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***Notice to Hong Kong investors**: The Issuer 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 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.*

PUBLICATION OF SUPPLEMENTAL 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 Code: 1299

(the "**Issuer**")

US$16,000,000,000 Global Medium Term Note and Securities Programme

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

Please refer to the supplemental offering circular dated 26 August 2022 (the "**Supplemental Offering Circular**") appended hereto in relation to the US$16,000,000,000 Global Medium Term Note and Securities Programme (the "**Programme**"), which is supplemental to the offering circular dated 14 March 2022 (the "**Original Offering Circular**", and together with the Supplemental Offering Circular, the "**Offering Circular**"). A copy of the Original Offering Circular is available at https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0315/2022031500176.pdf. As disclosed in the Offering Circular, the instruments (the "**Instruments**") to be issued under the Programme will be intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and 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, 29 August 2022

As at the date of this announcement, the Independent Non-executive Chairman and Independent Non-executive Director of the Issuer is Mr. Edmund Sze-Wing TSE, the Executive Director, Group Chief Executive and President of the Issuer is Mr. LEE Yuan Siong and the Independent Non-executive Directors of the Issuer are Mr. Jack Chak-Kwong SO, Mr. Chung-Kong CHOW, Mr. John Barrie HARRISON, Mr. George Yong-Boon YEO, Professor Lawrence Juen-Yee LAU, Ms. Swee-Lian TEO, Dr. Narongchai AKRASANEE, Mr. Cesar Velasquez PURISIMA and Ms. SUN Jie (Jane).

SUPPLEMENTAL OFFERING CIRCULAR

AIA GROUP LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 1299)

US$16,000,000,000
Global Medium Term Note and Securities Programme

This Supplemental Offering Circular (the "**Supplemental Offering Circular**") is issued to update the Offering Circular dated 14 March 2022 (the "**Original Offering Circular**") to reflect the increase, as from the date of this Supplemental Offering Circular, in the aggregate nominal amount of the Instruments which may be issued by AIA Group Limited (the "**Issuer**") under the Programme from US$12,000,000,000 to US$16,000,000,000.

Consequently, with effect from the date of this Supplemental Offering Circular, all references in the Original Offering Circular to US$12,000,000,000 which relate to the size of the Programme shall be replaced by references to US$16,000,000,000. This Supplemental Offering Circular is supplemental to, and should be read in conjunction with, the Original Offering Circular (together with this Supplemental Offering Circular, the "**Offering Circular**") and all other documents that are deemed to be incorporated by reference therein in relation to the Issuer's Programme. Save to the extent defined in this Supplemental Offering Circular, terms defined or otherwise attributed meanings in the Original Offering Circular have the same meaning when used in this Supplemental Offering Circular. References in the Original Offering Circular and this Supplemental Offering Circular to "this Offering Circular" or "the Offering Circular" mean the Original Offering Circular as supplemented by this Supplemental Offering Circular. To the extent that the Original Offering Circular is inconsistent with this Supplemental Offering Circular, the terms of this Supplemental Offering Circular shall prevail.

Application will be 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 the Original Offering Circular on the Hong Kong Stock Exchange. This Supplemental Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: the Issuer confirms that each Tranche of Instruments issued under the Programme is intended for purchase by Professional Investors only and, with respect to Instruments 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 Supplemental 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 Supplemental Offering Circular. Listing of the Programme and 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 or quality of disclosure in the Supplemental Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Supplemental 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 Supplemental Offering Circular.

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 54 of the Original 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 54 of the Original Offering Circular. There are various other risks relating to the Instruments, the Issuer and the Group, 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 the Original Offering Circular.**

Arranger

Citigroup

Dealers

ANZ **BNP PARIBAS** **Citigroup** **Crédit Agricole CIB** **Deutsche Bank** **Goldman Sachs**

HSBC **Morgan Stanley** **MUFG** **Standard Chartered Bank** **Wells Fargo Securities**

The date of this Supplemental Offering Circular is 26 August 2022.

DISCLAIMERS

This Supplemental Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 document 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.

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)

	August 2022 (through 19 August 2022)	July 2022	Six months ended 30 June 2022	Year ended 31 December 2021	Six months ended 30 June 2021
Mainland China	6.82	6.74	6.69	6.37	6.45
Hong Kong	7.85	7.85	7.85	7.80	7.76
Thailand	35.73	36.37	35.32	33.50	32.06
Singapore.........	1.39	1.38	1.39	1.36	1.34
Malaysia...........	4.48	4.45	4.40	4.20	4.15

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 Supplemental Offering Circular could have been converted into such currency at any particular rate or at all.

SIGNIFICANT / MATERIAL CHANGE

Since 30 June 2022, 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.

CONTENTS

RECENT DEVELOPMENTS

EARLY ADOPTION OF THE HONG KONG RISK-BASED CAPITAL REGIME

On 8 April 2022, the Hong Kong Insurance Authority (the "**HKIA**") granted approval for AIA International Limited ("**AIA International**") to early adopt the Hong Kong Risk-Based Capital ("**HKRBC**") regime from 1 January 2022.The early adoption of the HKRBC regime had a positive impact on EV Equity of US$2,379 million from the release of additional resilience margins under the previous Hong Kong Insurance Ordinance ("**HKIO**") basis, and a positive impact on the Group LCSM surplus and the Group LCSM cover ratio. See "*Interim Results – EV Equity*" and "*Interim Results – Group LCSM Solvency Position*" for further information.

The impact of the early adoption of the HKRBC regime on VONB for the half year ended 30 June 2022 was not material.

ESTABLISHMENT OF NEW BRANCH IN HENAN

In May 2022, AIA China received approval from the China Banking and Insurance Regulatory Commission ("**CBIRC**") to begin preparations to establish a new branch in Zhengzhou, Henan.

TOTAL CAPITALISATION

The following table sets out the consolidated Total Capitalisation (as defined below) of the Group as derived from our unaudited interim condensed consolidated financial statements (the "**2022 interim condensed consolidated financial statements**"). The table should be read in conjunction with the 2022 interim condensed consolidated financial statements and the notes thereto included elsewhere in this Supplemental Offering Circular.

	As of 30 June 2022 (Unaudited)
	(in US$ millions)
Medium term notes and securities[1]	10,338
Total Borrowings	**10,338**
Equity	
Share capital	14,163
Employee share-based trusts	(290)
Other reserves	(11,841)
Retained earnings	46,421
Fair value reserve	(5,788)
Foreign currency translation reserve	(2,720)
Property revaluation reserve	1,074
Others	(19)
Non-controlling interests	438
Total Equity	41,438
Total Capitalisation[2]	**51,776**

(1) Represents our outstanding medium term notes and securities placed to the market as of 30 June 2022.
(2) Total Capitalisation is the sum of Total Borrowings plus Total Equity.

There has been no material change in our Total Capitalisation since 30 June 2022.

SELECTED INTERIM 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 at and for the six months ended 30 June 2022 and 2021 set forth below has been derived from our 2022 interim condensed consolidated financial statements included elsewhere in this Supplemental Offering Circular. The information on VONB for the six months ended 30 June 2022 and 2021 and the information on EV Equity as at 30 June 2022 and 31 December 2021 set forth below has been derived from the "*Supplementary Embedded Value Information*" included elsewhere in this Supplemental 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*" set forth in the Original Offering Circular and the 2022 interim condensed consolidated financial statements and the information in the "*Supplementary Embedded Value Information*" included elsewhere in this Supplemental Offering Circular.

The interim consolidated income statement and interim consolidated statement of financial position include amounts attributable to unit-linked contracts. Such amounts are excluded in calculating OPAT, which is set forth in "*Other Data*" below.

CONSOLIDATED INCOME STATEMENT

(in US$ millions)	Six months ended 30 June (Unaudited) 2022	Six months ended 30 June (Unaudited) 2021
Revenue		
Premiums and fee income	18,732	18,609
Premiums ceded to reinsurers	(1,339)	(1,361)
Net premiums and fee income	17,393	17,248
Investment return	(14,464)	6,780
Other operating revenue	153	166
Total revenue	**3,082**	**24,194**
Expenses		
Insurance and investment contract benefits	663	17,272
Insurance and investment contract benefits ceded	(1,063)	(1,202)
Net insurance and investment contract benefits	(400)	16,070
Commission and other acquisition expenses	2,061	2,267
Operating expenses	1,564	1,439
Finance costs	183	176
Other expenses	375	530
Total expenses	**3,783**	**20,482**
(Loss)/Profit before share of profit from associates and joint ventures	**(701)**	**3,712**
Share of (loss)/profit from associates and joint ventures	(23)	2
(Loss)/Profit before tax	**(724)**	**3,714**
Tax credit/(expense)	168	(445)
Net (loss)/profit	**(556)**	**3,269**
Less: amounts attributable to non-controlling interests	15	24
Net (loss)/profit attributable to shareholders of the Issuer	**(571)**	**3,245**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in US$ millions)	As at 30 June 2022 (Unaudited)	As at 31 December 2021
Assets		
Intangible assets	3,132	2,914
Investments in associates and joint ventures	2,265	679
Property, plant and equipment	2,740	2,744
Investment property	4,553	4,716
Reinsurance assets	4,956	4,991
Deferred acquisition and origination costs	29,126	28,708
Financial investments:		
Loans and deposits	8,702	9,311
Available for sale		
Debt securities	131,039	161,087
At fair value through profit or loss		
Debt securities	36,783	38,993
Equity securities	25,847	30,822
Interests in investment funds	38,550	40,195
Derivative financial instruments	344	1,468
Total financial investments	241,265	281,876
Deferred tax assets	278	50
Current tax recoverable	112	120
Other assets	6,217	8,087
Cash and cash equivalents	6,878	4,989
Total assets	**301,522**	**339,874**
Liabilities		
Insurance contract liabilities	218,606	239,423
Investment contract liabilities	10,238	11,860
Borrowings	10,338	9,588
Obligations under repurchase agreements	2,186	1,588
Derivative financial instruments	6,844	1,392
Provisions	188	194
Deferred tax liabilities	3,508	5,982
Current tax liabilities	578	389
Other liabilities	7,598	8,524
Total liabilities	**260,084**	**278,940**
Equity		
Share capital	14,163	14,160
Employee share-based trusts	(290)	(225)
Other reserves	(11,841)	(11,841)
Retained earnings	46,421	49,984
Fair value reserve	(5,788)	8,407
Foreign currency translation reserve	(2,720)	(1,068)
Property revaluation reserve	1,074	1,069
Others	(19)	(19)
Amounts reflected in other comprehensive income	(7,453)	8,389
Total equity attributable to shareholders of the Issuer	**41,000**	**60,467**
Non-controlling interests	438	467
Total equity	**41,438**	**60,934**
Total liabilities and equity	**301,522**	**339,874**

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"* in the Original Offering Circular.

	For the six months ended 30 June	
(in US$ millions, except ratios)	**2022**	**2021**
VONB(1)	**1,536**	**1,814**
ANP(1)	**2,778**	**3,060**
TWPI(1)	**18,568**	**18,511**
OPAT(1)(2)	**3,223**	**3,182**
	As at 30 June 2022	**As at 31 December 2021**
EV Equity(1)	**72,326**	**75,001**
Group LCSM Cover Ratio (PCR basis)(3)	**277%**	**291%**(4)
Group LCSM Cover Ratio (MCR basis)(3)	**567%**	**399%**
Leverage Ratio(5)	**20.0%**	**13.6%**

(1) Definitions of VONB, ANP, TWPI, OPAT and EV Equity are provided in the Glossary beginning on page A-1 of the Original Offering Circular.

(2) For a reconciliation of OPAT to net profit, see note 4 to our 2022 interim condensed consolidated financial statements included elsewhere in this Supplemental Offering Circular. OPAT is calculated before non-operating investment returns and other items, net of tax.

(3) At 31 December 2021, the Group LCSM Cover Ratio was calculated by dividing the Group Available Capital by the Group Minimum Capital Requirement ("**GMCR**"). From 1 January 2022 onwards, the Group LCSM Cover Ratio was calculated by dividing the Group Available Capital by the Group Prescribed Capital Requirement ("**GPCR**"). See "*Interim Results – Group LCSM Solvency Position*" for further information.

(4) This is the proforma Group LCSM Cover Ratio on the new PCR basis, which includes the impact of the early adoption of the HKRBC regime, the new China Risk-Oriented Solvency System phase 2 ("**C-ROSS II**") regime and the release of additional resilience margins. See "*Interim Results – Group LCSM Solvency Position*" for further information.

(5) The Leverage Ratio is calculated by dividing Total Borrowings by Total Capitalisation, each as set out or defined in "*Total Capitalisation*" in the Original Offering Circular.

INTERIM RESULTS

INTERIM FINANCIAL REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2022

The management discussion and analysis below covers the financial results for the six month period from 1 January 2022 to 30 June 2022 for the current period and for the six month period from 1 January 2021 to 30 June 2021 for the prior period. All figures included in this Supplemental Offering Circular are presented in actual reporting currency (U.S. dollar) and based on actual exchange rates unless otherwise stated.

New Business Performance

VONB, ANP AND VONB MARGIN BY SEGMENT

US$ millions, unless otherwise stated	Six months ended 30 June 2022 VONB	Six months ended 30 June 2022 VONB Margin	Six months ended 30 June 2022 ANP	Six months ended 30 June 2021 VONB	Six months ended 30 June 2021 VONB Margin	Six months ended 30 June 2021 ANP	VONB Change %
Mainland China	563	67.4%	835	738	82.1%	899	(24)%
Hong Kong	323	69.3%	443	313	57.5%	505	3%
Thailand	260	83.8%	311	312	93.5%	333	(17)%
Singapore	161	65.9%	244	176	63.2%	279	(9)%
Malaysia	161	67.2%	239	157	61.7%	253	3%
Other Markets	207	29.1%	706	253	32.1%	791	(18)%
Subtotal	**1,675**	**59.6%**	**2,778**	**1,949**	**62.9%**	**3,060**	**(14)%**
Adjustment to reflect consolidated reserving and capital requirements	(25)	n/m	n/m	(31)	n/m	n/m	n/m
After-tax value of unallocated Group Office expenses	(99)	n/m	n/m	(88)	n/m	n/m	n/m
Total before non-controlling interests	**1,551**	**55.2%**	**2,778**	**1,830**	**59.0%**	**3,060**	**(15)%**
Non-controlling interests	(15)	n/m	n/m	(16)	n/m	n/m	n/m
Total	**1,536**	**55.2%**	**2,778**	**1,814**	**59.0%**	**3,060**	**(15)%**

During the six months ended 30 June 2022, the local currencies of our markets depreciated against our reporting currency (U.S. dollar). The impact of exchange rate fluctuations is included in the movement of financial data reported in this Supplemental Offering Circular.

The initial outbreak of the Omicron variant in the three months ended 31 March 2022 affected consumer demand across many of our markets and extended into the three months ended 30 June 2022 especially in Mainland China. Reported VONB of US$1,536 million for the six months ended 30 June 2022 was 15% lower than the six months ended 30 June 2021.

VONB for the six months ended 30 June 2022 has been calculated using the HKRBC and new China Risk-Oriented Solvency System phase 2 ("**C-ROSS II**") bases. The impact on VONB from the adoption of these new bases was immaterial.

ANP of US$2,778 million for the six months ended 30 June 2022 was 9% lower and VONB margin for the six months ended 30 June 2022 reduced by 3.8 percentage points to 55.2% compared to the six months ended 30 June 2021, driven mainly by increased acquisition expense overruns resulting from lower sales volumes and a more balanced product mix for AIA China compared to the six months ended 30 June 2021.

VONB of AIA China for the six months ended 30 June 2022 declined 24% compared to the six months ended 30 June 2021. The product mix for the six months ended 30 June 2022 was more balanced compared to the six months ended 30 June 2021, which reported a high level of traditional protection sales driven by a change in regulation. VONB margin for the six months ended 30 June 2022 decreased compared to the six months ended 30 June 2021, which was in line with the trend observed in the six months ended 31 December 2021, reflecting VONB growth driven by our broad range of long-term saving products.

VONB from AIA Hong Kong increased 3% for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, supported by growth from both our agency and partnership channels. Enhanced profitability from our participating products drove a strong increase in VONB margin to 69.3% for the six months ended 30 June 2022, which was partially offset by the decline in ANP compared to the six months ended 30

June 2021. The continuing suspension of the Individual Visit Scheme has restricted cross-border travels and hence limited sales to Mainland Chinese visitors in Hong Kong. The scheme has resumed in Macau and our Macau branch reported VONB growth from Mainland Chinese visitors in the six months ended 30 June 2022 compared to the six months ended 30 June 2021.

AIA Thailand's VONB for the six months ended 30 June 2022 declined 17% from the six months ended 30 June 2021. ANP for the six months ended 30 June 2022 declined by 7% compared to the six months ended 30 June 2021, and VONB margin for the six months ended 30 June 2022 reduced compared to the six months ended 30 June 2021 primarily driven by the reduction in sales of riders.

VONB from AIA Singapore declined by 9% and ANP declined by 13% for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, as the first Omicron wave disrupted sales activity in the three months ended 31 March 2022. VONB margin increased to 65.9% for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, which was attributed to favourable operating assumption updates.

AIA Malaysia reported 3% VONB growth in the six months ended 30 June 2022 compared to the six months ended 30 June 2021, driven by growth from both our agency and partnership channels. VONB margin for the six months ended 30 June 2022 improved by 5.5 percentage points to 67.2%, compared to the six months ended 30 June 2021, supported by a reduction in acquisition expense overruns.

VONB for the Other Markets segment for the six months ended 30 June 2022 reduced by 18% compared to the six months ended 30 June 2021, as the first wave of Omicron caused disruption to sales in a number of our markets. Our businesses in India and Taiwan (China) reported strong VONB growth for the six months ended 30 June 2022 compared to the six months ended 30 June 2021. ANP for the Other Markets segment for the six months ended 30 June 2022 reduced by 11%, and VONB margin for the six months ended 30 June 2022 reduced to 29.1%, compared to the six months ended 30 June 2021, due to the reduction in sales volumes driving an increase in acquisition expense overruns.

EV Equity

EV Equity was US$72,326 million as at 30 June 2022 compared to US$75,001 million as at 31 December 2021. Before the payment of the final shareholder dividend for 2021 of US$1,650 million and the additional return of capital to shareholders from the share buy-back programme of US$1,342 million during the six months ended 30 June 2022, EV Equity as at 30 June 2022 increased by less than 1% compared to 31 December 2021. The stable movement of EV Equity for the six months ended 30 June 2022 was driven by EV operating profit of US$3,953 million, the positive effect from the early adoption of the HKRBC regime of US$2,379 million and the release of additional resilience margins held by the Group under the previous HKIO basis of US$885 million, which were partially offset by the negative impacts from investment return variances of US$4,793 million and the impact of exchange rates and other items of US$1,961 million.

EV EQUITY

US$ millions, unless otherwise stated	As at 30 June 2022	As at 31 December 2021
EV	**70,105**	**72,987**
Goodwill and other intangible assets[1]	2,221	2,014
EV Equity	**72,326**	**75,001**

Note:
(1) Consistent with the 2022 interim condensed consolidated financial statements included elsewhere in this Supplemental Offering Circular. Net of tax, amounts attributable to participating funds and non-controlling interests.

EV OPERATING PROFIT

EV operating profit decreased by US$139 million to US$3,953 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, reflecting VONB of US$1,536 million and an expected return on EV of US$2,229 million. The expected return on EV for the six months ended 30 June 2022 increased by US$164 million compared to the six months ended 30 June 2021, primarily due to the higher opening EV. Operating variances were positive at US$359 million as our overall experience has continued to exceed our EV assumptions.

EV MOVEMENT

EV decreased by US$2,882 million to US$70,105 million as at 30 June 2022 compared to US$72,987 million as at 31 December 2021. The decrease in EV is reported after the payment of the final shareholder dividend for 2021 of US$1,650 million and the additional return of capital to shareholders from the share buy-back programme of US$1,342 million.

For the six months ended 30 June 2022, the combined impact of EV operating profit of US$3,953 million, the effect of early adoption of the HKRBC regime of US$2,379 million, and the release of additional resilience margins of US$885 million was partially offset by the negative impacts from investment return variances of US$4,793 million and the impact of exchange rates and other items of US$2,168 million. The negative impact of investment return variances on ANW was US$4,436 million for the six months ended 30 June 2022, driven by the mark-to-market impact on surplus assets reflecting the effect of higher bond yields and equity market movements.

Long-term investment return assumptions remained unchanged from those reported at the twelve months ended 31 December 2021.

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

US$ millions, unless otherwise stated	Six months ended 30 June 2022 ANW	VIF	EV
Opening EV	**33,302**	**39,685**	**72,987**
Release of resilience margins	2,168	(1,283)	885
Impact of HKRBC early adoption	8,407	(6,028)	2,379
Value of new business	(144)	1,680	1,536
Expected return on EV	2,338	(109)	2,229
Operating experience variances	388	(4)	384
Operating assumption changes	(2)	(23)	(25)
Finance costs	(171)	-	(171)
EV operating profit	**2,409**	**1,544**	**3,953**
Investment return variances	(4,436)	(357)	(4,793)
Other non-operating variances	(1,548)	1,402	(146)
Total EV profit	**7,000**	**(4,722)**	**2,278**
Dividends	(1,650)	-	(1,650)
Share buy-back	(1,342)	-	(1,342)
Other capital movements	(55)	-	(55)
Effect of changes in exchange rates	(960)	(1,153)	(2,113)
Closing EV	**36,295**	**33,810**	**70,105**

US$ millions, unless otherwise stated	Six months ended 30 June 2021 ANW	VIF	EV
Opening EV	**28,503**	**36,744**	**65,247**
Value of new business	(400)	2,214	1,814
Expected return on EV	2,456	(391)	2,065
Operating experience variances	471	(85)	386
Operating assumption changes	42	(65)	(23)
Finance costs	(150)	-	(150)
EV operating profit	**2,419**	**1,673**	**4,092**
Investment return variances	1,482	(463)	1,019
Other non-operating variances	833	(794)	39
Total EV profit	**4,734**	**416**	**5,150**
Dividends	(1,558)	-	(1,558)
Other capital movements	(48)	-	(48)
Effect of changes in exchange rates	(86)	(526)	(612)
Closing EV	**31,545**	**36,634**	**68,179**

IFRS Profit

OPAT[1] BY SEGMENT

US$ millions, unless otherwise stated	Six months ended 30 June 2022	Six months ended 30 June 2021	%
Mainland China	749	722	4%
Hong Kong	1,129	1,055	7%
Thailand	341	485	(30)%
Singapore	371	339	9%
Malaysia	201	194	4%
Other Markets	388	391	(1)%
Group Corporate Centre	44	(4)	n/m
Total	**3,223**	**3,182**	**1%**

Note:
(1) Attributable to shareholders of the Issuer only and excludes non-controlling interests.

OPAT increased by 1% to US$3,223 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, which was driven by our high-quality, recurring sources of earnings and proactive management of our growing in-force portfolio, partially offset by increased medical claims in Thailand, where customers were treated for COVID-19 in private hospitals during the initial Omicron wave. Successive cohorts of new business add to our in-force portfolio and translate into higher earnings over time. Operating margin increased to 17.5% for the six months ended 30 June 2022 compared to the six months ended 30 June 2021.

Mainland China's OPAT increased 4% for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, primarily driven by growth in our in-force portfolio which was partially offset by lower operating investment returns.

Hong Kong reported OPAT growth of 7% for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, supported by growth in our in-force portfolio and higher operating investment returns.

Thailand's OPAT decreased by 30% for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, driven by higher medical claims from customers seeking treatment for COVID-19 in private hospitals during the first Omicron wave.

Singapore's OPAT increased by 9% for the six month ended 30 June 2022 compared to the six months ended 30 June 2021 as a result of the growing in-force portfolio, increased equity operating investment returns and favourable claims experience.

Malaysia's OPAT increased by 4% for the six months ended 30 June 2022 compared with the six months ended 30 June 2021, driven by growth in our in-force portfolio and favourable claims experience.

OPAT from Other Markets decreased by 1% for the six months ended 30 June 2022 compared with the six months ended 30 June 2021, primarily driven by increased expenses related to our investments in technology, which was partially offset by growth in our in-force portfolio and improved claims experience.

TWPI BY SEGMENT

US$ millions, unless otherwise stated	Six months ended 30 June 2022	Six months ended 30 June 2021	%
Mainland China	4,509	3,961	14%
Hong Kong	5,404	5,773	(6)%
Thailand	1,989	2,089	(5)%
Singapore	1,800	1,730	4%
Malaysia	1,248	1,200	4%
Other Markets	3,618	3,758	(4)%
Total	**18,568**	**18,511**	**-%**

TWPI increased by US$57 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021. In Hong Kong, TWPI decreased by 6% for the six months ended 30 June 2022 compared with the six months ended 30 June 2021, driven by a significant cohort of long-term participating policies reaching the end of its premium payment term, while continuing to generate OPAT. Total recurring premiums accounted for over 90% of premiums received for the six months ended 30 June 2022. In Thailand, TWPI reduced for the six months ended 30 June 2022 compared to the six months ended 30 June 2021 due to negative exchange rate movements.

IFRS OPERATING PROFIT INVESTMENT RETURN

US$ millions, unless otherwise stated	Six months ended 30 June 2022	Six months ended 30 June 2021	%
Interest income	3,783	3,754	1%
Expected long-term investment return for equities and real estate	1,818	1,427	27%
Total	**5,601**	**5,181**	**8%**

IFRS operating profit investment return increased by 8% to US$5,601 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, primarily driven by higher investment balances of equities and real estate.

OPERATING EXPENSES

US$ millions, unless otherwise stated	Six months ended 30 June 2022	Six months ended 30 June 2021	%
Operating expenses	1,564	1,439	9%

Operating expenses grew by 9% to US$1,564 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021. Increases in base salaries accounted for 1% of the increase in operating expenses, while additional project costs and investments to accelerate the Group’s step-change in the use of technology, digital and analytics were the main drivers of the remaining increase. The expense ratio was 8.4% for the six months ended 30 June 2022 compared with 7.8% for the six months ended 30 June 2021.

NET (LOSS)/PROFIT[1]

US$ millions, unless otherwise stated	Six months ended 30 June 2022	Six months ended 30 June 2021	%
OPAT	3,223	3,182	1%
Short-term fluctuations in investment return related to equities and real estate, net of tax[2]	(1,813)	199	n/m
Reclassification of revaluation gains for property held for own use, net of tax[2]	(21)	(37)	n/m
Corporate transaction related costs, net of tax	(28)	(19)	n/m
Implementation costs of new accounting standards, net of tax	(29)	(28)	n/m
Other non-operating investment return and other items, net of tax	(1,903)	(52)	n/m
Total	**(571)**	**3,245**	**n/m**

Notes:
(1) Attributable to shareholders of the Issuer only, excluding non-controlling interests.
(2) Short-term fluctuations in investment return include the revaluation gains and losses for property held for own use. This amount is then reclassified out of net (loss)/profit to conform to IFRS measurement and presentation.

IFRS NON-OPERATING MOVEMENT

IFRS net profit decreased to a net loss of US$571 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021. Our definition of net profit includes mark-to-market movements from equity and investment property portfolios. Negative short-term fluctuations compared with long-term assumptions for equities and real estate were US$1,813 million, compared to a positive movement of US$199 million for the six months ended 30 June 2021.

Other non-operating investment return and other items of negative US$1,903 million for the six months ended 30 June 2022 were largely from non-economic fair value movements on derivative financial instruments of US$1,552 million due to a significant increase in interest rates in the six months ended 30 June 2022. The Group's use of derivative contracts protects shareholders and policyholders from the effects of market interest rate volatility. While the Group aims to economically hedge underlying interest rate exposures, hedge accounting is not applied, resulting in an accounting mismatch within IFRS net profit.

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, Cambodia, India, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China) and Vietnam; and (iii) our Group Corporate Centre reporting segment.

The following summarises the results of operations of each of our geographical market segments.

Mainland China

	Six months ended 30 June	
	2022	**2021**
	(in US$ millions, except VONB margin)	
VONB(1)	563	738
VONB margin(2)	67.4%	82.1%
ANP	835	899
TWPI	4,509	3,961
OPAT	749	722

(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 which is consistent with the definition of ANP used within the calculation.

Six Months Ended 30 June 2022 Compared with Six Months Ended 30 June 2021

VONB decreased by 24% and VONB margin decreased by 14.7 percentage points for the six months ended 30 June 2022 compared with the six months ended 30 June 2021, primarily driven by the substantial impact from COVID-19 related disruption and effects from a product mix shift resulting from a regulatory change that accelerated demand for traditional protection products in the six months ended 30 June 2021 and increased sales from our long-term savings products in the six months ended 30 June 2022.

ANP decreased by 7% to US$835 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021 driven by the impact from COVID-19 related disruption. TWPI increased by 14% to US$4,509 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021 driven by strong persistency and strong new business sales in the twelve months ended 31 December 2021.

OPAT from Mainland China increased by 4% to US$749 million for the six months ended 30 June 2022 compared with the six months ended 30 June 2021, primarily driven by growth in our in-force portfolio which was partially offset by lower operating investment returns.

AIA China's long-established Premier Agency strategy is a key differentiator and a significant competitive advantage. In the six months ended 30 June 2022, our enhanced recruitment platform supported growth in the number of new recruits while maintaining stringent quality requirements. Proprietary training programmes and digital tools support the career development of agents and equip them to provide professional advice. Through our Family Insurance Consulting service application and data-driven integrated customer platform, One Experience, agents provide targeted and tailored recommendations based on the customer's individual needs for long-term savings and protection. In the six months ended 30 June 2022, these powerful customer-centric tools have supported strong growth in productivity for our active agents and traditional protection products remained the largest contributor to VONB for our new agents and AIA China overall.

Mainland China offers tremendous growth potential for us both within our existing footprint and in new geographies. We have continued to make good progress expanding into new provinces with the launch in January of our new operation in Wuhan, Hubei. In May, we also received approval from the CBIRC to begin preparations for a new branch in Zhengzhou, Henan. We have continued to expand our distribution channels following the launch of our partnership with BEA in 2021, and we began sales through Postal Savings Bank of China in Shenzhen in the three months ended 30 June 2022.

Hong Kong

	Six months ended 30 June	
	2022	2021
	(in US$ millions, except VONB margin)	
VONB[(1)]	323	313
VONB margin[(2)]	69.3%	57.5%
ANP	443	505
TWPI	5,404	5,773
OPAT	1,129	1,055

(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 which is consistent with the definition of ANP used within the calculation.

Six Months Ended 30 June 2022 Compared with Six Months Ended 30 June 2021

VONB increased by 3% to US$323 million for the six months ended 30 June 2022 compared with the six months ended 30 June 2021, supported by growth from agency and partnership channels.

VONB margin increased by 11.8 percentage points to 69.3% for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, driven by enhanced profitability from our participating products.

ANP decreased by 12% to US$443 million and TWPI decreased by 6% to US$5,404 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, primarily driven by tighter social distancing measures due to COVID-19 and sales from Mainland Chinese visitors remaining minimal as a result of continued travel restrictions. In the six months ended 30 June 2022, with the continuing suspension of the Individual Visit Scheme limited sales to Mainland Chinese visitors in Hong Kong, our Macau branch achieved strong VONB growth from Mainland Chinese visitors compared with the six months ended 30 June 2021.

OPAT grew by 7% to US$1,129 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, driven by growth in the in-force portfolio and higher operating investment returns.

Our Premier Agency remained the market leader in agency distribution in Hong Kong and our powerful digital tools supported a further increase in agency productivity. VONB growth from the partnership channel increased for the six months ended 30 June 2022, supported by a strong performance from BEA.

Thailand

	Six months ended 30 June	
	2022	2021
	(in US$ millions, except VONB margin)	
VONB[(1)]	260	312
VONB margin[(2)]	83.8%	93.5%
ANP	311	333
TWPI	1,989	2,089
OPAT	341	485

(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, which is consistent with the definition of ANP used within the calculation.

Six Months Ended 30 June 2022 Compared with Six Months Ended 30 June 2021

VONB decreased by 17% to US$260 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, as the strong performance for the six months ended 30 June 2021 was driven by sales of a newly launched medical rider product.

VONB margin decreased from 93.5% for the six months ended 30 June 2021 to 83.8% for the six months ended 30 June 2022, primarily due to a product mix shift from medical riders to unit-linked products.

ANP decreased by 7% to US$311 million and TWPI decreased by 5% to US$1,989 million for the six months ended 30 June 2022 compared with the six months ended 30 June 2021, primarily driven by the reduction in sales of medical riders.

AIA Thailand's OPAT decreased by 30% to US$341 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021 due to higher medical claims, primarily from customers seeking treatment for COVID-19 in private hospitals during the first Omicron wave.

We have continued to accelerate the use of digital tools to support our market-leading agency force and improved productivity in the six months ended 30 June 2022. Our focus on quality recruitment helped deliver growth in the number of new recruits.

Singapore

	Six months ended 30 June	
	2022	**2021**
	(in US$ millions, except VONB margin)	
VONB[(1)]	161	176
VONB margin[(2)]	65.9%	63.2%
ANP	244	279
TWPI	1,800	1,730
OPAT	371	339

(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 which is consistent with the definition of ANP used within the calculation.

Six Months Ended 30 June 2022 Compared with Six Months Ended 30 June 2021

VONB decreased by 9% to US$161 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, as the first Omicron wave disrupted sales activity.

VONB margin increased by 2.7 percentage points to 65.9% for the six months ended 30 June 2022 compared with the six months ended 30 June 2021, driven by favorable operating assumption updates.

ANP decreased by 13% to US$244 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021 as Omicron caused disruption to sales activity. TWPI increased by 4% to US$1,800 million for the six months ended 30 June 2022 compared with the six months ended 30 June 2021, which was attributed to growth of the in-force portfolio.

OPAT from Singapore increased by 9% to US$371 million for the six months ended 30 June 2022 compared with the six months ended 30 June 2021 as a result of growth in our in-force portfolio, increased equity investment returns and favourable claims experience.

Malaysia

	Six months ended 30 June	
	2022	2021
	(in US$ millions, except VONB margin)	
VONB[(1)]	161	157
VONB margin[(2)]	67.2%	61.7%
ANP	239	253
TWPI	1,248	1,200
OPAT	201	194

(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 which is consistent with the definition of ANP used within the calculation.

VONB increased by 3% to US$161 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, as a result of growth from our agency and partnership channels in the three months ended 30 June 2022, which was offset by the decline in the three months ended 31 March 2022 during the initial wave of Omicron.

VONB margin increased by 5.5 percentage points to 67.2% for the six months ended 30 June 2022 compared with the six months ended 30 June 2021, reflecting a reduction in acquisition expense overruns.

ANP decreased by 6% to US$239 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021 as Omicron disrupted sales activity. TWPI increased by 4% to US$1,248 million for the six months ended 30 June 2022 compared with the six months ended 30 June 2021 attributed to growth of in-force portfolio.

OPAT increased by 4% to US$201 million for the six months ended 30 June 2022 compared with the six months ended 30 June 2021, driven by growth in our in-force portfolio and favourable claims experience.

In agency, our continued efforts on driving adoption of digital tools to manage their day-to-day activities has supported growth in the number of active agents. Our partnership channel reported VONB growth in the six months ended of 30 June 2022, driven by our exclusive bancassurance partnership with Public Bank Berhad. Our Takaful business reported VONB growth for the six months ended 30 June 2022 compared to the six months ended 30 June 2021.

Other Markets

	Six months ended 30 June	
	2022	2021
	(in US$ millions, except VONB margin)	
VONB[(1)(4)]	207	253
VONB margin[(2)]	29.1%	32.1%
ANP[(4)]	706	791
TWPI[(3)]	3,618	3,758
OPAT[(4)]	388	391

(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, which is consistent with the definition of ANP used within the calculation.
(3) TWPI excludes the contribution from Tata AIA Life.
(4) ANP, VONB and OPAT include the contribution from Tata AIA Life.

Six Months Ended 30 June 2022 Compared with Six Months Ended 30 June 2021

Our Other Markets segment reported an 18% decrease in VONB to US$207 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, as the first wave of Omicron caused disruption to sales in a number of our markets. Despite experiencing an Omicron wave, our businesses in India and Taiwan (China) reported strong VONB growth for the six months ended 30 June 2022 compared to the six months ended 30 June 2021.

VONB margin decreased by 3.0 percentage points to 29.1% for the six months ended 30 June 2022 compared with the six months ended 30 June 2021 as a result of the reduction in volumes that drove an increase in acquisition expense overruns.

ANP decreased by 11% to US$706 million and TWPI decreased by 4% to US$3,618 million for the six months ended 30 June 2022 compared with 30 June 2021, driven by Omicron disrupted sales activity.

OPAT decreased by 1% to US$388 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, driven by our investments in technology, which was partially offset by growth in our in-force portfolio and improved claims experience.

Geographical Market Highlights

AIA Australia reported a reduction in VONB for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, as sales from our independent financial adviser (IFA) channel reduced, driving an increase in acquisition expense overruns. AIA Australia reported OPAT growth driven by improved claims experience for the six months ended 30 June 2022 compared to the six months ended 30 June 2021.

AIA Cambodia reported VONB growth as we continue to execute our multi-channel distribution strategy. In agency, we focused on quality recruitment and training, which supported an increase in agency activity and productivity.

Tata AIA Life Insurance Company Limited (“**Tata AIA Life**”) reported business growth across all channels and maintained our industry leading position in the pure retail protection market in India for the six months ended 30 June 2022. Our highly-digitalised Premier Agency model, coupled with quality recruitment, helped deliver growth in agency VONB. We reported VONB growth in our bancassurance channel as we continued to strengthen the relationship with our partners and drove productivity management. Our partnership with PolicyBazaar also reported positive growth, supported by our comprehensive suite of digital capabilities and differentiated product offerings.

AIA Indonesia reported a decline in VONB for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, attributed to the Omicron outbreak. AIA Indonesia reported positive VONB growth in the three months ended 30 June 2022 compared to the three months ended 31 March 2022 driven by a proactive shift in product mix away from unit-linked products. Our ongoing focus on quality recruitment supported the growth in new agent productivity. Our strategic bancassurance partnership with Bank Central Asia reported growth in VONB for the six months ended 30 June 2022 compared to the six months ended 30 June 2021.

AIA Myanmar reported positive VONB growth for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, supported by an increase in the number of active agents and expansion of bank branch coverage. VONB margins also improved as sales shifted towards our enhanced coverage protection products.

AIA New Zealand reported a decline in VONB for the six months ended June 2022 compared to the six months ended 30 June 2021, driven by lower production from our IFA channel which was partially offset by growth from our bancassurance channel, improved productivity of insurance specialists and higher utilisation of digital tools.

AIA Philippines recorded a decline in VONB for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, although it reported growth in the three months ended 30 June 2022 compared to the three months ended 30 June 2021 as the impact of Omicron subsided. In agency, our continued focus on the adoption of digital tools and quality recruitment supported growth in the number of new recruits. The increased utilisation of digital tools and the development of digital direct capabilities drove an improvement in the productivity of our bank insurance specialists.

AIA Korea recorded a decline in VONB for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, as recruitment of sales representatives into our direct salesforce was impacted by a regulatory change that was implemented in 2022. We reported VONB growth for the six months ended 30 June 2022 compared to the six months ended 30 June 2021 in our bancassurance business as we continued to enhance our product offering.

AIA Sri Lanka reported a decline in VONB for the six months ended 30 June 2022 compared to the six months ended 30 June 2021. As the operating environment became increasingly challenging, we have focused on providing support to our customers, agents and employees.

AIA Taiwan recorded growth in VONB for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, primarily driven by performance from our broker channel and a favourable shift in product mix. We continued to focus on strengthening our relationships with key bancassurance and IFA partners by offering tailor-made training programmes and comprehensive sales support.

AIA Vietnam reported a decline in VONB for the six months ended 30 June 2022 compared to the six months ended 30 June 2021. In agency, we continued to focus on enhancing and driving adoption of our digital tools among our agents, resulting in a positive increase in remote sales adoption for the six months ended 30 June 2022 compared to the six months ended 30 June 2021. As the Omicron wave subsided, we saw a recovery in agency recruitment momentum, with an increase in the number of new recruits in the three months ended 30 June 2022 compared to the three months ended 31 March 2022. Our strategic bancassurance partnership with VPBank reported positive VONB growth, supported by improved productivity of bank insurance specialists.

HOLDING COMPANY FINANCIAL RESOURCES

At 30 June 2022, holding company financial resources were US$11,350 million compared with US$13,136 million at 31 December 2021. The decrease of US$1,786 million resulted primarily from the payment of the final shareholder dividend for 2021 of US$1,650 million and the return of capital of US$1,342 million through the share buy-back programme.

Net capital flows to the holding company from subsidiaries were US$1,478 million and net proceeds from the issuances of medium term notes and securities were US$824 million for the six months ended 30 June 2022. Investment income and mark-to-market movements caused US$927 million reduction for the six months ended 30 June 2022, mainly due to negative fair value movements on debt securities driven by a significant increase in bond yields and a reduction in equity markets in the six months ended 30 June 2022.

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

US$ millions, unless otherwise stated	Six months ended 30 June 2022	Six months ended 30 June 2021
Opening holding company financial resources	**13,136**	**12,388**
Net capital flows to holding company	1,478	1,908
Increase in borrowings[1]	824	619
Interest payments on borrowings[1]	(169)	(157)
Investment income, mark-to-market movements in debt securities and others	(927)	(281)
Closing holding company financial resources before dividends	**14,342**	**14,477**
Dividends paid	(1,650)	(1,558)
Share buy-back	(1,342)	-
Closing holding company financial resources	**11,350**	**12,919**

Assets recoverable and liabilities repayable within 12 months as follows:

US$ millions, unless otherwise stated	As at 30 June 2022	As at 30 June 2021
Loans to/amounts due from subsidiaries[2]	99	85
Medium term notes and securities[3]	(665)	(500)
Net other assets and other liabilities	(37)	(65)

Notes:
(1) Borrowings principally include medium term notes and securities; other intercompany loans; and amounts outstanding, if any, from the Company's US$2,290 million unsecured committed credit facilities.
(2) As at 30 June 2022, loans to/amounts due from subsidiaries was US$1,913 million (31 December 2021: US$1,917 million). US$99 million was recoverable within the 12 months after the period ended 30 June 2022 (30 June 2021: US$85 million).
(3) As at 30 June 2022, medium term notes and securities placed to the market was US$10,338 million (31 December 2021: US$9,588 million). US$665 million was repayable within the 12 months after the period ended 30 June 2022 (30 June 2021: US$500 million). Details of the medium term notes and securities placed to the market are included in note 18 to the interim condensed consolidated financial statements.

IFRS Balance Sheet

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$ millions, unless otherwise stated	As at 30 June 2022	As at 31 December 2021	Change %
Assets			
Financial investments	241,265	281,876	(14)%
Investment property	4,553	4,716	(3)%
Cash and cash equivalents	6,878	4,989	38%
Deferred acquisition and origination costs	29,126	28,708	1%
Other assets	19,700	19,585	1%
Total assets	**301,522**	**339,874**	**(11)%**
Liabilities			
Insurance and investment contract liabilities	228,844	251,283	(9)%
Borrowings	10,338	9,588	8%
Other liabilities	20,902	18,069	16%
Less total liabilities	**260,084**	**278,940**	**(7)%**
Equity			
Total equity	41,438	60,934	(32)%
Less non-controlling interests	438	467	(6)%
Total equity attributable to shareholders of AIA Group Limited	**41,000**	**60,467**	**(32)%**

MOVEMENT IN SHAREHOLDERS' EQUITY

US$ millions, unless otherwise stated	Six months ended 30 June 2022	Year ended 31 December 2021	Six months ended 30 June 2021
Opening shareholders' equity	**60,467**	**63,200**	**63,200**
Net (loss)/profit	(571)	7,427	3,245
Fair value (losses)/gains on assets	(14,195)	(6,763)	(5,097)
Purchase of shares held by employee share-based trusts	(94)	(106)	(97)
Dividends	(1,650)	(2,147)	(1,558)
Revaluation gains on property held for own use	5	42	22
Foreign currency translation adjustments	(1,652)	(1,301)	(819)
Share buy-back	(1,342)	-	-
Other capital movements	32	115	48
Total movement in shareholders' equity	**(19,467)**	**(2,733)**	**(4,256)**
Closing shareholders' equity	**41,000**	**60,467**	**58,944**

TOTAL INVESTMENTS

US$ millions, unless otherwise stated	As at 30 June 2022	Percentage of total	As at 31 December 2021	Percentage of total
Total policyholder and shareholder	217,431	85%	253,585	86%
Total unit-linked contracts and consolidated investment funds	37,402	15%	40,059	14%
Total investments	**254,833**	**100%**	**293,644**	**100%**

UNIT-LINKED CONTRACTS AND CONSOLIDATED INVESTMENT FUNDS

US$ millions, unless otherwise stated	As at 30 June 2022	Percentage of total	As at 31 December 2021	Percentage of total
Unit-linked contracts and consolidated investment funds				
Debt securities	5,851	16%	6,660	17%
Loans and deposits	323	1%	365	1%
Equity shares and interests in investment funds	29,863	80%	31,909	80%
Cash and cash equivalents	1,302	3%	1,076	2%
Derivatives	63	-	49	-
Total unit-linked contracts and consolidated investment funds	**37,402**	**100%**	**40,059**	**100%**

POLICYHOLDER AND SHAREHOLDER INVESTMENTS

US$ millions, unless otherwise stated	As at 30 June 2022	Percentage of total	As at 31 December 2021	Percentage of total
Participating funds and Other participating business with distinct portfolios[1]				
Government bonds	11,063	5%	11,092	4%
Other government and government agency bonds	9,622	4%	11,372	5%
Corporate bonds and structured securities	44,616	21%	55,697	22%
Loans and deposits	2,502	1%	2,699	1%
Subtotal – Fixed income investments	**67,803**	31%	**80,860**	**32%**
Equity shares and interests in investment funds	25,063	12%	29,185	12%
Investment property and property held for own use	1,068	-	1,081	-
Cash and cash equivalents	1,115	1%	1,317	1%
Derivatives	90	-	1,190	-
Subtotal Participating funds and Other participating business with distinct portfolios	**95,139**	**44**%	**113,633**	**45%**
Other policyholder and shareholder				
Government bonds	39,549	18%	44,901	18%
Other government and government agency bonds	16,459	7%	19,345	8%
Corporate bonds and structured securities	40,662	19%	51,013	20%
Loans and deposits	5,877	4%	6,247	2%
Subtotal – Fixed income investments	**102,547**	**47%**	**121,506**	**48%**
Equity shares and interests in investment funds	9,471	4%	9,923	4%
Investment property and property held for own use	5,622	3%	5,698	2%
Cash and cash equivalents	4,461	2%	2,596	1%
Derivatives	191	-	229	-
Subtotal other policyholder and shareholder	**122,292**	**56%**	**139,952**	**55%**
Total policyholder and shareholder	**217,431**	**100%**	**253,585**	**100%**

Note:
(1) Participating 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", which represents the Hong Kong participating business, is supported by segregated investment assets and explicit provisions for future surplus distribution, though the division of surplus between policyholders and shareholders is not defined in regulations.

ASSETS

Total assets decreased by US$38,352 million to US$301,522 million at 30 June 2022, compared with US$339,874 million at 31 December 2021 due to positive net cash inflows for the six months ended 30 June 2022 offset by negative fair value movements on debt securities and derivative financial instruments driven by a significant increase in government bond yields, an increase in credit spreads and a reduction in equity markets over the six months ended 30 June 2022.

Fixed income investments, including debt securities, loans and term deposits held in respect of policyholders and shareholders totaled US$170,350 million at 30 June 2022 compared with US$202,366 million at 31 December 2021.

Government bonds and other government and government agency bonds represented 45% of fixed income investments at 30 June 2022, compared with 43% at 31 December 2021. Corporate bonds and structured securities accounted for 50% of fixed income investments at 30 June 2022, compared with 53% at 31 December 2021. Corporate bonds and structured securities decreased to US$85,278 million at 30 June 2022 compared with US$106,710 million at 31 December 2021, driven by a significant increase in both government bond yields and credit spreads over the six months ended 30 June 2022. The average credit rating of the fixed income portfolio excluding government bonds remained stable at A- compared with the position at 31 December 2021. The corporate bond portfolio is well diversified with over 2,000 issuers and with an average holding size of US$36 million. At 30 June 2022, approximately US$3.6 billion of bonds were rated below investment grade or not rated, representing 2% of our total bond portfolio. Approximately US$155 million of bonds, representing 0.1% of our total bond portfolio, were downgraded to below investment grade and we saw no material impairments in the six months ended 30 June 2022, reflecting the overall quality of the investment portfolio.

Equity shares and interests in investment funds totalled US$34,534 million at 30 June 2022, compared with US$39,108 million at 31 December 2021. The US$4,574 million decrease was mainly due to negative mark-to-market movements for the six months ended 30 June 2022. Equity shares and interests in investment funds of US$25,063 million were held in participating funds and other participating business with distinct portfolios.

Cash and cash equivalents increased by US$1,889 million to US$6,878 million at 30 June 2022 compared with US$4,989 million at 31 December 2021, to provide liquidity for, amongst other things, the ongoing execution of the share buy-back programme.

Other assets was broadly stable at US$19,700 million at 30 June 2022 compared with US$19,585 million at 31 December 2021.

LIABILITIES

Total liabilities decreased to US$260,084 million at 30 June 2022 from US$278,940 million at 31 December 2021.

Insurance and investment contract liabilities decreased to US$228,844 million at 30 June 2022 compared with US$251,283 million at 31 December 2021, reflecting negative mark-to-market movements on equities backing unit-linked and participating policies.

Borrowings increased to US$10,338 million at 30 June 2022, due to the net proceeds from the issuances of medium term notes and securities totalling US$824 million. The leverage ratio, which is defined as borrowings expressed as a percentage of total borrowings and equity, was 20.0% at 30 June 2022, compared with 13.6% at 31 December 2021. The increase in the leverage ratio was largely driven by the decline in the total equity attributable to shareholders as a result of market conditions and an accounting mismatch under IFRS 4 that debt securities are held at market value and insurance contract liabilities are based on long-term investment return assumptions that are locked in at the point of sale.

Details of commitments and contingencies are included in note 25 of the interim condensed consolidated financial statements.

EQUITY

Total equity attributable to shareholders includes a fair value reserve of negative US$5,788 million, which reflects mainly unrealised losses on available for sale debt securities. While these debt securities are held at market value, insurance contract liabilities under IFRS 4 are based on long-term investment return assumptions that are locked in at the point of sale, creating an accounting mismatch that does not reflect the underlying business economics.

In the six months ended 30 June 2022, the significant increase in both government bond yields and credit spreads caused a US$14,195 million reduction in the fair value reserve. Total equity attributable to shareholders was US$41,000 million at 30 June 2022 after the payment of the final shareholder dividend for 2021 of US$1,650 million and the US$1,342 million return of capital through the share buy-back programme.

Capital

GROUP LCSM SOLVENCY POSITION

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

Prior to 1 January 2022, the Group LCSM surplus and cover ratio were based on minimum capital requirements (the "**MCR basis**"). The Group Minimum Capital Requirement (the "**GMCR**") is the sum of the minimum capital requirements of each entity within the Group. The Group LCSM surplus was defined as the excess of Group Available Capital over the GMCR. The Group LCSM Cover Ratio was calculated as the ratio of the Group Available Capital to the GMCR.

Applying anticipated changes in disclosure requirements, the Group LCSM surplus and the Group LCSM Cover Ratio are now based on prescribed capital requirements (the "**PCR basis**").

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 surplus is now defined as the excess of the Group Available Capital over the GPCR and the Group LCSM Cover Ratio is calculated as the ratio of the Group Available Capital to the GPCR. The use of GPCR in these revised definitions is more relevant for shareholders when assessing the capital position of the Group and brings the LCSM required capital requirements more in line with the capital requirements currently used to calculate the EV.

On the new PCR basis as at 31 December 2021, the proforma Group LCSM surplus was US$54,745 million compared with the previous reported figure of US$50,663 million on the MCR basis. The increase was due to the early adoption of the HKRBC regime, the release of additional resilience margins held by the Group under the previous HKIO basis, as well as the introduction of C-ROSS II.

Under the new PCR basis, the proforma Group LCSM Cover Ratio as at 31 December 2021 was 291% compared with 399% on the MCR basis. The reduction was due to the higher capital requirements under the new PCR basis of US$28,711 million compared with the lower capital requirements under the old MCR basis of US$16,948 million.

The Group LCSM surplus decreased by US$5,499 million over the six months ended 30 June 2022, before the payment of the final shareholder dividends for 2021 of US$1,650 million and US$1,342 million additional return of capital through the share buy-back programme. The reduction was primarily due to movements in capital markets, reflecting higher bond yields and lower equity markets. As a result, the Group LCSM Cover Ratio reduced from 291% at 31 December 2021 to 277% at 30 June 2022 and remains strong.

The table shows a summary of the Group LCSM solvency position and includes the effects of the early adoption of the HKRBC regime, the introduction of the C-ROSS II regime and the move to the PCR basis as at 30 June 2022.

US$ millions, unless otherwise stated	**As at 30 June 2022**	As at 31 December 2021
Group LCSM Cover Ratio (PCR basis)(2)	**277%**	291%(5)
Group LCSM Cover Ratio (MCR basis)(2)	**567%**	399%
Group Available Capital	**72,412**	67,611
Tier 1 capital(3)	**47,520**	-
Other than Tier 1 capital	**24,892**	-
Group minimum capital requirement (GMCR)	**12,778**	16,948
Group prescribed capital requirement (GPCR)	**26,158**	-
Group LCSM surplus (MCR basis)(4)	**n/a**	50,663
Group LCSM surplus (PCR basis)(4)	**46,254**	-
Senior notes approved as contributing to Group Available Capital(1)	**5,817**	5,820

Notes:

(1) The amounts represent the carrying value of medium term notes and securities contributing to Group Available Capital. These are counted as Other than Tier 1 group capital under the GWS Capital Rules.

(2) The Group LCSM Cover Ratio definition changed from the ratio of the Group Available Capital to the GMCR at 31 December 2021 to the ratio of the Group Available Capital to the GPCR at 1 January 2022 and onwards.

(3) The Tier 1 capital is maintained in excess of GMCR with the ratio of the Tier 1 capital to GMCR being 372% at 30 June 2022.

(4) The Group LCSM surplus definition changed from Group Available Capital less GMCR at 31 December 2021 to Group Available Capital less GPCR at 1 January 2022 and onwards.

(5) This is the proforma Group LCSM Cover Ratio on the new PCR basis, which includes the impact from the early adoption of the HKRBC regime, the new C-ROSS II regime and the release of additional resilience margins. See "*Interim Results – Group LCSM Solvency Position*" for further information.

Other than Tier 1 capital within Group Available Capital includes:

(i) US$3,698 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. Perpetual subordinated securities receive full capital credit unless they are redeemed; and

(ii) US$5,817 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.

LOCAL SOLVENCY REQUIREMENTS

The Group's individual branches and subsidiaries are also subject to supervision, including relevant capital requirements, in the jurisdictions in which they and their parent 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 30 June 2022.

During the six months ended 30 June 2022, the local solvency requirements for Hong Kong and China were updated as follows:

Hong Kong

The HKIA is in the process of developing amendments to the HKIO to cater for the new HKRBC regime with an effective date of 1 January 2024. In a letter dated 8 April 2022, the HKIA approved AIA International's request to early adopt the HKRBC regime, with an effective date of 1 January 2022.

Mainland China

On 30 December 2021, the CBIRC issued updates, referred to as C-ROSS II, to the existing solvency regime with an effective date of 1 January 2022.

Global Medium term Note and Securities Programme

Under our Global Medium term Note (GMTN) and Securities Programme, on 29 March 2022, the Company issued unlisted Hong Kong dollar-denominated fixed rate medium term notes, which consisted of HK$6,500 million of 2-year notes at an annual rate of 2.25%. The US dollar-equivalent issued is approximately US$830 million.

At 30 June 2022, the aggregate carrying amount of the debt issued to the market under the GMTN and Securities Programme was US$10,338 million compared with US$9,588 million at 31 December 2021.

Credit Ratings

At 30 June 2022, AIA Co. had financial strength ratings of Aa2 (Very Low Credit Risk) with a stable outlook from Moody's; AA (Very Strong) with a stable outlook from Fitch; and AA- (Very Strong) with a stable outlook from S&P Global Ratings.

At 30 June 2022, the Company had issuer credit ratings of A1 (Low Credit Risk) with a stable outlook from Moody's; AA- (Very High Credit Quality) with a stable outlook from Fitch; and A+ (Strong) with a stable outlook from S&P Global Ratings.

INTERIM BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2022

The information below covers the financial results for the six month period from 1 January 2022 to 30 June 2022 for the current period and for the six month period from 1 January 2021 to 30 June 2021 for the prior period.

Distribution

AGENCY

	Six months ended 30 June	
	2022	2021
	(in US$ millions, except VONB margin)	
VONB	1,317	1,574
VONB margin	70.5%	76.0%
ANP	1,869	2,069

Our proprietary Premier Agency network is a core competitive advantage and sits at the heart of our relationship with our customers. Our professional, resilient and productive agency force holds market-leading positions across the region. The quality and scale of our Premier Agency platform enable us to reach and serve millions of customers across Asia by meeting their diverse and evolving needs with personalised advice and our comprehensive suite of propositions.

While VONB reduced by 16% for the six months ended 30 June 2022, our agency business achieved a month-on-month improvement in the three months ended 30 June 2022. The initial response to the outbreak of the Omicron variant temporarily reduced consumer demand and constrained our agents' ability to meet customers face-to-face, particularly in the three months ended 31 March 2022.

Next-generation agency leaders are critical to the successful execution of our Premier Agency strategy to ensure high-quality recruitment, training and management as we prioritise growth in professional agents and productivity across our markets. In the six months ended 30 June 2022, our enhanced agency leadership programmes have successfully generated growth in new leaders and an increase in the total number of agency leaders compared to the six months ended 30 June 2021. Increased capacity from more agency leaders supported growth in new recruits and positive growth in our total agency force in the three months ended 30 June 2022 compared to the three months ended 31 March 2022.

We continue to support our agency force with enhanced technology, digital and analytics ("**TDA**") capabilities. When agents and customers cannot meet in person, our digital remote sales tools help to mitigate the impact on sales activity with over 40% of new policies for the six months ended 30 June 2022 were closed through this functionality. Our social media integrated leads management platform has been increasingly adopted by agents across our markets and generated significant new business sales for the six months ended 30 June 2022. We also onboarded over 80% of new agents through iRecruit, our digital recruitment platform.

In July 2022, we were named the number one Million Dollar Round Table (MDRT) multinational company in the world, marking our eighth consecutive year of achieving the largest number of registered members worldwide. AIA China became the MDRT company with the most members globally, with nearly a 30% increase in members compared to July 2021. Our continued leadership in MDRT demonstrates the effectiveness of our differentiated Premier Agency strategy.

PARTNERSHIPS

	Six months ended 30 June	
	2022	2021
	(in US$ millions, except VONB margin)	
VONB	340	352
VONB margin	37.5%	35.5%
ANP	907	991

Our long-term distribution partnerships with market-leading financial institutions and other corporate partners provide us with a unique opportunity to engage with and meet the protection, health, wellness and long-term savings needs of hundreds of millions of potential customers.

VONB decreased by 3% to US$340 million for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, driven by a decline in the three months ended 31 March 2022 due to the first outbreak of the Omicron variant, which was partially offset by growth in the three months ended 30 June 2022. ANP reduced by 8% for the six months ended 30 June 2022 compared to the six months ended 30 June 2021 driven by the impact of COVID-19-related disruption, and VONB margin increased to 37.5% for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, mainly attributable to the bancassurance channel.

BANCASSURANCE, INTERMEDIATED CHANNELS AND DIRECT MARKETING

Our bancassurance channel reported VONB growth for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, driven by strong growth through our long-term strategic partnerships in Hong Kong, Malaysia and India.

Working closely with our bank partners, we have continued to improve activity management of insurance specialists and enhance leads generation capabilities. This has supported growth in the productivity of our insurance specialists in Malaysia and Vietnam. Our partnership with Bank of East Asia, Limited (BEA) in Hong Kong and Mainland China has continued to grow since its launch in September 2021 and has become a material contributor to our overall bancassurance results for the six months ended 30 June 2022. We also saw VONB growth from our partnership with Citibank, N.A. (Citibank) in Hong Kong and Singapore combined for the six months ended 30 June 2022 compared to the six months ended 30 June 2021, supported by the deepening of our partnership in these markets.

Our digital capabilities enabled us to leverage customer analytics, digital marketing platforms and social media to increase sales leads, as well as provide seamless omnichannel experience to customers in their purchasing journey. In India, we saw VONB growth in our partnership channels for the six months ended 30 June 2022 compared to the six months ended 30 June 2021 and an increase in wallet share with a number of our partners as we continued to enhance the customer onboarding experience.

DIGITAL PLATFORMS

Next-generation partnerships with technology companies have given us access to significant active user bases of demographics beyond our usual reach. We have engaged with customers of these partners at scale and applied new analytical models to identify customers with unmet needs to build and deliver compelling propositions. In the six months ended 30 June 2022, we have continued to collaborate with existing partners to address various lifestyle needs of their users and expand our digital insurance propositions.

REGULATORY AND INTERNATIONAL DEVELOPMENTS

GROUP-WIDE SUPERVISION

The Company was designated a "designated insurance holding company" under HKIA's Group-Wide Supervision ("**GWS**") framework on 14 May 2021. The GWS framework was developed to align with international standards and practices to supervise Hong Kong-domiciled Internationally Active Insurance Groups ("**IAIGs**") and is reflective of the requirements of ComFrame, the Common Framework for the Supervision of IAIGs. Under the GWS framework, the HKIA has established group-wide capital requirements, requirements for a Group Internal Economic Capital Assessment ("**GIECA**"), requirements for a Group Own Risk and Solvency Assessment ("**ORSA**") and for a Group Recovery Plan. The HKIA also has direct regulatory powers over the Company including powers to approve a shareholder controller, a chief executive, a director and a key person in control function to hold a specified position, and powers to intervene, inspect and investigate.

COMFRAME AND INSURANCE CAPITAL STANDARD

Since 2019, the International Association of Insurance Supervisors (IAIS) has applied ComFrame. Pursuant to ComFrame, IAIGs are identified as insurance groups that meet minimum requirements with regard to the size and geographical footprint of their operations. The Group has accordingly been designated an IAIG.

In 2020, the IAIS began the first of two phases in the development and implementation of the Insurance Capital Standard ("**ICS**"). Under the first phase, a "Reference ICS" is being assessed during a five-year monitoring period for reporting privately to group-wide supervisors. It is proposed that the second phase, beginning in 2025, will include implementation of the ICS as a group prescribed capital requirement. The IAIS is also collecting data on the "aggregation method" (AM), an alternative proposed by US regulators, that would define group solvency by referencing the local regimes to which a group is subject. The IAIS will make a determination by the end of the monitoring period whether the AM can be considered to produce "comparable outcomes" to the Reference ICS and therefore be used in its place.

BEPS 2.0

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

On 20 December 2021, the OECD/G20 Inclusive Framework on BEPS (Inclusive Framework) published draft model rules to give effect to Pillar Two, which are intended to serve as a template that participating jurisdictions can translate into domestic law. The Inclusive Framework has agreed that participating jurisdictions should enact these rules into law in 2022, with the majority of the rules to be effective from 2023.

BEPS 2.0 is likely to adversely impact AIA's effective tax rate, however a number of material areas remain unclear.

INDEX TO THE INTERIM FINANCIAL STATEMENTS AND SUPPLEMENTARY EMBEDDED VALUE INFORMATION

(1) INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

(2) INTERIM SUPPLEMENTARY EMBEDDED VALUE INFORMATION AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

(1) References to page numbers in the independent review report on the interim consolidated financial statements and the independent review report on the interim supplementary embedded value information refer to the original page numbers in the 2022 interim results announcement of the Issuer which may be found at http://www.aia.com, and cross-references to page numbers included in the independent review reports are to such original page numbering. Neither the 2022 interim results announcement nor any other information on the Issuer's website has been incorporated by reference into the Offering Circular.

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

pwc 羅兵咸永道

Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 54 to 108, which comprise the interim consolidated statement of financial position of AIA Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2022 and the interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-month period then ended, and a summary of material accounting policy information and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34 and IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong
25 August 2022

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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INTERIM CONSOLIDATED INCOME STATEMENT

US$m	Notes	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Revenue			
Premiums and fee income		**18,732**	18,609
Premiums ceded to reinsurers		**(1,339)**	(1,361)
Net premiums and fee income		**17,393**	17,248
Investment return	7	**(14,464)**	6,780
Other operating revenue		**153**	166
Total revenue		**3,082**	24,194
Expenses			
Insurance and investment contract benefits		**663**	17,272
Insurance and investment contract benefits ceded		**(1,063)**	(1,202)
Net insurance and investment contract benefits		**(400)**	16,070
Commission and other acquisition expenses		**2,061**	2,267
Operating expenses		**1,564**	1,439
Finance costs		**183**	176
Other expenses		**375**	530
Total expenses	8	**3,783**	20,482
(Loss)/Profit before share of (losses)/profit from associates and joint ventures		**(701)**	3,712
Share of (losses)/profit from associates and joint ventures		**(23)**	2
(Loss)/Profit before tax		**(724)**	3,714
Tax credit/(expense)	9	**168**	(445)
Net (loss)/profit		**(556)**	3,269
Net (loss)/profit attributable to:			
Shareholders of AIA Group Limited		**(571)**	3,245
Non-controlling interests		**15**	24
Earnings per share (US$)			
Basic	10	**(0.05)**	0.27
Diluted	10	**(0.05)**	0.27

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US$m	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Net (loss)/profit	**(556)**	3,269
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Fair value losses on available for sale financial assets (net of tax of: six months ended 30 June 2022: US$1,740m; six months ended 30 June 2021: US$739m)(2)	**(14,140)**	(4,092)
Fair value losses/(gains) on available for sale financial assets transferred to profit or loss upon disposal and impairment (net of tax of: six months ended 30 June 2022: US$(22)m; six months ended 30 June 2021: US$42m)(2)	**93**	(1,061)
Foreign currency translation adjustments	**(1,568)**	(813)
Cash flow hedges	**(1)**	–
Share of other comprehensive (expense)/income from associates and joint ventures	**(262)**	33
Subtotal	**(15,878)**	(5,933)
Items that will not be reclassified subsequently to profit or loss:		
Revaluation gains on property held for own use (net of tax of: six months ended 30 June 2022: US$5m; six months ended 30 June 2021: nil)	**3**	22
Effect of remeasurement of net liability of defined benefit schemes (net of tax of: six months ended 30 June 2022: nil; six months ended 30 June 2021: nil)	**1**	4
Subtotal	**4**	26
Total other comprehensive expense	**(15,874)**	(5,907)
Total comprehensive expense	**(16,430)**	(2,638)
Total comprehensive (expense)/income attributable to:		
Shareholders of AIA Group Limited	**(16,413)**	(2,646)
Non-controlling interests	**(17)**	8

Notes:

(1) Where applicable, amounts are presented net of tax, policyholders' participation and other shadow accounting related movements.

(2) Gross of tax, policyholders' participation and other shadow accounting related movements, US$26,024m (six months ended 30 June 2021: US$7,246m) relates to the fair value losses on available for sale financial assets and US$115m relates to the fair value losses (six months ended 30 June 2021: US$1,103m relates to fair value gains) on available for sale financial assets transferred to profit or loss upon disposal and impairment during the period.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$m	Notes	**As at 30 June 2022 (Unaudited)**	As at 31 December 2021
Assets			
Intangible assets	12	**3,132**	2,914
Investments in associates and joint ventures	26	**2,265**	679
Property, plant and equipment		**2,740**	2,744
Investment property		**4,553**	4,716
Reinsurance assets		**4,956**	4,991
Deferred acquisition and origination costs		**29,126**	28,708
Financial investments:	13, 15		
Loans and deposits		**8,702**	9,311
Available for sale			
Debt securities		**131,039**	161,087
At fair value through profit or loss			
Debt securities		**36,783**	38,993
Equity shares		**25,847**	30,822
Interests in investment funds		**38,550**	40,195
Derivative financial instruments	14	**344**	1,468
		241,265	281,876
Deferred tax assets		**278**	50
Current tax recoverable		**112**	120
Other assets		**6,217**	8,087
Cash and cash equivalents	16	**6,878**	4,989
Total assets		**301,522**	339,874
Liabilities			
Insurance contract liabilities	17	**218,606**	239,423
Investment contract liabilities	17	**10,238**	11,860
Borrowings	18	**10,338**	9,588
Obligations under repurchase agreements	19	**2,186**	1,588
Derivative financial instruments	14	**6,844**	1,392
Provisions		**188**	194
Deferred tax liabilities		**3,508**	5,982
Current tax liabilities		**578**	389
Other liabilities		**7,598**	8,524
Total liabilities		**260,084**	278,940

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

US$m	Notes	**As at 30 June 2022 (Unaudited)**	As at 31 December 2021
Equity			
Share capital	20	**14,163**	14,160
Employee share-based trusts	20	**(290)**	(225)
Other reserves	20	**(11,841)**	(11,841)
Retained earnings		**46,421**	49,984
Fair value reserve	20	**(5,788)**	8,407
Foreign currency translation reserve	20	**(2,720)**	(1,068)
Property revaluation reserve	20	**1,074**	1,069
Others		**(19)**	(19)
Amounts reflected in other comprehensive income		**(7,453)**	8,389
Total equity attributable to:			
Shareholders of AIA Group Limited		**41,000**	60,467
Non-controlling interests		**438**	467
Total equity		**41,438**	60,934
Total liabilities and equity		**301,522**	339,874

Approved and authorised for issue by the Board of Directors on 25 August 2022.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US$m	Note	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Other comprehensive income: Fair value reserve	Other comprehensive income: Foreign currency translation reserve	Other comprehensive income: Property revaluation reserve	Other comprehensive income: Others	Non-controlling interests	Total equity
Balance at 1 January 2022		**14,160**	**(225)**	**(11,841)**	**49,984**	**8,407**	**(1,068)**	**1,069**	**(19)**	**467**	**60,934**
Net (loss)/profit		–	–	–	(571)	–	–	–	–	15	(556)
Fair value losses on available for sale financial assets[2]		–	–	–	–	(14,128)	–	–	–	(12)	(14,140)
Fair value losses on available for sale financial assets transferred to profit or loss upon disposal and impairment[2]		–	–	–	–	93	–	–	–	–	93
Foreign currency translation adjustments		–	–	–	–	–	(1,548)	–	–	(20)	(1,568)
Cash flow hedges		–	–	–	–	–	–	–	(1)	–	(1)
Share of other comprehensive (expense)/income from associates and joint ventures		–	–	–	–	(160)	(104)	2	–	–	(262)
Revaluation gains on property held for own use		–	–	–	–	–	–	3	–	–	3
Effect of remeasurement of net liability of defined benefit schemes		–	–	–	–	–	–	–	1	–	1
Total comprehensive (expense)/ income for the period		–	–	–	(571)	(14,195)	(1,652)	5	–	(17)	(16,430)
Dividends	11	–	–	–	(1,650)	–	–	–	–	(15)	(1,665)
Share buy-back		–	–	–	(1,342)	–	–	–	–	–	(1,342)
Shares issued under share option scheme and agency share purchase plan		3	–	–	–	–	–	–	–	–	3
Increase in non-controlling interests		–	–	(7)	–	–	–	–	–	7	–
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	(4)	(4)
Share-based compensation		–	–	36	–	–	–	–	–	–	36
Purchase of shares held by employee share-based trusts		–	(94)	–	–	–	–	–	–	–	(94)
Transfer of vested shares from employee share-based trusts		–	29	(29)	–	–	–	–	–	–	–
Balance at 30 June 2022 – Unaudited		**14,163**	**(290)**	**(11,841)**	**46,421**	**(5,788)**	**(2,720)**	**1,074**	**(19)**	**438**	**41,438**

Notes:

(1) Where applicable, amounts are presented net of tax, policyholders' participation and other shadow accounting related movements.

(2) Gross of tax, policyholders' participation and other shadow accounting related movements, US$26,024m relates to the fair value losses on available for sale financial assets and US$115m relates to the fair value losses on available for sale financial assets transferred to profit or loss upon disposal and impairment during the six months ended 30 June 2022.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

US$m	Note	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Other comprehensive income: Fair value reserve	Foreign currency translation reserve	Property revaluation reserve	Others	Non-controlling interests	Total equity
Balance at 1 January 2021		14,155	(155)	(11,891)	44,704	15,170	233	1,027	(43)	468	63,668
Net profit		–	–	–	3,245	–	–	–	–	24	3,269
Fair value losses on available for sale financial assets[(2)]		–	–	–	–	(4,081)	–	–	–	(11)	(4,092)
Fair value gains on available for sale financial assets transferred to profit or loss upon disposal[(2)]		–	–	–	–	(1,061)	–	–	–	–	(1,061)
Foreign currency translation adjustments		–	–	–	–	–	(808)	–	–	(5)	(813)
Share of other comprehensive income/(expense) from associates and joint ventures		–	–	–	–	45	(11)	(1)	–	–	33
Revaluation gains on property held for own use		–	–	–	–	–	–	22	–	–	22
Effect of remeasurement of net liability of defined benefit schemes		–	–	–	–	–	–	–	4	–	4
Total comprehensive income/ (expense) for the period		–	–	–	3,245	(5,097)	(819)	21	4	8	(2,638)
Dividends	11	–	–	–	(1,558)	–	–	–	–	(14)	(1,572)
Shares issued under share option scheme and agency share purchase plan		4	–	–	–	–	–	–	–	–	4
Capital contributions from non-controlling interests		–	–	–	–	–	–	–	–	11	11
Share-based compensation		–	–	41	–	–	–	–	–	–	41
Purchase of shares held by employee share-based trusts		–	(97)	–	–	–	–	–	–	–	(97)
Transfer of vested shares from employee share-based trusts		–	27	(27)	–	–	–	–	–	–	–
Balance at 30 June 2021 – Unaudited		14,159	(225)	(11,877)	46,391	10,073	(586)	1,048	(39)	473	59,417

Notes:

(1) Where applicable, amounts are presented net of tax, policyholders' participation and other shadow accounting related movements.

(2) Gross of tax, policyholders' participation and other shadow accounting related movements, US$7,246m relates to the fair value losses on available for sale financial assets and US$1,103m relates to the fair value gains on available for sale financial assets transferred to profit or loss upon disposal during the six months ended 30 June 2021.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

US$m	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Cash flows from operating activities		
(Loss)/Profit before tax	**(724)**	3,714
Adjustments for:		
Financial investments	**12,194**	(12,101)
Insurance and investment contract liabilities, and deferred acquisition and origination costs	**(6,292)**	10,139
Obligations under repurchase agreements	**620**	1,774
Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items	**(4,534)**	(4,193)
Operating cash items:		
Interest received	**3,700**	3,712
Dividends received	**566**	519
Interest paid	**(16)**	(24)
Tax paid	**(376)**	(446)
Net cash provided by operating activities	**5,138**	3,094
Cash flows from investing activities		
Payments for intangible assets	**(396)**	(120)
Distribution or dividend from an associate	**1**	–
Payments for increase in interest of joint ventures	**(4)**	(27)
Proceeds from sales of investment property and property, plant and equipment	**3**	1
Payments for investment property and property, plant and equipment	**(72)**	(51)
Net cash used in investing activities	**(468)**	(197)
Cash flows from financing activities		
Issuances of medium-term notes and securities	**824**	1,121
Redemption of medium-term notes	**–**	(502)
Proceeds from other borrowings	**225**	94
Repayment of other borrowings	**(225)**	(83)
Capital contributions from non-controlling interests	**–**	11
Payments for lease liabilities[1]	**(85)**	(95)
Interest paid on medium-term notes and securities	**(160)**	(148)
Dividends paid during the period	**(1,665)**	(1,572)
Share buy-back	**(1,342)**	–
Purchase of shares held by employee share-based trusts	**(94)**	(97)
Shares issued under share option scheme and agency share purchase plan	**3**	4
Net cash used in financing activities	**(2,519)**	(1,267)
Net increase in cash and cash equivalents	**2,151**	1,630
Cash and cash equivalents at beginning of the financial period	**4,695**	5,393
Effect of exchange rate changes on cash and cash equivalents	**(184)**	(94)
Cash and cash equivalents at end of the financial period	**6,662**	6,929

Note:

(1) The total cash outflow for leases for the six months ended 30 June 2022 was US$88m (six months ended 30 June 2021: US$98m).

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

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

	Note	**As at 30 June 2022 (Unaudited)**	As at 30 June 2021 (Unaudited)
Cash and cash equivalents in the interim consolidated statement of financial position	16	**6,878**	7,149
Bank overdrafts		**(216)**	(220)
Cash and cash equivalents in the interim consolidated statement of cash flows		**6,662**	6,929

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

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

AIA Group Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited under the stock code "1299" with American Depositary Receipts (Level 1) being traded on the over-the-counter market (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. Basis of preparation and statement of compliance

The interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34, Interim Financial Reporting and International Accounting Standard (IAS) 34, Interim Financial Reporting. International Financial Reporting Standards (IFRS) is substantially consistent with Hong Kong Financial Reporting Standards (HKFRS) and the accounting policy selections that the Group has made in preparing these interim condensed consolidated financial statements are such that the Group is able to comply with both HKFRS and IFRS. References to IFRS, IAS and Interpretations developed by the IFRS Interpretations Committee (IFRS IC) in these interim condensed consolidated financial statements should be read as referring to the equivalent HKFRS, HKAS and Hong Kong (IFRIC) Interpretations (HK(IFRIC) – Int) as the case may be. Accordingly, there are not any differences of accounting practice between HKFRS and IFRS affecting these interim condensed consolidated financial statements. The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2021.

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

2. Basis of preparation and statement of compliance (continued)

(a) The following relevant new amendments to standards have been adopted for the first time for the financial year ending 31 December 2022 and have no material impact to the Group:

- Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use;
- Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract;
- Amendment to IAS 41, Taxation in Fair Value Measurements;
- Amendment to IFRS 1, First-time Adoption of International Financial Reporting Standards;
- Amendments to IFRS 3, Reference to the Conceptual Framework; and
- Amendment to IFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgement on estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRS and IFRS.

The interim condensed consolidated financial statements are unaudited, but have been reviewed by PricewaterhouseCoopers in accordance with the Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers' independent review report to the Board of Directors is included on page 53. The interim condensed consolidated financial statements have also been reviewed by the Company's Audit Committee.

2. Basis of preparation and statement of compliance (continued)

The financial statements relating to the financial year ended 31 December 2021 that are included in the interim condensed consolidated financial statements as comparative information does not constitute the Group's statutory financial statements for that financial period but is derived from those financial statements. The Group has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The auditors have expressed an unqualified opinion on those financial statements in their report dated 11 March 2022. Their report did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

3. 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 dollars at the following average rates:

	US dollar exchange rates		
	Six months ended 30 June 2022 (Unaudited)	Year ended 31 December 2021	Six months ended 30 June 2021 (Unaudited)
Mainland China	**6.48**	6.45	6.47
Hong Kong	**7.83**	7.77	7.76
Thailand	**33.71**	31.97	30.82
Singapore	**1.36**	1.34	1.33
Malaysia	**4.27**	4.14	4.10

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

	US dollar exchange rates		
	As at 30 June 2022 (Unaudited)	As at 31 December 2021	As at 30 June 2021 (Unaudited)
Mainland China	**6.70**	6.37	6.46
Hong Kong	**7.85**	7.80	7.77
Thailand	**35.30**	33.26	32.03
Singapore	**1.39**	1.35	1.34
Malaysia	**4.41**	4.17	4.15

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

4. Operating profit after tax

Operating profit after tax may be reconciled to net (loss)/profit as follows:

US$m	Note	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Operating profit after tax	6	**3,243**	3,206
Non-operating items, net of related changes in insurance and investment contract liabilities and taxes:			
Short-term fluctuations in investment return related to equities and real estate[1]		**(1,813)**	196
Reclassification of revaluation gains for property held for own use[1]		**(21)**	(37)
Corporate transaction related costs		**(28)**	(19)
Implementation costs for new accounting standards		**(29)**	(28)
Other non-operating investment return and other items		**(1,908)**[3]	(49)
Subtotal[2]		**(3,799)**	63
Net (loss)/profit		**(556)**	3,269
Operating profit after tax attributable to:			
Shareholders of AIA Group Limited		**3,223**	3,182
Non-controlling interests		**20**	24
Net (loss)/profit attributable to:			
Shareholders of AIA Group Limited		**(571)**	3,245
Non-controlling interests		**15**	24

Notes:

(1) Short-term fluctuations in investment return include the revaluation gains for property held for own use. This amount is then reclassified out of net (loss)/profit to conform to IFRS measurement and presentation.

(2) The amount is net of tax of US$396m (six months ended 30 June 2021: US$13m). The gross amount before tax is US$(4,195)m (six months ended 30 June 2021: US$50m).

(3) Includes net fair value movement on derivatives (net of tax and policyholders' participation) of US$(1,552)m.

Operating profit is determined using, among others, expected long-term investment return for equities and real estate. Short-term fluctuations between expected long-term investment return and actual investment return for these asset classes are excluded from operating profit. The assumptions used to determine expected long-term investment return are the same, in all material respects, as those used by the Group in determining its embedded value (EV) and are disclosed in the Supplementary Embedded Value Information.

5. Total weighted premium income and annualised new premiums

For management decision-making and internal performance management purposes, the Group measures business volumes during the period using a performance measure referred to as total weighted premium income (TWPI). The Group measures new business activity using a performance measure referred to as annualised new premiums (ANP). The presentation of this note is consistent with our reportable segment presentation in note 6.

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, and includes deposits and contributions for contracts that are accounted for as deposits in accordance with the Group's accounting policies.

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 premiums and fee income recorded in the interim consolidated income statement.

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

TWPI US$m	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
TWPI by geography		
Mainland China	**4,509**	3,961
Hong Kong	**5,404**	5,773
Thailand	**1,989**	2,089
Singapore	**1,800**	1,730
Malaysia	**1,248**	1,200
Other Markets	**3,618**	3,758
Total	**18,568**	18,511
First year premiums by geography		
Mainland China	**784**	872
Hong Kong	**324**	357
Thailand	**284**	291
Singapore	**166**	188
Malaysia	**190**	186
Other Markets	**444**	518
Total	**2,192**	2,412
Single premiums by geography		
Mainland China	**156**	92
Hong Kong	**1,059**	1,376
Thailand	**135**	256
Singapore	**617**	711
Malaysia	**141**	163
Other Markets	**485**	448
Total	**2,593**	3,046

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

TWPI (continued) US$m	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Renewal premiums by geography		
Mainland China	**3,709**	3,080
Hong Kong	**4,974**	5,278
Thailand	**1,691**	1,772
Singapore	**1,572**	1,471
Malaysia	**1,044**	998
Other Markets	**3,127**	3,195
Total	**16,117**	15,794

ANP US$m	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
ANP by geography		
Mainland China	**835**	899
Hong Kong	**443**	505
Thailand	**311**	333
Singapore	**244**	279
Malaysia	**239**	253
Other Markets	**706**	791
Total	**2,778**	3,060

6. 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;
- investment return;
- 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 on an annualised basis 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 and fair value reserve).

Business volumes in respect of the Group's five largest customers are less than 30 per cent of premiums and fee income.

6. Segment information (continued)

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Six months ended 30 June 2022 – Unaudited								
ANP	835	443	311	244	239	706	–	2,778
TWPI	4,509	5,404	1,989	1,800	1,248	3,618	–	18,568
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	4,374	5,903	1,849	1,839	1,029	2,474	79	17,547
Investment return	707	2,273	564	739	279	634	405	5,601
Total revenue	5,081	8,176	2,413	2,578	1,308	3,108	484	23,148
Net insurance and investment contract benefits	3,556	5,944	1,470	1,925	793	1,591	75	15,354
Commission and other acquisition expenses	331	648	368	125	136	439	14	2,061
Operating expenses	267	266	132	120	109	541	129	1,564
Finance costs and other expenses	20	97	27	18	8	43	172	385
Total expenses	4,174	6,955	1,997	2,188	1,046	2,614	390	19,364
Share of profit/(losses) from associates and joint ventures	–	–	–	–	–	2	(25)	(23)
Operating profit before tax	907	1,221	416	390	262	496	69	3,761
Tax on operating profit before tax	(158)	(86)	(75)	(19)	(54)	(101)	(25)	(518)
Operating profit after tax	749	1,135	341	371	208	395	44	3,243
Operating profit after tax attributable to:								
Shareholders of AIA Group Limited	749	1,129	341	371	201	388	44	3,223
Non-controlling interests	–	6	–	–	7	7	–	20
Key operating ratios:								
Expense ratio	5.9%	4.9%	6.6%	6.7%	8.7%	15.0%	–	8.4%
Operating margin	16.6%	21.0%	17.1%	20.6%	16.7%	10.9%	–	17.5%
Operating return on shareholders' allocated equity	30.5%	16.9%	10.1%	17.9%	18.8%	8.6%	–	12.7%
Operating profit before tax includes:								
Finance costs	8	15	–	2	1	3	151	180
Depreciation and amortisation	55	48	11	15	11	48	14	202

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
30 June 2022 – Unaudited								
Total assets	42,571	106,281	29,170	41,630	16,270	45,289	20,311	301,522
Total liabilities	36,817	98,816	24,149	38,423	14,275	37,472	10,132	260,084
Total equity	5,754	7,465	5,021	3,207	1,995	7,817	10,179	41,438
Shareholders' allocated equity	4,392	10,708	6,481	3,756	1,973	8,781	10,697	46,788
Total assets include:								
Investments in associates and joint ventures	–	1	–	–	1	648	1,615	2,265

6. Segment information (continued)

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

US$m	Segment information	Short-term fluctuations in investment return related to equities and real estate	Other non-operating items[1]	Interim consolidated income statement	
Six months ended 30 June 2022 – Unaudited					
Net premiums, fee income and other operating revenue	**17,547**	**–**	**(1)**	**17,546**	Net premiums, fee income and other operating revenue
Investment return	**5,601**	**(5,879)**	**(14,186)**	**(14,464)**	Investment return
Total revenue	**23,148**	**(5,879)**	**(14,187)**	**3,082**	**Total revenue**
Net insurance and investment contract benefits	**15,354**	**(3,868)**	**(11,886)**	**(400)**	Net insurance and investment contract benefits
Other expenses	**4,010**	**–**	**173**	**4,183**	Other expenses
Total expenses	**19,364**	**(3,868)**	**(11,713)**	**3,783**	**Total expenses**
Share of losses from associates and joint ventures	**(23)**	**–**	**–**	**(23)**	Share of losses from associates and joint ventures
Operating profit before tax	**3,761**	**(2,011)**	**(2,474)**	**(724)**	**Loss before tax**

Note:
(1) Include unit-linked contracts.

6. Segment information (continued)

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Six months ended 30 June 2021 – Unaudited								
ANP	899	505	333	279	253	791	–	3,060
TWPI	3,961	5,773	2,089	1,730	1,200	3,758	–	18,511
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	3,776	6,192	1,968	1,877	999	2,535	63	17,410
Investment return	658	1,993	614	709	298	610	299	5,181
Total revenue	4,434	8,185	2,582	2,586	1,297	3,145	362	22,591
Net insurance and investment contract benefits	2,978	5,985	1,415	1,918	807	1,627	57	14,787
Commission and other acquisition expenses	303	747	421	185	123	480	8	2,267
Operating expenses	232	209	128	111	109	509	141	1,439
Finance costs and other expenses	29	92	28	22	8	45	140	364
Total expenses	3,542	7,033	1,992	2,236	1,047	2,661	346	18,857
Share of (losses)/profit from associates and joint ventures	–	(1)	–	–	–	3	–	2
Operating profit before tax	892	1,151	590	350	250	487	16	3,736
Tax on operating profit before tax	(170)	(89)	(105)	(11)	(51)	(84)	(20)	(530)
Operating profit/(loss) after tax	722	1,062	485	339	199	403	(4)	3,206
Operating profit/(loss) after tax attributable to:								
Shareholders of AIA Group Limited	722	1,055	485	339	194	391	(4)	3,182
Non-controlling interests	–	7	–	–	5	12	–	24
Key operating ratios:								
Expense ratio	5.9%	3.6%	6.1%	6.4%	9.1%	13.5%	–	7.8%
Operating margin	18.2%	18.4%	23.2%	19.6%	16.6%	10.7%	–	17.3%
Operating return on shareholders' allocated equity	31.4%	16.3%	14.5%	16.0%	17.9%	8.6%	–	12.8%
Operating profit before tax includes:								
Finance costs	18	15	–	1	1	4	133	172
Depreciation and amortisation	49	46	11	14	12	50	16	198

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
31 December 2021								
Total assets	41,330	127,690	34,333	46,552	17,660	51,655	20,654	339,874
Total liabilities	35,289	108,980	26,386	41,488	15,449	41,690	9,658	278,940
Total equity	6,041	18,710	7,947	5,064	2,211	9,965	10,996	60,934
Shareholders' allocated equity	4,696	14,914	6,624	4,174	2,107	8,790	10,755	52,060
Total assets include:								
Investments in associates and joint ventures	–	2	–	–	2	675	–	679

6. Segment information (continued)

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

US$m	Segment information	Short-term fluctuations in investment return related to equities and real estate	Other non-operating items[(1)]	Interim consolidated income statement	
Six months ended 30 June 2021 – Unaudited					
Net premiums, fee income and other operating revenue	17,410	–	4	17,414	Net premiums, fee income and other operating revenue
Investment return	5,181	741	858	6,780	Investment return
Total revenue	22,591	741	862	24,194	**Total revenue**
Net insurance and investment contract benefits	14,787	503	780	16,070	Net insurance and investment contract benefits
Other expenses	4,070	–	342	4,412	Other expenses
Total expenses	18,857	503	1,122	20,482	**Total expenses**
Share of profit from associates and joint ventures	2	–	–	2	Share of profit from associates and joint ventures
Operating profit before tax	3,736	238	(260)	3,714	**Profit before tax**

Note:
(1) Include unit-linked contracts.

7. Investment return

US$m	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Interest income	**3,664**	3,681
Dividend income	**593**	539
Rental income[(1)]	**84**	84
Investment income	**4,341**	4,304
Available for sale		
Net realised (losses)/gains from debt securities	**(115)**	1,103
Net (losses)/gains of available for sale financial assets reflected in the interim consolidated income statement	**(115)**	1,103
At fair value through profit or loss		
Net losses of debt securities	**(2,998)**	(907)
Net (losses)/gains of equity shares and interests in investment funds	**(8,873)**	2,798
Net fair value movement on derivatives	**(6,952)**	(864)
Net (losses)/gains in respect of financial instruments at fair value through profit or loss	**(18,823)**	1,027
Net fair value movement of investment property	**12**	(2)
Net foreign exchange gains	**114**	395
Other net realised gains/(losses)	**7**	(47)
Investment experience	**(18,805)**	2,476
Investment return	**(14,464)**	6,780

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

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

US$m	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Foreign exchange gains	**177**	261

8. Expenses

US$m	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Insurance contract benefits	**7,788**	7,596
Change in insurance contract liabilities	**(6,038)**	9,004
Investment contract benefits	**(1,087)**	672
Insurance and investment contract benefits	**663**	17,272
Insurance and investment contract benefits ceded	**(1,063)**	(1,202)
Insurance and investment contract benefits, net of reinsurance ceded	**(400)**	16,070
Commission and other acquisition expenses incurred	**2,593**	2,857
Deferral and amortisation of acquisition costs	**(532)**	(590)
Commission and other acquisition expenses	**2,061**	2,267
Employee benefit expenses	**988**	932
Depreciation	**130**	135
Amortisation	**53**	43
Other operating expenses	**393**	329
Operating expenses	**1,564**	1,439
Investment management expenses and others	**285**	297
Depreciation on property held for own use	**17**	16
Restructuring and other non-operating costs(1)	**102**	207
Change in third-party interests in consolidated investment funds	**(29)**	10
Other expenses	**375**	530
Finance costs	**183**	176
Total	**3,783**	20,482

Note:

(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.

8. Expenses (continued)

Finance costs may be analysed as:

US$m	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Repurchase agreements	**5**	19
Medium-term notes and securities	**165**	147
Other loans	**6**	3
Lease liabilities	**7**	7
Total	**183**	176

Employee benefit expenses consist of:

US$m	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Wages and salaries	**814**	751
Share-based compensation	**31**	39
Pension costs – defined contribution plans	**64**	60
Pension costs – defined benefit plans	**6**	7
Other employee benefit expenses	**73**	75
Total	**988**	932

9. Income tax

US$m	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Tax charged in the interim consolidated income statement		
Current income tax – Hong Kong Profits Tax	**92**	86
Current income tax – overseas	**499**	595
Deferred income tax on temporary differences	**(759)**	(236)
Total	**(168)**	445

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

During the period ended 30 June 2022, Myanmar enacted changes in the corporate income tax rate from 25 per cent to 22 per cent effective from October 2021.

In 2021, changes in the corporate income tax rates have been enacted in the Philippines and Sri Lanka. For the Philippines, the corporate income tax rate changed from 30 per cent to 25 per cent effective from 1 July 2020. For Sri Lanka, the corporate income tax rate changed from 28 per cent to 24 per cent effective from 1 January 2020.

10. Earnings per share

BASIC

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

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Net (loss)/profit attributable to shareholders of AIA Group Limited (US$m)	**(571)**	3,245
Weighted average number of ordinary shares in issue (million)	**12,043**	12,065
Basic (loss)/earnings per share (US cents)	**(4.74)**	26.90

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 23.

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Net (loss)/profit attributable to shareholders of AIA Group Limited (US$m)	**(571)**	3,245
Weighted average number of ordinary shares in issue (million)	**12,043**	12,065
Adjustment for share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted under share-based compensation plans (million)	**–**	22
Weighted average number of ordinary shares for diluted earnings per share (million)	**12,043**	12,087
Diluted (loss)/earnings per share (US cents)	**(4.74)**	26.85

All share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted under share-based compensation plans as at 30 June 2022 have no effect to the loss per ordinary share, and hence diluted loss per ordinary share is the same as the basic loss per ordinary share for the six months ended 30 June 2022.

At 30 June 2021, 1,849,222 share options were excluded from the diluted weighted average number of ordinary shares calculation as they have no effect to the diluted earnings per share.

10. Earnings per share (continued)

OPERATING PROFIT AFTER TAX PER SHARE

Operating profit after tax (see note 4) 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 in issue during the period. The dilutive instruments are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 23.

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Basic (US cents)	**26.76**	26.37
Diluted (US cents)	**26.76**	26.33

11. Dividends

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

US$m	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Interim dividend declared after the reporting date of 40.28 Hong Kong cents per share (six months ended 30 June 2021: 38.00 Hong Kong cents per share)[1]	**615**	590

Note:

(1) Based upon shares outstanding at 30 June 2022 and 30 June 2021 that are entitled to a dividend, other than those held by employee share-based trusts.

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

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

US$m	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Final dividend in respect of the previous financial period, approved and paid during the interim period of 108.00 Hong Kong cents per share (six months ended 30 June 2021: 100.30 Hong Kong cents per share)	**1,650**	1,558

12. Intangible assets

US$m	Goodwill	Computer software	Distribution and other rights	Total
Cost				
At 1 January 2022	1,854	923	903	3,680
Additions	–	200	243	443
Disposals	–	(3)	(28)	(31)
Foreign exchange movements	(94)	(45)	(21)	(160)
At 30 June 2022 – Unaudited	**1,760**	**1,075**	**1,097**	**3,932**
Accumulated amortisation and impairment				
At 1 January 2022	(4)	(569)	(193)	(766)
Amortisation charge for the period	–	(53)	(19)	(72)
Disposals	–	–	20	20
Impairment loss	(13)	–	–	(13)
Foreign exchange movements	–	25	6	31
At 30 June 2022 – Unaudited	**(17)**	**(597)**	**(186)**	**(800)**
Net book value				
At 31 December 2021	1,850	354	710	2,914
At 30 June 2022 – Unaudited	**1,743**	**478**	**911**	**3,132**

The Group holds 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.

13. Financial investments

DEBT SECURITIES

Debt securities by type comprise the following:

	Policyholder and shareholder							
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder			Unit-linked	Consolidated investment funds[5]	
US$m	FVTPL	AFS	FVTPL	AFS	Subtotal	FVTPL	FVTPL	Total
30 June 2022 – Unaudited								
Government bonds[1]	**11,063**	**–**	**1,105**	**38,444**	**50,612**	**1,282**	**2**	**51,896**
Other government and government agency bonds[2]	**6,153**	**3,469**	**357**	**16,102**	**26,081**	**410**	**606**	**27,097**
Corporate bonds	**9,299**	**35,067**	**1,924**	**36,652**	**82,942**	**1,237**	**2,180**	**86,359**
Structured securities[3]	**250**	**–**	**781**	**1,305**	**2,336**	**134**	**–**	**2,470**
Total[4]	**26,765**	**38,536**	**4,167**	**92,503**	**161,971**	**3,063**	**2,788**	**167,822**
31 December 2021								
Government bonds[1]	11,092	–	1,192	43,709	55,993	1,527	–	57,520
Other government and government agency bonds[2]	6,956	4,416	93	19,252	30,717	540	732	31,989
Corporate bonds	10,116	45,297	2,222	47,065	104,700	1,275	2,425	108,400
Structured securities[3]	284	–	378	1,348	2,010	161	–	2,171
Total[4]	28,448	49,713	3,885	111,374	193,420	3,503	3,157	200,080

Notes:

(1) Government bonds include bonds issued in local or foreign currencies by the government of the country where respective business unit operates.

(2) Other government and government agency bonds comprise other bonds issued by government and government-sponsored institutions such as national, provincial and municipal authorities, government-related entities, multilateral development banks and supranational organisations.

(3) Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

(4) Debt securities of US$7,221m (31 December 2021: US$9,238m) are restricted due to local regulatory requirements.

(5) 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.

13. Financial investments (continued)

EQUITY SHARES AND INTERESTS IN INVESTMENT FUNDS

Equity shares and interests in investment funds comprise the following:

US$m	Policyholder and shareholder: Participating funds and other participating business with distinct portfolios FVTPL	Policyholder and shareholder: Other policyholder and shareholder FVTPL	Subtotal	Unit-linked FVTPL	Consolidated investment funds[(1)] FVTPL	Total
30 June 2022 – Unaudited						
Equity shares	**12,730**	**4,477**	**17,207**	**6,097**	**2,543**	**25,847**
Interests in investment funds	**12,333**	**4,994**	**17,327**	**17,392**	**3,831**	**38,550**
Total	**25,063**	**9,471**	**34,534**	**23,489**	**6,374**	**64,397**

US$m	Policyholder and shareholder: Participating funds and other participating business with distinct portfolios FVTPL	Policyholder and shareholder: Other policyholder and shareholder FVTPL	Subtotal	Unit-linked FVTPL	Consolidated investment funds[(1)] FVTPL	Total
31 December 2021						
Equity shares	15,718	5,096	20,814	7,258	2,750	30,822
Interests in investment funds	13,467	4,827	18,294	20,605	1,296	40,195
Total	29,185	9,923	39,108	27,863	4,046	71,017

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.

13. Financial investments (continued)

LOANS AND DEPOSITS

Loans and deposits by type comprise the following:

US$m	**As at 30 June 2022 (Unaudited)**	As at 31 December 2021
Policy loans	**3,630**	3,625
Mortgage loans on residential real estate	**480**	525
Mortgage loans on commercial real estate	**2**	44
Other loans	**541**	732
Allowance for loan losses	**(14)**	(13)
Loans	**4,639**	4,913
Term deposits	**2,604**	2,850
Promissory notes[1]	**1,459**	1,548
Total	**8,702**	9,311

Note:
(1) The promissory notes are issued by a government.

Certain term deposits with financial institutions and promissory notes are restricted due to local regulatory requirements or other pledge restrictions. At 30 June 2022, the restricted balance held within term deposits and promissory notes was US$1,811m (31 December 2021: US$1,905m).

Other loans include receivables from reverse repurchase agreements (reverse repo) under which the Group does not take physical possession of securities purchased under the agreements. Reverse repos are initially recorded at the cost of the loan or collateral advanced. At 30 June 2022, the carrying value of such receivables was US$366m (31 December 2021: US$407m).

At 30 June 2022, there was no material debt collateral received in respect of reverse repo.

14. Derivative financial instruments

The Group's derivative exposure is as follows:

US$m	Notional amount	Fair value Assets	Fair value Liabilities
30 June 2022 – Unaudited			
Foreign exchange contracts			
Cross-currency swaps	**7,062**	**75**	**(524)**
Forwards	**5,167**	**56**	**(60)**
Foreign exchange futures	**57**	**–**	**–**
Total foreign exchange contracts	**12,286**	**131**	**(584)**
Interest rate contracts			
Interest rate swaps	**7,098**	**182**	**(335)**
Other			
Warrants and options	**197**	**3**	**(1)**
Forward contracts	**38,008**	**17**	**(5,916)**
Swaps	**1,309**	**11**	**(8)**
Netting	**(57)**	**–**	**–**
Total	**58,841**	**344**	**(6,844)**
31 December 2021			
Foreign exchange contracts			
Cross-currency swaps	7,191	79	(401)
Forwards	3,726	72	(10)
Foreign exchange futures	73	–	–
Total foreign exchange contracts	10,990	151	(411)
Interest rate contracts			
Interest rate swaps	9,174	326	(223)
Other			
Warrants and options	200	2	(1)
Forward contracts	35,233	973	(754)
Swaps	1,492	16	(3)
Netting	(73)	–	–
Total	57,016	1,468	(1,392)

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$31m (31 December 2021: US$23m) are listed in exchange or dealer markets and the rest are over-the-counter (OTC) derivatives. OTC derivative contracts are individually negotiated between contracting parties and not cleared through an exchange. OTC derivatives include forwards, swaps and options. Derivatives are subject to various risks including market, liquidity and credit risks, similar to those related to the underlying financial instruments.

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

14. Derivative financial instruments (continued)

FOREIGN EXCHANGE CONTRACTS

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

INTEREST RATE SWAPS

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

OTHER DERIVATIVES

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

NETTING ADJUSTMENT

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

COLLATERAL UNDER DERIVATIVE TRANSACTIONS

At 30 June 2022, the Group had posted cash collateral of US$453m (31 December 2021: US$322m) and pledged debt securities with carrying value of US$7,195m (31 December 2021: US$664m) for liabilities, and held cash collateral of US$61m (31 December 2021: US$642m) and debt securities collateral with carrying value of US$9m (31 December 2021: US$21m) 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.

15. Fair value measurement of financial instruments

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group classifies all financial assets as either at fair value through profit or loss, or as available for sale, which are carried at fair value, or as loans and receivables, which are carried at amortised cost. Financial liabilities are classified as either at fair value through profit or loss or at amortised cost, except for investment contracts with discretionary participation features (DPF) which are accounted for under IFRS 4.

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

		Fair value				
US$m	Notes	Fair value through profit or loss	Available for sale	Cost/ amortised cost	Total carrying value	Total fair value
30 June 2022 – Unaudited						
Financial investments	13					
Loans and deposits		–	–	8,702	8,702	8,651
Debt securities		36,783	131,039	–	167,822	167,822
Equity shares and interests in investment funds		64,397	–	–	64,397	64,397
Derivative financial instruments	14	344	–	–	344	344
Reinsurance receivables		–	–	1,031	1,031	1,031
Other receivables		–	–	3,364	3,364	3,364
Accrued investment income		–	–	1,825	1,825	1,825
Cash and cash equivalents	16	–	–	6,878	6,878	6,878
Financial assets		**101,524**	**131,039**	**21,800**	**254,363**	**254,312**

	Notes	Fair value through profit or loss	Cost/ amortised cost	Total carrying value	Total fair value
Financial liabilities					
Investment contract liabilities	17	9,441	552	9,993	9,993
Borrowings	18	–	10,338	10,338	9,542
Obligations under repurchase agreements	19	–	2,186	2,186	2,186
Derivative financial instruments	14	6,844	–	6,844	6,844
Other liabilities		907	6,691	7,598	7,598
Financial liabilities		**17,192**	**19,767**	**36,959**	**36,163**

15. Fair value measurement of financial instruments (continued)

FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

US$m	Notes	Fair value: Fair value through profit or loss	Fair value: Available for sale	Cost/ amortised cost	Total carrying value	Total fair value
31 December 2021						
Financial investments	13					
Loans and deposits		–	–	9,311	9,311	9,592
Debt securities		38,993	161,087	–	200,080	200,080
Equity shares and interests in investment funds		71,017	–	–	71,017	71,017
Derivative financial instruments	14	1,468	–	–	1,468	1,468
Reinsurance receivables		–	–	992	992	992
Other receivables		–	–	3,352	3,352	3,352
Accrued investment income		–	–	1,837	1,837	1,837
Cash and cash equivalents	16	–	–	4,989	4,989	4,989
Financial assets		111,478	161,087	20,481	293,046	293,327

	Notes	Fair value through profit or loss	Cost/ amortised cost	Total carrying value	Total fair value
Financial liabilities					
Investment contract liabilities	17	11,023	572	11,595	11,595
Borrowings	18	–	9,588	9,588	10,285
Obligations under repurchase agreements	19	–	1,588	1,588	1,588
Derivative financial instruments	14	1,392	–	1,392	1,392
Other liabilities		925	7,599	8,524	8,524
Financial liabilities		13,340	19,347	32,687	33,384

The Group does not have assets or liabilities measured at fair value on a non-recurring basis during the six months ended 30 June 2022.

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.

15. Fair value measurement of financial instruments (continued)

FAIR VALUE HIERARCHY FOR FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS ON A RECURRING BASIS

A summary of financial assets and liabilities carried at fair value according to fair value hierarchy is given below:

	Fair value hierarchy			
US$m	**Level 1**	**Level 2**	**Level 3**	**Total**
30 June 2022 – Unaudited				
Financial assets				
Available for sale				
Debt securities				
Participating funds and other participating business with distinct portfolios	**–**	**38,528**	**8**	**38,536**
Other policyholder and shareholder	**54**	**90,686**	**1,763**	**92,503**
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios	**61**	**25,612**	**1,092**	**26,765**
Unit-linked and consolidated investment funds	**12**	**5,839**	**–**	**5,851**
Other policyholder and shareholder	**47**	**3,390**	**730**	**4,167**
Equity shares and interests in investment funds				
Participating funds and other participating business with distinct portfolios	**18,589**	**1,151**	**5,323**	**25,063**
Unit-linked and consolidated investment funds	**25,406**	**258**	**4,199**	**29,863**
Other policyholder and shareholder	**6,111**	**1,419**	**1,941**	**9,471**
Derivative financial instruments				
Foreign exchange contracts	**–**	**131**	**–**	**131**
Interest rate contracts	**–**	**182**	**–**	**182**
Other contracts	**16**	**15**	**–**	**31**
Total financial assets on a recurring fair value measurement basis	**50,296**	**167,211**	**15,056**	**232,563**
% of Total	***21.6***	***71.9***	***6.5***	***100.0***
Financial liabilities				
Investment contract liabilities	**–**	**9,121**	**320**	**9,441**
Derivative financial instruments				
Foreign exchange contracts	**–**	**584**	**–**	**584**
Interest rate contracts	**–**	**335**	**–**	**335**
Other contracts	**15**	**5,910**	**–**	**5,925**
Other liabilities	**–**	**907**	**–**	**907**
Total financial liabilities on a recurring fair value measurement basis	**15**	**16,857**	**320**	**17,192**
% of Total	***0.1***	***98.0***	***1.9***	***100.0***

15. Fair value measurement of financial instruments (continued)

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

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2021				
Financial assets				
Available for sale				
Debt securities				
Participating funds and other participating business with distinct portfolios	–	49,701	12	49,713
Other policyholder and shareholder	–	109,770	1,604	111,374
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios	1	27,564	883	28,448
Unit-linked and consolidated investment funds	15	6,645	–	6,660
Other policyholder and shareholder	–	3,588	297	3,885
Equity shares and interests in investment funds				
Participating funds and other participating business with distinct portfolios	23,129	1,000	5,056	29,185
Unit-linked and consolidated investment funds	30,003	310	1,596	31,909
Other policyholder and shareholder	6,847	1,256	1,820	9,923
Derivative financial instruments				
Foreign exchange contracts	–	151	–	151
Interest rate contracts	–	326	–	326
Other contracts	12	979	–	991
Total financial assets on a recurring fair value measurement basis	60,007	201,290	11,268	272,565
% of Total	*22.0*	*73.9*	*4.1*	*100.0*
Financial liabilities				
Investment contract liabilities	–	10,723	300	11,023
Derivative financial instruments				
Foreign exchange contracts	–	411	–	411
Interest rate contracts	–	223	–	223
Other contracts	11	747	–	758
Other liabilities	–	925	–	925
Total financial liabilities on a recurring fair value measurement basis	11	13,029	300	13,340
% of Total	*0.1*	*97.7*	*2.2*	*100.0*

The Group's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the six months ended 30 June 2022, the Group transferred US$198m (year ended 31 December 2021: US$184m) 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$33m (year ended 31 December 2021: US$15m) of assets from Level 2 to Level 1 during the six months ended 30 June 2022.

The Group's Level 2 financial instruments include debt securities, equity shares and 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.

15. Fair value measurement of financial instruments (continued)

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

The table below sets out a summary of changes in the Group's Level 3 financial assets and liabilities measured at fair value on a recurring basis for the six months ended 30 June 2022. The table reflects gains and losses, including gains and losses on financial assets and liabilities categorised as Level 3 as at 30 June 2022.

Level 3 financial assets and liabilities

US$m	Debt securities	Equity shares and interests in investment funds	Derivative financial assets/ (liabilities)	Investment contracts
At 1 January 2022	**2,796**	**8,472**	**–**	**(300)**
Net movement on investment contract liabilities	–	–	–	(20)
Total gains/(losses)				
Reported under investment return in the interim consolidated income statement	(22)	253	–	–
Reported under fair value reserve and foreign currency translation reserve in the interim consolidated statement of comprehensive income	(205)	(170)	–	–
Purchases	1,177	3,308	–	–
Sales	(5)	(268)	–	–
Settlements	(148)	–	–	–
Transfer out of Level 3	–	(132)	–	–
At 30 June 2022 – Unaudited	**3,593**	**11,463**	**–**	**(320)**
Change in unrealised gains or losses included in the interim consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return	**(28)**	**184**	**–**	**–**

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

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

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

15. Fair value measurement of financial instruments (continued)

SIGNIFICANT UNOBSERVABLE INPUTS FOR LEVEL 3 FAIR VALUE MEASUREMENTS

As at 30 June 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 30 June 2022 (Unaudited) (US$m)	Valuation techniques	Unobservable inputs	Range
Debt securities	1,379	Discounted cash flows	Risk adjusted discount rate	2.94% – 23.65%

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.

16. Cash and cash equivalents

US$m	As at 30 June 2022 (Unaudited)	As at 31 December 2021
Cash	**3,021**	2,868
Cash equivalents	**3,857**	2,121
Total[(1)]	**6,878**	4,989

Note:

(1) US$953m (31 December 2021: US$892m) are held to back unit-linked contracts and US$349m (31 December 2021: US$184m) 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.

17. Insurance and investment contract liabilities

INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities (including liabilities in respect of investment contracts with DPF) can be analysed as follows:

US$m	As at 30 June 2022 (Unaudited)	As at 31 December 2021
Deferred profit	**30,152**	28,893
Unearned revenue	**2,955**	2,042
Policyholders' share of participating surplus	**11,237**	31,269
Liabilities for future policyholder benefits	**174,262**	177,219
Total	**218,606**	239,423

INVESTMENT CONTRACT LIABILITIES

Investment contract liabilities include deferred fee income of US$245m (31 December 2021: US$265m).

18. Borrowings

US$m	As at 30 June 2022 (Unaudited)	As at 31 December 2021
Medium-term notes and securities		
Senior notes	**6,640**	5,820
Subordinated securities	**3,698**	3,768
Total	**10,338**	9,588

18. Borrowings (continued)

The following table summarises the Company's outstanding medium-term notes and securities placed to the market at 30 June 2022:

SENIOR NOTES

Issue date	Nominal amount	Interest rate	Tenor at issue	Maturity
13 March 2013[(1)]	US$500m	3.125%	10 years	13 March 2023
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$1,300m	2.950%	3.5 years	16 July 2022
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%	2 years	28 March 2024

SUBORDINATED SECURITIES

Issue date	Nominal amount	Interest rate	Tenor at issue	Maturity
16 September 2020[(1)(3)]	US$1,750m	3.200%	20 years	16 September 2040
7 April 2021[(1)(3)(4)]	US$750m	2.700%	Perpetual	n/a
11 June 2021[(1)(3)(4)]	SG$500m	2.900%	Perpetual	n/a
9 September 2021[(1)(3)(4)]	EUR750m	0.880%	12 years	9 September 2033
19 October 2021[(1)(3)(4)]	SG$105m	3.000%	30 years	19 October 2051

Notes:

(1) These medium-term notes and securities are listed on The Stock Exchange of Hong Kong Limited.

(2) These medium-term notes are listed on The Taipei Exchange, Taiwan. The Company has the right to redeem these notes at par on 23 May of each year beginning on 23 May 2022.

(3) The Company has the right to redeem these securities, in whole, at par on predetermined dates as set out within the terms and conditions of the securities. No change in terms since issue date.

(4) The coupon rate of these securities is fixed for a predetermined period as set out within the terms and conditions of the securities, and then resets to the initial spread plus a then prevailing benchmark rate if the securities have not been redeemed.

The net proceeds from issuance during the six months ended 30 June 2022 are used for refinancing and general corporate purposes.

The Group has access to an aggregate of US$2,290m unsecured committed credit facilities, which includes a US$100m revolving three-year credit facility expiring in 2024 and a US$2,190m five-year credit facility expiring in 2026. The credit facilities will be used for general corporate purposes. There were no outstanding borrowings under these credit facilities as of 30 June 2022 and 31 December 2021.

19. Obligations under repurchase agreements

The Group has entered into repurchase agreements whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. At 30 June 2022, the obligations under repurchase agreements were US$2,186m (31 December 2021: US$1,588m).

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 derecognition at each period end:

US$m	**As at 30 June 2022 (Unaudited)**	As at 31 December 2021
Debt securities – AFS		
Repurchase agreements	**2,066**	1,511
Debt securities – FVTPL		
Repurchase agreements	**155**	92
Total	**2,221**	1,603

COLLATERAL UNDER REPURCHASE AGREEMENTS

At 30 June 2022, the Group had posted cash collateral of nil (31 December 2021: US$1m) and pledged debt securities with carrying value of US$21m (31 December 2021: US$8m). Cash collateral of US$5m (31 December 2021: US$1m) was held based on the market value of the securities transferred. In the absence of default, the Group does not sell or repledge the collateral received.

20. Share capital and reserves

SHARE CAPITAL

	As at 30 June 2022		As at 31 December 2021	
	Million shares (Unaudited)	**US$m (Unaudited)**	Million shares	US$m
Ordinary shares[(1)], issued and fully paid				
At beginning of the financial period	**12,097**	**14,160**	12,095	14,155
Shares issued under share option scheme and agency share purchase plan	**1**	**3**	2	5
Share cancelled after repurchase under the share buy-back programme[(2)]	**(92)**	**–**	–	–
At end of the financial period	**12,006**	**14,163**	12,097	14,160

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) The Company acquired a total of 132,492,000 ordinary shares on the Hong Kong Stock Exchange with the aggregate consideration paid (before expenses) amounting to approximately HK$10,504m (equivalent to approximately US$1,339m). Of these shares, 92,129,400 shares were cancelled during the period and 40,362,600 shares were cancelled subsequent to the reporting date on 11 July 2022.

The Company issued 395,455 shares under share option scheme (year ended 31 December 2021: 871,896 shares) and 1,119,763 shares under agency share purchase plan (year ended 31 December 2021: 1,192,355 shares) during the six months ended 30 June 2022.

During the six months ended 30 June 2022, the employee share-based trusts purchased 8,983,269 shares (year ended 31 December 2021: 8,277,353 shares) and sold nil shares (year ended 31 December 2021: nil). These purchases were made by the relevant scheme trustees on the Hong Kong Stock Exchange (HKSE). These shares are held on trust for participants of the relevant schemes and therefore were not cancelled.

During the six months ended 30 June 2022, 5,671,209 shares (six months ended 30 June 2021: 5,570,654 shares) were transferred to eligible directors, officers and employees of the Group from the employee share-based trusts under share-based compensation plans as a result of vesting. As at 30 June 2022, 33,623,362 shares (31 December 2021: 30,311,301 shares) of the Company were held by the employee share-based trusts.

20. Share capital and reserves (continued)

RESERVES

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available for sale securities held at the end of the reporting period.

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.

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.

21. 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 group available capital and group required capital are calculated as the sum of the available capital and required capital for each entity within the Group according to the respective local regulatory requirements, subject to any variation considered necessary by the HKIA.

Prior to 1 January 2022, the Group LCSM surplus and cover ratio were based on minimum capital requirements (the MCR basis). The group minimum capital requirement (GMCR) is the sum of the minimum capital requirements of each entity within the Group. The Group LCSM surplus was defined as the excess of the group available capital over the GMCR. The Group LCSM cover ratio was calculated as the ratio of the group available capital to the GMCR.

Applying anticipated changes in disclosure requirements, the Group LCSM surplus and the Group LCSM cover ratio are now based on prescribed capital requirements (the PCR basis).

The group prescribed capital requirement (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 Group LCSM surplus is now defined as the excess of the group available capital over the GPCR and the Group LCSM cover ratio is calculated as the ratio of the group available capital to the GPCR. The use of GPCR in these revised definitions is more relevant for shareholders when assessing the capital position of the Group and brings the LCSM required capital requirements more in line with the capital requirements currently used within the EV.

On the new PCR basis as at 31 December 2021, the pro forma Group LCSM surplus was US$54,745m compared with the previous reported figure of US$50,663m on the MCR basis. The increase was due to the early adoption of the Hong Kong Risk-based Capital (HKRBC) regime, the release of additional resilience margins held by the Group under the previous Hong Kong Insurance Ordinance basis, as well as the introduction of the China Risk-Oriented Solvency System phase II (C-ROSS II).

On the new PCR basis as at 31 December 2021, the pro forma Group LCSM cover ratio was 291 per cent compared with 399 per cent on the MCR basis. The reduction was due to the higher capital requirements under the new PCR basis of US$28,711m compared with the MCR basis of US$16,948m.

21. Group capital structure (continued)

Group-wide Supervision Framework and the Local Capital Summation Method (continued)

The table shows a summary of the Group LCSM solvency position and includes the effects of early adoption of the HKRBC regime, the introduction of C-ROSS II regime and the move to the PCR basis as of 30 June 2022.

US$m	**As at 30 June 2022 (Unaudited)**	As at 31 December 2021
Group LCSM cover ratio (PCR basis)(2)	**277%**	n/a
Group LCSM cover ratio (MCR basis)(2)	**567%**	399%
Group available capital	**72,412**	67,611
Tier 1 capital(3)	**47,520**	n/a
Other Than Tier 1 capital	**24,892**	n/a
Group minimum capital requirement (GMCR)	**12,778**	16,948
Group prescribed capital requirement (GPCR)	**26,158**	n/a
Group LCSM surplus (MCR basis)(4)	**n/a**	50,663
Group LCSM surplus (PCR basis)(4)	**46,254**	n/a
Senior notes approved as contributing to group available capital(1)	**5,817**	5,820

Notes:

(1) The amounts represent the carrying value of medium-term notes and securities contributing to group available capital. These are counted as Other Than Tier 1 capital under the GWS Capital Rules.

(2) The Group LCSM cover ratio definition changed from the ratio of the group available capital to the GMCR at 31 December 2021 to the ratio of the group available capital to the GPCR at 1 January 2022 and onwards.

(3) The Group Tier 1 capital is maintained in excess of GMCR with the Group Tier 1 capital to GMCR ratio of 372 per cent at 30 June 2022.

(4) The Group LCSM surplus definition changed from group available capital less GMCR at 31 December 2021 to group available capital less GPCR at 1 January 2022 and onwards.

At 30 June 2022, the group available capital includes the following items, which are not included within Group Tier 1 capital:

(i) US$3,698m(1) of subordinated securities. Subordinated securities with a fixed maturity receive full capital credit up to the date that is 5 years prior to the date of maturity, with the capital credit then reducing at the rate of 20 per cent per annum until maturity. Perpetual subordinated securities receive full capital credit unless they are redeemed; and

(ii) US$5,817m(1) of senior notes issued before designation that have been approved by the HKIA as capital. Prior to maturity, the approved senior notes receive full capital credit until 14 May 2031, after which the capital credit reduces at the rate of 20 per cent per annum until 14 May 2036.

Note:

(1) The amounts represent the carrying value of medium-term notes and securities contributing to group available capital. These are counted as Other Than Tier 1 capital under the GWS Capital Rules.

21. Group capital structure (continued)

Local Regulatory Solvency

The Group's individual branches and subsidiaries are also subject to the supervision of government regulators in the jurisdictions in which those branches and subsidiaries and their parent entity operate and, in relation to subsidiaries, in which they are incorporated. The various regulators overseeing the Group actively monitor our local solvency positions.

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 solvency margin requirements of the Hong Kong Insurance Ordinance. During the six months ended 30 June 2022 and the year ended 31 December 2021, 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.

22. Risk management

The risks that the Group is exposed to include, but are not limited to, credit risk, interest rate risk, equity price risk, foreign exchange rate risk and liquidity risk.

CREDIT RISK

Credit risk is the risk that third parties fail to meet their obligations to the Group when they fall due. Although the primary source of credit risk is the Group's investment portfolio, such risk can also arise through reinsurance, procurement, 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. A key to AIA's credit risk management is adherence to a well-controlled underwriting process. The Group's credit risk management starts with the assignment of an internal rating to all counterparties. A detailed analysis of each counterparty is performed and a rating is determined by the investment teams. The Group's Risk Management function manages the Group's internal ratings framework and conducts periodic rating validations. Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk.

CREDIT SPREAD RISK

Credit spread movements affect both the value of assets and liabilities. Credit spread risk is in a large part managed through the strategic asset allocation process, whereby the two key drivers of spread risk – credit rating and spread duration – are managed for capital efficiency, taking into account both the economic risk and the local solvency capital considerations.

22. Risk management (continued)

INTEREST RATE RISK

The Group's 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.

AIA manages interest rate risk primarily on an economic basis. 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.

EQUITY PRICE RISK

Equity price risk arises from changes in the market value of equity shares and interests in investment funds. Investments in equity shares and investment funds on a long-term basis are expected to align 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 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.

SENSITIVITY ANALYSIS

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, the Group has 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 policyholder 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 the Group's accounting policies lock in interest rate assumptions on policy inception and the Group's 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.

22. Risk management (continued)

SENSITIVITY ANALYSIS (continued)

US$m	**30 June 2022 (Unaudited) Impact on profit before tax**	**Impact on total equity (before the effects of taxation)**	**Impact on allocated equity (before the effects of taxation)**	31 December 2021 Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)
Equity price risk						
10 per cent increase in equity prices	**1,428**	**1,428**	**1,428**	1,608	1,608	1,608
10 per cent decrease in equity prices	**(1,428)**	**(1,428)**	**(1,428)**	(1,608)	(1,608)	(1,608)
Interest rate risk						
+ 50 basis points shift in yield curves	**(896)**	**(6,437)**	**(896)**	(1,152)	(8,585)	(1,152)
- 50 basis points shift in yield curves	**932**	**7,151**	**932**	1,193	9,539	1,193

FOREIGN EXCHANGE RATE RISK

The Group's foreign exchange rate risk arises mainly from the Group's operations in multiple geographical markets in Asia and the translation of multiple currencies to 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 with the exception of holdings of equities and other non-fixed income assets 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.

22. Risk management (continued)

FOREIGN EXCHANGE RATE NET EXPOSURE

US$m	United States Dollar	China Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
30 June 2022 – Unaudited						
Equity analysed by original currency	**17,698**	**13,064**	**1,586**	**2,929**	**(4,824)**	**2,277**
Net positions of currency derivatives	**(8,009)**	**–**	**306**	**2,104**	**3,739**	**291**
Currency exposure	**9,689**	**13,064**	**1,892**	**5,033**	**(1,085)**	**2,568**
5% strengthening of original currency						
Impact on profit before tax	**277**	**231**	**(28)**	**4**	**12**	**10**
Impact on other comprehensive income	**(294)**	**328**	**58**	**247**	**(65)**	**118**
Impact on total equity	**(17)**	**559**	**30**	**251**	**(53)**	**128**
5% strengthening of the US dollar						
Impact on profit before tax	**277**	**(226)**	**63**	**(2)**	**4**	**(9)**
Impact on other comprehensive income	**(294)**	**(333)**	**(93)**	**(249)**	**49**	**(119)**
Impact on total equity	**(17)**	**(559)**	**(30)**	**(251)**	**53**	**(128)**

US$m	United States Dollar	China Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
31 December 2021						
Equity analysed by original currency	30,845	11,470	2,539	5,144	(5,700)	2,410
Net positions of currency derivatives	(8,610)	–	323	2,739	3,704	329
Currency exposure	22,235	11,470	2,862	7,883	(1,996)	2,739
5% strengthening of original currency						
Impact on profit before tax	469	253	33	9	7	5
Impact on other comprehensive income	(487)	320	44	385	(106)	132
Impact on total equity	(18)	573	77	394	(99)	137
5% strengthening of the US dollar						
Impact on profit before tax	469	(249)	2	(8)	13	(5)
Impact on other comprehensive income	(487)	(324)	(79)	(386)	86	(132)
Impact on total equity	(18)	(573)	(77)	(394)	99	(137)

22. Risk management (continued)

LIQUIDITY RISK

The liquidity principle adopted by the Group Board is "*AIA 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 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 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 twelve months. The forward-looking management of liquidity allows early detection of trends enabling management to proactively manage liquidity with reference to the pre-defined contingency plan. The framework is comprised of four key pillars:

- Daily Cash Forecasting and Liquidity Adequacy Ratio;
- Structural Liquidity Adequacy Ratio;
- Market-based Asset Liquidity Monitoring; 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 assets, financial liabilities and insurance contract liabilities are presented below which provides a supplemental long-term view on the Group's liquidity profile.

22. Risk management (continued)

LIQUIDITY RISK (continued)

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]
30 June 2022 – Unaudited						
Financial assets (Policyholder and shareholder investments)						
Loans and deposits	8,379	2,105	680	434	1,521	3,639
Other receivables	2,785	2,685	49	4	6	41
Debt securities	161,971	4,593	20,696	21,882	114,800	–
Equity shares and interests in investment funds	34,534	–	–	–	–	34,534
Reinsurance receivables	1,031	1,031	–	–	–	–
Accrued investment income	1,748	1,738	3	–	–	7
Cash and cash equivalents	5,576	5,576	–	–	–	–
Derivative financial instruments	281	30	66	80	105	–
Subtotal	216,305	17,758	21,494	22,400	116,432	38,221
Financial assets (Unit-linked contracts and consolidated investment funds)	37,910	–	–	–	–	37,910[3]
Total	254,215	17,758	21,494	22,400	116,432	76,131
Financial and insurance contract liabilities (Policyholder and shareholder investments)						
Insurance and investment contract liabilities (net of deferred acquisition and origination costs, and reinsurance)	164,612	4,440	15,828	16,867	127,477	–
Borrowings	10,338	665	1,571[1]	2,684	4,309	1,109
Obligations under repurchase agreements	2,186	2,186	–	–	–	–
Other liabilities excluding lease liabilities	5,813	4,448	199	122	129	915
Lease liabilities	438	149	260	28	1	–
Derivative financial instruments	6,790	1,103	5,208	149	330	–
Subtotal	190,177	12,991	23,066	19,850	132,246	2,024
Financial and insurance contract liabilities (Unit-linked contracts and consolidated investment funds)	32,571	–	–	–	–	32,571
Total	222,748	12,991	23,066	19,850	132,246	34,595

Note:
(1) Including US$748m which fall due after 2 years through 5 years.

22. Risk management (continued)

LIQUIDITY RISK (continued)

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 2021						
Financial assets (Policyholder and shareholder investments)						
Loans and deposits	8,946	2,477	754	458	1,623	3,634
Other receivables	2,694	2,598	47	6	7	36
Debt securities	193,420	4,234	21,155	28,484	139,547	–
Equity shares and interests in investment funds	39,108	–	–	–	–	39,108
Reinsurance receivables	992	992	–	–	–	–
Accrued investment income	1,764	1,754	2	–	–	8
Cash and cash equivalents	3,913	3,913	–	–	–	–
Derivative financial instruments	1,419	51	1,037	97	234	–
Subtotal	252,256	16,019	22,995	29,045	141,411	42,786
Financial assets (Unit-linked contracts and consolidated investment funds)	40,453	–	–	–	–	40,453[3]
Total	292,709	16,019	22,995	29,045	141,411	83,239
Financial and insurance contract liabilities (Policyholder and shareholder investments)						
Insurance and investment contract liabilities (net of deferred acquisition and origination costs, and reinsurance)	182,484	4,857	17,564	18,621	141,442	–
Borrowings	9,588	167	1,247[4]	2,686	4,374	1,114
Obligations under repurchase agreements	1,588	1,588	–	–	–	–
Other liabilities excluding lease liabilities	6,811	5,330	213	141	154	973
Lease liabilities	502	174	303	24	1	–
Derivative financial instruments	1,369	356	659	131	223	–
Subtotal	202,342	12,472	19,986	21,603	146,194	2,087
Financial and insurance contract liabilities (Unit-linked contracts and consolidated investment funds)	37,109	–	–	–	–	37,109
Total	239,451	12,472	19,986	21,603	146,194	39,196

Notes:

(2) Financial assets with no fixed maturity are equities or receivables on demand which the Group has the choice to call. Borrowings with no fixed maturity are resettable subordinated perpetual securities issued by the Company. Other financial liabilities with no fixed maturity are payables on demand as the counterparty has a choice of when the amount is paid.

(3) The total value of amounts within financial assets (Unit-linked contracts and consolidated investment funds) is included within the no fixed maturity category to facilitate comparison with the corresponding total value of amounts within financial and insurance contract liabilities (Unit-linked contracts and consolidated investment funds). Included within financial assets (Unit-linked contracts and consolidated investment funds) are debt securities of US$699m (31 December 2021: US$626m) due in one year or less, US$2,520m (31 December 2021: US$2,753m) due after 1 year through 5 years, US$1,520m (31 December 2021: US$2,019m) due after 5 years through 10 years and US$1,112m (31 December 2021: US$1,262m) due after 10 years, in accordance with the contractual terms of the financial investments.

(4) Including US$748m which fall due after 2 years through 5 years.

23. Share-based compensation

SHARE-BASED COMPENSATION PLANS

During the six months ended 30 June 2022, the Group made further grants of share options (SOs), restricted share units (RSUs) and restricted stock purchase units (RSPUs) to certain directors, officers and employees of the Group under the Share Option Scheme, the Restricted Share Unit Scheme and the Employee Share Purchase Plan. In addition, the Group made further grants of restricted stock subscription units (RSSUs) to eligible agents under the Agency Share Purchase Plan.

VALUATION METHODOLOGY

The Group utilises a binomial lattice model to calculate the fair value of the SO grants, a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU, RSPU and RSSU grants, taking into account the terms and conditions upon which the grants were made. The price volatility is estimated on the basis of implied volatility of the Company's shares which is based on an analysis of historical data since they are traded in the HKSE. The expected life of the SOs 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 estimate of market condition for performance-based RSUs is based on one-year historical data preceding the grant date. An allowance for forfeiture prior to vesting is not included in the valuation of the grants.

The fair value calculated for SOs is inherently subjective due to the assumptions made and the limitations of the model utilised.

	Share options	
	Six months ended 30 June 2022 (Unaudited)	Year ended 31 December 2021
Assumptions		
Risk-free interest rate	**1.93%**	1.24%
Volatility	**26%**	26%
Dividend yield	**1.70%**	1.60%
Exercise price (HK$)	**79.85**	97.33
Share option life (in years)	**10**	10
Expected life (in years)	**7.45**	7.82
Weighted average fair value per option/unit at measurement date (HK$)	**21.00**	22.26

The weighted average share price for SO valuation for grants made during the six months ended 30 June 2022 is HK$79.85 (year ended 31 December 2021: HK$92.75). The total fair value of SO granted during the six months ended 30 June 2022 is US$7m (six months ended 30 June 2021: US$5m).

RECOGNISED COMPENSATION COST

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation grants made by the Group for the six months ended 30 June 2022 is US$36m (six months ended 30 June 2021: US$44m).

24. Remuneration of key management personnel

Key management personnel have been identified as the members of the Group's Executive Committee.

US$	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Key management compensation and other expenses		
Salaries and other short-term employee benefits	**12,301,026**	12,829,872
Post-employment benefits	**330,267**	343,746
Termination benefits	**2,844,552**	–
Share-based payments[1]	**9,130,368**	7,182,450
Total	**24,606,213**	20,356,068

Note:
(1) Includes amortised expenses for unvested SOs, RSUs and matching shares under ESPP to the key management personnel based on the fair value at the respective grant dates.

The emoluments of the key management personnel are within the following bands:

US$	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Below 1,000,000	**1**	3
1,000,001 to 2,000,000	**8**	8
2,000,001 to 3,000,000	**1**	–
3,000,001 to 4,000,000	**1**	–
6,000,001 to 7,000,000	**1**	–
7,000,001 and above	**–**	1

25. Commitments and contingencies

INVESTMENT AND CAPITAL COMMITMENTS

US$m	**As at 30 June 2022 (Unaudited)**	As at 31 December 2021
Not later than one year	**11,956**	7,830
Later than one and not later than five years	**96**	130
Total	**12,052**	7,960

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.

26. Investments in associates and joint ventures

On 11 January 2022, the Group completed its investment in an associate, China Post Life Insurance Co., Ltd., through an investment of RMB12,033m (approximately US$1,860m) for a 24.99 per cent equity stake, which is accounted for using the equity method of accounting on a one-quarter-lag basis.

27. Events after the reporting period

On 25 August 2022, a Committee appointed by the Board of Directors declared an interim dividend of 40.28 Hong Kong cents per share (six months ended 30 June 2021: 38.00 Hong Kong cents per share).

28. Interim statement of financial position of the Company

US$m	**As at 30 June 2022 (Unaudited)**	As at 31 December 2021
Assets		
Investment in subsidiaries at cost[(2)]	**19,090**	19,062
Financial investments:		
At fair value through other comprehensive income		
Debt securities[(3)]	**5,768**	7,024
At fair value through profit or loss		
Debt securities	**13**	27
Equity shares	**28**	126
Interests in investment funds[(2)]	**4,558**	4,359
	10,367	11,536
Loans to/amounts due from subsidiaries	**1,913**	1,917
Other assets	**64**	49
Promissory notes from subsidiaries[(4)]	**1,486**	2,510
Cash and cash equivalents	**497**	90
Total assets	**33,417**	35,164
Liabilities		
Borrowings	**10,931**	10,181
Obligations under repurchase agreements	**1,000**	1,000
Derivative financial instruments	**1**	–
Other liabilities	**101**	95
Total liabilities	**12,033**	11,276
Equity		
Share capital	**14,163**	14,160
Employee share-based trusts	**(290)**	(225)
Other reserves	**316**	309
Retained earnings	**7,279**	9,519
Amounts reflected in other comprehensive income	**(84)**	125
Total equity	**21,384**	23,888
Total liabilities and equity	**33,417**	35,164

Notes:

(1) The financial information of the Company should be read in conjunction with the interim condensed consolidated financial statements of the Group.

(2) The Company's interests in investment funds such as mutual funds and unit trusts, including funds controlled by the Group, are measured at fair value through profit or loss. Interests in other entities controlled by the Group are measured at cost, unless impaired, and presented as investment in subsidiaries at cost. Interests in investment funds include US$2,909m (31 December 2021: US$2,359m) 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$1,435m (31 December 2021: US$1,589m) and China Government bonds of US$4,058m (31 December 2021: US$4,262m) as at 30 June 2022.

(4) The promissory notes from subsidiaries are repayable on demand.

Approved and authorised for issue by the Board of Directors on 25 August 2022.

29. Interim statement of changes in equity of the Company

US$m	**Share capital**	**Employee share-based trusts**	**Other reserves**	**Retained earnings**	**Amounts reflected in other comprehensive income**	**Total equity**
Balance at 1 January 2022	**14,160**	**(225)**	**309**	**9,519**	**125**	**23,888**
Net profit	**–**	**–**	**–**	**752**	**–**	**752**
Fair value losses on debt securities at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**(253)**	**(253)**
Fair value losses on debt securities at fair value through other comprehensive income transferred to profit or loss on disposal	**–**	**–**	**–**	**–**	**44**	**44**
Dividends	**–**	**–**	**–**	**(1,650)**	**–**	**(1,650)**
Share buy-back	**–**	**–**	**–**	**(1,342)**	**–**	**(1,342)**
Shares issued under share option scheme and agency share purchase plan	**3**	**–**	**–**	**–**	**–**	**3**
Share-based compensation	**–**	**–**	**36**	**–**	**–**	**36**
Purchase of shares held by employee share-based trusts	**–**	**(94)**	**–**	**–**	**–**	**(94)**
Transfer of vested shares from employee share-based trusts	**–**	**29**	**(29)**	**–**	**–**	**–**
Balance at 30 June 2022 – Unaudited	**14,163**	**(290)**	**316**	**7,279**	**(84)**	**21,384**

US$m	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Amounts reflected in other comprehensive income	Total equity
Balance at 1 January 2021	14,155	(155)	259	7,360	836	22,455
Net profit	–	–	–	1,925	–	1,925
Fair value losses on debt securities at fair value through other comprehensive income	–	–	–	–	(404)	(404)
Fair value gains on debt securities at fair value through other comprehensive income transferred to profit or loss on disposal	–	–	–	–	(179)	(179)
Dividends	–	–	–	(1,558)	–	(1,558)
Shares issued under share option scheme and agency share purchase plan	4	–	–	–	–	4
Share-based compensation	–	–	41	–	–	41
Purchase of shares held by employee share-based trusts	–	(97)	–	–	–	(97)
Transfer of vested shares from employee share-based trusts	–	27	(27)	–	–	–
Balance at 30 June 2021 – Unaudited	14,159	(225)	273	7,727	253	22,187

REPORT ON REVIEW OF SUPPLEMENTARY EMBEDDED VALUE INFORMATION AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022 TO THE BOARD OF DIRECTORS OF AIA GROUP LIMITED

(incorporated in Hong Kong with limited liability)

pwc 羅兵咸永道

Introduction

We have reviewed the Supplementary Embedded Value Information ("the EV Information") set out on pages 110 to 133, which comprises the EV consolidated results of AIA Group Limited (the "Company") and its subsidiaries (together, the "Group") as at and for the six-month period ended 30 June 2022, comprising sensitivity analysis and significant methodology and assumptions and other explanatory information. The directors of the Company are responsible for the preparation and presentation of the EV Information in accordance with the EV basis of preparation set out in Sections 4 and 5 of the EV Information. Our responsibility is to express a conclusion on this EV Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the EV Information of the Group is not prepared, in all material respects, in accordance with the EV basis of preparation set out in Sections 4 and 5 of the EV Information.

Basis of Preparation

Without modifying our conclusion, we draw attention to Sections 4 and 5 of the EV Information, which describes the EV basis of preparation. As a result, the EV Information may not be suitable for another purpose. This report does not extend to any financial statements of the Company.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2022

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SUPPLEMENTARY EMBEDDED VALUE INFORMATION

Cautionary Statements Concerning Supplementary Embedded Value Information

This report includes non-IFRS financial measures and should not be viewed as a substitute for IFRS financial measures.

The results shown in this report are not intended to represent an opinion of market value and should not be interpreted in that manner. This report does not purport to encompass all of the many factors that may bear upon a market value.

The results shown in this report are based on a series of assumptions as to the future. It should be recognised that actual future results may differ from those shown, on account of the changes in the operating and economic environments and natural variations in experience. The results shown are presented at the valuation dates stated in this report and no warranty is given by the Group that future experience after these valuation dates will be in line with the assumptions made.

The Supplementary Embedded Value Information is unaudited, but has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers' independent review report to the Board of Directors is included on page 109.

1. HIGHLIGHTS

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.

On 8 April 2022, the Hong Kong Insurance Authority (HKIA) granted approval for AIA to early adopt the Hong Kong Risk-based Capital (HKRBC) regime with effect from 1 January 2022. In addition, the China Banking and Insurance Regulatory Commission (CBIRC) announced the new rules for the China Risk-Oriented Solvency System phase II (C-ROSS II) for insurers effective from the first quarter of 2022. The effects of these changes have been reflected in the Group's EV results with effect from 1 January 2022.

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 2.8 of this report.

The Supplementary Embedded Value Information in this report should be read in conjunction with the Supplementary Embedded Value Information of the Group in the Company's Annual Report 2021.

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 as at the specified point in time, as disclosed in the IFRS interim condensed consolidated financial statements.

1. HIGHLIGHTS (continued)

Summary of Key Metrics(1) (US$ millions)

	As at 30 June 2022 (Unaudited)	As at 31 December 2021	Change CER	Change AER
EV Equity	**72,326**	75,001	(1)%	(4)%
EV Equity per share (US dollars)	**6.02**	6.20	–	(3)%
EV	**70,105**	72,987	(1)%	(4)%
EV per share (US dollars)	**5.84**	6.03	(1)%	(3)%
Free surplus	**20,626**	17,025	23%	21%
Adjusted net worth (ANW)	**36,295**	33,302	11%	9%
Value of in-force business (VIF)	**33,810**	39,685	(12)%	(15)%

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)	YoY CER	YoY AER
VONB	**1,536**	1,814	(13)%	(15)%
Annualised new premiums (ANP)	**2,778**	3,060	(7)%	(9)%
VONB margin	**55.2%**	59.0%	(4.1) pps	(3.8) pps
EV operating profit	**3,953**	4,092	(2)%	(3)%
Operating return on EV (Operating ROEV)(2)	**11.1%**	12.9%	(1.7) pps	(1.8) pps
Underlying free surplus generation (UFSG)	**3,190**	3,374	(3)%	(5)%
UFSG on a comparable basis before the effects of HKRBC early adoption and release of resilience margins	**3,434**	3,374	5%	2%

Notes:

(1) The results are after an adjustment to reflect the consolidated reserving and capital requirements and the present value of future after-tax unallocated Group Office expenses.

(2) On an annualised basis.

2. EMBEDDED VALUE RESULTS

2.1 Embedded Value by Business Unit

The EV as at 30 June 2022 is presented consistently with the segment information in the IFRS interim condensed consolidated financial statements.

Summary of EV by Business Unit (US$ millions)

	As at 30 June 2022 (Unaudited)				
Business Unit	ANW[1]	VIF before CoC	CoC	VIF after CoC	**EV**
AIA China[2]	4,303	8,670	36	8,634	**12,937**
AIA Hong Kong[3]	13,424	12,683	1,205	11,478	**24,902**
AIA Thailand	4,706	3,904	772	3,132	**7,838**
AIA Singapore	2,595	4,743	556	4,187	**6,782**
AIA Malaysia	1,095	2,249	201	2,048	**3,143**
Other Markets	3,632	5,395	1,213	4,182	**7,814**
Group Corporate Centre	9,673	–	–	–	**9,673**
Subtotal	39,428	37,644	3,983	33,661	**73,089**
Adjustment to reflect consolidated reserving and capital requirements[4]	(2,802)	1,658	92	1,566	**(1,236)**
After-tax value of unallocated Group Office expenses	–	(1,243)	–	(1,243)	**(1,243)**
Total (before non-controlling interests)	36,626	38,059	4,075	33,984	**70,610**
Non-controlling interests	(331)	(185)	(11)	(174)	**(505)**
Total	36,295	37,874	4,064	33,810	**70,105**

2. EMBEDDED VALUE RESULTS (continued)

2.1 Embedded Value by Business Unit (continued)

	As at 31 December 2021				
Business Unit	ANW[(1)]	VIF before CoC	CoC	VIF after CoC	EV
AIA China	4,509	8,734	6	8,728	13,237
AIA Hong Kong	8,669	20,372	1,993	18,379	27,048
AIA Thailand	4,345	4,331	891	3,440	7,785
AIA Singapore	3,020	4,743	749	3,994	7,014
AIA Malaysia	1,239	2,283	248	2,035	3,274
Other Markets	4,998	5,311	1,363	3,948	8,946
Group Corporate Centre	10,602	–	–	–	10,602
Subtotal	37,382	45,774	5,250	40,524	77,906
Adjustment to reflect consolidated reserving and capital requirements[(4)]	(3,723)	1,547	1,096	451	(3,272)
After-tax value of unallocated Group Office expenses	–	(1,103)	–	(1,103)	(1,103)
Total (before non-controlling interests)	33,659	46,218	6,346	39,872	73,531
Non-controlling interests	(357)	(198)	(11)	(187)	(544)
Total	33,302	46,020	6,335	39,685	72,987

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 to C-ROSS II effective from 1 January 2022.

(3) Includes the effects of the early adoption of HKRBC effective from 1 January 2022.

(4) Adjustment reflects the consolidated reserving and capital requirements as described in Section 4.4 of the Supplementary Embedded Value Information in the Company's Annual Report 2021 and Section 4.1 of this report.

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 30 June 2022 (Unaudited)	As at 31 December 2021
IFRS shareholders' allocated equity	**46,788**	52,060
Fair value reserve	**(5,788)**	8,407
IFRS equity attributable to shareholders of the Company	**41,000**	60,467
Elimination of IFRS deferred acquisition and origination costs assets	**(29,126)**	(28,708)
Difference between IFRS policy liabilities and local statutory policy liabilities (1)	**27,684**	4,365
Difference between net IFRS policy liabilities and local statutory policy liabilities	**(1,442)**	(24,343)
Mark-to-market adjustment for property, mortgage loan and other investments, net of amounts attributable to participating funds	**(47)**	282
Elimination of intangible assets	**(3,132)**	(2,914)
Recognition of deferred tax impacts of the above adjustments	**2,611**	3,423
Recognition of non-controlling interests impacts of the above adjustments	**107**	110
ANW (Business Unit)	**39,097**	37,025
Adjustment to reflect consolidated reserving requirements, net of tax	**(2,802)**	(3,723)
ANW (Consolidated)	**36,295**	33,302

Note:

(1) Includes the effects of the early adoption of HKRBC and the change in solvency regime in Mainland China to C-ROSS II effective from 1 January 2022.

2. EMBEDDED VALUE RESULTS (continued)

2.3 Reconciliation of Free Surplus from ANW

The reconciliation of free surplus from ANW for the Group is set out below:

Derivation of Free Surplus from ANW (US$ millions)

	As at 30 June 2022 (Unaudited)		As at 31 December 2021	
	Business Unit	**Consolidated**	Business Unit	Consolidated
ANW	**39,097**	**36,295**	37,025	33,302
Adjustment for certain assets not eligible for regulatory capital purposes	**(1,616)**	**(1,616)**	(1,860)	(1,860)
Less: Required capital	**11,847**	**14,053**	11,725	14,417
Free surplus(1)	**25,634**	**20,626**	23,440	17,025

Note:

(1) The free surplus is defined as the ANW in excess of the required capital adjusted for certain assets that are not eligible for regulatory capital purposes. The free surplus on consolidated basis is further adjusted for the consolidated reserving and capital requirements.

2. EMBEDDED VALUE RESULTS (continued)

2.4 Earnings Profile

The tables below show how the after-tax distributable earnings from the assets backing the statutory reserves and required capital of the in-force business of the Group are projected to emerge over future years. The projected values reflect the consolidated reserving and capital requirements.

Profile of Projected After-Tax Distributable Earnings for the Group's In-force Business (US$ millions)

	As at 30 June 2022 (Unaudited)	
Expected period of emergence	**Undiscounted**	**Discounted**
1 – 5 years	**21,686**	**18,050**
6 – 10 years	**19,176**	**10,817**
11 – 15 years	**18,571**	**7,146**
16 – 20 years	**15,697**	**4,226**
21 years and thereafter	**131,132**	**7,624**
Total	**206,262**	**47,863**

	As at 31 December 2021	
Expected period of emergence	Undiscounted	Discounted
1 – 5 years	22,225	18,516
6 – 10 years	20,405	11,579
11 – 15 years	21,695	8,502
16 – 20 years	21,795	5,903
21 years and thereafter	151,924	9,602
Total	238,044	54,102

The profile of distributable earnings is shown on an undiscounted and discounted basis. The discounted value of after-tax distributable earnings of US$47,863 million (31 December 2021: US$54,102 million) plus the free surplus of US$20,626 million (31 December 2021: US$17,025 million) and the non-eligible assets excluded in the free surplus calculation of US$1,616 million (2021: US$1,860 million) as shown in Section 2.3 of this report is equal to the EV of US$70,105 million (31 December 2021: US$72,987 million) shown in Section 2.1 of this report. The emergence of future distributable earnings as at 30 June 2022 includes the effects of the early adoption of HKRBC, which has accelerated future profits into free surplus.

2. EMBEDDED VALUE RESULTS (continued)

2.5 Value of New Business

The VONB for the Group for the six months ended 30 June 2022 is summarised in the table below. The VONB is defined as the present value, at the point of sale, of the projected after-tax statutory profits less the cost of required capital. Results are presented consistently with the segment information in the IFRS interim condensed consolidated financial statements.

The Group VONB for the six months ended 30 June 2022 was US$1,536 million, a decrease of US$278 million, or 13 per cent, from US$1,814 million for the six months ended 30 June 2021.

Summary of VONB by Business Unit (US$ millions)

	Six months ended 30 June 2022 (Unaudited)			Six months ended 30 June 2021 (Unaudited)		
Business Unit	VONB before CoC	CoC	**VONB after CoC**	VONB before CoC	CoC	VONB after CoC
AIA China[1]	599	36	**563**	782	44	738
AIA Hong Kong[2]	351	28	**323**	346	33	313
AIA Thailand	278	18	**260**	329	17	312
AIA Singapore	167	6	**161**	185	9	176
AIA Malaysia	171	10	**161**	168	11	157
Other Markets	260	53	**207**	302	49	253
Total before unallocated Group Office expenses and non-controlling interests (Business Unit)	1,826	151	**1,675**	2,112	163	1,949
Adjustment to reflect consolidated reserving and capital requirements	(17)	8	**(25)**	(29)	2	(31)
Total before unallocated Group Office expenses and non-controlling interests (Consolidated)	1,809	159	**1,650**	2,083	165	1,918
After-tax value of unallocated Group Office expenses	(99)	–	**(99)**	(88)	–	(88)
Total before non-controlling interests (Consolidated)	1,710	159	**1,551**	1,995	165	1,830
Non-controlling interests	(16)	(1)	**(15)**	(16)	–	(16)
Total	1,694	158	**1,536**	1,979	165	1,814

Notes:

(1) The VONB for the six months ended 30 June 2022 has reflected the change in solvency regime to C-ROSS II effective from 1 January 2022.

(2) The VONB for the six months ended 30 June 2022 has reflected the early adoption of HKRBC effective from 1 January 2022.

2. EMBEDDED VALUE RESULTS (continued)

2.5 Value of New Business (continued)

The table below shows the breakdown of the VONB, ANP, VONB margin, and present value of new business premium (PVNBP) margin for the Group, by quarter, for business written in the six months ended 30 June 2022.

The VONB margin and PVNBP margin are defined as VONB, gross of non-controlling interests and excluding pension business, expressed as a percentage of ANP and PVNBP, respectively. The VONB used in the margin calculation is gross of non-controlling interests and excludes pension business to be consistent with the definition of ANP and PVNBP.

The Group VONB margin for the six months ended 30 June 2022 was 55.2 per cent compared with 59.0 per cent for the six months ended 30 June 2021. The Group PVNBP margin for the six months ended 30 June 2022 was 10 per cent compared with 10 per cent for the six months ended 30 June 2021.

Breakdown of VONB, ANP, VONB Margin and PVNBP Margin (US$ millions)

	VONB after CoC	ANP	VONB margin	PVNBP margin
Half Year				
Values for 2022				
Six months ended 30 June 2022 (Unaudited)	**1,536**	**2,778**	**55.2%**	**10%**
Values for 2021				
Six months ended 30 June 2021 (Unaudited)	1,814	3,060	59.0%	10%
Quarter				
Values for 2022				
Three months ended 31 March 2022 (Unaudited)	**853**	**1,567**	**54.4%**	**10%**
Three months ended 30 June 2022 (Unaudited)	**683**	**1,211**	**56.2%**	**10%**
Values for 2021				
Three months ended 31 March 2021 (Unaudited)	1,052	1,703	61.6%	10%
Three months ended 30 June 2021 (Unaudited)	762	1,357	55.7%	9%

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)

	Six months ended 30 June 2022 (Unaudited)			Six months ended 30 June 2021 (Unaudited)		
Business Unit	VONB excluding pension	ANP	**VONB margin**	VONB excluding pension	ANP	VONB margin
AIA China[1]	563	835	**67.4%**	738	899	82.1%
AIA Hong Kong[2]	307	443	**69.3%**	290	505	57.5%
AIA Thailand	260	311	**83.8%**	312	333	93.5%
AIA Singapore	161	244	**65.9%**	176	279	63.2%
AIA Malaysia	160	239	**67.2%**	156	253	61.7%
Other Markets	206	706	**29.1%**	254	791	32.1%
Total before unallocated Group Office expenses (Business Unit)	1,657	2,778	**59.6%**	1,926	3,060	62.9%
Adjustment to reflect consolidated reserving and capital requirements	(25)	–		(32)	–	
Total before unallocated Group Office expenses (Consolidated)	1,632	2,778	**58.8%**	1,894	3,060	61.9%
After-tax value of unallocated Group Office expenses	(99)	–		(88)	–	
Total	1,533	2,778	**55.2%**	1,806	3,060	59.0%

Notes:

(1) The VONB for the six months ended 30 June 2022 has reflected the change in solvency regime to C-ROSS II effective from 1 January 2022.

(2) The VONB for the six months ended 30 June 2022 has reflected the early adoption of HKRBC effective from 1 January 2022.

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement

Analysis of Movement in EV (US$ millions)

	Six months ended 30 June 2022 (Unaudited)			Six months ended 30 June 2021 (Unaudited)			YoY AER
	ANW	VIF	**EV**	ANW	VIF	EV	EV
Opening EV	33,302	39,685	**72,987**	28,503	36,744	65,247	12%
Release of resilience margins	2,168	(1,283)	**885**	–	–	–	n/m[1]
Impact of HKRBC early adoption	8,407	(6,028)	**2,379**	–	–	–	n/m
VONB	(144)	1,680	**1,536**	(400)	2,214	1,814	(15)%
Expected return on EV	2,338	(109)	**2,229**	2,456	(391)	2,065	8%
Operating experience variances	388	(4)	**384**	471	(85)	386	n/m
Operating assumption changes	(2)	(23)	**(25)**	42	(65)	(23)	n/m
Finance costs	(171)	–	**(171)**	(150)	–	(150)	14%
EV operating profit	2,409	1,544	**3,953**	2,419	1,673	4,092	(3)%
Investment return variances[2]	(4,436)	(357)	**(4,793)**	1,482	(463)	1,019	n/m
Other non-operating variances	(1,548)	1,402	**(146)**	833	(794)	39	n/m
Total EV profit	7,000	(4,722)	**2,278**	4,734	416	5,150	(56)%
Dividends	(1,650)	–	**(1,650)**	(1,558)	–	(1,558)	6%
Share buy-back	(1,342)	–	**(1,342)**	–	–	–	n/m
Other capital movements	(55)	–	**(55)**	(48)	–	(48)	15%
Effect of changes in exchange rates	(960)	(1,153)	**(2,113)**	(86)	(526)	(612)	n/m
Closing EV	36,295	33,810	**70,105**	31,545	36,634	68,179	3%
Opening EV per share (US dollars)			**6.03**			5.39	12%
Closing EV per share (US dollars)			**5.84**			5.64	4%

Notes:

(1) Not meaningful (n/m).

(2) Includes the effect of change in economic assumption due to the change in risk discount rate of AIA Sri Lanka.

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement (continued)

The opening EV was US$72,987 million at 31 December 2021.

The release of resilience margins and the effects of early adoption of the HKRBC regime increased EV by US$3,264 million.

EV operating profit was US$3,953 million (2021: US$4,092 million), reflecting VONB of US$1,536 million (2021: US$1,814 million), an expected return on EV of US$2,229 million (2021: US$2,065 million), operating experience variances and operating assumption changes which were again positive and amounted to US$359 million (2021: US$363 million), net of finance costs of US$171 million (2021: US$150 million).

The VONB is calculated at the point of sale for business written during the period. The expected return on EV is the expected change in the EV over the period plus the expected return on the VONB up to 30 June 2022. Operating experience variances reflect the impact on the ANW and VIF from differences between the actual experience over the period and that expected based on the operating assumptions.

The operating experience variances, net of tax, increased EV by US$384 million (2021: US$386 million), driven by:

- Expense variances of US$79 million (2021: US$115 million), partly offset by development costs of US$3 million (2021: US$4 million);
- Mortality and morbidity claims variances of US$208 million (2021: US$195 million); and
- Persistency and other variances of US$100 million (2021: US$80 million) which included persistency variances of US$71 million (2021: US$(109) million) and other variances including management actions of US$29 million (2021: US$189 million).

The effect of changes in operating assumptions during the period was a decrease in EV of US$25 million (2021: decrease in EV of US$23 million).

The EV profit of US$2,278 million (2021: US$5,150 million) is the total of EV operating profit, investment return variances and other non-operating variances.

The investment return variances decreased EV by US$4,793 million (2021: increased EV by US$1,019 million) driven by the effect of short-term fluctuations in interest rates and equity markets, and other capital market movements, on the Group's investment portfolio and the reserves and capital requirements compared with the expected returns.

Other non-operating variances decreased EV by US$146 million (2021: increased EV by US$39 million) which comprised negative impacts from non-operating expenses, partly offset by positive impacts from modelling-related enhancements. The effect of the implementation of C-ROSS II is not material.

The final shareholder dividend for 2021 paid in the first half of 2022 totalled US$1,650 million (2021: US$1,558 million). The capital deployed for the share buy-back programme, under which 132 million shares[1] (2021: nil) have been repurchased in the first half of 2022, was US$1,342 million (2021: nil). Other capital movements decreased EV by US$55 million (2021: decreased EV by US$48 million).

Foreign exchange movements decreased EV by US$2,113 million (2021: decreased EV by US$612 million).

The closing EV was US$70,105 million at 30 June 2022.

Note:
(1) As a result of the share buy-back, 92 million ordinary shares were cancelled in the first half of 2022, and the remaining shares have subsequently been cancelled.

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 11.1 per cent (2021: 12.9 per cent) for the six months ended 30 June 2022.

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)	YoY CER	YoY AER
EV operating profit	**3,953**	4,092	(2)%	(3)%
Opening EV	**72,987**	65,247	13%	12%
Operating ROEV[1]	**11.1%**	12.9%	(1.7) pps	(1.8) pps
EV operating earnings per share (US cents)[2]	**32.82**	33.92	(1)%	(3)%

Notes:
(1) On an annualised basis.

(2) Based on weighted average number of ordinary shares during the respective period.

2.7 EV Equity

EV Equity decreased to US$72,326 million at 30 June 2022, a decrease of 1 per cent from US$75,001 million as at 31 December 2021.

Derivation of EV Equity from EV (US$ millions)

	As at 30 June 2022 (Unaudited)	As at 31 December 2021	Change CER	Change AER
EV	**70,105**	72,987	(1)%	(4)%
Goodwill and other intangible assets[1]	**2,221**	2,014	15%	10%
EV Equity	**72,326**	75,001	(1)%	(4)%
EV Equity per share (US dollars)	**6.02**	6.20	–	(3)%

Note:
(1) Consistent with the IFRS interim condensed consolidated financial statements, shown net of tax, amounts attributable to participating funds and non-controlling interests.

2. EMBEDDED VALUE RESULTS (continued)

2.8 Free Surplus Generation

Free Surplus Generation (US$ millions)

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)	YoY CER (Unaudited)	YoY AER (Unaudited)
Opening free surplus	**17,025**	13,473	19%	26%
Release of resilience margins	**3,400**	–	n/m[1]	n/m
Impact of HKRBC early adoption	**4,403**	–	n/m	n/m
UFSG	**3,190**	3,374	(3)%	(5)%
Free surplus used to fund new business	**(686)**	(921)	(23)%	(26)%
Investment return variances and other items	**(3,357)**	3,919	n/m	n/m
Unallocated Group Office expenses	**(131)**	(182)	(28)%	(28)%
Dividends	**(1,650)**	(1,558)	6%	6%
Share buy-back	**(1,342)**	–	n/m	n/m
Finance costs and other capital movements	**(226)**	(198)	n/m	n/m
Closing free surplus	**20,626**	17,907	16%	15%

Free surplus increased by US$3,601 million to US$20,626 million (31 December 2021: US$17,025 million) as at 30 June 2022, after reflecting the impact of HKRBC early adoption and release of resilience margins totalling US$7,803 million.

UFSG, as defined in Section 4.8 of the Supplementary Embedded Value Information in the Company's Annual Report 2021, decreased by 3 per cent to US$3,190 million (2021: US$3,374 million). On a comparable basis[2], UFSG increased by 5 per cent. Investment in writing new business was US$686 million (2021: US$921 million).

Investment return variances and other items amounted to US$(3,357) million (2021: US$3,919 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$131 million (2021: US$182 million).

Notes:

(1) Not meaningful (n/m).

(2) Comparable basis refers to the growth rate of UFSG before the effects of HKRBC early adoption and release of resilience margins in the six months ended 30 June 2022.

3. SENSITIVITY ANALYSIS

The EV as at 30 June 2022 and the VONB for the six months ended 30 June 2022 have been recalculated to illustrate the sensitivity of the results to changes in certain central assumptions discussed in Section 5 of this report.

The sensitivities analysed were:

- Risk discount rates 200 basis points per annum higher than the central assumptions;
- Risk discount rates 200 basis points per annum lower than the central assumptions;
- Interest rates 50 basis points per annum higher than the central assumptions;
- Interest rates 50 basis points per annum lower than the central assumptions;
- Equity return, property return and risk discount rates 100 basis points per annum lower than the central assumptions;
- The presentation currency (as explained below) appreciated by 5 per cent;
- The presentation currency depreciated by 5 per cent;
- Lapse and premium discontinuance rates increased proportionally by 10 per cent (i.e. 110 per cent of the central assumptions);
- Lapse and premium discontinuance rates decreased proportionally by 10 per cent (i.e. 90 per cent of the central assumptions);
- Mortality/morbidity rates increased proportionally by 10 per cent (i.e. 110 per cent of the central assumptions);
- Mortality/morbidity rates decreased proportionally by 10 per cent (i.e. 90 per cent of the central assumptions);
- Maintenance expenses 10 per cent lower (i.e. 90 per cent of the central assumptions); and
- Expense inflation set to 0 per cent.

The EV as at 30 June 2022 has been further analysed for the following sensitivities:

- Equity prices increased proportionally by 10 per cent (i.e. 110 per cent of the prices at 30 June 2022); and
- Equity prices decreased proportionally by 10 per cent (i.e. 90 per cent of the prices at 30 June 2022).

For the interest rate sensitivities, the investment return assumptions and the risk discount rates were changed by 50 basis points per annum; the projected bonus rates on participating business, the statutory reserving bases at 30 June 2022 and the values of debt instruments and derivatives held at 30 June 2022 were changed to be consistent with the interest rate assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

For the equity return, property return and risk discount rates sensitivity, the projected bonus rates on participating business were changed to be consistent with the equity return assumptions and property return assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

As the Group operates in multiple geographical markets, the EV results for the Group are translated from multiple currencies to US dollar which is the Group's presentation currency. In order to provide sensitivity results for EV and VONB of the impact of foreign currency movements, a change of 5 per cent to the US dollar is included.

For the equity price sensitivities, the projected bonus rates on participating business and the values of equity securities and equity funds held at 30 June 2022 were changed to be consistent with the equity price assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

3. SENSITIVITY ANALYSIS (continued)

For each of the remaining sensitivity analyses, the statutory reserving bases as at 30 June 2022 and the projected bonus rates on participating business were changed to be consistent with the sensitivity analysis assumptions, while all the other assumptions remain unchanged.

The sensitivities chosen do not represent the boundaries of possible outcomes, but instead illustrate how certain alternative assumptions would affect the results.

Sensitivity of EV (US$ millions)

	As at 30 June 2022 (Unaudited)		As at 31 December 2021	
Scenario	**EV**	**% Change**	EV	% Change
Central value	**70,105**		72,987	
Impact of:				
200 bps increase in risk discount rates	**(7,870)**	**(11.2)%**	(9,806)	(13.4)%
200 bps decrease in risk discount rates	**12,437**	**17.7%**	15,325	21.0%
10% increase in equity prices	**1,632**	**2.3%**	1,878	2.6%
10% decrease in equity prices	**(1,708)**	**(2.4)%**	(1,871)	(2.6)%
50 bps increase in interest rates	**(1,299)**	**(1.9)%**	(330)	(0.5)%
50 bps decrease in interest rates	**1,330**	**1.9%**	279	0.4%
100 bps decrease in equity and property returns and risk discount rates	**2,661**	**3.8%**	3,876	5.3%
5% appreciation in the presentation currency	**(2,188)**	**(3.1)%**	(2,164)	(3.0)%
5% depreciation in the presentation currency	**2,188**	**3.1%**	2,164	3.0%
10% increase in lapse/discontinuance rates	**(1,618)**	**(2.3)%**	(1,135)	(1.6)%
10% decrease in lapse/discontinuance rates	**1,799**	**2.6%**	1,280	1.8%
10% increase in mortality/morbidity rates	**(5,747)**	**(8.2)%**	(4,876)	(6.7)%
10% decrease in mortality/morbidity rates	**5,618**	**8.0%**	4,779	6.5%
10% decrease in maintenance expenses	**844**	**1.2%**	865	1.2%
Expense inflation set to 0%	**913**	**1.3%**	1,047	1.4%

Sensitivity of VONB (US$ millions)

	Six months ended 30 June 2022 (Unaudited)		Six months ended 30 June 2021 (Unaudited)	
Scenario	**VONB**	**% Change**	VONB	% Change
Central value	**1,536**		1,814	
Impact of:				
200 bps increase in risk discount rates	**(308)**	**(20.1)%**	(393)	(21.7)%
200 bps decrease in risk discount rates	**451**	**29.4%**	590	32.5%
50 bps increase in interest rates	**47**	**3.1%**	50	2.8%
50 bps decrease in interest rates	**(61)**	**(4.0)%**	(66)	(3.6)%
100 bps decrease in equity and property returns and risk discount rates	**161**	**10.5%**	n/a	n/a
5% appreciation in the presentation currency	**(66)**	**(4.3)%**	(79)	(4.4)%
5% depreciation in the presentation currency	**66**	**4.3%**	79	4.4%
10% increase in lapse/discontinuance rates	**(102)**	**(6.6)%**	(110)	(6.1)%
10% decrease in lapse/discontinuance rates	**108**	**7.0%**	123	6.8%
10% increase in mortality/morbidity rates	**(205)**	**(13.3)%**	(214)	(11.8)%
10% decrease in mortality/morbidity rates	**205**	**13.3%**	214	11.8%
10% decrease in maintenance expenses	**53**	**3.5%**	54	3.0%
Expense inflation set to 0%	**37**	**2.4%**	47	2.6%

4. METHODOLOGY

The methodology used by the Group for determining the EV results for the period is consistent with that described in Section 4 of the Supplementary Embedded Value Information in the Company's Annual Report 2021 taking into account the capital requirements as set out in Section 4.1.

4.1 Capital Requirements

Each of the Business Units has a regulatory requirement to hold shareholder capital in addition to the assets backing the insurance liabilities. The table below sets out the Group's assumed level of capital requirement for each Business Unit:

Business Unit	Capital requirements
AIA Australia	100% of regulatory capital adequacy requirement
AIA China[(1)]	100% of required capital following the China Association of Actuaries (CAA) EV assessment guidance, updated to reflect C-ROSS II
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	100% 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) With effect from 1 January 2022, the capital requirement is updated to C-ROSS II following the update issued by the China Banking and Insurance Regulatory Commission on 30 December 2021.

(2) With effect from 1 January 2022, the capital requirement for the Hong Kong branch of AIA International is updated following the HKRBC early adoption as approved by HKIA in a letter dated 8 April 2022. For clarity, AIA Everest Life Company Limited, which is a closed block of business acquired from The Bank of East Asia, Limited under AIA Co., is still evaluated based on 150% of required minimum solvency margin under existing Hong Kong Insurance Ordinance (HKIO) requirements, and the Macau branch of AIA International is subject to 150% of Macau statutory requirement.

Capital Requirements on Consolidation

The Company's subsidiaries, AIA Company Limited (AIA Co.) and AIA International, are both subject to the HKIA reserving and capital requirements. Following the approval by HKIA to early adopt the new HKRBC regime for AIA International, starting from 1 January 2022, AIA International is subject to the capital requirement under the new HKRBC regime, while AIA Co. continues to be subject to the existing HKIO requirements. The non-Hong Kong branches of AIA Co. and AIA International hold required capital of no less than 100 per cent of the HKIO solvency margin requirement and the HKRBC capital requirement respectively.

In addition, AIA International, which is incorporated in Bermuda, is subject to the Bermuda Monetary Authority (BMA) reserving and capital requirements. AIA International and its subsidiaries hold required capital of no less than 100 per cent of the BMA regulatory capital requirement.

The above regulatory reserving and capital requirements, and other consolidated reserving and capital requirements as determined by the Group, apply in addition to the relevant local requirements applicable to our Business Units.

The Company is also subject to the new GWS framework implemented by the HKIA, including group capital adequacy requirements based on the LCSM, under which the Group's published group available capital, group minimum capital requirement (GMCR) and group prescribed capital requirement (GPCR) are calculated as the sum of the available capital, minimum capital requirements and prescribed capital requirements according to the respective regulatory requirements for each entity within the Group, subject to any variation considered necessary by the HKIA. This has not imposed any additional capital requirement to those mentioned above.

5. ASSUMPTIONS

5.1 Introduction

This section summarises the assumptions used by the Group to determine the EV as at 30 June 2022 and the VONB for the period ended 30 June 2022.

Long-term investment return assumptions used in the EV basis for the interim results remain unchanged from those shown in Section 5.2 of the Supplementary Embedded Value Information in the Company's Annual Report 2021, while risk discount rates were updated to reflect the risks associated with new business written during the reporting period as disclosed in Section 5.2 of the Supplementary Embedded Value Information in the Company's Annual Report 2021.

The non-economic assumptions used are based on those at 31 December 2021, updated to reflect the Group's latest view of expected future experience. A more detailed description of the assumptions can be found in Section 5 of the Supplementary Embedded Value Information in the Company's Annual Report 2021.

5.2 Economic Assumptions

Investment Returns

The Group has set the assumed long-term future returns for fixed income assets to reflect its view of expected returns having regard to estimates of long-term forward rates from yields available on government bonds and current bond yields. In determining returns on fixed income assets the Group allows for the risk of default, and this allowance varies by the credit rating of the underlying asset.

Where long-term views of investment return assumptions differ from current market yields on existing fixed income assets, an adjustment was made to make allowance for the current market yields. In these cases, in calculating the VIF, adjustments have been made to the investment return assumptions such that the investment returns on existing fixed income assets were set consistently with the current market yield on these assets for their full remaining term, to be consistent with the valuation of the assets backing the policy liabilities.

The Group has set the equity return and property return assumptions by reference to the long-term return on 10-year government bonds, allowing for an internal assessment of risk premia that vary by asset class and by territory.

For each Business Unit, the non-linked portfolio is divided into a number of distinct product groups, and the returns for each of these product groups have been derived by considering current and future targeted asset allocations and associated investment returns for major asset classes.

For unit-linked business, fund growth assumptions have been determined based on actual asset mix within the funds at the valuation date and expected long-term returns for major asset classes.

For Tata AIA Life, the Group uses the IEV methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India for determining its EV and VONB. This methodology uses investment returns and risk discount rates that reflect the market-derived government bond yield curve. Therefore, the risk discount rate and long-term investment returns are not provided for Tata AIA Life.

5. ASSUMPTIONS (continued)

5.2 Economic Assumptions (continued)

Risk Discount Rates

The risk discount rates can be considered as the sum of the appropriate risk-free interest rate, to reflect the time value of money, and a risk margin to make an implicit allowance for risk.

The table below summarises the current market 10-year government bond yields referenced in EV calculations.

	Current market 10-year government bond yields referenced in EV calculations (%)		
Business Unit	**As at 30 June 2022 (Unaudited)**	As at 31 December 2021	As at 30 June 2021 (Unaudited)
AIA Australia	**3.66**	1.67	1.53
AIA China	**2.82**	2.78	3.09
AIA Hong Kong(1)	**3.01**	1.51	1.47
AIA Indonesia	**7.22**	6.38	6.59
AIA Korea	**3.62**	2.26	2.10
AIA Malaysia	**4.24**	3.58	3.29
AIA New Zealand	**3.86**	2.39	1.77
AIA Philippines	**7.04**	4.82	3.92
AIA Singapore	**2.98**	1.67	1.58
AIA Sri Lanka	**21.47**	11.71	8.20
AIA Taiwan	**1.25**	0.73	0.42
AIA Thailand	**2.90**	1.90	1.78
AIA Vietnam	**3.27**	2.08	2.21

Note:
(1) The majority of AIA Hong Kong's assets and liabilities are denominated in US dollars. The 10-year government bond yields shown above are those of US dollar-denominated bonds.

5. ASSUMPTIONS (continued)

5.2 Economic Assumptions (continued)

Risk Discount Rates (continued)

The table below summarises the risk discount rates and long-term investment returns assumed in EV calculations. The risk discount rates as at 30 June 2022 reflect the weighted average of the risk margins of the in-force business at the start of 2022, and those of the new business written during the first half of 2022 which are determined at a product level to better reflect the market and non-market risks associated with the mix of products sold during the reporting period. In addition, the VONB results are calculated based on start-of-quarter long-term investment return assumptions consistent with the measurement at the point of sale. The present value of unallocated Group Office expenses was calculated using the AIA Hong Kong risk discount rate. The investment returns on existing fixed income assets were set consistently with the market yields on these assets. The investment returns shown are gross of tax and investment expenses.

	Risk discount rates assumed in EV calculations (%)			Long-term investment returns assumed in EV calculations (%)					
				10-year government bonds			Local equities		
Business Unit	**As at 30 Jun 2022 (Unaudited)**	As at 31 Dec 2021	As at 30 Jun 2021 (Unaudited)	**As at 30 Jun 2022 (Unaudited)**	As at 31 Dec 2021	As at 30 Jun 2021 (Unaudited)	**As at 30 Jun 2022 (Unaudited)**	As at 31 Dec 2021	As at 30 Jun 2021 (Unaudited)
AIA Australia	**6.42**	6.41	6.43	**2.30**	2.30	2.30	**6.60**	6.60	6.60
AIA China	**9.70**	9.72	9.73	**3.70**	3.70	3.70	**9.30**	9.30	9.30
AIA Hong Kong(1)	**6.96**	6.98	7.00	**2.20**	2.20	2.20	**7.00**	7.00	7.00
AIA Indonesia	**13.03**	12.98	12.99	**7.50**	7.50	7.50	**12.00**	12.00	12.00
AIA Korea	**8.10**	8.10	8.10	**2.20**	2.20	2.20	**6.50**	6.50	6.50
AIA Malaysia	**8.49**	8.56	8.55	**4.00**	4.00	4.00	**8.60**	8.60	8.60
AIA New Zealand	**6.48**	6.53	6.53	**2.30**	2.30	2.30	**6.80**	6.80	6.80
AIA Philippines	**11.80**	11.80	11.80	**5.30**	5.30	5.30	**10.50**	10.50	10.50
AIA Singapore	**6.59**	6.59	6.60	**2.20**	2.20	2.20	**6.70**	6.70	6.70
AIA Sri Lanka	**20.00**	14.70	15.70	**9.00**	9.00	10.00	**11.00**	11.00	12.00
AIA Taiwan	**7.20**	7.25	7.25	**1.00**	1.00	1.00	**5.60**	5.60	5.60
AIA Thailand	**7.65**	7.69	7.75	**2.70**	2.70	2.70	**7.70**	7.70	7.70
AIA Vietnam	**9.11**	9.16	9.71	**3.50**	3.50	4.00	**8.80**	8.80	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.

5. ASSUMPTIONS (continued)

5.3 Expense Inflation

The expected long-term expense inflation rates used by each Business Unit are set out below:

Expense Inflation Assumptions by Business Unit (%)

Business Unit	**As at 30 June 2022 (Unaudited)**	As at 31 December 2021
AIA Australia	**2.05**	2.05
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)]	**6.45**	5.75

Note:
(1) For Tata AIA Life, in accordance with the IEV methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India, the inflation assumption is derived by applying a spread to the reference interest rate.

Unallocated Group Office expenses are assumed to inflate by the weighted average of the Business Unit expense inflation rates.

5. ASSUMPTIONS (continued)

5.4 Taxation

The EV and VONB presented in this report are net of tax based on current taxation legislation. The projected corporate income tax payable in any year allows for the benefits arising from any tax loss carried forward where relevant. Where applicable, tax payable on investment income has been reflected in the projected investment returns. Any withholding tax payable on future remittances from local business units are also reflected under the appropriate operating segment.

The local corporate income tax rates used by each Business Unit are set out below:

Local Corporate Income Tax Rates by Business Unit (%)

Business Unit	**As at 30 June 2022 (Unaudited)**	As at 31 December 2021
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)	**27.5**	27.5
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	**24.0**	24.0
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 is subject to an assumed corporate income tax of 27.5 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 will revert to 24.2 per cent from 1 January 2023 onwards.

6. EVENTS AFTER THE REPORTING PERIOD

On 25 August 2022, a Committee appointed by the Board of Directors declared an interim dividend of 40.28 Hong Kong cents per share (six months ended 30 June 2021: 38.00 Hong Kong cents per share).