AIA International Limited

Consolidated Financial Statements
for the year ended 31 December 2023

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Report of Directors

The directors of AIA International Limited (the "Company") have the pleasure of presenting their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023.

Principal Activities

The Company is a limited liability company incorporated in Bermuda and managed in Hong Kong. The address of the Company's registered office in Bermuda is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company also has a principal place of business in Hong Kong at 1/F, AIA Hong Kong Tower, 734 King's Road, Quarry Bay, Hong Kong from where its largest business is managed. The Company and its subsidiaries are principally engaged in life and general insurance business, as well as administration service for retirement schemes.

Insurance Operations

Insurance service result for the year ended 31 December 2023 were US$1,434 million (2022: US$1,650 million), representing a 13 per cent decrease over the preceding period.

Investments

Net investment result from insurance and other business operations, which comprise investment return and insurance finance expense, amounted to US$879 million (2022: US$671 million), representing a 31 per cent increase over the preceding period.

Details of the Company's investment in subsidiaries are set out in note 36 to the consolidated financial statements.

Related Parties Transactions

Details of the related party transactions undertaken by the Company during the year ended 31 December 2023 in the ordinary course of business are set out in note 34 to the consolidated financial statements.

Directors' / Controllers' Interests in Transactions, Arrangements or Contracts

No transactions, arrangements or contracts of significance in relation to the Company's business to which the Company, any of the Company's subsidiaries or any of its holding companies or any subsidiaries of its holding company was a party and in which a director or controller of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Payments made to Directors / Controllers

Payments made to directors and controllers of the Company during the year ended 31 December 2023 are included in note 33 to the consolidated financial statements. Apart from the above, there were no properties transferred, payments made to, loans advanced to or obligations assumed by or for a director or controller of the Company or any of his nominees or associates during the year.

Transfer to Reserves

Profits attributable to shareholders, before dividends, of US$1,627 million (2022: US$1,661 million) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

Dividend

The first interim dividend of US$950 million was approved by the Board on 17 August 2023 and the second interim dividend of US$1,450 million was approved by the Board on 6 December 2023.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

Charitable Donations

Charitable donations made by the Company and its subsidiaries during the year amounted to US$0.4 million (2022: US$6 million) and US$0.6 million (2022: US$0.6 million), respectively.

Report of Directors (continued)

Reinsurance Arrangements

Material reinsurance arrangements subsisting at the end of the year or at any time during the year are as follows:

Life, Accident and Health Insurance:

The Company has material outward reinsurance arrangements with AIA Reinsurance Limited, an affiliate of the Company. For new business, directly written or assumed through inward reinsurance, the Company manages its retention limit generally less than US$5 million per life through external reinsurance. Material outward reinsurance treaties exist with a number of highly rated external reinsurers. The Company has catastrophic loss protection through a catastrophe reinsurance treaty, whose lead reinsurer is AXIS Specialty Limited.

General Insurance:

The catastrophe reinsurance arrangement led by AXIS Specialty Limited covers Personal Accident and Travel Accident business.

Directors

The directors who held office during the year and up to the date of this report were:

Mr. Mitchell David New

Mr. Garth Brian Jones

Mr. Wing Shing Chan

Mr. Timothy Carrick Faries

Mr. Shelby Ross Weldon

Mr. Dick Poon

Mr. Clive Vincent Anderson (Alternate Director to Mitchell David New and Garth Brian Jones)

Ms. Julie Chantal Myriam Van Nuffel (Alternate Director to Mitchell David New, Garth Brian Jones and Wing Shing Chan) (ceased to be the Alternate Director to Mitchell David New, Garth Brian Jones and Wing Shing Chan with effect from 6 November 2023)

Ms. Cara Mae Knezic (Alternate Director to Mitchell David New, Garth Brian Jones and Wing Shing Chan) (appointed with effect from 8 March 2024)

In accordance with Bye-Law 39 of the Company's Bye-Laws, all remaining directors will retire from the Board, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Controllers

The controllers of the Company during the year and up to the date of this report were:

AIA Group Limited ("AIAGL")

AIA Company Limited

Mr. Lee Yuan Siong

Mr. Wing Shing Chan

Mr. Wai Cheong Fung

Report of Directors (continued)

Directors' / Controllers' Interests in Arrangements to Acquire Shares or Debentures

During the year ended 31 December 2023, the following equity-linked schemes of AIA Group Limited ("AIAGL"), the ultimate holding company of the Company, subsisted at the end of the year or any time during the year which enabled certain directors and controllers of the Company, to acquire benefits by means of the acquisition or the award of shares in AIAGL or their equivalent cash value (collectively the "Plans").

(a) Restricted Share Unit Schemes

The restricted share unit scheme adopted by AIAGL on 28 September 2010 with a term of 10 years ("2010 RSU Scheme") was terminated with effect from 31 July 2020. AIAGL adopted a new restricted share unit scheme on 1 August 2020 with a term of 10 years ("2020 RSU Scheme", together with the 2010 RSU Scheme, "RSU Schemes") in place of and under substantially the same terms as the 2010 RSU Scheme.

The objectives of the RSU Schemes are to align the participants' interests with those of AIAGL through the ownership of AIAGL's shares and/or the increase in value of AIAGL's shares.

Under the 2020 RSU Scheme, AIAGL may grant restricted share unit(s) ("RSU(s)") to employees, directors (excluding independent non-executive directors) or officers of AIAGL or any of its subsidiaries giving them a conditional right upon the vesting of the RSUs to obtain AIAGL shares or equivalent value in cash. Following the termination of the 2010 RSU Scheme, no further RSUs can be granted thereunder, however, it shall remain in full force and effect for all RSUs granted prior to its termination.

(b) Share Option Schemes

The share option scheme adopted by AIAGL on 28 September 2010 with a term of 10 years ("2010 SO Scheme") was terminated with effect from 29 May 2020. AIAGL adopted a new share option scheme with effect from 29 May 2020 with a term of 10 years ("2020 SO Scheme", together with the 2010 SO Scheme, "SO Schemes") in place of and under substantially the same terms as the 2010 SO Scheme. The objectives of the SO Schemes are to align the participants' interests with those of AIAGL through ownership of AIAGL's shares and/or the increase in value of AIAIGL's shares.

Under the 2020 SO Scheme, AIAGL may grant share option(s) ("SO(s)") to employees, directors (excluding independent non-executive directors) or officers of AIAGL or any of its subsidiaries giving them a conditional right upon the exercising of the SOs to obtain AIAGL shares or equivalent value in cash. Following the termination of the 2010 SO Scheme, no further SOs can be granted thereunder, however, it shall remain in full force and effect for all SOs granted prior to its termination.

(c) Employee Share Purchase Plans

The employee share purchase plan adopted by AIAGL on 25 July 2011 with a term of 10 years ("2011 ESPP") was terminated with effect from 31 October 2020. AIAGL adopted a new employee share purchase plan on 1 August 2020 with a term of 10 years ("2020 ESPP", together with the 2011 ESPP, "ESPPs") in place of and under substantially the same terms as the 2011 ESPP. The objectives of ESPPs are to facilitate and encourage long-term AIAGL share ownership by employees and to encourage employee retention.

Under the 2020 ESPP, eligible employees of AIAGL or any of its subsidiaries may elect to purchase AIAGL's shares, giving such employees a conditional right through the grant of matching restricted stock purchase units ("RSPUs") to obtain AIAGL shares. Following the termination of the 2011 ESPP Scheme, no further RSPUs can be granted thereunder, however, it shall remain in full force and effect for all RSPUs granted prior to its termination.

During the year ended 31 December 2023,

(i) Mr. Mitchell David New, Mr. Garth Brian Jones, Mr. Wing Shing Chan, Mr. Dick Poon, Mr. Clive Vincent Anderson and Mr. Wai Cheong Fung, directors and/or controllers of the Company, had interests in one or more of the Plans and had acquired benefits by means of the acquisition of shares of AIAGL pursuant to one or more of the Plans; and

(ii) Ms. Julie Chantal Myriam, resigned director, had interests in one or more of the Plans and had acquired benefits by means of the acquisition of shares of AIAGL pursuant to one or more of the Plans.

Apart from the above, at no time during the year was the Company or the Company's subsidiaries or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Report of Directors (continued)

Events after the reporting date

Details of significant events occurring after the reporting date are set out in note 38 to the consolidated financial statements.

Auditor

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment, and a resolution to this effect will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Mitchell David New

Chairman

16 April 2024

Independent Auditor's Report
To the Member of AIA International Limited
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of AIA International Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 10 to 134, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

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 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 International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the Report of Directors on page 3 to 6 but does not include 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.

Independent Auditor's Report
To the Member of AIA International Limited (Continued)

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 IFRS Accounting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, 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 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 consolidated 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 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.

Independent Auditor's Report
To the Member of AIA International Limited (Continued)

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.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 16 April 2024

Consolidated Income Statement

US$'000	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Insurance revenue	*5, 20*	5,124,634	5,429,450
Insurance service expenses	*7, 20*	(3,562,881)	(3,612,010)
Net expenses from reinsurance contracts held	*20*	(127,584)	(167,404)
Insurance service result		**1,434,169**	**1,650,036**
Interest revenue on	*6*		
Financial assets not measured at fair value through profit or loss		1,327,999	1,309,672
Financial assets measured at fair value through profit or loss		2,273,122	2,042,558
Other investment return	*6*	2,757,145	(31,570,846)
Net impairment loss on financial assets	*6*	(80,610)	(96,131)
Investment return	*6*	**6,277,656**	**(28,314,747)**
Net finance (expenses)/income from insurance contracts	6	(5,157,250)	28,233,708
Net finance expenses from reinsurance contracts held	6	(33,332)	(19,677)
Movement in investment contract liabilities	*6, 21*	(208,368)	771,598
Net investment result	*6*	**878,706**	**670,882**
Fee income		70,561	78,254
Other operating revenue		149,040	173,202
Other expenses	*7*	(593,845)	(598,776)
Other finance costs	*7*	(32,885)	(29,224)
Profit before share of profit from associates		**1,905,746**	**1,944,374**
Share of profit from associates	*11*	22,862	13,312
Profit before tax		**1,928,608**	**1,957,686**
Tax expense	*8*	(305,313)	(288,410)
Net profit		**1,623,295**	**1,669,276**
Net profit attributable to:			
Shareholders of AIA International Limited		**1,627,139**	**1,660,652**
Non-controlling interests		(3,844)	8,624

Consolidated Statement of Comprehensive Income

US$'000	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Net profit	**1,623,295**	**1,669,276**
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains/(losses) on financial assets at fair value through other comprehensive income (net of tax of: 2023: US$(355)m; 2022: US$793m)	1,353,773	(5,530,730)
Fair value losses on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal (net of tax of: 2023: US$5m; 2022: US$(6)m)	160,148	157,796
Foreign currency translation adjustments	(72,505)	(430,821)
Cash flow hedges	(8,445)	(2,882)
Net finance (expenses)/income from insurance contracts (net of tax of: 2023: US$200m; 2022: US$(608)m)	(1,330,231)	903,731
Net finance (expenses)/income from reinsurance contracts held (net of tax of: 2023: US$4m; 2022: US$(14)m)	(17,710)	362,162
Share of other comprehensive expense from associates	(27,897)	(50,616)
Subtotal	57,133	(4,591,360)
Items that will not be reclassified subsequently to profit or loss:		
Revaluation (losses)/gains on property held for own use (net of tax of: 2023: US$(0.7)m; 2022: US$(0.4)m)	(7,355)	6,826
Effect of remeasurement of net liability of defined benefit schemes (net of tax of: 2023: nil; 2022: US$(2)m)	81	10,242
Subtotal	(7,274)	17,068
Total other comprehensive income/(expense)	**49,859**	**(4,574,292)**
Total comprehensive income/(expense)	**1,673,154**	**(2,905,016)**
Total comprehensive income/(expense) attributable to:		
Shareholders of AIA International Limited	**1,677,421**	**(2,913,618)**
Non-controlling interests	(4,267)	8,602

Note:

(1) Where applicable, amounts are presented net of tax.

Consolidated Statement of Financial Position

US$'000	Notes	As at 31 December 2023	As at 31 December 2022 (restated)	As at 1 January 2022 (restated)
Assets				
Intangible assets	*10, 39*	991,668	1,116,428	894,483
Investments in associates	*11*	793,390	731,339	762,211
Property, plant and equipment	*12, 39*	1,052,686	1,083,900	1,016,960
Investment property	*13*	2,733,034	2,859,404	2,935,768
Insurance contract assets	*20, 39*	235,400	692,392	2,935,421
Reinsurance contract assets	*20, 39*	381,089	405,675	228,150
Financial investments:	*14, 16, 39*			
At amortised cost				
Debt securities		2,026,708	1,727,726	1,475,675
Loans and deposits		1,270,249	1,085,213	931,700
At fair value through other comprehensive income				
Debt securities		25,650,705	23,941,337	36,078,181
At fair value through profit or loss				
Debt securities		49,213,723	42,765,048	56,960,587
Equity shares		1,579,264	8,765,280	12,602,915
Interests in investment funds		30,723,995	20,887,025	20,325,398
Derivative financial instruments	*15*	156,069	48,702	1,038,447
		110,620,713	**99,220,331**	**129,412,903**
Deferred tax assets	*8, 39*	-	-	18,508
Current tax recoverable	*39*	650	269	17,518
Other assets	*17, 39*	1,675,240	1,622,802	1,560,312
Cash and cash equivalents	*18, 39*	2,251,697	3,492,602	1,847,798
Assets in disposal group held for sale	*39*	-	1,997,593	-
Total assets		**120,735,567**	**113,222,735**	**141,630,032**
Liabilities				
Insurance contract liabilities	*20, 39*	88,457,069	78,019,621	104,912,649
Reinsurance contract liabilities	*20, 39*	487,806	468,769	904,922
Investment contract liabilities	*21, 39*	4,627,289	4,522,153	5,650,951
Loans due to ultimate holding company	*22*	829,000	829,000	829,000
Notes due to ultimate holding company	*22*	-	-	770,000
Obligations under repurchase agreements	*23*	465,069	40,021	40,067
Derivative financial instruments	*15*	7,648,128	8,241,566	847,926
Provisions	*25, 39*	24,360	16,118	33,041
Deferred tax liabilities	*8, 39*	886,758	793,901	1,485,029
Current tax liabilities	*39*	186,749	131,193	80,337
Other liabilities	*26, 39*	1,180,606	871,113	1,468,939
Liabilities in disposal group held for sale	*39*	-	1,525,543	-
Total liabilities		**104,792,834**	**95,458,998**	**117,022,861**
Equity				
Share capital	*27*	7,800	7,800	7,800
Share premium and capital contribution	*27*	2,983,353	2,914,827	2,844,985
Other reserves	*27*	162,786	5,934	9,092
Retained earnings		14,978,910	16,951,771	19,291,119
Other comprehensive income	*27*	(2,386,488)	(2,321,191)	2,253,079
Total equity attributable to:				
Shareholders of AIA International Limited		**15,746,361**	**17,559,141**	**24,406,075**
Non-controlling interests	*28*	196,372	204,596	201,096
Total equity		**15,942,733**	**17,763,737**	**24,607,171**
Total liabilities and equity		**120,735,567**	**113,222,735**	**141,630,032**

Approved and authorised for issue by the Board of Directors on 16 April 2024.

Wing Shing Chan
Director

Garth Brian Jones
Director

Consolidated Statement of Changes in Equity

					Other comprehensive income						
US$'000	*Notes*	Share capital, share premium and capital contribution	Other reserves	Retained earnings	Fair value reserve	Foreign currency translation reserve	Property revaluation reserve	Insurance finance reserve	Others	Non-controlling interests	Total equity
Balance at 1 January 2023 (restated)		**2,922,627**	**5,934**	**16,951,771**	**(2,828,623)**	**(1,093,390)**	**261,979**	**1,268,083**	**70,760**	**204,596**	**17,763,737**
Net profit		-	-	1,627,139	-	-	-	-	-	(3,844)	1,623,295
Fair value gains on financial assets at fair value through other comprehensive income		-	-	-	1,353,773	-	-	-	-	-	1,353,773
Fair value losses on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal		-	-	-	160,148	-	-	-	-	-	160,148
Foreign currency translation adjustments		-	-	-	-	(72,082)	-	-	-	(423)	(72,505)
Cash flow hedges		-	-	-	-	-	-	-	(8,445)	-	(8,445)
Net finance expenses from insurance contracts		-	-	-	-	-	-	(1,330,231)	-	-	(1,330,231)
Net finance expenses from reinsurance contracts held		-	-	-	-	-	-	(17,710)	-	-	(17,710)
Share of other comprehensive expense from associates		-	-	-	-	(27,883)	(14)	-	-	-	(27,897)
Revaluation losses on property held for own use		-	-	-	-	-	(7,355)	-	-	-	(7,355)
Effect of remeasurement of net liability of defined benefit schemes		-	-	-	-	-	-	-	81	-	81
Total comprehensive income/(expense) for the year		**-**	**-**	**1,627,139**	**1,513,921**	**(99,965)**	**(7,369)**	**(1,347,941)**	**(8,364)**	**(4,267)**	**1,673,154**
Dividends	*9*	-	-	(3,600,000)	-	-	-	-	-	(3,957)	(3,603,957)
Share-based compensation		-	(371)	-	-	-	-	-	-	-	(371)
Capital contribution	*27*	68,526	-	-	-	-	-	-	-	-	68,526
Disposal of disposal group held for sale		-	157,223	-	9,576	41,644	-	(167,512)	713	-	41,644
Balance at 31 December 2023		**2,991,153**	**162,786**	**14,978,910**	**(1,305,126)**	**(1,151,711)**	**254,610**	**(247,370)**	**63,109**	**196,372**	**15,942,733**

Note:

(1) Where applicable, amounts are presented net of tax.

Consolidated Statement of Changes in Equity (continued)

US$'000	Notes	Share capital, share premium and capital contribution	Other reserves	Retained earnings	Other comprehensive income					Non-controlling interests	Total equity
					Fair value reserve	Foreign currency translation reserve	Property revaluation reserve	Insurance finance reserve	Others		
Balance at 1 January 2022, as previously reported		**2,852,785**	**9,092**	**19,262,371**	**4,321,186**	**(610,154)**	**405,371**	**-**	**7,209**	**201,096**	**26,448,956**
Impact of initial adoption of IFRS 9 and IFRS 17	*40*	-	-	(209,133)	(1,776,875)	-	85,842	2,190	56,191	-	(1,841,785)
Retrospective adjustments for amendment to IAS 16	*40*	-	-	237,881	-	-	(237,881)	-	-	-	-
Balance at 1 January 2022 (restated)		**2,852,785**	**9,092**	**19,291,119**	**2,544,311**	**(610,154)**	**253,332**	**2,190**	**63,400**	**201,096**	**24,607,171**
Net profit		-	-	1,660,652	-	-	-	-	-	8,624	1,669,276
Fair value losses on financial assets at fair value through other comprehensive income		-	-	-	(5,530,730)	-	-	-	-	-	(5,530,730)
Fair value losses on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal		-	-	-	157,796	-	-	-	-	-	157,796
Foreign currency translation adjustments		-	-	-	-	(430,799)	-	-	-	(22)	(430,821)
Cash flow hedges		-	-	-	-	-	-	-	(2,882)	-	(2,882)
Net finance income from insurance contracts		-	-	-	-	-	-	903,731	-	-	903,731
Net finance income from reinsurance contracts held		-	-	-	-	-	-	362,162	-	-	362,162
Share of other comprehensive (expense)/income from associates		-	-	-	-	(52,437)	1,821	-	-	-	(50,616)
Revaluation gains on property held for own use		-	-	-	-	-	6,826	-	-	-	6,826
Effect of remeasurement of net liability of defined benefit schemes		-	-	-	-	-	-	-	10,242	-	10,242
Total comprehensive income/(expense) for the year (restated)		**-**	**-**	**1,660,652**	**(5,372,934)**	**(483,236)**	**8,647**	**1,265,893**	**7,360**	**8,602**	**(2,905,016)**
Dividends	*9*	-	-	(4,000,000)	-	-	-	-	-	(5,102)	(4,005,102)
Share-based compensation		-	(3,158)	-	-	-	-	-	-	-	(3,158)
Capital contribution	*27*	69,842	-	-	-	-	-	-	-	-	69,842
Balance at 31 December 2022 (restated)		**2,922,627**	**5,934**	**16,951,771**	**(2,828,623)**	**(1,093,390)**	**261,979**	**1,268,083**	**70,760**	**204,596**	**17,763,737**

Note:

(1) Where applicable, amounts are presented net of tax.

Consolidated Statement of Cash Flows

US$'000	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Cash flows from operating activities			
Profit before tax		**1,928,608**	**1,957,686**
Adjustments for:			
Financial investments		(10,433,705)	28,439,544
Insurance contracts		9,620,931	(22,259,734)
Reinsurance contracts held		22,593	(129,182)
Investment contracts		101,628	(780,196)
Obligations under repurchase agreements		425,048	(46)
Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items		(3,580,672)	(4,083,096)
Operating cash items:			
Interest received		3,413,593	3,379,069
Dividends received		669,502	438,093
Interest paid		(30,226)	(16,208)
Tax paid		(276,356)	(237,943)
Net cash provided by operating activities		**1,860,944**	**6,707,987**
Cash flows from investing activities			
Payments for intangible assets	*10*	(102,667)	(82,526)
Proceeds from sales of property, plant and equipment	*12*	-	35
Payments for investment property and property, plant and equipment	*12, 13*	(22,500)	(21,318)
Payments for increase in investment in an associate		(57,782)	-
Disposal of held for sale assets and liabilities, net of cash disposed of		(64,666)	-
Settlement of note from ultimate holding company		813,753	-
Net cash provided by/(used) in investing activities		**566,138**	**(103,809)**
Cash flows from financing activities			
Repayment of notes due to ultimate holding company	*22*	(2,150,000)	(4,770,000)
Payments for lease liabilities(1)		(48,909)	(62,371)
Dividends paid during the year		(1,453,957)	(5,102)
Net cash used in financing activities		**(3,652,866)**	**(4,837,473)**
Net (decrease)/increase in cash and cash equivalents		(1,225,784)	1,766,705
Cash and cash equivalents at beginning of the financial year		3,470,148	1,756,505
Effect of exchange rate changes on cash and cash equivalents		(4,941)	(53,062)
Cash and cash equivalents at end of the financial year		**2,239,423**	**3,470,148**

Note:
(1) The total cash outflow for leases for the year ended 31 December 2023 was US$50m (31 December 2022: US$63m).

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

US$'000	Notes	As at 31 December 2023	As at 31 December 2022 (restated)
Cash and cash equivalents in the consolidated statement of financial position	*18, 39*	2,251,697	3,557,268
Bank overdrafts		(12,274)	(87,120)
Cash and cash equivalents in the consolidated statement of cash flows		**2,239,423**	**3,470,148**

Notes to the Consolidated Financial Statements and Material Accounting Policy Information

1. Corporate information

The principal activities of AIA International Limited (the "Company") or AIA International Limited and its subsidiaries (the "Group") are 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, and engaging in administration service for retirement schemes.

The Company was incorporated in Bermuda with limited liability on 16 January 1959 and registered in Hong Kong as a non-Hong Kong company under Part XI of the predecessor Hong Kong Companies Ordinance, Cap 32 (now Part 16 of the Hong Kong Companies Ordinance (Cap. 622)) on 31 August 1984. At the reporting date, the Company was a wholly-owned subsidiary of AIA Company Limited ("AIA Co."), whose ultimate holding company was AIA Group Limited ("AIAGL"), a company incorporated in Hong Kong and listed on the Main Board of The Stock Exchange of Hong Kong Limited under the stock code "1299" for HKD counter and "81299" for RMB counter with American Depositary Receipts (Level 1) being traded on the over-the-counter market under ticker symbol "AAGIY". AIA Group Limited and its subsidiaries are collectively known as "AIA" or "AIA Group".

The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Group conducts business through branches and subsidiaries in Hong Kong, South Korea, Macau, Taiwan (China), Indonesia, Vietnam and Cambodia.

2. Material accounting policy information

2.1 Basis of preparation and statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared using the historical cost convention, as modified by the revaluation of financial assets measured at fair value through other comprehensive income, financial assets and liabilities measured at fair value through profit or loss, derivative financial instruments, property held for own use and investment properties, all of which are carried at fair value. Additionally, insurance and reinsurance contract assets and liabilities are measured using a fulfilment cash flow and contractual service margin (CSM) basis.

The presentation currency of the Group is the US dollar. The consolidated financial statements are presented in thousands of US dollars (US$'000) unless otherwise stated.

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

(a) New amendment and new and revised standards adopted by the Group:

- IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities;
- IFRS 17, Insurance Contracts, replaces IFRS 4, Insurance Contracts; and
- Amendment to IAS 16, Property, Plant and Equipment, consequential to the adoption of IFRS 17.

Additional information on the qualitative and quantitative effects of the adoption of the new and revised accounting standards on the Group's consolidated financial statements is provided in note 40.

(b) The following relevant new amendments to standards have been adopted for the first time for the financial year ended 31 December 2023 and have no material impact to the Group:

- Amendments to IAS 8, Definition of Accounting Estimates;
- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction; and
- Amendments to IAS 12, International Tax Reform – Pillar Two Model Rules.

(c) The following relevant new amendments to standards have been issued but are not effective for the financial year ended 31 December 2023 and have not been early adopted (the financial years for which the adoption is required for the Group are stated in parentheses). The Group has assessed the impact of these new amendments on its financial position and results of operations and they are not expected to have a material impact on the financial position or results of operations of the Group:

- Amendments to IAS 1, Classification of Liabilities as Current or Non-current (2024);
- Amendments to IAS 1, Non-current Liabilities with Covenants (2024);
- Amendments to IAS 7 and IFRS 7, Supplier Finance Arrangements (2024);
- Amendments to IFRS 16, Lease Liability in a Sale and Leaseback (2024); and
- Amendments to IAS 21, Lack of Exchangeability (2025).

2. Material accounting policy information (continued)

2.1 Basis of preparation and statement of compliance (continued)

The material accounting policies adopted in the preparation of the Group's consolidated financial statements are set out below. These policies have been applied consistently in all periods presented and the comparative period ended 31 December 2022 has been restated to conform to IFRS 9, IFRS 17 and amendment to IAS 16.

2.2 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held

Consistent accounting policies for the measurement and recognition of insurance, reinsurance and investment contracts have been adopted throughout the Group.

2.2.1 Insurance contracts, investment contracts with DPF and reinsurance contracts held classification

The Group classifies its contracts written as either insurance contracts or investment contracts, depending on the level of insurance risk. Contracts under which the Group transfers significant insurance risk are classified as insurance contracts, while those contracts which have the legal form of insurance contracts but do not transfer significant insurance risk are classified as financial liabilities and are referred to as investment contracts. Some insurance and investment contracts, referred to as traditional participating life business, have DPF, which may entitle the customer to receive, as a supplement to guaranteed benefits, additional non-guaranteed benefits, such as policyholder dividends or bonuses. The Group applies the same accounting policies for the recognition and measurement of obligations arising from investment contracts with DPF as it does for insurance contracts.

In the event that a scenario (other than those lacking commercial substance) exists in which an insured event would require the Group to pay significant additional benefits to its customers and has a possibility of incurring a loss on a present value basis, the contract is considered as transferring significant insurance risk and is accounted for as an insurance contract. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts held. Insurance contracts and reinsurance contracts held can also expose the Group to financial risk. For investment contracts that do not contain DPF, IFRS 9, Financial Instruments, and, if the contract includes an investment management element, IFRS 15, Revenue from Contracts with Customers, are applied. Once a contract has been classified as an insurance, reinsurance or investment contract, reclassification is not subsequently performed unless the terms of the agreement are later amended.

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

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

In some jurisdictions traditional participating life business is written in a participating fund which is distinct from the other assets of the company or branch. The allocation of benefits from the assets held in such participating funds is subject to minimum policyholder participation mechanisms which are established by regulation. Other participating business with distinct portfolios refers to business where it is expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of underlying segregated assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory. The allocation of benefit from the assets held in such other participating business with distinct portfolios is set according to the underlying bonus rule as determined by the relevant Board based on applicable regulatory requirements after considering the Appointed Actuary's recommendation. The extent of such policyholder participation may change over time. The current policyholder participation ratio applied for recognition and measurement of the insurance contract liabilities for participating funds and other participating business with distinct portfolios is 70% - 90%.

Contracts with direct participation features are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of underlying items.

2. Material accounting policy information (continued)

2.2 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.2.1 Insurance contracts, investment contracts with DPF and reinsurance contracts held 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 contracts	Basis of accounting for: Investment contracts
Traditional participating life	Participating funds and other participating business with distinct portfolios	Participating products include protection and savings elements. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the aggregate amount of which is determined by the performance of a distinct fund of assets and liabilities. The timing of dividend and bonus declarations is at the discretion of the insurer For participating funds, local regulations generally prescribe a minimum proportion of policyholder participation in declared dividends For other participating business with distinct portfolios, the allocation of benefit from the assets held in such distinct portfolios is set according to the underlying bonus rule as determined by the relevant Board based on applicable regulatory requirements after considering the Appointed Actuary's recommendation. The extent of such policyholder participation may change over time	Participating products where there is a distinct portfolio meet the definition of an insurance contract with direct participation features and is measured under an approach commonly referred to as the Variable Fee Approach (VFA) measurement model. The VFA modifies the general measurement model in IFRS 17 to reflect the nature of the income to the insurer is a variable fee	Investment contracts with DPF are accounted for in the same way as insurance contracts under IFRS 17
	Other participating business without distinct portfolios	Participating products include protection and savings elements. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the timing or amount of which are at the discretion of the insurer taking into account factors such as investment experience	The general measurement model is applied to these insurance contracts	Investment contracts with DPF are accounted for in the same way as insurance contracts under IFRS 17
Non-participating life, annuities and other protection products		Benefits payable are not at the discretion of the insurer	The general measurement model is applied to these insurance contracts except for some insurance contracts where the permitted premium allocation approach (PAA) simplification (see note 2.2.7) is applied	Investment contract liabilities are measured at amortised cost
Universal life		Benefits are based on an account balance, credited with interest at a rate set by the insurer, and a death benefit, which may be varied by the customer	The general measurement model is applied to these insurance contracts	Not applicable as such contracts generally contain significant insurance risk
Unit-linked		These may be primarily savings products or may combine savings with an element of protection	Unit-linked products that meet the definition of an insurance contract with direct participation features are measured under the VFA measurement model, otherwise they follow the IFRS 17 general measurement model	Investment contract liabilities under IFRS 9 are measured at fair value (determined with reference to the accumulation value)

The basis of accounting for insurance contracts and reinsurance contracts held is discussed in notes 2.2.2 to 2.2.11 below.

2. Material accounting policy information (continued)

2.2 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.2.2 Separating components from insurance contracts and reinsurance contracts held

At inception, the Group separates the following components from an insurance contract or a reinsurance contract held and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance contract or a reinsurance contract held as a stand-alone instrument; and
- distinct investment components – i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Group separates any promises to transfer distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Group provides a significant service of integrating the good or service with the insurance component.

2.2.3 Level of aggregation and recognition of group of insurance contracts and reinsurance contracts held

Insurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into semi-annual cohorts and each semi-annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the portfolio.

An insurance contract issued by the Group is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Group provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

An insurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Reinsurance contracts held

Reinsurance contracts held by the Group cover underlying insurance contracts.

A group of reinsurance contracts held is recognised on the following dates:

- Reinsurance contracts held that provide proportionate coverage: Generally later of the beginning of the coverage period of the group of reinsurance contracts held, or the date on which any underlying insurance contract is initially recognised.
- Other reinsurance contracts held: The beginning of the coverage period of the group of reinsurance contracts held. However, if the Group recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract held was entered into on or before that earlier date, then the group of reinsurance contracts held is recognised on that earlier date.
- Reinsurance contracts acquired: The date of acquisition.

2. Material accounting policy information (continued)

2.2 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.2.4 Fulfilment cash flows and contract boundaries

Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

Further details of the related methodology and assumptions in respect of estimation of fulfilment cash flows are provided in note 20.

Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows.

Insurance contracts

Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide insurance contract services.

A substantive obligation to provide insurance contract services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Reinsurance contracts held

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

2.2.5 Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of contracts using a systematic and rational allocation method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort. At each reporting date, the Group revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

Insurance acquisition cash flows arising before the recognition of the related groups of contracts are recognised as an asset. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the related groups of contracts.

When the Group acquires insurance contracts in a transfer of contracts or a business combination, at the date of acquisition it recognises an asset for insurance acquisition cash flows at the fair value for the rights to obtain:

- renewals of contracts recognised at the date of acquisition; and
- other future contracts after the date of acquisition without paying again insurance acquisition cash flows that the acquiree has already paid.

2. Material accounting policy information (continued)

2.2 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.2.5 Insurance acquisition cash flows (continued)

Recoverability assessment

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Group:

- recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow of the related group; and
- if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss.

The Group recognises any reversal of impairment losses in profit or loss when the impairment conditions no longer exist or have improved.

2.2.6 Measurement – insurance contracts not measured under the PAA

2.2.6.1 Initial measurement

On initial recognition, the Group measures a group of contracts as the total of: (a) the fulfilment cash flows, which comprise estimates of future cash flows, an adjustment to reflect time value of money and associated financial risks, and a risk adjustment for non-financial risk; and (b) the contractual service margin (CSM).

The measurement of the fulfilment cash flows of a group of contracts does not reflect the Group's non-performance risk.

The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. On initial recognition of a group of contracts, if the total of the fulfilment cash flows, any cash flows arising at that date and any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss. A loss component is created to depict the amount of the net cash outflows, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous groups and are excluded from insurance revenue. In the case of a business combination, the net outflow is recognised as an adjustment to goodwill or a gain on a bargain purchase for contracts acquired.

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date.

2.2.6.2 Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The LIC includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

- changes relating to future services are adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous);
- changes relating to current or past services are recognised in the insurance service result in profit or loss; and
- effects of the time value of money, financial risk and changes therein on estimated future cash flows are recognised as insurance finance income or expenses for insurance contracts without direct participation features or adjusted against CSM for insurance contracts with direct participation features.

2. Material accounting policy information (continued)

2.2 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.2.6 Measurement – insurance contracts not measured under the PAA (continued)

2.2.6.2 Subsequent measurement (continued)

The CSM of each group of contracts is calculated at each reporting date as follows.

Insurance contracts without direct participation features

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted mainly for:

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows that do not vary based on the returns on underlying items;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised in insurance service expenses and recognised as a loss component in LRC; or
  - any decreases in the fulfilment cash flows adjust the loss component in the LRC and the corresponding amount is recognised in insurance service expenses. If the loss component is reduced to zero, the excess reinstates the CSM;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue for services provided in the period.

Changes in fulfilment cash flows that relate to future services mainly comprise:

- experience adjustments arising from premiums received in the period that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the LRC, measured at the discount rates determined on initial recognition, except for those that relate to the effects of the time value of money, financial risk and changes therein;
- differences between (a) any investment component expected to become payable in the period, determined as the payment expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the period;
- differences between (a) any loan to a policyholder expected to become repayable in the period, determined as the repayment expected at the start of the period plus any insurance finance income or expenses related to that expected repayment before it becomes repayable; and (b) the actual amount that becomes repayable in the period; and
- changes in the risk adjustment for non-financial risk that relate to future services.

To determine how to identify a change in discretionary cash flows, the basis is generally determined at inception of the contract. Changes in cash flows arising from the Group's discretion are regarded as relating to future services and accordingly adjust the CSM, these cash flows are determined based on the relevant contract terms, dividend and bonus philosophy.

Insurance contracts with direct participation features

Contracts with direct participation features are contracts under which the Group's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Group's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Group provides investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

When measuring a group of contracts with direct participation features, the Group adjusts the fulfilment cash flows for the changes in the obligation to pay policyholders an amount equal to the policyholder's share of the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss.

2. Material accounting policy information (continued)

2.2 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.2.6 Measurement – insurance contracts not measured under the PAA (continued)

2.2.6.2 Subsequent measurement (continued)

Insurance contracts with direct participation features (continued)

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted mainly for:

- the CSM of any new contracts that are added to the group in the period;
- the change in the amount of the Group's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
  - a decrease in the amount of the Group's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM. The excess is recognised in insurance service expenses and recognised as a loss component in LRC; or
  - an increase in the amount of the Group's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, which adjust the loss component in the LRC and the corresponding amount is recognised in insurance service expenses. If the loss component is reduced to zero, the excess reinstates the CSM;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue for services provided in the period.

Changes in fulfilment cash flows not varying based on the return on underlying items that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items — e.g. the effect of financial guarantees.

2.2.7 Measurement – insurance contracts measured under the PAA

The Group generally uses the PAA to simplify the measurement of groups of contracts in the following circumstances:

- where the coverage period of each contract in the group of contracts is one year or less; or
- the Group reasonably expects that the resulting measurement of the LRC would not differ materially from the result of applying the accounting policies of contracts not measured under the PAA.

2.2.7.1 Initial measurement

On initial recognition of each group of contracts, the carrying amount of the LRC is measured as the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for amounts arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group. The Group has elected the accounting policy choice to defer insurance acquisition cash flows through the LRC.

2.2.7.2 Subsequent measurement

Subsequently, the carrying amount of the LRC is increased by (i) any premiums received; and (ii) any amortisation of the insurance acquisition cash flows, and decreased by (i) insurance acquisition cash flows paid; (ii) the amount recognised as insurance revenue for coverage provided; and (iii) any investment component paid or transferred to the LIC. On initial recognition of each group of contracts, the Group expects that the time gap between providing each part of the coverage and the related premium due date is not significant. Accordingly, the Group has chosen not to adjust the LRC to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss in profit or loss and increases the LRC to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the LRC as loss component. The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the LIC is also adjusted for the time value of money and the effect of financial risk. In subsequent periods, unless facts and circumstances indicate that the group of contracts is no longer onerous, the loss component is remeasured at each reporting date as the difference between the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) and the carrying amount of the LRC without loss component.

The Group recognises the LIC of a group of insurance contracts for the amount of the fulfilment cash flows relating to incurred claims. The fulfilment cash flows are discounted (at current rates) unless the cash flows are expected to be paid in one year or less from the date the claims are incurred.

2. Material accounting policy information (continued)

2.2 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.2.8 Reinsurance contracts held

For groups of reinsurance contracts held, the Group applies the same accounting policies as that applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Group to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) the amount arising from assets or liabilities previously recognised for cash flows related to the group, before the group is recognised, (c) cash flows arising from the contracts in the group at that date and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the reinsurance, then the Group recognises the cost immediately in profit or loss as an expense.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted for:

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows;
- income recognised in profit or loss in respect of a loss recognised for onerous underlying contracts. A loss-recovery component is established or adjusted in the asset for remaining coverage of reinsurance contracts held for the amount of income recognised;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless the changes result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss for the services received in the period.

Reinsurance of onerous underlying insurance contracts

The Group adjusts the CSM of the group to which a reinsurance contract held belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract held is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Group expects to recover from the reinsurance contracts held.

For reinsurance contracts acquired in a transfer of contracts or a business combination covering onerous underlying contracts, the adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts at the date of acquisition; and
- the percentage of claims on the underlying contracts that the Group expects at the date of acquisition to recover from the reinsurance contracts held.

For reinsurance contracts held which were acquired in a business combination, the adjustment to the CSM reduces goodwill or increases a gain on a bargain purchase.

If the reinsurance contract held covers only some of the insurance contracts included in an onerous group of contracts, then the Group uses a systematic and rational method to determine a portion of losses recognised on the onerous group of contracts containing the insurance contracts covered by the reinsurance contract held.

A loss-recovery component is established or adjusted in the asset for remaining coverage of reinsurance contracts held, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid.

2. Material accounting policy information (continued)

2.2 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.2.8 Reinsurance contracts held (continued)

Reinsurance contracts held measured under the PAA

The Group applies the same accounting principles to measure a group of insurance contracts or reinsurance contracts held under the PAA.

If a loss-recovery component is established for a group of reinsurance contracts held measured under the PAA, the Group adjusts the carrying amount of the asset.

2.2.9 Transition approaches

The Group adopts both the modified retrospective approach and the fair value approach when it is impracticable to use a full retrospective approach in determining transition amounts at the IFRS 17 transition date.

Contracts measured under the modified retrospective approach

The objective of this approach was to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. The Group applied each of the following modifications only to the extent that it did not have reasonable and supportable information to apply IFRS 17 fully retrospectively.

Contracts without direct participation features

For relevant groups of contracts without direct participation features,

- The future cash flows on initial recognition were estimated by adjusting the cash flows that were known to have occurred.
- The risk adjustment for non-financial risk on initial recognition was determined by adjusting the amount at 1 January 2022 for the expected release of risk before 1 January 2022. The expected release of risk was determined with reference to the release of risk for similar insurance contracts that the Group issued at 1 January 2022.
- When any of these modifications was used to determine the CSM (or the loss component) at initial recognition:
  - the amount of the CSM recognised in profit or loss before 1 January 2022 was determined by comparing the remaining coverage units at 1 January 2022 with the coverage units provided under the group of contracts before that date; and
  - the amount allocated to the loss component before 1 January 2022 determined using the proportion of the loss component relative to the total estimate of the present value of the future cash outflows and the risk adjustment for non-financial risk on initial recognition.

Contracts with direct participation features

For relevant groups of contracts with direct participation features,

- The Group determined the CSM (or the loss component) at 1 January 2022 by calculating a proxy for the total CSM for all services to be provided under the group that equal to the fair value of the underlying items at 1 January 2022 minus the fulfilment cash flows at 1 January 2022, adjusted for:
  - amounts charged to policyholders (including charges deducted from the underlying items) before 1 January 2022;
  - amounts paid before 1 January 2022 that would not have varied based on the underlying items;
  - the change in the risk adjustment for non-financial risk caused by the release from risk before 1 January 2022, which was estimated based on an analysis of similar contracts that the Group issued at 1 January 2022; and
  - insurance acquisition cash flows arising before 1 January 2022 that were allocated to the group.
- If the calculation resulted in a CSM, then the Group measured the CSM at 1 January 2022 by deducting the CSM related to services provided before 1 January 2022. The CSM related to services provided before 1 January 2022 was determined by comparing the coverage units at 1 January 2022 with the coverage units provided under the group of contracts before that date.
- If the calculation resulted in a loss component, then the Group adjusted the loss component to zero and increased the LRC excluding the loss component by the same amount at 1 January 2022.
- The amount of insurance finance income or expenses accumulated in the insurance finance reserve at 1 January 2022 was determined to be equal to the cumulative amount recognised in the other comprehensive income on the underlying items as applicable.

2. Material accounting policy information (continued)

2.2 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.2.9 Transition approaches (continued)

Contracts measured under the modified retrospective approach (continued)

Reinsurance of onerous underlying contracts

For groups of reinsurance contracts held covering onerous underlying contracts that were entered into before or at the same time as the onerous underlying contracts, the Group established a loss-recovery component at 1 January 2022. For some groups of reinsurance contracts held measured under the modified retrospective approach, the Group determined the loss-recovery component by multiplying:

- the amount of the loss component that relates to the underlying contracts at 1 January 2022; and
- the percentage of claims on the underlying contracts that the Group expected to recover from the reinsurance contracts held.

For certain other groups of reinsurance contracts held, the Group did not identify a loss-recovery component because it did not have reasonable and supportable information to do so.

Insurance acquisition cash flows - Modified retrospective approach

Under the modified retrospective approach, the Group identified any insurance acquisition cash flows arising before 1 January 2022 that did not relate to contracts that had ceased to exist before that date. These cash flows were allocated, using the same systematic and rational method, to:

- groups of contracts recognised at 1 January 2022 (which adjusted the CSM of those groups); and
- groups of contracts expected to be recognised after 1 January 2022 (which were recognised as assets for insurance acquisition cash flows).

Contracts measured under the fair value approach

For the groups of contracts that are measured under the fair value approach, the Group determined the CSM or loss component of the LRC at 1 January 2022 as the difference between the fair value of a group of contracts at that date and the fulfilment cash flows at that date.

The fair value of groups of contracts is primarily determined by using present value technique from the perspective of a market participant with considerations of the following:

- estimate of future cash flows that a market participant would expect to incur or receive in fulfilling the liabilities;
- time value of money, represented by the risk-free interest rate plus a spread based on the characteristic of the liabilities;
- premiums that a market participant would require for bearing uncertainty inherent in the cash flows in relation to non-financial risks and compensation that a market participant would require to assume the obligations;
- the non-performance risk relating to those liabilities; and
- other factors that a market participant would take into account in the circumstances.

To the extent possible, the Group maximised the use of relevant market data and information of market transactions in Asia. For the unobservable inputs, the Group used the best information available in the circumstances, which might include the Group's own data.

For all contracts measured under the fair value approach, the Group used reasonable and supportable information available at 1 January 2022 to determine:

- how to identify groups of contracts;
- whether a contract meets the definition of a contract with or without direct participation features or investment contract with discretionary participation features; and
- how to identify discretionary cash flows for contracts without direct participation features.

For contracts acquired in a transfer of contracts or a business combination before 2022, the Group classified liabilities for settlement of claims as liabilities for incurred claims, even though the claims might have been incurred before the contracts were acquired.

For groups of contracts measured under the fair value approach,

- the discount rates on initial recognition were determined at 1 January 2022 instead of at the date of initial recognition;
- the amount of insurance finance income or expenses accumulated in the insurance finance reserve at 1 January 2022 was determined to be zero for contracts without direct participation features and to be equal to the cumulative amount recognised in the other comprehensive income on the underlying items for contracts with direct participation features as applicable.

2. Material accounting policy information (continued)

2.2 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.2.9 Transition approaches (continued)

Contracts measured under the fair value approach (continued)

For groups of reinsurance contracts held covering onerous underlying contracts, the Group established a loss-recovery component at 1 January 2022. The Group determined the loss-recovery component by multiplying:

- the amount of the loss component that relates to the underlying contracts at 1 January 2022; and
- the percentage of claims on the underlying contracts that the Group expected to recover from the reinsurance contracts held.

Insurance acquisition cash flows - Fair value approach

The Group measured an asset for insurance acquisition cash flows under the fair value approach at an amount equal to the insurance acquisition cash flows that it would incur at 1 January 2022 for the rights to obtain:

- recoveries of insurance acquisition cash flows from premiums of contracts issued before 1 January 2022 but not yet recognised at that date, and future contracts that are renewals of such contracts;
- future contracts that are renewals of contracts recognised at 1 January 2022; and
- other future contracts after 1 January 2022 without paying again insurance acquisition cash flows that the Group has already paid.

2.2.10 Derecognition and contract modification

The Group derecognises a contract when it is extinguished - i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On the derecognition of a contract in a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows that relate to future services, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because it is transferred to third party, then the CSM is also adjusted for the premium charged by the third party, unless the contract is onerous.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Group entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the issuer received the premium that it would have charged less any additional premium charged for the modification.

2.2.11 Presentation

Portfolios of insurance contracts and reinsurance contracts held in an asset position are presented separately from those in a liability position. Portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held. Any assets recognised for insurance acquisition cash flows arising before the recognition of the related group of insurance contracts are included in the carrying amount of the related portfolios of insurance contracts. Any assets or liabilities for cash flows arising before the recognition of the related group of reinsurance contracts held are included in the carrying amount of the related portfolios of reinsurance contracts held.

The Group disaggregates amounts recognised in the income statement and the statement of comprehensive income into (a) an insurance service result, comprising insurance revenue and insurance service expenses, and (b) insurance finance income or expenses.

2. Material accounting policy information (continued)

2.2 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.2.11 Presentation (continued)

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts held, other than insurance finance income or expenses, are presented on a net basis as "net expenses from reinsurance contracts held" in the insurance service result.

The Group does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue and insurance service expenses exclude any investment components and are recognised as follows.

2.2.11.1 Insurance revenue — insurance contracts not measured under the PAA

The Group recognises insurance revenue as it satisfies its performance obligations — i.e. as it provides services under groups of contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each period represents the total of the changes in the LRC that relate to services for which the Group expects to receive consideration, but excludes expected investment components and mainly comprises the following items:

- A release of the CSM, measured based on coverage units provided;
- Changes in the risk adjustment for non-financial risk relating to current services;
- Claims and other insurance service expenses incurred in the period, generally measured at the amounts expected at the beginning of the period; and
- Other amounts, including experience adjustments for premium receipts for current or past services and amounts related to incurred policyholder tax expenses.

For insurance acquisition cash flows recovery, the Group allocates a portion of premiums related to the recovery in a systematic way based on the passage of time over the expected coverage of a group of contracts. The allocated amount is recognised as insurance revenue with the same amount recognised as insurance service expenses.

2.2.11.2 Release of the CSM — insurance contracts not measured under the PAA

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each reporting period is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the reporting period (before any allocation) equally to each coverage unit provided in the current period and expected to be provided in future periods, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the current period. The number of coverage units is the quantity of services provided by the contracts in the group, determined considering for each contract the quantity of benefits provided and its expected coverage period.

2.2.11.3 Insurance revenue — insurance contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium for providing services in the period. The Group allocates the expected premium to each period on the following bases:

- the passage of time; or
- the expected timing of incurred insurance service expenses, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time.

2.2.11.4 Loss components — insurance contracts not measured under the PAA

For contracts not measured under the PAA, the Group establishes a loss component of the LRC for onerous groups of contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently excluded from insurance revenue when they occur. When the fulfilment cash flows occur, they are allocated between the loss component and the LRC excluding the loss component on a systematic basis.

Changes in estimates of fulfilment cash flows relating to future services and changes in the Group's share of the fair value of underlying items are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates or reinstates the CSM for the group of contracts.

2. Material accounting policy information (continued)

2.2 Insurance contracts, investment contracts with discretionary participation features (DPF) and reinsurance contracts held (continued)

2.2.11 Presentation (continued)

2.2.11.5 Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and mainly comprise the following items:

- Incurred claims and other insurance service expenses;
- Amortisation of insurance acquisition cash flows: for contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the period that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Group amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts;
- Losses on onerous contracts and reversals of such losses; and
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

2.2.11.6 Net expenses from reinsurance contracts held

Net expenses from reinsurance contracts held mainly comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Group recognises an allocation of reinsurance premiums paid as reinsurance expenses within net expenses from reinsurance contracts held for the coverage or other services received by the Group under groups of reinsurance contracts held. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Group expects to pay consideration.

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

For a group of reinsurance contracts held covering onerous underlying contracts, the Group establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance contract held covering those contracts is entered into before or at the same time as those contracts are entered into; and
- for changes in fulfilment cash flows of the group of reinsurance contracts held relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

2.2.11.7 Insurance finance income or expenses

Insurance finance income or expenses comprise changes in the carrying amounts of groups of insurance contracts and reinsurance contracts held arising from the effects of the time value of money, financial risk and changes therein. This includes changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

For certain portfolios, the Group has chosen to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. The systematic allocation is determined as follows:

- Contracts for which changes in assumptions that relate to financial risk have a substantial effect on the amounts paid to the policyholders: for insurance finance income or expenses arising from the estimates of future cash flows, using either a rate that allocates the remaining revised expected insurance finance income or expenses over the remaining duration of the group of contracts at a constant rate (i.e. the effective yield) or an allocation that is based on the amounts credited in the period and expected to be credited in future periods; and for insurance finance income or expenses arising from the CSM, the discount rates determined on initial recognition of the group of contracts. This selection of the rate applied is based on the characteristics of contracts.
- Contracts for which changes in assumptions that relate to financial risk do not have a substantial effect on the amounts paid to the policyholders: the discount rates determined on initial recognition of the group of contracts.

Amounts presented in other comprehensive income are accumulated in the insurance finance reserve. If the Group derecognises a contract without direct participation features as a result of a transfer to a third party or a contract modification, then any remaining amounts of accumulated other comprehensive income for the contract are reclassified to profit or loss.

The Group presents insurance finance income or expenses for all other contracts in profit or loss.

2. Material accounting policy information (continued)

2.3 Investment contracts

Investment contracts do not contain sufficient insurance risk to be considered insurance contracts and are accounted for as a financial liability, other than investment contracts with DPF which are excluded from the scope of IFRS 9 and are accounted for as insurance contracts.

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

Investment contract fee revenue

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

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

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

Deferred origination costs

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

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

Investment contract liabilities

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

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

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

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

Deferred fee income liability

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

2. Material accounting policy information (continued)

2.4 Financial instruments

2.4.1 Classification and designation of financial instruments

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified at the beginning of the reporting period during which the business model has changed.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

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

A debt security is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:

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

On initial recognition of an equity security that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets and liabilities at fair value through profit or loss

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

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

Management designates financial assets and liabilities at fair value through profit or loss if this eliminates a measurement or recognition inconsistency or if the liabilities are actively managed on a fair value basis, including among others debt securities held in participating funds and other participating business with distinct portfolios.

Dividend income from equity instruments measured at fair value through profit or loss is recognised in other investment return in the consolidated income statement, generally when the security becomes ex-dividend. Interest revenue is recognised on an accrued basis. For all financial assets and liabilities measured at fair value through profit or loss, changes in fair value are recognised in profit or loss as part of net investment result.

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

Financial assets at fair value through other comprehensive income

These principally consist of the Group’s debt securities (other than those backing participating funds, other participating business with distinct portfolios and unit-linked contracts). These financial assets are initially recognised at fair value plus attributable transaction costs and are subsequently measured at fair value. The difference between their cost and par value is amortised. Interest revenue is recognised in investment return in the consolidated income statement using the effective interest method.

Unrealised gains and losses on securities are analysed between differences resulting from foreign currency translation, and other fair value changes. Foreign currency translation differences are calculated as if they were carried at amortised cost and so are recognised in the consolidated income statement as other investment return. For impairments, reference is made to the section “Impairment of financial assets”.

Changes in the fair value of securities, except for impairment losses and relevant foreign exchange gains and losses, are recognised in other comprehensive income. Impairment losses and relevant foreign exchange gains and losses are recognised in the consolidated income statement.

2. Material accounting policy information (continued)

2.4 Financial instruments (continued)

2.4.1 Classification and designation of financial instruments (continued)

Realised gains and losses on financial assets

Realised gains and losses on financial assets measured at fair value through profit or loss excludes any interest revenue or dividend income.

Realised gains and losses on financial assets measured at fair value through other comprehensive income are determined as the difference between the sale proceeds and its original cost or amortised cost as appropriate. Amortised cost is determined by specific identification.

Recognition of financial instruments

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

Derecognition, contract modification and offset

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

Financial liabilities are generally derecognised when their contractual obligations expire or are discharged or cancelled. Notwithstanding, when, and only when, the Group repurchases its financial liability and includes it as underlying items of contracts with direct participation features or investment contracts with DPF, the Group may elect not to derecognise the financial liability. Instead, the Group may elect to continue to account for that instrument as a financial liability and to account for the repurchased instrument as if it were a financial asset and measure it at fair value through profit or loss. This election is irrevocable and is made on an instrument-by-instrument basis.

If the terms of a financial instrument are modified, then the Group evaluates whether the cash flows of the modified financial instrument are substantially different. If the cash flows are substantially different, in which case, a new financial instrument based on the modified terms is recognised at fair value. If a financial instrument is modified but not substantially, then it is not derecognised.

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments held for cash management purposes, which have maturities at acquisition of three months or less, or are convertible into known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents also include cash received as collateral for derivative transactions, and repo and reverse repo transactions, as well as cash and cash equivalents held for the benefit of policyholders in connection with unit-linked products. Cash and cash equivalents that are not mandatorily measured at fair value through profit or loss are measured at amortised cost using the effective interest method.

Financial assets measured at amortised cost

Other than cash and cash equivalents, financial assets measured at amortised cost primarily include debt securities, loans and deposits, and receivables. These financial assets are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest revenue from debt securities measured at amortised cost is recognised in investment return in the consolidated income statement using the effective interest method.

2. Material accounting policy information (continued)

2.4 Financial instruments (continued)

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 fair value through other comprehensive income) are based on quoted market prices at the date of the consolidated statement of financial position. The quoted market price used for financial assets held by the Group is the current bid price, which is considered to be the price within the bid-ask spread that is most representative of the fair value in the circumstances. The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions at the date of each consolidated statement of financial position. The objective of using a valuation technique is to estimate the price at which an orderly transaction would take place between market participants at the date of the consolidated statement of financial position.

Financial instruments carried at fair value are measured using a fair value hierarchy described in note 16.

2.4.3 Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost and debt securities measured at fair value through other comprehensive income. Loss allowances are measured at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

- financial assets that are determined to have low credit risk at the reporting date; and
- financial assets (other than trade receivables or lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from possible default events over the expected life of the financial instrument, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date. In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses and are measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive; and
- other financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

Loss allowances for ECL of financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, and loss allowances for debt securities measured at fair value through other comprehensive income are recognised in other comprehensive income and do not reduce the carrying amount of the financial assets in the consolidated statement of financial position.

2. Material accounting policy information (continued)

2.4 Financial instruments (continued)

2.4.3 Impairment of financial assets (continued)

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

2.4.4 Derivative financial instruments

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

Derivative instruments for economic hedging

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

Cash flow hedge

The Group has, in a limited number of cases, designated certain derivatives as hedges of interest rate risk associated with the cash flows of highly probable forecast transactions such as forecast purchases of debt securities. As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39. To the extent these hedges are effective, the change in fair value of the derivatives designated as hedging instruments is recognised in the cash flow hedge reserve in other comprehensive income within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss when the hedged item affects profit or loss. In respect of a forecast purchase of a debt security classified as fair value through other comprehensive income, the cash flows are expected to affect profit or loss when the coupons from the purchased bond are recognised, or on disposal of the security. The application of hedge accounting is discontinued when one of the following situations occurs: when a derivative designated as the hedging instrument expires or is sold, terminated or exercised prior to the occurrence of the forecast transaction, when the hedge is no longer highly effective or expected to be highly effective, or when the Group revokes the designation of the hedging relationship. In these situations, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. This amount is reclassified to profit or loss when the hedged item affects profit or loss. If the forecast transaction is no longer expected to occur, the entire amount is reclassified immediately to profit or loss.

Embedded derivatives

Embedded derivatives are derivatives embedded within other non-derivative host financial instruments to create hybrid instruments. Where the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host instrument that is not a financial asset within the scope of IFRS 9, and where the hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss, the embedded derivative is bifurcated and carried at fair value as a derivative in accordance with IFRS 9.

2. Material accounting policy information (continued)

2.5 Property, plant and equipment

Property held for own use, which is solely held as an underlying item of insurance contracts with direct participation features, is measured initially at cost and subsequently at fair value, with any change therein recognised in profit or loss. Any gain or loss on disposal of property held for own use measured at fair value (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

2.6 Presentation of the consolidated statement of financial position

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

3. Critical accounting estimates and judgements

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

Items that are considered particularly sensitive to changes in estimates and assumptions, and the relevant accounting policies are those which relate to insurance contracts (including investment contracts with DPF), fair value measurement, impairment of financial assets and impairment of goodwill and other intangible assets.

3.1 Level of aggregation and recognition of group of insurance contracts

For contracts issued to which the Group does not apply the premium allocation approach, the judgements exercised in determining whether contracts are onerous on initial recognition or those that have no significant possibility of becoming onerous subsequently are:

- based on the likelihood of changes in assumptions which, if they occurred, would result in the contracts becoming onerous; and
- using information about profitability estimation for the relevant group of products.

The accounting policy on level of aggregation and recognition of group of insurance contracts is described in note 2.2.3.

3.2 Measurement of insurance contracts not measured under the premium allocation approach

The asset or liability for groups of insurance contracts is measured as the total of fulfilment cash flows and CSM.

The fulfilment cash flows of insurance contracts (including investment contracts with DPF) represents the present value of estimated future cash outflows, less the present value of estimated future cash inflows and adjusted for a provision for the risk adjustment for non-financial risk. The assumptions used and the techniques for estimating fulfilment cash flows and risk adjustment for non-financial risk are based on actual experience by each geographical market and policy form. The Group exercises significant judgement in making appropriate assumptions and techniques.

CSM represents the unearned profits that the Group will recognise as it provides services under the insurance contracts in a group. The amounts of CSM recognised in profit or loss are determined by identifying the coverage units in the group, allocating the CSM at the end of period equally to each coverage unit provided in the current period and expected to be provided in the future. The number of coverage units in a group is the quantity of the services provided by the contracts in the group, determined by considering for each contract the quantity of the services provided under a contract and its expected coverage period. The Group exercises judgements in determining the quantity of the services provided under a contract which will affect the amounts recognised in the consolidated financial statements as insurance revenue from insurance contracts issued.

The judgements exercised in the valuation of insurance contracts (including investment contracts with DPF) affect the amounts recognised in the consolidated financial statements as assets or liabilities of insurance contracts and investment contracts with DPF. Further details of the related accounting policies, key risk and variables, and the sensitivities of assumptions to the key variables in respect of insurance contracts are provided in notes 2.2, 20 and 30.

3. Critical accounting estimates and judgements (continued)

3.3 Determination of coverage unit

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

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

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

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

3.4 Transition to IFRS 17

The Group applied IFRS 17 for annual reporting period beginning on 1 January 2023. The Group has determined that it was impracticable to apply the full retrospective approach for some groups of contracts because certain historical information was not available or was not available without undue cost or effort that would enable it to be used under this approach. Therefore, the Group applied the modified retrospective or fair value approaches for these groups of contracts. The Group exercises judgements in determining the transition approaches, applying the transition methods and measuring the transition impacts on the transition date, which will affect the amounts recognised in the consolidated financial statements on the transition date. Further details of the related accounting policies and information on the date of initial adoption are provided in notes 2.2.9 and 40.

3.5 Fair value measurement

3.5.1 Fair value of financial assets

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

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

Further details of the fair value of financial assets and the sensitivity analysis to interest rates and equity prices are provided in notes 16 and 30.

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

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

Further details of the fair value of property held for own use and investment property are provided in note 16.

3. Critical accounting estimates and judgements (continued)

3.6 Impairment of financial assets

The Group recognises loss allowances for ECL on financial assets measured at amortised cost and debt securities measured at fair value through other comprehensive income. The measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Details of the inputs, assumptions and estimation techniques used for estimating ECL are further explained in note 19.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk since initial recognition;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the methodology for incorporating forward-looking information into the measurement of ECL.

3.7 Impairment of goodwill and other intangible assets

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

Further details of the impairment of goodwill during the year are provided in note 10.

4. Total weighted premium income

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).

TWPI consists of 100 per cent of renewal premiums, 100 per cent of first year premiums and 10 per cent of single premiums, before reinsurance ceded.

Management considers that TWPI provides an indicative volume measure of transactions undertaken in the reporting period that have the potential to generate profits for shareholders. The amounts shown are not intended to be indicative of insurance revenue and fee income recorded in the consolidated income statement.

US$'000	Year ended 31 December 2023	Year ended 31 December 2022
TWPI	14,570,473	15,088,413
First year premiums	2,595,419	1,401,662
Single premiums	1,722,246	2,144,168
Renewal premiums	11,802,829	13,472,334

5. Insurance revenue

US$'000	*Note*	Year ended 31 December 2023	Year ended 31 December 2022
Contracts not measured under the PAA			
Amounts related to changes in liabilities for remaining coverage			
Contractual service margin recognised for services provided	*20*	1,613,790	1,621,083
Change in risk adjustment for non-financial risk for risk expired		34,859	76,404
Expected incurred claims and other insurance service expenses		2,595,070	2,898,666
Others		91,069	98,301
Recovery of insurance acquisition cash flows		251,394	189,966
	20	**4,586,182**	**4,884,420**
Contracts measured under the PAA	*20*	**538,452**	**545,030**
Total insurance revenue		**5,124,634**	**5,429,450**
Represented by:			
Contracts under the modified retrospective approach		113,667	131,780
Contracts under the fair value approach		3,369,058	4,055,140
Other contracts		1,641,909	1,242,530

6. Net investment result

A. Group's net investment result in consolidated income statement and other comprehensive income

US$'000	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Investment return			
Interest revenue on financial assets		3,601,121	3,352,230
Other investment return		2,757,145	(31,570,846)
Net impairment loss on financial assets		(80,610)	(96,131)
Amounts recognised in consolidated income statement		6,277,656	(28,314,747)
Amounts recognised in other comprehensive income		1,856,326	(6,152,799)
Total investment return		**8,133,982**	**(34,467,546)**
Net finance (expenses)/income from insurance contracts			
Changes in fair value of underlying items of contracts with direct participation features		(4,755,957)	28,703,534
Interest accreted		(505,043)	(593,280)
Effect of changes in interest rates and other financial assumptions		(799,125)	1,334,352
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition		(593,542)	381,270
Net foreign exchange losses		(34,245)	(80,517)
Total net finance (expenses)/income from insurance contracts	*20*	**(6,687,912)**	**29,745,359**
Net finance (expenses)/income from reinsurance contracts held			
Interest accreted		(39,269)	(27,675)
Effect of changes in interest rates and other financial assumptions		(15,084)	380,824
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition		568	8,177
Net foreign exchange losses		(1,494)	(4,859)
Total net finance (expenses)/income from reinsurance contracts held	*20*	**(55,279)**	**356,467**
Movement in investment contract liabilities	*21*	(208,368)	771,598
Net investment result		**1,182,423**	**(3,594,122)**
Net investment result is represented by:			
Amounts recognised in consolidated income statement		878,706	670,882
Amounts recognised in other comprehensive income		303,717	(4,265,004)
Total net investment result		**1,182,423**	**(3,594,122)**
Net finance (expenses)/income from insurance contracts are represented by:			
Amounts recognised in consolidated income statement		(5,157,250)	28,233,708
Amounts recognised in other comprehensive income		(1,530,662)	1,511,651
Total net finance (expenses)/income from insurance contracts		**(6,687,912)**	**29,745,359**
Net finance (expenses)/income from reinsurance contracts held are represented by:			
Amounts recognised in consolidated income statement		(33,332)	(19,677)
Amounts recognised in other comprehensive income		(21,947)	376,144
Total net finance (expense)/income from reinsurance contracts held		**(55,279)**	**356,467**

6. Net investment result (continued)

B. Interest revenue on financial assets and other investment return

US$'000	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Interest revenue on financial assets		
Financial assets measured at amortised cost	228,417	138,456
Financial assets measured at fair value through other comprehensive income	1,099,582	1,171,216
Financial assets designated at fair value through profit or loss	2,206,184	1,994,873
Financial assets measured mandatorily at fair value through profit or loss	66,938	47,685
Total interest revenue on financial assets	**3,601,121**	**3,352,230**
Other investment return		
Dividend income	674,231	638,411
Rental income[1]	97,269	105,842
Net losses of financial assets not at fair value through profit or loss		
Net realised losses of debt securities measured at fair value through other comprehensive income	(155,590)	(164,273)
At fair value through profit or loss		
Net gains/(losses) of financial assets designated at fair value through profit or loss		
Net gains/(losses) of debt securities	2,172,087	(16,688,347)
Net losses of financial instruments mandatorily at fair value through profit or loss		
Net losses of debt securities	(16,843)	(62,781)
Net gains/(losses) of equity shares and interests in investment funds	1,100,818	(5,591,028)
Net fair value movement on derivatives	(985,581)	(9,603,741)
Net gains/(losses) in respect of financial instruments at fair value through profit or loss	**2,270,481**	**(31,945,897)**
Net fair value movement of investment property and property held for own use	(136,516)	27,997
Net foreign exchange losses	(131,285)	(228,035)
Other net realised gains/(losses)	138,555	(4,891)
Net gains/(losses)	**1,985,645**	**(32,315,099)**
Total other investment return	**2,757,145**	**(31,570,846)**

Note:

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

6. Net investment result (continued)

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$'000	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Foreign exchange (losses)/gains	(46,924)	229,333

On transition to IFRS 17, for certain groups of contracts that the Group applies the modified retrospective approach or the fair value approach, the cumulative insurance finance income or expenses recognised in other comprehensive income at 1 January 2022 was determined:

- to be zero; or
- retrospectively based on observable yield curve.

For those groups of contracts, the movement in the fair value reserve for the debt securities at fair value through other comprehensive income was as follows:

US$'000	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Balance at 1 January	(2,884,039)	2,514,011
Net change in fair value and others	1,265,563	(5,795,159)
Net amount reclassified to profit or loss	277,184	397,109
Balance at 31 December	**(1,341,292)**	**(2,884,039)**

7. Expenses

US$'000	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Claims and benefits	2,816,943	2,831,009
Commission and other acquisition expenses incurred	2,474,121	1,926,471
Losses on onerous insurance contracts	32,049	20,216
Employee benefit expenses	488,441	489,067
Depreciation	70,616	87,795
Amortisation	49,485	37,873
Investment management expenses and others	259,365	267,082
Depreciation on property held for own use	1,571	1,476
Finance costs	35,367	33,335
Other operating expenses	566,647	530,404
Restructuring and other non-operating costs(1)	30,301	58,976
	6,824,906	6,283,704
Amounts attributed to insurance acquisition cash flows	(2,929,825)	(2,260,987)
Amortisation of insurance acquisition cash flows	294,530	221,404
Insurance service and other expenses	**4,189,611**	**4,244,121**

Insurance service and other expenses represented by:

US$'000	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Insurance service expenses		
Contracts not measured under the PAA	3,041,182	3,136,905
Contracts measured under the PAA	521,699	475,105
Other incurred expenses directly attributable to reinsurance contracts held	-	4,111
Other expenses(2)	593,845	598,776
Other finance costs	32,885	29,224
Total	**4,189,611**	**4,244,121**

Expenses include auditors' remuneration of US$7m (2022: US$6m).

Notes:

(1) Restructuring costs represent costs related to restructuring programmes and are primarily comprised of redundancy and contract termination costs. Other non-operating costs primarily consist of corporate transaction related costs, implementation costs for new accounting standards and other items that are not expected to be recurring in nature.

(2) Other expenses represent general expenses and investment management expenses that are not directly attributable to insurance contracts and reinsurance contracts held. It includes payments for short-term leases of US$1m (2022: US$0.3m).

7. Expenses (continued)

Employee benefit expenses consist of:

US$'000	Year ended 31 December 2023	Year ended 31 December 2022
Wages and salaries	421,466	418,975
Share-based compensation	9,857	9,807
Pension costs - defined contribution plans	21,557	21,383
Pension costs - defined benefit plans	2,820	2,913
Other employee benefit expenses	32,741	35,989
Total	**488,441**	**489,067**

Depreciation consists of:

US$'000	Year ended 31 December 2023	Year ended 31 December 2022
Computer hardware, fixtures and fittings and others	20,738	27,324
Right-of-use assets		
Property held for own use	49,437	60,041
Computer hardware	245	240
Fixture and fittings and others	196	190
Total	**70,616**	**87,795**

Finance costs may be analysed as:

US$'000	Year ended 31 December 2023	Year ended 31 December 2022
Repurchase agreements	5,386	3,569
Other loans	27,489	27,709
Lease liabilities	2,492	2,057
Total	**35,367**	**33,335**

8. Income tax

US$'000	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Tax charged in the consolidated income statement		
Current income tax - Hong Kong Profits Tax	157,767	145,308
Current income tax - overseas	187,132	158,273
Deferred income tax on temporary differences	(39,586)	(15,171)
Total	**305,313**	**288,410**

As an exception to the requirements of IAS 12 Income Taxes, entities shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The Group has applied this exception, and has not yet assessed the deferred tax impact of Pillar Two income taxes. The Group will continue to monitor the Pillar Two requirements and will assess the accounting implications accordingly.

8. Income tax (continued)

Corporate income tax

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

	Year ended 31 December 2023	Year ended 31 December 2022
Hong Kong	16.5%	16.5%
Macau	12%	12%
South Korea	23.1%	26.5%
New Zealand	28%	28%
Taiwan (China)	20%	20%
Indonesia	22%	22%
Vietnam	20%	20%

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

In 2023, Bermuda has introduced and enacted a corporate income tax rate of 15 per cent that will become effective from 1 January 2025.

For South Korea, the corporate tax rate changed to 23.1 per cent effective from 1 January 2023.

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

In 2021, the OECD/G20 Inclusive Framework on BEPS published the Global Anti-Base Erosion (GloBE) Model Rules to give effect to Pillar Two of BEPS 2.0, which imposes a global minimum effective tax rate on large multinational enterprises in respect of each jurisdiction in which they operate.

The Group operates in jurisdictions that have enacted or substantively enacted Pillar Two legislation, including South Korea and Vietnam. The legislation in some of these jurisdictions introduced Qualified Domestic Minimum Top-up Taxes (QDMTT) that will be effective for the Group from 1 January 2024. Under the legislation, QDMTT will apply such that the Group will be liable to pay top-up tax for the difference between its effective tax rate for each of these jurisdictions calculated on the basis of the respective legislation (broadly based on the GloBE Model Rules) and a 15 per cent minimum rate. The legislation of some of these jurisdictions also introduced Undertaxed Profits Rules (UTPR) that will be effective from 1 January 2025. Under the legislation, the UTPR is a backstop mechanism which will apply if the difference between the Group's effective tax rate in a jurisdiction in which it operates and the 15 per cent minimum rate is not brought into charge after the application of other Pillar Two income taxes, by applying a top-up tax in the jurisdiction that introduced the UTPR.

Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure.

IAS 12 states that as an exception to the standard's requirements, entities shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The Group has applied this exception and has not yet assessed the deferred tax impact of Pillar Two income taxes. The Group will continue to monitor the Pillar Two requirements and will assess the accounting implications accordingly.

Due to significant areas of uncertainty, the quantitative impact of the enacted or substantively enacted Pillar Two legislation is not yet reasonably estimable.

It should be noted that, even for those jurisdictions with an accounting effective tax rate above 15 per cent, there may still be Pillar Two income tax implications due to different bases of calculation. The Group has engaged tax specialists to assist with applying the legislation.

8. Income tax (continued)

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. The withholding tax rates in the relevant jurisdictions are set out below:

	Year ended 31 December 2023	Year ended 31 December 2022
South Korea	10%	10%
Indonesia	5%	5%

US$'000	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Income tax reconciliation		
Profit before income tax	**1,928,608**	**1,957,686**
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	293,941	353,753
Reduction in tax payable from:		
Life insurance tax[(1)]	(42,169)	(82,373)
Exempt investment income	(4,904)	(3,324)
Adjustments in respect of prior years	(15,625)	(3,498)
Changes in tax rate and law	-	(14,005)
Others	-	(15,225)
	(62,698)	**(118,425)**
Increase in tax payable from:		
Withholding taxes	13,060	9,396
Disallowed expenses	20,696	41,175
Unrecognised deferred tax assets	1,176	2,323
Provisions for uncertain tax positions[(2)]	24,850	188
Others	14,288	-
	74,070	**53,082**
Total income tax expense	**305,313**	**288,410**

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.

8. Income tax (continued)

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

US$'000	Net deferred tax asset/(liability) at 1 January (restated)	Effect of changes in accounting policy	Net deferred tax asset/(liability) at 1 January (restated)	Credited/ (charged) to the consolidated income statement	Credited/(charged) to other comprehensive income				Disposal of held for sale assets and liabilities	Net deferred tax asset/(liability) at year end
					Fair value reserve[(1)]	Foreign exchange translation reserve	Insurance finance reserve	Others		
31 December 2023										
Revaluation of financial instruments	783,468	-	783,468	(57,610)	(350,482)	(15,176)	-	-	(3,611)	356,589
Insurance and investment contract liabilities	(1,906,203)	-	(1,906,203)	21,909	-	24,808	208,160	-	474,549	(1,176,777)
Withholding taxes	(51,305)	-	(51,305)	(7,926)	-	491	-	-	-	(58,740)
Provision for expenses	9,779	-	9,779	30,903	-	138	-	140	(3,006)	37,954
Losses available for offset against future taxable income	70,632	-	70,632	3,753	-	(1,920)	-	-	(63,323)	9,142
Others	(128,786)	-	(128,786)	48,557	-	2,104	-	(706)	23,905	(54,926)
Total	**(1,222,415)**	**-**	**(1,222,415)**	**39,586**	**(350,482)**	**10,445**	**208,160**	**(566)**	**428,514**	**(886,758)**

US$'000	Net deferred tax asset/(liability) at 1 January – as previously reported	Effect of changes in accounting policy	Net deferred tax asset/(liability) at 1 January (restated)	Credited/ (charged) to the consolidated income statement	Credited/(charged) to other comprehensive income				Disposal of held for sale assets and liabilities	Net deferred tax asset/(liability) at year end (restated)
					Fair value reserve[(1)]	Foreign exchange translation reserve	Insurance finance reserve	Others		
31 December 2022 (restated)										
Revaluation of financial instruments	**(167,561)**	102,463	**(65,098)**	88,802	774,429	(14,665)	-	-	-	**783,468**
Deferred acquisition costs	**(884,268)**	884,268	**-**	-	-	-	-	-	-	**-**
Insurance and investment contract liabilities	**(394,646)**	(943,059)	**(1,337,705)**	(40,726)	-	94,420	(622,192)	-	-	**(1,906,203)**
Withholding taxes	**(91,186)**	29,996	**(61,190)**	5,034	-	4,851	-	-	-	**(51,305)**
Provision for expenses	**13,314**	(6,860)	**6,454**	3,410	-	1,042	-	(1,127)	-	**9,779**
Losses available for offset against future taxable income	**65,210**	287	**65,497**	12,274	-	(7,139)	-	-	-	**70,632**
Others	**(169,435)**	94,956	**(74,479)**	(53,623)	-	(323)	-	(361)	-	**(128,786)**
Total	**(1,628,572)**	**162,051**	**(1,466,521)**	**15,171**	**774,429**	**78,186**	**(622,192)**	**(1,488)**	**-**	**(1,222,415)**

Note:

(1) Include tax charge of US$355m (2022: tax credit of US$780m) relates to fair value gains or losses on debt securities measured at fair value through other comprehensive income and tax credit of US$5m (2022: tax charge of US$6m) relates to fair value losses or gains on debt securities measured at fair value through other comprehensive income reclassified to profit or loss.

8. Income tax (continued)

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

Deferred tax assets are recognised to the extent that sufficient future taxable profits will be available for realisation. The Group has not recognised deferred tax assets of US$1m (2022: US$1m) 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$101m (2022: US$104m) in respect of unremitted earnings of operations in South Korea 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 Cambodia, Hong Kong, Macau and Taiwan (China). The tax losses of Hong Kong can be carried forward indefinitely. The tax losses of remaining branches and subsidiaries are due to expire within the periods ending 2025 (Macau), 2028 (Cambodia) and 2033 (Taiwan (China)).

9. Dividends

Dividends to shareholders of the Group attributable to the year:

US$'000	Year ended 31 December 2023	Year ended 31 December 2022
First interim dividend declared and paid of 146.00 US dollar per share (2022: 185.00 US dollar per share)	950,000	1,200,000
Second interim dividend declared and paid of 223.00 US dollar per share (2022: 431.00 US dollar per share)	1,450,000	2,800,000
No final dividend proposed after the reporting date (2022: 185.00 US dollar per share)	-	1,200,000
Total	**2,400,000**	**5,200,000**

First and second interim dividends for the year ended 31 December 2023 were respectively settled upon issuance of promissory notes and in cash during the year.

First and second interim dividends for the year ended 31 December 2022 were settled upon issuance of promissory notes in the prior year. The final dividend for the year ended 31 December 2022 was settled upon issuance of promissory notes during the year.

The final dividend for the year ended 31 December 2022 was approved by the Board on 8 March 2023. As at 31 December 2022, this final dividend was not recognised as a liability.

10. Intangible assets

US$'000	Goodwill	Computer software	Distribution and other rights	Total
Cost				
At 1 January 2022	**239,067**	**263,314**	**621,450**	**1,123,831**
Additions	-	101,826	243,132	344,958
Disposals	-	(3,947)	(438)	(4,385)
Foreign exchange movements	(17,221)	(8,247)	(14,670)	(40,138)
At 31 December 2022	**221,846**	**352,946**	**849,474**	**1,424,266**
Additions	-	126,371	540	126,911
Disposals	(153,239)	(6,540)	(75)	(159,854)
Foreign exchange movements	1,072	(5,735)	(7,326)	(11,989)
Disposal of held for sale assets and liabilities	-	(27,087)	(213)	(27,300)
At 31 December 2023	**69,679**	**439,955**	**842,400**	**1,352,034**
Accumulated amortisation and impairment				
At 1 January 2022	**(4,085)**	**(134,668)**	**(90,595)**	**(229,348)**
Amortisation charge for the year	-	(37,873)	(30,446)	(68,319)
Disposals	-	503	11	514
Foreign exchange movements	350	5,097	257	5,704
At 31 December 2022	**(3,735)**	**(166,941)**	**(120,773)**	**(291,449)**
Amortisation charge for the year	-	(49,485)	(32,930)	(82,415)
Disposals	-	193	-	193
Foreign exchange movements	(58)	2,181	271	2,394
Disposal of held for sale assets and liabilities	-	10,821	90	10,911
At 31 December 2023	**(3,793)**	**(203,231)**	**(153,342)**	**(360,366)**
Net book value				
At 31 December 2022	218,111	186,005	728,701	1,132,817
At 31 December 2023	65,886	236,724	689,058	991,668

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.

10. 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 Indonesia of US$66m (2022: Indonesia of US$65m and New Zealand of US$153m).

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

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

The key assumptions used in the embedded value calculations include risk discount rate, investment returns, mortality, morbidity, persistency, expenses and inflation. In the majority of instances these assumptions are aligned to those assumptions detailed in Section 5 of Supplementary Embedded Value Information of AIA Group Limited Annual Report. 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 is used in the value in use of in-force business is 13 per cent (2022: 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 11 per cent to 13 per cent and the perpetual growth rates for future new business cash flows of 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.

11. Investment in associates

US$'000	As at 31 December 2023	As at 31 December 2022 (restated)
Unlisted shares	**793,390**	**731,339**

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.

Investments in associates are accounted for using the equity method of accounting. Due to timing of the information provided by Tata AIA Life Insurance Company Limited, this investment is reported on a one-quarter-lag-basis.

Goodwill arising on associates 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 are as follows:

				Group's interests %	
	Place of incorporation	Principal activity	Type of shares held	As at 31 December 2023	As at 31 December 2022
AIA Company (Trustee) Limited	Hong Kong	Trusteeship	Ordinary	20%	20%
Tata AIA Life Insurance Company Limited	India	Insurance	Ordinary	49%	49%

Aggregated financial information of associates

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

US$'000	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Carrying amount in the consolidated statement of financial position	793,390	731,339
Gains from continuing operations	22,862	13,312
Other comprehensive expenses	(27,897)	(50,616)
Total comprehensive expenses	**(5,035)**	**(37,304)**

12. Property, plant and equipment

US$'000	Property held for own use using fair value model	Other property held for own use	Computer hardware	Fixtures and fittings and others	Total
Cost or revaluation or fair value					
At 1 January 2022 (restated)	603,176	460,656	77,183	151,580	1,292,595
Additions	265	58,204	12,232	13,821	84,522
Disposals	-	(89,636)	(7,027)	(10,064)	(106,727)
Net transfers from investment property	-	95,168	-	-	95,168
(Decrease)/increase from valuation	(4,384)	7,663	-	-	3,279
Foreign exchange movements	-	(10,074)	(4,888)	(3,493)	(18,455)
At 31 December 2022 (restated)	599,057	521,981	77,500	151,844	1,350,382
Additions	216	50,249	4,430	16,334	71,229
Disposals	-	(31,400)	(3,712)	(6,289)	(41,401)
Net transfers from investment property	29,095	3,665	-	-	32,760
Decrease from valuation	(52,303)	(7,064)	-	-	(59,367)
Disposal of held for sale assets and liabilities	-	(23,301)	(3,366)	(8,522)	(35,189)
Foreign exchange movements	-	(2,778)	91	(889)	(3,576)
At 31 December 2023	**576,065**	**511,352**	**74,943**	**152,478**	**1,314,838**
Accumulated depreciation					
At 1 January 2022 (restated)	-	(104,527)	(58,213)	(112,895)	(275,635)
Depreciation charge for the year	-	(61,517)	(10,744)	(17,010)	(89,271)
Disposals	-	88,184	4,566	9,489	102,239
Revaluation adjustment	-	1,182	-	-	1,182
Foreign exchange movements	-	2,910	3,835	2,789	9,534
At 31 December 2022 (restated)	-	(73,768)	(60,556)	(117,627)	(251,951)
Depreciation charge for the year	-	(51,008)	(8,385)	(12,794)	(72,187)
Disposals	-	29,174	3,653	5,306	38,133
Revaluation adjustment	-	1,247	-	-	1,247
Disposal of held for sale assets and liabilities	-	12,866	2,990	4,802	20,658
Foreign exchange movements	-	685	339	924	1,948
At 31 December 2023	**-**	**(80,804)**	**(61,959)**	**(119,389)**	**(262,152)**
Net book value					
At 31 December 2022	599,057	448,213	16,944	34,217	1,098,431
At 31 December 2023	**576,065**	**430,548**	**12,984**	**33,089**	**1,052,686**

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 13 and 26). The depreciation charge for right-of-use assets, by class of underlying asset, and finance cost on lease liabilities are disclosed in note 7. 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 30.

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.

12. 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$'000	As at 31 December 2023	As at 31 December 2022 (restated)
Property held for own use using fair value model	507,063	534,276
Other property held for own use	97,494	110,053
Computer hardware	289	552
Fixtures and fittings and others	904	1,160
Total	**605,750**	**646,041**

Additions to right-of-use assets for the year ended 31 December 2023 were US$50m (31 December 2022: US$59m).

Property held for own use, which is solely held as an underlying item of insurance contracts with direct participation features, is measured initially at cost and subsequently at fair value, with any change therein recognised in profit or loss. Other properties held for own use and right-of-use assets with respect to the Group's interests in leasehold land and land use rights associated with property held for own use are carried at fair value at the reporting date less accumulated depreciation. The fair value at the reporting date is determined by independent professional valuers. Details of valuation techniques and process are disclosed in notes 3 and 16. All other property, plant and equipment and right-of-use assets in relation to other leased property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties held for own use using fair value model

During the year, nil expenditure (2022: US$0.1m) recognised in the carrying amount of property held for own use was in the course of its construction. Decrease from revaluation on property held for own use of US$52m (2022: US$4m) were taken to profit or loss, of which US$50m (2022: US$3m) was related to right-of-use assets.

If property held for own use (excluding right-of-use assets) were stated on a historical cost basis, the carrying value would be US$53m (2022: US$48m). Similarly, stated on a historical basis the carrying value of the right-of-use assets related to the Group's interests in leasehold land and land use rights associated with property held for own use would be US$526m (2022: US$515m).

Properties held for own use using revaluation model

During the year, nil expenditure (2022: nil) recognised in the carrying amount of property held for own use was in the course of its construction. Decrease from revaluation on property held for own use of US$6m (2022: increase of US$9m) were taken to other comprehensive income, of which nil (2022: nil) 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$113m (2022: US$111m). 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 nil (2022: nil). 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.

13. Investment property

US$'000	Total
Fair value	
At 1 January 2022	**2,935,768**
Additions and capitalised subsequent expenditures	1,140
Net transfers to property, plant and equipment	(95,168)
Fair value gains	32,381
Foreign exchange movements	(14,717)
At 31 December 2022	**2,859,404**
Additions and capitalised subsequent expenditures	3,357
Net transfers to property, plant and equipment	(32,760)
Fair value losses	(84,213)
Foreign exchange movements	(12,754)
At 31 December 2023	**2,733,034**

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 16.

The Group leases out its investment property under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease based on future negotiations. Lease payments are usually negotiated every one to five years to reflect market rentals. There were not any material contingent rentals earned as income for the year. Rental income generated from investment property amounted to US$97m (2022: US$106m). Direct operating expenses (including repair and maintenance) on investment property that generates rental income amounted to US$16m (2022: US$15m).

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$'000	As at 31 December 2023	As at 31 December 2022
Leases of investment property classified as operating leases		
Expiring no later than one year	73,418	73,288
Expiring later than one year and no later than two years	44,851	65,587
Expiring later than two years and no later than three years	18,083	36,239
Expiring later than three years and no later than four years	10,750	11,293
Expiring later than four years and no later than five years	5,462	5,954
Expiring after five years or more	2,220	1,536
Total undiscounted lease receipts	**154,784**	**193,897**

14. Financial investments

The following tables analyse the Group's financial investments by type and nature. The Group manages its financial investments in two distinct categories: unit-linked investments and policyholder and shareholder investments. The investment risk in respect of unit-linked investments is generally borne by our customers and is measured at fair value through profit or loss. Policyholder and shareholder investments include all financial investments other than unit-linked investments. The investment risk in respect of policyholder and shareholder investments is partially or wholly borne by the Group.

Policyholder and shareholder investments are further categorised as participating funds and other participating business with discretionary expected sharing with policyholders and underlying distinct investment portfolios (Other participating business with distinct portfolios), and other policyholder and shareholder. The Group has elected to separately analyse financial investments held by participating funds and other participating business with distinct portfolios within policyholder and shareholder investments as they are subject to local regulations that generally prescribe a minimum proportion of policyholder participation in declared dividends. The Group measures debt securities, equity shares and interests in investment funds of participating funds and other participating business with distinct portfolios at fair value through profit or loss.

Other policyholder and shareholder investments are distinct from unit-linked investments and participating funds and other participating business with distinct portfolios as there is not any direct contractual or regulatory requirement governing the amount, if any, for allocation to policyholders. The Group measures equity shares and interests in investment funds at fair value through profit or loss in this category and at fair value through other comprehensive income in respect of the majority of debt securities in this category. The investment risk from investments in this category directly impacts the Group's consolidated financial statements. For certain benefits of business written in "Participating funds and Other participating business with distinct portfolios" funds and "Unit-linked" funds that are not supported by the underlying segregated assets, the backing assets are generally included in the "Other policyholder and shareholder" funds.

In the following tables, "FVTPL" indicates financial investments classified at fair value through profit or loss, "FVOCI" indicates financial investments classified at fair value through other comprehensive income and "AC" indicates financial investments classified at amortised cost.

Debt securities

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

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

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

14. Financial investments (continued)

Debt securities (continued)

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[4]	Unit-linked[1]	
US$'000	FVTPL	FVTPL	FVOCI	AC	**Subtotal**	FVTPL	FVOCI	**Total**
31 December 2023								
Government bonds[2]								
By jurisdiction								
Mainland China	154,443	-	3,490	-	157,933	3,165	-	161,098
United States	3,171,232	-	878,274	-	4,049,506	64,578	-	4,114,084
South Korea	-	-	6,491,718	-	6,491,718	248,479	-	6,740,197
Philippines	233,563	-	2,296	27,003	262,862	-	-	262,862
Indonesia	577,216	-	863,788	16,320	1,457,324	128,067	27,192	1,612,583
Other	1,323,175	-	910,957	279,493	2,513,625	132,904	-	2,646,529
Subtotal, by jurisdiction	**5,459,629**	**-**	**9,150,523**	**322,816**	**14,932,968**	**577,193**	**27,192**	**15,537,353**
By credit rating								
AAA	794,169	-	878,274	-	1,672,443	1,593	-	1,674,036
AA	3,122,033	-	6,684,823	224,789	10,031,645	424,314	-	10,455,959
A	609,006	-	101,760	45,603	756,369	23,219	-	779,588
BBB	875,675	-	889,856	52,424	1,817,955	128,067	27,192	1,973,214
Below investment grade	58,746	-	595,810	-	654,556	-	-	654,556
Not rated	-	-	-	-	-	-	-	-
Subtotal, by credit rating	**5,459,629**	**-**	**9,150,523**	**322,816**	**14,932,968**	**577,193**	**27,192**	**15,537,353**
Government agency bonds[3]								
AAA	49,996	-	28,595	31,441	110,032	65,276	-	175,308
AA	466,859	-	1,527,690	102,337	2,096,886	70,578	-	2,167,464
A	793,592	27,676	486,640	50,160	1,358,068	40,843	-	1,398,911
BBB	305,067	15,663	219,634	50,250	590,614	1,688	-	592,302
Below investment grade	62,298	-	167,285	12,875	242,458	1,275	4,366	248,099
Not rated	-	-	-	-	-	552	-	552
Subtotal	**1,677,812**	**43,339**	**2,429,844**	**247,063**	**4,398,058**	**180,212**	**4,366**	**4,582,636**

Notes:

(1) Represents primarily the financial assets backing non-unit reserves of unit-linked contracts.

(2) Government bonds include bonds issued in local or foreign currencies by either the government of the jurisdiction in which the respective business unit operates or other governments. The Group has enhanced the government bonds analysis to be presented by credit rating. The 2022 comparative information has been adjusted to conform to this presentation.

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

(4) In preparing the consolidated financial statements, the Group enhanced the presentation to further split and allocate the underlying assets held by consolidated investment funds to the respective fund segments of the asset-backing liabilities.

14. Financial investments (continued)

Debt securities (continued)

Debt securities by type comprise the following: (continued)

	Policyholder and shareholder							
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder				Unit-linked[4]	Unit-linked[1]	
US$'000	FVTPL	FVTPL	FVOCI	AC	**Subtotal**	FVTPL	FVOCI	**Total**
31 December 2023								
Corporate bonds								
AAA	625,962	-	33,290	-	659,252	-	-	659,252
AA	2,995,080	-	1,026,849	162,192	4,184,121	183,463	-	4,367,584
A	18,949,484	117,428	6,043,059	887,627	25,997,598	832,617	-	26,830,215
BBB	17,122,490	207,836	5,017,485	393,105	22,740,916	66,226	7,265	22,814,407
Below investment grade	146,658	-	647,635	13,905	808,198	2,134	-	810,332
Not rated	-	820	-	-	820	19,300	-	20,120
Subtotal	**39,839,674**	**326,084**	**12,768,318**	**1,456,829**	**54,390,905**	**1,103,740**	**7,265**	**55,501,910**
Structured securities[5]								
AAA	-	-	9,172	-	9,172	-	-	9,172
AA	-	-	234,777	-	234,777	-	-	234,777
A	-	-	480,019	-	480,019	-	-	480,019
BBB	-	-	539,229	-	539,229	-	-	539,229
Below investment grade	-	-	-	-	-	-	-	-
Not rated	5,066	974	-	-	6,040	-	-	6,040
Subtotal	**5,066**	**974**	**1,263,197**	**-**	**1,269,237**	**-**	**-**	**1,269,237**
Total[6]	**46,982,181**	**370,397**	**25,611,882**	**2,026,708**	**74,991,168**	**1,861,145**	**38,823**	**76,891,136**

Notes:

(1) *Represents primarily the financial assets backing non-unit reserves of unit-linked contracts.*
(4) *In preparing the consolidated financial statements, the Group enhanced the presentation to further split and allocate the underlying assets held by consolidated investment funds to the respective fund segments of the asset-backing liabilities.*
(5) *Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.*
(6) *Debt securities of US$4,925m are restricted due to local regulatory requirements.*

14. Financial investments (continued)

Debt securities (continued)

Debt securities by type comprise the following: (continued)

	Policyholder and shareholder							
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder				Unit-linked[4]	Unit-linked[1]	
US$'000	FVTPL	FVTPL	FVOCI	AC	**Subtotal**	FVTPL	FVOCI	**Total**
31 December 2022 (restated)								
Government bonds[2]								
By jurisdiction								
Mainland China	109,898	-	3,556	-	113,454	3,681	-	117,135
United States	437,073	-	-	-	437,073	3,464	-	440,537
South Korea	-	-	5,917,225	-	5,917,225	260,324	-	6,177,549
Philippines	147,737	-	5,612	26,951	180,300	844	-	181,144
Indonesia	552,461	-	746,384	16,358	1,315,203	111,552	30,517	1,457,272
Other	1,525,979	1,707	953,403	270,421	2,751,510	31,733	-	2,783,243
Subtotal, by jurisdiction	**2,773,148**	**1,707**	**7,626,180**	**313,730**	**10,714,765**	**411,598**	**30,517**	**11,156,880**
By credit rating								
AAA	735,678	1,142	129,013	-	865,833	13,855	-	879,688
AA	643,702	565	6,149,853	215,688	7,009,808	276,116	-	7,285,924
A	567,842	-	106,851	45,643	720,336	9,230	-	729,566
BBB	779,353	-	774,603	52,399	1,606,355	112,397	30,517	1,749,269
Below investment grade	46,573	-	465,860	-	512,433	-	-	512,433
Not rated	-	-	-	-	-	-	-	-
Subtotal, by credit rating	**2,773,148**	**1,707**	**7,626,180**	**313,730**	**10,714,765**	**411,598**	**30,517**	**11,156,880**
Government agency bonds[3]								
AAA	47,248	-	37,372	31,428	116,048	61,692	-	177,740
AA	407,728	254	1,391,417	62,773	1,862,172	72,803	-	1,934,975
A	884,216	-	571,217	84,077	1,539,510	36,087	-	1,575,597
BBB	233,945	15,442	282,446	20,002	551,835	4,861	-	556,696
Below investment grade	57,713	-	152,909	13,060	223,682	2,918	4,235	230,835
Not rated	-	-	-	-	-	-	-	-
Subtotal	**1,630,850**	**15,696**	**2,435,361**	**211,340**	**4,293,247**	**178,361**	**4,235**	**4,475,843**

Notes:

(1) Represents primarily the financial assets backing non-unit reserves of unit-linked contracts.

(2) Government bonds include bonds issued in local or foreign currencies by either the government of the jurisdiction in which the respective business unit operates or other governments. The Group has enhanced the government bonds analysis to be presented by credit rating. The 2022 comparative information has been adjusted to conform to this presentation.

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

(4) In preparing the consolidated financial statements, the Group enhanced the presentation to further split and allocate the underlying assets held by consolidated investment funds to the respective fund segments of the asset-backing liabilities.

14. Financial investments (continued)

Debt securities (continued)

Debt securities by type comprise the following: (continued)

	Policyholder and shareholder							
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder				Unit-linked[4]	Unit-linked[1]	
US$'000	FVTPL	FVTPL	FVOCI	AC	**Subtotal**	FVTPL	FVOCI	**Total**
31 December 2022 (restated)								
Corporate bonds								
AAA	518,628	-	23,392	-	542,020	7,535	-	549,555
AA	2,712,460	-	799,974	148,128	3,660,562	114,028	-	3,774,590
A	17,018,810	130,395	6,041,437	758,433	23,949,075	568,431	-	24,517,506
BBB	16,639,663	74,662	5,577,004	295,219	22,586,548	47,724	6,604	22,640,876
Below investment grade	139,458	2,607	606,985	876	749,926	320	-	750,246
Not rated	5,610	3,428	-	-	9,038	58,882	-	67,920
Subtotal	**37,034,629**	**211,092**	**13,048,792**	**1,202,656**	**51,497,169**	**796,920**	**6,604**	**52,300,693**
Structured securities[5]								
AAA	-	-	-	-	-	-	-	-
AA	-	-	160,032	-	160,032	-	-	160,032
A	-	-	433,107	-	433,107	-	-	433,107
BBB	-	-	503,698	-	503,698	-	-	503,698
Below investment grade	-	-	-	-	-	-	-	-
Not rated	7,658	4,439	-	-	12,097	-	-	12,097
Subtotal	**7,658**	**4,439**	**1,096,837**	**-**	**1,108,934**	**-**	**-**	**1,108,934**
Total[6]	**41,446,285**	**232,934**	**24,207,170**	**1,727,726**	**67,614,115**	**1,386,879**	**41,356**	**69,042,350**

Notes:

(1) *Represents primarily the financial assets backing non-unit reserves of unit-linked contracts.*
(4) *In preparing the consolidated financial statements, the Group enhanced the presentation to further split and allocate the underlying assets held by consolidated investment funds to the respective fund segments of the asset-backing liabilities.*
(5) *Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.*
(6) *Debt securities of US$4,304m are restricted due to local regulatory requirements.*

14. Financial investments (continued)

Equity shares and interests in investment funds

Equity shares and interests in investment funds comprise the following:

	Policyholder and shareholder				
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder[1]		Unit-linked	
US$'000	FVTPL	FVTPL	**Subtotal**	FVTPL	**Total**
31 December 2023					
Equity shares	86,878	248,994	335,872	1,243,392	1,579,264
Interests in investment funds	19,211,295	3,148,079	22,359,374	8,364,621	30,723,995
Total	**19,298,173**	**3,397,073**	**22,695,246**	**9,608,013**	**32,303,259**

	Policyholder and shareholder				
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder[1]		Unit-linked	
US$'000	FVTPL	FVTPL	**Subtotal**	FVTPL	**Total**
31 December 2022 (restated)					
Equity shares	7,059,580	324,697	7,384,277	1,381,003	8,765,280
Interests in investment funds	9,928,382	2,540,390	12,468,772	8,817,830	21,286,602
Total	**16,987,962**	**2,865,087**	**19,853,049**	**10,198,833**	**30,051,882**

Note:

(1) *In preparing the consolidated financial statements, the Group enhanced the presentation to further split and allocate the underlying assets held by consolidated investment funds to the respective fund segments of the asset-backing liabilities.*

14. 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 2023		As at 31 December 2022 (restated)
US$'000	Investment funds	Structured securities[1]	Investment funds	Structured securities[1]
Debt securities at amortised cost	10,205[2]	-	-	-
Debt securities at fair value through other comprehensive income	372,155[2]	1,263,197	355,022[2]	1,096,837
Debt securities at fair value through profit or loss	1,253,839[2]	6,040	1,090,776[2]	12,097
Interests in investment funds at fair value through profit or loss	30,723,995	-	21,286,602	-
Total	**32,360,194**	**1,269,237**	**22,732,400**	**1,108,934**

Notes:

(1) Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.
(2) Balance represents the Group's interests in debt securities issued by real estate investment trusts.

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

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

14. Financial investments (continued)

Loans and deposits

Loans and deposits by type comprise the following:

US$'000	As at 31 December 2023	As at 31 December 2022 (restated)
Mortgage loans on residential real estate	10,327	11,235
Other loans	35,895	39,708
Loss allowance for loans	(1,310)	(1,861)
Loans	**44,912**	**49,082**
Term deposits	1,234,830	1,052,252
Loss allowance for deposits measured at amortised cost	(9,493)	(16,121)
Total	**1,270,249**	**1,085,213**

Certain term deposits with financial institutions and promissory notes are restricted due to local regulatory requirements or other pledge restrictions. At 31 December 2023, the restricted balance held within term deposits and promissory notes was US$264m (2022: US$264m).

Maturity profile of debt securities, loans and deposits

The table below shows the maturity profile of debt securities, loans and deposits based on contractual maturity dates. The maturity profile below excludes unit-linked investments and consolidated investment funds as the investment risk is generally borne by our customers.

US$'000	Carrying value	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
31 December 2023						
Debt securities	74,991,168	2,492,284	6,498,783	4,888,898	61,111,203	-
Loans and deposits	1,238,462	715,822	480,447	29,933	12,260	-
Total	**76,229,630**	**3,208,106**	**6,979,230**	**4,918,831**	**61,123,463**	**-**

US$'000	Carrying value	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
31 December 2022 (restated)						
Debt securities	67,614,115	963,563	6,311,056	4,985,910	55,353,586	-
Loans and deposits	1,065,904	798,780	228,414	36,813	1,897	-
Total	**68,680,019**	**1,762,343**	**6,539,470**	**5,022,723**	**55,355,483**	**-**

15. Derivative financial instruments

The Group's derivative exposure was as follows:

		Fair value	
US$'000	Notional amount	Assets	Liabilities
31 December 2023			
Foreign exchange contracts			
Cross-currency swaps	495,758	763	(60,218)
Forwards	661,862	20,279	(305)
Foreign exchange futures	40,518	-	-
Total foreign exchange contracts	**1,198,138**	**21,042**	**(60,523)**
Interest rate contracts			
Interest rate swaps	439,600	2,809	(16,972)
Other			
Warrants and options	106,904	3,546	-
Forward contracts	34,999,250	128,672	(7,570,633)
Netting	(40,518)	-	-
Total	**36,703,374**	**156,069**	**(7,648,128)**
31 December 2022			
Foreign exchange contracts			
Cross-currency swaps	907,433	-	(77,803)
Forwards	761,798	3,717	(21,604)
Foreign exchange futures	47,653	-	-
Total foreign exchange contracts	**1,716,884**	**3,717**	**(99,407)**
Interest rate contracts			
Interest rate swaps	694,600	3,454	(98,656)
Other			
Warrants and options	111,241	884	-
Forward contracts	35,378,000	40,647	(8,043,503)
Netting	(47,653)	-	-
Total	**37,853,072**	**48,702**	**(8,241,566)**

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$0.1m (2022: nil) are listed in exchange or dealer markets and the rest are over-the-counter (OTC) derivatives. OTC derivative contracts are individually negotiated between contracting parties and not cleared through an exchange. OTC derivatives include forwards, swaps and options. Derivatives are subject to various risks including market, liquidity and credit risks, similar to those related to the underlying financial instruments.

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

15. Derivative financial instruments (continued)

Foreign exchange contracts

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

Interest rate swaps

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

Other derivatives

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

Netting adjustment

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

Collateral under derivative transactions

At 31 December 2023, the Group had posted cash collateral of US$20m (2022: US$99m), pledged debt securities with carrying value of US$8,594m (2022: US$9,621m) for liabilities, and held cash collateral of US$15m (2022: nil) and debt securities collateral with carrying value of US$2m (2022: US$2m) 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.

16. Fair value measurement

Fair value of financial instruments

The Group classifies all financial assets as either at fair value through profit or loss (mandatory and designated), or as at fair value through other comprehensive income, or at amortised cost. Financial liabilities are classified as either at fair value through profit or loss (mandatory and designated), or at amortised cost, except for investment contracts with DPF which are accounted for under IFRS 17.

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

US$'000	*Notes*	Fair value: FVTPL - mandatory	Fair value: FVTPL - designated	Fair value: FVOCI	Amortised cost	Total carrying value	Total fair value
31 December 2023							
Financial investments	*14*						
Loans and deposits		-	-	-	1,270,249	1,270,249	1,262,744
Debt securities		2,237,208	46,976,515	25,650,705	2,026,708	76,891,136	76,668,605
Equity shares and interests in investment funds		32,303,259	-	-	-	32,303,259	32,303,259
Derivative financial instruments	*15*	156,069	-	-	-	156,069	156,069
Receivables	*17*	-	-	-	270,562	270,562	270,562
Accrued investment income	*17*	-	-	-	911,939	911,939	911,939
Cash and cash equivalents	*18*	113,380	-	-	2,138,317	2,251,697	2,251,697
Financial assets		**34,809,916**	**46,976,515**	**25,650,705**	**6,617,775**	**114,054,911**	**113,824,875**

	Notes	Fair value: FVTPL - mandatory	Fair value: FVTPL - designated	Amortised cost	Total carrying value	Total fair value
Financial liabilities						
Investment contract liabilities	*21*	-	4,460,094	2,223	4,462,317	4,462,317
Loans due to ultimate holding company	*22*	-	-	829,000	829,000	829,000
Obligations under repurchase agreements		-	-	465,069	465,069	465,069
Derivative financial instruments	*15*	7,648,128	-	-	7,648,128	7,648,128
Other liabilities	*26*	-	-	1,180,606	1,180,606	1,180,606
Financial liabilities		**7,648,128**	**4,460,094**	**2,476,898**	**14,585,120**	**14,585,120**

16. Fair value measurement (continued)

Fair value of financial instruments (continued)

US$'000	*Notes*	Fair value FVTPL - mandatory	Fair value FVTPL - designated	Fair value FVOCI	Amortised cost	Total carrying value	Total fair value
31 December 2022 (restated)							
Financial investments	*14*						
Loans and deposits		-	-	-	1,085,213	1,085,213	1,077,256
Debt securities		1,637,480	41,428,618	24,248,526	1,727,726	69,042,350	68,775,297
Equity shares and interests in investment funds		30,051,882	-	-	-	30,051,882	30,051,882
Derivative financial instruments	*15*	48,702	-	-	-	48,702	48,702
Receivables	*17*	-	-	-	267,922	267,922	267,922
Accrued investment income	*17*	-	-	-	877,129	877,129	877,129
Cash and cash equivalents	*18*	819,879	-	-	2,737,389	3,557,268	3,557,268
Financial assets		**32,557,943**	**41,428,618**	**24,248,526**	**6,695,379**	**104,930,466**	**104,655,456**

	Notes	Fair value FVTPL - mandatory	Fair value FVTPL - designated	Amortised cost	Total carrying value	Total fair value
Financial liabilities						
Investment contract liabilities	*21*	-	4,647,759	1,923	4,649,682	4,649,682
Loans due to ultimate holding company	*22*	-	-	829,000	829,000	829,000
Obligations under repurchase agreements		-	-	40,021	40,021	40,021
Derivative financial instruments	*15*	8,241,566	-	-	8,241,566	8,241,566
Other liabilities	*26*	-	-	927,374	927,374	927,374
Financial liabilities		**8,241,566**	**4,647,759**	**1,798,318**	**14,687,643**	**14,687,643**

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 30 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.

16. Fair value measurement (continued)

Fair value measurements on a recurring basis

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

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

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

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

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

The Group does not have assets or liabilities measured at fair value on a non-recurring basis during the years ended 31 December 2023 and 31 December 2022.

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

Determination of fair value

Loans and receivables

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

The fair values of mortgage loans are estimated by discounting future cash flows using interest rates currently being offered in respect of similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations.

Debt securities, equity shares and interests in investment funds

The fair values of equity shares and interests in investment funds 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.

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.

16. Fair value measurement (continued)

Determination of fair value (continued)

Derivative financial instruments (continued)

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

Property held for own use and investment property

The Group engaged external, independent and qualified valuers to determine the fair value of the Group's properties at least on an annual basis. The valuation on an open market value basis by independent professional valuer for certain investment properties was calculated by reference to net rental income allowing for reversionary income potential. The fair values of certain other properties were derived using the Market Data Approach. In this approach, the values are based on sales and listing of comparable property registered in the vicinity. Certain other properties are valued using a combination of these two methods.

The properties held for own use and investment properties, in most cases, are valued on the basis of the highest and best use of the properties that is physically possible, legally permissible and financially feasible. The current use of the properties is considered to be its highest and best use; records of recent sales and offerings of similar property are analysed and comparison made for such factors as size, location, quality and prospective use. On limited occasions, potential redevelopment of the properties in use would be taken into account when they would maximise the fair value of the properties; the Group is occupying these properties for operational purposes.

Cash and cash equivalents

The carrying amount of cash approximates to its fair value.

Fair value of securities sold under repurchase agreements and the associated payables

The contract values of payables under repurchase agreements approximate to their fair value as these obligations are short-term in nature.

Other assets

The carrying amount of other financial assets is not materially different to their fair value. The fair values of deposits with banks are generally based on quoted market prices or, if unquoted, on estimates based on discounting future cash flows using available market interest rates offered for receivables with similar characteristics.

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 20. These are not measured at fair value as the Group applies the same accounting policies for the measurement of investment contracts with DPF as it does for insurance contracts under IFRS 17.

Loans/notes due to ultimate holding company and other borrowings

The fair values of loans/notes due to ultimate holding company and other 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.

16. Fair value measurement (continued)

Fair value hierarchy for fair value measurement on a recurring basis

Assets and liabilities recorded at fair value in the consolidated statement of financial position are measured and classified in a hierarchy for disclosure purposes consisting of three "levels" based on the observability of inputs available in the marketplace used to measure their fair values as discussed below:

- **Level 1**: Fair value measurements that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access as of the measurement date. Market price data is generally obtained from exchange or dealer markets. The Group does not adjust the quoted price for such instruments. Assets measured at fair value on a recurring basis and classified as Level 1 are actively traded equities. The Group considers that government debt securities issued by G7 countries (the United States, Canada, France, Germany, Italy, Japan, the United Kingdom) and traded in a dealer market to be Level 1, until they no longer trade with sufficient frequency and volume to be considered actively traded.

- **Level 2**: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices that are observable for the asset and liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Assets and liabilities measured at fair value on a recurring basis and classified as Level 2 generally include government debt securities issued by non-G7 countries, most investment grade corporate bonds, hedge fund investments and derivative contracts.

- **Level 3**: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Unobservable inputs are only used to measure fair value to the extent that relevant observable inputs are not available, allowing for circumstances in which there is little, if any, market activity for the asset or liability. Assets and liabilities measured at fair value on a recurring basis and classified as Level 3 include properties held for own use, investment properties, certain classes of structured securities, certain derivative contracts, private equity and real estate fund investments, and direct private equity investments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Group's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement. In making the assessment, the Group considers factors specific to the asset or liability.

16. 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$'000	Level 1	Level 2	Level 3	Total
31 December 2023				
Recurring fair value measurements				
Non-financial assets				
Property held for own use	-	-	402,056	402,056
Investment property	-	-	2,733,034	2,733,034
Financial assets				
At fair value through other comprehensive income				
Debt securities	59,709	24,496,644	1,094,352	25,650,705
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios	172,823	46,798,440	10,918	46,982,181
Unit-linked	2,647	1,858,498	-	1,861,145
Other policyholder and shareholder	-	331,864	38,533	370,397
Equity shares and interests in investment funds				
Participating funds and other participating business with distinct portfolios	84,959	15,211,143	4,002,071	19,298,173
Unit-linked	9,575,567	9,283	23,163	9,608,013
Other policyholder and shareholder	288,587	2,375,482	733,004	3,397,073
Cash and cash equivalents				
Other policyholder and shareholder	113,380	-	-	113,380
Derivative financial instruments				
Foreign exchange contracts	-	21,042	-	21,042
Interest rate contracts	-	2,809	-	2,809
Other contracts	-	132,218	-	132,218
Total assets on a recurring fair value measurement basis	**10,297,672**	**91,237,423**	**9,037,131**	**110,572,226**
% of Total	*9.3%*	*82.5%*	*8.2%*	*100.0%*
Financial liabilities				
Investment contract liabilities	-	4,460,094	-	4,460,094
Derivative financial instruments				
Foreign exchange contracts	-	60,523	-	60,523
Interest rate contracts	-	16,972	-	16,972
Other contracts	-	7,570,633	-	7,570,633
Total liabilities on a recurring fair value measurement basis	**-**	**12,108,222**	**-**	**12,108,222**
% of Total	*0.0%*	*100.0%*	*0.0%*	*100.0%*

16. Fair value measurement (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

	Fair value hierarchy			
US$'000	Level 1	Level 2	Level 3	Total
31 December 2022 (restated)				
Recurring fair value measurements				
Non-financial assets				
Property held for own use	-	-	402,941	402,941
Investment property	-	-	2,859,404	2,859,404
Financial assets				
At fair value through other comprehensive income				
Debt securities	-	23,245,174	1,003,352	24,248,526
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios	-	41,420,247	26,038	41,446,285
Unit-linked	3,167	1,383,712	-	1,386,879
Other policyholder and shareholder	-	176,559	56,375	232,934
Equity shares and interests in investment funds				
Participating funds and other participating business with distinct portfolios	9,356,638	4,101,881	3,529,443	16,987,962
Unit-linked	9,855,624	320,472	22,737	10,198,833
Other policyholder and shareholder	341,621	1,908,409	615,057	2,865,087
Cash and cash equivalents				
Unit-linked	95	-	-	95
Other policyholder and shareholder	819,784	-	-	819,784
Derivative financial instruments				
Foreign exchange contracts	-	3,717	-	3,717
Interest rate contracts	-	3,454	-	3,454
Other contracts	-	41,531	-	41,531
Total assets on a recurring fair value measurement basis	**20,376,929**	**72,605,156**	**8,515,347**	**101,497,432**
% of Total	*20.1%*	*71.5%*	*8.4%*	*100.0%*
Financial liabilities				
Investment contract liabilities	-	4,647,759	-	4,647,759
Derivative financial instruments				
Foreign exchange contracts	-	99,407	-	99,407
Interest rate contracts	-	98,656	-	98,656
Other contracts	-	8,043,503	-	8,043,503
Total liabilities on a recurring fair value measurement basis	**-**	**12,889,325**	**-**	**12,889,325**
% of Total	*0.0%*	*100.0%*	*0.0%*	*100.0%*

The Group's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the year ended 31 December 2023, the Group transferred US$1m (2022: US$0.4m) 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$52m (2022: US$27m) of assets from Level 2 to Level 1 during the year ended 31 December 2023.

The Group's Level 2 financial instruments include debt securities, equity shares, interests in investment funds, derivative financial instruments, investment contract liabilities and other liabilities. The fair values of Level 2 financial instruments are estimated using values obtained from private pricing services and brokers corroborated with internal review as necessary. When the quotes from private pricing services and brokers are not available, internal valuation techniques and inputs will be used to derive the fair value for the financial instruments.

16. Fair value measurement (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

The tables below set out a summary of changes in the Group's Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended 31 December 2023 and 31 December 2022. The tables reflect gains and losses, including gains and losses on assets and liabilities categorised as Level 3 as at 31 December 2023 and 31 December 2022.

Level 3 assets and liabilities

US$'000	Property held for own use	Investment property	Debt securities	Equity shares and interests in investment funds
At 1 January 2023	**402,941**	**2,859,404**	**1,085,765**	**4,167,237**
Total (losses)/gains				
Reported under investment return and other expenses in the consolidated income statement	(4,348)	(84,213)	67,610	99,871
Reported under fair value reserve, foreign currency translation reserve and property revaluation reserve in the consolidated statement of comprehensive income	(7,464)	(12,754)	(16,637)	(2,225)
Transfer from investment property	10,447	(32,760)	-	-
Purchases	480	3,357	44,417	546,209
Sales[1]	-	-	(25,637)	(52,863)
Settlements	-	-	(11,715)	-
Transfer into Level 3	-	-	-	9
At 31 December 2023	402,056	2,733,034	1,143,803	4,758,238
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	(4,348)	(84,213)	(12,354)	98,292

Note:
(1) Includes amounts derecognised on disposal of held for sale assets and liabilities.

US$'000	Property held for own use	Investment property	Debt securities	Equity shares and interests in investment funds
At 1 January 2022 (restated)	**305,015**	**2,935,768**	**1,285,097**	**2,807,924**
Total (losses)/gains				
Reported under investment return and other expenses in the consolidated income statement	(2,521)	32,381	(11,452)	(313,536)
Reported under fair value reserve, foreign currency translation reserve and property revaluation reserve in the consolidated statement of comprehensive income	5,019	(14,717)	(94,149)	(14,327)
Transfer from investment property	95,168	(95,168)	-	-
Purchases	265	1,140	64,036	1,812,460
Sales	(5)	-	-	(109,800)
Settlements	-	-	(111,354)	-
Transfer into Level 3	-	-	-	25,114
Transfer out of Level 3	-	-	(46,413)	(40,598)
At 31 December 2022 (restated)	**402,941**	**2,859,404**	**1,085,765**	**4,167,237**
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	(2,521)	32,381	(32,252)	(220,379)

16. Fair value measurement (continued)

Fair value hierarchy for fair value measurement on a recurring basis (continued)

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 21.

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

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

Significant unobservable inputs for Level 3 fair value measurements

For certain equity shares and interests in investment funds 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 AIA 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 AIA Group Valuations Advisory Committee which is part of the Group's wider financial risk governance processes. Changes in Level 2 and 3 fair values are analysed at each reporting date.

The main Level 3 input used by the Group pertains to the discount rate for the debt securities and investment contracts. The unobservable inputs for determining the fair value of these instruments include the obligor's credit spread and/or the liquidity spread. A significant increase/(decrease) in any of the unobservable input may result in a significantly lower/(higher) fair value measurement. The Group has subscriptions to private pricing services for gathering such information. If the information from private pricing services is not available, the Group uses the proxy pricing method based on internally-developed valuation inputs.

16. Fair value measurement (continued)

Fair value of financial and insurance assets and liabilities for which the fair value is disclosed at the reporting date

A summary of fair value hierarchy of assets and liabilities not carried at fair value but for which the fair value is disclosed as at 31 December 2023 and 31 December 2022 is given below.

	Fair value hierarchy			
US$'000	Level 1	Level 2	Level 3	Total
31 December 2023				
Assets for which the fair value is disclosed				
Financial assets				
Debt securities	-	1,804,177	-	1,804,177
Loans and deposits	738,219	482,953	41,572	1,262,744
Receivables	-	231,768	38,794	270,562
Accrued investment income	2,232	909,707	-	911,939
Cash and cash equivalents	2,138,317	-	-	2,138,317
Total assets for which the fair value is disclosed	**2,878,768**	**3,428,605**	**80,366**	**6,387,739**
Liabilities for which the fair value is disclosed				
Financial liabilities				
Investment contract liabilities	-	-	2,223	2,223
Loans due to ultimate holding company	-	829,000	-	829,000
Obligations under repurchase agreements	-	465,069	-	465,069
Other liabilities	12,470	1,112,001	56,135	1,180,606
Total liabilities for which the fair value is disclosed	**12,470**	**2,406,070**	**58,358**	**2,476,898**

	Fair value hierarchy			
US$'000	Level 1	Level 2	Level 3	Total
31 December 2022 (restated)				
Assets for which the fair value is disclosed				
Financial assets				
Debt securities	-	1,460,673	-	1,460,673
Loans and deposits	1,023,322	14,227	39,707	1,077,256
Receivables	638	227,291	39,993	267,922
Accrued investment income	533	876,596	-	877,129
Cash and cash equivalents	2,737,389	-	-	2,737,389
Total assets for which the fair value is disclosed	**3,761,882**	**2,578,787**	**79,700**	**6,420,369**
Liabilities for which the fair value is disclosed				
Financial liabilities				
Investment contract liabilities	-	-	1,923	1,923
Loans due to ultimate holding company	-	829,000	-	829,000
Obligations under repurchase agreements	-	40,021	-	40,021
Other liabilities	87,120	799,817	40,437	927,374
Total liabilities for which the fair value is disclosed	**87,120**	**1,668,838**	**42,360**	**1,798,318**

17. Other assets

US$'000	As at 31 December 2023	As at 31 December 2022 (restated)
Accrued investment income	911,939	877,129
Receivables	270,562	267,922
Others [(1)]	492,739	506,709
Total	**1,675,240**	**1,651,760**

Note:

(1) Represents, among others, prepayments and deferred origination costs.

All amounts other than certain prepayments are generally expected to be recovered within 12 months after the end of the reporting period.

18. Cash and cash equivalents

US$'000	As at 31 December 2023	As at 31 December 2022
Cash	922,530	1,146,676
Cash equivalents	1,329,167	2,410,592
Total[(1)]	**2,251,697**	**3,557,268**

Note:

(1) US$160m (2022: US$489m) are held to back unit-linked contracts. In preparing the consolidated financial statements, the Group enhanced the presentation to further split and allocate the underlying assets held by consolidated investment funds to the respective fund segments of the asset-backing liabilities. Where consolidated investment funds are held by third-party unit holders, these continue to be classified under consolidated investment funds.

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.

19. Impairment of financial assets

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Group's experience, credit assessment performed by internal and external experts and forward-looking information.

The Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing the internal rating as at the reporting date with the internal rating as at the date of initial recognition of the exposure. Where external credit ratings are available, internal ratings are assigned consistent with such ratings in accordance with the Group's credit risk assessment framework. Where external credit ratings are not readily available, an internal rating methodology has been adopted.

The Group monitors changes in credit risk by tracking the change in internal rating of the exposure. The Group also monitors relevant information, including price movements of securities, and assess whether such information signifies a change in credit risk.

The Group has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment-grade". The Group considers this to be BBB- (Standard and Poor's rating), BBB- (Fitch rating), Baa3 (Moody's rating) or higher, which is equivalent to an internal rating of 4- or higher.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, unless there are other indications that there is no significant increase in credit risk. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined after considering any grace period that might be available to the debtor.

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons including changing market conditions and other factors not related to current or potential credit deterioration of the debtor. An existing financial asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new financial asset at fair value in accordance with the accounting policies in note 2.4.1.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of significant increase in credit risk is assessed based on the change in internal rating as at the reporting date and the date of initial recognition. The internal rating as at the reporting date is rated based on the modified contractual terms while the initial rating is rated based on the original contractual terms.

Definition of default

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to mitigating actions. The criteria of "default" are consistent with those of "credit-impaired".

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of a financial instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a "base case" view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on management knowledge and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the jurisdictions in which the Group operates, supranational organisations, and selected private-sector and academic forecasters.

The base case represents a best estimate and the other scenarios represent more optimistic and more pessimistic outcomes.

19. Impairment of financial assets (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Incorporation of forward-looking information (continued)

The Group has identified and documented key drivers of credit risk and ECL for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationship between macroeconomic variables and key drivers of credit risk. The specific values of the core macroeconomic variable used by the Group for evaluating ECL for the years ended 31 December 2023 and 31 December 2022 are as follows:

	As at 31 December 2023	As at 31 December 2022
GDP growth (5-year average of year-over-year %)		
Base case scenario	2.5%	2.7%
Upside scenario	3.1%	3.2%
Downside scenario	1.8%	2.0%

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of probability of default (PD), loss given default (LGD) and exposure at default (EAD). They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

To determine lifetime and 12-month PDs, the Group leverages on the internal rating and convert it into PD based on the level of rating and obligor characteristics like industry type and country. Changes in the rating at the reporting date for a counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Group leverages on recovery statistics to calculate LGD. The LGD models consider a number of factors including among others, the structure, collateral and seniority of the claim, that are integral to the financial asset. LGD estimates are recalibrated for different economic scenarios.

PDs and LGDs are adjusted to reflect forward-looking information and different economic scenarios as described above.

EAD represents the expected exposure in the event of a default. The EAD of a financial asset is its gross carrying amount at the time of default. The Group derives the EAD from the current exposure to the counterparty, with any adjustments for changes to the current exposure, such as amortisation and prepayments.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any debtor's extension options) over which it is exposed to credit risk.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include instrument type, credit risk gradings, collateral type, date of initial recognition, remaining term to maturity, industry and geographical location of debtor.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external information that the Group uses to derive the default rates of its portfolios.

Credit-impaired financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for impairment regularly. This requires the exercise of management judgement. The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is credit-impaired. Objective evidence that a financial asset, or a group of financial assets, is credit-impaired includes observable data that comes to the attention of the Group about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- the restructuring of an amount due to the Group on terms that the Group would not otherwise consider;
- it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the debtor's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

19. Impairment of financial assets (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance

The following tables show reconciliation balances from the opening to the closing balance of the loss allowance by class of financial instrument. Gross carrying amount is the amortised cost before adjusting for loss allowance.

	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
US$'000	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Debt securities measured at amortised cost								
Balance at 1 January 2023	1,718,160	3,494	14,563	1,503	-	-	1,732,723	4,997
Transfer to 12-month ECL	9,812	209	(9,812)	(209)	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(9,699)	(196)	9,699	196	-	-	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	-	(468)	-	175	-	-	-	(293)
New financial assets acquired	392,442	1,029	-	-	-	-	392,442	1,029
Financial assets derecognised other than write-offs	(104,625)	(204)	-	-	-	-	(104,625)	(204)
Write-offs	-	-	-	-	-	-	-	-
Effects of movements in exchange rates and other movements	11,587	(21)	92	3	-	-	11,679	(18)
Balance at 31 December 2023	**2,017,677**	**3,843**	**14,542**	**1,668**	**-**	**-**	**2,032,219**	**5,511**

19. Impairment of financial assets (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance (continued)

	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
US$'000	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Debt securities measured at amortised cost (continued)								
Balance at 1 January 2022	1,465,297	2,314	14,582	1,890	-	-	1,479,879	4,204
Transfer to 12-month ECL	-	-	-	-	-	-	-	-
Transfer to lifetime ECL not credit-impaired	-	-	-	-	-	-	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	-	510	-	(387)	-	-	-	123
New financial assets acquired	318,622	695	-	-	-	-	318,622	695
Financial assets derecognised other than write-offs	(50,544)	(18)	-	-	-	-	(50,544)	(18)
Write-offs	-	-	-	-	-	-	-	-
Effects of movements in exchange rates and other movements	(15,215)	(7)	(19)	-	-	-	(15,234)	(7)
Balance at 31 December 2022	**1,718,160**	**3,494**	**14,563**	**1,503**	**-**	**-**	**1,732,723**	**4,997**

19. Impairment of financial assets (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance (continued)

	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
US$'000	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Loans and deposits measured at amortised cost								
Balance at 1 January 2023	1,100,820	16,122	219	-	2,156	1,860	1,103,195	17,982
Transfer to 12-month ECL	1,595	1,332	(6)	-	(1,589)	(1,332)	-	-
Transfer to lifetime ECL not credit-impaired	-	-	-	-	-	-	-	-
Transfer to lifetime ECL credit-impaired	(12,067)	-	-	-	12,067	-	-	-
Net remeasurement of loss allowance	-	(16,743)	-	-	-	796	-	(15,947)
New financial assets acquired	1,826,032	9,313	-	-	-	-	1,826,032	9,313
Financial assets derecognised other than write-offs	(1,627,593)	(462)	-	-	(926)	-	(1,628,519)	(462)
Write-offs	-	-	(26)	-	-	-	(26)	-
Effects of movements in exchange rates and other movements	(19,601)	(68)	(25)	-	(4)	(15)	(19,630)	(83)
Balance at 31 December 2023	**1,269,186**	**9,494**	**162**	**-**	**11,704**	**1,309**	**1,281,052**	**10,803**
Balance at 1 January 2022	929,260	4,047	327	-	9,820	3,660	939,407	7,707
Transfer to 12-month ECL	8,202	2,294	-	-	(8,202)	(2,294)	-	-
Transfer to lifetime ECL not credit-impaired	-	-	-	-	-	-	-	-
Transfer to lifetime ECL credit-impaired	(965)	-	-	-	965	-	-	-
Net remeasurement of loss allowance	-	1,434	-	-	-	508	-	1,942
New financial assets acquired	1,059,458	8,779	-	-	-	-	1,059,458	8,779
Financial assets derecognised other than write-offs	(861,646)	(337)	(101)	-	(427)	-	(862,174)	(337)
Write-offs	(2)	-	(3)	-	-	-	(5)	-
Effects of movements in exchange rates and other movements	(33,487)	(95)	(4)	-	-	(14)	(33,491)	(109)
Balance at 31 December 2022	**1,100,820**	**16,122**	**219**	**-**	**2,156**	**1,860**	**1,103,195**	**17,982**

19. Impairment of financial assets (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance (continued)

	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
US$'000	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Debt securities measured at fair value through other comprehensive income								
Balance at 1 January 2023	27,590,509	89,297	142,306	6,827	40,699	32,546	27,773,514	128,670
Transfer to 12-month ECL	82,944	4,229	(82,944)	(4,229)	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(180,030)	(12,845)	180,030	12,845	-	-	-	-
Transfer to lifetime ECL credit-impaired	-	-	(112,530)	(5,639)	112,530	5,639	-	-
Net remeasurement of loss allowance	-	(19,556)	-	(3,837)	-	103,858	-	80,465
New financial assets acquired	5,939,961	9,120	-	-	-	-	5,939,961	9,120
Financial assets derecognised other than write-offs	(6,079,203)	(9,650)	(19,713)	(1,560)	-	-	(6,098,916)	(11,210)
Write-offs	-	-	-	-	-	-	-	-
Effects of movements in exchange rates and other movements	(241,343)	(238)	1,321	(441)	-	-	(240,022)	(679)
Balance at 31 December 2023	**27,112,838**	**60,357**	**108,470**	**3,966**	**153,229**	**142,043**	**27,374,537**	**206,366**
Balance at 1 January 2022	33,101,345	66,661	89,634	5,611	-	-	33,190,979	72,272
Transfer to 12-month ECL	-	-	-	-	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(106,269)	(1,615)	106,269	1,615	-	-	-	-
Transfer to lifetime ECL credit-impaired	-	-	(40,698)	(4,344)	40,698	4,344	-	-
Net remeasurement of loss allowance	-	34,703	-	4,265	-	28,202	-	67,170
New financial assets acquired	5,371,648	14,156	-	-	-	-	5,371,648	14,156
Financial assets derecognised other than write-offs	(10,037,544)	(24,350)	(12,767)	(320)	-	-	(10,050,311)	(24,670)
Write-offs	-	-	-	-	-	-	-	-
Effects of movements in exchange rates and other movements	(738,671)	(258)	(132)	-	1	-	(738,802)	(258)
Balance at 31 December 2022	**27,590,509**	**89,297**	**142,306**	**6,827**	**40,699**	**32,546**	**27,773,514**	**128,670**

19. Impairment of financial assets (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance (continued)

US$'000	12-month ECL Gross carrying amount	12-month ECL Loss allowance	Lifetime ECL not credit-impaired Gross carrying amount	Lifetime ECL not credit-impaired Loss allowance	Lifetime ECL credit-impaired Gross carrying amount	Lifetime ECL credit-impaired Loss allowance	Total Gross carrying amount	Total Loss allowance
Receivables								
Balance at 1 January 2023	250,764	34	17,740	5,218	10,199	5,529	278,703	10,781
Transfer to lifetime ECL not credit-impaired	(501)	-	501	-	-	-	-	-
Transfer to lifetime ECL credit-impaired	(38)	(34)	(1,687)	(1,509)	1,725	1,543	-	-
Net remeasurement of loss allowance	-	-	-	(1,576)	-	121	-	(1,455)
Net increase/(decrease) in receivables	4,718	-	(3,618)	(759)	(437)	(76)	663	(835)
Write-offs	-	-	-	-	(1,758)	(1,580)	(1,758)	(1,580)
Effects of movements in exchange rates and other movements	79	-	(174)	(65)	(248)	(143)	(343)	(208)
Balance at 31 December 2023	**255,022**	**-**	**12,762**	**1,309**	**9,481**	**5,394**	**277,265**	**6,703**
Balance at 1 January 2022	170,800	-	12,424	1,650	10,176	9,769	193,400	11,419
Transfer to lifetime ECL not credit-impaired	(5,936)	-	5,936	-	-	-	-	-
Transfer to lifetime ECL credit-impaired	(570)	-	-	-	570	-	-	-
Net remeasurement of loss allowance	-	-	-	3,690	-	(3,548)	-	142
Net increase in receivables	90,716	34	-	-	-	-	90,716	34
Write-offs	-	-	-	-	-	-	-	-
Effects of movements in exchange rates and other movements	(4,246)	-	(620)	(122)	(547)	(692)	(5,413)	(814)
Balance at 31 December 2022	**250,764**	**34**	**17,740**	**5,218**	**10,199**	**5,529**	**278,703**	**10,781**

20. Insurance contracts and reinsurance contracts held

Movement in carrying amounts

The following reconciliations show how the net carrying amounts of insurance contracts and reinsurance contracts held changed during the year as a result of cash flows and amounts recognised in the consolidated income statement and consolidated statement of comprehensive income. The Group presents a table separately analysing movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the consolidated income statement and consolidated statement of comprehensive income. A second reconciliation is presented for contracts not measured under the premium allocation approach, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the contractual service margin.

The estimates of the present value of future cash flows from insurance and reinsurance contract assets represent the Group's maximum exposure to credit risk from these assets.

20. Insurance contracts and reinsurance contracts held (continued)

Movement in carrying amounts (continued)

Analysis by remaining coverage and incurred claims of insurance contracts not measured under the premium allocation approach

		Year ended 31 December 2023				Year ended 31 December 2022			
		Liabilities for remaining coverage				Liabilities for remaining coverage			
US$'000	*Notes*	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Liabilities for incurred claims	Total
Opening assets		(431,258)	8,973	555,935	133,650	(1,883,972)	6,657	557,789	(1,319,526)
Opening liabilities		77,355,644	21,443	903,804	78,280,891	103,827,120	2,264	864,942	104,694,326
Net opening balance		76,924,386	30,416	1,459,739	78,414,541	**101,943,148**	**8,921**	**1,422,731**	**103,374,800**
Insurance revenue	*5*	(4,586,182)	-	-	(4,586,182)	(4,884,420)	-	-	(4,884,420)
Insurance service expenses									
Incurred claims and other insurance service expenses		-	(16,458)	2,795,311	2,778,853	-	(7,378)	2,945,467	2,938,089
Amortisation of insurance acquisition cash flows		251,395	-	-	251,395	189,967	-	-	189,967
Losses and reversal of losses on onerous contracts		-	48,507	-	48,507	-	27,594	-	27,594
Adjustments to liabilities for incurred claims		-	-	(37,573)	(37,573)	-	-	(18,746)	(18,746)
Total insurance service expenses		**251,395**	**32,049**	**2,757,738**	**3,041,182**	**189,967**	**20,216**	**2,926,721**	**3,136,904**
Investment components		(4,131,357)	-	4,131,357	-	(3,580,101)	-	3,580,101	-
Insurance service result		**(8,466,144)**	**32,049**	**6,889,095**	**(1,545,000)**	**(8,274,554)**	**20,216**	**6,506,822**	**(1,747,516)**
Net finance expenses/(income) from insurance contracts	*6*	6,675,327	1,203	11,713	6,688,243	(29,734,061)	1,000	(12,480)	(29,745,541)
Effect of movements in exchange rates		(255,543)	434	(9,830)	(264,939)	(988,667)	279	(63,049)	(1,051,437)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		**(2,046,360)**	**33,686**	**6,890,978**	**4,878,304**	**(38,997,282)**	**21,495**	**6,431,293**	**(32,544,494)**
Cash flows									
Premiums received		15,540,681	-	-	15,540,681	16,197,685	-	-	16,197,685
Claims and other insurance service expenses paid, including investment components		-	-	(9,151,612)	(9,151,612)	-	-	(7,954,413)	(7,954,413)
Insurance acquisition cash flows paid		(2,527,352)	-	-	(2,527,352)	(1,948,370)	-	-	(1,948,370)
Other amounts received		-	-	2,339,313	2,339,313	-	-	1,577,734	1,577,734
Total cash flows		**13,013,329**	**-**	**(6,812,299)**	**6,201,030**	**14,249,315**	**-**	**(6,376,679)**	**7,872,636**
Adjusted for:									
Non-cash operating expenses		(76,214)	-	(20,285)	(96,499)	(97,327)	-	(17,606)	(114,933)
Other non-cash items		(129,458)	-	-	(129,458)	(173,468)	-	-	(173,468)
Total non-cash items		**(205,672)**	**-**	**(20,285)**	**(225,957)**	**(270,795)**	**-**	**(17,606)**	**(288,401)**
Contracts derecognised on disposal of held for sale assets and liabilities		(786,496)	(6,689)	(367,672)	(1,160,857)	-	-	-	-
Net closing balance		**86,899,187**	**57,413**	**1,150,461**	**88,107,061**	**76,924,386**	**30,416**	**1,459,739**	**78,414,541**
Closing assets		(410,514)	6,255	217,580	(186,679)	(431,258)	8,973	555,935	133,650
Closing liabilities		87,309,701	51,158	932,881	88,293,740	77,355,644	21,443	903,804	78,280,891
Net closing balance		**86,899,187**	**57,413**	**1,150,461**	**88,107,061**	**76,924,386**	**30,416**	**1,459,739**	**78,414,541**

Insurance contract assets of US$(49)m (2022: US$133m) and insurance contract liabilities of US$3,402m (2022: US$4,644m) are expected to be (settled)/recovered within 12 months after the reporting date.

20. Insurance contracts and reinsurance contracts held (continued)

Movement in carrying amounts (continued)

Analysis by measurement component of insurance contracts not measured under the premium allocation approach

		Year ended 31 December 2023							
						CSM			
US$'000	Notes	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts	Total
Opening assets		(4,123,812)	281,057	3,976,405	133,650	-	3,196,183	780,222	3,976,405
Opening liabilities		61,611,847	932,996	15,736,048	78,280,891	220,035	12,812,670	2,703,343	15,736,048
Net opening balance		**57,488,035**	**1,214,053**	**19,712,453**	**78,414,541**	**220,035**	**16,008,853**	**3,483,565**	**19,712,453**
Insurance service result									
Changes that relate to current services									
CSM recognised for services provided	*5*	-	-	(1,613,790)	(1,613,790)	(42,857)	(1,140,886)	(430,047)	(1,613,790)
Change in risk adjustment for non-financial risk		-	(12,116)	-	(12,116)	-	-	-	-
Experience adjustments		159,270	-	-	159,270	-	-	-	-
Others		(89,298)	-	-	(89,298)	-	-	-	-
Changes that relate to future services									
Contracts initially recognised in the year		(2,689,484)	83,287	2,626,358	20,161	-	-	2,626,358	2,626,358
Changes in estimates that adjust the CSM		(848,166)	(48,006)	896,172	-	(35,578)	1,169,542	(237,792)	896,172
Changes in estimates that result in losses and reversal of losses on onerous contracts		25,606	2,740	-	28,346	-	-	-	-
Changes that relate to past services		(18,505)	(19,068)	-	(37,573)	-	-	-	-
Total insurance service result		**(3,460,577)**	**6,837**	**1,908,740**	**(1,545,000)**	**(78,435)**	**28,656**	**1,958,519**	**1,908,740**
Net finance expenses from insurance contracts	*6*	6,600,462	-	87,781	6,688,243	3,710	23,459	60,612	87,781
Effect of movements in exchange rates		(196,083)	(14,621)	(54,235)	(264,939)	753	(36,501)	(18,487)	(54,235)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		**2,943,802**	**(7,784)**	**1,942,286**	**4,878,304**	**(73,972)**	**15,614**	**2,000,644**	**1,942,286**
Cash flows		6,201,030	-	-	6,201,030	-	-	-	-
Non-cash operating expenses		(96,499)	-	-	(96,499)	-	-	-	-
Other non-cash items		(129,458)	-	-	(129,458)	-	-	-	-
Contracts derecognised on disposal of held for sale assets and liabilities		(866,755)	(48,934)	(245,168)	(1,160,857)	-	(180,157)	(65,011)	(245,168)
Net closing balance		**65,540,155**	**1,157,335**	**21,409,571**	**88,107,061**	**146,063**	**15,844,310**	**5,419,198**	**21,409,571**
Closing assets		(5,578,388)	290,154	5,101,555	(186,679)	-	3,937,062	1,164,493	5,101,555
Closing liabilities		71,118,543	867,181	16,308,016	88,293,740	146,063	11,907,248	4,254,705	16,308,016
Net closing balance		**65,540,155**	**1,157,335**	**21,409,571**	**88,107,061**	**146,063**	**15,844,310**	**5,419,198**	**21,409,571**

20. Insurance contracts and reinsurance contracts held (continued)

Movement in carrying amounts (continued)

Analysis by measurement component of insurance contracts not measured under the premium allocation approach (continued)

		Year ended 31 December 2022							
						CSM			
US$'000	*Notes*	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts	Total
Opening assets		(6,027,674)	358,531	4,349,617	(1,319,526)	-	3,828,782	520,835	4,349,617
Opening liabilities		85,949,152	1,033,023	17,712,151	104,694,326	351,569	15,587,739	1,772,843	17,712,151
Net opening balance		**79,921,478**	**1,391,554**	**22,061,768**	**103,374,800**	**351,569**	**19,416,521**	**2,293,678**	**22,061,768**
Insurance service result									
Changes that relate to current services									
CSM recognised for services provided	*5*	-	-	(1,621,083)	(1,621,083)	(56,743)	(1,246,586)	(317,754)	(1,621,083)
Change in risk adjustment for non-financial risk		-	(54,843)	-	(54,843)	-	-	-	-
Experience adjustments		19,894	-	-	19,894	-	-	-	-
Others		(100,332)	-	-	(100,332)	-	-	-	-
Changes that relate to future services									
Contracts initially recognised in the year		(2,131,178)	118,178	2,029,596	16,596	-	-	2,029,596	2,029,596
Changes in estimates that adjust the CSM		2,919,615	(173,633)	(2,745,982)	-	(56,295)	(2,164,050)	(525,637)	(2,745,982)
Changes in estimates that result in losses and reversal of losses on onerous contracts		13,046	(2,048)	-	10,998	-	-	-	-
Changes that relate to past services		919	(19,665)	-	(18,746)	-	-	-	-
Total insurance service result		**721,964**	**(132,011)**	**(2,337,469)**	**(1,747,516)**	**(113,038)**	**(3,410,636)**	**1,186,205**	**(2,337,469)**
Net finance (income)/expenses from insurance contracts	*6*	(29,964,597)	-	219,056	(29,745,541)	5,928	156,788	56,340	219,056
Effect of movements in exchange rates		(775,045)	(45,490)	(230,902)	(1,051,437)	(24,424)	(153,820)	(52,658)	(230,902)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		**(30,017,678)**	**(177,501)**	**(2,349,315)**	**(32,544,494)**	**(131,534)**	**(3,407,668)**	**1,189,887**	**(2,349,315)**
Cash flows		7,872,636	-	-	7,872,636	-	-	-	-
Non-cash operating expenses		(114,933)	-	-	(114,933)	-	-	-	-
Other non-cash items		(173,468)	-	-	(173,468)	-	-	-	-
Net closing balance		**57,488,035**	**1,214,053**	**19,712,453**	**78,414,541**	**220,035**	**16,008,853**	**3,483,565**	**19,712,453**
Closing assets		(4,123,812)	281,057	3,976,405	133,650	-	3,196,183	780,222	3,976,405
Closing liabilities		61,611,847	932,996	15,736,048	78,280,891	220,035	12,812,670	2,703,343	15,736,048
Net closing balance		**57,488,035**	**1,214,053**	**19,712,453**	**78,414,541**	**220,035**	**16,008,853**	**3,483,565**	**19,712,453**

20. Insurance contracts and reinsurance contracts held (continued)

Movement in carrying amounts (continued)

Analysis by remaining coverage and incurred claims of reinsurance contracts held not measured under the premium allocation approach

US$'000	Note	Year ended 31 December 2023 – Asset for remaining coverage – Excluding loss-recovery component	Year ended 31 December 2023 – Asset for remaining coverage – Loss recovery component	Year ended 31 December 2023 – Asset for incurred claims	Year ended 31 December 2023 – Total	Year ended 31 December 2022 – Asset for remaining coverage – Excluding loss-recovery component	Year ended 31 December 2022 – Asset for remaining coverage – Loss recovery component	Year ended 31 December 2022 – Asset for incurred claims	Year ended 31 December 2022 – Total
Opening assets		334,430	-	245,167	579,597	(8,749)	-	188,156	179,407
Opening liabilities		(1,157,716)	6,297	329,218	(822,201)	(1,260,931)	2,044	353,195	(905,692)
Net opening balance		**(823,286)**	**6,297**	**574,385**	**(242,604)**	**(1,269,680)**	**2,044**	**541,351**	**(726,285)**
Changes in the consolidated income statement and consolidated statement of comprehensive income									
Net (expenses)/income from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		(466,743)	2,592	348,308	(115,843)	(643,451)	4,183	489,722	(149,546)
Net (expenses)/income from reinsurance contracts held		(466,743)	2,592	348,308	(115,843)	(643,451)	4,183	489,722	(149,546)
Investment components		(84,955)	-	84,955	-	(88,004)	-	88,004	-
Net finance (expense)/income from reinsurance contracts held	*6*	(55,691)	301	-	(55,390)	352,256	112	9,491	361,859
Effect of movements in exchange rates		7,766	(139)	(4,266)	3,361	65,217	(42)	(25,720)	39,455
Total changes in the consolidated income statement and consolidated statement of comprehensive income		**(599,623)**	**2,754**	**428,997**	**(167,872)**	**(313,982)**	**4,253**	**561,497**	**251,768**
Cash flows									
Premiums paid		486,624	-	-	486,624	760,376	-	-	760,376
Amounts received		-	-	(369,413)	(369,413)	-	-	(531,313)	(531,313)
Other amounts paid		-	-	2,421	2,421	-	-	2,652	2,652
Total cash flows		**486,624**	**-**	**(366,992)**	**119,632**	**760,376**	**-**	**(528,661)**	**231,715**
Adjusted for:									
Non-cash operating expenses		-	-	193	193	-	-	198	198
Total non-cash items		**-**	**-**	**193**	**193**	**-**	**-**	**198**	**198**
Contracts derecognised on disposal of held for sale assets and liabilities		385,856	-	(211,953)	173,903	-	-	-	-
Net closing balance		**(550,429)**	**9,051**	**424,630**	**(116,748)**	**(823,286)**	**6,297**	**574,385**	**(242,604)**
Closing assets		126,021	-	244,320	370,341	334,430	-	245,167	579,597
Closing liabilities		(676,450)	9,051	180,310	(487,089)	(1,157,716)	6,297	329,218	(822,201)
Net closing balance		**(550,429)**	**9,051**	**424,630**	**(116,748)**	**(823,286)**	**6,297**	**574,385**	**(242,604)**

Reinsurance contract assets of US$18m (2022: US$18m) and reinsurance contract liabilities of US$79m (2022: US$53m) are expected to be recovered within 12 months after the reporting date.

20. Insurance contracts and reinsurance contracts held (continued)

Movement in carrying amounts (continued)

Analysis by measurement component of reinsurance contracts held not measured under the premium allocation approach

		Year ended 31 December 2023						
						CSM		
US$'000	*Note*	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Contracts under fair value approach	Other contracts	Total
Opening assets		(88,210)	(278)	668,085	579,597	564,995	103,090	668,085
Opening liabilities		(1,585,540)	275,674	487,665	(822,201)	110,434	377,231	487,665
Net opening balance		(1,673,750)	275,396	1,155,750	(242,604)	675,429	480,321	1,155,750
Net (expenses)/income from reinsurance contracts held								
Changes that relate to current services								
CSM recognised for services received		-	-	(27,630)	(27,630)	(26,077)	(1,553)	(27,630)
Change in risk adjustment for non-financial risk		-	2,088	-	2,088	-	-	-
Experience adjustments		(119,914)	-	-	(119,914)	-	-	-
Changes that relate to future services								
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		-	-	4,284	4,284	-	4,284	4,284
Contracts initially recognised in the year		9,393	17,429	(26,822)	-	-	(26,822)	(26,822)
Changes in estimates that adjust the CSM		(119,829)	(51,181)	171,010	-	75,245	95,765	171,010
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts		(1,081)	(369)	-	(1,450)	-	-	-
Changes that relate to past services		30,302	(3,523)	-	26,779	-	-	-
Total net (expenses)/income from reinsurance contracts held		**(201,129)**	**(35,556)**	**120,842**	**(115,843)**	**49,168**	**71,674**	**120,842**
Net finance (expenses)/income from reinsurance contracts held	*6*	(60,460)	-	5,070	(55,390)	6,054	(984)	5,070
Effect of movements in exchange rates		7,650	(3,813)	(476)	3,361	(2,832)	2,356	(476)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		**(253,939)**	**(39,369)**	**125,436**	**(167,872)**	**52,390**	**73,046**	**125,436**
Cash flows		119,632	-	-	119,632	-	-	-
Non-cash operating expenses		193	-	-	193	-	-	-
Contracts derecognised on disposal of held for sale assets and liabilities		865,544	(138,973)	(552,668)	173,903	7,575	(560,243)	(552,668)
Net closing balance		**(942,320)**	**97,054**	**728,518**	**(116,748)**	**735,394**	**(6,876)**	**728,518**
Closing assets		(162,890)	3,505	529,726	370,341	529,726	-	529,726
Closing liabilities		(779,430)	93,549	198,792	(487,089)	205,668	(6,876)	198,792
Net closing balance		**(942,320)**	**97,054**	**728,518**	**(116,748)**	**735,394**	**(6,876)**	**728,518**

20. Insurance contracts and reinsurance contracts held (continued)

Movement in carrying amounts (continued)

Analysis by measurement component of reinsurance contracts held not measured under the premium allocation approach (continued)

		Year ended 31 December 2022						
						CSM		
US$'000	*Note*	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Contracts under fair value approach	Other contracts	Total
Opening assets		(590,442)	2,018	767,831	179,407	767,831	-	767,831
Opening liabilities		(1,860,336)	290,814	663,830	(905,692)	208,465	455,365	663,830
Net opening balance		(2,450,778)	292,832	1,431,661	(726,285)	976,296	455,365	1,431,661
Net (expenses)/income from reinsurance contracts held								
Changes that relate to current services								
CSM recognised for services received		-	-	(97,999)	(97,999)	(93,808)	(4,191)	(97,999)
Change in risk adjustment for non-financial risk		-	(8,617)	-	(8,617)	-	-	-
Experience adjustments		(104,661)	-	-	(104,661)	-	-	-
Changes that relate to future services								
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		-	-	3,446	3,446	-	3,446	3,446
Contracts initially recognised in the year		(31,412)	30,679	733	-	-	733	733
Changes in estimates that adjust the CSM		172,547	(18,214)	(154,333)	-	(215,731)	61,398	(154,333)
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts		(32)	(29)	-	(61)	-	-	-
Changes that relate to past services		60,703	(2,357)	-	58,346	-	-	-
Total net income/(expenses) from reinsurance contracts held		**97,145**	**1,462**	**(248,153)**	**(149,546)**	**(309,539)**	**61,386**	**(248,153)**
Net finance income/(expenses) from reinsurance contracts held	*6*	349,679	-	12,180	361,859	13,627	(1,447)	12,180
Effect of movements in exchange rates		98,291	(18,898)	(39,938)	39,455	(4,955)	(34,983)	(39,938)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		**545,115**	**(17,436)**	**(275,911)**	**251,768**	**(300,867)**	**24,956**	**(275,911)**
Cash flows		231,715	-	-	231,715	-	-	-
Non-cash operating expenses		198	-	-	198	-	-	-
Net closing balance		**(1,673,750)**	**275,396**	**1,155,750**	**(242,604)**	**675,429**	**480,321**	**1,155,750**
Closing assets		(88,210)	(278)	668,085	579,597	564,995	103,090	668,085
Closing liabilities		(1,585,540)	275,674	487,665	(822,201)	110,434	377,231	487,665
Net closing balance		**(1,673,750)**	**275,396**	**1,155,750**	**(242,604)**	**675,429**	**480,321**	**1,155,750**

20. Insurance contracts and reinsurance contracts held (continued)

Movement in carrying amounts (continued)

Analysis by remaining coverage and incurred claims of insurance contracts measured under the premium allocation approach

		Year ended 31 December 2023					Year ended 31 December 2022				
		Liabilities for remaining coverage		Liabilities for incurred claims			Liabilities for remaining coverage		Liabilities for incurred claims		
US$'000	*Notes*	Excluding loss component	Loss component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Total	Excluding loss component	Loss component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets		60	-	94	-	154	18	-	9	-	27
Opening liabilities		46,587	-	98,090	4,900	149,577	80,622	-	140,241	5,060	225,923
Net opening balance		**46,647**	**-**	**98,184**	**4,900**	**149,731**	**80,640**	**-**	**140,250**	**5,060**	**225,950**
Insurance revenue	*5*	(538,452)	-	-	-	(538,452)	(545,030)	-	-	-	(545,030)
Insurance service expenses											
Incurred claims and other insurance service expenses		-	-	485,703	3,564	489,267	-	-	454,965	3,203	458,168
Amortisation of insurance acquisition cash flows		43,135	-	-	-	43,135	31,437	-	-	-	31,437
Adjustments to liabilities for incurred claims		-	-	(7,529)	(3,174)	(10,703)	-	-	(11,314)	(3,185)	(14,499)
Total insurance service expenses		43,135	-	478,174	390	521,699	31,437	-	443,651	18	475,106
Investment components		(4,966)	-	4,966	-	-	(783)	-	783	-	-
Insurance service result		**(500,283)**	**-**	**483,140**	**390**	**(16,753)**	**(514,376)**	**-**	**444,434**	**18**	**(69,924)**
Net finance (income)/expenses from insurance contracts	*6*	(76)	-	(255)	-	(331)	372	-	(190)	-	182
Effect of movements in exchange rates		(103)	-	134	5	36	(3,780)	-	(3,865)	(178)	(7,823)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		**(500,462)**	**-**	**483,019**	**395**	**(17,048)**	**(517,784)**	**-**	**440,379**	**(160)**	**(77,565)**
Cash flows											
Premiums received		575,320	-	-	-	575,320	504,523	-	-	-	504,523
Claims and other insurance service expenses paid, including investment components		-	-	(480,754)	-	(480,754)	-	-	(481,793)	-	(481,793)
Insurance acquisition cash flows paid		(36,496)	-	-	-	(36,496)	(18,675)	-	-	-	(18,675)
Total cash flows		**538,824**	**-**	**(480,754)**	**-**	**58,070**	**485,848**	**-**	**(481,793)**	**-**	**4,055**
Adjusted for:											
Non-cash operating expenses		(851)	-	(793)	-	(1,644)	(2,057)	-	(652)	-	(2,709)
Total non-cash items		**(851)**	**-**	**(793)**	**-**	**(1,644)**	**(2,057)**	**-**	**(652)**	**-**	**(2,709)**
Contracts derecognised on disposal of held for sale assets and liabilities		(17,342)	-	222	(1,617)	(18,737)	-	-	-	-	-
Net closing balance		**66,816**	**-**	**99,878**	**3,678**	**170,372**	**46,647**	**-**	**98,184**	**4,900**	**149,731**
Closing assets		698	-	687	18	1,403	60	-	94	-	154
Closing liabilities		66,118	-	99,191	3,660	168,969	46,587	-	98,090	4,900	149,577
Net closing balance		**66,816**	**-**	**99,878**	**3,678**	**170,372**	**46,647**	**-**	**98,184**	**4,900**	**149,731**

20. Insurance contracts and reinsurance contracts held (continued)

Movement in carrying amounts (continued)

Analysis by measurement component of reinsurance contracts held measured under the premium allocation approach

		Year ended 31 December 2023					Year ended 31 December 2022				
		Asset for remaining coverage		Asset for incurred claims			Asset for remaining coverage		Asset for incurred claims		
US$'000	*Note*	Excluding loss recovery component	Loss recovery component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Total	Excluding loss recovery component	Loss recovery component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets		(10,748)	-	22,420	304	11,976	(46,082)	-	93,571	1,254	48,743
Opening liabilities		(71,998)	-	71,031	951	(16)	504	-	260	6	770
Net opening balance		**(82,746)**	**-**	**93,451**	**1,255**	**11,960**	**(45,578)**	**-**	**93,831**	**1,260**	**49,513**
Changes in the consolidated income statement and consolidated statement of comprehensive income											
Net (expenses)/income from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		(198,663)	-	186,805	117	(11,741)	(191,987)	-	174,101	28	(17,858)
Net (expenses)/income from reinsurance contracts held		(198,663)	-	186,805	117	(11,741)	(191,987)	-	174,101	28	(17,858)
Investment components		-	-	-	-	-	(147)	-	147	-	-
Net finance income/(expenses) from reinsurance contracts held	*6*	214	-	(103)	-	111	(5,274)	-	(118)	-	(5,392)
Effect of movements in exchange rates		(104)	-	62	-	(42)	5,863	-	(69)	(33)	5,761
Total changes in the consolidated income statement and consolidated statement of comprehensive income		**(198,553)**	**-**	**186,764**	**117**	**(11,672)**	**(191,545)**	**-**	**174,061**	**(5)**	**(17,489)**
Cash flows											
Premiums paid		208,824	-	-	-	208,824	154,377	-	-	-	154,377
Amounts received		-	-	(194,170)	-	(194,170)	-	-	(175,860)	-	(175,860)
Other amounts paid		-	-	1,334	-	1,334	-	-	1,315	-	1,315
Total cash flows		**208,824**	**-**	**(192,836)**	**-**	**15,988**	**154,377**	**-**	**(174,545)**	**-**	**(20,168)**
Adjusted for:											
Non-cash operating expenses		-	-	108	-	108	-	-	104	-	104
Total non-cash items		**-**	**-**	**108**	**-**	**108**	**-**	**-**	**104**	**-**	**104**
Contracts derecognised on disposal of held for sale assets and liabilities		7,938	-	(14,059)	(232)	(6,353)	-	-	-	-	-
Net closing balance		**(64,537)**	**-**	**73,428**	**1,140**	**10,031**	**(82,746)**	**-**	**93,451**	**1,255**	**11,960**
Closing assets		(235)	-	10,866	117	10,748	(10,748)	-	22,420	304	11,976
Closing liabilities		(64,302)	-	62,562	1,023	(717)	(71,998)	-	71,031	951	(16)
Net closing balance		**(64,537)**	**-**	**73,428**	**1,140**	**10,031**	**(82,746)**	**-**	**93,451**	**1,255**	**11,960**

20. Insurance contracts and reinsurance contracts held (continued)

Effect of contracts initially recognised in the year

The following tables summarise the effect on the measurement components of insurance contracts and reinsurance contracts held arising from the initial recognition of contracts not measured under the premium allocation approach that were initially recognised in the year.

Insurance contracts

US$'000	Profitable contracts issued	Onerous contracts issued	Total
Year ended 31 December 2023			
Estimates of present value of future cash outflows			
Insurance acquisition cash flows	2,416,041	47,905	2,463,946
Claims payable and other expenses	9,646,864	306,640	9,953,504
Total estimates of present value of future cash outflows	**12,062,905**	**354,545**	**12,417,450**
Estimates of present value of future cash inflows	(14,769,090)	(337,844)	(15,106,934)
Risk adjustment for non-financial risk	79,827	3,460	83,287
Contractual service margin	2,626,358	-	2,626,358
Losses recognised on initial recognition	**-**	**20,161**	**20,161**
Year ended 31 December 2022			
Estimates of present value of future cash outflows			
Insurance acquisition cash flows	1,826,960	36,752	1,863,712
Claims payable and other expenses	7,087,351	228,072	7,315,423
Total estimates of present value of future cash outflows	**8,914,311**	**264,824**	**9,179,135**
Estimates of present value of future cash inflows	(11,057,505)	(252,808)	(11,310,313)
Risk adjustment for non-financial risk	113,598	4,580	118,178
Contractual service margin	2,029,596	-	2,029,596
Losses recognised on initial recognition	**-**	**16,596**	**16,596**

20. Insurance contracts and reinsurance contracts held (continued)

Effect of contracts initially recognised in the year (continued)

Reinsurance contracts held

US$'000	Year ended 31 December 2023 Contracts originated	Contracts acquired	Total	Year ended 31 December 2022 Contracts originated	Contracts acquired	Total
Estimates of present value of future cash inflows	338,386	-	338,386	384,425	-	384,425
Estimates of present value of future cash outflows	(328,993)	-	(328,993)	(415,836)	-	(415,836)
Risk adjustment for non-financial risk	17,429	-	17,429	30,678	-	30,678
Income recognised on initial recognition	(4,284)	-	(4,284)	(3,446)	-	(3,446)
Contractual service margin	**22,538**	**-**	**22,538**	**(4,179)**	**-**	**(4,179)**

Analysis of assets for insurance acquisition cash flows

US$'000	Year ended 31 December 2023	Year ended 31 December 2022
Opening balance presented in insurance contract assets	1,493,883	1,615,922
Opening balance presented in insurance contract liabilities	57,220	7,600
Total opening balance	**1,551,103**	**1,623,522**
Assets recognised for insurance acquisition cash flows paid during the year	3,820	110,845
Allocation to groups of insurance contracts	(5,526)	(60,294)
Amounts derecognised on disposal of held for sale assets and liabilities	(1,493,655)	-
Effect of movements in exchange rates	22	(122,970)
Total closing balance	**55,764**	**1,551,103**
Closing balance presented in insurance contract assets	50,124	1,493,883
Closing balance presented in insurance contract liabilities	5,640	57,220
Total closing balance	**55,764**	**1,551,103**

20. Insurance contracts and reinsurance contracts held (continued)

Analysis of assets for insurance acquisition cash flows (continued)

The following table illustrates when the Group expects to derecognise the assets for insurance acquisition cash flows and include those cash flows in the measurement of the group of insurance contracts to which they are allocated.

US$'000	Total	Five years or less	After five years through ten years	After ten years
31 December 2023				
Assets for insurance acquisition cash flows	**55,764**	**18,854**	**12,550**	**24,360**
31 December 2022				
Assets for insurance acquisition cash flows	**1,551,103**	**317,358**	**219,245**	**1,014,500**

Analysis of contractual service margin

The following table illustrates when the Group expects to recognise the remaining contractual service margin as revenue for contracts not measured under the premium allocation approach.

US$'000	Total	Five years or less	After five years through ten years	After ten years
31 December 2023				
Insurance contracts	**21,409,571**	**6,503,236**	**4,680,721**	**10,225,614**
Reinsurance contracts held	**728,518**	**126,241**	**101,567**	**500,710**
31 December 2022				
Insurance contracts	**19,712,453**	**6,083,625**	**4,192,498**	**9,436,330**
Reinsurance contracts held	**1,155,750**	**296,437**	**231,407**	**627,906**

20. Insurance contracts and reinsurance contracts held (continued)

Fulfilment cash flows

Estimates of future cash flows

The Group's objective in estimating future cash flows is to determine the expected value or probability-weighted mean of the full range of possible outcomes. The Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Group's view of current conditions at the reporting date and the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Group takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows are within the boundary of a contract if they arise from substantive right and obligations that exist during the reporting period. They relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance and administration costs, and recurring commissions payable on instalment premiums receivable within the contract boundary.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Methodology and assumptions

Mortality

Assumptions have been developed by each business unit based on their recent historical experience, and their expectations of current and expected future experience including mortality improvement. Where historical experience is not credible, reference has been made to pricing assumptions supplemented by market data, where available.

Mortality assumptions have been expressed as a percentage of either standard industry experience tables or, where experience is sufficiently credible, as a percentage of tables that have been developed internally by the Group.

Morbidity

Assumptions have been developed by each business unit based on their recent historical experience, and their expectations of current and expected future experience. Morbidity rate assumptions have been expressed as a percentage of standard industry experience tables or as expected claims ratios.

Persistency

Persistency covers the assumptions required, where relevant, for policy lapse (including surrender), premium persistency, premium holidays, partial withdrawals, policy loan take up and repayment and retirement rates for pension products.

Assumptions have been developed by each of the business units based on their recent historical experience, and their best estimate expectations of currency and expected future experience. Persistency assumptions would vary by policy year and product type with different rates for regular and single premium products where appropriate.

Where experience for a particular product was not credible enough to allow any meaningful analysis to be performed, experience for similar products was used as a basis for future persistency experience assumptions.

In the case of surrenders, the valuation assumes that current surrender value bases will continue to apply in the future.

20. Insurance contracts and reinsurance contracts held (continued)

Fulfilment cash flows (continued)

Methodology and assumptions (continued)

Expenses

The expense assumptions have been set based on the most recent expense analysis. The purpose of the expense analysis is to allocate total expenses between acquisition, maintenance and other activities, and then to allocate these acquisition and maintenance expenses that can be directly attributed to the portfolio of insurance contracts to derive unit cost assumptions.

Where the expenses associated with certain activities have been identified as being one-off, these expenses have been excluded from the expense analysis.

Expense assumptions have been determined for acquisition and maintenance activities that can be directly attributed to the portfolio of insurance contracts, split by product type, and unit costs expressed as a percentage of premiums, sum assured and an amount per policy. Where relevant, expense assumptions have been calculated per distribution channel.

Expense assumptions do not make allowance for any anticipated future expense savings as a result of any strategic initiatives aimed at improving policy administration and claims handling efficiency.

Assumptions for commission rates and other sales-related payments have been set in line with actual experience.

Reinsurance

Reinsurance assumptions have been developed by each business unit based on the reinsurance arrangements in-force as at the reporting date and the recent historical and expected future experience.

Policyholder dividends, profit sharing and interest crediting

The projected policyholder dividends, profit sharing and interest crediting assumptions set by each business unit reflect contractual and regulatory requirements, policyholders' reasonable expectations (where clearly defined) and each business unit's best estimate of future policies, strategies and operations consistent with the investment return assumptions.

Participating funds and other participating business with distinct portfolios surpluses have been assumed to be distributed between policyholders and shareholders via future final bonuses or at the end of the projection period so that there are no residual assets at the end of the projection period.

The assumed estimated crediting rates and participation percentages are generally based on the actual rates and percentages applied in the current year. The crediting rates applied vary between products and Group entities; in the current economic environment, the amounts credited are often determined by interest rate guarantees.

An adjustment to reflect the time value of money and the financial risks related to future cash flows

The Group adjusts the estimate of future cash flows to reflect the time value of money and the financial risks related to those cash flows. The cash flows are discounted by the discount rates to reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts.

The top-down approach has been primarily adopted for the derivation of discount rates. A top-down approach starts with considering a yield curve that reflects the current market rates of return of a reference portfolio of assets that have similar characteristics of the insurance contracts, and adjust this downwards to eliminate any factors not relevant to the insurance contracts (primarily the allowance for credit risk). The assessment of credit risk premium is done on external and internal ratings when the reference portfolio contains assets which are locally rated. Alternatively, a bottom-up approach could be used under which discount rates are determined by adjusting the liquid risk-free yield curve to reflect the liquidity characteristics of the insurance contracts.

In constructing the discount rates, market observable rates are used up to the last available market data point which is reliable and also relevant in reflecting the characteristics of the insurance contracts. The market observable rates are extrapolated between this point and an ultimate forward rate derived using long-term estimates by applying generally accepted technique such as Smith-Wilson method etc.

20. Insurance contracts and reinsurance contracts held (continued)

Fulfilment cash flows (continued)

Methodology and assumptions (continued)

An adjustment to reflect the time value of money and the financial risks related to future cash flows (continued)

The tables below set out the spot rates used to discount the cash flows of insurance contracts for major currencies. To reflect the liquidity characteristics of the insurance contracts, the risk-free spot rates are adjusted by an illiquidity premium.

As at 31 December 2023	1 year		5 years		10 years		15 years		20 years	
Spot rates	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
USD	4.73%	5.33%	3.78%	4.56%	3.79%	4.78%	3.89%	4.98%	4.21%	5.24%
HKD	4.28%	4.88%	3.27%	4.05%	3.29%	4.28%	3.41%	4.50%	3.73%	4.76%
KRW	3.39%	4.27%	3.13%	4.00%	3.15%	4.02%	3.12%	3.99%	3.05%	3.93%

As at 31 December 2022	1 year		5 years		10 years		15 years		20 years	
Spot rates	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
USD	4.62%	4.96%	3.88%	4.92%	3.75%	5.20%	3.84%	5.42%	4.10%	5.69%
HKD	4.85%	5.19%	3.96%	4.99%	3.78%	5.22%	3.82%	5.40%	4.08%	5.66%
KRW	3.71%	4.66%	3.70%	4.65%	3.70%	4.64%	3.70%	4.64%	3.63%	4.57%

For the insurance contracts with cash flows that vary based on the returns on any financial underlying items, the Group applies risk-neutral measurement techniques. Stochastic modelling is applied for insurance contracts with significant financial options and guarantees to estimate the expected present value. A large number of possible economic scenarios for market variables such as interest rates and equity returns are considered using risk neutral approach and consistent with market observable price.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are generally determined by considering the expected cash flows arising from insurance contracts in each segment for each of the geographical markets in which the Group operates, consistent with the way that non-financial risk is managed. Risk adjustments are determined separately from estimates from the present value of future cash flows, using the confidence level technique.

Applying a confidence level technique, the Group estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at 75th percentile (the target confidence level) over the expected present value of the future cash flows.

Contractual service margin

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

For a group of contracts that is onerous at the start of a reporting period and becomes profitable subsequently that CSM is recognised during the reporting period, the total amount of recognised CSM is released to profit or loss if there are no more future coverage units.

Investment components

The Group identifies the investment component of an insurance contract by determining the amount that it would be required to repay to the policyholder in all circumstances, regardless of whether an insured event occurs. Investment components are excluded from insurance revenue and insurance service expenses. Generally, for relevant contracts, surrender value would be determined as an investment component.

20. Insurance contracts and reinsurance contracts held (continued)

Underlying items of contracts with direct participation features

The following table sets out the composition and the fair value of the underlying items for the Group's contracts with direct participation features at the reporting date.

US$'000	As at 31 December 2023	As at 31 December 2022
Cash and cash equivalents	1,413,319	1,527,691
Financial investments and policy loans	74,415,702	66,447,694
Property held for own use and investment property	536,092	587,530
Investment in subsidiaries and associates	1,494,852	1,542,601
Other assets	1,363,330	1,503,348
Less: payables and other liabilities	(9,110,991)	(9,106,831)
Total	**70,112,304**	**62,502,032**

21. Investment contracts

US$'000	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
At beginning of financial year	**4,848,027**	**5,650,951**
Investment contract benefits	208,368	(771,598)
Fees charged	(45,015)	(54,467)
Net withdrawals and other movements(1)	(387,599)	45,869
Effect of foreign exchange movements	3,508	(22,728)
At end of financial year(2)	**4,627,289**	**4,848,027**

Notes:

(1) Include amount derecognised on disposal of held for sale assets and liabilities.

(2) Of investment contract liabilities, US$165m (2022: US$198m) represents deferred fee income. Movement of deferred fee income of US$33m (2022: US$32m) represents revenue recognised as a result of performance obligations satisfied during the year.

22. Loans/Notes due to ultimate holding company and other borrowings

Loans/notes due to ultimate holding company and other borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, loans/notes due to ultimate holding company and other 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 loans or notes using the effective interest method.

The Group obtained loans from ultimate holding company of US$439m, US$323m and US$67m, which are bearing interest rates of 3.20%, 3.49% and 3.20% respectively. The loan of US$439m is secured, while the remaining loans are unsecured. All loans due to ultimate holding company are repayable on respective repayment dates.

The Group has access to a US$100m revolving three-year credit facility expiring in 2024 following the extension of the facility by one year effective 28 July 2021. The revolving credit facility bears floating rate interest. There were no outstanding borrowings under this credit facility as of 31 December 2023 and 2022.

23. Obligations under repurchase agreements

The Group has entered into repurchase agreements whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. At 31 December 2023, the obligations under repurchase agreements were US$465m (2022: US$40m).

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$'000	As at 31 December 2023	As at 31 December 2022
Debt securities – FVOCI:		
Repurchase agreements	15,889	41,430
Debt securities – FVTPL:		
Repurchase agreements	475,374	-
Total	**491,263**	**41,430**

Collateral under repurchase agreements

At 31 December 2023 and 31 December 2022, there was no material collateral in respect of repurchase agreements.

24. 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$'000	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
31 December 2023						
Financial assets:						
Derivative assets	156,069	-	156,069	(1,987)	(15,110)	138,972
Total	**156,069**	**-**	**156,069**	**(1,987)**	**(15,110)**	**138,972**

US$'000	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	48,702	-	48,702	(1,715)	-	46,987
Total	**48,702**	**-**	**48,702**	**(1,715)**	**-**	**46,987**

24. 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$'000	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: Financial instruments	Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged	Net amount
31 December 2023						
Financial liabilities:						
Derivative liabilities	7,648,128	-	7,648,128	(8,593,945)	(20,185)	(966,002)
Repurchase agreements	465,069	-	465,069	(465,069)	-	-
Total	**8,113,197**	**-**	**8,113,197**	**(9,059,014)**	**(20,185)**	**(966,002)**

US$'000	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: Financial instruments	Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged	Net amount
31 December 2022						
Financial liabilities:						
Derivative liabilities	8,241,566	-	8,241,566	(9,620,883)	(99,188)	(1,478,505)
Repurchase agreements	40,021	-	40,021	(40,021)	-	-
Total	**8,281,587**	**-**	**8,281,587**	**(9,660,904)**	**(99,188)**	**(1,478,505)**

The Group entered into enforceable master netting agreements for derivative transactions, as well as the repurchase agreements for debt instruments with various counterparties. Except for certain futures contracts executed through clearing house mechanism where the settlement arrangement satisfied the IFRS Accounting Standards netting criteria, the transactions under the enforceable master netting agreements and similar agreements involving the exchange of financial instruments or cash as collateral do not satisfy the IFRS Accounting Standards netting criteria. The provision in the master netting agreement and similar agreements enables a party to terminate transactions early and settle at a net amount if a default or termination event occurs.

25. Provisions

US$'000	Employee benefits	Other	Total
At 1 January 2022 (restated)	**25,280**	**7,762**	**33,042**
Charged to the consolidated income statement	3,011	1,115	4,126
Credited to other comprehensive income	(12,097)	-	(12,097)
Exchange differences	110	(207)	(97)
Released during the year	586	(1,787)	(1,201)
Utilised during the year	(4,893)	(885)	(5,778)
Other movements	(155)	(205)	(360)
At 31 December 2022 (restated)	**11,842**	**5,793**	**17,635**
Charged to the consolidated income statement	2,820	2,821	5,641
Credited to other comprehensive income	(183)	-	(183)
Exchange differences	190	(17)	173
Released during the year	671	(1,185)	(514)
Utilised during the year	(1,050)	(350)	(1,400)
Other movements	4,525	-	4,525
Disposal of held for sale liabilities	-	(1,517)	(1,517)
At 31 December 2023	**18,815**	**5,545**	**24,360**

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.

26. Other liabilities

US$'000	As at 31 December 2023	As at 31 December 2022 (restated)
Trade and other payables	1,077,837	812,361
Lease liabilities	102,769	115,013
Total	**1,180,606**	**927,374**

Trade and other payables are generally expected to be settled within 12 months after the end of the reporting period.

27. Share capital and reserves

Share capital

	As at 31 December 2023		As at 31 December 2022	
	Shares'000	US$'000	Shares'000	US$'000
Authorised				
Ordinary shares of US$1.2 each	6,500	7,800	6,500	7,800
Issued and fully paid[(1)]				
At beginning and end of the financial year	**6,500**	**7,800**	**6,500**	**7,800**
Share premium		**945**		**945**
Capital contribution				
At beginning of the financial year		**2,913,882**		**2,844,040**
Increase during the year		68,526		69,842
At end of the financial year		**2,982,408**		**2,913,882**

Note:

(1) Issued capital represent the nominal value of shares issued plus any share premium received from the issue of share capital.

There were no shares issued under share option schemes during the year ended 31 December 2023 (2022: nil). The Group and its subsidiaries have not undertaken any purchase, sale, or redemption of the Group's issued share capital in the reporting period.

Reserves

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of debt securities measured at fair value through other comprehensive income held at the end of the reporting period plus the related loss allowance recognised in profit or loss until the assets are derecognised.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

Insurance finance reserve

The insurance finance reserve comprises the cumulative insurance finance income or expenses recognised in other comprehensive income.

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.

28. Non-controlling interests

US$'000	As at 31 December 2023	As at 31 December 2022 (restated)
Share of earnings	197,243	205,044
Share of other reserves	(871)	(448)
Total	**196,372**	**204,596**

29. 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 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 the Group's capacity to pay dividends to its shareholders.

Group Regulatory Solvency

The Group is in compliance with the solvency and capital adequacy requirements applied by its regulators. The Group's primary insurance regulators at the Company level are the Bermuda Monetary Authority (BMA), and the Hong Kong Insurance Authority (HKIA), which requires that the Company meets the solvency margin requirements of the Hong Kong Insurance Ordinance (HKIO). The HKIO (among other matters) sets minimum solvency margin requirements that an insurer must meet in order to be authorised to carry on insurance business in or from Hong Kong. In 2022, the HKIA approved the Company to early adopt Hong Kong Risk-based Capital (HKRBC) Regime via letters dated 8 April 2022 and 29 June 2022 with effect from 1 January 2022 (together HKIA Approval Letters). The Company is subject to regulation in each of the geographical markets in which it operates. The Company is also regulated in Bermuda by the BMA as the Company is licensed as a Class 3 general business and as a Class E long-term insurer under the Insurance Act in Bermuda.

The HKRBC capital position of the Company as of 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023			31 December 2022		
US$'000	Total eligible capital	Prescribed capital requirement	Solvency ratio	Total eligible capital	Prescribed capital requirement	Solvency ratio
The Company	22,988	9,925	232%	22,396	8,972	250%

For the purpose of meeting solvency and capital adequacy requirements under HKRBC, eligible capital resources are derived based on eligibility of the assets in excess of liabilities on an economic basis defined by HKRBC. Prescribed capital requirement (PCR) is calculated in accordance with the Technical Specifications of the Hong Kong Risk Based Capital for early adoption (Early Adoption Technical Specifications) attached in the HKIA Approval Letters. The solvency ratio under HKRBC is the ratio of total eligible capital to PCR.

Local Regulatory Solvency

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

Dividends, remittances and other payments from individual branches and subsidiaries

The ability of the Group 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 the Company, 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.

30. Risk management

Risk management framework

The Group recognises the importance of sound risk management in every aspect of our business and for all our stakeholders. The Risk Management Framework (RMF) provides the structure for identifying, quantifying and mitigating risk across the Group. An effective RMF is the key to avoiding the financial and reputational damage that arises from inadequate or ineffective control of the risks in the business.

Insurance risk

Insurance risk relates to changes in claims experience, business expenses, and the acquisition and persistency of insurance business. This also includes changes to assumptions regarding future experience for these risks.

The Group manages insurance risk concentration by diversification, reinsurance and establishing retention limits. For the years ended 31 December 2023 and 31 December 2022, there were no significant insurance concentration risks.

Pandemic and catastrophe risk

The Group is also exposed to morbidity and mortality risk related to a single event, namely pandemics, natural catastrophic events or human-made disasters.

Geographical concentration of insured individuals could increase the severity of this risk. However, the Group's insured populations are geographically dispersed, thereby diversifying the exposure to pandemic and catastrophe risk. In addition, the Group limits its exposure to large claims arising from a catastrophe by purchasing reinsurance to cover losses due to a single catastrophic event exceeding a pre-determined level.

Climate change could increase the odds of pandemic and/or catastrophic events. Whilst the effect of climate change to AIA as a life and health insurer is expected to be relatively smaller than a general insurer, the Group will continue to evolve the climate scenario analysis, with the advancement of reliable data and methodologies, in evaluating the impacts of climate change to its portfolio.

Expense risk

Expense risk is the risk of greater than expected trends in, or sudden shocks to, the amount or timing of expenses incurred by the business.

Operations follow a disciplined budgeting and control process that allows for the management of expenses based on the Group's very substantial experience within the markets in which we operate.

Morbidity and mortality risk

Morbidity and mortality risk is the risk that the incidence and/or amounts of medical, critical illness, disability, death or survival claims are higher than the assumptions made in pricing and/or reserving.

The Group adheres to well-defined market-oriented underwriting and claims guidelines and practices that have been developed based on extensive historical experience and with the assistance of professional reinsurers.

The Group's actuarial teams conduct regular experience studies of all the insurance risk factors in its portfolio. These internal studies together with external data are used to identify the impact of emerging trends, such as medical technology, health and wellness, climate change and long COVID-19, which can then be used to inform product design, pricing, underwriting, claims management and reinsurance needs.

The Group limits its exposure to new risks and large claims on any single insured life by applying retention limits that vary by market and insurance benefit type to the amount of insurance coverage per insured. The exposure in excess of these limits is ceded to reinsurers.

Persistency (Lapse) risk

Persistency (Lapse) risk arises from policies lapsing, on average, differently to that assumed in the pricing or reserving assumptions. Persistency risk is assessed as part of the product development process and monitored through regular experience studies.

Ensuring customers buy products that sustainably meet their needs is central to the Group's Operating Philosophy. Through effective implementation of the Business Quality Framework, comprehensive sales training programmes and active monitoring of sales activities and persistency, the Group seeks to ensure that appropriate products are sold by qualified sales representatives and that standards of service consistently meet our customers' needs.

30. Risk management (continued)

Insurance risk (continued)

Sensitivity analysis on insurance risk

The table below sets out the sensitivity analysis in respect of insurance contracts and reinsurance contracts held to key variables affecting insurance risk exposures. This analysis assumes that all other variables remain constant. Information below presents the sensitivities both before and after risk mitigation by reinsurance, and illustrates the estimated impact on profits and total equity arising from a change in a single variable before taking into account the effects of taxation. The effects on these items are mainly as below:

- The effects on profit or loss are changes relating to CSM recognised for services provided, loss components and changes in insurance finance income or expenses that are recognised in profit or loss.
- The effects on equity are the effects on profit and loss and the effects on other comprehensive income arising from changes in insurance finance income or expenses.

Sensitivity analysis before risk mitigation by reinsurance[1][2]

US$'000	Impact on profit before tax	Impact on total equity (before the effects of taxation)
31 December 2023		
10% increase in attributable expenses	(17,533)	3,242
10% decrease in attributable expenses	17,111	(3,517)
10% increase in mortality/morbidity rates	(196,144)	325,070
10% decrease in mortality/morbidity rates	83,566	(448,840)
10% increase in lapse/discontinuance rates	(14,391)	186,772
10% decrease in lapse/discontinuance rates	12,845	(223,819)
31 December 2022 (restated)		
10% increase in attributable expenses	(18,702)	7,969
10% decrease in attributable expenses	19,539	(11,083)
10% increase in mortality/morbidity rates	(345,453)	325,509
10% decrease in mortality/morbidity rates	156,540	(537,622)
10% increase in lapse/discontinuance rates	(8,985)	160,065
10% decrease in lapse/discontinuance rates	5,219	(201,796)

Sensitivity analysis after risk mitigation by reinsurance[1][2]

US$'000	Impact on profit before tax	Impact on total equity (before the effects of taxation)
31 December 2023		
10% increase in attributable expenses	(17,423)	3,354
10% decrease in attributable expenses	16,999	(3,629)
10% increase in mortality/morbidity rates	(185,749)	328,846
10% decrease in mortality/morbidity rates	75,539	(450,363)
10% increase in lapse/discontinuance rates	(13,756)	185,642
10% decrease in lapse/discontinuance rates	12,231	(222,557)
31 December 2022 (restated)		
10% increase in attributable expenses	(18,592)	8,082
10% decrease in attributable expenses	19,362	(11,265)
10% increase in mortality/morbidity rates	(327,871)	303,067
10% decrease in mortality/morbidity rates	142,920	(509,125)
10% increase in lapse/discontinuance rates	(8,565)	158,902
10% decrease in lapse/discontinuance rates	4,652	(200,760)

Notes:

(1) At 31 December 2022, the assets and liabilities of AIA Sovereign Ltd and its subsidiaries (collectively "AIA Sovereign") were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on AIA Sovereign's assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

(2) The sensitivity analysis on insurance risk includes the impact of unit-linked contracts under IFRS 17.

30. Risk management (continued)

Investment and financial risks

Investment management objectives, policies and processes

The Group manages its financial investments in two distinct categories: unit-linked investments and policyholder and shareholder investments. The investment risk in respect of unit-linked investments is generally borne by our customers, and the investment return gains or losses are largely offset by the changes in fair value of underlying items. Policyholder and shareholder investments include all financial investments other than unit-linked investments. The investment risk in respect of policyholder and shareholder investments is partially or wholly borne by the Group and directly affects the profit before tax.

Policyholder and shareholder investments are further categorised as participating funds, other participating business with distinct portfolios and other policyholder and shareholder.

The primary investment objectives of our policyholder and shareholder investments are generally designed to achieve optimal levels of risk-adjusted return for policyholders and shareholders over the long term, while preserving capital, maintaining adequate solvency and liquidity levels, meeting our risk management and asset-liability management objectives and ensuring full compliance with applicable regulations and internal policies.

The Group has comprehensive, integrated frameworks to ensure investments are properly authorised, monitored and managed within internal policies that address asset-liability management, financial and operational risks, whether assets are invested directly by the Group or through external investment managers. This framework consists of three elements: a strategic asset allocation framework; a tactical asset allocation process; and a combination of internal and external investment management for individual asset classes where appropriate.

The Group's investment management function is empowered with decision-making authority and complies with exposure limits as defined in Risk Standards.

Climate change, and the transition to net zero, create risks for the financial system. The Group recognises the potential investment losses due to climate risk in the long term and, as a result, it mandates the consideration of various Environmental, Social and Governance (ESG) factors, including climate change, in the bottom-up investment process applicable to its general account assets. The Group has developed internal ESG scoring methodologies to assess relevant ESG factors in potential and actual investee companies in relation to our directly managed general account assets and to assess external asset managers on their approach to both ESG engagement with investee companies and the assessment of ESG factors for investment decisions. The Group will continue to enhance its climate scenario analysis in assessing the impacts of climate change on its investment assets.

Asset-liability management

Asset-liability management for the Group is overseen by the Group Asset-Liability Committee and by asset-liability committees in each business unit. The Group manages its asset-liability risks in a variety of ways, including the strategic asset allocation process under which the strategic asset allocation in each entity and for major different product groups is governed, defining the asset allocation with consideration of the characteristics of the liabilities and related risks, capital and other requirements on both economic and regulatory bases. The Group manages asset-liability risks predominantly on an economic basis, while also considering the effect on all applicable regulatory solvency requirements and other considerations such as earnings. Asset-liability management actions include product pricing and product design, reviews of policyholder dividends asset allocation, hedging using derivatives, reinsurance, and the management of discretionary policyholder benefits. The asset-liability risks for the Group are credit risk, credit spread risk, interest rate risk, equity risk, foreign exchange rate risk, and liquidity risk. The exposures and sensitivity analysis are detailed below.

Credit risk

Credit risk arises from third parties failing to meet their obligations to the Group when they fall due. Although the primary source of credit risk is the Group's investment portfolio, such risk can also arise through reinsurance and treasury activities.

The Group's credit risk management oversight process is governed centrally, but provides for decentralised management and accountability by our lines of defence. Fundamental to AIA's credit risk management is adherence to a well-controlled underwriting process. Credit risk limits are applied to control concentrations in individual exposures, sector and cross-border investments. A detailed analysis of each counterparty is performed and a rating is determined by the investment teams according to an internal rating framework. The Group's Risk Management function manages the Group's internal ratings framework and conducts periodic rating validations. Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk.

30. Risk management (continued)

Investment and financial risks (continued)

Exposure to credit risk

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

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

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

Note:

(1) Unless otherwise identified individually.

Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk. The Group's processes for measuring expected credit losses include processes for initial approval, regular validation and back-testing of the models used, and incorporation of forward-looking information.

The Group monitors concentrations of credit arising from investment in debt securities by type, nature and rating as shown in note 14. Reinsurance is ceded across all geographical regions in which the Group operates. The Group does not have excessive credit risk with any single reinsurer.

The following table sets out information about the credit quality of reinsurance contract assets and financial assets not measured at FVTPL.

Reinsurance contract assets[(1)]

US$'000	As at 31 December 2023	As at 31 December 2022 (restated)
Investment grade	379,847	405,295
Below investment grade	240	293
Not rated	1,002	87
Total	**381,089**	**405,675**

Note:

(1) At 31 December 2022, the assets and liabilities of AIA Sovereign Ltd and its subsidiaries (collectively "AIA Sovereign") were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on AIA Sovereign's assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

30. Risk management (continued)

Investment and financial risks (continued)

Exposure to credit risk (continued)

Financial assets measured at amortised cost(1)(2)

	As at 31 December 2023				As at 31 December 2022 (restated)			
US$'000	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Debt securities								
AAA	31,464	-	-	31,464	31,444	-	-	31,444
AA	489,574	-	-	489,574	426,765	-	-	426,765
A	985,337	-	-	985,337	890,329	-	-	890,329
BBB	497,300	-	-	497,300	368,746	-	-	368,746
Below investment grade	14,002	14,542	-	28,544	876	14,563	-	15,439
Total gross carrying amount	2,017,677	14,542	-	2,032,219	1,718,160	14,563	-	1,732,723
Loss allowance	(3,843)	(1,668)	-	(5,511)	(3,494)	(1,503)	-	(4,997)
Amortised cost	**2,013,834**	**12,874**	**-**	**2,026,708**	**1,714,666**	**13,060**	**-**	**1,727,726**
Loans and deposits								
AAA	15,151	-	-	15,151	-	-	-	-
AA	-	-	-	-	49,322	-	-	49,322
A	373,582	-	-	373,582	302,575	-	-	302,575
BBB	23,500	-	-	23,500	7,800	-	-	7,800
Below investment grade	803,620	100	-	803,720	685,141	-	-	685,141
Not rated	53,332	63	11,704	65,099	55,982	219	2,156	58,357
Total gross carrying amount	1,269,185	163	11,704	1,281,052	1,100,820	219	2,156	1,103,195
Loss allowance	(9,493)	-	(1,310)	(10,803)	(16,122)	-	(1,860)	(17,982)
Amortised cost	**1,259,692**	**163**	**10,394**	**1,270,249**	**1,084,698**	**219**	**296**	**1,085,213**

Financial assets measured at fair value through other comprehensive income(1)

	As at 31 December 2023				As at 31 December 2022 (restated)			
US$'000	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Debt securities								
AAA	954,199	-	-	954,199	57,350	-	-	57,350
AA	10,221,784	-	-	10,221,784	10,006,401	-	-	10,006,401
A	7,568,051	-	-	7,568,051	7,844,877	-	-	7,844,877
BBB	7,200,584	-	-	7,200,584	8,150,494	-	-	8,150,494
Below investment grade	1,168,220	108,471	153,228	1,429,919	1,203,470	142,306	40,699	1,386,475
Total gross carrying amount	27,112,838	108,471	153,228	27,374,537	27,262,592	142,306	40,699	27,445,597
Loss allowance	(60,357)	(3,966)	(142,043)	(206,366)	(89,297)	(6,827)	(32,546)	(128,670)
Amortised cost	**27,052,481**	**104,505**	**11,185**	**27,168,171**	**27,173,295**	**135,479**	**8,153**	**27,316,927**
Carrying amount – fair value	**25,564,064**	**75,548**	**11,093**	**25,650,705**	**23,840,771**	**92,258**	**8,308**	**23,941,337**

Notes:

(1) *At 31 December 2022, the assets and liabilities of AIA Sovereign were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on AIA Sovereign's assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.*

(2) *The Group's maximum exposure to credit risk of accrued investment income and cash and cash equivalents is limited to the carrying amounts of the assets, the majority of which is arising from the financial assets rated as investment grade and deposits with reputable financial institutions.*

30. 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 key drivers of spread risk – credit rating and spread duration – are managed for capital efficiency, taking into account both the economic risk and the local solvency capital considerations. The risk is monitored by the business units, with special attention paid to any issuers with credit ratings close to the lower boundary of Investment Grade.

Interest rate risk

Interest rate risk is primarily measured through the duration gap, which provides an understanding of the implications of interest rates movements on surplus. Since most markets do not have assets of sufficient tenor to match life insurance liabilities, an uncertainty arises around the reinvestment of maturing assets to match the Group's insurance liabilities.

The Group manages interest rate risk primarily on an economic basis. Interest rate risk on the local solvency basis is also taken into consideration for business units where local solvency regimes deviate from the economic basis. Furthermore, AIA actively manages interest rate risk by extending asset duration, managing liability duration, repricing products, and implementing appropriate hedging programmes and reinsurance solutions where possible. For products with discretionary benefits, additional modelling of interest rate risk is performed to guide the determination of appropriate management actions. Management also takes into consideration the asymmetrical impact of interest rate movements when evaluating products with options and guarantees.

Exposure to interest rate risk

The table below summarises the nature of the interest rate risk associated with financial assets and financial liabilities. In preparing this analysis, fixed rate interest bearing instruments that mature or reprice within 12 months of the reporting date have been disclosed as variable rate instruments.

US$'000	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2023				
Financial instruments				
Financial assets				
Loans and deposits	380,254	888,355	1,640	1,270,249
Receivables	489	-	270,073	270,562
Debt securities	5,961,707	70,929,429	-	76,891,136
Equity shares and interests in investment funds	-	-	32,303,259	32,303,259
Accrued investment income	-	-	911,939	911,939
Cash and cash equivalents	818,698	-	1,432,999	2,251,697
Derivative financial instruments	-	-	156,069	156,069
Total financial assets	**7,161,148**	**71,817,784**	**35,075,979**	**114,054,911**
Financial liabilities				
Investment contract liabilities	-	-	4,462,317	4,462,317
Loans due to ultimate holding company	-	829,000	-	829,000
Obligations under repurchase agreements	-	465,069	-	465,069
Other liabilities	2,594	100,204	1,077,808	1,180,606
Derivative financial instruments	-	-	7,648,128	7,648,128
Total financial liabilities	**2,594**	**1,394,273**	**13,188,253**	**14,585,120**
Insurance contracts and reinsurance contracts held				
Liabilities				88,950,515
Assets				566,365

30. Risk management (continued)

Investment and financial risks (continued)

Exposure to interest rate risk (continued)

US$'000	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2022 (restated) (1)				
Financial instruments				
Financial assets				
Loans and deposits	389,626	693,201	2,386	1,085,213
Receivables	489	-	253,751	254,240
Debt securities	3,812,853	64,621,258	-	68,434,111
Equity shares and interests in investment funds	-	-	29,652,305	29,652,305
Accrued investment income	-	-	872,928	872,928
Cash and cash equivalents	1,096,972	-	2,395,630	3,492,602
Derivative financial instruments	-	-	48,702	48,702
Total financial assets	**5,299,940**	**65,314,459**	**33,225,702**	**103,840,101**
Financial liabilities				
Investment contract liabilities	-	-	4,323,808	4,323,808
Loans due to ultimate holding company	-	829,000	-	829,000
Obligations under repurchase agreements	40,021	-	-	40,021
Other liabilities	2,527	103,744	764,842	871,113
Derivative financial instruments	-	-	8,241,566	8,241,566
Total financial liabilities	**42,548**	**932,744**	**13,330,216**	**14,305,508**
Insurance contracts and reinsurance contracts held				
Liabilities				78,494,545
Assets				1,046,774

Note:

(1) At 31 December 2022, the assets and liabilities of AIA Sovereign were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on AIA Sovereign's assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

Equity risk

Equity risk arises from changes in the market value of equity shares and interests in investment funds. Investments in equity shares and interests in investment funds on a long-term basis are expected to align with policyholders' expectations, provide diversification benefits and enhance returns. The extent of exposure to equities at any time is subject to the terms of the Group's strategic asset allocations. Equity risk arising from the underlying items of participating contracts is generally borne by policyholders except to the extent of the Group's share of the performance of the underlying items. The Group is also exposed to equity price risk from equity guarantees in variable contracts and hedges its exposure using equity derivatives.

Equity risk is managed through strategic asset allocation and tactical asset allocation. Equity investments are subject to benchmarks and controls relating to maximum concentration and tracking errors. Equity limits are also applied to contain concentration risk of individual stocks and sectors, liquidity as well as equity volatility. Equity exposures are included in the aggregate exposure reports on each individual counterparty to ensure concentrations are avoided.

30. Risk management (continued)

Investment and financial risks (continued)

Sensitivity analysis

Sensitivity analysis to the key variables, namely interest rate and equity risks, affecting insurance contracts and reinsurance contracts held, and financial instruments held by the Group is set out below. The carrying values of other financial assets are not subject to changes in response to movements in interest rates or equity prices. In calculating the sensitivity to changes in interest rates and equity prices, the Group has made assumptions about the corresponding impact of asset valuations on liabilities to policyholders. The market risk in respect of unit-linked investments is generally borne by our customers, and the investment return gains or losses are largely offset by the changes in fair value of underlying items. Policyholder and shareholder investments include all financial investments other than unit-linked investments.

Information is presented to illustrate the estimated impact on profits and total equity arising from a change in a single variable before taking into account the effects of taxation. The effects on these items are mainly as follows:

- The effects on profit or loss are changes relating to CSM recognised for services provided, loss components and changes in investment return, insurance finance income or expenses and foreign exchange differences that are recognised in profit or loss.
- The effects on equity are the effects on profit or loss, and the effects on other comprehensive income arising from net changes in net investment results and net insurance finance income or expenses.

The impact of any impairments of financial assets has been ignored for the purpose of illustrating the sensitivity of profit before tax and total equity before the effects of taxation to changes in interest rates and equity prices on the grounds that default events reflect the characteristics of individual issuers.

Sensitivity analysis on interest rate risk(1)(2)

An analysis of the Group's sensitivity to 50 basis points parallel increase or decrease in yield curves at the reporting date, assuming that all other variables remain constant, is presented below.

US$'000	Impact on profit before tax	Impact on total equity (before the effects of taxation)
31 December 2023		
+ 50 basis points shift in yield curves:		
Insurance contracts and reinsurance contracts held	4,816,871	5,119,147
Financial instruments	(4,837,227)	(6,031,829)
	(20,356)	**(912,682)**
- 50 basis points shift in yield curves:		
Insurance contracts and reinsurance contracts held	(5,406,677)	(5,805,079)
Financial instruments	5,426,830	6,744,205
	20,153	**939,126**
31 December 2022 (restated)		
+ 50 basis points shift in yield curves:		
Insurance contracts and reinsurance contracts held	4,443,252	4,819,051
Financial instruments	(4,462,747)	(5,579,637)
	(19,495)	**(760,586)**
- 50 basis points shift in yield curves:		
Insurance contracts and reinsurance contracts held	(5,001,973)	(5,433,484)
Financial instruments	5,025,337	6,252,334
	23,364	**818,850**

Notes:

(1) At 31 December 2022, the assets and liabilities of AIA Sovereign were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on AIA Sovereign's assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

(2) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

30. Risk management (continued)

Investment and financial risks (continued)

Sensitivity analysis on equity risk[1][2]

An analysis of the Group's sensitivity to 10 per cent increase or decrease in equity prices at the reporting date, assuming that all other variables remain constant, is presented below.

US$'000	Impact on profit before tax	Impact on total equity (before the effects of taxation)
31 December 2023		
10 per cent increase in equity prices:		
Insurance contracts and reinsurance contracts held	(1,918,177)	(1,918,175)
Financial instruments	2,269,525	2,269,525
	351,348	**351,350**
10 per cent decrease in equity prices:		
Insurance contracts and reinsurance contracts held	1,918,009	1,918,008
Financial instruments	(2,269,525)	(2,269,525)
	(351,516)	**(351,517)**
31 December 2022 (restated)		
10 per cent increase in equity prices:		
Insurance contracts and reinsurance contracts held	(1,679,093)	(1,679,091)
Financial instruments	1,976,194	1,976,194
	297,101	**297,103**
10 per cent decrease in equity prices:		
Insurance contracts and reinsurance contracts held	1,679,249	1,679,247
Financial instruments	(1,976,194)	(1,976,194)
	(296,945)	**(296,947)**

Notes:

(1) At 31 December 2022, the assets and liabilities of AIA Sovereign were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on AIA Sovereign's assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

(2) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

30. Risk management (continued)

Investment and financial risks (continued)

Foreign exchange rate risk

The Group's foreign exchange rate risk arises mainly from the Group's operations in multiple markets in Asia and the translation of multiple currencies to the US dollar for financial reporting purposes. The balance sheet values of our operating units and subsidiaries are not hedged to the Group's presentation currency, the US dollar.

Assets, liabilities and local regulatory and stress capital in each business unit are generally currency matched except for holdings of equities and other non-fixed income assets denominated in currencies other than the functional currency. Bonds denominated in currencies other than the functional currency are hedged with cross-currency swaps or foreign exchange forward contracts.

Exposure to foreign exchange rates[(1)(2)]

US$'000	United States Dollar	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit	China Renminbi	South Korean Won
31 December 2023							
Insurance contracts and reinsurance contracts held							
Assets	-	627,900	-	-	-	2,159	6,439
Liabilities	(65,504,339)	(4,236,632)	(39)	(880)	-	(201,393)	(8,341,079)
Financial instruments							
Assets	87,856,970	100,646	-	900	-	264,854	10,225,708
Liabilities	(11,090,428)	(1,035,731)	(131)	(150)	(5)	-	-
Net positions of currency derivatives	(583,187)	-	-	-	-	-	440,765
31 December 2022 (restated)							
Insurance contracts and reinsurance contracts held							
Assets	210,782	672,028	-	-	-	1,230	556
Liabilities	(56,372,117)	(3,895,543)	-	-	-	(74,396)	(7,672,505)
Financial instruments							
Assets	72,084,992	2,873,355	151,467	389,946	67,078	922,178	10,011,456
Liabilities	(11,268,873)	(676,540)	(70)	(360)	(23)	-	-
Net positions of currency derivatives	(1,676,332)	301,088	-	-	-	-	535,643

Notes:

(1) *At 31 December 2022, the assets and liabilities of AIA Sovereign were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on AIA Sovereign's assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.*

(2) *The scope of this exposure to foreign exchange rates excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.*

30. Risk management (continued)

Investment and financial risks (continued)

Sensitivity analysis on foreign exchange rate risk[1]

A reasonably possible strengthening or weakening of the following currencies against all other currencies at the reporting date would have affected the measurement of insurance contracts and reinsurance contracts held and financial instruments denominated in foreign currency and affected the profit before tax and total equity by the amounts shown below. This analysis assumes that all other variables remain constant.

US$'000	United States Dollar	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit	China Renminbi	South Korean Won
31 December 2023							
5% strengthening of original currency							
Impact on profit before tax							
Insurance contracts and reinsurance contracts held	(111,523)	12,833	(2)	(11)	-	(11,121)	-
Financial instruments	141,530	(46,611)	(7)	38	-	13,123	(1)
Impact on total equity							
Insurance contracts and reinsurance contracts held	-	(9,305)	(2)	(11)	-	(11,212)	(416,732)
Financial instruments	-	(46,754)	(7)	38	-	13,243	533,324
5% strengthening of the US dollar							
Impact on profit before tax							
Insurance contracts and reinsurance contracts held	(111,523)	(12,222)	2	10	-	8,927	-
Financial instruments	141,530	44,396	3	(34)	-	(9,420)	1
Impact on total equity							
Insurance contracts and reinsurance contracts held	-	8,862	2	10	-	10,679	396,887
Financial instruments	-	44,528	6	(36)	-	(12,612)	(507,927)

Note:

(1) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

30. Risk management (continued)

Investment and financial risks (continued)

Sensitivity analysis on foreign exchange rate risk[1][2] (continued)

US$'000	United States Dollar	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit	China Renminbi	South Korean Won
31 December 2022 (restated)							
5% strengthening of original currency							
Impact on profit before tax							
Insurance contracts and reinsurance contracts held	(81,461)	(110,962)	(7,573)	(19,497)	(3,353)	(43,244)	(39,412)
Financial instruments	69,876	125,514	7,570	19,479	3,353	45,944	39,412
Impact on total equity							
Insurance contracts and reinsurance contracts held	-	(132,442)	(7,573)	(19,497)	(3,353)	(43,344)	(423,009)
Financial instruments	-	124,895	7,570	19,479	3,353	46,109	527,355
5% strengthening of the US dollar							
Impact on profit before tax							
Insurance contracts and reinsurance contracts held	(81,461)	105,678	7,212	18,569	3,193	39,387	37,535
Financial instruments	69,876	(119,531)	(7,212)	(18,550)	(3,193)	(40,242)	(37,535)
Impact on total equity							
Insurance contracts and reinsurance contracts held	-	126,136	7,212	18,569	3,193	41,280	402,866
Financial instruments	-	(118,948)	(7,209)	(18,552)	(3,193)	(43,913)	(502,243)

Notes:

(1) The scope of this sensitivity analysis excludes unit-linked investments on the basis that the market risk in respect of unit-linked investments is generally borne by our customers.

(2) At 31 December 2022, the assets and liabilities of AIA Sovereign were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on AIA Sovereign's assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

30. Risk management (continued)

Investment and financial risks (continued)

Liquidity risk

The Group defines liquidity risk as the risk of failure to meet current and future financial commitments as they fall due. This incorporates the risks arising from the timing mismatch of cash inflows and outflows in day-to-day operations, including policyholder and third-party payments, collateral requirements, as well as insufficient market liquidity of assets required for policyholder liabilities.

The Group manages liquidity risk in accordance with AIA Group's Board approved liquidity framework. This framework contains the standards, procedures, and tools used by the Group to monitor and manage liquidity risk on a forward-looking basis in base and stressed conditions across multiple time horizons from daily to monthly time steps for 12-month period, as well as a projection in line with strategic planning. The forward-looking management of liquidity over short to longer-term horizons allows for the early detection of risks and enables management to action the pre-defined liquidity contingency plans. The framework is comprised of four pillars:

- Daily Cash Forecasting and Liquidity Adequacy Ratio;
- Structural Liquidity Adequacy Ratio;
- Liquidity Projection over the Strategic Planning Period; and
- Liquidity Management and Contingency Plans.

The Group 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 and use of bond repurchase markets.

The Group's liquidity framework builds liquidity resiliency in all our markets while providing central oversight and the ability to take timely management action if required to ensure we meet all our financial commitments as they fall due.

The maturity profile of our financial liabilities, insurance contract liabilities and reinsurance contract liabilities are presented below which provides a supplemental long-term view on the Group's liquidity profile.

Contractual maturities of financial liabilities(1)

US$'000	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity(2)
31 December 2023						
Loans due to ultimate holding company	874,742	25,321	849,421	-	-	-
Obligations under repurchase agreements	465,069	465,069	-	-	-	-
Other liabilities excluding lease liabilities	1,077,837	1,023,905	37,095	1,267	-	15,570
Lease liabilities	107,647	51,180	54,107	2,360	-	-
Derivative financial instruments	7,817,261	1,837,895	5,817,510	41,050	120,806	-
Subtotal	**10,342,556**	**3,403,370**	**6,758,133**	**44,677**	**120,806**	**15,570**
Investment contract liabilities	4,462,318	29,149	25,025	11,275	34,397	4,362,472
Total	**14,804,874**	**3,432,519**	**6,783,158**	**55,952**	**155,203**	**4,378,042**

US$'000	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity(2)
31 December 2022 (restated)						
Loans due to ultimate holding company	900,063	25,321	874,742	-	-	-
Obligations under repurchase agreements	40,021	40,021	-	-	-	-
Other liabilities excluding lease liabilities	767,531	712,850	37,013	282	-	17,386
Lease liabilities	106,889	45,333	58,740	2,816	-	-
Derivative financial instruments	8,532,940	1,274,298	6,917,869	79,404	261,369	-
Subtotal	**10,347,444**	**2,097,823**	**7,888,364**	**82,502**	**261,369**	**17,386**
Investment contract liabilities	4,325,501	15,042	28,542	12,301	37,333	4,232,283
Total	**14,672,945**	**2,112,865**	**7,916,906**	**94,803**	**298,702**	**4,249,669**

Notes:

(1) At 31 December 2022, the assets and liabilities of AIA Sovereign were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on AIA Sovereign's assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

(2) Balances with no fixed maturity are repayable on demand as the counterparty has a choice of when the amount is paid.

30. Risk management (continued)

Investment and financial risks (continued)

Liquidity risk (continued)

Maturity analysis of insurance and reinsurance contract liabilities[(1)(2)]

US$'000	Total	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
31 December 2023							
Insurance contract liabilities	71,283,852	(3,236,949)	(3,028,385)	(1,885,147)	(935,268)	898,446	79,471,155
Reinsurance contract liabilities	781,170	(77,375)	4,269	7,185	6,748	22,451	817,892

US$'000	Total	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
31 December 2022 (restated)							
Insurance contract liabilities	61,381,267	(4,533,416)	(2,607,197)	(1,442,866)	(415,694)	457,004	69,923,436
Reinsurance contract liabilities	634,186	(75,465)	3,515	14,039	18,950	19,331	653,816

Notes:

(1) At 31 December 2022, the assets and liabilities of AIA Sovereign were included in the assets in disposal group held for sale and the liabilities in disposal group held for sale. Therefore, the amounts in the above table exclude the effects on AIA Sovereign's assets and liabilities. The 2022 comparatives were prepared on the same basis to conform to the presentation for 2023.

(2) The amounts of payable on demand of insurance contracts are US$95,920m as at 31 December 2023 (2022: US$87,563m).

31. 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, Cambodia, Indonesia, South Korea, Taiwan (China) and Vietnam. The latest independent actuarial valuation of the plans was at 31 December 2023 and was prepared by credentialed actuaries of Towers Watson Hong Kong Limited. All the actuaries are qualified members of professional actuarial organisations to render the actuarial opinions.

For defined benefit plans, the costs are assessed using the projected unit credit method. Under this method, the cost of providing benefits is charged to the consolidated income statement so as to spread the regular cost over the service lives of employees, in accordance with the advice of qualified actuaries. The obligation is measured as the present value of the estimated future cash outflows, using a discount rate based on market yields for high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability. The resulting scheme surplus or deficit appears as an asset or liability in the consolidated statement of financial position.

The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 65 per cent (2022: 56 per cent) covered by the plan assets held by the trustees. The fair value of plan assets as at year end at the date of valuation was US$26m (2022: US$21m). The total expenses relating to these plans recognised in the consolidated income statement was US$3m (2022: US$3m).

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$22m (2022: US$21m). 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.

32. Share-based compensation

Share-based compensation plans

The share-based compensation plans of AIA Group (consisting of AIAGL and its subsidiaries) 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 AIAGL's 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, AIAGL adopted the 2020 SO Scheme, the 2020 RSU Scheme and the 2020 ESPP Plan.

During the years ended 31 December 2023 and 31 December 2022, AIAGL 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, AIAGL adopted the new 2021 Agency Share Purchase Plan (ASPP) with an effective period of 10 years from the date of adoption. The 2012 ASPP was terminated with effect from 31 March 2021, after which time no further restricted stock subscription units (RSSUs) can be granted under such plan. The 2012 ASPP shall remain in full force and effect for all RSSUs granted prior to this termination, and the vesting of such RSSUs shall be subject to and in accordance with the terms on which they were granted under the provisions of the 2012 ASPP.

During the years ended 31 December 2023 and 31 December 2022, AIAGL 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. The total number of shares of AIAGL that can be granted under this scheme is 302,264,978 (2022: 302,264,978), representing 2.5 per cent of the number of shares of AIAGL in issue on the reference date, being the 2020 AGM date.

Number of shares	Year ended 31 December 2023	Year ended 31 December 2022
Restricted Share Units		
Outstanding at beginning of financial year	4,695,291	4,703,182
Granted	1,909,218	2,002,070
Net transfer in	188,182	32,194
Forfeited	(1,302,503)	(1,171,123)
Vested	(743,818)	(871,032)
Disposal of disposal group held for sale	(244,022)	-
Outstanding at end of financial year	**4,502,348**	**4,695,291**

32. Share-based compensation (continued)

Share-based compensation plans (continued)

SO Schemes

The objectives of the SO Schemes are to align eligible participants' interests with those of the shareholders of AIAGL by allowing eligible participants to share in the value created at the point they exercise their share options. SO grants are vested either entirely after a specific period of time or in tranches over the vesting period approximately three to five years, during which the eligible participants are required to remain in employment with the Group. For SO grants that are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the respective vesting periods. The granted SOs expire 10 years from the date of grant and each SO entitles the eligible participant to subscribe for one ordinary share of AIAGL. Subject to restrictions in the applicable laws, regulations and rules of the relevant jurisdictions, the granted SOs are expected to be settled in equity. The total number of shares under options that can be granted under this scheme is 302,264,978 (2022: 302,264,978), representing 2.5 per cent of the number of shares of AIAGL in issue on the date of adoption.

Information about SOs outstanding and SOs exercisable by the Group's employees and directors as at the end of the reporting period is as follows:

	Year ended 31 December 2023		Year ended 31 December 2022	
	Number of share options	Weighted average exercise price (HK$)	Number of share options	Weighted average exercise price (HK$)
Share options				
Outstanding at beginning of financial year	357,944	75.97	292,578	70.83
Granted	67,432	80.73	98,366	79.85
Transfer out	-	-	(33,000)	41.90
Forfeited or expired	(53,324)	77.81	-	-
Disposal of disposal group held for sale	(24,949)	87.48	-	-
Outstanding at end of financial year	347,103	75.79	357,944	75.97
Share options exercisable at end of financial year	167,986	66.70	78,600	65.11
Weighted average remaining contractual life (years)	6.88		7.52	

There were no SOs exercised as of 31 December 2023. At the respective dates on which the SOs were exercised, the weighted average share price of AIAGL was HK$77.05 for the year ended 31 December 2022.

The range of exercise prices for the SOs outstanding as of 31 December 2023 and 2022 is summarised in the table below.

	Year ended 31 December 2023		Year ended 31 December 2022	
	Number of share options outstanding	Weighted average remaining contractual life (years)	Number of share options outstanding	Weighted average remaining contractual life (years)
Range of exercise price				
HK$46 - HK$55	27,546	3.19	27,546	4.19
HK$66 - HK$75	109,850	5.85	136,537	6.93
HK$76 - HK$85	167,428	8.07	128,956	8.51
Over HK$86	42,279	7.23	64,905	8.23
Outstanding at end of financial year	347,103	6.88	357,944	7.52

32. Share-based compensation (continued)

Share-based compensation plans (continued)

ESPP

Under the ESPPs, eligible employees of the Group can purchase ordinary shares of AIAGL with qualified employee contributions and AIAGL will grant one matching RSPU to them at the end of the vesting period for each two shares purchased through the qualified employee contributions (contribution shares). Contribution shares are purchased from the open market. During the relevant vesting period, the eligible employees must hold the contribution shares purchased and remain employed by the Group in order to qualify to receive the matching shares upon the vesting of the matching RSPUs. The granted matching RSPUs are expected to be settled in equity. Under the 2011 ESPP, the level of qualified employee contribution was subject to a maximum amount equal to 8 per cent of the monthly base salary or HK$9,750 (or local currency equivalent) per month, whichever is lower. Under the 2020 ESPP, the level of qualified employee contribution is subject to a maximum amount equal to 10 per cent of the monthly base salary or HK$12,500 (or local currency equivalent) per month, whichever is lower. For the year ended 31 December 2023, eligible employees paid US$9m (2022: US$10m) to purchase 941,306 ordinary shares (2022: 949,968 ordinary shares) of AIAGL 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 of AIAGL at the end of the vesting period. Under the plans, eligible agents of the Group can purchase ordinary shares of AIAGL with qualified agent contributions and AIAGL 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 AIAGL. Agent contribution shares are purchased from the open market. During the vesting period, the eligible agents must hold the contribution shares purchased and maintain their agent contracts with the Group in order to qualify to receive the matching shares upon the vesting of the matching RSSUs. The granted matching RSSUs are expected to be settled in equity. Under the ASPPs, the level of qualified agent contribution is subject to a maximum amount of HK$9,750 (or local currency equivalent) per month and HK$12,500 (or local currency equivalent) per month respectively. For the year ended 31 December 2023, eligible agents paid US$9m (2022: US$9m) to purchase 953,824 ordinary shares (2022: 955,849 ordinary shares) of AIAGL under the ASPPs.

32. 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 AIAGL's shares is estimated based on an analysis of historical data since they are traded in the Hong Kong Stock Exchange. 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 Group's employees.

The Group utilises a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU, RSPU and RSSU grants, taking into account the terms and conditions upon which the grants were made. Significant assumptions include expected dividend yield and risk-free interest rate. The value of expected dividends during the vesting period is estimated based on an analysis of historical dividend relative to historical share price. The risk-free interest rate is estimated based on implied yield of the Government Bonds and Exchange Fund Notes issued by the Hong Kong Monetary Authority as at the grant date. For performance-based RSUs, the simulation for achievement of market condition depends on assumptions of expected volatility of the AIAGL's share and other market comparators as well as the correlations. These assumptions are estimated based on an analysis of historical data over a period consistent with the expected life of the RSUs.

Forfeitures prior to vesting are not allowed for in the valuation of the grants.

The fair values calculated for the grants are inherently subjective due to the assumptions made and the limitations of the models utilised.

	Year ended 31 December 2023			
	Share options	Restricted share units	ESPP Restricted stock purchase units	ASPP Restricted stock subscription units
Assumptions				
Risk-free interest rate	3.19%	3.27%*	3.16% - 4.17%	2.87%
Volatility	28%	28%	n/a	n/a
Dividend yield	1.60%	1.60%	1.60% - 1.70%	1.60%
Exercise price (HK$)	80.73	n/a	n/a	n/a
Share option life (in years)	10	n/a	n/a	n/a
Expected life (in years)	7.47	n/a	n/a	n/a
Weighted average fair value per option/unit at measurement date (HK$)	23.97	63.37	61.82	56.99

	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%*	0.84% - 4.27%	2.12%
Volatility	26%	26%	n/a	n/a
Dividend yield	1.70%	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	64.11	72.99	58.28

* *Applicable to RSU with market conditions.*

The weighted average share price for SO valuation for grants made during the year ended 31 December 2023 is HK$78.95 (2022: HK$79.85).

Recognised compensation cost

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation grants made by the Group for the year ended 31 December 2023 is US$14m (2022: US$13m).

33. Remuneration of Directors and key management personnel

Directors' remuneration

US$'000	Year ended 31 December 2023	Year ended 31 December 2022
Directors' fee	70	70
Salaries, allowance and benefits in kind	-	-
Retirement scheme contribution	-	-
Share-based compensation	-	-
Total	**70**	**70**
The aggregate emoluments of the three highest paid Directors.	70	70

Key management personnel have been identified as the members of the Company's Board of Directors. Certain Directors of the Company are also the Directors of AIA Co. The corresponding Directors' remuneration attributable to the Company were paid by AIA Co. and recharged to the Company during the year.

34. Related party transactions

US$'000	Year ended 31 December 2023	Year ended 31 December 2022
Transactions with related parties		
Reinsurance related parties (income)/expense		
Premiums assumed	(14,805)	(14,031)
Premiums ceded to reinsurers paid	192,590	226,528
Claims recovered from reinsurers	(142,955)	(135,716)
Claims paid on inwards reinsurance	11,769	10,986
Commissions paid	(19,084)	(46,421)
Non-insurance related party income		
Income from services provided	(54,800)	(125,109)
Non-insurance related party expenses		
Dividend declared	3,600,000	4,000,000
Interest expense	27,465	27,465
Purchases of services	309,257	290,987
Corporate service fees	191,632	174,979
	4,128,354	**4,493,431**
Total	**4,101,069**	**4,409,668**
Payment/(receipt) on behalf of related party		
Amounts paid on behalf of related parties	33,721	32,794
Amounts received on behalf of related parties	(35,207)	(46,988)
Total	**(1,486)**	**(14,194)**
Amounts due from related parties		
Receivables within in/reinsurance contract assets/liabilities(1)	20,598	24,860
Other amounts receivable	9,898	11,634
Total	**30,496**	**36,494**
Amounts due to related parties		
Payables within in/reinsurance contract assets/liabilities(1)	(37,859)	(36,327)
Loans due to ultimate holding company	(829,000)	(829,000)
Other amounts payable	(112,230)	(90,744)
Total	**(979,089)**	**(956,071)**

Note:

(1) Represents the outstanding balance as at 31 December 2023 and 31 December 2022 excluding those attributable to the projection of claims and future premiums in the assets for remaining coverage and liabilities for remaining coverage.

Transactions with related parties are transactions with subsidiaries of AIAGL, the ultimate parent of the Group and are carried out on normal commercial terms and conditions.

Insurance-related and other amounts due from/to related parties are unsecured which are expected to be settled within one year.

Remuneration of Directors and key management personnel is disclosed in note 33.

35. Commitments and contingencies

Investment and capital commitments

US$'000	As at 31 December 2023	As at 31 December 2022
Not later than one year	17,979,764	17,950,807
Later than one and not later than five years	1,185	6,231
Total	**17,980,949**	**17,957,038**

Investment and capital commitments consist of commitments to invest in private equity partnerships and other assets.

Contingencies

The Group is subject to regulation in each of the geographical markets in which it operates from insurance, securities, capital markets, pension, data privacy and other regulators and is exposed to the risk of regulatory actions in response to perceived or actual non-compliance with regulations relating to suitability, sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, denial or delay of benefits and breaches of fiduciary or other duties. The Group believes that these matters have been adequately provided for in these financial statements.

The Group is exposed to legal proceedings, complaints and other actions from its activities including those arising from commercial activities, sales practices, suitability of products, policies, claims and taxes. The Group believes that these matters are adequately provided for in these financial statements.

The Group operates in many jurisdictions across Asia and in certain of those jurisdictions, the Group's interpretation of the relevant law or regulation may differ from that of the tax authorities, which can result in disputes arising. The Group has made provisions to cover the potential tax implications, based on management's judgement and best estimate in relation to the probability or likelihood of the potential outcomes, which is subject to periodic reassessment. Due to the uncertainty associated with these items, there remains a possibility that the final outcomes may differ on conclusion of the relevant tax matters at a future date.

36. Subsidiaries

The following is a list of the Group's direct and indirectly held principal subsidiaries which materially contribute to the net income of the Group or hold a material element of its assets and liabilities:

Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	As at 31 December 2023 Group's interests %	As at 31 December 2023 NCI's interests %	As at 31 December 2022 Group's interests %	As at 31 December 2022 NCI's interests %
AIA (Vietnam) Life Insurance Company Limited	Vietnam	Insurance	Contributed capital of VND8,724,420,000,000	100%	-	100%	-
PT. AIA Financial	Indonesia	Insurance	1,910,844,141 ordinary shares of Rp1,000 each	100%	-	100%	-
Bayshore Development Group Limited	British Virgin Islands	Investment holding company	100 ordinary shares of US$1 each	90%	10%	90%	10%
AIA New Zealand Limited(1)	New Zealand	Insurance	248,217,572 ordinary shares of NZD863,709,199 issued share capital	-	-	100%	-
AIA Life Insurance Co. Ltd	South Korea	Insurance	60,328,932 ordinary shares of KRW603,289,320,000 issued share capital	100%	-	100%	-

Notes:

(1) The Group's interest in the subsidiary was classified as disposal group held for sale as of 31 December 2022. The immediate holding company of the subsidiary is AIA Sovereign Ltd. On 1 January 2023, the Company entered into a share purchase agreement with AIAGL and completed its disposal of interest in AIA Sovereign Ltd and its subsidiaries (collectively "AIA Sovereign").

(2) All of the above subsidiaries are audited by PricewaterhouseCoopers.

37. Immediate and ultimate controlling party

At the reporting date, the Company was a wholly-owned subsidiary of AIA Co., whose ultimate holding company was AIAGL, a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

38. Events after the reporting period

The Group does not have significant events after the reporting period that needs to be disclosed.

39. Disposal group held for sale

On 1 January 2023, the Company entered into a share purchase agreement with AIAGL and completed its disposal of interest in AIA Sovereign. The assets and liabilities attributable to the business of AIA Sovereign as at 31 December 2022 are classified and presented separately as assets in disposal group held for sale and liabilities in disposal group held for sale in the Consolidated Statement of Financial Position.

At 31 December 2022, the assets and liabilities in disposal group held for sale were stated at the lower of its carrying amount and fair value less costs to sell. The assets and liabilities in disposal group held for sale as at 31 December 2022 are summarised below.

US$'000	*Notes*	As at 31 December 2022 (Excluding disposal group) (restated)	Assets and liabilities in disposal group	As at 31 December 2022 (Including disposal group) (restated)
Assets				
Intangible assets	*10*	1,116,428	16,389	1,132,817
Investments in associates	*11*	731,339	-	731,339
Property, plant and equipment	*12*	1,083,900	14,531	1,098,431
Investment property	*13*	2,859,404	-	2,859,404
Insurance contract assets	20	692,392	667,687	1,360,079
Reinsurance contract assets	20	405,675	185,898	591,573
Financial investments:	*14, 16*			
At amortised cost				
Debt securities		1,727,726	-	1,727,726
Loans and deposits		1,085,213	-	1,085,213
At fair value through other comprehensive income				
Debt securities		23,941,337	307,189	24,248,526
At fair value through profit or loss				
Debt securities		42,765,048	301,050	43,066,098
Equity shares		8,765,280	-	8,765,280
Interests in investment funds		20,887,025	399,577	21,286,602
Derivative financial instruments	*15*	48,702	-	48,702
		99,220,331	1,007,816	100,228,147
Deferred tax assets	*8*	-	5,510	5,510
Current tax recoverable		269	6,138	6,407
Other assets	*17*	1,622,802	28,958	1,651,760
Cash and cash equivalents	*18*	3,492,602	64,666	3,557,268
Assets in disposal group held for sale		1,997,593	(1,997,593)	-
Total assets		**113,222,735**	**-**	**113,222,735**
Liabilities				
Insurance contract liabilities	*20*	78,019,621	353,627	78,373,248
Reinsurance contract liabilities	*20*	468,769	353,448	822,217
Investment contract liabilities	*21*	4,522,153	325,874	4,848,027
Loans due to ultimate holding company	*22*	829,000	-	829,000
Obligations under repurchase agreements		40,021	-	40,021
Derivative financial instruments	*15*	8,241,566	-	8,241,566
Provisions	*25*	16,118	1,517	17,635
Deferred tax liabilities	*8*	793,901	434,024	1,227,925
Current tax liabilities		131,193	792	131,985
Other liabilities	*26*	871,113	56,261	927,374
Liabilities in disposal group held for sale		1,525,543	(1,525,543)	-
Total liabilities		**95,458,998**	**-**	**95,458,998**

40. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16

Except for the changes below, the Group has consistently applied the accounting policies as set out in note 2 to all periods presented in these consolidated financial statements. The Group has adopted IFRS 9, IFRS 17 and amendment to IAS 16, including any consequential amendments to other standards, with a date of initial adoption of 1 January 2023. The following table set out the impact of initial adoption of these standards on the Group's equity at 1 January 2022.

US$'000	As at 31 December 2021 (As previously reported)	Impact upon initial adoption of IFRS 9, IFRS 17 and amendment to IAS 16	As at 1 January 2022 (restated)
Equity			
Share capital, share premium and capital contribution	2,852,785	-	2,852,785
Other reserves	9,092	-	9,092
Retained earnings	19,262,371	28,748	19,291,119
Fair value reserve	4,321,186	(1,776,875)	2,544,311
Foreign currency translation reserve	(610,154)	-	(610,154)
Insurance finance reserve	-	2,190	2,190
Property revaluation reserve	405,371	(152,039)	253,332
Others	7,209	56,191	63,400
Amounts reflected in other comprehensive income	4,123,612	(1,870,533)	2,253,079
Total equity attributable to:			
Shareholders of AIA International Limited	**26,247,860**	**(1,841,785)**	**24,406,075**
Non-controlling interests	201,096	-	201,096
Total equity	**26,448,956**	**(1,841,785)**	**24,607,171**

IFRS 17 Insurance Contracts

Recognition, measurement and presentation of insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts held and investment contracts with DPF. It introduces a model that measures groups of contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are excluded from insurance revenue and insurance service expenses.

The Group no longer applies shadow accounting to insurance-related assets and liabilities.

Insurance finance income or expenses, disaggregated between profit or loss and other comprehensive income for the relevant business in participating funds and other participating business with distinct portfolios, other policyholder and shareholder and unit-linked funds, are presented separately from insurance revenue and insurance service expenses.

The Group applies the premium allocation approach to simplify the measurement of certain contracts. When measuring liabilities for remaining coverage, the premium allocation approach is similar to the Group's previous accounting treatment; however, when measuring liabilities for incurred claims, the Group now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk, as appropriate.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts (deferred acquisition costs) and are subsequently amortised over the expected life of the contracts. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented as part of the carrying amount of the related portfolio of contracts and are subsequently derecognised when respective groups of contracts are recognised and hence included in the CSM measurement of that group.

Income and expenses from reinsurance contracts held other than insurance finance income or expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

For an explanation of how the Group accounts for insurance contracts and reinsurance contracts held under IFRS 17, see note 2.2.

40. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16 (continued)

IFRS 17 Insurance Contracts (continued)

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022, the Group:

- identified, recognised and measured each group of insurance contracts and reinsurance contracts held as if IFRS 17 had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that the recoverability assessment in note 2.2.5 was not applied before 1 January 2022;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included deferred acquisition costs for insurance contracts, insurance receivables and payables, policy loans and its accrued interest revenue and provisions that are attributable to existing insurance contracts, etc. Under IFRS 17, these are included in the measurement of the insurance contracts;
- recognised any resulting net difference in equity. The carrying amount of goodwill from previous business combinations was not adjusted.

Insurance contracts and reinsurance contracts held

For certain groups of contracts, the Group applied the modified retrospective approach or the fair value approach in IFRS 17 to identify, recognise and measure certain groups of contracts at 1 January 2022 because it was impracticable to apply the full retrospective approach.

The Group considered the full retrospective approach impracticable for contracts in these segments under any of the following circumstances.

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons.
- The full retrospective approach required assumptions about what Group management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight, the application of full retrospective approach is considered as impracticable if such assumptions and estimates were not determinable.

Irrespective of the transition approach used, the following items have not been applied retrospectively.

- When the Group uses derivatives to mitigate the financial risk from interest rate guarantees in traditional participating contracts and equity guarantees in variable annuity contracts, the option to exclude changes in the effect of that financial risk from the CSM has not been applied for periods before 1 January 2023.
- The consequential amendments to IFRS 3, Business Combinations introduced by IFRS 17 require the Group to classify contracts acquired as insurance contracts based on the contractual terms and other factors at the date of acquisition. This requirement was not applied to business combinations before 1 January 2023, for which the Group classified contracts acquired as insurance contracts based on the conditions at contract inception.

To indicate the effect of applying the modified retrospective approach or the fair value approach on the CSM, insurance revenue and insurance finance income or expenses, the Group has provided additional disclosures in notes 2.2.9, 5, 6 and 20.

40. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16 (continued)

IFRS 17 Insurance Contracts (continued)

Transition (continued)

Assets for insurance acquisition cash flows

The Group also applied the modified retrospective approach or the fair value approach to identify, recognise and measure certain assets for insurance acquisition cash flows at 1 January 2022.

It was impracticable to apply the full retrospective approach because:

- data had not been collected with sufficient granularity;
- information required to identify fixed and variable overheads as relating to acquisition activities and to allocate them to groups of contracts was not available; or
- original assumptions about the manner in which the Group would have expected insurance acquisition cash flows to be recovered, which were required to allocate them to renewals, could not be made without the use of hindsight.

Effect of initial adoption

The Group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item.

IFRS 9 Financial Instruments

Classification of financial assets and financial liabilities

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available for sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

For explanations of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see note 2.4.

IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities and hedge accounting.

Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" model. The new impairment model applies to financial assets measured at amortised cost, debt securities at fair value through other comprehensive income, trade receivables and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39 (see note 2.4.3).

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The comparative period has been restated. As permitted under IFRS 17, the Group has elected to apply classification overlay in the comparative period presented. The classification overlay has been applied to all financial assets that had been derecognised before 1 January 2023 based on how those assets are expected to be classified on initial adoption of IFRS 9. In applying the classification overlay to financial assets derecognised during the comparative period, the Group has applied the impairment requirements of IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2023.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss.
- If an investment in a debt security had low credit risk at 1 January 2023, then the Group determined that the credit risk on the asset had not increased significantly since initial recognition.

As permitted by IFRS 7, the Group has not disclosed information about the line item amounts that are reported in accordance with the classification and measurement (including impairment) requirements of IFRS 9 for 2022 and those that would have been reported in accordance with the classification and measurement requirements of IAS 39 for 2023.

40. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16 (continued)

IFRS 9 Financial Instruments (continued)

Effect of initial adoption

Classification of financial assets and financial liabilities

The following table shows the original measurement category and carrying amount under IAS 39 and the new measurement category and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities.

US$'000	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 as at 31 December 2022	New carrying amount under IFRS 9 as at 1 January 2023
Financial assets				
Debt securities	FVTPL	FVTPL (mandatory)	1,413,109	1,413,109
Debt securities	Available for sale	FVTPL (mandatory)	224,371	224,371
Debt securities	FVTPL	FVTPL (designated)	413,526	413,526
Debt securities	Available for sale	FVTPL (designated)	41,015,092	41,015,092
Debt securities	FVTPL	FVOCI	256,382	256,382
Debt securities	Available for sale	FVOCI	23,992,144	23,992,144
Debt securities	Available for sale	Amortised cost	1,460,688	1,727,726
Loans and deposits	Loans and receivables	Amortised cost	1,101,334	1,085,213
Equity shares	FVTPL	FVTPL (mandatory)	8,765,280	8,765,280
Interests in investment funds	FVTPL	FVTPL (mandatory)	21,286,602	21,286,602
Derivative assets	FVTPL	FVTPL (mandatory)	48,702	48,702
Accrued investment income	Loans and receivables	Amortised cost	877,129	877,129
Receivables	Loans and receivables	Amortised cost	278,629	267,922
Cash and cash equivalents	Loans and receivables	FVTPL (mandatory)	819,879	819,879
Cash and cash equivalents	Loans and receivables	Amortised cost	2,737,389	2,737,389
Total financial assets			**104,690,256**	**104,930,466**
Financial liabilities				
Investment contract liabilities	FVTPL	FVTPL (designated)	4,640,682	4,640,682
Investment contract liabilities	Not applicable	FVTPL (designated)	-	7,077
Investment contract liabilities	Amortised cost	Amortised cost	1,923	1,923
Loans due to ultimate holding company	Amortised cost	Amortised cost	829,000	829,000
Obligations under repurchase agreements	Amortised cost	Amortised cost	40,021	40,021
Derivative liabilities	FVTPL	FVTPL (mandatory)	8,241,566	8,241,566
Trade and other payables	Amortised cost	Amortised cost	751,950	751,950
Trade and other payables	Not applicable	Amortised cost	-	60,408
Total financial liabilities			**14,505,142**	**14,572,627**

40. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16 (continued)

IFRS 9 Financial Instruments (continued)

Effect of initial adoption (continued)

Classification of financial assets and financial liabilities (continued)

The Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in note 2.4. The application of these policies resulted in the reclassifications set out in the table above and explained below.

a. Under IAS 39, certain debt securities were designated as at fair value through profit or loss because the Group managed them on a fair value basis or such designation eliminates or significantly reduces a measurement or recognition inconsistency. Under IFRS 9, these assets are mandatorily measured at fair value through profit or loss because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets or their contractual cash flows do not represent solely payments of principal and interest on the principal amount outstanding.
b. Under IAS 39, certain debt securities that were classified as available for sale financial assets; under IFRS 9, a portion of these assets are mandatorily measured at fair value through profit or loss either because their contractual cash flows do not represent solely payments of principal and interest on the principal amount outstanding or they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. Some of these debt securities are designated as at fair value through profit or loss to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise, while others are classified as fair value through other comprehensive income based on the criteria in IFRS 9.
c. There are some debt securities being designated as at fair value through profit or loss under IAS 39. The Group has revoked the designation to measure them at fair value through profit or loss upon the adoption of IFRS 9 because there is no longer a significant accounting mismatch arising from the securities as a result of adoption of IFRS 17. These assets are classified as fair value through other comprehensive income based on the criteria in IFRS 9.
d. Certain debt securities that were classified as available for sale under IAS 39 are held within a business model whose objective is to hold assets to collect the contractual cash flows and they have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Therefore, these assets are measured at amortised cost under IFRS 9.
e. Under IAS 39, equity shares and interests in investment funds were designated as at fair value through profit or loss because they are managed on a fair value basis. Under IFRS 9, these assets are mandatorily measured at fair value through profit or loss because they do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding and the Group has not elected to measure them at fair value through other comprehensive income.
f. Certain cash equivalents that were classified as loans and receivables under IAS 39 are mandatorily measured at fair value through profit or loss under IFRS 9 because the contractual cash flows do not represent solely payments of principal and interest on the principal amount outstanding.
g. Certain financial assets and liabilities recognised upon the adoption of IFRS 9 are designated at FVTPL because such designation eliminates or significantly reduces measurement inconsistency.

40. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16 (continued)

IFRS 9 Financial Instruments (continued)

Effect of initial adoption (continued)

Classification of financial assets and financial liabilities (continued)

There are no changes in carrying amounts of equity shares, interests in investment funds, derivative assets and financial liabilities except for investment contract liabilities at fair value through profit or loss and payables under IAS 39 to the carrying amounts under IFRS 9. The following table reconciles the carrying amounts of other financial assets, investment contract liabilities at fair value through profit or loss and payables that there are reclassifications and/or remeasurement on transition to IFRS 9 on 1 January 2023.

US$'000	31 December 2022 IAS 39	Reclassification	Remeasurement	1 January 2023 IFRS 9
Financial assets				
Financial assets measured at fair value through profit or loss				
Debt securities				
Brought forward	2,083,017	-	-	-
Reclassified from available for sale	-	41,239,463	-	-
Reclassified to fair value through other comprehensive income	-	(256,382)	-	-
Carried forward	-	-	-	43,066,098
Cash and cash equivalents				
Brought forward	-	-	-	-
Reclassified from amortised cost	-	819,879	-	-
Remeasurement	-	-	-	-
Carried forward	-	-	-	819,879
Total financial assets measured at fair value through profit or loss	**2,083,017**	**41,802,960**	**-**	**43,885,977**
Debt securities measured at fair value through other comprehensive income				
Debt securities				
Reclassified from fair value through profit or loss	-	256,382	-	-
Reclassified from available for sale	-	23,992,144	-	-
Carried forward	-	-	-	24,248,526
Total debt securities measured at fair value through other comprehensive income	**-**	**24,248,526**	**-**	**24,248,526**
Available for sale debt securities				
Brought forward	66,692,295	-	-	-
Reclassified to fair value through other comprehensive income	-	(23,992,144)	-	-
Reclassified to fair value through profit or loss	-	(41,239,463)	-	-
Reclassified to amortised cost	-	(1,460,688)	-	-
Total available for sale debt securities	**66,692,295**	**(66,692,295)**	**-**	**-**

40. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16 (continued)

IFRS 9 Financial Instruments (continued)

Effect of initial adoption (continued)

Classification of financial assets and financial liabilities (continued)

US$'000	31 December 2022 IAS 39	Reclassification	Remeasurement	1 January 2023 IFRS 9
Financial assets measured at amortised cost				
Debt securities				
Reclassified from available for sale	-	1,460,688	-	-
Remeasurement	-	-	267,038	-
Carried forward	-	-	-	1,727,726
Loans and deposits				
Brought forward: Loans and receivables	1,101,334	-	-	-
Remeasurement	-	-	(16,121)	-
Carried forward	-	-	-	1,085,213
Accrued investment income				
Brought forward: Loans and receivables	877,129	-	-	-
Carried forward	-	-	-	877,129
Receivables				
Brought forward: Loans and receivables	278,629	-	-	-
Remeasurement	-	-	(10,707)	-
Carried forward	-	-	-	267,922
Cash and cash equivalents				
Brought forward: Loans and receivables	3,557,268	-	-	-
Reclassified to fair value through profit or loss	-	(819,879)	-	-
Carried forward	-	-	-	2,737,389
Total financial assets measured at amortised cost	**5,814,360**	**640,809**	**240,210**	**6,695,379**
Financial liabilities				
Investment contract liabilities measured at fair value through profit or loss				
Investment contract liabilities				
Brought forward	4,640,682	-	-	-
Recognised on transition to IFRS 17	-	-	7,077	-
Carried forward	-	-	-	4,647,759
Total investment contract liabilities measured at fair value through profit or loss	**4,640,682**	**-**	**7,077**	**4,647,759**
Trade and other payables measured at amortised cost				
Trade and other payables				
Brought forward	751,950	-	-	-
Recognised on transition to IFRS 17	-	-	60,408	-
Carried forward	-	-	-	812,358
Total trade and other payables measured at amortised cost	**751,950**	**-**	**60,408**	**812,358**

40. Effects of adoption of IFRS 9, IFRS 17 and amendment to IAS 16 (continued)

IFRS 9 Financial Instruments (continued)

Effect of initial adoption (continued)

Classification of financial assets and financial liabilities (continued)

The following table summarises the effects of the reclassification of (i) debt securities measured at fair value through profit or loss to fair value through other comprehensive income category and (ii) debt securities reclassified to amortised cost category as a result of the transition to IFRS 9.

Reclassification from FVTPL to FVOCI

US$'000	2023
Fair value at 31 December	218,938
Fair value gains that would have been recognised in the profit or loss during the year if the financial asset had not been reclassified	8,593
Effective interest rate determined on 1 January	6.9%
Interest revenue recognised	15,645

Reclassifications to amortised cost

US$'000	2023
From available for sale	
Fair value at 31 December	1,389,016
Fair value losses that would have been recognised in the profit or loss during the year if the financial asset had not been reclassified	(1,685)
Fair value gains that would have been recognised in the other comprehensive income during the year if the financial asset had not been reclassified	21,589

Impairment of financial assets

The following table reconciles the closing impairment allowance in accordance with IAS 39 as at 31 December 2022 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2023.

	31 December 2022			1 January 2023
US$'000	IAS 39	Reclassification	Remeasurement	IFRS 9
Debt securities at FVOCI under IFRS 9:				
from available for sale under IAS 39	32,547	-	95,927	128,474
from fair value through profit or loss under IAS 39	-	-	196	196
Financial assets at amortised cost under IFRS 9:				
from loans and receivables under IAS 39	1,935	-	26,828	28,763
from available for sale under IAS 39	-	-	4,997	4,997
	34,482	**-**	**127,948**	**162,430**

Amendment to IAS 16 Property, Plant and Equipment

At the same time as IFRS 17 was issued, an amendment was made to IAS 16 to allow for measuring own used properties using the fair value model. On adoption of IFRS 17, the Group applied this election and changed its accounting policy for measuring its own used properties that are solely held as underlying items of insurance contracts with direct participation features from revaluation model to fair value model to reduce accounting mismatches with that for the corresponding insurance contracts. As a result of this change, which was adopted on a retrospective basis, revaluation gains on property held for own use that have been accumulated in other comprehensive income of US$238m at 1 January 2022 was reclassified from property revaluation reserve to retained earnings. For the year ended 31 December 2023, net fair value losses of property held for own use measured at fair value model of US$52m (31 December 2022: US$4m) was included in other investment return in the consolidated income statement.