Audited Consolidated Financial Statements

FWD Group Holdings Limited
富衛集團有限公司

For the year ended 31 December 2023

CONTENTS

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Independent auditor's report
To the shareholders of FWD Group Holdings Limited 富衛集團有限公司
(Incorporated in the Cayman Islands with limited liability)

Opinion
We have audited the consolidated financial statements of FWD Group Holdings Limited 富衛集團有限公司 and its subsidiaries (the "Group") set out on pages 11 to 167, which comprise the consolidated statement of financial position as at 31 December 2023, 31 December 2022 and 1 January 2022, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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, 31 December 2022 and 1 January 2022 and of its consolidated financial performance and its consolidated cash flows for the years ended 31 December 2023 and 2022, in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board (the "IAASB"). 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 are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including the International Independence Standards)* (the "IESBA Code"), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Hong Kong, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent auditor's report (continued)
To the shareholders of FWD Group Holdings Limited 富衛集團有限公司
(Incorporated in the Cayman Islands with limited liability)

Key audit matters (continued)

Key audit matter #1	How our audit addressed the key audit matter
Recognition and measurement of insurance contract liabilities and contractual service margin ("CSM")	
The Group recorded a contractual service margin ("CSM") of US$5,250 million at 31 December 2023 in its consolidated statement of financial position and recognised a release of CSM of US$784 million for services provided in its consolidated statement of comprehensive income for the year ended 31 December 2023. At initial recognition, the Group measures a group of insurance contracts as the total of: (a) fulfilment cash flows, which comprise of estimates of future cash flows, adjusted to reflect the time value of money and financial risks, and a risk adjustment for non-financial risk; and (b) a CSM, which represents the estimate of unearned profit the Group will recognise as it provides service under the insurance contracts. The projection of future cash flows for these insurance contract liabilities involved the use of best estimate assumptions and actuarial models. Judgement is involved in setting economic assumptions, particularly discount rates (including the illiquidity premium adjustment); and in determining non-economic assumptions in respect of mortality and morbidity. The actuarial models used to determine the fulfilment cash flows is also complex due to the complexity in building the IFRS 17 logics into the models. Release of CSM is a key component of insurance revenue under IFRS 17 and the calculation of coverage units on which the release of CSM is based involves significant management judgement. Auditing the valuation of these insurance contract liabilities and release of CSM were complex and required the application of significant auditor judgment due to the complexity of the cash flow models, the selection and use of assumptions, and the interrelationship of these variables in measuring insurance contract liabilities. The audit procedures involved specialised skill and knowledge to assist in evaluating the audit evidence obtained. The Group's disclosures about insurance contract liabilities and CSM are included in Notes 2.3, 3.1, 3.2, 7 and 16 which explain the movements of insurance contract liabilities and the CSM impacting profit or loss for the year and shareholders' equity.	In conjunction with our internal specialists, the procedures we performed to address the key audit matter included: *Assumptions* • Obtained an understanding of management's process for setting economic and non-economic assumptions and assessed the design and operating effectiveness of key controls; • For economic assumptions: o Tested that discount rates and investment return assumptions have been set appropriately by reference to yield curves and economic scenario generators ("ESG"); o Confirmed that the information used to determine the illiquidity premium is appropriate and consistent with the characteristics of the liabilities and the asset portfolios; • For non-economic assumptions: o Tested that the key assumptions set by management are consistent with management's experience studies, and assessed whether individual changes were errors or refinements of estimates; *Model* • Understood and evaluated the governance processes in respect of model design and model maintenance; • Tested the methodology and calculation of the fulfilment cash flows through reviewing the calculation logic within the models, and through calculating an independent estimate of the fulfillment cashflows for a sample of insurance contracts and comparing the results to the Group's results; *CSM* • Obtained an understanding of management's processes and assessed the design and operating effectiveness of controls over the determination of coverage units and CSM movements during the period, including release of CSM; • For a sample of group of contracts, validated the accuracy of the CSM calculation, including the appropriateness of coverage units and release of CSM through independent model reperformance testing; • Performed analytical review procedures over the movements in the CSM during the period; • For a sample of contracts issued during the year, we tested the calculation of the initial CSM and the identification of onerous contracts; • Tested the CSM movement disclosures in the financial statements to the output of the CSM calculation model.

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Key audit matters (continued)

Key audit matter #2	How our audit addressed the key audit matter
Transition to IFRS 17	
On 1 January 2023, the Group adopted IFRS 17 'Insurance Contracts' which replaced IFRS 4 'Insurance Contracts'. The Group applied the full retrospective approach to all contracts issued on or after 1 January 2021, and applied the modified retrospective approach or the fair value approach for contracts issued prior to this date. Auditing the Group's transition to IFRS 17 was complex as it related to the measurement of the Group's insurance contract liabilities including the transition CSM included therein. This required the application of significant auditor judgment due to the complexity of the management's models, and in the determination of key assumptions, specifically the discount rate and risk adjustment relating to the measurement of the insurance contract liabilities, and the development of fair value assumptions used in the determination of the transition CSM. The audit procedures involved specialised skills and knowledge to assist in evaluating the audit evidence obtained. The Group's disclosures about the adoption of IFRS 17 are included in Note 2.1, which give details of the recognition, measurement, presentation and transition of insurance contracts.	In conjunction with our internal specialists, the procedures we performed to address the key audit matter including: • Obtained an understanding of management's process for the transition to the new standard for insurance contract liabilities including the transition CSM • Understood and evaluated the governance processes in respect of accounting policies and the related determination of the transition approach, as well as in relation to the development of fair value and actuarial models, the integrity of data used, implementation of new systems and models, and assumption setting and implementation processes. To audit the impact of the Group's adoption of IFRS 17 on the insurance contract liabilities including the transition CSM, with assistance from our internal specialists, we: • Evaluated the related accounting policies, the elections involved in transition, and to assess the appropriateness of the determination of where the Full Retrospective Approach was impracticable; • Assessed the appropriateness and consistency of key assumptions used in the measurement of the insurance contract liabilities including the transition CSM by comparing to publicly available market data, our knowledge of the products and the requirements of IFRS 17; • Evaluated the methodology and calculations of the IFRS 17 insurance contract liabilities and transition CSM either through review of the calculation logic within the newly implemented models, or through calculating an independent estimate of the insurance contract liability for a sample of groups of contracts ("GoC") and comparing the results to the Group's results. • Assessed the adequacy of the disclosures related to the adoption of IFRS 17.

Key audit matters (continued)

Key audit matter #3	How our audit addressed the key audit matter
Goodwill impairment assessment	
At 31 December 2023, the Group recorded goodwill of US$1,535 million. The Group's impairment assessment of goodwill is performed by comparing the carrying amount of the cash generating unit ("CGU"), including goodwill, to the recoverable amount of that CGU. If the recoverable amount of the CGU exceeds the carrying amount of the CGU, the goodwill allocated to that CGU shall be regarded as not impaired. The recoverable amount is the value in use of the CGU unless otherwise stated. The value in use is calculated as an actuarially determined appraisal value, based on the embedded value with respect to the in-force business together with the value of future new business ("VNB"). The estimation of recoverable amounts required management to make significant estimates and assumptions. Auditing the Group's impairment assessment of goodwill required significant auditor judgment due to the high degree of subjectivity applied by management in determining the VNB multipliers and discount rates. Changes in these assumptions could have a significant impact on the carrying value of goodwill, the amount of any impairment charge, or both. The Group's disclosures about goodwill related intangible asset are included in Notes 2.9, 2.10, 3.5 and 12, which give details of the accounting policies, the amounts of the recognised goodwill and the corresponding impairment assessment.	In conjunction with our internal specialists, the procedures we performed to address the key audit matter including: • Evaluated the methodology applied by management; • Assessed significant assumptions such as discount rates and VNB multipliers used by management by comparing these assumptions to current industry and economic trends; • Reviewed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in recoverable amounts that would result from reasonably possible changes in the assumptions; and • Compared historical actual results to those budgeted to assess the quality of management's forecasting process.

Key audit matters (continued)

<table>
<tr><th>Key audit matter #4</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment assessment of distribution rights intangible assets</td></tr>
<tr><td>At 31 December 2023, the Group recorded US$1,473 million of acquired distribution rights related intangible assets. Distribution rights represent contractual relationships for exclusive access to distribution networks. The distribution rights intangible is amortized over the life of the relevant contracts based on the expected pattern of consumption of the expected future economic benefits embodied in the intangible asset.

The Group performs an impairment assessment on distribution rights intangible when events and circumstances have occurred that may indicate that the carrying amount of the intangibles exceeded its recoverable amount. Determining the recoverable amount of the intangibles is sensitive to significant assumptions, in particular the discount rate, which reflects the markets assessments of the time value of money and the risks specific to the operations.

Auditing the distribution rights intangible required significant auditor judgment due to the high degree of subjectivity by the management in determining the discount rates used to estimate future cash flows for impairment assessment purpose. Changes in this assumption could have a significant impact on either the carrying value of distribution rights intangible, the amount of any impairment charge, or both. Assumption could have a significant impact on either the carrying value of distribution rights intangible, the amount of any impairment charge, or both.

The Group's disclosures about the distribution rights intangible asset are included in Notes 2.9, 2.10, 3.5 and 12, which give details of the accounting policies and amounts of the recognised distribution rights intangible.</td><td>In conjunction with our internal specialists, the procedures we performed to address the key audit matter including:

• Understood and evaluated management's impairment assessment process;

• Reviewed management's assessment of the existence of impairment indicators. We formed an independent view of the existence of potential impairment indicators considering all the information obtained during the audit.

Where an impairment indicator was identified and quantitative assessment was performed, we:

• Compared the discount rate used in the assessment to discount rates used for entities with similar risk profiles and market information; and

• Assessed the consistency of the underlying cash flows (including budgeted sales) used in the impairment model with supporting evidence such as actual results, legal agreements or budgets approved by management</td></tr>
</table>

Information other than the consolidated financial statements and auditor's report thereon
The consolidated financial statements do not include other information.

Responsibilities of management and those charged with governance for the consolidated financial statements
Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the management determines 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, management is 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 management either intends 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.

Independent auditor's report (continued)
To the shareholders of FWD Group Holdings Limited 富衛集團有限公司
(Incorporated in the Cayman Islands with limited liability)

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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 judgement and maintain professional skepticism 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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

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

Independent auditor's report (continued)
To the shareholders of FWD Group Holdings Limited 富衛集團有限公司
(Incorporated in the Cayman Islands with limited liability)

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

The engagement partner on the audit resulting in this independent auditor's report is Keith Pogson.

Ernst & Young

Certified Public Accountants
Hong Kong
29 February 2024

FWD GROUP HOLDINGS LIMITED 富衛集團有限公司

CONSOLIDATED INCOME STATEMENT

US$m	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Insurance revenue	7	2,756	2,408
Insurance service expenses	9,16	(1,989)	(1,817)
Net expenses from reinsurance contracts held	16	(88)	(146)
Insurance service result		**679**	**445**
Interest revenue on			
Financial assets not measured at fair value through profit or loss		1,048	951
Financial assets measured at fair value through profit or loss		111	60
Other investment losses		(791)	(999)
Net impairment loss on financial assets		(9)	(29)
Investment return	8	**359**	**(17)**
Net finance income/(expenses) from insurance contracts		(996)	86
Net finance income/(expenses) from reinsurance contracts held		1	(23)
Movement in investment contract liabilities		4	2
Net investment result		**(632)**	**48**
Net insurance and investment result	8	**47**	**493**
Other revenue	7	64	38
General and other expenses	9	(731)	(689)
Borrowings and other finance costs	10	(174)	(128)
Loss before share of profit/(loss) from associates and joint ventures		**(794)**	**(286)**
Share of profit/(loss) from associates and joint ventures	13	(20)	2
Loss before tax		**(814)**	**(284)**
Tax benefit/(expense)	11	97	(36)
Net loss		**(717)**	**(320)**
Net loss attributable to:			
Shareholders of the Company		(826)	(302)
Perpetual securities		110	83
Non-controlling interests		(1)	(101)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US$m	Year ended 31 December 2023	2022 (Restated)
Net loss	**(717)**	**(320)**
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss		
Fair value gains/(losses) on debt securities at fair value through other comprehensive income (net of tax of: 31 December 2023: US$63m and 31 December 2022: US$(851m))	447	(4,242)
Fair value losses on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment (net of tax of: 31 December 2023: US$182m and 31 December 2022: US$3m)	709	199
Net finance income/(expense) from insurance contracts (net of tax of: 31 December 2023: US$(206m) and 31 December 2022: US$917m)	(1,087)	3,917
Net finance income/(expenses) from reinsurance contracts held	18	(32)
Cash flow hedges (net of tax of: 31 December 2023: US$(4m) and 31 December 2022: US$(1m))	(12)	(8)
Foreign currency translation adjustments	(105)	(187)
Share of other comprehensive loss from associates and joint ventures	(33)	—
	(63)	(353)
Items that will not be reclassified to profit or loss		
Effect of re-measurement of net liability of defined benefit schemes	—	2
Total other comprehensive loss	(63)	(351)
Total comprehensive loss	**(780)**	**(671)**
Total comprehensive loss attributable to:		
Shareholders of the Company	**(794)**	**(558)**
Perpetual securities	110	83
Non-controlling interests	(96)	(196)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$m	Notes	As at 31 December 2023	As at 31 December 2022 (Restated)	As at 1 January 2022 (Restated)
ASSETS				
Intangible assets	12	3,154	3,207	3,348
Investments in associates and joint ventures	13	383	407	342
Property, plant and equipment	14	146	139	159
Investment property	15	599	641	663
Insurance contract assets	16	798	722	741
Reinsurance contract assets	16	2,876	725	1,020
Financial investments	17,19			
At fair value through other comprehensive income debt securities		29,029	30,815	36,243
At fair value through profit or loss				
Debt securities		1,970	1,810	755
Equity securities		675	381	1,055
Interests in investment funds		8,667	7,576	7,435
Derivative financial instruments	18	218	319	120
Loans and deposits		996	1,530	896
		41,555	42,431	46,504
Deferred tax assets	11	321	238	1
Current tax recoverable		18	32	20
Other assets	20	816	574	597
Cash and cash equivalents	21	2,008	1,474	2,652
		52,674	50,590	56,047
Assets classified as held-for-sale	5	—	—	107
Total assets		**52,674**	**50,590**	**56,154**
LIABILITIES				
Insurance contract liabilities	16	40,073	37,019	42,061
Reinsurance contract liabilities	16	304	463	456
Investment contract liabilities	22	56	197	272
Borrowings	23	2,531	2,216	2,212
Derivative financial instruments	18	416	134	157
Provisions		42	15	18
Deferred tax liabilities	11	136	269	326
Current tax liabilities		425	385	22
Other liabilities	24	1,059	1,403	1,483
		45,042	42,101	47,007
Liabilities directly associated with assets classified as held-for-sale	5	—	—	67
Total liabilities		**45,042**	**42,101**	**47,074**

US$m	Notes	As at 31 December 2023	As at 31 December 2022 (Restated)	As at 1 January 2022 (Restated)
EQUITY				
Share capital and share premium	25	9,010	6,411	6,019
Other reserves	25	124	81	98
(Accumulated losses)/retained earnings		(1,956)	(438)	13
Amounts reflected in other comprehensive income		(944)	(637)	(386)
Fair value reserve	25	(2,934)	(2,953)	(33)
Insurance finance reserve	25	2,558	2,620	(187)
Cash flow hedge reserve	25	(32)	(15)	(9)
Defined benefit obligation revaluation reserve		3	3	2
Foreign currency translation reserve	25	(510)	(295)	(162)
Share of other comprehensive income of associates and joint ventures		(29)	3	3
Total equity attributable to Shareholders of the Company		**6,234**	**5,417**	**5,744**
Perpetual securities	25	1,348	1,354	1,607
Non-controlling interests	25	50	1,718	1,729
Total equity		**7,632**	**8,489**	**9,080**
Total liabilities and equity		**52,674**	**50,590**	**56,154**

Approved and authorised for issue by the board of directors on 29 February 2024.

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US$m	Notes	Attributable to Shareholders of the Company Share Capital and share premium	Other reserves	Accumulated losses	Amounts reflected in other comprehensive income	Fair value reserve	Insurance finance reserve	Cash flow hedge reserve	Defined benefit obligation revaluation reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint ventures	Perpetual securities	Non-controlling interests	Total equity
Balance at 1 January 2023, as previously reported		**6,411**	**81**	**(1,036)**	**(3,493)**	**(3,168)**	**—**	**(15)**	**3**	**(315)**	**2**	**1,354**	**389**	**3,706**
Adjustment on initial application of IFRS 17, net of tax		—	—	672	2,784	143	2,620	—	—	20	1	—	1,329	4,785
Adjustment on initial application of IFRS 9, net of tax		—	—	(74)	72	72	—	—	—	—	—	—	—	(2)
Restated balance at 1 January 2023		**6,411**	**81**	**(438)**	**(637)**	**(2,953)**	**2,620**	**(15)**	**3**	**(295)**	**3**	**1,354**	**1,718**	**8,489**
Net gain/(loss)		—	—	(826)	—	—	—	—	—	—	—	110	(1)	(717)
<u>Other comprehensive income items that may be reclassified subsequently to profit or loss</u>														
Fair value gains on debt securities at fair value through other comprehensive income		—	—	—	262	262	—	—	—	—	—	—	185	447
Fair value losses on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment		—	—	—	692	692	—	—	—	—	—	—	17	709
Net finance expenses from insurance contracts		—	—	—	(842)	—	(842)	—	—	—	—	—	(245)	(1,087)
Net finance income from reinsurance contracts held		—	—	—	6	—	6	—	—	—	—	—	12	18
Cash flow hedges		—	—	—	(12)	—	—	(12)	—	—	—	—	—	(12)
Foreign currency translation adjustments		—	—	—	(40)	—	—	—	—	(40)	—	—	(65)	(105)
Share of other comprehensive income/(loss) of associates and joint ventures		—	—	—	(34)	—	—	—	—	—	(34)	—	1	(33)
Total comprehensive income/(loss) for the year		**—**	**—**	**(826)**	**32**	**954**	**(836)**	**(12)**	**—**	**(40)**	**(34)**	**110**	**(96)**	**(780)**
Acquisition of subsidiaries		—	—	—	—	—	—	—	—	—	—	—	20	20
Exchange of Share Capital of FL and FGL		2,599	23	(566)	(335)	(933)	774	(5)	—	(173)	2	—	(1,721)	—
Issuance of shares by subsidiaries	25	—	(18)	—	2	8	(7)	—	—	1	—	—	16	—
Distribution paid	25	—	—	—	—	—	—	—	—	—	—	(110)	—	(110)
Share-based compensation	29	—	17	—	—	—	—	—	—	—	—	—	2	19
Transaction with non-controlling interests	25	—	7	(114)	(3)	(8)	7	—	—	(2)	—	—	112	2
Transfer to legal reserve		—	13	(13)	—	—	—	—	—	—	—	—	—	—
Others		—	1	1	(3)	(2)	—	—	—	(1)	—	(6)	(1)	(8)
Balance as at 31 December 2023		**9,010**	**124**	**(1,956)**	**(944)**	**(2,934)**	**2,558**	**(32)**	**3**	**(510)**	**(29)**	**1,348**	**50**	**7,632**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

US$m	Notes	Attributable to Shareholders of the Company Share Capital and share premium	Other reserves	Retained earnings/ (accumulated losses)	Amounts reflected in other comprehensive income	Fair value reserve	Insurance finance reserve	Cash flow hedge reserve	Defined benefit obligation revaluation reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint ventures	Perpetual securities	Non-controlling interests	Total equity
Balance at 1 January 2022, as previously reported		**6,019**	**98**	**(283)**	**(187)**	**(21)**	**—**	**(9)**	**2**	**(162)**	**3**	**1,607**	**1,693**	**8,947**
Adjustment on initial application of IFRS 17, net of tax		—	—	285	(187)	—	(187)	—	—	—	—	—	36	134
Adjustment on initial application of IFRS 9, net of tax		—	—	11	(12)	(12)	—	—	—	—	—	—	—	(1)
Restated balance at 1 January 2022		**6,019**	**98**	**13**	**(386)**	**(33)**	**(187)**	**(9)**	**2**	**(162)**	**3**	**1,607**	**1,729**	**9,080**
Net gain/(loss)		—	—	(302)	—	—	—	—	—	—	—	83	(101)	(320)
<u>Other comprehensive income items that may be reclassified subsequently to profit or loss</u>														
Fair value losses on debt securities at fair value through other comprehensive income		—	—	—	(3,081)	(3,081)	—	—	—	—	—	—	(1,161)	(4,242)
Fair value losses on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment		—	—	—	144	144	—	—	—	—	—	—	55	199
Net finance income from insurance contracts		—	—	—	2,846	—	2,846	—	—	—	—	—	1,071	3,917
Net finance expenses from reinsurance contracts held		—	—	—	(23)	—	(23)	—	—	—	—	—	(9)	(32)
Cash flow hedges		—	—	—	(6)	—	—	(6)	—	—	—	—	(2)	(8)
Foreign currency translation adjustments		—	—	—	(137)	—	—	—	—	(137)	—	—	(50)	(187)
<u>Other comprehensive income items that will not be reclassified subsequently to profit or loss</u>														
Effect of remeasurement of net liability of defined benefit schemes		—	—	—	1	—	—	—	1	—	—	—	1	2
Total comprehensive income/(loss) for the year		**—**	**—**	**(302)**	**(256)**	**(2,937)**	**2,823**	**(6)**	**1**	**(137)**	**—**	**83**	**(196)**	**(671)**
Issuance of shares	25	400	—	—	—	—	—	—	—	—	—	—	—	400
Issuance of shares by subsidiaries		—	(38)	6	4	17	(16)	—	—	3	—	—	28	—
Redemption of perpetual securities	25	—	—	(2)	—	—	—	—	—	—	—	(248)	—	(250)
Distribution paid	25	—	—	—	—	—	—	—	—	—	—	(87)	—	(87)
Share-based compensation	29	—	19	—	—	—	—	—	—	—	—	—	7	26
Transactions with non-controlling interests	25	—	—	(151)	—	—	—	—	—	—	—	—	151	—
Disposal of subsidiary		—	—	—	(2)	(1)	—	—	—	(1)	—	—	(1)	(3)
Transfer to legal reserve		—	3	(3)	—	—	—	—	—	—	—	—	—	—
Others		(8)	(1)	1	3	1	—	—	—	2	—	(1)	—	(6)
Restated balance at 31 December 2022		**6,411**	**81**	**(438)**	**(637)**	**(2,953)**	**2,620**	**(15)**	**3**	**(295)**	**3**	**1,354**	**1,718**	**8,489**

CONSOLIDATED STATEMENT OF CASH FLOWS

US$m	Notes	Year ended 31 December 2023	2022 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(814)	(284)
Adjustments for:			
Financial investments		1,264	(1,077)
Insurance and reinsurance contract balances		(756)	(1,017)
Investment contract liabilities		(141)	(75)
Other non-cash operating items, including the effect of exchange rate changes on certain operating items		(298)	737
Operating cash items:			
Dividend received		232	189
Interest received		1,250	1,185
Interest paid		(15)	(10)
Income tax paid		(93)	(39)
Net cash provided by/(used in) operating activities		**629**	**(391)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired	5	19	—
Acquisition of interest in an associate	13	(51)	(54)
Dividend and distribution from associates and a joint venture	13	2	7
Payments for intangible assets		(62)	(483)
Payments for investment properties		—	(64)
Payments for property, plant and equipment		(10)	(11)
Proceeds from disposal of a subsidiary, net of cash disposed		—	38
Proceeds from disposals of intangible assets		4	13
Proceeds from disposals of property, plant and equipment		1	1
Net cash used in investing activities		**(97)**	**(553)**

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

US$m	Notes	Year ended 31 December 2023	2022 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of ordinary shares	25.1	—	400
Transaction costs on issuance of ordinary shares		—	(31)
Transaction costs on novation of perpetual securities		(5)	—
Repayment of bank borrowings	23	—	(50)
Proceeds from bank borrowings	23	—	50
Restricted cash		12	(3)
Proceeds from issuance of a medium term note		325	—
Distributions paid on perpetual securities	25.3	(110)	(87)
Redemption of perpetual securities	25.3	—	(250)
Transaction with non-controlling interests	25.5	1	—
Principal portion of lease payments		(44)	(42)
Finance costs paid on lease liabilities		(5)	(4)
Finance costs paid on borrowings		(144)	(96)
Finance costs paid on distribution agreement payable		(3)	(74)
Payment for listing related expenses		(2)	(3)
Net cash provided by/(used in) financing activities		**25**	**(190)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		557	(1,134)
Cash and cash equivalents at beginning of the year		1,474	2,654
Effect of exchange rate changes on cash and cash equivalents		(23)	(46)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,008**	**1,474**
Included in cash and cash equivalents per the consolidated statement of financial position	21	2,008	1,474

1 CORPORATE INFORMATION

1.1 General information

FWD Group Holdings Limited 富衛集團有限公司 (the "Company"), is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 18 March 2013. The address of the Company registered office is Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1 1205, Cayman Islands.

The Company is a holding company. The Company and its subsidiaries (collectively, "FWD Group" or the "Group") are principally engaged in the provision of products and services focusing on life insurance, general insurance, and investment services (the "Insurance Business").

As at 31 December 2023 and 2022, the immediate and ultimate holding company of the Company was PCGI Holdings Limited. PCGI Holdings Limited is wholly owned by Mr. Li Tzar Kai, Richard, the ultimate controlling shareholder of the Group (the "Ultimate Controlling Shareholder").

1.2 Reorganisation of the Group

The Group underwent the following reorganisation steps ("Reorganisation") during the financial periods presented:

1. On 20 August 2021, the name of the Company was changed from PCGI Intermediate Holdings Limited to FWD Group Holdings Limited.

2. On 20 August 2021, the Company effected a share split of all of the Company's issued and outstanding ordinary shares on a 1-for-100 basis ("Share Split"), pursuant to which the par value of each ordinary share was adjusted from US$1 to US$0.01. On the same date, PCGI Holdings Limited surrendered 1,514,065,560 ordinary shares of US$0.01 each for nil consideration pursuant to a form of surrender letter ("Share Surrender"). Accordingly, the par value of the ordinary shares surrendered at an amount of US$15m was transferred from share capital to capital redemption reserve. The Share Split and Share Surrender effectively resulted in a 1-for-30 split of the Company's issued ordinary shares.

3. On 14, 15 and 20 December 2021, and 14 and 27 January 2022, the Company allotted and issued in aggregate 259,170,649 ordinary shares to certain investors for consideration of US$1,625m.

4. On 10 January 2022, the Company adopted the dual foreign name of "FWD Group Holdings Limited 富衛集團有限公司".

5. On 19 December 2022, the Company allotted and issued 31,897,926 ordinary shares to PCGI Holdings Limited at a consideration of US$200m ("December 2022 Pre-IPO Investment"). Following the December 2022 Pre-IPO Investment, PCGI Holdings Limited holds approximately 77.7% shareholding in the Company. Refer to Note 25 for further details.

6. On 31 July 2023, the Company issued in aggregate 34,756,740 management shares ("Management Shares"), 120,099,900 series P conversion shares ("Series P Conversion Shares") and 196,083,810 Series A, B-2 and B-3 conversion shares ("Series A, B-2 and B-3 Conversion Shares") to the non-controlling interest holders of FL and FGL, and the non-controlling interest holders of FL and FGL sold and the Company purchased their holdings of ordinary shares, preference shares and convertible preference shares (as applicable) in FWD Limited ("FL") and FWD Group Limited ("FGL"), respectively (the "Exchange of Share Capital of FL and FGL"). These Management Shares, Series P Conversion Shares and Series A, B-2 and B-3 Conversion Shares will be mandatorily converted into ordinary shares of the Company upon completion of an initial public offering of the Company.

   Immediately after the completion of the Exchange of Share Capital of FL and FGL, FL and FGL have become wholly-owned subsidiaries of the Company.

1 CORPORATE INFORMATION (continued)

1.2 Reorganisation of the Group (continued)

The following reorganisation steps are expected to be completed conditional on and upon an initial public offering of the Company taking place:

Management Shares, Series P Conversion Shares and Series A, B-2 and B-3 Conversion Shares will be mandatorily converted into ordinary shares of the Company through the consolidation, redesignation and reclassification of the Management Shares, Series P Conversion Shares and Series A, B-2 and B-3 Conversion Shares by operation of the laws of the Cayman Islands (the "Conversion of Shares"). Immediately after the Conversion of Shares, the Company will only have ordinary shares in issue.

When these conditional reorganisation steps are completed they are expected to be accounted for in accordance with the Company's accounting policy noted in Note 2.2(3).

2 MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The accounting policies listed below are in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as issued by the International Accounting Standards Board, and Interpretations developed by the IFRS Interpretations Committee ("IFRIC").

The consolidated financial statements have been prepared, on a going concern basis, under the historical cost convention, except for investment property, the re-measurement of financial assets measured at fair value through other comprehensive income ("FVOCI"), certain financial assets and liabilities measured or designated at fair value through profit or loss ("FVTPL") and derivative financial instruments, all of which are carried at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell further explained in Note 5.

The accounting policies adopted are consistent throughout the year ended 31 December 2023, except as described as follows.

(a) Mandatory for the year ended 31 December 2023

The following relevant new standards have been adopted for the first time for the years presented:

i. IFRS 17, Insurance Contracts

a. 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 discretionary participation features. 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 contractual service margin ("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 no longer included in insurance revenue and insurance service expenses.

Insurance finance income and expenses, disaggregated between profit or loss and OCI for insurance contracts, are presented separately from insurance revenue and insurance service expenses.

The Group applies the Premium Allocation Approach ("PAA") to simplify the measurement of contracts in the group business and non-life products with a coverage period of one year or less, except for groups of contracts that do not qualify for the PAA. When measuring liabilities for remaining coverage, the PAA is similar to the Group's previous accounting treatment.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

i. IFRS 17, Insurance Contracts (continued)

a. Recognition, measurement and presentation of insurance contracts (continued)

Under IFRS 17, 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 in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts held other than insurance finance income and 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 and reinsurance contracts held under IFRS 17, see Note 2.3.

b. Transition

Full retrospective approach

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable. The Group has applied the full retrospective approach on transition to all contracts issued on or after 1 January 2021. Under the full retrospective approach, at 1 January 2022 the Group:

- identified, recognised and measured each group of insurance and reinsurance contracts held as if IFRS 17 had always been applied;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, intangible assets related to insurance contracts (previously referred to as 'value of business acquired'), policy loans classified as financial investments, insurance receivables and payables. Under IFRS 17, they 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 were not adjusted.

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. The effects of adopting IFRS 17 on the consolidated financial statements at 1 January 2022 are presented in the statement of changes in equity.

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 when it was impracticable to apply the full retrospective approach.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

i. IFRS 17, Insurance Contracts (continued)

b. Transition (continued)

The Group considered the full retrospective approach impracticable 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. Such information included for certain contracts:
  - expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
  - information about historical cash flows and discount rates required for determining the estimates of cash flows and risk adjustment for non-financial risk on initial recognition and subsequent changes on a retrospective basis;
  - information required to allocate fixed and variable overheads to groups of contracts, because the Group's previous accounting policies did not require such information; and
  - information about changes in assumptions and estimates, which might not have been documented on an ongoing basis.

- 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. Such assumptions and estimates included for certain contracts:
  - expectations at contract inception about policyholders' shares of the returns on underlying items at contract inception required for identifying direct participating contracts;
  - assumptions about the risk adjustment for non-financial risk, because the Group had not been subject to any accounting or regulatory framework that required an explicit margin for non-financial risk.

Modified retrospective approach

The application of the full retrospective approach on transition for certain portfolios was determined to be impracticable for the Group, as obtaining all required historical data for its existing products from the actuarial valuation reports was not possible. Therefore, the Group has used reasonable and supportable information from its existing reporting systems, which resulted in the closest outcome to the full retrospective approach.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

i. IFRS 17, Insurance Contracts (continued)

b. Transition (continued)

Fair value approach

The Group has applied the fair value approach on transition for all other groups of contracts as, prior to transition, it grouped contracts from multiple cohorts and years into a single unit for accounting purposes. Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort. The Group has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date. In determining fair value, the Group has applied the requirements of IFRS 13 Fair Value Measurement.

The Group used the income approach to fair value the insurance contracts at the transition date.

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

- 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 8 and 16.

Assets for insurance acquisition cash flows

The Group also applied the modified retrospective 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

ii. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting, which replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). For impairment, IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For financial liabilities, IFRS 9 has not had a significant effect on the Group. Refer to Note 2.4 for the Group's new accounting policies adopted in accordance with IFRS 9.

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

- The comparative financial statements have been restated. The Group has elected to adopt the classification overlay and apply ECL model to financial instruments that had been derecognised before 1 January 2023.
- The Group has elected, as an accounting policy choice under IFRS 9, to continue to apply the hedge accounting requirements of IAS 39.
- The following assessments have been made on the basis of the facts and circumstances that existed before 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 FVTPL;
  - If a financial asset 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

ii. IFRS 9 Financial Instruments (continued)

Classification and measurement

The following table shows a reconciliation between the carrying amounts of the Group's financial assets under IAS 39 to the balances reported under IFRS 9 as at the date of initial application, 1 January 2023. The measurement categories of the Group's financial liabilities did not change upon adoption of IFRS 9.

	IAS 39 measurement				IFRS 9 measurement	
US$m	Category	Amount	Re-classification	Re-measurement - ECL	Category	Amount
Financial investments						
Debt securities[1]	FVTPL (designated)	225			N/A	
			131		Debt securities FVTPL (mandatory)	131
			94		Debt securities FVOCI	94
	AFS	32,493			N/A	
			30,721		Debt securities FVOCI	30,721
			1,575		Debt securities FVTPL (mandatory)	1,575
			197		Investment funds[3] FVTPL (mandatory)	197
Equity securities[2]	FVTPL (designated)	7,864			N/A	
			381		Equity securities FVTPL (mandatory)	381
			7,379		Investment funds[3] FVTPL (mandatory)	7,379
			104		Debt securities[4] FVTPL (mandatory)	104
Derivative financial instruments, net	FVTPL (held for trading)	185	185		FVTPL (mandatory)	185
Loans and deposits, excluding policy loans	L&R	1,532	1,532	(2)	Amortised cost	1,530
Total financial		**42,299**	**42,299**	**(2)**		**42,297**

2 MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

ii. IFRS 9 Financial Instruments (continued)

Classification and measurement (continued)

The following table shows a reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as at 1 January 2022.

	IAS 39 measurement			Re-measurement	IFRS 9 measurement	
US$m	Category	Amount	Re-classification	- ECL	Category	Amount
Financial investments						
Debt securities[1]	FVTPL (designated)	79			N/A	
			3		Debt securities FVTPL (mandatory)	3
			76		Debt securities FVOCI	76
	AFS	37,156			N/A	
			36,167		Debt securities FVOCI	36,167
			752		Debt securities FVTPL (mandatory)	752
			237		Investment funds[3] FVTPL (mandatory)	237
Equity securities[2]	FVTPL (designated)	8,253			N/A	
			1,055		Equity securities FVTPL (mandatory)	1,055
			7,198		Investment funds[3] FVTPL (mandatory)	7,198
Derivative financial instruments, net	FVTPL (held for trading)	(37)	(37)		FVTPL (mandatory)	(37)
Loans and deposits, excluding policy loans	L&R	897	897	(1)	Amortised cost	896
Total financial		**46,348**	**46,348**	**(1)**		**46,347**

2 MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

ii. IFRS 9 Financial Instruments (continued)

Classification and measurement (continued)

L&R: Loans and receivables

AFS: Available for sale

Notes:

[1] Certain debt securities previously classified as AFS under IAS 39 were classified as FVTPL because their cash flows are not solely payments of principal and interest on the principal outstanding. Debt securities that were classified as FVOCI under IFRS 9 because their contractual cash flows demonstrate solely payments of principal and interest on the principal outstanding. The Group reviewed its business model over these debt securities and concluded that the return of investment shall be achieved by both collecting contractual cash flows and sale of these investments.
The Group designated certain debt securities in policyholder and shareholder investments as at FVTPL under IAS 39. Upon initial application of IFRS 9, the Group revoked its previous designation and classified these debt securities based on their contractual cash flows characteristics and business model assessment.

[2] Equity securities are mandatorily measured at FVTPL under IFRS 9. As such, these investments are no longer required to be designated at FVTPL.

[3] Under IAS 39, certain investment funds were designated as at FVTPL because the Group managed them and evaluated their performance on a fair value basis. The Group also designated some investment funds as AFS. Under IFRS 9, these investments are mandatorily measured at FVTPL because they represent either redeemable units of the funds or units of funds with a limited life and their contractual cash flows are not solely payments of principal and interest on the principal outstanding.

[4] This includes certain reclassification from equity securities at FVTPL to debt securities at FVTPL in accordance with IFRS 9 requirements as well as to conform presentation for comparison purpose.

The Group’s accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2.4.1.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

ii. IFRS 9 Financial Instruments (continued)

Impairment of financial assets

The following tables reconcile the closing impairment allowance under IAS 39 with the opening loss allowance under IFRS 9.

US$m	31 December 2022 IAS 39	Reclassification	Remeasurement	1 January 2023 IFRS 9
Debt securities at FVOCI under IFRS 9				
– From available-for-sale under IAS 39	(14)	9	(45)	(50)
Loans and deposits at amortised cost under IFRS 9				
– From loans and receivables under IAS 39, excluding policy loans	(1)	—	(2)	(3)
Total	**(15)**	**9**	**(47)**	**(53)**

US$m	31 December 2021 IAS 39	Reclassification	Remeasurement	1 January 2022 IFRS 9
Debt securities at FVOCI under IFRS 9				
– From available-for-sale under IAS 39	(14)	9	(19)	(24)
Loans and deposits at amortised cost under IFRS 9				
– From loans and receivables under IAS 39, excluding policy loans	—	—	(1)	(1)
Total	**(14)**	**9**	**(20)**	**(25)**

Refer to Note 27 for further details of the loss allowance under IFRS 9.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

ii. IFRS 9 Financial Instruments (continued)

Impact of transition to IFRS 9 on reserves and accumulated losses

The impact of transition to IFRS 9 on the Group's reserves and accumulated losses as at 1 January 2023 is as follows:

US$m	Accumulated losses	Fair value reserve
Closing balance under IAS 39 as at 31 December 2022	**(1,036)**	**(3,168)**
Reclassify investments from AFS to FVTPL	(58)	58
Recognition of IFRS 9 ECL for debt securities at FVOCI and loans and deposits at amortised cost	(35)	33
Deferred tax in relation to IFRS 9 application	19	(19)
Other deferred tax impact[1]	—	143
Adjustment on initial application of IFRS 17, net of tax	672	—
Opening balance under IFRS 9, as at 1 January 2023	**(438)**	**(2,953)**

The impact of transition to IFRS 9 on the Group's reserves and retained earnings/accumulated losses as at 1 January 2022 is as follows:

US$m	Retained earnings/ (accumulated losses)	Fair value reserve
Closing balance under IAS 39 as at 31 December 2021	**(283)**	**(21)**
Reclassify investments from AFS to FVTPL	26	(26)
Recognition of IFRS 9 ECL for debt securities at FVOCI and loans and deposits at amortised cost	(14)	13
Deferred tax in relation to IFRS 9 application	(1)	1
Adjustment on initial application of IFRS 17, net of tax	285	—
Opening balance under IFRS 9, as at 1 January 2022	**13**	**(33)**

Note:
[1] In the consolidated financial statements prepared under IAS 39 and IFRS 4, there are unrecognised deferred tax assets in relation to the fair value losses on available for sale financial assets as it was not considered probable that taxable profit will be available against which these deductible temporary difference can be utilised. In the consolidated financial statements prepared under IFRS 9 and IFRS 17, there are additional deferred tax liabilities recognised as a result of increase in taxable temporary differences arisen from restated insurance contract balances, and deferred tax assets for the deductible temporary differences in relation to the fair value losses on FVOCI debts instruments were recognised as sufficient taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary difference.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

iii. Amendments to IAS 28: Long-term interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. The amendments also clarified that, in applying IFRS 9, an entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28 Investments in Associates and Joint Ventures. The Group applied these amendments concurrently with the application of IFRS 9, and there was no significant impact to its consolidated financial statements.

iv. Other amendments

- Amendments to IAS 1 and IFRS 2 Practice Statement 2, Disclosure of Accounting Policies (2023)
- Amendments to IAS 8, Definition of Accounting Estimates (2023)
- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (2023)
- Amendments to IAS 12, International Tax Reform - Pillar Two Model Rules (2023)

The above amendments to the standards did not have a significant impact to the Group’s consolidated financial statements.

(b) Issued but not yet effective and have not been early adopted for the year ended 31 December 2023

The following relevant new standards and amendments to standards have been issued but are not effective for the year ended 31 December 2023 and have not been early adopted:

- Amendments to IAS 1, Non-Current Liabilities with Covenants (2024)
- Amendments to IFRS 16, Leases on Sale and Leaseback (2024)
- Amendments to IAS 7 and IFRS 7, Supplier Finance Arrangements (2024)
- Amendments to IAS 21, Lack of Exchangeability (2025)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate of Joint Venture (Deferred)

The Group is assessing the impact of these amendments.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the years ended 31 December 2023 and 2022. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(1) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directly by means of contractual arrangement. The Group has determined that the investment funds that the Group has interest are structured entities.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date at which the Group no longer has control. Intercompany transactions are eliminated.

The Group utilises the acquisition method of accounting to account for the acquisition of subsidiaries, unless the acquisition forms part of the Group reorganisation of entities under common control. Under this method, the cost of an acquisition is measured as the fair value of the considerations transferred, considerations payable, shares issued or liabilities assumed at the date of acquisition. For each acquisition of subsidiary, the Group elects whether to measure the non-controlling interests in the entity at fair value (“fair value approach”) or at the proportionate share of the entity’s identifiable net assets (“proportionate share approach”). The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill (Note 2.9). The Group recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interests in the subsidiary. Any surplus of the acquirer's interest in subsidiary's net assets over the cost of acquisition is credited to the consolidated income statement. Acquisition-related costs are expensed as incurred.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The consolidated financial statements of the Group include the assets, liabilities and results of entities now comprising the Group, using accounts drawn up to the reporting date.

(2) Investment funds

Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. In conducting the assessment, the Group considers substantive contractual rights as well as de facto control. De facto control of an entity may arise from circumstances where the Group does not have more than 50% of the voting power but it has the practical ability to direct the relevant activities of the entity. If the Group has power to remove or control over the party having the ability to direct the relevant activities of the fund based on the facts and circumstances and that the Group has exposure to variable returns of the investment funds, they are consolidated. Variable returns include both rights to the profits or distributions as well as the obligation to absorb losses of the investees.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

(3) Non-controlling interests

Non-controlling interests are presented within equity except when they arise through the minority's interest in puttable liabilities such as the unit holders' interest in consolidated investment funds, when they are recognised as a liability, reflecting the net assets of the consolidated entity. Acquisitions and disposals of non-controlling interests, except when they arise through the minority's interest in puttable liabilities, are treated as transactions between equity holders. As a result, any difference between the amount by which the carrying amounts of the non-controlling interests are adjusted and the amount of the fair value of consideration received is recognised in the respective components of the equity attributable to the shareholders of the Company.

Perpetual securities issued by subsidiaries and classified as equity instruments are non-controlling interests of the Group, if they are held by investors other than the parent. Profit or loss and each component of OCI are attributable to the parent and other equity holders of the non-controlling interests after adjusting for any cumulative distributions on the perpetual securities, whether or not such distributions have been declared.

(4) Investments in associates and joint ventures

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

Investments in associates and joint ventures are accounted for using the equity method of accounting. Under this method, the cost of the investment in an associate or joint venture, together with the Group's share of that entity's post-acquisition changes to equity, is included as an asset in the consolidated statement of financial position. Cost includes goodwill arising on acquisition. The Group's share of the post-acquisition profits or losses and other comprehensive income is recognised in the consolidated income statement and consolidated statement of comprehensive income, respectively. In addition, when there is a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

Gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Losses are also eliminated, unless the transaction provides evidence of an impairment of an asset transferred between entities.

When an investment in an associate is a venture capital organisation, a mutual fund, unit trust or similar entity, including unit-linked insurance funds (i.e. an investment entity) and the investment entity associate applies fair value measurement to its subsidiaries, the Group retains the fair value measurement applied by the investment entity associate to its interests in subsidiaries when applying the equity method.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts

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

(1) Product classification

The Group classifies its contracts written including reinsurance issued or reinsurance contracts held as either insurance contracts or investment contracts, depending on the level of insurance risk. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Some insurance and investment contracts, referred to as participating business, have discretionary participation features, "DPF", which may entitle the customer to receive, as a supplement to guaranteed benefits, additional non-guaranteed benefits, such as policyholder dividends or bonuses. The Group applies the same accounting policies for the recognition and measurement of obligations arising from investment contracts with DPF as it does for insurance contracts. The Group refers to such contracts as participating business.

In the event that a scenario (other than those lacking commercial substance) exists in which an insured event would require the Group to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. For investment contracts that do not contain DPF, *IFRS 9 Financial Instrument*, 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 contract reclassification is not subsequently performed unless the terms of the agreements are later amended.

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

(1) Product classification (continued)

In some jurisdictions, participating business is written in a participant fund which is distinct from the other assets of the Group. The allocation of benefits from the assets held in such participating funds is subject to minimum policyholder participation mechanisms which are established by regulation. The extent of such policyholder participation may change over time. The current policy participation in declared dividends for locations with participating funds is set out below:

Country	Current policyholder participation
Malaysia	90 %
Vietnam	70 % / 75 %
Singapore	90 %

In some jurisdiction participating business is not written in a distinct fund and the Group refers to this as other participating business.

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts measured under the variable fee approach ("VFA") 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 the underlying items.

All other insurance contracts and all reinsurance contracts held are classified as contracts without direct participation features. Some of these contracts are measured under the premium allocation approach ("PAA").

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

(1) Product classification (continued)

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

Policy type	Description of benefits payable	Basis of accounting for: Insurance contract liabilities	Investment contract
Traditional participating life assurance with DPF	Participating funds Participating products include protection and savings element. 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 and bonus declarations is at the discretion of the insurer. Local regulators generally prescribed a minimum proportion of policyholder participation in declared dividend.	Insurance contracts liabilities make provision for the present value of guaranteed benefits, non-guaranteed participation and future administrative expenses that are directly attributable to the contract less estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Not applicable, as contracts with DPF are accounted for as insurance contracts under IFRS 17.
	Other participating business Participating products include protection and savings elements. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the timing or amount of which are at the discretion of the insurer taking into account factors such as investment experience.	Insurance contract liabilities make provision for the present value of guaranteed benefits, non-guaranteed participation and future administrative expenses that are directly attributable to the contract less estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Not applicable, as contracts with DPF are accounted for as insurance contracts under IFRS 17.
Takaful	Products combine savings with protection, with an arrangement based on mutual assistance under which takaful participants agree to contribute to a common fund (Family risk fund) providing for mutual financial benefits payable on the occurrence of pre-agreed events.	Insurance contract liabilities reflect the present value of future policy benefits to be paid, the future administration expenses that are directly related to the contract and the mutual financial benefits to be paid from the common fund, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Not applicable.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

(1) Product classification (continued)

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

		Basis of accounting for:	
Policy type	Description of benefits payable	Insurance contract liabilities	Investment contract
Non-participating life assurance, annuities and other protection products	Benefits payable are not at the discretion of the insurer.	Insurance contract liabilities reflect the present value of future policy benefits to be paid and the future administration expenses that are directly attributable to the contract, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Investment contract liabilities without DPF are measured at amortised cost.
Universal life	Benefits are based on an account balance, credited with interest at a rate set by the insurer, and a death benefit, which may be varied by the customer.	Insurance contract liabilities reflect the present value of future policy benefits to be paid and the future administration expenses that are directly attributable to the contract, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Not applicable as such contracts generally contain significant insurance risk.
Unit-linked	These may be primarily savings products or may combine savings with an element of protection.	Insurance contract liabilities reflect the present value of future policy benefits to be paid and the future administration expenses that are directly attributable to the contract, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Investment contract liabilities are measured at fair value (determined with reference to the accumulation value).

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF

(1) Separating components from insurance and reinsurance contracts issued

At inception, the Group separates the following components from an insurance or reinsurance contract 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 or reinsurance contract 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 to policyholders 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) Aggregation and recognition of insurance and reinsurance contracts issued

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each 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 annual cohort.

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(3) Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group and to the groups that will include renewals of those contracts. The Group expects to recover part of the related insurance acquisition cash flows through renewals of these contracts. The allocation to renewals is based on the manner in which

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17. 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 group 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 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.

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.

<u>Recoverability assessment</u>

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

a. recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and

b. 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 under (a).

The Group reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(4) 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. 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.

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 can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).

A substantive obligation to provide 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 up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The reassessment of risks considers only risks transferred from policyholders to the Group, which may include both insurance and financial risks.

(5) Measurement – Contracts not measured under the PAA

Initial measurement

On initial recognition, the Group measures a group of insurance contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the Contractual Service Margin, "CSM". The fulfilment cash flows of a group of insurance contracts do not reflect the Group's non-performance risk.

The risk adjustment for non-financial risk for a group of insurance 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 insurance contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) 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 under (3)) 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.

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.

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, or as an adjustment to goodwill or a gain on a bargain purchase if the contracts are acquired in a business combination. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(5) Measurement – Contracts not measured under the PAA (continued)

Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage 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 liability for incurred claims 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 insurance 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	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	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

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 year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates determined on initial recognition;
- 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 as a loss in profit or loss and creates a loss component; or
  - any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year.

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

- experience adjustments arising from premiums received in the year 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 liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that arise from 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 year, determined as the payment expected at the start of the year 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 year;
- differences between any loan to a policyholder expected to become repayable in the year and the actual amount that becomes repayable in the year; and
- changes in the risk adjustment for non-financial risk that relate to future services.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(5) Measurement – Contracts not measured under the PAA (continued)

Subsequent measurement (continued)

Changes in discretionary cash flows are regarded as relating to future services and accordingly adjust the CSM.

Direct participation contracts measured under VFA

Direct participating contracts 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 direct participating contracts, the Group adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Group then adjusts any CSM for changes in the amount of the Group's share of the fair value of the underlying items, which relate to future services, as explained below.

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

- the CSM of any new contracts that are added to the group in the year;
- 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:
  - the Group has applied the risk mitigation option to exclude from the CSM changes in the effect of financial risk on the amount of its share of the underlying items or fulfilment cash flows;
  - 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, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component; 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, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses);
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year.

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(6) Measurement – Contracts measured under the PAA

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

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

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for 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 for life insurance contracts). For non-life insurance contracts, the Group has chosen to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Group expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Group has chosen not to adjust the liability for remaining coverage 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 liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are discounted (at current rates) if the liability for incurred claims is also discounted.

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(7) 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 derecognition of a contract from within 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, 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 a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group 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 Group received the premium that it would have charged less any additional premium charged for the modification.

(8) Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts held that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) are included in the carrying amount of the related portfolios of contracts.

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

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts.

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(8) Presentation (continued)

Insurance revenue – 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 insurance contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which the Group expects to receive consideration, and 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 year, generally measured at the amounts expected at the beginning of the year. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts, which are recognised as insurance revenue and insurance service expenses at that date.
- Other amounts, such as experience adjustments for premium receipts for current or past services

In addition, the Group allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Group recognises the allocated amount, as insurance revenue and an equal amount as insurance service expenses.

Release of the CSM

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

Services provided by insurance contracts include insurance coverage and, for all direct participating contracts, investment services for managing underlying items on behalf of policyholders. In addition, insurance contracts without direct participation features may also provide investment services for generating an investment return for the policyholder, but only if:

- an investment component exists or the policyholder has a right to withdraw an amount;
- the investment component or withdrawal amount is expected to include an investment return; and
- the Group expects to perform investment activities to generate that investment return.

The expected coverage period reflects expectations of lapses and cancellations of contracts, as well as the likelihood of insured events occurring to the extent that they would affect the expected coverage period. The period of investment services ends no later than the date on which all amounts due to current policyholders relating to those services have been paid.

Insurance revenue – Contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Group allocates the expected premium receipts to each period by the passage of time.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF (continued)

(8) Presentation (continued)

Loss components

For contracts not measured under the PAA, the Group establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows, excluding investment component, plus the risk adjustment for non-financial risk at the beginning of each year (or on initial recognition if a group of contracts is initially recognised in the year).

Changes in fulfilment cash flows relating to future services and changes in the amount of the Group's share of the fair value of the underlying items for direct participating contracts 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 a new CSM for the group of contracts.

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 comprise the following items.

- Incurred claims and other insurance service expenses: For some contracts, incurred claims also include premiums waived on detection of critical illness.

- 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 year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, other than non-life contracts, 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.

- 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.

- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Reinsurance contracts held

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

For reinsurance contracts held that transferred significant insurance risk, they are accounted for as follows.

(1) Aggregation and recognition of reinsurance contracts held

Groups of reinsurance contracts held are established such that each group comprises a single contract. Some reinsurance contracts held provide cover for underlying contracts that are included in different groups. However, the Group concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Group's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

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

- Reinsurance contracts held initiated by the Group that provide proportionate coverage: The date on which any underlying insurance contract is initially recognised.
- Other reinsurance contracts held initiated by the Group: 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 was entered into before that earlier date, then the group of reinsurance contracts held is recognised on that earlier date. This applies to the Group's excess of loss and stop loss reinsurance contracts held.
- Reinsurance contracts held acquired: The date of acquisition.

(2) 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. 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.

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Reinsurance contracts held (continued)

(3) Measurement – Contracts not measured under the PAA

To measure a group of reinsurance contracts held, the Group applies the same accounting policies as are 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) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group, (c) any cash flows arising 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 group, 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 year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates determined on initial recognition;
- income recognised in profit or loss in the year on initial recognition of onerous underlying contracts;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts held;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they 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 because of the services received in the year.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Reinsurance contracts held (continued)

(3) Measurement – Contracts not measured under the PAA (continued)

Reinsurance of onerous underlying insurance contracts

The Group adjusts the CSM of the group to which a reinsurance contract belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract 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 held 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 component 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 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 the portion of losses recognised on the onerous group of contracts that relates to underlying contracts covered by the reinsurance contract.

A loss-recovery component is created or adjusted for the group of reinsurance contracts held to depict the adjustment to the CSM, 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.

(4) Measurement – Contracts measured under the PAA

The Group applies the same accounting policies to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts.

If a loss-recovery component is created for a group of reinsurance contracts held measured under the PAA, then the Group adjusts the carrying amount of the asset for remaining coverage instead of adjusting the CSM.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Reinsurance contracts held (continued)

(5) 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 derecognition of a contract from within 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; 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 a third party, then the CSM is also adjusted for the premium charged by the third party.

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 Group received the premium that it would have charged less any additional premium charged for the modification.

(6) Presentation

Portfolios of reinsurance contracts held that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts are included in the carrying amount of the related portfolios of contracts.

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Reinsurance contracts held (continued)

(6) Presentation (continued)

Net expenses from reinsurance contracts held

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

The Group recognises an allocation of reinsurance premiums paid in profit or loss as it receives services 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 covering those contracts is entered into before or at the same time as those contracts are recognised; 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.

The loss-recovery component 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. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Group expects to recover from the reinsurance contracts held.

2.3.3 Investment contracts without DPF

Investment contracts without DPF which do not contain sufficient insurance risk are not considered as insurance contracts and are accounted for as a financial liability.

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.

(1) 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.

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 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.3 Investment contracts without DPF (continued)

(2) Investment contract liabilities

Deposits collected and benefit payments under investment contracts without DPF are not accounted for through the consolidated income statement, except for the investment income and fees attributed 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, which are 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) and an unearned revenue liability and sales inducement liability where applicable. The costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against customers' account balances are included in revenue, and accounted for as described under “Investment contract fee revenue” above.

2.4 Financial Instruments

2.4.1 Classification and measurement of financial instruments

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). 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 on the first day of the first reporting period following the change in the business model.

(1) Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- 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 SPPI.

(2) Financial asset is measured at fair value through other comprehensive income

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- 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 SPPI.

Financial asset is measured at FVOCI are initially recognized at fair value plus attributable transaction costs. The difference between the initial recognition amount and par value is amortized. Interest income from FVOCI debt securities is recognized in investment income in the consolidated income statement using the effective interest method. FVOCI debt securities are subsequently measured at fair value. Changes in the fair value, except for relevant foreign exchange gains and losses and impairment losses, are recognized in other comprehensive income and accumulated in a separate fair value reserve within equity. Foreign currency translation differences on these debt securities are calculated as if they were carried at amortized cost and are recognized in the consolidated income statement as investment experience. Impairment losses are recognized in the consolidated income statement.

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.1 Classification and measurement of financial instruments (continued)

(3) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. 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 FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Dividend income from equity securities or investment funds at fair value through profit or loss is recognised in investment income in the consolidated income statement, generally when the security becomes ex-dividend. Interest income is recognised on an accrued basis. For all financial assets at fair value through profit or loss, changes in fair value are recognised in other investment gains/(losses).

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

(4) Business model assessment

The Group assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

For a majority of debt investments, the objective of the Group's business model is to fund insurance contract liabilities. The Group undertakes significant buying and selling activity on a regular basis to rebalance its portfolio of assets and to ensure that contractual cash flows from the financial assets are sufficient to settle insurance contract liabilities. The Group determines that both collecting contractual cash flows as they come due and selling financial assets to maintain the desired asset profile are integral to achieving the business model's objective.

Loans and deposits are held in separate portfolios for long-term yield. These assets may be sold, but such sales are not expected to be more than infrequent. The Group considers that these assets are held within a business model whose objective is to hold assets to collect the contractual cash flows.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.1 Classification and measurement of financial instruments (continued)

(5) Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time – e.g. if there are repayments of principal.

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, for a financial asset acquired at a premium or discount to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant on initial recognition.

Some prepayment features permit the debtor to prepay the debt instrument at an amount calculated as the remaining contractual cash flows discounted at the current market benchmark interest rate plus a fixed spread. The Group has determined that these prepayment features are consistent with the SPPI criterion. Because the Group would be compensated only for the change in the market benchmark interest rate and for lost interest margin, the prepayment penalty would not include any non-SPPI risks and may be seen as reasonable compensation.

(6) Realised gains and losses on financial assets

Realised gains and losses on FVOCI debt securities are determined as the difference between the sale proceeds and amortised costs and the cumulative gains and losses are reclassified to profit or loss from other comprehensive income.

Cumulative gains and losses recognised in other comprehensive income on FVOCI equity securities are not reclassified to profit or loss but transferred to retained earnings on disposal of an investment.

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.1 Classification and measurement of financial instruments (continued)

(7) Financial liabilities

The Group classifies its financial liabilities, into one of the following categories:

- financial liabilities at FVTPL, and within this category as:
  - held-for-trading;
  - derivative hedging instruments; or
  - designated as at FVTPL; and
- financial liabilities at amortised cost.

The Group has designated investment contract liabilities as at FVTPL on initial recognition if the related assets are measured at FVTPL and the designation eliminates a measurement inconsistency.

All investment contract liabilities have a unit-linking feature whereby the amount due to contract holders is contractually determined on the basis of specified assets. The effect of the unit-linking feature on the fair value of the liability is asset-specific performance risk and not credit risk, and the liabilities are fully collateralised. The Group has determined that any residual credit risk is insignificant and has not had any impact on the fair value of the liabilities.

(8) Derecognition 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. 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 measured at amortised cost 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.

(9) Loans and deposits

Loans and deposits are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest income from loans and receivables is recognised in investment income in the consolidated income statement using the effective interest method.

(10) Term deposits

Deposits include time deposits with financial institutions which do not meet the definition of cash and cash equivalents as their maturity at acquisition exceeds three months. Certain of these balances are subject to regulatory or other restriction as disclosed in Note 17 Financial Investments. Deposits are stated at amortised cost using the effective interest method.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.1 Classification and measurement of financial instruments (continued)

(11) Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities at acquisition of three months or less, which are held for cash management purposes. Cash and cash equivalents also include cash received as collateral for derivative transactions, and repo and reverse repo transactions. Cash and cash equivalents are measured at amortised cost using the effective interest method.

Bank deposits which are restricted to use are included in "restricted cash" within "other assets" in the consolidated statement of financial position. Restricted cash are excluded from cash and cash equivalents.

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 at 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 each reporting date. 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 19.

2.4.3 Impairment of financial assets

(1) General

The Group recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost and debt investments measured at FVOCI.

The Group measures loss allowances at an amount equal to 12-month ECL, except for Stage 2 and Stage 3 assets where a lifetime ECL is recognised.

ECL is assessed in three stages:

Stage 1: if the financial asset is not credit-impaired upon origination and the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance is measured at an amount up to 12-month ECL;

Stage 2: if the financial asset is not credit-impaired upon origination but the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime ECL. Lifetime ECL results from all possible default events over the expected life of the financial instrument; and

Stage 3: if the financial asset is credit-impaired, with one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, the loss allowance is also measured at an amount equal to the lifetime ECL.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.3 Impairment of financial assets (continued)

(1) General (continued)

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

For debt securities at low credit risk at the reporting date, it is assumed that the credit risk has not increased significantly since initial recognition, and hence, the loss allowance is measured at an amount up to 12-month ECL.

(2) Measurement of ECL

ECL is calculated as a probability-weighted forward-looking estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

(3) Credit-impaired financial assets

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

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".

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Group on terms that the Group would not otherwise consider;
- the debtor entering bankruptcy or other financial reorganisation becoming probable; or
- the disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower'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.

(4) Presentation of loss allowances in the statement of financial position

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets; and
- debt investments measured at FVOCI: the loss allowance does not reduce the carrying amount of the financial assets (which are measured at fair value) but gives rise to an equal and opposite gain in OCI.

ECL is recognised as "Net impairment loss on financial assets" in the consolidated income statement.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.3 Impairment of financial assets (continued)

(5) Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Although the Group expects no significant recovery from amounts written off, financial assets that are written off could still be subject to enforcement activities and company activities, that may result in recovery of written off amounts.

2.4.4 Derivative financial instruments

Derivative financial instruments primarily include foreign exchange contracts, interest rate swaps and bond forwards that derive their value mainly from underlying foreign exchange rates, interest rates and bond prices. 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.

(1) Derivative instruments for economic hedges

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

(2) Derivative instruments for hedge accounting

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

(i) Fair value hedge

Where a derivative financial instrument is designated as a hedge of the fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), changes in the fair value of the derivative are recorded in the consolidated income statement, together with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting; or the Group revokes the designation of the hedge relationship, the cumulative adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the consolidated income statement over the residual period to maturity.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.4 Derivative financial instruments (continued)

(2) Derivative instruments for hedge accounting (continued)

(ii) Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated separately in the hedging reserve under equity. The ineffective portion of any gain or loss is recognised immediately in the consolidated income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated cumulative gain or loss is removed from equity and recognised in the consolidated income statement in the same period or periods during which the asset acquired or liability assumed affects the consolidated income statement (such as when the interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the consolidated income statement in the same period or periods during which the hedged forecast transaction affects the consolidated income statement.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting, or the Group revokes the designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the associated cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the consolidated income statement.

(3) Embedded derivatives

Embedded derivatives are derivatives embedded within other non-derivative host financial instruments to create hybrid instruments. When the host contract is a financial asset in the scope of IFRS 9, the hybrid financial instrument as a whole

is assessed for classification and the embedded derivative is not separated from the host contract.

A derivative embedded in a host insurance or reinsurance contract is not accounted for separately from the host contract if the embedded derivative itself meets the definition of an insurance or reinsurance contract.

For other contracts, where the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host instrument, and where the hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss, the embedded derivative is bifurcated and carried at fair value as a derivative in accordance with IFRS 9.

2.5 Segment reporting

An operating segment is a component of the Group that engages in business activity from which it earns revenues and incurs expenses and, for which, discrete financial information is available, and whose operating results are regularly reviewed by the Group’s chief operating decision-maker for the purposes of allocating resources to, and assessing the performance of, the Group’s various geographical locations.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation

(1) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates (the "functional currency"). The consolidated financial statements are presented in the United States dollars ("US dollar" or "US$"), which is the functional currency of the Company, unless otherwise stated.

(2) Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies into functional currency, are recognised in the consolidated income statement. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Groups of insurance and reinsurance contracts that generate cash flows in a foreign currency, including the CSM, are treated as monetary items.

Translation differences on financial assets measured at fair value through profit or loss are included in investment return. For monetary financial assets measured at fair value through other comprehensive income, exchange differences on the amortised cost are recognised in profit or loss and other exchange differences in the carrying amount are recognised in other comprehensive income.

Exchange differences relate to groups of insurance and reinsurance contracts to the extent which changes in the carrying amount of the groups of contracts that are recognised profit or loss, are recognised in profit or loss. Exchange differences relate to groups of insurance and reinsurance contracts to the extent which changes in the carrying amount of the groups of contracts that are recognised in other comprehensive income, are recognised in other comprehensive income.

(3) Group companies

Income statement and cash flows of foreign entities are translated into the Group's presentation currency at average exchange rates for the period as this approximates to the exchange rates prevailing at the transaction date. Their statement of financial position are translated at year or period end exchange rates. Exchange differences arising from the translation of the net investment in foreign operations, are taken to the currency translation reserve within equity. On disposal of a foreign operation, such exchange differences are transferred out of this reserve and are recognised in the consolidated income statement as part of the gain or loss on sale.

2.7 Property, plant and equipment and depreciation

Plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Right-of-use assets in relation to other leased property, plant and equipment are carried at cost less accumulated depreciation. The right-of-use asset in relation to a lease is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Depreciation is calculated using the straight-line method to allocate cost less any residual value over the estimated useful life, generally:

Leasehold improvements	Over the lease terms
Furniture and fixtures and others	3 - 5 years
Computer equipment	3 - 5 years

2 MATERIAL ACCOUNTING POLICIES (continued)

2.7 Property, plant and equipment and depreciation (continued)

Subsequent costs are included in the carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits will flow to the Group. Repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Residual values and useful lives are reviewed and adjusted, if applicable, at each reporting date. An asset is written down to its recoverable amount if the carrying value is greater than the estimated recoverable amount.

Any gain and loss arising on disposal of property, plant and equipment is measured as the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

2.8 Investment property

Property held for long-term rental or capital appreciation, or both that is not occupied by the Group is classified as investment property. 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.

If an investment property becomes held for own use, it is reclassified as property, plant and equipment. Where a property is partly used as an investment property and partly for the use by the Group, these elements are recorded separately within investment property and property, plant and equipment, respectively, where the component used as investment property would be capable of separate sale or lease.

2.9 Goodwill and other intangible assets

(1) 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, associate or joint venture at the date of acquisition. Goodwill arising on the Group's investment in subsidiaries is shown as a separate asset and is carried at cost less any accumulated impairment losses, whilst that on associates and joint ventures is included within the carrying value of those investments. All acquisition-related costs are expensed as incurred.

(2) Distribution rights

Distribution rights represent contractual relationships for exclusive access to distribution networks, and are amortised over their estimated useful lives.

Costs associated with acquiring rights to access distribution networks are amortised on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the intangible asset. These amortisation charges are subsequently allocated to groups of insurance contracts if they are directly attributable to insurance acquisition or other fulfilment activities.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.9 Goodwill and other intangible assets (continued)

(3) Other intangible assets

Other intangible assets consist primarily of computer software, and are amortised over their estimated useful lives.

Purchased computer software licenses are capitalised on the basis of the costs incurred to purchase and bring to use the specific software. Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Costs of purchasing computer software licenses and incurred in the internal production of computer software are amortised using the straight-line method over the estimated useful life of the software, which does not generally exceed a period of 3 to 15 years. Useful lives of computer software licenses are determined based on various factors, including but not limited to the expected usage of the software, typical life cycles, types of obsolescence and period of license (if applicable). The amortisation charge for the period is included in the consolidated income statement under "General expenses".

2.10 Impairment of non-financial assets

Property, plant and equipment, and other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying values of goodwill and intangible assets with indefinite useful lives are reviewed at least annually or when circumstances or events indicate that there may be uncertainty over this value.

For the purposes of assessing impairment, assets are allocated to each of the Group's cash-generating units, or group of cash-generating units, the lowest level for which there are separately identifiable cash flows.

An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, which is the higher of the fair value of the asset less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group assesses at the end of each reporting period whether there is any objective evidence that its investments in associates and joint ventures are impaired. Such objective evidence includes whether there have been any significant adverse changes in the technological, market, economic or legal environment in which the associates and joint ventures operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in an associate or a joint venture is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount is lower than the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.11 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale. Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

2.12 Collateral

The Group receives and pledges collateral in the form of cash or non-cash assets in respect of derivative transactions and reinsurance arrangements, in order to reduce the credit risk of these transactions. The amount and type of collateral depends on an assessment of the credit risk of the counterparty. Collateral received in the form of cash, which is not legally segregated from the Group, is recognised as an asset in the consolidated statement of financial position with a corresponding liability for the repayment. Non-cash collateral received is not recognised on the consolidated statement of financial position unless the Group sells these assets in the absence of default, at which point the obligation to return this collateral is recognised as a liability. To further minimise credit risk, the financial condition of counterparties is monitored on a regular basis.

Collateral pledged in the form of cash which is legally segregated from the Group is derecognised from the consolidated statement of financial position and a corresponding receivable established for its return. Non-cash collateral pledged is not derecognised (except in the event of default) and therefore continues to be recognised in the consolidated statement of financial position within the appropriate financial instrument classification.

2.13 Borrowings

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. All borrowing costs are expensed as they are incurred, except for borrowing costs directly attributable to the development of investment properties and other qualifying assets, which are capitalised as part of the cost of the asset.

2.14 Income taxes

Income tax comprises current and deferred tax. The current tax expense is based on the taxable profits for the period, including any adjustments in respect of prior years. Tax is allocated to profit or loss before taxation and amounts charged or credited to equity as appropriate.

Deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, except as described below.

The principal temporary differences arise from the basis of recognition of insurance and investment contract liabilities and revaluation of certain financial assets and liabilities including derivative contracts. The rates enacted or substantively enacted at the date of the consolidated statement of financial position are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In countries where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is evidence that future profits will be available.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.14 Income taxes (continued)

Deferred taxes are not provided in respect of temporary differences arising from the initial recognition of goodwill or from goodwill for which amortisation is not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which is not a business combination and which affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred tax related to fair value remeasurement of investments measured at fair value through other comprehensive income and other amounts taken directly to equity, is recognised initially within the applicable component of equity. It is subsequently recognised in the consolidated income statement, together with the gain or loss arising on the underlying item.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two model rules income taxes.

In addition to paying tax on shareholders' profits, certain of the Group's life insurance businesses pay tax on policyholders' investment returns (policyholder tax) at policyholder tax rates. Policyholder tax is accounted for as an income tax and is included in the total tax expense and disclosed separately.

2.15 Revenue

(1) Insurance revenue

The Group recognises insurance revenue as it provides services under groups of insurance contracts (see Note 2.3.1 (8)).

(2) Investment return

Investment income consists of dividends, interest and rents receivable for the reporting period. Investment experience comprises realised gains and losses, impairments and unrealised gains and losses on investments held at fair value through profit or loss. Interest income is recognised as it accrues, taking into account the effective yield on the investment. Dividend income is recognised on the date the shares become quoted ex-dividend. Rental income on investment property is recognised on an accrual basis. Investment return consists of investment income and investment experience.

The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate. Unrealised gains and losses represent the difference between the carrying value at the period end and the carrying value at the previous year end or purchase price if purchased during the period, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the period.

(3) Other fee and commission income

Other fee and commission income consist primarily of fund management fees, income from any incidental non-insurance activities, distribution fees from mutual funds and commissions on reinsurance ceded.

Income is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. In case of variable consideration contracts, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty is subsequently resolved.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.15 Revenue (continued)

(4) Other revenue

Other revenue largely consists of ceding commissions from reinsurance arrangements as well as administrative fees and asset management fees.

2.16 Employee benefits

(1) Annual leave

The Group provides annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of a reporting period is permitted to be carried forward and utilised by the respective employees in the following year. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(2) 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).

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.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in “Employee benefits expenses” in the consolidated income statement.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in consolidated income statement when the plan amendment or curtailment occurs.

For defined contribution retirement benefits schemes, the Group pays contributions to independently administered funds. 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 benefits expenses”. When an employee leaves the scheme prior to his/her interest in the Group's employer contributions becoming fully vested, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The Group's obligations under defined benefits plans and defined contribution plans are included in “Provisions” of the consolidated statement of financial position.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.16 Employee benefits (continued)

(3) Long service payments

Certain employees of the Group are eligible for long service payments in the event of the termination of their employment according to certain local Employment Ordinances. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in those Employment Ordinances.

(4) Share-based compensation

The Group launched a share-based compensation plan, under which the Group awards restricted shares units ("RSU") and/ or share options of the Group to certain key employees as part of compensation for services provided in achieving shareholder value targets. This share-based compensation plan is known as the FWD Share Option and RSU Plan.

The Group's share-based compensation plan is equity-settled plan. Under equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the award of RSU 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 RSU and/or share options awarded on respective grant date. Non-market vesting conditions are included in assumptions about the number of RSU and/or share options that are expected to be vested. At each period end, the Group revises its estimates of the number of RSU 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 awards of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate award, and therefore the fair value of each tranche is recognised over the applicable vesting period.

The Group estimates the fair value of the awards using appraisal value method (Embedded Value plus a multiple of Value of New Business) and market valuation approach, where applicable, for the RSU and Black-Scholes model for the share options.

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.

(5) Termination benefits

Termination benefits are payable and recognised at the earlier of: (a) when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.17 Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract held, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain. Provisions comprise of provisions in respect of regulatory matters, litigation, reorganisation and restructuring.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingencies are disclosed if material and if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event, but either a payment is not probable or the amount cannot be reliably estimated.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.18 Lease

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Assets subject to such leases are included in investment property. Rentals from such leases are credited to the consolidated income statement on a straight-line basis over the period of the relevant lease.

Group as a lessee

The Group leases various premises, car parks, equipment 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 while lease liabilities are presented as a component of other liabilities (see Notes 14 and 24). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The depreciation charge for right-of-use assets, by class of underlying asset, and finance cost on lease liabilities are disclosed in Notes 9 and 10.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate of the respective business unit (as the lessee) within the Group. Furthermore, a maturity analysis of the Group's lease liabilities is disclosed in Note 27.

Right-of-use assets are measured at cost comprising the following:

- the amount of initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

In determining the lease term, management considers all facts and circumstances that create an economic incentive for the lessee to exercise an extension option, or not exercise a termination option. 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. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) by the lessee. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer hardware and small items of furniture and fixtures that are individually, when new, below US$5,000.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.19 Share capital

Ordinary shares, preference shares and convertible preference shares are classified in equity when there is no contractual obligation to transfer cash or other assets or to deliver a variable number of the Group's own equity instruments to the holders.

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue.

Dividends are recognised when they have been approved by shareholders.

2.20 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 statement of financial position in approximate order of liquidity, rather than distinguishing current and non-current assets and liabilities. The Group regards its intangible assets, investments in associates and joint ventures, property, plant and equipment, investment property and deferred acquisition and origination costs as non-current assets as these are held for the longer-term use of the Group.

2.21 Fiduciary activities

Assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, are excluded from these consolidated financial statements where the Group does not have contractual rights to the assets and acts in a fiduciary capacity such as nominee, trustee or agent.

2.22 Consolidated statement of cash flow

The consolidated statement of cash flow presents movements in cash and cash equivalents and bank overdrafts as shown in the consolidated statement of financial position.

Purchases and sales of financial investments are included in operating cash flows as the purchases are funded from cash flows associated with the origination of insurance and investment contracts, net of payments of related benefits and claims. Purchases and sales of investment property are included within cash flows from investing activities.

2.23 Related parties

Transactions with related parties are recorded at amounts mutually agreed and transacted between the parties to the arrangement.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. 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. Key judgments, estimates and assumptions are described below.

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 for those have no significant possibility of becoming onerous subsequently are:

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

The accounting policy on level of aggregation and recognition of group of insurance contracts is described in Note 2.3.

3.2 Insurance contracts not measured under the premium allocation approach

(1) Measurement

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 in respect of insurance contracts are provided in Note 2.3.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Insurance contracts not measured under the premium allocation approach (continued)

(2) 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 service 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.

3.3 Fair value of financial assets

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

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

Changes in the fair value of financial assets held by the Group's participating funds affect not only the value of financial assets, but are also reflected in corresponding movements in insurance and investment contract liabilities. This is due to an insurance liability being recorded for the proportion of the net assets of the participating funds that would be allocated to policyholders if all relevant surplus at the date of the consolidated statement of financial position were to be declared as a policyholder dividend based on current local regulations. Both of the foregoing changes are reflected in the consolidated income statement.

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

Further details of the fair value of financial assets and the sensitivity analysis to interest rates and equity prices are provided in Notes 19 and 27.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.4 Fair value of investment property

The Group uses independent professional valuers to determine the fair value of investment property on the basis of the highest and best use of the investment property that is physically possible, legally permissible and financially feasible. In most cases, current use of the investment property is considered to be the highest and best use for determining the fair value. The discounted cash flow approach is used by reference to net rental income allowing for reversionary income potential to estimate the fair value of the investment property.

Further details of the fair value of investment property are provided in Notes 15 and 19.

3.5 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 and other intangible assets during the period are provided in Note 12.

3.6 Share based compensation

The Group launched a share-based compensation plan, under which the Group offers RSU and/or share options of the Group to certain key employees.

(1) RSUs

The Group utilises an appraisal value method (Embedded Value ("EV") plus a multiple of Value of New Business ("VNB")) and market valuation approach, where applicable, to estimate the fair value of the RSUs, taking into account the terms and conditions upon which the awards were granted. The Group determines appraisal value on the following basis:

- For life insurance businesses, the appraisal value equals EV plus a multiplier of VNB for the calendar year at the end of each performance period. The multiplier was agreed with the shareholders for the purpose of assessing the performance conditions.

- For non-life businesses, the appraisal value is calculated as the net asset value plus a multiplier of the net profits for the calendar year at the end of each performance period.

- For non-operating entities, the appraisal value is equal to the net asset value for the calendar year at the end of each performance period.

In assessing the achievement of performance conditions, the Group takes into account all monthly cash flow items during the performance period and the appraisal value and business and strategic performance determined in accordance with the guidelines approved by the Compensation Committee.

The judgments exercised in the determination of appraisal value and the assessment of achievement of performance conditions affect the amounts recognised in the consolidated financial statements as share-based payment expense and share-based payment reserve. Further details of the related accounting policies and movements in outstanding awards are provided in Notes 2.16 and 29.

Under the market valuation approach, the Group estimates the fair value of the RSUs by applying valuation multiples based on market data of comparable listed companies.

Further details of the related accounting policies and movements in outstanding awards are provided in Notes 2.16 and 29.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.6 Share based compensation (continued)

(2) Share Options

The Group estimates the fair value of share options using the Black-Scholes model taking into account the terms and conditions upon which the awards were granted. The Group determines the fair value of share options by using the following input:

- Dividend yield
- Expected share price volatility
- Risk-free interest rate
- Expected life of the share options
- Appraisal value per share, using the same valuation methodology as is used in the RSU plan

The assessment of achievement of performance conditions of share options is the same as described above for RSUs.

The judgments exercised in the determination of share-option fair value and the assessment of achievement of performance condition affect the amounts recognised in the consolidated financial statements as share-based payment expense and share-based payment reserve. Further details of the related accounting policies and movements in outstanding awards are provided in Notes 2.16 and 29.

3.7 Income taxes

Significant management judgment on the future tax treatment of certain transactions is required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account developments in tax laws. Tax laws evolve over time, and in some cases taxation positions are uncertain because the tax laws are subject to varied interpretation. When this is the case, management seeks to adopt a supportable and prudent tax treatment after consultation with professional tax advisers. However, as judicial and non-judicial interpretations develop, these taxation positions may change in the future.

3.8 Valuation of deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits with future tax planning strategies. Further details are contained in Note 11 to the consolidated financial statements.

3.9 Impairment of financial assets

The Group recognises loss allowances for ECL on financial assets measured at amortised cost and debt securities measured at FVOCI. The measurement of ECL uses probability weighted forward-looking models with significant assumptions about future economic conditions and credit behaviour.

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

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.9 Impairment of financial assets (continued)

When determining whether the credit risk (i.e. risk of default) on a financial asset 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 determines a significant increase in credit risk based on various criteria for different categories of assets, including rating notch downgrade, days past due, expert judgement and other qualitative factors.

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", with credit rating equivalent to be Baa3 or above. 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.

Details are further disclosed in Note 27.

4 EXCHANGE RATES

The Group's principal operations during the reporting years were located within the Asia-Pacific region. The results and cash flows of these operations have been translated into US Dollars at the following average rates:

	US dollar exchange rate Year ended 31 December	
	2023	2022
Hong Kong	7.83	7.83
Japan	140.45	131.31
Thailand	34.80	35.04

Assets and liabilities have been translated into US Dollars at the following year end rates:

	US dollar exchange rate As at 31 December	
	2023	2022
Hong Kong	7.81	7.80
Japan	141.38	132.14
Thailand	34.24	34.53

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

5 CHANGES IN GROUP COMPOSITION

This Note provides details of the major acquisition and disposal of subsidiaries that the Group has made and held for sale for the years ended 31 December 2023 and 2022.

5.1 Acquisition

FWD BSN Holdings Sdn. Bhd. (Malaysia) (formerly known as “Gibraltar BSN Holdings Sdn Bhd”)

On 3 April 2023, FWD Management Holdings Limited (“FMH”), a wholly owned subsidiary of the Company, with local investors, acquired 70% of share capital in FWD BSN Holdings Sdn. Bhd. (Malaysia), a company established under the laws of Malaysia, which is the holding company of FWD Insurance Berhad (Malaysia) (formerly known as “Gibraltar BSN Life Berhad”), a life insurance company in Malaysia (“GBSN Acquisition”) from the Prudential Insurance Company of America (the “Seller”). Total consideration of the GBSN Acquisition was US$20m.

The initial accounting for the acquisition is incomplete for the valuation of assets and liabilities acquired, and related income taxes. Accordingly, these may be adjusted subsequently with a corresponding adjustment to goodwill.

Provisional negative goodwill arising on the GBSN Acquisition of US$26m is recognised in “other revenue” in the Group’s consolidated income statement. The amount of this provisional negative goodwill attributable to FMH is US$5m. The transaction resulted in a bargain purchase gain as the provisional fair value of the assets and liabilities acquired exceeds the sum of the consideration transferred at the date of acquisition.

The Group incurred US$2m of acquisition-related costs which were recognised as “other expenses” in the Group's consolidated income statement.

5 CHANGES IN GROUP COMPOSITION (continued)

5.1 Acquisition (continued)

FWD BSN Holdings Sdn. Bhd. (Malaysia) (formerly known as "Gibraltar BSN Holdings Sdn Bhd") (continued)

Details of the provisional fair value of the assets and liabilities acquired and the provisional negative goodwill arising from the acquisition are set out as follows:

US$m	Notes		Provisional fair values as at the date of acquisition
			(Unaudited)
Intangible assets	12		2
Property, plant and equipment	14		4
Investment property	15		1
Reinsurance contract assets	16		3
Financial investments	17, 19		
At fair value through other comprehensive income debt securities			283
At fair value through profit or loss			
Equity securities			127
			410
Other assets	20		11
Cash and cash equivalents	21		39
Insurance contract liabilities	16		(385)
Deferred tax liabilities	11		(6)
Other liabilities	24		(13)
Net identifiable assets acquired			**66**
Non-controlling interest measured with proportionate share approach			(20)
Provisional negative goodwill arising on acquisition attributable to non-controlling interests		(21)	
Provisional negative goodwill arising on acquisition attributable to FMH		(5)	
Provisional negative goodwill arising on acquisition			**(26)**
Total considerations from non-controlling interests		16	
Total considerations from FMH		4	
Total considerations			**20**
Less:			
Cash and cash equivalents held in acquired subsidiaries			(39)
Net change in cash and cash equivalents			**(19)**

Concurrently, the Group received US$27m from the Seller for development of certain IT infrastructures and enhancement of operational efficiency. Accordingly, the net cash consideration received was US$7m.

5 CHANGES IN GROUP COMPOSITION (continued)

5.2 Disposal group classified as held for sale

FWD Assurance VietNam Company Limited

On 18 June 2021, the Group entered into a framework agreement, pursuant to which the Group agreed to sell 100% of the share capital of FWD Assurance VietNam Company Limited to third parties, subject to the terms set out in the agreement and execution of a Share Purchase Agreement. On 13 October 2021, the Share Purchase Agreement was executed, and the disposal was subject to regulatory approvals.

The required regulatory approvals were obtained and the sale was completed on 21 March 2022 for a total consideration of US$40m. The gain on disposal of US$2m is recognised in the Group's consolidated income statement.

An analysis of the net inflow of cash and cash equivalents in respect of the disposal is as follows:

US$m	As at 21 March 2022
Cash consideration	40
Cash and cash equivalents disposed of	(2)
Net cash inflows in respect of the disposal	**38**

6 SEGMENT INFORMATION

The Group's operating segments represent those of the Company, FL, FGL and their subsidiaries, associates and joint ventures for all years presented (collectively referred to as the "Operating Group"). The operating segments, based on the reports received by the Operating Group's Executive Committee, are each of the geographical markets in which the Operating Group operates.

Each of the reportable segments, other than the "Corporate and Others" segment, writes life insurance business, providing life insurance, accident and health insurance and savings plans to customers in its local market, and distributes related investment and other financial service products. Certain businesses also write general insurance business ("Non-core business"). The reportable segments are Hong Kong (including Macau), Thailand (including Cambodia), Japan, Emerging Markets and Corporate and Others. Emerging Markets includes the Operating Group's insurance operations in Indonesia, Malaysia, the Philippines, Singapore and Vietnam. The activities of the Corporate and Others segment consist of the Operating Group's corporate functions, shared services and eliminations of intragroup transactions.

The acquired subsidiaries and their respective operations in 2023 are FWD BSN Holdings Sdn. Bhd. (Malaysia) and its subsidiary which is included in Emerging Markets.

As each reportable segment other than the Corporate and Others segment focuses on serving the life insurance needs of its local market, there are limited transactions between reportable segments. The key performance indicators reported in respect of each segment are:

- Total weighted premium income attributable to equity holders of FL and FGL [1] ("TWPI") (Note 6.4);
- Investment return (Note 6.1)
- Operating expenses (Note 6.1);
- Adjusted operating profit before tax attributable to equity holders of FL and FGL (Note 6.2);
- Adjusted operating profit after tax attributable to equity holders of FL and FGL (Note 6.2); and
- Expense ratio, measured as operating expenses attributable to equity holders of FL and FGL divided by TWPI (Note 6.1);

[1] Immediately after the Exchange of Share Capital of FL and FGL on 31 Jul 2023, FL and FGL have become wholly-owned subsidiaries of the Company and all the equity issued by FL and FGL are held by the Company. For details, please refer to Note 1.2 and Note 25.5.

The segment information has been prepared by (i) combining the carrying amounts of consolidated assets, liabilities, equities, income and expenses of the Operating Group and (ii) eliminating the inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Operating Group. A reconciliation of adjusted operating profit after tax to profit/(loss) after tax has been included in Notes 6.2 and 6.3.

The shareholders' allocated segment equity represents the segment assets less segment liabilities in respect of each reportable segment less perpetual securities, fair value reserve, insurance finance reserve and non-controlling interests of FL and FGL.

In presenting net capital in/(out) flows to reportable segments, capital outflows consist of dividends and profit distributions to the Corporate and Others segment and capital inflows consist of capital injections into reportable segments by the Corporate and Others segment. Emerging Markets' capital inflows also include capital allocation for corporate functions. For the Operating Group, net capital in/(out) flows reflect the amount received from shareholders by way of capital contributions.

6 SEGMENT INFORMATION (continued)

6.1 Segment results

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Total
Year ended 31 December 2023						
TWPI[2]	1,708	2,390	1,579	739	—	6,416
Insurance revenue	998	644	619	327	—	2,588
Insurance service expenses	(723)	(471)	(440)	(282)	—	(1,916)
Net expenses from reinsurance contracts	(12)	(5)	(69)	(2)	—	(88)
Insurance service result	**263**	**168**	**110**	**43**	**—**	**584**
Investment return	938	440	175	153	18	1,724
Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits	(912)	(351)	(37)	(116)	—	(1,416)
Net insurance and investment result	**289**	**257**	**248**	**80**	**18**	**892**
Other revenue	8	1	3	21	(2)	31
General and other expenses	(39)	(64)	(45)	(69)	(172)	(389)
Borrowings and other finance costs	(17)	—	(3)	(7)	—	(27)
Segmental adjusted operating profit/(loss) before share of profit from associates and joint ventures	**241**	**194**	**203**	**25**	**(156)**	**507**
Share of profit/(loss) from associates and joint ventures	1	—	—	9	(5)	5
Segmental adjusted operating profit/(loss) before tax[1]	**242**	**194**	**203**	**34**	**(161)**	**512**
Tax on segmental adjusted operating profit/(loss) before tax	(32)	(43)	(39)	(17)	(9)	(140)
Segmental adjusted operating profit/(loss) after tax[1]	**210**	**151**	**164**	**17**	**(170)**	**372**
Implementation costs for IFRS 9 and 17 and Group-wide supervision						(65)
Adjusted operating profit before tax[1]						**447**
Adjusted operating profit after tax[1]						**307**
Key operating ratio						
Expense ratio[2]	13.7 %	9.2 %	10.9 %	31.2 %	—	16.0 %
Adjusted operating profit/(loss) before tax includes:						
Operating expenses	(234)	(220)	(172)	(242)	(171)	(1,039)

Notes:
1 Excludes results of the Non-core business, comprising of US$17m operating loss before tax.
2 Represents the amount attributable to the equity holders of FL and FGL.

6 SEGMENT INFORMATION (continued)

6.1 Segment results (continued)

Segment information below represents the financial position of the Group:

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Adjusted financial position
31 December 2023						
Total assets	**20,599**	**18,150**	**8,690**	**4,481**	**754**	**52,674**
Total liabilities	**(17,439)**	**(15,060)**	**(7,370)**	**(2,603)**	**(2,570)**	**(45,042)**
Total equity	**3,160**	**3,090**	**1,320**	**1,878**	**(1,816)**	**7,632**
Shareholders' allocated equity	**3,323**	**3,767**	**850**	**1,830**	**(3,161)**	**6,609**
Net capital in/(out) flows	(204)	(71)	(73)	228	120	—
Total assets include:						
Investment in associates and a joint venture	6	—	—	378	(1)	383

Segment information is reconciled to the adjusted net profit of the Operating Group after tax, as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and property investments and other non-operating investment return	Other non-operating items	Operating Group Total	
Year ended 31 December 2023					
Insurance service result	584	—	95	679	Insurance service result
Investment return	1,724	(1,364)	(1)	359	Investment return
Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits	(1,416)	426	(1)	(991)	Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits
Net insurance and investment result	**892**	**(938)**	**93**	**47**	**Net insurance and investment result**
Other revenue	31	—	33	64	Other revenue
General and other expenses	(389)	—	(342)	(731)	General and other expenses
Borrowings and other finance costs	(27)	—	(147)	(174)	Borrowings and other finance costs
Segmental adjusted operating profit/(loss) before share of profit from associates and joint ventures	**507**	**(938)**	**(363)**	**(794)**	**Profit/(loss) before share of profit from associates and joint ventures**
Share of profit from associates and joint ventures	5	—	(25)	(20)	Share of profit from associates and joint ventures
Segmental adjusted operating profit before tax	**512**				
Implementation costs for IFRS 9 and 17 and Group-wide supervision	(65)	—	65	—	
Adjusted operating profit/(loss) before tax	**447**	**(938)**	**(323)**	**(814)**	**Adjusted profit/(loss) before tax of the Operating Group**
				97	Tax expense
				(717)	**Adjusted net profit/(loss) of the Operating Group after tax**

6 SEGMENT INFORMATION (continued)

6.1 Segment results (continued)

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Total
Year ended 31 December 2022 (Restated)						
TWPI[2]	1,664	2,166	1,757	708	—	6,295
Insurance revenue	840	572	682	282	—	2,376
Insurance service expenses	(637)	(398)	(424)	(237)	—	(1,696)
Net expenses from reinsurance contracts	(50)	(7)	(89)	1	—	(145)
Insurance service result	**153**	**167**	**169**	**46**	**—**	**535**
Investment return	658	305	172	(57)	(4)	1,074
Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits	(630)	(227)	(53)	82	—	(828)
Net insurance and investment result	**181**	**245**	**288**	**71**	**(4)**	**781**
Other revenue	11	1	3	21	(1)	35
General and other expenses	(65)	(78)	(53)	(102)	(116)	(414)
Borrowings and other finance costs	(9)	(3)	(2)	(5)	—	(19)
Segmental adjusted operating profit/(loss) before share of profit from associates and joint ventures	**118**	**165**	**236**	**(15)**	**(121)**	**383**
Share of loss from associates and joint ventures	—	—	—	18	(8)	10
Segmental adjusted operating profit/(loss) before tax[1]	**118**	**165**	**236**	**3**	**(129)**	**393**
Tax on segmental adjusted operating profit/(loss) before tax	(9)	(38)	(40)	(7)	—	(94)
Segmental adjusted operating profit/(loss) after tax[1]	**109**	**127**	**196**	**(4)**	**(129)**	**299**
Implementation costs for IFRS 9 and 17 and Group-wide Supervision						(79)
Adjusted operating profit before tax[1]						**314**
Adjusted operating profit after tax[1]						**220**
Key operating ratio						
Expense ratio[2]	13.3 %	9.5 %	9.9 %	31.1 %	— %	14.9 %
Adjusted operating profit/(loss) before tax includes:						
Operating expenses	(221)	(206)	(174)	(220)	(116)	(937)

Notes:

[1] Excludes results of the Non-core business, comprising of US$(2m) operating loss before tax.

[2] Represents the amount attributable to the equity holders of FL and FGL.

6 SEGMENT INFORMATION (continued)

6.1 Segment results (continued)

Segment information below represents the financial position of the Group:

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Adjusted financial position
31 December 2022 (Restated)						
Total assets	**19,912**	**17,260**	**8,839**	**3,555**	**1,024**	**50,590**
Total liabilities	**(16,794)**	**(13,854)**	**(7,290)**	**(1,791)**	**(2,372)**	**(42,101)**
Total equity	**3,118**	**3,406**	**1,549**	**1,764**	**(1,348)**	**8,489**
Shareholders' allocated equity	**3,473**	**3,884**	**1,168**	**1,773**	**(2,702)**	**7,596**
Net capital in flows	1	11	—	252	136	400
Total assets include:						
Investment in associates and a joint venture	8	—	—	364	35	407

Segment information is reconciled to adjusted net loss of the Operating Group after tax, as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and property investments and other non-operating investment return	Other non-operating items	Operating Group Total	
Year ended 31 December 2022 (Restated)					
Insurance service result	535	—	(90)	445	Insurance service result
Investment return	1,074	(1,090)	(1)	(17)	Investment return
Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits	(828)	893	—	65	Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits
Net insurance and investment result	**781**	**(197)**	**(91)**	**493**	**Net insurance and investment result**
Other revenue	35	—	3	38	Other revenue
General and other expenses	(414)	—	(275)	(689)	General and other expenses
Borrowings and other finance costs	(19)	—	(109)	(128)	Borrowings and other finance costs
Segmental adjusted operating profit/(loss) before share of profit from associates and joint ventures	**383**	**(197)**	**(472)**	**(286)**	**Profit/(loss) before share of profit from associates and joint ventures**
Share of profit/(loss) from associates and joint ventures	10	—	(8)	2	Share of profit/(loss) from associates and joint ventures
Segmental adjusted operating profit before tax	**393**				
Implementation costs for IFRS 9 and 17 and Group-wide Supervision	(79)	—	79	—	
Adjusted operating profit/(loss) before tax	**314**	**(197)**	**(401)**	**(284)**	**Adjusted profit/(loss) before tax of the Operating Group**
				(36)	Tax expense
				(320)	**Adjusted net loss of the Operating Group after tax**

6 SEGMENT INFORMATION (continued)

6.2 Adjusted operating profit

The long-term nature of the Group's operations means that, for management's decision-making and internal performance management purposes, the Group evaluates its results and its operating segments using a financial performance measure referred to as “adjusted operating profit”. Adjusted operating profit is provided to assist in the comparison of business trends in different reporting periods on a consistent basis and to enhance overall understanding of financial performance.

Adjusted operating profit includes among others the expected long-term investment returns for investments in equities, interests in investment funds and investment property based on the assumptions applied by the Group in the calculations of Embedded Value. The Group defines adjusted operating profit as net loss of the Group adjusted to exclude the following items:

Market related

- Short-term fluctuations in investment return related to equities, interests in investment funds and investment property;
- Loss component on onerous contracts measured under VFA, relating to market movements; and
- Any other items which, in the Directors’ view, should be disclosed separately to enable a full understanding of the Group’s financial performance.

Non-market related

- Finance costs related to borrowings and long-term payables;
- M&A, business set up and restructuring related costs;
- IPO related costs including incentive costs;
- Any other items which, in the Directors’ view, should be disclosed separately to enable a full understanding of the Group’s financial performance.

The Group considers that the presentation of adjusted operating profit enhances the understanding and comparability of its performance and that of its operating segments on an ongoing basis. The Group considers that trends can be more clearly identified without the significant impact of the one-off costs of integration activities and the costs of servicing debt used to finance acquisition activities and the fluctuating effects of other non-operating items which are largely dependent on market factors.

6 SEGMENT INFORMATION (continued)

6.2 Adjusted operating profit (continued)

Adjusted net profit/(loss) of the Group after tax is reconciled to the adjusted operating profit/(loss) after tax as follows:

US$m	Notes	Year ended 31 December 2023	2022 (Restated)
Adjusted net profit/(loss) of the Operating Group after tax		**(717)**	**(320)**
Tax on adjusted operating profit before tax		140	94
Tax impact from non-operating items		(237)	(58)
Adjusted profit/(loss) of the Operating Group before tax	6.1	**(814)**	**(284)**
Non-operating items, net of related changes in insurance and investment contract liabilities:			
Market related:			
Short-term fluctuations in investment return related to equities, interests in investment funds and investment property		198	187
Loss component on onerous contracts		39	99
Other non-operating investment return		740	10
		977	**296**
Non-market related:			
Finance costs related to borrowings and long-term payables		147	109
M&A, business set up and restructuring related costs		71	88
IPO related costs including incentive costs		63	73
Other non-operating items		3	32
		284	**302**
Adjusted operating profit before tax		**447**	**314**
Tax adjusted on operating profit before tax		(140)	(94)
Adjusted operating profit after tax		**307**	**220**
Segmental adjusted operating profit before tax		**512**	**393**
Tax on segmental adjusted operating profit before tax		(140)	(94)
Segmental adjusted operating profit after tax		**372**	**299**
Adjusted operating profit before tax attributable to:			
Equity holders of FL and FGL		**452**	**314**
Non-controlling interests		(5)	—
Adjusted operating profit after tax attributable to:			
Equity holders of FL and FGL		**313**	**220**
Non-controlling interests		(6)	—

6 SEGMENT INFORMATION (continued)

6.3 Adjusted results and financial position

The adjusted results and financial positions are the net profit/(loss) of the Operating Group for the year ended 31 December 2023 and 2022, and the total assets, liabilities and equity of the Operating Group as at 31 December 2023 and 2022 excluding the results and certain balances attributable to the Exchange of Share Capital of FL and FGL.

Adjusted net profit/(loss) of the Operating Group

The Exchange of Share Capital of FL and FGL had no impact on the net profit/(loss) of the Operating Group as at 31 December 2023 and 2022.

	Year ended 31 December	
US$m	2023	2022
		(Restated)
Net profit/(loss) of the Group and adjusted net profit/(loss) of the Operating Group	**(717)**	**(320)**
Attributable to:		
Shareholders of the Company	**(843)**	**(403)**
Perpetual securities	110	83
Non-controlling interests	16	—

Finance costs presented in the segmental information can be reconciled to the consolidated income statement as follows:

		Year ended 31 December	
US$m	Notes	2023	2022
			(Restated)
Finance costs included in adjusted operating profit	6.1	27	19
Finance costs related to borrowings and long-term payables	6.2	147	109
Total		**174**	**128**

6 SEGMENT INFORMATION (continued)

6.3 Adjusted results and financial position (continued)

Adjusted total assets and total liabilities of the Operating Group

The Exchange of Share Capital of FL and FGL had no impact on the total assets and the total liabilities of the Operating Group as at 31 December 2023 and 2022.

Adjusted total equity of the Operating Group

	Year ended 31 December	
US$m	2023	2022
		(Restated)
Total equity of the Group attributable to:		
Shareholders of the Company	**6,234**	**5,417**
Perpetual securities	1,348	1,354
Non-controlling interests	50	1,718
Total equity of the Group	**7,632**	**8,489**
Add:		
Share capital and share premium	—	1,717
Less:		
Non-controlling interests	—	(1,717)
Adjusted total equity of the Operating Group attributable to:		
Shareholders of the Company	**6,234**	**7,134**
Perpetual securities	1,348	1,354
Non-controlling interests	50	1
Adjusted total equity of the Operating Group	**7,632**	**8,489**

	Year ended 31 December	
US$m	2023	2022
		(Restated)
Adjusted total equity of the Operating Group attributable to Shareholders of the Company	6,234	7,134
Contractual service margin (net of tax)[1]	4,092	4,404
Comprehensive equity[2]	**10,326**	**11,538**

Notes:
1 After allowing for reinsurance and taxes.
2 Comprehensive equity is defined as Adjusted total equity of the Operating Group attributable to Shareholders of the Company plus Contractual service margin (net of tax).

6 SEGMENT INFORMATION (continued)

6.4 Total Weighted Premium Income

For management decision-making and internal performance management purposes, the Group measures business volumes during the period using a performance measure referred to as TWPI. TWPI is presented based on the Group's effective ownership interest in the Insurance Business.

TWPI consists of 100 per cent of renewal premiums, 100 per cent of first year premiums and 10 per cent of single premiums, before reinsurance ceded, and includes deposits and contributions for contracts that are accounted for as deposits in accordance with the Group's accounting policies. TWPI represents the amount attributable to the equity holders of FL and FGL.

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

	Year ended 31 December	
US$m	2023	2022
TWPI by geography		
Hong Kong	1,708	1,664
Thailand	2,390	2,166
Japan	1,579	1,757
Emerging Markets	739	708
Total	**6,416**	**6,295**
First year premiums by geography		
Hong Kong	388	167
Thailand	569	434
Japan	124	157
Emerging Markets	245	291
Total	**1,326**	**1,049**
Single premiums by geography		
Hong Kong	1,214	1,404
Thailand	215	245
Japan	—	—
Emerging Markets	377	267
Total	**1,806**	**1,916**
Renewal premiums by geography		
Hong Kong	1,199	1,356
Thailand	1,799	1,708
Japan	1,455	1,600
Emerging Markets	456	390
Total	**4,909**	**5,054**

7 INSURANCE REVENUE AND OTHER REVENUE

	Year ended 31 December	
US$m	2023	2022 (Restated)
Contracts not measured under the PAA		
Amounts relating to changes in liabilities for remaining coverage:		
CSM recognised for services provided	784	675
Change in risk adjustment for non-financial risk for risk expired	64	56
Expected incurred claims and other insurance service expenses	1,013	976
Recovery of insurance acquisition cash flows	722	545
	2,583	**2,252**
Contracts measured under the PAA	**173**	**156**
Total insurance revenue	**2,756**	**2,408**
Represented by:		
Contracts measured under the modified retrospective approach	266	102
Contracts measured under the fair value approach	1,077	1,276
Other contracts	1,413	1,030
	2,756	**2,408**

Other revenue

Other revenue largely consists of asset management fee and administrative fee income.

8 NET INVESTMENT RESULT

Analysis of investment result in profit or loss and other comprehensive income:

US$m	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Investment return:			
Interest revenue	B	1,159	1,011
Other investment losses	C	(791)	(999)
Net impairment loss on financial assets		(9)	(29)
Amounts recognised in OCI		1,382	(4,902)
Total investment return		**1,741**	**(4,919)**
Net finance income/(expenses) from insurance contracts:			
Changes in fair value of underlying items of direct participating contracts		(1,224)	3,108
Interest accreted		(353)	(205)
Effect of changes in interest rates and other financial assumptions		(719)	2,037
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition		—	(7)
Net foreign exchange gain/(loss)		7	(13)
Total net finance income/(expenses) from insurance contracts	A	**(2,289)**	**4,920**
Net finance income/(expenses) from reinsurance contracts held:			
Interest accreted		(9)	3
Effect of changes in interest rates and other financial assumptions		13	(26)
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition		18	(2)
Others		(3)	(30)
Total net finance (expenses)/income from reinsurance contracts held	A	**19**	**(55)**
Movement in investment contract liabilities		4	2
Net investment result		**(525)**	**(52)**
Represented by:			
Amounts recognised in profit or loss		(632)	48
Amounts recognised in OCI		107	(100)
		(525)	**(52)**

8 NET INVESTMENT RESULT (continued)

A. Insurance finance income and expenses

US$m	Year ended 31 December 2023	2022 (Restated)
Net finance income/(expenses) from insurance contracts		
Recognised in profit or loss	(996)	86
Recognised in OCI	(1,293)	4,834
	(2,289)	**4,920**
Net finance income/(expenses) from reinsurance contracts		
Recognised in profit or loss	1	(23)
Recognised in OCI	18	(32)
	19	**(55)**

B. Interest revenue

US$m	Year ended 31 December 2023	2022 (Restated)
Interest revenue calculated using the effective interest method		
Debt securities measured at FVOCI	958	892
Financial investments measured at amortised cost	90	59
	1,048	**951**
Other interest revenue		
Financial investments measured at FVTPL	111	60
	1,159	**1,011**

C. Other investment gains/(losses)

US$m	Year ended 31 December 2023	2022 (Restated)
Financial investments mandatorily measured at FVTPL:		
Net fair value gains/(losses) on		
Debt securities	6	(99)
Derivatives	(493)	(327)
Equity securities	(89)	(161)
Interests in investment funds	43	(928)
Dividend income	234	189
Net foreign exchange gain	83	76
	(216)	**(1,250)**
Net losses on derecognition of debt investments measured at FVOCI	(882)	(174)
Net foreign exchange gain on instruments not measured at FVTPL	280	394
Lease income from investment property	25	25
Net fair value movement of investment property	(2)	(3)
Other investment income	4	9
	(575)	**251**
Total	**(791)**	**(999)**

8 NET INVESTMENT RESULT (continued)

D. Investment return in OCI related to insurance and reinsurance contracts measured under the modified retrospective or fair value transition approach

On transition to IFRS 17, for certain groups of insurance and reinsurance contracts, the Group determined the cumulative insurance finance income and expenses recognised in OCI at 1 January 2022 using the modified retrospective approach or the fair value approach. The movement in the fair value reserve for the debt investments measured at FVOCI related to those groups of contracts was as follows.

US$m	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Fair value reserve			
Balance at 1 January		**(2,447)**	**(92)**
Change in fair value, net of fair value change transferred to income on disposal and impairment		471	(2,931)
Related income tax		(78)	561
Sharing to non-controlling interests		7	15
Exchange of Share Capital of FL and FGL	1.2	(814)	—
Balance at 31 December		**(2,861)**	**(2,447)**

9 EXPENSES

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Claims and benefits	867	861
Loss on onerous insurance contracts	93	118
Commission and other acquisition expenses	1,498	1,280
Employee benefits expenses	630	605
Depreciation	61	63
Amortisation	44	32
Marketing and advertising	69	51
Professional service fees	193	189
Information technology expenses	173	147
Investment management expenses	59	69
Others[1]	222	128
	3,909	**3,543**
Amounts attributed to insurance acquisition cash flows	(1,937)	(1,605)
Amortisation of insurance acquisition cash flows	748	568
Total	**2,720**	**2,506**
Represented by:		
Insurance service expenses	1,989	1,817
General and other expenses - operating	389	414
General and other expenses - non operating	342	275
	2,720	**2,506**

Note:
[1] Includes travel and entertainment, bank charges, office related expenses, other general operating expenses and impairment of intangible assets.

9 EXPENSES (continued)

Depreciation consists of:

US$m	Year ended 31 December 2023	2022
Leasehold improvements, furniture and fixtures, computer equipment and others	15	18
Right-of-use assets:		
Premises and car park	42	40
Equipment and Others	4	5
Total	**61**	**63**

Employee benefits consist of:

US$m	Year ended 31 December 2023	2022
Wages and salaries	519	516
Share-based compensation	23	26
Pension costs	27	22
Other employee benefits expenses	61	41
Total	**630**	**605**

10 BORROWINGS AND OTHER FINANCE COSTS

Borrowings and other finance costs may be analysed as follows:

US$m	Year ended 31 December 2023	2022
Borrowings	145	103
Lease liabilities	5	4
Others	24	21
Total	**174**	**128**

11 INCOME TAX

(1) Tax benefit/(expense)

Taxes on assessable profits have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.The total tax benefit/(expense) comprises:

	Year ended 31 December	
US$m	2023	2022 (Restated)
Current income tax	(144)	(393)
Deferred income tax	241	357
Total	**97**	**(36)**

The table below reflects the principal rates 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.

	Year ended 31 December	
	2023	2022
Hong Kong	16.5 %	16.5 %
Thailand	20 %	20 %
Japan	28 %	28 %
Others	12 % - 25 %	12 % - 25 %

The reconciliation of the relationship between income tax benefit/(expense) and profit/(loss) before tax was as follows:

	Year ended 31 December	
US$m	2023	2022 (Restated)
Income tax reconciliation		
Profit/(loss) before tax	**(814)**	**(284)**
Tax benefit/(expense) calculated at domestic tax rates applicable to profits in the respective jurisdictions	209	37
Income not taxable or taxable at concessionary rates	55	22
Expense not deductible for tax purposes	(57)	(36)
Adjustment on deferred tax assets on tax losses and temporary differences	(35)	(25)
Adjustments to tax expenses related to prior years	3	4
Others	(78)	(38)
Total income tax benefit/(expense)	**97**	**(36)**

11 INCOME TAX (continued)

(2) Deferred tax

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

US$m	Net deferred tax asset/(liability) at 1 January	Acquisition of subsidiaries	Credited/ (charged) to income statement	Credited/ (charged) to other comprehensive income	Foreign exchange movements	Net deferred tax asset/(liability) at 31 December
31 December 2023						
Financial instruments	626	(1)	54	(244)	(11)	424
Insurance, reinsurance and investment contracts	(659)	(5)	167	206	28	(263)
Unused tax losses	9	—	10	—	—	19
Others	(7)	—	10	—	2	5
Total	**(31)**	**(6)**	**241**	**(38)**	**19**	**185**

US$m	Net deferred tax asset/(liability) at 1 January	Acquisition of subsidiaries	Credited/ (charged) to income statement	Credited/ (charged) to other comprehensive income	Foreign exchange movements	Net deferred tax asset/(liability) at 31 December
31 December 2022 (Restated)						
Financial instruments	(292)	—	96	846	(24)	626
Insurance, reinsurance and investment contracts	(50)	—	284	(917)	24	(659)
Unused tax losses	33	—	(24)	—	—	9
Others	(16)	—	1	—	8	(7)
Total	**(325)**	**—**	**357**	**(71)**	**8**	**(31)**

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 on unused tax losses of US$851m as at 31 December 2023 (2022: US$801m), as it is not considered probable that sufficient taxable profits will be available against which these tax losses can be further utilised in the foreseeable future. As at 31 December 2023, US$438m (2022: US$415m) of these unused tax losses will expire within the next ten years, and the remainder of US$413m (2022: US$386m) has no expiry date.

In some jurisdictions where the Group operates, earnings remitted by the subsidiaries, associates and joint ventures to the Group are subject to withholding tax. The Group has not provided deferred tax liabilities on certain unremitted earnings of US$122m (2022: US$151m) for the year ended 31 December 2023 of these jurisdictions as the Group does not consider it is probable that this portion of unremitted earnings will be remitted in the foreseeable future.

The Organisation for Economic Co-operation and Development ("OECD") is currently working on a project to address the tax challenges arising from the digitalisation of the economy. The project's second pillar involves the implementation of a global corporate minimum tax rate of 15% applicable to large multinational enterprises. The OECD has released model rules and other documents for this second pillar (the "Pillar Two model rules"). The Group operates in certain jurisdictions which have enacted or substantively enacted their versions of Pillar Two model rules. These rules will be effective in 2024 and 2025. The Group does not expect material exposure to Pillar Two income taxes in these jurisdictions. The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two model rules income taxes. Hong Kong announced its intention to apply the Pillar Two model rules starting from 2025. If enacted on this timeline, the Pillar Two model rules will apply to the entire Group starting from the year ending 31 December 2025. This implementation may have an adverse impact on the Group's tax expenses.

12 INTANGIBLE ASSETS

US$m	Goodwill	Distribution rights	Computer software and others	Total
Cost				
At 1 January 2022	**1,596**	**1,731**	**242**	**3,569**
Additions	—	—	50	50
Disposals	—	(11)	(1)	(12)
Foreign exchange movements	(33)	(68)	(18)	(119)
At 31 December 2022	**1,563**	**1,652**	**273**	**3,488**
Acquisition of subsidiaries	—	—	2	2
Additions	—	63	57	120
Disposals	—	(2)	—	(2)
Foreign exchange movements	6	(1)	(8)	(3)
At 31 December 2023	**1,569**	**1,712**	**324**	**3,605**
Accumulated amortisation and impairment				
At 1 January 2022	**(36)**	**(71)**	**(114)**	**(221)**
Amortisation charge for the year	—	(44)	(32)	(76)
Disposals	—	3	—	3
Foreign exchange movements	2	3	8	13
At 31 December 2022	**(34)**	**(109)**	**(138)**	**(281)**
Amortisation charge for the year	—	(42)	(44)	(86)
Disposals	—	1	—	1
Impairment	—	(86)	—	(86)
Foreign exchange movements	—	(3)	4	1
At 31 December 2023	**(34)**	**(239)**	**(178)**	**(451)**
Net book value				
At 31 December 2022	**1,529**	**1,543**	**135**	**3,207**
At 31 December 2023	**1,535**	**1,473**	**146**	**3,154**

Goodwill

Goodwill arises in respect of the Group's insurance business and is allocated to each segment as follows:

US$m	2023	2022
Hong Kong	915	915
Thailand	470	465
Japan	3	3
Emerging markets[1]	147	146

Note:

[1] Includes goodwill of US$137m (2022: US$136m) and US$10m (2022: US$10m) from the operations in Indonesia and Vietnam, respectively, as at 31 December 2023.

12 INTANGIBLE ASSETS (continued)

Impairment tests for goodwill

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

The value in use is calculated as an actuarially determined appraisal value, based on (i) the Embedded Value ("EV") with respect to the in-force business together with (ii) the value of future new business.

EV captures the market value of the assets in excess of those backing the policy reserves and other liabilities as well as the value of all in-force policies as at the reporting date attributable to the shareholders of the Company.

The value of future new business is the aggregation of the present value of future expected profits on policies expected to be sold in the future (i.e. value of new business ("VNB")). This 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 projects.

The key assumptions used in the embedded value calculations include risk discount rate, investment returns, mortality, morbidity, persistency, expenses and inflation. 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 Group projected new sales over the next 15 years to estimate the VNB, using growth rates in the current five-year approved financial budgets which reflect management's best estimate of future profit based on historical experience and operating assumptions such as premium and expenses, and 2% to 5% thereafter. The Group may apply alternative method to estimate the value of future new business if the described method is not appropriate under the circumstances.

The risk discount rates that are used in calculating the value in use of in force business and present value of expected future new business are as follows:

	As at 31 December	
US$m	2023	2022
Hong Kong	7.80 %	7.55 %
Thailand	8.75 %	8.75 %
Japan	6.25 %	6.00 %
Indonesia	13.75 %	14.00 %
Vietnam	10.75 %	10.75 %

With regard to the assessment of value in use, management does not believe a reasonably possible change in any of the key assumptions would cause the carrying value of the CGU to exceed its recoverable amount.

Distribution rights

Distribution rights represent exclusive bancassurance and distribution agreements in Thailand, Indonesia, Vietnam and the Philippines.

During the year ended 31 December 2023, Commonwealth Bank of Australia has announced a potential transaction for the sale of its subsidiary, PT Bank Commonwealth ("PTBC"), an existing long-term life insurance distribution partner of the Group, with the expected completion in 2024. Upon the completion of this potential transaction, the Group expects its existing exclusive distribution rights with PTBC will be discontinued. Accordingly the Group recognised an impairment in "General and other expenses" of the consolidated income statement and reported under "Emerging Markets".

13 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

US$m	As at 31 December 2023	As at 31 December 2022 (Restated)
Investments in associates	377	400
Investments in joint ventures	6	7
Total	**383**	**407**

The Group's interests in its key associates are as follows:

Entity	Place of incorporation	Principal activity	Type of investments	Type of shares held	Group's interest % As at 31 December 2023	Group's interest % As at 31 December 2022
PT Asuransi BRI Life (“BRI Life”)	Indonesia	Life insurance	Associate	Ordinary	39.82 %	35.14 %
CompareAsia Group Capital Limited	Cayman Islands	Operation of online platforms and provision of insurance brokerage and marketing services	Associate	Ordinary	N/A	29.82 %

All associates and joint ventures are unlisted.

On 2 March 2022, the Group acquired an additional interest of 5.28% in BRI Life at a consideration of US$54m, and resulted in a total of 35.14% effective ownership interest in BRI Life. On 2 March 2023, the Group further acquired an additional interest of 4.68% in BRI Life at a consideration of US$51m, and resulted in a total of 39.82% effective ownership interest in BRI Life.

On 14 October 2022 and 23 December 2022, CompareAsia Group Capital Limited (“CompareAsia”) completed a series of capital restructuring transactions, as a result of which the Group has a total of 29.82% effective ownership interest in CompareAsia. On 12 October 2023, upon completion of the business combination with a listed special purpose acquisition company (“de-SPAC”), CompareAsia became a wholly owned subsidiary of MoneyHero Limited (“MoneyHero”), the public company after de-SPAC. Immediately after de-SPAC, the Group has no significant influence over CompareAsia but retained interests in MoneyHero, and accordingly, the Group’s investment ceased to be an associate and the interests in MoneyHero are accounted for as financial investments at FVTPL. A disposal gain of US$4m was recognised in the consolidated income statement, being the difference between the fair value of financial investment in MoneyHero and the carrying amount of investment in CompareAsia on the disposal date.

Dividend received from One George Street LLP (“OGS”), a joint venture of the Group, and BRI Life during the year ended 31 December 2023 was US$nil (2022: US$5m) and US$nil (2022: US$1m), respectively. In addition, the Group received capital distribution of US$2m (2022: US$1m) from OGS during the year ended 31 December 2023.

Summarised financial information of associates and joint ventures

(a) Financial information of BRI Life

Summarised statement of financial position of BRI Life:

US$m	As at 31 December 2023	As at 31 December 2022 (Restated)
Assets	1,557	1,587
Liabilities	(932)	(967)
Net assets	**625**	**620**
The Group’s share in net assets – 39.82% (31 December 2022: 35.14%)	249	216
Goodwill	112	123
Group’s carrying amount of the investment in BRI Life	**361**	**339**

13 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

Summarised financial information of associates and joint ventures (continued)

(a) Financial information of BRI Life (continued)

Summarised income statement and other comprehensive income of BRI Life:

US$m	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Revenue	22	52
Expenses	(15)	(22)
Profit for the year	**7**	**30**
Other comprehensive income/(loss) for the year	(53)	(3)
Total comprehensive income/(loss) of BRI Life for the year	**(46)**	**27**
Group's share of total comprehensive income/(loss) of BRI Life for the year	(18)	10
Group's share of other comprehensive income/(loss) related to foreign currency translation of goodwill	(11)	—
	(29)	**10**

Reconciliation of the summarised financial information of BRI Life:

US$m	As at 31 December 2023	As at 31 December 2022 (Restated)
Net assets		
At beginning of the year	**620**	**541**
Total comprehensive income/(loss) for the year	(46)	27
Capital injection	51	54
Dividends	—	(2)
At ending of the year	**625**	**620**
Interest in BRI Life – 39.82% (31 December 2022: 35.14%)	249	216
Goodwill	112	123
Group's carrying amount of the investment in BRI Life	**361**	**339**

(b) Aggregated financial information of the associates and joint ventures that are not individually material

The following table analyses, in aggregate, the share of profit/(loss) and other comprehensive income of the associates and joint ventures that are not individually material.

US$m	Year ended 31 December 2023	Year ended 31 December 2022
Net profit/(loss)	(23)	(9)
Other comprehensive income/(loss)	(1)	1
Total comprehensive income/(loss)	**(24)**	**(8)**

14 PROPERTY, PLANT AND EQUIPMENT

US$m	Property, plant and equipment				Right-of-use assets		
	Leasehold improvements	Furniture and fixtures and others	Computer equipment	Property held for own use	Premises and car parks	Equipment and others	Total
Cost							
At 1 January 2022	**69**	**10**	**79**	**1**	**190**	**26**	**375**
Remeasurement of lease liability	—	—	—	—	3	—	3
Additions	3	1	6	—	25	9	44
Disposals	(8)	(1)	(2)	—	(19)	(14)	(44)
Reclassifications	(2)	2	—	—	—	—	—
Foreign exchange movements	(3)	—	(3)	—	(6)	—	(12)
At 31 December 2022	**59**	**12**	**80**	**1**	**193**	**21**	**366**
Acquisition of subsidiaries	—	—	—	—	4	—	4
Additions	6	1	6	—	57	7	77
Disposals	(5)	(1)	(4)	—	(43)	(8)	(61)
Foreign exchange movements	(1)	—	(1)	—	(4)	—	(6)
At 31 December 2023	**59**	**12**	**81**	**1**	**207**	**20**	**380**
Accumulated depreciation							
At 1 January 2022	**(54)**	**(7)**	**(60)**	**—**	**(76)**	**(19)**	**(216)**
Additions	—	—	—	—	2	—	2
Disposals	8	1	2	—	18	13	42
Depreciation charge for the year	(5)	(2)	(11)	—	(40)	(5)	(63)
Reclassifications	1	(1)	—	—	—	—	—
Foreign exchange movements	2	—	3	—	3	—	8
At 31 December 2022	**(48)**	**(9)**	**(66)**	**—**	**(93)**	**(11)**	**(227)**
Disposals	4	1	4	—	34	8	51
Depreciation charge for the year	(5)	(2)	(8)	—	(42)	(4)	(61)
Foreign exchange movements	—	—	2	—	1	—	3
At 31 December 2023	**(49)**	**(10)**	**(68)**	**—**	**(100)**	**(7)**	**(234)**
Net book value							
At 31 December 2022	**11**	**3**	**14**	**1**	**100**	**10**	**139**
At 31 December 2023	**10**	**2**	**13**	**1**	**107**	**13**	**146**

The Group obtains right to use various office premises, residential units, car parks, office equipment, IT-related and other assets for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 11 years. Right-of-use assets are carried at cost less accumulated depreciation.

15 INVESTMENT PROPERTY

US$m	
Fair value	
At 1 January 2022	**663**
Additions	64
Fair value losses	(3)
Foreign exchange movements	(83)
At 31 December 2022	**641**
Acquisition of subsidiaries	1
Fair value losses	(2)
Foreign exchange movements	(41)
At 31 December 2023	**599**

The Group acquired commercial investment properties, residential property, hotel building and parcels of land in Japan and a commercial investment property and parcel of land in Malaysia.

Investment properties are carried at fair value at the reporting date as determined by independent professional valuers. Details of valuation techniques and process are disclosed in Note 19.

The Group leases out its investment properties under operating lease contracts with terms varying from 1 to 30 years. Rental income generated from investment properties amounted to US$25m for the year ended 31 December 2023 (2022: US$25m). Direct operating expenses, including repair and maintenance, amounted to US$6m for the year ended 31 December 2023 (2022: US$5m).

The future minimum operating lease rental income under non-cancellable operating leases that the Group expects to receive in future periods are disclosed in Note 32.

16 INSURANCE AND REINSURANCE CONTRACT BALANCES

Insurance contracts

US$m	As at 31 December 2023	As at 31 December 2022 (Restated)
Insurance contract assets		
Insurance contract balances	798	722
Insurance contract liabilities		
Insurance contract balances	(40,073)	(37,019)
Total	**(39,275)**	**(36,297)**

Reinsurance contracts held

US$m	As at 31 December 2023	As at 31 December 2022 (Restated)
Reinsurance contract assets	2,876	725
Reinsurance contract liabilities	(304)	(463)
Total	**2,572**	**262**

The following table sets out the carrying amounts of insurance and reinsurance contracts expected to be recovered/ (settled) more than 12 months after the reporting date.

US$m	As at 31 December 2023	As at 31 December 2022 (Restated)
Insurance contract assets	2,895	1,748
Insurance contract liabilities	(32,334)	(28,252)
Reinsurance contract assets	2,274	(911)
Reinsurance contract liabilities	(278)	201

At 31 December 2023, the maximum exposure to credit risk from reinsurance contracts is US$2,876m (2022: US$725m). The credit risk arising from insurance contracts is not considered to be significant.

(a) Movement in insurance and reinsurance contract balances

The Group presents a table that separately analyses 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 statement of profit or loss and OCI.

A second reconciliation is presented for contracts not measured under the PAA, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(i) (a) Insurance contracts not measured under the premium allocation approach

Analysis by remaining coverage and incurred claims

		Year ended 31 December 2023			
		Liabilities for remaining coverage			
US$m	Note	Excluding loss component	Loss component	Liabilities for incurred claims	Total
Opening assets		785	(5)	(58)	722
Opening liabilities		(36,186)	(185)	(601)	(36,972)
Net opening balance		**(35,401)**	**(190)**	**(659)**	**(36,250)**
Changes in the statement of profit or loss and OCI					
Insurance revenue	7				
Contracts under the modified retrospective approach		266	—	—	266
Contracts under the fair value approach		1,077	—	—	1,077
Other contracts		1,240	—	—	1,240
		2,583	**—**	**—**	**2,583**
Insurance service expenses					
Incurred claims and other insurance service expenses		—	49	(982)	(933)
Amortisation of insurance acquisition cash flows		(722)	—	—	(722)
Losses and reversals of losses on onerous contracts		—	(93)	—	(93)
Adjustments to liabilities for incurred claims		—	—	(52)	(52)
		(722)	**(44)**	**(1,034)**	**(1,800)**
Investment components		4,228	—	(4,228)	—
Insurance service result		**6,089**	**(44)**	**(5,262)**	**783**
Net finance expenses from insurance contracts	8	(2,232)	(15)	(42)	(2,289)
Foreign exchange movement		292	—	29	321
Total changes in the statement of profit or loss and OCI		**4,149**	**(59)**	**(5,275)**	**(1,185)**
Cash flows					
Premium received		(8,691)	—	—	(8,691)
Claims and other insurance service expenses paid; including investment components		—	—	5,077	5,077
Insurance acquisition cash flows		1,872	—	—	1,872
Total cash flows		**(6,819)**	**—**	**5,077**	**(1,742)**
Net closing balance		**(38,071)**	**(249)**	**(857)**	**(39,177)**
Closing assets		838	(25)	(26)	787
Closing liabilities		(38,909)	(224)	(831)	(39,964)
Net closing balance		**(38,071)**	**(249)**	**(857)**	**(39,177)**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(i) (a) Insurance contracts not measured under the premium allocation approach (continued)

Analysis by remaining coverage and incurred claims (continued)

		Year ended 31 December 2022			
		Liabilities for remaining coverage			
US$m (Restated)	Note	Excluding loss component	Loss component	Liabilities for incurred claims	Total
Opening assets		717	(4)	28	741
Opening liabilities		(41,293)	(69)	(646)	(42,008)
Net opening balance		**(40,576)**	**(73)**	**(618)**	**(41,267)**
Changes in the statement of profit or loss and OCI					
Insurance revenue	7				
Contracts under the modified retrospective approach		102	—	—	102
Contracts under the fair value approach		1,276	—	—	1,276
Other contracts		874	—	—	874
		2,252	**—**	**—**	**2,252**
Insurance service expenses					
Incurred claims and other insurance service expenses		—	1	(1,008)	(991)
Amortisation of insurance acquisition cash flows		(545)	—	—	(545)
Losses and reversals of losses on onerous contracts		—	(117)	—	(117)
Adjustments to liabilities for incurred claims		—	—	(22)	(22)
Total insurance service expenses		**(545)**	**(100)**	**(1,030)**	**(1,675)**
Investment components		3,287		(3,287)	—
Insurance service result		**4,994**	**(100)**	**(4,317)**	**577**
Net finance income/ (expenses) from insurance contracts	8	4,910	(3)	13	4,920
Foreign exchange movement		1,579	(14)	140	1,705
Total changes in the statement of profit or loss and OCI		**11,483**	**(117)**	**(4,164)**	**7,202**
Cash flows					
Premium received		(7,649)	—	—	(7,649)
Claims and other insurance service expenses paid; including investment components		—	—	4,123	4,123
Insurance acquisition cash flows		1,341	—	—	1,341
Total cash flows		**(6,308)**	**—**	**4,123**	**(2,185)**
Net closing balance		**(35,401)**	**(190)**	**(659)**	**(36,250)**
Closing assets		785	(5)	(58)	722
Closing liabilities		(36,186)	(185)	(601)	(36,972)
Net closing balance		**(35,401)**	**(190)**	**(659)**	**(36,250)**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(i) (a) Insurance contracts not measured under the premium allocation approach (continued)

Analysis by measurement component

		Year ended 31 December 2023						
				CSM				
US$m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Contracts under fair value transition approach	Other contracts	Subtotal	Total
Opening assets		1,876	(87)	—	(243)	(824)	(1,067)	722
Opening liabilities		(31,133)	(562)	(254)	(3,042)	(1,981)	(5,277)	(36,972)
Net opening balance		**(29,257)**	**(649)**	**(254)**	**(3,285)**	**(2,805)**	**(6,344)**	**(36,250)**
Changes in the statement of profit or loss and OCI								
Changes that relate to current services								
CSM recognised for services received	7	—	—	152	267	365	784	784
Change in risk adjustment for non-financial risk for risk expired		—	64	—	—	—	—	64
Experience adjustments		80	—	—	—	—	—	80
Changes that relate to future services								
Contracts initially recognised in the year		1,688	(121)	—	—	(1,586)	(1,586)	(19)
Changes in estimates that adjust the CSM		(1,720)	(1)	(93)	816	998	1,721	—
Changes in estimates that result in losses and reversals of losses on onerous contracts		(75)	1	—	—	—	—	(74)
Changes that relate to past services								
Adjustments to liabilities for incurred claims		(52)	—	—	—	—	—	(52)
Insurance service result		**(79)**	**(57)**	**59**	**1,083**	**(223)**	**919**	**783**
Net finance income/ (expenses) from insurance contracts	8	(2,231)	—	(5)	(17)	(36)	(58)	(2,289)
Effect of movements in exchange rates		69	19	1	159	73	233	321
Total changes in the statement of profit or loss and OCI		**(2,241)**	**(38)**	**55**	**1,225**	**(186)**	**1,094**	**(1,185)**
Cash flows								
Premium received		(8,691)	—	—	—	—	—	(8,691)
Claims and other insurance service expenses paid; including investment components		5,077	—	—	—	—	—	5,077
Insurance acquisition cash flows		1,872	—	—	—	—	—	1,872
Total cash flows		**(1,742)**	**—**	**—**	**—**	**—**	**—**	**(1,742)**
Net closing balance		**(33,240)**	**(687)**	**(199)**	**(2,060)**	**(2,991)**	**(5,250)**	**(39,177)**
Closing assets		1,888	(109)	—	(162)	(830)	(992)	787
Closing liabilities		(35,128)	(578)	(199)	(1,898)	(2,161)	(4,258)	(39,964)
Net closing balance		**(33,240)**	**(687)**	**(199)**	**(2,060)**	**(2,991)**	**(5,250)**	**(39,177)**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(i) (a) Insurance contracts not measured under the premium allocation approach (continued)

Analysis by measurement component (continued)

		Year ended 31 December 2022						
				CSM				
US$m (Restated)	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Contracts under fair value transition approach	Other contracts	Subtotal	Total
Opening assets		1,726	(92)	—	(472)	(421)	(893)	741
Opening liabilities		(36,391)	(609)	(323)	(3,806)	(879)	(5,008)	(42,008)
Net opening balance		**(34,665)**	**(701)**	**(323)**	**(4,278)**	**(1,300)**	**(5,901)**	**(41,267)**
Changes in the statement of profit or loss and OCI								
Changes that relate to current services								
CSM recognised for services received	7	—	—	35	381	259	675	675
Change in risk adjustment for non-financial risk for risk expired		—	56	—	—	—	—	56
Experience adjustments		(15)	—	—	—	—	—	(15)
Changes that relate to future services								
Contracts initially recognised in the year		1,747	(114)	—	—	(1,656)	(1,656)	(23)
Changes in estimates that adjust the CSM		(355)	67	24	320	(56)	288	—
Changes in estimates that result in losses and reversals of losses on onerous contracts		(94)	—	—	—	—	—	(94)
Changes that relate to past services								
Adjustments to liabilities for incurred claims		(22)	—	—	—	—	—	(22)
Insurance service result		**1,261**	**9**	**59**	**701**	**(1,453)**	**(693)**	**577**
Net finance income/ (expenses) from insurance contracts	8	4,945	—	(5)	(8)	(12)	(25)	4,920
Effect of movements in exchange rates		1,387	43	15	300	(40)	275	1,705
Total changes in the statement of profit or loss and OCI		**7,593**	**52**	**69**	**993**	**(1,505)**	**(443)**	**7,202**
Cash flows								
Premium received		(7,649)	—	—	—	—	—	(7,649)
Claims and other insurance service expenses paid; including investment components		4,123	—	—	—	—	—	4,123
Insurance acquisition cash flows		1,341	—	—	—	—	—	1,341
Total cash flows		**(2,185)**	**—**	**—**	**—**	**—**	**—**	**(2,185)**
Net closing balance		**(29,257)**	**(649)**	**(254)**	**(3,285)**	**(2,805)**	**(6,344)**	**(36,250)**
Closing assets		1,876	(87)	—	(243)	(824)	(1,067)	722
Closing liabilities		(31,133)	(562)	(254)	(3,042)	(1,981)	(5,277)	(36,972)
Net closing balance		**(29,257)**	**(649)**	**(254)**	**(3,285)**	**(2,805)**	**(6,344)**	**(36,250)**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(i) (b) Insurance contracts measured under the premium allocation approach

Analysis by remaining coverage and incurred claims

		Year ended 31 December 2023				
		Liabilities for remaining coverage		Liabilities for incurred claims		
US$m	Note	Excluding loss component	Loss component	Estimates of PV of FCF	Risk Adjustment	Total
Opening assets		—	—	—	—	—
Opening liabilities		(4)	(4)	(38)	(1)	(47)
Net opening balance		**(4)**	**(4)**	**(38)**	**(1)**	**(47)**
Changes in the statement of profit or loss and OCI						
Insurance revenue	7					
Other contracts		173	—	—	—	173
Insurance service expenses						
Incurred claims and other insurance service expenses		—	—	(166)	—	(166)
Amortisation of insurance acquisition cash flows		(26)	—	—	—	(26)
Adjustments to liabilities for incurred claims		—	—	4	(1)	3
Total insurance service expenses		(26)	—	(162)	(1)	(189)
Insurance service result		**147**	**—**	**(162)**	**(1)**	**(16)**
Foreign exchange movement		2	—	—	—	2
Total changes in the statement of profit or loss and OCI		**149**	**—**	**(162)**	**(1)**	**(14)**
Cash flows						
Premium received		(224)	—	—	—	(224)
Claims and other insurance service expenses paid; including investment components		—	—	161	—	161
Insurance acquisition cash flows		26	—	—	—	26
Total cash flows		**(198)**	**—**	**161**	**—**	**(37)**
Net closing balance		**(53)**	**(4)**	**(39)**	**(2)**	**(98)**
Closing assets		—	—	11	—	11
Closing liabilities		(53)	(4)	(50)	(2)	(109)
Net closing balance		**(53)**	**(4)**	**(39)**	**(2)**	**(98)**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(i) (b) Insurance contracts measured under the premium allocation approach (continued)

Analysis by remaining coverage and incurred claims (continued)

		Year ended 31 December 2022				
		Liabilities for remaining coverage		Liabilities for incurred claims		
US$m (Restated)	Note	Excluding loss component	Loss component	Estimates of PV of FCF	Risk Adjustment	Total
Opening assets		—	—	—	—	—
Opening liabilities		(27)	(2)	(23)	(1)	(53)
Net opening balance		**(27)**	**(2)**	**(23)**	**(1)**	**(53)**
Changes in the statement of profit or loss and OCI						
Insurance revenue	7					
Other contracts		156	—	—	—	156
Insurance service expenses						
Incurred claims and other insurance service expenses		—	—	(119)	—	(119)
Amortisation of insurance acquisition cash flows		(23)	—	—	—	(23)
Losses and reversals of losses on onerous contracts		—	(2)	—	—	(2)
Adjustments to liabilities for incurred claims		—	—	2	—	2
Total insurance service expenses		**(23)**	**(2)**	**(117)**	**—**	**(142)**
Insurance service result		**133**	**(2)**	**(117)**	**—**	**14**
Foreign exchange movement		(3)	—	4	—	1
Total changes in the statement of profit or loss and OCI		**130**	**(2)**	**(113)**	**—**	**15**
Cash flows						
Premium received		(124)	—	—	—	(124)
Claims and other insurance service expenses paid; including investment components		—	—	98	—	98
Insurance acquisition cash flows		17	—	—	—	17
Total cash flows		**(107)**	**—**	**98**	**—**	**(9)**
Net closing balance		**(4)**	**(4)**	**(38)**	**(1)**	**(47)**
Closing assets		—	—	—	—	—
Closing liabilities		(4)	(4)	(38)	(1)	(47)
Net closing balance		**(4)**	**(4)**	**(38)**	**(1)**	**(47)**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(ii) (a) Reinsurance contracts held not measured under the premium allocation approach

Analysis by remaining coverage and incurred claims

		Year ended 31 December 2023			
		Assets for remaining coverage			
US$m	Note	Excluding loss-recovery component	Loss- recovery component	Assets for incurred claims	Total
Opening assets		487	3	219	709
Opening liabilities		(536)	2	71	(463)
Net opening balance		**(49)**	**5**	**290**	**246**
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premium paid		**(321)**	**—**	**—**	**(321)**
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses		—	(3)	223	220
Recoveries and reversals of recoveries of losses on onerous underlying contracts		—	6	—	6
Adjustments to assets for incurred claims		—	—	9	9
		—	**3**	**232**	**235**
Investment components and premium refunds		(479)	—	479	—
Net expenses from reinsurance contracts		**(800)**	**3**	**711**	**(86)**
Net finance income from reinsurance contracts		10	—	9	19
Foreign exchange movement		121	1	(45)	77
Total changes in the statement of profit or loss and OCI		**(669)**	**4**	**675**	**10**
Cash flows					
Premium paid		2,902	—	—	2,902
Amounts received		—	—	(604)	(604)
Total cash flows		**2,902**	**—**	**(604)**	**2,298**
Net closing balance		**2,184**	**9**	**361**	**2,554**
Closing assets		2,510	8	338	2,856
Closing liabilities		(326)	1	23	(302)
Net closing balance		**2,184**	**9**	**361**	**2,554**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(ii) (a) Reinsurance contracts held not measured under the premium allocation approach (continued)

Analysis by remaining coverage and incurred claims (continued)

		Year ended 31 December 2022			
		Assets for remaining coverage			
US$m (Restated)	Note	Excluding loss-recovery component	Loss- recovery component	Assets for incurred claims	Total
Opening assets		933	2	85	1,020
Opening liabilities		(587)	—	116	(471)
Net opening balance		**346**	**2**	**201**	**549**
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premium paid		**(381)**	**—**	**—**	**(381)**
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses		—	—	233	233
Recoveries and reversals of recoveries of losses on onerous underlying contracts		—	3	—	3
Adjustments to assets for incurred claims		—	—	1	1
		—	**3**	**234**	**237**
Investment components and premium refunds		(481)	—	481	—
Net expenses from reinsurance contracts		**(862)**	**3**	**715**	**(144)**
Effect of changes in non-performance risk of reinsurers		(4)	—	—	(4)
Net finance income from reinsurance contracts		(50)	—	(1)	(51)
Foreign exchange movement		(22)	—	(5)	(27)
Total changes in the statement of profit or loss and OCI		**(938)**	**3**	**709**	**(226)**
Cash flows					
Premium paid		543	—	—	543
Amounts received		—	—	(620)	(620)
Total cash flows		**543**	**—**	**(620)**	**(77)**
Net closing balance		**(49)**	**5**	**290**	**246**
Closing assets		487	3	219	709
Closing liabilities		(536)	2	71	(463)
Net closing balance		**(49)**	**5**	**290**	**246**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(ii) (a) Reinsurance contracts held not measured under the premium allocation approach (continued)

Analysis by measurement component

		Year ended 31 December 2023						
				CSM				
US$m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Contracts under fair value transition approach	Other contracts	Subtotal	Total
Opening assets		(240)	82	8	464	395	867	709
Opening liabilities		(549)	9	(2)	57	22	77	(463)
Net opening balance		**(789)**	**91**	**6**	**521**	**417**	**944**	**246**
Changes in the statement of profit or loss and OCI								
Changes that relate to current services								
CSM recognised for services received		—	—	(2)	(33)	(20)	(55)	(55)
Change in risk adjustment for non-financial risk for risk expired		—	(8)	—	—	—	—	(8)
Experience adjustments		(38)	—	—	—	—	—	(38)
Changes that relate to future services								
Contracts initially recognised in the year		187	25	—	—	(210)	(210)	2
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		—	—	—	2	2	4	4
Changes in estimates that adjust the CSM		406	(6)	2	(244)	(158)	(400)	—
Changes that relate to past services								
Adjustments to assets for incurred claims		9	—	—	—	—	—	9
Net expenses from reinsurance contracts		**564**	**11**	**—**	**(275)**	**(386)**	**(661)**	**(86)**
Net finance income/ (expenses) from reinsurance contracts		14	—	—	3	2	5	19
Foreign Exchange Movement		166	(5)	—	(35)	(49)	(84)	77
Total changes in the statement of profit or loss and OCI		**744**	**6**	**—**	**(307)**	**(433)**	**(740)**	**10**
Cash flows								
Premium paid		2,902	—	—	—	—	—	2,902
Amounts received		(604)	—	—	—	—	—	(604)
Total cash flows		**2,298**	**—**	**—**	**—**	**—**	**—**	**2,298**
Net closing balance		**2,253**	**97**	**6**	**214**	**(16)**	**204**	**2,554**
Closing assets		2,670	87	4	156	(61)	99	2,856
Closing liabilities		(417)	10	2	58	45	105	(302)
Net closing balance		**2,253**	**97**	**6**	**214**	**(16)**	**204**	**2,554**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(ii) (a) Reinsurance contracts held not measured under the premium allocation approach (continued)

Analysis by measurement component (continued)

		Year ended 31 December 2022						
				CSM				
US$m (Restated)	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Contracts under fair value transition approach	Other contracts	Subtotal	Total
Opening assets		161	90	1	563	205	769	1,020
Opening liabilities		(606)	19	3	97	16	116	(471)
Net opening balance		**(445)**	**109**	**4**	**660**	**221**	**885**	**549**
Changes in the statement of profit or loss and OCI								
Changes that relate to current services								
CSM recognised for services received		—	—	(2)	(93)	(48)	(143)	(143)
Change in risk adjustment for non-financial risk for risk expired		—	(6)	—	—	—	—	(6)
Experience adjustments		1	—	—	—	—	—	1
Changes that relate to future services								
Contracts initially recognised in the year		(285)	14	—	—	271	271	—
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		—	—	—	1	2	3	3
Changes in estimates that adjust the CSM		8	(15)	4	21	(18)	7	—
Changes that relate to past services								
Adjustments to assets for incurred claims		2	(1)	—	—	—	—	1
Net expenses from reinsurance contracts		**(274)**	**(8)**	**2**	**(71)**	**207**	**138**	**(144)**
Effect of changes in non-performance risk of reinsurers		(4)	—	—	—	—	—	(4)
Net finance income/ (expenses) from reinsurance contracts		(56)	—	—	3	2	5	(51)
Foreign Exchange Movement		67	(10)	—	(71)	(13)	(84)	(27)
Total changes in the statement of profit or loss and OCI		**(267)**	**(18)**	**2**	**(139)**	**196**	**59**	**(226)**
Cash flows								
Premium paid		543	—	—	—	—	—	543
Amounts received		(620)	—	—	—	—	—	(620)
Total cash flows		**(77)**	**—**	**—**	**—**	**—**	**—**	**(77)**
Net closing balance		**(789)**	**91**	**6**	**521**	**417**	**944**	**246**
Closing assets		(240)	82	8	464	395	867	709
Closing liabilities		(549)	9	(2)	57	22	77	(463)
Net closing balance		**(789)**	**91**	**6**	**521**	**417**	**944**	**246**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(ii) (b) Reinsurance contract held measured under the premium allocation approach

Analysis by remaining coverage and incurred claims

		Year ended 31 December 2023				
		Assets for remaining coverage		Assets for incurred claims		
US$m	Note	Excluding loss-recovery component	Loss-recovery component	Estimates of PV of FCF	Risk Adjustment	Total
Opening assets		15	—	1	—	16
Opening liabilities		(8)	1	6	1	—
Net opening balance		**7**	**1**	**7**	**1**	**16**
Changes in the statement of profit or loss and OCI						
Allocation of reinsurance premium paid		**(19)**	**—**	**—**	**—**	**(19)**
Amounts recoverable from reinsurers						
Recoveries of incurred claims and other insurance service expenses		—	—	19	—	19
Adjustments to assets for incurred claims		—	—	(2)	—	(2)
		—	**—**	**17**	**—**	**17**
Investment components and premium refunds		—	—	—	—	—
Net expenses from reinsurance contracts		**(19)**	**—**	**17**	**—**	**(2)**
Foreign exchange movement		—	—	(1)	—	(1)
Total changes in the statement of profit or loss and OCI		**(19)**	**—**	**16**	**—**	**(3)**
Cash flows						
Premium paid		9	—	—	—	9
Amounts received		—	—	(4)	—	(4)
Total cash flows		**9**	**—**	**(4)**	**—**	**5**
Net closing balance		**(3)**	**1**	**19**	**1**	**18**
Closing assets		(2)	1	20	1	20
Closing liabilities		(1)	—	(1)	—	(2)
Net closing balance		**(3)**	**1**	**19**	**1**	**18**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

INSURANCE AND REINSURANCE CONTRACTS (continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(ii) (b) Reinsurance contract held measured under the premium allocation approach (continued)

Analysis by remaining coverage and incurred claims (continued)

		Year ended 31 December 2022				
		Assets for remaining coverage		Assets for incurred claims		
US$m (Restated)	Note	Excluding loss-recovery component	Loss-recovery component	Estimates of PV of FCF	Risk Adjustment	Total
Opening assets		—	—	—	—	—
Opening liabilities		7	—	7	1	15
Net opening balance		**7**	**—**	**7**	**1**	**15**
Changes in the statement of profit or loss and OCI						
Allocation of reinsurance premium paid		**(14)**	**—**	**—**	**—**	**(14)**
Amounts recoverable from reinsurers						
Recoveries of incurred claims and other insurance service expenses		—	—	14	—	14
Recoveries and reversals of recoveries of losses on onerous underlying contracts		—	1	—	—	1
Adjustments to assets for incurred claims		—	—	(3)	—	(3)
		—	**1**	**11**	**—**	**12**
Net expenses from reinsurance contracts		**(14)**	**1**	**11**	**—**	**(2)**
Foreign exchange movement		—	—	1	—	1
Total changes in the statement of profit or loss and OCI		**(14)**	**1**	**12**	**—**	**(1)**
Cash flows						
Premium paid		14	—	—	—	14
Amounts received		—	—	(12)	—	(12)
Total cash flows		**14**	**—**	**(12)**	**—**	**2**
Net closing balance		**7**	**1**	**7**	**1**	**16**
Closing assets		15	—	1	—	16
Closing liabilities		(8)	1	6	1	—
Net closing balance		**7**	**1**	**7**	**1**	**16**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

INSURANCE AND REINSURANCE CONTRACTS (continued)

(b) Effect of contracts initially recognised in the year

The following tables summarise the effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts held not measured under the PAA in the year.

(i) Insurance contracts

US$m	Profitable contracts issued	Onerous contracts issued	Profitable contracts acquired	Total
31 December 2023				
Claims and other insurance service expenses payable	(6,953)	(405)	(318)	(7,676)
Insurance acquisition cash flows	(2,136)	(102)	—	(2,238)
Estimates of present value of cash outflows	(9,089)	(507)	(318)	(9,914)
Estimates of present value of cash inflows	10,748	491	363	11,602
Risk adjustment for non-financial risk	(115)	(3)	(3)	(121)
Contractual Service Margin (CSM)	(1,544)	—	(42)	(1,586)
Amount included in insurance contract assets/liabilities for the year	**—**	**(19)**	**—**	**(19)**
31 December 2022 (Restated)				
Claims and other insurance service expenses payable	(7,026)	(173)	—	(7,199)
Insurance acquisition cash flows	(1,761)	(58)	—	(1,819)
Estimates of present value of cash outflows	(8,787)	(231)	—	(9,018)
Estimates of present value of cash inflows	10,555	210	—	10,765
Risk adjustment for non-financial risk	(112)	(2)	—	(114)
Contractual Service Margin (CSM)	(1,656)	—	—	(1,656)
Amount included in insurance contract assets/liabilities for the year	**—**	**(23)**	**—**	**(23)**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

INSURANCE AND REINSURANCE CONTRACTS (continued)

(b) Effect of contracts initially recognised in the year (continued)

(ii) Reinsurance contracts held

US$m	Contracts initiated	Contracts acquired	Total
31 December 2023			
Estimates of present value of cash inflows	4,665	—	4,665
Estimates of present value of cash outflows	(4,474)	(4)	(4,478)
Risk adjustment for non-financial risk	24	1	25
Contractual Service Margin (CSM)	(213)	3	(210)
Amount included in reinsurance contract assets/liabilities for the year	**2**	**—**	**2**
31 December 2022 (Restated)			
Estimates of present value of cash inflows	1,141	—	1,141
Estimates of present value of cash outflows	(1,426)	—	(1,426)
Risk adjustment for non-financial risk	14	—	14
Contractual Service Margin (CSM)	271	—	271
Amount included in reinsurance contract assets/liabilities for the year	**—**	**—**	**—**

(c) Contractual service margin

The following table sets out when the Group expects to recognise the remaining CSM in profit or loss after the reporting date for contracts not measured under the PAA.

	As at 31 December					
	2023			2022		
US$m	Insurance contracts	Reinsurance contracts held	Total	Insurance contracts	Reinsurance contracts held	Total
				(Restated)	(Restated)	(Restated)
Within one year	579	(32)	547	657	(109)	548
One to five years	1,637	(68)	1,569	1,846	(265)	1,581
Five to ten years	1,189	(35)	1,154	1,389	(184)	1,205
More than ten years	1,845	(69)	1,776	2,452	(386)	2,066
Total	**5,250**	**(204)**	**5,046**	**6,344**	**(944)**	**5,400**

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

The following table summarises the key variables on which insurance and investment contract cash flows depend.

Type of contract	Material terms and conditions	Nature of benefits and compensation for claims	Factors affecting contract cash flows	Key reportable segments
Traditional participating life assurance with DPF	Participating products combine protection with a savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends, the timing or amount of which is at the discretion of the insurer taking into account factors such as investment experience.	Minimum guaranteed benefits may be enhanced based on investment experience and other considerations.	Investment performance Expenses Mortality Lapses Morbidity Dividend / bonus rates	All
Takaful	Products combine savings with protection, with an arrangement based on mutual assistance under which takaful participants agree to contribute to a common fund (Family risk fund) providing for mutual financial benefits payable on the occurrence of pre-agreed events.	Minimum guaranteed benefits may be enhanced based on investment experience and other considerations.	Investment performance Expenses Mortality Lapses Morbidity Partial withdrawals Premium holidays	Emerging markets (Malaysia and Indonesia)
Traditional non-participating life	Benefits paid on death, maturity, sickness or disability that are fixed and guaranteed and not at the discretion of the insurer.	Benefits, defined in the insurance contract, are determined by the contract and are not affected by investment performance or the performance of the contract as a whole.	Mortality Morbidity Lapses Expenses	All
Accident and health non-participating	These products provide morbidity or sickness benefits and include health, disability, critical illness and accident cover.	Benefits, defined in the insurance contract, are determined by the contract and are not affected by investment performance or the performance of the contract as a whole.	Mortality Morbidity Lapses Expenses	All
Universal Life	Universal Life contracts combine savings with protection. Account balances are credited with interest at a rate set by the insurer.	Benefits are based on the account balance and death and living benefits.	Investment performance Crediting rates Lapses Partial withdrawals Premium holidays Expenses Mortality Morbidity	Hong Kong, Emerging Markets (Vietnam only)
Unit-linked	Investment-linked contracts combine savings with protection, the cash value of the policy depending on the value of unitised funds.	Benefits are based on the value of the unitised funds and death and living benefits.	Investment performance Lapses Partial withdrawals Premium holidays Expenses Mortality Morbidity	Hong Kong, Thailand, Emerging markets (Malaysia, Indonesia, Singapore, Philippines and Vietnam only)

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Methodology and assumptions

The most significant items to which profit or loss for the period and shareholders' equity are sensitive are market, insurance and lapse risks which are shown in the table below. Indirect exposure indicates that there is a second order impact. For example, whilst the profit or loss for the period attributable to shareholders is not directly affected by investment income earned where the investment risk is borne by policyholders (for example, in respect of unit-linked contracts), there is a second order effect through the investment management fees which the Group earns by managing such investments. The distinction between direct and indirect exposure is not intended to indicate the relative sensitivity to each of these items. Where the direct exposure is shown as being "net neutral", this is because the exposure to market and credit risk is offset by a corresponding movement in insurance contract liabilities.

	Market and credit risk			
	Direct exposure			
Type of contract	Insurance contract liabilities	Risks associated with related investment portfolio	Indirect exposure	Significant insurance and lapse risks
Traditional participating life assurance with DPF	Net neutral except for the insurer's share of participating investment performance Guarantees	Net neutral except for the insurer's share of participating investment performance	Investment performance	Persistency Mortality Morbidity
Takaful	Net neutral except for the insurer's share of participating investment performance Guarantees	Net neutral except for the insurer's share of participating investment performance	Investment performance	Persistency Mortality Morbidity Partial withdrawals Premium holidays
Traditional non-participating life assurance	Investment performance Asset-liability mismatch risk	Asset-liability mismatch risk Credit Risk Investment performance	Not applicable	Mortality Morbidity Persistency
Accident and health non-participating	Loss ratio Asset-liability mismatch risk	Investment performance Credit risk Asset-liability mismatch risk	Not applicable	Morbidity Persistency
Universal Life	Guarantees Asset-liability mismatch risk	Investment performance Credit risk Asset-liability mismatch risk	Spread between earned rate and crediting rate to policyholders	Mortality Persistency Partial withdrawals Premium holidays
Unit-Linked	Net neutral	Net neutral	Performance-related investment management fees	Mortality Persistency Partial withdrawals Premium holidays

The Group is also exposed to foreign currency risk in respect of its operations, and to interest rate risk, credit risk and equity price risk on assets representing net shareholders' equity, and to expense risk to the extent that actual expenses exceed those that can be charged to insurance contract holders on non-participating business. Expense assumptions applied in the Group's actuarial valuation models assume a continuing level of business volumes.

16 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Group generally determines the risk-free rates using either government bond yields or swap yield curve. The yield curve is interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations. Although the ultimate forward rate is subject to revision, it is expected to be stable and would change only on changes to long-term expectations. To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium. Illiquidity premiums are generally determined by adjusting the return of a reference portfolio to eliminate any factors that are not relevant to the insurance contracts.

The tables below set out the spot rates used to discount the cash flows of insurance contracts for major currencies.

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	4.70%	5.66%	3.79%	4.75%	3.83%	4.78%	3.94%	4.89%	4.27%	5.22%
HKD	4.29%	5.29%	3.27%	4.27%	3.29%	4.29%	3.41%	4.41%	3.47%	4.47%
THB	2.30%	2.97%	2.48%	3.15%	2.75%	3.42%	3.04%	3.71%	3.35%	4.02%
JPY	(0.04)%	0.04%	0.23%	0.30%	0.67%	0.75%	1.10%	1.18%	1.48%	1.56%
CNY	2.07%	2.53%	2.41%	2.86%	2.58%	3.04%	2.82%	3.28%	3.12%	3.57%

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	4.64%	5.67%	3.94%	4.97%	3.81%	4.84%	3.91%	4.94%	4.18%	5.21%
HKD	4.88%	5.73%	3.96%	4.81%	3.78%	4.63%	3.82%	4.67%	3.84%	4.70%
THB	1.37%	2.40%	1.99%	3.02%	2.63%	3.66%	3.15%	4.18%	3.51%	4.54%
JPY	0.00%	0.23%	0.25%	0.49%	0.45%	0.69%	1.03%	1.27%	1.34%	1.58%
CNY	2.09%	2.92%	2.66%	3.49%	2.88%	3.71%	3.07%	3.90%	3.32%	4.15%

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity.

When the present value of future cash flows is estimated by stochastic modelling, the cash flows are discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for illiquidity.

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.

17 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.

Unit-linked contract holders are responsible for allocation of their policy values amongst investment options offered by the Group. The investment risk in respect of Unit-linked Investments is generally wholly borne by the customers and these investments are 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, 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 investments. Other Participating Business with distinct Portfolios refers to business where it is expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory.

The reason for separately analysing financial investments held by Participating Funds and Other Participating Business with distinct Portfolios is that Participating Funds are subject to local regulations that generally prescribe a minimum proportion of policyholder participation in declared dividends and for Other Participating Business with distinct Portfolios is, as explained above, expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of the underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory. For participating funds and other participating business with distinct portfolios, the Group measures equity shares and interests in investment funds at fair value through profit or loss, and debt securities at fair value through other comprehensive income except for those being mandatory at at fair value through profit or loss.

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

In the following tables, “FVTPL” indicates financial investments classified as fair value through profit or loss and “FVOCI” indicates financial investments classified as fair value through other comprehensive income.

17 FINANCIAL INVESTMENTS (continued)

17.1 Debt securities

In compiling the tables below, external international issue ratings have been used in accordance with the Group's credit risk assessment framework. Where external international issue ratings are not readily available, external local issue ratings are used by mapping to external international ratings based on an internal rating methodology. Where there is no external international or local issue rating, the external credit rating of the issuer is used and if not available, the debt security is classified as not-rated.

Standard and Poor's and Fitch	Moody's	Internal ratings reported as
AAA	Aaa	AAA
AA+ to AA-	Aa1 to Aa3	AA
A+ to A-	A1 to A3	A
BBB+ to BBB-	Baa1 to Baa3	BBB
BB+ to BB-	Ba1 to Ba3	BB (Below investment grade)
B+ to B-	B1 to B3	B (Below investment grade)
CCC+ and below	Caa1 and below	CCC or Not rated

Debt securities by type comprise the following:

	Policyholder and shareholder investments				
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		
US$m	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	Total
31 December 2023					
Government bonds					
United States	—	654	—	231	885
Japan	—	—	—	1,909	1,909
Thailand	—	—	—	11,088	11,088
Other	—	756	—	477	1,233
Sub-total	**—**	**1,410**	**—**	**13,705**	**15,115**
Government agency bonds[1]					
AAA	3	16	—	1	20
AA	—	538	—	220	758
A	—	193	—	291	484
BBB	—	40	—	629	669
Below investment grade	—	3	—	7	10
CCC or not rated	—	—	—	—	—
Sub-total	**3**	**790**	**—**	**1,148**	**1,941**
Corporate bonds					
AAA	—	163	—	16	179
AA	—	462	—	235	697
A	63	2,695	66	2,191	5,015
BBB	205	1,978	276	2,309	4,768
Below investment grade	10	35	19	1,018	1,082
CCC or not rated	51	41	55	33	180
Sub-total	**329**	**5,374**	**416**	**5,802**	**11,921**

17 FINANCIAL INVESTMENTS (continued)

17.1 Debt securities (continued)

US$m	Policyholder and shareholder investments				
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Total
	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
31 December 2023					
Structured securities[2]					
AAA	3	105	—	16	124
AA	6	188	—	21	215
A	41	198	19	36	294
BBB	46	177	1,093	19	1,335
Below investment grade	3	—	3	—	6
CCC or not rated	—	10	1	1	12
Sub-total	**99**	**678**	**1,116**	**93**	**1,986**
Others					
Certificate of deposits	—	17	—	12	29
Others	—	—	7	—	7
Sub-total	**—**	**17**	**7**	**12**	**36**
Total[3]	**431**	**8,269**	**1,539**	**20,760**	**30,999**

Notes:

[1] Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities and government-related entities.

[2] Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

[3] As at 31 December 2023, debt securities of US$3,658m, US$501m, US$20m and US$6m are restricted due to local regulatory requirements in Thailand, Macau, Indonesia and the Philippines, respectively.

17 FINANCIAL INVESTMENTS (continued)

17.1 Debt securities (continued)

	Policyholder and shareholder investments				
US$m	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Total
	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
31 December 2022 (Restated)					
Government bonds					
United States	—	734	—	301	1,035
Japan	—	—	—	2,804	2,804
Thailand	—	—	—	10,455	10,455
Other	—	805	—	312	1,117
Sub-total	**—**	**1,539**	**—**	**13,872**	**15,411**
Government agency bonds[1]					
AAA	—	2	—	2	
AA	—	267	—	193	460
A	—	111	—	363	474
BBB	—	35	—	574	609
CCC or not rated	—	14	—	12	26
Sub-total	**—**	**429**	**—**	**1,144**	**1,573**
Corporate bonds					
AAA	—	123	—	25	148
AA	—	431	—	304	735
A	144	2,772	66	2,800	5,782
BBB	134	2,045	235	3,051	5,465
Below investment grade	9	25	19	1,132	1,185
CCC or not rated	90	48	45	12	304
Sub-total	**377**	**5,444**	**365**	**7,433**	**13,619**
Structured securities[2]					
AAA	8	158	—	25	191
AA	—	76	—	381	457
A	45	99	35	34	213
BBB	36	45	914	43	1,038
Below investment grade	3	—	17	—	20
CCC or not rated	2	27	1	6	36
Sub-total	**94**	**405**	**967**	**489**	**1,955**
Others					
Certificate of deposits	—	40	—	20	60
Others	—	—	7	—	7
Sub-total	**—**	**40**	**7**	**20**	**67**
Total[3]	**471**	**7,857**	**1,339**	**22,958**	**32,625**

Notes:

1 Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities and government-related entities.

2 Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

3 As at 31 December 2022, debt securities of US$3,529m, US$431m, US$22m and US$5m are restricted due to local regulatory requirements in Thailand, Macau, Indonesia and the Philippines, respectively.

As at 31 December 2023, debt securities of US$194m (2022: US$419m) are subject to repurchase and forward agreements, whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. The securities related to the repurchase and forward agreements are not derecognised from the consolidated statement of financial position, but are retained within the appropriate financial asset classification. During the term of the repurchase and forward agreements, the counterparty is restricted from selling or pledging the transferred debt securities. Refer to Note 24 for additional information on the associated liabilities.

17 FINANCIAL INVESTMENTS (continued)

17.2 Equity securities

Equity securities at fair value through profit and loss:

	Policyholder and shareholder investments				
US$m	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder investments	Sub-total	Unit-linked	Total
31 December 2023	71	604	675	—	675
31 December 2022 (Restated)	56	325	381	—	381

Note:
[1] As at 31 December 2023, equity securities of US$98m (2022: US$50m) are restricted due to local regulatory requirements in Macau.

17.3 Interests in investment funds

Interests in investment funds at fair value through profit and loss:

	Policyholder and shareholder investments				
US$m	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder investments	Sub-total	Unit-linked	Total
31 December 2023	4,306	1,576	5,882	2,785	8,667
31 December 2022 (Restated)	3,560	1,608	5,168	2,408	7,576

17.4 Loans and deposits

	As at 31 December	
US$m	2023	2022 (Restated)
Accreting deposits and promissory notes	584	587
Term deposits	406	930
Other financial receivables	9	16
Provision for impairment	(3)	(3)
Total	**996**	**1,530**

Accreting deposits and promissory notes are stated at amortised cost. As at 31 December 2023, the accreting deposits and promissory notes bear interest rates ranging from 3.8% to 4.5% (2022: 2.3% to 5.2%) per annum and are repayable upon maturity.

Certain term deposits of US$37m as at 31 December 2023 (2022: US$36m) are restricted due to local regulatory requirements.

18 DERIVATIVE FINANCIAL INSTRUMENTS

The followings summarised the Group's derivative exposure:

US$m	Notional amount	Fair value	
		Assets	Liabilities
31 December 2023			
Foreign exchange contracts			
Forwards	7,956	105	(340)
Cross-currency swaps	591	21	(15)
Total foreign exchange contracts	**8,547**	**126**	**(355)**
Interest rate swaps	508	1	—
Others			
Warrants and options	499	68	—
Bond forward contracts	688	1	(61)
Other equity derivatives	50	22	—
Total	**10,292**	**218**	**(416)**
31 December 2022 (Restated)			
Foreign exchange contracts			
Forwards	7,589	122	(119)
Cross-currency swaps	1,476	86	(13)
Total foreign exchange contracts	**9,065**	**208**	**(132)**
Interest rate swaps	508	—	(2)
Others			
Warrants and options	9	52	—
Bond forward contracts	657	59	—
Total	**10,239**	**319**	**(134)**

18 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Group's derivatives 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.

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

Foreign exchange contracts

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

Interest rate swaps

Interest rate contracts 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 contracts involve the net exchange of payments calculated as the difference between the fixed and floating rate interest payments.

Other derivatives

Forward contracts are contractual obligations to buy or sell a financial instrument on a predetermined future date at a specified price. Credit default swaps represent agreements under which the Group has purchased default protection on certain underlying corporate bonds held in its portfolio. These credit default swaps allow the Group to sell the protected bonds at par value to the counterparty if a default event occurs in exchange for periodic payments made by the Group for the life of the agreement.

As at 31 December 2023 and 2022, the Group has a call option with a 5-year exercise period pursuant to which the Group has the right to acquire a minority stake in the related party at a discounted price. Refer to Note 31 for details.

Collateral under derivative transactions

As at 31 December 2023, the Group held cash collateral of US$43m and debt securities collateral with a carrying value of US$10m for assets, and posted cash collateral of US$57m and pledged debt securities with a carrying value of US$311m for liabilities. As at 31 December 2022, the Group held cash collateral of US$132m and debt securities collateral with a carrying value of US$118m for assets and posted cash collateral of US$1m and debt securities with a carrying value of US$154m for liabilities.The Group did not sell or repledge the collateral received. These transactions are conducted under terms that are usual and customary to collateralised transactions. Further information relating to cash collateral is included in Notes 20 and 24.

18 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivatives designated as hedging instruments

During the years ended 31 December 2023 and 2022, the Group designated an interest rate swap as cash flow hedge of variable rate interest payments arising from a bank borrowing. The terms of the interest rate swap have been negotiated to match the terms of the variable rate interest payments. As a result, this hedging relationship is considered highly effective at inception, 31 December 2023 and 2022. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment. As at 31 December 2023, the fair value of the interest rate swap designated as hedging instrument was US$1m (2022: US$(2)m).

The Group has designated certain foreign exchange derivative assets with fair values of US$1m and US$4m, and certain foreign exchange derivative liabilities with fair values of US$9m and US$5m as at 31 December 2023 and 2022, respectively, in cash flow hedges of foreign exchange risk. The Group has also designated certain bond forward derivatives assets with fair values of US$1m and US$nil, and certain bond forward derivative liabilities with fair values of US$14m and US$nil, as at 31 December 2023 and 2022, respectively, in cash flow hedges of bond price risk. These hedging relationships were considered highly effective as at 31 December 2023 and 2022.

19 FAIR VALUE MEASUREMENT

Fair value hierarchy

The fair value 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.

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 (“Fair Value Hierarchy”) 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 and debt securities.

- 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 debt securities, equity securities, interests in investment funds 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 mainly include investment properties and private equity fund 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.

19 FAIR VALUE MEASUREMENT (continued)

19.1 Fair value measurements on a recurring basis

The Group measures investment properties, financial instruments classified at fair value through profit or loss, financial instruments classified at fair value through OCI, derivative assets and liabilities and investment contract liabilities at fair value on a recurring basis. The following methods and assumptions were used by the Group to estimate the fair value.

Debt securities, equity securities and interests in investment funds

Fair values for fixed interest securities are based on quoted market prices, where available. For those securities 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.

The fair values of listed equity securities are based on quoted market prices. The transaction price is used as the best estimate of fair value at inception. The fair values of unlisted private equity funds are based on the reported net assets value (“NAV”) in their financial statements, considering various factors including the accounting policies adopted by the investees, the restrictions and barriers preventing the Group from disposing the investments, the Group's ownership percentage over the investee and other relevant factors.

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.

Investment property

The Group engaged external, independent and qualified valuers to determine the fair value of the investment properties at least on an annual basis. Investment properties 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 investment property 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.

The fair values of the Group’s investment properties are determined based on the discounted cash flow approach which may be used by reference to net rental income allowing for reversionary income potential to estimate the fair value. Other inputs that are taken into consideration include value of comparable property and adjustments for factors such as size, location, quality and prospective use. The fair value measurement of the Group’s investment properties is classified as Level 3.

Investment contract liabilities without DPF

Investment contracts can be surrendered by the holder at any time. Accordingly, their fair value is not less than the amount payable on demand. The fair values are based on the fair value of the underlying items less any surrender charges.

19 FAIR VALUE MEASUREMENT (continued)

19.1 Fair value measurements on a recurring basis (continued)

A summary of assets and liabilities carried at fair value on a recurring basis according to fair value hierarchy is given below:

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2023				
Recurring fair value measurements				
Non-financial assets				
Investment property	—	—	599	599
Financial assets				
At fair value through OCI				
Debt securities	1,170	27,786	73	29,029
Government bonds	1,130	13,985	—	15,115
Government agency bonds	35	1,903	—	1,938
Corporate bonds	5	11,098	73	11,176
Structured securities	—	771	—	771
Others	—	29	—	29
At fair value through profit or loss				
Debt securities	—	873	1,097	1,970
Government agency bonds	—	3	—	3
Corporate bonds	—	745	—	745
Structured securities	—	125	1,090	1,215
Others	—	—	7	7
Equity shares	577	—	98	675
Interests in investment funds	2,094	3,258	3,315	8,667
Derivative financial instruments	—	151	67	218
Total assets on a recurring fair value measurement basis	**3,841**	**32,068**	**5,249**	**41,158**
% of Total	*9%*	*78%*	*13%*	*100%*
Financial liabilities				
Investment contract liabilities without DPF	—	—	56	56
Derivative financial instruments	—	416	—	416
Total liabilities on a recurring fair value measurement basis	**—**	**416**	**56**	**472**
% of Total	*—%*	*88%*	*12%*	*100%*

19 FAIR VALUE MEASUREMENT (continued)

19.1 Fair value measurements on a recurring basis (continued)

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2022 (Restated)				
Recurring fair value measurements				
Non-financial assets				
Investment property	—	—	641	641
Financial assets				
At fair value through OCI				
Debt securities	1,895	28,856	64	30,815
Government bonds	1,219	14,192	—	15,411
Government agency bonds	37	1,536	—	1,573
Corporate bonds	639	12,174	64	12,877
Structured securities	—	894	—	894
Others	—	60	—	60
At fair value through profit or loss				
Debt securities	—	902	908	1,810
Corporate bonds	—	742	—	742
Structured securities	—	159	902	1,061
Others	—	1	6	7
Equity securities	302	—	79	381
Interests in investment funds	2,314	2,195	3,067	7,576
Derivative financial instruments	—	268	51	319
Total assets on a recurring fair value measurement basis	**4,511**	**32,221**	**4,810**	**41,542**
% of Total	*11%*	*78%*	*11%*	*100%*
Financial liabilities				
Investment contract liabilities without DPF	—	—	112	112
Derivative financial instruments	—	134	—	134
Total liabilities on a recurring fair value measurement basis	**—**	**134**	**112**	**246**
% of Total	*—%*	*54%*	*46%*	*100%*

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 years ended 31 December 2023 and 2022, there were no movements of financial assets between Level 1 and Level 2.

The Group's Level 2 financial instruments include debt securities, interests in investment funds, and derivative instruments. 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 third-party pricing services and brokers are not available, internal valuation techniques and inputs will be used to derive the fair value for the financial instruments.

19 FAIR VALUE MEASUREMENT (continued)

19.1 Fair value measurements on a recurring basis (continued)

Level 3 assets and liabilities

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 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 2022.

US$m	Investment property	Debt securities	Equity securities	Interests in investment funds	Derivative financial assets/(liabilities)	Investment contract liabilities without DPF
As at 1 January 2023	**641**	**972**	**79**	**3,067**	**51**	**(112)**
Net movement on investment contract liabilities	—	—	—	—	—	56
Total gains/(losses)						
Reported under investment return in the consolidated income statement	(2)	6	16	20	16	—
Reported under fair value reserve and foreign currency translation reserve in the consolidated statement of comprehensive income	(41)	(20)	—	(33)	—	—
Purchases	—	217	3	311	—	—
Sales	—	(5)	(1)	(36)	—	—
Settlements	—	—	—	(17)	—	—
Transfer to other assets	—	(2)	—	—	—	—
Acquisition of subsidiaries	1	2	1	—	—	—
Transfer into level 3	—	—	—	3	—	—
As at 31 December 2023	**599**	**1,170**	**98**	**3,315**	**67**	**(56)**
Change in unrealised gains/(losses) included in the consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return	(2)	6	15	20	16	—

US$m	Investment property	Debt securities	Equity securities	Interests in investment funds	Derivative financial assets/(liabilities)	Investment contract liabilities without DPF
As at 1 January 2022 (Restated)	**663**	**63**	**133**	**2,959**	**37**	**(151)**
Net movement on investment contract liabilities	—	—	—	—	—	39
Total gains/(losses)						
Reported under investment return in the consolidated income statement	(3)	(27)	(54)	(322)	14	—
Reported under fair value reserve and foreign currency translation reserve in the consolidated statement of comprehensive income	(83)	4	—	(53)	—	—
Purchases	64	932	—	984	—	—
Sales	—	—	—	(470)	—	—
Settlements	—	—	—	(31)	—	—
As at 31 December 2022 (Restated)	**641**	**972**	**79**	**3,067**	**51**	**(112)**
Change in unrealised gains/(losses) included in the consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return	(3)	(27)	(54)	(254)	14	—

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 22.

Assets transferred into Level 3 mainly relate to interests in investment funds of which market-observable inputs became unavailable during the period and were not used in determining the fair value.

19 FAIR VALUE MEASUREMENT (continued)

19.1 Fair value measurements on a recurring basis (continued)

Level 3 interests in investment funds and debt securities

As at 31 December 2023 and 2022, interests in investment funds classified as level 3 mainly include unlisted investment funds, debt securities classified as level 3 mainly include unlisted asset-backed securities. The Group determines the fair values of these investment funds based on the reported NAV in their audited financial statements and may make adjustments where appropriate taking into consideration various factors including accounting policies adopted by the fund, the restrictions and barriers preventing the Group from disposing of its interests in such fund and the Group's ownership percentage in such fund. For those funds where December year end audited financial statements are not available, the Group performs a roll forward analysis on the latest NAV of the fund based on fund managers' statements available and capital movements up to the December year end. This valuation methodology is in accordance with guidelines of the International Valuation Standards Council. The Group considers that the change in the input to the valuation technique would not have a significant impact on the consolidated financial statements. No quantitative analysis has been presented.

Level 3 investment property

Under the discounted cash flow approach, both income and expenses over a certain number of years from the date of valuation are itemised and projected annually taking into account the current rental revenue and the expected growth of income and expenses of each of the properties. The net cash flow over the period is discounted at an appropriate rate of return. There were no changes to the valuation techniques during the years ended 31 December 2023 and 2022.

The discount rates are estimated based on the risk profile of the properties being valued. The higher the rates, the lower the fair value. Prevailing market rents are estimated based on recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value. Occupancy rate is the aggregated leased area as a percentage of total leasable area. The higher the rate, the higher the fair value.

Significant unobservable inputs used in the discounted cash flow approach are disclosed as below.

	As at 31 December	
	2023	2022
Monthly market rental income (US$ per sq.m.)	11 - 953	10 - 928
Discount rate per annum	2.4% - 10.0%	2.5% - 10.0%
Occupancy rate	96% - 100%	97% - 100%

This valuation methodology is in accordance with guidelines of the International Valuation Standards Council.

Level 3 investment contract liabilities without DPF

Investment contract liabilities categorised in Level 3 of the fair value hierarchy are measured with reference to the value of the underlying items which are mainly unlisted investment funds.

19 FAIR VALUE MEASUREMENT (continued)

19.2 Fair value measurements for disclosure purpose

Fair values of financial assets and liabilities for disclosure purpose are determined using the same Fair Value Hierarchy.

Loans and deposits
For loans and deposits 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 and deposits are estimated by discounting expected future cash flows using interest rate offered for similar instruments to holders with similar credit ratings.

Other assets
The carrying amount of other financial assets is not materially different to their fair value.

Cash and cash equivalents
The carrying amount of cash approximates its fair value.

Borrowings
The fair values of borrowings with stated maturities 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 is 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.

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 2022 is given below.

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2023				
Assets for which the fair value is disclosed				
Financial assets				
Accreting deposits	—	553	—	553
Total assets for which the fair value is disclosed	**—**	**553**	**—**	**553**
Liabilities for which the fair value is disclosed				
Financial liabilities				
Medium term / subordinated notes	1,550	—	—	1,550
Total liabilities for which the fair value is disclosed	**1,550**	**—**	**—**	**1,550**

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2022				
Assets for which the fair value is disclosed				
Financial assets				
Accreting deposits	—	527	—	527
Total assets for which the fair value is disclosed	**—**	**527**	**—**	**527**
Liabilities for which the fair value is disclosed				
Financial liabilities				
Medium term / subordinated notes	1,169	—	—	1,169
Total liabilities for which the fair value is disclosed	**1,169**	**—**	**—**	**1,169**

19 FAIR VALUE MEASUREMENT (continued)

19.2 Fair value measurements for disclosure purpose (continued)

The following table sets out the composition and the fair value of underlying items for the Group's insurance contracts with direct participation features as at 31 December 2023 and 2022.

US$m	As at 31 December 2023	As at 31 December 2022 (Restated)
Financial assets		
Loans and deposits	99	61
At fair value through OCI		
Debt securities	10,899	10,925
Government bonds	1,520	1,637
Government agency bonds	874	510
Corporate bonds	7,768	8,259
Structured securities	718	477
Others	19	42
At fair value through profit or loss		
Debt securities	591	641
Government agency bonds	3	—
Corporate bonds	474	525
Structured securities	114	116
Equity shares	71	58
Interests in investment funds	7,511	6,511
Derivative financial instruments	23	64
Cash and cash equivalents	194	131
Total assets on a recurring fair value measurement basis	**19,388**	**18,391**
Financial liabilities		
Derivative financial instruments	42	20
Total liabilities on a recurring fair value measurement basis	**42**	**20**

20 OTHER ASSETS

US$m	As at 31 December 2023	As at 31 December 2022 (Restated)
Accounts receivable[1]	394	186
Accrued investment income	263	246
Restricted cash	2	14
Deposits	23	25
Prepayments	134	103
Total	**816**	**574**

Note:

[1] Accounts receivable as at 31 December 2023 includes cash collaterals of US$57m (2022: US$1m) posted for derivative liabilities and US$193m (2022: US$nil) posted for recapture of reinsurance arrangement.

As at 31 December 2023, bank deposits of US$nil (2022: US$12m) were mainly from restrictions for use in accordance with the covenant requirements of bank borrowings. Refer to Note 23 for details of the bank borrowings. As at 31 December 2023, US$2m (2022: US$2m) was restricted for the acquisition for investment in associate.

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

21 CASH AND CASH EQUIVALENTS

US$m	As at 31 December 2023	As at 31 December 2022
Cash	1,188	1,337
Cash equivalents	820	137
Total	**2,008**	**1,474**

Cash comprises cash at bank and cash in hand. Cash equivalents comprise bank deposits with maturities at acquisition of three months or less.

22 INVESTMENT CONTRACT LIABILITIES

US$m	As at 31 December 2023	As at 31 December 2022 (Restated)
At beginning of year	**197**	**272**
Benefits paid	(52)	(26)
Investment return from underlying assets	(1)	(13)
Others	(88)	(36)
At end of year	**56**	**197**

23 BORROWINGS

	As at 31 December	
US$m	2023	2022
Bank borrowings	992	992
Medium term notes	641	324
Subordinated notes	898	900
Total	**2,531**	**2,216**

Interest expense on borrowings is shown in Note 10. Further information relating to interest rates and the maturity profile of borrowings is presented in Note 27.

Outstanding bank borrowings and notes placed to the market as at 31 December 2023:

Issue date	Nominal amount	Interest rate	Tenor
Bank borrowings			
30 December 2021	US$1,000m	Note 1	4 years
Medium term notes			
24 September 2014	US$325m	5.00 %	10 years
6 December 2023	US$325m	7.78 %	10 years
Subordinated notes			
9 July 2019	US$550m	5.75 %	5 years
23 July 2019	US$250m	5.75 %	5 years
30 July 2019	US$100m	5.75 %	5 years

Note 1: The interest rate was USD LIBOR + 1.275% as at 31 December 2022. USD LIBOR ceased on 30 June 2023, the interest rate of bank borrowing was SOFR plus i) a credit adjustment spread and ii) 1.075% as at 31 December 2023.

These medium-term notes and subordinated notes are listed on The Stock Exchange of Hong Kong Limited. The net proceeds from the issuance of the medium-term notes and subordinated notes are used for acquisitions, general corporate purposes and funding requirements of the Group. On 25 August 2023, the medium-term notes and subordinated notes were novated by FL and FGL to the Company. As such, the Company has assumed all the rights and obligations as the issuer of each of the medium-term notes and subordinated notes.

As at 31 December 2023, the Group has access to US$1,000m (2022: US$500m) undrawn committed revolving credit facilities. The credit facilities are unsecured and will be used for general corporate purposes. As at 31 December 2023, US$500m of the undrawn credit facilities is expiring in 2025 and the remaining US$500m is expiring in 2027. As at 31 December 2022, all the undrawn credit facilities are expiring in 2024. On 25 August 2023, FGL transferred its US$1,000m bank borrowing and US$500m committed revolving credit facility to the Company. As such, the Company has assumed all the rights and obligations under the bank borrowing and revolving credit facility. The Group has drawn down US$50m of the committed revolving credit facility on 9 September 2022, and subsequently settled on 14 November 2022.

24 OTHER LIABILITIES

US$m	As at 31 December 2023	2022 (Restated)
Trade and other payables[1]	675	853
Distribution agreement payable	88	41
Lease liabilities	122	113
Obligations under repurchase and forward arrangements	174	396
Total	**1,059**	**1,403**

Note:
[1] Other payables as at 31 December 2023 includes US$43m (2022: US$132m) relating to the cash collateral held for derivative assets.

All trade and other payables are generally expected to be settled within 12 months after the end of the reporting period. Accordingly, no ageing analysis has been provided.

Distribution agreement payable represents the deferred payments to be paid in accordance with the terms set out in SCB Distribution Agreement and Vietcombank Distribution Agreement.

The total cash outflow for leases for the years ended 31 December 2023 was US$51m (2022: US$49m).

During the years ended 31 December 2023 and 2022, the Group has entered into repurchase and forward agreements whereby certain debt securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. Refer to Note 17.1 for details.

25 SHARE CAPITAL, SHARE PREMIUM AND RESERVES

25.1 Share capital and share premium

Ordinary Shares	Number of ordinary shares	Share capital nominal value US$m	Share premium US$m	Total share capital and share premium US$m
Authorised:				
Ordinary shares of US$0.01 each as at 31 December 2022	2,500,000,000	25	—	25
Ordinary shares of US$0.01 each as at 31 December 2023	2,118,816,290	21	—	21
Issued and fully paid:				
Ordinary shares of US$0.01 each as at 1 January 2022	876,157,963	8	6,011	6,019
Issue of ordinary shares during the year ended 31 December 2022	63,795,852	1	391	392
Ordinary shares of US$0.01 each as at 31 December 2022 and 2023	**939,953,815**	**9**	**6,402**	**6,411**

Management Shares	Number of shares	Share capital nominal value US$m	Share premium US$m	Total share capital and share premium US$m
Authorised:				
Management Shares of US$0.01 each as at 31 December 2022	—	—	—	—
Management Shares of US$0.01 each as at 31 December 2023	65,000,000	1	—	1
Issued and fully paid:				
Management Shares of US$0.01 each as at 1 January 2022 and 31 December 2022	—	—	—	—
Issue of Management Shares pursuant to the Exchange of Share Capital of FL and FGL (Note 1.2)	34,756,740	—	160	160
Management Shares of US$0.01 each as at 31 December 2023	**34,756,740**	**—**	**160**	**160**

Series P Conversion Shares	Number of shares	Share capital nominal value US$m	Share premium US$m	Total share capital and share premium US$m
Authorised:				
Series P Conversion Shares of US$0.01 each as at 31 December 2022	—	—	—	—
Series P Conversion Shares of US$0.01 each as at 31 December 2023	120,099,900	1	—	1
Issued and fully paid:				
Series P Conversion Shares of US$0.01 each as at 1 January 2022 and 31 December 2022	—	—	—	—
Issue of Series P Conversion Shares pursuant to the Exchange of Share Capital of FL and FGL (Note 1.2)	120,099,900	1	376	377
Series P Conversion Shares of US$0.01 each as at 31 December 2023	**120,099,900**	**1**	**376**	**377**

25 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

25.1 Share capital and share premium (continued)

Series A, B-2 and B-3 Conversion Shares	Number of shares	Share capital nominal value US$m	Share premium US$m	Total share capital and share premium US$m
Authorised:				
Series A, B-2 and B-3 Conversion Shares of US$0.01 each as at 31 December 2022	—	—	—	—
Series A, B-2 and B-3 Conversion Shares of US$0.01 each as at 31 December 2023	196,083,810	2	—	2
Issued and fully paid:				
Series A, B-2 and B-3 Conversion Shares of US$0.01 each as at 1 January 2022 and 31 December 2022	—	—	—	—
Issue of Series A, B-2 and B-3 Conversion Shares pursuant to the Exchange of Share Capital of FL and FGL (Note 1.2)	196,083,810	2	2,060	2,062
Series A, B-2 and B-3 Conversion Shares of US$0.01 each as at 31 December 2023	**196,083,810**	**2**	**2,060**	**2,062**
As at 31 December 2022	**939,953,815**	**9**	**6,402**	**6,411**
As at 31 December 2023	**1,290,894,265**	**12**	**8,998**	**9,010**

In January 2022, the Company issued 31,897,926 ordinary shares with a nominal or par value of US$0.01 each to investors at a gross consideration of US$200m and net of transaction costs of US$8m.

On 19 December 2022, the Company issued 31,897,926 ordinary shares with a nominal or par value of US$0.01 each to PCGI Holdings Limited at a consideration of US$200m.

On 31 July 2023, the authorised share capital of the Company is US$25m divided into (i) 2,118,816,290 ordinary shares with a nominal or par value of US$0.01 each, (ii) 65,000,000 Management Shares with a nominal or par value of US$0.01 each, (iii) 120,099,900 Series P Conversion Shares with a nominal or par value of US$0.01 each, (iv) 69,578,760 Series A conversion shares with a nominal or par value of US$0.01 each, (v) 7,588,050 Series B-2 conversion shares with a nominal value or par of US$0.01 each and (vi) 118,917,000 Series B-3 conversion shares with a nominal or par value of US$0.01 each.

Management Shares, Series P Conversion Shares, and Series A, B-2 and B-3 Conversion Shares issued by the Company do not have fixed maturity, participate in discretionary dividends and are non-redeemable. These shares will be mandatorily converted into ordinary shares of the Company upon completion of an initial public offering of the Company, and rank pari passu with all other shares on any payment of dividend or distribution or return of capital, with the exception that on any payment of a dividend or distribution or return of capital (other than on a liquidation event), holders of Series A, B-2 and B-3 Conversion Shares shall have the benefit of an increased entitlement to such dividend or distribution.

The holders of Management Shares and Series P Conversion Shares are entitled to the same voting rights as each ordinary share in the Company, while holders of Series A, B-2 and B-3 Conversion Shares are not entitled to attend or vote at general meetings of the Company.

Management Shares, Series P Conversion Shares and Series A, B-2 and B-3 Conversion Shares do not contain any contractual obligations to deliver cash, other financial assets, or a variable number of the Group's own equity instruments which cannot be unconditionally avoided by the Group. Accordingly, they are classified as equity in the Group's consolidated financial statements.

25 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

25.2 Reserves

(a) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of financial investments measured at FVOCI held at the end of the reporting period.

(b) Insurance finance reserve

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

(c) 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.

(d) Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative gain or loss on the hedging instrument from the inception of the cash flow hedge.

(e) Other reserves

Other reserves mainly include capital redemption reserve and share-based compensation reserve.

25.3 Perpetual securities

FL and FGL issued the following perpetual securities. On 25 August 2023, FL and FGL novated all the perpetual securities to the Company. As such, the Company has assumed all the rights and obligations as the issuer of each of the perpetual securities.

	Nominal amount	Distribution rate	Tenor
24 January 2017 [1]	US$250m	6.250 %	Perpetual
15 June 2017	US$500m	Note 2	Perpetual
6 July 2017	US$250m	Note 2	Perpetual
1 February 2018	US$200m	Note 3	Perpetual
13 September 2019	US$600m	6.375 %	Perpetual

Notes:

[1] On 24 January 2022, the Group redeemed the US$250m 6.25% perpetual securities. The redemption price is composed of the outstanding principal amount together with distributions accrued to such date. The difference between the carrying amount of the redeemed perpetual securities and the cash paid upon redemption of US$2m was recognised in accumulated losses on the date of redemption.

[2] 0% for first 5 years, and reset to 8.045% on 15 June 2022

[3] 5.5% for first 5 years, and reset to 6.675% on 1 February 2023

Carrying amount of the perpetual securities:

	As at 31 December	
US$m	2023	2022
15 June 2017	360	362
6 July 2017	178	179
1 February 2018	202	203
13 September 2019	608	610
	1,348	**1,354**

The issuers of the perpetual securities may, at its sole option, defer the distributions by giving notice to the holders. In the event of any distribution deferral, the issuers cannot declare or pay any dividend on its ordinary or preference share capital, except if payments are declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors, or consultants. The perpetual securities have been treated as equity in the Group's consolidated statement of financial position. The proceeds from the issuance were used for general corporate purposes, potential transactions and/or repayment of the Group's own indebtedness. During the year ended 31 December 2023, the Group paid distributions of US$110m (2022: US$87m).

25 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

25.4 Non-controlling interests

Non-controlling interests represent ordinary shares, preference shares and convertible preference shares which are not attributable to the Company.

Equity of the Group attributable to non-controlling interests are presented as below:

	As at 31 December	
US$m	2023	2022
		(Restated)
Ordinary shares, preference shares and convertible preference shares of FL and FGL	—	1,717
Ordinary shares of the subsidiaries of FL and FGL	50	1
	50	**1,718**

The key terms of the preference shares and convertible preference shares are summarised below.

(a) Preference shares

Preference shares issued by FL and FGL do not have fixed maturity, participate in discretionary dividends and are redeemable within the control of the Group. The holders of preference shares are entitled to the same voting rights as each ordinary share in FL and FGL.

The preference shares rank pari passu with all other shares on any payment of dividend or distribution or return of capital (other than on a liquidation event). On a liquidation event, the assets of FL and FGL available for distribution amongst the shareholders shall be applied to pay the preference shareholders pari passu with the holders of the convertible preference shares (in priority to any payment to the holders of any other class of shares in the capital of FL and FGL).

(b) Convertible preference shares

Convertible preference shares issued by FL and FGL do not have fixed maturity, participate in discretionary dividends and are redeemable within the control of the Group. The holders of convertible preference shares are not entitled to attend or vote at general meetings of FL and FGL.

The convertible preference shares rank pari passu with all other shares, with the exception that (i) on any payment of a dividend or distribution or return of capital (other than on a liquidation event), certain holders of the convertible preference shares shall have the benefit of an increased entitlement to such dividend or distribution and (ii) on a liquidation event, the assets of FL and FGL available for distribution amongst the shareholders shall be applied to pay the convertible preference shareholders pari passu with the holders of the preference shares (in priority to any payment to the holders of any other class of shares in the capital of FL and FGL).

The convertible preference shares do not contain any contractual obligations to deliver cash, other financial assets, or a variable number of the Group's own equity instruments which cannot be unconditionally avoided by the Group. Accordingly, the convertible preference shares are classified as equity and presented as non-controlling interests in the Group's consolidated financial statements.

After the Exchange of Share Capital of FL and FGL on 31 Jul 2023, FL and FGL have become wholly-owned subsidiaries of the Company and all the ordinary shares, preference shares and convertible preference shares issued by FL and FGL are held by the Company.

25 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

25.5 Transactions with non-controlling interests

During the year ended 31 December 2023:

i. On 6 January 2023, 13 February 2023, 9 March 2023, 28 March 2023, 12 April 2023, 14 April 2023, 11 May 2023 and 12 July 2023, the Company made capital contributions of US$80m, US$33m, US$101m, US$15m, US$45m, US$13m, US$36m and US$5m to FGL, respectively. No shares were issued by FGL as a result of these transactions.

ii. On 23 February 2023, 9 March 2023 and 10 May 2023, the Company made capital contributions of US$55m, US$13m and US$14m to FL, respectively. No shares were issued by FL as a result of these transactions.

iii. On 27 March 2023, FMH Capricorn Holdings Sdn Bhd (“FMH Capricorn”), a subsidiary of the Group, issued ordinary shares to the Group and other holders for a cash consideration of US$4m and US$16m, respectively. As a result, the Group’s ownership interest in FMH Capricorn decreased from 100% to 20% without change in control.

iv. On 31 July 2023, the Group repurchased an aggregate of 283,410 ordinary shares of FL and FGL from a non-controlling interests holder for a consideration of US$15m.

v. On 31 July 2023, the Company acquired the interests of FL and FGL held by the non-controlling interest holders in consideration for 34,756,740 Management Shares, 120,099,900 Series P Conversion Shares and 196,083,810 Series A, B-2 and B-3 Conversion Shares issued by the Company. For details, please refer to Note 1.2.

vi. In November 2023, FWD BSN Holdings Sdn. Bhd., a subsidiary of the Group, issued ordinary shares to the Group and the other shareholder for a cash consideration of US$2m and US$1m, respectively, without a change in shareholding interest.

During the year ended 31 December 2022:

i. On 3 January 2022, 31 October 2022 and 25 November 2022, the Company made capital contributions of US$250m, US$10m and US$8m to FL, respectively. No shares were issued by FL as a result of these transactions.

ii. On 14 March 2022, 12 April 2022, 17 May 2022, 4 July 2022, 11 November 2022 and 1 December 2022, the Company made capital contributions of US$20m, US$40m, US$40m, US$60m, US$80m and US$40m to FGL, respectively. No shares were issued by FGL as a result of these transactions.

26 GROUP CAPITAL STRUCTURE

Capital Management Approach

The Group’s capital management objectives focus on maintaining a strong capital base to support the development of the business, maximising shareholders' value and satisfying regulatory capital requirements at all times.

The Group's capital management activity considers all capital-related activities of the Group and assists senior management in making capital decisions. The capital management activity includes asset-liability management, strategic asset allocation and ongoing solvency management. This includes ensuring capital considerations are paramount in the strategy and business planning processes.

Group-wide Supervision Framework

The group supervisor of the Group is the Hong Kong Insurance Authority (“HKIA”). The Group is in compliance with the group capital adequacy requirements as applied to it.

In 2021, the HKIA implemented Group-wide Supervision (“GWS”) framework, under which the HKIA has direct regulatory powers over Hong Kong incorporated holding companies of insurance groups that are designated. The Group has been subject to the GWS framework since 14 May 2021 and FWD Group Holdings Limited (the “Company”) was identified as the reference company under GWS.

Under the GWS framework, the group capital adequacy requirements are determined in accordance with the Insurance (Group Capital) Rules (“Group Capital Rules”).

Local Regulatory Solvency

The Group's individual subsidiaries are also subject to the supervision of government regulators in the jurisdictions in which the subsidiaries and their parent entity operate and, in relation to subsidiaries, in which they are incorporated. The various regulators monitor our local solvency positions. The Group has been in compliance with the solvency and capital adequacy requirements applied by its regulators at all times.

The primary insurance regulators for the Group's key operating companies are:

Subsidiary	Primary insurance regulator	Solvency regulation
FWD Life Insurance Company (Bermuda) Limited	Insurance Authority (“HKIA”)	Hong Kong Insurance Ordinance (“HKIO”)
FWD Life Insurance Public Company Limited	Thailand Office of Insurance Commission (“THOIC”)	Life Insurance Act of Thailand
FWD Life Insurance Company, Limited	Financial Services Agency (“FSA”)	Insurance Business Act

The HKIA (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. On 30 June 2022, the HKIA approved the early adoption of the Hong Kong risk based capital regime (“HKRBC”) for FWD Life Insurance Company (Bermuda) Limited, under which an excess of assets over liabilities of not less than 50 per cent of the required minimum solvency margin should be maintained.

26 GROUP CAPITAL STRUCTURE (continued)

The Life Insurance Act of Thailand (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 Thailand. The Life Insurance Act of Thailand requires FWD Life Insurance Public Company Limited to maintain a required minimum solvency margin of 100%.

The Enforcement Ordinance of the Insurance Business Act and Comprehensive Guidelines for Supervision of Insurance Companies sets minimum solvency margin requirements that an insurer must meet in order to be authorised to carry on insurance business in or from Japan. The Comprehensive Guidelines for Supervision of Insurance Companies Section II-2-2-2 requires FWD Life Insurance Company, Limited to maintain a required minimum solvency margin ratio of 200%.

Subsidiary dividend restrictions and restricted net assets

The Company's ability to distribute dividends is primarily dependent on the Company receiving distributions of funds from its subsidiaries. These distributions may be subject to restrictions, specifically related to the need by local insurance regulators for certain subsidiaries to maintain specific capital or solvency levels, and the need to meet other specific local regulations such as those relating to legal capital levels or foreign exchange restrictions.

Payments of dividends to the Company by its insurance subsidiaries are subject to certain restrictions imposed by the relevant regulatory authorities. With respect to the insurance subsidiaries, the payment of any dividend may require formal approval from the relevant insurance regulator in the particular jurisdiction that the subsidiary is domiciled.

Capital and Regulatory Orders Specific to the Group

At 31 December 2023 and 2022, the requirements and restrictions summarised below may be considered material to the Group and remain in effect unless otherwise stated.

Hong Kong Insurance Authority

Undertakings have been given to the HKIA that:

(i) FWD Life Insurance Company (Bermuda) Limited will maintain and continue to maintain a solvency ratio target of 150% to 200% at all times and if the solvency ratio falls below the minimum target range, FWD Life Insurance Company (Bermuda) Limited will reinstate it within 90 days or a period of time as agreed with the HKIA; and

(ii) Prior written consent from the HKIA will be obtained before declaring or paying dividends to FWD Life Insurance Company (Bermuda) Limited's shareholders.

27 RISK MANAGEMENT

Risk management framework

The Group's Risk Management Framework has been established for the identification, evaluation and management of the key risks faced by the organisation within its stated Risk Appetite. The framework includes an established risk governance structure with clear oversight and assignment of responsibility for monitoring and management of financial and non-financial risks.

The Group issues contracts that transfer insurance risks, financial risks or both. The insurance risks and financial risks associated with the Group's operations and the Group's management of these risks are summarised below:

Insurance risks

Life insurance contracts

Insurance risks comprise product design risk, underwriting and expense overrun risk, lapse risk and claims risk.

(1) Product design risk

Product design risk refers to potential defects in the development of a particular insurance product. The Group manages product design risk through its product approval process where products are reviewed against pricing, design and operational risk parameters. New products and product enhancements are reviewed and approved by the Group Chief Actuary.

The Group closely monitors the performance of new products and actively manages the product portfolio to minimise risks in the in-force book and new products. A portion of the Group's life insurance business is participating in nature. In the event of a volatile investment environment and/or unusual claims experience, the Group has the option of adjusting non-guaranteed bonuses and dividends payable to policyholders.

(2) Underwriting and expense overrun risk

Underwriting and expense overrun risk refers to the possibility of product-related income being inadequate to support future obligations arising from an insurance product. The Group manages underwriting risk by adhering to underwriting guidelines. Each operating unit maintains a team of professional underwriters who review and select risks that are consistent with the underwriting strategy of the Group. In certain circumstances where insufficient experience data is available, the Group makes use of reinsurers to obtain underwriting expertise. In pricing insurance products, the Group manages expense overrun risk by allowing for an appropriate level of expenses that reflects a realistic medium-to long-term view of the underlying cost structure. A disciplined expense budgeting and management process is followed to control expenses.

(3) Lapse risk

Lapse risk refers to the possibility that lapse experience diverges from that assumed when products were priced. It includes potential financial loss due to early termination of contracts where the acquisition costs incurred may not be recoverable from future revenue. The Group carries out regular reviews of persistency experience. In addition, many of the Group's products include surrender charges that entitle the Group to additional fees on early termination by the policyholder, thereby reducing exposure to lapse risk.

(4) Claims risk

Claims risk refers to the possibility that the frequency or severity of claims arising from insurance contracts exceeds the level assumed when the products were priced. The Group seeks to mitigate claims risk by conducting regular experience studies, including reviews of mortality and morbidity experience, reviewing internal and external data, and considering the impact of these on product design, pricing and reinsurance needs.

Reinsurance solutions are used to help reduce concentration and volatility risk, especially with large policies or new risks, and as protection against catastrophes. Although the Group has reinsurance arrangements in place, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

27 RISK MANAGEMENT (continued)

Insurance risks (continued)

Non-life insurance contracts

The Group's non-life insurance business is diversified over seven classes of business. The Group has developed a robust underwriting framework to ensure that all risks accepted meet the guidelines and standards.

The Group has developed a reinsurance strategy to ensure that a prudent and appropriate reinsurance program is in place, which manages such concentration of insurance risks based on historical experience of loss frequency and severity of similar risks and in similar geographical zones. The primary objectives of the Group's reinsurance strategy include protection of shareholders' funds, reduction in volatility of the Group's underwriting result and diversified credit risk. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance strategy, ascertaining suitable allowance for impairment of reinsurance assets.

(1) Case estimates

For non-life insurance contracts, the case estimate for each reported claim is set up based on the best estimate of the ultimate claim settlement amount considering all the information available for the claim. The case estimate is revised from time to time according to the latest information available. When setting case estimates for larger claims, reference is made to the advice of independent consultants such as loss adjusters and solicitors where applicable.

(2) Key assumptions

Generally accepted actuarial methodologies, such as chain-ladder and Bornhuetter-Ferguson methods, are used to project the ultimate claims by class of business. The Group's past experience and claim development patterns are important assumptions for such projections. Other assumptions include average claim costs, claims handling expenses and claims inflation. The projected ultimate claim amount may also be judgmentally adjusted by external factors such as prevailing trends in judicial decisions, the economic environment and relevant government legislation.

Concentration risk

The Group actively assesses and manages concentration of insurance risk, either geographical or product concentration risk, of the Group’s operations, as below:

i. Concentration of insurance risk arises from a lack of geographical and product diversification within the Group’s insurance portfolio, and could result in significant financial losses in the case certain events exhibiting geographical and/or product concentrations occur and give rise to higher levels of claims;

ii. From a geographical standpoint, because the Group operates across multiple markets, its results of operations are not substantially dependent on any one of its individual markets. Such regional footprint provides a natural benefit of geographical diversification of insurance and other risks associated with the Group’s operations (e.g., regulatory, competitive and political risks of a localised and single-market nature);

iii. From a product exposure standpoint, despite the Group’s primary focus on long-term life insurance, it has a range of product offerings with different extent and nature of risk coverage, e.g., participating, critical illness, unit-linked, term life and medical. This naturally also reduces the Group’s exposures to concentrations of mortality or morbidity risk;

27 RISK MANAGEMENT (continued)

Concentration risk (continued)

iv. Concentrations of risk are managed within each market through the monitoring of product sales and size of the in-force book by product group. As a result of the Group's growing operating history and scale, a substantial amount of experience data has been accumulated which assists in evaluation, pricing and management of insurance risk; and

v. In addition, reinsurance solutions are used to help reduce concentration and volatility risk, especially with large policies or new risks, and as protection against catastrophes, and the Group has developed a reinsurance strategy to ensure that a prudent and appropriate reinsurance program is in place, which manages such concentration of insurance risks based on historical experience of loss frequency and severity of similar risks and in similar geographical zones.

Sensitivity analysis

The table below analyses how profit or loss and equity would have increased/(decreased) if changes in key assumptions related to determination of insurance and reinsurance contract balances that were reasonably possible at the reporting date had occurred. This disclosure does not offset movements in the fair value of financial assets backing those liabilities. This analysis presents the sensitivities both gross and net of reinsurance contracts held and assumes that all other assumptions remain constant. The effects on profit or loss and equity are presented gross of the related income tax.

31 December 2023	Profit or loss		CSM		Equity	
US$m	Gross	Net	Gross	Net	Gross	Net
10% increase in mortality	(66)	(46)	(350)	(162)	(58)	(49)
10% decrease in mortality	54	35	370	177	45	37
10% increase in morbidity	(165)	(142)	(1,136)	(930)	(26)	(26)
10% decrease in morbidity	128	106	1,175	968	(13)	(12)
10% increase in expenses	(42)	(42)	(254)	(254)	(31)	(31)
10% decrease in expenses	41	40	253	253	29	29
10% increase in lapse/discontinuance rates	(236)	(220)	(508)	(335)	(265)	(246)
10% decrease in lapse/discontinuance rates	131	113	754	552	154	133

31 December 2022	Profit or loss		CSM		Equity	
US$m	Gross	Net	Gross	Net	Gross	Net
10% increase in mortality	(51)	(34)	(362)	(197)	(39)	(41)
10% decrease in mortality	46	28	341	174	35	36
10% increase in morbidity	(230)	(209)	(1,196)	(986)	(4)	(16)
10% decrease in morbidity	128	106	1,281	1,071	(99)	(88)
10% increase in expenses	(42)	(42)	(241)	(241)	(28)	(28)
10% decrease in expenses	40	40	216	217	26	26
10% increase in lapse/discontinuance rates	(101)	(87)	(682)	(520)	(146)	(131)
10% decrease in lapse/discontinuance rates	121	104	779	588	156	139

27 RISK MANAGEMENT (continued)

Financial risks

The Group is exposed to a range of financial risks, including asset concentration risk, credit risk, market risk, and liquidity risk. The Group applies a consistent risk management philosophy that is embedded in management processes and controls such that both existing and emerging risks are considered and addressed.

The following section summarises the Group's key risk exposures and the primary policies and processes used by the Group to manage its exposures to these risks.

Asset concentration risk

Concentration risk is managed at the Group level and within each Business Unit. The Group will determine concentration limits and then cascades these to the Business Units. Limits are set for single issuers, groups of related issuers, country of risk and sectors. The Group’s investment system maintains a set of rules monitoring such limits. Violations of such rules trigger alerts or pre-trade approvals depending on materiality. The investment team works with external managers to ensure asset exposures stay within the stated limits. Exposures exceeding limits needs to be tabled at the relevant Business Unit’s and the Group’s Asset and Liability Management Committee or Investment Committee. These committees decide the course of action required to address limit violations should they occur. Limit monitoring takes place at both the Group level and Business Unit level. Asset concentration reports are tabled at the relevant committees. The greatest aggregate concentration of fair value to direct holdings of an individual issuer (excluding all government related fixed income assets) is less than 1 per cent of the total equity and debt investments as at 31 December 2023 and 2022.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Although the primary source of credit risk is from the Group's investment portfolio, credit risk also arises in reinsurance arrangements, derivative transactions, settlement and treasury activities.

The level of credit risk the Group accepts is managed and monitored by the Group Asset and Liability Management Committee, through establishment of an exposure limit for each counterparty or group of counterparties, reporting of credit risk exposures, monitoring compliance with exposure limits, and a regular review of limits due to changes in the financial strength and risk appetite of the Group and/or macro-economic environment.

The Group actively manages its investments to ensure that there is no significant concentration of credit risk to single counterparty or single group of related counterparties. On aggregate basis, the overall credit quality of the investment portfolio has to meet target quality.

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.

27 RISK MANAGEMENT (continued)

Credit risk (continued)

Expected Credit Loss ("ECL") Methodology

The measurement of ECL is the product of the financial instrument's probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") discounted at the effective interest rate to the reporting date.

ECL is measured at an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Group adopts three economic scenarios in the ECL measurement to meet the requirements of IFRS 9. The "Baseline" scenario represents a most likely outcome and the other two scenarios, referred to as "Upside" scenario and "Downside" scenario, represent less likely outcomes which are more optimistic or more pessimistic compared to Baseline scenario.

The Baseline scenario is prepared using historical data, economic trend, external forecast from governmental and non-governmental organisations, etc. as benchmarks to ensure the scenario is reasonable and supportable. For the Upside and Downside scenarios, the Group makes reference to the historical and forecast macroeconomic data.

The probability assigned for each scenario reflects the Group's view for the economic environment, which implements the Group's prudent and consistent credit strategy of ensuring the adequacy of impairment allowance. A higher probability is assigned to the Baseline scenario to reflect the most likely outcome and a lower probability is assigned to the Upside and Downside scenarios to reflect the less likely outcomes.

The specific values of the core macro-economic variable used by the Group for evaluating ECL for the years ended 31 December 2023 and 2022 are as follows:

	As at 31 December	
	2023	2022
GDP growth (5-year average of year-over-year %)		
Base case scenario	1.53 %	1.00 %
Upside scenario	3.06 %	2.53 %
Downside scenario	(0.01)%	(0.54)%

The following tables set out the credit quality analysis for debt investments measured at FVOCI and at amortised cost. Unless specifically indicated, the amounts in the table represent gross carrying amounts.

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
31 December 2023					
Debt securities under FVOCI					
AAA	362	—	—	—	362
AA	3,523	—	—	—	3,523
A	9,143	—	—	—	9,143
BBB	18,133	—	—	—	18,133
Below investment grade	1,094	35	—	—	1,129
CCC or not rated	106	12	9	—	127
Sub-total	32,361	47	9	—	32,417
Loss Allowance	(44)	(3)	(5)	—	(52)
Amortised cost	**32,317**	**44**	**4**	**—**	**32,365**
Carrying amount – fair value	**28,986**	**38**	**5**	**—**	**29,029**

27 RISK MANAGEMENT (continued)

Credit risk (continued)

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
31 December 2022					
Debt securities under FVOCI					
AAA	1,787	—	—	—	1,787
AA	2,509	—	—	—	2,509
A	11,163	—	—	—	11,163
BBB	18,094	—	—	—	18,094
Below investment grade	1,232	—	—	—	1,232
CCC or not rated	863	—	9	—	872
Sub-total	35,648	—	9	—	35,657
Loss Allowance	(45)	—	(5)	—	(50)
Amortised cost	**35,603**	**—**	**4**	**—**	**35,607**
Carrying amount – fair value	**30,810**	**—**	**5**	**—**	**30,815**

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
31 December 2023					
Loans and deposits under amortised cost					
AAA	1	—	—	—	1
AA	51	—	—	—	51
A	90	—	—	—	90
BBB	541	—	—	—	541
Below investment grade	275	—	—	—	275
CCC or not rated	39	—	2	—	41
Sub-total	**997**	**—**	**2**	**—**	**999**
Loss Allowance	(2)	—	(1)	—	(3)
Carrying amount	**995**	**—**	**1**	**—**	**996**

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
31 December 2022 (Restated)					
Loans and deposits under amortised cost					
AA	122	—	—	—	122
A	568	—	—	—	568
BBB	555	—	—	—	555
Below investment grade	269	—	—	—	269
CCC or not rated	19	—	—	—	19
Sub-total	**1,533**	**—**	**—**	**—**	**1,533**
Loss Allowance	(3)	—	—	—	(3)
Carrying amount	**1,530**	**—**	**—**	**—**	**1,530**

27 RISK MANAGEMENT (continued)

Credit risk (continued)

The following tables show reconciliation from the opening balance to the closing balance of the loss allowance of the debt securities at FVOCI and loans and deposits measured at amortised cost.

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
Debt securities under FVOCI					
As at 1 January 2023	**(45)**	**—**	**(5)**	**—**	**(50)**
Transfer to Stage 2	1	(1)	—	—	—
Net remeasurement of loss allowance	—	(2)	—	—	(2)
New financial assets acquired	(7)	—	—	—	(7)
Financial assets derecognised	7	—	—	—	7
As at 31 December 2023	**(44)**	**(3)**	**(5)**	**—**	**(52)**

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
Debt securities under FVOCI					
As at 1 January 2022	**(19)**	**—**	**(5)**	**—**	**(24)**
Net remeasurement of loss allowance	(20)	—	—	—	(20)
New financial assets acquired	(7)	—	—	—	(7)
Financial assets derecognised	2	—	—	—	2
Effects of movements in exchange rates	(1)	—	—	—	(1)
As at 31 December 2022	**(45)**	**—**	**(5)**	**—**	**(50)**

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
Loans and deposits under amortised cost					
As at 1 January 2023	**(3)**	**—**	**—**	**—**	**(3)**
Transfer to Stage 3	1	—	(1)	—	—
As at 31 December 2023	**(2)**	**—**	**(1)**	**—**	**(3)**

27 RISK MANAGEMENT (continued)

Credit risk (continued)

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
Loans and deposits under amortised cost					
As at 1 January 2022	**(1)**	**—**	**—**	**—**	**(1)**
Net remeasurement of loss allowance	(1)	—	—	—	(1)
New financial assets acquired	(1)	—	—	—	(1)
As at 31 December 2022	**(3)**	**—**	**—**	**—**	**(3)**

The following tables provides an explanation of how significant changes in the gross carrying amounts of financial instruments contributed to changes in the loss allowance.

		(Increase) / decrease in loss allowance		
US$m	Increase/ (decrease) in gross carrying amount	Stage 1	Stage 2	Stage 3
Year ended 31 December 2023				
Debt securities under FVOCI				
Acquisition during the year	7,822	(7)	—	—
Derecognition during the year	(9,847)	7	—	—
Loans and deposits under amortised cost				
Acquisition during the year	493	—	—	—
Derecognition during the year	(1,061)	—	—	—

		(Increase) / decrease in loss allowance		
US$m	Increase/ (decrease) in gross carrying amount	Stage 1	Stage 2	Stage 3
Year ended 31 December 2022				
Debt securities under FVOCI				
Acquisition during the year	7,752	(7)	—	—
Derecognition during the year	(5,978)	2	—	—
Loans and deposits under amortised cost				
Acquisition during the year	903	(1)	—	—
Derecognition during the year	(265)	—	—	—

The contractual amount outstanding on financial assets written off during the year ended 31 December 2023 that are still subject to enforcement activity is US$nil (2022: US$nil).

27 RISK MANAGEMENT (continued)

Interest rate risk

The Group's exposure to interest rate risk predominantly arises from any difference between the duration of the Group's liabilities and assets, predominantly its traditional insurance liabilities. This exposure is heightened in products with inherent interest rate options or guarantees.

The Group seeks to manage interest rate risk by ensuring appropriate product design and underlying assumptions as part of the product approval process and by matching, to the extent possible and appropriate, the duration of investment assets with the duration of insurance contracts. Given the long duration of policy liabilities and the uncertainty of future cash flows arising from these contracts, it is challenging to acquire assets that will perfectly match the policy liabilities. This results in interest rate risk, which is managed and monitored by the Asset and Liability Management Committee of the Group. The duration of interest-bearing financial assets is regularly reviewed and monitored by referencing the estimated duration of insurance contract liabilities.

The table below summarises the nature of the interest rate risk associated with financial assets and financial liabilities.

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2023				
Financial assets				
Debt securities	2,501	28,492	6	30,999
Cash and cash equivalents	2,008	—	—	2,008
Loans and deposits	—	996	—	996
Equity securities	—	—	675	675
Interests in investment funds	—	—	8,667	8,667
Derivative financial instruments	—	—	218	218
Accrued investment income	—	—	263	263
Other assets	—	—	419	419
Total financial assets	**4,509**	**29,488**	**10,248**	**44,245**
Insurance and reinsurance contract assets				
Insurance contract assets				798
Reinsurance contract assets				2,876
Total insurance and reinsurance contract assets				**3,674**
Financial liabilities				
Borrowings[1]	496	2,035	—	2,531
Other liabilities	—	387	672	1,059
Derivative financial instruments	—	—	416	416
Total financial liabilities	**496**	**2,422**	**1,088**	**4,006**
Insurance and reinsurance contract liabilities				
Insurance contract liabilities				40,073
Reinsurance contract liabilities				304
Total insurance and reinsurance contract liabilities				**40,377**

27 RISK MANAGEMENT (continued)

Interest rate risk (continued)

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2022 (Restated)				
Financial assets				
Debt securities	2,228	30,391	6	32,625
Cash and cash equivalents	1,474	—	—	1,474
Loans and deposits	—	1,530	—	1,530
Equity securities	—	—	381	381
Interests in investment funds	—	—	7,576	7,576
Derivative financial instruments	—	—	319	319
Accrued investment income	—	—	246	246
Other assets	12	—	213	225
Total financial assets	**3,714**	**31,921**	**8,741**	**44,376**
Insurance and reinsurance contract assets				
Insurance contract assets				722
Reinsurance contract assets				725
Total insurance and reinsurance contract assets				**1,447**
Financial liabilities				
Borrowings[1]	—	2,216	—	2,216
Other liabilities	8	665	730	1,403
Derivative financial instruments	—	—	134	134
Total financial liabilities	**8**	**2,881**	**864**	**3,753**
Insurance and reinsurance contract liabilities				
Insurance contract liabilities				37,019
Reinsurance contract liabilities				463
Total insurance and reinsurance contract liabilities				**37,482**

Note:

[1] As at 31 December 2023, borrowings of US$496m (2022: US$992m) bear variable interest rates and are hedged with interest rate swaps. Refer to Note 18 for details.

27 RISK MANAGEMENT (continued)

Interest rate risk (continued)

The analysis below illustrates the sensitivity of shareholders' equity to changes in interest rates. The analysis illustrates the impact of changing interest rates in isolation, and does not quantify potential impacts arising from changes in other assumptions.

US$m	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Shareholders' allocated equity (before the effects of taxation)	Impact on CSM
31 December 2023				
+ 50 basis points shift in yield curves				
Insurance and reinsurance contracts held	11	1,332	11	11
Financial instruments	(21)	(1,436)	(21)	—
Total	**(10)**	**(104)**	**(10)**	**11**
- 50 basis points shift in yield curves				
Insurance and reinsurance contracts held	(41)	(1,454)	(41)	(46)
Financial instruments	24	1,587	24	—
Total	**(17)**	**133**	**(17)**	**(46)**
31 December 2022 (Restated)				
+ 50 basis points shift in yield curves				
Insurance and reinsurance contracts held	(9)	1,635	(9)	36
Financial instruments	35	(1,526)	35	—
Total	**26**	**109**	**26**	**36**
- 50 basis points shift in yield curves				
Insurance and reinsurance contracts held	(3)	(1,800)	(3)	(67)
Financial instruments	(40)	1,689	(40)	—
Total	**(43)**	**(111)**	**(43)**	**(67)**

27 RISK MANAGEMENT (continued)

Equity price risk

The Group's equity price risk exposure relates to financial assets and liabilities whose values fluctuate as a result of changes in market prices.

The Group manages these risks by setting and monitoring investment limits by asset types and sectors. The Group's principal price risk relates to movement in the fair value of its equity securities and interest in investment funds.

Equity price risk is managed through the selection process of equity funds and portfolio criteria for segregated equity mandates, which includes tracking errors based on benchmarks or specific concentration limits. Lower exposure limits are set for each private equity investment to manage concentration risk with the consideration of liquidity in nature.

The analysis below illustrates the estimated impact on profits and shareholders' equity arising from a change in a single variable before taking into account the effects of taxation.

US$m	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Shareholders' allocated equity (before the effects of taxation)	Impact on CSM
31 December 2023				
10 per cent increase in equity prices				
Insurance and reinsurance contracts held	(613)	1	(613)	121
Financial instruments	777	—	777	—
	164	**1**	**164**	**121**
10 per cent decrease in equity prices				
Insurance and reinsurance contracts held	598	(1)	598	(119)
Financial instruments	(777)	—	(777)	—
	(179)	**(1)**	**(179)**	**(119)**
31 December 2022 (Restated)				
10 per cent increase in equity prices				
Insurance and reinsurance contracts held	(542)	—	(542)	61
Financial instruments	695	—	695	—
	153	**—**	**153**	**61**
10 per cent decrease in equity prices				
Insurance and reinsurance contracts held	538	—	538	(56)
Financial instruments	(695)	—	(695)	—
	(157)	**—**	**(157)**	**(56)**

27 RISK MANAGEMENT (continued)

Foreign exchange rate risk

The Group’s financial assets are predominantly denominated in the same currencies as its insurance liabilities, which serves to mitigate the foreign exchange rate risk. The level of currency risk the Group accepts is managed and monitored by the Group Asset and Liability Management Committee, through regular monitoring of currency positions of financial assets and insurance contracts.

The Group's net foreign currency exposures and the estimated impact of changes in foreign exchange rates are set out in the tables below after taking into account derivative contracts entered into to hedge foreign exchange rate risk. Currencies for which net exposure is not significant are excluded from the analysis below.

Foreign currency transaction risk arising from insurance and reinsurance contracts is managed by holding cash and investing in assets denominated in currencies that match the related liabilities, to the extent that it is deemed by local management to be both practical and appropriate. The Group’s policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. Foreign currency transaction risk arising from the underlying items of participating contracts is generally borne by contract holders except to the extent of the Group’s share of the performance of the underlying items.

The Group has more United States dollar denominated assets than it has corresponding United States dollar denominated liabilities due to the much deeper pool of investment assets available in United States dollars. As a result, some of the United States dollar-denominated assets are used to back Hong Kong dollar denominated liabilities. This currency mismatch is then hedged, using foreign currency forward contracts, to reduce the currency risk.

In compiling the table below, the impact of a five percent strengthening of original currency of the relevant operation is stated relative to the functional currency of the Group (US dollar). The impact of a five percent strengthening of the US dollar is also stated relative to the original currency of the relevant operation. Currency exposure reflects the net notional amount of currency derivative positions as well as net financial instruments and insurance and reinsurance contract balances by currency.

27 RISK MANAGEMENT (continued)

Foreign exchange rate risk (continued)

Foreign exchange rate net exposure

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Japanese Yen
31 December 2023				
Financial assets	20,599	1,352	15,035	2,561
Financial liabilities	(2,934)	(198)	(178)	(105)
Insurance and reinsurance contract assets	118	109	26	3,134
Insurance and reinsurance contract liabilities	(12,560)	(4,233)	(14,697)	(6,847)
Net notional amounts of currency derivatives	(3,899)	2,319	1,078	1,699
Currency exposure	**1,324**	**(651)**	**1,264**	**442**
5% strengthening of original currency				
Impact on profit before tax				
Financial instruments	71	178	(4)	1
Insurance and reinsurance contracts held	(37)	(229)	—	—
	34	**(51)**	**(4)**	**1**
Impact on total equity				
Financial instruments	—	173	748	120
Insurance and reinsurance contracts held	—	(206)	(733)	(186)
	—	**(33)**	**15**	**(66)**
Impact on CSM				
Insurance and reinsurance contracts held	**—**	**43**	**63**	**81**
5% strengthening of US dollar				
Impact on profit before tax				
Financial instruments	71	(168)	4	(1)
Insurance and reinsurance contracts held	(37)	217	—	—
	34	**49**	**4**	**(1)**
Impact on total equity				
Financial instruments	—	(164)	(748)	(120)
Insurance and reinsurance contracts held	—	196	733	186
	—	**32**	**(15)**	**66**
Impact on CSM				
Insurance and reinsurance contracts held	**—**	**(39)**	**(63)**	**(81)**

27 RISK MANAGEMENT (continued)

Foreign exchange rate risk (continued)

Foreign exchange rate net exposure (continued)

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Japanese Yen
31 December 2022 (Restated)				
Financial assets	20,813	1,385	14,387	3,514
Financial liabilities	(2,852)	(204)	(171)	(145)
Insurance and reinsurance contract assets	34	182	13	896
Insurance and reinsurance contract liabilities	(11,571)	(4,203)	(13,625)	(6,788)
Net notional amounts of currency derivatives	(5,076)	2,687	1,209	3,209
Currency exposure	**1,348**	**(153)**	**1,813**	**686**
5% strengthening of original currency				
Impact on profit before tax				
Financial instruments	62	198	1	1
Insurance contracts and reinsurance contracts held	(28)	(225)	—	—
	34	**(27)**	**1**	**1**
Impact on total equity				
Financial instruments	—	193	719	165
Insurance contracts and reinsurance contracts held	—	(201)	(680)	(294)
	—	**(8)**	**39**	**(129)**
Impact on CSM				
Insurance and reinsurance contracts held	**—**	**43**	**58**	**106**
5% strengthening of US dollar				
Impact on profit before tax				
Financial instruments	62	(187)	(1)	(1)
Insurance contracts and reinsurance contracts held	(28)	212	—	—
	34	**25**	**(1)**	**(1)**
Impact on total equity				
Financial instruments	—	(183)	(719)	(165)
Insurance contracts and reinsurance contracts held	—	190	680	294
	—	**7**	**(39)**	**129**
Impact on CSM				
Insurance and reinsurance contracts held	**—**	**(39)**	**(58)**	**(106)**

27 RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk primarily refers to the possibility of having insufficient cash available to meet payment obligations when they become due. The Group is exposed to liquidity risk in respect of insurance contracts that permit surrender, withdrawal or other forms of early termination for a cash surrender value specified in the contractual terms and conditions.

To manage liquidity risk the Group has implemented a variety of measures, with an emphasis on flexible insurance product design, so that it can retain the greatest flexibility to adjust contract pricing or crediting rates. The Group also seeks to match, to the extent possible and appropriate, the duration of its investment assets with the duration of its insurance contracts. The Group performs regular monitoring of its liquidity position through cash flow projections.

The table below summarises financial assets and liabilities of the Group into their relevant maturity groupings based on the remaining period at the end of the reporting year to their contractual maturities or expected repayment dates. Most of the Group's assets are used to support its insurance contract liabilities. Refer to Note 16 for additional information on the Group's insurance contract liabilities, as well as to the Insurance Risks section within this Note.

31 December 2023

US$m	Total	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	Due after five years	No fixed maturity
Financial and insurance contract assets								
Fair value through OCI debt securities	29,029	764	744	1,767	937	1,238	23,579	—
Fair value through profit or loss debt securities, equity securities and interests in investment funds	11,312	40	13	25	155	6	1,731	9,342
Loans and deposits	996	326	156	92	54	35	333	—
Derivatives financial instruments	218	61	16	18	8	100	15	—
Insurance contract asset (Estimated PV of future cash flow)	1,899	(996)	189	129	121	122	2,334	—
Reinsurance contract asset (Estimated PV of future cash flow)	2,690	416	142	125	111	106	1,790	—
Other assets	682	654	6	7	1	4	10	—
Cash and cash equivalents	2,008	2,008	—	—	—	—	—	—
Total	**48,834**	**3,273**	**1,266**	**2,163**	**1,387**	**1,611**	**29,792**	**9,342**
Financial and insurance contract liabilities								
Insurance contract liabilities (Estimated PV of future cash flow)	(35,178)	(2,844)	(2,245)	(2,033)	(1,931)	(1,665)	(24,460)	—
Reinsurance contract liabilities (Estimated PV of future cash flow)	(418)	(140)	(20)	(18)	(16)	(15)	(209)	—
Investment contract liabilities	(56)	—	—	—	—	—	(56)	—
Borrowings	(2,531)	(1,222)	(992)	—	—	—	(317)	—
Derivative financial instruments	(416)	(199)	(77)	(40)	(48)	(42)	(10)	—
Other liabilities	(937)	(911)	(26)	—	—	—	—	—
Lease liabilities	(122)	(54)	(27)	(18)	(16)	(4)	(3)	—
Total	**(39,658)**	**(5,370)**	**(3,387)**	**(2,109)**	**(2,011)**	**(1,726)**	**(25,055)**	**—**

27 RISK MANAGEMENT (continued)

Liquidity risk (continued)

31 December 2022 (Restated)

US$m	Total	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	Due after five years	No fixed maturity
Financial and insurance contract assets								
Fair value through OCI debt securities	30,815	1,016	741	1,511	2,142	1,339	24,066	—
Fair value through profit or loss debt securities, equity securities and interests in investment funds	9,767	114	28	20	31	159	1,458	7,957
Loans and deposits	1,530	846	152	77	45	56	354	—
Derivatives financial instruments	319	170	14	16	24	67	28	—
Insurance contract asset (Estimated PV of future cash flow)	1,876	128	103	92	85	81	1,387	—
Reinsurance contract asset (Estimated PV of future cash flow)	(239)	672	(77)	(96)	(69)	(51)	(618)	—
Other assets	471	442	8	7	1	1	12	—
Cash and cash equivalents	1,474	1,474	—	—	—	—	—	—
Total	**46,013**	**4,862**	**969**	**1,627**	**2,259**	**1,652**	**26,687**	**7,957**
Financial and insurance contract liabilities								
Insurance contract liabilities (Estimated PV of future cash flow)	(31,172)	(2,920)	(2,137)	(1,800)	(1,757)	(1,735)	(20,823)	—
Reinsurance contract liabilities (Estimated PV of future cash flow)	(542)	(743)	30	53	24	9	85	—
Investment contract liabilities	(197)	—	—	—	—	—	(197)	—
Borrowings	(2,216)	—	(2,216)	—	—	—	—	—
Derivative financial instruments	(134)	(51)	(26)	(15)	(9)	(10)	(23)	—
Other liabilities	(1,290)	(1,257)	(1)	(24)	(2)	(1)	(5)	—
Lease liabilities	(113)	(49)	(20)	(20)	(12)	(12)	—	—
Total	**(35,664)**	**(5,020)**	**(4,370)**	**(1,806)**	**(1,756)**	**(1,749)**	**(20,963)**	**—**

The amounts payable on demand in the insurance contract liabilities represent the policyholders' account values of US$37,720m (2022: US$34,820m).

28 EMPLOYEE BENEFIT OBLIGATIONS

(a) Defined benefit plans

The Group operates funded and unfunded 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 Thailand, Japan, the Philippines and Indonesia. The independent actuaries' valuation of the plans at 31 December 2023 were prepared by external credentialed actuaries. All the actuaries are qualified members of professional actuarial organisations to render the actuarial opinions. The latest actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 58% for the year ended 31 December 2023 (2022: 59%), covered by the plan assets held by the trustees. The fair value of plan assets was US$21m as at 31 December 2023 (2022: US$20m). The total expenses relating to these plans recognised in the income statement was US$6m for the year ended 31 December 2023 (2022: US$4m).

(b) Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expenses relating to these plans for the year ended 31 December 2023 was US$21m (2022: US$18m). Employees and the employers are required to make monthly contributions equal to a certain percentage of the employee's monthly basic salaries, depending on the jurisdictions and the 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.

29 SHARE-BASED COMPENSATION

During the years ended 31 December 2023 and 2022, the Group operated the Share Option and RSU Plan to reward eligible persons for their services and the achievement of shareholder value targets. These RSUs and share options are in the form of a contingent right to receive ordinary shares or a conditional allocation of ordinary shares. These awards have vesting periods of up to four years and are at nil or nominal cost to the eligible person. Save for in certain circumstances, vesting of awards is conditional upon the eligible person being in active employment at the time of vesting. Vesting of certain other awards is, in addition, subject to certain performance conditions. Award holders do not have any right to dividends or voting rights attaching to the shares prior to delivery of the shares. Each share option has a 10-year exercise period.

Details of outstanding RSUs and share options as at 31 December 2023 under the Group's Share Option and RSU Plan are disclosed below.

(i) RSUs

The following table shows the movement in outstanding RSU under the Group's Share Option and RSU Plan:

	Year ended 31 December	
Number of shares	2023	2022
Outstanding at beginning of the year	**1,991,586**	**931,328**
Awarded	1,232,612	1,784,128
Forfeited	(1,247,142)	(513,666)
Vested	(201,600)	(210,204)
Outstanding at end of the year	**1,775,456**	**1,991,586**

Valuation methodology

To calculate the fair value of the awards with performance conditions, the Group utilises an appraisal value methodology (Embedded Value plus a multiple of Value of New Business) and market valuation approach, where applicable, and an assessment of performance conditions, taking into account the terms and conditions upon which the awards were granted. The fair value calculated for the awards is inherently subjective due to the assumptions made.

The total fair value of RSUs granted during the year ended 31 December 2023 was US$69m (2022:US$95m).

Recognised compensation cost

The fair value of the employee services received in exchange for the grant of RSUs is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total expense recognised in the consolidated financial statements related to RSUs granted under the Share Option and RSU Plan by the Group for the year ended 31 December 2023 was US$13m (2022: US$18m).

29 SHARE-BASED COMPENSATION (continued)

(ii) Share options

The following table shows the movement in outstanding share options under the Group's Share Option and RSU Plan:

	Year ended 31 December	
Number of share-options	2023	2022
Outstanding at beginning of the year	**237,063**	**410,511**
Awarded	24,000	29,958
Forfeited	(6,945)	(42,528)
Vested	(207,555)	(160,878)
Outstanding at end of the year	**46,563**	**237,063**

To calculate the fair value of the awards with performance conditions, the Group estimates the fair value of share options using the Black-Scholes model and an assessment of performance conditions, taking into account the terms and conditions upon which the awards were granted. The fair value calculated for share awards is inherently subjective due to the assumptions made.

The total fair value of share options granted for the Group during the year ended 31 December 2023 was US$1m (2022: US$2m).

Recognised compensation cost

The fair value of the employee services received in exchange for the grant of share options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total expense recognised in the consolidated financial statements related to share options granted under the Share Option and RSU Plan by the Group for the year ended 31 December 2023 was US$3m (2022: US$8m).

On 30 January 2022, the Board of Directors approved a new Share Award Plan and a new Employee Share Purchase Plan to attract and retain eligible persons.

During the year ended 31 December 2023, the Board of Directors approved grants of the Company's Management shares to Independent non-executive directors with total fair value of US$7m recognised as expense in consolidated financial statements.

30 REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key management personnel of the Group are those that have the authority and responsibility for planning, directing and controlling the activities of the Group. Accordingly, the summary of compensation of key management personnel is as follows.

	Year ended 31 December	
US$m	2023	2022
Short-term employee benefits	22	26
Share-based payments	9	(1)
Other benefits	9	2
Total	**40**	**27**

31 RELATED PARTY TRANSACTIONS

(a) Compensation of Directors and key management personnel of the Group:

Remuneration of Directors and key management personnel is disclosed in Note 30.

(b) Transactions and balances with related parties:

The Group has transactions with certain related companies and these consolidated financial statements reflect the effect of these transactions which are conducted in accordance with terms mutually agreed between the parties. In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following related party transactions during the period.

(i) Related companies charged US$35m (2022: US$35m) for the provision of telecommunication, IT and investment advisory, advertising and consulting services to the Group.

(ii) The Group has underwritten various group insurance contracts with related companies. The total premium received from those contracts for the year ended 31 December 2023 was US$26m (2022: US$22m).

(iii) The Group has entered into reinsurance contract arrangements with related company. The total premiums ceded, claim recoveries received and commission income received for the year ended 31 December 2023 was US$45m (2022: US$41m), US$22m (2022: US$14m) and US$2m (2022: US$1m), respectively.

(iv) The Group has accepted certain liabilities in connection with reinsurance contracts from related companies. The total premium revenue, claims incurred, and commissions paid from this contract for the year ended 31 December 2023 was US$178m (2022: US$200m), US$70m (2022: US$70m) and US$41m (2022: US$46m), respectively.

(v) The Group charged related parties US$1m (2022: US$2m) for administration services.

(vi) The Group had recapture fee payable to related company of US$193m as at 31 December 2023 (2022: US$nil).

(vi) The Group has a call option with a 5 year exercise period pursuant to which the Group has the right to acquire a minority stake in the related party at a discounted price. As at 31 December 2023, the fair value of the call option was US$67m (2022: US$51m). The call option will be expired on 8 December 2025.

(vii) The Group held financial investments of US$98m issued or controlled by related parties as at 31 December 2023 (2022: US$90m).

(viii) Related companies invested in the subordinated notes and perpetual securities issued by the Group with aggregate principal amounts of US$144m as at 31 December 2023 (2022: US$175m). The total interest and distributions accrued to these related companies for the year ended 31 December 2023 was US$10m (2022: US$9m). Refer to Notes 23 and 25.3 for further details.

(ix) The Group had amounts due from related companies of US$6m as at 31 December 2023 (2022: US$7m). The amounts due are unsecured, interest-free and repayable on demand.

(x) In addition, the Group had outstanding payable to related companies of US$3m as at 31 December 2023 (2022: US$4m). The payables due are unsecured, interest-free and repayable on demand.

31 RELATED PARTY TRANSACTIONS (continued)

(c) Transactions and balances with associates and joint ventures:

(i) The Group has entered into broker and non-exclusive distribution agreements with associates, pursuant to which the total commission expenses recognised by the Group for the year ended 31 December 2023 was US$14m (2022: US$13m).

(ii) The Group had an amount due from associates of US$5m as at 31 December 2023 (2022: US$3m). The amounts due are unsecured, interest-free and repayable on demand.

(iii) The Group had a loan to an associate at US$nil as at 31 December 2023 (2022: US$5m) which is interest-bearing and repayable on the maturity date.

(iv) The Group had a loan to a joint venture at US$6m as a 31 December 2023 (2022: US$6m), which is interest-bearing and repayable on maturity date.

32 COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as a lessor

The Group leased its investment property portfolio consisting of certain commercial buildings and land. These leases have terms of between 1 and 30 years. The Group had total future minimum rental receivable under non-cancellable operating leases falling due as follows:

	As at 31 December	
US$m	2023	2022
Within one year	20	19
In the second to fifth years	47	40
Over five years	97	98
Total	**164**	**157**

Investment and capital commitments

The Group has investments and capital commitments to invest in its private equity partnerships and other financial investments.

	As at 31 December	
US$m	2023	2022
Within one year	223	266
In the second to fifth years	541	676
Over five years	—	12
Total	**764**	**954**

Commitments in Malaysia

As of 31 December 2023, the Group had planned to invest a total of US$48m (2022: US$26m) in Malaysia.

Capital commitment for acquisitions and investments

As of 31 December 2023, the Group agreed to make additional payments in aggregate amounts of up to US$93m (2022: US$144m) in relation to acquisitions and investments.

Contingencies

The Group is subject to regulation in each of the geographical markets in which it operates from insurance business, 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 risk exposures including legal proceedings, complaints etc. from its activities including those arising from commercial activities, sales practices, suitability of products, policies and claims. The Group believes that these matters are adequately provided for in these financial statements.

33 SUBSIDIARIES

The principal subsidiary companies which materially contribute to the net income of the Group or hold a material element of its assets and liabilities are:

Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	As at 31 December 2023 Group's interest %	2023 NCI's interest %	2022 Group's interest %	2022 NCI's interest %
FWD Limited	Cayman Islands	Investment holding	24,308,874 ordinary shares of US$0.01 each 8,202,225 preference shares of US$0.01 each 9,587,168 convertible preference shares of US$0.01 each	100%	—	72%	28%
FWD Group Limited	Cayman Islands	Investment holding	24,308,874 ordinary shares of US$0.01 each 8,202,225 preference shares of US$0.01 each 9,587,168 convertible preference shares of US$0.01 each	100%	—	72%	28%
FWD Group Management Holdings Limited	Hong Kong	Group management	11,779,100 ordinary shares of US$100 each 1 ordinary share of HK$1	100%	—	100%	—
FWD Management Holdings Limited	Hong Kong	Investment holding	22,931,291 ordinary shares of US$100 each 2 ordinary shares of HK$3,255,523,426 each	100%	—	100%	—
FWD Life Insurance Company (Bermuda) Limited	Bermuda/ Hong Kong	Life insurance	US$1,829,602,159 divided into 1,829,602,159 ordinary shares of US$1 each	100%	—	100%	—
FWD Life (Hong Kong) Limited	Hong Kong	Life insurance	HK$590,106,626 divided into 590,106,626 ordinary shares issued at HK$1 each	100%	—	100%	—
FWD Life Assurance Company (Hong Kong) Limited	Hong Kong	Life insurance	HK$381,625,000 divided into 76,325 ordinary shares issued at HK$5,000 each	100%	—	100%	—
FWD Life Insurance Company (Macau) Limited	Macau	Life insurance	MOP681,437,500 divided into 6,814,375 ordinary shares of MOP100 each	100%	—	100%	—

33 SUBSIDIARIES (continued)

				As at 31 December			
				2023		2022	
Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	Group's interest %	NCI's interest %	Group's interest %	NCI's interest %
FWD Life Insurance Public Company Limited	Thailand	Life insurance	3,006,360,171 ordinary shares of THB10 each	87%	13%	87%	13%
FWD Life Insurance Company, Limited	Japan	Life insurance	1,310,000 ordinary shares of JPY28,816.8 each	100%	—	100%	—
FWD Reinsurance SPC, Ltd.	Cayman Islands	Life reinsurance	50,000 ordinary shares of US$0.01 each	100%	—	100%	—
FWD Life Insurance Corporation	Philippines	Life insurance	2,300,000,000 ordinary shares of PHP1 each	100%	—	100%	—
PT FWD Insurance Indonesia	Indonesia	Life insurance	8,116,071 ordinary shares of Rp1,000,000 each	79%	21%	79%	21%
PT FWD Asset Management	Indonesia	Asset management	164,631 ordinary shares of Rp1,000,000 each	100%	—	100%	—
FWD Singapore Pte. Ltd.	Singapore	Life and general insurance	277,683,678 ordinary shares of SGD329,000,004.05 issued share capital	100%	—	100%	—
FWD Takaful Berhad	Malaysia	Life Insurance	2,000,000 ordinary shares of RM50 each 7,290 preference shares of RM100,000 each	49%	51%	49%	51%
FWD Insurance Berhad[1]	Malaysia	Life Insurance	305,000,000 ordinary shares of RM1 each	14%	86%	—	—
FWD Vietnam Life Insurance Company Limited	Vietnam	Life insurance	Contributed capital of VND19,102,000,000,000	100%	—	100%	—
FWD Life Insurance (Cambodia) Plc.	Cambodia	Life insurance	1,115,600 Ordinary shares of KHR100,000 each	100%	—	100%	—

Note:
[1] Formerly known as Gibraltar BSN Life Berhad

All subsidiaries are unlisted and audited by Ernst & Young.

Except for FWD Limited, FWD Group Limited, FWD Takaful Berhad, FWD Life Insurance Public Company Limited and FWD Insurance Berhad, the subsidiaries are fully consolidated in the consolidated financial statements reflecting the economic interests to the Group.

Subsequent to the Exchange of Share Capital of FL and FGL on 31 July 2023, FWD Limited and FWD Group Limited are fully consolidated in the consolidated financial statements reflecting the economic interests to the Group.

34 EVENTS AFTER REPORTING YEAR

On 30 January 2024, the Group entered into arrangements to increase its available for drawing revolving credit facility amount by an additional US$185m, effective from 6 February 2024.

On 29 February 2024, the Group entered into a share purchase agreement to acquire an additional 21% of the issued ordinary shares of FWD Takaful Berhad. The purchase consideration will be determined on the completion date. This acquisition will be accounted for as a transaction with non-controlling shareholders in the Group's consolidated financial statements.

The Group is expected to subscribe for additional shares of BRI Life at a consideration of US$48m in March 2024, which is expected to result in its aggregate shareholding increasing to 43.96%.