement, together with the Offering Circular, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKSE Rules**" or "**Listing Rules**") for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of

the information contained in this Pricing Supplement and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

[Singapore Securities and Futures Act Product Classification — Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Securities are ["prescribed capital markets products"]/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]

ANY DISCLAIMERS OR OTHER NOTICES THAT MAY APPEAR BELOW ARE NOT APPLICABLE TO THIS COMMUNICATION AND SHOULD BE DISREGARDED. SUCH DISCLAIMERS OR OTHER NOTICES WERE AUTOMATICALLY GENERATED AS A RESULT OF THIS COMMUNICATION BEING SENT VIA BLOOMBERG OR ANOTHER EMAIL SYSTEM.

Pricing Supplement dated [●]

AIA Group Limited (the "Issuer") **Issue of [Aggregate Nominal Amount of Tranche] [Title of Securities] (the "Securities")** **under the U.S.\$18,000,000,000 Global Medium Term Note and Securities Programme** **(the "Programme")**

The document constitutes the Pricing Supplement relating to the issue of Securities described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Securities Conditions (the "**Conditions**") set forth in the Offering Circular dated [original date] [and the supplemental Offering Circular dated [date]] (the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Securities and must be read in conjunction with the Offering Circular.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]

1. Issuer: AIA Group Limited
2. [(i) Series Number:] [●]
[(ii) Tranche Number:] [●]
(If fungible with an existing Series, details of that Series, including the date on which the Securities become fungible)]
3. Type of Security and Ranking: [Senior Perpetual Securities/Subordinated Perpetual Securities/Subordinated Dated Securities/Deeply Subordinated Perpetual Securities/Deeply Subordinated Dated Securities]
(specify if any additional provisions relating to ranking under Condition 3, if applicable)

4. Specified Currency or Currencies: [•]
- (If Securities are being cleared through DTC with interest and or principal payable in a currency other than U.S. dollars, check whether DTC will accept payments in such currency)*
5. Aggregate Nominal Amount: [•]
- [(i)] [Series]: [•]
- [(ii)] Tranche: [•]
6. (i) Issue Price: [•] per cent. of the Aggregate Nominal Amount
[plus accrued Distribution from *[insert date]* (*in the case of fungible issues only, if applicable*)]
- [(ii)] Net/Gross Proceeds: [•] (Required only for listed issues)]
7. Maturity Date: [Specify/Not Applicable]
8. (i) Specified Denominations:^{12 13 14} [•]
- [(ii)] Calculation Amount: [•]
9. (i) Issue Date: [•]
- [(ii)] Distribution Commencement Date: [*Specify/Issue Date/Not Applicable*]
10. Distribution Basis: [[•] per cent. Fixed Rate]
- [Optional Distribution Deferral applies. Distributions are [non-compounding/compounding in accordance with Condition 5(c)(iii)]]
- [Optional Distribution Cancellation applies]
- [Mandatory Distribution Deferral [at Maturity] applies]
- [Mandatory Distribution Cancellation applies]
- (see paragraph [14/15/16] below)
11. Put/Call Options: [Redemption for Taxation Reasons]

¹² Securities (including Securities denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

¹³ If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of [€1,000] in excess thereof up to and including [€99,000]/[€199,000]. No securities in definitive form will be issued with a denomination above [€99,000]/[€199,000].

¹⁴ Securities to be listed on the HKSE are required to be traded with a board lot size of at least HK\$500,000 (or equivalent in other currencies).

[Issuer's Call Option]

[Issuer's Call Option (Make Whole Redemption)]

[Rating Event Redemption]

[Accounting Event Redemption] *(Subordinated Perpetual Securities or Deeply Subordinated Perpetual Securities only)*

[Minimal Outstanding Amount Redemption]

[Regulatory Event Redemption]

[(See paragraph
[18/19/20/21/22/23/24/25/26/27] below)]

12. Listing: [HKSE/Other *(specify)*/None] *(For Securities to be listed on the HKSE, insert the expected effective listing date of the Securities)*

13. Method of Distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO DISTRIBUTION (IF ANY) PAYABLE

14. (i) Rate of Distribution: [[•] per cent. per annum payable in arrear on each Distribution Payment Date]/

[(or if the Rate of Distribution of the Securities are to be subject to step-up(s), consider the following)]

(a) in respect of the period from, and including, the Issue Date to, but excluding, the First Reset Date, the Initial Distribution Rate; [and]

(b) in respect of the period from, and including, the First Reset Date to, but excluding, the Second Reset Date, the First Reset Distribution Rate[./;/; and]

(c) from, and including, each Reset Date falling on and after the Second Reset Date, to, but excluding, the immediately following Reset Date, up to the Reset Date falling on Additional Step-up Margin Reset Date, the Second Reset Distribution Rate[./;/; and]

- (d) from, and including, each Reset Date falling on and after the Additional Step-up Margin Reset Date, to, but excluding, the immediately following Reset Date, the Third Reset Distribution Rate.

Where:

"Initial Distribution Rate" is [•] per cent.; [and]

"Second Reset Distribution Rate" is [•] per cent.[:]

["Third Reset Distribution Rate" is [•] per cent.[:]

"First Reset Date" is [•];

"Second Reset Date" is [•]; and

"Additional Step-up Margin Reset Date" is [•];]

(Amend as appropriate. See "Definitions" section for applicability of any additional definitions.)

(ii)	Distribution Date(s):	Payment	[•] and [•] in each year [subject to adjustment in accordance with <i>[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]</i>]/[not adjusted]
(iii)	Fixed Amount[(s)]:	Distribution	[•] per Calculation Amount ¹⁵
(iv)	Optional Deferral:	Distribution	[Applicable/Not Applicable]/[give details]
(v)	Optional Cancellation:	Distribution	[Applicable/Not Applicable]/[give details]
(vi)	Mandatory Distribution Deferral at Maturity:		[Applicable/Not Applicable]

¹⁵ For Hong Kong dollar or Renminbi denominated Securities where the Distribution Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Distribution Amount shall be calculated by multiplying the product of the Rate of Distribution and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest HK\$0.01, HK\$0.005 for the case of Hong Kong dollar denominated Securities and to the nearest CNY0.01, CNY0.005 for the case of Renminbi denominated Securities, in each case being rounded upwards."

- (vii) Mandatory Distribution Cancellation: [Applicable/Not Applicable]
- (viii) Broken Amount(s): [Not Applicable]/[[•] per Calculation Amount, payable on the Distribution Payment Date falling [in/on] [•]]
- (ix) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA)/other]
15. Dividend Pusher and Dividend Stopper: [Applicable/Not Applicable]
- [Payment Event (Pusher) applies]
- [Redemption Event (Pusher) applies]
- [Discretionary Payment Restriction (Stopper) applies]
- [Discretionary Redemption Restriction (Stopper) applies]
- (select as applicable)
- (i) [Dividend Pusher Lookback Period: [•] months]
- (ii) Relevant Obligations (Pusher): [Junior Obligations/Parity Obligations/Junior Obligations and Parity Obligations/Not Applicable]
- [The definition of "Junior Obligations" set out in the Terms and Conditions shall be modified as follows: *[insert]*]
- [The definition of "Parity Obligations" set out in the Terms and Conditions shall be modified as follows: *[insert]*]
- (iii) Relevant Obligations (Stopper): [Junior Obligations/Parity Obligations/Junior Obligations and Parity Obligations/Not Applicable]
- (iv) Compulsory Distribution Payment Event: [Applicable/Not Applicable]/[give details]
16. Other terms relating to the method of calculating Distribution: [Not Applicable]/[specify which criteria apply]

PROVISIONS RELATING TO REDEMPTION

17. Redemption of Securities at Maturity [The Securities shall be finally redeemed on the Maturity Date [, subject to the Group Capital Requirements Redemption Condition]] / [Not Applicable]

18. Issuer's Call Option [Applicable[, subject to the [Redemption Conditions] [and] the [Group Capital Requirements Redemption Condition]]/Not Applicable]
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount of each Security: [•] per Calculation Amount
- (iii) If redeemable in part: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Minimum Redemption Amount: [•] per Calculation Amount
- (b) Maximum Redemption Amount: [•] per Calculation Amount
- (iv) Notice period: [•]
19. Issuer's Call Option (Make Whole Redemption) [Applicable[, subject to the Redemption Conditions]/Not Applicable]
- (Applicable only to Subordinated Dated Securities or Deeply Subordinated Dated Securities. If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Make Whole Optional Redemption Date(s): [•]
- (ii) Reference Security: [•]
- (iii) Reference Security Price: [Not Applicable/give details]
- (iv) Make Whole Redemption Margin: [•] per cent.
- (v) Quotation Time: [•]
- (vi) If redeemable in part: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*

	(a)	Minimum Redemption Amount:	[•] per Calculation Amount
	(b)	Maximum Redemption Amount:	[•] per Calculation Amount
	(vii)	Make Whole Redemption Amount:	[•]
20. Rating Event Redemption: [Applicable[, subject to the Redemption Conditions]/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- | | | | |
|--|------|---|--|
| | (i) | Early Redemption Amount (Rating Event): | [As defined in the Conditions]/[•] per Calculation Amount] |
| | (ii) | relevant Rating Agencies in relation to any Rating Event: | [•] |
21. Accounting Event Redemption: [Applicable[, subject to the Redemption Conditions] /Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- | | | | |
|--|-----|---|--|
| | (i) | Early Redemption Amount (Accounting Event): | [As defined in the Conditions]/[•] per Calculation Amount] |
|--|-----|---|--|
22. Minimal Outstanding Amount Redemption: [Applicable[, subject to the Redemption Conditions] /Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- | | | | |
|--|-----|---|--|
| | (i) | Early Redemption Amount (Minimal Outstanding Amount): | [As defined in the Conditions]/[•] per Calculation Amount] |
|--|-----|---|--|
23. Redemption for Taxation Reasons: [Applicable[, subject to the Redemption Conditions] /Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- | | | | |
|--|-----|--------------------------------------|--|
| | (i) | Early Redemption Amount (Tax Event): | [As defined in the Conditions]/[•] per Calculation Amount] |
|--|-----|--------------------------------------|--|
24. Regulatory Event Redemption: [Applicable[, subject to the Redemption Conditions] /Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- | | | | |
|--|-----|---|--|
| | (i) | Early Redemption Amount (Regulatory Event): | [As defined in the Conditions]/[•] per Calculation Amount] |
|--|-----|---|--|

- (ii) Tier 1 limited group capital / Tier 2 group capital: [Tier 1 limited group capital/Tier 2 group capital]
25. Other Special Events [Not Applicable/*give details*]
26. Group Capital Requirements Redemption Condition: [Applicable/Not Applicable]
27. Redemption Conditions: [Applicable/Not Applicable]
28. Conditional Purchase: [Not Applicable/Condition 6(m) (*Redemption, Purchase and Options — Purchases*) shall be conditional/*give details*]

[The Issuer, any of its Subsidiaries or any of their respective agents may:

- (a) prior to the First Reset Date, at any time purchase Securities up to a maximum amount representing 25 per cent. of the aggregate principal amount of the Securities issued on the Issue Date in the open market or otherwise and at any price; and
- (b) following the First Reset Date, at any time purchase Securities in the open market or otherwise and at any price.]

GENERAL PROVISIONS APPLICABLE TO THE SECURITIES

29. Special Event Substitution or Variation: [Applicable/Not Applicable]
30. Form of Securities: **Bearer Securities:**

[Temporary Global Security exchangeable for a permanent Global Security which is exchangeable for Definitive Securities in the limited circumstances specified in the permanent Global Security]

[Temporary Global Security exchangeable for Definitive Securities on [•] days' notice]¹⁶

[Permanent Global Security exchangeable for Definitive Securities in the limited circumstances specified in the permanent Global Security]

¹⁶ If the Specified Denominations of the Securities in paragraph 8 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]/[€199,000]", the temporary Global Security shall not be exchangeable on [•] days' notice.

[Registered Securities:]

[Unrestricted Global Certificate exchangeable for unrestricted Individual Security Certificates in the limited circumstances described in the Unrestricted Global Certificate]

[and]

[Restricted Global Certificate exchangeable for Restricted Individual Security Certificates in the limited circumstances described in the Restricted Global Certificate]]

31. Business Centre(s) or other special provisions relating to payment dates: [Not Applicable/*give details*]
Note that this paragraph relates to the date and place of payment, and not distribution period end dates, to which sub paragraph 14(ii) relates]
32. Talons for future Coupons or Receipts to be attached to Definitive Securities (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
33. Redenomination, Renominalisation and Reconventioning Provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
34. Consolidation Provisions: [The provisions in [Condition 14 (*Further Issues*)] [annexed to this Pricing Supplement] apply]
35. Other Terms or Special Conditions: [Not Applicable/*give details*]

DISTRIBUTION

36. (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilising Manager(s) (if any): [Not Applicable/*give names*]
37. If non-syndicated, name and address of Dealer: [Not Applicable/*give name and address*]
38. U.S. Selling Restrictions: Reg. S Category 2;

(In the case of Bearer Securities) – [TEFRA C/TEFRA D/TEFRA not applicable]

(In the case of Registered Securities) – [Not] Rule 144A Eligible
39. Additional Selling Restrictions: [Not Applicable/*give details*]

40. Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (If the Securities clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Securities may constitute “packaged” products and no KID will be prepared, or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, “Applicable” should be specified.)*
41. Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]
- (If the Securities clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Securities may constitute “packaged” products and no KID will be prepared, or the Issuer wishes to prohibit offers to UK retail investors for any other reason, “Applicable” should be specified.)*

OPERATIONAL INFORMATION

42. ISIN Code [•]
43. Common Code: [•]
44. CUSIP: [•]
45. CMU Instrument Number: [•]
46. Any clearing system(s) other than Euroclear, Clearstream and the CMU Service and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
47. Delivery: Delivery [against/free of] payment
48. Additional Paying Agent(s) (if any): [•]

HONG KONG SFC CODE OF CONDUCT

49. Rebates: [A rebate of [•] bps is being offered by the Issuer to all private banks for orders they place (other than in relation to Securities subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Securities distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMLs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.] / [Not Applicable]

50. Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent: *[Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – OCs to provide] / [Not Applicable]*
51. Marketing and Investor Targeting Strategy: *[As indicated in the Offering Circular] / [Describe if different from the Offering Circular]*

GENERAL

52. The aggregate principal amount of Securities issued has been translated into U.S. dollars at the rate of [•], producing a sum of (for Securities not denominated in [U.S. dollars]): *[Not Applicable/U.S.\$[•]]*
53. [Ratings: The Securities to be issued are expected to be rated:
- [S&P: [•]]*
- [Other: [•]]*
- (The above disclosure should reflect the rating allocated to Securities of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

[STABILISATION]

In connection with the issue of the Securities, [name(s) of Stabilising Manager(s)] (or persons acting on behalf of [name(s) of Stabilising Manager(s)]) (the "**Stabilising Manager[s]**") may over-allot Securities or effect transactions with a view to supporting the price of the Securities at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilising Manager[s] to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.]

[INVESTMENT CONSIDERATIONS]

[SPECIFY ANY ADDITIONAL INVESTMENT OR TAX CONSIDERATIONS WHICH ARE RELEVANT TO THE TERMS OF THE SECURITIES]

There are significant risks associated with the Securities including, but not limited to, counterparty risk, country risk, price risk and liquidity risk. Investors should contact their own financial, legal, accounting and tax advisers about the risks associated with an investment in these Securities, the appropriate tools to analyse that investment, and the suitability of the investment in each investor's particular circumstances. No investor should purchase the Securities unless that investor understands and has sufficient financial resources to bear the price, market liquidity, structure and other risks associated with an investment in these Securities.

Before entering into any transaction, investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.]

[USE OF PROCEEDS]

[] (See "Use of Proceeds" wording in the Offering Circular. If the use of the net proceeds is different from those reasons stated, include those reasons here.)]

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for listing on the HKSE of the Securities described herein pursuant to the U.S.\$18,000,000,000 Global Medium Term Note and Securities Programme.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of AIA Group Limited:

By: _____
Name:
Title:

SUMMARY OF PROVISIONS RELATING TO THE INSTRUMENTS WHILE IN GLOBAL FORM

1. INITIAL ISSUE OF INSTRUMENTS

Global Instruments and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depository for Euroclear and Clearstream (the “**Common Depository**”) or a sub-custodian for the CMU Service or registered in the name of a nominee for DTC.

Upon the initial deposit of a Global Instrument with the Common Depository or with a sub-custodian for the CMU Service or registration of Registered Instruments in the name of (a) any nominee for Euroclear and Clearstream or a Common Depository therefor or (b) the HKMA as operator of the CMU Service and delivery of the relative Global Certificate to the Common Depository or the sub-custodian for the CMU Service (as the case may be), Euroclear or Clearstream or the CMU Service (as the case may be) will credit each subscriber with a nominal amount of Instruments equal to the nominal amount thereof for which it has subscribed and paid.

Upon the initial deposit of a Global Certificate in respect of, and registration of, Registered Instruments in the name of a nominee for DTC and delivery of the relevant Global Certificate to the Custodian for DTC, DTC will credit each participant with a nominal amount of Instruments equal to the nominal amount thereof for which it has subscribed and paid.

Instruments that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Instruments that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

2. RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Save as provided in the following paragraph, each of the persons shown in the records of Euroclear, Clearstream, DTC or any other clearing system (“**Alternative Clearing System**”) as the holder of an Instrument represented by a Global Instrument or a Global Certificate must look solely to Euroclear, Clearstream, DTC or any such Alternative Clearing System (as the case may be) for his share of each payment made by us to the bearer of such Global Instrument, or the holder of the underlying Registered Instruments, as the case may be, and in relation to all other rights arising under the Global Instruments or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, DTC or any such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against us in respect of payments due on the Instruments for so long as the Instruments are represented by such Global Instrument or Global Certificate and such obligations of ours will be discharged by payment to the bearer of such Global Instrument, or the holder of the underlying Registered Instruments, as the case may be, in respect of each amount so paid.

If a Global Instrument or a Global Certificate is lodged with a sub-custodian for or registered with the CMU Service, the person(s) for whose account(s) interests in such Global Instrument or Global Certificate are credited as being held in the CMU Service in accordance with the CMU Rules as notified by the CMU Service to the CMU Lodging Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service save in the case of manifest error) shall be the only person(s) entitled (in the case of Registered Instruments, directed or deemed by the CMU Service as entitled) to receive payments in respect of Instruments represented by such Global Instrument or Global Certificate and we will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Instrument or Global Certificate are credited as being held in the CMU Service in respect of each amount so paid. Each of the persons shown in the records of the CMU Service,

as the beneficial holder of a particular nominal amount of Instruments represented by such Global Instrument or Global Certificate, must look solely to the CMU Lodging Agent for his share of each payment so made by us in respect of such Global Instrument or Global Certificate.

3. EXCHANGE

3.1 Temporary Global Instruments

Each temporary Global Instrument will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (a) if the relevant Pricing Supplement indicates that such Global Instrument is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “*Summary of the Programme – Selling Restrictions*”), in whole, but not in part, for the Definitive Instruments defined and described below; and
- (b) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Instrument or, if so provided in the relevant Pricing Supplement, for Definitive Instruments.

3.2 Permanent Global Instruments

Each permanent Global Instrument will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “*Partial Exchange of Permanent Global Instruments*” below, in part for Definitive Instruments (a) if the permanent Global Instrument is held on behalf of Euroclear or Clearstream or the CMU Service or any other clearing system and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (b) if principal in respect of any Instruments is not paid when due, by the holder giving notice to the Fiscal Agent (or, in the case of Instruments lodged with the CMU Service, the CMU Lodging Agent) of its election for such exchange.

In the event that a Global Instrument is exchanged for Definitive Instruments, such Definitive Instruments shall be issued in Specified Denomination(s) only. An Instrumentholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Instrument in respect of such holding and would need to purchase a principal amount of Instruments such that it holds an amount equal to one or more Specified Denominations.

3.3 Permanent Global Certificates

(a) *Unrestricted Global Certificates*

If the relevant Pricing Supplement states that the Instruments are to be represented by an Unrestricted Global Certificate on issue, the following will apply in respect of transfers of Instruments held in Euroclear or Clearstream or the CMU Service or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Instruments within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Instruments may be withdrawn from the relevant clearing system.

Transfers of the holding of Instruments represented by any Global Certificate pursuant to Notes Condition 2(b) or Securities Condition 2(b) may only be made:

- (i) in whole but not in part, if such Instruments are held on behalf of Euroclear or Clearstream or the CMU Service or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so;

- (ii) in whole but not in part, if such Instruments are held on behalf of a Custodian for DTC and if DTC notifies us that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that DTC Unrestricted Global Certificate or DTC ceases to be a “clearing agency” registered under the Exchange Act, or is at any time no longer eligible to act as such, and we are unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (iii) in whole or in part, with our prior consent, provided that, in the case of the first transfer of part of a holding pursuant to (i) or (ii) above, the Registered Holder has given the relevant Registrar not less than 30 days’ notice at its specified office of the Registered Holder’s intention to effect such transfer.

(b) *Restricted Global Certificates*

If the relevant Pricing Supplement states that the Restricted Instruments are to be represented by a Restricted Global Certificate on issue, the following will apply in respect of transfers of such Instruments held in DTC. These provisions will not prevent the trading of interests in the Instruments within DTC whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Instruments may be withdrawn from DTC. Transfers of the holding of Instruments represented by that Restricted Global Certificate pursuant to Notes Condition 2(b) or Securities Condition 2(b) may only be made:

- (i) in whole but not in part, if such Instruments are held on behalf of a Custodian for DTC and if DTC notifies us that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that Restricted Global Certificate or DTC ceases to be a “clearing agency” registered under the Exchange Act or is at any time no longer eligible to act as such, and we are unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (ii) in whole or in part, with our consent, provided that, in the case of any transfer pursuant to (i) or (ii) above, the relevant Registered Instrumentholder has given the relevant Registrar not less than 30 days’ notice at its specified office of the Registered Instrumentholder’s intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in a Restricted Global Certificate shall bear the legend applicable to such Instruments as set out in “*Transfer Restrictions*”.

3.4 Partial Exchange of Permanent Global Instruments

For so long as a permanent Global Instrument is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Instrument will be exchangeable in part on one or more occasions for Definitive Instruments (a) if principal in respect of any Instruments is not paid when due or (b) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

3.5 Delivery of Instruments

On or after any due date for exchange the holder of a Global Instrument may surrender such Global Instrument or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent (or, in the case of Instruments lodged with the CMU Service, the CMU Lodging Agent). In exchange for any Global Instrument, or the part thereof to be exchanged, we will (a) in the case of a temporary Global Instrument exchangeable for a permanent Global Instrument, deliver, or procure the delivery of, a permanent Global Instrument in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Instrument that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Instrument to reflect such exchange or (b) in the case of a Global Instrument exchangeable for Definitive Instruments or Registered Instruments, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Instruments and/or Certificates, as the case may be. Global Instruments and Definitive Instruments will be delivered outside the United States and its possessions. In this Offering Circular, “**Definitive Instruments**” means, in relation to any Global

Instrument, the definitive Bearer Instruments for which such Global Instrument may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Instrument and a Talon). Definitive Instruments will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Instrument, we will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Instruments.

3.6 Exchange Date

“Exchange Date” means (a) in relation to an exchange of a temporary Global Instrument to a permanent Global Instrument, the day falling after the expiry of 40 days after its issue date; (b) in relation to an exchange of a permanent Global Instrument to a Definitive Instrument, a day falling not less than 60 days or in the case of exchange following failure to pay principal in respect of any Instruments when due 30 days after the date of receipt of the first relevant notice by the Fiscal Agent; (c) in relation to an exchange of a permanent Global Instrument to a Registered Instrument, a day falling not more than five days after the date of receipt of the first relevant notice by the Fiscal Agent; or (d) in the case of failure to pay principal in respect of any Instruments when due or an Event of Default has occurred and is continuing, a day falling 45 days after the date of receipt of the first relevant notice by the Fiscal Agent, provided if such date is not a day on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located, the immediately following day on which banks are so open in such locations.

4. AMENDMENT TO CONDITIONS

The temporary Global Instruments, permanent Global Instruments and Global Certificates contain provisions that apply to the Instruments that they represent, some of which modify the effect of the terms and conditions of the Instruments set out in this Offering Circular. The following is a summary of certain of those provisions:

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Instrument unless exchange for an interest in a permanent Global Instrument or for Definitive Instruments or Registered Instruments is improperly withheld or refused. Payments on any temporary Global Instrument issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Instruments represented by a Global Instrument (except with respect to Global Instrument held through the CMU Service) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Instruments, surrender of that Global Instrument to or to the order of the Fiscal Agent as shall have been notified to the Instrumentholders for such purpose. A record of each payment so made will be endorsed on each Global Instrument, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Instruments. Notes Condition 8(c) and Securities Condition 8(c) will apply to the Definitive Instruments only. For the purpose of any payments made in respect of a Global Instrument, the relevant place of presentation (if applicable) shall be disregarded in the definition of **“business day”** set out in Notes Condition 7(h) and Securities Condition 7(h) (*Non-Business Days*).

All payments in respect of Instruments represented by a Global Certificate (other than a Global Certificate held through the CMU Service) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment (the **“record date”**), where **“Clearing System Business Day”** means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Instrument or Global Certificate held through the CMU Service, any payments of principal, interest or distribution (if any), or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Instrument are credited (as

set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service as at the business day before the date for payment) and, save in the case of final payment, no presentation of the relevant bearer Global Instrument or Global Certificate shall be required for such purpose.

4.2 Prescription

Claims against us in respect of Instruments that are represented by a permanent Global Instrument will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest or distribution) from the appropriate Relevant Date (as defined in Notes Condition 8 and Securities Condition 8).

4.3 Meetings

The holder of a permanent Global Instrument or of the Instruments represented by a Global Certificate shall (unless such permanent Global Instrument or Global Certificate represents only one Instrument) be treated as being two persons for the purposes of any quorum requirements of a meeting of Instrumentholders and, at any such meeting, the holder of a permanent Global Instrument or a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Instruments. (All holders of Registered Instruments are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Instruments comprising such Instrumentholder's holding, whether or not represented by a Global Certificate).

4.4 Cancellation

Cancellation of any Instrument represented by a permanent Global Instrument or Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Instrument or its presentation to or to the order of the Fiscal Agent for endorsement in the relevant schedule of such permanent Global Instrument or in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the register of the certificateholders, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

4.5 Purchase

Instruments represented by a permanent Global Instrument may only be purchased by us or any of our subsidiaries if they are purchased together with the rights to receive all future payments of interest or distribution and Instalment Amounts (if any) thereon.

4.6 Our Option

Any option of ours provided for in the Conditions of any Instruments while such Instruments are represented by a permanent Global Instrument or a Global Certificate shall be exercised by us giving notice to the Instrumentholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain, in the case of Bearer Instruments, the certificate numbers of Instruments drawn or, in the case of Registered Instruments, the holder of the Instruments in respect of a partial exercise of an option and accordingly no drawing of Instruments shall be required. In the event that any option of ours is exercised in respect of some but not all of the Instruments of any Series, the rights of accountholders with a clearing system in respect of the Instruments will be governed by the standard procedures of Euroclear, Clearstream, DTC, the CMU Service or any other clearing system (as the case may be).

4.7 Instrumentholders' Options

Any option of the Instrumentholders provided for in the Conditions of any Instruments while such Instruments are represented by a permanent Global Instrument may be exercised by the holder of the permanent Global Instrument giving notice to the Fiscal Agent or (in respect of

Instruments represented by a Global Certificate) the Registrar or Transfer Agent or (in respect of Instruments lodged with the CMU Service) the CMU Lodging Agent within the time limits relating to the deposit of Instruments with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Instruments in respect of which the option has been exercised, and stating the nominal amount of Instruments in respect of which the option is exercised and at the same time presenting the permanent Global Instrument or Global Certificate to the Fiscal Agent, the Registrar or a Transfer Agent (or, in each case, to a Paying Agent acting on their behalf), as the case may be, for notation.

4.8 Notices

So long as any Instruments are represented by a Global Instrument or Global Certificate and such Global Instrument or Global Certificate is held on behalf of (a) Euroclear and/or Clearstream and/or DTC or any other clearing system (except as provided in (b) below), notices to the holders of Instruments of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Instrument or Global Certificate or (b) the CMU Service, notices to the holders of Instruments of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of dispatch of such notice as holding interests in the relevant Global Instrument or Global Certificate.

4.9 Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of Euroclear or Clearstream or the CMU Service and/or any other relevant clearing system as being entitled to an interest in a temporary Global Instrument or a permanent Global Instrument which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the temporary Global Instrument or permanent Global Instrument became void, they had been the holders of Definitive Instruments, in an aggregate principal amount equal to the principal amount of Instruments they were shown as holding in the records of Euroclear and/or Clearstream and/or the CMU Service and/or any other relevant clearing system.

4.10 Calculation of interest or distribution

The calculation of any interest or distribution amount in respect of any Instrument which is represented by a Global Instrument or Global Certificate will be calculated on the aggregate outstanding nominal amount of the Instruments represented by the Global Instrument or Global Certificate and not by reference to the Calculation Amount.

5. PARTLY PAID NOTES

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes or Global Certificates.

While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, we may forfeit such Notes and shall have no further obligation to their holder in respect of them.

TOTAL CAPITALISATION

The following table sets out the consolidated Total Capitalisation (as defined below) of the Group as derived from our audited consolidated financial statements as of 31 December 2024. The table should be read in conjunction with our audited consolidated financial statements as of 31 December 2024 and the notes thereto included elsewhere in this Offering Circular.

	As of 31 December 2024 (in US\$ millions)
Other loans	83
Medium term notes and securities ⁽¹⁾	13,246
Total Borrowings	13,329
Equity	
Share capital.....	14,183
Employee share-based trusts.....	(376)
Other reserves.....	(11,733)
Retained earnings	44,691
Fair value reserve.....	5,744
Foreign currency translation reserve	(3,822)
Insurance finance reserve	(9,658)
Property revaluation reserve	1,451
Others.....	10
Non-controlling interests.....	323
Total Equity	40,813
Total Capitalisation ⁽²⁾	54,142

(1) Represents our outstanding medium term notes and securities placed to the market as of 31 December 2024.

(2) Total Capitalisation is the sum of Total Borrowings plus Total Equity.

There has been no material change in our Total Capitalisation since 31 December 2024.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The tables set forth below show certain selected historical consolidated financial information and other data of the Group. The financial information as of and for the years ended 31 December 2024, 2023 and 2022, set forth below, has been derived from our 2024 audited consolidated financial statements and 2023 audited consolidated financial statements, respectively, included elsewhere in this Offering Circular. The information on VONB and EV Equity for and as of the years ended 31 December 2024, 2023 and 2022, set forth below, has been derived from “*Supplementary Embedded Value Information*” included elsewhere in this Offering Circular. The selected historical consolidated financial and other data should be read in conjunction with “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and the audited consolidated financial statements and the information in “*Supplementary Embedded Value Information*” included elsewhere in this Offering Circular.

We adopted the accounting standards of IFRS 9 and IFRS 17 from 1 January 2023. The audited consolidated financial statements as of and for the years ended 31 December 2024 and 31 December 2023 included elsewhere in this Offering Circular have been prepared based on such accounting standards. The effects of the adoption of such accounting standards have been restated in the consolidated financial information as of and for the year ended 31 December 2022, as set forth in the 2023 audited consolidated financial statements included elsewhere in this Offering Circular.

The supplementary embedded value information for the years ended 31 December 2024 and 31 December 2023 included elsewhere in this Offering Circular has been prepared after the adoption of the accounting standards IFRS 9 and IFRS 17. The comparative supplementary embedded value information for the year ended 31 December 2022 has not been restated.

For additional information relating to the accounting standards, see the notes to our audited consolidated financial statements as of and for the years ended 31 December 2024 and 31 December 2023 included elsewhere in this Offering Circular and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – Accounting Standard Change*”.

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December		
	2024	2023	2022
			(as restated) ⁽¹⁾
	(in US\$ millions)		
Insurance revenue.....	19,314	17,514	16,319
Insurance service expenses.....	(13,136)	(12,078)	(10,434)
Net expenses from reinsurance contracts held	(409)	(345)	(419)
Insurance service result	5,769	5,091	5,466
Interest revenue on			
Financial assets not measured at fair value through profit or loss.....	4,275	4,062	3,837
Financial assets measured at fair value through profit or loss	3,713	3,758	3,430
Other investment return.....	3,965	4,941	(38,647)
Net impairment loss on financial assets	(16)	(195)	(233)
Investment return	11,937	12,566	(31,613)
Net finance (expenses)/income from insurance contracts	(7,612)	(10,456)	30,957
Net finance income reinsurance contracts held	105	65	67
Movement in investment contract liabilities	(791)	(572)	1,106
Movement in third-party interests in consolidated investment funds	(29)	(56)	34
Net investment result.....	3,610	1,547	551
Fee income.....	89	114	138
Other operating revenue	353	294	301
Other expenses.....	(1,771)	(1,752)	(1,896)
Other finance costs	(570)	(463)	(385)
Profit before share of profit/(losses) from associates and joint ventures	7,480	4,831	4,175
Share of profit/(losses) from associates and joint ventures	351	(267)	(121)
Profit before tax.....	7,831	4,564	4,054
Tax expense.....	(978)	(783)	(689)
Net profit	6,853	3,781	3,365
Less: amounts attributable to non-controlling interests	17	17	34
Net profit attributable to shareholders of the Issuer	6,836	3,764	3,331

(1) Prepared on the basis of IFRS 9 and IFRS 17, as set forth in the 2023 audited consolidated financial statements included elsewhere in this Offering Circular.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of 31 December		
	2024	2023	2022
			(as restated) ⁽¹⁾
	(in US\$ millions)		
Assets			
Intangible assets	3,478	3,615	3,277
Investments in associates and joint ventures	1,710	1,331	2,056
Property, plant and equipment	4,447	4,058	2,844
Investment property	4,570	4,504	4,600
Insurance contract assets	972	1,457	2,037
Reinsurance contract assets	5,730	6,047	5,763
Financial investments:			
At amortised cost			
Debt Securities.....	2,399	2,165	1,787
Loans and deposits	3,770	3,723	4,566
At fair value through other comprehensive income			
Debt Securities.....	98,289	88,612	86,060
At fair value through profit or loss			
Debt securities	77,530	86,981	77,496
Loans and deposits	272	272	279
Equity shares.....	19,797	19,287	23,378
Interests in investment funds and exchangeable loan notes	69,040	47,166	38,577
Derivative financial instruments	1,054	752	568
Total financial investments	272,151	248,958	232,711
Deferred tax assets	549	301	229
Current tax recoverable	219	207	117
Other assets	3,527	4,316	4,524
Cash and cash equivalents	8,101	11,525	8,020
Assets in disposal group held for sale	-	-	4,293
Total assets	305,454	286,319	270,471
Liabilities			
Insurance contract liabilities	221,412	203,271	181,851
Reinsurance contract liabilities	255	336	384
Investment contract liabilities	6,967	9,170	9,092
Borrowings	13,329	11,800	11,206
Obligations under repurchase agreements	4,616	3,461	1,748
Derivative financial instruments	8,615	8,035	8,638
Provisions	202	174	153
Deferred tax liabilities	4,116	3,204	3,409
Current tax liabilities	220	387	467
Other liabilities	4,909	4,887	4,264
Liabilities in disposal group held for sale	-	-	4,111
Total liabilities	264,641	244,725	225,323
Equity			
Share capital	14,183	14,176	14,171
Employee share-based trusts	(376)	(367)	(290)
Other reserves	(11,733)	(11,788)	(11,812)
Retained earnings	44,691	44,333	46,499
Other comprehensive income	(6,275)	(5,243)	(3,896)

	As of 31 December		
	2024	2023	2022
			(as restated) ⁽¹⁾
	(in US\$ millions)		
Total equity attributable to shareholders of the Issuer	40,490	41,111	44,672
Non-controlling interests	323	483	476
Total equity	40,813	41,594	45,148
Total liabilities and equity	305,454	286,319	270,471

(1) Prepared on the basis of IFRS 9 and IFRS 17, as set forth in the 2023 audited consolidated financial statements included elsewhere in this Offering Circular.

OTHER DATA

	As of and for the Year ended 31 December		
	2024	2023	2022
	(in US\$ millions, except ratios)		
VONB⁽¹⁾⁽²⁾	4,712	4,034	3,092
ANP⁽¹⁾⁽²⁾	8,606	7,650	5,407
TWPI⁽¹⁾⁽³⁾	41,398	37,939	36,176
OPAT⁽¹⁾⁽²⁾⁽⁴⁾	6,605	6,213	6,421
EV Equity⁽¹⁾⁽²⁾	71,626	70,153	71,202
Group LCSM Coverage Ratio⁽¹⁾⁽⁵⁾	257%	275%	283%
Comprehensive Equity⁽¹⁾⁽⁶⁾	87,600	85,424	86,415
Leverage Ratio⁽⁷⁾	13.1%	12.1%	11.4%

- (1) Definitions of VONB, ANP, TWPI, OPAT, EV Equity, Group LCSM Coverage Ratio and Comprehensive Equity are provided in the Glossary beginning on page A-1 of this Offering Circular.
- (2) VONB and ANP include the results from our 49% shareholding in Tata AIA Life. VONB and ANP do not include any contribution from our 24.99% shareholding in China Post Life. Both the IFRS Accounting Standards results of Tata AIA Life and China Post Life are accounted for using the equity method.
- (3) TWPI does not include any contribution from Tata AIA Life and China Post Life.
- (4) For a reconciliation of OPAT to net profit, see note 5 to our 2024 audited consolidated financial statements included elsewhere in this Offering Circular and note 5 to our 2023 audited consolidated financial statements. OPAT is before non-operating investment returns and other items, net of tax.
- (5) The Group LCSM Coverage Ratio on the GWS basis is referred to as the "eligible group capital resources coverage ratio" in the GWS framework and is defined as the ratio of the eligible group capital resources to the GPCR.
- (6) Comprehensive Equity is the total of shareholders' equity and net contractual service margin after allowing for reinsurance, taxes and net of non-controlling interests, please see details in "Management's Discussion and Analysis Of Financial Condition and Results Of Operations".
- (7) The leverage ratio is defined as total borrowings expressed as a percentage of the sum of total borrowings, total equity and contractual service margin net of reinsurance and net of taxes. Contractual service margin is defined as a component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit the entity will recognise as it provides insurance contract services under the insurance contracts in the group. The previously reported leverage ratio was calculated by dividing Total Borrowings by Total Capitalisation, each as set out or defined in "Total Capitalisation".

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis together with our 2024 and 2023 audited consolidated financial statements, and the accompanying notes thereto, which are included elsewhere in this Offering Circular, together with the other information included elsewhere in this Offering Circular. This section contains forward-looking statements that involve risks and uncertainties. Our results may differ materially from those discussed in those forward-looking statements as a result of various factors, including those described under "Risk Factors".

OVERVIEW

We are the holding company of the largest independent publicly listed pan-Asian life insurance group in the world. We trace our roots to 1919 when C.V. Starr, a young American entrepreneur, established a fire and marine insurance agency in Shanghai. From this beginning, we have built a long and established record that provides us with significant experience and expertise, enabling us to offer products and services across all classes of consumers, from the mass market to high-net-worth individuals and corporate clients, across our geographical markets. We are a market leader in the Asia region based on life insurance premiums and we hold leading positions across the majority of geographical markets in which we operate.¹⁷ We were an early entrant to a number of our Key Segments and are distinguished in many markets by our consistent presence operating through wholly-owned subsidiaries and branches. Our brand is widely known and highly respected in the markets we serve, and we believe our reputation is that of an industry leader in quality and service excellence.

As of 31 December 2024, we had total assets of US\$305,454 million and total equity attributable to shareholders of the Issuer of US\$40,490 million. For the year ended 31 December 2024, VONB was US\$4,712 million and OPAT was US\$6,605 million. We have maintained a stable persistency rate of 94%, 94% and 95% for the years ended 31 December 2024, 2023 and 2022, respectively. We had ANP of US\$8,606 million and TWPI of US\$41,398 million for the year ended 31 December 2024, with 81% of our TWPI consisting of renewal premiums. As of 31 December 2024, we had EV Equity of US\$71,626 million.

ACCOUNTING STANDARD CHANGE

We adopted the accounting standards of IFRS 9 and IFRS 17 from 1 January 2023. The audited consolidated financial statements as of and for the years ended 31 December 2024 and 31 December 2023 included elsewhere in this Offering Circular have been prepared based on such accounting standards. The effects of the adoption of such accounting standards have been restated in the consolidated financial information as of and for the year ended 31 December 2022, as set forth in the 2023 audited consolidated financial statements included elsewhere in this Offering Circular.

IFRS 9 and IFRS 17 do not impact the underlying economics of the Group's business, with no material changes to VONB, embedded value, solvency, capital and cash generation.

The supplementary embedded value information for the years ended 31 December 2024 and 31 December 2023 included elsewhere in this Offering Circular has been prepared after the adoption of the accounting standards IFRS 9 and IFRS 17. The comparative supplementary embedded value information for the year ended 31 December 2022 has not been restated.

For additional information relating to the accounting standards, see the notes to our audited consolidated financial statements as of and for the years ended 31 December 2024 and 31 December 2023 included elsewhere in this Offering Circular and "*Risk Factors - Changes in accounting standards may adversely affect the Group's financial condition and impact its results of operations*".

¹⁷ Based on premiums. Market rankings are based on latest available data published by relevant regulatory and industry sources, as well as our own internal estimates where reasonable.

KEY PERFORMANCE INDICATORS

We measure the scale and profitability of our business using various key performance indicators, including the following:

- Value of new business ("**VONB**"): VONB, our most important value metric, measures the value of new business written in the reporting period. It is the present value, measured at the point of sale, of projected after-tax statutory profits emerging in the future from new business sold in the period, less the cost of holding the required capital in excess of regulatory reserves to support this business.
- Annualised new premiums ("**ANP**"): ANP is our measure of new business in the reporting period, consisting of 100% of annualised first year premiums and 10% of single premiums, before reinsurance ceded. ANP excludes new business of pension business, personal lines and motor insurance (of which we sell very small amounts in a limited number of markets).
- Total weighted premium income ("**TWPI**"): TWPI provides a volume measure of transactions undertaken in the reporting period that have the potential to generate profits for our shareholders. TWPI consists of 100% of renewal premiums, 100% of first year premiums and 10% of single premiums, before reinsurance ceded. We apply a weighting of 10% 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 in a regular premium sale. In this manner, TWPI provides an indication of our longer-term business volumes as it smooths the peaks and troughs in single premiums. There are two key drivers of TWPI, namely the persistency of the renewal premiums generated by our in-force portfolio and our new business.
- Operating profit after tax ("**OPAT**"): OPAT is the Group's core measure of operating earnings, determined using, among others, expected long-term investment returns for equities and real estate. Short-term fluctuations between expected long-term investment returns and actual investment returns for these asset classes are excluded from operating profit. The investment return assumptions used to determine expected long-term investment returns are based on the assumptions applied by the Group in determining its embedded value and are disclosed in the Supplementary Embedded Value Information.
- Equity attributable to shareholders of the Issuer on the embedded value basis ("**EV Equity**"): EV Equity is the total of embedded value ("**EV**"), goodwill and other intangible assets attributable to shareholders of the Issuer. EV is an actuarially determined estimate of the economic value of a life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to future new business. EV for the Issuer is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses. EV by market is stated before adjustments to reflect consolidated reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis. EV is comprised of two components: the value of in-force business ("**VIF**") and adjusted net worth ("**ANW**"). VIF is the present value of projected after-tax statutory profits emerging in the future from the current in-force business less the cost arising from holding the required capital to support the in-force business. VIF for the Issuer is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VIF by market is stated before adjustments to reflect consolidated reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis. ANW is the market value of assets in excess of the assets backing the policy reserves and other liabilities of the life (and similar) business of the Issuer, plus the IFRS Equity value of other activities, such as general insurance business, less the value of intangible assets. It excludes any amounts not attributable to shareholders of the Issuer. ANW for the Issuer is stated after adjustment to reflect consolidated reserving requirements. ANW by market is stated before adjustment to reflect consolidated reserving requirements, and presented on a local statutory basis. Goodwill and other intangible assets are consistent with the amounts reported in our IFRS

Accounting Standards financial statements, net of tax, amounts attributable to participating funds and non-controlling interests.

The following table shows VONB, ANP, TWPI, OPAT and EV Equity as of and for the periods indicated.

	As of and for the Year ended 31			Change	
	December				
	2024	2023	2022	2024/2023	2023/2022
	(in US\$ millions)			2024/2023	
				(%)	
VONB ⁽¹⁾	4,712	4,034	3,092	17	30
ANP ⁽¹⁾	8,606	7,650	5,407	12	41
TWPI ⁽²⁾	41,398	37,939	36,176	9	5
OPAT ⁽³⁾	6,605	6,213	6,421	6	(3)
EV Equity ⁽⁴⁾	71,626	70,153	71,202	2	(1)

(1) Includes the contribution from Tata AIA Life attributable to our 49% interest in Tata AIA Life. Excludes the contribution from China Post Life.

(2) TWPI excludes the contribution from Tata AIA Life and China Post Life.

(3) OPAT includes the contribution from Tata AIA Life and China Post Life.

(4) EV Equity includes the contribution from Tata AIA Life and China Post Life.

Our Key Performance Indicators are non-GAAP financial measures used for management decision-making and internal performance management purposes. Non-GAAP financial measures are not measures of our performance under IFRS Accounting Standards and should not be considered in isolation or as alternatives to any performance measures derived in accordance with IFRS Accounting Standards or any other generally accepted accounting principles.

GEOGRAPHICAL SEGMENTS

We report our financial results on a geographical segment basis. This includes reporting separately the results for each of our Key Segments and an “Other Markets” segment. Our Other Markets segment includes the combined results for Australia, New Zealand, Cambodia, Indonesia, South Korea, Sri Lanka, the Philippines, Taiwan (China), Vietnam and Myanmar as well as our interest in our joint venture in India.

Finally, we also provide information of our Group Corporate Centre. The Group Corporate Centre segment includes our corporate functions, shared services, investment in China Post Life and elimination of intra-group transactions.

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations, as well as the comparability of our results of operations between periods, are affected by a number of factors, including: economic conditions and demographic fundamentals in the Asia region; fluctuations in market interest rates and credit risk; fluctuations in equity markets; fluctuations in foreign exchange rates; regulatory environment; customer sentiment and policyholder behaviour; claims experience; product mix and multi-channel distribution; and competition in our geographical markets.

Economic conditions and demographic fundamentals in the Asia region

The Asia region’s economic growth trends, household savings rates, demographic profiles and life insurance penetration rates are some of the key factors affecting the performance of the region’s life insurance industry. As we have a presence in 18 geographical markets across the region and provide a range of products to different customer segments, our business is less susceptible to adverse trends in any one geographical market. However, if the economic conditions in the Asia region deteriorate, or the impact on our business is different from what

we expect, our financial condition and results of operations may be materially and adversely affected.

Fluctuations in market interest rates and credit risk

We are affected by fluctuations in market interest rates as a substantial portion of our invested assets is held in fixed income debt securities. Movements in interest rates and credit spreads may affect the level and timing of recognition of gains and losses on debt securities and other investments held in our invested assets. A period of rising interest rates should, over time, increase our investment income, but may reduce the market value of our invested assets. Conversely, a sustained period of lower interest rates or credit spreads would generally reduce the investment yield of our invested assets over time as higher yielding investments mature or are redeemed and proceeds are reinvested in new investments with lower yields. However, declining interest rates would also increase realised and unrealised gains on our existing investments. Our holding of debt securities also exposes us to corporate, sovereign and other credit risk.

In addition, interest rate risk arises from our insurance and investment contracts with fully guaranteed benefit features. These contracts carry the risk that interest income from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable as interest rates fall or fail to meet customer expectations for participating or universal life products. In periods of rapidly increasing interest rates, changing yield curves or changing spreads of credit instruments, policy loans, surrenders and withdrawals may increase. These events may result in cash payments by the Group requiring the sale of invested assets at a time of declining prices, which may result in realised losses. In addition, when interest rates increase, third-party financing of premiums may decrease, leading to a reduction in the premiums we earn.

Fluctuations in equity markets

Fluctuations in equity markets may affect our investment returns and sales of our insurance products. Our exposure to equity markets is significantly less than our exposure to debt markets, with equity shares and interests in investment funds representing only 24% of the total Policyholder and Shareholder Investments as of 31 December 2024. The investment risk associated with investments held by participating funds is shared between our policyholders and our shareholders based on the minimum policyholder participation ratios established by local regulations, whereas the investment risk associated with investments held by other participating business is shared between our policyholders and our shareholders where the timing or amount of the sharing are at the discretion of the Group as an insurer. 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.

Sales of unit-linked products typically decrease 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. Policy loans, surrenders and withdrawals may increase at times of declining equity markets. In addition, lower investment returns for our unit-linked products would also reduce the asset management and other fees we earn, certain of which are based on the account balance of these contracts. Conversely, in periods of rapidly rising equity markets, surrenders may increase as customers lock in the capital gains, leading to an overall lower account balance and therefore lower fees earned where such fees are based on the account balance of these contracts.

Fluctuations in foreign exchange rates

Our business has a presence in 18 geographical markets in the Asia region. As each of our operating units operates largely in its local currency (except for Hong Kong, which is primarily denominated in U.S. dollars), we face foreign exchange rate risk arising from the translation of

the functional currencies of our local operations to our reporting currency, the U.S. dollar. In addition, profits generated in local currencies by our operating units must be converted to U.S. dollars at the exchange rate in effect on the date at which they are repatriated to the Group.

We strive for our operating units to be generally matched through both assets and liabilities being denominated in their functional currencies. Some operating units, however, are subject to foreign exchange rate risk, mainly through investment in assets denominated in currencies other than its functional currency. This foreign exchange rate risk is partially mitigated through hedging activities that predominantly include derivatives such as cross-currency swaps and foreign exchange forward contracts.

Regulatory environment

We are subject to the regulatory oversight of a number of financial services, insurance, tax, securities and related regulators, as described in “*Regulation*” in this Offering Circular. These regulators have broad authority over our business, including our capital requirements, where we are authorised to operate and our ability to enter certain new lines of business, expand our operations, offer new products, enter into distribution arrangements and declare dividends. These regulators oversee our operations in each of the geographical markets in which we operate and, as a result of this broad and diverse oversight, we are occasionally subject to overlapping, conflicting and/or increased regulation. Our efforts to comply with changes in regulations may lead to increased operating and administrative expenses. In addition, pursuant to the insurance laws, rules and regulations of the various geographical markets in which we operate, we are restricted to a specified range of investment activities. These restrictions may limit our ability to diversify investment risks and improve returns on our invested assets, thereby affecting our results of operations as well as liquidity and solvency positions. Furthermore, we are subject to the tax regime of each geographical market in which we operate. If the tax regime, or the application of the tax regime to us, changes, our tax liabilities in each of these geographical markets could also change materially. See “*Risk Factors – Risks Relating to Our Business – Cross-border operations inherently pose complex legal, political, regulatory, tax and economic risks.*”

Customer sentiment and policyholder behaviour

As an insurer with a long-established track record, a significant portion of our business is on a regular premium basis, which has provided us with a regular stream of renewal premiums. However, customer sentiment and actual policyholder behaviour (such as policy take-up rates, premium holidays, lapses and surrenders) may differ from our expectations due to factors that are outside of our control. In particular, persistency varies over time and from one type of product to another. Persistency measures the proportion of customers who continue to maintain their policies with us, which we calculate by reference to the percentage of insurance policies remaining in-force from month to month, as measured by premiums. Factors that cause policy take-up, lapse and surrender rates to vary over time include changes in investment performance of the assets underlying the contract (in the case of unit-linked and universal life contracts), changes in the rate of policyholder dividends declared relative to competitors, regulatory changes that make alternative products more attractive, customer perception of the insurance industry in general and the Group in particular, and general economic conditions in each of our key markets. These factors can cause our results of operations and the financial position of our business to fluctuate from year to year.

Customers may perceive particular value in contracts with guaranteed features at times of low market interest rates and consequently policy lapses may be lower than expected.

Claims experience

Our reported financial results are affected by our claims experience, which may vary from the assumptions that we make both when we design and price our products and when we calculate our insurance contract liabilities. Claims experience varies over time and from one type of product to another, and may be impacted by specific events and changes in macroeconomic conditions, population demographics, mortality, morbidity and other factors.

We establish liabilities to reflect future expected policyholder benefits and claims. We establish these liabilities and price our products based on many assumptions and estimates, including mortality and morbidity rates, policyholder behaviour, expected premiums, investment return, policy persistency, benefits to be paid and expense to be incurred, as well as macroeconomic factors such as interest rates and inflation. If the net liabilities initially established for future policy benefits prove insufficient, we must increase our net liabilities, which may have a material adverse effect on our business, financial condition and results of operations.

Product mix and multi-channel distribution

We design and distribute a broad range of life insurance, accident and health insurance, savings plans, employee benefits, credit life and pension products. The performance of our operating units, and the revenue we generate, are affected by our ability to deliver the most suitable products to our targeted customer segments through multiple distribution channels in each of our markets on a timely basis. Our ability to expand and build, as well as adequately manage and utilise, alternative distribution channels, including bancassurance, IFAs, brokers and specialist advisers, may affect the performance of our operating units.

Competition in our geographical markets

Competition may negatively affect our business and future business prospects by reducing our market share in the geographical markets in which we operate, decreasing our margins and spreads, increasing our policy acquisition costs and operating expenses or reducing the growth of our customer base. Depending on the nature of the product, our competitors include insurance companies, mutual fund companies, banks and investment management firms.

REVENUES, EXPENSES AND PROFITABILITY

We derive our revenues primarily from:

- insurance premiums from the sale of life insurance policies and annuity contracts, as well as A&H insurance products;
- policy fees for our unit-linked and universal life insurance products; and
- investment returns from our invested assets.

Our expenses consist primarily of:

- the change in insurance and investment contract liabilities;
- insurance and investment contract benefits and claims paid to policyholders;
- commission and other acquisition expenses;
- operating expenses, including employee benefit expenses, operating lease rentals, depreciation and amortisation and other expenses;
- finance costs and other expenses, including investment management expenses; and
- taxation in the various geographical markets in which we operate.

Our profitability depends mainly on our ability to attract new customers, retain existing customers, price and manage risk on insurance products, manage our invested assets and control our expenses.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial information requires selecting accounting policies and making estimates and assumptions that affect the reported amounts of assets, liabilities, and revenue and expenses. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results can always differ from those estimates, possibly significantly. For more information regarding our critical accounting estimates and judgements, see note 3 to our 2024 audited consolidated financial statements included elsewhere in this Offering Circular.

Items that are considered particularly sensitive to changes in estimates and assumptions, and the relevant accounting policies are those which relate to insurance contract liabilities (including investment contracts with a discretionary participation feature ("DPF")), fair value measurement, impairment of financial assets and impairment of goodwill and other intangible assets. These are discussed further below.

Level of aggregation and recognition of group of insurance contracts

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

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

Measurement of insurance contracts not measured under the premium allocation approach

The asset or liability for groups of insurance contracts is measured as the total of fulfilment cash flows and CSM. The fulfilment cash flows of insurance contracts (including investment contracts with DPF) represent 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. We exercise significant judgement in making appropriate assumptions and techniques.

CSM represents the unearned profits that we 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. We exercise 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 services including among others, benefit payments and premiums. We applied 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 judgmental since it involves making an expectation of when claims and lapse will occur.

Fair values of financial assets

We determine 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.

Fair value of property held for own use and investment property

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

Impairment of financial assets

We recognise loss allowances for expected credit losses (“ECL”) on financial assets measured at amortised cost and debt securities measured at fair value through other comprehensive income. The measurement of ECL requires the use of complex models and 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.

At 31 December 2024, the ECL provision represented 0.5% of the bond portfolio measured at amortised cost and measured at fair value through other comprehensive income.

Impairment of goodwill and other intangible assets

For the purposes of impairment testing, goodwill and other intangible assets are grouped into cash-generating units or groups of cash-generating units. These assets are tested for impairment by comparing the carrying amount of the cash-generating unit (group of units), including goodwill, to the recoverable amount of that cash-generating unit (group of units). The determination of the recoverable amount requires significant judgement regarding the selection of appropriate valuation techniques and assumptions.

OVERVIEW OF CONSOLIDATED FINANCIAL RESULTS

The tables below provide a summary of the results of operations for the Group for the years ended 31 December 2024, 2023 and 2022. For more information on performance by each reporting segment, see “– Segmental Information” below.

Discussion of Key Performance Indicators

VONB, ANP, TWPI and OPAT

The following discusses our results as measured by VONB, ANP, TWPI and OPAT for the years ended 31 December 2024, 2023 and 2022. For definitions of these metrics, see “– Overview – Key Performance Indicators”. For a discussion of EV Equity, see “– EV Equity”.

VONB

The following table shows a breakdown of VONB by geographical segment for the years ended 31 December 2024, 2023 and 2022.

	Year ended 31 December		
	2024	2023	2022
	(in US\$ millions)		
Mainland China.....	1,217	1,037	916
Hong Kong.....	1,764	1,430	787
Thailand.....	816	713	585
Singapore	454	394	349
Malaysia	349	319	308
Other Markets ⁽¹⁾	467	406	420
Subtotal	5,067	4,299	3,365
Consolidated capital requirements.....	(73)	(43)	(52)
Value of unallocated Group Office expenses..	(205)	(187)	(192)
Group Corporate Centre tax ⁽²⁾	(38)	-	-
Total before non-controlling interests	4,751	4,069	3,121
Non-controlling interests.....	(39)	(35)	(29)
Total	4,712	4,034	3,092

(1) Includes the contribution from Tata AIA Life attributable to our 49% interest in Tata AIA Life. VONB does not include any contribution from our 24.99% shareholding in China Post Life.

(2) Relates to new corporate income tax rules enacted in Bermuda.

VONB was US\$4,712 million for the year ended 31 December 2024, an increase of 17% from US\$4,034 million for the year ended 31 December 2023, driven by growth in all of our reportable segments, demonstrating the strength of our business model and geographical diversification. Premier Agency achieved 15% growth in VONB, resulting from an increase in the number of active agents and higher productivity. VONB from our partnership distribution grew by 26% with growth from both bancassurance and intermediated channels.

AIA China’s VONB increased by 17% for the year ended 31 December 2024 compared to the year ended 31 December 2023, resulting from an increase in VONB from our agency channel and from our bancassurance partnerships.

AIA Hong Kong recorded 23% increase in VONB for the year ended 31 December 2024 compared to the year ended 31 December 2023, with a 24% increase from domestic customers and 22% growth from Mainland Chinese visitor (MCV) customers. Both segments made broadly equal contributions to Hong Kong’s VONB for the year ended 31 December 2024, reflecting our well-diversified and growing customer base. Our market-leading Premier Agency in Hong Kong and Macau delivered 23% VONB growth from an increase in the number of active agents and

higher productivity. As our principal distribution channel, agency contributed more than 70% of Hong Kong's VONB. VONB from our partnership distribution channel grew by 25%, driven by growth in both our bancassurance and intermediated channels.

AIA Thailand's VONB increased by 14% for the year ended 31 December 2024 compared to the year ended 31 December 2023, driven by 7% growth in ANP and a 6.2 percentage points increase in VONB margin, demonstrating AIA Thailand's dominance in health, protection and unit linked business, founded on our differentiated Premier Agency model. Agency VONB increased by 16% from higher productivity and increase in the number of active agents. Our strategic partner Bangkok Bank delivered 17% VONB growth, supported by higher productivity and the number of active insurance sellers, as well as the launch of a new long-term savings and retirement proposition.

AIA Singapore's VONB increased by 15% for the year ended 31 December 2024 compared to the year ended 31 December 2023, supported by increases across both our agency and partnership distribution channels. Our agency channel delivered a 16% increase in VONB, supported by higher productivity, as well as growth in the number of active and new agents. Partnership distribution further strengthened our reach in the wealth management segment and achieved 11% VONB growth driven by sales of high-net-worth and savings products, supported by our new wealth propositions.

AIA Malaysia reported 9% VONB growth for the year ended 31 December 2024 compared with the year ended 31 December 2023, supported by ANP growth and a high-quality product mix with a VONB margin of 67.3%. Our strategic partnership with Public Bank Berhad achieved 21% VONB growth, with an increased focus on our high-net-worth propositions to the bank's customers, supported by an improvement in the number of active sellers and higher productivity.

VONB for Other Markets increased by 15% for the year ended 31 December 2024 compared to the year ended 31 December 2023, with all our markets within this segment reporting positive VONB growth except for New Zealand which reported flat growth for the year ended 31 December 2024 compared to the year ended 31 December 2023.

VONB was US\$4,034 million for the year ended 31 December 2023, an increase of 30% from US\$3,092 million for the year ended 31 December 2022, driven by strong growth in 8 of our markets. Our Premier Agency channel delivered VONB growth of 21% and a recovery in our partnership distribution channel generated an increase of 55% in VONB compared with the year ended 31 December 2022. VONB margin declined by 4.4 percentage points to 52.6% in the year ended 31 December 2023 compared with 57.0% in the year ended 31 December 2022. The decline was mainly driven by a shift in the Group's product mix towards long-term savings products and a greater bancassurance contribution in Mainland China. A more favourable product mix and repricing supported an improved VONB margin of 54.5% in the six months ended 31 December 2023 as compared with the six months ended 30 June 2023.

AIA China's VONB increased by 13% for the year ended 31 December 2023 compared to the year ended 31 December 2022, driven by the growth in both of our Premier Agency and bancassurance channels. We saw improved momentum once normal day-to-day activities resumed following the relaxation of COVID-19 restrictions with a 22% increase in VONB from February to December 2023, compared with the same period in the year ended 31 December 2022.

AIA Hong Kong recorded an 82% increase in VONB for the year ended 31 December 2023 compared to the year ended 31 December 2022, supported by the return of Mainland Chinese visitors following the resumption of cross-border travel in February and growth from our domestic customer segment. VONB growth was driven by the growth in our Premier Agency, demonstrating the quality and professionalism of our people and disciplined execution of our agency strategy. Additionally, VONB in the partnership channel grew, supported by both our intermediated channels and long-term strategic partnerships with BEA and Citibank.

AIA Thailand's VONB increased by 22% for the year ended 31 December 2023 compared to the year ended 31 December 2022, driven by growth from both our agency and partnership channels. Our strategic bancassurance partner, Bangkok Bank, delivered VONB growth, driven by higher productivity of insurance sellers and increased new business from health protection products with the launch of AIA Vitality with the bank in March 2023.

AIA Singapore's VONB increased by 13% for the year ended 31 December 2023 compared to the year ended 31 December 2022, driven by the growth in both Premier Agency, which was supported by an increase in agent productivity, and partnerships channel, driven by our strategic partnership with Citibank, and new business from other partners which are focused on affluent and high-net-worth customers.

AIA Malaysia reported 4% VONB growth for the year ended 31 December 2023 compared with the year ended 31 December 2022, driven by the growth in both agency and partnership channels. Our agency delivered VONB growth as we continued to enhance our digital tools, supporting increases in agent activity and productivity. Our partnership channel delivered VONB growth supported by our strategic partnership with Public Bank Berhad, as we collaborated to increase penetration of the bank's high-net-worth customer segment and increased the number of insurance specialists.

VONB for Other Markets was 3% lower for the year ended 31 December 2023 compared to the year ended 31 December 2022, primarily due to a decline in Vietnam's VONB and the appreciation of the U.S. dollar during the year ended 31 December 2023 that reduced the local currency earnings in U.S. dollar terms. In Vietnam, negative consumer sentiment continued to impact the life insurance industry throughout the year. Excluding Vietnam, Other Markets delivered 11% VONB growth for the year ended 31 December 2023 compared to the year ended 31 December 2022.

ANP

The following table shows a breakdown of ANP by geographical segment for the years ended 31 December 2024, 2023 and 2022.

	Year ended 31 December		
	2024	2023	2022
	(in US\$ millions)		
Mainland China	2,168	2,023	1,319
Hong Kong.....	2,609	2,407	1,078
Thailand.....	821	765	655
Singapore	897	586	531
Malaysia	517	473	440
Other Markets ⁽¹⁾	1,594	1,396	1,384
Total	8,606	7,650	5,407

(1) Includes the contribution from Tata AIA Life attributable to our 49% interest in Tata AIA Life. ANP does not include any contribution from our 24.99% shareholding in China Post Life.

ANP increased by 12% to US\$8,606 million in the year ended 31 December 2024 compared with the year ended 31 December 2023. New business regular premiums as a ratio of overall ANP remained at 95% in the year ended 31 December 2024. The growth of ANP in the year ended 31 December 2024 compared with the year ended 31 December 2023 was primarily driven by higher production from Mainland China and Hong Kong.

ANP increased by 41% to US\$7,650 million in the year ended 31 December 2023 compared with the year ended 31 December 2022. New business regular premiums as a ratio of overall ANP increased by 4 percentage points to 95% in the year ended 31 December 2023. The growth of ANP in the year ended 31 December 2023 compared with the year ended 31

December 2022 was primarily driven by higher production from Mainland China and Hong Kong.

TWPI

The following table shows a breakdown of TWPI by geographical segment for the years ended 31 December 2024, 2023 and 2022.

	Year ended 31 December		
	2024	2023	2022
	(in US\$ millions)		
Mainland China.....	9,874	8,589	7,592
Hong Kong.....	12,456	11,554	11,237
Thailand.....	4,674	4,425	4,166
Singapore.....	4,445	3,912	3,577
Malaysia.....	2,742	2,565	2,464
Other Markets ⁽¹⁾	7,207	6,894	7,140
Total.....	41,398	37,939	36,176

(1) Excludes Tata AIA Life and China Post Life.

TWPI was US\$41,398 million in the year ended 31 December 2024, an increase of 9% from US\$37,939 million in the year ended 31 December 2023. All our reportable segments delivered positive TWPI growth in the year ended 31 December 2024.

TWPI was US\$37,939 million in the year ended 31 December 2023, an increase of 5% from US\$36,176 million in the year ended 31 December 2022, driven primarily by the positive growth delivered by all five of our largest operating segments. In Hong Kong, TWPI increased by 3% for the year ended 31 December 2023 compared to the year ended 31 December 2022, driven by strong ANP growth that was partly offset by a cohort of long-term participating policies reaching the end of their premium payment terms, while continuing to remain in-force and generate OPAT.

OPAT

The following table shows a breakdown of OPAT by geographical segment for the years ended 31 December 2024, 2023 and 2022.

	Year ended 31 December		
	2024	2023	2022
	(in US\$ millions)		
			(as restated) ⁽¹⁾
Mainland China.....	1,597	1,548	1,551
Hong Kong.....	2,499	2,180	2,202
Thailand.....	1,019	951	977
Singapore.....	669	669	655
Malaysia.....	331	293	362
Other Markets ⁽²⁾	507	560	710
Group Corporate Centre.....	(17)	12	(36)
Total.....	6,605	6,213	6,421

(1) Prepared on the basis of IFRS 9 and IFRS 17, as set forth in the 2023 audited consolidated financial statements included elsewhere in this Offering Circular.

(2) Includes Tata AIA Life.

OPAT was US\$6,605 million in the year ended 31 December 2024, an increase of 6% from US\$6,213 million for the year ended 31 December 2023.

AIA China reported 3% growth in OPAT for the year ended 31 December 2024 compared to the year ended 31 December 2023, driven by an increase in net investment result due to growth in our asset portfolio, and this was partly offset by the effect of lower interest rates.

AIA Hong Kong achieved 15% growth in OPAT for the year ended 31 December 2024 compared to year ended 31 December 2023, mainly driven by business growth and positive operating variances.

AIA Thailand delivered OPAT growth of 7% for the year ended 31 December 2024 compared to the year ended 31 December 2023, driven by business growth, partly offset by negative operating variances after a prolonged flu season led to higher claims in the six months ended 31 December 2024. We continued to monitor claims experience and took further actions in the six months ended 31 December 2024 to enhance claims management.

AIA Singapore's OPAT remained stable for the year ended 31 December 2024 compared to the year ended 31 December 2023, as business growth was offset by lower investment income on surplus assets due to increased remittances to support the share buy-back, as well as lower positive non-medical claims experience compared to the year ended 31 December 2023.

AIA Malaysia delivered OPAT growth of 13% for the year ended 31 December 2024 compared to the year ended 31 December 2023, supported by increased CSM release and net investment result reflecting business growth and favourable equity market performance.

Other Market's OPAT decreased by 9% for the year ended 31 December 2024 compared to the year ended 31 December 2023, driven by growth in the CSM release, offset by increased disability claims in Australia in line with market trends. In addition, the comparatives for the year ended 31 December 2023 included the earnings from the Savings and Investments ("S&I") business in Australia until its disposal in the six months ended 31 December 2023.

OPAT was US\$6,213 million in the year ended 31 December 2023, a decrease of 3% from US\$6,421 million for the year ended 31 December 2022. In line with global trends since the end of the COVID-19 pandemic, we have seen a significant increase in claims across our health insurance portfolios which were offset by the 4% increase in CSM release to US\$5,314 million. Our health insurance portfolio is comprised of renewable policies. We included provisions for additional claims in our IFRS and EV equity assumptions at 31 December 2023. Excluding the effect of higher medical claims and minor IFRS model refinements, OPAT grew by 1% on an underlying basis for the year ended 31 December 2023 compared to the year ended 31 December 2022.

AIA China reported flat growth in OPAT for the year ended 31 December 2023 compared to the year ended 31 December 2022, driven by the growth in our in-force portfolio which was offset by the appreciation of the U.S. dollar during the year ended 31 December 2023 that reduced the local currency earnings in U.S. dollar terms.

AIA Hong Kong's OPAT for the year ended 31 December 2023 of US\$2,180 million was broadly flat compared to year ended 31 December 2022 as growth in the in-force portfolio was offset by the effect on investment income, resulting from a US\$2,800 million remittance to the Group Corporate Centre in the year ended 31 December 2022 to support the share buy-back, as well as increased medical claims. Excluding the impact of medical claims, OPAT growth was 2% for the year ended 31 December 2023. We repriced the majority of our medical business in the year ended 31 December 2023 and we plan to further increase premium rates in 2024.

AIA Thailand's OPAT was lower by 3% for the year ended 31 December 2023 compared to the year ended 31 December 2022, primarily due to the effects of model refinements. Excluding the effects of model refinements, OPAT increased by 3% compared to the year ended 31 December 2022.

OPAT in AIA Singapore increased by 2% for the year ended 31 December 2023 compared to the year ended 31 December 2022, driven by the appreciation of the Singapore dollar against the U.S. dollar, which was partly offset by the lower net investment income resulting from an increased remittance to the Group Corporate Centre of US\$300 million in the year ended 31 December 2023 to support the share buy-back. While we saw higher medical claims compared with year ended 30 December 2022, the effect was offset by positive experience from non-medical claims.

AIA Malaysia's OPAT decreased by 19% for the year ended 31 December 2023 compared to the year ended 31 December 2022, driven by higher medical claims which was offset by the growth in the in-force portfolio. Excluding the impact of medical claims, OPAT growth was 5% for the year ended 31 December 2023. We repriced medical business in the year ended 31 December 2023, with further premium increases planned for 2024.

Other Market's OPAT decreased by 21% for the year ended 31 December 2023 compared to the year ended 31 December 2022, driven by unfavourable medical claims experience and the appreciation of the U.S. dollar during the year ended 31 December 2023 that reduced the local currency earnings in U.S. dollar terms, offset by new business growth. Excluding the effects of model refinements, OPAT decreased by 14% for the year ended 31 December 2023 compared to the year ended 31 December 2022.

OPAT for Group Corporate Centre is comparatively small and primarily includes the net investment results on surplus assets held in Group Corporate Centre, unallocated Group Office operating expenses and finance costs.

Discussion of Selected Consolidated Income Statement and Balance Sheet Information

The following discusses certain selected consolidated income statement and balance sheet information for the years ended 31 December 2024, 2023 and 2022.

OPAT Composition

	Year ended 31 December		
	2024 ⁽¹⁾	2023 ⁽¹⁾	2022
			(as restated)
	(in US\$ millions)		
CSM release.....	5,625	5,314	5,121
Operating variances.....	(56)	(271)	55
Risk adjustment release and other...	122	81	290
Insurance service result.....	5,691	5,124	5,466
Net investment result.....	3,528	3,581	3,597
Investment management expenses..	(225)	(187)	(186)
Net investment result after			
expenses.....	3,303	3,394	3,411
Net other fees and revenue ⁽²⁾	144	76	(74)
Non-attributable expenses under IFRS			
17.....	(925)	(921)	(955)
Finance costs.....	(489)	(453)	(377)
Other fees, revenue and expenses	(1,270)	(1,298)	(1,406)
Tax.....	(1,119)	(1,007)	(1,050)
Total OPAT.....	6,605	6,213	6,421

(1) OPAT composition is based on the updated presentation in note 7 to the 2024 audited consolidated financial statements.

(2) After adjusting for non-insurance expenses.

OPAT increased to US\$6,605 million for the year ended 31 December 2024 from US\$6,213 million for the year ended 31 December 2023. Operating margin was 16%, reflecting our high-quality sources of earnings.

There are three main components of OPAT, which are insurance service result, net investment result after expenses, and other fees, revenue and expenses. The insurance service result increased by 11% for the year ended 31 December 2024 compared to the year ended 31 December 2023 and was the main driver of growth, representing 74% of operating profit before tax for the year ended 31 December 2024.

The insurance service result included 6% growth in the CSM release to US\$5,625 million and benefited from an increase in operating variances by US\$215 million in the year ended 31 December 2024 compared with the year ended 31 December 2023, supported by management actions taken on medical business.

The net investment result after expenses of US\$3,303 million was 3% lower in the year ended 31 December 2024 compared with the year ended 31 December 2023, reflecting a reduction in investment return on surplus assets used to support the share buy-back, and following the sale of our S&I business in Australia, which was completed in the six months ended 31 December 2023. Adjusting for these items, the net investment result after expenses grew by 4%.

Other fees, revenue and expenses remained stable in the year ended 31 December 2024 compared to the year ended 31 December 2023. It included expenses not directly attributable to insurance contracts under IFRS 17 of US\$925 million, finance costs of US\$489 million and net other fees and revenue of positive US\$144 million.

OPAT decreased to US\$6,213 million for the year ended 31 December 2023, from US\$6,421 million for the year ended 31 December 2022. Operating margin remained strong at 16.4%, reflecting our high-quality sources of earnings.

The CSM release for the year ended 31 December 2023 increased by 4% to US\$5,314 million, driven mainly by the 16% growth in the new business CSM added in the year ended 31 December 2023, which was offset by the effects of higher medical claims, leading to a 7% decline in insurance service result to US\$5,091 million. Medical claims experience flows through both operating variances and the risk adjustment release and "other", which includes the earnings from our large corporate solutions business. In line with global trends since the end of the COVID-19 pandemic, we have seen a significant increase in claims across our health insurance portfolios. In response to the higher medical claims experience, we are increasing premium rates for our health insurance portfolios as they renew.

We made minor refinements to our models for the reported results of the year ended 31 December 2023, applying a consistent approach to IFRS 9 and IFRS 17 principles across our operations. Excluding the effect of higher medical claims and minor model refinements, OPAT grew by 1% on an underlying basis.

The net investment result after expenses increased by 6% to US\$3,605 million, mainly due to higher equity asset balances and increased long-term investment returns assumptions for the year ended 31 December 2023 compared with the year ended 31 December 2022.

Other fees, revenue and expenses of negative US\$1,381 million for the year ended 31 December 2023 remained broadly stable compared with the year ended 31 December 2022. Finance costs for the year ended 31 December 2023 increased to US\$453 million compared to the year ended 31 December 2022 mainly due to higher interest costs on repos used for liquidity management and the increased outstanding balance on this Programme.

IFRS Balance Sheet

	As at 31 December		
	2024	2023	2022
			(as restated)
	(in US\$ millions)		
Assets			
Financial investments.....	272,151	248,958	235,954
Investment property.....	4,570	4,504	4,600
Cash and cash equivalents	8,101	11,525	8,969
Insurance and reinsurance contract assets ...	6,702	7,504	7,800
Other assets	13,930	13,828	13,148
Total assets	305,454	286,319	270,471
Liabilities			
Insurance and reinsurance contract liabilities	221,667	203,607	183,305
Investment contract liabilities	6,967	9,170	11,986
Borrowings.....	13,329	11,800	11,206
Other liabilities.....	22,678	20,148	18,826
Less total liabilities	264,641	244,725	225,323
Equity			
Total equity	40,813	41,594	45,148
Less non-controlling interests	323	483	476
Shareholders' equity	40,490	41,111	44,672

Assets

Total assets increased by US\$19,135 million to US\$305,454 million as at 31 December 2024, mainly due to positive net investment cash inflows and fair value movements on financial investments, partly offset by the return of capital to shareholders.

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

Liabilities

Total liabilities increased to US\$264,641 million as at 31 December 2024 from US\$244,725 million as at 31 December 2023.

Insurance and reinsurance contract liabilities increased to US\$221,667 million as at 31 December 2024 compared with US\$203,607 million as at 31 December 2023, mainly from net cash inflows and changes in liability discount rates, partly offset by the reduction from foreign exchange rate movements.

Investment contract liabilities reduced to US\$6,967 million as at 31 December 2024 compared with US\$9,170 million as at 31 December 2023, as our pension business in Macau including its assets are no longer reflected in the IFRS balance sheet following updated custodial arrangements. This has no impact on our OPAT and shareholders' equity.

Borrowings increased to US\$13,329 million as at 31 December 2024, compared with US\$11,800 million as at 31 December 2023. Net proceeds from the issuances and redemption of medium term notes totaled US\$1,553 million.

Other liabilities increased to US\$22,678 million as at 31 December 2024, compared with US\$20,148 million as at 31 December 2023, driven mainly by an increase in the repo balance.

The leverage ratio, which is defined as total borrowings expressed as a percentage of the sum of total borrowings, total equity and CSM net of reinsurance and net of taxes, was 13.1% as at

31 December 2024, compared with 12.1% as at 31 December 2023. The increase was largely due to an increase in borrowings and a reduced shareholders' equity resulting from capital returns to shareholders, partly offset by an increase in CSM net of reinsurance and net of taxes.

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

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

Investment contract liabilities decreased to US\$9,170 million as at 31 December 2023 compared with US\$11,986 million as at 31 December 2022. The decrease was driven mainly by the completion of the Australian S&I transaction in the second half of 2023.

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

The leverage ratio, which is defined as total borrowings expressed as a percentage of the sum of total borrowings, total equity and CSM net of reinsurance and net of taxes, was 12.1% as at 31 December 2023, compared with 11.4% as at 31 December 2022. The increase was largely due to a reduction in total equity following capital returns to shareholders from shareholder dividends and share buy-back.

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

Comprehensive Equity

	As at 31 December		
	2024	2023	2022
			(as restated)
	(in US\$ millions)		
Shareholders' equity.....	40,490	41,111	44,672
Net CSM ⁽¹⁾	47,110	44,313	41,743
Comprehensive Equity	87,600	85,424	86,415

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

Comprehensive equity of US\$87,600 million as at 31 December 2024 comprised shareholders' equity of US\$40,490 million and net CSM of US\$47,110 million after allowing for reinsurance, taxes and net of non-controlling interests.

Comprehensive equity of US\$85,424 million as at 31 December 2023 comprised shareholders' equity of US\$41,111 million and net CSM of US\$44,313 million after allowing for reinsurance, taxes and net of non-controlling interests.

Movement in Shareholders' Equity

	As at 31 December		
	2024	2023	2022
	(as restated)		
	(in US\$ millions)		
Opening shareholders' equity	41,111	44,672	56,023
Net profit	6,836	3,764	3,331
Fair value gains/(losses) on assets	5,228	4,253	(10,378)
Net finance (expense)/income from insurance contracts and reinsurance contracts held	(5,499)	(5,397)	3,133
Dividends	(2,328)	(2,293)	(2,259)
Share buy-back	(4,150)	(3,637)	(3,570)
Foreign currency translation adjustments	(872)	(215)	(1,667)
Purchase of shares held by employee share-based trusts	(43)	(115)	(103)
Revaluation gains on property held for own use	144	28	62
Other capital movements	63	51	100
Total movement in shareholders' equity	(621)	(3,561)	(11,351)
Closing shareholders' equity	40,490	41,111	44,672

Shareholders' equity increased to US\$46,968 million before capital returns to shareholders of US\$6,478 million. After capital returns, shareholders' equity was US\$40,490 million as at 31 December 2024.

Shareholders' equity includes other comprehensive income or expense from fair value gains on assets due to unrealised market movements on debt securities. Correspondingly, it also includes the net finance expenses from insurance contracts and reinsurance contracts held due to liability discount rate changes in our non-participating business⁽¹⁾. Fair value gains on debt securities were US\$5,228 million, offset by net finance expense from insurance contracts and reinsurance contracts held of US\$5,499 million for the year ended 31 December 2024.

Shareholders' equity increased to US\$47,041 million, before the payment of shareholder dividends of US\$2,293 million and US\$3,637 million additional return of capital to shareholders through the share buy-back programme for the year ended 31 December 2023.

Shareholders' equity reflects the other comprehensive income or expense from fair value gains on assets due to unrealised market movements on debt securities and the net finance expenses from insurance contracts and reinsurance contracts held due to liability discount rate changes in our non-participating business⁽¹⁾. Fair value gains on debt securities were US\$4,253 million, offset by net finance expense from insurance contracts and reinsurance contracts held of US\$5,397 million for the year ended 31 December 2023.

Shareholders' equity was US\$41,111 million as at 31 December 2023.

(1) Excluding unit-linked with significant protection benefits.

CSM Movement, Net of Reinsurance

	Year ended 31 December		
	2024	2023	2022
	(as restated)		
	(in US\$ millions, unless stated otherwise)		
Opening CSM	53,115	50,225	52,946
New business CSM	7,675	6,974	6,031
Expected return on in-force	2,799	2,569	2,361
CSM before variances and others, exchange rates and release	63,589	59,768	61,338
Variances and others	(956)	(992)	(3,901)
Exchange rates	(777)	(347)	(2,091)
Closing CSM before release	61,856	58,429	55,346
CSM release	(5,625)	(5,314)	(5,121)
Closing CSM	56,231	53,115	50,225
CSM release rate⁽¹⁾	9.4%	9.5%	9.4%

(1) Calculated after variances and others and exchange rates. The Group enhanced the CSM release rate presentation by using end-of-period exchange rates to derive the CSM release rate for the six months ended 30 June 2024 and the six months ended 31 December 2024 respectively, and the CSM release rate for the year ended 31 December 2024 is based on a blended rate of the CSM release rates for the six months ended 30 June 2024 and the six months ended 31 December 2024.

We delivered a 10% increase in new business CSM of US\$7,675 million and the expected return on in-force business added a further US\$2,799 million. Together these increased the CSM to US\$63,589 million, equivalent to 20% growth.

Variances and others reduced the CSM by US\$956 million in the year ended 31 December 2024, largely driven by Hong Kong participating business as higher U.S. dollar interest rates led to a corresponding increase in discount rates, and modelling refinements.

Foreign exchange translation effects in the Group's consolidated figures reduced the CSM by US\$777 million as we report in U.S. dollars.

The CSM increased to US\$61,856 million before the release of CSM of US\$5,625 million into OPAT. The closing CSM was US\$56,231 million at 31 December 2024.

We delivered a 16% increase in CSM before the release to OPAT to US\$58,429 million for the year ended 31 December 2023. CSM growth was driven primarily by the addition of new business CSM of US\$6,974 million and the expected return on the in-force business of US\$2,569 million. New business CSM grew by 16%, reflecting the strong sales growth achieved for the year ended 31 December 2023.

CSM variances and others of negative US\$992 million for the year ended 31 December 2023 were mainly driven by capital market movements and include a specific provision of approximately US\$400 million for expected medical claims while we reflect current experience through higher premium rates across our health insurance portfolios. In the six months ended 31 December 2023, CSM variances and others were positive at US\$451 million.

Foreign exchange rate movements reduced the CSM by US\$347 million for the year ended 31 December 2023.

The closing CSM balance of US\$53,115 million reflected the release of CSM of US\$5,314 million into OPAT for the year ended 31 December 2023. The CSM release rate remained stable at 9.5% for the year ended 31 December 2023 compared with 9.4% for the year ended 31 December 2022. Net of the release to OPAT, we delivered underlying growth in the CSM of US\$4,229 million, equivalent to 8.4% growth during the year ended 31 December 2023.

Insurance Revenue

	Year ended 31 December		
	2024	2023	2022
			(as restated)
	(in US\$ millions)		
Contracts not measured under the premium allocation approach			
Amounts related to changes in liabilities for remaining coverage			
Contractual service margin recognised for services provided	5,958	5,605	5,363
Change in risk adjustment for non-financial risk for risk expired	236	210	260
Expected incurred claims and other insurance service expenses.....	8,960	8,239	8,092
Others	134	85	113
Recovery of insurance acquisition cash flows	<u>1,073</u>	<u>968</u>	<u>696</u>
	16,361	15,107	14,524
Contracts measured under the premium allocation approach	2,953	2,407	1,795
Total Insurance revenue	19,314	17,514	16,319

The insurance revenue increased by 10% to US\$19,314 million for the year ended 31 December 2024 compared with US\$17,514 million for the year ended 31 December 2023, driven by overall business growth.

The insurance revenue increased by 7% to US\$17,514 million for the year ended 31 December 2023 compared with US\$16,319 million for the year ended 31 December 2022, driven by overall business growth.

IFRS Accounting Standards Operating Net Investment Result

	Year ended 31 December 2024		
	Participating ⁽¹⁾ and unit-linked	Non-participating ⁽²⁾ and surplus assets and others	Total
	(in US\$ millions)		
Investment return	5,066	5,816	10,882
Insurance finance expenses and others.....	(4,455) ⁽³⁾	(2,288) ⁽⁴⁾	(6,743)
Movement in investment contract liabilities.....	(582)	-	(582)
Movement in third party interests in consolidated investment funds.....	(29)	-	(29)
Net investment result.....	-	3,528	3,528

Year ended 31 December 2023			
	Participating ⁽¹⁾ and unit-linked	Non- participating ⁽²⁾ and surplus assets and others	Total
	(in US\$ millions)		
Investment return	9,042	5,658	14,700
Insurance finance expenses and others.....	(8,435) ⁽³⁾	(2,077) ⁽⁴⁾	(10,512)
Movement in investment contract liabilities	(551)	-	(551)
Movement in third party interests in consolidated investment funds.....	(56)	-	(56)
Net investment result.....	-	3,581	3,581

Year ended 31 December 2022			
	Participating ⁽¹⁾ and unit-linked	Non- participating ⁽²⁾ and surplus assets and others	Total
	(in US\$ millions)		
Investment return.....	(33,941)	5,348	(28,593)
Insurance finance expenses and others.....	32,873 ⁽³⁾	(1,751) ⁽⁴⁾	31,122
Movement in investment contract liabilities	1,034	-	1,034
Movement in third party interests in consolidated investment funds	34	-	34
Net investment result.....	-	3,597	3,597

Year ended 31 December			
	2024	2023 ⁽⁵⁾	2022
	(as restated)		
	(in US\$ millions)		
Interest revenue on financial assets	4,432	4,295	4,197
Expected long-term investment return for equities and real estate	1,384	1,363	1,151
Investment return on non-participating and surplus assets ⁽⁶⁾	5,816	5,658	5,348
Non-participating insurance finance expenses and others ⁽⁴⁾	(2,288)	(2,077)	(1,751)
Net investment result.....	3,528	3,581	3,597
Investment management expenses	(225)	(187)	(186)
Net investment result after expenses	3,303	3,394	3,411

- (1) Participating funds and other participating business with distinct portfolios under the variable fee approach (VFA).
(2) Non-participating business includes all insurance liabilities under the general measurement model (GMM), covering traditional protection, unit-linked with significant protection benefits, universal life and other participating business without distinct portfolios.
(3) Primarily represents the insurance contract liability offset of participating and unit-linked investment return.
(4) Primarily represents the interest accreted on non-participating business liabilities.

- (5) 2023 operating net investment result composition is based on the updated presentation in note 7 to the 2024 audited consolidated financial statements.
- (6) Non-participating and surplus assets are referred to as "Other policyholder and shareholder investments" in the "Investment Portfolio" section in this Offering Circular.

The net investment result included in OPAT relates to non-participating business and surplus assets.

The investment return on non-participating and surplus assets increased by 3% to US\$5,816 million for the year ended 31 December 2024 compared with the year ended 31 December 2023.

Non-participating insurance finance expenses and others of US\$2,288 million increased by 10% for the year ended 31 December 2024 compared with US\$2,077 million for the year ended 31 December 2023.

Net investment result after expenses of US\$3,303 million for the year ended 31 December 2024 was 3% lower compared to the year ended 31 December 2023, reflecting a reduction in investment return on surplus assets used to support the share buy-back, following the sale of our S&I business in Australia, which was completed in the six months ended 31 December 2023.

For participating and unit linked business, investment returns are offset by corresponding movements in contract liabilities.

The investment return on non-participating and surplus assets increased by 6% to US\$5,658 million for the year ended 31 December 2023 compared with the year ended 31 December 2022, driven by higher equity asset balances and increased long-term investment return assumptions.

Non-participating insurance finance expenses and others of US\$1,866 million increased by 7% for the year ended 31 December 2023 compared with US\$1,751 million for the year ended 31 December 2022.

The net investment result after expenses increased by 6% to US\$3,605 million for the year ended 31 December 2023 compared with the year ended 31 December 2022.

Claims and Benefits

	Year ended 31 December		
	2024	2023	2022 (as restated)
	(in US\$ millions)		
Claims and benefits	10,129	9,250	8,185

Claims and benefits increased by 10% to US\$10,129 million in the year ended 31 December 2024 from US\$9,250 million in the year ended 31 December 2023, which is broadly in line with the increase in expected incurred claims and business growth for the year ended 31 December 2024.

Claims and benefits increased by 13% to US\$9,250 million in the year ended 31 December 2023 from US\$8,185 million in the year ended 31 December 2022, mainly driven by unfavourable claim experiences during the year ended 31 December 2023.

Commission and Other Acquisition Expenses

	Year ended 31 December		
	2024	2023	2022
	(as restated)		
	(in US\$ millions)		
Commission and other acquisition expenses incurred.....	6,844	6,370	5,286

Commission and other acquisition expenses incurred increased by 7% to US\$6,844 million in the year ended 31 December 2024 from US\$6,370 million in the year ended 31 December 2023, mainly driven by higher new business recorded.

Commission and other acquisition expenses incurred increased by 21% to US\$6,370 million in the year ended 31 December 2023 from US\$5,286 million in the year ended 31 December 2022, mainly driven by higher new business recorded.

Operating Expenses

	Year ended 31 December		
	2024	2023	2022
	(as restated)		
	(in US\$ millions)		
Operating expenses	3,660	3,573	3,251
Expense ratio.....	8.8%	9.4%	9.0%

While operating expenses grew by 2% to US\$3,660 million in the year ended 31 December 2024 from US\$3,573 million in the year ended 31 December 2023, the expense ratio based on TWPI improved by 0.6 percentage points to 8.8% for the year ended 31 December 2024, reflecting disciplined expense management.

Operating expenses increased by 10% to US\$3,573 million in the year ended 31 December 2023 from US\$3,251 million in the year ended 31 December 2022, mainly driven by additional expenses from the entities newly acquired or established.

Finance Costs and Other Expenses

	Year ended 31 December		
	2024	2023	2022
	(as restated)		
	(in US\$ millions)		
Finance costs	615	485	394
Other expenses			
Investment management expenses and others.....	497	554	557
Restructuring and other non-operating costs ⁽¹⁾	211	166	360
Depreciation on property held for own use	66	43	20
Other expenses total.....	774	763	937

Notes:

- (1) Restructuring costs represent cost related to restructuring programmes and are primarily comprised of redundancy and contract termination costs. Other non-operating costs primarily consist of corporate transaction related costs, implementation costs for new accounting standards and other items that are not expected to be recurring in nature.

Finance costs increased to US\$615 million mainly due to higher financing costs from newly issued medium term notes and securities, and higher interest costs on repos used for liquidity management, partly offset by the expiration of medium term notes and securities.

Other expenses increased to US\$774 million for the year ended 31 December 2024 from US\$763 million for the year ended 31 December 2023, mainly from restructuring and non-operating costs.

Finance costs increased to US\$485 million mainly due to higher interest costs on repos used for liquidity management and the increased outstanding balance on this Programme.

Other expenses decreased to US\$763 million for the year ended 31 December 2023 from US\$937 million in the year ended 31 December 2022, mainly from restructuring and non-operating costs.

Profit Before Tax

Profit before tax was US\$7,831 million in the year ended 31 December 2024, as compared with US\$4,564 million in the year ended 31 December 2023.

Profit before tax was US\$4,564 million in the year ended 31 December 2023, as compared with US\$4,054 million in the year ended 31 December 2022.

Income Tax

	Year ended 31 December		
	2024	2023	2022 (as restated)
	(in US\$ millions)		
Current income tax	396	657	777
Deferred income tax on temporary differences.....	582	126	(88)
Tax expenses	978	783	689

Tax expenses increased from US\$783 million for the year ended 31 December 2023 to US\$978 million for the year ended 31 December 2024.

Tax expenses increased from US\$689 million for the year ended 31 December 2022 to US\$783 million for the year ended 31 December 2023.

Each of our geographic markets has its own tax regime, and the change in the tax expense (or credit) from one year to the next is affected by changes in the mix of income by jurisdiction. The effective corporate tax rate on profit before tax of the Group decreased to 12.5% for the year ended 31 December 2024, from 17% for the years ended 31 December 2023 and 31 December 2022.

IFRS Accounting Standards Non-Operating Movement And Net Profit⁽¹⁾

	Year ended 31 December		
	2024	2023 ⁽²⁾	2022
	(as restated)		
	(in US\$ millions)		
OPAT	6,605	6,213	6,421
Short-term investment and discount rate variances, net of tax ⁽³⁾	(427)	(2,007)	(1,134)
Reclassification of revaluation gains for property held for own use, net of tax ⁽³⁾ ...	(155)	(8)	(71)
Corporate transaction related costs, net of tax.....	(23)	(30)	(63)
Other non-operating investment return and other items, net of tax.....	836	(404)	(1,822)
Net profit.....	6,836	3,764	3,331

Notes:

- (1) Attributable to shareholders of the Issuer only, excluding non-controlling interests.
- (2) Non-operating movement is based on the updated presentation in note 5 to the 2024 consolidated financial statements.
- (3) Short-term investment and discount rate variances include revaluation gains for property held for own use. This amount is then reclassified from net profit to other comprehensive income to conform to IFRS Accounting Standards measurement and presentation requirements.

Net profit increased by 82% to US\$6,836 million for the year ended 31 December 2024 compared to the year ended 31 December 2023.

Net profit includes mark-to-market movements from equity and real estate investments backing our non-participating business and shareholder surplus. Short-term investment and discount rate variances mainly reflect the short-term movements in these asset classes compared with our long-term investment return assumptions. While these variances were negative US\$427 million in the year ended 31 December 2024, they were offset by other non-operating investment return and other items of US\$836 million, mainly driven by fair value gains from derivatives held for interest rate risk management.

Net profit increased by 13% to US\$3,764 million for the year ended 31 December 2023 compared to the year ended 31 December 2022. While investment markets remained volatile for the year ended 31 December 2023, the impact of market movements on net profit is lower under IFRS 9 and IFRS 17 than under the previous accounting regime.

Net profit includes mark-to-market movements from equity and real estate investments backing our non-participating business and shareholder surplus. Short-term investment and discount rate variances were reported at negative US\$2,007 million for the year ended 31 December 2023, mainly reflecting the short-term movements in these asset classes compared with our long-term investment return assumptions.

Other non-operating investment return and other items improved to negative US\$369 million as the overall effect of interest rate movements in the year ended 31 December 2023 was much smaller than in the year ended 31 December 2022.

Movements in Other Comprehensive Income

Other comprehensive income decreased by US\$1,032 million to negative US\$6,275 million for the year ended 31 December 2024 from negative US\$5,243 million for the year ended 31 December 2023. The decrease was a result of the movement in net finance expense from insurance contracts and reinsurance contracts held due to liability discount rate changes in our

non-participating business and surplus assets, offset by fair value gains on assets due to unrealised market movements on debt securities.

Other comprehensive income decreased by US\$1,347 million to negative US\$5,243 million for the year ended 31 December 2023 from negative US\$3,896 million for the year ended 31 December 2022. The decrease was mainly a result of the increase in fair value of debt securities during the year ended 31 December 2023. Additionally, the movement in net finance expense from insurance contracts and reinsurance contracts is due to mark-to-market discount rate changes in non-par business and surplus assets, in which lower discount rates led to higher net finance expense recognised through other comprehensive income.

SEGMENTAL INFORMATION

Our reporting segments are categorised as follows: (i) each Key Segment, consisting of Mainland China, Hong Kong (which includes Macau), Thailand, Singapore (which includes Brunei) and Malaysia; (ii) combined results for our Other Markets, consisting of the combined results of Australia, New Zealand, Cambodia, Indonesia, South Korea, Sri Lanka, the Philippines, Taiwan (China), Vietnam and Myanmar as well as our interest in our joint venture in India; and (iii) our Group Corporate Centre reporting segment.

The following summarises the results of operations of each of our geographical market segments.

Mainland China

AIA China

	Year ended 31 December		
	2024	2023	2022
	(in US\$ millions, except VONB margin)		
VONB ⁽¹⁾	1,217	1,037	916
VONB margin ⁽²⁾	56.1%	51.3%	69.5%
ANP	2,168	2,023	1,319
TWPI.....	9,874	8,589	7,592
OPAT.....	1,597	1,548	1,551

(1) VONB figures shown in the table are based on local statutory reserving and capital requirements and include pension business.

(2) VONB margin excludes pension business to be consistent with the definition of ANP used within the calculation.

Year Ended 31 December 2024 Compared with Year Ended 31 December 2023

AIA China's VONB increased by 17% for the year ended 31 December 2024 compared to the year ended 31 December 2023, resulting from an increase in VONB from our agency channel and from our bancassurance partnerships. ANP increased from US\$2,023 million for the year ended 31 December 2023 to US\$2,168 million for the year ended 31 December 2024.

VONB margin increased by 4.8 percentage points to 56.1%, from a positive shift in the mix of savings products towards tax-incentivised retirement products. Product repricing and lower commission rates to our bank partners helped to mitigate the effects of lower interest rates. Margin improved in both our main distribution channels, with agency increasing to around 60% and a step up in bancassurance to around 40%.

AIA China reported 3% growth in OPAT for the year ended 31 December 2024 compared to the year ended 31 December 2023, as an increase in net investment result due to growth in our asset portfolio was partly offset by the effect of lower interest rates.

AIA is actively broadening its presence across Mainland China by establishing new branches in key provinces and municipalities. In the six months ended 30 June 2024, we launched new operations in three major cities in Sichuan and Hubei provinces. We received further regulatory approvals to prepare new branches in three provinces and one municipality: Anhui, Shandong, Zhejiang and Chongqing. By replicating our efficient and scalable distribution model, our agency channel delivered VONB growth across the new branches that we have established since 2019, when AIA China began its geographical expansion strategy beyond our five original geographies.

We extend AIA China's customer reach through highly selective partnerships with banks that share our long-term vision and commitment to creating mutual value. We have an exclusive partnership with BEA and strategic relationships with Postal Savings Bank of China Co. Ltd., Shanghai Pudong Development Bank Co. Ltd. and Bank of China.

Year Ended 31 December 2023 Compared with Year Ended 31 December 2022

AIA China reported an increase in VONB of 13% for the year ended 31 December 2023 compared to the year ended 31 December 2022. We saw improved momentum once normal day-to-day activities resumed following the relaxation of COVID-19 restrictions with a 22% increase in VONB from February to December, compared with the same period in the year ended 31 December 2022. VONB growth was driven by the growth in both of our Premier Agency and bancassurance channels.

Strong customer demand for our long-term savings products supported ANP growth of 53%. The resulting product mix shift coupled with an increased contribution from bancassurance, where VONB margin is below that of our agency channel, led to a lower VONB margin for the year. However, repricing and a favourable shift in product mix delivered an increase in VONB margin to 52.7% for the six months ended 31 December 2023 compared with the six months ended 30 June 2023, supported by improvement in both our Premier Agency and bancassurance channels.

AIA China reported flat growth in OPAT for the year ended 31 December 2023 compared to the year ended 31 December 2022, driven by the growth in our in-force portfolio which was offset by the appreciation of the U.S. dollar during the year ended 31 December 2023 that reduced the local currency earnings in U.S. dollar terms.

AIA's commitment to our long-established Premier Agency strategy is a key differentiator and provides significant competitive advantages for AIA China. Our continued focus on quality recruitment, best-in-class training and digitally-enabled leader development delivered year-on-year growth in the number of new recruits and active agents with increased momentum in the six months ended 31 December 2023. Navigator, our data-driven agency digital platform, enables agents to more effectively acquire, nurture, engage and service our customers. In 2023, we further evolved Navigator with a scenario-based customer acquisition and a product recommendation module, supporting growth in agent productivity.

VONB for our bancassurance channel increased significantly, driven mainly by our deepening cooperation with PSBC, and our exclusive partnership with BEA. We continue to work with our strategic partners to improve customer experience and deliver compelling propositions to meet the needs of their customers.

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

We believe that Mainland China offers tremendous growth potential for AIA, both within our existing footprint and in new geographies. Following the launch of our new operation in Zhengzhou, Henan in May 2023, we upgraded our Shijiazhuang license to cover all of Hebei province and we were granted approvals by the regulator to begin preparations for expansion into more cities in Hubei and Sichuan. By replicating our efficient and scalable model across these new operations, we delivered strong growth in the number of active agents in these geographies.

China Post Life

AIA China's reported results do not include any contribution from China Post Life, China Post Life's reported VONB⁽¹⁾ was RMB 9.8 billion for the year ended 31 December 2024, an increase of 19% compared to the year ended 31 December 2023. AIA's investment in China Post Life enables us to capture the value available from additional distribution channels and customer segments that are highly complementary to AIA China's strategy.

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

in Mainland China. China Post Life's VONB for the twelve-month period ended 31 December 2024 reflects its latest long-term investment return assumptions used at 31 December 2024.

Hong Kong

	Year ended 31 December		
	2024	2023	2022
	(in US\$ millions, except VONB margin)		
VONB ⁽¹⁾	1,764	1,430	787
VONB margin ⁽²⁾	65.5%	57.5%	69.5%
ANP	2,609	2,407	1,078
TWPI	12,456	11,554	11,237
OPAT	2,499	2,180	2,202

(1) VONB figures shown in the table are based on local statutory reserving and capital requirements and include pension business.

(2) VONB margin excludes pension business to be consistent with the definition of ANP used within the calculation.

Year Ended 31 December 2024 Compared with Year Ended 31 December 2023

AIA Hong Kong recorded 23% increase in VONB for the year ended 31 December 2024 compared to the year ended 31 December 2023, with a 24% increase from domestic customers and 22% growth from Mainland Chinese visitor (MCV) customers. Both segments made broadly equal contributions to Hong Kong's VONB for the year ended 31 December 2024, reflecting our well-diversified and growing customer base.

Our market-leading Premier Agency in Hong Kong and Macau delivered 23% VONB growth from an increase in the number of active agents and higher productivity. As our principal distribution channel, agency contributed more than 70% of Hong Kong's VONB.

VONB from our partnership distribution channel grew by 25%, driven by growth in both our bancassurance and intermediated channels. Growth in bancassurance was underpinned by improvements in activity levels and productivity.

In the year ended 31 December 2024, we enhanced our flagship participating savings product to capitalise on favourable interest rate conditions, increasing expected customer returns while also improving profitability. This resulted in continued demand across all channels and led to an 8.0 percentage points increase in VONB margin. ANP increased from US\$2,407 million for the year ended 31 December 2023 to US\$2,609 million for the year ended 31 December 2024.

AIA Hong Kong achieved 15% growth in OPAT for the year ended 31 December 2024 compared to year ended 31 December 2023, mainly driven by business growth and positive operating variances.

Year Ended 31 December 2023 Compared with Year Ended 31 December 2022

AIA Hong Kong reported VONB growth of 82% for the year ended 31 December 2023 compared to the year ended 31 December 2022, supported by the return of Mainland Chinese visitors following the resumption of cross-border travel in February and growth from our domestic customer segment. We provided a comprehensive suite of propositions for a broad range of customer segments that balance wealth and protection solutions.

Strong demand for our flagship participating savings product resulted in overall ANP increasing to US\$2,407 million while contributing to a lower VONB margin of 57.5% for the year ended 31 December 2023. Following the launch of our AIA Wealth Management Centre in March 2023, we have launched AIA Alta Wellness Haven and introduced AIA Club Alta in September, both offering integrated health and wealth management services alongside exclusive lifestyle privileges and experiences for our customers.

Our Premier Agency remains the key contributor to AIA Hong Kong's VONB and delivered VONB growth in the year ended 31 December 2023, demonstrating the quality and professionalism of our people and disciplined execution of our agency strategy. We continued to focus on supporting and enabling our agents with digital tools to increase their productivity while we further enhanced our recruitment programme to attract diverse and high-calibre new agents.

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

OPAT of US\$2,180 million was broadly flat as growth in the in-force portfolio was offset by the effect on investment income, resulting from a US\$2,800 million remittance to the Group Corporate Centre in the year ended 31 December 2022 to support the share buy-back as well as increased medical claims. Excluding the impact of medical claims, OPAT growth was 2% for the year ended 31 December 2023. We repriced the majority of our medical business in the year ended 31 December 2023 and we plan to further increase premium rates in 2024.

Thailand

	Year ended 31 December		
	2024	2023	2022
	(in US\$ millions, except VONB margin)		
VONB ⁽¹⁾	816	713	585
VONB margin ⁽²⁾	99.5%	93.3%	89.1%
ANP.....	821	765	655
TWPI.....	4,674	4,425	4,166
OPAT.....	1,019	951	977

(1) VONB figures shown in the table are based on local statutory reserving and capital requirements and include pension business.

(2) VONB margin excludes pension business to be consistent with the definition of ANP used within the calculation.

Year Ended 31 December 2024 Compared with Year Ended 31 December 2023

AIA Thailand's VONB increased by 14% for the year ended 31 December 2024 compared to the year ended 31 December 2023, driven by 7% growth in ANP and a 6.2 percentage points increase in VONB margin, demonstrating AIA Thailand's dominance in health, protection and unit linked business, founded on our differentiated Premier Agency model.

Agency VONB increased by 16% from higher productivity and increase in the number of active agents. We continued to drive higher agency quality through our proprietary Financial Adviser ("FA") programme.

Our strategic partner Bangkok Bank delivered 17% VONB growth, supported by increased productivity and the number of active insurance sellers, as well as the launch of a new long-term savings and retirement proposition.

Our business in Thailand delivered OPAT growth of 7% for the year ended 31 December 2024 compared to the year ended 31 December 2023, as business growth was partly offset by negative operating variances after a prolonged flu season led to higher claims in the six months ended 31 December 2024. We continued to monitor claims experience and took further actions in the six months ended 31 December 2024 to enhance claims management.

Year Ended 31 December 2023 Compared with Year Ended 31 December 2022

AIA Thailand reported an increase in VONB growth of 22% and an increase in ANP growth of 17% for the year ended 31 December 2023 compared to the year ended 31 December 2022, driven by new business growth from both our market-leading agency channel and partnership distribution channel. VONB margin improved by 4.2 percentage points for the year ended 31 December 2023 compared to the year ended 31 December 2022, supported by increased sales of our critical illness rider products. AIA Thailand is the market leader for new business premium in Thailand.

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

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

OPAT was lower by 3% for the year ended 31 December 2023 compared to the year ended 31 December 2022 primarily due to the effects of model refinements. Excluding the effects of model refinements, OPAT increased by 3%.

Singapore

	Year ended 31 December		
	2024	2023	2022
	(in US\$ millions, except VONB margin)		
VONB ⁽¹⁾	454	394	349
VONB margin ⁽²⁾	50.5%	67.2%	65.7%
ANP	897	586	531
TWPI.....	4,445	3,912	3,577
OPAT	669	669	655

(1) VONB figures shown in the table are based on local statutory reserving and capital requirements and include pension business.

(2) VONB margin excludes pension business to be consistent with the definition of ANP used within the calculation.

Year Ended 31 December 2024 Compared with Year Ended 31 December 2023

AIA Singapore's VONB increased by 15% for the year ended 31 December 2024 compared to the year ended 31 December 2023, supported by increases across both our agency and partnership distribution channels. Our strategic focus on capturing the increasing wealth opportunities in Singapore has contributed to growth in sales of long-term savings products. This resulted in ANP growth of 53% and a lower VONB margin of 50.5%, due to the resulting product mix shift.

Our agency channel delivered a 16% increase in VONB, supported by higher productivity, as well as growth in the number of active and new agents.

Partnership distribution further strengthened our reach in the wealth management segment and achieved 11% VONB growth driven by sales of high-net-worth and savings products, supported by our new wealth propositions.

AIA Singapore's OPAT remained stable for the year ended 31 December 2024 compared to the year ended 31 December 2023, as business growth was mostly offset by lower investment income on surplus assets due to increased remittances to support the share buy-back, as well as lower positive non-medical claims experience compared to the year ended 31 December 2023.

Year Ended 31 December 2023 Compared with Year Ended 31 December 2022

AIA Singapore's VONB increased by 13% for the year ended 31 December 2023 compared to the year ended 31 December 2022, driven by ANP growth across all distribution channels and an increase in VONB margin of 1.5 percentage points to 67.2%, which was driven by a shift in product mix towards protection products.

Our Premier Agency achieved strong VONB growth in the six months ended 31 December 2023, supported by an increase in agent productivity. We continued to invest in digital tools to enhance productivity through lead generation and more holistic financial planning and advisory services for our customers. AIA Singapore's comprehensive suite of products and services helped to attract new talent with growth in the number of new recruits for the year.

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

OPAT increased by 2% for the year ended 31 December 2023 compared to the year ended 31 December 2022, driven by the appreciation of the Singapore dollar against the U.S. dollar, which was partly offset by the lower investment income resulting from an increased remittance to the Group Corporate Centre of US\$300 million in the year ended 31 December 2023 to support the share buy-back. While we saw higher medical claims compared with the year ended 31 December 2022, the effect was offset by positive experience from non-medical claims.

Malaysia

	Year ended 31 December		
	2024	2023	2022
	(in US\$ millions, except VONB margin)		
VONB ⁽¹⁾	349	319	308
VONB margin ⁽²⁾	67.3%	67.3%	69.9%
ANP	517	473	440
TWPI.....	2,742	2,565	2,464
OPAT.....	331	293	362

(1) VONB figures shown in the table are based on local statutory reserving and capital requirements and include pension business.

(2) VONB margin excludes pension business to be consistent with the definition of ANP used within the calculation.

Year Ended 31 December 2024 Compared with Year Ended 31 December 2023

AIA Malaysia reported 9% VONB growth for the year ended 31 December 2024 compared with the year ended 31 December 2023, supported by ANP growth and a high-quality product mix with a VONB margin of 67.3%.

Premier Agency achieved positive growth supported by an increase in VONB in conventional business, partly offset by the results of our Takaful business. While recruitment for Takaful business remains challenging as we continue to enforce stringent quality requirements, we have increased the agent activity ratio and average case sizes. Overall, we saw improved productivity and activity levels in our agency channel.

Our strategic partnership with Public Bank Berhad achieved 21% VONB growth, with an increased focus on our high-net-worth propositions to the bank's customers, supported by an improvement in the number of active sellers and higher productivity.

AIA Malaysia delivered OPAT growth of 13% for the year ended 31 December 2024 compared to the year ended 31 December 2023, supported by increased CSM release and net investment result reflecting business growth and favourable equity market performance.

Year Ended 31 December 2023 Compared with Year Ended 31 December 2022

AIA Malaysia reported VONB growth of 4% to US\$319 million for the year ended 31 December 2023 compared to the year ended 31 December 2022. ANP grew by 8% for the year ended 31 December 2023 compared to the year ended 31 December 2022.

Our agency delivered VONB growth in the year ended 31 December 2023, as we continued to enhance our digital tools, supporting increases in agent activity and productivity. Our partnership channel delivered VONB growth supported by our strategic partnership with Public Bank Berhad, as we collaborated to increase penetration of the bank's high-net-worth banking customer segment and increased the number of insurance specialists.

OPAT decreased by 19% to US\$293 million for the year ended 31 December 2023 compared to the year ended 31 December 2022, driven by higher medical claims which were partly offset by growth in our in-force portfolio. Excluding the impact of medical claims, OPAT growth was 5% for the year ended 31 December 2023. We repriced medical business in the year ended 31 December 2023, with further premium increases planned for 2024.

Other Markets

Other Markets include AIA's operations in Australia, New Zealand, Cambodia, Indonesia, South Korea, Sri Lanka, the Philippines, Taiwan (China), Vietnam and Myanmar, as well as our 49% shareholding in our joint venture in India. The financial results from our 49% shareholding in our joint venture with the Tata Group are included in OPAT on an equity accounted basis. ANP and VONB for Other Markets included the contribution attributable to our 49% interest in Tata AIA Life.

The results of Tata AIA Life are accounted for the twelve-month period ended 30 September 2024 and the twelve-month period ended 30 September 2023 in AIA's consolidated results for the year ended 31 December 2024 and the year ended 31 December 2023, respectively.

However, the TWPI does not include any contribution from Tata AIA Life because we account for the IFRS Accounting Standards results of Tata AIA Life using the equity method of accounting. The IFRS Accounting Standards results attributable to our 49% interest in Tata AIA Life are reflected in our consolidated income statement within the line item "Share of losses from associates and joint ventures" included in OPAT. Accordingly, OPAT set out below and elsewhere in this Offering Circular includes the contribution from Tata AIA Life.

	Year ended 31 December		
	2024	2023	2022
	(in US\$ millions, except VONB margin)		
VONB ⁽¹⁾⁽²⁾	467	406	420
VONB margin ⁽³⁾	29.2%	28.9%	30.2%
ANP	1,594	1,396	1,384
TWPI ⁽⁴⁾	7,207	6,894	7,140
OPAT ⁽⁵⁾	507	560	710

- (1) VONB figures shown in the table are based on local statutory reserving and capital requirements and include pension business.
- (2) Includes the contribution from Tata AIA Life attributable to our 49% interest in Tata AIA Life. (3) VONB margin excludes pension business to be consistent with the definition of ANP used within the calculation.
- (4) TWPI excludes the contribution from Tata AIA Life.
- (5) OPAT includes the contribution from Tata AIA Life.

Year Ended 31 December 2024 Compared with Year Ended 31 December 2023

VONB for Other Markets increased by 15% for the year ended 31 December 2024 compared to the year ended 31 December 2023, with all our markets within this segment reporting positive VONB growth except for New Zealand which reported flat growth for the year ended 31 December 2024 compared to the year ended 31 December 2023.

Other Market's OPAT decreased by 9% for the year ended 31 December 2024 compared to the year ended 31 December 2023, driven by growth in the CSM release, offset by increased disability claims in Australia in line with market trends. In addition, the comparatives for the year ended 31 December 2023 included the earnings from the S&I business in Australia until its disposal in the six months ended 31 December 2023.

Australia: AIA Australia's VONB growth was principally from group insurance schemes delivering growth due to successful renewals. Adjusting for the disposal of the S&I business in the year ended 31 December 2023, the retail IFA channel also reported positive VONB growth.

New Zealand: AIA New Zealand's VONB reported flat growth for the year ended 31 December 2024 compared to the year ended 31 December 2023, due to a reduction in the IFA and broker channel which was impacted by economic conditions in the year ended 31 December 2024. Despite market challenges, our strategic partner ASB Bank Limited ("**ASB**") recorded strong growth, where AIA Vitality supported productivity improvements.

Cambodia: AIA Cambodia's VONB increased for the year ended 31 December 2024 compared

to the year ended 31 December 2023, supported by a higher VONB margin from expense improvements, partly offset by lower ANP within our bancassurance channel.

Indonesia: Strong VONB growth was driven by growth from our strategic partnership with Bank Central Asia. In June 2024, we extended our partnership until the end of 2038. We continued to increase both agent activity and productivity levels over the years as we executed our agency strategy.

Myanmar: AIA Myanmar delivered ANP growth from both our agency and partnership channels due to an increase in the number of active agents and the expansion of the number of bank partner branches selling our products.

Philippines: AIA Philippines achieved strong VONB growth. An increase in agency VONB was supported by a shift in product mix towards higher margin participating products. Our joint venture with Bank of the Philippine Islands (“BPI”), BPI AIA Life Assurance Corporation, ranked number one bancassurance entity in the market by new business annual premium equivalent in the year ended 31 December 2024, and delivered VONB growth from higher average case sizes and an increase in the number of active insurance sellers.

South Korea: AIA Korea delivered VONB growth from our bancassurance and direct marketing channels. In particular, our differentiated U.S. dollar-denominated products supported the performance through our bank partners.

Sri Lanka: AIA Sri Lanka delivered strong VONB growth with strong performance from both our agency and partnership distribution channels. VONB from partnership increased, supported by our new long-term exclusive bancassurance partnership with the Commercial Bank of Ceylon PLC.

Taiwan (China): AIA Taiwan reported strong VONB growth, mainly from our IFA and broker channel.

Vietnam: AIA Vietnam reported positive VONB growth for the year ended 31 December 2024 compared to the year ended 31 December 2023, with momentum improving over the year. Growth was driven by increased new business volumes in agency due to higher productivity and a favourable mix shift towards sales of protection products.

India: Our joint venture in India, Tata AIA Life delivered positive VONB growth with an increase from our agency channel, partly offset by a reduction in bancassurance growth due to a high volume of sales in the year ended 31 December 2023 ahead of personal tax rate changes. We saw a return to growth in our bancassurance channel for the period from April to December 2024.

Year Ended 31 December 2023 Compared with Year Ended 31 December 2022

Our Other Markets segment recorded a 3% reduction in VONB for the year ended 31 December 2023 compared to the year ended 31 December 2022, primarily due to lower VONB from Vietnam and the appreciation of the U.S. dollar during the year ended 31 December 2023 that reduced the local currency earnings in U.S. dollar terms. In Vietnam, negative consumer sentiment continued to impact the life insurance industry throughout the year. Excluding Vietnam, Other Markets delivered 11% VONB growth for the year ended 31 December 2023 compared to the year ended 31 December 2022.

OPAT decreased by 21% for the year ended 31 December 2023 compared to the year ended 31 December 2022, driven by unfavourable medical claims experience and the appreciation of the U.S. dollar during the year ended 31 December 2023 that reduced the local currency earnings in U.S. dollar terms, offset by new business growth. Excluding the effects of model refinements, OPAT decreased by 14% for the year ended 31 December 2023 compared to the year ended 31 December 2022.

Australia: AIA Australia delivered VONB growth for the year ended 31 December 2023 compared to the year ended 31 December 2022, supported by an increase in group insurance

business as we benefitted from new members joining existing group schemes, insurance renewals and also new business. In addition, we achieved higher sales in retail protection, enabled by our integrated life, health and wellbeing propositions.

New Zealand: AIA New Zealand delivered strong ANP growth in both our bancassurance and IFA channels in the year ended 31 December 2023 as we continued to strengthen our relationships with our partners. Our strategic partnership with ASB Bank Limited delivered ANP growth and an increase in the productivity of our insurance specialists.

Cambodia: AIA Cambodia delivered strong ANP growth for the year ended 31 December 2023 compared to the year ended 31 December 2022, driven by both agency and group insurance business. Our agency's continued focus on quality recruitment and training led to improved agent activity, enabled by our powerful digital tools.

Indonesia: While AIA Indonesia's VONB declined in the year ended 31 December 2023 compared to the year ended 31 December 2022, we delivered an increase in agent productivity as we continued to rebuild the fundamentals of our agency. Productivity of the insurance sellers in our bancassurance channels also increased, as we continued to work with our bank partners and further enhanced training.

Myanmar: AIA Myanmar delivered strong ANP growth in both our agency and partnership channels for the year ended 31 December 2023 compared to the year ended 31 December 2022, driven by the strong growth in the number of active agents and wider coverage of our bank partner's bank branches.

Philippines: AIA Philippines delivered VONB growth for the year ended 31 December 2023 compared to the year ended 31 December 2022, supported by ANP growth and an increased VONB margin from a shift in new business towards participating products. Our partnership with the Bank of the Philippine Islands (BPI) delivered strong VONB growth as the number of active in-branch insurance specialists increased.

South Korea: AIA Korea delivered strong VONB growth for the year ended 31 December 2023 compared to the year ended 31 December 2022, driven by the continued performance from our bancassurance channel, where both VONB and ANP increased significantly.

Sri Lanka: AIA Sri Lanka reported strong ANP growth for the year ended 31 December 2023 compared to the year ended 31 December 2022, supported by the growth in both of our agency and partnership distribution channels. Agency growth was supported by strong recruitment momentum and higher sales activity. In November, we expanded our bancassurance footprint by entering into a new long-term exclusive bancassurance partnership with the Commercial Bank of Ceylon PLC, the largest private bank in Sri Lanka.

Taiwan (China): AIA Taiwan delivered positive VONB growth for the year ended 31 December 2023 compared to the year ended 31 December 2022, driven by our bancassurance partnerships and improved productivity in our direct marketing channel.

Vietnam: AIA Vietnam reported negative VONB growth for the year ended 31 December 2023 compared to the year ended 31 December 2022, as negative consumer sentiment continued to impact insurance sales momentum for the industry. AIA Vietnam continued its efforts to build a long-term sustainable foundation with enhanced quality recruitment, improved agency development programmes and compelling propositions. We saw a gradual month-on-month improvement in new business volumes in the last quarter of 2023.

India: Tata AIA Life's protection-focused, multi-channel distribution platform achieved VONB growth for the year ended 31 December 2023 supported by all channels. We launched innovative products and maintained our industry-leading position in the retail protection market. Tata AIA Life was the third largest private life insurer in India in 2023, based on individual weighted new business premiums. Our differentiated Premier Agency delivered strong results and further expanded its reach through new, digitally-enabled branch openings across the country. We also delivered strong growth from our partnership distribution channel and broadened our distribution reach through new partnerships.

EV EQUITY

The following table sets forth EV and EV Equity as of 31 December 2024, 2023 and 2022.

	As of 31 December		
	2024	2023	2022
	(in US\$ millions)		
EV	69,035	67,447	68,865
Goodwill and other intangible assets ⁽¹⁾	2,591	2,706	2,337
EV Equity	71,626	70,153	71,202

(1) Consistent with the amounts reported in our IFRS Accounting Standards financial statements, net of tax, amounts attributable to participating funds and non-controlling interests.

Analysis of EV Equity Movement

The following tables set forth the movement in EV Equity for the years ended 31 December 2024, 2023 and 2022.

	Year ended 31 December 2024		
	Adjusted Net Worth, Goodwill and Other Intangible Assets	Value of In-Force Business	EV Equity
	(in US\$ millions)		
Opening EV Equity	34,715	35,438	70,153
Value of new business.....	(245)	4,957	4,712
Expected return on EV.....	5,199	429	5,628
Operating experience variances.....	178	(18)	160
Operating assumption changes.....	279	(251)	28
Finance costs.....	(503)	-	(503)
EV operating profit	4,908	5,117	10,025
EV Equity before non-operating items	39,623	40,555	80,178
Investment return variances.....	1,380	(1,493)	(113)
Effect of changes in economic assumptions	(11)	66	55
Other non-operating variances.....	(712)	(168)	(880)
EV non-operating items	657	(1,595)	(938)
Total EV Equity profit	5,565	3,522	9,087
Other capital movements.....	20	-	20
Effect of changes in exchange rates.....	(704)	(452)	(1,156)
EV Equity before dividends and share buy-back	39,596	38,508	78,104
Dividends.....	(2,328)	-	(2,328)
Share buy-back.....	(4,150)	-	(4,150)
Closing EV Equity	33,118	38,508	71,626

Year ended 31 December 2023			
	Adjusted Net Worth, Goodwill and Other Intangible Assets	Value of In-Force Business	EV Equity
	(in US\$ millions)		
Opening EV Equity	36,088	35,114	71,202
Value of new business.....	(45)	4,079	4,034
Expected return on EV.....	5,115	112	5,227
Operating experience variances.....	97	(22)	75
Operating assumption changes.....	286	(325)	(39)
Finance costs.....	(407)	-	(407)
EV operating profit	5,046	3,844	8,890
EV Equity before non-operating items	41,134	38,958	80,092
Investment return variances.....	(873)	(1,917)	(2,790)
Effect of changes in economic assumptions	(6)	(537)	(543)
Other non-operating variances.....	681	(1,075)	(394)
EV non-operating items	(198)	(3,529)	(3,727)
Total EV Equity profit	4,848	315	5,163
Other capital movements.....	(72)	-	(72)
Effect of changes in exchange rates.....	(219)	9	(210)
EV Equity before dividend and share buy-back	40,645	35,438	76,083
Dividends.....	(2,293)	-	(2,293)
Share buy-back.....	(3,637)	-	(3,637)
Closing EV Equity	34,715	35,438	70,153

Year ended 31 December 2022 (as restated)			
	Adjusted Net Worth, Goodwill and Other Intangible Assets	Value of In-Force Business	EV Equity
	(in US\$ millions)		
Opening EV Equity	35,316	39,685	75,001
HKRBC early adoption.....	8,407	(6,028)	2,379
Release of resilience margins	2,168	(1,283)	885
HKRBC early adoption and release of resilience margins	10,575	(7,311)	3,264
Value of new business.....	(159)	3,251	3,092
Expected return on EV.....	4,838	(969)	3,869
Operating experience variances.....	513	(214)	299
Operating assumption changes.....	(331)	275	(56)
Finance costs.....	(359)	-	(359)
EV operating profit	4,502	2,343	6,845
EV Equity before non-operating items	50,393	34,717	85,110
Investment return variances.....	(5,893)	501	(5,392)
Effect of changes in economic assumptions	(15)	(285)	(300)
Other non-operating variances.....	(1,316)	1,296	(20)
EV non-operating items	(7,224)	1,512	(5,712)
Total EV Equity profit	7,853	(3,456)	4,397
Other capital movements.....	(12)	-	(12)
Effect of changes in exchange rates.....	(1,240)	(1,115)	(2,355)

EV Equity before dividend and share buy-back.....	41,917	35,114	77,031
Dividends.....	(2,259)	-	(2,259)
Share buy-back.....	(3,570)	-	(3,570)
Closing EV Equity.....	36,088	35,114	71,202

Year Ended 31 December 2024 Compared with Year Ended 31 December 2023

EV Equity increased by US\$1,473 million to US\$71,626 million as at 31 December 2024, an increase of 2% from US\$70,153 million as at 31 December 2023, mainly driven by the EV operating profit of US\$10,025 million. This was partly offset by the negative effect of changes in exchange rates of \$1,156 million and other non-operating variances of US\$880 million. The impact of the share buy-back of US\$4,150 million and the payment of shareholder dividends of US\$2,328 million also reduced the EV Equity.

EV operating profit increased by 13% to US\$10,025 million for the year ended 31 December 2024 compared to the year ended 31 December 2023, driven by VONB of US\$4,712 million, an increase in expected return on EV due to growth in the value of in-force business and higher US interest rates, together with positive operating variances as compared with the year ended 31 December 2023.

EV Equity included goodwill and other intangible assets of US\$2,591 million as at 31 December 2024, compared with US\$2,706 million as at 31 December 2023. Our investment in China Post Life is included in the Group's EV Equity at IFRS net asset value and does not reflect any value of in-force business.

Year Ended 31 December 2023 Compared with Year Ended 31 December 2022

EV Equity decreased by US\$1,049 million to US\$70,153 million as at 31 December 2023, a decrease of 1% from US\$71,202 million as at 31 December 2022, mainly driven by the total negative non-operating items of US\$3,727 million, including US\$2,790 million of negative investment return variances. The impact of the share buy-back of US\$3,637 million and the payment of shareholder dividend of US\$2,293 million also reduced the EV Equity by US\$5,930 million. This was partly offset by EV operating profit of US\$8,890 million.

EV operating profit increased by 30% to US\$8,890 million for the year ended 31 December 2023 compared to the year ended 31 December 2022, mainly driven by VONB of US\$4,034 million and the increase in the expected return on EV to US\$5,227 million, resulting from higher interest and risk discount rates.

EV Equity included goodwill and other intangible assets of US\$2,706 million as at 31 December 2023, compared with US\$2,337 million at 31 December 2022.

EV AND VONB SENSITIVITIES

Sensitivities for EV and VONB to changes in equity prices and interest rate movements are shown in the table below.

	EV as of 31 December 2024	Year ended 31 December 2024 VONB	EV as of 31 December 2023	Year ended 31 December 2023 VONB	EV as of 31 December 2022	Year ended 31 December 2022 VONB
	(in US\$ millions)					
Central value	69,035	4,712	67,447	4,034	68,865	3,092
Effect of equity price changes						
10% increase in equity prices.....	2,233	n/a	1,799	n/a	1,817	n/a
10% decrease in equity prices.....	(2,248)	n/a	(1,823)	n/a	(1,821)	n/a
Effect of interest rate changes						
50 basis points increase in interest rates.....	(580)	92	(981)	129	(1,246)	64
50 basis points decrease in interest rates.....	500	(120)	945	(155)	1,347	(81)

Interest rate sensitivities apply a 50 basis points movement in current bond yield curves, long-term investment return assumptions and risk discount rates, including the corresponding effect on asset values. The direction of interest rate sensitivities varies by market.

LIQUIDITY AND CAPITAL RESOURCES

The Group's liquidity and capital resources are managed on a group-wide basis, working closely with our subsidiaries and branches. Our principal cash inflows come from insurance premiums, deposits, policy fees, management fees for our unit-linked insurance products and annuity sales. In the case of the Issuer, our principal capital inflows are dividends from the operating entities and our principal capital outflows are dividends to shareholders and payments on indebtedness.

The principal sources of funds generated by our insurance operations are generally affected by fluctuations in the level of policy surrenders, withdrawals, maturities, benefits and claims and guarantees to policyholders. The Group's operating units may face liquidity pressure in the form of unexpected cash demands that could arise from an increase in the level of policyholders terminating policies. We closely monitor and manage the level of surrenders in order to minimise this liquidity risk.

We are a holding company and depend upon dividends and other distributions and payments from the Group for our cash flow, and AIA Co. depends upon dividends and other distributions and payments from its operating subsidiaries and branches for substantially all of its cash flow. The payment of dividends and other distributions and payments by the Group's subsidiaries and branches is regulated by applicable insurance, foreign exchange and tax laws, rules and regulations. The amount and timing of certain dividends, distributions and other payments by our insurance subsidiaries or branches require regulatory approval. In particular, the payment of dividends, distributions and other payments to the Issuer by AIA Co. is subject to the oversight of the HKIA. For more information see *"Regulation"* and *"Risk Factors – Risks Relating to the Instruments issued under the Programme – Our ability to service payments on the Instruments and to meet our obligations depends on dividends and other distributions and payments from and among our operating subsidiaries and branches, which are subject to contractual, regulatory and other limitations"*. As a holding company, the ability of the Issuer to pay dividends and meet its other obligations depends on dividends and other distributions and payments from its operating subsidiaries and branches, which are subject to contractual, regulatory and other limitations.

At 31 December 2024, holding company financial resources were US\$9,110 million compared with US\$8,140 million at 31 December 2023. Capital flows from subsidiaries increased by US\$2,350 million compared with the year ended 31 December 2023, reflecting additional support for the upsized share buy-back programme.

Borrowings added US\$1,553 million, while investment income, mark-to-market movements in debt securities and others increased holding company financial resources by US\$794 million.

The movements in holding company financial resources for the years ended 31 December 2024, 2023 and 2022 are summarised as follows:

	Year ended 31 December		
	2024	2023	2022
	(in US\$ millions)		
Opening holding company financial resources	8,140	10,668	13,136
Capital flows from subsidiaries.....	5,642	3,292	4,341
Corporate activity including acquisitions	(74)	(112)	(2,479)
Net capital flows to holding company	5,568	3,180	1,862
Increase in borrowings ⁽¹⁾	1,553	396	1,653
Decrease in intercompany loans receivable.....	-	-	985
Interest payments on borrowings ⁽¹⁾ ..	(467)	(418)	(359)
Investment income, mark-to-market movements in debt securities and others	794	244	(780)
Closing holding company financial resources before dividends and share buy-back..	15,588	14,070	16,497
Dividends paid	(2,328)	(2,293)	(2,259)
Share buy-back	(4,150)	(3,637)	(3,570)
Closing holding company financial resources	9,110	8,140	10,668

	As of 31 December		
	2024	2023	2022
	(in US\$ millions)		
Assets recoverable and liabilities repayable within 12 months:			
Loans to/amounts due from subsidiaries ⁽²⁾	587	66	57
Medium term notes and securities ⁽³⁾	(251)	(831)	(600)
Net other assets and other liabilities	(250)	(135)	(69)
Closing holding company financial resources available after 12 months	9,196	7,240	10,056

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

(2) As at 31 December 2024, 2023 and 2022, loans to/amounts due from subsidiaries were US\$910 million, US\$895 million and US\$886 million, respectively. US\$587 million, US\$66 million and US\$57 million were recoverable within the 12 months after the years ended 31 December 2024, 2023 and 2022, respectively.

(3) As at 31 December 2024, 2023 and 2022, medium term notes and securities placed to the market were US\$13,246 million, US\$11,764 million and US\$11,206 million, respectively. US\$154 million, US\$831 million and US\$500 million were repayable within 12 months after the years ended 31 December 2024, 2023 and 2022, respectively. Details of the medium term notes and securities placed to the market are included in note 26 to our 2024 audited consolidated financial statements included elsewhere in this Offering Circular.

Across the Group, liquidity is also available from our portfolio of investment assets. Our investments generally comprise highly liquid and marketable securities, which generally could be liquidated to meet cash needs. We seek to augment our liquidity by employing various liability management techniques, including staggering of maturities of term deposits and investing in marketable short-term securities. As at 31 December 2024, our investments in fixed maturity debt securities, loans and deposits, excluding unit-linked investment and consolidated investment funds had a fair value of US\$176,306 million. In some of the markets in which we invest, we are subject to market liquidity risk due to the significant size of our local currency denominated investments.

Our cash inflows and existing cash balances are used to pay liabilities under various traditional life, unit-linked and universal life, A&H and group insurance products, and to purchase investment assets. We also use our funds to pay operating expenses, income and other taxes and to meet our other obligations, including payments on our indebtedness and dividends that may be declared and payable to our shareholders.

Please refer to the tables in the section headed "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Quantitative and Qualitative Disclosures about Market Risk – Liquidity risk*" in this Offering Circular which set forth a maturity analysis presenting the estimated maturity of carrying amounts in our consolidated statement of financial position as of 31 December 2024, 31 December 2023 and 31 December 2022.

Indebtedness

Borrowings

As of 31 December 2024, we had borrowings of US\$13,329 million, which were in the form of other loans of US\$83 million and outstanding notes and securities of US\$13,246 million placed to the market under this Programme.

The following table summarises the Group's outstanding medium term notes and securities placed to the market as of 31 December 2024:

<u>Issue date</u>	<u>Nominal amount</u>	<u>Interest rate</u>	<u>Tenor</u>	<u>Maturity</u>
<i>Senior Notes</i>				
11 March 2014 ⁽¹⁾	US\$500 million	4.875%	30 years	11 March 2044
16 March 2016 ⁽¹⁾	US\$750 million	4.500%	30 years	16 March 2046
23 May 2017 ⁽²⁾	US\$500 million	4.470%	30 years	23 May 2047
6 April 2018 ⁽¹⁾	US\$500 million	3.900%	10 years	6 April 2028
16 January 2019	HK\$1,100 million	3.680%	12 years	16 January 2031
9 April 2019 ⁽¹⁾	US\$1,000 million	3.600%	10 years	9 April 2029
7 April 2020 ⁽¹⁾	US\$1,000 million	3.375%	10 years	7 April 2030
24 June 2020	A\$90 million	2.950%	10 years	24 June 2030
24 October 2022	HK\$1,200 million	5.040%	2.99 years	17 October 2025
25 October 2022 ⁽¹⁾	US\$850 million	5.625%	5 years	25 October 2027
4 April 2023 ⁽¹⁾	US\$600 million	4.950%	10 years	4 April 2033
10 September 2024	HK\$3,250 million	3.780%	5 years	10 September 2029
10 September 2024	HK\$3,900 million	3.700%	2.99 years	2 September 2027
<i>Subordinated Securities</i>				
16 September 2020 ⁽¹⁾	US\$1,750 million	3.200%	20 years	16 September 2040
7 April 2021 ⁽¹⁾⁽³⁾⁽⁴⁾	US\$750 million	2.700%	Perpetual	n/a
11 June 2021 ⁽¹⁾⁽³⁾⁽⁴⁾	S\$500 million	2.900%	Perpetual	n/a
9 September 2021 ⁽¹⁾⁽³⁾⁽⁴⁾	EUR750 million	0.880%	12 years	9 September 2033
19 October 2021 ⁽¹⁾⁽³⁾⁽⁴⁾	S\$105 million	3.000%	30 years	19 October 2051
12 September 2023 ⁽¹⁾⁽³⁾⁽⁴⁾	S\$550 million	5.100%	Perpetual	n/a
5 April 2024 ⁽¹⁾⁽⁵⁾	US\$1,000 million	5.375%	10 years	5 April 2034
30 September 2024 ⁽¹⁾⁽⁵⁾	US\$500 million	4.950%	10.5 years	30 March 2035
30 September 2024 ⁽¹⁾⁽⁵⁾	US\$750 million	5.400%	30 years	30 September 2054

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- (1) These medium term notes and securities are listed on The Stock Exchange of Hong Kong Limited.
- (2) These medium term notes are listed on The Taipei Exchange, Taiwan. The Issuer has the right to redeem these notes at par on 23 May of each year beginning on 23 May 2022.
- (3) The Issuer has the right to redeem these securities in whole, at par on predetermined dates as set out within the terms and conditions of the securities, subject to regulatory approval.
- (4) The coupon rate of these securities is fixed for a predetermined period as set out within the terms and conditions of the securities, and then resets to the initial spread plus a then prevailing benchmark rate if the securities have not been redeemed.
- (5) These securities include the 'lock-in' feature as set out within the terms and conditions of the securities. Payment of the final coupon and principal at maturity is subject to the Issuer meeting regulatory capital requirements.

The Group has access to an aggregate of US\$2,980 million unsecured committed credit facilities, which includes a US\$250 million revolving three-year credit facility expiring in 2027 and a US\$2,730 million five-year credit facility expiring in 2029. The credit facilities will be used for general corporate purposes. There were no outstanding borrowings under these credit facilities as of 31 December 2024.

The Group has other borrowings of US\$83 million as of 31 December 2024. The other borrowings were used for the working capital and dividend purposes.

Historical cash flows

The table below shows our net cash flows from operating, investing and financing activities for the periods indicated:

	Year ended 31 December		
	2024	2023	2022 (as restated)
	(in US\$ millions)		
Net cash provided by operating activities.....	3,263	10,919	9,867
Net cash used in investing activities ...	(945)	(2,137)	(817)
Net cash used in financing activities ...	(5,688)	(6,069)	(4,786)
Net (decrease) / increase in cash and cash equivalents	(3,370)	2,713	4,264
Cash and cash equivalents at the beginning of the financial period.....	11,450	8,766	4,695
Effect of exchange rate changes on cash and cash equivalents.....	(98)	(29)	(193)
Cash and cash equivalents at the end of the financial period.....	7,982	11,450	8,766

Year Ended 31 December 2024 Compared with Year Ended 31 December 2023

Our operating activities include our net purchases and sales of financial investments. Net cash provided by operating activities was US\$3,263 million for the year ended 31 December 2024 compared with net cash provided by operating activities of US\$10,919 million for the year ended 31 December 2023, primarily reflecting the net impact of purchase and sales of financial investments.

Our investing activities consist of acquisitions of subsidiaries and associates, acquisitions and disposals of real estate and intangible assets. Net cash used in investing activities was US\$945 million for the year ended 31 December 2024 compared with net cash used in investing activities of US\$2,137 million for the year ended 31 December 2023. The increase was primarily due to cash outflows on the payments for investment property and property, plant and equipment.

Our financing activities include our borrowings and repayments, as well as movements in capital and distribution of dividends to shareholders. Net cash used in financing activities was US\$5,688 million for the year ended 31 December 2024 compared with net cash used in financing activities of US\$6,069 million for the year ended 31 December 2023, mainly representing net proceeds from the issuances and redemption of medium term notes and securities.

Year Ended 31 December 2023 Compared with Year Ended 31 December 2022

Our operating activities include our net purchases and sales of financial investments. Net cash provided by operating activities was US\$10,919 million for the year ended 31 December 2023 compared with net cash provided by operating activities of US\$9,867 million for the year ended 31 December 2022, primarily reflecting cash inflow of obligations under repurchase agreements.

Our investing activities consist of acquisitions of subsidiaries and associates, acquisitions and disposals of real estate and intangible assets. Net cash used in investing activities was US\$2,137 million for the year ended 31 December 2023 compared with net cash used in investing activities of US\$817 million for the year ended 31 December 2022. The increase was

primarily due to cash outflows on the payments for investment property and property, plant and equipment.

Our financing activities include our borrowings and repayments, as well as movements in capital and distribution of dividends to shareholders. Net cash used in financing activities was US\$6,069 million for the year ended 31 December 2023 compared with net cash used in financing activities of US\$4,786 million for the year ended 31 December 2022, mainly representing net proceeds from the issuances and redemption of medium term notes and securities and from other borrowings, partly offset with the repayment on other borrowings during the year ended 31 December 2023.

Group LCSM solvency position

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

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

Eligible group capital resources on the GWS reported basis increased from US\$73,156 million as of 31 December 2023 to US\$77,650 million as of 31 December 2024, mainly driven by in-force generation and the issuance of eligible subordinated securities, partly offset by capital returns to shareholders.

The GPCR on the GWS reported basis increased from US\$26,646 million as of 31 December 2023 to US\$30,159 million as of 31 December 2024, mainly due to new business written during the year and the HKRBC coming into effect on 1 July 2024.

Tier 1 group capital on the GWS reported basis increased from US\$46,980 million as of 31 December 2023 to US\$49,316 million as of 31 December 2024, mainly driven by in-force capital generation, partly offset by capital returns to shareholders.

The GMCR on the GWS reported basis increased from US\$13,613 million as of 31 December 2023 to US\$14,131 million as of 31 December 2024 due to new business written during the year.

As of 31 December 2024, the GWS Group LCSM coverage ratio was 257%, compared to 275% as of 31 December 2023. The reduction in GWS Group LCSM coverage ratio is largely due to capital returns to shareholders. As of 31 December 2024, eligible group capital resources on the GWS basis included the following items, which are included within Tier 2 group capital:

- (i) US\$6,324 million⁽¹⁾ of subordinated securities. Subordinated securities with a fixed maturity receive full capital credit up to the date that is 5 years prior to the date of maturity, with the capital credit then reducing at the rate of 20% per annum until maturity. Subordinated securities with a maturity where principal repayment is subject to contractual conditions are not expected to be subject to capital credit amortisation. Perpetual subordinated securities receive full capital credit unless they are redeemed; and

- (ii) US\$4,407 million⁽¹⁾ of senior notes issued before designation that have been approved by the HKIA as capital. Prior to maturity, the approved senior notes receive full capital credit until 14 May 2031, after which the capital credit reduces at the rate of 20% per annum until 14 May 2036.

Note:

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

The table shows a summary of the GWS Group LCSM solvency position as at 31 December 2024, 2023 and 2022.

	As of 31 December		
	2024	2023	2022
	(in US\$ millions, except ratios)		
Group LCSM coverage ratio ⁽¹⁾	257%	275%	283%
Tier 1 group capital coverage ratio ⁽²⁾	349%	345%	355%
Eligible group capital resources	77,650	73,156	70,698
Tier 1 group capital	49,316	46,980	45,508
Tier 2 group capital	28,334	26,176	25,190
Group prescribed capital requirement (GPCR)	30,159	26,646	24,989
Group minimum capital requirement (GMCR)	14,131	13,613	12,810
Group LCSM surplus	47,491	46,510	45,709
Senior notes approved as contributing to Group available capital ⁽³⁾	4,407	5,158	5,653

A shareholder view of the Group LCSM capital basis is also presented to show the position excluding the Group's participating business⁽⁴⁾ and for comparability with other companies which report on this basis. The Group LCSM coverage ratio on a shareholder basis was 316% at 31 December 2024.

	As at 31 December			
	2024		2023	
	GWS Reported	Shareholder basis ⁽⁴⁾	GWS Reported	Shareholder basis ⁽⁴⁾
	(in US\$ millions, except ratios)			
Group LCSM coverage ratio	257% ⁽¹⁾	316%	275% ⁽¹⁾	335%
Eligible group capital resources	77,650	56,360	73,156	53,885
Group prescribed capital requirement (GPCR)	30,159	17,814	26,646	16,076
Group LCSM surplus	47,491	38,546	46,510	37,809

Notes:

- (1) The Group LCSM Coverage Ratio is called the "eligible group capital resources coverage ratio" in the GWS framework and is defined as the ratio of the eligible group capital resources to the GPCR.
- (2) The Tier 1 group capital coverage ratio is defined in the GWS framework as the ratio of the Tier 1 group capital to the GMCR.
- (3) The amounts represent the carrying value of medium term notes and securities contributing to eligible group capital resources. These are counted as Tier 2 capital under the GWS Capital Rules.
- (4) Excludes the contribution from participating funds and other participating business with distinct portfolios except for Brunei and Macau. Participating businesses in Brunei and Macau are not considered as participating funds and other participating business with distinct portfolios under applicable local regulatory regimes within our LCSM reporting.

The Group's individual branches and subsidiaries are also subject to supervision, including relevant capital requirements, in the jurisdictions in which they and their parent entity operate. The local operating units were in compliance with the capital requirements of their respective entity and local regulators in each of our geographical markets at 31 December 2024.

The changes in local solvency requirements are summarised as follows:

Hong Kong

The Insurance (Amendment) Ordinance 2023 introduced into the Hong Kong Insurance Ordinance (Cap. 41) the legal basis for implementing the new Risk-based Capital regime (“**HKRBC**”) and empowered the HKIA to prescribe detailed requirements in subsidiary legislation. The revised Ordinance came into effect on 1 July 2024.

AIA International, our principal operating entity in Hong Kong, previously obtained approval from the HKIA to early-adopt the HKRBC regime with effect from 1 January 2022. The Group’s other operating entities in Hong Kong, including AIA Co., AIA Everest and Blue Cross, became subject to the revised legislation from 1 July 2024, and the resulting effect on the Group’s EV Equity was not material.

Malaysia

As part of a review of its capital adequacy framework for insurers, in June 2024 Bank Negara Malaysia (“**BNM**”) released an Exposure Draft for consultation on Risk-based Capital Framework for Insurers and Takaful Operators with a proposed effective date of 1 January 2027.

Macau

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

Taiwan (China)

The Taiwan Financial Supervisory Commission is targeting to implement revised solvency rules based on the Insurance Capital Standard, with effect from 1 January 2026.

Bermuda

The Bermuda Monetary Authority (“**BMA**”) enacted changes to the regulatory regime for commercial insurers in 2024 which included the enhancement of solvency rules and liquidity risk management requirements. The full impact of the changes to the solvency rules will be phased-in over a 10-year transition period.

Contingencies

We are subject to regulation in each of the geographical markets in which we operate from insurance, securities, capital markets, pension, data privacy and other regulators and we are exposed to the risk of regulatory actions in response to perceived or actual non-compliance with regulations relating to suitability, sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, denial or delay of benefits and breaches of fiduciary or other duties.

We are exposed to legal proceedings, complaints and other actions from our activities including those arising from commercial activities, sales practices, suitability of products, policies, claims and taxes.

We operate in many jurisdictions across Asia and in certain of those jurisdictions, our interpretation of the relevant law or regulation may differ from that of the tax authorities, which can result in disputes arising. We have made provisions to cover the potential tax implications, based on management’s judgement and best estimate in relation to the probability or likelihood of the potential outcomes, which is subject to periodic re-assessment. Due to the uncertainty associated with these items, there remains a possibility that the final outcomes may differ on conclusion of the relevant tax matters at a future date.

Commitments and Contractual obligations

Investment and capital commitments

Our investment and capital commitments consist of commitments to invest in private equity partnerships and other assets. Our total future aggregate minimum investment commitments as of 31 December 2024 are as follows:

	(in US\$ millions)
Not later than 1 year	15,149
Later than 1 year and not later than 5 years	152
Total investment and capital commitments	15,301

Off-balance sheet arrangements

Except as described in “– Contractual Obligations”, we have no other material off-balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of financial loss from adverse movements in the value of assets owing to market factors, including changes in interest and foreign exchange rates, as well as movements in the spread of credit instruments to corresponding government bonds, or credit spread risk, and in equity and property prices. See “Business – Risk Management”.

Interest rate risk

Our exposure to interest rate risk predominantly arises from any differences between the duration of the Group's liabilities and assets. Since most markets do not have assets of sufficient tenor to match life insurance liabilities, an uncertainty arises around the reinvestment of maturing assets to match the Group's insurance liabilities.

We manage our interest rate risk primarily on an economic basis to determine the durations of both assets and liabilities. Interest rate risk on local solvency basis is also taken into consideration for business units where local solvency regimes deviate from economic basis. Furthermore, for products with discretionary benefits, additional modelling of interest rate risk is performed to guide determination of appropriate management actions. Management also takes into consideration the asymmetrical impact of interest rate movements when evaluating products with options and guarantees.

	As of 31 December 2024			
	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
	(in US\$ millions)			
Financial assets:				
Loans and deposits	762	3,265	15	4,042
Receivables	74	-	774	848
Debt securities	14,541	163,677	-	178,218
Equity shares, interests in investment funds and exchangeable loan notes .	-	1,271	87,566	88,837
Accrued investment income	-	-	1,748	1,748
Cash and cash equivalents.....	4,384	-	3,717	8,101
Derivative financial instruments.....	-	-	1,054	1,054
Total financial assets.....	19,761	168,213	94,874	282,848
Financial liabilities:				
Investment contract liabilities.....	-	-	6,805	6,805
Borrowings	-	13,329	-	13,329

	As of 31 December 2024			
	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
	(in US\$ millions)			
Obligations under repurchase agreements	3,222	1,394	-	4,616
Other liabilities	133	185	4,591	4,909
Derivative financial instruments.....	-	-	8,615	8,615
Total financial liabilities	3,355	14,908	20,011	38,274

	As of 31 December 2023			
	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
	(in US\$ millions)			
Financial assets:				
Loans and deposits	687	3,295	13	3,995
Receivables	192	-	1,102	1,294
Debt securities	13,384	164,374	-	177,758
Equity shares, interests in investment funds and exchangeable loan notes .	-	1,172	65,281	66,453
Accrued investment income	-	-	1,832	1,832
Cash and cash equivalents.....	4,138	-	7,387	11,525
Derivative financial instruments.....	-	-	752	752
Total financial assets	18,401	168,841	76,367	263,609

Financial liabilities:				
Investment contract liabilities.....	-	-	8,975	8,975
Borrowings.....	-	11,800	-	11,800
Obligations under repurchase agreements	2,996	465	-	3,461
Other liabilities.....	95	196	4,596	4,887
Derivative financial instruments.....	-	-	8,035	8,035
Total financial liabilities	3,091	12,461	21,606	37,158

	As of 31 December 2022 (as restated)			
	Variable interest rate	Fixed interest rate	Non- interest bearing	Total
	(in US\$ millions)			
Financial assets:				
Loans and deposits	1,745	3,097	3	4,845
Receivables	167	-	1,496	1,663
Debt securities.....	14,621	150,722	-	165,343
Equity shares, interests in investment funds and exchangeable loan notes.....	-	1,250	60,705	61,955
Accrued investment income	-	-	1,740	1,740
Cash and cash equivalents.....	4,385	-	3,635	8,020
Derivative financial instruments.....	-	-	568	568
Total financial assets	20,918	155,069	68,147	244,134
Financial liabilities:				
Investment contract liabilities.....	-	-	8,862	8,862
Borrowings.....	-	11,206	-	11,206
Obligations under repurchase agreements ...	1,748	-	-	1,748
Other liabilities	92	391	3,781	4,264
Derivative financial instruments.....	-	-	8,638	8,638
Total financial liabilities	1,840	11,597	21,281	34,718

Foreign exchange rate risk

Foreign exchange rate risk arises mainly from our operations in multiple geographical markets in the Asia-Pacific region and the translation of multiple currencies to U.S. dollars for our financial reporting purposes. The balance sheet values of our operating units and subsidiaries are not hedged to the Group's reporting currency, the U.S. dollar.

However, assets, liabilities and local regulatory and stress capital in each business unit are generally currency matched with the exception of holdings of equities denominated in currencies other than the functional currency, or any expected capital movements due within one year which may be hedged. Bonds denominated in currencies other than the functional currency are commonly hedged with cross-currency swaps or foreign exchange forward contracts.

Exposure to foreign exchange rates⁽¹⁾⁽²⁾

As of 31 December 2024						
	United States Dollar	Chinese Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
	(In US\$ millions)					
Insurance contracts and reinsurance contracts held						
Assets	290	1,694	5	539	1,230	9
Liabilities	(79,756)	(48,587)	(5,049)	(15,514)	(20,576)	(8,569)
Financial Instruments						
Assets	126,194	56,317	1,189	21,998	15,973	9,532
Liabilities	(25,451)	(5,035)	(3,329)	(2,167)	(3,784)	-
Net positions of currency derivatives	<u>(975)</u>	<u>(3,249)</u>	<u>502</u>	<u>591</u>	<u>2,944</u>	<u>435</u>

As of 31 December 2023						
	United States Dollar	Chinese Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
	(In US\$ millions)					
Insurance contracts and reinsurance contracts held						
Assets	-	1,564	635	719	1,246	42
Liabilities	(75,807)	(37,088)	(5,934)	(14,874)	(19,854)	(8,113)
Financial Instruments						
Assets	118,532	44,699	1,418	19,675	15,954	8,961
Liabilities	(21,447)	(4,769)	(3,370)	(1,649)	(3,387)	(72)
Net positions of currency derivatives	<u>(3,222)</u>	<u>(2,040)</u>	<u>390</u>	<u>2,190</u>	<u>2,684</u>	<u>441</u>

As of 31 December 2022 (as restated)						
	United States Dollar	Chinese Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
	(In US\$ millions)					
Insurance contracts and reinsurance contracts held						
Assets	337	1,483	685	1,131	1,154	9
Liabilities	(66,341)	(30,059)	(5,869)	(14,345)	(18,554)	(8,238)
Financial Instruments						
Assets	105,383	39,337	4,133	19,104	15,414	9,415
Liabilities	(20,692)	(3,443)	(2,292)	(2,313)	(2,821)	(368)
Net positions of currency derivatives	<u>(5,996)</u>	<u>(344)</u>	<u>324</u>	<u>1,996</u>	<u>3,875</u>	<u>210</u>

Notes:

- (1) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

- (2) The scope of this exposure to foreign exchange rates excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

Sensitivity analysis on foreign exchange rate risk⁽¹⁾⁽²⁾

A reasonably possible strengthening or weakening of the following currencies against all other currencies at the reporting date would have affected the measurement of insurance contracts and reinsurance contracts held and financial instruments dominated in foreign currency and affected the profit before tax, total equity and CSM by the amounts shown below. This analysis assumes that all other variables remain constant.

As of 31 December 2024						
	United States Dollar	Chinese Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
	(In US\$ millions)					
5% strengthening of original currency						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held.....	(1,125)	(19)	14	-	(8)	-
Financial instruments.....	1,107	(121)	(89)	(49)	(45)	18
Impact on total equity						
Insurance contracts and reinsurance contracts held.....	-	(2,347)	(82)	(749)	(549)	(428)
Financial instruments.....	-	2,402	(82)	1,021	757	498
Impact on CSM						
Insurance contracts and reinsurance contracts held.....	-	846	69	350	152	137
5% strengthening of the U.S. dollar						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held.....	(1,125)	17	(13)	-	2	-
Financial instruments.....	1,107	118	107	47	60	(17)
Impact on total equity						
Insurance contracts and reinsurance contracts held.....	-	2,235	78	713	533	408
Financial instruments.....	-	(2,287)	78	(972)	(721)	(475)
Impact on CSM						
Insurance contracts and reinsurance contracts held.....	-	(806)	(65)	(333)	(146)	(131)

As of 31 December 2023						
	United States Dollar	Chinese Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
	(In US\$ millions)					
5% strengthening of original currency						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held.....	(1,055)	(11)	14	-	(6)	(3)
Financial instruments.....	1,011	8	(83)	27	(79)	12
Impact on total equity						
Insurance contracts and reinsurance contracts held.....	-	(1,777)	(94)	(708)	(539)	(404)
Financial instruments.....	-	1,894	(78)	1,011	763	467
Impact on CSM						
Insurance contracts and reinsurance contracts held.....	-	818	57	322	148	123
5% strengthening of the U.S. dollar						
Impact on profit before tax						

Insurance contracts and reinsurance contracts held.....	(1,055)	9	(13)	-	1	-
Financial instruments.....	1,011	(5)	88	(26)	94	(12)
Impact on total equity						
Insurance contracts and reinsurance contracts held.....	-	1,693	89	674	535	384
Financial instruments.....	-	(1,804)	74	(963)	(726)	(444)
Impact on CSM						
Insurance contracts and reinsurance contracts held.....	-	(779)	(55)	(307)	(143)	(117)

As of 31 December 2022⁽³⁾
(as restated)

	United States Dollar	Chinese Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
	(In US\$ millions)					
5% strengthening of original currency						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held.....	(901)	(48)	(128)	(9)	(24)	(4)
Financial instruments.....	889	143	99	(14)	(8)	(2)
Impact on total equity						
Insurance contracts and reinsurance contracts held.....	-	(1,473)	(249)	(669)	(583)	(415)
Financial instruments.....	-	1,778	108	939	823	463
Impact on CSM						
Insurance contracts and reinsurance contracts held.....	-	847	69	303	150	124
5% strengthening of the U.S. dollar						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held.....	(901)	39	105	7	19	3
Financial instruments.....	889	(127)	(66)	15	25	2
Impact on total equity						
Insurance contracts and reinsurance contracts held.....	-	1,399	220	636	611	395
Financial instruments.....	-	(1,693)	(103)	(895)	(784)	(441)
Impact on CSM						
Insurance contracts and reinsurance contracts held.....	-	(806)	(64)	(289)	(149)	(118)

Notes:

- (1) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.
- (2) The impact on total equity and CSM comprises primarily the effects from the translation of the financial statements of foreign operations recognised in other comprehensive income, as well as the net foreign exchange gains or losses recognised in consolidated income statement and other translation movement recognised in other comprehensive income.
- (3) At 31 December 2022, the assets and liabilities of the Australian S&I business were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the assets and liabilities of the Australian S&I business.

Equity price risk and interest rate risk

Equity price risk arises from changes in the market value of equity shares and interests in investment funds. Investments in equity shares and interests in investment funds on a long-term basis are expected to provide diversification benefits and enhance returns. The extent of exposure to equities at any time is subject to the terms of our strategic asset allocations.

Equity price risk is managed in the first instance through the individual investment mandates which define benchmarks and any tracking error targets. Equity limits are also applied to contain individual exposures. Equity exposures are included in the aggregate exposure reports on each individual counterparty to ensure concentrations are avoided.

A sensitivity analysis to the key variables affecting financial assets and liabilities is set out in the table below. The carrying values of other financial assets are not subject to changes in response to movements in interest rates or equity prices. In calculating the sensitivity of debt and equity instruments to changes in interest rates and equity prices, we have made assumptions about the corresponding impact of asset valuations on liabilities to policyholders. Assets held to support unit-linked contracts have been excluded on the basis that changes in fair value are wholly borne by policyholders. Sensitivity analysis for assets held in participating funds has been calculated after allocation of returns to policyholders using the applicable minimum policyholders' participation ratios.

Information is presented to illustrate the estimated impact on profits and total equity arising from a change in a single variable before taking into account the effects of taxation.

The impact of any impairments of financial assets has been ignored for the purpose of illustrating the sensitivity of profit before tax and total equity before the effects of taxation to changes in interest rates and equity prices on the grounds that default events reflect the characteristics of individual issuers. As our accounting policies lock in interest rate assumptions on policy inception and the assumptions incorporate a provision for adverse deviations, the level of movement illustrated in this sensitivity analysis does not result in loss recognition and so there is not any corresponding effect on liabilities.

Sensitivity analysis on equity price risk⁽¹⁾

An analysis of the Group's sensitivity to 10 per cent increase or decrease in equity prices at the reporting date, assuming that all other variables remain constant, is presented below.

	As of 31 December 2024				As of 31 December 2023				As of 31 December 2022 (as restated)			
	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)	Impact on CSM	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)	Impact on CSM	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)	Impact on CSM
(in US\$ millions)												
10% increase in equity prices:												
Insurance contracts and reinsurance contracts held.....	(4,270)	(4,309)	(4,270)	893	(2,998)	(3,039)	(2,998)	679	(2,702)	(2,744)	(2,702)	577
Financial instruments.....	5,718	5,718	5,718	-	4,168	4,168	4,168	-	3,893	3,893	3,893	-
	1,448	1,409	1,448	893	1,170	1,129	1,170	679	1,191	1,149	1,191	577
10% decrease in equity prices:												
Insurance contracts and reinsurance contracts held.....	4,270	4,306	4,270	(917)	2,996	3,039	2,996	(694)	2,703	2,744	2,703	(579)
Financial instruments.....	(5,718)	(5,718)	(5,718)	-	(4,168)	(4,168)	(4,168)	-	(3,893)	(3,893)	(3,893)	-
	(1,448)	(1,412)	(1,448)	(917)	(1,172)	(1,129)	(1,172)	(694)	(1,190)	(1,149)	(1,190)	(579)

Note:

(1) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

Sensitivity analysis on interest rate risk⁽¹⁾

An analysis of the Group's sensitivity to 50 basis points parallel increase or decrease in yield curves at the reporting date, assuming that all other variables remain constant, is presented below.

	As of 31 December 2024				As of 31 December 2023				As of 31 December 2022 (as restated)			
	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)	Impact on CSM	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)	Impact on CSM	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)	Impact on CSM
	(in US\$ millions)											
+50 basis points shift in yield curves:												
Insurance contracts and reinsurance contracts held.....	6,055	9,817	6,055	(416)	6,633	9,859	6,633	(487)	5,911	8,476	5,911	(713)
Financial instruments.....	(6,682)	(12,585)	(6,682)	-	(6,783)	(11,916)	(6,783)	-	(6,023)	(10,700)	(6,023)	-
	(627)	(2,768)	(627)	(416)	(150)	(2,057)	(150)	(487)	(112)	(2,224)	(112)	(713)
-50 basis points shift in yield curves:												
Insurance contracts and reinsurance contracts held.....	(6,832)	(11,049)	(6,832)	427	(7,444)	(11,060)	(7,444)	505	(6,630)	(9,329)	(6,630)	934
Financial instruments.....	7,513	14,215	7,513	-	7,609	13,414	7,609	-	6,764	12,031	6,764	-
	681	3,166	681	427	165	2,354	165	505	134	2,702	134	934

Note:

(1) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

Liquidity risk

The liquidity principle adopted by the Board is “We will maintain sufficient liquidity to meet our expected financial commitments as they fall due” and as such AIA has defined liquidity risk as the risk of failure to meet current and future financial commitments as they fall due. This incorporates the risks arising from the timing mismatch of cash inflows and outflows in day-to-day operations, including collateral requirements, as well as the market liquidity of assets required for policyholder liabilities. AIA manages liquidity risk in accordance with the Group’s liquidity framework. This framework contains the standards, procedures, and tools used by the Group to monitor and manage liquidity risk in base and stressed conditions across multiple time horizons from daily to twelve months. AIA further supports its liquidity by maintaining access to committed credit facilities, use of bond repurchase markets and debt markets via this Programme. The Group continues to monitor its liquidity and will take actions as appropriate.

The tables below summarise various maturities corresponding to our financial assets and financial and insurance contract liabilities as of the dates indicated.

The following tables set forth a maturity analysis presenting the estimated maturity of carrying amounts in our consolidated statement of financial position as of 31 December 2024, 31 December 2023 and 31 December 2022.

Maturity profile of debt securities, loans and deposits

The maturity profile of debt securities, loans and deposits excludes unit-linked investments and consolidated investment funds as the investment risk is generally borne by our customers.

As of 31 December 2024						
Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity	
(in US\$ millions)						
Debt securities	172,335	7,143	22,376	16,665	126,151	-
Loans and deposits	3,971	1,297	945	156	1,563	10
Total.....	176,306	8,440	23,321	16,821	127,714	10
As of 31 December 2023						
Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity	
(in US\$ millions)						
Debt securities	170,706	5,754	19,990	16,630	128,332	-
Loans and deposits	3,930	996	917	454	1,553	10
Total.....	174,636	6,750	20,907	17,084	129,885	10
As of 31 December 2022 (as restated)						
Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity	
(in US\$ millions)						
Debt securities	159,342	7,465	20,197	17,252	114,428	-
Loans and deposits	4,500	1,833	647	470	1,534	16
Total.....	163,842	9,298	20,844	17,722	115,962	16

Contractual maturities of financial liabilities

As of 31 December 2024						
	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity ⁽²⁾
	(in US\$ millions)					
Borrowings	19,650	770	5,179 ⁽¹⁾	5,254	6,924	1,523
Obligations under repurchase agreements	4,616	4,616	-	-	-	-
Other liabilities excluding lease liabilities	3,756	3,680	48	4	1	23
Lease liabilities	368	132	214	21	1	-
Derivative financial instruments	8,478	3,954	4,155	227	142	-
Subtotal	36,868	13,152	9,596	5,506	7,068	1,546
Investment contract liabilities and third-party interests in consolidated investment funds	7,741	86	251	209	176	7,019
Total	44,609	13,238	9,847	5,715	7,244	8,565

Notes:

(1) Including US\$4,655 million which fall due after 2 years through 5 years.

(2) Balances with no fixed maturity are repayable on demand as the counterparty has a choice of when the amount is paid.

As of 31 December 2023						
	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity ⁽²⁾
	(in US\$ millions)					
Borrowings	16,365	1,277	3,706 ⁽¹⁾	4,842	4,994	1,546
Obligations under repurchase agreements	3,461	3,461	-	-	-	-
Other liabilities excluding lease liabilities	3,698	3,537	86	4	2	69
Lease liabilities	381	141	221	18	1	-
Derivative financial instruments	8,408	1,991	6,028	186	203	-
Subtotal	32,313	10,407	10,041	5,050	5,200	1,615
Investment contract liabilities and third-party interests in consolidated investment funds	9,992	87	264	237	213	9,191
Total	42,305	10,494	10,305	5,287	5,413	10,806

Notes:

(1) Including US\$2,410 million which fall due after 2 years through 5 years.

(2) Balances with no fixed maturity are repayable on demand as the counterparty has a choice of when the amount is paid.

As of 31 December 2022 (as restated)						
	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity ⁽²⁾
	(in US\$ millions)					
Borrowings	15,664	880	3,931 ⁽¹⁾	3,761	5,945	1,147
Obligations under repurchase agreements	1,748	1,748	-	-	-	-
Other liabilities excluding lease liabilities	3,007	2,898	67	12	2	28
Lease liabilities	413	140	249	23	1	-
Derivative financial instruments	9,155	1,415	7,180	232	328	-
Subtotal	29,987	7,081	11,427	4,028	6,276	1,175
Investment contract liabilities and third-party interests in						

As of 31 December 2022 (as restated)						
	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity ⁽²⁾
	(in US\$ millions)					
consolidated investment funds.....	9,939	66	262	266	257	9,088
Total.....	39,926	7,147	11,689	4,294	6,533	10,263

Notes:

(1) Including US\$2,739 million which fall due after 2 years through 5 years.

(2) Balances with no fixed maturity are repayable on demand as the counterparty has a choice of when the amount is paid.

Maturity analysis of insurance and reinsurance contract liabilities

	As of 31 December 2024 ⁽¹⁾						
	Total	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	(in US\$ millions)						
Insurance contract liabilities..	165,733	(5,635)	(6,804)	(4,431)	(1,541)	1,409	182,735
Reinsurance contract liabilities..	700	28	30	28	35	34	545

	As of 31 December 2023 ⁽²⁾						
	Total	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	(in US\$ millions)						
Insurance contract liabilities..	155,459	(4,778)	(5,496)	(3,214)	(1,452)	1,172	169,227
Reinsurance contract liabilities..	917	59	44	43	41	48	682

As of 31 December 2022 ⁽³⁾ (as restated)							
	Total	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	(in US\$ millions)						
Insurance contract liabilities ..	135,469	(4,010)	(4,397)	(2,270)	(779)	772	146,153
Reinsurance contract liabilities ..	979	27	35	41	43	42	791

Notes:

(1) The amounts of payable on demand of insurance contracts are US\$208,003 million as at 31 December 2024.

(2) The amounts of payable on demand of insurance contracts are US\$190,031 million as at 31 December 2023.

(3) The amounts of payable on demand of insurance contracts are US\$176,195 million as at 31 December 2022.

Credit Risk

Credit risk is the risk that third parties fail to meet their obligations to us when they fall due. Although the primary source of credit risk is our investment portfolio, such risk can also arise through reinsurance and treasury activities.

Our credit risk management oversight process is governed centrally, but provides for decentralised management and accountability by our lines of defence. Our credit risk management is adherence to a well-controlled underwriting process. Credit risk limits are applied to control concentrations in individual exposures, sector and cross-border investments. A detailed analysis of each counterparty is performed and a rating is determined by the investment teams according to an internal rating framework. Our Risk Management function manages the internal ratings framework and conducts periodic rating validations. Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk.

The following tables set out the information about the credit quality of reinsurance contract assets and financial assets not measured at FVTPL as of 31 December 2024, 31 December 2023 and 31 December 2022.

Reinsurance contract assets⁽¹⁾

	As of 31 December 2024	As of 31 December 2023	As of 31 December 2022 (as restated)
	(in US\$ millions)		
Investment grade.....	5,727	6,040	5,755
Below investment grade.....	-	-	-
Not rated.....	3	7	8
Total.....	5,730	6,047	5,763

Financial assets measured at amortised cost⁽¹⁾⁽²⁾

	As of 31 December 2024					As of 31 December 2023					As of 31 December 2022 (as restated)				
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased or originated credit- impaired	Total	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased or originated credit- impaired	Total	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased or originated credit- impaired	Total
(in US\$ millions)															
Debt securities															
AAA	18	-	-	-	18	31	-	-	-	31	31	-	-	-	31
AA	495	-	-	-	495	490	-	-	-	490	427	-	-	-	427
A	1,247	-	-	-	1,247	985	-	-	-	985	891	-	-	-	891
BBB	627	-	-	-	627	509	-	-	-	509	428	-	-	-	428
Below investment grade	10	-	-	-	10	132	15	-	-	147	1	15	-	-	16
Not rated	5	-	-	-	5	9	-	-	-	9	-	-	-	-	-
Total gross carrying amount	2,402	-	-	-	2,402	2,156	15	-	-	2,171	1,778	15	-	-	1,793
Loss allowance	(3)	-	-	-	(3)	(4)	(2)	-	-	(6)	(4)	(2)	-	-	(6)
Amortised cost	2,399	-	-	-	2,399	2,152	13	-	-	2,165	1,774	13	-	-	1,787
Loans and deposits															
AAA	14	-	-	-	14	15	-	-	-	15	-	-	-	-	-
AA	167	-	-	-	167	171	-	-	-	171	976	-	-	-	976
A	546	-	-	-	546	597	-	-	-	597	590	-	-	-	590

	As of 31 December 2024					As of 31 December 2023					As of 31 December 2022 (as restated)				
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased or originated credit- impaired	Total	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased or originated credit- impaired	Total	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased or originated credit- impaired	Total
BBB	1,414	-	-	-	1,414	1,488	-	-	-	1,488	1,514	-	-	-	1,514
Below investment grade	979	-	-	-	979	853	-	-	-	853	722	-	-	-	722
Not rated	636	19	10	-	665	584	15	20	-	619	770	11	10	-	791
Total gross carrying amount	3,756	19	10	-	3,785	3,708	15	20	-	3,743	4,572	11	10	-	4,593
Loss allowance	(8)	(1)	(6)	-	(15)	(11)	(2)	(7)	-	(20)	(17)	(3)	(7)	-	(27)
Amortised cost	3,748	18	4	-	3,770	3,697	13	13	-	3,723	4,555	8	3	-	4,566

Notes:

- (1) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.
- (2) The Group's maximum exposure to credit risk of accrued investment income and cash and cash equivalents is limited to the carrying amounts of the assets, the majority of which is arising from the financial assets rated as investment grade and deposits with reputable financial institutions.

Financial assets measured at fair value through other comprehensive income⁽¹⁾

	As at 31 December 2024					As at 31 December 2023					As at 31 December 2022 (as restated)				
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased or originated credit- impaired	Total	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased or originated credit- impaired	Total	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased or originated credit- impaired	Total
In US\$ millions															
Debt securities															
AAA	4,551	-	-	-	4,551	5,223	-	-	-	5,223	9,608	-	-	-	9,608
AA	17,938	-	-	-	17,938	14,735	-	-	-	14,735	12,340	-	-	-	12,340
A	38,046	-	-	-	38,046	35,814	-	-	-	35,814	34,404	-	-	-	34,404
BBB	28,504	-	-	-	28,504	29,618	-	-	-	29,618	31,245	-	-	-	31,245
Below investment grade	1,968	264	365	-	2,597	2,117	266	366	-	2,749	1,922	511	103	-	2,536
Not rated	-	-	-	-	-	2	-	-	-	2	-	-	-	-	-
Total gross carrying amount	91,007	264	365	-	91,636	87,509	266	366	-	88,141	89,519	511	103	-	90,133
Loss allowance	(111)	(16)	(335)	-	(462)	(133)	(17)	(327)	-	(477)	(167)	(50)	(83)	-	(300)
Amortised cost	90,896	248	30	-	91,174	87,376	249	39	-	87,664	89,352	461	20	-	89,833
Carrying amount – fair value	98,010	252	27	-	98,289	88,355	219	38	-	88,612	85,714	325	21	-	86,060

Note:

- (1) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

Our processes for measuring expected credit losses include processes for initial approval, regular validation and back-testing of the models used, and incorporation of forward-looking information. We monitor concentrations of credit arising from investment in debt securities by type, nature and rating. Reinsurance is ceded across all geographical regions that we operate. We do not have excessive credit risk with any single reinsurer.

BUSINESS

OVERVIEW

We are the holding company of the largest independent publicly listed pan-Asian life insurance group in the world. We trace our roots to 1919 when C.V. Starr, a young American entrepreneur, established a fire and marine insurance agency in Shanghai. From this beginning, we have built a long and established record that provides us with significant experience and expertise, enabling us to offer products and services across all classes of consumers, from the mass market to high-net-worth individuals and corporate clients, across our geographical markets. We are a market leader in the Asia region based on life insurance premiums and we hold leading positions across the majority of geographical markets in which we operate.¹⁸ Our brand is widely known and highly respected in the markets we serve, and we believe our reputation is that of an industry leader in quality and service excellence.

We believe that our capital strength and robust balance sheet give us a significant advantage. As of 31 December 2024, our Group Local Capital Summation Method coverage ratio (“**Group LCSM Coverage Ratio**”) under Hong Kong’s Group-Wide Supervision (“**GWS**”) framework was 257% on the prescribed capital requirement (“**PCR**”) basis. As of 31 December 2024, we had total assets of US\$305,454 million and total equity attributable to shareholders of the Issuer of US\$40,490 million.

We meet the long-term savings and protection needs of individuals by offering a range of products and services, including life insurance, accident and health insurance and savings plans. We also provide employee benefits, credit life and pension services to corporate clients. As of 31 December 2024, our employees, partners and proprietary agency force served the holders of more than 43 million individual policies and 16 million participating members of group insurance schemes.

We measure the scale and profitability of our business using various key performance indicators, including value of new business (“**VONB**”), annualised new premiums (“**ANP**”), total weighted premium income (“**TWPI**”), operating profit after tax (“**OPAT**”) attributable to shareholders of the Issuer and equity attributable to shareholders of the Issuer on the embedded value basis (“**EV Equity**”). For the year ended 31 December 2024, VONB was US\$4,712 million and OPAT was US\$6,605 million. We have maintained a stable persistency rate of 94%, 94% and 95% for the years ended 31 December 2024, 2023 and 2022, respectively. We had ANP of US\$8,606 million and TWPI of US\$41,398 million for the year ended 31 December 2024, with 81% of our TWPI consisting of renewal premiums. As of 31 December 2024, we had EV Equity of US\$71,626 million. For an explanation and further discussion of our key performance indicators, see “*Summary – Summary Selected Consolidated Financial and Other Data – Other Data*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – Overview – Key Performance Indicators*”.

We have a presence in 18 markets across the Asia region. Our business is geographically diversified. We operate wholly-owned subsidiaries or branches in 17 markets in Asia – our Key Segments, Australia, New Zealand, Cambodia, Indonesia, South Korea, Sri Lanka, the Philippines, Taiwan (China), Vietnam and Myanmar. In addition, we have a 49% shareholding in our joint venture in India. Hong Kong, Mainland China and Thailand constitute our three largest markets in terms of OPAT, representing 38%, 24% and 15%, respectively, of our total OPAT for the year ended 31 December 2024. As of 31 December 2024, we had over 27,000 permanent employees and fixed term employees.

Our proprietary agency channel is our core distribution platform. In addition, through Partnership Distribution, we market products through bancassurance, direct marketing and

¹⁸ Based on premiums. Market rankings are based on latest available data published by relevant regulatory and industry sources, as well as our own internal estimates where reasonable.

other intermediated channels. We also continue to utilise and invest in other partnership channels, including private banks, IFAs, brokers and specialist advisers.

Our common shares are traded on the Main Board of the Hong Kong Stock Exchange under the stock codes “1299” (HKD Counter) and “81299” (RMB Counter) and are a constituent stock of the Hang Seng Index. We also have American Depositary Receipts (Level 1) traded on the over-the-counter market (ticker symbol: “AAGIY”).

OUR COMPETITIVE STRENGTHS

Profitability and financial strength derived from geographical diversity, scale of operations

We have a track record of stable and profitable growth, which we consider to be evidence of the success of our business model and market leadership. As of 31 December 2024, our Group LCSM Coverage Ratio was 257% on prescribed capital requirement (“PCR”) basis. Internally generated cash flows from our extensive book of in-force business have created a stable revenue base with a high volume of renewal premiums. We derive earnings from across our markets, which we believe underscores our financial strength and profitability. We believe that the scale and efficiency of our operations across our markets give us a competitive advantage in pricing products and in funding growth.

Strong capital position

The strength of our financial position is one of our key points of differentiation and a competitive advantage. Our prudent, sustainable and progressive dividend policy allows for future growth opportunities and the financial flexibility of the Group. Internally generated cash flows from our extensive book of in-force business provide us with a stable revenue base that supports our ongoing efforts to capture the significant growth opportunities available by investing in new business at high internal rates of return.

Deep and historic roots in the Asia region

We were an early entrant to a number of our Key Segments and are distinguished in many markets by our consistent presence operating through wholly-owned subsidiaries and branches, which allows us to exert control over operations and strategy and ensure that value created is for the benefit of our shareholders. We play an important and continuing role in the development of the life insurance industry in these markets. In Hong Kong, Thailand and Singapore, we have sold life insurance products since the 1930s, and we were the first licensed foreign life insurer to establish operations in Mainland China in 1992.

A broad footprint and market leadership in the Asia region

We are currently the only publicly-listed life insurance group that is headquartered in, established throughout and exclusively focused on the Asia region. We have a presence in 18 markets, which give us a broad geographical footprint in the Asia region. We are a market leader in the Asia (ex-Japan) region based on life insurance premiums.

Mainland China opportunity

We are the first company with a wholly foreign owned life insurance subsidiary in Mainland China. Following the conversion of our Shanghai Branch into a wholly owned subsidiary in 2020, we also received approval from the CBIRC (now known as the NFRA) to begin preparations to establish a new branch in Sichuan. The Sichuan branch was launched in March 2021 and is our first branch in Western China. In October 2021, we also received approval from the CBIRC (now known as the NFRA) to commence operations in Hubei province and commenced sales in January 2022. In April 2023, AIA China received approval from the CBIRC (now known as the NFRA) to commence operations in Henan province. It commenced sales in May 2023. During the year ended 31 December 2024, AIA China received approvals from the

NFRA to begin preparations to establish new branches in Anhui, Shandong, Chongqing and Zhejiang.

In January 2022, we completed our investment in China Post Life. The investment was completed upon receiving all necessary regulatory approvals for AIA Co to invest RMB12,033 million (approximately US\$1,860 million) for a 24.99% equity stake in China Post Life. In February 2022, we agreed a new distribution partnership between AIA China and PSBC.

Our investment in China Post Life is complementary to our strategy in China and increases our exposure to the growth opportunities in the Chinese life insurance market. We expect that the investment will enable us to capture the value available from distribution channels and customer segments. The operations of AIA China will remain entirely independent of this investment.

An extensive proprietary agency channel and an expanding multi-channel distribution platform

Developed over decades of operation, our proprietary agency channel is our core distribution platform, providing us with continuity of access to customers and the important opportunity to service their ongoing needs. Throughout our history, our agents have provided significant reach and consistent personal customer contact, enabling us to build and maintain long-term relationships with customers. We have a large number of top-tier agents ("**Premier Agents**") who have been a catalyst for our success. See "*– Distribution – Agency*". In addition, we have also established other distribution channels that meet our profitability criteria.

A diversified suite of products and innovative product capabilities

We have a broad and diversified suite of products, including life insurance, accident and health insurance, savings plans, employee benefits, credit life and pension products, as well as our health and wellness programmes that are designed to meet customers' needs at different stages of their lives. We believe that our diversified product suite positions us well to capture evolving customer demand under a variety of market conditions. We are also able to transfer product knowledge and service expertise from our more developed markets to those markets at earlier stages of development.

Market-leading brand across the Asia region

We have offered customers financial security and the comfort of a constant presence throughout various economic, social and political changes in the Asia region. As a result, we believe that AIA is one of the strongest and most respected insurance brands in the industry.

Experienced management driving a comprehensive business growth strategy

Our management team has extensive experience and a track record for success in the Asia life insurance market. The group of individuals that make up our Group Executive Committee have on average over 24 years of experience in the insurance industry and over 27 years in the financial services industry. This experience gives our management a broad perspective on the industry that drives our business strategies and which we believe will enable us to respond quickly to changes in the life insurance markets in which we operate.

OUR STRATEGY

Our strategy is centered on AIA's purpose to help people live Healthier, Longer, Better Lives (our "**Purpose**").

Our strategic priorities are built on five long-term structural drivers of growth in Asia:

Asia's unprecedented wealth creation

Compounding wealth creation will support a rapid growth in Asia's middle-class population by 2030, with an expected increase of more than 1 billion between 2020 to 2030.

Significant need for private protection

There is a huge shortfall between Asia's need for financial protection and current provision, driving increased demand for life and health insurance and long-term savings. These protection gaps continue to grow, accelerated by the increasing prevalence of avoidable lifestyle-related diseases, ageing populations, increasing longevity and rapid inflation in healthcare costs.

Rapidly shifting consumer mindset

Wellness, healthcare and higher expectations of quality of life into old age are increasingly at the front of mind for consumers. With so many product options and uncertainty over how much cover is needed, consumers increasingly rely on personal recommendations and choose companies that provide trusted advice with relevant, timely and personalised services.

Pervasiveness of new technologies

Advances in technology and digital have opened up increasing opportunities for greater connectivity, scale, and efficiency, driven by deeper customer insights and analytics.

Embracing purpose, sustainability and resilience

Resilience is paramount in a world of increasingly frequent, but hard-to-predict shocks. All stakeholders expect companies to respond in the right way with purpose and a view to long-term sustainability.

Our strategic priorities are aligned with these structural growth drivers and build on our strong track record and substantial competitive advantages. AIA is 100% focused on Asia with 100% ownership of 17 of our 18 operations, including our business in Mainland China, where we are the first foreign company with a wholly-owned life insurance subsidiary.

We believe we have the right platform to capture the many opportunities that each of our markets offers. The specific fundamental areas of our sustainable growth model include:

Unrivalled Distribution – Scale capacity and productivity through digitalisation and advice-centric models

A key competitive strength for AIA is our unrivalled distribution platform, which we have built and developed over decades. This platform allows us to reach millions of individuals and companies across our markets with personalised advice and innovative solutions, helping them live Healthier, Longer, Better Lives. Our strategic priority is to further expand our distribution reach while focusing on increasing productivity of our distribution force.

Continue to extend leadership position in proprietary agency distribution

The core of our distribution is an unparalleled, proprietary Premier Agency platform which focuses on agent quality to deliver professional and personalised advice and to develop long-term relationships with our customers. AIA has been the number one MDRT company globally for the last ten years, demonstrating the effectiveness of our Premier Agency strategy.

Our strategic priorities are market-dependent. In our developed markets, such as Hong Kong and Singapore, we continue to grow our Premier Agency through quality recruitment, training and development initiatives. In Mainland China, we have a unique growth opportunity for our agency as we expand our geographical presence. To meet the significant opportunities we see in South-East Asia and India, we will grow our active agents in our developing and emerging markets. In all of our markets, our agency strategy is built on quality and we increasingly use technology to support our agents and our next-generation agency leaders who are critical to our sustainable development.

Expand and broaden profitable next-generation partnerships

Complementing our agency is our partnership business, where we work with strategic partners including banks and other financial institutions, as well as non-traditional and digital partners across many of our markets. We have developed a panel of high-quality partners that provide

us with access to hundreds of millions of potential customers, many without an existing insurance agent relationship.

Our strategic priority includes a digitally-led approach to better target in-branch customers with customised solutions and provide broader access to previously untapped online banking and credit card customers. Our omni-channel enables customers to choose how to purchase: fully online through to face-to-face advice with a specialist. We have also been testing different solutions and learning from the experience as we work with non-traditional and digital partners to access customers outside the reach of our other distribution channels and our usual demographics.

Compelling Propositions – Be the leading provider of personalised advice and innovative solutions

Our aim is to be a market leader with innovative and profitable products that meet the changing needs of our customers for financial protection and efficient long-term regular savings as they go through their lives. We offer a comprehensive range of protection products to address the life, accident and health protection needs of our customers through their changing life stages, as well as comprehensive long-term savings products to provide for our customers' savings needs for education, retirement and different life goals. During the year ended 31 December 2020, our brand promise of helping people live Healthier, Longer, Better Lives was officially adopted as our purpose and our propositions lead the way in making that a reality for our customers.

Our proposition strategy is anchored around helping our customers meet their protection and long-term savings needs. For protection, our focus is on next-generation life and health products, fully integrated with AIA's health and wellness ecosystem of value-added services. For long-term savings, we leverage AIA's Regional Funds platform to deliver sustainable and superior long-term savings outcomes for customers.

Integrated Health Strategy

During the year ended 31 December 2022, we launched our Integrated Health Strategy. The strategy aims to make healthcare more accessible, more affordable, and more effective. The strategy has three pillars: more personalised health insurance with advice and innovative solutions to provide enhanced coverage and greater value for customers, integration with high-quality outpatient clinics and strategic partnerships to direct better healthcare journeys and improve health outcomes with lower costs, and shaping the nature of healthcare administration and management to make the end-to-end healthcare experience simpler and more effective for our customers.

Personalised Health Insurance

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

Integration with Outpatient Clinics

Integration with healthcare providers will direct better healthcare journeys for customers, help to avoid unnecessary costs and deliver improved health outcomes.

Day surgery centres generally provide a lower cost setting compared with inpatient hospital treatments and we are expanding our day surgery centre networks across our markets. AIA-owned clinics, including those acquired through MediCard in the Philippines and Blue Care in Hong Kong, provide our customers with greater choice and more cost-effective treatments. In

Singapore, we have expanded our network of day surgery centres with preferred fee arrangements, helping us better manage medical costs for our customers.

Advanced Healthcare Administration and Management

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

Amplify Health

In February 2022, we established Amplify Health, a pan-Asian health insurtech business. Amplify Health is at the heart of our Integrated Health Strategy. Leveraging its full range of health insurtech assets and expertise, Amplify Health has developed a broad suite of services that will accelerate the capability build for AIA's businesses and support the creation of sustainable competitive advantages in health insurance. These assets include access to a significant health information dataset, providing AIA with significant opportunities as we deploy our health insights to deliver more effective healthcare for our customers. In addition to digital health engagement, other services being deployed include healthcare provider management and optimisation, AI-driven core claims and benefits management, payment integrity assessments, customer insights analysis and product design.

Leading Customer Experience – Seamless omni-channel customer experience with best-in-class engagement

Our ambition is for AIA's customers to have a best-in-class experience with personalised engagement delivering on three key principles: simplicity, timeliness and reliability. Using analytics, our aim is to deliver a distinctive, personalised and more meaningful experience for our customers, recommending the most suitable products with delivery through their preferred channels, underpinned by seamless processes and fast turnaround times.

We believe that the focus on further enhancing user experience and improving customer satisfaction will help us extend our leading Net Promoter Score ("NPS") positions we enjoy in many of our markets. Priorities include further simplification of policy materials and new business processes, enhancing ongoing policyholder communications and improving the overall claims experience. These have been measured by real-time customer surveys in select markets since 2022 in order to enhance customer experience.

Our customer experience design principles are benchmarked to global best practice and are anchored in digitalisation and personalisation. Our benchmarking also indicates that these improvements can deliver significant improvements to customer satisfaction, emotion and NPS, increased sales leads, conversions, cross-sell and retention as well as delivering productivity gains through efficiency improvements.

Our large base of long-term existing customers offers significant cross-selling opportunities. Our existing customer marketing initiatives provide a growing source of VONB for the Group, and we intend to continue capitalising on these opportunities through our use of customer analytics and a broad range of complementary products. Servicing the needs of existing customers and the development of new customer relationships are complementary and critical drivers of success.

Therefore, our marketing efforts are directed at both acquiring new customers, which is an important source of growth as Asian economies expand and develop, and at servicing the expanding insurance needs of existing policyholders. We believe that our customer initiatives will continue to generate sustainable revenue growth through more new business referrals and additional sales to existing policyholders.

Technology, Digital and Analytics

Technology, Digital and Analytics (“**TDA**”) enables every part of our business. Our targeted investments are aimed at helping improve customer experience, increasing distributor productivity, and making our operations more intelligent, efficient and resilient. TDA is also the key enabler of AIA’s Integrated Health Strategy, which aims to make healthcare more accessible, more affordable and more effective to people across Asia. We continue to transform into a customer-centric and digitally-enabled insurer.

AIA’s shift to on-demand cloud technology and software as a service (SaaS) solutions has enabled fast deployment of digital tools and emerging technologies across the organisation.

Our TDA strategy aims to make it easier for customers to obtain life and health insurance by delivering personalised experiences, while bringing us richer data and deeper customer insights. Our agents and distribution partners also benefit from quality digital tools and analytics supporting higher productivity and high-quality financial advice to our customers.

We have a single view of our customer through our integrated data platforms, providing a consistent data source for all our analytical and generative AI solutions. Our analytics solutions have enhanced customer experiences and increased the productivity of our distribution channels, and we are deploying generative AI solutions at scale. We believe there is potential for generative AI to reshape the way insurance is delivered and customers are served, helping us further optimise distributor productivity, achieve higher operational efficiency and enhance customer experience.

ESG Strategy

In March 2021, we launched our environmental, social and governance (“**ESG**”) strategy, which is built around five pillars: Health and Wellness, Sustainable Investment, Sustainable Operations, People and Culture and Effective Governance. Taken together, we believe these pillars of our strategy will contribute to sustainable and healthier development for Asia, its people and communities as well as the planet.

Our ESG strategy addresses AIA’s most material environmental, social, governance factors using the “double materiality” lens and builds on our Purpose by bringing together a clear programme of goals, commitments and actions. By making ESG integral to our core business strategy, operations and culture, we aim to deliver long-term sustainable value for our shareholders, our customers, our employees and communities and future proof our business.

In 2021, we committed to achieving net-zero greenhouse gas emissions by 2050 using the latest climate science to set ambitious emissions reduction targets in conjunction with the Science Based Targets initiative (“**SBTi**”). Critical to this ambition is the sustainable deployment of our investment portfolio. We believe that the integration of ESG considerations throughout the investment process is essential to driving this transition while effectively managing risk and generating sustained returns for our customers. In 2021, we completed the divestment of our directly-managed listed equity and fixed income exposure to coal mining and coal-fired power businesses.

In 2023, we became the first pan-Asian life and health insurer to have our near-term emissions reduction targets validated by the SBTi. This anchors our targets in science, aligns our goals with the Paris Agreement, and ensures accountability for AIA’s climate actions. In November 2023, we published our first Climate Transition Plan which outlines AIA’s near-term science-based targets emerging from its business operations and general account in-scope investment portfolio, alongside the plans for meeting these targets.

OUR HISTORY

We trace our roots in Asia to 1919 when C.V. Starr, a young American entrepreneur, established a fire and marine insurance agency in Shanghai, a key commercial centre of the region at that time. In 1931, our principal operating subsidiary, AIA Co., was initially registered

in Shanghai as a Hong Kong company under the name International Assurance Company, Limited (“**INTASCO**”) to sell life insurance as part of Mr. Starr’s growing group of insurance operations based in Shanghai. Within seven years, INTASCO’s business had expanded into several other markets in the Asia region through the establishment of branches in Singapore (1931), Hong Kong (1931), Thailand (1938, for life insurance business) and Malaysia (1948), all of which remain key markets for us today.

Our Hong Kong base became the platform for a programme of post-war expansion with the geographical footprint of the Group expanding to include Brunei (1957), Australia (1972), New Zealand (1981), Macau (1982), Indonesia (1984), South Korea (1987), Taiwan (China) (1990), Vietnam (2000), India (2001), Sri Lanka (2012), Myanmar (2013) and Cambodia (2015). Hong Kong was also the gateway back to our roots in Mainland China in 1992, when we became the first foreign insurer to receive a licence to sell life insurance in Mainland China and opened a branch office in Shanghai.

As part of the global reorganisation of worldwide operations after the Second World War, it was decided that Mr. Starr’s U.S. businesses would be managed and serviced from New York, while the non-U.S. businesses would be managed from Bermuda. In 1969, the shares of the group, now known as AIG, began trading on the over-the-counter market in the United States. In 1984, AIG’s shares were listed on the New York Stock Exchange.

In May 2009, our then parent, AIG, announced that it would take steps to position AIA Group Limited as a separate entity and seek a public listing or sale of the Group, with the group’s headquarters to be located in Hong Kong (the “**Group Office**”). On 29 October 2010, AIG completed a global offering and listing of our shares on the Hong Kong Stock Exchange. The stock listing was the third largest IPO ever globally at the time. In 2011, we became a constituent stock of the Hang Seng Index and also launched a sponsored Level 1 American Depositary Receipt Programme. In 2012, we marked the official end of our association with AIG, as AIG divested its remaining AIA shares.

OUR PRODUCTS

Our Key Product Lines

We meet the long-term savings and protection needs of individuals by offering a range of products and services, including life insurance, accident and health insurance and savings plans. We also provide employee benefits, credit life and pension services to corporate clients.

To serve the evolving needs of our customers, we have developed and continue to expand a broad and diversified product suite that is designed to respond to our customers’ needs at each stage of their lives. We adjust our product offerings by market in order to respond to changing customer preferences, varying stages of economic and regulatory development and other specific market trends. Our key product lines are described below.

Traditional Life Insurance

We offer a wide variety of traditional life insurance products in three principal categories: term life, traditional basic participating and traditional basic non-participating. Our traditional life products, except general personal lines insurance, are typically designed so that accident and health (“**A&H**”) and other protection riders may be attached to or embedded in the basic policy.

Term Life

Term life insurance provides life insurance protection for a defined period. The sum assured under the policy is paid to the beneficiary if death occurs during the period of coverage.

Traditional Basic Participating Life Insurance

Traditional basic participating life insurance products are contracts of insurance whereby the policyholders have a contractual right to receive additional benefits based on investment return

or other factors, as a supplement to any guaranteed benefits. The Group may either have discretion as to the timing of the allocation of the additional benefits to the policyholders or may have discretion as to the timing and the amount of the additional benefits to the policyholders.

Traditional Basic Non-Participating Life Insurance

Traditional basic non-participating life insurance products are contracts of insurance whereby the policyholder has only a right to the guaranteed benefit, which is not at the contractual discretion of the insurer.

Unit-Linked and Universal Life Insurance

Our unit-linked and universal life products are typically designed such that A&H and other protection riders may be attached to the basic policy.

Unit-Linked Products

Unit-linked products are insurance products whereby the surrender value of the policy is linked to the value of underlying investments (such as collective investment schemes, internal investment pools or other property). Unit-linked products include variable life insurance products, variable universal life insurance products, equity-linked products and unit-linked products, the classification of which varies depending on local regulations. Unit-linked products remain central to our product strategy by providing our customers with the flexibility to adjust the balance between protection cover and wealth accumulation over the lifetime of the product. In general, the investment risk associated with the surrender value of such products is borne by the policyholder.

Universal Life Products

Universal life products are insurance products whereby the customer pays flexible premiums that are accumulated in an account balance that is credited with an investment return at the discretion of the insurer. The customer may vary the death benefit and the contract may permit the customer to withdraw the account balance, typically subject to a surrender charge.

Accident & Health Insurance

A&H insurance products provide morbidity or sickness benefits and include health, disability, critical illness and accident cover. A&H insurance products are sold both as stand-alone policies and as riders that can be attached to our individual life insurance products.

Wellness and Health Management

We have embedded AIA Vitality in Hong Kong, Singapore, Thailand, Malaysia, Vietnam, Indonesia, the Philippines, India, Macau, South Korea, Australia, and New Zealand, and a wellness programme in Mainland China. Wellness is a key component of AIA's commitment to promoting healthy living and differentiates our protection proposition to customers by rewarding healthy lifestyle choices.

Group Insurance

We provide group life and group A&H benefits to employees of SMEs and larger domestic and multinational companies. Our strategy is to develop dynamic and bespoke propositions for companies ranging from small to large multinational corporations through our agency channel and broker relationships. We are a leading provider of group insurance and credit life insurance across the Asia region, and a leading provider of life and disability insurance to superannuation funds in Australia. As of 31 December 2024, AIA group policies were protecting 16 million members.

We believe that our unrivalled pan-Asian footprint and considerable group insurance experience give us a strategic advantage in the multinational company segment of our

insurance market. The scale of our Premier Agency distribution also gives us an advantage in the rapidly expanding SME market.

Pension Products

We operate a pension products business in Hong Kong. Our subsidiary serves as a trustee of multi-investment manager platforms offering constituent funds with respect to both voluntary and mandatory pension schemes in Hong Kong.

DISTRIBUTION

We distribute our products through all major channels, including agents, banks, direct marketing, IFAs and brokers. We believe that our experience with a broad range of distribution channels across many geographical markets at different stages of economic development positions us well to respond to evolving customer needs and regulatory requirements and effectively transfer successful distribution strategies across markets.

Agency

Our proprietary agency channel is our core distribution platform. Agency generated US\$3,707 million of VONB for the year ended 31 December 2024, representing 74% of our total VONB, making it our most profitable channel.

Since 2011, we have been selectively recruiting higher calibre, younger and better-educated agency candidates. Through the AIA Premier Academy, our education and development facility for the agency channel, we continue to drive quality recruitment, activity and productivity. The AIA Premier Academy has implemented training roadmaps designed for each local market to provide tailored and motivational development opportunities for new, experienced and Premier Agents. Training programmes have been deployed not only to give agents more advanced sales and advisory skills, but also to enhance the capabilities of agency leaders. In addition, we are committed to investing in technology and innovation to support our agents in meeting customer needs while delivering the best possible customer experience.

Partnership Distribution

Partnership Distribution is responsible for creating and expanding market opportunities through bancassurance, direct marketing and other intermediated distribution channels to provide an important source of additional profitable growth. We believe our broad Partnership Distribution platform provides a complementary and material source of competitive advantage by extending our reach in the fast-growing Asian insurance market. We have built on our strategic relationships with our partners in bancassurance, direct marketing and other intermediated distribution channels. Partnership Distribution continues to implement our strategy of improving the quality of service and products to meet the evolving needs of our customers and to improve the economic returns for both our partners and the Group. We pursue new growth opportunities that meet our profitability targets and broaden our distribution reach, resulting in the expansion of existing partnerships and the signing of a number of new partnership agreements around the region.

Our partnership business accounted for US\$1,301 million of VONB, or 26% of our VONB for the year ended 31 December 2024.

Bancassurance

We seek to maintain strong new business growth through our disciplined approach to sales management in collaboration with highly regarded local and regional bancassurance partners, primarily through our in-branch insurance specialist model. Our bancassurance partnerships include partnerships with Citibank in Hong Kong and Singapore, Bank of East Asia (BEA) in Hong Kong and Mainland China, Public Bank in Malaysia, and Bangkok Bank in Thailand.

We have a partnership with Citibank pursuant to which we are Citibank's exclusive provider of life insurance products in Hong Kong and Singapore. The partnership provides access to Citibank's corporate clients, retail cardholders and banking customers. The agreement involves all retail distribution channels, including branches, telemarketing and online channels, covering both retail and group life insurance products. In connection with this partnership, we have made a significant investment in technology to enable cutting-edge front-end sales and service solutions for our clients, including continuing the integration of interactive Point of Sale ("iPoS") with Citibank's sales platforms to provide customers and relationship managers with a seamless financial planning and insurance sales experience. In April 2021, Citibank announced that it intended to exit its consumer banking business in the markets covered by the bancassurance partnership except for Hong Kong and Singapore. Accordingly, the Group and Citibank have signed an amendment agreement to amend certain terms of the bancassurance partnership agreement.

In March 2021, AIA entered into an exclusive 15-year strategic bancassurance partnership with BEA covering Hong Kong and Mainland China to leverage BEA's network of more than 140 outlets in Hong Kong and Mainland China and its affluent customer base.

Other Partnership Channels

Our other channels include the IFA/brokerage channel and our corporate sales centres. We have developed considerable experience in direct marketing and continue to invest in and develop this channel. Through a targeted approach marketing product solutions specifically for affluent and high-net-worth customers, we continue to build our partnerships with private banks, IFAs, brokers and specialist advisers.

OUR GEOGRAPHICAL MARKETS

Our Hong Kong base is the hub of an insurance network that has a presence in 18 geographical markets. Our Key Segments are Mainland China, Hong Kong (including Macau), Thailand, Singapore (including Brunei) and Malaysia. Our Other Markets segment refers to Australia, New Zealand, Cambodia, Indonesia, South Korea, Sri Lanka, the Philippines, Taiwan (China), Vietnam, Myanmar, and our interest in our joint venture in India.

Mainland China

With roots in Mainland China dating back to 1919, we re-entered the Mainland China life insurance market in 1992, when AIA opened a branch in Shanghai. AIA's Mainland China business historically operated through branches and sub-branches of AIA Co., our Hong Kong-based subsidiary, which was the first licensed foreign Chinese life insurer to establish operations in Mainland China in 1992.

On 1 October 2020, the business and operation of AIA Co.'s branches in Mainland China were transferred to AIA China, a wholly owned subsidiary of AIA Co. During the year ended 31 December 2020, we also received approval from the CBIRC (now known as the NFRA) to begin preparations to establish a new branch in Sichuan. The Sichuan branch was launched in March 2021 and is our first branch in Western China. In October 2021, we also received approval from the CBIRC (now known as the NFRA) to commence operations in Hubei province and commenced operations in January 2022. In April 2023, AIA China received approval from the CBIRC (now known as the NFRA) to commence operations in Henan province. It commenced sales in May 2023. During the year ended 31 December 2024, AIA China received approvals from the NFRA to begin preparations to establish new branches in Anhui, Shandong, Chongqing and Zhejiang.

In January 2022, we completed our investment in China Post Life. The investment was completed upon receiving all necessary regulatory approvals for AIA Co to invest RMB12,033 million (approximately US\$1,860 million) for a 24.99% equity stake in China Post Life. In February 2022, we agreed a new distribution partnership between AIA China and PSBC.

Our investment in China Post Life is complementary to our strategy in China and increases our exposure to the growth opportunities in the Chinese life insurance market. We expect that the investment will enable us to capture the value available from distribution channels and customer segments. The operations of AIA China will remain entirely independent of this investment.

Our Mainland China operations accounted for 24% of total VONB and 24% of total OPAT for the year ended 31 December 2024.

Distribution

AIA China maintains a multi-channel distribution network with agency its core distribution channel. Our success is underpinned by our Premier Agency strategy. We have continued to deliver growth in agency based on first-class recruitment and professional training to enable our agents to offer advice and products that help individuals and families meet their regular savings and protection goals.

AIA China also has a growing presence in the bancassurance channel.

Products and Customers

We provide a full line of life, accident and medical insurance. We have positioned ourselves as a leader in the provision of comprehensive protection insurance products in Mainland China, a position we reinforced through launching new products for young families, including additional cover for childhood diseases and multiple claims for critical illnesses following our success with similar product designs in Hong Kong. In the face of increasing prevalence of non-communicable diseases, we have also launched a wellness programme to help our customers develop a healthy lifestyle through monitoring and tracking health conditions, providing health knowledge and advice, as well as rewards and incentives. In 2018, AIA formed a long-term strategic partnership with We Doctor Holdings Limited, a technology-enabled healthcare solutions platform, to provide quality health and wellness offerings, as well as financial protection solutions.

Hong Kong

We began conducting business in Hong Kong in 1931 when AIA Co. established a branch in Hong Kong, and have maintained a presence in Hong Kong for over 80 years, except for limited interruptions. Hong Kong is the location of our Group Office. Hong Kong accounted for 35% of total VONB and 38% of total OPAT for the year ended 31 December 2024.

During the year ended 31 December 2022, we completed the acquisition of Blue Cross and Blue Care from BEA. Blue Cross is a well-established insurer in Hong Kong focused providing health insurance products. Blue Care operates medical centres with a large medical network in Hong Kong.

Distribution

We maintain a multi-channel distribution network in Hong Kong. Our primary distribution channel is our agency force. We provide training and development programmes in conjunction with our AIA Premier Academy that are designed to improve agency productivity, with programmes such as our market-leading “Road to MDRT” training and mentoring programme aimed at recruiting and developing high-potential individuals new to the insurance industry.

Although agency is our largest distribution channel in Hong Kong, Partnership Distribution, including retail IFA and our bancassurance partnerships with Citibank and BEA, also provides significant contribution to our new business results. We seek to grow these channels with our continued investments in service and infrastructure that enable our partners to offer targeted protection and long-term savings propositions that meet their customers’ needs.

Products and Customers

Our large in-force customer base in Hong Kong is a strong source of profitable new business generation. We offer a wide range of products that include individual and group life and medical insurance, long-term participating savings, critical illness and pension.

AIA provides long-term savings and protection products to meet the needs of our customers in Hong Kong. We continue to maintain our focus on writing high-quality, profitable new business with nearly 73% of total ANP of regular premium business from policies having a premium payment term of at least five years. This contrasts with the local market average where lower margin, short-term products, often targeted at bank deposit replacement, make up around half of regular premium business.

Thailand

We began operations in Thailand in 1938, when AIA Co. established its first branch in Thailand. We were one of the first international life insurance companies to operate in Thailand and, in part as a result of our lengthy and uninterrupted operating history, AIA Thailand is the only wholly-owned branch of a foreign life insurance company operating in the market. Our Thailand operation accounted for 16% of total VONB and 15% of total OPAT for the year ended 31 December 2024.

Distribution

We have operated in Thailand for over 85 years and have developed a distinct nationwide agency network that has made us the leading life insurance company in the country. The cornerstone of our distribution strategy is our large network of agents, which has historically accounted for a high proportion of our business in Thailand. Our priority is to strengthen this competitive advantage through the execution of our Premier Agency strategy, including a renewed focus on high-quality recruitment and enhanced training. Our recruitment programmes are focused on bringing the right people into the industry, targeting young, highly-educated candidates. Our training and mentoring programmes are aimed at supporting our agents as they seek to offer high-quality advice to our customers, together with the right mix of products to meet their needs. The iPoS platform in Thailand has provided our agents and agency leaders with additional support, particularly in upcountry areas.

In addition to our agency network, we market our products through bancassurance arrangements and direct marketing. In March 2018, we launched a new 15-year strategic bancassurance partnership with Bangkok Bank. The agreement involves distribution of our protection and long-term savings products on an exclusive basis, providing access to one of the largest retail banking customer bases in Thailand with more than 16 million customer accounts and around 1,200 branches nationwide. Group insurance remains an important emerging growth opportunity for AIA in Thailand, particularly from potential sales within the SME segment through our agency force.

Products and Customers

We offer a wide range of insurance products and financial services, including life insurance, accident and health insurance, group insurance, credit life, annuity and unit-linked products, supplementary contracts, and provident fund management services. We design products to help our customers address their regular savings and protection goals. In Thailand, we were the first provider to offer regular premium unit-linked products combined with protection rider policies.

Singapore

We began conducting business in Singapore in 1931, when AIA Co. established a branch in Singapore. We have maintained a presence in Singapore for more than 80 years, except for limited interruptions, and were one of the first international insurers to operate in the country. In 2012, we transferred our insurance business in Singapore from a branch of AIA Co. to a

Singapore-incorporated and wholly-owned subsidiary of the Group, AIA Singapore. Our Singapore operations accounted for 9% of total VONB and 10% of total OPAT for the year ended 31 December 2024. The business of AIA Co. Brunei Branch was transferred to AIA Singapore Brunei Branch with effect from 1 January 2020.

Distribution

AIA Singapore's agency channel has historically been the major contributor to AIA Singapore's sales production. As a complement to this, AIA Singapore's bancassurance channel provides access to Singapore's high-net-worth customer segment.

Our success in Singapore is underpinned by our Premier Agency strategy. We have continued to deliver growth in agency based on first-class recruitment and professional training to enable our agents to offer advice and products that help Singaporean families meet their regular savings and protection goals. We launched AIA Financial Advisers in 2017 to provide our customers with more choice and greater access to professional financial advice. As well as the broader implementation of our Premier Agency strategy, we have continued to develop our profitable Partnership Distribution channel with IFA and bancassurance distribution partners, including Citibank, and build on our market-leading position in group insurance.

Products and Customers

We offer a wide range of products, including protection, savings, investment and retirement for individuals and employee benefits. We have established ourselves as a leader in the protection insurance market in Singapore. As part of our continuing efforts to engage our customers in new ways and differentiate our products and services, in 2017 we established AIA Quality Healthcare Partners, which made us the first insurer in Singapore to establish direct partnerships with the medical community.

We continue to increase engagement with our customers through AIA Vitality since its launch in 2013, and have expanded its integration across our product suite.

Malaysia

We began conducting business in Malaysia in 1948. In 2008, our Malaysian branch operations were converted to a locally incorporated company. Our Malaysian operations accounted for 7% of total VONB and 5% of total OPAT for the year ended 31 December 2024.

Distribution

We distribute our products primarily through our agency force, as well as our bancassurance and direct marketing channels. Our unified structure for agency compensation is designed to drive quality recruitment and improve agency productivity, supporting our aim of promoting and rewarding full-time agents who are looking for a professional career with AIA.

In addition to agency distribution, we market our products through a strategic bancassurance partnership with Public Bank, a leading Malaysian banking group. In December 2017, the Group entered into a 15-year extension of the existing exclusive regional bancassurance agreement with Public Bank, extending the partnership from 2023 to 2037.

Products and Customers

We offer a complete range of life insurance products, including comprehensive life and general insurance, unit-linked, personal accident, group, credit life and personal lines products and Family Takaful products. Following the approval of our new single licence in June 2013, we launched an enhanced, single range of products under the AIA brand for distribution via our agency channel. To meet the increasing protection needs of Malaysians, we have continued to broaden our product suites, including coverage for pregnant women and newborns. In conjunction with AIA Vitality, our marketing campaigns focus on encouraging Malaysians to take control of their health and on raising awareness of the benefits of leading an active lifestyle.

Other Markets

Our Other Markets segment reports the combined results of Australia, New Zealand, Cambodia, Indonesia, South Korea, Sri Lanka, the Philippines, Taiwan (China), Vietnam and Myanmar, as well as our interest in our joint venture in India. Our Other Markets operations accounted for 9% of total VONB and 8% of total OPAT for the year ended 31 December 2024.

In September 2017, the Group reached agreement with CBA to acquire CBA's life insurance business in Australia ("**CMLA**") and life and health insurance businesses in New Zealand. On 2 July 2018, AIA completed the acquisition of Sovereign, and the strategic bancassurance partnership with ASB Bank Limited in New Zealand became effective.

On 1 November 2019, AIA announced the execution of a joint cooperation agreement that enabled AIA to exercise a level of direct management control and oversight of the CMLA business while awaiting the final completion. On 1 April 2021, the portfolio transfer of CMLA's life insurance business to AIA Australia was completed.

The transaction included 25-year strategic bancassurance partnerships with CBA in Australia and ASB Bank Limited in New Zealand. The transaction has expanded the Group's distribution capabilities and customer reach in the Australia and New Zealand markets.

In July 2023, AIA Australia completed the sale of its Australian S&I business to Resolution Life. The S&I business comprised an in-force portfolio of superannuation, retirement and investment products, and is non-core to our strategy to be the leading life, health and wellness provider in Australia.

In March 2023, we completed the acquisition of MediCard, a leading Health Maintenance Organisation ("**HMO**") in the Philippines providing health insurance and healthcare services to more than 920,000 members across corporate and individual plans. The MediCard acquisition had brought new products, customer segments and distribution capabilities to AIA Philippines and to open up new opportunities to deliver more personalized health insurance.

INVESTMENTS

Overview

We invest the premiums and other income generated from our insurance business. Our success in investment management contributes to the competitiveness of our products, our financial strength and our business reputation.

Our total investment portfolio was US\$288,621 million as of 31 December 2024 as compared with US\$268,548 million as of 31 December 2023 and US\$251,801 million as of 31 December 2022. Our financial investments are managed under two distinct categories: (i) Policyholder and Shareholder Investments, which represented 88% of our total investment portfolio as of 31 December 2024, and (ii) investments related to unit-linked contracts and consolidated investment funds, which represented 12% of our total investment portfolio as of 31 December 2024.

The fixed income yield of our Policyholder and Shareholder Investments was 4.28%, 4.31% and 4.16% in the years ended 31 December 2024, 2023 and 2022, respectively. The fixed income yield is the interest income from fixed income investments, as a percentage of average fixed income investments measured at amortised cost over the period. This excludes unit-linked contracts and consolidated investment funds.

Fixed income investments, including debt securities, loans and term deposits held in respect of policyholders and shareholders, totalled US\$176,306 million at 31 December 2024 compared with US\$174,636 million at 31 December 2023 and US\$163,842 million at 31 December 2022, driven by changes in market value, partly offset by inflow of new money. The average credit rating of the fixed income portfolio including government bonds remained stable at A, compared with the position at 31 December 2023.

Investment Objectives and Processes

The Group manages its financial investments in two distinct categories: Unit-linked Investments and Policyholder and Shareholder Investments. The investment risk in respect of Unit-linked Investments is generally wholly borne by our customers, and does not directly affect our reported profit before tax. Policyholder and Shareholder Investments includes all financial investments other than Unit-linked Investments. The investment risk in respect of Policyholder and Shareholder Investments is partially or wholly borne by the Group and directly affects our reported profit before tax.

Policyholder and Shareholder Investments

The primary investment objectives of our Policyholder and Shareholder Investments are generally designed to achieve optimal levels of risk-adjusted return for policyholders and shareholders over the long-term, while preserving capital, maintaining adequate solvency and liquidity levels, meeting our risk management and asset-liability management (“**ALM**”) objectives and ensuring full compliance with applicable regulations and internal policies.

Our investment objectives aim to ensure that the Group is able to meet future liabilities associated with the insurance products that we underwrite and produce stable and consistent income and returns. We do this mainly through investments in fixed income instruments. We also invest a portion of our portfolio in other asset classes, such as public equities, private equities and real estate, to generate higher returns in line with our strategic asset allocation (“**SAA**”) guidelines.

Unit-Linked Investments and Consolidated Investment Funds

Investment return associated with unit-linked contracts is reflected in the changing value of the underlying investments, which in turn changes the surrender value of the policies. As of 31 December 2024, we had no material exposure to variable annuity products.

Framework and Management

We have a comprehensive and integrated framework which we have enhanced to ensure investments are properly authorised, monitored and managed. Our investments are managed at both our asset management company level and at the local operating unit level, with investment strategies tailored to the business needs of, and regulatory requirements applicable to, each of our local operating units. In January 2017, we established an asset management company incorporated in Singapore and, over the course of 2017, began to migrate the fixed income assets of our Group Office and certain local operating units to be managed by such asset management company. In addition, the asset management company in Singapore performs certain services such as centralised dealing for other asset management companies and local operating units. During the year ended 31 December 2019, we launched an asset management company incorporated in Hong Kong to further support the business operations and initiatives of our local operating units. During the year ended 31 December 2020, we launched an asset management company incorporated in Thailand to enhance our unit-linked propositions. During the year ended 31 December 2022, we launched an asset management company in the form of a trust corporation in the Philippines to further serve the needs of our customers. As of 31 December 2024, US\$187 billion of assets are being managed by our asset management companies.

To meet our investment objectives for Policyholder and Shareholder Investments, the Group has comprehensive, integrated frameworks to ensure investments are properly authorised, monitored and managed within internal policies that address asset liability management, financial and operational risks, whether assets are invested directly by the Group or through external investment managers.

Investment Portfolio

The following table sets forth the composition of our investment portfolio as of the dates

indicated.

Policyholder and Shareholder⁽¹⁾

	As of 31 December		
	2024	2023	2022
			(as restated)
	(in US\$ millions)		
Participating funds and other participating business with distinct portfolios⁽²⁾			
Government bonds	22,050	21,027	15,514
Government agency bonds	6,894	6,838	6,971
Corporate bonds and structured securities	39,499	49,756	46,534
Loans and deposits	392	470	885
Subtotal – Fixed income investments ...	68,835	78,091	69,904
Investment funds with debt instruments as underlying	3,126	-	30
Others	37,250	22,676	14,277
Subtotal - Interests in investment funds and exchangeable loan notes⁽³⁾	40,376	22,676	14,307
Equity shares	6,115	7,533	13,241
Investment property and property held for own use	3,614	3,574	3,206
Cash and cash equivalents	1,917	2,421	2,166
Derivative financial instruments	338	376	249
Subtotal participating funds and other participating business with distinct portfolios	121,195	114,671	103,073
Other policyholder and shareholder			
Government bonds	65,870	54,343	51,354
Government agency bonds	7,508	7,343	7,602
Corporate bonds and structured securities	30,514	31,399	31,367
Loans and deposits	3,579	3,460	3,615
Subtotal – Fixed income investments ...	107,471	96,545	93,938
Investment funds with debt instruments as underlying	2,188	280	379
Others	8,366	6,584	6,835
Subtotal - Interests in investment funds and exchangeable loan notes⁽³⁾	10,554	6,864	7,214
Equity shares	5,269	4,604	4,765
Investment property and property held for own use	4,755	4,491	3,672
Cash and cash equivalents	5,374	8,391	5,298
Derivative financial instruments	715	370	335
Subtotal other policyholder and shareholder	134,138	121,265	115,222
Total policyholder and shareholder	255,333	235,936	218,295

Notes:

- (1) In preparing the financial statements, the Group enhanced the presentation to further split and allocate the underlying assets held by consolidated investment funds to the respective fund segments of the asset-backing liabilities. Where consolidated investment funds are held by third-party unit holders, these continue to be classified under consolidated investment funds. Please refer to notes 18 and 22 to the 2024 audited consolidated financial statements and notes 18 and 22 to the 2023 audited consolidated financial statements for additional information.

- (2) Participating fund business is written in a segregated statutory fund with regulations governing the division of surplus between policyholders and shareholders.
Other participating business with distinct portfolios, representing Hong Kong participating business, are supported by segregated investment assets and explicit provisions for future surplus distribution.
- (3) Interests in investment funds and exchangeable loan notes are based on the updated presentation in note 18 to the 2024 audited consolidated financial statements.

Unit-Linked Contracts and Consolidated Investment Funds

	As of 31 December		
	2024	2023	2022
			(as restated)
	(in US\$ millions)		
Unit-linked contracts and consolidated investment funds			
Debt securities	5,883	7,052	6,869
Loans and deposits	71	65	345
Interests in investment funds and exchangeable loan notes	18,110	17,626	17,056
Equity shares	8,413	7,150	7,685
Cash and cash equivalents	810	713	1,505
Derivative financial instruments	1	6	46
Total unit-linked contracts and consolidated investment funds	33,288	32,612	33,506

Total Investment Portfolio

	As of 31 December		
	2024	2023	2022
			(as restated)
	(in US\$ millions)		
Total policyholder and shareholder	255,333	235,936	218,295
Total unit-linked contracts and consolidated investment funds	33,288	32,612	33,506
Total investment portfolio	288,621	268,548	251,801

Fixed Income Securities

Overview

Our fixed income securities represented 69%, 74% and 75% of the total Policyholder and Shareholder Investments as of 31 December 2024, 31 December 2023 and 31 December 2022 (as restated), respectively. The following table sets forth the carrying value of the subcategories of our fixed income securities in our investment portfolio as of the dates indicated.

As of 31 December 2024					
	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Unit-Linked Investments and Consolidated Investment Funds	% of Total Unit-Linked Investments and Consolidated Investment Funds	Total
	(in US\$ millions)				
Debt securities:					
Government bonds.....	87.920	35	2.175	7	90.095

As of 31 December 2024

	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Unit-Linked Investments and Consolidated Investment Funds	% of Total Unit-Linked Investments and Consolidated Investment Funds	Total
(in US\$ millions)					
Government agency bonds	14,402	6	597	2	14,999
Corporate bonds.....	67,885	26	3,065	9	70,950
Structured securities.....	2,128	1	46	-	2,174
Subtotal.....	172,335	68	5,883	18	178,218
Loans and deposits:					
Mortgage loans on residential real estate	469	-	-	-	469
Mortgage loans on commercial real estate	3	-	-	-	3
Other loans	161	-	51	-	212
Allowance for loan losses	(9)	-	-	-	(9)
Subtotal	624	-	51	-	675
Term deposits	1,830	1	20	-	1,850
Promissory notes ⁽¹⁾	1,523	-	-	-	1,523
Loss allowance for deposits measured at amortised cost	(6)	-	-	-	(6)
Total Fixed Income Securities.....	176,306	69	5,954	18	182,260

(1) Promissory notes are issued by a government.

As of 31 December 2023

	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Unit-Linked Investments and Consolidated Investment Funds	% of Total Unit-Linked Investments and Consolidated Investment Funds	Total
(in US\$ millions)					
Debt securities:					
Government bonds.....	75,370	32	2,296	7	77,666
Government agency bonds	14,181	6	702	2	14,883
Corporate bonds.....	79,026	33	4,003	12	83,029
Structured securities.....	2,129	1	51	-	2,180
Subtotal.....	170,706	72	7,052	22	177,758
Loans and deposits:					
Mortgage loans on residential real estate	452	-	-	-	452
Mortgage loans on commercial real estate	2	-	-	-	2
Other loans	166	-	37	-	203
Allowance for loan losses	(10)	-	-	-	(10)
Subtotal	610	-	37	-	647
Term deposits	1,806	1	28	-	1,834
Promissory notes ⁽¹⁾	1,524	1	-	-	1,524
Loss allowance for deposits measured at amortised cost	(10)	-	-	-	(10)
Total Fixed Income Securities.....	174,636	74	7,117	22	181,753

(1) Promissory notes are issued by a government.

As of 31 December 2022
(as restated)

	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Unit-Linked Investments and Consolidated Investment Funds	% of Total Unit-Linked Investments and Consolidated Investment Funds	Total
	(in US\$ millions)				
Debt securities:					
Government bonds.....	66,868	31	2,054	5	68,922
Government agency bonds	14,573	6	880	4	15,453
Corporate bonds.....	75,742	35	3,832	12	79,574
Structured securities.....	2,159	1	103	-	2,262
Subtotal.....	159,342	73	6,869	21	166,211
Loans and deposits:					
Mortgage loans on residential real estate	469	-	-	-	469
Mortgage loans on commercial real estate	2	-	-	-	2
Other loans	325	-	47	-	372
Allowance for loan losses	(9)	-	-	-	(9)
Subtotal	787	-	47	-	834
Term deposits	2,211	1	298	1	2,509
Promissory notes ⁽¹⁾	1,520	1	-	-	1,520
Loss allowance for deposits measured at amortised cost	(18)	-	-	-	(18)
Total Fixed Income Securities.....	163,842	75	7,214	22	171,056

(1) Promissory notes are issued by a government.

Debt securities constitute the largest asset class in our Policyholder and Shareholder Investments, representing 68%, 72% and 73% of the total Policyholder and Shareholder Investments as of 31 December 2024, 31 December 2023 and 31 December 2022 (as restated), respectively. The remaining asset classes within the fixed income investments portion of our investment portfolio include loans, term deposits and promissory notes issued by a government.

A large proportion of our investments in debt securities are in the form of government bonds and government agency bonds, which together comprised 41%, 38% and 37% of the total Policyholder and Shareholder Investments as of 31 December 2024, 31 December 2023 and 31 December 2022 (as restated), respectively. Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities; government-related entities; multilateral development banks and supranational organisations. This allocation is driven primarily by ALM and capital management purposes as these assets tend to be capital efficient and provide longer maturities to enable us to better match our liability profiles. We maintain the principle of currency matching between assets and liabilities. We also hold a sizable portfolio of corporate bonds, comprising 26%, 33% and 35% of the total Policyholder and Shareholder Investments as of 31 December 2024, 31 December 2023 and 31 December 2022 (as restated), respectively. Our corporate bond investments primarily consist of investment grade issues that generally offer yield enhancement over government bonds, while also providing duration matching for our liabilities.

In conducting our credit risk assessment of potential investment opportunities, we use an internal risk rating system which is conceptually similar to systems used by external credit rating agencies, such as Moody's, S&P and Fitch. We use the following conventions for the credit ratings used in this Offering Circular for our investments in government bonds, government agency bonds, corporate bonds and structured securities. Where external ratings are not readily available, an internal rating methodology has been adopted. The following conventions have been adopted to conform the various ratings.

Reported as:	S&P and Fitch	Moody's	Internal Ratings
AAA	AAA	Aaa	1
AA	AA+ to AA-	Aa1 to Aa3	2+ to 2-
A	A+ to A-	A1 to A3	3+ to 3-
BBB	BBB+ to BBB-	Baa1 to Baa3	4+ to 4-
Below investment grade ⁽¹⁾	BB+ and below	Ba1 and below	5+ and below

(1) Unless otherwise identified individually.

A portion of our investment in fixed income securities is composed of government agency bonds, corporate bonds and structured securities that are below investment grade or not rated by international credit rating agencies. These investments, and the rationales for our investments in such securities, principally consist of:

- Government and government agency bonds whose ratings are capped by the sovereign debt rating ceiling issued by rating agencies and our internal rating system. These fixed income securities are held primarily for ALM purposes in countries that are rated below investment grade;
- Bonds and structured notes issued by issuers in local markets that do not seek credit ratings from international credit rating agencies. These fixed income securities are held for their credit spreads to enhance the yield of our portfolios;
- Bonds that were rated investment grade at time of purchase but have been subsequently downgraded. We reassess our holding of such securities upon a downgrade; and
- Certain below investment grade or non-rated emerging market bonds that offer yield enhancement opportunities.

Below investment grade or non-rated securities typically carry risks. Complementing our investment framework and the tools used in connection with our investment process, such as our internal risk rating system, certain aspects of our RMF help us manage the risks associated with such investments. These measures include the involvement of our Board Risk Committee and the policies and procedures described below in “– Risk Management – Risk Categorisations – Principal Risks – Financial Risks – Credit Risk” and “– Risk Management – Risk Categorisations – Principal Risks – Financial Risks – Market Risk”.

Government Bonds

Government bonds constituted 35%, 32% and 31% of the total Policyholder and Shareholder Investments as of 31 December 2024, 31 December 2023 and 31 December 2022 (as restated), respectively.

The following tables show the breakdown of government bonds issued in foreign and local currency by jurisdiction.

As of 31 December 2024					
Government bonds	Policyholder and Shareholder Investments	%	Unit-Linked Investments	%	Total
	(in US\$ millions, except for percentages)				
Mainland China.....	39,299	45	46	2	39,345
Thailand.....	15,715	18	-	-	15,715
United States.....	10,189	11	72	3	10,261
South Korea	5,924	7	195	9	6,119
Singapore	5,860	7	953	44	6,813
Philippines	1,844	2	227	10	2,071
Malaysia	2,622	3	536	25	3,158
Indonesia.....	1,823	2	145	7	1,968
Other	4,644	5	1	-	4,645
Total.....	87,920	100	2,175	100	90,095

As of 31 December 2023					
Government bonds	Policyholder and Shareholder Investments	%	Unit-Linked Investments	%	Total
	(in US\$ millions, except for percentages)				
Mainland China.....	31,068	41	54	2	31,122
Thailand.....	12,637	17	-	-	12,637
United States.....	7,159	9	91	4	7,250
South Korea	6,524	9	248	11	6,772
Singapore	6,274	8	985	43	7,259
Philippines	2,036	3	238	10	2,274
Malaysia	2,161	3	389	17	2,550
Indonesia.....	1,956	3	158	7	2,114
Other	5,555	7	133	6	5,688
Total.....	75,370	100	2,296	100	77,666

As of 31 December 2022 (as restated)					
Government bonds	Policyholder and Shareholder Investments	%	Unit-Linked Investments	%	Total
	(in US\$ millions, except for percentages)				
Mainland China.....	25,788	38	84	4	25,872
Thailand.....	12,153	18	1	-	12,154
United States.....	6,298	9	89	4	6,387
South Korea	5,949	9	263	13	6,212
Singapore	5,844	9	827	40	6,671
Philippines	1,816	3	237	12	2,053
Malaysia	2,112	3	246	12	2,358
Indonesia.....	1,788	3	147	7	1,935
Other	5,120	8	160	8	5,280
Total.....	66,868	100	2,054	100	68,922

Other Government and Government Agency Bonds

Government agency bonds constituted 6% of the total Policyholder and Shareholder Investments as of 31 December 2024, 31 December 2023 and 31 December 2022 (as restated). These securities are primarily issued by government and government-sponsored institutions largely in the geographical markets in which we operate.

The following tables show the breakdown of our other government and government agency bond holdings by credit rating. The credit ratings of other government and government agency bonds are capped at the sovereign debt rating ceilings of the individual countries, some of which are rated below investment grade.

As of 31 December 2024					
	Policyholder and Shareholder Investments	%	Unit-Linked Investments and Consolidated Investment Funds	%	Total
	(in US\$ millions, except for percentages)				
Government agency bonds					
AAA	2,918	20	70	12	2,988
AA	2,525	18	119	20	2,644
A	6,376	44	356	59	6,732
BBB	2,387	17	52	9	2,439
Below investment grade	196	1	-	-	196
Not rated	-	-	-	-	-
Total other government and government agency bonds	<u>14,402</u>	<u>100</u>	<u>597</u>	<u>100</u>	<u>14,999</u>

As of 31 December 2023					
	Policyholder and Shareholder Investments	%	Unit-Linked Investments and Consolidated Investment Funds	%	Total
	(in US\$ millions, except for percentages)				
Government agency bonds					
AAA	2,944	21	220	31	3,164
AA	2,825	20	203	29	3,028
A	5,794	41	214	30	6,008
BBB	2,360	16	48	7	2,408
Below investment grade	258	2	5	1	263
Not rated	-	-	12	2	12
Total other government and government agency bonds	<u>14,181</u>	<u>100</u>	<u>702</u>	<u>100</u>	<u>14,883</u>

As of 31 December 2022 (as restated)					
	Policyholder and Shareholder Investments	%	Unit-Linked Investments and Consolidated Investment Funds	%	Total
	(in US\$ millions, except for percentages)				
Government agency bonds					
AAA	3,052	21	242	27	3,294
AA	2,681	18	310	35	2,991
A	6,263	43	260	30	6,523

As of 31 December 2022 (as restated)					
	Policyholder and Shareholder Investments	%	Unit-Linked Investments and Consolidated Investment Funds	%	Total
	(in US\$ millions, except for percentages)				
BBB	2,327	16	53	6	2,380
Below investment grade	250	2	15	2	265
Not rated	-	-	-	-	-
Total other government and government agency bonds	14,573	100	880	100	15,453

Corporate Bonds

Corporate bonds constituted 26%, 33% and 35% of the total Policyholder and Shareholder Investments as of 31 December 2024, 31 December 2023 and 31 December 2022 (as restated), respectively.

The following tables show the breakdown of our corporate bond holdings by credit rating. Most of the credit ratings of corporate bonds are capped at the sovereign debt rating ceilings of the individual countries, some of which are rated below investment grade.

As of 31 December 2024					
	Policyholder and Shareholder Investments	%	Unit-Linked Investments and Consolidated Investment Funds	%	Total
	(in US\$ millions, except for percentages)				
Corporate bonds:					
AAA	614	1	1	-	615
AA	5,296	8	202	7	5,498
A	32,458	48	1,239	40	33,697
BBB	27,348	40	1,187	39	28,535
Below investment grade	2,152	3	241	8	2,393
Not rated	17	-	195	6	212
Total corporate bonds .	67,885	100	3,065	100	70,950

As of 31 December 2023					
	Policyholder and Shareholder Investments	%	Unit-Linked Investments and Consolidated Investment Funds	%	Total
	(in US\$ millions, except for percentages)				
Corporate bonds:					
AAA	849	1	-	-	849
AA	5,727	7	342	9	6,069
A	35,853	46	2,117	53	37,970
BBB	33,918	43	1,053	26	34,971
Below investment grade	2,656	3	261	6	2,917
Not rated	23	-	230	6	253
Total corporate bonds .	79,026	100	4,003	100	83,029

As of 31 December 2022					
(as restated)					
Policyholder and Shareholder Investments	Unit-Linked Investments and Consolidated Investment Funds				Total
	%		%		
	(in US\$ millions, except for percentages)				
Corporate bonds:					
AAA.....	759	1	12	-	771
AA.....	5,090	7	342	9	5,432
A.....	33,659	44	1,837	48	35,496
BBB.....	33,803	45	1,134	30	34,937
Below investment grade.	2,409	3	214	5	2,623
Not rated	22	-	293	8	315
Total corporate bonds .	75,742	100	3,832	100	79,574

Structured Securities

Our fixed income investment asset class also includes structured securities, which consist of collateralised debt obligations, mortgage-backed securities and other asset-backed securities, constituting 1%, 1% and 1% of the total Policyholder and Shareholder Investments as of 31 December 2024, 31 December 2023 and 31 December 2022 (as restated), respectively.

Collateralised debt obligations of policyholder and shareholder investments amounted to US\$1,666 million, US\$1,732 million and US\$1,332 million as of 31 December 2024, 31 December 2023 and 31 December 2022 (as restated), respectively.

The following tables show the breakdown of our structured securities holdings by credit rating.

As of 31 December 2024					
Policyholder and Shareholder Investments	Unit-Linked Investments and Consolidated Investment Funds				Total
	%		%		
	(in US\$ millions, except for percentages)				
Structured securities:					
AAA	228	11	-	-	228
AA	231	11	-	-	231
A	791	37	46	100	837
BBB	778	37	-	-	778
Below investment grade	96	4	-	-	96
Not rated	4	-	-	-	4
Total structured securities	2,128	100	46	100	2,174

As of 31 December 2023					
Policyholder and Shareholder Investments	Unit-Linked Investments and Consolidated Investment Funds				Total
	%			%	
	(in US\$ millions, except for percentages)				
Structured securities:					
AAA	162	8	-	-	162
AA	298	14	-	-	298
A	680	32	32	63	712
BBB	845	40	19	37	864
Below investment grade	138	6	-	-	138
Not rated	6	-	-	-	6
Total structured securities	2,129	100	51	100	2,180

As of 31 December 2022 (as restated)					
Policyholder and Shareholder Investments	Unit-Linked Investments and Consolidated Investment Funds				Total
	%		%		
	(in US\$ millions, except for percentages)				
Structured securities:					
AAA	146	7	46	45	192
AA	243	11	-	-	243
A	607	28	38	37	645
BBB	793	37	19	18	812
Below investment grade	121	6	-	-	121
Not rated	249	11	-	-	249
Total structured securities	2,159	100	103	100	2,262

Loans

We extend loans to enhance yields on our fixed income investments asset class. These loans principally consist of policy loans and mortgage loans on residential and commercial real estate. Loans represented nil, nil and nil of the total Policyholder and Shareholder Investments as of 31 December 2024, 31 December 2023 and 31 December 2022 (as restated), respectively.

We have lending policies that are based on a credit analysis process and underwriting guidelines that account for diverse factors, including market conditions, industry specific conditions, company cash flows and quality of collateral. We also have a monitoring programme in place whereby our credit teams review the status of the obligor on a regular basis to anticipate any credit issues. Policy loan amounts are restricted to the policy's cash surrender values and, as a result, we are not exposed to credit risk on policy loans. The loss on residential mortgage loans and other loans was insignificant in each of 2024, 2023 and 2022.

Term Deposits and Promissory Notes

Our term deposits constituted 1%, 1% and 1% of the total Policyholder and Shareholder Investments as of 31 December 2024, 31 December 2023 and 31 December 2022 (as restated), respectively. Promissory notes constituted nil, 1% and 1% of the total Policyholder and Shareholder Investments as of 31 December 2024, 31 December 2023 and 31 December 2022 (as restated), respectively.

Some of our term deposits with financial institutions and promissory notes are restricted due to local regulatory requirements or other pledge restrictions. The restricted balance held within term deposits and promissory notes was US\$1,901 million, US\$372 million and US\$381 million as of 31 December 2024, 31 December 2023 and 31 December 2022 (as restated), respectively.

Equity Shares, Interests in Investment Funds and Exchangeable Loan Notes

Our equities portfolio includes investments in public equities, private equities and investment funds that may invest in private equities and other alternative asset classes. Our equities portfolio represented 24%, 17% and 19% of the total Policyholder and Shareholder Investments as of 31 December 2024, 31 December 2023 and 31 December 2022 (as restated), respectively.

The following table sets forth the carrying value of the subcategories of our equity shares, interests in investment funds and exchangeable loan notes in our investment portfolio as of the date indicated.

As of 31 December 2024

	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Unit-Linked Investments and Consolidated Investment Funds	% of Total Unit-Linked Investments and Consolidated Investment Funds	Total
	(in US\$ millions, except for percentages)				
Equity shares	11,384	18	8,413	32	19,797
Interests in investment funds and exchangeable loan notes					
Investment funds with debt instruments as underlying ^{(1) (2)}	5,314	9	3,003	11	8,317
Others	45,616	73	15,107	57	60,723
Total.....	62,314	100	26,523	100	88,837

As of 31 December 2023

	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Unit-Linked Investments and Consolidated Investment Funds	% of Total Unit-Linked Investments and Consolidated Investment Funds	Total
	(in US\$ millions, except for percentages)				
Equity shares	12,137	29	7,150	29	19,287
Interests in investment funds and exchangeable loan notes					
Investment funds with debt instruments as underlying ⁽¹⁾	280	1	2,994	12	3,274
Others	29,260	70	14,632	59	43,892
Total.....	41,677	100	24,776	100	66,453

**As of 31 December 2022
(as restated)**

	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Unit-Linked Investments and Consolidated Investment Funds	% of Total Unit-Linked Investments and Consolidated Investment Funds	Total
	(in US\$ millions, except for percentages)				
Equity shares	18,006	46	7,685	31	25,691
Interests in investment funds and exchangeable loan notes	21,521	54	17,056	69	38,577
Total.....	39,527	100	24,741	100	64,268

Notes:

- (1) Investment funds with debt instruments as underlying refer to investment funds that solely invest in debt securities and cash.
- (2) The Group transferred securities along with the rights to cash flows to an externally managed investment vehicle. The risks and rewards of ownership are retained by the Group. The carrying amount of the transferred assets is US\$3,126 million. Subsequent to the transfer, these investments have the characteristics of equity instruments in line with accounting standards.

Cash and Cash Equivalents

Cash and cash equivalents represented 3%, 5% and 3% of the total Policyholder and Shareholder Investments as of 31 December 2024, 31 December 2023 and 31 December 2022 (as restated), respectively.

Derivatives

Derivative financial instruments, which include foreign exchange contracts, interest rate contracts and other derivatives, constituted 1% of the total Policyholder and Shareholder Investments as of 31 December 2024 and less than 1% and 1% of the total Policyholder and Shareholder Investments as of 31 December 2023 and 31 December 2022 (as restated), respectively. The following table sets forth our non-hedge derivative exposure for the dates indicated.

	As of 31 December 2024		
	Notional Amount	Fair value	
		Assets	Liabilities
		(in US\$ millions)	
Foreign exchange contracts			
Forwards	4,773	79	(35)
Cross-currency swaps.....	10,661	214	(317)
Foreign exchange futures.....	97	-	-
Interest rate contracts			
Interest rate swaps.....	4,908	261	(108)
Swaptions.....	6,035	125	-
Other			
Warrants and options	1,396	7	-
Forward contracts	35,103	368	(8,155)
Swaps	-	-	-
Netting	(97)	-	-
Total derivatives financial instruments	<u>62,876</u>	<u>1,054</u>	<u>(8,615)</u>

	As of 31 December 2023		
	Notional Amount	Fair value	
		Assets	Liabilities
		(in US\$ millions)	
Foreign exchange contracts			
Forwards	4,964	41	(78)
Cross-currency swaps.....	8,429	342	(271)
Foreign exchange futures.....	41	-	-
Interest rate contracts			
Interest rate swaps.....	3,930	210	(109)
Other			
Warrants and options	1,424	11	(2)
Forward contracts	36,758	148	(7,575)
Swaps	-	-	-
Netting	(41)	-	-
Total derivatives financial instruments	<u>55,505</u>	<u>752</u>	<u>(8,035)</u>

	As of 31 December 2022		
	Notional Amount	Fair value	
		Assets	Liabilities
		(in US\$ millions)	
Foreign exchange contracts			
Forwards	6,025	56	(86)
Cross-currency swaps.....	6,994	220	(295)
Foreign exchange futures.....	48	-	-
Interest rate contracts			
Interest rate swaps.....	8,500	240	(283)
Other			
Warrants and options	1,344	27	(1)
Forward contracts	37,995	74	(8,056)
Swaps	2,051	13	(18)
Netting	(48)	-	-
Total derivatives financial instruments	<u>62,909</u>	<u>630</u>	<u>(8,739)</u>

For a description of the derivative financial investments that we invest in, see note 19 to our 2024 audited consolidated financial statements included elsewhere in this Offering Circular.

Investment Property and Property Held for Own Use

We own a portfolio of investment properties used strictly for investment purposes. We also own real estate for operational use, but these are not reflected in our investment portfolio.

We also have property held for own use in AIA's business. Our investment property and property held for own use portfolio represented 3%, 4% and 3% of the total Policyholder and Shareholder Investments as of 31 December 2024, 31 December 2023, 31 December 2022 (as restated), respectively. Fair value of the investment properties (including land) increased by 1% to US\$4,570 million as of 31 December 2024 from US\$4,504 million as of 31 December 2023. Fair value of the investment properties (including land) decreased by 2% to US\$4,504 million as of 31 December 2023 from US\$4,600 million as of 31 December 2022. Fair value of the property held for own use increased by 7% to US\$3,799 million as of 31 December 2024 from US\$3,560 million as of 31 December 2023. Fair value of the property held for own use increased by 56% to US\$3,560 million as of 31 December 2023 from US\$2,278 million as of 31 December 2022.

Valuation of Financial Assets

We determine 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. We measure and classify assets recorded at fair value in the consolidated statement of financial position in a hierarchy for disclosure purposes consisting of three "levels" based on the observability of inputs available in the market place used. The following sets out the investments carried at fair value according to their fair value hierarchy.

As of 31 December 2024				
Fair value hierarchy				
Level 1	Level 2	Level 3	Total	
(in US\$ millions)				
Recurring fair value measurements				
Non-financial assets				
Property held for own use	-	-	2,711	2,711
Investment property	-	-	4,570	4,570
Financial assets				
At fair value through other comprehensive income				
Debt securities	-	95,318	2,971	98,289
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios	63	66,198	2,182	68,443
Unit-linked and consolidated investment funds	16	5,398	-	5,414
Other policyholder and shareholder	-	3,551	122	3,673
Loans and deposits	-	-	272	272
Equity shares, interests in investment funds and exchangeable loan notes				
Participating funds and other participating business with distinct portfolios	24,963	3,835	17,693	46,491
Unit-linked and consolidated investment funds	25,137	1,363	23	26,523
Other policyholder and shareholder	6,035	2,885	6,903	15,823
Cash and cash equivalents				
Participating funds and other participating business with distinct portfolios	192	-	-	192
Other policyholder and shareholder	1,436	-	-	1,436
Derivative financial instruments				
Foreign exchange contracts	-	293	-	293
Interest rate contracts	-	386	-	386
Other contracts	4	191	180	375
Total assets on a recurring fair value measurement basis	57,846	179,418	37,627	274,891
Percentage of Total	21.0	65.3	13.7	100.0

As of 31 December 2024				
Fair value hierarchy				
Level 1	Level 2	Level 3	Total	
(in US\$ millions)				
Financial liabilities				
Investment contract liabilities.....	-	4,280	2,040	6,320
Derivative financial instruments.....				
Foreign exchange contracts.....	-	352	-	352
Interest rate contracts	-	108	-	108
Other contracts	-	8,155	-	8,155
Other liabilities.....	-	812	-	812
Total liabilities on a recurring fair value measurement basis.....				
	-	13,707	2,040	15,747
Percentage of Total.....	0.0	87.0	13.0	100.0

As of 31 December 2023				
Fair value hierarchy				
Level 1	Level 2	Level 3	Total	
(in US\$ millions)				
Recurring fair value measurements				
Non-financial assets				
Property held for own use	-	-	2,565	2,565
Investment property.....	-	-	4,504	4,504
Financial assets				
At fair value through other comprehensive income				
Debt securities	78	86,177	2,357	88,612
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios.....	173	75,640	1,808	77,621
Unit-linked and consolidated investment funds. .	3	6,712	-	6,715
Other policyholder and shareholder	-	2,450	195	2,645
Loans and deposits.....	-	-	272	272
Equity shares, interests in investment funds and exchangeable loan notes				
Participating funds and other participating business with distinct portfolios.....	15,149	1,283	13,777	30,209
Unit-linked and consolidated investment funds. .	24,374	379	23	24,776
Other policyholder and shareholder	4,805	1,285	5,378	11,468
Cash and cash equivalents				
Other policyholder and shareholder	4,970	-	-	4,970
Derivative financial instruments				
Foreign exchange contracts.....	-	383	-	383
Interest rate contracts	-	210	-	210
Other contracts	4	147	8	159
Total assets on a recurring fair value measurement basis.....				
49,556	174,666	30,887	255,109	
Percentage of Total.....	19.4	68.5	12.1	100.0
Financial liabilities				
Investment contract liabilities.....	-	6,607	1,853	8,460
Derivative financial instruments.....				
Foreign exchange contracts.....	-	349	-	349
Interest rate contracts	-	109	-	109
Other contracts	4	7,573	-	7,577
Other liabilities.....	-	844	-	844
Total liabilities on a recurring fair value measurement basis.....				
4	15,482	1,853	17,339	
Percentage of Total.....	0.0	89.3	10.7	100.0

As of 31 December 2022 (as restated)				
Fair value hierarchy				
Level 1	Level 2	Level 3	Total	
(in US\$ millions)				
Recurring fair value measurements				
Non-financial assets				
Property held for own use	-	-	1,235	1,235
Investment property.....	-	-	4,600	4,600
Financial assets				
At fair value through other comprehensive income				

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

See note 20 to our 2024 audited consolidated financial statements included elsewhere in this Offering Circular for information regarding the valuation techniques and inputs by level within the three-level fair value hierarchy by major classes of financial assets.

Impairment

We carry out loss allowances for the expected credit losses (“ECL”) assessment for amortised cost and fair value through other comprehensive income debt securities, loans and deposits as well as trade receivables. At 31 December 2024, the ECL provision represented 0.5% of the bond portfolio measured at amortised cost and measured at fair value through other comprehensive income, reflecting AIA’s overall high-quality investment portfolio. The ECL provision for the bond portfolio measured at amortised cost and measured at fair value through other comprehensive income decreased by US\$18 million for the year ended 31 December 2024.

RISK MANAGEMENT

Overview

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

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

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

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

Risk Governance

Three Lines

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

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

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

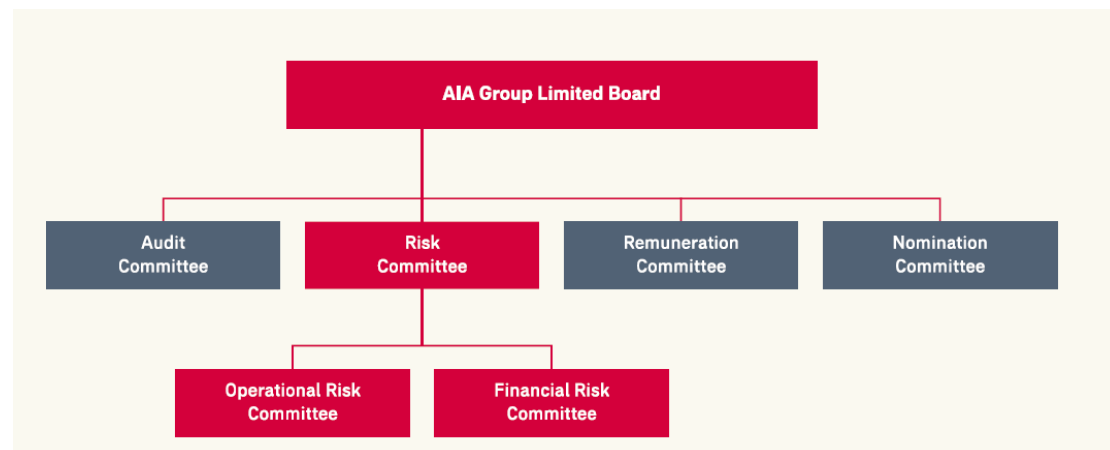
The Third Line is the Group Internal Audit ("**GIA**") function, which is independent of the First and Second Lines and reports to the Audit Committee. GIA is responsible for independently assess and report on the overall effectiveness of risk management, internal controls and governance processes.

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

Risk Committee Structure

The Risk Committee structure is designed to:

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



The Board

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

Board Risk Committee

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

Group Operational Risk and Financial Risk Committees

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

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

Risk Culture

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

Accountability

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

Remuneration

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

Risk Strategy and Appetite

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

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

Risk Appetite Statement

The Group has adopted the following RAS:

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

Risk Principles and Risk Tolerances

The RAS is supported by five Risk Principles:

Risk Principles

Regulatory Capital	<i>"AIA has no appetite for regulatory non-compliance and as such will ensure that we hold sufficient capital to meet our current statutory minimum solvency in all but the most extreme market conditions."</i>

Financial Strength	<i>“AIA will ensure the Group’s ability to meet all future commitments to our customers, both financial obligations and in terms of the promises we make to them. We will maintain sufficient capital to support a Financial Strength Rating that meets our business needs.”</i>
Liquidity	<i>“AIA will maintain sufficient liquidity to meet our expected financial commitments as they fall due.”</i>
Earnings Volatility	<i>“AIA will seek to deliver reported operating earnings consistent with expectations and will implement policies, limits and controls to contain operational risks, risk concentrations and insurance risks within reasonable tolerances.”</i>
Business Practice	<i>“AIA will uphold high ethical standards and will implement sound internal controls to minimise the downside risk from the impact of any operational failures within reasonable tolerances.”</i>

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

Risk Management Process

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

Risk Identification and Assessment

Timely and complete identification of risks is an essential first step to the risk management process. The R&C function has developed a systematic process to identify existing and emerging risks in the business units. The Group’s risk taxonomy enables a consistent identification and classification of existing and emerging risks inherent in business activities.

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

Management and Response

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

Risk Monitoring

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

Risk Controls

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

Risk Reporting, Systems and Tools

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

COMPETITION

We believe competition in the markets in which we operate is based on factors including premiums charged and other terms and conditions of coverage, product features, investment performance, services provided, distribution capabilities, scale, experience, commission structure, brand strength and name recognition, information technology and actual or perceived financial strength. The competitive landscape across the markets in which we operate differs widely by geographical markets. Leading market participants are primarily either subsidiaries of large global life insurers or local domestic (including state-owned) entities. Almost all local domestic life insurers in the Asia region remain focused or dependent on their home markets. Our key competitors across the region include AXA, Manulife and Prudential plc. Other competitors relevant in a few of our Key Segments include China Life and Ping An in Mainland China, HSBC Life and BOC Life in Hong Kong, FWD and Muang Thai Life in Thailand, and Great Eastern in Singapore and Malaysia.

We expect that competition in the Asia region may increase, particularly in protection business, as life insurers increase their focus on meeting the growing protection needs of Asian consumers, supported by governments and regulators in the region.

OPERATIONS

Our operations unit focuses on processing new business and servicing policies and policyholders.

Operations are currently structured as three separate departments, representing various functional responsibilities:

- Underwriting and New Business;
- Claims Management; and
- Customer Service and Contact Centre.

These departments are supported by our Marketing and Information Technology departments.

Underwriting and New Business

Underwriting

Our underwriting operations involve the evaluation of our insurance products by a professional staff of underwriters and actuaries who determine the type and the amount of risk that we are willing to accept. Underwriting is governed by detailed policies, guidelines and procedures to assist our underwriters to assess and quantify risks before issuing an insurance policy or contract to a qualified customer. Our geographical reach allows us to utilise our underwriting experience from more developed markets and apply it to developing markets with less historical underwriting data by sharing established best practice underwriting principles among markets.

In order to maintain high standards of underwriting quality and consistency, we use technology in the form of an expert underwriting system that ensures consistency and impartiality, while also having clear governance policies and a series of multilevel internal new business audits.

Reinsurance

We reinsure a portion of the underwriting risk that has been assumed in the insurance products written across the Group to reduce our exposure to loss and protect our capital resources. Reinsurance is also used to obtain product pricing expertise when entering new lines of business, products or markets. As a result of our history and scale, we have accumulated a substantial volume of experience and data which assists with setting our reinsurance strategy. Where there is inadequate data, such as when there is exposure to a new type of risk, a substantial portion of this risk may be reinsured. As the amount of experience data relating to the new risk increases, we may gradually retain more of the risk and reduce the use of related external reinsurance over time.

We use reinsurance solutions to help reduce concentration and volatility risk, especially with large policies or new risks, and as protection against catastrophic events such as pandemics or natural disasters. To limit our counterparty risk, we seek to cede reinsurance with highly-rated third-party reinsurance partners. Our criteria for admitting third-party reinsurers include terms and cost of coverage, financial strength, services provided and the efficiency of claims settlement. We monitor the financial condition of our third-party reinsurers on an ongoing basis and review our reinsurance arrangements periodically.

When we use internal reinsurance, one of our operating subsidiaries or branches cedes to another member of our Group a portion of the risk that the operating subsidiary or branch assumes under our insurance products. Under our internal reinsurance strategy, the member of our Group that acts as reinsurer may obtain external reinsurance in order to cede to a third-party reinsurer risk above certain defined risk limits.

We engage in limited external reinsurance. The majority of our ceded reinsurance comes from our group insurance in Australia. Our third-party reinsurance partners are highly rated, with our top five third-party reinsurers, who collectively accounted for 78% of our external reinsurance premiums for the year ended 31 December 2024, all rated AA- or above by S&P as of 31 December 2024. During the year ended 31 December 2024, we have not experienced any material third-party reinsurer or broker default.

Claims Management

Claims that we receive on our products are processed and investigated in a structured manner by the claims team in each of the geographical markets in which we operate. Claims are assessed in line with the policy conditions and history of the claimant.

Customer Service and Contact Centre

We seek to provide quality services to our customers and potential customers and to be responsive to their needs, both before and after issuing a policy or contract, through an extensive customer service network. We deliver customer services primarily through our customer service units at each of our local operating units via our contact centres and offices, agency force, internet platform and telephone services based on our guidelines.

Marketing

We believe that we have the leading Asian insurance brand and are one of the most recognised and trusted insurance companies in the industry. Our purpose-led brand promise, Healthier, Longer, Better Lives, exemplifies our commitment to become a lifelong partner to our customers. Our aim is to lead in the evolving market for regular savings and protection products, through our depth of understanding gained from our extensive customer experience programmes. These allow us to help inform and educate customers in the importance of planning for the future and tailor products to meet these evolving needs. AIA Vitality has been a major theme of our marketing. We have launched AIA Vitality in twelve of our markets to date, including Hong Kong, Singapore, Thailand, Malaysia, Vietnam, South Korea, Macau, the Philippines, India, Australia, Indonesia and New Zealand, and we have a wellness programme in Mainland China.

Environmental, Social and Governance

ESG issues have the potential to impact our business performance and operations, through a variety of channels and means. AIA seeks to understand these ESG issues, mitigate identified key risk exposures, and take advantage of appropriate opportunities as they arise.

To provide effective governance on how we integrate and address ESG issues within our business, AIA's ESG Committee, comprised of the Group's senior executives and two independent non-executive directors of the Board, meets on a regular basis and plays an integral role in overseeing AIA's ESG strategy, policies and reporting, including reporting to the Board on a biannual basis. ESG risks are also discussed and escalated to the Board through the Board Risk Committee. The Group also publishes an annual ESG Report, describing our ESG impact and highlights through the year.

Through our investments we are able to obtain investment income, drive sustainable outcomes and behaviour, and contribute to the social and economic development of our markets. AIA is aware of the impact that our investments have on people's lives and the environment, and the importance of screening for ESG factors in our investment decisions to drive the creation of long-term value. We have enhanced the investment research process with our proprietary ESG Rating Scorecard, quantifying the assessment by AIA research analysts of ESG risks and opportunities in our investee companies. To outline our commitments, AIA published an updated Approach to Sustainable Investment in 2021. We refreshed and updated our ESG Rating Scorecard in 2024 and received external revalidation.

AIA currently maintains a portfolio of eleven Leadership in Energy and Environmental Design (LEED) certified buildings, providing healthy and resource efficient spaces to our employees and tenants. We have also provided support for the Paris Climate Change Agreement by becoming a signatory to the Task Force on Climate Related Financial Disclosures. During the year ended 31 December 2021, AIA became a signatory to the Principles for Sustainable Insurance, a global sustainability framework under the United Nations Environment Programme Finance Initiative, designed to address material ESG risks and opportunities.

In December 2021, we announced our commitment to achieve net-zero greenhouse gas emissions by 2050 and we committed to the SBTi. During the year ended 31 December 2023, we became the first pan-Asian life and health insurer to have our near-term targets validated by the SBTi and we published our first Climate Transition Plan, which outlined AIA's near-term science-based targets emerging from its business operations and general account in-scope investment portfolio, alongside the plans for meeting these targets.

The Hong Kong Stock Exchange published a consultation paper in April 2023 proposing to require all listed companies in Hong Kong to provide enhanced climate-related disclosures. The consultation conclusion was published in April 2024 and the climate-related disclosure requirements became effective on 1 January 2025 in a phased approach. The disclosure requirements were based on the IFRS S2 Climate-related Disclosures published by the International Sustainability Standards Board (the "ISSB") in June 2023 and as detailed in the "New Climate Requirements" set out in Part D of the proposed amended Environmental, Social and Governance Reporting Code.

Technology and Operations

Our goal is to position the Group as an industry leader in the use of technology, digital and analytics, as we capture new growth opportunities, increase productivity, better connect with our customers and drive efficiencies across the business. AIA's investment in technology, digital and analytics ("TDA") has accelerated our transformation into a customer-centric and digitally-enabled insurer. AIA's adoption of cloud technology has enabled deployment of digital tools and emerging technologies across the organisation. Our TDA programme has delivered improvements in operational efficiency, customer experience and distribution productivity. We have also enhanced the Group's risk management with more timely and effective monitoring of business, financial and cyber risks.

TDA sits at the centre of our strategy enabling every part of our business. Our targeted investments are aimed at helping improve customer experience, increasing distributor productivity, and making our operations more intelligent, efficient and resilient. TDA is also at the heart of AIA's Integrated Health Strategy, which aims to make healthcare more accessible, more affordable and more effective to people across Asia.

LEGAL AND REGULATORY MATTERS

Legal and Regulatory Proceedings

We are a party to legal actions and regulatory proceedings in most of our geographical markets arising out of our normal business operations, including as the plaintiff and defendant in arbitration and litigation matters related to contested insurance claims. While we cannot predict the outcome or impact of any pending or future arbitration, litigation or regulatory proceedings, we do not believe that any pending arbitration, litigation or regulatory proceedings will have a material adverse effect on our business, financial condition or results of operations.

Regulatory Matters

We are subject to extensive local regulatory oversight in each of the geographical markets in which we operate.

The main source of statutory regulation of the insurance market and insurance businesses in Hong Kong is the HKIO and its subsidiary regulations, which set out requirements for the authorisation, ongoing compliance and reporting obligations of insurers and insurance intermediaries. The HKIA is the regulatory body set up for the administration of the HKIO.

The HKIA regulates the Group as our group supervisor under the GWS framework. The HKIA requires that the Group complies with the group capital adequacy requirements under the GWS Capital Rules. The HKIA also regulates AIA Co., AIA International, AIA Everest and Blue Cross as authorised insurers in Hong Kong. The HKIA requires that AIA Co., AIA International, AIA Everest and Blue Cross meet the capital requirements of the HKIO. The HKIO (among other matters) sets capital requirements that an insurer must meet in order to be authorised to carry on insurance business in or from Hong Kong. The HKIA can vary any group capital requirement or requirement regarding eligible capital such that it is commensurate with the risks associated with the group.

For more information on the regulations we are subject to, see *"Regulation"*.

EMPLOYEES

As of 31 December 2024, we had over 27,000 permanent and fixed term employees. We recognise that the quality and professionalism of our employees is paramount in ensuring that we are well positioned to fulfil our goals, meet customers' needs and deliver value to the shareholders.

We enter into employment agreements with individual employees covering matters such as salary, employee benefits, confidentiality obligations and termination of employment. We generally formulate our employees' compensation to include one or more elements such as salaries, allowances, bonuses, long-term incentives and benefits subject to applicable rules and regulations. Our compensation programmes are designed to remunerate our employees based on the Issuer's business performance as well as individual performance, roles and responsibilities, skills and competencies. We also perform market benchmarking with respect to our compensation programmes.

RELATED PARTY TRANSACTIONS

Our management believes that no Group entity is a party to any material transaction with a related party, other than salaries and benefits to officers and directors as set out in the notes to our audited consolidated financial statements included elsewhere in this Offering Circular.

RESERVES

IFRS Accounting Standards Insurance Liabilities

In accordance with IFRS Accounting Standards, our liabilities for financial reporting purposes are based on actuarially recognised methods for estimating future contract benefits.

We establish liabilities for obligations for future contract benefits on our products based on assumptions that are formulated with reference to experience and economic variables. Our assumptions include assumptions for mortality, morbidity, persistency, expenses and investment returns, as well as macroeconomic factors. Actual experience may deviate from these assumptions and, as a result, we cannot determine precisely the amounts which we will ultimately pay to settle the liabilities on our products or when these payments will need to be made. Actual amounts may vary from the estimated amounts, particularly when payments may not occur until well into the future. We evaluate our liabilities regularly, based on applicable assumptions used to establish the liabilities, as well as our actual experience. We expense changes in our liabilities in the period the liabilities are established or re-estimated. To the extent that actual experience and trends are less favourable than our underlying assumptions used in establishing these liabilities, we could be required to increase our liabilities. See *“Risk Factors – Risks Relating to our Business – Actual experience may differ from assumptions used in establishing insurance contract liabilities and in product pricing, which may adversely impact our profitability.”*

We are required to report local operating unit reserves for regulatory purposes in many of the geographical markets in which we operate. These are reported in accordance with the local statutory reserve standards applicable to each of these geographical markets.

CREDIT RATING

As of the date of this Offering Circular, AIA Co. has financial strength ratings of AA (Very Strong) with a stable outlook from Fitch, AA- (Very Strong) with a positive outlook from S&P, and Aa2 (Very Low Credit Risk) with a negative outlook from Moody's. The Issuer has issuer credit ratings of AA- (Very High Credit Quality) with a stable outlook from Fitch, A+ (Strong) with a positive outlook from S&P, and A1 (Low Credit Risk) with a negative outlook from Moody's. Moody's revised the outlook on the Issuer and AIA Co. from stable to negative on 8 December 2023 following the agency's decision to change the sovereign ratings outlook for both China and Hong Kong from stable to negative. S&P revised the outlook on the Issuer and AIA Co. from stable to positive on 23 December 2024 reflecting strengthened capital buffer levels and improved visibility of future profits under IFRS 17 results.

The foregoing ratings reflect each rating agency's independent opinion of our financial strength, operating performance and ability to meet our obligations to policyholders, and are not evaluations directed towards our shareholders, and do not in any way reflect evaluations of the safety and security of our Instruments. You should not rely upon these ratings in making an investment decision regarding our Instruments. The ratings set forth above are subject to revision or withdrawal at any time by the assigning rating agency.

For more information, see *“Risk Factors – Risks Relating to our Business – A reduction or perceived reduction in our financial strength could result in credit rating downgrades or a loss of business and adversely affect our results.”* and *“Risk Factors – Risks Relating to the Market Generally – The credit ratings assigned to the Instruments may not reflect all risks and may be lowered or withdrawn.”*

PENSIONS AND RETIREMENT BENEFITS

Defined Benefit Plans

The Group operates funded and unfunded defined benefit plans that provide life and medical benefits for participating employees after retirement and a lump sum benefit on cessation of employment. The locations covered by these plans include Hong Kong, Thailand, Singapore, Malaysia, Cambodia, Indonesia, the Philippines, South Korea, Sri Lanka, Taiwan (China), and Vietnam. The independent actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans for the year ended 31 December 2024 equaled 43% (for the year ended 31 December 2023, 52%) covered by the plan assets held by the trustees. The fair value of plan assets as of 31 December 2024 at the date of valuation was US\$101 million (as of 31 December 2023, US\$109 million). The total expenses relating to these plans recognised in the consolidated income statement for the year ended 31 December 2024 was US\$9 million (US\$9 million for the year ended 31 December 2023).

Defined Contribution Plans

The Group operates a number of defined contribution pension plans. The total expense relating to these plans for the year ended 31 December 2024 was US\$145 million (US\$139 million for the year ended 31 December 2023). Employees and the employer are required to make monthly contributions equal to 1% to 22% of the employees' monthly basic salaries, depending on years of service and subject to any applicable caps of monthly relevant income in different jurisdictions. For defined contribution pension plans with vesting conditions, any forfeited contributions by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions are used by the employer to reduce any future contributions. The amount of forfeited contributions used to reduce the existing level of contributions is not material.

REGULATION

OVERVIEW

In each of the geographical markets in which we operate, we are licensed to conduct insurance business and subject to local regulatory oversight. The purpose of these regulations is primarily to protect our customers and the overall financial system. For example, regulators across our operations continue to propose and implement a variety of initiatives intended to align their respective regulatory frameworks with the broad principles recommended by the IAIS, including in relation to application of risk-based capital frameworks. We are involved in these initiatives across the region, and are an active participant in the international industry dialogue on a host of relevant issues, including formation and implementation assessment of a common capital standard. Many of the laws and regulations to which we are subject are regularly re-examined, and existing or future laws and regulations may become more restrictive or otherwise adversely affect our operations or profitability. Financial market dislocations have produced, and are expected to continue to produce, changes in existing laws and regulations, and regulatory frameworks, applicable to our businesses.

While the extent of such regulation varies among each of the Key Segments, most jurisdictions have laws and regulations regarding, among other things, capital requirements, reserve requirements, asset management requirements, statutory deposits and/or security deposit requirements, separate account requirements, restrictions on foreign insurers and restrictions on dividends and profit remittances. Our operations in our Other Markets are also subject to their respective local insurance regulatory requirements, including requirements regarding solvency, asset management, financial reporting and reinsurance. We are required to file reports, generally including detailed annual financial statements, with insurance regulatory authorities in each of the geographical markets in which we operate, and our operations and accounts are subject to periodic examination by such authorities.

REGULATION OF THE GROUP

The HKIA regulates the Issuer, AIA Co., AIA International, AIA Everest and Blue Cross, and these entities are subject to HKIA regulation and the requirements of the HKIO. As a result, the regulatory framework in Hong Kong is relevant not only to our Hong Kong operations, but also applies to our local operating units that are branches of AIA Co. or AIA International. For further details of regulation at the Group level, see “– *Regulatory Framework – Hong Kong*”. The Bermuda Monetary Authority (the “BMA”) also regulates the business of AIA International, including its branches, and AIA Re. For further details of regulations in Bermuda, see “– *Regulatory Framework – Bermuda*”. The key operating business units of AIA Co. and AIA International, including those in Mainland China, Singapore, Malaysia, Australia, Indonesia, the Philippines, South Korea, Sri Lanka and Vietnam, and certain non-insurance subsidiaries in Hong Kong, are not subject to the direct supervision and regulation by the HKIA or the BMA.

REGULATORY FRAMEWORK – HONG KONG

Overview

The main source of statutory regulation of the insurance market and insurance businesses in Hong Kong is the HKIO and its subsidiary regulations, which set out requirements for the authorisation, ongoing compliance and reporting obligations of designated insurance holding companies (“DIHC”), insurers and insurance intermediaries.

Our Group supervisor is the HKIA. The HKIA is the regulatory body that administers the HKIO. The principal function of the HKIA is to regulate and supervise the insurance industry for the promotion of the general stability of the insurance industry and for the protection of existing and potential policyholders. The HKIO stipulates that the HKIA shall, amongst other duties and powers:

- (a) be responsible for supervising an authorised insurer’s and a licensed insurance intermediary’s compliance with the provisions of the HKIO;

- (b) consider and propose reforms of the law relating to insurance business;
- (c) promote and encourage the adoption of proper standards of conduct and sound and prudent business practices by authorised insurers; and
- (d) promote and encourage the adoption of proper standards of conduct by licensed insurance intermediaries.

As at the date of this Offering Circular, the Group is primarily regulated in Hong Kong through AIA Co., AIA International, AIA Everest and Blue Cross. Under the GWS framework, which became effective on 29 March 2021, the HKIA exercises direct regulatory powers over Hong Kong-incorporated holding companies of insurance groups that are designated under the legislation. On 14 May 2021, the Issuer was designated as a DIHC by the HKIA. As a DIHC, we are subject to the GWS framework and the GWS Capital Rules.

In respect of insurers which carry on insurance business in or from Hong Kong, the HKIA has various regulatory powers including powers to approve the appointment of a controller, a director and a key person, and powers to intervene, inspect and investigate. The HKIA has similar powers in relation to DIHCs, such as the Issuer, pursuant to the GWS framework.

In addition to regulation by the HKIA, AIA International, AIA Everest and Blue Cross are members of the Hong Kong Federation of Insurers (the “**HKFI**”), the representative body of the insurance industry that maintains a frequent dialogue with the HKIA on legislative issues affecting the insurance industry and promotes best market practices to improve the professionalism of, and to strengthen public confidence in, the insurance industry. Certain types of products and services offered by the Group in Hong Kong are regulated under separate statutory regimes by regulatory bodies other than the HKIA. These include the AIA mandatory provident fund schemes (“**MPF**”) governed by the Mandatory Provident Fund Schemes Ordinance (Cap. 485) of Hong Kong (the “**MPFSO**”) and the AIA occupational retirement schemes governed by the Occupational Retirement Schemes Ordinance (Cap. 426) of Hong Kong (the “**ORSO**”), both regulated by the Mandatory Provident Fund Schemes Authority (the “**MPFA**”) for compulsory MPF and voluntary occupational retirement schemes offered by AIA Company (Trustee) Limited (“**AIA-T**”), and investment-linked assurance scheme (“**ILAS**”) products governed by the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”), administered by the Securities and Futures Commission (the “**SFC**”). See “ – Regulation under the MPFSO and ORSO” and “ – Regulation in relation to ILAS Products”.

Hong Kong Insurance Regulatory Regime Developments

- *Risk-based Capital regime:* The Insurance (Amendment) Ordinance 2023 (the “**HKIAO**”) was passed by the Legislative Council and promulgated on 14 July 2023. It introduces to the HKIO the legal basis for implementing the Pillar 1 (quantitative assessment) and Pillar 3 (disclosure) requirements and related matters under the HKRBC and empowers the HKIA to prescribe detailed requirements by way of subsidiary legislation. Among other things, it also adjusts the approval requirements for shareholder controllers of authorised insurers and DIHCs and introduces the requirements for appointment of an actuary in respect of general business.

On 1 July 2024, the HKIAO took effect and became part of the HKIO.

AIA International, our principal operating entity in Hong Kong, received the approval from the HKIA to early adopt the HKRBC regime with an effective date of 1 January 2022 and the effects have been reflected since the year ended 31 December 2022. Effective 1 July 2024, AIA International, an authorised insurer incorporated outside of Hong Kong, has been designated as a designated insurer pursuant to section 3B(1) of the HKIO. The Group’s other operating entities in Hong Kong, including AIA Co., AIA Everest and Blue Cross, became subject to the revised legislation from 1 July 2024, and the resulting effect on the Group’s EV Equity was not material.

- *Subsidiary legislation for the HKRBC regime:* In December 2023, the HKIA launched a public consultation on two draft rules to tie in with the implementation of the new capital regime, covering the valuation basis, eligibility of capital, capital requirements, fund requirements and regulatory submission requirements. In January 2024, the HKIA launched a public consultation on four draft rules to tie in with the implementation of the new capital regime, covering exemption criteria for the appointment of a general insurance actuary, requirements for maintenance of assets in Hong Kong in respect of general business, and the valuation basis and capital requirements for marine insurers, captive insurers and Lloyd's. In April 2024, the HKIA published the consultation conclusions to the above-mentioned six draft rules and the updates were included in the HKIAO and incorporated into the HKIO on 1 July 2024.
- *Proposed establishment of a Policyholders' Protection Scheme (the "PPS"):* In December 2023, the Financial Services and the Treasury Bureau (FSTB) published a paper on the conclusions of the consultation on the proposal to establish a PPS. The paper outlines the views received during the consultation period, and sets out the Hong Kong SAR Government's response and the way forward. Based on the consultation conclusions, the Hong Kong SAR Government will begin preparatory work on establishing a PPS, including the formulation of detailed arrangements of the PPS and the drafting of the necessary legislative amendments, with a view to enhancing protection for policyholders in the event of insurer insolvency.
- *New Licence for Depositaries:* With effect from 2 October 2024, the trustees and custodians of SFC-authorised collective investment schemes ("CISs") are required to be licensed by, or registered with, the SFC for a new type 13 regulated activity (Providing Depositary Services for Relevant CISs) (the "RA13") under the SFO. The current licensing and registration requirements under Part V of the SFO and most of the SFC's existing licensing publications, including the Fit and Proper Guidelines and the Guidelines on Competence, apply to depositaries and their representatives under the new RA13 regime. A depositary licensed for RA13 is required at all times to maintain paid-up share capital of not less than HK\$10 million and liquid capital which is not less than HK\$3 million, per the Securities and Futures (Financial Resources) Rules (Cap. 571N) of Hong Kong (the "FRR"). A depositary is required to ensure compliance with the requirements set out in the SFC Code, in particular the new Schedule 11 to the SFC Code which sets out additional requirements for RA13 depositaries. A depositary licensed for RA13 also has to submit monthly financial returns under the FRR and other periodic statutory returns required under the SFO. The SFO, certain subsidiary legislations under the SFO and a number of other codes and guidelines issued by the SFC have been amended with effect from 2 October 2024 to reflect the introduction of the RA13 regime. AIA-T is licensed with the SFC to carry out RA13 activities in Hong Kong.
- *eMPF:* The MPFA has set up a wholly owned subsidiary to build and operate a centralised platform to take over some of the MPF administration through an eMPF platform. The tender was awarded to an affiliate of PCCW Limited. The related bill was passed by the Legislative Council in October 2021. The eMPF platform commenced operation on 26 June 2024 and the whole migration is expected to be completed by the end of 2025.

Group-Wide Supervision Framework

Under the GWS framework, which became effective on 29 March 2021, the HKIA exercises direct regulatory powers over Hong Kong-incorporated holding companies of insurance groups that are designated under the legislation. Under the GWS framework, the HKIA may, pursuant to section 95C of the HKIO, designate an insurance holding company within an insurance group as a DIHC if: (i) the HKIA is, in accordance with principles adopted by the IAIS, appointed as the group supervisor of the insurance group to which the insurance holding company belongs and (ii) the HKIA considers it appropriate for the insurance holding company to be so designated. In general, the obligations and requirements of a DIHC will apply in relation to its supervised group. The HKIA carries out group-wide supervision through the control and influence that the DIHC may exercise in relation to its supervised group. The entities which will comprise the "supervised group" will by default comprise the DIHC, all subsidiaries of the DIHC

and any other entities that are, according to applicable accounting standards, treated as members of the insurance group to which the DIHC belongs. However, the HKIA may, pursuant to section 95D of the HKIO, include other entities as a member of the supervised group, which the HKIA considers are closely linked to a default member of the supervised group through any financial, contractual or operational relationship, and may exclude default members from the supervised group if it considers appropriate or closely linked entities from the supervised group if it considers that the entity is no longer closely linked. On 14 May 2021, the Issuer was designated as a DIHC by the HKIA. The “supervised group” of the Group comprises the Issuer and all entities consolidated in the Issuer’s financial statements. The HKIA may, from time to time, specify other entities to be part of the supervised group as it sees fit.

As a DIHC, the Issuer is subject to the GWS framework and the GWS Capital Rules.

The GWS framework is founded upon three pillars:

- pillar 1 establishes capital requirements (comprising a Group Minimum Capital Requirement (“**GMCR**”) and a Group Prescribed Capital Requirement (“**GPCR**”)) which a DIHC would be expected to ensure that its supervised group meets;
- pillar 2 sets out the risk management and governance requirements that a DIHC would be expected to apply across its supervised group, including a requirement to carry out a Group Internal Economic Capital Assessment and an Own Risk and Solvency Assessment to assess present and future financial and risk conditions of its supervised group; and
- pillar 3 sets out disclosure requirements for a DIHC that cover risk and governance matters in relation to its supervised group, as well as certain private reporting obligations to the HKIA.

The GWS Capital Rules set out the capital requirements of the Group under the GWS framework. Under the GWS Capital Rules, the GMCR and the GPCR, as well as the eligible group capital resources of the supervised group, are determined by adding the local capital requirements and eligible capital resources of all members of the supervised group, respectively. The Issuer (as the DIHC) is required to ensure that the supervised group’s tier 1 group capital is at all times not less than the GMCR and the sum of tier 1 group capital and tier 2 group capital is at all times not less than the GPCR.

Only eligible group capital resources may be included in the supervised group’s tier 1 group capital or tier 2 group capital. If a supervised group member is a regulated entity and the laws relating to regulatory capital in the jurisdiction in which such member is authorised apply a tiering approach to regulatory capital, the supervised group’s tier 1 group capital and tier 2 group capital should include the highest tier of regulatory capital of such member and other than the highest tier of regulatory capital of such member, respectively, in accordance with such laws. If a supervised group member is a regulated entity and the laws relating to regulatory capital in the jurisdiction in which such member is authorised do not apply a tiering approach to regulatory capital, the supervised group’s tier 1 group capital should include the eligible capital resources of such member. If a supervised group member is a non-regulated entity, the supervised group’s tier 1 group capital and tier 2 group capital should include eligible capital resources of such member determined based on the criteria specified in Schedule 1 of the GWS Capital Rules and eligible capital resources of such member determined based on the criteria in Schedule 2 of the GWS Capital Rules but not Schedule 1 of the GWS Capital Rules, respectively, subject to rule 7(2) of the GWS Capital Rules.

The GWS Capital Rules require a DIHC to make periodic private reports to the HKIA on group capital adequacy. It must also notify the HKIA upon the occurrence of certain matters relating to group capital, including where any of its directors, chief executive or key persons in a control function reaches a view that it is likely that the DIHC will breach (or knows or having reason to believe that it has breached) certain group capital adequacy requirements, as well as upon the occurrence of certain significant events. The GWS Capital Rules also require a DIHC to make certain periodic public disclosures in relation to its supervised group, including information on

its group profile, corporate governance framework, certain financial matters (including in relation to group capital) and material intra-group transactions.

With the implementation of the GWS framework, the HKIA has also issued a Guideline on Group Supervision (GL32), which includes guidance on features of financial instruments that would be eligible to count as eligible group capital resources.

The HKIA is also empowered under Part XIA of the HKIO to vary any group capital requirement or requirement regarding eligible group capital resources such that it is commensurate with the risks associated with the group.

Licences Held by the Group in Hong Kong

The Group is authorised to carry on insurance business in Hong Kong through its subsidiaries AIA Co., AIA International, AIA Everest and Blue Cross. AIA Co. is licensed as a composite insurer in respect of all classes of long-term and general business (as defined under the HKIO and described further below). AIA International is licensed as a composite insurer in respect of all classes of long-term business and in respect of Classes 1 and 2 (which relate to A&H) for general business. AIA Everest is licensed in respect of certain classes of long-term business relating to life, health and retirement. Blue Cross is licensed in respect of all classes of general business, having transferred its long-term business to AIA Everest with effect from 1 November 2022. In relation to the Group's MPF retirement scheme business in Hong Kong, AIA International, in addition to being an authorised insurer under the HKIO, is a registered MPFSO principal intermediary and the administrator of the AIA Retirement Fund Scheme and AIA MPF – Prime Value Choice. AIA-T is an approved trustee under the MPFSO, a trust or company service provider licensee under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) of Hong Kong and a licensed corporation with the SFC for RA13 and acts as trustee of ORSO schemes. AIA IM HK commenced operations in 2019 and is a registered MPFSO principal intermediary and a licensed corporation authorised by the SFC to carry on Type 4 and Type 9 regulated activities in Hong Kong.

Authorisation under the HKIO

Companies carrying on insurance business in or from Hong Kong must obtain authorisation from the HKIA. Authorisation will be granted only to insurers meeting the authorisation requirements set out in stipulated under sections 8(2) and 8(3) of the HKIO. Authorisation requirements and procedures are set out in the Guideline on Application to Carry on Insurance Business in or from Hong Kong (GL5), which focuses on, among other things, the following items:

- compliance with capital requirements;
- capital adequacy;
- fitness and properness of directors, controllers, management and others; and
- adequacy of reinsurance arrangements.

An insurer's authorisation may also be subject to additional conditions imposed by the HKIA. In addition, an insurer must meet certain other criteria contained in the authorisation guidelines issued by the HKIA, which are intended to ensure that the insurer is financially sound and competent to provide an adequate level of services to the insured public. These conditions continue to apply to an insurer after its authorisation.

Types of Insurance Business under the HKIO

The HKIO requirements vary depending on the type of insurance business being undertaken by an insurer. The HKIO defines two main types of insurance business as follows:

- long-term business: covers those types of insurance business in which policies are typically in place for long periods and includes life and annuity, linked long-term, permanent health and retirement scheme management policies; and
- general business: covers all insurance business other than long-term business, including accident and sickness, fire, property, motor vehicle, general liability, financial loss and legal expenses insurance.

Both types of insurance business defined in the HKIO include reinsurance as well as direct insurance business. With the exception of certain capital requirements in the case of pure reinsurers who do not undertake any direct insurance business, the authorisation criteria are the same for both direct insurers and reinsurers.

An insurer that undertakes both long-term and general business is referred to by the HKIA as a composite business insurer.

In addition to these main types of business, the HKIO imposes further requirements on insurers conducting insurance business relating to liabilities or risks in respect of which persons are required by law to be insured (“**Statutory Business**”), including employees’ compensation insurance and third-party insurance in respect of motor vehicles.

The HKRBC Regime and Capital Requirements

The Group’s operating entities in Hong Kong, including AIA International, AIA Co., AIA Everest and Blue Cross, are subject to the HKRBC regime.

Under the HKRBC regime, an insurer’s capital adequacy is assessed with reference to the risk profile of the underwritten business of the insurer.

Pursuant to sections 8(3)(a) and 8(3)(b) of the HKIO, an insurer must comply with the capital requirements imposed by the HKIA and having regard to the nature and scale of its operation, must have adequate capital to enable its continued compliance with the capital requirements. Pursuant to sections 10(2) and 129(1) of the HKIO, the HKIA has made the Insurance (Valuation and Capital) Rules (Cap. 41R) (the “**Valuation and Capital Rules**”), which came into effect on 1 July 2024. Pursuant to rule 5 of the Valuation and Capital Rules, an insurer must ensure at all times that its capital base is not less than each of:

- (i) the prescribed capital amount of the insurer as determined in accordance with Part 5 of the Valuation and Capital Rules;
- (ii) the minimum capital amount of the insurer, which is 50% of the prescribed capital amount calculated in paragraph (i) above; and
- (iii) HK\$20 million,

subject to any variation or relaxation of such requirements by the HKIA pursuant to section 10(3) or 130(1) of the HKIO.

Pursuant to section 35AA of the HKIO, if the HKIA is of the opinion that the insurer’s amount of capital is less than (or is at risk of becoming less than) the prescribed capital amount or minimum capital amount under the Valuation and Capital Rules, the HKIA may, by written notice served on the insurer, require the insurer to submit a restoration plan or a short term financial scheme to the HKIA for review and give effect to such plan.

Power of Intervention

The HKIA is empowered under Part V of the HKIO to intervene in an insurer’s business and take appropriate actions in certain circumstances, including the following:

- where the HKIA considers that the exercise of this power is desirable for protecting existing or potential policyholders against the risk that the insurer may be unable to meet its liabilities or to fulfil the reasonable expectations of existing or potential policyholders;
- where it appears to the HKIA that the insurer or its corporate parent has failed to satisfy any of its obligations under the HKIO or any ordinance repealed by the HKIO;
- where it appears to the HKIA that the insurer has furnished misleading or inaccurate information to the HKIA for the purposes of the HKIO or any ordinance repealed by the HKIO;
- where the HKIA is not satisfied as to the adequacy of the insurer's reinsurance arrangements;
- where there exists a ground on which the HKIA would be prohibited from authorising the insurer if it were to make an application for authorisation (including where the insurer does not satisfy the relevant capital requirements or where the insurer's directors and controllers fail any "fitness and properness" requirement); or
- where it appears to the HKIA that the circumstance described in section 35AA(1) or (3) of the HKIO exists (i.e., the amount of capital of the insurer is less than, or at risk of becoming less than, the prescribed capital amount or the minimum capital amount).

The HKIA may also intervene in an insurer's business, whether or not any of the above circumstances exist, at any time during the five-year period following authorisation of the insurer or a person becoming a controller of an insurer.

The actions that the HKIA may take in intervening in an insurer's business include:

- restrictions on the insurer effecting new business;
- limits on the amount of premium income an insurer may receive during a specified period in respect of certain classes of insurance business;
- restrictions on types of investments an insurer may make, or requirements that the insurer realise certain types of investments within a specified period;
- requirements that an insurer maintain assets in Hong Kong equal to the whole or a specified portion of the liabilities arising from its Hong Kong business, and that these assets be held in the custody of a trustee approved by the HKIA;
- the appointment of a manager to assume control of an insurer;
- requirements that the insurer has to conduct a special actuarial investigation on its long-term business or actuarial review on its general business to provide reports or to produce information and documents and/or to accelerate submission of information by the insurer; and
- requirements that the insurer, or a person appointed by the HKIA, provide to the HKIA with a report in respect of any matter that relates to the insurer, as requested by the HKIA.

Also, the HKIA is empowered under Part VA of the HKIO with more powers of intervention, including the following:

- power to conduct inspections (including entering the insurer's business premises, inspecting and making copies of the insurer's business records and making enquiries) for ascertaining whether the insurer is complying with, has complied with, or is likely to comply with the requirements under the HKIO;

- power to conduct investigations when the HKIA (a) has reasonable cause to believe that a provision of the HKIO may have been contravened; (b) has reasonable cause to believe that a person may have been involved in defalcation, fraud, misfeasance or other misconduct in relation to the carrying on of insurance business; (c) has reasonable cause to believe that a person has carried on, or is carrying on, insurance business in a manner that is not in the interests of policyholders or potential policyholders or the public interest; or (d) has reason to enquire if a person is, or was, guilty of misconduct or not fit and proper before considering if disciplinary actions should be imposed on the person; and
- disciplinary powers if the insurer is or was guilty of misconduct, or if it appears to the HKIA that a person is or was not fit and proper to hold the position of a director or controller of the insurer, including: (a) to revoke the authorisation of the authorised insurer in relation to all or any of its authorised classes of insurance business; (b) to suspend the authorisation of the authorised insurer in relation to all or any of its authorised classes of insurance business for a specified period; (c) to prohibit the authorised insurer from applying to be authorised to carry on a class of insurance business for a specified period; (d) to reprimand the authorised insurer publicly or privately; or (e) to order the authorised insurer to pay a pecuniary penalty.

Furthermore, under Part XIA of the HKIO, the HKIA has intervention powers applicable to us as a DIHC under the GWS regime. In particular, under section 95ZR of the HKIO, the HKIA may require us to take any action in relation to the affairs, business or property of the supervised group (including requiring us and/or members of the supervised group to do or refrain from doing anything) if the HKIA considers it appropriate to impose such requirement for the carrying out of its supervisory functions and the exercise of other regulatory powers (such as requiring information and documents or a report on specified matters or imposing restrictions on intragroup transfers of assets) would not in its view be appropriate for the carrying out of such functions. The HKIA also has power to conduct inspections and investigations in relation to us as the DIHC and to impose certain sanctions on us as the DIHC (including the payment of a pecuniary penalty) in the event of our misconduct or other relevant breaches. In very serious circumstances, the HKIA has powers to appoint a supervisory manager to manage our business and affairs.

Other Requirements under the HKIO and guidance issued by HKIA and HKFI

The Group is subject to various other requirements under the HKIO and guidance issued by the HKIA and the HKFI, including:

- directors, controllers, shareholder controllers, key persons in control functions, the appointed actuary and the certifying actuary of an insurer must be and remain “fit and proper” persons to hold these positions (GL4);
- authorised insurers are required to have adequate reinsurance arrangements in force in respect of the risks of those classes of insurance business they carry out;
- authorised insurers carrying on long-term business are required to maintain separate accounts and funds for different classes of long-term business, for participating business and to maintain certain levels of assets representing each fund or sub-fund and certain levels of assets representing all funds. Insurers carrying on long-term business and general business are required to maintain a separate account and a separate fund for general business (GL34). Insurers carrying on general business are required to maintain assets in Hong Kong in respect of the liabilities arising from their business in Hong Kong;
- authorised insurers are required to maintain proper books of accounts and to submit statements, report or other information to the HKIA (GL9 and GL35). Insurers carrying on long-term business are required to appoint an actuary to conduct an annual actuarial investigation and submit a report to the HKIA on their financial condition in respect of the long-term business. Insurers carrying on general business are also required to appoint an

actuary to conduct an annual actuarial review and submit a report to the HKIA on the valuation of their insurance liabilities in respect of the general business (GL9);

- authorised insurers are expected to strictly observe certain minimum standards of corporate governance set out in the HKIA's guidelines on the corporate governance of authorised insurers (GL10);
- authorised insurers are expected to follow certain guidelines regarding asset management so they can control the risks associated with their investment activities, as set out in the HKIA's guidelines on asset management by authorised insurers (GL13);
- authorised insurers are subject to HKIA guidelines on a number of other matters, including outsourcing (GL14), reinsurance (GL12 and GL17), anti-money laundering and counter-terrorist financing (GL3 and GL3A) and enterprise risk management (GL21);
- authorised insurers conducting long-term business are subject to detailed HKIA guidelines relating to matters such as the sales process (GL15, GL16 and GL26), benefit illustrations (GL28), policy replacement (GL27) and a cooling-off period (GL29);
- all general insurance members and life insurance members of the HKFI are subject to the Code of Conduct for Insurers, published by the HKFI, (and any codes or guidelines published by the HKIA) which seeks to, among other things, describe the expected standard of good insurance practice in the establishment of insurance contracts and claims settling; and
- the Insurance Complaints Bureau, an independent and impartial organisation with support from the HKFI to protect consumer interest, adjudicate claims-related complaints and mediate non-claims related disputes of a monetary nature, arising from personal insurance policies.

The HKIA is also empowered to publish further rules, codes, guidelines or circulars under the HKIO.

Regulation under the MPFSO and ORSO

The MPFA is a statutory body established under the MPFSO. The role of MPFA is to regulate and supervise the operations of MPF schemes and occupational retirement schemes. According to the MPFSO, MPFA's functions are, amongst others: to ensure compliance with the MPFSO; to register provident fund schemes as registered schemes; to approve qualified persons to be approved trustees of registered schemes; and to regulate the affairs and activities of approved trustees and to ensure as far as reasonably practicable that those trustees administer the registered schemes for which they are responsible in a prudent manner. MPFA shares responsibility with other regulatory bodies for supervision of the institutions, such as banks and insurance companies, which act as MPF intermediaries that provide MPF products to customers. The MPFSO includes rules on prudential management and the permissible investments that may be made using scheme funds, accounting and reporting requirements and the powers of MPFA to intervene and terminate a trustee's administration of registered schemes. The objective of ORSO is to establish a registration system for voluntarily established occupational retirement schemes and to ensure that such schemes are properly regulated. According to ORSO, MPFA acts as the Registrar of Occupational Retirement Schemes. ORSO imposes reporting requirements and rules on the types of assets in which a scheme may invest. Pursuant to the SFC Code on MPF Products, all advertisements of MPF schemes must be submitted to the SFC for authorisation prior to their issue or publication in Hong Kong, unless exempted under section 103 of the SFO.

Regulation in relation to ILAS Products

The marketing and promotion of ILAS products that are offered to the public are subject to authorisation by the SFC in accordance with Part IV of the SFO and related codes and

guidelines issued by the SFC that require certain information to be disclosed to potential investors and impose restrictions on the content of advertisements and the claims that can be made with respect to risks and potential returns on an investment. The SFC provides guidance from time to time with regard to the regulation of ILAS products. Amongst others:

- In May 2013 the SFC issued a circular to issuers of SFC-authorised ILASs, which requires certain enhanced disclosure requirements for existing and new ILAS products.
- In November 2013, the SFC issued a circular to introduce certain streamlined measures for enhancing the processing of applications for the approval of scheme changes and the authorisation of revised offering documents in respect of ILASs.
- In March 2016, the SFC issued a circular (replacing the older version of the circular issued in April 2014) to introduce a set of guidance on the internal product approval process applicable to product providers in respect of SFC-authorised products, including ILASs.
- The SFC updated its Code on Investment-Linked Assurance Schemes, which took effect from 1 January 2019.
- The SFC issued a circular on the Enhanced Authorisation Process for new applications for ILASs effective since 1 November 2021. The SFC also issued the Additional Guidance on Internal Product Approval Process effective since 1 November 2021 for new ILASs for which applications have been submitted to the SFC for authorisation on or after 1 November 2021 (with an 18-month transition period that expired on 30 April 2023 for compliance by existing ILASs).
- In June 2024, the SFC issued a circular to inform issuers of SFC-authorised ILASs of enhancements to its streamlined approach for vetting and approving revised marketing materials of SFC-authorised ILASs under the Code on Investment-Linked Assurance Schemes.

In connection with the additional SFC guidance, on 28 December 2021 the HKIA issued a note to formalise the “green light process” for assessment of ILAS products. The “Note on the Green Light Process for Assessment of Investment-linked Assurance Scheme Products against Standards in Guideline on Underwriting Class C Business (GL15)” builds on GL15, which provides further information on the requirements relating to product design and information disclosure and endeavours to streamline the relevant regulatory application procedures through enhanced coordination between the HKIA and the SFC. Under the enhanced mechanism, once an insurer has obtained the green light from the HKIA, it may then submit its application to SFC for authorisation. Following the expiry of the transition period on 30 April 2023, existing ILASs are now required to comply with the requirements of the additional SFC guidance. In the note issued by HKIA on 28 December 2021, the HKIA also set out the features of protection linked plans, a new category of ILASs with embedded high level of insurance protection. The HKIA has updated the Interpretation Notes of the Guideline on Sale of Investment-Linked Assurance Scheme Products (GL26) to set out the features of protection linked plan (“**PLP**”) in greater details.

Separately, the HKIA has issued guidelines with respect to insurers underwriting ILAS products. Requirements in relation to such products include, among others, the provision of an Important Facts Statement to customers, confirmation with customers during post-sale calls or point-of-sale audio recordings and disclosure of licensed insurance intermediaries’ remuneration to customers.

The HKIA issued a new Practice Note on the application of requirements in the insurance regulatory framework to specific services provided by licensed insurance brokers on investment choices and premium allocations under Investment-Linked Assurance Scheme Policies effective from 1 October 2024, providing additional interpretation and guidance to authorised insurers and licensed insurance brokers on how certain provisions, standards, and practices in the Guideline on “Fit and Proper” Criteria for Licensed Insurance Intermediaries under the

Insurance Ordinance (Cap. 41) (GL23) and the Code of Conduct for Licensed Insurance Brokers apply to execution-only services, advisory investment services, and discretionary investment management services.

FIRO

The FIRO was passed by the Legislative Council on 22 June 2016 and came into force on 7 July 2017. The objectives of the resolution regime include promoting and maintaining the stability and effective working of the Hong Kong financial system, protecting depositors and policyholders, minimising the need for recourse to public funds and containing costs of resolution. The FIRO applies to an authorised insurer that is designated as a global systemically important insurer by the Financial Stability Board or a within scope financial institution by the Financial Secretary under section 6 of the FIRO. The Financial Secretary has not yet designated an insurer as a within scope financial institution. The SFC, the HKMA and the HKIA are the resolution authorities ("**RAs**") of the securities, banking, and insurance sectors respectively, and the FIRO provides for certain preparatory and resolution powers of RAs. The FIRO also provides for certain safeguarding and resolution funding mechanisms, as well as a statutory framework which enables cross-border resolution. See *"Risk Factors – Risks Relating to Our Industry – Government measures and regulations in response to financial and other crises may materially and adversely affect our business."*

REGULATORY FRAMEWORK – BERMUDA

Overview

AIA International and AIA Re are regulated in respect of their branches and their business in Bermuda by the BMA. The Insurance Act 1978 and related regulations (the "**Insurance Act of Bermuda**") govern the conduct of insurance business in or from within Bermuda and provide for a system of registration for insurers administered by the BMA. The Insurance Act of Bermuda also grants to the BMA powers to supervise, investigate and intervene in the affairs of insurance companies. The Insurance Act of Bermuda imposes solvency and liquidity standards, as well as auditing and reporting requirements on Bermuda insurance companies.

Licences Held by AIA International and AIA Re

AIA International is registered in Bermuda as a Class 3 general business and as a Class E long-term insurer under the Insurance Act of Bermuda and, as such, has the authority to conduct both general and long-term insurance business as a composite insurer. AIA International has held its general business and long-term insurance licences since 1 January 1996. AIA International is classified as a "Section 24(6) composite" insurer under the Insurance Act of Bermuda.

AIA Re is registered in Bermuda as Class C long-term insurer under the Insurance Act of Bermuda. AIA Re has held its long-term insurance licence since 27 December 2012.

Regulation by the BMA under the Insurance Act of Bermuda

The Insurance Act of Bermuda requires all insurers to maintain certain minimum solvency and liquidity standards and imposes auditing and reporting requirements on Bermuda insurance companies. In respect of insurers carrying on long-term business, the Insurance Act of Bermuda also imposes certain restrictions and conditions on the transfer of business by, and winding-up of, long-term insurers.

The Insurance Act of Bermuda gives the BMA broad powers to supervise, investigate and intervene in the affairs of an insurer if it appears to the BMA that the insurer is in breach of a provision of the Insurance Act of Bermuda or there is significant risk of that insurer becoming insolvent. The BMA may appoint one or more competent persons to investigate the affairs of an insurer if it believes that an investigation is required in the interests of the insurer's policyholders or persons who may become policyholders. If it appears to the BMA that there is a significant risk that an insurer will become insolvent, the BMA may also direct that such insurer

not effect further contracts of insurance, vary any insurance contract if the effect would be to increase the insurer's liabilities or make certain types of investments. The BMA may also direct such an insurer to realise certain of the investments it holds, maintain assets in Bermuda or transfer assets to the custody of a specified bank or limit its premium income, or remove a controller or officer.

The BMA may cancel an insurer's registration on grounds specified in the Insurance Act of Bermuda, including (a) the failure of that insurer to comply with its obligations under the Insurance Act of Bermuda; or (b) the failure of that insurer in the opinion of the BMA to carry on its business in accordance with sound insurance principles. The BMA may present a petition for the winding-up of an insurer on the ground that (a) it is unable to pay its debts, (b) it has failed to satisfy an obligation under the Insurance Act of Bermuda, or (c) it has failed to produce or file statutory financial statements and that the BMA is unable to ascertain its financial position.

Capital Requirements

Class 3 general business and Class E long-term composite insurers are required to maintain fully paid up share capital of at least US\$370,000. Class C long-term insurers are required to maintain fully paid up share capital of at least US\$250,000. In addition, the Insurance Act of Bermuda provides that the statutory assets of an insurer must exceed its statutory liabilities by an amount greater than the prescribed minimum solvency margin.

With respect to its general business, as a Class 3 insurer, AIA International is required to maintain a minimum solvency margin equal to the greatest of:

- US\$1,000,000;
- 20% of net premiums written, up to US\$6,000,000, plus 15% of net premiums written over US\$6,000,000; or
- 15% of net discounted aggregate loss and loss expense provisions and other insurance reserves.

With respect to its long-term business, as a Class E insurer, AIA International is required to maintain a minimum solvency margin equal to the greater of (a) US\$8,000,000, (b) 2% of the first US\$500,000,000 of assets plus 1.5% of assets above US\$500,000,000 or (c) 25% of its enhanced capital requirement ("**ECR**"). Assets are defined as the total assets reported on an insurer's balance sheet in the relevant year less the amount held in a segregated account.

As a Section 24(6) composite insurer, AIA International is required to maintain a minimum liquidity ratio for general business whereby the value of its relevant assets are required to be not less than 100% of the amount of its relevant liabilities. Relevant assets include cash and cash equivalents, quoted investments, unquoted bonds and debentures, first liens mortgage loans on real estate, investment income due and accrued, accounts and premiums receivable, reinsurance balances receivable and funds held by ceding insurers. There are certain categories of assets, which, unless specifically permitted by the BMA, do not qualify as relevant assets, such as unquoted equity shares and interests in investment funds, investments in and advances to affiliates, and real estate and collateral loans. The relevant liabilities are total general business insurance reserves and total other liabilities less deferred income taxes and certain other liabilities.

With respect to its long-term business, as a Class C insurer, AIA Re is required to maintain a minimum solvency margin equal to the greater of (a) US\$500,000, (b) 1.5% of assets or (c) 25% of its ECR. Assets are defined as the total assets reported on an insurer's balance sheet in the relevant year less the amount held in a segregated account.

Financial Reporting Requirements

All insurers are required to prepare and file with the BMA annual financial statements and returns in respect of their insurance business as stipulated in the Insurance Act of Bermuda, including an income statement, a balance sheet, a statement of capital and surplus, an independent auditor's report and a certificate of solvency in the prescribed form. Composite insurers are also required to submit with the BMA their statutory financial returns, capital and solvency returns, a general business solvency certificate, a long-term business solvency certificate, an opinion from an approved loss reserve specialist in respect of their general business loss and loss expense provisions and a certificate prepared by an approved actuary in respect of their outstanding liabilities on account of their long-term business.

In 2016, Bermuda's prudential framework for insurance was deemed to be equivalent to the regulatory standards applied to European insurers in accordance with the requirements of the Solvency II Directive. Under the enhanced commercial prudential return regime, the BMA has instituted a number of changes to its statutory and prudential reporting requirements, including the need for commercial insurers to prepare an economic balance sheet. These regulatory requirements were first applied to AIA's financial year ending 30 November 2017 and AIA continues to participate in the development and refinement of these initiatives.

Bermuda Economic Substance Requirements

Pursuant to the Economic Substance Act 2018 (as amended) (the "**Economic Substance Act**"), Bermuda registered entities, other than entities which are resident for tax purposes in certain jurisdictions outside of Bermuda, that carry on as a business one or more "relevant activities" referred to in the Economic Substance Act must comply with the economic substance requirements. The Economic Substance Act may require in-scope Bermuda entities to be directed and managed in Bermuda, incur an adequate level of operating expenditure in Bermuda, maintain physical offices and premises in Bermuda, have an adequate level of qualified employees in Bermuda and perform core income-generating activities in Bermuda. The list of "relevant activities" includes carrying on as a business: banking, insurance, fund management, financing and leasing, headquarters, shipping, distribution and service centre, intellectual property and holding entities.

The failure to comply with the Economic Substance Act may result in fines and other penalties, and ultimately the striking off of an entity from the Bermuda register of companies.

Certain Other Bermuda Law Considerations

Although AIA International and AIA Re are incorporated in Bermuda, they are classified as non-residents of Bermuda for foreign exchange control purposes by the BMA. Pursuant to their non-resident status, AIA International and AIA Re may engage in transactions in currencies other than Bermuda dollars, and there are no restrictions on their ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to persons non-resident in Bermuda who are holders of their common shares.

Under Bermuda law, exempted companies are companies formed for the purpose of conducting business outside Bermuda from a principal place of business in Bermuda. As "exempted" companies, AIA International and AIA Re may not, without the express authorisation of the Bermuda legislature or under a licence or consent granted by the Minister of Finance, participate in certain business transactions, including: (i) the acquisition or holding of land in Bermuda (except that held by way of lease or tenancy agreement which is required for its business and held for a term not exceeding 50 years, or which is used to provide accommodation or recreational facilities for its officers and employees and held with the consent of the Minister of Finance, for a term not exceeding 21 years); (ii) the taking of mortgages on land in Bermuda to secure an amount in excess of US\$50,000; or (iii) the carrying on of business of any kind for which it is not licensed in Bermuda, except in certain limited circumstances, such as doing business with another exempted undertaking in furtherance of the company's business carried on outside Bermuda. AIA International and AIA Re are licensed

insurers in Bermuda, and so they may carry on activities from Bermuda that are related to and in support of their insurance business.

Securities may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003 of Bermuda, which regulates the sale of securities in Bermuda. In addition, the BMA generally must approve all issuances and transfers of securities of a Bermuda exempted company.

The Bermuda government actively encourages foreign investment in “exempted” entities (like AIA International and AIA Re) that are based in Bermuda, but which do not operate in competition with local businesses. AIA International and AIA Re are not currently subject to taxes computed on profits or income or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax or to any foreign exchange controls in Bermuda.

AIA International and AIA Re are also subject to various other requirements under Bermuda law, including:

- maintaining a principal office in Bermuda and appointing and maintaining a principal representative in Bermuda who has a duty to notify the BMA if he or she believes certain events are likely;
- maintaining a head office in Bermuda, and in determining whether this requirement has been satisfied the BMA will have regard to where underwriting, risk management and operational decisions are made, whether senior executives are located in Bermuda and where meeting of the board of directors occur;
- appointing and maintaining an independent auditor and an actuary approved by the BMA;
- submitting an opinion of an approved loss reserve specialist with its statutory financial return in respect of its loss and loss expense provisions;
- being prohibited from declaring or paying any dividends during any financial year if it is, or by virtue of paying such dividends would be, in breach of its minimum general business solvency margin, minimum long-term business solvency margin, general business minimum liquidity ratio or ECR;
- notifying and receiving a statement of no objection from the BMA before becoming a controller of any description of a Bermuda registered insurer;
- complying with the prescribed duties and standards in the Insurance Code of Conduct to ensure sound corporate governance, risk management and internal controls are implemented;
- complying with the prescribed duties and standards in the Insurance Sector Operational Cyber Risk Management Code of Conduct to ensure stable and secure management of information technology systems; and
- disclosing of certain information, including notification of material changes, to the BMA.

INTERNATIONAL REGULATORY DEVELOPMENTS

The IAIS has undertaken a number of initiatives that seek to foster a globally consistent framework for principles-based insurance regulation. Among other things, the IAIS initially adopted the “Insurance Core Principles” on 1 October 2011 to serve as guidance for insurance regulators and amended certain Insurance Core Principles due to its multi-year review of the Insurance Core Principles and adopted the Common Framework (“**ComFrame**”) for the

regulation of Internationally Active Insurance Groups (“**IAIGs**”) on 14 November 2019. The Group has been designated as an IAIG.

In December 2024, the IAIS formally adopted the insurance capital standard (“**ICS**”), a group-wide capital standard for IAIGs, as the quantitative element of the IAIS ComFrame for the Supervision of IAIGs.

The ICS aims to provide a globally comparable risk-based measure of capital adequacy for IAIGs, based on requirements for valuation, capital requirements and qualifying capital resources. IAIS member regulators will be required to implement the minimum requirements of the ICS within local capital adequacy regimes for IAIGs, taking into consideration specific market circumstances. It is expected that the HKIA will build upon the existing capital adequacy requirements applying to insurance groups in Hong Kong under its GWS regime, while also considering the broader requirements within the IAIS ‘Holistic Framework’. This may include the designation of domestic systemically important insurers, which could lead to such designated insurers being within scope financial institutions under the FIRO.

Assessment by IAIS member regulators of their local regimes is expected to begin in 2026 following an assessment methodology being developed by the IAIS. These self-assessments will be followed by in-depth targeted jurisdictional assessments of ICS implementation in 2027.

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

MANAGEMENT

BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

The members of our Board and Executive Committee as of the date of this Offering Circular are as follows:

Name	Age	Position
TSE Edmund Sze-Wing.....	87	Independent Non-executive Chairman and Independent Non-executive Director
LEE Yuan Siong	59	Executive Director and Group Chief Executive and President
SO Jack Chak-Kwong	80	Independent Non-executive Director
CHOW Chung-Kong	74	Independent Non-executive Director
HARRISON John Barrie	68	Independent Non-executive Director
YEO George Yong-Boon	70	Independent Non-executive Director
LAU Lawrence Juen-Yee.....	80	Independent Non-executive Director
AKRASANEE Narongchai	79	Independent Non-executive Director
PURISIMA Cesar Velasquez	64	Independent Non-executive Director
SUN Jie (Jane)	56	Independent Non-executive Director
PANGESTU Mari Elka	68	Independent Non-executive Director
ONG Chong Tee	63	Independent Non-executive Director
MOHD YUNUS Nor Shamsiah	60	Independent Non-executive Director

INDEPENDENT NON-EXECUTIVE CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Edmund Sze-Wing Tse

Aged 87, is the Independent Non-executive Chairman and an Independent Non-executive Director. He was appointed Non-executive Director on 27 September 2010 and elected Non-executive Chairman on 1 January 2011. He was re-designated as the Independent Non-executive Chairman and an Independent Non-executive Director on 23 March 2017. Mr. Tse is also the Chairman of the Nomination Committee and a member of the Remuneration Committee and the Risk Committee. He is a director of AIA Foundation.

Mr. Tse's appointments during the period for over 60 years with the Group and its predecessor, AIG Group, include serving as Honorary Chairman of AIA Co. from July 2009 to December 2010, Chairman and Chief Executive Officer from 2000 to June 2009 and President and Chief Executive Officer from 1983 to 2000. He also served as Chairman of AIA Philippines Life and General Insurance Company Inc. (formerly known as The Philippine American Life and General Insurance (PHILAM LIFE) Company) from 2005 to 2015.

Mr. Tse is a non-executive director of PCCW Limited (listed on the Hong Kong Stock Exchange), a director of Bridge Holdings Company Limited (formerly known as PineBridge Investments Limited) and the non-executive Chairman of PineBridge Investments Asia Limited. Mr. Tse is also a member of the Chief Executive's Council of Advisers of the Hong Kong SAR government, a member of the membership committee and a fellow of the Hong Kong Academy of Finance. He served as a non-executive director of PICC Property and Casualty Company Limited (listed on the Hong Kong Stock Exchange) from 2004 to July 2014.

In recognition of his outstanding contributions to the development of Hong Kong's insurance industry, Mr. Tse was awarded the Gold Bauhinia Star by the Hong Kong SAR government in 2001. Mr. Tse received an honorary degree of Doctor of Social Science from The Hong Kong Baptist University of Hong Kong in 2024. He also received an honorary fellowship and an honorary degree of Doctor of Social Sciences from The University of Hong Kong in 1998 and 2002, respectively. In 2018, he was awarded an honorary degree of Doctor of Business Administration from Lingnan University. In 2003, Mr. Tse was elected to the prestigious Insurance Hall of Fame and in 2017, he was awarded the first ever Lifetime Achievement Award at the Pacific Insurance Conference in recognition of his outstanding contribution to the insurance industry.

EXECUTIVE DIRECTOR AND GROUP CHIEF EXECUTIVE AND PRESIDENT

Mr. Lee Yuan Siong

Aged 59, is an Executive Director and the Group Chief Executive and President, having been appointed on 1 June 2020. Mr. Lee is also a member of the Risk Committee. He joined the Group in March 2020 and has more than 30 years of experience in the insurance sector. He is a director of various companies within the Group including acting as Chairman and Chief Executive Officer of AIA Co.

Prior to his current role, Mr. Lee was an executive director of Ping An Insurance (Group) Company of China, Ltd. from June 2013 and served as the company's co-CEO and Chief Insurance Business Officer. Before joining Ping An, Mr. Lee held a number of senior leadership positions with Prudential plc of the United Kingdom, including President of CITIC-Prudential Life Insurance Company Limited, a life insurance joint venture in Mainland China. He also has significant experience across a number of Asian markets including Hong Kong SAR, India, Indonesia, Taiwan (China), Thailand and Vietnam.

Mr. Lee began his career at the Monetary Authority of Singapore. He currently serves as Chairman of The Geneva Association and has also been a member of the Hong Kong Academy of Finance since 2020. He holds a Master of Philosophy (Finance) degree from the University of Cambridge and is a Fellow of the Society of Actuaries (US).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jack Chak-Kwong So

Aged 80, is an Independent Non-executive Director. He was appointed as Non-executive Director on 28 September 2010 and re-designated as an Independent Non-executive Director on 26 September 2012. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee.

From August 2007 to September 2010, Mr. So served as an independent non-executive director of AIA Co. He is currently an independent non-executive director of China Resources Power Holdings Co. Ltd. (listed on the Hong Kong Stock Exchange) and a member of the Chief Executive's Council of Advisers of the Hong Kong SAR government. Mr. So was previously the Chairman of Airport Authority Hong Kong from June 2015 to May 2024.

Mr. So was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal by the Hong Kong SAR government in 2011 and 2017, respectively. Mr. So served as an executive director of the Hong Kong Trade Development Council from 1985 to 1992 and served as its Chairman from 2007 to 2015. He was an independent non-executive director of Cathay Pacific Airways Limited (listed on the Hong Kong Stock Exchange) from 2002 to 2015, a non-executive director of The Hongkong and Shanghai Banking Corporation Limited from 2000 to 2007, the Chairman of the Hong Kong Film Development Council from 2007 to 2013 and a member of the Chinese People's Political Consultative Conference from 2008 to 2018.

Mr. Chung-Kong Chow

Aged 74, is an Independent Non-executive Director, having been appointed on 28 September 2010. He is also the Chairman of the Risk Committee and a member of the Nomination Committee.

Mr. Chow was appointed as the Chairman of the Advisory Committee on Admission of Quality Migrants and Professionals of the Hong Kong SAR from 1 July 2016, a member of the InnoHK Steering Committee from 4 February 2019 and the Chairman of the Urban Renewal Authority Board from 1 May 2019.

Mr. Chow was knighted in the United Kingdom for his contribution to industry in 2000 and was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal by the Hong Kong SAR

government in 2015 and 2021, respectively. Mr. Chow was also a non-official member of the Human Resources Planning Commission of the Hong Kong SAR government from 2018 to 2024, a non-official member of the Executive Council of the Hong Kong SAR from 2012 to 2022, a member of the Financial Leaders Forum set up by the Hong Kong SAR government from 2017 to 2022, the Chairman of the Advisory Committee on Corruption of the Independent Commission Against Corruption from 2013 to 2018, the Chairman of Hong Kong Exchanges and Clearing Limited (listed on the Hong Kong Stock Exchange) from 2012 to 2018, Chief Executive Officer of MTR Corporation Limited (listed on the Hong Kong Stock Exchange) from 2003 to 2011, Chief Executive Officer of Brambles Industries plc, a global support services company, from 2001 to 2003, and Chief Executive of GKN plc, a leading industrial company based in the United Kingdom, from 1997 to 2001. He was an independent non-executive director of Anglo American plc from 2008 to 2014, independent non-executive director of Standard Chartered plc from 1997 to 2008, the Chairman of the Hong Kong General Chamber of Commerce from 2012 to June 2014 and an independent non-executive representative of EYG Global Governance Council from 2016 to 2024.

Mr. John Barrie Harrison

Aged 68, is an Independent Non-executive Director, having been appointed on 1 July 2011. He is also a member of the Audit Committee and the Nomination Committee. He also acts as a Board Representative on the ESG Committee, a management committee of the Issuer.

Mr. Harrison was appointed an Honorary Court Member of The Hong Kong University of Science and Technology with effect from 20 September 2016. He was an independent non-executive director of Cathay Pacific Airways Limited (listed on the Hong Kong Stock Exchange) from 2015 to 2024, an independent non-executive director of Grosvenor Asia Pacific Limited from 2017 to 2022, an independent non-executive director of BW Group Limited from 2010 to 2020 and the Vice Chairman of BW LPG Limited from 2013 to 2020. Mr. Harrison was also an independent non-executive director of Hong Kong Exchanges and Clearing Limited (listed on the Hong Kong Stock Exchange) from 20 April 2011 to 26 April 2017, The London Metal Exchange Limited from 6 December 2012 to 26 April 2017 and LME Clear Limited from 16 December 2013 to 26 April 2017. From 2012 to May 2015, he was also a member of the Asian Advisory Committee of AustralianSuper Pty Ltd. From 2008 to 2010, Mr. Harrison was Deputy Chairman of KPMG International. In 2003, he was elected Chairman and Chief Executive Officer of KPMG, China and Hong Kong and Chairman of KPMG Asia Pacific. Mr. Harrison began his career with KPMG in London in 1977, becoming a partner of KPMG Hong Kong in 1987.

Mr. Harrison received an honorary fellowship from The Hong Kong University of Science and Technology in 2017. Mr. Harrison is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. George Yong-Boon Yeo

Aged 70, is an Independent Non-executive Director, having been appointed on 2 November 2012. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

Mr. Yeo is a non-executive and independent director of Wilmar International Limited (listed on the Singapore Exchange), an independent director of Pinduoduo Inc. (listed on the Nasdaq Global Select Market) and an independent non-executive director of Creative Technology Ltd (listed on the Singapore Exchange). He has been a member of Global Advisory Board of Mitsubishi UFJ Financial Group, Inc. since July 2019 and is a member of the International Advisory Board of the Berggruen Institute on Governance.

In 2012, Mr. Yeo was presented with the Order of Sikatuna by the Philippines Government and the Padma Bhushan by the Indian Government, and became an Honorary Officer of the Order of Australia. He was a member of the Vatican Council for the Economy from 2014 to 2020, a member of the International Advisory Committee of Mitsubishi Corporation from 2014 to 2022 and a senior advisor to Brunswick Group LLP for its Geopolitical Initiatives from 2018 to 2024.

Mr. Yeo was previously the Chairman, an executive director and a senior advisor of Kerry Logistics Network Limited (listed on the Hong Kong Stock Exchange) from 2012 to 2019, from 2013 to 2019, and from 2019 to 2021 respectively. He was also a director of Kerry Holdings Limited from 2016 to 2019, a senior advisor of Kerry Group Limited from 2019 to 2021, as well as a director of New Yangon Development Company Limited from 2017 to 2021.

During 2013 to 2014, Mr. Yeo was a member of the Pontifical Commission for Reference on the Economic-Administrative Structure of the Holy See. During 1988 to 2011, Mr. Yeo was a member of the Singapore Parliament and held various Cabinet positions, including Minister for Foreign Affairs, Minister for Trade and Industry, Minister for Health, Minister for Information and the Arts and Minister of State for Finance. During 1972 to 1988, Mr. Yeo served in the Singapore Armed Forces and attained the rank of Brigadier-General in 1988 when he was Director of Joint Operations and Planning in the Ministry of Defence.

Professor Lawrence Juen-Yee Lau

Aged 80, is an Independent Non-executive Director, having been appointed on 18 September 2014. He is also a member of the Nomination Committee and the Risk Committee.

Professor Lau has been serving as the Ralph and Claire Landau Professor of Economics at The Chinese University of Hong Kong (CUHK) since 2007 and the Chairman of the Council of Shenzhen Finance Institute of CUHK, Shenzhen since 12 January 2017.

He currently serves as a member of the Currency Board Sub-committee of the Exchange Fund Advisory Committee of the Hong Kong SAR, a non-official member of Candidate Eligibility Review Committee of the Hong Kong SAR and a non-official member of the board of directors of Hong Kong Investment Corporation Limited. In addition, he serves as a Fellow of the Hong Kong Academy of Finance and a Director of the Chiang Ching-Kuo Foundation for International Scholarly Exchange, Taipei. He was formerly a member of the Exchange Fund Advisory Committee of the Hong Kong SAR, Chairman of its Governance Sub-committee and a member of its Investment Sub-committee until 2019, a Vice Chairman of China Center for International Economic Exchanges, Beijing until 2021, a member and Chairman of the Prize Recommendation Committee of the LUI Che Woo Prize Limited from 2015 to 2021, a member of the Hong Kong Trade Development Council Belt and Road & Greater Bay Area Committee from 2019 to 2021, as well as the C.V. Starr Distinguished Fellow of China Development Research Foundation, Beijing from 2019 to 2023.

He was appointed a Justice of the Peace by the Hong Kong SAR government in 2007 and awarded the Gold Bauhinia Star by the Hong Kong SAR government in 2011. From 2004 to 2010, Professor Lau served as Vice-Chancellor (President) of CUHK. From 2009 to 2012, he served as a Non-official Member of the Executive Council of the Hong Kong SAR. He was appointed Chairman of CIC International (Hong Kong) Co., Limited, a wholly-owned subsidiary of China Investment Corporation, in November 2010 and retired from the position in September 2014. He was a member of the 11th and 12th National Committees of the Chinese People's Political Consultative Conference from 2008 to 2012 and from 2013 to 2018 respectively, a Vice-Chairman of the Sub-committee of Population, Resources and Environment from 2010 to 2013, and a Vice-Chairman of the Sub-committee of Economics from 2013 to 2018. He was also an independent non-executive director of Hysan Development Company Limited (listed on the Hong Kong Stock Exchange) from 2014 to 2020, an independent non-executive director of CNOOC Limited (listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange and previously listed on the New York Stock Exchange) from 2005 to 2023, a non-executive director and an independent non-executive director of Semiconductor Manufacturing International Corporation (listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange and previously listed on the New York Stock Exchange) from 2011 to 2014 and from 2018 to 2024 respectively, and an independent non-executive director of Far EasTone Telecommunications Co., Ltd. (listed on the Taiwan Stock Exchange) from 2005 to 2024.

He received his B.S. degree (with Great Distinction) in Physics from Stanford University in 1964 and his M.A. and Ph.D. degrees in Economics from the University of California at Berkeley in 1966 and 1969, respectively. He joined the faculty of the Department of Economics at Stanford

University in 1966, becoming its Professor of Economics in 1976 and the first Kwoh-Ting Li Professor in Economic Development in 1992. From 1992 to 1996, he served as a Co-Director of the Asia-Pacific Research Center at Stanford University, and from 1997 to 1999 as the Director of the Stanford Institute for Economic Policy Research. He became its Kwoh-Ting Li Professor in Economic Development, Emeritus, upon his retirement from Stanford University in 2006.

Dr. Narongchai Akrasanee

Aged 79, is an Independent Non-executive Director, having been appointed on 15 January 2016. He is also a member of the Audit Committee and the Nomination Committee and the Chairman of advisory board of AIA Thailand. He also acts as a Board Representative on the ESG Committee, a management committee of the Issuer.

Dr. Narongchai was previously an Independent Non-executive Director from 21 November 2012 to 31 August 2014. He is the former Minister of Energy and Minister of Commerce for the Kingdom of Thailand and served as a Senator. Dr. Narongchai served as Chairman of the Export-Import Bank of Thailand from December 2005 to June 2010, a Director of the Office of the Insurance Commission of Thailand from October 2007 to August 2012, a Director of the National Economic and Social Development Board from July 2009 to July 2013 and a member of the Monetary Policy Committee of the Bank of Thailand from November 2011 to September 2014.

He is currently the Chairman of the Steering Committee and Vice-Chairman of the Council of Mekong Institute, the Chairman of the Thailand National Committee for the Pacific Economic Cooperation Council and the Chairman of the Khon Kaen University Council in Thailand. Dr. Narongchai also acts as the Chairman and an independent director of three entities listed on the Stock Exchange of Thailand, namely MFC Asset Management Public Company Limited, Ananda Development Public Company Limited and Thai-German Products Public Company Limited. He is the Chairman and an independent director of The Brooker Group Public Company Limited, which is listed on the Stock Exchange of Thailand's Market for Alternative Investment.

Dr. Narongchai is also the Chairman of the Seranee Group of companies. He previously served as an independent director of each of Malee Sampran Public Company Limited and ABICO Holdings Public Company Limited and as the Vice-Chairman and an independent director of Thai-German Products Public Company Limited, all of which are listed on the Stock Exchange of Thailand. Dr. Narongchai received his Bachelor's degree in Economics with Honours from the University of Western Australia and a M.A. and Ph.D. in Economics from Johns Hopkins University.

Mr. Cesar Velasquez Purisima

Aged 64, is an Independent Non-executive Director, having been appointed on 1 September 2017. He is also the Chairman of the Audit Committee and a member of the Nomination Committee and the Risk Committee.

Mr. Purisima currently serves as an independent director of Bank of the Philippine Islands (BPI), Ayala Corporation, Ayala Land, Inc., Universal Robina Corporation and Jollibee Foods Corporation, all of which are listed on The Philippine Stock Exchange. He is also an independent director of BPI Capital Corporation, a wholly owned subsidiary of BPI, a founding partner of Ikhlas Capital Singapore Pte. Ltd., a member of the Global Advisory Council of Sumitomo Mitsui Banking Corporation, and a member of Singapore Management University's International Advisory Council in the Republic of the Philippines (the Philippines) and a member of the Bloomberg Task Force on Fiscal Policy for Health. He also serves on the board of trustees of the International School of Manila. He is an Asia Fellow at the Milken Institute, a global, non-profit, non-partisan think tank.

Mr. Purisima served in the government of the Philippines as Secretary of Finance from July 2010 to June 2016 and as Secretary of Trade and Industry from January 2004 to February

2005. He also previously served on the boards of a number of government institutions, including as a member of the Monetary Board of the Bangko Sentral ng Pilipinas (Central Bank of the Philippines), Governor of the World Bank Group for the Philippines, Governor of the Asian Development Bank for the Philippines, Alternate Governor of the International Monetary Fund for the Philippines and Chairman of Land Bank of the Philippines.

Mr. Purisima received the Centenary Award of Excellence from the Professional Regulatory Board of Accountancy of the Philippines in 2023. He was conferred the Chevalier dans l'Ordre national de la Légion d'Honneur (Knight of the National Order of the Legion of Honour) by the President of the French Republic in 2017, the Order of Lakandula, Rank of Grand Cross (Bayani) by the President of the Philippines in 2016 and the Chevalier de l'Ordre national du Mérite (Knight of the National Order of Merit) by the President of the French Republic in 2001.

Mr. Purisima is a certified public accountant. He has extensive experience in public accounting both in the Philippines and abroad. He was Chairman and Managing Partner of SyCip, Gorres, Velayo & Co. (a member firm of Andersen Worldwide until 2002 when it became a member firm of Ernst & Young Global Limited) from 1999 until 2004. During the period, Mr. Purisima was also the Asia-Pacific Area Managing Partner for Assurance and Business Advisory Services of Andersen Worldwide from 2001 to 2002 and Regional Managing Partner for the ASEAN Practice of Andersen Worldwide from 2000 to 2001. Mr. Purisima obtained his Bachelor of Science in Commerce (Majors in Accounting & Management of Financial Institutions) degree from De La Salle University (Manila) in 1979, Master of Management degree from J. L. Kellogg Graduate School of Management, Northwestern University in 1983 and Doctor of Humanities honoris causa degree from Angeles University Foundation (the Philippines) in 2012.

Ms. Sun Jie (Jane)

Aged 56, is an Independent Non-executive Director, having been appointed on 1 June 2021. She is also a member of the Nomination Committee and the Remuneration Committee.

Ms. Sun is the Chief Executive Officer and a member of the board of directors of Trip.com (listed on the Hong Kong Stock Exchange and the Nasdaq Global Select Market), one of the leading global travel services companies that operates the sub-brands Trip.com, Ctrip, Skyscanner and Qunar.

She is also a director of Tripadvisor, Inc. and MakeMyTrip, both listed on the Nasdaq Global Select Market. Ms. Sun was previously an independent director of iQIYI, Inc. (listed on the Nasdaq Global Select Market) and TAL Education Group (listed on the New York Stock Exchange). Ms. Sun has extensive experience in operating and managing online businesses, mergers and acquisitions, and financial reporting and operations.

Ms. Sun was named one of Fortune's Top 50 Most Powerful Women in Business for four consecutive years from 2017 to 2020. In 2019, she was named in the Forbes World's Most Powerful Women List and awarded the Asia Game Changer Award by Asia Society. She was also named one of Emergent 25 Asia's Latest Star Businesswomen in 2018, and one of the Most Influential and Outstanding Businesswomen in China in 2017 by Forbes. Ms. Sun received her Bachelor's degree from the business school of the University of Florida with high honours. She also obtained a LLM degree from Peking University Law School.

Ms. Mari Elka Pangestu

Aged 68, is an Independent Non-executive Director, having been appointed on 1 July 2023. She is also a member of the Audit Committee and the Nomination Committee.

Ms. Pangestu currently serves as a Professor of International Economics at the University of Indonesia, adjunct senior research scholar at the Columbia University and Professor of the University of Prasetiya Mulya. She was appointed as the Presidential Special Envoy for International Trade and Multilateral Cooperation in October 2024 and the Deputy Chair of the National Economic Council of Indonesia in November 2024. She is also a member of the Advisory Board of Indonesia Bureau of Economic Research, Co-chair of Indonesian National

Committee for Pacific Economic Cooperation, member of the Board of Trustees of United in Diversity, Indonesia and the Centre for Strategic and International Studies Foundation, and Distinguished Fellow of Asia Global Institute, The University of Hong Kong.

Ms. Pangestu was appointed as the Managing Director, Development Policy and Partnerships for the World Bank in March 2020 and retired from the position in March 2023. She was also a Minister of Trade of the Republic of Indonesia from 2004 to 2011 and Minister of Tourism and Creative Economy of the Republic of Indonesia from 2011 to 2014. She served as Chair of the Board of Trustees of International Food Policy Research Institute, Washington DC from 2017 to 2020, a member of the Global Future Council on Trade and Investment, World Economic Forum from 2016 to 2018 and a board member of the International Chamber of Commerce, Paris from 2015 to 2020. She was also a commissioner for the Low Carbon Development Initiative of Indonesia and Co-chair of the expert group for the High Level Panel for a Sustainable Ocean Economy. In addition, Ms. Pangestu was previously an Independent President Commissioner of PT Mitra Adiperkasa Tbk from 2018 to 2020, the President Commissioner (Independent) of PT Bank BTPN Tbk from 2016 to 2020 and an Independent Commissioner of PT Astra International Tbk from 2015 to 2017, all of which are listed on the Indonesia Stock Exchange. Ms. Pangestu has received the Mahaputra Award, the Highest Order for Public Service awarded by the President of Republic Indonesia, in 2013. She was also awarded the Distinguished Fellow Award 2018 by Eisenhower Fellowships and the Economic and Social Science Prize at the Asia Cosmopolitan Awards NARA Forum in 2023. Ms. Pangestu received her Bachelor of Economics (Honours) degree and Master of Economics degree from the Australian National University in 1979 and 1981, respectively. She also obtained a Ph.D. degree from the Department of Economics of the University of California, Davis in 1986.

Mr. Ong Chong Tee

Aged 63, is an Independent Non-executive Director, having been appointed on 1 July 2023. He is also a member of the Audit Committee and the Nomination Committee.

Mr. Ong currently serves as the Chairman of the Accounting and Corporate Regulatory Authority in Singapore. He has 35 years of experience with the Monetary Authority of Singapore (MAS), in the areas of reserve management, monetary policy, investment management, financial development and financial supervision. He last served as the Deputy Managing Director of Financial Supervision from 2013 to 2021, overseeing the banking and insurance, capital markets, and policy, risk and surveillance groups. Mr. Ong also served on the boards of Central Provident Fund Board from 2000 to 2009, Singapore Land Authority from 2005 to 2009, Urban Redevelopment Authority from 2006 to 2012 and Housing & Development Board from 2012 to 2018.

Mr. Ong is also a member of the risk committee of GIC Private Limited, an independent non-executive director of United Overseas Bank Limited (listed on the Singapore Exchange), and an independent director of Arab Regional Payments Clearing and Settlement Organization. He is also a member of the Board of Trustees of the National University of Singapore and a Trustee of the IFRS Foundation®.

Mr. Ong graduated with a Bachelor of Engineering (Hons) from the National University of Singapore. He was also awarded the Public Administration Medal (Gold) (Bar) in 2021 by the President of Singapore.

Ms. Nor Shamsiah Mohd Yunus

Aged 60, is an Independent Non-executive Director, having been appointed on 21 September 2023. She is also a member of the Nomination Committee and the Risk Committee.

Ms. Mohd Yunus currently serves as the Chancellor of INCEIF (International Centre for Education in Islamic Finance) University in Malaysia. Ms. Mohd Yunus has over 34 years of experience with Bank Negara Malaysia (BNM) (the Central Bank of Malaysia). She joined BNM in 1987 and was appointed as Deputy Governor from November 2010 to June 2016 and

Governor from July 2018 to June 2023. She was the Chairperson of each of BNM's Board of Directors, Monetary Policy Committee, Financial Stability Committee, Financial Stability Executive Committee, Reserve Management Committee, Risk Management Committee and Digital Technology Committee. During her time at BNM, she served in diverse areas including overseeing work of the financial stability division, encompassing regulation and supervision of banks and insurance companies, as well as financial sector development and enforcement.

During her tenure, Ms. Mohd Yunus also represented BNM as an ex-officio Director of Perbadanan Insurans Deposit Malaysia (Malaysian Deposit Insurance Corporation), Chairman of the Board of Directors of the South East Asian Central Banks (SEACEN) Research and Training Centre, and a non-executive member of the Audit Oversight Board of Malaysia. She also served as the Assistant Director of the Monetary and Capital Markets Department of the International Monetary Fund from April 2017 to June 2018. Ms. Mohd Yunus graduated with a Bachelor of Arts in Accountancy from the University of South Australia in 1986. She is a fellow of the CPA Australia and a member of the Malaysian Institute of Accountants.

EXECUTIVE COMMITTEE

Mr. Lee Yuan Siong

Mr. Lee's biography is set out above.

Mr. Garth Brian Jones

Aged 62, is the Group Chief Financial Officer responsible for leading the Group in all aspects of capital and financial management, as well as managing relationships with key external stakeholders, including independent auditors and actuaries, rating agencies and international accounting and regulatory bodies. He is a director of various companies within the Group, including Tata AIA Life, AIA Co. and AIA International. He joined the Group in April 2011.

Prior to joining the Group, Mr. Jones was the Executive Vice President of China Pacific Life Insurance Co., Ltd., the life insurance arm of China Pacific Insurance (Group) Co., Ltd. He also held a number of senior management positions during his 12 years with Prudential Corporation Asia Limited, including Chief Financial Officer of the Asian life insurance operations. Prior to joining Prudential, Mr. Jones led the development of Swiss Re's Asia life business. Mr. Jones is a Fellow of the Institute and Faculty of Actuaries.

Mr. Wing-Shing Chan (Jacky)

Aged 61, is the Regional Chief Executive and Group Chief Distribution Officer responsible for the Group's businesses operating in Hong Kong SAR, Macau SAR, Taiwan (China), the Philippines, as well as the Group's agency distribution, partnership distribution and corporate solutions.

He is a director of various companies within the Group, including AIA Co. and AIA International. Mr. Chan has extensive experience having worked at AIA for the past 37 years. Prior to becoming a Regional Chief Executive, Mr. Chan was Chief Executive Officer of AIA Hong Kong and Macau since 2009. Previously, he held several senior positions including the Country Head of AIA China, Executive Vice President – Distribution & Marketing of Nan Shan Life Insurance of Taiwan and Senior Vice President & Head of Life Profit Centre of AIA - Asia (ex-Japan & Korea). Mr. Chan holds a Bachelor of Science degree from The University of Hong Kong. He is a Fellow of the Society of Actuaries (FSA), a member of the American Academy of Actuaries (MAAA) and a Fellow of the Canadian Institute of Actuaries (CIA).

Mr. Xiao-Yu ZHANG (Fisher)

Aged 48, has been appointed as Regional Chief Executive, subject to obtaining all necessary approvals, responsible for the Group's businesses operating in Mainland China, South Korea and Vietnam. He is a director of AIA Life Insurance Company Limited. Mr. Zhang has extensive experience having worked at AIA for the past 24 years.

Prior to becoming a Regional Chief Executive, Mr. Zhang has been Chief Executive Officer of AIA China from 2017. Under his leadership, AIA became the first foreign company to have a wholly-owned life insurance subsidiary in Mainland China. Previously, he held different senior management positions including Chief Distribution Officer, Chief Agency Officer and Chief Marketing Officer of AIA China. Mr. Zhang holds a Master's degree in Applied Mathematics from Fudan University. He is a Fellow of the Society of Actuaries (FSA) and a council member of the 4th Council of the China Association of Actuaries (CAA).

Mr. Hak Leh Tan

Aged 59, is the Regional Chief Executive responsible for the Group's businesses operating in Thailand, Singapore, Brunei, Malaysia, Cambodia and Myanmar. He is a director of various companies within the Group and is a key member in the Global Asia Insurance Partnership (GAIP) Advisory Council. Mr. Tan was Chief Executive Officer of AIA's operation in Thailand from 2016 to 2019, Group Chief Risk Officer in 2015 and Chief Executive Officer of AIA's operation in Singapore from 2011 to 2015.

Prior to joining the Group, Mr. Tan was Chief Executive Officer of Great Eastern Life, Singapore. Prior to joining Great Eastern Life, Mr. Tan was Director of the Insurance Department of the Monetary Authority of Singapore (MAS). Mr. Tan has played an active role in the life insurance industry since 2005. His appointments include: President of the Life Insurance Association (LIA), Singapore from 2010 to 2013, Vice Chair of Singapore College of Insurance from 2011 to 2013 and Vice President of Thailand Life Assurance Association from 2017 to 2018. He was also a board member of Financial Industry Disputes Resolution Centre Ltd from 2008 to 2015.

Mr. Leo Michel Grepin

Aged 49, is the Regional Chief Executive and Group Chief Strategy Officer responsible for the Group's businesses operating in Australia, India and Indonesia as well as leading the Group's Strategy and Corporate Development functions. He is a director of various companies within the Group, including Tata AIA Life, AIA Co., and Amplify Health. Mr. Grepin joined the Group in January 2022.

Prior to joining the Group, Mr. Grepin was President of Sun Life, Asia. Before joining Sun Life, he was at Bridgewater Associates, a global hedge fund, where he led the team managing portfolio construction and trade generation. He also spent 15 years at McKinsey & Company and led the global client service teams serving several multinational insurers and asset managers as Senior Partner. Mr. Grepin has a Master of Science in Aeronautics and Astronautics from the Massachusetts Institute of Technology and a Bachelor of Engineering in Mechanical Engineering (Hons) from McGill University.

Mr. Mitchell David New

Aged 61, is the Group General Counsel responsible for providing leadership to legal and corporate governance functions within Group Office and the country operations. He also has executive responsibility for the Group's ESG Programme, including acting as Chairman of the Group's ESG Committee. He has previously also acted as Group Chief Risk Officer. He is Chairman of AIA International and a director of various companies within the Group including AIA Re, AIA IM SG and the Group's operating subsidiaries in Vietnam, Indonesia and the Philippines. He joined the Group in April 2011.

Prior to joining the Group, Mr. New occupied various senior roles with Manulife Financial, including Senior Vice President and Chief Legal Officer for Asia and Japan, based in Hong

Kong and Senior Vice President and General Counsel to Manulife's Canadian division. He also practised law with Fasken Martineau in Canada where he is a qualified barrister and solicitor and member of the Law Society of Ontario. Mr. New holds a Bachelor of Commerce degree and Master's degree in Business Administration from McMaster University and a Bachelor of Laws degree from the University of Western Ontario.

Mr. Biswa Prakash Misra

Aged 47, is the Group Chief Technology and Life Operations Officer responsible for providing leadership to the Group's technology, digital and analytics areas as well as Group Operations and Operations Shared Services. He is also responsible for the Group's businesses operating in New Zealand and Sri Lanka. He is a director of various companies within the Group.

He joined the Group in June 2013. Prior to joining the Group, Mr. Misra served as the Regional Chief Technology Officer for ING Insurance Asia Pacific. Previously, he spent six years with information technology consulting firm Capgemini, leading the company's insurance practice for Asia. Mr. Misra holds a degree in electrical engineering from the National Institute of Technology, Surat, India.

Dr. Mark Konyn

Aged 63, is the Group Chief Investment Officer responsible for providing oversight of the management of the investment portfolios of the Group as well as supervising and supporting the many investment professionals throughout the Group. He is a director of various companies within the Group including Chairman of AIA Investment Management Private Limited and AIA Investment Management HK Limited. He joined the Group in September 2015.

Dr. Konyn joined AIA from Cathay Conning Asset Management, where he was Chief Executive Officer responsible for the company's investment business and strategic expansion in the region. He had held senior positions at Allianz Global Investors (where he was Asia-Pacific CEO for RCM Global Investors), Fidelity Investments and Prudential UK. He is a Fellow of the Royal Statistical Society, and holds a Diploma from the London Business School in Investment Management, having previously completed his Ph.D. in Operational Research sponsored by the UK Government.

Ms. Pek-San Ang (Cara)

Aged 56, is the Group Chief Human Resources Officer responsible for the development of overall human capital strategies and their implementation across the Group, as well as leading and providing support to the human resources functions in country market operations. She joined the Group as the Chief Human Resources Officer for AIA Singapore in May 2016.

Prior to joining AIA, Ms. Ang was the Head of Human Resources of Standard Chartered Bank Singapore. During her time with Standard Chartered, she spent more than 10 years in a variety of country, regional and global HR leadership roles based in Singapore and Thailand. Prior to joining Standard Chartered Bank Singapore, Ms. Ang was the Senior Vice President and Head of Human Resources for Marsh Asia.

Mr. Stuart Anthony Spencer

Aged 59, is the Group Chief Marketing Officer and oversees AIA Vitality, propositions, branding, communications, sponsorships, events, customer engagement and marketing digitalisation. He is a director of various companies within the Group. Mr. Spencer occupied numerous leadership roles at AIG and AIA from 1996 to 2009, in the United States, Latin America and in Asia where he served as global President of Accident & Health Worldwide for the AIG Life Companies.

Mr. Spencer re-joined AIA in May 2017 from Zurich Insurance Group, where he was CEO, General Insurance, Asia Pacific. Mr. Spencer started his career in New York at American Express Travel Related Services in Marketing. He is an alumnus of the Harvard Business School, The Fletcher School of Law and Diplomacy and Brandeis University.

Ms. Jayne Lynn Plunkett

Aged 55, is the Group Chief Risk Officer responsible for the Group's risk and compliance functions. She is also a director of various companies within the Group, including AIA Co., AIA Singapore Private Limited, AIA Philippines Life and General Insurance Company Inc. and AIA New Zealand Limited.

Ms. Plunkett joined AIA in November 2019 from Swiss Re, where she was most recently Chief Executive Officer Reinsurance Asia, Regional President Asia and member of the Group Executive Committee. During her time with Swiss Re, she held several senior positions, including Division Head Casualty Reinsurance and Head of Casualty Underwriting for Asia. Prior to that, she was with GE Insurance Solutions. Ms. Plunkett holds a Bachelor of Science in Business Administration from Drake University. She is a Fellow of the Casualty Actuarial Society (FCAS) and a member of the American Academy of Actuaries (MAAA).

Dr. Kelvin Chi-Keon Loh

Aged 51, is the Group Chief Healthcare Officer with responsibility for the execution of AIA's Integrated Healthcare Strategy as well as AIA's health-related businesses. He is a director of various companies within the Group. Dr. Loh joined the Group in May 2023, bringing more than 25 years of experience backed by a strong track record of delivery in various leadership roles across public and private healthcare sectors.

Prior to joining AIA, Dr. Loh was Managing Director and CEO of IHH Healthcare Berhad, a leading global integrated healthcare provider operating more than 80 hospitals across 10 markets. Before that, he was Group CEO of the Columbia Asia Group, a private healthcare provider with operations across Asian markets including Malaysia, Indonesia and Vietnam.

Dr. Loh began his career as a physician in Singapore. He holds a Master of Business Administration as well as a Bachelor of Medicine and Bachelor of Surgery (MBBS) from the National University of Singapore.

COMMITTEES OF THE BOARD

Our corporate governance is implemented through a structured hierarchy, which includes the Board and four committees of the Board established by resolutions of the Board, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Committee. The memberships and terms of reference of all the Board committees are available on the websites of both the Hong Kong Stock Exchange and the Issuer. In addition to the four Board Committees, a number of management committees have been established including, among others, an Executive Committee, the Group Operational Risk Committee, the Group Financial Risk Committee and the ESG Committee.

Further details of the roles and functions and the composition of the Board committees are set out below.

Audit Committee

The Audit Committee consists of seven members, all of whom are Independent Non-executive Directors. They are Mr. Purisima, who serves as chairman of the Audit Committee, Mr. Harrison, Mr. So, Mr. Yeo, Dr. Narongchai, Ms. Pangestu and Mr. Ong. The Audit Committee is delegated with the authority from the Board to oversee the Group's financial reporting system, the internal control systems and the relationship with the external auditor of the Issuer, and to review the Group's financial information.

The duties performed by the Audit Committee include overseeing the Group's financial reporting system; reviewing risk management and internal control systems; monitoring the integrity of the preparation of the Issuer's financial information, including quarterly business highlights and interim and annual results of the Group; reviewing the Group's financial and accounting policies and practices as well as its whistle-blowing programme; and monitoring the

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

Nomination Committee

The Nomination Committee consists of twelve members, including the Independent Non-executive Chairman, Mr. Tse, who serves as chairman of the Nomination Committee, and the remaining eleven Independent Non-executive Directors, Mr. So, Mr. Chow, Mr. Harrison, Mr. Yeo, Professor Lau, Dr. Narongchai, Mr. Purisima, Ms. Sun, Ms. Pangestu, Mr. Ong and Ms. Mohd Yunus. The Nomination Committee is delegated with the authority from the Board to review the Board's composition and diversity, formulate and implement the Directors' Nomination Policy, make recommendations to the Board on the appointment/re-appointment of Directors and members of the Board committees, and assess the independence of the Independent Non-executive Directors ensuring independent views and input are available to the Board.

The duties performed by the Nomination Committee include reviewing and making recommendations to the Board on the structure, size and composition of the Board, with due regard to the skills, knowledge, experience and diversity of background and experience of its members; overseeing the identification and assessment of potential candidates for directorship; providing oversight and direction in respect of the succession planning for directors and determining the composition of the Board committees.

Remuneration Committee

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

The duties of the Remuneration Committee are to make recommendations to the Board on the remuneration policy covering the Directors and senior management of the Group and to review and approve remuneration offered to the Executive Director and senior management of the Group.

Risk Committee

The Risk Committee consists of six members, five of whom are Independent Non-executive Directors, including Mr. Chow, who serves as chairman of the Risk Committee, Professor Lau, Mr. Purisima, Ms. Mohd Yunus, Mr. Tse and Mr. Lee, the sole Executive Director. The Risk Committee is delegated with the authority from the Board to, amongst other things, determine the Group's risk appetite, including the risk appetite statement, risk principles and risk tolerances, oversee and review the adequacy and effectiveness of the Risk Management Framework of the Group, ensure that the material risks facing the Group have been identified and that the risk profile adequately represents any significant issues relating to the Group's control environment with mitigating actions put in place, and to advise the Board on risk-related issues.

The duties performed by the Risk Committee include providing advice to the Board on the risk profile and risk management strategy of the Group; considering and reviewing disclosures in interim and annual reports, risk management related policies and guidelines, statutory solvency positions, risk appetite and metrics; overseeing the risk management and compliance framework; reviewing the risk management and internal control systems; endorsing the Issuer's risk governance structure; and reviewing major risks.

Remuneration of Directors and Key Management Personnel

The aggregate compensation accrued by us for all members of our Board and key management personnel (which have been identified as the members of the Executive Committee) for

services rendered during the relevant period in all capacities was approximately US\$60 million for the year ended 31 December 2024, US\$54 million for the year ended 31 December 2023 and US\$51 million for the year ended 31 December 2022.

DIRECTORS' AND OTHER PERSONS' INTERESTS

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

As of 31 December 2024, the following are the persons, other than our Directors or Chief Executive, who had interests and short positions in our shares and underlying shares as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Number of shares or underlying shares (Note 1)	Class	Percentage of the total number of shares in issue	Capacity
	Long Position(L) Short Position(S) Lending Pool(P)			
The Bank of New York Mellon Corporation	1,152,420,823(L)	Ordinary	10.63	Note 3
	326,741,568(S)		3.01	
	793,262,466(P)		7.32	
JPMorgan Chase & Co.	853,115,664(L)	Ordinary	7.87	Note 4
	37,486,378(S)		0.34	
	551,174,805(P)		5.08	
Citigroup Inc.	641,584,665(L)	Ordinary	5.92	Note 5
	36,001,848(S)		0.33	
	584,103,111(P)		5.39	
BlackRock, Inc.	639,521,339(L)	Ordinary	5.90	Interest of controlled corporations
	3,086,248(S)		0.02	

Notes:

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

Name of Shareholders	Long Position					Short Position				
	Physically settled listed derivatives	Cash settled listed derivatives	Physically settled unlisted derivatives	Cash settled unlisted derivatives	Convertible instruments - listed derivatives	Physically settled listed derivatives	Cash Settled listed derivatives	Physically settled unlisted derivatives	Cash settled unlisted derivatives	Convertible instruments - listed derivatives
The Bank of New York Mellon Corporation	4,941,108	–	–	–	–	–	–	326,741,568	–	–
JPMorgan Chase & Co.	10,735,000	62,440	2,586,563	11,126,600	2,323,927	4,420,000	1,320,123	20,460,159	8,546,355	–
Citigroup Inc.	8,345,566	–	18,668,207	12,335,730	–	10,701,344	–	5,602,432	17,830,441	–
BlackRock, Inc.	–	–	–	5,875,448	826,909	–	–	–	3,083,448	–

- (2) Based on 10,831,704,133 shares in issue as at 31 December 2024.

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

Capacity	Number of shares or underlying shares (Long Position)	Number of shares or underlying shares (Short Position)
Interest of controlled corporations	1,152,420,823	326,741,568

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

Capacity	Number of shares or underlying shares (Long Position)	Number of shares or underlying shares (Short Position)
Approved lending agent	551,174,805	–
Investment manager	242,513,140	651,018
Beneficial owner	47,782,829	36,835,360
Person having a security interest in Shares	11,262,051	–
Trustee	382,839	–

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

Capacity	Number of shares or underlying shares (Long Position)	Number of shares or underlying shares (Short Position)
Approved lending agent	584,103,111	–
Interest of controlled corporations	57,481,554	36,001,848

Save as disclosed above, as of 31 December 2024, no person, other than our Directors or Chief Executive, whose interests are set out in the section entitled “*Directors’ and the Chief Executive’s Interests and Short Positions in Shares and Underlying Shares*” below, had any interest or short position in our shares or underlying shares as recorded in the register required to be kept under Section 336 of the SFO.

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

As of 31 December 2024, our Directors’ and Chief Executive’s interests and short positions in our shares, underlying shares and debentures and our associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to us and the Hong Kong Stock Exchange pursuant to the Model Code, are as follows:

Interests and short positions in our shares and underlying shares:

Name of Director	Number of shares or underlying shares Long Position (L)	Class	Percentage of the total number of shares in issue ⁽¹⁾	Capacity
Mr. LEE Yuan Siong ⁽²⁾	1,998,769(L) ⁽³⁾	Ordinary	0.01	Beneficial owner
	2,743,051(L) ⁽⁴⁾		0.02	Beneficial owner
	3,682,864(L) ⁽⁵⁾		0.02	Beneficial owner
	2,434(L) ⁽⁶⁾		< 0.01	Beneficial owner
Mr. Edmund Sze-Wing TSE ⁽⁷⁾	3,330,400(L) ⁽³⁾	Ordinary	0.02	Beneficial owner
	230,000(L) ⁽³⁾	Ordinary	< 0.01	Interest of controlled corporation ⁽⁸⁾
Mr. Jack Chak-Kwong SO	190,000(L) ⁽³⁾	Ordinary	< 0.01	Interest of controlled corporation ⁽⁹⁾
Mr. Chung-Kong CHOW	126,000(L) ⁽³⁾	Ordinary	< 0.01	Beneficial owner
Mr. John Barrie HARRISON	80,000(L) ⁽³⁾	Ordinary	< 0.01	Interests held jointly with another person ⁽¹⁰⁾
Mr. George Yong-Boon YEO	50,000(L) ⁽³⁾	Ordinary	< 0.01	Beneficial owner
Professor Lawrence Juen-Yee LAU	250,000(L) ⁽³⁾	Ordinary	< 0.01	Interest of spouse ⁽¹¹⁾

(1) Based on 10,831,704,133 shares of the Issuer in issue as at 31 December 2024.

- (2) The aggregate number of the shares and underlying shares held by Mr. Lee Yuan Siong was 8,427,118, representing 0.07% of the total number of shares in issue.
- (3) The interests were in the shares of the Issuer.
- (4) The interests were in restricted share units (RSUs) granted to Mr. Lee Yuan Siong under the restricted share unit schemes adopted by the Issuer from time to time, of which 522,031 RSUs were awarded compensation for unvested long-term incentives and deferred payments that Mr. Lee Yuan Siong forfeited on leaving his prior employment as also disclosed in the Issuer's announcement dated 22 November 2019.
- (5) The interests were in share options granted to Mr. Lee Yuan Siong under the share option schemes adopted by the Issuer from time to time.
- (6) The interests were in matching restricted stock purchase units granted under the employee share purchase plans adopted by the Issuer from time to time.
- (7) The aggregate number of the shares and underlying shares held by Mr. Edmund Sze-Wing Tse was 3,560,400, representing 0.03% of the total number of Shares in issue.
- (8) The 230,000 shares were held by Edmund & Peggy Tse Foundation Limited, one-third interest of which is beneficially held by Mr. Edmund Sze-Wing Tse.
- (9) The 190,000 shares were held by Cyber Project Developments Limited, a company beneficially wholly owned by Mr. Jack Chak-Kwong So.
- (10) The 80,000 shares were jointly held by Mr. John Barrie Harrison and his spouse, Ms. Rona Irene Harrison, as beneficial owners.
- (11) The 250,000 shares were held by Ms. Ayesha Abbas Macpherson, the spouse of Professor Lawrence Juen-Yee Lau, as beneficial owner.

Save as disclosed above, as of 31 December 2024, neither the Chief Executive nor any of our Directors had any interest or short position in our shares, underlying shares or debentures or our associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to us and the Hong Kong Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Under his contract in the role of Group Chief Executive and President, Mr. Lee Yuan Siong was entitled to an annual discretionary earned incentive award, which includes payment in the form of our shares.

SUBSCRIPTION AND SALE

SUMMARY OF DEALER AGREEMENT

The Dealers have, in an amended and restated dealer agreement dated 1 March 2017, as supplemented by a first supplemental dealer agreement dated 1 March 2018, a second supplemental dealer agreement dated 15 March 2019, a third supplemental dealer agreement dated 13 March 2020, a fourth supplemental dealer agreement dated 16 March 2021, a fifth supplemental dealer agreement dated 18 August 2021, a sixth supplemental dealer agreement dated 14 March 2022, a seventh supplemental dealer agreement dated 26 August 2022, an eighth supplemental dealer agreement dated 13 March 2023, a ninth supplemental dealer agreement dated 15 March 2024 and a tenth supplemental dealer agreement dated 17 March 2025 (the “**Dealer Agreement**”), agreed with us a basis upon which they or any of them may from time to time agree to purchase Instruments. Any such agreement will extend to those matters stated under “*Book-entry Clearance Systems*”, “*Terms and Conditions of the Notes*” and “*Terms and Conditions of the Securities*”. We will pay each relevant Dealer an agreed commission in respect of Instruments subscribed by it. We have agreed to reimburse the Arrangers for certain of our expenses incurred in connection with the establishment, and any future update, of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Instruments on a syndicated basis may be stated in the relevant Pricing Supplement. We, as well as the relevant Dealer(s), may also in relation to any Tranche of Instruments, agree to pay private banks or other selling agents a commission in order to facilitate the offering of the Instruments.

We have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Instruments. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Instruments in certain circumstances prior to payment for such Instruments being made to us. In order to facilitate the offering of any Tranche of the Instruments, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Instruments during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Instruments for their own account by selling more Instruments than have been sold to them by us. Such persons may also elect to cover any such short position by purchasing Instruments in the open market. In addition, such persons may stabilise or maintain the price of the Instruments by bidding for or purchasing Instruments in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Instruments are reclaimed if Instruments previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Instruments at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Instruments to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Stabilising activities may only be carried on by the Stabilising Manager(s) named in the applicable Pricing Supplement (or persons acting on behalf of any Stabilising Manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Instruments.

The Dealers and certain of their affiliates may have performed certain investment banking, commercial banking and advisory services for us, our subsidiaries and/or our respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for us, our subsidiaries and/or our respective affiliates in the ordinary course of their business.

For example, we have a partnership with Citibank pursuant to which we are Citibank’s exclusive provider of life insurance products in Hong Kong and Singapore. The partnership provides access to Citibank’s corporate clients, retail cardholders and banking customers. In addition, the Dealers or their respective affiliates are, or may in the future be, lenders to us, our subsidiaries and/or our respective affiliates.

In connection with each Tranche of Instruments issued under the Programme, the Dealers may offer and sell the Instruments through certain of their affiliates. Additionally, the Dealers or certain of their affiliates may purchase Instruments and be allocated Instruments for asset management and/or proprietary purposes but not with a view to distribution (and such purchase and/or allocation may be material). Further, the Dealers or their respective affiliates may purchase Instruments for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Instruments and/or our other securities or the securities of our subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Instruments or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Instruments to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Instruments).

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Dealer (as described in the Offering Circular) or any affiliate of a Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or such affiliate on behalf of the issuer in such jurisdiction.

SELLING RESTRICTIONS

United States

The Instruments have not been and will not be registered under the Securities Act or the securities laws of any U.S. state. Accordingly, the Instruments may not be offered or sold within the United States, or to or for the account or benefit of, U.S. persons, except (i) to QIBs in reliance on Rule 144A; (ii) in accordance with Regulation S under the Securities Act; or (iii) pursuant to another exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bearer Instruments are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Until 40 days after the commencement of the offering of any Series of Instruments, an offer or sale of such Instruments within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from the requirements of the Securities Act.

Dealers may arrange for the resale of Instruments to QIBs pursuant to Rule 144A and each such purchaser of Instruments is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Instruments which may be purchased by a QIB pursuant to Rule 144A is US\$100,000 (or the approximate equivalent thereof in any other currency).

To the extent that we are not subject to or do not comply with the reporting requirements of Section 13 or Section 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, we have agreed to furnish to holders of Instruments and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Each issue of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as we and the relevant Dealer may agree as a term of the issue and purchase of such Instruments, which additional selling restrictions shall be set out in the

applicable Pricing Supplement. The relevant Dealer agrees that it shall offer, sell and deliver such Instruments only in compliance with such additional U.S. selling restrictions.

European Economic Area

Unless the Pricing Supplement in respect of any Instruments specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Instruments which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"); and
- (b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe for the Instruments.

If the relevant Pricing Supplement in respect of any Instruments specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, each Dealer has represented, warranted and agreed that it has not made and will not make an offer of Instruments which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Instruments to the public in that Member State:

- (a) *Approved prospectus*: if the Pricing Supplement in relation to the Instruments specifies that an offer of those Instruments may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Instruments which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (c) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) *Other exempt offers*: at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Instruments referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Instruments to the public**” in relation to any Instruments in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe for the Instruments and the expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129.

United Kingdom

Prohibition of Sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Instruments specifies the “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Instruments which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA; and
- (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe for the Instruments.

If the relevant Pricing Supplement in respect of any Instruments specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented, warranted and agreed that it has not made and will not make an offer of Instruments which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Instruments to the public in the United Kingdom:

- (a) *Approved prospectus*: if the Pricing Supplement in relation (a) to the Instruments specifies that an offer of those Instruments may be made other than pursuant to section 86 of the FSMA (a “**Public Offer**”), following the date of publication of a prospectus in relation to such Instruments which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

- (b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (c) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) *Other exempt offers*: at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Instruments referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Instruments to the public**” in relation to any Instruments means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe for the Instruments and the expression “**UK Prospectus Regulation**” means Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) in relation to any Instruments which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Instruments other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Instruments would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

China

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the Instruments are not being offered or sold and may not be offered or sold, directly or indirectly, in China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of China.

Hong Kong

In relation to each Tranche of Instruments to be issued by the Issuer under the Programme, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Instruments, except for Instruments which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “Prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “Companies Ordinance”) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Instruments, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Instruments which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Japan

The Instruments have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “FIEA”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Instruments in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

Taiwan

Each Dealer has represented and agreed that the Instruments may be made available outside Taiwan for purchase outside Taiwan by investors resident or domiciled in Taiwan but are not permitted to be offered or sold in Taiwan. Each Dealer has represented and agreed that no person or entity in Taiwan has been authorised to offer or sell the Instruments in Taiwan.

Singapore

Each Dealer has acknowledged and each further Dealer appointed under the Programme will be required to acknowledge that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Instruments or caused any Instruments to be made the subject of an invitation for subscription or purchase and will not offer or sell any Instruments or cause any Instruments to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Instruments, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Selling Restrictions Addressing Additional Netherlands Securities Laws

The Instruments have not been and will not be offered in The Netherlands other than to legal entities which are qualified investors as defined in the Prospectus Directive (as defined under "*Public Offer Selling Restriction under the Prospectus Directive*" above).

Zero Coupon Instruments (as defined below) in definitive bearer form and other Instruments in definitive bearer form on which interest does not become due and payable during their term but only at maturity (savings certificates or *spaarbewijzen* as defined in The Netherlands Savings Certificates Act (*Wet inzake spaarbewijzen*, the "**SCA**") may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of such Instruments to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business and (iii) the issue and trading of such Instruments if they are physically issued outside The Netherlands and are not immediately thereafter distributed in The Netherlands. As used herein "**Zero Coupon Instruments**" are Instruments that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

Canada

The Instruments have not been, and will not be, qualified for distribution to the public under the securities laws of Canada or any province or territory thereof. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Instruments have not been and will not be offered, sold, distributed or delivered, directly or indirectly, in Canada or to, or for the account or benefit of, any person resident in Canada in contravention of the securities laws of Canada or any province or territory thereof and also without the consent of the Issuer. Each Dealer has also agreed, and each further Dealer appointed under the Programme will be required to agree, not to distribute or deliver this Offering Circular or any other offering material or advertisement in connection with the Instruments, in Canada in contravention of the securities laws of Canada or any province or territory thereof and also without the consent of the Issuer.

GENERAL

None of the Issuer or the Dealers represent that Instruments may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. These selling restrictions may be modified by the agreement of the Issuer and the relevant Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Instruments to which it relates or in a supplement to this Offering Circular.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Instruments, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Important Notice to CMIs (including Private Banks) pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Instruments. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high-net-worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Instruments (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Instruments. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Instruments, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Dealers(s) (if any) to categorise it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any “Associations” (as used in the SFC Code);
- Whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code);

- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Dealers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Dealers that it is not a Sanctions Restricted Person. A "Sanctions Restricted Person" means an individual or entity (a "Person"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: <https://sanctionslist.ofac.treas.gov/Home/SdnList>) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: <http://www.treasury.gov/ofac/downloads/fse/fselist.pdf>) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: <https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en>); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: <https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf>) (the "SSI List"), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "EU Annexes"), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military-Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organized or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic or Luhansk People's Republic. "Sanctions Authority" means: (a) the United States government; (b) the United Nations; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (f) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury.

TRANSFER RESTRICTIONS

RESTRICTED INSTRUMENTS

You, as purchaser of Restricted Instruments, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged that:

1. You are (a) a QIB, (b) acquiring such Restricted Instruments for your own account, or for the account of one or more QIBs, and (c) aware, and each beneficial owner of the Restricted Instruments has been advised, that the sale of the Restricted Instruments to you is being made in reliance on Rule 144A.
2. (a) The Restricted Instruments have not been and will not be registered under the Securities Act, or the securities laws of any U.S. state, and may not be offered, sold, pledged or otherwise transferred except (i) in accordance with Rule 144A to a person that you, and any person acting on your behalf, reasonably believe is a QIB purchasing for its own account or for the account of one or more QIBs, (ii) to, or for the account or benefit of, a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) in each case in accordance with any applicable securities laws of any State of the United States, and (b) you will, and each subsequent holder of the Restricted Instruments is required to, notify any purchaser of the Restricted Instruments from you or it of the resale restrictions on the Restricted Instruments.
3. You understand that the Restricted Instruments, unless we determine otherwise in accordance with applicable law, will bear a legend (the “**Rule 144A Legend**”) in or substantially in the following form:

“THIS INSTRUMENT HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A PROMULGATED UNDER THE SECURITIES ACT (“**RULE 144A**”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A “**QIB**”) THAT IS ACQUIRING THIS INSTRUMENT FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) TO, OR FOR THE ACCOUNT OR BENEFIT OF, A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S PROMULGATED UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER RULE 144 PROMULGATED UNDER THE SECURITIES ACT (“**RULE 144**”), IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THIS INSTRUMENT.”

4. You represent by your purchase and holding of the Instruments that either (a) you are not and for so long as you hold an Instrument (or any interest therein) will not be (i) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Part 4 of Subtitle B of Title I of ERISA, (ii) a “plan” as defined in Section 4975(e)(1) of the Code that is subject to Section 4975 of the Code, (iii) a person or entity whose underlying assets include “plan assets” under the Plan Asset Regulation or otherwise for the purposes of Part 4 of Subtitle B of Title I of ERISA or Section 4975 of the Code by reason of the foregoing employee benefit plan’s or plan’s investment in the person or entity (each of the entities described in clauses (i), (ii) and (iii) are herein referred to as “**Benefit Plan Investors**”) or (iv) a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local or non-U.S. law or regulation, that is substantially similar to the fiduciary responsibility and prohibited transaction provisions of Part 4 of Subtitle B of Title I of ERISA or Section 4975 of the Code (“**Other Plan Law**”), or (b) your purchase and holding of the Instruments

will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church or non-U.S. plan, will not result in a violation of any Other Plan Law) for which an exemption is not available.

You understand that the Restricted Instruments will bear a legend in or substantially in the following form:

"BY ITS PURCHASE AND HOLDING OF THIS INSTRUMENT (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS INSTRUMENT (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (III) A PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" UNDER THE PLAN ASSET REGULATION OR OTHERWISE FOR THE PURPOSES OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE BY REASON OF THE FOREGOING EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE PERSON OR ENTITY (SUCH ENTITIES DESCRIBED IN CLAUSES (I), (II) AND (III) COLLECTIVELY, THE "**BENEFIT PLAN INVESTORS**"), OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION, THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY AND PROHIBITED TRANSACTION PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("**OTHER PLAN LAW**"), OR (B) ITS PURCHASE AND HOLDING OF THIS INSTRUMENT WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, WILL NOT RESULT IN A VIOLATION OF ANY OTHER PLAN LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

MOREOVER, EACH PURCHASER OR HOLDER OF THIS INSTRUMENT THAT IS A BENEFIT PLAN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE OR ACQUISITION OF THE INSTRUMENT THAT (1) NONE OF THE ISSUER, THE ARRANGER, THE DEALERS OR ANY OF THEIR RESPECTIVE AFFILIATES (COLLECTIVELY, THE "**TRANSACTION PARTIES**") HAS THROUGH THE OFFERING CIRCULAR PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE WITHIN THE MEANING OF SECTION 3(21) OF ERISA TO THE BENEFIT PLAN INVESTOR OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE BENEFIT PLAN INVESTOR ("**PLAN FIDUCIARY**") ON WHICH EITHER THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY HAS RELIED IN CONNECTION WITH THE DECISION TO PURCHASE OR ACQUIRE THIS INSTRUMENT, (2) THE TRANSACTION PARTIES ARE NOT OTHERWISE ACTING AS A "FIDUCIARY," AS THAT TERM IS DEFINED IN SECTION 3(21) OF ERISA OR SECTION 4975(e)(3) OF THE CODE, TO THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S DECISION TO PURCHASE OR ACQUIRE THIS INSTRUMENT AND (3) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE TRANSACTION."

5. If you are, or if you are using the assets of any Benefit Plan Investor to acquire or hold an Instrument, you will be deemed to have represented by your purchase or acquisition of the Instrument that (a) none of us, the Arranger, any of the Dealers or our or their respective affiliates (collectively, the "**Transaction Parties**") has through this Offering Circular provided any investment recommendation or investment advice to the Benefit Plan Investor or any fiduciary or other person investing the assets of the Benefit Plan Investor ("**Plan Fiduciary**") on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to purchase or acquire such Instrument, (b) the Transaction Parties are not otherwise acting as a "fiduciary," as that term is defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or Plan Fiduciary in

connection with the Benefit Plan Investor's decision to purchase or acquire the Instrument and (c) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

6. You understand that we, each Registrar, the relevant Dealer(s) and our or their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If you are acquiring any Restricted Instruments for the account of one or more QIBs, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.
7. You understand that the Restricted Instruments will be represented by a Restricted Global Certificate. Before any interest in a Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate or as the case may be, Global Instrument, you will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

You are hereby notified that sellers of the Instruments may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

UNRESTRICTED INSTRUMENTS

You, as purchaser of Unrestricted Instruments and each subsequent purchaser of such Unrestricted Instruments in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Circular and the Unrestricted Instruments, will be deemed to have represented, agreed and acknowledged that:

1. You are, or at the time Unrestricted Instruments are purchased will be, the beneficial owner of such Unrestricted Instruments and (a) you are not a U.S. person and you are located outside the United States (within the meaning of Regulation S) and (b) you are not our affiliate or a person acting on behalf of such an affiliate.
2. You understand that such Unrestricted Instruments have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, you will not offer, sell, pledge or otherwise transfer such Unrestricted Instruments except (a) in accordance with Rule 144A under the Securities Act to a person that you and any person acting on your behalf reasonably believe is a QIB purchasing for its own account, or for the account of one or more QIBs or (b) to, or for the account or benefit of, a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.
3. You understand that the Unrestricted Instruments, unless otherwise determined by us in accordance with applicable law, will, during the distribution compliance period, bear a legend in or substantially in the following form:

"THIS INSTRUMENT HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT".

4. You represent by your purchase and holding of the Instruments that either (a) you are not and for so long as you hold an Instrument (or any interest therein) will not be (i) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Part 4 of Subtitle B of Title I of ERISA, (ii) a "plan" as defined in Section 4975(e)(1) of the Code that is subject to Section 4975 of the Code, (iii) a person or entity whose underlying assets

include "plan assets" under the Plan Asset Regulation or otherwise for the purposes of Part 4 of Subtitle B of Title I of ERISA or Section 4975 of the Code by reason of the foregoing employee benefit plan's or plan's investment in the person or entity (each of the entities described in clauses (i), (ii) and (iii) are herein referred to as "**Benefit Plan Investors**") or (iv) a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local or non-U.S. law or regulation, that is substantially similar to the fiduciary responsibility and prohibited transaction provisions of Part 4 of Subtitle B of Title I of ERISA or Section 4975 of the Code ("**Other Plan Law**"), or (b) your purchase and holding of the Instruments will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church or non-U.S. plan, will not result in a violation of any Other Plan Law) for which an exemption is not available.

You understand that the Unrestricted Instruments will bear a legend in or substantially in the following form:

"BY ITS PURCHASE AND HOLDING OF THIS INSTRUMENT (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS INSTRUMENT (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (III) A PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" UNDER THE PLAN ASSET REGULATION OR OTHERWISE FOR THE PURPOSES OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE BY REASON OF THE FOREGOING EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE PERSON OR ENTITY (SUCH ENTITIES DESCRIBED IN CLAUSES (I), (II) AND (III) COLLECTIVELY, THE "**BENEFIT PLAN INVESTORS**"), OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION, THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY AND PROHIBITED TRANSACTION PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("**OTHER PLAN LAW**"), OR (B) ITS PURCHASE AND HOLDING OF THIS INSTRUMENT WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, WILL NOT RESULT IN A VIOLATION OF ANY OTHER PLAN LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

MOREOVER, EACH PURCHASER OR HOLDER OF THIS INSTRUMENT THAT IS A BENEFIT PLAN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE OR ACQUISITION OF THE INSTRUMENT THAT (1) NONE OF THE ISSUER, THE ARRANGER, THE DEALERS OR ANY OF THEIR RESPECTIVE AFFILIATES (COLLECTIVELY, THE "**TRANSACTION PARTIES**") HAS THROUGH THE OFFERING CIRCULAR PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE WITHIN THE MEANING OF SECTION 3(21) OF ERISA TO THE BENEFIT PLAN INVESTOR OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE BENEFIT PLAN INVESTOR ("**PLAN FIDUCIARY**") ON WHICH EITHER THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY HAS RELIED IN CONNECTION WITH THE DECISION TO PURCHASE OR ACQUIRE THIS INSTRUMENT, (2) THE TRANSACTION PARTIES ARE NOT OTHERWISE ACTING AS A "FIDUCIARY," AS THAT TERM IS DEFINED IN SECTION 3(21) OF ERISA OR SECTION 4975(e)(3) OF THE CODE, TO THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S DECISION TO PURCHASE OR ACQUIRE THIS INSTRUMENT AND (3) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE TRANSACTION."

5. If you are, or if you are using the assets of any Benefit Plan Investor to acquire or hold an Instrument, you will be deemed to have represented by your purchase or acquisition of the

Instrument that (a) none of us, the Arranger, any of the Dealers or our or their respective affiliates (collectively, the "**Transaction Parties**") has through this Offering Circular provided any investment recommendation or investment advice to the Benefit Plan Investor or any fiduciary or other person investing the assets of the Benefit Plan Investor ("**Plan Fiduciary**") on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to purchase or acquire such Instrument, (b) the Transaction Parties are not otherwise acting as a "fiduciary," as that term is defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor's decision to purchase or acquire the Instrument and (c) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

6. You understand that we, each Registrar, the relevant Dealer(s) and our or their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.
7. You understand that the Unrestricted Instruments will be represented by an Unrestricted Global Certificate, or as the case may be, a Global Instrument. Prior to the expiration of the distribution compliance period, before any interest in an Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Restricted Global Certificate, you will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream or the CMU Service (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Instruments held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

BOOK-ENTRY SYSTEMS

DTC

DTC has advised us as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a “banking organisation” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other. Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

CMU Service

The CMU Service is a central depository service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service (the “CMU Members”) of capital markets instruments (the “CMU Instruments”) which are specified in the CMU Service Reference Manual as capable of being held within the CMU Service. CMU Instruments may be denominated in Hong Kong dollars or other currencies.

The CMU Service is only available for CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU Service is open to all members of the Hong Kong Capital Markets Association and “authorised institutions” under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong).

Compared to clearing services provided by Euroclear and Clearstream, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European clearing systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest, distribution or principal) under, or notices pursuant to the notice provisions of, CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest, distribution or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The lodging CMU Member will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream in any CMU Instruments will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU Service.

BOOK-ENTRY OWNERSHIP

Bearer Instruments

We may make applications to Euroclear and/or Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Instruments. We may also apply to have Bearer Instruments accepted for clearance through the CMU Service. In respect of Bearer Instruments, a temporary Global Instrument and/or a permanent Global Instrument in bearer form without coupons may be deposited with a common depositary for Euroclear and/or Clearstream or a sub-custodian for the CMU Service or an Alternative Clearing System as agreed between us and the relevant Dealer. Transfers of interests in such temporary Global Instruments or permanent Global Instruments will be made in accordance with the normal Euromarket debt securities operating procedures of the CMU Service, Euroclear and Clearstream or, if appropriate, the Alternative Clearing System.

Registered Instruments

We may make applications to Euroclear and/or Clearstream for acceptance in their respective book-entry systems in respect of the Instruments to be represented by an Unrestricted Global Certificate. Each Unrestricted Global Certificate deposited with a common depositary for, and registered in the name of, a nominee of Euroclear and/or Clearstream will have an ISIN and a Common Code.

We, and a relevant U.S. agent appointed for such purpose that is an eligible DTC participant, may make application to DTC for acceptance in its book-entry settlement system of the Registered Instruments represented by a Restricted Global Certificate and a DTC Unrestricted Global Certificate. Each such Restricted Global Certificate and DTC Unrestricted Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under “*Transfer Restrictions*”. In certain circumstances, as described below in “*Transfers of Registered Instruments*”, transfers of interests in a Restricted Global Certificate may be made as a result of which such legend may no longer be required.

In the case of a Tranche of Registered Instruments to be cleared through the facilities of DTC, the Custodian, with whom the Restricted Global Certificates and the DTC Unrestricted Global Certificates are deposited, and DTC will electronically record the nominal amount of the Restricted Instruments and DTC Unrestricted Instruments held within the DTC system. Investors may hold their beneficial interests in a Restricted Global Certificate and a DTC Unrestricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest or distribution on, each Restricted Global Certificate and each DTC Unrestricted Global Certificate registered in the name of DTC's nominee will be to, or to the order of, its nominee as the registered owner of such Restricted Global Certificate and DTC Unrestricted Global Certificate. We expect that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Restricted Global Certificate and DTC Unrestricted Global Certificate as shown on the records of DTC or the nominee. We also expect that payments by DTC participants to owners of beneficial interests in such Restricted Global Certificate and DTC Unrestricted Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither we nor any Paying Agent or any Transfer Agent will have any responsibility or liability for any aspect of the records relating, to or payments made on account of, ownership interests in any Restricted Global Certificate and DTC Unrestricted Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Instruments will initially be in the form of an Unrestricted Global Certificate and/or a Restricted Global Certificate. Individual Certificates will only be available, in the case of Instruments initially represented by an Unrestricted Global Certificate, in amounts specified in the applicable Pricing Supplement.

Payments through DTC

Payments in U.S. dollars of principal, interest and distribution in respect of a Restricted Global Certificate and DTC Unrestricted Global Certificate registered in the name of a nominee of DTC will be made to the order of such nominee as the registered holder of such Instrument. Payments of principal, interest and distribution in a currency other than U.S. dollars in respect of Instruments evidenced by a Restricted Global Certificate and DTC Unrestricted Global Certificate registered in the name of a nominee of DTC will be made or procured to be made by the Paying Agent in such currency in accordance with the following provisions. The amounts in such currency payable by the Paying Agent or its agent to DTC with respect to Instruments held by DTC or its nominee will be received from the Issuer by the Paying Agent who will make payments in such currency by wire transfer of same day funds to the designated bank account in such currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of payments of interest or distribution, on or prior to the third business day in New York City after the Record Date for the relevant payment of interest or distribution and, in the case of payments of principal, at least 12 business days in New York City prior to the relevant payment date, to receive that payment in such currency. The Paying Agent will convert amounts in such currency into U.S. dollars and deliver such U.S. dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such currency. The Agency Agreement sets out the manner in which such conversions are to be made.

Transfers of Registered Instruments

Transfers of interests in Global Certificates within Euroclear, Clearstream and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in an Unrestricted Global Certificate may only be held through Euroclear, Clearstream or DTC. In the case of Registered Instruments to be cleared through Euroclear,

Clearstream and/or DTC, transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through a Restricted Global Certificate for the same Series of Instruments provided that any such transfer made on or prior to the expiration of the distribution compliance period (as used in "*Subscription and Sale*") relating to the Instruments represented by such Unrestricted Global Certificate will only be made upon receipt by any Transfer Agent of a written certificate from Euroclear, Clearstream or DTC, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person whom the transferor, and any person acting on its behalf, reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. Any such transfer made thereafter of the Instruments represented by such Unrestricted Global Certificate will only be made upon request through Euroclear, Clearstream or DTC by the holder of an interest in the Unrestricted Global Certificate to the Fiscal Agent of details of that account at DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear, Clearstream or DTC, as the case may be, and DTC to be credited and debited, respectively, with an interest in each relevant Global Certificate.

Subject to compliance with the transfer restrictions applicable to the Registered Instruments described above and under "*Transfer Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear, Clearstream or DTC accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Fiscal Agent.

On or after the Issue Date for any Series, transfers of Instruments of such Series between accountholders in Euroclear, Clearstream or DTC and transfers of Instruments of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, on the other, transfers of interests in the relevant Global Certificates will be effected through the Fiscal Agent, the Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee.

Transfers will be effected on the later of (a) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (b) two business days after receipt by the Fiscal Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Instruments, see "*Transfer Restrictions*".

DTC has advised us that it will take any action permitted to be taken by a holder of Registered Instruments (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Restricted Global Certificates or DTC Unrestricted Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Restricted Global Certificates or DTC Unrestricted Global Certificates as to

which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates or DTC Unrestricted Global Certificates for exchange for Individual Certificates (which will, in the case of Restricted Instruments, bear the legend applicable to transfers pursuant to Rule 144A).

Although Euroclear, Clearstream and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither we, nor any Paying Agent nor any Transfer Agent will have any responsibility for the performance by Euroclear, Clearstream, the CMU Service or DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Certificate is lodged with DTC or the Custodian, Restricted Instruments represented by Individual Certificates will not be eligible for clearing or settlement through Euroclear, Clearstream or DTC.

Individual Certificates

Registration of title to Registered Instruments in a name other than a depository or its nominee for Clearstream and Euroclear or for DTC will be permitted only (a) in the case of Restricted Global Certificates in the circumstances set forth in *“Summary of Provisions Relating to the Instruments while in Global Form – Exchange – Permanent Global Certificates – Restricted Global Certificates”* or (b) in the case of Unrestricted Global Certificates in the circumstances set forth in *“Summary of Provisions Relating to the Instruments while in Global Form – Exchange – Permanent Global Certificates – Unrestricted Global Certificates”*. In such circumstances, we will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Instrumentholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

- (i) a written order containing instructions and such other information as we and the Registrar may require to complete, execute and deliver such Individual Certificates; and
- (ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

Pre-issue Trades Settlement

It is expected that delivery of Instruments will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the U.S. secondary market generally are required to settle within two business days (“T+2”), unless the parties to any such trade expressly agree otherwise. Accordingly, in the event that an Issue Date is more than two business days following the relevant date of pricing, purchasers who wish to trade Registered Instruments in the United States between the date of pricing and the date that is two business days prior to the relevant Issue Date will be required, by virtue of the fact that such Instruments initially will settle beyond T+2, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Instruments may be affected by such local settlement practices and, in the event that an Issue Date is more than two business days following the relevant date of pricing, purchasers of Instruments who wish to trade Instruments between the date of pricing and the date that is three business days prior to the relevant Issue Date should consult their own adviser.

TAXATION

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS¹⁹

The following is a general discussion of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of the Notes by U.S. Holders (as defined below) that purchase the Notes in an offering of Notes at their issue price (determined as set forth below) and hold the Notes as capital assets within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”). This discussion does not address all of the U.S. federal income tax considerations that may be relevant to specific U.S. Holders in light of their particular circumstances (including U.S. Holders that are directly or indirectly related to us and accrual method U.S. Holders that have an “applicable financial statement”) or to U.S. Holders subject to special treatment under U.S. federal income tax law (such as banks, insurance companies, dealers in securities or other U.S. Holders that generally mark their securities to market for U.S. federal income tax purposes, tax-exempt entities, retirement plans, regulated investment companies, real estate investment trusts, certain former citizens or residents of the United States, U.S. Holders that hold a Note as part of a straddle, hedge, conversion or other integrated transaction or U.S. Holders that have a “functional currency” other than the U.S. dollar). This discussion does not address any U.S. federal income tax considerations relating to the purchase, ownership or disposition of the Securities by U.S. Holders and any materially different considerations relating to such Securities will be described in the applicable Pricing Supplement if such Securities are offered to U.S. investors. This discussion does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift or alternative minimum tax considerations.

This discussion is based on the Code, the U.S. Treasury Regulations promulgated or proposed thereunder and administrative and judicial pronouncements, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect or to differing interpretations. This discussion does not describe the U.S. federal income tax considerations relating to the purchase, ownership or disposition of a Note that is a Dual Currency Note, an Index Linked Interest Note, an Index Linked Redemption Note or otherwise treated as a “contingent payment debt instrument” (under applicable U.S. Treasury Regulations); a Note that is one of certain categories of “variable rate debt instrument” (as described below under “*Interest on the Notes and Original Issue Discount*”); a Partly Paid Note; a Bearer Note; or a Note with a maturity later than 30 years from its date of issuance. A general discussion of any materially different U.S. federal income tax considerations relating to any such Note will be included in the applicable Pricing Supplement if such Note is offered to U.S. investors.

As used in this discussion, the term “U.S. Holder” means a beneficial owner of a Note that, for U.S. federal income tax purposes, is (a) an individual who is a citizen or resident of the United States, (b) a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (c) an estate the income of which is subject to U.S. federal income tax regardless of its source, or (d) a trust (i) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or (ii) that has in effect a valid election under applicable U.S. Treasury Regulations to be treated as a U.S. person.

If an entity treated as a partnership for U.S. federal income tax purposes invests in a Note, the U.S. federal income tax considerations relating to such investment will depend in part upon the status and activities of such entity and the particular partner. Any such entity should consult its own tax adviser regarding the U.S. federal income tax considerations applicable to it and its partners relating to the purchase, ownership and disposition of a Note.

The determination of whether a particular Series of Notes should be classified as indebtedness or equity for U.S. federal income tax purposes depends on the terms of such Notes. Unless otherwise specified in the applicable Pricing Supplement, we believe that the Notes should be

¹⁹ This U.S. tax disclosure is limited to certain Notes. The U.S. federal income tax considerations relevant to Securities and other types of Notes (e.g., Notes treated as equity) will be described in the applicable Pricing Supplement.

classified as indebtedness for U.S. federal income tax purposes, and by acquiring an interest in a Note each beneficial owner of a Note agrees to treat such Notes as indebtedness for U.S. federal income tax purposes. It is possible, however, that the U.S. Internal Revenue Service (the “IRS”) could attempt to treat a particular Series of Notes as equity for such purposes. If any Notes were so treated as equity, the U.S. federal income tax considerations relating to the purchase, ownership and disposition of such Notes could differ from those described below with respect to timing and character. The remainder of this discussion assumes the Notes will be treated as indebtedness for U.S. federal income tax purposes.

EACH PERSON CONSIDERING AN INVESTMENT IN THE NOTES SHOULD CONSULT ITS OWN TAX ADVISER REGARDING THE U.S. FEDERAL, STATE AND LOCAL AND NON-U.S. INCOME, ESTATE AND OTHER TAX CONSIDERATIONS RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES IN LIGHT OF ITS PARTICULAR CIRCUMSTANCES.

Interest on the Notes and Original Issue Discount

Each U.S. Holder of a Note must include in income payments of “qualified stated interest” (as described below) in respect of such Note in accordance with such U.S. Holder’s method of accounting for U.S. federal income tax purposes as ordinary interest income. In general, if the issue price of a Note, determined by the first price at which a substantial amount of the Notes of a Series is sold (ignoring sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers), is less than the “stated redemption price at maturity” (as described below) of such Note by an amount that is equal to or more than a *de minimis* amount, a U.S. Holder will be considered to have purchased such Note with OID. In general, the *de minimis* amount is equal to $\frac{1}{4}$ of 1% of the stated redemption price at maturity of a Note multiplied by the number of complete years to maturity (or, in the case of a Note providing for the payment of any amount other than qualified stated interest prior to maturity, multiplied by the “weighted average maturity” of the Note). If a U.S. Holder acquires a Note with OID, then regardless of such U.S. Holder’s method of accounting for U.S. federal income tax purposes, such U.S. Holder generally will be required to accrue its *pro rata* share of OID on such Note on a constant-yield basis and include such accruals in gross income, whether or not such U.S. Holder will have received any cash payment on such Note. Any amount not treated as OID because it is *de minimis* generally must be included in income (generally as gain from the sale of a Note) as principal payments are received in the proportion that each such payment bears to the original principal amount of the Note. Special rules apply to Notes with a fixed maturity of one year or less. See “– Short-Term Notes”.

“Stated redemption price at maturity” generally means the sum of all payments to be made on a Note other than payments of “qualified stated interest”. “Qualified stated interest” generally means stated interest that is unconditionally payable during the entire term of the Note at least annually at a single fixed rate, or in the case of a variable rate debt instrument (as defined below), at a single qualified floating rate or single objective rate (each as defined below). If a Note is a variable rate debt instrument but interest is payable at a rate other than a single qualified floating rate or a single objective rate, the special rules that apply to such Note will be described in the applicable Pricing Supplement.

In the case of a Note that is a variable rate debt instrument, the amount of qualified stated interest and the amount of OID, if any, that accrues during an accrual period is generally determined by assuming that the variable rate is a fixed rate equal to (a) in the case of a qualified floating rate or qualified inverse floating rate (each as defined below), the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate or (b) in the case of an objective rate (as defined below, and other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the debt instrument. The qualified stated interest (or, if there is no qualified stated interest, OID) allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period pursuant to clause (a) or (b), as applicable. Special rules that apply to a variable rate debt instrument that provides for stated interest at a fixed rate under certain circumstances will be described in the applicable Pricing Supplement.

A “variable rate debt instrument” is a debt instrument that (a) has an issue price that does not exceed the total noncontingent principal payments by more than an amount equal to the lesser of (i) 0.015 multiplied by the product of such total noncontingent principal payments and the number of complete years to maturity of the instrument (or, in the case of a Note providing for the payment of any amount other than qualified stated interest prior to maturity, multiplied by the “weighted average maturity” of the Note) or (ii) 15% of the total noncontingent principal payments, (b) provides for stated interest (compounded or paid at least annually) at the current value of (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) does not provide for any principal payments that are contingent. The current value of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

A “qualified floating rate” is generally a floating rate under which variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which a debt instrument is denominated. A multiple of a qualified floating rate is not a qualified floating rate unless the relevant multiplier is (a) fixed at a number that is greater than 0.65 but not more than 1.35 or (b) fixed at a number that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate. A variable rate is not considered a qualified floating rate if the variable rate is subject to a cap, floor, governor (i.e., a restriction on the amount of increase or decrease in the stated interest rate) or similar restriction that is reasonably expected as of the issue date to cause the yield on the Note to be significantly more (in the case of a floor, governor or similar restriction) or less (in the case of a cap, governor or similar restriction) than the expected yield determined without the restriction (other than a cap, floor, governor or similar restriction that is fixed throughout the term of the Note).

An “objective rate” is a rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information. However, an objective rate does not include a rate based on information that is within the control of the issuer (or certain related parties of the issuer) or that is unique to the circumstances of the issuer (or certain related parties of the issuer), such as dividends, profits or the value of the issuer’s stock. A “qualified inverse floating rate” is an objective rate (a) that is equal to a fixed rate minus a qualified floating rate and (b) the variations in which can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate (disregarding any caps, floors, governors or similar restrictions that would not, as described above, cause a rate to fail to be a qualified floating rate). Notwithstanding the first sentence of this paragraph, a rate is not an objective rate if it is reasonably expected that the average value of the rate during the first half of the Note’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Note’s term. The IRS may designate rates other than those specified above that will be treated as objective rates. As of the date of this Offering Circular, no other rates have been designated.

If interest on a Note is stated at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period, and the value of the variable rate on the issue date is intended to approximate the fixed rate, the fixed rate and the variable rate together constitute a single qualified floating rate or objective rate, as the case may be. A fixed rate and a variable rate will be conclusively presumed to meet the requirements of the preceding sentence if the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 0.25 percentage points (25 basis points).

If a Floating Rate Note does not qualify as a variable rate debt instrument or otherwise provides for contingent payments, or if a Fixed Rate Note provides for contingent payments, such Note may constitute a “contingent payment debt instrument”. Interest payable on a contingent payment debt instrument is not treated as qualified stated interest. If such a Note is offered to U.S. Holders, special rules applicable to contingent payment debt instruments will be described in the applicable Pricing Supplement.

In general, the following rules apply if (a) a Note provides for one or more alternative payment schedules applicable upon the occurrence of a contingency or contingencies and the timing and amounts of the payments that comprise each payment schedule are known as of the issue date and (b) either a single payment schedule is significantly more likely than not to occur or the Note provides us or a Noteholder with an unconditional option or options exercisable on one or more dates during the term of the Note that, if exercised, require payments to be made on the Notes under an alternative payment schedule or schedules. If based on all the facts and circumstances as of the issue date a single payment schedule for a Note, including the stated payment schedule, is significantly more likely than not to occur, then, in general, the yield and maturity of the Note are computed based on this payment schedule. If we have or a Noteholder has an unconditional option or options that, if exercised, would require payments to be made on the Note under an alternative payment schedule or schedules, then (i) in the case of an option or options exercisable by us, we will be deemed to exercise or not exercise an option or combination of options in the manner that minimises the yield on the Note and (ii) in the case of an option or options exercisable by the Noteholder, the Noteholder will be deemed to exercise or not exercise an option or combination of options in the manner that maximises the yield on the Note. Notes subject to the above rules will not be treated as contingent payment debt instruments as a result of the contingencies described above. If a contingency (including the exercise of an option) actually occurs or does not occur contrary to an assumption made according to the above rules (a **"Change in Circumstances"**), then, except to the extent that a portion of the Note is repaid as a result of a Change in Circumstances and solely for purposes of the accrual of OID, the Note is treated as retired and then reissued on the date of the Change in Circumstances for an amount equal to the Note's adjusted issue price on that date. The **"adjusted issue price"** of an original issue discount Note is generally the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period (without regard to any acquisition premium or amortizable bond premium) and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

A U.S. Holder may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method. For purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID and unstated interest, as adjusted by any amortisable bond premium (as described below in **"Premium"**). For this purpose, **"acquisition discount"** is the excess, if any, of the Note's stated redemption price at maturity over the U.S. Holder's basis in the Notes with respect to the Short-Term Notes (as defined below). The election must be made for the taxable year in which a U.S. Holder acquires the Note, and may not be revoked without the consent of the IRS.

Premium

If the amount paid by a U.S. Holder for a Note exceeds the stated redemption price at maturity of such Note, such U.S. Holder generally will be considered to have purchased such Note at a premium equal to such excess. In this event, such U.S. Holder may elect to amortise such premium, based generally on a constant-yield basis, as an offset to interest income over the remaining term of such Note. In the case of a Note that may be redeemed prior to maturity, the premium amortisation and redemption date are calculated assuming that we and the U.S. Holder will exercise or not exercise redemption rights in a manner that maximises the U.S. Holder's yield. It is unclear how premium amortisation is calculated when the redemption date or the amount of any redemption premium is uncertain. The election to amortise bond premium, once made, will apply to all debt obligations held or subsequently acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Short-Term Notes

Notes that have a fixed maturity of one year or less (**"Short-Term Notes"**) will be treated as issued with OID. For purposes of determining the amount of OID, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. In general, an individual or other U.S. Holder that uses the cash method of accounting is not required to accrue such OID unless such U.S. Holder elects to do so. If such an election is not made, any gain recognised by such U.S. Holder on the sale, exchange, retirement or other

disposition of a Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis, or upon election under the constant yield method (based on daily compounding), through the date of sale, exchange, retirement or other disposition, and a portion of the deduction otherwise allowable to such U.S. Holder for interest on borrowings allocable to the Short-Term Note will be deferred until a corresponding amount of income on such Note is realised. U.S. Holders who report income for U.S. federal income tax purposes under the accrual method of accounting and certain other holders are required to accrue OID related to a Short-Term Note as ordinary income on a straight-line basis unless an election is made to accrue the OID under a constant yield method (based on daily compounding).

Sale, Exchange, Retirement or Other Disposition of Notes

In general, a U.S. Holder of a Note will have a tax basis in such Note equal to the cost of such Note to such U.S. Holder, increased by any amount includible in income by such U.S. Holder as OID and reduced by any amortised premium and any payments received with respect to the Note other than payments of qualified stated interest. Upon a sale, exchange, retirement or other disposition of a Note, a U.S. Holder will generally recognise gain or loss equal to the difference between the amount realised on the sale, exchange, retirement or other disposition (less any amount that is attributable to accrued but unpaid qualified stated interest, which will constitute ordinary interest income if not previously included in income) and such U.S. Holder's tax basis in such Note. Subject to the rules described below under "*Foreign Currency Notes*", such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if such U.S. Holder has held such Note for more than one year at the time of disposition. Certain non-corporate U.S. Holders are entitled to preferential treatment for net long-term capital gains. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. Such gain or loss generally will be from sources within the United States.

Foreign Currency Notes

The following discussion generally describes special rules that apply, in addition to the rules described above, to Notes that are denominated in, or provide for payments determined by reference to, a currency other than the U.S. dollar ("**Foreign Currency Notes**"). The amount of qualified stated interest paid with respect to a Foreign Currency Note that is includible in income by a U.S. Holder that uses the cash method of accounting for U.S. federal income tax purposes is the U.S. dollar value of the amount paid, as determined on the date of actual or constructive receipt by such U.S. Holder, using the spot rate of exchange on such date regardless of whether the payment is in fact converted into U.S. dollars at the time. In the case of qualified stated interest on a Foreign Currency Note held by a U.S. Holder that uses the accrual method of accounting, and in the case of OID (other than OID on a Short-Term Note that is not required to be accrued) for every U.S. Holder, such U.S. Holder is required to include the U.S. dollar value of the amount of such interest income or OID (which is determined in the non-U.S. currency) that accrued during the accrual period. The U.S. dollar value of such accrued interest income or OID generally is determined by translating such income at the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate of exchange for the partial period within the taxable year). Alternatively, such U.S. Holder may elect to translate such income at the spot rate of exchange on the last day of the accrual period (or, with respect to a partial accrual period, at the spot rate of exchange in effect on the last day of the taxable year for the partial period). If the last day of the accrual period is within five business days of the date of receipt of the accrued interest, a U.S. Holder that has made such election may translate accrued interest using the spot rate of exchange in effect on the date of receipt. The above election will apply to all debt obligations held by such U.S. Holder and may not be changed without the consent of the IRS. A U.S. Holder will recognise, as ordinary income or loss, foreign currency exchange gain or loss with respect to such accrued interest income or OID on the date the interest or OID is actually or constructively received, reflecting fluctuations in currency exchange rates between the spot rate of exchange used to determine the accrued interest income or OID for the relevant accrual period and the spot rate of exchange on the date such interest or OID is actually or constructively received.

A U.S. Holder will calculate the amortisation of bond premium for a Foreign Currency Note in the applicable non-U.S. currency. Amortisation deductions attributable to a period will reduce interest payments in respect of that period, and therefore are translated into U.S. dollars at the spot rate of exchange used for those interest payments. Foreign currency exchange gain or loss will be realised with respect to amortised premium on a Foreign Currency Note based on the difference between the spot rate of exchange at which the amortisation deductions were translated into U.S. dollars and the spot rate of exchange on the date such U.S. Holder acquired the Foreign Currency Note.

The amount realised with respect to a sale, exchange, retirement or other disposition of a Foreign Currency Note generally will be the U.S. dollar value of the payment received (less any amount that is attributable to accrued but unpaid qualified stated interest, which will constitute ordinary interest income if not previously included in income), determined on the date of disposition of such Foreign Currency Note using the spot rate of exchange on such date. However, with respect to Foreign Currency Notes that are treated as traded on an established securities market, a U.S. Holder's tax basis, and the amount realised will be determined using the spot rate of exchange on the settlement date in the case of (a) a U.S. Holder that is a cash method taxpayer or (b) a U.S. Holder that is an accrual method taxpayer that elects such treatment. This election may not be changed without the consent of the IRS. Gain or loss that is recognised generally will be ordinary income or loss to the extent it is attributable to fluctuations in currency exchange rates between the date of purchase of the Foreign Currency Note and the date of sale, exchange, retirement or other disposition. Such foreign currency gain (or loss), together with any foreign currency gain (or loss) realised on such disposition in respect of accrued interest or OID, generally will be recognised only to the extent of the total gain (or loss) realised by such U.S. Holder on the sale, exchange, retirement or other disposition of the Foreign Currency Note. Any gain (or loss) realised by a U.S. Holder not treated as foreign currency gain (or loss) generally will be capital gain or loss from sources within the United States (subject to the discussion above regarding Short-Term Notes).

A U.S. Holder that determines its amount realised in connection with the sale, exchange, retirement or other disposition of a Foreign Currency Note by reference to the spot rate of exchange on the date of such sale, exchange, retirement or other disposition (rather than on the settlement date) may recognise additional foreign currency gain or loss upon receipt of non-U.S. currency from such sale, exchange, retirement or other disposition. Any gain or loss on a subsequent conversion or other disposition of such non-U.S. currency by such U.S. Holder generally will be treated as ordinary income or loss from sources within the United States.

A U.S. Holder will recognise an amount of foreign currency gain or loss on a sale or other disposition of any non-U.S. currency equal to the difference between (a) the amount of U.S. dollars, or the fair market value in U.S. dollars of any other property, received in such sale or other disposition and (b) the tax basis of such non-U.S. currency. A U.S. Holder generally will have a tax basis in non-U.S. currency received from a sale, exchange, retirement or other disposition of a Foreign Currency Note equal to the U.S. dollar value of such non-U.S. currency on the date of receipt.

A Note that provides for payments in more than one currency, such as a Dual Currency Note, generally will be treated as a "contingent payment debt instrument", and the special rules applicable to such instruments will be described in the applicable Pricing Supplement.

Further Issues of Notes

We may, from time to time, without the consent of the Noteholders of a Series, create and issue further notes having the same terms and conditions as the Notes of such Series so as to be consolidated and form a single Series with such Notes. Even if such additional notes are treated for non-tax purposes as part of the same Series as such Notes, such additional notes may in some cases be treated as a separate Series for U.S. federal income tax purposes. In such case, such additional notes may be considered to have been issued with OID even if such Notes were not issued with more than a *de minimis* discount, or such additional notes may have a different amount of OID than such Notes for U.S. federal income tax purposes. These

differences may affect the market value of the Notes if such additional notes are not otherwise distinguishable from such Notes.

Substitution

The terms of the Notes provide that, where “Special Event Substitution or Variation” is specified as being applicable in the relevant Pricing Supplement, if a Special Event has occurred and is continuing, then the Issuer may, subject to satisfaction of Securities Conditions 4 (Distribution and Other Calculations) and 13 (Substitution or Variation), but without any requirement for the consent or approval of Securityholders, substitute all, but not some only, of the relevant Tranche of Securities for, or vary the terms of such Securities with the effect that they remain or become, “Qualifying Securities” as defined in the Securities Conditions. A substitution of Notes for, or a variation of the terms of Notes so that they remain, or, as appropriate, become Qualifying Securities, may be treated for U.S. federal income tax purposes as a disposition of such Notes in exchange for new Notes. As a result, a U.S. Holder could be required to recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new Notes (as determined for U.S. federal income tax purposes) and the U.S. Holder’s tax basis in the relevant Series of Notes and could be required to determine if the new Notes have OID. U.S. Holders should consult their own tax advisers regarding the U.S. federal income tax consequences to them of a substitution of the relevant Series of Notes.

Medicare Tax

In addition to regular U.S. federal income tax, certain U.S. Holders that are individuals, estates or trusts are subject to a 3.8% tax on all or a portion of their “net investment income,” which may include all or a portion of their interest income (including accrued OID) on a Note and net gain from the sale, exchange, retirement or other disposition of a Note.

Information Reporting and Backup Withholding

Under certain circumstances, information reporting and/or backup withholding may apply to a U.S. Holder with respect to payments of interest (and accruals of OID) on, and proceeds from the sale, exchange, retirement or other disposition of, a Note, unless an applicable exemption is satisfied. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a credit or a refund against a U.S. Holder’s U.S. federal income tax liability if the required information is furnished by such U.S. Holder on a timely basis to the IRS.

Reportable Transactions

A U.S. Holder that participates in any “reportable transaction” (as defined in U.S. Treasury Regulations) must attach to its U.S. federal income tax return a disclosure statement on IRS Form 8886. U.S. Holders should consult their own tax advisers as to the possible obligation to file IRS Form 8886 reporting foreign currency exchange loss arising from the Notes or any amounts received with respect to the Notes.

Disclosure Requirements for Specified Foreign Financial Assets

Individual U.S. Holders (and certain U.S. entities specified in U.S. Treasury Regulations) who, during any taxable year, hold any interest in any “specified foreign financial asset” generally will be required to file with their U.S. federal income tax returns certain information on IRS Form 8938 if the aggregate value of all such assets exceeds certain specified amounts. “Specified foreign financial asset” generally includes any financial account maintained with a non-U.S. financial institution and may also include the Notes if they are not held in an account maintained with a financial institution. Substantial penalties may be imposed, and the period of limitations on assessment and collection of U.S. federal income taxes may be extended, in the event of a failure to comply. U.S. Holders should consult their own tax advisers as to the possible application to them of this filing requirement.

CERTAIN HONG KONG TAX CONSIDERATIONS

The following summary of certain Hong Kong tax consequences of the purchase, ownership and disposition of the Instruments is based upon laws, regulations, decisions and practice now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Instruments and does not purport to deal with the consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Instruments should consult their own tax advisers concerning the application of Hong Kong tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Instruments arising under the laws of any other taxing jurisdiction.

Withholding Tax

Under current Hong Kong legislation, no tax in Hong Kong is required to be withheld from or chargeable on payments of principal, premium (if any) or interest in respect of the Instruments or in respect of any capital gains arising from the sale of the Instruments.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112 of the Law of Hong Kong) (the “**Inland Revenue Ordinance**”) as it is currently applied by the Inland Revenue Department, interest on the Instruments may be subject to Hong Kong profits tax under the following circumstances:

- (a) interest on the Instruments derived from Hong Kong is received by or accrues to a corporation (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or
- (b) interest on the Instruments derived from Hong Kong is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- (c) interest on the Instruments is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (d) interest on the Instruments is received by or accrues to a corporation (other than a financial institution) and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance).

Depending on the specific features of the Instruments, payments on the Instruments may or may not be regarded as interest for tax purposes. Investors should consult their own advisers on the related implications.

Sums derived from the sale, disposal or redemption of Instruments (other than capital gains) will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Instruments are acquired and disposed of, including where such activities were undertaken. Under the Inland Revenue (Amendment) (Taxation on Specified Foreign-source Income Ordinance 2022 (the “**Refined**

Foreign-sourced Income Exemption Regime")²⁰, specified foreign-sourced income (meaning interest, dividends, disposal gain, or intellectual property income arising in or derived from a territory outside Hong Kong) accrued to a member of a multinational enterprise group (i.e., MNE entity) carrying on a trade, profession, or business in Hong Kong is to be regarded as arising in or derived from Hong Kong and chargeable to profits tax (i.e., deemed onshore and taxable), when it is received in Hong Kong under certain circumstances. The Refined Foreign-sourced Income Exemption Regime also provides for relief against double taxation in respect of certain foreign-sourced income.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Instruments will be subject to profits tax.

Sums received by or accrued to a corporation (other than a financial institution) by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance) from the sale, disposal and redemption of Instruments will be subject to profits tax.

In certain circumstances, Hong Kong profits tax exemptions may be available to certain qualifying investors. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual positions.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Instruments provided that either:

- (a) such Bearer Instruments are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (b) such Bearer Instruments constitute loan capital (as defined in the Stamp Duty Ordinance (Cap.117) of Hong Kong).

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Instruments at a rate of 3% of the market value of the Instruments at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Instruments.

No stamp duty is payable on the issue of Registered Instruments. Stamp duty may be payable on any sale and purchase, or change in beneficial ownership of Registered Instruments if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any sale and purchase, or change in beneficial ownership of Registered Instruments provided that either:

- (a) such Registered Instruments are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (b) such Registered Instruments constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable in respect of the sale and purchase of Registered Instruments which are not exempt otherwise, it will be payable at the rate of 0.1% by the seller and 0.1% by the buyer, by reference to the consideration or its fair market value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Instruments if the relevant transfer is required to be registered in Hong Kong.

²⁰ The Refined Foreign-sourced Income Exemption Regime was introduced by the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (which came into effect on 1 January 2023) and further amended by the Inland Revenue (Amendment) (Taxation on Foreign-sourced Disposal Gains) Ordinance 2023 (which came into effect on 1 January 2024).

CERTAIN UK AND INTERNATIONAL INFORMATION REPORTING REGIMES

The paying agent operates in the United Kingdom. This may result in the paying agent or any other person in the United Kingdom through whom interest is paid to, or by whom interest is received on behalf of, a holder of Instruments being required to provide information in relation to the payment to HM Revenue & Customs, the UK tax authority, pursuant to certain domestic and international reporting and transparency regimes. The information that is disclosed may include (but is not limited to) information relating to the value of the Instruments, amounts paid or credited with respect to the Instruments, details of the holders or the beneficial owners of the Instruments (or the persons for whom the Instruments are held), details of the persons who exercise control over entities that are, or are treated as, holders of the Instruments, details of the persons to whom payments derived from the Instruments are or may be paid and information and documents in connection with transactions relating to the Instruments. These provisions will apply irrespective of whether or not the holder is resident in the United Kingdom for UK tax purposes. In certain circumstances, HM Revenue & Customs may communicate this information to the tax authorities of certain other jurisdictions.

CERTAIN ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes fiduciary standards and certain other requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) that are subject to Part 4 of Subtitle B of Title I of ERISA, including entities such as collective investment funds, separate accounts and other entities or accounts whose underlying assets are treated as the assets of such plans pursuant to the U.S. Department of Labor ("**DOL**") "plan assets" regulation 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (such regulation, the "**Plan Assets Regulation**," and such employee benefit plans collectively, "**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA, but which are subject to Section 4975 of the Code, such as individual retirement accounts, health savings accounts and "Keogh" plans (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "parties in interest" under Section 3(14) of ERISA or "disqualified persons" under Section 4975(e)(2) of the Code) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Instruments are acquired by a Plan with respect to which we or the Dealers or any of our or their respective affiliates are a party in interest or a disqualified person. The types of transactions between Plans and parties in interest that are prohibited include: (a) sales, exchanges or leases of property, (b) loans or other direct or indirect extensions of credit and (c) the furnishing of goods and services. Certain parties in interest that participate in a non-exempt prohibited transaction may be subject to excise taxes or other liabilities under ERISA or the Code.

Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may apply depending in part on the type of Plan fiduciary making the decision to acquire an Instrument and the circumstances under which such decision is made. Included among these exemptions are (but are not limited to) Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions with certain service providers) and Prohibited Transaction Class Exemption ("**PTCE**") 95-60 (relating to investments by insurance company general accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "**qualified professional asset manager**"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by an in-house asset manager). There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving the Instruments or that, if an exemption is available, it will cover all aspects of any particular transaction.

Moreover, a Plan that purchases Instruments denominated in U.S. dollars may also be deemed to be purchasing any rights the Plan has to participate in the receipt of payments under a currency agreement in respect of such Instruments denominated in U.S. dollars (any such participation rights, the "**Currency Swap Rights**"), in which case both the acquisition, holding and disposition of the relevant Instruments denominated in U.S. dollars and corresponding Currency Swap Rights could give rise to a non-exempt prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code. However, the same administrative and statutory prohibited transaction class exemptions that would permit a Plan to acquire, hold and dispose of Instruments should also permit a Plan's acquisition, holding and disposition of the Currency Swap Rights.

Under the Plan Asset Regulation, when a Plan's interest in an entity relates solely to separate property of an entity (such as a Currency Swap Right), such a separate property is treated as a separate hypothetical entity, and if Plan participation in that separate entity is "significant," as

determined under the Plan Asset Regulation by applying the ERISA 25% calculation that is described in the Plan Asset Regulation, the participating Plans could each have an undivided interest in any assets of the hypothetical entity. It is possible that a Plan's investment in Instruments denominated in U.S. dollars could also be treated as an investment in any Currency Swap Right corresponding to such Instruments denominated in U.S. dollars. This is far from clear. However, even if a Plan were treated as investing in a Currency Swap Right, and somehow if the ERISA 25% threshold were exceeded with respect to any Currency Swap Rights, the terms of the Currency Swap Rights are fixed and the Issuer is not exercising any fiduciary discretion with respect to such Currency Swap Rights. Each Plan that purchases Instruments denominated in U.S. dollars will be deemed to acknowledge that: (i) it directs the Issuer to enter into a currency agreement in respect of any Instruments denominated in U.S. dollars on its behalf; and (ii) the Issuer is not acting as its fiduciary with respect to any such currency agreement.

Governmental plans, certain church plans and non-U.S. plans, while not subject to the fiduciary responsibility and prohibited transaction provisions of Part 4 of Subtitle B of Title I of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to federal, state, local or non-U.S. law or regulation that is substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Instruments.

As a result of the foregoing restrictions, the Instruments may not be purchased or held by any Plan, or any person investing "plan assets" of any Plan, unless that purchase and holding will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or is covered by an applicable exemption.

By its purchase of any Instruments, the purchaser or holder of the Instruments or any interest therein will be deemed to have represented and agreed either that: (a) it is not and for so long as it holds Instruments will not be (and is not acquiring the Instruments directly or indirectly with the assets of a person who is or while the Instruments are held will be) (i) a Plan or (ii) a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local or non-U.S. law or regulation, that is substantially similar to the fiduciary responsibility and prohibited transaction provisions of Part 4 of Subtitle B of Title I of ERISA or Section 4975 of the Code ("**Other Plan Law**"); or (b) its purchase and holding of the Instruments will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church or non-U.S. plan, will not result in a violation of any Other Plan Law). Additionally, if you are using the assets of any Plan to acquire or hold an Instrument, you will be deemed to have represented and agreed by your purchase or acquisition of the Instrument that (a) none of us, the Arrangers, any of the Dealers or our or their respective affiliates (collectively, the "**Transaction Parties**") has through this Offering Circular provided any investment recommendation or investment advice to the Plan or any fiduciary or other person investing the assets of the Plan ("**Plan Fiduciary**") on which either the Plan or Plan Fiduciary has relied in connection with the decision to purchase or acquire such Instrument and (b) Transaction Parties are not otherwise acting as a "fiduciary," as that term is defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Plan or Plan Fiduciary in connection with the Plan's decision to purchase or acquire the Instrument and (c) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan Investor to purchase any Instruments should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA and Section 4975 of the Code (or in the case of governmental, church or non-U.S. plans not subject to ERISA or Section 4975 of the Code, any Other Plan Law) to such an investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA or Section 4975 of the Code (or any Other Plan Law, as applicable).

The sale of Instruments to a Plan is in no respect a representation by us or the Dealers that such an investment meets all relevant legal requirements with respect to investments by Plans

generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

GENERAL INFORMATION

1. LISTING

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only during a 12-month period after the date of the Offering Circular on the Hong Kong Stock Exchange. The issue price of Instruments listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Instruments, commence on or about the next business day following the date of listing of the relevant Instruments. Instruments listed on the Hong Kong Stock Exchange will be freely transferable with a denomination of at least HK\$500,000 (or its equivalent in other currencies).

2. AUTHORISATION

The amendments and update of the Programme and any issue of the Instruments thereunder were authorised by a meeting of our Board held on 13 March 2025 and by written resolutions of our Board dated 13 March 2025. We have obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Instruments.

3. LEGAL AND ARBITRATION PROCEEDINGS

Neither of the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial position or profitability of the Issuer or the Group.

4. SIGNIFICANT/MATERIAL CHANGE

Since 31 December 2024, there has been no material adverse change in the financial position or prospects nor any significant change in the financial or trading position of the Issuer and the Group.

5. AUDITOR

PricewaterhouseCoopers (Certified Public Accountants), our independent auditor, has audited and rendered unqualified audit reports on our consolidated financial statements as of and for the years ended 31 December 2024 and 2023, and has audited and rendered unqualified audit reports on the Group's supplementary embedded value results for the years ended 31 December 2024 and 2023.

In 2024, the Board endorsed the recommendation from the Audit Committee to commence an audit tender for the Group for the year ending 31 December 2026. The Group's audit tender process is ongoing. The shortlisted accounting firms, including AIA's incumbent auditor, PricewaterhouseCoopers have been invited to the tender process. An announcement will be made when the Board approves the recommendation from the Tender Committee (comprising all members of the Audit Committee) on the selection and appointment of the prospective auditor of the Group for the year ending 31 December 2026. Such proposed appointment is subject to approval by the shareholders at the 2026 annual general meeting.

6. DOCUMENTS ON DISPLAY

Copies of the following documents may be inspected by the Instrumentholders upon prior written request and satisfactory proof of holding during normal business hours on any weekday (Saturdays and public holidays excepted) at the specified office of the Fiscal Agent at 160

Queen Victoria Street, London, EC4V 4LA, United Kingdom for so long as the Instruments are capable of being issued under the Programme:

- (i) our audited consolidated financial statements for the year ended 31 December 2024;
- (ii) copies of our latest annual report and audited consolidated financial statements, and any unaudited interim condensed consolidated financial statements published subsequently to such audited consolidated financial statements;
- (iii) each Pricing Supplement;
- (iv) the Agency Agreement (which contains the forms of the Instruments in global and definitive form); and
- (v) the Deed of Covenant given by us.

7. CLEARING OF THE INSTRUMENTS

The Instruments have been accepted for clearance through the Euroclear and Clearstream systems (which are the entities in charge of keeping the records). We may also apply to have Instruments accepted for clearance through the CMU Service. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. In addition, we may make an application for any Restricted Instruments or DTC Unrestricted Instruments to be accepted for trading in book-entry form by DTC. Acceptance by DTC of such Instruments will be confirmed in the relevant Instruments. The relevant ISIN, the Common Code, the Committee on the Uniform Security Identification Procedure (“**CUSIP**”) number and (where applicable) the identification number for any other relevant clearing system for each series of Instruments will be specified in the applicable Pricing Supplement. If the Instruments are to clear through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement.

**INDEX TO THE 2024 FINANCIAL STATEMENTS AND SUPPLEMENTARY EMBEDDED
VALUE INFORMATION**

**(1) AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER FOR THE
YEAR ENDED 31 DECEMBER 2024**

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**(2) AUDITED SUPPLEMENTARY EMBEDDED VALUE INFORMATION AS AT AND FOR
THE YEAR ENDED 31 DECEMBER 2024**

Independent Auditor's Report on the Supplementary Embedded Value Information ⁽¹⁾	F-166
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(1) References to page numbers in the independent auditor's report on the audited consolidated financial statements and the independent auditor's report on the Supplementary Embedded Value Information refer to the original page numbers in the 2024 results announcement of the Issuer which may be found at <http://www.aia.com>, and cross-references to page numbers included in the independent auditor's reports are to such original page numbering. Neither the 2024 results announcement nor any other information on the issuer's website has been incorporated by reference into this Offering Circular.



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TO THE SHAREHOLDERS OF AIA GROUP LIMITED

(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of AIA Group Limited (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 66 to 222, comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified relate to the valuation of insurance contracts.

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contracts	
Refer to the relevant references in the consolidated financial statements:	
Note 2.3 to the consolidated financial statements and material accounting policy information: Material accounting policy Information – Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held, pages 76-91.	
Note 3.1 to note 3.3 to the consolidated financial statements and material accounting policy information: Critical accounting estimates and judgements, pages 99-100.	
Note 24 to the consolidated financial statements and material accounting policy information: Insurance contracts and reinsurance contracts held, pages 161-180.	
As at 31 December 2024, the Group had net insurance contract liabilities of US\$220,440 million.	We tested certain controls in place relating to methodologies, their application, significant assumptions and data used in the valuation of insurance contracts. These included controls relating to:
The insurance contracts are measured as the total of the fulfilment cash flows ("FCF") and the contractual service margin ("CSM"), the determination of which requires judgement about uncertain future outcomes. Contracts which are accounted for as insurance contracts, are dependent on the contract features, measured using one of the three measurement approaches – the general measurement model, the variable fee approach ("VFA") or the premium allocation approach ("PAA"). The degree of judgement involved is generally higher for the general measurement model and the VFA compared with the PAA.	• Review and determination of methodologies used, and their applications in the models. This includes changes in methodologies applied; • Assumption setting; • The determination of the coverage units for new products, and changes to the coverage units for existing products; and • Policy data reconciliations from the policyholder administration systems to the actuarial valuation models.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contracts (continued) The application of the general measurement model and the VFA includes the use of complex methodologies that are applied in models, and for insurance contracts with significant financial options and guarantees, stochastic modelling techniques are applied in measuring those contracts' FCF. We particularly focused on material changes made to methodologies applied in models in determining the FCF under the general measurement model and the VFA, as well as methodologies applied to material new product types (as applicable). The methodologies applied in models use various assumptions, both economic and noneconomic in nature. These assumptions, which are subject to estimation uncertainty, are derived from a combination of management's judgement, historic experience, market data or other relevant information.	With the assistance of our actuarial professionals, we perform the following substantive audit procedures to assess the methodologies, their applications, significant assumptions, data and disclosures: • We assessed the appropriateness of the methodologies used, and their application in models. This included testing on a sample basis that material changes made to methodology are reflected in the models in determining the FCF under the general measurement model and VFA as well as assessing the appropriateness of methodologies applied to material new product types (as applicable); • We challenged the appropriateness of the judgements made in setting significant assumptions under the general measurement model and VFA. We have assessed these significant assumptions and obtained relevant corroborating evidence. We further considered whether the judgements made in setting the significant assumptions would give rise to indicators of management bias;



Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contracts (continued) The assumptions used that we focused on for insurance contracts were those with greater levels of management judgement, and for which variations have the most significant impact on the net insurance contract liabilities. For FCF under the general measurement model and the VFA, these significant assumptions included mortality/morbidity, persistency, policyholder dividends for other participating business without distinct portfolios, and economic assumptions. The CSM represents the unearned profits that the Group is expected to recognise as it provides services under the insurance contracts. The carrying amount of the CSM includes an adjustment for the amount recognised as insurance revenue for services provided in the period, measured based on the coverage units provided in the period. The coverage units represent the quantity of services being provided by the contracts. In the determination of coverage units used in the CSM measurement, we particularly focused on the judgement applied in determination of coverage units for new products launched in the current year which have or should have a material impact on the valuation of insurance contracts and changes of coverage units for existing material products, if any.	- On a sample basis, we challenged the appropriateness of the judgement applied in determination of coverage units for new products launched in the current year which have or should have a material impact on the valuation of insurance contracts and challenged the appropriateness of judgement applied in determining changes of coverage units for existing material products, if any; - We tested on sample basis data used in the valuation of insurance contracts; and - We assessed the adequacy of the relevant disclosures in the context of the applicable financial reporting framework. Based upon the work outlined above, we found the methodologies applied, significant assumptions and data used in the valuation of insurance contracts to be acceptable based on available evidence.



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Other Information

The Directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Matter

The Group has prepared Supplementary Embedded Value Information as at and for the year ended 31 December 2024 in accordance with the embedded value basis of preparation set out in Sections 4 and 5 of the Supplementary Embedded Value Information, on which we issued a separate auditor's report to the Board of Directors of the Company dated 14 March 2025.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and IFRS Accounting Standards issued by the IASB and the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

(continued)

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lars Christian Jordy Nielsen.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

14 March 2025

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

CONSOLIDATED INCOME STATEMENT

US\$m	Notes	Year ended 31 December 2024	Year ended 31 December 2023
Insurance revenue	8, 24	19,314	17,514
Insurance service expenses	10, 24	(13,136)	(12,078)
Net expenses from reinsurance contracts held	24	(409)	(345)
Insurance service result		5,769	5,091
Interest revenue on	9		
Financial assets not measured at fair value through profit or loss		4,275	4,062
Financial assets measured at fair value through profit or loss		3,713	3,758
Other investment return	9	3,965	4,941
Net impairment loss on financial assets	9	(16)	(195)
Investment return	9	11,937	12,566
Net finance expenses from insurance contracts	9	(7,612)	(10,456)
Net finance income from reinsurance contracts held	9	105	65
Movement in investment contract liabilities	9, 25	(791)	(572)
Movement in third-party interests in consolidated investment funds	9	(29)	(56)
Net investment result	9	3,610	1,547
Fee income		89	114
Other operating revenue		353	294
Other expenses	10	(1,771)	(1,752)
Other finance costs	10	(570)	(463)
Profit before share of profit/(losses) from associates and joint ventures		7,480	4,831
Share of profit/(losses) from associates and joint ventures		351	(267)
Profit before tax		7,831	4,564
Tax expense	11	(978)	(783)
Net profit		6,853	3,781
<i>Net profit attributable to:</i>			
Shareholders of AIA Group Limited		6,836	3,764
Non-controlling interests		17	17
Earnings per share (US\$)			
Basic	12	0.62	0.33
Diluted	12	0.62	0.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Net profit	6,853	3,781
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains on financial assets at fair value through other comprehensive income (net of tax of: 2024: US\$(1,725)m; 2023: US\$(997)m)	4,528	3,589
Fair value (gains)/losses on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal (net of tax of: 2024: US\$3m; 2023: US\$20m)	(62)	95
Foreign currency translation adjustments	(768)	(215)
Cash flow hedges	(3)	(8)
Net finance expenses from insurance contracts (net of tax of: 2024: US\$1,591m; 2023: US\$1,403m)	(4,830)	(4,400)
Net finance income from reinsurance contracts held (net of tax of: 2024: US\$(35)m; 2023: US\$(51)m)	64	60
Share of other comprehensive expense from associates and joint ventures	(75)	(496)
Subtotal	(1,146)	(1,375)
Items that will not be reclassified subsequently to profit or loss:		
Revaluation gains on property held for own use (net of tax of: 2024: US\$4m; 2023: US\$(19)m)	144	28
Effect of remeasurement of net liability of defined benefit schemes (net of tax of: 2024: US\$5m; 2023: US\$2m)	(30)	(8)
Subtotal	114	20
Total other comprehensive expense	(1,032)	(1,355)
Total comprehensive income	5,821	2,426
<i>Total comprehensive income attributable to:</i>		
Shareholders of AIA Group Limited	5,804	2,417
Non-controlling interests	17	9

Note:

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US\$m	Notes	As at 31 December 2024	As at 31 December 2023
Assets			
Intangible assets	14	3,478	3,615
Investments in associates and joint ventures	15	1,710	1,331
Property, plant and equipment	16	4,447	4,058
Investment property	17	4,570	4,504
Insurance contract assets	24	972	1,457
Reinsurance contract assets	24	5,730	6,047
Financial investments:	18, 20		
At amortised cost			
Debt securities		2,399	2,165
Loans and deposits		3,770	3,723
At fair value through other comprehensive income			
Debt securities		98,289	88,612
At fair value through profit or loss			
Debt securities		77,530	86,981
Loans and deposits		272	272
Equity shares		19,797	19,287
Interests in investment funds and exchangeable loan notes		69,040	47,166
Derivative financial instruments	19	1,054	752
		272,151	248,958
Deferred tax assets	11	549	301
Current tax recoverable		219	207
Other assets	21	3,527	4,316
Cash and cash equivalents	22	8,101	11,525
Total assets		305,454	286,319
Liabilities			
Insurance contract liabilities	24	221,412	203,271
Reinsurance contract liabilities	24	255	336
Investment contract liabilities	25	6,967	9,170
Borrowings	26	13,329	11,800
Obligations under repurchase agreements	27	4,616	3,461
Derivative financial instruments	19	8,615	8,035
Provisions	29	202	174
Deferred tax liabilities	11	4,116	3,204
Current tax liabilities		220	387
Other liabilities	30	4,909	4,887
Total liabilities		264,641	244,725

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

US\$m	Notes	As at 31 December 2024	As at 31 December 2023
Equity			
Share capital	31	14,183	14,176
Employee share-based trusts	31	(376)	(367)
Other reserves	31	(11,733)	(11,788)
Retained earnings		44,691	44,333
Other comprehensive income		(6,275)	(5,243)
<i>Total equity attributable to:</i>			
Shareholders of AIA Group Limited		40,490	41,111
Non-controlling interests	32	323	483
Total equity		40,813	41,594
Total liabilities and equity		305,454	286,319

Approved and authorised for issue by the Board of Directors on 14 March 2025.

Lee Yuan Siong
Director

Edmund Sze-Wing Tse
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US\$m	Note	Other comprehensive income										Total equity
		Share capital	Employee share-based trusts	Other reserves	Retained earnings	Fair value reserve	Foreign currency translation reserve	Insurance finance reserve	Property revaluation reserve	Others	Non-controlling interests	
Balance at 1 January 2024		14,176	(367)	(11,788)	44,333	516	(2,950)	(4,159)	1,307	43	483	41,594
Net profit		-	-	-	6,836	-	-	-	-	-	17	6,853
Fair value gains/(losses) on financial assets at fair value through other comprehensive income		-	-	-	-	4,531	-	-	-	-	(3)	4,528
Fair value gains on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal		-	-	-	-	(62)	-	-	-	-	-	(62)
Foreign currency translation adjustments		-	-	-	-	-	(761)	-	-	-	(7)	(768)
Cash flow hedges		-	-	-	-	-	-	-	-	(3)	-	(3)
Net finance (expenses)/income from insurance contracts		-	-	-	-	-	-	(4,840)	-	-	10	(4,830)
Net finance income from reinsurance contracts held		-	-	-	-	-	-	64	-	-	-	64
Share of other comprehensive income/(expense) from associates and joint ventures		-	-	-	-	759	(111)	(723)	-	-	-	(75)
Revaluation gains on property held for own use		-	-	-	-	-	-	-	144	-	-	144
Effect of remeasurement of net liability of defined benefit schemes		-	-	-	-	-	-	-	-	(30)	-	(30)
Total comprehensive income/(expense) for the year		-	-	-	6,836	5,228	(872)	(5,499)	144	(33)	17	5,821
Dividends	13	-	-	-	(2,328)	-	-	-	-	-	(5)	(2,333)
Share buy-back		-	-	-	(4,150)	-	-	-	-	-	-	(4,150)
Shares issued under share option scheme and agency share purchase plan		7	-	-	-	-	-	-	-	-	-	7
Increase in non-controlling interests		-	-	(12)	-	-	-	-	-	-	28	16
Acquisition of non-controlling interests		-	-	14	-	-	-	-	-	-	(200)	(186)
Share-based compensation		-	-	87	-	-	-	-	-	-	-	87
Purchase of shares held by employee share-based trusts		-	(43)	-	-	-	-	-	-	-	-	(43)
Transfer of vested shares from employee share-based trusts		-	34	(34)	-	-	-	-	-	-	-	-
Balance at 31 December 2024		14,183	(376)	(11,733)	44,691	5,744	(3,822)	(9,658)	1,451	10	323	40,813

Note:

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

US\$m	Note	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Other comprehensive income					Non-controlling interests	Total equity
						Fair value reserve	Foreign currency translation reserve	Insurance finance reserve	Property revaluation reserve	Others		
Balance at 1 January 2023		14,171	(290)	(11,812)	46,499	(3,737)	(2,735)	1,238	1,279	59	476	45,148
Net profit		–	–	–	3,764	–	–	–	–	–	17	3,781
Fair value gains on financial assets at fair value through other comprehensive income		–	–	–	–	3,581	–	–	–	–	8	3,589
Fair value losses on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal		–	–	–	–	95	–	–	–	–	–	95
Foreign currency translation adjustments		–	–	–	–	–	(213)	–	–	–	(2)	(215)
Cash flow hedges		–	–	–	–	–	–	–	–	(8)	–	(8)
Net finance expenses from insurance contracts		–	–	–	–	–	–	(4,386)	–	–	(14)	(4,400)
Net finance income from reinsurance contracts held		–	–	–	–	–	–	60	–	–	–	60
Share of other comprehensive income/(expense) from associates and joint ventures		–	–	–	–	577	(2)	(1,071)	–	–	–	(496)
Revaluation gains on property held for own use		–	–	–	–	–	–	–	28	–	–	28
Effect of remeasurement of net liability of defined benefit schemes		–	–	–	–	–	–	–	–	(8)	–	(8)
Total comprehensive income/(expense) for the year		–	–	–	3,764	4,253	(215)	(5,397)	28	(16)	9	2,426
Dividends	13	–	–	–	(2,293)	–	–	–	–	–	(19)	(2,312)
Share buy-back		–	–	–	(3,637)	–	–	–	–	–	–	(3,637)
Shares issued under share option scheme and agency share purchase plan		5	–	–	–	–	–	–	–	–	–	5
Increase in non-controlling interests		–	–	(15)	–	–	–	–	–	–	17	2
Share-based compensation		–	–	77	–	–	–	–	–	–	–	77
Purchase of shares held by employee share-based trusts		–	(115)	–	–	–	–	–	–	–	–	(115)
Transfer of vested shares from employee share-based trusts		–	38	(38)	–	–	–	–	–	–	–	–
Balance at 31 December 2023		14,176	(367)	(11,788)	44,333	516	(2,950)	(4,159)	1,307	43	483	41,594

Note:

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

CONSOLIDATED STATEMENT OF CASH FLOWS

US\$m	Notes	Year ended 31 December 2024	Year ended 31 December 2023
Cash flows from operating activities			
Profit before tax		7,831	4,564
Adjustments for:			
Financial investments		(20,800)	(9,435)
Insurance contracts		16,282	15,772
Reinsurance contracts held		43	(269)
Investment contracts		(2,110)	(2,718)
Obligations under repurchase agreements	27	1,239	1,739
Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items		(8,453)	(7,008)
Operating cash items:			
Interest received		7,742	7,486
Dividends received		2,242	1,663
Interest paid		(139)	(82)
Tax paid		(614)	(793)
Net cash provided by operating activities		3,263	10,919
Cash flows from investing activities			
Payments for intangible assets	14	(237)	(326)
Distribution or dividend from associates	15	1	1
Payments for increase in interests in associates and joint ventures		(94)	(68)
Payments for investment property and property, plant and equipment	16, 17	(612)	(1,420)
Acquisition of subsidiaries, net of cash acquired		(3)	(324)
Net cash used in investing activities		(945)	(2,137)
Cash flows from financing activities			
Issuances of medium-term notes and securities	26	3,134	996
Redemption of medium-term notes	26	(1,581)	(500)
Proceeds from other borrowings	26	112	150
Repayment of other borrowings	26	(65)	(114)
Capital contribution from non-controlling interests		16	2
Payments for lease liabilities ⁽¹⁾		(149)	(150)
Interest paid on medium-term notes and securities		(450)	(394)
Acquisition of non-controlling interests		(186)	–
Dividends paid during the year		(2,333)	(2,312)
Share buy-back		(4,150)	(3,637)
Purchase of shares held by employee share-based trusts		(43)	(115)
Shares issued under share option scheme and agency share purchase plan		7	5
Net cash used in financing activities		(5,688)	(6,069)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Net (decrease)/increase in cash and cash equivalents	(3,370)	2,713
Cash and cash equivalents at beginning of the financial year	11,450	8,766
Effect of exchange rate changes on cash and cash equivalents	(98)	(29)
Cash and cash equivalents at end of the financial year	7,982	11,450

Note:

(1) The total cash outflow for leases for the year ended 31 December 2024 was US\$151m (2023: US\$157m).

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

US\$m	Note	As at 31 December 2024	As at 31 December 2023
Cash and cash equivalents in the consolidated statement of financial position	22	8,101	11,525
Bank overdrafts		(119)	(75)
Cash and cash equivalents in the consolidated statement of cash flows		7,982	11,450

1. CORPORATE INFORMATION

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation and statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRS), IFRS[®] Accounting Standards and the Hong Kong Companies Ordinance. IFRS Accounting Standards are substantially consistent with HKFRS and the accounting policy selections that the Group has made in preparing these consolidated financial statements are such that the Group is able to comply with both HKFRS and IFRS Accounting Standards. References to IFRS Accounting Standards, IAS[®] Standards and IFRIC[®] Interpretations in these consolidated financial statements should be read as referring to the equivalent HKFRS, Hong Kong Accounting Standards (HKAS) and Hong Kong (IFRIC) Interpretations (HK(IFRIC) – Int) as the case may be. Accordingly, there are not any differences of accounting practice between HKFRS and IFRS Accounting Standards affecting these consolidated financial statements.

The consolidated financial statements have been approved for issue by the Board of Directors on 14 March 2025.

The consolidated financial statements have been prepared using the historical cost convention, as modified by the revaluation of financial assets measured at fair value through other comprehensive income, financial assets and liabilities measured at fair value through profit or loss, derivative financial instruments, property held for own use and investment properties, all of which are carried at fair value. Additionally, insurance and reinsurance contract assets and liabilities are measured using a fulfilment cash flow and contractual service margin (CSM) basis.

The presentation currency of the Company and the Group is the US dollar. The consolidated financial statements are presented in millions of US dollar (US\$m) unless otherwise stated.

The accounting policies adopted are consistent with those of the previous financial year, except as described as follows.

(a) The following relevant new amendments to standards have been adopted for the first time for the financial year ended 31 December 2024 and have no material impact to the Group:

- Amendments to IAS 1, Classification of Liabilities as Current or Non-current;
- Amendments to IAS 1, Non-current Liabilities with Covenants;
- Amendments to IAS 7 and IFRS 7, Supplier Finance Arrangements; and
- Amendments to IFRS 16, Lease Liability in a Sale and Leaseback.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation and statement of compliance (continued)

(b) The following relevant new standard and amendments to standards have been issued but are not effective for the financial year ended 31 December 2024 and have not been early adopted (the financial years for which the adoption is required for the Group are stated in parentheses):

- IFRS 18, Presentation and Disclosure in Financial Statements (2027) introduces new presentation requirements in the income statement, including among others, the classification of income and expense items by categories, specific totals and subtotals. It also sets out new requirements on management-defined performance measures, as well as aggregation and disaggregation of financial information. The standard is expected to change the presentation and disclosures of the Group's consolidated financial statements but is not expected to impact the financial position or net results of the Group; and
- Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (2026) provide guidance on a number of areas such as the derecognition of financial liabilities settled through an electronic payment system, classification of financial assets with Environmental, Social and Governance (ESG) and similar features, contractually linked instruments and certain new disclosure requirements. The Group is assessing the impacts on the Group's consolidated financial statements.

In addition, the Group has assessed the impact of the below amendments on its financial position and results of operations and they are not expected to have a material impact on the financial position or results of operations of the Group:

- Amendments to IAS 21, Lack of Exchangeability (2025); and
- Annual Improvements to IFRS Accounting Standards – Volume 11 (2026).

The material accounting policies adopted in the preparation of the Group's consolidated financial statements are set out below. These policies have been applied consistently in all periods presented. The Company's statement of financial position and the statement of changes in equity, as set out in notes 42 and 43 respectively, have been prepared in accordance with the Group's accounting policies.

2.2 Operating profit

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Operating profit (continued)

The Group considers that the presentation of operating profit enhances the understanding and comparability of its performance and that of its operating segments. The Group considers that trends can be more clearly identified without the fluctuating effects of these non-operating items, many of which are largely dependent on market factors.

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

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

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

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

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

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

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

The basis of accounting for insurance contracts and reinsurance contracts held is discussed in notes 2.3.2 to 2.3.10 below.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.2 Separating components from insurance contracts and reinsurance contracts held

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

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

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

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

Insurance contracts

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

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

Reinsurance contracts held

Reinsurance contracts held by the Group cover underlying insurance contracts.

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

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

2.3.4 Fulfilment cash flows and contract boundaries

Fulfilment cash flows

Fulfilment cash flows comprise:

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

Further details of the related methodology and assumptions in respect of estimation of fulfilment cash flows are provided in note 24.

Contract boundaries

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

Insurance contracts

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

A substantive obligation to provide insurance contract services ends when:

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.4 Fulfilment cash flows and contract boundaries (continued)

Contract boundaries (continued)

Reinsurance contracts held

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

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

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

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

2.3.5 Insurance acquisition cash flows

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

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

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

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

Recoverability assessment

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.6 Measurement – insurance contracts not measured under the PAA

2.3.6.1 Initial measurement

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

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

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

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

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

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

2.3.6.2 Subsequent measurement

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

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

2.3.6.2 Subsequent measurement (continued)

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

Insurance contracts without direct participation features

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

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

2.3.6.2 Subsequent measurement (continued)

Insurance contracts with direct participation features

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.7 Measurement – insurance contracts measured under the PAA

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

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

2.3.7.1 Initial measurement

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

2.3.7.2 Subsequent measurement

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.8 Reinsurance contracts held

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

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

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

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

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

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

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows;
- income recognised in profit or loss in respect of a loss recognised for onerous underlying contracts. A loss-recovery component is established or adjusted in the asset for remaining coverage of reinsurance contracts held for the amount of income recognised;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless the changes result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss for the services received in the period.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.8 Reinsurance contracts held (continued)

Reinsurance of onerous underlying insurance contracts

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

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

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

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

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

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

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

Reinsurance contracts held measured under the PAA

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.9 Derecognition and contract modification

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.10 Presentation

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

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

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

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

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

2.3.10.1 Insurance revenue – insurance contracts not measured under the PAA

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.10 Presentation (continued)

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

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

2.3.10.3 Insurance revenue – insurance contracts measured under the PAA

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

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

2.3.10.4 Loss components – insurance contracts not measured under the PAA

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

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

2.3.10.5 Insurance service expenses

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.10 Presentation (continued)

2.3.10.6 Net expenses from reinsurance contracts held

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

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

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

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

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

2.3.10.7 Insurance finance income or expenses

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Investment contracts

Investment contracts do not contain sufficient insurance risk to be considered insurance contracts and are accounted for as a financial liability, other than investment contracts with DPF which are excluded from the scope of IFRS 9 and are accounted for as insurance contracts.

Revenue from these contracts consists of various charges (policy fees, handling fees, management fees and surrender charges) made against the contract for the cost of insurance, expenses and early surrender. First year charges are amortised over the life of the contract as the services are provided.

Investment contract fee revenue

Customers are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's account balance. The fees are recognised as revenue in the period in which they are received unless they relate to services to be provided in future periods, in which case they are deferred and recognised as the service is provided.

When part of the fee received from a policyholder is expected to be refunded in the future, the related fee is not recognised as a revenue and a sales inducement liability is established which forms part of the investment contract liabilities.

Origination and other "upfront" fees (fees that are assessed against the account balance as consideration for origination of the contract) are charged on some non-participating investment and pension contracts. Where the investment contract is recorded at amortised cost, these fees are amortised and recognised over the expected term of the policy as an adjustment to the effective yield. Where the investment contract is measured at fair value, the front-end fees that relate to the provision of investment management services are amortised and recognised as the services are provided.

Deferred origination costs

The costs of acquiring investment contracts with investment management services, including commissions and other incremental expenses directly related to the issue of each new contract, are deferred and amortised over the period that services are provided. Deferred origination costs are tested for recoverability at each reporting date.

The costs of acquiring new investment contracts without investment management services are included as part of the effective interest rate used to calculate the amortised cost of the related investment contract liabilities.

Investment contract liabilities

Deposits received in respect of investment contracts are not accounted for through the consolidated income statement, except for the investment income and fees attributable to those contracts, but are accounted for directly through the consolidated statement of financial position as an adjustment to the investment contract liability, which reflects the account balance.

The majority of the Group's contracts classified as investment contracts are unit-linked contracts, with measurement directly linked to the underlying investment assets. These represent investment portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. The liabilities are carried at fair value determined with reference to the accumulation value (current unit value) with changes recognised in profit or loss. The costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against customers' account balances are included in revenue, and accounted for as described under "Investment contract fee revenue" above.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Investment contracts (continued)

Investment contract liabilities (continued)

Non unit-linked investment contract liabilities are carried at amortised cost, being the fair value of consideration received at the date of initial recognition, less the net effect of principal payments such as transaction costs and front-end fees, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity value, and less any write-down for surrender payments. The effective interest rate equates the discounted cash payments to the initial amount. At each reporting date, the unearned revenue liability is determined as the value of the future best estimate cash flows discounted at the effective interest rate. Any adjustment is immediately recognised as income or expenses in the consolidated income statement.

The amortised cost of the financial liability is never recorded at less than the amount payable on surrender, discounted for the time value of money where applicable, if the investment contract is subject to a surrender option.

Deferred fee income liability

Deferred fee income liability represents upfront fees and other non-level charges that have been collected and released to the consolidated income statement over the estimated life of the business. A separate liability for accumulation value is established.

2.5 Financial instruments

2.5.1 Classification and designation of financial instruments

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

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

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 Financial instruments (continued)

2.5.1 Classification and designation of financial instruments (continued)

Financial assets and liabilities at fair value through profit or loss

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

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

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

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

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

Financial assets at fair value through other comprehensive income

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

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

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

Realised gains and losses on financial assets

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

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

Recognition of financial instruments

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 Financial instruments (continued)

2.5.1 Classification and designation of financial instruments (continued)

Derecognition, contract modification and offset

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

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

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

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

Cash and cash equivalents

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

Financial assets measured at amortised cost

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 Financial instruments (continued)

2.5.2 Fair values of non-derivative financial instruments

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

Financial instruments carried at fair value are measured using a fair value hierarchy described in note 20.

2.5.3 Impairment of financial assets

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

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 Financial instruments (continued)

2.5.3 Impairment of financial assets (continued)

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

2.5.4 Derivative financial instruments

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

Derivative instruments for economic hedging

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

Cash flow hedge

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 Financial instruments (continued)

2.5.4 Derivative financial instruments (continued)

Embedded derivatives

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

2.6 Property, plant and equipment

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

2.7 Presentation of the consolidated statement of financial position

The Group's insurance and investment contract liabilities and related assets are realised and settled over periods of several years, reflecting the long-term nature of the Group's products. Accordingly, the Group presents the assets and liabilities in its consolidated statement of financial position in approximate order of liquidity, rather than distinguishing current and non-current assets and liabilities. The Group regards its deferred origination costs, intangible assets, investments in associates and joint ventures, property, plant and equipment and investment property as non-current assets as these are held for the longer-term use of the Group.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

3.1 Level of aggregation and recognition of group of insurance contracts

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

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

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

3.2 Measurement of insurance contracts not measured under the premium allocation approach

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

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

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

The judgements exercised in the valuation of insurance contracts (including investment contracts with DPF) affect the amounts recognised in the consolidated financial statements as assets or liabilities of insurance contracts and investment contracts with DPF. Further details of the related accounting policies, key risk and variables, and the sensitivities of assumptions to the key variables in respect of insurance contracts are provided in notes 2.3, 24 and 34.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.3 Determination of coverage unit

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

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

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

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

3.4 Fair value measurement

3.4.1 Fair value of financial assets

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

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

Further details of the fair value of financial assets and the sensitivity analysis to interest rates and equity prices are provided in notes 20 and 34.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.4 Fair value measurement (continued)

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

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

Further details of the fair value of property held for own use and investment property are provided in note 20.

3.5 Impairment of financial assets

The Group recognises loss allowances for ECL on financial assets measured at amortised cost and debt securities measured at fair value through other comprehensive income. The measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Details of the inputs, assumptions and estimation techniques used for estimating ECL are further explained in note 23.

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

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

3.6 Impairment of goodwill and other intangible assets

For the purposes of impairment testing, goodwill and other intangible assets are grouped into cash-generating units or groups of cash-generating units. These assets are tested for impairment by comparing the carrying amount of the cash-generating unit (group of units), including goodwill, to the recoverable amount of that cash-generating unit (group of units). The determination of the recoverable amount requires significant judgement regarding the selection of appropriate valuation techniques and assumptions.

Further details of the impairment of goodwill during the year are provided in note 14.

4. EXCHANGE RATES

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

	US dollar exchange rates	
	Year ended 31 December 2024	Year ended 31 December 2023
Mainland China	7.20	7.08
Hong Kong	7.80	7.83
Thailand	35.23	34.80
Singapore	1.34	1.34
Malaysia	4.57	4.56

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

	US dollar exchange rates	
	As at 31 December 2024	As at 31 December 2023
Mainland China	7.30	7.10
Hong Kong	7.76	7.81
Thailand	34.26	34.24
Singapore	1.36	1.32
Malaysia	4.47	4.59

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

5. OPERATING PROFIT AFTER TAX

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

US\$m	Note	Year ended 31 December 2024	Year ended 31 December 2023
Operating profit after tax	7	6,632	6,228
Non-operating items, net of related taxes:			
Short-term investment and discount rate variances ⁽¹⁾		(427)	(2,007)
Reclassification of revaluation gains for property held for own use ⁽¹⁾		(155)	(8)
Other significant non-operating income and expenses			
Corporate transaction related costs		(23)	(30)
Other non-operating investment return and other items ⁽²⁾		826	(402)
Subtotal		221	(2,447)
Net profit		6,853	3,781
<i>Operating profit after tax attributable to:</i>			
Shareholders of AIA Group Limited		6,605	6,213
Non-controlling interests		27	15
<i>Net profit attributable to:</i>			
Shareholders of AIA Group Limited		6,836	3,764
Non-controlling interests		17	17

Operating profit after tax breakdown:

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Insurance service result:		
CSM recognised for services provided	5,625	5,314
Other insurance service result ⁽³⁾	66	(190)
Net investment result ⁽³⁾	3,528	3,581
Other net expenses ⁽³⁾	(1,468)	(1,470)
Operating profit before tax	7,751	7,235
Taxation ⁽³⁾	(1,119)	(1,007)
Operating profit after tax	6,632	6,228

Notes:

- (1) Short-term investment and discount rate variances include revaluation gains for property held for own use. This amount is then reclassified out of net profit to conform to IFRS Accounting Standards measurement and presentation.
- (2) Other non-operating investment return and other items include implementation costs for new accounting standards. The 2023 comparative information in this report are presented on a consistent manner to conform with the enhanced presentation.
- (3) The operating profit after tax disclosure has been enhanced in 2024 with no impact on the Group's operating profit after tax or net profit. The enhancement mainly relates to insurance contracts with direct participation features, to better represent the offsetting impact of certain operating cash flow variances which were previously presented in net investment result. In 2024, they have been classified under:
 - Other insurance service result;
 - Other net expenses; and
 - Taxation.

The 2023 comparative information in this report are presented on a consistent manner to conform with the enhanced presentation.

6. TOTAL WEIGHTED PREMIUM INCOME AND ANNUALISED NEW PREMIUMS

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

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

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

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

TWPI US\$m	Year ended 31 December 2024	Year ended 31 December 2023
TWPI by geography		
Mainland China	9,874	8,589
Hong Kong	12,456	11,554
Thailand	4,674	4,425
Singapore	4,445	3,912
Malaysia	2,742	2,565
Other Markets	7,207	6,894
Total	41,398	37,939
First year premiums by geography		
Mainland China	2,105	1,961
Hong Kong	2,444	2,243
Thailand	779	725
Singapore	683	429
Malaysia	407	392
Other Markets	1,118	766
Total	7,536	6,516
Single premiums by geography		
Mainland China	426	369
Hong Kong	1,442	1,205
Thailand	76	126
Singapore	1,368	944
Malaysia	342	255
Other Markets	872	693
Total	4,526	3,592

6. TOTAL WEIGHTED PREMIUM INCOME AND ANNUALISED NEW PREMIUMS (continued)

TWPI (continued) US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Renewal premiums by geography		
Mainland China	7,726	6,591
Hong Kong	9,868	9,190
Thailand	3,887	3,687
Singapore	3,625	3,389
Malaysia	2,301	2,147
Other Markets	6,002	6,060
Total	33,409	31,064
ANP US\$m	Year ended 31 December 2024	Year ended 31 December 2023
ANP by geography		
Mainland China	2,168	2,023
Hong Kong	2,609	2,407
Thailand	821	765
Singapore	897	586
Malaysia	517	473
Other Markets	1,594	1,396
Total	8,606	7,650

7. SEGMENT INFORMATION

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

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

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

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

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

7. SEGMENT INFORMATION (continued)

US\$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Year ended 31 December 2024								
ANP	2,168	2,609	821	897	517	1,594	–	8,606
TWPI	9,874	12,456	4,674	4,445	2,742	7,207	–	41,398
Insurance revenue	3,248	4,552	2,402	2,466	1,831	4,815	–	19,314
Insurance service expenses ⁽³⁾	(1,400)	(2,766)	(1,510)	(1,945)	(1,496)	(4,088)	–	(13,205)
Net expenses from reinsurance contracts held ⁽³⁾	(46)	(38)	(54)	(44)	(27)	(200)	(9)	(418)
Insurance service result	1,802	1,748	838	477	308	527	(9)	5,691
Investment return	3,720	(532)	1,169	3,039	1,307	1,438	741	10,882
– Participating ⁽¹⁾ and unit-linked	2,521	(1,653)	138	2,599	1,160	294	7	5,066⁽²⁾
– Others	1,199	1,121	1,031	440	147	1,144	734	5,816
Net finance (expenses)/income from insurance contracts and reinsurance contracts held ⁽³⁾	(3,370)	1,891	(651)	(2,561)	(1,103)	(950)	1	(6,743)⁽²⁾
Movement in investment contract liabilities	(31)	(308)	(85)	(125)	–	(33)	–	(582)⁽²⁾
Movement in third-party interests in consolidated investment funds	–	(29)	–	–	–	–	–	(29)⁽²⁾
Net investment result	319	1,022	433	353	204	455	742	3,528
Fee income and other operating revenue	1	258	29	26	15	132	12	473
Other expenses ⁽³⁾	(166)	(259)	(64)	(156)	(66)	(388)	(340)	(1,439)
Other finance costs	(42)	(29)	(5)	(7)	(2)	(13)	(391)	(489)
Share of losses from associates and joint ventures	–	–	–	–	–	(13)	–	(13)
Operating profit before tax	1,914	2,740	1,231	693	459	700	14	7,751
Tax on operating profit before tax ⁽³⁾	(317)	(239)	(212)	(24)	(118)	(166)	(43)	(1,119)
Operating profit/(loss) after tax	1,597	2,501	1,019	669	341	534	(29)	6,632
<i>Operating profit/(loss) after tax attributable to:</i>								
Shareholders of AIA Group Limited	1,597	2,499	1,019	669	331	507	(17)	6,605
Non-controlling interests	–	2	–	–	10	27	(12)	27

Notes:

(1) Participating refers to participating funds and other participating business with distinct portfolios.

(2) Net finance (expenses)/income from insurance contracts and reinsurance contracts held include changes in fair value of underlying items of contracts with direct participation features. Net finance (expenses)/income from insurance contracts and reinsurance contracts held, net of investment return relating to participating and unit-linked businesses, movement in investment contract liabilities and movement in third-party interests in consolidated investment funds amounted to US\$(2,288)m, primarily related to other insurance contracts without direct participation features.

7. SEGMENT INFORMATION (continued)

US\$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Key operating ratios:								
Expense ratio	6.9%	5.7%	6.6%	6.8%	9.0%	14.9%	–	8.8%
Operating margin	16.2%	20.1%	21.8%	15.1%	12.4%	7.4%	–	16.0%
Operating return on shareholders' allocated equity	26.6%	20.0%	16.1%	17.0%	13.8%	6.6%	–	14.8%
Operating profit before tax includes:								
Operating expenses	682	713	310	301	246	1,074	334	3,660
Finance costs	62	35	12	19	2	13	391	534
US\$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
31 December 2024								
Total assets	60,121	104,669	29,205	42,990	16,475	35,290	16,704	305,454
Total liabilities	54,885	95,405	22,097	39,131	13,809	26,988	12,326	264,641
Total equity	5,236	9,264	7,108	3,859	2,666	8,302	4,378	40,813
Shareholders' allocated equity	6,596	12,440	6,488	3,642	2,558	7,500	5,180	44,404
Total assets include:								
Investments in associates and joint ventures	–	–	–	–	1	892	817	1,710

7. SEGMENT INFORMATION (continued)

Segment information may be reconciled to the consolidated income statement as shown below⁽³⁾:

US\$m	Segment information	Short-term investment and discount rate variances	Other non-operating items	Consolidated income statement	
Year ended 31 December 2024					
Insurance revenue	19,314	–	–	19,314	Insurance revenue
Insurance service expenses	(13,205)	–	69	(13,136)	Insurance service expenses
Net expenses from reinsurance contracts held	(418)	–	9	(409)	Net expenses from reinsurance contracts held
Insurance service result	5,691	–	78	5,769	Insurance service result
Investment return	10,882	(82)	1,137	11,937	Investment return
Net finance expenses from insurance contracts and reinsurance contracts held	(6,743)	(181)	(583)	(7,507)	Net finance expenses from insurance contracts and reinsurance contracts held
Movement in investment contract liabilities	(582)	(209)	–	(791)	Movement in investment contract liabilities
Movement in third-party interests in consolidated investment funds	(29)	–	–	(29)	Movement in third-party interests in consolidated investment funds
Net investment result	3,528	(472)	554	3,610	Net investment result
Fee income and other operating revenue	473	–	(31)	442	Fee income and other operating revenue
Other expenses	(1,439)	–	(332)	(1,771)	Other expenses
Other finance costs	(489)	–	(81)	(570)	Other finance costs
Share of losses from associates and joint ventures	(13)	–	364	351	Share of profit from associates and joint ventures
Operating profit before tax	7,751	(472)	552	7,831	Profit before tax
Tax on operating profit before tax	(1,119)	45	96	(978)	Tax expense
Operating profit after tax	6,632	(427)	648	6,853	Net profit

Note:

(3) The segment information disclosure has been enhanced in 2024 with no impact on the Group's operating profit after tax or net profit. The enhancement mainly relates to insurance contracts with direct participation features, to better represent the offsetting impact of certain operating cash flow variances which were previously presented in net finance expenses from insurance contracts and reinsurance contracts held. In 2024, they have been classified under:

- Insurance service expenses;
- Net expenses from reinsurance contracts held;
- Other expenses; and
- Tax on operating profit before tax.

Furthermore, in the segment information disclosure, the Group has disclosed the tax on operating profit before tax and operating profit after tax. The 2023 comparative information in this report are presented on a consistent manner to conform with the enhanced presentation.

7. SEGMENT INFORMATION (continued)

US\$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Year ended 31 December 2023								
ANP	2,023	2,407	765	586	473	1,396	–	7,650
TWPI	8,589	11,554	4,425	3,912	2,565	6,894	–	37,939
Insurance revenue	3,122	3,816	2,264	2,196	1,574	4,542	–	17,514
Insurance service expenses ⁽³⁾	(1,254)	(2,441)	(1,421)	(1,617)	(1,279)	(4,092)	–	(12,104)
Net (expenses)/income from reinsurance contracts held ⁽³⁾	(53)	(54)	(51)	(89)	4	(32)	(11)	(286)
Insurance service result	1,815	1,321	792	490	299	418	(11)	5,124
Investment return	1,679	6,221	1,048	2,373	908	1,685	786	14,700
– Participating ⁽¹⁾ and unit-linked	676	5,116	2	1,915	772	563	(2)	9,042 ⁽²⁾
– Others	1,003	1,105	1,046	458	136	1,122	788	5,658
Net finance expenses from insurance contracts and reinsurance contracts held ⁽³⁾	(1,374)	(4,916)	(521)	(1,965)	(756)	(978)	(2)	(10,512) ⁽²⁾
Movement in investment contract liabilities	(25)	(197)	(86)	(67)	–	(176)	–	(551) ⁽²⁾
Movement in third-party interests in consolidated investment funds	–	(56)	–	–	–	–	–	(56) ⁽²⁾
Net investment result	280	1,052	441	341	152	531	784	3,581
Fee income and other operating revenue	4	253	24	26	13	96	16	432
Other expenses ⁽³⁾	(183)	(250)	(83)	(134)	(56)	(405)	(340)	(1,451)
Other finance costs	(41)	(27)	(1)	(8)	(2)	(8)	(366)	(453)
Share of (losses)/profit from associates and joint ventures	–	(1)	–	–	–	31	(28)	2
Operating profit before tax	1,875	2,348	1,173	715	406	663	55	7,235
Tax on operating profit before tax ⁽³⁾	(327)	(163)	(222)	(46)	(102)	(93)	(54)	(1,007)
Operating profit after tax	1,548	2,185	951	669	304	570	1	6,228
<i>Operating profit after tax attributable to:</i>								
Shareholders of AIA Group Limited	1,548	2,180	951	669	293	560	12	6,213
Non-controlling interests	–	5	–	–	11	10	(11)	15

Notes:

(1) Participating refers to participating funds and other participating business with distinct portfolios.

(2) Net finance expenses from insurance contracts and reinsurance contracts held include changes in fair value of underlying items of contracts with direct participation features. Net finance expenses from insurance contracts and reinsurance contracts held, net of investment return relating to participating and unit-linked businesses, movement in investment contract liabilities and movement in third-party interests in consolidated investment funds amounted to US\$(2,077)m, primarily related to other insurance contracts without direct participation features.

7. SEGMENT INFORMATION (continued)

US\$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total

Key operating ratios:

Expense ratio	7.4%	6.2%	6.7%	7.1%	9.1%	16.2%	–	9.4%
Operating margin	18.0%	18.9%	21.5%	17.1%	11.9%	8.3%	–	16.4%
Operating return on shareholders' allocated equity	29.8%	16.9%	15.4%	15.6%	13.3%	7.2%	–	13.5%

Operating profit before tax includes:

Operating expenses	633	718	295	277	233	1,115	302	3,573
Finance costs	51	29	2	17	2	8	366	475

US\$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total

31 December 2023

Total assets	46,394	104,506	26,204	41,921	14,529	36,511	16,254	286,319
Total liabilities	42,657	93,984	20,182	37,516	12,167	27,473	10,746	244,725
Total equity	3,737	10,522	6,022	4,405	2,362	9,038	5,508	41,594
Shareholders' allocated equity	5,417	12,605	6,135	4,247	2,251	7,887	6,212	44,754

Total assets include:

Investments in associates and joint ventures	–	–	–	–	1	828	502	1,331

7. SEGMENT INFORMATION (continued)

Segment information may be reconciled to the consolidated income statement as shown below⁽³⁾:

US\$m	Segment information	Short-term investment and discount rate variances	Other non-operating items	Consolidated income statement	
Year ended 31 December 2023					
Insurance revenue	17,514	–	–	17,514	Insurance revenue
Insurance service expenses	(12,104)	–	26	(12,078)	Insurance service expenses
Net expenses from reinsurance contracts held	(286)	–	(59)	(345)	Net expenses from reinsurance contracts held
Insurance service result	5,124	–	(33)	5,091	Insurance service result
Investment return	14,700	(2,097)	(37)	12,566	Investment return
Net finance expenses from insurance contracts and reinsurance contracts held	(10,512)	(99)	220	(10,391)	Net finance expenses from insurance contracts and reinsurance contracts held
Movement in investment contract liabilities	(551)	(21)	–	(572)	Movement in investment contract liabilities
Movement in third-party interests in consolidated investment funds	(56)	–	–	(56)	Movement in third-party interests in consolidated investment funds
Net investment result	3,581	(2,217)	183	1,547	Net investment result
Fee income and other operating revenue	432	–	(24)	408	Fee income and other operating revenue
Other expenses	(1,451)	–	(301)	(1,752)	Other expenses
Other finance costs	(453)	–	(10)	(463)	Other finance costs
Share of profit from associates and joint ventures	2	–	(269)	(267)	Share of losses from associates and joint ventures
Operating profit before tax	7,235	(2,217)	(454)	4,564	Profit before tax
Tax on operating profit before tax	(1,007)	210	14	(783)	Tax expense
Operating profit after tax	6,228	(2,007)	(440)	3,781	Net profit

Note:

(3) The segment information disclosure has been enhanced in 2024 with no impact on the Group's operating profit after tax or net profit. The enhancement mainly relates to insurance contracts with direct participation features, to better represent the offsetting impact of certain operating cash flow variances which were previously presented in net finance expenses from insurance contracts and reinsurance contracts held. In 2024, they have been classified under:

- Insurance service expenses;
- Net expenses from reinsurance contracts held;
- Other expenses; and
- Tax on operating profit before tax.

Furthermore, in the segment information disclosure, the Group has disclosed the tax on operating profit before tax and operating profit after tax. The 2023 comparative information in this report are presented on a consistent manner to conform with the enhanced presentation.

8. INSURANCE REVENUE

US\$m	Note	Year ended 31 December 2024	Year ended 31 December 2023
Contracts not measured under the PAA			
Amounts related to changes in liabilities for remaining coverage			
Contractual service margin recognised for services provided	24	5,958	5,605
Change in risk adjustment for non-financial risk for risk expired		236	210
Expected incurred claims and other insurance service expenses		8,960	8,239
Others		134	85
Recovery of insurance acquisition cash flows		1,073	968
	24	16,361	15,107
Contracts measured under the PAA			
	24	2,953	2,407
Total insurance revenue		19,314	17,514
Represented by:			
Contracts under the modified retrospective approach		1,693	1,696
Contracts under the fair value approach		7,445	7,791
Other contracts		10,176	8,027

9. NET INVESTMENT RESULT

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

US\$m	Notes	Year ended 31 December 2024	Year ended 31 December 2023
Investment return			
Interest revenue on financial assets		7,988	7,820
Other investment return		3,965	4,941
Net impairment loss on financial assets		(16)	(195)
Amounts recognised in consolidated income statement		11,937	12,566
Amounts recognised in other comprehensive income		6,328	4,708
Total investment return		18,265	17,274
Net finance expenses from insurance contracts			
Changes in fair value of underlying items of contracts with direct participation features		(4,091)	(8,313)
Interest accreted		(2,949)	(2,516)
Effect of changes in interest rates and other financial assumptions		(6,246)	(5,119)
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition		(196)	(638)
Net foreign exchange (losses)/gains		(551)	327
Total net finance expenses from insurance contracts	24	(14,033)	(16,259)
Net finance income from reinsurance contracts held			
Interest accreted		75	9
Effect of changes in interest rates and other financial assumptions		211	247
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition		(75)	(38)
Net foreign exchange losses		(7)	(42)
Total net finance income from reinsurance contracts held	24	204	176
Movement in investment contract liabilities	25	(791)	(572)
Movement in third-party interests in consolidated investment funds		(29)	(56)
Net investment result		3,616	563
Net investment result is represented by:			
Amounts recognised in consolidated income statement		3,610	1,547
Amounts recognised in other comprehensive income		6	(984)
Total net investment result		3,616	563

9. NET INVESTMENT RESULT (continued)**A. Group's net investment result in consolidated income statement and other comprehensive income** (continued)

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Net finance expenses from insurance contracts are represented by:		
Amounts recognised in consolidated income statement	(7,612)	(10,456)
Amounts recognised in other comprehensive income	(6,421)	(5,803)
Total net finance expenses from insurance contracts	(14,033)	(16,259)
Net finance income from reinsurance contracts held are represented by:		
Amounts recognised in consolidated income statement	105	65
Amounts recognised in other comprehensive income	99	111
Total net finance income from reinsurance contracts held	204	176

9. NET INVESTMENT RESULT (continued)

B. Interest revenue on financial assets and other investment return

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Interest revenue on financial assets		
Financial assets measured at amortised cost	701	546
Financial assets measured at fair value through other comprehensive income	3,574	3,516
Financial assets designated at fair value through profit or loss	3,331	3,403
Financial assets measured mandatorily at fair value through profit or loss	382	355
Total interest revenue on financial assets	7,988	7,820
Other investment return		
Dividend income	1,739	1,488
Rental income ⁽¹⁾	167	154
Net gains/(losses) of financial assets not at fair value through profit or loss		
Net realised gains/(losses) of debt securities measured at fair value through other comprehensive income	65	(74)
Net realised losses of financial assets measured at amortised cost ⁽²⁾	(33)	–
At fair value through profit or loss		
Net (losses)/gains of financial assets designated at fair value through profit or loss		
Net (losses)/gains of debt securities	(1,629)	3,390
Net losses of loans and deposits	–	(9)
Net losses of equity shares, interests in investment funds and exchangeable loan notes	(61)	–
Net gains/(losses) of financial instruments mandatorily at fair value through profit or loss		
Net gains of debt securities	27	120
Net gains of equity shares, interests in investment funds and exchangeable loan notes	5,864	1,013
Net fair value movement on derivatives	(2,946)	(827)
Net gains in respect of financial instruments at fair value through profit or loss	1,255	3,687
Net fair value movement of investment property and property held for own use	(47)	(147)
Net foreign exchange gains/(losses)	946	(141)
Other net realised losses	(127)	(26)
Net gains	2,059	3,299
Total other investment return	3,965	4,941

Notes:

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

(2) During the year ended 31 December 2024, the Group disposed certain debt securities measured at amortised cost (31 December 2023: nil) for asset liability management.

9. NET INVESTMENT RESULT (continued)

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

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Foreign exchange gains	151	122

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

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

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

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Balance at 1 January	(177)	(3,346)
Net change in fair value and others	3,304	2,945
Net amount reclassified to profit or loss	140	224
Balance at 31 December	3,267	(177)

10. EXPENSES

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Claims and benefits	10,129	9,250
Commission and other acquisition expenses incurred	6,844	6,370
Losses on onerous insurance contracts	48	101
Employee benefit expenses ⁽³⁾	2,321	2,235
Depreciation ⁽³⁾	217	221
Amortisation ⁽³⁾	190	152
Investment management expenses and others	497	554
Depreciation on property held for own use	66	43
Finance costs	615	485
Other operating expenses ⁽³⁾	932	965
Restructuring and other non-operating costs ⁽¹⁾	211	166
	22,070	20,542
Amounts attributed to insurance acquisition cash flows	(8,093)	(7,542)
Amortisation of insurance acquisition cash flows	1,500	1,293
Insurance service and other expenses	15,477	14,293

Insurance service and other expenses represented by:

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Insurance service expenses	13,136	12,078
– Contracts not measured under the PAA	10,256	9,775
– Contracts measured under the PAA	2,880	2,303
Other expenses ⁽²⁾	1,771	1,752
Other finance costs	570	463
Total	15,477	14,293

Notes:

- (1) Restructuring costs represent costs related to restructuring programmes and are primarily comprised of redundancy and contract termination costs. Other non-operating costs primarily consist of corporate transaction related costs, implementation costs for new accounting standards and other items that are not expected to be recurring in nature.
- (2) Other expenses represent general expenses and investment management expenses that are not directly attributable to insurance contracts and reinsurance contracts held. It includes payments for short-term leases of US\$2m (2023: US\$7m).
- (3) Operating expenses comprise employee benefit expenses, depreciation, amortisation and other operating expenses.

10. EXPENSES (continued)

Expenses include auditors' remuneration of US\$32m (2023: US\$33m), an analysis of which is set out below:

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Audit services	26	27
Non-audit services, including:		
Audit-related services	5	5
Tax services	–	1
Other services	1	–
Total	32	33

Depreciation consists of:

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Computer hardware, fixtures and fittings and others	78	75
Right-of-use assets		
Property held for own use	138	145
Computer hardware	1	1
Total	217	221

Finance costs may be analysed as:

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Repurchase agreements	100	66
Medium-term notes and securities	469	403
Other loans	34	4
Lease liabilities	12	12
Total	615	485

Employee benefit expenses consist of:

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Wages and salaries	1,902	1,848
Share-based compensation	84	72
Pension costs – defined contribution plans	145	139
Pension costs – defined benefit plans	9	9
Other employee benefit expenses	181	167
Total	2,321	2,235

11. INCOME TAX

US\$m

Tax charged in the consolidated income statement

	Year ended 31 December 2024	Year ended 31 December 2023
Current income tax – Hong Kong Profits Tax	139	175
Current income tax – overseas	257	482
Deferred income tax on temporary differences	582	126
Total	978	783

Corporate income tax

Taxation is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions of which the most significant jurisdictions are outlined below.

	Year ended 31 December 2024	Year ended 31 December 2023
Mainland China	25%	25%
Hong Kong	16.5%	16.5%
Thailand	20%	20%
Singapore	17%	17%
Malaysia	24%	24%
Other Markets	12% – 30%	12% – 30%

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

In 2023, Bermuda enacted the Corporate Income Tax Act, which will introduce a corporate income tax at a rate of 15 per cent from 1 January 2025.

11. INCOME TAX (continued)

Corporate income tax (continued)

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

In 2021, the OECD/G20 Inclusive Framework on BEPS published the Global Anti-Base Erosion (GloBE) Model Rules, on which jurisdictions may model new local tax laws to give effect to the second pillar of BEPS 2.0 (“Pillar Two”), which seeks to impose a minimum effective tax rate on large multinational enterprises in respect of each jurisdiction in which they operate across the globe.

The Group operates in certain jurisdictions that have enacted or substantively enacted Pillar Two legislation, including Australia, Indonesia, Malaysia, New Zealand, Singapore, South Korea, Thailand and Vietnam. However, several jurisdictions where the Group operates, including Hong Kong and Mainland China, have not yet substantively enacted Pillar Two legislation.

Some of the jurisdictions where Pillar Two legislation has been enacted or substantively enacted have introduced Qualified Domestic Minimum Top-up Taxes (QDMTT) that became effective for the Group from 1 January 2024. Broadly, a QDMTT in a jurisdiction charges top-up tax on a group where the aggregate effective tax rate of constituent entities of that group located in that jurisdiction, calculated under the rules of the QDMTT (that are based on the GloBE Model Rules), is below the minimum rate of 15%.

In some cases, the Pillar Two legislation (substantively) enacted also introduced Undertaxed Profits Rules (UTPR), which will be effective from 1 January 2025 or later. Broadly, UTPR are a backstop mechanism to charge top-up tax on an in-scope, multinational group where the aggregate effective tax rate of constituent entities of that group located in a particular jurisdiction, calculated under the GloBE Model Rules, is below the minimum rate of 15% but that group has not been charged to top-up tax in respect of that jurisdiction under other Pillar Two taxes (i.e. under an Income Inclusion Rule or QDMTT).

IAS 12 mandates that as a temporary exception to the standard’s requirements, entities shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The Group has applied this exception and has not yet assessed the potential deferred tax impact of Pillar Two income taxes. The Group will continue to monitor the application of this temporary exception and will assess the accounting implications accordingly.

For the twelve-month period ended 31 December 2024, the Group had no current tax exposure related to Pillar Two legislation effective at the reporting date (twelve months ended 31 December 2023: nil).

Based on currently available information, the Group anticipates that such exposures may arise from 2025 onwards. However, due to significant areas of uncertainty in the application of the legislation, the quantitative impact of the Pillar Two legislation enacted or substantively enacted at the reporting date, but not yet effective, is not yet known or reasonably estimable. The Group expects to be able to determine its Pillar Two income tax liabilities for reporting periods ending after 31 December 2024, as the legislation becomes less uncertain.

Withholding tax on dividends

In some jurisdictions in which the Group operates, dividends remitted by subsidiaries to the Group are subject to withholding tax. The Group recognises deferred tax liabilities in respect of unremitted earnings of operations in jurisdictions where withholding tax charge would be incurred upon dividend distribution.

11. INCOME TAX (continued)

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Income tax reconciliation		
Profit before income tax	7,831	4,564
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	1,390	932
Reduction in tax payable from:		
Exempt investment income	(538)	(338)
Provisions for uncertain tax positions ⁽²⁾	(57)	–
Adjustments in respect of prior years	–	(26)
Changes in tax rate and law	(181)	(196)
	(776)	(560)
Increase in tax payable from:		
Life insurance tax ⁽¹⁾	27	62
Withholding taxes	137	88
Disallowed expenses	118	111
Unrecognised deferred tax assets	40	39
Provisions for uncertain tax positions ⁽²⁾	–	82
Adjustments in respect of prior years	11	–
Others	31	29
	364	411
Total income tax expense	978	783

Notes:

- (1) Life insurance tax refers to the differences which arise where the tax regime specific to the life insurance business does not adopt net income as the basis for calculating taxable profit, for example Hong Kong, where life business taxable profit is derived from life premiums.
- (2) Provisions for uncertain tax positions relate to situations where the Group's interpretation of the relevant law or regulation may differ from that of the tax authorities. Provisions are recognised based on management's judgement and best estimate in relation to the probability or likelihood of different outcomes arising, which is subject to periodic re-assessment. Due to the uncertainty associated with these items, there remains a possibility that the final outcomes may differ on conclusion of the relevant tax matters at a future date.

11. INCOME TAX (continued)

The movement in net deferred tax liabilities in the year may be analysed as set out below:

US\$m	Net deferred tax asset/ (liability) at 1 January	Acquisition of a subsidiary ⁽³⁾	Credited/ (charged) to the consolidated income statement	Credited/(charged) to other comprehensive income				Other movements	Net deferred tax asset/ (liability) at year end
				Fair value reserve ⁽²⁾	Foreign currency translation reserve	Insurance finance reserve	Others		
31 December 2024									
Revaluation of financial instruments	(373)	–	(1,012)	(1,739)	9	–	–	–	(3,115)
Insurance and investment contract liabilities	(2,506)	–	726	–	124	1,556	(1)	16	(85)
Withholding taxes	(288)	–	(87)	–	10	–	–	–	(365)
Provision for expenses	118	–	48	–	(7)	–	5	–	164
Losses available for offset against future taxable income	507	–	(112)	–	(28)	–	(1)	(17)	349
Life surplus ⁽¹⁾	(431)	–	(60)	–	(10)	–	–	–	(501)
Others	70	(8)	(85)	–	(7)	–	4	12	(14)
Total	(2,903)	(8)	(582)	(1,739)	91	1,556	7	11	(3,567)

US\$m	Net deferred tax asset/ (liability) at 1 January	Acquisition of a subsidiary ⁽³⁾	Credited/ (charged) to the consolidated income statement	Credited/(charged) to other comprehensive income				Other movements	Net deferred tax asset/ (liability) at year end
				Fair value reserve ⁽²⁾	Foreign currency translation reserve	Insurance finance reserve	Others		
31 December 2023									
Revaluation of financial instruments	631	–	9	(1,002)	(11)	–	–	–	(373)
Insurance and investment contract liabilities	(3,427)	–	(469)	–	25	1,352	–	13	(2,506)
Withholding taxes	(267)	–	(23)	–	2	–	–	–	(288)
Provision for expenses	102	–	15	–	(1)	–	2	–	118
Losses available for offset against future taxable income	103	–	398	–	6	–	–	–	507
Life surplus ⁽¹⁾	(366)	–	(71)	–	6	–	–	–	(431)
Others	68	3	15	–	3	–	(19)	–	70
Total	(3,156)	3	(126)	(1,002)	30	1,352	(17)	13	(2,903)

Notes:

- (1) Life surplus relates to the temporary difference which arises where the taxable profits are based on actual distributions from the long-term fund. This primarily relates to Singapore and Malaysia.
- (2) Includes tax charge of US\$1,742m (2023: tax charge of US\$1,022m) relates to fair value gains or losses on debt securities measured at fair value through other comprehensive income and tax credit of US\$3m (2023: tax credit of US\$20m) relates to fair value losses or gains on debt securities measured at fair value through other comprehensive income reclassified to profit or loss.
- (3) Includes a one-time adjustment of US\$(8)m (2023: US\$3m) in respect of the acquisition of a subsidiary.

11. INCOME TAX (continued)

The principal temporary differences arise from the basis of recognition of insurance and investment contract liabilities, revaluation of certain financial assets and liabilities including derivative contracts and the future taxes arising on the surplus in life funds where the relevant local tax regime is distributions-based.

Deferred tax assets are recognised to the extent that sufficient future taxable profits will be available for realisation. The Group has not recognised deferred tax assets of US\$156m (2023: US\$106m) on tax losses and the temporary difference on insurance and investment contract liabilities arising from different accounting and statutory/tax reserving methodology for certain branches and subsidiaries on the basis that they have histories of tax losses and there is insufficient evidence that future taxable profits will be available.

The Group has not provided deferred tax liabilities of US\$238m (2023: US\$251m) in respect of unremitted earnings of operations in jurisdictions from which a withholding tax charge would be incurred upon distribution as the Group does not consider it probable that this portion of accumulated earnings will be remitted in the foreseeable future.

The Group has unused income tax losses carried forward in Mainland China, Hong Kong, Thailand, Singapore, Malaysia, Australia, Cambodia, Macau, Myanmar, New Zealand, the Philippines, South Korea, Taiwan (China) and Vietnam. The tax losses in Hong Kong, Singapore, Australia and New Zealand can be carried forward indefinitely. The tax losses of remaining branches and subsidiaries are due to expire within the periods ending 2026 (Macau), 2027 (Myanmar and the Philippines), 2028 (Thailand), 2029 (Cambodia, Mainland China and Vietnam) and 2034 (Malaysia, South Korea and Taiwan (China)).

12. EARNINGS PER SHARE

Basic

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

	Year ended 31 December 2024	Year ended 31 December 2023
Net profit attributable to shareholders of AIA Group Limited (US\$m)	6,836	3,764
Weighted average number of ordinary shares outstanding (million)	11,063	11,518
Basic earnings per share (US cents)	61.79	32.68

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive instruments are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 36.

	Year ended 31 December 2024	Year ended 31 December 2023
Net profit attributable to shareholders of AIA Group Limited (US\$m)	6,836	3,764
Weighted average number of ordinary shares outstanding (million)	11,063	11,518
Adjustment for share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted under share-based compensation plans (million)	10	10
Weighted average number of ordinary shares for diluted earnings per share (million)	11,073	11,528
Diluted earnings per share (US cents)	61.74	32.65

At 31 December 2024, 21,639,515 share options (2023: 6,276,007) were excluded from the diluted weighted average number of ordinary shares calculation as they have no effect to the diluted earnings per share.

Operating profit after tax per share

Operating profit after tax (see note 5) per share is calculated by dividing the operating profit after tax attributable to shareholders of AIA Group Limited by the weighted average number of ordinary shares outstanding during the year. The dilutive instruments are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 36.

	Year ended 31 December 2024	Year ended 31 December 2023
Basic operating profit after tax per share (US cents)	59.70	53.94
Diluted operating profit after tax per share (US cents)	59.65	53.89

13. DIVIDENDS

Dividends to shareholders of the Company attributable to the year:

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Interim dividend declared and paid of 44.50 Hong Kong cents per share (2023: 42.29 Hong Kong cents per share)	623	621
Final dividend proposed after the reporting date of 130.98 Hong Kong cents per share (2023: 119.07 Hong Kong cents per share) ⁽¹⁾	1,814	1,726
Total	2,437	2,347

Notes:

- (1) Based upon shares outstanding at 31 December 2024 and 31 December 2023 that are entitled to a dividend, other than those held by employee share-based trusts.
- (2) Interim dividends on ordinary shares are recognised when they have been paid. Final dividends on ordinary shares are recognised when they have been approved by shareholders.

The above final dividend was proposed by the Board on 14 March 2025 subject to shareholders' approval at the AGM to be held on 23 May 2025. The proposed final dividend has not been recognised as a liability at the reporting date.

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

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Final dividend in respect of the previous financial year, approved and paid during the year of 119.07 Hong Kong cents per share (2023: 113.40 Hong Kong cents per share)	1,705	1,672

14. INTANGIBLE ASSETS

US\$m	Goodwill	Computer software	Distribution and other rights	Total
Cost				
At 1 January 2023	1,956	1,222	1,144	4,322
Additions	–	329	46	375
Acquisition of subsidiaries ⁽¹⁾	186	9	59	254
Disposals	(46)	(43)	(2)	(91)
Foreign exchange movements	(13)	(11)	(7)	(31)
At 31 December 2023	2,083	1,506	1,240	4,829
Additions	36	274	1	311
Disposals	–	(57)	–	(57)
Foreign exchange movements	(54)	(48)	(18)	(120)
At 31 December 2024	2,065	1,675	1,223	4,963
Accumulated amortisation and impairment				
At 1 January 2023	(180)	(652)	(213)	(1,045)
Amortisation charge for the year	–	(152)	(53)	(205)
Disposals	30	6	1	37
Foreign exchange movements	(4)	2	1	(1)
At 31 December 2023	(154)	(796)	(264)	(1,214)
Amortisation charge for the year	–	(190)	(69)	(259)
Disposals	–	47	–	47
Impairment loss	–	–	(97)	(97)
Foreign exchange movements	14	21	3	38
At 31 December 2024	(140)	(918)	(427)	(1,485)
Net book value				
At 31 December 2023	1,929	710	976	3,615
At 31 December 2024	1,925	757	796	3,478

Note:

(1) The Group was in the process of finalising the purchase price adjustments within the measurement period. The values of consideration and goodwill were therefore provisional as of 31 December 2023. The finalisation of the values of consideration and goodwill was expected to be completed within 12 months of the acquisition date.

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

14. INTANGIBLE ASSETS (continued)

Impairment tests for goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill arises primarily in respect of the Group's insurance businesses in Malaysia of US\$656m (2023: US\$640m), Hong Kong of US\$484m (2023: US\$481m), Australia of US\$382m (2023: US\$420m), Philippines of US\$174m (2023: US\$143m) and New Zealand of US\$141m (2023: US\$154m).

Goodwill is tested for impairment by comparing the carrying amount of the cash-generating unit (group of units), including goodwill, to the recoverable amount of that cash-generating unit (group of units). If the recoverable amount of the unit (group of units) exceeds the carrying amount of the unit (group of units), the goodwill allocated to that unit (group of units) shall be regarded as not impaired. The recoverable amount is the value in use of the cash-generating unit (group of units) unless otherwise stated.

The value in use is determined by calculating as an actuarially determined appraisal value, based on embedded value of the business and the present value of expected future new business of the cash-generating unit (group of units). The present value of expected future new business is based on financial budgets approved by management, typically covering a three-year period unless otherwise stated. These financial budgets reflect management's best estimate of future profit based on historical experience and best estimate operating assumptions such as premium and expenses. Further, the present value of expected future new business beyond this initial three-year period are extrapolated using a perpetual growth rate, which typically does not exceed the long-term expected Gross Domestic Product (GDP) growth of the geographical area in which the cash flows supporting the goodwill are generated.

The key assumptions used in the embedded value calculations include risk discount rate, investment returns, mortality, morbidity, persistency, expenses and inflation. In the majority of instances these assumptions are aligned to those assumptions detailed in Section 5 of Supplementary Embedded Value Information. The present value of expected future new business is calculated based on a combination of indicators which include, among others, taking into account recent production mix, business strategy, market trends and risk associated with the future new business projections. The risk discount rates that are used in the value in use of in-force business and present value of expected future new business ranges from 8 per cent to 14 per cent (2023: 7 per cent to 14 per cent) and the perpetual growth rates for future new business cash flows of 3 per cent (2023: 3 per cent) was used, where applicable, to extrapolate the present value of expected future new business beyond the initial three-year period; the rate was determined by reference to the long-term expected GDP growth of the geographical area in which the cash flows supporting the goodwill are generated. The Group may apply alternative methods to estimate the value of future new business if the described method is not appropriate under the circumstances.

15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

US\$m	As at 31 December 2024	As at 31 December 2023
Group		
Investments in associates	1,710	1,331
Investments in joint ventures	–	–
Total	1,710	1,331

Associates are entities over which the Group has significant influence, but which it does not control or jointly control. Generally, it is presumed that the Group has significant influence if it has between 20 per cent and 50 per cent of voting rights. Joint ventures are entities whereby the Group and other parties undertake an economic activity which is subject to joint control arising from a contractual agreement.

Investments in associates and joint ventures are accounted for using the equity method of accounting. Due to timing of the information provided by China Post Life Insurance Co., Ltd. and Tata AIA Life Insurance Company Limited, these investments are reported on a one-quarter-lag basis.

Goodwill arising on associates and joint ventures is included within the carrying value of those investments. These are held for their long-term contribution to the Group's performance, therefore all amounts are expected to be realised more than 12 months after the end of the reporting period.

The Group's interests in its principal associates and joint ventures are as follows:

	Place of incorporation	Principal activity	Type of shares held	Group's interests %	
				As at 31 December 2024	As at 31 December 2023
China Post Life Insurance Co., Ltd.	Mainland China	Insurance	Ordinary	24.99%	24.99%
Tata AIA Life Insurance Company Limited	India	Insurance	Ordinary	49%	49%

All associates and joint ventures are unlisted.

Aggregated financial information of associates and joint ventures

The investments in associates and joint ventures are measured using the equity method. The following table analyses, in aggregate, the carrying amount and share of profit/(losses) and other comprehensive expense of these associates and joint ventures.

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Carrying amount in the statement of financial position	1,710	1,331
Profit/(losses) from continuing operations	351	(267)
Other comprehensive expense	(75)	(496)
Total comprehensive income/(expense)	276	(763)

16. PROPERTY, PLANT AND EQUIPMENT

US\$m	Property held for own use using fair value model	Other property held for own use	Computer hardware	Fixtures and fittings and others	Total
Cost or revaluation or fair value					
At 1 January 2023	597	2,408	262	595	3,862
Additions	–	1,454	25	48	1,527
Acquisition of subsidiaries	–	8	1	6	15
Disposals	–	(174)	(15)	(92)	(281)
Net transfers from investment property	29	2	–	–	31
Decrease from valuation	(50)	(6)	–	–	(56)
Foreign exchange movements	–	(4)	–	–	(4)
At 31 December 2023	576	3,688	273	557	5,094
Additions	–	479	49	217	745
Disposals	–	(155)	(24)	(59)	(238)
Net transfers to investment property	(3)	(88)	–	–	(91)
(Decrease)/increase from valuation	(14)	102	–	–	88
Foreign exchange movements	–	(87)	(10)	(7)	(104)
At 31 December 2024	559	3,939	288	708	5,494
Accumulated depreciation					
At 1 January 2023	–	(362)	(217)	(439)	(1,018)
Depreciation charge for the year	–	(188)	(28)	(48)	(264)
Disposals	–	138	11	49	198
Revaluation adjustment	–	47	–	–	47
Foreign exchange movements	–	–	–	1	1
At 31 December 2023	–	(365)	(234)	(437)	(1,036)
Depreciation charge for the year	–	(204)	(24)	(55)	(283)
Disposals	–	111	23	50	184
Revaluation adjustment	–	64	–	–	64
Foreign exchange movements	–	11	7	6	24
At 31 December 2024	–	(383)	(228)	(436)	(1,047)
Net book value					
At 31 December 2023	576	3,323	39	120	4,058
At 31 December 2024	559	3,556	60	272	4,447

The Group leases various properties, computer hardware, fixtures, fittings and other small items as a lessee. These leases, except for short-term leases and leases of low-value assets, are recognised as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Group. Right-of-use assets are presented as a component of property, plant and equipment or investment property while lease liabilities are presented as a component of other liabilities (see notes 17 and 30). The depreciation charge for right-of-use assets, by class of underlying asset, and finance cost on lease liabilities are disclosed in note 10. Assets and liabilities arising from a lease are initially measured on a present value basis. A maturity analysis of the Group's lease liabilities is disclosed in note 34.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Right-of-use assets in relation to leases are reported within property, plant and equipment. The carrying amount of right-of-use assets, by class of underlying asset, is set out below:

US\$m	As at 31 December 2024	As at 31 December 2023
Property held for own use using fair value model	493	507
Other property held for own use	911	827
Computer hardware	3	2
Fixtures and fittings and others	2	2
Total	1,409	1,338

Additions to right-of-use assets for the year ended 31 December 2024 were US\$149m (2023: US\$150m).

Property held for own use, which is solely held as an underlying item of insurance contracts with direct participation features, is measured initially at cost and subsequently at fair value, with any change therein recognised in profit or loss. Other properties held for own use and right-of-use assets with respect to the Group's interests in leasehold land and land use rights associated with property held for own use are carried at fair value at the reporting date less accumulated depreciation. The fair value at the reporting date is determined by independent professional valuers. Details of valuation techniques and process are disclosed in notes 3 and 20. All other property, plant and equipment and right-of-use assets in relation to other leased property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties held for own use using fair value model

During the year, nil expenditure (2023: nil) recognised in the carrying amount of property held for own use was in the course of its construction. Decrease from revaluation on property held for own use of US\$14m (2023: Decrease from revaluation on property held for own use of US\$50m) were taken to profit or loss, of which US\$12m (2023: US\$47m) was related to right-of-use assets.

If property held for own use (excluding right-of-use assets) were stated on a historical cost basis, the carrying value would be US\$52m (2023: US\$53m). Similarly, stated on a historical basis the carrying value of the right-of-use assets related to the Group's interests in leasehold land and land use rights associated with property held for own use would be US\$524m (2023: US\$526m).

Properties held for own use using revaluation model

During the year, nil expenditure (2023: US\$177m) recognised in the carrying amount of property held for own use was in the course of its construction. Increase from revaluation on property held for own use of US\$166m (2023: Increase from revaluation on property held for own use of US\$41m) were taken to other comprehensive income, of which US\$118m (2023: US\$(17)m) was related to right-of-use assets.

If property held for own use (excluding right-of-use assets) were stated on a historical cost basis, the carrying value would be US\$1,780m (2023: US\$1,565m). Similarly, stated on a historical basis the carrying value of the right-of-use assets related to the Group's interests in leasehold land and land use rights associated with property held for own use would be US\$294m (2023: US\$302m). The Group holds property, plant and equipment for its long-term use and, accordingly, the annual depreciation charge approximates to the amount expected to be recovered through consumption within 12 months after the end of the reporting period.

17. INVESTMENT PROPERTY

US\$m

Fair value

At 1 January 2023	4,600
Additions and capitalised subsequent expenditures	45
Acquisition of a subsidiary	1
Disposals	(4)
Net transfers to property, plant and equipment	(31)
Fair value losses	(97)
Foreign exchange movements	(10)
At 31 December 2023	4,504
Additions and capitalised subsequent expenditures	38
Net transfers from property, plant and equipment	91
Fair value losses	(33)
Foreign exchange movements	(30)
At 31 December 2024	4,570

Investment property, including land and buildings, is initially recognised at cost with changes in fair values in subsequent periods recognised in the consolidated income statement. The fair values at the reporting date are determined by independent professional valuers. Details of valuation techniques and process are disclosed in notes 3 and 20.

The Group leases out its investment property under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease based on future negotiations. Lease payments are usually negotiated every one to five years to reflect market rentals. There were not any material contingent rentals earned as income for the year. Rental income generated from investment property amounted to US\$167m (2023: US\$154m). Direct operating expenses (including repair and maintenance) on investment property that generates rental income amounted to US\$37m (2023: US\$35m).

The Group owns investment property in the form of freehold land outside Hong Kong and leasehold land. Leasehold land which is held for long-term rental or capital appreciation or both that is not occupied by the Group is classified as investment property. They are leased out under operating leases and are initially recognised as right-of-use assets at cost, with changes in fair values in subsequent periods recognised in the consolidated income statement. The Group does not hold freehold land in Hong Kong.

The future undiscounted lease payments under operating leases that the Group expects to receive in future periods may be analysed as follows:

US\$m	As at 31 December 2024	As at 31 December 2023
Leases of investment property classified as operating leases		
Expiring no later than one year	132	129
Expiring later than one year and no later than two years	91	87
Expiring later than two years and no later than three years	64	47
Expiring later than three years and no later than four years	34	28
Expiring later than four years and no later than five years	31	16
Expiring after five years or more	24	27
Total undiscounted lease receipts	376	334

18. FINANCIAL INVESTMENTS

The following tables analyse the Group's financial investments by type and nature, based on the characteristics of the financial investments at the reporting date. The Group manages its financial investments in two distinct categories: unit-linked investments and policyholder and shareholder investments. The investment risk in respect of unit-linked investments is generally borne by our customers and is measured at fair value through profit or loss. Policyholder and shareholder investments include all financial investments other than unit-linked investments. The investment risk in respect of policyholder and shareholder investments is partially or wholly borne by the Group.

Policyholder and shareholder investments are further categorised as participating funds and other participating business with discretionary expected sharing with policyholders and underlying distinct investment portfolios (Other participating business with distinct portfolios), and other policyholder and shareholder. The Group has elected to separately analyse financial investments held by participating funds and other participating business with distinct portfolios within policyholder and shareholder investments as they are subject to local regulations that generally prescribe a minimum proportion of policyholder participation in declared dividends. The Group measures debt securities, equity shares and interests in investment funds of participating funds and other participating business with distinct portfolios at fair value through profit or loss.

Other policyholder and shareholder investments are distinct from unit-linked investments and participating funds and other participating business with distinct portfolios as there is not any direct contractual or regulatory requirement governing the amount, if any, for allocation to policyholders. The Group measures equity shares, interests in investment funds and exchangeable loan notes at fair value through profit or loss in this category and at fair value through other comprehensive income in respect of the majority of debt securities in this category. The investment risk from investments in this category directly impacts the Group's financial statements. For certain benefits of business written in "Participating funds and Other participating business with distinct portfolios" funds and "Unit-linked" funds that are not supported by the underlying segregated assets, the backing assets are generally included in the "Other policyholder and shareholder" funds.

In the following tables, "FVTPL" indicates financial investments classified at fair value through profit or loss, "FVOCI" indicates financial investments classified at fair value through other comprehensive income and "AC" indicates financial investments classified at amortised cost.

Debt securities

In compiling the tables, external ratings have been used where available. External ratings have been used in accordance with the Group's credit risk assessment framework. Where external ratings are not readily available an internal rating methodology has been adopted, if applicable.

Credit risk limits are set according to the Group's credit risk assessment framework, which defines the relative risk level of a debt security.

External ratings		Internal ratings		Reported as
Standard and Poor's and Fitch	Moody's			
AAA	Aaa	1		AAA
AA+ to AA-	Aa1 to Aa3	2+ to 2-		AA
A+ to A-	A1 to A3	3+ to 3-		A
BBB+ to BBB-	Baa1 to Baa3	4+ to 4-		BBB
BB+ and below	Ba1 and below	5+ and below	Below investment grade	

18. FINANCIAL INVESTMENTS (continued)

Debt securities (continued)

Debt securities by type comprise the following:

US\$m	Policyholder and shareholder								
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder			Subtotal	Unit-linked	Unit-linked ⁽²⁾	Consolidated investment funds ⁽¹⁾	Total
		FVTPL	FVTPL	FVOCI					
31 December 2024									
Government bonds⁽³⁾									
By jurisdiction									
Mainland China	10,360	–	28,939	–	39,299	46	–	–	39,345
Thailand	–	2,493	13,222	–	15,715	–	–	–	15,715
United States	2,500	–	7,689	–	10,189	72	–	–	10,261
South Korea	–	–	5,924	–	5,924	195	–	–	6,119
Singapore	4,910	–	950	–	5,860	946	7	–	6,813
Philippines	189	81	1,532	42	1,844	227	–	–	2,071
Malaysia	1,874	189	559	–	2,622	422	114	–	3,158
Indonesia	682	–	1,125	16	1,823	115	30	–	1,968
Other	1,535	3	2,827	279	4,644	1	–	–	4,645
Subtotal, by jurisdiction	22,050	2,766	62,767	337	87,920	2,024	151	–	90,095
By credit rating									
AAA	5,643	1	3,109	–	8,753	963	7	–	9,723
AA	2,700	–	12,974	223	15,897	251	–	–	16,148
A	11,534	103	29,170	46	40,853	377	14	–	41,244
BBB	2,120	2,662	16,670	68	21,520	433	130	–	22,083
Below investment grade	53	–	844	–	897	–	–	–	897
Not rated	–	–	–	–	–	–	–	–	–
Subtotal, by credit rating	22,050	2,766	62,767	337	87,920	2,024	151	–	90,095
Government agency bonds⁽⁴⁾									
AAA	1,860	–	1,039	19	2,918	63	7	–	2,988
AA	504	–	1,919	102	2,525	7	–	112	2,644
A	3,758	32	2,538	48	6,376	280	76	–	6,732
BBB	726	20	1,598	43	2,387	45	7	–	2,439
Below investment grade	46	–	150	–	196	–	–	–	196
Not rated	–	–	–	–	–	–	–	–	–
Subtotal	6,894	52	7,244	212	14,402	395	90	112	14,999

Notes:

- (1) Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds.
- (2) Represents primarily the financial assets backing non-unit reserves of unit-linked contracts.
- (3) Government bonds include bonds issued in local or foreign currencies by either the government of the jurisdiction in which the respective business unit operates or other governments.
- (4) Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities; government-related entities; multilateral development banks and supranational organisations.

18. FINANCIAL INVESTMENTS (continued)

Debt securities (continued)

Debt securities by type comprise the following: (continued)

US\$m	Policyholder and shareholder								
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder			Subtotal	Unit-linked	Unit-linked ⁽²⁾	Consolidated investment funds ⁽¹⁾	Total
		FVTPL	FVOCI	AC					
31 December 2024									
Corporate bonds									
AAA	494	–	120	–	614	1	–	–	615
AA	2,906	–	2,222	168	5,296	33	–	169	5,498
A	18,960	110	12,238	1,150	32,458	655	78	506	33,697
BBB	16,352	352	10,126	518	27,348	972	135	80	28,535
Below investment grade	467	291	1,385	9	2,152	226	15	–	2,393
Not rated	–	12	–	5	17	195	–	–	212
Subtotal	39,179	765	26,091	1,850	67,885	2,082	228	755	70,950
Structured securities⁽⁵⁾									
AAA	–	–	228	–	228	–	–	–	228
AA	4	–	227	–	231	–	–	–	231
A	97	11	683	–	791	46	–	–	837
BBB	158	40	580	–	778	–	–	–	778
Below investment grade	57	39	–	–	96	–	–	–	96
Not rated	4	–	–	–	4	–	–	–	4
Subtotal	320	90	1,718	–	2,128	46	–	–	2,174
Total⁽⁶⁾	68,443	3,673	97,820	2,399	172,335	4,547	469	867	178,218

Notes:

(1) Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds.

(2) Represents primarily the financial assets backing non-unit reserves of unit-linked contracts.

(5) Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

(6) Debt securities of US\$9,952m are restricted due to local regulatory requirements.

18. FINANCIAL INVESTMENTS (continued)

Debt securities (continued)

Debt securities by type comprise the following: (continued)

US\$m	Policyholder and shareholder				Subtotal	Unit-linked FVTPL	Unit-linked ⁽²⁾ FVOCI	Consolidated investment funds ⁽¹⁾ FVTPL	Total
	Participating funds and other participating business with distinct portfolios FVTPL	Other policyholder and shareholder							
		FVTPL	FVOCI	AC					
31 December 2023									
Government bonds ⁽³⁾									
By jurisdiction									
Mainland China	7,791	–	23,277	–	31,068	54	–	–	31,122
Thailand	–	1,323	11,314	–	12,637	–	–	–	12,637
United States	3,645	–	3,514	–	7,159	91	–	–	7,250
South Korea	–	–	6,524	–	6,524	248	–	–	6,772
Singapore	5,073	–	1,201	–	6,274	975	10	–	7,259
Philippines	275	82	1,643	36	2,036	238	–	–	2,274
Malaysia	1,416	202	543	–	2,161	346	43	–	2,550
Indonesia	792	–	1,148	16	1,956	131	27	–	2,114
Other	2,035	2	3,237	281	5,555	133	–	–	5,688
Subtotal, by jurisdiction	21,027	1,609	52,401	333	75,370	2,216	80	–	77,666
By credit rating									
AAA	6,211	–	3,807	–	10,018	977	10	–	11,005
AA	3,785	1	9,320	225	13,331	449	–	–	13,780
A	8,851	98	23,689	46	32,684	360	18	–	33,062
BBB	2,121	1,510	14,765	62	18,458	430	52	–	18,940
Below investment grade	59	–	820	–	879	–	–	–	879
Not rated	–	–	–	–	–	–	–	–	–
Subtotal, by credit rating	21,027	1,609	52,401	333	75,370	2,216	80	–	77,666
Government agency bonds ⁽⁴⁾									
AAA	1,965	–	948	31	2,944	210	10	–	3,164
AA	633	1	2,089	102	2,825	72	–	131	3,028
A	3,467	33	2,244	50	5,794	170	44	–	6,008
BBB	705	19	1,586	50	2,360	45	3	–	2,408
Below investment grade	68	–	177	13	258	1	4	–	263
Not rated	–	–	–	–	–	12	–	–	12
Subtotal	6,838	53	7,044	246	14,181	510	61	131	14,883

Notes:

- (1) Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds.
- (2) Represents primarily the financial assets backing non-unit reserves of unit-linked contracts.
- (3) Government bonds include bonds issued in local or foreign currencies by either the government of the jurisdiction in which the respective business unit operates or other governments.
- (4) Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities; government-related entities; multilateral development banks and supranational organisations.

18. FINANCIAL INVESTMENTS (continued)

Debt securities (continued)

Debt securities by type comprise the following: (continued)

US\$m	Policyholder and shareholder				Subtotal	Unit-linked	Unit-linked ⁽²⁾	Consolidated investment funds ⁽¹⁾	Total
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder							
		FVTPL	FVOCI	AC					
31 December 2023									
Corporate bonds									
AAA	643	1	205	–	849	–	–	–	849
AA	3,347	2	2,216	162	5,727	201	–	141	6,069
A	23,063	212	11,690	888	35,853	1,498	109	510	37,970
BBB	21,602	294	11,627	395	33,918	860	70	123	34,971
Below investment grade	748	317	1,459	132	2,656	244	17	–	2,917
Not rated	–	12	2	9	23	230	–	–	253
Subtotal	49,403	838	27,199	1,586	79,026	3,033	196	774	83,029
Structured securities⁽⁵⁾									
AAA	20	–	142	–	162	–	–	–	162
AA	52	–	246	–	298	–	–	–	298
A	82	–	598	–	680	32	–	–	712
BBB	127	73	645	–	845	19	–	–	864
Below investment grade	67	71	–	–	138	–	–	–	138
Not rated	5	1	–	–	6	–	–	–	6
Subtotal	353	145	1,631	–	2,129	51	–	–	2,180
Total⁽⁶⁾	77,621	2,645	88,275	2,165	170,706	5,810	337	905	177,758

Notes:

(1) Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds.

(2) Represents primarily the financial assets backing non-unit reserves of unit-linked contracts.

(5) Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

(6) Debt securities of US\$8,869m are restricted due to local regulatory requirements.

18. FINANCIAL INVESTMENTS (continued)

Equity shares, interests in investment funds and exchangeable loan notes

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

US\$m	Policyholder and shareholder		Subtotal	Unit-linked FVTPL	Consolidated investment funds ⁽¹⁾ FVTPL	Total
	Participating funds and other participating business with distinct portfolios FVTPL	Other policyholder and shareholder FVTPL				
31 December 2024						
Equity shares	6,115	5,269	11,384	8,413	–	19,797
Interests in investment funds and exchangeable loan notes						
Investment funds with debt instruments as underlying ^{(2) (3)}	3,126	2,188	5,314	3,003	–	8,317
Others	37,250	8,366	45,616	15,107	–	60,723
Total	46,491	15,823	62,314	26,523	–	88,837

US\$m	Policyholder and shareholder		Subtotal	Unit-linked FVTPL	Consolidated investment funds ⁽¹⁾ FVTPL	Total
	Participating funds and other participating business with distinct portfolios FVTPL	Other policyholder and shareholder FVTPL				
31 December 2023						
Equity shares	7,533	4,604	12,137	7,150	–	19,287
Interests in investment funds and exchangeable loan notes						
Investment funds with debt instruments as underlying ^{(2) (3)}	–	280	280	2,994	–	3,274
Others	22,676	6,584	29,260	14,632	–	43,892
Total	30,209	11,468	41,677	24,776	–	66,453

Notes:

- (1) Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds.
- (2) Investment funds with debt instruments as underlying refer to investment funds solely investing in debt securities and cash therefrom.
- (3) The Group transferred securities along with the rights to cash flows to an externally managed investment vehicle. The risks and rewards of ownership are retained by the Group. The carrying amount of the transferred assets is US\$3,126m. Subsequent to the transfer, these investments have the characteristics of equity instruments in line with the accounting standards.

18. FINANCIAL INVESTMENTS (continued)

Interests in structured entities

The Group has determined that the investment funds and structured securities, such as collateralised debt obligations, mortgage-backed securities and other asset-backed securities that the Group has interests are structured entities.

The Group has consolidated certain investment funds for which the Group provides guarantee on capital or rate of return to the investors and deemed to have control based on an analysis of the guidance in IFRS 10. For these investment funds, the Group has the ability to reduce the guaranteed rates of return, subject to obtaining approvals of applicable regulators. The Group has an obligation to absorb losses in the event that the returns of the funds are insufficient to cover the capital or rate of return guarantee provided to the investors.

The following table summarises the Group's interests in unconsolidated structured entities:

US\$m	As at 31 December 2024		As at 31 December 2023	
	Investment funds	Structured securities ⁽¹⁾	Investment funds	Structured securities ⁽¹⁾
Debt securities at amortised cost	42 ⁽²⁾	–	13 ⁽²⁾	–
Debt securities at fair value through other comprehensive income	849 ⁽²⁾	1,718	830 ⁽²⁾	1,631
Debt securities at fair value through profit or loss	1,549 ⁽²⁾	451	1,965 ⁽²⁾	549
Interests in investment funds at fair value through profit or loss	67,769	–	45,994	–
Total	70,209	2,169	48,802	2,180

Notes:

(1) Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

(2) Balance represents the Group's interests in debt securities issued by real estate investment trusts.

The Group's maximum exposure to loss arising from its interests in these unconsolidated structured entities is limited to the carrying amount of the assets. Dividend income and interest revenue are received during the reporting period from these interests in unconsolidated structured entities.

In addition, the Group receives management fees and trustee fees in respect of providing trustee, management and administrative services to certain retirement scheme funds and investment funds. These funds are not held and the associated investment risks are not borne by the Group, the Group does not have exposure to loss in these funds.

18. FINANCIAL INVESTMENTS (continued)

Loans and deposits

Loans and deposits by type comprise the following:

US\$m	As at 31 December 2024	As at 31 December 2023
Mortgage loans on residential real estate	469	452
Mortgage loans on commercial real estate	3	2
Other loans	212	203
Loss allowance for loans	(9)	(10)
Loans	675	647
Term deposits	1,850	1,834
Promissory notes ⁽¹⁾	1,523	1,524
Loss allowance for deposits measured at amortised cost	(6)	(10)
Total	4,042	3,995

Note:

(1) The promissory notes are issued by a government. Promissory notes of US\$272m (2023: US\$272m) are measured at fair value through profit or loss.

Certain term deposits with financial institutions and promissory notes are restricted due to local regulatory requirements or other pledge restrictions. At 31 December 2024, the restricted balance held within term deposits and promissory notes was US\$1,901m (2023: US\$372m).

Other loans include receivables from reverse repurchase agreements (reverse repos) under which the Group does not take physical possession of securities purchased under the agreements. Reverse repos are initially recorded at the cost of the loan or collateral advanced. At 31 December 2024, the carrying value of such receivables was US\$115m (2023: US\$99m).

At 31 December 2024 and 31 December 2023, there was no material debt collateral received in respect of reverse repos.

Maturity profile of debt securities, loans and deposits

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

US\$m	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
31 December 2024						
Debt securities	172,335	7,143	22,376	16,665	126,151	–
Loans and deposits	3,971	1,297	945	156	1,563	10
Total	176,306	8,440	23,321	16,821	127,714	10
US\$m	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
31 December 2023						
Debt securities	170,706	5,754	19,990	16,630	128,332	–
Loans and deposits	3,930	996	917	454	1,553	10
Total	174,636	6,750	20,907	17,084	129,885	10

19. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative exposure was as follows:

US\$m	Notional amount	Fair value	
		Assets	Liabilities
31 December 2024			
Foreign exchange contracts			
Cross-currency swaps	10,661	214	(317)
Forwards	4,773	79	(35)
Foreign exchange futures	97	–	–
Total foreign exchange contracts	15,531	293	(352)
Interest rate contracts			
Interest rate swaps	4,908	261	(108)
Swaptions	6,035	125	–
Total interest rate contracts	10,943	386	(108)
Other			
Warrants and options	1,396	7	–
Forward contracts	35,103	368	(8,155)
Netting	(97)	–	–
Total	62,876	1,054	(8,615)

US\$m	Notional amount	Fair value	
		Assets	Liabilities
31 December 2023			
Foreign exchange contracts			
Cross-currency swaps	8,429	342	(271)
Forwards	4,964	41	(78)
Foreign exchange futures	41	–	–
Total foreign exchange contracts	13,434	383	(349)
Interest rate contracts			
Interest rate swaps	3,930	210	(109)
Other			
Warrants and options	1,424	11	(2)
Forward contracts	36,758	148	(7,575)
Netting	(41)	–	–
Total	55,505	752	(8,035)

The notional amounts indicate the volume of transactions outstanding at the balance sheet date and are not representing the amounts at risk.

Of the total derivatives, US\$9m (2023: US\$8m) are listed in exchange or dealer markets and the rest are over-the-counter (OTC) derivatives. OTC derivative contracts are individually negotiated between contracting parties and not cleared through an exchange. OTC derivatives include forwards, swaps, swaptions and options. Derivatives are subject to various risks including market, liquidity and credit risks, similar to those related to the underlying financial instruments.

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

Foreign exchange contracts

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

Interest rate contracts

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

Swaptions are options to enter into interest rate swaps with forward starting effective dates. Swaptions give an entity the right, but not the obligation, to exchange fixed or floating interest rate payments through interest rate swaps. The Group's swaptions are used to provide an economic hedge to financial exposures in the participating funds and other participating business with distinct portfolios.

Other derivatives

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

Netting adjustment

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

Collateral under derivative transactions

At 31 December 2024, the Group had posted cash collateral of US\$111m (2023: US\$213m) and pledged debt securities with carrying value of US\$9,692m (2023: US\$8,639m) for liabilities, and held cash collateral of US\$401m (2023: US\$340m) and debt securities collateral with carrying value of US\$170m (2023: US\$95m) for assets in respect of derivative transactions. The Group did not sell or repledge the debt collateral received. These transactions are conducted under terms that are usual and customary to collateralised transactions including, where relevant, standard repurchase agreements.

20. FAIR VALUE MEASUREMENT

Fair value of financial instruments

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

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

US\$m	Notes	Fair value			Amortised cost	Total carrying value	Total fair value
		FVTPL – mandatory	FVTPL – designated	FVOCI			
31 December 2024							
Financial investments	18						
Loans and deposits		–	272	–	3,770	4,042	4,292
Debt securities		6,396	71,134	98,289	2,399	178,218	177,858
Equity shares, interests in investment funds and exchangeable loan notes		85,711	3,126 ⁽¹⁾	–	–	88,837	88,837
Derivative financial instruments	19	1,054	–	–	–	1,054	1,054
Receivables	21	–	–	–	848	848	848
Accrued investment income	21	–	–	–	1,748	1,748	1,748
Cash and cash equivalents	22	1,628	–	–	6,473	8,101	8,101
Financial assets		94,789	74,532	98,289	15,238	282,848	282,738
		Fair value					
	Notes	FVTPL – mandatory	FVTPL – designated		Amortised cost	Total carrying value	Total fair value
Financial liabilities							
Investment contract liabilities	25	–	6,320		485	6,805	6,805
Borrowings	26	–	–		13,329	13,329	12,364
Obligations under repurchase agreements	27	–	–		4,616	4,616	4,616
Derivative financial instruments	19	8,615	–		–	8,615	8,615
Other liabilities	30	–	812		4,097	4,909	4,909
Financial liabilities		8,615	7,132		22,527	38,274	37,309

Note:

(1) Includes certain financial assets held through investment vehicles.

20. FAIR VALUE MEASUREMENT (continued)

Fair value of financial instruments (continued)

		Fair value					
US\$m	Notes	FVTPL – mandatory	FVTPL – designated	FVOCI	Amortised cost	Total carrying value	Total fair value
31 December 2023							
Financial investments	18						
Loans and deposits		–	272	–	3,723	3,995	4,100
Debt securities		8,086	78,895	88,612	2,165	177,758	177,508
Equity shares, interests in investment funds and exchangeable loan notes		66,453	–	–	–	66,453	66,453
Derivative financial instruments	19	752	–	–	–	752	752
Receivables	21	–	–	–	1,294	1,294	1,294
Accrued investment income	21	–	–	–	1,832	1,832	1,832
Cash and cash equivalents	22	4,970	–	–	6,555	11,525	11,525
Financial assets		80,261	79,167	88,612	15,569	263,609	263,464

		Fair value				
	Notes	FVTPL – mandatory	FVTPL – designated	Amortised cost	Total carrying value	Total fair value
Financial liabilities						
Investment contract liabilities	25	–	8,460	515	8,975	8,975
Borrowings	26	–	–	11,800	11,800	10,875
Obligations under repurchase agreements	27	–	–	3,461	3,461	3,461
Derivative financial instruments	19	8,035	–	–	8,035	8,035
Other liabilities	30	–	844	4,043	4,887	4,887
Financial liabilities		8,035	9,304	19,819	37,158	36,233

The carrying amount of assets included in the above tables represents the maximum credit exposure.

Foreign currency exposure, including the net positions of foreign currency derivative, is shown in note 34 for the Group's key foreign exchange exposures.

The fair value of investment contract liabilities measured at amortised cost is not considered to be materially different from the amortised cost carrying value.

The carrying value of financial instruments expected to be settled within 12 months (after taking into account valuation allowances, where applicable) is not considered to be materially different from the fair value.

20. FAIR VALUE MEASUREMENT (continued)

Fair value measurements on a recurring basis

The Group measures at fair value property held for own use, investment property, financial instruments classified at fair value through profit or loss, financial instruments classified at fair value through other comprehensive income, derivative assets and liabilities, investments held by investment funds which are consolidated, investments in non-consolidated investment funds and certain investment contract liabilities on a recurring basis.

The fair value of a financial instrument is the amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgement is used in measuring fair value. Conversely, financial instruments traded in other than active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgement. An active market is one in which transactions for the asset or liability being valued occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

An other than active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or in which little information is released publicly for the asset or liability being valued. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

Fair value of properties is based on valuation by independent professional valuers.

The Group does not have assets or liabilities measured at fair value on a non-recurring basis during the years ended 31 December 2024 and 31 December 2023.

The following methods and assumptions were used by the Group to estimate the fair value of financial instruments and properties.

Determination of fair value

Loans and receivables

For loans and advances that are repriced frequently and have not had any significant changes in credit risk, carrying amounts represent a reasonable estimate of fair values. The fair values of other loans are estimated by discounting expected future cash flows using interest rates offered for similar loans to borrowers with similar credit ratings.

The fair values of mortgage loans are estimated by discounting future cash flows using interest rates currently being offered in respect of similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations.

Debt securities, equity shares, interests in investment funds and exchangeable loan notes

The fair values of equity shares, interests in investment funds and exchangeable loan notes are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. Fair values for fixed interest securities are based on quoted market prices, where available. For those investments not actively traded, fair values are estimated using values obtained from brokers, private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment. Priority is given to values from independent sources when available, but overall the source of pricing and/or valuation technique is chosen with the objective of arriving at the price at which an orderly transaction would take place between market participants on the measurement date. The inputs to determining fair value that are relevant to fixed interest securities include, but not limited to risk-free interest rates, the obligor's credit spreads, foreign exchange rates and credit default rates. For holdings in hedge funds and limited partnerships, fair values are determined based on the net asset values provided by the general partner or manager of each investment, the accounts of which are generally audited on an annual basis. The transaction price is used as the best estimate of fair value at inception.

20. FAIR VALUE MEASUREMENT (continued)

Determination of fair value (continued)

Derivative financial instruments

The Group values its derivative financial assets and liabilities using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contract terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The Group generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgement. Examples of inputs that are generally observable include foreign exchange spot and forward rates, benchmark interest rate curves and volatilities for commonly traded option products. Examples of inputs that may be unobservable include volatilities for less commonly traded option products and correlations between market factors.

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

Property held for own use and investment property

The Group engaged external, independent and qualified valuers to determine the fair value of the Group's properties at least on an annual basis. The valuation on an open market value basis by independent professional valuer for certain investment properties was calculated by reference to net rental income allowing for reversionary income potential. The fair values of certain other properties were derived using the Market Data Approach. In this approach, the values are based on sales and listing of comparable property registered in the vicinity. Certain other properties are valued using a combination of these two methods.

The properties held for own use and investment properties, in most cases, are valued on the basis of the highest and best use of the properties that is physically possible, legally permissible and financially feasible. The current use of the properties is considered to be its highest and best use; records of recent sales and offerings of similar property are analysed and comparison made for such factors as size, location, quality and prospective use. On limited occasions, potential redevelopment of the properties in use would be taken into account when they would maximise the fair value of the properties; the Group is occupying these properties for operational purposes.

Cash and cash equivalents

The carrying amount of cash approximates to its fair value.

Fair value of securities sold under repurchase agreements and the associated payables

The contract values of payables under repurchase agreements approximate to their fair value as these obligations are short-term in nature.

Other assets

The carrying amount of other financial assets is not materially different to their fair value. The fair values of deposits with banks are generally based on quoted market prices or, if unquoted, on estimates based on discounting future cash flows using available market interest rates offered for receivables with similar characteristics.

20. FAIR VALUE MEASUREMENT (continued)

Determination of fair value (continued)

Investment contract liabilities

For investment contract liabilities, the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts where the investment risk is borne by the policyholder, the fair value generally approximates to the fair value of the underlying assets.

Investment contracts with DPF enable the contract holder to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating business and are measured and classified according to the Group's practice for insurance contract liabilities and hence are disclosed within note 24. These are not measured at fair value as the Group applies the same accounting policies for the measurement of investment contracts with DPF as it does for insurance contracts under IFRS 17.

Borrowings

The fair values of borrowings have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities or prices obtained from brokers.

Other liabilities

The fair values of other unquoted financial liabilities are estimated by discounting expected future cash flows using current market rates applicable to their yield, credit quality and maturity, except for those without stated maturity, where the carrying value approximates to fair value.

Fair value hierarchy for fair value measurement on a recurring basis

Assets and liabilities recorded at fair value in the consolidated statement of financial position are measured and classified in a hierarchy for disclosure purposes consisting of three "levels" based on the observability of inputs available in the marketplace used to measure their fair values as discussed below:

- **Level 1:** Fair value measurements that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access as of the measurement date. Market price data is generally obtained from exchange or dealer markets. The Group does not adjust the quoted price for such instruments. Assets measured at fair value on a recurring basis and classified as Level 1 are actively traded equities. The Group considers that government debt securities issued by G7 countries (the United States, Canada, France, Germany, Italy, Japan, the United Kingdom) and traded in a dealer market to be Level 1, until they no longer trade with sufficient frequency and volume to be considered actively traded.
- **Level 2:** Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices that are observable for the asset and liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Assets and liabilities measured at fair value on a recurring basis and classified as Level 2 generally include government debt securities issued by non-G7 countries, most investment grade corporate bonds, hedge fund investments and derivative contracts.
- **Level 3:** Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Unobservable inputs are only used to measure fair value to the extent that relevant observable inputs are not available, allowing for circumstances in which there is little, if any, market activity for the asset or liability. Assets and liabilities measured at fair value on a recurring basis and classified as Level 3 include properties held for own use, investment properties, certain classes of structured securities, certain derivative contracts, private equity and real estate fund investments, and direct private equity investments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Group's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement. In making the assessment, the Group considers factors specific to the asset or liability.

20. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

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

US\$m	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
31 December 2024				
Recurring fair value measurements				
Non-financial assets				
Property held for own use	–	–	2,711	2,711
Investment property	–	–	4,570	4,570
Financial assets				
At fair value through other comprehensive income				
Debt securities	–	95,318	2,971	98,289
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios	63	66,198	2,182	68,443
Unit-linked and consolidated investment funds	16	5,398	–	5,414
Other policyholder and shareholder	–	3,551	122	3,673
Loans and deposits	–	–	272	272
Equity shares, interests in investment funds and exchangeable loan notes				
Participating funds and other participating business with distinct portfolios	24,963	3,835	17,693	46,491
Unit-linked and consolidated investment funds	25,137	1,363	23	26,523
Other policyholder and shareholder	6,035	2,885	6,903	15,823
Cash and cash equivalents				
Participating funds and other participating business with distinct portfolios	192	–	–	192
Other policyholder and shareholder	1,436	–	–	1,436
Derivative financial instruments				
Foreign exchange contracts	–	293	–	293
Interest rate contracts	–	386	–	386
Other contracts	4	191	180	375
Total assets on a recurring fair value measurement basis	57,846	179,418	37,627	274,891
<i>% of Total</i>	<i>21.0%</i>	<i>65.3%</i>	<i>13.7%</i>	<i>100.0%</i>
Financial liabilities				
Investment contract liabilities	–	4,280	2,040	6,320
Derivative financial instruments				
Foreign exchange contracts	–	352	–	352
Interest rate contracts	–	108	–	108
Other contracts	–	8,155	–	8,155
Other liabilities	–	812	–	812
Total liabilities on a recurring fair value measurement basis	–	13,707	2,040	15,747
<i>% of Total</i>	<i>0.0%</i>	<i>87.0%</i>	<i>13.0%</i>	<i>100.0%</i>

20. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

US\$m	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
31 December 2023				
Recurring fair value measurements				
Non-financial assets				
Property held for own use	–	–	2,565	2,565
Investment property	–	–	4,504	4,504
Financial assets				
At fair value through other comprehensive income				
Debt securities	78	86,177	2,357	88,612
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios	173	75,640	1,808	77,621
Unit-linked and consolidated investment funds	3	6,712	–	6,715
Other policyholder and shareholder	–	2,450	195	2,645
Loans and deposits	–	–	272	272
Equity shares, interests in investment funds and exchangeable loan notes				
Participating funds and other participating business with distinct portfolios	15,149	1,283	13,777	30,209
Unit-linked and consolidated investment funds	24,374	379	23	24,776
Other policyholder and shareholder	4,805	1,285	5,378	11,468
Cash and cash equivalents				
Other policyholder and shareholder	4,970	–	–	4,970
Derivative financial instruments				
Foreign exchange contracts	–	383	–	383
Interest rate contracts	–	210	–	210
Other contracts	4	147	8	159
Total assets on a recurring fair value measurement basis	49,556	174,666	30,887	255,109
% of Total	19.4%	68.5%	12.1%	100.0%
Financial liabilities				
Investment contract liabilities	–	6,607	1,853	8,460
Derivative financial instruments				
Foreign exchange contracts	–	349	–	349
Interest rate contracts	–	109	–	109
Other contracts	4	7,573	–	7,577
Other liabilities	–	844	–	844
Total liabilities on a recurring fair value measurement basis	4	15,482	1,853	17,339
% of Total	0.0%	89.3%	10.7%	100.0%

20. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

The Group's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the year ended 31 December 2024, the Group transferred US\$5m (2023: US\$1m) of assets measured at fair value from Level 1 to Level 2. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. The Group transferred US\$11m (2023: US\$58m) of assets from Level 2 to Level 1 during the year ended 31 December 2024.

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

The tables below set out a summary of changes in the Group's Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended 31 December 2024 and 31 December 2023. The tables reflect gains and losses, including gains and losses on assets and liabilities categorised as Level 3 as at 31 December 2024 and 31 December 2023.

Level 3 assets and liabilities

US\$m	Property held for own use	Investment property	Debt securities	Loans and deposits	Equity shares, interests in investment funds and exchangeable loan notes	Derivative financial assets/ (liabilities)	Investment contracts
At 1 January 2024	2,565	4,504	4,360	272	19,178	8	(1,853)
Net movement on investment contract liabilities	–	–	–	–	–	–	(187)
Total gains/(losses)							
Reported under investment return and other expenses in the consolidated income statement	(62)	(33)	79	–	493	239	–
Reported under fair value reserve, foreign currency translation reserve and property revaluation reserve in the consolidated statement of comprehensive income	(13)	(30)	(24)	–	(145)	(1)	–
Transfer to/from investment property	(89)	91	–	–	–	–	–
Purchases	333	38	1,886	–	5,875	–	–
Sales	(23)	–	(198)	–	(779)	–	–
Settlements	–	–	(834)	–	–	(66)	–
Transfer into Level 3	–	–	6	–	–	–	–
Transfer out of Level 3	–	–	–	–	(3)	–	–
At 31 December 2024	2,711	4,570	5,275	272	24,619	180	(2,040)
Change in unrealised gains or losses included in the consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return and other expenses	(62)	(33)	37	–	895	174	–

20. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

Level 3 assets and liabilities (continued)

US\$m	Property held for own use	Investment property	Debt securities	Loans and deposits	Equity shares, interests in investment funds and exchangeable loan notes	Derivative financial assets/ (liabilities)	Investment contracts
At 1 January 2023	1,235	4,600	3,835	279	15,558	41	(2,184)
Net movement on investment contract liabilities	–	–	–	–	–	–	331
Total gains/(losses)							
Reported under investment return and other expenses in the consolidated income statement	(40)	(97)	119	(9)	(178)	42	–
Reported under fair value reserve, foreign currency translation reserve and property revaluation reserve in the consolidated statement of comprehensive income	57	(10)	(40)	2	(37)	(1)	–
Acquisition of subsidiaries	2	1	–	–	–	–	–
Transfer to/from investment property	9	(31)	–	–	–	–	–
Purchases	1,306	45	899	–	4,874	–	–
Sales ⁽¹⁾	(4)	(4)	(257)	–	(926)	–	–
Settlements	–	–	(198)	–	–	(74)	–
Transfer into Level 3	–	–	2	–	50	–	–
Transfer out of Level 3	–	–	–	–	(163)	–	–
At 31 December 2023	2,565	4,504	4,360	272	19,178	8	(1,853)
Change in unrealised gains or losses included in the consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return and other expenses	(40)	(92)	63	(9)	(143)	(32)	–

Note:

(1) Includes amounts derecognised on disposal of held for sale assets and liabilities.

Movements in investment contract liabilities at fair value are offset by movements in the underlying portfolio of matching assets. Details of the movement in investment contract liabilities are provided in note 25.

In 2023, assets transferred out of Level 3 mainly relate to interests in investment funds of which market-observable inputs became available during the year and were used in determining the fair value.

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

20. FAIR VALUE MEASUREMENT (continued)

Significant unobservable inputs for Level 3 fair value measurements

As at 31 December 2024 and 31 December 2023, the valuation techniques and applicable unobservable inputs used to measure the Group's Level 3 financial instruments are summarised as follows:

Description	Fair value at 31 December 2024 (US\$m)	Valuation techniques	Unobservable inputs	Range
Debt securities	3,549	Discounted cash flows	Risk adjusted discount rate	2.37% – 13.81%

Description	Fair value at 31 December 2023 (US\$m)	Valuation techniques	Unobservable inputs	Range
Debt securities	2,553	Discounted cash flows	Risk adjusted discount rate	3.17% – 47.22%

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

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

Valuation processes

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

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

20. FAIR VALUE MEASUREMENT (continued)

Fair value of financial and insurance assets and liabilities for which the fair value is disclosed at the reporting date

A summary of fair value hierarchy of assets and liabilities not carried at fair value but for which the fair value is disclosed as at 31 December 2024 and 31 December 2023 is given below.

	Fair value hierarchy			
US\$m	Level 1	Level 2	Level 3	Total
31 December 2024				
Assets for which the fair value is disclosed				
Financial assets				
Debt securities	–	2,039	–	2,039
Loans and deposits	1,198	772	2,050	4,020
Receivables	22	769	57	848
Accrued investment income	18	1,730	–	1,748
Cash and cash equivalents	6,473	–	–	6,473
Total assets for which the fair value is disclosed	7,711	5,310	2,107	15,128
Liabilities for which the fair value is disclosed				
Financial liabilities				
Investment contract liabilities	–	–	485	485
Borrowings	10,647	1,717	–	12,364
Obligations under repurchase agreements	–	4,616	–	4,616
Other liabilities	338	3,697	62	4,097
Total liabilities for which the fair value is disclosed	10,985	10,030	547	21,562
	Fair value hierarchy			
US\$m	Level 1	Level 2	Level 3	Total
31 December 2023				
Assets for which the fair value is disclosed				
Financial assets				
Debt securities	–	1,915	–	1,915
Loans and deposits	1,025	914	1,889	3,828
Receivables	207	1,024	63	1,294
Accrued investment income	24	1,808	–	1,832
Cash and cash equivalents	6,555	–	–	6,555
Total assets for which the fair value is disclosed	7,811	5,661	1,952	15,424
Liabilities for which the fair value is disclosed				
Financial liabilities				
Investment contract liabilities	–	–	515	515
Borrowings	9,244	1,631	–	10,875
Obligations under repurchase agreements	–	3,461	–	3,461
Other liabilities	347	3,680	16	4,043
Total liabilities for which the fair value is disclosed	9,591	8,772	531	18,894

21. OTHER ASSETS

US\$m	As at 31 December 2024	As at 31 December 2023
Accrued investment income	1,748	1,832
Receivables	848	1,294
Pension scheme assets		
Defined benefit pension scheme surpluses	49	57
Others ⁽¹⁾	882	1,133
Total	3,527	4,316

Note:

(1) Represents, among others, prepayments and deferred origination costs.

All amounts other than certain prepayments are generally expected to be recovered within 12 months after the end of the reporting period.

22. CASH AND CASH EQUIVALENTS

US\$m	As at 31 December 2024	As at 31 December 2023
Cash	3,324	3,152
Cash equivalents	4,777	8,373
Total⁽¹⁾	8,101	11,525

Note:

(1) US\$778m (2023: US\$667m) are held to back unit-linked contracts and US\$32m (2023: US\$46m) are held by consolidated investment funds.

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

23. IMPAIRMENT OF FINANCIAL ASSETS

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

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

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

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

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

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

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons including changing market conditions and other factors not related to current or potential credit deterioration of the debtor. An existing financial asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new financial asset at fair value in accordance with the accounting policies in note 2.5.1.

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

Definition of default

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

23. IMPAIRMENT OF FINANCIAL ASSETS (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Incorporation of forward-looking information

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

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

The Group has identified and documented key drivers of credit risk and ECL for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationship between macroeconomic variables and key drivers of credit risk. The specific values of the core macroeconomic variable used by the Group for evaluating ECL for the years ended 31 December 2024 and 31 December 2023 are as follows:

	As at 31 December 2024	As at 31 December 2023
GDP growth (5-year average of year-over-year %)		
Base case scenario	2.7%	2.9%
Upside scenario	2.9%	3.5%
Downside scenario	2.2%	2.1%

Measurement of ECL

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

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

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

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

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

23. IMPAIRMENT OF FINANCIAL ASSETS (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Measurement of ECL (continued)

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

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

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

Credit-impaired financial assets

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

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

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

23. IMPAIRMENT OF FINANCIAL ASSETS (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance

The following tables show reconciliation balances from the opening to the closing balance of the loss allowance by class of financial instrument. Gross carrying amount is the amortised cost before adjusting for loss allowance.

US\$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Debt securities measured at amortised cost								
Balance at 1 January 2024	2,156	4	15	2	–	–	2,171	6
Transfer to 12-month ECL	–	–	–	–	–	–	–	–
Transfer to lifetime ECL not credit-impaired	–	–	–	–	–	–	–	–
Transfer to lifetime ECL credit-impaired	–	–	–	–	–	–	–	–
Net remeasurement of loss allowance	–	(1)	–	–	–	–	–	(1)
New financial assets acquired	560	–	–	–	–	–	560	–
Financial assets derecognised other than write-offs	(312)	–	(15)	(2)	–	–	(327)	(2)
Write-offs	–	–	–	–	–	–	–	–
Effects of movements in exchange rates and other movements	(2)	–	–	–	–	–	(2)	–
Balance at 31 December 2024	2,402	3	–	–	–	–	2,402	3

US\$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Debt securities measured at amortised cost								
Balance at 1 January 2023	1,778	4	15	2	–	–	1,793	6
Transfer to 12-month ECL	10	–	(10)	–	–	–	–	–
Transfer to lifetime ECL not credit-impaired	(10)	–	10	–	–	–	–	–
Transfer to lifetime ECL credit-impaired	–	–	–	–	–	–	–	–
Net remeasurement of loss allowance	–	–	–	–	–	–	–	–
New financial assets acquired	472	–	–	–	–	–	472	–
Financial assets derecognised other than write-offs	(105)	–	–	–	–	–	(105)	–
Write-offs	–	–	–	–	–	–	–	–
Effects of movements in exchange rates and other movements	11	–	–	–	–	–	11	–
Balance at 31 December 2023	2,156	4	15	2	–	–	2,171	6

23. IMPAIRMENT OF FINANCIAL ASSETS (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance (continued)

US\$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Loans and deposits measured at amortised cost								
Balance at 1 January 2024	3,708	11	15	2	20	7	3,743	20
Transfer to 12-month ECL	16	1	(5)	–	(11)	(1)	–	–
Transfer to lifetime ECL not credit-impaired	(11)	–	11	–	–	–	–	–
Transfer to lifetime ECL credit-impaired	(3)	–	(1)	–	4	–	–	–
Net remeasurement of loss allowance	–	(9)	–	(1)	–	–	–	(10)
New financial assets acquired	39,425	5	–	–	–	–	39,425	5
Financial assets derecognised other than write-offs	(39,325)	–	(1)	–	(3)	–	(39,329)	–
Write-offs	–	–	–	–	–	–	–	–
Effects of movements in exchange rates and other movements	(54)	–	–	–	–	–	(54)	–
Balance at 31 December 2024	3,756	8	19	1	10	6	3,785	15

US\$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Loans and deposits measured at amortised cost								
Balance at 1 January 2023	4,572	17	11	3	10	7	4,593	27
Transfer to 12-month ECL	6	1	(4)	–	(2)	(1)	–	–
Transfer to lifetime ECL not credit-impaired	(8)	–	9	–	(1)	–	–	–
Transfer to lifetime ECL credit-impaired	(16)	–	–	–	16	–	–	–
Net remeasurement of loss allowance	–	(16)	–	–	–	2	–	(14)
New financial assets acquired	30,837	10	–	–	–	–	30,837	10
Financial assets derecognised other than write-offs	(31,654)	(1)	(1)	–	(3)	(1)	(31,658)	(2)
Write-offs	–	–	–	–	–	–	–	–
Effects of movements in exchange rates and other movements	(29)	–	–	(1)	–	–	(29)	(1)
Balance at 31 December 2023	3,708	11	15	2	20	7	3,743	20

23. IMPAIRMENT OF FINANCIAL ASSETS (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance (continued)

US\$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Debt securities measured at fair value through other comprehensive income								
Balance at 1 January 2024	87,509	133	266	17	366	327	88,141	477
Transfer to 12-month ECL	–	–	–	–	–	–	–	–
Transfer to lifetime ECL not credit-impaired	(169)	(1)	169	1	–	–	–	–
Transfer to lifetime ECL credit-impaired	–	–	–	–	–	–	–	–
Net remeasurement of loss allowance	–	(25)	–	3	–	8	–	(14)
New financial assets acquired	26,182	25	–	–	–	–	26,182	25
Financial assets derecognised other than write-offs	(20,518)	(17)	(178)	(7)	(1)	(1)	(20,697)	(25)
Write-offs	–	–	–	–	–	–	–	–
Effects of movements in exchange rates and other movements	(1,997)	(4)	7	2	–	1	(1,990)	(1)
Balance at 31 December 2024	91,007	111	264	16	365	335	91,636	462

US\$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Debt securities measured at fair value through other comprehensive income								
Balance at 1 January 2023	89,556	167	511	50	103	83	90,170	300
Transfer to 12-month ECL	214	20	(214)	(20)	–	–	–	–
Transfer to lifetime ECL not credit-impaired	(312)	(15)	312	15	–	–	–	–
Transfer to lifetime ECL credit-impaired	–	–	(250)	(13)	250	13	–	–
Net remeasurement of loss allowance	–	(45)	–	(13)	–	231	–	173
New financial assets acquired	18,909	29	–	–	–	–	18,909	29
Financial assets derecognised other than write-offs	(20,494)	(23)	(102)	(7)	–	–	(20,596)	(30)
Write-offs	–	–	–	–	–	–	–	–
Effects of movements in exchange rates and other movements	(364)	–	9	5	13	–	(342)	5
Balance at 31 December 2023	87,509	133	266	17	366	327	88,141	477

23. IMPAIRMENT OF FINANCIAL ASSETS (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance (continued)

US\$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Receivables								
Balance at 1 January 2024	1,254	–	30	3	29	16	1,313	19
Transfer to lifetime ECL not credit-impaired	(3)	(2)	3	2	–	–	–	–
Transfer to lifetime ECL credit-impaired	(14)	(1)	–	–	14	1	–	–
Net remeasurement of loss allowance	–	2	–	2	–	10	–	14
Net decrease in receivables	(416)	2	(3)	(1)	(9)	(3)	(428)	(2)
Write-offs	–	–	–	–	–	–	–	–
Effects of movements in exchange rates and other movements	(5)	–	–	–	(2)	(1)	(7)	(1)
Balance at 31 December 2024	816	1	30	6	32	23	878	30

US\$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Receivables								
Balance at 1 January 2023	1,673	–	42	11	28	14	1,743	25
Transfer to lifetime ECL not credit-impaired	3	–	(3)	–	–	–	–	–
Transfer to lifetime ECL credit-impaired	(3)	–	(2)	(2)	5	2	–	–
Net remeasurement of loss allowance	–	–	–	(5)	–	2	–	(3)
Net decrease in receivables	(415)	–	(7)	(1)	(1)	–	(423)	(1)
Write-offs	–	–	–	–	(3)	(2)	(3)	(2)
Effects of movements in exchange rates and other movements	(4)	–	–	–	–	–	(4)	–
Balance at 31 December 2023	1,254	–	30	3	29	16	1,313	19

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD

Movement in carrying amounts

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

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

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

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

US\$m	Notes	Year ended 31 December 2024		
		Liabilities for remaining coverage		Total
		Excluding loss component	Loss component	Liabilities for incurred claims
Opening assets		(454)	42	627
Opening liabilities		196,080	305	7,382
Net opening balance		195,626	347	8,009
Insurance revenue	8	(16,361)	–	–
Insurance service expenses				
Incurred claims and other insurance service expenses		–	(115)	9,251
Amortisation of insurance acquisition cash flows		1,073	–	–
Losses and reversal of losses on onerous contracts		–	163	–
Adjustments to liabilities for incurred claims		–	–	(116)
Total insurance service expenses		1,073	48	9,135
Investment components		(10,662)	–	10,662
Other changes		(13)	–	13
Insurance service result		(25,963)	48	19,810
Net finance expenses from insurance contracts	9	13,868	17	148
Effect of movements in exchange rates		(3,703)	(16)	(572)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(15,798)	49	19,386
Cash flows				
Premiums received		42,142	–	–
Claims and other insurance service expenses paid, including investment components		–	–	(24,997)
Insurance acquisition cash flows paid		(7,058)	–	–
Other amounts received		–	–	5,291
Total cash flows		35,084	–	(19,706)
Adjusted for:				
Non-cash operating expenses		(174)	–	(85)
Other non-cash items		(408)	–	–
Total non-cash items		(582)	–	(85)
Net closing balance		214,330	396	7,604
Closing assets		54	31	434
Closing liabilities		214,276	365	7,170
Net closing balance		214,330	396	7,604

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

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

		Year ended 31 December 2023			
US\$m	Notes	Liabilities for remaining coverage		Liabilities for incurred claims	Total
		Excluding loss component	Loss component		
Opening assets		(1,230)	20	640	(570)
Opening liabilities		176,319	250	7,003	183,572
Net opening balance		175,089	270	7,643	183,002
Insurance revenue	8	(15,107)	–	–	(15,107)
Insurance service expenses					
Incurred claims and other insurance service expenses		–	(113)	8,974	8,861
Amortisation of insurance acquisition cash flows		968	–	–	968
Losses and reversal of losses on onerous contracts		–	214	–	214
Adjustments to liabilities for incurred claims		–	–	(268)	(268)
Total insurance service expenses		968	101	8,706	9,775
Investment components		(11,737)	–	11,737	–
Other changes		(14)	–	14	–
Insurance service result		(25,890)	101	20,457	(5,332)
Net finance expenses/(income) from insurance contracts	9	15,923	(24)	360	16,259
Effect of movements in exchange rates		(508)	56	(19)	(471)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(10,475)	133	20,798	10,456
Cash flows					
Premiums received		38,761	–	–	38,761
Claims and other insurance service expenses paid, including investment components		18	–	(24,074)	(24,056)
Insurance acquisition cash flows paid		(6,325)	–	–	(6,325)
Other amounts (paid)/received		(1)	–	3,770	3,769
Total cash flows		32,453	–	(20,304)	12,149
Adjusted for:					
Non-cash operating expenses		(161)	–	(71)	(232)
Other non-cash items		(370)	–	–	(370)
Total non-cash items		(531)	–	(71)	(602)
Contracts derecognised on disposal of held for sale assets and liabilities		(910)	(56)	(57)	(1,023)
Net closing balance		195,626	347	8,009	203,982
Closing assets		(454)	42	627	215
Closing liabilities		196,080	305	7,382	203,767
Net closing balance		195,626	347	8,009	203,982

Insurance contract assets of US\$664m (2023: US\$501m) and insurance contract liabilities of US\$6,555m (2023: US\$5,633m) are expected to be recovered within 12 months after the reporting date.

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

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

US\$m	Notes	Year ended 31 December 2024							
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	CSM			
						Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts	Total
Opening assets		(9,961)	888	9,288	215	–	5,640	3,648	9,288
Opening liabilities		154,587	2,950	46,230	203,767	9,882	24,663	11,685	46,230
Net opening balance		144,626	3,838	55,518	203,982	9,882	30,303	15,333	55,518
Insurance service result									
Changes that relate to current services									
CSM recognised for services provided	8	–	–	(5,958)	(5,958)	(976)	(2,574)	(2,408)	(5,958)
Change in risk adjustment for non-financial risk		–	(210)	–	(210)	–	–	–	–
Experience adjustments		167	–	–	167	–	–	–	–
Others		(151)	–	–	(151)	–	–	–	–
Changes that relate to future services									
Contracts initially recognised in the year		(8,025)	435	7,700	110	–	–	7,700	7,700
Changes in estimates that adjust the CSM		(949)	125	824	–	393	580	(149)	824
Changes in estimates that result in losses and reversal of losses on onerous contracts		21	32	–	53	–	–	–	–
Changes that relate to past services		(48)	(68)	–	(116)	–	–	–	–
Total insurance service result		(8,985)	314	2,566	(6,105)	(583)	(1,994)	5,143	2,566
Net finance expenses from insurance contracts	9	12,620	–	1,413	14,033	446	453	514	1,413
Effect of movements in exchange rates		(3,250)	(119)	(922)	(4,291)	(244)	(379)	(299)	(922)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		385	195	3,057	3,637	(381)	(1,920)	5,358	3,057
Cash flows		15,378	–	–	15,378	–	–	–	–
Non-cash operating expenses		(259)	–	–	(259)	–	–	–	–
Other non-cash items		(408)	–	–	(408)	–	–	–	–
Net closing balance		159,722	4,033	58,575	222,330	9,501	28,383	20,691	58,575
Closing assets		(5,091)	698	4,912	519	–	1,374	3,538	4,912
Closing liabilities		164,813	3,335	53,663	221,811	9,501	27,009	17,153	53,663
Net closing balance		159,722	4,033	58,575	222,330	9,501	28,383	20,691	58,575

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

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

Year ended 31 December 2023									
US\$m	Notes	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	CSM			
						Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts	Total
Opening assets		(8,689)	739	7,380	(570)	–	4,983	2,397	7,380
Opening liabilities		135,747	2,796	45,029	183,572	10,627	26,411	7,991	45,029
Net opening balance		127,058	3,535	52,409	183,002	10,627	31,394	10,388	52,409
Insurance service result									
Changes that relate to current services									
CSM recognised for services provided	8	–	–	(5,605)	(5,605)	(1,009)	(2,670)	(1,926)	(5,605)
Change in risk adjustment for non-financial risk		–	(125)	–	(125)	–	–	–	–
Experience adjustments		581	–	–	581	–	–	–	–
Others		(129)	–	–	(129)	–	–	–	–
Changes that relate to future services									
Contracts initially recognised in the year		(7,380)	473	7,060	153	–	–	7,060	7,060
Changes in estimates that adjust the CSM		(971)	23	948	–	15	1,360	(427)	948
Changes in estimates that result in losses and reversal of losses on onerous contracts		17	44	–	61	–	–	–	–
Changes that relate to past services		(208)	(60)	–	(268)	–	–	–	–
Total insurance service result		(8,090)	355	2,403	(5,332)	(994)	(1,310)	4,707	2,403
Net finance expenses/(income) from insurance contracts	9	15,129	(26)	1,156	16,259	471	335	350	1,156
Effect of movements in exchange rates		(32)	(2)	(437)	(471)	(222)	(103)	(112)	(437)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		7,007	327	3,122	10,456	(745)	(1,078)	4,945	3,122
Cash flows		12,149	–	–	12,149	–	–	–	–
Non-cash operating expenses		(232)	–	–	(232)	–	–	–	–
Other non-cash items		(370)	–	–	(370)	–	–	–	–
Contracts derecognised on disposal of held for sale assets and liabilities		(986)	(24)	(13)	(1,023)	–	(13)	–	(13)
Net closing balance		144,626	3,838	55,518	203,982	9,882	30,303	15,333	55,518
Closing assets		(9,961)	888	9,288	215	–	5,640	3,648	9,288
Closing liabilities		154,587	2,950	46,230	203,767	9,882	24,663	11,685	46,230
Net closing balance		144,626	3,838	55,518	203,982	9,882	30,303	15,333	55,518

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

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

US\$m	Note	Year ended 31 December 2024			
		Asset for remaining coverage			Total
		Excluding loss-recovery component	Loss-recovery component	Asset for incurred claims	
Opening assets		2,091	133	3,746	5,970
Opening liabilities		(663)	9	326	(328)
Net opening balance		1,428	142	4,072	5,642
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Net (expenses)/income from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		(2,258)	22	1,843	(393)
Effect of changes in non-performance risk of reinsurers		–	–	–	–
Net (expenses)/income from reinsurance contracts held		(2,258)	22	1,843	(393)
Investment components		(77)	–	77	–
Other changes		–	–	–	–
Net finance income from reinsurance contracts held	9	167	–	37	204
Effect of movements in exchange rates		41	(14)	(282)	(255)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(2,127)	8	1,675	(444)
Cash flows					
Premiums paid		2,119	–	–	2,119
Amounts received		–	–	(1,903)	(1,903)
Other amounts paid		–	–	5	5
Total cash flows		2,119	–	(1,898)	221
Adjusted for:					
Non-cash operating expenses		–	–	–	–
Other non-cash items		–	–	–	–
Total non-cash items		–	–	–	–
Net closing balance		1,420	150	3,849	5,419
Closing assets		2,107	139	3,416	5,662
Closing liabilities		(687)	11	433	(243)
Net closing balance		1,420	150	3,849	5,419

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

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

		Year ended 31 December 2023			
US\$m	Note	Asset for remaining coverage		Asset for incurred claims	Total
		Excluding loss-recovery component	Loss-recovery component		
Opening assets		2,044	124	3,537	5,705
Opening liabilities		(775)	6	374	(395)
Net opening balance		1,269	130	3,911	5,310
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Net (expenses)/income from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		(2,059)	10	1,762	(287)
Effect of changes in non-performance risk of reinsurers		–	–	–	–
Net (expenses)/income from reinsurance contracts held		(2,059)	10	1,762	(287)
Investment components		(136)	–	136	–
Other changes		–	–	–	–
Net finance income from reinsurance contracts held	9	46	1	128	175
Effect of movements in exchange rates		138	1	(63)	76
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(2,011)	12	1,963	(36)
Cash flows					
Premiums paid		2,149	–	–	2,149
Amounts received		–	–	(1,807)	(1,807)
Other amounts paid		–	–	4	4
Total cash flows		2,149	–	(1,803)	346
Adjusted for:					
Non-cash operating expenses		–	–	–	–
Other non-cash items		–	–	–	–
Total non-cash items		–	–	–	–
Contracts derecognised on disposal of held for sale assets and liabilities		21	–	1	22
Net closing balance		1,428	142	4,072	5,642
Closing assets		2,091	133	3,746	5,970
Closing liabilities		(663)	9	326	(328)
Net closing balance		1,428	142	4,072	5,642

Reinsurance contract assets of US\$401m (2023: US\$1,547m) and reinsurance contract liabilities of US\$(15)m (2023: US\$(51)m) are expected to be recovered/(settled) within 12 months after the reporting date.

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

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

US\$m	Note	Year ended 31 December 2024							
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	CSM			Total
						Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts	
Opening assets		3,371	579	2,020	5,970	(855)	3,040	(165)	2,020
Opening liabilities		(908)	197	383	(328)	–	383	–	383
Net opening balance		2,463	776	2,403	5,642	(855)	3,423	(165)	2,403
Net (expenses)/income from reinsurance contracts held									
Changes that relate to current services									
CSM recognised for services received		–	–	(333)	(333)	76	(341)	(68)	(333)
Change in risk adjustment for non-financial risk		–	(40)	–	(40)	–	–	–	–
Experience adjustments		(135)	–	–	(135)	–	–	–	–
Changes that relate to future services									
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		–	–	9	9	–	–	9	9
Contracts initially recognised in the year		(46)	30	16	–	–	–	16	16
Changes in estimates that adjust the CSM		(363)	6	357	–	103	108	146	357
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts		23	–	–	23	–	–	–	–
Changes that relate to past services		92	(9)	–	83	–	–	–	–
Effect of changes in non-performance risk of reinsurers		–	–	–	–	–	–	–	–
Total net (expenses)/income from reinsurance contracts held		(429)	(13)	49	(393)	179	(233)	103	49
Net finance income/(expenses) from reinsurance contracts held	9	167	–	37	204	(48)	82	3	37
Effect of movements in exchange rates		(56)	(54)	(145)	(255)	24	(153)	(16)	(145)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(318)	(67)	(59)	(444)	155	(304)	90	(59)
Cash flows		221	–	–	221	–	–	–	–
Non-cash operating expenses		–	–	–	–	–	–	–	–
Other non-cash items		–	–	–	–	–	–	–	–
Net closing balance		2,366	709	2,344	5,419	(700)	3,119	(75)	2,344
Closing assets		3,054	530	2,078	5,662	(700)	2,938	(160)	2,078
Closing liabilities		(688)	179	266	(243)	–	181	85	266
Net closing balance		2,366	709	2,344	5,419	(700)	3,119	(75)	2,344

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

Analysis by measurement component of reinsurance contracts held not measured under the premium allocation approach (continued)

Year ended 31 December 2023									
US\$m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	CSM			
						Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts	Total
Opening assets		3,356	523	1,826	5,705	(1,031)	3,110	(253)	1,826
Opening liabilities		(1,007)	254	358	(395)	–	115	243	358
Net opening balance		2,349	777	2,184	5,310	(1,031)	3,225	(10)	2,184
Net (expenses)/income from reinsurance contracts held									
Changes that relate to current services									
CSM recognised for services received		–	–	(291)	(291)	89	(367)	(13)	(291)
Change in risk adjustment for non-financial risk		–	(11)	–	(11)	–	–	–	–
Experience adjustments		(66)	–	–	(66)	–	–	–	–
Changes that relate to future services									
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		–	–	15	15	–	–	15	15
Contracts initially recognised in the year		(143)	72	71	–	–	–	71	71
Changes in estimates that adjust the CSM		(320)	(44)	364	–	124	54	186	364
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts		36	(1)	–	35	–	–	–	–
Changes that relate to past services		45	(14)	–	31	–	–	–	–
Effect of changes in non-performance risk of reinsurers		–	–	–	–	–	–	–	–
Total net (expenses)/income from reinsurance contracts held		(448)	2	159	(287)	213	(313)	259	159
Net finance income/(expenses) from reinsurance contracts held	9	39	3	133	175	(57)	199	(9)	133
Effect of movements in exchange rates		172	(6)	(90)	76	20	295	(405)	(90)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(237)	(1)	202	(36)	176	181	(155)	202
Cash flows		346	–	–	346	–	–	–	–
Non-cash operating expenses		–	–	–	–	–	–	–	–
Other non-cash items		–	–	–	–	–	–	–	–
Contracts derecognised on disposal of held for sale assets and liabilities		5	–	17	22	–	17	–	17
Net closing balance		2,463	776	2,403	5,642	(855)	3,423	(165)	2,403
Closing assets		3,371	579	2,020	5,970	(855)	3,040	(165)	2,020
Closing liabilities		(908)	197	383	(328)	–	383	–	383
Net closing balance		2,463	776	2,403	5,642	(855)	3,423	(165)	2,403

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

Analysis by remaining coverage and incurred claims of insurance contracts measured under the premium allocation approach

		Year ended 31 December 2024				
		Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component	Loss component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Total
US\$m	Notes					
Opening assets		1	–	–	–	1
Opening liabilities		419	–	453	18	890
Net opening balance		420	–	453	18	891
Insurance revenue	8	(2,953)	–	–	–	(2,953)
Insurance service expenses						
Incurred claims and other insurance service expenses		–	–	2,390	13	2,403
Amortisation of insurance acquisition cash flows		427	–	–	–	427
Losses and reversal of losses on onerous contracts		–	–	–	–	–
Adjustments to liabilities for incurred claims		–	–	61	(11)	50
Total insurance service expenses		427	–	2,451	2	2,880
Investment components		(13)	–	13	–	–
Other changes		(4)	–	4	–	–
Insurance service result		(2,543)	–	2,468	2	(73)
Net finance expenses from insurance contracts	9	–	–	–	–	–
Effect of movements in exchange rates		(8)	–	(11)	–	(19)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(2,551)	–	2,457	2	(92)
Cash flows						
Premiums received		2,979	–	–	–	2,979
Claims and other insurance service expenses paid, including investment components		–	–	(2,431)	–	(2,431)
Insurance acquisition cash flows paid		(386)	–	–	–	(386)
Other amounts received		–	–	–	–	–
Total cash flows		2,593	–	(2,431)	–	162
Adjusted for:						
Non-cash operating expenses		(13)	–	(3)	–	(16)
Other non-cash items		–	–	–	–	–
Total non-cash items		(13)	–	(3)	–	(16)
Net closing balance		449	–	476	20	945
Closing assets		3	–	2	–	5
Closing liabilities		446	–	474	20	940
Net closing balance		449	–	476	20	945

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

Analysis by remaining coverage and incurred claims of insurance contracts measured under the premium allocation approach (continued)

		Year ended 31 December 2023				
		Liabilities for remaining coverage		Liabilities for incurred claims		
US\$m	Notes	Excluding loss component	Loss component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets		–	–	1	–	1
Opening liabilities		308	–	412	18	738
Net opening balance		308	–	413	18	739
Insurance revenue	8	(2,407)	–	–	–	(2,407)
Insurance service expenses						
Incurred claims and other insurance service expenses		–	–	2,099	12	2,111
Amortisation of insurance acquisition cash flows		325	–	–	–	325
Losses and reversal of losses on onerous contracts		–	–	–	–	–
Adjustments to liabilities for incurred claims		–	–	(120)	(13)	(133)
Total insurance service expenses		325	–	1,979	(1)	2,303
Investment components		(6)	–	6	–	–
Other changes		(3)	–	3	–	–
Insurance service result		(2,091)	–	1,988	(1)	(104)
Net finance expenses/(income) from insurance contracts	9	–	–	–	–	–
Effect of movements in exchange rates		(16)	–	38	1	23
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(2,107)	–	2,026	–	(81)
Cash flows						
Premiums received		2,559	–	–	–	2,559
Claims and other insurance service expenses paid, including investment components		–	–	(1,984)	–	(1,984)
Insurance acquisition cash flows paid		(328)	–	–	–	(328)
Other amounts received		–	–	1	–	1
Total cash flows		2,231	–	(1,983)	–	248
Adjusted for:						
Non-cash operating expenses		(12)	–	(3)	–	(15)
Other non-cash items		–	–	–	–	–
Total non-cash items		(12)	–	(3)	–	(15)
Net closing balance		420	–	453	18	891
Closing assets		1	–	–	–	1
Closing liabilities		419	–	453	18	890
Net closing balance		420	–	453	18	891

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

Analysis by measurement component of reinsurance contracts held measured under the premium allocation approach

		Year ended 31 December 2024				
		Asset for remaining coverage		Asset for incurred claims		Total
		Excluding loss-recovery component	Loss-recovery component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	
US\$m	Note					
Opening assets		(241)	–	316	2	77
Opening liabilities		(59)	–	50	1	(8)
Net opening balance		(300)	–	366	3	69
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Net (expenses)/income from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		(328)	–	312	–	(16)
Effect of changes in non-performance risk of reinsurers		–	–	–	–	–
Net (expenses)/income from reinsurance contracts held		(328)	–	312	–	(16)
Investment components		(23)	–	23	–	–
Other changes		–	–	–	–	–
Net finance income from reinsurance contracts held	9	–	–	–	–	–
Effect of movements in exchange rates		6	–	(8)	–	(2)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(345)	–	327	–	(18)
Cash flows						
Premiums paid		318	–	–	–	318
Amounts received		–	–	(313)	–	(313)
Other amounts paid		–	–	–	–	–
Total cash flows		318	–	(313)	–	5
Adjusted for:						
Non-cash operating expenses		–	–	–	–	–
Other non-cash items		–	–	–	–	–
Total non-cash items		–	–	–	–	–
Net closing balance		(327)	–	380	3	56
Closing assets		(253)	–	318	3	68
Closing liabilities		(74)	–	62	–	(12)
Net closing balance		(327)	–	380	3	56

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

Analysis by measurement component of reinsurance contracts held measured under the premium allocation approach (continued)

		Year ended 31 December 2023				
		Asset for remaining coverage		Asset for incurred claims		
US\$m	Note	Excluding loss-recovery component	Loss-recovery component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets		(248)	–	304	2	58
Opening liabilities		(77)	–	65	1	(11)
Net opening balance		(325)	–	369	3	47
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Net (expenses)/income from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		(346)	–	288	–	(58)
Effect of changes in non-performance risk of reinsurers		–	–	–	–	–
Net (expenses)/income from reinsurance contracts held		(346)	–	288	–	(58)
Investment components		(26)	–	26	–	–
Other changes		–	–	–	–	–
Net finance income from reinsurance contracts held	9	1	–	–	–	1
Effect of movements in exchange rates		11	–	(3)	–	8
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(360)	–	311	–	(49)
Cash flows						
Premiums paid		384	–	–	–	384
Amounts paid/(received)		1	–	(316)	–	(315)
Other amounts paid		–	–	2	–	2
Total cash flows		385	–	(314)	–	71
Adjusted for:						
Non-cash operating expenses		–	–	–	–	–
Other non-cash items		–	–	–	–	–
Total non-cash items		–	–	–	–	–
Net closing balance		(300)	–	366	3	69
Closing assets		(241)	–	316	2	77
Closing liabilities		(59)	–	50	1	(8)
Net closing balance		(300)	–	366	3	69

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Effect of contracts initially recognised in the year

The following tables summarise the effect on the measurement components of insurance contracts and reinsurance contracts held arising from the initial recognition of contracts not measured under the premium allocation approach that were initially recognised in the year.

Insurance contracts

US\$m	Profitable contracts issued	Onerous contracts issued	Profitable contracts acquired	Total
Year ended 31 December 2024				
Estimates of present value of future cash outflows				
Insurance acquisition cash flows	6,586	351	–	6,937
Claims payable and other expenses	29,878	2,179	–	32,057
Total estimates of present value of future cash outflows	36,464	2,530	–	38,994
Estimates of present value of future cash inflows	(44,571)	(2,448)	–	(47,019)
Risk adjustment for non-financial risk	407	28	–	435
Contractual service margin	7,700	–	–	7,700
Losses recognised on initial recognition	–	110	–	110

US\$m	Profitable contracts issued	Onerous contracts issued	Profitable contracts acquired	Total
Year ended 31 December 2023				
Estimates of present value of future cash outflows				
Insurance acquisition cash flows	6,058	386	–	6,444
Claims payable and other expenses	28,637	2,217	–	30,854
Total estimates of present value of future cash outflows	34,695	2,603	–	37,298
Estimates of present value of future cash inflows	(42,195)	(2,483)	–	(44,678)
Risk adjustment for non-financial risk	440	33	–	473
Contractual service margin	7,060	–	–	7,060
Losses recognised on initial recognition	–	153	–	153

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Effect of contracts initially recognised in the year (continued)

Reinsurance contracts held

US\$m	Year ended 31 December 2024			Year ended 31 December 2023		
	Contracts originated	Contracts acquired	Total	Contracts originated	Contracts acquired	Total
Estimates of present value of future cash inflows	1,264	–	1,264	2,179	–	2,179
Estimates of present value of future cash outflows	(1,310)	–	(1,310)	(2,322)	–	(2,322)
Risk adjustment for non-financial risk	30	–	30	72	–	72
Income recognised on initial recognition	(9)	–	(9)	(15)	–	(15)
Contractual service margin	(25)	–	(25)	(86)	–	(86)

Analysis of assets for insurance acquisition cash flows

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
Opening balance presented in insurance contract assets	1,673	1,468
Opening balance presented in insurance contract liabilities	1,386	1,411
Total opening balance	3,059	2,879
Acquisitions through business combinations	–	–
Assets recognised for insurance acquisition cash flows paid during the year	247	294
Allocation to groups of insurance contracts	(218)	(217)
Impairment losses and reversals	–	–
Effect of movements in exchange rates	(253)	103
Total closing balance	2,835	3,059
Closing balance presented in insurance contract assets	1,496	1,673
Closing balance presented in insurance contract liabilities	1,339	1,386
Total closing balance	2,835	3,059

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Analysis of assets for insurance acquisition cash flows (continued)

The following table illustrates when the Group expects to derecognise the assets for insurance acquisition cash flows and include those cash flows in the measurement of the group of insurance contracts to which they are allocated.

US\$m	Total	Five years or less	After five years through ten years	After ten years
31 December 2024				
Assets for insurance acquisition cash flows	2,835	863	674	1,298
31 December 2023				
Assets for insurance acquisition cash flows	3,059	794	613	1,652

Analysis of contractual service margin

The following table illustrates when the Group expects to recognise the remaining contractual service margin as revenue for contracts not measured under the premium allocation approach.

US\$m	Total	Five years or less	After five years through ten years	After ten years
31 December 2024				
Insurance contracts	58,575	21,823	13,216	23,536
Reinsurance contracts held	2,344	886	502	956
31 December 2023				
Insurance contracts	55,518	20,319	12,691	22,508
Reinsurance contracts held	2,403	980	497	926

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Fulfilment cash flows

Estimates of future cash flows

The Group's objective in estimating future cash flows is to determine the expected value or probability-weighted mean of the full range of possible outcomes. The Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Group's view of current conditions at the reporting date and the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Group takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period. They relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance and administration costs, and recurring commissions payable on instalment premiums receivable within the contract boundary.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Methodology and assumptions

Mortality

Assumptions have been developed by each business unit based on their recent historical experience, and their expectations of current and expected future experience including mortality improvement. Where historical experience is not credible, reference has been made to pricing assumptions supplemented by market data, where available.

Mortality assumptions have been expressed as a percentage of either standard industry experience tables or, where experience is sufficiently credible, as a percentage of tables that have been developed internally by the Group.

Morbidity

Assumptions have been developed by each business unit based on their recent historical experience, and their expectations of current and expected future experience. Morbidity rate assumptions have been expressed as a percentage of standard industry experience tables or as expected claims ratios.

Persistency

Persistency covers the assumptions required, where relevant, for policy lapse (including surrender), premium persistency, premium holidays, partial withdrawals, policy loan take up and repayment and retirement rates for pension products.

Assumptions have been developed by each of the business units based on their recent historical experience, and their best estimate expectations of currency and expected future experience. Persistency assumptions would vary by policy year and product type with different rates for regular and single premium products where appropriate.

Where experience for a particular product was not credible enough to allow any meaningful analysis to be performed, experience for similar products was used as a basis for future persistency experience assumptions.

In the case of surrenders, the valuation assumes that current surrender value bases will continue to apply in the future.

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Fulfilment cash flows (continued)

Methodology and assumptions (continued)

Expenses

The expense assumptions have been set based on the most recent expense analysis. The purpose of the expense analysis is to allocate total expenses between acquisition, maintenance and other activities, and then to allocate these acquisition and maintenance expenses that can be directly attributed to the portfolio of insurance contracts to derive unit cost assumptions.

Where the expenses associated with certain activities have been identified as being one-off, these expenses have been excluded from the expense analysis.

Expense assumptions have been determined for acquisition and maintenance activities that can be directly attributed to the portfolio of insurance contracts, split by product type, and unit costs expressed as a percentage of premiums, sum assured and an amount per policy. Where relevant, expense assumptions have been calculated per distribution channel.

Expense assumptions do not make allowance for any anticipated future expense savings as a result of any strategic initiatives aimed at improving policy administration and claims handling efficiency.

Assumptions for commission rates and other sales-related payments have been set in line with actual experience.

Reinsurance

Reinsurance assumptions have been developed by each business unit based on the reinsurance arrangements in-force as at the reporting date and the recent historical and expected future experience.

Policyholder dividends, profit sharing and interest crediting

The projected policyholder dividends, profit sharing and interest crediting assumptions set by each business unit reflect contractual and regulatory requirements, policyholders' reasonable expectations (where clearly defined) and each business unit's best estimate of future policies, strategies and operations consistent with the investment return assumptions.

Participating funds and other participating business with distinct portfolios surpluses have been assumed to be distributed between policyholders and shareholders via future final bonuses or at the end of the projection period so that there are no residual assets at the end of the projection period.

The assumed estimated crediting rates and participation percentages are generally based on the actual rates and percentages applied in the current year. The crediting rates applied vary between products and Group entities; in the current economic environment, the amounts credited are often determined by interest rate guarantees.

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Fulfilment cash flows (continued)

Methodology and assumptions (continued)

An adjustment to reflect the time value of money and the financial risks related to future cash flows

The Group adjusts the estimate of future cash flows to reflect the time value of money and the financial risks related to those cash flows. The cash flows are discounted by the discount rates to reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts.

The top-down approach has been primarily adopted for the derivation of discount rates. A top-down approach starts with considering a yield curve that reflects the current market rates of return of a reference portfolio of assets that have similar characteristics of the insurance contracts, and adjust this downwards to eliminate any factors not relevant to the insurance contracts (primarily the allowance for credit risk). The assessment of credit risk premium is done on external and internal ratings when the reference portfolio contains assets which are locally rated. Alternatively, a bottom-up approach could be used under which discount rates are determined by adjusting the liquid risk-free yield curve to reflect the liquidity characteristics of the insurance contracts.

In constructing the discount rates, market observable rates are used up to the last available market data point which is reliable and also relevant in reflecting the characteristics of the insurance contracts. The market observable rates are extrapolated between this point and an ultimate forward rate derived using long-term estimates by applying generally accepted technique such as Smith-Wilson method etc.

The tables below set out the spot rates used to discount the cash flows of insurance contracts for major currencies. To reflect the liquidity characteristics of the insurance contracts, the risk-free spot rates are adjusted by an illiquidity premium.

As at 31 December 2024	1 year		5 years		10 years		15 years		20 years	
Spot rates	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
USD	4.12%	4.72%	4.32%	4.93%	4.51%	5.35%	4.74%	5.61%	4.88%	5.73%
HKD	3.88%	4.48%	3.60%	4.21%	3.65%	4.49%	3.72%	4.59%	3.86%	4.71%
CNY	1.08%	1.65%	1.42%	1.81%	1.70%	2.03%	1.99%	2.34%	2.26%	2.68%
SGD	2.80%	3.45%	2.81%	3.78%	2.90%	3.42%	2.93%	3.36%	2.84%	3.31%
MYR	3.28%	3.71%	3.66%	3.97%	3.86%	4.10%	4.03%	4.31%	4.11%	4.49%
THB	1.99%	2.37%	2.11%	2.72%	2.33%	3.08%	2.54%	3.37%	2.75%	3.64%

As at 31 December 2023	1 year		5 years		10 years		15 years		20 years	
Spot rates	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
USD	4.73%	5.33%	3.78%	4.56%	3.79%	4.78%	3.89%	4.98%	4.21%	5.24%
HKD	4.28%	4.88%	3.27%	4.05%	3.29%	4.28%	3.41%	4.50%	3.73%	4.76%
CNY	2.07%	2.55%	2.41%	2.84%	2.59%	2.96%	2.75%	3.16%	2.89%	3.37%
SGD	3.53%	4.28%	2.64%	4.07%	2.67%	3.95%	2.74%	3.97%	2.71%	3.90%
MYR	3.30%	3.75%	3.65%	3.94%	3.74%	4.11%	4.05%	4.50%	4.18%	4.70%
THB	2.39%	2.74%	2.47%	3.04%	2.73%	3.42%	3.11%	3.88%	3.37%	4.19%

For the insurance contracts with cash flows that vary based on the returns on any financial underlying items, the Group applies risk-neutral measurement techniques. Stochastic modelling is applied for insurance contracts with significant financial options and guarantees to estimate the expected present value. A large number of possible economic scenarios for market variables such as interest rates and equity returns are considered using risk-neutral approach and consistent with market observable price.

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are generally determined by considering the expected cash flows arising from insurance contracts in each segment for each of the geographical markets in which the Group operates, consistent with the way that non-financial risk is managed. Risk adjustments are determined separately from estimates from the present value of future cash flows, using the confidence level technique.

Applying a confidence level technique, the Group estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows.

Contractual service margin

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

For a group of contracts that is onerous at the start of a reporting period and becomes profitable subsequently that CSM is recognised during the reporting period, the total amount of recognised CSM is released to profit or loss if there are no more future coverage units.

Investment components

The Group identifies the investment component of an insurance contract by determining the amount that it would be required to repay to the policyholder in all circumstances, regardless of whether an insured event occurs. Investment components are excluded from insurance revenue and insurance service expenses. Generally, for relevant contracts, surrender value would be determined as an investment component.

Underlying items of contracts with direct participation features

The following table sets out the composition and the fair value of the underlying items for the Group's contracts with direct participation features at the reporting date.

US\$m	As at 31 December 2024	As at 31 December 2023
Cash and cash equivalents	2,260	2,662
Financial investments and policy loans	142,592	133,092
Property held for own use and investment property	1,636	1,591
Investment in subsidiaries and associates	1,640	1,517
Other assets	5,578	5,813
Less: payables and other liabilities	(18,676)	(17,196)
Total	135,030	127,479

25. INVESTMENT CONTRACTS

US\$m	Year ended 31 December 2024	Year ended 31 December 2023
At beginning of financial year	9,170	11,986
Investment contract benefits	791	572
Fees charged	(52)	(54)
Net withdrawals and other movements ⁽¹⁾	(2,849)	(3,236)
Effect of foreign exchange movements	(93)	(98)
At end of financial year⁽²⁾	6,967	9,170

Notes:

- (1) Includes derecognition of assets and liabilities for Macau pension schemes. (2023: Includes amounts derecognised on disposal of held for sale assets and liabilities.)
- (2) Of investment contract liabilities, US\$162m (2023: US\$195m) represents deferred fee income. Movement of deferred fee income of US\$33m (2023: US\$35m) represents revenue recognised as a result of performance obligations satisfied during the year.

26. BORROWINGS

US\$m	As at 31 December 2024	As at 31 December 2023
Other loans	83	36
Medium-term notes and securities		
Senior notes	6,922	7,581
Subordinated securities	6,324	4,183
Total	13,329	11,800

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Interest expense on borrowings is shown in note 10. Further information relating to interest rates and the maturity profile of borrowings is presented in note 34.

The following table summarises the Company's outstanding medium-term notes and securities placed to the market at 31 December 2024:

Senior notes

Issue date	Nominal amount	Interest rate	Tenor at issue	Maturity
11 March 2014 ⁽¹⁾	US\$500m	4.875%	30 years	11 March 2044
16 March 2016 ⁽¹⁾	US\$750m	4.500%	30 years	16 March 2046
23 May 2017 ⁽²⁾	US\$500m	4.470%	30 years	23 May 2047
6 April 2018 ⁽¹⁾	US\$500m	3.900%	10 years	6 April 2028
16 January 2019	HK\$1,100m	3.680%	12 years	16 January 2031
9 April 2019 ⁽¹⁾	US\$1,000m	3.600%	10 years	9 April 2029
7 April 2020 ⁽¹⁾	US\$1,000m	3.375%	10 years	7 April 2030
24 June 2020	A\$90m	2.950%	10 years	24 June 2030
24 October 2022	HK\$1,200m	5.040%	2.99 years	17 October 2025
25 October 2022 ⁽¹⁾	US\$850m	5.625%	5 years	25 October 2027
4 April 2023 ⁽¹⁾	US\$600m	4.950%	10 years	4 April 2033
10 September 2024	HK\$3,250m	3.780%	5 years	10 September 2029
10 September 2024	HK\$3,900m	3.700%	2.99 years	2 September 2027

Subordinated securities

Issue date	Nominal amount	Interest rate	Tenor at issue	Maturity
16 September 2020 ⁽¹⁾	US\$1,750m	3.200%	20 years	16 September 2040
7 April 2021 ⁽¹⁾⁽³⁾⁽⁴⁾	US\$750m	2.700%	Perpetual	n/a
11 June 2021 ⁽¹⁾⁽³⁾⁽⁴⁾	S\$500m	2.900%	Perpetual	n/a
9 September 2021 ⁽¹⁾⁽³⁾⁽⁴⁾	EUR750m	0.880%	12 years	9 September 2033
19 October 2021 ⁽¹⁾⁽³⁾⁽⁴⁾	S\$105m	3.000%	30 years	19 October 2051
12 September 2023 ⁽¹⁾⁽³⁾⁽⁴⁾	S\$550m	5.100%	Perpetual	n/a
5 April 2024 ⁽¹⁾⁽⁵⁾	US\$1,000m	5.375%	10 years	5 April 2034
30 September 2024 ⁽¹⁾⁽⁵⁾	US\$500m	4.950%	10.5 years	30 March 2035
30 September 2024 ⁽¹⁾⁽⁵⁾	US\$750m	5.400%	30 years	30 September 2054

Notes:

- (1) These medium-term notes and securities are listed on The Stock Exchange of Hong Kong Limited.
- (2) These medium-term notes are listed on The Taipei Exchange, Taiwan. The Company has the right to redeem these notes at par on 23 May of each year beginning on 23 May 2022.
- (3) The Company has the right to redeem these securities in whole, at par on predetermined dates as set out within the terms and conditions of the securities, subject to regulatory approval.
- (4) The coupon rate of these securities is fixed for a predetermined period as set out within the terms and conditions of the securities, and then resets to the initial spread plus a then prevailing benchmark rate if the securities have not been redeemed.
- (5) These securities include the 'lock-in' feature as set out within the terms and conditions of the securities. Payment of the final coupon and principal at maturity is subject to the Company meeting regulatory capital requirements.

The net proceeds from issuance during the years ended 31 December 2024 and 31 December 2023 are used for refinancing and general corporate purposes.

The Group has access to an aggregate of US\$2,980m unsecured committed credit facilities, which includes a US\$250m revolving three-year credit facility expiring in 2027 and a US\$2,730m five-year credit facility expiring in 2029. The credit facilities will be used for general corporate purposes. There were no outstanding borrowings under these credit facilities as of 31 December 2024 and 31 December 2023.

27. OBLIGATIONS UNDER REPURCHASE AGREEMENTS

The Group has entered into repurchase agreements whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. At 31 December 2024, the obligations under repurchase agreements were US\$4,616m (2023: US\$3,461m).

The securities sold under repurchase agreements continue to be recognised within the appropriate financial asset classification. A liability is established for the consideration received. During the term of the repurchase agreements, the Group is restricted from selling or pledging the transferred debt securities. The following table specifies the amounts included within financial investments subject to repurchase agreements which do not qualify for de-recognition at each year end:

US\$m	As at 31 December 2024	As at 31 December 2023
Debt securities – FVOCI		
Repurchase agreements	4,177	2,665
Debt securities – FVTPL		
Repurchase agreements	2,126	1,406
Total	6,303	4,071

Collateral under repurchase agreements

At 31 December 2024 and 31 December 2023, there was no material collateral in respect of repurchase agreements.

28. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Offsetting, enforceable master netting agreements and similar agreements

The following table shows the assets that are subject to offsetting, enforceable master netting agreements and similar arrangements at each year end:

US\$m	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
31 December 2024						
Financial assets:						
Derivative assets	1,054	–	1,054	(170)	(401)	483
Reverse repurchase agreements	115	–	115	(115)	–	–
Total	1,169	–	1,169	(285)	(401)	483

US\$m	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
31 December 2023						
Financial assets:						
Derivative assets	752	–	752	(95)	(340)	317
Reverse repurchase agreements	99	–	99	(99)	–	–
Total	851	–	851	(194)	(340)	317

28. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Offsetting, enforceable master netting agreements and similar agreements (continued)

The following table shows the liabilities that are subject to offsetting, enforceable master netting agreements and similar arrangements at each year end:

US\$m	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
31 December 2024						
Financial liabilities ⁽¹⁾ :						
Derivative liabilities	8,615	–	8,615	(9,692)	(111)	(1,188)
Repurchase agreements	4,616	–	4,616	(6,303)	–	(1,687)
Total	13,231	–	13,231	(15,995)	(111)	(2,875)

US\$m	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
31 December 2023						
Financial liabilities ⁽¹⁾ :						
Derivative liabilities	8,035	–	8,035	(8,639)	(213)	(817)
Repurchase agreements	3,461	–	3,461	(3,461)	–	–
Total	11,496	–	11,496	(12,100)	(213)	(817)

Note:

(1) The amount of under-collateralised positions for derivative liabilities and repurchased agreements were US\$212m and US\$1m respectively (2023: US\$162m and nil respectively). The amount of over-collateralised positions for derivative liabilities and repurchased agreements were US\$(1,400)m and US\$(1,688)m respectively (2023: US\$(979)m and nil respectively).

The Group entered into enforceable master netting agreements for derivative transactions, as well as the repurchase agreements for debt instruments with various counterparties. Except for certain futures contracts executed through clearing house mechanism where the settlement arrangement satisfied the IFRS Accounting Standards netting criteria, the transactions under the enforceable master netting agreements and similar agreements involving the exchange of financial instruments or cash as collateral do not satisfy the IFRS Accounting Standards netting criteria. The provision in the master netting agreement and similar agreements enables a party to terminate transactions early and settle at a net amount if a default or termination event occurs.

29. PROVISIONS

US\$m	Employee benefits	Other	Total
At 1 January 2023	133	20	153
Charged to the consolidated income statement	9	12	21
Charged to other comprehensive income	7	–	7
Exchange differences	1	–	1
Released during the year	–	(4)	(4)
Utilised during the year	(5)	(7)	(12)
Other movements	8	–	8
At 31 December 2023	153	21	174
Charged to the consolidated income statement	9	13	22
Charged to other comprehensive income	26	–	26
Exchange differences	1	–	1
Released during the year	–	(3)	(3)
Utilised during the year	(8)	(14)	(22)
Other movements	4	–	4
At 31 December 2024	185	17	202

Other provisions

Other provisions comprise provisions in respect of regulatory matters, litigation, reorganisation and restructuring. In view of the diverse nature of the matters provided for and the contingent nature of the matters to which they relate, the Group is unable to provide an accurate assessment of the term over which provisions are expected to be utilised.

30. OTHER LIABILITIES

US\$m	As at 31 December 2024	As at 31 December 2023
Trade and other payables	3,756	3,678
Lease liabilities	341	365
Third-party interests in consolidated investment funds	812	844
Total	4,909	4,887

Third-party interests in consolidated investment funds consist of third-party unit holders' interests in consolidated investment funds which are reflected as a liability since they can be put back to the Group for cash.

Trade and other payables are generally expected to be settled within 12 months after the end of the reporting period. The realisation of third-party interests in investment funds cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds held to back insurance and investment contract liabilities and are subject to market risk and the actions of third-party investors.

31. SHARE CAPITAL AND RESERVES

Share capital

	As at 31 December 2024		As at 31 December 2023	
	Million shares	US\$m	Million shares	US\$m
Ordinary shares⁽¹⁾, issued and fully paid				
At beginning of the financial year	11,399	14,176	11,781	14,171
Shares issued under share option scheme and agency share purchase plan	2	7	1	5
Shares cancelled after repurchase under the share buy-back programme ⁽²⁾	(569)	–	(383)	–
At end of the financial year, issued and fully paid	10,832	14,183	11,399	14,176
Shares not yet cancelled after repurchase under the share buy-back programme ⁽²⁾	(39)	–	(37)	–
At end of the financial year, outstanding	10,793	14,183	11,362	14,176

Notes:

(1) Ordinary shares have no nominal value and there is no obligation to transfer cash or other assets to the holders of ordinary shares.

(2) During the year ended 31 December 2024, the Company acquired a total of 571,028,800 ordinary shares (2023: 373,591,400 ordinary shares) on the Hong Kong Stock Exchange with the aggregate cost amounting to approximately HK\$32,371m (2023: HK\$28,472m) (equivalent to approximately US\$4,150m (2023: US\$3,637m)). Of these shares, 531,851,000 shares were cancelled during the year (2023: 336,045,200 shares were cancelled during the year) and 39,177,800 shares were in the process of share cancellation as at 31 December 2024 and were cancelled subsequent to the reporting date on 8 January 2025 (2023: 37,546,200 shares were in the process of share cancellation as at 31 December 2023 and were cancelled subsequently).

The Company issued 869,729 shares under share option scheme (2023: 661,786 shares) and 877,146 shares under agency share purchase plan (2023: 986,359 shares) during the year ended 31 December 2024.

During the year ended 31 December 2024, the employee share-based trusts purchased 5,466,874 shares (2023: 10,865,302 shares) and sold nil shares (2023: nil). These purchases were made by the relevant scheme trustees on the Hong Kong Stock Exchange (HKSE). These shares are held on trust for participants of the relevant schemes and therefore were not cancelled.

During the year ended 31 December 2024, 5,358,937 shares (2023: 6,268,286 shares) were transferred to eligible directors, officers and employees of the Group from the employee share-based trusts under share-based compensation plans as a result of vesting. As at 31 December 2024, 38,065,355 shares (2023: 37,957,417 shares) of the Company were held by the employee share-based trusts.

Reserves

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of debt securities measured at fair value through other comprehensive income held at the end of the reporting period plus the related loss allowance recognised in profit or loss until the assets are derecognised.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

Insurance finance reserve

The insurance finance reserve comprises the cumulative insurance finance income or expenses recognised in other comprehensive income.

Employee share-based trusts

Trusts have been established to acquire shares of the Company for distribution to participants in future periods through the share-based compensation plans. Where the Group is deemed to control the trusts, they are consolidated. Those shares acquired by the trusts, to the extent not transferred to the participants upon vesting, are reported as "Employee share-based trusts" and carried at cost.

Property revaluation reserve

Property revaluation reserve comprises the cumulative net change in the revalued amount of property held for own use at the end of the reporting period. Property revaluation surplus is not considered to be a realised profit available for distribution to shareholders.

Other reserves

Other reserves mainly include the impact of merger accounting for business combinations under common control and share-based compensation.

32. NON-CONTROLLING INTERESTS

US\$m	As at 31 December 2024	As at 31 December 2023
Equity shares in subsidiaries	135	107
Share of earnings	228	416
Share of other reserves	(40)	(40)
Total	323	483

33. GROUP CAPITAL STRUCTURE

Capital Management Approach

The Group's capital management objectives focus on maintaining a strong capital base to support the development of its business, maintaining the ability to move capital freely among Group members and satisfying regulatory capital requirements at all times.

The Group's capital management function oversees all capital-related activities of the Group and assists senior management in making capital decisions. The capital management function participates in decisions concerning asset-liability management, strategic asset allocation and ongoing solvency management. This includes ensuring capital considerations are paramount in the strategy and business planning processes and when determining AIA's capacity to pay dividends to shareholders.

Group-wide Supervision Framework and the Local Capital Summation Method

The Group supervisor is the Hong Kong Insurance Authority (HKIA) and the Group is in compliance with its group capital adequacy requirements.

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

The group prescribed capital requirement (GPCR) is the sum of the prescribed capital requirements of each entity within the Group, and represents the level below which the HKIA may intervene on grounds of capital adequacy.

The Group LCSM coverage ratio is calculated as the ratio of the eligible group capital resources to the GPCR and the Group LCSM surplus is defined as the excess of the eligible group capital resources over the GPCR.

The group minimum capital requirement (GMCR) is the sum of the minimum capital requirements of each entity within the Group.

33. GROUP CAPITAL STRUCTURE (continued)

Group-wide Supervision Framework and the Local Capital Summation Method (continued)

The table shows a summary of the Group capital adequacy position.

US\$m	As at 31 December 2024	As at 31 December 2023
Group LCSM coverage ratio ⁽¹⁾	257%	275%
Tier 1 group capital coverage ratio ⁽²⁾	349%	345%
Eligible group capital resources	77,650	73,156
Tier 1 group capital	49,316	46,980
Tier 2 group capital	28,334	26,176
Group prescribed capital requirement (GPCR)	30,159	26,646
Group minimum capital requirement (GMCR)	14,131	13,613
Group LCSM surplus	47,491	46,510

At 31 December 2024, eligible group capital resources on the GWS basis included the following items, which are included within Tier 2 group capital:

- (i) US\$6,324m⁽³⁾ of subordinated securities. Subordinated securities with a fixed maturity receive full capital credit up to the date that is 5 years prior to the date of maturity, with the capital credit then reducing at the rate of 20 per cent per annum until maturity. Subordinated securities with a maturity where principal repayment is subject to contractual conditions are not expected to be subject to capital credit amortisation. Perpetual subordinated securities receive full capital credit unless they are redeemed; and
- (ii) US\$4,407m⁽³⁾ of senior notes issued before designation that have been approved by the HKIA as capital. Prior to maturity, the approved senior notes receive full capital credit until 14 May 2031, after which the capital credit reduces at the rate of 20 per cent per annum until 14 May 2036.

Notes:

- (1) The Group LCSM coverage ratio is referred to as the “eligible group capital resources coverage ratio” in the GWS framework and is defined as the ratio of the eligible group capital resources to the GPCR.
- (2) The Tier 1 group capital coverage ratio is defined in the GWS framework as the ratio of the Tier 1 group capital to the GMCR.
- (3) The amounts represent the carrying value of medium-term notes and securities contributing to the eligible group capital resources.

Local Regulatory Solvency

The Group's individual branches and subsidiaries are also subject to the supervision of government regulators in the jurisdictions in which those branches and subsidiaries and their parent entity operate and, in relation to subsidiaries, in which they are incorporated.

The Group's principal operating companies AIA Company Limited (AIA Co.) and AIA International Limited (AIA International), as authorised insurers in Hong Kong, are required by the HKIA to meet the Hong Kong solvency requirements. The Hong Kong Risk-based Capital (HKRBC) regime has become part of the Hong Kong Insurance Ordinance (HKIO) and has taken effect from 1 July 2024 for AIA Co.. For AIA International, the company received the approval from the HKIA to early adopt the HKRBC regime with an effective date of 1 January 2022 and since then this has been reflected where applicable. During the years ended 31 December 2024 and 31 December 2023, these two principal operating companies were in compliance with these solvency requirements.

Dividends, Remittances and Other Payments from Individual Branches and Subsidiaries

The ability of the Company to pay dividends to shareholders and to meet other obligations depends ultimately on dividends, remittances and other payments being received from its operating branches and subsidiaries, which are subject to contractual, regulatory and other limitations. The various regulators overseeing the individual branches and subsidiaries of the Group have the discretion to impose additional restrictions on the ability of those regulated branches and subsidiaries to make payment of dividends, remittances and other payments to AIA Co., including increasing the required margin of solvency that an operating unit must maintain. For example, capital may not be remitted without the consent from regulators for certain individual branches or subsidiaries of the Group.

34. RISK MANAGEMENT

Risk management framework

AIA recognises the importance of sound risk management in every aspect of our business and for all our stakeholders. The Risk Management Framework (RMF) provides the structure for identifying, quantifying and mitigating risk across the Group. An effective RMF is the key to avoiding the financial and reputational damage that arises from inadequate or ineffective control of the risks in the business.

Insurance risk

Insurance risk relates to changes in claims experience, business expenses, and the acquisition and persistency of insurance business. This also includes changes to assumptions regarding future experience for these risks.

The Group manages insurance risk concentration by diversification, reinsurance and establishing retention limits. For the years ended 31 December 2024 and 31 December 2023, there were no significant insurance concentration risks.

Pandemic and catastrophe risk

The Group is also exposed to morbidity and mortality risk related to a single event, namely pandemics, natural catastrophic events or human-made disasters.

Geographical concentration of insured individuals could increase the severity of this risk. However, the Group's insured populations are geographically dispersed, thereby diversifying the exposure to pandemic and catastrophe risk. In addition, the Group limits its exposure to large claims arising from a catastrophe by purchasing reinsurance to cover losses due to a single catastrophic event exceeding a pre-determined level.

Climate change could increase the odds of pandemic and/or catastrophic events. Whilst the effect of climate change to AIA as a life and health insurer is expected to be relatively smaller than a general insurer, the Group will continue to evolve the climate scenario analysis, with the advancement of reliable data and methodologies, in evaluating the impacts of climate change to its portfolio.

Expense risk

Expense risk is the risk of greater than expected trends in, or sudden shocks to, the amount or timing of expenses incurred by the business.

Operations follow a disciplined budgeting and control process that allows for the management of expenses based on the Group's very substantial experience within the markets in which we operate.

Morbidity and mortality risk

Morbidity and mortality risk is the risk that the incidence and/or amounts of medical, critical illness, disability, death or survival claims are higher than the assumptions made in pricing and/or reserving.

The Group adheres to well-defined market-oriented underwriting and claims guidelines and practices that have been developed based on extensive historical experience and with the assistance of professional reinsurers.

The Group's actuarial teams conduct regular experience studies of all the insurance risk factors in its portfolio. These internal studies together with external data are used to identify the impact of emerging trends, such as medical technology, health and wellness, climate change and long COVID-19, which can then be used to inform product design, pricing, underwriting, claims management and reinsurance needs.

The Group limits its exposure to new risks and large claims on any single insured life by applying retention limits that vary by market and insurance benefit type to the amount of insurance coverage per insured. The exposure in excess of these limits is ceded to reinsurers.

Persistency (Lapse) risk

Persistency (Lapse) risk arises from policies lapsing, on average, differently to that assumed in the pricing or reserving assumptions. Persistency risk is assessed as part of the product development process and monitored through regular experience studies.

Ensuring customers buy products that sustainably meet their needs is central to the Group's Operating Philosophy. Through effective implementation of the Business Quality Framework, comprehensive sales training programmes and active monitoring of sales activities and persistency, the Group seeks to ensure that appropriate products are sold by qualified sales representatives and that standards of service consistently meet our customers' needs.

34. RISK MANAGEMENT (continued)

Insurance risk (continued)

Sensitivity analysis on insurance risk

The table below sets out the sensitivity analysis in respect of insurance contracts and reinsurance contracts held to key variables affecting insurance risk exposures. This analysis assumes that all other variables remain constant. Information below presents the sensitivities both before and after risk mitigation by reinsurance, and illustrates the estimated impact on profits, CSM, total equity and comprehensive equity arising from a change in a single variable before taking into account the effects of taxation. The effects on these items are mainly as below:

- The effects on profit or loss are changes relating to CSM recognised for services provided, loss components and changes in insurance finance income or expenses that are recognised in profit or loss.
- The effects on CSM reflect the change of the corresponding insurance risks that impacts CSM.
- The effects on equity are the effects on profit or loss and the effects on other comprehensive income arising from changes in insurance finance income or expenses.
- The effects on comprehensive equity are the effects on shareholders' equity and net CSM.

Sensitivity analysis before risk mitigation by reinsurance⁽¹⁾

US\$m	Impact on profit before tax	Impact on CSM	Impact on total equity (before the effects of taxation)	Impact on comprehensive equity ⁽²⁾ (before the effects of taxation and deduction of non-controlling interests)
31 December 2024				
10% increase in attributable expenses	(73)	(796)	(90)	(886)
10% decrease in attributable expenses	74	794	90	884
10% increase in mortality/morbidity rates	(959)	(8,435)	(550)	(8,985)
10% decrease in mortality/morbidity rates	589	8,974	184	9,158
10% increase in lapse/discontinuance rates	(30)	(2,985)	426	(2,559)
10% decrease in lapse/discontinuance rates	27	3,304	(478)	2,826

US\$m	Impact on profit before tax	Impact on CSM	Impact on total equity (before the effects of taxation)	Impact on comprehensive equity ⁽²⁾ (before the effects of taxation and deduction of non-controlling interests)
31 December 2023				
10% increase in attributable expenses	(59)	(781)	(61)	(842)
10% decrease in attributable expenses	56	784	57	841
10% increase in mortality/morbidity rates	(921)	(7,905)	(504)	(8,409)
10% decrease in mortality/morbidity rates	552	8,433	137	8,570
10% increase in lapse/discontinuance rates	(3)	(2,838)	338	(2,500)
10% decrease in lapse/discontinuance rates	(2)	3,137	(396)	2,741

Notes:

(1) The sensitivity analysis on insurance risk includes the impact of unit-linked contracts under IFRS 17.

(2) Represents the total of shareholders' equity and net CSM.

34. RISK MANAGEMENT (continued)

Insurance risk (continued)

Sensitivity analysis on insurance risk (continued)

Sensitivity analysis after risk mitigation by reinsurance⁽¹⁾

US\$m	Impact on profit before tax	Impact on CSM	Impact on total equity (before the effects of taxation)	Impact on comprehensive equity ⁽²⁾ (before the effects of taxation and deduction of non-controlling interests)
31 December 2024				
10% increase in attributable expenses	(73)	(796)	(90)	(886)
10% decrease in attributable expenses	74	795	89	884
10% increase in mortality/morbidity rates	(717)	(6,856)	(139)	(6,995)
10% decrease in mortality/morbidity rates	378	7,327	(213)	7,114
10% increase in lapse/discontinuance rates	(29)	(2,770)	350	(2,420)
10% decrease in lapse/discontinuance rates	26	3,028	(381)	2,647

US\$m	Impact on profit before tax	Impact on CSM	Impact on total equity (before the effects of taxation)	Impact on comprehensive equity ⁽²⁾ (before the effects of taxation and deduction of non-controlling interests)
31 December 2023				
10% increase in attributable expenses	(58)	(781)	(61)	(842)
10% decrease in attributable expenses	56	784	56	840
10% increase in mortality/morbidity rates	(641)	(6,337)	(106)	(6,443)
10% decrease in mortality/morbidity rates	308	6,783	(238)	6,545
10% increase in lapse/discontinuance rates	1	(2,617)	259	(2,358)
10% decrease in lapse/discontinuance rates	(7)	2,861	(321)	2,540

Notes:

(1) The sensitivity analysis on insurance risk includes the impact of unit-linked contracts under IFRS 17.

(2) Represents the total of shareholders' equity and net CSM.

34. RISK MANAGEMENT (continued)

Investment and financial risks

Investment management objectives, policies and processes

The Group manages its financial investments in two distinct categories: unit-linked investments and policyholder and shareholder investments. The investment risk in respect of unit-linked investments is generally borne by our customers, and the investment return gains or losses are largely offset by the changes in fair value of underlying items. Policyholder and shareholder investments include all financial investments other than unit-linked investments. The investment risk in respect of policyholder and shareholder investments is partially or wholly borne by the Group and directly affects the profit before tax.

Policyholder and shareholder investments are further categorised as participating funds, other participating business with distinct portfolios and other policyholder and shareholder.

The primary investment objectives of our policyholder and shareholder investments are generally designed to achieve optimal levels of risk-adjusted return for policyholders and shareholders over the long term, while preserving capital, maintaining adequate solvency and liquidity levels, meeting our risk management and asset-liability management objectives and ensuring full compliance with applicable regulations and internal policies.

The Group has comprehensive, integrated frameworks to ensure investments are properly authorised, monitored and managed within internal policies that address asset-liability management, financial and operational risks, whether assets are invested directly by the Group or through external investment managers. This framework consists of three elements: a strategic asset allocation framework; a tactical asset allocation process; and a combination of internal and external investment management for individual asset classes where appropriate.

The Group's investment management function is empowered with decision-making authority and complies with exposure limits as defined in Risk Standards.

Climate change, and the transition to net zero, create risks for the financial system. The Group recognises the potential investment losses due to climate risk in the long term and, as a result, it mandates the consideration of various Environmental, Social and Governance (ESG) factors, including climate change, in the bottom-up investment process applicable to its general account assets. The Group has developed internal ESG scoring methodologies to assess relevant ESG factors in potential and actual investee companies in relation to our directly managed general account assets and to assess external asset managers on their approach to both ESG engagement with investee companies and the assessment of ESG factors for investment decisions. The Group will continue to enhance its climate scenario analysis in assessing the impacts of climate change on its investment assets.

Asset-liability management

Asset-liability management for the Group is overseen by the Group Asset-Liability Committee and by asset-liability committees in each business unit. The Group manages its asset-liability risks in a variety of ways, including the strategic asset allocation process under which the strategic asset allocation in each entity and for major different product groups is governed, defining the asset allocation with consideration of the characteristics of the liabilities and related risks, capital and other requirements on both economic and regulatory bases. The Group manages asset-liability risks predominantly on an economic basis, while also considering the effect on all applicable regulatory solvency requirements and other considerations such as earnings. Asset-liability management actions include product pricing and product design, reviews of policyholder dividends, asset allocation, hedging using derivatives, reinsurance, and the management of discretionary policyholder benefits. The asset-liability risks for the Group are credit risk, credit spread risk, interest rate risk, equity risk, foreign exchange rate risk and liquidity risk. The exposures and sensitivity analysis are detailed below.

Credit risk

Credit risk arises from third parties failing to meet their obligations to the Group when they fall due. Although the primary source of credit risk is the Group's investment portfolio, such risk can also arise through reinsurance and treasury activities.

The Group's credit risk management oversight process is governed centrally, but provides for decentralised management and accountability by our lines of defence. Fundamental to AIA's credit risk management is adherence to a well-controlled underwriting process. Credit risk limits are applied to control concentrations in individual exposures, sector and cross-border investments. A detailed analysis of each counterparty is performed and a rating is determined by the investment teams according to an internal rating framework. The Group's Risk Management function manages the Group's internal ratings framework and conducts periodic rating validations. Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Exposure to credit risk

In compiling the tables, external ratings have been used where available. External ratings have been used in accordance with the Group's credit risk assessment framework. Where external ratings are not readily available an internal rating methodology has been adopted, if applicable.

Credit risk limits are set according to the Group's credit risk assessment framework, which defines the relative risk level of a debt security.

External ratings		Internal ratings	Reported as
Standard and Poor's and Fitch	Moody's		
AAA	Aaa	1	AAA
AA+ to AA-	Aa1 to Aa3	2+ to 2-	AA
A+ to A-	A1 to A3	3+ to 3-	A
BBB+ to BBB-	Baa1 to Baa3	4+ to 4-	BBB
BB+ and below	Ba1 and below	5+ and below	Below investment grade ⁽¹⁾

Note:

(1) Unless otherwise identified individually.

Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk. The Group's processes for measuring expected credit losses include processes for initial approval, regular validation and back-testing of the models used, and incorporation of forward-looking information.

The Group monitors concentrations of credit arising from investment in debt securities by type, nature and rating as shown in note 18. Reinsurance is ceded across all geographical regions in which the Group operates. The Group does not have excessive credit risk with any single reinsurer.

The following table sets out information about the credit quality of reinsurance contract assets and financial assets not measured at FVTPL.

Reinsurance contract assets

US\$m	As at 31 December 2024	As at 31 December 2023
Investment grade	5,727	6,040
Below investment grade	–	–
Not rated	3	7
Total	5,730	6,047

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Exposure to credit risk (continued)

Financial assets measured at amortised cost⁽¹⁾

US\$m	As at 31 December 2024					As at 31 December 2023				
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased or originated credit- impaired	Total	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased or originated credit- impaired	Total
Debt securities										
AAA	18	–	–	–	18	31	–	–	–	31
AA	495	–	–	–	495	490	–	–	–	490
A	1,247	–	–	–	1,247	985	–	–	–	985
BBB	627	–	–	–	627	509	–	–	–	509
Below investment grade	10	–	–	–	10	132	15	–	–	147
Not rated	5	–	–	–	5	9	–	–	–	9
Total gross carrying amount	2,402	–	–	–	2,402	2,156	15	–	–	2,171
Loss allowance	(3)	–	–	–	(3)	(4)	(2)	–	–	(6)
Amortised cost	2,399	–	–	–	2,399	2,152	13	–	–	2,165
Loans and deposits										
AAA	14	–	–	–	14	15	–	–	–	15
AA	167	–	–	–	167	171	–	–	–	171
A	546	–	–	–	546	597	–	–	–	597
BBB	1,414	–	–	–	1,414	1,488	–	–	–	1,488
Below investment grade	979	–	–	–	979	853	–	–	–	853
Not rated	636	19	10	–	665	584	15	20	–	619
Total gross carrying amount	3,756	19	10	–	3,785	3,708	15	20	–	3,743
Loss allowance	(8)	(1)	(6)	–	(15)	(11)	(2)	(7)	–	(20)
Amortised cost	3,748	18	4	–	3,770	3,697	13	13	–	3,723

Note:

(1) The Group's maximum exposure to credit risk of accrued investment income and cash and cash equivalents is limited to the carrying amounts of the assets, the majority of which is arising from the financial assets rated as investment grade and deposits with reputable financial institutions.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Exposure to credit risk (continued)

Financial assets measured at fair value through other comprehensive income

US\$m	As at 31 December 2024					As at 31 December 2023				
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased or originated credit- impaired	Total	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased or originated credit- impaired	Total
Debt securities										
AAA	4,551	–	–	–	4,551	5,223	–	–	–	5,223
AA	17,938	–	–	–	17,938	14,735	–	–	–	14,735
A	38,046	–	–	–	38,046	35,814	–	–	–	35,814
BBB	28,504	–	–	–	28,504	29,618	–	–	–	29,618
Below investment grade	1,968	264	365	–	2,597	2,117	266	366	–	2,749
Not rated	–	–	–	–	–	2	–	–	–	2
Total gross carrying amount	91,007	264	365	–	91,636	87,509	266	366	–	88,141
Loss allowance	(111)	(16)	(335)	–	(462)	(133)	(17)	(327)	–	(477)
Amortised cost	90,896	248	30	–	91,174	87,376	249	39	–	87,664
Carrying amount – fair value	98,010	252	27	–	98,289	88,355	219	38	–	88,612

Credit spread risk

Credit spread movements affect both the value of assets and liabilities. Credit spread risk is in a large part managed through the strategic asset allocation process, whereby the two key drivers of spread risk – credit rating and spread duration – are managed for capital efficiency, taking into account both the economic risk and the local solvency capital considerations. The risk is monitored by the business units, with special attention paid to any issuers with credit ratings close to the lower boundary of investment grade.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Interest rate risk

Interest rate risk is primarily measured through the duration gap, which provides an understanding of the implications of interest rate movements on surplus. Since most markets do not have assets of sufficient tenor to match life insurance contract liabilities, an uncertainty arises around the reinvestment of maturing assets to match the Group's insurance contract liabilities.

AIA manages interest rate risk primarily on an economic basis. Interest rate risk on the local solvency basis is also taken into consideration for business units where local solvency regimes deviate from the economic basis. Furthermore, AIA actively manages interest rate risk by extending asset duration, managing liability duration, repricing products, and implementing appropriate hedging programmes and reinsurance solutions where possible. For products with discretionary benefits, additional modelling of interest rate risk is performed to guide the determination of appropriate management actions. Management also takes into consideration the asymmetrical impact of interest rate movements when evaluating products with options and guarantees.

Exposure to interest rate risk

The table below summarises the nature of the interest rate risk associated with financial assets and financial liabilities. In preparing this analysis, fixed rate interest bearing instruments that mature or reprice within 12 months of the reporting date have been disclosed as variable rate instruments.

US\$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2024				
Financial instruments				
Financial assets				
Loans and deposits	762	3,265	15	4,042
Receivables	74	–	774	848
Debt securities	14,541	163,677	–	178,218
Equity shares, interests in investment funds and exchangeable loan notes	–	1,271	87,566	88,837
Accrued investment income	–	–	1,748	1,748
Cash and cash equivalents	4,384	–	3,717	8,101
Derivative financial instruments	–	–	1,054	1,054
Total financial assets	19,761	168,213	94,874	282,848
Financial liabilities				
Investment contract liabilities	–	–	6,805	6,805
Borrowings	–	13,329	–	13,329
Obligations under repurchase agreements	3,222	1,394	–	4,616
Other liabilities	133	185	4,591	4,909
Derivative financial instruments	–	–	8,615	8,615
Total financial liabilities	3,355	14,908	20,011	38,274
Insurance contracts and reinsurance contracts held				
Assets				5,206
Liabilities				223,006

34. RISK MANAGEMENT (continued)**Investment and financial risks** (continued)**Exposure to interest rate risk** (continued)

US\$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2023				
Financial instruments				
Financial assets				
Loans and deposits	687	3,295	13	3,995
Receivables	192	–	1,102	1,294
Debt securities	13,384	164,374	–	177,758
Equity shares, interests in investment funds and exchangeable loan notes	–	1,172	65,281	66,453
Accrued investment income	–	–	1,832	1,832
Cash and cash equivalents	4,138	–	7,387	11,525
Derivative financial instruments	–	–	752	752
Total financial assets	18,401	168,841	76,367	263,609
Financial liabilities				
Investment contract liabilities	–	–	8,975	8,975
Borrowings	–	11,800	–	11,800
Obligations under repurchase agreements	2,996	465	–	3,461
Other liabilities	95	196	4,596	4,887
Derivative financial instruments	–	–	8,035	8,035
Total financial liabilities	3,091	12,461	21,606	37,158
Insurance contracts and reinsurance contracts held				
Assets				5,831
Liabilities				204,993

Equity risk

Equity risk arises from changes in the market value of equity shares, interests in investment funds and exchangeable loan notes. Investments in equity shares, interests in investment funds and exchangeable loan notes on a long-term basis are expected to align with policyholders' reasonable expectations, provide diversification benefits and enhance returns. The extent of exposure to equities at any time is subject to the terms of the Group's strategic asset allocations. Equity risk arising from the underlying items of participating contracts is generally borne by policyholders except to the extent of the Group's share of the performance of the underlying items. The Group is also exposed to equity price risk from equity guarantees in variable contracts and hedges its exposure using equity derivatives.

Equity risk is managed through strategic asset allocation and tactical asset allocation. Equity investments are subject to benchmarks and controls relating to maximum concentration and tracking errors. Equity limits are also applied to contain concentration risk of individual stocks and sectors, liquidity as well as equity volatility. Equity exposures are included in the aggregate exposure reports on each individual counterparty to ensure concentrations are avoided.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Concentration risk

The greatest aggregate concentration of fair value to an individual issuer (excluding all government bonds) was approximately 1 per cent (2023: approximately 1 per cent) of the total equity and debt investments as at 31 December 2024.

Sensitivity analysis

Sensitivity analysis to the key variables, namely interest rate and equity risks, affecting insurance contracts and reinsurance contracts held, and financial instruments held by the Group is set out below. The carrying values of other financial assets are not subject to changes in response to movements in interest rates or equity prices. In calculating the sensitivity to changes in interest rates and equity prices, the Group has made assumptions about the corresponding impact of asset valuations on liabilities to policyholders. The market risk in respect of unit-linked investments is generally borne by our customers, and the investment return gains or losses are largely offset by the changes in fair value of underlying items. Policyholder and shareholder investments include all financial investments other than unit-linked investments.

Information is presented to illustrate the estimated impact on profits, total equity, allocated equity and CSM arising from a change in a single variable before taking into account the effects of taxation. The effects on these items are mainly as follows:

- The effects on profit or loss are changes relating to CSM recognised for services provided, loss components and changes in investment return, insurance finance income or expenses and foreign exchange differences that are recognised in profit or loss.
- The effects on equity are the effects on profit or loss, and the effects on other comprehensive income arising from net changes in net investment result and net insurance finance income or expenses.
- The effects on CSM reflects the change of the corresponding market risks that impacts CSM.

The impact of any impairments of financial assets has been ignored for the purpose of illustrating the sensitivity of profit before tax, total equity, allocated equity and CSM before the effects of taxation to changes in interest rates and equity prices on the grounds that default events reflect the characteristics of individual issuers.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Sensitivity analysis on interest rate risk⁽¹⁾

An analysis of the Group's sensitivity to 50 basis points parallel increase or decrease in yield curves at the reporting date, assuming that all other variables remain constant, is presented below.

US\$m	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)	Impact on CSM
31 December 2024				
+ 50 basis points shift in yield curves:				
Insurance contracts and reinsurance contracts held	6,055	9,817	6,055	(416)
Financial instruments	(6,682)	(12,585)	(6,682)	–
	(627)	(2,768)	(627)	(416)
– 50 basis points shift in yield curves:				
Insurance contracts and reinsurance contracts held	(6,832)	(11,049)	(6,832)	427
Financial instruments	7,513	14,215	7,513	–
	681	3,166	681	427

US\$m	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)	Impact on CSM
31 December 2023				
+ 50 basis points shift in yield curves:				
Insurance contracts and reinsurance contracts held	6,633	9,859	6,633	(487)
Financial instruments	(6,783)	(11,916)	(6,783)	–
	(150)	(2,057)	(150)	(487)
– 50 basis points shift in yield curves:				
Insurance contracts and reinsurance contracts held	(7,444)	(11,060)	(7,444)	505
Financial instruments	7,609	13,414	7,609	–
	165	2,354	165	505

Note:

(1) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Sensitivity analysis on equity risk⁽¹⁾

An analysis of the Group's sensitivity to 10 per cent increase or decrease in equity prices at the reporting date, assuming that all other variables remain constant, is presented below.

US\$m	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)	Impact on CSM
31 December 2024				
10 per cent increase in equity prices:				
Insurance contracts and reinsurance contracts held	(4,270)	(4,309)	(4,270)	893
Financial instruments	5,718	5,718	5,718	–
	1,448	1,409	1,448	893
10 per cent decrease in equity prices:				
Insurance contracts and reinsurance contracts held	4,270	4,306	4,270	(917)
Financial instruments	(5,718)	(5,718)	(5,718)	–
	(1,448)	(1,412)	(1,448)	(917)

US\$m	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)	Impact on CSM
31 December 2023				
10 per cent increase in equity prices:				
Insurance contracts and reinsurance contracts held	(2,998)	(3,039)	(2,998)	679
Financial instruments	4,168	4,168	4,168	–
	1,170	1,129	1,170	679
10 per cent decrease in equity prices:				
Insurance contracts and reinsurance contracts held	2,996	3,039	2,996	(694)
Financial instruments	(4,168)	(4,168)	(4,168)	–
	(1,172)	(1,129)	(1,172)	(694)

Note:

(1) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Foreign exchange rate risk

The Group's foreign exchange rate risk arises mainly from the Group's operations in multiple markets in Asia and the translation of multiple currencies to the US dollar for financial reporting purposes. The balance sheet values of our operating units and subsidiaries are not hedged to the Group's presentation currency, the US dollar.

Assets, liabilities and local regulatory and stress capital in each business unit are generally currency matched except for holdings of equities and other non-fixed income assets denominated in currencies other than the functional currency. Bonds denominated in currencies other than the functional currency are hedged with cross-currency swaps or foreign exchange forward contracts.

Exposure to foreign exchange rates⁽¹⁾

US\$m	United States Dollar	China Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
31 December 2024						
Insurance contracts and reinsurance contracts held						
Assets	290	1,694	5	539	1,230	9
Liabilities	(79,756)	(48,587)	(5,049)	(15,514)	(20,576)	(8,569)
Financial instruments						
Assets	126,194	56,317	1,189	21,998	15,973	9,532
Liabilities	(25,451)	(5,035)	(3,329)	(2,167)	(3,784)	–
Net positions of currency derivatives	(975)	(3,249)	502	591	2,944	435
US\$m	United States Dollar	China Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
31 December 2023						
Insurance contracts and reinsurance contracts held						
Assets	–	1,564	635	719	1,246	42
Liabilities	(75,807)	(37,088)	(5,934)	(14,874)	(19,854)	(8,113)
Financial instruments						
Assets	118,532	44,699	1,418	19,675	15,954	8,961
Liabilities	(21,447)	(4,769)	(3,370)	(1,649)	(3,387)	(72)
Net positions of currency derivatives	(3,222)	(2,040)	390	2,190	2,684	441

Note:

(1) The scope of this exposure to foreign exchange rates excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Sensitivity analysis on foreign exchange rate risk⁽¹⁾⁽²⁾

A reasonably possible strengthening or weakening of the following currencies against all other currencies at the reporting date would have affected the measurement of insurance contracts and reinsurance contracts held and financial instruments denominated in foreign currency and affected the profit before tax, total equity and CSM by the amounts shown below. This analysis assumes that all other variables remain constant.

US\$m	United States Dollar	China Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
31 December 2024						
5% strengthening of original currency						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held	(1,125)	(19)	14	–	(8)	–
Financial instruments	1,107	(121)	(89)	(49)	(45)	18
Impact on total equity						
Insurance contracts and reinsurance contracts held	–	(2,347)	(82)	(749)	(549)	(428)
Financial instruments	–	2,402	(82)	1,021	757	498
Impact on CSM						
Insurance contracts and reinsurance contracts held	–	846	69	350	152	137
5% strengthening of the US dollar						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held	(1,125)	17	(13)	–	2	–
Financial instruments	1,107	118	107	47	60	(17)
Impact on total equity						
Insurance contracts and reinsurance contracts held	–	2,235	78	713	533	408
Financial instruments	–	(2,287)	78	(972)	(721)	(475)
Impact on CSM						
Insurance contracts and reinsurance contracts held	–	(806)	(65)	(333)	(146)	(131)

Notes:

- (1) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.
- (2) The impact on total equity and CSM comprises primarily the effects from the translation of the financial statements of foreign operations recognised in other comprehensive income, as well as the net foreign exchange gains or losses recognised in consolidated income statement and other translation movement recognised in other comprehensive income.

34. RISK MANAGEMENT (continued)**Investment and financial risks** (continued)**Sensitivity analysis on foreign exchange rate risk⁽¹⁾⁽²⁾** (continued)

US\$m	United States Dollar	China Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
31 December 2023						
5% strengthening of original currency						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held	(1,055)	(11)	14	–	(6)	(3)
Financial instruments	1,011	8	(83)	27	(79)	12
Impact on total equity						
Insurance contracts and reinsurance contracts held	–	(1,777)	(94)	(708)	(539)	(404)
Financial instruments	–	1,894	(78)	1,011	763	467
Impact on CSM						
Insurance contracts and reinsurance contracts held	–	818	57	322	148	123
5% strengthening of the US dollar						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held	(1,055)	9	(13)	–	1	–
Financial instruments	1,011	(5)	88	(26)	94	(12)
Impact on total equity						
Insurance contracts and reinsurance contracts held	–	1,693	89	674	535	384
Financial instruments	–	(1,804)	74	(963)	(726)	(444)
Impact on CSM						
Insurance contracts and reinsurance contracts held	–	(779)	(55)	(307)	(143)	(117)

Notes:

- (1) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.
- (2) The impact on total equity and CSM comprises primarily the effects from the translation of the financial statements of foreign operations recognised in other comprehensive income, as well as the net foreign exchange gains or losses recognised in consolidated income statement and other translation movement recognised in other comprehensive income.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Liquidity risk

The Group defines liquidity risk as the risk of failure to meet current and future financial commitments as they fall due. This incorporates the risks arising from the timing mismatch of cash inflows and outflows in day-to-day operations, including policyholder and third-party payments, collateral requirements, as well as insufficient market liquidity of assets required for policyholder liabilities.

AIA manages liquidity risk in accordance with the Group's Board approved liquidity framework. This framework contains the standards, procedures, and tools used by the Group to monitor and manage liquidity risk on a forward-looking basis in base and stressed conditions across multiple time horizons from daily to monthly time steps for 12-month period, as well as a projection in line with strategic planning. The forward-looking management of liquidity over short to longer-term horizons allows for the early detection of risks and enables management to action the pre-defined liquidity contingency plans. The framework is comprised of four pillars:

- Daily Cash Forecasting and Liquidity Adequacy Ratio;
- Structural Liquidity Adequacy Ratio;
- Liquidity Projection over the Strategic Planning Period; and
- Liquidity Management and Contingency Plans.

AIA supports its liquidity internally by maintaining appropriate pools of unencumbered high-quality liquid investment assets. Liquidity is further supported externally via access to committed credit facilities, use of bond repurchase markets and debt markets via the Group's Global Medium-term Note and Securities Programme.

The Group's liquidity framework builds liquidity resiliency in all our markets while providing central oversight and the ability to take timely management action if required to ensure we meet all our financial commitments as they fall due.

The maturity profile of our financial liabilities, insurance contract liabilities and reinsurance contract liabilities are presented below which provides a supplemental long-term view on the Group's liquidity profile.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Liquidity risk (continued)

Contractual maturities of financial liabilities

US\$m	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity ⁽²⁾
31 December 2024						
Borrowings	19,650	770	5,179 ⁽¹⁾	5,254	6,924	1,523
Obligations under repurchase agreements	4,616	4,616	–	–	–	–
Other liabilities excluding lease liabilities	3,756	3,680	48	4	1	23
Lease liabilities	368	132	214	21	1	–
Derivative financial instruments	8,478	3,954	4,155	227	142	–
Subtotal	36,868	13,152	9,596	5,506	7,068	1,546
Investment contract liabilities and third-party interests in consolidated investment funds	7,741	86	251	209	176	7,019
Total	44,609	13,238	9,847	5,715	7,244	8,565

Notes:

(1) Including US\$4,655m which fall due after 2 years through 5 years.

(2) Balances with no fixed maturity are repayable on demand as the counterparty has a choice of when the amount is paid.

US\$m	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity ⁽²⁾
31 December 2023						
Borrowings	16,365	1,277	3,706 ⁽¹⁾	4,842	4,994	1,546
Obligations under repurchase agreements	3,461	3,461	–	–	–	–
Other liabilities excluding lease liabilities	3,698	3,537	86	4	2	69
Lease liabilities	381	141	221	18	1	–
Derivative financial instruments	8,408	1,991	6,028	186	203	–
Subtotal	32,313	10,407	10,041	5,050	5,200	1,615
Investment contract liabilities and third-party interests in consolidated investment funds	9,992	87	264	237	213	9,191
Total	42,305	10,494	10,305	5,287	5,413	10,806

Notes:

(1) Including US\$2,410m which fall due after 2 years through 5 years.

(2) Balances with no fixed maturity are repayable on demand as the counterparty has a choice of when the amount is paid.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Liquidity risk (continued)

Maturity analysis of insurance and reinsurance contract liabilities⁽¹⁾

US\$m	Total	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
31 December 2024							
Insurance contract liabilities	165,733	(5,635)	(6,804)	(4,431)	(1,541)	1,409	182,735
Reinsurance contract liabilities	700	28	30	28	35	34	545

US\$m	Total	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
31 December 2023							
Insurance contract liabilities	155,459	(4,778)	(5,496)	(3,214)	(1,452)	1,172	169,227
Reinsurance contract liabilities	917	59	44	43	41	48	682

Note:

(1) The amounts of payable on demand of insurance contracts are US\$208,003m as at 31 December 2024 (2023: US\$190,031m).

Transactions within the Group

Intra-group transactions are overseen by the relevant Group Office functions to ensure adherence with the relevant Group policies. The Group Risk function oversees the processes to identify and assess material systematic intra-group transaction risks, and ensure risks assumed are within the Group's Risk Management Framework.

During the year ended 31 December 2024, material intra-group transactions were mainly related to support services provided within the Group, a limited number of financing and reinsurance arrangements, and collective investment funds that provide a simple return of capital guarantee and are backed by investment grade fixed income assets.

35. EMPLOYEE BENEFITS

Post-retirement benefit obligations

The Group operates a number of funded and unfunded post-retirement employee benefit schemes, whose members receive benefits on either a defined benefit basis (generally related to salary and length of service) or a defined contribution basis (generally related to the amount invested, investment return and annuity rates), the assets of which are generally held in separate trustee-administered funds. The defined benefit plans provide life and medical benefits for employees after retirement and a lump sum benefit on cessation of employment, and the defined contribution plans provide post-retirement pension benefits.

Defined benefit plans

The Group operates funded and unfunded defined benefit plans that provide life and medical benefits for participating employees after retirement and a lump sum benefit on cessation of employment. The locations covered by these plans include Hong Kong, Thailand, Singapore, Malaysia, Cambodia, Indonesia, the Philippines, South Korea, Sri Lanka, Taiwan (China) and Vietnam. The latest independent actuarial valuation of the plans was at 31 December 2024 and was prepared by credentialed actuaries of Towers Watson Hong Kong Limited. All the actuaries are qualified members of professional actuarial organisations to render the actuarial opinions.

For defined benefit plans, the costs are assessed using the projected unit credit method. Under this method, the cost of providing benefits is charged to the consolidated income statement so as to spread the regular cost over the service lives of employees, in accordance with the advice of qualified actuaries. The obligation is measured as the present value of the estimated future cash outflows, using a discount rate based on market yields for high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability. The resulting scheme surplus or deficit appears as an asset or liability in the consolidated statement of financial position.

The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 43 per cent (2023: 52 per cent) covered by the plan assets held by the trustees. The fair value of plan assets as at year end at the date of valuation was US\$101m (2023: US\$109m). The total expenses relating to these plans recognised in the consolidated income statement was US\$9m (2023: US\$9m).

Defined contribution plans

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans. Once the contributions have been paid, the Group, as employer, does not have any further payment obligations. The Group's contributions are charged to the consolidated income statement in the reporting period to which they relate and are included in employee benefit expenses. The total expense relating to these plans in the current year was US\$145m (2023: US\$139m). Employees and the employer are required to make monthly contributions equal to 1 per cent to 22 per cent of the employees' monthly basic salaries, depending on years of service and subject to any applicable caps of monthly relevant income in different jurisdictions. For defined contribution pension plans with vesting conditions, any forfeited contributions by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions are used by the employer to reduce any future contributions. The amount of forfeited contributions used to reduce the existing level of contributions is not material.

36. SHARE-BASED COMPENSATION

Share-based compensation plans

The Group's share-based compensation plans are equity-settled plans. Under equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of shares and/or share options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and/or share options granted. Non-market vesting conditions are included in assumptions about the number of shares and/or share options that are expected to be vested. At each period end, the Group revises its estimates of the number of shares and/or share options that are expected to be vested. Any impact of the revision to original estimates is recognised in profit or loss with a corresponding adjustment to equity. Where grants of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate grant, and therefore the fair value of each tranche is recognised over the applicable vesting period.

Where modification or cancellation of an equity-settled share-based compensation plan occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

During the year ended 31 December 2020, the 2010 Share Option (SO) Scheme, the 2010 Restricted Share Unit (RSU) Scheme and the 2011 Employee Share Purchase Plan (ESPP) were terminated. There shall be no further grants under either of these schemes. However, these schemes shall remain in full force and effect for all grants prior to its termination, and the exercise and the vesting of these grants shall be subject to and in accordance with the terms on which they were granted under the provisions of each of these schemes, and the Listing Rules, where applicable. In the same year, the Group adopted the 2020 SO Scheme, the 2020 RSU Scheme and the 2020 ESPP Plan.

During the years ended 31 December 2024 and 31 December 2023, the Group made further grants of SOs, RSUs and restricted stock purchase units (RSPUs) to certain directors, officers and employees of the Group under these schemes.

On 1 February 2021, the Company adopted the new 2021 Agency Share Purchase Plan (ASPP) with an effective period of 10 years from the date of adoption. The 2012 ASPP was terminated with effect from 31 March 2021, after which time no further restricted stock subscription units (RSSUs) can be granted under such plan. The 2012 ASPP shall remain in full force and effect for all RSSUs granted prior to this termination, and the vesting of such RSSUs shall be subject to and in accordance with the terms on which they were granted under the provisions of the 2012 ASPP.

During the years ended 31 December 2024 and 31 December 2023, the Group made further grants of RSSUs to eligible agents under the 2021 ASPP.

RSU Schemes

Under the RSU Schemes, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the Group during the respective vesting periods. Time-vesting RSU grants are vested either entirely after a specific period of time or in tranches over the vesting period during which, the eligible participants are required to remain in employment with the Group. For RSU grants that are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the respective vesting period. For performance-vesting RSUs, performance conditions are also attached which include both market and non-market conditions. Performance-vesting RSUs subject to performance conditions are released to the participants at the end of the vesting period depending on the actual achievement of the performance conditions. During the vesting period, the participants are not entitled to dividends of the underlying shares. Except in jurisdictions where restrictions apply, the granted RSUs are expected to be settled in equity.

36. SHARE-BASED COMPENSATION (continued)

Share-based compensation plans (continued)

RSU Schemes (continued)

Number of shares	Year ended 31 December 2024	Year ended 31 December 2023
Restricted Share Units		
Outstanding at beginning of financial year	29,913,377	29,603,948
Granted	17,620,057	11,470,894
Forfeited	(6,360,841)	(6,337,282)
Vested	(3,804,905)	(4,824,183)
Outstanding at end of financial year	37,367,688	29,913,377

SO Schemes

The objectives of the SO Schemes are to align eligible participants' interests with those of the shareholders of the Company by allowing eligible participants to share in the value created at the point they exercise their share options. SO grants are vested either entirely after a specific period of time or in tranches over the vesting period approximately three to five years, during which the eligible participants are required to remain in employment with the Group. For SO grants that are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the respective vesting periods. The granted SOs expire 10 years from the date of grant and each SO entitles the eligible participant to subscribe for one ordinary share. Subject to restrictions in the applicable laws, regulations and rules of the relevant jurisdictions, the granted SOs are expected to be settled in equity.

Information about SOs outstanding and SOs exercisable by the Group's employees and directors as at the end of the reporting period is as follows:

	Year ended 31 December 2024		Year ended 31 December 2023	
	Number of share options	Weighted average exercise price (HK\$)	Number of share options	Weighted average exercise price (HK\$)
Share options				
Outstanding at beginning of financial year	25,105,172	68.07	23,973,304	66.48
Granted	3,019,542	62.33	1,918,599	80.73
Exercised	(869,729)	55.16	(661,786)	44.16
Forfeited or expired	(49,051)	76.33	(124,945)	83.30
Outstanding at end of financial year	27,205,934	67.83	25,105,172	68.07
Share options exercisable at end of financial year	19,970,322	66.05	19,270,954	62.95

At the respective dates on which the SOs were exercised, the weighted average share price of the Company was HK\$67.65 for the year ended 31 December 2024 (2023: HK\$81.27).

36. SHARE-BASED COMPENSATION (continued)

Share-based compensation plans (continued)

SO Schemes (continued)

The range of exercise prices for the SOs outstanding as of 31 December 2024 and 31 December 2023 is summarised in the table below.

	Year ended 31 December 2024		Year ended 31 December 2023	
	Number of share options outstanding	Weighted average remaining contractual life (years)	Number of share options outstanding	Weighted average remaining contractual life (years)
Range of exercise price				
HK\$36 – HK\$45	1,637,947	1.18	1,692,658	2.12
HK\$46 – HK\$55	3,928,472	1.88	4,396,614	2.75
HK\$56 – HK\$65	3,849,978	7.78	830,436	3.58
HK\$66 – HK\$75	8,227,082	4.40	8,609,199	5.36
HK\$76 – HK\$85	7,805,626	6.16	7,805,626	7.17
Over HK\$86	1,756,829	6.22	1,770,639	7.23
Outstanding at end of financial year	27,205,934	4.95	25,105,172	5.32

ESPP

Under the ESPPs, eligible employees of the Group can purchase ordinary shares of the Company with qualified employee contributions and the Company will grant one matching RSPU to them at the end of the vesting period for each two shares purchased through the qualified employee contributions (contribution shares). Contribution shares are purchased from the open market. During the relevant vesting period, the eligible employees must hold the contribution shares purchased and remain employed by the Group in order to qualify to receive the matching shares upon the vesting of the matching RSPUs. The granted matching RSPUs are expected to be settled in equity. Under the 2020 ESPP, the level of qualified employee contribution is subject to a maximum amount equal to 10 per cent of the monthly base salary or HK\$12,500 (or local currency equivalent) per month, whichever is lower. For the year ended 31 December 2024, eligible employees paid US\$38m (2023: US\$39m) to purchase 5,243,069 ordinary shares (2023: 4,062,855 ordinary shares) of the Company under the ESPPs.

ASPP

The structure of the ASPPs generally follows those of the ESPPs, the key difference is that the eligible agents are required to pay a subscription price of US\$1 to subscribe for each new share in the Company at the end of the vesting period. Under the plans, eligible agents of the Group can purchase ordinary shares of the Company with qualified agent contributions and the Company will grant one matching RSSU to them at the end of the vesting period for each two shares purchased through the qualified agent contributions (agent contribution shares). Each RSSU entitles eligible agents to subscribe for one new share of the Company. Agent contribution shares are purchased from the open market. During the vesting period, the eligible agents must hold the contribution shares purchased and maintain their agent contracts with the Group in order to qualify to receive the matching shares upon the vesting of the matching RSSUs. The granted matching RSSUs are expected to be settled in equity. Under the 2021 ASPP, the level of qualified agent contribution is subject to a maximum amount of HK\$12,500 (or local currency equivalent) per month respectively. For the year ended 31 December 2024, eligible agents paid US\$24m (2023: US\$20m) to purchase 3,155,824 ordinary shares (2023: 2,143,422 ordinary shares) of the Company under the ASPPs.

36. SHARE-BASED COMPENSATION (continued)

Valuation methodology

The Group utilises a binomial lattice model to calculate the fair value of the SO grants, involving a few significant assumptions such as the expected volatility, expected dividend yield and risk-free interest rate. The expected volatility of the Company's shares is estimated based on an analysis of historical data since they are traded in the HKSE. The expected dividend yield is estimated based on an analysis of historical dividend relative to historical share price. The risk-free interest rate is estimated based on implied yield of the Government Bonds and Exchange Fund Notes issued by the Hong Kong Monetary Authority as at the grant date. The analysis period for expected volatility and risk-free interest rate is consistent with the expected life of the SOs, which is derived from the output of the valuation model and is calculated based on an analysis of expected exercise behaviour of the Company's employees.

The Group utilises a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU, RSPU and RSSU grants, taking into account the terms and conditions upon which the grants were made. Significant assumptions include expected dividend yield and risk-free interest rate. The value of expected dividends during the vesting period is estimated based on an analysis of historical dividend relative to historical share price. The risk-free interest rate is estimated based on implied yield of the Government Bonds and Exchange Fund Notes issued by the Hong Kong Monetary Authority as at the grant date. For performance-vesting RSUs, the simulation for achievement of market condition depends on assumptions of expected volatility of the Company's shares and other market comparators as well as the correlations. These assumptions are estimated based on an analysis of historical data over a period consistent with the expected life of the RSUs.

Forfeitures prior to vesting are not allowed for in the valuation of the grants.

The fair values calculated for the grants are inherently subjective due to the assumptions made and the limitations of the models utilised.

	Year ended 31 December 2024			
	Share options	Restricted share units	ESPP Restricted stock purchase units	ASPP Restricted stock subscription units
Assumptions				
Risk-free interest rate	3.67% – 3.83%	3.20% – 3.69%*	2.54% – 3.87%	3.49%
Volatility	29%	29%	n/a	n/a
Dividend yield	1.70%	1.70% – 1.80%	1.70% – 1.80%	1.70%
Exercise price (HK\$)	62.33	n/a	n/a	n/a
Share option life (in years)	10	n/a	n/a	n/a
Expected life (in years)	7.73 – 8.89	n/a	n/a	n/a
Weighted average fair value per option/unit at measurement date (HK\$)	17.38	41.45	49.65	43.00
	Year ended 31 December 2023			
	Share options	Restricted share units	ESPP Restricted stock purchase units	ASPP Restricted stock subscription units
Assumptions				
Risk-free interest rate	3.19%	3.27%*	3.16% – 4.17%	2.87%
Volatility	28%	28%	n/a	n/a
Dividend yield	1.60%	1.60%	1.60% – 1.70%	1.60%
Exercise price (HK\$)	80.73	n/a	n/a	n/a
Share option life (in years)	10	n/a	n/a	n/a
Expected life (in years)	7.47	n/a	n/a	n/a
Weighted average fair value per option/unit at measurement date (HK\$)	23.97	63.37	61.72	57.03

* Applicable to RSU with market conditions.

36. SHARE-BASED COMPENSATION (continued)

Valuation methodology (continued)

The weighted average share price for SO valuation for grants made during the year ended 31 December 2024 is HK\$57.40 (2023: HK\$78.95). The total fair value of SOs granted during the year ended 31 December 2024 is US\$7m (2023: US\$6m).

Recognised compensation cost

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation grants made by the Group for the year ended 31 December 2024 is US\$87m (2023: US\$77m).

37. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Directors' remuneration

The Executive Director receives compensation in the form of salaries, bonuses, contributions to pension schemes, long-term incentives, housing and other allowances, and benefits in kind subject to applicable laws, rules and regulations. Bonuses and long-term incentives represent the variable components in the Executive Director's compensation and are linked to the performance of the Group and the Executive Director. Details of share-based payment schemes are described in note 36.

US\$	Director's fees	Salaries, allowances and benefits in kind ⁽¹⁾	Bonuses	Share-based payments ⁽²⁾	Pension scheme contributions	Other benefits	Other payments ⁽³⁾	Total
Year ended 31 December 2024								
<i>Executive Director</i>								
Mr. Lee Yuan Siong ⁽⁴⁾	–	1,773,661	5,280,460	5,644,406	72,642	–	959,978	13,731,147
Total	–	1,773,661	5,280,460	5,644,406	72,642	–	959,978	13,731,147
US\$	Director's fees	Salaries, allowances and benefits in kind ⁽¹⁾	Bonuses	Share-based payments ⁽²⁾	Pension scheme contributions	Other benefits	Other payments ⁽³⁾	Total
Year ended 31 December 2023								
<i>Executive Director</i>								
Mr. Lee Yuan Siong ⁽⁴⁾	–	1,716,746	5,029,000	4,819,618	70,224	–	1,785,500	13,421,088
Total	–	1,716,746	5,029,000	4,819,618	70,224	–	1,785,500	13,421,088

Notes:

- (1) Includes non-cash benefits for housing, medical and life insurance, club and professional membership, company car and perquisites.
- (2) Includes amortised expenses for unvested SOs, RSUs and matching shares under ESPP based on the fair value at the respective grant dates.
- (3) This represents amortised expenses in relation to the awarded compensation for unvested long-term incentives and deferred payments that Mr. Lee Yuan Siong forfeited on leaving his prior employments.
- (4) Mr. Lee Yuan Siong is currently the Group Chief Executive and President of the Company. He receives his remuneration exclusively for his role as Group Chief Executive and President of the Company and receives no separate fees for his role as a director of the Company or for acting as a director of any subsidiary of the Company.

37. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (continued)

Directors' remuneration (continued)

The remuneration of Independent Non-executive Directors of the Company at 31 December 2024 and 31 December 2023 are included in the tables below:

US\$	Director's fees ⁽¹⁾	Salaries, allowances and benefits in kind ⁽²⁾	Bonuses	Share-based payments	Pension scheme contribution	Other benefits	Other payments	Total
Year ended 31 December 2024								
<i>Independent Non-executive Directors</i>								
Mr. Edmund Sze-Wing Tse	860,000	413,275	–	–	–	–	–	1,273,275
Mr. Jack Chak-Kwong So	330,000	–	–	–	–	–	–	330,000
Mr. Chung-Kong Chow	305,000	–	–	–	–	–	–	305,000
Mr. John Barrie Harrison	330,656	–	–	–	–	–	–	330,656
Mr. George Yong-Boon Yeo	355,000	–	–	–	–	–	–	355,000
Professor Lawrence Juen-Yee Lau	280,000	–	–	–	–	–	–	280,000
Dr. Narongchai Akrasanee ⁽⁴⁾	410,000	–	–	–	–	–	–	410,000
Mr. Cesar Velasquez Purisima	355,000	–	–	–	–	–	–	355,000
Ms. Sun Jie (Jane)	305,820	–	–	–	–	–	–	305,820
Ms. Mari Elka Pangestu	264,180	–	–	–	–	–	–	264,180
Mr. Ong Chong Tee	264,180	–	–	–	–	–	–	264,180
Ms. Nor Shamsiah Mohd Yunus	259,344	–	–	–	–	–	–	259,344
Total	4,319,180	413,275	–	–	–	–	–	4,732,455

37. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (continued)

Directors' remuneration (continued)

US\$	Director's fees ⁽¹⁾	Salaries, allowances and benefits in kind ⁽²⁾	Bonuses	Share-based payments	Pension scheme contribution	Other benefits	Other payments	Total
Year ended 31 December 2023								
<i>Independent Non-executive Directors</i>								
Mr. Edmund Sze-Wing Tse	860,000	146,721	–	–	–	–	–	1,006,721
Mr. Jack Chak-Kwong So	330,000	–	–	–	–	–	–	330,000
Mr. Chung-Kong Chow	288,356	–	–	–	–	–	–	288,356
Mr. John Barrie Harrison	350,000	–	–	–	–	–	–	350,000
Mr. George Yong-Boon Yeo	355,000	–	–	–	–	–	–	355,000
Professor Lawrence Juen-Yee Lau	280,000	–	–	–	–	–	–	280,000
Ms. Swee-Lian Teo ⁽³⁾	216,370	–	–	–	–	–	–	216,370
Dr. Narongchai Akrasanee ⁽⁴⁾	396,685	–	–	–	–	–	–	396,685
Mr. Cesar Velasquez Purisima	355,000	–	–	–	–	–	–	355,000
Ms. Sun Jie (Jane)	330,000	–	–	–	–	–	–	330,000
Ms. Mari Elka Pangestu ⁽⁵⁾	120,986	–	–	–	–	–	–	120,986
Mr. Ong Chong Tee ⁽⁶⁾	120,986	–	–	–	–	–	–	120,986
Ms. Nor Shamsiah Mohd Yunus ⁽⁷⁾	67,068	–	–	–	–	–	–	67,068
Total	4,070,451	146,721	–	–	–	–	–	4,217,172

Notes:

- (1) Save as disclosed below, all Directors receive the fees for their role as a director of the Company and not for acting as a director of any subsidiary of the Company.
- (2) Includes non-cash benefits for housing, club and professional membership, medical insurance and company car.
- (3) Ms. Swee-Lian Teo retired as an Independent Non-executive Director of the Company with effect from 1 September 2023.
- (4) US\$100,000 (2023: US\$100,000) represented remuneration to Dr. Narongchai Akrasanee in respect of his services as the Chairman of Advisory Board of AIA Thailand for the year ended 31 December 2024 included in his fees stated above.
- (5) Ms. Mari Elka Pangestu was appointed as an Independent Non-executive Director of the Company with effect from 1 July 2023.
- (6) Mr. Ong Chong Tee was appointed as an Independent Non-executive Director of the Company with effect from 1 July 2023.
- (7) Ms. Nor Shamsiah Mohd Yunus was appointed as an Independent Non-executive Director of the Company with effect from 21 September 2023.

37. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (continued)

Remuneration of five highest-paid individuals

The aggregate remuneration of the five highest-paid individuals employed by the Group in each of the years ended 31 December 2024 and 31 December 2023 is presented in the table below.

US\$	Director's fees	Salaries, allowances and benefits in kind ⁽¹⁾	Bonuses	Share-based payments ⁽²⁾	Pension scheme contribution	Other benefits	Other payments ⁽³⁾	Total
Year ended								
31 December 2024	–	6,060,321	10,774,960	14,091,117	380,664	–	959,978	32,267,040
31 December 2023	–	5,898,388	10,372,280	12,352,364	369,727	–	1,785,500	30,778,259

Notes:

- (1) Benefits in the years ended 31 December 2024 and 31 December 2023 include housing, medical and life insurance, children's education, club and professional membership, company car and perquisites.
- (2) Includes amortised expenses for unvested SOs, RSUs and matching shares under ESPP to the five highest-paid individuals based on the fair value at the respective grant dates.
- (3) Includes amortised expenses in relation to the awarded compensation for unvested long-term incentives and deferred payments that Mr. Lee Yuan Siong forfeited on leaving his prior employments.

The emoluments of the five individuals with the highest emoluments are within the following bands:

HK\$	Year ended 31 December 2024	Year ended 31 December 2023
28,500,001 to 29,000,000	–	1
29,000,001 to 29,500,000	–	1
30,000,001 to 30,500,000	–	1
30,500,001 to 31,000,000	2	–
32,500,001 to 33,000,000	1	–
47,500,001 to 48,000,000	–	1
50,500,001 to 51,000,000	1	–
105,000,001 to 105,500,000	–	1
107,000,001 to 107,500,000	1	–

37. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (continued)**Key management personnel remuneration**

Key management personnel have been identified as the members of the Group's Executive Committee.

US\$	Year ended 31 December 2024	Year ended 31 December 2023
Key management compensation and other expenses		
Salaries and other short-term employee benefits	32,719,085	30,273,575
Post-employment benefits	680,287	631,999
Share-based payments ⁽¹⁾	21,737,575	19,053,974
Total	55,136,947	49,959,548

Note:

(1) Includes amortised expenses for unvested SOs, RSUs and matching shares under ESPP to the key management personnel based on the fair value at the respective grant dates.

The emoluments of the key management personnel are within the following bands:

US\$	Year ended 31 December 2024	Year ended 31 December 2023
Below 1,000,000	1	—
1,000,001 to 2,000,000	—	1
2,000,001 to 3,000,000	4	4
3,000,001 to 4,000,000	5	5
4,000,001 to 5,000,000	1	—
6,000,001 to 7,000,000	1	1
Over 10,000,000	1	1

38. RELATED PARTY TRANSACTIONS

Remuneration of Directors and key management personnel is disclosed in note 37.

39. COMMITMENTS AND CONTINGENCIES

Investment and capital commitments

US\$m	As at 31 December 2024	As at 31 December 2023
Not later than one year	15,149	17,624
Later than one and not later than five years	152	123
Total	15,301	17,747

Investment and capital commitments consist of commitments to invest in private equity partnerships and other assets.

Contingencies

The Group is subject to regulation in each of the geographical markets in which it operates from insurance, securities, capital markets, pension, data privacy and other regulators and is exposed to the risk of regulatory actions in response to perceived or actual non-compliance with regulations relating to suitability, sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, denial or delay of benefits and breaches of fiduciary or other duties. The Group believes that these matters have been adequately provided for in these financial statements.

The Group is exposed to legal proceedings, complaints and other actions from its activities including those arising from commercial activities, sales practices, suitability of products, policies, claims and taxes. The Group believes that these matters are adequately provided for in these financial statements.

The Group operates in many jurisdictions across Asia and in certain of those jurisdictions, the Group's interpretation of the relevant law or regulation may differ from that of the tax authorities, which can result in disputes arising. The Group has made provisions to cover the potential tax implications, based on management's judgement and best estimate in relation to the probability or likelihood of the potential outcomes, which is subject to periodic reassessment. Due to the uncertainty associated with these items, there remains a possibility that the final outcomes may differ on conclusion of the relevant tax matters at a future date.

40. SUBSIDIARIES

The following is a list of AIA's directly and indirectly held principal operating subsidiaries which materially contribute to the net income of the Group or hold a material element of its assets and liabilities:

Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	As at 31 December 2024		As at 31 December 2023	
				Group's interest %	NCI's interest %	Group's interest %	NCI's interest %
AIA Company Limited ⁽¹⁾	Hong Kong	Insurance	2,596,049,861 ordinary shares of US\$11,390,584,182 issued share capital	100%	–	100%	–
AIA Australia Limited	Australia	Insurance	2,125,462,500 ordinary shares of A\$2,207,267,000 issued share capital	100%	–	100%	–
AIA Bhd.	Malaysia	Insurance	191,859,543 ordinary shares of RM810,000,000 issued share capital	100%	–	100%	–
AIA Life Insurance Company Limited	Mainland China	Insurance	Registered share capital of RMB3,777,399,440	100%	–	100%	–
AIA Philippines Life and General Insurance Company Inc.	Philippines	Insurance	199,560,671 ordinary shares of PHP10 each and 67,349,329 treasury shares	100%	–	100%	–
BPI AIA Life Assurance Corporation	Philippines	Insurance	749,993,979 ordinary shares of PHP1 each and 6,000 treasury shares	51%	49%	51%	49%
AIA Singapore Private Limited	Singapore	Insurance	1,558,021,163 ordinary shares of S\$1 each	100%	–	100%	–
AIA Everest Life Company Limited	Hong Kong	Insurance	500,000,000 ordinary shares of HK\$2,496,291,000 issued share capital	100%	–	100%	–
AIA International Limited	Bermuda	Insurance	6,500,000 ordinary shares of US\$1.20 each	100%	–	100%	–
PT AIA Financial	Indonesia	Insurance	1,910,844,141 ordinary shares of Rp1,000 each	100%	–	100%	–
AIA (Vietnam) Life Insurance Company Limited	Vietnam	Insurance	Contributed capital of VND8,724,420,000,000	100%	–	100%	–
Bayshore Development Group Limited	British Virgin Islands	Investment holding company	100 ordinary shares of US\$1 each	100%	–	90%	10%
AIA Life Insurance Co. Ltd.	South Korea	Insurance	60,328,932 ordinary shares of KRW603,289,320,000 issued share capital	100%	–	100%	–
AIA New Zealand Limited	New Zealand	Insurance	248,217,572 ordinary shares of NZD863,709,199 issued share capital	100%	–	100%	–
AIA Reinsurance Limited	Bermuda	Reinsurance	250,000 common shares of US\$1 each	100%	–	100%	–

Notes:

(1) The Company's subsidiary.

(2) All of the above subsidiaries are audited by PricewaterhouseCoopers.

All subsidiaries are unlisted.

41. EVENTS AFTER THE REPORTING PERIOD

On 14 March 2025, a Committee appointed by the Board of Directors proposed a final dividend of 130.98 Hong Kong cents per share (2023: final dividend of 119.07 Hong Kong cents per share).

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

US\$m	As at 31 December 2024	As at 31 December 2023
Assets		
Investment in subsidiaries at cost ⁽²⁾	22,646	22,506
Financial investments:		
At fair value through other comprehensive income		
Debt securities ⁽³⁾	6,121	3,970
At fair value through profit or loss		
Interests in investment funds ⁽²⁾	2,240	502
Derivative financial instruments	199	57
	8,560	4,529
Loans to/amounts due from subsidiaries	910	895
Other assets	72	126
Cash and cash equivalents	749	3,668
Total assets	32,937	31,724
Liabilities		
Borrowings	13,739	12,257
Derivative financial instruments	98	42
Other liabilities	322	261
Total liabilities	14,159	12,560
Equity		
Share capital	14,183	14,176
Employee share-based trusts	(376)	(367)
Other reserves	443	390
Retained earnings	4,550	4,853
Amounts reflected in other comprehensive income	(22)	112
Total equity	18,778	19,164
Total liabilities and equity	32,937	31,724

Notes:

(1) The financial information of the Company should be read in conjunction with the consolidated financial statements of the Group.

(2) The Company's interests in investment funds such as mutual funds and unit trusts, including funds controlled by the Group, are measured at fair value through profit or loss. Interests in other entities controlled by the Group are measured at cost, unless impaired, and presented as investment in subsidiaries at cost. Interests in investment funds include US\$2,238m (2023: US\$494m) comprising the combined value of debt securities held by an investment fund controlled by the Group and interests in an external fixed income fund. Fixed income fund refers to the investment fund solely investing in fixed income instruments and cash equivalents, where investors of the fund own a pro-rata share of economic interests of the fund according to the number of shares or units they own of the fund.

(3) Includes United States Treasury securities of US\$5,965m (2023: US\$2,112m) and China Government bonds of US\$156m (2023: US\$1,858m) as at 31 December 2024.

Approved and authorised for issue by the Board of Directors on 14 March 2025.

Lee Yuan Siong
Director

Edmund Sze-Wing Tse
Director

43. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

US\$m	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Amounts reflected in other comprehensive income	Total equity
Balance at 1 January 2024	14,176	(367)	390	4,853	112	19,164
Net profit	–	–	–	6,175	–	6,175
Fair value gains on debt securities at fair value through other comprehensive income	–	–	–	–	86	86
Fair value gains on debt securities at fair value through other comprehensive income reclassified to profit or loss on disposal	–	–	–	–	(220)	(220)
Dividends	–	–	–	(2,328)	–	(2,328)
Share buy-back	–	–	–	(4,150)	–	(4,150)
Shares issued under share option scheme and agency share purchase plan	7	–	–	–	–	7
Share-based compensation	–	–	87	–	–	87
Purchase of shares held by employee share-based trusts	–	(43)	–	–	–	(43)
Transfer of vested shares from employee share-based trusts	–	34	(34)	–	–	–
Balance at 31 December 2024	14,183	(376)	443	4,550	(22)	18,778

US\$m	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Amounts reflected in other comprehensive income	Total equity
Balance at 1 January 2023	14,171	(290)	351	6,990	44	21,266
Net profit	–	–	–	3,793	–	3,793
Fair value gains on debt securities at fair value through other comprehensive income	–	–	–	–	132	132
Fair value gains on debt securities at fair value through other comprehensive income reclassified to profit or loss on disposal	–	–	–	–	(64)	(64)
Dividends	–	–	–	(2,293)	–	(2,293)
Share buy-back	–	–	–	(3,637)	–	(3,637)
Shares issued under share option scheme and agency share purchase plan	5	–	–	–	–	5
Share-based compensation	–	–	77	–	–	77
Purchase of shares held by employee share-based trusts	–	(115)	–	–	–	(115)
Transfer of vested shares from employee share-based trusts	–	38	(38)	–	–	–
Balance at 31 December 2023	14,176	(367)	390	4,853	112	19,164



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY EMBEDDED VALUE INFORMATION AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2024
TO THE BOARD OF DIRECTORS OF AIA GROUP LIMITED**
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The Supplementary Embedded Value Information (the "EV Information") of AIA Group Limited (the "Company") and its subsidiaries (the "Group"), which is set out on pages 227 to 253, comprises:

- the consolidated Embedded Value results as at and for the year ended 31 December 2024; and
- the sensitivity analysis, methodology, assumptions and other explanatory notes.

Our opinion

In our opinion, the EV Information of the Group as at and for the year ended 31 December 2024 is prepared, in all material respects, in accordance with the EV basis of preparation set out in Sections 4 and 5 of the EV Information.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the EV Information section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of Matter – Basis of Preparation

We draw attention to Sections 4 and 5 of the EV Information, which describe the EV basis of preparation. As a result, the EV Information may not be suitable for another purpose. Our opinion is not modified in respect of this matter.



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Other Matter

The Group has prepared a separate set of consolidated financial statements as at and for the year ended 31 December 2024 in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and IFRS Accounting Standards issued by the International Accounting Standards Board, on which we issued a separate auditor's report to the shareholders of the Company dated 14 March 2025.

Other Information

The Directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the EV Information and our auditor's report thereon.

Our opinion on the EV Information does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the EV Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the EV Information or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of Directors and Those Charged with Governance for the EV Information

The Directors of the Company are responsible for the preparation of the EV Information in accordance with the EV basis of preparation set out in Sections 4 and 5 of the EV Information and for such internal control as the Directors determine is necessary to enable the preparation of the EV Information that is free from material misstatement, whether due to fraud or error.

In preparing the EV Information, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's EV Information reporting process.

Auditor's Responsibilities for the Audit of the EV Information

Our objectives are to obtain reasonable assurance about whether the EV Information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this EV Information.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the EV Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



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Auditor's Responsibilities for the Audit of the EV Information (continued)

- Evaluate the appropriateness of the EV basis of preparation used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the EV Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the EV Information of the entities or business units within the Group as a basis for forming an opinion on the EV Information. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

The engagement partner on the audit resulting in this independent auditor's report is Lars Christian Jordy Nielsen.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong
14 March 2025

CAUTIONARY STATEMENTS CONCERNING SUPPLEMENTARY EMBEDDED VALUE INFORMATION

This report includes non-IFRS results and should not be viewed as a substitute for IFRS results.

The results shown in this report are not intended to represent an opinion of market value and should not be interpreted in that manner. This report does not purport to encompass all of the many factors that may bear upon a market value.

The results shown in this report are based on a series of assumptions as to the future. It should be recognised that actual future results may differ from those shown, on account of the changes in the operating and economic environments and natural variations in experience. The results shown are presented at the valuation dates stated in this report and no warranty is given by the Group that future experience after these valuation dates will be in line with the assumptions made.

1. SUMMARY

The Embedded Value (EV) is a measure of the value of shareholders' interests in the earnings distributable from assets allocated to the in-force business after allowance for the aggregate risks in that business. AIA Group Limited (the "Company"), together with its subsidiaries (collectively the "Group") use a traditional deterministic discounted cash flow methodology for determining its EV and value of new business (VONB) for all entities other than Tata AIA Life Insurance Company Limited (Tata AIA Life). This methodology makes an implicit overall level of allowance for risk including the cost of investment return guarantees and policyholder options, asset-liability mismatch risk, credit risk, the risk that actual experience in future years differs from that assumed, and the economic cost of capital, through the use of a risk discount rate. For Tata AIA Life, the Group uses the Indian Embedded Value (IEV) methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India, consistent with local practice in India.

The equity attributable to shareholders of the Company on the embedded value basis (EV Equity) is the total of EV, goodwill and other intangible assets attributable to shareholders of the Company, after allowing for taxes. More details on the EV results, methodology and assumptions are covered in later sections of this report.

Unless otherwise stated, the growth rates provided in the commentaries are shown on a constant exchange rate (CER) basis, and the per-share information provided in the tables are based on the basic number of ordinary shares outstanding as at the specified point in time, as disclosed in the consolidated financial statements.

1. SUMMARY (continued)

Summary of Key Metrics⁽¹⁾ (US\$ millions)

	As at 31 December 2024	As at 31 December 2023	Change CER	Change AER
EV Equity	71,626	70,153	4%	2%
EV Equity per share (US\$)	6.64	6.17	9%	8%
EV	69,035	67,447	4%	2%
EV per share (US\$)	6.40	5.94	10%	8%
Free surplus	12,554	16,329	(22)%	(23)%
Adjusted net worth (ANW)	30,527	32,009	(3)%	(5)%
Value of in-force business (VIF)	38,508	35,438	10%	9%
	Year ended 31 December 2024	Year ended 31 December 2023	YoY CER	YoY AER
VONB	4,712	4,034	18%	17%
Annualised new premiums (ANP)	8,606	7,650	14%	12%
VONB margin	54.5%	52.6%	1.9 pps	1.9 pps
EV operating profit	10,025	8,890	14%	13%
Operating return on EV (Operating ROEV)	14.9%	12.9%	n/a	2.0 pps
Underlying free surplus generation (UFSG)	6,327	6,041	6%	5%

Note:

(1) The results are after adjustment to reflect the consolidated reserving and capital requirements, the present value of future after-tax unallocated Group Office expenses and Group Corporate Centre tax.

2. EMBEDDED VALUE RESULTS

2.1 Embedded Value by Business Unit

The EV as at 31 December 2024 is presented consistently with the segment information in the consolidated financial statements.

Summary of EV by Business Unit (US\$ millions)

Business Unit	As at 31 December 2024				
	ANW ⁽¹⁾	VIF before CoC	CoC	VIF after CoC	EV
AIA China	10,143	5,290	264	5,026	15,169
AIA Hong Kong	12,150	17,430	1,402	16,028	28,178
AIA Thailand	4,654	5,422	414	5,008	9,662
AIA Singapore	2,611	5,341	739	4,602	7,213
AIA Malaysia	1,256	2,853	211	2,642	3,898
Other Markets	5,233	4,254	1,531	2,723	7,956
Group Corporate Centre	2,922	–	–	–	2,922
Subtotal	38,969	40,590	4,561	36,029	74,998
Adjustment to reflect consolidated reserving and capital requirements ⁽²⁾	(8,214)	5,391	869	4,522	(3,692)
After-tax value of unallocated Group Office expenses	–	(1,615)	–	(1,615)	(1,615)
Group Corporate Centre tax ⁽³⁾	–	(302)	3	(305)	(305)
Total EV (before non-controlling interests)	30,755	44,064	5,433	38,631	69,386
Non-controlling interests	(228)	(192)	(69)	(123)	(351)
Total EV	30,527	43,872	5,364	38,508	69,035
Goodwill and other intangible assets ⁽⁴⁾					2,591
Total EV Equity					71,626

2. EMBEDDED VALUE RESULTS (continued)

2.1 Embedded Value by Business Unit (continued)

Business Unit	As at 31 December 2023				
	ANW ⁽¹⁾	VIF before CoC	CoC	VIF after CoC	EV
AIA China	5,439	8,227	140	8,087	13,526
AIA Hong Kong	12,523	15,098	1,315	13,783	26,306
AIA Thailand	4,508	4,971	862	4,109	8,617
AIA Singapore	2,899	5,126	652	4,474	7,373
AIA Malaysia	1,169	2,270	207	2,063	3,232
Other Markets	5,935	4,056	1,459	2,597	8,532
Group Corporate Centre	4,274	—	—	—	4,274
Subtotal	36,747	39,748	4,635	35,113	71,860
Adjustment to reflect consolidated reserving and capital requirements ⁽²⁾	(4,368)	2,816	597	2,219	(2,149)
After-tax value of unallocated Group Office expenses	—	(1,625)	—	(1,625)	(1,625)
Total EV (before non-controlling interests)	32,379	40,939	5,232	35,707	68,086
Non-controlling interests	(370)	(298)	(29)	(269)	(639)
Total EV	32,009	40,641	5,203	35,438	67,447
Goodwill and other intangible assets ⁽⁴⁾					2,706
Total EV Equity					70,153

Notes:

(1) ANW by Business Unit is after net capital flows between Business Units and Group Corporate Centre.

(2) Adjustment reflects the consolidated reserving and capital requirements as described in Section 4.4 of this report.

(3) Refers to corporate income tax in Bermuda as described in Section 5.10 of this report.

(4) Consistent with the consolidated financial statements, shown net of tax, amounts attributable to participating funds and non-controlling interests.

2. EMBEDDED VALUE RESULTS (continued)

2.2 Reconciliation of ANW from IFRS Equity

Derivation of the Consolidated ANW from IFRS Equity (US\$ millions)

	As at 31 December 2024	As at 31 December 2023
Shareholders' allocated equity	44,404	44,754
Fair value reserve	5,744	516
Insurance finance reserve	(9,658)	(4,159)
IFRS equity attributable to shareholders of the Company	40,490	41,111
Difference between net policy liabilities calculated and reported under IFRS® Accounting Standards and local statutory policy liabilities	2,610	(2,149)
Mark-to-market adjustment for property, mortgage loan and other investments, net of amounts attributable to participating funds	(47)	(63)
Elimination of intangible assets	(3,478)	(3,615)
Recognition of deferred tax impacts of the above adjustments	(929)	980
Recognition of non-controlling interests impacts of the above adjustments	95	113
ANW (Business Unit)	38,741	36,377
Adjustment to reflect consolidated reserving requirements, net of tax	(8,214)	(4,368)
ANW (Consolidated)	30,527	32,009

2.3 Reconciliation of Free Surplus from ANW

Derivation of Free Surplus from ANW (US\$ millions)

	As at 31 December 2024		As at 31 December 2023	
	Business Unit	Consolidated	Business Unit	Consolidated
ANW	38,741	30,527	36,377	32,009
Adjustment for certain assets not eligible for regulatory capital purposes	(819)	(819)	(503)	(503)
Less: Required capital	13,129	17,154	12,565	15,177
Free surplus⁽¹⁾	24,793	12,554	23,309	16,329

Note:

(1) The free surplus is defined as the ANW in excess of the required capital adjusted for certain assets that are not eligible for regulatory capital purposes. The free surplus on consolidated basis is further adjusted for the consolidated reserving and capital requirements.

2. EMBEDDED VALUE RESULTS (continued)

2.4 Earnings Profile

The tables below show how the after-tax distributable earnings from the assets backing the statutory reserves and required capital of the in-force business of the Group are projected to emerge over future years. The projected values reflect the consolidated reserving and capital requirements.

Profile of Projected After-Tax Distributable Earnings for the Group's In-force Business (US\$ millions)

Expected period of emergence	As at 31 December 2024	
	Undiscounted	Discounted
1 – 5 years	22,156	18,195
6 – 10 years	24,480	13,696
11 – 15 years	23,153	8,832
16 – 20 years	21,476	5,567
21 years and thereafter	197,635	9,372
Total	288,900	55,662

Expected period of emergence	As at 31 December 2023	
	Undiscounted	Discounted
1 – 5 years	20,876	17,032
6 – 10 years	22,070	12,103
11 – 15 years	21,897	8,081
16 – 20 years	19,922	4,963
21 years and thereafter	204,392	8,436
Total	289,157	50,615

The profile of distributable earnings is shown on an undiscounted and discounted basis. The discounted value of after-tax distributable earnings of US\$55,662 million (2023: US\$50,615 million) plus the free surplus of US\$12,554 million (2023: US\$16,329 million) and the non-eligible assets excluded in the free surplus calculation of US\$819 million (2023: US\$503 million) as shown in Section 2.3 of this report is equal to the EV of US\$69,035 million (2023: US\$67,447 million) shown in Section 2.1 of this report.

2. EMBEDDED VALUE RESULTS (continued)

2.5 Value of New Business

The VONB for the Group for the year ended 31 December 2024 is summarised in the table below. The VONB is defined as the present value, at the point of sale, of the projected after-tax statutory profits less the cost of required capital. Results are presented consistently with the segment information in the consolidated financial statements. Section 4.1 of this report contains a list of the entities included in this report and the mapping of these entities to Business Units for the purpose of this report.

The Group VONB for the year ended 31 December 2024 was US\$4,712 million, an increase of US\$678 million, or 18 per cent, from US\$4,034 million for the year ended 31 December 2023.

Summary of VONB by Business Unit (US\$ millions)

Business Unit	Year ended 31 December 2024			Year ended 31 December 2023		
	VONB before CoC	CoC	VONB after CoC	VONB before CoC	CoC	VONB after CoC
AIA China	1,368	151	1,217	1,174	137	1,037
AIA Hong Kong	1,837	73	1,764	1,498	68	1,430
AIA Thailand	854	38	816	751	38	713
AIA Singapore	492	38	454	413	19	394
AIA Malaysia	367	18	349	336	17	319
Other Markets	673	206	467	547	141	406
Total before unallocated Group Office expenses, Group Corporate Centre tax⁽¹⁾ and non-controlling interests (Business Unit)	5,591	524	5,067	4,719	420	4,299
Adjustment to reflect consolidated reserving and capital requirements ⁽²⁾	(25)	48	(73)	(43)	–	(43)
Total before unallocated Group Office expenses, Group Corporate Centre tax⁽¹⁾ and non-controlling interests (Consolidated)	5,566	572	4,994	4,676	420	4,256
After-tax value of unallocated Group Office expenses	(205)	–	(205)	(187)	–	(187)
Group Corporate Centre tax ⁽¹⁾	(38)	–	(38)	–	–	–
Total before non-controlling interests (Consolidated)	5,323	572	4,751	4,489	420	4,069
Non-controlling interests	(44)	(5)	(39)	(39)	(4)	(35)
Total	5,279	567	4,712	4,450	416	4,034

Notes:

(1) Refers to corporate income tax in Bermuda as described in Section 5.10 of this report.

(2) Adjustment reflects the consolidated reserving and capital requirements as described in Section 4.4 of this report.

2. EMBEDDED VALUE RESULTS (continued)

2.5 Value of New Business (continued)

The table below shows the breakdown of the VONB, ANP, VONB margin, and present value of new business premium (PVNBP) margin for the Group, by quarter, for business written in the year ended 31 December 2024.

The VONB margin and PVNBP margin are defined as VONB, gross of non-controlling interests and excluding pension business, expressed as a percentage of ANP and PVNBP, respectively. The VONB used in the margin calculation is gross of non-controlling interests and excludes pension business to be consistent with the definition of ANP and PVNBP.

The Group VONB margin for the year ended 31 December 2024 was 54.5 per cent compared with 52.6 per cent for the year ended 31 December 2023. The Group PVNBP margin for the year ended 31 December 2024 was 11 per cent compared with 10 per cent for the year ended 31 December 2023.

Breakdown of VONB, ANP, VONB Margin and PVNBP Margin (US\$ millions)

	VONB after CoC	ANP	VONB margin	PVNBP margin
Year				
Values for 2024				
Twelve months ended 31 December 2024	4,712	8,606	54.5%	11%
Values for 2023				
Twelve months ended 31 December 2023	4,034	7,650	52.6%	10%
Quarter				
Values for 2024				
Three months ended 31 March 2024	1,327	2,449	54.2%	11%
Three months ended 30 June 2024	1,128	2,097	53.6%	10%
Three months ended 30 September 2024	1,161	2,212	52.2%	10%
Three months ended 31 December 2024	1,096	1,848	58.9%	11%
Values for 2023				
Three months ended 31 March 2023	1,046	1,998	52.3%	10%
Three months ended 30 June 2023	983	1,986	49.3%	9%
Three months ended 30 September 2023	994	1,938	51.2%	10%
Three months ended 31 December 2023	1,011	1,728	58.2%	11%

2. EMBEDDED VALUE RESULTS (continued)

2.5 Value of New Business (continued)

The table below shows the VONB (excluding pension business), ANP, and VONB margin by Business Unit.

Summary of VONB Excluding Pension, ANP and VONB Margin by Business Unit (US\$ millions)

Business Unit	Year ended 31 December 2024			Year ended 31 December 2023		
	VONB excluding pension	ANP	VONB margin	VONB excluding pension	ANP	VONB margin
AIA China	1,217	2,168	56.1%	1,037	2,023	51.3%
AIA Hong Kong	1,708	2,609	65.5%	1,384	2,407	57.5%
AIA Thailand	816	821	99.5%	713	765	93.3%
AIA Singapore	454	897	50.5%	394	586	67.2%
AIA Malaysia	348	517	67.3%	318	473	67.3%
Other Markets	465	1,594	29.2%	404	1,396	28.9%
Total before unallocated Group Office expenses and Group Corporate Centre tax⁽¹⁾ (Business Unit)	5,008	8,606	58.2%	4,250	7,650	55.6%
Adjustment to reflect consolidated reserving and capital requirements ⁽²⁾	(73)	–		(42)	–	
Total before unallocated Group Office expenses and Group Corporate Centre tax⁽¹⁾ (Consolidated)	4,935	8,606	57.4%	4,208	7,650	55.0%
After-tax value of unallocated Group Office expenses	(205)	–		(187)	–	
Group Corporate Centre tax ⁽¹⁾	(38)	–		–	–	
Total	4,692	8,606	54.5%	4,021	7,650	52.6%

Notes:

(1) Refers to corporate income tax in Bermuda as described in Section 5.10 of this report.

(2) Adjustment reflects the consolidated reserving and capital requirements as described in Section 4.4 of this report.

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement

Analysis of Movement in EV (US\$ millions)

	Year ended 31 December 2024			Year ended 31 December 2023			YoY AER
	ANW	VIF	EV	ANW	VIF	EV	EV
Opening EV Equity			70,153			71,202	(1)%
Removal of goodwill and other intangible assets ⁽¹⁾			(2,706)			(2,337)	16%
Opening EV	32,009	35,438	67,447	33,751	35,114	68,865	(2)%
Effect of acquisitions	–	–	–	(238)	–	(238)	n/m ⁽²⁾
VONB	(245)	4,957	4,712	(45)	4,079	4,034	17%
Expected return on EV	5,199	429	5,628	5,115	112	5,227	8%
Operating experience variances	178	(18)	160	97	(22)	75	113%
Operating assumption changes	279	(251)	28	286	(325)	(39)	n/m
Finance costs	(503)	–	(503)	(407)	–	(407)	24%
EV operating profit	4,908	5,117	10,025	5,046	3,844	8,890	13%
Investment return variances	1,380	(1,493)	(113)	(873)	(1,917)	(2,790)	n/m
Effect of changes in economic assumptions	(11)	66	55	(6)	(537)	(543)	n/m
Other non-operating variances	(643)	(168)	(811)	506	(1,075)	(569)	n/m
Total EV profit	5,634	3,522	9,156	4,673	315	4,988	84%
Dividends	(2,328)	–	(2,328)	(2,293)	–	(2,293)	2%
Share buy-back	(4,150)	–	(4,150)	(3,637)	–	(3,637)	14%
Other capital movements	20	–	20	(72)	–	(72)	n/m
Effect of changes in exchange rates	(658)	(452)	(1,110)	(175)	9	(166)	n/m
Closing EV	30,527	38,508	69,035	32,009	35,438	67,447	2%
Inclusion of goodwill and other intangible assets ⁽¹⁾			2,591			2,706	(4)%
Closing EV Equity			71,626			70,153	2%
Closing EV per share (US\$)			6.40			5.94	8%
Closing EV Equity per share (US\$)			6.64			6.17	8%

Notes:

(1) Consistent with the consolidated financial statements, shown net of tax, amounts attributable to participating funds and non-controlling interests.

(2) Not meaningful (n/m).

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement (continued)

The opening EV Equity was US\$70,153 million at 31 December 2023.

The opening EV was US\$67,447 million at 31 December 2023 after removal of goodwill and other intangible assets of US\$2,706 million.

EV operating profit was US\$10,025 million (2023: US\$8,890 million), reflecting VONB of US\$4,712 million (2023: US\$4,034 million), an expected return on EV of US\$5,628 million (2023: US\$5,227 million), operating experience variances and operating assumption changes with a net positive impact of US\$188 million (2023: US\$36 million), net of finance costs of US\$503 million (2023: US\$407 million).

The VONB is calculated at the point of sale for business written during the year. The expected return on EV is the expected change in the EV over the year plus the expected return on the VONB up to 31 December 2024. Operating experience variances reflect the impact on the ANW and VIF from differences between the actual experience over the year and that expected based on the operating assumptions.

The operating experience variances, net of tax, increased EV by US\$160 million (2023: increased EV by US\$75 million), driven by:

- Expense variances of US\$50 million (2023: US\$(31) million), partly offset by development costs of US\$18 million (2023: US\$13 million);
- Mortality and morbidity claims variances of US\$(122) million (2023: US\$(85) million); and
- Persistency and other variances of US\$250 million (2023: US\$204 million) which included persistency variances of US\$16 million (2023: US\$(41) million) and other variances including management actions of US\$234 million (2023: US\$245 million).

The effect of changes in operating assumptions during the year was an increase in EV of US\$28 million (2023: a decrease in EV of US\$39 million).

The EV profit of US\$9,156 million (2023: US\$4,988 million) is the total of EV operating profit, investment return variances, the effect of changes in economic assumptions and other non-operating variances.

The investment return variances decreased EV by US\$113 million (2023: decreased EV by US\$2,790 million) driven by the effect of short-term fluctuations in interest rates, equities and other capital market movements, after allowing for consolidated reserving and capital requirements, compared with the expected returns.

The effect of changes in economic assumptions was an increase in EV of US\$55 million (2023: a decrease in EV of US\$543 million).

Other non-operating variances decreased EV by US\$811 million (2023: decreased EV by US\$569 million) which mainly comprised negative impacts from a reduction in the present value of future fees expected to be charged following the mandatory implementation of the new eMPF platform in Hong Kong, adjustments to capital requirements on consolidation and non-operating expenses, partly offset by positive impacts from model-related enhancements.

The Group paid total shareholder dividends of US\$2,328 million (2023: US\$2,293 million). The capital deployed for the share buy-back programme, under which 571 million shares⁽¹⁾ (2023: 374 million shares) have been repurchased in the year of 2024, was US\$4,150 million (2023: US\$3,637 million). Other capital movements increased EV by US\$20 million (2023: decreased EV by US\$72 million).

Foreign exchange movements decreased EV by US\$1,110 million (2023: decreased EV by US\$166 million).

The closing EV was US\$69,035 million at 31 December 2024.

The closing EV Equity was US\$71,626 million as at 31 December 2024, after inclusion of goodwill and other intangible assets of US\$2,591 million.

Our EV methodology deducts the value of the Group's outstanding medium-term notes and securities⁽²⁾ (MTNs) at amortised cost. If MTNs were included at fair value, EV Equity would increase by US\$965 million to US\$72,591 million (2023: increase by US\$932 million to US\$71,085 million).

Notes:

- (1) Of these shares, 532 million shares were cancelled during 2024, and the remaining 39 million shares have subsequently been cancelled as per note 31 to the consolidated financial statements.
- (2) Refers to medium-term notes and securities under note 26 to the consolidated financial statements.

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement (continued)

Operating ROEV (US\$ millions)

Operating return on EV (operating ROEV) is calculated as EV operating profit expressed as a percentage of the opening EV and was 14.9 per cent (2023: 12.9 per cent) for the year ended 31 December 2024.

	Year ended 31 December 2024	Year ended 31 December 2023	YoY CER	YoY AER
EV operating profit	10,025	8,890	14%	13%
Opening EV	67,447	68,865	(2)%	(2)%
Operating ROEV	14.9%	12.9%	n/a	2.0 pps
EV operating profit per share (US cents)⁽¹⁾	90.62	77.18	19%	17%

Note:

(1) Based on weighted average number of ordinary shares outstanding during the respective period.

2. EMBEDDED VALUE RESULTS (continued)

2.7 Free Surplus Generation

Free Surplus Generation (US\$ millions)

	Year ended 31 December 2024	Year ended 31 December 2023	YoY CER	YoY AER
Opening free surplus	16,329	17,850	(8)%	(9)%
Effect of acquisitions	–	(238)	n/m ⁽¹⁾	n/m
UFSG	6,327	6,041	6%	5%
Free surplus used to fund new business	(1,531)	(1,328)	17%	15%
Unallocated Group Office expenses	(293)	(302)	(3)%	(3)%
Finance costs and other capital movements	(483)	(479)	1%	1%
Net free surplus generation	4,020	3,932	3%	2%
Investment return variances and other items	(1,317)	715	n/m	n/m
Dividends	(2,328)	(2,293)	2%	2%
Share buy-back	(4,150)	(3,637)	14%	14%
Closing free surplus	12,554	16,329	(22)%	(23)%

Free surplus decreased by US\$3,775 million (2023: decreased by US\$1,521 million) to US\$12,554 million (2023: US\$16,329 million) as of 31 December 2024, after reflecting the impact of share buy-back of US\$4,150 million.

UFSG, as defined in Section 4.8, increased by 6 per cent, to US\$6,327 million (2023: US\$6,041 million), which comprised expected return on free surplus and assets backing MTNs of US\$1,395 million (2023: US\$1,348 million), expected distributable earnings from in-force business of US\$4,302 million (2023: US\$4,536 million), diversification benefit due to new business of US\$757 million (2023: US\$634 million) and other operating variances of US\$(127) million (2023: US\$(477) million). Investment in writing new business was US\$1,531 million (2023: US\$1,328 million).

Unallocated Group Office expenses amounted to US\$293 million (2023: US\$302 million).

	Year ended 31 December 2024	Year ended 31 December 2023	YoY CER	YoY AER
UFSG	6,327	6,041	6%	5%
Expected return on free surplus and assets backing MTNs	1,395	1,348	4%	3%
Expected distributable earnings from in-force business	4,302	4,536	(4)%	(5)%
Diversification benefit due to new business	757	634	21%	19%
Other operating variances	(127)	(477)	(74)%	(73)%
Free surplus used to fund new business	(1,531)	(1,328)	17%	15%
Unallocated Group Office expenses	(293)	(302)	(3)%	(3)%
Finance costs and other capital movements	(483)	(479)	1%	1%
Net free surplus generation	4,020	3,932	3%	2%

Investment return variances and other items amounted to US\$(1,317) million (2023: US\$715 million). This mainly reflects the effect of short-term fluctuations in interest rates, equities and other capital market movements, after allowing for consolidated reserving and capital requirements, compared with the expected returns as well as other non-operating variances as described in Section 2.6.

Note:

(1) Not meaningful (n/m).

3. SENSITIVITY ANALYSIS

The EV as at 31 December 2024 and the VONB for the year ended 31 December 2024 have been recalculated to illustrate the sensitivity of the results to changes in certain central assumptions discussed in Section 5 of this report.

The sensitivities analysed were:

- Risk discount rates 200 basis points per annum higher than the central assumptions;
- Risk discount rates 200 basis points per annum lower than the central assumptions;
- Interest rates 50 basis points per annum higher than the central assumptions;
- Interest rates 50 basis points per annum lower than the central assumptions;
- Equity return, property return and risk discount rates 100 basis points per annum lower than the central assumptions;
- The presentation currency (as explained below) appreciated by 5 per cent;
- The presentation currency depreciated by 5 per cent;
- Lapse and premium discontinuance rates increased proportionally by 10 per cent (i.e. 110 per cent of the central assumptions);
- Lapse and premium discontinuance rates decreased proportionally by 10 per cent (i.e. 90 per cent of the central assumptions);
- Mortality/morbidity rates increased proportionally by 10 per cent (i.e. 110 per cent of the central assumptions);
- Mortality/morbidity rates decreased proportionally by 10 per cent (i.e. 90 per cent of the central assumptions);
- Maintenance expenses 10 per cent lower (i.e. 90 per cent of the central assumptions); and
- Expense inflation set to 0 per cent.

The EV as at 31 December 2024 has been further analysed for the following sensitivities:

- Equity prices increased proportionally by 10 per cent (i.e. 110 per cent of the prices at 31 December 2024); and
- Equity prices decreased proportionally by 10 per cent (i.e. 90 per cent of the prices at 31 December 2024).

For the interest rate sensitivities, the investment return assumptions and the risk discount rates were changed by 50 basis points per annum; the projected bonus rates on participating business, the statutory reserving bases at 31 December 2024 and the values of debt instruments and derivatives held at 31 December 2024 were changed to be consistent with the interest rate assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

For the equity return, property return and risk discount rates sensitivity, the projected bonus rates on participating business were changed to be consistent with the equity return assumptions and property return assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

As the Group operates in multiple geographical markets, the EV results for the Group are translated from multiple currencies to the US dollar which is the Group's presentation currency. In order to provide sensitivity results for EV and VONB of the impact of foreign currency movements, a change of 5 per cent to the US dollar is included.

For the equity price sensitivities, the projected bonus rates on participating business and the values of equity securities and equity funds held at 31 December 2024 were changed to be consistent with the equity price assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

For each of the remaining sensitivity analyses, the statutory reserving bases as at 31 December 2024 and the projected bonus rates on participating business were changed to be consistent with the sensitivity analysis assumptions, while all the other assumptions remain unchanged.

3. SENSITIVITY ANALYSIS (continued)

The sensitivities chosen do not represent the boundaries of possible outcomes, but instead illustrate how certain alternative assumptions would affect the results.

Sensitivity of EV (US\$ millions)

Scenario	As at 31 December 2024		As at 31 December 2023	
	EV	% Change	EV	% Change
Central value	69,035		67,447	
<i>Impact of:</i>				
200 bps increase in risk discount rates	(9,680)	(14.0)%	(8,450)	(12.5)%
200 bps decrease in risk discount rates	14,827	21.5%	13,167	19.5%
10% increase in equity prices	2,233	3.2%	1,799	2.7%
10% decrease in equity prices	(2,248)	(3.3)%	(1,823)	(2.7)%
50 bps increase in interest rates	(580)	(0.8)%	(981)	(1.5)%
50 bps decrease in interest rates	500	0.7%	945	1.4%
100 bps decrease in equity and property returns and risk discount rates	2,615	3.8%	2,585	3.8%
5% appreciation in the presentation currency	(1,164)	(1.7)%	(1,374)	(2.0)%
5% depreciation in the presentation currency	1,164	1.7%	1,374	2.0%
10% increase in lapse/discontinuance rates	(1,879)	(2.7)%	(1,790)	(2.7)%
10% decrease in lapse/discontinuance rates	2,106	3.1%	1,984	2.9%
10% increase in mortality/morbidity rates	(5,612)	(8.1)%	(5,380)	(8.0)%
10% decrease in mortality/morbidity rates	5,546	8.0%	5,296	7.9%
10% decrease in maintenance expenses	1,056	1.5%	1,048	1.6%
Expense inflation set to 0%	1,199	1.7%	1,088	1.6%

Sensitivity of VONB (US\$ millions)

Scenario	Year ended 31 December 2024		Year ended 31 December 2023	
	VONB	% Change	VONB	% Change
Central value	4,712		4,034	
<i>Impact of:</i>				
200 bps increase in risk discount rates	(993)	(21.1)%	(871)	(21.6)%
200 bps decrease in risk discount rates	1,504	31.9%	1,332	33.0%
50 bps increase in interest rates	92	2.0%	129	3.2%
50 bps decrease in interest rates	(120)	(2.5)%	(155)	(3.8)%
100 bps decrease in equity and property returns and risk discount rates	492	10.4%	412	10.2%
5% appreciation in the presentation currency	(161)	(3.4)%	(142)	(3.5)%
5% depreciation in the presentation currency	161	3.4%	142	3.5%
10% increase in lapse/discontinuance rates	(265)	(5.6)%	(261)	(6.5)%
10% decrease in lapse/discontinuance rates	293	6.2%	284	7.0%
10% increase in mortality/morbidity rates	(509)	(10.8)%	(480)	(11.9)%
10% decrease in mortality/morbidity rates	509	10.8%	478	11.8%
10% decrease in maintenance expenses	118	2.5%	103	2.6%
Expense inflation set to 0%	84	1.8%	77	1.9%

4. METHODOLOGY

4.1 Entities Included in This Report

The Group operates through a number of subsidiaries and branches. Its two main operating subsidiaries are AIA Company Limited (AIA Co.), a company incorporated in Hong Kong and a subsidiary of the Company, and AIA International Limited (AIA International), a company incorporated in Bermuda and an indirect subsidiary of the Company. Furthermore, AIA Co. has branches located in Thailand and AIA International has branches located in Hong Kong, Macau and Taiwan (China).

The following is a list of the entities and their mapping to Business Units included in this report.

- AIA Australia refers to AIA Australia Limited, a subsidiary of AIA Co.;
- AIA Cambodia refers to AIA (Cambodia) Life Insurance Plc, a subsidiary of AIA Holdings Pte. Limited, a wholly-owned subsidiary of the Company;
- AIA China refers to AIA Life Insurance Company Limited, a subsidiary of AIA Co.;
- AIA Hong Kong refers to the total of the following entities:
 - the Hong Kong and Macau branches of AIA International;
 - the Hong Kong business written by AIA Co.;
 - AIA Pensions (BVI) Limited, a subsidiary of AIA Co.;
 - AIA Everest Life Company Limited, a subsidiary of AIA Co.; and
 - AIA Holdings (Hong Kong) Limited, a wholly-owned subsidiary of the Company and also the holding company of Blue Cross (Asia-Pacific) Insurance Limited (Blue Cross);
- AIA Indonesia refers to PT AIA Financial, a subsidiary of AIA International;
- AIA Korea refers to AIA Life Insurance Co. Ltd., a subsidiary of AIA International;
- AIA Malaysia refers to AIA Bhd., a subsidiary of AIA Co., and AIA PUBLIC Takaful Bhd., a 70 per cent owned subsidiary of AIA Bhd., and AIA General Berhad, a subsidiary of AIA Bhd.;
- AIA Myanmar refers to AIA Myanmar Life Insurance Company Limited, a subsidiary of AIA Co.;
- AIA New Zealand refers to AIA New Zealand Limited, a subsidiary of AIA Sovereign Limited. AIA Sovereign Limited is a subsidiary of AIA Holdings Pte. Limited, a wholly-owned subsidiary of the Company;
- AIA Philippines refers to AIA Philippines Life and General Insurance Company Inc., a subsidiary of AIA Co., and its 51 per cent owned subsidiary BPI AIA Life Assurance Corporation;
- AIA Singapore refers to AIA Singapore Private Limited, a subsidiary of AIA Co., and its Brunei branch;
- AIA Sri Lanka refers to AIA Insurance Lanka Limited, a subsidiary of AIA Co.;
- AIA Taiwan refers to the Taiwan (China) branch of AIA International;
- AIA Thailand refers to the Thailand branches of AIA Co.;
- AIA Vietnam refers to AIA (Vietnam) Life Insurance Company Limited, a subsidiary of AIA International; and
- Tata AIA Life refers to Tata AIA Life Insurance Company Limited, an associate 49 per cent owned by AIA International.

In addition, the financial results from the entity China Post Life Insurance Co., Ltd. (China Post Life), which is 24.99 per cent owned by AIA Co., are accounted for using the equity method and have been included in the Group ANW presented in the report. For clarity, the Group's ANP, VONB and VIF do not include any contribution from China Post Life.

Results are presented consistently with the segment information in the consolidated financial statements. The summary of the EV by Business Unit in this report also includes the ANW for the "Group Corporate Centre" segment, which is derived from the IFRS equity for this segment plus mark-to-market adjustments less the value of intangible assets. In the presentation of EV and VONB, the present value of withholding tax payable on future remittances from local business units is presented under the appropriate operating segment.

4. METHODOLOGY (continued)

4.2 Embedded Value and Value of New Business

The Group uses a traditional deterministic discounted cash flow methodology for determining its EV and VONB for all entities other than Tata AIA Life. This methodology makes an implicit overall level of allowance for risk including the cost of investment return guarantees and policyholder options, asset-liability mismatch risk, credit risk, the risk that actual experience in future years differs from that assumed, and the economic cost of capital, through the use of a risk discount rate. Typically, the higher the risk discount rate, the greater the allowance for these factors. This is a common methodology used by life insurance companies in Asia currently.

The business included in the VIF and VONB calculations includes all life business written by the Business Units of the Group, plus other lines of business which may not be classified as life business but have similar characteristics. These include accident and health, group and pension businesses. The projected in-force business included in the VIF also incorporates expected renewals on short-term business with a term of one year or less.

The VONB is the present value, measured at the point of sale, of projected after-tax statutory profits emerging in the future from new business sold in the period less the cost of holding required capital in excess of regulatory reserves to support this business. The VONB for the Group is calculated based on assumptions applicable at the point of sale, after allowing for any acquisition expense overruns in excess of the relevant expense assumptions.

The EV is the sum of the ANW and VIF. The ANW is the market value of assets in excess of the assets backing the policy reserves and other liabilities of the life (and similar) business of the Group, plus the IFRS equity value of other activities, such as general insurance business, less the value of intangible assets. It excludes any amounts not attributable to shareholders of the Company. The market value of investment property and property held for own use that is used to determine the ANW is based on the fair value disclosed as per note 20 to the consolidated financial statements as at the valuation date.

The VIF is the present value of projected after-tax statutory profits by Business Units emerging in the future from the current in-force business less the cost arising from holding the required capital (CoC) to support the in-force business. CoC is calculated as the face value of the required capital as at the valuation date less the present value of the net-of-tax investment return on the shareholder assets backing required capital and the present value of projected releases from the assets backing the required capital. Where the required capital may be covered by policyholder assets such as surplus assets in a participating fund, there is no associated cost of capital included in the VIF or VONB.

EV Equity is the total of EV, goodwill and other intangible assets attributable to shareholders of the Company, after allowing for taxes.

A deduction has been made from the EV and VONB for the present value of future after-tax unallocated Group Office expenses, representing the expenses incurred by the Group Office which are not allocated to the Business Units. These unallocated Group Office expenses have been allocated to acquisition and maintenance activities, and a deduction made from the VONB and VIF respectively.

For Tata AIA Life, the Group uses the IEV methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India, consistent with local practice in India. The EV and VONB reported for Tata AIA Life are reported on a one-quarter-lag basis.

4. METHODOLOGY (continued)

4.3 Definition of New Business

New business includes the sale of new contracts during the period, additional single premium payments on recurrent single premium contracts and increments to existing contracts where these are not variations allowed for in the calculation of the VIF. The VONB also includes the present value of cash flows associated with new policies written during the reporting period but subsequently terminated before the valuation date.

For group renewable business including group yearly renewable term business, new business is composed of new schemes set up during the period plus any premium payable on existing schemes that exceeds the prior year's premiums. For individually significant group cases, the VONB is calculated over each premium rate guarantee period entered upon contract inception or renewal.

For short-term accident and health business with a term of one year or less, renewals of existing contracts are not considered new business, and the value of expected renewals on this business is included in the VIF.

For pension business, sales of new contracts during the period and any new contributions, including assets transferred in, are considered as new business for the calculation of the VONB.

New business volumes shown in this report are measured using annualised new premiums (ANP), which is an internal measure of new business sales.

4.4 Consolidation of Branches and Subsidiaries of AIA Co. and AIA International

The Company's subsidiaries, AIA Co. and AIA International, are both Hong Kong-regulated entities and subject to the Hong Kong reserving and capital requirements. In addition, AIA International, which is incorporated in Bermuda, is subject to the Bermuda Monetary Authority (BMA) reserving and capital requirements. Since 2021, the Company is also subject to the group-wide supervision (GWS) requirements implemented by the Hong Kong Insurance Authority (HKIA). AIA operates in a number of territories as branches and subsidiaries of these entities. These regulatory and other consolidated reserving and capital requirements as determined by the Group apply in addition to the relevant local requirements applicable to our Business Units, and are discussed in Section 4.6.

The EV and VONB results for the Group shown in Section 2 of this report have been adjusted to reflect the consolidated reserving and capital requirements. This approach was taken to reflect the distribution of profits from AIA Co. and AIA International after allowing for the Hong Kong, BMA, local and group-wide regulatory requirements, and other reserving and capital requirements as determined by the Group. The EV and VONB for each Business Unit reflect the local reserving and capital requirements, as discussed in Section 4.6 of this report, before a Group-level adjustment to reflect the consolidated reserving and capital requirements.

4.5 Valuation of Future Statutory Losses

For certain lines of business, projected future statutory profits are negative due to the local statutory reserves being insufficient to meet the value of future policyholder cash flows. There are a number of acceptable methods for determining the value of a combination of positive and negative statutory profits for different lines of business.

For the purposes of this valuation, future projected statutory losses have been valued by discounting them at the risk discount rate for the relevant Business Unit, with any negative VIF eliminated for each reported segment by reducing the ANW. This has been done because the allowance for risk in the range of selected risk discount rates for each Business Unit has been set taking into account the presence of any such business lines with projected statutory losses. Also, the consolidated reserving and capital requirements have the effect of reducing the level of any future projected statutory losses. Based on the assumptions described in Section 5 of this report, and allowing for the consolidated statutory reserving and capital requirements, the overall projected annual distributable profits from the current in-force business and the assets backing the required capital of the Group are positive over the remaining lifetime of the business. Therefore, it is not considered necessary to change the discounting approach described above.

4. METHODOLOGY (continued)

4.6 Capital Requirements

Each of the Business Units has a regulatory requirement to hold shareholder capital in addition to the assets backing the insurance liabilities. The table below sets out the Group's assumed level of capital requirement for each Business Unit:

Business Unit	Capital requirements
AIA Australia	100% of regulatory capital adequacy requirement
AIA China	100% of required capital following the China Association of Actuaries (CAA) EV assessment guidance, updated to reflect C-ROSS II ⁽¹⁾
AIA Hong Kong ⁽²⁾	100% of regulatory Risk-Based Capital requirement
AIA Indonesia	120% of regulatory Risk-Based Capital requirement
AIA Korea	150% of regulatory Risk-Based Capital requirement
AIA Malaysia	170% of regulatory Risk-Based Capital requirement
AIA New Zealand	100% of regulatory capital adequacy requirement
AIA Philippines	125% of regulatory Risk-Based Capital requirement
AIA Singapore	Higher of 135% of capital adequacy requirement and 80% of Tier 1 capital requirement under the regulatory Risk-Based Capital framework
AIA Sri Lanka	120% of regulatory Risk-Based Capital requirement
AIA Taiwan	250% of regulatory Risk-Based Capital requirement
AIA Thailand	140% of regulatory Risk-Based Capital requirement
AIA Vietnam	100% of required minimum solvency margin
Tata AIA Life	175% of required minimum solvency margin

Notes:

(1) China Risk-Oriented Solvency System phase II (C-ROSS II).

(2) The capital requirement for the Hong Kong branch of AIA International reflects the early adoption approved by HKIA with effect from 1 January 2022 of the Hong Kong Risk-based Capital (HKRBC). AIA Everest Life Company Limited, which is a closed block of business under AIA Co., and the Hong Kong business written by AIA Co., became subject to HKRBC regime from 1 July 2024. For clarity, the Macau branch of AIA International is further subject to 150 per cent of Macau statutory requirement.

Capital Requirements on Consolidation

The Company's subsidiaries, AIA Co. and AIA International, are both subject to the HKIA reserving and capital requirements. Following the approval by HKIA to early adopt the new HKRBC regime for AIA International, starting from 1 January 2022, AIA International is subject to the capital requirement under the new HKRBC regime, while AIA Co. became subject to the HKRBC regime from 1 July 2024. Further, the branches of AIA Co. and AIA International hold required capital of no less than 100 per cent of the HKRBC capital requirement.

In addition, AIA International, which is incorporated in Bermuda, is subject to the BMA reserving and capital requirements. AIA International and its subsidiaries hold required capital of no less than 100 per cent of the BMA regulatory capital requirement.

The above regulatory reserving and capital requirements, and other consolidated reserving and capital requirements as determined by the Group, apply in addition to the relevant local requirements applicable to our Business Units.

The Company is also subject to the GWS capital adequacy rules, including group capital adequacy requirements based on the Local Capital Summation Method (LCSM), under which the Group's published eligible group capital resources, group minimum capital requirement (GMCR) and group prescribed capital requirement (GPCR) are calculated as the sum of the eligible capital resources, minimum capital requirements and prescribed capital requirements for each entity within the Group according to the respective local regulatory requirements, subject to any variation considered necessary by the HKIA. This has not imposed any additional capital requirement to those mentioned above.

4. METHODOLOGY (continued)

4.7 Foreign Exchange

The EV as at 31 December 2024 and 31 December 2023 have been translated into the US dollar using exchange rates as at each valuation date. The VONB results shown in this report have been translated into the US dollar using the corresponding average exchange rates for each quarter. The other components of the EV profit shown in the analysis of EV movement have been translated using average exchange rates for the period.

Change on actual exchange rates (AER) is calculated based on the translated figures as described above. Change on constant exchange rates (CER) is calculated for all figures for the current year and for the prior year, using the current year constant average exchange rates, other than for EV and its components as at the end of the current year and as at the end of the prior year, which are translated using the CER as at the end of the current year.

4.8 Underlying Free Surplus Generation

The free surplus is defined as the ANW in excess of the required capital after reflecting the consolidated reserving and capital requirements and the adjustment for certain assets not eligible for regulatory capital purposes. The underlying free surplus generation represents free surplus generated from the in-force business, adjusted for certain non-recurring items, and before free surplus used to fund new business, unallocated Group Office expenses, finance costs, investment return variances and other non-operating items. The underlying free surplus generation is also calculated after reflecting the consolidated reserving and capital requirements.

5. ASSUMPTIONS

5.1 Introduction

This section summarises the assumptions used by the Group to determine the EV as at 31 December 2024 and the VONB for the year ended 31 December 2024 and highlights certain differences in assumptions between the EV as at 31 December 2023 and the EV as at 31 December 2024.

5.2 Economic Assumptions

Investment Returns

The Group has set the assumed long-term future returns for fixed income assets to reflect its view of expected returns having regard to estimates of long-term forward rates from yields available on government bonds and current bond yields. In determining returns on fixed income assets, the Group allows for the risk of default, and this allowance varies by the credit rating of the underlying asset.

Where long-term views of investment return assumptions differ from current market yields on existing fixed income assets, an adjustment was made to make allowance for the current market yields. In these cases, in calculating the VIF, adjustments have been made to the investment return assumptions such that the investment returns on existing fixed income assets were set consistently with the current market yield on these assets for their expected remaining term, to be consistent with the valuation of the assets backing the policy liabilities.

The Group has set the equity return and property return assumptions by reference to the long-term return on 10-year government bonds, allowing for an internal assessment of risk premia that vary by asset class and by territory.

For each Business Unit, the non-linked portfolio is divided into a number of distinct product groups, and the returns for each of these product groups have been derived by considering current and future targeted asset allocations and associated investment returns for major asset classes.

For unit-linked business, fund growth assumptions have been determined based on actual asset mix within the funds at the valuation date and expected long-term returns for major asset classes.

For Tata AIA Life, the Group uses the IEV methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India for determining its EV and VONB. This methodology uses investment returns and risk discount rates that reflect the market-derived government bond yield curve. Therefore, the risk discount rate and long-term investment returns are not provided for Tata AIA Life.

5. ASSUMPTIONS (continued)

5.2 Economic Assumptions (continued)

Risk Discount Rates

The risk discount rates can be considered as the sum of the appropriate risk-free interest rate, to reflect the time value of money, and a risk margin to make an implicit allowance for risk.

The table below summarises the current market 10-year government bond yields referenced in EV calculations.

Business Unit	Current market 10-year government bond yields referenced in EV calculations (%)	
	As at 31 December 2024	As at 31 December 2023
AIA Australia	4.36	3.89
AIA China	1.68	2.57
AIA Hong Kong ⁽¹⁾	4.57	3.84
AIA Indonesia	7.00	6.49
AIA Korea	2.87	3.18
AIA Malaysia	3.81	3.73
AIA New Zealand	4.41	4.31
AIA Philippines	6.18	5.95
AIA Singapore	2.86	2.70
AIA Sri Lanka	11.27	13.10
AIA Taiwan	1.61	1.21
AIA Thailand	2.30	2.70
AIA Vietnam	3.12	2.30

Note:

(1) The majority of AIA Hong Kong's assets and liabilities are denominated in the US dollar. The 10-year government bond yields shown above are those of US dollar-denominated bonds.

5. ASSUMPTIONS (continued)

5.2 Economic Assumptions (continued)

Risk Discount Rates (continued)

The table below summarises the risk discount rates and long-term investment returns assumed in EV calculations. The risk discount rates in 2024 reflect the weighted average of the risk margins of the in-force business at the start of 2024, and those of the new business written during 2024 which are determined at a product level to better reflect the market and non-market risks associated with the mix of products sold during the reporting period. In addition, the VONB results are calculated based on start-of-quarter long-term investment return assumptions consistent with the measurement at the point of sale. The present value of unallocated Group Office expenses was calculated using the AIA Hong Kong risk discount rate. The investment returns on existing fixed income assets were set consistently with the market yields on these assets. The investment returns shown are gross of tax and investment expenses.

Business Unit	Risk discount rates assumed in EV calculations (%)			Long-term investment returns assumed in EV calculations (%)					
				10-year government bonds			Local equities		
	As at 31 Dec 2024	As at 30 Jun 2024 (Unaudited)	As at 31 Dec 2023	As at 31 Dec 2024	As at 30 Jun 2024 (Unaudited)	As at 31 Dec 2023	As at 31 Dec 2024	As at 30 Jun 2024 (Unaudited)	As at 31 Dec 2023
AIA Australia	7.92	7.92	7.93	3.80	3.80	3.80	8.10	8.10	8.10
AIA China	8.36	9.14	9.16	2.70	3.50	3.50	8.00	8.80	8.80
AIA Hong Kong ⁽¹⁾	7.95	7.96	7.97	3.50	3.50	3.50	8.00	8.00	8.00
AIA Indonesia	12.08	13.12	13.17	7.50	7.50	7.50	11.00	12.00	12.00
AIA Korea	8.55	8.68	8.81	3.00	3.00	3.00	7.30	7.30	7.30
AIA Malaysia	8.20	8.74	8.80	4.30	4.50	4.50	8.60	9.10	9.10
AIA New Zealand	7.54	7.85	7.85	3.80	3.80	3.80	8.00	8.30	8.30
AIA Philippines	11.10	12.10	12.10	6.00	6.00	6.00	9.80	10.80	10.80
AIA Singapore	7.34	7.36	7.38	3.10	3.10	3.10	7.60	7.60	7.60
AIA Sri Lanka	14.70	14.70	14.70	10.00	10.00	10.00	12.00	12.00	12.00
AIA Taiwan	7.62	7.62	7.62	1.50	1.50	1.50	6.10	6.10	6.10
AIA Thailand	7.42	7.77	7.81	3.40	3.40	3.40	7.80	8.10	8.10
AIA Vietnam	9.86	9.55	9.54	4.00	4.00	4.00	9.60	9.30	9.30

Note:

(1) The majority of AIA Hong Kong's assets and liabilities are denominated in the US dollar. The 10-year government bond assumptions shown above are those of US dollar-denominated bonds, and the local equities assumption shown is that of US dollar-denominated equities.

5. ASSUMPTIONS (continued)

5.3 Persistency

Persistency covers the assumptions required, where relevant, for policy lapse (including surrender), premium persistency, premium holidays, partial withdrawals and retirement rates for pension products.

Assumptions have been developed by each of the Business Units based on their recent historical experience and expected future experience. Persistency assumptions vary by policy year and product type with different rates for regular and single premium products.

Where experience for a particular product was not credible enough to allow any meaningful analysis to be performed, experience for similar products was used as a basis for future persistency experience assumptions.

In the case of surrenders, the valuation assumes that current surrender value bases will continue to apply in the future.

5.4 Expenses

The expense assumptions have been set based on the most recent expense analysis. The purpose of the expense analysis is to allocate total expenses between acquisition and maintenance activities, and then to allocate these acquisition and maintenance expenses to various product categories to derive unit cost assumptions.

Where the expenses associated with certain activities have been identified as being one-off, these expenses have been excluded from the expense analysis.

Expense assumptions have been determined for acquisition and maintenance activities, split by product type, and unit costs expressed as a percentage of premiums, sum assured and an amount per policy. Where relevant, expense assumptions have been calculated per distribution channel.

Expense assumptions do not make allowance for any anticipated future expense savings as a result of any strategic initiatives aimed at improving policy administration and claims handling efficiency.

Assumptions for commission rates and other sales-related payments have been set in line with actual experience.

Group Office Expenses

Group Office expense assumptions have been set, after excluding non-operating expenses, based on actual acquisition and maintenance expenses in the year ended 31 December 2024. The Group Office acquisition expenses have been deducted from the VONB. The present value of the projected future Group Office maintenance expenses has been deducted from the Group EV. The maintenance expense assumptions in the VONB also allow for the allocation of Group Office expenses.

5. ASSUMPTIONS (continued)

5.5 Expense Inflation

The expected long-term expense inflation rates used by each Business Unit are set out below:

Expense Inflation Assumptions by Business Unit (%)

Business Unit	As at 31 December 2024	As at 31 December 2023
AIA Australia	2.25	2.25
AIA China	2.00	2.00
AIA Hong Kong	2.00	2.00
AIA Indonesia	3.50	3.50
AIA Korea	3.50	3.50
AIA Malaysia	3.00	3.00
AIA New Zealand	2.00	2.00
AIA Philippines	3.50	3.50
AIA Singapore	2.00	2.00
AIA Sri Lanka	6.50	6.50
AIA Taiwan	1.20	1.20
AIA Thailand	2.00	2.00
AIA Vietnam	4.00	4.00
Tata AIA Life ⁽¹⁾	6.35	6.85

Note:

(1) For Tata AIA Life, in accordance with the IEV methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India, the inflation assumption is derived by applying a spread to the reference interest rate.

Unallocated Group Office expenses are assumed to inflate by the weighted average of the Business Unit expense inflation rates.

5. ASSUMPTIONS (continued)

5.6 Mortality

Assumptions have been developed by each Business Unit based on their recent historical experience and expected future experience. Where historical experience is not credible, reference has been made to pricing assumptions supplemented by market data, where available.

Mortality assumptions have been expressed as a percentage of either standard industry experience tables or, where experience is sufficiently credible, as a percentage of tables that have been developed internally by the Group.

For annuity products that are exposed to longevity risk, an allowance has been made for expected future improvements in mortality; otherwise no allowance has been made for mortality improvements.

5.7 Morbidity

Assumptions have been developed by each Business Unit based on their recent historical experience and expected future experience. Morbidity rate assumptions have been expressed as a percentage of standard industry experience tables or as expected claims ratios.

5.8 Reinsurance

Reinsurance assumptions have been developed by each Business Unit based on the reinsurance arrangements in force as at the valuation date and the recent historical and expected future experience.

5.9 Policyholder Dividends, Profit Sharing and Interest Crediting

The projected policyholder dividends, profit sharing and interest crediting assumptions set by each Business Unit that have been used in calculating the EV results presented in this report, reflect contractual and regulatory requirements, policyholders' reasonable expectations (where clearly defined) and each Business Unit's expectation of future policies, strategies and operations consistent with the investment return assumptions used in the EV results.

Participating fund surpluses have been assumed to be distributed between policyholders and shareholders via future final bonuses or at the end of the projection period so that there are no residual assets at the end of the projection period.

5. ASSUMPTIONS (continued)

5.10 Taxation

The EV and VONB presented in this report are net of tax based on current taxation legislation. The projected corporate income tax payable in any year allows for the benefits arising from any tax loss carried forward where relevant. Where applicable, tax payable on investment income has been reflected in the projected investment returns. Any withholding tax payable on future remittances from local business units is also reflected under the appropriate operating segment.

The local corporate income tax rates used by each Business Unit are set out below:

Local Corporate Income Tax Rates by Business Unit (%)

Business Unit	As at 31 December 2024	As at 31 December 2023
AIA Australia	30.0	30.0
AIA China	25.0	25.0
AIA Hong Kong	16.5	16.5
AIA Indonesia	22.0	22.0
AIA Korea	23.1	23.1
AIA Malaysia	24.0	24.0
AIA New Zealand	28.0	28.0
AIA Philippines	25.0	25.0
AIA Singapore	17.0	17.0
AIA Sri Lanka	30.0	30.0
AIA Taiwan	20.0	20.0
AIA Thailand	20.0	20.0
AIA Vietnam	20.0	20.0
Tata AIA Life	14.6	14.6

In 2023, Bermuda had introduced and enacted a corporate income tax rate of 15 per cent, effective from 1 January 2025. The impact of the introduction of corporate income tax in Bermuda has been reflected in Group EV since 31 December 2023.

The Group EV has not reflected the effects of Base Erosion and Profit Shifting (BEPS) as described under note 11 to the consolidated financial statements. The Group anticipates that such exposures may arise from 2025 onwards. However, due to significant areas of uncertainty in the application of the legislation, the quantitative impact of the Pillar Two legislation enacted or substantively enacted at the reporting date, but not yet effective, is not yet known or reasonably estimable.

5.11 Statutory Valuation Bases

The projection of regulatory liabilities at future points in time assumes the continuation of the reserving methodologies used to value policyholder liabilities as at the valuation date.

5.12 Product Charges

Management fees and product charges reflected in the VIF and VONB have been assumed to follow existing scales.

6. EVENTS AFTER THE REPORTING PERIOD

On 14 March 2025, a Committee appointed by the Board of Directors proposed a final dividend of 130.98 Hong Kong cents per share (2023: final dividend of 119.07 Hong Kong cents per share).

INDEX TO THE 2023 FINANCIAL STATEMENTS AND SUPPLEMENTARY EMBEDDED VALUE INFORMATION

(1) AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER FOR THE YEAR ENDED 31 DECEMBER 2023

Independent Auditor's Report ⁽¹⁾	F-198
Consolidated Income Statement	F-205
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(2) AUDITED SUPPLEMENTARY EMBEDDED VALUE INFORMATION AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

Independent Auditor's Report on the Supplementary Embedded Value Information ⁽¹⁾	F-374
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(1) References to page numbers in the independent auditor's report on the audited consolidated financial statements and the independent auditor's report on the Supplementary Embedded Value Information refer to the original page numbers in the 2023 results announcement of the Issuer which may be found at <http://www.aia.com>, and cross-references to page numbers included in the independent auditor's reports are to such original page numbering. Neither the 2023 results announcement nor any other information on the issuer's website has been incorporated by reference into this Offering Circular.



羅兵咸永道

TO THE SHAREHOLDERS OF AIA GROUP LIMITED

(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of AIA Group Limited (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 62 to 230, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, including material accounting policy information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified relate to the valuation of insurance contract liabilities.

Key audit matter	How our audit addressed the key audit matter

Valuation of insurance contract liabilities

Refer to the following notes in the consolidated financial statements: Note 2.3 for related accounting policies, Note 3 for critical accounting estimates and judgements and Note 24 'Insurance contracts and reinsurance contracts held'.

As at 31 December 2023, the Group has insurance contract liabilities of US\$203,271 million.

The work to address the valuation of insurance contract liabilities including the following audit procedures:

The Management's valuation of these insurance contract liabilities which are measured as the total of fulfilment cash flows ("FCF") and contractual service margin ("CSM"), involves significant judgement about uncertain future outcomes including the development of significant actuarial assumptions and methodologies.

(a) Fulfilment cash flows

FCF are determined using assumptions as at the valuation date. In addition, for insurance contracts with significant financial options and guarantees, stochastic modelling techniques are applied in measuring those contracts' FCF.

Therefore, these liabilities are subject to significant estimation uncertainty and the associated inherent risk is considered significant.

(a) Fulfilment cash flows

- We performed the following procedures over actuarial methodologies:
 - o Understood and evaluated the design of the controls in place over the determination of actuarial methodologies used and material model changes;
 - o Obtained the methodology documentation and reviewed the appropriateness of material changes identified; and
 - o Performed testing on a sample basis to verify the material changes to the methodology are reflected in the actuarial models (as applicable).

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities (continued)	
(a) Fulfilment cash flows (continued)	(a) Fulfilment cash flows (continued)
As part of our consideration of assumptions, we have focused on assumptions that has a significant impact to the measurement of FCF. We have, in relation to actuarial methodologies used, focused on changes in methodologies from the prior year as well as methodologies applied to material new product types (as applicable).	• We assessed the reasonableness of the significant assumptions. Our assessment of the assumptions included: - o Understood and evaluated the design of the controls in place to determine the assumptions and data inputs used in determining these assumptions; - o Examined the approach used by management to derive the assumptions by applying our industry knowledge and experience; and - o Challenged the significant assumptions used by management against past experience, market observable data (as applicable) and our experience of market practice.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities (continued)	
(b) Contractual Service Margin	(b) Contractual Service Margin
The CSM represents the unearned profits that the Group will recognise as it provides services under the insurance contracts. The release of CSM of a group of contracts is recognised as insurance revenue in each period based on the number of coverage units provided in the period. Coverage units in turn are determined by factors including the quantity of services provided and time value of money. Management applied judgement to identify the service provided and then determine the quantity of services provided. As part of our audit we have focused on the determination of coverage units as it is subject to a higher degree of judgement and the associated inherent risk is considered significant.	In addition to the procedures performed over the underlying fulfilment cash flows, we have also: • Understood and evaluated the design of the controls in place over the process including the basis used to identify the services and to determine the quantity of services provided; • Assessed the appropriateness of the different services identified by management, by reviewing the terms and benefits features of insurance contracts issued on a sample basis; and • Assessed the appropriateness of the determination of coverage units by management in respect of the services to be provided against relevant market publications. Based upon the work performed, we found the methodologies, assumptions and judgments used in relation to insurance contract liabilities to be appropriate.



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Other Information

The Directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Matter

The Group has prepared Supplementary Embedded Value Information as at and for the year ended 31 December 2023 in accordance with the embedded value basis of preparation set out in Sections 4 and 5 of the Supplementary Embedded Value Information, on which we issued a separate auditor's report to the Board of Directors of the Company dated 14 March 2024.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and IFRS Accounting Standards issued by the IASB and the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

(continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ling Tung Man, Tom.

PricewaterhouseCoopers

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

14 March 2024

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CONSOLIDATED INCOME STATEMENT

US\$m	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Insurance revenue	8, 24	17,514	16,319
Insurance service expenses	10, 24	(12,078)	(10,434)
Net expenses from reinsurance contracts held	24	(345)	(419)
Insurance service result		5,091	5,466
Interest revenue on	9		
Financial assets not measured at fair value through profit or loss		4,062	3,837
Financial assets measured at fair value through profit or loss		3,758	3,430
Other investment return	9	4,941	(38,647)
Net impairment loss on financial assets	9	(195)	(233)
Investment return	9	12,566	(31,613)
Net finance (expenses)/income from insurance contracts	9	(10,456)	30,957
Net finance income from reinsurance contracts held	9	65	67
Movement in investment contract liabilities	9, 25	(572)	1,106
Movement in third-party interests in consolidated investment funds	9	(56)	34
Net investment result	9	1,547	551
Fee income		114	138
Other operating revenue		294	301
Other expenses	10	(1,752)	(1,896)
Other finance costs	10	(463)	(385)
Profit before share of losses from associates and joint ventures		4,831	4,175
Share of losses from associates and joint ventures		(267)	(121)
Profit before tax		4,564	4,054
Tax expense	11	(783)	(689)
Net profit		3,781	3,365
<i>Net profit attributable to:</i>			
Shareholders of AIA Group Limited		3,764	3,331
Non-controlling interests		17	34
Earnings per share (US\$)			
Basic	12	0.33	0.28
Diluted	12	0.33	0.28

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US\$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Net profit	3,781	3,365
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains/(losses) on financial assets at fair value through other comprehensive income (net of tax of: 2023: US\$(997)m; 2022: US\$1,788m)	3,589	(10,519)
Fair value losses on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal (net of tax of: 2023: US\$20m; 2022: US\$(26)m)	95	455
Foreign currency translation adjustments	(215)	(1,490)
Cash flow hedges	(8)	(3)
Net finance (expenses)/income from insurance contracts (net of tax of: 2023: US\$1,403m; 2022: US\$(1,164)m)	(4,400)	3,394
Net finance income/(expenses) from reinsurance contracts held (net of tax of: 2023: US\$(51)m; 2022: US\$(3)m)	60	(251)
Share of other comprehensive expense from associates and joint ventures	(496)	(530)
Subtotal	(1,375)	(8,944)
Items that will not be reclassified subsequently to profit or loss:		
Revaluation gains on property held for own use (net of tax of: 2023: US\$(19)m; 2022: US\$(2)m)	28	60
Effect of remeasurement of net liability of defined benefit schemes (net of tax of: 2023: US\$2m; 2022: US\$(6)m)	(8)	25
Subtotal	20	85
Total other comprehensive expense	(1,355)	(8,859)
Total comprehensive income/(expense)	2,426	(5,494)
<i>Total comprehensive income/(expense) attributable to:</i>		
Shareholders of AIA Group Limited	2,417	(5,497)
Non-controlling interests	9	3

Note:

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US\$m	Notes	As at 31 December 2023	As at 31 December 2022 (restated)	As at 1 January 2022 (restated)
Assets				
Intangible assets	14	3,615	3,277	2,914
Investments in associates and joint ventures	15	1,331	2,056	831
Property, plant and equipment	16	4,058	2,844	2,744
Investment property	17	4,504	4,600	4,716
Insurance contract assets	24	1,457	2,037	3,681
Reinsurance contract assets	24	6,047	5,763	6,436
Financial investments:	18, 20, 42			
At amortised cost				
Debt securities		2,165	1,787	1,476
Loans and deposits		3,723	4,566	5,434
At fair value through other comprehensive income				
Debt securities		88,612	86,060	103,580
At fair value through profit or loss				
Debt securities		86,981	77,496	94,916
Loans and deposits		272	279	297
Equity shares		19,287	23,378	30,817
Interests in investment funds and exchangeable loan notes		47,166	38,577	40,243
Derivative financial instruments	19, 42	752	568	1,468
		248,958	232,711	278,231
Deferred tax assets	11, 42	301	229	104
Current tax recoverable	42	207	117	120
Other assets	21, 42	4,316	4,524	6,486
Cash and cash equivalents	22, 42	11,525	8,020	4,989
Assets in disposal group held for sale	42	–	4,293	–
Total assets		286,319	270,471	311,252
Liabilities				
Insurance contract liabilities	24, 42	203,271	181,851	217,773
Reinsurance contract liabilities	24, 42	336	384	709
Investment contract liabilities	25, 42	9,170	9,092	13,896
Borrowings	26	11,800	11,206	9,588
Obligations under repurchase agreements	27	3,461	1,748	1,588
Derivative financial instruments	19, 42	8,035	8,638	1,392
Provisions	29	174	153	186
Deferred tax liabilities	11, 42	3,204	3,409	4,103
Current tax liabilities		387	467	389
Other liabilities	30, 42	4,887	4,264	5,121
Liabilities in disposal group held for sale	42	–	4,111	–
Total liabilities		244,725	225,323	254,745

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

US\$m	Notes	As at 31 December 2023	As at 31 December 2022 (restated)	As at 1 January 2022 (restated)
Equity				
Share capital	31	14,176	14,171	14,160
Employee share-based trusts	31	(367)	(290)	(225)
Other reserves	31	(11,788)	(11,812)	(11,841)
Retained earnings		44,333	46,499	48,997
Other comprehensive income		(5,243)	(3,896)	4,932
<i>Total equity attributable to:</i>				
Shareholders of AIA Group Limited		41,111	44,672	56,023
Non-controlling interests	32	483	476	484
Total equity		41,594	45,148	56,507
Total liabilities and equity		286,319	270,471	311,252

Approved and authorised for issue by the Board of Directors on 14 March 2024.

Lee Yuan Siong
Director

Edmund Sze-Wing Tse
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US\$m	Note	Other comprehensive income										Total equity
		Share capital	Employee share-based trusts	Other reserves	Retained earnings	Fair value reserve	Foreign currency translation reserve	Insurance finance reserve	Property revaluation reserve	Others	Non-controlling interests	
Balance at 1 January 2023 (restated)		14,171	(290)	(11,812)	46,499	(3,737)	(2,735)	1,238	1,279	59	476	45,148
Net profit		-	-	-	3,764	-	-	-	-	-	17	3,781
Fair value gains on financial assets at fair value through other comprehensive income		-	-	-	-	3,581	-	-	-	-	8	3,589
Fair value losses on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal		-	-	-	-	95	-	-	-	-	-	95
Foreign currency translation adjustments		-	-	-	-	-	(213)	-	-	-	(2)	(215)
Cash flow hedges		-	-	-	-	-	-	-	-	(8)	-	(8)
Net finance expenses from insurance contracts		-	-	-	-	-	-	(4,386)	-	-	(14)	(4,400)
Net finance income from reinsurance contracts held		-	-	-	-	-	-	60	-	-	-	60
Share of other comprehensive income/(expense) from associates and joint ventures		-	-	-	-	577	(2)	(1,071)	-	-	-	(496)
Revaluation gains on property held for own use		-	-	-	-	-	-	-	28	-	-	28
Effect of remeasurement of net liability of defined benefit schemes		-	-	-	-	-	-	-	-	(8)	-	(8)
Total comprehensive income/(expense) for the year		-	-	-	3,764	4,253	(215)	(5,397)	28	(16)	9	2,426
Dividends	13	-	-	-	(2,293)	-	-	-	-	-	(19)	(2,312)
Share buy-back		-	-	-	(3,637)	-	-	-	-	-	-	(3,637)
Shares issued under share option scheme and agency share purchase plan		5	-	-	-	-	-	-	-	-	-	5
Increase in non-controlling interests		-	-	(15)	-	-	-	-	-	-	17	2
Share-based compensation		-	-	77	-	-	-	-	-	-	-	77
Purchase of shares held by employee share-based trusts		-	(115)	-	-	-	-	-	-	-	-	(115)
Transfer of vested shares from employee share-based trusts		-	38	(38)	-	-	-	-	-	-	-	-
Balance at 31 December 2023		14,176	(367)	(11,788)	44,333	516	(2,950)	(4,159)	1,307	43	483	41,594

Note:

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

US\$m	Notes	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Other comprehensive income					Non-controlling interests	Total equity
						Fair value reserve	Foreign currency translation reserve	Insurance finance reserve	Property revaluation reserve	Others		
Balance at 1 January 2022, as previously reported		14,160	(225)	(11,841)	49,984	8,407	(1,068)	–	1,069	(19)	467	60,934
Impact of initial adoption of IFRS 9 and IFRS 17	43	–	–	–	(1,208)	(1,766)	–	(1,895)	369	56	17	(4,427)
Retrospective adjustments for amendment to IAS 16	43	–	–	–	221	–	–	–	(221)	–	–	–
Balance at 1 January 2022 (restated)		14,160	(225)	(11,841)	48,997	6,641	(1,068)	(1,895)	1,217	37	484	56,507
Net profit		–	–	–	3,331	–	–	–	–	–	34	3,365
Fair value losses on financial assets at fair value through other comprehensive income		–	–	–	–	(10,499)	–	–	–	–	(20)	(10,519)
Fair value losses on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal		–	–	–	–	455	–	–	–	–	–	455
Foreign currency translation adjustments		–	–	–	–	–	(1,469)	–	–	–	(21)	(1,490)
Cash flow hedges		–	–	–	–	–	–	–	–	(3)	–	(3)
Net finance income from insurance contracts		–	–	–	–	–	–	3,384	–	–	10	3,394
Net finance expenses from reinsurance contracts held		–	–	–	–	–	–	(251)	–	–	–	(251)
Share of other comprehensive (expense)/income from associates and joint ventures		–	–	–	–	(334)	(198)	–	2	–	–	(530)
Revaluation gains on property held for own use		–	–	–	–	–	–	–	60	–	–	60
Effect of remeasurement of net liability of defined benefit schemes		–	–	–	–	–	–	–	–	25	–	25
Total comprehensive income/(expense) for the year (restated)		–	–	–	3,331	(10,378)	(1,667)	3,133	62	22	3	(5,494)
Dividends	13	–	–	–	(2,259)	–	–	–	–	–	(20)	(2,279)
Share buy-back		–	–	–	(3,570)	–	–	–	–	–	–	(3,570)
Shares issued under share option scheme and agency share purchase plan		11	–	–	–	–	–	–	–	–	–	11
Increase in non-controlling interests		–	–	(13)	–	–	–	–	–	–	13	–
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	(4)	(4)
Share-based compensation		–	–	80	–	–	–	–	–	–	–	80
Purchase of shares held by employee share-based trusts		–	(103)	–	–	–	–	–	–	–	–	(103)
Transfer of vested shares from employee share-based trusts		–	38	(38)	–	–	–	–	–	–	–	–
Balance at 31 December 2022 (restated)		14,171	(290)	(11,812)	46,499	(3,737)	(2,735)	1,238	1,279	59	476	45,148

Note:

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

CONSOLIDATED STATEMENT OF CASH FLOWS

US\$m	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Cash flows from operating activities			
Profit before tax		4,564	4,054
Adjustments for:			
Financial investments		(9,435)	31,199
Insurance contracts		15,772	(23,413)
Reinsurance contracts held		(269)	(78)
Investment contracts		(2,718)	(1,492)
Obligations under repurchase agreements	27	1,739	186
Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items		(7,008)	(8,312)
Operating cash items:			
Interest received		7,486	7,246
Dividends received		1,663	1,204
Interest paid		(82)	(47)
Tax paid		(793)	(680)
Net cash provided by operating activities		10,919	9,867
Cash flows from investing activities			
Payments for intangible assets	14	(326)	(386)
Distribution or dividend from an associate	15	1	1
Payments for increase in interest of joint ventures		(68)	(11)
Proceeds from sales of investment property and property, plant and equipment	16, 17	–	7
Payments for investment property and property, plant and equipment	16, 17	(1,420)	(157)
Acquisition/disposal of subsidiaries and disposal group held for sale, net of cash acquired/disposed of		(324)	(271)
Net cash used in investing activities		(2,137)	(817)
Cash flows from financing activities			
Issuances of medium-term notes and securities	26	996	1,818
Redemption of medium-term notes	26	(500)	(165)
Proceeds from other borrowings	26	150	1,364
Repayment of other borrowings	26	(114)	(1,364)
Capital contribution from non-controlling interests		2	–
Payments for lease liabilities ⁽¹⁾		(150)	(168)
Interest paid on medium-term notes and securities		(394)	(330)
Dividends paid during the year		(2,312)	(2,279)
Share buy-back		(3,637)	(3,570)
Purchase of shares held by employee share-based trusts		(115)	(103)
Shares issued under share option scheme and agency share purchase plan		5	11
Net cash used in financing activities		(6,069)	(4,786)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

US\$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Net increase in cash and cash equivalents	2,713	4,264
Cash and cash equivalents at beginning of the financial year	8,766	4,695
Effect of exchange rate changes on cash and cash equivalents	(29)	(193)
Cash and cash equivalents at end of the financial year	11,450	8,766

Note:

(1) The total cash outflow for leases for the year ended 31 December 2023 was US\$157m (2022: US\$170m).

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

US\$m	Notes	As at 31 December 2023	As at 31 December 2022 (restated)
Cash and cash equivalents in the consolidated statement of financial position	22, 42	11,525	8,969
Bank overdrafts		(75)	(203)
Cash and cash equivalents in the consolidated statement of cash flows		11,450	8,766

1. CORPORATE INFORMATION

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation and statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRS), IFRS® Accounting Standards and the Hong Kong Companies Ordinance. IFRS Accounting Standards is substantially consistent with HKFRS and the accounting policy selections that the Group has made in preparing these consolidated financial statements are such that the Group is able to comply with both HKFRS and IFRS Accounting Standards. References to IFRS Accounting Standards, IAS® Standards and IFRIC® Interpretations in these consolidated financial statements should be read as referring to the equivalent HKFRS, Hong Kong Accounting Standards (HKAS) and Hong Kong (IFRIC) Interpretations (HK(IFRIC) – Int) as the case may be. Accordingly, there are not any differences of accounting practice between HKFRS and IFRS Accounting Standards affecting these consolidated financial statements.

The consolidated financial statements have been approved for issue by the Board of Directors on 14 March 2024.

The consolidated financial statements have been prepared using the historical cost convention, as modified by the revaluation of financial assets measured at fair value through other comprehensive income, financial assets and liabilities measured at fair value through profit or loss, derivative financial instruments, property held for own use and investment properties, all of which are carried at fair value. Additionally, insurance and reinsurance contract assets and liabilities are measured using a fulfilment cash flow and contractual service margin (CSM) basis.

The presentation currency of the Company and the Group is the US dollar. The consolidated financial statements are presented in millions of US dollar (US\$m) unless otherwise stated.

The accounting policies adopted are consistent with those of the previous financial year, except as described as follows.

(a) New amendment and new and revised standards adopted by the Group:

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

Additional information on the qualitative and quantitative effects of the adoption of the new and revised accounting standards on the Group’s consolidated financial statements is provided in note 43.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation and statement of compliance (continued)

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

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

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

- Amendments to IAS 1, Classification of Liabilities as Current or Non-current (2024);
- Amendments to IAS 1, Non-current Liabilities with Covenants (2024);
- Amendments to IAS 7 and IFRS 7, Supplier Finance Arrangements (2024);
- Amendments to IFRS 16, Lease Liability in a Sale and Leaseback (2024); and
- Amendments to IAS 21, Lack of Exchangeability (2025).

The material accounting policies adopted in the preparation of the Group's consolidated financial statements are set out below. These policies have been applied consistently in all periods presented and the comparative period ended 31 December 2022 has been restated to conform to IFRS 9, IFRS 17 and amendment to IAS 16. The Company's statement of financial position and the statement of changes in equity, as set out in notes 44 and 45 respectively, have been prepared in accordance with the Group's accounting policies.

2.2 Operating profit

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Operating profit (continued)

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

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

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.2 Separating components from insurance contracts and reinsurance contracts held

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

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

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

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

Insurance contracts

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

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

Reinsurance contracts held

Reinsurance contracts held by the Group cover underlying insurance contracts.

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

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

2.3.4 Fulfilment cash flows and contract boundaries

Fulfilment cash flows

Fulfilment cash flows comprise:

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

Further details of the related methodology and assumptions in respect of estimation of fulfilment cash flows are provided in note 24.

Contract boundaries

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

Insurance contracts

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

A substantive obligation to provide insurance contract services ends when:

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.4 Fulfilment cash flows and contract boundaries (continued)

Contract boundaries (continued)

Reinsurance contracts held

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

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

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

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

2.3.5 Insurance acquisition cash flows

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

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

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

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

Recoverability assessment

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.6 Measurement – insurance contracts not measured under the PAA

2.3.6.1 Initial measurement

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

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

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

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

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

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

2.3.6.2 Subsequent measurement

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

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

2.3.6.2 Subsequent measurement (continued)

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

Insurance contracts without direct participation features

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

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

2.3.6.2 Subsequent measurement (continued)

Insurance contracts with direct participation features

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.7 Measurement – insurance contracts measured under the PAA

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

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

2.3.7.1 Initial measurement

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

2.3.7.2 Subsequent measurement

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.8 Reinsurance contracts held

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

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

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

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

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

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

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows;
- income recognised in profit or loss in respect of a loss recognised for onerous underlying contracts. A loss-recovery component is established or adjusted in the asset for remaining coverage of reinsurance contracts held for the amount of income recognised;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless the changes result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss for the services received in the period.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.8 Reinsurance contracts held (continued)

Reinsurance of onerous underlying insurance contracts

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

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

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

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

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

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

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

Reinsurance contracts held measured under the PAA

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.9 Transition approaches

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

Contracts measured under the modified retrospective approach

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

Contracts without direct participation features

For relevant groups of contracts without direct participation features,

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

Contracts with direct participation features

For relevant groups of contracts with direct participation features,

- The Group determined the CSM (or the loss component) at 1 January 2022 by calculating a proxy for the total CSM for all services to be provided under the group that equal to the fair value of the underlying items at 1 January 2022 minus the fulfilment cash flows at 1 January 2022, adjusted for:
 - amounts charged to policyholders (including charges deducted from the underlying items) before 1 January 2022;
 - amounts paid before 1 January 2022 that would not have varied based on the underlying items;
 - the change in the risk adjustment for non-financial risk caused by the release from risk before 1 January 2022, which was estimated based on an analysis of similar contracts that the Group issued at 1 January 2022; and
 - insurance acquisition cash flows arising before 1 January 2022 that were allocated to the group.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.9 Transition approaches (continued)

Contracts measured under the modified retrospective approach (continued)

Contracts with direct participation features (continued)

- If the calculation resulted in a CSM, then the Group measured the CSM at 1 January 2022 by deducting the CSM related to services provided before 1 January 2022. The CSM related to services provided before 1 January 2022 was determined by comparing the coverage units at 1 January 2022 with the coverage units provided under the group of contracts before that date.
- If the calculation resulted in a loss component, then the Group adjusted the loss component to zero and increased the LRC excluding the loss component by the same amount at 1 January 2022.
- The amount of insurance finance income or expenses accumulated in the insurance finance reserve at 1 January 2022 was determined to be equal to the cumulative amount recognised in the other comprehensive income on the underlying items as applicable.

Reinsurance of onerous underlying contracts

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

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

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

Insurance acquisition cash flows – Modified retrospective approach

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.9 Transition approaches (continued)

Contracts measured under the fair value approach

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

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

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

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

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

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

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

For groups of contracts measured under the fair value approach,

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.9 Transition approaches (continued)

Contracts measured under the fair value approach (continued)

Insurance acquisition cash flows – Fair value approach

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

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

2.3.10 Derecognition and contract modification

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.11 Presentation

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

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

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

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

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

2.3.11.1 Insurance revenue – insurance contracts not measured under the PAA

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.11 Presentation (continued)

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

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

2.3.11.3 Insurance revenue – insurance contracts measured under the PAA

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

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

2.3.11.4 Loss components – insurance contracts not measured under the PAA

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

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

2.3.11.5 Insurance service expenses

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.3.11 Presentation (continued)

2.3.11.6 Net expenses from reinsurance contracts held

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

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

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

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

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

2.3.11.7 Insurance finance income or expenses

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Investment contracts

Investment contracts do not contain sufficient insurance risk to be considered insurance contracts and are accounted for as a financial liability, other than investment contracts with DPF which are excluded from the scope of IFRS 9 and are accounted for as insurance contracts.

Revenue from these contracts consists of various charges (policy fees, handling fees, management fees and surrender charges) made against the contract for the cost of insurance, expenses and early surrender. First year charges are amortised over the life of the contract as the services are provided.

Investment contract fee revenue

Customers are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's account balance. The fees are recognised as revenue in the period in which they are received unless they relate to services to be provided in future periods, in which case they are deferred and recognised as the service is provided.

When part of the fee received from a policyholder is expected to be refunded in the future, the related fee is not recognised as a revenue and a sales inducement liability is established which forms part of the investment contract liabilities.

Origination and other "upfront" fees (fees that are assessed against the account balance as consideration for origination of the contract) are charged on some non-participating investment and pension contracts. Where the investment contract is recorded at amortised cost, these fees are amortised and recognised over the expected term of the policy as an adjustment to the effective yield. Where the investment contract is measured at fair value, the front-end fees that relate to the provision of investment management services are amortised and recognised as the services are provided.

Deferred origination costs

The costs of acquiring investment contracts with investment management services, including commissions and other incremental expenses directly related to the issue of each new contract, are deferred and amortised over the period that services are provided. Deferred origination costs are tested for recoverability at each reporting date.

The costs of acquiring new investment contracts without investment management services are included as part of the effective interest rate used to calculate the amortised cost of the related investment contract liabilities.

Investment contract liabilities

Deposits received in respect of investment contracts are not accounted for through the consolidated income statement, except for the investment income and fees attributable to those contracts, but are accounted for directly through the consolidated statement of financial position as an adjustment to the investment contract liability, which reflects the account balance.

The majority of the Group's contracts classified as investment contracts are unit-linked contracts, with measurement directly linked to the underlying investment assets. These represent investment portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. The liabilities are carried at fair value determined with reference to the accumulation value (current unit value) with changes recognised in profit or loss. The costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against customers' account balances are included in revenue, and accounted for as described under "Investment contract fee revenue" above.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Investment contracts (continued)

Investment contract liabilities (continued)

Non unit-linked investment contract liabilities are carried at amortised cost, being the fair value of consideration received at the date of initial recognition, less the net effect of principal payments such as transaction costs and front-end fees, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity value, and less any write-down for surrender payments. The effective interest rate equates the discounted cash payments to the initial amount. At each reporting date, the unearned revenue liability is determined as the value of the future best estimate cash flows discounted at the effective interest rate. Any adjustment is immediately recognised as income or expenses in the consolidated income statement.

The amortised cost of the financial liability is never recorded at less than the amount payable on surrender, discounted for the time value of money where applicable, if the investment contract is subject to a surrender option.

Deferred fee income liability

Deferred fee income liability represents upfront fees and other non-level charges that have been collected and released to the consolidated income statement over the estimated life of the business. A separate liability for accumulation value is established.

2.5 Financial instruments

2.5.1 Classification and designation of financial instruments

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

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

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 Financial instruments (continued)

2.5.1 Classification and designation of financial instruments (continued)

Financial assets and liabilities at fair value through profit or loss

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

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

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

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

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

Financial assets at fair value through other comprehensive income

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

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

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

Realised gains and losses on financial assets

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

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

Recognition of financial instruments

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 Financial instruments (continued)

2.5.1 Classification and designation of financial instruments (continued)

Derecognition, contract modification and offset

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

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

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

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

Cash and cash equivalents

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

Financial assets measured at amortised cost

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 Financial instruments (continued)

2.5.2 Fair values of non-derivative financial instruments

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

Financial instruments carried at fair value are measured using a fair value hierarchy described in note 20.

2.5.3 Impairment of financial assets

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

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 Financial instruments (continued)

2.5.3 Impairment of financial assets (continued)

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

2.5.4 Derivative financial instruments

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

Derivative instruments for economic hedging

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

Cash flow hedge

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 Financial instruments (continued)

2.5.4 Derivative financial instruments (continued)

Embedded derivatives

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

2.6 Property, plant and equipment

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

2.7 Presentation of the consolidated statement of financial position

The Group's insurance and investment contract liabilities and related assets are realised and settled over periods of several years, reflecting the long-term nature of the Group's products. Accordingly, the Group presents the assets and liabilities in its consolidated statement of financial position in approximate order of liquidity, rather than distinguishing current and non-current assets and liabilities. The Group regards its deferred origination costs, intangible assets, investments in associates and joint ventures, property, plant and equipment and investment property as non-current assets as these are held for the longer-term use of the Group.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

3.1 Level of aggregation and recognition of group of insurance contracts

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

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

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

3.2 Measurement of insurance contracts not measured under the premium allocation approach

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

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

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

The judgements exercised in the valuation of insurance contracts (including investment contracts with DPF) affect the amounts recognised in the consolidated financial statements as assets or liabilities of insurance contracts and investment contracts with DPF. Further details of the related accounting policies, key risk and variables, and the sensitivities of assumptions to the key variables in respect of insurance contracts are provided in notes 2.3, 24 and 34.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.3 Determination of coverage unit

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

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

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

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

3.4 Transition to IFRS 17

The Group applied IFRS 17 for annual reporting period beginning on 1 January 2023. The Group has determined that it was impracticable to apply the full retrospective approach for some groups of contracts because certain historical information was not available or was not available without undue cost or effort that would enable it to be used under this approach. Therefore, the Group applied the modified retrospective or fair value approaches for these groups of contracts. The Group exercises judgements in determining the transition approaches, applying the transition methods and measuring the transition impacts on the transition date, which will affect the amounts recognised in the consolidated financial statements on the transition date. Further details of the related accounting policies and information on the date of initial adoption are provided in notes 2.3.9 and 43.

3.5 Fair value measurement

3.5.1 Fair value of financial assets

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

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

Further details of the fair value of financial assets and the sensitivity analysis to interest rates and equity prices are provided in notes 20 and 34.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.5 Fair value measurement (continued)

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

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

Further details of the fair value of property held for own use and investment property are provided in note 20.

3.6 Impairment of financial assets

The Group recognises loss allowances for ECL on financial assets measured at amortised cost and debt securities measured at fair value through other comprehensive income. The measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Details of the inputs, assumptions and estimation techniques used for estimating ECL are further explained in note 23.

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

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

3.7 Impairment of goodwill and other intangible assets

For the purposes of impairment testing, goodwill and other intangible assets are grouped into cash-generating units or groups of cash-generating units. These assets are tested for impairment by comparing the carrying amount of the cash-generating unit (group of units), including goodwill, to the recoverable amount of that cash-generating unit (group of units). The determination of the recoverable amount requires significant judgement regarding the selection of appropriate valuation techniques and assumptions.

Further details of the impairment of goodwill during the year are provided in note 14.

4. EXCHANGE RATES

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

	US dollar exchange rates	
	Year ended 31 December 2023	Year ended 31 December 2022
Mainland China	7.08	6.73
Hong Kong	7.83	7.83
Thailand	34.80	35.02
Singapore	1.34	1.38
Malaysia	4.56	4.40

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

	US dollar exchange rates	
	As at 31 December 2023	As at 31 December 2022
Mainland China	7.10	6.95
Hong Kong	7.81	7.80
Thailand	34.24	34.54
Singapore	1.32	1.34
Malaysia	4.59	4.41

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

5. OPERATING PROFIT AFTER TAX

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

US\$m	Note	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Operating profit after tax	7	6,228	6,454
Non-operating items, net of related taxes:			
Short-term investment and discount rate variances ⁽¹⁾		(2,007)	(1,134)
Reclassification of revaluation gains for property held for own use ⁽¹⁾		(8)	(71)
Other significant non-operating income and expenses			
Corporate transaction related costs		(30)	(63)
Implementation costs for new accounting standards		(35)	(45)
Other non-operating investment return and other items		(367)	(1,776)
Subtotal ⁽²⁾		(2,447)	(3,089)
Net profit		3,781	3,365
<i>Operating profit after tax attributable to:</i>			
Shareholders of AIA Group Limited		6,213	6,421
Non-controlling interests		15	33
<i>Net profit attributable to:</i>			
Shareholders of AIA Group Limited		3,764	3,331
Non-controlling interests		17	34

Notes:

- (1) Short-term investment and discount rate variances include revaluation gains for property held for own use. This amount is then reclassified out of net profit to conform to IFRS Accounting Standards measurement and presentation.
- (2) The amount is net of tax of US\$319m (2022: US\$361m). The gross amount before tax is US\$(2,766)m (2022: US\$(3,450)m).

Operating profit after tax breakdown:

US\$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Insurance service result:		
CSM recognised for services provided	5,314	5,121
Other insurance service result	(223)	345
Net investment result	3,792	3,597
Other net expenses	(1,553)	(1,559)
Operating profit before tax	7,330	7,504
Taxation	(1,102)	(1,050)
Operating profit after tax	6,228	6,454

6. TOTAL WEIGHTED PREMIUM INCOME AND ANNUALISED NEW PREMIUMS

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

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

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

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

TWPI US\$m	Year ended 31 December 2023	Year ended 31 December 2022
TWPI by geography		
Mainland China	8,589	7,592
Hong Kong	11,554	11,237
Thailand	4,425	4,166
Singapore	3,912	3,577
Malaysia	2,565	2,464
Other Markets	6,894	7,140
Total	37,939	36,176
First year premiums by geography		
Mainland China	1,961	1,259
Hong Kong	2,243	885
Thailand	725	613
Singapore	429	358
Malaysia	392	363
Other Markets	766	863
Total	6,516	4,341
Single premiums by geography		
Mainland China	369	280
Hong Kong	1,205	1,813
Thailand	126	203
Singapore	944	1,272
Malaysia	255	274
Other Markets	693	892
Total	3,592	4,734

6. TOTAL WEIGHTED PREMIUM INCOME AND ANNUALISED NEW PREMIUMS (continued)

TWPI (continued) US\$m	Year ended 31 December 2023	Year ended 31 December 2022
Renewal premiums by geography		
Mainland China	6,591	6,305
Hong Kong	9,190	10,171
Thailand	3,687	3,533
Singapore	3,389	3,092
Malaysia	2,147	2,074
Other Markets	6,060	6,187
Total	31,064	31,362
ANP by geography		
Mainland China	2,023	1,319
Hong Kong	2,407	1,078
Thailand	765	655
Singapore	586	531
Malaysia	473	440
Other Markets	1,396	1,384
Total	7,650	5,407

7. SEGMENT INFORMATION

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

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

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

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

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

7. SEGMENT INFORMATION (continued)

US\$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Year ended 31 December 2023								
ANP	2,023	2,407	765	586	473	1,396	–	7,650
TWPI	8,589	11,554	4,425	3,912	2,565	6,894	–	37,939
Insurance revenue	3,122	3,816	2,264	2,196	1,574	4,542	–	17,514
Insurance service expenses	(1,264)	(2,412)	(1,427)	(1,596)	(1,289)	(4,090)	–	(12,078)
Net (expenses)/income from reinsurance contracts held	(53)	(110)	(51)	(89)	1	(32)	(11)	(345)
Insurance service result	1,805	1,294	786	511	286	420	(11)	5,091
Investment return	1,679	6,221	1,048	2,373	908	1,685	786	14,700
– Participating ⁽¹⁾ and unit-linked	676	5,116	2	1,915	772	563	(2)	9,042 ⁽²⁾
– Others	1,003	1,105	1,046	458	136	1,122	788	5,658
Net finance expenses from insurance contracts and reinsurance contracts held	(1,363)	(4,783)	(515)	(1,975)	(725)	(938)	(2)	(10,301) ⁽²⁾
Movement in investment contract liabilities	(25)	(197)	(86)	(67)	–	(176)	–	(551) ⁽²⁾
Movement in third-party interests in consolidated investment funds	–	(56)	–	–	–	–	–	(56) ⁽²⁾
Net investment result	291	1,185	447	331	183	571	784	3,792
Fee income and other operating revenue	4	253	24	26	13	96	16	432
Other expenses	(184)	(327)	(83)	(139)	(56)	(405)	(340)	(1,534)
Other finance costs	(41)	(27)	(1)	(8)	(2)	(8)	(366)	(453)
Share of (losses)/profit from associates and joint ventures	–	(1)	–	–	–	31	(28)	2
Operating profit before tax	1,875	2,377	1,173	721	424	705	55	7,330
Tax on operating profit before tax	(327)	(192)	(222)	(52)	(120)	(135)	(54)	(1,102)
Operating profit after tax	1,548	2,185	951	669	304	570	1	6,228
<i>Operating profit after tax attributable to:</i>								
Shareholders of AIA Group Limited	1,548	2,180	951	669	293	560	12	6,213
Non-controlling interests	–	5	–	–	11	10	(11)	15

Notes:

- (1) Participating refers to participating funds and other participating business with distinct portfolios.
- (2) Net finance expenses from insurance contracts and reinsurance contracts held includes changes in fair value of underlying items of contracts with direct participation features. Net finance expenses from insurance contracts and reinsurance contracts held, net of investment return relating to participating and unit-linked businesses, movement in investment contract liabilities and movement in third-party interests in consolidated investment funds amounted to US\$(1,866)m, primarily related to other insurance contracts without direct participation features.

7. SEGMENT INFORMATION (continued)

US\$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Key operating ratios:								
Expense ratio	7.4%	6.2%	6.7%	7.1%	9.1%	16.2%	–	9.4%
Operating margin	18.0%	18.9%	21.5%	17.1%	11.9%	8.3%	–	16.4%
Operating return on shareholders' allocated equity	29.8%	16.9%	15.4%	15.6%	13.3%	7.2%	–	13.5%
Operating profit before tax includes:								
Operating expenses	633	718	295	277	233	1,115	302	3,573
Finance costs	51	29	2	17	2	8	366	475
US\$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
31 December 2023								
Total assets	46,394	104,506	26,204	41,921	14,529	36,511	16,254	286,319
Total liabilities	42,657	93,984	20,182	37,516	12,167	27,473	10,746	244,725
Total equity	3,737	10,522	6,022	4,405	2,362	9,038	5,508	41,594
Shareholders' allocated equity	5,417	12,605	6,135	4,247	2,251	7,887	6,212	44,754
Total assets include:								
Investments in associates and joint ventures	–	–	–	–	1	828	502	1,331

7. SEGMENT INFORMATION (continued)

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

US\$m	Segment information	Short-term investment and discount rate variances	Other non-operating items	Consolidated income statement	
Year ended 31 December 2023					
Insurance revenue	17,514	–	–	17,514	Insurance revenue
Insurance service expenses	(12,078)	–	–	(12,078)	Insurance service expenses
Net expenses from reinsurance contracts held	(345)	–	–	(345)	Net expenses from reinsurance contracts held
Insurance service result	5,091	–	–	5,091	Insurance service result
Investment return	14,700	(2,097)	(37)	12,566	Investment return
Net finance expenses from insurance contracts and reinsurance contracts held	(10,301)	(99)	9	(10,391)	Net finance expenses from insurance contracts and reinsurance contracts held
Movement in investment contract liabilities	(551)	(21)	–	(572)	Movement in investment contract liabilities
Movement in third-party interests in consolidated investment funds	(56)	–	–	(56)	Movement in third-party interests in consolidated investment funds
Net investment result	3,792	(2,217)	(28)	1,547	Net investment result
Fee income and other operating revenue	432	–	(24)	408	Fee income and other operating revenue
Other expenses	(1,534)	–	(218)	(1,752)	Other expenses
Other finance costs	(453)	–	(10)	(463)	Other finance costs
Share of profit from associates and joint ventures	2	–	(269)	(267)	Share of losses from associates and joint ventures
Operating profit before tax	7,330	(2,217)	(549)	4,564	Profit before tax

7. SEGMENT INFORMATION (continued)

US\$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Year ended 31 December 2022 (restated)								
ANP	1,319	1,078	655	531	440	1,384	–	5,407
TWPI	7,592	11,237	4,166	3,577	2,464	7,140	–	36,176
Insurance revenue	3,087	3,432	1,976	1,954	1,525	4,345	–	16,319
Insurance service expenses	(1,156)	(1,929)	(1,176)	(1,385)	(1,085)	(3,703)	–	(10,434)
Net (expenses)/income from reinsurance contracts held	(8)	(47)	(42)	(81)	9	(250)	–	(419)
Insurance service result	1,923	1,456	758	488	449	392	–	5,466
Investment return	759	(28,264)	907	(3,364)	190	322	857	(28,593)
– Participating ⁽¹⁾ and unit-linked	(68)	(29,310)	(131)	(3,805)	61	(693)	5	(33,941) ⁽²⁾
– Others	827	1,046	1,038	441	129	1,015	852	5,348
Net finance (expenses)/income from insurance contracts and reinsurance contracts held	(558)	28,597	(289)	3,438	(148)	98	(16)	31,122 ⁽²⁾
Movement in investment contract liabilities	(27)	757	(81)	251	–	134	–	1,034 ⁽²⁾
Movement in third-party interests in consolidated investment funds	–	34	–	–	–	–	–	34 ⁽²⁾
Net investment result	174	1,124	537	325	42	554	841	3,597
Fee income and other operating revenue	1	252	20	24	12	145	(3)	451
Other expenses	(187)	(329)	(113)	(137)	(55)	(302)	(389)	(1,512)
Other finance costs	(17)	(24)	(1)	(8)	(3)	(6)	(318)	(377)
Share of (losses)/profit from associates and joint ventures	–	(1)	–	–	–	5	(125)	(121)
Operating profit before tax	1,894	2,478	1,201	692	445	788	6	7,504
Tax on operating profit before tax	(343)	(269)	(224)	(37)	(71)	(60)	(46)	(1,050)
Operating profit/(loss) after tax	1,551	2,209	977	655	374	728	(40)	6,454
<i>Operating profit/(loss) after tax attributable to:</i>								
Shareholders of AIA Group Limited	1,551	2,202	977	655	362	710	(36)	6,421
Non-controlling interests	–	7	–	–	12	18	(4)	33

Notes:

(1) Participating refers to participating funds and other participating business with distinct portfolios.

(2) Net finance (expenses)/income from insurance contracts and reinsurance contracts held includes changes in fair value of underlying items of contracts with direct participation features. Net finance (expenses)/income from insurance contracts and reinsurance contracts held, net of investment return relating to participating and unit-linked businesses, movement in investment contract liabilities and movement in third-party interests in consolidated investment funds amounted to US\$(1,751)m, primarily related to other insurance contracts without direct participation features.

7. SEGMENT INFORMATION (continued)

US\$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total

Key operating ratios:

Expense ratio	7.5%	5.0%	6.5%	7.2%	9.3%	14.8%	–	9.0%
Operating margin	20.4%	19.7%	23.5%	18.3%	15.2%	10.2%	–	17.8%
Operating return on shareholders' allocated equity	31.9%	15.7%	16.4%	15.5%	17.1%	9.0%	–	13.0%

Operating profit before tax includes:

Operating expenses	571	565	270	256	229	1,060	300	3,251
Finance costs	22	29	1	8	1	6	319	386

US\$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total

31 December 2022 (restated)

Total assets	38,675	96,131	25,746	39,245	14,131	37,809	18,734	270,471
Total liabilities	34,498	84,877	19,446	34,969	11,887	29,321	10,325	225,323
Total equity	4,177	11,254	6,300	4,276	2,244	8,488	8,409	45,148
Shareholders' allocated equity	4,956	13,128	6,210	4,345	2,160	7,635	8,737	47,171

Total assets include:

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

7. SEGMENT INFORMATION (continued)

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

US\$m	Segment information	Short-term investment and discount rate variances	Other non- operating items	Consolidated income statement	
Year ended 31 December 2022 (restated)					
Insurance revenue	16,319	–	–	16,319	Insurance revenue
Insurance service expenses	(10,434)	–	–	(10,434)	Insurance service expenses
Net expenses from reinsurance contracts held	(419)	–	–	(419)	Net expenses from reinsurance contracts held
Insurance service result	5,466	–	–	5,466	Insurance service result
Investment return	(28,593)	(1,420)	(1,600)	(31,613)	Investment return
Net finance income from insurance contracts and reinsurance contracts held	31,122	49	(147)	31,024	Net finance income from insurance contracts and reinsurance contracts held
Movement in investment contract liabilities	1,034	72	–	1,106	Movement in investment contract liabilities
Movement in third-party interests in consolidated investment funds	34	–	–	34	Movement in third-party interests in consolidated investment funds
Net investment result	3,597	(1,299)	(1,747)	551	Net investment result
Fee income and other operating revenue	451	–	(12)	439	Fee income and other operating revenue
Other expenses	(1,512)	–	(384)	(1,896)	Other expenses
Other finance costs	(377)	–	(8)	(385)	Other finance costs
Share of losses from associates and joint ventures	(121)	–	–	(121)	Share of losses from associates and joint ventures
Operating profit before tax	7,504	(1,299)	(2,151)	4,054	Profit before tax

8. INSURANCE REVENUE

US\$m	Note	Year ended 31 December 2023	Year ended 31 December 2022
Contracts not measured under the PAA			
Amounts related to changes in liabilities for remaining coverage			
Contractual service margin recognised for services provided	24	5,605	5,363
Change in risk adjustment for non-financial risk for risk expired		210	260
Expected incurred claims and other insurance service expenses		8,239	8,092
Others		85	113
Recovery of insurance acquisition cash flows		968	696
	24	15,107	14,524
Contracts measured under the PAA			
	24	2,407	1,795
Total insurance revenue		17,514	16,319
Represented by:			
Contracts under the modified retrospective approach		1,696	1,798
Contracts under the fair value approach		7,791	9,669
Other contracts		8,027	4,852

9. NET INVESTMENT RESULT

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

US\$m	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Investment return			
Interest revenue on financial assets		7,820	7,267
Other investment return		4,941	(38,647)
Net impairment loss on financial assets		(195)	(233)
Amounts recognised in consolidated income statement		12,566	(31,613)
Amounts recognised in other comprehensive income ⁽¹⁾		4,708	(11,764)
Total investment return⁽¹⁾		17,274	(43,377)
Net finance (expenses)/income from insurance contracts			
Changes in fair value of underlying items of contracts with direct participation features		(8,313)	33,094
Interest accreted		(2,516)	(2,450)
Effect of changes in interest rates and other financial assumptions		(5,119)	4,030
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition		(638)	708
Net foreign exchange gains		327	133
Total net finance (expenses)/income from insurance contracts	24	(16,259)	35,515
Net finance income/(expenses) from reinsurance contracts held			
Interest accreted		9	12
Effect of changes in interest rates and other financial assumptions		247	19
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition		(38)	(148)
Net foreign exchange losses		(42)	(64)
Total net finance income/(expenses) from reinsurance contracts held	24	176	(181)
Movement in investment contract liabilities	25	(572)	1,106
Movement in third-party interests in consolidated investment funds		(56)	34
Net investment result⁽¹⁾		563	(6,903)
Net investment result is represented by:			
Amounts recognised in consolidated income statement		1,547	551
Amounts recognised in other comprehensive income ⁽¹⁾		(984)	(7,454)
Total net investment result⁽¹⁾		563	(6,903)

9. NET INVESTMENT RESULT (continued)

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

US\$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Net finance (expenses)/income from insurance contracts are represented by:		
Amounts recognised in consolidated income statement	(10,456)	30,957
Amounts recognised in other comprehensive income	(5,803)	4,558
Total net finance (expenses)/income from insurance contracts	(16,259)	35,515
Net finance income/(expenses) from reinsurance contracts held are represented by:		
Amounts recognised in consolidated income statement	65	67
Amounts recognised in other comprehensive income	111	(248)
Total net finance income/(expenses) from reinsurance contracts held	176	(181)

Note:

(1) The Net investment result note is presented gross of tax, gross of non-controlling interests and excluding share of returns from associates and joint ventures. The equivalent amounts for the year ended 31 December 2022 including amounts recognised in other comprehensive income related to tax, non-controlling interests and share of returns from associates and joint ventures were as follows:

- Investment return – Amounts recognised in other comprehensive income: US\$(10,316)m;
- Total investment return: US\$(41,929)m;
- Net investment result: US\$(5,455)m;
- Net investment result – Amounts recognised in other comprehensive income: US\$(6,006)m; and
- Total net investment result: US\$(5,455)m.

9. NET INVESTMENT RESULT (continued)

B. Interest revenue on financial assets and other investment return

US\$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Interest revenue on financial assets		
Financial assets measured at amortised cost	546	350
Financial assets measured at fair value through other comprehensive income	3,516	3,487
Financial assets designated at fair value through profit or loss	3,403	3,117
Financial assets measured mandatorily at fair value through profit or loss	355	313
Total interest revenue on financial assets	7,820	7,267
Other investment return		
Dividend income	1,488	1,323
Rental income ⁽¹⁾	154	161
Net losses of financial assets not at fair value through profit or loss		
Net realised losses of debt securities measured at fair value through other comprehensive income	(74)	(478)
At fair value through profit or loss		
Net gains/(losses) of financial assets designated at fair value through profit or loss		
Net gains/(losses) of debt securities	3,390	(18,961)
Net losses of loans and deposits	(9)	(7)
Net gains/(losses) of financial instruments mandatorily at fair value through profit or loss		
Net gains/(losses) of debt securities	120	(718)
Net gains/(losses) of equity shares, interests in investment funds and exchangeable loan notes	1,013	(10,007)
Net fair value movement on derivatives	(827)	(9,495)
Net gains/(losses) in respect of financial instruments at fair value through profit or loss	3,687	(39,188)
Net fair value movement of investment property and property held for own use	(147)	64
Net foreign exchange losses	(141)	(519)
Other net realised losses	(26)	(10)
Net gains/(losses)	3,299	(40,131)
Total other investment return	4,941	(38,647)

Note:

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

9. NET INVESTMENT RESULT (continued)

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

US\$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Foreign exchange gains	122	163

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

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

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

US\$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Balance at 1 January	(3,346)	6,133
Net change in fair value and others	2,945	(10,005)
Net amount reclassified to profit or loss	224	526
Balance at 31 December	(177)	(3,346)

10. EXPENSES

US\$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Claims and benefits	9,250	8,185
Commission and other acquisition expenses incurred	6,370	5,286
Losses on onerous insurance contracts	101	61
Employee benefit expenses ⁽³⁾	2,235	1,986
Depreciation ⁽³⁾	221	250
Amortisation ⁽³⁾	152	121
Investment management expenses and others	554	557
Depreciation on property held for own use	43	20
Finance costs	485	394
Other operating expenses ⁽³⁾	965	894
Restructuring and other non-operating costs ⁽¹⁾	166	360
	20,542	18,114
Amounts attributed to insurance acquisition cash flows	(7,542)	(6,292)
Amortisation of insurance acquisition cash flows	1,293	903
Insurance service and other expenses	14,293	12,725

Insurance service and other expenses represented by:

US\$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Insurance service expenses	12,078	10,434
– Contracts not measured under the PAA	9,775	8,869
– Contracts measured under the PAA	2,303	1,565
Other incurred expenses directly attributable to reinsurance contracts held	–	10
Other expenses ⁽²⁾	1,752	1,896
Other finance costs	463	385
Total	14,293	12,725

Notes:

- (1) Restructuring costs represent costs related to restructuring programmes and are primarily comprised of redundancy and contract termination costs. Other non-operating costs primarily consist of corporate transaction related costs, implementation costs for new accounting standards and other items that are not expected to be recurring in nature.
- (2) Other expenses represent general expenses and investment management expenses that are not directly attributable to insurance contracts and reinsurance contracts held. It includes payments for short-term leases of US\$7m (2022: US\$2m).
- (3) Operating expenses comprise employee benefit expenses, depreciation, amortisation and other operating expenses.

10. EXPENSES (continued)

Expenses include auditors' remuneration of US\$33m (2022: US\$37m), an analysis of which is set out below:

US\$m	Year ended 31 December 2023	Year ended 31 December 2022
Audit services	27	23
Non-audit services, including:		
Audit-related services	5	14
Tax services	1	–
Total	33	37

Depreciation consists of:

US\$m	Year ended 31 December 2023	Year ended 31 December 2022
Computer hardware, fixtures and fittings and others	75	83
Right-of-use assets		
Property held for own use	145	166
Computer hardware	1	1
Total	221	250

Finance costs may be analysed as:

US\$m	Year ended 31 December 2023	Year ended 31 December 2022
Repurchase agreements	66	22
Medium-term notes and securities	403	337
Other loans	4	22
Lease liabilities	12	13
Total	485	394

Employee benefit expenses consist of:

US\$m	Year ended 31 December 2023	Year ended 31 December 2022
Wages and salaries	1,848	1,633
Share-based compensation	72	66
Pension costs – defined contribution plans	139	128
Pension costs – defined benefit plans	9	10
Other employee benefit expenses	167	149
Total	2,235	1,986

11. INCOME TAX

US\$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Tax charged in the consolidated income statement		
Current income tax – Hong Kong Profits Tax	175	153
Current income tax – overseas	482	624
Deferred income tax on temporary differences	126	(88)
Total	783	689

Corporate income tax

Taxation is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions of which the most significant jurisdictions are outlined below.

	Year ended 31 December 2023	Year ended 31 December 2022
Mainland China	25%	25%
Hong Kong	16.5%	16.5%
Thailand	20%	20%
Singapore	17%	17%
Malaysia	24%	24%
Other Markets	12% – 30%	12% – 30%

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

In 2023, Bermuda has introduced and enacted a corporate income tax rate of 15 per cent that will become effective from 1 January 2025.

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

11. INCOME TAX (continued)

Corporate income tax (continued)

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

In 2021, the OECD/G20 Inclusive Framework on BEPS published the Global Anti-Base Erosion (GloBE) Model Rules to give effect to Pillar Two of BEPS 2.0, which imposes a global minimum effective tax rate on large multinational enterprises in respect of each jurisdiction in which they operate.

The Group operates in jurisdictions that have enacted or substantively enacted Pillar Two legislation, including Luxembourg, Malaysia, South Korea and Vietnam. The legislation in some of these jurisdictions introduced Qualified Domestic Minimum Top-up Taxes (QDMTT) that will be effective for the Group from 1 January 2024. Under the legislation, QDMTT will apply such that the Group will be liable to pay top-up tax for the difference between its effective tax rate for each of these jurisdictions calculated on the basis of the respective legislation (broadly based on the GloBE Model Rules) and a 15 per cent minimum rate. The legislation of some of these jurisdictions also introduced Undertaxed Profits Rules (UTPR) that will be effective from 1 January 2025. Under the legislation, the UTPR is a backstop mechanism which will apply if the difference between the Group's effective tax rate in a jurisdiction in which it operates and the 15 per cent minimum rate is not brought into charge after the application of other Pillar Two income taxes, by applying a top-up tax in the jurisdiction that introduced the UTPR.

Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure.

IAS 12 states that as an exception to the standard's requirements, entities shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The Group has applied this exception and has not yet assessed the deferred tax impact of Pillar Two income taxes. The Group will continue to monitor the Pillar Two requirements and will assess the accounting implications accordingly.

Due to significant areas of uncertainty, the quantitative impact of the enacted or substantively enacted Pillar Two legislation is not yet reasonably estimable.

It should be noted that, even for those jurisdictions with an accounting effective tax rate above 15 per cent, there may still be Pillar Two income tax implications due to different bases of calculation. The Group has engaged tax specialists to assist with applying the legislation.

Withholding tax on dividends

In some jurisdictions in which the Group operates, dividends remitted by subsidiaries to the Group are subject to withholding tax. The Group recognises deferred tax liabilities in respect of unremitted earnings of operations in jurisdictions where withholding tax charge would be incurred upon dividend distribution.

11. INCOME TAX (continued)

US\$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Income tax reconciliation		
Profit before income tax	4,564	4,054
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	932	780
Reduction in tax payable from:		
Life insurance tax ⁽¹⁾	–	(50)
Exempt investment income	(338)	(272)
Adjustments in respect of prior years	(26)	(43)
Changes in tax rate and law	(196)	(15)
	(560)	(380)
Increase in tax payable from:		
Life insurance tax ⁽¹⁾	62	–
Withholding taxes	88	100
Disallowed expenses	111	126
Unrecognised deferred tax assets	39	29
Provisions for uncertain tax positions ⁽²⁾	82	2
Others	29	32
	411	289
Total income tax expense	783	689

Notes:

- (1) Life insurance tax refers to the differences which arise where the tax regime specific to the life insurance business does not adopt net income as the basis for calculating taxable profit, for example Hong Kong, where life business taxable profit is derived from life premiums.
- (2) Provisions for uncertain tax positions relate to situations where the Group's interpretation of the relevant law or regulation may differ from that of the tax authorities. Provisions are recognised based on management's judgement and best estimate in relation to the probability or likelihood of different outcomes arising, which is subject to periodic re-assessment. Due to the uncertainty associated with these items, there remains a possibility that the final outcomes may differ on conclusion of the relevant tax matters at a future date.

11. INCOME TAX (continued)

The movement in net deferred tax liabilities in the year may be analysed as set out below:

US\$m	Net deferred tax asset/(liability) at 1 January (restated)	Effect of changes in accounting policy	Net deferred tax asset/(liability) at 1 January (restated)	Acquisition of a subsidiary ⁽²⁾	Credited/(charged) to the consolidated income statement	Credited/(charged) to other comprehensive income					Net deferred tax asset/(liability) at year end
						Fair value reserve ⁽²⁾	Foreign currency translation reserve	Insurance finance reserve	Others	Other movements	
31 December 2023											
Revaluation of financial instruments	631	-	631	-	9	(1,002)	(11)	-	-	-	(373)
Insurance and investment contract liabilities	(3,427)	-	(3,427)	-	(469)	-	25	1,352	-	13	(2,506)
Withholding taxes	(267)	-	(267)	-	(23)	-	2	-	-	-	(288)
Provision for expenses	102	-	102	-	15	-	(1)	-	2	-	118
Losses available for offset against future taxable income	103	-	103	-	398	-	6	-	-	-	507
Life surplus ⁽¹⁾	(366)	-	(366)	-	(71)	-	6	-	-	-	(431)
Others	68	-	68	3	15	-	3	-	(19)	-	70
Total	(3,156)	-	(3,156)	3	(126)	(1,002)	30	1,352	(17)	13	(2,903)

US\$m	Net deferred tax asset/(liability) at 1 January – as previously reported	Effect of changes in accounting policy	Net deferred tax asset/(liability) at 1 January (restated)	Acquisition of a subsidiary	Credited/(charged) to the consolidated income statement	Credited/(charged) to other comprehensive income					Net deferred tax asset/(liability) at year end (restated)
						Fair value reserve ⁽²⁾	Foreign currency translation reserve	Insurance finance reserve	Others	Other movements	
31 December 2022 (restated)											
Revaluation of financial instruments	(1,880)	(27)	(1,907)	-	799	1,731	8	-	-	-	631
Deferred acquisition costs	(3,657)	3,657	-	-	-	-	-	-	-	-	-
Insurance and investment contract liabilities	986	(2,554)	(1,568)	-	(860)	-	168	(1,167)	-	-	(3,427)
Withholding taxes	(273)	47	(226)	-	(58)	-	17	-	-	-	(267)
Provision for expenses	139	(78)	61	-	59	-	(12)	-	(6)	-	102
Losses available for offset against future taxable income	245	(105)	140	-	(33)	-	(4)	-	-	-	103
Life surplus ⁽¹⁾	(956)	580	(376)	-	(8)	-	18	-	-	-	(366)
Others	(536)	413	(123)	-	189	-	4	-	(2)	-	68
Total	(5,932)	1,933	(3,999)	-	88	1,731	199	(1,167)	(8)	-	(3,156)

Notes:

- (1) Life surplus relates to the temporary difference which arises where the taxable profits are based on actual distributions from the long-term fund. This primarily relates to Singapore and Malaysia.
- (2) Includes tax charge of US\$1,022m (2022: tax credit of US\$1,757m) relates to fair value gains or losses on debt securities measured at fair value through other comprehensive income and tax credit of US\$20m (2022: tax charge of US\$26m) relates to fair value losses or gains on debt securities measured at fair value through other comprehensive income reclassified to profit or loss.
- (3) Includes a one-time adjustment of US\$3m in respect of the acquisition of a subsidiary.

11. INCOME TAX (continued)

The principal temporary differences arise from the basis of recognition of insurance and investment contract liabilities, revaluation of certain financial assets and liabilities including derivative contracts and the future taxes arising on the surplus in life funds where the relevant local tax regime is distributions-based.

Deferred tax assets are recognised to the extent that sufficient future taxable profits will be available for realisation. The Group has not recognised deferred tax assets of US\$106m (2022: US\$57m) on tax losses and the temporary difference on insurance and investment contract liabilities arising from different accounting and statutory/tax reserving methodology for certain branches and subsidiaries on the basis that they have histories of tax losses and there is insufficient evidence that future taxable profits will be available.

The Group has not provided deferred tax liabilities of US\$251m (2022: US\$247m) in respect of unremitted earnings of operations in jurisdictions from which a withholding tax charge would be incurred upon distribution as the Group does not consider it probable that this portion of accumulated earnings will be remitted in the foreseeable future.

The Group has unused income tax losses carried forward in Mainland China, Hong Kong, Thailand, Singapore, Malaysia, Australia, Brunei, Cambodia, Macau, Myanmar, New Zealand, the Philippines, South Korea and Taiwan (China). The tax losses in Hong Kong, Singapore, Australia and New Zealand can be carried forward indefinitely. The tax losses of remaining branches and subsidiaries are due to expire within the periods ending 2025 (Macau), 2026 (Myanmar), 2027 (the Philippines), 2028 (Mainland China, Cambodia and Thailand), 2029 (Brunei) and 2033 (Malaysia, South Korea and Taiwan (China)).

12. EARNINGS PER SHARE

Basic

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

	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Net profit attributable to shareholders of AIA Group Limited (US\$m)	3,764	3,331
Weighted average number of ordinary shares outstanding (million)	11,518	11,929
Basic earnings per share (US cents)	32.68	27.92

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive instruments are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 36.

	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Net profit attributable to shareholders of AIA Group Limited (US\$m)	3,764	3,331
Weighted average number of ordinary shares outstanding (million)	11,518	11,929
Adjustment for share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted under share-based compensation plans (million)	10	9
Weighted average number of ordinary shares for diluted earnings per share (million)	11,528	11,938
Diluted earnings per share (US cents)	32.65	27.90

At 31 December 2023, 6,276,007 share options (2022: 4,431,307) were excluded from the diluted weighted average number of ordinary shares calculation as they have no effect to the diluted earnings per share.

Operating profit after tax per share

Operating profit after tax (see note 5) per share is calculated by dividing the operating profit after tax attributable to shareholders of AIA Group Limited by the weighted average number of ordinary shares outstanding during the year. The dilutive instruments are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 36.

	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Basic operating profit after tax per share (US cents)	53.94	53.83
Diluted operating profit after tax per share (US cents)	53.89	53.79

13. DIVIDENDS

Dividends to shareholders of the Company attributable to the year:

US\$m	Year ended 31 December 2023	Year ended 31 December 2022
Interim dividend declared and paid of 42.29 Hong Kong cents per share (2022: 40.28 Hong Kong cents per share)	621	609
Final dividend proposed after the reporting date of 119.07 Hong Kong cents per share (2022: 113.40 Hong Kong cents per share) ⁽¹⁾	1,726	1,702
Total	2,347	2,311

Notes:

- (1) Based upon shares outstanding at 31 December 2023 and 31 December 2022 that are entitled to a dividend, other than those held by employee share-based trusts.
- (2) Interim dividends on ordinary shares are recognised when they have been paid. Final dividends on ordinary shares are recognised when they have been approved by shareholders.

The above final dividend was proposed by the Board on 14 March 2024 subject to shareholders' approval at the AGM to be held on 24 May 2024. The proposed final dividend has not been recognised as a liability at the reporting date.

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

US\$m	Year ended 31 December 2023	Year ended 31 December 2022
Final dividend in respect of the previous financial year, approved and paid during the year of 113.40 Hong Kong cents per share (2022: 108.00 Hong Kong cents per share)	1,672	1,650

14. INTANGIBLE ASSETS

US\$m	Goodwill	Computer software	Distribution and other rights	Total
Cost				
At 1 January 2022	1,854	923	903	3,680
Additions	–	364	296	660
Acquisition of subsidiaries	207	3	–	210
Disposals	–	(19)	(28)	(47)
Foreign exchange movements	(105)	(49)	(27)	(181)
At 31 December 2022	1,956	1,222	1,144	4,322
Additions	–	329	46	375
Acquisition of subsidiaries ⁽¹⁾	186	9	59	254
Disposals	(46)	(43)	(2)	(91)
Foreign exchange movements	(13)	(11)	(7)	(31)
At 31 December 2023	2,083	1,506	1,240	4,829
Accumulated amortisation and impairment				
At 1 January 2022	(4)	(569)	(193)	(766)
Amortisation charge for the year	–	(121)	(46)	(167)
Disposals	–	11	20	31
Impairment loss	(176)	–	–	(176)
Foreign exchange movements	–	27	6	33
At 31 December 2022	(180)	(652)	(213)	(1,045)
Amortisation charge for the year	–	(152)	(53)	(205)
Disposals	30	6	1	37
Foreign exchange movements	(4)	2	1	(1)
At 31 December 2023	(154)	(796)	(264)	(1,214)
Net book value				
At 31 December 2022	1,776	570	931	3,277
At 31 December 2023	1,929	710	976	3,615

Note:

(1) The Group is in the process of finalising the purchase price adjustments within the measurement period. The values of consideration and goodwill are therefore provisional as of 31 December 2023. The finalisation of the values of consideration and goodwill is expected to be completed within 12 months of the acquisition date.

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

14. INTANGIBLE ASSETS (continued)

Impairment tests for goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill arises primarily in respect of the Group's insurance businesses in Malaysia of US\$640m (2022: US\$666m), Hong Kong of US\$481m (2022: US\$481m), Australia of US\$420m (2022: US\$406m) and New Zealand of US\$154m (2022: US\$153m).

Goodwill is tested for impairment by comparing the carrying amount of the cash-generating unit (group of units), including goodwill, to the recoverable amount of that cash-generating unit (group of units). If the recoverable amount of the unit (group of units) exceeds the carrying amount of the unit (group of units), the goodwill allocated to that unit (group of units) shall be regarded as not impaired. The recoverable amount is the value in use of the cash-generating unit (group of units) unless otherwise stated.

The value in use is determined by calculating as an actuarially determined appraisal value, based on embedded value of the business and the present value of expected future new business of the cash-generating unit (group of units). The present value of expected future new business is based on financial budgets approved by management, typically covering a three-year period unless otherwise stated. These financial budgets reflect management's best estimate of future profit based on historical experience and best estimate operating assumptions such as premium and expenses. Further, the present value of expected future new business beyond this initial three-year period are extrapolated using a perpetual growth rate, which typically does not exceed the long-term expected Gross Domestic Product (GDP) growth of the geographical area in which the cash flows supporting the goodwill are generated.

The key assumptions used in the embedded value calculations include risk discount rate, investment returns, mortality, morbidity, persistency, expenses and inflation. In the majority of instances these assumptions are aligned to those assumptions detailed in Section 5 of Supplementary Embedded Value Information. The present value of expected future new business is calculated based on a combination of indicators which include, among others, taking into account recent production mix, business strategy, market trends and risk associated with the future new business projections. The risk discount rates that are used in the value in use of in-force business and present value of expected future new business ranges from 7 per cent to 14 per cent (2022: 7 per cent to 14 per cent) and the perpetual growth rates for future new business cash flows of 3 per cent (2022: 3 per cent) was used, where applicable, to extrapolate the present value of expected future new business beyond the initial three-year period; the rate was determined by reference to the long-term expected GDP growth of the geographical area in which the cash flows supporting the goodwill are generated. The Group may apply alternative methods to estimate the value of future new business if the described method is not appropriate under the circumstances.

15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

US\$m	As at 31 December 2023	As at 31 December 2022 (restated)
Group		
Investments in associates	1,331	2,026
Investments in joint ventures	–	30
Total	1,331	2,056

Associates are entities over which the Group has significant influence, but which it does not control or joint control. Generally, it is presumed that the Group has significant influence if it has between 20 per cent and 50 per cent of voting rights. Joint ventures are entities whereby the Group and other parties undertake an economic activity which is subject to joint control arising from a contractual agreement.

Investments in associates and joint ventures are accounted for using the equity method of accounting. Due to timing of the information provided by China Post Life Insurance Co., Ltd. and Tata AIA Life Insurance Company Limited, these investments are reported on a one-quarter-lag-basis.

Goodwill arising on associates and joint ventures is included within the carrying value of those investments. These are held for their long-term contribution to the Group's performance, therefore all amounts are expected to be realised more than 12 months after the end of the reporting period.

The Group's interests in its principal associates and joint ventures are as follows:

	Place of incorporation	Principal activity	Type of shares held	Group's interests %	
				As at 31 December 2023	As at 31 December 2022
China Post Life Insurance Co., Ltd.	Mainland China	Insurance	Ordinary	24.99%	24.99%
Tata AIA Life Insurance Company Limited	India	Insurance	Ordinary	49%	49%

All associates and joint ventures are unlisted.

Aggregated financial information of associates and joint ventures

The investments in associates and joint ventures are measured using the equity method. The following table analyses, in aggregate, the carrying amount and share of losses and other comprehensive expense of these associates and joint ventures.

US\$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Carrying amount in the statement of financial position	1,331	2,056
Losses from continuing operations	(267)	(121)
Other comprehensive expense	(496)	(530)
Total comprehensive expense	(763)	(651)

16. PROPERTY, PLANT AND EQUIPMENT

US\$m	Property held for own use using fair value model	Other property held for own use	Computer hardware	Fixtures and fittings and others	Total
Cost or revaluation or fair value					
At 1 January 2022 (restated)	603	2,296	254	621	3,774
Additions	–	167	31	41	239
Acquisition of subsidiaries	–	–	1	–	1
Disposals	–	(202)	(12)	(41)	(255)
Net transfers from investment property	–	157	–	–	157
(Decrease)/increase from valuation	(6)	59	–	–	53
Foreign exchange movements	–	(69)	(12)	(26)	(107)
At 31 December 2022 (restated)	597	2,408	262	595	3,862
Additions	–	1,454	25	48	1,527
Acquisition of subsidiaries	–	8	1	6	15
Disposals	–	(174)	(15)	(92)	(281)
Net transfers from investment property	29	2	–	–	31
Decrease from valuation	(50)	(6)	–	–	(56)
Foreign exchange movements	–	(4)	–	–	(4)
At 31 December 2023	576	3,688	273	557	5,094
Accumulated depreciation					
At 1 January 2022 (restated)	–	(390)	(209)	(431)	(1,030)
Depreciation charge for the year	–	(186)	(28)	(56)	(270)
Disposals	–	170	9	36	215
Impairment loss	–	–	–	(9)	(9)
Revaluation adjustment	–	19	–	–	19
Foreign exchange movements	–	25	11	21	57
At 31 December 2022 (restated)	–	(362)	(217)	(439)	(1,018)
Depreciation charge for the year	–	(188)	(28)	(48)	(264)
Disposals	–	138	11	49	198
Impairment loss	–	–	–	–	–
Revaluation adjustment	–	47	–	–	47
Foreign exchange movements	–	–	–	1	1
At 31 December 2023	–	(365)	(234)	(437)	(1,036)
Net book value					
At 31 December 2022	597	2,046	45	156	2,844
At 31 December 2023	576	3,323	39	120	4,058

The Group leases various properties, computer hardware, fixtures, fittings and other small items as a lessee. These leases, except for short-term leases and leases of low-value assets, are recognised as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Group. Right-of-use assets are presented as a component of property, plant and equipment or investment property while lease liabilities are presented as a component of other liabilities (see notes 17 and 30). The depreciation charge for right-of-use assets, by class of underlying asset, and finance cost on lease liabilities are disclosed in note 10. Assets and liabilities arising from a lease are initially measured on a present value basis. A maturity analysis of the Group's lease liabilities is disclosed in note 34.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Right-of-use assets in relation to leases are reported within property, plant and equipment. The carrying amount of right-of-use assets, by class of underlying asset, is set out below:

US\$m	As at 31 December 2023	As at 31 December 2022 (restated)
Property held for own use using fair value model	507	534
Other property held for own use	827	874
Computer hardware	2	2
Fixtures and fittings and others	2	2
Total	1,338	1,412

Additions to right-of-use assets for the year ended 31 December 2023 were US\$150m (2022: US\$148m).

Property held for own use, which is solely held as an underlying item of insurance contracts with direct participation features, is measured initially at cost and subsequently at fair value, with any change therein recognised in profit or loss. Other properties held for own use and right-of-use assets with respect to the Group's interests in leasehold land and land use rights associated with property held for own use are carried at fair value at the reporting date less accumulated depreciation. The fair value at the reporting date is determined by independent professional valuers. Details of valuation techniques and process are disclosed in notes 3 and 20. All other property, plant and equipment and right-of-use assets in relation to other leased property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties held for own use using fair value model

During the year, nil expenditure (2022: nil) recognised in the carrying amount of property held for own use was in the course of its construction. Decrease from revaluation on property held for own use of US\$50m (2022: Decrease from revaluation on property held for own use of US\$6m) were taken to profit or loss, of which US\$47m (2022: US\$4m) was related to right-of-use assets.

If property held for own use (excluding right-of-use assets) were stated on a historical cost basis, the carrying value would be US\$53m (2022: US\$48m). Similarly, stated on a historical basis the carrying value of the right-of-use assets related to the Group's interests in leasehold land and land use rights associated with property held for own use would be US\$526m (2022: US\$515m).

Properties held for own use using revaluation model

During the year, US\$177m expenditure (2022: US\$68m) recognised in the carrying amount of property held for own use was in the course of its construction. Increase from revaluation on property held for own use of US\$41m (2022: Increase from revaluation on property held for own use of US\$78m) were taken to other comprehensive income, of which US\$(17)m (2022: US\$27m) was related to right-of-use assets.

If property held for own use (excluding right-of-use assets) were stated on a historical cost basis, the carrying value would be US\$1,565m (2022: US\$327m). Similarly, stated on a historical basis the carrying value of the right-of-use assets related to the Group's interests in leasehold land and land use rights associated with property held for own use would be US\$302m (2022: US\$353m). The Group holds property, plant and equipment for its long-term use and, accordingly, the annual depreciation charge approximates to the amount expected to be recovered through consumption within 12 months after the end of the reporting period.

17. INVESTMENT PROPERTY

US\$m

Fair value

At 1 January 2022	4,716
Additions and capitalised subsequent expenditures	68
Disposals	(5)
Net transfers to property, plant and equipment	(157)
Fair value gains	70
Foreign exchange movements	(92)
At 31 December 2022	4,600
Additions and capitalised subsequent expenditures	45
Acquisition of a subsidiary	1
Disposals	(4)
Net transfers to property, plant and equipment	(31)
Fair value losses	(97)
Foreign exchange movements	(10)
At 31 December 2023	4,504

Investment property, including land and buildings, is initially recognised at cost with changes in fair values in subsequent periods recognised in the consolidated income statement. The fair values at the reporting date are determined by independent professional valuers. Details of valuation techniques and process are disclosed in notes 3 and 20.

The Group leases out its investment property under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease based on future negotiations. Lease payments are usually negotiated every one to five years to reflect market rentals. There were not any material contingent rentals earned as income for the year. Rental income generated from investment property amounted to US\$154m (2022: US\$161m). Direct operating expenses (including repair and maintenance) on investment property that generates rental income amounted to US\$35m (2022: US\$33m).

The Group owns investment property in the form of freehold land outside Hong Kong and leasehold land. Leasehold land which is held for long-term rental or capital appreciation or both that is not occupied by the Group is classified as investment property. They are leased out under operating leases and are initially recognised as right-of-use assets at cost, with changes in fair values in subsequent periods recognised in the consolidated income statement. The Group does not hold freehold land in Hong Kong.

The future undiscounted lease payments under operating leases that the Group expects to receive in future periods may be analysed as follows:

US\$m	As at 31 December 2023	As at 31 December 2022
Leases of investment property classified as operating leases		
Expiring no later than one year	129	124
Expiring later than one year and no later than two years	87	110
Expiring later than two years and no later than three years	47	56
Expiring later than three years and no later than four years	28	24
Expiring later than four years and no later than five years	16	16
Expiring after five years or more	27	12
Total undiscounted lease receipts	334	342

18. FINANCIAL INVESTMENTS

The following tables analyse the Group's financial investments by type and nature. The Group manages its financial investments in two distinct categories: unit-linked investments and policyholder and shareholder investments. The investment risk in respect of unit-linked investments is generally borne by our customers and is measured at fair value through profit or loss. Policyholder and shareholder investments include all financial investments other than unit-linked investments. The investment risk in respect of policyholder and shareholder investments is partially or wholly borne by the Group.

Policyholder and shareholder investments are further categorised as participating funds and other participating business with discretionary expected sharing with policyholders and underlying distinct investment portfolios (Other participating business with distinct portfolios), and other policyholder and shareholder. The Group has elected to separately analyse financial investments held by participating funds and other participating business with distinct portfolios within policyholder and shareholder investments as they are subject to local regulations that generally prescribe a minimum proportion of policyholder participation in declared dividends. The Group measures debt securities, equity shares and interests in investment funds of participating funds and other participating business with distinct portfolios at fair value through profit or loss.

Other policyholder and shareholder investments are distinct from unit-linked investments and participating funds and other participating business with distinct portfolios as there is not any direct contractual or regulatory requirement governing the amount, if any, for allocation to policyholders. The Group measures equity shares, interests in investment funds and exchangeable loan notes at fair value through profit or loss in this category and at fair value through other comprehensive income in respect of the majority of debt securities in this category. The investment risk from investments in this category directly impacts the Group's financial statements. For certain benefits of business written in "Participating funds and Other participating business with distinct portfolios" funds and "Unit-linked" funds that are not supported by the underlying segregated assets, the backing assets are generally included in the "Other policyholder and shareholder" funds.

In the following tables, "FVTPL" indicates financial investments classified at fair value through profit or loss, "FVOCI" indicates financial investments classified at fair value through other comprehensive income and "AC" indicates financial investments classified at amortised cost.

Debt securities

In compiling the tables, external ratings have been used where available. External ratings have been used in accordance with the Group's credit risk assessment framework. Where external ratings are not readily available an internal rating methodology has been adopted, if applicable.

Credit risk limits are set according to the Group's credit risk assessment framework, which defines the relative risk level of a debt security.

External ratings		Internal ratings		Reported as
Standard and Poor's and Fitch	Moody's			
AAA	Aaa	1		AAA
AA+ to AA-	Aa1 to Aa3	2+ to 2-		AA
A+ to A-	A1 to A3	3+ to 3-		A
BBB+ to BBB-	Baa1 to Baa3	4+ to 4-		BBB
BB+ and below	Ba1 and below	5+ and below	Below investment grade	

18. FINANCIAL INVESTMENTS (continued)

Debt securities (continued)

Debt securities by type comprise the following:

US\$m	Policyholder and shareholder				Subtotal	Unit-linked FVTPL	Unit-linked ⁽²⁾ FVOCI	Consolidated investment funds ⁽¹⁾ FVTPL	Total
	Participating funds and other participating business with distinct portfolios FVTPL	Other policyholder and shareholder							
		FVTPL	FVOCI	AC					
31 December 2023									
Government bonds⁽³⁾									
By jurisdiction									
Mainland China	7,791	–	23,277	–	31,068	54	–	–	31,122
Thailand	–	1,323	11,314	–	12,637	–	–	–	12,637
United States	3,645	–	3,514	–	7,159	91	–	–	7,250
South Korea	–	–	6,524	–	6,524	248	–	–	6,772
Singapore	5,073	–	1,201	–	6,274	975	10	–	7,259
Philippines	275	82	1,643	36	2,036	238	–	–	2,274
Malaysia	1,416	202	543	–	2,161	346	43	–	2,550
Indonesia	792	–	1,148	16	1,956	131	27	–	2,114
Other	2,035	2	3,237	281	5,555	133	–	–	5,688
Subtotal, by jurisdiction	21,027	1,609	52,401	333	75,370	2,216	80	–	77,666
By credit rating									
AAA	6,211	–	3,807	–	10,018	977	10	–	11,005
AA	3,785	1	9,320	225	13,331	449	–	–	13,780
A	8,851	98	23,689	46	32,684	360	18	–	33,062
BBB	2,121	1,510	14,765	62	18,458	430	52	–	18,940
Below investment grade	59	–	820	–	879	–	–	–	879
Not rated	–	–	–	–	–	–	–	–	–
Subtotal, by credit rating	21,027	1,609	52,401	333	75,370	2,216	80	–	77,666
Government agency bonds⁽⁴⁾									
AAA	1,965	–	948	31	2,944	210	10	–	3,164
AA	633	1	2,089	102	2,825	72	–	131	3,028
A	3,467	33	2,244	50	5,794	170	44	–	6,008
BBB	705	19	1,586	50	2,360	45	3	–	2,408
Below investment grade	68	–	177	13	258	1	4	–	263
Not rated	–	–	–	–	–	12	–	–	12
Subtotal	6,838	53	7,044	246	14,181	510	61	131	14,883

Notes:

- (1) Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds. In preparing the consolidated financial statements, the Group enhanced the presentation to further split and allocate the underlying assets held by consolidated investment funds to the respective fund segments of the asset-backing liabilities. Where consolidated investment funds are held by third-party unit holders, these continue to be classified under consolidated investment funds.
- (2) Represents primarily the financial assets backing non-unit reserves of unit-linked contracts.
- (3) Government bonds include bonds issued in local or foreign currencies by either the government of the jurisdiction in which the respective business unit operates or other governments. The Group has enhanced the government bonds analysis to be presented by credit rating. The 2022 comparative information has been adjusted to conform to this presentation.
- (4) Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities; government-related entities; multilateral development banks and supranational organisations.

18. FINANCIAL INVESTMENTS (continued)

Debt securities (continued)

Debt securities by type comprise the following: (continued)

US\$m	Policyholder and shareholder				Subtotal	Unit-linked FVTPL	Unit-linked ⁽²⁾ FVOCI	Consolidated investment funds ⁽¹⁾ FVTPL	Total
	Participating funds and other participating business with distinct portfolios FVTPL	Other policyholder and shareholder							
		FVTPL	FVOCI	AC					
31 December 2023									
Corporate bonds									
AAA	643	1	205	–	849	–	–	–	849
AA	3,347	2	2,216	162	5,727	201	–	141	6,069
A	23,063	212	11,690	888	35,853	1,498	109	510	37,970
BBB	21,602	294	11,627	395	33,918	860	70	123	34,971
Below investment grade	748	317	1,459	132	2,656	244	17	–	2,917
Not rated	–	12	2	9	23	230	–	–	253
Subtotal	49,403	838	27,199	1,586	79,026	3,033	196	774	83,029
Structured securities ⁽⁵⁾									
AAA	20	–	142	–	162	–	–	–	162
AA	52	–	246	–	298	–	–	–	298
A	82	–	598	–	680	32	–	–	712
BBB	127	73	645	–	845	19	–	–	864
Below investment grade	67	71	–	–	138	–	–	–	138
Not rated	5	1	–	–	6	–	–	–	6
Subtotal	353	145	1,631	–	2,129	51	–	–	2,180
Total ⁽⁶⁾	77,621	2,645	88,275	2,165	170,706	5,810	337	905	177,758

Notes:

- (1) Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds. In preparing the consolidated financial statements, the Group enhanced the presentation to further split and allocate the underlying assets held by consolidated investment funds to the respective fund segments of the asset-backing liabilities. Where consolidated investment funds are held by third-party unit holders, these continue to be classified under consolidated investment funds.
- (2) Represents primarily the financial assets backing non-unit reserves of unit-linked contracts.
- (5) Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.
- (6) Debt securities of US\$8,869m are restricted due to local regulatory requirements.

18. FINANCIAL INVESTMENTS (continued)

Debt securities (continued)

Debt securities by type comprise the following: (continued)

US\$m	Policyholder and shareholder				Subtotal	Unit-linked FVTPL	Unit-linked ⁽²⁾ FVOCI	Consolidated investment funds ⁽¹⁾ FVTPL	Total
	Participating funds and other participating business with distinct portfolios FVTPL	Other policyholder and shareholder							
		FVTPL	FVOCI	AC					
31 December 2022 (restated)									
Government bonds ⁽³⁾									
By jurisdiction									
Mainland China	6,048	–	19,740	–	25,788	84	–	–	25,872
Thailand	–	1,169	10,984	–	12,153	1	–	–	12,154
United States	917	131	5,250	–	6,298	89	–	–	6,387
South Korea	–	–	5,949	–	5,949	263	–	–	6,212
Singapore	4,389	–	1,455	–	5,844	824	3	–	6,671
Philippines	150	79	1,560	27	1,816	237	–	–	2,053
Malaysia	1,364	246	502	–	2,112	178	68	–	2,358
Indonesia	755	–	1,017	16	1,788	116	31	–	1,935
Other	1,891	2	2,955	272	5,120	160	–	–	5,280
Subtotal, by jurisdiction	15,514	1,627	49,412	315	66,868	1,952	102	–	68,922
By credit rating									
AAA	5,664	132	7,987	–	13,783	960	3	–	14,746
AA	784	1	6,533	217	7,535	319	–	–	7,854
A	6,961	180	20,221	46	27,408	283	54	–	27,745
BBB	2,058	1,314	14,107	52	17,531	390	45	–	17,966
Below investment grade	47	–	564	–	611	–	–	–	611
Not rated	–	–	–	–	–	–	–	–	–
Subtotal, by credit rating	15,514	1,627	49,412	315	66,868	1,952	102	–	68,922
Government agency bonds ⁽⁴⁾									
AAA	2,055	–	966	31	3,052	237	5	–	3,294
AA	550	–	2,068	63	2,681	121	–	189	2,991
A	3,662	6	2,511	84	6,263	201	50	9	6,523
BBB	641	18	1,648	20	2,327	53	–	–	2,380
Below investment grade	63	–	174	13	250	6	9	–	265
Not rated	–	–	–	–	–	–	–	–	–
Subtotal	6,971	24	7,367	211	14,573	618	64	198	15,453

Notes:

- (1) Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds. In preparing the consolidated financial statements, the Group enhanced the presentation to further split and allocate the underlying assets held by consolidated investment funds to the respective fund segments of the asset-backing liabilities. Where consolidated investment funds are held by third-party unit holders, these continue to be classified under consolidated investment funds.
- (2) Represents primarily the financial assets backing non-unit reserves of unit-linked contracts.
- (3) Government bonds include bonds issued in local or foreign currencies by either the government of the jurisdiction in which the respective business unit operates or other governments. The Group has enhanced the government bonds analysis to be presented by credit rating. The 2022 comparative information has been adjusted to conform to this presentation.
- (4) Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities; government-related entities; multilateral development banks and supranational organisations.

18. FINANCIAL INVESTMENTS (continued)

Debt securities (continued)

Debt securities by type comprise the following: (continued)

US\$m	Policyholder and shareholder				Subtotal	Unit-linked FVTPL	Unit-linked ⁽²⁾ FVOCI	Consolidated investment funds ⁽¹⁾ FVTPL	Total
	Participating funds and other participating business with distinct portfolios FVTPL	Other policyholder and shareholder							
		FVTPL	FVOCI	AC					
31 December 2022 (restated)									
Corporate bonds									
AAA	526	–	233	–	759	12	–	–	771
AA	3,051	8	1,883	148	5,090	137	–	205	5,432
A	21,046	237	11,618	758	33,659	1,079	98	660	35,496
BBB	20,893	119	12,437	354	33,803	936	56	142	34,937
Below investment grade	638	341	1,429	1	2,409	197	17	–	2,623
Not rated	7	15	–	–	22	293	–	–	315
Subtotal	46,161	720	27,600	1,261	75,742	2,654	171	1,007	79,574
Structured securities⁽⁵⁾									
AAA	31	38	77	–	146	46	–	–	192
AA	83	–	160	–	243	–	–	–	243
A	83	–	524	–	607	38	–	–	645
BBB	112	90	591	–	793	19	–	–	812
Below investment grade	50	71	–	–	121	–	–	–	121
Not rated	14	206	29	–	249	–	–	–	249
Subtotal	373	405	1,381	–	2,159	103	–	–	2,262
Total⁽⁶⁾	69,019	2,776	85,760	1,787	159,342	5,327	337	1,205	166,211

Notes:

- (1) Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds. In preparing the consolidated financial statements, the Group enhanced the presentation to further split and allocate the underlying assets held by consolidated investment funds to the respective fund segments of the asset-backing liabilities. Where consolidated investment funds are held by third-party unit holders, these continue to be classified under consolidated investment funds.
- (2) Represents primarily the financial assets backing non-unit reserves of unit-linked contracts.
- (5) Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.
- (6) Debt securities of US\$9,885m are restricted due to local regulatory requirements.

18. FINANCIAL INVESTMENTS (continued)

Equity shares, interests in investment funds and exchangeable loan notes

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

US\$m	Policyholder and shareholder			Unit-linked FVTPL	Consolidated investment funds ⁽¹⁾ FVTPL	Total
	Participating funds and other participating business with distinct portfolios FVTPL	Other policyholder and shareholder FVTPL	Subtotal			
31 December 2023						
Equity shares	7,533	4,604	12,137	7,150	–	19,287
Interests in investment funds and exchangeable loan notes	22,676	6,864	29,540	17,626	–	47,166
Total	30,209	11,468	41,677	24,776	–	66,453
US\$m	Policyholder and shareholder			Unit-linked FVTPL	Consolidated investment funds ⁽¹⁾ FVTPL	Total
	Participating funds and other participating business with distinct portfolios FVTPL	Other policyholder and shareholder FVTPL	Subtotal			
31 December 2022 (restated)						
Equity shares	13,241	4,765	18,006	7,685	–	25,691
Interests in investment funds and exchangeable loan notes	14,307	7,214	21,521	17,056	–	38,577
Total	27,548	11,979	39,527	24,741	–	64,268

Note:

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

18. FINANCIAL INVESTMENTS (continued)

Interests in structured entities

The Group has determined that the investment funds and structured securities, such as collateralised debt obligations, mortgage-backed securities and other asset-backed securities that the Group has interests are structured entities.

The Group has consolidated certain investment funds for which the Group provides guarantee on capital or rate of return to the investors and deemed to have control based on an analysis of the guidance in IFRS 10. For these investment funds, the Group has the ability to reduce the guaranteed rates of return, subject to obtaining approvals of applicable regulators. The Group has an obligation to absorb losses in the event that the returns of the funds are insufficient to cover the capital or rate of return guarantee provided to the investors.

The following table summarises the Group's interests in unconsolidated structured entities:

US\$m	As at 31 December 2023		As at 31 December 2022(restated)	
	Investment funds	Structured securities ⁽¹⁾	Investment funds	Structured securities ⁽¹⁾
Debt securities at amortised cost	13 ⁽²⁾	–	–	–
Debt securities at fair value through other comprehensive income	830 ⁽²⁾	1,631	806 ⁽²⁾	1,381
Debt securities at fair value through profit or loss	1,965 ⁽²⁾	549	1,609 ⁽²⁾	881
Interests in investment funds at fair value through profit or loss	45,994	–	37,327	–
Total	48,802	2,180	39,742	2,262

Notes:

(1) Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

(2) Balance represents the Group's interests in debt securities issued by real estate investment trusts.

The Group's maximum exposure to loss arising from its interests in these unconsolidated structured entities is limited to the carrying amount of the assets. Dividend income and interest revenue are received during the reporting period from these interests in unconsolidated structured entities.

In addition, the Group receives management fees and trustee fees in respect of providing trustee, management and administrative services to certain retirement scheme funds and investment funds. These funds are not held and the associated investment risks are not borne by the Group, the Group does not have exposure to loss in these funds.

18. FINANCIAL INVESTMENTS (continued)

Loans and deposits

Loans and deposits by type comprise the following:

US\$m	As at 31 December 2023	As at 31 December 2022 (restated)
Mortgage loans on residential real estate	452	469
Mortgage loans on commercial real estate	2	2
Other loans	203	372
Loss allowance for loans	(10)	(9)
Loans	647	834
Term deposits	1,834	2,509
Promissory notes ⁽¹⁾	1,524	1,520
Loss allowance for deposits measured at amortised cost	(10)	(18)
Total	3,995	4,845

Note:

(1) The promissory notes are issued by a government. Promissory notes of US\$272m (2022: US\$279m) are measured at fair value through profit or loss.

Certain term deposits with financial institutions and promissory notes are restricted due to local regulatory requirements or other pledge restrictions. At 31 December 2023, the restricted balance held within term deposits and promissory notes was US\$372m (2022: US\$381m).

Other loans include receivables from reverse repurchase agreements (reverse repos) under which the Group does not take physical possession of securities purchased under the agreements. Reverse repos are initially recorded at the cost of the loan or collateral advanced. At 31 December 2023, the carrying value of such receivables was US\$99m (2022: US\$261m).

At 31 December 2023, there was no material debt collateral received in respect of reverse repos.

Maturity profile of debt securities, loans and deposits

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

US\$m	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
31 December 2023						
Debt securities	170,706	5,754	19,990	16,630	128,332	–
Loans and deposits	3,930	996	917	454	1,553	10
Total	174,636	6,750	20,907	17,084	129,885	10
US\$m	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
31 December 2022 (restated)						
Debt securities	159,342	7,465	20,197	17,252	114,428	–
Loans and deposits	4,500	1,833	647	470	1,534	16
Total	163,842	9,298	20,844	17,722	115,962	16

19. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative exposure was as follows:

US\$m	Notional amount	Fair value	
		Assets	Liabilities
31 December 2023			
Foreign exchange contracts			
Cross-currency swaps	8,429	342	(271)
Forwards	4,964	41	(78)
Foreign exchange futures	41	–	–
Total foreign exchange contracts	13,434	383	(349)
Interest rate contracts			
Interest rate swaps	3,930	210	(109)
Other			
Warrants and options	1,424	11	(2)
Forward contracts	36,758	148	(7,575)
Swaps	–	–	–
Netting	(41)	–	–
Total	55,505	752	(8,035)
31 December 2022			
Foreign exchange contracts			
Cross-currency swaps	6,994	220	(295)
Forwards	6,025	56	(86)
Foreign exchange futures	48	–	–
Total foreign exchange contracts	13,067	276	(381)
Interest rate contracts			
Interest rate swaps	8,500	240	(283)
Other			
Warrants and options	1,344	27	(1)
Forward contracts	37,995	74	(8,056)
Swaps	2,051	13	(18)
Netting	(48)	–	–
Total	62,909	630	(8,739)

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

Of the total derivatives, US\$8m (2022: US\$32m) are listed in exchange or dealer markets and the rest are over-the-counter (OTC) derivatives. OTC derivative contracts are individually negotiated between contracting parties and not cleared through an exchange. OTC derivatives include forwards, swaps and options. Derivatives are subject to various risks including market, liquidity and credit risks, similar to those related to the underlying financial instruments.

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

Foreign exchange contracts

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

Interest rate swaps

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

Other derivatives

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

Netting adjustment

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

Collateral under derivative transactions

At 31 December 2023, the Group had posted cash collateral of US\$213m (2022: US\$309m) and pledged debt securities with carrying value of US\$8,639m (2022: US\$9,656m) for liabilities, and held cash collateral of US\$340m (2022: US\$231m) and debt securities collateral with carrying value of US\$95m (2022: US\$55m) for assets in respect of derivative transactions. The Group did not sell or repledge the debt collateral received. These transactions are conducted under terms that are usual and customary to collateralised transactions including, where relevant, standard repurchase agreements.

20. FAIR VALUE MEASUREMENT

Fair value of financial instruments

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

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

US\$m	Notes	Fair value				Total carrying value	Total fair value
		FVTPL – mandatory	FVTPL – designated	FVOCI	Amortised cost		
31 December 2023							
Financial investments	18						
Loans and deposits		–	272	–	3,723	3,995	4,100
Debt securities		8,086	78,895	88,612	2,165	177,758	177,508
Equity shares, interests in investment funds and exchangeable loan notes		66,453	–	–	–	66,453	66,453
Derivative financial instruments	19	752	–	–	–	752	752
Receivables	21	–	–	–	1,294	1,294	1,294
Accrued investment income	21	–	–	–	1,832	1,832	1,832
Cash and cash equivalents	22	4,970	–	–	6,555	11,525	11,525
Financial assets		80,261	79,167	88,612	15,569	263,609	263,464
	Notes	Fair value				Total carrying value	Total fair value
		FVTPL – mandatory	FVTPL – designated	Amortised cost			
Financial liabilities							
Investment contract liabilities	25	–	8,460	515		8,975	8,975
Borrowings	26	–	–	11,800		11,800	10,875
Obligations under repurchase agreements	27	–	–	3,461		3,461	3,461
Derivative financial instruments	19	8,035	–	–		8,035	8,035
Other liabilities	30	–	844	4,043		4,887	4,887
Financial liabilities		8,035	9,304	19,819		37,158	36,233

20. FAIR VALUE MEASUREMENT (continued)

Fair value of financial instruments (continued)

		Fair value					
US\$m	Notes	FVTPL – mandatory	FVTPL – designated	FVOCI	Amortised cost	Total carrying value	Total fair value
31 December 2022 (restated)							
Financial investments	18						
Loans and deposits		–	279	–	4,566	4,845	4,912
Debt securities		7,482	70,845	86,097	1,787	166,211	165,944
Equity shares, interests in investment funds and exchangeable loan notes		64,268	–	–	–	64,268	64,268
Derivative financial instruments	19	630	–	–	–	630	630
Receivables	21	–	–	–	1,718	1,718	1,718
Accrued investment income	21	–	–	–	1,752	1,752	1,752
Cash and cash equivalents	22	2,248	–	–	6,721	8,969	8,969
Financial assets		74,628	71,124	86,097	16,544	248,393	248,193

		Fair value				
	Notes	FVTPL – mandatory	FVTPL – designated	Amortised cost	Total carrying value	Total fair value
Financial liabilities						
Investment contract liabilities	25	–	11,226	530	11,756	11,756
Borrowings	26	–	–	11,206	11,206	9,837
Obligations under repurchase agreements	27	–	–	1,748	1,748	1,748
Derivative financial instruments	19	8,739	–	–	8,739	8,739
Other liabilities	30	–	865	3,444	4,309	4,309
Financial liabilities		8,739	12,091	16,928	37,758	36,389

The carrying amount of assets included in the above tables represents the maximum credit exposure.

Foreign currency exposure, including the net positions of foreign currency derivative, is shown in note 34 for the Group's key foreign exchange exposures.

The fair value of investment contract liabilities measured at amortised cost is not considered to be materially different from the amortised cost carrying value.

The carrying value of financial instruments expected to be settled within 12 months (after taking into account valuation allowances, where applicable) is not considered to be materially different from the fair value.

20. FAIR VALUE MEASUREMENT (continued)

Fair value measurements on a recurring basis

The Group measures at fair value property held for own use, investment property, financial instruments classified at fair value through profit or loss, financial instruments classified at fair value through other comprehensive income, derivative assets and liabilities, investments held by investment funds which are consolidated, investments in non-consolidated investment funds and certain investment contract liabilities on a recurring basis.

The fair value of a financial instrument is the amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgement is used in measuring fair value. Conversely, financial instruments traded in other than active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgement. An active market is one in which transactions for the asset or liability being valued occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

An other than active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or in which little information is released publicly for the asset or liability being valued. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

Fair value of properties is based on valuation by independent professional valuers.

The Group does not have assets or liabilities measured at fair value on a non-recurring basis during the years ended 31 December 2023 and 31 December 2022.

The following methods and assumptions were used by the Group to estimate the fair value of financial instruments and properties.

Determination of fair value

Loans and receivables

For loans and advances that are repriced frequently and have not had any significant changes in credit risk, carrying amounts represent a reasonable estimate of fair values. The fair values of other loans are estimated by discounting expected future cash flows using interest rates offered for similar loans to borrowers with similar credit ratings.

The fair values of mortgage loans are estimated by discounting future cash flows using interest rates currently being offered in respect of similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations.

Debt securities, equity shares, interests in investment funds and exchangeable loan notes

The fair values of equity shares, interests in investment funds and exchangeable loan notes are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. Fair values for fixed interest securities are based on quoted market prices, where available. For those investments not actively traded, fair values are estimated using values obtained from brokers, private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment. Priority is given to values from independent sources when available, but overall the source of pricing and/or valuation technique is chosen with the objective of arriving at the price at which an orderly transaction would take place between market participants on the measurement date. The inputs to determining fair value that are relevant to fixed interest securities include, but not limited to risk-free interest rates, the obligor's credit spreads, foreign exchange rates and credit default rates. For holdings in hedge funds and limited partnerships, fair values are determined based on the net asset values provided by the general partner or manager of each investment, the accounts of which are generally audited on an annual basis. The transaction price is used as the best estimate of fair value at inception.

20. FAIR VALUE MEASUREMENT (continued)

Determination of fair value (continued)

Derivative financial instruments

The Group values its derivative financial assets and liabilities using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contract terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The Group generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgement. Examples of inputs that are generally observable include foreign exchange spot and forward rates, benchmark interest rate curves and volatilities for commonly traded option products. Examples of inputs that may be unobservable include volatilities for less commonly traded option products and correlations between market factors.

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

Property held for own use and investment property

The Group engaged external, independent and qualified valuers to determine the fair value of the Group's properties at least on an annual basis. The valuation on an open market value basis by independent professional valuer for certain investment properties was calculated by reference to net rental income allowing for reversionary income potential. The fair values of certain other properties were derived using the Market Data Approach. In this approach, the values are based on sales and listing of comparable property registered in the vicinity. Certain other properties are valued using a combination of these two methods.

The properties held for own use and investment properties, in most cases, are valued on the basis of the highest and best use of the properties that is physically possible, legally permissible and financially feasible. The current use of the properties is considered to be its highest and best use; records of recent sales and offerings of similar property are analysed and comparison made for such factors as size, location, quality and prospective use. On limited occasions, potential redevelopment of the properties in use would be taken into account when they would maximise the fair value of the properties; the Group is occupying these properties for operational purposes.

Cash and cash equivalents

The carrying amount of cash approximates to its fair value.

Fair value of securities sold under repurchase agreements and the associated payables

The contract values of payables under repurchase agreements approximate to their fair value as these obligations are short-term in nature.

Other assets

The carrying amount of other financial assets is not materially different to their fair value. The fair values of deposits with banks are generally based on quoted market prices or, if unquoted, on estimates based on discounting future cash flows using available market interest rates offered for receivables with similar characteristics.

20. FAIR VALUE MEASUREMENT (continued)

Determination of fair value (continued)

Investment contract liabilities

For investment contract liabilities, the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts where the investment risk is borne by the policyholder, the fair value generally approximates to the fair value of the underlying assets.

Investment contracts with DPF enable the contract holder to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating business and are measured and classified according to the Group practice for insurance contract liabilities and hence are disclosed within note 24. These are not measured at fair value as the Group applies the same accounting policies for the measurement of investment contracts with DPF as it does for insurance contracts under IFRS 17.

Borrowings

The fair values of borrowings have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities or prices obtained from brokers.

Other liabilities

The fair values of other unquoted financial liabilities are estimated by discounting expected future cash flows using current market rates applicable to their yield, credit quality and maturity, except for those without stated maturity, where the carrying value approximates to fair value.

Fair value hierarchy for fair value measurement on a recurring basis

Assets and liabilities recorded at fair value in the consolidated statement of financial position are measured and classified in a hierarchy for disclosure purposes consisting of three “levels” based on the observability of inputs available in the marketplace used to measure their fair values as discussed below:

- **Level 1:** Fair value measurements that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access as of the measurement date. Market price data is generally obtained from exchange or dealer markets. The Group does not adjust the quoted price for such instruments. Assets measured at fair value on a recurring basis and classified as Level 1 are actively traded equities. The Group considers that government debt securities issued by G7 countries (the United States, Canada, France, Germany, Italy, Japan, the United Kingdom) and traded in a dealer market to be Level 1, until they no longer trade with sufficient frequency and volume to be considered actively traded.
- **Level 2:** Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices that are observable for the asset and liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Assets and liabilities measured at fair value on a recurring basis and classified as Level 2 generally include government debt securities issued by non-G7 countries, most investment grade corporate bonds, hedge fund investments and derivative contracts.
- **Level 3:** Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Unobservable inputs are only used to measure fair value to the extent that relevant observable inputs are not available, allowing for circumstances in which there is little, if any, market activity for the asset or liability. Assets and liabilities measured at fair value on a recurring basis and classified as Level 3 include properties held for own use, investment properties, certain classes of structured securities, certain derivative contracts, private equity and real estate fund investments, and direct private equity investments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Group's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement. In making the assessment, the Group considers factors specific to the asset or liability.

20. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

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

US\$m	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
31 December 2023				
Recurring fair value measurements				
Non-financial assets				
Property held for own use	–	–	2,565	2,565
Investment property	–	–	4,504	4,504
Financial assets				
At fair value through other comprehensive income				
Debt securities	78	86,177	2,357	88,612
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios	173	75,640	1,808	77,621
Unit-linked and consolidated investment funds	3	6,712	–	6,715
Other policyholder and shareholder	–	2,450	195	2,645
Loans and deposits	–	–	272	272
Equity shares, interests in investment funds and exchangeable loan notes				
Participating funds and other participating business with distinct portfolios	15,149	1,283	13,777	30,209
Unit-linked and consolidated investment funds	24,374	379	23	24,776
Other policyholder and shareholder	4,805	1,285	5,378	11,468
Cash and cash equivalents				
Other policyholder and shareholder	4,970	–	–	4,970
Derivative financial instruments				
Foreign exchange contracts	–	383	–	383
Interest rate contracts	–	210	–	210
Other contracts	4	147	8	159
Total assets on a recurring fair value measurement basis	49,556	174,666	30,887	255,109
<i>% of Total</i>	<i>19.4%</i>	<i>68.5%</i>	<i>12.1%</i>	<i>100.0%</i>
Financial liabilities				
Investment contract liabilities	–	6,607	1,853	8,460
Derivative financial instruments				
Foreign exchange contracts	–	349	–	349
Interest rate contracts	–	109	–	109
Other contracts	4	7,573	–	7,577
Other liabilities	–	844	–	844
Total liabilities on a recurring fair value measurement basis	4	15,482	1,853	17,339
<i>% of Total</i>	<i>0.0%</i>	<i>89.3%</i>	<i>10.7%</i>	<i>100.0%</i>

20. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

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

20. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

The Group's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the year ended 31 December 2023, the Group transferred US\$1m (2022: US\$103m) of assets measured at fair value from Level 1 to Level 2. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. The Group transferred US\$58m (2022: US\$28m) of assets from Level 2 to Level 1 during the year ended 31 December 2023.

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

The tables below set out a summary of changes in the Group's Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended 31 December 2023 and 31 December 2022. The tables reflect gains and losses, including gains and losses on assets and liabilities categorised as Level 3 as at 31 December 2023 and 31 December 2022.

Level 3 assets and liabilities

US\$m	Property held for own use	Investment property	Debt securities	Loans and deposits	Equity shares, interests in investment funds and exchangeable loan notes	Derivative financial assets/ (liabilities)	Investment contracts
At 1 January 2023	1,235	4,600	3,835	279	15,558	41	(2,184)
Net movement on investment contract liabilities	–	–	–	–	–	–	331
Total gains/(losses)							
Reported under investment return and other expenses in the consolidated income statement	(40)	(97)	119	(9)	(178)	42	–
Reported under fair value reserve, foreign currency translation reserve and property revaluation reserve in the consolidated statement of comprehensive income	57	(10)	(40)	2	(37)	(1)	–
Acquisition of subsidiaries	2	1	–	–	–	–	–
Transfer to/from investment property	9	(31)	–	–	–	–	–
Purchases	1,306	45	899	–	4,874	–	–
Sales ⁽¹⁾	(4)	(4)	(257)	–	(926)	–	–
Settlements	–	–	(198)	–	–	(74)	–
Transfer into Level 3	–	–	2	–	50	–	–
Transfer out of Level 3	–	–	–	–	(163)	–	–
At 31 December 2023	2,565	4,504	4,360	272	19,178	8	(1,853)
Change in unrealised gains or losses included in the consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return and other expenses	(40)	(92)	63	(9)	(143)	(32)	–

Note:

(1) Includes amounts derecognised on disposal of held for sale assets and liabilities.

20. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

Level 3 assets and liabilities (continued)

US\$m	Property held for own use	Investment property	Debt securities	Loans and deposits	Equity shares, interests in investment funds and exchangeable loan notes	Derivative financial assets/ (liabilities)	Investment contracts
At 1 January 2022 (restated)	1,037	4,716	2,796	297	8,472	–	(2,163)
Net movement on investment contract liabilities	–	–	–	–	–	–	(21)
Total gains/(losses)							
Reported under investment return and other expenses in the consolidated income statement	(15)	70	(64)	(6)	26	41	–
Reported under fair value reserve, foreign currency translation reserve and property revaluation reserve in the consolidated statement of comprehensive income	33	(92)	(264)	(12)	(188)	–	–
Transfer to/from investment property	157	(157)	–	–	–	–	–
Purchases	23	68	1,844	–	7,904	–	–
Sales	–	(5)	(202)	–	(637)	–	–
Settlements	–	–	(229)	–	(4)	–	–
Transfer into Level 3	–	–	–	–	26	–	–
Transfer out of Level 3	–	–	(46)	–	(41)	–	–
At 31 December 2022 (restated)	1,235	4,600	3,835	279	15,558	41	(2,184)
Change in unrealised gains or losses included in the consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return and other expenses	(15)	70	(86)	(7)	(131)	41	–

Movements in investment contract liabilities at fair value are offset by movements in the underlying portfolio of matching assets. Details of the movement in investment contract liabilities are provided in note 25.

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

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

20. FAIR VALUE MEASUREMENT (continued)

Significant unobservable inputs for Level 3 fair value measurements

As at 31 December 2023 and 31 December 2022, the valuation techniques and applicable unobservable inputs used to measure the Group's Level 3 financial instruments are summarised as follows:

Description	Fair value at 31 December 2023 (US\$m)	Valuation techniques	Unobservable inputs	Range
Debt securities	2,553	Discounted cash flows	Risk adjusted discount rate	3.17% - 47.22%

Description	Fair value at 31 December 2022 (US\$m)	Valuation techniques	Unobservable inputs	Range
Debt securities	1,790	Discounted cash flows	Risk adjusted discount rate	3.30% – 30.09%

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

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

Valuation processes

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

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

20. FAIR VALUE MEASUREMENT (continued)

Fair value of financial and insurance assets and liabilities for which the fair value is disclosed at the reporting date

A summary of fair value hierarchy of assets and liabilities not carried at fair value but for which the fair value is disclosed as at 31 December 2023 and 31 December 2022 is given below.

	Fair value hierarchy			
US\$m	Level 1	Level 2	Level 3	Total
31 December 2023				
Assets for which the fair value is disclosed				
Financial assets				
Debt securities	–	1,915	–	1,915
Loans and deposits	1,025	914	1,889	3,828
Receivables	207	1,024	63	1,294
Accrued investment income	24	1,808	–	1,832
Cash and cash equivalents	6,555	–	–	6,555
Total assets for which the fair value is disclosed	7,811	5,661	1,952	15,424
Liabilities for which the fair value is disclosed				
Financial liabilities				
Investment contract liabilities	–	–	515	515
Borrowings	9,244	1,631	–	10,875
Obligations under repurchase agreements	–	3,461	–	3,461
Other liabilities	347	3,680	16	4,043
Total liabilities for which the fair value is disclosed	9,591	8,772	531	18,894
	Fair value hierarchy			
US\$m	Level 1	Level 2	Level 3	Total
31 December 2022 (restated)				
Assets for which the fair value is disclosed				
Financial assets				
Debt securities	–	1,461	59	1,520
Loans and deposits	2,062	688	1,883	4,633
Receivables	53	1,611	54	1,718
Accrued investment income	30	1,722	–	1,752
Cash and cash equivalents	6,721	–	–	6,721
Total assets for which the fair value is disclosed	8,866	5,482	1,996	16,344
Liabilities for which the fair value is disclosed				
Financial liabilities				
Investment contract liabilities	–	–	530	530
Borrowings	8,286	1,551	–	9,837
Obligations under repurchase agreements	–	1,748	–	1,748
Other liabilities	445	2,945	54	3,444
Total liabilities for which the fair value is disclosed	8,731	6,244	584	15,559

21. OTHER ASSETS

US\$m	As at 31 December 2023	As at 31 December 2022 (restated)
Accrued investment income	1,832	1,752
Receivables	1,294	1,718
Pension scheme assets		
Defined benefit pension scheme surpluses	57	56
Others ⁽¹⁾	1,133	1,065
Total	4,316	4,591

Note:

(1) Represents, among others, prepayments and deferred origination costs.

All amounts other than certain prepayments are generally expected to be recovered within 12 months after the end of the reporting period.

22. CASH AND CASH EQUIVALENTS

US\$m	As at 31 December 2023	As at 31 December 2022
Cash	3,152	3,367
Cash equivalents	8,373	5,602
Total⁽¹⁾	11,525	8,969

Note:

(1) US\$667m (2022: US\$1,462m) are held to back unit-linked contracts and US\$46m (2022: US\$43m) are held by consolidated investment funds. In preparing the consolidated financial statements, the Group enhanced the presentation to further split and allocate the underlying assets held by consolidated investment funds to the respective fund segments of the asset-backing liabilities.

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

23. IMPAIRMENT OF FINANCIAL ASSETS

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

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

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

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

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

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

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons including changing market conditions and other factors not related to current or potential credit deterioration of the debtor. An existing financial asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new financial asset at fair value in accordance with the accounting policies in note 2.5.1.

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

Definition of default

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

23. IMPAIRMENT OF FINANCIAL ASSETS (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Incorporation of forward-looking information

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

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

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

	As at 31 December 2023	As at 31 December 2022
GDP growth (5-year average of year-over-year %)		
Base case scenario	2.9%	3.1%
Upside scenario	3.5%	3.8%
Downside scenario	2.1%	2.1%

Measurement of ECL

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

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

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

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

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

23. IMPAIRMENT OF FINANCIAL ASSETS (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Measurement of ECL (continued)

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

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

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

Credit-impaired financial assets

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

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

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

23. IMPAIRMENT OF FINANCIAL ASSETS (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance

The following tables show reconciliation balances from the opening to the closing balance of the loss allowance by class of financial instrument. Gross carrying amount is the amortised cost before adjusting for loss allowance.

US\$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Debt securities measured at amortised cost								
Balance at 1 January 2023	1,778	4	15	2	–	–	1,793	6
Transfer to 12-month ECL	10	–	(10)	–	–	–	–	–
Transfer to lifetime ECL not credit-impaired	(10)	–	10	–	–	–	–	–
Transfer to lifetime ECL credit-impaired	–	–	–	–	–	–	–	–
Net remeasurement of loss allowance	–	–	–	–	–	–	–	–
New financial assets acquired	472	–	–	–	–	–	472	–
Financial assets derecognised other than write-offs	(105)	–	–	–	–	–	(105)	–
Write-offs	–	–	–	–	–	–	–	–
Effects of movements in exchange rates and other movements	11	–	–	–	–	–	11	–
Balance at 31 December 2023	2,156	4	15	2	–	–	2,171	6

US\$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Debt securities measured at amortised cost								
Balance at 1 January 2022	1,465	2	15	2	–	–	1,480	4
Transfer to 12-month ECL	–	–	–	–	–	–	–	–
Transfer to lifetime ECL not credit-impaired	–	–	–	–	–	–	–	–
Transfer to lifetime ECL credit-impaired	–	–	–	–	–	–	–	–
Net remeasurement of loss allowance	–	1	–	–	–	–	–	1
New financial assets acquired	385	1	–	–	–	–	385	1
Financial assets derecognised other than write-offs	(51)	–	–	–	–	–	(51)	–
Effects of movements in exchange rates and other movements	(21)	–	–	–	–	–	(21)	–
Balance at 31 December 2022	1,778	4	15	2	–	–	1,793	6

23. IMPAIRMENT OF FINANCIAL ASSETS (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance (continued)

US\$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Loans and deposits measured at amortised cost								
Balance at 1 January 2023	4,572	17	11	3	10	7	4,593	27
Transfer to 12-month ECL	6	1	(4)	–	(2)	(1)	–	–
Transfer to lifetime ECL not credit-impaired	(8)	–	9	–	(1)	–	–	–
Transfer to lifetime ECL credit-impaired	(16)	–	–	–	16	–	–	–
Net remeasurement of loss allowance	–	(16)	–	–	–	2	–	(14)
New financial assets acquired	30,837	10	–	–	–	–	30,837	10
Financial assets derecognised other than write-offs	(31,654)	(1)	(1)	–	(3)	(1)	(31,658)	(2)
Write-offs	–	–	–	–	–	–	–	–
Effects of movements in exchange rates and other movements	(29)	–	–	(1)	–	–	(29)	(1)
Balance at 31 December 2023	3,708	11	15	2	20	7	3,743	20

US\$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Loans and deposits measured at amortised cost								
Balance at 1 January 2022	5,423	8	11	2	18	8	5,452	18
Transfer to 12-month ECL	10	2	(2)	–	(8)	(2)	–	–
Transfer to lifetime ECL not credit-impaired	(48)	–	49	1	(1)	(1)	–	–
Transfer to lifetime ECL credit-impaired	(2)	–	(1)	–	3	–	–	–
Net remeasurement of loss allowance	–	–	–	–	–	2	–	2
New financial assets acquired	29,964	10	–	–	–	–	29,964	10
Financial assets derecognised other than write-offs	(30,620)	(3)	(44)	–	(2)	–	(30,666)	(3)
Effects of movements in exchange rates and other movements	(155)	–	(2)	–	–	–	(157)	–
Balance at 31 December 2022	4,572	17	11	3	10	7	4,593	27

23. IMPAIRMENT OF FINANCIAL ASSETS (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance (continued)

US\$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Debt securities measured at fair value through other comprehensive income								
Balance at 1 January 2023	89,556	167	511	50	103	83	90,170	300
Transfer to 12-month ECL	214	20	(214)	(20)	–	–	–	–
Transfer to lifetime ECL not credit-impaired	(312)	(15)	312	15	–	–	–	–
Transfer to lifetime ECL credit-impaired	–	–	(250)	(13)	250	13	–	–
Net remeasurement of loss allowance	–	(45)	–	(13)	–	231	–	173
New financial assets acquired	18,909	29	–	–	–	–	18,909	29
Financial assets derecognised other than write-offs	(20,494)	(23)	(102)	(7)	–	–	(20,596)	(30)
Write-offs	–	–	–	–	–	–	–	–
Effects of movements in exchange rates and other movements	(364)	–	9	5	13	–	(342)	5
Balance at 31 December 2023	87,509	133	266	17	366	327	88,141	477

US\$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Debt securities measured at fair value through other comprehensive income								
Balance at 1 January 2022	95,364	142	319	17	–	–	95,683	159
Transfer to 12-month ECL	4	–	(4)	–	–	–	–	–
Transfer to lifetime ECL not credit-impaired	(426)	(12)	426	12	–	–	–	–
Transfer to lifetime ECL credit-impaired	–	–	(102)	(10)	102	10	–	–
Net remeasurement of loss allowance	–	56	–	60	–	73	–	189
New financial assets acquired	21,113	29	–	–	–	–	21,113	29
Financial assets derecognised other than write-offs	(23,178)	(45)	(75)	(24)	–	–	(23,253)	(69)
Effects of movements in exchange rates and other movements	(3,321)	(3)	(53)	(5)	1	–	(3,373)	(8)
Balance at 31 December 2022	89,556	167	511	50	103	83	90,170	300

23. IMPAIRMENT OF FINANCIAL ASSETS (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance (continued)

US\$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Receivables								
Balance at 1 January 2023	1,673	–	42	11	28	14	1,743	25
Transfer to lifetime ECL not credit-impaired	3	–	(3)	–	–	–	–	–
Transfer to lifetime ECL credit-impaired	(3)	–	(2)	(2)	5	2	–	–
Net remeasurement of loss allowance	–	–	–	(5)	–	2	–	(3)
Net decrease in receivables	(415)	–	(7)	(1)	(1)	–	(423)	(1)
Write-offs	–	–	–	–	(3)	(2)	(3)	(2)
Effects of movements in exchange rates and other movements	(4)	–	–	–	–	–	(4)	–
Balance at 31 December 2023	1,254	–	30	3	29	16	1,313	19

US\$m	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Receivables								
Balance at 1 January 2022	1,618	–	43	8	30	18	1,691	26
Transfer to lifetime ECL not credit-impaired	(5)	–	5	–	–	–	–	–
Transfer to lifetime ECL credit-impaired	–	–	–	–	–	–	–	–
Net remeasurement of loss allowance	–	–	–	4	–	(3)	–	1
Net increase/(decrease) in receivables	64	–	(6)	(1)	–	–	58	(1)
Effects of movements in exchange rates and other movements	(4)	–	–	–	(2)	(1)	(6)	(1)
Balance at 31 December 2022	1,673	–	42	11	28	14	1,743	25

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD

Movement in carrying amounts

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

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

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

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

US\$m	Notes	Year ended 31 December 2023			
		Liabilities for remaining coverage			Total
		Excluding loss component	Loss component	Liabilities for incurred claims	
Opening assets		(1,230)	20	640	(570)
Opening liabilities		176,319	250	7,003	183,572
Net opening balance		175,089	270	7,643	183,002
Insurance revenue	8	(15,107)	–	–	(15,107)
Insurance service expenses					
Incurred claims and other insurance service expenses		–	(113)	8,974	8,861
Amortisation of insurance acquisition cash flows		968	–	–	968
Losses and reversal of losses on onerous contracts		–	214	–	214
Adjustments to liabilities for incurred claims		–	–	(268)	(268)
Total insurance service expenses		968	101	8,706	9,775
Investment components		(11,737)	–	11,737	–
Other changes		(14)	–	14	–
Insurance service result		(25,890)	101	20,457	(5,332)
Net finance expenses/(income) from insurance contracts	9	15,923	(24)	360	16,259
Effect of movements in exchange rates		(508)	56	(19)	(471)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(10,475)	133	20,798	10,456
Cash flows					
Premiums received		38,761	–	–	38,761
Claims and other insurance service expenses paid, including investment components		18	–	(24,074)	(24,056)
Insurance acquisition cash flows paid		(6,325)	–	–	(6,325)
Other amounts (paid)/received		(1)	–	3,770	3,769
Total cash flows		32,453	–	(20,304)	12,149
Adjusted for:					
Non-cash operating expenses		(161)	–	(71)	(232)
Other non-cash items		(370)	–	–	(370)
Total non-cash items		(531)	–	(71)	(602)
Contracts derecognised on disposal of held for sale assets and liabilities		(910)	(56)	(57)	(1,023)
Net closing balance		195,626	347	8,009	203,982
Closing assets		(454)	42	627	215
Closing liabilities		196,080	305	7,382	203,767
Net closing balance		195,626	347	8,009	203,982

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

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

US\$m	Notes	Year ended 31 December 2022			Total
		Liabilities for remaining coverage		Liabilities for	
		Excluding loss component	Loss component	incurred claims	
Opening assets		(2,753)	10	625	(2,118)
Opening liabilities		210,450	204	7,875	218,529
Net opening balance		207,697	214	8,500	216,411
Insurance revenue	8	(14,524)	–	–	(14,524)
Insurance service expenses					
Incurred claims and other insurance service expenses		–	(68)	8,371	8,303
Amortisation of insurance acquisition cash flows		696	–	–	696
Losses and reversal of losses on onerous contracts		–	129	–	129
Adjustments to liabilities for incurred claims		–	–	(259)	(259)
Total insurance service expenses		696	61	8,112	8,869
Investment components		(10,674)	–	10,674	–
Other changes		(14)	–	14	–
Insurance service result		(24,516)	61	18,800	(5,655)
Net finance (income)/expenses from insurance contracts	9	(35,058)	3	(460)	(35,515)
Effect of movements in exchange rates		(5,145)	(8)	(493)	(5,646)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(64,719)	56	17,847	(46,816)
Cash flows					
Premiums received		38,174	–	–	38,174
Claims and other insurance service expenses paid, including investment components		–	–	(21,550)	(21,550)
Insurance acquisition cash flows paid		(5,536)	–	–	(5,536)
Other amounts received		–	–	2,902	2,902
Total cash flows		32,638	–	(18,648)	13,990
Adjusted for:					
Non-cash operating expenses		(184)	–	(56)	(240)
Other non-cash items		(343)	–	–	(343)
Total non-cash items		(527)	–	(56)	(583)
Net closing balance		175,089	270	7,643	183,002
Closing assets		(1,230)	20	640	(570)
Closing liabilities		176,319	250	7,003	183,572
Net closing balance		175,089	270	7,643	183,002

Insurance contract assets of US\$501m (2022: US\$608m) and insurance contract liabilities of US\$5,633m (2022: US\$4,652m) are expected to be recovered within 12 months after the reporting date.

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

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

US\$m	Notes	Year ended 31 December 2023							
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	CSM			
						Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts	Total
Opening assets		(8,689)	739	7,380	(570)	–	4,983	2,397	7,380
Opening liabilities		135,747	2,796	45,029	183,572	10,627	26,411	7,991	45,029
Net opening balance		127,058	3,535	52,409	183,002	10,627	31,394	10,388	52,409
Insurance service result									
Changes that relate to current services									
CSM recognised for services provided	8	–	–	(5,605)	(5,605)	(1,009)	(2,670)	(1,926)	(5,605)
Change in risk adjustment for non-financial risk		–	(125)	–	(125)	–	–	–	–
Experience adjustments		581	–	–	581	–	–	–	–
Others		(129)	–	–	(129)	–	–	–	–
Changes that relate to future services									
Contracts initially recognised in the year		(7,380)	473	7,060	153	–	–	7,060	7,060
Changes in estimates that adjust the CSM		(971)	23	948	–	15	1,360	(427)	948
Changes in estimates that result in losses and reversal of losses on onerous contracts		17	44	–	61	–	–	–	–
Changes that relate to past services		(208)	(60)	–	(268)	–	–	–	–
Total insurance service result		(8,090)	355	2,403	(5,332)	(994)	(1,310)	4,707	2,403
Net finance expenses/(income) from insurance contracts	9	15,129	(26)	1,156	16,259	471	335	350	1,156
Effect of movements in exchange rates		(32)	(2)	(437)	(471)	(222)	(103)	(112)	(437)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		7,007	327	3,122	10,456	(745)	(1,078)	4,945	3,122
Cash flows		12,149	–	–	12,149	–	–	–	–
Non-cash operating expenses		(232)	–	–	(232)	–	–	–	–
Other non-cash items		(370)	–	–	(370)	–	–	–	–
Contracts derecognised on disposal of held for sale assets and liabilities		(986)	(24)	(13)	(1,023)	–	(13)	–	(13)
Net closing balance		144,626	3,838	55,518	203,982	9,882	30,303	15,333	55,518
Closing assets		(9,961)	888	9,288	215	–	5,640	3,648	9,288
Closing liabilities		154,587	2,950	46,230	203,767	9,882	24,663	11,685	46,230
Net closing balance		144,626	3,838	55,518	203,982	9,882	30,303	15,333	55,518

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

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

		Year ended 31 December 2022							
US\$m	Notes	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	CSM			
						Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts	Total
Opening assets		(10,154)	796	7,240	(2,118)	–	5,900	1,340	7,240
Opening liabilities		167,514	3,097	47,918	218,529	11,983	31,017	4,918	47,918
Net opening balance		157,360	3,893	55,158	216,411	11,983	36,917	6,258	55,158
Insurance service result									
Changes that relate to current services									
CSM recognised for services provided	8	–	–	(5,363)	(5,363)	(1,059)	(3,072)	(1,232)	(5,363)
Change in risk adjustment for non-financial risk		–	(179)	–	(179)	–	–	–	–
Experience adjustments		151	–	–	151	–	–	–	–
Others		(134)	–	–	(134)	–	–	–	–
Changes that relate to future services									
Contracts initially recognised in the year		(6,358)	450	5,983	75	–	–	5,983	5,983
Changes in estimates that adjust the CSM		2,783	(364)	(2,419)	–	140	(2,068)	(491)	(2,419)
Changes in estimates that result in losses and reversal of losses on onerous contracts		71	(17)	–	54	–	–	–	–
Changes that relate to past services		(186)	(73)	–	(259)	–	–	–	–
Total insurance service result		(3,673)	(183)	(1,799)	(5,655)	(919)	(5,140)	4,260	(1,799)
Net finance (income)/expenses from insurance contracts	9	(36,703)	–	1,188	(35,515)	492	447	249	1,188
Effect of movements in exchange rates		(3,333)	(175)	(2,138)	(5,646)	(929)	(830)	(379)	(2,138)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(43,709)	(358)	(2,749)	(46,816)	(1,356)	(5,523)	4,130	(2,749)
Cash flows		13,990	–	–	13,990	–	–	–	–
Non-cash operating expenses		(240)	–	–	(240)	–	–	–	–
Other non-cash items		(343)	–	–	(343)	–	–	–	–
Net closing balance		127,058	3,535	52,409	183,002	10,627	31,394	10,388	52,409
Closing assets		(8,689)	739	7,380	(570)	–	4,983	2,397	7,380
Closing liabilities		135,747	2,796	45,029	183,572	10,627	26,411	7,991	45,029
Net closing balance		127,058	3,535	52,409	183,002	10,627	31,394	10,388	52,409

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

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

US\$m	Note	Year ended 31 December 2023			
		Asset for remaining coverage			Total
		Excluding loss-recovery component	Loss-recovery component	Asset for incurred claims	
Opening assets		2,044	124	3,537	5,705
Opening liabilities		(775)	6	374	(395)
Net opening balance		1,269	130	3,911	5,310
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Net (expenses)/income from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		(2,059)	10	1,762	(287)
Effect of changes in non-performance risk of reinsurers		–	–	–	–
Net (expenses)/income from reinsurance contracts held		(2,059)	10	1,762	(287)
Investment components		(136)	–	136	–
Other changes		–	–	–	–
Net finance income from reinsurance contracts held	9	46	1	128	175
Effect of movements in exchange rates		138	1	(63)	76
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(2,011)	12	1,963	(36)
Cash flows					
Premiums paid		2,149	–	–	2,149
Amounts received		–	–	(1,807)	(1,807)
Other amounts paid		–	–	4	4
Total cash flows		2,149	–	(1,803)	346
Adjusted for:					
Non-cash operating expenses		–	–	–	–
Other non-cash items		–	–	–	–
Total non-cash items		–	–	–	–
Contracts derecognised on disposal of held for sale assets and liabilities		21	–	1	22
Net closing balance		1,428	142	4,072	5,642
Closing assets		2,091	133	3,746	5,970
Closing liabilities		(663)	9	326	(328)
Net closing balance		1,428	142	4,072	5,642

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

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

US\$m	Note	Year ended 31 December 2022			
		Asset for remaining coverage		Asset for incurred claims	Total
		Excluding loss-recovery component	Loss-recovery component		
Opening assets		2,410	124	3,815	6,349
Opening liabilities		(1,035)	2	324	(709)
Net opening balance		1,375	126	4,139	5,640
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Net (expenses)/income from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		(2,045)	10	1,654	(381)
Effect of changes in non-performance risk of reinsurers		–	–	–	–
Net (expenses)/income from reinsurance contracts held		(2,045)	10	1,654	(381)
Investment components		(139)	–	139	–
Other changes		–	–	–	–
Net finance income/(expenses) from reinsurance contracts held	9	85	1	(259)	(173)
Effect of movements in exchange rates		50	(7)	(258)	(215)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(2,049)	4	1,276	(769)
Cash flows					
Premiums paid		1,943	–	–	1,943
Amounts received		–	–	(1,509)	(1,509)
Other amounts paid		–	–	4	4
Total cash flows		1,943	–	(1,505)	438
Adjusted for:					
Non-cash operating expenses		–	–	1	1
Other non-cash items		–	–	–	–
Total non-cash items		–	–	1	1
Net closing balance		1,269	130	3,911	5,310
Closing assets		2,044	124	3,537	5,705
Closing liabilities		(775)	6	374	(395)
Net closing balance		1,269	130	3,911	5,310

Reinsurance contract assets of US\$1,547m (2022: US\$386m) and reinsurance contract liabilities of US\$(51)m (2022: US\$(17)m) are expected to be recovered/(settled) within 12 months after the reporting date.

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

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

US\$m	Note	Year ended 31 December 2023							
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	CSM			
						Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts	Total
Opening assets		3,356	523	1,826	5,705	(1,031)	3,110	(253)	1,826
Opening liabilities		(1,007)	254	358	(395)	–	115	243	358
Net opening balance		2,349	777	2,184	5,310	(1,031)	3,225	(10)	2,184
Net (expenses)/income from reinsurance contracts held									
Changes that relate to current services									
CSM recognised for services received		–	–	(291)	(291)	89	(367)	(13)	(291)
Change in risk adjustment for non-financial risk		–	(11)	–	(11)	–	–	–	–
Experience adjustments		(66)	–	–	(66)	–	–	–	–
Changes that relate to future services									
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		–	–	15	15	–	–	15	15
Contracts initially recognised in the year		(143)	72	71	–	–	–	71	71
Changes in estimates that adjust the CSM		(320)	(44)	364	–	124	54	186	364
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts		36	(1)	–	35	–	–	–	–
Changes that relate to past services		45	(14)	–	31	–	–	–	–
Effect of changes in non-performance risk of reinsurers		–	–	–	–	–	–	–	–
Total net (expenses)/income from reinsurance contracts held		(448)	2	159	(287)	213	(313)	259	159
Net finance income/(expenses) from reinsurance contracts held	9	39	3	133	175	(57)	199	(9)	133
Effect of movements in exchange rates		172	(6)	(90)	76	20	295	(405)	(90)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(237)	(1)	202	(36)	176	181	(155)	202
Cash flows		346	–	–	346	–	–	–	–
Non-cash operating expenses		–	–	–	–	–	–	–	–
Other non-cash items		–	–	–	–	–	–	–	–
Contracts derecognised on disposal of held for sale assets and liabilities		5	–	17	22	–	17	–	17
Net closing balance		2,463	776	2,403	5,642	(855)	3,423	(165)	2,403
Closing assets		3,371	579	2,020	5,970	(855)	3,040	(165)	2,020
Closing liabilities		(908)	197	383	(328)	–	383	–	383
Net closing balance		2,463	776	2,403	5,642	(855)	3,423	(165)	2,403

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

Analysis by measurement component of reinsurance contracts held not measured under the premium allocation approach (continued)

Year ended 31 December 2022									
US\$m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	CSM			
						Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts	Total
Opening assets		3,785	750	1,814	6,349	(1,643)	3,763	(306)	1,814
Opening liabilities		(1,377)	270	398	(709)	–	77	321	398
Net opening balance		2,408	1,020	2,212	5,640	(1,643)	3,840	15	2,212
Net (expenses)/income from reinsurance contracts held									
Changes that relate to current services									
CSM recognised for services received		–	–	(242)	(242)	125	(391)	24	(242)
Change in risk adjustment for non-financial risk		–	(43)	–	(43)	–	–	–	–
Experience adjustments		(198)	–	–	(198)	–	–	–	–
Changes that relate to future services									
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		–	–	11	11	–	–	11	11
Contracts initially recognised in the year		12	47	(59)	–	–	–	(59)	(59)
Changes in estimates that adjust the CSM		(171)	(160)	331	–	437	(136)	30	331
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts		(1)	–	–	(1)	–	–	–	–
Changes that relate to past services		113	(21)	–	92	–	–	–	–
Effect of changes in non-performance risk of reinsurers		–	–	–	–	–	–	–	–
Total net (expenses)/income from reinsurance contracts held		(245)	(177)	41	(381)	562	(527)	6	41
Net finance (expenses)/income from reinsurance contracts held	9	(151)	–	(22)	(173)	(87)	80	(15)	(22)
Effect of movements in exchange rates		(102)	(66)	(47)	(215)	137	(168)	(16)	(47)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(498)	(243)	(28)	(769)	612	(615)	(25)	(28)
Cash flows		438	–	–	438	–	–	–	–
Non-cash operating expenses		1	–	–	1	–	–	–	–
Other non-cash items		–	–	–	–	–	–	–	–
Net closing balance		2,349	777	2,184	5,310	(1,031)	3,225	(10)	2,184
Closing assets		3,356	523	1,826	5,705	(1,031)	3,110	(253)	1,826
Closing liabilities		(1,007)	254	358	(395)	–	115	243	358
Net closing balance		2,349	777	2,184	5,310	(1,031)	3,225	(10)	2,184

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

Analysis by remaining coverage and incurred claims of insurance contracts measured under the premium allocation approach

US\$m		Year ended 31 December 2023				
		Liabilities for remaining coverage		Liabilities for incurred claims		Total
		Excluding loss component	Loss component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	
Opening assets		–	–	1	–	1
Opening liabilities		308	–	412	18	738
Net opening balance		308	–	413	18	739
Insurance revenue	8	(2,407)	–	–	–	(2,407)
Insurance service expenses						
Incurred claims and other insurance service expenses		–	–	2,099	12	2,111
Amortisation of insurance acquisition cash flows		325	–	–	–	325
Losses and reversal of losses on onerous contracts		–	–	–	–	–
Adjustments to liabilities for incurred claims		–	–	(120)	(13)	(133)
Total insurance service expenses		325	–	1,979	(1)	2,303
Investment components		(6)	–	6	–	–
Other changes		(3)	–	3	–	–
Insurance service result		(2,091)	–	1,988	(1)	(104)
Net finance expenses/(income) from insurance contracts	9	–	–	–	–	–
Effect of movements in exchange rates		(16)	–	38	1	23
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(2,107)	–	2,026	–	(81)
Cash flows						
Premiums received		2,559	–	–	–	2,559
Claims and other insurance service expenses paid, including investment components		–	–	(1,984)	–	(1,984)
Insurance acquisition cash flows paid		(328)	–	–	–	(328)
Other amounts received		–	–	1	–	1
Total cash flows		2,231	–	(1,983)	–	248
Adjusted for:						
Non-cash operating expenses		(12)	–	(3)	–	(15)
Other non-cash items		–	–	–	–	–
Total non-cash items		(12)	–	(3)	–	(15)
Net closing balance		420	–	453	18	891
Closing assets		1	–	–	–	1
Closing liabilities		419	–	453	18	890
Net closing balance		420	–	453	18	891

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

Analysis by remaining coverage and incurred claims of insurance contracts measured under the premium allocation approach (continued)

		Year ended 31 December 2022				
		Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component	Loss component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	
US\$m	Notes					Total
Opening assets		1	–	–	–	1
Opening liabilities		285	–	372	18	675
Net opening balance		286	–	372	18	676
Insurance revenue	8	(1,795)	–	–	–	(1,795)
Insurance service expenses						
Incurred claims and other insurance service expenses		–	–	1,391	11	1,402
Amortisation of insurance acquisition cash flows		207	–	–	–	207
Losses and reversal of losses on onerous contracts		–	–	–	–	–
Adjustments to liabilities for incurred claims		–	–	(34)	(10)	(44)
Total insurance service expenses		207	–	1,357	1	1,565
Investment components		(2)	–	2	–	–
Other changes		(3)	–	3	–	–
Insurance service result		(1,593)	–	1,362	1	(230)
Net finance income from insurance contracts	9	–	–	–	–	–
Effect of movements in exchange rates		(14)	–	(9)	(1)	(24)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(1,607)	–	1,353	–	(254)
Cash flows						
Premiums received		1,834	–	–	–	1,834
Claims and other insurance service expenses paid, including investment components		(1)	–	(1,309)	–	(1,310)
Insurance acquisition cash flows paid		(200)	–	–	–	(200)
Other amounts received		–	–	–	–	–
Total cash flows		1,633	–	(1,309)	–	324
Adjusted for:						
Non-cash operating expenses		(4)	–	(3)	–	(7)
Other non-cash items		–	–	–	–	–
Total non-cash items		(4)	–	(3)	–	(7)
Net closing balance		308	–	413	18	739
Closing assets		–	–	1	–	1
Closing liabilities		308	–	412	18	738
Net closing balance		308	–	413	18	739

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

Analysis by measurement component of reinsurance contracts held measured under the premium allocation approach

		Year ended 31 December 2023				Total
		Asset for remaining coverage		Asset for incurred claims		
		Excluding loss-recovery component	Loss-recovery component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	
US\$m	Note					
Opening assets		(248)	–	304	2	58
Opening liabilities		(77)	–	65	1	(11)
Net opening balance		(325)	–	369	3	47
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Net (expenses)/income from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		(346)	–	288	–	(58)
Effect of changes in non-performance risk of reinsurers		–	–	–	–	–
Net (expenses)/income from reinsurance contracts held		(346)	–	288	–	(58)
Investment components		(26)	–	26	–	–
Other changes		–	–	–	–	–
Net finance income from reinsurance contracts held	9	1	–	–	–	1
Effect of movements in exchange rates		11	–	(3)	–	8
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(360)	–	311	–	(49)
Cash flows						
Premiums paid		384	–	–	–	384
Amounts paid/(received)		1	–	(316)	–	(315)
Other amounts paid		–	–	2	–	2
Total cash flows		385	–	(314)	–	71
Adjusted for:						
Non-cash operating expenses		–	–	–	–	–
Other non-cash items		–	–	–	–	–
Total non-cash items		–	–	–	–	–
Net closing balance		(300)	–	366	3	69
Closing assets		(241)	–	316	2	77
Closing liabilities		(59)	–	50	1	(8)
Net closing balance		(300)	–	366	3	69

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Movement in carrying amounts (continued)

Analysis by measurement component of reinsurance contracts held measured under the premium allocation approach (continued)

		Year ended 31 December 2022				
		Asset for remaining coverage		Asset for incurred claims		
US\$m	Note	Excluding loss-recovery component	Loss-recovery component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets		(191)	–	275	3	87
Opening liabilities		(5)	–	5	–	–
Net opening balance		(196)	–	280	3	87
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Net (expenses)/income from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		(289)	–	251	–	(38)
Effect of changes in non-performance risk of reinsurers		–	–	–	–	–
Net (expenses)/income from reinsurance contracts held		(289)	–	251	–	(38)
Investment components		(28)	–	28	–	–
Other changes		–	–	–	–	–
Net finance expenses from reinsurance contracts held	9	(8)	–	–	–	(8)
Effect of movements in exchange rates		17	–	(11)	–	6
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(308)	–	268	–	(40)
Cash flows						
Premiums paid		179	–	–	–	179
Amounts paid/(received)		1	–	(181)	–	(180)
Other amounts (received)/paid		(1)	–	2	–	1
Total cash flows		179	–	(179)	–	–
Adjusted for:						
Non-cash operating expenses		–	–	–	–	–
Other non-cash items		–	–	–	–	–
Total non-cash items		–	–	–	–	–
Net closing balance		(325)	–	369	3	47
Closing assets		(248)	–	304	2	58
Closing liabilities		(77)	–	65	1	(11)
Net closing balance		(325)	–	369	3	47

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Effect of contracts initially recognised in the year

The following tables summarise the effect on the measurement components of insurance contracts and reinsurance contracts held arising from the initial recognition of contracts not measured under the premium allocation approach that were initially recognised in the year.

Insurance contracts

US\$m	Profitable contracts issued	Onerous contracts issued	Profitable contracts acquired	Total
Year ended 31 December 2023				
Estimates of present value of future cash outflows				
Insurance acquisition cash flows	6,058	386	–	6,444
Claims payable and other expenses	28,637	2,217	–	30,854
Total estimates of present value of future cash outflows	34,695	2,603	–	37,298
Estimates of present value of future cash inflows	(42,195)	(2,483)	–	(44,678)
Risk adjustment for non-financial risk	440	33	–	473
Contractual service margin	7,060	–	–	7,060
Losses recognised on initial recognition	–	153	–	153

US\$m	Profitable contracts issued	Onerous contracts issued	Profitable contracts acquired	Total
Year ended 31 December 2022				
Estimates of present value of future cash outflows				
Insurance acquisition cash flows	5,150	157	–	5,307
Claims payable and other expenses	23,226	662	74	23,962
Total estimates of present value of future cash outflows	28,376	819	74	29,269
Estimates of present value of future cash inflows	(34,786)	(763)	(78)	(35,627)
Risk adjustment for non-financial risk	431	19	–	450
Contractual service margin	5,979	–	4	5,983
Losses recognised on initial recognition	–	75	–	75

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Effect of contracts initially recognised in the year (continued)

Reinsurance contracts held

US\$m	Year ended 31 December 2023			Year ended 31 December 2022		
	Contracts originated	Contracts acquired	Total	Contracts originated	Contracts acquired	Total
Estimates of present value of future cash inflows	2,179	–	2,179	1,553	–	1,553
Estimates of present value of future cash outflows	(2,322)	–	(2,322)	(1,541)	–	(1,541)
Risk adjustment for non-financial risk	72	–	72	47	–	47
Income recognised on initial recognition	(15)	–	(15)	(11)	–	(11)
Contractual service margin	(86)	–	(86)	48	–	48

Analysis of assets for insurance acquisition cash flows

US\$m	Year ended 31 December 2023	Year ended 31 December 2022
Opening balance presented in insurance contract assets	1,468	1,564
Opening balance presented in insurance contract liabilities	1,411	1,431
Total opening balance	2,879	2,995
Acquisitions through business combinations	–	–
Assets recognised for insurance acquisition cash flows paid during the year	294	280
Allocation to groups of insurance contracts	(217)	(193)
Amounts derecognised on disposal of held for sale assets and liabilities	–	–
Impairment losses and reversals	–	–
Effect of movements in exchange rates	103	(203)
Total closing balance	3,059	2,879
Closing balance presented in insurance contract assets	1,673	1,468
Closing balance presented in insurance contract liabilities	1,386	1,411
Total closing balance	3,059	2,879

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Analysis of assets for insurance acquisition cash flows (continued)

The following table illustrates when the Group expects to derecognise the assets for insurance acquisition cash flows and include those cash flows in the measurement of the group of insurance contracts to which they are allocated.

US\$m	Total	Five years or less	After five years through ten years	After ten years
31 December 2023				
Assets for insurance acquisition cash flows	3,059	794	613	1,652
31 December 2022				
Assets for insurance acquisition cash flows	2,879	773	604	1,502

Analysis of contractual service margin

The following table illustrates when the Group expects to recognise the remaining contractual service margin as revenue for contracts not measured under the premium allocation approach.

US\$m	Total	Five years or less	After five years through ten years	After ten years
31 December 2023				
Insurance contracts	55,518	20,319	12,691	22,508
Reinsurance contracts held	2,403	980	497	926
31 December 2022				
Insurance contracts	52,409	19,349	12,007	21,053
Reinsurance contracts held	2,184	824	456	904

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Fulfilment cash flows

Estimates of future cash flows

The Group's objective in estimating future cash flows is to determine the expected value or probability-weighted mean of the full range of possible outcomes. The Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Group's view of current conditions at the reporting date and the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Group takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows are within the boundary of a contract if they arise from substantive right and obligations that exist during the reporting period. They relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance and administration costs, and recurring commissions payable on instalment premiums receivable within the contract boundary.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Methodology and assumptions

Mortality

Assumptions have been developed by each business unit based on their recent historical experience, and their expectations of current and expected future experience including mortality improvement. Where historical experience is not credible, reference has been made to pricing assumptions supplemented by market data, where available.

Mortality assumptions have been expressed as a percentage of either standard industry experience tables or, where experience is sufficiently credible, as a percentage of tables that have been developed internally by the Group.

Morbidity

Assumptions have been developed by each business unit based on their recent historical experience, and their expectations of current and expected future experience. Morbidity rate assumptions have been expressed as a percentage of standard industry experience tables or as expected claims ratios.

Persistency

Persistency covers the assumptions required, where relevant, for policy lapse (including surrender), premium persistency, premium holidays, partial withdrawals, policy loan take up and repayment and retirement rates for pension products.

Assumptions have been developed by each of the business units based on their recent historical experience, and their best estimate expectations of currency and expected future experience. Persistency assumptions would vary by policy year and product type with different rates for regular and single premium products where appropriate.

Where experience for a particular product was not credible enough to allow any meaningful analysis to be performed, experience for similar products was used as a basis for future persistency experience assumptions.

In the case of surrenders, the valuation assumes that current surrender value bases will continue to apply in the future.

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Fulfilment cash flows (continued)

Methodology and assumptions (continued)

Expenses

The expense assumptions have been set based on the most recent expense analysis. The purpose of the expense analysis is to allocate total expenses between acquisition, maintenance and other activities, and then to allocate these acquisition and maintenance expenses that can be directly attributed to the portfolio of insurance contracts to derive unit cost assumptions.

Where the expenses associated with certain activities have been identified as being one-off, these expenses have been excluded from the expense analysis.

Expense assumptions have been determined for acquisition and maintenance activities that can be directly attributed to the portfolio of insurance contracts, split by product type, and unit costs expressed as a percentage of premiums, sum assured and an amount per policy. Where relevant, expense assumptions have been calculated per distribution channel.

Expense assumptions do not make allowance for any anticipated future expense savings as a result of any strategic initiatives aimed at improving policy administration and claims handling efficiency.

Assumptions for commission rates and other sales-related payments have been set in line with actual experience.

Reinsurance

Reinsurance assumptions have been developed by each business unit based on the reinsurance arrangements in-force as at the reporting date and the recent historical and expected future experience.

Policyholder dividends, profit sharing and interest crediting

The projected policyholder dividends, profit sharing and interest crediting assumptions set by each business unit reflect contractual and regulatory requirements, policyholders' reasonable expectations (where clearly defined) and each business unit's best estimate of future policies, strategies and operations consistent with the investment return assumptions.

Participating funds and other participating business with distinct portfolios surpluses have been assumed to be distributed between policyholders and shareholders via future final bonuses or at the end of the projection period so that there are no residual assets at the end of the projection period.

The assumed estimated crediting rates and participation percentages are generally based on the actual rates and percentages applied in the current year. The crediting rates applied vary between products and Group entities; in the current economic environment, the amounts credited are often determined by interest rate guarantees.

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Fulfilment cash flows (continued)

Methodology and assumptions (continued)

An adjustment to reflect the time value of money and the financial risks related to future cash flows

The Group adjusts the estimate of future cash flows to reflect the time value of money and the financial risks related to those cash flows. The cash flows are discounted by the discount rates to reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts.

The top-down approach has been primarily adopted for the derivation of discount rates. A top-down approach starts with considering a yield curve that reflects the current market rates of return of a reference portfolio of assets that have similar characteristics of the insurance contracts, and adjust this downwards to eliminate any factors not relevant to the insurance contracts (primarily the allowance for credit risk). The assessment of credit risk premium is done on external and internal ratings when the reference portfolio contains assets which are locally rated. Alternatively, a bottom-up approach could be used under which discount rates are determined by adjusting the liquid risk-free yield curve to reflect the liquidity characteristics of the insurance contracts.

In constructing the discount rates, market observable rates are used up to the last available market data point which is reliable and also relevant in reflecting the characteristics of the insurance contracts. The market observable rates are extrapolated between this point and an ultimate forward rate derived using long-term estimates by applying generally accepted technique such as Smith-Wilson method etc.

The tables below set out the spot rates used to discount the cash flows of insurance contracts for major currencies. To reflect the liquidity characteristics of the insurance contracts, the risk-free spot rates are adjusted by an illiquidity premium.

As at 31 December 2023	1 year		5 years		10 years		15 years		20 years	
Spot rates	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
USD	4.73%	5.33%	3.78%	4.56%	3.79%	4.78%	3.89%	4.98%	4.21%	5.24%
HKD	4.28%	4.88%	3.27%	4.05%	3.29%	4.28%	3.41%	4.50%	3.73%	4.76%
CNY	2.07%	2.55%	2.41%	2.84%	2.59%	2.96%	2.75%	3.16%	2.89%	3.37%
SGD	3.53%	4.28%	2.64%	4.07%	2.67%	3.95%	2.74%	3.97%	2.71%	3.90%
MYR	3.30%	3.75%	3.65%	3.94%	3.74%	4.11%	4.05%	4.50%	4.18%	4.70%
THB	2.39%	2.74%	2.47%	3.04%	2.73%	3.42%	3.11%	3.88%	3.37%	4.19%

As at 31 December 2022	1 year		5 years		10 years		15 years		20 years	
Spot rates	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
USD	4.62%	4.96%	3.88%	4.92%	3.75%	5.20%	3.84%	5.42%	4.10%	5.69%
HKD	4.85%	5.19%	3.96%	4.99%	3.78%	5.22%	3.82%	5.40%	4.08%	5.66%
CNY	2.09%	2.63%	2.66%	3.29%	2.88%	3.47%	3.04%	3.72%	3.16%	3.88%
SGD	3.88%	5.15%	2.84%	4.56%	3.07%	4.97%	2.92%	4.80%	2.59%	4.39%
MYR	3.25%	3.86%	3.88%	4.36%	4.09%	4.67%	4.36%	5.02%	4.46%	5.18%
THB	1.38%	1.83%	1.98%	2.62%	2.74%	3.59%	3.34%	4.33%	3.75%	4.79%

For the insurance contracts with cash flows that vary based on the returns on any financial underlying items, the Group applies risk-neutral measurement techniques. Stochastic modelling is applied for insurance contracts with significant financial options and guarantees to estimate the expected present value. A large number of possible economic scenarios for market variables such as interest rates and equity returns are considered using risk neutral approach and consistent with market observable price.

24. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (continued)

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are generally determined by considering the expected cash flows arising from insurance contracts in each segment for each of the geographical markets in which the Group operates, consistent with the way that non-financial risk is managed. Risk adjustments are determined separately from estimates from the present value of future cash flows, using the confidence level technique.

Applying a confidence level technique, the Group estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at 75th percentile (the target confidence level) over the expected present value of the future cash flows.

Contractual service margin

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

For a group of contracts that is onerous at the start of a reporting period and becomes profitable subsequently that CSM is recognised during the reporting period, the total amount of recognised CSM is released to profit or loss if there are no more future coverage units.

Investment components

The Group identifies the investment component of an insurance contract by determining the amount that it would be required to repay to the policyholder in all circumstances, regardless of whether an insured event occurs. Investment components are excluded from insurance revenue and insurance service expenses. Generally, for relevant contracts, surrender value would be determined as an investment component.

Underlying items of contracts with direct participation features

The following table sets out the composition and the fair value of the underlying items for the Group's contracts with direct participation features at the reporting date.

US\$m	As at 31 December 2023	As at 31 December 2022
Cash and cash equivalents	2,662	2,761
Financial investments and policy loans	133,092	120,964
Property held for own use and investment property	1,591	1,151
Investment in subsidiaries and associates	1,517	1,564
Other assets	5,813	5,581
Less: payables and other liabilities	(17,196)	(16,490)
Total	127,479	115,531

25. INVESTMENT CONTRACTS

US\$m	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
At beginning of financial year	11,986	13,896
Investment contract benefits	572	(1,106)
Fees charged	(54)	(58)
Net withdrawals and other movements ⁽¹⁾	(3,236)	(331)
Effect of foreign exchange movements	(98)	(415)
At end of financial year⁽²⁾	9,170	11,986

Notes:

(1) Includes amounts derecognised on disposal of held for sale assets and liabilities.

(2) Of investment contract liabilities, US\$195m (2022: US\$230m) represents deferred fee income. Movement of deferred fee income of US\$35m (2022: US\$35m) represents revenue recognised as a result of performance obligations satisfied during the year.

26. BORROWINGS

US\$m	As at 31 December 2023	As at 31 December 2022
Other loans	36	–
Medium-term notes and securities		
Senior notes	7,581	7,480
Subordinated securities	4,183	3,726
Total	11,800	11,206

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Interest expense on borrowings is shown in note 10. Further information relating to interest rates and the maturity profile of borrowings is presented in note 34.

The following table summarises the Company's outstanding medium-term notes and securities placed to the market at 31 December 2023:

Senior notes

Issue date	Nominal amount	Interest rate	Tenor at issue	Maturity
11 March 2014 ⁽¹⁾	US\$500m	4.875%	30 years	11 March 2044
11 March 2015 ⁽¹⁾	US\$750m	3.200%	10 years	11 March 2025
16 March 2016 ⁽¹⁾	US\$750m	4.500%	30 years	16 March 2046
23 May 2017 ⁽²⁾	US\$500m	4.470%	30 years	23 May 2047
6 April 2018 ⁽¹⁾	US\$500m	3.900%	10 years	6 April 2028
16 January 2019	HK\$1,100m	3.680%	12 years	16 January 2031
9 April 2019 ⁽¹⁾	US\$1,000m	3.600%	10 years	9 April 2029
7 April 2020 ⁽¹⁾	US\$1,000m	3.375%	10 years	7 April 2030
24 June 2020	A\$90m	2.950%	10 years	24 June 2030
29 March 2022	HK\$6,500m	2.250%	1.99 years	28 March 2024
24 October 2022	HK\$1,200m	5.040%	2.99 years	17 October 2025
25 October 2022 ⁽¹⁾	US\$850m	5.625%	5 years	25 October 2027
4 April 2023 ⁽¹⁾	US\$600m	4.950%	10 years	4 April 2033

26. BORROWINGS (continued)

Subordinated securities

Issue date	Nominal amount	Interest rate	Tenor at issue	Maturity
16 September 2020 ⁽¹⁾	US\$1,750m	3.200%	20 years	16 September 2040
7 April 2021 ⁽¹⁾⁽³⁾⁽⁴⁾	US\$750m	2.700%	Perpetual	n/a
11 June 2021 ⁽¹⁾⁽³⁾⁽⁴⁾	SG\$500m	2.900%	Perpetual	n/a
9 September 2021 ⁽¹⁾⁽³⁾⁽⁴⁾	EUR750m	0.880%	12 years	9 September 2033
19 October 2021 ⁽¹⁾⁽³⁾⁽⁴⁾	SG\$105m	3.000%	30 years	19 October 2051
12 September 2023 ⁽¹⁾⁽³⁾⁽⁴⁾	SG\$550m	5.100%	Perpetual	n/a

Notes:

- (1) These medium-term notes and securities are listed on The Stock Exchange of Hong Kong Limited.
- (2) These medium-term notes are listed on The Taipei Exchange, Taiwan. The Company has the right to redeem these notes at par on 23 May of each year beginning on 23 May 2022.
- (3) The Company has the right to redeem these securities in whole, at par on predetermined dates as set out within the terms and conditions of the securities, subject to regulatory approval.
- (4) The coupon rate of these securities is fixed for a predetermined period as set out within the terms and conditions of the securities, and then resets to the initial spread plus a then prevailing benchmark rate if the securities have not been redeemed.

The net proceeds from issuance during the years ended 31 December 2023 and 31 December 2022 are used for refinancing and general corporate purposes.

The Group has access to an aggregate of US\$2,980m unsecured committed credit facilities, which includes a US\$250m revolving credit facility expiring in 2024 and a US\$2,730m credit facility expiring in 2026. The credit facilities will be used for general corporate purposes. There were no outstanding borrowings under these credit facilities as of 31 December 2023 and 31 December 2022.

27. OBLIGATIONS UNDER REPURCHASE AGREEMENTS

The Group has entered into repurchase agreements whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. At 31 December 2023, the obligations under repurchase agreements were US\$3,461m (2022: US\$1,748m).

The securities sold under repurchase agreements continue to be recognised within the appropriate financial asset classification. A liability is established for the consideration received. During the term of the repurchase agreements, the Group is restricted from selling or pledging the transferred debt securities. The following table specifies the amounts included within financial investments subject to repurchase agreements which do not qualify for de-recognition at each year end:

US\$m	As at 31 December 2023	As at 31 December 2022 (restated)
Debt securities – FVOCI		
Repurchase agreements	2,665	1,769
Debt securities – FVTPL		
Repurchase agreements	1,406	112
Total	4,071	1,881

Collateral under repurchase agreements

At 31 December 2023 and 31 December 2022, there was no material collateral in respect of repurchase agreements.

28. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Offsetting, enforceable master netting agreements and similar agreements

The following table shows the assets that are subject to offsetting, enforceable master netting agreements and similar arrangements at each year end:

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
US\$m				Financial instruments	Cash collateral received	
31 December 2023						
Financial assets:						
Derivative assets	752	–	752	(95)	(340)	317
Reverse repurchase agreements	99	–	99	(99)	–	–
Total	851	–	851	(194)	(340)	317
	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
US\$m				Financial instruments	Cash collateral received	
31 December 2022						
Financial assets:						
Derivative assets	630	–	630	(55)	(231)	344
Reverse repurchase agreements	261	–	261	(261)	–	–
Total	891	–	891	(316)	(231)	344

28. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Offsetting, enforceable master netting agreements and similar agreements (continued)

The following table shows the liabilities that are subject to offsetting, enforceable master netting agreements and similar arrangements at each year end:

US\$m	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
31 December 2023						
Financial liabilities:						
Derivative liabilities	8,035	–	8,035	(8,639)	(213)	(817)
Repurchase agreements	3,461	–	3,461	(3,461)	–	–
Total	11,496	–	11,496	(12,100)	(213)	(817)

US\$m	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
31 December 2022						
Financial liabilities:						
Derivative liabilities	8,739	–	8,739	(9,656)	(309)	(1,226)
Repurchase agreements	1,748	–	1,748	(1,748)	–	–
Total	10,487	–	10,487	(11,404)	(309)	(1,226)

The Group entered into enforceable master netting agreements for derivative transactions, as well as the repurchase agreements for debt instruments with various counterparties. Except for certain futures contracts executed through clearing house mechanism where the settlement arrangement satisfied the IFRS Accounting Standards netting criteria, the transactions under the enforceable master netting agreements and similar agreements involving the exchange of financial instruments or cash as collateral do not satisfy the IFRS Accounting Standards netting criteria. The provision in the master netting agreement and similar agreements enables a party to terminate transactions early and settle at a net amount if a default or termination event occurs.

29. PROVISIONS

US\$m	Employee benefits	Other	Total
At 1 January 2022 (restated)	158	28	186
Charged to the consolidated income statement	10	5	15
Credited to other comprehensive income	(21)	–	(21)
Exchange differences	(5)	(2)	(7)
Released during the year	–	(5)	(5)
Utilised during the year	(10)	(6)	(16)
Other movements	1	–	1
At 31 December 2022 (restated)	133	20	153
Charged to the consolidated income statement	9	12	21
Charged to other comprehensive income	7	–	7
Exchange differences	1	–	1
Released during the year	–	(4)	(4)
Utilised during the year	(5)	(7)	(12)
Other movements	8	–	8
At 31 December 2023	153	21	174

Other provisions

Other provisions comprise provisions in respect of regulatory matters, litigation, reorganisation and restructuring. In view of the diverse nature of the matters provided for and the contingent nature of the matters to which they relate, the Group is unable to provide an accurate assessment of the term over which provisions are expected to be utilised.

30. OTHER LIABILITIES

US\$m	As at 31 December 2023	As at 31 December 2022 (restated)
Trade and other payables	3,678	3,049
Lease liabilities	365	395
Third-party interests in consolidated investment funds	844	865
Total	4,887	4,309

Third-party interests in consolidated investment funds consist of third-party unit holders' interests in consolidated investment funds which are reflected as a liability since they can be put back to the Group for cash.

Trade and other payables are generally expected to be settled within 12 months after the end of the reporting period. The realisation of third-party interests in investment funds cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds held to back insurance and investment contract liabilities and are subject to market risk and the actions of third-party investors.

31. SHARE CAPITAL AND RESERVES

Share capital

	As at 31 December 2023		As at 31 December 2022	
	Million shares	US\$m	Million shares	US\$m
Ordinary shares⁽¹⁾, issued and fully paid				
At beginning of the financial year	11,781	14,171	12,097	14,160
Shares issued under share option scheme and agency share purchase plan	1	5	3	11
Shares cancelled after repurchase under the share buy-back programme ⁽²⁾	(383)	–	(319)	–
At end of the financial year, issued and fully paid	11,399	14,176	11,781	14,171
Shares not yet cancelled after repurchase under the share buy-back programme ⁽²⁾	(37)	–	(47)	–
At end of the financial year, outstanding	11,362	14,176	11,734	14,171

Notes:

(1) Ordinary shares have no nominal value and there is no obligation to transfer cash or other assets to the holders of ordinary shares.

(2) During the year ended 31 December 2023, the Company acquired a total of 373,591,400 ordinary shares (2022: 366,267,400 ordinary shares) on the Hong Kong Stock Exchange with the aggregate cost amounting to approximately HK\$28,472m (2022: HK\$27,969m) (equivalent to approximately US\$3,637m (2022: US\$3,570m)). Of these shares, 336,045,200 shares (2022: 319,150,200 shares) were cancelled during the year and 37,546,200 shares (2022: 47,117,200 shares) were in the process of share cancellation as at 31 December 2023 and were cancelled subsequent to the reporting date on 8 January 2024.

The Company issued 661,786 shares under share option scheme (2022: 1,895,760 shares) and 986,359 shares under agency share purchase plan (2022: 1,119,763 shares) during the year ended 31 December 2023.

During the year ended 31 December 2023, the employee share-based trusts purchased 10,865,302 shares (2022: 9,933,820 shares) and sold nil shares (2022: nil). These purchases were made by the relevant scheme trustees on the Hong Kong Stock Exchange (HKSE). These shares are held on trust for participants of the relevant schemes and therefore were not cancelled.

During the year ended 31 December 2023, 6,268,286 shares (2022: 6,884,726 shares) were transferred to eligible directors, officers and employees of the Group from the employee share-based trusts under share-based compensation plans as a result of vesting. As at 31 December 2023, 37,957,417 shares (2022: 33,360,398 shares) of the Company were held by the employee share-based trusts.

Reserves

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of debt securities measured at fair value through other comprehensive income held at the end of the reporting period plus the related loss allowance recognised in profit or loss until the assets are derecognised.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

Insurance finance reserve

The insurance finance reserve comprises the cumulative insurance finance income or expenses recognised in other comprehensive income.

Employee share-based trusts

Trusts have been established to acquire shares of the Company for distribution to participants in future periods through the share-based compensation plans. Where the Group is deemed to control the trusts, they are consolidated. Those shares acquired by the trusts, to the extent not transferred to the participants upon vesting, are reported as "Employee share-based trusts" and carried at cost.

Property revaluation reserve

Property revaluation reserve comprises the cumulative net change in the revalued amount of property held for own use at the end of the reporting period. Property revaluation surplus is not considered to be a realised profit available for distribution to shareholders.

Other reserves

Other reserves mainly include the impact of merger accounting for business combinations under common control and share-based compensation.

32. NON-CONTROLLING INTERESTS

US\$m	As at 31 December 2023	As at 31 December 2022 (restated)
Equity shares in subsidiaries	107	90
Share of earnings	416	418
Share of other reserves	(40)	(32)
Total	483	476

33. GROUP CAPITAL STRUCTURE

Capital Management Approach

The Group's capital management objectives focus on maintaining a strong capital base to support the development of its business, maintaining the ability to move capital freely among Group members and satisfying regulatory capital requirements at all times.

The Group's capital management function oversees all capital-related activities of the Group and assists senior management in making capital decisions. The capital management function participates in decisions concerning asset-liability management, strategic asset allocation and ongoing solvency management. This includes ensuring capital considerations are paramount in the strategy and business planning processes and when determining AIA's capacity to pay dividends to shareholders.

Group-wide Supervision Framework and the Local Capital Summation Method

The Group supervisor is the Hong Kong Insurance Authority (HKIA) and the Group is in compliance with its group capital adequacy requirements.

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

The group prescribed capital requirement (GPCR) is the sum of the prescribed capital requirements of each entity within the Group, and represents the level below which the HKIA may intervene on grounds of capital adequacy.

The Group LCSM coverage ratio is calculated as the ratio of the eligible group capital resources to the GPCR and the Group LCSM surplus is defined as the excess of the eligible group capital resources over the GPCR.

The group minimum capital requirement (GMCR) is the sum of the minimum capital requirements of each entity within the Group.

33. GROUP CAPITAL STRUCTURE (continued)

Group-wide Supervision Framework and the Local Capital Summation Method (continued)

The table shows a summary of the Group capital adequacy position.

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

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

- (i) US\$4,183m⁽³⁾ of subordinated securities. Subordinated securities with a fixed maturity receive full capital credit up to the date that is 5 years prior to the date of maturity, with the capital credit then reducing at the rate of 20 per cent per annum until maturity. Perpetual subordinated securities receive full capital credit unless they are redeemed; and
- (ii) US\$5,158m⁽³⁾ of senior notes issued before designation that have been approved by the HKIA as capital. Prior to maturity, the approved senior notes receive full capital credit until 14 May 2031, after which the capital credit reduces at the rate of 20 per cent per annum until 14 May 2036.

Notes:

- (1) The Group LCSM coverage ratio is referred to as the “eligible group capital resources coverage ratio” in the GWS framework and is defined as the ratio of the eligible group capital resources to the GPCR.
- (2) The Tier 1 group capital coverage ratio is defined in the GWS framework as the ratio of the Tier 1 group capital to the GMCR.
- (3) The amounts represent the carrying value of medium-term notes and securities contributing to the eligible group capital resources.

Local Regulatory Solvency

The Group’s individual branches and subsidiaries are also subject to the supervision of government regulators in the jurisdictions in which those branches and subsidiaries and their parent entity operate and, in relation to subsidiaries, in which they are incorporated.

The Group’s principal operating companies AIA Company Limited (AIA Co.) and AIA International Limited (AIA International), as authorised insurers in Hong Kong, are required by the HKIA to meet the Hong Kong solvency requirements. During the years ended 31 December 2023 and 31 December 2022, these two principal operating companies were in compliance with these solvency requirements.

Dividends, remittances and other payments from individual branches and subsidiaries

The ability of the Company to pay dividends to shareholders and to meet other obligations depends ultimately on dividends, remittances and other payments being received from its operating branches and subsidiaries, which are subject to contractual, regulatory and other limitations. The various regulators overseeing the individual branches and subsidiaries of the Group have the discretion to impose additional restrictions on the ability of those regulated branches and subsidiaries to make payment of dividends, remittances and other payments to AIA Co., including increasing the required margin of solvency that an operating unit must maintain. For example, capital may not be remitted without the consent from regulators for certain individual branches or subsidiaries of the Group.

34. RISK MANAGEMENT

Risk management framework

AIA recognises the importance of sound risk management in every aspect of our business and for all our stakeholders. The Risk Management Framework (RMF) provides the structure for identifying, quantifying and mitigating risk across the Group. An effective RMF is the key to avoiding the financial and reputational damage that arises from inadequate or ineffective control of the risks in the business.

Insurance risk

Insurance risk relates to changes in claims experience, business expenses, and the acquisition and persistency of insurance business. This also includes changes to assumptions regarding future experience for these risks.

The Group manages insurance risk concentration by diversification, reinsurance and establishing retention limits. For the years ended 31 December 2023 and 31 December 2022, there were no significant insurance concentration risks.

Pandemic and catastrophe risk

The Group is also exposed to morbidity and mortality risk related to a single event, namely pandemics, natural catastrophic events or human-made disasters.

Geographical concentration of insured individuals could increase the severity of this risk. However, the Group's insured populations are geographically dispersed, thereby diversifying the exposure to pandemic and catastrophe risk. In addition, the Group limits its exposure to large claims arising from a catastrophe by purchasing reinsurance to cover losses due to a single catastrophic event exceeding a pre-determined level.

Climate change could increase the odds of pandemic and/or catastrophic events. Whilst the effect of climate change to AIA as a life and health insurer is expected to be relatively smaller than a general insurer, the Group will continue to evolve the climate scenario analysis, with the advancement of reliable data and methodologies, in evaluating the impacts of climate change to its portfolio.

Expense risk

Expense risk is the risk of greater than expected trends in, or sudden shocks to, the amount or timing of expenses incurred by the business.

Operations follow a disciplined budgeting and control process that allows for the management of expenses based on the Group's very substantial experience within the markets in which we operate.

Morbidity and mortality risk

Morbidity and mortality risk is the risk that the incidence and/or amounts of medical, critical illness, disability, death or survival claims are higher than the assumptions made in pricing and/or reserving.

The Group adheres to well-defined market-oriented underwriting and claims guidelines and practices that have been developed based on extensive historical experience and with the assistance of professional reinsurers.

The Group's actuarial teams conduct regular experience studies of all the insurance risk factors in its portfolio. These internal studies together with external data are used to identify the impact of emerging trends, such as medical technology, health and wellness, climate change and long COVID-19, which can then be used to inform product design, pricing, underwriting, claims management and reinsurance needs.

The Group limits its exposure to new risks and large claims on any single insured life by applying retention limits that vary by market and insurance benefit type to the amount of insurance coverage per insured. The exposure in excess of these limits is ceded to reinsurers.

Persistency (Lapse) risk

Persistency (Lapse) risk arises from policies lapsing, on average, differently to that assumed in the pricing or reserving assumptions. Persistency risk is assessed as part of the product development process and monitored through regular experience studies.

Ensuring customers buy products that sustainably meet their needs is central to the Group's Operating Philosophy. Through effective implementation of the Business Quality Framework, comprehensive sales training programmes and active monitoring of sales activities and persistency, the Group seeks to ensure that appropriate products are sold by qualified sales representatives and that standards of service consistently meet our customers' needs.

34. RISK MANAGEMENT (continued)

Insurance risk (continued)

Sensitivity analysis on insurance risk

The table below sets out the sensitivity analysis in respect of insurance contracts and reinsurance contracts held to key variables affecting insurance risk exposures. This analysis assumes that all other variables remain constant. Information below presents the sensitivities both before and after risk mitigation by reinsurance, and illustrates the estimated impact on profits, CSM, total equity and comprehensive equity arising from a change in a single variable before taking into account the effects of taxation. The effects on these items are mainly as below:

- The effects on profit or loss are changes relating to CSM recognised for services provided, loss components and changes in insurance finance income or expenses that are recognised in profit or loss.
- The effects on CSM reflect the change of the corresponding insurance risks that impacts CSM.
- The effects on equity are the effects on profit and loss and the effects on other comprehensive income arising from changes in insurance finance income or expenses.
- The effects on comprehensive equity are the effects on shareholders' equity and net CSM.

Sensitivity analysis before risk mitigation by reinsurance⁽¹⁾⁽²⁾

US\$m	Impact on profit before tax	Impact on CSM	Impact on total equity (before the effects of taxation)	Impact on comprehensive equity ⁽³⁾ (before the effects of taxation and deduction of non-controlling interests)
31 December 2023				
10% increase in attributable expenses	(59)	(781)	(61)	(842)
10% decrease in attributable expenses	56	784	57	841
10% increase in mortality/morbidity rates	(921)	(7,905)	(504)	(8,409)
10% decrease in mortality/morbidity rates	552	8,433	137	8,570
10% increase in lapse/discontinuance rates	(3)	(2,838)	338	(2,500)
10% decrease in lapse/discontinuance rates	(2)	3,137	(396)	2,741

US\$m	Impact on profit before tax	Impact on CSM	Impact on total equity (before the effects of taxation)	Impact on comprehensive equity ⁽³⁾ (before the effects of taxation and deduction of non-controlling interests)
31 December 2022 (restated)				
10% increase in attributable expenses	(61)	(633)	(38)	(671)
10% decrease in attributable expenses	65	642	38	680
10% increase in mortality/morbidity rates	(1,039)	(7,392)	(257)	(7,649)
10% decrease in mortality/morbidity rates	717	7,863	(65)	7,798
10% increase in lapse/discontinuance rates	(12)	(2,606)	239	(2,367)
10% decrease in lapse/discontinuance rates	6	2,866	(297)	2,569

Notes:

(1) At 31 December 2022, the assets and liabilities of Australian Savings and Investments (S&I) were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

(2) The sensitivity analysis on insurance risk includes the impact of unit-linked contracts under IFRS 17.

(3) Represents the total of shareholders' equity and net CSM.

34. RISK MANAGEMENT (continued)

Insurance risk (continued)

Sensitivity analysis on insurance risk (continued)

Sensitivity analysis after risk mitigation by reinsurance⁽¹⁾⁽²⁾

US\$m	Impact on profit before tax	Impact on CSM	Impact on total equity (before the effects of taxation)	Impact on comprehensive equity ⁽³⁾ (before the effects of taxation and deduction of non-controlling interests)
31 December 2023				
10% increase in attributable expenses	(58)	(781)	(61)	(842)
10% decrease in attributable expenses	56	784	56	840
10% increase in mortality/morbidity rates	(641)	(6,337)	(106)	(6,443)
10% decrease in mortality/morbidity rates	308	6,783	(238)	6,545
10% increase in lapse/discontinuance rates	1	(2,617)	259	(2,358)
10% decrease in lapse/discontinuance rates	(7)	2,861	(321)	2,540

US\$m	Impact on profit before tax	Impact on CSM	Impact on total equity (before the effects of taxation)	Impact on comprehensive equity ⁽³⁾ (before the effects of taxation and deduction of non-controlling interests)
31 December 2022 (restated)				
10% increase in attributable expenses	(61)	(633)	(38)	(671)
10% decrease in attributable expenses	65	641	38	679
10% increase in mortality/morbidity rates	(757)	(5,662)	(39)	(5,701)
10% decrease in mortality/morbidity rates	473	6,043	(248)	5,795
10% increase in lapse/discontinuance rates	(6)	(2,341)	178	(2,163)
10% decrease in lapse/discontinuance rates	1	2,566	(226)	2,340

Notes:

- (1) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.
- (2) The sensitivity analysis on insurance risk includes the impact of unit-linked contracts under IFRS 17.
- (3) Represents the total of shareholders' equity and net CSM.

34. RISK MANAGEMENT (continued)

Investment and financial risks

Investment management objectives, policies and processes

The Group manages its financial investments in two distinct categories: unit-linked investments and policyholder and shareholder investments. The investment risk in respect of unit-linked investments is generally borne by our customers, and the investment return gains or losses are largely offset by the changes in fair value of underlying items. Policyholder and shareholder investments include all financial investments other than unit-linked investments. The investment risk in respect of policyholder and shareholder investments is partially or wholly borne by the Group and directly affects the profit before tax.

Policyholder and shareholder investments are further categorised as participating funds, other participating business with distinct portfolios and other policyholder and shareholder.

The primary investment objectives of our policyholder and shareholder investments are generally designed to achieve optimal levels of risk-adjusted return for policyholders and shareholders over the long term, while preserving capital, maintaining adequate solvency and liquidity levels, meeting our risk management and asset-liability management objectives and ensuring full compliance with applicable regulations and internal policies.

The Group has comprehensive, integrated frameworks to ensure investments are properly authorised, monitored and managed within internal policies that address asset-liability management, financial and operational risks, whether assets are invested directly by the Group or through external investment managers. This framework consists of three elements: a strategic asset allocation framework; a tactical asset allocation process; and a combination of internal and external investment management for individual asset classes where appropriate.

The Group's investment management function is empowered with decision-making authority and complies with exposure limits as defined in Risk Standards.

Climate change, and the transition to net zero, create risks for the financial system. The Group recognises the potential investment losses due to climate risk in the long term and, as a result, it mandates the consideration of various Environmental, Social and Governance (ESG) factors, including climate change, in the bottom-up investment process applicable to its general account assets. The Group has developed internal ESG scoring methodologies to assess relevant ESG factors in potential and actual investee companies in relation to our directly managed general account assets and to assess external asset managers on their approach to both ESG engagement with investee companies and the assessment of ESG factors for investment decisions. The Group will continue to enhance its climate scenario analysis in assessing the impacts of climate change on its investment assets.

Asset-liability management

Asset-liability management for the Group is overseen by the Group Asset-Liability Committee and by asset-liability committees in each business unit. The Group manages its asset-liability risks in a variety of ways, including the strategic asset allocation process under which the strategic asset allocation in each entity and for major different product groups is governed, defining the asset allocation with consideration of the characteristics of the liabilities and related risks, capital and other requirements on both economic and regulatory bases. The Group manages asset-liability risks predominantly on an economic basis, while also considering the effect on all applicable regulatory solvency requirements and other considerations such as earnings. Asset-liability management actions include product pricing and product design, reviews of policyholder dividends, asset allocation, hedging using derivatives, reinsurance, and the management of discretionary policyholder benefits. The asset-liability risks for the Group are credit risk, credit spread risk, interest rate risk, equity risk, foreign exchange rate risk, and liquidity risk. The exposures and sensitivity analysis are detailed below.

Credit risk

Credit risk arises from third parties failing to meet their obligations to the Group when they fall due. Although the primary source of credit risk is the Group's investment portfolio, such risk can also arise through reinsurance and treasury activities.

The Group's credit risk management oversight process is governed centrally, but provides for decentralised management and accountability by our lines of defence. Fundamental to AIA's credit risk management is adherence to a well-controlled underwriting process. Credit risk limits are applied to control concentrations in individual exposures, sector and cross-border investments. A detailed analysis of each counterparty is performed and a rating is determined by the investment teams according to an internal rating framework. The Group's Risk Management function manages the Group's internal ratings framework and conducts periodic rating validations. Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Exposure to credit risk

In compiling the tables, external ratings have been used where available. External ratings have been used in accordance with the Group's credit risk assessment framework. Where external ratings are not readily available an internal rating methodology has been adopted, if applicable.

Credit risk limits are set according to the Group's credit risk assessment framework, which defines the relative risk level of a debt security.

External ratings		Internal ratings	Reported as
Standard and Poor's and Fitch	Moody's		
AAA	Aaa	1	AAA
AA+ to AA-	Aa1 to Aa3	2+ to 2-	AA
A+ to A-	A1 to A3	3+ to 3-	A
BBB+ to BBB-	Baa1 to Baa3	4+ to 4-	BBB
BB+ and below	Ba1 and below	5+ and below	Below investment grade ⁽¹⁾

Note:

(1) Unless otherwise identified individually.

Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk. The Group's processes for measuring expected credit losses include processes for initial approval, regular validation and back-testing of the models used, and incorporation of forward-looking information.

The Group monitors concentrations of credit arising from investment in debt securities by type, nature and rating as shown in note 18. Reinsurance is ceded across all geographical regions in which the Group operates. The Group does not have excessive credit risk with any single reinsurer.

The following table sets out information about the credit quality of reinsurance contract assets and financial assets not measured at FVTPL.

Reinsurance contract assets⁽¹⁾

US\$m	As at 31 December 2023	As at 31 December 2022 (restated)
Investment grade	6,040	5,755
Below investment grade	–	–
Not rated	7	8
Total	6,047	5,763

Note:

(1) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Exposure to credit risk (continued)

Financial assets measured at amortised cost⁽¹⁾⁽²⁾

US\$m	As at 31 December 2023					As at 31 December 2022 (restated)				
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased or originated credited- impaired	Total	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased or originated credited- impaired	Total
Debt securities										
AAA	31	–	–	–	31	31	–	–	–	31
AA	490	–	–	–	490	427	–	–	–	427
A	985	–	–	–	985	891	–	–	–	891
BBB	509	–	–	–	509	428	–	–	–	428
Below investment grade	132	15	–	–	147	1	15	–	–	16
Not rated	9	–	–	–	9	–	–	–	–	–
Total gross carrying amount	2,156	15	–	–	2,171	1,778	15	–	–	1,793
Loss allowance	(4)	(2)	–	–	(6)	(4)	(2)	–	–	(6)
Amortised cost	2,152	13	–	–	2,165	1,774	13	–	–	1,787
Loans and deposits										
AAA	15	–	–	–	15	–	–	–	–	–
AA	171	–	–	–	171	976	–	–	–	976
A	597	–	–	–	597	590	–	–	–	590
BBB	1,488	–	–	–	1,488	1,514	–	–	–	1,514
Below investment grade	853	–	–	–	853	722	–	–	–	722
Not rated	584	15	20	–	619	770	11	10	–	791
Total gross carrying amount	3,708	15	20	–	3,743	4,572	11	10	–	4,593
Loss allowance	(11)	(2)	(7)	–	(20)	(17)	(3)	(7)	–	(27)
Amortised cost	3,697	13	13	–	3,723	4,555	8	3	–	4,566

Notes:

(1) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

(2) The Group's maximum exposure to credit risk of accrued investment income and cash and cash equivalents is limited to the carrying amounts of the assets, the majority of which is arising from the financial assets rated as investment grade and deposits with reputable financial institutions.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Exposure to credit risk (continued)

Financial assets measured at fair value through other comprehensive income⁽¹⁾

US\$m	As at 31 December 2023					As at 31 December 2022 (restated)				
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased or originated credited- impaired	Total	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased or originated credited- impaired	Total
Debt securities										
AAA	5,223	–	–	–	5,223	9,608	–	–	–	9,608
AA	14,735	–	–	–	14,735	12,340	–	–	–	12,340
A	35,814	–	–	–	35,814	34,404	–	–	–	34,404
BBB	29,618	–	–	–	29,618	31,245	–	–	–	31,245
Below investment grade	2,117	266	366	–	2,749	1,922	511	103	–	2,536
Not rated	2	–	–	–	2	–	–	–	–	–
Total gross carrying amount	87,509	266	366	–	88,141	89,519	511	103	–	90,133
Loss allowance	(133)	(17)	(327)	–	(477)	(167)	(50)	(83)	–	(300)
Amortised cost	87,376	249	39	–	87,664	89,352	461	20	–	89,833
Carrying amount – fair value	88,355	219	38	–	88,612	85,714	325	21	–	86,060

Note:

(1) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

Credit spread risk

Credit spread movements affect both the value of assets and liabilities. Credit spread risk is in a large part managed through the strategic asset allocation process, whereby the two key drivers of spread risk – credit rating and spread duration – are managed for capital efficiency, taking into account both the economic risk and the local solvency capital considerations. The risk is monitored by the business units, with special attention paid to any issuers with credit ratings close to the lower boundary of investment grade.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Interest rate risk

Interest rate risk is primarily measured through the duration gap, which provides an understanding of the implications of interest rates movements on surplus. Since most markets do not have assets of sufficient tenor to match life insurance contract liabilities, an uncertainty arises around the reinvestment of maturing assets to match the Group's insurance contract liabilities.

AIA manages interest rate risk primarily on an economic basis. Interest rate risk on the local solvency basis is also taken into consideration for business units where local solvency regimes deviate from the economic basis. Furthermore, AIA actively manages interest rate risk by extending asset duration, managing liability duration, repricing products, and implementing appropriate hedging programmes and reinsurance solutions where possible. For products with discretionary benefits, additional modelling of interest rate risk is performed to guide the determination of appropriate management actions. Management also takes into consideration the asymmetrical impact of interest rate movements when evaluating products with options and guarantees.

Exposure to interest rate risk

The table below summarises the nature of the interest rate risk associated with financial assets and financial liabilities. In preparing this analysis, fixed rate interest bearing instruments that mature or reprice within 12 months of the reporting date have been disclosed as variable rate instruments.

US\$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2023				
Financial instruments				
Financial assets				
Loans and deposits	687	3,295	13	3,995
Receivables	192	–	1,102	1,294
Debt securities	13,384	164,374	–	177,758
Equity shares, interests in investment funds and exchangeable loan notes	–	1,172	65,281	66,453
Accrued investment income	–	–	1,832	1,832
Cash and cash equivalents	4,138	–	7,387	11,525
Derivative financial instruments	–	–	752	752
Total financial assets	18,401	168,841	76,367	263,609
Financial liabilities				
Investment contract liabilities	–	–	8,975	8,975
Borrowings	–	11,800	–	11,800
Obligations under repurchase agreements	2,996	465	–	3,461
Other liabilities	95	196	4,596	4,887
Derivative financial instruments	–	–	8,035	8,035
Total financial liabilities	3,091	12,461	21,606	37,158
Insurance contracts and reinsurance contracts held				
Liabilities				204,993
Assets				5,831

34. RISK MANAGEMENT (continued)**Investment and financial risks** (continued)**Exposure to interest rate risk** (continued)

US\$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2022 (restated) ⁽¹⁾				
Financial instruments				
Financial assets				
Loans and deposits	1,745	3,097	3	4,845
Receivables	167	–	1,496	1,663
Debt securities	14,621	150,722	–	165,343
Equity shares, interests in investment funds and exchangeable loan notes	–	1,250	60,705	61,955
Accrued investment income	–	–	1,740	1,740
Cash and cash equivalents	4,385	–	3,635	8,020
Derivative financial instruments	–	–	568	568
Total financial assets	20,918	155,069	68,147	244,134
Financial liabilities				
Investment contract liabilities	–	–	8,862	8,862
Borrowings	–	11,206	–	11,206
Obligations under repurchase agreements	1,748	–	–	1,748
Other liabilities	92	391	3,781	4,264
Derivative financial instruments	–	–	8,638	8,638
Total financial liabilities	1,840	11,597	21,281	34,718
Insurance contracts and reinsurance contracts held				
Liabilities				183,646
Assets				6,332

Note:

(1) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

Equity risk

Equity risk arises from changes in the market value of equity shares, interests in investment funds and exchangeable loan notes. Investments in equity shares, interests in investment funds and exchangeable loan notes on a long-term basis are expected to align with policyholders' expectations, provide diversification benefits and enhance returns. The extent of exposure to equities at any time is subject to the terms of the Group's strategic asset allocations. Equity risk arising from the underlying items of participating contracts is generally borne by policyholders except to the extent of the Group's share of the performance of the underlying items. The Group is also exposed to equity price risk from equity guarantees in variable contracts and hedges its exposure using equity derivatives.

Equity risk is managed through strategic asset allocation and tactical asset allocation. Equity investments are subject to benchmarks and controls relating to maximum concentration and tracking errors. Equity limits are also applied to contain concentration risk of individual stocks and sectors, liquidity as well as equity volatility. Equity exposures are included in the aggregate exposure reports on each individual counterparty to ensure concentrations are avoided.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Concentration risk

The greatest aggregate concentration of fair value to an individual issuer (excluding all government bonds) was approximately 1 per cent (2022: approximately 1 per cent) of the total equity and debt investments as at 31 December 2023.

Sensitivity analysis

Sensitivity analysis to the key variables, namely interest rate and equity risks, affecting insurance contracts and reinsurance contracts held, and financial instruments held by the Group is set out below. The carrying values of other financial assets are not subject to changes in response to movements in interest rates or equity prices. In calculating the sensitivity to changes in interest rates and equity prices, the Group has made assumptions about the corresponding impact of asset valuations on liabilities to policyholders. The market risk in respect of unit-linked investments is generally borne by our customers, and the investment return gains or losses are largely offset by the changes in fair value of underlying items. Policyholder and shareholder investments include all financial investments other than unit-linked investments.

Information is presented to illustrate the estimated impact on profits, total equity, allocated equity and CSM arising from a change in a single variable before taking into account the effects of taxation. The effects on these items are mainly as follows:

- The effects on profit or loss are changes relating to CSM recognised for services provided, loss components and changes in investment return, insurance finance income or expenses and foreign exchange differences that are recognised in profit or loss.
- The effects on equity are the effects on profit or loss, and the effects on other comprehensive income arising from net changes in net investment results and net insurance finance income or expenses.
- The effects on CSM reflects the change of the corresponding market risks that impacts CSM.

The impact of any impairments of financial assets has been ignored for the purpose of illustrating the sensitivity of profit before tax, total equity, allocated equity and CSM before the effects of taxation to changes in interest rates and equity prices on the grounds that default events reflect the characteristics of individual issuers.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Sensitivity analysis on interest rate risk⁽¹⁾⁽²⁾

An analysis of the Group's sensitivity to 50 basis points parallel increase or decrease in yield curves at the reporting date, assuming that all other variables remain constant, is presented below.

US\$m	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)	Impact on CSM
31 December 2023				
<i>+ 50 basis points shift in yield curves:</i>				
Insurance contracts and reinsurance contracts held	6,633	9,859	6,633	(487)
Financial instruments	(6,783)	(11,916)	(6,783)	–
	(150)	(2,057)	(150)	(487)
<i>– 50 basis points shift in yield curves:</i>				
Insurance contracts and reinsurance contracts held	(7,444)	(11,060)	(7,444)	505
Financial instruments	7,609	13,414	7,609	–
	165	2,354	165	505

US\$m	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)	Impact on CSM
31 December 2022 (restated)				
<i>+ 50 basis points shift in yield curves:</i>				
Insurance contracts and reinsurance contracts held	5,911	8,476	5,911	(713)
Financial instruments	(6,023)	(10,700)	(6,023)	–
	(112)	(2,224)	(112)	(713)
<i>– 50 basis points shift in yield curves:</i>				
Insurance contracts and reinsurance contracts held	(6,630)	(9,329)	(6,630)	934
Financial instruments	6,764	12,031	6,764	–
	134	2,702	134	934

Notes:

- (1) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.
- (2) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Sensitivity analysis on equity risk⁽¹⁾⁽²⁾

An analysis of the Group's sensitivity to 10 per cent increase or decrease in equity prices at the reporting date, assuming that all other variables remain constant, is presented below.

US\$m	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)	Impact on CSM
31 December 2023				
10 per cent increase in equity prices:				
Insurance contracts and reinsurance contracts held	(2,998)	(3,039)	(2,998)	679
Financial instruments	4,168	4,168	4,168	–
	1,170	1,129	1,170	679
10 per cent decrease in equity prices:				
Insurance contracts and reinsurance contracts held	2,996	3,039	2,996	(694)
Financial instruments	(4,168)	(4,168)	(4,168)	–
	(1,172)	(1,129)	(1,172)	(694)

US\$m	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)	Impact on CSM
31 December 2022 (restated)				
10 per cent increase in equity prices:				
Insurance contracts and reinsurance contracts held	(2,702)	(2,744)	(2,702)	577
Financial instruments	3,893	3,893	3,893	–
	1,191	1,149	1,191	577
10 per cent decrease in equity prices:				
Insurance contracts and reinsurance contracts held	2,703	2,744	2,703	(579)
Financial instruments	(3,893)	(3,893)	(3,893)	–
	(1,190)	(1,149)	(1,190)	(579)

Notes:

- (1) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.
- (2) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Foreign exchange rate risk

The Group's foreign exchange rate risk arises mainly from the Group's operations in multiple markets in Asia and the translation of multiple currencies to the US dollar for financial reporting purposes. The balance sheet values of our operating units and subsidiaries are not hedged to the Group's presentation currency, the US dollar.

Assets, liabilities and local regulatory and stress capital in each business unit are generally currency matched except for holdings of equities and other non-fixed income assets denominated in currencies other than the functional currency. Bonds denominated in currencies other than the functional currency are hedged with cross-currency swaps or foreign exchange forward contracts.

Exposure to foreign exchange rates⁽¹⁾⁽²⁾

US\$m	United States Dollar	China Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
31 December 2023						
Insurance contracts and reinsurance contracts held						
Assets	–	1,564	635	719	1,246	42
Liabilities	(75,807)	(37,088)	(5,934)	(14,874)	(19,854)	(8,113)
Financial instruments						
Assets	118,532	44,699	1,418	19,675	15,954	8,961
Liabilities	(21,447)	(4,769)	(3,370)	(1,649)	(3,387)	(72)
Net positions of currency derivatives	(3,222)	(2,040)	390	2,190	2,684	441
US\$m	United States Dollar	China Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
31 December 2022 (restated)						
Insurance contracts and reinsurance contracts held						
Assets	337	1,483	685	1,131	1,154	9
Liabilities	(66,341)	(30,059)	(5,869)	(14,345)	(18,554)	(8,238)
Financial instruments						
Assets	105,383	39,337	4,133	19,104	15,414	9,415
Liabilities	(20,692)	(3,443)	(2,292)	(2,313)	(2,821)	(368)
Net positions of currency derivatives	(5,996)	(344)	324	1,996	3,875	210

Notes:

- (1) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.
- (2) The scope of this exposure to foreign exchange rates excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Sensitivity analysis on foreign exchange rate risk⁽¹⁾⁽²⁾

A reasonably possible strengthening or weakening of the following currencies against all other currencies at the reporting date would have affected the measurement of insurance contracts and reinsurance contracts held and financial instruments denominated in foreign currency and affected the profit before tax, total equity and CSM by the amounts shown below. This analysis assumes that all other variables remain constant.

US\$m	United States Dollar	China Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
31 December 2023						
5% strengthening of original currency						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held	(1,055)	(11)	14	–	(6)	(3)
Financial instruments	1,011	8	(83)	27	(79)	12
Impact on total equity						
Insurance contracts and reinsurance contracts held	–	(1,777)	(94)	(708)	(539)	(404)
Financial instruments	–	1,894	(78)	1,011	763	467
Impact on CSM						
Insurance contracts and reinsurance contracts held	–	818	57	322	148	123
5% strengthening of the US dollar						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held	(1,055)	9	(13)	–	1	–
Financial instruments	1,011	(5)	88	(26)	94	(12)
Impact on total equity						
Insurance contracts and reinsurance contracts held	–	1,693	89	674	535	384
Financial instruments	–	(1,804)	74	(963)	(726)	(444)
Impact on CSM						
Insurance contracts and reinsurance contracts held	–	(779)	(55)	(307)	(143)	(117)

Notes:

(1) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

(2) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

34. RISK MANAGEMENT (continued)**Investment and financial risks** (continued)**Sensitivity analysis on foreign exchange rate risk⁽¹⁾⁽²⁾** (continued)

US\$m	United States Dollar	China Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
31 December 2022 (restated)						
5% strengthening of original currency						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held	(901)	(48)	(128)	(9)	(24)	(4)
Financial instruments	889	143	99	(14)	(8)	(2)
Impact on total equity						
Insurance contracts and reinsurance contracts held	–	(1,473)	(249)	(669)	(583)	(415)
Financial instruments	–	1,778	108	939	823	463
Impact on CSM						
Insurance contracts and reinsurance contracts held	–	847	69	303	150	124
5% strengthening of the US dollar						
Impact on profit before tax						
Insurance contracts and reinsurance contracts held	(901)	39	105	7	19	3
Financial instruments	889	(127)	(66)	15	25	2
Impact on total equity						
Insurance contracts and reinsurance contracts held	–	1,399	220	636	611	395
Financial instruments	–	(1,693)	(103)	(895)	(784)	(441)
Impact on CSM						
Insurance contracts and reinsurance contracts held	–	(806)	(64)	(289)	(149)	(118)

Notes:

- (1) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.
- (2) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Liquidity risk

The Group defines liquidity risk as the risk of failure to meet current and future financial commitments as they fall due. This incorporates the risks arising from the timing mismatch of cash inflows and outflows in day-to-day operations, including policyholder and third-party payments, collateral requirements, as well as insufficient market liquidity of assets required for policyholder liabilities.

AIA manages liquidity risk in accordance with the Group's Board approved liquidity framework. This framework contains the standards, procedures, and tools used by the Group to monitor and manage liquidity risk on a forward-looking basis in base and stressed conditions across multiple time horizons from daily to monthly time steps for 12-month period, as well as a projection in line with strategic planning. The forward-looking management of liquidity over short to longer-term horizons allows for the early detection of risks and enables management to action the pre-defined liquidity contingency plans. The framework is comprised of four pillars:

- Daily Cash Forecasting and Liquidity Adequacy Ratio;
- Structural Liquidity Adequacy Ratio;
- Liquidity Projection over the Strategic Planning Period; and
- Liquidity Management and Contingency Plans.

AIA supports its liquidity internally by maintaining appropriate pools of unencumbered high-quality liquid investment assets. Liquidity is further supported externally via access to committed credit facilities, use of bond repurchase markets and debt markets via the Group's Global Medium-term Note and Securities Programme.

The Group's liquidity framework builds liquidity resiliency in all our markets while providing central oversight and the ability to take timely management action if required to ensure we meet all our financial commitments as they fall due.

The maturity profile of our financial liabilities, insurance contract liabilities and reinsurance contract liabilities are presented below which provides a supplemental long-term view on the Group's liquidity profile.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Liquidity risk (continued)

Contractual maturities of financial liabilities

US\$m	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity ⁽²⁾
31 December 2023						
Borrowings	16,365	1,277	3,706 ⁽¹⁾	4,842	4,994	1,546
Obligations under repurchase agreements	3,461	3,461	–	–	–	–
Other liabilities excluding lease liabilities	3,698	3,537	86	4	2	69
Lease liabilities	381	141	221	18	1	–
Derivative financial instruments	8,408	1,991	6,028	186	203	–
Subtotal	32,313	10,407	10,041	5,050	5,200	1,615
Investment contract liabilities and third-party interests in consolidated investment funds	9,992	87	264	237	213	9,191
Total	42,305	10,494	10,305	5,287	5,413	10,806

Notes:

(1) Including US\$2,410m which fall due after 2 years through 5 years.

(2) Balances with no fixed maturity are repayable on demand as the counterparty has a choice of when the amount is paid.

US\$m	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity ⁽²⁾
31 December 2022 (restated) ⁽³⁾						
Borrowings	15,664	880	3,931 ⁽¹⁾	3,761	5,945	1,147
Obligations under repurchase agreements	1,748	1,748	–	–	–	–
Other liabilities excluding lease liabilities	3,007	2,898	67	12	2	28
Lease liabilities	413	140	249	23	1	–
Derivative financial instruments	9,155	1,415	7,180	232	328	–
Subtotal	29,987	7,081	11,427	4,028	6,276	1,175
Investment contract liabilities and third-party interests in consolidated investment funds	9,939	66	262	266	257	9,088
Total	39,926	7,147	11,689	4,294	6,533	10,263

Notes:

(1) Including US\$2,739m which fall due after 2 years through 5 years.

(2) Balances with no fixed maturity are repayable on demand as the counterparty has a choice of when the amount is paid.

(3) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

34. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Liquidity risk (continued)

Maturity analysis of insurance and reinsurance contract liabilities⁽¹⁾⁽²⁾

US\$m	Total	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
31 December 2023							
Insurance contract liabilities	155,459	(4,778)	(5,496)	(3,214)	(1,452)	1,172	169,227
Reinsurance contract liabilities	917	59	44	43	41	48	682

US\$m	Total	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
31 December 2022 (restated)							
Insurance contract liabilities	135,469	(4,010)	(4,397)	(2,270)	(779)	772	146,153
Reinsurance contract liabilities	979	27	35	41	43	42	791

Notes:

(1) At 31 December 2022, the assets and liabilities of Australian S&I were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on the Australian S&I assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

(2) The amounts of payable on demand of insurance contracts are US\$190,031m as at 31 December 2023 (2022: US\$176,195m).

Transactions within the Group

Intra-group transactions are overseen by the relevant Group Office functions to ensure adherence with the relevant Group policies. The Group Risk function oversees the processes to identify and assess material systematic intra-group transaction risks, and ensure risks assumed are within the Group's Risk Management Framework.

During the year ended 31 December 2023, material intra-group transactions were mainly related to support services provided within the Group, a limited number of financing and reinsurance arrangements, collective investment funds that provide a simple return of capital guarantee and are backed by investment grade fixed income assets, and a limited number of intra-group transfers of assets and subsidiaries.

35. EMPLOYEE BENEFITS

Post-retirement benefit obligations

The Group operates a number of funded and unfunded post-retirement employee benefit schemes, whose members receive benefits on either a defined benefit basis (generally related to salary and length of service) or a defined contribution basis (generally related to the amount invested, investment return and annuity rates), the assets of which are generally held in separate trustee-administered funds. The defined benefit plans provide life and medical benefits for employees after retirement and a lump sum benefit on cessation of employment, and the defined contribution plans provide post-retirement pension benefits.

Defined benefit plans

The Group operates funded and unfunded defined benefit plans that provide life and medical benefits for participating employees after retirement and a lump sum benefit on cessation of employment. The locations covered by these plans include Hong Kong, Thailand, Singapore, Malaysia, Cambodia, Indonesia, the Philippines, South Korea, Sri Lanka, Taiwan (China) and Vietnam. The latest independent actuarial valuation of the plans was at 31 December 2023 and was prepared by credentialed actuaries of Towers Watson Hong Kong Limited. All the actuaries are qualified members of professional actuarial organisations to render the actuarial opinions.

For defined benefit plans, the costs are assessed using the projected unit credit method. Under this method, the cost of providing benefits is charged to the consolidated income statement so as to spread the regular cost over the service lives of employees, in accordance with the advice of qualified actuaries. The obligation is measured as the present value of the estimated future cash outflows, using a discount rate based on market yields for high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability. The resulting scheme surplus or deficit appears as an asset or liability in the consolidated statement of financial position.

The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 52 per cent (2022: 56 per cent) covered by the plan assets held by the trustees. The fair value of plan assets as at year end at the date of valuation was US\$109m (2022: US\$94m). The total expenses relating to these plans recognised in the consolidated income statement was US\$9m (2022: US\$10m).

Defined contribution plans

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans. Once the contributions have been paid, the Group, as employer, does not have any further payment obligations. The Group's contributions are charged to the consolidated income statement in the reporting period to which they relate and are included in employee benefit expenses. The total expense relating to these plans in the current year was US\$139m (2022: US\$128m). Employees and the employer are required to make monthly contributions equal to 1 per cent to 22 per cent of the employees' monthly basic salaries, depending on years of service and subject to any applicable caps of monthly relevant income in different jurisdictions. For defined contribution pension plans with vesting conditions, any forfeited contributions by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions are used by the employer to reduce any future contributions. The amount of forfeited contributions used to reduce the existing level of contributions is not material.

36. SHARE-BASED COMPENSATION

Share-based compensation plans

The Group's share-based compensation plans are equity-settled plans. Under equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of shares and/or share options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and/or share options granted. Non-market vesting conditions are included in assumptions about the number of shares and/or share options that are expected to be vested. At each period end, the Group revises its estimates of the number of shares and/or share options that are expected to be vested. Any impact of the revision to original estimates is recognised in profit or loss with a corresponding adjustment to equity. Where grants of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate grant, and therefore the fair value of each tranche is recognised over the applicable vesting period.

Where modification or cancellation of an equity-settled share-based compensation plan occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

During the year ended 31 December 2020, the 2010 Share Option (SO) Scheme, the 2010 Restricted Share Unit (RSU) Scheme and the 2011 Employee Share Purchase Plan (ESPP) were terminated. There shall be no further grants under either of these schemes. However, these schemes shall remain in full force and effect for all grants prior to its termination, and the exercise and the vesting of these grants shall be subject to and in accordance with the terms on which they were granted under the provisions of each of these schemes, and the Listing Rules, where applicable. In the same year, the Group adopted the 2020 SO Scheme, the 2020 RSU Scheme and the 2020 ESPP Plan.

During the years ended 31 December 2023 and 31 December 2022, the Group made new grants of SOs, RSUs and restricted stock purchase units (RSPUs) to certain directors, officers and employees of the Group under these schemes.

On 1 February 2021, the Company adopted the new 2021 Agency Share Purchase Plan (ASPP) with an effective period of 10 years from the date of adoption. The 2012 ASPP was terminated with effect from 31 March 2021, after which time no further restricted stock subscription units (RSSUs) can be granted under such plan. The 2012 ASPP shall remain in full force and effect for all RSSUs granted prior to this termination, and the vesting of such RSSUs shall be subject to and in accordance with the terms on which they were granted under the provisions of the 2012 ASPP.

During the years ended 31 December 2023 and 31 December 2022, the Group made new grants of RSSUs to eligible agents under the 2021 ASPP.

RSU Schemes

Under the RSU Schemes, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the Group during the respective vesting periods. RSU grants are vested either entirely after a specific period of time or in tranches over the vesting period during which, the eligible participants are required to remain in employment with the Group. For RSU grants that are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the respective vesting period. For most RSUs, performance conditions are also attached which include both market and non-market conditions. RSUs subject to performance conditions are released to the participants at the end of the vesting period depending on the actual achievement of the performance conditions. During the vesting period, the participants are not entitled to dividends of the underlying shares. Except in jurisdictions where restrictions apply, the granted RSUs are expected to be settled in equity.

36. SHARE-BASED COMPENSATION (continued)

Share-based compensation plans (continued)

RSU Schemes (continued)

Number of shares	Year ended 31 December 2023	Year ended 31 December 2022
Restricted Share Units		
Outstanding at beginning of financial year	29,603,948	28,418,958
Granted	11,470,894	12,535,139
Forfeited	(6,337,282)	(5,437,310)
Vested	(4,824,183)	(5,912,839)
Outstanding at end of financial year	29,913,377	29,603,948

SO Schemes

The objectives of the SO Schemes are to align eligible participants' interests with those of the shareholders of the Company by allowing eligible participants to share in the value created at the point they exercise their share options. SO grants are vested either entirely after a specific period of time or in tranches over the vesting period approximately three to five years, during which the eligible participants are required to remain in employment with the Group. For SO grants that are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the respective vesting periods. The granted SOs expire 10 years from the date of grant and each SO entitles the eligible participant to subscribe for one ordinary share. Subject to restrictions in the applicable laws, regulations and rules of the relevant jurisdictions, the granted SOs are expected to be settled in equity.

Information about SOs outstanding and SOs exercisable by the Group's employees and directors as at the end of the reporting period is as follows:

	Year ended 31 December 2023		Year ended 31 December 2022	
	Number of share options	Weighted average exercise price (HK\$)	Number of share options	Weighted average exercise price (HK\$)
Share options				
Outstanding at beginning of financial year	23,973,304	66.48	23,359,771	62.94
Granted	1,918,599	80.73	2,519,456	79.85
Exercised	(661,786)	44.16	(1,895,760)	40.43
Forfeited or expired	(124,945)	83.30	(10,163)	97.33
Outstanding at end of financial year	25,105,172	68.07	23,973,304	66.48
Share options exercisable at end of financial year	19,270,954	62.95	15,355,259	60.61

At the respective dates on which the SOs were exercised, the weighted average share price of the Company was HK\$81.27 for the year ended 31 December 2023 (2022: HK\$80.70).

36. SHARE-BASED COMPENSATION (continued)

Share-based compensation plans (continued)

SO Schemes (continued)

The range of exercise prices for the SOs outstanding as of 31 December 2023 and 31 December 2022 is summarised in the table below.

	Year ended 31 December 2023		Year ended 31 December 2022	
	Number of share options outstanding	Weighted average remaining contractual life (years)	Number of share options outstanding	Weighted average remaining contractual life (years)
Range of exercise price				
HK\$26 – HK\$35	–	–	37,266	0.19
HK\$36 – HK\$45	1,692,658	2.12	1,986,862	2.83
HK\$46 – HK\$55	4,396,614	2.75	4,690,563	3.72
HK\$56 – HK\$65	830,436	3.58	830,436	4.58
HK\$66 – HK\$75	8,609,199	5.36	8,696,612	6.36
HK\$76 – HK\$85	7,805,626	7.17	5,901,935	7.50
Over HK\$86	1,770,639	7.23	1,829,630	8.23
Outstanding at end of financial year	25,105,172	5.32	23,973,304	5.90

ESPP

Under the ESPPs, eligible employees of the Group can purchase ordinary shares of the Company with qualified employee contributions and the Company will grant one matching RSPU to them at the end of the vesting period for each two shares purchased through the qualified employee contributions (contribution shares). Contribution shares are purchased from the open market. During the relevant vesting period, the eligible employees must hold the contribution shares purchased and remain employed by the Group in order to qualify to receive the matching shares upon the vesting of the matching RSPUs. The granted matching RSPUs are expected to be settled in equity. Under the 2011 ESPP, the level of qualified employee contribution was subject to a maximum amount equal to 8 per cent of the monthly base salary or HK\$9,750 (or local currency equivalent) per month, whichever is lower. Under the 2020 ESPP, the level of qualified employee contribution is subject to a maximum amount equal to 10 per cent of the monthly base salary or HK\$12,500 (or local currency equivalent) per month, whichever is lower. For the year ended 31 December 2023, eligible employees paid US\$39m (2022: US\$38m) to purchase 4,062,855 ordinary shares (2022: 3,815,201 ordinary shares) of the Company under the ESPPs.

ASPP

The structure of the ASPPs generally follows those of the ESPPs, the key difference is that the eligible agents are required to pay a subscription price of US\$1 to subscribe for each new share in the Company at the end of the vesting period. Under the plans, eligible agents of the Group can purchase ordinary shares of the Company with qualified agent contributions and the Company will grant one matching RSSU to them at the end of the vesting period for each two shares purchased through the qualified agent contributions (agent contribution shares). Each RSSU entitles eligible agents to subscribe for one new share of the Company. Agent contribution shares are purchased from the open market. During the vesting period, the eligible agents must hold the contribution shares purchased and maintain their agent contracts with the Group in order to qualify to receive the matching shares upon the vesting of the matching RSSUs. The granted matching RSSUs are expected to be settled in equity. Under the ASPPs, the level of qualified agent contribution is subject to a maximum amount of HK\$9,750 (or local currency equivalent) per month and HK\$12,500 (or local currency equivalent) per month respectively. For the year ended 31 December 2023, eligible agents paid US\$20m (2022: US\$20m) to purchase 2,143,422 ordinary shares (2022: 2,061,772 ordinary shares) of the Company under the ASPPs.

36. SHARE-BASED COMPENSATION (continued)

Valuation methodology

The Group utilises a binomial lattice model to calculate the fair value of the SO grants, involving a few significant assumptions such as the expected volatility, expected dividend yield and risk-free interest rate. The expected volatility of the Company's shares is estimated based on an analysis of historical data since they are traded in the HKSE. The expected dividend yield is estimated based on an analysis of historical dividend relative to historical share price. The risk-free interest rate is estimated based on implied yield of the Government Bonds and Exchange Fund Notes issued by the Hong Kong Monetary Authority as at the grant date. The analysis period for expected volatility and risk-free interest rate is consistent with the expected life of the SOs, which is derived from the output of the valuation model and is calculated based on an analysis of expected exercise behaviour of the Company's employees.

The Group utilises a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU, RSPU and RSSU grants, taking into account the terms and conditions upon which the grants were made. Significant assumptions include expected dividend yield and risk-free interest rate. The value of expected dividends during the vesting period is estimated based on an analysis of historical dividend relative to historical share price. The risk-free interest rate is estimated based on implied yield of the Government Bonds and Exchange Fund Notes issued by the Hong Kong Monetary Authority as at the grant date. For performance-based RSUs, the simulation for achievement of market condition depends on assumptions of expected volatility of the Company's share and other market comparators as well as the correlations. These assumptions are estimated based on an analysis of historical data over a period consistent with the expected life of the RSUs.

Forfeitures prior to vesting are not allowed for in the valuation of the grants.

The fair values calculated for the grants are inherently subjective due to the assumptions made and the limitations of the models utilised.

	Year ended 31 December 2023			
	Share options	Restricted share units	ESPP Restricted stock purchase units	ASPP Restricted stock subscription units
Assumptions				
Risk-free interest rate	3.19%	3.27%*	3.16% – 4.17%	2.87%
Volatility	28%	28%	n/a	n/a
Dividend yield	1.60%	1.60%	1.60% – 1.70%	1.60%
Exercise price (HK\$)	80.73	n/a	n/a	n/a
Share option life (in years)	10	n/a	n/a	n/a
Expected life (in years)	7.47	n/a	n/a	n/a
Weighted average fair value per option/unit at measurement date (HK\$)	23.97	63.37	61.72	57.03
	Year ended 31 December 2022			
	Share options	Restricted share units	ESPP Restricted stock purchase units	ASPP Restricted stock subscription units
Assumptions				
Risk-free interest rate	1.93%	1.57% – 3.55%*	0.84% – 4.27%	2.12%
Volatility	26%	26% – 28%	n/a	n/a
Dividend yield	1.70%	1.60% – 1.70%	1.60% – 1.70%	1.70%
Exercise price (HK\$)	79.85	n/a	n/a	n/a
Share option life (in years)	10	n/a	n/a	n/a
Expected life (in years)	7.45	n/a	n/a	n/a
Weighted average fair value per option/unit at measurement date (HK\$)	21.00	64.26	73.00	58.32

* Applicable to RSU with market conditions.

36. SHARE-BASED COMPENSATION (continued)

Valuation methodology (continued)

The weighted average share price for SO valuation for grants made during the year ended 31 December 2023 is HK\$78.95 (2022: HK\$79.85). The total fair value of SO granted during the year ended 31 December 2023 is US\$6m (2022: US\$7m).

Recognised compensation cost

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation grants made by the Group for the year ended 31 December 2023 is US\$77m (2022: US\$80m).

37. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Directors' remuneration

The Executive Director receives compensation in the form of salaries, bonuses, contributions to pension schemes, long-term incentives, housing and other allowances, and benefits in kind subject to applicable laws, rules and regulations. Bonuses and long-term incentives represent the variable components in the Executive Director's compensation and are linked to the performance of the Group and the Executive Director. Details of share-based payment schemes are described in note 36.

US\$	Director's fees	Salaries, allowances and benefits in kind ⁽¹⁾	Bonuses	Share-based payments ⁽²⁾	Pension scheme contributions	Other benefits	Other payments ⁽³⁾	Total
Year ended 31 December 2023								
<i>Executive Director</i>								
Mr. Lee Yuan Siong ⁽⁴⁾	–	1,716,746	5,029,000	4,819,618	70,224	–	1,785,500	13,421,088
Total	–	1,716,746	5,029,000	4,819,618	70,224	–	1,785,500	13,421,088
US\$	Director's fees	Salaries, allowances and benefits in kind ⁽¹⁾	Bonuses	Share-based payments ⁽²⁾	Pension scheme contributions	Other benefits	Other payments ⁽³⁾	Total
Year ended 31 December 2022								
<i>Executive Director</i>								
Mr. Lee Yuan Siong ⁽⁴⁾	–	1,680,096	2,820,000	5,272,695	67,829	–	3,673,130	13,513,750
Total	–	1,680,096	2,820,000	5,272,695	67,829	–	3,673,130	13,513,750

Notes:

- (1) Includes non-cash benefits for housing, medical and life insurance, club and professional membership, company car and perquisites.
- (2) Includes amortised expenses for unvested SOs, RSUs and matching shares under ESPP based on the fair value at the respective grant dates.
- (3) This represents amortised expenses in relation to the awarded compensation for unvested long-term incentives and deferred payments that Mr. Lee Yuan Siong forfeited on leaving his prior employments.
- (4) Mr. Lee Yuan Siong is currently the Group Chief Executive and President of the Company. He receives his remuneration exclusively for his role as Group Chief Executive and President of the Company and receives no separate fees for his role as a director of the Company or for acting as a director of any subsidiary of the Company.

37. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (continued)

Directors' remuneration (continued)

The remuneration of Independent Non-executive Directors of the Company at 31 December 2023 and 31 December 2022 are included in the tables below:

US\$	Director's fees ⁽¹⁾	Salaries, allowances and benefits in kind ⁽²⁾	Bonuses	Share-based payments	Pension scheme contribution	Other benefits	Other payments	Total
Year ended 31 December 2023								
<i>Independent Non-executive Directors</i>								
Mr. Edmund Sze-Wing Tse	860,000	146,721	–	–	–	–	–	1,006,721
Mr. Jack Chak-Kwong So	330,000	–	–	–	–	–	–	330,000
Mr. Chung-Kong Chow	288,356	–	–	–	–	–	–	288,356
Mr. John Barrie Harrison	350,000	–	–	–	–	–	–	350,000
Mr. George Yong-Boon Yeo	355,000	–	–	–	–	–	–	355,000
Professor Lawrence Juen-Yee Lau	280,000	–	–	–	–	–	–	280,000
Ms. Swee-Lian Teo ⁽³⁾	216,370	–	–	–	–	–	–	216,370
Dr. Narongchai Akrasanee ⁽⁴⁾	396,685	–	–	–	–	–	–	396,685
Mr. Cesar Velasquez Purisima	355,000	–	–	–	–	–	–	355,000
Ms. Sun Jie (Jane)	330,000	–	–	–	–	–	–	330,000
Ms. Mari Elka Pangestu ⁽⁵⁾	120,986	–	–	–	–	–	–	120,986
Mr. Ong Chong Tee ⁽⁶⁾	120,986	–	–	–	–	–	–	120,986
Ms. Nor Shamsiah Mohd Yunus ⁽⁷⁾	67,068	–	–	–	–	–	–	67,068
Total	4,070,451	146,721	–	–	–	–	–	4,217,172

37. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (continued)

Directors' remuneration (continued)

US\$	Director's fees ⁽¹⁾	Salaries, allowances and benefits in kind ⁽²⁾	Bonuses	Share-based payments	Pension scheme contribution	Other benefits	Other payments	Total
Year ended 31 December 2022								
<i>Independent Non-executive Directors</i>								
Mr. Edmund Sze-Wing Tse	860,000	152,016	–	–	–	–	–	1,012,016
Mr. Jack Chak-Kwong So	330,000	–	–	–	–	–	–	330,000
Mr. Chung-Kong Chow	280,000	–	–	–	–	–	–	280,000
Mr. John Barrie Harrison	350,000	–	–	–	–	–	–	350,000
Mr. George Yong-Boon Yeo	355,000	–	–	–	–	–	–	355,000
Professor Lawrence Juen-Yee Lau	280,000	–	–	–	–	–	–	280,000
Ms. Swee-Lian Teo ⁽³⁾	325,000	–	–	–	–	–	–	325,000
Dr. Narongchai Akrasanee ⁽⁴⁾	390,000	–	–	–	–	–	–	390,000
Mr. Cesar Velasquez Purisima	355,000	–	–	–	–	–	–	355,000
Ms. Sun Jie (Jane)	292,767	–	–	–	–	–	–	292,767
Total	3,817,767	152,016	–	–	–	–	–	3,969,783

Notes:

- (1) Save as disclosed below, all Directors receive the fees for their role as a director of the Company and not for acting as a director of any subsidiary of the Company.
- (2) Includes non-cash benefits for housing, club and professional membership, medical insurance and company car.
- (3) Ms. Swee-Lian Teo retired as Independent Non-executive Director of the Company with effect from 1 September 2023.
- (4) US\$100,000 (2022: US\$100,000) represented remuneration to Dr. Narongchai Akrasanee in respect of his services as Chairman of Advisory Board of AIA Thailand for the year ended 31 December 2023 included in his fees stated above.
- (5) Ms. Mari Elka Pangestu was appointed as Independent Non-executive Director of the Company with effect from 1 July 2023.
- (6) Mr. Ong Chong Tee was appointed as Independent Non-executive Director of the Company with effect from 1 July 2023.
- (7) Ms. Nor Shamsiah Mohd Yunus was appointed as Independent Non-executive Director of the Company with effect from 21 September 2023.

Remuneration of five highest-paid individuals

The aggregate remuneration of the five highest-paid individuals employed by the Group in each of the years ended 31 December 2023 and 31 December 2022 is presented in the table below.

US\$	Director's fees	Salaries, allowances and benefits in kind ⁽¹⁾	Bonuses	Share-based payments ⁽²⁾	Pension scheme contribution	Other benefits	Other payments ⁽³⁾	Total
Year ended								
31 December 2023	–	5,898,388	10,372,280	12,352,364	369,727	–	1,785,500	30,778,259
31 December 2022	–	5,377,073	4,982,273	12,275,886	317,109	–	6,623,926	29,576,267

Notes:

- (1) Benefits in the years ended 31 December 2023 and 31 December 2022 include housing, medical and life insurance, children's education, club and professional membership, company car and perquisites.
- (2) Includes amortised expenses for unvested SOs, RSUs and matching shares under ESPP to the five highest-paid individuals based on the fair value at the respective grant dates.
- (3) Includes amortised expenses in relation to the awarded compensation for unvested long-term incentives and deferred payments that Mr. Lee Yuan Siong forfeited on leaving his prior employments.

37. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (continued)

Remuneration of five highest-paid individuals (continued)

The emoluments of the five individuals with the highest emoluments are within the following bands:

HK\$	Year ended 31 December 2023	Year ended 31 December 2022
25,000,001 to 25,500,000	–	1
27,500,001 to 28,000,000	–	1
28,500,001 to 29,000,000	1	–
29,000,001 to 29,500,000	1	–
30,000,001 to 30,500,000	1	–
31,500,001 to 32,000,000	–	1
41,000,001 to 41,500,000	–	1
47,500,001 to 48,000,000	1	–
105,000,001 to 105,500,000	1	–
105,500,001 to 106,000,000	–	1

Key management personnel remuneration

Key management personnel have been identified as the members of the Group's Executive Committee.

US\$	Year ended 31 December 2023	Year ended 31 December 2022
Key management compensation and other expenses		
Salaries and other short-term employee benefits	30,273,575	22,150,292
Post-employment benefits	631,999	623,561
Share-based payments ⁽¹⁾	19,053,974	20,966,295
Termination payments or benefits	–	2,950,796
Total	49,959,548	46,690,944

Note:

(1) Includes amortised expenses for unvested SOs, RSUs and matching shares under ESPP to the key management personnel based on the fair value at the respective grant dates.

The emoluments of the key management personnel are within the following bands:

US\$	Year ended 31 December 2023	Year ended 31 December 2022
Below 1,000,000	–	–
1,000,001 to 2,000,000	1	–
2,000,001 to 3,000,000	4	7
3,000,001 to 4,000,000	5	2
4,000,001 to 5,000,000	–	1
5,000,001 to 6,000,000	–	1
6,000,001 to 7,000,000	1	–
Over 10,000,000	1	1

38. RELATED PARTY TRANSACTIONS

Remuneration of Directors and key management personnel is disclosed in note 37.

39. COMMITMENTS AND CONTINGENCIES

Investment and capital commitments

US\$m	As at 31 December 2023	As at 31 December 2022
Not later than one year	17,624	14,962
Later than one and not later than five years	123	105
Total	17,747	15,067

Investment and capital commitments consist of commitments to invest in private equity partnerships and other assets.

Contingencies

The Group is subject to regulation in each of the geographical markets in which it operates from insurance, securities, capital markets, pension, data privacy and other regulators and is exposed to the risk of regulatory actions in response to perceived or actual non-compliance with regulations relating to suitability, sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, denial or delay of benefits and breaches of fiduciary or other duties. The Group believes that these matters have been adequately provided for in these financial statements.

The Group is exposed to legal proceedings, complaints and other actions from its activities including those arising from commercial activities, sales practices, suitability of products, policies, claims and taxes. The Group believes that these matters are adequately provided for in these financial statements.

The Group operates in many jurisdictions across Asia and in certain of those jurisdictions, the Group's interpretation of the relevant law or regulation may differ from that of the tax authorities, which can result in disputes arising. The Group has made provisions to cover the potential tax implications, based on management's judgement and best estimate in relation to the probability or likelihood of the potential outcomes, which is subject to periodic reassessment. Due to the uncertainty associated with these items, there remains a possibility that the final outcomes may differ on conclusion of the relevant tax matters at a future date.

40. SUBSIDIARIES

The following is a list of AIA's directly and indirectly held principal operating subsidiaries which materially contribute to the net income of the Group or hold a material element of its assets and liabilities:

Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	As at 31 December 2023		As at 31 December 2022	
				Group's interest %	NCI's interest %	Group's interest %	NCI's interest %
AIA Company Limited ⁽¹⁾	Hong Kong	Insurance	2,596,049,861 ordinary shares of US\$11,390,584,182 issued share capital	100%	—	100%	—
AIA Australia Limited	Australia	Insurance	2,125,462,500 ordinary shares of A\$2,207,267,000 issued share capital	100%	—	100%	—
AIA Bhd.	Malaysia	Insurance	191,859,543 ordinary shares of RM810,000,000 issued share capital	100%	—	100%	—
AIA Life Insurance Company Limited	Mainland China	Insurance	Registered share capital of RMB3,777,399,440	100%	—	100%	—
AIA Philippines Life and General Insurance Company Inc.	Philippines	Insurance	199,560,671 ordinary shares of PHP10 each and 67,349,329 treasury shares	100%	—	100%	—
BPI AIA Life Assurance Corporation	Philippines	Insurance	749,993,979 ordinary shares of PHP1 each and 6,000 treasury shares	51%	49%	51%	49%
AIA Singapore Private Limited	Singapore	Insurance	1,558,021,163 ordinary shares of S\$1 each	100%	—	100%	—
AIA Everest Life Company Limited	Hong Kong	Insurance	500,000,000 ordinary shares of HK\$2,496,291,000 issued share capital	100%	—	100%	—
AIA International Limited	Bermuda	Insurance	6,500,000 ordinary shares of US\$1.20 each	100%	—	100%	—
PT. AIA Financial	Indonesia	Insurance	1,910,844,141 ordinary shares of Rp1,000 each	100%	—	100%	—
AIA (Vietnam) Life Insurance Company Limited	Vietnam	Insurance	Contributed capital of VND8,724,420,000,000	100%	—	100%	—
Bayshore Development Group Limited	British Virgin Islands	Investment holding company	100 ordinary shares of US\$1 each	90%	10%	90%	10%
AIA Life Insurance Co. Ltd.	South Korea	Insurance	60,328,932 ordinary shares of KRW603,289,320,000 issued share capital	100%	—	100%	—
AIA New Zealand Limited	New Zealand	Insurance	248,217,572 ordinary shares of NZD863,709,199 issued share capital	100%	—	100%	—
AIA Reinsurance Limited	Bermuda	Reinsurance	250,000 common shares of US\$1 each	100%	—	100%	—

Notes:

(1) The Company's subsidiary.

(2) All of the above subsidiaries are audited by PricewaterhouseCoopers.

All subsidiaries are unlisted.

41. EVENTS AFTER THE REPORTING PERIOD

On 14 March 2024, a Committee appointed by the Board of Directors proposed a final dividend of 119.07 Hong Kong cents per share (2022: final dividend of 113.40 Hong Kong cents per share).

42. DISPOSAL GROUP HELD FOR SALE

On 24 February 2022, the Group announced it had entered into an agreement to sell its Australian S&I business to Resolution Life Australasia Limited. The Australian S&I business was a constituent part of the businesses that transferred to AIA Australia following the acquisition of The Colonial Mutual Life Assurance Society Limited from Commonwealth Bank of Australia. The assets and liabilities of the Australian S&I business were classified as assets in disposal group held for sale and liabilities in disposal group held for sale in the consolidated statement of financial position, contributed by the Australia operating segment. The transaction was completed with statutory transfer approved by the Federal Court of Australia, effective on 1 July 2023.

42. DISPOSAL GROUP HELD FOR SALE (continued)

At 31 December 2022, the assets and liabilities in disposal group held for sale were stated at the lower of its carrying amount and fair value less costs to sell. The assets and liabilities in disposal group held for sale as at 31 December 2022 are summarised below.

US\$m	Notes	As at 31 December 2022 (Excluding disposal group)	Assets and liabilities in disposal group	As at 31 December 2022 (Including disposal group)
Assets				
Intangible assets	14	3,277	–	3,277
Investments in associates and joint ventures	15	2,056	–	2,056
Property, plant and equipment	16	2,844	–	2,844
Investment property	17	4,600	–	4,600
Insurance contract assets	24	2,037	–	2,037
Reinsurance contract assets	24	5,763	–	5,763
Financial investments:	18, 20			
At amortised cost				
Debt securities		1,787	–	1,787
Loans and deposits		4,566	–	4,566
At fair value through other comprehensive income				
Debt securities		86,060	37	86,097
At fair value through profit or loss				
Debt securities		77,496	831	78,327
Loans and deposits		279	–	279
Equity shares		23,378	2,313	25,691
Interests in investment funds and exchangeable loan notes		38,577	–	38,577
Derivative financial instruments	19	568	62	630
		232,711	3,243	235,954
Deferred tax assets	11	229	25	254
Current tax recoverable		117	9	126
Other assets	21	4,524	67	4,591
Cash and cash equivalents	22	8,020	949	8,969
Assets in disposal group held for sale		4,293	(4,293)	–
Total assets		270,471	–	270,471
Liabilities				
Insurance contract liabilities	24	181,851	1,048	182,899
Reinsurance contract liabilities	24	384	22	406
Investment contract liabilities	25	9,092	2,894	11,986
Borrowings	26	11,206	–	11,206
Obligations under repurchase agreements	27	1,748	–	1,748
Derivative financial instruments	19	8,638	101	8,739
Provisions	29	153	–	153
Deferred tax liabilities	11	3,409	1	3,410
Current tax liabilities		467	–	467
Other liabilities	30	4,264	45	4,309
Liabilities in disposal group held for sale		4,111	(4,111)	–
Total liabilities		225,323	–	225,323

43. EFFECTS OF ADOPTION OF IFRS 9, IFRS 17 AND AMENDMENT TO IAS 16

Except for the changes below, the Group has consistently applied the accounting policies as set out in note 2 to all periods presented in these consolidated financial statements. The Group has adopted IFRS 9, IFRS 17 and amendment to IAS 16, including any consequential amendments to other standards, with a date of initial adoption of 1 January 2023. The following table set out the impact of initial adoption of these standards on the Group's equity at 1 January 2022.

US\$m	As at 31 December 2021 (As previously reported)	Impact upon initial adoption of IFRS 9, IFRS 17 and amendment to IAS 16	As at 1 January 2022 (restated)
Equity			
Share capital	14,160	–	14,160
Employee share-based trusts	(225)	–	(225)
Other reserves	(11,841)	–	(11,841)
Retained earnings	49,984	(987)	48,997
Fair value reserve	8,407	(1,766)	6,641
Foreign currency translation reserve	(1,068)	–	(1,068)
Insurance finance reserve	–	(1,895)	(1,895)
Property revaluation reserve	1,069	148	1,217
Others	(19)	56	37
Amounts reflected in other comprehensive income	8,389	(3,457)	4,932
<i>Total equity attributable to:</i>			
Shareholders of AIA Group Limited	60,467	(4,444)	56,023
Non-controlling interests	467	17	484
Total equity	60,934	(4,427)	56,507

IFRS 17 Insurance Contracts

Recognition, measurement and presentation of insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts held and investment contracts with DPF. It introduces a model that measures groups of contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are excluded from insurance revenue and insurance service expenses.

The Group no longer applies shadow accounting to insurance-related assets and liabilities.

Insurance finance income or expenses, disaggregated between profit or loss and other comprehensive income for the relevant business in participating funds and other participating business with distinct portfolios, other policyholder and shareholder and unit-linked funds, are presented separately from insurance revenue and insurance service expenses.

The Group applies the premium allocation approach to simplify the measurement of certain contracts. When measuring liabilities for remaining coverage, the premium allocation approach is similar to the Group's previous accounting treatment; however, when measuring liabilities for incurred claims, the Group now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk, as appropriate.

43. EFFECTS OF ADOPTION OF IFRS 9, IFRS 17 AND AMENDMENT TO IAS 16 (continued)

IFRS 17 Insurance Contracts (continued)

Recognition, measurement and presentation of insurance contracts (continued)

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts (deferred acquisition costs) and are subsequently amortised over the expected life of the contracts. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented as part of the carrying amount of the related portfolio of contracts and are subsequently derecognised when respective groups of contracts are recognised and hence included in the CSM measurement of that group.

Income and expenses from reinsurance contracts held other than insurance finance income or expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

For an explanation of how the Group accounts for insurance contracts and reinsurance contracts held under IFRS 17, see note 2.3.

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022, the Group:

- identified, recognised and measured each group of insurance contracts and reinsurance contracts held as if IFRS 17 had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that the recoverability assessment in note 2.3.5 was not applied before 1 January 2022;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included deferred acquisition costs for insurance contracts, insurance receivables and payables, policy loans and its accrued interest revenue and provisions that are attributable to existing insurance contracts, etc. Under IFRS 17, these are included in the measurement of the insurance contracts;
- recognised any resulting net difference in equity. The carrying amount of goodwill from previous business combinations was not adjusted.

43. EFFECTS OF ADOPTION OF IFRS 9, IFRS 17 AND AMENDMENT TO IAS 16 (continued)

IFRS 17 Insurance Contracts (continued)

Transition (continued)

Insurance contracts and reinsurance contracts held

For certain groups of contracts, the Group applied the modified retrospective approach or the fair value approach in IFRS 17 to identify, recognise and measure certain groups of contracts at 1 January 2022 because it was impracticable to apply the full retrospective approach.

The Group considered the full retrospective approach impracticable for contracts in these segments under any of the following circumstances.

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons.
- The full retrospective approach required assumptions about what Group management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight, the application of full retrospective approach is considered as impracticable if such assumptions and estimates were not determinable.

Irrespective of the transition approach used, the following items have not been applied retrospectively.

- When the Group uses derivatives to mitigate the financial risk from interest rate guarantees in traditional participating contracts and equity guarantees in variable annuity contracts, the option to exclude changes in the effect of that financial risk from the CSM has not been applied for periods before 1 January 2023.
- The consequential amendments to IFRS 3, *Business Combinations* introduced by IFRS 17 require the Group to classify contracts acquired as insurance contracts based on the contractual terms and other factors at the date of acquisition. This requirement was not applied to business combinations before 1 January 2023, for which the Group classified contracts acquired as insurance contracts based on the conditions at contract inception.

To indicate the effect of applying the modified retrospective approach or the fair value approach on the CSM, insurance revenue and insurance finance income or expenses, the Group has provided additional disclosures in notes 2.3.9, 8, 9 and 24.

Assets for insurance acquisition cash flows

The Group also applied the modified retrospective approach or the fair value approach to identify, recognise and measure certain assets for insurance acquisition cash flows at 1 January 2022.

It was impracticable to apply the full retrospective approach because:

- data had not been collected with sufficient granularity;
- information required to identify fixed and variable overheads as relating to acquisition activities and to allocate them to groups of contracts was not available; or
- original assumptions about the manner in which the Group would have expected insurance acquisition cash flows to be recovered, which were required to allocate them to renewals, could not be made without the use of hindsight.

Effect of initial adoption

The Group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item.

43. EFFECTS OF ADOPTION OF IFRS 9, IFRS 17 AND AMENDMENT TO IAS 16 (continued)

IFRS 9 Financial Instruments

Classification of financial assets and financial liabilities

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available for sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

For explanations of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see note 2.5.

IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities and hedge accounting.

Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" model. The new impairment model applies to financial assets measured at amortised cost, debt securities at fair value through other comprehensive income, trade receivables and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39 (see note 2.5.3).

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The comparative period has been restated. As permitted under IFRS 17, the Group has elected to apply classification overlay in the comparative period presented. The classification overlay has been applied to all financial assets that had been derecognised before 1 January 2023 based on how those assets are expected to be classified on initial adoption of IFRS 9. In applying the classification overlay to financial assets derecognised during the comparative period, the Group has applied the impairment requirements of IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2023.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss.
- If an investment in a debt security had low credit risk at 1 January 2023, then the Group determined that the credit risk on the asset had not increased significantly since initial recognition.

As permitted by IFRS 7, the Group has not disclosed information about the line item amounts that are reported in accordance with the classification and measurement (including impairment) requirements of IFRS 9 for 2022 and those that would have been reported in accordance with the classification and measurement requirements of IAS 39 for 2023.

43. EFFECTS OF ADOPTION OF IFRS 9, IFRS 17 AND AMENDMENT TO IAS 16 (continued)

IFRS 9 Financial Instruments (continued)

Effect of initial adoption

Classification of financial assets and financial liabilities

The following table shows the original measurement category and carrying amount under IAS 39 and the new measurement category and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities.

US\$m	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 as at 31 December 2022	New carrying amount under IFRS 9 as at 1 January 2023
Financial assets				
Debt securities	FVTPL	FVTPL (mandatory)	6,802	6,802
Debt securities	Available for sale	FVTPL (mandatory)	680	680
Debt securities	FVTPL	FVTPL (designated)	28,634	28,634
Debt securities	Available for sale	FVTPL (designated)	42,211	42,211
Debt securities	FVTPL	FVOCI	1,226	1,226
Debt securities	Available for sale	FVOCI	84,871	84,871
Debt securities	Available for sale	Amortised cost	1,519	1,787
Loans and deposits	Loans and receivables	Amortised cost	4,582	4,566
Loans and deposits	Loans and receivables	FVTPL (designated)	250	279
Equity shares	FVTPL	FVTPL (mandatory)	25,691	25,691
Interests in investment funds and exchangeable loan notes	FVTPL	FVTPL (mandatory)	38,577	38,577
Derivative assets	FVTPL	FVTPL (mandatory)	630	630
Accrued investment income	Loans and receivables	Amortised cost	1,752	1,752
Receivables	Loans and receivables	Amortised cost	1,743	1,718
Cash and cash equivalents	Loans and receivables	FVTPL (mandatory)	2,248	2,248
Cash and cash equivalents	Loans and receivables	Amortised cost	6,721	6,721
Total financial assets			248,137	248,393
Financial liabilities				
Investment contract liabilities ⁽¹⁾	FVTPL	FVTPL (designated)	9,441	9,441
Investment contract liabilities ⁽¹⁾	Not applicable	FVTPL (designated)	–	2,015
Investment contract liabilities ⁽¹⁾	Amortised cost	Amortised cost	530	530
Borrowings	Amortised cost	Amortised cost	11,206	11,206
Obligations under repurchase agreements	Amortised cost	Amortised cost	1,748	1,748
Derivative liabilities	FVTPL	FVTPL (mandatory)	8,739	8,739
Trade and other payables	Amortised cost	Amortised cost	2,913	2,913
Trade and other payables	Not applicable	Amortised cost	–	137
Third-party interests in consolidated investment funds	FVTPL	FVTPL (designated)	865	865
Total financial liabilities			35,442	37,594

Note:

(1) For the purpose of consistency in preparation of the investment contract liabilities to the statement of financial position, the balance includes US\$230m of deferred fee income that are not carried at FVTPL.

43. EFFECTS OF ADOPTION OF IFRS 9, IFRS 17 AND AMENDMENT TO IAS 16 (continued)

IFRS 9 Financial Instruments (continued)

Effect of initial adoption (continued)

Classification of financial assets and financial liabilities (continued)

The Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in note 2.5. The application of these policies resulted in the reclassifications set out in the table above and explained below.

- a. Under IAS 39, certain debt securities were designated as at fair value through profit or loss because the Group managed them on a fair value basis or such designation eliminates or significantly reduces a measurement or recognition inconsistency. Under IFRS 9, these assets are mandatorily measured at fair value through profit or loss because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets or their contractual cash flows do not represent solely payments of principal and interest on the principal amount outstanding.
- b. Under IAS 39, certain debt securities that were classified as available for sale financial assets; under IFRS 9, a portion of these assets are mandatorily measured at fair value through profit or loss either because their contractual cash flows do not represent solely payments of principal and interest on the principal amount outstanding or they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. Some of these debt securities are designated as at fair value through profit or loss to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise, while others are classified as fair value through other comprehensive income based on the criteria in IFRS 9.
- c. There are some debt securities being designated as at fair value through profit or loss under IAS 39. The Group has revoked the designation to measure them at fair value through profit or loss upon the adoption of IFRS 9 because there is no longer a significant accounting mismatch arising from the securities as a result of adoption of IFRS 17. These assets are classified as fair value through other comprehensive income based on the criteria in IFRS 9.
- d. Certain debt securities that were classified as available for sale under IAS 39 are held within a business model whose objective is to hold assets to collect the contractual cash flows and they have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Therefore, these assets are measured at amortised cost under IFRS 9.
- e. Under IAS 39, equity shares, interests in investment funds and exchangeable loan notes were designated as at fair value through profit or loss because they are managed on a fair value basis. Under IFRS 9, these assets are mandatorily measured at fair value through profit or loss because they do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding and the Group has not elected to measure them at fair value through other comprehensive income.
- f. Certain cash equivalents that were classified as loans and receivables under IAS 39 are mandatorily measured at fair value through profit or loss under IFRS 9 because the contractual cash flows do not represent solely payments of principal and interest on the principal amount outstanding.
- g. Certain financial assets and liabilities recognised upon the adoption of IFRS 9 are designated at FVTPL because such designation eliminates or significantly reduces measurement inconsistency.

43. EFFECTS OF ADOPTION OF IFRS 9, IFRS 17 AND AMENDMENT TO IAS 16 (continued)

IFRS 9 Financial Instruments (continued)

Effect of initial adoption (continued)

Classification of financial assets and financial liabilities (continued)

There are no changes in carrying amounts of equity shares, interests in investment funds, exchangeable loan notes, derivative assets and financial liabilities except for investment contract liabilities at fair value through profit or loss and payables under IAS 39 to the carrying amounts under IFRS 9. The following table reconciles the carrying amounts of other financial assets, investment contract liabilities at fair value through profit or loss and payables that there are reclassifications and/or remeasurement on transition to IFRS 9 on 1 January 2023.

US\$m	31 December 2022 IAS 39	Reclassification	Remeasurement	1 January 2023 IFRS 9
Financial assets				
Financial assets measured at fair value through profit or loss				
Debt securities				
Brought forward	36,662	—	—	—
Reclassified from available for sale	—	42,891	—	—
Reclassified to fair value through other comprehensive income	—	(1,226)	—	—
Carried forward	—	—	—	78,327
Loans and deposits				
Brought forward	—	—	—	—
Reclassified from amortised cost	—	250	—	—
Remeasurement	—	—	29	—
Carried forward	—	—	—	279
Cash and cash equivalents				
Brought forward	—	—	—	—
Reclassified from amortised cost	—	2,248	—	—
Carried forward	—	—	—	2,248
Total financial assets measured at fair value through profit or loss	36,662	44,163	29	80,854
Debt securities measured at fair value through other comprehensive income				
Debt securities				
Reclassified from fair value through profit or loss	—	1,226	—	—
Reclassified from available for sale	—	84,871	—	—
Carried forward	—	—	—	86,097
Total debt securities measured at fair value through other comprehensive income	—	86,097	—	86,097
Available for sale debt securities				
Brought forward	129,281	—	—	—
Reclassified to fair value through other comprehensive income	—	(84,871)	—	—
Reclassified to fair value through profit or loss	—	(42,891)	—	—
Reclassified to amortised cost	—	(1,519)	—	—
Total available for sale debt securities	129,281	(129,281)	—	—

43. EFFECTS OF ADOPTION OF IFRS 9, IFRS 17 AND AMENDMENT TO IAS 16 (continued)

IFRS 9 Financial Instruments (continued)

Effect of initial adoption (continued)

Classification of financial assets and financial liabilities (continued)

US\$m	31 December 2022 IAS 39	Reclassification	Remeasurement	1 January 2023 IFRS 9
Financial assets measured at amortised cost				
Debt securities				
Reclassified from available for sale	–	1,519	–	–
Remeasurement	–	–	268	–
Carried forward	–	–	–	1,787
Loans and deposits				
Brought forward: Loans and receivables	4,832	–	–	–
Reclassified to fair value through profit or loss	–	(250)	–	–
Remeasurement	–	–	(16)	–
Carried forward	–	–	–	4,566
Accrued investment income				
Brought forward: Loans and receivables	1,752	–	–	–
Carried forward	–	–	–	1,752
Receivables				
Brought forward: Loans and receivables	1,743	–	–	–
Remeasurement	–	–	(25)	–
Carried forward	–	–	–	1,718
Cash and cash equivalents				
Brought forward: Loans and receivables	8,969	–	–	–
Reclassified to fair value through profit or loss	–	(2,248)	–	–
Carried forward	–	–	–	6,721
Total financial assets measured at amortised cost	17,296	(979)	227	16,544
Financial liabilities				
Investment contract liabilities measured at fair value through profit or loss				
Investment contract liabilities				
Brought forward	9,441	–	–	–
Recognised on transition to IFRS 17	–	–	2,015	–
Carried forward	–	–	–	11,456
Total investment contract liabilities measured at fair value through profit or loss	9,441	–	2,015	11,456
Trade and other payables measured at amortised cost				
Trade and other payables				
Brought forward	2,913	–	–	–
Recognised on transition to IFRS 17	–	–	137	–
Carried forward	–	–	–	3,050
Total trade and other payables measured at amortised cost	2,913	–	137	3,050

43. EFFECTS OF ADOPTION OF IFRS 9, IFRS 17 AND AMENDMENT TO IAS 16 (continued)

IFRS 9 Financial Instruments (continued)

Effect of initial adoption (continued)

Classification of financial assets and financial liabilities (continued)

The following table summarises the effects of the reclassification of (i) debt securities measured at fair value through profit or loss to fair value through other comprehensive income category and (ii) debt securities reclassified to amortised cost category as a result of the transition to IFRS 9.

Reclassification from FVTPL to FVOCI

US\$m	2023
Fair value at 31 December	1,002
Fair value losses that would have been recognised in the profit or loss during the year if the financial asset had not been reclassified	(8)
Effective interest rate determined on 1 January	3.8%
Interest revenue recognised	49

Reclassifications to amortised cost

US\$m	2023
From available for sale	
Fair value at 31 December	1,443
Fair value losses that would have been recognised in the profit or loss during the year if the financial asset had not been reclassified	(2)
Fair value gains that would have been recognised in the other comprehensive income during the year if the financial asset had not been reclassified	17

Impairment of financial assets

The following table reconciles the closing impairment allowance in accordance with IAS 39 as at 31 December 2022 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2023.

US\$m	31 December 2022 IAS 39	Reclassification	Remeasurement	1 January 2023 IFRS 9
Debt securities at FVOCI under IFRS 9:				
from available for sale under IAS 39	78	–	222	300
Financial assets at amortised cost under IFRS 9:				
from loans and receivables under IAS 39	11	–	41	52
from available for sale under IAS 39	–	–	6	6
	89	–	269	358

43. EFFECTS OF ADOPTION OF IFRS 9, IFRS 17 AND AMENDMENT TO IAS 16 (continued)

Amendment to IAS 16 Property, Plant and Equipment

At the same time as IFRS 17 was issued, an amendment was made to IAS 16 to allow for measuring own used properties using the fair value model. On adoption of IFRS 17, the Group applied this election and changed its accounting policy for measuring its own used properties that are solely held as underlying items of insurance contracts with direct participation features from revaluation model to fair value model to reduce accounting mismatches with that for the corresponding insurance contracts. As a result of this change, which was adopted on a retrospective basis, revaluation gains on property held for own use that have been accumulated in other comprehensive income of US\$221m at 1 January 2022 was reclassified from property revaluation reserve to retained earnings. For the year ended 31 December 2023, net fair value losses of property held for own use measured at fair value model of US\$50m (2022: net fair value losses of property held for own use measured at fair value model of US\$6m) was included in other investment return in the consolidated income statement.

Impact on earnings per share

Upon the initial adoption of IFRS 9 and IFRS 17, together with the amendment to IAS 16, the impact to basic and diluted earnings per share is as follows.

US cents	Year ended 31 December 2022 (As previously reported)	Impact of changes in accounting policies	Year ended 31 December 2022 (restated)
Net profit per share			
Basic	2.36	25.56	27.92
Diluted	2.36	25.54	27.90
Operating profit after tax per share			
Basic	53.40	0.43	53.83
Diluted	53.36	0.43	53.79

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

US\$m	As at 31 December 2023	As at 31 December 2022
Assets		
Investment in subsidiaries at cost ⁽²⁾	22,506	21,580
Financial investments:		
At fair value through other comprehensive income		
Debt securities ⁽³⁾	3,970	7,151
At fair value through profit or loss		
Interests in investment funds ⁽²⁾	502	2,156
Derivative financial instruments	57	1
	4,529	9,308
Loans to/amounts due from subsidiaries	895	886
Other assets	126	40
Promissory notes from subsidiaries ⁽⁴⁾	–	63
Cash and cash equivalents	3,668	1,298
Total assets	31,724	33,175
Liabilities		
Borrowings	12,257	11,799
Derivative financial instruments	42	1
Other liabilities	261	109
Total liabilities	12,560	11,909
Equity		
Share capital	14,176	14,171
Employee share-based trusts	(367)	(290)
Other reserves	390	351
Retained earnings	4,853	6,990
Amounts reflected in other comprehensive income	112	44
Total equity	19,164	21,266
Total liabilities and equity	31,724	33,175

Notes:

(1) The financial information of the Company should be read in conjunction with the consolidated financial statements of the Group.

(2) The Company's interests in investment funds such as mutual funds and unit trusts, including funds controlled by the Group, are measured at fair value through profit or loss. Interests in other entities controlled by the Group are measured at cost, unless impaired, and presented as investment in subsidiaries at cost. Interests in investment funds include US\$494m (2022: US\$833m) comprising the combined value of debt securities held by an investment fund controlled by the Group and interests in an external fixed income fund. Fixed income fund refers to the investment fund solely investing in fixed income instruments and cash equivalents, where investors of the fund own a pro-rata share of economic interests of the fund according to the number of shares or units they own of the fund. Investment fund may use derivatives for hedging purpose.

(3) Includes United States Treasury securities of US\$2,112m (2022: US\$4,914m) and China Government bonds of US\$1,858m (2022: US\$2,237m) as at 31 December 2023.

(4) The promissory notes from subsidiaries are repayable on demand.

Approved and authorised for issue by the Board of Directors on 14 March 2024.

Lee Yuan Siong
Director

Edmund Sze-Wing Tse
Director

45. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

US\$m	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Amounts reflected in other comprehensive income	Total equity
Balance at 1 January 2023	14,171	(290)	351	6,990	44	21,266
Net profit	–	–	–	3,793	–	3,793
Fair value gains on debt securities at fair value through other comprehensive income	–	–	–	–	132	132
Fair value gains on debt securities at fair value through other comprehensive income transferred to profit or loss on disposal	–	–	–	–	(64)	(64)
Dividends	–	–	–	(2,293)	–	(2,293)
Share buy-back	–	–	–	(3,637)	–	(3,637)
Shares issued under share option scheme and agency share purchase plan	5	–	–	–	–	5
Share-based compensation	–	–	77	–	–	77
Purchase of shares held by employee share-based trusts	–	(115)	–	–	–	(115)
Transfer of vested shares from employee share-based trusts	–	38	(38)	–	–	–
Balance at 31 December 2023	14,176	(367)	390	4,853	112	19,164

US\$m	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Amounts reflected in other comprehensive income	Total equity
Balance at 1 January 2022	14,160	(225)	309	9,519	125	23,888
Net profit	–	–	–	3,300	–	3,300
Fair value losses on debt securities at fair value through other comprehensive income	–	–	–	–	(222)	(222)
Fair value losses on debt securities at fair value through other comprehensive income transferred to profit or loss on disposal	–	–	–	–	141	141
Dividends	–	–	–	(2,259)	–	(2,259)
Share buy-back	–	–	–	(3,570)	–	(3,570)
Shares issued under share option scheme and agency share purchase plan	11	–	–	–	–	11
Share-based compensation	–	–	80	–	–	80
Purchase of shares held by employee share-based trusts	–	(103)	–	–	–	(103)
Transfer of vested shares from employee share-based trusts	–	38	(38)	–	–	–
Balance at 31 December 2022	14,171	(290)	351	6,990	44	21,266



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY EMBEDDED VALUE
INFORMATION AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
TO THE BOARD OF DIRECTORS OF AIA GROUP LIMITED**

(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The Supplementary Embedded Value Information (the "EV Information") of AIA Group Limited (the "Company") and its subsidiaries (the "Group"), which is set out on pages 235 to 261, comprises:

- the consolidated EV results as at and for the year ended 31 December 2023;
- the sensitivity analysis as at and for the year then ended; and
- a summary of significant methodology and assumptions and other explanatory notes.

Our opinion

In our opinion, the EV Information of the Group as at and for the year ended 31 December 2023 is prepared, in all material respects, in accordance with the EV basis of preparation set out in Sections 4 and 5 of the EV Information.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the EV Information section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of Matter – Basis of Preparation

We draw attention to Sections 4 and 5 of the EV Information, which describe the EV basis of preparation. As a result, the EV Information may not be suitable for another purpose. Our opinion is not modified in respect of this matter.



羅兵咸永道

Other Matter

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2023 in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and IFRS Accounting Standards issued by the International Accounting Standards Board, on which we issued a separate auditor's report to the shareholders of the Company dated 14 March 2024.

Other Information

The Directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the EV Information and our auditor's report thereon.

Our opinion on the EV Information does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the EV Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the EV Information or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of Directors and Those Charged with Governance for the EV Information

The Directors of the Company are responsible for the preparation of the EV Information in accordance with the EV basis of preparation set out in Sections 4 and 5 of the EV Information and for such internal control as the Directors determine is necessary to enable the preparation of the EV Information that is free from material misstatement, whether due to fraud or error.

In preparing the EV Information, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's EV Information reporting process.

Auditor's Responsibilities for the Audit of the EV Information

Our objectives are to obtain reasonable assurance about whether the EV Information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this EV Information.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the EV Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



羅兵咸永道

Auditor's Responsibilities for the Audit of the EV Information (continued)

- Evaluate the appropriateness of the EV basis of preparation used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the EV Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the EV Information of the entities or business activities within the Group to express an opinion on the EV Information. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

The engagement partner on the audit resulting in this independent auditor's report is Ling Tung Man, Tom.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong
14 March 2024

CAUTIONARY STATEMENTS CONCERNING SUPPLEMENTARY EMBEDDED VALUE INFORMATION

This report includes non-IFRS results and should not be viewed as a substitute for IFRS results.

The results shown in this report are not intended to represent an opinion of market value and should not be interpreted in that manner. This report does not purport to encompass all of the many factors that may bear upon a market value.

The results shown in this report are based on a series of assumptions as to the future. It should be recognised that actual future results may differ from those shown, on account of the changes in the operating and economic environments and natural variations in experience. The results shown are presented at the valuation dates stated in this report and no warranty is given by the Group that future experience after these valuation dates will be in line with the assumptions made.

1. SUMMARY

The Embedded Value (EV) is a measure of the value of shareholders' interests in the earnings distributable from assets allocated to the in-force business after allowance for the aggregate risks in that business. AIA Group Limited (the "Company"), together with its subsidiaries (collectively the "Group") use a traditional deterministic discounted cash flow methodology for determining its EV and value of new business (VONB) for all entities other than Tata AIA Life Insurance Company Limited (Tata AIA Life). This methodology makes an implicit overall level of allowance for risk including the cost of investment return guarantees and policyholder options, asset-liability mismatch risk, credit risk, the risk that actual experience in future years differs from that assumed, and the economic cost of capital, through the use of a risk discount rate. For Tata AIA Life, the Group uses the Indian Embedded Value (IEV) methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India, consistent with local practice in India.

The equity attributable to shareholders of the Company on the embedded value basis (EV Equity) is the total of EV, goodwill and other intangible assets attributable to shareholders of the Company, after allowing for taxes. More details on the EV results, methodology and assumptions are covered in later sections of this report.

Following the announcement of the share buy-back programme reported in the Company's Annual Report 2021, the Group has commenced the repurchase of shares over a three-year period starting from March 2022. The effects of this programme on the Group's EV results are shown in Sections 2.6 and 2.7 of this report.

Effective from 1 January 2023, the Financial Supervisory Service (FSS) has announced a new capital adequacy framework (Korean Insurance Capital Standard (K-ICS)) for Korean insurers. Further the Korean local statutory basis, referred to as the Statutory Accounting Principles (SAP), has also been changed to align to IFRS 17. The effects of these changes have been reflected in the Group's EV and VONB results with effect from 1 January 2023.

Unless otherwise stated, the growth rates provided in the commentaries are shown on a constant exchange rate (CER) basis, and the per-share information provided in the tables are based on the basic number of ordinary shares outstanding as at the specified point in time, as disclosed in the consolidated financial statements.

1. SUMMARY (continued)

Summary of Key Metrics⁽¹⁾ (US\$ millions)

	As at 31 December 2023	As at 31 December 2022	Change CER	Change AER
EV Equity	70,153	71,202	(1)%	(1)%
EV Equity per share (US\$)	6.17	6.07	2%	2%
EV	67,447	68,865	(2)%	(2)%
EV per share (US\$)	5.94	5.87	2%	1%
Free surplus	16,329	17,850	(8)%	(9)%
Adjusted net worth (ANW)	32,009	33,751	(5)%	(5)%
Value of in-force business (VIF)	35,438	35,114	1%	1%
	Year ended 31 December 2023	Year ended 31 December 2022	YoY CER	YoY AER
VONB	4,034	3,092	33%	30%
Annualised new premiums (ANP)	7,650	5,407	45%	41%
VONB margin	52.6%	57.0%	(4.5) pps	(4.4) pps
EV operating profit	8,890	6,845	33%	30%
Operating return on EV (Operating ROEV)	12.9%	9.4%	3.4 pps	3.5 pps
Underlying free surplus generation (UFSG)	6,041	6,039	2%	–

Note:

(1) The results are after adjustment to reflect the consolidated reserving and capital requirements and the present value of future after-tax unallocated Group Office expenses.

2. EMBEDDED VALUE RESULTS

2.1 Embedded Value by Business Unit

The EV as at 31 December 2023 is presented consistently with the segment information in the consolidated financial statements.

Summary of EV by Business Unit (US\$ millions)

Business Unit	As at 31 December 2023				
	ANW ⁽¹⁾	VIF before CoC	CoC	VIF after CoC	EV
AIA China	5,439	8,227	140	8,087	13,526
AIA Hong Kong	12,523	15,098	1,315	13,783	26,306
AIA Thailand	4,508	4,971	862	4,109	8,617
AIA Singapore	2,899	5,126	652	4,474	7,373
AIA Malaysia	1,169	2,270	207	2,063	3,232
Other Markets ⁽²⁾	5,935	4,056	1,459	2,597	8,532
Group Corporate Centre	4,274	–	–	–	4,274
Subtotal	36,747	39,748	4,635	35,113	71,860
Adjustment to reflect consolidated reserving and capital requirements ⁽³⁾	(4,368)	2,816	597	2,219	(2,149)
After-tax value of unallocated Group Office expenses	–	(1,625)	–	(1,625)	(1,625)
Total EV (before non-controlling interests)	32,379	40,939	5,232	35,707	68,086
Non-controlling interests	(370)	(298)	(29)	(269)	(639)
Total EV	32,009	40,641	5,203	35,438	67,447
Goodwill and other intangible assets ⁽⁴⁾					2,706
Total EV Equity					70,153

2. EMBEDDED VALUE RESULTS (continued)

2.1 Embedded Value by Business Unit (continued)

Business Unit	As at 31 December 2022				
	ANW ⁽¹⁾	VIF before CoC	CoC	VIF after CoC	EV
AIA China	4,485	8,664	60	8,604	13,089
AIA Hong Kong	12,659	13,913	984	12,929	25,588
AIA Thailand	4,804	4,528	853	3,675	8,479
AIA Singapore	2,842	4,942	575	4,367	7,209
AIA Malaysia	1,184	2,338	211	2,127	3,311
Other Markets	3,564	5,381	1,228	4,153	7,717
Group Corporate Centre	7,324	–	–	–	7,324
Subtotal	36,862	39,766	3,911	35,855	72,717
Adjustment to reflect consolidated reserving and capital requirements ⁽³⁾	(2,758)	1,480	446	1,034	(1,724)
After-tax value of unallocated Group Office expenses	–	(1,603)	–	(1,603)	(1,603)
Total EV (before non-controlling interests)	34,104	39,643	4,357	35,286	69,390
Non-controlling interests	(353)	(182)	(10)	(172)	(525)
Total EV	33,751	39,461	4,347	35,114	68,865
Goodwill and other intangible assets ⁽⁴⁾					2,337
Total EV Equity					71,202

Notes:

(1) ANW by Business Unit is after net capital flows between Business Units and Group Corporate Centre.

(2) Includes the effects of the change in solvency regime in South Korea (K-ICS and SAP) effective from 1 January 2023.

(3) Adjustment reflects the consolidated reserving and capital requirements as described in Section 4.4 of this report.

(4) Consistent with the consolidated financial statements, shown net of tax, amounts attributable to participating funds and non-controlling interests.

2. EMBEDDED VALUE RESULTS (continued)

2.2 Reconciliation of ANW from IFRS Equity

Derivation of the Consolidated ANW from IFRS Equity (US\$ millions)⁽¹⁾

	As at 31 December 2023	As at 31 December 2022
Shareholders' allocated equity	44,754	44,805
Fair value reserve	516	(6,709)
Insurance finance reserve	(4,159)	–
IFRS equity attributable to shareholders of the Company	41,111	38,096
Elimination of deferred acquisition and origination costs assets	–	(30,046)
Difference between policy liabilities calculated and reported under IFRS® Accounting Standards and local statutory policy liabilities ⁽²⁾	(2,149)	28,831
Difference between net policy liabilities calculated and reported under IFRS Accounting Standards and local statutory policy liabilities	(2,149)	(1,215)
Mark-to-market adjustment for property, mortgage loan and other investments, net of amounts attributable to participating funds	(63)	112
Elimination of intangible assets	(3,615)	(3,277)
Recognition of deferred tax impacts of the above adjustments	980	2,692
Recognition of non-controlling interests impacts of the above adjustments	113	101
ANW (Business Unit)	36,377	36,509
Adjustment to reflect consolidated reserving requirements, net of tax	(4,368)	(2,758)
ANW (Consolidated)	32,009	33,751

Notes:

(1) The amounts as at 31 December 2023 presented in this section are after the adoption of IFRS 9 and IFRS 17. The amounts as at 31 December 2022 presented are under IFRS 4 and IAS 39, and these are in line with the consolidated financial statements in the Company's Annual Report 2022.

(2) Includes the effects of the change in solvency regime in South Korea (K-ICS and SAP) effective from 1 January 2023.

2.3 Reconciliation of Free Surplus from ANW

Derivation of Free Surplus from ANW (US\$ millions)

	As at 31 December 2023		As at 31 December 2022	
	Business Unit	Consolidated	Business Unit	Consolidated
ANW	36,377	32,009	36,509	33,751
Adjustment for certain assets not eligible for regulatory capital purposes	(503)	(503)	(1,482)	(1,482)
Less: Required capital	12,565	15,177	11,672	14,419
Free surplus⁽¹⁾	23,309	16,329	23,355	17,850

Note:

(1) The free surplus is defined as the ANW in excess of the required capital adjusted for certain assets that are not eligible for regulatory capital purposes. The free surplus on consolidated basis is further adjusted for the consolidated reserving and capital requirements.

2. EMBEDDED VALUE RESULTS (continued)

2.4 Earnings Profile

The tables below show how the after-tax distributable earnings from the assets backing the statutory reserves and required capital of the in-force business of the Group are projected to emerge over future years. The projected values reflect the consolidated reserving and capital requirements.

Profile of Projected After-Tax Distributable Earnings for the Group's In-force Business (US\$ millions)

Expected period of emergence	As at 31 December 2023	
	Undiscounted	Discounted
1 – 5 years	20,876	17,032
6 – 10 years	22,070	12,103
11 – 15 years	21,897	8,081
16 – 20 years	19,922	4,963
21 years and thereafter	204,392	8,436
Total	289,157	50,615

Expected period of emergence	As at 31 December 2022	
	Undiscounted	Discounted
1 – 5 years	22,629	18,674
6 – 10 years	20,362	11,249
11 – 15 years	19,432	7,269
16 – 20 years	16,887	4,277
21 years and thereafter	184,885	8,064
Total	264,195	49,533

The profile of distributable earnings is shown on an undiscounted and discounted basis. The discounted value of after-tax distributable earnings of US\$50,615 million (2022: US\$49,533 million) plus the free surplus of US\$16,329 million (2022: US\$17,850 million) and the non-eligible assets excluded in the free surplus calculation of US\$503 million (2022: US\$1,482 million) as shown in Section 2.3 of this report is equal to the EV of US\$67,447 million (2022: US\$68,865 million) shown in Section 2.1 of this report.

2. EMBEDDED VALUE RESULTS (continued)

2.5 Value of New Business

The VONB for the Group for the year ended 31 December 2023 is summarised in the table below. The VONB is defined as the present value, at the point of sale, of the projected after-tax statutory profits less the cost of required capital. Results are presented consistently with the segment information in the consolidated financial statements. Section 4.1 of this report contains a list of the entities included in this report and the mapping of these entities to Business Units for the purpose of this report.

The Group VONB for the year ended 31 December 2023 was US\$4,034 million, an increase of US\$942 million, or 33 per cent, from US\$3,092 million for the year ended 31 December 2022.

Summary of VONB by Business Unit (US\$ millions)

Business Unit	Year ended 31 December 2023			Year ended 31 December 2022		
	VONB before CoC	CoC	VONB after CoC	VONB before CoC	CoC	VONB after CoC
AIA China	1,174	137	1,037	977	61	916
AIA Hong Kong	1,498	68	1,430	849	62	787
AIA Thailand	751	38	713	627	42	585
AIA Singapore	413	19	394	364	15	349
AIA Malaysia	336	17	319	327	19	308
Other Markets ⁽¹⁾	547	141	406	530	110	420
Total before unallocated Group Office expenses and non-controlling interests (Business Unit)	4,719	420	4,299	3,674	309	3,365
Adjustment to reflect consolidated reserving and capital requirements	(43)	–	(43)	(46)	6	(52)
Total before unallocated Group Office expenses and non-controlling interests (Consolidated)	4,676	420	4,256	3,628	315	3,313
After-tax value of unallocated Group Office expenses	(187)	–	(187)	(192)	–	(192)
Total before non-controlling interests (Consolidated)	4,489	420	4,069	3,436	315	3,121
Non-controlling interests	(39)	(4)	(35)	(30)	(1)	(29)
Total	4,450	416	4,034	3,406	314	3,092

Note:

(1) The VONB for the year ended 31 December 2023 has reflected the effects of the change in solvency regime in South Korea (K-ICS and SAP) effective from 1 January 2023.

2. EMBEDDED VALUE RESULTS (continued)

2.5 Value of New Business (continued)

The table below shows the breakdown of the VONB, ANP, VONB margin, and present value of new business premium (PVNBP) margin for the Group, by quarter, for business written in the year ended 31 December 2023.

The VONB margin and PVNBP margin are defined as VONB, gross of non-controlling interests and excluding pension business, expressed as a percentage of ANP and PVNBP, respectively. The VONB used in the margin calculation is gross of non-controlling interests and excludes pension business to be consistent with the definition of ANP and PVNBP.

The Group VONB margin for the year ended 31 December 2023 was 52.6 per cent compared with 57.0 per cent for the year ended 31 December 2022. The Group PVNBP margin for the year ended 31 December 2023 was 10 per cent compared with 10 per cent for the year ended 31 December 2022.

Breakdown of VONB, ANP, VONB Margin and PVNBP Margin (US\$ millions)

	VONB after CoC	ANP	VONB margin	PVNBP margin
Year				
Values for 2023				
Twelve months ended 31 December 2023	4,034	7,650	52.6%	10%
Values for 2022				
Twelve months ended 31 December 2022	3,092	5,407	57.0%	10%
Quarter				
Values for 2023				
Three months ended 31 March 2023	1,046	1,998	52.3%	10%
Three months ended 30 June 2023	983	1,986	49.3%	9%
Three months ended 30 September 2023	994	1,938	51.2%	10%
Three months ended 31 December 2023	1,011	1,728	58.2%	11%
Values for 2022				
Three months ended 31 March 2022	853	1,567	54.4%	10%
Three months ended 30 June 2022	683	1,211	56.2%	10%
Three months ended 30 September 2022	741	1,271	58.1%	10%
Three months ended 31 December 2022	815	1,358	59.5%	10%

2. EMBEDDED VALUE RESULTS (continued)

2.5 Value of New Business (continued)

The table below shows the VONB (excluding pension business), ANP, and VONB margin by Business Unit.

Summary of VONB Excluding Pension, ANP and VONB Margin by Business Unit (US\$ millions)

Business Unit	Year ended 31 December 2023			Year ended 31 December 2022		
	VONB excluding pension	ANP	VONB margin	VONB excluding pension	ANP	VONB margin
AIA China	1,037	2,023	51.3%	916	1,319	69.5%
AIA Hong Kong	1,384	2,407	57.5%	749	1,078	69.5%
AIA Thailand	713	765	93.3%	585	655	89.1%
AIA Singapore	394	586	67.2%	349	531	65.7%
AIA Malaysia	318	473	67.3%	307	440	69.9%
Other Markets ⁽¹⁾	404	1,396	28.9%	418	1,384	30.2%
Total before unallocated Group Office expenses (Business Unit)	4,250	7,650	55.6%	3,324	5,407	61.5%
Adjustment to reflect consolidated reserving and capital requirements	(42)	–		(52)	–	
Total before unallocated Group Office expenses (Consolidated)	4,208	7,650	55.0%	3,272	5,407	60.5%
After-tax value of unallocated Group Office expenses	(187)	–		(192)	–	
Total	4,021	7,650	52.6%	3,080	5,407	57.0%

Note:

(1) The VONB for the year ended 31 December 2023 has reflected the effects of the change in solvency regime in South Korea (K-ICS and SAP) effective from 1 January 2023.

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement

Analysis of Movement in EV (US\$ millions)

	Year ended 31 December 2023			Year ended 31 December 2022			YoY AER
	ANW	VIF	EV	ANW	VIF	EV	EV
Opening EV Equity			71,202			75,001	(5)%
Removal of goodwill and other intangible assets ⁽¹⁾			(2,337)			(2,014)	16%
Opening EV	33,751	35,114	68,865	33,302	39,685	72,987	(6)%
Effect of acquisitions	(238)	–	(238)	(200)	–	(200)	n/m ⁽²⁾
Release of resilience margins	–	–	–	2,168	(1,283)	885	n/m
Impact of HKRBC early adoption	–	–	–	8,407	(6,028)	2,379	n/m
VONB	(45)	4,079	4,034	(159)	3,251	3,092	30%
Expected return on EV	5,115	112	5,227	4,838	(969)	3,869	35%
Operating experience variances	97	(22)	75	513	(214)	299	(75)%
Operating assumption changes	286	(325)	(39)	(331)	275	(56)	n/m
Finance costs	(407)	–	(407)	(359)	–	(359)	13%
EV operating profit	5,046	3,844	8,890	4,502	2,343	6,845	30%
Investment return variances	(873)	(1,917)	(2,790)	(5,893)	501	(5,392)	n/m
Effect of changes in economic assumptions	(6)	(537)	(543)	(15)	(285)	(300)	n/m
Other non-operating variances	506	(1,075)	(569)	(1,530)	1,296	(234)	n/m
Total EV profit	4,673	315	4,988	7,639	(3,456)	4,183	19%
Dividends	(2,293)	–	(2,293)	(2,259)	–	(2,259)	2%
Share buy-back	(3,637)	–	(3,637)	(3,570)	–	(3,570)	n/m
Other capital movements	(72)	–	(72)	(12)	–	(12)	500%
Effect of changes in exchange rates	(175)	9	(166)	(1,149)	(1,115)	(2,264)	n/m
Closing EV	32,009	35,438	67,447	33,751	35,114	68,865	(2)%
Inclusion of goodwill and other intangible assets ⁽¹⁾			2,706			2,337	16%
Closing EV Equity			70,153			71,202	(1)%
Closing EV per share (US\$)			5.94			5.87	1%
Closing EV Equity per share (US\$)			6.17			6.07	2%

Notes:

(1) Consistent with the consolidated financial statements, shown net of tax, amounts attributable to participating funds and non-controlling interests.

(2) Not meaningful (n/m).

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement (continued)

The opening EV Equity was US\$71,202 million at 31 December 2022.

The opening EV was US\$68,865 million at 31 December 2022 after removal of goodwill and other intangible assets of US\$2,337 million.

EV operating profit was US\$8,890 million (2022: US\$6,845 million), reflecting VONB of US\$4,034 million (2022: US\$3,092 million), an expected return on EV of US\$5,227 million (2022: US\$3,869 million), operating experience variances and operating assumption changes with a net positive impact of US\$36 million (2022: US\$243 million), net of finance costs of US\$407 million (2022: US\$359 million).

The VONB is calculated at the point of sale for business written during the year. The expected return on EV is the expected change in the EV over the year plus the expected return on the VONB up to 31 December 2023. Operating experience variances reflect the impact on the ANW and VIF from differences between the actual experience over the year and that expected based on the operating assumptions.

The operating experience variances, net of tax, increased EV by US\$75 million (2022: increased by US\$299 million), driven by:

- Expense variances of US\$(31) million (2022: US\$(27) million) and development costs of US\$13 million (2022: US\$12 million);
- Mortality and morbidity claims variances of US\$(85) million (2022: US\$115 million); and
- Persistency and other variances of US\$204 million (2022: US\$223 million) which included persistency variances of US\$(41) million (2022: US\$73 million) and other variances including management actions of US\$245 million (2022: US\$150 million).

The effect of changes in operating assumptions during the year was a decrease in EV of US\$39 million (2022: a decrease in EV of US\$56 million).

The EV profit of US\$4,988 million (2022: US\$4,183 million) is the total of EV operating profit, investment return variances, the effect of changes in economic assumptions and other non-operating variances.

The investment return variances decreased EV by US\$2,790 million (2022: decreased in EV of US\$5,392 million) driven by the effect of short-term fluctuations in interest rates and equity markets, and other capital market movements, on the Group's investment portfolio and the reserves and capital requirements compared with the expected returns.

The effect of changes in economic assumptions was a decrease in EV of US\$543 million (2022: a decrease in EV of US\$300 million).

Other non-operating variances decreased EV by US\$569 million (2022: decreased EV by US\$234 million) which comprised negative impacts from adjustments to capital requirements on consolidation, non-operating expenses and the effect of the implementation of IFRS 17, partly offset by positive impacts from the effects of the change in solvency regime in South Korea (K-ICS and SAP) effective from 1 January 2023 and model-related enhancements.

The Group paid total shareholder dividends of US\$2,293 million (2022: US\$2,259 million). The capital deployed for the share buy-back programme, under which 374 million shares⁽¹⁾ (2022: 366 million shares) have been repurchased in the year of 2023, was US\$3,637 million (2022: US\$3,570 million). Other capital movements decreased EV by US\$72 million (2022: decreased EV by US\$12 million).

Foreign exchange movements decreased EV by US\$166 million (2022: decreased EV by US\$2,264 million).

The closing EV was US\$67,447 million at 31 December 2023.

The closing EV Equity was US\$70,153 million as at 31 December 2023, after inclusion of goodwill and other intangible assets of US\$2,706 million.

While our EV methodology aims to calculate a best estimate of the value to shareholders of our in-force business, our calculations deduct the value of the Group's outstanding medium-term notes and securities⁽²⁾ at amortised cost. If the medium-term notes and securities were measured at fair value, EV Equity would increase by US\$932 million to US\$71,085 million.

Notes:

(1) Of these shares, 336 million shares were cancelled during 2023, and the remaining 38 million shares have subsequently been cancelled as per note 31 to the consolidated financial statements.

(2) Refers to medium-term notes and securities under note 26 to the consolidated financial statements.

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement (continued)

Operating ROEV (US\$ millions)

Operating return on EV (operating ROEV) is calculated as EV operating profit expressed as a percentage of the opening EV and was 12.9 per cent (2022: 9.4 per cent) for the year ended 31 December 2023.

	Year ended 31 December 2023	Year ended 31 December 2022	YoY CER	YoY AER
EV operating profit	8,890	6,845	33%	30%
Opening EV	68,865	72,987	(3)%	(6)%
Operating ROEV	12.9%	9.4%	3.4 pps	3.5 pps
EV operating earnings per share (US cents)⁽¹⁾	77.18	57.38	37%	35%

Note:

(1) Based on weighted average number of ordinary shares outstanding during the respective period.

2.7 Free Surplus Generation

Free Surplus Generation (US\$ millions)

	Year ended 31 December 2023	Year ended 31 December 2022	YoY CER	YoY AER
Opening free surplus	17,850	17,025	7%	5%
Effect of acquisitions	(238)	(200)	n/m ⁽¹⁾	n/m
Release of resilience margins	–	3,400	n/m	n/m
Impact of HKRBC early adoption	–	4,403	n/m	n/m
UFSG	6,041	6,039	2%	0%
Free surplus used to fund new business	(1,328)	(1,274)	8%	4%
Investment return variances and other items	715	(5,093)	n/m	n/m
Unallocated Group Office expenses	(302)	(250)	21%	21%
Dividends	(2,293)	(2,259)	2%	2%
Share buy-back	(3,637)	(3,570)	n/m	n/m
Finance costs and other capital movements	(479)	(371)	n/m	n/m
Closing free surplus	16,329	17,850	(8)%	(9)%

Free surplus decreased by US\$1,521 million (2022: increased by US\$825 million) to US\$16,329 million (2022: US\$17,850 million) as of 31 December 2023, after reflecting the impact of share buy-back of US\$3,637 million.

UFSG, as defined in Section 4.8, increased by 2 per cent, to US\$6,041 million (2022: US\$6,039 million). Investment in writing new business was US\$1,328 million (2022: US\$1,274 million).

Investment return variances and other items amounted to US\$715 million (2022: US\$(5,093) million), reflecting the effect of short-term fluctuations in interest rates and equity markets, and other capital market movements, on the Group's investment portfolio and the reserves and capital requirements compared with the expected returns and other items, including the free surplus impacts arising from other non-operating variances as described in Section 2.6.

Unallocated Group Office expenses amounted to US\$302 million (2022: US\$250 million).

Note:

(1) Not meaningful (n/m).

3. SENSITIVITY ANALYSIS

The EV as at 31 December 2023 and the VONB for the year ended 31 December 2023 have been recalculated to illustrate the sensitivity of the results to changes in certain central assumptions discussed in Section 5 of this report.

The sensitivities analysed were:

- Risk discount rates 200 basis points per annum higher than the central assumptions;
- Risk discount rates 200 basis points per annum lower than the central assumptions;
- Interest rates 50 basis points per annum higher than the central assumptions;
- Interest rates 50 basis points per annum lower than the central assumptions;
- Equity return, property return and risk discount rates 100 basis points per annum lower than the central assumptions;
- The presentation currency (as explained below) appreciated by 5 per cent;
- The presentation currency depreciated by 5 per cent;
- Lapse and premium discontinuance rates increased proportionally by 10 per cent (i.e. 110 per cent of the central assumptions);
- Lapse and premium discontinuance rates decreased proportionally by 10 per cent (i.e. 90 per cent of the central assumptions);
- Mortality/morbidity rates increased proportionally by 10 per cent (i.e. 110 per cent of the central assumptions);
- Mortality/morbidity rates decreased proportionally by 10 per cent (i.e. 90 per cent of the central assumptions);
- Maintenance expenses 10 per cent lower (i.e. 90 per cent of the central assumptions); and
- Expense inflation set to 0 per cent.

The EV as at 31 December 2023 has been further analysed for the following sensitivities:

- Equity prices increased proportionally by 10 per cent (i.e. 110 per cent of the prices at 31 December 2023); and
- Equity prices decreased proportionally by 10 per cent (i.e. 90 per cent of the prices at 31 December 2023).

For the interest rate sensitivities, the investment return assumptions and the risk discount rates were changed by 50 basis points per annum; the projected bonus rates on participating business, the statutory reserving bases at 31 December 2023 and the values of debt instruments and derivatives held at 31 December 2023 were changed to be consistent with the interest rate assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

For the equity return, property return and risk discount rates sensitivity, the projected bonus rates on participating business were changed to be consistent with the equity return assumptions and property return assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

As the Group operates in multiple geographical markets, the EV results for the Group are translated from multiple currencies to US dollar which is the Group's presentation currency. In order to provide sensitivity results for EV and VONB of the impact of foreign currency movements, a change of 5 per cent to the US dollar is included.

For the equity price sensitivities, the projected bonus rates on participating business and the values of equity securities and equity funds held at 31 December 2023 were changed to be consistent with the equity price assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

For each of the remaining sensitivity analyses, the statutory reserving bases as at 31 December 2023 and the projected bonus rates on participating business were changed to be consistent with the sensitivity analysis assumptions, while all the other assumptions remain unchanged.

3. SENSITIVITY ANALYSIS (continued)

The sensitivities chosen do not represent the boundaries of possible outcomes, but instead illustrate how certain alternative assumptions would affect the results.

Sensitivity of EV (US\$ millions)

Scenario	As at 31 December 2023		As at 31 December 2022	
	EV	% Change	EV	% Change
Central value	67,447		68,865	
<i>Impact of:</i>				
200 bps increase in risk discount rates	(8,450)	(12.5)%	(8,133)	(11.8)%
200 bps decrease in risk discount rates	13,167	19.5%	13,036	18.9%
10% increase in equity prices	1,799	2.7%	1,817	2.6%
10% decrease in equity prices	(1,823)	(2.7)%	(1,821)	(2.6)%
50 bps increase in interest rates	(981)	(1.5)%	(1,246)	(1.8)%
50 bps decrease in interest rates	945	1.4%	1,347	2.0%
100 bps decrease in equity and property returns and risk discount rates	2,585	3.8%	2,047	3.0%
5% appreciation in the presentation currency	(1,374)	(2.0)%	(2,059)	(3.0)%
5% depreciation in the presentation currency	1,374	2.0%	2,059	3.0%
10% increase in lapse/discontinuance rates	(1,790)	(2.7)%	(1,532)	(2.2)%
10% decrease in lapse/discontinuance rates	1,984	2.9%	1,693	2.5%
10% increase in mortality/morbidity rates	(5,380)	(8.0)%	(4,659)	(6.8)%
10% decrease in mortality/morbidity rates	5,296	7.9%	4,514	6.6%
10% decrease in maintenance expenses	1,048	1.6%	862	1.3%
Expense inflation set to 0%	1,088	1.6%	941	1.4%

Sensitivity of VONB (US\$ millions)

Scenario	Year ended 31 December 2023		Year ended 31 December 2022	
	VONB	% Change	VONB	% Change
Central value	4,034		3,092	
<i>Impact of:</i>				
200 bps increase in risk discount rates	(871)	(21.6)%	(634)	(20.5)%
200 bps decrease in risk discount rates	1,332	33.0%	944	30.5%
50 bps increase in interest rates	129	3.2%	64	2.1%
50 bps decrease in interest rates	(155)	(3.8)%	(81)	(2.6)%
100 bps decrease in equity and property returns and risk discount rates	412	10.2%	333	10.8%
5% appreciation in the presentation currency	(142)	(3.5)%	(129)	(4.2)%
5% depreciation in the presentation currency	142	3.5%	129	4.2%
10% increase in lapse/discontinuance rates	(261)	(6.5)%	(191)	(6.2)%
10% decrease in lapse/discontinuance rates	284	7.0%	242	7.8%
10% increase in mortality/morbidity rates	(480)	(11.9)%	(408)	(13.2)%
10% decrease in mortality/morbidity rates	478	11.8%	436	14.1%
10% decrease in maintenance expenses	103	2.6%	98	3.2%
Expense inflation set to 0%	77	1.9%	72	2.3%

4. METHODOLOGY

4.1 Entities Included in This Report

The Group operates through a number of subsidiaries and branches. Its two main operating subsidiaries are AIA Company Limited (AIA Co.), a company incorporated in Hong Kong and a subsidiary of the Company, and AIA International Limited (AIA International), a company incorporated in Bermuda and an indirect subsidiary of the Company. Furthermore, AIA Co. has branches located in Thailand and AIA International has branches located in Hong Kong, Macau and Taiwan.

The following is a list of the entities and their mapping to Business Units included in this report.

- AIA Australia refers to AIA Australia Limited, a subsidiary of AIA Co.;
- AIA Cambodia refers to AIA (Cambodia) Life Insurance Plc., a subsidiary of AIA International;
- AIA China refers to AIA Life Insurance Company Limited, a subsidiary of AIA Co.;
- AIA Hong Kong refers to the total of the following entities:
 - the Hong Kong and Macau branches of AIA International;
 - the Hong Kong business written by AIA Co.;
 - AIA Pensions (BVI) Limited, a subsidiary of AIA Co.;
 - AIA Everest Life Company Limited, a subsidiary of AIA Co.; and
 - AIA Holdings (Hong Kong) Limited, a wholly-owned subsidiary of the Company and also the holding company of Blue Cross (Asia-Pacific) Insurance Limited (Blue Cross);
- AIA Indonesia refers to PT. AIA Financial, a subsidiary of AIA International;
- AIA Korea refers to AIA Life Insurance Co. Ltd., a subsidiary of AIA International;
- AIA Malaysia refers to AIA Bhd., a subsidiary of AIA Co., and AIA PUBLIC Takaful Bhd., a 70 per cent owned subsidiary of AIA Bhd., and AIA General Berhad, a subsidiary of AIA Bhd.;
- AIA Myanmar refers to AIA Myanmar Life Insurance Company Limited, a subsidiary of AIA Co.;
- AIA New Zealand refers to AIA New Zealand Limited, a subsidiary of AIA Sovereign Limited. AIA Sovereign Limited is a subsidiary of AIA Holdings Pte. Limited, a wholly-owned subsidiary of the Company;
- AIA Philippines refers to AIA Philippines Life and General Insurance Company Inc., a subsidiary of AIA Co., and its 51 per cent owned subsidiary BPI AIA Life Assurance Corporation;
- AIA Singapore refers to AIA Singapore Private Limited, a subsidiary of AIA Co., and its Brunei branch;
- AIA Sri Lanka refers to AIA Insurance Lanka Limited, a subsidiary of AIA Co.;
- AIA Taiwan refers to the Taiwan branch of AIA International;
- AIA Thailand refers to the Thailand branches of AIA Co.;
- AIA Vietnam refers to AIA (Vietnam) Life Insurance Company Limited, a subsidiary of AIA International; and
- Tata AIA Life refers to Tata AIA Life Insurance Company Limited, an associate 49 per cent owned by AIA International.

Results are presented consistently with the segment information in the consolidated financial statements. The summary of the EV by Business Unit in this report also includes the ANW for the “Group Corporate Centre” segment, which is derived from the IFRS equity for this segment plus mark-to-market adjustments less the value of intangible assets. In the presentation of EV and VONB, the present value of withholding tax payable on future remittances from local business units is presented under the appropriate operating segment.

4. METHODOLOGY (continued)

4.2 Embedded Value and Value of New Business

The Group uses a traditional deterministic discounted cash flow methodology for determining its EV and VONB for all entities other than Tata AIA Life. This methodology makes an implicit overall level of allowance for risk including the cost of investment return guarantees and policyholder options, asset-liability mismatch risk, credit risk, the risk that actual experience in future years differs from that assumed, and the economic cost of capital, through the use of a risk discount rate. Typically, the higher the risk discount rate, the greater the allowance for these factors. This is a common methodology used by life insurance companies in Asia currently.

The business included in the VIF and VONB calculations includes all life business written by the Business Units of the Group, plus other lines of business which may not be classified as life business but have similar characteristics. These include accident and health, group and pension businesses. The projected in-force business included in the VIF also incorporates expected renewals on short-term business with a term of one year or less.

The VONB is the present value, measured at the point of sale, of projected after-tax statutory profits emerging in the future from new business sold in the period less the cost of holding required capital in excess of regulatory reserves to support this business. The VONB for the Group is calculated based on assumptions applicable at the point of sale, after allowing for any acquisition expense overruns in excess of the relevant expense assumptions.

The EV is the sum of the ANW and VIF. The ANW is the market value of assets in excess of the assets backing the policy reserves and other liabilities of the life (and similar) business of the Group, plus the IFRS equity value of other activities, such as general insurance business, less the value of intangible assets. It excludes any amounts not attributable to shareholders of the Company. The market value of investment property and property held for own use that is used to determine the ANW is based on the fair value disclosed as per note 20 to the consolidated financial statements as at the valuation date.

The VIF is the present value of projected after-tax statutory profits by Business Units emerging in the future from the current in-force business less the cost arising from holding the required capital (CoC) to support the in-force business. CoC is calculated as the face value of the required capital as at the valuation date less the present value of the net-of-tax investment return on the shareholder assets backing required capital and the present value of projected releases from the assets backing the required capital. Where the required capital may be covered by policyholder assets such as surplus assets in a participating fund, there is no associated cost of capital included in the VIF or VONB.

EV Equity is the total of EV, goodwill and other intangible assets attributable to shareholders of the Company, after allowing for taxes.

A deduction has been made from the EV and VONB for the present value of future after-tax unallocated Group Office expenses, representing the expenses incurred by the Group Office which are not allocated to the Business Units. These unallocated Group Office expenses have been allocated to acquisition and maintenance activities, and a deduction made from the VONB and VIF respectively.

For Tata AIA Life, the Group uses the IEV methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India, consistent with local practice in India. The EV and VONB reported for Tata AIA Life are reported on a one-quarter-lag basis.

4. METHODOLOGY (continued)

4.3 Definition of New Business

New business includes the sale of new contracts during the period, additional single premium payments on recurrent single premium contracts and increments to existing contracts where these are not variations allowed for in the calculation of the VIF. The VONB also includes the present value of cash flows associated with new policies written during the reporting period but subsequently terminated before the valuation date.

For group renewable business including group yearly renewable term business, new business is composed of new schemes set up during the period plus any premium payable on existing schemes that exceeds the prior year's premiums. For individually significant group cases, the VONB is calculated over each premium rate guarantee period entered upon contract inception or renewal.

For short-term accident and health business with a term of one year or less, renewals of existing contracts are not considered new business, and the value of expected renewals on this business is included in the VIF.

For pension business, sales of new contracts during the period and any new contributions, including assets transferred in, are considered as new business for the calculation of the VONB.

New business volumes shown in this report are measured using annualised new premiums (ANP), which is an internal measure of new business sales.

4.4 Consolidation of Branches and Subsidiaries of AIA Co. and AIA International

The Company's subsidiaries, AIA Co. and AIA International, are both Hong Kong-regulated entities and subject to the Hong Kong reserving and capital requirements. In addition, AIA International, which is incorporated in Bermuda, is subject to the Bermuda Monetary Authority (BMA) reserving and capital requirements. Since 2021, the Company is also subject to the group-wide supervision (GWS) requirements implemented by the Hong Kong Insurance Authority (HKIA). AIA operates in a number of territories as branches and subsidiaries of these entities. These regulatory and other consolidated reserving and capital requirements as determined by the Group apply in addition to the relevant local requirements applicable to our Business Units, and are discussed in Section 4.6.

The EV and VONB results for the Group shown in Section 2 of this report have been adjusted to reflect the consolidated reserving and capital requirements. This approach was taken to reflect the distribution of profits from AIA Co. and AIA International after allowing for the Hong Kong, BMA, local and group-wide regulatory requirements, and other reserving and capital requirements as determined by the Group. The EV and VONB for each Business Unit reflect the local reserving and capital requirements, as discussed in Section 4.6 of this report, before a Group-level adjustment to reflect the consolidated reserving and capital requirements.

4.5 Valuation of Future Statutory Losses

For certain lines of business, projected future statutory profits are negative due to the local statutory reserves being insufficient to meet the value of future policyholder cash flows. There are a number of acceptable methods for determining the value of a combination of positive and negative statutory profits for different lines of business.

For the purposes of this valuation, future projected statutory losses have been valued by discounting them at the risk discount rate for the relevant Business Unit, with any negative VIF eliminated for each reported segment by reducing the ANW. This has been done because the allowance for risk in the range of selected risk discount rates for each Business Unit has been set taking into account the presence of any such business lines with projected statutory losses. Also, the consolidated reserving and capital requirements have the effect of reducing the level of any future projected statutory losses. Based on the assumptions described in Section 5 of this report, and allowing for the consolidated statutory reserving and capital requirements, the overall projected annual distributable profits from the current in-force business and the assets backing the required capital of the Group are positive over the remaining lifetime of the business. Therefore, it is not considered necessary to change the discounting approach described above.

4. METHODOLOGY (continued)

4.6 Capital Requirements

Each of the Business Units has a regulatory requirement to hold shareholder capital in addition to the assets backing the insurance liabilities. The table below sets out the Group's assumed level of capital requirement for each Business Unit:

Business Unit	Capital requirements
AIA Australia	100% of regulatory capital adequacy requirement
AIA China	100% of required capital following the China Association of Actuaries (CAA) EV assessment guidance, updated to reflect C-ROSS II ⁽¹⁾
AIA Hong Kong ⁽²⁾	100% of regulatory Risk-Based Capital requirement
AIA Indonesia	120% of regulatory Risk-Based Capital requirement
AIA Korea ⁽³⁾	150% of regulatory Risk-Based Capital requirement
AIA Malaysia	170% of regulatory Risk-Based Capital requirement
AIA New Zealand ⁽⁴⁾	100% of regulatory capital adequacy requirement
AIA Philippines	125% of regulatory Risk-Based Capital requirement
AIA Singapore	Higher of 135% of capital adequacy requirement and 80% of Tier 1 capital requirement under the regulatory Risk-Based Capital framework
AIA Sri Lanka	120% of regulatory Risk-Based Capital requirement
AIA Taiwan	250% of regulatory Risk-Based Capital requirement
AIA Thailand	140% of regulatory Risk-Based Capital requirement
AIA Vietnam	100% of required minimum solvency margin
Tata AIA Life	175% of required minimum solvency margin

Notes:

(1) China Risk-Oriented Solvency System phase II (C-ROSS II).

(2) The capital requirement for the Hong Kong branch of AIA International reflects the early adoption approved by the HKIA with effect from 1 January 2022 of the Hong Kong Risk-based Capital (HKRBC). For clarity, AIA Everest Life Company Limited, which is a closed block of business under AIA Co., and the Hong Kong business written by AIA Co., continue to be evaluated based on 150 per cent of required minimum solvency margin under existing Hong Kong Insurance Ordinance (HKIO) requirements, and the Macau branch of AIA International is subject to 150 per cent of Macau statutory requirement.

(3) Effective from 1 January 2023, the Financial Supervisory Service (FSS) has announced a new capital adequacy framework (K-ICS) for Korean insurers.

(4) The Reserve Bank of New Zealand has issued a new solvency standard effective 1 January 2023.

Capital Requirements on Consolidation

The Company's subsidiaries, AIA Co. and AIA International, are both subject to the HKIA reserving and capital requirements. Following the approval by HKIA to early adopt the new HKRBC regime for AIA International, starting from 1 January 2022, AIA International is subject to the capital requirement under the new HKRBC regime, while AIA Co. continues to be subject to the existing HKIO requirements. The non-Hong Kong branches of AIA Co. and AIA International hold required capital of no less than 100 per cent of the HKIO solvency margin requirement and the HKRBC capital requirement respectively.

In addition, AIA International, which is incorporated in Bermuda, is subject to the BMA reserving and capital requirements. AIA International and its subsidiaries hold required capital of no less than 100 per cent of the BMA regulatory capital requirement.

The above regulatory reserving and capital requirements, and other consolidated reserving and capital requirements as determined by the Group, apply in addition to the relevant local requirements applicable to our Business Units.

The Company is also subject to the new GWS framework implemented by the HKIA, including group capital adequacy requirements based on the Local Capital Summation Method (LCSM), under which the Group's published eligible group capital resources, group minimum capital requirement (GMCR) and group prescribed capital requirement (GPCR) are calculated as the sum of the eligible capital resources, minimum capital requirements and prescribed capital requirements for each entity within the Group according to the respective local regulatory requirements, subject to any variation considered necessary by the HKIA. This has not imposed any additional capital requirement to those mentioned above.

4. METHODOLOGY (continued)

4.7 Foreign Exchange

The EV as at 31 December 2023 and 31 December 2022 have been translated into US dollars using exchange rates as at each valuation date. The VONB results shown in this report have been translated into US dollars using the corresponding average exchange rates for each quarter. The other components of the EV profit shown in the analysis of EV movement have been translated using average exchange rates for the period.

Change on actual exchange rates (AER) is calculated based on the translated figures as described above. Change on constant exchange rates (CER) is calculated for all figures for the current year and for the prior year, using the current year constant average exchange rates, other than for EV and its components as at the end of the current year and as at the end of the prior year, which are translated using the CER as at the end of the current year.

4.8 Underlying Free Surplus Generation

The free surplus is defined as the ANW in excess of the required capital after reflecting the consolidated reserving and capital requirements and the adjustment for certain assets not eligible for regulatory capital purposes. The underlying free surplus generation represents free surplus generated from the in-force business, adjusted for certain non-recurring items, and before free surplus used to fund new business, unallocated Group Office expenses, finance costs, investment return variances and other non-operating items. The underlying free surplus generation is also calculated after reflecting the consolidated reserving and capital requirements.

5. ASSUMPTIONS

5.1 Introduction

This section summarises the assumptions used by the Group to determine the EV as at 31 December 2023 and the VONB for the year ended 31 December 2023 and highlights certain differences in assumptions between the EV as at 31 December 2022 and the EV as at 31 December 2023.

5.2 Economic Assumptions

Investment Returns

The Group has set the assumed long-term future returns for fixed income assets to reflect its view of expected returns having regard to estimates of long-term forward rates from yields available on government bonds and current bond yields. In determining returns on fixed income assets, the Group allows for the risk of default, and this allowance varies by the credit rating of the underlying asset.

Where long-term views of investment return assumptions differ from current market yields on existing fixed income assets, an adjustment was made to make allowance for the current market yields. In these cases, in calculating the VIF, adjustments have been made to the investment return assumptions such that the investment returns on existing fixed income assets were set consistently with the current market yield on these assets for their full remaining term, to be consistent with the valuation of the assets backing the policy liabilities.

The Group has set the equity return and property return assumptions by reference to the long-term return on 10-year government bonds, allowing for an internal assessment of risk premia that vary by asset class and by territory.

For each Business Unit, the non-linked portfolio is divided into a number of distinct product groups, and the returns for each of these product groups have been derived by considering current and future targeted asset allocations and associated investment returns for major asset classes.

For unit-linked business, fund growth assumptions have been determined based on actual asset mix within the funds at the valuation date and expected long-term returns for major asset classes.

For Tata AIA Life, the Group uses the IEV methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India for determining its EV and VONB. This methodology uses investment returns and risk discount rates that reflect the market-derived government bond yield curve. Therefore, the risk discount rate and long-term investment returns are not provided for Tata AIA Life.

5. ASSUMPTIONS (continued)

5.2 Economic Assumptions (continued)

Risk Discount Rates

The risk discount rates can be considered as the sum of the appropriate risk-free interest rate, to reflect the time value of money, and a risk margin to make an implicit allowance for risk.

The table below summarises the current market 10-year government bond yields referenced in EV calculations.

Business Unit	Current market 10-year government bond yields referenced in EV calculations (%)	
	As at 31 December 2023	As at 31 December 2022
AIA Australia	3.89	4.05
AIA China	2.57	2.84
AIA Hong Kong ⁽¹⁾	3.84	3.87
AIA Indonesia	6.49	6.94
AIA Korea	3.18	3.74
AIA Malaysia	3.73	4.09
AIA New Zealand	4.31	4.47
AIA Philippines	5.95	6.99
AIA Singapore	2.70	3.09
AIA Sri Lanka	13.10	26.18
AIA Taiwan	1.21	1.28
AIA Thailand	2.70	2.64
AIA Vietnam	2.30	4.90

Note:

(1) The majority of AIA Hong Kong's assets and liabilities are denominated in US dollars. The 10-year government bond yields shown above are those of US dollar-denominated bonds.

5. ASSUMPTIONS (continued)

5.2 Economic Assumptions (continued)

Risk Discount Rates (continued)

The table below summarises the risk discount rates and long-term investment returns assumed in EV calculations. The risk discount rates in 2023 reflect the weighted average of the risk margins of the in-force business at the start of 2023, and those of the new business written during 2023 which are determined at a product level to better reflect the market and non-market risks associated with the mix of products sold during the reporting period. In addition, the VONB results are calculated based on start-of-quarter long-term investment return assumptions consistent with the measurement at the point of sale. The present value of unallocated Group Office expenses was calculated using the AIA Hong Kong risk discount rate. The investment returns on existing fixed income assets were set consistently with the market yields on these assets. The investment returns shown are gross of tax and investment expenses.

Business Unit	Risk discount rates assumed in EV calculations (%)			Long-term investment returns assumed in EV calculations (%)					
				10-year government bonds			Local equities		
	As at 31 Dec 2023	As at 30 Jun 2023 (Unaudited)	As at 31 Dec 2022	As at 31 Dec 2023	As at 30 Jun 2023 (Unaudited)	As at 31 Dec 2022	As at 31 Dec 2023	As at 30 Jun 2023 (Unaudited)	As at 31 Dec 2022
AIA Australia	7.93	7.43	7.43	3.80	3.30	3.30	8.10	7.60	7.60
AIA China	9.16	9.67	9.69	3.50	3.70	3.70	8.80	9.30	9.30
AIA Hong Kong ⁽¹⁾	7.97	7.45	7.46	3.50	3.00	3.00	8.00	7.50	7.50
AIA Indonesia	13.17	13.13	13.09	7.50	7.50	7.50	12.00	12.00	12.00
AIA Korea	8.81	8.86	8.91	3.00	3.00	3.00	7.30	7.30	7.30
AIA Malaysia	8.80	8.86	8.92	4.50	4.50	4.50	9.10	9.10	9.10
AIA New Zealand	7.85	7.39	7.43	3.80	3.30	3.30	8.30	7.80	7.80
AIA Philippines	12.10	12.10	12.10	6.00	5.80	5.80	10.80	10.80	10.80
AIA Singapore	7.38	7.22	7.27	3.10	2.90	2.90	7.60	7.40	7.40
AIA Sri Lanka	14.70	21.00	21.00	10.00	10.00	10.00	12.00	12.00	12.00
AIA Taiwan	7.62	7.64	7.67	1.50	1.50	1.50	6.10	6.10	6.10
AIA Thailand	7.81	8.00	8.09	3.40	3.20	3.20	8.10	8.20	8.20
AIA Vietnam	9.54	9.55	9.57	4.00	4.00	4.00	9.30	9.30	9.30

Note:

(1) The majority of AIA Hong Kong's assets and liabilities are denominated in US dollars. The 10-year government bond assumptions shown above are those of US dollar-denominated bonds, and the local equities assumption shown is that of US dollar-denominated equities.

5. ASSUMPTIONS (continued)

5.3 Persistency

Persistency covers the assumptions required, where relevant, for policy lapse (including surrender), premium persistency, premium holidays, partial withdrawals and retirement rates for pension products.

Assumptions have been developed by each of the Business Units based on their recent historical experience and expected future experience. Persistency assumptions vary by policy year and product type with different rates for regular and single premium products.

Where experience for a particular product was not credible enough to allow any meaningful analysis to be performed, experience for similar products was used as a basis for future persistency experience assumptions.

In the case of surrenders, the valuation assumes that current surrender value bases will continue to apply in the future.

5.4 Expenses

The expense assumptions have been set based on the most recent expense analysis. The purpose of the expense analysis is to allocate total expenses between acquisition and maintenance activities, and then to allocate these acquisition and maintenance expenses to various product categories to derive unit cost assumptions.

Where the expenses associated with certain activities have been identified as being one-off, these expenses have been excluded from the expense analysis.

Expense assumptions have been determined for acquisition and maintenance activities, split by product type, and unit costs expressed as a percentage of premiums, sum assured and an amount per policy. Where relevant, expense assumptions have been calculated per distribution channel.

Expense assumptions do not make allowance for any anticipated future expense savings as a result of any strategic initiatives aimed at improving policy administration and claims handling efficiency.

Assumptions for commission rates and other sales-related payments have been set in line with actual experience.

Group Office Expenses

Group Office expense assumptions have been set, after excluding non-operating expenses, based on actual acquisition and maintenance expenses in the year ended 31 December 2023. The Group Office acquisition expenses have been deducted from the VONB. The present value of the projected future Group Office maintenance expenses has been deducted from the Group EV. The maintenance expense assumptions in the VONB also allow for the allocation of Group Office expenses.

5. ASSUMPTIONS (continued)

5.5 Expense Inflation

The expected long-term expense inflation rates used by each Business Unit are set out below:

Expense Inflation Assumptions by Business Unit (%)

Business Unit	As at 31 December 2023	As at 31 December 2022
AIA Australia	2.25	2.25
AIA China	2.00	2.00
AIA Hong Kong	2.00	2.00
AIA Indonesia	3.50	3.50
AIA Korea	3.50	3.50
AIA Malaysia	3.00	3.00
AIA New Zealand	2.00	2.00
AIA Philippines	3.50	3.50
AIA Singapore	2.00	2.00
AIA Sri Lanka	6.50	6.50
AIA Taiwan	1.20	1.20
AIA Thailand	2.00	2.00
AIA Vietnam	4.00	4.00
Tata AIA Life ⁽¹⁾	6.85	7.05

Note:

(1) For Tata AIA Life, in accordance with the IEV methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India, the inflation assumption is derived by applying a spread to the reference interest rate.

Unallocated Group Office expenses are assumed to inflate by the weighted average of the Business Unit expense inflation rates.

5. ASSUMPTIONS (continued)

5.6 Mortality

Assumptions have been developed by each Business Unit based on their recent historical experience and expected future experience. Where historical experience is not credible, reference has been made to pricing assumptions supplemented by market data, where available.

Mortality assumptions have been expressed as a percentage of either standard industry experience tables or, where experience is sufficiently credible, as a percentage of tables that have been developed internally by the Group.

For annuity products that are exposed to longevity risk, an allowance has been made for expected future improvements in mortality; otherwise no allowance has been made for mortality improvements.

5.7 Morbidity

Assumptions have been developed by each Business Unit based on their recent historical experience and expected future experience. Morbidity rate assumptions have been expressed as a percentage of standard industry experience tables or as expected claims ratios.

5.8 Reinsurance

Reinsurance assumptions have been developed by each Business Unit based on the reinsurance arrangements in force as at the valuation date and the recent historical and expected future experience.

5.9 Policyholder Dividends, Profit Sharing and Interest Crediting

The projected policyholder dividends, profit sharing and interest crediting assumptions set by each Business Unit that have been used in calculating the EV results presented in this report, reflect contractual and regulatory requirements, policyholders' reasonable expectations (where clearly defined) and each Business Unit's expectation of future policies, strategies and operations consistent with the investment return assumptions used in the EV results.

Participating fund surpluses have been assumed to be distributed between policyholders and shareholders via future final bonuses or at the end of the projection period so that there are no residual assets at the end of the projection period.

5. ASSUMPTIONS (continued)

5.10 Taxation

The EV and VONB presented in this report are net of tax based on current taxation legislation. The projected corporate income tax payable in any year allows for the benefits arising from any tax loss carried forward where relevant. Where applicable, tax payable on investment income has been reflected in the projected investment returns. Any withholding tax payable on future remittances from local business units is also reflected under the appropriate operating segment.

The local corporate income tax rates used by each Business Unit are set out below:

Local Corporate Income Tax Rates by Business Unit (%)

Business Unit	As at 31 December 2023	As at 31 December 2022
AIA Australia	30.0	30.0
AIA China	25.0	25.0
AIA Hong Kong	16.5	16.5
AIA Indonesia	22.0	22.0
AIA Korea ⁽¹⁾	23.1	26.5
AIA Malaysia	24.0	24.0
AIA New Zealand	28.0	28.0
AIA Philippines	25.0	25.0
AIA Singapore	17.0	17.0
AIA Sri Lanka	30.0	30.0
AIA Taiwan	20.0	20.0
AIA Thailand	20.0	20.0
AIA Vietnam	20.0	20.0
Tata AIA Life	14.6	14.6

Note:

(1) AIA Korea was subject to an assumed corporate income tax of 26.5 per cent up to fiscal year 2022, which includes an Accumulated Earnings Tax following the subsidiarisation of the branch in AIA Korea. Based on current regulations, the corporate income tax rate has changed to 23.1 per cent effective from 1 January 2023.

In 2023, Bermuda has introduced and enacted a corporate income tax rate of 15 per cent, effective from 1 January 2025. The impact of the introduction of corporate income tax in Bermuda has been reflected in Group EV as at 31 December 2023.

5. ASSUMPTIONS (continued)

5.11 Statutory Valuation Bases

The projection of regulatory liabilities at future points in time assumes the continuation of the reserving methodologies used to value policyholder liabilities as at the valuation date.

5.12 Product Charges

Management fees and product charges reflected in the VIF and VONB have been assumed to follow existing scales.

6. EVENTS AFTER THE REPORTING PERIOD

On 14 March 2024, a Committee appointed by the Board of Directors proposed a final dividend of 119.07 Hong Kong cents per share (2022: final dividend of 113.40 Hong Kong cents per share).

GLOSSARY

active agent	an agent who sells at least one policy per month.
active market	a market in which all the following conditions exist: • the items traded within the market are homogeneous; • willing buyers and sellers can normally be found at any time; and • prices are available to the public. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.
adjusted net worth or ANW	ANW is the market value of assets in excess of the assets backing the policy reserves and other liabilities of the life (and similar) business of the Group, plus the IFRS Equity value of other activities, such as general insurance business, less the value of intangible assets. It excludes any amounts not attributable to shareholders of the Issuer. ANW for the Group is stated after adjustment to reflect consolidated reserving requirements. ANW by market is stated before adjustment to reflect consolidated reserving requirements, and presented on a local statutory basis.
AI	artificial intelligence.
AIA or the Group	the Issuer and its subsidiaries.
AIA China	AIA Life Insurance Company Limited (友邦人寿保险有限公司).
AIA Co.	AIA Company Limited, a company incorporated in Hong Kong and a subsidiary of the Issuer.
AIA Everest.....	AIA Everest Life Company Limited.
AIA Hong Kong.....	AIA International Limited (Hong Kong branch).
AIA IM HK.....	AIA Investment Management HK Limited.
AIA IM SG.....	AIA Investment Management Private Limited.
AIA IM TH.....	AIA Investment Management (Thailand) Limited.
AIA International.....	AIA International Limited, a company incorporated in Bermuda and an indirect subsidiary of the Issuer.

AIA Malaysia.....	AIA Bhd.
AIA New Zealand	AIA New Zealand Limited.
AIA Philippines	AIA Philippines Life and General Insurance Company Inc. (formerly known as The Philippine American Life and General Insurance (PHILAM LIFE) Company), a subsidiary of AIA Co.
AIA Re	AIA Reinsurance Limited.
AIA Singapore	AIA Singapore Private Limited.
AIA Sri Lanka	AIA Insurance Lanka Limited.
AIA Thailand	the business and operations of AIA Co.'s Thailand branches.
AIA Vitality	a science-backed wellness programme that provides participants with the knowledge, tools and motivation to help them achieve their personal health goals. The programme is a partnership between AIA and Discovery Limited, a specialist insurer headquartered in South Africa.
AIA-T	AIA Company (Trustee) Limited.
amortised cost	the amount at which the financial asset or financial liability is measured at initial recognition minus principal prepayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.
annualised new premiums or ANP	ANP represents 100% of annualised first year premiums and 10% of single premiums, before reinsurance ceded. It is an internally used measure of new business sales or activity for all entities within the Group. ANP excludes new business of pension business, personal lines and motor insurance. For group renewable business, it includes any premium payable on existing schemes that exceeds the prior year's premiums.
available for sale financial assets	financial assets that may be sold before maturity and that are used to back insurance and investment contract liabilities and shareholders' equity, and which are not managed on a fair value basis. Non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables or as at fair value through profit or loss. Available for sale financial instruments are measured at fair value, with movements in fair value recorded in other comprehensive income.
bancassurance	the distribution of insurance products through banks or other financial institutions.
BEA	The Bank of East Asia, Limited.
Blue Care.....	Blue Care JV (BVI) Holdings Limited.

Blue Cross	Blue Cross (Asia-Pacific) Insurance Limited.
Board	board of directors of the Issuer.
CBA	Commonwealth Bank of Australia.
CBIRC	China Banking and Insurance Regulatory Commission.
China or Mainland China.....	the PRC and for geographical reference only (unless otherwise stated) excludes Taiwan (China), Macau and Hong Kong.
China Post Life	China Post Life Insurance Co., Ltd.
CMLA.....	The Colonial Mutual Life Assurance Society Limited (including its affiliated companies), one of the largest life insurance providers in Australia.
Comprehensive Equity	The total of shareholders' equity and net contractual service margin.
consolidated investment funds..	investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds.
contractual service margin or CSM	a component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit the entity will recognise as it provides insurance contract services under the insurance contracts in the group.
DIHC.....	an insurance holding company within an insurance group designated as a designated insurance holding company by the HKIA pursuant to section 95C of the HKIO.
ECL.....	Expected credit losses.
embedded value or EV	an actuarially determined estimate of the economic value of a life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to future new business. EV for the Group is stated after adjustments to reflect consolidated reserving and capital requirements, the after-tax value of unallocated Group Office expenses and Group Corporate Centre tax. EV by market is stated before adjustments to reflect consolidated reserving and capital requirements, unallocated Group Office expenses and Group Corporate Centre tax, and presented on a local statutory basis.
equity attributable to shareholders of the Issuer on the embedded value basis or EV Equity	EV Equity is the total of embedded value, goodwill and other intangible assets attributable to shareholders of the Issuer.
ESG	Environmental, social and governance.

Euro	the currency of the monetary union of European Union member states.
fair value	the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
fair value through profit or loss..	Under IAS 39, Financial Instruments: Recognition and Measurement, financial assets that are held to back unit-linked contracts and participating funds or financial assets and liabilities that are held for trading. A financial asset or financial liability that is measured at fair value in the statement of financial position with gains and losses arising from movements in fair value being presented in the consolidated income statement as a component of the profit or loss for the year.
first year premiums	first year premiums are premiums received in the first year of a recurring premium policy. As such, they provide an indication of the volume of new policies sold.
FRC	Financial Risk Committee.
Group available capital	the group-level total available capital, which is calculated as the sum of the available capital of each relevant regulated entity within the Group.
GWS Capital Rules	the Insurance (Group Capital) Rules.
group insurance	an insurance scheme whereby individual participants are covered by a master contract held by a single group or entity on their behalf.
Group LCSM Coverage Ratio ...	the Group Local Capital Summation Method coverage ratio under the Hong Kong's GWS framework, which is the ratio of eligible group capital resources to the Group prescribed capital requirement.
Group LCSM surplus	the difference between the eligible group capital resources over the group prescribed capital requirement.
Group minimum capital requirement or GMCR	the group minimum capital requirement, which is the sum of the minimum capital requirements applicable to the supervised group members in the Insurance Group, as defined in the GWS Capital Rules.
Group prescribed capital requirement or GPCR	the group prescribed capital requirement, which is the sum of the prescribed capital requirements applicable to the supervised group members in the Insurance Group, as defined in the GWS Capital Rules.
GWS framework	the Group-Wide Supervision framework implemented by the HKIA on 29 March 2021.
Group Office	Group Office includes the activities of the Group Corporate Centre segment consisting of the Group's corporate functions, shared services and eliminations of intragroup transactions.

HIBOR	Hong Kong Interbank Offered Rate.
HKFRS	Hong Kong Financial Reporting Standards.
HKIA	Insurance Authority established under the Insurance Companies (Amendment) Ordinance 2015 or prior to 26 June 2017, the Office of the Commissioner of Insurance.
HKICPA	Hong Kong Institute of Certified Public Accountants.
HKRBC	the Hong Kong risk based capital regime.
HKSE Rules or Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
holding company financial resources	represents the debt and equity shares and interests in investment funds, deposits, cash and cash equivalents, and dividends paid but not settled by subsidiaries, net of obligations under repurchase agreements at the Group's listed holding company.
Hong Kong.....	The Hong Kong Special Administrative Region of the PRC; in the context of the Group's reportable segments, Hong Kong includes Macau.
Hong Kong Companies Ordinance.....	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time.
Hong Kong Insurance Ordinance or HKIO	Insurance Ordinance (Chapter 41 of the Laws of Hong Kong), as amended from time to time. It provides a legislative framework for the prudential supervision of the insurance industry in Hong Kong.
Hong Kong Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited.
IAIS	International Association of Insurance Supervisors.
IAS Standards	IAS® Standards (i.e., International Accounting Standards).
IASB	International Accounting Standards Board.
IFA	independent financial adviser.
IFRS Accounting Standards	standards and interpretations adopted by the IASB comprising: • International Financial Reporting Standards; • International Accounting Standards; and • Interpretations developed by the IFRS Interpretations Committee (IFRS IC) or the former Standing Interpretations Committee (SIC).
IFRS Equity	Equity calculated and reported under IFRS Accounting Standards.

Insurance Group.....	all subsidiaries of the Issuer that are regulated insurance or reinsurance companies and all other entities that are included within the regulatory group that includes the Issuer pursuant to the GWS Capital Rules.
interactive Point of Sale or iPoS	iPoS is a secure, mobile point-of-sale technology that features a paperless sales process from the completion of the customer's financial-needs analysis to proposal generation with electronic biometric signature of life insurance applications on tablet devices.
investment experience	realised and unrealised investment gains and losses recognised in the consolidated income statement.
investment income	investment income comprises interest income, dividend income and rental income.
investment return	investment return consists of investment income plus investment experience.
IPO	initial public offering.
the Issuer	AIA Group Limited.
LCSM.....	Local Capital Summation Method, which is the method to be used by the HKIA as a measure of group capital under Hong Kong's GWS framework.
liability adequacy testing	an assessment of whether the carrying amount of an insurance liability needs to be increased or the carrying amount of related deferred acquisition and origination costs or related intangible assets decreased based on a review of future cash flows.
Macau	The Macao Special Administrative Region of the PRC.
MCR basis	Minimum capital requirement basis, which is calculated as the ratio of Group available capital to the Group minimum capital requirement.
MediCard	MediCard Philippines, Inc.
Million Dollar Round Table or MDRT	MDRT is a global professional trade association of life insurance and financial services professionals that recognises significant sales achievements and high service standards.
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.
N/A.....	not applicable.
n/a.....	not available.
NFRA.....	National Financial Regulatory Administration.
operating profit after tax or OPAT	operating profit is the Group's core measure of operating earnings, determined using, among others, expected long-term investment return for equities and real estate.

	Short-term fluctuations between expected long-term investment return and actual investment return for these asset classes are excluded from operating profit. The investment return assumptions used to determine expected long-term investment return are based on the same assumptions used by the Group in determining its embedded value and are disclosed in the Supplementary Embedded Value Information.
ORC.....	Operational Risk Committee.
Other participating business with distinct portfolios	business where it is expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory.
participating funds	Participating funds are distinct portfolios where the policyholders have a contractual right to receive, at the discretion of the insurer as to the timing, additional benefits based on factors such as the performance of a pool of assets held within the fund, as a supplement to any guaranteed benefits. The allocation of benefits from the assets held in the participating funds is subject to minimum policyholder participation mechanisms established by regulation. The allocation of benefits from the assets held in the participating funds is subject to minimum policyholder participation mechanisms established by regulation.
PCR basis.....	Prescribed Capital Requirement basis.
persistence	the percentage of insurance policies remaining in force from month to month in the past 12 months, as measured by premiums.
Policyholder and Shareholder Investments.....	investments other than those held to back unit-linked contracts as well as assets from consolidated investment funds.
PRC	The People's Republic of China.
protection gap.....	the difference between the resources needed and resources available to maintain dependants' living standards after the death of the primary wage-earner.
PSBC.....	Postal Savings Bank of China Co., Ltd
RAS	Risk Appetite Statement.
regulatory minimum capital	net assets held to meet the minimum capital requirement set by the HKIO that an insurer must meet in order to be authorised to carry on insurance business in or from Hong Kong.
renewal premiums	premiums receivable in subsequent years of a recurring premium policy.

Renminbi or CNY	the currency of China.
rider	a supplemental plan that can be attached to a basic insurance policy, typically with payment of additional premiums.
risk appetite	the amount of risk that companies are willing to take in order to achieve their business objectives.
Risk-Based Capital or RBC.....	RBC represents an amount of capital based on an assessment of risks that a company should hold to protect customers against adverse developments.
RMF	Risk Management Framework.
SFC	the Securities and Futures Commission.
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time.
share buy-back.....	buy-backs of shares, including under a share buy-back programme, conducted by the Issuer pursuant to the general mandate granted to the directors of the Issuer by the shareholders at annual general meetings from time to time, in compliance with the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and all other applicable laws and regulations.
shareholders' allocated equity...	Shareholders' allocated equity is total equity attributable to shareholders of the Issuer less fair value reserve.
Singapore	The Republic of Singapore; in the context of our reportable segments, Singapore includes Brunei.
single premium	a single payment that covers the entire cost of an insurance policy.
SME	small-and-medium sized enterprise.
SOFR.....	Secured Overnight Funding Rate.
solvency	the ability of an insurance company to satisfy its policyholder benefits and claims obligations.
Sovereign	ASB Group (Life) Limited (renamed AIA Sovereign Limited in July 2018) and its subsidiaries, including Sovereign Assurance Company Limited (subsequently renamed as AIA New Zealand on 2 August 2019), a licensed insurer in New Zealand.
Sterling or £	the currency of the United Kingdom.
Takaful	Islamic insurance which is based on the principles of mutual assistance and risk sharing.
Tata AIA Life.....	Tata AIA Life Insurance Company Limited.

total weighted premium income or TWPI	TWPI consists of 100% of renewal premiums, 100% of first year premiums and 10% of single premiums, before reinsurance ceded. As such it provides an indication of the Group's longer-term business volumes as it smooths the peaks and troughs in single premiums.
unit-linked investments.....	financial investments held to back unit-linked contracts.
unit-linked products	unit-linked products are insurance products where the policy value is linked to the value of underlying investments (such as collective investment schemes, internal investment pools or other property) or fluctuations in the value of underlying investment or indices. Investment risk associated with the product is usually borne by the policyholder. Insurance coverage, investment and administration services are provided for which the charges are deducted from the investment fund assets. Benefits payable will depend on the price of the units prevailing at the time of death of the insured or surrender or maturity of the policy, subject to surrender charges.
United Kingdom	The United Kingdom of Great Britain and Northern Ireland.
United States or U.S.	The United States of America.
universal life.....	a type of insurance product where the customer pays flexible premiums, subject to specified limits, which are accumulated in an account balance which are credited with interest at a rate either set by the insurer or reflecting returns on a pool of matching assets. The customer may vary the death benefit and the contract may permit the policyholder to withdraw the account balance, typically subject to a surrender charge.
value of in-force business or VIF	VIF is the present value of projected after-tax statutory profits emerging in the future from the current in-force business less the cost arising from holding the required capital (CoC) to support the in-force business. VIF for the Group is stated after adjustments to reflect consolidated reserving and capital requirements, the after-tax value of unallocated Group Office expenses and Group Corporate Centre tax. VIF by market is stated before adjustments to reflect consolidated reserving and capital requirements, unallocated Group Office expenses and Group Corporate Centre tax, and presented on a local statutory basis.
value of new business or VONB	VONB is the present value, measured at the point of sale, of projected after-tax statutory profits emerging in the future from new business sold in the period less the cost of holding the required capital in excess of regulatory reserves to support this business. VONB for the Group is stated after adjustments to reflect consolidated reserving and capital requirements, the after-tax value of unallocated Group Office expenses, and Group Corporate Centre tax. VONB by market is stated before adjustments to reflect consolidated reserving and capital requirements, unallocated Group Office expenses and

Group Corporate Centre tax, presented on a local statutory basis.

VONB margin VONB excluding pension business, expressed as a percentage of ANP. VONB margin for the Group is stated after adjustments to reflect consolidated reserving and capital requirements, the after-tax value of unallocated Group Office expenses and Group Corporate Centre tax. VONB margin by market is stated before adjustments to reflect consolidated reserving and capital requirements, unallocated Group Office expenses and Group Corporate Centre tax, and presented on a local statutory basis.

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