AIA Group Limited

友 邦 保 險 控 股 有 限 公 司

(Incorporated in Hong Kong with limited liability)

Stock Code: 1299

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

AIA REPORTS FINANCIAL RESULTS FOR 2022

STRONG VONB GROWTH MOMENTUM, UP 6 PER CENT IN THE SECOND HALF
FREE SURPLUS UP TO US$23.7 BILLION BEFORE CAPITAL RETURNS OF US$5.8 BILLION TO SHAREHOLDERS
OPAT PER SHARE UP 5 PER CENT; TOTAL DIVIDEND PER SHARE UP 5.3 PER CENT

The Board of AIA Group Limited (the "Company"; stock code: 1299) is pleased to announce the Group's financial results for the year ended 31 December 2022.

Growth rates are shown on a constant exchange rate basis:

New business performance

- Value of new business (VONB) was US$3,092 million for the full-year 2022
- VONB grew by 6 per cent in the second half as the effects of the initial Omicron wave subsided
- AIA China delivered positive VONB growth in the second half and into the first two months of 2023
- All five of the largest operating segments delivered positive VONB growth in the second half

Earnings and capital

- Free surplus increased to US$23.7 billion before returning US$5.8 billion in dividends and share buy-back
- Underlying free surplus generation (UFSG) of US$6,039 million, up 7 per cent[(1)] per share
- Operating profit after tax (OPAT) of US$6,370 million, up 5 per cent per share
- EV Equity of US$77.0 billion before dividends and share buy-back
- Very strong Group LCSM cover ratio[(2)] of 283 per cent on the new PCR basis (552 per cent on MCR basis)

Overall expected positive impact of IFRS 9 and IFRS 17 compared with IAS 39 and IFRS 4[(3)]

- No material change to OPAT for the full-year 2022
- Net profit for the full-year 2022 to be at least US$2.0 billion higher
- Shareholders' allocated equity and shareholders' equity as at 31 December 2022 to be above the IFRS 4 levels
- Significant reduction in leverage ratio

Dividends and share buy-back programme

- Final dividend of 113.40 Hong Kong cents per share
- Total dividend of 153.68 Hong Kong cents per share, up 5.3 per cent
- US$10.0 billion share buy-back programme announced in March 2022 remains on track
- US$3.6 billion returned to shareholders through the share buy-back programme in 2022

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

"Our resilient financial results in an unprecedented market environment demonstrate the strengths of AIA's robust operating model, which is built on our differentiated distribution and personalised propositions. New business momentum improved strongly in the second half of 2022 as the effects of the initial Omicron wave subsided and normal activities resumed. While VONB of US$3,092 million was lower by 5 per cent for the full year, we delivered 6 per cent growth in the second half with all five of our largest operating segments achieving positive VONB growth.

"Our consistent financial discipline and focus on growing AIA's high-quality in-force business supported an increase in both OPAT and UFSG[(1)]. The Group's financial position remained very strong despite significant capital market volatility in 2022, with free surplus increasing to US$23.7 billion before capital returns to shareholders and a Group LCSM cover ratio[(2)] of 283 per cent. EV Equity increased by 6 per cent in 2022 to US$77.0 billion before the return of US$5.8 billion to shareholders through the share buy-back programme and dividends.

“The Board has recommended a final dividend of 113.40 Hong Kong cents per share which brings the total dividend to 153.68 Hong Kong cents per share, up 5.3 per cent. This follows AIA’s established prudent, sustainable and progressive dividend policy, allowing for future growth opportunities and the financial flexibility of the Group.

“AIA China returned to positive growth in the second half of 2022 with VONB up by 3 per cent. VONB was lower in the first half compared with the record result in 2021, as most of our geographies were subject to stringent pandemic movement restrictions. In the second half, VONB recovered strongly with double-digit year-on-year growth up to the end of November before the rapid increase in COVID-19 infections in December disrupted new business sales activities. Following the reopening of Mainland China, we have seen our new business momentum recover swiftly and return to positive VONB growth in the first two months of 2023.

“We continue to execute AIA China’s expansion strategy, capturing new growth opportunities by replicating our high-quality differentiated Premier Agency in new geographies and deepening our presence within our existing footprint. We made excellent progress with 50 per cent growth in agency VONB and 31 per cent increase in the number of active agents in Tianjin, Shijiazhuang, Sichuan and Hubei. In January 2022, we launched an additional operation in Hubei and we are also at an advanced stage in preparing for our new provincial branch in Henan. AIA China’s new bancassurance partnership with the Postal Savings Bank of China continued to make good progress.

“AIA Hong Kong recorded an increase in VONB of 4 per cent in 2022, supported by growth in both our agency and partnership channels. Our Macau branch continued to benefit from the resumption of the Individual Visit Scheme with Mainland China. VONB from sales to Mainland Chinese visitors tripled in 2022, accounting for just over 10 per cent of total VONB of AIA Hong Kong for the year, and strong momentum has continued into the first two months of 2023.

“AIA Thailand delivered 5 per cent growth in VONB for the full year, supported by 19 per cent growth in the second half of 2022. We saw higher sales activity levels in both agency and bancassurance channels as new business momentum returned in the second half. Our agency remained the market leader in 2022 and we achieved very strong recruitment, contributing to an increase in the number of active agents compared with 2021.

“AIA Singapore reported higher VONB for 2022 as the 7 per cent VONB growth in the second half more than offset the first half performance, reflecting a recovery in sales momentum. AIA Malaysia delivered 15 per cent VONB growth for 2022 with year-on-year growth of 26 per cent in the second half of the year. Our very strong performances from both agency and partnership distribution channels were supported by the adoption of digital tools and the generation of new digital leads.

“VONB of our Other Markets segment was lower by 12 per cent for 2022 as strong double-digit growth in India, New Zealand, the Philippines, Sri Lanka and Taiwan (China) in the second half was offset by a decline mainly in Australia, South Korea and Vietnam. Tata AIA Life, our joint venture in India, delivered 52 per cent VONB growth across all distribution channels and ranked as the number three private life insurer in the country as at the end of December 2022.

“As our markets recover rapidly from the effects of the pandemic, the resilience and professionalism of our agents ensure that our Premier Agency is in a prime position to capitalise on the substantial growth opportunities ahead. In the second half of the year, our agency business regained strong momentum with 8 per cent growth in VONB supported by higher active agent productivity and an increase in the total number of agents compared with 2021.

"In 2022, AIA's long-term strategic partnerships with leading banks generated a 10 per cent increase in bancassurance VONB, driven by growth from Public Bank in Malaysia, Bank Central Asia in Indonesia, ASB Bank in New Zealand and across all key domestic partnerships in India. The Bank of East Asia in Hong Kong and Mainland China delivered excellent VONB growth in 2022. Overall our partnership distribution delivered positive VONB growth for the year.

"I am pleased to see the accelerated delivery of our key strategic priorities in 2022, enabled by our significant investments in technology, digital and analytics (TDA), has supported increased distribution productivity, enhanced customer experience and more personalised propositions for consumers. We have an unrelenting focus on leveraging our substantial competitive advantages, which enable us to enhance our operations and capture new opportunities for additional growth across each of our 18 markets.

"AIA operates in the most attractive region in the world for life and health insurance. Now more than ever, Asian consumers are acutely aware of the importance of financial security and the need to protect the well-being of their families. I firmly believe that the long-term prospects for AIA's business remain exceptional. Our dedicated teams will continue to focus on helping people live Healthier, Longer, Better Lives as we execute our strategic priorities to generate long-term sustainable value for all our stakeholders."

About AIA

AIA Group Limited and its subsidiaries (collectively "AIA" or the "Group") comprise the largest independent publicly listed pan-Asian life insurance group. It has a presence in 18 markets – wholly-owned branches and subsidiaries in Mainland China, Hong Kong SAR(4), Thailand, Singapore, Malaysia, Australia, Cambodia, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China), Vietnam, Brunei and Macau SAR(5), and a 49 per cent joint venture in India.

The business that is now AIA was first established in Shanghai more than a century ago in 1919. It is a market leader in Asia (ex-Japan) based on life insurance premiums and holds leading positions across the majority of its markets. It had total assets of US$303 billion as of 31 December 2022.

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

AIA Group Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited under the stock code "1299" with American Depositary Receipts (Level 1) traded on the over-the-counter market (ticker symbol: "AAGIY").

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Notes:

(1) Growth on a comparable basis for UFSG and UFSG per share refers to the exclusion of the effects on the growth rates of the early adoption of the Hong Kong Risk-based Capital (HKRBC) regime from 1 January 2022 and the release of additional resilience margins held by the Group at 1 January 2022 under the previous Hong Kong Insurance Ordinance (HKIO) basis.

(2) AIA's group available capital, group prescribed capital requirement (GPCR) and group minimum capital requirement (GMCR) are calculated based on the Local Capital Summation Method (LCSM). From 1 January 2022, the Group LCSM cover ratio is calculated as the ratio of group available capital to GPCR on the new prescribed capital requirement (PCR) basis. Prior to 1 January 2022, the Group LCSM cover ratio was calculated using the GMCR on the previously reported minimum capital requirement (MCR) basis. Please refer to note 36 to the audited consolidated financial statements for 2022 for details.

(3) The Group's 2022 annual results have been calculated and reported before the adoption of International Financial Reporting Standards (IFRS) 9 and IFRS 17 which will take effect from 1 January 2023.

(4) Hong Kong SAR refers to the Hong Kong Special Administrative Region.

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

FINANCIAL SUMMARY

PERFORMANCE HIGHLIGHTS

US$ millions, unless otherwise stated	2022	2021	YoY CER	YoY AER
New Business				
Value of new business (VONB) in the second half	**1,556**	1,552	**6%**	–
VONB	**3,092**	3,366	**(5)%**	(8)%
VONB margin	**57.0%**	59.3%	**(2.4) pps**	(2.3) pps
Annualised new premiums (ANP)	**5,407**	5,647	**–**	(4)%
EV Operating Profit				
Embedded value (EV) operating profit	**6,845**	7,896	**(10)%**	(13)%
Operating return on EV	**9.4%**	12.1%	**(2.4) pps**	(2.7) pps
Basic EV operating earnings per share (US cents)	**57.38**	65.44	**(9)%**	(12)%
IFRS Earnings				
Operating profit after tax (OPAT)	**6,370**	6,409	**3%**	(1)%
Operating return on shareholders' allocated equity	**13.2%**	12.8%	**0.6 pps**	0.4 pps
Total weighted premium income (TWPI)	**36,176**	36,859	**2%**	(2)%
Operating earnings per share (US cents)				
– Basic	**53.40**	53.12	**5%**	1%
– Diluted	**53.36**	53.02	**5%**	1%
Underlying Free Surplus Generation				
Underlying free surplus generation (UFSG) on a comparable basis*	**6,507**	6,451	**6%**	1%
UFSG	**6,039**	6,451	**(2)%**	(6)%
Basic UFSG per share on a comparable basis* (US cents)	**54.55**	53.46	**7%**	2%
Basic UFSG per share (US cents)	**50.62**	53.46	**(1)%**	(5)%
Dividends				
Dividend per share (HK cents)				
– Final	**113.40**	108.00	**n/a**	5%
– Total	**153.68**	146.00	**n/a**	5.3%

* Please refer to Note 8.

PERFORMANCE HIGHLIGHTS (continued)

US$ millions, unless otherwise stated	As at 31 Dec 2022	As at 31 Dec 2021	YoY CER	YoY AER
Embedded Value before share buy-back**				
EV Equity	**74,772**	75,001	**3%**	–
Embedded value	**72,435**	72,987	**2%**	(1)%
Free surplus	**21,420**	17,025	**28%**	26%
Embedded Value				
EV Equity	**71,202**	75,001	**(2)%**	(5)%
Embedded value	**68,865**	72,987	**(3)%**	(6)%
Free surplus	**17,850**	17,025	**7%**	5%
EV Equity per share (US$)	**6.07**	6.20	**1%**	(2)%
Equity and Capital before share buy-back**				
Shareholders' allocated equity	**48,375**	52,060	**(5)%**	(7)%
Group LCSM cover ratio***				
– Prescribed capital requirement (PCR) basis	**296%**	291%	**n/a**	5 pps
Equity and Capital				
Shareholders' allocated equity	**44,805**	52,060	**(12)%**	(14)%
Group LCSM cover ratio***				
– Prescribed capital requirement (PCR) basis	**283%**	291%	**n/a**	(8) pps
– Minimum capital requirement (MCR) basis	**552%**	399%	**n/a**	153 pps
Shareholders' allocated equity per share (US$)	**3.82**	4.30	**(9)%**	(11)%

NEW BUSINESS PERFORMANCE BY SEGMENT

US$ millions, unless otherwise stated	2022			2021			VONB		VONB 2H
	VONB	VONB Margin	ANP	VONB	VONB Margin	ANP	YoY CER	YoY AER	YoY CER
Mainland China	**916**	**69.5%**	**1,319**	1,108	78.9%	1,404	**(15)%**	(17)%	**3%**
Hong Kong	**787**	**69.5%**	**1,078**	756	64.0%	1,106	**4%**	4%	**5%**
Thailand	**585**	**89.1%**	**655**	609	90.0%	677	**5%**	(4)%	**19%**
Singapore	**349**	**65.7%**	**531**	356	64.7%	549	**1%**	(2)%	**7%**
Malaysia	**308**	**69.9%**	**440**	283	57.3%	491	**15%**	9%	**26%**
Other Markets	**420**	**30.2%**	**1,384**	511	35.9%	1,420	**(12)%**	(18)%	**(8)%**
Subtotal	**3,365**	**61.5%**	**5,407**	3,623	63.2%	5,647	**(4)%**	(7)%	**7%**
Adjustment to reflect consolidated reserving and capital requirements	**(52)**	**n/m**	**n/m**	(57)	n/m	n/m	**n/m**	n/m	**n/m**
After-tax value of unallocated Group Office expenses	**(192)**	**n/m**	**n/m**	(167)	n/m	n/m	**n/m**	n/m	**n/m**
Total before non-controlling interests	**3,121**	**57.0%**	**5,407**	3,399	59.3%	5,647	**(5)%**	(8)%	**6%**
Non-controlling interests	**(29)**	**n/m**	**n/m**	(33)	n/m	n/m	**n/m**	n/m	**n/m**
Total	**3,092**	**57.0%**	**5,407**	3,366	59.3%	5,647	**(5)%**	(8)%	**6%**

** Please refer to Note 9.

*** Please refer to Note 10.

Notes:

(1) The video presentation along with accompanying presentation slides and transcript will be available on AIA's website at 8:00 a.m. Hong Kong time today.

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

(2) All figures are presented in actual reporting currency (US dollar) and based on actual exchange rates (AER) unless otherwise stated. Change on constant exchange rates (CER) is calculated using constant average exchange rates for 2022 and 2021, other than for balance sheet items that use CER as at 31 December 2022 and as at 31 December 2021.

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

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

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

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

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

(7) Operating return on EV is calculated as EV operating profit, expressed as a percentage of the opening embedded value. Operating return on shareholders' allocated equity is calculated as operating profit after tax attributable to shareholders of AIA Group Limited, expressed as a percentage of the simple average of opening and closing shareholders' allocated equity.

(8) Growth on a comparable basis for UFSG and UFSG per share refers to the exclusion of the effects on the growth rates of the early adoption of the Hong Kong Risk-based Capital (HKRBC) regime from 1 January 2022 and the release of additional resilience margins held by the Group at 1 January 2022 under the previous Hong Kong Insurance Ordinance (HKIO) basis.

(9) Embedded value, equity and capital as at 31 December 2022 are presented before an impact of US$3,570 million for share buy-back. Year-on-year change is calculated comparing the figures as at 31 December 2022 before share buy-back and figures as at 31 December 2021.

(10) AIA's group available capital, group prescribed capital requirement (GPCR) and group minimum capital requirement (GMCR) are calculated based on the Local Capital Summation Method (LCSM). From 1 January 2022, the Group LCSM cover ratio is calculated as the ratio of group available capital to GPCR on the new prescribed capital requirement (PCR) basis. Prior to 1 January 2022, the Group LCSM cover ratio was calculated using the GMCR on the previously reported minimum capital requirement (MCR) basis. The pro forma Group LCSM cover ratio on the new PCR basis as at 31 December 2021 is presented as comparative information. Please refer to note 36 to the audited consolidated financial statements for 2022 for details.

(11) In the context of our reportable segments, Hong Kong refers to operations in the Hong Kong Special Administrative Region (SAR) and the Macau SAR; Singapore refers to operations in Singapore and Brunei; and Other Markets refers to operations in Australia, Cambodia, India, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China) and Vietnam.

(12) ANP and VONB for Other Markets include the results from our 49 per cent shareholding in Tata AIA Life Insurance Company Limited (Tata AIA Life). ANP and VONB do not include any contribution from our 24.99 per cent shareholding in China Post Life Insurance Co., Ltd. (China Post Life).

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

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

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

The results of Tata AIA Life are accounted for using the twelve-month period ended 30 September 2022 and the twelve-month period ended 30 September 2021 in AIA's consolidated results for the year ended 31 December 2022 and the year ended 31 December 2021, respectively.

The results of China Post Life are accounted for using the period from the completion of the investment on 11 January 2022 to 30 September 2022 in AIA's consolidated results for the year ended 31 December 2022.

(14) AIA's financial information in this Financial Summary is based on the audited consolidated financial statements and supplementary embedded value information for 2022, unless otherwise stated.

TABLE OF CONTENTS

CHAIRMAN'S STATEMENT

AIA is an exceptional company and I am extremely proud of the strength and resilience of our business during a challenging operating environment in 2022. Our long history in Asia, through many different market cycles, has provided us with a trusted reputation of supporting our customers when they need us the most. As Asia rapidly emerges from the pandemic, AIA's Purpose of helping people live Healthier, Longer, Better Lives has never been more relevant.

AIA is the largest pan-Asian life and health insurer and we are uniquely positioned to make an enormous positive difference by materially contributing to the economic and social development of the region. Over our long history, we have been a trusted partner to our customers and our high-quality advice and products bring peace of mind, as well as much-needed financial protection to millions of people in Asia.

Our substantial competitive advantages built over decades keep us uniquely positioned to capture the large and fast-growing opportunities in life and health insurance in Asia over the long term. Our clear and ambitious strategy aligns our scale, position and influence with the powerful drivers of growth prevalent in the region and we are confident that our focused execution will deliver sustainable growth for many years to come.

In 2022, we experienced an unprecedented year with extraordinary macroeconomic volatility and extensive outbreaks of the Omicron variant of COVID-19 creating a complex and challenging operating environment. Containment measures and an exponential rise in infections caused disruptions to everyday life. While face-to-face sales of our products in the first half of the year were affected, our digital capabilities allowed us to generate substantial sales over this period and, as restrictions eased, in-person sales rebounded.

As normal activities resumed, our key strategic initiatives delivered strong new business momentum in the second half. Although value of new business (VONB) of US$3,092 million was lower by 5 per cent for the full year, VONB grew by 6 per cent year-on-year in the second half and all five of our largest operating segments delivered positive year-on-year growth.

Underlying free surplus generation (UFSG) of US$6,039 million grew by 7 per cent per share on a comparable basis(1) and operating profit after tax (OPAT) of US$6,370 million increased by 5 per cent per share, reflecting our high-quality, recurring sources of earnings.

AIA has a long-standing commitment since our historic initial public offering, to create value by delivering high-quality and sustainable sources of growth, earnings and cash for our shareholders. In March 2022, the board of Directors (Board) approved AIA's first-ever return of capital to shareholders through a share buy-back programme to be conducted over three years of up to US$10 billion. This represents capital that is surplus to our needs, allowing for financial market stress conditions and retention of capital for strategic and financial flexibility. As of 31 December 2022, we had delivered US$3,570 million in returns to shareholders as part of this programme.

The Group's capital position and financial flexibility remained very strong in 2022. Free surplus grew to US$23,679 million at 31 December 2022 before the payment of shareholder dividends of US$2,259 million and an additional US$3,570 million return of capital to shareholders during the year from our share buy-back programme, totalling US$5,829 million. Net of these items, free surplus was US$17,850 million at 31 December 2022.

EV Equity was US$77,031 million at 31 December 2022, before dividends and the share buy-back. EV Equity net of these items was US$71,202 million. Our cover ratio under the Group Local Capital Summation Method (LCSM) was also very strong at 283 per cent on the new prescribed capital requirement (PCR) basis at the end of the year.

The Board has recommended a final dividend of 113.40 Hong Kong cents per share, which is an increase of 5 per cent, reflecting the resilience of our financial performance and the Board's continued confidence in the future prospects of the Group. This brings the total dividend for 2022 to 153.68 Hong Kong cents per share, up by 5.3 per cent. The Board continues to follow AIA's established prudent, sustainable and progressive dividend policy, allowing for future growth opportunities and the financial flexibility of the Group.

All of AIA's non-executive directors are independent and together, the Board is united in upholding the highest standards of corporate governance. It is my pleasure to work alongside highly distinguished Board members who contribute extensive and diverse leadership experience from the public and private sectors. We firmly believe that strong governance, supported by a sound risk management framework, is fundamental to ensuring the sustainability of our organisation. AIA's Operating Philosophy of "Doing the Right Thing, in the Right Way, with the Right People… and the Right Results will come" is the bedrock of AIA's culture and is essential to successfully managing risk in an increasingly complex operating environment.

Our Purpose also underscores our responsibility to help safeguard a better future for the societies in which we operate by addressing material Environmental, Social and Governance (ESG) issues. I am pleased that, once again, our efforts have gained us positive recognition. In 2022, Sustainalytics, a global leader in ESG and Corporate Governance research and ratings, ranked AIA in the top 10th percentile of the insurance industry in its ESG Risk Rating assessment. We have been "ESG Industry Top Rated" as well as "ESG Regional Top Rated" by Sustainalytics for two years in a row. I am also delighted that AIA has been included in the 2023 Bloomberg Gender-Equality Index (GEI), making us one of only five Hong Kong-headquartered companies to be included globally.

I would like to thank Yuan Siong, our senior leadership team and all of our people for their dedication and tireless efforts in managing our business through the prolonged uncertainties over the last three years. Without them our sustainable success would not be possible.

As our markets rebound from the pandemic, I am confident that AIA is ideally positioned to capture the enormous opportunities ahead of us by continuing to serve our customers and communities to the best of our abilities. The strong drivers of demand and major demographic trends in the region will continue to generate an increasing need for our products. Our substantial competitive advantages and ambitious strategy build on these powerful structural drivers of growth, and the long-term prospects for AIA are truly exceptional.

Finally, AIA's strong track record of delivering sustainable value for all our stakeholders would not have been possible without the enduring trust of our customers and shareholders. On behalf of the entire Board, I am deeply grateful for your ongoing support.

Edmund Sze-Wing Tse
Independent Non-executive Chairman
10 March 2023

Notes:
(1) Growth on a comparable basis for UFSG per share excludes the effects on the growth rate of the early adoption of the Hong Kong Risk-based Capital (HKRBC) regime from 1 January 2022 and the release of additional resilience margins held by the Group at 1 January 2022 under the previous Hong Kong Insurance Ordinance (HKIO) basis. For clarity, the reported figures for UFSG are unadjusted as a result.

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

GROUP CHIEF EXECUTIVE AND PRESIDENT'S REPORT

AIA has delivered a robust performance in 2022 with strong new business momentum growing in the second half of the year, higher free surplus and increased capital returns to shareholders. Our results demonstrate the breadth and diversity of our high-quality portfolio of businesses as well as the structural growth drivers underpinning the enormous need for life and health protection across our markets. Our significant investments in reinforcing AIA's unique strengths ensure that the Group is exceptionally well-positioned to meet the immediate as well as evolving demands of our customers and to benefit from the tremendous opportunities as Asia rapidly opens up for further growth.

AIA has been protecting people for life, securing financial futures into retirement, and improving the well-being of families for more than a century. This has earned us a reputation that is synonymous with trust, resilience and doing the right thing through many market cycles. Our unrelenting focus on building AIA's substantial competitive advantages has enabled us to significantly enhance our operations and capture new opportunities for additional growth across each of our 18 markets. The macroeconomic and operating environment since early 2020 has been unprecedented. During this time, we have steadfastly delivered on our key strategic priorities, reinforced our unique strengths and successfully navigated the wide-ranging effects of the COVID-19 pandemic as well as its aftermath.

Our resilient business performance is a direct consequence of our high-quality diversified portfolio of growth businesses, incomparable distribution platform, innovative products tailored to local market conditions, financial strength and proven management team. I am deeply proud of our employees, agents and partners who have shown unwavering professionalism in supporting our customers and communities during these extraordinary times. In 2022, we paid US$16 billion in claims and benefits and, by helping our customers cope with the challenges and uncertainties they encounter, we provided much-needed support for communities.

Across the region, there is an undeniable and growing need for personalised life and health insurance products, value-added services and high-quality advice. This immense potential for our business is fuelled by the rapid increases in affluence, healthcare expenditure and shifting population demographics. The pandemic has accelerated many of these structural trends and higher expectations of quality of life is top of mind for millions of Asians.

I firmly believe that the prospects for AIA's business remain as clear and as strong as ever. I have full confidence that through the focused execution of our growth strategy and our unmatched financial flexibility, we will continue to create and deliver long-term sustainable value for all of our stakeholders.

2022 FINANCIAL PERFORMANCE HIGHLIGHTS

From the beginning of 2022, outbreaks of the Omicron variant of COVID-19 affected all of our markets with a sudden and exponential surge in infections and the reintroduction of containment measures impacting our communities, severely dampening consumer demand and reducing distributor activity in the first half of the year. In Mainland China, our largest growth market, pandemic restrictions were in place for most of 2022 and there was a rapid increase in COVID-19 infections towards the end of the year.

The Group delivered a robust value of new business (VONB) performance in 2022, with 6 per cent year-on-year growth in the second half as the effects of the initial Omicron wave subsided. While VONB of US$3,092 million was lower by 5 per cent for the full year, our key strategic initiatives delivered strong new business momentum in the second half of the year. All five of our largest operating segments delivered positive year-on-year growth in the second half and we achieved double-digit growth in our combined ASEAN business and Tata AIA Life in India.

AIA's balance sheet strength is a direct result of our profitable growth strategy underpinned by consistent financial discipline. The Group's very strong financial position is an important differentiator and a substantial competitive advantage, particularly during times of considerable capital market volatility. AIA has significant opportunities to invest capital in superior profitable growth that generates increased shareholder value. We are able to move forward with confidence, financing organic new business and value-enhancing inorganic opportunities, while delivering attractive shareholder returns. Last March, we began AIA's first-ever share buy-back programme of up to US$10 billion over three years and, as of 31 December 2022, we had repurchased 366 million shares, delivering US$3,570 million in additional returns to shareholders.

Underlying free surplus generation (UFSG) of US$6,039 million grew by 7 per cent per share on a comparable basis[1]. EV Equity was US$77,031 million as 31 December 2022, before the payment of shareholder dividends of US$2,259 million and an additional US$3,570 million return of capital to shareholders during the year from our share buy-back programme, totalling US$5,829 million. EV Equity net of these items was US$71,202 million.

Our growing in-force portfolio and the proactive management of our high-quality, recurring sources of earnings underpinned operating profit after tax (OPAT) of US$6,370 million, an increase of 5 per cent per share. The Group's capital position remained very strong with free surplus growing to US$23,679 million before dividends and the share buy-back programme. Net of these items, free surplus was US$17,850 million at 31 December 2022.

As at 31 December 2022, the Group Local Capital Summation Method (LCSM) cover ratio[2] remained very strong at 283 per cent on the new prescribed capital requirement (PCR) basis and 552 per cent on the minimum capital requirement (MCR) basis previously disclosed.

The Board has recommended a final dividend of 113.40 Hong Kong cents per share which brings the total dividend for 2022 to 153.68 Hong Kong cents per share, an increase of 5.3 per cent compared with 2021. This follows AIA's established prudent, sustainable and progressive dividend policy, allowing for future growth opportunities and the financial flexibility of the Group.

Our resilient financial results in an unprecedented market environment demonstrate the strengths of our robust operating model, which is built on differentiated distribution, personalised and valuable propositions, and backed by world-class technology and digital platforms to deliver outstanding customer service. Since July 2020, we have been transforming AIA's significant competitive advantages to fully leverage the powerful structural drivers of growth across our markets and ensure we remain well-positioned for future success.

TRANSFORMING OUR COMPETITIVE ADVANTAGES

At the heart of our growth strategy is world-class **Technology, Digital and Analytics**, supporting increased distributor productivity, streamlined operations and enhanced customer experience while creating access to new growth opportunities. We are ahead of global financial services benchmarks with more than 86 per cent of our information technology infrastructure hosted in the public cloud. Since we announced our new strategy in 2020, our technology capacity has doubled while delivering cost efficiencies compared with our legacy infrastructure platform.

We delivered an additional 111 high-impact use cases in 2022 as we industrialise and deepen our usage of responsible artificial intelligence and analytics across the Group. The number of leads generated through our digital tools increased by 30 per cent compared with 2021 and the enhanced quality of these targeted leads improved sales lead conversion rates, generating more than US$500 million in annualised new premiums from our agency and bancassurance channels.

Our **Unrivalled Distribution** remains a distinctive competitive advantage for the Group, offering customers professional, high-quality advice and products that are personalised to their needs. Although face-to-face new business activities were affected at the start of the year by the Omicron outbreak, agency new business sales momentum improved from the second quarter and VONB grew by 8 per cent in the second half of the year. Increased adoption of our full range of digital agency tools has ensured the resilience of our proprietary agency model with total number of agents exceeding pre-pandemic levels at the end of 2019.

AIA China became the Million Dollar Round Table (MDRT) company with the most members globally, followed by AIA Thailand and AIA Hong Kong in second and third place respectively. Overall, AIA was the number one MDRT multinational company in the world for a record eighth consecutive year, proving the effectiveness of our differentiated high-quality Premier Agency strategy.

Our strategic partnerships with leading banks delivered a 10 per cent increase in VONB, driven by growth from Public Bank Berhad (Public Bank) in Malaysia, PT Bank Central Asia Tbk (BCA) in Indonesia, The Bank of East Asia, Limited (BEA) in Hong Kong and Mainland China, ASB Bank Limited in New Zealand and across all key domestic partnerships in India. Our successful digitally-led model builds on our strong track record of converting in-branch referrals by leveraging customer analytics, digital marketing platforms and social media to increase leads and increase productivity for our insurance specialists. Our next-generation partnerships with technology companies offer lifestyle-related digital insurance propositions to customers with unmet needs and uses new analytical models to identify suitable customers for referral to our distribution channels for more comprehensive advice and product solutions. Last year, we welcomed 15 additional digital platform partners and acquired more than one million customers, the majority of which were new to AIA.

We believe that providing simplified journeys with faster turnaround times will deliver a **Leading Customer Experience** and a range of business benefits including improved customer satisfaction and sustainable profitability. End-to-end straight-through-processing (STP) is crucial to achieving this and, as of December 2022, we had reached 70 per cent STP across the Group, up 12 pps from the previous year. Our re-designed claims processes have resulted in faster and more cashless settlements with 63 per cent of claims settled on the same day as submission and 93 per cent of claims paid digitally across the Group. Our investments in back-office operations, technology and artificial intelligence have driven greater automation and more personalised service, resulting in better customer outcomes across our markets.

Through our **Compelling Propositions** we aim to create shared economic value by tying our financial success to community success. We support our customers by helping them save more effectively to meet their financial goals at different life stages, rewarding them for taking actions that positively impact their well-being, and assisting them to access the right medical treatment when needed. The AIA Vitality programme continues to deliver positive impacts on health outcomes to increasing numbers of customers, including a launch in India in 2022. We now have 2.6 million members across AIA Vitality and our wellness programme in Mainland China.

With annual healthcare expenditure in our markets on track to exceed US$4 trillion in 2030 and much of the burden falling to individuals, this is an opportune time to transform health insurance and healthcare in the region. Our new **Integrated Health Strategy**, announced in August, reinforces the many benefits of our core life insurance business and makes health insurance and health care management more accessible, more affordable and more effective. As the leading life and health insurer in Asia, we are in an advantaged position to build on our key competitive strengths to deliver on our Purpose of helping people live Healthier, Longer, Better Lives.

INVESTING IN ADDITIONAL GROWTH OPPORTUNITIES

Our financial discipline over time has also ensured that we retain the flexibility to invest capital in inorganic growth opportunities that increase our scale and diversity in the world's most attractive region for life and health insurance.

Amplify Health, our new Health InsurTech business, is the engine that powers our Integrated Health Strategy. Our new company offers a broad suite of services through a full health technology stack, along with the associated intellectual property, data sets and expertise, developed over the last three decades by Discovery Limited, our joint venture partner. Amplify Health materially accelerates our capability build in health and creates a new and sustainable competitive advantage as AIA is uniquely positioned to deliver truly personalised health insurance with fully integrated and end-to-end care for our customers.

In March, we extended the scope of our distribution partnership with BEA following our acquisition of Blue Cross (Asia-Pacific) Insurance Limited, a leading health insurer, and Blue Care JV (BVI) Holdings Limited, a health services provider with a medical network in Hong Kong. This transaction advances our health strategy in Hong Kong and deepens our distribution partnership with BEA, bringing new product expertise to support all of AIA's distribution channels in Hong Kong and the Greater Bay Area.

Our focus on bringing comprehensive, affordable and quality healthcare to customers was the driving force behind the acquisition of MediCard Philippines, Inc. (MediCard), a leading Health Maintenance Organisation with an extensive medical service network of over 1,000 partner hospitals and clinics across major cities. MediCard provides health insurance and healthcare services to more than 920,000 members across corporate and individual plans in the Philippines and brings new products, customer segments and distribution capabilities to AIA.

The completion of our 24.99 per cent equity investment in China Post Life Insurance Co., Ltd. (China Post Life) enables the Group to access significant upside from additional distribution channels and customer segments that are highly complementary to AIA China's strategy. China Post Life brings financial protection to the mass and emerging mass-affluent segments and is the leading bank-affiliated life insurer in Mainland China.

A joint technical assistance advisory committee with dedicated support from AIA Group Office, together with committed business transformation from China Post Life, has achieved a very strong performance in 2022. Since our announcement, China Post Life's VONB has grown by a multiple of 3.8 times from 2020. This has been driven by a strategic shift towards sales of longer-term savings and protection products, which have significantly improved VONB margin, as well as enhancements to distribution productivity. AIA China has also begun sales through Postal Savings Bank of China Co., Ltd., as we deepen our cooperation to bring compelling propositions to more customers.

We continue to execute on AIA China's expansion strategy, capturing new growth opportunities available only to AIA, as we replicate our high-quality differentiated Premier Agency in our new geographies and deepen our presence within our existing footprint. Following our successful launch in Hubei province, we were delighted to receive approval from the China Banking and Insurance Regulatory Commission (CBIRC) to begin preparations for operations in Henan, the third most populous province with close to 100 million residents. We were also granted approval by the CBIRC to upgrade our operations in Tianjin and Shijiazhuang and have expanded our presence through additional sales offices.

OUR PEOPLE

AIA's strong culture of empowerment with accountability is a reflection of our people and a product of the decisions and actions each of us takes every day. We have been transforming AIA into a simpler, faster, more connected organisation by reducing organisational layers and implementing cross-functional agile operating models to drive better business outcomes. Attracting technology, digital and analytics talent is crucial to securing the execution of our strategic priorities and the overall number of employees with these skill sets has increased significantly, up by 63 per cent since we began our transformation in July 2020. Our new ways of working enable us to innovate at pace while enhancing our business capabilities and operational resilience.

Employee engagement levels for the Group grew to a record high in 2022, and against a backdrop of an unprecedented operating environment, AIA placed in the 94th percentile of Gallup's global finance and insurance industry benchmark. We have further cemented our status as an employer of choice by ranking in the top quartile for the sixth consecutive year, and in the top 10th percentile for the second year running. AIA takes great pride in fostering an inclusive and diverse workplace that believes in always doing better. We were delighted to be recognised for our highly engaged workforce and performance-oriented culture as one of only three Asia-based companies out of the 41 global recipients of the Gallup Exceptional Workplace Award.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The multi-generational nature of our business places sustainability at the forefront of how we operate, and AIA has a vital role to play in addressing material ESG issues in our societies. We are committed to achieving net-zero greenhouse gas emissions by 2050 and are using the latest climate science to set ambitious emissions reduction targets that are expected to be validated by the Science Based Targets initiative (SBTi).

The sustainable deployment of our investment portfolio is a vital enabler of our ambitions and our complete divestment from directly-managed listed equity and fixed income exposures to coal mining and coal-fired power businesses is a source of tremendous personal pride. Our global ESG leadership is well recognised and, by sustaining the delivery of our Purpose, we can use our scale and influence as the largest pan-Asian life and health insurer to meaningfully contribute to the economic and social development of the region.

OUTLOOK

Global economic growth slowed in 2022, as the combined effect of supply chain constraints and demand-led inflation proved to be more persistent than expected in developed countries, prompting central banks to accelerate the pace of monetary policy normalisation through rate hikes and quantitative tightening. The knock-on effects have been felt in reduced living standards, higher borrowing costs and substantial falls in major asset classes globally. External shocks such as the ongoing conflict in Ukraine have the potential to magnify volatility in global capital markets. Managing inflation remains a key priority for economic policymakers in the West, fuelling uncertainty around the likelihood and depth of any recession in the United States, in particular.

In Asia, fiscal easing policies were generally more restrained than in other parts of the world and economies have been comparatively more resilient. Consumer spending has been supported by very low rates of unemployment and greater use of excess savings accumulated during the pandemic. As a result, demand for services increased strongly, particularly from tourism, after three years of social distancing and travel restrictions.

Mainland China's reopening at the end of 2022 provides a platform for greater economic stability and can help GDP growth return to its potential in 2023. Household consumption is expected to rebound as lower risk aversion and greater certainty reduce high levels of cash savings, becoming an important driver of recovery alongside the natural rebound from increased economic activity following reopening. In Hong Kong, the opening of the border with Mainland China and the rest of the world will reaffirm its status as a vibrant international financial centre and its unique role in connecting East and West. As the effects of the pandemic recede across the region, we expect to see a continued strong recovery in activity levels and consumer demand.

AIA operates in the most attractive markets in the world for life and health insurance. Our resilient set of financial results in 2022 and new business growth momentum in the second half of the year reflect our substantial competitive advantages, the breadth and diversity of our markets, our financial strength and the quality of our people. The long-term prospects for AIA's business remain exceptional, powered by the structural drivers of rising wealth, low insurance penetration levels and limited social welfare coverage across Asia. I am confident that AIA is uniquely positioned to capture the enormous long-term opportunities in the Asian life and health insurance market and deliver long-term sustainable value for all our stakeholders.

Lee Yuan Siong
Group Chief Executive and President
10 March 2023

Notes:
(1) Growth on a comparable basis for UFSG per share excludes the effects on the growth rate of the early adoption of the Hong Kong Risk-based Capital (HKRBC) regime from 1 January 2022 and the release of additional resilience margins held by the Group at 1 January 2022 under the previous Hong Kong Insurance Ordinance (HKIO) basis. For clarity, the reported figures for UFSG are unadjusted as a result.
(2) The Group LCSM cover ratio definition changed from: (i) the ratio of group available capital to the group minimum capital requirement (GMCR) at 31 December 2021, to (ii) the ratio of the group available capital to the group prescribed capital requirement (GPCR) from 1 January 2022 onwards.

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

FINANCIAL AND OPERATING REVIEW

GROUP CHIEF FINANCIAL OFFICER'S REVIEW

AIA has delivered a resilient financial performance in 2022. Strong VONB growth momentum returned in the second half of the year. Our capital position remained very strong against the backdrop of an operating environment affected by the emergence of Omicron and volatile capital markets, and our free surplus grew while delivering increased dividends and capital returns to shareholders. AIA's unique business model and competitive advantages enable us to capture the immense growth opportunities ahead as our markets rebound from the effects of the pandemic.

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

SUMMARY AND KEY FINANCIAL HIGHLIGHTS

The Group delivered a robust VONB performance in 2022, as the Omicron outbreak affected consumer demand and distributor activity across our markets in the first half of the year. As the effects of the initial wave subsided, our strategic initiatives delivered strong new business momentum into the second half. As a result, while VONB of US$3,092 million was lower by 5 per cent for the full year, in the second half VONB grew by 6 per cent, all five of our largest operating segments delivered positive year-on-year growth, and we achieved double-digit growth in our combined ASEAN business and Tata AIA Life in India.

EV grew by 5 per cent to US$74,694 million and EV Equity grew by 6 per cent to US$77,031 million before the payment of shareholder dividends of US$2,259 million and an additional US$3,570 million return of capital to shareholders during the year from our share buy-back programme.

EV operating profit was US$6,845 million, including US$243 million of positive EV operating variances. Non-operating investment return variances were negative US$4,793 million in the first half following a significant fall in major global asset markets as previously reported. Investment variances reduced significantly in the second half to negative US$599 million. The effects of foreign exchange rate movements reduced EV by US$2,264 million and were relatively unchanged from the first half, following the exceptional strength in the US dollar reporting currency compared with our local markets. After total shareholder dividends and share buy-back of US$5,829 million, EV was US$68,865 million at 31 December 2022.

OPAT of US$6,370 million grew by 5 per cent per share. All reported segments delivered OPAT growth in 2022 except Thailand. In contrast to our other markets, many customers were treated for COVID-19 in private hospitals during the outbreak of the initial Omicron wave in Thailand, as reported in the first half. As infections subsided, OPAT for Thailand returned to positive growth in the second half. Growth in our overall in-force portfolio remains the primary driver of higher OPAT, as successive cohorts of new business add to our in-force business and translate into higher earnings over time.

Operating return on shareholders' allocated equity (operating ROE) increased to 13.2 per cent, compared with 12.8 per cent in 2021. Operating margin remained strong and increased to 17.7 per cent reflecting our high-quality sources of earnings and the proactive management of our growing in-force portfolio of business.

Shareholders' allocated equity was US$50,634 million, before the payment of shareholder dividends of US$2,259 million and share buy-back of US$3,570 million. Shareholders' allocated equity was US$44,805 million at 31 December 2022 after capital returns to shareholders of US$5,829 million in total.

The execution of AIA's profitable growth strategy since IPO has delivered a substantial increase in free surplus and, as a result, we launched a US$10 billion share buy-back programme in March 2022. The share buy-back represents capital accumulated over time that is surplus to our needs, allowing for capital market stress conditions and retention of capital for strategic and financial flexibility. Our capital management framework enhances shareholder returns while retaining the financial strength that allows AIA to continue investing capital in the significant growth opportunities available to us. Over the first ten months of our share buy-back programme, we repurchased 366 million shares for an aggregate value of US$3,570 million as at 31 December 2022. The programme to date has reduced the outstanding share count by 3 per cent.

The Group's financial position remained very strong with growth in free surplus to US$23,679 million, before a deduction of US$5,829 million for shareholder dividends and share buy-back. Free surplus was US$17,850 million at 31 December 2022 after capital returns to shareholders, compared with US$17,025 million at 31 December 2021.

Underlying free surplus generation (UFSG) was US$6,039 million, an increase of 7 per cent per share on a comparable basis[(1)]. The increase was driven by the continued growth of the in-force portfolio, partly offset by a lower positive claims experience compared with 2021. Our very strong credit ratings and stable outlook have been affirmed as unchanged by our rating agencies.

The Group's Local Capital Summation Method (LCSM) cover ratio[(2)] was very strong at 283 per cent on the new prescribed capital requirement (PCR) basis. The effect of the share buy-back programme was to reduce the LCSM cover ratio by 13 pps over the year and therefore the ratio was 296 per cent before the return of capital to shareholders. This compares with 291 per cent at 31 December 2021 on a pro forma basis.

The Group's 2022 annual results have been calculated and reported before the adoption of International Financial Reporting Standards (IFRS) 9 and 17 for the consolidated financial statements that will take effect from 1 January 2023. As previously reported, the adoption of these accounting standards has no effect on the underlying economics of our business and therefore we expect no material changes to the Group's VONB, EV, solvency levels, capital position, UFSG or cash generation and dividend policy. IFRS OPAT and IFRS shareholders' allocated equity will remain the Group's key IFRS financial performance metrics following the adoption of the new standards.

The preparation of the 2022 comparatives under IFRS 9 and IFRS 17 are progressing as planned. After the adoption of IFRS 17, OPAT for 2022 is expected to be within 5 per cent of OPAT under the current IFRS 4 basis. Under IFRS 17, shareholders' allocated equity was US$51 billion at 1 January 2022, a reduction of 2 per cent compared to IFRS 4, and is expected to exceed the IFRS 4 value at 31 December 2022. The transition to IFRS 9 had an immaterial effect on the Group's financial position.

The Board of Directors (Board) has recommended a final dividend of 113.40 Hong Kong cents per share, subject to shareholders' approval at the Company's forthcoming AGM. This brings the total dividend for 2022 to 153.68 Hong Kong cents per share, an increase of 5.3 per cent compared with the total dividend for 2021. This follows AIA's established prudent, sustainable and progressive dividend policy, allowing for future growth opportunities and the financial flexibility of the Group.

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

Notes:

(1) Growth on a comparable basis for UFSG throughout the Financial and Operating Review excludes the effects on the growth rate of the early adoption of the Hong Kong Risk-based Capital (HKRBC) regime from 1 January 2022 and the release of resilience margins held by the Group at 1 January 2022 under the previous Hong Kong Insurance Ordinance (HKIO) basis. For clarity, the reported figures for UFSG are unadjusted.

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

NEW BUSINESS PERFORMANCE

VONB, ANP AND MARGIN BY SEGMENT

	2022			2021			VONB Change	
US$ millions, unless otherwise stated	**VONB**	**VONB Margin**	**ANP**	VONB	VONB Margin	ANP	**YoY CER**	YoY AER
Mainland China	**916**	**69.5%**	**1,319**	1,108	78.9%	1,404	**(15)%**	(17)%
Hong Kong	**787**	**69.5%**	**1,078**	756	64.0%	1,106	**4%**	4%
Thailand	**585**	**89.1%**	**655**	609	90.0%	677	**5%**	(4)%
Singapore	**349**	**65.7%**	**531**	356	64.7%	549	**1%**	(2)%
Malaysia	**308**	**69.9%**	**440**	283	57.3%	491	**15%**	9%
Other Markets	**420**	**30.2%**	**1,384**	511	35.9%	1,420	**(12)%**	(18)%
Subtotal	**3,365**	**61.5%**	**5,407**	3,623	63.2%	5,647	**(4)%**	(7)%
Adjustment to reflect consolidated reserving and capital requirements	**(52)**	**n/m**	**n/m**	(57)	n/m	n/m	**n/m**	n/m
After-tax value of unallocated Group Office expenses	**(192)**	**n/m**	**n/m**	(167)	n/m	n/m	**n/m**	n/m
Total before non-controlling interests	**3,121**	**57.0%**	**5,407**	3,399	59.3%	5,647	**(5)%**	(8)%
Non-controlling interests	**(29)**	**n/m**	**n/m**	(33)	n/m	n/m	**n/m**	n/m
Total	**3,092**	**57.0%**	**5,407**	3,366	59.3%	5,647	**(5)%**	(8)%

	Six months ended 31 December 2022			Six months ended 31 December 2021			VONB Change	
US$ millions, unless otherwise stated	**VONB**	**VONB Margin**	**ANP**	VONB	VONB Margin	ANP	**YoY CER**	YoY AER
Mainland China	**353**	**73.0%**	**484**	370	73.3%	505	**3%**	(5)%
Hong Kong	**464**	**69.6%**	**635**	443	69.6%	601	**5%**	5%
Thailand	**325**	**93.9%**	**344**	297	86.5%	344	**19%**	9%
Singapore	**188**	**65.5%**	**287**	180	66.3%	270	**7%**	4%
Malaysia	**147**	**73.1%**	**201**	126	52.6%	238	**26%**	17%
Other Markets	**213**	**31.3%**	**678**	258	40.7%	629	**(8)%**	(17)%
Subtotal	**1,690**	**63.4%**	**2,629**	1,674	63.6%	2,587	**7%**	1%
Adjustment to reflect consolidated reserving and capital requirements	**(27)**	**n/m**	**n/m**	(26)	n/m	n/m	**n/m**	n/m
After-tax value of unallocated Group Office expenses	**(93)**	**n/m**	**n/m**	(79)	n/m	n/m	**n/m**	n/m
Total before non-controlling interests	**1,570**	**58.8%**	**2,629**	1,569	59.6%	2,587	**6%**	-
Non-controlling interests	**(14)**	**n/m**	**n/m**	(17)	n/m	n/m	**n/m**	n/m
Total	**1,556**	**58.8%**	**2,629**	1,552	59.6%	2,587	**6%**	-

The Group delivered a robust VONB performance in 2022 with 6 per cent VONB growth in the second half of the year. While VONB of US$3,092 million was lower by 5 per cent for the full year due to the effects of the initial Omicron wave in the first half, our strategic initiatives delivered strong new business momentum into the second half. All five of our largest operating segments delivered positive year-on-year growth in the second half and we achieved double-digit growth in our combined ASEAN business and Tata AIA Life in India.

Annualised new premiums (ANP) also grew by 8 per cent in the second half of the year to end the year flat at US$5,407 million. VONB margin on the full year basis reduced by 2.4 pps to 57.0 per cent, driven mainly by a more balanced mix between protection-focused products and savings-oriented products for AIA China compared with 2021.

For clarity, VONB for 2022 has reflected both the HKRBC and China Risk-Oriented Solvency System phase II (C-ROSS II) statutory reserving and capital bases; the effects on VONB were immaterial.

AIA China returned to positive growth in the second half of 2022 with VONB up by 3 per cent. VONB in the first half was lower compared with the record result in 2021, as our business was impacted by pandemic containment measures and full year VONB reduced by 15 per cent. We have seen new business momentum recover and return to positive growth in the first two months of 2023.

AIA Hong Kong achieved 4 per cent VONB growth in 2022, supported by growth from our market-leading agency force and a strong performance from partnership distribution, in particular through the intermediated channels and our exclusive partnership with The Bank of East Asia, Limited (BEA). VONB from sales to Mainland Chinese visitors tripled in 2022 and accounted for just over 10 per cent of total VONB for the year.

AIA Thailand delivered 5 per cent growth in VONB for the full year, supported by 19 per cent growth in the second half of 2022. We saw higher sales activity levels in both agency and bancassurance channels as new business momentum returned in the second half. Our agency remained the market leader in 2022 and we achieved an excellent increase in number of new recruits, contributing to an increase in the number of active agents compared to 2021.

AIA Singapore delivered higher VONB in 2022 as 7 per cent growth in the second half offset performance in the first half. Agency channel remained the largest contributor to VONB with both an increase in the number of active agents and productivity improvements in the second half. Our partnership channel achieved a strong performance in 2022.

AIA Malaysia achieved 15 per cent VONB growth in 2022, with both agency and partnership channels delivering double-digit growth. We continued to work closely with Public Bank Berhad (Public Bank) to further uplift the activity and productivity of our insurance specialists through the implementation of enhanced digital tools.

Our Other Markets segment recorded a reduction in VONB in 2022 as strong double-digit growth in India, New Zealand, the Philippines, Sri Lanka and Taiwan (China) in the second half was offset by a decline in Australia, South Korea and Vietnam.

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

EV EQUITY

EV MOVEMENT

EV grew by 5 per cent to US$74,694 million, before the return of capital to shareholders through dividends and share buy-back.

The early adoption of the new HKRBC regime and the release of resilience margins increased EV by US$2,379 million and US$885 million respectively, as previously reported in our Interim Report 2022.

EV operating profit of US$6,845 million reflected lower VONB of US$3,092 million and expected return on EV of US$3,869 million compared with 2021. The reduction in expected return on EV was from a lower unwind on the value of in-force business from the early adoption of the HKRBC regime which accelerated the recognition of future profits into free surplus as previously disclosed, a lower starting EV for the second half following negative market movements in the first half of the year and an increase in capitalised unallocated expenses. Operating return on EV (operating ROEV) was 9.4 per cent. Overall operating experience was better than assumed, delivering US$243 million of positive EV operating variances. Cumulative operating variances have now added US$3.9 billion to EV since our IPO in 2010, demonstrating our consistent strategic focus on writing high-quality business over many years.

In 2022, global capital markets experienced a significant fall in asset prices from rapidly rising interest rates, lower equity markets and widening corporate bond spreads that mostly affected the first half of the year. Investment return variances were negative US$4,793 million in the first half as previously reported. Investment return variances reduced significantly in the second half to negative US$599 million.

Changes to economic assumptions at the end of 2022 following the significant rise in interest rates over the year reduced EV by US$300 million overall. Higher long-term investment return assumptions increased EV by US$1.5 billion, offset by a corresponding increase in risk discount rates which reduced EV by US$1.8 billion.

The effects of foreign exchange rate movements were relatively unchanged from the first half and reduced EV by US$2,264 million, following the exceptional strength of our US dollar reporting currency relative to our local markets.

EV was US$68,865 million at 31 December 2022 after shareholders dividends and share buy-back of US$5,829 million in total.

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

	2022		
US$ millions, unless otherwise stated	ANW	VIF	EV
Opening EV	33,302	39,685	72,987
Purchase price[(1)]	(283)	-	(283)
Acquired EV[(2)]	83	-	83
Effect of acquisition	(200)	-	(200)
HKRBC early adoption	8,407	(6,028)	2,379
Release of resilience margins	2,168	(1,283)	885
HKRBC early adoption and release of resilience margins	10,575	(7,311)	3,264
Value of new business	(159)	3,251	3,092
Expected return on EV	4,838	(969)	3,869
Operating experience variances	513	(214)	299
Operating assumption changes	(331)	275	(56)
Finance costs	(359)	-	(359)
EV operating profit	4,502	2,343	6,845
EV before non-operating items	48,179	34,717	82,896
Investment return variances	(5,893)	501	(5,392)
Effect of changes in economic assumptions	(15)	(285)	(300)
Other non-operating variances	(1,530)	1,296	(234)
EV non-operating items	(7,438)	1,512	(5,926)
Total EV profit	7,639	(3,456)	4,183
Other capital movements	(12)	-	(12)
Effect of changes in exchange rates	(1,149)	(1,115)	(2,264)
EV before dividends and share buy-back	39,580	35,114	74,694
Dividends	(2,259)	-	(2,259)
Share buy-back	(3,570)	-	(3,570)
Closing EV	33,751	35,114	68,865
Closing EV per share (US dollars)			5.87

	2021		
US$ millions, unless otherwise stated	ANW	VIF	EV
Opening EV	28,503	36,744	65,247
Purchase price[(1)]	(397)	–	(397)
Acquired EV[(2)]	266	254	520
Effect of acquisition	(131)	254	123
BEA Upfront Payment[(3)]	(258)	–	(258)
Value of new business	(810)	4,176	3,366
Expected return on EV	5,156	(754)	4,402
Operating experience variances	626	(175)	451
Operating assumption changes	64	(78)	(14)
Finance costs	(309)	–	(309)
EV operating profit	4,727	3,169	7,896
EV before non-operating items	32,841	40,167	73,008
Investment return variances	1,636	(343)	1,293
Effect of changes in economic assumptions	(26)	460	434
Other non-operating variances	1,163	37	1,200
EV non-operating items	2,773	154	2,927
Total EV profit	7,500	3,323	10,823
Other capital movements	9	–	9
Effect of changes in exchange rates	(174)	(636)	(810)
EV before dividends	35,449	39,685	75,134
Dividends	(2,147)	–	(2,147)
Closing EV	33,302	39,685	72,987
Closing EV per share (US dollars)			6.03

EV EQUITY

US$ millions, unless otherwise stated	**As at 31 December 2022**	As at 31 December 2021
EV	**68,865**	72,987
Goodwill and other intangible assets[(4)]	**2,337**	2,014
EV Equity	**71,202**	75,001
Number of ordinary shares (millions)	**11,734**	12,097
EV Equity per share (US dollars)	**6.07**	6.20

Notes:

(1) Purchase price of Blue Cross as per note 14 to the consolidated financial statements in Annual Report 2022.
Purchase price of AIA Everest as per note 5 to the consolidated financial statements in Annual Report 2021.

(2) Acquired EV from the acquisition of Blue Cross in 2022.
Acquired EV from the acquisition of AIA Everest in 2021.

(3) Refers to the consideration for the strategic bancassurance partnership with BEA as previously announced in 2021.

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

EV OPERATING EARNINGS PER SHARE – BASIC

	2022	2021	YoY CER	YoY AER
EV operating profit (US$ millions)	**6,845**	7,896	**(10)%**	(13)%
Weighted average number of ordinary shares (millions)	**11,929**	12,066	**n/a**	n/a
Basic EV operating earnings per share (US cents)	**57.38**	65.44	**(9)%**	(12)%

EV OPERATING EARNINGS PER SHARE – DILUTED

	2022	2021	YoY CER	YoY AER
EV operating profit (US$ millions)	**6,845**	7,896	**(10)%**	(13)%
Weighted average number of ordinary shares on diluted basis (millions)(1)	**11,938**	12,087	**n/a**	n/a
Diluted EV operating earnings per share (US cents)(1)	**57.34**	65.33	**(9)%**	(12)%

Note:

(1) Diluted EV operating earnings per share includes the dilutive effects, if any, of the awards under various share-based compensation plans as described in note 39 to the consolidated financial statements.

EV AND VONB SENSITIVITIES

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

EV sensitivities to interest rates at 31 December 2022 increased compared with 31 December 2021. This was due to the effect of the sensitivities on the additional free surplus released from the early adoption of the HKRBC regime as previously disclosed, and the reduced sensitivity of our business units outside of Hong Kong resulting from a higher starting level of bond yields within the central value following the increases seen over 2022.

Overall, EV sensitivities to interest rates remained small and VONB sensitivities remained stable compared with 2021.

The direction of sensitivities to interest rates vary by market.

	As at 31 December 2022		As at 31 December 2021	
US$ millions, unless otherwise stated	EV	% Change	EV	% Change
Central value	**68,865**		72,987	
Effect of equity price changes				
10 per cent increase in equity prices	**1,817**	**2.6%**	1,878	2.6%
10 per cent decrease in equity prices	**(1,821)**	**(2.6)%**	(1,871)	(2.6)%
Effect of interest rate changes				
50 basis points increase in interest rates	**(1,246)**	**(1.8)%**	(330)	(0.5)%
50 basis points decrease in interest rates	**1,347**	**2.0%**	279	0.4%

	2022		2021	
US$ millions, unless otherwise stated	**VONB**	**% Change**	VONB	% Change
Central value	**3,092**		3,366	
Effect of interest rate changes				
50 basis points increase in interest rates	**64**	**2.1%**	74	2.2%
50 basis points decrease in interest rates	**(81)**	**(2.6)%**	(108)	(3.2)%

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

IFRS PROFIT

OPAT[1] BY SEGMENT

US$ millions, unless otherwise stated	2022	2021	YoY CER	YoY AER
Mainland China	**1,425**	1,371	**8%**	4%
Hong Kong	**2,226**	2,143	**4%**	4%
Thailand	**782**	960	**(10)%**	(19)%
Singapore	**742**	723	**6%**	3%
Malaysia	**393**	392	**6%**	-
Other Markets	**804**	784	**11%**	3%
Group Corporate Centre	**(2)**	36	**n/m**	n/m
Total	**6,370**	6,409	**3%**	(1)%

US$ millions, unless otherwise stated	2022	2021	YoY CER	YoY AER
OPAT	**6,370**	6,409	**3%**	(1)%
Weighted average number of ordinary shares (millions)	**11,929**	12,066	**n/a**	n/a
Basic OPAT per share (US cents)	**53.40**	53.12	**5%**	1%
Weighted average number of ordinary shares on diluted basis (millions)[2]	**11,938**	12,087	**n/a**	n/a
Diluted OPAT per share (US cents)[2]	**53.36**	53.02	**5%**	1%

Notes:

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

(2) Diluted OPAT per share includes the dilutive effects, if any, of the awards under various share-based compensation plans as described in note 39 to the consolidated financial statements.

OPAT of US$6,370 million grew by 5 per cent per share. All reported segments delivered OPAT growth in 2022 except Thailand. In contrast to our other markets, many customers were treated for COVID-19 in private hospitals during the outbreak of the initial Omicron wave in Thailand, as reported in the first half. As infections subsided, OPAT for Thailand returned to positive growth in the second half. Growth in our overall in-force portfolio remains the primary driver of higher OPAT, as successive cohorts of new business add to our in-force business and translate into higher earnings over time.

Operating ROE increased to 13.2 per cent, compared with 12.8 per cent in 2021. Our operating margin remained strong and increased to 17.7 per cent reflecting our high-quality sources of earnings and the proactive management of our growing in-force portfolio of business.

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

TWPI BY SEGMENT

US$ millions, unless otherwise stated	2022	2021	YoY CER	YoY AER
Mainland China	**7,592**	6,999	**12%**	8%
Hong Kong	**11,237**	11,904	**(6)%**	(6)%
Thailand	**4,166**	4,428	**3%**	(6)%
Singapore	**3,577**	3,433	**7%**	4%
Malaysia	**2,464**	2,479	**6%**	(1)%
Other Markets	**7,140**	7,616	**2%**	(6)%
Total	**36,176**	36,859	**2%**	(2)%

TWPI increased by 2 per cent to US$36,176 million compared with 2021. In Hong Kong, TWPI was lower as a cohort of long-term participating policies reached the end of their premium payment terms, while continuing to remain in-force and generate OPAT. All other reported segments delivered positive TWPI growth in 2022 on a constant exchange rate basis. Total recurring premiums accounted for over 90 per cent of premiums received.

IFRS OPERATING PROFIT INVESTMENT RETURN

US$ millions, unless otherwise stated	2022	2021	YoY CER	YoY AER
Interest income	**7,621**	7,536	**5%**	1%
Expected long-term investment return for equities and real estate	**3,560**	3,095	**18%**	15%
Total	**11,181**	10,631	**9%**	5%

Operating profit investment return increased by 9 per cent to US$11,181 million compared with 2021, primarily driven by higher opening balances of equities and real estate assets.

OPERATING EXPENSES

US$ millions, unless otherwise stated	2022	2021	YoY CER	YoY AER
Operating expenses	**3,251**	3,031	**13%**	7%

Operating expenses grew by 13 per cent to US$3,251 million and the expense ratio was 9.0 per cent compared with 8.2 per cent in 2021. Base salaries accounted for 4 per cent of the increase in operating expenses. Additional projects and investments to accelerate the Group's step change in the use of technology, digital and analytics as previously reported were the main components of the remaining increase compared with 2021.

IFRS NON-OPERATING MOVEMENT AND NET PROFIT[1]

In 2022, global capital markets experienced a significant reduction in asset prices from rapidly rising interest rates, lower equity markets and widening corporate bond spreads compared with 2021. AIA's IFRS 4 net profit definition includes mark-to-market movements from equity and property investments. While OPAT was higher compared with 2021, net profit was affected by negative short-term movements in these asset classes of US$2,314 million compared with long-term assumptions.

The Group uses derivative financial instruments for risk management purposes. While we aim to hedge underlying interest rate exposures on an economic basis, hedge accounting is not applied, resulting in an accounting mismatch within IFRS net profit.

Under IFRS 4, mark-to-market movements on derivative financial instruments are reflected in net profit but these are not fully offset by the corresponding change in the value of the liabilities. The adoption of IFRS 17 will eliminate this non-economic accounting mismatch that is created between assets and liabilities in the Group's consolidated financial statements under IFRS 4.

Non-operating movements on derivative financial instruments for participating business was negative US$2,003 million in 2022 as shown below. For clarity, this figure would have been zero under IFRS 17. Including this effect, net profit will be at least US$2 billion higher than net profit under IFRS 4.

Other non-operating investment return and other items of negative US$1,618 million was mainly from movements in debt securities measured at fair value through profit or loss from increased bond yields and disposals of available for sale debt securities.

US$ millions, unless otherwise stated	2022	2021	YoY CER	YoY AER
OPAT	**6,370**	6,409	**3%**	(1)%
Short-term fluctuations in investment return related to equities and real estate, net of tax[2]	**(2,314)**	(276)	**n/m**	n/m
Reclassification of revaluation gains for property held for own use, net of tax[2]	**(45)**	(66)	**n/m**	n/m
Corporate transaction related costs, net of tax	**(63)**	(49)	**n/m**	n/m
Implementation costs of new accounting standards, net of tax	**(45)**	(43)	**n/m**	n/m
Non-operating movements on derivative financial instruments for participating business, net of tax[3]	**(2,003)**	207	**n/m**	n/m
Other non-operating investment return and other items, net of tax	**(1,618)**	1,245	**n/m**	n/m
Net profit	**282**	7,427	**(96)%**	(96)%

Notes:

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

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

(3) Participating business refers to the participating funds and other participating business with distinct portfolios.

US$ millions, unless otherwise stated	2022	2021	YoY CER	YoY AER
Net profit	**282**	7,427	**(96)%**	(96)%
Weighted average number of ordinary shares (millions)	**11,929**	12,066	**n/a**	n/a
Basic earnings per share (US cents)	**2.36**	61.55	**(96)%**	(96)%
Weighted average number of ordinary shares on diluted basis (millions)(1)	**11,938**	12,087	**n/a**	n/a
Diluted earnings per share (US cents)(1)	**2.36**	61.45	**(96)%**	(96)%

Note:

(1) Diluted earnings per share includes the dilutive effects, if any, of the awards under various share-based compensation plans as described in note 39 to the consolidated financial statements.

MOVEMENT IN SHAREHOLDERS' ALLOCATED EQUITY

Shareholders' allocated equity is shown before fair value reserve as management believes this provides a clearer reflection of the underlying movement in shareholders' equity over the period, before the IFRS accounting treatment of market value movements on available for sale debt securities.

US$ millions, unless otherwise stated	2022	2021
Opening shareholders' allocated equity	**52,060**	48,030
Net profit	**282**	7,427
Dividends	**(2,259)**	(2,147)
Share buy-back	**(3,570)**	–
Foreign currency translation adjustments	**(1,745)**	(1,301)
Purchase of shares held by employee share-based trusts	**(103)**	(106)
Revaluation gains on property held for own use	**38**	42
Other capital movements	**102**	115
Total movement in shareholders' allocated equity	**(7,255)**	4,030
Closing shareholders' allocated equity	**44,805**	52,060
Closing shareholders' allocated equity per share (US dollars)	**3.82**	4.30
Average shareholders' allocated equity	**48,433**	50,045

Shareholders' allocated equity was US$50,634 million, before the payment of shareholder dividends of US$2,259 million and US$3,570 million additional return of capital through the share buy-back programme. This compared with US$52,060 million at 31 December 2021.

While we delivered OPAT growth in 2022, this positive contribution to shareholders' allocated equity was offset by IFRS non-operating movements driven by short-term movements in capital markets and other non-operating items.

After deducting total shareholder dividends and share buy-back of US$5,829 million, shareholders' allocated equity was US$44,805 million at 31 December 2022.

Sensitivities to foreign exchange rate, interest rate and equity price movements are included in note 37 to the consolidated financial statements.

IFRS BALANCE SHEET

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$ millions, unless otherwise stated	As at 31 December 2022	As at 31 December 2021	Change AER
Assets			
Financial investments	**239,485**	281,876	(15)%
Investment property	**4,600**	4,716	(2)%
Cash and cash equivalents	**8,969**	4,989	80%
Deferred acquisition and origination costs	**30,046**	28,708	5%
Other assets	**19,948**	19,585	2%
Total assets	**303,048**	339,874	(11)%
Liabilities			
Insurance and investment contract liabilities	**230,684**	251,283	(8)%
Borrowings	**11,206**	9,588	17%
Other liabilities	**22,608**	18,069	25%
Less total liabilities	**264,498**	278,940	(5)%
Equity			
Total equity	**38,550**	60,934	(37)%
Less non-controlling interests	**454**	467	(3)%
Total equity attributable to shareholders of AIA Group Limited	**38,096**	60,467	(37)%
Shareholders' allocated equity	**44,805**	52,060	(14)%

Note:

(1) Before the reclassification for disposal group held for sale as described in note 45 to the consolidated financial statements.

MOVEMENT IN SHAREHOLDERS' EQUITY

US$ millions, unless otherwise stated	2022	2021
Opening shareholders' equity	**60,467**	63,200
Net profit	**282**	7,427
Fair value losses on assets	**(15,116)**	(6,763)
Dividends	**(2,259)**	(2,147)
Share buy-back	**(3,570)**	–
Foreign currency translation adjustments	**(1,745)**	(1,301)
Purchase of shares held by employee share-based trusts	**(103)**	(106)
Revaluation gains on property held for own use	**38**	42
Other capital movements	**102**	115
Total movement in shareholders' equity	**(22,371)**	(2,733)
Closing shareholders' equity	**38,096**	60,467
Number of ordinary shares (millions)	**11,734**	12,097
Closing shareholders' equity per share (US dollars)	**3.25**	5.00

TOTAL INVESTMENTS

US$ millions, unless otherwise stated	As at 31 December 2022	Percentage of total	As at 31 December 2021	Percentage of total
Total policyholder and shareholder	**215,962**	**85%**	253,585	86%
Total unit-linked contracts and consolidated investment funds	**39,370**	**15%**	40,059	14%
Total investments	**255,332**	**100%**	293,644	100%

UNIT-LINKED CONTRACTS AND CONSOLIDATED INVESTMENT FUNDS

US$ millions, unless otherwise stated	As at 31 December 2022	Percentage of total	As at 31 December 2021	Percentage of total
Unit-linked contracts and consolidated investment funds				
Debt securities	**6,402**	**16%**	6,660	17%
Loans and deposits	**312**	**1%**	365	1%
Equity investments(1)	**31,292**	**80%**	31,909	80%
Cash and cash equivalents	**1,293**	**3%**	1,076	2%
Derivative financial instruments	**71**	**-**	49	–
Total unit-linked contracts and consolidated investment funds	**39,370**	**100%**	40,059	100%

Note:

(1) Includes equity shares, interests in investment funds and exchangeable loan notes.

POLICYHOLDER AND SHAREHOLDER INVESTMENTS

US$ millions, unless otherwise stated	As at 31 December 2022	Percentage of total	As at 31 December 2021	Percentage of total
Participating funds and other participating business with distinct portfolios[(1)]				
Government bonds	**12,086**	**5%**	11,092	4%
Other government and government agency bonds	**10,078**	**5%**	11,372	5%
Corporate bonds and structured securities	**42,892**	**20%**	55,697	22%
Loans and deposits	**2,600**	**1%**	2,699	1%
Fixed income investments	**67,656**	**31%**	80,860	32%
Equity investments[(2)]	**22,635**	**10%**	29,185	12%
Investment property and property held for own use	**1,100**	**1%**	1,081	–
Cash and cash equivalents	**2,018**	**1%**	1,317	1%
Derivative financial instruments	**233**	**-**	1,190	–
Subtotal participating funds and other participating business with distinct portfolios	**93,642**	**43%**	113,633	45%
Other policyholder and shareholder				
Government bonds	**42,175**	**19%**	44,901	18%
Other government and government agency bonds	**17,360**	**8%**	19,345	8%
Corporate bonds and structured securities	**34,950**	**16%**	51,013	20%
Loans and deposits	**5,732**	**3%**	6,247	2%
Fixed income investments	**100,217**	**46%**	121,506	48%
Equity investments[(2)]	**10,341**	**5%**	9,923	4%
Investment property and property held for own use	**5,778**	**3%**	5,698	2%
Cash and cash equivalents	**5,658**	**3%**	2,596	1%
Derivative financial instruments	**326**	**-**	229	–
Subtotal other policyholder and shareholder	**122,320**	**57%**	139,952	55%
Total policyholder and shareholder	**215,962**	**100%**	253,585	100%

Notes:

(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, representing Hong Kong participating business, are supported by segregated investment assets and explicit provisions for future surplus distribution, although the division of surplus between policyholders and shareholders is not defined in regulation.

(2) Includes equity shares, interests in investment funds and exchangeable loan notes.

ASSETS

Total assets decreased by US$36,826 million to US$303,048 million at 31 December 2022 as positive net investment cash inflows were offset by negative fair value movements on debt securities due to a significant increase in government bond yields, widening of corporate bond spreads, and a fall in equity markets.

Fixed income investments, including debt securities, loans and term deposits held in respect of policyholders and shareholders, totalled US$167,873 million at 31 December 2022 compared with US$202,366 million at 31 December 2021.

Government bonds and other government and government agency bonds decreased to US$81,699 million from US$86,710 million due to a significant increase in government bond yields and represented 49 per cent of fixed income investments at 31 December 2022, compared with 43 per cent at 31 December 2021.

Corporate bonds and structured securities reduced to US$77,842 million from US$106,710 million accounting for 46 per cent of fixed income investments at 31 December 2022, compared with 53 per cent at 31 December 2021 following a significant increase in government bond yields and widening of corporate bond spreads.

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 1,900 issuers and an average holding size of US$40 million.

At 31 December 2022, 2 per cent of the total bond portfolio was rated below investment grade or not rated, representing approximately US$3 billion in value. Approximately US$360 million of bonds, representing 0.2 per cent of our total bond portfolio, were downgraded to below investment grade in 2022 and there were no material impairments in the year, reflecting AIA's overall high-quality investment portfolio.

Equity investments held in respect of policyholders and shareholders totalled US$32,976 million at 31 December 2022, compared with US$39,108 million at 31 December 2021. The decrease was mainly due to negative mark-to-market movements offsetting new investments during the year.

In the second half of the year, the Group invested in GLP Capital Partners Limited with AIA's shareholders' interest of US$1.8 billion at 31 December 2022 as part of the Group's investment strategy in private market opportunities.

Cash and cash equivalents increased by US$3,980 million to US$8,969 million at 31 December 2022 compared with US$4,989 million at 31 December 2021.

Other assets were broadly stable at US$19,948 million at 31 December 2022 compared with US$19,585 million at 31 December 2021.

LIABILITIES

Total liabilities reduced to US$264,498 million at 31 December 2022 from US$278,940 million at 31 December 2021.

Insurance and investment contract liabilities reduced to US$230,684 million at 31 December 2022 compared with US$251,283 million at 31 December 2021 in line with the negative mark-to-market movements in equity assets backing unit-linked and participating policies.

Borrowings increased to US$11,206 million at 31 December 2022, due to net proceeds of the issuance and redemption of medium-term notes and securities totalling US$1,653 million.

The leverage ratio, which is defined as total borrowings expressed as a percentage of the sum of total borrowings and total equity, was 22.5 per cent at 31 December 2022, compared with 13.6 per cent at 31 December 2021. The increase has been largely driven by the reduction in total equity as shown in the following section. On transition to IFRS 17, the leverage ratio will be defined as total borrowings expressed as a percentage of the sum of total borrowings, total equity and contractual service margin net of reinsurance and net of taxes. On this revised basis, the leverage ratio at 1 January 2022 was 8.6 per cent, down from 13.6 per cent under IFRS 4 and is expected to reduce by at least 5 pps at 31 December 2022 compared to IFRS 4.

Details of commitments and contingencies are included in note 42 to the consolidated financial statements.

EQUITY

Total equity attributable to shareholders includes a fair value reserve of negative US$6,709 million, which mainly reflects unrealised market movements on debt securities held as available for sale. Under IFRS 4, falls in bond asset values are not fully offset by falls in insurance contract liabilities, as the liabilities are determined based on long-term investment return assumptions locked in at the point of sale. This creates an accounting mismatch that leads to volatility in reported total equity.

The adoption of IFRS 9 and IFRS 17 which will take effect from 1 January 2023 will resolve a large part of the non-economic accounting mismatches that are created between assets and liabilities in the Group's consolidated financial statements under IFRS 4.

Shareholders' allocated equity is shown before fair value reserve as management believes this provides a clearer reflection of the underlying movement in shareholders' equity over the period, before the IFRS accounting treatment of market value movements on available for sale debt securities. Shareholders' allocated equity was US$44,805 million at 31 December 2022.

In 2022, the significant increase in both government bond yields and corporate bond spreads led to a reduction in fair value reserve of US$15,116 million. Total equity attributable to shareholders was US$38,096 million at 31 December 2022 after total shareholder dividends of US$2,259 million and the US$3,570 million additional return of capital through the share buy-back programme.

On transition to IFRS 17, shareholders' allocated equity and shareholders' equity will be US$51 billion and US$56 billion, a reduction of 2 per cent and 7 per cent respectively compared to IFRS 4. Shareholders' allocated equity and shareholders' equity at 31 December 2022 are expected to be higher under IFRS 17 compared to IFRS 4. The transition from IAS39 to IFRS 9 had an immaterial effect on the Group's financial position.

CAPITAL

FREE SURPLUS

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

The Group's financial position remained very strong with free surplus increasing to US$23,679 million before total shareholder dividends and share buy-back of US$5,829 million.

As free surplus is the assets held in excess of statutory liabilities and capital requirements, lower bond values from rising interest rates are not offset by a corresponding reduction in statutory liabilities and capital requirements. The overall effect from investment return variances and other items was a reduction in free surplus of US$5,093 million, reflecting higher bond yields and lower equity markets.

Free surplus was US$17,850 million at 31 December 2022 after capital returns to shareholders.

The following table summarises the change in free surplus:

US$ millions, unless otherwise stated	2022	2021
Opening free surplus	**17,025**	13,473
Effect of acquisitions(1)	**(200)**	(312)
BEA Upfront Payment(2)	**-**	(258)
Investment in China Post Life	**-**	(1,860)
Release of resilience margins	**3,400**	–
HKRBC early adoption	**4,403**	–
UFSG	**6,039**	6,451
Free surplus used to fund new business	**(1,274)**	(1,712)
Unallocated Group Office expenses	**(250)**	(273)
Finance costs and other capital movements	**(371)**	(300)
Free surplus before investment return variances, dividends and share buy-back	**28,772**	15,209
Investment return variances and other items	**(5,093)**	3,963
Free surplus before dividends and share buy-back	**23,679**	19,172
Dividends	**(2,259)**	(2,147)
Share buy-back	**(3,570)**	–
Closing free surplus	**17,850**	17,025

Notes:

(1) Purchase price of Blue Cross of US$283 million as per note 14 to the consolidated financial statements in Annual Report 2022, less acquired free surplus of US$83 million.

Purchase price of AIA Everest of US$397 million as per note 5 to the consolidated financial statements in Annual Report 2021, less acquired free surplus of US$85 million.

(2) Refers to the consideration for the strategic bancassurance partnership with BEA as previously announced in 2021.

UNDERLYING FREE SURPLUS GENERATION (UFSG)

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

UFSG was US$6,039 million, an increase of 7 per cent per share on a comparable basis, before the effects of the early adoption of the HKRBC regime and the release of resilience margins held by the Group under the previous HKIO basis. These increased free surplus by US$4,403 million and US$3,400 million respectively, as reported in our Interim Report 2022. The accelerated recognition of future free surplus upon early adoption of the HKRBC regime correspondingly reduced UFSG by US$468 million in 2022.

The increase in UFSG on a comparable basis was driven by the continued growth of the in-force portfolio, partly offset by a lower positive claims experience compared with 2021. Free surplus invested in writing new business of US$1,274 million decreased by 22 per cent, mainly as a result of the greater capital efficiency of new products sold in Hong Kong under the HKRBC regime.

UNDERLYING FREE SURPLUS GENERATION

					Per share basis	
US$ millions, unless otherwise stated	**2022**	2021	**YoY CER**	YoY AER	**YoY CER**	YoY AER
UFSG on a comparable basis before the effects of HKRBC early adoption and release of resilience margins	**6,507**	6,451	**6%**	1%	**7%**	2%
HKRBC early adoption and release of resilience margins	**(468)**	-	**n/m**	n/m	**n/m**	n/m
UFSG	**6,039**	6,451	**(2)%**	(6)%	**(1)%**	(5)%

UNDERLYING FREE SURPLUS GENERATION PER SHARE

US$ millions, unless otherwise stated	**2022**	2021	**YoY CER**	YoY AER
UFSG	**6,039**	6,451	**(2)%**	(6)%
Weighted average number of ordinary shares (millions)	**11,929**	12,066	**n/a**	n/a
Basic UFSG per share (US cents)	**50.62**	53.46	**(1)%**	(5)%
Weighted average number of ordinary shares on diluted basis (millions)	**11,938**	12,087	**n/a**	n/a
Diluted UFSG per share (US cents)	**50.59**	53.37	**(1)%**	(5)%

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 entity within the Group according to the respective local regulatory requirements, subject to any variation considered necessary by the Hong Kong Insurance Authority (HKIA).

Prior to 1 January 2022, the Group LCSM surplus and cover ratio were based on minimum capital requirements (MCR basis). The group minimum capital requirement (GMCR) is the sum of the minimum capital requirement 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 the changes in disclosure requirements from the HKIA, the Group LCSM surplus and the Group LCSM cover ratio are now based on prescribed capital requirements (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 capital requirements more in line with the capital requirements currently used within the EV.

The Group available capital increased from US$67,611 million at 31 December 2021 to US$70,698 million at 31 December 2022. The positive effects from the early adoption of the HKRBC regime, the release of resilience margins held by the Group and the adoption of C-ROSS II were partially offset by the effects of movements in capital markets and capital returns to shareholders.

The GMCR decreased from US$16,948 million at 31 December 2021 to US$12,810 million at 31 December 2022 mainly due to the adoption of C-ROSS II during the year.

GROUP LCSM COVER RATIO

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 reflecting higher capital requirements under the new PCR basis.

On the new PCR basis as at 31 December 2022, the Group LCSM cover ratio remained very strong at 283 per cent despite significant capital market volatility and the effect of the share buy-back which reduced the ratio by 13 pps.

The table shows a summary of the Group LCSM solvency position as at 31 December 2022.

US$ millions, unless otherwise stated	**As at 31 December 2022**	As at 31 December 2021
Group LCSM cover ratio (PCR basis)[(1)]	**283%**	291%
Group LCSM cover ratio (MCR basis)[(1)]	**552%**	399%
Group available capital	**70,698**	67,611
Tier 1 capital[(2)]	**45,508**	n/a
Other Than Tier 1 capital	**25,190**	n/a
Group prescribed capital requirement (GPCR)	**24,989**	n/a
Group minimum capital requirement (GMCR)	**12,810**	16,948
Group LCSM surplus (PCR basis)[(3)]	**45,709**	n/a
Group LCSM surplus (MCR basis)[(3)]	**n/a**	50,663
Senior notes approved as contributing to group available capital[(4)]	**5,653**	5,820

Notes:

(1) The Group LCSM cover ratio definition changed from (i) the ratio of the group available capital to the GMCR at 31 December 2021 (MCR basis), to (ii) the ratio of the group available capital to the GPCR from 1 January 2022 onwards (PCR basis).

The Group LCSM cover ratio (PCR basis) as at 31 December 2021 is shown on a pro forma basis.

The Group LCSM cover ratio (MCR basis) is included in the table for reference.

(2) Group Tier 1 capital is maintained in excess of GMCR. Group Tier 1 capital to GMCR ratio was 355 per cent at 31 December 2022.

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

(4) The amounts shown 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.

(5) The Group LCSM cover ratio (PCR basis) and Group Tier 1 capital to GMCR ratio refer to eligible group capital resources coverage ratio and tier 1 group capital coverage ratio as defined in D.S/10 of Guideline on Group Supervision (GL32) respectively.

At 31 December 2022, the group available capital includes the following items, which are not included within Group Tier 1 capital:

(i) US$3,726 million[(1)] of subordinated securities. Subordinated securities with a fixed maturity receive full capital credit up to the date that is 5 years prior to the date of maturity, with the capital credit then reducing at the rate of 20 per cent per annum until maturity. Perpetual subordinated securities receive full capital credit unless they are redeemed; and

(ii) US$5,653 million[(1)] of senior notes issued before designation that have been approved by the HKIA as capital. Prior to maturity, the approved senior notes receive full capital credit until 14 May 2031, after which the capital credit reduces at the rate of 20 per cent per annum until 14 May 2036.

Note:

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

GROUP LCSM COVER RATIO SENSITIVITIES

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

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

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

RECONCILIATION BETWEEN GROUP LCSM SURPLUS AND FREE SURPLUS

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

The main reason for the movements in reconciliation adjustments compared with the prior year were the move from using the MCR basis to the PCR basis and the effects of early adoption of the HKRBC regime and introduction of C-ROSS II regime.

US$ millions, unless otherwise stated	As at 31 December 2022	As at 31 December 2021
Group LCSM surplus(1)	**45,709**	50,663
Adjustments for:		
Eligible Other Than Tier 1 debt capital	**(9,379)**	(9,588)
Different capital requirements under EV for AIA China(2)	**(5,622)**	(7,733)
Reflecting shareholders' view of capital(3)	**(7,353)**	(9,902)
Free surplus on a business unit basis	**23,355**	23,440
Adjustment to reflect consolidated reserving and capital requirements	**(5,505)**	(6,415)
Free surplus on consolidated basis	**17,850**	17,025

Notes:

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

(2) Adjustment from C-ROSS solvency basis to China Association of Actuaries (CAA) EV basis in line with local requirements.

(3) Reflects change from GPCR to EV required capital and the removal of participating fund surplus as at 31 December 2022.
Reflects change from GMCR to EV required capital and the removal of participating fund surplus as at 31 December 2021.

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 31 December 2022.

The changes in local solvency requirements are summarised 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 expected effective date of 1 January 2024. In a letter dated 8 April 2022, the HKIA approved the request to early adopt the HKRBC regime for AIA International, our principal operating entity in Hong Kong, with an effective date of 1 January 2022. The effects of early adoption are shown throughout this report where relevant.

For clarity, the other operating entities in Hong Kong, including AIA Co. and AIA Everest, did not request to early adopt the HKRBC regime. These entities remain subject to the current HKIO basis and will only adopt the HKRBC regime when the regulation becomes effective.

Mainland China

On 30 December 2021, the China Banking and Insurance Regulatory Commission issued updates, referred to as C-ROSS II, to the existing solvency regime effective from the first quarter of 2022. The impacts were not significant and were reflected in the financial metrics in this report where applicable.

South Korea

The Financial Supervisory Service (FSS) has announced that the new capital adequacy framework (Korean Insurance Capital Standard (K-ICS)) for Korean insurers will be effective from 1 January 2023. K-ICS is expected to have a positive effect on EV and free surplus but has not been reflected in the financial metrics as at 31 December 2022 in this report.

HOLDING COMPANY FINANCIAL RESOURCES

At 31 December 2022, holding company financial resources increased to US$16,497 million, before total shareholder dividends of US$2,259 million and the US$3,570 million additional return of capital through the share buy-back programme.

Net capital flows to the holding company of US$1,862 million included US$4,341 million of capital flows from subsidiaries offset by US$2,479 million of corporate activity including acquisitions. Capital flows from subsidiaries included US$1,436 million from a one-off remittance of excess surplus held in AIA Co. to the holding company. Net proceeds of the issuance and redemption of medium-term notes and securities totalled US$1,653 million.

Investment income and mark-to-market movements caused a US$780 million reduction in holding company financial resources, mainly due to fair value movements on debt securities from increased bond yields and a fall in equity markets.

After capital returns to shareholders of US$5,829 million, holding company financial resources was US$10,668 million at 31 December 2022.

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

US$ millions, unless otherwise stated	2022	2021
Opening holding company financial resources	**13,136**	12,388
Capital flows from subsidiaries	**4,341**	3,976
Corporate activity including acquisitions	**(2,479)**	(1,860)
Net capital flows to holding company	**1,862**	2,116
Increase in borrowings(1)	**1,653**	1,077
Decrease in intercompany loans receivable	**985**	–
Interest payments on borrowings(1)	**(359)**	(322)
Investment income, mark-to-market movements in debt securities and others	**(780)**	24
Closing holding company financial resources before dividends and share buy-back	**16,497**	15,283
Dividends	**(2,259)**	(2,147)
Share buy-back	**(3,570)**	–
Closing holding company financial resources	**10,668**	13,136

Assets recoverable and liabilities repayable within 12 months as follows:

US$ millions, unless otherwise stated	As at 31 December 2022	As at 31 December 2021
Loans to/amounts due from subsidiaries(2)	**57**	103
Medium-term notes and securities(3)	**(600)**	(167)
Net other assets and other liabilities	**(69)**	(46)

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 31 December 2022, loans to/amounts due from subsidiaries was US$886 million (2021: US$1,917 million). US$57 million was recoverable within the 12 months after the year ended 31 December 2022 (2021: US$103 million).

(3) As at 31 December 2022, medium-term notes and securities placed to the market was US$11,206 million (2021: US$9,588 million). US$500 million was repayable within the 12 months after the year ended 31 December 2022 (2021: US$167 million). Details of the medium-term notes and securities placed to the market are included in note 29 to the consolidated financial statements.

GLOBAL MEDIUM-TERM NOTE AND SECURITIES PROGRAMME

Under our Global Medium-term Note (GMTN) and Securities Programme, the Company issued two unlisted Hong Kong dollar-denominated fixed rate medium-term notes and one listed fixed rate medium-term notes.

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 1.99-year notes at an annual rate of 2.25 per cent. The US dollar-equivalent issued was approximately US$830 million.

On 24 October 2022, the Company issued unlisted Hong Kong dollar-denominated fixed rate medium-term notes, which consisted of HK$1,200 million of 2.99-year notes at an annual rate of 5.04 per cent. The US dollar-equivalent issued was approximately US$153 million.

On 25 October 2022, the Company issued listed fixed rate medium-term notes, which consisted of US$850 million of 5-year notes at an annual rate of 5.625 per cent.

At 31 December 2022, the aggregate carrying amount of the debt issued to the market under the GMTN and Securities Programme was US$11,206 million compared with US$9,588 million at 31 December 2021.

CREDIT RATINGS

At 31 December 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 31 December 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.

DIVIDENDS

The Board has recommended a final dividend of 113.40 Hong Kong cents per share, subject to shareholders' approval at the Company's forthcoming AGM. This brings the total dividend for 2022 to 153.68 Hong Kong cents per share, an increase of 5.3 per cent compared with the total dividend for 2021. This follows AIA's established prudent, sustainable and progressive dividend policy, allowing for future growth opportunities and the financial flexibility of the Group.

SHARE BUY-BACK PROGRAMME

The Group announced in March 2022 a share buy-back programme of up to US$10 billion over a period of three years. As at 31 December 2022, 366 million shares have been repurchased for an aggregate value of US$3,570 million. Of those shares, 319 million shares were cancelled in 2022, and the remaining 47 million shares have subsequently been cancelled.

BUSINESS REVIEW

SUMMARY AND KEY BUSINESS HIGHLIGHTS

AIA delivered 6 per cent VONB growth in the second half of 2022. While VONB was 5 per cent lower for the full year, the continued execution of our strategic priorities supported the strong return of new business momentum as the effects of the initial Omicron wave eased in the second half. Our results highlight the breadth and diversity of our markets, our high-quality distribution channels and our comprehensive product range to meet the evolving needs of our customers across the region.

DISTRIBUTION

Our **agency** channel delivered 8 per cent VONB growth in the second half of 2022, demonstrating our continued commitment to enhancing the quality of our professional agency distribution. The initial outbreak of Omicron restricted in person meetings in the first half of the year, leading to a decline in VONB of 4 per cent for the full year. Our differentiated Premier Agency strategy helped drive double-digit growth in the number of agency leaders and new recruits along with an increase in new recruits' productivity. AIA was once again 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.

VONB for our **partnership** channel grew by 2 per cent in 2022. Our long-term strategic partnerships with leading banks remain a key competitive advantage for AIA, and delivered 10 per cent VONB growth in 2022. VONB from our direct telemarketing channel in South Korea was affected by an industry-wide regulatory change implemented at the start of the year, as previously highlighted. Our intermediated channels, including IFAs and brokers, delivered positive VONB growth in 2022, with very strong performances in Hong Kong and Taiwan (China). In India, partnership distribution delivered excellent VONB growth, driven by our partnership with six leading banks as well as close collaboration with our brokers.

GEOGRAPHICAL MARKETS

AIA China returned to positive growth in the second half of 2022 with VONB up by 3 per cent. VONB in the first half was lower compared with the record result in 2021, as our business was impacted by pandemic containment measures and full year VONB reduced by 15 per cent. We have seen new business momentum recover and return to positive growth in the first two months of 2023.

AIA Hong Kong achieved 4 per cent VONB growth in 2022, supported by growth from our market-leading agency force and a strong performance from partnership distribution, in particular through the intermediated channels and our exclusive partnership with The Bank of East Asia, Limited (BEA). VONB from sales to Mainland Chinese visitors tripled in 2022 and accounted for just over 10 per cent of total VONB for the year.

AIA Thailand delivered 5 per cent growth in VONB for the full year, supported by 19 per cent growth in the second half of 2022. We saw higher sales activity levels in both agency and bancassurance channels as new business momentum returned in the second half. Our agency remained the market leader in 2022 and we achieved an excellent increase in number of new recruits, contributing to an increase in the number of active agents compared to 2021.

AIA Singapore delivered higher VONB in 2022 as 7 per cent growth in the second half offset performance in the first half. Agency channel remained the largest contributor to VONB with both an increase in the number of active agents and productivity improvements in the second half. Our partnership channel achieved a strong performance in 2022.

AIA Malaysia achieved 15 per cent VONB growth in 2022, with both agency and partnership channels delivering double-digit growth. We continued to work closely with Public Bank Berhad (Public Bank) to further uplift the activity and productivity of our insurance specialists through the implementation of enhanced digital tools.

Our **Other Markets** segment recorded a reduction in VONB in 2022 as strong double-digit growth in India, New Zealand, the Philippines, Sri Lanka and Taiwan (China) in the second half was offset by a decline in Australia, South Korea and Vietnam.

UNRIVALLED DISTRIBUTION

AGENCY

US$ millions, unless otherwise stated	2022	2021	YoY CER	YoY AER	1H 2022 YoY CER	2H 2022 YoY CER
VONB	**2,659**	2,875	**(4)%**	(8)%	(15)%	8%
VONB margin	**73.2%**	74.3%	**(1.1)pps**	(1.1)pps	(5.4)pps	3.7pps
ANP	**3,632**	3,872	**(3)%**	(6)%	(8)%	3%

AIA's unparalleled, proprietary Premier Agency is a core competitive advantage and holds market-leading positions across the region. Our professional agency sits at the heart of our relationship with our customers, enabling us to meet the diverse and rapidly growing needs of millions of people across Asia through personalised advice and service.

The quality and scale of our agency platform has enabled AIA to deliver a resilient performance in 2022 with 8 per cent VONB growth in the second half of the year. While VONB of US$2,659 million was lower by 4 per cent for the full year due to the effects of the initial Omicron wave, our agency business delivered strong momentum in the second half with the majority of our markets achieving positive year-on-year growth. In particular, our businesses in India and ASEAN markets both delivered double-digit VONB increases compared with the second half of 2021. Overall, agency accounted for 80 per cent of the Group's total VONB in 2022.

The professionalism and resilience of our agents has ensured that our Premier Agency is well-positioned to capture the immense growth opportunities ahead as our markets rebound from the effects of the pandemic.

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 across our markets. In 2022, our agency leadership programmes successfully generated 11 per cent growth in the number of leaders compared with 2021.

Quality recruitment remains a key strategic priority for AIA. Growth in agency leaders helped generate an increase in new recruits by 13 per cent in 2022 along with a strong growth in their productivity. We continued to support our agency force with new and enhanced digital tools that cover agency recruitment and onboarding, activity management and new leads generation. In 2022, over 80 per cent of new agents were onboarded through iRecruit, our digital recruitment platform. Overall, the total number of agents were up compared with 2021 and finished the year above the pre-pandemic levels as at the end of 2019.

In 2022, AIA was once again the number one 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, followed by AIA Thailand and AIA Hong Kong. Our continued leadership in MDRT demonstrates the effectiveness of our differentiated Premier Agency strategy.

PARTNERSHIPS

US$ millions, unless otherwise stated	2022	2021	YoY CER	YoY AER	1H 2022 YoY CER	2H 2022 YoY CER
VONB	**668**	697	**2%**	(4)%	0%	4%
VONB margin	**37.8%**	39.2%	**(1.4)pps**	(1.4)pps	1.8pps	(5.5)pps
ANP	**1,771**	1,775	**6%**	0%	(4)%	19%

AIA's partnership business extends our market reach and broadens our access to hundreds of millions of potential customers across the region. We continue to strengthen our collaboration with our long-term strategic partners through providing personalised solutions and advice for their customers, while continuing to expand our high quality network. Our partnership business contributes a growing source of new business for AIA.

In 2022, our partnership channel delivered positive VONB growth, including a strong performance from bancassurance. Partnership distribution accounted for 20 per cent of the Group's total VONB.

BANCASSURANCE, INTERMEDIATED CHANNELS AND DIRECT MARKETING

Our long-term strategic partnerships with leading banks are a key competitive advantage for AIA. Bancassurance VONB grew by 10 per cent in 2022, from growth in Public Bank in Malaysia, PT Bank Central Asia Tbk (BCA) in Indonesia and ASB Bank Limited (ASB) in New Zealand. BEA in Hong Kong and Mainland China delivered excellent VONB growth and is a material contributor to our overall bancassurance results in 2022. AIA China also began sales through Postal Savings Bank of China Co., Ltd. in the second quarter of 2022.

Our successful bancassurance model has achieved a strong track record of new business from in-branch referrals through bank relationship managers to insurance specialists. Our digitally-led approach complements this model with data-driven marketing and analytical models for targeting of in-branch customers and provides broader access to previously untapped online and credit card customers. This has supported increased productivity for our insurance specialists, particularly in Malaysia and the Philippines. As digital banking continues to evolve, we offer our customers more choice of how to purchase from fully online to face-to-face advice.

Our intermediated channels, including IFAs and brokers, delivered positive VONB growth in 2022, with very strong performances in Hong Kong and Taiwan (China). VONB from our direct telemarketing channel in South Korea was affected by an industry-wide regulatory change implemented at the start of the year, as previously highlighted.

In India, Tata AIA Life Insurance Company Limited (Tata AIA Life) has partnerships with six leading banks that together have more than 150 million existing customers. We have continued to transform the customer onboarding experience and expand our protection product offerings, supporting an increased share of wallet with our bank and other partners, leading to excellent VONB growth compared with 2021. Our partnership with PolicyBazaar has increased sales by 3 times compared with the previous year.

DIGITAL PLATFORMS

AIA's next-generation partnerships with technology companies bring access to hundreds of millions of users and new customer segments. Our engagements through these platforms use digital insurance propositions and new analytical models to identify suitable customers for referral to our distribution channels for more comprehensive advice and product solutions. In 2022, we brought in over one million customers via these platforms and continued to expand our digital propositions and partnerships to address the various lifestyle needs of consumers across the region.

GEOGRAPHICAL MARKET HIGHLIGHTS

MAINLAND CHINA

AIA China

US$ millions, unless otherwise stated	2022	2021	YoY CER	YoY AER	1H 2022 YoY CER	2H 2022 YoY CER
VONB	**916**	1,108	**(15)%**	(17)%	(24)%	3%
VONB margin	**69.5%**	78.9%	**(9.6)pps**	(9.4)pps	(14.8)pps	(0.1)pps
ANP	**1,319**	1,404	**(4)%**	(6)%	(7)%	3%
TWPI	**7,592**	6,999	**12%**	8%	14%	10%
OPAT	**1,425**	1,371	**8%**	4%	4%	12%

AIA China's high-quality professional agency force and differentiated business model delivered a return to positive growth in the second half of 2022, with VONB up by 3 per cent. VONB in the first half of 2022 was lower compared with the record result in 2021, as most of our geographies were subject to stringent pandemic movement restrictions, leading to a reduction in full year VONB of 15 per cent to US$916 million. Our remote digital capabilities enabled our agents to continue generating new business over this period and, as restrictions eased, in person sales rebounded.

VONB in the second half recovered strongly and delivered double-digit year-on-year growth to the end of November, before a rapid wave of COVID-19 infections disrupted new business sales in December. Following the reopening of Mainland China, we have seen new business momentum recover and returned to positive VONB growth in the first two months of 2023.

Full year OPAT of US$1,425 million increased by 8 per cent, with 12 per cent growth in the second half, from our growing in-force portfolio and favourable claims experience.

AIA China's Premier Agency remains a clear competitive advantage and ensures we are in a very strong position to capture the increased demand for high-quality products and services backed by professional advice. We have continued to focus on our Premier Agency strategy during the pandemic, which has translated to a broadly stable level of total agents as of December 2022 compared to the pre-pandemic level. AIA China was named the number one MDRT company in the world for the first time ever in July 2022, demonstrating our commitment to growing AIA's professional agency distribution through quality recruitment, best-in-class training and advanced leadership development programmes.

We continue to launch new customer propositions with integrated value-added services that are tailored to evolving consumer needs. In November, we successfully launched an innovative critical illness product, Ru Yi You Xiang. Traditional protection products remained the largest contributor to VONB for AIA China in 2022. As we broaden our long-term savings propositions and further upgrade our retirement concierge services, we have continued to deepen our share of wallet from existing customers.

We have continued to broaden our distribution reach in the bancassurance channel. In 2022, we began sales through Postal Savings Bank of China Co., Ltd., as well as delivered growth through our exclusive partnership with BEA. We will continue to deepen cooperation with our strategic bancassurance partners to bring our compelling propositions to more potential customers.

Mainland China offers significant potential for AIA as we deepen our presence within existing regions and replicate our scalable model in new provinces. We are expanding our geographical footprint and successfully launched our operations in Wuhan, Hubei. In 2022, we were granted approval by the regulator to upgrade our operations in Tianjin and Shijiazhuang. We are also at an advanced stage in establishing our new branch operation in Zhengzhou, Henan, after receiving regulatory approval to begin preparations, which will give us access to the third most populous province in Mainland China with close to 100 million people.

China Post Life

In January, we completed our 24.99 per cent equity investment in China Post Life Insurance Co., Ltd. (China Post Life), the leading bank-affiliated life insurer in Mainland China. VONB in 2022 was 3.8 times the previously disclosed 2020 full-year result. For clarity, AIA China's reported results and the above table do not include any contribution from China Post Life. AIA's investment in China Post Life enables us to capture the significant value available from additional distribution channels and customer segments that are highly complementary to AIA China's strategy.

HONG KONG

US$ millions, unless otherwise stated	2022	2021	YoY CER	YoY AER	1H 2022 YoY CER	2H 2022 YoY CER
VONB	**787**	756	**4%**	4%	3%	5%
VONB margin	**69.5%**	64.0%	**5.5pps**	5.5pps	11.8pps	0.0pps
ANP	**1,078**	1,106	**(3)%**	(3)%	(12)%	6%
TWPI	**11,237**	11,904	**(6)%**	(6)%	(6)%	(5)%
OPAT	**2,226**	2,143	**4%**	4%	7%	1%

AIA Hong Kong recorded 4 per cent growth in VONB in 2022 to US$787 million with increases from both agency and partnership distribution channels. ANP was lower by 3 per cent, with stronger growth in the second half of 6 per cent. VONB margin improved by 5.5 pps compared to 2021, driven by enhanced profitability of our participating products. VONB from sales to Mainland Chinese visitors tripled in 2022, accounting for just over 10 per cent of VONB for the year, and strong momentum has continued into the first two months of 2023.

AIA's Premier Agency is the clear market leader in Hong Kong and outperformed the industry in the first nine months of 2022, based on latest available data. Agency saw positive year-on-year VONB growth in the second half of the year. Our Hong Kong business also delivered strong double-digit VONB growth from our partnership channel in 2022, driven by very strong performances in the IFA and broker channels and our exclusive partnership with BEA.

OPAT increased by 4 per cent from growth in our in-force portfolio, with lower growth in the second half due to reduced operating investment returns from lower asset values and unfavourable claims experience.

THAILAND

US$ millions, unless otherwise stated	2022	2021	YoY CER	YoY AER	1H 2022 YoY CER	2H 2022 YoY CER
VONB	**585**	609	**5%**	(4)%	(9)%	19%
VONB margin	**89.1%**	90.0%	**(0.9)pps**	(0.9)pps	(9.8)pps	7.4pps
ANP	**655**	677	**6%**	(3)%	2%	10%
TWPI	**4,166**	4,428	**3%**	(6)%	4%	2%
OPAT	**782**	960	**(10)%**	(19)%	(22)%	2%

AIA Thailand delivered 5 per cent growth in VONB for the full year to US$585 million, supported by 19 per cent growth in the second half of 2022. Full year ANP growth of 6 per cent was supported by continued growth in unit-linked sales where AIA remains the market leader. VONB margin remained stable at 89.1 per cent.

In agency, we delivered positive VONB growth in 2022, driven by a very strong performance in the second half of the year. We continued to accelerate the use of powerful digital tools which supported an improvement in the productivity of our agents. Quality recruitment remains a key priority and we saw an excellent year-on-year increase in the number of new recruits. Our agency force remained the market leader in 2022 and total number of active agents increased compared to 2021. We have the highest number of MDRT members in Thailand. We continued to drive an increase in the productivity of insurance specialists in our strategic partnership with Bangkok Bank Public Company Limited.

OPAT reduced by 10 per cent, primarily due to higher medical claims from customers seeking treatment for COVID-19 in private hospitals in the first half of the year, as previously reported. As the initial Omicron wave subsided, OPAT returned to growth in the second half of 2022, driven by improvements in lapse experience and higher investment returns. COVID-19 related medical claims also reduced compared with the first half.

SINGAPORE

US$ millions, unless otherwise stated	2022	2021	YoY CER	YoY AER	1H 2022 YoY CER	2H 2022 YoY CER
VONB	**349**	356	**1%**	(2)%	(6)%	7%
VONB margin	**65.7%**	64.7%	**0.8pps**	1.0pps	2.7pps	(1.1)pps
ANP	**531**	549	**(1)%**	(3)%	(11)%	9%
TWPI	**3,577**	3,433	**7%**	4%	7%	7%
OPAT	**742**	723	**6%**	3%	13%	1%

AIA Singapore delivered 7 per cent VONB growth in the second half of the year following the lifting of pandemic-related restrictions that affected the first half. Overall VONB was up by 1 per cent over the full year to US$349 million, ANP reduced slightly to US$531 million and VONB margin remained strong at 65.7 per cent.

Our Premier Agency strategy delivered growth in the number of active agents and productivity improvements in the second half of the year compared with the same period in 2021. We continued to enhance our digital tools to support our agents, with our social media integrated leads management platform offering a powerful way to generate new customer leads. This remained an important contributor to new business sales in Singapore. Our partnership channel recorded a strong performance in 2022, as Citibank, N.A.'s performance benefited from improved new business sales processes and easing of border controls.

OPAT increased by 6 per cent in 2022, driven by growth in our in-force portfolio, increased operating investment returns and favourable claims experience in the first half. Growth in the second half was moderated by increased medical claims compared with the same period last year.

MALAYSIA

US$ millions, unless otherwise stated	2022	2021	YoY CER	YoY AER	1H 2022 YoY CER	2H 2022 YoY CER
VONB	**308**	283	**15%**	9%	7%	26%
VONB margin	**69.9%**	57.3%	**12.4pps**	12.6pps	5.4pps	20.3pps
ANP	**440**	491	**(5)%**	(10)%	(2)%	(9)%
TWPI	**2,464**	2,479	**6%**	(1)%	8%	3%
OPAT	**393**	392	**6%**	0%	8%	4%

AIA Malaysia achieved strong VONB growth of 15 per cent in 2022 to US$308 million, with year-on-year growth of 26 per cent in the second half of the year. VONB margin improved by 12.4 pps to 69.9 per cent supported by a higher mix of protection products.

Agency delivered double-digit growth in VONB as we continued to focus on the increased adoption of our digital tools. Our partnership channel also delivered strong VONB growth as we worked closely with Public Bank to increase the activity and productivity of our insurance specialists through enhanced digital tools with a structured leads referral process.

Full year OPAT grew by 6 per cent from an increase in our in-force portfolio and positive claims experience in the first half, although second half growth was lower when compared with the exceptionally favourable medical claims experience over the same period in 2021.

OTHER MARKETS

US$ millions, unless otherwise stated	2022	2021	YoY CER	YoY AER	1H 2022 YoY CER	2H 2022 YoY CER
VONB	**420**	511	**(12)%**	(18)%	(15)%	(8)%
VONB margin	**30.2%**	35.9%	**(5.6)pps**	(5.7)pps	(3.1)pps	(9.3)pps
ANP	**1,384**	1,420	**5%**	(3)%	(6)%	19%
TWPI	**7,140**	7,616	**2%**	(6)%	3%	1%
OPAT	**804**	784	**11%**	3%	4%	18%

Overview

VONB for our Other Markets segment reduced by 12 per cent in 2022 to US$420 million as strong double-digit growth in India, New Zealand, the Philippines, Sri Lanka and Taiwan (China) in the second half was offset by a decline in Australia, South Korea and Vietnam.

ANP recovered strongly in the second half, increasing by 19 per cent as the effects of the initial Omicron wave eased across our markets leading to an overall increase of 5 per cent in the full year. VONB margin increased by 2.2 pps compared to the first half of 2022.

OPAT recovered strongly in the second half and grew by 11 per cent for full year 2022. The increase was mainly due to positive claims experience in the second half compared with higher levels of mortality claims in 2021, as previously disclosed.

Geographical Market Highlights

Australia: AIA Australia's OPAT grew strongly in 2022 from improved claims experience and higher operating investment returns. VONB was lower as sales through our retail IFA channel reduced significantly leading to an increase in acquisition expense overruns.

Cambodia: AIA Cambodia continued to execute our multi-channel distribution strategy, delivering double-digit ANP growth in 2022. Our focus on quality recruitment and training has delivered growth in the number of active agents as well as their productivity.

India: Tata AIA Life achieved excellent VONB growth across all distribution channels and is ranked the third largest private life insurer in India, based on individual weighted new business premiums, as at end of December 2022. Our differentiated Premier Agency grew very strongly and we deepened our geographical reach by continuing to expand the number of digitally-enabled branches. We delivered very strong growth from our broker channel as well as in bancassurance, where we have further enhanced our digital tools to drive productivity management. We have continued to expand our suite of protection propositions and maintained our position as the number one private insurer in the retail protection market in 2022.

Indonesia: AIA Indonesia's VONB was impacted by Omicron in the first half of 2022, which led to a small decline in VONB for the full year despite a sequential improvement in the second half. Our strategic bancassurance partnership with BCA delivered positive VONB growth for 2022, driven by increased sales of protection products.

Myanmar: AIA Myanmar delivered excellent ANP growth in 2022. We have continued to build a strong foundation for our business in this market and grew the number of active agents as well as expanded our bank branch coverage over the year.

New Zealand: AIA New Zealand delivered strong double-digit VONB growth in the second half of 2022, offsetting the reduction in the first half to deliver positive VONB growth for the full year. Our strategic partnership with ASB delivered excellent VONB growth, supported by an increase in the number of insurance specialists as well as higher productivity.

Philippines: AIA Philippines delivered positive VONB growth for the full year, with double-digit VONB growth in the second half. Both agency and our partnership with Bank of Philippine Islands (BPI) saw a sequential improvement in VONB growth in the second half. Our focus on quality recruitment delivered excellent growth in number of new recruits as well as increased productivity.

South Korea: AIA Korea was affected by an industry-wide regulatory change implemented at the start of 2022 that impacted the recruitment of sales representatives for our direct telemarketing channel, as previously highlighted. Our bancassurance business delivered excellent VONB growth as we continued to enhance our product offerings.

Sri Lanka: AIA Sri Lanka delivered double-digit VONB growth in 2022 across all distribution channels. We continued to support our agency force and insurance specialists to drive improvements in productivity compared with last year.

Taiwan (China): AIA Taiwan delivered very strong double-digit VONB growth in 2022, driven by excellent performances from both our intermediated and direct marketing channels.

Vietnam: AIA Vietnam's VONB declined in 2022 as our agency channel was impacted by the disruption due to COVID-19 infections in the first half of the year. Double-digit ANP growth in the second half of 2022 was more than offset by lower VONB margin due to higher expenses. We have continued to support our agents by driving adoption of our powerful digital tools, with the majority of our agents now onboarded through our digital recruitment and training platforms.

TECHNOLOGY, DIGITAL AND ANALYTICS

AIA's ongoing investment in technology, digital and analytics (TDA) is a key enabler of our strategic priorities, supporting increased productivity and enhanced customer experience while creating access to new growth opportunities. Our shift to a scalable and efficient world-class technology infrastructure has accelerated the deployment of our digital tools, contributing to a year-on-year improvement of 12 pps in end-to-end straight-through processing (STP) to 70 per cent in December 2022 for the Group. We believe that providing simplified customer journeys with faster turnaround times will lead to better outcomes, including improved customer satisfaction, retention and profitability.

AIA's increased use of artificial intelligence (AI) and analytics is delivering significant benefits to our customers, distributors and partners. We generated nearly 30 per cent more leads through our digital tools in 2022 compared to 2021, while at the same time enhancing the quality of leads provided to both our agency and bancassurance channels to improve sales conversion rates.

Our TDA transformation has been recognised externally through numerous awards, including: the IDC Future Enterprise Awards 2022 Thailand – Best in Future of Customer Experience for AIA Thailand; *InsuranceAsia News* – Digital Insurer of the Year in 2022 for the Group; and Forrester's 2022 Asia Pacific Technology Awards – Enterprise Architecture Award for the Group.

WORLD-CLASS TECHNOLOGY

AIA's adoption of cloud technology continued to outpace the financial services and insurance industry averages globally. By the end of 2022, 86 per cent of our information technology infrastructure was hosted in the public cloud, compared with 39 per cent in December 2020. We are making excellent progress towards our ambition of 90 per cent cloud adoption. Our utilisation of cloud technology provides the foundational capability for TDA initiatives at increased scale, doubling the Group's technology capacity while delivering cost efficiency compared with our legacy infrastructure platform.

DIGITAL ENABLEMENT

We continued to enhance our agency digital tools in 2022, implementing more than 180 new features and improvements which support increased interactions and greater customer insights. In 2022, 76 per cent of AIA's active agents were using our proprietary social media integrated leads management platform to share marketing content with prospective customers. By leveraging this platform, our agents delivered more than US$280 million of ANP from digitally-generated customer sales leads in 2022. In-app ratings for our agency digital tools averaged 4.7 out of 5 from more than 950,000 responses.

Working closely with our bancassurance partners, we have deployed digital and data-driven solutions that enhance their ability to engage with customers, offering greater choice of completing sales journeys digitally, assisted remotely or face-to-face. Digital and analytics generated over 4.6 million sales leads for our strategic bank partners in 2022, enabling us to reach previously untapped customers.

Across the Group's customer apps and portals, more than 15 million existing and prospective customers are engaging with us digitally, benefiting from high-quality digital experience. AIA service app's average app store ratings were 4.0 or higher across seven markets in December 2022.

We are changing the way we engage with existing and prospective customers through the introduction of innovative, market-leading super apps. These elevate the digital experience through an expanded and integrated range of new services, including self-service and claim capabilities, enabled by a broad ecosystem of partners, in addition to AIA Vitality. We launched the first of our super apps, AIA+, in Mainland China at the end of 2021. AIA+ has increased customer repurchase rates of additional products to three times the level when compared with customers who do not use the super app. We launched our second AIA+ super app in Thailand in October 2022 with plans for further launches in 2023.

ANALYTICS POWERING EVERYTHING WE DO

We continue to deepen and industrialise our use of AI and analytics across the Group with a total of 235 high-impact use cases implemented since the launch of our TDA strategy, including 111 deployed in 2022.

Analytics power every part of our agency value chain, with AI-assisted recruitment now deployed in six markets. In 2022, 80 per cent of our new agents in Hong Kong were recruited through AI-driven agent aptitude tests and interviews. Propensity models help us identify high-potential agency leader candidates from within our agency force and accelerate their development. The use of intelligent behavioural nudges drives enhanced agent activity and automatic matching of customers to the most suitable agents, leading to increases in the conversion of sales leads.

Data-driven pre-approved offers simplify the underwriting process and significantly enhance the purchasing experience for customers while intelligent product recommendations drive higher repurchase rates of additional products. For example, these initiatives supported a 40 per cent increase in conversion rates of our existing customer marketing campaigns in Singapore.

AIA's Responsible Use of Artificial Intelligence Standard was introduced in 2021 to set out our principles for developing and implementing AI in both internally developed or externally sourced solutions to safeguard the use of AI in our businesses. This ensures that our AI applications put humans at the centre of our decision-making with effective oversight and controls that adhere to regulatory requirements including data privacy and protection principles across all our markets, so that AIA stays at the forefront of responsible use of AI in Asia.

CYBERSECURITY

In 2022, AIA maintained International Organization for Standardization (ISO) 27001 certification covering identity access management, cybersecurity and cloud security operations. An independent assessment of our cybersecurity maturity against the standards of the United States' National Institute of Standards and Technology (NIST) also demonstrated that we remain well positioned among our insurance peers.

We will continue to invest in information technology safeguards, including in the areas of cloud security, cyber defence automation and zero trust security, to ensure sufficient and robust operational controls which meet our information security objectives.

COMPELLING PROPOSITIONS

AIA's compelling propositions are designed to link our financial success to the health and well-being of our customers and to deliver our Purpose of helping people live Healthier, Longer, Better Lives.

Our products are designed with deep customer insights gained from our proprietary customer segmentation models. These insights are supplemented with quantitative and qualitative research, including customer panels which enable us to identify and react to emerging customer trends. As a result, we can better tailor products for our existing customers and identify greater opportunities to reach new customers and segments.

A critical component in the success of our tailored, relevant and compelling propositions is our unrivalled and high-quality distribution network. We are supporting our distributors with enhanced tools and training, enabling them to identify customer needs more effectively and advise on the best solutions in more engaging ways. Customers form a trusted advisory relationship with our Premier Agents and the professional sales teams of our distribution partners; this is a critical success factor underpinning our long track record of delivery.

Our aim is to reward our customers for taking actions that positively impact their health and well-being, help them access the most appropriate medical treatment, and support them in saving more effectively to meet their financial needs through different life stages. Additional value-added services such as our wellness programmes, AIA Vitality and our wellness programme in AIA China, and our range of Stewardship funds directly address customer needs and further differentiate AIA's propositions in the market.

HEALTH AND WELLNESS

The pandemic has raised awareness of the need for medical insurance and broader health coverage, which makes it the right time for AIA to develop solutions that make healthcare more accessible, more affordable and more effective for our customers. By 2030, annual healthcare expenditure is expected to exceed US$4 trillion across AIA's markets. With high out-of-pocket spend, much of these costs will fall to individuals, driving the tremendous need for AIA's insurance propositions and services. AIA is a leading private health insurer in the region with the scale, reach, and unique capabilities to make a difference.

AIA's Integrated Health Strategy, introduced in 2022, goes beyond fragmented partnerships and ecosystems to deliver simpler customer journeys including how people buy health insurance and navigate the healthcare system. Our personalised health insurance solutions replace standardised benefits with innovative solutions to cater to customers' individual requirements based on their life stage or specific healthcare needs, providing simple and affordable protection products.

AIA's Integrated Health Strategy is powered by Amplify Health, our joint venture with Discovery Limited which was launched in February 2022. By collaborating with our local businesses, Amplify Health is critical to AIA in delivering personalised propositions through its broad range of data-driven Health InsurTech assets, processes and analytics.

In 2022, we completed the acquisition of Blue Cross (Asia-Pacific) Insurance Limited and Blue Care JV (BVI) Holdings Limited in Hong Kong, and also announced the acquisition of MediCard Philippines, Inc. in the Philippines. These acquisitions will enhance and broaden our health and wellness solutions in these two markets with significant growth opportunities.

Our strategy significantly enhances our core business and health insurance becomes more accessible, more affordable and more effective for our customers. Our Premier Agents and partners will benefit from a broader product suite, access to new customer segments and increased interactions. For AIA, this means more engaged customers, more productive distribution, more protection sales and sustainable growth.

INTEGRATED SOLUTIONS TO MEET CUSTOMER NEEDS

Our long-term savings solutions combine our investment capabilities with tailored protection to help customers save for their long-term goals while protecting against uncertain events.

AIA's Stewardship funds hosted on our Regional Funds Platform provide access for our customers with unit-linked products to a diversified risk-based portfolio of assets managed by top global fund managers, some of which are unavailable to retail investors. AIA oversees both asset allocation and fund manager performance with the aim of delivering superior long-term returns for customers. Currently available in six markets, our three key global Stewardship funds (US dollar) have achieved first quartile peer group performance in the fourth quarter of 2022 and are above benchmark since they were launched in 2019.

AIA Singapore's range of goal-based propositions combine AIA's Stewardship funds with insurance coverage to ensure our customers can meet their goals, such as funding education, retirement planning and legacy planning. Leveraging the Stewardship funds, we launched a new retirement solution that offers a long-term capital guarantee at an affordable cost in 2022.

AIA China further expanded its range of retirement propositions, which are designed to address comprehensive retirement needs including healthcare, driving significant growth in number of pre-retirement customers through the bundling of medical coverages with long-term savings plans. Through our Family Insurance Consulting service application and data-driven integrated customer platform, One Experience, agents can provide targeted and tailored recommendations based on the customer's individual needs for long-term savings and protection.

AIA Vitality embodies our concept of shared-value insurance, supporting and rewarding customers to stay healthy while enhancing their policy through premium discounts or additional benefits. Over 2022 we launched the programme in India and added more than 40 new integrated products across the 10 existing AIA Vitality markets. More than 60 per cent of our new customers in 2022 added AIA Vitality to their policies when given the option to do so and we now have 2.6 million members of AIA Vitality and our wellness programme in Mainland China.

AIA Malaysia's Total Health and Total Wealth solutions are leading examples of integrating solutions to meet customer needs, combining both AIA Vitality and Stewardship funds. With over 40 per cent VONB growth from AIA Vitality integrated products in 2022 as well as higher customer and agent engagement in AIA Vitality in Malaysia, the success is already significant.

LEADING CUSTOMER EXPERIENCE

Delivering seamless omnichannel customer experience with best-in-class engagement is an important strategic priority for AIA. We believe that personalised experience and simplified customer journeys will create a range of customer and business benefits, including significant improvements in customer satisfaction, sales leads generation and conversion, as well as productivity gains for our distribution.

TRANSFORMING CUSTOMER JOURNEYS

In 2022, we are on track to achieve our ambition of 90 per cent end-to-end STP across our buy, service and claims customer journeys. In December 2022, AIA's end-to-end STP reached 70 per cent, up 12 pps from a year ago.

In our end-to-end new business processes, we are simplifying underwriting rules and eliminating unnecessary requirements from customers, supported by AI-decision-making capabilities. In Mainland China, 75 per cent of new business applications were underwritten automatically by our AI-powered systems. In Hong Kong, our simplified medical underwriting and enhanced interactive Point of Sale (iPoS) have supported an increase of 11 pps in STP rates.

Our enhanced agent and customer self-servicing capabilities have driven digital servicing submissions to 85 per cent of all submissions for the Group in December 2022. Overall service STP has reached 79 per cent across the Group with eight markets achieving service STP rates of 70 per cent or higher.

AIA's re-designed claims processes resulted in faster and more cashless settlements. In December 2022, 63 per cent of claims were settled within same day and 93 per cent of claims payments were digital across the Group.

Our initiatives to increase adoption of digital platforms have resulted in digital e-submission rates increasing to 87 per cent and overall electronic communications with customers increasing to 92 per cent across our buy, service and claims processes.

With higher levels of online self-service and many routine tasks handled by chatbots, we are redeploying our call centre staff to higher-value customer engagement. Supported by our investments in customer relationship management (CRM) tools, we now have 13 markets achieving first contact resolution rates of 90 per cent or higher, without the need for additional follow-ups.

All of these initiatives have resulted in our Net Promoter Score (NPS) increasing significantly. AIA was acknowledged as top three in nine markets in our latest customer relationship surveys. With all markets deploying real-time customer surveys for key moments of truth when customers form an impression of our brand and products, we are tracking an overall Customer Satisfaction Score (CSAT) for call centres of 96 per cent.

LEVERAGING OUR TRUSTED RELATIONSHIP WITH CUSTOMERS

Across the Group, our existing customers are a significant source of additional new business. Our advanced digital platforms and customer analytics are driving greater understanding of existing customer needs and their coverage gaps while enabling us to develop more personalised and needs-based marketing strategies.

We analyse the drivers of our successful marketing campaigns in our local markets and then deploy them more widely across the Group. In 2022, a total of 45 of these thematic customer campaigns were expanded to Mainland China, Hong Kong, Thailand, Singapore and Malaysia, delivering more than US$690 million VONB.

Our customer engagement initiatives delivered strong outcomes in improving cross-selling and increasing conversion rates. In Mainland China, our customer super app, AIA+, generated twice the number of new digital leads compared with 2021. The cross-sell rate of the registered customers on AIA+ were three times higher compared with non-registered customers. Through a digital engagement programme that targeted long-term customers with significant protection needs, AIA Malaysia achieved three times the conversion rate and more than two times the VONB compared with other outreach campaigns that employed less effective targeting strategies.

ORGANISATION OF THE FUTURE

AIA's strong track record of performance has been achieved through our unique culture of empowerment with accountability. We started our journey to transform AIA into a simpler, faster, more connected organisation in the second half of 2020 to support the delivery of our strategic priorities.

In 2022, several of our local markets introduced new organisational designs which have reduced the number of organisational layers by around 30 per cent, putting people closer to the decision-making process, leading to better outcomes and a more empowered organisation. We continued to implement cross-functional agile operating models and, in seven of our markets, we have set up agile teams to work on some of our most important strategic priorities. These new ways of working are helping us to realise value more rapidly, focus on customer needs and innovate at pace.

Our investment in developing technology, digital and analytics capabilities has resulted in an increase of 63 per cent in our overall number of employees with these skill sets between 1 July 2020 and 31 December 2022. This material and ongoing investment marks a step-change in our capabilities and underpins our ability to execute our overall growth strategy.

BUILDING A FUTURE READY WORKFORCE

In 2022, we launched several new programmes to foster new capabilities in core lines of business and upskill employees. This includes our new AIA Agile Academy which builds internal capabilities to drive business transformation and AIA Analytics Academy which builds data analytics and business analysis capabilities across the organisation.

Digital content and delivery methods play an important role in shaping a culture of continuous learning at AIA. All of our business units provide their employees with access to the AIA Learning Hub, an online platform which provides access to thousands of digital learning courses.

AIA AS AN EMPLOYER OF CHOICE

Employee engagement remains a top priority for AIA as we progress through the journey of transforming our organisation. We regularly monitor employee engagement levels to ensure that AIA is an employer of choice across our markets.

In 2022, 97 per cent of our employees responded to our annual Gallup engagement survey and the Group's employee engagement scores improved further to place AIA in the 94th percentile of Gallup's global finance and insurance industry benchmark.

We are proud that our employee engagement levels place us in the top quartile of this benchmark for the sixth consecutive year, and in the top 10th percentile for the second year running. In 2022, we also received the Gallup Exceptional Workplace Award, an accolade that celebrates companies that have a highly-engaged workforce and a performance-oriented culture.

Notes:

(1) Growth rates and commentaries are provided on a constant exchange rate (CER) basis.

(2) Throughout the Distribution section, VONB and VONB margin by distribution channel are based on local statutory reserving and capital requirements and exclude pension business.

(3) AIA China's financial results do not include any contribution from our 24.99 per cent shareholding in China Post Life Insurance Co., Ltd. (China Post Life).

(4) ASEAN markets include the combined results of Thailand, Singapore, Malaysia, Vietnam, Indonesia, the Philippines, Cambodia, Myanmar and Brunei.

(5) ANP and VONB for Other Markets include the results from our 49 per cent shareholding in Tata AIA Life Insurance Company Limited (Tata AIA Life). ANP and VONB do not include any contribution from our 24.99 per cent shareholding in China Post Life. The IFRS results of Tata AIA Life and China Post Life are accounted for using the equity method in Other Markets and Group Corporate Centre, respectively. For clarity, TWPI does not include any contribution from Tata AIA Life and China Post Life.

(6) The results of Tata AIA Life are reported on a one-quarter-lag basis. The results of Tata AIA Life are accounted for using the twelve-month period ended 30 September 2022 and the twelve-month period ended 30 September 2021 in AIA's consolidated results for the twelve-month period ended 31 December 2022 and the twelve-month period ended 31 December 2021, respectively.

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

REGULATORY AND INTERNATIONAL DEVELOPMENTS

GROUP-WIDE SUPERVISION

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

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.

In 2021, the OECD/G20 Inclusive Framework on BEPS (Inclusive Framework) published draft model rules to give effect to Pillar Two of BEPS 2.0, which imposes a global minimum effective tax rate on large multinational enterprise groups. The Inclusive Framework originally agreed that participating jurisdictions should enact these rules into law in 2022, with the majority of the rules to be effective from 2023.

On 22 February 2023, it was announced in the Hong Kong Budget that Hong Kong will defer the application of Pillar Two, and also the introduction of a domestic minimum top-up tax, to start from 2025 onwards. This announcement follows similar deferrals in other jurisdictions (e.g., the European Union, the United Kingdom, South Korea and Switzerland, which have deferred until 2024, and Singapore, which has also deferred until 2025) and recognises the fact that the original target timeframe of 2023 would have been very difficult and costly for large multinational enterprise groups to comply with. Based on currently available information, BEPS 2.0 will apply to AIA from 2024 onwards and is likely to adversely impact AIA's effective tax rate, however a number of material areas remain unclear.

羅兵咸永道

TO THE SHAREHOLDERS OF AIA GROUP LIMITED
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of AIA Group Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 60 to 174, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, including material accounting policy information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified relate to the valuation of insurance contract liabilities and the amortisation of deferred acquisition costs ("DAC").

Key audit matter	How our audit addressed the key audit matter
a) Valuation of insurance contract liabilities	
Refer to the following notes in the consolidated financial statements: Note 2.3 for related accounting policies, Note 3 for critical accounting estimates and judgements, Note 26, Note 28 and Note 2.1(c) for the result of the combined effect of the adoption of IFRS 9 and IFRS 17 as at 1 January 2022.	
As at 31 December 2022, the Group has insurance contract liabilities of US$220,713 million. The Director's valuation of these insurance contract liabilities involves significant judgement about uncertain future outcomes, including mortality, morbidity, persistency, expense, investment return, valuation interest rates and provision for adverse deviation, as well as complex valuation methodologies. Therefore, these liabilities are subject to significant estimation uncertainty and the associated inherent risk is considered significant. The liabilities for traditional participating life assurance policies with discretionary participation features and non-participating life assurance policies, annuities and policies related to other protection products are substantially determined by a net level premium valuation method using best estimate assumptions at policy inception adjusted for adverse deviation. These assumptions remain locked in thereafter, subject to meeting a liability adequacy test which compares the liabilities with a valuation on current best estimate assumptions.	We tested how management made the estimate and performed audit procedures including the following: • We understood the valuation methodologies used, identified changes in methodologies from previous valuation and assessed the reasonableness and impact of material changes identified, by applying our industry knowledge and experience to compare whether the methodologies and changes to those are consistent with recognised actuarial practices and expectation derived from market experience. • We assessed the reasonableness of the key assumptions including those for mortality, morbidity, persistency, expense, investment return and valuation interest rates as well as the provision for adverse deviation. Our assessment of the assumptions included: o Obtaining an understanding of, and testing, the controls in place to determine the assumptions; o Examining the approach used by management to derive the assumptions by applying our industry knowledge and experience;

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Key Audit Matters (continued)

Key audit matter | **How our audit addressed the key audit matter**

a) Valuation of insurance contract liabilities (continued)

Insurance contract liabilities for universal life and unit-linked policies are substantially based on the value of the account balance together with liabilities for unearned revenue and additional insurance benefits which are dependent upon operating assumptions and future investment return assumptions that are reassessed at each reporting period.

As part of our consideration of assumptions, we have focused on those insurance contracts where the assumptions are reassessed at each reporting date as well as how assumptions are set at policy inception dates.

We have, in relation to valuation methodologies used, focused on changes in methodologies from the previous valuation as well as methodologies applied to material new product types (as applicable).

  - o Challenging the key assumptions used by management against past experience, market observable data (as applicable) and our experience of market practice.

- We checked the calculation of the liability adequacy test and assessed the related results in order to ascertain whether the insurance contract liabilities used for the inforce business are adequate in the context of a valuation on current best estimate assumptions.

Based upon the work performed, we found the methodologies and assumptions used by management to be appropriate, including those used in the liability adequacy test.

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Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter

a) Valuation of insurance contract liabilities (continued)

Furthermore, the Group disclosed that the combined effect of the adoption of IFRS 9 and IFRS 17 as at 1 January 2022 (the transition date) would reduce the shareholders' equity and shareholders' allocated equity measured under IFRS 9 and IFRS 17 of the Group as disclosed in Note 2.1(c).

IFRS 17 is a complex accounting standard which requires considerable judgements and interpretations in its implementation of transition requirements. This includes the approach to transition setting of actuarial assumptions and selection of valuation methodologies, and the models deployed in the measurement of fulfilment cash flows ("FCF"). Upon transition, the Group applied the fair value approach for certain groups of insurance contracts. This involves additional judgements and estimates in the determination of the fair value of the insurance contract liabilities for these groups.

Given the complexity of the application of IFRS 17 and the significance of the information disclosed, the quantitative disclosures are subject to significant estimation uncertainty and the associated inherent risk is considered significant.

As part of our audit, we focused on the significant judgements and estimates applied on the adoption of IFRS 17.

We performed the following procedures over the Group's disclosures regarding the effect of the adoption of IFRS 17:

- Obtained an understanding of the new accounting policies including management's judgements in determining the approach for transition, the level of aggregation of groups of insurance contracts and the measurement of FCF to evaluate whether management had developed appropriate policies;

- Obtained an understanding of the valuation methodologies selected and models deployed by management for transition and applied our industry knowledge and experience to evaluate whether the methodologies and models are appropriate;

- Tested, on a sample basis, that the implementation of the models is in accordance with model documentation by obtaining an understanding of and testing the key controls in place over the set up of models including the Economic Scenario Generation ("ESG") process and validation of models; and

- Evaluated and challenged, on a sample basis, the judgements involved in the selection of assumptions in relation to the measurement of FCF and the application of the fair value approach at transition with reference to past experience and market observable data (as applicable).

Based upon the work performed, we found the methodologies and assumptions used by management to prepare the relevant disclosure to be appropriate.

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Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
b) Amortisation of DAC	
Refer to the following notes in the consolidated financial statements: Note 2.3.1 for related accounting policies, Note 3.3 for critical accounting estimates and judgements, Note 10 and Note 19.	
As at 31 December 2022, the Group has reported DAC of US$29,743 million. DAC for traditional life insurance policies and annuities are amortised over the expected life of the policies as a constant percentage of premiums and involve less judgement by the Directors compared to universal life and unit-linked policies. Expected premiums are estimated at the date of policy issue. The amortisation of DAC for universal life and unit-linked policies involves greater judgement by the Directors. For these contracts, DAC is amortised over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits expected to be realised over the life of the contract or on a straight-line basis. Estimated gross profits are revised regularly and significant judgement is exercised in making appropriate estimates of gross profits. Therefore, the determination of amortisation of DAC for these contracts are subject to significant estimation uncertainty and the associated inherent risk is considered significant. As part of our audit we have focused on DAC related to universal life and unit-linked policies where the assumptions are reassessed at each reporting date.	We tested how management made the estimate and performed audit procedures including the following: • Reviewed and challenged the basis of amortisation of DAC in the context of the Group's accounting policy and the appropriateness of the assumptions used in determining the estimated gross profits used for amortisation for universal life and unit-linked policies. This included those for mortality, morbidity, persistency, expense and investment returns by comparing against past experience, market observable data (as applicable) and our experience of market practice. Based upon the work performed, we found the assumptions used in relation to the amortisation of DAC for universal life and unit-linked policies to be appropriate.

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Other Information

The Directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Matter

The Group has prepared Supplementary Embedded Value Information as at and for the year ended 31 December 2022 in accordance with the embedded value basis of preparation set out in Sections 4 and 5 of the Supplementary Embedded Value Information, on which we issued a separate auditor's report to the Board of Directors of the Company dated 10 March 2023.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and IFRSs issued by the IASB and the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ling Tung Man, Tom.

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Certified Public Accountants

Hong Kong

10 March 2023

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US$m	Notes	Year ended 31 December 2022	Year ended 31 December 2021
REVENUE			
Premiums and fee income	5	**36,519**	37,123
Premiums ceded to reinsurers		**(2,607)**	(2,679)
Net premiums and fee income		**33,912**	34,444
Investment return	9	**(15,156)**	12,748
Other operating revenue	9	**354**	333
Total revenue		**19,110**	47,525
EXPENSES			
Insurance and investment contract benefits		**12,158**	32,381
Insurance and investment contract benefits ceded		**(2,194)**	(2,326)
Net insurance and investment contract benefits		**9,964**	30,055
Commission and other acquisition expenses		**4,016**	4,597
Operating expenses		**3,251**	3,031
Finance costs		**394**	357
Other expenses		**962**	1,006
Total expenses	10	**18,587**	39,046
Profit before share of losses from associates and joint ventures		**523**	8,479
Share of losses from associates and joint ventures		**(32)**	(11)
Profit before tax		**491**	8,468
Tax expense	11	**(171)**	(991)
Net profit		**320**	7,477
Net profit attributable to:			
Shareholders of AIA Group Limited		**282**	7,427
Non-controlling interests		**38**	50
EARNINGS PER SHARE (US$)			
Basic	12	**0.02**	0.62
Diluted	12	**0.02**	0.61

US$m	Year ended 31 December 2022	Year ended 31 December 2021
Net profit	**320**	7,477
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Fair value losses on available for sale financial assets (net of tax of: 2022: US$1,775m; 2021: US$726m)(2)	**(15,625)**	(4,509)
Fair value losses/(gains) on available for sale financial assets transferred to profit or loss upon disposal and impairment (net of tax of: 2022: US$(42)m; 2021: US$76m)(2)	**725**	(2,329)
Foreign currency translation adjustments	**(1,564)**	(1,304)
Cash flow hedges	**(1)**	(1)
Share of other comprehensive (expense)/income from associates and joint ventures	**(435)**	43
Subtotal	**(16,900)**	(8,100)
Items that will not be reclassified subsequently to profit or loss:		
Revaluation gains on property held for own use (net of tax of: 2022: US$(2)m; 2021: US$1m)	**36**	43
Effect of remeasurement of net liability of defined benefit schemes (net of tax of: 2022: US$(6)m; 2021: US$(4)m)	**25**	25
Subtotal	**61**	68
Total other comprehensive expense	**(16,839)**	(8,032)
Total comprehensive expense	**(16,519)**	(555)
Total comprehensive expense attributable to:		
Shareholders of AIA Group Limited	**(16,517)**	(571)
Non-controlling interests	**(2)**	16

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$29,630m (2021: US$7,755m) relates to the fair value losses on available for sale financial assets and US$767m relates to the fair value losses (2021: US$2,405m relates to the fair value gains) on available for sale financial assets transferred to profit or loss upon disposal and impairment during the year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$m	Notes	As at 31 December 2022	As at 31 December 2021
ASSETS			
Intangible assets	14	**3,277**	2,914
Investments in associates and joint ventures	15	**2,092**	679
Property, plant and equipment	16	**2,844**	2,744
Investment property	17	**4,600**	4,716
Reinsurance assets	18, 45	**5,122**	4,991
Deferred acquisition and origination costs	19	**30,046**	28,708
Financial investments:	20, 22, 45		
Loans and deposits		**8,593**	9,311
Available for sale			
Debt securities		**129,281**	161,087
At fair value through profit or loss			
Debt securities		**35,794**	38,993
Equity shares		**23,378**	30,822
Interests in investment funds and exchangeable loan notes		**38,577**	40,195
Derivative financial instruments	21, 45	**568**	1,468
		236,191	281,876
Deferred tax assets	11, 45	**141**	50
Current tax recoverable		**117**	120
Other assets	23, 45	**6,217**	8,087
Cash and cash equivalents	25, 45	**8,020**	4,989
Assets in disposal group held for sale	45	**4,381**	–
Total assets		**303,048**	339,874
LIABILITIES			
Insurance contract liabilities	26, 45	**219,570**	239,423
Investment contract liabilities	27, 45	**7,077**	11,860
Borrowings	29	**11,206**	9,588
Obligations under repurchase agreements	30	**1,748**	1,588
Derivative financial instruments	21, 45	**8,638**	1,392
Provisions	32	**160**	194
Deferred tax liabilities	11, 45	**3,563**	5,982
Current tax liabilities		**464**	389
Other liabilities	33, 45	**7,838**	8,524
Liabilities in disposal group held for sale	45	**4,234**	–
Total liabilities		**264,498**	278,940

US$m	Notes	As at 31 December 2022	As at 31 December 2021
EQUITY			
Share capital	34	**14,171**	14,160
Employee share-based trusts	34	**(290)**	(225)
Other reserves	34	**(11,812)**	(11,841)
Retained earnings		**44,437**	49,984
Fair value reserve	34	**(6,709)**	8,407
Foreign currency translation reserve	34	**(2,813)**	(1,068)
Property revaluation reserve	34	**1,107**	1,069
Others		**5**	(19)
Amounts reflected in other comprehensive income		**(8,410)**	8,389
Total equity attributable to:			
Shareholders of AIA Group Limited		**38,096**	60,467
Non-controlling interests	35	**454**	467
Total equity		**38,550**	60,934
Total liabilities and equity		**303,048**	339,874

Approved and authorised for issue by the Board of Directors on 10 March 2023.

		)	
		)	
		)	Directors
		)	
Lee Yuan Siong	Edmund Sze-Wing Tse	)	

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	Foreign currency translation reserve	Property revaluation reserve	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 profit		–	–	–	282	–	–	–	–	38	320
Fair value losses on available for sale financial assets[(2)]		–	–	–	–	(15,605)	–	–	–	(20)	(15,625)
Fair value losses on available for sale financial assets transferred to profit or loss upon disposal and impairment[(2)]		–	–	–	–	725	–	–	–	–	725
Foreign currency translation adjustments		–	–	–	–	–	(1,544)	–	–	(20)	(1,564)
Cash flow hedges		–	–	–	–	–	–	–	(1)	–	(1)
Share of other comprehensive (expense)/income from associates and joint ventures		–	–	–	–	(236)	(201)	2	–	–	(435)
Revaluation gains on property held for own use		–	–	–	–	–	–	36	–	–	36
Effect of remeasurement of net liability of defined benefit schemes		–	–	–	–	–	–	–	25	–	25
Total comprehensive income/ (expense) for the year		–	–	–	282	(15,116)	(1,745)	38	24	(2)	(16,519)
Dividends	13	–	–	–	(2,259)	–	–	–	–	(20)	(2,279)
Share buy-back		–	–	–	(3,570)	–	–	–	–	–	(3,570)
Shares issued under share option scheme and agency share purchase plan		11	–	–	–	–	–	–	–	–	11
Increase in non-controlling interests		–	–	(13)	–	–	–	–	–	13	–
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	(4)	(4)
Share-based compensation		–	–	80	–	–	–	–	–	–	80
Purchase of shares held by employee share-based trusts		–	(103)	–	–	–	–	–	–	–	(103)
Transfer of vested shares from employee share-based trusts		–	38	(38)	–	–	–	–	–	–	–
Balance at 31 December 2022		**14,171**	**(290)**	**(11,812)**	**44,437**	**(6,709)**	**(2,813)**	**1,107**	**5**	**454**	**38,550**

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$29,630m relates to the fair value losses on available for sale financial assets and US$767m relates to the fair value losses on available for sale financial assets transferred to profit or loss upon disposal and impairment during the year ended 31 December 2022.

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 2021		14,155	(155)	(11,891)	44,704	15,170	233	1,027	(43)	468	63,668
Net profit		–	–	–	7,427	–	–	–	–	50	7,477
Fair value losses on available for sale financial assets(2)		–	–	–	–	(4,490)	–	–	–	(19)	(4,509)
Fair value gains on available for sale financial assets transferred to profit or loss upon disposal(2)		–	–	–	–	(2,329)	–	–	–	–	(2,329)
Foreign currency translation adjustments		–	–	–	–	–	(1,289)	–	–	(15)	(1,304)
Cash flow hedges		–	–	–	–	–	–	–	(1)	–	(1)
Share of other comprehensive income/(expense) from associates and joint ventures		–	–	–	–	56	(12)	(1)	–	–	43
Revaluation gains on property held for own use		–	–	–	–	–	–	43	–	–	43
Effect of remeasurement of net liability of defined benefit schemes		–	–	–	–	–	–	–	25	–	25
Total comprehensive income/(expense) for the year		–	–	–	7,427	(6,763)	(1,301)	42	24	16	(555)
Dividends	13	–	–	–	(2,147)	–	–	–	–	(28)	(2,175)
Shares issued under share option scheme and agency share purchase plan		5	–	–	–	–	–	–	–	–	5
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	11	11
Share-based compensation		–	–	86	–	–	–	–	–	–	86
Purchase of shares held by employee share-based trusts		–	(106)	–	–	–	–	–	–	–	(106)
Transfer of vested shares from employee share-based trusts		–	36	(36)	–	–	–	–	–	–	–
Balance at 31 December 2021		14,160	(225)	(11,841)	49,984	8,407	(1,068)	1,069	(19)	467	60,934

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$7,755m relates to the fair value losses on available for sale financial assets and US$2,405m relates to the fair value gains on available for sale financial assets transferred to profit or loss upon disposal during the year ended 31 December 2021.

US$m	Notes	Year ended 31 December 2022	Year ended 31 December 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**491**	8,468
Adjustments for:			
Financial investments		**14,024**	(22,637)
Insurance and investment contract liabilities, and deferred acquisition and origination costs		**(4,252)**	17,953
Obligations under repurchase agreements	30	**186**	(102)
Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items		**(8,440)**	(7,434)
Operating cash items:			
Interest received		**7,381**	7,410
Dividends received		**1,204**	1,129
Interest paid		**(47)**	(47)
Tax paid		**(680)**	(831)
Net cash provided by operating activities		**9,867**	3,909
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for intangible assets	14	**(386)**	(640)
Distribution or dividend from an associate		**1**	–
Payments for increase in interest of joint ventures	15	**(11)**	(27)
Prepayment for investment in an associate	23	**–**	(1,865)
Proceeds from sales of investment property and property, plant and equipment	16, 17	**7**	5
Payments for investment property and property, plant and equipment	16, 17	**(157)**	(238)
Acquisition of subsidiaries, net of cash acquired		**(271)**	(16)
Net cash used in investing activities		**(817)**	(2,781)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuances of medium-term notes and securities	29	**1,818**	2,079
Redemption of medium-term notes	29	**(165)**	(1,002)
Proceeds from other borrowings	29	**1,364**	1,959
Repayment of other borrowings	29	**(1,364)**	(1,959)
Capital contribution from non-controlling interests		**–**	11
Payments for lease liabilities[1]		**(168)**	(170)
Interest paid on medium-term notes and securities		**(330)**	(303)
Dividends paid during the year		**(2,279)**	(2,175)
Share buy-back		**(3,570)**	–
Purchase of shares held by employee share-based trusts		**(103)**	(106)
Shares issued under share option scheme and agency share purchase plan		**11**	5
Net cash used in financing activities		**(4,786)**	(1,661)
Net increase/(decrease) in cash and cash equivalents		**4,264**	(533)
Cash and cash equivalents at beginning of the financial year		**4,695**	5,393
Effect of exchange rate changes on cash and cash equivalents		**(193)**	(165)
Cash and cash equivalents at end of the financial year		**8,766**	4,695

Note:
(1) The total cash outflow for leases for the year ended 31 December 2022 was US$170m (2021: US$176m).

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

US$m	Notes	As at 31 December 2022	As at 31 December 2021
Cash and cash equivalents in the consolidated statement of financial position	25, 45	**8,969**	4,989
Bank overdrafts		**(203)**	(294)
Cash and cash equivalents in the consolidated statement of cash flows		**8,766**	4,695

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. MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation and statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRS), International Financial Reporting Standards (IFRS) and the Hong Kong Companies Ordinance. IFRS is substantially consistent with HKFRS and the accounting policy selections that the Group has made in preparing these consolidated financial statements are such that the Group is able to comply with both HKFRS and IFRS. References to IFRS, International Accounting Standards (IAS) and Interpretations developed by the IFRS Interpretations Committee (IFRS IC) in these consolidated financial statements should be read as referring to the equivalent HKFRS, Hong Kong Accounting Standards (HKAS) and Hong Kong (IFRIC) Interpretations (HK(IFRIC) – Int) as the case may be. Accordingly, there are not any differences of accounting practice between HKFRS and IFRS affecting these consolidated financial statements.

The consolidated financial statements have been approved for issue by the Board of Directors on 10 March 2023.

The consolidated financial statements have been prepared using the historical cost convention, as modified by the revaluation of available for sale financial assets, certain financial assets and liabilities designated at fair value through profit or loss, derivative financial instruments, property held for own use and investment properties, all of which are carried at fair value.

The presentation currency of the Company and the Group is the US dollar. The consolidated financial statements are presented in millions of US dollar (US$m) unless otherwise stated.

The accounting policies adopted are consistent with those of the previous financial year, except as described as follows.

The following relevant new amendments to standards have been adopted for the first time for the financial year ended 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;
- Amendments to IFRS 3, Reference to the Conceptual Framework; and
- Amendment to IFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation and statement of compliance (continued)

With effect from 2023, the Group will apply IFRS 9 and IFRS 17. These standards will have a material impact on the consolidated financial statements. Further information on these standards is given below:

(a) IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 is mandatorily effective for financial periods beginning on or after 1 January 2018 (except for prepayment features with negative compensation and modifications or exchange of financial liabilities that do not result in derecognition which are effective for financial periods beginning on or after 1 January 2019), but the Group has elected to apply the temporary exemption described further below:

- IFRS 9 requires financial assets to be classified into separate measurement categories: those measured as at fair value with changes either recognised in profit or loss (FVTPL) or in other comprehensive income (FVOCI) and those measured at amortised cost. These supersede IAS 39's categories of held to maturity investments, loans and receivables, available for sale financial assets and financial assets measured at FVTPL. The determination is made at initial recognition depending on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. An option is also available at initial recognition to irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. In addition, an expected credit loss (ECL) model replaces the incurred loss impairment model under IAS 39. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises credit losses earlier than under IAS 39. The new impairment model applies to financial assets measured at amortised cost and debt securities at FVOCI. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. In addition, the new standard revises the hedge accounting model to more closely align with the entity's risk management strategies.
- On 12 September 2016, the IASB issued amendments to IFRS 4, Insurance Contracts, Applying IFRS 9 Financial Instruments with IFRS 4, which provides two alternative measures to address the different effective dates of IFRS 9 and IFRS 17, Insurance Contracts. These measures include a temporary option (known as the "deferral approach") for companies whose activities are predominantly connected with insurance to defer the effective date of IFRS 9 until the earlier of the effective date of IFRS 17 and financial reporting periods beginning on or after 1 January 2021, as well as an approach that allows an entity to remove from profit or loss the effects of certain accounting mismatches that may occur before IFRS 17 is applied. On 25 June 2020, the IASB issued the amendments to IFRS 4 and IFRS 17, the effective date of IFRS 17 will be deferred to annual reporting periods beginning on or after 1 January 2023, and that the exemption currently in place for some insurers, including the Group, regarding the adoption of IFRS 9 will be extended to enable the implementation of both IFRS 9 and IFRS 17 at the same time. On 9 December 2021, the IASB issued the amendment of IFRS 17 relating to the presentation of comparative information of financial assets on initial adoption of IFRS 17. The amendment adds a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial adoption of IFRS 17. The overlay allows all financial assets to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial adoption of IFRS 9.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation and statement of compliance (continued)

(a) IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 is mandatorily effective for financial periods beginning on or after 1 January 2018 (except for prepayment features with negative compensation and modifications or exchange of financial liabilities that do not result in derecognition which are effective for financial periods beginning on or after 1 January 2019), but the Group has elected to apply the temporary exemption described further below: (continued)

The Group performed an initial eligibility assessment and met the IFRS 9 requirements for the deferral approach, and accordingly has decided to apply IFRS 9 to annual reporting periods beginning 1 January 2023. Subsequent to the initial eligibility assessment, there has been no change in the Group's activities that requires a reassessment of the eligibility test. Further details on the eligibility assessment are contained in the consolidated financial statements in the Group's Annual Report 2019. Additional information on financial assets in relation to the election of the deferral approach is illustrated per below:

Financial assets of the Group are separated into the following two groups:

(i) financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) in accordance with IFRS 9 and are not held for trading or managed on fair value basis; and

(ii) all financial assets other than those specified in (i).

The following tables show the fair value and change in fair value of these two groups of financial assets:

	Fair value as at 31 December 2022			**Change in fair value for the year ended 31 December 2022**		
US$m	**Financial assets that met SPPI criteria and not held for trading or managed on fair value basis**	**Others**	**Total**	**Financial assets that met SPPI criteria and not held for trading or managed on fair value basis**	**Others**	**Total**
Debt securities	**159,861**	**6,082**	**165,943**	**(32,154)**	**(729)**	**(32,883)**
Other financial assets	**15,064**(1)	**58,407**(2)	**73,471**	**95**	**(19,560)**	**(19,465)**
Total(3)	**174,925**	**64,489**	**239,414**	**(32,059)**	**(20,289)**	**(52,348)**

	Fair value as at 31 December 2021			Change in fair value for the year ended 31 December 2021		
US$m	Financial assets that met SPPI criteria and not held for trading or managed on fair value basis	Others	Total	Financial assets that met SPPI criteria and not held for trading or managed on fair value basis	Others	Total
Debt securities	189,353	10,727	200,080	(8,485)	(230)	(8,715)
Other financial assets	14,101(1)	71,370(2)	85,471	281	2,056	2,337
Total(3)	203,454	82,097	285,551	(8,204)	1,826	(6,378)

Notes:

(1) Balance of other financial assets qualifying as SPPI includes loans and deposits, other receivables, accrued investment income and cash and cash equivalents.

(2) Balance predominantly represents equity shares, interests in investment funds and exchangeable loan notes, derivative financial instruments and cash equivalents.

(3) Certain financial assets included within the consolidated financial statements, including policy loans under loans and deposits, reinsurance receivables and insurance receivables under other receivables amounting to US$6,970m (2021: US$6,384m) are not included above since they will be accounted for under IFRS 17 where its adoption is in parallel with IFRS 9.

The financial assets presented above that met SPPI criteria and not held for trading or managed on fair value basis are primarily debt securities. Additional information on the credit quality analysis of these debt securities is provided in note 20.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation and statement of compliance (continued)

(a) IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 is mandatorily effective for financial periods beginning on or after 1 January 2018 (except for prepayment features with negative compensation and modifications or exchange of financial liabilities that do not result in derecognition which are effective for financial periods beginning on or after 1 January 2019), but the Group has elected to apply the temporary exemption described further below: (continued)

- The Company is not eligible for the deferral approach in its separate financial statements since the Company did not meet the eligibility criteria for the temporary exemption.

  The statement of financial position and statement of changes in equity of the Company are disclosed in notes 46 and 47 of the Group's consolidated financial statements, respectively.

(b) IFRS 17, Insurance Contracts (previously IFRS 4 Phase II) will replace the current IFRS 4, Insurance Contracts. IFRS 17 has been issued but is not effective for the financial year ended 31 December 2022 and has not been early adopted:

- IFRS 17 includes fundamental differences to current accounting in both insurance contract measurement and profit recognition. The general model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. Additionally, IFRS 17 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures.

(c) The impact of initial adoption of IFRS 9 and IFRS 17 includes the following:

- Changes in accounting policies resulting from the adoption of IFRS 9 shall be applied retrospectively, except that the Group has elected to restate the comparatives and apply classification overlay in the comparative period presented as permitted under IFRS 17. The classification overlay shall be applied to all financial assets that had been derecognised before 1 January 2023 based on how those assets are expected to be classified on initial adoption of IFRS 9. In applying the classification overlay to financial assets derecognised during the comparative period, the Group has applied the impairment requirements of IFRS 9.
- Financial investments will be reclassified from current consolidated statement of financial position line items to the corresponding IFRS 9 classifications, which in some cases may include changes in the measurement basis (for example, from available for sale debt securities to debt securities at FVTPL).
- Changes in accounting policies resulting from the adoption of IFRS 17 shall apply full retrospective approach to the extent practicable. The Group adopts both the modified retrospective approach and the fair value approach when it is impracticable to use a full retrospective approach in determining transition amounts at the IFRS 17 transition date.
- Insurance contract balances will be remeasured under IFRS 17 principles, derecognising the related liabilities and previously reported balances that would not have existed if IFRS 17 had always been applied. These included among others, deferred acquisition costs for insurance contracts, insurance receivables and payables, policy loans and its accrued interest revenue and provisions that are attributable to existing insurance contracts. Under IFRS 17, these are included in the measurement of the insurance contracts.
- The combined effect on the Group's consolidated statement of financial position on transition to IFRS 9 and IFRS 17 as at 1 January 2022 is to reduce shareholders' equity and shareholders' allocated equity measured under IFRS 9 and IFRS 17 by 7% to US$56b and 2% to US$51b respectively. The preparation of the 2022 comparatives under IFRS 9 and IFRS 17 is progressing as planned. Determining the combined effect of the initial adoption of IFRS 9 and IFRS 17 involves the use of judgements and assumptions. This includes the approach to transition setting of actuarial assumptions and selection of valuation methodologies, and the models deployed in the measurement of fulfilment cash flows, as well as the adoption of the fair value approach for certain groups of insurance contracts.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation and statement of compliance (continued)

The following relevant new amendments to standards have been issued but are not effective for the financial year ended 31 December 2022 and have not been early adopted (the financial years for which the adoption is required for the Group are stated in parentheses). The Group has assessed the impact of these new amendments on its financial position and results of operations and they are not expected to have a material impact on the financial position or results of operations of the Group:

- Amendments to IAS 8, Definition of Accounting Estimates (2023);
- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (2023);
- Amendments to IAS 1, Classification of Liabilities as Current or Non-Current (2024);
- Amendments to IAS 1, Non-current Liabilities with Covenants (2024); and
- Amendments to IFRS 16, Lease Liability in a Sale and Leaseback (2024).

The material accounting policies adopted in the preparation of the Group's consolidated financial statements are set out below. These policies have been applied consistently in all periods presented. The Company's statement of financial position and the statement of changes in equity, as set out in notes 46 and 47 respectively, have been prepared in accordance with the Group's accounting policies, except for the accounting policies in respect of the Company's investments as set out in note 46 and financial instruments as set out in note 2.4.5.

2.2 Operating profit

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

- short-term fluctuations between expected and actual investment returns related to equities and real estate;
- other investment return (including short-term fluctuations due to market factors); and
- other significant items that management considers to be non-operating income and expenses.

The Group considers that the presentation of operating profit enhances the understanding and comparability of its performance and that of its operating segments. The Group considers that trends can be more clearly identified without the fluctuating effects of these non-operating items, many of which are largely dependent on market factors.

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance and investment contracts

Consistent accounting policies for the measurement and recognition of insurance and investment contracts have been adopted throughout the Group, except for in a limited number of cases, the Group measures insurance contract liabilities with reference to statutory requirements in the applicable jurisdiction (see note 2.3.3).

Product classification

The Group classifies its contracts written as either insurance contracts or investment contracts, depending on the level of insurance risk. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. Some insurance and investment contracts, referred to as traditional participating life business, have discretionary participation features (DPF), which may entitle the customer to receive, as a supplement to guaranteed benefits, additional non-guaranteed benefits, such as policyholder dividends or bonuses. The Group applies the same accounting policies for the recognition and measurement of obligations and the deferral of acquisition costs arising from investment contracts with DPF as it does for insurance contracts. The Group refers to such contracts as traditional participating life business.

In the event that a scenario (other than those lacking commercial substance) exists in which an insured event would require the Group to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. For investment contracts that do not contain DPF, IAS 39, Financial Instruments: Measurement and Recognition, and, if the contract includes an investment management element, IFRS 15, Revenue from Contracts with Customers, are applied. IFRS 4 permits the continued use of previously applied accounting policies for insurance contracts and investment contracts with DPF, and this basis has been adopted by the Group in accounting for such contracts. Once a contract has been classified as an insurance or investment contract, reclassification is not subsequently performed unless the terms of the agreement are later amended.

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance and investment contracts (continued)

Product classification (continued)

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance and investment contracts (continued)

Product classification (continued)

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

Policy type		Description of benefits payable	Basis of accounting for: Insurance contract liabilities[1]	Basis of accounting for: Investment contract liabilities
Traditional participating life	Participating funds and other participating business with distinct portfolios	Participating products include protection and savings elements. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the aggregate amount of which is determined by the performance of a distinct fund of assets and liabilities. The timing of dividend and bonus declarations is at the discretion of the insurer For participating funds, local regulations generally prescribe a minimum proportion of policyholder participation in declared dividends For other participating business with distinct portfolios, the allocation of benefit from the assets held in such distinct portfolios is set according to the underlying bonus rule as determined by the relevant Board based on applicable regulatory requirements after considering the Appointed Actuary's recommendation. The extent of such policyholder participation may change over time	Insurance contract liabilities make provision for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. In addition, an insurance liability is recorded for the proportion of the net assets of the participating funds and other participating business with distinct portfolios that would be allocated to policyholders, assuming all performance would be declared as a dividend based upon current policyholder participation. In addition, deferred profit liabilities for limited payment contracts are recognised	Not applicable, as IFRS 4 permits contracts with DPF to be accounted for as insurance contracts
	Other participating business without distinct portfolios	Participating products include protection and savings elements. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the timing or amount of which are at the discretion of the insurer taking into account factors such as investment experience	Insurance contract liabilities make provision for the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders. In addition, deferred profit liabilities for limited payment contracts are recognised	Not applicable, as IFRS 4 permits contracts with DPF to be accounted for as insurance contracts
Non-participating life, annuities and other protection products		Benefits payable are not at the discretion of the insurer	Insurance contract liabilities reflect the present value of future policy benefits to be paid less the present value of estimated future net premiums to be collected from policyholders. In addition, deferred profit liabilities for limited payment contracts are recognised	Investment contract liabilities are measured at amortised cost
Universal life		Benefits are based on an account balance, credited with interest at a rate set by the insurer, and a death benefit, which may be varied by the customer	Insurance contract liabilities reflect the accumulation value, representing premiums received and investment return credited, less deductions for front-end loads, mortality and morbidity costs and expense charges. In addition, liabilities for unearned revenue and additional insurance benefits are recorded	Not applicable as such contracts generally contain significant insurance risk
Unit-linked		These may be primarily savings products or may combine savings with an element of protection	Insurance contract liabilities reflect the accumulation value, representing premiums received and investment return credited, less deductions for front-end loads, mortality and morbidity costs and expense charges. In addition, liabilities for unearned revenue and additional insurance benefits are recorded	Investment contract liabilities are measured at fair value (determined with reference to the accumulation value)

Note:

(1) In a limited number of cases, the Group measures insurance contract liabilities with reference to statutory requirements in the applicable jurisdiction.

In the notes to the financial statements, unit-linked contracts are presented together with pension contracts for disclosure purposes.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance and investment contracts (continued)

Product classification (continued)

The basis of accounting for insurance and investment contracts is discussed in notes 2.3.1 and 2.3.2 below.

2.3.1 Insurance contracts and investment contracts with DPF

Premiums

Premiums from life insurance contracts, including participating policies and annuity policies with life contingencies, are recognised as revenue when due from the policyholder. Benefits and expenses are provided in respect of such revenue so as to recognise profits over the estimated life of the policies. For limited pay contracts, premiums are recognised in profit or loss when due, with any excess profit deferred and recognised in income in a constant relationship to the insurance in-force or, for annuities, the amount of expected benefit payments.

Amounts collected as premiums from insurance contracts with investment features but with sufficient insurance risk to be considered insurance contracts, such as universal life, and certain unit-linked contracts, are accumulated as deposits. Revenue from these contracts consists of policy fees for the cost of insurance, administration, and surrenders during the period.

Upfront fees are recognised over the estimated life of the contracts to which they relate. Policy benefits and claims that are charged to expenses include benefit claims incurred in the period in excess of related policyholder contract deposits and interest credited to policyholder deposits.

Unearned revenue liability

Unearned revenue liability represents upfront fees and other non-level charges that have been collected and released to the consolidated income statement over the estimated life of the business. A separate liability for accumulation value is established.

Deferred profit liability

Deferred profit liability arising from traditional insurance contracts represents excess profits that have been collected and released to the consolidated income statement over the estimated life of the business. A separate liability for future policy benefits is established.

Deferred acquisition costs

The costs of acquiring new insurance contracts, including commissions and distribution costs, underwriting and other policy issue expenses which vary with and are primarily related to the production of new business or renewal of existing business, are deferred as an asset. Deferred acquisition costs are assessed for recoverability in the year of policy issue to ensure that these costs are recoverable out of the estimated future margins to be earned on the policy. Deferred acquisition costs are assessed for recoverability at least annually thereafter. Future investment income is also taken into account in assessing recoverability. To the extent that acquisition costs are not considered to be recoverable at inception or thereafter, these costs are expensed in the consolidated income statement.

Deferred acquisition costs for life insurance and annuity policies are amortised over the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the date of policy issue and are consistently applied throughout the life of the contract unless a deficiency occurs when performing liability adequacy testing (see below).

Deferred acquisition costs for universal life and unit-linked contracts are amortised over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits expected to be realised over the life of the contract or on a straight-line basis. Estimated gross profits include expected amounts to be assessed for mortality, administration, investment and surrenders, less benefit claims in excess of policyholder balances, administrative expenses and interest credited. Estimated gross profits are revised regularly. The interest rate used to compute the present value of revised estimates of expected gross profits is the latest revised rate applied to the remaining benefit period. Deviations of actual results from estimated experience are reflected in earnings.

In a limited number of cases where the Group measures insurance contract liabilities with reference to statutory requirements in the applicable jurisdiction, acquisition costs deemed recoverable are included as a component of insurance contract liabilities, and are therefore deferred and amortised over the life of the corresponding policies.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance and investment contracts (continued)

2.3.1 Insurance contracts and investment contracts with DPF (continued)

Deferred sales inducements

Deferred sales inducements, consisting of day one bonuses, persistency bonuses and enhanced crediting rates are deferred and amortised using the same methodology and assumptions used to amortise acquisition costs when:

- the sales inducements are recognised as part of insurance contract liabilities;
- they are explicitly identified in the contract on inception;
- they are incremental to amounts credited on similar contracts without sales inducements; and
- they are higher than the expected ongoing crediting rates for periods after the inducement.

Unbundling

The deposit component of an insurance contract is unbundled when both of the following conditions are met:

- the deposit component (including any embedded surrender option) can be measured separately (i.e. without taking into account the insurance component); and
- the Group's accounting policies do not otherwise require the recognition of all obligations and rights arising from the deposit component.

Bifurcation

To the extent that certain of the Group's insurance contracts include embedded derivatives that are not clearly and closely related to the host contract, these are bifurcated from the insurance contracts and accounted for as derivatives.

Benefits and claims

Insurance contract benefits reflect the cost of all maturities, surrenders, withdrawals and claims arising during the period, as well as policyholder dividends accrued in anticipation of dividend declarations.

Accident and health claims incurred include all losses occurring during the period, whether reported or not, related handling costs, a reduction for recoveries, and any adjustments to claims outstanding from previous years.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims, and are included in operating expenses.

Insurance contract liabilities (including liabilities in respect of investment contracts with DPF)

Insurance contract liabilities represent the estimated future policyholder benefit liability for life insurance policies.

Future policy benefits for life insurance policies are calculated using a net level premium valuation method which represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders.

For contracts with an explicit account balance, such as universal life and unit-linked contracts, insurance contract liabilities are equal to the accumulation value, which represents premiums received and investment returns credited to the policy less deductions for mortality and morbidity costs and expense charges.

Settlement options are accounted for as an integral component of the underlying insurance or investment contract unless they provide annuitisation benefits, in which case an additional liability is established to the extent that the present value of expected annuitisation payments at the expected annuitisation date exceeds the expected account balance at that date. Where settlement options have been issued with guaranteed rates less than market interest rates, the insurance or investment contract liability does not reflect any provision for subsequent declines in market interest rates unless a deficiency is identified through liability adequacy testing.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance and investment contracts (continued)

2.3.1 Insurance contracts and investment contracts with DPF (continued)

Insurance contract liabilities (including liabilities in respect of investment contracts with DPF) (continued)

The Group accounts for insurance contract liabilities for participating business written in participating funds and other participating business with distinct portfolios by establishing a liability for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. In addition, an insurance liability is recorded for the proportion of the net assets of the participating funds and the other participating business with distinct portfolios that would be allocated to policyholders assuming all relevant surplus at the date of the consolidated statement of financial position were to be declared as a policyholder dividend based upon policyholder participation as described in note 2.3 above. The Group accounts for other participating business without distinct portfolios by establishing a liability for the present value of guaranteed benefits and non-guaranteed participation, less estimated future net premiums to be collected from policyholders.

Liability adequacy testing

The adequacy of liabilities is assessed by portfolio of contracts, in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts. Liability adequacy testing is performed for each reportable segment.

For traditional life insurance contracts, insurance contract liabilities reduced by deferred acquisition costs and value of business acquired on acquired insurance contracts, are compared to the gross premium valuation calculated on a best estimate basis, as of the valuation date. If there is a deficiency, the unamortised balance of deferred acquisition cost and value of business acquired on acquired insurance contracts are written down to the extent of the deficiency. If, after writing down the unamortised balance for the specific portfolio of contracts to nil, a deficiency still exists, the net liability is increased by the amount of the remaining deficiency.

For universal life and investment contracts with DPF, deferred acquisition costs, net of unearned revenue liabilities, are compared to estimated gross profits. If a deficiency exists, deferred acquisition costs are written down.

Financial guarantees

Financial guarantees are regarded as insurance contracts. Liabilities in respect of such contracts are recognised when loss is incurred.

2.3.2 Investment contracts

Investment contracts do not contain sufficient insurance risk to be considered insurance contracts and are accounted for as a financial liability, other than investment contracts with DPF which are excluded from the scope of IAS 39 and are accounted for as insurance contracts.

Revenue from these contracts consists of various charges (policy fees, handling fees, management fees and surrender charges) made against the contract for the cost of insurance, expenses and early surrender. First year charges are amortised over the life of the contract as the services are provided.

Investment contract fee revenue

Customers are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's account balance. The fees are recognised as revenue in the period in which they are received unless they relate to services to be provided in future periods, in which case they are deferred and recognised as the service is provided.

When part of the fee received from a policyholder is expected to be refunded in the future, the related fee is not recognised as a revenue and a sales inducement liability is established which forms part of the investment contract liabilities.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance and investment contracts (continued)

2.3.2 Investment contracts (continued)

Investment contract fee revenue (continued)

Origination and other "upfront" fees (fees that are assessed against the account balance as consideration for origination of the contract) are charged on some non-participating investment and pension contracts. Where the investment contract is recorded at amortised cost, these fees are amortised and recognised over the expected term of the policy as an adjustment to the effective yield. Where the investment contract is measured at fair value, the front-end fees that relate to the provision of investment management services are amortised and recognised as the services are provided.

Deferred origination costs

The costs of acquiring investment contracts with investment management services, including commissions and other incremental expenses directly related to the issue of each new contract, are deferred and amortised over the period that services are provided. Deferred origination costs are tested for recoverability at each reporting date.

The costs of acquiring new investment contracts without investment management services are included as part of the effective interest rate used to calculate the amortised cost of the related investment contract liabilities.

Investment contract liabilities

Deposits received in respect of investment contracts are not accounted for through the consolidated income statement, except for the investment income and fees attributable to those contracts, but are accounted for directly through the consolidated statement of financial position as an adjustment to the investment contract liability, which reflects the account balance.

The majority of the Group's contracts classified as investment contracts are unit-linked contracts, with measurement directly linked to the underlying investment assets. These represent investment portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. The liabilities are carried at fair value determined with reference to the accumulation value (current unit value) with changes recognised in profit or loss. The costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against customers' account balances are included in revenue, and accounted for as described under "Investment contract fee revenue" above.

Non unit-linked investment contract liabilities are carried at amortised cost, being the fair value of consideration received at the date of initial recognition, less the net effect of principal payments such as transaction costs and front-end fees, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity value, and less any write-down for surrender payments. The effective interest rate equates the discounted cash payments to the initial amount. At each reporting date, the unearned revenue liability is determined as the value of the future best estimate cash flows discounted at the effective interest rate. Any adjustment is immediately recognised as income or expense in the consolidated income statement.

The amortised cost of the financial liability is never recorded at less than the amount payable on surrender, discounted for the time value of money where applicable, if the investment contract is subject to a surrender option.

Deferred fee income liability

Deferred fee income liability represents upfront fees and other non-level charges that have been collected and released to the consolidated income statement over the estimated life of the business. A separate liability for accumulation value is established.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance and investment contracts (continued)

2.3.3 Insurance and investment contracts

Reinsurance

The Group cedes reinsurance in the normal course of business, with retentions varying by line of business. The cost of reinsurance is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for such policies.

Premiums ceded and claims reimbursed are presented on a gross basis in the consolidated income statement and statement of financial position.

Reinsurance assets consist of amounts receivable in respect of ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured insurance or investment contract liabilities or benefits paid and in accordance with the relevant reinsurance contract.

To the extent that reinsurance contracts principally transfer financial risk (as opposed to insurance risk) they are accounted for directly through the consolidated statement of financial position and are not included in reinsurance assets or liabilities. A deposit asset or liability is recognised, based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the reinsured.

If a reinsurance asset is impaired, the Group reduces the carrying amount accordingly and recognises that impairment loss in the consolidated income statement. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Group may not receive all amounts due to it under the terms of the contract, and the impact on the amounts that the Group will receive from the reinsurer can be reliably measured.

The upfront premium rebate received on reinsurance contracts is a reinsurance liability. This liability is initially recognised as a reduction in deferred acquisition and origination costs up to the carrying value of associated deferred acquisition costs or associated value of business acquired, if any, with any excess being recognised in other liabilities. This reinsurance liability is released in line with the release of the underlying insurance contracts. Change in this reinsurance liability during the period is recognised as insurance and investment contract benefits ceded.

Value of business acquired (VOBA)

The VOBA in respect of a portfolio of long-term insurance contracts and investment contracts with DPF, either directly or through the purchase of a subsidiary, is recognised as an asset. If this results from the acquisition of an investment in a joint venture or an associate, the VOBA is held within the carrying amount of that investment. In all cases, the VOBA is amortised over the estimated life of the contracts in the acquired portfolio on a systematic basis. The rate of amortisation reflects the profile of the value of in-force business acquired. The carrying value of VOBA is reviewed annually for impairment and any reduction is charged to the consolidated income statement.

Shadow accounting

Shadow accounting is applied to insurance and certain investment contracts with discretionary participation feature where financial assets backing insurance and investment contract liabilities are classified as available for sale. Shadow accounting is applied to deferred acquisition costs, VOBA, deferred origination costs, and the contract liabilities for investment contracts with DPF to take into account the effect of unrealised gains or losses on insurance liabilities or assets that are recognised in other comprehensive income in the same way as for a realised gain or loss recognised in the consolidated income statement. Such assets or liabilities are adjusted with corresponding charges or credits recognised directly in shareholders' equity as a component of the related unrealised gains and losses.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Insurance and investment contracts (continued)

2.3.3 Insurance and investment contracts (continued)

Insurance contracts (including investment contracts with DPF) liabilities measured with reference to statutory requirements

In a limited number of cases, the Group measures insurance contract liabilities with reference to statutory requirements in the applicable jurisdiction. The insurance contract liabilities of those countries are predominately measured at the net present value of future receipts from and payments to policyholders. The discount rate applied reflects the current market rate. The excess of premium received over claims and expenses (the margin) is recognised over the life of the contract in a manner that reflects the pattern of service provided to the policyholder. The movement in insurance contract liabilities recognised in the profit or loss reflects the planned release of this margin.

Other assessments and levies

The Group is potentially subject to various periodic insurance-related assessments or guarantee fund levies. Related provisions are established where there is a present obligation (legal or constructive) as a result of a past event. Such amounts are not included in insurance or investment contract liabilities but are included under “Provisions” in the consolidated statement of financial position.

2.4 Financial instruments

2.4.1 Classification of and designation of financial instruments

Financial assets and liabilities at fair value through profit or loss

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

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

Management designates financial assets and liabilities at fair value through profit or loss if this eliminates a measurement inconsistency or if the related assets and liabilities are actively managed on a fair value basis, including:

- financial assets held to back unit-linked contracts and participating funds;
- other financial assets managed on a fair value basis; consisting of the Group’s equity portfolio and investments held by the Group’s fully consolidated investment funds; and
- compound instruments containing an embedded derivative, where the embedded derivative would otherwise require bifurcation.

Financial assets and liabilities classified as held for trading include financial assets acquired principally for the purpose of selling them in the near future and those that form part of a portfolio of financial assets in which there is evidence of short-term profit taking, as well as derivative assets and liabilities.

Dividend income from equity instruments designated at fair value through profit or loss is recognised in investment income in the consolidated income statement, generally when the security becomes ex-dividend. Interest income is recognised on an accrued basis. For all financial assets designated at fair value through profit or loss, changes in fair value are recognised in investment experience.

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Financial instruments (continued)

2.4.1 Classification of and designation of financial instruments (continued)

Available for sale financial assets

Financial assets, other than those at fair value through profit or loss, and loans and receivables, are classified as available for sale.

The available for sale category is used where the relevant investments backing insurance and investment contract liabilities and shareholders' equity are not managed on a fair value basis. These principally consist of the Group's debt securities (other than those backing participating funds and unit-linked contracts). Available for sale financial assets are initially recognised at fair value plus attributable transaction costs. For available for sale debt securities, the difference between their cost and par value is amortised. Available for sale financial assets are subsequently measured at fair value. Interest income from debt securities classified as available for sale is recognised in investment income in the consolidated income statement using the effective interest method.

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

Changes in the fair value of securities classified as available for sale, except for impairment losses and relevant foreign exchange gains and losses, are recognised in other comprehensive income and accumulated in a separate fair value reserve within equity. Impairment losses and relevant foreign exchange gains and losses are recognised in the consolidated income statement.

Realised gains and losses on financial assets

Realised gains and losses on available for sale financial assets are determined as the difference between the sale proceeds and its original cost or amortised cost as appropriate. Amortised cost is determined by specific identification.

Recognition of financial instruments

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

Derecognition and offset of financial assets

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest income from loans and receivables is recognised in investment income in the consolidated income statement using the effective interest method.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Financial instruments (continued)

2.4.1 Classification of and designation of financial instruments (continued)

Term deposits

Deposits include time deposits with financial institutions which do not meet the definition of cash and cash equivalents as their maturity at acquisition exceeds three months. Certain of these balances are subject to regulatory or other restriction as disclosed in note 20 Financial investments. Deposits are stated at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments held for cash management purposes, which have maturities at acquisition of three months or less, or are convertible into known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents also include cash received as collateral for derivative transactions, and repo and reverse repo transactions, as well as cash and cash equivalents held for the benefit of policyholders in connection with unit-linked products. Cash and cash equivalents are measured at amortised cost using the effective interest method.

2.4.2 Fair values of non-derivative financial instruments

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

Financial instruments carried at fair value are measured using a fair value hierarchy described in note 22.

2.4.3 Impairment of financial assets

General

Financial assets are assessed for impairment on a regular basis. The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset, or group of financial assets, is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If the Group determines that objective evidence of impairment does not exist for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Available for sale financial instruments

When a decline in the fair value of an available for sale asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss already recognised directly in other comprehensive income is recognised in current period profit or loss.

If the fair value of a debt instrument classified as available for sale increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss. Where, following the recognition of an impairment loss in respect of an available for sale debt security, the asset suffers further falls in value, such further falls are recognised as an impairment only in the case when objective evidence exists of a further impairment event to which the losses can be attributed.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Financial instruments (continued)

2.4.3 Impairment of financial assets (continued)

Loans and receivables

For loans and receivables, impairment is considered to have taken place if it is probable that the Group will not be able to collect principal and/or interest due according to the contractual terms of the instrument. When impairment is determined to have occurred, the carrying amount is decreased through a charge to profit or loss. The carrying amount of mortgage loans or receivables is reduced through the use of an allowance account, and the amount of any allowance is recognised as an impairment loss in profit or loss.

2.4.4 Derivative financial instruments

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

Derivative instruments for economic hedging

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

Cash flow hedge

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

Embedded derivatives

Embedded derivatives are derivatives embedded within other non-derivative host financial instruments to create hybrid instruments. Where the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host instrument, and where the hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss, the embedded derivative is bifurcated and carried at fair value as a derivative in accordance with IAS 39.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Financial instruments (continued)

2.4.5 The Company's financial instruments

Financial assets are classified as measured at amortised cost, FVOCI or FVTPL. The classification of financial assets is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions:

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

A debt security is measured at FVOCI if it meets both of the following conditions:

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Changes in fair value of debt securities measured at FVOCI are recognised in other comprehensive income, except for those relating to expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses which are recognised in profit or loss. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

Changes in fair value of financial assets measured at FVTPL and interest are recognised in profit or loss.

The Company recognises loss allowances for ECL on financial assets measured at amortised cost and debt securities measured at FVOCI, which are measured at either lifetime ECL or 12-month ECL according to a 'three-stage' impairment model. A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'. If a significant increase in credit risk since initial recognition is identified but the financial instrument is not yet assessed as credit-impaired, the financial instrument is moved to 'Stage 2'. If the financial instrument is credit-impaired, it is then moved to 'Stage 3'. Financial instruments in Stages 2 and 3 have their loss allowances measured at Lifetime ECL which are the ECL that result from all possible default events over the expected life of a financial instrument. Financial instruments in Stage 1 have their loss allowances measured at 12-month ECL which are the portion of ECL that results from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Financial instruments (continued)

2.4.5 The Company's financial instruments (continued)

ECL are a probability-weighted estimate of credit losses and are measured as the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowance for ECL of financial assets measured at amortised cost is deducted from the gross carrying amount of the assets, while ECL of debt securities measured at FVOCI is charged to profit or loss and is recognised in other comprehensive income.

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

2.5 Presentation of the consolidated statement of financial position

The Group's insurance and investment contract liabilities and related assets are realised and settled over periods of several years, reflecting the long-term nature of the Group's products. Accordingly, the Group presents the assets and liabilities in its consolidated statement of financial position in approximate order of liquidity, rather than distinguishing current and non-current assets and liabilities. The Group regards its intangible assets, investments in associates and joint ventures, property, plant and equipment, investment property and deferred acquisition and origination costs as non-current assets as these are held for the longer-term use of the Group.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Items that are considered particularly sensitive to changes in estimates and assumptions, and the relevant accounting policies are those which relate to product classification, insurance contract liabilities (including liabilities in respect of investment contracts with DPF), deferred acquisition and origination costs, liability adequacy testing, fair value measurement and impairment of goodwill and other intangible assets.

3.1 Product classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The Group exercises significant judgement to determine whether there is a scenario (other than those lacking commercial substance) in which an insured event would require the Group to pay significant additional benefits to its customers. In the event the Group has to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract.

The judgements exercised in determining the level of insurance risk in product classification affect the amounts recognised in the consolidated financial statements as insurance and investment contract liabilities and deferred acquisition and origination costs. The accounting policy on product classification is described in note 2.3.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.2 Insurance contract liabilities (including liabilities in respect of investment contracts with DPF)

The Group calculates the insurance contract liabilities for traditional life insurance using a net level premium valuation method, whereby the liability represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders. This method uses best estimate assumptions at inception adjusted for a provision for the risk of adverse deviation for mortality, morbidity, expected investment yields, policyholder dividends (for other participating business without distinct portfolios), surrenders and expenses set at the policy inception date. These assumptions remain locked in thereafter, unless a deficiency arises on liability adequacy testing. Interest rate assumptions can vary by geographical market, year of issuance and product. Mortality, morbidity, surrender and expense assumptions are based on actual experience by each geographical market, modified to allow for variations in policy form. The Group exercises significant judgement in making appropriate assumptions.

For contracts with an explicit account balance, such as universal life and unit-linked contracts, insurance contract liabilities represent the accumulation value, which represents premiums received and investment returns credited to the policy less deductions for mortality and morbidity costs and expense charges. Significant judgement is exercised in making appropriate estimates of gross profits which are based on historical and anticipated future experiences, these estimates are regularly reviewed by the Group.

The Group accounts for insurance contract liabilities for participating business written in participating funds and other participating business with distinct portfolios by establishing a liability for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. In addition, an insurance liability is recorded for the proportion of the net assets of the participating funds and other participating business with distinct portfolios that would be allocated to policyholders assuming all relevant surplus at the date of the consolidated statement of financial position were to be declared as a policyholder dividend based upon policyholder participation as described in note 2.3. Establishing these liabilities requires the exercise of significant judgement. In addition, the assumption that all relevant performance is declared as a policyholder dividend may not be borne out in practice. The Group accounts for other participating business without distinct portfolios by establishing a liability for the present value of guaranteed benefits and non-guaranteed participation, less estimated future net premiums to be collected from policyholders.

In a limited number of cases, the Group measures insurance contract liabilities with reference to statutory requirements in the applicable jurisdiction. The insurance contract liabilities of those countries are predominately measured at the net present value of future receipts from and payments to policyholders. The discount rate applied reflects the current market rate. Significant judgement is exercised in making appropriate assumptions of the cash flows.

The judgements exercised in the valuation of insurance contract liabilities (including investment contracts with DPF) affect the amounts recognised in the consolidated financial statements as insurance contract benefits and insurance contract liabilities.

Further details of the related accounting policy, key risk and variables, and the sensitivities of assumptions to the key variables in respect of insurance contract liabilities are provided in notes 2.3, 26 and 28.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.3 Deferred acquisition and origination costs

The judgements exercised in the deferral and amortisation of acquisition and origination costs affect amounts recognised in the consolidated financial statements as deferred acquisition and origination costs and insurance and investment contract benefits.

As noted in note 2.3.1, deferred acquisition costs for traditional life insurance and annuity policies are amortised over the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the date of policy issue and are applied consistently throughout the life of the contract unless a deficiency occurs when performing liability adequacy testing.

As noted in note 2.3.1, deferred acquisition costs for universal life and unit-linked contracts are amortised over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits expected to be realised over the life of the contract or on a straight-line basis. As noted in note 3.2, significant judgement is exercised in making appropriate estimates of gross profits. The expensing of acquisition costs is accelerated following adverse investment performance. Likewise, in periods of favourable investment performance, previously expensed acquisition costs are reversed, not exceeding the amount initially deferred.

Additional details of deferred acquisition and origination costs are provided in notes 2.3 and 19.

3.4 Liability adequacy testing

The Group evaluates the adequacy of its insurance and investment contract liabilities with DPF at least annually. Significant judgement is exercised in determining the level of aggregation at which liability adequacy testing is performed and in selecting best estimate assumptions. Liability adequacy is assessed by portfolio of contracts in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts. The Group performs liability adequacy testing separately for each reportable segment.

The judgements exercised in liability adequacy testing affect amounts recognised in the consolidated financial statements as commission and other acquisition expenses, deferred acquisition costs, insurance contract benefits and insurance and investment contract liabilities.

3.5 Fair value measurement

3.5.1 Fair value of financial assets

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

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

Changes in the fair value of financial assets held by the Group's participating funds and other participating business with distinct portfolios affect not only the value of financial assets, but are also reflected in corresponding movements in insurance and investment contract liabilities. This is due to an insurance liability being recorded for the proportion of the net assets of the participating funds and other participating business with distinct portfolios that would be allocated to policyholders if all relevant surplus at the date of the consolidated statement of financial position were to be declared as a policyholder dividend based upon policyholder participation as described in note 2.3. Both of the foregoing changes are reflected in the consolidated income statement, except for those relating to other participating business with distinct portfolios which recognise a portion of an amount due to changes in fair value of available for sale financial assets and properties held for own use that are recognised in other comprehensive income.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.5 Fair value measurement (continued)

3.5.1 Fair value of financial assets (continued)

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

Further details of the fair value of financial assets and the sensitivity analysis to interest rates and equity prices are provided in notes 22 and 37.

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

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

Further details of the fair value measurement of property held for own use and investment property are provided in note 22.

3.6 Impairment of goodwill and other intangible assets

For the purposes of impairment testing, goodwill and other intangible assets are grouped into cash-generating units or groups of cash generating units. These assets are tested for impairment by comparing the carrying amount of the cash-generating unit (group of units), including goodwill, to the recoverable amount of that cash-generating unit (group of units). The determination of the recoverable amount requires significant judgement regarding the selection of appropriate valuation techniques and assumptions.

Further details of the impairment of goodwill during the period are provided in note 14.

4. EXCHANGE RATES

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

	US dollar exchange rates	
	Year ended 31 December 2022	Year ended 31 December 2021
Mainland China	**6.73**	6.45
Hong Kong	**7.83**	7.77
Thailand	**35.02**	31.97
Singapore	**1.38**	1.34
Malaysia	**4.40**	4.14

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

	US dollar exchange rates	
	As at 31 December 2022	As at 31 December 2021
Mainland China	**6.95**	6.37
Hong Kong	**7.80**	7.80
Thailand	**34.54**	33.26
Singapore	**1.34**	1.35
Malaysia	**4.41**	4.17

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

5. PREMIUMS AND FEE INCOME

Included in premium and fee income of US$109m (2021: US$178m) is fee income for investment contracts without DPF that refers to fees charged for the provision of investment management services for investment contracts without DPF, which usually vary with the amounts being managed, and the release of deferred fee income. For the investment management service fee charged, revenue is recognised as services are provided and the fees are deducted from the customers' account balances.

Generally, a customer can cancel an investment contract without DPF at any time after contract inception, subject to a surrender charge which is not a significant component of revenue.

6. OPERATING PROFIT AFTER TAX

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

US$m	Note	Year ended 31 December 2022	Year ended 31 December 2021
Operating profit after tax	8	**6,409**	6,455
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)]		**(2,314)**	(273)
Reclassification of revaluation gains for property held for own use[(1)]		**(45)**	(66)
Corporate transaction related costs		**(63)**	(49)
Implementation costs for new accounting standards		**(45)**	(43)
Other non-operating investment return and other items		**(3,622)**[(3)]	1,453
Subtotal[(2)]		**(6,089)**	1,022
Net profit		**320**	7,477
Operating profit after tax attributable to:			
Shareholders of AIA Group Limited		**6,370**	6,409
Non-controlling interests		**39**	46
Net profit attributable to:			
Shareholders of AIA Group Limited		**282**	7,427
Non-controlling interests		**38**	50

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 profit to conform to IFRS measurement and presentation.

(2) The amount is net of tax of US$519m (2021: US$40m). The gross amount before tax is US$(6,608)m (2021: US$982m).

(3) Includes net fair value movement on derivatives (net of tax and policyholders' participation) of US$(1,964)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.

7. TOTAL WEIGHTED PREMIUM INCOME AND ANNUALISED NEW PREMIUMS

For management decision-making and internal performance management purposes, the Group measures business volumes during the year using a performance measure referred to as total weighted premium income (TWPI). The Group measures new business activity using a performance measure referred to as annualised new premiums (ANP). The presentation of this note is consistent with our reportable segment presentation in note 8.

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 consolidated income statement.

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

TWPI US$m	**Year ended 31 December 2022**	Year ended 31 December 2021
TWPI by geography		
Mainland China	**7,592**	6,999
Hong Kong	**11,237**	11,904
Thailand	**4,166**	4,428
Singapore	**3,577**	3,433
Malaysia	**2,464**	2,479
Other Markets	**7,140**	7,616
Total	**36,176**	36,859
First year premiums by geography		
Mainland China	**1,259**	1,355
Hong Kong	**885**	771
Thailand	**613**	596
Singapore	**358**	374
Malaysia	**363**	421
Other Markets	**863**	988
Total	**4,341**	4,505
Single premiums by geography		
Mainland China	**280**	236
Hong Kong	**1,813**	3,069
Thailand	**203**	538
Singapore	**1,272**	1,419
Malaysia	**274**	319
Other Markets	**892**	960
Total	**4,734**	6,541

7. TOTAL WEIGHTED PREMIUM INCOME AND ANNUALISED NEW PREMIUMS (continued)

TWPI (continued) US$m	Year ended 31 December 2022	Year ended 31 December 2021
Renewal premiums by geography		
Mainland China	**6,305**	5,620
Hong Kong	**10,171**	10,826
Thailand	**3,533**	3,778
Singapore	**3,092**	2,917
Malaysia	**2,074**	2,026
Other Markets	**6,187**	6,533
Total	**31,362**	31,700

ANP US$m	Year ended 31 December 2022	Year ended 31 December 2021
ANP by geography		
Mainland China	**1,319**	1,404
Hong Kong	**1,078**	1,106
Thailand	**655**	677
Singapore	**531**	549
Malaysia	**440**	491
Other Markets	**1,384**	1,420
Total	**5,407**	5,647

8. 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 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.

8. SEGMENT INFORMATION (continued)

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Year ended 31 December 2022								
ANP	**1,319**	**1,078**	**655**	**531**	**440**	**1,384**	**–**	**5,407**
TWPI	**7,592**	**11,237**	**4,166**	**3,577**	**2,464**	**7,140**	**–**	**36,176**
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	**7,423**	**12,103**	**3,848**	**3,808**	**2,006**	**4,956**	**126**	**34,270**
Investment return	**1,427**	**4,570**	**1,097**	**1,454**	**554**	**1,286**	**793**	**11,181**
Total revenue	**8,850**	**16,673**	**4,945**	**5,262**	**2,560**	**6,242**	**919**	**45,451**
Net insurance and investment contract benefits	**6,048**	**12,147**	**2,920**	**3,848**	**1,585**	**3,262**	**122**	**29,932**
Commission and other acquisition expenses	**471**	**1,370**	**738**	**337**	**229**	**843**	**28**	**4,016**
Operating expenses	**571**	**565**	**270**	**256**	**229**	**1,060**	**300**	**3,251**
Finance costs and other expenses	**49**	**184**	**53**	**36**	**17**	**86**	**394**	**819**
Total expenses	**7,139**	**14,266**	**3,981**	**4,477**	**2,060**	**5,251**	**844**	**38,018**
Share of losses from associates and joint ventures	**–**	**(1)**	**–**	**–**	**–**	**5**	**(36)**	**(32)**
Operating profit before tax	**1,711**	**2,406**	**964**	**785**	**500**	**996**	**39**	**7,401**
Tax on operating profit before tax	**(286)**	**(167)**	**(182)**	**(43)**	**(93)**	**(175)**	**(46)**	**(992)**
Operating profit after tax	**1,425**	**2,239**	**782**	**742**	**407**	**821**	**(7)**	**6,409**
Operating profit after tax attributable to:								
Shareholders of AIA Group Limited	**1,425**	**2,226**	**782**	**742**	**393**	**804**	**(2)**	**6,370**
Non-controlling interests	**–**	**13**	**–**	**–**	**14**	**17**	**(5)**	**39**
Key operating ratios:								
Expense ratio	**7.5%**	**5.0%**	**6.5%**	**7.2%**	**9.3%**	**14.8%**	**–**	**9.0%**
Operating margin	**18.8%**	**19.9%**	**18.8%**	**20.7%**	**16.5%**	**11.5%**	**–**	**17.7%**
Operating return on shareholders' allocated equity	**30.6%**	**17.7%**	**11.5%**	**17.8%**	**18.4%**	**9.3%**	**–**	**13.2%**
Operating profit before tax includes:								
Finance costs	**22**	**29**	**1**	**8**	**1**	**6**	**319**	**386**
Depreciation and amortisation	**108**	**107**	**23**	**29**	**24**	**94**	**32**	**417**

8. SEGMENT INFORMATION (continued)

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
31 December 2022								
Total assets	**44,541**	**105,413**	**30,943**	**42,584**	**16,983**	**44,198**	**18,386**	**303,048**
Total liabilities	**38,472**	**99,606**	**24,814**	**39,207**	**14,768**	**37,235**	**10,396**	**264,498**
Total equity	**6,069**	**5,807**	**6,129**	**3,377**	**2,215**	**6,963**	**7,990**	**38,550**
Shareholders' allocated equity	**4,617**	**10,196**	**7,011**	**4,143**	**2,162**	**8,477**	**8,199**	**44,805**
Total assets include:								
Investments in associates and joint ventures	**–**	**1**	**–**	**–**	**–**	**612**	**1,479**	**2,092**

Segment information may be reconciled to the 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]	Consolidated income statement	
Year ended 31 December 2022					
Net premiums, fee income and other operating revenue	**34,270**	**–**	**(4)**	**34,266**	Net premiums, fee income and other operating revenue
Investment return	**11,181**	**(8,055)**	**(18,282)**	**(15,156)**	Investment return
Total revenue	**45,451**	**(8,055)**	**(18,286)**	**19,110**	**Total revenue**
Net insurance and investment contract benefits	**29,932**	**(5,318)**	**(14,650)**	**9,964**	Net insurance and investment contract benefits
Other expenses	**8,086**	**–**	**537**	**8,623**	Other expenses
Total expenses	**38,018**	**(5,318)**	**(14,113)**	**18,587**	**Total expenses**
Share of losses from associates and joint ventures	**(32)**	**–**	**–**	**(32)**	Share of losses from associates and joint ventures
Operating profit before tax	**7,401**	**(2,737)**	**(4,173)**	**491**	**Profit before tax**

Note:

(1) Include unit-linked contracts.

8. SEGMENT INFORMATION (continued)

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Year ended 31 December 2021								
ANP	1,404	1,106	677	549	491	1,420	–	5,647
TWPI	6,999	11,904	4,428	3,433	2,479	7,616	–	36,859
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	6,799	13,004	4,109	3,613	2,010	5,155	80	34,770
Investment return	1,359	4,178	1,181	1,453	596	1,210	654	10,631
Total revenue	8,158	17,182	5,290	5,066	2,606	6,365	734	45,401
Net insurance and investment contract benefits	5,422	12,633	2,976	3,606	1,584	3,143	78	29,442
Commission and other acquisition expenses	464	1,568	806	418	274	1,052	15	4,597
Operating expenses	545	454	277	234	228	1,031	262	3,031
Finance costs and other expenses	59	192	55	42	18	90	299	755
Total expenses	6,490	14,847	4,114	4,300	2,104	5,316	654	37,825
Share of losses from associates and joint ventures	–	(1)	–	–	–	(10)	–	(11)
Operating profit before tax	1,668	2,334	1,176	766	502	1,039	80	7,565
Tax on operating profit before tax	(297)	(178)	(216)	(43)	(99)	(233)	(44)	(1,110)
Operating profit after tax	1,371	2,156	960	723	403	806	36	6,455
Operating profit after tax attributable to:								
Shareholders of AIA Group Limited	1,371	2,143	960	723	392	784	36	6,409
Non-controlling interests	–	13	–	–	11	22	–	46
Key operating ratios:								
Expense ratio	7.8%	3.8%	6.3%	6.8%	9.2%	13.5%	–	8.2%
Operating margin	19.6%	18.1%	21.7%	21.1%	16.3%	10.6%	–	17.5%
Operating return on shareholders' allocated equity	30.1%	15.9%	14.7%	17.9%	18.8%	8.8%	–	12.8%
Operating profit before tax includes:								
Finance costs	34	29	1	2	2	8	274	350
Depreciation and amortisation	106	95	23	30	23	101	29	407

8. SEGMENT INFORMATION (continued)

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

Segment information may be reconciled to the 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]	Consolidated income statement	
Year ended 31 December 2021					
Net premiums, fee income and other operating revenue	34,770	–	7	34,777	Net premiums, fee income and other operating revenue
Investment return	10,631	(631)	2,748	12,748	Investment return
Total revenue	45,401	(631)	2,755	47,525	**Total revenue**
Net insurance and investment contract benefits	29,442	(340)	953	30,055	Net insurance and investment contract benefits
Other expenses	8,383	–	608	8,991	Other expenses
Total expenses	37,825	(340)	1,561	39,046	**Total expenses**
Share of losses from associates and joint ventures	(11)	–	–	(11)	Share of losses from associates and joint ventures
Operating profit before tax	7,565	(291)	1,194	8,468	**Profit before tax**

Note:

(1) Include unit-linked contracts.

9. REVENUE

Investment return

US$m	Year ended 31 December 2022	Year ended 31 December 2021
Interest income	**7,452**	7,344
Dividend income	**1,167**	1,150
Rental income[1]	**161**	166
Investment income	**8,780**	8,660
Available for sale		
Net realised (losses)/gains from debt securities	**(767)**	2,405
Net (losses)/gains of available for sale financial assets reflected in the consolidated income statement	**(767)**	2,405
At fair value through profit or loss		
Net losses of debt securities	**(3,016)**	(960)
Net (losses)/gains of equity shares, interests in investment funds and exchangeable loan notes	**(10,065)**	2,028
Net fair value movement on derivatives	**(9,495)**	28
Net (losses)/gains in respect of financial instruments at fair value through profit or loss	**(22,576)**	1,096
Net fair value movement of investment property	**70**	65
Net foreign exchange (losses)/gains	**(657)**	579
Other net realised losses	**(6)**	(57)
Investment experience	**(23,936)**	4,088
Investment return	**(15,156)**	12,748

Note:

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

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

US$m	Year ended 31 December 2022	Year ended 31 December 2021
Foreign exchange (losses)/gains	**(24)**	524

Other operating revenue

The balance of other operating revenue largely consists of asset management fees, administrative fees and membership fees.

10. EXPENSES

US$m	Year ended 31 December 2022	Year ended 31 December 2021
Insurance contract benefits	**16,916**	16,194
Change in insurance contract liabilities	**(3,633)**	15,750
Investment contract benefits	**(1,125)**	437
Insurance and investment contract benefits	**12,158**	32,381
Insurance and investment contract benefits ceded	**(2,194)**	(2,326)
Insurance and investment contract benefits, net of reinsurance ceded	**9,964**	30,055
Commission and other acquisition expenses incurred	**5,229**	5,687
Deferral and amortisation of acquisition costs	**(1,213)**	(1,090)
Commission and other acquisition expenses	**4,016**	4,597
Employee benefit expenses	**1,986**	1,899
Depreciation	**250**	268
Amortisation	**121**	93
Other operating expenses(1)	**894**	771
Operating expenses	**3,251**	3,031
Investment management expenses and others	**603**	621
Depreciation on property held for own use	**33**	33
Restructuring and other non-operating costs(2)	**360**	338
Change in third-party interests in consolidated investment funds	**(34)**	14
Other expenses	**962**	1,006
Finance costs	**394**	357
Total	**18,587**	39,046

Other operating expenses include auditors' remuneration of US$37m (2021: US$28m), an analysis of which is set out below:

US$m	Year ended 31 December 2022	Year ended 31 December 2021
Audit services	**23**	21
Non-audit services, including:		
Audit-related services	**14**	5
Tax services	**–**	1
Other services	**–**	1
Total	**37**	28

Notes:

(1) Includes payments for short-term leases of US$2m (2021: US$6m).

(2) 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.

10. EXPENSES (continued)

Depreciation consists of:

US$m	Year ended 31 December 2022	Year ended 31 December 2021
Computer hardware, fixtures and fittings and others	**83**	88
Right-of-use assets		
Property held for own use	**166**	180
Computer hardware	**1**	–
Total	**250**	268

Finance costs may be analysed as:

US$m	Year ended 31 December 2022	Year ended 31 December 2021
Repurchase agreements	**22**	34
Medium-term notes and securities	**337**	301
Other loans	**22**	8
Lease liabilities	**13**	14
Total	**394**	357

Employee benefit expenses consist of:

US$m	Year ended 31 December 2022	Year ended 31 December 2021
Wages and salaries	**1,633**	1,548
Share-based compensation	**66**	80
Pension costs – defined contribution plans	**128**	121
Pension costs – defined benefit plans	**10**	11
Other employee benefit expenses	**149**	139
Total	**1,986**	1,899

11. INCOME TAX

US$m	Year ended 31 December 2022	Year ended 31 December 2021
Tax charged in the consolidated income statement		
Current income tax – Hong Kong Profits Tax	**153**	173
Current income tax – overseas	**624**	808
Deferred income tax on temporary differences	**(606)**	10
Total	**171**	991

Corporate income tax

Taxation is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions of which the most significant jurisdictions are outlined below.

	Year ended 31 December 2022	Year ended 31 December 2021
Mainland China	**25%**	25%
Hong Kong	**16.5%**	16.5%
Thailand	**20%**	20%
Singapore	**17%**	17%
Malaysia	**24%**	24%
Other Markets	**12% – 30%**	12% – 30%

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

In 2022, changes in the corporate income tax rates have been enacted in Myanmar, Sri Lanka and South Korea. For Myanmar, the corporate income tax rate changed from 25 per cent to 22 per cent effective from 1 October 2021. For Sri Lanka, the corporate income tax rate changed from 24 per cent to 30 per cent effective from 1 October 2022. For South Korea, the corporate income tax rate will further change to 23.2 per cent effective from 1 January 2023.

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.

Withholding tax on dividends

In some jurisdictions where the Group operates, dividends remitted by subsidiaries to the Group are subject to withholding tax. The Group recognises deferred tax liabilities in respect of unremitted earnings of operations in jurisdictions where withholding tax charge would be incurred upon dividend distribution.

11. INCOME TAX (continued)

US$m	Year ended 31 December 2022	Year ended 31 December 2021
Income tax reconciliation		
Profit before income tax	**491**	8,468
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**89**	1,559
Reduction in tax payable from:		
Life insurance tax[1]	**–**	(192)
Exempt investment income	**(134)**	(501)
Adjustments in respect of prior years	**(43)**	(2)
Change in tax rate and law	**(18)**	(37)
Others	**–**	(2)
	(195)	(734)
Increase in tax payable from:		
Life insurance tax[1]	**169**	–
Withholding taxes	**39**	132
Disallowed expenses	**8**	12
Unrecognised deferred tax assets	**51**	18
Provisions for uncertain tax positions[2]	**2**	4
Others	**8**	–
	277	166
Total income tax expense	**171**	991

Notes:

(1) Life insurance tax refers to the differences which arise where the tax regime specific to the life insurance business does not adopt net income as the basis for calculating taxable profit, for example Hong Kong, where life business taxable profit is derived from life premiums.

(2) Provisions for uncertain tax positions relate to situations where the Group's interpretation of the relevant law or regulation may differ from that of the tax authorities. Provisions are recognised based on management's judgement and best estimate in relation to the probability or likelihood of different outcomes arising, which is subject to periodic re-assessment. Due to the uncertainty associated with these items, there remains a possibility that the final outcomes may differ on conclusion of the relevant tax matters at a future date.

11. INCOME TAX (continued)

The movement in net deferred tax liabilities in the year may be analysed as set out below:

US$m	Net deferred tax asset/ (liability) at 1 January 2022	Acquisition of a subsidiary	Credited/ (charged) to the income statement	Credited/(charged) to other comprehensive income: Fair value reserve[2]	Credited/(charged) to other comprehensive income: Foreign currency translation reserve	Others	Net deferred tax asset/ (liability) at 31 December 2022
Revaluation of financial instruments	**(1,880)**	**–**	**231**	**1,737**	**59**	**–**	**147**
Deferred acquisition costs	**(3,657)**	**–**	**(223)**	**–**	**214**	**–**	**(3,666)**
Insurance and investment contract liabilities	**986**	**–**	**193**	**–**	**(77)**	**–**	**1,102**
Withholding taxes	**(273)**	**–**	**8**	**–**	**20**	**–**	**(245)**
Provision for expenses	**139**	**–**	**(15)**	**–**	**(8)**	**(6)**	**110**
Losses available for offset against future taxable income	**245**	**–**	**(32)**	**–**	**(12)**	**–**	**201**
Life surplus[1]	**(956)**	**–**	**264**	**–**	**20**	**–**	**(672)**
Others	**(536)**	**–**	**180**	**–**	**(13)**	**(1)**	**(370)**
Total	**(5,932)**	**–**	**606**	**1,737**	**203**	**(7)**	**(3,393)**

US$m	Net deferred tax asset/ (liability) at 1 January 2021	Acquisition of a subsidiary[3]	Credited/ (charged) to the income statement	Credited/(charged) to other comprehensive income: Fair value reserve[2]	Credited/(charged) to other comprehensive income: Foreign currency translation reserve	Others	Net deferred tax asset/ (liability) at 31 December 2021
Revaluation of financial instruments	(2,473)	(12)	(172)	779	(2)	–	(1,880)
Deferred acquisition costs	(3,608)	–	(171)	–	122	–	(3,657)
Insurance and investment contract liabilities	304	43	664	–	(25)	–	986
Withholding taxes	(202)	–	(84)	–	13	–	(273)
Provision for expenses	144	–	4	–	(5)	(4)	139
Losses available for offset against future taxable income	249	3	–	–	(7)	–	245
Life surplus[1]	(929)	–	(53)	–	33	(7)	(956)
Others	(364)	–	(198)	–	26	–	(536)
Total	(6,879)	34	(10)	779	155	(11)	(5,932)

Notes:

(1) Life surplus relates to the temporary difference which arises where the taxable profits are based on actual distributions from the long-term fund. This primarily relates to Singapore and Malaysia.

(2) Include tax credit of US$1,779m (2021: tax credit of US$703m) relates to fair value losses on available for sale financial assets and tax charge of US$42m (2021: tax credit of US$76m) relates to fair value losses or gains on available for sale financial assets transferred to profit or loss upon disposal and impairment.

(3) The amount of US$34m represents a one-time adjustment in respect of the acquisition of AIA Everest.

11. INCOME TAX (continued)

The principal temporary differences arise from the basis of recognition of insurance and investment contract liabilities, revaluation of certain financial assets and liabilities including derivative contracts, deferred acquisition costs and the future taxes arising on the surplus in life funds where the relevant local tax regime is distributions-based.

Deferred tax assets are recognised to the extent that sufficient future taxable profits will be available for realisation. The Group has not recognised deferred tax assets of US$85m (2021: US$56m) on tax losses and the temporary difference on insurance and investment contract liabilities arising from different accounting and statutory/tax reserving methodology for certain branches and subsidiaries on the basis that they have histories of tax losses and there is insufficient evidence that future taxable profits will be available.

The Group has not provided deferred tax liabilities of US$143m (2021: US$277m) in respect of unremitted earnings of operations in jurisdictions from which a withholding tax charge would be incurred upon distribution as the Group does not consider it probable that this portion of accumulated earnings will be remitted in the foreseeable future.

The Group has unused income tax losses carried forward in Mainland China, Hong Kong, Thailand, Singapore, Malaysia, Australia, Brunei, Cambodia, Macau, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka and Taiwan (China). The tax losses in Hong Kong, Singapore, Australia and New Zealand can be carried forward indefinitely. The tax losses of remaining branches and subsidiaries are due to expire within the periods ending 2023 (Mainland China), 2025 (Macau and Myanmar), 2027 (Cambodia, the Philippines and Thailand), 2028 (Brunei and Sri Lanka), 2031 (Malaysia) and 2032 (South Korea and Taiwan (China)).

12. EARNINGS PER SHARE

Basic

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

	Year ended 31 December 2022	Year ended 31 December 2021
Net profit attributable to shareholders of AIA Group Limited (US$m)	**282**	7,427
Weighted average number of ordinary shares outstanding (million)	**11,929**	12,066
Basic earnings per share (US cents)	**2.36**	61.55

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 39.

	Year ended 31 December 2022	Year ended 31 December 2021
Net profit attributable to shareholders of AIA Group Limited (US$m)	**282**	7,427
Weighted average number of ordinary shares outstanding (million)	**11,929**	12,066
Adjustment for share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted under share-based compensation plans (million)	**9**	21
Weighted average number of ordinary shares for diluted earnings per share (million)	**11,938**	12,087
Diluted earnings per share (US cents)	**2.36**	61.45

At 31 December 2022, 4,431,307 share options (2021: 1,839,793) were excluded from the diluted weighted average number of ordinary shares calculation as they have no effect to the dilutive earnings per share.

Operating profit after tax per share

Operating profit after tax (see note 6) per share is calculated by dividing the operating profit after tax attributable to shareholders of AIA Group Limited by the weighted average number of ordinary shares outstanding during the year. The dilutive instruments are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 39.

	Year ended 31 December 2022	Year ended 31 December 2021
Basic operating profit after tax per share (US cents)	**53.40**	53.12
Diluted operating profit after tax per share (US cents)	**53.36**	53.02

13. DIVIDENDS

Dividends to shareholders of the Company attributable to the year:

US$m	Year ended 31 December 2022	Year ended 31 December 2021
Interim dividend declared and paid of 40.28 Hong Kong cents per share (2021: 38.00 Hong Kong cents per share)	**609**	589
Final dividend proposed after the reporting date of 113.40 Hong Kong cents per share (2021: 108.00 Hong Kong cents per share)[1]	**1,702**	1,671
Total	**2,311**	2,260

Notes:

(1) Based upon shares outstanding at 31 December 2022 and 2021 that are entitled to a dividend, other than those held by employee share-based trusts.

(2) Interim dividends on ordinary shares are recognised when they have been paid. Final dividends on ordinary shares are recognised when they have been approved by shareholders.

The above final dividend was proposed by the Board on 10 March 2023 subject to shareholders' approval at the AGM to be held on 18 May 2023 The proposed final dividend has not been recognised as a liability at the reporting date.

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

US$m	Year ended 31 December 2022	Year ended 31 December 2021
Final dividend in respect of the previous financial year, approved and paid during the year of 108.00 Hong Kong cents per share (2021: 100.30 Hong Kong cents per share)	**1,650**	1,558

14. INTANGIBLE ASSETS

US$m	Goodwill	Computer software	Distribution and other rights	Total
Cost				
At 1 January 2021	1,659	823	911	3,393
Additions	–	144	311	455
Acquisition of a subsidiary	274	1	–	275
Disposals and derecognition	–	(23)	(309)	(332)
Foreign exchange movements	(79)	(22)	(10)	(111)
At 31 December 2021	**1,854**	**923**	**903**	**3,680**
Additions	**–**	**364**	**296**	**660**
Acquisition of subsidiaries	**207**	**3**	**–**	**210**
Disposals	**–**	**(19)**	**(28)**	**(47)**
Foreign exchange movements	**(105)**	**(49)**	**(27)**	**(181)**
At 31 December 2022	**1,956**	**1,222**	**1,144**	**4,322**
Accumulated amortisation and impairment				
At 1 January 2021	(4)	(512)	(243)	(759)
Amortisation charge for the year	–	(93)	(46)	(139)
Disposals and derecognition	–	20	86	106
Foreign exchange movements	–	16	10	26
At 31 December 2021	**(4)**	**(569)**	**(193)**	**(766)**
Amortisation charge for the year	**–**	**(121)**	**(46)**	**(167)**
Disposals	**–**	**11**	**20**	**31**
Impairment loss	**(176)**	**–**	**–**	**(176)**
Foreign exchange movements	**–**	**27**	**6**	**33**
At 31 December 2022	**(180)**	**(652)**	**(213)**	**(1,045)**
Net book value				
At 31 December 2021	1,850	354	710	2,914
At 31 December 2022	**1,776**	**570**	**931**	**3,277**

Intangible assets in this note exclude deferred acquisition and origination costs, which are separately disclosed with further details provided in note 19.

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

14. INTANGIBLE ASSETS (continued)

Impairment tests for goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill arises primarily in respect of the Group's insurance businesses in Malaysia of US$666m (2021: US$704m), Hong Kong of US$481m (2021: US$274m), Australia of US$406m (2021: US$609m), and New Zealand of US$153m (2021: US$164m).

On 26 August 2022, the Group paid in cash a total gross consideration of HK$2,225m (approximately US$283m) and acquired 100 per cent of the voting equity of Blue Cross (Asia-Pacific) Insurance Limited (Blue Cross).

A goodwill of US$207m was recognised on the excess of cash consideration paid over the net identifiable assets acquired for Blue Cross and Blue Care JV (BVI) Holdings Limited.

During the year ended 31 December 2022, the Group recognised an impairment loss of US$176m primarily related to our businesses in Australia including Australian Savings and Investments (S&I) business.

Goodwill is tested for impairment by comparing the carrying amount of the cash-generating unit (group of units), including goodwill, to the recoverable amount of that cash-generating unit (group of units). If the recoverable amount of the unit (group of units) exceeds the carrying amount of the unit (group of units), the goodwill allocated to that unit (group of units) shall be regarded as not impaired. The recoverable amount is the value in use of the cash-generating unit (group of units) unless otherwise stated.

The value in use is determined by calculating as an actuarially determined appraisal value, based on embedded value of the business and the present value of expected future new business of the cash-generating unit (group of units). The present value of expected future new business is based on financial budgets approved by management, typically covering a three year period unless otherwise stated. These financial budgets reflect management's best estimate of future profit based on historical experience and best estimate operating assumptions such as premium and expenses. Further, the present value of expected future new business beyond this initial three year period are extrapolated using a perpetual growth rate, which typically does not exceed the long-term expected Gross Domestic Product (GDP) growth of the geographical area in which the cash flows supporting the goodwill are generated.

The key assumptions used in the embedded value calculations include risk discount rate, investment returns, mortality, morbidity, persistency, expenses and inflation. In the majority of instances these assumptions are aligned to those assumptions detailed in Section 5 of Supplementary Embedded Value Information. The present value of expected future new business is calculated based on a combination of indicators which include, among others, taking into account recent production mix, business strategy, market trends and risk associated with the future new business projections. The risk discount rates that are used in the value in use of in-force business and present value of expected future new business ranges from 7 per cent to 14 per cent (2021: 7 per cent to 16 per cent) and the perpetual growth rates for future new business cash flows of 3 per cent (2021: 3 per cent) was used, where applicable, to extrapolate the present value of expected future new business beyond the initial three year period; the rate was determined by reference to the long-term expected GDP growth of the geographical area in which the cash flows supporting the goodwill are generated. The Group may apply alternative methods to estimate the value of future new business if the described method is not appropriate under the circumstances.

15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

US$m	As at 31 December 2022	As at 31 December 2021
Group		
Investments in associates	**2,062**	646
Investments in joint ventures	**30**	33
Total	**2,092**	679

Associates are entities over which the Group has significant influence, but which it does not control or joint control. Generally, it is presumed that the Group has significant influence if it has between 20 per cent and 50 per cent of voting rights. Joint ventures are entities whereby the Group and other parties undertake an economic activity which is subject to joint control arising from a contractual agreement.

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.

Investments in associates and joint ventures are accounted for using the equity method of accounting. Due to timing of the information provided by China Post Life Insurance Co., Ltd. and Tata AIA Life Insurance Company Limited, these investments are reported on a one-quarter-lag-basis.

Goodwill arising on associates and joint ventures is included within the carrying value of those investments. These are held for their long-term contribution to the Group's performance, therefore all amounts are expected to be realised more than 12 months after the end of the reporting period.

The Group's interests in its principal associates and joint ventures are as follows:

				Group's interests %	
	Place of incorporation	Principal activity	Type of shares held	As at 31 December 2022	As at 31 December 2021
China Post Life Insurance Co., Ltd.	Mainland China	Insurance	Ordinary	**24.99%**	–
Tata AIA Life Insurance Company Limited	India	Insurance	Ordinary	**49%**	49%

All associates and joint ventures are unlisted.

Aggregated financial information of associates and joint ventures

The investments in the associates and joint ventures are measured using the equity method. The following table analyses, in aggregate, the carrying amount and share of losses and other comprehensive (expense)/income of these associates and joint ventures.

US$m	Year ended 31 December 2022	Year ended 31 December 2021
Carrying amount in the statement of financial position	**2,092**	679
Losses from continuing operations	**(32)**	(11)
Other comprehensive (expense)/income	**(435)**	43
Total comprehensive (expense)/income	**(467)**	32

16. PROPERTY, PLANT AND EQUIPMENT

US$m	Property held for own use	Computer hardware	Fixtures and fittings and others	Total
Cost or revaluation				
At 1 January 2021	2,753	249	620	3,622
Additions	196	28	45	269
Disposals	(94)	(15)	(27)	(136)
Net transfer from investment property	15	–	–	15
Increase from valuation	76	–	–	76
Foreign exchange movements	(47)	(8)	(17)	(72)
At 31 December 2021	**2,899**	**254**	**621**	**3,774**
Additions	**167**	**31**	**41**	**239**
Acquisition of subsidiaries	**–**	**1**	**–**	**1**
Disposals	**(202)**	**(12)**	**(41)**	**(255)**
Net transfers from investment property	**157**	**–**	**–**	**157**
Increase from valuation	**53**	**–**	**–**	**53**
Foreign exchange movements	**(69)**	**(12)**	**(26)**	**(107)**
At 31 December 2022	**3,005**	**262**	**595**	**3,862**
Accumulated depreciation				
At 1 January 2021	(291)	(203)	(406)	(900)
Depreciation charge for the year	(213)	(27)	(61)	(301)
Disposals	80	14	24	118
Revaluation adjustment	31	–	–	31
Foreign exchange movements	3	7	12	22
At 31 December 2021	**(390)**	**(209)**	**(431)**	**(1,030)**
Depreciation charge for the year	**(199)**	**(28)**	**(56)**	**(283)**
Disposals	**170**	**9**	**36**	**215**
Impairment loss	**–**	**–**	**(9)**	**(9)**
Revaluation adjustment	**32**	**–**	**–**	**32**
Foreign exchange movements	**25**	**11**	**21**	**57**
At 31 December 2022	**(362)**	**(217)**	**(439)**	**(1,018)**
Net book value				
At 31 December 2021	2,509	45	190	2,744
At 31 December 2022	**2,643**	**45**	**156**	**2,844**

The Group leases various properties, computer hardware, fixtures, fittings and other small items as a lessee. These leases, except for short-term leases and leases of low-value assets, are recognised as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Group. Right-of-use assets are presented as a component of property, plant and equipment or investment property while lease liabilities are presented as a component of other liabilities (see notes 17 and 33). The depreciation charge for right-of-use assets, by class of underlying asset, and finance cost on lease liabilities are disclosed in note 10. Assets and liabilities arising from a lease are initially measured on a present value basis. A maturity analysis of the Group's lease liabilities is disclosed in note 37.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Right-of-use assets in relation to leases are reported within property, plant and equipment. The carrying amount of right-of-use assets, by class of underlying asset, is set out below:

US$m	As at 31 December 2022	As at 31 December 2021
Property held for own use	**1,408**	1,473
Computer hardware	**2**	–
Fixtures and fittings and others	**2**	3
Total	**1,412**	1,476

Additions to right-of-use assets for the year ended 31 December 2022 were US$148m (2021: US$171m).

Properties held for own use and right-of-use assets with respect to the Group's interest in leasehold land and land use rights associated with property held for own use are carried at fair value at the reporting date less accumulated depreciation. The fair value at the reporting date is determined by independent professional valuers. Details of valuation techniques and process are disclosed in notes 3 and 22. All other property, plant and equipment and right-of-use assets in relation to other leased property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

During the year, US$68m expenditure (2021: US$46m) recognised in the carrying amount of property held for own use was in the course of its construction. Increase from revaluation on property held for own use of US$85m (2021: US$107m) were taken to other comprehensive income, of which US$35m (2021: US$66m) was related to right-of-use assets.

If property held for own use (excluding right-of-use assets) were stated on a historical cost basis, the carrying value would be US$375m (2021: US$357m). Similarly, stated on a historical basis the carrying value of the right-of-use assets related to the Group's interests in leasehold land and land use rights associated with property held for own use would be US$868m (2021: US$876m). The Group holds property, plant and equipment for its long-term use and, accordingly, the annual depreciation charge approximates to the amount expected to be recovered through consumption within 12 months after the end of the reporting period.

17. INVESTMENT PROPERTY

US$m

Fair value	
At 1 January 2021	4,639
Additions and capitalised subsequent expenditures	139
Disposals	(4)
Net transfers to property, plant and equipment	(15)
Fair value gains	65
Foreign exchange movements	(108)
At 31 December 2021	**4,716**
Additions and capitalised subsequent expenditures	**68**
Disposals	**(5)**
Net transfers to property, plant and equipment	**(157)**
Fair value gains	**70**
Foreign exchange movements	**(92)**
At 31 December 2022	**4,600**

Investment property, including land and buildings, is initially recognised at cost with changes in fair values in subsequent periods recognised in the consolidated income statement. The fair values at the reporting date are determined by independent professional valuers. Details of valuation techniques and process are disclosed in notes 3 and 22.

The Group leases out its investment property under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease based on future negotiations. Lease payments are usually negotiated every one to five years to reflect market rentals. There were not any material contingent rentals earned as income for the period. Rental income generated from investment property amounted to US$161m (2021: US$166m). Direct operating expenses (including repair and maintenance) on investment property that generates rental income amounted to US$33m (2021: US$32m).

The Group owns investment property in the form of freehold land outside Hong Kong and leasehold land. Leasehold land which is held for long-term rental or capital appreciation or both that is not occupied by the Group is classified as investment property. They are leased out under operating leases and are initially recognised as right-of-use assets at cost, with changes in fair values in subsequent periods recognised in the consolidated income statement. The Group does not hold freehold land in Hong Kong.

The future undiscounted lease payments under operating leases that the Group expects to receive in future periods may be analysed as follows:

US$m	**As at 31 December 2022**	As at 31 December 2021
Leases of investment property classified as operating leases		
Expiring no later than one year	**124**	132
Expiring later than one year and no later than two years	**110**	97
Expiring later than two years and no later than three years	**56**	75
Expiring later than three years and no later than four years	**24**	28
Expiring later than four years and no later than five years	**16**	10
Expiring after five years or more	**12**	17
Total undiscounted lease receipts	**342**	359

18. REINSURANCE ASSETS

US$m	Note	As at 31 December 2022	As at 31 December 2021
Amounts recoverable from reinsurers		**1,270**	992
Ceded insurance and investment contract liabilities	26	**3,872**	3,999
Total[(1)]		**5,142**	4,991

Note:

(1) Including US$1,929m (2021: US$1,641m) which is expected to be recovered within 12 months after the end of the reporting period.

19. DEFERRED ACQUISITION AND ORIGINATION COSTS

US$m	As at 31 December 2022	As at 31 December 2021
Carrying amount		
Deferred acquisition costs on insurance contracts	**29,743**	28,385
Deferred origination costs on investment contracts	**205**	229
Value of business acquired	**355**	387
Less: Upfront reinsurance premium rebate	**(257)**	(293)
Total	**30,046**	28,708

	Year ended 31 December 2022	Year ended 31 December 2021
Movements in the year		
At beginning of financial year	**28,708**	27,915
Deferral and amortisation of acquisition and origination costs	**1,116**	1,142
Foreign exchange movements	**(1,036)**	(822)
Impact of assumption changes	**97**	(52)
Other movements	**1,161**	525
At end of financial year	**30,046**	28,708

Deferred acquisition and origination costs are expected to be recoverable over the mean term of the Group's insurance and investment contracts, and liability adequacy testing is performed at least annually to confirm their recoverability. Accordingly, the annual amortisation charge, which varies with investment performance for certain universal life and unit-linked products, approximates to the amount which is expected to be realised within 12 months of the end of the reporting period.

20. FINANCIAL INVESTMENTS

The following tables analyse the Group's financial investments by type and nature. The Group manages its financial investments in two distinct categories: unit-linked investments and policyholder and shareholder investments. The investment risk in respect of unit-linked investments is generally wholly borne by our customers, and does not directly affect the profit for the year before tax. Furthermore, unit-linked contract holders are responsible for allocation of their policy values amongst investment options offered by the Group. Although profit for the year before tax is not affected by unit-linked investments, the investment return from such financial investments is included in the Group's profit for the year before tax, as the Group has elected the fair value option for all unit-linked investments with corresponding changes in insurance and investment contract liabilities for unit-linked contracts. Policyholder and shareholder investments include all financial investments other than unit-linked investments. The investment risk in respect of policyholder and shareholder investments is partially or wholly borne by the Group.

Policyholder and shareholder investments are further categorised as participating funds and other participating business with discretionary expected sharing with policyholders and underlying distinct investment portfolios ("Other participating business with distinct portfolios"), and other policyholder and shareholder. Other participating business with distinct portfolios refers to business where it is expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory.

The reason for separately analysing financial investments held by participating funds and other participating business with distinct portfolios is that participating funds are subject to local regulations that generally prescribe a minimum proportion of policyholder participation in declared dividends, and for other participating business with distinct portfolios it is, as explained above, expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of the underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory. The Group has elected the fair value option for debt securities, equity shares and interests in investment funds of participating funds. For other participating business with distinct portfolio, the Group has elected the fair value option for equity shares, interests in investment funds and the available for sale classification for the majority of debt securities. The Group's accounting policy is to record an insurance liability for the proportion of net assets of the participating funds and other participating business with distinct portfolio that would be allocated to policyholders assuming all performance would be declared as a dividend based upon policyholder participation as at the date of the consolidated statement of financial position as described in note 2.3. As a result, the Group's net profit before tax for the year is impacted by the proportion of investment return that would be allocated to shareholders as described above.

Other policyholder and shareholder investments are distinct from unit-linked investments, participating funds and other participating business with distinct portfolios as there is not any direct contractual or regulatory requirement governing the amount, if any, for allocation to policyholders or it is not expected that the policyholder will receive at the discretion of the insurer additional benefits based on the performance of the underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory. The Group has elected to apply the fair value option for equity shares, interests in investment funds and exchangeable loan notes in this category and the available for sale classification in respect of the majority of debt securities in this category. The investment risk from investments in this category directly impacts the Group's financial statements. Although a proportion of investment return may be allocated to policyholders through policyholder dividends, the Group's accounting policy for insurance and certain investment contract liabilities utilises a net level premium methodology that includes best estimates as at the date of issue for non-guaranteed participation. To the extent investment return from these investments either is not allocated to participating contracts or varies from the best estimates, it will impact the Group's profit before tax.

In the following tables, "FVTPL" indicates financial investments classified at fair value through profit or loss and "AFS" indicates financial investments classified as available for sale.

20. FINANCIAL INVESTMENTS (continued)

Debt securities

In compiling the tables, external ratings have been used in accordance with the Group's credit risk assessment framework. Where external ratings are not readily available an internal rating methodology has been adopted, if applicable.

Credit risk limits are set according to the Group's credit risk assessment framework, which define the relative risk level of a debt security.

External ratings		Internal ratings	Reported as
Standard and Poor's and Fitch	Moody's		
AAA	Aaa	1	AAA
AA+ to AA-	Aa1 to Aa3	2+ to 2-	AA
A+ to A-	A1 to A3	3+ to 3-	A
BBB+ to BBB-	Baa1 to Baa3	4+ to 4-	BBB
BB+ and below	Ba1 and below	5+ and below	Below investment grade

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[1]	
US$m	FVTPL	AFS	FVTPL	AFS	Subtotal	FVTPL	FVTPL	Total
31 December 2022								
Government bonds[2]								
Thailand	**–**	**–**	**–**	**12,153**	**12,153**	**–**	**–**	**12,153**
Mainland China	**5,938**	**–**	**–**	**17,500**	**23,438**	**70**	**–**	**23,508**
South Korea	**–**	**–**	**–**	**5,917**	**5,917**	**253**	**–**	**6,170**
Singapore	**4,329**	**–**	**–**	**1,426**	**5,755**	**690**	**–**	**6,445**
Philippines	**–**	**–**	**–**	**1,633**	**1,633**	**236**	**–**	**1,869**
Malaysia	**1,463**	**–**	**–**	**806**	**2,269**	**90**	**–**	**2,359**
Indonesia	**–**	**–**	**201**	**435**	**636**	**102**	**–**	**738**
Other	**356**	**–**	**702**	**1,402**	**2,460**	**42**	**–**	**2,502**
Subtotal	**12,086**	**–**	**903**	**41,272**	**54,261**	**1,483**	**–**	**55,744**

Notes:

(1) Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds.

(2) Government bonds include bonds issued in local or foreign currencies by the government of the country where respective business unit operates. The Group's credit risk assessment framework does not apply credit risk limits on these government bonds, therefore credit ratings are not shown in the table. Of the total balance as at 31 December 2022, 99 per cent are rated as investment grade.

20. FINANCIAL INVESTMENTS (continued)

Debt securities (continued)

Debt securities by type comprise the following: (continued)

US$m	Policyholder and shareholder: Participating funds and other participating business with distinct portfolios FVTPL	AFS	Other policyholder and shareholder FVTPL	AFS	Subtotal	Unit-linked FVTPL	Consolidated investment funds(1) FVTPL	Total
31 December 2022								
Other government and government agency bonds(3)								
AAA	**2,547**	**490**	**184**	**6,226**	**9,447**	**210**	**257**	**9,914**
AA	**271**	**980**	**109**	**2,676**	**4,036**	**90**	**285**	**4,411**
A	**3,004**	**1,267**	**–**	**5,476**	**9,747**	**146**	**54**	**9,947**
BBB	**636**	**862**	**36**	**2,397**	**3,931**	**69**	**–**	**4,000**
Below investment grade	**5**	**16**	**11**	**245**	**277**	**5**	**–**	**282**
Not rated	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Subtotal	**6,463**	**3,615**	**340**	**17,020**	**27,438**	**520**	**596**	**28,554**
Corporate bonds								
AAA	**8**	**482**	**–**	**269**	**759**	**12**	**–**	**771**
AA	**339**	**2,488**	**9**	**2,229**	**5,065**	**13**	**329**	**5,407**
A	**4,138**	**15,519**	**44**	**14,051**	**33,752**	**260**	**1,374**	**35,386**
BBB	**4,301**	**14,783**	**125**	**14,654**	**33,863**	**557**	**463**	**34,883**
Below investment grade	**450**	**111**	**329**	**1,472**	**2,362**	**147**	**112**	**2,621**
Not rated	**–**	**5**	**15**	**1**	**21**	**234**	**60**	**315**
Subtotal	**9,236**	**33,388**	**522**	**32,676**	**75,822**	**1,223**	**2,338**	**79,383**
Structured securities(4)								
AAA	**31**	**–**	**80**	**35**	**146**	**46**	**–**	**192**
AA	**83**	**–**	**–**	**160**	**243**	**–**	**–**	**243**
A	**83**	**–**	**–**	**524**	**607**	**38**	**–**	**645**
BBB	**58**	**–**	**72**	**591**	**721**	**19**	**72**	**812**
Below investment grade	**–**	**–**	**54**	**–**	**54**	**–**	**67**	**121**
Not rated	**13**	**–**	**236**	**–**	**249**	**–**	**–**	**249**
Subtotal	**268**	**–**	**442**	**1,310**	**2,020**	**103**	**139**	**2,262**
Total(5)(6)	**28,053**	**37,003**	**2,207**	**92,278**	**159,541**	**3,329**	**3,073**	**165,943**

Notes:

(1) Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds.

(3) 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.

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

(5) Debt securities of US$9,885m are restricted due to local regulatory requirements.

(6) AFS debt securities with contractual terms that give rise to cash flows qualifying as SPPI in accordance with IFRS 9 amounted to US$128,864m with 98 per cent rated as investment grade.

20. FINANCIAL INVESTMENTS (continued)

Debt securities (continued)

Debt securities by type comprise the following: (continued)

US$m	Policyholder and shareholder							
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder			Unit-linked	Consolidated investment funds[1]	
	FVTPL	AFS	FVTPL	AFS	Subtotal	FVTPL	FVTPL	Total
31 December 2021								
Government bonds[2]								
Thailand	–	–	–	13,857	13,857	–	–	13,857
Mainland China	5,819	–	–	15,914	21,733	55	–	21,788
South Korea	–	–	–	7,271	7,271	283	–	7,554
Singapore	3,716	–	–	1,549	5,265	718	–	5,983
Philippines	–	–	–	2,094	2,094	132	–	2,226
Malaysia	1,161	–	–	823	1,984	123	–	2,107
Indonesia	–	–	176	569	745	128	–	873
Other	396	–	1,016	1,632	3,044	88	–	3,132
Subtotal	11,092	–	1,192	43,709	55,993	1,527	–	57,520
Other government and government agency bonds[3]								
AAA	2,682	689	7	2,948	6,326	194	288	6,808
AA	284	1,272	20	3,455	5,031	120	315	5,466
A	3,375	1,580	3	8,694	13,652	155	105	13,912
BBB	589	852	50	3,840	5,331	37	–	5,368
Below investment grade	26	23	13	315	377	5	–	382
Not rated	–	–	–	–	–	29	24	53
Subtotal	6,956	4,416	93	19,252	30,717	540	732	31,989

Notes:

(1) Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds.

(2) Government bonds include bonds issued in local or foreign currencies by the government of the country where respective business unit operates. The Group's credit risk assessment framework does not apply credit risk limits on these government bonds, therefore credit ratings are not shown in the table. Of the total balance as at 31 December 2021, 98 per cent are rated as investment grade.

(3) 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.

20. FINANCIAL INVESTMENTS (continued)

Debt securities (continued)

Debt securities by type comprise the following: (continued)

US$m	Policyholder and shareholder: Participating funds and other participating business with distinct portfolios FVTPL	AFS	Other policyholder and shareholder FVTPL	AFS	Subtotal	Unit-linked FVTPL	Consolidated investment funds(1) FVTPL	Total
31 December 2021								
Corporate bonds								
AAA	11	633	–	342	986	23	13	1,022
AA	335	3,218	817	2,603	6,973	7	311	7,291
A	4,746	20,235	237	20,872	46,090	245	1,451	47,786
BBB	4,624	20,988	140	21,507	47,259	650	556	48,465
Below investment grade	400	223	1,010	1,741	3,374	129	69	3,572
Not rated	–	–	18	–	18	221	25	264
Subtotal	10,116	45,297	2,222	47,065	104,700	1,275	2,425	108,400
Structured securities(4)								
AAA	60	–	122	20	202	95	–	297
AA	38	–	–	135	173	–	–	173
A	98	–	–	596	694	9	–	703
BBB	71	–	–	595	666	10	–	676
Below investment grade	–	–	–	1	1	–	–	1
Not rated	17	–	256	1	274	47	–	321
Subtotal	284	–	378	1,348	2,010	161	–	2,171
Total(5)(6)	28,448	49,713	3,885	111,374	193,420	3,503	3,157	200,080

Notes:

(1) Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds.

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

(5) Debt securities of US$9,238m are restricted due to local regulatory requirements.

(6) AFS debt securities with contractual terms that give rise to cash flows qualifying as SPPI in accordance with IFRS 9 amounted to US$160,465m with 98 per cent rated as investment grade.

The Group's debt securities classified at fair value through profit or loss are all designated at fair value through profit or loss.

20. FINANCIAL INVESTMENTS (continued)

Equity shares and interests in investment funds and exchangeable loan notes

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

	Policyholder and shareholder					
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder		Unit-linked	Consolidated investment funds[1]	
US$m	FVTPL	FVTPL	Subtotal	FVTPL	FVTPL	Total
31 December 2022						
Equity shares	**12,460**	**4,736**	**17,196**	**6,357**	**2,138**	**25,691**
Interests in investment funds and exchangeable loan notes	**10,175**	**5,605**	**15,780**	**16,925**	**5,872**	**38,577**
Total	**22,635**	**10,341**	**32,976**	**23,282**	**8,010**	**64,268**

	Policyholder and shareholder					
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder		Unit-linked	Consolidated investment funds[1]	
US$m	FVTPL	FVTPL	Subtotal	FVTPL	FVTPL	Total
31 December 2021						
Equity shares	15,718	5,096	20,814	7,258	2,750	30,822
Interests in investment funds and exchangeable loan notes	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.

20. FINANCIAL INVESTMENTS (continued)

Interests in structured entities

The Group has determined that the investment funds and structured securities, such as collateralised debt obligations, mortgage-backed securities and other asset-backed securities that the Group has interests are structured entities.

The Group has consolidated certain investment funds for which the Group provides guarantee on capital or rate of return to the investors and deemed to have control based on an analysis of the guidance in IFRS 10. For these investment funds, the Group has the ability to reduce the guaranteed rates of return, subject to obtaining approvals of applicable regulators. The Group has an obligation to absorb losses in the event that the returns of the funds are insufficient to cover the capital or rate of return guarantee provided to the investors.

The following table summarises the Group's interests in unconsolidated structured entities:

	As at 31 December 2022		As at 31 December 2021	
US$m	Investment funds	Structured securities[1]	Investment funds	Structured securities[1]
Available for sale debt securities	**1,864[2]**	**1,310**	2,818[2]	1,348
Debt securities at fair value through profit or loss	**551[2]**	**952**	709[2]	823
Interests in investment funds at fair value through profit or loss	**37,327**	**–**	40,195	–
Total	**39,742**	**2,262**	43,722	2,171

Notes:

(1) Structured securities include collateralised debt obligation, mortgage-backed securities and other asset-backed securities.

(2) Balance represents the Group's interests in debt securities issued by real estate investment trusts.

The Group's maximum exposure to loss arising from its interests in these unconsolidated structured entities is limited to the carrying amount of the assets. Dividend income and interest income are received during the reporting period from these interests in unconsolidated structured entities.

In addition, the Group receives management fees and trustee fees in respect of providing trustee, management and administrative services to certain retirement scheme funds and investment funds. These funds are not held and the associated investment risks are not borne by the Group, the Group does not have exposure to loss in these funds.

20. FINANCIAL INVESTMENTS (continued)

Loans and deposits

Loans and deposits by type comprise the following:

US$m	As at 31 December 2022	As at 31 December 2021
Policy loans	**3,823**	3,625
Mortgage loans on residential real estate	**469**	525
Mortgage loans on commercial real estate	**2**	44
Other loans	**360**	732
Allowance for loan losses	**(10)**	(13)
Loans	**4,644**	4,913
Term deposits	**2,509**	2,850
Promissory notes[1]	**1,491**	1,548
Total	**8,644**	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 31 December 2022, the restricted balance held within term deposits and promissory notes was US$381m (2021: US$1,905m).

Other loans include receivables from reverse repurchase agreements (reverse repos) under which the Group does not take physical possession of securities purchased under the agreements. Reverse repos are initially recorded at the cost of the loan or collateral advanced. At 31 December 2022, the carrying value of such receivables was US$261m (2021: US$407m).

At 31 December 2022, there was no material debt collateral received in respect of reverse repo.

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative exposure was as follows:

		Fair value	
US$m	Notional amount	Assets	Liabilities
31 December 2022			
Foreign exchange contracts			
Cross-currency swaps	**6,994**	**220**	**(295)**
Forwards	**6,025**	**56**	**(86)**
Foreign exchange futures	**48**	**-**	**-**
Total foreign exchange contracts	**13,067**	**276**	**(381)**
Interest rate contracts			
Interest rate swaps	**8,500**	**240**	**(283)**
Other			
Warrants and options	**1,344**	**27**	**(1)**
Forward contracts	**37,995**	**74**	**(8,056)**
Swaps	**2,051**	**13**	**(18)**
Netting	**(48)**	**-**	**-**
Total	**62,909**	**630**	**(8,739)**
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$32m (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.

21. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivative assets and derivative liabilities are recognised in the 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 consolidated statement of financial position as they do not represent the fair value of these transactions. The notional amounts in the previous table reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of derivative transactions.

Foreign exchange contracts

Foreign exchange forward and futures contracts represent agreements to exchange 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 31 December 2022, the Group had posted cash collateral of US$309m (2021: US$322m) and pledged debt securities with carrying value of US$9,656m (2021: US$664m) for liabilities, and held cash collateral of US$231m (2021: US$642m) and debt securities collateral with carrying value of US$55m (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.

22. FAIR VALUE MEASUREMENT

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 DPF which are accounted for under IFRS 4.

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

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 2022						
Financial investments	20					
Loans and deposits		–	–	**8,644**	**8,644**	**8,739**
Debt securities		**36,662**	**129,281**	–	**165,943**	**165,943**
Equity shares, interests in investment funds and exchangeable loan notes		**64,268**	–	–	**64,268**	**64,268**
Derivative financial instruments	21	**630**	–	–	**630**	**630**
Reinsurance receivables	18	–	–	**1,270**	**1,270**	**1,270**
Other receivables	23	–	–	**3,468**	**3,468**	**3,468**
Accrued investment income	23	–	–	**1,836**	**1,836**	**1,836**
Cash and cash equivalents	25	–	–	**8,969**	**8,969**	**8,969**
Financial assets		**101,560**	**129,281**	**24,187**	**255,028**	**255,123**

	Notes	Fair value through profit or loss	Cost/ amortised cost	Total carrying value	Total fair value
Financial liabilities					
Investment contract liabilities	27	**9,211**	**530**	**9,741**	**9,741**
Borrowings	29	–	**11,206**	**11,206**	**9,837**
Obligations under repurchase agreements	30	–	**1,748**	**1,748**	**1,748**
Derivative financial instruments	21	**8,739**	–	**8,739**	**8,739**
Other liabilities	33	**865**	**7,046**	**7,911**	**7,911**
Financial liabilities		**18,815**	**20,530**	**39,345**	**37,976**

22. FAIR VALUE MEASUREMENT (continued)

Fair value of financial instruments (continued)

US$m	Notes	Fair value		Cost/ amortised cost	Total carrying value	Total fair value
		Fair value through profit or loss	Available for sale			
31 December 2021						
Financial investments	20					
Loans and deposits		–	–	9,311	9,311	9,592
Debt securities		38,993	161,087	–	200,080	200,080
Equity shares, interests in investment funds and exchangeable loan notes		71,017	–	–	71,017	71,017
Derivative financial instruments	21	1,468	–	–	1,468	1,468
Reinsurance receivables	18	–	–	992	992	992
Other receivables	23	–	–	3,352	3,352	3,352
Accrued investment income	23	–	–	1,837	1,837	1,837
Cash and cash equivalents	25	–	–	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	27	11,023	572	11,595	11,595
Borrowings	29	–	9,588	9,588	10,285
Obligations under repurchase agreements	30	–	1,588	1,588	1,588
Derivative financial instruments	21	1,392	–	1,392	1,392
Other liabilities	33	925	7,599	8,524	8,524
Financial liabilities		13,340	19,347	32,687	33,384

The carrying amount of assets included in the above tables represents the maximum credit exposure.

Foreign currency exposure, including the net positions of foreign currency derivative, is shown in note 37 for the Group's key foreign exchange exposures.

The fair value of investment contract liabilities measured at amortised cost is not considered to be materially different from the amortised cost carrying value.

The carrying value of financial instruments expected to be settled within 12 months (after taking into account valuation allowances, where applicable) is not considered to be materially different from the fair value.

22. FAIR VALUE MEASUREMENT (continued)

Fair value measurements on a recurring basis

The Group measures at fair value property held for own use, investment property, financial instruments classified at fair value through profit or loss, available for sale securities portfolios, derivative assets and liabilities, investments held by investment funds which are consolidated, investments in non-consolidated investment funds and certain investment contract liabilities on a recurring basis.

The fair value of a financial instrument is the amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgement is used in measuring fair value. Conversely, financial instruments traded in other than active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgement. An active market is one in which transactions for the asset or liability being valued occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

An other than active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or in which little information is released publicly for the asset or liability being valued. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

Fair value of properties is based on valuation by independent professional valuers.

The Group does not have assets or liabilities measured at fair value on a non-recurring basis during the year ended 31 December 2022 and 2021.

The following methods and assumptions were used by the Group to estimate the fair value of financial instruments and properties.

Determination of fair value

Loans and receivables

For loans and advances that are repriced frequently and have not had any significant changes in credit risk, carrying amounts represent a reasonable estimate of fair values. The fair values of other loans are estimated by discounting expected future cash flows using interest rates offered for similar loans to borrowers with similar credit ratings.

The fair values of mortgage loans are estimated by discounting future cash flows using interest rates currently being offered in respect of similar loans to borrowers with similar credit ratings. The fair values of fixed rate policy loans are estimated by discounting cash flows at the interest rates charged on policy loans of similar policies currently being issued. Loans with similar characteristics are aggregated for purposes of the calculations. The carrying values of policy loans with variable rates approximate to their fair values.

Debt securities, equity shares, interests in investment funds and exchangeable loan notes

The fair values of equity shares, interests in investment funds and exchangeable loan notes are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. Fair values for fixed interest securities are based on quoted market prices, where available. For those investments not actively traded, fair values are estimated using values obtained from brokers, private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment. Priority is given to values from independent sources when available, but overall the source of pricing and/or valuation technique is chosen with the objective of arriving at the price at which an orderly transaction would take place between market participants on the measurement date. The inputs to determining fair value that are relevant to fixed interest securities include, but not limited to risk-free interest rates, the obligor's credit spreads, foreign exchange rates and credit default rates. For holdings in hedge funds and limited partnerships, fair values are determined based on the net asset values provided by the general partner or manager of each investment, the accounts of which are generally audited on an annual basis. The transaction price is used as the best estimate of fair value at inception.

22. FAIR VALUE MEASUREMENT (continued)

Determination of fair value (continued)

Derivative financial instruments

The Group values its derivative financial assets and liabilities using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contract terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The Group generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgement. Examples of inputs that are generally observable include foreign exchange spot and forward rates, benchmark interest rate curves and volatilities for commonly traded option products. Examples of inputs that may be unobservable include volatilities for less commonly traded option products and correlations between market factors.

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

Property held for own use and investment property

The Group engaged external, independent and qualified valuers to determine the fair value of the Group’s properties at least on an annual basis. The valuation on an open market value basis by independent professional valuer for certain investment properties was calculated by reference to net rental income allowing for reversionary income potential. The fair values of certain other properties were derived using the Market Data Approach. In this approach, the values are based on sales and listing of comparable property registered in the vicinity. Certain other properties are valued using a combination of these two methods.

The properties held for own use and investment properties, in most cases, are valued on the basis of the highest and best use of the properties that is physically possible, legally permissible and financially feasible. The current use of the properties is considered to be its highest and best use; records of recent sales and offerings of similar property are analysed and comparison made for such factors as size, location, quality and prospective use. On limited occasions, potential redevelopment of the properties in use would be taken into account when they would maximise the fair value of the properties; the Group is occupying these properties for operational purposes.

Cash and cash equivalents

The carrying amount of cash approximates its fair value.

Reinsurance receivables

The carrying amount of amounts receivable from reinsurers is not considered materially different to their fair value.

Fair value of securities sold under repurchase agreements and the associated payables

The contract values of payables under repurchase agreements approximate their fair value as these obligations are short-term in nature.

Other assets

The carrying amount of other financial assets is not materially different to their fair value. The fair values of deposits with banks are generally based on quoted market prices or, if unquoted, on estimates based on discounting future cash flows using available market interest rates offered for receivables with similar characteristics.

22. FAIR VALUE MEASUREMENT (continued)

Determination of fair value (continued)

Investment contract liabilities

For investment contract liabilities, the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts where the investment risk is borne by the policyholder, the fair value generally approximates to the fair value of the underlying assets.

Investment contracts with DPF enable the contract holder to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating business and are measured and classified according to the Group practice for insurance contract liabilities and hence are disclosed within note 26. These are not measured at fair value.

Borrowings

The fair values of borrowings have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities or prices obtained from brokers.

Other liabilities

The fair values of other unquoted financial liabilities are estimated by discounting expected future cash flows using current market rates applicable to their yield, credit quality and maturity, except for those without stated maturity, where the carrying value approximates to fair value.

Fair value hierarchy for fair value measurement on a recurring basis

Assets and liabilities recorded at fair value in the consolidated statement of financial position are measured and classified in a hierarchy for disclosure purposes consisting of three "levels" based on the observability of inputs available in the marketplace used to measure their fair values as discussed below:

- **Level 1:** Fair value measurements that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access as of the measurement date. Market price data is generally obtained from exchange or dealer markets. The Group does not adjust the quoted price for such instruments. Assets measured at fair value on a recurring basis and classified as Level 1 are actively traded equities. The Group considers that government debt securities issued by G7 countries (the United States, Canada, France, Germany, Italy, Japan, the United Kingdom) and traded in a dealer market to be Level 1, until they no longer trade with sufficient frequency and volume to be considered actively traded.

- **Level 2:** Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices that are observable for the asset and liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Assets and liabilities measured at fair value on a recurring basis and classified as Level 2 generally include government securities issued by non-G7 countries, most investment grade corporate bonds, hedge fund investments and derivative contracts.

- **Level 3:** Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Unobservable inputs are only used to measure fair value to the extent that relevant observable inputs are not available, allowing for circumstances in which there is little, if any, market activity for the asset or liability. Assets and liabilities measured at fair value on a recurring basis and classified as Level 3 include properties held for own use, investment properties, certain classes of structured securities, certain derivative contracts, private equity and real estate fund investments, and direct private equity investments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Group's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement. In making the assessment, the Group considers factors specific to the asset or liability.

22. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

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

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2022				
Non-financial assets				
Property held for own use	–	–	1,235	1,235
Investment property	–	–	4,600	4,600
Financial assets				
Available for sale				
Debt securities				
Participating funds and other participating business with distinct portfolios	–	36,996	6	37,002
Other policyholder and shareholder	–	90,413	1,866	92,279
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios	1	26,566	1,486	28,053
Unit-linked and consolidated investment funds	16	6,247	139	6,402
Other policyholder and shareholder	–	1,810	397	2,207
Equity shares, interests in investment funds and exchangeable loan notes				
Participating funds and other participating business with distinct portfolios	15,102	1,201	6,332	22,635
Unit-linked and consolidated investment funds	25,396	609	5,287	31,292
Other policyholder and shareholder	4,915	1,488	3,938	10,341
Derivative financial instruments				
Foreign exchange contracts	–	276	–	276
Interest rate contracts	–	240	–	240
Other contracts	17	56	41	114
Total assets on a recurring fair value measurement basis	45,447	165,902	25,327	236,676
% of Total	*19.2%*	*70.1%*	*10.7%*	*100.0%*
Financial liabilities				
Investment contract liabilities	–	8,863	348	9,211
Derivative financial instruments				
Foreign exchange contracts	–	381	–	381
Interest rate contracts	–	283	–	283
Other contracts	14	8,061	–	8,075
Other liabilities	–	865	–	865
Total liabilities on a recurring fair value measurement basis	14	18,453	348	18,815
% of Total	*0.1%*	*98.1%*	*1.8%*	*100.0%*

22. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

US$m	Fair value hierarchy Level 1	Level 2	Level 3	Total
31 December 2021				
Non-financial assets				
Property held for own use	–	–	1,037	1,037
Investment property	–	–	4,716	4,716
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, interests in investment funds and exchangeable loan notes				
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 assets on a recurring fair value measurement basis	60,007	201,290	17,021	278,318
% of Total	*21.6%*	*72.3%*	*6.1%*	*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 liabilities on a recurring fair value measurement basis	11	13,029	300	13,340
% of Total	*0.1%*	*97.7%*	*2.2%*	*100.0%*

22. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

The Group's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the year ended 31 December 2022, the Group transferred US$103m (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$28m of assets (2021: US$15m) from Level 2 to Level 1 during the year ended 31 December 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.

The tables below set out a summary of changes in the Group's Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended 31 December 2022 and 2021. The tables reflect gains and losses, including gains and losses on assets and liabilities categorised as Level 3 as at 31 December 2022 and 2021.

Level 3 assets and liabilities

US$m	Property held for own use	Investment property	Debt securities	Equity shares, interests in investment funds and exchangeable loan notes	Derivative financial assets/ (liabilities)	Investment contracts
At 1 January 2022	**1,037**	**4,716**	**2,796**	**8,472**	**–**	**(300)**
Net movement on investment contract liabilities	**–**	**–**	**–**	**–**	**–**	**(48)**
Total gains/(losses)						
Reported under investment return and other expenses in the consolidated income statement	**(17)**	**70**	**(54)**	**26**	**41**	**–**
Reported under fair value reserve, foreign currency translation reserve and property revaluation reserve in the consolidated statement of comprehensive income	**35**	**(92)**	**(279)**	**(189)**	**–**	**–**
Transfer to/from investment property	**157**	**(157)**	**–**	**–**	**–**	**–**
Purchases	**23**	**68**	**1,908**	**7,904**	**–**	**–**
Sales	**–**	**(5)**	**(202)**	**(637)**	**–**	**–**
Settlements	**–**	**–**	**(229)**	**(4)**	**–**	**–**
Transfer out of Level 3	**–**	**–**	**(46)**	**(15)**	**–**	**–**
At 31 December 2022	**1,235**	**4,600**	**3,894**	**15,557**	**41**	**(348)**
Change in unrealised gains or losses included in the consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return and other expenses	**(17)**	**70**	**(87)**	**(131)**	**41**	**–**

22. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

Level 3 assets and liabilities (continued)

US$m	Property held for own use	Investment property	Debt securities	Equity shares, interests in investment funds and exchangeable loan notes	Derivative financial assets/ (liabilities)	Investment contracts
At 1 January 2021	1,025	4,639	2,502	3,550	–	(12,026)
Net movement on investment contract liabilities	–	–	–	–	–	7
Total gains/(losses)						
Reported under investment return and other expenses in the consolidated income statement	(16)	65	2	644	–	–
Reported under fair value reserve, foreign currency translation reserve and property revaluation reserve in the consolidated statement of comprehensive income	4	(108)	3	(38)	–	–
Transfer to/from investment property	(2)	(15)	–	–	–	–
Purchases	26	139	898	4,580	–	–
Sales	–	(4)	(14)	(264)	–	–
Settlements	–	–	(601)	–	–	–
Transfer into/out of Level 3	–	–	6	–	–	11,719[1]
At 31 December 2021	1,037	4,716	2,796	8,472	–	(300)
Change in unrealised gains or losses included in the consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return and other expenses	(16)	65	(43)	635	–	–

Note:

(1) Of the total investment contract liabilities reported, US$11,719m have been valued based on quoted prices of the underlying investments hence they were classified as Level 2.

Movements in investment contract liabilities at fair value are offset by movements in the underlying portfolio of matching assets. Details of the movement in investment contract liabilities are provided in note 27.

Assets transferred out of Level 3 mainly relate to corporate debt instruments and 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.

22. FAIR VALUE MEASUREMENT (continued)

Significant unobservable inputs for Level 3 fair value measurements

As at 31 December 2022 and 2021, the valuation techniques and applicable unobservable inputs used to measure the Group's Level 3 financial instruments are summarised as follows:

Description	Fair value at 31 December 2022 (US$m)	Valuation techniques	Unobservable inputs	Range
Debt securities	**1,790**	**Discounted cash flows**	**Risk adjusted discount rate**	**3.30% - 30.09%**

Description	Fair value at 31 December 2021 (US$m)	Valuation techniques	Unobservable inputs	Range
Debt securities	978	Discounted cash flows	Risk adjusted discount rate	3.62% – 12.99%

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

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

Valuation processes

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

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

22. FAIR VALUE MEASUREMENT (continued)

Fair value of financial and insurance assets and liabilities for which the fair value is disclosed at reporting date

A summary of fair value hierarchy of assets and liabilities not carried at fair value but for which the fair value is disclosed as at 31 December 2022 and 2021 is given below.

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2022				
Assets for which the fair value is disclosed				
Financial assets				
Loans and deposits	**2,078**	**722**	**5,939**	**8,739**
Reinsurance receivables	**–**	**1,270**	**–**	**1,270**
Other receivables	**53**	**3,267**	**148**	**3,468**
Accrued investment income	**24**	**1,812**	**–**	**1,836**
Cash and cash equivalents	**8,969**	**–**	**–**	**8,969**
Total assets for which the fair value is disclosed	**11,124**	**7,071**	**6,087**	**24,282**
Liabilities for which the fair value is disclosed				
Financial liabilities				
Investment contract liabilities	**–**	**–**	**530**	**530**
Borrowings	**8,286**	**1,551**	**–**	**9,837**
Obligations under repurchase agreements	**–**	**1,748**	**–**	**1,748**
Other liabilities	**449**	**6,541**	**56**	**7,046**
Total liabilities for which the fair value is disclosed	**8,735**	**9,840**	**586**	**19,161**

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2021				
Assets for which the fair value is disclosed				
Financial assets				
Loans and deposits	2,332	2,892	4,368	9,592
Reinsurance receivables	–	991	1	992
Other receivables	61	3,222	69	3,352
Accrued investment income	47	1,790	–	1,837
Cash and cash equivalents	4,989	–	–	4,989
Total assets for which the fair value is disclosed	7,429	8,895	4,438	20,762
Liabilities for which the fair value is disclosed				
Financial liabilities				
Investment contract liabilities	–	–	572	572
Borrowings	9,390	895	–	10,285
Obligations under repurchase agreements	–	1,588	–	1,588
Other liabilities	545	6,987	67	7,599
Total liabilities for which the fair value is disclosed	9,935	9,470	639	20,044

23. OTHER ASSETS

US$m	As at 31 December 2022	As at 31 December 2021
Accrued investment income	**1,836**	1,837
Pension scheme assets		
Defined benefit pension scheme surpluses	**56**	48
Insurance receivables due from insurance and investment contract holders	**1,711**	1,628
Prepayment for investment in an associate[1]	**-**	1,865
Others[2]	**2,671**	2,709
Total	**6,274**	8,087

Notes:

(1) Represents the payment for the 24.99 per cent equity stake, post investment, in China Post Life Insurance Co., Ltd. (China Post Life) in 2021. The investment was completed on 11 January 2022, upon receiving all necessary regulatory approvals.

(2) Represents, among others, prepayments and investment-related receivables.

All amounts other than certain prepayments are generally expected to be recovered within 12 months after the end of the reporting period.

24. IMPAIRMENT OF FINANCIAL ASSETS

In accordance with the Group's accounting policies, impairment reviews were performed for available for sale debt securities and loans and receivables.

Available for sale debt securities

No material impairment loss was recognised in respect of available for sale debt securities during the year ended 31 December 2022 and 31 December 2021.

The carrying amounts of available for sale debt securities that are individually determined to be impaired at 31 December 2022 was US$21m (2021: nil).

Loans and receivables

The Group's primary potential credit risk exposure in respect of loans and receivables arises in respect of policy loans and a portfolio of mortgage loans on residential and commercial real estate (see note 20 Financial investments for further details). The Group's credit exposure on policy loans is mitigated because, if and when the total indebtedness on any policy, including interest due and accrued, exceeds the cash surrender value, the policy terminates and becomes void. The Group has a first lien on all policies which are subject to policy loans.

The carrying amounts of loans and receivables that are individually determined to be impaired at 31 December 2022 was US$11m (2021: US$20m). The Group has a portfolio of residential and commercial mortgage loans which it originates. To the extent that any such loans are past their due dates specific allowance is made, together with a collective allowance, based on historical delinquency. Insurance receivables are short-term in nature and cover is not provided if consideration is not received. An ageing of accounts receivable is not provided as all amounts are due within one year and cover is cancelled if consideration is not received.

25. CASH AND CASH EQUIVALENTS

US$m	As at 31 December 2022	As at 31 December 2021
Cash	**3,367**	2,868
Cash equivalents	**5,602**	2,121
Total[1]	**8,969**	4,989

Note:

(1) US$926m (2021: US$892m) are held to back unit-linked contracts and US$367m (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.

26. INSURANCE CONTRACT LIABILITIES

The movements of insurance contract liabilities (including liabilities in respect of investment contracts with DPF) and ceded insurance contract liabilities (see note 18) are shown as follows:

US$m	Gross	Reinsurance	Net
At 1 January 2021	223,071	(3,889)	219,182
Valuation premiums and deposits	37,599	(2,258)	35,341
Liabilities released for policy termination or other policy benefits paid and related expenses	(25,634)	2,088	(23,546)
Fees from account balances	(2,652)	–	(2,652)
Accretion of interest	6,742	(37)	6,705
Change in net asset values attributable to policyholders	1,306	–	1,306
Acquisition of a subsidiary	3,687	(1)	3,686
Foreign exchange movements	(5,126)	98	(5,028)
Other movements	430	–	430
At 31 December 2021	**239,423**	**(3,999)**	**235,424**
Valuation premiums and deposits	**34,767**	**(2,148)**	**32,619**
Liabilities released for policy termination or other policy benefits paid and related expenses	**(25,758)**	**2,047**	**(23,711)**
Fees from account balances	**(2,610)**	**-**	**(2,610)**
Accretion of interest	**7,162**	**(36)**	**7,126**
Change in net asset values attributable to policyholders	**(27,243)**	**-**	**(27,243)**
Foreign exchange movements	**(6,308)**	**270**	**(6,038)**
Other movements	**1,280**	**(6)**	**1,274**
At 31 December 2022	**220,713**	**(3,872)**	**216,841**

26. INSURANCE CONTRACT LIABILITIES (continued)

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

US$m	As at 31 December 2022	As at 31 December 2021
Deferred profit	**31,721**	28,893
Unearned revenue	**3,061**	2,042
Policyholders' share of participating surplus	**6,467**	31,269
Liabilities for future policyholder benefits	**179,464**	177,219
Total	**220,713**	239,423

26. INSURANCE CONTRACT LIABILITIES (continued)

Business description

The table below summarises the key variables on which insurance and investment contract cash flows depend.

Type of contract		Material terms and conditions	Nature of benefits and compensation for claims	Factors affecting contract cash flows	Key reportable segments
Traditional participating life	Participating funds and other participating business with distinct portfolios	Participating products include protection and savings elements. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the aggregate amount of which is determined by the performance of a distinct fund of assets and liabilities. The timing of dividend and bonus declarations is at the discretion of the insurer For participating funds, local regulations generally prescribe a minimum proportion of policyholder participation in declared dividends For other participating business with distinct portfolios, the allocation of benefit from the assets held in such distinct portfolios is set according to the underlying bonus rule as determined by the relevant Board based on applicable regulatory requirements after considering the Appointed Actuary's recommendation. The extent of such policyholder participation may change over time	Minimum guaranteed benefits may be enhanced based on investment experience and other considerations	• Investment performance • Expenses • Mortality • Surrenders • Morbidity	Mainland China, Hong Kong, Singapore, Malaysia
	Other participating business without distinct portfolios	Participating products include protection and savings elements. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the timing or amount of which are at the discretion of the insurer taking into account factors such as investment experience	Minimum guaranteed benefits may be enhanced based on investment experience and other considerations	• Investment performance • Expenses • Mortality • Surrenders • Morbidity	Thailand, Other Markets
Traditional non-participating life		Benefits paid on death, maturity, sickness or disability that are fixed and guaranteed and not at the discretion of the insurer	Benefits, defined in the insurance contract, are determined by the contract and are not affected by investment performance or the performance of the contract as a whole	• Mortality • Morbidity • Lapses • Expenses	All[(1)]
Accident and health		These products provide morbidity or sickness benefits and include health, disability, critical illness and accident cover	Benefits, defined in the insurance contract, are determined by the contract and are not affected by investment performance or the performance of the contract as a whole	• Mortality • Morbidity • Lapses • Expenses	All[(1)]
Unit-linked		Unit-linked contracts combine savings with protection, the cash value of the policy depending on the value of unitised funds	Benefits are based on the value of the unitised funds and death benefits	• Investment performance • Lapses • Expenses • Mortality	All[(1)]
Universal life		The customer pays flexible premiums subject to specified limits accumulated in an account balance which are credited with interest at a rate set by the insurer, and a death benefit which may be varied by the customer	Benefits are based on the account balance and death benefit	• Investment performance • Crediting rates • Lapses • Expenses • Mortality	All[(1)]

Note:

(1) Other than the Group Corporate Centre segment.

26. INSURANCE CONTRACT LIABILITIES (continued)

Methodology and assumptions

The most significant items to which profit for the year and shareholders' equity are sensitive are market, insurance and lapse risks which are shown in the table below. Indirect exposure indicates that there is a second order impact. For example, whilst the profit for the year attributable to shareholders is not directly affected by investment income earned where the investment risk is borne by policyholders (for example, in respect of unit-linked contracts), there is a second-order effect through the investment management fees which the Group earns by managing such investments. The distinction between direct and indirect exposure is not intended to indicate the relative sensitivity to each of these items. Where the direct exposure is shown as being "net neutral", this is because the exposure to market and credit risks is offset by a corresponding movement in insurance contract liabilities.

		Market and credit risks			
		Direct exposure			
Type of contract		Insurance and investment contract liabilities	Risks associated with related investment portfolio	Indirect exposure	Significant insurance and lapse risks
Traditional participating life	Participating funds and other participating business with distinct portfolios	• Net neutral except for the insurer's share of participating investment performance • Guarantees	• Net neutral except for the insurer's share of participating investment performance • Guarantees	• Investment performance subject to smoothing through dividend declarations	• Impact of persistency on future dividends • Mortality • Morbidity
	Other participating business without distinct portfolios	• Net neutral except for the insurer's share of participating investment performance • Guarantees	• Net neutral except for the insurer's share of participating investment performance • Guarantees	• Investment performance subject to smoothing through dividend declarations	• Impact of persistency on future dividends • Mortality • Morbidity
Traditional non-participating life		• Guarantees • Asset-liability mismatch risk	• Investment performance • Asset-liability mismatch risk • Credit risk	• Not applicable	• Mortality • Persistency • Morbidity
Accident and health		• Asset-liability mismatch risk	• Investment performance • Credit risk • Asset-liability mismatch risk	• Not applicable	• Morbidity • Persistency
Pension		• Net neutral • Asset-liability mismatch risk	• Net neutral • Asset-liability mismatch risk	• Performance-related investment management fees	• Persistency
Unit-linked		• Net neutral	• Net neutral	• Performance-related investment management fees	• Persistency • Mortality
Universal life		• Guarantees • Asset-liability mismatch risk	• Investment performance • Credit risk • Asset-liability mismatch risk	• Spread between earned rate and crediting rate to policyholders	• Mortality • Persistency • Withdrawals

The Group is also exposed to foreign exchange rate risk in respect of its operations, and to credit spread risk, interest rate risk, credit risk and equity risk on assets representing net shareholders' equity, and to expense risk to the extent that actual expenses exceed those that can be charged to insurance and investment contract holders on non-participating business. Expense assumptions applied in the Group's actuarial valuation models assume a continuing level of business volumes.

26. INSURANCE CONTRACT LIABILITIES (continued)

Methodology and assumptions (continued)

Valuation interest rates

Cash flows of our traditional insurance contracts are discounted using the appropriate long-term investment return assumptions that reflect the expected underlying asset mix. In determining the long-term returns on the fixed income assets, an allowance is made for the risk of default which varies by the credit rating of the underlying asset. 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. Further, an adjustment is made to the long-term investment return assumptions to provide for the risk of adverse deviation. These assumptions are determined at the policy inception date and remain locked in thereafter, unless a deficiency arises on liability adequacy testing.

As at 31 December 2022 and 2021, the ranges of applicable valuation interest rates for traditional insurance contracts, which vary by operating segment, year of issuance and products, within the first 20 years are as follows:

	As at 31 December 2022	As at 31 December 2021
Mainland China	**2.75% – 7.00%**	2.75% – 7.00%
Hong Kong	**3.00% – 7.50%**	1.80% – 7.50%
Thailand	**2.14% – 9.00%**	2.14% – 9.00%
Singapore	**2.00% – 7.00%**	2.00% – 7.00%
Malaysia	**3.00% – 5.78%**	3.00% – 5.43%
Australia	**3.15% – 5.11%**	0.22% – 3.84%
New Zealand	**2.50% – 6.15%**	2.30% – 6.15%
Indonesia	**3.02% – 8.61%**	3.02% – 8.61%
Philippines	**2.20% – 9.20%**	2.20% – 9.20%
South Korea	**2.01% – 6.50%**	2.01% – 6.50%
Sri Lanka	**8.78% – 14.60%**	7.87% – 9.67%
Taiwan (China)	**1.75% – 6.50%**	1.75% – 6.50%
Vietnam	**4.44% – 11.48%**	4.44% – 11.48%

27. INVESTMENT CONTRACT LIABILITIES

US$m	**Year ended 31 December 2022**	Year ended 31 December 2021
At beginning of financial year	**11,860**	12,881
Investment contract benefits	**(1,125)**	437
Fees charged	**(60)**	(80)
Net withdrawals and other movements	**(375)**	(1,091)
Foreign exchange movements	**(329)**	(287)
At end of financial year(1)	**9,971**	11,860

Note:

(1) Of investment contract liabilities, US$230m (2021:US$265m) represents deferred fee income. Movement of deferred fee income of US$35m (2021:US$47m) represents revenue recognised as a result of performance obligations satisfied during the year.

28. EFFECT OF CHANGES IN ASSUMPTIONS AND ESTIMATES

The table below sets out the sensitivities of the assumptions in respect of insurance and investment contracts with DPF to key variables. This disclosure only allows for the impact on liabilities and related assets, such as reinsurance, and deferred acquisition costs and does not allow for offsetting movements in the fair value of financial assets backing those liabilities.

US$m	**As at 31 December 2022**	As at 31 December 2021
(Increase)/decrease in insurance contract liabilities, increase/(decrease) in equity and profit before tax		
0.5 pps increase in investment return	**94**	126
0.5 pps decrease in investment return	**(113)**	(144)
10% increase in expenses	**(58)**	(51)
10% increase in mortality rates	**(102)**	(89)
10% increase in lapse/discontinuance rates	**(82)**	(80)

Future policy benefits for the Group's majority traditional life insurance policies (including investment contracts with DPF) are calculated using a net level premium valuation method with reference to best estimate assumptions set at policy inception date unless a deficiency arises on liability adequacy testing. There is not any impact of the above assumption sensitivities on the carrying amount of these traditional life insurance liabilities as the sensitivities presented would not have triggered a liability adequacy adjustment. During the years presented there were not any effect of changes in assumptions and estimates on the Group's traditional life products, except for a limited number of cases where statutory requirements are adopted in the applicable jurisdiction.

For interest sensitive insurance contracts, such as universal life products and unit-linked contracts, assumptions are made at each reporting date including mortality, persistency, expenses, future investment earnings and future crediting rates.

The impact of changes in assumptions on the valuation of insurance and investment contracts with DPF was US$224m increase (2021: US$21m increase) in profit.

29. BORROWINGS

US$m	As at 31 December 2022	As at 31 December 2021
Medium-term notes and securities		
Senior notes	**7,480**	5,820
Subordinated securities	**3,726**	3,768
Total	**11,206**	9,588

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Interest expense on borrowings is shown in note 10. Further information relating to interest rates and the maturity profile of borrowings is presented in note 37.

The following table summarises the Company's outstanding medium-term notes and securities placed to the market at 31 December 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$1,100m	3.680%	12 years	16 January 2031
9 April 2019(1)	US$1,000m	3.600%	10 years	9 April 2029
7 April 2020(1)	US$1,000m	3.375%	10 years	7 April 2030
24 June 2020	A$90m	2.950%	10 years	24 June 2030
29 March 2022	HK$6,500m	2.250%	1.99 years	28 March 2024
24 October 2022	HK$1,200m	5.040%	2.99 years	17 October 2025
25 October 2022(1)	US$850m	5.625%	5 years	25 October 2027

Subordinated securities

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

Notes:
(1) These medium-term notes and securities are listed on The Stock Exchange of Hong Kong Limited.
(2) These medium-term notes are listed on The Taipei Exchange. The Company has the right to redeem these notes at par on 23 May of each year beginning on 23 May 2022.
(3) The Company has the right to redeem these securities, in whole, at par on predetermined dates as set out within the terms and conditions of the securities, subject to regulatory approval. 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 year ended 31 December 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 credit facility expiring in 2024 and a US$2,190m credit facility expiring in 2026. The credit facilities will be used for general corporate purposes. There were no outstanding borrowings under these credit facilities as of 31 December 2022 and 2021.

30. OBLIGATIONS UNDER REPURCHASE AGREEMENTS

The Group has entered into repurchase agreements whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. At 31 December 2022, the obligations under repurchase agreements were US$1,748m (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 de-recognition at each year end:

US$m	**As at 31 December 2022**	As at 31 December 2021
Debt securities – AFS		
Repurchase agreements	**1,810**	1,511
Debt securities – FVTPL		
Repurchase agreements	**71**	92
Total	**1,881**	1,603

Collateral under repurchase agreements

At 31 December 2022 and 31 December 2021, there was no material collateral in respect of repurchase agreements.

31. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Offsetting, enforceable master netting agreements and similar agreements

The following table shows the assets that are subject to offsetting, enforceable master netting agreements and similar arrangements at each year end:

US$m	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
31 December 2022						
Financial assets:						
Derivative assets	**630**	**–**	**630**	**(55)**	**(231)**	**344**
Reverse repurchase agreements	**261**	**–**	**261**	**(261)**	**–**	**–**
Total	**891**	**–**	**891**	**(316)**	**(231)**	**344**

US$m	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
31 December 2021						
Financial assets:						
Derivative assets	1,468	–	1,468	(21)	(642)	805
Reverse repurchase agreements	407	–	407	(407)	–	–
Total	1,875	–	1,875	(428)	(642)	805

31. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Offsetting, enforceable master netting agreements and similar agreements (continued)

The following table shows the liabilities that are subject to offsetting, enforceable master netting agreements and similar arrangements at each year end:

US$m	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
31 December 2022						
Financial liabilities:						
Derivative liabilities	**8,739**	**–**	**8,739**	**(9,656)**	**(309)**	**(1,226)**
Repurchase agreements	**1,748**	**–**	**1,748**	**(1,748)**	**–**	**–**
Total	**10,487**	**–**	**10,487**	**(11,404)**	**(309)**	**(1,226)**

US$m	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
31 December 2021						
Financial liabilities:						
Derivative liabilities	1,392	–	1,392	(664)	(322)	406
Repurchase agreements	1,588	–	1,588	(1,588)	–	–
Total	2,980	–	2,980	(2,252)	(322)	406

The Group entered into enforceable master netting agreements for derivative transactions, as well as the repurchase agreements for debt instruments with various counterparties. Except for certain futures contracts executed through clearing house mechanism where the settlement arrangement satisfied the IFRS netting criteria, the transactions under the enforceable master netting agreements and similar agreements involving the exchange of financial instruments or cash as collateral do not satisfy the IFRS netting criteria. The provision in the master netting agreement and similar agreements enables a party to terminate transactions early and settle at a net amount if a default or termination event occurs.

32. PROVISIONS

US$m	Employee benefits	Other	Total
At 1 January 2021	195	35	230
Charged to the consolidated income statement	11	24	35
Charged to other comprehensive income	(20)	–	(20)
Exchange differences	(14)	(1)	(15)
Released during the year	–	(5)	(5)
Utilised during the year	(13)	(17)	(30)
Other movements	(1)	–	(1)
At 31 December 2021	**158**	**36**	**194**
Charged to the consolidated income statement	**10**	**–**	**10**
Credited to other comprehensive income	**(21)**	**–**	**(21)**
Exchange differences	**(5)**	**(1)**	**(6)**
Released during the year	**–**	**(1)**	**(1)**
Utilised during the year	**(10)**	**(7)**	**(17)**
Other movements	**1**	**–**	**1**
At 31 December 2022	**133**	**27**	**160**

Other provisions

Other provisions comprise provisions in respect of regulatory matters, litigation, reorganisation and restructuring. In view of the diverse nature of the matters provided for and the contingent nature of the matters to which they relate, the Group is unable to provide an accurate assessment of the term over which provisions are expected to be utilised.

33. OTHER LIABILITIES

US$m	**As at 31 December 2022**	As at 31 December 2021
Trade and other payables	**4,947**	5,617
Lease liabilities	**395**	475
Third-party interests in consolidated investment funds	**865**	925
Reinsurance-related payables	**1,704**	1,507
Total	**7,911**	8,524

Third-party interests in consolidated investment funds consist of third-party unit holders' interests in consolidated investment funds which are reflected as a liability since they can be put back to the Group for cash.

Trade and other payables are generally expected to be settled within 12 months after the end of the reporting period. The realisation of third-party interests in investment funds cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds held to back insurance and investment contract liabilities and are subject to market risk and the actions of third-party investors.

Reinsurance-related payables of US$379m (2021: US$427m) are expected to be settled more than 12 months after the end of the reporting period.

34. SHARE CAPITAL AND RESERVES

Share capital

	As at 31 December 2022		As at 31 December 2021	
	Million shares	US$m	Million shares	US$m
Ordinary shares[1], issued and fully paid				
At beginning of the financial year	**12,097**	**14,160**	12,095	14,155
Shares issued under share option scheme and agency share purchase plan	**3**	**11**	2	5
Shares cancelled after repurchase under the share buy-back programme[2]	**(319)**	**–**	–	–
At end of the financial year, issued and fully paid	**11,781**	**14,171**	12,097	14,160
Shares not yet cancelled after repurchase under the share buy-back programme[2]	**(47)**	**–**	–	–
At end of the financial year, outstanding	**11,734**	**14,171**	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 366,267,400 ordinary shares on the Hong Kong Stock Exchange with the aggregate cost amounting to approximately HK$27,969m (equivalent to approximately US$3,570m). Of these shares, 319,150,200 shares were cancelled during the year and 47,117,200 shares were in the process of share cancellation as at 31 December 2022 and were cancelled subsequent to the reporting date on 9 January 2023.

The Company issued 1,895,760 shares under share option scheme (2021: 871,896 shares) and 1,119,763 shares under agency share purchase plan (2021: 1,192,355 shares) during the year ended 31 December 2022.

During the year ended 31 December 2022, the employee share-based trusts purchased 9,933,820 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 year ended 31 December 2022, 6,884,726 shares (2021: 6,714,317 shares) were transferred to eligible directors, officers and employees of the Group from the employee share-based trusts under share-based compensation plans as a result of vesting. As at 31 December 2022, 33,360,398 shares (2021: 30,311,301 shares) of the Company were held by the employee share-based trusts.

Reserves

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of 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.

35. NON-CONTROLLING INTERESTS

US$m	As at 31 December 2022	As at 31 December 2021
Equity shares in subsidiaries	**89**	80
Share of earnings	**409**	391
Share of other reserves	**(44)**	(4)
Total	**454**	467

36. 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 (MCR basis). The group minimum capital requirement (GMCR) is the sum of the minimum capital requirement 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 the changes in disclosure requirements from the HKIA, the Group LCSM surplus and the Group LCSM cover ratio are now based on prescribed capital requirements (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 cover ratio was 291 per cent compared with 399 per cent on the MCR basis reflecting higher capital requirements under the new PCR basis.

On the new PCR basis as at 31 December 2022, the Group LCSM cover ratio was 283 per cent.

36. 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 31 December 2022.

US$m	**As at 31 December 2022**	As at 31 December 2021
Group LCSM cover ratio (PCR basis)[1]	**283%**	n/a
Group LCSM cover ratio (MCR basis)[1]	**552%**	399%
Group available capital	**70,698**	67,611
Tier 1 capital[2]	**45,508**	n/a
Other Than Tier 1 capital	**25,190**	n/a
Group prescribed capital requirement (GPCR)	**24,989**	n/a
Group minimum capital requirement (GMCR)	**12,810**	16,948
Group LCSM surplus (PCR basis)[3]	**45,709**	n/a
Group LCSM surplus (MCR basis)[3]	**n/a**	50,663
Senior notes approved as contributing to group available capital[4]	**5,653**	5,820

Notes:

(1) The Group LCSM cover ratio definition changed from: (i) the ratio of group available capital to the GMCR at 31 December 2021 (MCR basis), to (ii) the ratio of the group available capital to the GPCR from 1 January 2022 onwards (PCR basis).

(2) Group Tier 1 capital is maintained in excess of GMCR. Group Tier 1 capital to GMCR ratio is 355 per cent at 31 December 2022.

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

(4) The amounts shown 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.

At 31 December 2022, the group available capital includes the following items, which are not included within Group Tier 1 capital:

(i) US$3,726m[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$5,653m[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.

Local Regulatory Solvency

The Group's individual branches and subsidiaries are also subject to the supervision of government regulators in the jurisdictions in which those branches and subsidiaries and their parent entity operate and, in relation to subsidiaries, in which they are incorporated.

The Group's principal operating companies AIA Co. and AIA International Limited (AIA International), as authorised insurers in Hong Kong, are required by the HKIA to meet the Hong Kong solvency requirements. During the year ended 31 December 2022 and 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.

37. RISK MANAGEMENT

Risk management framework

AIA recognises the importance of sound risk management in every aspect of our business and for all our stakeholders. The Risk Management Framework (RMF) provides the structure for identifying, quantifying and mitigating risk across the Group. An effective RMF is the key to avoiding the financial and reputational damage that arises from inadequate or ineffective control of the risks in the business.

Insurance risk

Insurance risk is the risk arising from changes in claims experience, business expenses, and the acquisition and persistency of insurance business. This also includes changes to assumptions regarding future experience for these risks.

Lapse

Lapse risk is the risk that policies lapse, on average, differently to that assumed in the pricing or reserving assumptions.

Ensuring customers buy products that meet their needs is central to the Group's Operating Philosophy. Through effective implementation of the Business Quality Framework, comprehensive sales training programmes and active monitoring of sales activities and persistency, the Group seeks to ensure that appropriate products are sold by qualified sales representatives and that standards of service consistently meet our customers' needs. Lapse risk is assessed as part of the product development process and monitored through regular experience studies.

Expense

Expense risk is the risk of greater than expected trends in, or sudden shocks to, the amount or timing of expenses incurred by the business.

Daily operations follow a disciplined budgeting and control process that allows for the management of expenses based on the Group's very substantial experience within the markets in which we operate.

Morbidity and Mortality

Morbidity and mortality risk is the risk that the incidence and/or amounts of medical/death claims are higher than the assumptions made in pricing and/or reserving.

The Group adheres to well-defined market-oriented underwriting and claims guidelines and practices that have been developed based on extensive historical experience and with the assistance of professional reinsurers.

The Group's actuarial teams conduct regular experience studies of all the insurance risk factors in its in-force book. These internal studies together with external data are used to identify emerging trends which can then be used to inform product design, pricing, underwriting, claims management and reinsurance needs.

Through monitoring the development of both local and global trends in medical technology, health and wellness, the impact of legislation and general social, political and economic conditions the Group seeks to anticipate and respond promptly to potential adverse experience impacts on its products.

Reinsurance is used to reduce concentration and volatility risk, especially with large policies or new risks, and as protection against catastrophic events such as pandemics or natural disasters.

The Group manages insurance risk concentration by diversification, reinsurance and establishing retention limits. Insurance risk concentration can arise when there is concentrated exposure geographically or to one single insured life. Geographical concentration of insured individuals could increase the severity of claims from natural catastrophic events or human-made disasters. The Group's insured populations are geographically dispersed, thereby diversifying the insurance exposure. The Group also has catastrophic reinsurance in place to cover losses due to a single catastrophic event exceeding a pre-determined level. The Group limits its exposure to large claims on any single insured by applying retention limits that vary by market and insurance benefit type to the amount of insurance coverage per insured. The exposure in excess of these limits is ceded to reinsurers. For the year ended 31 December 2022 and 2021, there were no significant insurance concentration risks.

37. RISK MANAGEMENT (continued)

Investment and financial risks

Investment objectives, policies and processes

The Group manages its financial investments in two distinct categories: unit-linked investments and policyholder and shareholder investments. The investment risk in respect of unit-linked investments is generally wholly borne by our customers, and does not directly affect the profit for the year before tax. Policyholder and shareholder investments include all financial investments other than unit-linked investments. The investment risk in respect of policyholder and shareholder investments is partially or wholly borne by the Group and directly affects the profit for the year before tax.

The primary investment objectives of our policyholder and shareholder investments are generally designed to achieve optimal levels of risk-adjusted return for policyholders and shareholders over the long-term, while preserving capital, maintaining adequate solvency and liquidity levels, meeting our risk management and asset-liability management objectives and ensuring full compliance with applicable regulations and internal policies.

The Group has comprehensive, integrated frameworks to ensure investments are properly authorised, monitored and managed within internal policies that address asset-liability management, financial and operational risks, whether assets are invested directly by the Group or through external investment managers. This framework consists of three elements: a strategic asset allocation framework; a tactical asset allocation process; and a combination of internal and external investment management for individual asset classes where appropriate.

The Group's investment management function is empowered with decision-making authority and complies with exposure limits as defined in Risk Standards.

Asset-liability management

Asset-liability management for the Group is overseen by the Group Asset-Liability Committee and by asset-liability committees in each business unit. The Group manages its asset-liability risks in a variety of ways, including the strategic asset allocation process under which the strategic asset allocation in each entity and for major different product groups is governed, defining the asset allocation with consideration of the characteristics of the liabilities and related risks, capital and other requirements on both economic and regulatory bases. The Group manages asset-liability risks predominantly on an economic basis, while also considering the effect on all applicable regulatory solvency requirements and other considerations, such as earnings. Asset-liability management actions include product pricing and product design, reviews of policyholder dividends, asset allocation, hedging using derivatives, reinsurance, and the management of discretionary policyholder benefits. The asset-liability risks for the Group are credit risk, interest rate risk, foreign exchange rate risk, and liquidity risk summarised in the later subsections.

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. AIA's credit risk management adheres 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.

37. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

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 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.

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 the local solvency basis is also taken into consideration for business units where local solvency regimes deviate from the economic basis. Furthermore, for products with discretionary benefits, additional modelling of interest rate risk is performed to guide the determination of appropriate management actions. Management also takes into consideration the asymmetrical impact of interest rate movements when evaluating products with options and guarantees.

Exposure to interest rate risk

The table below summarises the nature of the interest rate risk associated with financial assets and financial liabilities. In preparing this analysis, fixed rate interest bearing instruments that mature or reprice within 12 months of the reporting date have been disclosed as variable rate instruments.

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2022				
Financial assets				
Loans and deposits	**1,857**	**6,784**	**3**	**8,644**
Other receivables	**185**	**1**	**3,148**	**3,334**
Debt securities	**15,591**	**150,352**	**–**	**165,943**
Equity shares, interests in investment funds and exchangeable loan notes	**–**	**1,250**	**63,018**	**64,268**
Reinsurance receivables	**–**	**–**	**1,270**	**1,270**
Accrued investment income	**–**	**–**	**1,836**	**1,836**
Cash and cash equivalents	**4,700**	**–**	**4,269**	**8,969**
Derivative financial instruments	**–**	**–**	**630**	**630**
Total financial assets	**22,333**	**158,387**	**74,174**	**254,894**
Financial liabilities				
Investment contract liabilities	**–**	**–**	**9,741**	**9,741**
Borrowings	**–**	**11,206**	**–**	**11,206**
Obligations under repurchase agreements	**1,748**	**–**	**–**	**1,748**
Other liabilities	**84**	**400**	**7,427**	**7,911**
Derivative financial instruments	**–**	**–**	**8,739**	**8,739**
Total financial liabilities	**1,832**	**11,606**	**25,907**	**39,345**

37. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Exposure to interest rate risk (continued)

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2021				
Financial assets				
Loans and deposits	1,329	7,307	675	9,311
Other receivables	312	2	2,701	3,015
Debt securities	13,170	186,910	–	200,080
Equity shares, interests in investment funds and exchangeable loan notes	–	–	71,017	71,017
Reinsurance receivables	–	–	992	992
Accrued investment income	–	–	1,837	1,837
Cash and cash equivalents	4,227	–	762	4,989
Derivative financial instruments	–	–	1,468	1,468
Total financial assets	19,038	194,219	79,452	292,709
Financial liabilities				
Investment contract liabilities	–	–	11,595	11,595
Borrowings	–	9,588	–	9,588
Obligations under repurchase agreements	1,588	–	–	1,588
Other liabilities	222	479	7,823	8,524
Derivative financial instruments	–	–	1,392	1,392
Total financial liabilities	1,810	10,067	20,810	32,687

Equity risk

Equity risk arises from changes in the market value of equity shares, interests in investment funds and exchangeable loan notes. Investments in equity shares, interests in investment funds and exchangeable loan notes on a long-term basis are expected to align with policyholders' expectations, provide diversification benefits and enhance returns. The extent of exposure to equities at any time is subject to the terms of the Group's strategic asset allocations.

Equity risk is managed 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.

37. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Concentration risk

The greatest aggregate concentration of fair value to an individual issuer (excluding all government bonds) was approximately 1 per cent (2021: less than 1 per cent) of the total equity and debt investments as at 31 December 2022.

Sensitivity analysis

Sensitivity analysis to the key variables affecting financial assets and liabilities is set out in the table below. Information relating to sensitivity of insurance and investment contracts with DPF is provided in note 28. 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 described in note 2.

Information is presented to illustrate the estimated impact on profits, total equity and allocated 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, total equity and allocated 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.

	31 December 2022			31 December 2021		
US$m	**Impact on profit before tax**	**Impact on total equity (before the effects of taxation)**	**Impact on allocated equity (before the effects of taxation)**	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)
Equity risk						
10 per cent increase in equity prices	**1,494**	**1,494**	**1,494**	1,608	1,608	1,608
10 per cent decrease in equity prices	**(1,494)**	**(1,494)**	**(1,494)**	(1,608)	(1,608)	(1,608)
Interest rate risk						
+ 50 basis points shift in yield curves	**(816)**	**(6,372)**	**(816)**	(1,152)	(8,585)	(1,152)
– 50 basis points shift in yield curves	**855**	**7,099**	**855**	1,193	9,539	1,193

37. RISK MANAGEMENT (continued)

Investment and financial risks (continued)

Foreign exchange rate risk

The Group's foreign exchange rate risk arises mainly from the Group's operations in multiple geographical markets in Asia and the translation of multiple currencies to the US dollar for financial reporting purposes. The balance sheet values of our operating units and subsidiaries are not hedged to the Group's presentation currency, the US dollar.

Assets, liabilities and local regulatory and stress capital in each business unit are generally currency matched with the exception of holdings of equities and other non-fixed income assets denominated in currencies other than the functional currency. Bonds denominated in currencies other than the functional currency are largely hedged with cross-currency swaps or foreign exchange forward contracts.

Foreign exchange rate net exposure

US$m	United States Dollar	China Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
31 December 2022						
Equity analysed by original currency	**14,595**	**11,650**	**839**	**3,905**	**(3,806)**	**2,433**
Net positions of currency derivatives	**(6,055)**	**–**	**325**	**1,996**	**3,875**	**210**
Currency exposure	**8,540**	**11,650**	**1,164**	**5,901**	**69**	**2,643**
5% strengthening of original currency						
Impact on profit before tax	**201**	**142**	**(78)**	**(4)**	**(17)**	**–**
Impact on other comprehensive income	**(219)**	**346**	**71**	**298**	**22**	**133**
Impact on total equity	**(18)**	**488**	**(7)**	**294**	**5**	**133**
5% strengthening of the US dollar						
Impact on profit before tax	**201**	**(136)**	**109**	**6**	**33**	**–**
Impact on other comprehensive income	**(219)**	**(352)**	**(102)**	**(300)**	**(38)**	**(133)**
Impact on total equity	**(18)**	**(488)**	**7**	**(294)**	**(5)**	**(133)**

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)

37. RISK MANAGEMENT (continued)

Investment and financial risks (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 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.

37. RISK MANAGEMENT (continued)

Investment and financial risks (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 2022						
Financial assets (Policyholder and shareholder investments)						
Loans and deposits	**8,332**	**1,874**	**655**	**442**	**1,532**	**3,829**
Other receivables	**3,235**	**3,136**	**47**	**5**	**9**	**38**
Debt securities	**159,541**	**7,496**	**20,341**	**17,468**	**114,236**	**–**
Equity shares, interests in investment funds and exchangeable loan notes	**32,976**	**–**	**–**	**–**	**–**	**32,976**
Reinsurance receivables	**1,270**	**1,270**	**–**	**–**	**–**	**–**
Accrued investment income	**1,734**	**1,724**	**2**	**–**	**–**	**8**
Cash and cash equivalents	**7,676**	**7,676**	**–**	**–**	**–**	**–**
Derivative financial instruments	**559**	**82**	**163**	**168**	**146**	**–**
Subtotal	**215,323**	**23,258**	**21,208**	**18,083**	**115,923**	**36,851**
Financial assets (Unit-linked contracts and consolidated investment funds)	**39,571**	**–**	**–**	**–**	**–**	**39,571**[(3)]
Total	**254,894**	**23,258**	**21,208**	**18,083**	**115,923**	**76,422**
Financial and insurance contract liabilities (Policyholder and shareholder investments)						
Insurance and investment contract liabilities (net of deferred acquisition and origination costs, and reinsurance)	**164,999**	**4,299**	**15,372**	**16,506**	**128,822**	**–**
Borrowings	**11,206**	**500**	**2,575**[(1)]	**2,684**	**4,329**	**1,118**
Obligations under repurchase agreements	**1,748**	**1,748**	**–**	**–**	**–**	**–**
Other liabilities excluding lease liabilities	**6,349**	**5,154**	**226**	**133**	**123**	**713**
Lease liabilities	**413**	**140**	**249**	**23**	**1**	**–**
Derivative financial instruments	**8,658**	**1,335**	**6,972**	**82**	**269**	**–**
Subtotal	**193,373**	**13,176**	**25,394**	**19,428**	**133,544**	**1,831**
Financial and insurance contract liabilities (Unit-linked contracts and consolidated investment funds)	**33,003**	**–**	**–**	**–**	**–**	**33,003**
Total	**226,376**	**13,176**	**25,394**	**19,428**	**133,544**	**34,834**

Note:

(1) Including US$1,745m which fall due after 2 years through 5 years.

37. RISK MANAGEMENT (continued)

Investment and financial risks (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, interests in investment funds and exchangeable loan notes	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$724m (2021: US$626m) due in one year or less, US$2,667m (2021: US$2,753m) due after 1 year through 5 years, US$1,716m (2021: US$2,019m) due after 5 years through 10 years and US$1,295m (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.

37. RISK MANAGEMENT (continued)

Transactions within the Group

Intra-group transactions are overseen by the relevant Group Office functions to ensure adherence with the relevant Group policies. The Group Risk function oversees the processes to identify and assess material systematic intra-group transaction risks, and ensure risks assumed are within the Group's Risk Management Framework.

During the year ended 31 December 2022, material intra-group transactions are related to financing, reinsurance, service supports, insourcing and collective investment funds that provide a simple return of capital guarantee and are backed by investment grade fixed income assets.

38. EMPLOYEE BENEFITS

Post-retirement benefit obligations

The Group operates a number of funded and unfunded post-retirement employee benefit schemes, whose members receive benefits on either a defined benefit basis (generally related to salary and length of service) or a defined contribution basis (generally related to the amount invested, investment return and annuity rates), the assets of which are generally held in separate trustee-administered funds. The defined benefit plans provide life and medical benefits for employees after retirement and a lump sum benefit on cessation of employment, and the defined contribution plans provide post-retirement pension benefits.

Defined benefit plans

The Group operates funded and unfunded defined benefit plans that provide life and medical benefits for participating employees after retirement and a lump sum benefit on cessation of employment. The locations covered by these plans include Hong Kong, Thailand, Singapore, Malaysia, Cambodia, Indonesia, the Philippines, South Korea, Sri Lanka, Taiwan (China) and Vietnam. The latest independent actuarial valuation of the plans was at 31 December 2022 and was prepared by credentialed actuaries of Towers Watson Hong Kong Limited. All the actuaries are qualified members of professional actuarial organisations to render the actuarial opinions.

For defined benefit plans, the costs are assessed using the projected unit credit method. Under this method, the cost of providing benefits is charged to the consolidated income statement so as to spread the regular cost over the service lives of employees, in accordance with the advice of qualified actuaries. The obligation is measured as the present value of the estimated future cash outflows, using a discount rate based on market yields for high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability. The resulting scheme surplus or deficit appears as an asset or liability in the consolidated statement of financial position.

The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 56 per cent (2021: 46 per cent) covered by the plan assets held by the trustees. The fair value of plan assets as at year end at the date of valuation was US$94m (2021: US$96m). The total expenses relating to these plans recognised in the consolidated income statement was US$10m (2021: US$11m).

Defined contribution plans

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans. Once the contributions have been paid, the Group, as employer, does not have any further payment obligations. The Group's contributions are charged to the consolidated income statement in the reporting period to which they relate and are included in employee benefit expenses. The total expense relating to these plans in the current year was US$128m (2021: US$121m). Employees and the employer are required to make monthly contributions equal to 1 per cent to 22 per cent of the employees' monthly basic salaries, depending on years of service and subject to any applicable caps of monthly relevant income in different jurisdictions. For defined contribution pension plans with vesting conditions, any forfeited contributions by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions are used by the employer to reduce any future contributions. The amount of forfeited contributions used to reduce the existing level of contributions is not material.

39. SHARE-BASED COMPENSATION

Share-based compensation plans

The Group's share-based compensation plans are equity-settled plans. Under equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of shares and/or share options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and/or share options granted. Non-market vesting conditions are included in assumptions about the number of shares and/or share options that are expected to be vested. At each period end, the Group revises its estimates of the number of shares and/or share options that are expected to be vested. Any impact of the revision to original estimates is recognised in profit or loss with a corresponding adjustment to equity. Where grants of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate grant, and therefore the fair value of each tranche is recognised over the applicable vesting period.

Where modification or cancellation of an equity-settled share-based compensation plan occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

During the year ended 31 December 2020, the 2010 Share Option (SO) Scheme, the 2010 Restricted Share Unit (RSU) Scheme and the 2011 Employee Share Purchase Plan (ESPP) were terminated. There shall be no further grants under either of these schemes. However, these schemes shall remain in full force and effect for all grants prior to its termination, and the exercise and the vesting of these grants shall be subject to and in accordance with the terms on which they were granted under the provisions of each of these schemes, and the Listing Rules, where applicable. In the same year, the Group adopted the 2020 SO Scheme, the 2020 RSU Scheme and the 2020 ESPP Plan.

During the year ended 31 December 2022 and 31 December 2021, the Group made new grants of SOs, RSUs and restricted stock purchase units (RSPUs) to certain directors, officers and employees of the Group under these schemes.

On 1 February 2021, the Company adopted the new 2021 Agency Share Purchase Plan (ASPP) with an effective period of 10 years from the date of adoption. The 2012 ASPP was terminated with effect from 31 March 2021, after which time no further restricted stock subscription units (RSSUs) can be granted under such plan. The 2012 ASPP shall remain in full force and effect for all RSSUs granted prior to this termination, and the vesting of such RSSUs shall be subject to and in accordance with the terms on which they were granted under the provisions of the 2012 ASPP.

During the year ended 31 December 2022 and 31 December 2021, the Group made new grants of RSSUs to eligible agents under the 2021 ASPP.

RSU Schemes

Under the RSU Schemes, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the Group during the respective vesting periods. RSU grants are vested either entirely after a specific period of time or in tranches over the vesting period during which, the eligible participants are required to remain in employment with the Group. For RSU grants that are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the respective vesting period. For most RSUs, performance conditions are also attached which include both market and non-market conditions. RSUs subject to performance conditions are released to the participants at the end of the vesting period depending on the actual achievement of the performance conditions. During the vesting period, the participants are not entitled to dividends of the underlying shares. Except in jurisdictions where restrictions apply, the granted RSUs are expected to be settled in equity.

39. SHARE-BASED COMPENSATION (continued)

Share-based compensation plans (continued)

RSU Schemes (continued)

Number of shares	Year ended 31 December 2022	Year ended 31 December 2021
Restricted Share Units		
Outstanding at beginning of financial year	**28,418,958**	31,787,067
Granted	**12,535,139**	9,484,581
Forfeited	**(5,437,310)**	(7,157,591)
Vested	**(5,912,839)**	(5,695,099)
Outstanding at end of financial year	**29,603,948**	28,418,958

SO Schemes

The objectives of the SO Schemes are to align eligible participants' interests with those of the shareholders of the Company by allowing eligible participants to share in the value created at the point they exercise their options. SO grants are vested either entirely after a specific period of time or in tranches over the vesting period approximately three to five years, during which the eligible participants are required to remain in employment with the Group. For SO grants that are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the respective vesting periods. The granted SOs expire 10 years from the date of grant and each SO entitles the eligible participant to subscribe for one ordinary share. Subject to restrictions in the applicable laws, regulations and rules of the relevant jurisdictions, the granted SOs are expected to be settled in equity.

Information about SOs outstanding and SOs exercisable by the Group's employees and directors as at the end of the reporting period is as follows:

	Year ended 31 December 2022		Year ended 31 December 2021	
	Number of share options	Weighted average exercise price (HK$)	Number of share options	Weighted average exercise price (HK$)
Share options				
Outstanding at beginning of financial year	**23,359,771**	**62.94**	23,703,809	59.53
Granted	**2,519,456**	**79.85**	1,849,222	97.33
Exercised	**(1,895,760)**	**40.43**	(871,896)	31.27
Forfeited or expired	**(10,163)**	**97.33**	(1,321,364)	70.77
Outstanding at end of financial year	**23,973,304**	**66.48**	23,359,771	62.94
Share options exercisable at end of financial year	**15,355,259**	**60.61**	13,167,380	52.72

At the respective dates on which the SOs were exercised, the weighted average share price of the Company was HK$80.70 for the year ended 31 December 2022 (2021: HK$92.01).

39. SHARE-BASED COMPENSATION (continued)

Share-based compensation plans (continued)

SO Schemes (continued)

The range of exercise prices for the SOs outstanding as of 31 December 2022 and 2021 is summarised in the table below.

	Year ended 31 December 2022		Year ended 31 December 2021	
	Number of share options outstanding	Weighted average remaining contractual life (years)	Number of share options outstanding	Weighted average remaining contractual life (years)
Range of exercise price				
HK$26 – HK$35	**37,266**	**0.19**	753,331	0.87
HK$36 – HK$45	**1,986,862**	**2.83**	2,628,717	3.56
HK$46 – HK$55	**4,690,563**	**3.72**	5,103,806	4.60
HK$56 – HK$65	**830,436**	**4.58**	830,436	5.58
HK$66 – HK$75	**8,696,612**	**6.36**	8,774,030	7.36
HK$76 – HK$85	**5,901,935**	**7.50**	3,429,658	7.24
Over HK$86	**1,829,630**	**8.23**	1,839,793	9.23
Outstanding at end of financial year	**23,973,304**	**5.90**	23,359,771	6.19

ESPP

Under the ESPPs, eligible employees of the Group can purchase ordinary shares of the Company with qualified employee contributions and the Company will grant one matching RSPU to them at the end of the vesting period for each two shares purchased through the qualified employee contributions (contribution shares). Contribution shares are purchased from the open market. During the relevant vesting period, the eligible employees must hold the contribution shares purchased and remain employed by the Group in order to qualify to receive the matching shares upon the vesting of the matching RSPUs. The granted matching RSPUs are expected to be settled in equity. Under the 2011 ESPP, the level of qualified employee contribution was subject to a maximum amount equal to 8 per cent of the monthly base salary or HK$9,750 (or local currency equivalent) per month, whichever is lower. Under the 2020 ESPP, the level of qualified employee contribution is subject to a maximum amount equal to 10 per cent of the monthly base salary or HK$12,500 (or local currency equivalent) per month, whichever is lower. For the year ended 31 December 2022, eligible employees paid US$38m (2021: US$38m) to purchase 3,815,201 ordinary shares (2021: 3,172,021 ordinary shares) of the Company under the ESPPs.

ASPP

The structure of the ASPPs generally follows those of the ESPPs, the key difference is that the eligible agents are required to pay a subscription price of US$1 to subscribe for each new share in the Company at the end of the vesting period. Under the plans, eligible agents of the Group can purchase ordinary shares of the Company with qualified agent contributions and the Company will grant one matching RSSU to them at the end of the vesting period for each two shares purchased through the qualified agent contributions (agent contribution shares). Each RSSU entitles eligible agents to subscribe for one new share of the Company. Agent contribution shares are purchased from the open market. During the vesting period, the eligible agents must hold the contribution shares purchased and maintain their agent contracts with the Group in order to qualify to receive the matching shares upon the vesting of the matching RSSUs. The granted matching RSSUs are expected to be settled in equity. Under the ASPPs, the level of qualified agent contribution is subject to a maximum amount of HK$9,750 (or local currency equivalent) per month and HK$12,500 (or local currency equivalent) per month respectively. For the year ended 31 December 2022, eligible agents paid US$20m (2021: US$20m) to purchase 2,061,772 ordinary shares (2021: 1,717,835 ordinary shares) of the Company under the ASPPs.

39. SHARE-BASED COMPENSATION (continued)

Valuation methodology

The Group utilises a binomial lattice model to calculate the fair value of the SO grants, involving a few significant assumptions such as the expected volatility, expected dividend yield and risk-free interest rate. The expected volatility of the Company's shares is estimated based on an analysis of historical data since they are traded in the HKSE. The expected dividend yield is estimated based on an analysis of historical dividend relative to historical share price. The risk-free interest rate is estimated based on implied yield of the Government Bonds and Exchange Fund Notes issued by the Hong Kong Monetary Authority as at the grant date. The analysis period for expected volatility and risk-free interest rate is consistent with the expected life of the SOs, which is derived from the output of the valuation model and is calculated based on an analysis of expected exercise behaviour of the Company's employees.

The Group utilises a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU, RSPU and RSSU grants, taking into account the terms and conditions upon which the grants were made. The value of expected dividends during the vesting period is estimated based on an analysis of historical dividend relative to historical share price. The estimate of market condition for performance-based RSUs is based on historical data preceding the grant date.

Forfeitures prior to vesting are not allowed for in the valuation of the grants.

The fair values calculated for the grants are inherently subjective due to the assumptions made and the limitations of the models utilised.

	Year ended 31 December 2022			
	Share options	Restricted share units	ESPP Restricted stock purchase units	ASPP Restricted stock subscription units
Assumptions				
Risk-free interest rate	**1.93%**	**1.57% – 3.55%***	**0.84% – 4.27%**	**2.12%**
Volatility	**26%**	**26% – 28%**	**n/a**	**n/a**
Dividend yield	**1.70%**	**1.60% – 1.70%**	**1.60% – 1.70%**	**1.70%**
Exercise price (HK$)	**79.85**	**n/a**	**n/a**	**n/a**
Share option life (in years)	**10**	**n/a**	**n/a**	**n/a**
Expected life (in years)	**7.45**	**n/a**	**n/a**	**n/a**
Weighted average fair value per option/unit at measurement date (HK$)	**21.00**	**64.26**	**73.00**	**58.32**

	Year ended 31 December 2021			
	Share options	Restricted share units	ESPP Restricted stock purchase units	ASPP Restricted stock subscription units
Assumptions				
Risk-free interest rate	1.24%	0.19% – 0.27%*	0.14% – 0.83%	0.37%
Volatility	26%	26%	n/a	n/a
Dividend yield	1.60%	1.60% – 1.70%	1.60% – 1.70%	1.60%
Exercise price (HK$)	97.33	n/a	n/a	n/a
Share option life (in years)	10	n/a	n/a	n/a
Expected life (in years)	7.82	n/a	n/a	n/a
Weighted average fair value per option/unit at measurement date (HK$)	22.26	66.28	72.39	71.39

* Applicable to RSU with market conditions.

The weighted average share price for SO valuation for grants made during the year ended 31 December 2022 is HK$79.85 (2021: HK$92.75). The total fair value of SO granted during the year ended 31 December 2022 is US$7m (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 year ended 31 December 2022 is US$80m (2021: US$86m).

40. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Directors' remuneration

The Executive Director receives compensation in the form of salaries, bonuses, contributions to pension schemes, long-term incentives, housing and other allowances, and benefits in kind subject to applicable laws, rules and regulations. Bonuses and long-term incentives represent the variable components in the Executive Director's compensation and are linked to the performance of the Group and the Executive Director. Details of share-based payment schemes are described in note 39.

US$	Director's fees	Salaries, allowances and benefits in kind[1]	Bonuses	Share-based payments[2]	Pension scheme contributions	Other benefits	Other payments[3]	Total
Year ended 31 December 2022								
Executive Director								
Mr. Lee Yuan Siong[4]	**–**	**1,680,096**	**2,820,000**	**5,272,695**	**67,829**	**–**	**3,673,130**	**13,513,750**
Total	**–**	**1,680,096**	**2,820,000**	**5,272,695**	**67,829**	**–**	**3,673,130**	**13,513,750**

US$	Director's fees	Salaries, allowances and benefits in kind[1]	Bonuses	Share-based payments[2]	Pension scheme contributions	Other benefits	Other payments[3]	Total
Year ended 31 December 2021								
Executive Director								
Mr. Lee Yuan Siong[4]	–	1,669,062	4,400,000	3,192,974	66,446	–	6,377,470	15,705,952
Total	–	1,669,062	4,400,000	3,192,974	66,446	–	6,377,470	15,705,952

Notes:

(1) Includes non-cash benefits for housing, medical and life insurance, club and professional membership, company car and perquisites.

(2) Includes amortised expenses for unvested SOs, RSUs and matching shares under ESPP based on the fair value at the respective grant dates.

(3) This represents amortised expenses in relation to the awarded compensation for unvested long-term incentives and deferred payments that Mr. Lee Yuan Siong forfeited on leaving his prior employments.

(4) Mr. Lee Yuan Siong is currently the Group Chief Executive and President of the Company. He receives his remuneration exclusively for his role as Group Chief Executive and President of the Company and receives no separate fees for his role as a director of the Company or for acting as a director of any subsidiary of the Company.

40. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (continued)

Directors' remuneration (continued)

The remuneration of Independent Non-executive Directors of the Company at 31 December 2022 and 2021 are included in the tables below:

US$	Director's fees[1]	Salaries, allowances and benefits in kind[2]	Bonuses	Share-based payments	Pension scheme contributions	Other benefits	Other payments	Total
Year ended 31 December 2022								
Independent Non-executive Directors								
Mr. Edmund Sze-Wing Tse	**860,000**	**152,016**	**–**	**–**	**–**	**–**	**–**	**1,012,016**
Mr. Jack Chak-Kwong So	**330,000**	**–**	**–**	**–**	**–**	**–**	**–**	**330,000**
Mr. Chung-Kong Chow	**280,000**	**–**	**–**	**–**	**–**	**–**	**–**	**280,000**
Mr. John Barrie Harrison	**350,000**	**–**	**–**	**–**	**–**	**–**	**–**	**350,000**
Mr. George Yong-Boon Yeo	**355,000**	**–**	**–**	**–**	**–**	**–**	**–**	**355,000**
Professor Lawrence Juen-Yee Lau	**280,000**	**–**	**–**	**–**	**–**	**–**	**–**	**280,000**
Ms. Swee-Lian Teo	**325,000**	**–**	**–**	**–**	**–**	**–**	**–**	**325,000**
Dr. Narongchai Akrasanee[3]	**390,000**	**–**	**–**	**–**	**–**	**–**	**–**	**390,000**
Mr. Cesar Velasquez Purisima	**355,000**	**–**	**–**	**–**	**–**	**–**	**–**	**355,000**
Ms. Sun Jie (Jane)	**292,767**	**–**	**–**	**–**	**–**	**–**	**–**	**292,767**
Total	**3,817,767**	**152,016**	**–**	**–**	**–**	**–**	**–**	**3,969,783**

40. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (continued)

Directors' remuneration (continued)

US$	Director's fees[1]	Salaries, allowances and benefits in kind[2]	Bonuses	Share-based payments	Pension scheme contributions	Other benefits	Other payments	Total
Year ended 31 December 2021								
Independent Non-executive Directors								
Mr. Edmund Sze-Wing Tse	685,000	146,513	–	–	–	–	–	831,513
Mr. Jack Chak-Kwong So	268,000	–	–	–	–	–	–	268,000
Mr. Chung-Kong Chow	228,000	–	–	–	–	–	–	228,000
Mr. John Barrie Harrison	287,180	–	–	–	–	–	–	287,180
Mr. George Yong-Boon Yeo	253,000	–	–	–	–	–	–	253,000
Professor Lawrence Juen-Yee Lau	213,000	–	–	–	–	–	–	213,000
Ms. Swee-Lian Teo	222,370	–	–	–	–	–	–	222,370
Dr. Narongchai Akrasanee[3]	323,000	–	–	–	–	–	–	323,000
Mr. Cesar Velasquez Purisima	215,329	–	–	–	–	–	–	215,329
Ms. Sun Jie (Jane)[4]	102,896	–	–	–	–	–	–	102,896
Total	2,797,775	146,513	–	–	–	–	–	2,944,288

Notes:

(1) Save as disclosed below, all Directors receive the fees for their role as a director of the Company and not for acting as a director of any subsidiary of the Company.

(2) Includes non-cash benefits for housing, club and professional membership, medical insurance and company car.

(3) US$100,000 (2021:US$100,000) represented remuneration to Dr. Narongchai Akrasanee in respect of his services as Chairman of Advisory Board of AIA Thailand for the year ended 31 December 2022 included in his fees stated above.

(4) Ms. Sun Jie (Jane) was appointed as Independent Non-executive Director of the Company on 1 June 2021.

Remuneration of five highest-paid individuals

The aggregate remuneration of the five highest-paid individuals employed by the Group in the year ended 31 December 2022 and 2021 is presented in the table below.

US$	Director's fees	Salaries, allowances and benefits in kind[1]	Bonuses	Share-based payments[2]	Pension scheme contributions	Other benefits	Other payments[3]	Total
Year ended 31 December 2022	**–**	**5,377,073**	**4,982,273**	**12,275,886**	**317,109**	**–**	**6,623,926**	**29,576,267**
Year ended 31 December 2021	–	5,959,080	9,318,940	9,187,513	383,982	–	6,377,470	31,226,985

Notes:

(1) 2022 and 2021 benefits include housing, medical and life insurance, children's education, club and professional membership, company car and perquisites.

(2) Includes amortised expenses for unvested SOs, RSUs and matching shares under ESPP to the five highest-paid individuals based on the fair value at the respective grant dates.

(3) Includes termination payments or benefits for the five highest-paid individuals and amortised expenses in relation to the awarded compensation for unvested long-term incentives and deferred payments that Mr. Lee Yuan Siong forfeited on leaving his prior employments.

40. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (continued)

Remuneration of five highest-paid individuals (continued)

The emoluments of the five individuals with the highest emoluments are within the following bands:

HK$	Year ended 31 December 2022	Year ended 31 December 2021
25,000,001 to 25,500,000	**1**	–
26,000,001 to 26,500,000	**–**	1
27,500,001 to 28,000,000	**1**	–
28,000,001 to 28,500,000	**–**	1
31,000,001 to 31,500,000	**–**	1
31,500,001 to 32,000,000	**1**	–
35,000,001 to 35,500,000	**–**	1
41,000,001 to 41,500,000	**1**	–
105,500,001 to 106,000,000	**1**	–
122,000,001 to 122,500,000	**–**	1

Key management personnel remuneration

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

US$	Year ended 31 December 2022	Year ended 31 December 2021
Key management compensation and other expenses		
Salaries and other short-term employee benefits	**22,150,292**	30,355,005
Post-employment benefits	**623,561**	701,749
Share-based payments[1]	**20,966,295**	18,422,129
Termination payments or benefits	**2,950,796**	–
Total	**46,690,944**	49,478,883

Note:

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

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

US$	Year ended 31 December 2022	Year ended 31 December 2021
Below 1,000,000	**–**	–
1,000,001 to 2,000,000	**–**	–
2,000,001 to 3,000,000	**7**	7
3,000,001 to 4,000,000	**2**	3
4,000,001 to 5,000,000	**1**	1
5,000,001 to 6,000,000	**1**	–
Over 10,000,000	**1**	1

41. RELATED PARTY TRANSACTIONS

Remuneration of Directors and key management personnel is disclosed in note 40.

42. COMMITMENTS AND CONTINGENCIES

Investment and capital commitments

US$m	As at 31 December 2022	As at 31 December 2021
Not later than one year	**14,962**	7,830
Later than one and not later than five years	**105**	130
Total	**15,067**	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 re-assessment. Due to the uncertainty associated with these items, there remains a possibility that the final outcomes may differ on conclusion of the relevant tax matters at a future date.

43. SUBSIDIARIES

The following is a list of AIA's directly and indirectly held principal operating subsidiaries which materially contribute to the net income of the Group or hold a material element of its assets and liabilities:

Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	As at 31 December 2022 Group's interests %	As at 31 December 2022 NCI's interests %	As at 31 December 2021 Group's interests %	As at 31 December 2021 NCI's interests %
AIA Company Limited[1]	Hong Kong	Insurance	2,596,049,861 ordinary shares of US$11,390,584,182 issued share capital	**100%**	**-**	100%	-
AIA Australia Limited	Australia	Insurance	2,125,462,500 ordinary shares of A$2,207,267,000 issued share capital	**100%**	**-**	100%	-
AIA Bhd.	Malaysia	Insurance	191,859,543 ordinary shares of RM810,000,000 issued share capital	**100%**	**-**	100%	-
AIA Life Insurance Company Limited	Mainland China	Insurance	Registered share capital of RMB3,777,399,440	**100%**	**-**	100%	-
AIA Philippines Life and General Insurance Company Inc. (formerly known as The Philippine American Life and General Insurance (PHILAM LIFE) Company)	Philippines	Insurance	199,560,671 ordinary shares of PHP10 each and 67,349,329 treasury shares	**100%**	**-**	100%	-
BPI AIA Life Assurance Corporation (formerly known as BPI-Philam Life Assurance (BPLAC) Corporation)	Philippines	Insurance	749,993,979 ordinary shares of PHP1 each and 6,000 treasury shares	**51%**	**49%**	51%	49%
AIA Singapore Private Limited	Singapore	Insurance	1,558,021,163 ordinary shares of S$1 each	**100%**	**-**	100%	-
AIA Everest Life Company Limited (formerly known as BEA Life Limited)[2]	Hong Kong	Insurance	500,000,000 ordinary shares of HK$2,496,291,000 issued share capital	**100%**	**-**	100%	-
AIA International Limited	Bermuda	Insurance	6,500,000 ordinary shares of US$1.20 each	**100%**	**-**	100%	-
PT. AIA Financial	Indonesia	Insurance	1,910,844,141 ordinary shares of Rp1,000 each	**100%**	**-**	100%	-
AIA (Vietnam) Life Insurance Company Limited	Vietnam	Insurance	Contributed capital of VND8,724,420,000,000	**100%**	**-**	100%	-
Bayshore Development Group Limited	British Virgin Islands	Investment holding company	100 ordinary shares of US$1 each	**90%**	**10%**	90%	10%
AIA Life Insurance Co. Ltd.	South Korea	Insurance	60,328,932 ordinary shares of KRW603,289,320,000 issued share capital	**100%**	**-**	100%	-
AIA New Zealand Limited	New Zealand	Insurance	248,217,572 ordinary shares of NZD863,709,199 issued share capital	**100%**	**-**	100%	-
AIA Reinsurance Limited	Bermuda	Reinsurance	250,000 common shares of US$1 each	**100%**	**-**	100%	-

Notes:

(1) The Company's subsidiary.

(2) This company was acquired in 2021.

(3) All of the above subsidiaries are audited by PricewaterhouseCoopers.

All subsidiaries are unlisted.

44. EVENTS AFTER THE REPORTING PERIOD

On 10 March 2023, a Committee appointed by the Board of Directors proposed a final dividend of 113.40 Hong Kong cents per share (2021: final dividend of 108.00 Hong Kong cents per share).

45. DISPOSAL GROUP HELD FOR SALE

On 24 February 2022, the Group announced it had entered into an agreement to sell its Australian S&I business to Resolution Life Australasia Limited. The Australian S&I business is a constituent part of the businesses that transferred to AIA Australia following the acquisition of The Colonial Mutual Life Assurance Society Limited from Commonwealth Bank of Australia. Subject to regulatory approvals, the Group expects the transaction will be completed in 2023. The assets and liabilities of the Australian S&I business have been classified as assets in disposal group held for sale and liabilities in disposal group held for sale in the Consolidated Statement of Financial Position, contributed by the Australia operating segment.

At 31 December 2022, the assets and liabilities in disposal group held for sale were stated at the lower of its carrying amount and fair value less costs to sell. The assets and liabilities in disposal group held for sale are summarised below.

US$m	Notes	As at 31 December 2022 (Excluding disposal group)	Assets and liabilities in disposal group	As at 31 December 2022 (Including disposal group)
Assets				
Intangible assets	14	**3,277**	**–**	**3,277**
Investments in associates and joint ventures	15	**2,092**	**–**	**2,092**
Property, plant and equipment	16	**2,844**	**–**	**2,844**
Investment property	17	**4,600**	**–**	**4,600**
Reinsurance assets	18	**5,122**	**20**	**5,142**
Deferred acquisition and origination costs	19	**30,046**	**–**	**30,046**
Financial investments:	20, 22			
Loans and deposits		**8,593**	**51**	**8,644**
Available for sale				
Debt securities		**129,281**	**–**	**129,281**
At fair value through profit or loss				
Debt securities		**35,794**	**868**	**36,662**
Equity shares		**23,378**	**2,313**	**25,691**
Interests in investment funds and exchangeable loan notes		**38,577**	**–**	**38,577**
Derivative financial instruments	21	**568**	**62**	**630**
		236,191	**3,294**	**239,485**
Deferred tax assets	11	**141**	**52**	**193**
Current tax recoverable		**117**	**9**	**126**
Other assets	23	**6,217**	**57**	**6,274**
Cash and cash equivalents	25	**8,020**	**949**	**8,969**
Assets in disposal group held for sale		**4,381**	**(4,381)**	**–**
Total assets		**303,048**	**–**	**303,048**
Liabilities				
Insurance contract liabilities	26	**219,570**	**1,143**	**220,713**
Investment contract liabilities	27	**7,077**	**2,894**	**9,971**
Borrowings	29	**11,206**	**–**	**11,206**
Obligations under repurchase agreements	30	**1,748**	**–**	**1,748**
Derivative financial instruments	21	**8,638**	**101**	**8,739**
Provisions	32	**160**	**–**	**160**
Deferred tax liabilities	11	**3,563**	**23**	**3,586**
Current tax liabilities		**464**	**–**	**464**
Other liabilities	33	**7,838**	**73**	**7,911**
Liabilities in disposal group held for sale		**4,234**	**(4,234)**	**–**
Total liabilities		**264,498**	**–**	**264,498**

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

US$m	As at 31 December 2022	As at 31 December 2021
Assets		
Investment in subsidiaries at cost[2]	**21,580**	19,062
Financial investments:		
At fair value through other comprehensive income		
Debt securities[3]	**7,151**	7,024
At fair value through profit or loss		
Debt securities	**–**	27
Equity shares	**–**	126
Interests in investment funds[2]	**2,156**	4,359
Derivative financial instruments	**1**	–
	9,308	11,536
Loans to/amounts due from subsidiaries	**886**	1,917
Other assets	**40**	49
Promissory notes from subsidiaries[4]	**63**	2,510
Cash and cash equivalents	**1,298**	90
Total assets	**33,175**	35,164
Liabilities		
Borrowings	**11,799**	10,181
Obligations under repurchase agreements	**–**	1,000
Derivative financial instruments	**1**	–
Other liabilities	**109**	95
Total liabilities	**11,909**	11,276
Equity		
Share capital	**14,171**	14,160
Employee share-based trusts	**(290)**	(225)
Other reserves	**351**	309
Retained earnings	**6,990**	9,519
Amounts reflected in other comprehensive income	**44**	125
Total equity	**21,266**	23,888
Total liabilities and equity	**33,175**	35,164

Notes:

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

(2) The Company's interests in investment funds such as mutual funds and unit trusts, including funds controlled by the Group, are measured at fair value through profit or loss. Interests in other entities controlled by the Group are measured at cost, unless impaired, and presented as investment in subsidiaries at cost. Interests in investment funds include US$833m (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$4,914m (2021: US$1,589m) and China Government bonds of US$2,237m (2021: US$4,262m) as at 31 December 2022.

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

Approved and authorised for issue by the Board of Directors on 10 March 2023.

)
)
Lee Yuan Siong   Edmund Sze-Wing Tse   ) Directors
)
)

47. 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	**–**	**–**	**–**	**3,300**	**–**	**3,300**
Fair value losses on debt securities at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**(222)**	**(222)**
Fair value losses on debt securities at fair value through other comprehensive income transferred to profit or loss on disposal	**–**	**–**	**–**	**–**	**141**	**141**
Dividends	**–**	**–**	**–**	**(2,259)**	**–**	**(2,259)**
Share buy-back	**–**	**–**	**–**	**(3,570)**	**–**	**(3,570)**
Shares issued under share option scheme and agency share purchase plan	**11**	**–**	**–**	**–**	**–**	**11**
Share-based compensation	**–**	**–**	**80**	**–**	**–**	**80**
Purchase of shares held by employee share-based trusts	**–**	**(103)**	**–**	**–**	**–**	**(103)**
Transfer of vested shares from employee share-based trusts	**–**	**38**	**(38)**	**–**	**–**	**–**
Balance at 31 December 2022	**14,171**	**(290)**	**351**	**6,990**	**44**	**21,266**

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	–	–	–	4,306	–	4,306
Fair value losses on debt securities at fair value through other comprehensive income	–	–	–	–	(296)	(296)
Fair value gains on debt securities at fair value through other comprehensive income transferred to profit or loss on disposal	–	–	–	–	(415)	(415)
Dividends	–	–	–	(2,147)	–	(2,147)
Shares issued under share option scheme and agency share purchase plan	5	–	–	–	–	5
Share-based compensation	–	–	86	–	–	86
Purchase of shares held by employee share-based trusts	–	(106)	–	–	–	(106)
Transfer of vested shares from employee share-based trusts	–	36	(36)	–	–	–
Balance at 31 December 2021	14,160	(225)	309	9,519	125	23,888

pwc 羅兵咸永道

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY EMBEDDED VALUE INFORMATION AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022
TO THE BOARD OF DIRECTORS OF AIA GROUP LIMITED
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The Supplementary Embedded Value Information (the "EV Information") of AIA Group Limited (the "Company") and its subsidiaries (the "Group"), which is set out on pages 179 to 205, comprises:

- the consolidated EV results as at and for the year ended 31 December 2022;
- the sensitivity analysis as at and for the year then ended; and
- a summary of significant methodology and assumptions and other explanatory notes.

Our opinion

In our opinion, the EV Information of the Group as at and for the year ended 31 December 2022 is prepared, in all material respects, in accordance with the EV basis of preparation set out in Sections 4 and 5 of the EV Information.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the EV Information section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of Matter – Basis of Preparation

We draw attention to Sections 4 and 5 of the EV Information, which describe the EV basis of preparation. As a result, the EV Information may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Matter

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2022 in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and International Financial Reporting Standards issued by the International Accounting Standards Board, on which we issued a separate auditor's report to the shareholders of the Company dated 10 March 2023.

Other Information

The Directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the EV Information and our auditor's report thereon.

Our opinion on the EV Information does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the EV Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the EV Information or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

羅兵咸永道

Responsibilities of Directors and Those Charged with Governance for the EV Information

The Directors of the Company are responsible for the preparation of the EV Information in accordance with the EV basis of preparation set out in Sections 4 and 5 of the EV Information and for such internal control as the Directors determine is necessary to enable the preparation of the EV Information that is free from material misstatement, whether due to fraud or error.

In preparing the EV Information, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's EV Information reporting process.

Auditor's Responsibilities for the Audit of the EV Information

Our objectives are to obtain reasonable assurance about whether the EV Information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this EV Information.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the EV Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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Auditor's Responsibilities for the Audit of the EV Information (continued)

- Evaluate the appropriateness of the EV basis of preparation used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the EV Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the EV Information of the entities or business activities within the Group to express an opinion on the EV Information. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

The engagement partner on the audit resulting in this independent auditor's report is Ling Tung Man, Tom.

PricewaterhouseCoopers

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong
10 March 2023

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.

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.

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.

On 26 August 2022, the Group paid in cash a total gross consideration of HK$2,225 million (approximately US$283 million) and acquired 100 per cent of the voting equity of Blue Cross (Asia-Pacific) Insurance Limited (Blue Cross). A goodwill of US$200 million was recognised on the excess of cash consideration paid over the net identifiable assets acquired in relation to Blue Cross. The acquisition has been reflected in the Group's results for the year ended 31 December 2022 from the date of acquisition. See Sections 2 and 4 of this report and note 14 to the IFRS consolidated financial statements for more details of the acquisition of Blue Cross.

See note 2 to the IFRS consolidated financial statements regarding the Group's preparation for the adoption of IFRS 9 and IFRS 17, effective from 1 January 2023. Based on the Group's latest assessment, the adoption of IFRS 9 and IFRS 17 does not have a material impact on the Group's EV and VONB as at and for the year ended 31 December 2022.

Unless otherwise stated, the growth rates provided in the commentaries are shown on a constant exchange rate (CER) basis, and the per-share information provided in the tables is based on the basic number of ordinary shares outstanding as at the specified point in time, as disclosed in the IFRS consolidated financial statements.

1. HIGHLIGHTS (continued)

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

	As at 31 December 2022	As at 31 December 2021	Change CER	Change AER
EV Equity	**71,202**	75,001	(2)%	(5)%
EV Equity per share (US dollars)	**6.07**	6.20	1%	(2)%
EV	**68,865**	72,987	(3)%	(6)%
EV per share (US dollars)	**5.87**	6.03	–	(3)%
Free surplus	**17,850**	17,025	7%	5%
Adjusted net worth (ANW)	**33,751**	33,302	4%	1%
Value of in-force business (VIF)	**35,114**	39,685	(9)%	(12)%

	Year ended 31 December 2022	Year ended 31 December 2021	YoY CER	YoY AER
VONB	**3,092**	3,366	(5)%	(8)%
Annualised new premiums (ANP)	**5,407**	5,647	–	(4)%
VONB margin	**57.0%**	59.3%	(2.4) pps	(2.3) pps
EV operating profit	**6,845**	7,896	(10)%	(13)%
Operating return on EV (Operating ROEV)	**9.4%**	12.1%	(2.4) pps	(2.7) pps
Underlying free surplus generation (UFSG)	**6,039**	6,451	(2)%	(6)%
UFSG on a comparable basis[2]	**6,507**	6,451	6%	1%

Notes:

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

(2) The UFSG growth rate of 6 per cent represents the UFSG growth on a comparable basis before the effects of the early adoption of the HKRBC regime from 1 January 2022 and the release of resilience margins held by the Group at 1 January 2022 under the previous Hong Kong Insurance Ordinance basis.

2. EMBEDDED VALUE RESULTS

2.1 Embedded Value by Business Unit

The EV as at 31 December 2022 is presented consistently with the segment information in the IFRS consolidated financial statements.

Summary of EV by Business Unit (US$ millions)

	As at 31 December 2022				
Business Unit	ANW[(1)]	VIF before CoC	CoC	VIF after CoC	EV
AIA China[(2)]	4,485	8,664	60	8,604	**13,089**
AIA Hong Kong[(3)]	12,659	13,913	984	12,929	**25,588**
AIA Thailand	4,804	4,528	853	3,675	**8,479**
AIA Singapore	2,842	4,942	575	4,367	**7,209**
AIA Malaysia	1,184	2,338	211	2,127	**3,311**
Other Markets	3,564	5,381	1,228	4,153	**7,717**
Group Corporate Centre	7,324	–	–	–	**7,324**
Subtotal	36,862	39,766	3,911	35,855	**72,717**
Adjustment to reflect consolidated reserving and capital requirements[(4)]	(2,758)	1,480	446	1,034	**(1,724)**
After-tax value of unallocated Group Office expenses	–	(1,603)	–	(1,603)	**(1,603)**
Total (before non-controlling interests)	34,104	39,643	4,357	35,286	**69,390**
Non-controlling interests	(353)	(182)	(10)	(172)	**(525)**
Total	**33,751**	**39,461**	**4,347**	**35,114**	**68,865**

	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 the HKRBC regime effective from 1 January 2022.

(4) Adjustment reflects the consolidated reserving and capital requirements as described in Section 4.4 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 31 December 2022	As at 31 December 2021
IFRS shareholders' allocated equity	**44,805**	52,060
Fair value reserve	**(6,709)**	8,407
IFRS equity attributable to shareholders of the Company	**38,096**	60,467
Elimination of IFRS deferred acquisition and origination costs assets	**(30,046)**	(28,708)
Difference between IFRS policy liabilities and local statutory policy liabilities[1]	**28,831**	4,365
Difference between net IFRS policy liabilities and local statutory policy liabilities	**(1,215)**	(24,343)
Mark-to-market adjustment for property, mortgage loan and other investments, net of amounts attributable to participating funds	**112**	282
Elimination of intangible assets	**(3,277)**	(2,914)
Recognition of deferred tax impacts of the above adjustments	**2,692**	3,423
Recognition of non-controlling interests impacts of the above adjustments	**101**	110
ANW (Business Unit)	**36,509**	37,025
Adjustment to reflect consolidated reserving requirements, net of tax	**(2,758)**	(3,723)
ANW (Consolidated)	**33,751**	33,302

Note:

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

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 31 December 2022		As at 31 December 2021	
	Business Unit	Consolidated	Business Unit	Consolidated
ANW	**36,509**	**33,751**	37,025	33,302
Adjustment for certain assets not eligible for regulatory capital purposes	**(1,482)**	**(1,482)**	(1,860)	(1,860)
Less: Required capital	**11,672**	**14,419**	11,725	14,417
Free surplus[1]	**23,355**	**17,850**	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 31 December 2022	
Expected period of emergence	Undiscounted	Discounted
1 – 5 years	**22,629**	**18,674**
6 – 10 years	**20,362**	**11,249**
11 – 15 years	**19,432**	**7,269**
16 – 20 years	**16,887**	**4,277**
21 years and thereafter	**184,885**	**8,064**
Total	**264,195**	**49,533**

	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$49,533 million (2021: US$54,102 million) plus the free surplus of US$17,850 million (2021: US$17,025 million) and the non-eligible assets excluded in the free surplus calculation of US$1,482 million (2021: US$1,860 million) as shown in Section 2.3 of this report is equal to the EV of US$68,865 million (2021: US$72,987 million) shown in Section 2.1 of this report. The emergence of future distributable earnings as at 31 December 2022 includes the effects of the early adoption of the HKRBC regime, 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 year ended 31 December 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 consolidated financial statements. Section 4.1 of this report contains a list of the entities included in this report and the mapping of these entities to Business Units for the purpose of this report.

The Group VONB for the year ended 31 December 2022 was US$3,092 million, a decrease of US$274 million, or 5 per cent, from US$3,366 million for the year ended 31 December 2021.

Summary of VONB by Business Unit (US$ millions)

	Year ended 31 December 2022			Year ended 31 December 2021		
Business Unit	**VONB before CoC**	**CoC**	**VONB after CoC**	VONB before CoC	CoC	VONB after CoC
AIA China[1]	977	61	**916**	1,173	65	1,108
AIA Hong Kong[2]	849	62	**787**	806	50	756
AIA Thailand	627	42	**585**	645	36	609
AIA Singapore	364	15	**349**	369	13	356
AIA Malaysia	327	19	**308**	306	23	283
Other Markets	530	110	**420**	611	100	511
Total before unallocated Group Office expenses and non-controlling interests (Business Unit)	3,674	309	**3,365**	3,910	287	3,623
Adjustment to reflect consolidated reserving and capital requirements	(46)	6	**(52)**	(49)	8	(57)
Total before unallocated Group Office expenses and non-controlling interests (Consolidated)	3,628	315	**3,313**	3,861	295	3,566
After-tax value of unallocated Group Office expenses	(192)	–	**(192)**	(167)	–	(167)
Total before non-controlling interests (Consolidated)	3,436	315	**3,121**	3,694	295	3,399
Non-controlling interests	(30)	(1)	**(29)**	(33)	–	(33)
Total	**3,406**	**314**	**3,092**	3,661	295	3,366

Notes:

(1) The VONB for the year ended 31 December 2022 has reflected the change in solvency regime to C-ROSS II effective from 1 January 2022.

(2) The VONB for the year ended 31 December 2022 has reflected the early adoption of the HKRBC regime 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 year ended 31 December 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 year ended 31 December 2022 was 57.0 per cent compared with 59.3 per cent for the year ended 31 December 2021. The Group PVNBP margin for the year ended 31 December 2022 was 10 per cent compared with 10 per cent for the year ended 31 December 2021.

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

	VONB after CoC	ANP	VONB margin	PVNBP margin
Year				
Values for 2022				
Twelve months ended 31 December 2022	**3,092**	**5,407**	**57.0%**	**10%**
Values for 2021				
Twelve months ended 31 December 2021	3,366	5,647	59.3%	10%
Quarter				
Values for 2022				
Three months ended 31 March 2022	**853**	**1,567**	**54.4%**	**10%**
Three months ended 30 June 2022	**683**	**1,211**	**56.2%**	**10%**
Three months ended 30 September 2022	**741**	**1,271**	**58.1%**	**10%**
Three months ended 31 December 2022	**815**	**1,358**	**59.5%**	**10%**
Values for 2021				
Three months ended 31 March 2021	1,052	1,703	61.6%	10%
Three months ended 30 June 2021	762	1,357	55.7%	9%
Three months ended 30 September 2021	735	1,249	58.5%	9%
Three months ended 31 December 2021	817	1,338	60.6%	10%

2. EMBEDDED VALUE RESULTS (continued)

2.5 Value of New Business (continued)

The table below shows the VONB (excluding pension business), ANP, and VONB margin by Business Unit.

Summary of VONB Excluding Pension, ANP and VONB Margin by Business Unit (US$ millions)

	Year ended 31 December 2022			Year ended 31 December 2021		
Business Unit	VONB excluding pension	ANP	VONB margin	VONB excluding pension	ANP	VONB margin
AIA China[1]	916	1,319	**69.5%**	1,108	1,404	78.9%
AIA Hong Kong[2]	749	1,078	**69.5%**	708	1,106	64.0%
AIA Thailand	585	655	**89.1%**	609	677	90.0%
AIA Singapore	349	531	**65.7%**	356	549	64.7%
AIA Malaysia	307	440	**69.9%**	282	491	57.3%
Other Markets	418	1,384	**30.2%**	509	1,420	35.9%
Total before unallocated Group Office expenses (Business Unit)	3,324	5,407	**61.5%**	3,572	5,647	63.2%
Adjustment to reflect consolidated reserving and capital requirements	(52)	–		(58)	–	
Total before unallocated Group Office expenses (Consolidated)	3,272	5,407	**60.5%**	3,514	5,647	62.2%
After-tax value of unallocated Group Office expenses	(192)	–		(167)	–	
Total	**3,080**	**5,407**	**57.0%**	3,347	5,647	59.3%

Notes:

(1) The VONB for the year ended 31 December 2022 has reflected the change in solvency regime to C-ROSS II effective from 1 January 2022.

(2) The VONB for the year ended 31 December 2022 has reflected the early adoption of the HKRBC regime effective from 1 January 2022.

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement

Analysis of Movement in EV (US$ millions)

	Year ended 31 December 2022			Year ended 31 December 2021			YoY AER
	ANW	VIF	EV	ANW	VIF	EV	EV
Opening EV	33,302	39,685	**72,987**	28,503	36,744	65,247	12%
Purchase price[2]	(283)	–	**(283)**	(397)	–	(397)	n/m[1]
Acquired EV[3]	83	–	**83**	266	254	520	n/m
Effect of acquisition	(200)	–	**(200)**	(131)	254	123	n/m
BEA Upfront Payment[4]	–	–	**–**	(258)	–	(258)	n/m
Release of resilience margins	2,168	(1,283)	**885**	–	–	–	n/m
Impact of HKRBC early adoption	8,407	(6,028)	**2,379**	–	–	–	n/m
VONB	(159)	3,251	**3,092**	(810)	4,176	3,366	(8)%
Expected return on EV	4,838	(969)	**3,869**	5,156	(754)	4,402	(12)%
Operating experience variances	513	(214)	**299**	626	(175)	451	(34)%
Operating assumption changes	(331)	275	**(56)**	64	(78)	(14)	n/m
Finance costs	(359)	–	**(359)**	(309)	–	(309)	16%
EV operating profit	4,502	2,343	**6,845**	4,727	3,169	7,896	(13)%
Investment return variances	(5,893)	501	**(5,392)**	1,636	(343)	1,293	n/m
Effect of changes in economic assumptions	(15)	(285)	**(300)**	(26)	460	434	n/m
Other non-operating variances	(1,530)	1,296	**(234)**	1,163	37	1,200	n/m
Total EV profit	7,639	(3,456)	**4,183**	7,500	3,323	10,823	(61)%
Dividends	(2,259)	–	**(2,259)**	(2,147)	–	(2,147)	5%
Share buy-back	(3,570)	–	**(3,570)**	–	–	–	n/m
Other capital movements	(12)	–	**(12)**	9	–	9	n/m
Effect of changes in exchange rates	(1,149)	(1,115)	**(2,264)**	(174)	(636)	(810)	n/m
Closing EV	33,751	35,114	**68,865**	33,302	39,685	72,987	(6)%
Opening EV per share (US dollars)			**6.03**			5.39	12%
Closing EV per share (US dollars)			**5.87**			6.03	(3)%

Notes:

(1) Not meaningful (n/m).

(2) The purchase price in 2022 refers to the consideration for acquiring Blue Cross as per note 14 to the IFRS consolidated financial statements, and the purchase price in 2021 refers to the cost of acquiring AIA Everest as per note 5 to the IFRS consolidated financial statements in the Company's Annual Report 2021.

(3) The acquired EV in 2022 is from the acquisition of Blue Cross, and the acquired EV in 2021 is from the acquisition of AIA Everest.

(4) Refers to the consideration for the strategic bancassurance partnership with The Bank of East Asia, Limited (BEA).

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 the early adoption of the HKRBC regime increased EV by US$3,264 million.

EV operating profit was US$6,845 million (2021: US$7,896 million), reflecting VONB of US$3,092 million (2021: US$3,366 million), an expected return on EV of US$3,869 million (2021: US$4,402 million), operating experience variances and operating assumption changes which were again positive and amounted to US$243 million (2021: US$437 million), net of finance costs of US$359 million (2021: US$309 million).

The VONB is calculated at the point of sale for business written during the year. The expected return on EV is the expected change in the EV over the year plus the expected return on the VONB up to 31 December 2022. Operating experience variances reflect the impact on the ANW and VIF from differences between the actual experience over the year and that expected based on the operating assumptions.

The operating experience variances, net of tax, increased EV by US$299 million (2021: increased by US$451 million), driven by:

- Expense variances of US$(27) million (2021: US$(18) million) and development costs of US$12 million (2021: US$9 million);
- Mortality and morbidity claims variances of US$115 million (2021: US$221 million); and
- Persistency and other variances of US$223 million (2021: US$257 million) which included persistency variances of US$73 million (2021: US$(6) million) and other variances including management actions of US$150 million (2021: US$263 million).

The effect of changes in operating assumptions during the year was a decrease in EV of US$56 million (2021: a decrease in EV of US$14 million).

The EV profit of US$4,183 million (2021: US$10,823 million) is the total of EV operating profit, investment return variances, the effect of changes in economic assumptions and other non-operating variances.

The investment return variances decreased EV by US$5,392 million (2021: an increase in EV of US$1,293 million) driven by the effect of short-term fluctuations in interest rates and equity markets, and other capital market movements, on the Group's investment portfolio and the reserves and capital requirements compared with the expected returns.

The effect of changes in economic assumptions was a decrease in EV of US$300 million (2021: an increase in EV of US$434 million).

Other non-operating variances decreased EV by US$234 million (2021: increased EV by US$1,200 million) which comprised negative impacts from non-operating expenses, partly offset by positive impacts from model-related enhancements and adjustments to capital requirements on consolidation. The effect of the implementation of C-ROSS II is not material.

The Group paid total shareholder dividends of US$2,259 million (2021: US$2,147 million). The capital deployed for the share buy-back programme, under which 366 million shares(1) (2021: nil) have been repurchased in the year of 2022, was US$3,570 million (2021: nil). Other capital movements decreased EV by US$12 million (2021: increased EV by US$9 million).

Foreign exchange movements decreased EV by US$2,264 million (2021: decreased EV by US$810 million).

The closing EV was US$68,865 million at 31 December 2022.

Note:

(1) Of these shares, 319 million shares were cancelled in 2022, and the remaining 47 million shares have subsequently been cancelled as per note 34 to the IFRS consolidated financial statements.

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement (continued)

Operating ROEV (US$ millions)

Operating return on EV (operating ROEV) is calculated as EV operating profit expressed as a percentage of the opening EV and was 9.4 per cent (2021: 12.1 per cent) for the year ended 31 December 2022.

	Year ended 31 December 2022	Year ended 31 December 2021	YoY CER	YoY AER
EV operating profit	**6,845**	7,896	(10)%	(13)%
Opening EV	**72,987**	65,247	13%	12%
Operating ROEV	**9.4%**	12.1%	(2.4) pps	(2.7) pps
EV operating earnings per share (US cents)[(1)]	**57.38**	65.44	(9)%	(12)%

Note:

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

2.7 EV Equity

EV Equity dropped to US$71,202 million as at 31 December 2022, a decrease of 2 per cent from US$75,001 million as at 31 December 2021.

Derivation of EV Equity from EV (US$ millions)

	As at 31 December 2022	As at 31 December 2021	Change CER	Change AER
EV	**68,865**	72,987	(3)%	(6)%
Goodwill and other intangible assets[(1)]	**2,337**	2,014	22%	16%
EV Equity[(2)]	**71,202**	75,001	(2)%	(5)%
EV Equity per share (US dollars)	**6.07**	6.20	1%	(2)%

Notes:

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

(2) Includes the EV Equity for Australian Savings and Investments (S&I) business held for sale as per note 45 to the IFRS consolidated financial statements.

2. EMBEDDED VALUE RESULTS (continued)

2.8 Free Surplus Generation

Free Surplus Generation (US$ millions)

	Year ended 31 December 2022	Year ended 31 December 2021	YoY CER	YoY AER
Opening free surplus	**17,025**	13,473	19%	26%
Effect of acquisition[(1)]	**(200)**	(312)	n/m[(2)]	n/m
BEA Upfront Payment[(3)]	**–**	(258)	n/m	n/m
Investment in China Post Life	**–**	(1,860)	n/m	n/m
Release of resilience margins	**3,400**	–	n/m	n/m
Impact of HKRBC early adoption	**4,403**	–	n/m	n/m
UFSG	**6,039**	6,451	(2)%	(6)%
Free surplus used to fund new business	**(1,274)**	(1,712)	(22)%	(26)%
Investment return variances and other items	**(5,093)**	3,963	n/m	n/m
Unallocated Group Office expenses	**(250)**	(273)	(8)%	(8)%
Dividends	**(2,259)**	(2,147)	5%	5%
Share buy-back	**(3,570)**	–	n/m	n/m
Finance costs and other capital movements	**(371)**	(300)	n/m	n/m
Closing free surplus	**17,850**	17,025	7%	5%

Free surplus increased by US$825 million (2021: increased by US$3,552 million) to US$17,850 million (2021: US$17,025 million) as of 31 December 2022, after reflecting the impact of HKRBC early adoption of US$4,403 million, the impact of release of resilience margins of US$3,400 million and the impact of share buy-back of US$(3,570) million.

UFSG, as defined in Section 4.8, decreased by 2 per cent, to US$6,039 million (2021: US$6,451 million). On a comparable basis[(4)], UFSG increased by 6 per cent. Investment in writing new business was US$1,274 million (2021: US$1,712 million).

Investment return variances and other items amounted to US$(5,093) million (2021: US$3,963 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$250 million (2021: US$273 million).

Notes:

(1) The effect of acquisition in 2022 refers to the consideration for acquiring Blue Cross of US$283 million as per note 14 to the IFRS consolidated financial statements, less the acquired free surplus of US$83 million. The effect of acquisition in 2021 refers to the cost of acquiring AIA Everest of US$397 million as per note 5 to the IFRS consolidated financial statements in the Company's Annual Report 2021, less the acquired free surplus of US$85 million.

(2) Not meaningful (n/m).

(3) Refers to the consideration for the strategic bancassurance partnership with BEA.

(4) Comparable basis refers to the growth rate of UFSG before the effects of the early adoption of the HKRBC regime from 1 January 2022 and the release of resilience margins held by the Group at 1 January 2022 under the previous Hong Kong Insurance Ordinance basis.

3. SENSITIVITY ANALYSIS

The EV as at 31 December 2022 and the VONB for the year ended 31 December 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 31 December 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 31 December 2022); and
- Equity prices decreased proportionally by 10 per cent (i.e. 90 per cent of the prices at 31 December 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 31 December 2022 and the values of debt instruments and derivatives held at 31 December 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 31 December 2022 were changed to be consistent with the equity price assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

For each of the remaining sensitivity analyses, the statutory reserving bases as at 31 December 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.

3. SENSITIVITY ANALYSIS (continued)

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

Sensitivity of EV (US$ millions)

	As at 31 December 2022		As at 31 December 2021	
Scenario	EV	% Change	EV	% Change
Central value	**68,865**		72,987	
Impact of:				
200 bps increase in risk discount rates	**(8,133)**	**(11.8)%**	(9,806)	(13.4)%
200 bps decrease in risk discount rates	**13,036**	**18.9%**	15,325	21.0%
10% increase in equity prices	**1,817**	**2.6%**	1,878	2.6%
10% decrease in equity prices	**(1,821)**	**(2.6)%**	(1,871)	(2.6)%
50 bps increase in interest rates	**(1,246)**	**(1.8)%**	(330)	(0.5)%
50 bps decrease in interest rates	**1,347**	**2.0%**	279	0.4%
100 bps decrease in equity and property returns and risk discount rates	**2,047**	**3.0%**	3,876	5.3%
5% appreciation in the presentation currency	**(2,059)**	**(3.0)%**	(2,164)	(3.0)%
5% depreciation in the presentation currency	**2,059**	**3.0%**	2,164	3.0%
10% increase in lapse/discontinuance rates	**(1,532)**	**(2.2)%**	(1,135)	(1.6)%
10% decrease in lapse/discontinuance rates	**1,693**	**2.5%**	1,280	1.8%
10% increase in mortality/morbidity rates	**(4,659)**	**(6.8)%**	(4,876)	(6.7)%
10% decrease in mortality/morbidity rates	**4,514**	**6.6%**	4,779	6.5%
10% decrease in maintenance expenses	**862**	**1.3%**	865	1.2%
Expense inflation set to 0%	**941**	**1.4%**	1,047	1.4%

Sensitivity of VONB (US$ millions)

	Year ended 31 December 2022		Year ended 31 December 2021	
Scenario	VONB	% Change	VONB	% Change
Central value	**3,092**		3,366	
Impact of:				
200 bps increase in risk discount rates	**(634)**	**(20.5)%**	(739)	(22.0)%
200 bps decrease in risk discount rates	**944**	**30.5%**	1,099	32.7%
50 bps increase in interest rates	**64**	**2.1%**	74	2.2%
50 bps decrease in interest rates	**(81)**	**(2.6)%**	(108)	(3.2)%
100 bps decrease in equity and property returns and risk discount rates	**333**	**10.8%**	411	12.2%
5% appreciation in the presentation currency	**(129)**	**(4.2)%**	(140)	(4.2)%
5% depreciation in the presentation currency	**129**	**4.2%**	140	4.2%
10% increase in lapse/discontinuance rates	**(191)**	**(6.2)%**	(227)	(6.7)%
10% decrease in lapse/discontinuance rates	**242**	**7.8%**	253	7.5%
10% increase in mortality/morbidity rates	**(408)**	**(13.2)%**	(437)	(13.0)%
10% decrease in mortality/morbidity rates	**436**	**14.1%**	437	13.0%
10% decrease in maintenance expenses	**98**	**3.2%**	102	3.0%
Expense inflation set to 0%	**72**	**2.3%**	75	2.2%

4. METHODOLOGY

4.1 Entities Included in This Report

The Group operates through a number of subsidiaries and branches. Its two main operating subsidiaries are AIA Company Limited (AIA Co.), a company incorporated in Hong Kong and a subsidiary of the Company, and AIA International Limited (AIA International), a company incorporated in Bermuda and an indirect subsidiary of the Company. Furthermore, AIA Co. has branches located in Thailand and AIA International has branches located in Hong Kong, Macau and Taiwan.

The following is a list of the entities and their mapping to Business Units included in this report.

- AIA Australia refers to AIA Australia Limited, a subsidiary of AIA Co.;
- AIA Cambodia refers to AIA (Cambodia) Life Insurance Plc., a subsidiary of AIA International;
- AIA China refers to AIA Life Insurance Company Limited, a subsidiary of AIA Co.;
- AIA Hong Kong refers to the total of the following entities:
  - the Hong Kong and Macau branches of AIA International;
  - the Hong Kong business written by AIA Co.;
  - AIA Pensions (BVI) Limited, a subsidiary of AIA Co.;
  - AIA Everest Life Company Limited, a subsidiary of AIA Co. acquired from The Bank of East Asia, Limited (BEA); and
  - AIA Holdings (Hong Kong) Limited, a wholly-owned subsidiary of the Company and also the holding company of Blue Cross (Asia-Pacific) Insurance Limited (Blue Cross) as it acquired Blue Cross on 26 August 2022;
- AIA Indonesia refers to PT. AIA Financial, a subsidiary of AIA International;
- AIA Korea refers to AIA Life Insurance Co. Ltd., a subsidiary of AIA International;
- AIA Malaysia refers to AIA Bhd., a subsidiary of AIA Co., and AIA PUBLIC Takaful Bhd., a 70 per cent owned subsidiary of AIA Bhd., and AIA General Berhad, a subsidiary of AIA Bhd.;
- AIA Myanmar refers to AIA Myanmar Life Insurance Company Limited, a subsidiary of AIA Co.;
- AIA New Zealand refers to AIA New Zealand Limited, a subsidiary of AIA Sovereign Limited, which in turn is a subsidiary of AIA International;
- AIA Philippines refers to AIA Philippines Life and General Insurance Company Inc., a subsidiary of AIA Co., and its 51 per cent owned subsidiary BPI AIA Life Assurance Corporation;
- AIA Singapore refers to AIA Singapore Private Limited, a subsidiary of AIA Co., and its Brunei branch;
- AIA Sri Lanka refers to AIA Insurance Lanka Limited, a subsidiary of AIA Co.;
- AIA Taiwan refers to the Taiwan branch of AIA International;
- AIA Thailand refers to the Thailand branches of AIA Co.;
- AIA Vietnam refers to AIA (Vietnam) Life Insurance Company Limited, a subsidiary of AIA International; and
- Tata AIA Life refers to Tata AIA Life Insurance Company Limited, an associate 49 per cent owned by AIA International.

Results are presented consistently with the segment information in the IFRS consolidated financial statements. The summary of the EV by Business Unit in this report also includes the ANW for the “Group Corporate Centre” segment, which is derived from the IFRS equity for this segment plus mark-to-market adjustments less the value of intangible assets. In the presentation of EV and VONB, the present value of withholding tax payable on future remittances from local business units is presented under the appropriate operating segment.

4. METHODOLOGY (continued)

4.2 Embedded Value and Value of New Business

The Group uses a traditional deterministic discounted cash flow methodology for determining its EV and VONB for all entities other than Tata AIA Life. This methodology makes an implicit overall level of allowance for risk including the cost of investment return guarantees and policyholder options, asset-liability mismatch risk, credit risk, the risk that actual experience in future years differs from that assumed, and the economic cost of capital, through the use of a risk discount rate. Typically, the higher the risk discount rate, the greater the allowance for these factors. This is a common methodology used by life insurance companies in Asia currently.

The business included in the VIF and VONB calculations includes all life business written by the Business Units of the Group, plus other lines of business which may not be classified as life business but have similar characteristics. These include accident and health, group and pension businesses. The projected in-force business included in the VIF also incorporates expected renewals on short-term business with a term of one year or less.

The VONB is the present value, measured at the point of sale, of projected after-tax statutory profits emerging in the future from new business sold in the period less the cost of holding required capital in excess of regulatory reserves to support this business. The VONB for the Group is calculated based on assumptions applicable at the point of sale, after allowing for any acquisition expense overruns in excess of the relevant expense assumptions.

The EV is the sum of the ANW and VIF. The ANW is the market value of assets in excess of the assets backing the policy reserves and other liabilities of the life (and similar) business of the Group, plus the IFRS equity value of other activities, such as general insurance business, less the value of intangible assets. It excludes any amounts not attributable to shareholders of the Company. The market value of investment property and property held for own use that is used to determine the ANW is based on the fair value disclosed as per note 22 to the Group's IFRS consolidated financial statements as at the valuation date.

The VIF is the present value of projected after-tax statutory profits by Business Units emerging in the future from the current in-force business less the cost arising from holding the required capital (CoC) to support the in-force business. CoC is calculated as the face value of the required capital as at the valuation date less the present value of the net-of-tax investment return on the shareholder assets backing required capital and the present value of projected releases from the assets backing the required capital. Where the required capital may be covered by policyholder assets such as surplus assets in a participating fund, there is no associated cost of capital included in the VIF or VONB.

EV Equity is the total of EV, goodwill and other intangible assets attributable to shareholders of the Company, after allowing for taxes.

A deduction has been made from the EV and VONB for the present value of future after-tax unallocated Group Office expenses, representing the expenses incurred by the Group Office which are not allocated to the Business Units. These unallocated Group Office expenses have been allocated to acquisition and maintenance activities, and a deduction made from the VONB and VIF respectively.

For Tata AIA Life, the Group uses the IEV methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India, consistent with local practice in India. The EV and VONB reported for Tata AIA Life are reported on a one-quarter-lag basis.

4. METHODOLOGY (continued)

4.3 Definition of New Business

New business includes the sale of new contracts during the period, additional single premium payments on recurrent single premium contracts and increments to existing contracts where these are not variations allowed for in the calculation of the VIF. The VONB also includes the present value of cash flows associated with new policies written during the reporting period but subsequently terminated before the valuation date.

For group renewable business including group yearly renewable term business, new business is composed of new schemes set up during the period plus any premium payable on existing schemes that exceeds the prior year's premiums. For individually significant group cases, the VONB is calculated over each premium rate guarantee period entered upon contract inception or renewal.

For short-term accident and health business with a term of one year or less, renewals of existing contracts are not considered new business, and the value of expected renewals on this business is included in the VIF.

For pension business, sales of new contracts during the period and any new contributions, including assets transferred in, are considered as new business for the calculation of the VONB.

New business volumes shown in this report are measured using annualised new premiums (ANP), which is an internal measure of new business sales.

4.4 Consolidation of Branches and Subsidiaries of AIA Co. and AIA International

The Company's subsidiaries, AIA Co. and AIA International, are both Hong Kong-regulated entities and subject to the Hong Kong reserving and capital requirements. In addition, AIA International, which is incorporated in Bermuda, is subject to the Bermuda Monetary Authority (BMA) reserving and capital requirements. Since 2021, the Company is also subject to the group-wide supervision (GWS) requirements implemented by the Hong Kong Insurance Authority (HKIA). AIA operates in a number of territories as branches and subsidiaries of these entities. These regulatory and other consolidated reserving and capital requirements as determined by the Group apply in addition to the relevant local requirements applicable to our Business Units, and are discussed in Section 4.6.

The EV and VONB results for the Group shown in Section 2 of this report have been adjusted to reflect the consolidated reserving and capital requirements. This approach was taken to reflect the distribution of profits from AIA Co. and AIA International after allowing for the Hong Kong, BMA, local and group-wide regulatory requirements, and other reserving and capital requirements as determined by the Group. The EV and VONB for each Business Unit reflect the local reserving and capital requirements, as discussed in Section 4.6 of this report, before a Group-level adjustment to reflect the consolidated reserving and capital requirements.

4.5 Valuation of Future Statutory Losses

For certain lines of business, projected future statutory profits are negative due to the local statutory reserves being insufficient to meet the value of future policyholder cash flows. There are a number of acceptable methods for determining the value of a combination of positive and negative statutory profits for different lines of business.

For the purposes of this valuation, future projected statutory losses have been valued by discounting them at the risk discount rate for the relevant Business Unit, with any negative VIF eliminated for each reported segment by reducing the ANW. This has been done because the allowance for risk in the range of selected risk discount rates for each Business Unit has been set taking into account the presence of any such business lines with projected statutory losses. Also, the consolidated reserving and capital requirements have the effect of reducing the level of any future projected statutory losses. Based on the assumptions described in Section 5 of this report, and allowing for the consolidated statutory reserving and capital requirements, the overall projected annual distributable profits from the current in-force business and the assets backing the required capital of the Group are positive over the remaining lifetime of the business. Therefore, it is not considered necessary to change the discounting approach described above.

4. METHODOLOGY (continued)

4.6 Capital Requirements

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

Business Unit	Capital requirements
AIA Australia	100% of regulatory capital adequacy requirement
AIA China[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[3]	125% of regulatory Risk-Based Capital requirement
AIA Singapore	Higher of 135% of capital adequacy requirement and 80% of Tier 1 capital requirement under the regulatory Risk-Based Capital framework
AIA Sri Lanka	120% of regulatory Risk-Based Capital requirement
AIA Taiwan	250% of regulatory Risk-Based Capital requirement
AIA Thailand	140% of regulatory Risk-Based Capital requirement
AIA Vietnam	100% of required minimum solvency margin
Tata AIA Life	175% of required minimum solvency margin

Notes:

(1) 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., and the Hong Kong business written by AIA Co., are still evaluated based on 150 per cent of required minimum solvency margin under existing Hong Kong Insurance Ordinance (HKIO) requirements, and the Macau branch of AIA International is subject to 150 per cent of Macau statutory requirement.

(3) The capital requirement ratio is updated to 125 per cent at the year end of 31 December 2022 following the group prescribed capital requirement (GPCR) under the Local Capital Summation Method (LCSM).

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.

4. METHODOLOGY (continued)

4.7 Foreign Exchange

The EV as at 31 December 2022 and 31 December 2021 have been translated into US dollars using exchange rates as at each valuation date. The VONB results shown in this report have been translated into US dollars using the corresponding average exchange rates for each quarter. The other components of the EV profit shown in the analysis of EV movement have been translated using average exchange rates for the period.

Change on actual exchange rates (AER) is calculated based on the translated figures as described above. Change on constant exchange rates (CER) is calculated for all figures for the current year and for the prior year, using the current year constant average exchange rates, other than for EV and its components as at the end of the current year and as at the end of the prior year, which are translated using the CER as at the end of the current year.

4.8 Underlying Free Surplus Generation

The free surplus is defined as the ANW in excess of the required capital after reflecting the consolidated reserving and capital requirements and the adjustment for certain assets not eligible for regulatory capital purposes. The underlying free surplus generation represents free surplus generated from the in-force business, adjusted for certain non-recurring items, and before free surplus used to fund new business, unallocated Group Office expenses, finance costs, investment return variances and other non-operating items. The underlying free surplus generation is also calculated after reflecting the consolidated reserving and capital requirements.

5. ASSUMPTIONS

5.1 Introduction

This section summarises the assumptions used by the Group to determine the EV as at 31 December 2022 and the VONB for the year ended 31 December 2022 and highlights certain differences in assumptions between the EV as at 31 December 2021 and the EV as at 31 December 2022.

5.2 Economic Assumptions

Investment Returns

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

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

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

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

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

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

5. ASSUMPTIONS (continued)

5.2 Economic Assumptions (continued)

Risk Discount Rates

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

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

	Current market 10-year government bond yields referenced in EV calculations (%)	
Business Unit	**As at 31 December 2022**	As at 31 December 2021
AIA Australia	**4.05**	1.67
AIA China	**2.84**	2.78
AIA Hong Kong[1]	**3.87**	1.51
AIA Indonesia	**6.94**	6.38
AIA Korea	**3.74**	2.26
AIA Malaysia	**4.09**	3.58
AIA New Zealand	**4.47**	2.39
AIA Philippines	**6.99**	4.82
AIA Singapore	**3.09**	1.67
AIA Sri Lanka	**26.18**	11.71
AIA Taiwan	**1.28**	0.73
AIA Thailand	**2.64**	1.90
AIA Vietnam	**4.90**	2.08

Note:

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

5. ASSUMPTIONS (continued)

5.2 Economic Assumptions (continued)

Risk Discount Rates (continued)

The table below summarises the risk discount rates and long-term investment returns assumed in EV calculations. The risk discount rates in 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 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 31 Dec 2022**	**As at 30 Jun 2022 (Unaudited)**	As at 31 Dec 2021	**As at 31 Dec 2022**	**As at 30 Jun 2022 (Unaudited)**	As at 31 Dec 2021	**As at 31 Dec 2022**	**As at 30 Jun 2022 (Unaudited)**	As at 31 Dec 2021
AIA Australia	**7.43**	6.42	6.41	**3.30**	2.30	2.30	**7.60**	6.60	6.60
AIA China	**9.69**	9.70	9.72	**3.70**	3.70	3.70	**9.30**	9.30	9.30
AIA Hong Kong[(1)]	**7.46**	6.96	6.98	**3.00**	2.20	2.20	**7.50**	7.00	7.00
AIA Indonesia	**13.09**	13.03	12.98	**7.50**	7.50	7.50	**12.00**	12.00	12.00
AIA Korea	**8.91**	8.10	8.10	**3.00**	2.20	2.20	**7.30**	6.50	6.50
AIA Malaysia	**8.92**	8.49	8.56	**4.50**	4.00	4.00	**9.10**	8.60	8.60
AIA New Zealand	**7.43**	6.48	6.53	**3.30**	2.30	2.30	**7.80**	6.80	6.80
AIA Philippines	**12.10**	11.80	11.80	**5.80**	5.30	5.30	**10.80**	10.50	10.50
AIA Singapore	**7.27**	6.59	6.59	**2.90**	2.20	2.20	**7.40**	6.70	6.70
AIA Sri Lanka	**21.00**	20.00	14.70	**10.00**	9.00	9.00	**12.00**	11.00	11.00
AIA Taiwan	**7.67**	7.20	7.25	**1.50**	1.00	1.00	**6.10**	5.60	5.60
AIA Thailand	**8.09**	7.65	7.69	**3.20**	2.70	2.70	**8.20**	7.70	7.70
AIA Vietnam	**9.57**	9.11	9.16	**4.00**	3.50	3.50	**9.30**	8.80	8.80

Note:

(1) The majority of AIA Hong Kong's assets and liabilities are denominated in US dollars. The 10-year government bond assumptions shown above are those of US dollar-denominated bonds. Starting from 31 Dec 2022, local equities assumption shown is that of US dollar-denominated equities. The local equities assumptions as at 30 Jun 2022 and 31 Dec 2021 shown above are those of HK dollar-denominated equities.

5. ASSUMPTIONS (continued)

5.3 Persistency

Persistency covers the assumptions required, where relevant, for policy lapse (including surrender), premium persistency, premium holidays, partial withdrawals and retirement rates for pension products.

Assumptions have been developed by each of the Business Units based on their recent historical experience and expected future experience. Persistency assumptions vary by policy year and product type with different rates for regular and single premium products.

Where experience for a particular product was not credible enough to allow any meaningful analysis to be performed, experience for similar products was used as a basis for future persistency experience assumptions.

In the case of surrenders, the valuation assumes that current surrender value bases will continue to apply in the future.

5.4 Expenses

The expense assumptions have been set based on the most recent expense analysis. The purpose of the expense analysis is to allocate total expenses between acquisition and maintenance activities, and then to allocate these acquisition and maintenance expenses to various product categories to derive unit cost assumptions.

Where the expenses associated with certain activities have been identified as being one-off, these expenses have been excluded from the expense analysis.

Expense assumptions have been determined for acquisition and maintenance activities, split by product type, and unit costs expressed as a percentage of premiums, sum assured and an amount per policy. Where relevant, expense assumptions have been calculated per distribution channel.

Expense assumptions do not make allowance for any anticipated future expense savings as a result of any strategic initiatives aimed at improving policy administration and claims handling efficiency.

Assumptions for commission rates and other sales-related payments have been set in line with actual experience.

Group Office Expenses

Group Office expense assumptions have been set, after excluding non-operating expenses, based on actual acquisition and maintenance expenses in the year ended 31 December 2022. The Group Office acquisition expenses have been deducted from the VONB. The present value of the projected future Group Office maintenance expenses has been deducted from the Group EV. The maintenance expense assumptions in the VONB also allow for the allocation of Group Office expenses.

5. ASSUMPTIONS (continued)

5.5 Expense Inflation

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

Expense Inflation Assumptions by Business Unit (%)

Business Unit	As at 31 December 2022	As at 31 December 2021
AIA Australia	**2.25**	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)	**7.05**	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)

5.6 Mortality

Assumptions have been developed by each Business Unit based on their recent historical experience and expected future experience. Where historical experience is not credible, reference has been made to pricing assumptions supplemented by market data, where available.

Mortality assumptions have been expressed as a percentage of either standard industry experience tables or, where experience is sufficiently credible, as a percentage of tables that have been developed internally by the Group.

For annuity products that are exposed to longevity risk, an allowance has been made for expected future improvements in mortality; otherwise no allowance has been made for mortality improvements.

5.7 Morbidity

Assumptions have been developed by each Business Unit based on their recent historical experience and expected future experience. Morbidity rate assumptions have been expressed as a percentage of standard industry experience tables or as expected claims ratios.

5.8 Reinsurance

Reinsurance assumptions have been developed by each Business Unit based on the reinsurance arrangements in force as at the valuation date and the recent historical and expected future experience.

5.9 Policyholder Dividends, Profit Sharing and Interest Crediting

The projected policyholder dividends, profit sharing and interest crediting assumptions set by each Business Unit that have been used in calculating the EV results presented in this report, reflect contractual and regulatory requirements, policyholders' reasonable expectations (where clearly defined) and each Business Unit's expectation of future policies, strategies and operations consistent with the investment return assumptions used in the EV results.

Participating fund surpluses have been assumed to be distributed between policyholders and shareholders via future final bonuses or at the end of the projection period so that there are no residual assets at the end of the projection period.

5. ASSUMPTIONS (continued)

5.10 Taxation

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

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

Local Corporate Income Tax Rates by Business Unit (%)

Business Unit	As at 31 December 2022	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]	**26.5**	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[2]	**30.0**	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

Notes:

(1) AIA Korea is subject to an assumed corporate income tax of 26.5 per cent up to fiscal year 2022, which includes an Accumulated Earnings Tax following the subsidiarisation of the branch in AIA Korea. Based on current regulations, the corporate income tax rate will change to 23.2 per cent effective from 1 January 2023.

(2) During the reporting period, a change in corporate income tax rate has been enacted in Sri Lanka from 24 per cent to 30 per cent, and this was effective from 1 October 2022.

5. ASSUMPTIONS (continued)

5.11 Statutory Valuation Bases

The projection of regulatory liabilities at future points in time assumes the continuation of the reserving methodologies used to value policyholder liabilities as at the valuation date.

5.12 Product Charges

Management fees and product charges reflected in the VIF and VONB have been assumed to follow existing scales.

6. EVENTS AFTER THE REPORTING PERIOD

The Financial Supervisory Service (FSS) has announced that the new capital adequacy framework (Korean Insurance Capital Standard (K-ICS)) for Korean insurers will be effective from 1 January 2023. This new K-ICS has not been applied to the Group EV reporting as of 31 December 2022.

On 10 March 2023, a Committee appointed by the Board of Directors proposed a final dividend of 113.40 Hong Kong cents per share (2021: final dividend of 108.00 Hong Kong cents per share).

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2022, including the accounting principles and practices adopted by the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2022, with the exception of Code Provision C.6.3, the Company applied the principles and complied with all applicable code provisions of the Corporate Governance Code. Code Provision C.6.3 provides that the company secretary should report to the chairman of the board and/or the chief executive. The Company operates under a variant of this model whereby the Group Company Secretary reports to the Group General Counsel, who is ultimately accountable for the company secretarial function of the Company and who in turn reports directly to the Group Chief Executive.

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

During the year ended 31 December 2022, the Company bought back a total of 366,267,400 Shares on the Hong Kong Stock Exchange with the aggregate consideration paid (before expenses) amounting to approximately HK$27,908 million (equivalent to approximately US$3,562 million). All the Shares bought back were subsequently cancelled. As at 31 December 2022, the total number of Shares in issue was 11,780,868,713. Particulars of the Shares bought back are as follows:

Month	Number of Shares bought back	Price paid per Share (Average) (HK$)	Price paid per Share (Highest) (HK$)	Price paid per Share (Lowest) (HK$)	Aggregate consideration (before expenses) (HK$ million)
March 2022	16,832,000	81.63	84.20	78.40	1,374
April 2022	36,729,800	79.74	84.40	74.10	2,929
May 2022	38,567,600	76.41	81.30	71.60	2,947
June 2022	40,362,600	80.61	85.60	76.65	3,254
July 2022	31,212,600	83.14	86.30	78.70	2,595
August 2022	9,244,600	77.05	79.25	74.85	712
September 2022	52,689,400	70.94	75.30	64.10	3,738
October 2022	49,374,400	64.89	70.45	57.30	3,204
November 2022	44,137,200	71.88	78.20	59.80	3,172
December 2022	47,117,200	84.52	88.85	79.35	3,983
Total	**366,267,400**	**76.20**			**27,908**

In addition, the Company had also purchased 9,933,820 Shares under the 2020 RSU Scheme and the 2020 ESPP for a total consideration of approximately HK$804.67 million (equivalent to approximately US$102.76 million) during the year ended 31 December 2022. These purchases were made by the trustees of these share incentive schemes on the Hong Kong Stock Exchange. These Shares are held on trust for the participants of the relevant schemes and therefore were not cancelled. Please refer to note 39 to the consolidated financial statements for details.

Save as disclosed above, during the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the year ended 31 December 2022 are set out in note 44 to the consolidated financial statements.

PUBLICATION OF CERTAIN FINANCIAL AND OTHER DATA PURSUANT TO LOCAL REGULATORY REQUIREMENTS

The Company and its subsidiaries or their respective branches are subject to local regulatory oversight in each of the countries or jurisdictions in which they operate. In a number of these jurisdictions, local insurance and other regulations require the publication of certain financial and other data primarily for policyholders' information and prudential supervisory purposes. Such local statutory data is often produced pursuant to regulations that are not designed with the protection or requirements of public shareholders as a primary objective.

The Company uses HKFRS and IFRS to prepare its consolidated financial information. The local statutory data may be prepared on bases different from HKFRS and IFRS and may be substantially different from the Company's HKFRS and IFRS financial information.

Accordingly, our Shareholders and potential investors are advised that the local statutory data should not be relied on for an assessment of the Company's financial performance.

FINAL DIVIDEND

The Board has recommended an increase of 5 per cent in the payment of a final dividend to 113.40 Hong Kong cents per Share for the year ended 31 December 2022 (2021: 108.00 Hong Kong cents per Share), consistent with AIA's established prudent, sustainable and progressive dividend policy.

Subject to Shareholders' approval at the AGM, the final dividend will be payable on Friday, 9 June 2023 to Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 24 May 2023, being the record date for determining the entitlements to the final dividend.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15 May 2023 to Thursday, 18 May 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 12 May 2023.

In order to qualify for the entitlement of the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 24 May 2023.

ANNUAL GENERAL MEETING

The AGM will be held at 11:00 a.m. (Hong Kong time) on Thursday, 18 May 2023. Details of the venue and business to be transacted at the AGM are set out in the Company's circular to be issued to the Shareholders for the AGM.

Details of voting results at the AGM can be found on the websites of both the Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and the Company at www.aia.com on Thursday, 18 May 2023 after the AGM.

FORWARD-LOOKING STATEMENTS

This document may contain certain forward-looking statements relating to the Group that are based on the beliefs of the Group's management as well as assumptions made by and information currently available to the Group's management. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to the Group's business prospects, future developments, trends and conditions in the industry and geographical markets in which the Group operates, its strategies, plans, objectives and goals, its ability to control costs, statements relating to prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

When used in this document, the words "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and similar expressions, as they relate to the Group or the Group's management, are intended to identify forward-looking statements. These forward-looking statements reflect the Group's views as of the date hereof with respect to future events and are not a guarantee of future performance or developments. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. Actual results and events may differ materially from information contained in the forward-looking statements as a result of a number of factors, including any changes in the laws, rules and regulations relating to any aspects of the Group's business operations, general economic, market and business conditions, including capital market developments, changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, the actions and developments of the Group's competitors and the effects of competition in the insurance industry on the demand for, and price of, the Group's products and services, various business opportunities that the Group may or may not pursue, changes in population growth and other demographic trends, including mortality, morbidity and longevity rates, persistency levels, the Group's ability to identify, measure, monitor and control risks in the Group's business, including its ability to manage and adapt its overall risk profile and risk management practices, its ability to properly price its products and services and establish reserves for future policy benefits and claims, seasonal fluctuations and factors beyond the Group's control. Subject to the requirements of the Listing Rules, the Group does not intend to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, forward-looking events and circumstances discussed in this document might not occur in the way the Group expects, or at all. Accordingly, you should not place reliance on any forward-looking information or statements. All forward-looking statements in this document are qualified by reference to the cautionary statements set forth in this section.

By Order of the Board
Lee Yuan Siong
Executive Director,
Group Chief Executive and President

Hong Kong, 10 March 2023

As at the date of this announcement, the Board comprises:

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

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

Independent Non-executive Directors:
Mr. Jack Chak-Kwong SO, Mr. Chung-Kong CHOW, Mr. John Barrie HARRISON, Mr. George Yong-Boon YEO, Professor Lawrence Juen-Yee LAU, Ms. Swee-Lian TEO, Dr. Narongchai AKRASANEE, Mr. Cesar Velasquez PURISIMA and Ms. SUN Jie (Jane)

1H	Six-month period ended 30 June.
2010 RSU Scheme	Restricted Share Unit Scheme of the Company adopted on 28 September 2010 (as amended) under which the Company granted restricted share units to employees, directors (excluding independent non-executive directors) or officers of the Company or any of its subsidiaries. It was terminated with effect from 31 July 2020 prior to the adoption of the 2020 RSU Scheme.
2010 SO Scheme	Share Option Scheme of the Company adopted on 28 September 2010 (as amended), under which the Company granted share options to employees, directors (excluding independent non-executive directors) or officers of the Company or any of its subsidiaries. It was terminated with effect from 29 May 2020 upon the adoption of the 2020 SO Scheme.
2011 ESPP	Employee Share Purchase Plan of the Company adopted on 25 July 2011 (as amended), a voluntary share purchase plan with matching offer to facilitate and encourage AIA share ownership by employees. It was terminated with effect from 31 October 2020 (being the last day of the 2019/2020 plan year).
2012 ASPP	Agency Share Purchase Plan of the Company adopted on 23 February 2012, a share purchase plan with matching offer to facilitate and encourage AIA share ownership by agents. It was terminated with effect from 31 March 2021 (being the last day of the 2020/2021 plan year).
2020 ESPP	Employee Share Purchase Plan of the Company adopted on 1 August 2020, a voluntary share purchase plan with matching offer to facilitate and encourage AIA share ownership by employees, and is effective for a period of 10 years from the date of adoption.
2020 RSU Scheme	Restricted Share Unit Scheme of the Company adopted on 1 August 2020, under which the Company may grant restricted share units to employees, directors (excluding independent non-executive directors) or officers of the Company or any of its subsidiaries, and is effective for a period of 10 years from the date of adoption.
2020 SO Scheme	Share Option Scheme of the Company adopted on 29 May 2020, under which the Company may grant share options to employees, directors (excluding independent non-executive directors) or officers of the Company or any of its subsidiaries, and is effective for a period of 10 years from the date of adoption.
2021 ASPP	Agency Share Purchase Plan of the Company adopted on 1 February 2021, a share purchase plan with matching offer to facilitate and encourage AIA share ownership by agents, and is effective for a period of 10 years from the date of adoption.
2H	Six-month period ended 31 December.
active agent	An agent who sells at least one policy per month. The number of active agents is calculated as the average number of active agents across the specific period.

active market

A market in which all the following conditions exist:

- the items traded within the market are homogeneous;
- willing buyers and sellers can normally be found at any time; and
- prices are available to the public.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

adjusted net worth or ANW

ANW is the market value of assets in excess of the assets backing the policy reserves and other liabilities of the life (and similar) business of AIA, plus the IFRS equity value of other activities, such as general insurance business, less the value of intangible assets. It excludes any amounts not attributable to shareholders of AIA Group Limited. ANW for AIA is stated after adjustment to reflect consolidated reserving requirements. ANW by market is stated before adjustment to reflect consolidated reserving requirements, and presented on a local statutory basis.

AER

Actual exchange rates.

AGM

2023 Annual General Meeting of the Company to be held at 11:00 a.m. (Hong Kong time) on Thursday, 18 May 2023.

AIA or the Group

AIA Group Limited and its subsidiaries.

AIA Co.

AIA Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company.

AIA Everest

AIA Everest Life Company Limited, a subsidiary of AIA Co. acquired from The Bank of East Asia, Limited.

AIA International

AIA International Limited, a company incorporated in Bermuda and an indirect wholly-owned subsidiary of the Company.

AIA Vitality

A science-backed wellness programme that provides participants with the knowledge, tools and motivation to help them achieve their personal health goals. The programme is a partnership between AIA and Discovery Limited, a specialist insurer headquartered in South Africa.

amortised cost

The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

annualised new premiums or ANP	ANP represents 100 per cent of annualised first year premiums and 10 per cent of single premiums, before reinsurance ceded. It is an internally used measure of new business sales or activity for all entities within AIA. ANP excludes new business of pension business, personal lines and motor insurance. For group renewable business, it includes any premium payable on existing schemes that exceeds the prior year's premiums.
ASEAN businesses	ASEAN, officially the Association of Southeast Asian Nations, businesses refers to AIA's operations in Thailand, Singapore, Malaysia, Vietnam, Indonesia, the Philippines, Cambodia, Myanmar and Brunei.
Asia	Mainland China, Hong Kong SAR, Thailand, Singapore, Malaysia, Australia, Cambodia, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China), Vietnam, Brunei, Macau SAR and India.
available capital	For a regulated entity, available capital refers to the resources and financial instruments eligible to be counted towards satisfying the prescribed capital requirement according to the respective regulatory requirements. For a non-regulated entity, available capital refers to IFRS equity less intangible assets, plus eligible financial instruments, including subordinated securities as well as senior notes approved for inclusion.
available for sale (AFS) financial assets	Financial assets that may be sold before maturity and that are used to back insurance and investment contract liabilities and shareholders' equity, and which are not managed on a fair value basis. Non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables or as at fair value through profit or loss. Available for sale financial instruments are measured at fair value, with movements in fair value recorded in other comprehensive income.
bancassurance	The distribution of insurance products through banks or other financial institutions.
BEA	The Bank of East Asia, Limited.
BEPS 2.0	The common name for the tax policy work led by the Organisation for Economic Co-operation and Development on the "Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy".
best estimate liabilities or BEL	IFRS 17 BEL is the present value of best estimate future cashflows discounted at the IFRS 17 discount rates.
Blue Cross	Blue Cross (Asia-Pacific) Insurance Limited.
Board	The board of Directors.
CBIRC	The China Banking and Insurance Regulatory Commission.

CER	Constant exchange rates. Change on constant exchange rates is calculated for all figures for the current year and for the prior year, using constant average exchange rates, other than for balance sheet items as at the end of the current year and as at the end of the prior year, which is translated using the constant balance sheet exchange rates.
China Post Life	China Post Life Insurance Co., Ltd.
Company	AIA Group Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1299).
consolidated investment funds	Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds. These are consolidated in the financial statements.
contractual service margin or CSM	A component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit the entity will recognise as it provides insurance contract services under the insurance contracts in the group.
Corporate Governance Code	Corporate Governance Code set out in Appendix 14 to the Listing Rules, as amended from time to time.
cost of capital or CoC	CoC is calculated as the face value of the required capital as at the valuation date less the present value of the net-of-tax investment return on the shareholder assets backing the required capital and the present value of projected releases from the assets backing the required capital. Where the required capital may be covered by policyholder assets such as surplus assets in participating funds, there is no associated cost of capital included in the VIF or VONB. CoC for AIA is stated after adjustment to reflect consolidated capital requirements. CoC by market is stated before adjustment to reflect consolidated capital requirements, and presented on a local statutory basis.
COVID-19	COVID-19 is the disease caused by the coronavirus called SARS-CoV-2.
C-ROSS	China Risk-Oriented Solvency System.
deferred acquisition costs or DAC	Acquisition costs are expenses of an insurer which are incurred in connection with the acquisition of new insurance contracts or the renewal of existing insurance contracts. They include commissions and other variable sales inducements and the direct costs of issuing the policy, such as underwriting and other policy issue expenses. These costs are deferred and expensed to the consolidated income statement on a systematic basis over the life of the policy. Such assets are tested for recoverability at least annually.

deferred origination costs or DOC	Origination costs are expenses which are incurred in connection with the origination of new investment contracts or the renewal of existing investment contracts. For contracts that involve the provision of investment management services, these include commissions and other incremental expenses directly related to the issue of each new contract. Origination costs on contracts with investment management services are deferred and recognised as an asset in the consolidated statement of financial position and expensed to the consolidated income statement on a systematic basis in line with the revenue generated by the investment management services provided. Such assets are tested for recoverability.
Director(s)	The director(s) of the Company.
embedded value or EV	An actuarially determined estimate of the economic value of a life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to future new business. EV for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses. EV by market is stated before adjustments to reflect consolidated reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.
EPS	Earnings per share.
equity attributable to shareholders of the Company on the embedded value basis or EV Equity	EV Equity is the total of embedded value, goodwill and other intangible assets attributable to shareholders of the Company, after allowing for taxes.
ExCo	The Executive Committee of the Group.
fair value through profit or loss or FVTPL	Under IAS 39, Financial Instruments: Recognition and Measurement, financial assets that are held to back unit-linked contracts and participating funds or financial assets and liabilities that are held for trading. A financial asset or financial liability that is measured at fair value in the statement of financial position with gains and losses arising from movements in fair value being presented in the consolidated income statement as a component of the profit or loss for the year.
first year premiums	First year premiums are the premiums received in the first year of a recurring premium policy. As such, they provide an indication of the volume of new policies sold.
free surplus	ANW in excess of the required capital adjusted for certain assets that are not eligible for regulatory capital purposes. Free surplus for AIA is stated after adjustment to reflect consolidated reserving and capital requirements.
group available capital	The sum of the available capital of each entity within the Group.
group minimum capital requirement or GMCR	The sum of the minimum capital requirements of each entity within the Group.

Group Office	Group Office includes the activities of the Group Corporate Centre segment consisting of the Group's corporate functions, shared services and eliminations of intragroup transactions.
group prescribed capital requirement or GPCR	The sum of the prescribed capital requirements of each entity within the Group. It represents the level below which the HKIA may intervene on grounds of capital adequacy.
GWS	Group-wide Supervision.
GWS Capital Rules	Insurance (Group Capital) Rules (Chapter 41O of the Laws of Hong Kong).
HKFRS	Hong Kong Financial Reporting Standards.
holding company financial resources	Debt, equity shares and interests in investment funds, deposits, cash and cash equivalents and dividends paid but not settled by subsidiaries, net of obligations under repurchase agreements, at the Group's listed holding company, AIA Group Limited. These are presented in note 46 to the consolidated financial statements.
Hong Kong	The Hong Kong Special Administrative Region (SAR) of the People's Republic of China (PRC); in the context of our reportable market segments, Hong Kong includes Macau SAR.
Hong Kong Companies Ordinance	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time.
Hong Kong Insurance Authority or HKIA	Insurance Authority established under the Hong Kong Insurance Ordinance.
Hong Kong Insurance Ordinance or HKIO	Insurance Ordinance (Chapter 41 of the Laws of Hong Kong), as amended from time to time. It provides a legislative framework for the prudential supervision of the insurance industry in Hong Kong.
Hong Kong Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited.
IAIG	Internationally Active Insurance Group.
IAIS	International Association of Insurance Supervisors.
IAS	International Accounting Standards.
IASB	International Accounting Standards Board.
IFA	Independent financial adviser.
IFRS	Standards and interpretations adopted by the IASB comprising: • International Financial Reporting Standards; • IAS; and • Interpretations developed by the IFRS Interpretations Committee (IFRS IC) or the former Standing Interpretations Committee (SIC).

Insurance Capital Standard or ICS	A risk-based global insurance capital standard applicable to IAIGs being developed by the IAIS.
insurance finance reserve	Insurance finance reserve comprises the cumulative insurance finance income or expenses recognised in other comprehensive income.
interactive Point of Sale or iPoS	iPoS is a secure, mobile point-of-sale technology that features a paperless sales process from the completion of the customer's financial-needs analysis to proposal generation with electronic biometric signature life insurance applications on tablet devices.
investment experience	Realised and unrealised investment gains and losses recognised in the consolidated income statement.
investment income	Investment income comprises interest income, dividend income and rental income.
investment return	Investment return consists of investment income plus investment experience.
IPO	Initial Public Offering.
leverage ratio under IAS 39 and IFRS 4	Leverage ratio under IAS 39 and IFRS 4 is total borrowings expressed as a percentage of the sum of total borrowings and total equity.
leverage ratio under IFRS 9 and IFRS 17	Leverage ratio under IFRS 9 and IFRS 17 is total borrowings expressed as a percentage of the sum of total borrowings, total equity and net CSM.
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time.
Local Capital Summation Model or LCSM	LCSM is the method used by the HKIA as a measure of group capital under the new Group-wide Supervision (GWS) framework. Under the LCSM, AIA'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. Adjustments are made to eliminate double counting. From 1 January 2022 onwards, Group LCSM surplus is the excess of the group available capital over the GPCR, and the Group LCSM cover ratio is the ratio of the group available capital to the GPCR. Prior to 1 January 2022, the Group LCSM surplus and the Group LCSM cover ratio are calculated by replacing the GPCR with the GMCR.
Million Dollar Round Table or MDRT	MDRT is a global professional trade association of life insurance and financial services professionals that recognises significant sales achievements and high service standards.
minimum capital requirement or MCR	The level at which, if not maintained by the regulated entity, may result in the severest penalty, the most extreme intervention measures, or the withdrawal of authorisation to carry on the whole or any part of its business, being imposed on or taken against the regulated entity under the laws relating to regulatory capital in the jurisdiction in which the entity is authorised. (For details, please refer to the Insurance (Group Capital) Rules, Rule 4 from the HKIA).

n/a	Not available.
net contractual service margin or net CSM	Net contractual service margin is the contractual service margin after allowing for reinsurance and taxes.
n/m	Not meaningful.
operating profit after tax or OPAT	Operating profit is determined using, among others, expected long-term investment return for equities and real estate. Short-term fluctuations between expected long-term investment return and actual investment return for these asset classes are excluded from operating profit. The assumptions used to determine expected long-term investment return are the same, in all material respects, as those used by the Group in determining its embedded value and are disclosed in the Supplementary Embedded Value Information.
operating return on EV or operating ROEV	Operating return on EV is calculated as EV operating profit, expressed as a percentage of the opening embedded value.
operating return on shareholders' allocated equity or operating ROE	Operating return on shareholders' allocated equity is calculated as operating profit after tax attributable to shareholders of the Company, expressed as a percentage of the simple average of opening and closing shareholders' allocated equity.
OTC	Over-the-counter.
Other Markets	AIA's Other Markets are Australia, Cambodia, India, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China) and Vietnam.
other participating business with distinct portfolios	Business where it is expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory.
participating funds	Participating funds are distinct portfolios where the policyholders have a contractual right to receive at the discretion of the insurer additional benefits based on factors such as the performance of a pool of assets held within the fund, as a supplement to any guaranteed benefits. The allocation of benefits from the assets held in the participating funds is subject to minimum policyholder participation mechanisms established by regulation.
persistency	The percentage of insurance policies remaining in force from month to month in the past 12 months, as measured by premiums.
policyholder and shareholder investments	Investments other than those held to back unit-linked contracts as well as assets from consolidated investment funds.
pps	Percentage points.
prescribed capital requirement or PCR	The level at which, if maintained by the regulated entity, would not give rise to a power to impose any penalty, sanction or intervention measures against, or withdrawal of authorisation of, the regulated entity under the laws relating to regulatory capital in the jurisdiction in which the entity is authorised. (For details, please refer to the Insurance (Group Capital) Rules, Rule 5 from the HKIA).

PVNBP margin	VONB gross of non-controlling interests excluding pension business, expressed as a percentage of present value of new business premiums (PVNBP). PVNBP margin for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses.
renewal premiums	Premiums receivable in subsequent years of a recurring premium policy.
reverse repos	Reverse repurchase agreements.
risk adjustment or RA	The compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts.
Risk-Based Capital or RBC	RBC represents an amount of capital based on an assessment of risks that a company should hold to protect customers against adverse developments.
RSPUs	Restricted stock purchase units.
RSSUs	Restricted stock subscription units.
RSUs	Restricted share units.
Share(s)	For the Company, shall mean ordinary share(s) in the capital of the Company.
Shareholder(s)	Holder(s) of shares of the Company.
shareholders' allocated equity	Shareholders' allocated equity is total equity attributable to shareholders of the Company less fair value reserve.
shareholders' allocated equity measured under IFRS 9 and IFRS 17	Shareholders' allocated equity measured under IFRS 9 and IFRS 17 is total equity attributable to shareholders of the Company less fair value reserve and insurance finance reserve.
shareholders' equity	Shareholders' equity is total equity attributable to shareholders of the Company.
Singapore	The Republic of Singapore; in the context of our reportable market segments, Singapore includes Brunei.
single premium	A single payment that covers the entire cost of an insurance policy.
solvency	The ability of an insurance company to satisfy its policyholder benefits and claims obligations.
SOs	Share options.
Tata AIA Life	Tata AIA Life Insurance Company Limited.
total weighted premium income or TWPI	TWPI consists of 100 per cent of renewal premiums, 100 per cent of first year premiums and 10 per cent of single premiums, before reinsurance ceded. As such it provides an indication of AIA's longer-term business volumes as it smoothes the peaks and troughs in single premiums.

underlying free surplus generation or UFSG	Underlying free surplus generation represents free surplus generated from the in-force business, adjusted for certain non-recurring items, and before free surplus used to fund new business, unallocated Group Office expenses, finance costs, investment return variances and other non-operating items. The underlying free surplus generation is also calculated after reflecting the consolidated reserving and capital requirements.
unit-linked investments	Financial investments held to back unit-linked contracts.
unit-linked products	Unit-linked products are insurance products where the policy value is linked to the value of underlying investments (such as collective investment schemes, internal investment pools or other property) or fluctuations in the value of underlying investment or indices. Investment risk associated with the product is usually borne by the policyholder. Insurance coverage, investment and administration services are provided for which the charges are deducted from the investment fund assets. Benefits payable will depend on the price of the units prevailing at the time of death of the insured or surrender or maturity of the policy, subject to surrender charges.
value of in-force business or VIF	VIF is the present value of projected after-tax statutory profits by Business Units emerging in the future from the current in-force business less the cost arising from holding the required capital (CoC) to support the in-force business. VIF for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VIF by market is stated before adjustments to reflect consolidated reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.
value of new business or VONB	VONB is the present value, measured at the point of sale, of projected after-tax statutory profits emerging in the future from new business sold in the period less the cost of holding the required capital in excess of regulatory reserves to support this business. VONB for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VONB by market is stated before adjustments to reflect consolidated reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.
VONB margin	VONB gross of non-controlling interests excluding pension business, expressed as a percentage of ANP. VONB margin for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VONB margin by market is stated before adjustments to reflect consolidated reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.