

Unaudited Interim Condensed Consolidated Financial Statements

FWD Group Holdings Limited

富衛集團有限公司

For the six months ended 30 June 2024

FWD GROUP HOLDINGS LIMITED 富衛集團有限公司

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Independent review 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)

Introduction

We have reviewed the interim financial information set out on pages 2 to 93, which comprise the condensed consolidated statement of financial positions of FWD Group Holdings Limited 富衛集團有限公司 (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2024 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month periods then ended; and explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Certified Public Accountants

Hong Kong

26 August 2024

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

US\$m	Notes	Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
Insurance revenue	6	1,361	1,366
Insurance service expenses	8,14	(1,107)	(955)
Net expenses from reinsurance contracts held	14	(27)	(57)
Insurance service result		227	354
Interest revenue on			
Financial assets not measured at fair value through profit or loss		521	522
Financial assets measured at fair value through profit or loss		55	49
Other investment gains		217	152
Net impairment loss on financial assets		(2)	(1)
Investment return	7	791	722
Net finance expenses from insurance contracts		(600)	(591)
Net finance income/(expenses) from reinsurance contracts held		6	(10)
Movement in investment contract liabilities		(2)	3
Net investment result	7	195	124
Net insurance and investment result		422	478
Other revenue	6	15	69
General and other expenses	8	(261)	(357)
Borrowings and other finance costs	9	(119)	(83)
Profit before share of profit from associates and joint ventures		57	107
Share of profit from associates and joint ventures	12	16	3
Profit before tax		73	110
Tax expense	10	(81)	(66)
Net profit/(loss)		(8)	44
Net profit/(loss) attributable to:			
Shareholders of the Company and perpetual securities holders	5	3	23
Shareholders of the Company		(54)	(32)
Perpetual securities		57	55
Non-controlling interests		(11)	21
		(8)	44

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US\$m	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Net profit/(loss)	(8)	44
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: 30 June 2024: US\$(112m) and 30 June 2023: US\$154m)	(457)	669
Fair value losses on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment (net of tax of: 30 June 2024: US\$28m and 30 June 2023 US\$nil)	157	62
Net finance income/(expenses) from insurance contracts (net of tax of: 30 June 2024: US\$43m and 30 June 2023: US\$(221m))	420	(885)
Net finance income/(expenses) from reinsurance contracts held	(241)	42
Cash flow hedges	1	3
Foreign currency translation adjustments	(454)	(223)
Share of other comprehensive income/(loss) from associates and joint ventures	(26)	3
	(600)	(329)
Items that will not be reclassified to profit or loss		
Effect of re-measurement of net liability of defined benefit schemes	1	—
Total other comprehensive income/(loss)	(599)	(329)
Total comprehensive income/(loss)	(607)	(285)
Total comprehensive income/(loss) attributable to:		
Shareholders of the Company and perpetual securities holders	(597)	(208)
Shareholders of the Company	(654)	(263)
Perpetual securities	57	55
Non-controlling interests	(10)	(77)
	(607)	(285)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US\$m	Notes	As at 30 June	As at 31 December
		2024	2023
		(Unaudited)	
ASSETS			
Intangible assets	11	2,999	3,154
Investments in associates and joint ventures	12	417	383
Property, plant and equipment		127	146
Investment property	13	499	599
Insurance contract assets	14	635	798
Reinsurance contract assets	14	2,444	2,876
Financial investments	15,17		
At fair value through other comprehensive income debt securities		27,601	29,029
At fair value through profit or loss			
Debt securities		1,676	1,970
Equity securities		389	675
Interests in investment funds		9,751	8,667
Derivative financial instruments	16	193	218
Loans and deposits		903	996
		40,513	41,555
Deferred tax assets		458	321
Current tax recoverable		12	18
Other assets	18	676	816
Cash and cash equivalents	19	2,806	2,008
		51,586	52,674
Total assets		51,586	52,674
LIABILITIES			
Insurance contract liabilities	14	38,560	40,073
Reinsurance contract liabilities	14	378	304
Investment contract liabilities	20	44	56
Borrowings	21	3,422	2,531
Derivative financial instruments	16	532	416
Provisions		37	42
Deferred tax liabilities		150	136
Current tax liabilities		387	425
Other liabilities	22	1,140	1,059
		44,650	45,042
Total liabilities		44,650	45,042

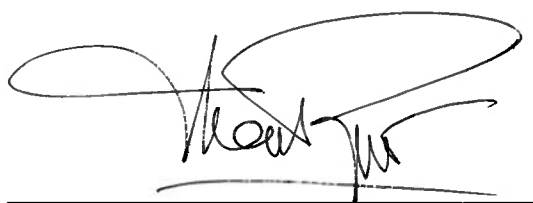
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

US\$m	Notes	As at 30 June	As at 31 December
		2024	2023
		(Unaudited)	
EQUITY			
Share capital and share premium	23	9,010	9,010
Other reserves	23	119	124
Retained earnings/(accumulated losses)		(2,045)	(1,956)
Amounts reflected in other comprehensive income		(1,536)	(944)
Fair value reserve	23	(3,233)	(2,934)
Insurance finance reserve	23	2,743	2,558
Cash flow hedge reserve	23	(31)	(32)
Defined benefit obligation revaluation reserve		4	3
Foreign currency translation reserve	23	(964)	(510)
Share of other comprehensive income of associates and joint ventures		(55)	(29)
Total equity of the Group attributable to:			
Shareholders of the Company and perpetual securities holders		6,897	7,582
Shareholders of the Company		5,548	6,234
Perpetual securities	23	1,349	1,348
Non-controlling interests	23	39	50
Total equity		6,936	7,632
Total liabilities and equity		51,586	52,674

Approved and authorised for issue by the board of directors on 26 August 2024.



Director



Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to Shareholders of the Company														
US\$m	Notes	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 as at 1 January 2024		9,010	124	(1,956)	(944)	(2,934)	2,558	(32)	3	(510)	(29)	1,348	50	7,632
Net profit/(loss)		—	—	(54)	—	—	—	—	—	—	—	57	(11)	(8)
<u>Other comprehensive income items that may be reclassified subsequently to profit or loss</u>														
Fair value gains/(losses) on debt securities at fair value through other comprehensive income		—	—	—	(459)	(459)	—	—	—	—	—	—	2	(457)
Fair value losses on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment		—	—	—	157	157	—	—	—	—	—	—	—	157
Net finance income from insurance contracts		—	—	—	420	—	420	—	—	—	—	—	—	420
Net finance expenses from reinsurance contracts held		—	—	—	(241)	—	(241)	—	—	—	—	—	—	(241)
Cash flow hedges		—	—	—	1	—	—	1	—	—	—	—	—	1
Foreign currency translation adjustments		—	—	—	(453)	—	—	—	—	(453)	—	—	(1)	(454)
Share of other comprehensive loss of associates and joint ventures		—	—	—	(26)	—	—	—	—	—	(26)	—	—	(26)
<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
Total comprehensive income/(loss) for the period		—	—	(54)	(600)	(302)	179	1	1	(453)	(26)	57	(10)	(607)
Distribution paid	23	—	—	—	—	—	—	—	—	—	—	(56)	—	(56)
Share-based compensation	26	—	(5)	—	—	—	—	—	—	—	—	—	—	(5)
Acquisition of non-controlling interests	23	—	—	(26)	—	—	—	—	—	—	—	—	—	(26)
Others		—	—	(9)	8	3	6	—	—	(1)	—	—	(1)	(2)
Balance at 30 June 2024 (Unaudited)		9,010	119	(2,045)	(1,536)	(3,233)	2,743	(31)	4	(964)	(55)	1,349	39	6,936

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Attributable to Shareholders of the Company														
US\$m	Notes	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		6,411	81	(438)	(637)	(2,953)	2,620	(15)	3	(295)	3	1,354	1,718	8,489
Net profit/(loss)		—	—	(32)	—	—	—	—	—	—	—	55	21	44
<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		—	—	—	484	484	—	—	—	—	—	—	185	669
Fair value losses on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment		—	—	—	45	45	—	—	—	—	—	—	17	62
Net finance expenses from insurance contracts		—	—	—	(639)	—	(639)	—	—	—	—	—	(246)	(885)
Net finance income from reinsurance contracts held		—	—	—	30	—	30	—	—	—	—	—	12	42
Cash flow hedges		—	—	—	4	—	—	4	—	—	—	—	(1)	3
Foreign currency translation adjustments		—	—	—	(157)	—	—	—	—	(157)	—	—	(66)	(223)
Share of other comprehensive income of associates and joint ventures		—	—	—	2	—	—	—	—	—	2	—	1	3
Total comprehensive income/(loss) for the period		—	—	(32)	(231)	529	(609)	4	—	(157)	2	55	(77)	(285)
Acquisition of subsidiaries		—	—	—	—	—	—	—	—	—	—	—	29	29
Issuance of shares by subsidiaries		—	(18)	—	2	8	(7)	—	—	1	—	—	16	—
Distribution paid	23	—	—	—	—	—	—	—	—	—	—	(55)	—	(55)
Share-based compensation	26	—	5	—	—	—	—	—	—	—	—	—	2	7
Transactions with non-controlling interests	23	—	—	(113)	—	—	—	—	—	—	—	—	129	16
Others		—	—	1	(1)	(1)	1	—	—	(1)	—	—	—	—
Balance at 30 June 2023 (Unaudited)		6,411	68	(582)	(867)	(2,417)	2,005	(11)	3	(452)	5	1,354	1,817	8,201

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

US\$m	Notes	Six months ended 30 June	
		2024 (Unaudited)	2023 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:		73	110
Adjustments for:			
Financial investments		32	(42)
Insurance and reinsurance contract balances		(622)	211
Investment contract liabilities		(12)	(48)
Other non-cash operating items, including the effect of exchange rate changes on certain operating items		285	(348)
Operating cash items:			
Dividend received		113	106
Interest received		630	617
Interest paid		(5)	(9)
Income tax paid		(184)	(72)
Net cash provided by operating activities		310	525
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired		—	17
Acquisition of interest in an associate	12	(49)	(51)
Dividend and distribution from associates and a joint venture	12	2	—
Payments for intangible assets		(114)	(43)
Payments for property, plant and equipment		(11)	(7)
Proceeds from disposals of intangible assets		—	4
Proceeds from disposals of investment properties		38	—
Restricted cash for acquisitions		2	—
Net cash used in investing activities		(132)	(80)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

US\$m	Notes	Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Restricted cash		—	(1)
Proceeds from issuance of a subordinated note		900	—
Distributions paid on perpetual securities	23.3	(56)	(55)
Transaction with non-controlling interests	23.5	—	1
Acquisition of non-controlling interests	23.5	(26)	—
Principal portion of lease payments		(20)	(22)
Finance costs paid on lease liabilities		(3)	(2)
Finance costs paid on borrowings		(102)	(68)
Finance costs paid on distribution agreement payable		—	(3)
Payment for listing related expenses		—	(1)
		693	(151)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the period		2,008	1,474
Effect of exchange rate changes on cash and cash equivalents		(73)	(39)
		2,806	1,729
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
Included in cash and cash equivalents per the consolidated statements of financial position	19	2,806	1,729

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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’s 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 30 June 2024 and 31 December 2023, 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 year ended 31 December 2023:

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.

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

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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”).

The interim condensed 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. Additionally, insurance and reinsurance contract assets and liabilities are measured using a fulfilment cash flow and contractual service margin basis. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

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

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss. The accounting policies adopted in these interim condensed consolidated financial statements are consistent with those followed in the consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following new standards and new amendments to the standards from 1 January 2024.

a. Mandatory for six months ended 30 June 2024

The following amendments have been adopted by the Group from 1 January 2024 and have no material impact to the Group:

- Amendments to IAS 1, Classification of Liabilities as Current or Non-Current and 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)

b. Issued but not yet effective and have not been early adopted

The following relevant new standards and amendments to standards have been issued but are not yet effective and have not been early adopted for the reporting periods presented:

- Amendments to IAS 21, Lack of Exchangeability (2025)
- Amendments to IFRS 9 and IFRS 7, Classification and Measurement of Financial Instruments (2026)
- IFRS 18, Presentation and Disclosure in Financial Statements (2027)
- IFRS 19, Subsidiaries without Public Accountability: Disclosures (2027)
- 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 new standards and amendments.

The preparation of the Group's interim condensed 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 applied in these interim condensed consolidated financial statements are consistent with those followed in the consolidated financial statements for the year ended 31 December 2023.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3 EXCHANGE RATES

The Group's principal operations during the reporting periods/year 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	
	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Hong Kong	7.82	7.84
Japan	152.13	134.73
Thailand	36.18	34.19

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

	US dollar exchange rate	
	As at 30 June	As at 31 December
	2024	2023
	(Unaudited)	
Hong Kong	7.81	7.81
Japan	160.95	141.38
Thailand	36.80	34.24

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 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 year ended 31 December 2023 and six months ended 30 June 2024.

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.

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 negative goodwill attributable to FMH is US\$5m. The transaction resulted in a bargain purchase gain as the 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 CHANGES IN GROUP COMPOSITION (continued)

Acquisition (continued)

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

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

US\$m	Notes	Fair values as at the date of acquisition
Intangible assets	11	2
Property, plant and equipment		4
Investment property	13	1
Reinsurance contract assets	14	3
Financial investments	15, 17	
At fair value through other comprehensive income debt securities		283
At fair value through profit or loss		
Equity Securities		<u>127</u>
		410
Other assets	18	11
Cash and cash equivalents	19	39
Insurance contract liabilities	14	(385)
Deferred tax liabilities		(6)
Other liabilities	22	<u>(13)</u>
Net identifiable assets acquired		66
Non-controlling interest measured with proportionate share approach		(20)
Negative goodwill arising on acquisition attributable to non-controlling interests		(21)
Negative goodwill arising on acquisition attributable to FMH		<u>(5)</u>
Negative goodwill arising on acquisition		(26)
Total considerations from non-controlling interests		16
Total considerations from FMH		<u>4</u>
Total considerations		<u>20</u>
Less:		
Cash and cash equivalents held in acquired subsidiaries		<u>(39)</u>
Net change in cash and cash equivalents		<u>(19)</u>

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.

Impact of acquisition on the results of the Group

The acquiree contributed insignificant insurance revenue and loss before tax to the Group for the period from the acquisition date to 31 December 2023. If the GBSN Acquisition had occurred on 1 January 2023, pro-forma insurance revenue and loss before tax contributed by the acquiree for the year ended 31 December 2023 would be insignificant. This financial information is prepared in accordance with the accounting policies of acquiree.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION

The Group's operating segments, based on the reports received by the Group's Executive Committee, are the geographical markets in which the 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 Group's insurance operations in Indonesia, Malaysia, the Philippines, Singapore and Vietnam. The activities of the Corporate and Others segment consist of the 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 the Company¹ ("TWPI") (Note 5.4);
- Investment return (Note 5.1)
- Operating expenses (Note 5.1);
- Operating profit after tax attributable to Equity Holders of the Company¹ (Note 5.2); and
- Expense ratio, measured as operating expenses attributable to Equity Holders of the Company¹ divided by TWPI (Note 5.1);

The segment information has been prepared by (i) consolidating the carrying amounts of assets, liabilities, equities, income and expenses of the Group and (ii) eliminating the inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group. A reconciliation of operating profit after tax to profit/(loss) after tax has been included in Notes 5.2 and 5.3.

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 the Company¹.

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 Group, net capital in/(out) flows reflect the amount received from shareholders by way of capital contributions.

Note:

¹ Equity Holders of the Company represented i) shareholders of the Company, holders of perpetual securities and non-controlling interests holders of FL and FGL before the Exchange of Share Capital of FL and FGL as described in Note 1.2, ii) shareholders of the Company and holders of perpetual securities of the Company after the Exchange of Share Capital of FL and FGL as described in Note 1.2 and Novation of Perpetual Securities as described in Note 23.3. For details, please refer to Note 1.2, Note 23.3 and Note 23.5.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

5.1 Segment results

US\$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Total
Six months ended 30 June 2024 (Unaudited)						
TWPI²	957	1,311	655	368	—	3,291
Insurance revenue	509	360	293	172	—	1,334
Insurance service expenses	(384)	(292)	(189)	(177)	—	(1,042)
Net income/(expenses) from reinsurance contracts	(10)	2	(21)	4	—	(25)
Insurance service result	115	70	83	(1)	—	267
Investment return	543	235	71	131	17	997
Net finance income/(expenses) from insurance and reinsurance contract and movement of investment contract benefits	(521)	(200)	3	(114)	—	(832)
Net insurance and investment result	137	105	157	16	17	432
Other revenue	2	—	1	11	1	15
General and other expenses	(19)	(21)	(28)	(31)	(71)	(170)
Borrowings and other finance costs	(4)	—	(1)	(6)	—	(11)
Operating profit/(loss) before share of profit from associates and joint ventures	116	84	129	(10)	(53)	266
Share of profit/(loss) from associates and joint ventures	—	—	—	14	—	14
Operating profit/(loss) before tax¹	116	84	129	4	(53)	280
Tax on operating profit/(loss) before tax	(18)	(20)	(24)	(1)	(4)	(67)
Operating profit/(loss) after tax¹	98	64	105	3	(57)	213
Key operating ratio						
Expense ratio ²	12.9 %	8.2 %	13.1 %	35.1 %	— %	15.7 %
Operating profit/(loss) before tax includes:						
Operating expenses	(123)	(107)	(86)	(129)	(72)	(517)

Notes:

¹ Excludes results of the Non-core business, comprising of US\$3m operating loss before tax.

² Represents the amount attributable to the Equity Holders of the Company.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

5.1 Segment results (continued)

Segment information below represents the financial position of the Group:

US\$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Total
30 June 2024 (Unaudited)						
Total assets	21,324	16,756	7,344	4,663	1,499	51,586
Total liabilities	(18,114)	(13,995)	(6,226)	(2,810)	(3,505)	(44,650)
Total equity	3,210	2,761	1,118	1,853	(2,006)	6,936
Shareholders' allocated equity	3,380	3,509	684	1,818	(3,353)	6,038
Net capital in/(out) flows ¹	2	(96)	(128)	97	99	(26)
Total assets include:						
Investment in associates and a joint venture	6	—	—	412	(1)	417

Note 1: On 5 July 2024, Hong Kong paid a dividend of US\$404m to the Corporate and Others segment.

Segment information is reconciled to the consolidated income statement, 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	Total	
Six months ended 30 June 2024 (Unaudited)					
Insurance service result	267	—	(40)	227	Insurance service result
Investment return	997	(205)	(1)	791	Investment return
Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits	(832)	236	—	(596)	Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits
Net insurance and investment result	432	31	(41)	422	Net insurance and investment result
Other revenue	15	—	—	15	Other revenue
General and other expenses	(170)	—	(91)	(261)	General and other expenses
Borrowings and other finance costs	(11)	—	(108)	(119)	Borrowings and other finance costs
Operating profit/(loss) before share of profit from associates and joint ventures	266	31	(240)	57	Profit/(loss) before share of profit from associates and joint ventures
Share of profit/(loss) from associates and joint ventures	14	—	2	16	Share of profit/(loss) from associates and joint ventures
Operating profit/(loss) before tax	280	31	(238)	73	Profit before tax

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

5.1 Segment results (continued)

US\$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Total
Six months ended 30 June 2023 (Unaudited)						
TWPI	866	1,288	883	359	—	3,396
Insurance revenue	498	319	356	171	—	1,344
Insurance service expenses	(359)	(230)	(219)	(126)	—	(934)
Net income/(expenses) from reinsurance contracts	(8)	(4)	(47)	3	—	(56)
Insurance service result	131	85	90	48	—	354
Investment return	467	222	89	92	8	878
Net finance income/(expenses) from insurance and reinsurance contract and movement of investment contract benefits	(427)	(179)	(25)	(72)	—	(703)
Net insurance and investment result	171	128	154	68	8	529
Other revenue	3	—	—	12	—	15
General and other expenses	(32)	(46)	(30)	(59)	(62)	(229)
Borrowings and other finance costs	(10)	—	(1)	(3)	—	(14)
Operating profit/(loss) before share of profit from associates and joint ventures	132	82	123	18	(54)	301
Share of profit/(loss) from associates and joint ventures	1	—	—	7	(2)	6
Operating profit/(loss) before tax¹	133	82	123	25	(56)	307
Tax on operating profit/(loss) before tax	(19)	(19)	(24)	(5)	—	(67)
Operating profit/(loss) after tax¹	114	63	99	20	(56)	240
Key operating ratio						
Expense ratio ²	13.6 %	9.0 %	10.1 %	32.6 %	— %	14.8 %
Operating profit/(loss) before tax includes:						
Operating expenses	(118)	(116)	(89)	(117)	(61)	(501)

Notes:

¹ Excludes results of the Non-core business, comprising of US\$9m operating loss before tax.² Represents the amount attributable to the Equity Holders of the Company.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

5.1 Segment results (continued)

Segment information below represents the financial position of the Group:

US\$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Total
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 consolidated income statement, 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	Total	
Six months ended					
30 June 2023 (Unaudited)					
Insurance service result	354	—	—	354	Insurance service result
Investment return	878	(156)	—	722	Investment return
Net finance income/(expenses) from insurance and reinsurance contract and movement of investment contract benefits	(703)	106	(1)	(598)	Net finance income/(expenses) from insurance and reinsurance contract and movement of investment contract benefits
Net insurance and investment result	529	(50)	(1)	478	Net insurance and investment result
Other revenue	15	—	54	69	Other revenue
General and other expenses	(229)	—	(128)	(357)	General and other expenses
Borrowings and other finance costs	(14)	—	(69)	(83)	Borrowings and other finance costs
Operating profit before share of profit from associates and joint ventures	301	(50)	(144)	107	Profit before share of profit from associates and joint ventures
Share of profit from associates and joint ventures	6	—	(3)	3	Share of profit from associates and joint ventures
Operating profit before tax	307	(50)	(147)	110	Profit before tax

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

5.2 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 "operating profit". 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.

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 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;
- Implementation costs for IFRS 9 and 17 and Group-wide Supervision;
- 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 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

5.2 Operating profit (continued)

Net profit/(loss) is reconciled to the operating profit/(loss) after tax as follows:

US\$m	Notes	Six months ended 30 June	
		2024 (Unaudited)	2023 (Unaudited)
Net profit/(loss)		(8)	44
Tax on operating profit before tax		67	67
Tax impact from non-operating items		14	(1)
Profit/(loss) before tax		73	110
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		18	64
Loss component on onerous contracts		39	9
Other non-operating investment return		(49)	(14)
		8	59
Non-market related:			
Finance costs related to borrowings and long-term payables		108	69
M&A, business set up and restructuring related costs		33	(6)
IPO related costs including incentive costs		4	34
Implementation costs for IFRS 9 and 17 and Group-wide supervision		17	32
Other non-operating items		37	9
		199	138
Operating profit before tax		280	307
Tax on operating profit before tax		(67)	(67)
Operating profit after tax	5.1	213	240
<i>Operating profit after tax attributable to:</i>			
Equity Holders of the Company¹		223	240
Non-controlling interests		(10)	—

Note:

¹ Equity Holders of the Company represented i) shareholders of the Company, holders of perpetual securities and non-controlling interests holders of FL and FGL before the Exchange of Share Capital of FL and FGL as described in Note 1.2, ii) shareholders of the Company and holders of perpetual securities of the Company after the Exchange of Share Capital of FL and FGL as described in Note 1.2 and Novation of Perpetual Securities as described in Note 23.3. For details, please refer to Note 1.2, Note 23.3 and Note 23.5.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

5.3 Adjusted attribution of net profit/(loss) and total equity

The Exchange of Share Capital of FL and FGL as described in Note 1.2 and Novation of Perpetual Securities as described in Note 23.3, resulted in a change in the attribution of net profit/(loss) and total equity between the Equity Holders of the Company and non-controlling interests. To provide financial information on a comparable basis for management's decision-making and internal performance management purposes, net profit/(loss) and total equity attributable to Equity Holders of the Company are adjusted on the basis that the Exchange of Share Capital of FL and FGL had occurred for all of the periods presented. For details, please refer to Note 1.2, Note 23.3 and Note 23.5.

Net profit/(loss)

US\$m	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Net profit/(loss) attributable to:		
Shareholders of the Company and perpetual securities holders	3	23
Shareholders of the Company	(54)	(32)
Perpetual securities	57	55
Non-controlling interests	(11)	21
Net profit/(loss)	(8)	44
Add: Net profit/(loss) attributable to Equity Holders of the Company	—	(17)
Less: Non-controlling interests	—	17
Adjusted attribution of net profit/(loss)		
Equity Holders of the Company	3	6
Adjusted non-controlling interests	(11)	38
Net profit/(loss)	(8)	44

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

5.3 Adjusted attribution of net profit/(loss) and total equity (continued)

Total equity

The Exchange of Share Capital of FL and FGL and Novation of Perpetual Securities were completed on 31 July 2023 and 25 August 2023, respectively. The attribution of total equity between the Equity Holders of the Company and non-controlling interests as at 30 June 2024 and 31 December 2023 as presented in the consolidated statement of financial position has reflected the impacts of these transactions.

Comprehensive tangible equity

Comprehensive tangible equity is defined as total equity of the Group attributable to shareholders of the Company plus contractual service margin (net of tax), minus intangible assets.

US\$m	As at 30 June 2024	As at 31 December 2023
	(Unaudited)	
Total equity of the Group attributable to shareholders of the Company	5,548	6,234
Contractual service margin (net of tax) ¹	3,817	4,092
Comprehensive equity	9,365	10,326
Intangible assets ²	(2,996)	(3,154)
Comprehensive tangible equity	6,369	7,172

Notes:

¹ After allowing for reinsurance and taxes and net of non-controlling interests.

² Net of non-controlling interests

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

5.4 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 the Company.

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.

US\$m	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
TWPI by geography		
Hong Kong	957	866
Thailand	1,311	1,288
Japan	655	883
Emerging Markets	368	359
Total	3,291	3,396
First year premiums by geography		
Hong Kong	237	182
Thailand	300	315
Japan	56	67
Emerging Markets	116	122
Total	709	686
Single premiums by geography		
Hong Kong	818	624
Thailand	86	120
Japan	—	—
Emerging Markets	308	157
Total	1,212	901
Renewal premiums by geography		
Hong Kong	639	622
Thailand	1,002	961
Japan	599	816
Emerging Markets	222	221
Total	2,462	2,620

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6 INSURANCE REVENUE AND OTHER REVENUE

US\$m	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Contracts not measured under the PAA		
Amounts relating to changes in liabilities for remaining coverage:		
CSM recognised for services provided	310	398
Change in risk adjustment for non-financial risk for risk expired	38	32
Expected incurred claims and other insurance service expenses	482	522
Recovery of insurance acquisition cash flows	406	337
	<u>1,236</u>	<u>1,289</u>
Contracts measured under the PAA	125	77
Total insurance revenue	<u>1,361</u>	<u>1,366</u>
Represented by:		
Contracts measured under the modified retrospective approach	44	76
Contracts measured under the fair value approach	451	593
Other contracts	866	697
	<u>1,361</u>	<u>1,366</u>

Other revenue

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7 NET INVESTMENT RESULT

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

US\$m	Notes	Six months ended 30 June	
		2024 (Unaudited)	2023 (Unaudited)
Investment return:			
Interest revenue	B	576	571
Other investment gains/(losses)	C	217	152
Net impairment loss on financial assets		(2)	(1)
Amounts recognised in OCI		(383)	888
Total investment return		408	1,610
Net finance income/(expenses) from insurance contracts:			
Changes in fair value of underlying items of direct participating contracts		(194)	(705)
Interest accreted		(164)	(203)
Effect of changes in interest rates and other financial assumptions		239	(880)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition		1	69
Net foreign exchange gain/(loss)		(19)	22
Total net finance income/(expenses) from insurance contracts	A	(137)	(1,697)
Net finance income/(expenses) from reinsurance contracts held:			
Interest accreted		(36)	(2)
Effect of changes in interest rates and other financial assumptions		(196)	38
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition		—	3
Others		(3)	(7)
Total net finance income/(expenses) from reinsurance contracts held	A	(235)	32
Movement in investment contract liabilities		(2)	3
Net investment result		34	(52)
Represented by:			
Amounts recognised in profit or loss		195	124
Amounts recognised in OCI		(161)	(176)
		34	(52)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7 NET INVESTMENT RESULT (continued)

A. Insurance finance income and expenses

US\$m	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Net finance income/(expenses) from insurance contracts		
Recognised in profit or loss	(600)	(591)
Recognised in OCI	463	(1,106)
	<u>(137)</u>	<u>(1,697)</u>
Net finance income/(expenses) from reinsurance contracts		
Recognised in profit or loss	6	(10)
Recognised in OCI	(241)	42
	<u>(235)</u>	<u>32</u>

B. Interest revenue

US\$m	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Interest revenue calculated using the effective interest method		
Debt securities measured at FVOCI	468	482
Financial investments measured at amortised cost	53	40
	<u>521</u>	<u>522</u>
Other interest revenue		
Financial investments measured at FVTPL	55	49
	<u>576</u>	<u>571</u>

C. Other investment gains/(losses)

US\$m	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Financial investments mandatorily measured at FVTPL:		
Net fair value gains/(losses) on		
Debt securities	1	9
Derivatives	(379)	(423)
Equity securities	3	(4)
Interests in investment funds	292	69
Dividend income	114	108
Net foreign exchange gain	245	136
	<u>276</u>	<u>(105)</u>
Net losses on derecognition of debt investments measured at FVOCI	(183)	(59)
Net foreign exchange gain on instruments not measured at FVTPL	107	300
Lease income from investment property	11	13
Net fair value movement of investment property	—	1
Other investment income	6	2
Total	<u>217</u>	<u>152</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7 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	Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
Fair value reserve			
Balance at beginning of the period		(2,861)	(2,447)
Change in fair value, net of fair value change transferred to income on disposal and impairment		(367)	448
Related income tax		93	(99)
Sharing to non-controlling interests		—	8
Balance at ending of the period		(3,135)	(2,090)

8 EXPENSES

US\$m	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Claims and benefits	428	435
Loss on onerous insurance contracts	126	29
Commission and other acquisition expenses	792	751
Employee benefits expenses	307	320
Depreciation	30	31
Amortisation	22	22
Marketing and advertising	30	32
Professional service fees	62	83
Information technology expenses	76	74
Investment management expenses	31	41
Others ¹	82	69
	1,986	1,887
Amounts attributed to insurance acquisition cash flows	(1,041)	(923)
Amortisation of insurance acquisition cash flows	423	348
Total	1,368	1,312
Represented by:		
Insurance service expenses	1,107	955
General and other expenses - operating	170	229
General and other expenses - non operating	91	128
	1,368	1,312

Note:

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9 BORROWINGS AND OTHER FINANCE COSTS

Borrowings and other finance costs may be analysed as follows:

US\$m	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Borrowings	107	69
Lease liabilities	3	2
Others	9	12
Total	119	83

10 INCOME TAX

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:

US\$m	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Current income tax	(164)	(129)
Deferred income tax	83	63
Total	(81)	(66)

The Group calculates income tax expense for the six months ended 30 June 2024 and 2023 using tax rate that would be applicable to the expected total annual profit/(loss) before tax. The Group's effective tax rate for the six months ended 30 June 2024 and 2023 was -111.3% and -60.0%, respectively. The difference is primarily explained by change to the Group's recognition of deferred tax assets and non-taxable/deductible items.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11 INTANGIBLE ASSETS

US\$m	Goodwill	Distribution rights	Computer software and others	Total
Cost				
At 1 January 2023	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
Additions	—	25	25	50
Disposals	—	—	(3)	(3)
Foreign exchange movements	(43)	(110)	(20)	(173)
At 30 June 2024 (Unaudited)	1,526	1,627	326	3,479
Accumulated amortisation and impairment				
At 1 January 2023	(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)
Amortisation charge for the period	—	(21)	(22)	(43)
Disposals	—	—	3	3
Impairment	—	—	(18)	(18)
Foreign exchange movements	1	16	12	29
At 30 June 2024 (Unaudited)	(33)	(244)	(203)	(480)
Net book value				
At 31 December 2023	1,535	1,473	146	3,154
At 30 June 2024 (Unaudited)	1,493	1,383	123	2,999

Distribution rights

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. The Group expected its existing exclusive distribution rights with PTBC would be discontinued upon completion of the transaction. Accordingly the Group recognised an impairment in “General and other expenses” of the consolidated income statement and reported under “Emerging Markets”.

In May 2024, Commonwealth Bank of Australia completed the sale of PTBC to PT Bank OCBC NISP Tbk. Accordingly, the Group’s existing exclusive distribution rights with PTBC will be converted into non-exclusive rights in accordance with the terms of the contractual arrangements agreed with PT Bank OCBC NISP Tbk and PTBC.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

US\$m	As at 30 June 2024	As at 31 December 2023
	(Unaudited)	
Group		
Investments in associates	412	377
Investments in joint ventures	5	6
Total	417	383

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 30 June 2024	As at 31 December 2023
(Unaudited)						
PT Asuransi BRI Life ("BRI Life")	Indonesia	Life insurance	Associate	Ordinary	43.96 %	39.82 %

All associates and joint ventures are unlisted.

On 1 March 2024, the group acquired an additional 4.14% interest in BRI Life at a consideration of US\$49m, which resulted in the Group holding a total of 43.96% effective ownership in BRI Life.

Dividend received from BRI Life during the six months ended 30 June 2024 and 2023 were US\$2m and US\$nil, respectively.

13 INVESTMENT PROPERTY

US\$m	
Fair value	
At 1 January 2023	641
Acquisition of subsidiaries	1
Fair value gains/(losses)	(2)
Foreign exchange movements	(41)
At 31 December 2023	599
Disposals	(33)
Foreign exchange movements	(67)
At 30 June 2024 (Unaudited)	499

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 INSURANCE AND REINSURANCE CONTRACT BALANCES

Insurance contracts

US\$m	As at 30 June 2024	As at 31 December 2023
	(Unaudited)	
Insurance contract assets	635	798
Insurance contract liabilities	(38,560)	(40,073)
Total	(37,925)	(39,275)

Reinsurance contracts held

US\$m	As at 30 June 2024	As at 31 December 2023
	(Unaudited)	
Reinsurance contract assets	2,444	2,876
Reinsurance contract liabilities	(378)	(304)
Total	2,066	2,572

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 30 June 2024	As at 31 December 2023
	(Unaudited)	
Insurance contract assets	1,353	2,895
Insurance contract liabilities	(30,135)	(32,334)
Reinsurance contract assets	1,857	2,274
Reinsurance contract liabilities	(359)	(278)

At 30 June 2024 and 31 December 2023, the maximum exposure to credit risk from reinsurance contracts is US\$2,444m and US\$2,876m. The credit risk arising from insurance contracts is not considered to be significant.

Insurance and reinsurance contracts

(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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (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

US\$m	Note	Six months ended 30 June 2024 (Unaudited)			Total
		Liabilities for remaining coverage		Liabilities for incurred claims	
		Excluding loss component	Loss component		
Opening assets		838	(25)	(26)	787
Opening liabilities		(38,909)	(224)	(831)	(39,964)
Net opening balance		(38,071)	(249)	(857)	(39,177)
Changes in the statement of profit or loss and OCI					
Insurance revenue	7				
Contracts under the modified retrospective approach		44	—	—	44
Contracts under the fair value approach		451	—	—	451
Other contracts		741	—	—	741
		1,236	—	—	1,236
Insurance service expenses					
Incurred claims and other insurance service expenses		—	42	(507)	(465)
Amortisation of insurance acquisition cash flows		(406)	—	—	(406)
Losses and reversals of losses on onerous contracts		—	(115)	—	(115)
Adjustments to liabilities for incurred claims		—	—	2	2
		(406)	(73)	(505)	(984)
Investment components		2,306	—	(2,306)	—
Insurance service result		3,136	(73)	(2,811)	252
Net finance expenses from insurance contracts	8	(146)	8	1	(137)
Foreign exchange movement		1,824	8	9	1,841
Total changes in the statement of profit or loss and OCI		4,814	(57)	(2,801)	1,956
Cash flows					
Premium received		(4,144)	—	—	(4,144)
Claims and other insurance service expenses paid; including investment components		—	—	2,581	2,581
Insurance acquisition cash flows		1,053	—	—	1,053
Total cash flows		(3,091)	—	2,581	(510)
Net closing balance		(36,348)	(306)	(1,077)	(37,731)
Closing assets		693	(14)	(50)	629
Closing liabilities		(37,041)	(292)	(1,027)	(38,360)
Net closing balance		(36,348)	(306)	(1,077)	(37,731)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

INSURANCE AND REINSURANCE CONTRACTS (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)

US\$m	Note	Year ended 31 December 2023			Total
		Liabilities for remaining coverage		Liabilities for incurred claims	
		Excluding loss component	Loss component		
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)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (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

US\$m	Note	Six months ended 30 June 2024 (Unaudited)						Subtotal	Total
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM		Other contracts			
				Contracts under modified retrospective transition approach	Contracts under fair value transition approach				
Opening assets		1,888	(109)	—	(162)	(830)	(992)	787	
Opening liabilities		(35,128)	(578)	(199)	(1,898)	(2,161)	(4,258)	(39,964)	
Net opening balance		(33,240)	(687)	(199)	(2,060)	(2,991)	(5,250)	(39,177)	
Changes in the statement of profit or loss and OCI									
Changes that relate to current services									
CSM recognised for services received	7	—	—	12	101	197	310	310	
Change in risk adjustment for non-financial risk for risk expired		—	38	—	—	—	—	38	
Experience adjustments		17	—	—	—	—	—	17	
Changes that relate to future services									
Contracts initially recognised in the year		673	(49)	—	—	(638)	(638)	(14)	
Changes in estimates that adjust the CSM		(375)	29	23	89	234	346	—	
Changes in estimates that result in losses and reversals of losses on onerous contracts		(102)	1	—	—	—	—	(101)	
Changes that relate to past services									
Adjustments to liabilities for incurred claims		2	—	—	—	—	—	2	
Insurance service result		215	19	35	190	(207)	18	252	
Net finance income/ (expenses) from insurance contracts	8	(113)	(1)	(2)	1	(22)	(23)	(137)	
Effect of movements in exchange rates		1,489	43	14	107	188	309	1,841	
Total changes in the statement of profit or loss and OCI		1,591	61	47	298	(41)	304	1,956	
Cash flows									
Premium received		(4,144)	—	—	—	—	—	(4,144)	
Claims and other insurance service expenses paid; including investment components		2,581	—	—	—	—	—	2,581	
Insurance acquisition cash flows		1,053	—	—	—	—	—	1,053	
Total cash flows		(510)	—	—	—	—	—	(510)	
Net closing balance		(32,159)	(626)	(152)	(1,762)	(3,032)	(4,946)	(37,731)	
Closing assets		1,464	(71)	—	(132)	(632)	(764)	629	
Closing liabilities		(33,623)	(555)	(152)	(1,630)	(2,400)	(4,182)	(38,360)	
Net closing balance		(32,159)	(626)	(152)	(1,762)	(3,032)	(4,946)	(37,731)	

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (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)

US\$m	Note	Year ended 31 December 2023						Subtotal	Total
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM		Other contracts			
				Contracts under modified retrospective transition approach	Contracts under fair value transition approach				
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)	

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (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

US\$m	Note	Six months ended 30 June 2024 (Unaudited)				Total
		Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component	Loss component	Estimates of PV of FCF	Risk Adjustment	
Opening assets		—	—	11	—	11
Opening liabilities		(53)	(4)	(50)	(2)	(109)
Net opening balance		(53)	(4)	(39)	(2)	(98)
Changes in the statement of profit or loss and OCI						
Insurance revenue	7					
Other contracts		125	—	—	—	125
Insurance service expenses						
Incurred claims and other insurance service expenses		—	—	(96)	(1)	(97)
Amortisation of insurance acquisition cash flows		(17)	—	—	—	(17)
Losses and reversals of losses on onerous contracts		—	(10)	—	—	(10)
Adjustments to liabilities for incurred claims		—	—	—	1	1
Total insurance service expenses		(17)	(10)	(96)	—	(123)
Insurance service result		108	(10)	(96)	—	2
Foreign exchange movement		3	1	2	—	6
Total changes in the statement of profit or loss and OCI		111	(9)	(94)	—	8
Cash flows						
Premium received		(212)	—	—	—	(212)
Claims and other insurance service expenses paid; including investment components		—	—	85	—	85
Insurance acquisition cash flows		23	—	—	—	23
Total cash flows		(189)	—	85	—	(104)
Net closing balance		(131)	(13)	(48)	(2)	(194)
Closing assets		(1)	—	7	—	6
Closing liabilities		(130)	(13)	(55)	(2)	(200)
Net closing balance		(131)	(13)	(48)	(2)	(194)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (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)

US\$m	Note	Year ended 31 December 2023				Total
		Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component	Loss component	Estimates of PV of FCF	Risk Adjustment	
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)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (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

US\$m	Note	Six months ended 30 June 2024 (Unaudited)			Total
		Assets for remaining coverage		Assets for incurred claims	
		Excluding loss-recovery component	Loss-recovery component		
Opening assets		2,510	8	338	2,856
Opening liabilities		(326)	1	23	(302)
Net opening balance		2,184	9	361	2,554
Changes in the statement of profit or loss and OCI					
<i>Allocation of reinsurance premium paid</i>		(145)	—	—	(145)
<i>Amounts recoverable from reinsurers</i>					
Recoveries of incurred claims and other insurance service expenses		—	(3)	112	109
Recoveries and reversals of recoveries of losses on onerous underlying contracts		—	11	—	11
Adjustments to assets for incurred claims		—	—	—	—
		—	8	112	120
Investment components and premium refunds		(206)	—	206	—
Net expenses from reinsurance contracts		(351)	8	318	(25)
Effect of changes in non-performance risk of reinsurers		1	—	—	1
Net finance income from reinsurance contracts		(239)	—	3	(236)
Foreign exchange movement		(267)	1	(20)	(286)
Total changes in the statement of profit or loss and OCI		(856)	9	301	(546)
Cash flows					
Premium paid		245	—	—	245
Amounts received		—	—	(209)	(209)
Total cash flows		245	—	(209)	36
Net closing balance		1,573	18	453	2,044
Closing assets		2,023	15	381	2,419
Closing liabilities		(450)	3	72	(375)
Net closing balance		1,573	18	453	2,044

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (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)

US\$m	Note	Year ended 31 December 2023			Total
		Assets for remaining coverage		Assets for incurred claims	
		Excluding loss-recovery component	Loss-recovery component		
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					
<i>Allocation of reinsurance premium paid</i>		(321)	—	—	(321)
<i>Amounts recoverable from reinsurers</i>					
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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (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

US\$m	Six months ended 30 June 2024 (Unaudited)							Subtotal	Total
	Note	CSM					Other contracts		
		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				
Opening assets		2,670	87	4	156	(61)	99	2,856	
Opening liabilities		(417)	10	2	58	45	105	(302)	
Net opening balance		2,253	97	6	214	(16)	204	2,554	
Changes in the statement of profit or loss and OCI									
Changes that relate to current services									
CSM recognised for services received		—	—	(2)	(9)	(8)	(19)	(19)	
Change in risk adjustment for non-financial risk for risk expired		—	(4)	—	—	—	—	(4)	
Experience adjustments		(13)	—	—	—	—	—	(13)	
Changes that relate to future services									
Contracts initially recognised in the year		(78)	5	—	—	77	77	4	
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		—	—	—	3	1	4	4	
Changes in estimates that adjust the CSM		2	(2)	1	2	(3)	—	—	
Changes in estimates that result in losses and reversals of losses on onerous underlying contracts		3	—	—	—	—	—	3	
Changes that relate to past services									
Adjustments to assets for incurred claims		—	—	—	—	—	—	—	
Net expenses from reinsurance contracts		(86)	(1)	(1)	(4)	67	62	(25)	
Effect of changes in non-performance risk of reinsurers		1	—	—	—	—	—	1	
Net finance income/ (expenses) from reinsurance contracts		(238)	—	—	1	1	2	(236)	
Foreign Exchange Movement		(266)	(11)	—	(12)	3	(9)	(286)	
Total changes in the statement of profit or loss and OCI		(589)	(12)	(1)	(15)	71	55	(546)	
Cash flows									
Premium paid		245	—	—	—	—	—	245	
Amounts received		(209)	—	—	—	—	—	(209)	
Total cash flows		36	—	—	—	—	—	36	
Net closing balance		1,700	85	5	199	55	259	2,044	
Closing assets		2,184	74	3	145	13	161	2,419	
Closing liabilities		(484)	11	2	54	42	98	(375)	
Net closing balance		1,700	85	5	199	55	259	2,044	

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (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)

US\$m	Year ended 31 December 2023							
	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM			Subtotal	Total
				Contracts under modified retrospective transition approach	Contracts under fair value transition approach	Other contracts		
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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 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

Analysis by remaining coverage and incurred claims

US\$m	Note	Six months ended 30 June 2024 (Unaudited)				Total
		Assets for remaining coverage		Assets for incurred claims		
		Excluding loss-recovery component	Loss-recovery component	Estimates of PV of FCF	Risk Adjustment	
Opening assets		(2)	1	20	1	20
Opening liabilities		(1)	—	(1)	—	(2)
Net opening balance		(3)	1	19	1	18
Changes in the statement of profit or loss and OCI						
<i>Allocation of reinsurance premium paid</i>		(10)	—	—	—	(10)
		(10)	—	—	—	(10)
Amounts recoverable from reinsurers						
Recoveries of incurred claims and other insurance service expenses		—	—	10	—	10
Recoveries and reversals of recoveries of losses on onerous underlying contracts		—	1	—	—	1
Adjustments to assets for incurred claims		—	—	(3)	—	(3)
		—	1	7	—	8
Investment components and premium refunds		—	—	—	—	—
Net expenses from reinsurance contracts		(10)	1	7	—	(2)
Foreign exchange movement		—	—	1	—	1
Total changes in the statement of profit or loss and OCI		(10)	1	8	—	(1)
Cash flows						
Premium paid		15	—	—	—	15
Amounts received		—	—	(10)	—	(10)
Total cash flows		15	—	(10)	—	5
Net closing balance		2	2	17	1	22
Closing assets		4	2	18	1	25
Closing liabilities		(2)	—	(1)	—	(3)
Net closing balance		2	2	17	1	22

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 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)

US\$m	Note	Year ended 31 December 2023				Total
		Assets for remaining coverage		Assets for incurred claims		
		Excluding loss-recovery component	Loss-recovery component	Estimates of PV of FCF	Risk Adjustment	
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						
<i>Allocation of reinsurance premium paid</i>		(19)	—	—	—	(19)
		(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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (continued)

(b) Effect of contracts initially recognised in the year/ period

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
30 June 2024 (Unaudited)				
Claims and other insurance service expenses payable	(3,420)	(123)	—	(3,543)
Insurance acquisition cash flows	(984)	(63)	—	(1,047)
Estimates of present value of cash outflows	(4,404)	(186)	—	(4,590)
Estimates of present value of cash inflows	5,088	175	—	5,263
Risk adjustment for non-financial risk	(46)	(3)	—	(49)
Contractual Service Margin (CSM)	(638)	—	—	(638)
Amount included in insurance contract assets/liabilities for the period	—	(14)	—	(14)
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)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Insurance and reinsurance contracts (continued)

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

(ii) Reinsurance contracts held

US\$m	Contracts initiated	Contracts acquired	Total
30 June 2024 (Unaudited)			
Estimates of present value of cash inflows	467	—	467
Estimates of present value of cash outflows	(545)	—	(545)
Risk adjustment for non-financial risk	5	—	5
Contractual Service Margin (CSM)	77	—	77
Amount included in reinsurance contract assets/ liabilities for the period	4	—	4
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

(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.

US\$m	As at 30 June 2024			As at 31 December 2023		
	Insurance contracts	Reinsurance contracts held	Total	Insurance contracts	Reinsurance contracts held	Total
			(Unaudited)			
Within one year	556	(35)	521	579	(32)	547
One to five years	1,557	(79)	1,478	1,637	(68)	1,569
Five to ten years	1,123	(47)	1,076	1,189	(35)	1,154
More than ten years	1,710	(98)	1,612	1,845	(69)	1,776
Total	4,946	(259)	4,687	5,250	(204)	5,046

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 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)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 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.

Type of contract	Market and credit risk			Significant insurance and lapse risks
	Direct exposure		Indirect exposure	
	Insurance contract liabilities	Risks associated with related investment portfolio		
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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 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 30 June
2024

(Unaudited)	1 year		5 years		10 years		15 years		20 years	
	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
Spot rates										
USD	5.01 %	5.96 %	4.28 %	5.23 %	4.32 %	5.27 %	4.43 %	5.38 %	4.68 %	5.63 %
HKD	4.56 %	5.40 %	3.72 %	4.55 %	3.61 %	4.45 %	3.68 %	4.51 %	3.70 %	4.53 %
THB	2.34 %	2.97 %	2.48 %	3.11 %	2.73 %	3.37 %	3.00 %	3.63 %	3.31 %	3.94 %
JPY	0.17 %	0.17 %	0.59 %	0.59 %	1.08 %	1.08 %	1.55 %	1.55 %	1.93 %	1.93 %
CNY	1.53 %	1.75 %	1.99 %	2.20 %	2.24 %	2.45 %	2.58 %	2.80 %	2.93 %	3.15 %

As at 31
December 2023

Spot rates	1 year		5 years		10 years		15 years		20 years	
	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 %

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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15 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 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15 FINANCIAL INVESTMENTS (continued)

15.1 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:

US\$m	Policyholder and shareholder investments				Total
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		
	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
30 June 2024 (Unaudited)					
Government bonds					
United States	—	868	—	469	1,337
Japan	—	—	—	1,735	1,735
Thailand	—	—	—	10,485	10,485
Other	—	734	—	364	1,098
Sub-total	—	1,602	—	13,053	14,655
Government agency bonds¹					
AAA	3	7	—	—	10
AA	—	534	—	211	745
A	—	164	—	369	533
BBB	—	104	—	290	394
Below investment grade	—	3	—	6	9
CCC or not rated	—	—	—	—	—
Sub-total	3	812	—	876	1,691
Corporate bonds					
AAA	—	150	—	10	160
AA	7	475	—	179	661
A	95	2,789	89	1,996	4,969
BBB	85	1,966	113	1,775	3,939
Below investment grade	—	11	18	788	817
CCC or not rated	59	72	54	27	212
Sub-total	246	5,463	274	4,775	10,758

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15 FINANCIAL INVESTMENTS (continued)

15.1 Debt securities (continued)

US\$m	Policyholder and shareholder investments				Total
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		
	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
30 June 2024 (Unaudited)					
Structured securities²					
AAA	—	133	—	29	162
AA	6	288	—	19	313
A	29	343	12	36	420
BBB	—	56	1,104	1	1,161
Below investment grade	—	—	—	—	—
CCC or not rated	2	100	—	3	105
Sub-total	37	920	1,116	88	2,161
Others					
Certificate of deposits	—	—	—	12	12
Sub-total	—	—	—	12	12
Total³	286	8,797	1,390	18,804	29,277

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 30 June 2024, debt securities of US\$3,402m, US\$505m, US\$19m and US\$5m are restricted due to local regulatory requirements in Thailand, Macau, Indonesia and the Philippines, respectively

US\$m	Policyholder and shareholder investments				Total
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		
	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
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 bonds¹					
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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15 FINANCIAL INVESTMENTS (continued)

15.1 Debt securities (continued)

US\$m	Policyholder and shareholder investments				Total
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		
	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
31 December 2023					
Structured securities²					
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
Total³	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.

As at 30 June 2024 and 31 December 2023, debt securities of US\$357m and US\$194m, 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 22 for additional information on the associated liabilities.

15.2 Equity securities

Equity securities at fair value through profit and loss:

US\$m	Policyholder and shareholder investments		Total
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder investments	
30 June 2024 (Unaudited)	119	270	389
31 December 2023	71	604	675

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15 FINANCIAL INVESTMENTS (continued)

15.3 Interests in investment funds

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

US\$m	Policyholder and shareholder investments		Sub-total	Unit-linked	Total
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder investments			
30 June 2024 (Unaudited)	4,653	2,039	6,692	3,059	9,751
31 December 2023	4,306	1,576	5,882	2,785	8,667

Note:

¹ As at 30 June 2024 and 31 December 2023, interests in investment funds of US\$138m and US\$98m are restricted due to local regulatory requirements in Macau.

15.4 Loans and deposits

US\$m	As at	As at
	30 June 2024	31 December 2023
	(Unaudited)	
Accreting deposits and promissory notes	494	584
Term deposits	404	406
Other financial receivables	8	9
Provision for impairment	(3)	(3)
Total	903	996

Accreting deposits and promissory notes are stated at amortised cost. As at 30 June 2024 and 31 December 2023, the accreting deposits and promissory notes bear interest rates ranging from 3.8% to 4.5% per annum and 3.8% to 4.5% per annum, respectively, and are repayable upon maturity.

Certain term deposits of US\$37m and US\$37m as at 30 June 2024 and 31 December 2023, respectively, are restricted due to local regulatory requirements.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16 DERIVATIVE FINANCIAL INSTRUMENTS

The followings summarised the Group's derivative exposure:

US\$m	Notional amount	Fair value	
		Assets	Liabilities
30 June 2024 (Unaudited)			
Foreign exchange contracts			
Forwards	7,455	78	(441)
Cross-currency swaps	599	16	(13)
Total foreign exchange contracts	8,054	94	(454)
Interest rate swaps	508	2	(1)
Others			
Warrants and options	623	70	(5)
Bond forward contracts	1,257	2	(72)
Other equity derivatives	50	25	—
Total	10,492	193	(532)
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)

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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**16 DERIVATIVE FINANCIAL INSTRUMENTS** (continued)**Foreign exchange contracts**

Foreign exchange forward and futures contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed price and settlement date. Currency options are agreements that give the buyer the right to exchange the currency of one country for the currency of another country at agreed prices and settlement dates. Currency swaps are contractual agreements that involve the exchange of both periodic and final amounts in two different currencies. Exposure to gains and losses on the foreign exchange contracts will increase or decrease over their respective lives as a function of maturity dates, interest and foreign exchange rates, implied 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 30 June 2024 and 31 December 2023, the Group has a call option with a 5-year exercise period expiring in 2025 pursuant to which the Group has the right to acquire a minority stake in the related party at a discounted price. Refer to Note 27 for details.

Collateral under derivative transactions

As at 30 June 2024, the Group held cash collateral of US\$5m and debt securities collateral with a carrying value of US\$11m for assets, and posted cash collateral of US\$148m and pledged debt securities with a carrying value of US\$289m for liabilities. 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. 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 18 and 22.

Derivatives designated as hedging instruments

During the six months ended 30 June 2024 and year ended 31 December 2023, 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, 30 June 2024 and 31 December 2023. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment. The fair value of the interest rate swap designated as hedging instrument was US\$2m and US\$1m as at 30 June 2024 and 31 December 2023, respectively.

The Group has designated certain foreign exchange derivative assets with fair values of US\$4m and US\$1m, and certain foreign exchange derivative liabilities with fair values of US\$5m and US\$9m as at 30 June 2024 and 31 December 2023, 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\$1m, and certain bond forward derivative liabilities with fair values of US\$9m and US\$14m, as at 30 June 2024 and 31 December 2023, respectively, in cash flow hedges of bond price risk. These hedging relationships were considered highly effective as at 30 June 2024 and 31 December 2023.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 FAIR VALUE MEASUREMENT (continued)

17.1 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 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 FAIR VALUE MEASUREMENT (continued)

17.1 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:

US\$m	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
30 June 2024 (Unaudited)				
Recurring fair value measurements				
Financial assets				
At fair value through OCI				
Debt securities	1,605	25,918	78	27,601
Government bonds	1,561	13,094	—	14,655
Government agency bonds	35	1,653	—	1,688
Corporate bonds	9	10,151	78	10,238
Structured securities	—	1,008	—	1,008
Others	—	12	—	12
At fair value through profit or loss				
Debt securities	—	572	1,104	1,676
Government agency bonds	—	3	—	3
Corporate bonds	—	520	—	520
Structured securities	—	49	1,104	1,153
Equity shares	287	—	102	389
Interests in investment funds	2,500	3,808	3,443	9,751
Derivative financial instruments	—	127	66	193
Total assets on a recurring fair value measurement basis	4,392	30,425	4,793	39,610
<i>% of Total</i>	11 %	77 %	12 %	100 %
Financial liabilities				
Investment contract liabilities without DPF	—	—	44	44
Derivative financial instruments	—	532	—	532
Total liabilities on a recurring fair value measurement basis	—	532	44	576
<i>% of Total</i>	— %	92 %	8 %	100 %

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 FAIR VALUE MEASUREMENT (continued)

17.1 Fair value measurements on a recurring basis (continued)

US\$m	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
31 December 2023				
Recurring fair value measurements				
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	4,650	40,559
<i>% of Total</i>	9 %	79 %	11 %	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
<i>% of Total</i>	— %	88 %	12 %	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 six months ended 30 June 2024 and the year ended 31 December 2023, 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 FAIR VALUE MEASUREMENT (continued)

17.1 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 six months ended 30 June 2024 and year ended 31 December 2023. The tables reflect gains and losses, including gains and losses on assets and liabilities categorised as Level 3 as at 30 June 2024 and 31 December 2023.

US\$m	Debt securities	Equity securities	Interests in investment funds	Derivative financial assets/(liabilities)	Investment contract liabilities without DPF
As at 1 January 2024	1,170	98	3,315	67	(56)
Net movement on investment contract liabilities	—	—	—	—	12
Total gains/(losses)					
Reported under investment return in the consolidated income statement	112	—	95	(1)	—
Reported under fair value reserve and foreign currency translation reserve in the consolidated statement of comprehensive income	(102)	3	(84)	—	—
Purchases	8	1	171	—	—
Sales	(6)	—	(54)	—	—
As at 30 June 2024 (Unaudited)	1,182	102	3,443	66	(44)

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

101	—	86	(1)	—
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US\$m	Debt securities	Equity securities	Interests in investment funds	Derivative financial assets/(liabilities)	Investment contract liabilities without DPF
As at 1 January 2023	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	6	16	20	16	—
Reported under fair value reserve and foreign currency translation reserve in the consolidated statement of comprehensive income	(20)	—	(33)	—	—
Purchases	217	3	311	—	—
Sales	(5)	(1)	(36)	—	—
Settlements	—	—	(17)	—	—
Transfer to other assets	(2)	—	—	—	—
Acquisition of subsidiaries	2	1	—	—	—
Transfer into Level 3	—	—	3	—	—
As at 31 December 2023	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

6	15	20	16	—
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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 20.

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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 FAIR VALUE MEASUREMENT (continued)

17.1 Fair value measurements on a recurring basis (continued)

Level 3 interests in investment funds and debt securities

As at 30 June 2024 and 31 December 2023, 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 reporting period/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 reporting period/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 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.

17.2 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 FAIR VALUE MEASUREMENT (continued)

17.2 Fair value measurements for disclosure purpose (continued)

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 and 30 June 2024 and 31 December 2023 is given below.

US\$m	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
30 June 2024 (Unaudited)				
Assets for which the fair value is disclosed				
Financial assets				
Accreting deposits	—	476	—	476
Total assets for which the fair value is disclosed	—	476	—	476
Liabilities for which the fair value is disclosed				
Financial liabilities				
Medium term / subordinated notes	2,497	—	—	2,497
Total liabilities for which the fair value is disclosed	2,497	—	—	2,497
US\$m	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 FAIR VALUE MEASUREMENT (continued)

17.2 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 30 June 2024 and 31 December 2023.

US\$m	As at 30 June 2024	As at 31 December 2023
	(Unaudited)	
Financial assets		
Loans and deposits	108	99
At fair value through OCI		
Debt securities	10,932	10,899
Government bonds	1,780	1,520
Government agency bonds	907	874
Corporate bonds	7,283	7,768
Structured securities	961	718
Others	1	19
At fair value through profit or loss		
Debt securities	402	591
Government agency bonds	3	3
Corporate bonds	357	474
Structured securities	42	114
Equity shares	119	71
Interests in investment funds	8,464	7,511
Derivative financial instruments	20	23
Cash and cash equivalents	333	194
Total assets on a recurring fair value measurement basis	20,378	19,388
Financial liabilities		
Derivative financial instruments	51	42
Total liabilities on a recurring fair value measurement basis	51	42

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18 OTHER ASSETS

US\$m	As at 30 June 2024	As at 31 December 2023
	(Unaudited)	
Accounts receivable ¹	274	394
Accrued investment income	251	263
Restricted cash	—	2
Deposits	24	23
Prepayments	127	134
Total	676	816

Note:

¹ Accounts receivable as at 30 June 2024 and 31 December 2023 includes cash collaterals of US\$148m and US\$57m posted for derivative liabilities, respectively, and US\$nil and US\$193m posted for recapture of reinsurance arrangement, respectively.

As at 30 June 2024 and 31 December 2023, US\$nil and US\$2m was restricted for the acquisition for investment in associate.

19 CASH AND CASH EQUIVALENTS

US\$m	As at 30 June 2024	As at 31 December 2023
	(Unaudited)	
Cash	1,684	1,188
Cash equivalents	1,122	820
Total	2,806	2,008

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

20 INVESTMENT CONTRACT LIABILITIES

US\$m	As at 30 June 2024	As at 31 December 2023
	(Unaudited)	
At beginning of period/year	56	197
Benefits paid	(14)	(52)
Investment return from underlying assets	2	(1)
Others	—	(88)
At end of period/year	44	56

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21 BORROWINGS

US\$m	As at 30 June 2024	As at 31 December 2023
	(Unaudited)	
Bank borrowings	994	992
Medium term notes	642	641
Subordinated notes	1,786	898
Total	3,422	2,531

Interest expense on borrowings is shown in Note 9. Further information relating to interest rates and the maturity profile of borrowings is presented in Note 25.

Outstanding bank borrowings and notes placed to the market as at 30 June 2024:

Issue date	Nominal amount	Interest rate	Tenor
<u>Bank borrowings</u>			
30 December 2021	US\$1,000m	Note 1	4 years
<u>Medium term notes</u>			
24 September 2014	US\$325m	5.00 %	10 years
6 December 2023	US\$325m	7.78 %	10 years
<u>Subordinated notes</u>			
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
5 April 2024	US\$900m	8.40 %	5 years

Note:

¹ The interest rate of bank borrowing was SOFR plus i) a credit adjustment spread and ii) 1.075% as at 30 June 2024 and 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 30 June 2024 and 31 December 2023, the Group has access to US\$1,185m and US\$1,000m undrawn committed revolving credit facilities, respectively. The credit facilities are unsecured and will be used for general corporate purposes. As at 30 June 2024, US\$500m of the undrawn credit facilities is expiring in 2025 and the remaining US\$685m is expiring in 2027. 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. 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22 OTHER LIABILITIES

US\$m	As at 30 June 2024	As at 31 December 2023
	(Unaudited)	
Trade and other payables ¹	672	675
Distribution agreement payable	25	88
Lease liabilities	101	122
Obligations under repurchase and forward arrangements	342	174
Total	1,140	1,059

Note:

¹ Other payables of the Group as at 30 June 2024 and 31 December 2023 includes US\$5m and US\$43m, respectively, relating to the cash collateral held for derivative assets.

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.

During the six months ended 30 June 2024 and year ended 31 December 2023, 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 15.1 for details.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE CAPITAL, SHARE PREMIUM AND RESERVES

23.1 Share capital and share premium

Ordinary Shares	Number of 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 2023 and 30 June 2024	2,118,816,290	21	—	21
Issued and fully paid:				
Ordinary shares of US\$0.01 each as at 1 January 2023, 31 December 2023 and 30 June 2024	939,953,815	9	6,402	6,411
<hr/>				
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 2023 and 30 June 2024	65,000,000	1	—	1
Issued and fully paid:				
Issue of Management Shares pursuant to the Exchange of Share Capital of FL and FGL on 31 July 2023 (Note 1.2)	34,756,740	—	160	160
Management Shares of US\$0.01 each as at 31 December 2023 and 30 June 2024	34,756,740	—	160	160
<hr/>				
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 2023 and 30 June 2024	120,099,900	1	—	1
Issued and fully paid:				
Issue of Series P Conversion Shares pursuant to the Exchange of Share Capital of FL and FGL on 31 July 2023 (Note 1.2)	120,099,900	1	376	377
Series P Conversion Shares of US\$0.01 each as at 31 December 2023 and 30 June 2024	120,099,900	1	376	377
<hr/>				
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 2023 and 30 June 2024	196,083,810	2	—	2
Issued and fully paid:				
Issue of Series A, B-2 and B-3 Conversion Shares pursuant to the Exchange of Share Capital of FL and FGL on 31 July 2023 (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 and 30 June 2024	196,083,810	2	2,060	2,062
<hr/>				
As at 31 December 2023	1,290,894,265	12	8,998	9,010
As at 30 June 2024 (Unaudited)	1,290,894,265	12	8,998	9,010

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

23.1 Share capital and share premium (continued)

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.

23.2 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

23.3 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 (the "Novation of Perpetual Securities"). As such, the Company has assumed all the rights and obligations as the issuer of each of the perpetual securities.

Issue date	Nominal amount	Distribution rate	Tenor
15 June 2017	US\$500m	Note 1	Perpetual
6 July 2017	US\$250m	Note 1	Perpetual
1 February 2018	US\$200m	Note 2	Perpetual
13 September 2019	US\$600m	6.375 %	Perpetual

Notes:

¹ 0% for first 5 years, and reset to 8.045% on 15 June 2022

² 5.5% for first 5 years, and reset to 6.675% on 1 February 2023

Carrying amount of the perpetual securities:

Issue date	US\$m	
	As at 30 June 2024 (Unaudited)	As at 31 December 2023
15 June 2017	360	360
6 July 2017	178	178
1 February 2018	203	202
13 September 2019	608	608
	1,349	1,348

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 six months ended 30 June 2024 and year ended 31 December 2023, the Group paid distributions of US\$56m and US\$110m, respectively.

23.4 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:

US\$m	As at	
	30 June 2024 (Unaudited)	31 December 2023
Ordinary shares of the subsidiaries of FL and FGL	39	50

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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

23.4 Non-controlling interests (continued)

(a) Preference shares (continued)

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.

23.5 Transactions with non-controlling interests

During the six months ended 30 June 2024 :

On 8 March 2024, the Group acquired an additional 21% of the issued ordinary shares of FWD Takaful Berhad from non-controlling interests holders, for a total consideration of US\$26m.

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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**24 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. The Hong Kong Risk based capital regime ("HKRBC") became effective on 1st July 2024. Previously, on 30 June 2022, the HKIA had approved the early adoption of HKRBC for FWD Life Insurance Company (Bermuda) Limited.) Under HKRBC, FWD Life Insurance Company (Bermuda) Limited is required to maintain an amount of capital not less than the prescribed capital amount (as defined in the Insurance (Amendment) Ordinance 2023) at all times.

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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 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.

(a) 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.

(b) 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.

(c) 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.

(d) 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 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.

(i) 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.

(ii) 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;

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 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.

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 30 June 2024 and 31 December 2023.

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 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 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 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 RISK MANAGEMENT (continued)

Credit risk (continued)

Expected Credit Loss ("ECL") Methodology (continued)

US\$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit- impaired financial assets	Total
30 June 2024 (Unaudited)					
Debt securities under FVOCI					
AAA	383	—	—	—	383
AA	4,117	—	—	—	4,117
A	9,225	—	—	—	9,225
BBB	16,422	—	—	—	16,422
Below investment grade	833	12	—	—	845
CCC or not rated	224	12	—	—	236
Sub-total	31,204	24	—	—	31,228
Loss allowance	(39)	(2)	—	—	(41)
Amortised cost	31,165	22	—	—	31,187
Carrying amount – fair value	27,582	19	—	—	27,601

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 RISK MANAGEMENT (continued)

Credit risk (continued)

Expected Credit Loss (“ECL”) Methodology (continued)

US\$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit- impaired financial assets	Total
30 June 2024 (Unaudited)					
Loans and deposits under amortised cost					
AAA	1	—	—	—	1
AA	39	—	—	—	39
A	296	—	—	—	296
BBB	196	—	—	—	196
Below investment grade	334	—	—	—	334
CCC or not rated	39	—	1	—	40
Sub-total	905	—	1	—	906
Loss allowance	(2)	—	(1)	—	(3)
Carrying amount	903	—	—	—	903

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 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
30 June 2024 (Unaudited)				
Financial assets				
Debt securities	2,416	26,861	—	29,277
Cash and cash equivalents	2,806	—	—	2,806
Loans and deposits	—	903	—	903
Equity securities	—	—	389	389
Interests in investment funds	—	—	9,751	9,751
Derivative financial instruments	—	—	193	193
Accrued investment income	—	—	251	251
Other assets	—	—	298	298
Total financial assets	5,222	27,764	10,882	43,868
Insurance and reinsurance contract assets				
Insurance contract assets				635
Reinsurance contract assets				2,444
Total insurance and reinsurance contract assets				3,079
Financial liabilities				
Borrowings ¹	497	2,925	—	3,422
Other liabilities	—	533	607	1,140
Derivative financial instruments	—	—	532	532
Total financial liabilities	497	3,458	1,139	5,094
Insurance and reinsurance contract liabilities				
Insurance contract liabilities				38,560
Reinsurance contract liabilities				378
Total insurance and reinsurance contract liabilities				38,938

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 RISK MANAGEMENT (continued)

Interest rate risk (continued)

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

Note:

¹ Borrowings of US\$497m and US\$496m as at 30 June 2024 and 31 December 2023, respectively, bear variable interest rates and are hedged with interest rate swaps. Refer to Note 16 for details.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 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)	Impact on shareholders' allocated equity (before the effects of taxation)	Impact on CSM
30 June 2024 (Unaudited)				
+50 basis points shift in yield curves				
Insurance contracts and reinsurance contracts held	60	1,181	60	23
Financial instruments	(69)	(1,320)	(69)	—
	<u>(9)</u>	<u>(139)</u>	<u>(9)</u>	<u>23</u>
- 50 basis points shift in yield curves				
Insurance contracts and reinsurance contracts held	(73)	(1,284)	(73)	(54)
Financial instruments	77	1,455	77	—
	<u>4</u>	<u>171</u>	<u>4</u>	<u>(54)</u>
31 December 2023				
+50 basis points shift in yield curves				
Insurance contracts and reinsurance contracts held	11	1,332	11	11
Financial instruments	(21)	(1,436)	(21)	—
	<u>(10)</u>	<u>(104)</u>	<u>(10)</u>	<u>11</u>
- 50 basis points shift in yield curves				
Insurance contracts and reinsurance contracts held	(41)	(1,454)	(41)	(46)
Financial instruments	24	1,587	24	—
	<u>(17)</u>	<u>133</u>	<u>(17)</u>	<u>(46)</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 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)	Impact on shareholders' allocated equity (before the effects of taxation)	Impact on CSM
30 June 2024 (Unaudited)				
10 per cent increase in equity prices				
Insurance contracts and reinsurance contracts held	(633)	1	(625)	131
Financial instruments	771	—	760	—
	<u>138</u>	<u>1</u>	<u>135</u>	<u>131</u>
10 per cent decrease in equity prices				
Insurance contracts and reinsurance contracts held	626	(1)	618	(126)
Financial instruments	(771)	—	(760)	—
	<u>(145)</u>	<u>(1)</u>	<u>(142)</u>	<u>(126)</u>
31 December 2023				
10 per cent increase in equity prices				
Insurance contracts and reinsurance contracts held	(613)	1	(613)	121
Financial instruments	777	—	777	—
	<u>164</u>	<u>1</u>	<u>164</u>	<u>121</u>
10 per cent decrease in equity prices				
Insurance contracts and reinsurance contracts held	598	(1)	598	(119)
Financial instruments	(777)	—	(777)	—
	<u>(179)</u>	<u>(1)</u>	<u>(179)</u>	<u>(119)</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 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
30 June 2024 (Unaudited)				
Financial assets	22,377	1,173	13,666	2,245
Financial liabilities	(3,834)	(153)	(83)	(320)
Insurance and reinsurance contract assets	176	79	27	2,550
Insurance and reinsurance contract liabilities	(13,372)	(4,061)	(13,808)	(5,467)
Net notional amounts of currency derivatives	(5,165)	2,955	1,268	1,445
5% strengthening of original currency				
Impact on profit before tax				
Financial instruments	58	201	4	1
Insurance contracts and reinsurance contracts held	(41)	(228)	—	—
Impact on total equity				
Financial instruments	—	198	755	169
Insurance contracts and reinsurance contracts held	—	(199)	(689)	(146)
Impact on CSM				
Insurance contracts and reinsurance contracts held	—	38	52	73
5% strengthening of US dollar				
Impact on profit before tax				
Financial instruments	58	(190)	(4)	(1)
Insurance contracts and reinsurance contracts held	(41)	216	—	—
Impact on total equity				
Financial instruments	—	(187)	(755)	(169)
Insurance contracts and reinsurance contracts held	—	188	689	146
Impact on CSM				
Insurance contracts and reinsurance contracts held	—	(35)	(52)	(73)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 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 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
5% strengthening of original currency				
Impact on profit before tax				
Financial instruments	71	178	(4)	1
Insurance contracts and reinsurance contracts held	(37)	(229)	—	—
Impact on total equity				
Financial instruments	—	173	748	120
Insurance contracts and reinsurance contracts held	—	(206)	(733)	(186)
Impact on CSM				
Insurance contracts and reinsurance contracts held	—	43	63	81
5% strengthening of US dollar				
Impact on profit before tax				
Financial instruments	71	(168)	4	(1)
Insurance contracts and reinsurance contracts held	(37)	217	—	—
Impact on total equity				
Financial instruments	—	(164)	(748)	(120)
Insurance contracts and reinsurance contracts held	—	196	733	186
Impact on CSM				
Insurance contracts and reinsurance contracts held	—	(39)	(63)	(81)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 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 14 for additional information on the Group's insurance contract liabilities, as well as to the Insurance Risks section within this note.

US\$m	Total	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	No fixed maturity
30 June 2024 (Unaudited)								
Financial and insurance contract assets								
Fair value through OCI debt securities	27,601	1,177	978	1,141	1,175	1,640	21,490	—
Fair value through profit or loss debt securities, equity securities and interests in investment funds	11,816	60	30	137	41	11	1,397	10,140
Loans and deposits	903	159	249	146	33	15	301	—
Derivatives financial instruments	193	36	15	2	48	77	15	—
Insurance contract asset (Estimated PV of future cash flow)	1,471	118	86	72	65	63	1,067	—
Reinsurance contract asset (Estimated PV of future cash flow)	2,202	345	120	105	97	94	1,441	—
Other assets	549	512	11	4	7	—	15	—
Cash and cash equivalents	2,806	2,806	—	—	—	—	—	—
Total	47,541	5,213	1,489	1,607	1,466	1,900	25,726	10,140
Financial and insurance contract liabilities								
Insurance contract liabilities (Estimated PV of future cash flow)	(33,678)	(3,543)	(2,076)	(1,898)	(1,788)	(1,610)	(22,763)	—
Reinsurance contract liabilities (Estimated PV of future cash flow)	(485)	(126)	(27)	(24)	(21)	(19)	(268)	—
Investment contract liabilities	(44)	—	—	—	—	—	(44)	—
Borrowings	(3,422)	(1,225)	(994)	—	—	(886)	(317)	—
Derivative financial instruments	(532)	(162)	(129)	(98)	(78)	(45)	(20)	—
Other liabilities	(1,039)	(1,032)	—	(1)	—	(1)	(5)	—
Lease liabilities	(101)	(35)	(27)	(17)	(13)	(7)	(2)	—
Total	(39,301)	(6,123)	(3,253)	(2,038)	(1,900)	(2,568)	(23,419)	—

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 RISK MANAGEMENT (continued)

Liquidity risk (continued)

US\$m	Total	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	No fixed maturity
31 December 2023								
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)	—

The amounts payable on demand in the insurance contract liabilities represent the policyholders' account values of US\$35,701m and US\$37,720m as at 30 June 2024 and 31 December 2023 respectively.

Transactions within the Group

Intra-group transactions are overseen by the relevant Group Office functions to ensure adherence with the relevant Group policies. The Group risk function oversees the processes to identify and assess material systematic intra-group transaction risks, and ensure risks assumed are within the Group's risk management framework. During the six months ended 30 June 2024 and year ended 31 December 2023, material intra-group transactions related to reinsurance, intra-group dividends, loans, recharges, funding and bonds.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**26 SHARE-BASED COMPENSATION**

During the six months ended 30 June 2024 and the year ended 31 December 2023, 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. Saved 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.

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.

Details of outstanding RSUs and share options as at 30 June 2024 and 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:

Number of shares	Six months ended 30 June 2024	Year ended 31 December 2023
	(Unaudited)	
Outstanding at beginning of the period/year	1,775,456	1,991,586
Awarded	—	1,232,612
Forfeited	(366,540)	(1,247,142)
Vested	(369,308)	(201,600)
Outstanding at end of the period/year	1,039,608	1,775,456

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 six months ended 30 June 2024 and 2023 was US\$14m and US\$63m, respectively.

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 six months ended 30 June 2024 and 2023 was US\$14m and US\$12m, respectively.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26 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:

Number of share-options	Six months ended 30 June 2024	Year ended 31 December 2023
	(Unaudited)	
Outstanding at beginning of the year	46,563	237,063
Awarded	8,655	24,000
Forfeited	—	(6,945)
Vested	(19,332)	(207,555)
Outstanding at end of the year	35,886	46,563

Valuation methodology

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 six months ended 30 June 2024 and the year ended 31 December 2023 was US\$1m and US\$1m, respectively.

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 six months ended 30 June 2024 and 2023 was US\$1m and US\$2m, respectively.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

27 RELATED PARTY TRANSACTIONS

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

US\$m	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Short-term employee benefits	11	11
Share-based payments	10	2
Other benefits	1	2
Total	22	15

(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\$15m and US\$14m for the provision of telecommunication, IT and investment advisory, advertising and consulting services to the Group for the six months ended 30 June 2024 and 2023, respectively.
- (ii) The Group has underwritten various group insurance contracts with related companies. The total premium received from those contracts for the six months ended 30 June 2024 and 2023 was US\$14m and US\$26m, respectively.
- (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 six months ended 30 June 2024 was US\$24m, US\$14m and US\$2m, respectively. The total premiums ceded, claim recoveries received and commission income received for the six months ended 30 June 2023 was US\$23m, US\$13m and 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 these contracts for the six months ended 30 June 2024 was US\$11m, US\$7m and US\$1m, respectively. The total premium revenue, claims incurred, and commissions paid from these contracts for the six months ended 30 June 2023 was US\$113m, US\$40m and US\$21m, respectively.
- (v) The Group charged related parties US\$1m and US\$1m for administration services during the six months ended 30 June 2024 and 2023, respectively.
- (vi) The Group had recapture fee payable to related company of US\$nil and US\$193m as at 30 June 2024 and 31 December 2023, respectively.
- (vii) 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 30 June 2024 and 31 December 2023, the fair value of the call option was US\$66m and US\$67m, respectively. The call option will be expired on 8 December 2025.
- (viii) The Group held financial investments of US\$42m and US\$98m issued or controlled by related parties as at 30 June 2024 and 31 December 2023, respectively.
- (ix) Related companies invested in the subordinated notes and perpetual securities issued by the Group with aggregate principal amounts of US\$144m and US\$144m as at 30 June 2024 and 31 December 2023, respectively. The total interest and distributions accrued to these related companies for the six months ended 30 June 2023 and 2024 was US\$5m and US\$5m, respectively. Refer to Notes 21 and 23.3 for further details.
- (x) The Group has investment fund balances of US\$74m and US\$nil managed by the related company as at 30 June 2024 and 31 December 2023, respectively.
- (xi) The Group had amounts due from related companies of US\$7m and US\$6m as at 30 June 2024 and 31 December 2023, respectively. The amounts due are unsecured, interest-free and repayable on demand.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

27 RELATED PARTY TRANSACTIONS (continued)

(b) *Transactions and balances with related parties:* (continued)

- (xii) In addition, the Group had outstanding payable to related companies of US\$3m and US\$3m as at 30 June 2024 and 31 December 2023, respectively. The payables due are unsecured, interest-free and repayable on demand.

(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 six months ended 2024 and 2023 were US\$7m and US\$7m, respectively.
- (ii) The Group had an amount due from associates of US\$1m and US\$5m as at 30 June 2024 and 31 December 2023, respectively. The amounts due are unsecured, interest-free and repayable on demand.
- (iii) The Group had a loan to an associate at US\$4m and US\$nil as at 30 June 2024 and 31 December 2023 which is interest-bearing and repayable on the maturity date.
- (iv) The Group had a loan to a joint venture at US\$nil and US\$6m as at 30 June 2024 and 31 December 2023, which is interest-bearing and repayable on maturity date.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

28 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:

US\$m	As at 30 June	As at 31 December
	2024	2023
	(Unaudited)	
Within one year	18	20
In the second to fifth years	48	47
Over five years	72	97
Total	138	164

Investment and capital commitments

The Group has investments and capital commitments to invest in its private equity partnerships and other financial investments.

US\$m	As at 30 June	As at 31 December
	2024	2023
	(Unaudited)	
Within one year	271	223
In the second to fifth years	615	541
Over five years	—	—
Total	886	764

Commitments in Malaysia

As of 30 June 2024 and 31 December 2023, the Group had planned to invest a total of US\$45m and US\$48m, respectively, in Malaysia.

Capital commitment for acquisitions and investments

As of 30 June 2024 and 31 December 2023, the Group agreed to make additional payments in aggregate amounts of up to US\$29m and US\$93m, respectively, 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 consolidated 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 consolidated financial statements.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

29 EVENTS AFTER REPORTING PERIOD

On 20 June 2024, the Company priced 7-year subordinated dated capital securities with principal amount of US\$600m at coupon rate of 7.635%. The notes were issued on 2 July 2024.

On 9 July 2024, the Company settled US\$900m subordinated notes on the scheduled maturity date.

On 16 July 2024, the Company issued a redemption notice to redeem the US\$600m 6.375% perpetual securities on 13 September 2024.