



**AIA Reinsurance Limited**  
**Condensed General Purpose Financial Statements**  
**for the year ended 31 December 2023**



## Independent auditor's report

To the Board of Directors of AIA Reinsurance Limited

### **Our opinion**

In our opinion, the condensed financial statements of AIA Reinsurance Limited (the Company) are prepared, in all material respects, in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements (the 'Legislation').

### ***What we have audited***

The Company's condensed financial statements comprise:

- the condensed balance sheet as at December 31, 2023;
- the condensed statement of income for the year then ended;
- the condensed statement of capital and surplus as at December 31, 2023; and
- the notes to the condensed financial statements, which include significant accounting policies and other explanatory information.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the condensed 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 Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the condensed financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

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### **Emphasis of matter – basis of accounting**

Without modifying our opinion, we note that the condensed financial statements have been prepared in accordance with the financial reporting provisions of the Legislation. The accounting policies used and the disclosures made are not intended to, and do not, comply with all of the requirements of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts".



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## **Responsibilities of management and those charged with governance for the condensed financial statements**

Management is responsible for the preparation of the condensed financial statements in accordance with the financial reporting provisions of the Legislation, and for such internal control as management determines is necessary to enable the preparation of condensed financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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## **Auditor's responsibilities for the audit of the condensed financial statements**

Our objectives are to obtain reasonable assurance about whether the condensed 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 condensed financial statements.

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

- Identify and assess the risks of material misstatement of the condensed 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Company'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 condensed 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 Company to cease to continue as a going concern.



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.

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*PricewaterhouseCoopers Ltd.*

**Chartered Professional Accountants**

**Hamilton, Bermuda**

**April 26, 2024**

**CONDENSED BALANCE SHEET**

AIA Reinsurance Limited

As at

**December 31, 2023**

expressed in ['000s]

**United States Dollars**

LINE No.		2023	2022
1.	CASH AND CASH EQUIVALENTS	12,776	31,790
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	-
	ii. Other	490,563	525,839
(b)	Total Bonds and Debentures	490,563	525,839
(c)	Equities		
	i. Common stocks	-	-
	ii. Preferred stocks	-	-
	iii. Mutual funds	-	-
(d)	Total equities	-	-
(e)	Other quoted investments	-	-
(f)	Total quoted investments	490,563	525,839
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	-
	ii. Other	-	-
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks	-	-
	ii. Preferred stocks	-	-
	iii. Mutual funds	-	-
(d)	Total equities	-	-
(e)	Other unquoted investments	-	-
(f)	Total unquoted investments	-	-
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services	-	-
(b)	Unregulated non-financial operating entities	-	-
(c)	Unregulated financial operating entities	-	-
(d)	Regulated non-insurance financial operating entities	-	-
(e)	Regulated insurance financial operating entities	-	-
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates	-	-
(h)	Total investments in and advances to affiliates	-	-
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens	-	-
(b)	Other than first liens	-	-
(c)	Total investments in mortgage loans on real estate	-	-
6.	POLICY LOANS	-	-
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)	-	-
(b)	Other properties (less encumbrances)	-	-
(c)	Total real estate	-	-
8.	COLLATERAL LOANS	-	-
9.	INVESTMENT INCOME DUE AND ACCRUED	4,474	4,077
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	95,858	84,260
(b)	Deferred - not yet due	-	-
(c)	Receivables from retrocessional contracts	-	-
(d)	Total accounts and premiums receivable	95,858	84,260
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates	-	-
(b)	Domestic affiliates	-	-
(c)	Pools & associations	-	-
(d)	All other insurers	1,115	898

**CONDENSED BALANCE SHEET**

AIA Reinsurance Limited

As at

**December 31, 2023**

expressed in ['000s]

**United States Dollars**

LINE No.		2023	2022
(e)	Total reinsurance balance receivable	1,115	898
12.	FUNDS HELD BY CEDING REINSURERS	446,416	429,497
13.	SUNDRY ASSETS:		
(a)	Derivative instruments	-	558
(b)	Segregated accounts companies - long-term business - variable annuities	-	-
(c)	Segregated accounts companies - long-term business - other	-	-
(d)	Segregated accounts companies - general business	-	-
(e)	Deposit assets	-	-
(f)	Deferred acquisition costs	-	-
(g)	Net receivables for investments sold	-	-
(h)	Property & equipment	-	61
(i)	Deferred tax assets	117,600	-
(j)		-	-
(k)	Total sundry assets	117,600	619
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	1,168,802	1,076,980
	<b>TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS</b>		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	-	-
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates	-	-
	ii. Domestic affiliates	-	-
	iii. Pools & associations	-	-
	iv. All other insurers	-	-
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserve	-	-
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	-	-
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates	-	-
	ii. Domestic affiliates	-	-
	iii. Pools & associations	-	-
	iv. All other reinsurers	-	-
(c)	Total reinsurance recoverable balance	-	-
(d)	Net loss and loss expense provisions	-	-
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES	-	-
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	-	-
	<b>LONG-TERM BUSINESS INSURANCE RESERVES</b>		
20.	RESERVE FOR REPORTED CLAIMS	62,967	29,731
21.	RESERVE FOR UNREPORTED CLAIMS	51,123	44,336
22.	POLICY RESERVES - LIFE	(464,809)	(488,307)
23.	POLICY RESERVES - ACCIDENT AND HEALTH	(466,650)	(365,807)
24.	POLICYHOLDERS' FUNDS ON DEPOSIT	-	-
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS	-	-

**CONDENSED BALANCE SHEET**

AIA Reinsurance Limited

As at

**December 31, 2023**

expressed in ['000s]

**United States Dollars**

LINE No.		2023	2022
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES	-	-
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	(817,369)	(780,047)
(b)	Less: Reinsurance recoverable balance on long-term business		
(i)	Foreign Affiliates	-	-
(ii)	Domestic Affiliates	-	-
(iii)	Pools and Associations	-	-
(iv)	All Other Insurers	-	-
(c)	Total Reinsurance Recoverable Balance	-	-
(d)	<b>Total Net Long-Term Business Insurance Reserves</b>	<b>(817,369)</b>	<b>(780,047)</b>
	<b>OTHER LIABILITIES</b>		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	87,464	61,232
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	4,199	4,282
30.	LOANS AND NOTES PAYABLE	-	-
31.	(a) INCOME TAXES PAYABLE	-	-
	(b) DEFERRED INCOME TAXES	-	-
32.	AMOUNTS DUE TO AFFILIATES	-	-
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	989	1,291
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:	-	-
35.	DIVIDENDS PAYABLE	-	-
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments	11,396	12,439
(b)	Segregated accounts companies	-	-
(c)	Deposit liabilities	-	-
(d)	Net payable for investments purchased	-	-
(e)	Policy Account Liability	404,906	399,854
(f)		-	-
(g)		-	-
(h)	Total sundry liabilities	416,302	412,293
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	508,954	479,098
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	(308,415)	(300,949)
	<b>CAPITAL AND SURPLUS</b>		
40.	TOTAL CAPITAL AND SURPLUS	1,477,217	1,377,929
41.	TOTAL	1,168,802	1,076,980

**CONDENSED STATEMENT OF INCOME**

AIA Reinsurance Limited

As at **December 31, 2023**expressed in ['000s] **United States Dollars**

LINE No.		2023	2022
	<b>GENERAL BUSINESS UNDERWRITING INCOME</b>		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written	-	-
	(b) Assumed gross premiums written	-	-
	(c) Total gross premiums written	-	-
2.	REINSURANCE PREMIUMS CEDED	-	-
3.	NET PREMIUMS WRITTEN	-	-
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	-	-
5.	NET PREMIUMS EARNED	-	-
6.	OTHER INSURANCE INCOME	-	-
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	-	-
	<b>GENERAL BUSINESS UNDERWRITING EXPENSES</b>		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	-	-
9.	COMMISSIONS AND BROKERAGE	-	-
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	-	-
11.	<b>NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS</b>	-	-
	<b>LONG-TERM BUSINESS INCOME</b>		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations	-	-
	(b) Assumed gross premiums and other considerations	874,779	803,775
	(c) Total gross premiums and other considerations	874,779	803,775
13.	PREMIUMS CEDED	(800)	(719)
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life	299,831	322,376
	(b) Annuities	-	-
	(c) Accident and health	574,147	480,680
	(d) Total net premiums and other considerations	873,978	803,056
15.	OTHER INSURANCE INCOME	(14,603)	(30,328)
16.	TOTAL LONG-TERM BUSINESS INCOME	859,375	772,728
	<b>LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES</b>		
17.	CLAIMS - LIFE	200,944	177,131
18.	POLICYHOLDERS' DIVIDENDS	-	-
19.	SURRENDERS	-	-
20.	MATURITIES	-	-
21.	ANNUITIES	-	-



**CONDENSED STATEMENT OF INCOME**

AIA Reinsurance Limited

As at **December 31, 2023**  
expressed in ['000s] **United States Dollars**

<b>LINE No.</b>		<b>2023</b>	<b>2022</b>
22.	ACCIDENT AND HEALTH BENEFITS	450,321	340,175
23.	COMMISSIONS	65,745	60,508
24.	OTHER	10,271	(31,494)
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	727,281	546,320
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life	44,328	125,599
	(b) Annuities	-	-
	(c) Accident and health	(73,969)	101,428
	(d) Total increase (decrease) in policy reserves	(29,641)	227,027
27.	TOTAL LONG-TERM BUSINESS EXPENSES	697,640	773,347
28.	<b>NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS</b>	161,735	(619)
29.	<b>COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS</b>	161,735	(619)
	<b>UNDERNOTED ITEMS</b>		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	4,162	3,667
	(b) Personnel cost	-	-
	(c) Other	-	-
	(d) Total combined operating expenses	4,162	3,667
31.	COMBINED INVESTMENT INCOME - NET	27,151	17,910
32.	COMBINED OTHER INCOME (DEDUCTIONS)	12,101	(1,342)
33.	COMBINED INCOME BEFORE TAXES	196,825	12,282
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	27	7
	(b) Deferred	(117,600)	-
	(c) Total	(117,573)	7
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	314,398	12,275
36.	COMBINED REALIZED GAINS (LOSSES)	(40,632)	(25,265)
37.	COMBINED INTEREST CHARGES	-	-
38.	<b>NET INCOME</b>	273,766	(12,990)

## CONDENSED STATEMENT OF CAPITAL AND SURPLUS

AIA Reinsurance Limited

As at **December 31, 2023**  
expressed in ['000s] **United States Dollars**

LINE No.		2023	2022
1.	<b>CAPITAL:</b>		
(a)	Capital Stock		
	(i) Common Shares	250	250
	authorized	250,000	
	value	\$ 1.00	
	fully paid	250,000	
		shares of par	
		each issued and	
		shares	
	(ii)		
	(A) Preferred shares:	-	-
	authorized	-	
	value	\$ -	
	fully paid	-	
		shares of par	
		each issued and	
		shares	
	aggregate liquidation value for –		
	2022	-	
	2023	-	
	(B) Preferred shares issued by a subsidiary:	-	-
	authorized	-	
	value	\$ -	
	fully paid	-	
		shares of par	
		each issued and	
		shares	
	aggregate liquidation value for –		
	2022	-	
	2023	-	
	(iii) Treasury Shares	-	-
	repurchased	-	
	value	\$ -	
		shares of par	
		each issued	
(b)	Contributed surplus	4,757	4,750
(c)	Any other fixed capital		
	(i) Hybrid capital instruments	-	-
	(ii) Guarantees and others	-	-
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	5,007	5,000
2.	<b>SURPLUS:</b>		
(a)	Surplus - Beginning of Year	1,372,929	1,649,394
(b)	Add: Income for the year	273,766	(12,990)
(c)	Less: Dividends paid and payable	(222,000)	(209,000)
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	49,480	(54,475)
(e)	Add (Deduct) change in any other surplus	(1,965)	-
(f)	Surplus - End of Year	1,472,210	1,372,929
3.	<b>MINORITY INTEREST</b>	-	-
4.	<b>TOTAL CAPITAL AND SURPLUS</b>	1,477,217	1,377,929

# AIA REINSURANCE LIMITED

## GENERAL NOTE TO THE CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

### 1 Shareholder controllers

AIA Reinsurance Limited (the “Company”) was incorporated under the laws of Bermuda on 17 October 2012. The Company’s registered office is Park Place, 55 Par-la-Ville Road 2F, Hamilton HM 11, Bermuda.

On 27 December 2012, the Company was registered as a Class C long-term business insurer and authorized to carry on activity in that capacity by the Bermuda Monetary Authority (the “Authority”) subject to the condition that it must obtain the prior written approval of the Authority before writing any “general business” as such expression is understood in the Insurance Act 1978 (the “Act”) or any (re)insurance business other than business from an affiliated ceding (re)insurer.

On 1 January 2019, AIA Company Limited, the sole shareholder of AIA Reinsurance Limited, transferred all the common shares held by it in the Company to AIA Holdings Limited (“AIAH”). Both AIAH and AIA Company Limited are direct, wholly owned subsidiaries of AIA Group Limited (“AIA Group”), a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong Limited.

At the balance sheet date, the Company was wholly-owned by AIAH. The Company has no affiliates or subsidiaries which should be consolidated in these Condensed General Purpose Financial Statements (“Financial Statements”).

### 2 General nature and risks underwritten

The Company serves as a captive reinsurer, assuming exclusively risks from the subsidiaries of AIA Group. The Company’s liability profile is comprised of mortality, morbidity, accident and health, and pandemic risks, transferred pursuant to treaties both proportional and non-proportional in nature, including yearly renewable treaties, coinsurance, stop-loss, and catastrophe covers.

### 3 Basis of Preparation

These Financial Statements have been prepared in conformity with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (collectively, the “Legislation”).

The Condensed General Purpose Financial Statements are compiled in compliance with United Kingdom Generally Accepted Accounting Principles (“UK GAAP”) which includes Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and Financial Reporting Standard 103, “Insurance Contracts” (“FRS 103”).

The recognition, measurement, and valuation requirements applied are in accordance with UK GAAP. Therefore, the Company’s assets, liabilities, income, and expenses in these Condensed General Purpose Financial Statements are recognized, measured and valued on a basis consistent with the accounting framework of UK GAAP.

However, the presentation and disclosures are prepared in accordance with the reporting requirements of the Legislation which vary in certain respects from UK GAAP.

The Legislation differs from UK GAAP most notably in the following respects:

- The format of the statements is prescribed by schedules IX of the Legislation;
- The format of these notes is prescribed by Schedule X of the Legislation;
- The Company is not required to prepare a Statement of Comprehensive Income;
- The Company is not required to prepare a Statement of Cash Flow (although the Company qualifies for the exemption under FRS 102 to exclude the preparation of the cash flow statement and the related notes);
- Excludes certain financial instrument, risk management, tax and reserves disclosures.

The presentation in accordance with the Legislation and the UK GAAP disclosures that were excluded do not affect the Company's financial position, financial performance or cash flows and therefore would not have any bearing on the Company's reported Net Income.

#### **4 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these Financial Statements are set out below:

##### **(a) Revenue**

###### **(i) Premium income**

Premiums are recognised as income when due from the cedant, when the amount of income can be reliably measured and it is probable that future economic benefits will flow to the Company.

###### **(ii) Interest income**

Interest income is recognised using the effective interest method.

###### **(iii) Commission income**

Commission income is the experience profit commission on retroceded business.

##### **(b) Claims and benefits**

Reinsurance (including coinsurance) claims and benefits reflect the cost of all maturities, surrenders, withdrawals, claims and other benefits arising during the period.

##### **(c) Reserves for reported claims**

An adequate amount of reserve is set aside by the Company to meet the reported but unpaid claims for relevant contracts at the end of the current financial period.

##### **(d) Reserves for unreported claims**

An adequate amount of reserve is set aside by the Company for claims incurred but not reported before the end of the current financial period. The reserves are estimated based on methods in accordance with accepted actuarial practice.

##### **(e) Policy reserves – Life, Accident and Health**

Policy reserves represent the sum of the Best Estimate Liability ("BEL"), the Unearned Premium Reserve ("UPR"), and the Risk Margin ("RM").

The BEL corresponds to the probability-weighted average of future cash flows, allowing for material guarantees and options, management actions if applicable, discounted using the relevant risk-free interest rate with appropriate illiquidity and default adjustments. The valuation uses unbiased current assumptions, which are based on a combination of relevant and credible experience, as well as expert judgment about the potential future trends and developments.

Policy reserves of yearly renewable treaties are calculated on a UPR basis.

The RM is held, in addition to the BEL, to reflect the uncertainty associated with the probability-weighted cash flows. The RM is calculated with a cost-of-capital approach using a cost-of-capital rate of 6%.

**(f) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

**(g) Foreign currency transactions**

(i) Functional and presentation currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The Financial Statements are presented in US\$, which is the Company’s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Assets and liabilities denominated in currencies other than the functional currency are revalued at the exchange rate in effect at the balance sheet date, with the resulting foreign exchange gains and losses on settlement or revaluation recognised in Line 32 (Combined Other Income of the Condensed Statement of Income).

**(h) Quoted investment**

Debt securities held by the Company are traded in an active market and measured at fair value at the end of each reporting period. Changes in carrying amount of the investment are recognised in surplus in line 2(d), Change in unrealized appreciation (depreciation) of investments, of the Condensed Statement of Capital and Surplus. When the investment is disposed, the cumulative gain or loss previously accumulated in surplus is reclassified and recognised as realized gain/(loss).

Equity shares in Investment Funds held by the Company are measured at fair value at the end of each reporting period. Changes in carrying amount of the equity securities are recognised in realized gains (losses) in line 36 of the Condensed Statement of Income.

Derivatives are held by the Company to provide economic hedges under the Company’s risk management framework. Derivatives are measured at fair value at the end of each reporting period and changes in the value of the derivatives are recognized in realized gains (losses) on line 36 of the Condensed Statement of Income. Derivative assets and liabilities at the end of reporting period are reported in line 13(a) and 36(a), respectively.

The fair value of quoted investments 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 Company has access. The fair values of quoted investments traded in active markets are based on quoted market bid prices at the date of the Condensed Balance Sheet.

**(i) Income taxes**

Income tax expense for the financial period comprises current and deferred tax. Current or deferred tax assets and liabilities are not discounted.

Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the financial period or past financial periods. Current tax is measured at the amount of current tax that is expected to be paid using tax rates and laws that have been enacted or substantively enacted by the end of the financial period. The Company did not have any current tax in the current or prior year.

### Deferred Tax

Deferred tax is recognised in respect of timing differences, which are differences between taxable profits and net income as stated in the Condensed Financial Statements. These timing differences arise from the inclusion of income and expenses in tax assessments in financial periods different from those in which they are recognised in the Condensed Financial Statements.

Unutilized tax losses and other deferred tax assets are recognised only when it is probable that they will be recovered against the reversal of deferred liabilities or other future taxable profits. An uncertain tax position (“UTP”) is provided to reduce deferred tax assets to the amount management deem more likely than not to be realized. The Company recognizes the benefit from a tax position taken or expected to be taken in income tax returns only if it is more likely than not that the tax position will be sustained upon examination by taxing authorities, based on the technical merits of the position. Tax positions that meet the more likely than not threshold are measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the end of each financial period end and that are expected to apply to the reversal of the timing difference. The effect on deferred taxes of a change in tax rates is recognized in income tax expense in the Condensed Statement of Income (Line 34) in the period that includes the enactment date.

### New Bermuda Corporate Income Tax

Prior to 2023, under Bermuda law the Company was not subject to taxes in Bermuda on either income or capital gains. The Company had an undertaking from the Minister of Finance in Bermuda that in the event of such taxes being imposed, the Company will be exempted from taxation until the year 2035.

During 2023, the Government of Bermuda enacted the Bermuda Corporate Income Tax Act 2023 (“CIT 2023”). The corporate income tax has a statutory tax rate of 15%, subject to reductions for foreign tax credits, and will be effective for fiscal years beginning on or after 1 January 2025. CIT 2023 applies to each Bermuda tax resident entity and Bermuda permanent establishment that is a constituent entity of a multinational entity group that has consolidated revenue of at least €750 million in at least two of the four preceding fiscal years, subject to certain exemptions. The Company meets these conditions and will be within the scope of corporate income taxation in Bermuda under CIT 2023.

For the year ended 31 December 2023, the Company recognized a deferred tax asset of \$117.6m (Line 12 i) on the Condensed Balance Sheet) which represents an estimate of the tax impact of the expected future deductions for the Economic Transition Adjustment (“ETA”) as permitted in CIT 2023. The estimate of the amount of future deductions under the ETA is based on the estimated fair value of identifiable intangible assets (as defined in CIT 2023), principally comprising the value of the Company’s in-force business, as at 30 September 2023.

- 5 Basis of recognition of premium, investment and commission income**  
Premium income and commission income – refer to General notes 4(a)(i) and 4(a)(iii).  
Investment income – refer to General notes 4(a)(ii) and 4(h).
- 6 Method of foreign currency translation**  
Refer to General note 4 (g).
- 7 Foreign exchange control restrictions**  
Not applicable
- 8 Contingencies or commitments**  
Not applicable

**9 Default on credit agreements**

Not applicable

**10 Dividend arrears**

Not applicable

**11 Loans to director or officers**

Not applicable

**12 Retirement benefits**

As at 31 December 2023, there are no outstanding obligations remaining to be charged against the operations.

**13 Fair value measurement for quoted and unquoted investment**

Fair value hierarchy of investments are based on the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities that the reporting entity can access at the measurement date.

Level 2: Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly.

Level 3: Unobservable inputs

As at 31 December 2023, the Company's quoted investments of US\$490.6m, are all under hierarchy Level 2.

As at 31 December 2023, the Company's derivatives liability positions of \$11.4m, are under hierarchy Level 2.

**14 Contractual maturity profile of investments**

The contractual maturity profiles of the Company's investments as of 31 December 2023, are as follows:

Line No.	US\$ thousands Quoted Investments: Bonds & Debentures	2023	Percentage	2022	Percentage
	Due within one year	6,829	1.4%	7,271	1.4%
	Due after one year through five years	383,677	78.2%	140,818	26.8%
	Due after five years through ten years	15,371	3.1%	287,533	54.7%
	Due after ten years	-	-	2,335	0.4%
	No fixed maturity	84,686	17.3%	87,882	16.7%
2(a)	<b>TOTAL</b>	<b>490,563</b>	<b>100.0%</b>	<b>525,839</b>	<b>100.0%</b>

**15 Related party transactions and balances**

Transactions with related parties are with the subsidiaries and branches of AIA Group and are carried out under normal commercial terms and conditions of operations as the captive insurer of the AIA Group.

Balances with affiliated parties are reported in the Condensed Balance Sheet and Condensed Statement of Income in the following accounts:

Line No.	Description	US\$ thousands
<b>CONDENSED BALANCE SHEET: As at 31 December 2023</b>		
10(d)	Total accounts and premium receivable	95,858
12	Funds held by ceding reinsurers	446,416
27(d)	Total Net long-term business insurance reserves	(817,369)
28	Insurance and reinsurance balances payables	86,973
29	Commissions, expenses, fees and taxes payables	4,199
33	Accounts payable and accrued liabilities	604
36(c)	Policy account liability	404,906

<b>CONDENSED STATEMENT OF INCOME: Year ended 31 December 2023</b>		
12(c)	Total gross premiums and other considerations	874,779
15	Other insurance income	(14,603)
25	Total long-term business deductions and expenses	727,281
26(d)	Total increase (decrease) in policy reserves	(29,811)
30(d)	Total combined operating expenses	1,813
31	Combined investment income - net	703

**16 Subsequent events**

Subsequent to 31 December 2023, Balance Sheet date, on 16 April 2024, the Company's Board of Directors declared a dividend of US\$154 m out of retained earnings.

The Company has evaluated the effects of events subsequent to 31 December 2023, through to 26 April 2024, which is the date the Financial Statements were made available to be issued, for recognition and disclosure purposes. No material events other than the above were identified.

**17 Other information which, in the opinion of the Board of Directors, is required to be disclosed if the Finance Statements are not to be misleading**

The Directors do not believe that any additional information needs to be disclosed in order for the Financial Statements not to be misleading.

## **NOTES CONDENSED GENERAL PURPOSE STATEMENT OF CAPITAL AND SURPLUS – CLASS C**

**1 (a) Capital Stock**

The Company's capital stock consists of 250,000 authorised shares with a par value of US\$1 each, of which 250,000 common shares have been issued and fully paid.

No preferred share or treasury shares were issued and there are no conversion provisions in respect of issued shares.

**(b) Contributed surplus**

There was an increase in contributed surplus of \$7k during the financial year, representing shares of the parent company issued to the employees of the Company under the employee share purchase plan.

**2 (c) Dividends paid and payable**

On 11 April 2023, the Company's Board of Directors declared a dividend of US\$222.0m out of retained earnings which was fully paid as at 31 December 2023. There were no changes in the authorised share capital of the Company during the relevant year.



## NOTES TO CONDENSED GENERAL PURPOSE BALANCE SHEET – CLASS C

**1 Cash and cash equivalents**

There are no encumbrances on cash or cash equivalents as at 31 December 2023.

**2 Quoted investments**

The Company's quoted investments comprise of bonds, both directly and through an investment fund, as at 31 December 2023. Bonds and Debentures are carried at fair value with the unrealized appreciation (depreciation) included in the Condensed Statement of Capital and Surplus. Investment funds are carried at fair value with the unrealized appreciation (depreciation) being realized in the Condensed Statement of Income. As at 31 December 2023, \$12.6m of the quoted investments were held as collateral against the derivative instrument liabilities. There are no other pledges or restrictions on investments as at 31 December 2023.

**3 Unquoted investments**

Not applicable

**4 Investment in and advances to affiliates**

Not applicable

**5 Investments in mortgage loans on real estate**

Not applicable

**6 Policy loans**

Not applicable

**7 Real estate**

Not applicable

**8 Collateral loans**

Not applicable

**9 Investment income due and accrued**

The Company has US\$4.5m in investment income accrued on bonds and debentures reported in line 9 in the Condensed Balance Sheet as of 31 December 2023.

**10 Accounts and premiums receivable**

There were no collateralized balances as at 31 December 2023. See General Note 15 for receivable balances with affiliates.

**11 Reinsurance balances receivable**

The Company has US\$0.9m as at 31 December 2023 relating to reinsurance experience profit commissions receivable from unaffiliated retrocessionaires. There were no collateralized reinsurance balances receivable.

**12 Funds held by ceding reinsurers**

See General Note 15 for amounts held by affiliates. Includes the coinsurance policy account asset recorded as a funds held by ceding reinsurer which is fully offset by the equal coinsurance policy account liability recorded as a sundry liability. See Note 36.

**13 Sundry assets**

Sundry assets are comprised of right of use on the building lease, leasehold improvements and equipment net of accumulated depreciation.

Included within the Sundry assets is a deferred tax asset of \$117.6m.

- 14 Letters of credit, guarantees and other**  
Not applicable
- 16 Unearned premium reserve**  
Not applicable
- 17 Loss and loss expense provisions**  
Not applicable
- 20 Reserves for reported claims**  
See General Note 4(c).
- 21 Reserves for unreported claims**  
See General Note 4(d).
- 22 Policy reserves – life**  
See General Note 4(e).
- 23 Policy reserves – accident and health**  
See General Note 4(e).
- 24 Policyholders’ funds on deposit**  
Not applicable
- 25 Liability for future policyholders’ dividends**  
Not applicable
- 26 Other insurance reserves – long term**  
Not applicable
- 27 Total long-term business insurance reserves**  
No asset held in a separate portfolio for security against policyholder obligations as at 31 December 2023.
- 28 Insurance and reinsurance balances payable**  
See General Note 15 for amounts payable to affiliates.
- 29 Commissions, expenses, fees and taxes payable**  
See General Note 15 for commission payable to affiliates. The Company does not have any unearned commissions as of 31 December 2023.
- 30 Loans and notes payable**  
The Company as of 31 December 2023 has no outstanding loans and notes payable.
- 31 Income taxes payable, Deferred income taxes**  
The Company as of 31 December 2023, recognized a net deferred income tax benefit of \$117.6m following the enactment of the CIT 2023, which provides for future corporate income tax deductions in respect of the ETA provided under that legislation.
- 32 Amounts due to affiliate**  
Not applicable
- 33 Accounts payable and accrued liabilities**  
The Company has accounts payable and accrued liabilities of US\$1.0m, primarily relates to accruals on operating expenses as at 31 December 2023.
- 34 Funds held under reinsurance contracts**  
Not applicable

**35 Dividends payable**

Not applicable

**36 Sundry liabilities**

Sundry liabilities are comprised of the separate coinsurance policy account liability which is fully offset by the equal coinsurance policy account asset recorded as a funds held by ceding reinsurer. The policy account liability represents the assumed policyholder account value and is an offset by the funds held asset in Note 12. Movements in the funds held asset and policy account liability are in tandem.

Derivative instrument assets and liabilities relate to three-month rolling foreign exchange forwards entered into in 2023 to provide an economic hedge against surplus balances denominated in foreign currencies. As at 31 December 2023, the hedges are taken against the Singapore Dollar (“SGD”), New Zealand Dollar (“NZD”) and Philippine peso (“PHP”) with notional values of US \$89.1m, US \$120.5m, and US \$69.6m, respectively. At 31 December 2023, the derivatives were in a liability position disclosed in line 36(a) of \$11.4m.

**37 Letters of credit, guarantees and other instruments**

Not applicable

## **NOTES TO THE CONDENSED GENERAL PURPOSE STATEMENT OF INCOME**

**15 Other insurance income**

Other insurance (expense)/income of US\$14.6m for the period ended 31 December 2023 comprised of annual fees on coinsurance funds-withheld treaties and interest on coinsurance funds withheld balances. .

**24 Other**

Other long-term business deductions and expense includes the movements relating to the coinsurance policy account liability. See Notes to the Condensed Balance Sheet 36.

**31 Combined investment income - net**

Combined investment income comprises interest income net of investment management and custody fees.

**32 Combined other income (deductions)**

Combined other income (deductions) comprises solely of foreign exchange gains and losses resulting from the settlement of transactions and revaluation of assets and liabilities denominated in currencies other than the functional currency. See General Note 4(g) “Foreign currency transactions” for further information.

**36 Combined realized gain (loss)**

Realized gains and losses comprise of the net impact of investments sold above and below cost.